

# Organic AG NEWSLETTER

## BECOMING AN ORGANIC FARMER TENANT



As interest in organic farming continues to rise, non-operating landowners (NOL's) are looking to their farmer tenants to make the jump. What can help a current or prospective tenant rise to the occasion is first understanding the landowner's enthusiasm to 'go organic'. It could be motivation toward environmental stewardship, personal beliefs, higher net incomes, or a combination.

### *Knowledge is Power*

Our job as farm managers is to select and work with a farmer tenant who likely has demonstrated knowledge of organic farming practices. How does a non-organic farmer compete? Start by doing your research and have an appetite for learning. Understanding crop rotations, cover crops, alternative fertilizer sources, and market strategies will put you high on the list. Be ready to show a transition plan that acknowledges the NOL's motivation and provides a clear goal. Have a budget ready, updated annually, to show expected returns to the landowner during the transition and early certified organic years.

### *Detail Orientation & Communication*

Embrace the paperwork; documentation is vital to organic certification. Farm managers look to their tenants to be tech-savvy not only in the field but in communication and record-keeping. Farm managers appreciate a phone call whether it is good or bad news. Keep us afloat of niche markets, advances in cover crops, tillage, and weed control techniques. Connecting with the farm manager through education helps advance the decision-making process of the farm. (cont. pg. 2)

MAR 2021

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## BECOMING AN ORGANIC FARMER TENANT (CONT)

Share what works for you, your neighbor, or another organic farmer who has had success with certain techniques.

### *Time Commitment*

Landowners may or may not recognize the additional time and equipment necessary to farm organically. This can be a crucial part of negotiating the initial lease structure. Remember this is a multi-year commitment which requires both parties to accept some additional risk during the transition period. Asking for a multi-year (written!) lease is reasonable and demonstrates both parties' willingness to commit to working together toward the common goal.

### *Environmental & Stewardship Assistance*

Many landowners are unaware of the many government conservation programs available. Demonstrating to the landowner and/or farm manager your ability to utilize these programs will become increasingly important as the ag industry continues to adapt to evolving sustainability and environmental standards. Many of the conservation programs are multi-year contracts which lend to the conversation of a multi-year lease.

Organic farming opportunities aren't just for existing organic farmer operators. The current or prospective tenant should want to do it for the right reasons and be committed to the long-term plan. At Moore & Warner Farm Real Estate, we are currently transitioning farms to organic with both experienced and new organic operators. We are fortunate to work with farm operators whose enthusiasm for organic radiates back to us and the landowner.

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## QUALITY ORGANIC FOOD GRAIN HARVEST AND STORAGE

You have invested a lot of time negotiating your food-grade contract. You have researched varieties and hybrids that will perform best for your contract. Planting season weather and soil conditions were near perfect for planting. Crops are developing well and everything is pointing towards good yields for the upcoming harvest. NOW is the time to prepare and plan to harvest high-quality food-grade production and its storage on the farm until you deliver to your organic processor. Below are some thoughts to help you be successful in growing organic food-grade crops.

### *Pre-Harvest Field Inspections:*

- Review the contract specifications you need to deliver to on your contract.
- Review your hybrids and varieties' strong points and limitations, then go out to the field and see how they are doing.
- Identify problem areas in the field, such as weedy areas, diseased plants, insect pressure, immature

plants, standability issues – anything that may lower the quality of your food grade crop and interfere or delay a normal harvest of that crop.

- Start to develop your harvest and storage plan from these observations and re-visit your fields up until harvest to see if any changes have occurred, so that you can adjust your harvest schedule and storage plan accordingly.

### *Pre-Harvest Equipment and Storage*

#### *Preparation: Start CLEAN!*

- Clean out all harvest and grain handling equipment of old crop residue or in between the harvest of different crops.
- The same for storage bins. You do not want to put a new food-grade crop into a bin that has not been cleaned out thoroughly. Be sure to clean out wherever a previous crop can accumulate – edges, doorways, bin sumps, and floor augers. (cont. pg. 3)

# QUALITY ORGANIC FOOD GRAIN HARVEST AND STORAGE (CONT)

## Harvesting Food Grade Crops:

### Small Grain Swathing:

- Average kernel moisture of 25% or below.
- Greenest kernels are just changing to a cream color
- Watch for good weather conditions – try to avoid rain on the swathing.

