



CASE STUDY

OVERVIEW

Country/Region:

North Dakota, USA

Industry:

Specialty and high-quality grain farming

Customer Profile:

Lee Farms is a family-owned, 1850-acre grain farm in North Dakota. Paul and Diane Overby grow specialty and high-quality crops like peas and high protein wheat. The farm is situated in a market dominated by a single grain buyer looking for economies of scale and catering to big producers with high volumes of commodity grains.

Problem:

Finding a good price for off-grade white wheat

Solution:

Using FarmLead, owner Paul Overby found a buyer for 6,000 bushels within a week

Benefits:

- Found a buyer for two-year-old grain
- Realized profit
- Eliminated storage and handling costs
- Discovered potential new market Canadian livestock farms
- Found alternative to local market buyer

Lee Farms Finds Buyer for Wheat Rejected by North Dakota Mill Using FarmLead

FarmLead helps a small Northern Plains farm family find a buyer for wheat stored for two years.

A Family Farm Adapted to Meet Market Challenges

Lee Farms, owned and operated by Paul and Diane Overby, is a family farm in northern North Dakota that has been in the Overby family for generations, ever since Paul's ancestors emigrated from Norway and homesteaded the land in the 1890s. Paul took over the farm from his parents in 1993, and he and Diane have been running it themselves since then, along with some seasonal help. Historically, the farm produced small grains — wheat, barley, and flax. In order to survive changing global and local market forces, however, the Overbys decided to diversify their 1400 acres of crop production.

The Overbys' local grain market is dominated by a single buyer that has been swallowing up smaller buyers for years. This buyer favors big commodity crops, such as canola, wheat, and soybeans, from large-volume producers who can quickly fill up multiple rail cars. They have a very limited interest in specialty crops.

Added to that, changing health and economic trends have meant that specialty grains such as white wheat, Nexera canola, yellow flax, and field peas can command a premium price.

The Overbys choose their crops carefully to avoid competition with the big commodity farms and sell to niche buyers, to diversify the soil ecology, and to minimize harvest risks from weather and blights. They now grow a mix of specialty and premium crops including barley, specialty canola, flax, field peas, spring wheat, soybeans, and sunflowers. They tried oats in 2017 for the first time, and it worked pretty well.

“Risk Management” Means There are Still Risks

Like many farmers, one of Paul Overby's primary business objectives is to stay profitable. In addition to crop diversification, he manages risk by locking in forward pricing via contracts on his crops. His goal is to have contracts signed by May of each year for at least 40 percent of expected production.

“FarmLead bids come in every day... There are many more options than there were before.”

But even with such safeguards built in, farmers live and die by the weather. In 2014, Lee Farms produced an enormous crop of premium white wheat. Although the yield was outstanding, that autumn the weather was damp and rainy, and by the time the wheat was tested for quality, it had absorbed too much moisture. The whole crop was rejected because of “low falling numbers” (making it unsuitable for milling) by the North Dakota Mill, the mill they had normally contracted with.

With 8,000 bushels of white wheat on his hands, Paul started looking for a market. Going through the large-volume grain buyer in his local market was not an option. And with the specialty markets, Paul says, “they take [your crops] if they fit their specs, and if they don’t, you’re on your own.”

Knowing that in Canada livestock were sometimes fed with wheat, Paul thought he might find US buyers who did likewise. He contacted numerous dairies and feedlots, and put ads in the newspapers, all of which resulted in a grand total of one “low-ball” offer. The Overbys ended up storing their wheat for the next two years, waiting for a better price.

Problems with Storing Grain Long-Term

Farmers routinely store grain while waiting for favorable market conditions, but storing any grain for long periods has its downside: quality can deteriorate if the grain is left sitting around for too long; it ties up costly storage bins that are needed for other purposes; and of course there’s the

cost of interest lost on money that could have been in the bank.

Other things can go wrong, too — in the Overbys’ case, one of their bins developed a leak, and some of the wheat was damaged and had to be discarded. Paul points out that stored grain has to be handled periodically to keep it in prime condition, adding to the cost of storage. “If it goes out of condition, then you really have a problem.”

Looking for Leads

Paul stays on top of market trends by reading daily email bulletins, following the traditional media, and subscribing to regional farming journals. Located in the northern part of North Dakota, Lee Farms is only forty miles from the Canadian border, so Paul also reads several Canadian agricultural journals. It was in one of those journals that he saw an article on FarmLead. He immediately saw the potential benefits and decided to give it a try.

Right away, Paul saw bids from Canadians looking for feed wheat. In less than a week, after negotiations with two bidders, he made a deal to sell 6,000 bushels (testing revealed that 2,000 bushels had vomitoxin levels of 3.5, which was too high for the buyer’s needs.*) Paul is quick to point out he was a motivated seller: “I wasn’t about to nickel and dime them. The bid I was getting was better than anything I’d even come close to.” The buyer was willing to arrange transportation, and once the deal was done, Paul says the sale happened “almost faster than I could manage!”

If he had not stumbled upon FarmLead, Paul says, he would probably still be sitting on that white wheat. “That particular commodity — at that time, there was no one who wanted it, there was nowhere for me to go to post it. I bought the ads in the print publications...but [got] very few bids. Prior to FarmLead, I had no idea how to get hold of other buyers.”

The advantage of using FarmLead is that it puts you in touch with multiple interested buyers in real time. “Time is money,” says Paul. “You can find a highly motivated buyer quickly.” And there are expanded market opportunities. For example, “if an elevator is trying to fill a train and they’re 10,000 bushels short, they’re going to pop their bid for two, three, or four days until they get that grain in. Having that type of information...there’s an opportunity to look around for someone who might be needing something.”

Looking Ahead

Today, the Overbys have a crop of uncontracted field peas waiting for the right buyer. Paul is once again using FarmLead to help him find a buyer quickly — when an email comes in with a potential match, he can instantly check on the location of the buyer and calculate haulage or freight costs to see if it’s a profitable deal and get the best possible price for the crop. He is also looking to use FarmLead to sell some uncontracted barley. “FarmLead bids come in every day,” he says. “So there are many more options than there were before. I also know though that my grain should be listed and shown to FarmLead’s buyers — in case they’re short and I can get a sweet deal. ”

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** Some sellers have successfully used FarmLead to sell high-vomitoxin grain to be blended into chicken and hog feed, since they are able to tolerate it better than cattle. In the past, that grain would have had to be burned and buried in the back forty.*