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?
2. If you choose to sell the lavender oil retail, how much could you potentially earn?
3. If you choose to sell the lavender buds, how much could you potentially earn?
4. If you choose to sell the lavender as flower bundles, how much could you potentially earn?
5. Which option of sale would provide the highest potential revenue?
6. 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?
7. 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?