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Inside This Issue:

- ◆ Did you know: the menu that started a revolution.
- ◆ Excel worksheet helps determine retail prices for farm-raised meat cuts.
- ◆ Processing and Selling Value-Added Food Products in Maryland.



Is the Price Right?

By: Ginger S. Myers, UME

Whether you're gearing up to sell at a farmers' market, through your roadside stand, or by private treaty, you cannot thrive in business today without a pricing strategy. The price you set for your product must fall between two points: what the customer is willing to pay and your breakeven point (the point at which you start losing money).

What should you charge for your product? Charge too much and it won't sell. Just reduce the price and fix the problem. But, charging too little is far more dangerous. If you choose to compete on price, you may not only forego significant revenues

Introducing Our New URL

By: Ginger S. Myers, UME

The College of Agriculture and Natural Resources has converted all of its websites to a new platform that will give us consistent look. The Ag Marketing Program has a new URL.

We've organized the content on both sites into easy to find categories including articles, newsletters, a calendar of events, and more in-depth resources related to product and business development, pricing, placement and promotion of your products. You can find Tips, FAQ's, and Best Practices within each topic area and in the Resource Library. We are developing new content areas on agritourism, more on food processing and sales, and a new section on consumer trends and social media outreach. We've retained some of your favorite resources such as our Marketing 101 section on Ag Marketing.

When you subscribe to the Ag Marketing eNewsletters, you will also receive notices about training opportunities, regulatory changes and interpretations, and on-line newsletters and resources from successful producers, researchers, and marketers.

Please bookmark our new Agricultural Marketing URL at:

<http://extension.umd.edu/agmarketing>

Continued on Page 3

Did You Know: The Menu that Started a Revolution

Source: The Hartman Group, Inc., 3150 Richards Road, Ste. 200, Bellevue, WA 98005, TheHartmanGroup@tailorednews.com

Alice Waters' imprint on food culture is undeniable. Where do we see her influence? The ascension of the Alice Waters-inspired movement toward "all things fresh, local and seasonal" has extended beyond the boundaries of the restaurant to touch fresh departments in grocery perimeters that proudly display the pedigrees of produce, dairy,

meats, and seafood for all to ponder. We can choose between the grass-fed character of Misty Isles Farms' beef or the supreme, marbled texture of Snake River Farms' "Kobe-style" beef, the latter attributed to their fondness for the Wagyu cattle.

The same goes for restaurant menus, where something as simple as a roasted-chicken-with-mushroom entree is often accompanied by elaborate descriptions of the bird's pedigree, birthplace, and lifestyle habits ("Johnson Farms, free-range, spring-harvested chicken"), not to mention your mushroom-harvesting techniques ("locally foraged"). Today, many grocers, restaurant chains, and food manufacturers are beginning to appreciate that the Alice Waters movement is for real and has captured the imagination of the American consumer. Where will restaurant trends take us next?



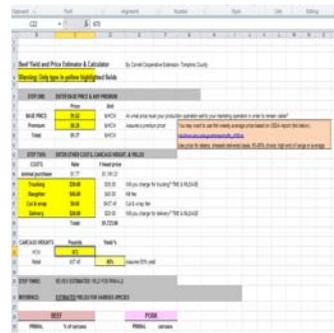
Excel Worksheet Helps Determine Retail Prices for Farm-Raised Meat Cuts

By: Ginger S. Myers, UME

Pricing your cuts of farm-raised meats requires looking percent yields by species as the animal moves through the fabrication process. At the March, Marketing Farm-Raised Meats workshop, guest speaker Matt LeRoux, Cornell University Extension, shared a valuable excel spread sheet program that can help producers determine their "breakeven" retail sales price. The sheet uses market price for the live animal, but if you have significant records to determine your own real cost of production per animal, enter that price into the sheet. The sheet also provides a percentage breakdown of cuts per carcass to help producers determine the sale of the whole carcass based on individual cut prices.

To access the spreadsheet go to:

<http://www.extension.umd.edu/agmarketing/value-added-products/meats-and-poultry>
(spreadsheet is listed under *Documents* on the web page)



Useful On-Line Marketing Resources

Selling to Restaurants

Source: Mary Peabody, University of Vermont Extension.

Are restaurants a good market choice? The following link below is a self assessment to determine if marketing to restaurant's are a good fit for your products, or business.

http://www.uvm.edu/newfarmer/marketing/marketing_resources/restaurant_assessment.pdf

Is the Price Right? continued from page 1 ...



and profits, but also fix the product's market value position at a low level. Once prices hit the market it is difficult to raise them. Research reported by the *McKinsey Quarterly* shows that 80 to 90 percent of all poorly chosen prices are too low.

