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AN UPDATE ON PRICES OF ORGANIC CROPS IN COMPARISON TO CONVENTIONAL CROPS

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Professor Dobbs first reported organic price premiums for major grain and bean crops of the Northern Plains and Upper Midwest five years ago, in Economics Commentator No. 374. Most recently, we reported organic price premiums in SDSU Econ Pamphlet 2001-1 (June 2001). At that time, we reported ratios of certified organic crop prices to South Dakota prices of the same crops grown conventionally in 1999 and 2000 as follows: (a) 2.32 (1999) and 2.18 (2000) for corn; (b) 3.36 (1999) and 2.93 (2000) for soybeans; (c) slightly under 2.00 in 1999 and slightly over 2.00 in 2000 for spring wheat; and (d) 1.91 (1999) and 1.69 (2000) for oats. Since then, we have compiled one more year of data. The data reported in this article indicate that the ratios of organic prices to conventional prices for all these crops except soybeans declined during the past year.

Data sources

Our data on organic prices come from the **Organic Food Business News** *Commodity Fax Service*, through Hotline Printing and Publishing (Altamonte Springs, Florida). Weekly lows and highs for a wide variety of organic crop products are reported. For each of the grain commodities, prices are reported simply for the US as a whole, and not by State. We have this data for the third week of each month since 1995. For each commodity, the midpoints between the highs and lows in those third weeks were calculated and used for our monthly observations. In this Commentator issue, we compare farm-level organic prices to both South Dakota (SD) and national (U.S.) cash prices for the products of conventionally grown crops. Monthly cash prices are those reported by the USDA's National Agricultural Statistics Service.

Price comparisons

Yearly average organic and conventional prices for corn, soybeans, spring wheat, and oats – and comparisons in the form of ratios – are shown in Table 1. For cases in which organic price quotes were not available every month, the ratio calculations include only the comparable months for the prices of conventionally grown crops. The monthly prices for each crop also are shown in Figures 1 through 4.

Annual averages of both conventional and organic prices began to fall for corn, spring wheat, and oats in 1997. Annual average conventional soybean prices began to fall in 1998, and annual average organic soybean prices started to fall in 1999. Conventional oats prices began to climb in 2000. Average organic prices continued to decline for corn and soybeans through 2001, but they leveled off by then for oats and rose for spring wheat in 2000 and 2001. Conventional soybean prices rose a bit in 2000, but then fell again in 2001. Average annual conventional prices of corn and spring wheat increased slightly in 2001, and conventional oats prices increased substantially.

Organic corn prices have continued to fall every year since their high in 1996 (Table 1 and Figure 1). Conventional corn prices followed a similar trend, but they experienced slight increases in 2001. The ratio of organic to SD cash prices of corn declined from 2.18 in 2000 to 1.82 in 2001. The ratio of organic to conventional U.S. prices declined in a similar fashion, from 1.89 to 1.59.

Organic prices for soybeans have declined since their high in 1998 (Table 1 and Figure 2). However, the ratios of organic to conventional soybean prices continued to climb through 1999. In 2000, average annual conventional soybean prices experienced a slight increase, thereby lowering the ratio of organic to conventional prices below 3.00. In 2001, both organic and conventional soybean prices fell, leaving the ratios about the same as in 2000 (Table 1).

Prices for organic spring wheat have declined since their high in 1996, but they experienced a slight rise in 2001 (Table 1 and Figure 3). Conventional prices for spring wheat followed a similar trend. However, the ratio of average annual organic to conventional wheat prices generally rose through 2000, and then declined slightly in 2001.

Organic prices for oats also have decreased since their high in 1996 (Table 1 and Figure 4). Conventional oats prices also declined, but they rose a bit in 2000 and by substantial amounts (proportionally) in 2001. Consequently, the ratios of organic to conventional oats prices fell in both 2000 and 2001.

Additional comments

As pointed out in previous writings, there actually can be a great deal of variation in the organic prices received by different farmers within any given year. Therefore, readers should be cautious in drawing inferences from the data reported here, based on price ranges and averages.

Two Northern Plains organic grain dealers recently indicated to us that organic soybean prices had softened in 2001 because the Japanese market was not as lucrative. They also noted that the organic oats market started to brighten last year and quoted higher prices than what were reported by the *Commodity Fax Service*. However, overall, they felt that the organic market in 2001 was similar to 2000. They indicated that there is a large organic supply in the world market.

