**Kansas Rural Center** **Pasture Poultry Enterprise Budget**
**Sustainable Agriculture**
**Management Guide**

August 2003 MG8D.1

Two pasture poultry operations in Kansas provided financial information for this enterprise budget. Both operations produce 2,000 to 3,000 meat chickens a year raised in moveable pens that hold around 100 birds. A few production specifics are identified in this guide followed by an enterprise budget. The budget assumes a thousand-bird enterprise and then compares on-farm processing with custom off-farm processing. Chickens are raised in five 200-bird processing batches. For individuals interested in a larger enterprise, the calculations per batch would remain the same except the debt payments would be less since they are stretched out over more batches.

Most people getting into pasture poultry will probably do it on a "pay as you go" basis with no debt payments. But when you are doing financial analysis of an enterprise, the money spent on start-up has a use value and needs to be considered in the budgeting. This budget places a debt value and payoff over a period of years to recognize the start-up expenses.

## Birds

Both farms utilize Cornish cross chickens. They are very happy with this breed and feel that leg problems can be controlled with the diet ration. They strive to market a 3.75 pound dressed bird at 8 weeks of age. When utilizing off-farm processing, batches are bunched together to reduce transportation expenses. These farmers plan a trip to the processor every two weeks transporting 400 birds. While they have a goal of a 10% death loss, a 15% death loss has been more realistic. This 15% loss has been calculated into these budgets. Predation and starting the chicks contribute to most of the death loss but weather also can wreck havoc.

## Facilities

Both operations utilize old stock tanks for starting their birds. Heat lamps protect the chicks from cold. A top cover protects against predators. Outdoor movable pens are used for the growing birds. Some pens are purchased new for $350 per pen. But most of the pens are built at home using some pretty creative constructions. One farm estimated the costs per house were $200 while the other farm budgets $100 per house supplemented with a lot of children labor. Feeders and waterers are required for each pen and can add up for a larger scale operator.

Feed has to be stored near the growing birds and protected from the weather. Access to water is important and access to electricity is helpful.

## Labor

One variable expense difficult to calculate is labor. Since each operation was different from the other, this budget calculates the net profit and compensates profit back to hours of labor.

Both operations track their labor. They both calculated their pastured poultry enterprise required 40 man-hours per week during the peak of production. This labor includes raising the birds, feed preparation, either on-farm processing or transportation to and from the processing plant and marketing. This averages .20 labor hours per bird or 40 hours per 200-bird batch. One farmer that hires some part time labor says they used to pay by the hour but have since started compensating by the bird killed. They pay $1.15 per bird killed with processing or $0.40 per bird if birds are custom processed.

**Feed Ration**

Both operations have processed their own feed in the past but are now having a processed feed delivered. They are undecided if they are going to continue this way. Here is a feed budget for one of the farmers.

| | | | Your Farm |
|---|---|---|---|
| Corn | 1,000 lbs | $ 47.00 | _____ |
| Soybean meal | 600 lbs | $ 70.50 | _____ |
| Fish meal | 75 lbs | $ 32.63 | _____ |
| Nutri-balancer | 60 lbs | $ 29.00 | _____ |
| Aragonite | 50 lbs | $ 8.25 | _____ |
| Kelp | 50 lbs | $ 23.75 | _____ |
| Total pounds | 1,835 lbs | | |
| Total cost | | $211.13 | _____ |

This budget reflects actual feed costs factored back to the birds killed. Feed costs $1.64 per bird or $327 per 200-bird batch. This budget reflects actual feed expenses factoring in the birds lost that wouldn't be eating feed. The birds averaged 14 lbs of feed consumed per bird for the eight weeks.

**Processing**

Both operations have had experience with both on-farm processing and different custom off-farm processors. One operation is not satisfied with the quality of the custom work and has discovered it hinders customer relationship. The other is very satisfied with the custom processed birds and is willing to raise more birds to offset the processing costs. Custom processing averages $2.30 per bird. It is possible to make more money processing on farm however it requires more labor. Given Kansas's on-farm processing regulations, an enterprise utilizing on-farm processing is restricted to 1000 birds. If you will utilize off-farm processing, you will need to consider the extra transportation expense and the processing fees.

**Marketing**

Both operations base their business on direct sales. Strong customer relationships are critical to their success. For these farmers, marketing has been a greater challenge than production. A person starting a pastured poultry enterprise should have at least two market outlets in case one fails.

