ORGANIC DAIRY FLUID OVERVIEW

Less Organic Milk Sold Into Conventional Markets In the West. Comments are being heard that organic milk selling into conventional markets in some western states has slowed. Also noted is more tightness of organic cream available on spot markets in the West. This follows the recent opening of new dedicated organic dairy processing capacity in the region and many believe there is a link.

Overview of 2017 Organic Milk Production and Processing. Looking at a graph of 2017 Estimated Total U.S. Sales of Fluid Organic Milk through August, illustrates the nature of the challenges facing processors and producers at this time when the general diagnosis is that there is too much organic milk. A sharper way to state this is that there is more organic milk than can be handled by available processing facilities, to make fluid organic milk into products that can be stored for a while such as cheese, butter, nonfat dry milk, lactose, etc. Sales year to date are a bit above the same period of 2016. However, monthly fluctuations shown by distinctly vertical lines on the graph in reality mean very uneven intakes for organic processing plants.

Months with sharply higher volumes to handle are more challenging in terms of efficiently using organic plant capacity, or even having capacity available. This year a reality was some volumes of organic milk going into conventional markets due to unavailability of organic processing proximate to production areas. This left some organic dairy producers with conventional pay prices for organic milk. With transitioning of new organic producers having essentially ended, leaving some already transitioning producers as the only producers moving through the process, the industry is looking more closely at processing and distribution of organic milk and dairy products.

Organic dairy producers have had to deal with lower pay prices through this situation and are mostly told 2018 will be similar to 2017. Efforts to enhance organic processing options proximate to areas currently underserved by processing options are a matter of growing discussion in the industry and at processor meetings. The section above, examined the outcome in the West where new dedicated organic processing capacity recently came online.

New England Organic Milk Sales and Sourcing. In New England, Federal Milk Market Order 1 reports utilization of types of organic milk by pool plants. During September, 2017, organic whole milk utilization totaled 14.6 million pounds, up from 14.3 million pounds one year earlier. The September, 2017 butterfat content was 3.29%, even with 3.29% in 2016. Organic reduced fat milk utilization for September this year, 18.6 million pounds, was down from 20.3 million pounds one year earlier. Butterfat this September was 1.31%, up from 1.25% last year.

During September, there was milk added to the pool by some sources of organic milk produced outside the order. Organic milk from organic plants in Ohio and Michigan added organic milk to the pool.

German Organic Milk Production and Dairy Product Prices/Production Increase. Unlike in much of the U.S., organic milk pay prices are increasing in the largest milk producing EU country, Germany. Early indicators from Agrarmarkt Informations-Gesellschaft (AMI) are that September 2017 pay prices for German organic milk increased. If this is confirmed when final data is released, prices will have been higher than one year earlier every month since March.

Organic milk production January-September increased, 13.8 percent. October retail prices for 250 gram (slightly over 8 ounces) organic butter, 2.49 euros, increased 0.3 euros from September. With the November 1 currency conversion rate, $1.1637/euro, the dollar price is $2.90. Organic butter sales January-September increased over 11 percent and organic cheese sales increased 14.3 percent.

ORGANIC GRAIN AND FEEDSTUFF MARKETS. Organic feed grade corn demand is good, trading 8 cents higher. Delays in harvest and imported supplies had buyers aggressively purchasing organic corn until the new crop arrived. New crop organic corn moisture tests are coming in higher than desired. Forward contracting is active, mostly for organic feed grade corn and wheat. Organic feed grade soybean demand and activity is very light, trading 20 cents higher f.o.b. Organic soybean meal and oil trading is too limited to trend, but slightly firmer undertones are noted. Organic feed wheat demand and activity is light. Trading is inactive for organic food and feed grade barley, oats, rye, sorghum, triticale, and millet. There is limited interest in organic dry edible beans.
Organic Dairy Overview. This week, the top three advertised organic dairy commodities include organic milk, tracking 68 percent of organic ads; organic yogurt, 19 percent; and organic cheese at 6 percent of total organic advertisements by commodity.

In general, organic retail advertisements grew significantly, tallying 226 percent higher than a week ago. In a similar vein, the organic retail survey numbers of several organic products rocketed, as organic cheese ad numbers rose 30 times higher, in comparison to numbers form the previous week.

Organic milk in half gallon containers posted the loftiest number of surveyed retail advertisements, climbing 307 percent when contrasted with the previous period. Further, the retail price spread between organic half gallon milk and conventional half gallon milk carries an organic price premium of $1.78.

The pie chart below displays percentages of all organic commodities detailed in the survey. To view all images please go to the PDF version of this report at, https://www.ams.usda.gov/mnreports/dybdaorganic.pdf

Data source: USDA/AMS/Weekly National Organic Summary

Complete results of the “National Retail Report-Dairy” and “Weekly National Organic Summary” is accessible using the following links: