



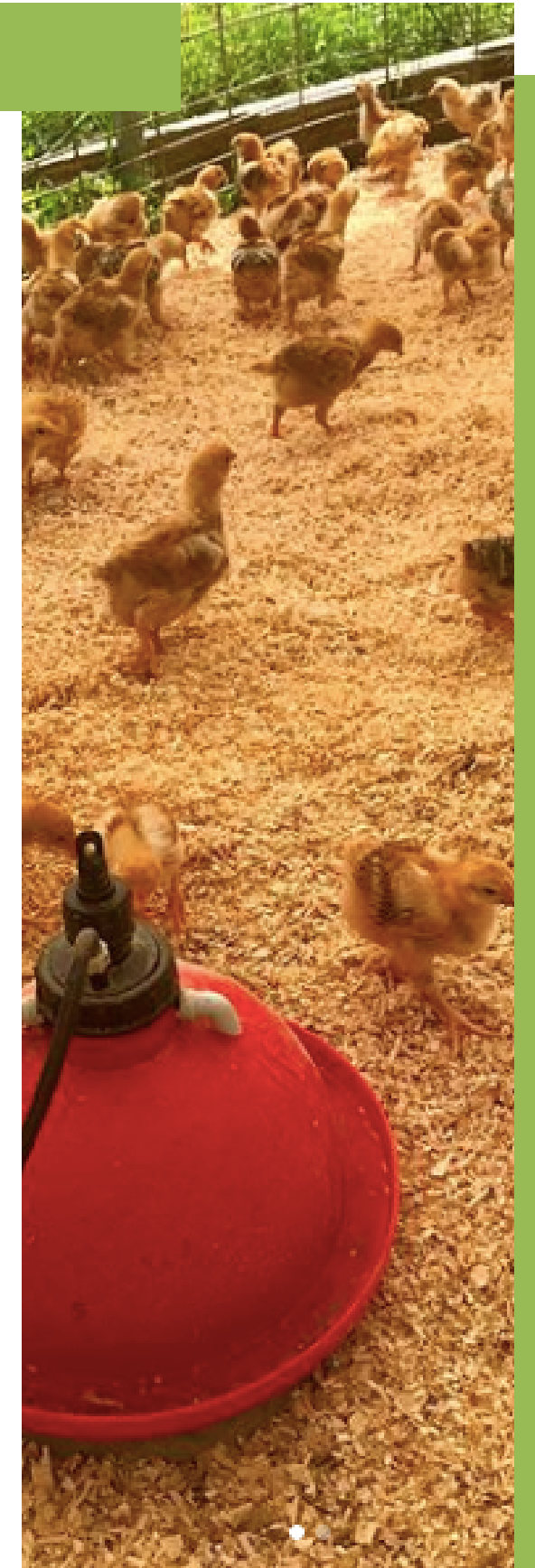
Pastured Poultry On the Diversified Farm

Presented by
Nichki Carangelo

Presentation Outline

TOPICS FOR TODAY

Introduction to Our Farm
Why Add Meat Birds?
Poultry Husbandry Basics
Choosing Your Production Method
Economics of Small Scale Production
Processing Your Birds
Marketing a Product



Letterbox Farm is the combined
effort of an invested team.



Who are we?

3

OWNER / OPERATORS

2

YEAR ROUND TEAM MEMBERS

2

SEASON CREW MEMBERS

1-2

HIGH SEASON INTERNS



Our Priorities



*We seek work that is
engaging, meaningful and manageable.*

LAND STEWARDSHIP + ANIMAL WELFARE

Using organic and
regenerative practices
wherever possible.

PRODUCING HIGH QUALITY PRODUCTS

Sold for a fair price for
both the farmer and the
consumer.

TAKING CARE OF OURSELVES

With manageable work
weeks, a civil servant's
salary + paid leave.



What do we do?

WE STEWARD

64 acres of fields, ravines and woodlands

WE GROW

3 acres of intensively managed vegetables, greens and herbs

WE RAISE

3,000 meatbirds, 500* rabbits, 400 layers and 30 pigs annually

*varies year to year

AVERAGE REVENUE SPLIT:
55% VEG + 45% LIVESTOCK

	2013-2014	2015	2016
Business Structure	2 Sole Proprietorships: Letterbox Farm and the Wooly Pig Pastured Poultry	Merged businesses into multi-member LLC. Set up member loan to equalize equity between 3 equal partners.	
Members/Team	1 - 2 people part-time	3 owners, 1 hired co-manager, all full-time	3 Owner-operators, 3 seasonal crew
Products & Services	Half to 1 acre of vegetables & herbs, 500+ meat birds, trials of new enterprises	2 acres vegetables/herbs, 1500 meat birds, 13 pigs, 150 layers, 125 rabbits, value-adding enterprise	2.5 acres vegetables/herbs/flowers, 24 pigs, 300 layers, 2800 meat birds, 500 rabbits, events
Marketing/ Customers	Restaurants and limited farmers markets	2 Farmers Markets, 10 core restaurants, 15 CSA members, 2 small distributors	3 Farmers markets, 3 small distributors, 10 restaurants, 25 CSA members
Land, Equipment, Infrastructure	Insecure hand-shake lease with no security, very limited access to infrastructure. Hand tools, small equipment, truck and van.	Land purchased! Financed purchase of BCS, compact utility tractor, greenhouse, fencing, irrigation, livestock housing.	Maximizing space with current equip & infrastructure; Developing standard operating procedures; minimal equip investments
Financing	Self-financed; cash-flowed investments out of earnings and off-farm jobs.	USDA 7 Year Microloan + Operating Loan + Member Loan	Servicing debt & cash-flowing investments out of earnings.
Needed Skills	Running a business; basic production skills, administration, marketing, managing land acquisition process; negotiation.	First year "just farming" – focusing on growing production and building systems. Advanced financial and cash flow mgmt, construction & development projects, machine repair, communication/teamwork	All of the previous + managing staff Foray into agritourism/larger land management
Revenue	14k - 45k	137k	210k
% Growth		200% (3x)	55%

WHY WE CHOSE MEATBIRDS

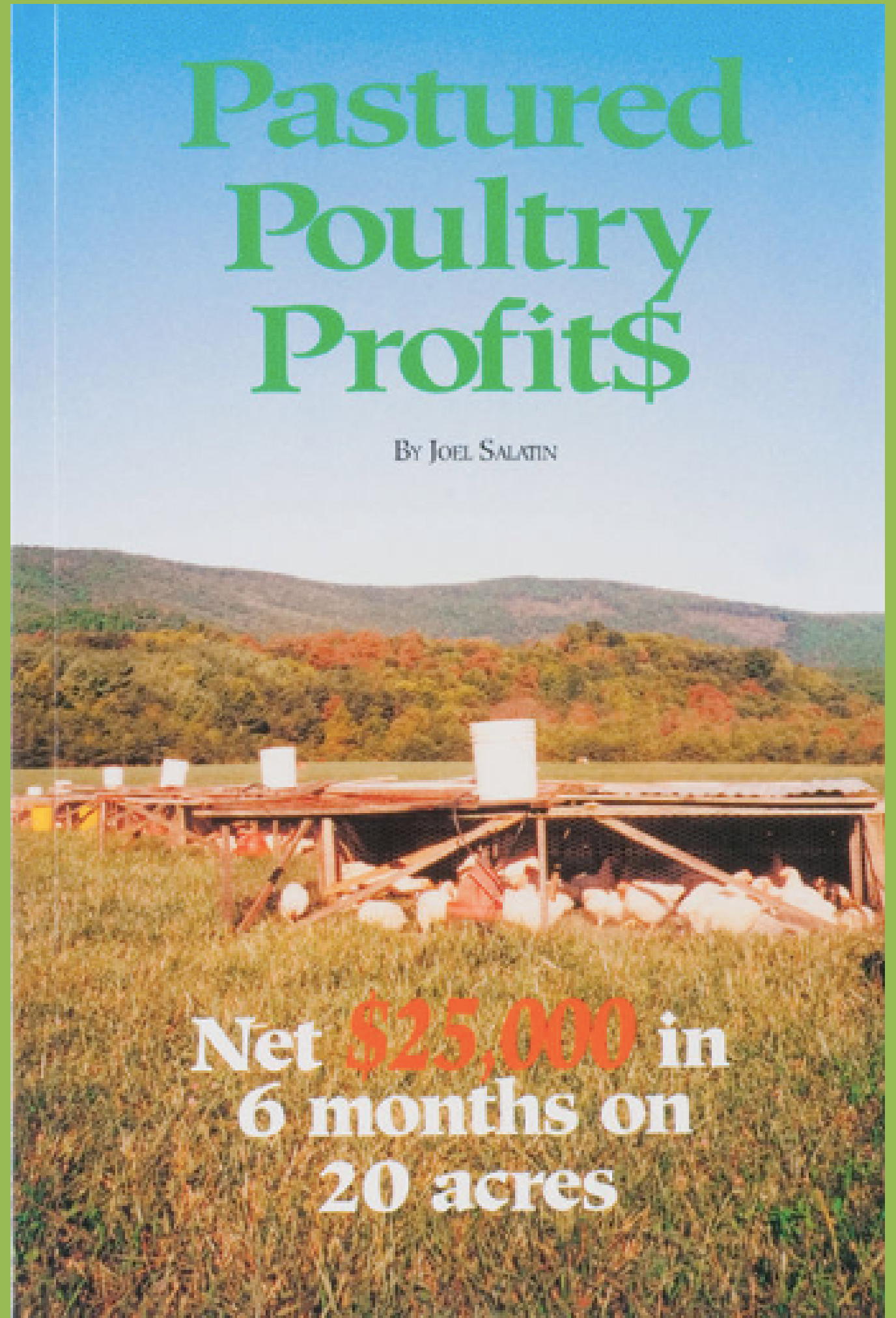
They have a low barrier to entry and they're marketable!



