

Planning for Profit: Pricing Strategies for Diversified Farmers



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Partners & Sponsors

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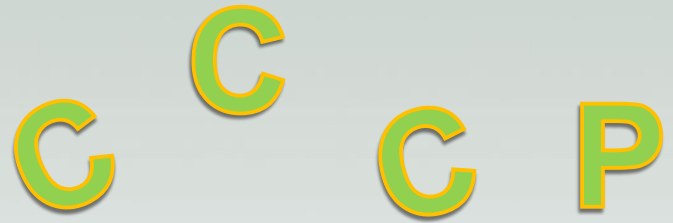
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Goals for this morning...

- List the 3 C's & P of Pricing.



- Define one personal goal you want your farm business to help you achieve.



- Identify 3 action steps that will help you determine your “right” price.



How much to charge?

Starbucks



Direct Market Farm Products



Goals Drive Prices



Finding the Right Price



Finding the Right Price



Market Assessment

- What are your competitors charging?
 - What is included in the price?
 - What is the range of offerings?
 - What is the level of quality?
 - How is their customer service?



Market Assessment

- Key factors to keep in mind:
 - Location
 - Size of operation/experience
 - Specialization
 - Volume of sales
 - Market characteristics



Finding the Right Price



Customer Expectations

What is motivating them to buy?



What are their alternatives?



How determined are they to buy?



Finding the Right Price



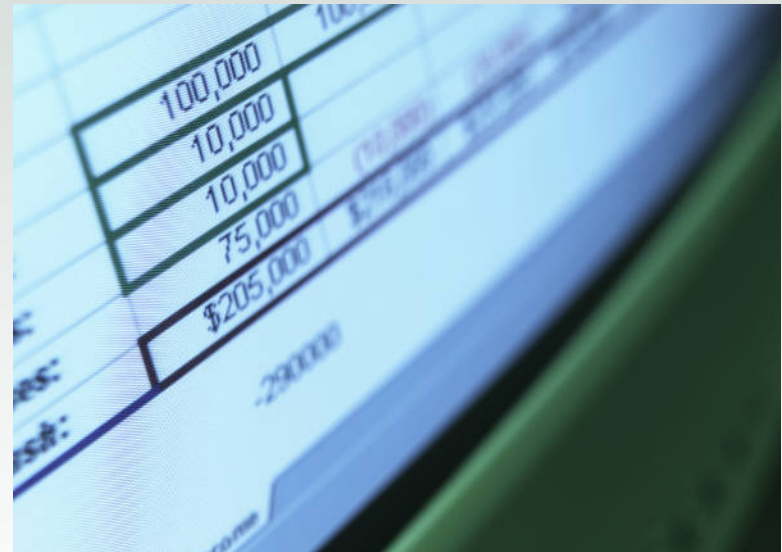
Calculating Costs of Production

- Be strategic
 - What are your profit goals?
 - What are your key enterprises?
 - What info do you need for your decisions?



Calculating Costs of Production

- Enterprise budgets
 - All revenues, all expenses
 - From field prep and seeds to harvest and market
 - Variable costs & fixed (overhead)
 - Know your break-even point



Finding the Right Price



Plan for Profit



Different markets mean...

- different production strategies



Different markets mean...

- different costs



Different markets mean...

- different units & different prices



Different markets mean...

- different skills



Some Common Pricing Mistakes*

When sales or profits don't meet your expectations...

- Pricing too high relative to customers' value perceptions.
- Failing to modify prices to reflect changes in costs.
- Failing to modify prices to reflect costs associated with different markets.
- Attempting to compete on price alone.

(*Michael O'Donnell, as reported in *Building a Sustainable Business*)

Interpreting market information

- If your prices are on the low side of what you're seeing . . .



Interpreting market info

- If your prices are higher than what you're seeing . . .



To Sum it up



Questions?

Next Steps...

- Explore planning worksheets;
- Reach out for resources and technical assistance;
- Develop a pricing strategy now for your most important 2014 products!



Contact us at the VT Women's Ag Network

<https://blog.uvm.edu/wagn/pricing-resources/>

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