



BUILDING BUSINESS SUCCESS

Direct Market Mixed Livestock - Pasture Based Production

Spring 2013

The **BUILDING BUSINESS SUCCESS** enterprise budget series has been designed to assist British Columbia producers in developing realistic enterprise budgets for their farm businesses. The enterprise budget is a tool for monitoring farm business performance and in whole farm financial planning.

The sample enterprise budget provided is based on prevailing costs and prices at the time of publication. Costs and returns will vary depending on the specific farm situation, the capital assets available, location of the farm and on the marketing approach adopted. It is critical that, when developing an enterprise budget for your farm operation, current costs and market prices are used.

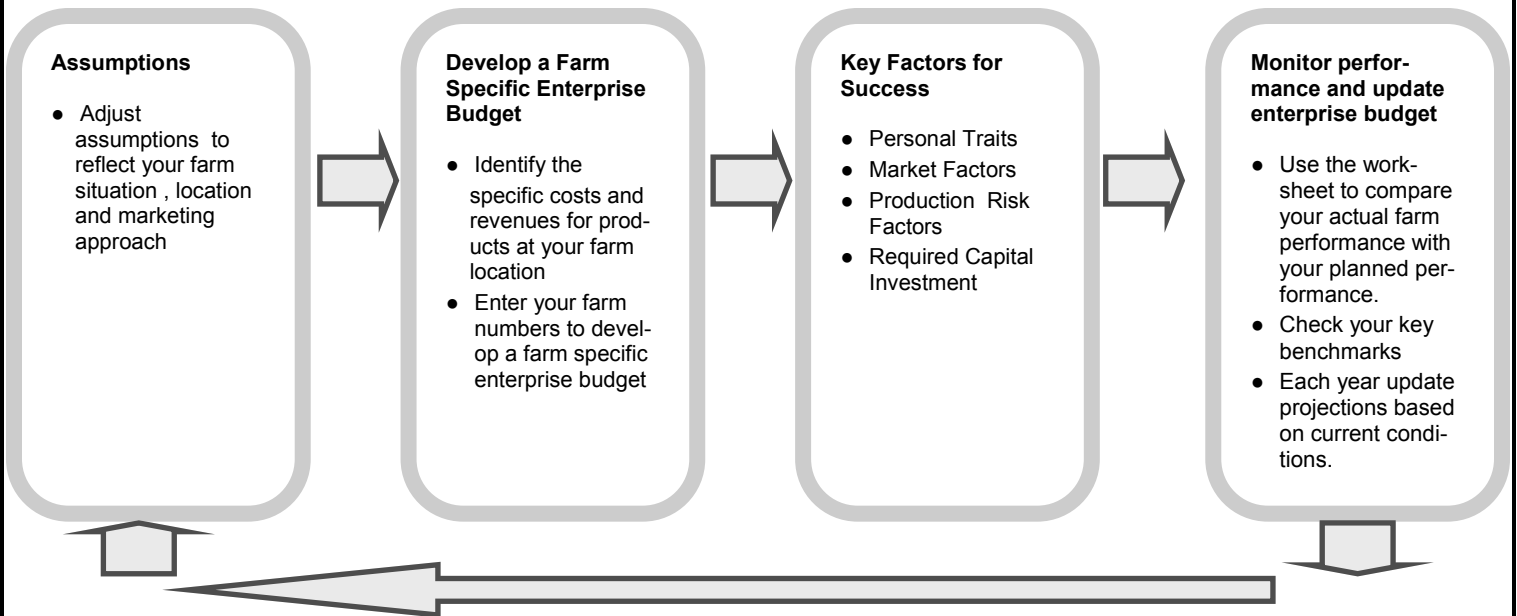
Farms that sell direct to consumers often start small and grow as they develop their market. In the early years returns from other farm operations or off-farm income supplement cash flow. This budget looks at the incremental costs associated with operating a direct market, mixed livestock operation and considers the returns as a return to labour hours invested in the operation. The contribution to net farm income and household income will vary between farms.

This enterprise plan is for production at full capacity with production meeting targets and all product sold. While this should be the goal, it is rarely achieved in the first few years of any business. It is important to include an early growth stage and the potential for unexpected events in your financial planning. The sensitivity analysis provided shows the impact of changes in the key factors driving profitability.

