



PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

Yellow 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	10 ton/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							20	30	20	10	10
%Exp					40	10	5	10	20	4	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% - 80%

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

Contact: WAYNE ODERMATT, P.Ag.
Provincial Fresh Vegetable Specialist
Abbotsford
GEORGE GELDART, P.Ag.
Business Management Specialist
Vernon

Prepared by: ANDREA HARRIS, M.Sc.
Contractor

YELLOW POTATOES

Target Yield - 10 tons/acre

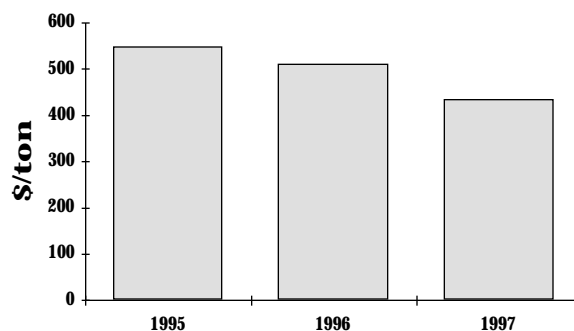
Contribution Margin 1 Acre of Yellow Potatoes Fraser Valley

Total Income				
	Yield	Price	Unit	Income
Yellow Potato	10	\$433	ton	\$4,330
Direct Expenses				
	Quantity	Price	Unit	Expense
<u>Crop Supplies and Service</u>				
Seed	1.1	\$420	ton	\$462
Cover Crop				6
Seed Treatment	1.1	44.18	ton	49
<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	10	13	ton	130
Washing/Grading	10	50	ton	500
Packaging	10	80	ton	800
Marketing Charge	10	12	ton	120
Commission Fees	10	5	ton	50
Hired Labour	13	10	hr	130
Fuel, Oil & Lube				74
Repairs & Maintenance				217
Crop Insurance				50
Storage (if applic.)	10	25	ton	250
Total Direct Expenses				\$3,396
Contribution Margin/acre				\$934

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>
Total	\$552,950

Yellow Potato Prices



Contribution Margin - Sensitivity Analysis

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

Price \$/ton	Yield (tons/acre)			
	8	9	10	11
350	(226)	(61)	104	269
400	174	389	604	819
433	438	686	934	1,182
500	974	1,289	1,604	1,919
550	1,374	1,739	2,104	2,469

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.