



# PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

## White Potatoes Fraser Valley Summer 1998

Agdex 161-810

### 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 Budget**.

### Key Factors Affecting Profit

	Target
Quantity	13 tons/acre
Grade #1	100%

Yield and quality of the product are affected by cultural practices, planting and harvest timing, harvest practices and storage conditions. Certified seed should be used to improve both yield and grade. An integrated pest management (IPM) program can minimize pesticide use and costs.

A "Vegetable Production Guide for Commercial Growers 1997/1998 Edition" is available from the Lower Mainland Horticulture Improvement Association, Abbotsford, (phone 604-556-3001).

### Marketing Alternatives

Potatoes are produced in southern B.C. under a delivery quota system which is controlled by the B.C. Vegetable Marketing Commission. The majority of production in the Lower Mainland is marketed through the Lower Mainland Vegetable Distributors Inc., and the Cloverdale Lettuce and Vegetable Co-op. Properly stored potatoes can be marketed through to the next early crop season.

### Cashflow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	5	5	5					20	20	20	10	10
%Exp					35	10	5	10	20	10	5	5

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

### Rules of Thumb

Investment	\$3,500 - \$5,500/acre
Labour	16 hrs/acre
Direct Expense % of Income	75% - 85%

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

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# WHITE POTATOES

## Target Yield - 13 tons/acre

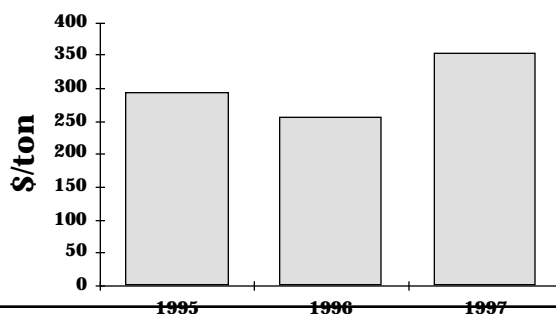
### Contribution Margin 1 Acre of White Potatoes Fraser Valley

<b>Total Income</b>				
	<b>Yield</b>	<b>Price</b>	<b>Unit</b>	<b>Income</b>
White Potatoes	13	\$354	ton	\$4,602
<b>Direct Expenses</b>				
	<b>Quantity</b>	<b>Price</b>	<b>Unit</b>	<b>Expense</b>
<u>Crop Supplies and Service</u>				
Seed	1	\$270	ton	\$270
Cover Crop				6
Seed Treatment	1	44.18	ton	44
<u>Fertilizer</u>				
Custom	0.45	477	ton	215
<u>Crop Protection</u>				
IPM				39
Gramoxone	1	23.77	L	24
Lorox	1.36	38.16	kg	52
Ambush	0.07	160.20	L	11
Cymbush	0.06	87.33	L	5
Pirimor	0.20	103.33	kg	21
Acrobat (2X)	1	37.90	kg	76
Dithane (3X)	0.68	11.70	kg	24
Bravo (3X)	0.75	16.25	L	37
Ridomil (2X)	1	8.64	kg	17
Topkill	1.25	29.20	L	37
<u>Marketing</u>				
Warehouse Charge	13	13	ton	169
Washing/Grading	13	55	ton	715
Packaging	13	80	ton	1,040
Marketing Charge	13	12	ton	156
Commission Fees	13	5	ton	65
Hired Labour	11.5	10	hr	115
Fuel, Oil & Lube				74
Repairs & Maintenance				153
Crop Insurance				50
Storage (if applicable)	13	25	ton	325
<b>Total Direct Expenses</b>				<b>\$3,740</b>
<b>Contribution Margin/acre</b>				<b>\$862</b>

### Buildings and Machinery Replacement Costs Total Farm Size - 100 acre

Buildings	\$65,000
Power Machinery	223,750
Field Machinery	48,200
Handling Equipment	62,500
Irrigation & Drainage	95,000
Vehicles	40,000
Small Tools, Fuel Tanks & Other	<u>18,500</u>
<b>Total</b>	<b>\$552,950</b>

### White Potato Prices



### Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as quantity of yield changes and price received varies.

<b>Price \$/ton</b>	<b>Yield (tons/acre)</b>			
	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>
<b>200</b>	(1,160)	(1,150)	(1,140)	(1,130)
<b>250</b>	(610)	(550)	(490)	(430)
<b>300</b>	(60)	50	160	270
<b>354</b>	534	698	<b>862</b>	1,026
<b>400</b>	1,040	1,250	1,460	1,670

This information is provided as a guideline only. Target yield indicates above average production. An individual crop 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.