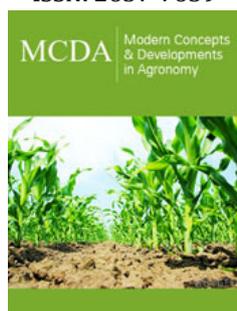


Feasibility Study of Organic Lavender Production at Farm X in Serbia

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Ljiljana Kotic*

Professor of Faculty of Business and Law, Serbia

Introduction

The main parts of the feasibility study of organic lavender production in Serbia were:

Summary which embodied the following information: farm location, brief development of the farm, the main reasons for investing own sources in lavender production (i.e., as a basis for product/service diversification), the list of other investors (i.e., EU fund, National or local investment fundraising).

The main results: The exponential rise can be reached after the third year.

A general recommendation is to increase people's awareness of high-quality, organic products i.e., lavender. To do this, farm owners need to interconnect with the local community as well as with other public authorities, and organizations that promote organic food.

Cost/benefit analysis had been revealed that after the third-year yields from lavender dramatically increase therefore the profit starts to increase as well. Investment can be expanded to the production of essential organic lavender oil, soap, and creams.

Key lessons for farm owners: a) joint the Organic food cluster or engage other farm owners to start the organic lavender production, distribution, export, or marketing.

Moreover, farm owners can form:

Cluster of Organic lavender in Serbia or at the local level.

sell organic lavender at fairs and other events.

connect with tourism organizations to increase revenues from lavender production.

share agriculture machine with other farmers, and

improve their knowledge about lavender productions, cultivation, seeds or varieties of lavender, distribution, marketing, export through a partnership with universities and/or engaging consultants in aforementioned areas of expertise.

Table 1 presents the results of the economic analysis. The lavender production can be productive. This goes in line with the results of one study conducted on 10 farms in the Mediterranean region [1], an ongoing European Union project in Slovenia [2] as well as other studies conducted in developing countries [3-5].

***Corresponding author:** Ljiljana Kotic,
Professor of Faculty of Business and Law,
Novi Sad, Serbia

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Table 1: Cost/benefit analysis of organic lavender production at Farm X.

Cost and Revenues	Value (in EUR per ha)
Cost of planting material	71.86
Labor cost	231.53
Cost of seeds	119.76
Fuel and other cultivation costs	423.15
Variable cost	798.39
Land rents	110.74
Administration costs and costs of establishing a farm	504.46
Fixed cost	615.2
Total cost	1413.59
Gross profit	1540.98
Net profit	925.79
Relative profit	1.66

To determine the feasibility of organic lavender production following costs have been calculated: cost of lavender seeds, cost of cultivation, and workforce cost. Total cost were 1413.59 euros per hectare, and net profit was 925.79 euros per hectare. Compared to the conventional production of lavender total costs were 15% lower, and net profit was 17% higher when farmer produces organic lavender crops (See Table 2).

Table 2: Comparative analysis of conventional vs organic lavender production.

Indicators	Conventional	Organic
Total cost	1201.55	1413.59
Gross profit	1818.36	1540.98
Net profit	1092.43	925.79

For lavender producers, it is important to find out how consumers are getting information about lavender. The results confirmed that consumers have heard about lavender from their friends and directly from producers (Campbell et al., 2019). This information is useful to producers and retailers to improve marketing efforts as well as to increase sales of lavender flowers.

In Romania, small farmers started their lavender business firstly for economic reasons, but they have been aware of the ecological-friendly aspects of organic lavender production [6]. The same study showed the obstacle to lavender production i.e., lack of funding for machines for processing lavender crops, lack of workforce, and weak market outlets. The main constraints for lavender farmers could be classified as price, production, and market conditions [3]. This can be useful for Serbian lavender producers. From the feasibility study, it can be concluded that the production of organic lavender is a profitable business for small farmers in Serbia. This goes in line with other studies conducted in developing countries [3,4,5,7].

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