These organic dealers also indicated that they expect demand relative to supply for most organic crops to remain about the same in 2002 as in 2001, so price ratios may remain about the same. However, they do expect organic oats prices to increase slightly, and they already are seeing forward contracts in the $2.50 - $3.00/bushel range. They also indicated that transportation costs for organic crops are increasing, which can affect the *net* prices organic farmers receive.

Table 1. Yearly Comparison of Organic and Conventional Prices

	Prices ($/bu)			Price Ratios**	
Crop Commodity, and Year	Organic-Farm*	Conv-SD Cash	Conv-US Cash	Organic-Farm/ SD Cash	Organic-Farm/ US Cash
Corn, 1995	3.46	2.38	2.56	1.45	1.35
Corn, 1996	5.06	3.49	3.55	1.45	1.43
Corn, 1997	4.50	2.30	2.60	1.96	1.73
Corn, 1998	4.16	1.90	2.21	2.19	1.88
Corn, 1999	3.74	1.61	1.89	2.32	1.98
Corn, 2000	3.51	1.61	1.86	2.18	1.89
Corn, 2001	3.01	1.65	1.89	1.82	1.59
Soybeans, 1995	12.52	5.53	5.85	2.26	2.14
Soybeans, 1996	13.41	6.89	7.23	1.95	1.85
Soybeans, 1997	17.80	7.10	7.40	2.51	2.41
Soybeans, 1998	17.89	5.54	5.92	3.23	3.02
Soybeans, 1999	14.50	4.31	4.57	3.36	3.17
Soybeans, 2000	13.02	4.45	4.73	2.93	2.75
Soybeans, 2001	12.29	4.18	4.43	2.94	2.77
Spring Wheat, 1995	6.09	4.17	3.95	1.46	1.54
Spring Wheat, 1996	7.67	4.92	4.82	1.56	1.59
Spring Wheat, 1997	6.49	3.74	3.75	1.74	1.73
Spring Wheat, 1998	5.69	3.28	3.19	1.73	1.78
Spring Wheat, 1999	5.49	2.86	2.94	1.92	1.87
Spring Wheat, 2000	5.72	2.79	2.82	2.05	2.03
Spring Wheat, 2001	5.75	2.93	2.96	1.96	1.94
Oats, 1995	1.97	1.54	1.46	1.28	1.35
Oats, 1996	3.17	1.95	2.00	1.63	1.59
Oats, 1997	2.96	1.66	1.71	1.78	1.73
Oats, 1998	2.43	1.25	1.33	1.94	1.83
Oats, 1999	2.04	1.07	1.15	1.91	1.77
Oats, 2000	2.00	1.18	1.17	1.69	1.71
Oats, 2001	2.00	1.45	1.42	1.38	1.41

*The organic soybeans refer to Clear Hilum, cleaned.

