

Determination of Market and Profit Feasibility for an Organic Specialty Cut Flower Business in a Rural Northern Michigan Community

Final Report for FNC01-369

Project Type: Farmer/Rancher

Funds awarded in 2001: \$5,000.00

Projected End Date: 12/31/2003

Matching Non-Federal Funds: \$12,108.00

Region: North Central

State: Michigan

Project Coordinator:

[Kim Smith-Potts](#)

Project Information

Summary:

PROJECT BACKGROUND

Honeydale Farm Flowers is located on a 23 acre farm in Skandia, Michigan, a Zone 4 growing region. Less than one acre of specialty cut flowers has been in cultivation, plus the addition of a 12'x48' vented hoop house, with 16, 4'x4' planting beds within. Specialty cut flowers were grown from bulbs, annuals and perennials, and some woody plants. Organic farming methods were solely used throughout the operation, including post harvest care. The cut flowers produced were marketed throughout Marquette County, with a population of roughly 63,000, primarily wholesale to florists, with additional retail marketing for subscription bouquets, events and a few retail outlets, including a flower stand at the Marquette Organic Food Cooperative, supplied twice weekly with bouquets.

Honeydale Farm Flowers is an extension of Honeydale Farms, a family run operation, owned by the Potts family and includes an independent contracting business. Honeydale Farms Flowers is co-owned, effective October 2002, by Kim Smith-Potts, of Honeydale Farms, and Sarah Anderson, of Marquette, Michigan and is in the process of being converted from a sole proprietorship to an S corporation.

Sustainable farming practices have been used on Honeydale Farm since the Potts family purchased it in the fall of 1994. The Potts family has been committed to organic farming practices, and although the farm has not been USDA certified organic, only organic methods have been used. The owners have deliberately decided not to become certified due to the costs and time involved and the desire to keep prices competitive with other flower wholesalers in the region. Once the flower business expands to a point of marketing organic flowers beyond the region, the USDA organic certification will need to be obtained.

In addition to the cut flower business, vegetables, fruits and herbs for the family's use have been grown, as well as raising chickens for eggs, bees for honey and providing a final resting place for elder horse hospice. Manure from the chickens and

horses are used to increase soil humus and fertility, and the bees assist in pollination, primarily for the 20 apple trees and numerous raspberry bushes.

PROJECT DESCRIPTION AND RESULTS

This project proposed to determine market and profit feasibility for an organic, specialty cut flower business in a rural, northern Michigan community and included the following objectives:

- 1) Determine the demand for organic, specialty cut flowers in Marquette County in the north central portion of the Upper Peninsula of Michigan.
- 2) Determine whether the grower can produce, market and sell the supply to meet the demand
- 3) Compare revenue to expenditures to determine business profitability and sustainability
- 4) Compare results with other findings from similar research for organic, specialty cut flowers.

Objective 1: Determine the demand for organic, specialty cut flowers in Marquette County in the north central portion of the Upper Peninsula of Michigan.

A market survey was developed and conducted during the fall/winter/early spring of 2001/2002 and florists surveyed were revisited during the winter/spring of 2002/2003. The survey was developed in conjunction with researchers at Michigan State University. Local MSU Extension agents and Northern Initiatives, a local, economic development non-profit assisted in the determination of potential traditional and non-traditional markets. Markets included primarily flower shops, with the farmer's market, restaurants, professional offices, private homes and events, such as weddings, becoming a smaller portion of the initial market segment. Demand was established for the types of cut flower varieties, primarily from feedback received from three local florists.

