



# PLANNING FOR PROFIT



BRITISH COLUMBIA  
Ministry of Agriculture  
and Food

**Culinary Herbs  
Fraser Valley  
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**Agdex 263-810**

## 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	225 bunches/m <sup>2</sup> (over 2 cycles)
Price	\$0.40 - \$1.00/bunch

Profitability is greatly affected by market conditions and prices. Production timing can be critical to success. Staggered plantings are recommended.

High quality seed with good germination is important for production efficiency as well as for meeting grading standards at time of sale. Species vary in their germination and growth cycle. Orders with fast growing, high germination species are more profitable.

## Marketing Alternatives

Packaged, culinary herbs are sold to wholesalers, directly to retailers and to the hotel, restaurant market. It is imperative to investigate the market potential and ascertain volumes, prices and potential buyers before producing packaged, culinary herbs.

## Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	20	10	15	15								10 30
%Ex	15	10	15							5	15	15 25

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.

## Rules of Thumb

Investment	\$80 - \$90/m <sup>2</sup>
Labour % of Direct Expenses	50% - 60%
Direct Expenses % of Income	80% - 90%

The above indicators are provided for comparison purposes. They are set out as potential targets for producing packaged, culinary herbs

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# CULINARY HERBS

## Target Yield - 225 bags/m<sup>2</sup>

### Contribution Margin 1,000 m<sup>2</sup> of Culinary Herb Production Fraser Valley

**Income**

	Yield	Price	Unit	Income
Packages	225,000	\$0.50	each	\$112,500

**Direct Expenses**

	Quantity	Price	Unit	Expense
Seed				\$180
Supplies				
Planting Media	330	\$66.25	m <sup>3</sup>	\$21,863
Plant Nutrients & Pest Control				6,000
Flats	22,300	0.69	each	15,387
Tags	44,600	0.025	each	1,115
Utilities				
Fuel, Oil, Lubrication				200
Repair & Maintenance				230
Heating	100	6.09	1,000MJ	609
Labour Costs				
Potting				1,785
Seeding				1,336
Weed & Spray				4,460
Maintenance				3,570
Harvesting				15,610
Packaging				5,350
Miscellaneous				892
Market @ 5% of Total Sales				2,815
Packaging	225,000	0.05	each	11,250
<b>Total Direct Expenses</b>				<b>\$92,648</b>
<b>Contribution Margin</b>				<b>\$19,852</b>

### Buildings and Machinery Replacement Cost Total Greenhouse Size - 4,500m<sup>2</sup>

Greenhouses	\$225,000
Benches	85,000
Forced Air Heating	15,000
Irrigation System	15,000
Small Tool & Spray Equipment	10,000
Vehicle	25,000
<b>Total</b>	<b>\$375,000</b>

The market for packaged culinary herbs is dominated by imports and varies with supply and demand as well as weather conditions in areas of supply. Supplies from California dominate the BC winter market when prices are high. Herbs are sold in film bags either by the bunch or in 1/2 oz quantities. Restaurants may buy select herbs (eg. basil) in 1 lb. film bags.

### Contribution Margin – Sensitivity Analysis

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

PRICE	Production Efficiency			
	\$/bch 175,000	200,000	225,000	240,000
<b>0.30</b>	(36,148)	(30,086)	(24,023)	(20,386)
<b>0.40</b>	(19,086)	(10,586)	(2,086)	3,014
<b>0.50</b>	(2,023)	8,914	<b>19,862</b>	26,414
<b>0.75</b>	40,633	57,664	74,695	84,914

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.