

This PDF is a version of an online module that is part of the Principles for Transitioning to Organic Farming project. For all of our educational materials, please visit:

<http://organictransition.umn.edu/>

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# Marketing

This material is based upon work that is

supported by the  
Authors

Narrated by

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grant number 2013-

51106-21005.



# Marketing



Sale and  
movement  
of a  
product  
from seller  
to buyer

# Commodity Marketing



Grains from farmer to local elevator  
First point of sale

# Marketing

- I. Organic Markets
- II. Organic Challenges
- III. Marketing Organic Crops
- IV. Marketing Documentation
- V. Marketing Plans and Tools



# Organic Markets

Organic grains and oilseeds are considered **identity preserved (IP)** products.

IP products = specialty, high value, premium or niche grains and oilseeds



# Price Premiums

Farmers who sell IP products usually receive a price premium and have some ability to set or negotiate prices.





# Organic Profitability

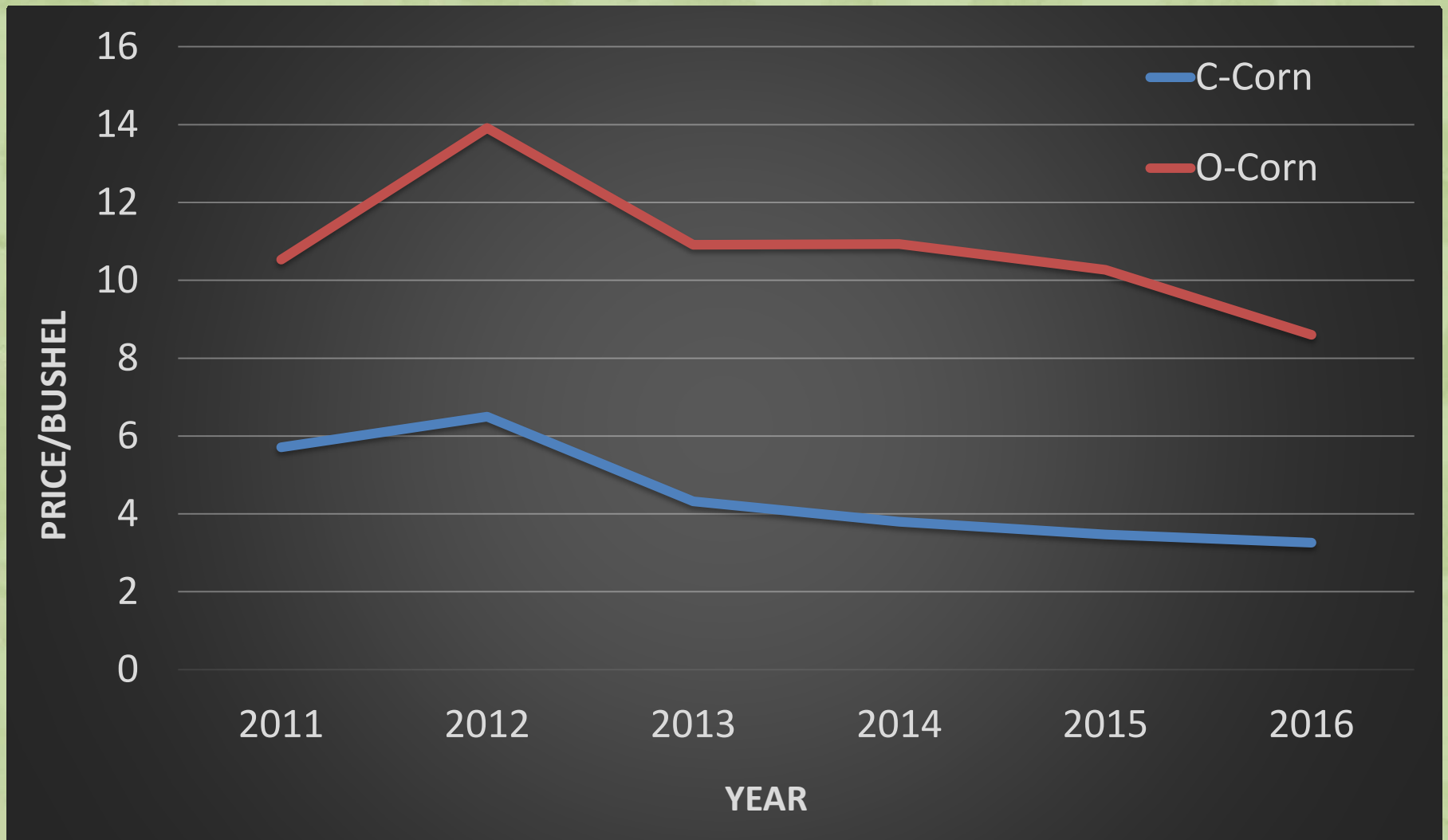
National survey (2005) of 320 farmers:

**82.5%** reported organic farming is **more profitable** than conventional farming.

*Survey Source: Hikaru Hanawa Peterson et. al. "The Motivation for Organic Grain Farming in the United States: Profits, Lifestyle, or the Environment." Journal of Agricultural and Applied Economics, 44,2(May 2012):137-155.*

