

Chapter 3 References: Which Direct Marketing Outlet is Right for You?

Choosing Your Market: A Direct Marketing Decision Tool for Small Farmers

<http://www.georgiaorganics.org/markettool/workbook.pdf>

Critique Checklist for Roadside Markets

<http://agmarketing.extension.psu.edu/Retail/chklistRdSideMkt.html>

Farmers' Markets: Marketing and Business Guide

http://attra.ncat.org/new_pubs/attra-pub/PDF/farmmarket.pdf?id=NorthCarolina



Chapter 4

Who Will Be Your Customers?

Considerations for your clients

What is your target market and market area?
Who are the people in your market area?
Who is your competition? What are they doing?



What is your target market and market area?

Target market

A target market contains the part of the population who are most likely to buy from you. It is generally described using demographic characteristics like age, gender, ethnicity/race, education, and income. It also uses lifestyle characteristics which describe people's activities (work and leisure), interests (family, animals, home, community, environment, and hobbies), and opinions. Lifestyle characteristics are described by terms like trend-follower, cutting-edge, environmentally conscious, fun-loving, family oriented. These characteristics help explain why people purchase what and where they do. They tell you the kind of experiences people want to have when they shop. These experiences may be more important than demographic information.

Niche marketing is targeting a product or service to a small portion of a market that is not being readily served by the mainstream product or service marketers. . . .
Source: Schwart, McCorkle, and Anderson

The purpose for gathering this information is to find who your potential customers are so that you can create your niche in the market.

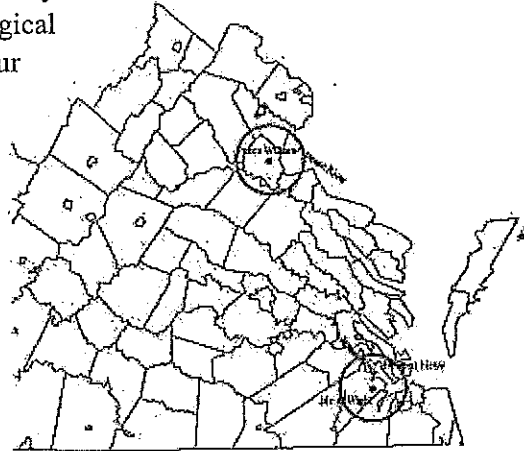
Market area

Your market area is the geographic area or cyberspace where you will operate. You can select your market area by zip codes, counties, mile radius, driving time, or drawing a circle on a map. Your market may cover more than one state. If you plan to market on the internet, your market is worldwide.

What is a reasonable area for you to market in? If you market on your farm or at a farmers' market or through a CSA, how far will your customers be willing to drive to reach your market? How far can you afford to drive to make deliveries? Research shows people will travel only about 15 miles to a farm market (Stieglend; Blackburn and Jack; Jack and Blackburn; Eastwood; Eastwood, Brooker, and Gray). Their research also shows that people are willing to travel further to certain types of markets. For example, people will travel farther to a pick-your-own operation than a roadside market or a farmers' market. Many producers will drive farther to sell at a vibrant market than customers will drive to that same market. If you are planning on becoming a CSA, you need to look for logical drop-off points because not everyone will come to your farm to pickup produce.

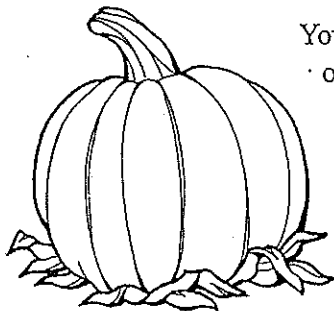
One of the more common ways to define your market area is geographically—zip codes, county borders, census blocks. Demographic information for these areas is relatively easy to find.

You can define your market area by using ring analysis. Ring analysis sets a distance around your market—be it 15 miles or 100 miles. Within that ring you find the demographic and lifestyle characteristics of the population. Keep in mind as you draw your ring that lakes or other obstacles may hinder people from getting to you easily.



You can use driving time to define your market. How long does it take customers to drive from where they live to where you are? The distance may only be 15 miles, but due to road conditions, congestion, or lack of a direct route, it may take them 45 minutes to drive the 15 miles. Driving time may be a better estimate of who will come to your market than ring analysis. If you live in Price William County, Virginia or Isle of Wight County, Virginia and use ring analysis, you are faced with part of your market area in either the Potomac River or James River and driving 15 miles may take you an hour or more because of congestion. From Isle of Wight, you probably would not draw customers from Newport News or Hampton, both of which are within your 15-mile radius, but the driving time, roads, and congestion make the drive difficult.

How will you use your definition?



You want to add pumpkin hayrides with pumpkin picking to your operation and target children ages 4 through 9, which corresponds to nursery school through third grade. Your market area is all the nursery and elementary schools within an hour's drive from your farm. You go to your map to find all the counties/cities within an hour's drive. Your next step is to identify all the elementary schools within that area. You go to the Department of Education website and search for those counties and make a list of the names, addresses, phone numbers, and principals of those schools. You

also check to see how many kindergarten through third grade students are in those schools. Your next task is to find all the preschool programs in the target area. You find a total of 101,768 children who fit your criteria.

Who are the people in your area?

Who is your target population? The characteristics of the people in your territory will, in part, determine what you can sell. For example, trying to sell hand knit, bulky, wool sweaters to people in a semi-tropical climate will not be very profitable. However, if you know that

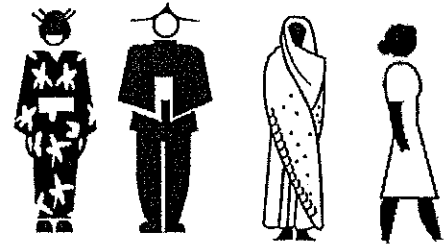


Hispanics buy twice as many tomatoes as other groups and that your target market population is comprised of 75 percent Hispanics, selling a variety of tomatoes would be more profitable. Depending on what you are offering, you will need different types of information. If you want to emphasize activities like hayrides and corn mazes for school age children, you'll need to know something about school enrollment. If you want to sell organically produced

produce and meat, you need to know something about income, age, and race/ethnicity. The number of people you might expect to attract will be some small portion of the population—either the entire population or a subgroup such as Hispanics or school children. Will the percentage you're able to attract be large enough to be profitable?

Demographic characteristics

Demographic characteristics affect the type market that people will visit and what they purchase. A survey of farmers' markets in New Jersey found the majority of respondents to be 51 years old, followed by 52 to 65, and over 65. Those over 65 are less likely to visit a roadside market than under 65. Nearly 83 percent were female. Household size averaged 2.7. Over 60 percent of the respondents graduated from college. Most respondents were Caucasian. Over a quarter of respondents had incomes over \$100,000, and another quarter had incomes between \$40,000 and \$50,000. Five percent had incomes of less than \$20,000. Most of the respondents considered their neighborhoods to be suburban. Only 3 percent classified their neighborhoods as rural (Govindasamy, Italia, and Adelaja). These researchers used surveys to obtain their information. Demographics for your target market will undoubtedly differ some from those of the New Jersey farmers' market. However, you can use the information from New Jersey to compare to the demographics in your target market area.



Several sources of data are available that provide information about the people in your area: U. S. Census Bureau, City-data.com, and the Bureau of Economic Analysis (BEA) are easily accessible and provide a great deal of information. No matter which source you use, you will need to do some data manipulation. The Census and City-data.com provide information on population, family make-up, educational attainment, race/ethnicity, and many other demographic characteristics. From the Census data, you have several hundred options to select from. The most useful data are identified in Box 1. You may decide you want additional tables as well;

Box 1. Census table numbers—from Summary File 1.

- ☒ P6 Race
- ☒ P7 Hispanic or Latino by Race: total is sufficient.
- ☒ P8 Sex by Age: every year to 21 then 2 to 4 years.
- ☒ P10 Household size by household type with own children under 18.
- ☒ P37 Sex by Educational Attainment for Population 25 and Over: to get those with no high school diploma, you need to sum no school completed through 12th grade, no diploma.

U.S. Census Bureau Summary File 3 is an excellent source of more detailed data. BEA provides information on income and population.

All these sources have limitations because the data are dated. The U. S. Census and City-data.com are from 2000. BEA estimates county-level population so that it is a bit more up-to-date, but its information is two years behind. For example, this year is 2006, the most current county level BEA data are for 2004. Current information on number of children in the area comes from the state Department of Education. You can get unemployment, an indication of economic viability of your market area, from the your state Employment Commission.

In North Carolina the easiest, most user friendly source of data is the North Carolina Rural Economic Development Center's Rural Data Bank (<http://www.ncruralcenter.org/databank/index.html>). Since they give sources, you can check for more current information than is posted. Many of these data are based on the sources mentioned so they have the same limitations, but they are easy to use. Unfortunately, neither South Carolina nor Virginia has a similar database.

Lifestyle characteristics

Lifestyle influences what people purchase as much as where they live, their age, family size, and income. Lifestyle data enables you to include people's interests, opinions, and activities and the effect these have on buying their behavior (U. Wisc. Coop. Ext).



Many of the surveys done by businesses gather data on demographics. What the results don't tell you is who the usual customers are for these businesses. For example, Whole Foods does annual surveys of their customers. These surveys ask for demographic information and buying habits. What is not said about the study is that Whole Foods is an upscale store that caters to people who probably tend to be environmentally and health conscious. These people also have the financial means to support these beliefs. Lifestyle may be a more important indicator of who your potential customers are than demographics. The drawback is that lifestyle information is costly to obtain.



Lifestyle of Health and Sustainability (LOHAS) is just one of many businesses collecting data for lifestyle analysis. LOHAS focuses on health, the environment, social justice, personal development, and sustainable living. The consumers attracted to this market have been collectively referred to as “Cultural Creatives” and represent approximately 30 percent of the adults in the U.S. (50 million people). These consumers look for authenticity in the company and the product. They are proactive in the market and consequently difficult to market to. You will have to show them that your beliefs are inherent in your product. They want environmentally friendly products, produced in an environmentally friendly fashion. They want healthy products. These people are values-driven consumers (Table 1). You will need to educate them about the high standards you have set for yourself. You will need to “put your money where your mouth is” so to speak and act on what you say you believe (Carfi). To appreciate these concepts, think about the people who buy hybrid cars and organic food, replace regular light bulbs with fluorescent lights, and compost vegetable parings and yard waste.

Table 1. LOHAS market sectors

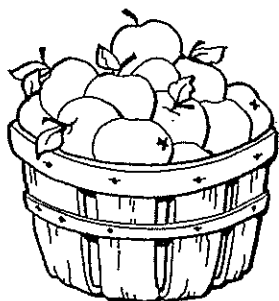
Market sector	Characteristic	Market sector	Characteristic
Sustainable Economy	Green building and industrial goods Renewable energy Resource-efficient products Socially responsible investing Alternative transportation Environmental management <i>US Market--\$76.5 billion</i>	Healthy Lifestyles	Natural, organics; nutritional products Food and beverage Dietary supplements Personal care <i>US Market--\$30 billion</i>
Alternative Healthcare	Health and wellness solutions Acupuncture, homeopathy, naturopathy, etc. Holistic disease prevention Complementary medicine <i>US Market--\$30.7 billion</i>	Personal Development	Mind, body and spirit products such as CDs, books, tapes, seminars Yoga, fitness, weight loss Spiritual products and services <i>US Market--\$10.6 billion</i>
Ecological Lifestyles	Ecological home and office products Organic / recycled fiber products Environmentally friendly appliances	Ecological Lifestyles (continued)	Eco-tourism and travel <i>US Market--\$81.2 billion</i>

Source: LOHAS found at <http://www.lohas.com/about.htm>, accessed 27 June 2006.

The information that you get from demographic and lifestyle data helps you match what you will offer with what the market wants. It helps you decide on the product mix and services you need to provide. And it helps you target your marketing strategy to different consumer groups. You want to compare the data you collect about gender, age, education, family size, and income with studies that show which groups tend to buy what products. For example, a North Carolina study of pick-your-own strawberry operations showed that the average age was 49.2 years, nearly 25.0

percent had incomes between \$30,000 and \$44,999, and most were female (Safley, et al.). How do your target customers compare with those in the study?

As you look at the LOHAS information, can you identify potential customers in your market area? For example, who drives the hybrid cars or uses the most fuel efficient vehicles on the market? These people are interested in sustainability—can you offer sustainable products or ones that you produced using sustainable practices? Do you have people in your market area that want alternative health-care products such as medicinal herbs? Can you target these people? You always have to keep in mind that while people wanting these products are a relatively significant portion of the U. S. population, they may not be in your market area.



Other sources of lifestyle information include your own observations of people in your target market. You observe the cars they drive, the way they dress, what the newspapers focus on for local stories, etc. If you do an internet search on “lifestyle analysis market characteristics,” you will find Claris (some free information); Advertising Age (interesting information, you need to register, but it’s free); and many companies that provide information on the relationship between lifestyle and health. Some trade associations and some electronic and print media keep subscriber profiles that they may share if you are considering advertising with them.

How will you use this information?

You have identified your target market and used Department of Education data to come up with the potential number of children in your area. You also need some idea of whether these children’s families could pay for the trip. Remember that whatever you charge they will probably have to add the cost of transportation to it. You use the BEA income data for the counties you identified. From the teachers, you learn that 68 percent of them are interested in some agriculturally related field trip. That piece of information tells you that about 69,202 students would potentially visit your farm. The teachers also say they have time for only one agriculturally based field trip a year. Based on parents’s interest in a sustainable environment, you estimate an additional 2 percent (about 2,000) might take advantage of your pumpkin hayride and pumpkin picking, especially if you offer some educational information along with it. You assume from the income and educational levels of the families in your market area, that they are aware of the value of education and would more likely support educational field trips rather than ones that are just entertainment.

