

PRICING YOUR FARM PRODUCTS

HOW DO I SET MY PRICES?

New farmers often struggle with how to determine the value of their farm products. Pricing decisions are complex, and are directly linked to production costs, the demographics and socio-economic status of customers, scale of production, what's produced and how it's differentiated in the marketplace, and any philosophical principals that guide business decisions.

Here are some considerations to keep in mind, and resources to help give you a basis for your decisions.

These suggestions have been compiled by the Rutland Area Farm and Food Link, based on input by:

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A STEP - BY - STEP APPROACH

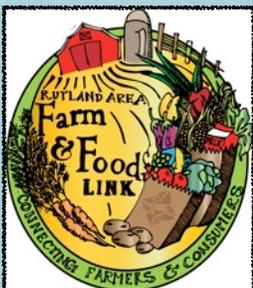
#1 - CALCULATE YOUR COST OF PRODUCTION

#2 - INCREASE PRICING FLEXIBILITY: LOWER PRODUCTION COSTS

#3 - SET YOUR PRICE RANGE & IDENTIFY YOUR CUSTOMERS

#4 - MONITOR MARKET TRENDS

#5 - ACKNOWLEDGE THE "BIG PICTURE"



RAFFL works to increase access to local foods and supports the economic viability of area farms through education of the public and by facilitating new and expanded markets, distribution mechanisms, and processing infrastructure for farms and farm products in the Rutland Region.

Our New Farmer Initiative connects beginning farmers with local, state and national resources to help them succeed. This program is supported by the John Merck Fund.

www.rutlandfarmandfood.org , www.raffl.wordpress.com
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Remember!

Pricing is complicated, keep each of these considerations (and more) in mind!

When calculating costs, include **all** costs over the life of the product - from field prep and seeds to harvest labor to advertising and transportation costs to get the product to its final market.

Identify the tools you need to increase efficiency and decrease labor costs. While there is more upfront cost in mechanizing certain tasks, sometimes investing in the right tool can save you enormous amounts of labor time and bring your production costs down dramatically!

Scale of Production figures into the mechanization equation and cost of production. Make sure you determine how much you need to produce to have mechanization investments pay-off.

Tax write offs may be available if you donate product to the food shelf or other charity, but only if you can calculate your cost of production (ask your accountant about the specifics).

Calculate the costs of transportation and distribution time, especially when marketing further from home.

Never de-value your Products! Ever had a bumper crop of a perishable product? Don't lower your prices to move it! Instead, look for a wholesale outlet like Black River Produce, compost it, or donate it to an emergency food site through Grow an Extra Row. You want customers to follow you based on quality, not prices! (Gifting to encourage repeat customers is different - trying to get rid of celery? Give one away, along with a recipe card, and folks will come back to buy more at the next market.)

#1 - Calculate your Cost of Production

Always cover your cost of production! Create an **Enterprise Budget** for your farm to determine the cost of production for at least your top five products. This will allow you to set your prices to provide a profit margin that sustains your farm and your family. Pricing products so low that your farming operation is unsustainable does your community and other farmers a disservice.

#2 - LOWER YOUR PRODUCTION COSTS

This will give you more flexibility in pricing, allowing you to lower prices for those in need or net a greater profit on your products. These are just a few ideas for cost-sharing and increasing your efficiency.

Order your supplies through a farmer group: NOFA-VT offers group pricing for fertilizer and supplies (non-members pay an additional 10% on their orders)

Join a co-op: Marketing, Distribution and Equipment are all types of co-ops

Grow for a Multi-farm CSA: Administration, marketing and crop planning time and costs can be shared by all farms.

Access Affordable Land: Look into alternative tenure arrangements like long-term leases, work-land barter with another farmer, purchase of land with an existing "Option to Purchase at Agricultural Value" or OPAV, etc.

