How does Cooperative Organic Grain Marketing Work?

Organic grain marketing is as different from conventional grain marketing as organic grain production is different from conventional grain production. The nature of sales, quality considerations, required paperwork, shipping distances and requirements, available buyers and more all come into play. Just as with organic production, knowledge and skill in marketing make big differences in successful sales. Successful marketing also informs successful production. Furthermore, marketing organic grain cooperatively can significantly enhance the production and marketing capacities of cooperating organic farmers.

The Character of Cooperative Marketing and Organic Grain Markets

The cooperative form predominant in organic grain marketing is structured to fit the unique character of organic grain markets. Drawing on the 35-year cooperative organic grain marketing history of Central Plains Organic Farmers Association (CPOFA[1]), this article illustrates how cooperative organic grain marketing works. CPOFA was setup as a marketing/bargaining cooperative. This is considerably different than what farmers generally think of as a farm cooperative such as the local grain elevator and farm supply co-op, many of which still dot our rural landscapes. These cooperatives buy and store grain from farmers and sell fertilizer, chemicals and other supplies and services to farmers. The relationship of these co-ops in buying grain from farmers is that of the typical buyer. The local co-op offers the current daily price, and the farmer can take that price or leave it without negotiation.

With a marketing/bargaining cooperative, the relationship between the cooperative and the farmer is much different. The co-op is the marketing and bargaining agent for the farmer; co-op professional agents and staff serve as the marketing arm for member farmers. The operational relationship between the farmer and co-op marketing staff is deeper and more extensive. It requires more frequent and substantive communication between co-op marketing staff (who are called marketers) and member farmers for effective sales outcomes. The key element here is that the co-op marketer, who is hired by the farmer member co-op governing board, works **exclusively** for the co-op member farmers.

In addition, the organic grain market is quite different than conventional grain markets and can be characterized[2] as having fewer buyers and suppliers, and more limited volume of sales, compared to conventional markets. These factors make it more difficult to obtain current, precise sales information, ensure adequate supplies for buyers, reliable sales for suppliers, and workable prices for both buyers and suppliers. Organic markets can also be more volatile due to very large-scale participants or outside influences, such as imports. A key factor for long term success, for both buyers and suppliers in organic grain markets, is building mutually beneficial, long-term relationships based on negotiated sales that take into account the needs of both buyers and suppliers.

Cooperative Operating and Organizational Structures

A marketing/bargaining cooperative generally does not take ownership or possession of members' grain. Members' typically store their organic grain on the farm and retain ownership until the time of shipping. The role of a cooperative is to then represent its members in making sales and providing coordination on the farmer's behalf in completing the sale and getting their grain delivered to the buyer. Cooperative marketers work with individual members to maintain current grain inventory data (both for individual farms and the membership overall), receive grain samples and test for quality, establish production and pricing targets and coordinate grain shipping. In addition to these co-op member services, organic cooperative marketers also maintain ongoing communication with organic grain buyers and processors to stay current with their needs, and to develop a relationship as well as negotiate sales. As the bargaining agent for its members, the cooperative negotiates the sales contract, including price, quantities, quality, delivery periods, and payment terms. A sale is not finalized without the members' explicit authorization, so farmers do not give up control of the sales of their grain. Once a sales contract negotiation is completed, the cooperative coordinates the shipping, quality control, document transfers, and payment settlements associated with the sale. Co-op staff invoices and receives payments from buyers and settles payments with individual producers. The co-op generates its operational funding by assessing a marginal market service fee onto the sale price negotiated with the buyer.

Members, through their board of directors, exercise control over their cooperative by participating in periodic member meetings, reviewing reports, discussing the co-op's marketing activities, asking questions, and electing (and serving on) the cooperative's board of directors. These cooperative governance structures and practices help ensure operational and financial transparency to the farmer members.

Top 10 Benefits of the Organic Cooperative Approach

The cooperative approach is a way for individual farmers to pool information, grain and resources and to plan and organize for more effective marketing outcomes. The top ten key benefits of this approach to marketing organic grain include:

1. Obtaining and using current, high levels of market information to obtain good prices.
2. Using the services of professional marketers and negotiators.
3. Utilizing greater capacity at the co-op level to build and maintain long term relationships with multiple buyers compared to what individuals can achieve.
4. Enhancing the capacity for dependability to meet buyer's needs, based on the loyalty of multiple farm members.
5. Offering individual members access to many other farmers for a variety of production and other information sharing and education.
6. Creating a shared interest in each other's success, strengthening the production and business viability of the members and the co-op.
7. Providing a structure for organizing and contracting large volumes of grain from multiple members, giving access to larger markets that individuals may not be able to obtain, and also pooling less than semi load lots to better serve small and intermediate scale farms.
8. Mitigating the risk of grain buyer default on payments for grain delivery by verifying buyer financial stability, building trusted, long term buyer relationships and being in the marketplace daily.
9. Giving cooperating members market power they could not achieve by acting individually.
10. Allowing members to focus on crop production, knowing that the co-op is focused on marketing and sales.

Cooperative organic grain marketing is a dynamic set of relationships among farmer members, co-op marketers, board members, buyers, grain haulers and all points within a supply web. A well-developed cooperative gives organic farmers greater effectiveness and autonomy in both organic crop production and marketing, creating more resilience in navigating turbulent markets, climate and political economy. Participating in the cooperative approach to marketing organic grain can be quite beneficial for both existing and transitioning organic farmers.

1. CPOFA is a cooperative member of OFARM. OFARM is a Core Partner in MW TOPP and is organized as a family of cooperatives focused on marketing organic grain.

2. "Organic Feed Grains and Livestock: Factors That Influence Outcomes in Thinly Traded Markets"