

Workshop Title: Grain Marketing Models

Speaker(s) & their title(s): Jean-Guy Vaillancourt, Homestead Organics
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Executive Summary: Jean-Guy enthusiastically described some aspects of his position as a grain trader, through the company Homestead Organics. He offered advice from a buyer's perspective of how farmers can benefit or be at a disadvantage through this farmer-buyer relationship. He shared information about some common mistakes that he witnesses, and some points about market trends, and future predictions.

Detailed Notes:

Jean-Guy started with an introduction about Homestead Organics: a company that specializes in marketing, storage, supply and cleaning of whole grains, supply of organic livestock feed, seeds and supplies and much more. Jean-Guy is employed by Homestead Organics as a grain trader (the "middle-man"). He notes that their philosophy isn't so much in always getting the highest dollar for crops, but rather aiming at everyone winning (which is not always easy). Below are some points from his presentation.

Grain Marketing

Some considerations from Jean-Guy's perspective for farmers:

- Beyond what you're selling, Jean-Guy needs to know what variety it is, because it may or may not be in demand. Some crops have more varieties than others, and it's good to do research or ask your buyer before planting.
- What is the quality of your product: for food or animal feed?
- When do you want to sell, and what are your cash-flow needs? Do you have storage suitable for winter climates? Longer storage can mean more money as market trends change towards the spring.

Jean-Guy says it is a good idea to know your crop. For example:

- Jean-Guy always tests the products he gets from farmers in a lab to ensure their quality is fit for market and that he can prove it
- One time, had some very good looking oats from a farmer, but after some tests they were not of good nutritional value. In this case, the oats didn't receive enough sun, and timing of planting wasn't great
- Jean-Guy states it's important for farmers to do their own tests (bring your samples to labs, 3rd party), so they can prove the value of their crops
- Some buyers may do business poorly and misrepresent the crop's value if farmers have not had testing done

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- Jean-Guy says to remember that “IT’S YOUR GRAIN” and you can do what you would like to do with it – regardless if you feel convinced, or persuaded into a deal by a buyer
- Make sure that the deal feels right; if it does not than it is not a good deal for you
- Backup plans: what if buyer falls through? Things rarely go to plan, according to Jean-Guy

Methods of Selling

- Spot price, contracts, or trading
- Invite multiple buyers to speak to farmers and give a predicted price; note that buyers will always give a good price to get you in, and may not deliver that actual price when it comes time to produce a contract or make a deal
- Shop around for different buyers to get a good price
- Trading: if you can’t purchase seeds with money, trade with your crops!
- Don’t feel like you need to go through a conventional route
- Jean-Guy will be as honest as he can, with prices posted on website

Scanning the Market for Pricing

- Call multiple buyers, and ask for prices
- Search online and consider past trends
- Speak to other farmers

What is Best for You?

- Determine when the best time for YOU to sell is
- Stable = contract (generally)
- Rushing = low price (generally)
- Storage is a great asset: it allows more time to find buyer or a higher price
- Depends on what you need/prefer: if you need cash flow, you’re likely to sell sooner vs possible higher prices if you keep your product in storage

IMPORTANT: Contracts

- Details of contract: know these INSIDE AND OUT
- Jean-Guy gets all kinds of calls regarding the contract; he offers an explanation to farmers, and they usually persist that they’ll read it (when perhaps they aren’t reading in full disclosure, every detail)
- Once a contract has been signed, an amendment can sometimes be made. Do not have this expectation though: if you don’t let the buyer know of this change, a buyer can drop your contract or agreement
- Communication and good judgment is key: Jean-Guy was in a situation where farmer heard the word “problem” in a previous phone call with a buyer, and immediately sold their crop for a lower price. Although the buyer used this word, they had actually found a solution while the farmer sold his crop

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- Recall the saying that “the client is always correct”? In this case, the farmer is the vendor, and buyer acts more as the client

Types of Buyers & How They Work

- Buyer is the customer: know their personality, it will help you to build a relationship
- Jean-Guy is nice, honest, expressive, and likes to analyze things
- There are some buyers who are margin hungry, who will go overseas at times

When Talking Money

- Be specific and understand the contract
- If paying for delivery, get multiple transport quotes; can always find a better price
- Pick up date: are you be able to be flexible with this date? (will always help)
- Make sure it feels right: if it lacks details, or security, then it’s not a deal for you. You want to sleep at night.

