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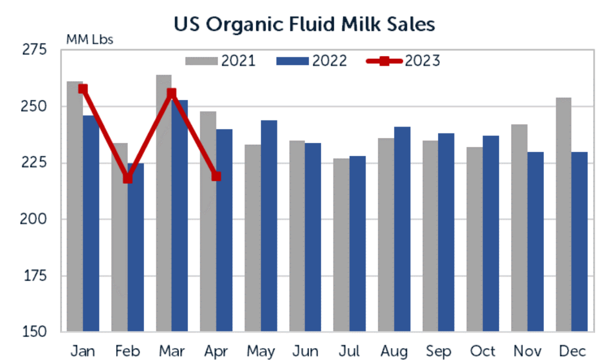
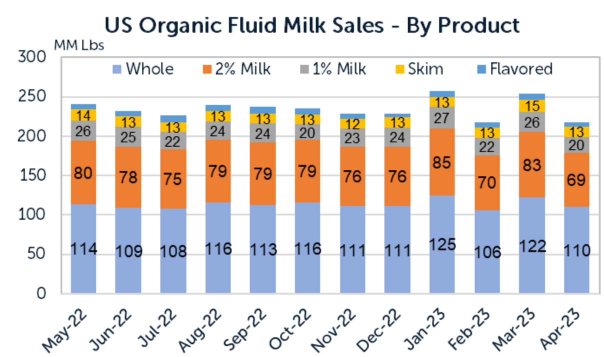
# Organic Dairy Market Report Q2 2023

## Organic Fluid Milk Sales

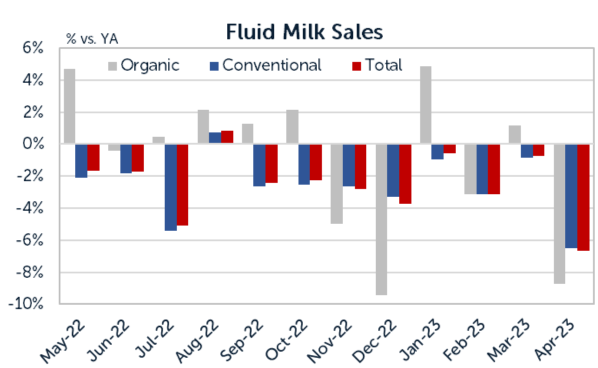
Fluid milk sales in April were sharply lower with total sales down 6.7% vs. year ago with organic down 8.8% and conventional milk down 6.5%. Losses were seen in all fat levels with whole milk down 3.5%, 2% down 12.7%, and 1% down 16.7% (total reduced fat milks were down 12.9% vs. YA). There is likely some impact from the early Easter and Passover holidays compared to 2022. However, the total volume of organic milk sales in February and April were the 2 lowest months in the last 3 years. Contacts note sales have slowed at retail with some consumers shifting from gallons to half-gallons and others moving to "organic lite" milks – non-GMO, pasture-raised/grass fed, A2, etc.

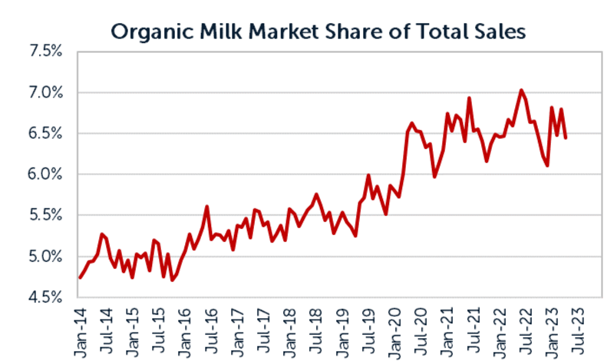
As noted in last quarter's report, layoffs and job losses at tech companies and other white-collar jobs have impacted premium brands and stores more than prior economic downturns. These consumers are generally considered recession-proof, but they have pulled back on spending this year. Views are mixed on the economy in the second half of the year with some economists and analysts predicting a recession while others believe the worst has passed and the economy will improve into 2024. Consumer confidence slipped in May, which could indicate softer demand ahead. The end of enhanced food stamp/SNAP benefits is also mentioned as a factor in lower dairy and retail grocery sales.




Organic fluid milk sales in Q1 totaled 693 million lbs., down 4.3% from Q1 2022, mainly from lower sales in February. Whole milk sales gained 1.5%, continuing the growth trend seen over the last few years, while reduced-fat milks lost volume once again. Sales of 2% milk in Q1 were down 9.8% vs. last year with 1% down 10.5% and skim/fat-free down 8.9%. The weakness in sales relative to the total milk category pushed the organic market share down to 6.4% in April, the lowest since December.



