



MOSES ORGANIC FACT SHEET

Marketing Organic Grains

Market demand for organic grains has been consistently increasing every year driven by consumer interest in organically produced cereals, breads, and other food-grade products. The growing demand for organic livestock products, including milk, meat and eggs, has led to a strong market for organic livestock feed.

The general public's awareness of the various benefits of specialty grains also has pushed the demand for non-traditional crops, such as flax seed (high in omega three fatty acids), sunflower and other oil seeds for human consumption and biodiesel production, food grade soybeans (soymilk and tofu), and spelt (easier to digest than wheat for some people). Since organic standards require a diverse crop rotation, with small grains and legumes in rotation with row crops, organic farmers are in a good position to take advantage of the strong grain market.

Growing grains for organic seed is another potential market. The USDA organic regulation mandates organic seed be used when it is available for both crops grown to maturity for harvest and sale, and for green manure crops incorporated for soil improvement. Seed can either be contract grown or sold directly to other farmers. Organic grain crops currently being produced at some scale in the Upper Midwest include: corn, barley, buckwheat, flax, oats, popcorn, rye, sunflower, spelt, food-grade and feed-grade soybeans and wheat.

The Basics of Marketing

Traditionally, farmers have been able to truck a crop to a local elevator, unload and drive away. Organic products present a challenge, as the local elevator may not be certified to handle organic crops, or the rotation strategy may include a crop that the local elevator doesn't handle. Organic farmers must understand the fundamentals of marketing in order to sell the fruits of their fields.

There are several marketing options that can be explored. Many brokers and processors purchase organic grains directly from farmers. These buyers typically build long-term relationships with their suppliers. Another option is to develop and market a finished

product direct to consumers to capture the "added value" of a processed product, such as bagged popcorn or wild bird feed. Cash-grain producers can seek out livestock producers and build long-term arrangements based on crop rotations.

Find the Market First

It is easiest to sell what consumers or buyers want. Buyers in some organic markets are very particular—they will even dictate the variety of soybean produced and the specific certification agency to be used. It is a very good idea to find a buyer before seed is purchased and put in the ground. Securing a contract with that buyer will guarantee the crop moves out the door at an agreed-upon price. The organic market is volatile and, depending on the year, the contracted price may be higher or lower than the going rate in the marketplace at harvest. Deciding on whether to contract or not depends on the relationship you build with your buyer, as well as your comfort level in "playing the field" when the time comes to sell your crop. Farmers may wish to contract some grain and sell the remainder on the open market.

Discuss your plans to grow organic crops for organic livestock with producers in your area. A long-term direct relationship with a neighboring farmer can help you sell all of the crops in your rotation, from hay to grains to row crops. You can find organic livestock farmers through organic certification agencies in your region. Certifiers will list all of the farmers they certify on their website. The National Organic Program also has a searchable listing of certified farmers on their website. (www.ams.usda/nop)

Focus on Quality

When buyers have a choice of producers to work with, those who offer quality, consistency and a fair price have a much better chance of selling their products. Care should be taken at harvest to prevent damage. Clean out split grains and weed seeds before putting the crop into storage to lessen insect pressure and improve the quality of your grain. Since food-grade products

demand higher quality, beginning growers may wish to grow for the livestock feed market to gain experience.

Manage Supply to Meet Buyers' Needs

Having the right product at the right time can be the key to selling your product for a good price. When there's an oversupply, use secure storage to hold your product until the price improves. Segregation from conventional crops and dedicated organic storage are mandatory in selling an organic product. Talk to other organic farmers in your area to explore if you can work with the same buyer and ship small loads together to save on trucking costs.

USDA commodity support programs can be used for organic crops. Crop storage loans, low-cost loans for on-farm storage facilities and government-supported crop insurance are all available to organic producers.

Grain Contracts

A grain contract is a legally binding agreement that dictates both product attributes and price to be paid. Contract growing can offer security to an organic producer. But, as with any contract, it is very important that all of the conditions are understood and agreed to before signing on the bottom line. The companies that write contracts often have a legal staff to make sure they protect themselves. Farmers need to do the same, and should have all contracts checked by a lawyer and/or banker before signing.

A signed contract eliminates market risk—you have a buyer for your product at a specified price—but there still is risk. You must trust that the person or entity you contract with will uphold their end of the bargain, and still be a viable entity with cash on hand at the time the contract payment is due. Organic buyers are subject to the same grain security laws as conventional grain dealers. Farmers need to consider ownership of the crop when negotiating a contract. Most simple contracts dictate the crop belongs to the farmer until delivered to the buyer. In some cases, the title to the crop goes to the buyer as soon as the seed is put in the ground. In this case, a farmer's crop insurance, financing or rental agreements may be affected. Weighing the pros and cons of each situation is important before a final contract decision is made.

When negotiating a contract, clarify these key factors: specific responsibilities of the farmer and the buyer under the contract, delivery date, payment amount, payment date, volume or acreage under contract, weather stipulations and responsibilities, assurances of payment, specific requirements for compliance with the contract, dispute resolution, and contingencies for the farmer

if the buyer reneges. Contracts negotiated on bushels rather than acreage may require delivery regardless of the farmer's yield, requiring the farmer to acquire product elsewhere to make delivery in a bad year. Extra compensation may be requested from the buyer for each month the crop remains in storage on the farm.

Cooperatives

Marketing cooperatives have developed in several organic sectors in the last several years. A marketing cooperative is a business run by the producers to pool product and stabilize price. There are different kinds of marketing cooperatives, including those that take possession of a product for pooled marketing, those that act as brokers and develop market demand, and those that further develop a commodity into a "value-added" product for sale to wholesalers or consumers. Before deciding to grow a particular crop to market cooperatively, find out if there are marketing co-ops for your product nearby, and if they will accept new members.

Value-added Marketing

To bring additional dollars back to the farm, producers can develop value-added operations to turn a commodity into a consumer-ready product. Packaged popcorn, ready-to-bake bread or pancake mixes, and packaged dry soup mixes are all examples of value-added products. Significant planning, time and financial resources must be invested to support the development of a value-added product. In the very competitive marketplace in the U.S. and world today, a comprehensive business plan should be done to show that a value-added venture has a chance to succeed. The Upper Midwest Organic Resource Directory lists buyers and sellers. Copies are online at www.mosesorganic.org or call MOSES at 715-778-5775 to request a print copy.



The Midwest Organic and Sustainable Education Service (MOSES) provides education and resources to farmers to encourage organic and sustainable farming practices. To learn more, please see:

www.mosesorganic.org