Pastured Poultry Profit\$

By JOEL SALATIN

Net **\$25,000** in
6 months on
20 acres



HOW THEY FIT IN

21% of Annual Sales

15% of Annual Expenses

8.5% of Annual Labor*

*includes all overhead





THE BENEFITS



SIMPLE TO RAISE

Grow quickly
Relatively few health problems
Fairly easy to process + pack



QUICK RETURN ON INVESTMENT

Require just 6-16 weeks,
from start to finish



PORTABLE

Simpler to move for farmers
with insecure land access



EASY TO INTEGRATE

Works well in tandem with
existing enterprises and
markets



MARKETABLE

Chicken is a staple in most
American households



PROFITABLE

Surveyed NY producers
report margins of 25%-50%

THE CHALLENGES



KEEPING COSTS DOWN + EFFICIENCY UP

Feed and other operating costs
can add up fast

PRODUCING AT SCALE

Labor is expensive -
profitability requires us to
maximize output for every hour
spent

LEGAL PROCESSING

Rules and Reg vary from state
to state and USDA slaughter
can be pricy

GETTING A FAIR PRICE

Commercially produced
chicken is widely available at
much lower cost

CHOOSING A BREED, BROODING, SLAUGHTERING,
FEEDING + KEEPING THEM HEALTHY



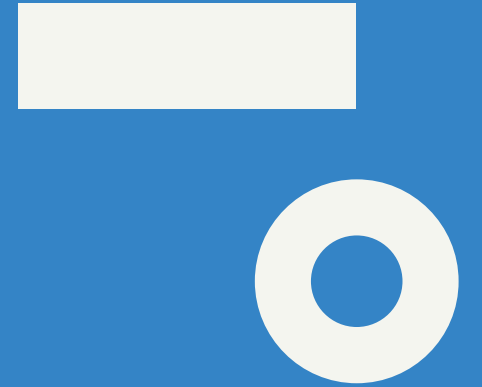
THE BASICS OF POULTRY HUSBANDRY



WITH AN EMPHASIS ON
ECONOMICS!

Choosing Your Breed

OPTIONS FOR A VARIETY OF MARKETS



Cornish X



Red Ranger



Bress



Silkie



Ordering & Receiving Your Chicks



Most farmers order their chicks by mail.

They arrive 2-3 days old and can be shipped year round.

THE BROODER

IS A MAKESHIFT MOTHER HEN



IT NEEDS TO:

KEEP CHICKS WARM + DRY

PREVENT DRAFTS

PROTECT FROM
PREDATORS

PROVIDE ACCESS TO
CLEAN FOOD + WATER

CHIC ECONOMICS

PRICE
PER
CHICK

FOR
BATCH OF
100+

CORNISH
X
\$1.75

RED
RANGER
\$1.25

AMERICAN
BRESS
\$5.00

SILKIE
BROILER
\$2.65

SHIPPING: \$30



BASIC BROODER STATS

PROVIDE MIN .25 SQ FT
PER CHICK

+

EASY ACCESS TO 90
DEGREE HEAT

-

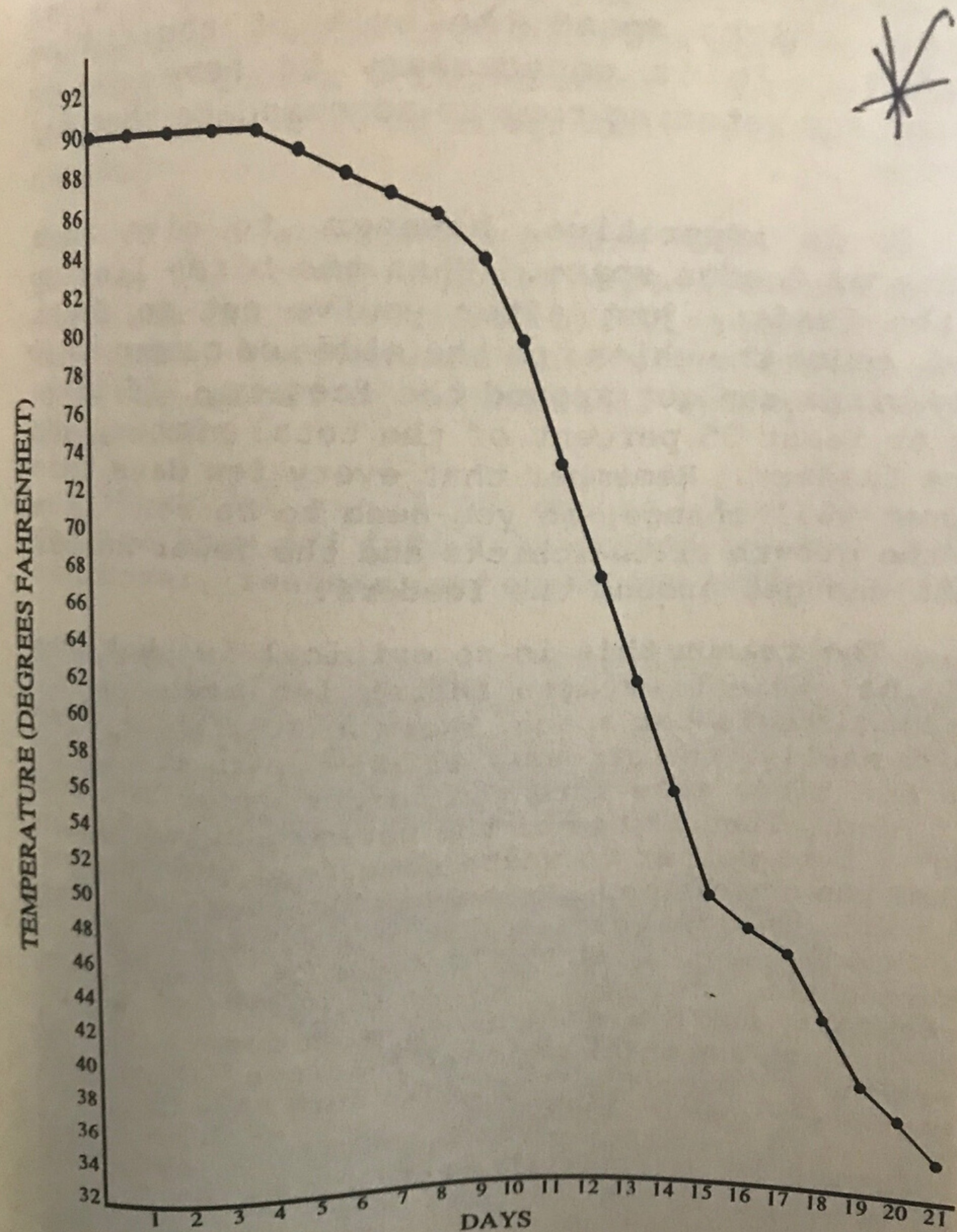


Figure 7-1. Temperature Requirements for Chicks

TEMP REQUIREMENTS BY AGE

FROM PASTURED POULTRY
PROFITS BY JOEL SALATIN



A WELL MANAGED BROODER CAN FOSTER HEALTHY IMMUNE SYSTEMS



BROODER ECONOMICS

BUILDING OUR BROODERS

Specifications

- 2 dirt floor brooders
 - 220 chicks ea.
 - 8' X 8' ea.
 - .29 sq ft / bird
- Materials
 - hog panel, t-posts, plastic mesh + plywood