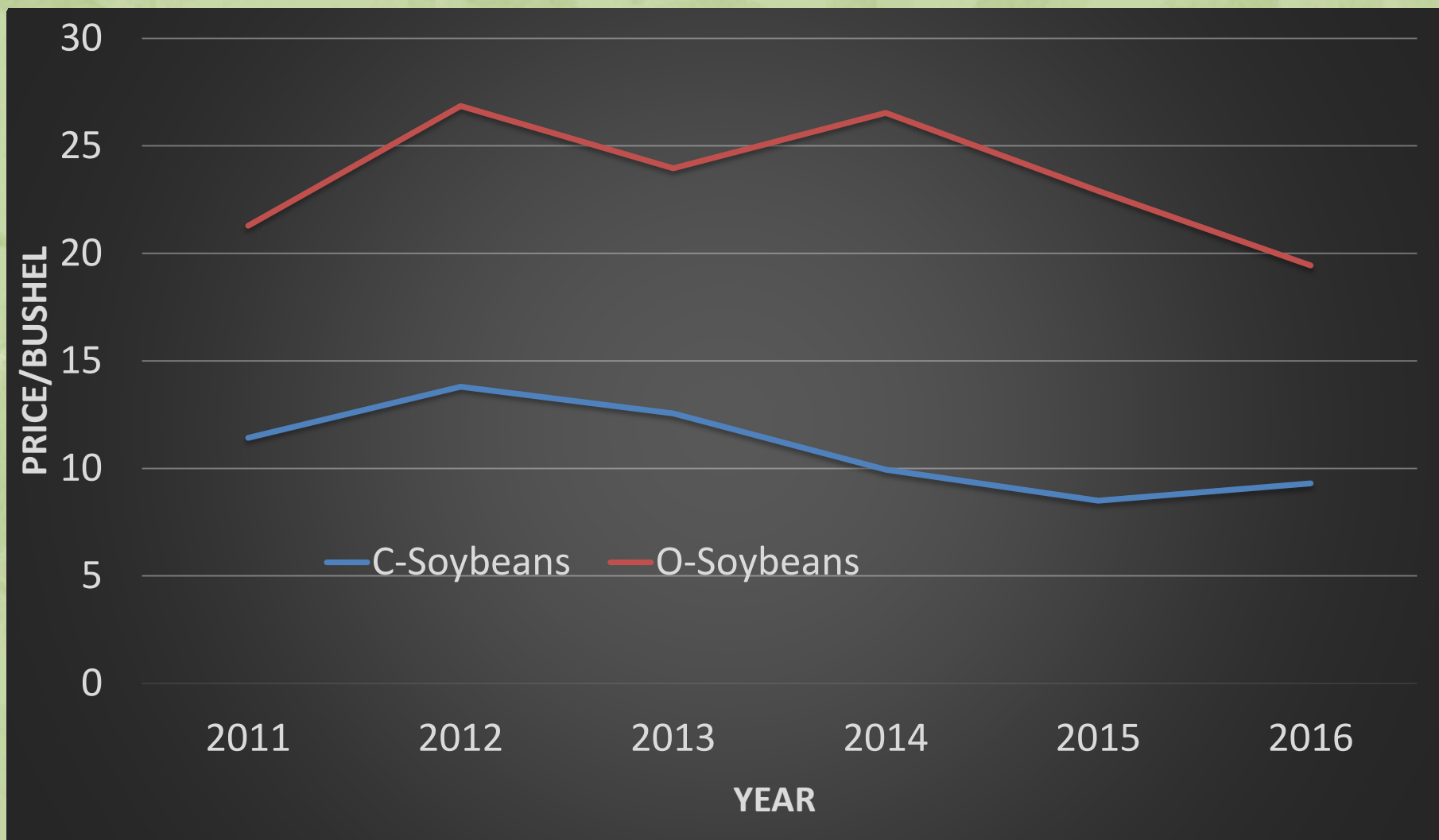


# Organic Corn Prices



Source: Center for Farm Financial Management's  
FINBIN database, [cffm.umn.edu/products/FINBIN.aspx](http://cffm.umn.edu/products/FINBIN.aspx)

# Organic Soybean Prices



Source: Center for Farm Financial Management's  
FINBIN database, [cffm.umn.edu/products/FINBIN.aspx](http://cffm.umn.edu/products/FINBIN.aspx)



# MN FARMS: CORN ENTERPRISE

## 2011-2016

	Conventional	Organic
Yield (bu/acre)	165	107
Number of acres per farm	395	80
Price (\$/bu)	4.51	10.94
Gross return per acre	\$744	\$1,171
Direct & overhead expenses per acre	\$670	\$639
Net return per acre	\$74	\$532
Net return for corn enterprise	\$29,262	\$42,553

*Source: Center for Farm Financial Management's FINBIN database, [cffm.umn.edu/products/FINBIN.aspx](http://cffm.umn.edu/products/FINBIN.aspx)*

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# Why Isn't Everyone Farming Organically?



