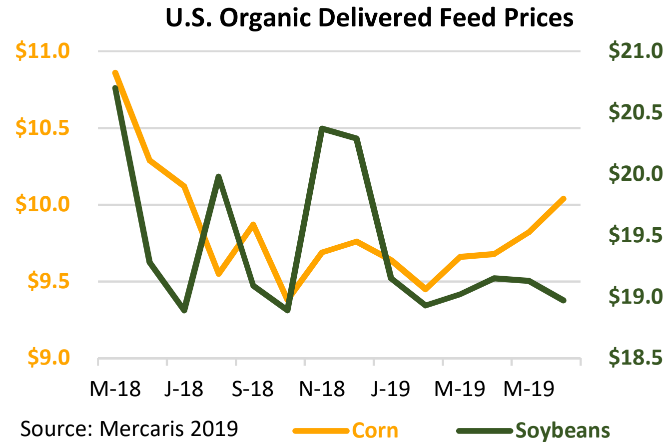
Market Update July 11, 2019

U.S. Organic Market Update

Mercaris recently released a 2019 Organic Spring Planting special report, offering a breakdown of how this year's exceptional weather has impacted organic acres and planting decisions. One major takeaway from the report is that organic acres appear to be shifted away from corn this year, with the potential for organic soybeans acres to increase as a result. With this conclusion, it is important to ask if the market is bidding these shifts into prices; looking at the latest organic commodity prices suggests that it clearly is. Delivered U.S. organic feed-grade corn prices have ranged pretty steadily between $9.40 and $9.80 per bu. since last October. However, in May of this year prices began to steadily settle above this range, with the monthly average for June reaching $10.04 per bu, its highest level since July 2018. Exploring other factors contributing to the organic corn price rally over the past two months--neither trade or livestock demand appear to be good candidates as both have been largely steady this year. Thus, it appears purchasers are beginning to bid a tighter supply outlook into organic corn prices.



Organic soybeans tell a different story. In Q4 of last year, the market saw a price rally as weather delayed the pace of harvest. However, prices quickly fell back to $19.00 per bu, and have remained close to that level since. In contrast to organic corn, organic feed grade soybean prices declined in June, giving up some of the modest gains that had been made earlier in the spring. Furthermore, organic soybean prices have seen an increase in bullish pressure this year due to swelling organic soybean meal imports. Still, the growing import trend is not a new factor and should already be bid into prices. If the market is anticipating a significant reduction in soybean acres this year it would likely show up as bullish market pressure. However, as the market stands at the start of Q3, it appears risky soybean acres are not on the markets mind.

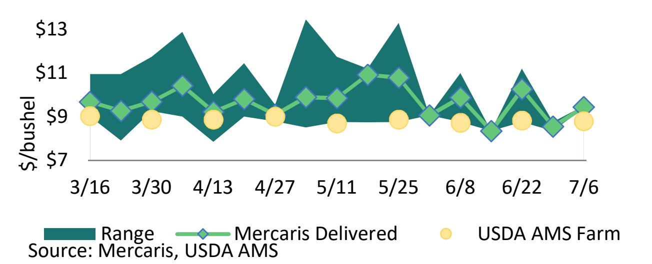
Average Monthly North American Organic and Non-GMO Delivered Prices ($/bu)

Organic	*Apr-19*	*May-19*	*June-19*	*June-18*
Corn (feed)	$9.62	$9.79	**$10.09**	$10.29
Eastern Canada	$8.87	N/A	**$9.56**	$10.34
Corn Belt	$9.39	$9.19	**$9.84**	$10.27
East Coast	$10.11	$11.17	**N/A**	$11.67
Soybeans (feed)	$19.11	$19.13	**$18.93**	$19.27
Eastern Canada	$18.14	N/A	**N/A**	N/A
Corn Belt	$18.95	$19.07	**N/A**	$19.28
East Coast	N/A	N/A	**N/A**	N/A
Soybean Meal^	N/A	N/A	**N/A**	$813.84
Wheat (feed)	$9.98	$11.48	**$10.00**	$10.65
Canada	N/A	N/A	**N/A**	N/A
Corn Belt	N/A	N/A	**N/A**	$10.17
East Coast	N/A	N/A	**N/A**	N/A
Barley (feed)	$8.42	$8.37	**N/A**	$6.56
Oats (feed)	$4.44	N/A	**$5.12**	$5.03
Corn (food)	N/A	N/A	**N/A**	N/A
Soybeans (food)	$22.76	$21.43	**$23.33**	$22.17
Wheat (food)				
Durum	N/A	N/A	**N/A**	$20.23
Hard Red Spring	N/A	N/A	**N/A**	N/A
Hard Red Winter	N/A	$9.50	**$10.25**	$10.69
Soft Red Winter	N/A	N/A	**N/A**	$10.01