The latest studies indicate that price is a major consideration for between 15 and 35 percent of the population - which means between 56 and 85 percent of the people concentrate on factors other than price. Many businesses act as though 100 percent of the population is price obsessed. This delusion nibbles away at their profits and attracts only the most disloyal of all customers.

Your pricing objective is to let your customers know the amount of money charged for a product or service, right? Actually, there are multiple layers of pricing objectives. When almost identical brand name items, such as peanut butters, are priced differently, it's because the manufacturers are pursuing different pricing objectives in their marketing strategy.

Here are some steps to follow to help you set the right price and pursue your marketing objective.

1.] Develop a pricing strategy- consider:

- a. Utilizing odd-evening pricing (\$3.99 instead of \$4.00), standard mark-up pricing (typically a manufacturer marks his price up 15% over his total cost per unit, a wholesaler 20% over his costs, and a retailer 40% over his costs.), or customary pricing (when the product "traditionally" sells for a certain price, such as a pack of gum.)
- b. Targeting "quality" customers versus "quantity" customers

- c. Offering volume discounts or add-on products
- d. Offering two layer pricing- one price for premium service and a lower price for an economy service
- e. Matching competitor's pricing
- f. Always using the same price to establish consistency.

2.] Develop a goal for your pricing strategy. "What's the goal for your business?" Pricing is part of your marketing strategy and reflects how you position your product. If you want to be the go-to-guy for a certain product or service, then you need to always sell only top quality product and offer great service. You may have to extend operating hours for customer convenience or perhaps offer a money-back, no-questions-asked return policy. If you're positioning your enterprise as a family activity, then you need to have activities and operational hours geared towards the weekends with family friendly packaging, activities and prices.

3.] Study the competition. The Internet can give you an abundance of information about your customer, the marketplace and the profit potential - all at a very low cost. You can even interview some potential customers. You might tell them you're thinking about selling a certain product and ask them what they are currently paying for similar products.

4.] Calculate your total costs of producing a product or offering a service by adding together your fixed costs + variable costs. Once you have your total costs, you can calculate the break-even price for a product or service. Of course you're not in business to just break even.

5.] Identify your added value. "What's your unique selling point? Is it quality, different varieties, free delivery, convenient location, or locally grown? What can you offer that customers are willing to pay more to obtain?"

Remember this golden rule when setting prices: perception is everything. How customers view your product or service and what they are willing to pay for it is based upon perceptions. In the end, customers will tell you loud and clear through their purchasing behavior whether or not your prices are too high, too low, or right on the money.



Processing and Selling Value-Added Food Products in Maryland

Source: Reprinted from the Maryland Department of Agriculture (<http://mda.maryland.gov/Pages/homepage.aspx>)

All products sold in Maryland must at a minimum be labeled with the name and address of the producer or distributor, a quantity statement (count, fluid measurement or net weight depending on the product), the identity of the product, the ingredients listed from greatest to least. The requirements listed only address food safety requirements and licenses. Local and state zoning, waste disposal and other laws may apply. Instead of obtaining the license(s) to process the value added products, a farmer can have them processed at a licensed facility and returned to the farm for sales.

PRIMARY CONTACTS:

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Maryland Department of Agriculture:

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ON FARM HOME PROCESSING LICENSE: License issued by MD Department of Health and Mental Hygiene (DHMH). Must be a farmer and sales must be less than \$40,000.00 annually. Allows the processing of some products in a home kitchen. Cost - \$30.00

PROCESSING LICENSE: License issued by MD Department of Health and Mental Hygiene to persons processing food. Must meet commercial requirements. Cost \$400.00

PROCESS AUTHORITY: A person(s) who has expert knowledge of thermal processing requirements for low-acid foods packaged in hermetically-sealed containers or has expert knowledge in the acidification and processing of acidified foods. This person(s) evaluation of a scheduled process must be approved by FDA or USDA depending on the food. Private Sector - fees vary.

SCHEDULED PROCESS: The process selected by the processor as adequate under the conditions of manufacture for a given product to achieve commercial sterility and/or maintaining a food that will not permit the growth of microorganisms having public health significance.

PRODUCER MOBILE FARMER’S MARKET LICENSE: Issued by Department of Health and Mental Hygiene and covers sales at any farmers markets within Maryland. Required for all products covered by the “On Farm Home Processing License” and meat and poultry certified by Maryland Department of Agriculture. Not required for eggs, non processed fresh fruits and vegetables, non potentially hazardous baked goods and non potentially hazardous jams/jellies. Cost: \$100.00 Producers can obtain a license for each farmer’s market from the local health department where the market is located in lieu of the Mobile Farmer’s Market License.