“Look at what everyone else is doing and do something different.”
Source: Nathan Clark

Who is your competition? What they are doing?

Your competition is other farmers, grocery stores, health food stores, florists, bakeries—it all depends on what you are selling. By evaluating how competitors market their products, you can determine the markets they are targeting. For example, if competing businesses are advertising in

Southern Living, they are targeting affluent, middle age females. However, if they are advertising in the sports section of a metropolitan newspaper, they are most likely targeting males.

You need to know something about your competition so that you can differentiate your products and services. How many customers do they have? What quality is their merchandise? What are their prices for items similar to what you plan to market? What is their customer profile? You can get a list of many of these businesses from your yellow pages. For other producers in your market area, you can go to the state Departments of Agriculture for lists. However, these lists may not be up to date. In some cases, they will also list some of the products the farm sells. Some of the operations have websites; however, many do not. The following list gives the websites for the state Departments of Agriculture and what information relative to your competition you can expect to find when you get to their websites.

✂ In North Carolina: go to <http://www.ncfarmfresh.com/>

- You can find farmers' markets, their location, hours of operation, products sold (some of them just say farmers' market and identify product specification as locally grown).



**North Carolina
Farm Fresh**

- You can find "Goodness Grows in North Carolina," pick your own, Community Supported Agriculture (CSA), and roadside markets by county or commodity.

✂ In South Carolina: go to <http://www.scdas.state.sc.us/consumerinformation/scroadsidemarket/scroadsidemarket.htm>

- You can find roadside markets, what they sell, where they're located, and contact information.

- You can find the state farmers' markets. South Carolina has three: Columbia, Greenville, and Florence. You need to contact them directly for information about what's allowable for sale. They provide location, hours of operation, and size of the facility.



✂ In Virginia: go to <http://www.vdacs.virginia.gov/vagrown-july/index.html>

- Make your selection from the "Where to buy" menu.
- You can get information on what people are selling, where they are located, and contact information.



Cooperative Extension is another good source of who is doing what in your market area. They may have more current information than the state Departments of Agriculture since they rely on farmers to provide the necessary updates.

You can also learn about packaging preferences, pricing strategies, distribution channels, and marketing strategies by evaluating the products and services your competition is providing. Are they producing family packs or individual serving sizes of their processed food products? How

are they getting their products to their customers? Are they selling only at their own market or through the state tourism promotion programs like the Virginia wine tour? Are their products priced for value or for the high-end market? Are they focused on convenience, quality, or quantity? What type of packaging material are they using?



If you visit your competition, look for strengths and weaknesses in their products, services, packaging, and so forth. By focusing on their weaknesses, you can avoid the same mistakes. Their strengths can provide you with a role to copy and adapt to your operation.

You also want to know something about how much of the total market they sell to (called market share). Since this information isn't readily available, you can "guesstimate" market share by assuming the number of competitors hold 100 percent of the market share. If you have 20 competitors in the market, each has 5 percent of the market ($100\% / 20 = 5\%$). If one of those competitors is a large farm, you might assume it has 50 percent of the market and the other 19 have the remaining 50 percent. Then each of the smaller competitors has about 3 percent. If you join the competition, your share will be about 2.5 percent, assuming one large farm in the market.

Joining the Farm Bureau and associations like the Vegetable and Fruit Growers Association will provide you with the opportunity to network with others and find out who your competition is.

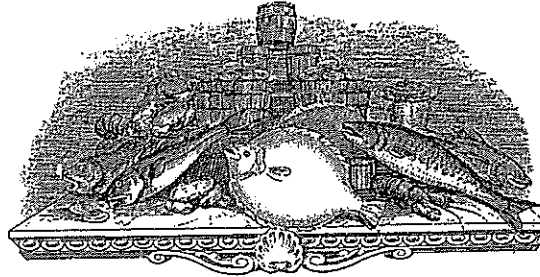
How will you use this information?

Based on knowledge of who your competition is, you will have some idea of what they sell. Can you offer something different? If you offer the same type of product, how will you offer it so that you are set apart from your competition? Use your imagination to find the unique products and services that set you apart from your competition. (In the Resources section, ethnic fruit and vegetable, heirloom varieties of fruit and vegetable, and value added provide websites for ideas.)



You know that four other farms in your market area offer pumpkin hayrides. These farms also have corn or hay mazes and spook houses. You are offering a pumpkin hayride where everyone gets one pumpkin and one extra for the class room, and you are providing educational materials in the form of pictures of pumpkins growing for the students to color and some additional information for the teachers to talk about after the field trip. You will charge \$5 per person compared to your competition who charge \$8 per person. You decide on the lower price because the cost of the educational materials is far less than the cost of building, maintaining, and supervising either mazes or spook houses. You also believe that the educational materials will have more appeal to both teachers and parents, to say nothing of the lower cost of the hayride. Given your estimates of the number of children in the market area, the educational and income levels, and your competition, you calculate that you will have about 1,800 students coming to

your farm from school. You will have an additional number of adults to chaperone the children. You request a minimum ration of 1 adult for each 8 children, which is 225 adults. At \$5 per person, you gross would \$10,125.



Resources

Many of the websites used in this section are very useful. The starred ones are particularly recommended.

Anonymous. Targeting your market. Found at http://www.va-interactive.com/inbusiness/editorial/sales/ibt/target_market.html. Accessed 15 September 2006. Interactive survey questions.

*Bachmann, Janet. Market Gardening: A Start-up Guide. ATTRA Publication #IP195/201. Found at <http://www.attra.org/attra-pub/marketgardening.html>. This publication has several different sections covering many aspects of marketing. You can download by section or the entire 16 pages.

Eastwood, David B. "Consumers' willingness to travel to farmers' markets: a case study of the trade-off among price, quality, and distance," *Journal of food products marketing*. 6(3) 2000: 31-44.

Eastwood, David B., J. R. Brooker, and Morgan D. Gray. "Location and other market attributes affecting farmer's market patronage: the case of Tennessee," *Journal of food distribution research*. 30(1) 1999:63-72.

*GardenGuides.com <http://www.gardenguides.com/TipsandTechniques/drying.htm>

Govindasamy, Ramu and Rodolfo Nayga, Jr. Determinants of farmer-to-consumer direct market visits by type of facility: a logit analysis," *Agricultural and resource economics review*. 26(1) 1997:31-38.

Govindasamy, Ramu, John Italia, and Adesoji Adelaja. "Farmers' markets: consumer trends, preferences, and characteristics," *Journal of extension*. 40(1) 2002.

*Growing and making Luffa sponges from the gourd, see <http://www.ces.ncsu.edu/depts/hort/hil/hil-120.html>.

Hall, Charles R. (2002) *Direct marketing guide for producers of fruits, vegetables and other specialty products*. Ag. Extension Service, The University of Tennessee, PB1711. Found at <http://www.utextension.utk.edu/publications/pbfiles/PB1711.pdf>.

Hartman, Harvey and D. Wright. Marketing to the new natural consumer: understand trends in wellness. Bellevue, Washington: The Hartman Group, Inc., 1999.

- Jack, Robert L. and Kitty Lou Blackburn. Effect of place of residence on consumer attitudes concerning fresh produce marketed through direct farm markets in West Virginia. *Ag. and Forestry Experiment Stat. Bulletin* 685. March 1984.
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- Hitti, Miranda. "Food shoppers seek healthy fare, with some indulgences;" WebMD Medical Reference. 17 April 2005. Found at <http://webme.com/content/article/121/144178.htm>.
- Kuches, Kristy, U. C. Teonsmeyer, Carl German, and Richard Bacon. "An analysis of consumers' views and preferences regarding farmer to consumer direct markets in Delaware," *Journal of food distribution research*. 30(1) 1999:124-133.
- *LOHAS (<http://www.lohas.com/about.htm>).
- *Medical News Today. Top 10 food trends—going global. 17 April 2005. Found at <http://www.medicalnewstoday.com/medicalnews.php?newsid=22946>.
- *Ministry of Agriculture and Lands. "Direct Farm Marketing Example Preparing a Business Plan: A Guide for Agricultural Producers," *Business Planning Guides, Business Management*. Found at http://www.agf.gov.bc.ca/busmgmt/bus_guides/direct_guide.htm. This publication is from British Columbia. You have to download each section separately. It is 68 pages long if you download the entire document.
- *Minnesota Institute for Sustainable Agriculture. Building a Sustainable Business A Guide to Developing a Business Plan for Farms and Rural Businesses. Handbook series 6. Found at <http://www.sare.org/publications/index.htm> can download as pdf or can be purchased from Sustainable Agricultural Education and Research (<http://www.sare.org/>) for \$17. Very complete, but regulations will focus on Midwest.
- *North Carolina direct market farm operations found at <http://www.ncfarmfresh.com/>
- Safley, Charles D., E. B. Poling, M. K. Wohlgenant, O. Sydorovych, and R. F. Williams. What makes direct-marketing strawberries successful. *Ag. and Resource Econ Report No 22*. NCSU. 2002.
- Schwartz, Robert B., D. McCorkle, and D. Anderson. "Niche marketing." Texas Ag. Ext. Service. The Texas A&M University System. L-5458 (RM1-2.0). 2000. Found at <http://trmep.tamu.edu/cg/factsheets/rm1-2.html>.
- *South Carolina direct market farm operations found at <http://www.scda.state.sc.us/consumerinformation/scroadsidemarket/scroadsidemarket.htm>.
- *The North American Farmers' Direct Marketing Association found at <http://www.nafdma.com>.
- *Trade associations for North Carolina found at <http://www.ncagr.com/markets/assoc/index.htm>.
- University of Wisconsin, Cooperative Extension. Downtown and business district market analysis. Found at <http://www.uwex.edu/ces/cced/dma/6.html>.
- *USDA, Economic Research Service (ERS) at <http://www.ers.usda.gov/publications/aib790/> and click on the related data product. From there, you can choose from any number of products.
- *Virginia direct market farm operations found at <http://www.vdacs.virginia.gov/vagrown-july/index.html>
- Wine Institute found at <http://www.wineinstitute.org>.
- *Woods, Tim and S. Isaacs. University of Kentucky for selecting new enterprises. *Agricultural Economics Extension No. 00-13*, August 2000. Found at http://www.uky.edu/Ag/AgriculturalEconomics/pubs/ext_aec/ext2000-13.pdf.

Worksheet

Market area:

Counties: _____

Miles: _____

Zip codes: _____

Population in market area: _____

Demographics of population:

Age: under 5 _____ 5 - 18 _____ 19 - 24 _____ 25 - 34 _____

35 - 59 _____ 60 and over _____

Gender (%): female _____ male _____

Race/ethnicity (%): White _____ African American _____

Asian _____ Hispanic _____ Other _____

Competition:

Who: grocery stores _____ health food store _____

other farmers _____ other _____

Number: grocery stores _____ health food store _____

other farmers _____ other _____

Quality: _____

Price: _____

Location relative to you: _____

Markets: _____

How many customers do you need to make it work: _____

Chapter 4 References: Who Will Be Your Customers?

Conducting Market Research

<http://ohioline.osu.edu/cd-fact/1252.html>

Where to Find Information for Doing Marketing and Business Studies

<http://www.extension.iastate.edu/AgDM/wholefarm/pdf/c5-21.pdf>





Chapter 5

What Do Your Customers Want?

Considerations for your clients

What trends do you see in packaging size, convenience, quality, freshness, and value?

How can you find information on consumption and food trends?

What information do your customers want about food?

What trends do you see in packaging size, convenience, quality, freshness, and value?

Trends can give you insight into what consumers in a given geographic area or the entire U. S. are buying and why. Food purchasing and consumption trends cannot tell you anything specific about your market area unless that is where the studies were done. To make practical use of trend information, you can look at what others in your area are doing, and you can survey your potential customers. You then compare the information about local conditions with the national trend studies.

According to Mellgren in *The Gourmet Retailer*, consumers want convenience, speed, and nutritional value. *Food Technology* magazine adds easy to prepare (30 minutes or less, one dish, no mess, no fuss), and great taste. However, while most consumers want variety, they are unwilling to cook the foods from scratch—if at all. They want prepared sauces, mixed spices, and mixes of various sorts. Consumers are willing to spend more on what they consider to be gourmet foods.



Decisions on what goes on the grocery shelf will need to be made locally not at some central location so that the local consumer is served.

Studies continue to show that more women do the grocery shopping than men. However, that trend is changing: In 2002, 41 percent of men did some grocery shopping and in 2004 that percentage had increased to 61. More men over 55 shop at supermarkets than those under 35. Men are more likely to buy in bulk and purchase sale items. They are less loyal to a particular store than women (Gardner).

“Working age women ages of 24 – 52—of whom the U. S. has some 55 million—have emerged as a potent force in the marketplace, changing the way companies design, position, and sell their products” (BusinessWeek online). Women don’t just multitask, they “multimind”—think of many things at one time, such as getting children ready for school, their day at work, stopping for the milk or eggs that ran out that morning, what to have for dinner, and more. In addition, they make 80 percent of the food buying decisions (BusinessWeek online).

Women research products more extensively than men. Women are less likely to be influenced by advertisements, instead they want details about products (BusinessWeek online). Women are more likely to choose fruit, vegetables, and salads as their favorite foods while men will choose red meat (GMA).

