



MOSES ORGANIC FACT SHEET

# Marketing Organic Grains

**M**arket demand for organic grains consistently increases every year. Ever growing consumer demand has strengthened the market for organically produced cereals, breads, and other food grade products. The strong demand for organic livestock products from milk to meat as well as eggs has led to a strong market for selling organic grains for livestock feed. Organic standards require a diverse crop rotation, using small grains and legumes in rotation with row crops. The general public's awareness of the various benefits of specialty grains has also pushed the demand for non-traditional crops such as flax seed (high in omega three fatty acids), food grade soybeans (soymilk and tofu) and spelt (easier to digest than wheat for certain people).

In addition to mandating 100% organic feed for livestock, the USDA organic regulation also mandates organic seed be used when it is available in the variety desired. This includes both crops that are grown to maturity for harvest and sale, as well as green manure crops that are incorporated into the organic land for soil improvement. Seed can either be contract grown or can be sold direct to other farmers. Organic grain crops that are currently being produced at some scale in the Upper Midwest include: corn, barley, buckwheat, flax, oats (hulled and hullless), popcorn, rye, sunflower, spelt, food grade and feed grade soybeans and wheats.

## The basics of marketing

Traditionally farmers have been able to truck their crop to a local elevator, unload and drive away. Organic products can present a new challenge, as the local elevator may not be certified to handle organic crops, or the rotation strategy includes production of a crop that the local elevator doesn't handle. Organic farmers are forced to develop their knowledge of the fundamentals of marketing in order to sell the fruits of their fields and pastures. Many brokers and processors purchase organic grains directly from farmers, and these buyers typically build long-term relationships with their raw material suppliers. Another option would be to market a finished product direct to consumers to capture the "added value" of a processed product. See the MOSES Upper Midwest Organic Resource Directory for listings of grain buyers. [http://www.mosesorganic.org/dir\\_search.php](http://www.mosesorganic.org/dir_search.php).

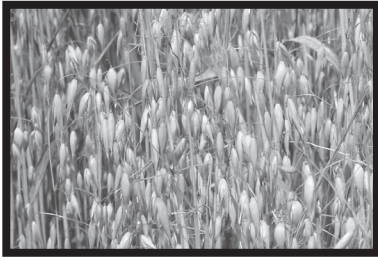
A. Find the market first. It is easiest to sell what consumers or buyers want. Buyers in some organic markets are very particular—to the extent that they will dictate the variety of soy-



*It is easiest to sell what consumers or buyers want.*

bean 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 a price the producer can live with when it is ready to go. 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 precontract some of their grain and sell the remainder on the open market. Discuss growing 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.

B. Focus on quality. Buyers may have many choices of producers with whom to work. Consistency and quality will assure the buyer that it is worth their while to negotiate price and delivery standards from a particular producer. Those that can offer quality, consistency and price will have a much better chance of selling their product. Food grade products demand higher quality. Beginning organic producers may wish to grow crops specifically for the livestock feed market to gain experience.



C. Manage supply to meet the buyer's needs. Having the right product at the right time can be the key to a product selling for a good price. The use of secure storage options at times of

oversupply can hold a product until price improves. Segregation 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 short loads together to save on trucking costs.

USDA commodity support programs can be used for organic crops. Direct and Counter-Cyclical payments, 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 will dictate what a farmer is going to sell and how much they are going to receive for it. 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.

When signing a contract a producer changes the status of their risk from market risk to buyer risk. They need to trust that the person or entity they are contracting to 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, there are key factors to be clarified. These include: specific responsibilities of the farmer and the buyer under the contract, delivery date, amount of payment, payment date, volume or acre-

age contracted for, 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 with a bad year to acquire product to deliver elsewhere. Extra compensation may be requested from the buyer for each month the crop remains in storage on the farm.

### **Cooperatives, marketing agencies in common**

Marketing cooperatives have developed in several organic sectors in the last several years. Farmer owned, 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 sales to wholesalers or end users. Before deciding to grow a particular crop they desire to market cooperatively a producer must find out if co-ops for marketing their product operate in their area and if they are looking for new members.

### **Value-added marketing**

To bring additional dollars back to the farm, producers can develop value-added operations to turn their 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.

To find buyers or sellers go to the Upper Midwest Organic Resource Directory. (Online at [www.mosesorganic.org](http://www.mosesorganic.org) or contact MOSES for a print copy.)

**MIDWEST ORGANIC**  
& Sustainable Education Service  
**MOSES**

Visit [www.mosesorganic.org](http://www.mosesorganic.org) for more resources and tools, including our Organic Resource Directory and the Organic Broadcaster Newspaper. Plan to attend our annual Organic Farming Conference in February. To find upcoming events including MOSES trainings and field days visit our web calendar at: [www.mosesorganic.org/events.html](http://www.mosesorganic.org/events.html)

-updated January 2009