

Pricing Maple Syrup at the Farm: (Staying in Business)

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As the stock of maple syrup dwindles around the producing world the pricing of maple syrup at all levels becomes more and more important to the producer, the packer, the wholesaler and the retailer. Probably the producer is the one that takes the hit the hardest however, because the farm gate is where the pressure is put on by the most important person needed to get a fair price for this golden product, the producer himself.

I hear arguments from producers such as, I've gotten \$25 a gallon since 1985--I can't go up now. My customers will go else-where if I raise my prices, they can't afford to pay more. Another one is, these are my friends, neighbors and family I can't go up on my prices. How long would the Hannaford's or Price Chopper grocery stores stay open if they didn't raise their prices to stay in line with their costs? Do you pay the same for gas as you did 15 years ago?

I used to say to my dairy farmer friends, "Farmers are so used to buying retail and selling wholesale, we can't seem to break the habit."

You as a sugarmaker can break the habit. Take a look at what syrup is selling for and take a look at what you are selling it for. That does not mean that you should price your syrup based on what everyone else is getting. Compare the highs and lows and don't use the above arguments to undersell your neighbors. Know what your price has to be and stick to your guns, don't under price for any reason. Only you can figure what your prices should be and only you can know your cutoff point to making or losing money.

When we look at costs, how do we determine those costs? What records do we have that will allow us to determine costs. There is more than one reason to keep good records, maybe you don't want to have good income records because of certain auditors that might come around, but maybe those records are necessary to determine whether or not you will be in business in the future.

What Records Need to be Kept?

>**Income**, knowing your income is the beginning of knowing the direction of business. If you intend to grow and develop, this is the base figure to have. Just a cash box will work, but count everything that comes out of the box. Keep records of income.

>**Expenses**, we'll review these expense items in a minute but you have a lot of costs involved in producing a gallon of syrup. Most producers don't think too much about the investment in land and taxes, how about the costs of your maple syrup equipment too! If you are going to have money to replace worn out and broken equipment (how about replacing all that lead soldered equipment?) you had better be pricing right in order to have some money left over for development. The expenses you must count include: Labor, equipment replacement, technology advancement, fuel costs, advertising, retailing expenses (ie. Containers, labels, etc.), shrinkage, mailing costs, and more.



>**Time**, how much time is spent by you, the producer, not only the hired labor costs. Farmers often say, my time is not worth anything, I'm there anyway! Not so!! How about your time and your family time in cutting wood, hanging tubing, tapping, gathering, boiling, canning, and so forth. If you really add this up, it might scare you.

>**Weather** records, these records might be optional but they might be very helpful in planning your time and labor expenses. Of course they have to be kept over a period of years to be useful.

>**Production**, How much syrup, what grade, dates of production. Know what you've got in order to know your possible quality control problems or production efficiency.

How Do I Keep Records?

Record keeping is not something to be taken lightly in any business. In today's business world, the one who keeps the best records (and then uses them), will be the most efficient. I see records in the maple business being kept in any number of methods, this usually reflects how the overall farm records are being kept or not kept.

>**Shoebbox method**, A boxful of receipts may be one way to keep expense records, but the analysis may leave a bit to be desired. Rather difficult to keep income records this way too.

>**Sugar house wall**, a very common method of keeping production records. The second most popular method is the wall calendar. The sugar house wall is more permanent--I've seen production records going back to 1908 on the sugarhouse wall, but I've seen wall calendars going back into the 50's. Analysis is rather difficult by this method. Sales are difficult to track too!

>**Notebooks** are probably a step up from the wall, but unless they are used to make decisions, they are no more effective. Notebooks are great to have in the shirt pocket to keep track of things as they happen, but if it's not written down it will be forgotten.

>**Computer**, more and more farm businesses are becoming computerized. Probably the most efficient and accurate way of keeping records for long term use. Computer software programs such as Quickbooks or Quicken are easy to learn and use. The key is to keep them up to date. Once again, it does no good to put the records into the shoe box or the computer if they aren't to be used. The electronic farm accounting systems out there are great, if a farm is already on the system it only means making the sugaring operation as separate enterprise of that system.