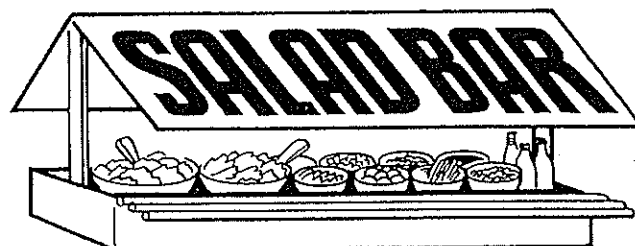
Quality is a HUGE issue. How much damage is acceptable is a good question to ask. At a minimum, if the damage will cause the product to deteriorate more rapidly, the damaged product needs to be removed. If you can’t sell it, compost for your fields with it. If something is packed in the morning and doesn’t sell quickly, you may need to sort through it to be sure that any deteriorated product has been removed. You need to be sure the quality is the same all the way though the package. Don’t try to hide damaged goods—it’ll come back to haunt you. A reputation for deceptive practices is hard to overcome.

When we’d go to the produce auction, we’d look through boxes at the quality throughout. Those producers who tried to “hide” damaged produce beneath the good produce were soon discovered and avoided by all but the buyers looking for cheap purchases. They received much lower prices for their produce, too.
Source: Producer observations from Southern Maryland Regional Farmers’ Market

How can you use this information?

Given these changing trends and the desire for convenience, healthy food, and high quality, you need to look at how you can use these characteristics of the people in your market area to your advantage. Some examples of what you can offer might be

- ✂ a plastic bag, with your logo, of fresh, washed salad mix ready to put on the table;
- ✂ a tray of 2 to 4 tomatoes, approximately the same size and ready to cut;
- ✂ a 2-lb bag, with your logo, of washed fruit that is small enough for lunches or snacks;
- ✂ a pint or quart of fresh, ready to use berries in pressboard boxes, and depending on the fruit, that has been washed;



- ⌘ a plastic bag, with your logo, of shelled peas ready to drop in the steamer;
- ⌘ homemade herb bread and butter or specialty cheese from a local dairy; or
- ⌘ “seconds” at a reduced price to get rid of slightly damaged produce.

How can you find information on food trends and consumption?

You can obtain consumption and food trend information from several sources—some of which you may have to pay for if you want more than the press release provided by the company that paid for the survey.

Food trends

Americans tend to be adventurous in their eating habits; however, Italian, Mexican, and Chinese are no longer considered to be foreign foods. In fact, according to Cenex Harvest States (CHS), 55 percent of Americans want Mexican or Tex-Mex foods (*Food Technology*, 2004). They want Cajun, Thai, Caribbean; and lots of meat, poultry, and seafood for protein. Organic food sales have increased. Consumers want them for a variety of reasons: health, nutrition, environment, freshness, quality, locally grown, fair treatment of workers. Think about lifestyle characteristics as you look at food trends.

America’s 10 hottest food trends

- ⌘ Foods for at-risk kids: less fat, sugar, food allergens; increased calcium, whole grains, fresh fruit, yogurt.
- ⌘ Smaller servings, limited calories
- ⌘ Phytochemicals: green tea, berries, chocolate
- ⌘ Health perks: low fat, cholesterol, salt, calories
- ⌘ Fat facts: food labeling with focus on omega-3 fatty acids
- ⌘ Older shoppers: reduce common health problems
- ⌘ Gluten-free, low glycemic index
- ⌘ Organic/natural foods
- ⌘ Energy and mental boosters, flavored water
- ⌘ Fun favorites with sugar, fat, calories reduced, but not flavor.

Source: Hitti

Organic or naturally grown may attract some customers. But producing organic products may not be enough to warrant the additional cost because the customers in your market don’t require it. Some customers want organic because they perceive it as being healthier than conventionally grown food. This perception is related to both nutrient levels in the food as well as low level of pesticide residue. Unfortunately, information on the relative health benefits of organic over conventional food is spotty, but research is constantly being done in that area. Most of the existing research has been done in Europe. The Environmental Working Group’s FoodNews (<http://www.foodnews.org>) has a produce scanner that simulates the relative pesticide residue

based on laboratory tests from several sources, including



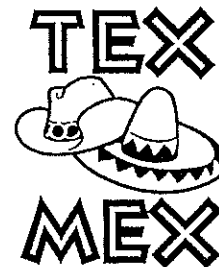
USDA's Pesticide Data Program. Using this website, you can inform your customers about typical pesticide levels on your organic produce.

While organic requires certification, naturally grown does not. If you are using a direct marketing outlet, you get to know your customers and can tell them about your production practices. If your practices are organic, but you don't get certified, you can say using organic practices, but you cannot call it organic (check the organic standards for specifics: at <http://www.ams.usda.gov/nop/indexNet.htm>). As you talk about the organic practices you use, you may be providing them with sufficient assurance that you don't need to be certified,



According to a May 2003 study by The Hartman Group, customers for organic products are widely diverse, but the fastest growing groups are Asians, Hispanics, and African-Americans. An area with a large population of Asians will want Asian vegetables. Are you planning to grow Chinese broccoli or regular broccoli, Chinese spinach or regular spinach? You may need to grow both to attract both the Oriental community and others.

With the popularity of Mexican food, you don't even need a large Mexican population to consider growing foods that can be used in Mexican dishes. Some vegetables are typically used in Mexican cooking. For example hot chile peppers, tomatoes, sweet potatoes, a variety of dried beans, tomatillo, and cilantro. They also make use of avocados, papayas, chayote (all require a warm, frost-free environment to produce), and amaranth.



Consumption

USDA's Economic Research Service (ERS) provides consumption information for many foods. The most current data are for 2005. Go to <http://www.ers.usda.gov/publications/aib790/> and click on "See the related data product How Much Do Americans Pay for Fruits and Vegetables." From there, you can choose from any number of products. According to the USDA information, the average percent that supply is of use (supply/use) for snap beans from 2000 to 2004 is 110.6 percent, pumpkins 111.7 percent, and strawberries 111.3 percent. These percentages suggest an oversupply of these fruits and vegetables. Since these numbers are U. S., they can only indicate what the national situation is, not the local one—a drawback of using national numbers. What they can say about the local situation is that you need to check carefully to see what your competition, especially other producers, are offering. They can also provide you with the knowledge that you will have to find some way for your produce to be different from the run-of-the-mill pumpkins, snap beans, and strawberries. That difference could be in packaging, quality, freshness, organic, locally produced, service, unusual varieties, or any other way you can be creative.

Some trade associations like the Wine Institute (<http://www.wineinstitute.org>) and National Watermelon Association (<http://www.nationalwatermelonassociation.com/>) have information on consumption. The North American Farmers' Direct Marketing Association provides all sorts of information to its members. It can be found at <http://www.nafdma.com>.

U.S. per capita food consumption							
Fruit and vegetables							
Farm weight, pounds per capita per year							
Year	Fresh fruit	Fruit for processing	Total fruit	Fresh vegetables	Vegetables for processing	Total vegetables	Total fruit and vegetables
2004	127.1	144.3	271.4	204.6	218.2	422.8	694.3
2003	128.3	153.9	282.2	199.8	222.0	421.8	704.0
2002	127.0	146.6	273.7	194.7	217.0	411.8	685.4
2001	126.1	146.9	273.0	195.7	216.6	412.3	685.3
2000	128.7	160.0	288.7	198.7	224.3	423.0	711.7

Fresh fruit include apples, apricots, avocados, bananas, cherries, cantaloupe, cranberries, grapes, grapefruit, honeydew, kiwifruit, lemons, limes, mangoes, nectarines, oranges, papayas, peaches, pears, pineapples, plums, prunes, strawberries, tangelos, tangerines, temples, and watermelon. Fruit for processing include apples, apricots, blackberries, boysenberries, cherries, cranberries, dates, figs, grapes, grapefruit, lemons, limes, loganberries, nectarines, olives, oranges, peaches, pears, pineapples, plums, prunes, raspberries, strawberries, tangelos, tangerines, temples, and other miscellaneous fruit and berries. Fresh vegetables include artichokes, asparagus, snap beans, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, endive, escarole, garlic, head lettuce, romaine and leaf lettuce, mushrooms, onions, bell peppers, potatoes, radishes, spinach, sweet potatoes, and tomatoes. Vegetables for processing include asparagus, lima beans, snap beans, beets, broccoli, cabbage, carrots, cauliflower, sweet corn, cucumbers, dry edible beans and peas, lentils, mushrooms, onions, green peas, chile peppers, potatoes, spinach, tomatoes, and other miscellaneous vegetables. Calculated from unrounded data.

Source: USDA/Economic Research Service. Last updated Dec. 21, 2005.

A list of trade associations for North Carolina is found at the North Carolina Department of Agriculture and Consumer Services website at <http://www.ncagr.com/markets/assoc/index.htm>. Other states have similar organizations, but they have not compiled lists similar to that of North Carolina.

How do you use this information?

Using the trend information, whether it is food, packaging, service, or any other area, requires that you know your market area. These data are national and may not always apply to your market. You know you have a large Mexican population who want to know something about their food. You can provide nutritional labels in both English and Spanish. Your customers are health conscious. You want to provide them with information on your production practices and your use of integrated pest management to reduce chemical usage. You also promote the freshness and quality of your produce, which you can point out is probably healthier than less fresh and lower quality.

You know that you have high-income families where both husband and wife work. These people want convenience so you package already washed salad mix and four tomatoes to a tray.

You know that average fresh fruit consumption is 127 pounds per person per year. You grow strawberries and blueberries which you package ready to use. You know that nationally the supply of strawberries and blueberries exceeds the amount consumed. But you know that local, fresh strawberries and blueberries are produced by only you and one other farmer in your market area.



What information do your customers want about food?

Given that women make up about 80 percent of the food buying decisions and they tend to research products, you can provide them with material about food safety, nutritional value, production practices (animal treatment and environmental impact), and distance the food traveled—the topics of greatest interest to consumers.

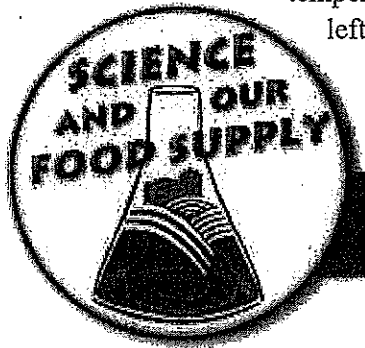
Food safety

Food safety is a big issue for consumers as evidenced by a 2005 study by Phil Howard. Food safety had an average rating of 9.4 out of 10. Consumers pay attention to news stories about food. The threat of “mad cow disease” led to banning imported cattle from Canada. In September 2006, news stories of *E-coli* found in fresh spinach dramatically decreased its sales.



Food borne diseases can be caused by improper or careless growing practices, handling, cooking, or hand washing. You can do many things to help inform your customers about food safety—both at your market and at their home. You can put up posters that show how food is handled on your farm. You can provide newspaper articles or brochures for customers that give food safety information.

Websites abound with food safety information from correct refrigerator and freezer temperatures to storage length and conditions to cooking to handling leftovers. Some websites include



- ✂ “Food Storage Fact File,” <http://www.foodlink.org.uk/factfile3.pdf>
- ✂ “How to Store Food Safely,” <http://www.foodsafetyline.org/english/pdfs/FoodSafety.pdf>
- ✂ “Store It, Don’t Ignore It,” <http://lancaster.unl.edu/food/storeitchart.pdf>
- ✂ “How long does produce keep?” <http://www.pastrywiz.com/storage/index.html>

Nutritional value

You can make signs that show nutritional information and number of calories per serving for fresh produce. This information can be found at Nutrition Facts and Calorie Counter at <http://www.nutritiondata.com/index.html>. If you choose to label the nutritional value of your products, be sure you follow the regulations regarding those labels.

Treatment of animals

A group of consumers will often buy organic because they want humane treatment of animals. They perceive humane animal treatment to be tied to organic because it is one of the ethical issues the original organic movement supported. Humane treatment of animals includes not using rBST, an artificial growth hormone to stimulate milk production; allowing dairy cows access to pasture

Apple, raw with skin

Nutrition Facts	
Serving Size 125g	
Amount Per Serving	
Calories 65	Calories from Fat 2
% Daily Value*	
Total Fat 0g	0%
Saturated Fat 0g	0%
Trans Fat	
Cholesterol 0mg	0%
Sodium 1mg	0%
Total Carbohydrate 17g	6%
Dietary Fiber 3g	12%
Sugars 13g	
Protein 0g	
Vitamin A 1% • Vitamin C 10%	
Calcium 1% • Iron 1%	
*Percent Daily Values are based on a diet of 2,000 calories a day. Your daily values may be higher or lower depending on your calorie needs.	
NutritionData.com	

when they are not being milked; raising beef cattle on grass instead of being fed corn and antibiotics in feedlots. It also supports free-range poultry for eggs and meat. (*Free Range Poultry* provides a good discussion of the history of free range and the differences among production systems. It can be found at <http://www.free-range-poultry.com/>.) Humane treatment can extend to the slaughter process as well. If you're raising beef, dairy, or poultry, you can easily inform your customers about the unique aspects of your operation through pictures and tours.

Environmental impact and locally grown

Locally grown and organic are both considered to be environmentally friendly. Locally grown because of rising fuel costs and the associated pollution of transporting foods long distances. Locally grown implies nothing about nutritional value, but it appeals to those who want to support the local economy, who want to have produce that is not shipped several hundred miles, and who consider it fresher than that shipped from distant locations.

Using food miles in promoting local foods

Does your food taste tired?



You'd be tired too...
If you just traveled
1,500 miles!

Reawaken your taste buds with local foods!

The environment and your food . . .

My Saudi Arabian breakfast

Chat Heeter's breakfast menu: McCann's Irish oatmeal topped with Cascadian Farms organic frozen raspberries and Peet's Fair Trade Blend coffee.