Challenges in  
production and  
marketing

# Organic Marketing Challenges



- A. Lack of liquidity
- B. Limited infrastructure
- C. Scarce marketing tools



Total U.S. Bushels of Corn, 2015

Conventional  
13,600,000,000



Data: USDA NASS, 2016

Organic  
18,500,000

# Lack of Liquidity

Low trading volume  
for organic compared  
to conventional

# USDA Organic Price Report – Excerpt

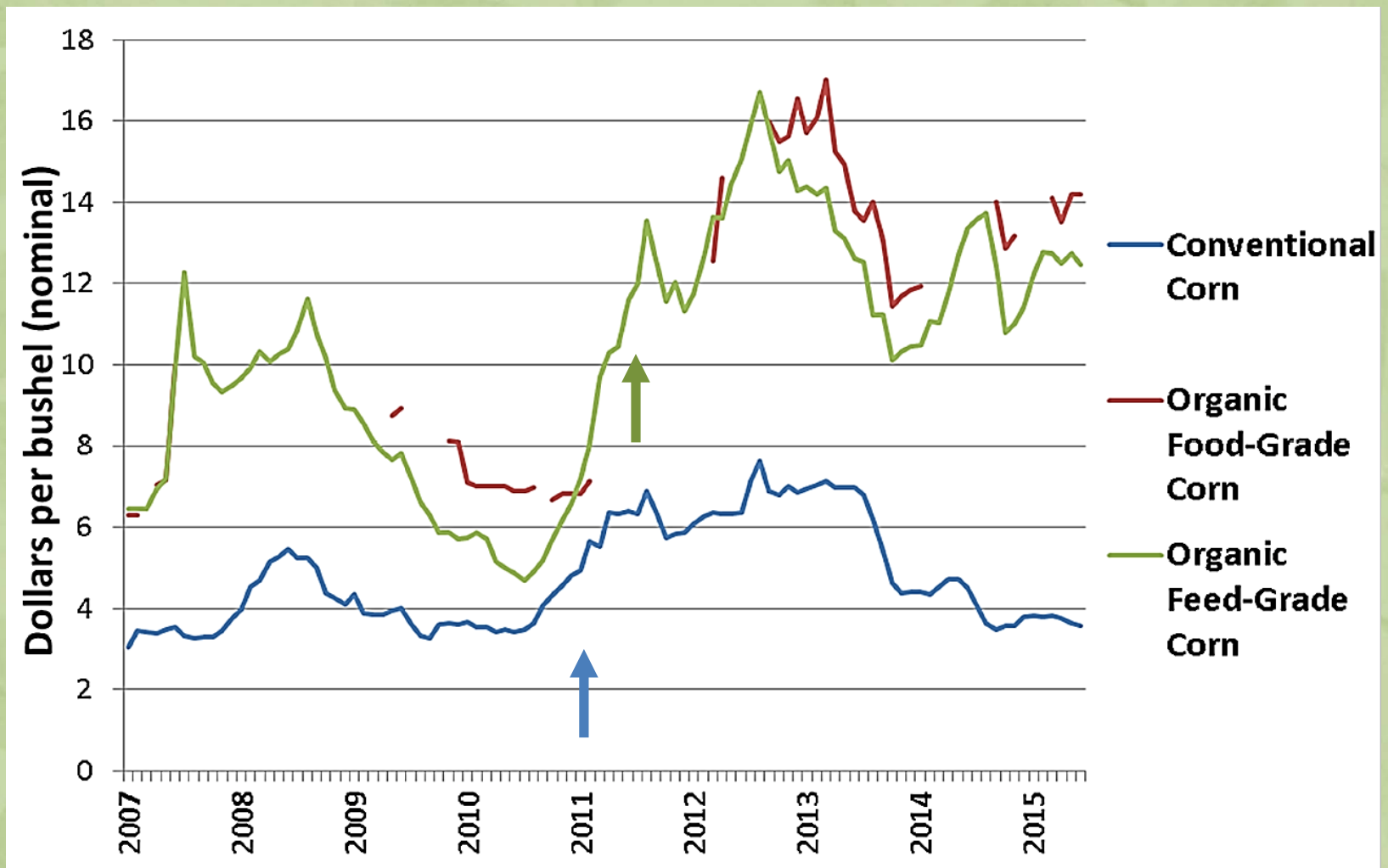
*“Too little activity on trades for [organic] oats, rye, and barley to trend. HRW [Hard red winter] feed wheat with no trend available due to lack of comparable trades.”*

*--Bi-Weekly National Organic Comprehensive Report: Thu, Mar 02, 2017 – Wed, Mar 15, 2017. USDA-AMS.*





# Organic Price Volatility



Source: Greene, Catherine. "The Outlook for Organic Agriculture."  
92<sup>nd</sup> Annual USDA Agricultural Outlook Forum, Arlington, VA.  
February 25, 2016. USDA Economic Research Service.