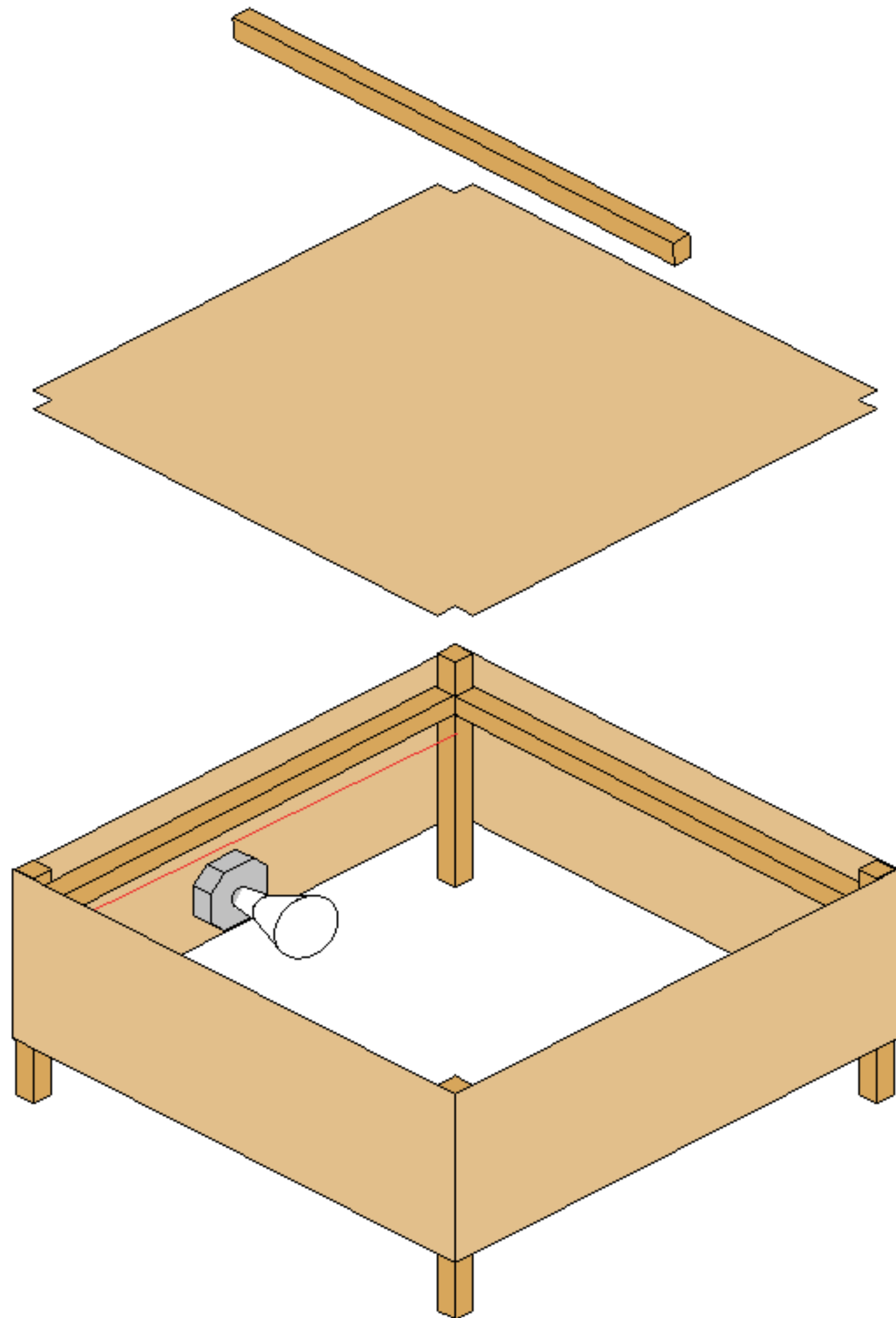
One
8' x 8'
Pen

BROODER ECONOMICS

BUILDING THE PERIMETER

Holds
220
Chicks

ITEM	QUANTITY	COST	TOTAL
16' hog panel	2	\$25	\$50
4' t-posts	4	\$5	\$20
150' plastic mesh	0.5	\$25	\$13
100 pk 6" zip ties	1	\$8	\$8
spool of wire	1	\$5	\$5
		TOTAL	\$96



THE OHIO BROODER

COMFORT ON A BUDGET

**Image & plans from
www.plamondon.com**

One
4' x 4'
Brooder

BROODER ECONOMICS

Warms
220
Chicks

BUILDING AN OHIO BROODER

ITEM	QUANTITY	COST	TOTAL
1/4" plywood	1	\$20	\$20
1" x "1 x 8'	2	\$2	\$4
2" x 2" x 6'	1	\$9	\$9
bulb sockets	2	\$6	\$12
electric plug w. cord	1	\$16	\$16
heat bulbs	2	\$5	\$10
		TOTAL	\$71

Feeds
+ Waters
220 Chicks

BROODER ECONOMICS

FEEDERS & WATERERS

ITEM	QUANTITY	COST	TOTAL
Plasson Bell Drinkers	1	\$45	\$45
10' PVC - 4" ID	1	\$12	\$12
		TOTAL	\$57

BROODER ECONOMICS

TOTAL COST PER BROODER



\$225



Build Your Brooder In Any Secure, Dry and Draft-free Location





BROODER ECONOMICS

BUILDING OUR BARN

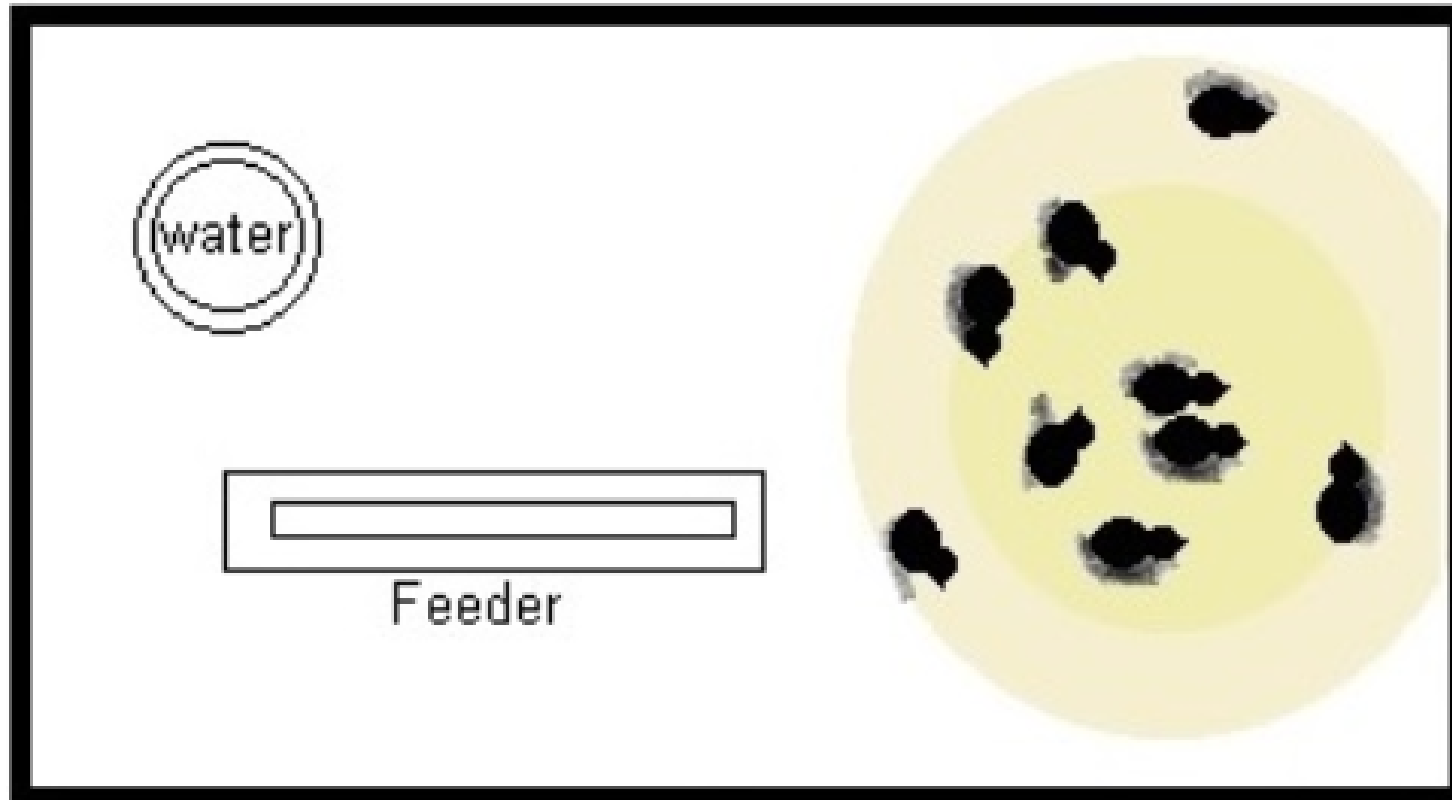
ITEM	QUANTITY	COST	TOTAL
96'x30' GH Kit	1	\$7,833	\$7,833
Construction	0.33	\$6,600	\$2,178
Site Work	0.33	\$3,660	\$1,208
Electric w. Install	0.33	\$5,700	\$1,881
Fans	2	\$150	\$300
Shade Cloth	1	\$400	\$400
		TOTAL	\$13,800



