

MIDWEST BIO-SYSTEMS' NEWSLETTER

December 2004

Subject: Marketing Compost

The Challenge: If a composter can sell all of the compost produced at the desired price, composting can be a profitable venture. But if customers do not perceive or understand the value of the compost product, one's venture into composting can be brief and unrewarding, no matter how noble the intentions. The composter must have:

- A quality product that significantly benefits the soil and growing plant, and
- Means of demonstrating its value to the buyer.

Two Key Words: Successful marketing will require QUALITY and EDUCATION.

- A consistent, predictable high quality compost product will be necessary for long term success. This will require a carefully managed process.
- Potential buyers must be educated regarding the many benefits of quality compost in aiding their efforts as a grower. You may need to differentiate your product from others in the marketplace. The buyer's bottom line should also improve as a result of using your product.

Compost Markets: Markets can be divided into three segments.

- DOLLAR markets—customers use smaller volumes, but will pay more for a quality product. Such markets include garden centers, nurseries, landscapers, topsoil blenders, sod producers, sports turf producers, and organic food stores/outlets.
- VOLUME markets—customers use high volumes, but pay less per unit of purchase. Buyers here include agriculture, Department of Transportation, Department of Natural Resources, landfills and daily cover operations, and silviculture (topsoil replacement for tree growers).
- NICHE markets—special or developing markets such as wildflowers, compost mulch, sod production on plastic, wetland reconstruction, and bioremediation of wastes.

Expand Your Product Line: Additional income streams can be realized through

- Offering compost mineral blends or mixes appropriate for a particular soil or crop
- Compost teas for foliar application
- Services such as delivery, spreading, spraying, and soil-profiling

Determine Your Cost Per Ton/Yard to Produce: This is important because it identifies your "break even" point. The higher the volume, the lower the cost per unit to produce. By knowing what mark-up you would like to receive, estimating the value of the compost product when amended to the soil and growing plant, combined with effectively communicating that value to purchasers, the compost producer can provide a win-win situation. Cost-of-production requires

- Calculating total start-up costs
- Estimating annual ongoing expenses (use a 5-10 year period)
- Divide this figure by the total number of tons/yards of finished product expected to be produced

To be continued next month