More financial planning material can be found [online](#) or at your local office of the B.C. Ministry of Agriculture.



Overview of the Financial Planning Process





Assumptions

Farm Size

The enterprise budget is based on a 20 acre farm with 8 acres used for beef, 5 acres used for lamb, 2 acres each for broilers and layers. The balance is for the farm buildings and residence.

Returns

Returns are to labour provided by the farm operator and reflect the difference between the incremental revenues and incremental costs related to the mixed livestock operation.

Marketing

Chickens and eggs are sold direct market. The BC Egg Marketing Board allows 99 hens without quota. The BC Chicken Board offers permits for up to 2,000 broilers/yr. It may take time to develop a market so you are encouraged to start with a smaller number of birds and expand production as the market develops.

Lamb and beef are priced for dressed weight, cut, wrapped and frozen. Dressed weight is the weight hanging in the cooler after slaughter and includes all the bones and organ meat. If lamb or beef are sold by parts it is likely the value received for the carcass as a whole will be similar to the value received if sold as dressed weight.

Transport of Animals

The farm is required to transport animals to the processing plant and from the processing plant to the final customer. This may require a specialized vehicle or hiring a service provider.

Refrigeration Cost

The farmer is responsible for getting product from the processing plant to the market. Some refrigeration capacity will be required for transportation to a wholesaler or for short term storage on the farm for farm gate sales.

Bulk Feed

Feed prices are for bulk feed. The farm needs the capacity to collect a one tonne tote of starter feed for broilers. A bulk bin is needed for each of layer feed, sheep grain and broiler grower. A free standing bulk bin can be purchased or one can be built into an existing building. Add 50% to the cost of feed if bag feed is used.

Market Prices and Processing Costs

Prices and processing costs are an average for the province. It is important to check the market prices in your area and the processing costs associated with your location and type of operation.

Interest Rates and Opportunity Cost

The capital needed can be provided in many ways. There is a cost associated with the use of all capital assets. It may be direct costs such as interest on loans or the opportunity cost (returns lost) of not using the asset in another enterprise or investment. This enterprise budget estimates a single 'opportunity cost' of capital at 5% (page 5) which includes but is not limited to interest on loans. It is provided for consideration if producers want to conduct additional financial analysis.

Downgrades and Shrink

It is assumed that chicken downgrades can be cut up and sold as parts or sold in another manner that generates close to the revenue of a #1 whole bird. When lamb and beef are sold as dressed weight there is no shrink. There is an estimated 10% loss in eggs from cracked or damaged eggs.

Layer Pullets

New layers are purchased as ready to lay pullets and kept a maximum of three years. For maximum production they should be culled after two years, and for disease prevention they should not be kept more than three years.

Construction Costs

Construction costs are for prevailing costs at time of publication based on the farmer acting as general contractor and hiring trades to complete the work.



Key Factors for Success

1. A passion for farming and working with animals.
2. Marketing - an excitement about your product and an eagerness to share it with others.
3. Diligent animal husbandry practices.
4. Business management skills to closely monitor costs and compare to budget projections and to similar farm operations.



Market Factors

1. Sales can be at the retail level (direct from farm or at farmers market), wholesale to meat markets or wholesale to brokers. Retail prices > whole sale to meat market prices > wholesale to broker prices.
2. Eggs can only be sold direct to consumer if they are graded.
3. Adding value to products, such as producing sausage, will increase revenue and costs and may increase profitability.
4. Farmers that direct market are price setters, not price takers. Direct market prices vary by region and by method of production. It is important to charge what your product is worth but within the range of comparable products in your area. It is also helpful to know your cost of production in setting prices.



Production Risk Factors

1. Climate Control in the Brooder – the health and vigour of chicks is optimized when the brooder has a consistent temperature with good ventilation. Good climate control in the brooder will result in more consistent weights and lower mortality throughout the cycle.
2. Predation - unprotected free range chickens are easy prey for coyotes, dogs, hawks, owls and eagles. Sheep are susceptible to coyotes and dogs. Steps need to be taken to minimize access of predators to the range area. Consider electric fencing around the perimeter to increase the protection of animals.
3. Mortality of meat chickens raised outside, from placement to shipping, can be 10% - 20%.
4. Disease outbreaks can decimate a flock. The presence of a reportable disease may require a full cull of birds on your farm.
 - * The boiler pasture should be rested four weeks between batches.
 - * Layers, living in the same area year round, can be incubators of disease. Create as large a separation as possible between layers and broilers and cull layers after three years.
5. Growth rates are based on productive pasture. Good pasture management practices and irrigation for dry summer months are essential.
6. To meet the projected lambs per ewe, select a sheep breed that is characterized by a high rate of triplets.