## US Organic Dairy Prices

There is little new to report on organic dairy prices as they are mostly unchanged from last quarter. While farm margins have been challenging, the drop in demand for some products has kept the market close to in balance. There are the normal seasonal patterns of higher supplies during the flush and lower demand which is also keeping prices in check. The weather will have a big impact on organic feed prices for later this year and into 2024, and this will also drive the direction of organic dairy prices.

### Fluid Milk

- Milk supplies have loosened up with more spot milk in areas; class 1 demand is noted as lower across the country
- Prices are generally holding in the low-mid $30's

### Cream and Butter

- Cream demand is increasing as ice cream season begins. Supplies are tight as they have been over recent years and prices are in the low-mid $4.00's.

### Milk Powders

- NFDM is holding at or above $3.00/lb. with top quality product at $3.25+.
- WMP prices are holding in the upper $3.00's.

### Whey Products

- WPI and WPC 80 prices are holding firm; prices for conventional product have edged higher in the last month on a solid rebound in demand
- Lactose continues to be tight

### Cheese

- Cheese demand continues to be positive for both retail and ingredient sales

**Organic Dairy Prices - Indicative Pricing**

| | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 |
|---|---|---|---|---|---|---|---|---|
| **Fluid Milk (@ 12.2% TS)** | | | | | | | | |
| - $/lb total solids | | | | | | | | |
| - West - farm ($/cwt) | | | | | | | | |
| - Central - farm ($/cwt) | | | | | | | | |
| - East - farm ($/cwt) | | | | | | | | |
| **Cream** | | | | | | | | |
| **Milk Powders ($/lb)** | | | | | | | | |
| NFDM | | | | | | | | |
| WMP | | | | | | | | |
| MPC 85 | | | | | | | | |
| MPI | | | | | | | | |
| **Whey Products ($/lb)** | | | | | | | | |
| Dry Whey | | | | | | | | |
| Lactose (IF grade) | | | | | | | | |
| WPC 80 | | | | | | | | |
| WPI | | | | | | | | |
| **Butter ($/lb)** | | | | | | | | |
| **Cheese ($/lb)** | | | | | | | | |

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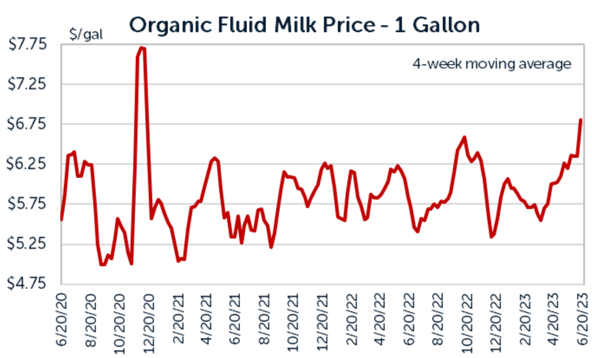
## Organic Retail Dairy Product Prices

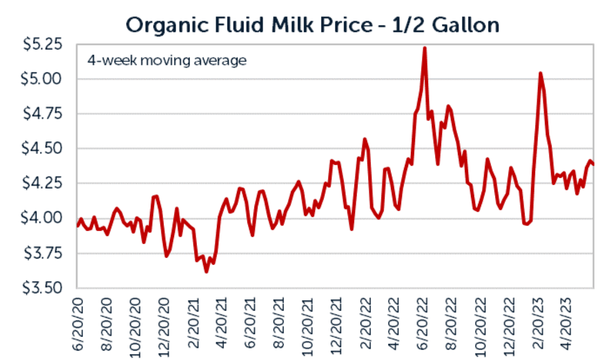
After moving lower in Q1, retail prices for organic milk have rebounded in Q2 with gallons selling for up to $6.99 in May and June, near the highs seen over the last 5 years. Prices were higher for gallons in April, which likely explains some of the sales decline. Prices for half-gallons have been more stable averaging around $4.25 over the last 2 months. Contacts point to some consumers shifting down from gallons to half-gallons given less money to spend on food.

