

Organic Processor and Grower Relationships



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Relationship Issues

- Introduction to Homestead Organics
- Buying issues
 - ✓ Quality
 - ✓ Relationships
 - ✓ Logistics
 - ✓ Cash flow
- The gross price versus the net price
- Suggestions for producers

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- Between Ottawa and Cornwall in Eastern Ontario
 - ✓ Started on the family crop farm in 1988
 - ✓ Split processing from the crop production in 1997
- Organic whole grain services
 - ✓ Storage, cleaning for food & feed, marketing
- Organic livestock feed
 - ✓ Complete grain rations, bulk and bagged, thru dealers
- Organic farm supplies (seed, supplements, etc)
- Support, education, networking

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What do I grow this year?

- 1st – respect your agronomy and crop rotation
 - ✓ Heat units
 - ✓ Soil, fertility - nitrogen, drainage
 - ✓ Weed pressure and legume/grass rotation
- 2nd – choose according to your capacity
 - ✓ Equipment available: combine, drying, transportation
 - ✓ Storage capacity
 - ✓ Experience: stick to the basics; keep it simple
- 3rd - Fine tune to market needs and prices

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Choosing a Crop Size

- Manageable crop sizes
 - ✓ Size of fields and equipment
 - cleaning out seed drills and combine
 - ✓ Managing weed pressure in multiple fields
 - ✓ Spreading out risks relative to size
 - ✓ Simplify your rotation
- Size and number of storage bins
- Transportation to market – truck size
- Customer requirements

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Crop Selection

- High N, moderate weed pressure, high CHU
 - ✓ Corn, as silage or grain
- Moderate to high N, low weed pressure
 - ✓ Hard red spring wheat, barley
- Low N, moderate weed pressure
 - ✓ Soybeans, oats, legume hay
- High weed pressure
 - ✓ Hay or Buckwheat as a green manure
- Good winter conditions
 - ✓ Spelt

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Quality Issues in Marketing

- Quality requirements
 - ✓ Heavy: high bushel weight – high N
 - ✓ Healthy: high protein & good mineral profile – high N
 - ✓ Pretty: colour, shape, damage, odour - handling
 - ✓ Safe: mould, rancidity, contamination, GMO – mngt
 - ✓ Dry: you need to dry it; some buyers can dry it
 - ✓ Pure: other grains, bird & rodent droppings – mngt
- Lesser quality concerns
 - ✓ Dockage – we can clean it - combining
 - ✓ Purity of feed grains: a little buckwheat will not hurt.

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Quality Issues

- Quality concerns
 - ✓ Organic by default versus organic by design
 - Wise soil amendments, good equipment, knowledge & skill
 - ✓ Organic must be synonymous with highest quality
 - Essential for good health, premium price, industry reputation
- Common quality improvement tips
 - ✓ Chose good varieties, clean healthy seed
 - ✓ Clean vehicles, augers, combine, seed drill, storage, etc.
 - ✓ Good crop rotation & compost for nitrogen availability
 - ✓ Good microbial life, soil mineral balance, drainage
 - ✓ Ability to learn: observations, education, reading

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Cash Flow

- Not a lot of cash available
 - ✓ Young industry, young companies, capital is tight
 - ✓ Borrowing capacity is all used up in infrastructure
 - ✓ Buyers often need 30 – 60 days to pay
 - ✓ Some stuff gets stored for up to 12 months
- Solution: good marketing and crop planning
 - ✓ Call buyers early and get early shipment dates
 - ✓ Diversify your crops by time of year for cash flow
 - ✓ Diversify your markets for timely sales and cash flow

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Market Relationships

- Relationships
 - ✓ Long term relationship, loyalty, business development
 - ✓ Flexibility, understanding, feed back, communications
 - ✓ Multiple transactions: seed, multiple crops
 - ✓ Open to multiple relationships
- Geography
 - ✓ Preferred service area – close to home
 - ✓ Cost of transportation, rising fuel prices
 - ✓ Transporting small loads

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Understanding the Price

- Gross price
 - ✓ Set a price standard to all producers, easy to compare
 - ✓ Watch for inflated prices with too many conditions
- Net price
 - ✓ Pickup by the buyer or landed by the grower
 - ✓ Gross weight or net weight after:
 - dockage, moisture, screenings (splits, smalls, oversized)
 - ✓ Drying, cleaning, elevation and storage charges
 - ✓ Marketing board fees for corn, soybeans, wheat
 - ✓ Grade discounts: bushel weight, appearance, protein

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Farmer to Farmer Deals

- Best: mutual price benefit, minimal transportation
- Many challenges:
 - ✓ Optimal load size for both parties
 - ✓ Timeliness: available when the buyer needs it.
 - ✓ Small pool of sellers and buyers
 - ✓ Quality expectations
 - ✓ Mutually beneficial price, split the broker's margin
 - ✓ Payment reliability
 - ✓ Documentation: contract, BOL, clean truck affidavit

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Processor/Broker's Margin

- Infrastructure
 - ✓ Capital, interest, maintenance, low resale value
- Exchange rate fluctuations
- Market fluctuations and inherent price risks
- Fuel price increases and landed price contracts
- Bad receivables
- Labour costs
- Quality assurance costs, shrink, invisible loss

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Seed offering.

- ✓ Extensive list of organic seed products.
 - Oats, barley, wheat, soybeans, corn, forages.
- ✓ From all seed providers.
- ✓ But based in Ontario and Quebec.
- ✓ Cost of shipping to Atlantic Canada.
 - Should not be an impediment
- ✓ No longer any excuses for conventional
- ✓ Certifiers: pay attention to seed availability
 - The 5 phone calls are often bogus.

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Suggestions for producers

- Sell close to home
 - ✓ Easy relationship, affordable transportation, seed source
- Establish relationships
 - ✓ Constant communications, multiple services
 - ✓ Don't put all your eggs in one basket
 - ✓ Be flexible and understanding
 - ✓ Predictable and reliable quality and quantity
- Remove the sense of urgency
 - ✓ Own your equipment, some on-farm storage, plan your cash flow
- Get contracts for critical conditions
 - ✓ Edible beans, hullless oats, rye, early season sales
 - ✓ Make best effort contracts: acreage, no replacement obligations

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