### Small Grain Straight Cut:

- Avoid dehulled kernels.
- Slow cylinder speeds and widen concave clearances if harvesting in dry conditions.

### Storage of Small Grains:

- Target Moisture 11-13%.
- Store in bins with aeration if at all possible.
- Pre-clean grain if possible before putting in storage bin.

### Food Grade Corn:

- Target 20% moisture for harvest – helps minimize breakage of too dry of corn.
- Start with wider concave settings and lower rotor speeds to help minimize damage.
- Increase combine fan speed to help remove more FM.
- Harvest borders rows and end rows separately and store separately to help prevent GMO contamination.

### Drying Food Grade Corn:

- Dry uniformly and slowly using low temperatures and high volumes of air.
- Never above 110 degrees F actual grain temperature
- Cool slowly using high volumes of air and try to use air above 50 degrees F when cooling.
- High heat drying and/or cooling too quickly with cold air will increase stress cracks.
- Food Grade Corn – 14.0% to 14.5% Moisture for long term storage

### Storing Food Grade Corn:

- Pre-Clean corn whenever possible before putting into storage to remove potential problem kernels.
- Cool grain slowly keeping the temperature within 10 degrees of outside ambient air temperature. Cool until grain nears 32 degrees F.
- Warm grain using aeration fans during late winter/early spring by no more than 5 degrees at a time to avoid moisture formation in the grain mass. Once started, continue, so warmer air does not condense on the grain.

- During summer, aerate on a cool, dry night to hold temperatures down.

### Food Grade Soybeans:

- Start Clean – combine, grain handling equipment and bins
- Make sure soybeans stems and weeds have dried completely before harvest – any moisture remaining in these prior to harvest can help stain soybean seed coats, which may make them unusable for food-grade use.
- Target 14% moisture for harvest – will help avoid soybean damage and splitting.
- Increase combine airflow to remove FM
- Cylinder/Rotor Speed – 300-400 rpm
- If getting too many pods, tighten concave vs. increasing the cylinder/rotor speed.
- If getting too many splits, open concave and decrease the cylinder/rotor speed.
- When unloading combine or auger wagon, run auger full and slow to prevent damage.

### Food Grade Soybean Storage:

- Pre-clean soybeans if possible, going into the bin to remove potential problems.
- Store in a bin with aeration.
- Using aeration, reduce moisture to 12%.
- Do not use a scatter grain spreader. This can increase damage.
- Load and unload bin with a belt conveyor to help reduce damage.
- When unloading the bin, run floor auger full and slow to avoid extra damage to the soybeans.
- Warm grain using aeration fans during late winter/early spring by no more than 5 degrees at a time to avoid moisture formation in the grain mass. Once started, continue, so warmer air does not condense on the grain.

I have listed a few steps to help you harvest and store a high-quality food-grade product. If you have questions or would like to discuss further, please feel welcome to contact me at Grain Millers.

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## DEVELOPING MARKETS

Organic producers face unique challenges in marketing and have fewer resources available to help develop markets compared to conventional producers. Therefore, organic producers need to constantly push to promote their high-quality products.

Successful producers share some character traits: attention to detail, persistence, and optimism. They also share methods of marketing: online, data-based, and networking.

With so many variables throughout the growing and harvesting season, the best window to lock in good prices is always shifting. Keeping yourself up to date with market trends, understanding your crop and its potential uses, and documenting your progress can be pivotal in getting a contract. Some end users have long-term committed contracts, and if something goes south, the first person at their door when they need a product is the lucky one. Understanding that your organic grown crops have high value and special traits that will make them desirable is key during the tough times. When you find the right need, the reward will be there.

At our current fast pace of life, a presence that lasts beyond a single phone call or voicemail is important. Having, sharing, and updating your online presence will go a long way towards keeping your products in the mind of the end-users for the long term. Pictures, sample requests, and testing results can all help ensure that the end-user knows enough to choose to invest in you. This is where knowing the use for your crop comes in handy.

Some crops, like wheat and soybeans, are more valuable at higher protein levels. Others are valuable as seeds for producing sprouts. Vegetables often get premiums for “Heirloom” labels or striking color differences. If your market is high-scale restaurants or feed mills, the information you provide to an end-user will be different. A one size fits all approach can work, but it's like shooting in the dark. Customizing your product description to the end users' needs helps them see the benefit of buying your crop.

