



# Organic AG NEWSLETTER

NOW THAT THE CROP IS IN, HOW WILL YOU PRICE & MARKET IT?



Farmers tend to be production-oriented. That's what most like doing. However, marketing is the most important part of farming, especially organic farming. The organic grain market is nothing like what you see in conventional grains. With conventional grains, futures prices and local prices are always clearly spelled out. Your only decision is whether to sell now or later. The USDA regularly collects market information and reports it for various major grains on a daily basis. There are no such well-established prices for organic grains. The USDA only has been reporting organic prices within the last several years. The reports are issued every two weeks. When organic grain markets are changing, these reports can become quickly outdated.

In organic grain markets, you need to find a buyer, settle on a price, and negotiate other important matters. Finding buyers, knowing what to ask, reliable price discovery, and all the related issues that come up are big challenges for any organic grain farmer, especially when just getting started. Carmen Fernholz farms about 400 acres in western Minnesota. According to Carmen, you can figure spending 15 to 20 percent of your time each week on marketing what you have to sell if you choose to do it yourself. There are those who thrive on the challenge and others like Carmen who turn it over to a marketer or agent.

A good primer on organic grain contracting is the Farmers' Guide to Organic Contracts published by the Farmers' Legal Action Group ([www.flaginc.org](http://www.flaginc.org)) The Guide lays out "Seven Rules of Contracting" which are important to keep in mind. The rules are... (cont. pg. 2)

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## IN THIS ISSUE

|                              |   |
|------------------------------|---|
| Pricing/Marketing.....       | 1 |
| Market Management.....       | 2 |
| Crop Insurance.....          | 3 |
| Addressing Fraud.....        | 4 |
| Organic Yields / Prices..... | 6 |
| Leadership Traits.....       | 7 |
| Ag Lending Team.....         | 8 |

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## NOW THAT THE CROP IS IN, HOW WILL YOU PRICE & MARKET IT? (CONT)

1. The contract almost always favors the party who wrote it.
2. The buyer can force you to fully perform your contract promises.
3. You cannot assume your failure to perform contract promises will be excused.
4. Oral promises made during negotiations or after a contract is signed mean nothing if they are not written into the contract.
5. Language that sounds "reasonable" or that the buyer describes as "standard" might have hidden consequences.
6. Higher price terms might not mean a larger payout.
7. Contracts are subject to negotiation, and you can walk away if you have to.

I mentioned hiring an agent. If you pay that agent, they work for you. One of the advantages of hiring an agent or selling through a marketing cooperative is having someone who is in the organic markets every day on your side of the bargaining table. A good marketer can help you develop a strategic marketing plan, think through your options, and negotiate contract terms. More often than not, the bottom line is that an experienced marketing agent working on your behalf is the way to go.

It never hurts to have another pair of eyes look over any contracts you are considering or negotiating. Your banker, financial or legal advisor all have experience in contracts and an interest in seeing that you get the best contract on terms you can live with. Don't hesitate to ask them to look things over and discuss your options. After all, you already have a contract with your banker.

I once saw an advertisement that said, "In business, you get what you negotiate, not what you deserve." Make sure you have the knowledge and horsepower you need to hold your own in contract negotiations with experienced buyers representing much larger companies than your farm. Your success as an organic farmer depends on it.

*John Bobbe is the Organic Farmers' Agency for Relationship Marketing (OFARM Inc.) retired executive director and author of "Marketing Organic Grain". (OFARM is a network of farmer organic grain marketing cooperatives.) For information on his book or questions, please email [johnbobbe@gmail.com](mailto:johnbobbe@gmail.com).*

