



Quarterly

The dawn of a new era in collective pricing, marketing and inventory by and for North America's organic farmers.

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Midwest organic farmers see benefits of 'coop'-erating

By Richard A. Levins, retired University of Minnesota Extension economist

(NOTE: This article reports preliminary research done for a project supported by the Leopold Center's Policy Initiative).

The premium prices attached to organic crops make them an attractive production alternative for Midwest producers. New research funded by the Leopold Center suggests that organic farmers can further increase their profits by banding together in cooperatives to market their specialty products.

Farmers marketing organic grains through OFARM, an organized group of organic cooperatives, during 2002 and 2003 appear to have received higher prices, often by substantial margins, for all crops analyzed except oats. This suggests that collective marketing by OFARM cooperatives has positive economic advantages for member farmers.

A cooperative for organic producers

Farmers join cooperatives for two reasons. So-called "brick and mortar" cooperatives allow farmers to further process their products and therefore add value. Their alter ego "bargaining cooperatives" allow farmers to act collectively in pricing products at the farm gate. In the upper Midwest, several smaller bargaining cooperatives have sprung up to market organic grains on behalf of member farmers. The cooperatives have in turn networked through a "marketing agreement in common" to form the Organic Farmers Agency for Relationship Marketing, or OFARM.

OFARM is a legal structure that allows individual cooperatives to act in concert as they price and market products. Because of this, the market power of each individual cooperative is enhanced because buyers are prevented from playing the marketer for one cooperative against that for another.

OFARM's publicity often claims, "By marketing together, we are making a difference." A comparison of prices received by member and non-member farmers indicates that this is indeed the case - OFARM is negotiating higher prices than farmers are able to get when acting alone.

How prices were compared

The analysis for this project required two datasets: OFARM prices received and prices received by non-OFARM farmers, as well as a method of comparing the two sets of prices fairly. Organic grains, unlike their conventional counterparts, do not have established futures markets or long histories of U.S. Department of Agriculture data that have come to be accepted in economic analysis. Furthermore, OFARM occasionally lists "target prices," that is, prices it deems fair for organic farm products. These target prices are sometimes taken to be prices received, but that is not always the case.

"Organic" and "Conventional" Grain and Soybean Prices in the Northern Great Plains and Upper Midwest: 1995 through 2003 by Streff and Dobbs was selected as the baseline data source for comparison. Streff and Dobbs analyzed sources of prices for organic corn, soybeans, wheat and oats and chose a method for estimating annual average prices for each year in their study.

How prices stacked up

For the 2002 crop year, the OFARM price was higher than that reported by

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President's Message

By: Oren Holle

Most of the people who receive this newsletter, like me, are farmers. For us this is a busy time.

There's planting to finish, haying to get done, cultivating to do, summer harvest coming soon, cattle to look after and on and on. Management of our farms occupies all our time. There just doesn't seem to be time to get it all done.

As a member of Kansas Organic Producers, I received two very important phone calls in the past several weeks from our Marketing Coordinator. In 10 minutes or less I found out everything I needed to know right now to make several key marketing decisions. This was information I would not have had the time to research while I was so busy doing the farming.

This is not news for most producers on our regular members mailing list, but we all need to be reminded of how important it is to have someone watching the marketing picture for you.

For those of you who may get this newsletter and are not members of an OFARM member-marketing group this gives me an opportunity to point out the value of group marketing.

The front-page article of this newsletter reports on a valuable piece of research on the value of group/network marketing for organic producers.

Dr. Richard Levins, University of Minnesota's research about OFARM under a grant funded by the Iowa State University Leopold Center for Sustainable Agriculture shows that farmers cooperating and networking together can further increase their

profits.

We have often said that farmers and their cooperatives/ farmer associations are making a difference by network and group marketing. One significant finding in the study is, "A comparison of prices received by member and non-member farmers indicates that this is indeed the case – OFARM is negotiating higher prices than farmers are able to get when acting alone."

The study concludes, "Nonetheless, the general finding of more cooperation leading to higher prices is worth noting by all organic farmers as they contemplate individual versus collective marketing."

As President of OFARM, I have the privilege of participating in our marketing conference calls.

OFARM member organizations have producers in 22 states and Ontario, Canada. It never ceases to amaze me how much valuable information is shared among our marketers. I know that my marketer is well informed.