From a Saudi Arabian perspective . . . what you'd be likely to see—what's really there, just hidden from our view (not to say our taste buds)—is about four ounces of crude oil. Throw in those luscious red raspberries and that cup of java (another three ounces of crude), and don't forget those modest additions of butter, milk, and salt (another ounce), and you've got a tiny bit of the Middle East right here in my kitchen.

Nearly 20% of this oil went into growing my raspberries on Chilean farms many thousands of miles away, those oats in the fields of County Kildare, Ireland, and that specially-raised coffee in Guatemala—think tractors as well as petroleum-based fertilizers and pesticides.

The next 40% of my breakfast fossil-fuel equation is burned up between the fields and the grocery store in processing, packaging, and shipping.

Heeter, Chad. "My Saudi Arabian Breakfast," Tomdispatch.com. Found at <http://www.tomdispatch.com/index.mhtml?pid=71299> Accessed 1 August 2006. Used with permission of author.

You can capitalize on the concept of how much better locally grown is for the environment by doing simple fliers of how far something had to travel to get to the local grocery store and the environmental impact of that transportation. You can find examples of how far some common foods travel in "The Load Less Traveled: Examining the Potential of Using Food Miles and CO₂ Emissions in Ecolabels," *Ecolabels and the Greening of the Food Market*, pp 69-76. Found at <http://nutrition.tufts.edu/conferences/ecolabels/order.html>.

Resources

Food safety:

"Food storage fact file." Found at <http://www.foodlink.org.uk/factfiles3.pdf>

"How long does produce keep?" Found at <http://www.pastrywiz.com/storage/index.html>

"How to store food safely." Found at <http://www.foodsafetyline.org/English/pdfs/FoodSafety.pdf>.

"Store It, Don't Ignore It." University of Nebraska Cooperative Extension. Found at <http://lancaster.unl.edu/food/chill.htm>. This website has lots of other food handling information.

Nutritional values:

Nutrition Facts and Calorie Counter. Found at <http://www.nutritiondata.com/index.html>

Organic standards: <http://www.ams.usda.gov/nop/indexNet.htm>. USDA agency websites frequently have problems connecting. You might try the USDA homepage and click on agencies and then to Agricultural Marketing Service (AMS) <http://www.usda.gov>.

Trends:

*Bilingual signs: Found at http://www.worldlingo.com/en/products_services/worldlingo_translator.html.

Business Week Online. "I am woman, hear me shop." Found at www.businessweek.com/bwdaily/dnflash/feb2005/nf20050214_9413_db_082.htm.

Gardner, Marilyn. "What men want in the supermarket," *Christian Science Monitor*. 23 June 2004. Found at <http://csmonitor.com/2004/0623/p11s01-lifo.html>.

Howard, Phil. "What do people want to know about their food? Measuring Central Coast consumers' interest in food system issues." Center for Agroecology and Sustainable Food Systems. UC Santa Cruz, 2005. Found at http://repositories.cdlib.org/casfs/rb/brief_no5/.

Environmental Working Group. "Produce 'scanner.'" Found at <http://www.foodnews.org>. Click "No Thanks" to get to the main page, then click on the "Produce 'scanner.'"

Free Range Poultry. Found at <http://www.free-rangepoultry.com>.

Heeter, Chad. "My Saudi Arabian Breakfast," *Tomdispatch.com*. Found at <http://www.tomdispatch.com/index.mhtml?pid=71299>.

Mellgren, James (2006). "Evolving Food Trends," *The Gourmet Retailer*. Found at http://www.gourmetretailer.com/gourmetretailer/search/article_display.jsp?vnu_content_id=1001804386

Miller Patricia (2004). "Listening to Consumers," *Cooperative Partners Online*. 6 Jan. 2004. Found at <http://www.mbrservices.com/> Go to Cooperative partners online, online archives, and other. The listings are alphabetical.

Pirog, Rich and Pat Schuh. "Why local is better: The Load Less Traveled: Examining the Potential of Using Food Miles and CO₂ Emissions in Ecolabels," *Ecolabels and the Greening*

of the Food Market, pp 69-76. Found at <http://nutrition.tufts.edu/conferences/ecolabels/order.html>. Big file, but the pages needed are worth the effort. Contains additional information on ecolabels that might be useful.

National Watermelon Association found at (<http://www.nationalwatermelonassociation.com/>).

Ethnic fruit and vegetables

These websites provide information on growing conditions and pictures of the fruit and vegetables.

Oriental Vegetable Seeds—Evergreen Seeds lists Asian vegetable seeds shows pictures of vegetables Found at <http://www.store.yahoo.com/evergreenseeds/vegetableseeds.html>.

Harvest Moon Farms and Seed Company—heirloom varieties pictures and description of vegetables and uses. Found at <http://www.felcoprulers.net/Asian%20Vegetables.0.html>.

Asian Vegetables is a forum for the discussion of Asian vegetables, including plant selection, care, maintenance, and harvesting. Found at <http://forums.gardenweb.com/forums/asianveg/>.

Foods of Mexico provides a history of Mexican foods and recipes. Found at <http://homecooking.about.com/library/weekly/aa050498.htm>.

Mexican Foods and Cooking History also provides recipes and a history of specific foods. Found at <http://www.gourmetsleuth.com/mexicanfoodhistory.htm>.

Heirloom varieties of fruit and vegetables:

*Appropriate Technology Transfer for Rural Areas (ATTRA). <http://www.attra.ncat.org> then go to the master publication list. You'll find information on many topics.

Clemson University. <http://hgic.clemson.edu/factsheets/HGIC1151.htm>

_____. <http://hgic.clemson.edu/factsheets/HGIC1255.htm> Provides information on why you should grow heirloom varieties and which cultivars.

_____. <http://virtual.clemson.edu/groups/seed/index.htm> where to find seeds from the South Carolina Foundation Seed Association.

DeMuth, Suzanne P., Vegetables and Fruits: A Guide to Heirloom Varieties and Community-Based Stewardship. Found at <http://www.nofany.org/offandf/99articles/heirlooms.pdf>. Defines heirloom varieties.

*Dried Flowers Direct. Found at <http://www.driedflowersdirect.com/index.html> Check out this website for ideas for marketing items like dried lavender and wheat sheaves as well as many other dried flower items. They also have tips on how to dry flowers.

Heirloom Vegetables. Found at <http://www.uky.edu/Ag/NewCrops/introsheets/heirloom.pdf> Provides information on marketing, production, economics, and lists other resources.

Sell, Randy. Dried and fresh-cut flowers. Found at <http://www.ext.nodak.edu/extpubs/alt-ag/flowers.htm>

Smith, Roanld C. Methods of preserving flowers. Found at <http://www.ext.nodak.edu/extpubs/plantsci/landscap/h1037w.htm>.

Worksheet

What are you planning to market? How closely does it match what customers want?

Planning to market

Consumer wants

1. _____

2. _____

3. _____

4. _____

List the trends in food consumption that apply to your customers. What can you do to address those trends?

Packaging materials _____

Convenience _____

Size of packages _____

Freshness _____

What information do your customers want about your products?

1.

2.

3.

4.

How can you best inform your customers about what and how you produce?

1.

2.

3.

4.



Chapter 5 References: What Do Your Customers Want?

Advertising: An Investment in Your Business's Future

<http://ohioline.osu.edu/cd-fact/1276.html>

Promoting Your Business

<http://www.agmrc.org/agmrc/business/operatingbusiness/promotingbusiness.htm>

The Internet as a Marketing Tool

<http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-2491/F-566web.pdf>



Chapter 6

How Will You Reach Your Customers?



Questions to ask your client

- What kind of image/identity do you want for your products?
- How do you make the most of public relations and promotions?
- How can you most effectively display your products?
- What advertising will target the consumers you want to attract?
- How do you evaluate the affect of your efforts?

Part 1. Developing an image

The image or identity conveyed to the consumer is perhaps the most important thing you can do to make yourself known. The image you develop will also be tied to your reputation for customer service, employee satisfaction, and all your advertising and promotion. Your image is greater

“When it comes to presenting a positive image, detail makes the difference.”

Source: Baumler

than the sum of its parts. You may be selling the same products as your competitors, but you can create an image that sets you apart. What is the image you want to convey? Try to imagine your customers’ perspective of your products. Don’t develop an image from your perspective or how you *think* customers will view it. You want the image to reflect their perspective. If customers can’t remember anything about you, they will stop at the first place they come to. How can you best convey the image that you have something that will benefit that particular consumer?

In the world of the “Big Boys,” you find the brand name “Kleenex®” synonymous with tissues, even though today’s market has numerous other brands. “Snap, Crackle, and Pop” bring to mind three cute elves and Kellogg’s® Rice Krispies® and the famous Rice Krispies Treats®. “Good to the very last drop” brings up the image of a steaming cup of coffee and the delicious smell of Maxwell House coffee. More recently, the health community has emphasized the importance of antioxidants in foods. Broccoli, carrots, and strawberries are high in antioxidants. Can you capitalize on health traits? You have many alternatives as to how to get customers to buy from you. Keep in mind, however, that you cannot satisfy everyone.

Branding your product is one way to keep your image in front of people. Think about Haagen Daz[®] ice cream. They have created a brand name that sets them apart. Their ice cream is expensive and rich, and they have lots of unique flavors. They have branded their product and registered that brand with a trademark. Are the customers you want brand conscious? If they aren't, branding may not help you.

Branding your products puts the name you select on them. But branding is NOT the same as image. You may want to investigate registering your trademark so that someone else won't use the name and the logo. To find out all about registering your trademark go to the U. S. Patent and Trademark Office website at <http://www.uspto.gov/main/trademarks.htm>. It gives you directions for how to register your brand name, what's already registered, whether you should register it, fees, and a host of other information. Registering trademarks, patents, and copyrights is not an easy process. Think carefully and read what the U.S. Patent Office has to say about the need to register any of these.

A **trademark** protects words, names, symbols, sounds, or colors that distinguish goods and services from those manufactured or sold by others and to indicate the source of the goods. Trademarks, unlike patents, can be renewed forever as long as they are being used in commerce.

A **Patent** is a property right granted by the Government of the United States of America to an inventor "to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States" for a limited time in exchange for public disclosure of the invention when the patent is granted.

A **copyright** protects works of authorship, such as writings, music, and works of art that have been tangibly expressed. The *Library of Congress* registers copyrights which last for the life of the author plus 70 years.

Source: U. S. Patent Office. "Where do I start." Found at <http://www.uspto.gov/main/trademarks.htm>

What is the image I want for my product?

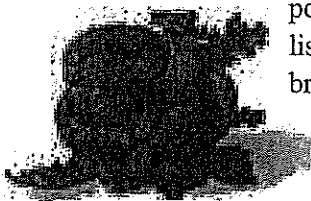
Your image is how you want the world to view you. If you tell consumers you produce the highest quality produce with no blemishes and ready to put on the table, but you actually sell bruised, dirty produce, your words and actions don't match. People tend to look at actions and not pay as much attention to words. As you decide what your image will be, be sure you keep your actions consistent with that image or you will fail.

Customers want to know how your product will benefit them.

What are the attributes of your product? Attributes are the properties that characterize something. They could be easy

to observe like color, taste, and smell; they could be less obvious like the presence of vitamins, minerals, or antioxidants. They are what sets one food, in this case, apart from another.

Example of benefits



“Looking for a vitamin C fix? Make a beeline for the broccoli. Are your potassium stores low? Partner up with broccoli. Is fiber on your shopping list? Bring home the broccoli. Need an iron boost? Look no further than broccoli” (Vegetarians in Paradise at <http://www.vegparadise.com/highestperch44.html>). High in vitamin C, high in potassium, high in fiber, high in iron are attributes of broccoli. Buffalo meat is lower in cholesterol and fat and contains more omega-3 polyunsaturated fats than other domestic meats (Rural Industries Research Development Corporation). Looking for vegetables with more nutritional value? Try purple broccoli and cauliflower, gourmet red and purple potatoes.

Attributes are important because you can tout their benefits. The benefit of both broccoli and buffalo meat would be good health. The vitamins, minerals, and fiber in broccoli are necessary for good health. Protein is necessary for good health, but excess fats and cholesterol are not. Buffalo meat being lower in these bad attributes than other meats and high in omega-3 polyunsaturated fats makes it a healthier source of protein than many other meats. The benefits of the purple and red vegetables is even better health than their traditional counterparts, and they are unique.

The attributes and benefits are important but not sufficient by themselves to help you define your image. Your competition can say the same thing of their broccoli and buffalo meat. What you need is something that sets you apart from them. What makes you different? The answer is another question: “What’s in it for your customers that they can’t get from your competition?” If you think about Domino’s™ Pizza, they are successful among a number of pizza sellers. They don’t advertise their pizza as better than any other pizza. What they do say is “30 minutes of less, or it’s free.” What’s in it for consumers—they know they’ll get their pizza delivered to their doors in 30 minutes from placing their order, or they won’t have to pay for it. Do they care if it’s not the best pizza they ever had? Evidently not.

Tips on how to come up with your unique selling position

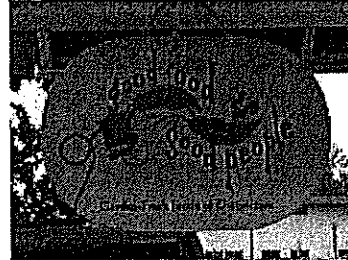
1. Decide what customers you are *really* targeting.
2. Brainstorm with others to list all the benefits your products offer.
3. Write one sentence that conveys *your biggest* benefit to your customers.
4. Keep it believable.
5. Make it measurable.
6. Tell customers what your products do for them.