# Organic Marketing Challenges

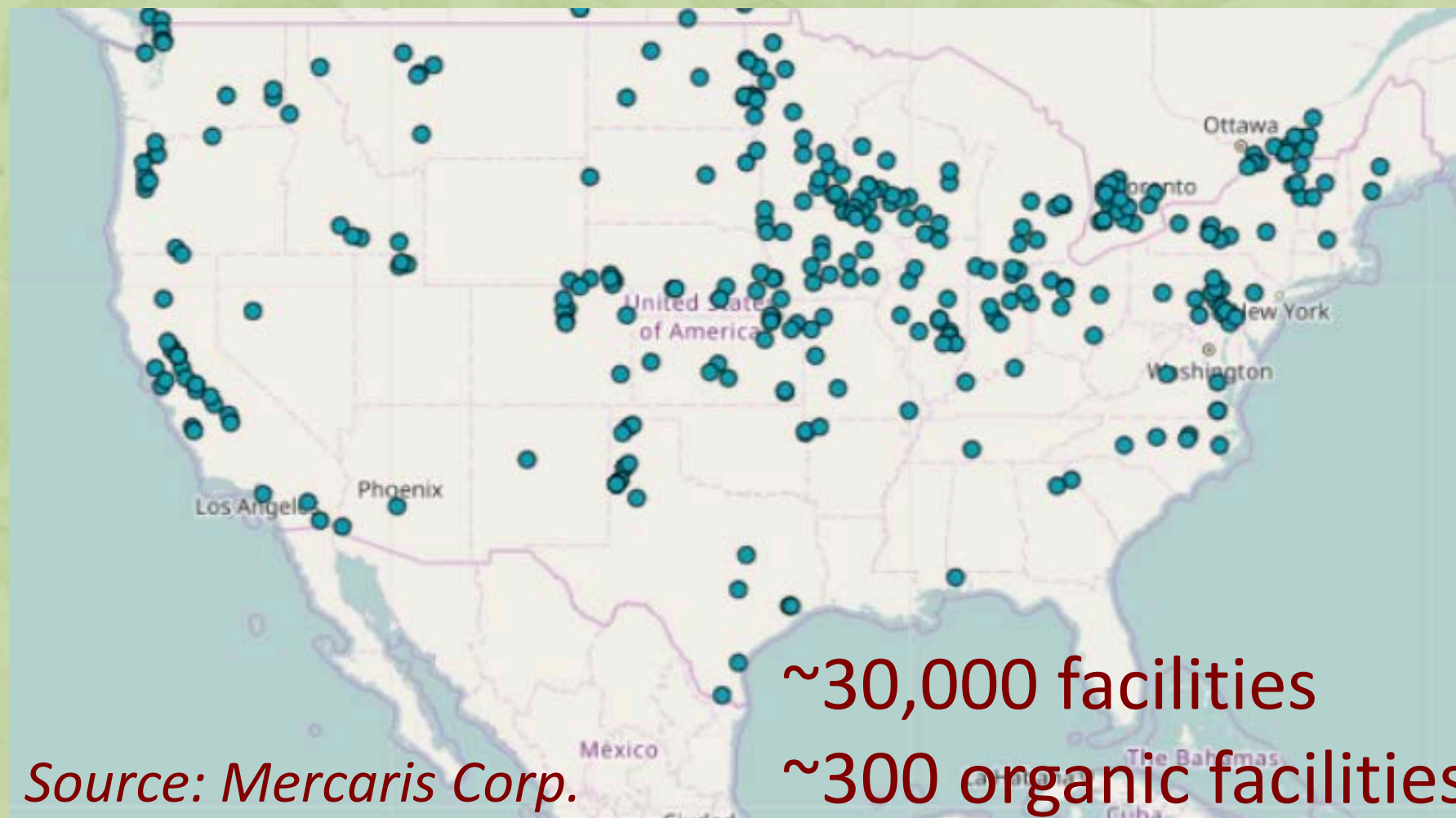


- A. Lack of liquidity
- B. Limited infrastructure
- C. Scarce marketing tools

# Limited Infrastructure

- Handling facilities
- Processors
- Off-farm storage at grain elevators

# Organic Handling and Processing Capacity



# Little or No Off-Farm Storage

Organic farmers often:

- Must invest in more on-farm storage
- Travel longer distances to market

# Organic Marketing Challenges



- A. Lack of liquidity
- B. Limited infrastructure
- C. Scarce marketing tools**

# Conventional Marketing Tools

Conventional farmers have access to :


- Price data
- Planting data
- Harvest data

Thus, they can more easily plan ahead





# Limited Organic Planting and Harvest Data

- 
- “Organic Production and Practices Survey” (every 3 years)
  - “Organic Certifier Survey” (2014, 2015)
  - “Agricultural Census” (every 5 years)





Lack of organic information can make it difficult to make pricing and contracting decisions



# Organic Futures Prices

- Little or no information
- Access to information is cost prohibitive
- Information is outdated

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# Marketing Organic Crops

*“When we farm conventionally, our opportunities are the same as those for 99 percent of the other farmers. But we’re in the one percent category when we grow organically and that opens up a lot more opportunities.”*

