09

UNDERSTANDING:
Pricing Your Product for Export Markets

VegExportNotes are designed by AUSVEG specifically for levy-paying vegetable growers to enhance industry trade knowledge. The content provided in VegExportNotes is based on the best available information at the time of publishing.

What is a pricing strategy?

A clear pricing strategy is critical to success in export markets, and to increase profitability. To determine your pricing, you will need to understand what the market can pay and if this will cover your cost with any profit margin.

When developing a pricing strategy, you need to consider various business factors, such as:

- Revenue goals
- Marketing objectives
- Product attributes
- Brand positioning
- Consumer demand
- Competitor pricing
- Market and economic trends

Why is pricing important?

Setting a price for your export products may be difficult. You may miss out on sales if the price is set too high, and you may miss out on revenue if the price is set to low.

A good and effective pricing strategy should seek to strike a sustainable balance between volume of sales and degree of profit.

Considerations when setting your price for international markets

Your domestic pricing strategy might not be suitable as an international pricing strategy. There are additional considerations when setting a price for your international customers:

- Currency
- Routes to market
- Dumping and transfer pricing
- Price setting restrictions
- Different pricing in different markets

Reminder:

- You should develop pricing strategy before visiting the market
- Your domestic pricing strategy may not be suitable for export markets
- You should be aware of additional risks with export pricing, such as foreign exchange rate
- You may need to set different prices in different export markets

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Example:

	Item	Sub-total	Total
Cost of Raw Materials			
(+)	Manufacturing/Processing Cost		
(+)	Export Packaging		
(=)	**Factory Cost**		
(-)	Duty drawback on imported components		
(=)	**Net Factory Cost**		
Ex Works (EXW)			
(+)	Interest Factor xx days @ xx%		
(+)	Sales Margin		
(=)	**Selling Price EXW**		
Free Carrier (FCA)			
(=)	**EXW Price**		
(+)	Transport costs from farm to carrier (port, airport)		
(+)	Custom clearance cost		
(=)	**Selling Price FCA**		
Free on Board (FOB)			
(=)	**FCA Price**		
(+)	Loading Charges		
(=)	**Selling Price FOB**		
Carriage Paid To (CPT)/ Cost & Freight (CFR)			
(=)	**FOB Price**		
(+)	Freight Cost to Buyer (Air freight/Ocean Freight Costs)		
(+)	Bunker Adjustment Factor (BAF) i.e. Fuel Charge		
(+)	Currency Adjustment Factor		
(=)	**Selling Price CPT/CFR**		
Carriage and Insurance Paid To (CIP)/ Cost, Insurance, Freight (CIF)			
(=)	**Selling Price CPT/CFR**		
(+)	Insurance		
(=)	**Selling Price CIP/CIF**		

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