I have to go for now. There is farming to be done. But while I'm busy farming and producing the crop, my marketer for Kansas Organic Producers, networking with the other OFARM member groups is helping me watch for opportunities to extract more dollars out of the marketplace for what I have to sell.

You can have this benefit too. I invite you to join one of the existing OFARM member organizations listed on the last page of this newsletter so that together we can further the common interest we have as organic producers in continuing to work towards improved profitability.

Leopold study finds benefits to OFARM members

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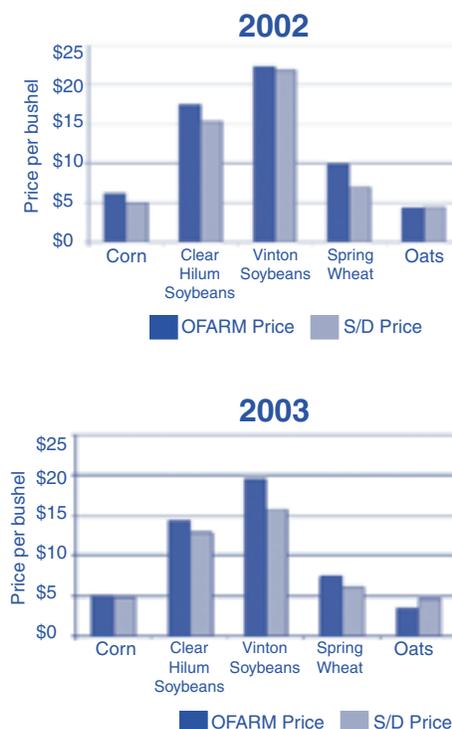
Streff and Dobbs for corn, clear hilum soybeans, Vinton soybeans and spring wheat. The 2002 OFARM oat price was approximately the same as that reported by Streff and Dobbs. The highest premium gained by OFARM was 42 percent for spring wheat.

For the 2003 crop year, the OFARM price was again higher for corn, clear hilum soybeans, Vinton soybeans and spring wheat. The price reported for oats, however, was lower for OFARM participants than that reported by Streff and Dobbs. OFARM price premiums of 24 percent for Vinton soybeans and 22 percent for spring wheat were reported.

When asked about oats, OFARM marketers said that oats were grown by member farmers mostly for satisfying crop rotations and were not of sufficient quality to be marketed aggressively. Nonetheless, the high price reported for non-member oat sales in 2003 is puzzling. Streff and Dobbs report that another price series for organic oats indicated a price of \$3.50 per bushel reported for food grade oats. That number, if accurate, is in line with OFARM performance in 2002 and 2003.

Nonetheless, the general finding of more cooperation leading to higher prices is

worth noting by all organic farmers as they contemplate individual versus collective marketing strategies.



Calculating prices

OFARM prices were obtained from six cooperatives: Kansas Organic Producers Association, Midwest Organic Farmers' Cooperative, Great Lakes Organic, NFOrganics, Organic Farmers of Michigan and Organic Bean and Grain Marketing. Prices were sought for 2002 and 2003 for crops that could be specifically compared to the data collected by Streff and Dobbs: corn, clear hilum soybeans, Vinton soybeans, spring wheat and oats.

The lowest and highest individual sale (that is, the price range) were collected for each of the six cooperatives reporting sales of each grain in each year. To remain consistent with the method used by Streff and Dobbs, the mid-point of the lowest price reported by any of the cooperatives and the highest price reported by any of the cooperatives for each of the crops in each of the years was taken as the annual price. Also for consistency, the OFARM prices collected were gross prices received, that is, marketing commissions paid to OFARM and individual cooperatives were not deducted from the prices used here.

Producer Portrait

Fernholz wins MOSES 2005 Farmer of the Year award

Name: Carmen and Sally Fernholz

Location: A-Frame Farm, Madison, Minn.

Organic producers for more than 30 years

Congratulations to Carmen and Sally Fernholz, A-Frame Farm, of Madison, Minn.! They were chosen to receive the MOSES 2005 Farmer of the Year Award! A-Frame Farm has been organic for over 30 years. The farm has 360 tillable acres where they grow small grains, corn and soybeans. They are currently certified by International Certification Services, Inc. (Farm Verified Organic).