RESOURCES

- **Check out this Pricing Webinar:**
 - http://www.uvm.edu/newfarmer/?Page=webinars/webinar_recordings.html&SM=webinars/sub-menu.html
- **Learn more about Enterprise Budgets:**
 - www.uvm.edu/extension/community/enterprisebudgetfactsheet.pdf
- **Run your numbers using "real life" examples of farm enterprise budgets as a guide:**
 - <http://www.uvm.edu/vtvegandberry/budgetexamples.html>
 - <http://www.uvm.edu/vtvegandberry/factsheets/enterprise%20budget%20worksheet.pdf>
- **Learn from Local Growers:**
 - Richard Wiswall, owner of Cate Farm (East Montpelier) has written about his approach to farming in the *The Organic Farmer's Business Handbook*:
 - http://www.chelseagreen.com/bookstore/item/the_organic_farmers_business_handbook:paperback%20with%20cd-rom
 - Paul and Sandy Arnold at Pleasant Valley Farm (Argyle, NY) are very experienced with enterprise budgeting and set a minimum net profit per acre and make growing decisions based on this.

FOOD FOR ALL

Help feed your whole community and reach customers in need by:

Selling "at cost" to your local school cafeteria,

Pricing CSA shares so that you can offer 10 at reduced costs....(you HAVE to know your cost of production so that when you donate or reduce prices, you understand how much product you are moving at no-profit)

Make sure your customers know you accept EBT and farm to family coupons.

Donate extra to the food shelf (or RAFFL's Grow an Extra Row program). Some folks may not be able to afford your prices, but you can help them access your food in other ways.

TOP DOLLAR SALES

To capture the highest value for your products, think about:

Identifying urban markets in Boston, NYC and other metro areas. Begin networking and figure out how you'll distribute - CSA shares, restaurants, Farmers' Markets, etc.

Joining a co-op, like Vermont Quality Meats have cultivated markets in metropolitan areas outside the state.

Growing speciality items that are unique and hard to find.

Differentiating your products. Think about how you describe your product to your customer and tell the story of its value. The better the customer understands what sets your products apart, the more they'll be willing to pay.

Value-Added opportunities to increase your product's value and introduce year-round availability and sales.

#3 - Set your Price Range & Identify your Customers

Once you know your cost of production, you can begin to value your product based on profit goals and customer demographics. Target your pricing for different consumers and create price tiers based on the buyer: farmers' market, direct-to-restaurant, direct-to-retail, and commodity wholesale. This happens all the time - check the same grower's prices at the Dorset, Manchester, Fair Haven, Poultney and Rutland markets for example (or the price difference for the same product sold in Rutland County and Boston or NYC).

#4 - Monitor Market Trends

Keep tabs on the "going rate" for farm products

UVM Extension posts a Direct Market Produce Price Report every-other week
<http://www.uvm.edu/vtvegandberry/ProducePriceReports.html>

Boston Terminal (where fruits and veggies come into the east coast for distribution) posts daily price reports: <http://www.terminalmarkets.com/bostonterminal.htm>

Rodale Institute publishes a Daily Organic Price Report:
<http://www.rodaleinstitute.org/Organic-Price-Report>

MOFGA Organic Price Reports are monthly
<http://mofga.org/Publications/OrganicPriceReports/tabid/260/Default.aspx>

#5 - Keep the Larger Picture in Perspective

Accept that we are working in a **dysfunctional system!** It's hard to address the concern for pricing products for all consumers without getting into the troubles with our entire food system (which artificially lowers food prices through subsidies, employment of illegal workers, large scale mechanization, and the externalized environmental, social and health care costs....). Farmers living on the edge of financial ruin to prop up this dysfunctional system won't help anyone in the long run!

- Instead of lowering the bar on prices for your products, work to educate your customers about the true costs of food and how that relates to your sustainably grown products. Helping your customers understand the expenses associated with farming in Vermont, and the importance of the farmer making a living wage should be part of this education.
- If you want to survive as a farm, you have to operate like a business. If you operate efficiently and effectively, over time you will find ways to reach all corners of our community.