



# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture, Fisheries and Food

**Organic Carrots  
Fraser Valley  
Spring 1996**

**Agdex 258 - 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	1,000 25 lb. bags/acre
Price	\$14.00 -18.00/bag

This budget assumes a high labour input due to a small scale. The land must be prepared thoroughly to minimize weed problems. It is critical to keep weeds under control during the growing season. Damping-off of the seedlings and crusting over of the soil are both problems for organic growers which necessitate repeat seedings.

Carrots should be rotated with other crops to reduce the incidence of pest and disease problems. Compost which has carrots tops in it should not be used for the same reason.

Harvest timing is critical too, since carrots are sweetest if they are harvested at the right time.

## Marketing Alternatives

Organic carrots are a relatively new crop for B.C. Organic growers have the option of selling to organic wholesalers or to a variety of health and organic food outlets in B.C. and Alberta. They also can sell at farmer's markets and roadside stands. Organic wholesalers and retailers have a strong preference for certified organic produce. Certification is offered by a number of agencies in B.C.

## Cashflow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc						5	10	20	40	20	5	
%Ex		45	5	5	5	5	10	15	15			

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.

## Labour Time

Land Preparation	8 hrs/acre
Plant & Fertilize	11 hrs/acre
Weed Control	125 hrs/acre
Harvest	60 hrs/acre
Wash, Pack & Grade	150 hrs/acre

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

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# ORGANIC CARROTS

## Target Yield - 1,000 bags/acre

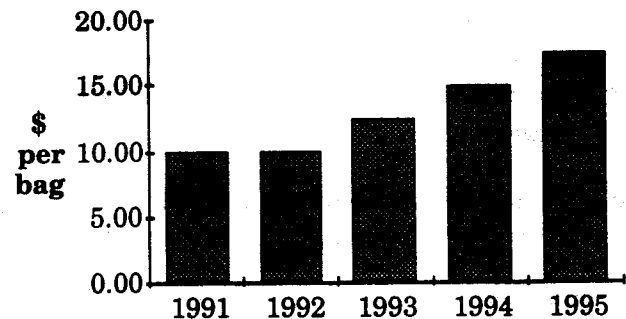
### Contribution Margin 1 acre of Organic Carrots

Income	Yield	Price	Unit	Income
Wholesale	500	\$14.00	bag	\$7,000
Retail	500	18.00	bag	9,000
<b>Total Income</b>				<b>\$16,000</b>
Direct Expenses	Quantity	Price	Unit	Expense
<b>Crop Supplies</b>				
Seed	5	\$14.50	lb.	\$73
<b>Nutrients &amp; Crop Protection</b>				
Compost	5	35.00	yard	175
Lime				47
Bloodmeal	400	.59	lb.	236
Fish Fertilizer (4X)32	2.59		litre	332
<b>Machinery Costs</b>				
Land Preparation				122
Fertilizing				18
Planting				18
Weed Control				20
<b>Marketing</b>				
Packaging	1,000	.45	bag	450
Transport	1,000	2.50	bag	2,500
Cooling	1,000	1.00	bag	1,000
<b>Contract Labour</b>				
Hand Weeding	125	8.55	hour	1,069
Sidedress Labour	12	8.55	hour	103
Harvest Labour	60	8.55	hour	513
Wash & Grade	150	8.55	hour	1,282
Irrigation Hydro				100
Certification				10
<b>Total Direct Expenses</b>				<b>\$8,068</b>
<b>Contribution Margin</b>				<b>\$7,932</b>

### Buildings and Machinery Replacement Cost Total Farm Size - 5 acres

Packing Shed & Storage	\$10,000
Packing Line & Cooler	12,000
Power Equipment	20,000
Field Equipment	18,500
Irrigation	7,500
Wagons	4,000
Vehicle	18,000
Small Tools & Other	<u>5,000</u>
<b>Total</b>	<b>\$95,000</b>

### Carrot Prices



### Contribution Margin - Sensitivity Analysis

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

PRICE \$/bag	Yield 25 lb. bags/acre			
	800	900	1,000	1,200
12.00	2,622	3,264	3,932	5,329
14.00	4,222	5,064	5,932	7,729
16.00	5,822	6,864	7,932	10,129
18.00	7,422	8,664	9,932	12,529

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.