

# Market Opportunities for Organic Grains and Oilseeds

**Michael A. Mazzocco**  
University of Illinois



© Michael A. Mazzocco

## 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

© Michael A. Mazzocco

## 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


© Michael A. Mazzocco

### Organic vs. Conventional Cash Price Behavior

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


© Michael A. Mazzocco

## Channel Structure



```

graph LR
  Grower --> Consumer
  
```



© Michael A. Mazzocco

## Channel Structure

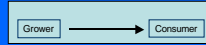


Key Success Factor: Independent action

© Michael A. Mazzocco



## Channel Structure



© Michael A. Mazzocco



## Channel Structure



© Michael A. Mazzocco



## Channel Structure



© Michael A. Mazzocco



## Channel Structure



© Michael A. Mazzocco



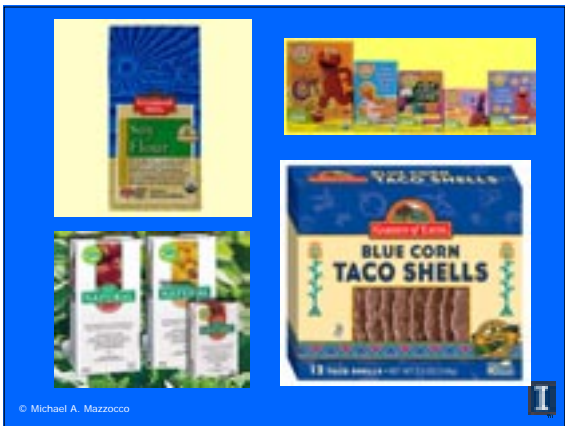
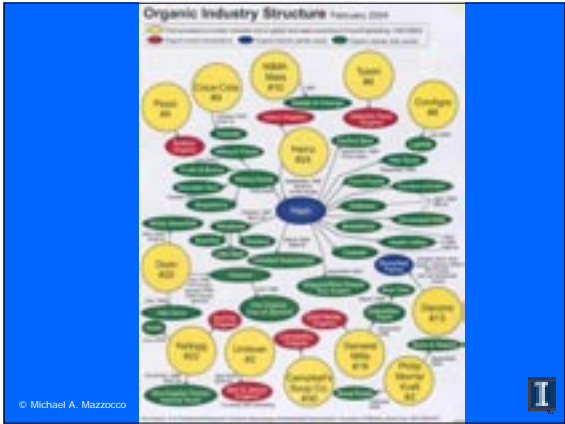
## Channel Structure



© Michael A. Mazzocco



Key Success Factor: Team Player



## Growth in Demand

LOHAS JOURNAL ONLINE

Welcome to LOHAS Journal Online, your source for executive-level news and information about the rapidly growing,

**\$227 billion** [Lifestyles of Health and Sustainability \(LOHAS\) marketplace](#). You can also find information about *LOHAS Journal's FactBook*, *LOHAS Journal Weekly*, the [LOHAS 8 Forum](#): The Business of Conscious Commerce and [market research](#) on the LOHAS market and the LOHAS consumer.

I

- Compound Annual Growth Rate > 21% through 2007, and likely beyond
- 58 percent of households reported buying *something organic* during a one-week period (2002).
- \$31 billion U.S. organic foods market (2003)

I

© Michael A. Mazzocco

## Product Support

© Michael A. Mazzocco



## Product Support

- Launch a new product
  - 12 million lbs. (1 million people at 1 lb./month)
- *How much raw material ?*

© Michael A. Mazzocco



## Product Support

- 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

© Michael A. Mazzocco



## Product Support

- 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

© Michael A. Mazzocco



## Product Support

- 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 !

© Michael A. Mazzocco



© Michael A. Mazzocco



## 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



© Michael A. Mazzocco

## 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

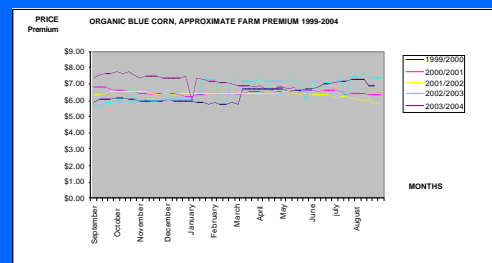


## What's in it for you?

© Michael A. Mazzocco



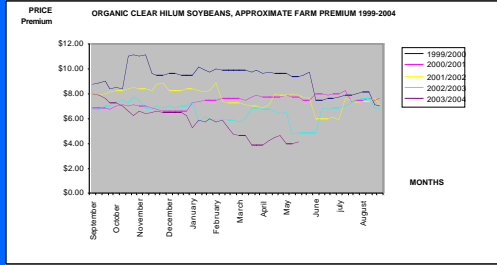
## PRICE PREMIUM = + \$7 Organic Blue Corn



© Michael A. Mazzocco



## PRICE PREMIUM = + \$8 Organic Clear Hilum Soybeans



Thank you !

© Michael A. Mazzocco

## Market Opportunities for Organic Grains and Oilseeds

Michael A. Mazzocco  
University of Illinois



© Michael A. Mazzocco