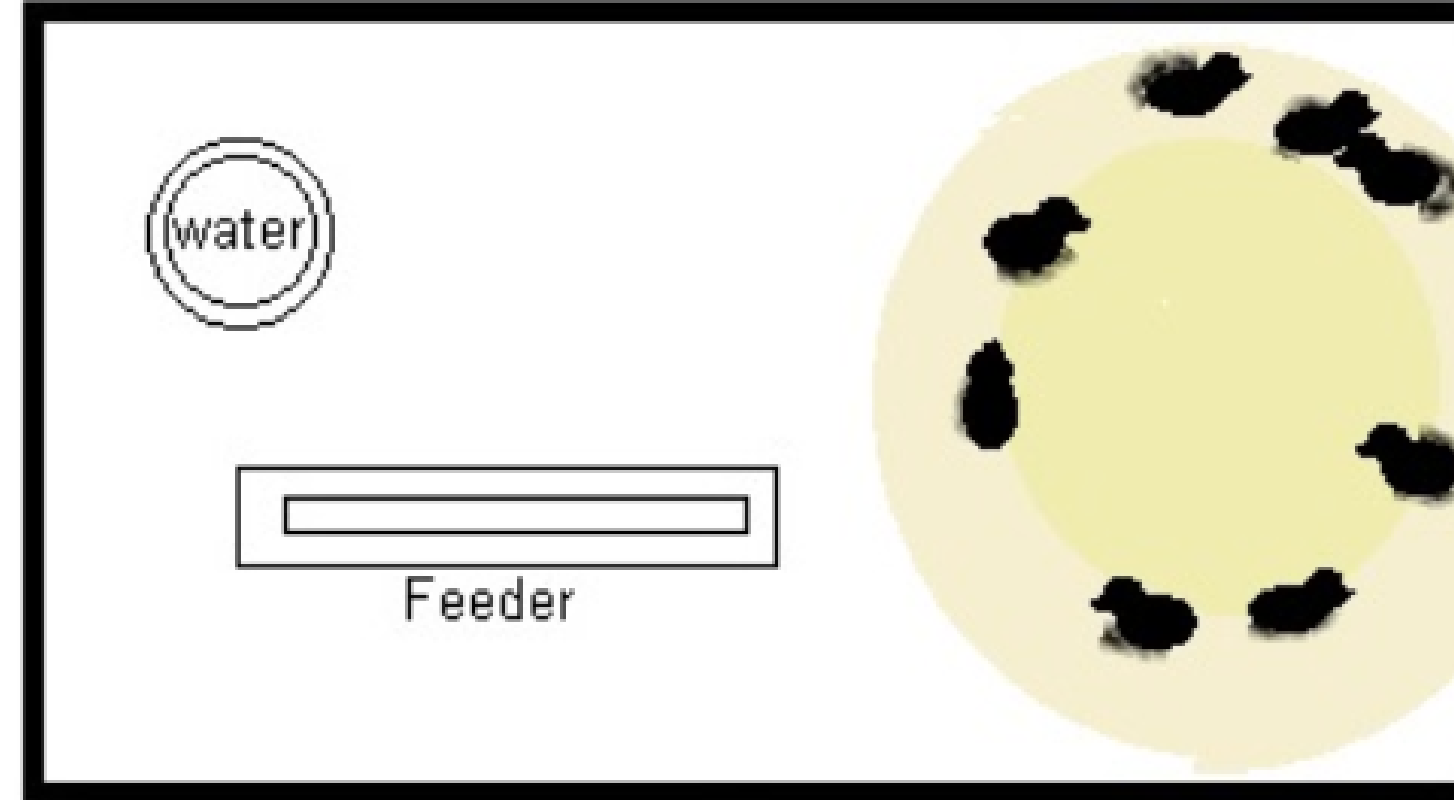
When your chicks are due to arrive...

- **Fill feed + water**
- **Warm up the heat lamps**
- **Put chicks in the brooder**

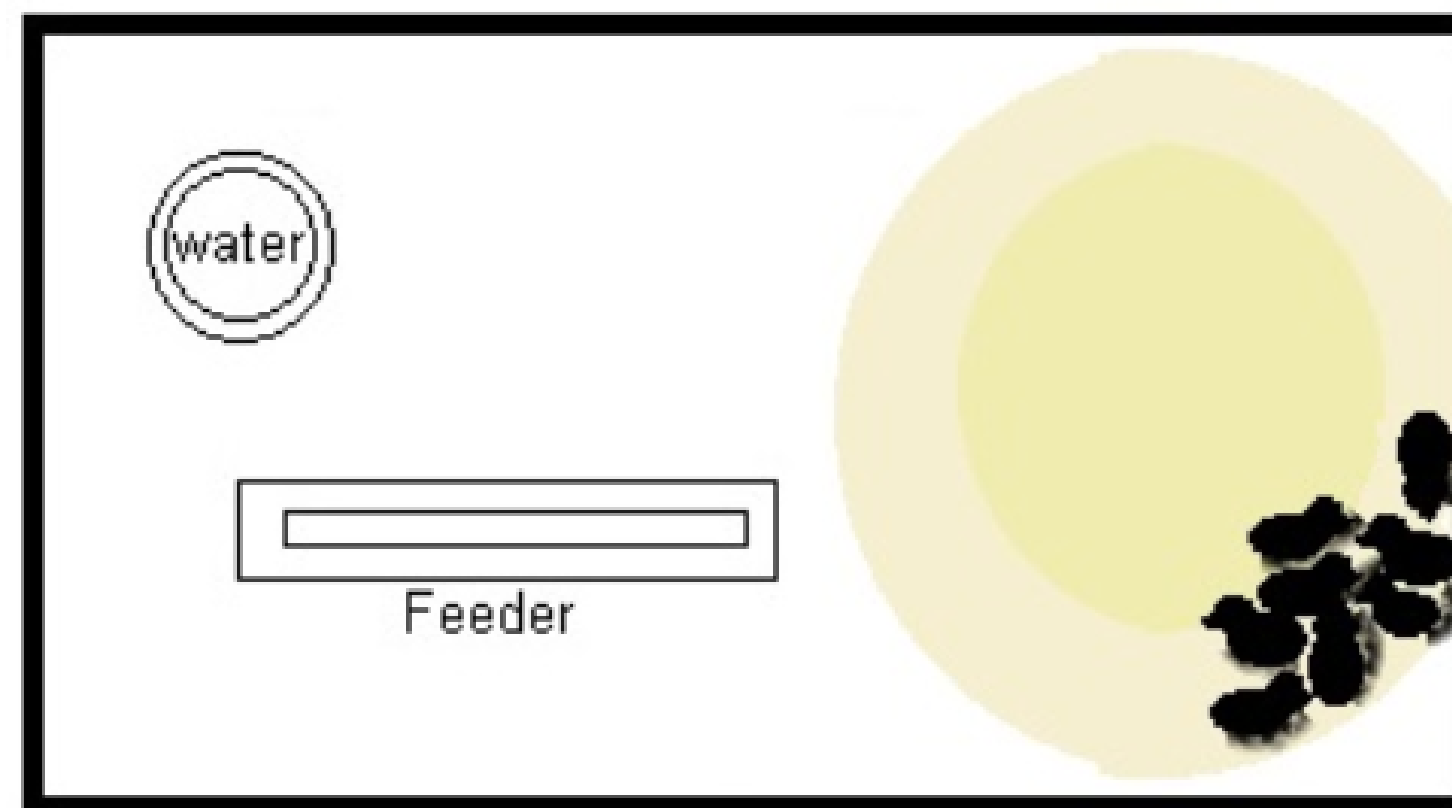
****We don't dip beaks in water, although many do***