The results of the market survey showed the florists desiring a broad range of product, with each individual florist having difficult tastes, likes and dislikes for flower varieties and color palettes. For example, one florist only liked and wanted flowers in the darker, jewel tones color range, while one of the other florists like primarily pastels and bright colors. The third florist liked just about anything and everything and was looking for more variety to offer on the market. Also, this third florist was the smallest of the three and she had a difficult time meeting minimum purchases from the larger wholesalers, so she was excited to have the opportunity to purchase smaller quantities of a wider selection. All of the florists were excited about the prospects of a fresher product that was locally grown. None of the florists were concerned about or particularly interested in the organic growing methods. The largest of the three florists wanted flowers delivered only in water, with no floral preservative or hydrating solutions used, which was very good to hear because the organic method prevented the use of most post-harvest care solutions. The florist's primary concern was stem length, overall quality and freshness, and they were not concerned with the methods used to achieve these standards.

Several flowers were identified as high demand by all three florists and the florists said they would buy all of the varieties for these that could be grown. They included: Allium, Amaranthus, Cosmos, Digitalis, Echinacea, Helianthus, Lupinus, Lysimachis, Narcissus, Perovskia, Physostegia, and Rudbeckia. For most other flower types, each florist indicated a desire and willingness to purchase one to two bunches per week. In addition to the flowers listed in the market survey, the florists indicated an interest in hydrangea, bittersweet, lavender, Chinese lanterns and other herbs with long stems, such as dill. They also indicated an interest in any flowers that were lime green/chartreuse.

Wholesale to florists became the primary market segment for Honeydale Farm

Flowers. This decision was made in order to decrease time spent making bouquets and to decrease costs involved. Single variety, 10 stem bunching for wholesale was the quickest, most efficient way to get flowers on the market, and the florists bought essentially all of the product that was available to them. In most cases, florist orders were not filled and the florists continue to indicate a desire for additional quantities and varieties of flowers. During the first business season, 2002, cut flowers were sold wholesale to primarily three florists, with one other florist making occasional purchases. During the second business season, 2003 seven florists purchased wholesale cut flowers, with four florists buying the bulk of product.

During 2002, one restaurant purchased tabletop flowers for 20 vases per week, and two regular bouquet subscriptions were sold, plus several other occasional bouquets and arranged vases (mason jars) for one wedding event. Bouquets were sold one day at the local farmers' market, but only market fee was earned back, and the market was poorly attended, therefore, a decision was made to forego the farmer's market until it grows in size and attendance, and it is relocated to a more trafficked spot. During 2003, florists continued to purchase the bulk of the product. A bouquet stand was added to the local, organic food cooperative and was stocked twice weekly with bouquets. Seven subscriptions were sold, including the two from the previous season returning, and the restaurant tabletops continued. Flowers were provided for three events, with a fourth foregone due to a lack of flowers.

Through this process, the researcher has learned that the market demand is still greater than the supply, as was substantiated by the growers' inability to fill florist orders throughout the season and the need to cancel one wedding event due to a lack of flowers. Also, marketing has still only been done within Marquette County, and no other growers exist in the Upper Peninsula, leaving the market wide open to expand into other surrounding counties and the region. All other wholesale suppliers continue to come from Wisconsin, with much of their product shipped in from California and other areas. The challenge will be to increase quantities and varieties, while maintaining quality and organic standards, as well as finding methods to extend the growing season.

The greatest expansion will occur in the areas of hoop house growing and the addition of flowering woody shrubs, as well as expanding perennial varieties continuing to be in high demand and limited supply on the market. The growers are also exploring avenues for shipping nationally because they have been contacted by two wholesalers outside of the region from Grand Rapids, Michigan, and Albuquerque, New Mexico, looking specifically for organic, cut flowers. The growers have also initiated conversations with the Organic Bouquet, a national marketer to natural foods grocers, and their primary flower suppliers, Bent Oak Farms (formerly Here and Now Gardens), in Portland, Oregon, to explore possibilities for providing organic, cut flowers for this market.

Objective 2: Determine whether the grower can produce, market and sell the supply to meet the demand.

