ORGANIC DAIRY MARKET NEWS
Information gathered January 16 - 27, 2012

ORGANIC DAIRY FLUID OVERVIEW

Historic Sales Trends. Data through November for estimated U.S. Sales of organic fat-reduced milk graphed below, illustrates the continued growth of sales above year earlier sales, uninterrupted since March 2010. Organic milk sales growth continues to result in retail organic milk supply tightness in much of the country and occasionally “sold-out” half gallons in the Southeast and Northeast.

Current Organic Milk Supply Issues. Periodic episodes of sold out organic brands of milk, occurring mostly in the Southeast, have now also spread to some stores in the Northeast. One cooperative based in the Northeast has begun a campaign to invite consumers to send text messages to alert when the coop’s brand is not available in stores where it is usually stocked. The week before last, one national organic dairy brand announced a $2.00/cwt increased milk pay price to organic milk producers beginning in March. Another national brand this week announced an increase from $1.50 to $3.50/cwt in a temporary Milk Adjustment Price, effective February 1. The extension of the MAP takes it from the current March 31, 2012 expiration, to June 30, 2012.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON:

Organic Dairy Overview. Organic dairy advertising volume reached the highest level since mid-October last year. Organic dairy ads this period numbered over two and one-half times higher than two weeks ago. Of total surveyed newspaper ads, 33% contained organic dairy content. There were slightly over twice as many organic milk ads as organic yogurt ads.

Organic milk ads placed by supermarkets were at the highest level since early September last year. Organic half gallon milk ads are at the highest level since mid-June last year, with a number of ads running in Southeast region newspapers. This is particularly noteworthy when contrasted with the widely discussed tightness of organic milk nationally, and particularly the shortages and periodic absence of varied brands of organic half gallons in some Southeast and Northeast stores. A more detailed discussion of unique characteristics this survey period, occurs below in the section “Organic Milk Half Gallons”.

Organic yogurt advertising also increased over the last five reporting periods, to the highest level since late October last year. In fact, this period’s 1,246 organic yogurt ads totals more than all organic yogurt ads for the last three reporting periods combined.

Advertising information presented is compiled from surveyed newspaper supermarket ads for the period January 14, 2012, to January 27, 2012, identifying weekly “specials” and containing organic dairy content. Surveyed ads reflect advertised “specials” and not the range of non-advertised supermarket cooler prices.

Regional Organic Dairy Ad Trends – Current Period. Unlike two weeks ago when the Northeast and Midwest significantly lead the regions in organic dairy weekly newspaper advertising, there was far greater evenness among the regions this period. The Northeast Region has 25.0% of current ads, followed by the Midwest with 21.8%, South Central with 16.3%, Southeast, 15.7%, Southwest, 14.5% and Northwest, 6.6%.

CONTINUED ON PAGE 8-A
CONTINUED FROM PAGE 8

HALF GALLON ORGANIC MILK ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

<table>
<thead>
<tr>
<th>REGION</th>
<th>%</th>
<th>WTD. AV. ADV. PRICE $</th>
</tr>
</thead>
<tbody>
<tr>
<td>NE</td>
<td>01.6</td>
<td>3.99</td>
</tr>
<tr>
<td>SE</td>
<td>20.1</td>
<td>2.83</td>
</tr>
<tr>
<td>MW</td>
<td>28.6</td>
<td>2.75</td>
</tr>
<tr>
<td>SC</td>
<td>21.7</td>
<td>2.55</td>
</tr>
<tr>
<td>SW</td>
<td>19.3</td>
<td>2.50</td>
</tr>
<tr>
<td>NW</td>
<td>08.8</td>
<td>2.50</td>
</tr>
<tr>
<td>US</td>
<td>2.68</td>
<td></td>
</tr>
</tbody>
</table>

A significant factor influencing the increased volume, pricing and regional composition of organic half gallon milk ads this period, is a national supermarket chain advertising its store brand of organic half gallons. Particularly noteworthy is the magnitude and pricing of these ads during a period of significant focus on the tightness of organic milk supplies and even many stores “sold out” of various brands, particularly in the Southeast.

Thus, while shoppers generally are finding supplies of organic milk are tight and occasionally sold-out, this retail chain has engaged in widespread consumer advertising of its store brand at prices rivaling historic lows in terms of this survey series, another demonstration of the growing influence of organic milk sold as store brands.

This period’s survey found newspaper ads for this national retail chain in all regions except the Northeast. This organic milk, for the most part, is bottled in a single plant in Kansas, using organic milk produced in Texas, then shipped throughout the regions of the United States.

Advertised retail pricing for this organic milk is not uniform, ranging from $2.50 to $2.79 to $2.99 to $3.00 for a half gallon. A price of $2.50 during this time of shortages nationwide is noteworthy for being only 1 cent above the record low weighted average advertised price (as well as absolutely lowest noted price) for organic half gallons, dating back to the Fall of 2009.

For example, in the Southeast, the full range of prices is found. Atlanta, a city with some sold-out organic milk of other labels noted, has ads for this store brand at $3.00, with ads in Tennessee and Mississippi being $2.79 and $2.99. Some ads in North Carolina state a price of $2.50.

Organic Gallons. Following four consecutive periods of ads for organic gallons, there are no ads this period among surveyed newspapers. This reflects the de-emphasis in ads for organic gallons which developed during 2011, which had only 23% of the ad volume annually for organic gallons compared with 2010.

Organic Yogurt. Almost all organic yogurt ads ran in newspapers in the Northeast, which had 88.3% of all organic yogurt ads this period. The Northeast frequently dominates organic yogurt advertising among surveyed newspaper ads nationally. Second was the Northwest with 9.5% followed by the Midwest with 2.2%.

8 Ounce Organic Milk. There were 644 ads for 8 ounce organic milk during this reporting period, up slightly from last period. This being the only category of organic milk ads which increased in annual numbers 2010 to 2011, it is further noteworthy that this period’s total number has not been reached since mid-September last year. All ads are priced $1.00. Regional emphasis shifted from the Midwest and South Central regions last period, to the Southwest, South Central and Northwest this period.