**Price ratios have 1 as the basis of comparison. For example, 1.45 can be interpreted as 1.45:1

FIGURE 1. CORN PRICES

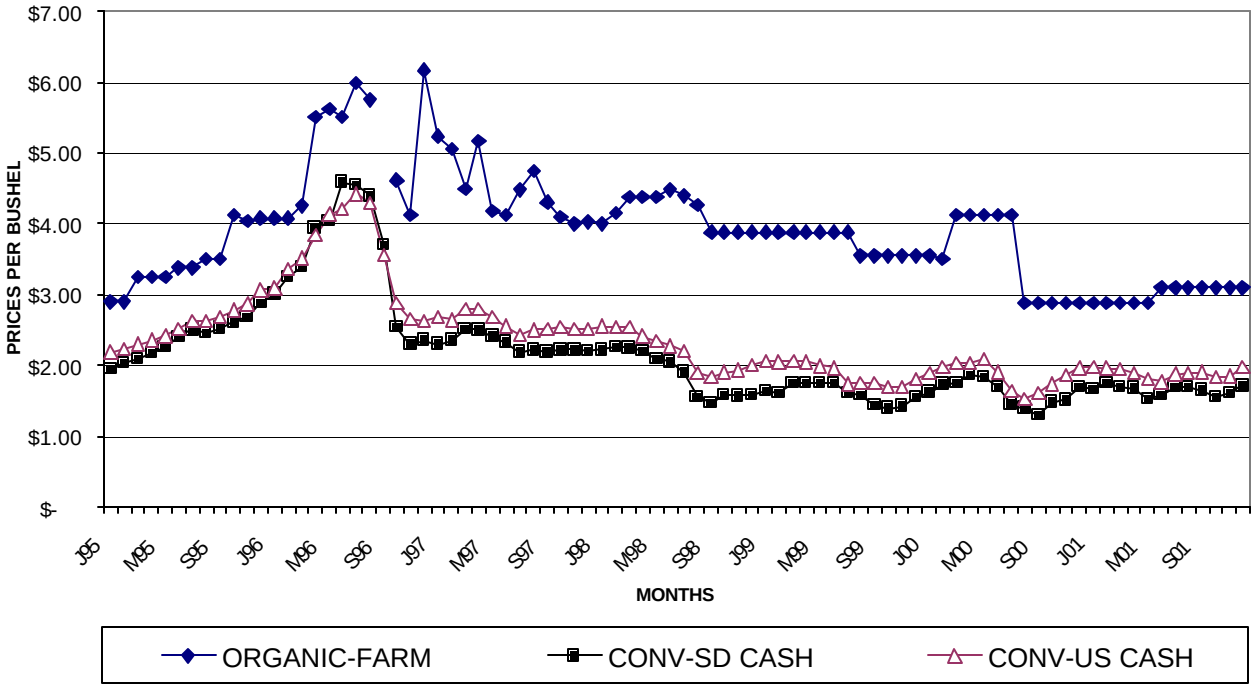


FIGURE 2. SOYBEAN PRICES

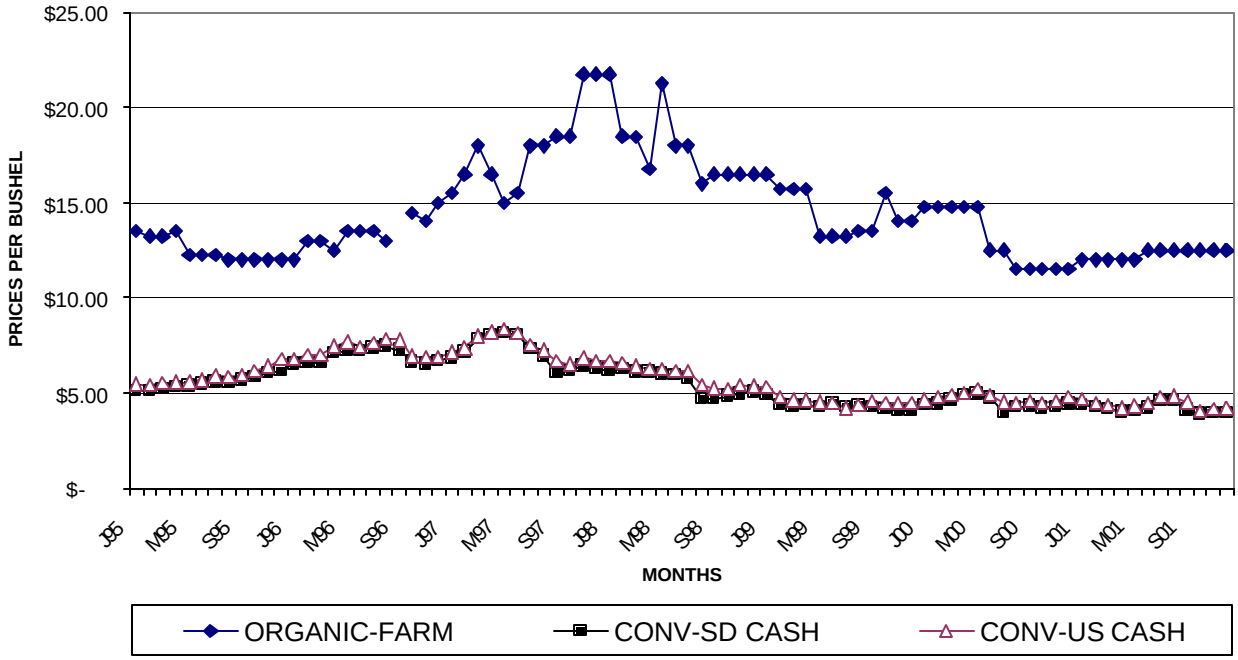


