

DIRECT RETAIL Farm Marketing

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Agricultural marketing activities account for more than 17 percent of the nation's gross national product.

Seventy cents of every consumer food dollar goes to cover marketing expenses.

Being involved in marketing helps producers decide what to produce and when. Clearly, performing some marketing chores is a possible source of increased revenue.

According to academics, there are nine functions of marketing: buying, selling, storage, transportation, processing, grades and standards, financing, risk taking and

marketing information.

One aspect of marketing that generates many questions is the function of selling.

"What should I be pricing my melons at?" is heard on many visits to local farm markets.

Of the nine functions of marketing, only selling generates cash. The prices must be a part of your overall marketing plan.

Cost of production is the basis of calculating price. However, pricing must be flexible enough to meet the competition and adjustable to changing situations.

As an integral part of the marketing plan, price must be set to meet the sales and financial goals of the enterprise.

Having a clear idea of your

marketing objectives and the target market for your products makes selection of a "proper price" easier.

Cost Plus Method

Price mark-ups are an area of great confusion.

Mark-up should be given as a percent of the selling price. Net profit is greatly affected by calculating your mark-up incorrectly.

Cost plus mark-up equals selling price.

Here's an example. Let's say my marketing plan calls for a gross profit goal of 20 percent. Let's say a watermelon costs me \$1.

The proper selling price is \$1.25, not \$1.20.

The cost of \$1 plus mark-up of 25 cents equals a selling price of \$1.25. This represents a 20-percent gross margin on the selling price.

A common incorrect method of calculating margin would be to take the cost at \$1, add 20 percent, and get a selling price of \$1.20.

The trouble with this incorrect method is when the accounting is

done, I have received a 16-percent margin, not the 20 percent called for in my planning.

This "cost plus" method does not take into consideration the competition.

Remember, pricing at the level of the competition reflects the costs and perceptions at other farm markets, not yours. Your price is a result of your costs and the perception of your products by your customers.

Point Is Profit

We are trying to maximize total profits, not the profit per unit.

Are you willing to take a lower price if you could sell more units?

The following table gives you a picture of this game. The first row states that if your margin is 10 percent and you reduce your price 5 percent, it will take an increase sales volume of 100 percent to meet your planned revenue goals

Current % Profit Margin	% Price Reduction	Required % Increase in Sales Volume
10	5	100
15	5	50
15	10	200
20	5	33
20	10	100
25	5	25
25	10	67

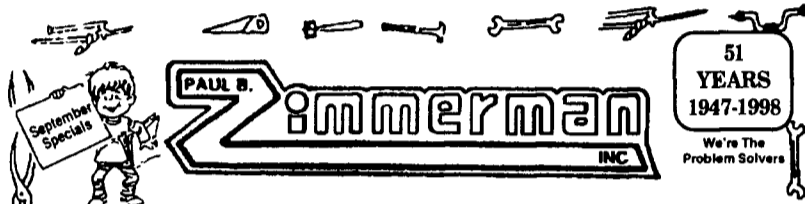
An effective pricing strategy depends on four factors.

1. You must know your cost for each product.
2. Possible sales response to price change is vital.
3. What are the costs and prices of the competition?
4. What are the probable responses from the competition to what you do?

Proper pricing is essential to long-run business success. Pricing is as much a marketing concern as an accounting one.

Good pricing is a measure of management effectiveness.

Good pricing allows a retail farm market to more easily reach their marketing and financial goals.



ITEM #	DESCRIPTION	PRICE
ELECTRICAL		
517135	Flourescent Light F40T12CW2	\$1.25
504378	Standard Bulk 40W-60W-75W-100W 4 Pk	\$1.95
505796	Flourescent Light F14T12CW	\$3.95
6183107	Quartz Bulb Q300T3	\$2.95
TOOLS		
S11921A	Utility Knife Blades 100 pk, Stanley	\$9.95
RSCS01	Spiral Saw, 4 amp, Rotozip	\$69.95
C174274	Pro Leather Carpenters Apron	\$28.95
A90009	Carbide Saw Blade, 7-1/4 - 16T, Makita	\$6.99
9527PB	Grinder 4-1/2", Makita	\$85.95
SK87018	Wrench Set "limited edition" 18 pc comb, SK	\$79.95
SK91844	Socket Set 1/4" dr, 44 pc mel/free, SK	\$89.95
SK4246	Starter Set, 46 pc, SK	\$99.95
AUTOMOTIVE		
P2014	Gum - Solve, 14 oz., Penray	\$1.99
P820	Foaming Engine Cleaner & Degreaser, 16 oz. Penray	\$1.75
P640	Rubberized Underseal, 12 oz., Super X	\$2.35
9501313	"Sure Wash" Windshield Washer Fluid Gal	\$4.99
9501305	Antifreeze, Gal	\$4.89
08658	Booster Cable, 14 ga /12 ft	\$21.95
10123	WD-40 Rust Preventer, 13.5 oz	\$2.39
PLUMBING		
43107635	Ball Valve 1" PVC glue	\$2.79
R-1096R	O Ring Kit, 375 Pc	\$25.95
411897	Wax Ring	\$5.99
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CLEANING SUPPLIES		
32GC24	Glass Cleaner	\$2.45
32CG128	Glass Cleaner, gal Enforcer	\$3.55
32HFC32	Hardwood Floor Cleaner	\$4.45
32HFC128	Hardwood Floor Cleaner, gal	\$7.95
LAWN N GARDEN		
A15543	Shovel, LHRP Eagle	\$5.50
A15545	Shovel, LHSP, Eagle	\$6.95
A18816	Bow Rake, 54" Eagle	\$5.35
A18501	Garden Hoe, Eagle	\$4.95
5310	Patio Thermometer	\$2.90
5300	Dial Window Thermometer	\$2.95
TARPS		
T0608	Tarp, blue, 6 x8'	\$1.50
T0810G	Tarp, green, 8'x10'	\$4.99
T1018	Tarp, blue 10'x18'	\$5.70
MISC.		
WE HAVE WARPS SILO PLASTIC		
B5700	Powershot Stapler B&D	\$20.99
300190	Hand Cart w/air tire, 600 lb capacity	\$39.95
TP601	Caster Swivel, 6" HD	\$13.95
TP602	Rigid Swivel, 6" HD	\$10.95
BIMP114G	Coil Roofing Nails - 1-1/4"	\$23.95
PMM212R	Cable Puller, 2 ton	\$32.50
PM5010	Cable Puller, 1/2" Ton	\$21.12
LA025	Tie-Down, 2"x27" 10,000 lbs	\$18.95
LA026	Tie-Down 2"x27", 12,000 lbs	\$20.95
H50234152	Chain Binder 5/16-3/8	\$14.95
0513525	Binder Chain 5/16x25'	\$29.95
LL10700	Lazer Bike Blinker	\$5.98
MN908	Lantern Battery, 6 volt, Duracell	\$6.98
1209	Lantern Battery, 6 volt, 2 pk, Eveready	\$6.40

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