Networking is perhaps the most important part of the puzzle. While challenging in the COVID-19 era, conferences and meetings can be great sources of information and new leads. You may leave with a better seed supplier, a new market opportunity, or a veteran source

of information for improving your yields. Bring a sheet of information about your crops, a few samples of your products, and get ready to market. When in-person gatherings are limited, join video conferences or call into market updates provided by state or local resources. There is information online and in print that can benefit specific regions and certain types of producers. If you have a story of best practices used on your farm, share it online. Other producers can benefit from your success. Don't worry - what goes around, comes around. You can access best practices information on blogs, YouTube, or by email to other producers.

OPINS Coop is an advocate for organic producers across the country, but particularly in the Midwest and Great Plains. With an office in eastern Nebraska, OPINS works to find producers the best prices available for their crops. We work with end-users to sell your products, especially bulk organic grains. One of our favorite resources is the USDA Organic Database. You can search a list of all certified producers and handlers throughout the country and the world. Contact information is usually available as well as a list of the products that they work with. If you need help with marketing or have a question about organic agriculture, don't hesitate to reach out to OPINS Coop directly.

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## WHAT'S THE BIG DEAL ABOUT SUGAR?

I remember about 30 years ago in the early spring sitting on top of a floater grabbing bags of refined IGA sugar and dumping them in with fertilizer for winter wheat. I thought at the time that it would have been better used in some hot fresh donuts. But it seemed to help the wheat and we did it for a time. I am not sure we really understood all the reasons why it helped then and only now we seem to be getting a better understanding of what might have been going on in those early years.

Sugars are very important for plant growth and development. We learned in school that photosynthesis is the amazing ability of plants to convert sunlight into sugars, specifically glucose and fructose. In turn, these carbohydrates fuel the plant's ability to grow and develop. One of the most important functions is signaling. Sugars tell the plant when to transition from one growth stage to the next. Sugars serve other functions as well including defense mechanisms against insects, seed dispersal from consumption of animals, and a source of energy in low light conditions.

Within the last several years the focus on sugars and crop production has switched to the soil biome. Much research has been done on the effect of sugars on the microbial population in soils and, in turn, the plant's response to these effects. The microbial world is far from understood. We do know, however, that there are billions of microbes in the soil. In fact, it is commonly said that there are 90-100 million bacteria and 200,000 fungi in a single gram of soil. What is interesting to crop producers is the concentration of these microbes around the root structures of plants.

So, what are these millions of microbes doing? Are they helping or hurting? The answer is both and it is complicated. But the good news is that most of the microbes are beneficial, and they consume the carbon and sugars from the root exudates and provide the plant with nutrients mineralized from the soil. This is where our interest really comes into play. Most organic producers utilize some sort of manure for the basis of their fertility program. Manure is a whole subject of its own, but we know that it must be broken down to provide the plant with the valuable nutrients it contains, and the microbes are the ones for the job. Research and on-farm results are showing that feeding the microbial population, especially around the root zone is causing a bloom of microbial activity and nutrient release to plants.

Not all commercial sugar supplements are created equal. Dextrose and sucrose (table sugar) are common examples of readily available products. Dextrose is a simple sugar extracted from corn and is considered a reducing sugar; meaning it can donate electrons to other compounds through oxidation. It is not stable in the environment. Sucrose is a non-reducing sugar and is energy efficient for transport and storage in the plant. However, the most complete form of sugar commercially available is derived from cane molasses. These products primarily contain sucrose but are also rich in micro and macronutrients, plant protective compounds like antioxidants, bioflavonoids, phenols, and organic acids. Molasses is essentially plant sap often referred to as the "blood of the plant" and is excellent as a carbon food source for soil biology. Connecting fertilizer with healthy, active biology allows for better nutrient mineralization and uptake in plants.

The modern organic producer needs to extract as many nutrients as possible from his or her inputs, especially manures. Feeding the biology in the soil can be an excellent way to increase the breakdown and release rates from manure and organic matter including cover crops. There is compelling research available (from the crop year 2020) to support this practice and more will be coming. You have invested in your soil and enhancing your soil's ability to provide food for plants may be something to look at in 2021.

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# WHY ORGANIC?

For farmers, handlers, and processors who are willing to take a risk, learn new skills, and weather the transition, organic can not only be profitable but can also provide enduring benefits for your business and community. By protecting and enriching the soil, water, wildlife, and other natural resources, organic creates sustainable farms that build fertility over time and are resilient in the face of growing challenges.

