



Local Line

CHAPTER 4

Pricing and Packing

Pricing your products for wholesale

Pricing your products is always challenging. Am I charging too much or too little? In this chapter, we explore how to set up wholesale pricing. We'll answer questions like, "How do you accurately calculate production costs, and what should your target profit margin be?"

We'll also we go over how to pack your products for fulfillment, including: generating pick and pack lists from your orders, how to make your packing efficient, and how to find the best packaging for your product.

When pricing your products for the wholesale market as a farmer, it's important to consider various factors to ensure profitability while remaining competitive. Here are some steps to help you determine the appropriate pricing for your wholesale products.

Calculate production costs

Begin by assessing your production costs. Keep track of all the expenses incurred in growing and harvesting your products. This step is essential when building your pricing structure for your wholesale products. It will also put you in a better position when negotiating prices with potential buyers. You will immediately know whether the pricing they are offering is feasible or not. Here are steps to calculating your production costs!

Step 1: Identify cost categories

Begin by identifying the different cost categories involved in your farming operation. Common categories include:

- Seeds
- Fertilizers
- Feed
- Medicine
- Vet costs
- Labour
- Machinery and equipment
- Land rental or ownership costs

- Irrigation
- Utilities
- Packaging materials
- Transportation
- Overhead expenses

Adapt these categories based on the specific needs of your farm and product.

Step 2: Gather expense data

Collect all relevant financial records, invoices, and receipts related to your farming activities. This includes receipts for input purchases (seeds, fertilizers, etc.), labour costs, fuel and maintenance for machinery, utility bills, and any other expenses incurred during production.

Step 3: Calculate direct costs

Direct costs are expenses directly tied to the production of specific crops or livestock. To calculate your direct costs, sum up the costs for items such as seeds, fertilizers, feed, labour specifically related to production tasks, and other inputs directly associated with production.

Step 4: Determine fixed and variable costs

Differentiate between fixed costs and variable costs. Fixed costs are expenses that remain constant regardless of production levels, such as land rental or mortgage payments, insurance, property taxes, and equipment depreciation. Variable costs are directly influenced by production volume, such as seeds, fertilizers, feed, labour hours, and fuel for machinery.

Step 5: Allocate overhead costs

Overhead costs include expenses that are not directly tied to a specific crop or livestock but are necessary for the overall operation. These may include administrative salaries, office supplies, utilities, marketing expenses, and general maintenance. Allocate these costs by using a predetermined allocation method, such as the percentage of total costs or based on labour hours.

Step 6: Track labour costs

Calculate labour costs by considering both hired labour and your own labour contributions. Include wages, payroll taxes, and any benefits provided to hired workers. Estimate the value of your own labour by comparing market rates or industry standards.

Step 7: Include depreciation and maintenance costs

Account for depreciation of equipment and machinery over their useful life. Calculate the annual depreciation cost and allocate it to each production unit accordingly. Additionally, consider maintenance and repair costs associated with machinery and equipment.

Step 8: Sum up all costs

Add up all the direct costs, fixed costs, variable costs, allocated overhead costs, labour costs, depreciation, and maintenance costs to obtain the total production costs for a specific crop or livestock.

Step 9: Calculate per-unit costs

Divide the total production costs by the number of units produced (e.g., bushels, pounds, kilograms, or head of livestock) to determine the per-unit cost. This will give you a clear understanding of the cost per unit of your production.

Step 10: Regularly review and update costs

Record your expenses and regularly update your production costs. Adjustments may be necessary due to changing market conditions, inflation, or improvements in production processes.

To help determine some costs, the USDA provides historical data on commodity costs and returns. [This resource might provide you with some insight.](#)

Determine desired profit margin

Your wholesale profit margin will depend on factors such as your business goals, market demand, and industry standards. Consider the risks involved, the level of competition, and the value you offer through your products.

Wholesale pricing example: Laughing Buddha Nursery

Kate Estrade owns [Laughing Buddha Nursery](#) and [Local Cooling Farms](#) in Louisiana. She and her husband run a farmer-owned local grocery near New Orleans. They also run and operate a 16 acre livestock farm where they produce pork and eggs.

We asked Kate what their profit margins are when selling their own products and when reselling a vendor's products.

“We add the same margin to everything, including our own products. When pricing our own products, eggs, meat cuts, etc. we make sure to include the cost of labour, staff, and the profit margin into our pricing. You need to cover the cost of production in the price and you need the profit margin to reinvest back in the business. It’s essential to be able to sustain yourself.

