



# 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) and spelt (easier to digest than wheat for certain people) and gluten free Buckwheat.

The USDA organic regulation mandates organic seed be used for growing certified organic crops when it is available in the variety desired. This includes 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. Organic seed can either be purchased, contract grown, or be sold direct to other farmers. Organic grain crops that are currently being produced at some scale in New York include corn, barley, buckwheat, oats, popcorn, rye, sunflower, spelt, soybeans and wheats.

### **The basics of marketing**

Traditionally, farmers have been able to truck their crop 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.

**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 an organic product. Talk to other organic farmers in your area to explore market opportunities and resources in your area.

### **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 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, and amount of payment, payment date, volume or acreage 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. 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, those that act as brokers. Grain Coops are limited in New York and the Northeast. 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 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 are all available to established organic producers. Crop insurance options for organic producers are also available although all crops are not covered.

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To apply for organic certification, contact:

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