Source: The Write Market

What does your broccoli offer your customers that your competitors doesn’t? Are you growing purple broccoli and they aren’t? Why is that better for your customers? (Remember next season your competition may grow purple broccoli too because they saw your success.

What will you do then?) Is it the way you grow it? Is it the size you cut it? Is it the appearance of your displays? Is it available already washed and ready to cook? Finding this unique selling position requires that you know your customers well, not just their demographics. You need to know something about their lifestyles. You'll need to play psychologist to find out what they want that you're willing and able to offer that no one else is.

If you have trouble articulating what will set you apart from your competition, your customers certainly won't be able to. One of the other benefits, besides more sales, of focusing on your uniqueness is it will help keep you focused on where you are headed and what you want your image to be.



Floyd, Virginia

Consider the image "Good Food/Good People" conjures. Quality produce for and from quality people might come to mind. It's catchy. It's memorable. It's short.

Using the image

You want your customers to associate your image with your market and products. You can turn the words of your image into pictures or catchy names or initials or combinations of any of them.



Larriland Farm,
Woodbine, Md.

Image and logo

Start with a *logo*. Consider carefully the image you want your logo to portray. For example, you want to convey the idea of "Fresh from our farm to your table." What else this idea conveys is that the produce is fresh and high quality; it is convenient (i.e. it requires little preparation before cooking or serving); the local community is being supported; and transportation costs are reduced. You can use pictures, words, your farm name, or a combination of any of these for your logo. No matter what you use it for, you want your logo to be consistent, memorable, meaningful, and unique. You want it to look professional and for it to be timeless so that you don't have to change it later.

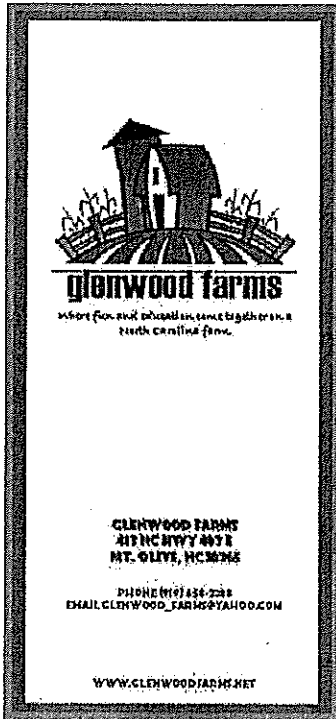
You want it to be

1. Clean—no clutter and easy to remember
2. Simple—the more complex, the harder it is to remember
3. Scalable—you can enlarge it or shrink it without its becoming fuzzy and your name is readable at all sizes. (Corel Draw®, Macromedia® Freehand®, and Adobe® Illustrator® are all computer programs that create scalable images.)

Logo and business cards

Once you design your logo, you can use it to create a business card. Your business card needs to include your farm name, address, phone number, website, email address, and on the back, if applicable, a map to your market.

Logo and brochures



You use your logo when you develop brochures. Brochures can be used in any number of ways. They can describe your farm—a general “Here’s who we are.” They can provide recipes for some of your produce. They can tell about production practices that are unique. Plan carefully what you want the brochure to communicate and to whom. On all your brochures, include something positive a customer has said about you. Keep jargon out of it. Use clear, concise sentences that grab people’s attention but avoid being cute. On all brochures, include your farm name, address, telephone number, website address, e-mail address, hours of operation, and directions to the market if applicable.

Decide first what the purpose of the brochure is: to inform about your business, to tell of special events, to provide recipes. You have to come up with the content. Like the logo, you want it to be clean and simple. You want to keep the text to a minimum while telling people who you are and what they want that you have. You might want to consider using 8.5 * 14 (legal size) rather than the standard 8.5 * 11 paper so that you have a less crowded look. (Examples are after the references.)

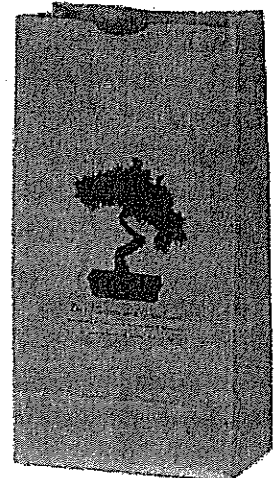
You need to consider the following when preparing brochures.

1. Use no more than 2 different fonts. You can create variety in the fonts by using bold and italics.
2. Use nothing smaller than 12 point for text.
3. Use fonts that are easy to read like Times New Roman (serif) or Arial (sans serif) (note the difference in appearance).
4. Keep colors to a minimum: they are costly to reproduce. Use colored paper instead. However, if you want to use colors, the more you print at one time, generally, the cheaper. Ask about price breaks for various quantities at the printer or copy center where you plan to have the work done.

Distribute your brochures at your market, the local library, the local extension office, neighbors mailboxes, senior citizens centers—where you place them, other than your market, will be a function of the customers you are trying to attract.

Other uses for logo

You can use your logo on packaging materials to keep your name in front of customers. Bags and boxes with the farm name and logo are available from many suppliers. Trade shows and other businesses are the best places for information about reliable suppliers. (See list of



possible suppliers after resources for this section.) You may need to provide your suppliers with an electronic version of your logo. A sizable logo is probably best for this purpose so that they can size it to fit the bag or box correctly.

Use your logo on all your signs. Use it to identify your over-the-road farm vehicles. Create letterhead stationary with your logo on it. Put it on T-shirts, hats, or aprons worn by employees. Sell cloth bags with your logo. Use your logo wherever you can in advertising and promoting your business. Make it part of your brand name.

Summary

Your image should be based on the attributes and benefits of what you are marketing. It describes what you have to offer that no one else does. It describes how your customers will benefit from your product as they cannot from someone else's. Your image reflects careful thought and planning. Remember once you create the image, you want to be consistent in your message. If you SAY it will be high quality and you try to sell bruised or damaged produce, your actions speak FAR louder than your words. Keep the words and actions the same.



Resources

Anchor Box Company found at <http://www.anchorbox.com/>

Associated Bag Company found at <http://www.associatedbag.com/>

Baumler, Scott. "Power merchandising," Community connections news release. Iowa State U. Ext. 1 Sept. 1995. Found at <http://extension.iastate.edu/communities/news/ComCon19.html>. Accessed 13 July 2006.

BusinessTown.com. Unique selling proposition. Found at <http://businesstown.com/advertising/basic-usp.asp>. Accessed 7 July 2006.

Ferree, Erin. "9 keys to an effective logo." International Cyber Business Services, Inc., Business Resources Center. Found at <http://icbs.com/KB/Branding/default.htm>. Accessed 7 July 2006

Fisher, Margie. "Stand out in a crowd with a unique selling position," South Florida Business Journal. 5 July 2005. Found at <http://www.bizjournals.com/southflorida/stories/2002/07/08/focus4.html>. Accessed 7 July 2006.

Fruit Packers Supply, Inc. found at <http://www.fruitpackerssupply.com/>

Plus Packaging, Inc. found at <http://www.pluspackaging.com/>

Que. "Creating a unique selling position." Found at <http://www.quepublishing.com/articles/printerfriendly.asp?p=469626&rl=1/>. Accessed 7 July 2006.

Rural Industries Research Development Corporation found at (http://www.rirdc.gov.au/pub/media_releases/29mar01.html)

Southern Container Corporation found at <http://www.socontainers.com/BerryPackaging.htm>

Taylor, Cathy. "Your unique selling position." International Cyber Business Services, Inc., Business Resources Center. Found at <http://icbs.com/KB/Branding/default.htm>. Accessed 7 July 2006.

The Brenmar Company. Found at <http://www.brenmarco.com/Organic/organic.html>

The Write Market. "Unique selling position." Found at XXXXXX. Accessed 18 October 2005.

Gary, you gave me this article and I cannot read the address. Can you find it again for me and send the address?

U. S. Patent and Trademark Office. Found at <http://www.uspto.gov/main/trademarks.htm>

Vegetarians in Paradise. Found at <http://www.vegparadise.com/highestperch44.htm>

Packaging suppliers: This list is by no means complete. It does not in any way imply endorsement by North Carolina, South Carolina, or Virginia Cooperative Extension or Southern Sustainable Agricultural Research and Education.

Associated Bag Company found at <http://www.associatedbag.com/>

Anchor Box Company found at <http://www.anchorbox.com/>

Southern Container Corporation found at <http://www.socontainers.com/BerryPackaging.htm>

Fruit Packers Supply, Inc. found at <http://www.fruitpackerssupply.com/>

Plus Packaging, Inc. found at <http://www.pluspackaging.com/>

The Brenmar Company. Found at <http://www.brenmarco.com/Organic/organic.html>

What is CSA?

Community Supported Agriculture (CSA) members participate in their own food supply by committing to share in the harvest of a local grower. By joining a CSA you express your support for locally grown food, for clean food, and for the farmers who grow it. A CSA establishes a unique relationship between the consumers and the producers - we all care about the food, how it's grown, who is growing it, and who is eating it. Belonging to a CSA does not replace shopping at the farmers market, but it does guarantee your access to the best of our harvest, every week. We grow vegetables, flowers, and herbs only - no fruit or sweet corn, so you will still have a good reason to patronize your other favorite farmers at the markets.

Members subscribe in March, and for 23 weeks in the summer and fall, we harvest and distribute the vegetable shares. We divide the year into summer and autumn seasons - or the tomato season and the post-tomato season. We made this division because some people just don't like greens and root vegetables very much, and they now have an opportunity to disengage gracefully, without feeling guilty about wasting all that good food. For many members, it's a completely new experience to follow the growing season so closely. We write regular newsletters with food preparation tips, recipes, crop news, and other items of interest.

We distribute the shares on Tuesdays and Thursdays. The enclosed registration form has all the details. The non-farm drop off sites are at dedicated CSA members' homes. The bags arrive mid-afternoon and can be picked up anytime that day.

Because of the inherent risks of farming, we cannot guarantee what 2006 will bring. In the past, we have experienced hail, drought, and flooding, but we have always succeeded in growing an excellent variety of vegetables. You share this risk with us, but we will do everything we can to raise successful crops.

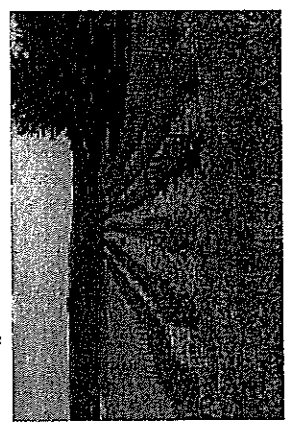


Potomac Vegetable Farms
www.potomacvegetablefarms.com
(703) 759-2119 - Vienna
(540) 882-3885 - Purcellville
2006 Season

Ecogenic Vegetables from a Local Farm

Potomac Vegetable Farms is owned and run by three farmers on two farms in Northern Virginia. We've been growing vegetables since the 1960's and were certified organic from 1990-2003. Our original farm and roadside stand is located on Leesburg Pike in Vienna, managed by Hiu and Hana Newcomb. Ellen Polishuk manages our production farm near Purcellville. We sell at many farmers markets in the DC area, and this is the seventh season for our CSA.

We farm using our own compost, cover crops, beneficial insects, and lots of hand labor. We do not use synthetic chemical fertilizers or pesticides of any kind. The farm is here for you to see, feel, and taste to certify for yourself that we farm naturally. We feed the plants by feeding the soil - a complex ecosystem. We feel that this growing method produces the tastiest, healthiest foods, while improving the land and the quality of life in our neighborhood. We have opted out of the organic certification program, and we call our methods "ecogenic."



We harvest our produce at the height of ripeness every day. We grow a wide variety of vegetables, from the mundane to the exotic, exposing our customers to new foods and new ways of cooking and eating. In 2005 we distributed almost 60 different varieties of produce, from acorn squash to escarole to sugar snap peas to zucchini. Our website has a good vegetable identification page, for those days when your bag seems to have a few mystery foods.

Who should NOT join the CSA?

We've learned that people who fall into the following categories are not a good match for the CSA program:

- Anyone who is away on vacation many weeks (it's your responsibility to have someone pick up your share if you are gone).
- Anyone who thinks this is a good way to save lots of money. It isn't. We offer good value at a fair price.
- People who don't really like to cook or who don't eat at home often.
- People who don't like vegetables or trying new foods.

Share sizes: how much food to expect

Mini Share: designed never to overwhelm your refrigerator. It's a small bag with a good variety of the week's produce. Instead of five squash, you'll get two. Instead of 3 pounds of tomatoes, you get a pound and a half.

Regular Share: designed to feed a small household most of its weekly vegetable needs. This is approximately a shopping bag full. The weight of the bag varies with the season – in the spring and fall there are lots of salad greens and other leafy vegetables. In the summer the bag is heavy with tomatoes and squash and cucumbers.

Robust Share: designed to feed a larger household with a robust appetite for fresh vegetables and a commitment to cooking. This bag is about ¾ bushel, sometimes more, with about 1.5 times as much food as the regular share.



Share seasons: when the food is available

Summer share: June 6 to September 28

17 weeks of summer produce: leafy greens, garlic curls, luscious tomatoes, versatile squashes, gorgeous green beans, Swiss chard, peppers, celery, basil...

Autumn share: October 3 to November 16

7 weeks of fall produce: butternut squash, sweet potatoes, celery root, kale, Asian greens, salad greens...

Extra options to add to your basic share

Egg share: We offer fresh brown eggs from happy birds. These are free moving chickens that live in a hen house (safe from foxes) and eat commercial (not organic) grain. You will receive a dozen eggs a week. We have a limited number of egg shares to offer, so act fast.

