

## U.S. Organic Market Update

Organic commodity prices are diverging at the start of 2020, reflecting just how complex organic markets have become. Defying expectations, feed-grade organic commodity prices were tepid over the last quarter of 2019. As has been widely discussed, 2019 provided a bundle of challenges to crop production, with many states reporting crops still left in the field waiting to be harvested. Counter to expectations, these production challenges did not manifest in the form of higher feed-grade commodity prices. Rather, over Q4 2019 feed-grade organic corn prices averaged \$8.93/bu, down \$0.64/bu from Q4 2018. Similarly, organic feed-grade soybeans averaged \$19.07/bu over Q4 2019, down \$0.92/bu. A number of factors contributed to flatness of organic feed-grade commodity prices, including imports, slower feed demand, and buyers who seem willing to wait for a clearer view of the market before making major purchasing decisions.

In contrast to feed-grade commodities, the markets for organic food-grade corn and soybeans have been relatively bullish. Over Q4 2019, food-grade organic corn averaged \$12.83/bu, up \$1.13/bu from the prior year. Food-grade soybeans were similarly bullish, albeit by a lesser magnitude, averaging \$21.48/bu, up \$0.12/bu from the prior year.

Interpreting what the widening spread between feed and food-grade commodity prices means for the market overall requires a bit of speculation. It appears 2019's challenging growing conditions did tighten the markets for food-grade organic commodities, pushing prices higher. Unfortunately for growers, and for the reasons highlighted above, feed grade commodities have yet to find similar support. However, the widening margin may be an indicator of higher prices for feed-grade commodities in the near future. Particularly as the market settles into 2020, buyers look to lock in supplies, and begin to address 2019's reduced crop production. But, as has been shown time and again, there are no sure bets in commodity markets. And, as organic markets become more complex predicting future commodity prices becomes more perilous.

### Average Monthly North American Organic and Non-GMO Delivered Prices (\$/bu)

Organic	Oct-19	Nov-19	Dec-19	Dec-18
<b>Corn (feed)</b>	\$9.70	\$8.87	<b>\$8.63</b>	\$9.61
<i>Eastern Canada</i>	N/A	N/A	<b>\$8.04</b>	\$8.41
<i>Corn Belt</i>	\$9.67	\$8.85	<b>\$8.74</b>	\$9.33
<i>East Coast</i>	\$10.59	N/A	N/A	\$10.77
<b>Soybeans (feed)</b>	\$19.48	\$18.80	<b>\$18.93</b>	\$20.05
<i>Eastern Canada</i>	N/A	N/A	N/A	N/A
<i>Corn Belt</i>	\$19.56	\$18.90	N/A	\$20.19
<i>East Coast</i>	N/A	N/A	N/A	N/A
<b>Soybean Meal<sup>^</sup></b>	N/A	N/A	N/A	\$693.05
<b>Wheat (feed)</b>	\$10.95	\$10.10	<b>\$8.99</b>	\$11.02
<i>Canada</i>	N/A	N/A	N/A	N/A
<i>Corn Belt</i>	N/A	N/A	<b>\$9.59</b>	\$9.38
<i>East Coast</i>	N/A	N/A	N/A	\$12.00
<b>Barley (feed)</b>	\$7.21	N/A	N/A	\$8.36
<b>Oats (feed)</b>	\$4.40	N/A	<b>\$4.97</b>	N/A
<b>Corn (food)</b>	N/A	N/A	N/A	N/A
<b>Soybeans (food)</b>	\$20.69	\$21.70	N/A	\$22.33
<b>Wheat (food)</b>				
<i>Durum</i>	\$15.03	\$14.15	N/A	N/A
<i>Hard Red Spring</i>	N/A	N/A	N/A	N/A
<i>Hard Red Winter</i>	N/A	N/A	N/A	\$12.63
<i>Soft Red Winter</i>	N/A	N/A	N/A	N/A
<b>Non-GMO Premium*</b>	<b>Oct-19</b>	<b>Nov-19</b>	<b>Dec-19</b>	<b>Dec-18</b>
<b>Corn (feed)</b>	N/A	N/A	N/A	\$0.63
<b>Corn (food)</b>	N/A	N/A	N/A	N/A
<b>Soybeans (feed)</b>	N/A	\$1.13	N/A	N/A
<b>Soybeans (food)</b>	N/A	\$2.50	N/A	\$2.69
<b>Soybeans Meal<sup>^</sup></b>	N/A	N/A	N/A	N/A

