

## Potted Herbs from Cuttings Fraser Valley Spring 1997

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	13.5 - 4" plants/sq.ft
Price	\$0.70 - \$1.00 each

Profit is greatly affected by market conditions and prices. Production timing can be critical to success.

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 orders with high germination species are more profitable.

### Marketing Alternatives

Potted 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 potted herbs. Growers strive for year round production rather than incur seasonal fluctuations.

#### Cash Flow Timing

	J	F	М	A	М	J	J	A	S	0	N	D
%Inc	5	10	5	5	10	10	10	5	10	10	10	10
%Ex	10	10	10	10	5	5	5	5	10	10	10	10

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	\$16 - \$17/sq. ft.
Labour % of Direct Ex	penses 50% - 60%
Direct Expenses % of 1	Income 80% - 90%

The above indicators are provided for comparison purposes. They are set out as potential targets for producing potted herbs from cuttings.

Contact:	CHRISTINE KOCH, P.Ag.
	Floriculture Specialist
	Abbotsford
	LORNE OWEN, P. Ag.
	Farm Management Specialist
	Abbotsford
Prepared By:	ANDREA GUNNER, P. Ag.

# HERBS FROM CUTTINGS Target Yield - 13.5 pots/sq. ft.

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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 BC Ministry of Agriculture, Fisheries and Food.