Pricing

Emma Maxwell
of
Ash & Elm Horticulture

Pricing – averaging & seasonal

Veg boxes

- Prices averaged across the year & seasons
- Prices seems cheap during June
- Potential to earn more, by having regular sales through the season
- Guaranteed sales through glut period

Shops

- Prices vary across the year & seasons
- Top prices out of season
  - for a week or two
- Potential to earn more for out of season produce
- Difficult to sell gluts

What price for your goods

- Organic wholesalers monthly price list
  - Pheonix, Watson & Pratt.
- Shop comparison- check local shops regularly
- GIG prices

- What will people pay?

Profit

Gross margin or Gross profit

=

Selling price – Cost of product (direct costs)

Net margin

=

Selling price – All costs (include overheads)

How much has it cost you to produce?

On average your hourly rate is a **3rd** of your income.
The rest is overheads.

E.g. 1 hr to grow & harvest produce

Sold for £36.63

36.63/3 = £12.21/hr (min wage April 2025)

Other cost =

- Direct costs = Seeds, compost, packaging
- Overheads = Premises, delivery, admin

Selling to shops

- Different shops will have different markups
- They may have different retail prices
- They may ask you what price you want for your product
  - Be careful if you charge to much people might not buy it
- Some shops are sale and return (you take the risk)
  - Give you a higher price for your produce
- Some buy from you (they take the risk)
  - Give you a lower price for your produce

Terminology

Producer price (PP)

– you

Retail price (RP)

final sales price/ shop etc

Recommended Retail Price (RRP)

Trade price = intermediary price

wholesaler, secondary producers, restaurants

Markup & Margin

- Markup
- % of cost

- The value added by a seller to the cost price/ producer price (PP), to cover its incidental costs and profits, to arrive at its selling price

- Profit Margin
- % of sales

- The difference between cost of product (PP) and retail price (RP)

Mark-up method

This is where you add a percentage to the cost of goods sold to cover the overheads and the amount of profit required

- Cost of goods sold by the producer (PP) represents 100%
- If the mark-up is 35%, then sales is 135%.

PP/100*sales% = RP

- E.g. Divide £0.74 by 100 to get the 1% figure (0.0074p), then multiply it by 135 to get the retail price (RP).
  - This equals £0.999 recurring = £1
  - 0.74p/100*135=£1

- Difference between PP 74p & RP £1 gives profit
  - The profit is £0.26p

Markup on the producer price or gross margin the shop takes

How to calculate backwards from the retail price (RP)
Retail price (RP) / (1) + (%)

RP = £1

30% = £1/1.3 = £0.769
35% = £1/1.35= £0.74
40% = £1/1.4 = £0.714

30% = 0.3
35% = 0.35
40% = 0.4

Producer price (PP) Retail price (RP) Difference (D)

Prices

Rounding up or down?

If above 0.5 round up to the nearest whole number
If below 0.5 round down

e.g.

0.704p = 70p
£0.769 = 77p
£0.714 = 71p

100% markup = 50% margin

Retail price (RP) /(1)+(%)

£2/2 = 1

Markup = 100%

Difference (D)/RP *100

£1/2 *100 = 50

Margin = 50%

Markup or Margin

Markup on the producer price or gross margin the shop takes

Retail price (RP) / (1) + (%)

30% = 0.3
35% = 0.35
40% = 0.4

RP = £1

30% = £1/1.3 = £0.769
35% = £1/1.35= £0.74
40% = £1/1.4 = £0.714

Margin based on retail price

RP = £1.00 (100p)
PP = £0.70p
Difference (D) = 30p

D/RP *100 = shops margin
30/100 = 0.3*100 = 30%

Or a markup of 42%
£1/1.42 = 0.704p

Producer price (PP) Retail price (RP) Difference (D)

Mark up or Margin

Retail price (RP) / (1) + (%)

- 30% = £1/1.3 = 76p
- 35% = £1/1.35 = 74p
- 40% = £1/1.4 = 71p
- 42% = £1/1.42 = 70p

Difference (D)/RP *100

- 30% margin = 70p
- 35% margin = 65p
- 40% margin = 60p
- 42% margin = 58p

Example markups
calculated from Retail prices

Chard/ Kale/ Spinach

@ £1.50

- @ 30% = £1.15
- @ 35% = £1.11
- @ 40% = £1.07

Salad

@ £2

- @ 30% = £1.54
- @ 35% = £1.48
- @ 40% = £1.42

RP / 1.% = PP

Example profit margins

calculated from Retail and producer prices

RP=£1.50, PP=£1.07, D=£0.43

43/150 = 0.286*100 =28.6%

Margin = 28.6%

As apposed to

Markup = 40%

(1.5/1.4 = £1.07)

RP=£2, PP=£1.43 D=£0.57

57/200 = 0.285*100 =28.5%

Margin = 28.5%

As apposed to

Markup = 40%

(2/1.4 = £1.43)

Difference (D)/RP *100

Emma Maxwell

http://www.ashandelm.co.uk