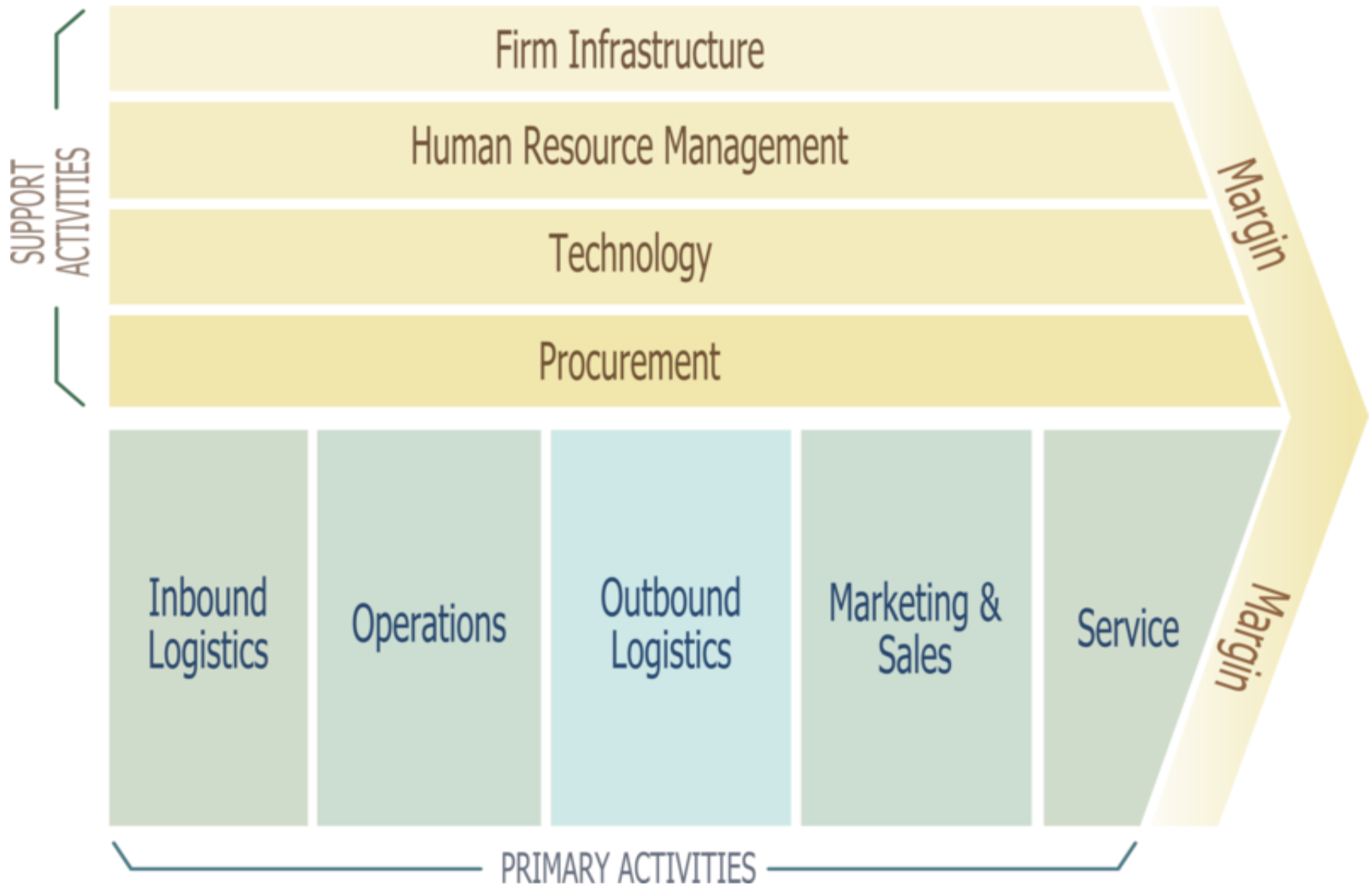


MWVAAC

Value Chain and Cost of goods
support slides

Key Components of the Value Chain



[Michael Porter](#) in his 1985 best-seller, *Competitive Advantage: Creating and Sustaining Superior Performance*

