Brown Bag Lunch Webinar Series

Farmers Market Benchmarks

Pricing Benchmarks

1. **Farmers employ a number of strategies to determine their retail prices at the farmers market.** Here are the strategies and the percentage of farmers using them:
   - Performing an analysis of production costs and income requirements – 34%
   - Maintaining prices based on what others are charging within the market – 39%
   - Increasing or reducing prices based on the income level of the market's customers – 3%
   - Being the price leader in the market, with high prices – 15%
   - Always offering customers the lowest prices in the market – 3%

   Your pricing strategy directly impacts your sales:

Pricing Strategy	Average income
Low end of pricing	$406
High end of pricing	$677
In line with others	$732
Based on analysis of costs	$1088

By not setting your prices based on an analysis of costs, you are reducing your income by as much as 2.5 times as compared with other pricing strategies.

Some farmers will occasionally lower their price to move a particular item that they have an abundance of. While the surveys show that it can significantly increase your sales, you need to be careful that your price cut does not undermine your overall profit strategy. Think about how much additional product you must sell to make up for the price reduction and then how much over that you will need to sell to make a profit on that product. Is there potential to sell enough extra to recover your loss?

We also found a difference in pricing based on length of time a farmer has participated in markets. Those in the market greater than 6 years tended to be more pricing savvy, setting their prices in line with their costs while keeping close tabs on what the prevailing market prices are. Consequently, those in the market longer tended toward a higher daily sales level. Younger farmers tended toward the low end of market pricing, perhaps being more naïve about customer behavior and afraid of the competition of other farmers in the market.

2. **Impact of reselling on sales.**

   Whether a market allows any reselling can also impact your sales. A producer-only market results in the second highest level of sales. This is surpassed only by a market that allows a limited amount of reselling, often placing restrictions on what can be resold. Choose the market that you participate in carefully – markets that allow everything and have permissive entry policies may not be the most lucrative.

3. Fees paid for market space as a percentage of sales.

	Market Length				
Fees Paid	**19 weeks**	**23 weeks**	**29 weeks**	**Year round – different location**	**Year round – same location**
$2000				2.4%	
$1250	19%				5.7%
$825	5.8%	5.5%	0.5%	2%	2.5%
$625	2%	2%	4.4%	3.7%	2.8%
$375	2.5%	1.3%	1.7%	0.4%	2%
$200	2.5%	1.5%	1.7%	0.6%	0.4%
$75	5%	0.4%	1%	0.5%	0.1%

Many markets across the country charge market fees based on a percentage of sales, averaging between 5 – 8%. New York's markets charge a flat fee. By translating your market fees charged into a percentage of sales, we can see that New York farmers typically enjoy a much lower market cost with the flat fee arrangement. But if you calculate your own fees as a percentage of sales and find that you exceed the averages in this chart, you will need to review your strategies – pricing, marketing, etc., to determine where your weaknesses are and work to bring your fees as a percentage of sales in line with the industry averages.

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