<sup>^</sup> \$/Short Ton FOB

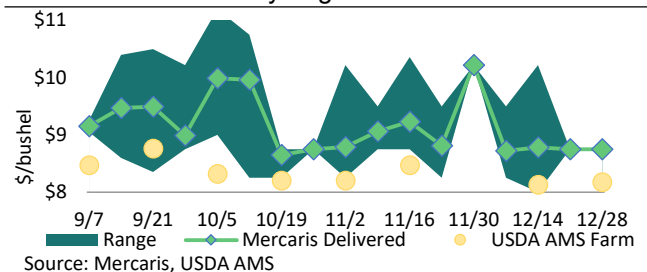
\*Premium over local delivered cash price

### Mercaris Organic Commodity Prices (U.S.\$ per BU)

	Q4		Y/Y Change
	2018	2019	
<b>Organic Corn</b>			
Food Grade	\$11.70	\$12.83	<b>\$1.13</b>
Feed Grade	\$9.57	\$8.93	<b>\$0.64</b>
<b>Organic Soybeans</b>			
Food Grade	\$21.48	\$21.60	<b>\$0.12</b>
Feed Grade	\$19.99	\$19.07	<b>\$0.92</b>

Source: Mercaris

### U.S. Weekly Organic Corn Prices



### Comments

**Organic Feed Corn** prices remained volatile in December and dipped significantly below prices seen during the previous year. The delivered organic corn feed price averaged \$8.63/bu, down \$0.24/bu since November and down nearly \$1/bu year-over-year.

**Organic Feed Soybean** prices gained \$0.13/bu since the previous month and averaged \$18.93/bu in December. Much like organic corn, organic soybean prices fell \$1.12/bu below year-ago-levels.

**Organic Feed Wheat** prices averaged \$8.99/bu in December, losing \$1.11/bu from the previous month and \$2/bu y/y.

**Organic Feed Oats** prices averaged \$4.97/bu in December, the highest level since June 2019. Further, organic oats gained \$0.57/bu since October.

## Organic Livestock Production

**Organic broiler slaughter** declined significantly in December, falling to 4.2 million head to end the last quarter of 2019 down 9% y/y. December organic broiler volumes fell 8% and 5% from October and November, respectively. Further, December's organic broiler slaughter volume was the lowest since June 2019. This sharp decline comes as a surprise as, historically, organic broiler volumes have expanded in December. Overall, total organic broiler slaughter ended 2019 down 3% y/y.

**Organic cage-free egg layer inventories** maintained their 2019 record level in December as Q4 ended. Organic egg layers held steady at 16.2 million head in December, unchanged from the previous month, and up 3% y/y.

**Organic fluid milk sales** expanded in October as Q4 began and reached 230 million pounds, up 1% y/y. October marks the third month in 2019 where organic fluid milk sales increased. Historically, increased sales were reported over the past two years as well; as expected, organic milk sales rise at the beginning of a holiday season. Historically, organic milk sales decline during the remainder of the year.

	Organic Poultry (Million Head)				Y/Y
	2019			2018	
	Oct	Nov	Dec	Dec	
Broilers Slaughtered	4.52	4.39	4.16	4.58	-9%
Cage Free Egg layers	16.11	16.23	16.23	15.69	3%

	Organic Fluid Milk Sales				Y/Y
	2019			2018	
	Aug	Sep	Oct	Oct	
Million Pounds	208	220	230	228	1%

Source: Mercaris, USDA AMS

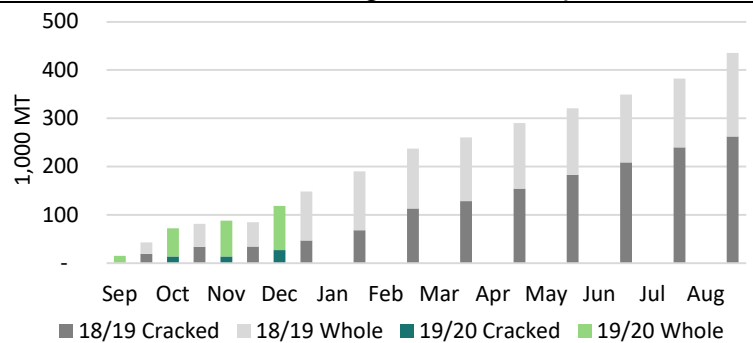
## Mercaris and USDA Organic Imports: Cumulative Marketing Year to Date