SEASONAL FARMER’S MARKET PRODUCER SAMPLING LICENSE: Annual license intended for farmers that serve only foods that are prepared and offered as samples by a producer of a farm product at a farmer’s market or a public event, such as: (i) Farm products as specified in §B(30)(a) of regulation COMAR 10.15.03; or (ii) Farm products that have been inspected, licensed, or certified for food safety by the Maryland Department of Agriculture. Cost: Contact your local county health department to see if this license is offered.

ORGANIC CERTIFICATION: Certification by a USDA National Organic Program accredited certifier required if over \$5,000 in annual sales of organic products. MDA is an accredited certifier – annual fee is \$500.00. MDA offers a registered exempt for under \$5,000 in sales for \$30.00.

POULTRY AND RABBIT PROCESSING CERTIFICATION: MDA certification or voluntary USDA inspection required for USDA exempt producers to sell product intrastate other than directly to consumers on the farm. Annual renewal by MDA. Cost: \$75.00.

Processing and Selling Value-Added Food Products in Maryland continued from page 4 ...

Baked Goods — with potentially hazardous toppings or fillings. Toppings, glazes, icings or fillings that must be refrigerated such as custard based, filled or topped with cream, cheese, etc. License Required: Processing license from DHMH. Basic Requirements: Potable water, approved sewage disposal system, commercial kitchen and refrigeration. Plan Review.

Baked Goods — without potentially hazardous toppings or fillings. Pies, turnovers, fruit tarts from fruits such as apples, apricots, blackberries, boysenberries, cherries, peaches, strawberries, etc. No cream, cheese, custards, etc. License Required: Can sell directly from farm or at farmer's markets with no license. To sell to restaurants or retailers, on farm home processing license for sales less than \$40,000. Over \$40,000.00 requires a Processing License from DHMH. Basic Requirements: Potable water, approved sewage disposal system & home kitchen for less than \$40,000. Potable water, approved sewage disposal system, plan review & commercial kitchen for more than \$40,000.

Canned Goods — acidified - products that must be acidified to a pH of 4.6 or less during processing such as artichokes, asparagus, beans, beets, broccoli, cabbage, corn, cucumber, peas, most peppers, potatoes, pumpkin, etc. License Required: On farm home processing license from DHMH if less than \$40,000 in sales. Processing license from DHMH if more than \$40,000 in sales. FDA Better Process School training course required. Basic Requirements: Potable water, Process Authority, scheduled process filed with FDA & home kitchen for less than \$40,000. Potable Water, Process Authority, scheduled process filed with FDA & commercial kitchen for more than \$40,000. Plan review for both types of licenses.

Canned Goods — naturally acid (pH of 4.6 or less) fruit such as apples, apricots, blackberries, boysenberries, cherries, grapes, peaches, etc. License Required: Evaluation needed in order to sell directly from farm or at farmer's markets with no license. To sell to restaurants or retailers, on farm home processing license for sales less than \$40,000. Over \$40,000.00 requires a Processing License from DHMH. Basic Requirements: Potable water, approved sewage disposal system & home kitchen for less than \$40,000. Potable water, approved sewage disposal system, plan review & commercial kitchen for more than \$40,000.

Dairy Products — License Required: Requires a license from DHMH. Basic Requirements: Regulated by the federal Pasteurized Milk Ordinance and State.

Dried Products — License Required: On farm home processing license from DHMH if less than \$40,000 in sales. Processing license from DHMH if more than \$40,000 in sales. Basic Requirements: Potable water, approved sewage disposal system & home kitchen for less than \$40,000. Potable water, approved sewage disposal system, plan review & commercial kitchen for more than \$40,000.

Eggs — License Required: Register with the Secretary of Agriculture annually (no fee if less than 3,000 chickens). No retail license from local health department, Producer Mobile Farmers Market License or any other health department license required if selling own production. Basic Requirements: Chickens must originate from National Poultry Improvement Plan monitored hatchery. Must meet minimum of Grade A standards, weight requirements, labeling requirements, invoice requirements & be held at 45°F.

Fermented Products — License Required: Processing license from DHMH. Basic Requirements: Potable water, approved sewage disposal system, commercial kitchen and refrigeration. Plan Review.

Fruit, Butters – Pumpkin, banana or pear — License Required: Processing license from DHMH. Basic Requirements: Potable water, approved sewage disposal system, commercial kitchen and refrigeration. Plan Review.

Fruit (uncut and not processed) — License Required: No license required from DHMH, MDA or local health department. Basic Requirements: Potable water, approved sewage disposal system, plan review & commercial kitchen.