Capital Investments

Capital costs required for the enterprise will vary greatly between farms depending on existing buildings and structures at time of start-up and the marketing methods used. The total capital investment required is also used to determine the depreciation charge for the various commodities.

Capital costs are estimated for a mixed livestock operation starting with bare land. The costs reflect a mixture of new and used equipment. The capital costs are broken out between the four commodities to provide a better understanding of how the start-up capital costs and depreciation are allocated to specific farm enterprises.

See the sensitivity analysis for the impact of capital costs on net returns per labour hour.



Estimated Capital Requirements—Based on Starting With Bare Land

<u>Capital Item</u>	<u>Broiler</u>	<u>Layer</u>	<u>Sheep</u>	<u>Beef Feeders</u>
<u>Commodity Specific</u>				
Buildings				
Brooder ¹	\$8,000			
Shelters ²	\$7,500	\$4,000	\$8,000	
Confined Livestock Areas ³		\$500	\$2,000	
Feed Storage ⁴	\$1,000	\$800	\$4,800	
Range feeders/water troughs	\$1,000	\$300	\$200	\$200
Irrigation	\$2,000	\$2,000	\$5,000	\$8,000
Fencing (perimeter + cross) ⁷	\$2,000	\$2,000	\$5,000	\$8,000
Refrigeration ⁵	\$7,000		\$1,000	\$1,000
Ewes (20 @ \$300)			\$6,000	
Sub-total for Commodity	\$28,500	\$9,600	\$32,000	\$17,200
<u>General</u>				
Truck and Trailer ⁶		\$25,000		
Tractor (> 30 hp) with loader		\$20,000		
Pasture Maintenance - harrow, mower		\$5,000		
Small tools and equipment		\$1,000		
Compost pad/bunker		\$1,500		
Sub-Total General		\$52,500		
Total Capital Investment	\$41,625	\$22,725	\$45,125	\$30,325



Notes to Estimated Capital Requirement

- 1 - 200 sq. ft./ 500 birds @ \$30/sq. ft. + heating, ventilation, feeders and water troughs.
- 2 - layers 2 sq. ft./bird @ \$20/sq. ft.
- 2 - Broilers - 1.5 sq. ft./bird. 500 birds/batch. Two batches in production. \$5/sq. ft.
- 2 - Sheep - 400 sq. ft. shed@ \$20/ft.
- 2 - Beef Feeders - no shelter required if shade is available.
- 3 - Layers need a 1000 sq. ft. confined livestock area for the period when pasture is not growing. Needs to be gravel based in high rainfall areas.
- 3 - Sheep - 1200 sq. ft. confined livestock area for the period when pasture is not growing. Needs to be gravel based in high rainfall areas.
- 4 - Broilers need bulk feed bin for grower ration and the ability to get bulk feed in totes for starter ration - estimated at used feed bin price.
- 4 - Layers need small bulk feed bin - estimated at used feed bin price.
- 4 - Sheep will need hay storage for feed during the period when the pasture is not growing - 200 sq. ft.@ \$20/ft. + bulk bin for grain.
- 5 - Farm direct sales of fresh and frozen meat products will require refrigeration for transport of the product or for holding it on the farm. 500 meat chickens require a small walk-in cooler. Storage of frozen product will need a chest freezer.
- 6 - Broilers, sheep and beef require transport to market.
- 7 - Based on 1600 m. at \$10/m. Based on 3" - 4" posts, one 2X6 top plank and wire mesh + electric fence for rotational grazing. Based on lot size of 400 m. X 200 m.
- 8 - Building R & M is based on 8% of building and equipment from commodity specific section plus a 1/4 share of the for the general section. (Sheep does not include cost of ewes).



