

# Getting Started in the Greenhouse Business

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**S**tarting a greenhouse business, or any other business, involves risk. Most often with a small business, the personal finances of the entrepreneur are at risk. In addition to financing and risk taking, starting a business requires experience in or knowledge of the industry, business savvy and planning. Planning is most critical. It allows a business person to evaluate the risks and rewards of a venture on paper before significant time and money are invested.

Before starting a business and taking a risk, you should identify your goals. Why are you starting a business and what do you hope to accomplish? For a greenhouse business, the enjoyment of growing plants is not enough. As with any business, the financial rewards should represent the primary objective and business success should be the primary goal.

The key elements to success in business include knowledge of the industry, a business advantage, a market for your product, access to technical services, and financial resources.

Knowledge of the industry is important for obvious reasons and personal work experience is most valuable. If you do not have experience in the greenhouse industry, consider working for a greenhouse business for a year. This will give you exposure to the entire, year-round production sequence and allow you to evaluate the demands of the industry in relation to your personal goals and expectations.

Although personal experience is best, information on crop production and greenhouse management can be obtained from a number of reference books (see list of information sources in this issue). Alternatively, a partner or hired grower may be able to provide some of the expertise you lack. Even

with experience, you will need to research and evaluate the competition and customer base in your area, and you may need to seek help in areas such as financial management or marketing.

Business advantage is the ability to offer the market (consumer) something that no one else can, such as higher quality, lower prices, a better location or service, or unique material. A business advantage is critical for a small business, because it allows you to compete against larger more established businesses. Decide what you can offer that no one else can. Often, large producers do not compete in the small niche markets. Identifying and servicing these markets can represent a business advantage for a new producer. New products, products which supply small market segments, or hard-to-produce plant material may provide a business advantage to you.

Producing a salable product is only part of the battle. You must sell what you produce at a profit to remain in business. You must decide who your customers are, what they want and what you can produce it for before you start. This will require a lot of research. Visiting local garden centers, observing local or seasonal buying habits and talking with others in the industry will help you evaluate your market.

Technical expertise, such as legal advice, accounting, financing, greenhouse engineering, pesticide training, advertising and market evaluation, to name a few, will be required. Learning who can help and where to get this information is an important step. As a business person, you cannot be expected to have all these skills, but knowing what skills you need and where to obtain them is very important. The list of information sources in this newsletter will help you get started.

Financial support, or the seed capital required to start the business, is a must. For a small business this usually comes from family or friends, a moonlight job or a working spouse. Bank loans are difficult to obtain for start-up, but they may be obtained if a state or local development agency is involved. Look for creative ways to minimize start-up costs such as bartering for materials or leasing equipment.

To achieve success, you must establish your goals and be able to measure your achievements. Start by listing your objectives, that is, what you want to accomplish in order to reach your ultimate goal. Include a timetable; list what will be accom-

plished and when. The timetable helps you avoid procrastinating. Setting realistic objectives and a reasonable timetable, require you to first gather information and then to develop a business plan for success.

A business plan is a detailed statement of the operation of your business. It includes details on production, marketing, and the cash flow or finances of the business. Business plans are usually structured to cover a five-year period.

If you are financing the venture through a bank loan or trying to attract a business partner, the five-year plan is a requirement. If you have your own money, no one will require you to write a plan, but the plan will help you avoid costly mistakes and greatly improve your chances for success. The first year of the five-year plan should be most detailed, and the later years most general. After each year the plan should be updated to include a new fifth year and a detailed next year (see article on *How to Develop a Business Plan* for details).

The manager of a greenhouse business must oversee the physical structure and operating systems (engineering aspects), crop culture, shipping, marketing and business affairs (financial and information management). With a start-up facility, the manager will probably have to wear all four of these hats plus provide a significant part of the labor. Management takes time to learn and effort to perfect. A good manager will need the skill to organize and the ability to efficiently control and coordinate the efforts of the labor force.

A person starting in the business has two choices; buy an existing operation or build and start a new enterprise. With an established business, sales and financial information is readily available from the existing sales and financial records of the firm. The physical structure, cropping and shipping procedures, and community image are already established. You can easily evaluate the structure, production and handling procedure. You should carefully evaluate the firm's image. A good image is valuable, and you will pay for this "good will". A bad image in the community or industry will be a liability and can be difficult to overcome. When starting new, none of this information is available, which puts more of a burden on you to forecast sales and cash flow and to envision and implement an efficient production facility. Also, sales and community or industry "good will" must be carefully developed over time.