Market Opportunities for Organic Grains and Oilseeds

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Objective
Convey a sense of
- organic row crop market drivers
- “local” opportunities

Outline
- Market Behavior and Market Channels
- Evidence of Sales and Industry Structure
  - Manufacturers
  - Growers
- Manufacturers View of Sourcing Materials
  - Reliability

Take Aways
- Organic markets require different mind set
  - Pricing behavior is different
  - Team Player (Animus Societatis)
- Organic markets have growth trajectory and potential
  - Manufacturers have money
  - Consumers have money
- Demand is outpacing supply
- Organic growers have significant income potential
  - Premiums
  - Learning

Organic vs. Conventional Cash Price Behavior

<table>
<thead>
<tr>
<th></th>
<th>Organic</th>
<th>Conventional</th>
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</thead>
<tbody>
<tr>
<td>F.O.B. Farm</td>
<td>Established Basis</td>
<td></td>
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<tr>
<td>25 cent movements</td>
<td>1/8 cent movements</td>
<td></td>
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<tr>
<td>Bid on Sample - variety</td>
<td>Bid on Grade</td>
<td></td>
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<tr>
<td>As Is, Where Is</td>
<td>Discount Schedule (bcfm)</td>
<td></td>
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<tr>
<td>Pay for clean weight (?)</td>
<td>Pay for all weight</td>
<td></td>
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<tr>
<td>Stable through season</td>
<td>Oscillate through season</td>
<td></td>
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<tr>
<td>Logistics Off Farm</td>
<td>Logistics ON Farm</td>
<td></td>
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</tbody>
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Channel Structure
Grower -> Consumer
Channel Structure

Grower → Consumer

Key Success Factor: Independent action

Channel Structure

Grower → Consumer

Key Success Factor: Team Player
Growth in Demand


- Compound Annual Growth Rate > 21% through 2007, and likely beyond
- 58 percent of households reported buying something organic during a one-week period (2002).
• Launch a new product
  – 12 million lbs. (1 million people at 1 lb./month)
• How much raw material? (soy example)
  – 80% process yield requires 15 million lbs.
  • 250,000 bushels; 6,250 acres
  – 20% process yield requires 60 million lbs.
  • 1 million bushels; 25,000 acres
  – e.g.: broiler feeding

3x due to crop rotation = 75,000 new acres required for example new product!
Product Support

Where is the opportunity?

• 200,000 acres of organic soybeans in U.S.
• Fully used: Feed; current products
• Product introduction constrained by:
  – Availability
  – Reliability

Secrets to Industry Success

• Alignment
• Capacity building
• Reliable quality
• Reliable quantity

Sourcing Strategies

Animus Societatis

• Intention to behave as partner
• Intention to have interests intertwined
• Willingness to find common solution

What’s in it for you?

PRICE PREMIUM = + $7

Organic Blue Corn

ORGANIC BLUE CORN, APPROXIMATE FARM PREMIUM 1999-2004

- Organic Blue Corn, Approximate Farm Premium 1999-2004
- Price Premium
- Months
- September
- October
- November
- December
- January
- February
- March
- April
- May
- June
- July
- August
- 1999/2000
- 2000/2001
- 2001/2002
- 2002/2003
- 2003/2004
PRICE PREMIUM = + $8
Organic Clear Hilum Soybeans

MONTHS

PRICE
Premium

1999/2000
2000/2001
2001/2002
2002/2003
2003/2004

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