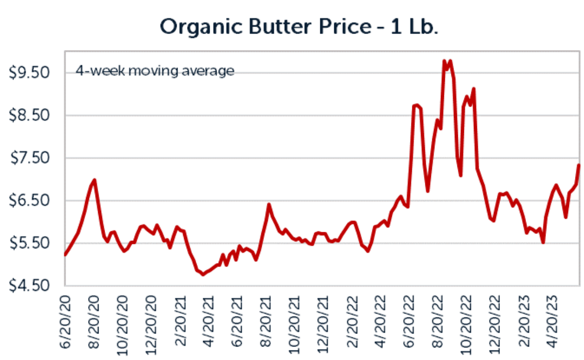
According to USDA's Organic Dairy Market News on June 2, the half gallon container posted the most ads in the organic milk category, although ads declined 9% from the previous survey. The weighted average advertised price of $4.48 was up from the prior week's $4.18 weighted average price. The difference in the organic half gallon milk weighted average advertised price against the conventional half gallon weighted average advertised price was an organic premium of $2.80.

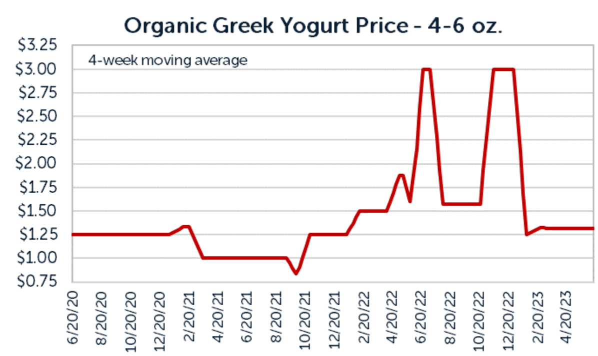
Like organic milk, organic butter prices were lower in Q1, but moved higher in Q2. Factoring out weeks with no reported prices, organic butter averaged $6.00/lb. in Q1 and $6.72 in Q2. The highest weekly price was $8.53 in late May.

The most recent data point for organic Greek yogurt was $1.32 in February. Given the lack of recent price data, there are no graphs for cheese.



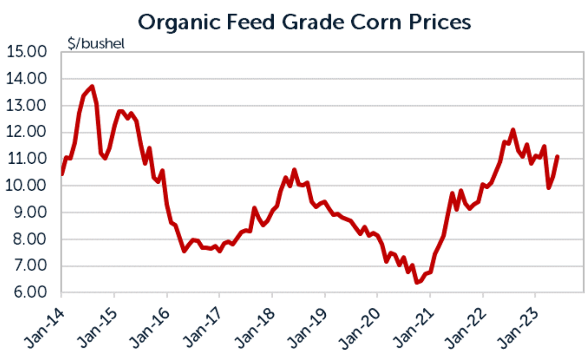



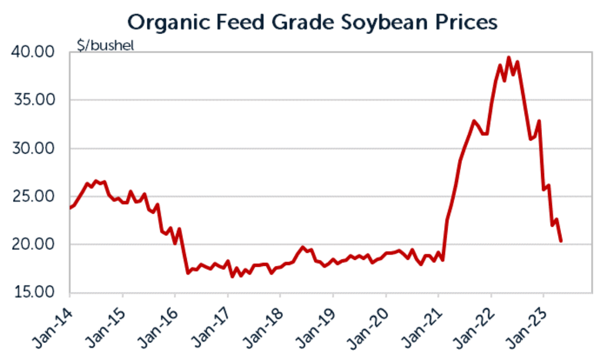



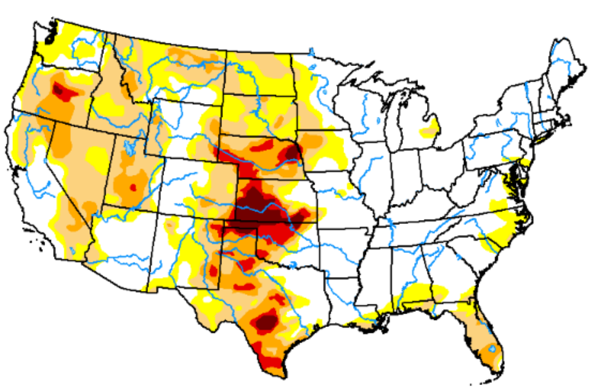
## Organic Feed Prices – USDA Organic Grain & Feedstuffs Report

