

Pricing Your Food Product

Wrong Price = Money Lost!



Classification: Public

How to set an accurate price for your product

Cost of Goods

To determine the cost of producing your product include all fixed and variable costs such as:

- Labour – the time it takes to make and sell your product, including your salary
- Ingredients
- Packaging and labels
- Rent and utilities
- Delivery, transport and freight
- Equipment
- Overhead costs, like insurance and legal fees
- Marketing

Be Flexible

Review your costs every six months. Raise your price when the cost to produce your product goes up.

Avoid Underpricing

Do not underprice your product in the hope that you can increase prices when your business grows.

Vive la Différence!

Remember that different grocery categories of food products have different margins and expectations.

Three ways to sell your product

Retail Sales

Sell direct to consumers through farmers' markets, farm store or online.

The retail price of your product (what customers pay) should be approximately the same no matter where it is sold – retail store, farmers' market or online.

The retail price is a combination of:

- What it costs you to produce your product.
- What customers are willing to pay.
- What customers believe your product is worth to them, or its perceived value.
- What your competitors are charging.

Margins are Important

Remember when you sell your product to a retail store you will need to understand the margin the retail store requires for selling your product. Like the granola example, there are several steps in building the retail sales price.

The margin is the retail price minus the price the retailer pays for your product. This margin covers the expenses the retail store has for selling your product and is part of the profit they make.

You will also want to note that if you plan to use a distributor to sell your product to retail stores, the distributor will require a margin to cover their costs and to make a profit.

Whether you sell direct to the retail store or through a distributor, the price the retail store pays should be approximately the same price.

Building the Crunchy Munch Sales Price





Pricing Resources:

Pricing Terms and Definitions:

<https://open.alberta.ca/publications/pricing-terms-and-definitions>

Essentials of Pricing:

<https://open.alberta.ca/publications/essentials-of-pricing>

Pricing Processed Food Products:

<https://open.alberta.ca/publications/pricing-processed-food-products>

Methods to Price Your Product:

<https://open.alberta.ca/publications/methods-to-price-your-products>

Pricing: Moving from Farmers' Market to Retail Sales:

<https://open.alberta.ca/publications/pricing-moving-from-farmers-market-to-retail-sales>

Pricing Horticulture Products:

<https://open.alberta.ca/publications/pricing-horticulture-products>

Pricing Meat Products: An Introduction:

<https://open.alberta.ca/publications/pricing-meat-products-an-introduction>