## COOPERATIVE ORGANIC MARKETING WITH OFARM - MARKET MANAGEMENT

The Organic Farmers Agency for Relationship Marketing (OFARM), a Marketing Agency in Common, (MAC), is a Family of Cooperatives. Currently, three autonomous co-ops comprise the OFARM membership. OFARM might be more simply described as an umbrella organization that coordinates but does not dictate the marketing programs of its member co-ops. A broad base of producers makes up the three current organic cooperatives of the OFARM network. Together they produce, process, deliver and sell millions of dollars worth of organic grain each year across the USA. These cooperatives include Midwest Organic Farmers (MOFC) based in Illinois, Central Plains Organic Farmers (CPOF) based in Kansas, and NFOrganics based in Iowa. In total, these co-ops represent, engage in, and do business with nearly 500 producers, along with processors and buyers in the organic grain supply chain community. Wholesale grain production, supply, sourcing, sampling, testing, sales, logistics, delivery, marketing program support, value-added processing, are all activities and responsibilities supported by current and ongoing producer involvement and education. In short, it is the best farmer-owned and managed organic supply chain network system in the country



Producers in this network are primarily in the Great Lakes region (Illinois, Michigan, Indiana, Ohio), Great Plains region (Kansas, Nebraska, Colorado, Missouri, Oklahoma,) and the upper Midwest (Iowa, Minnesota, Wisconsin, Dakotas). These cooperatives reach, connect with and market grain products to buyers in markets across 25 states including east and west coasts, southern states, states in the upper Midwest and Great Lakes regions, and some transactions with Canada.

The cooperative structure, trusted relationships, and operational processes within this network are components that serve to maintain a high level of integrity, communication, trust, and transparency throughout the organic supply chain in which OFARM's Co-op Members operate. Each Co-op Member's staff places a high priority on directly serving their member producers to further enhance the rural communities in which they live. Many of the relationships with buyers, grain millers, trucking companies, processors, customers, and advocates in the organic community are well developed and long-standing; attributes that reflect the rural community-oriented nature and culture of OFARM. Overall, it is an established, mature organic marketing community that is well-positioned and suited to collaborate with others who share its many values including being a cooperative, long-term relationships, integrity, stewardship of resources, and rural communities.

OFARM continually strives to improve on its Plan, Program, and Process to provide an opportunity for producers to have increased control over their economic destiny in a constantly changing market environment. It is OFARM's intent to provide an opportunity for additional organic producers to become a part of this collaborative endeavor. OFARM would provide these mutual benefits across an expanded area of influence to improve and protect the interests of producers as they embrace the opportunity to participate in cooperative marketing and the management services OFARM can provide.

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*The following information is based on most row crops in the Midwest.*

## Ability to pivot with specialty crops

Crops that aren't typically grown in your area can be insurable under a traditional multi-peril crop insurance (MPCI) policy. To insure a crop that isn't covered in your county or state, here's what you need:

- Planting intentions to include field location and acres
- Three years of history growing the crop or a similar crop
  - For example, if you want to insure pinto beans but have no yield history, you can use your corn or soybean history to request coverage
- FSA producer print documenting you reported the crop to FSA
- Scale tickets for at least three years (or bin measurements of stored crop)
- Name, location, and distance to market
- Letter from an Ag Expert stating that the crop can be grown in your area (your agent can help with this)
- Start the process early. If the crop insurance sales closing date is March 15, talk to your agent in January.
- If RMA approves the written agreement, you then have the option to decide if you want to take the policy or decline coverage.

## Transitioning to organics: things to consider

- If you are planning on transitioning acres over time (for example, 500 acres over the next three years), plant 5 to 10 acres of transition ground the year before you start transitioning into higher acreage. That way you can build your yield on smaller acreage and, if your yields are good, have higher coverage as you increase the transition acreage.
- Forage seeding – if your agronomist or advisor is recommending that you plant alfalfa while you transition the ground to organics, be sure to add forage seeding to your policy. It's a great policy that insures the plant stand, and in most states, it's affordable.
  - Even if forage seeding isn't insurable in your county or state, coverage can be requested through a written agreement.
  - From an overall input cost perspective (including soil health), this is one of the most affordable ways to transition into organics. On the flip side, cutting alfalfa three to five times throughout the summer is labor-intensive.

