



Pricing Strategies

Overview for Today

- Provide resources for Cost of Production templates, Business Planning, etc.
- Discussion on Setting Prices
 - Pricing based on value
 - Creating relationships with your food buyer
- Determining your market
- Group Discussions

Local Food Marketing Guide

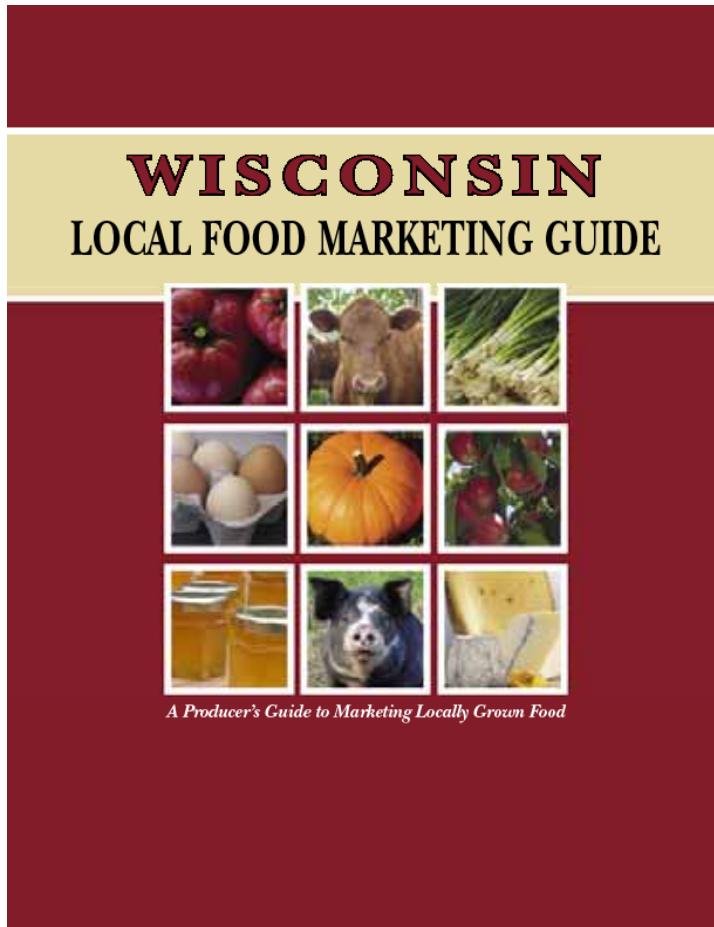


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Frost Cover Photos Courtesy Brightonwoods Orchard (1), Marisa Heubler (4), Tom Kindacki (1), Gary M-Ski (2), and Wisconsin Milk Marketing Board (1)
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Start with Cost of Production

- If you are losing money at what you grow, other pricing strategies will not matter
- Setting up an initial system for tracking your costs may seem difficult, but it's worth the effort and will provide economic sustainability to your business

Cost of Production

- Resources for developing cost of production systems
 - From the Local Food Marketing Guide
 - Page 5
 - Budget Projection for Vegetable Production
 - Enterprise budgets for specialty foods, dairy sheep, and dairy goats

Cost of Production-Fruit and Veggie

- Produce Profitability Calculator. Free, online tool to assess costs, pricing and profitability.
 - <http://www.extension.iastate.edu/hrim/localfoods/calculator/index.cfm?fa=c.formLogin>
- “Smart Form Costs and Returns Per Acre.” Online form for calculating net returns.
 - <http://aesop.rutgers.edu/~farmmgmt/ne-budgets/smartform.html>
- Methodology for Calculation of Costs and Returns of Production:
 - <http://aesop.rutgers.edu/~farmmgmt/ne-budgets/methodology.html>
- Sample organic vegetable crop budgets:
 - <http://aesop.rutgers.edu/~farmmgmt/ne-budgets/organic.html>
- Cultural Practices and Costs for Organic Vegetable Production on the Central Coast of California:
 - <http://www.sarep.ucdavis.edu/pubs/costs/96/vege.htm>
- Selected Costs and Returns Budgets for Horticultural Food Crops
 - <http://www.ext.vt.edu/pubs/vegetables/438-898/438-898.html>
- Links to Vegetable Crop Budgets from various Universities across the country:
 - <http://www.imok.ufl.edu/LIV/groups/economic/budglnks.htm>

Cost of Production - Meat

- Page 96 of the Local Food Marketing Guide
 - Starting a Meat Business in Wisconsin
 - Direct Marketing Meat

Cost of Production – Specialty Dairy



General Inquiries

Kathy Brown

Administrator

Phone: 1-888-623-2269

Fax: 262-740-2176

info@dbicusa.org

P.O. Box 14, Delavan, WI 53115

Business Assistance Inquiries

Norm Monsen

Client Development

Phone: 608-224-5135

Fax: 608-224-5110

norm.monsen@datcp.state.wi.us

P.O. Box 8911, Madison, WI 53718

Page 89 in Local Food Marketing Guide:
Resources for Artisan Dairy Products and
Farmstead Dairy

Business Planning

- Start with covering your expenses as a bottom line
- Purpose of your business plan
 - Defining your mission, vision and objectives
 - Defining your product/service offerings
 - Defining your target markets
 - Defining your marketing/sales strategies and projections
 - Operational/Manufacturing plans
 - Management
 - Financial Projections

Business Planning

- Resources – Page 5 of LFMG
 - Business Planning for any value-added agricultural business
 - Business Planning for Fresh Produce growers
 - Got Moola Guide- Business Assistance in Wisconsin
 - Schools for beginning growers

Setting Prices-Beyond Cost of Production

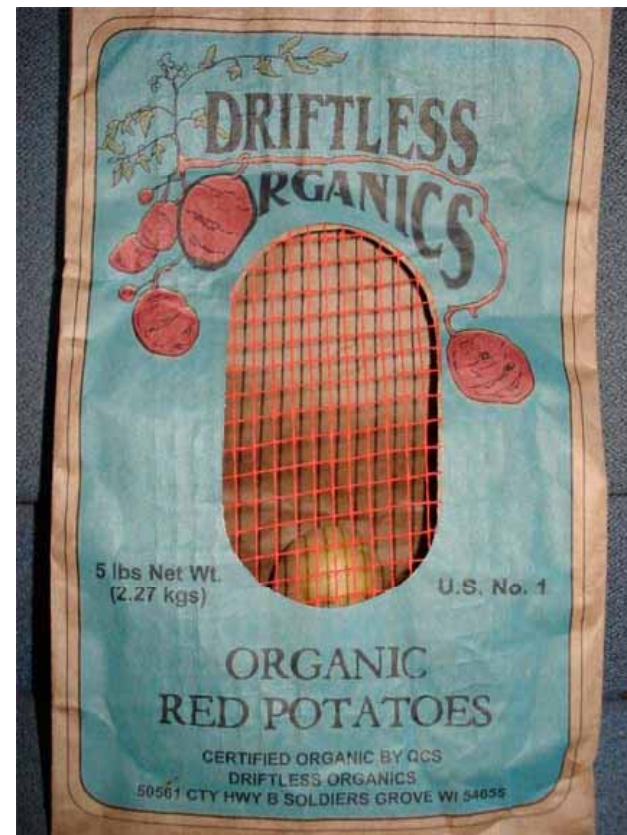
- Setting Prices based on
 - Perceived Value
 - Current Retail Markets
 - Relationship building with buyer

Price Based on Perceived Value

- What are the values that your customers are looking for?
 - Local
 - Marketing Labels
 - Humane Handling, Certified Organic, Food Alliance, SSfW, Buy Fresh, Buy Local (PAGE 79-81)
 - Specialty Products
 - Quality

Product Differentiation

- Branding and Marketing Efforts
 - Marketing examples
 - Season Cheeses
 - Potato Bags



Price Based on Retail Price

- Shop at many different retail outlets
- Record prices for products similar to yours
 - Watch seasonal fluctuations
 - Watch seasonal specials
- Remember the markup that Craig discussed – what you see is not what you get
 - Different retail outlets have different markups
 - Talk to your buyers about what their markups/margins are
 - Create a relationship with the buyer

Price Based on Buyer Relationship

- One of the most important elements of selling local food products is the opportunity to build relationships with your customers and buyers
 - Share cost of production information
 - Sometimes buyers will tell you your price is too low (This is a good buyer)
 - Mutually deciding on a price that is fair strengthens the whole local food system

Determine your market: Pricing is one factor

- **Direct Markets**
 - Farmers Markets, CSA, Agritourism, On-farm stores
- **Intermediate Markets**
 - Restaurants, Grocery Stores, Food Service
- **Wholesale Markets**
 - Distributors, Terminal markets

Direct Markets: Farmers Market

- Advantages
 - Highest price/unit
 - Direct customer contact
- Disadvantages
 - Time consuming
 - Low volume inefficiencies

Direct Markets: CSA – Community Supported Agriculture

- **Advantages**
 - Payment in advance
 - Good customer contact
 - Profits even out with product diversification
- **Disadvantages**
 - Administrative Burden
 - Production expertise with many products
 - Record keeping burdens

Intermediate Markets: Restaurants & Grocery Stores

- Advantages

- Higher volume sales; increased efficiency
- Indirect Marketing – name recognition daily

- Disadvantages

- Must meet volume demands
- Change in buyers; producer manager/chef turnover
- Price/unit may be lower

Wholesale Markets: Distributors, high volume institutions, etc.

- Advantages

- Highest volume efficiencies
- Consistent orders
- Current Market opportunities

- Disadvantages

- Less connection to consumers
- Relationship with buyer may not be as strong
- Lowest price/unit

Discussion Groups – We want to hear from you

Break into 3 groups: Where you market your products currently or where you are hoping to learn more about pricing in a particular market

- 1) Direct Markets
- 2) Intermediate Markets
- 3) Wholesale Markets

Discussion Groups

- Start with introductions around the group
 - Farm name, products, where you sell your products
- Share with each other how you currently set your prices for this market
- What are your concerns/challenges in setting prices for this market?
- What resources/programs would help you?