*– Bryan Kerkaert, Minnesota organic grain and oilseed farmer*

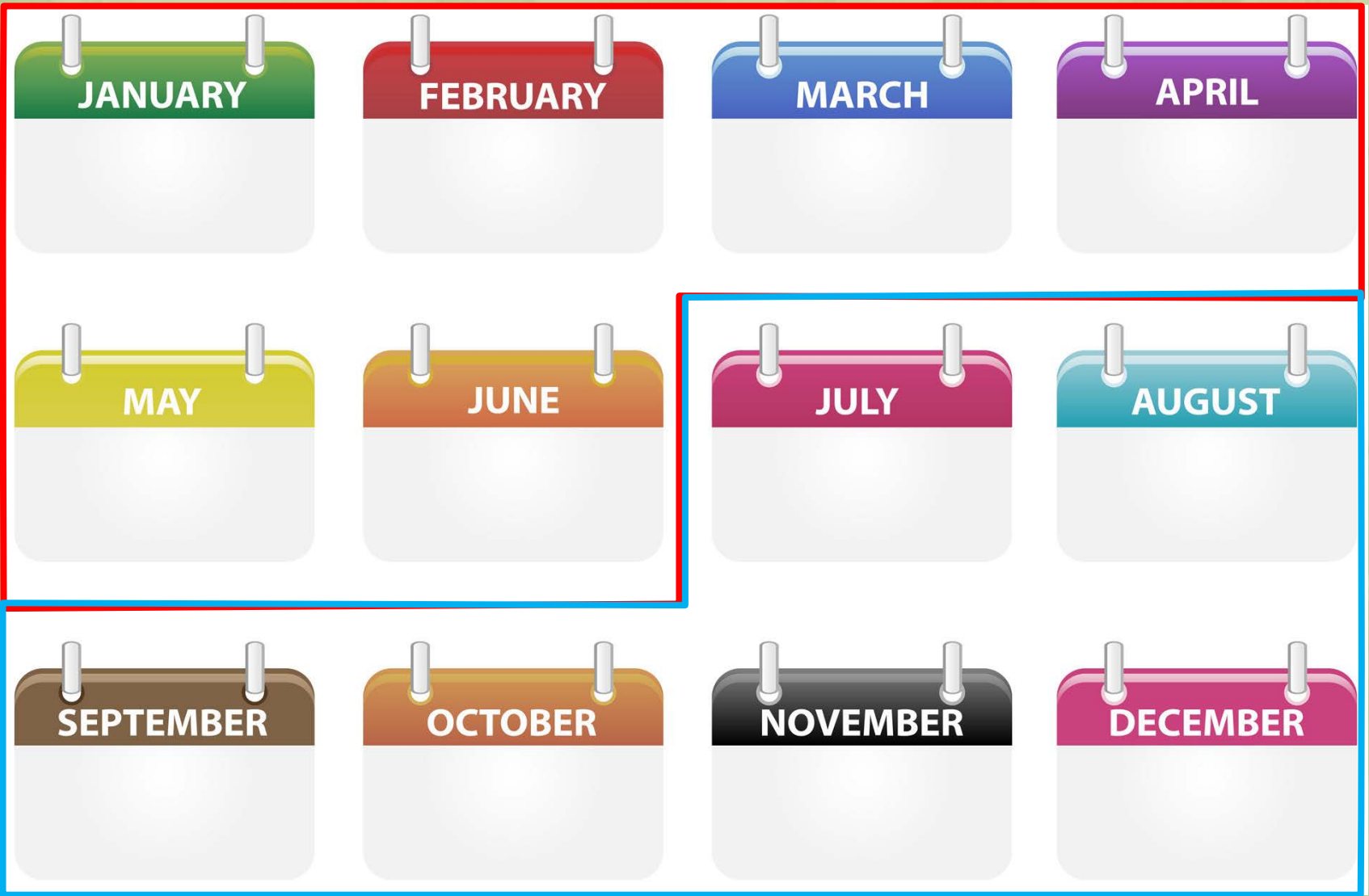


# Marketing Organic Crops



- A. Timing
- B. Contracts
- C. Buyers

# Timing



# Minnesota Organic and Transitioning Farmers

- Post harvest spot or cash sales direct to buyer (31%)
- Pre-harvest forward contracts (38%)
- Other: farmer owned coops, brokers



# Marketing Organic Crops



- A. Timing
- B. Contracts
- C. Buyers



# Forward Contract Types

Contract Type	Duration
Forward cash	This season
Forward short-term	1-2 years
Forward long-term	3+ years

# Forward Contract Terms

QUANTITY



FUTURE  
DELIVERY  
DATE



PRICE

# Longer Term Contracts



- Short-term (1 year)
- Long-term
  - 1-3 years
  - 3+ years



# Forward Contract Specifications

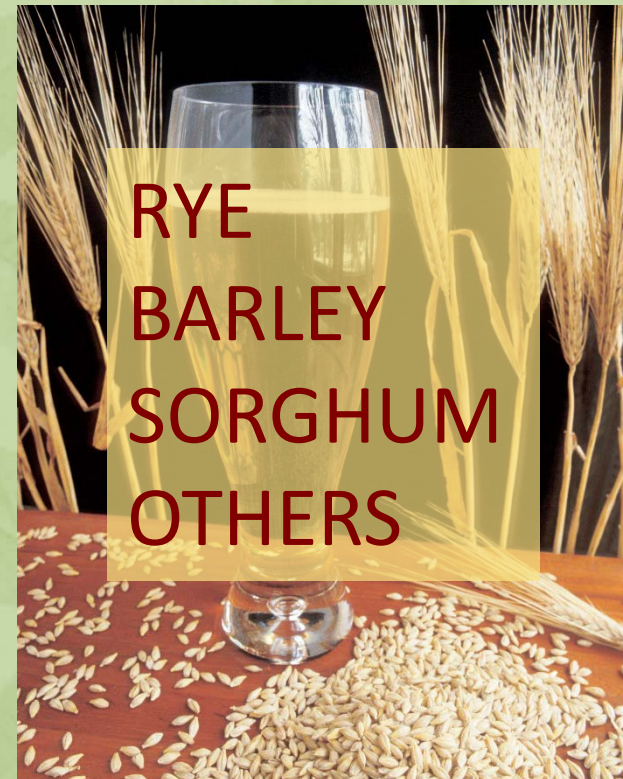
- Contract duration
- Price and price formula
- Delivery quantity and quality
- Delivery date
- Transportation, handling and storage
- Termination and dispute resolution

# Price Determination for Contracts



# Base Price

Futures or local cash price for  
conventional commodities



# Market Price

Price reflected in institutional and private reports, such as those produced by USDA and Mercaris, Corp.



**Base price + market price  
combination most often used**





# Price Reports

- USDA-AMS, Organic Price Report



- Rodale Institute Organic Price Report



- Mercaris Market Price Report



# Weekly National Organic Summary



## Weekly National Organic Summary Monday, October 17, 2016 - Friday, October 21, 2016

\*\*\*Click on the tan heading for more market information or USDA logo to visit the AMS website\*\*\*

