

ORGANIC DAIRY MARKET NEWS
Information gathered December 3 - 14, 2018

ORGANIC DAIRY FLUID OVERVIEW

2018 Farm Bill. Congress passed the \$867 billion bill after the House of Representatives overwhelmingly approved the bill. The bill consists of permanent and mandatory funding for organic research, improvements to the organic certification process, and supports farmers wanting to transition to organic food production, and addresses the organic data initiative. Factors that challenge producers, such as income support and trade difficulties are also provided for in the new farm bill.

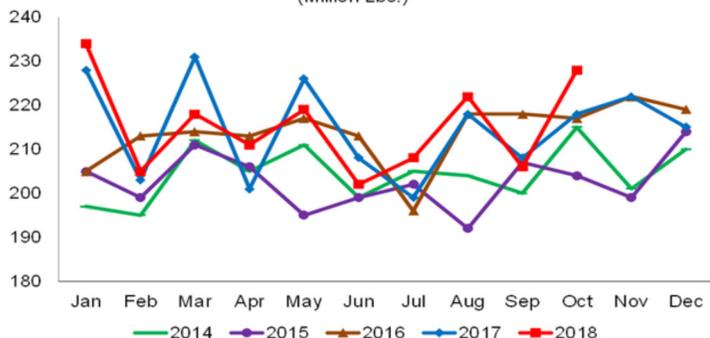
Organic Milk Product Sales. The Agricultural Market Service (AMS) reports total organic milk products sales, for October 2018 were 228 million pounds, up 4.7 percent from October 2017 and up 0.7 percent, January-October this year, compared with the same period in 2017. Total organic whole milk sales for October 2018, 93 million pounds were up 7.1 percent compared with October last year and up 4.9 percent compared with the same period in 2017.

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS, October 2018, WITH COMPARISONS¹

| Product Name | Sales | | Change ² / Prev Yr. Y-T-D | |
|------------------------------------|-----------------|---------------|---|------------------|
| | October Mil. | Y-T-D Lbs. | Prev Yr. | Y-T-D Percent |
| ORGANIC PRODUCTION PRACTICE | | | | |
| Whole Milk | 93 | 874 | 7.1 | 4.9 |
| Reduced Fat Milk (2%) | 74 | 687 | 12.9 | 4.9 |
| Low Fat Milk (1%) | 33 | 316 | 1.1 | -2.5 |
| Fat-Free Milk (Skim) | 19 | 192 | -9.1 | -14.9 |
| Flavored Fat-Reduced Milk | 9 | 87 | -22.8 | -14.0 |
| Other Fluid Milk Products | 0 | 0 | -8.2 | -70.7 |
| Total Fat-Reduced Milk 3/ | 135 | 1,282 | 3.2 | -1.8 |
| Tot. Organic Milk Products | 228 | 2,156 | 4.7 | 0.7 |

¹These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which account for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data.² Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis. ³ Organic fat-reduced milk categories are total of reduced fat, low-fat, skim, and flavored fat reduced milk composition.

Estimated Total U.S. Sales of Organic Fluid Milk Products (Million Lbs.)

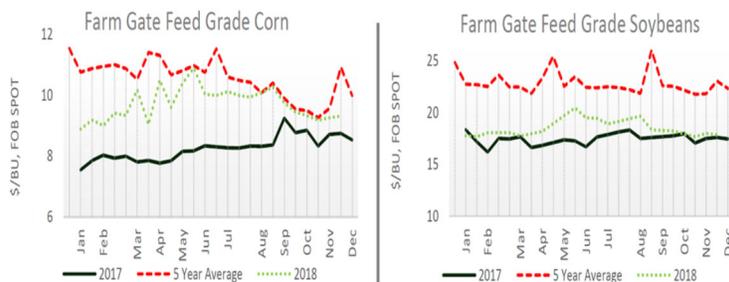


Organic Milk Cutback. A Northeast processor of grass-fed organic milk will implement cuts to its organic milk supply channels as downward price pressure challenges the marketing of organic milk. The rationale for the cutback comprises the level of surplus grass-fed organic milk held, freight costs, and the price premium associated with grass-fed organic milk. Unfortunately, the move will have significant impact on affected organic dairy farms in the area, as milk producers have been notified.