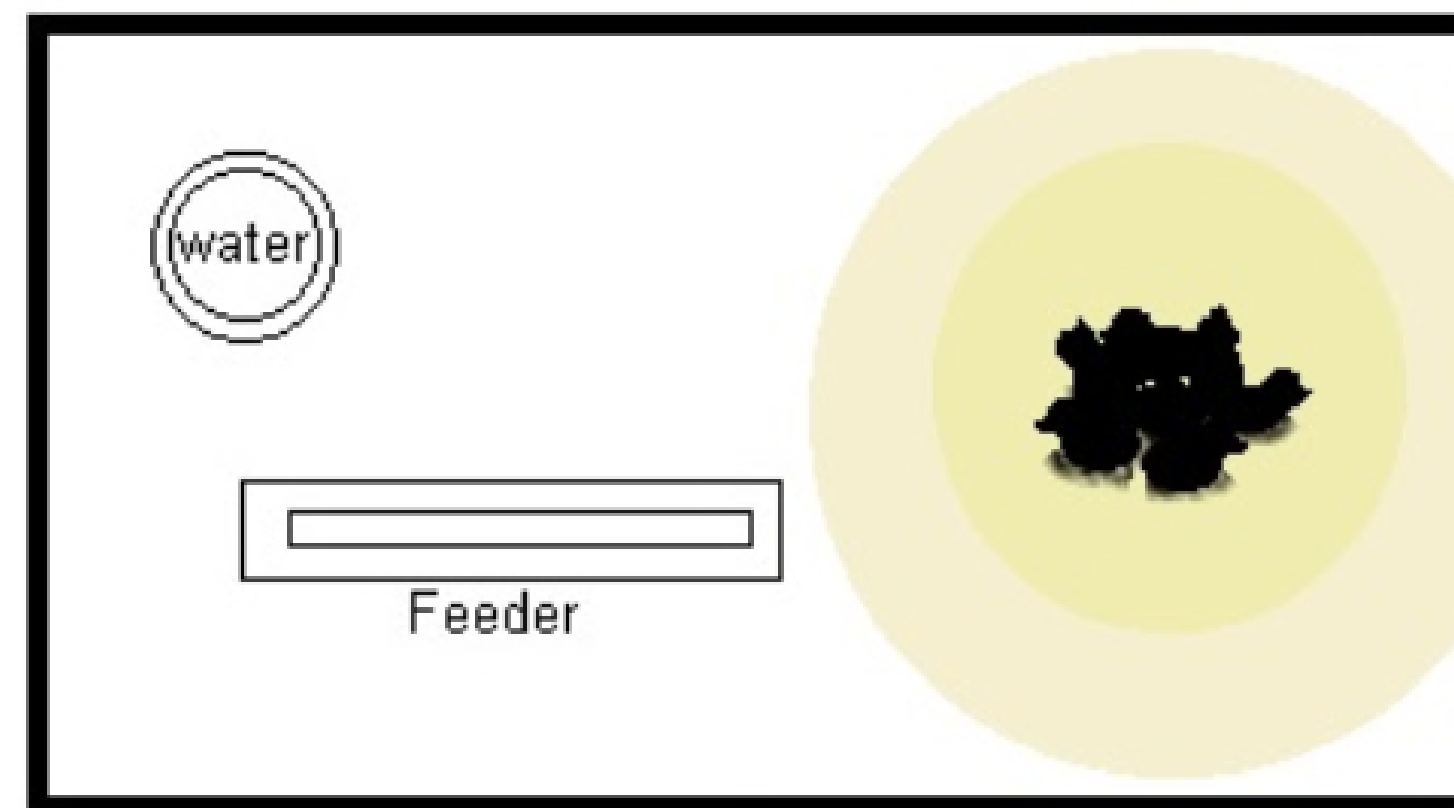
Correct: Chicks are not piled and have a range of activity.



Incorrect: Too Warm, slightly adjust light higher to correct.



Incorrect: Possible Draft, when chicks angle themselves off to a specific side there could be a draft or the brooder light is not at the needed temperature.



Incorrect: Too Cold, chicks are piled on top of each other and also may be chirping more than usual. Check indoor outdoor Thermometer and lower light slightly.

How To Practice Deep Bedding

AFTER YOU REMOVE ONE BATCH OF CHICKS, TURN OVER THE BEDDING AND SPRAY IT DOWN WITH WATER.

NEXT, ADD 1-2 INCHES OF CLEAN, DRY BEDDING.

ADD NEW CHICKS

REPEAT AFTER EACH BATCH.





Choosing Your Field Production Method

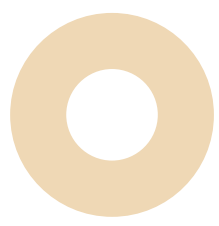
THERE IS NO ONE WAY
TO FARM

The system you choose will depend
on your unique restraints and
opportunities

Free Ranging



FREE RANGING



Pros

- INEXPENSIVE
- LESS HOUSING TO MOVE
- PROVIDES A LOT OF SPACE
- OFFERS LOTS OF FORAGE



FREE RANGING

Cons

- PREDATORS
- EXPOSURE TO THE ELEMENTS
- DIFFICULT TO CATCH
- HARDER TO MANAGE PASTURE
- FENCING
- SLOWER GROWTH

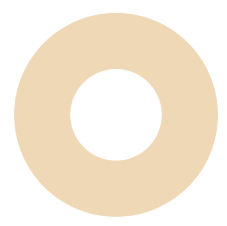


FREE RANGING

Day Ranging



DAY RANGING



Pros

- PROVIDES MORE SPACE
- OFFERS MORE FORAGE
- REQUIRES SMALLER, CHEAPER HOUSING
- FEWER TRACTORS TO MOVE



DAY RANGING

Cons

- FARMERS HAVE TO CLOSE UP EACH NIGHT
- PREDATION RISK
- REQUIRES FENCING
- SLOWER GROWTH

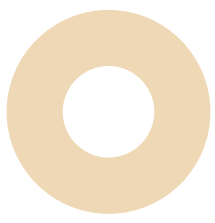


DAY RANGING

Pen Raising



PEN RAISING



Pros

- REDUCED PREDATION
- DON'T NEED TO BE CLOSED AT NIGHT
- MORE CONTROL OVER THE PASTURE
- PROTECTS BIRDS FROM ELEMENTS



PEN RAISING

Cons

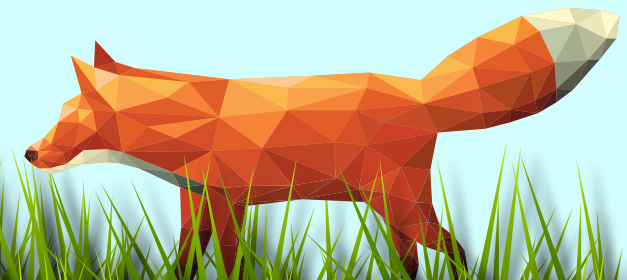
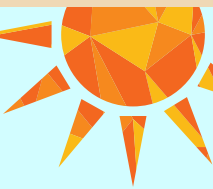
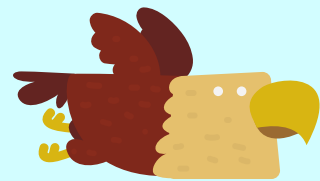
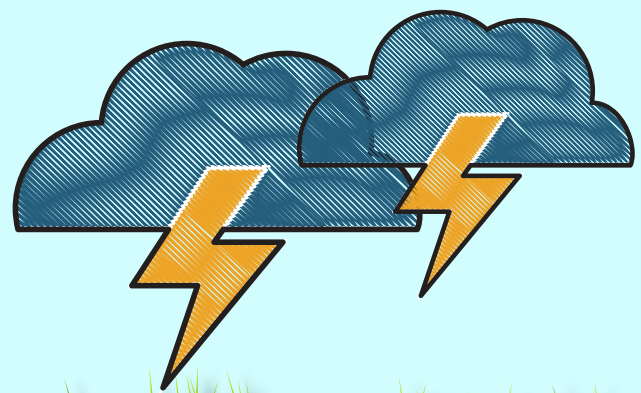
- PROVIDES LESS ROOM FOR THE BIRDS
- OFFERS LESS FORAGE
- REQUIRES MORE OR LARGER HOUSING
- DAILY MOVING OF MORE HOUSING



PEN RAISING

The Question:

How can we provide the most benefits while mitigating the biggest risks?





Our Answer:
PEN RAISING

But the answer may be different for you!





from
@pasturebird



**Move the
chicks
outside
sometime
in weeks
3-5**





**Move the
tractors
once every
day**







**Feed +
water 2x
per day**



**Don't
forget to
close the
doors
behind you**

....






