Estimate the Value of Lavender

You are a lavender farmer. You have one acre of lavender. You planted the crop two years ago and so now have a robust stand. You need to decide how you would use and sell your lavender crop.

Your one acre of lavender can produce the following:

* 5-25 pounds of lavender oil. One pound of lavender oil sells wholesale for $22.50.
* .75-3 gallons of lavender oil. One gallon of lavender oil sells retail for $9,072.
* 1,000-1,500 pounds of buds. One pound of lavender buds sells for $6.
* 15,000-25,000 per acre of flower bundles. One bundle sells for $6.

1. If you choose to sell the lavender oil wholesale, how much could you potentially earn?

5\*22.5=112.50 25\*22.5=562.50 A: $112.50 to $562.50

1. If you choose to sell the lavender oil retail, how much could you potentially earn?

.75\*9,072=6,804 3\*9,072=27,216 A: $6,804 to $27,216

1. If you choose to sell the lavender buds, how much could you potentially earn?

1,000\*6=6000 1500\*6=9000 A: $6,000 to $9,000

1. If you choose to sell the lavender as flower bundles, how much could you potentially earn?

15000\*6=90000 25000\*6=125000 A: $90,000 to $125,000

1. Which option of sale would provide the highest potential revenue?

Flower bundles

1. To sell the lavender retail, you would first need to by a still in order to process the flowers and produce the oil. A still and bottling equipment could cost as much as $26,600. If you were trying to decide between selling wholesale and retail, considering the cost of the still and equipment which would you select?

Maximum earning potential for wholesale is $562.50

Maximum earning potential for retail is $27,216

27,216-26,600=616

If yield is maximized, retail can still provide income. If yield is low, then you should not purchase the still and just sell wholesale.

1. Demand for flower bundles is not high. Local buyers are only willing to purchase 5,000 bundles. If you can’t sell all of the flower bundles, what would you choose to do with the remaining flowers, buds, or oil?

Without a still and bottling equipment, retail is not possible. The next best option is selling the buds.