



COMMUNITY

4-H & YOUTH

ENVIRONMENT

AGRICULTURE

FOOD



UNIVERSITY OF VERMONT

EXTENSION

CULTIVATING HEALTHY COMMUNITIES

Mark-up and Margins to Set Prices

FBFS009—9/13 Mark Cannella, Farm Business Management Specialist, UVM Extension, 617 Comstock Rd, Suite 5, Berlin, VT 05602

Agricultural products are subject to various mark-ups and expected margins as they pass through the distribution chain. These mark-ups and margins reflect the increased price that a distributor or retailer assigns to a product to cover their own costs and achieve the financial targets for their own business.

The following tables provide estimates for “mark-up on cost” for distribution (18%) and “margin on price” for a retail transaction (35%) based on current industry norms. These are typical rates that we might observe for the sale of farm products in 2013. Actual mark-ups and margins for your business or your buyers will vary based on who you are selling to or the specific type of product in question. Accurate research is needed to determine which mark-ups and margins are most appropriate for your products. The calculations are demonstrated below.

18% Mark-up on Cost:

A farm sells bulk carrots in 50lb vented bags for \$0.80 per pound. The distributor purchases the product at \$0.80 per pound, applies a 18% mark-up and sells the carrots for \$0.94 per pound.

$$\text{Cost} + (\text{Cost} \times \text{Mark-up Percentage}) = \text{New Price}$$

$$\$0.80 + (\$0.80 \times 0.18) = \$0.80 + \$0.14 = \$0.94$$

$$\text{New Price} = \$0.94 \text{ per pound}$$

This table shows a 18% mark-up for the movement of a product through a distributor:

18 % Mark-up on cost		18 % Mark-up on cost		18 % Mark-up on cost	
Farm-gate Price	Distributor Sale Price	Farm-gate Price	Distributor Sale Price	Farm-gate Price	Distributor Sale Price
\$0.50	\$0.59	\$2.20	\$2.60	\$3.90	\$4.60
\$0.60	\$0.71	\$2.30	\$2.71	\$4.00	\$4.72
\$0.70	\$0.83	\$2.40	\$2.83	\$4.10	\$4.84
\$0.80	\$0.94	\$2.50	\$2.95	\$4.20	\$4.96
\$0.90	\$1.06	\$2.60	\$3.07	\$4.30	\$5.07
\$1.00	\$1.18	\$2.70	\$3.19	\$4.40	\$5.19
\$1.10	\$1.30	\$2.80	\$3.30	\$4.50	\$5.31
\$1.20	\$1.42	\$2.90	\$3.42	\$4.60	\$5.43
\$1.30	\$1.53	\$3.00	\$3.54	\$4.70	\$5.55
\$1.40	\$1.65	\$3.10	\$3.66	\$4.80	\$5.66
\$1.50	\$1.77	\$3.20	\$3.78	\$4.90	\$5.78
\$1.60	\$1.89	\$3.30	\$3.89	\$5.00	\$5.90
\$1.70	\$2.01	\$3.40	\$4.01	\$5.10	\$6.02
\$1.80	\$2.12	\$3.50	\$4.13	\$5.20	\$6.14
\$1.90	\$2.24	\$3.60	\$4.25	\$5.30	\$6.25
\$2.00	\$2.36	\$3.70	\$4.37	\$5.40	\$6.37
\$2.10	\$2.48	\$3.80	\$4.48	\$5.50	\$6.49



Mark-up and Margins, page 2

FBFS009—9/13

35% Margin on Retail

“Margin” is a fixed percentage based on final sale price. A farm delivers an 18 count box of head lettuce at a price of \$1.90 each (\$34.20 per box). The retailers purchases the box at \$34.20 (\$1.90 each), applies a 35:65 “margin on final sale price” and sells the lettuce for \$2.92 each. *(You would not expect to see lettuce for sale at \$2.92 right? Perhaps the final sale price got increased to \$2.99 each and the retailer retained a higher margin.)*

The formula is below:

Cost / (1-Margin Percentage) = Final Sale Price
 $\$1.90 / (1 - 0.35)$ or $\$1.90 / 0.65$ = Final Sale Price
 Final Sale Price = \$2.92 each

This table shows final prices when a retailer applies a 35% margin on the final sale price:

35% Margin on Retail Price		35% Margin on Retail Price		35% Margin on Retail Price	
Farm-gate Price	Retail Price	Farm-gate Price	Retail Price	Farm-gate Price	Retail Price
\$0.50	\$0.77	\$2.20	\$3.38	\$3.90	\$6.00
\$0.60	\$0.92	\$2.30	\$3.54	\$4.00	\$6.15
\$0.70	\$1.08	\$2.40	\$3.69	\$4.10	\$6.31
\$0.80	\$1.23	\$2.50	\$3.85	\$4.20	\$6.46
\$0.90	\$1.38	\$2.60	\$4.00	\$4.30	\$6.62
\$1.00	\$1.54	\$2.70	\$4.15	\$4.40	\$6.77
\$1.10	\$1.69	\$2.80	\$4.31	\$4.50	\$6.92
\$1.20	\$1.85	\$2.90	\$4.46	\$4.60	\$7.08
\$1.30	\$2.00	\$3.00	\$4.62	\$4.70	\$7.23
\$1.40	\$2.15	\$3.10	\$4.77	\$4.80	\$7.38
\$1.50	\$2.31	\$3.20	\$4.92	\$4.90	\$7.54
\$1.60	\$2.46	\$3.30	\$5.08	\$5.00	\$7.69
\$1.70	\$2.62	\$3.40	\$5.23	\$5.10	\$7.85
\$1.80	\$2.77	\$3.50	\$5.38	\$5.20	\$8.00
\$1.90	\$2.92	\$3.60	\$5.54	\$5.30	\$8.15
\$2.00	\$3.08	\$3.70	\$5.69	\$5.40	\$8.31
\$2.10	\$3.23	\$3.80	\$5.85	\$5.50	\$8.46

NOTE: These tables provide examples of sample mark-ups and margins. Actual percentages vary widely from business to business and product to product. Accurate research will be needed to understand what specific percentages will be applied to your products before you apply these concepts into your pricing strategy.