What’s Your General Situation?

- You may not know about the buyer, and he may not know about you, the farmer
- Allow \$20-\$70/ T for transport (shipping)
- Know market pressures: surplus minus \$40/T, shortage add \$40/T to get to market

What To Do

- Beware volatile markets
- Jean-Guy noted that oats and soybeans are stable markets
- Examples of markets which are not as stable: spelt, kamut. These may look appealing for pricing, however demand may be limited
- Good balance is contract, and spot pricing: put your assets in more than one place, as a good backup
- Long-term buyer relationships can be valuable: always consider your long-term buyer, rather than always just seeking the highest bidder for selling your crops

Q: How about rail travel for transporting crops?

- Jean-Guy says he wants to see this extended in the future; Boat is most economical, then rail, then transport truck; more economic transport means higher profit margins

Q: Anything do really well in this area?

- Soybeans always sell well

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Q: Non-organic vs organic for market trends?

- CBOT in the US always sets the price for non-organic, but organic crops are pretty good for stability; more supply and demand basis

Homestead Past Market Trends

- Stable and a bit low in 2000, peaked in '08, then back down in 2010 to 2000 base, then rising right now (2015)

What's To Come?

- Other farmers also want in to organic: Jean-Guy expects double the organics in future (at least in his area, for acreage)
- Asia and Europe market is growing for grains
- Lots of feed from India
- Look for long-term price drop in organics, however will always have a higher price than conventional crops
- Jean-Guy buys Canadian grains first, and pays as much as he can, and then considers foreign markets; Canada is known for its product quality
- Jean-Guy has dropped some foreign vendors as their product does not meet organic specs

Q: What percentage of your market is being imported from foreign markets? Can Canada take over this market?

- Jean-Guy: If we can buy for cheaper price, this will help locals. Jean-Guy likes lower cost for some markets.

Q: Specs: feed vs. food?

- Wheat, oat and soybean: generally, want clean, not a lot of mud stains, poison berries, etc. Treated soybeans are the worst, followed by nightshade (poisonous plant) and heavy stains: these can't go to market for human consumption, so they go for feed
- Oats usually go for feed, over food; soybeans have larger price difference for organic (\$200) where the difference for cereals is less than \$100
- Consumers want a consistent product (appearance), or it will not sell

Q: Testing?

- Corn is tested for Bt and GMO
- Soybeans tested for GMO
- If comes back positive, Jean-Guy will send to a lab while holding the product
- GMO contaminations can come from a LOT of places: equipment, next-door farmers, even a gust of wind can make the difference
- <1-2% is cutoff for certified organic food and feed

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Q: How often does Jean-Guy get loads that don't meet these organic specs?

- Frequently: about 10-20%. A comment was made in the room that the GMO 1-2% limit might increase this in the US, due to the increasing population of GMO crops
- Different markets have different standards
- Know what works best for your buyer (e.g. perhaps they are capable of cleaning crops, or can accept more or less contamination, etc.)

Homestead Organics is very supportive to give information to farmers. Jean-Guy says community is part of the job, and feels it should be a standard in the organic community that everyone strives to meet.

Q: Market for cooking peas?

- YES, actually getting \$500-\$700/T, however most farm soybeans here in Atlantic Canada. Yellow and green beans for feed are very popular in northern Quebec. Jean-Guy doesn't have a market for food peas but other buyers likely do.

Q: Would you like me to buy seeds from you, for you to buy my product?

- Doesn't matter as much, but do your tests for GMO on the seeds. It's better though, because if we sell you bad seeds, we feel obligated to buy your crops from you to maintain a good relationship.

Q: Seed testing protocol?

- Test every lot (Jean-Guy personally tests every lot)
- Since testing is expensive (\$200-\$300), it's unreasonable to test each bag. However, random sampling with some statistical analysis can provide a good prediction of the whole crop with a few extra samples.

The Agronomist at Homestead Organics does the seed catalogue. Jean-Guy specifies what key units to put in it, as they want to reach as many clients, as possible.

Q: Change in organic livestock? Someone mentioned organic hogs are down

- Organic poultry has seen a large increase, therefore the feed has as well; cattle starting to decline in Jean-Guy's area