### Organic Grain

#### FOB Farm Gate Organic Prices

\*\* Prices Quoted in Dollars Per Bushel

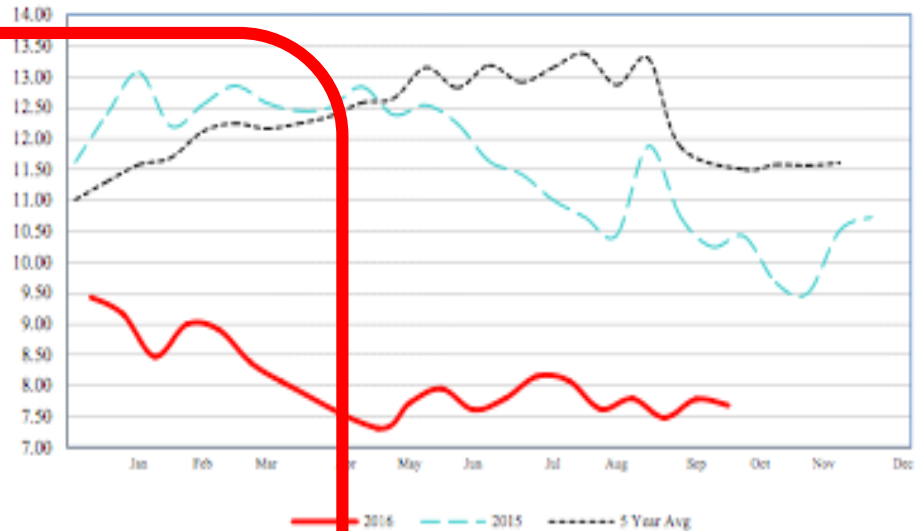
Commodity	Price Range	Avg Price	Previous Period	Prior Year	5 Year Avg
<b>#2 Yellow Corn</b>					
Food	NA	NA	NA	NA	NA
Feed	NA	NA	NA	10.42	11.50
<b>#1 Yellow Soybeans</b>					
Food	NA	NA	NA	NA	NA
Feed	NA	NA	NA	21.36	23.64

### Organic Dairy

#### Retail Weekly Organic Prices

Commodity	Store Count	Avg Price	Prior Week	Prior Year	4 Year Avg
Butter: #1	NA	NA	NA	4.58	NA
Cheese: 8 oz Block	NA	NA	NA	4.75	NA

National FOB Farm Gate Organic #2 Yellow Corn Feed Grade



National Organic Retail Milk (Half Gallon)

<https://www.ams.usda.gov/market-news/organic>

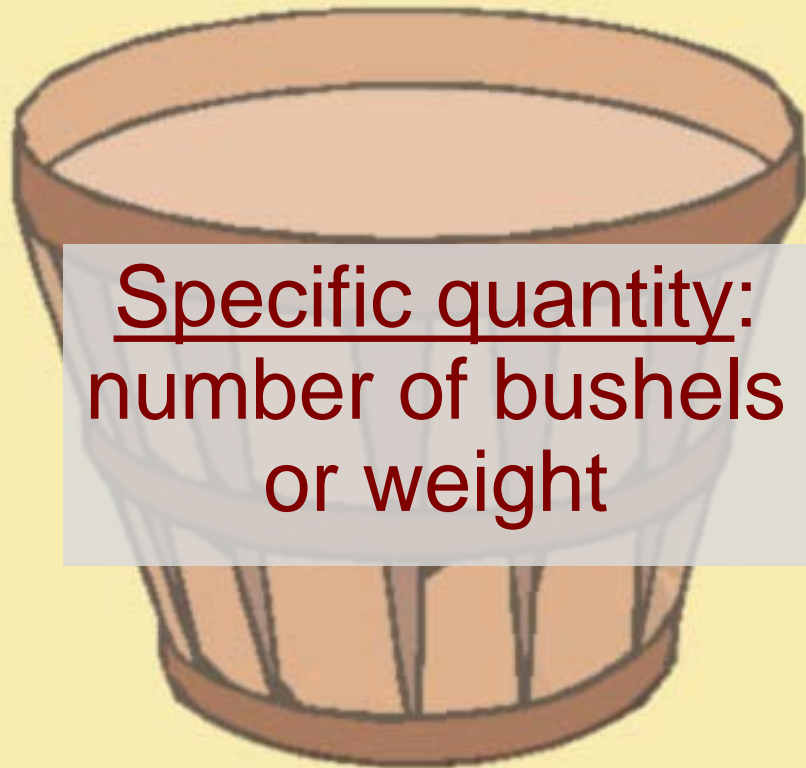
# Mercaris Reports

## Previous Auctions

Contract	Type	Start Time (EST)	Status	Trade Price(s)
<b>Organic Wheat (feed)</b>	<u>standard</u>	<u>October 12, 2016 at 5:15pm</u>	Filled	\$7.30
<b>Organic Oats (food)</b>	<u>standard</u>	<u>September 17, 2016 at 10:29am</u>	Filled	\$5.90
<b>Organic Wheat (feed)</b>	<u>standard</u>	<u>September 14, 2016 at 11:30am</u>	Filled	\$6.60
<b>Organic Wheat (feed)</b>	<u>standard</u>	<u>August 18, 2016 at 4:20pm</u>	Filled	\$6.60
<b>Organic Wheat (feed)</b>	<u>standard</u>	<u>August 7, 2016 at 10:05pm</u>	Filled	\$6.60
<b>Transitional Organic Soft White Wheat (food)</b>	<u>standard</u>	<u>July 26, 2016 at 4:00pm</u>	Filled	\$4.50

[www.mercariscompany.com](http://www.mercariscompany.com)

# Contract Quantity



Specific quantity:  
number of bushels  
or weight



Production level:  
all harvest from  
specified acres

# Contract Quality – Provisions

- Organic integrity
- Weight
- Grade
- Cleaning

**Organic Producer Certificate**

The Midwest Organic Services Association, Inc. MOSA, has verified through a third-party inspection and review that this Producer's operation has met the organic standards of MOSA.

2001 Certified Organic Crops/Products: CORN, HAY, PASTURE, EGGS

**Producer Number: WIG0304-01**  
**Associate Number: 421**

This certificate serves to establish the current MOSA certification of the member named above and is not valid for trade. Transaction certificates are issued for requested trade purposes.