Allocation of Capital Costs and Depreciation

	<u>Broiler</u>	<u>Layer</u>	<u>Sheep</u>	<u>Beef</u>	<u>Total</u>
<u>Cost of Capital Assets</u> (minus ewes)	\$41,625	\$22,725	\$39,125	\$30,325	\$133,800
Allocation of R & M for Capital Assets @ 8% ⁸	\$3,330	\$1818	\$3,130	\$2,426	\$10,704
<u>Depreciation Expense</u>					
Buildings (table page 4 in light blue)	\$18,875	\$7,675	\$20,175	\$8,375	\$55,100
- Depreciation Expense (20 years use)	\$944	\$384	\$1,009	\$ 419	\$ 2,755
Equipment(table page 4 in red)	\$22,750	\$15,050	\$18,950	\$21,950	\$78,700
- Depreciation Expense (15 years use)	\$1,517	\$1,003	\$ 1,263	\$1,463	\$ 5,247
Total Depreciation Expense	\$2,460	\$1,387	\$2,272	\$1,882	\$8,002
Opportunity Cost of Capital/Interest (5%)	\$2,081	\$1,136	\$2,256	\$1,516	\$6,690



Potential Revenue—per Commodity and per Acre

<u>Commodity</u>	<u>Area</u>	<u>Quantity</u>	<u>Size Weight</u>	<u>Avg. Price</u>	<u>Revenue</u>	<u>Revenue/ Acre</u>
Broilers ¹	2 acres	2000	3 kg	\$6.99/kg	\$41,925	\$20,963
Layers ²	2 acres	1980	doz.	\$5.00/doz.	\$9,900	\$4,950
Sheep - lamb ³	5 acres	40	22.75 kg	\$17.60/kg	\$16,016	\$3,203
Beef Feeders ⁴	8 acres	10	275 kg	\$8.80/kg	\$24,200	\$3,025
Farm Total					\$92,048	\$5,415

¹ Broiler price is weighted price of 65% #1s at \$7.25/kg. and 35% #2's (utility or cut-ups) at \$6.50/kg.

² Layer quantity is based on 20 doz./year (22.5 doz. - 10% loss) times 99 laying hens.

³ Lamb - Dressed weight is based on 50 lbs. (22.75 kg)/lamb. Price is for dressed weight cut, wrapped and frozen.

⁴ Beef - Dressed weight of 600 lb. (275 kg)/steer. Price is for dressed weight cut, wrapped and frozen.



Estimated Direct Costs

<u>Direct Costs (Commodity Specific)</u>	<u>Broiler</u>	<u>Layer</u>	<u>Sheep</u>	<u>Beef</u>	<u>Total</u>
Livestock ¹					
- day old chicks	\$2,300				
- 99 layer pullets @ \$8 / 3 years		\$264			
- 10 steers 800 lbs @ \$1.10/lb				\$8,800	
Feed ²	\$12,500	\$2,493	\$4,698		
Processing ³	\$8,000	\$792	\$3,902	\$7,643	
Bedding ⁴	\$80	\$40	\$360		
Mineral supplement (Sheep/Beef)			\$50	\$50	
Electricity/gas for brooder	\$500				
BCCMB License	\$20				
Ram Rental			\$200		
Irrigation/Supplemental feed ⁵	\$150	\$150	\$375	\$600	
Electrical for refrigeration	\$150		\$150	\$150	
Sub - Total	\$23,700	\$3,739	\$9,735	\$17,243	\$54,417
<u>Direct Costs (general)</u>					
Advertising	\$250	\$250	\$250	\$250	\$1,500
Building & Equipment Repair Maintenance ⁶	\$3,330	\$1,818	\$3,130	\$2,426	\$10,704
Insurance on Farm Buildings & Farm Gate Sales	\$375	\$375	\$375	\$375	\$1,500
Bank Charges on Farm Account	\$225	\$225	\$225	\$225	\$900
Fuel	\$250	\$250	\$250	\$250	\$1,000
Office	\$75	\$75	\$75	\$75	\$300
Sub-Total	\$4,505	\$2,993	\$4,305	\$3,601	\$15,404



