



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food
Hon. Bill Barlee, Minister

Roasters (300,000 kg annually)
Fraser Valley
Summer 92

Agdex 450 - 810

Introduction

The planning process provides producers with the opportunity to look at their operation as a group of distinct enterprises. Alternative enterprises should be evaluated on the basis of **Contribution Margin**, taking into consideration resource constraints, market opportunity and risk.

The **Contribution Margin** must provide funds for interest, overhead and other fixed expenses as well as a return for living expenses, loan repayment, and investment. These items should be included in the overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Statement**.

Key Factors Affecting Profit

	Target
Feed Conversion	2.05
Market Price	\$1.22/kg
Mortality	under 7%
Processor Condemnation	under 1.5%

Roasters are grown according to a number of different processor programs, often in conjunction with broiler chickens where about 40% of the liveweight chicken are pulled from the barn at fryer weight (2 kg or less) and typically sex separate. Pullets grow at a slower rate with a tendency to be more fat than cockerals and may be fed differently.

Marketing Alternatives

Roaster producers must be registered with the B.C. Chicken Marketing Board and own quota which limits the kilograms of liveweight chicken produced per cycle. As there is no distinction between roaster and broiler quota, any combination of market weights may be produced within the total quota owned. In 1992 and 1993, producers are entitled to grow six cycles per year. Roaster producers typically grow their yearly quota entitlement in four batches. Producers are free to contract to supply any processor desired.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc		25				25			25			25
%Exp		25				25			25			25

The above information indicates the timing of monthly flow of funds included in the contribution margin only. A completed **Projected Cash Flow** should include fixed expenses, capital sales and purchases, loans, and personal expenses.

Rules of Thumb

Direct Expenses as % of Income	60-70%
Estimate of Labour	225 hrs/batch

The above indicators are provided for comparison purposes. They are set out as potential targets for roaster production.

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ROASTERS (300,000 kg Annually)

Target Weight - 3.0 kg/bird

Contribution Margin 1 Roaster / batch

Income	Yield	Price	Unit	Incme
Roaster Sales	3	\$1.22	kg	\$3.67
Bonus	3	0.03	kg	0.09
Condemnations	1.5		%	(0.06)
Total Income				\$3.70

Direct Expenses

Feed	Quantity	Price	Unit	Expense
Feed #1	0.30	.292	kg	\$0.09
Feed #2	0.55	.297	kg	0.16
Feed #3	0.80	.290	kg	0.23
Feed #4	0.70	.287	kg	0.20
Feed #5	0.50	.276	kg	0.14
Feed #6	0.65	.271	kg	0.18
Feed #7	1.85	.262	kg	0.48
Feed #8	0.90	.254	kg	0.23
Total Feed	6.25	.274	kg	\$1.71

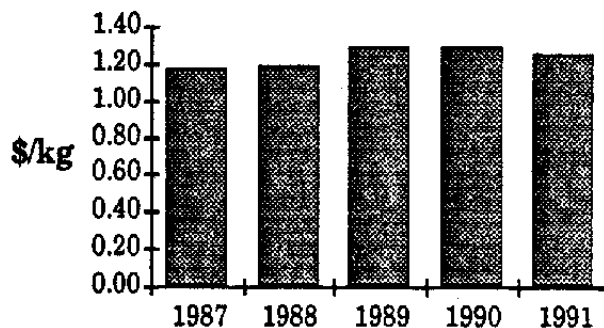
Supplies and Services

Sexed Chicks	1	0.4775	chick	\$0.48
Medications			bird	0.03
Levies	3	0.022	kg	0.07
Catching	1	0.048	bird	0.05
Litter	1.25	0.017	sq.ft.	0.02
Waste Removal	1.25	0.024	sq.ft.	0.03
Energy and Water			bird	0.06
Maintenance & Repairs			bird	0.03
Total Direct Expenses				\$2.48
Contribution Margin/Roaster				\$1.22
Contribution Margin/kg				\$0.41

New Buildings & Equipment, & Quota Costs 300,000 kg Annual Capacity

Buildings	\$175,000
Barn Equipment	110,000
Miscellaneous Capital	30,000
Total Buildings & Equip.	\$315,000
Quota (off farm)	\$2.25/kg annual prod.

Roaster Prices



Contribution Margin/kg - Sensitivity Analysis

The table below lists the changes to contribution margin as the average cost of feed and market price vary.

Feed \$/kg	Price/kg			
	1.12	1.17	1.22	1.27
0.234	0.39	0.44	0.49	0.54
0.254	0.35	0.40	0.45	0.50
0.274	0.31	0.36	0.41	0.46
0.294	0.26	0.31	0.36	0.41

This information is provided as a guideline only. Target yield indicates above average production. An individual livestock plan should be developed by each producer. Planning forms may be obtained from your local office of the B. C. Ministry of Agriculture and Fisheries.