Diane Corie  
Authorized Signature - Certification Coordinator

4/2/2001  
Date

12-1  
State Number

4/2/01 - 9/30/01  
Certificate Validation Dates

MOSA-I-012-99  
MOSA Inspector Number



# On-Farm Storage



- Limited off-farm storage for IP crops
- On farm storage requires dedicated, numbered grain bins

# Using Multiple Storage Bins

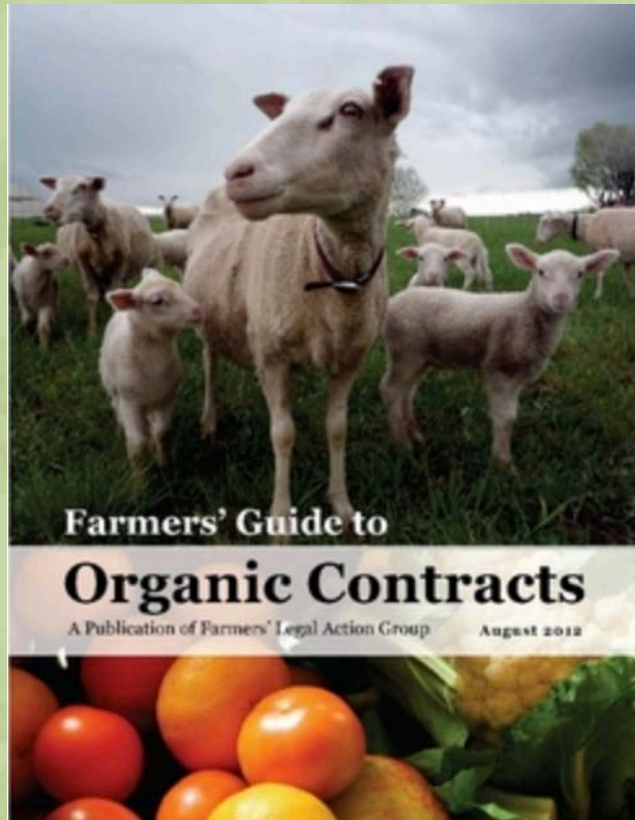
Allows you to:

- Sort grain by grade and quality
- Adjust humidity and control moisture more efficiently
- Store conventional, transitional and organic crops simultaneously



Grain bin fan

# Organic Contracts



Farmers Legal  
Action Group –  
learn more about  
organic  
contracts

[www.flaginc.org/](http://www.flaginc.org/)



# Marketing Organic Crops



- A. Timing
- B. Contracts
- C. Buyers

# Organic Buyers

- Grain companies/elevators
- Feed mills
- Feed lots
- Processors
- Brokers
- Farmer-Owned Cooperatives (e.g., Organic Valley and OFARM)



# Organic Trade Shows



# Marketing

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# Export Documentation

- 
- USDA Export Certificate for Japan and Taiwan
  - Attestation for export to Canada (equivalency)

# Transport, Handling and Storage Documentation



# Audit Trail



“Documentation that is sufficient to determine the source, transfer of ownership, and transportation of any agricultural product labeled as ‘organic’.”

# Lot Numbers

- Type of crop
- Field activities
- Harvest activities
- Storage unit
- Year of production

**Example of Lot Number: Sold directly from the field**

S12131911

**S                    121319    11**

(organic soybeans) (fields 12, 13 and 19) (year 2011)

*Source: Minnesota Guide to Organic Certification*



# For More Information

- *Minnesota Guide to Organic Certification*, [http://misadocuments.info/MN\\_Guide\\_Organic\\_Certification.pdf](http://misadocuments.info/MN_Guide_Organic_Certification.pdf)
- *Farm Production Recordkeeping Workbook* <https://mosesorganic.org/publications/farm-production-recordkeeping-workbook/>
- Record Keeping Form Templates for Organic Farmers <http://www.mda.state.mn.us/Global/MDADocs/food/organic/sampleforms.aspx>
- *Documenting Forms for Organic Crop and Livestock Producers*, <https://attra.ncat.org/attra-pub/download.php?id=358>