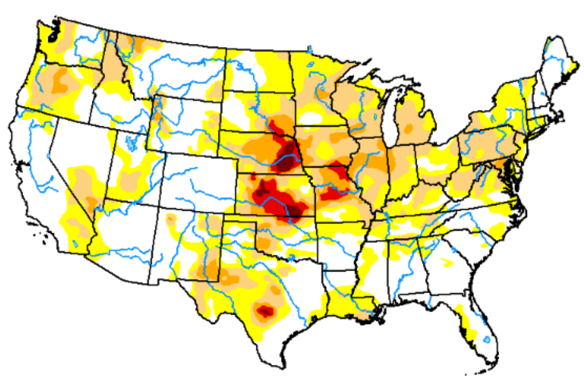
Prices for organic feed are mixed with corn prices moving up in the last 2 months after dipping under $10.00/bushel in April. However, feed grade soybean prices have fallen sharply over the last year losing nearly 50% vs. May 2022. According to the latest USDA Organic Dairy Market News as of June 15, trade activity is very slow on light buyer demand. Market uncertainty has growers and buyers struggling to agree on new crop price levels. There are limited buyers that are actively seeking organic grain at current spot cash prices. As well, producers are holding back on their offerings for stronger bids. Very few forward contracts are being procured. As such, market activity is too sparse, at this point, for an accurate trend. The graphs below show organic corn and soybean prices FOB Iowa. Delivered prices to farms are higher as they include freight.




While drought conditions have disappeared from California, they have been serious in the Central Plains over the winter and spring. Rains in the last 1-2 months have alleviated dry conditions in west Texas, and to a lesser extent, in Kansas. However, since early-mid May, the Corn Belt (Midwest) has been abnormally dry with more serious drought conditions spreading from Nebraska across to the Northeast. The 2 maps below show the US Drought Monitor on March 21 (left) and June 20 (right) noting the emergence of drought conditions across the Midwest, Mideast, and Northeast regions.





## USDA Offers Assistance to Help Organic Dairy Producers Cover Increased Costs

The US Department of Agriculture through the Organic Dairy Marketing Assistance Program will make available to qualified producers a one-time payment to cover at least 75% of a farms' projected marketing costs. Further, the program provides support for organic dairy farmers to meet the challenges of increased feed prices and other production costs. Producers must certify to pounds of 2022 milk production and have obtained a USDA organic certification. Applications are being accepted through July 26, 2023.

## European Organic Milk Prices

Prices for organic and conventional milk are falling in Europe. A large Dutch organic milk processor announced the June 2023 guaranteed pay price to member dairy farmers is 56.00 EUR/100kg ($59.95 USD), down from 56.25 EUR/100kg last month. The guaranteed organic price applies to 100kg of milk with standard contents protein (3.58%), fat (4.45%) and lactose (4.54%). The amounts apply to an average supply of 550,000 kg of milk annually. This compares to conventional prices in the low-mid 40's (EUR/100 kg of milk).

March 2023 European organic milk average pay prices declined in Germany, Bavaria, and France when compared to February average pay prices. Additional information is shown in the table below.

**Organic Milk Pay Prices in Europe**
**March 2023**

| | Euros/100L | *($USD/100L) | % Change Nov. 2022 | % Change Dec. 2021 |
|---|---|---|---|---|
| Germany | 60.60 | $65.50 | - 1.85 | + 12.31 |
| Bavaria | 60.73 | $65.64 | - 1.54 | + 12.69 |
| France | 48.15 | $52.04 | - 3.48 | + 6.11 |

*Results are based on the May 19, 2023, exchange rate.

## Organic Industry News

Organic food sales reach past $60B
Supermarket News, May 18, 2023

Organic food sales in the U.S. in 2022 broke through $60 billion for the first time, hitting another high-level mark for the resilient organic sector, according to the Organic Trade Association. Total organic sales—including organic non-food products—reached a record $67.6 billion, according to the 2023 Organic Industry Survey released May 17. Organic food sales totaled $61.7 billion last year, while the value of organic non-food sales hit nearly $6 billion. The sector's 4% sales growth was nearly twice the pace of growth in 2021. Between 2013 and 2022, the organic market increased $32.9 billion, nearly 95%. Certified organic now accounts for 6% of total food sales in the U.S.

This growth came despite challenging headwinds, such as inflation pressures; pandemic-related supply-chain disruptions; global political events; and an acute labor shortage affecting organic producers. Inflation heated up costs across both organic and conventional supply chains, boosting prices in grocery aisles. As a result, the organic sector reflected the overall food sector, with the value of organic sales rising even as sales volume growth slowed in some categories.