Generally, our profit margin for our products is the cost (every cost from the egg carton to the feed to the cost of the chick, the infant, infrastructure costs of the coops and everything, our labour), then we add 30% on top of that.

For all other products we’re reselling, we also do a 30% markup. For produce, we added an extra 3% because of the short shelf-life. This accounts for any potential waste.” - **Kate, Laughing Buddha Nursery**

Kate is only one example of a small grocery buyer, however, can provide some insight into how they add a 30-33% profit margin on top of the wholesale price. Perhaps use 30% as a starting number and play around from there.

Research the market

One of the best ways to see if your pricing is in line with the market is by looking at the pricing practices and trends in the wholesale market for similar products. Look up what the big foodservice companies are pricing at. This will give you a starting basis for what you can charge.

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👉 [Here is an example from Sysco.](#)

You should also research your buyer's customers. For example, how much is a shopper at this grocery store willing to spend? How much does an average bill cost at this restaurant? It's important to understand the type of customers they have so that you can determine whether your pricing is reasonable or not.

Consider economies of scale

As a farmer selling wholesale, your ability to produce in larger quantities may enable economies of scale (i.e. the more you produce, the cheaper production becomes). Assess whether increasing production volume allows you to achieve lower production costs. This could positively impact your pricing strategy.

Flexibility and negotiation

Negotiations are a huge part of selling wholesale. Keep in mind that you might have unique pricing per customer. Be open to adjusting your pricing based on the volume of the order, length of contract, favorable payment terms, or other mutually beneficial arrangements.

Also, ensure that you monitor your pricing strategy regularly, track the market conditions, and evaluate the profitability of your wholesale business. Make seasonal or annual adjustments as needed to ensure your pricing remains competitive and aligned with your financial goals.

Remember, finding the right pricing balance is crucial to both your profitability and maintaining healthy relationships with your wholesale buyers. It may be helpful to consult with agricultural economists, industry experts, or experienced farmers in your region for further guidance on pricing strategies specific to your market. Leverage your community for guidance!

Packing

Downloading orders

Pick lists

After you've accepted a week's worth of orders from your wholesale buyers, the next step is to download your orders from your Local Line account and into a pick list. This is the list of exactly how much of each product has been purchased for that fulfillment period (ex: if you got five orders for a head of lettuce, you'll need five heads of lettuce in total).

Your pick list includes product name, quantity, and pack size. Every farm will likely have their own preferences for what should be included, but the key is to know how much of each product and what unit size to harvest or pull from the freezer.

Keep your pick list as clear and simple as possible to avoid confusion. Highlight the key information so your employees know what to harvest.

Inside Local Line, you can export a pick list directly from the platform. To download your pick list, head to the **Orders** tab, select the time period you want to export orders from, select all relevant orders, and click **Export**. You can select multiple options for your pick list and you have the ability to adjust the spreadsheet prior to exporting to meet your needs.

👉 Here are some examples of what a pick list looks like downloaded from Local Line! [Example #1: Picklist with Basic inventory.](#) [Example #2: Picklist with Advanced Inventory.](#)

Pack lists

Now that all of your products have been harvested, you're ready to get them packed for each customer. In Local Line, you can download a pack list to help you!

A pack list is a detailed overview of each order. This list includes:

- Customer name
- Pickup/delivery location
- Item and quantity ordered

Again, different farms will organize this list differently. Depending on how many customers you have and how many orders you need to fulfill, your system might look slightly different. We recommend organizing by delivery route. The first delivery stop gets packed last, so it is at the front of the truck.

As for sorting the items, sort your spreadsheet from heaviest item to lightest. You can use tags in your Local Line account to set weights and sort your pack list. Put the heavy items into the box first, so they don't crush the other items. Or, sort by package type. All the products go in boxes together.

Here are a few other columns you may want to add to your pack list:

- **Number code:** Numbers can be easier to identify than names. By assigning each customer a number, you can quickly scan through a list of numbers compared to names.
- **Package type:** Different-size orders might require different types of packaging. Noting which package type makes it easy for packers to avoid repacking boxes.

Inside Local Line, you can export a pack list directly from the platform. To download your pack list, head to the **Orders** tab, select the time period you want to export orders from, select all relevant orders, and click **Export**. You can select multiple options for your pack list and you have the ability to adjust the spreadsheet prior to exporting to meet your needs.