# Marketing

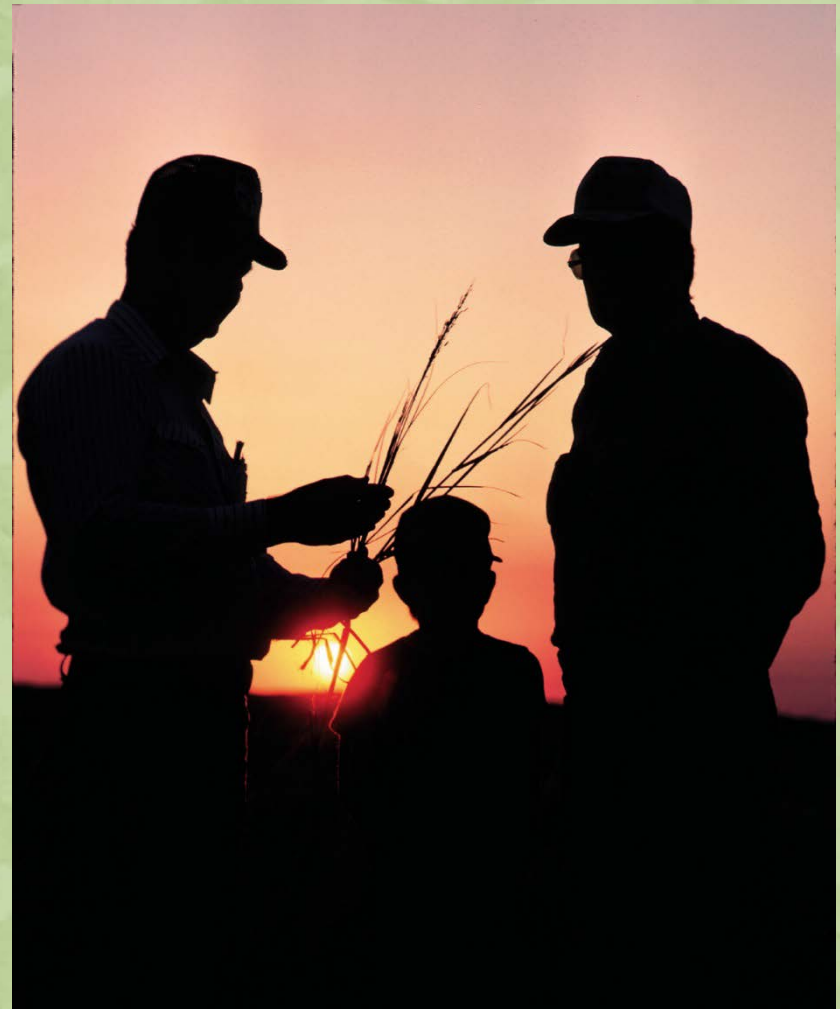
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# Marketing Plans and Tools

A plan prepares you to:

- Address challenges
- Take advantage of opportunities
- Clarify and communicate ideas
- Mitigate uncertainty



# Marketing Plan Outline

- Market overview
- Marketing strategy
- Crops and rotation
- Buyers and pricing
- Storage, handling and delivery
- Certification and documentation
- Risk Management



# Marketing Plans and Tools

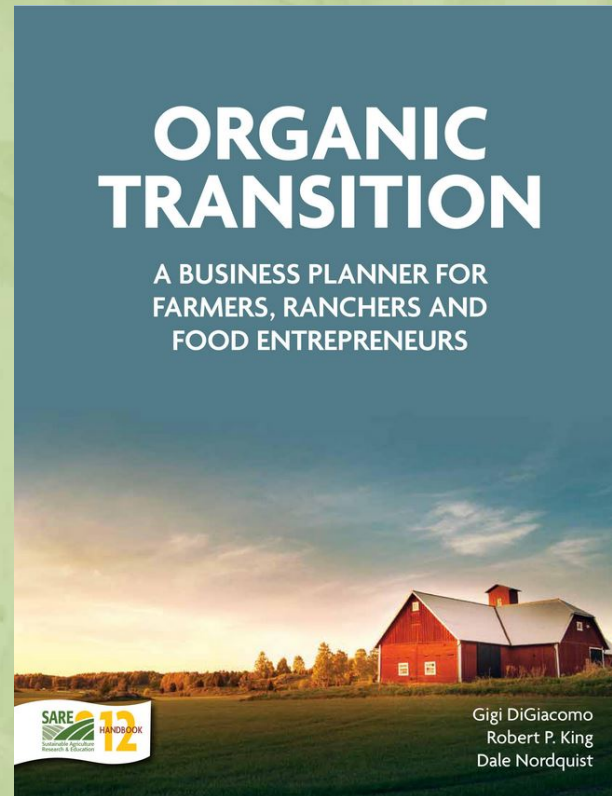


# AgPlan

The screenshot displays the AgPlan web application interface. At the top, there is a blue navigation bar with the AgPlan logo and several utility icons: Edit, All Comments, View or Print, Attachments, and Help. Below the navigation bar, there are buttons for 'Collapse' and 'Expand'. The main content area is titled 'Organic Transition Plan > Cover Page' and features a rich text editor with a toolbar containing various formatting options like bold, italic, underline, and font color. The editor is currently blank. Below the editor, there are 'Previous' and 'Next' navigation buttons. On the left side, there is a sidebar menu with categories: 'Cover Page', 'Executive Summary', 'Business Description', 'Operations' (with sub-items: Products, Services, Production System, Licenses, Permits & Regulations, Risk Management, Environmental Issues, Quality Control, Implementation Timeline), 'Marketing Plan', 'Management & Organization' (with sub-items: Management Team, Board of Directors, Advisory Board, Personnel Plan, Professional Services), and 'Financial Plan' (with sub-items: Financial Position, Historical Performance, Financial Projections, Asset Management, Benchmarks, Capital Request). At the bottom of the main content area, there are tabs for 'Tips', 'Resources', 'Samples', and 'Comments'. The 'Tips' tab is active, displaying two paragraphs of text: 'This is the cover page for your business plan. Enter the name of your business, contact information, including address, email, fax, phone, website, and the date the plan was prepared. You may also want to include a graphic image or photo representing your business. Make the business name the most prominent feature and otherwise, keep the page relatively clean - lots of white space. This is a good place for a logo.' and 'The page may also include a "title". The title might say "Business Plan", or might briefly describe what the business plan is for. For example, it might say "Business Plan for Dairy Expansion".'

[www.agplan.umn.edu](http://www.agplan.umn.edu)

# Organic Transition Planner



<http://www.sare.org/Learning-Center/Books/Organic-Transition>



**Do you think a marketing plan can help you transition to organics? If so, will you use a marketing plan to:**

- Develop a two-pronged strategy for transitioning and beyond?
- Identify markets for rotation crops?
- Document market trends?
- Communicate with family members about marketing goals?
- All of the above?



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2013-51106-21005.



United States Department of Agriculture  
National Institute of Food and Agriculture

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