Fresh flower share: We grow a colorful assortment of annual flowers. They are nothing fancy but they are lovely and cheerful. The season starts by mid-July and lasts until frost (about 12 weeks).

Sample bags (regular share):

July: 5 yellow squash, 1 juicy Walla Walla onion, 1 fresh bulb garlic, 1 bunch basil, 2 cucumbers, 1 bunch Swiss chard, 1 bag salad mix, 1 pound new potatoes, 1 bunch beets

September: 3 pounds tomatoes, 1 pint cherry tomatoes, 2 green peppers, 1 pound green beans, 1 bunch basil, 1 bulb garlic, 1 head celery, 1 pound yellow onions, 1 eggplant, 1 bunch Autumn Poem

November: 1 bunch mustard greens, 1 bunch bok choy, 1 celeriac, 1 bag salad mix, 1 butternut squash, 1 bulb garlic, 1 bunch arugula, 1 bunch salad turnips





Chapter 6 References: How Will You Reach Your Customers?

From Supply Push to Demand Pull: Agribusiness Strategies for Today's Consumers

<http://www.ers.usda.gov/amberwaves/november03/pdf/supplypush.pdf>

Consumer Demand for Fruit and Vegetables: The U.S. Example

<http://www.ers.usda.gov/publications/wrs011/wrs011h.pdf>

Food and Agriculture: Consumer Trends and Opportunities (File Protected, available to view online)

<http://www.ca.uky.edu/agc/pubs/ip/ip58a/IP58a.pdf>

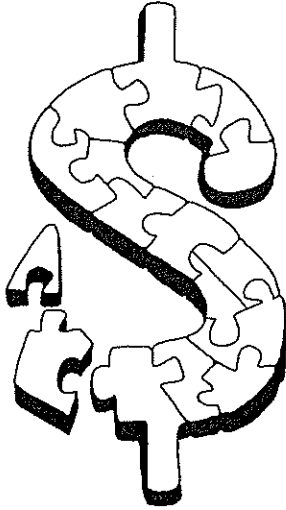
Understanding the Dynamics of Produce Markets

<http://www.ers.usda.gov/publications/aib758/aib758.pdf>



Chapter 7

How Do You Plan for Profits?



Considerations for your client

- Have you considered start-up costs?
- What are your variable and fixed costs?
- What will an enterprise budget tell you?
- What are the variable and fixed costs associated with your operation?
- What will a partial budget tell you?
- What will a cash flow budget tell you?

Tools to analyze profit

Your primary responsibility as a manager is to make decisions that will achieve the goals of your farming operation. Maximizing profits may be one of the more important goals you have. But not only are you faced with making decisions that potentially impact revenues and costs of your operation, you will be faced with unexpected challenges that you must identify and implement solutions for in an efficient and effective way.



Unexpected challenges...

Budgeting is a tool that you use to help make these decisions. In general terms, budgeting is defined as a plan to allocate resources among alternative uses. You allocate money, labor, capital, water, and other scarce or limited resources. Budgets provide a basis for planning labor needs and for financing. They also provide a plan for when you buy supplies and sell your products. They are a critical tool for controlling and evaluating the performance of your business. Budgets are especially effective when a management record keeping system designed is already in place. The effectiveness of budgeting is a function not only of how good your record keeping system is, but it is also limited by the quality of your record keeping.

Though budgeting and record keeping are valuable managerial tools, they require time to maintain and therefore represent a cost themselves. Therefore, you must include these costs of

preparing and maintaining budgets and records in the total cost of the business. If they aid you in making sound management decisions, the benefits certainly outweigh any costs involved.

You have several tools available as you analyze the profitability of any new crops or enterprises you are considering. These tools include enterprise budgets, partial budgets, break-even analysis, and cash flow budgets.

The size of your operation can influence your costs. Obviously, costs affect your profitability. You may find that many input suppliers will give you a discount based on the number of units you order. For example, if you decide to grow brambles (blackberries and raspberries), the more plants you order at one time, the lower the price per plant (Table 1). However, your operation does not have to be large to be profitable. If you are small, you may have slightly higher per unit costs, but you may actually be able to charge a higher price if you are successful in differentiating your farm and your products. By successfully differentiating your product, you may be able to receive higher prices for your product. Higher prices may earn you greater profits, even if you sell fewer units.

Table 1. Discount for large orders

Minimum order: 5 plants	
Number of plants	\$/plant
5	4.33
10	3.60
25	3.17
100	2.74
500	2.04
1,000	1.85

Source: Nourse Farm

Have you considered start-up costs?

If you choose crops that require time to get into production, like brambles, you need some way to cover the expense of planting, growing, and harvesting that crop. Blackberries fruit the second year after planting and come into full production by year three. Think about the inputs you need to get the crop to its first harvest. For some brambles, you need a trellis system, which requires

Start-up costs are often over-looked.
Don't get caught short by forgetting them.

posts and wires. You need to prune and tie up the canes. You will probably need to spray the brambles, so you'll need a tractor and sprayer. If you don't have the equipment, you'll need to purchase it. While two years may not be a long time to get a crop, the question is how

can you pay for the inputs before you have an income from that crop? Other crops take even longer to come into production—Christmas trees take about seven years, grapes take about six years; blueberries take about four years.

You need to calculate the start-up costs for any crop or product and include them in the cost of production. This task is not easy. You will want to create a detailed list of your start-up costs (Table 2 for preparation year and years 1 and 2 of blackberry production). Do you have the resources to cover the first two years when you will have no income from the blackberries? In your first year of harvest, your yield will be less than subsequent years. Will your pricing strategy be able to cover all the third year costs as well as repay the previous years' outlays?

Table 2. Estimated per acre cost of establishing blackberries to first year of harvest.

Operation	Year 0 preparation			Total costs
	Equipment costs	Material costs	Labor costs	
-----\$/acre-----				
Soil samples	6.00		4.00	10.00
Nematode assay		2.00	4.00	6.00
Field perimeter weed control			198.00	198.00
Herbicide	6.00	12.00	4.00	22.00
Plow field	18.00		11.00	29.00
Disk field	10.00		5.00	15.00
Plant cover crop	4.00	14.00	3.00	21.00
Apply nutrients and lime	5.00	49.00	3.00	57.00
Mow row alleys	8.00		5.00	13.00
Mow cover crop	19.00		12.00	31.00
Plants		3,815.00	4.00	3,819.00
Trellis supplies		5,022.00	164.00	5,186.00
Pickup truck, miscellaneous use	29.00		20.00	49.00
Land charge				0.00
Management charge				0.00
Contribution to farm overhead		15.00		15.00
Contribution to operating capital		86.00		86.00
Miscellaneous		20.00		20.00
Total costs preparation year				9,577.00

Operation	Year 1 establishment			Total costs
	Equipment costs	Material costs	Labor costs	
-----\$/acre-----				
Mark rows w/flags		10.00	41.00	51.00
Fumigate strips (43,56 ft linear)	317.00		20.00	337.00
Fumigant	33.00	125.00	30.00	188.00
Drip tape		125.00		125.00
Mark post holes			41.00	41.00
Auger post holes	129.00		50.00	179.00
Build trellis			825.00	825.00
Plant			264.00	264.00
Setup irrigation system	26.00		82.00	108.00
Irrigate & fertilize	68.00	6.00	35.00	109.00
Order & replant (100)		350.00	58.00	408.00
Pruning equipment			33.00	33.00
Prune & train canes	9.00		74.00	83.00
Mow alleyways	96.00		63.00	159.00
Hand hoe			33.00	33.00
Root rot spray	6.00	14.00	4.00	24.00
Weed control (chemical)	6.00	7.00	4.00	17.00
Pickup truck use	73.00		50.00	123.00
Land fee charge				0.00
Management charge				0.00
Contribution to overhead		22.00		22.00
Contribution to operating capital		89.00		89.00
Miscellaneous		30.00		30.00
Interest on investment				0.00
Total costs year 1				3,248.00

Year 2: First harvest				
Operation	Equipment costs	Material costs	Labor costs	Total costs
	-----\$/acre-----			
Harvest supplies		33.00		33.00
Dormant spray	7.00	26.00	4.00	37.00
Root rot spray	11.00	142.00	37.00	190.00
Set up irrigation	1.00		165.00	166.00
Irrigate & fertilize	68.00	6.00	163.00	237.00
Chemical weed control	11.00	14.00	8.00	33.00
Prebloom spray	7.00	22.00	4.00	33.00
Beehive rental		210.00		210.00
Bloom/post bloom sprays	7.00	34.00	4.00	45.00
Bird control		50.00	12.00	62.00
Harvest preparation			14.00	14.00
PYO harvest		625.00	629.00	1,245.00
Other harvest cost	36.00	1,254.00	6,842.00	8,131.00
Harvest cleanup			72.00	72.00
Mow alleys	253.00		165.00	318.00
Prune & train canes	38.00		346.00	384.00
Harvest/postharvest sprays	34.00	31.00	21.00	86.00
Remove canes	9.00		66.00	75.00
Repair trellis			165.00	165.00
Pickup truck use	73.00		50.00	125.00
Land charge				0.00
Management charge				0.00
Contribution to farm overhead		30.00		30.00
Contribution to operating capital		61.00		61.00
Miscellaneous		40.00		40.00
Interest charge				0.00
Total cost year 2				11,792.00

Source: Safley, et al.

While you won't have the specific dollar amounts from your operation to develop budgets for a new enterprise, you can get estimates from Cooperative Extension budgets. Just remember, the activities and costs in the Extension budgets are based on typical practices and costs. Once you have established what practices you will use and have your own experience with costs, you will need to adjust the Extension budgets to reflect your operation. Remember that for start-up enterprises your budgets will be only as reliable as the estimates you use. Your subsequent budgets will only be as good as the records you keep.

What are your variable and fixed costs?

Variable costs

Variable costs are costs that change as size and management decisions change. For example, you increase the acreage of tomatoes. You need more tomato plants, more fertilizer, more stakes and string or cages, and so forth. They change depending on management decisions such as whether you plant no-till or plant into raised beds. They change based on your harvest method—mechanical harvest or hand harvest. They change based on your marketing method—wholesale or farmers' market.

These inputs generally increase as you produce more units of a crop. However, the per unit cost may be affected by the volume produced or purchasing discounts. You might get purchasing discounts for paying your bill at the time of purchase or within 10 days of purchase or with cash or check rather than a credit card, and so forth.

You estimate total variable costs for a crop input by multiplying the quantity of each input by its price. You can find these costs easily from invoices; however, you may have to allocate the cost to the appropriate enterprise. For example, you purchase five tons of fertilizer to use on four crops. You'll need to calculate the cost of the fertilizer for each crop. Allocating costs of labor, machinery, and equipment to any one enterprise is difficult. You will find that having detailed records will simplify this allocation process.

Item	Unit	Cost
Feed		
Feed Cost	\$/lb.	\$ -
Feed Conversion	lb./lb. gain	0.00
Funk Fee	¢/lb.	0.00
Fingering Cost	\$/ringing	\$ -
Number of fingerings purchased for one tank		0
Initial Weight of fingerings	grams	0
Initial Stocking density	lb./gal	ADDENDUM
Mortality	Percentage	0.000%
Chemicals		
Sodium Bicarbonate	\$/lb.	\$ -
Sodium Diatrizoate	lb./tank/week	0.0000
Salt Phosphoric Trihydrate	lb./gal/week/other month	0
Calcium Chloride		\$ -
PO ₄ at Salt	\$/200lb.	\$ -
Labor		
Wage	\$/hr.	\$ -
Labor Dead Time	Percentage	0%
Machine cost	% of the system cost	0%
CASH		
Monthly Phone Expense		\$ -
Interest Rate	Interest Rate for Operating Loan	0.00%
Startup Legal Services		\$ -
Accounting Services	\$/yr.	\$ -
Lighting Services	\$/yr.	\$ -
Flood Insurance	\$/yr.	\$ -
Outgoing Cash Balance		\$ -
Minimum Cash Balance		\$ -
Operator's Desired Income		\$ -
Percentage of total income to some item equivalent operation		0%
Fish		
Type of Fish		Title of
Days	# of days in the production cycle	0
End Weight	lb.	0
Price	\$/lb.	\$ -
Months in a Cycle		0
Number of months in the cycle that harvesting occurs		January
Month in which harvesting occurs		January

Fixed costs

Fixed (or overhead) costs are those costs you are committed to paying regardless of what you do during the current period. The most important fixed costs for any operation are those for land, buildings, machinery, and equipment. The land charge represents a return for its use in crop production (interest paid on the land or cash rent). Fixed costs for buildings, machinery, and equipment include Depreciation, Interest, Repairs, Taxes, and Insurance—the “DIRTY 5.”

You have some operating costs that are part of overhead. These overhead costs include telephone, insurance, taxes, utilities, etc. They have to be paid whether you produce or not. They probably won't vary with the level of production but probably will change with management decisions such as hours of operation (utilities) and market outlet (insurance).



You should allocate these to each enterprise. As with some variable costs, fixed cost allocation is a very difficult task.

What will an enterprise budget tell you?

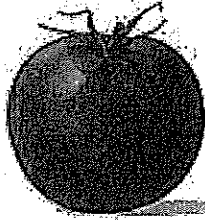
Enterprise budgets generally account for all costs and all income associated with the production of one particular crop or enterprise, what production activities will occur, and how much of each input you will need to produce a particular crop. Enterprise budgets are generally divided into three sections (Table 3):

- A. expected yield section,
- B. variable costs section often separates production and harvest costs (B and C in example), and
- C. fixed costs (D in example) section.