These farmers market to restaurants, farmers' markets and directly to customers. They also do some contract growing to diversify their sales. With both farms, 70% of their birds are sold directly to customers. Word of mouth referrals grow the business and newsletters maintain connections with their customers.

**Start-up Investment**

If you decide to start a pasture poultry enterprise, a start-up investment is required. Below is a list of the basic necessities. What you already have on hand can be written off before you acquire this debt, but you should still consider the depreciation of equipment devoted toward this enterprise.

| | | Your Farm |
|---|---|---|
| Houses: 6 pens at $200 each | $1,200 | _____ |
| Equipment: feeders and waterers at $50.00 per pen | $ 300 | _____ |
| Electrical & plumbing | $2,000 | _____ |
| Used pickup for hauling and deliveries | $2,800 | _____ |
| Total start-up investment | $6,300 | _____ |

This is very basic start up expenses. It does not include a tractor or four-wheeler. You could easily have much more invested as enterprise overheads. You then would have to include these additional overhead expenses in your budgets.

This budget does not calculate land expenses. A thousand-bird pasture poultry enterprise utilizes a relatively small acreage. This budget assumes such an enterprise could operate on land already under management. However if you need to purchase land specifically for a poultry enterprise, this would significantly change your enterprise budget.

**Start-up Expenses for On-farm Processing Equipment**

| | | Your Farm |
|---|---|---|
| Used legal for trade scale | $ 250 | _____ |
| Used stainless steel sink | $ 300 | _____ |
| New chicken processing equipment | $3,000 | _____ |
| Used freezers | $ 500 | _____ |
| Start-up on-farm processing equipment | $4,050 | _____ |

**Start-up On-farm Processing Building**

| | | |
|---|---|---|
| Building for processing and sales | $7,000 | _____ |

**Pasture Poultry Budget**

The following budget averages expenses between the two producers researched. These figures are calculated on a thousand-bird per year operation.

**Income**

This budget is calculated on 200 birds per batch with a 15% death loss. This results in 170 birds sold at $2.33 per pound or $8.73 per bird generating $1,484 in income.

**Expense**

| | On-farm Processing | Custom Processing | Your Farm |
|---|---|---|---|
| Feed | $ 327 | $ 327 | _____ |
| Chicks | $ 222 | $ 222 | _____ |
| Supplies | $ 57 | $ 57 | _____ |
| Liability insurance | $ 10 | $ 10 | _____ |
| Freight & trucking at $0.35 mile | $ 41 | $ 41 | _____ |
| Dues & fees: see footnote #1 | $ 34 | $ 34 | _____ |
| Processing | $ 0 | $ 395 | _____ |
| Trucking for processing at $0.35 per mile | $ 0 | $ 49 | _____ |
| Start-up expenses: see footnote #2 | $ 242 | $ 242 | _____ |
| Processing equipment: see footnote #3 | $ 156 | $ 0 | _____ |
| Processing building: see footnote #4 | $ 154 | $ 0 | _____ |
| Total expense | $1,243 | $1,377 | _____ |
| Net profit | $ 241 | $ 107 | _____ |

On an annual basis the net enterprise profit before labor for a 1,000-bird enterprise utilizing on-farm processing would be $1,205. There would be a net enterprise profit of $535 for utilizing custom processing. Using these farm's calculations of 40 hours of labor with each batch, there would be a return of $6.03 per hour with on-farm processing and $2.68 per hour utilizing custom processing.

This budget does take into consideration the dollars use value that could go towards your profit if you did not need to borrow money. Also if the debt payments were stretched over more birds, profits would be increased significantly. Management can be expected to improve with experience improving profitability. Both operations also have taken management steps to reduce their death loss. Just getting the death loss down to 10% would add another $87.30 to the income per batch. However, the above budgets may reveal less profit than many people would expect. It is an enterprise that requires top-notch management and marketing to make it profitable.

#1 Dues & Fees, license, permits, advertising, inspection fees, etc.
#2 $6,300 over 7 yr @ 8% = $1,210 payment divided by 1,000 birds times 200 per batch
#3 $4,050 over 7 yr @ 8% = $778 payment divided by 1,000 birds times 200 per batch
#4 $7,000 over 15 yr @ 7% = $769 payment divided by 1,000 birds times 200 per batch

This enterprise budget was developed by Donn Teske. Donn is a farmer and FINPACK analyst. Funding for this management guide came from USDA's Sustainable Agriculture Research and Education program.