



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture and Food

Organic Peas for Processing Fraser Valley Spring 1996

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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	1.5 tons/acre
Price	\$500 - 560/ton

The land must be prepared thoroughly to minimize weed problems. Peas should be rotated with other crops to reduce the incidence of pest and disease problems.

This model assumes that the peas are planted early to avoid pea aphid infestations. There are no organic management techniques for this pest at this time.

A "Vegetable Production Guide for Commercial Growers" is available from the B.C. Ministry of Agriculture, Fisheries and Food.

Marketing Alternatives

Organic peas for processing are a new crop for B.C. Processors negotiate contracts with organic growers prior to planting.

Cashflow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc									33	33	33	
%Ex				20	40		10	50				

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	4 hrs/acre
Fertilizing	.5 hrs/acre
Planting	8.25 hrs/acre
Weed Control	2.5 hrs/acre

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

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ORGANIC PROCESSING PEAS

Target Yield - 1.5 tons/acre

Contribution Margin 1 acre of Organic Peas for Processing

Total Income

	Yield	Price	Unit	Income
Organic Peas	1.5	\$560.00	ton	\$840

Direct Expenses

	Quantity	Price	Unit	Expense
Crop Supplies				
Seed	300	\$.50	lb.	\$150
Innoculant	6	4.00	pkg	24
Nutrients & Crop Protection				
Poultry Manure	8	6.00	yards	48
Lime				47
Machinery Costs				
Land Preparation				100
Fertilizing				31
Planting				15
Weed Control				25
Certification				10
Total Direct Expenses				\$443
Contribution Margin				\$397

Buildings and Machinery Replacement Cost Total Farm Size - 60 acres

Office, Workshop & Storage	\$50,000
Power Equipment	57,000
Field Equipment	76,400
Irrigation	27,000
Drainage	27,000
Harvest Equipment	8,000
Vehicle	18,000
Small Tools & Other	6,600
Total	\$270,000

Organic processing peas are a new crop in B.C. The current buyer for this crop is a U.S. company which pays in U.S. funds. Prices indicated are based on a Canadian dollar conversion of 1.40

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			
	.75	1.0	1.5	2.0
450	(106)	7	232	457
500	(68)	57	307	557
560	(23)	117	397	677
600	7	157	457	757

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.