

Organic Transitioning



From an Economic Viewpoint...

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Farm Management

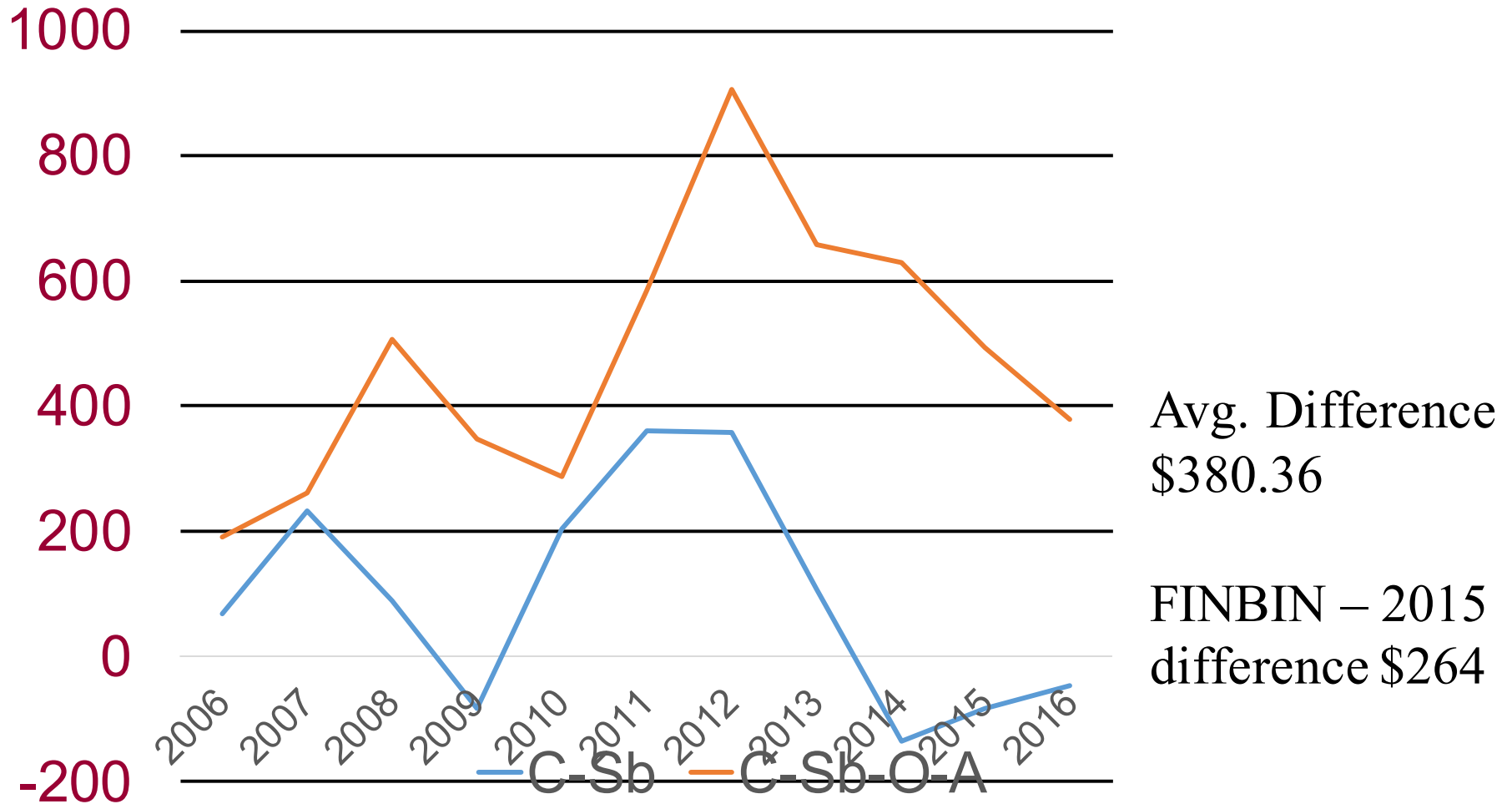
Profitability of Row Crop Systems

- Organic systems offer the classic economic risk/reward opportunity.
- Organic systems, if **managed properly**, are more profitable per acre (on average) than conventional farms in Iowa.
- If your net farm income goal is \$40,000 per year, an Iowa organic farm can reach this goal (on average) with about 200 acres versus 2,000 acres (or more) for the conventional corn-soybean farm.