As mentioned above, the growers could not produce enough flowers to meet the demand. The marketing plan included; meeting face to face with florists on a regular basis to establish a relationship as well as a feedback loop and continuous input on their part, developing and distributing subscription bouquet brochures via mail, with follow up personal contacts; producing and printing business cards, car signs, and a retail sign for the flower stand in the food cooperative; displaying business cards at the restaurant with the tabletop flowers; giving complimentary bouquets to targeted community members; and providing day sponsorship to the local public radio station. Essentially every stem grown on Honeydale Farm has either been sold or included in a complimentary bouquet for target market reasons.

The grower's challenge lies in becoming more efficient and effective in growing strategies. This continues to be the area for greatest growth and learning for Honeydale Farm Flowers. Pest management and soil fertility have to be better managed so that crops thrive and crop loss is decreased. The growers have participated in several regional workshops and national conferences sponsored by the Association of Specialty Cut Flower Growers (ASCFG) and other organic farming associations targeted at learning better methodology to improve production.

Membership with and participation in the ASCFG has had the greatest impact in learning about and improving growing techniques. The organization provides not only workshop and conference opportunities, through which solid relationships and contact with other growers are forged, but it also provides a direct linkage to other growers in the field via an on line membership bulletin board and quarterly newsletters. These communication forums are filled with research findings and advice from other growers. The growers also continue to foster relationships with other growers and researchers in the field of organic growing, which is generally more targeted towards vegetables, but from which organic principles and practices can be learned and applied.

Objective 3: Compare revenue to expenditures to determine business profitability and sustainability.

For the 2002 growing season, gross revenue was \$1,930, plus \$3,250 in SARE grant funds, and expenses were \$5,758, for a net loss of (\$578). For the 2003 season, gross revenue was \$5,071, with expenses of \$11,693, for a net loss of (\$6,662). With the remaining \$1,750 SARE grant funds added to revenue, total revenue will be \$6,821, and the net loss will be \$4,872). Although these statistics do not illustrate a profitable business venture, nor do they foretell a successful future, the growers are optimistic about the future profitability of Honeydale Farm Flowers. Expenses have been high because the growers have essentially started from scratch and have needed to make major tool and equipment investments, including hoop houses, coolers, and garden carts which will be usable for quite some time. Growing spaces have also had to be created from fields that have not been cultivated in years and which have been grass and weed infested. Because the growers are committed to organic farming practices, it will take a few years before these fields reach optimum soil fertility and growing conditions. Also, the growers had no previous experience growing in hoop houses, and the first hoop house was not put up until late April. Therefore, the utility and value of this type of season extender is just beginning to be explored. As was stated previously, the demand on the market, even within the county, is still higher than the supply, and the greatest area for growth and improvement lies within the areas of growing methodologies and post-harvest care, while remaining consistent with organic standards.

For profitability within market segments, wholesale to florists comprised 50% of overall sales; events, including single bouquet deliveries and weddings, comprised 20%; subscription comprised 18%; bouquets sold through the food cooperative stand made up 7% and restaurant tabletops were 4%. Although wholesale to florists have been the bulk of sales, retail sales for events, especially those that involved the customer doing the arranging, were the most profitable. Flowers were sold in single variety bunches, just as they were for wholesale, but they were sold at retail value, or three times the wholesale price, making the profit margin essentially three times higher for this market segment.

In terms of profitability of flowers categories, as was measured only through wholesale to florists, bulbs and corms comprised 41% of the sales (100% of which was Liliium sales), perennials made up 25% of sales, annuals comprised 24% and woody ornamentals were 11% of sales. Perennials will become a larger portion of

sales as the plants grow in size and produce more stems per plant on an annual basis. Annuals have the potential to become a greater portion of sales as growing techniques improve because they have continued to pose the greatest growing challenges, due to low soil fertility and pest management issues. Also, the growers will be investing in a sizable quantity of woody ornamentals during the next several years, which will significantly change this market breakdown. A complete cost/benefit analysis per variety has not yet been completed in order to determine which specific cut flowers varieties yielded the highest profit margin.

Objective 4: Compare results with other findings from similar research for organic, specialty cut flowers.