One
10x12
Tractor

PEN ECONOMICS

BUILDING OUR CHICKEN TRACTORS

Grows
Out 80
Birds

ITEM	QUANTITY	COST	TOTAL
10x12 Tractor	1	\$400	\$400
Never-flat Tires	2	\$34	\$68
Bell Waterer	1	\$45	\$45
PVC Trough	2	\$10	\$20
5 Gallon Bucket	2	\$4	\$8
12x20 Tarp	1	\$28	\$28
		TOTAL	\$569



**For 2020, we'll have 9 chicken
tractors & 3 brooders for
producing 3,200 birds.**

Total Housing Investment: \$5,240

1-2
FARMERS

ECONOMICS OF DAILY CHORES

MOVING, FEEDING + WATERING

FEB 15
-
OCT 31

ITEM	FARMERS	HRS EA.	TOTAL	COST
Servicing Brooder	1	.25	.25	\$3
Servicing Tractors	2	.75	1.5	\$18
Afternoon Chores	1	.5	.5	\$6
TOTAL LABOR/CHORES/DAY *12/hr			2.25	\$27
TOTAL LABOR/CHORES/SEASON *220 days			495	\$5,940

PROCESSING

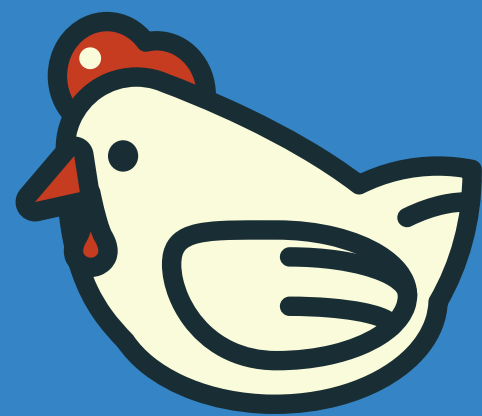
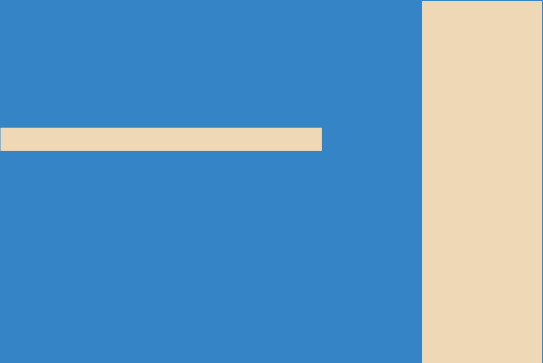


**Bring to
slaughter
when
they're the
size you
want them**



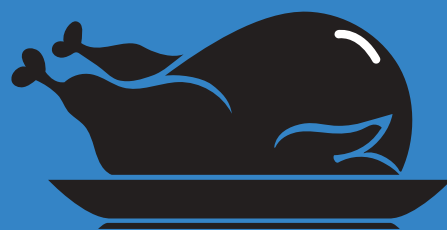
**Weighing
live birds
allows you
to know
exactly
how big
they are**

Average Dress Percentages



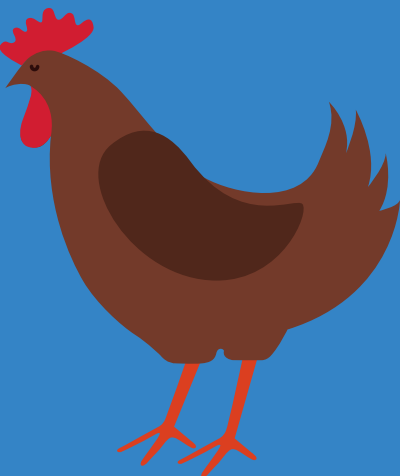
CORNISH X

70%



SILKIE

66%



RED BROILER

68%

120
BIRDS
PER WK

SLAUGHTER ECONOMICS

AT A
NYS 5-A
FACILITY

PROCESSING OUR BIRDS - AN AVERAGE WEEK

ITEM	QUANTITY	COST	TOTAL
Transport (by Mileage)	120	\$0.25	\$30
Processing Whole Birds	70	\$3	\$210
Processing Quarters	20	\$4	\$80
Processing Bulk	30	\$2.50	\$75
		TOTAL	\$395
	AVG COST PER BIRD		\$3.29

1 X
WEEK

SLAUGHTER ECONOMICS

MAY
-
OCT

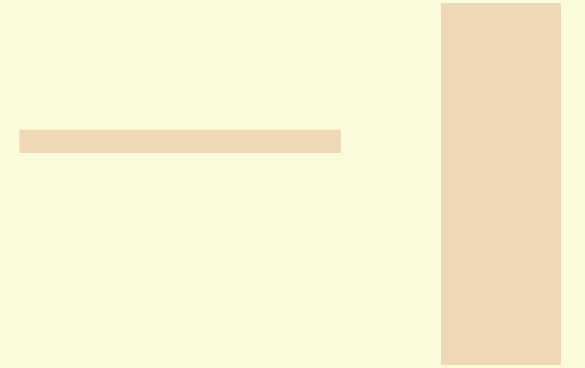
AVERAGE WEEKLY LABOR

ITEM	QUANTITY	COST	TOTAL
Loading (1 hr, 2 ppl)	2	\$12	\$24
Travel	4	\$12	\$48
Picking Up	0.5	\$12	\$6
Unpacking	0.5	\$12	\$6
		TOTAL	\$84

When To Slaughter

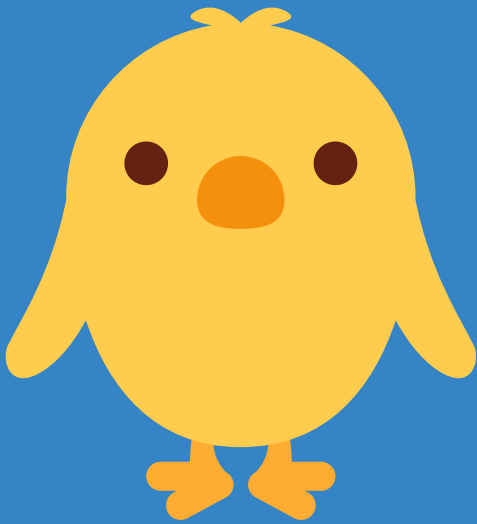
CONSIDER YOUR FIXED COSTS

Your fixed costs are those that stay the same, no matter what size you raise your birds to.



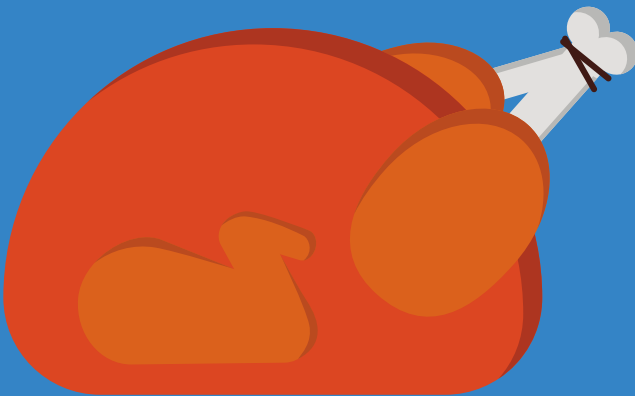
When To Slaughter

SAMPLE FIXED COSTS



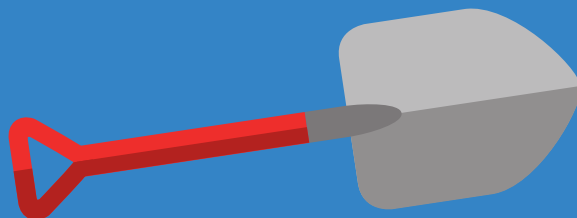
CHICK

\$1.25



PROCESSING

\$3.29



TOOLS +
EQUIPMENT

\$0.47



MISC

\$0.67

\$5.68 per bird

When To Slaughter

THEN CONSIDER YOUR MINIMUM
FLEX COST



FEED

\$1

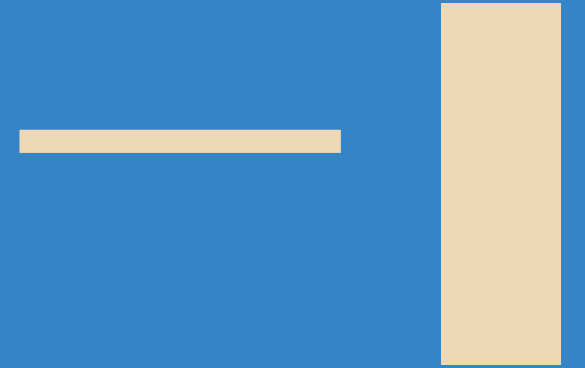


LABOR

\$1

\$2 per bird

Total Fixed Costs



\$7.68 per bird

You can't raise a salable bird of any size cheaper than this, so do your best to maximize this investment!