ORGANIC GRAIN FEEDSTUFF OVERVIEW

Organic Grain and Feed Market Trend. Trade activity and demand for feed grade corn and soybeans fair as f.o.b. sales rose 6 cents higher. The volume of cash sales is slightly below the previous report period. Feed grade soybeans traded 13 cents lower. Bids were mostly steady. Feed grade wheat offers range 8.00 to 9.00, delivered.

Cash bids for feed grade oats, barley, and rye remain steady on minimal trade activity. Soybean meal trades were limited, as prices remain steady.



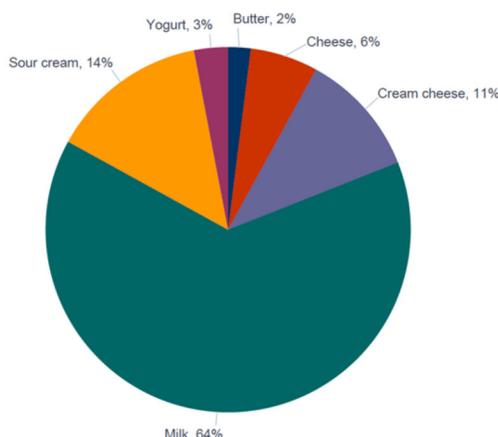
| Organic Grain | | | | | |
|-----------------|----------------|-----------|-------------|---------|---------------|
| Commodity | Specifications | Units | Price Range | | Average Price |
| Yellow Corn | Feed Grade #2 | \$/bushel | 8.70 | - 10.00 | 9.32 |
| | Food Grade #2 | \$/bushel | NA | - NA | NA |
| Yellow Soybeans | Feed Grade #1 | \$/bushel | 16.65 | - 19.00 | 17.87 |
| | Food Grade #1 | \$/bushel | NA | - NA | NA |

ORGANIC DAIRY RETAIL OVERVIEW

This week, total organic retail advertisements grew 12 percent, as organic milk, half gallon packaging, increased 36 percent compared to the previous survey period. Organic butter posted the largest drop in ads, 71 percent, as prices rose 11 percent, 60 cents, for the 1-pound pack size. The spread between organic and conventional half gallon milk, an organic premium of \$0.94, dipped 44 cents compared to the previous retail survey.

As a percentage of total ads by commodity, organic milk preceded all organic dairy commodities while displaying 64 percent of overall organic dairy ads. Seasonal favorites, sour cream and cream cheese, trailed at 14 and 11 percent, respectively. The pie chart below displays percentages of all organic dairy commodities detailed in the ad survey.

Percentage of Total Organic Ads by Commodity



Data source: USDA Dairy Market News

Complete results of this bi-weekly survey providing additional graphs, tables, can be accessed at: <https://www.ams.usda.gov/mnreports/dybdairyorganic.pdf>. Advertising information presented is compiled from nearly 23,000 surveyed newspaper supermarket ads. Prices are valid from December 14-20, 2018. Retail survey ads reflect "advertised specials" and not the range of non-advertised supermarket cooler prices.

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Product pricing information of selected organic dairy commodities, from the current weekly retail survey, is presented in the following table:

**NATIONAL RETAIL ORGANIC DAIRY
WEIGHTED AVERAGE ADVERTISED PRICE
(Dollars)**

| Commodity | This <u>Week</u> | Last <u>Week</u> | Last <u>Year</u> |
|----------------|---------------------|---------------------|---------------------|
| Butter | 5.99 | 5.39 | 4.75 |
| Milk | | | |
| Half Gal. | 3.76 | 3.71 | 3.87 |
| Gal. | 3.99 | 4.80 | 6.29 |
| 8 oz. | 1.25 | n.a. | 1.09 |
| Yogurt | | | |
| 4-6 oz. Greek | n.a. | n.a. | n.a |
| 32 oz. Greek | n.a. | n.a. | n.a |
| 4-6 oz. Yogurt | n.a. | 1.00 | 1.09 |
| 32 oz. Yogurt | 3.99 | 4.23 | 2.50 |

Complete results of the "National Retail Report-Dairy" and "Weekly National Organic Summary" are accessible using the following links:

1 <https://www.ams.usda.gov/mnreports/dybretail.pdf>

2 <https://www.ams.usda.gov/mnreports/lswnos.pdf>