

Marketing Together Works In a Complex Organic Industry

Contributed by Tim Boortz and Mike Schulist, NForganics

Many organic grain producers find the task of organic grain marketing daunting. Looking at the scale of certified organic grain buyers, the scope of the industry and the changeable nature of commodity pricing, it's easy to see why that's the case.

Trending through the last 10 years, organic grain has experienced its own peaks and valleys. In 2008, commodity prices were on the higher end, and producers enjoyed benefitting from the favorable market conditions. Like much of the economy, however, 2009 brought something very different, with prices dipping, and in 2010, 10 percent of farmers raising certified organic crops stopped. And recovery began.

Prices improved and by 2012, the demand for certified organic eggs sparked demand for certified organic grains. But 2015-2017 brought the influx of imported organic grains, and investigations continue into the legitimacy of those imports from certain countries. The effect on certified organic grain markets was devastating to many producers. (See graphic for market trends and influencers.)

Price fluctuations show the importance of farmers' being represented in the marketplace. Will Ortman handles the marketing responsibilities for he and his brother, Stan, on their South Dakota certified organic grain operation. He has worked closely with NForganics staff. "Marketing is really, really important," he says, "and, I think, especially if you're organic, because the market is much smaller.

And because we don't have a lot of organic businesses that want to buy grain nearby. That was probably one of the best decisions we've made was to go with NForganics on our marketing."

Ortman has thoughts for growers considering organic production, too. "My advice to them has been to not even consider it unless they market with NForganics. I tell them they pretty much have to get on NForganic's marketing as you're starting out, especially not having any experience marketing organic."

"With the marketing thing, what I tell people is if you can sit on the phone and you like to do that, that's fine. But I would rather be farming than doing that," he says. "I know also that my marketer has come up with opportunities that I would never have found no matter how long I was on the phone. That's partly because he's experienced and well respected."

Further, NForganics pays off, Ortman says. "I know that financially we are way ahead because of [my marketer's] efforts on our behalf," he adds. "I know that even from comparing bids with other folks. It's not that I just think that to be the case. I have talked to other guys."

And sometimes complications arise in a sale. A load of Ortman's wheat was rejected one year for moisture and his marketer took care of it. They delivered it to a farmer NForganics staff knew in Minnesota, instead of having to take it all the way back to the Ortman farm from its delivery location. That saved them money. Marketers provide these services for their farmer customers.

Whether looking to NForganics or another co-op or marketer, NForganics' Mike Schulist and Tim Boortz, program manager, agree that the best method for producers is to use the services of professional marketers who know the industry and know reputable purchasers, they say.

"Many of us working to represent certified organic farmers agree that we enjoy good relationships with buyers, but there are some who do not handle business reputably. And we're here to help those on the farmer side of the transaction," Schulist says.

The organic farming industry is populated not just with farmers, of course, but also with processors, distributors, marketing companies and co-ops, packers and shippers, warehouses, brokers, food scientists and the chefs that put certified organic food on restaurant tables. So, it's no wonder many farmers find the industry complex, and because of that, want to shift the marketing responsibilities to professionals. Cornucopia Institute illustrates the complexity of the industry well with a flow chart showing what parent companies own many of the organic brands consumers purchase. See (<https://www.cornucopia.org/who-owns-organic/>)

According to USDA, as of the end of 2016, 24,650 U.S. organic farms and processing facilities were certified to USDA organic regulations. USDA reports a 300% increase in certified organic operations – farms to processors – since they started keeping tabs in 2002.

State by state the numbers vary. In 2017, five states boasted 1,000 to 4,850 operations. Seven states each had 140-220 farms, 220-350 farms and 350-630 farms.

NForganics sees falling conventional commodity prices as contributing to increased producer numbers. Prices for feed-grade organic soybeans far outpaces conventional prices, even considering different trade issues in both production methods. If demand continues to grow, and enough to accommodate it, that could alleviate concerns of adding more and more certified organic producers into the market.

In India, the organic food market is expected to grow at a pace of more than 25 percent by 2020, a pace of more than 6 percent each year according to TechSci Research. Organic production in the U.S. has grown at a double-digit pace until last year, when it dipped to a 6.5 percent growth. Many foreign countries have vast acres of idle land that can be brought into organic production within one to two years, not the three years typically seen in the U.S.

Over the years, the international market has taken notice of the American organic market and has begun to contribute foreign imports to it. The country of origin label needs to be top a priority.

The website eatingwell.com quoted a Consumer Reports poll. It showed that 92 percent of Americans want to know where their food is grown. Everyone deserves that.

Still, important questions for the industry remain, including the following:

How do we integrate new organic producers into the system in an orderly manner?

How do we persuade consumers to conscientiously purchase organic foods made from U.S. organic grains?

These questions are matters the industry is considering, and that NForganics professionals consider, as its staff assists producers in marketing certified organic grains.

Take a little time to reflect on agriculture marketing history and how it applies to today's organic grain industry.

The Capper-Volstead Act of 1922 allows producers the right to organize and share market information for the benefit of the organization. (See Addendum.) Producers have the right to go to the market with a price in mind, rather than simply accepting the first price a buyer offers. Cost of production has increased and continues to increase, but has producers' pay increased at the same rate?

Increasing production is not the answer to low farm prices overall; it only leads to overproduction and weak prices. Many branches of agriculture are currently suffering, in part, because of expansion to increase cash flow, and not receiving a profitable return at the marketplace.

Many times, farmers have received less for their commodities than they could have, because they didn't consider they could be represented in the marketplace and receive the benefits of price negotiations. This can happen in the case of organic grain producers, as well. Whether it be dairy, livestock, grain, or vegetables, producers must always remember the value of their commodities and work to receive better prices, through marketing together and negotiations by professionals representing them.

Disparity between breakeven levels and commodity prices contributes to oversupply. The increased cost of inputs, land and machinery influences many to produce more. That leads to over-production, weak prices and increased financial burdens. What is needed in the current agriculture marketplace is competition and organic production agriculture increases it.

Organic agriculture is quite different than conventional agriculture today. Competition, diverse crop rotations, healthy soils and fair prices are present in organic production. We are challenged as grain marketers to make sure the market remains healthy and our member producers are treated fairly.