Assessing Producer Options and Obstacles

USDA Workshop on Organic Agriculture

Terry Wolf
Producer
Homer, IL
My Perspective

- 2500 acres in food grade corn and soybeans
- Terry & Jan own 16%, Terry’s parents 31%, and rent 53% of land
- Farms are scattered over four counties
- 45 miles to most distant farm
- 25 different tracts
- All 50-50 crop share rent
Farming is a Business

- 14 additional families depend on us
- Capital needs are substantial
- Risks are significant
- Marketing advantages from Food-Grade corn production
- Premiums are paid because of RISK!
Jack Erisman – Pana, IL

- Fellow board member from C-FAR
- 1990 converted “Cold Turkey” to organic farming
- Currently farming in a 14 year rotational cycle including organic beef production
- Jeannie Erisman’s opinion of Organic Farming?
  - “I keep thinking he will get over this and farm normally!!! The hardest thing for me is to be sitting while everyone else is harvesting and then we finish so late.”
Risk of Self-Esteem and Credibility

- Can be both business and/or counter-culture
- You will be ostracized within your community
- People will think you are in trouble, crazy, lazy, or on the ropes
- This is the biggest challenge, can you and your family stand the criticism?
- You will need strong conviction and determination to succeed
Risks of Organic Farming

- Financial risks are large
- Three year certification process
- Yields will drop
- Weed pressure will be intense
- Cash flow will be poor during transition
- Banker’s will be skeptical
- Need to start small to limit risks
- Need to be able to withstand a year without any crop income
Risks of Organic Farming

- Need to learn new crop production practices
- Livestock production systems are different
- Organic production practices new
- Delayed planting/harvest
- Production risks are higher
Risks of Organic Farming

- Labor needs are higher in organics
- Labor market is tight
- Equipment needs are different and would require additional equipment
- Livestock would require additional investment in equipment and fences
Risks of Organic Farming

- Marketing risks
  - Organics is a thin market without clearly defined pricing structures
  - Storage of grain in smaller quantities
  - Insect risk during storage of grain
  - Quality risks and discounts
  - Buyer’s call on deliveries
Risk of Global Competition

- Cuba’s interest in the U.S. market
- China’s growing organics
- Vietnam
- South America
- Developing Countries
Land Risks

- Current Landowner’s resistance to organic farming
- Inability to rent new farms due to above resistance
- Current farms are too spread out, need to be more compact
  - Management
  - Operational timeliness
Rewards of Organic Farming in Central Illinois

- Organic White and Blue corn in demand for specialty foods
- Organic Yellow corn in demand as a feed-grain
- Soy in demand for soy milk, soy flour and soy meal
- Traditional herbicide, insecticide and fertilizer costs eliminated
How do gross revenue’s compare

<table>
<thead>
<tr>
<th></th>
<th>Price/Bu.</th>
<th>Yield range</th>
<th>Income Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic Crops</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue Corn</td>
<td>$7.75-$9.00</td>
<td>50-80 Bu./A.</td>
<td>$387-$720/A.</td>
</tr>
<tr>
<td>White Corn</td>
<td>$5.75</td>
<td>90-150 Bu./A.</td>
<td>$517-$862/A.</td>
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<tr>
<td>Yellow Corn</td>
<td>$5.00-$6.00</td>
<td>100-150 Bu./A.</td>
<td>$500-$900/A.</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$16.00-$17.00</td>
<td>20-30 Bu./A.</td>
<td>$320-$510/A.</td>
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<tr>
<td><strong>Conv. Crop</strong></td>
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<tr>
<td>Food Yellow</td>
<td>$2.50-$2.90</td>
<td>140-200 Bu./A.</td>
<td>$350-$580/A.</td>
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<tr>
<td>Food White</td>
<td>$2.75-$3.20</td>
<td>140-200 Bu./A.</td>
<td>$385-$640/A.</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$5.00-$7.50</td>
<td>50-65 Bu./A.</td>
<td>$250-$487/A.</td>
</tr>
</tbody>
</table>
Organic Farming - Will it work?

- Determined to make it work
- Prepared for strong criticism
- Financially strong
- Low debt or no debt
- Own the land
- Willing to work extremely hard to succeed
- Have solid family support
- Willing to invest the time and effort
  - Production
  - Education
  - Marketing
  - Management
Does it fit my operation?

- Farms are too scattered
- We do not own a large percentage
- Debt load is too high for the risks
- Landowners would not permit
- Risks too high
- Not motivated
- Illinois adoption rate is low
- Austrian subsidies exceed $400/A.