👉 Here are some examples of what a pack list looks like downloaded from Local Line! [Example #1: Pack List by Customer Product Line Item](#). [Example #2: Pack List by Order](#).

Finding the right packaging

Packaging requirements for your business can depend on many factors, including:

- **Your product type:** (i.e. produce, meat, non-perishable goods).
- **Product size and weight:** How many individual units do you want to fit into the skid, pallet, or entire truckload? What shape are your units? Determine the size of your individual units and how many you're able to put into a pallet to avoid overcrowding or not utilizing the space fully.
- **Packing practices:** Placing dividers between products is common practice for items like melons or fragile items like lettuce, eggs, or strawberries. Can your products be stacked touching each other, or do you need additional packing inside the pallet?

- **Transportation requirements (frozen, refrigerated, room-temperature):** Do you need the packages to be individually insulated? Are they stored in a cooled area and need to have ventilation? How can you best keep the correct temperature during storage and transportation? Are there any food safety temperature requirements during transport that you need to be prepared for?
- **Your transportation vehicle/system:** The size of your delivery vehicle can play a large role in what type of packaging you opt for.
- **Customer requirements:** Does your customer have any specific packaging requirements?

Labeling packages

All packages must be labeled according to the USDA regulations for labeling. Be sure to research what labeling you need to include in your packages to comply with requirements. Also, define a labeling practice that helps you keep orders organized. If you use a numbering system for customers, find a place to add this information to the package for easy fulfillment.

Labels should include:

- Common name of the product
- Weight, count, and/or volume
- Name and address of producer, packer, or distributor
- Country or region of origin
- Size and grade
- Recommended storage temperature
- Special handling instructions

Working with your buyers

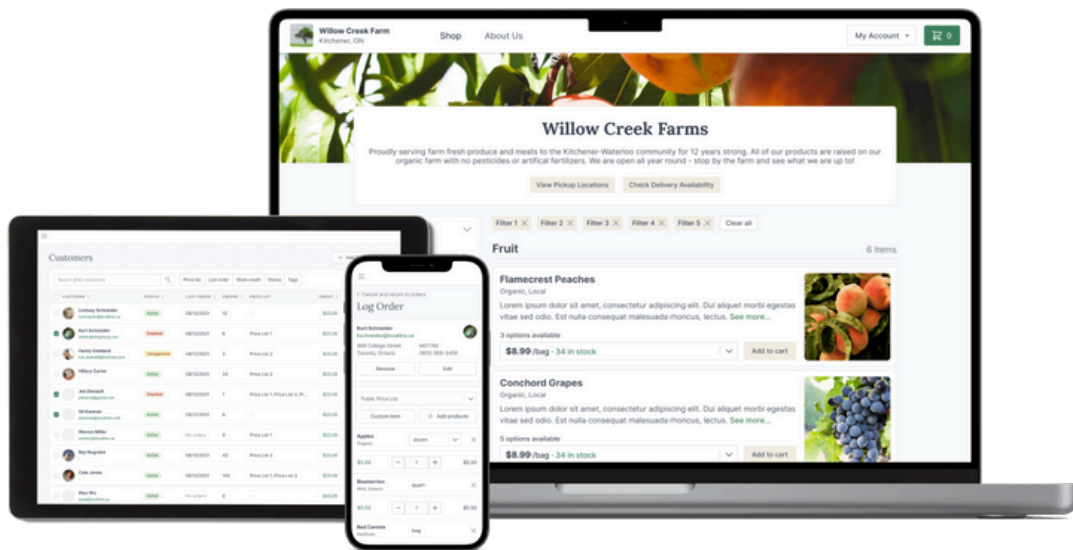
As you develop your relationship, keeping open communication with your buyers about quality, availability, and fulfillment keeps everyone up to speed on what's occurring.

👉 [Watch: Selling Produce to Headwater Food Hub #2: Expectations, Quality and Packaging](#)

When it comes to packing, these expectations might change and evolve with time – especially when it's the first time for either party. Trial and error are expected. The first fulfillment may have a few bumps and bruises to tend to.

Start Selling with Local Line Today!

To support you in your wholesale selling journey, consider [Local Line's all-in-one farm e-commerce platform](#). Local Line is an easy-to-use software tool for farmers to connect with local buyers, such as restaurants, schools, hospitals, and businesses looking to buy wholesale from local farms in their area.



Try selling online with Local Line today. We can get you up and selling online within an hour.

[Sign up here today!](#)

Happy selling!
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