



PLANNING FOR PROFIT



Ministry of Agriculture,
Food and Fisheries

Saint John's Wort - Wildcrafted Southern Interior

Spring 2000

This information is a tool to project costs and returns for B.C. farm enterprises and is a general guide to plan individual farm operations.

The sample budget should be used as a guide only and should not be used for business analysis. Each farm should develop their own budget to reflect their production goals, costs and market prices.

Information regarding financial planning and other enterprise budgets may be downloaded from the internet at <http://fbminet.ca/bc> or obtained from your local office of the B.C. Ministry of Agriculture, Food and Fisheries.

Market Factors

Saint John's Wort can be sold either fresh, dried or frozen into medicinal processing markets. Saint John's Wort can also be made into tincture or powdered extract and sold to re-packers or through retail channels.

The market for Saint John's Wort varies with world demand and production. Saint John's Wort came into the limelight in 1997 when it was featured on the television program 20/20. The commercial crop in Europe was less than projected and the resulting effect was that prices soared to the \$20.00/lb. (US) level within one week. Saint John's Wort continues to be an important herb in the North American and European medicinal markets but prices swings are much less than in 1997. Prices in 1999 varied from \$5.00-13.00/US/lb. for small lots and were as low as \$1.50/lb. US for large lots. It is imperative that thorough market research be carried out and potential buyers be located and communicated with prior to harvesting this crop.

Saint John's Wort can also be made into tincture or standardized extract for sale into the repack market or through various retail options. It is important to have the herb tested for active ingredient level prior to embarking on the value-added route. The extraction process is more expensive with herb of lower active ingredient levels. The active ingredient marker (hypericin) should test out as close to 3% as possible.

Risk Factors & Strategies

- Variable demand from the medicinal market requires good communication and networking with potential processors in order to supply this market.
- Labour costs are much cheaper in Eastern Europe. Canadian production should focus on local, high quality markets whose buyers are dissatisfied with the quality obtainable from Eastern Europe.
- Saint John's Wort grows wild on both crown and private lands. Request permission from either the Forest District or the landowner before harvesting.
- Saint John's Wort is under biological control by three species of beetle. This beetles lay their eggs in the flower buds of Saint John's Wort so the emerging larvae eat the developing seed and slow the spread of this invasive weed.
- Saint John's Wort is phytotoxic to livestock and can have detrimental effects on the vision of humans as well as causing an increase in sensitivity to sunlight. It is advised that harvesters wear full clothing and rubber or vinyl gloves and avoid any eye contact with the herb. Harvesters are advised to carry eyewash in the field.

Key Success Factors

- Fresh market development
- Mechanical harvesting

Production Targets

- Investment: \$40,000-45,000
- Total Labour: 500-520 hrs/acre

The above indicators are provided for comparison purposes and are set out as potential production targets

Assumptions

The following assumptions were made in calculating the sample budget:

- 1 acre of St. John's Wort growing wild on land (crown or private) in the Southern Interior.
- The area is a mature stand and is densely covered.
- The pickers have permission from the landowner or from the local forest District office to harvest St. John's Wort.
- Target Yield of 2,000 lbs./acre
- Price (dried) \$6-8/lb. (CAN)
- Flowers are picked by hand at an average rate of 20 lbs. fresh/person/hr.
- Flowers are sold on a dry weight basis, dry:fresh ratio is assumed to be 1:5
- Racking the dryers is assumed to take one hour for every 1,500 lbs. of fresh flowers.
- Unracking the dryers is assumed to take one hour for every 500 lbs. of dried product.
- Labour costs are calculated at \$8.00/hour including UIC, CPP and WCB.
- Mileage is assumed to be a 70 km round trip daily, each vehicle carrying 6 passengers, each work day consisting of 6 picking hours.
- Fuel Cost is assumed to be \$.60/litre, Oil and Lube costs are calculated at 15% of Fuel Cost
- Repair and Maintenance costs are based on a total of 1,000 km for 1 acre of St. John's Wort. This is 5% of the total 20,000 km assumed to be driven per year. Repair and maintenance is estimated at \$1,000/yr in total, therefore, \$50 or 5% of this total is used in estimating these expenses.

Building & Machinery Replacement Cost

Building	\$20,000
Dryer	2,500
Small Tools & Picking Bags	500
Vehicles	<u>20,000</u>
Total	\$43,000

Labour Requirements

Building	\$20,000
Dryer	2,500
Small Tools & Picking Bags	500
Vehicles	<u>20,000</u>
Total	\$43,000

Sample Enterprise Budget and Worksheet
Wildcrafted St. John's Wort
1 Acre - Southern Interior

The sample enterprise budget provided should be viewed as a first approximation only. Use the column "Your Estimate" to add, delete and adjust items to reflect your specific production situation.

The sample budget is based on interviews with producers and BCMAF commodity specialists. Cost estimates are based on standard practices in the area and do not represent any particular farm.

Projected Income

	Yield	Unit	Price	Income	Your Estimate
Saint John's Wort	2,000	lb.	\$6.00	\$12,000	
Projected Total Income				\$12,000	

Projected Direct Expenses

	Quantity	Unit	Price	Expense	Your Estimate
Pest Control				\$0	
Fuel, Oil, Lube				56	
Repairs & Maintenance				50	
<u>Marketing</u>					
Drying	2,000	lb.	0.35	700	
Marketing				600	
<u>Contracts & Custom Work</u>					
Picking	500	hr	8.00	4,000	
Racking	7	hr	8.00	53	
Unracking	4	hr	8.00	32	
<u>Other Supplies & Services</u>					
Bags	80	ea	0.50	40	
Cardboard Barrels	40	ea	25.00	1,000	
Total Direct Expenses				\$6,532	

To assess the net income of an enterprise, **indirect expenses** must be subtracted from income. Indirect

Projected Income
Less Projected Direct Expenses	-
= Projected Contribution Margin	=
Less Projected Indirect Expenses	
Depreciation (e.g., buildings and equipment)	-
Interest	-
Other Indirect Expenses (e.g., operator labour)	-
= Projected Net Income

Sensitivity Analysis—Projected Income

The profitability of a St. John's Wort wildcrafting operation will depend strongly on successful marketing, efficient gathering and proper handling.

The table below illustrates the changes to income as prices and yields vary. (bold denotes target values)

	Yield		Price \$/lb.		
		4.00	5.00	6.00	8.00
	1,000	718	1,668	2,618	4,518
	1,500	1,193	2,618	4,043	6,893
	2,000	1,668	3,568	5,468	9,268
	2,500	2,143	4,518	6,893	11,643

For More Information

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