



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture,
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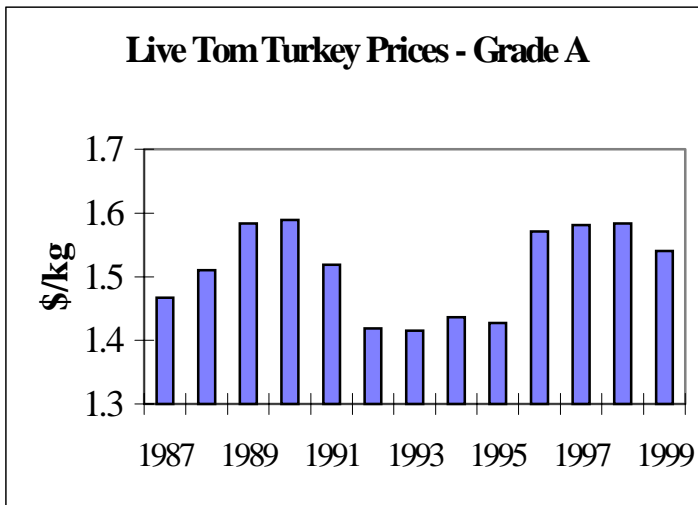
Heavy Tom Turkeys—Fraser Valley Spring 2000

This information is a tool to project costs and returns for B.C. farm enterprises and is a general guide to plan individual farm operations.

This sample budget should be used as a guide only and should not be used for business analysis. Each farm should develop their own budget to reflect their production goals, costs and market prices.

Information regarding financial planning and other enterprise budgets may be downloaded from the internet at <http://www.FBMInet.ca/bc> or obtained from your local office of the B.C. Ministry of Agriculture, Food and Fisheries.

Market Factors



Turkeys are presently killed by two federally registered processing plants in B.C., both located in the Fraser Valley. Producers can contract with any processing plant capable of handling their product.

Risk Factors & Strategies

- High financial leverage can leave producers vulnerable to changes in turkey and input prices. Solid financial planning is a key to profitability.
- Disease—Turkeys are vulnerable to various respiratory diseases. A good environmental health and vaccination program is required.
- Trade negotiations create uncertainty about future profit levels in the industry. Potential entrants to the industry need to factor this risk into their decision making.

Key Success Factors

- Financial Management
- Disease Control
- Husbandry Skills

Turkey producers must be registered with the BC Turkey Marketing Board and must have quota.

Currently producers may only grow approximately 78% of their quota allotment.

Sample Enterprise Budget and Worksheet Heavy Tom Turkeys—10,000 Birds Shipped per Cycle, Fraser Valley

The sample enterprise budget provided should be viewed as an approximation only. Use the column “Your Estimate” to reflect your specific production situation.

The sample budget is based on interviews with producers and the BCMAFF commodity specialist. Cost and revenue estimates are based on representative practices in the area.

Projected Income

	Yield	Unit	Price	Income	Your Estimate
Grade A	45,770	kg	1.54	70,486	.....
Undergrade	68,655	kg	1.48	101,609	.....
Condemnations	<u>575</u>	kg	0	<u>0</u>	.....
Total Projected Income	115,000	kg		172,095	.....

Projected Direct Expenses

	Quantity	Unit	Price	Expense	Your Estimate
Feed (weighted average price)	299.13	tonnes	308.95	92,417	.....
Poults (fully serviced)	11,428	bird	2.01	22,970	.....
Levies (net of GST)	115,000	kg	0.0465	5,348	.....
Catching	10,000	bird	0.18	1,800	.....
Utilities				2,300	.....
Vet & Medicine				460	.....
Cleaning				1,700	.....
Litter				2,338	.....
Bldg & Equipment R&M				6,788	.....
Insurance				<u>550</u>	.....
Total Projected Direct Expenses				136,669	.....

Calculation of Projected Net Income

To assess net income, **indirect expenses** must be subtracted from income. Indirect expenses do not vary with the level of output and are typically associated with inputs used in more than one enterprise and must be allocated appropriately (prorated) between uses.

	Your Estimate
Projected Income
Less Projected Direct Expenses	-
= Contribution Margin	=
Less Projected Indirect Expenses	
Depreciation (e.g., buildings and equipment)	-
Interest	-
Other Indirect Expenses (e.g., operator labour)	-
= Projected Net Income	=

Assumptions

The following assumptions were made in calculating the sample budget:

- Target yield –11.5 kg per bird
- 3 cycles per year (10,000 birds shipped per cycle).
- 40% Grade "A"; 60% Undergrade
- Number of poults placed = 11,428; Mortalities = 12.5%
- Levies are net of GST
- Utilities Costs are based on 0.02 \$/kg
- 3252 sq metre open sided finishing barn (0.3252 sq metres per bird)
- Barns are cleaned out after each cycle
- Repair and maintenance costs are calculated as 3% of total building and equipment replacement costs.
- Feed program:

	Quantity (tonnes)	Cost/10,000 \$/tonne	Birds
Pre-starter	8.50	361	3,069
26% Turkey starter	29.33	349	10,234
23% Turkey Grower	56.10	323	18,120
20% Grower	78.75	303	23,861
18% Developer	93.45	296	27,661
16% Finisher	33.00	287	9,471
Total Feed	299.13		92,417

Sensitivity Analysis

The profitability of a heavy tom turkey operation will be strongly influenced by yield, market prices and the cost of feed. The tables below illustrate the changes to:

- projected income as yield varies;
- projected income as the prices of heavy toms vary; and
- projected direct expenses as feed costs vary.

Yield	Income*	Price \$/kg	Grade A	Utility	Income*	Feed Expense \$/tonne	Direct Expenses
Low 9.50	142,166	Low 1.48	1.42	165,230	Low 289	130,687	
Average 10.50	157,130	Average 1.51	1.45	168,662	Average 309	136,669	
Target 11.50	172,095	Target 1.54	1.48	172,095	Average 309	136,669	
High 12.50	187,060	High 1.57	1.51	175,528	High 329	142,652	

*Price \$1.54/kg Grade A
\$1.48/kg Utility

*Yield 11.5 kg/bird

Cash Flow Timing

The table below indicates the timing of monthly flow of income and direct expenses. A complete Projected Cash Flow should include indirect expenses, capital sales and purchases, loans and personal expenses.

Month	J	F	M	A	M	J	J	A	S	O	N	D
% Income			33				33				33	
% Direct Expenses	7	7	8	11	7	7	8	11	7	7	8	11

Buildings and Equipment Replacement Cost

Buildings	\$573,750
Barn Equipment	75,000
<u>Miscellaneous Equipment</u>	<u>30,000</u>
Total	\$678,750

References

- Environmental Guidelines for Poultry Producers in British Columbia, BCMAFF.

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