*Non-GMO Premium**	*Apr-19*	*May-19*	*June-19*	*June-18*
Corn (feed)	N/A	N/A	**$1.15**	$0.76
Corn (food)	N/A	N/A	**N/A**	N/A
Soybeans (feed)	N/A	N/A	**N/A**	$1.40
Soybeans (food)	$2.38	N/A	**N/A**	$2.56
Soybeans Meal^	N/A	N/A	**N/A**	N/A

^ $/Short Ton FOB
*Premium over CME nearby futures contract

Weekly Organic Corn Prices



Comments

Organic Feed Corn prices gained $0.30/bu in June since the previous month and reached $10.09/bu. Although prices have gained since March of this year, they remain below 2018 levels.

Organic Feed Soybean prices fell back in June, down $0.20/bu from the prior month.

Organic Feed Wheat prices fell to $10/bu in June, losing $1.48/bu since May. This decrease put June prices below the previous year's levels.

Organic Feed Barley data did not meet Mercaris' standards for publication for the month of June.

Organic Feed Oats reached $5.12/bu in June, gaining $0.68/bu since May.

Organic Food Corn data did not meet Mercaris' standards for publication for the month of June.

Organic Food Soybean prices reached $23.33/bu for the month of June, gaining $1.90/bu since the previous month.

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Organic Livestock Production

Organic broiler slaughter is estimated to reach 4.1 million head for the month of June 2019, down 12% from May. This represents the opposite trend seen during the month of May, when organic broiler slaughter expanded 6% from April. June's decline in organic broiler slaughter could mark the end of the seasonal summer expansion. All in all, organic broiler slaughter for the month of June fell 9% below levels seen during the previous year.

Organic cage free egg layer inventories remained at 15.8 million head in June, unchanged from May's levels. With the exception of March 2019, year-to-date organic cage free egg layer inventories have consistently been on the rise for the past few years.

Organic Poultry (Million Head)

	2019			2018	Y/Y
	Apr	May	June	June	
Broilers Slaughtered	4.43	4.70	4.13	4.56	-9%
Cage Free Egg layers	15.7	15.8	15.8	15.6	1%

Organic Fluid Milk Sales

	2018			2017	Y/Y
	Feb	Mar	Apr	Apr	
Million Pounds	196	202	176	211	-17%

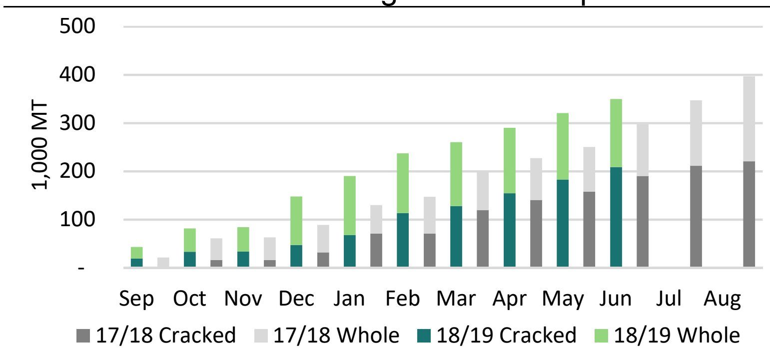
Source: USDA AMS

Organic fluid milk sales fell to 176 million pounds during the month of April, down 13% from March and 17% year over year. This represents a similar trend seen during 2018, with organic fluid milk sales expanding at the end of Q1 2018 and then declining in April. Previously, organic fluid milk sales rebounded during the month of May as the summer months began. It will be important to watch if a similar trend develops again this year.