## *What is Organic?*

Products bearing the organic label have been produced according to standards set by the USDA's National Organic Program (NOP). Certifiers accredited by the NOP inspect all organic operations annually to ensure compliance. Organic standards limit or prohibit the use of GMOs and synthetic pesticides, pharmaceuticals, and fertilizers, among other restrictions, while also requiring operations to protect and improve biodiversity, soil health, and water quality.

## *Profitability & Growth*

Transitioning to organic has the potential to be very profitable, as buyers pay a premium price for the value and integrity of the organic label; often organic crops bring in twice the price of non-organic. Net income per acre is usually higher on organic farms because of these high prices and, sometimes, reduced input costs and increased efficiency.

Organic is not a passing trend; the organic market is growing rapidly, with no end in sight. Since the USDA created the organic label in 2002, the organic market has grown at six times the rate of all other food industry sectors into an over \$50 billion industry. In 2018, while overall food sales increased by just 2.8 percent, organic foods sales shot up by 6.3 percent.

Over 80 percent of Americans purchase—and most stores sell—at least some organic products, with more added to the shelves every day. Currently, there are also large gaps in the market waiting to be filled by domestic organic products. For example, U.S. organic livestock and dairy producers are still importing most of their organic feed corn, and soy. The organic sector will continue to build upon itself, guaranteeing a growing market for producers who invest in an organic future.

## *Sustainability & Resilience*

By going organic, you will not only invest in growth and profitability for your business but also in the sustainability and resilience of your land. Organic practices increase fertility over time by building soil organic matter. Researchers find that organically managed soil has 13 percent higher soil organic matter than on non-organic farms. Soil organic matter provides vital nutrients for crops, reduces erosion, and retains more water than non-organic soils, increasing irrigation efficiency.

Organic practices make your farm more resilient in the face of hardship and extreme weather. Locally adapted crop varieties withstand environmental pressures. Healthy soils retain water and help crops survive drought. Biodiverse habitats provide plenty of pollinators and competitor species to mitigate pests. Organic farms mean healthy foods, families, and environments; they are built to last, benefitting your business now and preserving and enriching the land for future generations.

## *Challenges*

Organic isn't all a bed of daisies, though. For starters, it can take up to three years to get certified. From the last application of a prohibited input, you must wait 36 months before you can harvest a certified organic crop. For example, if you applied a synthetic pesticide in July 2019, you'll have to wait until July 2022 before your crop can be considered organic.

While there are appealing long-term benefits to organic, your business will go through a learning curve that may involve some financial risk or loss, adopting new practices, seeking out markets, and sometimes, reduced yields. You'll need to be patient and plan ahead for potential bumps along the way. The good news is that, by instituting best practices, yields can increase over time, and profits increase even with reduced yields. Input costs sometimes decrease as you eschew synthetic fertilizers and pesticides. The number of organic farms is ever-increasing, indicating that farmers who transition to organic tend to stay organic—and inspire their neighbors to transition as well. Though sometimes risky and challenging, organic has nonetheless proven to be a worthwhile investment for tens of thousands of farmers, handlers, and processors.

## *Transitioning to Organic*

To mitigate the costs and risks of organic transition, many businesses start by transitioning only some parts of their operation to organic. Under organic standards, it's perfectly acceptable to grow both organic and non-organic products in the same operation, as long as buffer zones are established. That way you can rely on your existing crops to bring in income while you experiment and learn in your organic plots.

If you're considering transitioning to organic, there are many resources available to start learning. Check out local classes, attend conferences, and talk to organic farmers in your area. It's never too early to contact a certifier who can answer your certification questions and start the paperwork process. If you're looking for a certifier with a straightforward fee structure and plenty of on-farm experience, consider OnMark Certification Services.

Feel free to reach out with any questions or interest in becoming certified organic with OnMark.

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# CONVENTIONAL TO ORGANIC

Each year many producers explore the conversation of how to add diversity in their operation. One way to diversify is by having a part of an operation raise organic crops. This decision can be a large commitment for the farm because becoming officially certified as organic and to reap the rewards of higher market pricing it takes three years of crop rotations. A producer may think “Well that’s ok, I have crop insurance.” However, what many producers fail to consider or talk through with their insurance agent ahead of time is how the process of becoming organically certified is accounted for on their federal crop insurance policy.