## Can I insure my transition acres as conventional?

The crop insurance rules are confusing; however, once you get through all the verbiage, the rules state that if you are transitioning the ground, you should insure the crop as transition and not conventional. Your conventional yield history will have a much higher average yield than the County T for transitional. If you insure transition acres as conventional and have a claim, you may end up paying the claim back, as the payout would have been based on your

conventional yield average and not transition yield. The probability of having a claim using the transition county T yield is much lower than using conventional yield:

- Conventional : 170 bu avg yield x 80% level = 136 bu guarantee x \$4.95: \$673 coverage per acre
- Organic: 125 bu county T x 80% = 100 bushel guarantee x \$4.95: \$495 coverage per acre

If hail or wind losses are common in your area, consider buying down on federal crop and buying up on hail, wind & green snap coverage.

## Enterprise Units (EU)

If you insure both conventional and organic crops on the same policy and have EU, all production from the crop will be added together to determine if you have a payable claim. For example, if you have 300 acres of organic corn and 500 acres of conventional corn, the value of the organic corn could kick you out of a payable claim. Here are some possible solutions:

- Insure all crop acres as optional units (OU). OU will separate out the organic acres from conventional; however, your premium will double
- Form a new entity just for the organic acres and insure your organic ground under the new entity
- Insure conventional ground on its own

## Organic certification

The first year you become organic, it's important to know that the organic certificate must be issued on or before July 15 for you to insure the crop as organic. If the certificate is issued after July 15, then your crop is insured as transition even though you can sell the crop as organic.

If your crop isn't certified organic until the fall and you have the contract price option on your policy, you can insure the transition acres at a higher price as long as you have a contract in place on or before July 15. For example, if the transition soybeans are insured at MPCI (Multi-Peril Crop Insurance) price of \$11.87 but you have a contract for organic soybeans for \$25 you can submit the contract to your insurance agent by July 15 to insure the soybeans at a higher price (each county has a max contract price you can insure up to).

## Good farming practices

If possible, document your weed control with the organic certifier so that it's in writing. If you're not sure if a certain practice is covered, follow up with your crop insurance agent to make sure your farming practice is covered (for example, planting soybeans in fall rye and then roller crimping at anthesis).

*Ginny Olson  
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Ensuring strong enforcement of the organic standards is a top priority for the National Organic Coalition (NOC). NOC is a national advocacy organization with a mission to protect the integrity of the National Organic Program, which is overseen by the U.S. Department of Agriculture. We understand that organic farms and businesses need fair rules and strong enforcement of those rules to compete on a level playing field.

For that reason, NOC has prioritized finalizing a key regulation that is intended to level the playing field – the Strengthening Organic Enforcement Rule. We've communicated to the new Administration, USDA Secretary Tom Vilsack and Members of Congress that acting on this important issue with urgency is paramount to put organic on solid footing in the future.

## What is the Strengthening Organic Enforcement Rule?

The goal of the Strengthening Organic Enforcement Rule is to update and modernize the organic regulations to strengthen oversight & enforcement and reduce fraud in the organic marketplace. This new rule is by far the most extensive regulatory change in organic standards since the publication of the USDA organic regulations twenty years ago.

These changes are essential as organic sales have risen to nearly \$62 billion annually in the U.S. With this rise in demand, supply chains have become more complex, with many uncertified entities handling organic products without direct oversight from the USDA's National Organic Program (NOP), thus increasing the potential for fraud. NOC believes the rule, once finalized, will achieve significant reforms that will go a long way in addressing fraud in organic supply chains. For example, the rule will:

1. Require more handling operations to become certified;
2. Require electronic import certificates to improve oversight and traceability of imported organic products;
3. Require certifiers to conduct unannounced inspections for a minimum of 5% of the operations they certify annually;
4. Require certifiers to conduct supply chain audits for high-risk operations;
5. And much more! <sup>1</sup>

<sup>1</sup> NOC has provided a deeper analysis of what the rule accomplishes in this blog post: <https://www.nationalorganiccoalition.org/blog/2020/10/6/noc-comments-on-far-reaching-proposed-changes-to-usda-organic-regs>

<sup>2</sup> <https://www.ams.usda.gov/services/enforcement/organic>

<sup>3</sup> The most recent enforcement update is available here: <https://www.ams.usda.gov/sites/default/files/media/NOPEnforcementUpdateFebruary2021.pdf>

## What progress has been made to address fraud in organic supply chains?

The 2018 Farm Bill provided the NOP with new resources and authorities to tackle fraud in organic supply chains. In addition, NOC has successfully secured incremental funding increases each year for the past five years to boost funding for enforcement activities at the NOP. In 2017, the NOP budget was \$9 million annually. That budget has doubled to \$18 million annually in 2021, thanks to the efforts of NOC and other organic advocates. These spending increases have translated into significant and much-needed boosts in hiring for the NOP. In 2020, the NOP was able to double the size of their Compliance & Enforcement and Accreditation divisions to ensure better oversight over organic operations and certification agencies.

