

# Assessing Producer Options and Obstacles

USDA Workshop on Organic Agriculture

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# 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

<u>Organic Crops</u>	<u>Price/Bu.</u>	<u>Yield range</u>	<u>Income Potential</u>
■ Blue Corn	\$7.75-\$9.00	50-80 Bu./A.	\$387-\$720/A.
■ White Corn	\$5.75	90-150 Bu./A.	\$517-\$862/A.
■ Yellow Corn	\$5.00-\$6.00	100-150 Bu./A.	\$500-\$900/A.
■ Soybeans	\$16.00-\$17.00	20-30 Bu./A.	\$320-\$510/A.

<u>Conv. Crop</u>	<u>Price/Bu.</u>	<u>Yield range</u>	<u>Income Potential</u>
■ Food Yellow	\$2.50-\$2.90	140-200 Bu./A.	\$350-\$580/A.
■ Food White	\$2.75-\$3.20	140-200 Bu./A.	\$385-\$640/A.
■ Soybeans	\$5.00-\$7.50	50-65 Bu./A.	\$250-\$487/A.

# 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.