According to Lynn Byczynski, in her book titled *The Flower Farmer* (1997, Chelsea Green Publishing Company), growing and selling the ten most profitable flowers on $\frac{1}{2}$ acre could generate \$11,830 in revenue. The flower types she cited included Zinnia 'Giant Blue Point' or 'State Fair', Achillea millefolium and A. 'Coronation Gold', Scabiosa, Consolida 'Giant Imperial', Ageratum 'Blue Horizon', Veronica 'Sightseeing', Malva sylvestris zebrine, Salvia horminum, Antirrhinum 'Rocket' mix, and Verbena bonariensis. For the most part, each of these flower varieties was grown during the last two years at Honeydale Farm Flowers.

Suzy Neessen, of The Flower Farm, in Cedar Falls, Iowa, has been growing specialty cut flowers the last four seasons, beginning in 2000. her florist delivery population area has been 100,765 people, her Saturday farmer's market population area was 48,691 and her big florist and one weekday market population area was 193, 189 people. She grew in a Zone 4 growing region. She grew on $1 \frac{1}{2}$ acres that was previously cultivated and grown in alfalfa. Her flower categories were 52% perennials, 35% annuals, 10% bulbs/corms, and 3% woodies. Her first year gross revenue was \$15,973, with expenses of \$12,203 for a net revenue of \$3,770. 91% of her revenue was from farmer's markets, 6% wholesale to florists, and 3% subscriptions. Her second year gross revenue was \$18,393, with expenses of \$9,968 for a net revenue of \$8,425. 87% of sales were to farmers markets, 10% wholesale to florists, and 3% subscriptions. Her third season, gross revenue was \$24,138, with expenses of \$11,497 for a net revenue of \$12,641, with 78% of sales to farmer's markets, 19% wholesale to florists, and 3% subscriptions. For 2003, her fourth season, Suzy's gross revenue was \$31,114, with expenses not yet available, but an estimated $\frac{1}{3}$ of revenue or \$10,267, yielding approximate net revenue of \$20,847. 55% of sales were to farmer's markets, 39% wholesale to florists, and 6% subscriptions.

Results from Lynn Byczynski and Suzy Neessen indicated that approximately \$22,400 gross revenue could be made per acre of specialty cut flowers, with the greatest challenges being containment of costs and reduction of crop loss due to pest problems, irrigation issues, and/or low soil fertility. Generally, a 35% crop loss is documented on the cut flower market, whereas, Honeydale Farm Flowers incurred at least a 50% crop loss during the 2003 growing season, and at least that much during the 2002 growing season. The primary reasons for crop loss were, once again, low soil fertility and pest problems that were not properly managed and controlled.

The trend for Suzy Neessen at The Flower Farm has been increasing market segment sales for wholesale to florists, with declining market segment sales to farmer's markets, with a slight increase in market segment for subscriptions. Discussions with Suzy Neessen indicated this trend being primarily attributed to securing an additional large, wholesale to florist outlet as a result of collaborative work through with Terry Finnerty of the Iowa State Extension Agency. This

researcher met Terry Finnerty at the fall 2002 ASCFG national conference in Madison, Wisconsin, and he became interested in this SARE grant process. Results of this meeting and the resulting collaboration will be discussed under the outreach section.

Project Impacts:

The economic impacts of this project included impact on the grower's families and impact on the local wholesale flower market. Because the business has not yet yielded net revenue, the economic impact on the grower's families has been challenging. Adding the business partner, Sarah Anderson, for the 2003 growing season, has helped to provide an influx of capital as part of her buy-in, but no payout has yet occurred to either family. Because the Potts family includes two small children, this grower has had to pay for day care during the summer, which has added an additional expense for the family, not accounted for in the business expenses. This situation has forced Kim Smith-Potts to take on an additional partner, Sarah Anderson, has not yet needed outside work due to her husband's income, and she has been able to continue working on the farm nearly full time. It is anticipated that net revenue will eventually provide nearly one third of the Potts' family income, and a smaller portion of the Anderson family income.