Mercaris and USDA Organic Imports: Cumulative Marketing Year to Date

Organic Whole and Cracked Corn imports declined from the prior month in June down to a combined 29,168 MT. The decline was the result of lower organic cracked corn imports which declined 7% from the prior month. Organic whole corn imports increased slightly in June, to an estimated 2,900 MT, but remained well below 2018 levels. Overall, the U.S. organic corn import situation remained unchanged in June. The pace of imports this marketing year remains mostly above last year, with organic cracked corn imports remaining in the majority. Whole corn imports from Turkey remain virtually non-existent this year, while cracked corn imports form the same country have escalated significantly. Mercaris continues to watch what impact, if any, the revoking of Control Union Certifications Turkey certification authority will have on U.S. imports. However, the impact so far appears to be nil.

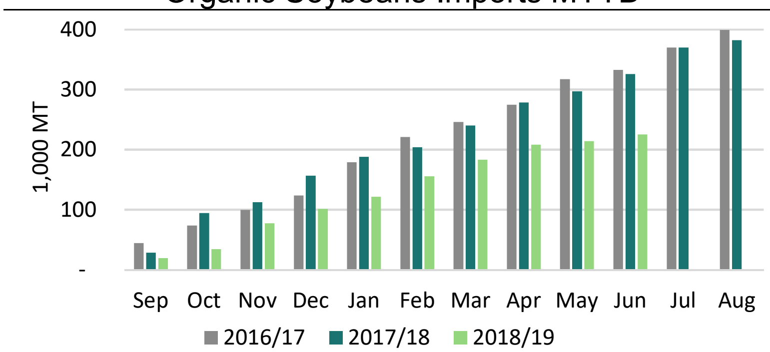
Whole and Cracked Organic Corn Imports MYTD



Source: Mercaris, USCBP, USDA FAS GATS

Organic Soybean imports picked up a bit in June, supported by imports from India reaching a four-month high. Mercaris estimates U.S. organic soybean imports reached 10,680 MT in June, up 79% from the prior month. Even with the month-over-month recovery, June imports remained well below year ago levels. In fact, imports over the month of June were the lowest since June 2013. In total, U.S. organic soybean imports began this year down from previous years, and the gap has continued to grow as the year has progressed. As U.S. organic soybean feed demand continues to shift, it seems unlikely imports will have any significant recovery over the next year.

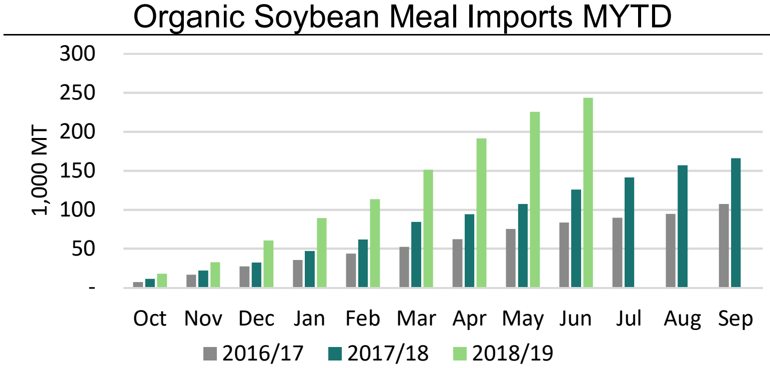
Organic Soybeans Imports MYTD



Source: Mercaris, USCBP, USDA FAS GATS

Organic Soybean Meal maritime imports actually slowed in June, falling below year ago levels for the first time since the start of the 18/19 MY. Over the past two years, U.S. organic soybean meal imports have experienced phenomenal growth, and are currently on pace to end 18/19 at double last year's level. Even with June's abrupt slowdown, U.S. organic soybean meal imports still reached an impressive 18,100 MT. With this year's questionable U.S. organic soybean supply outlook, and importers shifting away from whole organic soybeans and towards organic soybean meal it is too early to say if June's decline represents a trend.

Organic Soybean Meal Imports MYTD



Source: Mercaris, USCBP

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