

Organic Small Grain Marketing

Summary: From poultry feed to oat milk to premium whiskey, there are a growing range of market opportunities for organic small grains. If you are interested in adding a rotation of small grains to your operation, this resource provides an overview of some potential market options and contracts in the Upper Midwest with information on their use according to a 2022 study of small grain farmers.

With soil stewardship as a core principle of organic production, diversified soil-building crop rotations are a key practice, creating the opportunity to gain income from numerous crops. Transitioning from a corn-soybean rotation to a system that includes small grains such as barley, oats, rye, and wheat brings new marketing possibilities and challenges.

Organic markets are growing

Acreage of organic rye, oats, and wheat has increased in the Upper Midwest in the last decade, while conventional acreage has been stable or in decline (USDA 2021a). As sales of organic commodity crops have grown 47% nationwide between 2016-2021 (USDA 2016, 2021b), there is growing promise for organic small grain production in the region.

Types of markets for small grains

A critical element of successful organic grain production is developing diversified and consistent markets. Organic small grains have growing market potential, though buyers and processing capacity can be regionally limited. Your local elevator may not handle organic grain, and you may need to ship longer distances or take extra steps to meet your buyers' needs.

In a 2022 study of small grain farmers in IL, IA, MN, and WI, the most common outlets organic farmers used to sell their small grains were elevators, co-ops, or brokers, followed by local livestock producers as feed and bedding (**Figure 1**). They also relied much more on direct to manufacturing and direct to market opportunities than their conventional counterparts.

Local grain elevators, co-ops, brokers: Depending on your location, selling small grains to an elevator or co-op, whether as feed- or food-grade, may be an easy way to offload your grain without long-distance trucking, storage, or the time required to find individual buyers. Check with your local elevator or co-op to see if they handle organic grain and if they accept small grains. Some farmers also use grain brokers or independent marketing agents to find buyers for their small grains, in addition to their corn and soybeans. Brokers and agents don't buy grain but offer services for a fee to find buyers at the price the farmer hopes to receive.

Local livestock producers: Small grains provide a valuable source of protein and nutrients in animal nutrition, and if you don't have livestock on your own farm, an excellent place to look to sell your small grains and straw is local organic livestock producers. Organic dairy, beef, hog, and poultry producers must feed their animals organic rations and may not have the capacity to raise what they need on-farm. Some grain farmers maintain dedicated relationships with livestock neighbors, meeting before the production year to discuss and custom plan rotations to fit ration needs. This type of relationship can result in building a market for your small grain crop and create long-term price and market stability. Growing small grains as feed also means fewer quality requirements compared to food-grade markets and can be a good outlet for small grains that cannot be marketed as food crops. As one organic grower said: "[Having a livestock market] definitely helps...we're trying to get food-grade quality so if we don't, then we go to the livestock side of things." In the 2022 study of organic small grain growers in the Upper Midwest, the most common way farmers sold their organic grains was as feed-grade, and farmers identified markets for livestock feed and bedding as the most viable cash markets in the area.

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Direct to manufacturer: You may find success in working directly with a local or regional food processor in supplying organic raw ingredients. Local bakeries, breweries, and distilleries' increasing interest in purchasing direct from farmers offers growing opportunities. Mills and malshouses handling organic grain must have an organic inspection annually and have dedicated storage if they are approved for organic grain trade. Check with your local mill or malshouse, if you have them, to see if they carry organic certification, or if they would be interested in acquiring it. Most mills accepting organic grains hold a grain dealer's license and offer spot sales as well as six- to eight-month forward contracts.

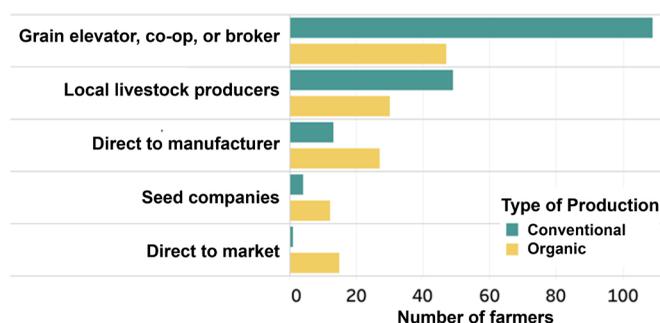
Seed companies: When commercially available, organic seed must be used for organic production, providing another marketing channel for organic farmers. Once you are comfortable growing a specific crop and can maintain the quality and segregation needed to produce clean and viable seed, adding seed production can be a rewarding endeavor. Regionally adapted seeds are of special interest to organic farmers, with growing demand. Many small grains used in organic production are open-sourced and do not have the same patent restrictions found in nonorganic seed production. As a contract seed grower, you have a set contract and price, and your buyer will supply the seed for a specific grain variety to get started.

Market quality requirements may determine what grade of crops you choose to produce

Pricing depends on the type of grains and the market they will be sold into. Some grains are more difficult to grow than others and may have quality requirements. Food-grade production of small grains can be more lucrative, but also more challenging than feed-grade. Producing small grains for the food-grade market means lower tolerances for mycotoxins and disease than for livestock feeds, and potentially meeting thresholds for other quality parameters such as moisture content, falling number, and test weight, depending on the crop and intended end-use. While food-grade markets offer higher prices, a new organic small grain farmer might want to stick with feed-grade markets until they are comfortable with organic production, and then work with their buyer and technical assistance providers to find the right variety of seed to explore food-grade production based on microclimate and locally available markets.