**Organic Whole and Cracked Corn** imports were steady in December, despite slipping below last year's level. Organic whole corn imports reached an estimated 17,300 MT, again led by imports from Argentina which exceeded 14,000 MT. Organic cracked corn imports resumed in December, after a flat November, reaching an estimated 13,000 MT. Organic cracked corn imports, nearly all of which are sourced from Turkey, have been unexpectedly weak, down 42% y/y through the first four months of the MY. This trend is consistent with imports of organic whole corn from the Black Sea region, which are down 90% y/y over the first four months of the MY. That said, it is too early in the year to write off the Black Sea, as imports from the region are typically larger over the summer months when U.S. feed supplies are seasonally tighter.

**Organic Soybean** imports picked back up in December, reaching an estimated 29,500 MT. Imports from Argentina resumed their remarkable pace, reaching an estimated 25,900 MT, up 470% y/y. Despite the stunning pace of imports from Argentina, overall organic soybean imports are trailing last year's level. Through the first four months of the MY, U.S. organic soybean imports reached about 98,000 MT, down 3% y/y. The reduction in imports can largely be pinned on India, with U.S. imports from the country down about 16,600 MT y/y over the first four months of the MY. Initially, Mercaris had looked for organic soybean imports to push higher this year, following a reduced 2019 harvest. However, the pace of imports is going to have to accelerate soon to meet this expectation.

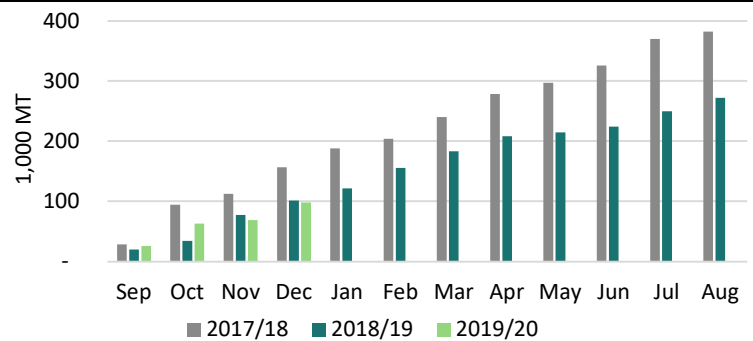
**Organic Soybean Meal** maritime imports slipped in December to 16,100 MT, down 42% y/y. In general, organic soybean meal imports have been below earlier expectations. That said, meal imports are typically slower during harvest and pick up over the spring and summer as U.S. supplies become seasonally tighter. Imports still have time to rebound and push higher again y/y over 19/20.

### Whole and Cracked Organic Corn Imports MYTD



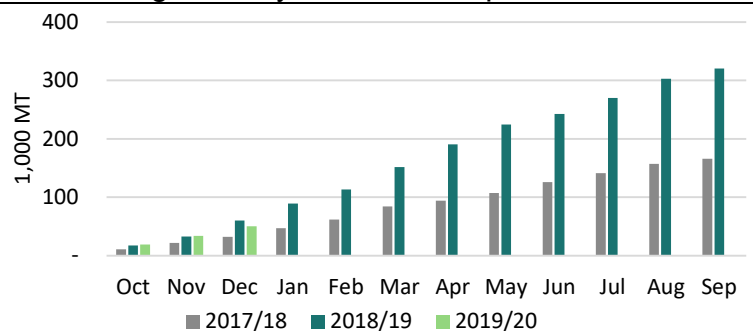
Source: Mercaris, Panjiva®, USDA FAS GATS

### Organic Soybeans Imports MYTD



Source: Mercaris, Panjiva®, USDA FAS GATS

### Organic Soybean Meal Imports MYTD



Source: Mercaris, Panjiva®