




PLANNING FOR PROFIT

 **BRITISH COLUMBIA** Ministry of Agriculture and Food

**Squab
Fraser Valley
Summer 1998**

Agdex 454 - 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, risk and uncertainty.

The **Contribution Margin** must provide funds for interest, overhead and other indirect 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
Grade #1 Squab/pair/year	85%
Mortality	10
	2%

Housing for pigeons and squabs consists of the traditional "California" style housing system that consists of a pigeon house with three enclosed sides and an open mesh side facing away from the prevailing winter winds. Double nest box systems are used to hold 12 to 16 adult pairs. Ensure that the breeding stock is of the highest possible quality. Pigeons are fed a pigeon pellet ration and a mixture of wheat and corn. A pair of pigeons will produce 8 to 10 squabs per year. Squabs reach market weight (approx. 0.45 kg) at 32 days.

Marketing Alternatives

There are two federally inspected processing facilities in the Fraser Valley. Producers market squab through the processing facilities, an independent marketer or by direct marketing. The major market for squab is the Asian community. Producers are faced with unrestricted low-cost imports of frozen squab from the U.S.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	8	8	8	8	8	8	8	8	8	8	8	8
%Exp	8	8	8	8	8	8	8	8	8	8	8	8

The above information indicates the monthly timing 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. The cash flow illustrated represents a producer with 8 complete cycles in a year.

Rules of Thumb

Direct Expenses % of Income	60% - 65%
Estimate of Labor	140 hr/100pr/yr
Investment/Breeding Pair	\$170 - \$180

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

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SQUAB PRODUCTION

Target Yield - 10 squab/pair/yr

Contribution Margin 1,000 Breeding Pairs Fraser Valley

Income	Yield	Price	Unit	Income
Grade #1	3,864	\$15.40	kg	\$59,506
Grade 2	545	13.20	kg	7,194
Utility	91	9.90	kg	901
Condemned	45	0		0
Total (eviscerated)	4,545			
Total Income				\$67,601
Total Income/kg Produced				\$14.87

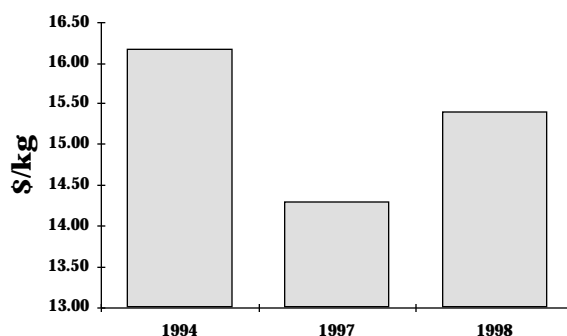
Direct Expenses

	Quantity	Price	Unit	Expense
<u>Feed</u>				
Corn	50.87	\$301	MT	\$15,312
Supplement	11.16	430	MT	4,799
Replacement	12.71	301	MT	3,825
<u>Other Costs</u>				
Litter & Energy				70
Medication				455
Energy				480
Miscellaneous				130
Transportation & Fuel				480
Custom processing				15,500
Building R & M				600
Equipment R & M				510
Total Direct Expenses				\$42,161
Contribution Margin				\$25,440
Total Direct Expenses/kg Produced				\$9.27
Contribution Margin/kg Eviscerated				\$5.60

Buildings and Machinery Replacement Costs 1,000 Breeding Pairs

Buildings	\$50,000
Storage Building	10,000
Equipment/Truck	<u>51,000</u>
Total	\$111,000
Start up operations require the purchase of breeders	
	\$60,000

Wholesale Squab Price Grade #1



Contribution Margin/kg - Sensitivity Analysis

The table below lists the changes to the contribution margin per eviscerated kg of product as the cost of feed and market price vary.

Price \$/tonne	Price \$/kg (eviscerated)			
	14.50	14.75	14.87	14.95
300	5.56	5.81	5.93	6.01
320	5.23	5.48	5.60	5.68
350	4.73	4.98	5.10	5.18
375	4.32	4.57	4.69	4.77

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 Food.