Table 3. Enterprise budget worksheet for calculating growing and harvesting costs

Crop:	Per acre
(A) Expected Yield (units/acre)	
(B) Variable costs (pre-harvest):	
Land and bed preparation	
Seed or transplants	
Fertilizer/lime	
Chemicals:	
Pre-emergence herbicides	
Post-emergence herbicides	
Fungicides	
Insecticides	
Fumigants	
Growth regulators	
Other:	
Fuel, lube, & repairs	
Cultivation	
Hired labor:	
Machinery operation	
Hand weed	
Irrigation labor	
Other:	
Custom work	
Irrigation	
Miscellaneous:	
Total Pre-Harvest costs (B)	
(C) Variable costs (harvest):	
Harvest/haul	
Other:	
Total Harvest Expenses (C)	
(D) Fixed costs:	
Depreciation, Interest, Repairs, Taxes, Insurance	
General overhead	
Total Fixed expenses (D)	
Total Cost (B + C + D)	
Summary:	
Pre-harvest Cost/Unit (B ÷ A)	
Harvest Cost/Unit (C ÷ A)	
Fixed Cost/Unit (D ÷ A)	
TOTAL COST/UNIT (B+C+D) ÷ A	

The *expected yield* simply tells you what average yields are for the crop you are growing. Your actual yields will undoubtedly vary due to the weather, soil type, crop variety, insect damage, presence or absence of wildlife like deer and birds, and so forth.



The variable cost section gives you information on the cost of inputs into production. Since you are calculating them on a per acre basis, you can calculate your total variable cost for any input by multiplying the per acre cost by the number of acres you will have in a particular crop.

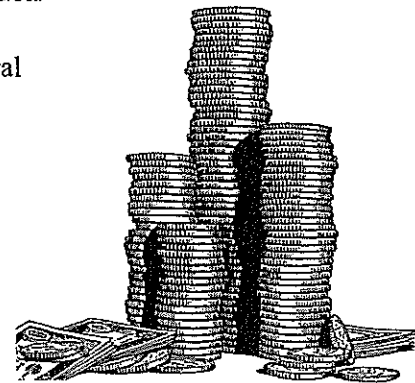
The fixed cost section will be difficult to calculate on a crop basis. What many producers do is to calculate the total acreage planted in all crops then divide the total acreage into the enterprise crop to get a percentage. This percentage is then multiplied by the fixed cost and divided by the acreage to get the per acre cost for that enterprise.

For example, Tina Silk has 300 acres in production. Of this acreage, 50 acres is planted to tomatoes. Her total fixed costs for the season are \$75,000. She calculates that tomatoes account for 16.6% of the total acreage ($50 \div 300 = 0.167$). She calculates that the total fixed costs for tomatoes is \$12,500 ($\$75,000 \times 0.167 = \$12,500$). Finally, she calculates the per acre fixed costs to be \$250 ($\$12,500 \div 50 = \250).

When you have completed each section of the enterprise budget, you calculate total costs for that enterprise by summing variable costs and fixed costs. From the information you calculated using an enterprise budget you will know how much you will need to make on the sale of the product to cover *all* your costs.

You can find examples of enterprise budgets at the following websites. Some are interactive so that you can download them and fill in the spaces with your own numbers.

- ☞ Clemson enterprise budgets for vegetables and melons. Found at <http://cherokee.agecon.clemson.edu/budgets.htm>.
- ☞ Ohio enterprise budgets. Found at <http://aede.osu.edu/Programs/FarmManagement/Budgets/index.htm>.
- ☞ University of Georgia Interactive enterprise budgets. Crops including tomatoes and squash and livestock Found at <http://www.ces.uga.edu/Agriculture/agecon/interactive.htm>.
- ☞ University of Kentucky vegetable and melon enterprise budgets. Found at http://www.uky.edu/Ag/AgEcon/pubs/software/budgets_veg_melon.html.
- ☞ North Carolina State University Value Added and Alternative Agriculture. Found at http://www.cals.ncsu.edu/value-added/bus_man_plans.htm
- ☞ University of Wisconsin, Center for Integrated Agricultural Systems. Dairy sheep and goat, specialty foods, and poultry enterprise budgets. Found at http://www.cias.wisc.edu/archives/2006/04/04/enterprise_budgets_help_farmers_plan_for_profits/index.php.



How do you use enterprise budgets?

Enterprise budgets are sometimes used to determine the maximum rental rate that you can afford to pay for land. To do this, simply prepare the enterprise budget, but omit any charge for land. The resulting expected profits would indicate the maximum rent that you could pay to just break-even when all costs are covered.

One important use of enterprise budgets is that they help establish a minimum selling price based on production costs. Once you calculate total costs of an enterprise are determined, you know the minimum price that you should charge for that product. Ultimately, the price you charge depends on what you feel is a fair return on investment, the risks associated with producing the enterprise, and the customers' willingness-to-pay. By using costs of production as guide to establishing a minimum price for all products, you are at least assured that all costs are covered and that you are not producing products which are losing money.

What will a partial budget tell you?

You use a partial budget to calculate the expected change in revenue from a proposed change in your operation. A partial budget contains only those income and expense items that will change if you implement your proposed change in the business plan. For example, you may want to change an existing production method (such as using a new fertilizer); decide whether to add a new enterprise to the product mix or expand an existing enterprise; evaluate whether to purchase or replace a piece of equipment; or purchase additional land.

You analyze these types of alternatives in a partial budgeting framework by answering four questions (Table 4):

1. What new or additional costs will you incur?
2. What current income will you reduce or lose?
3. What new or additional income will you receive?
4. What current costs will you reduce or eliminate?



Table 4. Partial budget for analyzing changes to farming operation

Partial Budget for: (Describe the alternative plan compared to the base plan)			
Positive Impact		Negative Impact	
1A. Additional Income (List the items of income from the alternative plan that would not be received with the original plan.)	\$	1B. Reduced Income (List the items of income for the original plan that will not be received from the alternative plan.)	\$
2A. Reduced expenses (List the items of expense for the original plan that will be avoided with the alternative plan.)	\$	2B. Additional Expenses (List the items of expense for the alternative plan that are not required with the original plan.)	\$
3A. Subtotal (1A + 2A)	\$	3B. Subtotal (1B + 2B)	\$
Difference (3A - 3B) (A positive difference indicates that the net income from the alternative plan exceeds the net income of the original plan by this amount. A negative difference indicates a lower net income for the alternative plan compared to the original plan.)		\$	

The first two questions identify factors which will reduce profits while the latter two identify those which increase profits. By comparing the answers of the first two questions with the last two, you can determine the net change in profit. If the difference is positive, your income increases and the change is probably worth making. If, on the other hand, the difference is negative, your income decreases and the change is probably not a good idea.

What will a cash flow budget tell you?

Cash flow budgets are concerned with timing of the flow of monies—cash expenditures and cash receipts through time. You can develop them either for each individual enterprise or for the entire operation. As a manager, knowing how much and when you will need money and when you will receive income is important. Making a profit and experiencing good cash flows are entirely different. It is entirely possible that you can show a profit at the end of the year and have a negative cash flow at sometime during the year. Since cash flow budgets show the expected timing of inflows of cash receipts and outflows of cash expenses, they can be used as a basis for anticipating the need for borrowing funds. Cash flow budgets do not tell you about profits, but they are very important if you have crops that require more than one season to produce, like blackberries, or if you have seasonal crops like Christmas trees or tomatoes.

Cash transactions occur frequently with farm operations. An important task for you as manager is to control this flow of cash in and out of the farm business. Liquidity deals with your ability to generate enough cash to meet financial obligations as they come due without disrupting the normal operation of the farm business. Cash comes into the business from various sources such as crop and livestock sales, other farm-related receipts, sale of capital assets, non-farm income and borrowed capital. You use this money to meet financial obligations like production expenses,

capital expenditures, loan payments, and family living expenses. Inflows and outflows seldom coincide with each other. Consequently, you should manage to have enough cash on hand to prevent shortages from disrupting the normal farm business.

Cash inflows are simply money coming into your operation from all sources.

Cash Inflows. Some enterprises generate a relatively even cash inflows into the farm business over the production year (dairy for example) while other enterprises result in seasonal cash inflows during the production season. Other farm receipts often make up a substantial cash

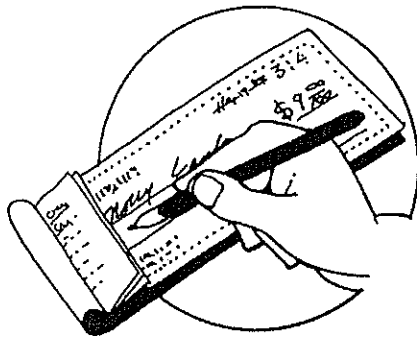
inflow. These other receipts include payments from participation in government commodity programs, income from custom work performed, and cooperative dividends. Examples of nonfarm receipts may include income from an off-farm job, cash from nonfarm savings and investments, and interest earned on nonfarm investments. Sale of capital assets (land, buildings, machinery, breeding livestock and tools) produces cash inflows.

Borrowed money is also a cash inflow. It is often considered a residual source of cash used to maintain cash reserves when cash outflows exceed the uneven cash inflows.

Cash Outflows. Production expenses can represent a relatively large drain on cash. These expenses typically include seed, fertilizer, agrochemicals, feed, hired labor, repairs, and other expenses. Capital expenditures include cash outlays for replacing and adding machinery and equipment and purchasing land and buildings, which are important for maintaining and increasing the growth of the farm business. These cash outflows are usually sporadic and often involve large amounts of money.

Cash outflows are what you pay for goods and services..

While borrowed capital represents a cash inflow, loan repayments represent a cash outflow. Family living expenses are sometimes overlooked as being secondary to the other cash outflows; however, you obviously must cover certain basic family living expenses, which may use money earmarked for the farm business.



In a cash flow statement the first column lists the transactions (Table 5). The second column summarizes the total cash inflows and outflows for the previous year. The next twelve columns project the monthly cash inflows and outflows for the coming year. The last column totals the monthly projections. The main categories of entries include: Cash Inflows, Cash Operating Expenses, Other Cash Outflows, Cash Flow Summary, and Loan Balances End of Period.

A cash flow statement is one of the best ways to pinpoint problems of cash shortages. Cash flow budgets will help you determine the product mix for production and the method of sale (pick-

Table 5: Structure of a typical farm cash flow statement.

Name:	Year >											
	January	February	March	April	May	June	July	August	September	October	November	December
Cash inflows												
1. Crop sales												
2. Livestock & livestock products sales												
3. Government payments												
4. Capital sales												
5. Other farm income												
6. Non-farm income												
7. Total cash inflow (lines 1 thru 6)												
Cash operating expenses												
8. Seed												
9. Fertilizer, lime, chemicals												
10. Feed												
11. Livestock purchased for resale												
12. Vet, medicine, breeding fees												
13. Fuel, oil, lubricants												
14. Utilities												
15. Repairs												
16. Taxes, insurance												
17. Hired labor												
18. Rent, leases												
19. Machine hire												
20. Supplies, miscellaneous, other												
21. Total cash expenses (lines 8 thru 20)												
Other cash outflows												
22. Capital purchases												
23. Family living												
24. Other withdrawals and income taxes												
25. Intermediate loan principal payments												
26. Intermediate loan interest payments												
27. Long-term loan principal payments												
28. Long-term loan interest payments												
29. Total cash outflows (lines 21+ 22 thru 28)												
Cash flow summary												
30. Beginning cash balance												
31. Inflows minus outflows (Lines 7-29)												
32. Cash position (Lines 30+31)												
33. New borrowing: operating												
34. New borrowing: intermediate												
35. New borrowing: long-term												
36. Operating loan principle payments												
37. Operating loan interest payments												
38. Ending cash (Lines 32+33+34+35-36-37)												
Loan balances end of period												
39. Operating (previous period line 39+33-36)												
40. Intermediate (previous period line 40+34-25)												
41. Long-term (previous period line 41+35-27)												

Comments:

your-own, restaurants, farmers' markets, etc.). From the cash flow budget you will be able to identify the periodic cash shortfalls/surpluses and the cumulative cash shortfalls/surpluses over time. Anticipating the amount, timing, and cumulative balances of cash shortfalls/surpluses gives you time to consider changes to your marketing plans that will help you manage cash flow challenges.

Example: What will a cash flow statement tell you?

Your marketing plan is to sell leafy green vegetables and tomatoes to four local gourmet restaurants. However, these restaurants want you to wait 30 to 45 days for your payment. Based on your cash flow budget, you know that this arrangement won't work. Since you have a cash flow problem with the restaurant arrangement, you might decide to choose an alternative market outlet.

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Farm Management Tools for the Small Acreage Producer

http://www.ag.uidaho.edu/sustag/smallfarms/2006_Farm_Management_Tools.pdf

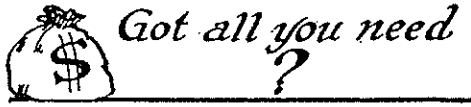
Analyzing a Farm Business

<http://www.gov.mb.ca/agriculture/financial/farm/pdf/farmplananalyzingafarmbusiness.pdf>



Chapter 8

How Do You Set Your Price?



Considerations for your clients

What is the perception of consumers towards your products?
How do you find the break-even price and quantity for your products?
How do you calculate a cost-plus price?

Pricing is a tricky business. You're certainly entitled to make a fair profit on your product, and even a substantial one if you create value for your customers. But remember, something is, ultimately, worth only what someone is willing and able to pay for it. The cultural practices required to produce a marketable product are easier to define and understand than the principles governing pricing.