For 2016

- Conventional agriculture
 - COP corn - \$3.77 per bu.; Oct price \$3.30
 - COP soybeans - \$10.04 per bu.; Oct price \$9.22
- Organic agriculture
 - COP corn - \$3.61; price \$8.75; RetMgt \$848/A
 - COP sb - \$11.58; price \$18.85; RetMgt \$291/A
 - Oats/oat straw/alfalfa – Ret Mgt/A \$142
 - Alfalfa – Ret Mgt/A \$233
 - Average over the rotation – Ret Mgt \$379
- Note that returns are very yield sensitive.

Returns to Management; 2006-2016



So then the main question becomes...

- How to transition - for row crops the following questions related to economics should be answered:
 - What's the optimum rotation and order of crops (which crop to transition first)?
 - Whole farm or field-by-field transition?
 - Weed management techniques; which combination of mechanical field operations?

Economic Transition Questions – cont'd

- Machinery implements; purchase, lease or custom hire for implements not already owned?
- Manure/compost source – should livestock be integrated into the whole farm system, which type, and if not, where should manure be sourced?
- Note: the economic evaluation should be focused on both individual enterprises and the entire farming operation.

Organic Transition Economics

- Step 1: develop a transition production plan...

Example – You inherited a 400-acre farm. It is currently in a corn-soybean rotation. You want to transition into organics.

You decide to transition field-by-field.

Field Plan

For simplicity,

Assume you can divide the 400 acres into 4, 100-acre fields. And you will be producing conventional and transitioning crops on the same farm.

Field Plan

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Year 6
Fld #1	Conv Corn	Conv Sb	Conv Corn	Trans Oats	Trans Alfalfa	Org. Corn
Fld #2	Conv Corn	Conv Sb	Trans Oats	Org Alfalfa	Org. Corn	Org. Soybn
Fld #3	Conv Sb	Trans Oats	Trans Alfalfa	Org. Corn	Org. Soybn	Org. Oats
Field 4	Trans Oats	Trans Alfalfa	Org. Corn	Org. Soybn	Org. Oats	Org. alfalfa

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Field-by-Field Transition

- You have your field plan, but will it be profitable?
- Step 2: To determine profitability, let's shift to a budget-driven decision tool...

Making the Transition from Conventional to Organic Production

Ag Decision Maker -- Iowa State University Extension and Outreach
 For more information see File A1-26, [Making the Transition from Conventional to Organic](#).

Place the cursor over cells with red triangles to read comments.
 Enter your input values in shaded cells.

Farm size (acres)

Crop Rotation Acres	Year 1	Year 2	Year 3	Year 4	Year 5
Conventional Corn	120 ac.	60 ac.	120 ac.	60 ac.	120 ac.
Conventional Soybeans	60 ac.	120 ac.	60 ac.	120 ac.	60 ac.
Transitional Oats	60 ac.	60 ac.	60 ac.	60 ac.	60 ac.
Organic Corn					
Organic Soybeans					
Organic Oats					
Organic/Conventional Alfalfa					
Other					
Total	240	240	240	240	240

Annual Returns by Crop	Conventional Corn	Conventional Soybean	Transitional Oats	Organic Corn	Organic Soybean	Organic Oats	Alfalfa	Other
Receipts	\$675.00	\$437.50	\$430.00	\$1,575.00	\$864.00	\$610.00	\$600.00	\$0.00
Total Costs	\$600.57	\$417.50	\$350.37	\$489.37	\$408.14	\$350.37	\$387.47	\$0.00
Returns over total cost	\$74.43	\$20.00	\$79.63	\$1,085.63	\$527.86	\$259.63	\$212.53	\$0.00
Returns to U.M.	\$310.23	\$255.80	\$319.02	\$1,335.83	\$790.06	\$499.03	\$455.53	\$0.00

Summary ConvCorn ConvSoyb ConvOat OrgC OrgS OrgO Alfalfa Other

Field Plan

- What would your field plan look like?
- Would you go into all small grains or try to start the rotation immediately?
- What changes would need to be made to the budgets for a whole-farm transition?

Whole-Farm Transition

- You can put your assumptions into the decision tool and see what happens...
- Tool is at:
<http://www.extension.iastate.edu/agdm/crops/xls/a1-26organictransition.xls>
- What happened?
 - How profitable?
 - What risks were involved?
 - Which transition made more sense to you?

Transition in Review...

- How to transition - for row crops the following questions related to economics should be answered:
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Transition in Review – cont'd

- Individual enterprise evaluation
 - Develop enterprise budgets for each crop in the rotation (both during and after the transition).
 - Enterprise budgets show where the weaknesses and strengths are of the rotation and where production changes can be made.
- Whole farm evaluation
 - Combine all enterprise budgets including livestock, if applicable, to determine whole-farm profitability.

Questions.....

Any questions or comments?

Thank You for This Opportunity!

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<http://www.extension.iastate.edu/agdm/fieldstaff/cchase.html>