Beef Farm Value Chain Example

Purchase Cost (Direct cost or cost to calf)

Input Costs (Feed, Fence, Farmer's Time)

Additional Fixed Costs (Cost of land, taxes, buildings)

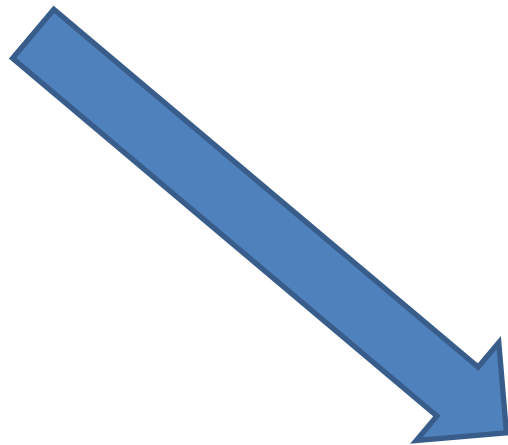
Marketing Costs

Processing Costs

Logistics Costs

Administrative Costs

Farm



Customer

Cost of Goods Sold

$$\begin{array}{r r r r r} \text{Inventory} & - & \text{Purchases} & + & \text{end inventory} & = & \text{Cost of Goods Sold} \\ 800 & & 2400 & & 600 & = & 2600 \end{array}$$

Beef Farm Cost Components Example

Purchase Cost (Direct cost or cost to calf)

Input Costs (Feed, Fence, Farmer's Time)

Additional Fixed Costs (Cost of land, taxes, buildings)

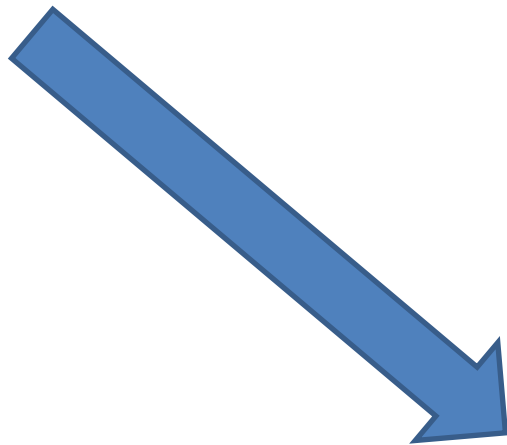
Marketing Costs (Advertising)

Processing Costs

Distribution Costs (Delivery)

Administrative Costs

Farm



Customer

Beef Farm Cost Components Example

Purchase Cost (Direct cost or cost to calf)

Input Costs (Feed, Fence, Farmer's Time)

Additional Fixed Costs (Cost of land, taxes, buildings)

Marketing Costs (Advertising)

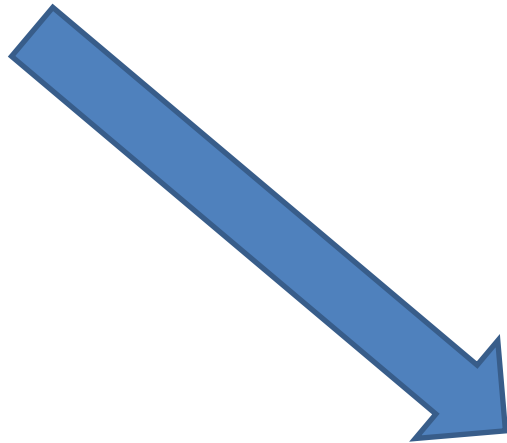
Processing Costs

Distribution Costs (Delivery)

Administrative Costs

Farm

Customer



Distribution Cost Sub - Components

Delivery to processor or sales barn costs

Delivery to Customer Options

- **CSA / RSA**
- **Direct to Customer**
- **Wholesale Distributors**
- **Brokers**

Farm

Costs

Customer