Average Letterbox Slaughter Schedule

WHOLESALE (30%)

Age..... 7 wks

Live Weight 3.8 lbs

Dress Weight 2.5 lbs

Sale Price\$15.75 ea

RETAIL (70%)

Age..... 10-12 wks

Live Weight 6-9 lbs

Dress Weight 4-6 lbs

Sale Price\$23 - \$34



OPERATIONS

What it costs to run
your poultry
enterprise

Calculating Depreciation

WE EXPECT OUR EQUIPMENT TO LAST 10 YEARS

INVESTMENT	COST	\$ / YR	\$ / BIRD *
9 chicken tractors	\$4,565	\$457	\$0.14
3 brooders	\$225	\$23	\$0.01
25% of the barn	\$3,450	\$345	\$0.11
14 poultry crates	\$980	\$98	\$0.03
misc equiptment	\$1,000	\$577	\$0.18
TOTALS	\$10,220	\$1,022	\$0.47

***3200 birds**

Calculating Feed Costs

DEPENDS ON WHAT YOU FEED THEM



CONVENTIONAL

\$425



NON-GMO

\$590



ORGANIC

\$780

SAMPLE COST PER BAGGED TON IN NEW YORK STATE

Calculating Feed Costs

COST VARIES, DEPENDING ON
YOUR OWN UNIQUE FCR

**CONVENTIONAL
WISDOM**

**15# Grain
Yields**

4# Dressed Bird

**ON
OUR FARM**

**21# Grain
Yields**

3.9# Dressed Bird

Calculating Feed Costs

SOME SAMPLE STATS - PICK YOUR POISON

TYPE OF FEED	COST/LB	15#/BIRD	21#/BIRD
<i>conventional</i>	\$0.22	\$3.30	\$4.62
<i>non-gmo</i>	\$0.30	\$4.50	\$6.30
<i>organic</i>	\$0.39	\$5.85	\$8.19

WE USE AN AVERAGE OF 21 POUNDS
OF NON-GMO FEED PER BIRD
FOR A TOTAL FEED COST OF \$6.30 EACH

Other Expenses

THAT MAY APPLY TO YOUR
POULTRY ENTERPRISE

LABOR

How many hours
does it take to get
the job done and at
what wage?

PROCESSING

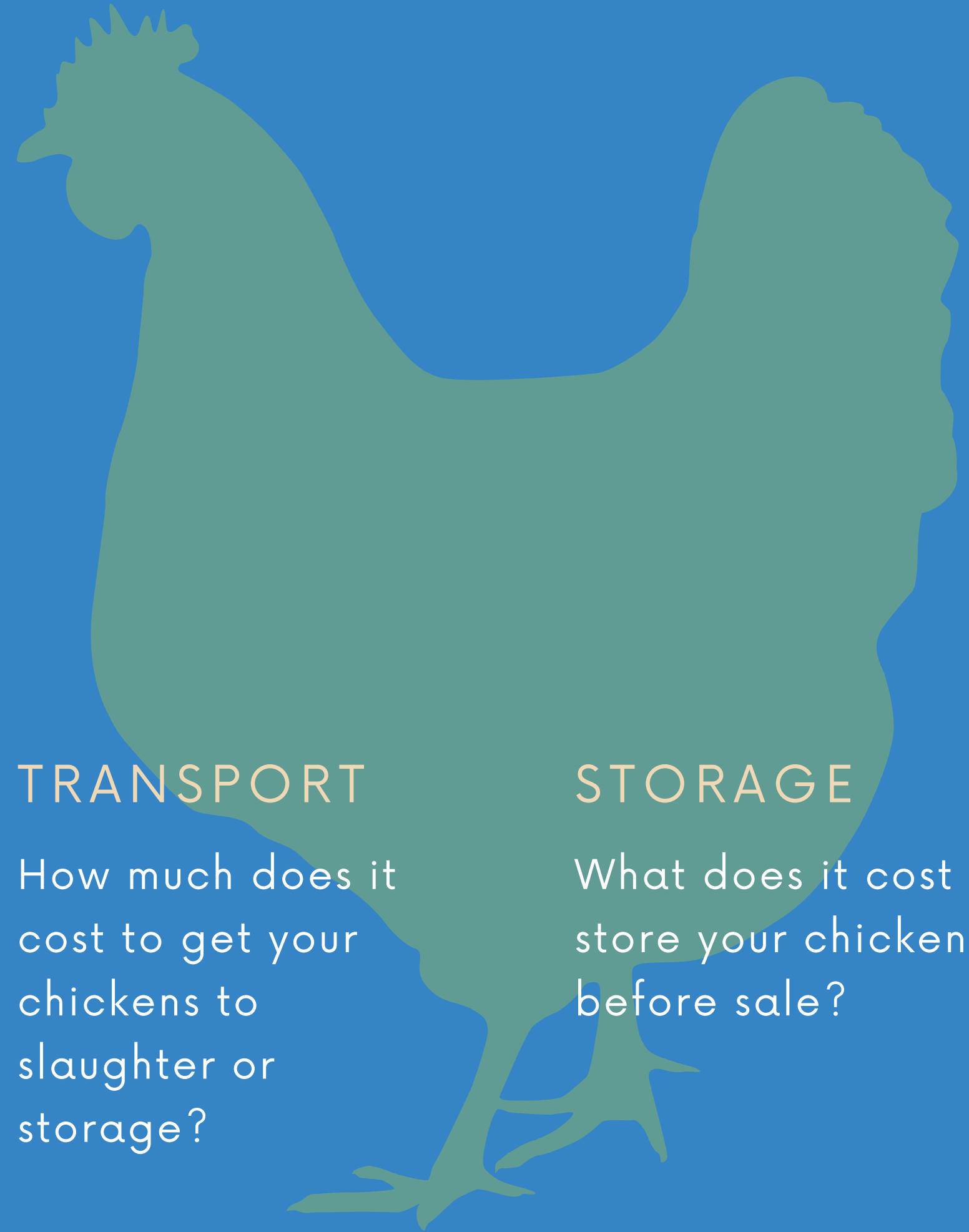
What does it cost to
slaughter your
chickens for market?

TRANSPORT

How much does it
cost to get your
chickens to
slaughter or
storage?

STORAGE

What does it cost to
store your chickens
before sale?



SAMPLE OPERATING BUDGETS

AT 500, 1000, 2000 + 3000 BIRDS PER YEAR

EXPENSE	COST/BIRD	@ 500	@ 1,000	@ 2,000	@ 3,000
FEED	\$6.30	\$3,150.00	\$6,300.00	\$12,600.00	\$18,900
PROCESSING	\$3.29	\$1,645.00	\$3,290.00	\$6,580.00	\$9,870
LABOR	\$3.39	\$1,695.00	\$3,390.00	\$6,780.00	\$10,170
CHICK	\$1.05	\$525.00	\$1,050.00	\$2,100.00	\$3,150
DEPRECIATION	\$0.47	\$235.00	\$470.00	\$940.00	\$1,410
MISC	\$0.50	\$250.00	\$500.00	\$1,000.00	\$1,500
STORAGE	fixed	\$600	\$600	\$600	\$600
TOTAL	\$15	\$8,100.00	\$15,600.00	\$30,600.00	\$45,600

*USING LETTERBOX FARM 2019 ACTUALS



SALES

How are you selling
your chickens?



Our Marketing Costs + Values

Market Sales		Annually	Wholesale		Annually	CSA Sales		Annually
EXPENSE	COST	28 wks	EXPENSE	COST	34 wks	EXPENSE	COST	34 wks
RENT	\$60	\$1,680.00	FUEL	\$10	\$340	LABOR	\$36	\$1,224
FUEL	\$50	\$1,400.00	LABOR	\$24	\$816			
TOLLS	\$8	\$224.00						
LABOR	\$150	\$4,200.00						
ICE	\$15	\$420.00						
TOTAL	\$283	\$7,924.00	TOTAL	\$34	\$1,156	TOTAL	\$24	\$1,224

\$31

\$18

\$26

AVERAGE VALUE OF BIRD PER VENUE

Farming margins are SLIM
so when you have the
option, prioritize your
most profitable markets.



RECORDS

Having good data can earn
you more cash for the same
amount of work!

What You Should Know

HOW TO FIND OUT + WHAT IT CAN TELL YOU

- **QUESTION:** How many birds you bought / how many you slaughtered?
- **HOW TO KNOW:** Keep your hatchery and processing receipts and put the data in a spread sheet. At the end of the season, total up how much you spent and subtract how many birds you had processed with from how many chicks you purchased.
- **WHAT IT CAN TELL YOU:** Your percentage of loss + how many birds went unsold + your average processing cost per bird

Freedom Ranger Hatchery, Inc.