Direct market: While small grains have often been missing from local and organic foods available to consumers, a growing interest in high quality artisan grains has created a niche market for organic small grains. If you can clean and package your small grains on-farm, you may want to explore selling direct to restaurants, schools, or independent groceries or direct to consumers through a CSA or at farmer's markets. Selling your small grains directly can be beneficial, as extra costs for intermediary marketing services can be avoided. While selling direct to market involves developing and maintaining relationships, this added effort may be worthwhile depending on the price you receive. One organic farmer explained "It is really relationship-driven with the restaurants and breweries. You really have to keep up with that relationship and pop in even if they're not buying something right away...whereas if you go to an elevator, you don't have to worry about that, somebody else does it for you. So you're having to...maintain that relationship to get that extra premium on your product too."

Figure 1. Market channels used by organic & organic transitioning and conventional farmers in the last six years to sell their small grains as reported in a 2022 study of small grain farmers in the Upper Midwest.



Types of contracts for small grains

Agreements and contracts for production must be made well in advance of planting to ensure that the product you grow is what the market needs and will pay for. If possible, talk with other organic farmers in your region to learn which buyers they like to work with, which are somewhat flexible on grain quality, and who pays promptly. A clearly outlined understanding, ideally supported with a contract, will help protect both the seller and the buyer from misunderstandings.

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According to the 2022 study of small grain farmers, both organic and conventional farmers commonly used forward contracts through a grain buyer and post-harvest spot contracts to sell their small grains (**Figure 2**). Forward contracts are predetermined contracts between a buyer and seller at a set price and date of delivery or on-farm pick-up. Post-harvest spot contracts, on the other hand, are contracts for delivery or pick-up created once the product is harvested.

Some farmers contract a portion of their crop and then play the spot market with the rest, and almost all the organic farmers in the study used several types of contracts with their various buyers. Organic farmers differed from conventional farmers in that far fewer organic farmers went without contracts, while not using contracts with buyers was the most frequently selected way that conventional farmers sold their small grains.

References

USDA National Agricultural Statistics Service. 2011a. Agriculture Survey. Complete data available at www.nass.usda.gov

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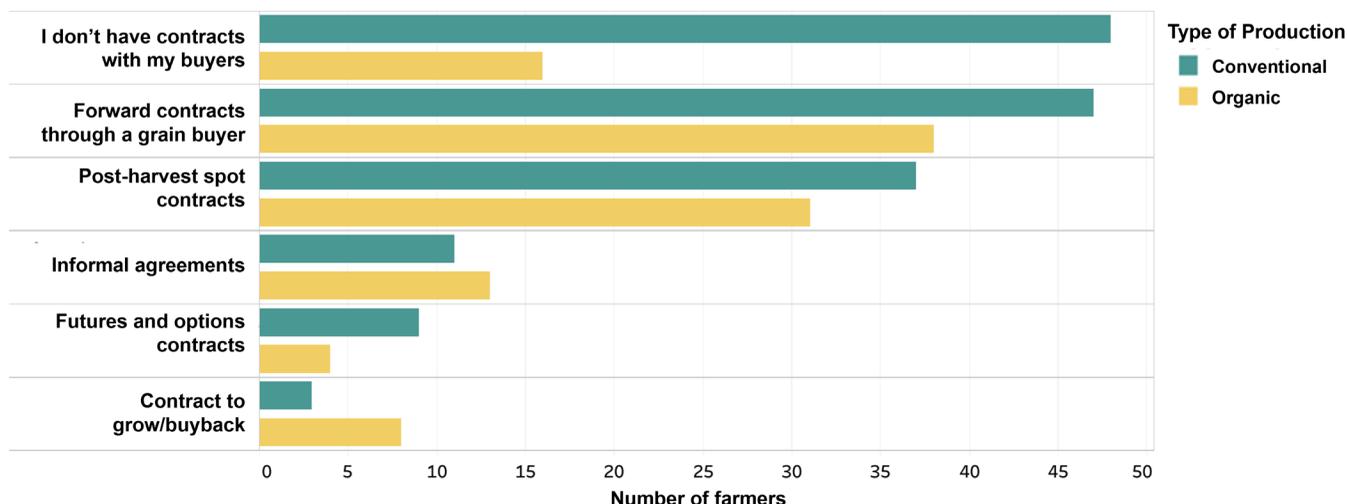
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Figure 2. Contracts organic & organic transitioning and conventional farmers used with their small grain buyers



The OGRain (Organic Grain Resource and Information Network) program provides resources and support for new, transitioning, and experienced organic grain farmers throughout the upper Midwest. We host a variety of events, support a producer listserv (join by emailing join-ograin@lists.wisc.edu) and provide educational materials at <https://ograin.cals.wisc.edu/>. OGRain is housed in the Organic and Sustainable Agriculture Research and Extension Program within the UW-Madison Department of Plant Pathology under the leadership of associate professor Dr. Erin Silva. To contact us, email Erin at emsilva@wisc.edu, or call (608) 890-1503.