The economic impact on the local wholesale flower market was still less than 10% with most wholesale flowers continuing to be purchased from larger wholesalers from Wisconsin. The grower's anticipate shifting this trend to providing a greater segment of the wholesale flower market each season.

The environmental impacts included; the presence and availability of organic, specialty cut flowers on the market, providing an alternative and more environmentally sustainable choice for consumers when purchasing cut flowers; a decrease in usage of pesticides and herbicides in the cut flower industry and post harvest care chemicals dumped into the local sewage system; as well as a reduction in fuel usage due to flowers being transported less distance.

The social impacts included an increasing trend towards and interest in the purchasing of organic, specialty cut flowers, plus an increasing awareness and knowledge base of organic and sustainable farming practices by the growers and their families, as well as others in the surrounding market community and in the regional, national and international growing communities.

OUTREACH

Methods used to tell others about the project included informal discussions occurring at the national/international ASCFG conference, as well as within the local community, a feature article in the local newspaper, annual May Day sponsorship for the local public radio station, hosting field trips for school groups and Brownies, a feature article in the Marquette Organic Food Cooperative newsletter, signage at the food cooperative flower stand, and direct mail distribution of the subscription bouquet brochure. The growers also plan to host annual field days for all customers starting with the 2004 growing season. These field days did not occur previously because the Potts family was building an addition to their home doubling it in size and the family did not want to have the public coming to the farm while their home was under construction. They will also host a "Business After Hours" in the upcoming year through the Lake Superior Community Partnership, the regional Changer of Commerce.

The local newspaper article, featured on October 9, 2001, had a distribution of 20,000+ subscribers within and around Marquette County. The day sponsorship to public radio had a listener base of 100,000+, within the Upper Peninsula region. The first school group field trip included 18 students, plus 6 parents, and the second Brownie field trip included 12 Brownies, plus 7 parents. The food cooperative

newsletter had a distribution to 400+ families. The direct mail subscription bouquet brochure was sent to 140 homes and businesses.

One of the discussions occurring at the national ASCFG conference in Madison, Wisconsin, during the fall of 2002 was between grower/researcher, Kim Smith-Potts, and Terry Finnerty, Iowa State Extension agent. He became very interested in the SARE grant process and this particular project because he was trying to support cut flower growers in his region with business development and increased market opportunities. By sharing the SARE grant proposal with him via email correspondence, he was able to develop a marketing collaboration with several growers in the Cedar Falls, Iowa region. One of the direct results of this collaboration was the increased market opportunity of a large florist for Suzy Neessen at The Flower Farm, discussed previously in the project description and results, under objective 4.

Additionally, a farm visit occurred during October, 2003, arranged by the regional MSU Extension representative, with a team of researchers from Michigan State University, including the new head of the Department of Resource Development, Michael Hamm, SARE's PDP coordinator, Susan Smalley, plus three other faculty members representing agriculture, nutrition and resource development. They spent one half day touring the farm and fields and discussing the sustainable and organic farming practices, various business and marketing aspects and the research findings.

The growers have also been attempting to work cooperatively with a nearby organic vegetable farm. Attempts have been made to share equipment, make joint purchases, and to develop mutual marketing. These attempts have yet to yield specific results, but confidence rests in the future ability to work collaboratively with this farm, especially in terms of developing community supported agriculture opportunities and subscription farming benefits to the community.

The growers will present these research findings; through the local and state MSU Extension newsletters and websites; through the ASCFG in the quarterly newsletter, the online bulletin board, and at regional and national/international conferences; and they will continue to share their findings through informal discussions with customers and members of the community. Attempts will also be made to present the findings at the Upper Midwest Organic Farming Conference and to disseminate them through the Michigan Farm and County Journal and the Great Lakes Fruit and Vegetable Grower News.

Research

Participation Summary

Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the U.S. Department of Agriculture or SARE.



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