187 N Windy Mansion Rd
Reinholds, PA 17569

Office - 717 336 4878



U.S. PULLORUM-TYPHOID CLEAN
A.I. CLEAN, NPIP# 23-531

Nichki Carangelo
4161 Route 9
Hudson, NY 12534

POSTMASTER: CALL UPON ARRIVAL:

203 560 0322

225 FRM Broiler Chicks

Hatched 7 am same date as postmark

Sales Receipt

Date	Sale No.
8/8/2019	33903
Fax - 717 336 3711	
www.freedomrangerhatchery.com sales@freedomrangerhatchery.com	



Ship Date
8/13/2019

Qty	Description	Rate	Amount
220	Freedom Ranger Day Old Chick - Male	1.00	220.00
5	Freedom Ranger Day Old Chick - Extra	0.00	0.00
1	Shipping	30.00	30.00

DATE	BULK	WHOLE	CUTUPS	TOTAL
5/8	20	93	75	629
5/15	30	35	49	376
5/22	30	50	25	325
5/29	30	68	30	399
6/5	30	56	25	343
6/12	30	52	30	351
6/19	30	71	25	388
6/26	30	22	21	225
7/3	30	32	10	211
7/10	60	62	34	472
7/17	30	42	14	257
7/24	55	22	20	283.5
7/31	30	32	10	211
8/7	40	28	11	228
8/14	30	98	14	425
8/21	30	58	20	329
8/29	30	32	18	243
9/4	30	38	12	237
9/11	30	43	20	284
9/18	30	30	34	301
9/25	25	36	20	250.5
10/2	30	29	11	206
10/9 + 10/23	75	101	61	734.5
10/17	25	25	25	237.5
10/30	9	123	75	691.5
TOTALS	819	1278	689	8637.5
TOTAL BIRDS	2786			

What You Should Know

HOW TO FIND OUT + WHAT IT CAN TELL YOU

- **QUESTION:** How much feed did you use?
- **HOW TO KNOW:** Keep records yourself or ask for an expense report by item from your feed mill.
- **WHAT IT CAN TELL YOU:** How much you spent + what your feed conversion is + what it costs to raise each bird

What You Should Know

HOW TO FIND OUT + WHAT IT CAN TELL YOU

- **QUESTION:** How many total chickens did you sell? How many pounds did you sell?
- **HOW TO KNOW:** For every sale, record the total units and the total weight. For wholesale birds in a specific weight range, just record the units and use your average weight for records that are totally "good enough."
- **WHAT IT CAN TELL YOU:** Total units sold + total units unsold + total income earned + average sale price per venue + average dress weight + feed conversion ratio

MARKET RECORDS: STEP 1

MARKET DATE: *May 11, 2019* CONDITIONS: *70 degrees and sunny*

ITEM	/ # PRICE	UNITS SOLD
Chicken, whole	\$5.75	<i>4.56 3.75 6.2 5.5 4.23</i>
Chicken, half	\$6.50	<i>3 2.2 1.6 2 2.1 2.75</i>
Chicken, leg	\$6.50	<i>1.76 2.23 1.55 2.25 3</i>
Chicken, breast	\$6.50	<i>2.22 1.75 2.4</i>
Chicken, liver	\$6	<i>1.11 2 1.3</i>
Chicken, hearts	\$4	<i>.75</i>
Chicken, necks	\$2.50	<i>3.4 2.5</i>
Chicken, feet	\$2.50	<i>4.6</i>

MARKET RECORDS: STEP 2

MEAT	UNIT	BROUGHT ALL MARKETS	PRICE	UNITS SOLD	POUNDS SOLD	INCOME
Chicken, Whole	LB		5.75	8	35.47	203.9525
Chicken, Breast	LB		6.5	3	7.12	46.28
Chicken, Half	LB		6.5	5	11.07	71.955
Chicken, Leg/Thigh	LB		6.5	5	11.27	73.255
Chicken, Liver	LB		6			0
Chicken, Feet	LB		2.5			0
Chicken, Necks	LB		2.5			0
Chicken, Heart	LB		4			0

WHOLESALE RECORDS

14-Jan				WEEK TOTAL:		1577.84
	GFFN	Salad	BAG	26	5.76	149.76
		Arugula	BAG	18	5.76	103.68
		Cilantro	BU	18	1.8	32.4
		Chicken, whole	EA	10	22.5	225
		Chicken, half	EA	30	12	360
	F2T	Cilantro	CS	2	22	44
		Eggs	DOZ	15	5	75
	Feignon	Rabbit	LB	84	7	588

CSA RECORDS

<i>fx</i>	=5.11+5.61							
	A	B	E	F	G	H	I	J
1		PRICE/LB	Nina	651.72	Maggie	725.6375	Jamie	678.315
2			Weight	Value	Weight	Value	Weight	Value
3	chicken, whole	5.75	10.72	61.64	17.33	99.6475	20.99	120.6925
4	chicken, half	6.5		0	6.64	43.16	7.33	42.1475
5	chicken, breast	6.5		0		0		0
6	chicken, leg	6.5	4.6	29.9		0	2.45	15.925
7	chicken, liver	6	1.34	8.04		0		0
8	chicken, heart	4	3.81	15.24		0		0
9	chicken, ground	9		0		0		0
10	chicken, feet	2.5		0		0		0
11	chicken, necks	2.5		0		0		0

What You Should Know

HOW TO FIND OUT + WHAT IT CAN TELL YOU

- **QUESTION:** How much labor did your poultry enterprise require?
- **HOW TO KNOW:** Time all routine and miscellaneous tasks and multiply by however many times they occur – then multiply by the hourly wage
- **WHAT IT CAN TELL YOU:** Where you're spending your time, your cost of production, your profit margins

How The Numbers Stack Up

INCOME / BIRD	\$21.97		COST / BIRD	\$15	
Total Birds Sold	500	1000	2000	2,786	3,000
Gross Revenue	\$10,985	\$21,970	\$43,940	\$61,208	\$65,910
Operating Expenses	\$7,500	\$15,000	\$30,000	\$41,790	\$45,000
Net Profit	\$3,485	\$6,970	\$13,940	\$19,418	\$20,910
Gross Margin	(Gross Revenue – Expenses)/Gross Revenue)				31.73%

***2019 Actuals**

Our Goals

INCREASE PRODUCTION TO 3,200 BIRDS
SHIFT TO 100% RETAIL, INCREASING THE INCOME
PER BIRD \$3 PER UNIT, WHILE ONLY ADDING \$1
PER UNIT IN ADDITIONAL EXPENSES

INCOME / BIRD	\$25.00		COST / BIRD	\$16	
Total Birds Sold	500	1000	2000	3,000	3,200
Gross Revenue	\$12,500	\$25,000	\$50,000	\$75,000	\$80,000
Operating Expenses	\$7,750	\$15,500	\$31,000	\$46,500	\$49,600
Net Profit	\$4,750	\$9,500	\$19,000	\$28,500	\$30,400
Gross Margin	(Gross Revenue – Expenses)/Gross Revenue				38.00%

***Our Plan for Growth**

Table 12.12. Theoretical Business Budget

Expense	Terms	Annual Total
Rent	\$250 per month	\$3,000
Utilities	\$150 per month	\$1,800
Market stand	\$190 per week at 28 weeks, including booth, gas, tolls, labor	\$5,320
Web hosting	\$200 per year	\$200
Insurance	\$1,000 per year	\$1,000
Cold storage	\$50 per month	\$600
City deliveries	\$100 per week	\$5,200
Farmer's salary	\$30,000 per year	\$30,000
Part-time salary	\$10,000 per year	\$10,000
Overhead Total		\$57,120

Farms have a lot of overhead expenses, which every enterprise needs to contribute to.

To determine how much to allocate each enterprise, start with the formula:
total overhead / total labor hours = overhead allocation rate

For our farm in 2019 this looked like:

$$\textbf{\$46,000 / 8200 = \$5.60}$$

For every hour spent exclusively on poultry, we need to apply \$5.60 worth of overhead to that product.

For our farm in 2019 this looked like:

$$\textbf{787 hrs x \$5.60 = \$4,408}$$

Thus, our real profit was **\$15,010**

(\$19,418 - \$4,408)

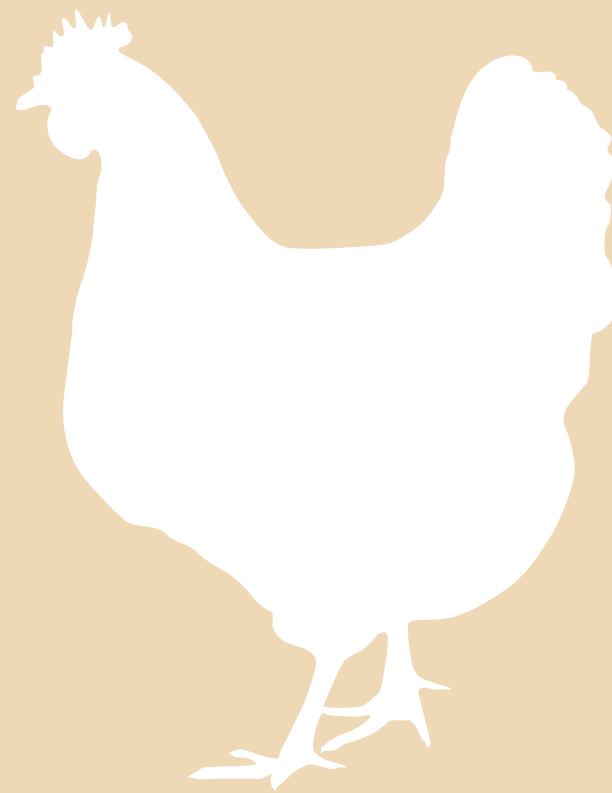
+ our gross margin was **25%**

An Argument For Integration



MEAT BIRDS ARE EASY TO TUCK
INTO LARGER BUSINESSES
but running a stand-alone chicken farm
requires a larger scale or much lower
overhead

Questions?



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