Fruit (cut or processed - ready to eat) — License Required: Processing license from DHMH. Basic Requirements: Potable water, approved sewage disposal system, plan review & commercial kitchen

Honey — License Required: No license required if no flavors added (raw agricultural product). If further processed, on farm home processing license from DHMH if less than \$40,000 in sales or processing license from DHMH if more than \$40,000 in sales. Basic Requirements: Potable water, approved sewage disposal system & home kitchen for less than \$40,000. Potable water, approved sewage disposal system, plan review & commercial kitchen for more than \$40,000.

Processing and Selling Value-Added Food Products in Maryland continued from page 5...

Jellies and Jams — made with fruits with a natural pH of 4.6 or less such as apples, apricots, blackberries, peaches, strawberries, etc. License Required: Can sell directly from farm or at farmer's markets with no license. To sell to restaurants or retailers, on farm home processing license for sales less than \$40,000. Over \$40,000.00 requires a Processing License from DHMH. Basic Requirements: No paraffin wax seals allowed – hot filled into sterile Mason jars with ¼" head space. For other than farm and farmer's markets sales, potable water, approved sewage disposal system & home kitchen for less than \$40,000. Potable Water, approved sewage disposal system, plan review & commercial kitchen for more than \$40,000.

Meats — cured License Required: Processing license from DHMH. Basic Requirements: Potable water, approved sewage disposal system, plan review, commercial kitchen.

Meats — non USDA regulated (bison, rabbits, etc.) License Required: On farm sales only without inspection. Can have voluntary inspection by USDA or MDA to qualify for sales off farm. If slaughtered, packaged and labeled at a USDA facility, can be returned to farm for sales. Must have a license from DHMH for on farm storage (Under \$40,000 in sales – On Farm Home Processing License, Over \$40,000 in sales – Processing License) unless farm is inspected by MDA or USDA. Producer Mobile Farmer's Market License required to sell at Farmer's Market. Basic Requirements: For storage on farm – Commercial freezer capable of maintaining product temperature of 0°F for frozen. Refrigeration capable of maintaining product temperature of 40°F for fresh. Dry ice or mechanical freezer required for sales at markets.

Pickles — canned, License Required: On farm home processing license from DHMH if less than \$40,000 in sales. Processing license from DHMH if more than \$40,000 in sales. FDA Better Process School training course required. Basic Requirements: Potable water, approved sewage disposal system, Process Authority, scheduled process filed with FDA & home kitchen for less than \$40,000. Potable water, approved sewage disposal system, Process Authority, scheduled process filed with FDA & commercial kitchen for more than \$40,000. Plan review for both types of licenses.

Poultry — less than 20,000 slaughtered annually, License Required: Can slaughter and sell directly from farm to consumers without a license or inspection. To slaughter and sell to retailers, restaurants or at a farmer's market must be inspected by USDA or MDA. Can be slaughtered, packaged and labeled at a USDA inspected facility and returned to the farm for storage and sales. Must have a license from DHMH for on farm storage (Under \$40,000 in sales – On Farm Home Processing License, Over \$40,000 in sales – Processing License) unless farm is inspected by MDA or USDA. No DHMH or local health department license required on farm if inspected by MDA. Producer Mobile Farmer's Market License required to sell at a Farmer's Market. Basic Requirements: All: Must be own production. Potable water and approved sewage disposal system. Cannot be adulterated - contaminated with filth, held under unsanitary conditions, contain any poisonous or added deleterious substance, etc. Must be held at 40°F or less if fresh, 0°F or less if frozen. Off farm sales: Must have voluntary inspection by USDA or participate in MDA's voluntary program.

Poultry — more than 20,000 slaughtered annually, License Required: USDA continuous inspection required. Producer Mobile Farmer's Market License required to sell at a Farmer's Market. Basic Requirements: Continuous inspection by USDA/FSIS of slaughter – poultry health and sanitation.

Sauerkraut and other fermented products, License Required: Processing license from DHMH. Basic Requirements: Potable water, approved sewage disposal system & commercial kitchen. Plan Review.

Vegetables — uncut and not processed, License Required: No license required from DHMH, MDA or local health department. Basic Requirements: Recommend producer follow Good Agricultural Practices.

Vegetables — cut or processed - Ready to Eat, License Required: Processing license from DHMH. Basic Requirements: Potable water, approved sewage disposal system, plan review & commercial kitchen.

The Ag Marketing Newsletter is published periodically by the University of Maryland Extension Agricultural Marketing Program and it is written and edited by Ginger S. Myers, Marketing Specialist and Director of the Maryland Rural Enterprise Development Center.

Comments and suggestions regarding the newsletter are always welcome. References to commercial products or trade names are made with the understanding that no discrimination is intended and no endorsement by University of Maryland Extension is implied. Articles and photographs can be reprinted with permission.

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