Notes to Estimated Direct Costs

- ¹ Broilers placed - 2300 at \$1/chick based on 13% mortality.
- ¹ Pullets are purchased ready to lay and produce (lay) for 3 years.
- ¹ Beef steers are purchased at 800 lbs. with a target weight at slaughter of 1,200 lb..
- ² Broiler production based feed consumption of 10 kg/bird @ \$625/tonne (2.44 feed conversion).
- ² Layers based on 1.77 feed conversion and 41.975 kg/layer/yr. and a feed cost of \$600/tonne.
- ² Sheep.
- 20 Ewes—500 lb. hay/ewe/yr. @ \$.18/lb. (40 lb. bales at \$7/bale) \$90/ewe
 - 20 Ewes—300 lb. grain/ewe/yr. @ \$.23/lb. (\$500/tonne) \$69/ewe
 - 42 Lambs—165 lb. grain/lamb/yr. @ \$.23/lb. (\$500/tonne) \$38/lamb
- ² Beef steers are grass finished. Grain finishing would add 60 days @ 10 lbs. X \$.25/lb. = \$150/steer.
- ³ Broiler processing costs at \$4.00/bird.
- ³ Layers - 1,980 egg cartons @ \$400/1000.
- ³ Beef - killing cost of \$250/hd. beef plus \$1.87/kg for cutting wrapping and freezing (\$764.25/hd.).
- ³ Sheep - killing cost of \$55/hd. and \$1.87/kg for cutting wrapping and freezing (\$97.54/hd.).
- ⁴ Brooder needs 2 bags of dried shavings per batch @ \$10.00.
- ⁴ Sheep and layers share one, 8 unit load of shavings 90%/10% @ \$400/unit.
- ⁵ Pasture growth slows in the dry summer period without irrigation. Without irrigation supplemental feed is required to meet growth expectations for sheep and beef (\$75/acre).
- ⁶ Based on 8% of asset value.



Labour Needs

	Total	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Broilers	198			16	26	26	26	26	26	26	26		
Layers	180	15	15	15	15	15	15	15	15	15	15	15	15
Sheep	325			3	46	46	46	46	46	46	46		
Beef	150				21	21	21	21	22	22	22		
Total/month	853	15	15	34	108	108	108	108	109	109	109	15	15
Total/day	2.3	.5	.5	1.1	3.6	3.5	3.6	3.5	3.6	3.5	3.5	.5	.5

Labour

Labour time estimates are allocated for each commodity. Careful planning in the start-up period may help reduce labour requirements. Efficiency in shifting paddocks in a rotational grazing system, access to and distribution of feed and distribution of water to the range can reduce labour hours.

If daily chores are kept to two hours per day in the busy period (250 days @ 2 hrs. and 1 hr. a day for the slower periods (115 days @ 1 hr.), production labour will be 615 hours. Time spent on building maintenance, transporting animals and marketing should be added to this for an estimate of the total time required for all enterprises.



Summary of Revenues, Direct Costs and Gross Return to Labour

	Broilers	Layers	Sheep	Beef	Total
Revenue	\$41,925	\$9,900	\$16,016	\$24,200	\$92,041
Direct Costs (Commodity specific)	\$23,700	\$3,739	\$9,735	\$17,243	\$54,417
Direct Costs (General)	\$4,505	\$2,993	\$4,305	\$3,601	\$15,404
Gross Margin	\$13,720	\$3,168	\$1,976	\$3,357	\$22,220
Gross margin per animal	\$ 6.86	\$32.00	\$49.40	\$335.70	
Depreciation	\$2,460	\$1,387	\$2,272	\$1,882	\$8,002
Gross Return to Labour **	\$11,260	\$ 1,781	-\$296	\$1,474	\$14,219
Labour hours	198	180	325	150	853
Return to Labour/hr.	\$56.87	\$9.89	-\$0.91	\$9.83	\$16.67

** This amount is available to cover return to capital, management and other costs. These costs will vary from farm to farm and should be assessed to meet individual requirements.



Sensitivity Analysis

In a farm direct market environment the farmer sets the price and prices generally move with input costs to maintain similar margins over time. The challenge to direct market farmers is to achieve high average weight per animal and sell all the product they produce while minimizing labour.

New direct market farms often have some capital in place. This can reduce the start-up cost and associated depreciation and opportunity costs.

1) Capital Investment Required

The table shows the difference in returns to labour between having to build and purchase all capital equipment and the situations where half or all the capital equipment is in place.

