



PLANNING FOR PROFIT



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

**Turfgrass
Vancouver Island
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Agdex 273 - 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
Quantity	5,500 yards ² /acre/year
Price	\$1.75 - \$2.25/yard ²

Turfgrass should have good root development for efficient, early sod-cutting. With experience and good management, growing cycle length necessary to achieve this should be approximately 8-12 months. Turf with less than adequate root development will result in higher harvest losses.

Good weed control is important for production of a quality product.

A proper management program consisting of timely fertilization, irrigation and mowing will result in optimum speed of turfgrass development and the ability to harvest a crop early.

Marketing

Research into markets is extremely important when deciding to enter the turfgrass industry. Supply, demand and therefore, price can fluctuate dramatically according to the number of farms producing sod and changes in the market, for example, housing construction. Marketing alternatives, depending on the type of turf grown, include selling to the landscaping market and to the recreation markets. Proper species selection for particular target markets is very important.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc					10	20	20	10	10	15	15	
%Exp			5	15	15	20	10	10	10	10	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	\$12,500-15,000/acre
Direct Expense % of Income	25% - 35%
Total Labour	80-90 hours/acre

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

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TURFGRASS

Target Yield - 5,500 yards²/acre/year

Contribution Margin 1 Acre of Turfgrass Vancouver Island

Total Income

	Yield	Price	Unit	Income
Turfgrass	5,500	\$2.00	yard ²	\$11,000

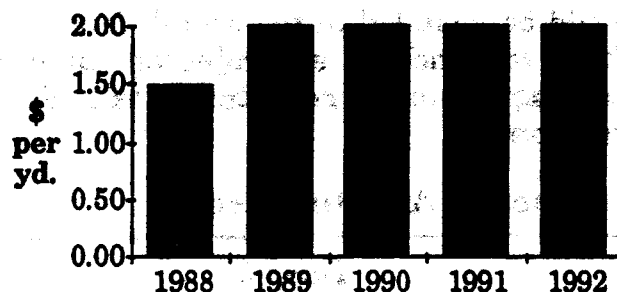
Direct Expenses

	Quantity	Price	Unit	Expense
Seed	156	\$2.00	lb.	\$312
Fertilizers				
N-P-K				500
Lime	1	66.00	tonne	66
Pesticides				
Tri-Kill	3.1	6.00	litre	19
Fuel & Lube				455
Machinery Repair & Maintenance				268
Labour				
Irrigation	12.5	12.00	hour	150
Mowing	22.5	12.00	hour	270
Harvesting	37.5	12.00	hour	450
Marketing				500
Irrigation - Water				250
Pallets				50
Total Direct Expenses				\$3,290
Contribution Margin				\$7,710

Buildings and Machinery Replacement Cost Total Farm Size - 25 Acres

Buildings	\$35,000
Power Machinery	147,950
Field Machinery	73,260
Irrigation & Drainage Systems	43,355
Small Tools & Other	7,520
Vehicles	<u>47,080</u>
Total	\$354,165

Turf Prices Vancouver Is.



Contribution Margin - Sensitivity Analysis

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

PRICE \$/yard ²	Yield Yards ² per Acre			
	4,000	5,000	5,500	6,000
1.00	710	1,710	2,210	2,710
1.50	2,710	4,210	4,960	5,710
2.00	4,710	6,710	<u>7,710</u>	8,710
2.25	5,710	7,960	9,085	10,210

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, Fisheries and Food.