"Organic has proven it can withstand short-term economic storms. Despite the fluctuation of any given moment, Americans are still investing in their personal health, and, with increasing interest, in the environment, and organic is the answer," Organic Trade Association CEO Tom Chapman said. "Organic's fundamental values remain strong, and consumers have demonstrated they will come back time and again because the organic system is verified, and better for people, the planet and the economy."

Produce still leads organic sales

Organic produce, often the entry point for new organic buyers, easily held its position as the top seller of all organic categories. Sales of organic produce totaled $22 billion, accounting for 15% of all fruit and vegetable sales in this country.

Organic beverages were the second-best-selling organic category, reporting $9 billion in sales in 2022, up 4%. Organic coffee maintained its position as the highest selling organic beverage with close to $2.3 billion in sales, up almost 7% from the year before. Organic soft drinks and enhanced drinks broke reached sales of $503 million—robust growth of almost 14%.

"Organic beverages continue to climb. They're an area where shoppers are willing to experiment and are less price sensitive," said Angela Jagiello, director of education and insights for OTA and coordinator of the annual survey. "Soft and enhanced drinks had a great year, with the non-alcoholic trend being a big contributing factor. Many younger shoppers are reducing or eliminating alcohol, and these organic beverages are a celebratory and sophisticated alternative."

Dairy and eggs took third place with sales of $7.9 billion, up more than 7% from 2021. Organic dairy and eggs now constitute nearly 8% of the total dairy and egg market. Continued demand and inflationary price increases helped boost the dollar sales in that category: Organic yogurt sales increased more than 12% to $1.5 billion, and organic egg sales rose 11% to around $1.2 billion.

While the growth of organic sales has predictably slowed from the barnburner rates during the pandemic, a wide and diverse smattering of organic products showed strong sales increases as consumers bring organic more fully into their lives:

- Organic baby food and formula rose nearly 13% to $1.4 billion
- Organic rice, grains and potato products increased more than 10% to $387 million
- Organic dips grew 18% to $194 million
- Organic pork went up more than 10% to $63 million

In the organic non-food category, sales of organic linens and clothing accounted for some 40% of sales, recording $2.4 billion for a gain of 2.5%. Organic supplement sales held steady with sales of around $2 billion, while organic personal care products rose over 5% to $1.2 billion.

<u>USDA considering cracking down on 'animal-raising' claims</u>
Food Business News – June 16, 2023

The US Department of Agriculture (USDA) is launching a multi-step effort to strengthen standards used to substantiate animal-raising claims such as "raised without antibiotics," "grass-fed" and "free-range," among others. The Food Safety and Inspection Service (FSIS) of the USDA has received petitions, comments and letters asking the agency to reevaluate its oversight of how animal-raising claims are substantiated.

The FSIS most recently updated its guideline on "grass-fed" and "free-range" claims in 2019. The spotlight now has turned to the veracity of such claims as "raised without antibiotics" or "no antibiotics ever." To address concerns, the FSIS, along with USDA's Agricultural Research Service (ARS), will conduct a sampling project to assess antibiotic residues in cattle marketed with the "raised without antibiotics" claim. The agency said project results will help inform whether FSIS should require laboratory testing results be submitted for the "raised without antibiotics" claim or start a new verification sampling program.

Additionally, FSIS will be issuing a revised industry guideline to recommend companies strengthen the documentation they submit to substantiate animal-raising claims. FSIS said it would “strongly encourage” the use of third-party certification to verify the claims.

“Consumers should be able to trust that the label claims they see on products bearing the USDA mark of inspection are truthful and accurate,” said Agriculture Secretary Tom Vilsack. “USDA is taking action today to ensure the integrity of animal-raising claims and level the playing field for producers who are truthfully using these claims, which we know consumers value and rely on to guide their meat and poultry purchasing decisions.”

In response to USDA’s announcement, Dena Jones, farmed animal program director for the Animal Welfare Institute (AWI), said the organization welcomed the actions USDA-FSIS intends to take to strengthen the agency’s label approval program.

“AWI has issued multiple reports over the last decade documenting how the USDA routinely allows producers to use ‘higher welfare’ claims on products from animals raised under conventional industry standards,” Ms. Jones said. “The current approval process is inadequate and ripe for exploitation.

“We have long urged the USDA to require producers to obtain third-party certification to verify certain animal-raising claims, such as holistic assertions related to animal welfare (e.g., “humane”) and environmental stewardship (e.g., “sustainable” or “regenerative”). Allowing producers to make animal welfare claims without adhering to higher standards harms animals, higher-welfare farmers, and consumers who expect these claims to indicate better treatment of animals.”