Figuring Your Farm Prices

Using your answers to the production cost questions, costs that go into a gallon of maple syrup. To make this example, I use bulk prices to cost out the raw product, for example: \$2.00 per pound or 1.70 per pound x 11.1 lbs per gallon = the raw cost per gallon at that cost per pound. Then figure in your other costs, you'll have to do some figuring.



price out your things easier in

I'm using the bulk price as if you were buying the syrup and reselling. Using the bulk price is not necessarily the way to do it, however it does get you to thinking about costs and how to make a profit. If you have records of your production costs then it is easy to substitute the correct numbers in place of the bulk syrup costs.

This presentation is not meant to be the answer to pricing. It is meant to provide some guides and thoughts to help in determining what you should be charging for your product. If you figure

everything out, you might decide to stop producing, buy your syrup bulk and just become a packer/marketer. Then again if you're a packer/marketer you might decide that bankruptcy is around the corner and find another line of work. These thoughts will work for you if you use them to help analyze your business.

Pricing Individual Containers:

Pricing the containers of maple syrup is always a common question in the spring of the year. I see signs by the road that say, Maple Syrup \$30/ gal.--1/2gallon \$15.00. How can this be? Once again knowing your cost is key to pricing those containers. Provided here for you, a "rough" guide of suggested prices that take into account the pricing relationships of packing times, container costs, handling, etc. It is not magic, it is not the final word on container pricing. It is a guide to help you think the process through.

Pricing by Container Size

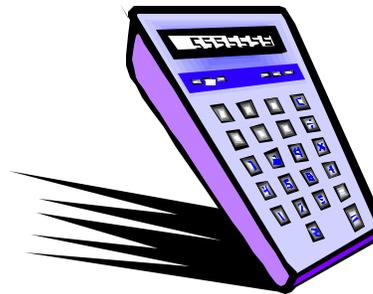
1 Gallon = 100% = \$38.00

1/2 Gallon = 60% = \$22.80 X 2 = \$45.60

Quart = 35% = \$13.30 X 4 = \$53.20

Pint = 20% = \$7.60 X 8 = \$60.80

1/2 Pint = 15% = \$5.70 X 16 = \$91.20



Push the pencils, make sure they are sharp. Take the blinders off, look for your costs and add them up. Once they are added up, double check for hidden costs such as land investment, thinning, etc. Once you have all of these items in line, get your DUCKS in line and set a fair price for your products. You'll have more fun, make a profit, and maybe even take a vacation after sugaring.

For pricing those little glass bottles that are so popular in today's market you'll want to know what your syrup cost you per fluid ounce. Take a look at you gallon cost and simply divide it by 128 fluid ounces per gallon. This example will take you through the process:

- .75 - Price of the little maple leaf bottle
- .26 - Your cost of the 1.7 ounces of maple syrup, if it's \$18.69/gallon
- .20 - Cost for packing, grade and name labels
- \$1.21 - This is your cost for the filled Maple leaf bottle

Your mark-up on these smaller containers should be greater than on the larger containers as they take lots more time. As a rough "guide," use 40% for wholesale and 60% for retail.

Looking at sizes, the profits are much greater on the smaller sizes. Always do the figuring—push the pencil.

It's easy to sell a gallon, but pricing it makes it easy to lose money. It is also easy to sell pints and 1/2 pints, but the profits can be much greater. One producer uses this formula, he sells a gallon for retail at \$34.50, his cost for labels and container is 2.20, his syrup costs 18.69, his gross profit per gallon is \$13.61. He can sell the same gallon in 1.7 ounce maple leaf bottles, at 75 of them per gallon X \$3.00 each, total retail is \$225.00. His bottles and labels cost 71.25 and his syrup still cost 18.69. What's the gross profit on that gallon of syrup—\$135.06.

So what's the point of this story. If you are going to get bulk price or wholesale price for

your syrup and you have to put it in the can, label it, and pay all the other additional costs of staying in business. Simply sell bulk or wholesale.

If you want to stay in business, make a profit and enjoy life, Keep Good Records and don't sell in the retail market at wholesale prices. Know the values of your products and price your syrup, candy or whatever else, at a fair retail market price. Have a good product and charge a fair price. It is your investment and the return comes to you.



Vermont maple syrup in New York City, 2001

Marketing