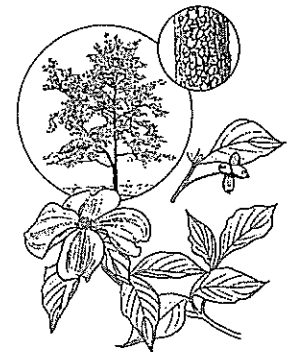
Pricing is a tricky business.

Ideally, you want your price to cover all production, marketing, waste and spoilage, and fixed costs as well as provide a profit. Planning and research before production begins will help you decide what to produce, how much to produce, how much of the product at various price levels you can expect to sell, and whether those sales will provide adequate returns to cover all costs and yield a profit.

What is the perception of consumers towards your products?

Economists often say that the point of price determination is where supply and demand meet. While knowing production and marketing costs helps to establish a minimum price from the supply side, an understanding of customers and their needs (as well as the competition and how the competition might react) will help you determine the price customers might pay from the demand side. Once you've determined all the factors, you can change a price to reflect changes in cost, demand, or competition. However, changing prices during the season may lead to confusion or distrust on the part of customers.

Prices must be justified by value (or perceived value) to the customer. New cultivars, crops available in limited quantities, or novelties, all command higher prices. You will need to consider what your pricing objectives are: selling the most you can; getting a high price but not selling as many; or having the same price as your competition because



Pricing objectives

Lower price

- ☞ To expand your potential market;
- ☞ To attract customers who couldn't buy at higher prices;
- ☞ To increase customers' willingness to try a new product;
- ☞ To attract customers away from other producers offering the same products.

Higher price

- ☞ To substantiate a higher quality image position;
- ☞ To stressing profits rather than sales;
- ☞ To sell a product that is totally unique.

Parity price

- ☞ When your product is similar to your competitor's, and you cannot provide a better overall value to the consumer.

you have essentially the same product or you believe they have priced products based on superior knowledge.

Research shows that, unlike many other retail industries where products are perceived to be identical, price is not the most important factor governing customers' choices of where consumers shop for produce. Factors more important to consumers than price include location, selection, quality, and service.

Regardless of costs and desired margins or markups, the price must be competitive with other sellers. Supermarkets will average out on the produce sales by pricing some items lower than the their wholesale cost and pricing other items on the basis of whatever the traffic will bear. With a large volume of produce, over a long period of time, this strategy works well. Very few direct marketers, however, have the volume to make this pricing strategy work satisfactorily. Most direct marketers price their produce somewhere between the current wholesale and supermarket prices. This system is workable, but your operating budget and competitors should be kept in mind as well.

Some consumers expect prices to be lower at the farm than at the supermarket. They rationalize that you don't have the overhead and transportation costs supermarkets have. Probably just as



many consumers, however, look for quality as defined by freshness and price means very little. If you sense this attitude, you might be able to charge higher prices.

If you are selling large volumes of produce for home canning and freezing, you may change your pricing strategy to encourage customers to buy in larger units such as flats of berries, boxes of tree fruits, or 20- and 25-pound units of vegetables. Examples of such differential pricing for berries would be 59¢ per pint, \$1.75 for 3 pints and \$6.50 per 12-pint flat at a farm stand, but the pick-your-own price might be 35¢ per pound. An example for sweet corn is a \$5.00 per 5-dozen crate, 10 ears for \$1.00, 13¢ per ear, or two ears for 25¢.

BEETS 99¢ lb.
OVER 20 lb. . . . 79¢ lb.

In addition to pricing strategies, certain pricing techniques have proven successful. Supermarkets use the rule of 7's or 9's (that is 19¢, 29¢, 59¢, or 79¢ per unit). Odd prices seem cheaper in the consumers' minds than pricing in even numbers. At the roadside stand, however, 5's are just as effective and save pennies (that is 5¢, 15¢, 25¢, 35¢, or 75¢ per unit). This technique permits specials to stand out. For example, by shifting the special items from prices ending in 5 to prices ending in 9, it is easy to show savings for buying in volume (39¢ each or 3 for \$1 saves 17¢).

When considering specials, you should keep in mind the expected sales volume. For instance, midweek specials may attract extra customers during a time when business is slow. Evening specials may attract the working people and increase sales volume during peak harvest. Clean-up specials may be posted near the close of a day's business, but you should be careful because some customers, anticipating price reductions, may put off shopping until late in the day. One caution about these strategies—they make more work for you and may not gain you any more net income.

Review your marketing strategies.
Review your problems and opportunities.
Review your pricing mathematics.

Finally, you should watch the image of your business by keeping prices fair. To do so, you must know the costs of doing business. Knowledge of costs will help keep your business profitable. Production costs and competitors' prices will establish the lower and upper limits for pricing. Only you, however, can control the quality, the volume to offer, and the price to ask.

Variable costs increase as production increases. Fixed costs need to be paid no matter how much you produce.

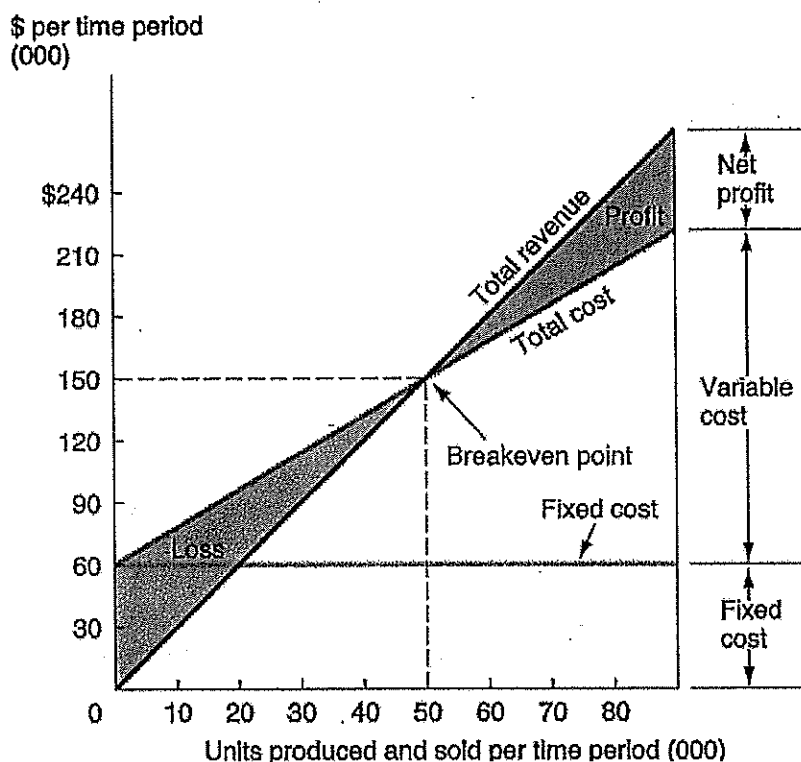
You need to consider both fixed and variable costs when deciding whether to continue production. You also need to consider start-up costs when a crop or livestock takes more than one season to come into production. In the short run, the amounts of some inputs can be changed while others cannot. You should stay in production if it appears that revenue will at least cover variable costs. However, if variable costs cannot be covered, continued production only makes things worse. In the long run, you should continue

production only if you can cover *all* costs. Anything short of that usually results in the erosion of net worth and, ultimately, loss of the farm.

Sometimes it is useful to separate variable costs into pre-harvest and harvest costs. Faced with the cost of harvesting a crop with a low yield, you will be trying to determine whether the value of the crop will cover the harvest costs. At this point, you will not need to consider pre-harvest costs when deciding whether to harvest because you already have to pay them anyway.

How do you find the break-even price and quantity for your products?

The break-even point is the point at which revenue is exactly equal to costs (Figure 1). At this point, you make no profit and incur no losses. You can express the break-even point in unit sales—the number of units of a product you must sell or in dollar sales—the amount of gross sales you need. If you sell fewer than the break-even number of units, you will loss money; if you sell more, you will make money. The same is true of gross sales: with gross sales less than break-even, you loss money; but with greater than break-even gross sales, you make money.



The break-even point is an excellent tool to help you calculate the minimum price you should charge by selling a given quantity. You probably won't produce a crop just to break-even. You are more likely to produce it because you believe it will make you money. The break-even point may be fine if you have included your labor and your family's labor as an expense as well as some dollar amount as a return on your investment in that enterprise.

Break-even analysis is based on two types of costs: fixed and variable costs. Once you reach the break-even point, assuming no change in either selling price or fixed and variable costs, your profit is the difference between selling price of any additional units and the variable cost of producing those units. You have already covered all your fixed costs. Keep in mind, this

example is simplistic. Break-even analysis is not normally this simple. In many instances, the selling price, fixed costs, or variable costs will change. The result is a change in the break-even point. You should, therefore, calculate a break-even more than once to reflect changes in costs and prices and to maintain profitability or make adjustments in your crop or product mix.

You need three basic pieces of information needed to evaluate a break-even point:

1. Average per unit sales price
2. Average per unit variable costs
3. Average annual fixed costs

The basic equation for determining the **break-even units** is

$$\frac{\text{Annual fixed cost}}{\text{(Average per unit selling price - Average per unit variable cost)}}$$

The basic equation for determining the **break-even total sales** is

$$\frac{\text{Annual fixed cost}}{1 - (\text{Average per unit variable cost} \div \text{Average per unit selling price})}$$

The basic equation for calculating **break-even price** is

$$\text{Per unit variable cost} + (\text{Annual fixed costs} \div \text{projected units sold})$$

Example of how to calculate break-even price and quantity

A local livestock producer utilizes compost waste to develop an organic fertilizer product. The fertilizer is prepared for retail sale in 50 pound bags. He assumes that the selling price is \$5.00 per bag. The average variable cost per bag is \$2.80, and average annual fixed costs are \$60,000. These three pieces of information are

Average per unit selling price = \$5.00 per bag
Average per unit variable cost = \$2.80 per bag
Annual fixed costs = \$60,000.00

Using these assumptions he can calculate the number of bags that he must sell to break-even as well as the total dollar of sales needed to break-even.

$$\text{Break-Even Units} = \$60,000.00 \div (\$5.00 - \$2.80) = 27,273 \text{ bags}$$

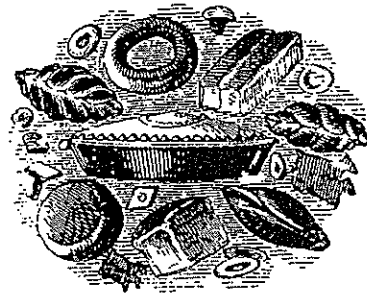
$$\text{Break-Even Sales} = \$60,000.00 \div [1 - (\$2.80 \div \$5.00)] = \$136,365$$

Until he reaches the break-even sales level, he will make no profits from the sale of his fertilizer. Remember that at break-even, he has exactly covered all costs (fixed and variable). In this example, he must sell more than 27,273 bags or generate more than \$136,365 in gross sales.

If he wants to determine the minimum price that he can charge to still break-even, he makes an assumption about the number of bags he would sell, 30,000 bags in this case. Using the formula for break-even sale price, you find he will need to charge \$4.80 a bag.

$$\text{Break-Even Price} = \$2.80 + (\$60,000 \div 30,000) = \$4.80$$

Thus, even though he would break-even with fewer bags at \$5.00, he could lower his price and still break-even if he can sell more bags.



The limitation of break-even analysis is that you have to be able to project the quantity that you will reasonably be able to sell at a price that people are willing to pay. These two challenges—projecting quantity and price—are the major limitations when trying to develop a realistic break-even analysis.

Break-even analysis can be very helpful in the evaluation of a new venture. In most instances, success takes time. Many new enterprises actually operate at a loss in the early stages of development. Knowing the price or volume necessary to break-even is critical to evaluate the length of time you can cover your losses. The break-even analysis is also an excellent way to measure your short-term goals. For break-even analysis to work, you must analyze your costs, which keeps you focused on the connection between production and marketing.

A product is only worth what a customer is willing to pay for it.

How do you calculate a cost-plus price?

Cost-plus pricing also involves knowing *all* your costs including waste and spoilage. As with break-even pricing, you need to allocate your fixed costs to a particular enterprise. Once you have calculated the total cost of producing a product you can try different margins or markup to come up with a price.

To calculate the markup for a product you multiple the cost of producing the product times the percentage you want to mark it up. The result is added to the selling price.

Markup is the amount the cost is raised to achieve the desired selling price.

Margin is the percentage of the selling price above the cost of producing the product.

Example of markup pricing for a pound of strawberries

One pound of strawberries cost you \$0.75 to produce. You want to have a profit of 30%.

Markup amount (in \$) = Cost X Percentage markup

$$\text{Markup} = \$0.75 \times 0.3$$

$$\text{Markup} = \$0.23 \text{ (you rounded up from } \$0.225)$$

$$\text{Selling price} = \$0.75 + \$0.23$$

$$\text{Selling price} = \$0.98 \text{ per pound}$$

To calculate the margin for your strawberries, again you need the total cost and how much above that cost you want to receive for your strawberries.

Example of using margin pricing for a pound of strawberries

Using the same cost and percentage as in the markup example, you would calculate your selling price as

$$\text{Selling price} = \text{Cost} \div (1.00 - \text{Margin percent})$$

$$\text{Selling price} = \$0.75 \div (1.00 - 0.30)$$

$$\text{Selling price} = \$0.75 \div 0.70$$

$$\text{Selling price} = \$1.03 \text{ per pound}$$

As you can see, the different methods give you different prices. Generally, direct marketers use a 30% margin or a 40% markup. The more perishable the product you sell, the higher will be your markup or margin.

As you calculate your costs and margins and markup, keep in mind your competition; the quality and selection of what you are offering; the uniqueness of what you are selling; your image; the season of the year; and customer response. Any and all of these can and will affect how much you are able to sell and, consequently, your profit and loss.