<u>Return to labour per hour</u>	<u>Broilers</u>	<u>Layers</u>	<u>Sheep</u>	<u>Beef</u>
Full capital cost	\$56.87	\$9.89	\$0.91	\$9.83
50% capital cost	\$63.08	\$13.75	\$2.59	\$16.10
0% capital costs	\$69.29	\$17.60	\$6.08	\$22.38

2) Product sales

The table shows the difference in returns to labour when revenue is reduced from product not sold and all other costs are held the same.

<u>Return to labour per hour</u>	<u>Broilers</u>	<u>Layers</u>	<u>Sheep</u>	<u>Beef</u>
100% of product sold	\$56.87	\$9.89	\$ 0.91	\$ 9.83
90% of product sold	\$35.69	\$4.39	\$5.84	\$6.30
80% of product sold	\$ 14.52	\$ 1.11	\$ 10.77	\$ 22.44

3) Average Weights

The table shows the difference in returns when revenue is reduced by smaller market weights and the proportion of feed costs are added back. Beef does not have supplemental feed so is the same as loss of product sales. Layers are in over and under planned production/bird.

<u>Return to labour per hour</u>	<u>Broilers</u>	<u>Layers</u>	<u>Sheep</u>	<u>Beef</u>
10% Over Market weight	\$71.73	\$ 13.57	\$ 3.49	\$22.53
Planned Market Weight	\$ 56.87	\$ 9.89	\$ 0.91	\$ 9.83
90% of Market Weight	\$ 42.01	\$6.22	\$5.31	\$ 2.88
80% of Market Weight	\$27.14	\$ 2.54	\$ 9.72	\$ 15.58

4) Labour Efficiency

The table shows the return to labour per hour using more or less planned labour hours (Sheep no stock with negative returns).

<u>Return to labour per hour</u>	<u>Broilers</u>	<u>Layers</u>	<u>Sheep</u>	<u>Beef</u>
10% more labour hours	\$ 51.70	\$ 8.99	N/A	\$ 8.94
Planned Labour Hours	\$ 56.87	\$ 9.89	\$ 0.91	\$ 9.83
10% less labour hours	\$63.19	\$ 10.99	N/A	\$ 10.92
20% less labour hours	\$ 71.08	\$12.37	N/A	\$ 12.29



Benchmarks for Evaluating Production Performance

All businesses have critical performance measures that drive the profitability of the operation. The critical benchmarks for this budget are:

Free range meat chicken operation:

Average Dressed Weight. The BCCMB permit system is based on the number of birds produced rather than the weight of product produced. Meeting the target average weight is critical to meet revenue projections. Many costs such as chick cost, processing cost and labour cost are based on the number of birds. The higher the averaged dressed weight the less these costs are on a per pound basis.

Mortality. Mortality rates are considered for the period in the brooder and for outside grow out.

- Brooder (weeks 1 - 4) - should be under 2% with ideal brooder conditions
- Grow out (weeks 5 - 10). Given the weather conditions, predator problems and late stage losses, mortality can range from 5 - 15 %. Over time you will establish the level that indicates good performance on your farm.

Feed Usage /Live Weight of Chicken Shipped. Feed is the largest controllable cost. Total feed used per pound of live weight is referred to as the feed conversion rate and should be calculated for each flock or (if overlapping flocks) for each year. Feed conversion for broilers will be impacted by the rate of late stage mortality.

Proportion of Downgrades. Not all birds will be marketable as #1's. Some will have cosmetic imperfections such as a trimmed off wing or trimmed breast skin. These birds can be cut up and sold as parts or sold to people that like to cut up their own. Normally they return a little less revenue than a #1. A good market for cut-ups will reduce the impact of the proportion of downgrades on profitability.

Gross margin per bird. This is the key profitability benchmark. The above benchmarks all have an impact on gross margin per bird.

Beef Production. Steers are purchased in the spring and sold in the fall - approximately 200 days. Target purchase weight is 800 lb. and target sale weight is 1,200 lb. (to get a 600 lb. carcass). To achieve this the steers must gain 2 lb./day on average.

Lamb Production. Lambing rate per ewe and the average dressed weight are the key benchmarks.

Layers: Doz./hen/year and feed cost/doz. are the key benchmarks.