FIGURE 3. SPRING WHEAT PRICES

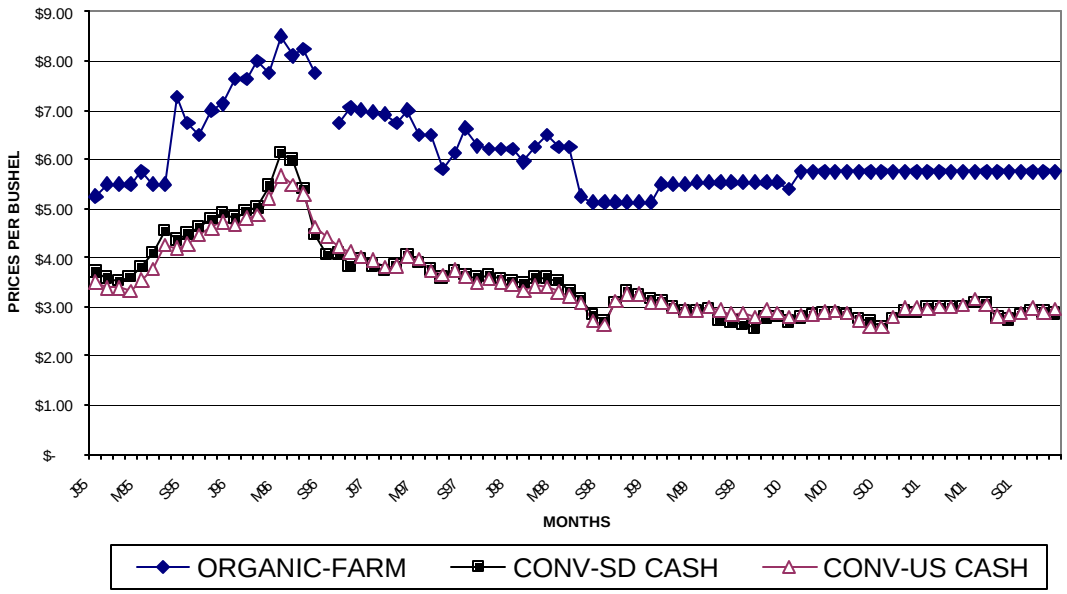
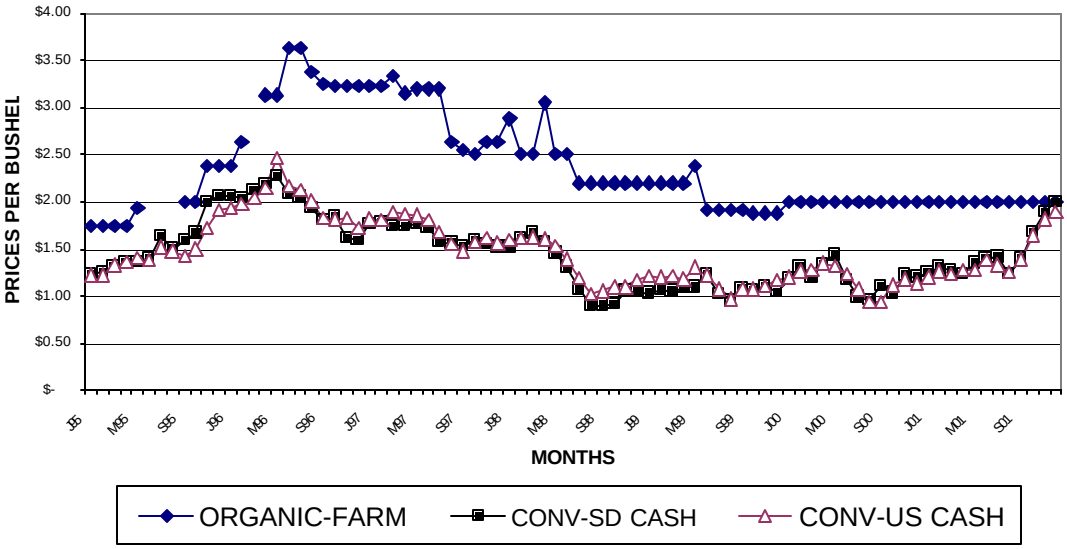


FIGURE 4. OATS PRICES



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