Organic Milk Pay, Retail and Feed Prices:

November 2018

USDA Agricultural Marketing Services (AMS) reports that retail sales of organic milk during August 2018 were 222 million pounds, up 2.1 percent from August 2017 and up 0.5 percent, January-August 2018, compared with the same period of 2017. Sales of organic whole milk continue to increase with retail sales for August 2018 of 90 million pounds climbing 4.1 per cent from August 2017 and rising 5.1 percent compared to 2017, year to date. See attached charts.

In the Federal Milk Marketing Order 1(FMMO 1), the report for August 2018 shows utilization of organic whole milk is slightly down compared to August 2017 (14,637,868 lbs. compared to 15,092,215 lbs. – a 4% drop), but for September 2018 utilization was up 2% over September 2017 (14,800,366 lbs. compared to 14,591,7930 lbs.). For organic non-fat the FMMO 1 shows there is marginal increase of only 1% for September 2018 (20,073,319 lbs. compared to 20,004,688 lbs.) and a less than 1% decrease for October 2018 (18,463,891 lbs. compared to 18,563,822 lbs.). This utilization data show level consumption in one of the prime organic markets in the USA.

With CROPP making decisions on their 2019 pay price at this time of year, there are reports that they will be conservative moving forward. CROPP is ready to launch their Grassfed Verification program and 2019 will be the pilot year. They will be promoting the program to certifiers to increase access for producers. Danone NA has consolidated its US operations and is cutting some contracts in the Northeast but apparently, even more in the West, and reports on its new contracts do not show any movement on pay price. Danone NA does report that it is starting to look for increased supply in the Northeast and it does admit that its 20 page contract is probably overkill!

As organic dairy looks to re-establish its position in the dairy aisle it continues to have to contend with non-bovine milks and dairy products that are growing at rates reminiscent of organic dairy growth in 2002-2006. Danone is the largest yogurt producer in the U.S. with about 34% of the market across its portfolio of brands, compared to Chobani at 17.5% and Yoplait at 16.5%, according to recent IRI data. Danone North America is putting resources into dairy-free alternatives after their purchase of WhiteWave. In the opinion of Mariano Lozano, chief executive of Danone North America, this trend will continue to command more shelf space in the yogurt aisle with plant-based products now comprising just 2 percent of yogurt sales. Lozano notes plant based products are growing at a rate of 55 percent per year. Lozano said the company is focused on expanding innovation within probiotic, premium, low-sugar and organic options. “The yogurt offering in stores is growing, and we believe evolving consumer choice is fueling the need to continue to innovate,” Lozano said. Last week, 301 Inc., the venture-capital arm of General Mills, led a $40 million investment round in Kite Hill, a food company that makes plant-based dairy alternatives, including yogurt, citing this “incredible untapped potential in the market.” While Danone, Chobani and others in the yogurt space continue to see growth, General Mills, the owner of Yoplait, is struggling. During its most recent quarter, sales slipped 2%, and while this is an improvement from the 5% decline the business saw last quarter, its lackluster performance reflects growing competition from powerful newcomers. General Mills' French-style Yoplait yogurt called "Oui," which was meant to counter authentic, international-inspired brands such as Chobani and Siggi's (owned by Lactallis, parent company of Stonyfield), has yet to see any growth.

The Jacobsen NON-GMO & Organic Weekly Bulletin reports Organic corn prices increased slightly as producer who need product in late October and early November paid up to nearly $9.50 per bushel. Several merchandisers believe once the harvest comes on board, there will be enough product available to keep the balance of early 2019 near the $9.25 bushel level. Farmers still need to get into the fields and the cold weather is slowing the drainage process. Imports of organic corn picked up and imports of organic crack corn have also weighed on prices.

Organic soybean prices have remained steady, bid at $18 and offers near $18.75. Prices have been depressed by cheap organic bean meal imports that have weighed on whole bean prices. The question of whether Chinese buyers will begin to purchase Indian soybean meal directly, due to US tariffs on US soybeans could alter the organic soybean landscape. If Chinese buyers begin to pick off cheap Indian soybean meal, it will no longer be cheap. With no end in sight to the US / China trade standoff, these outcome appears to be more likely. For the moment, domestic prices for organic bean meal are down to $800 per ton. Imports are trading as low as $775. Organic bean oil is now seen at $0.43 per pound.

Organic feed wheat prices are shifting slightly lower as organic corn dips. Feed wheat is seen at $7.75 with offers coming in near $8.00 at the farm.

NON-GMO soybean prices have remained stable for new-crop at $1.25 to $1.50 over conventional. Non-GMO soybean meal is approximately $145/$150 per ton over conventional.