Benchmark Worksheet

Broilers	Planned	Batch 1	Batch 2	Batch 3	Batch 4	Batch 5	Batch 6
Avg. Live Weight (kg)	4.1						
Avg. Dressed Wt. (kg)	3.0						
Mortality Rate	13%						
% Downgrades	35%						
Feed Conversion Ratio	2.44						
Gross Margin	\$ 6.86						

Layers	Planned	Year 1	Year 2	Year 3	Year 4
Dozen Eggs /bird/yr.	20				
Feed cost per doz.	\$1.26				

Sheep	Planned	Year 1	Year 2	Year 3	Year 4
Lambs/ewe	2.2				
Avg. Dressed Wt. (kg)	22.75				

Beef	Planned	Year 1	Year 2	Year 3	Year 4
Avg. Purchase Wt. (lb.)	800				
Avg. Gain /Day (lb.)	2.0				
Avg. Dressed Wt. ((kg)	275				



Worksheet to Estimate Capital Requirements for Your Farm

Every farm is unique and has different assets to start with. Use the capital requirements indicated on page four, and the accompanying notes, to work out the capital requirements for your farm situation. Squares are colour coded - blue for buildings and pink for equipment - to help group costs for estimating depreciation expense.

Capital Item	Broilers	Layers	Sheep	Beef Feeders
<u>Commodity Specific</u>				
Buildings				
Brooder				
Shelters				
Confined Livestock Areas				
Feed Storage				
Range feeders and water troughs				
Irrigation				
Fencing (perimeter + cross)				
Refrigeration				
Ewes				
<u>Sub-total for Commodity</u>				
<u>General</u>				
Truck and Trailer				
Tractor with loader > 30 hp				
Pasture Maintenance - harrow, mower				
Small tools and equipment				
Compost pad/bunker				
<u>Sub-Total General</u>				
Total Capital Investment				
R & M Costs (8% of Capital Assets)				
Depreciation				



Worksheet to Project Revenues, Costs and Returns on Your Farm

<u>Revenue Estimate</u>	<u>#</u>	<u>Weight</u>	<u>Price</u>	<u>Revenue</u>
Broilers				
Layers (doz.)				
Lambs				
Beef				

	<u>Broiler</u>	<u>Layer</u>	<u>Sheep</u>	<u>Beef</u>	<u>Total</u>
<u>Revenue</u>					

Direct Costs (Commodity Specific)

Livestock					
- day old chicks					
- 99 layer pullets @ \$8 / 3 years					
- 10 steers 800 lbs @ \$1.10/lb.					
Feed					
Processing					
Bedding					
Mineral supplement (Sheep/Beef)					
Electricity/gas for brooder					
BCCMB License					
Ram Rental					
Irrigation/Supplemental feed					
Electrical for refrigeration					
Sub - Total					

Direct Costs (general)

Advertising					
Building & Equipment Repair Maintenance					
Insurance on Farm Buildings & farm gate					
Bank Charges on Farm Account					
Fuel					
Office					
Sub-Total					

Gross Return (Revenue— Direct Costs)

Minus Depreciation and Opportunity Costs					
<u>Gross Return to Labour</u>					



Considerations in Developing Your Farm Business Plan

Start-up

Direct markets take time to develop. For poultry, consider starting with smaller batches and grow to full production as markets develop. For layers, consider purchasing $\frac{1}{3}$ of the pullets in each of the first three years. After that $\frac{1}{3}$ can be culled and replaced each year contributing to a more even supply of eggs. If all lamb and beef are not sold direct market, they can be sold at auction -at a lower price.

Capital Costs

Depending on what commodities you choose to produce, identify any capital requirements (listed on page 4) that you need to acquire and add to the estimate of capital costs on page 12. If some of the equipment is available from other sources (e.g. borrow from neighbor) include any associated costs.

General capital costs need to be allocated to the commodities you choose to produce.

Calculate the repair and maintenance and depreciation associated with the level of capital assets you need and enter the values in the appropriate box on page 13.

Cash Flow

For each commodity, operating costs are incurred before revenue is received. Some provisions need to be made to cover expenses before revenues are received. This can be done in a variety of ways. A line of credit from a bank, credit terms with suppliers or other arrangements.

Labour Efficiency

The efficiency of the farm operation has a large impact on the returns per labour hour. Labour efficiency should be a major consideration in planning your farm layout and equipment used on the farm.