The NOP has also made progress by increasing partnerships with the Office of Inspector General at USDA and with the Foreign Agricultural Service to identify and enforce against bad actors. For example, a Missouri man pleaded guilty in Federal court in December 2020 to his role in a \$142-million scheme to sell non-organic grain as organic. In November 2020, a South Dakota man pleaded guilty to his role in a similar scheme amounting to about \$75 million in fraud. NOP's partnership with the USDA Office of the Inspector General (OIG) and cooperation with accredited organic certifiers have led to important enforcement actions such as these high-profile cases. The NOP provides information about enforcement activities on their website,<sup>2</sup> including a list of suspended and revoked farms and businesses, postings of fraudulent organic certificates, information about settlement agreements to bring certifiers and operations into compliance with the organic regulations, and annual enforcement updates that are now required by Congress due to provisions in the 2018 Farm Bill. <sup>3</sup>

(cont. pg. 5)



### What needs to happen next?

It is critical that USDA finalize the Strengthening Organic Enforcement Rule as swiftly as possible. Recently, USDA has stated that they plan to finalize the rule by the Spring of 2022 – NOC would like to see action sooner.

This rule is a first step in addressing issues of supply chain traceability, fraud, equal enforcement, and consistency across certification agencies. Additional actions are needed from the NOP to ensure integrity, as well as consumer and industry trust in the organic seal. The new regulations impose numerous new requirements for operations and certifiers, but the NOP must also play a role and change its own practices to catch up to the new challenges we face in organic supply chains. For example, the rule requires certifiers to share information with other certifiers in efforts to enforce the organic regulations and crackdown on fraud. In a similar vein, NOC believes it is imperative that the NOP shares information with other accreditors, such as the European Union, to flag risky certifiers and operations in the organic supply chain.

The NOP should also conduct more frequent audits for certification agencies and certifiers' foreign satellite offices using a risk-based approach; work closely with the Office of Inspector General, Foreign Agriculture Service, and Customs and Border Protection to identify and crackdown on bad actors; and continue making progress through the Organic Imports Interagency Working Group.

In addition, to ensure the integrity of the USDA organic program, USDA should immediately reinstitute the Organic Livestock and Poultry Practices rule to require meaningful outdoor access for poultry and egg operations and finalize Origin of Livestock regulations to close loopholes and clarify requirements for the transition of conventional dairy cows into organic herds.

If you would like to receive updates and action alerts from the National Organic Coalition, sign up for our electronic newsletter, which provides information and opportunities for action two times each month:  
<https://www.nationalorganiccoalition.org/subscribe>

*Abby Youngblood*  
*National Organic Coalition*



## ORGANIC COMPARED TO CONVENTIONAL 2016-2020

### Yield

Organic yields are

|          |                            |
|----------|----------------------------|
| Corn     | 69% of conventional yields |
| Soybeans | 73% of conventional yields |
| Wheat    | 66% of conventional yields |
| Hay      | 81% of conventional yields |

### Price

Organic prices are

|          |                                      |
|----------|--------------------------------------|
| Corn     | 241% higher than conventional prices |
| Soybeans | 201% higher than conventional prices |
| Wheat    | 250% higher than conventional prices |
| Hay      | 128% higher than conventional prices |

### Income

Organic incomes are

|          |                                       |
|----------|---------------------------------------|
| Corn     | 163% higher than conventional incomes |
| Soybeans | 145% higher than conventional incomes |
| Wheat    | 182% higher than conventional incomes |
| Hay      | 103% higher than conventional incomes |

