NOFA-NY
NORTHEAST ORGANIC FARMING ASSOCIATION OF NEW YORK

NOFA-NY Organic Fact Sheet

Marketing Organic Grains

Market 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, such as milk, meat and eggs, has led to a strong market for selling organic grains for livestock feed. 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 (destined for soymilk and tofu), spelt (easier to digest than wheat for certain people) and gluten free buckwheat.

The USDA National Organic Program Regulations require certified organic producers to use organically grown seeds. Nonorganically produced, untreated seeds may be used to produce an organic crop when an equivalent organically produced variety is not commercially available. This standard includes crops that are grown to maturity for harvest and sale, as well as cover crops and green manure crops that are incorporated into organic fields for soil improvement. Organic seed can be purchased, grown on contract or sold direct to other farmers. The most prevalent organic grain crops produced in New York State are corn, barley, buckwheat, oats, popcorn, rye, sunflowers, spelt, soybeans and wheat. Specialty grains, such as emmer, einkorn, flax and industrial hemp, are also grown for niche markets.

The basics of marketing.
Traditionally, farmers have been able to truck their crops to a local grain 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 planned crop rotation strategy includes production of a crop that the local elevator doesn't handle. Organic farmers must develop their knowledge of the fundamentals of marketing in order to sell their grain crops. Brokers and processors may purchase organic grains directly from farmers, and these buyers typically build long-term relationships with their raw material suppliers. Quantity and quality are essential in accessing large-scale markets. Another option to explore might be to market a finished product direct to consumers to capture the "added value" of a processed product.

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 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 planted.

Securing a contract with a buyer will guarantee a price the producer can anticipate at time of sale. The organic market is regional, 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 pre-contract 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, both hay and grains. Securing a backup plan for livestock feed is good insurance for lesser quality grains. When you are ready, contact an organic certification agency to begin the certification process. NOFA-NY Certified Organic, LLC, who offers great customer service and high integrity, can be contacted at 607-724-9851 or certifiedorganic@nofany.org.

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

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 quality storage options at harvest allows for storing a product until point of sale. Segregation and dedicated organic storage are mandatory in selling a certified organic product. Talk to other organic farmers in your area to explore market opportunities and resources in your area. Building direct relationships with flour and feed mills can be a viable way to plan crop production and a reliable way to sell organic crops.

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. 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, including that all organic requirements are being met, such as organic seed sourcing. 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, producers change 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, and are required to be bonded and licensed by the state. 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.

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 acreage contracted for, weather stipulations, assurances of payment, specific requirements for compliance with the contract, and dispute resolution and contingencies for the farmer if the buyer reneges. Seek professional advice from an independent source regarding contracts prior to signing.

Cooperatives and marketing agencies. Marketing cooperatives have developed in several organic sectors in the last several years. A marketing cooperative is a farmer-owned 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 and those that act as brokers. Grain co-ops are limited in New

York and the Northeast. Before deciding to grow a particular crop he/she desires to market cooperatively, a producer must find out if co-ops operate in the 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 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.

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 (although not all crops are covered) are available to organic producers.

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