When the farm transitioned to organic management in the 1970s, Carmen realized the value of legumes in crop rotation



Sally & Carmen Fernholz

had been lost since livestock were no longer part of the farming operation. He began to experiment with hairy vetch and some of the medics. Perennial alfalfa has become an important cash crop and provides long-term weed management, especially with Canada thistle. A-Frame also produces a variety of small grains, including, oats, wheat, barley and flax.

Carmen and Sally have been

involved in a number of research projects, some with the University of Minnesota Southwest Research and Outreach Center. A-Frame Farm is enrolled in an 8-year project to

determine more effective management practices for Canada thistle through GPS mapping and biological control with bacteria.

In order to help foster the growth of organic agriculture in the Midwest, Carmen became involved in the Organic Growers and Buyers Association (OBGA), which he chaired from 1984 to 1992. He is vice president of Organic Farmers Agency for Relationship Marketing (OFARM), an organic marketing agency encompassing eight organizations.

A-Frame Farm has been instrumental in the growth of the golden flax market. The University of Minnesota approached Carmen seven years ago to see if he was interested in growing golden flax as an alternative crop. He now grows about 15 acres a year, producing 15,000 pounds. A poultry cooperative in southwest Minnesota committed to sustainable practices uses golden flax as part of the ration.

Carmen is a well-known and respected speaker on organic farming. He has given many talks to farmers interested in transitioning to organic farming at conferences and seminars. He is currently serving on the Board of the Minnesota Institute for Sustainable Agriculture (MISA). Locally, Carmen has been a member of the Lac qui Parle County Resource Commission and has served on numerous local committees.

One of the Carmen's most significant contributions to help organic farmers has been working with the University of Minnesota Southwest Research and Outreach Center in the development of Minnesota Organic Farmers' Information Exchange (MIOFE) *Mentor Hotline*, an innovative network of experienced organic farmers who make themselves available to answer questions from farmers. You can obtain this list from their website, <http://mofie.coafes.umn.edu>.

MOSES salutes Carmen and Sally Fernholz for their years of commitment to organic agriculture and organic farmers.

OFARM Events Calendar

July 8-9 Northern Plains Sustainable Agriculture Society (NPSAS) Annual Summer Symposium and Farm Tour

Near Crookston and Fertile, Minn.

Website: www.npsas.org

Contact: Theresa Podoll, (701) 883-4304 E-mail tpnpsas@drtel.net

Feb. 23-25, 2006 Upper Midwest Organic Farming Conference

LaCrosse Center, LaCrosse, Wis.

Website: www.mosesorganic.org

Contact: (715) 772-3153 E-mail: info@mosesorganic.org

OFARM Member Organizations

Midwest Organic Farmers Co-op (Illinois)

Contact: Randy Jones, (734) 429-9109

E-mail: mofc-randy@verizon.net

Website: www.midwestorganic.com

Organic Farmers of Michigan

Contact: Steve Steely, (810) 672-9345

E-mail: ofmlc@avci.net

Organic Bean and Grain Marketing (Michigan)

Contact: Mark Vollmar, (989) 673-6402

E-mail: mark@orbng.com

Website: www.orbng.com

Buckwheat Growers Association of Minnesota

Contact: Tom Bilek, (218) 631-9212

E-mail: info@buckwheatgrowers.com

Website: www.buckwheatgrowers.com

Great Lakes Organic (Ontario, Canada)

Contact: Roger Rivest, (519) 687-3522

E-mail: greatlakesorganic@on.aibn

Website: www.greatlakesorganic.com

Great Lakes Organic, Petrolia Office

Contact: (519) 882-4526

Website: www.greatlakesorganic.com

Kansas Organic Producers Association

Contact: Earl Wright, (620) 767-7272

E-mail: ebwright@cgtelco.net

Website: www.kansasorganics.com

NFOrganics/National Farmers Organization

Contact: LuAnn Robinson, (515) 292-2000

E-mail: lrobinson@nfo.org or

Tim Ennis, (800) 306-3913

E-mail: tennis@mddc.com

Website: www.nfo.org

Wisconsin Organic Marketing Alliance

Contact: Paulette Bradley, (608) 427-2201

E-mail: mcdonald@mwt.net

Website: <http://organicmarketingalliance.org/index.htm>

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