### Expense

Organic expenses are

|          |  |
|----------|--|
| Corn     | 109% higher than conventional expenses |
| Soybeans | 127% higher than conventional expenses |
| Wheat    | 146% higher than conventional expenses |
| Hay      | 112% higher than conventional expenses |

\*Calculated using FINBIN data

## 2021 CROP INSURANCE GUARANTEED ORGANIC PRICES

|                  | Spring Price | Possible Contract Price |
|------------------|--------------|-------------------------|
| Organic Corn     | \$9.56       | \$14.34                 |
| Organic Soybeans | \$22.54      | \$33.81                 |
| Organic Wheat    | \$11.58      | \$17.37                 |
| Organic Oats     | \$4.66       | \$6.99                  |

\*All numbers are based off of 5 year averages covering 2016 -2020 from FINBIN





## LEADERSHIP TRAITS

Having the privilege of growing up in rural Illinois, one couldn't help but notice the wonderful leadership provided by good caring people from agricultural and farming roots. My career in public education as a teacher, coach, principal, and superintendent reaffirmed my childhood memories. I have had the opportunity to witness firsthand the exceptional leadership of these individuals as they served unselfishly to make a positive difference in our schools, communities, churches, and countless civic organizations. One can only hope our national and state elected officials will demonstrate these same traits.

Please allow me to share with you a summary of the outstanding leadership traits I have witnessed in my sixty plus years in rural Illinois. I was given great "roots and wings" by these leaders, and it is my hope if you have the opportunity to serve, these traits will serve you well. In observing great leaders in action, I came to realize, that to them leadership was never a sometime thing or a passing fancy, but always a way of life. To them, leadership was a VERB not a noun. They understood good leadership meant motivating others to get things done; allowing others to find their own reasons to push forward instead of relying on their leaders' ideas was paramount.

Exceptional leaders accept their responsibilities, dare to seek out adventure, and embrace the opportunity to serve. They never lose the desire to have hope and vision! Knowledge and experience allow a leader to know what to do, but leaders know beyond a shadow of a doubt it is virtue that gets things done!

*(cont. pg. 8)*



## LEADERSHIP TRAITS (CONT)

The very best leaders keep their promises, confidences, and temper! They tend to blame softly and praise loudly while seeing people for what they can become not who they seem to be. It is easy to follow leaders who are: strong, but not rude; kind, but not bullies; humble, but never timid. The great ones are gracious, patient, compassionate, and forgiving.

Leaders who say, "Let's go do it," not "You go do it" realize how powerful it is when someone says, "LET'S!". Their ability and skill to rally those around them to a common purpose, inspires a confidence that is contagious and makes a positive impact. They know their character doesn't make them great, but it does make them someone worth following. They understand INTEGRITY is the consistency of their character. They wear two badges, their title and their moral authority.

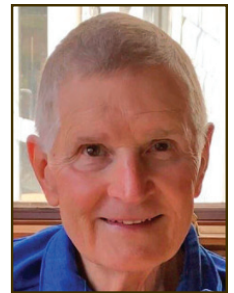
Leaders exhibit commitment, passion, and courage in carrying out their responsibilities. They have the courage to say no and the courage to face reality. Although challenging, they know their leadership may never pretend, turn a blind eye, or ignore criticism. Successful leaders never isolate themselves in difficult times. They know it is acceptable to be uncertain, but never to be unclear. Experience has taught them to touch one's

heart before asking for a hand. Wise is the leader who listens to the whispers and therefore will never have to hear the screams!

Leaders do not always get to choose their circumstances, but they can choose their attitude. This attitude takes the high road and allows people to be more important than things. Precious is the leader who makes time to look, listen, and learn. They have no fear of trying something new because they know that a lone amateur built the ARK, while it took a large group of professionals to build the Titanic.

Enjoy, go forth and LEAD!

*Harlan "Butch" Cotter*  
*Reprinted from*  
*"Farming with a Future"*  
*from Flanagan State Bank*



*This is our tribute to a great man that recently passed and will be missed by all of us. Butch made a positive difference in all he met. He "treated everyone he met with kindness and respect" and spent his life in the service of others.*

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