Making the shift from conventional to organic in the crop insurance policy must follow some guidelines that take three crop rotations to work themselves through and even longer to build up a personal organic history on your guaranteed production. Let’s consider a corn example from 2020 using the set pricing in Mclean County IL to illustrate this concept with Chart 1 below. *\*This example will assume no prior organic crops in the county.*

**Chart 1**

	Yield	Spring Price/Bushel	85% coverage	\$/Acre of Coverage	Contract pricing factor	Potential Guarantee when bushels forward contracted
<b>Farm APH</b>	220	\$3.88	85%	\$725.56	1.0	\$725.56
<b>Conventional T Yield</b>	196	\$3.88	85%	\$646.41	1.0	\$646.41
<b>Transitional T Yield</b>	137	\$3.88	85%	\$451.83	2.0	\$903.66
<b>Certified Organic T Yield</b>	139	\$8.67	85%	\$1,024.36	1.5	\$1,536.54



Let’s state that the field you are looking to move to organic has a current APH of 220 bushels. A producer might initially assume that field’s yield history can move with the farm as it transitions to organic. This would be a false assumption and potentially a costly one in your budgeting/planning.

When a farm moves from conventional to organic, that farm gets set up with a new database on the policy as it is now considered a “new farming practice”. The farm being considered for transition to certified organic would need to use the county “t-yield” for that new practice, in this case, “transitional”, and the APH (actual production history) would change from 220 to 137. The revenue guarantee during the transition would now be at \$451.83 vs \$725.56 if it had stayed conventional.

This transitional t-yield would follow that database until the farm qualifies to become “certified Organic”. Just as with the conventional farming practice the APH on this field will change during the transitional period depending on the actual production raised. See chart 2 below for examples.

**Chart 2**

	Initial APH	Year 1 APH “good”	Year 1 APH “poor”
<b>T-Yield</b>	137	---	---
<b>T-Yield</b>	137	137	137
<b>T-Yield</b>	137	137	137
<b>T-Yield</b>	137	137	137
<b>2021 Production</b>		165	120
<b>Average</b>	137	144	133

As you can see from Chart 2, the actual production for 2021 will replace one year of the t-yield in the newly established database and the new farm average to use in the 2022 crop year will be dependent on the 2021 production. This process would continue each year until the field becomes certified organic. Then, a new database will be created using the certified organic t-yield and the process would start all over until enough crops were physically raised by the grower to replace all of the initial t-yields in the database for that field.

## BUT WAIT, THERE’S MORE:

There is still contract pricing to discuss as it relates to becoming certified organic and this is possibly one of the most important aspects and advantages of an organic crop insurance policy. Each certified organic crop is assigned what is called a contract pricing factor. This option allows an organic producer to insure their guaranteed bushels for a selling price they have contracted above the established guaranteed spring price.

Using Chart 1 for certified organic corn the factor is 1.5. This allows the spring price of \$8.67 to be multiplied by 1.5 to equal \$13.01/bushel. If the grower has a contract at a price that is \$13.01/bushel or higher the insurance policy will then insure the bushels up to \$13.01/bushel. In our example this would mean 139 bushel APH x 85% x \$13.01 = \$1,536.54 in guaranteed revenue/acre.

There is one stipulation to using the contract pricing factor and that is that the bushels must be contracted prior to the Acreage (cont. pg.8)

## CONVENTIONAL TO ORGANIC CONT

reporting date for that crop, in this example July 15th. The grower must also provide the agent a copy of that contract to use with the policy.

Another question worth asking is what if the grower only forward sells 50% of his guaranteed production, how does the contract pricing work? The grower is still able to utilize these sales, but the guaranteed price will then become a weighted average selling price. At 50% forward sold at \$13.01/bushel, the weighted average selling price would then come in at \$10.83/bushel. So, the insured still has an advantage to use those sales on the bushels they chose to forward sell.

As organic farming continues to establish a stronger foothold in many operations there is a lot to consider when making the transition. Crop insurance is just one part of that decision. It is important that the grower fully understands how the transition process from conventional to organic farming works as it relates to their on-farm guarantees. In addition, the grower needs to realize this process will take time, often several years, to fully reap the rewards of higher selling prices and guarantees for their operation.

Partnering with an agent that has the background and skillset to make sure a policy is properly set up each year is key. At Agsurance LLC, we understand the importance of having a policy set up correctly and that managing risk occurs on a farm-by-farm basis, as no two operations are alike. We look forward to helping any operation that has further questions and wish each operation a safe and successful 2021.

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