ORGANIC DAIRY FLUID OVERVIEW

The unusually dry and hot conditions in parts of the country this summer are affecting milk generated by pasturing organic cows. Some specialty organic cheese manufacturers report color variations from what is normal. In some regions, the solids in organic milk are lower than normal. There are also reports from some cold storage facilities that stocks of organic cheese in cold storage are lower than desirable, presumably reflecting reduced manufacturing output.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON

Organic Dairy Overview. Organic dairy advertising volume set a number of records, even as record setting drought conditions weighed heavily over the agricultural sector. Due significantly to historically high retail organic half gallon milk ad volume in the Southwest and South Central regions, this period’s organic retail ad numbers are higher than any period since this data series began during fall 2009. This is true for organic milk, organic half gallons, and total organic dairy ads. Organic dairy advertising volume increased by 183% from two weeks ago, organic half gallons increased by 249%, organic milk ads overall increased by 170%, and organic yogurt ads by 217%.

Organic milk ads comprise 73% of all organic dairy ads this period, followed by organic yogurt with 19%; organic butter, 6%; organic sour cream, 1%; and organic cheese, 1%.

Advertising information presented is compiled from nearly 16,000 surveyed newspaper supermarket ads for the period July 14, 2012, to July 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. The Southwest leads all regions in organic dairy advertising with 21.6% of all organic ads. The other regions include the Northeast, 20.7%; the South Central, 19.3%; the Northwest, 14.3%; Midwest, 12.1%, and the Southeast, 12.0%.

Organic Dairy Ads Regionally As A Percentage of Surveyed Organic Dairy Ads

Week 30, 2012

Paradoxically, there were three times as many ads for organic half gallons than conventional milk half gallons reported in this period’s National Dairy Retail Report, even though there were ten times as many total conventional dairy ads than organic dairy ads.

The record setting volume of ads for organic half gallons represents the convergence of three national supermarket chains each advertising their respective store brands of organic half gallons, as well as a national discount chain which sells food, advertising a national brand of organic milk.

While the agricultural sector is coping with drought and heat, which is also challenging to grazing organic cows in some regions, there have not been reports of shortages of organic milk such as occurred earlier in the year. Thus, the apparent paradox of record high ad levels for organic half gallons at this stressful time for the entire dairy economy “may be more a reflection of food retailers using advertised prices to draw consumers to stores, than any comment on production volumes”.

On an average advertised price basis, the organic half gallon average for the region with the most organic milk ads, the Southwest, $3.80, is higher than the national average, $3.64. The second ranking region, the South Central, has a regional average of $3.39. Thus, with the two most heavily regions having an average price slightly higher and lower than the national average, even with high ad levels in those regions, there is not significant discounted pricing compared with the national average.

Organic Milk Half Gallons. The national weighted average advertised price of organic milk half gallons, $3.64, is 29 cents lower than two weeks ago. The price range is $4.99 to $2.39, unchanged at the top but 60 cents lower at the bottom. This price spread is the greatest for organic half gallons by 50 cents since this data series began during fall 2009.

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The following graph states the bi-weekly weighted average advertised price for organic half gallons for each period of 2012, and the vertical blue lines show the corresponding price range for the period.

Advertised Organic Milk Half Gallon Price Range and Weighted Average Advertised Price by 2012 Week

The AMS Dairy Market News Survey which generated the current national organic half gallon milk weighted average advertised price of $3.64, also determined the weighted average advertised price for non-organic half gallons as $1.81, an organic-conventional half-gallon milk advertised price spread of $1.83. During 2012 the spread has ranged from $0.78 to $2.46.

Organic Milk Gallons. Ads for organic gallons appeared for the fourth consecutive reporting period, the first time this has occurred during 2012. Ads listed a high price of $5.99 and a low of $5.98, a 1 cent price spread. The weighted average advertised price is $5.99.

Ad volume this period is narrowly the highest volume of 2012 and was exceeded during only three periods of 2011. A relative decline in advertising organic gallons began during the second half of 2011 and thus, the resurgence of organic gallon ads during the current four period stretch is noteworthy.

Previously, the last stretch of ads over four consecutive periods ended the first week of 2012, but the cumulative total of ads for all four periods totaled only about two-thirds of ads for the current period alone.

Organic Yogurt. Current organic yogurt ad numbers increased 217% from two weeks ago, after declining by 66.0% four weeks ago. The leading organic yogurt category is 4-6 ounce organic yogurt, followed closely by 4-6 ounce organic Greek yogurt, each of which is about double 32 ounce organic yogurt ads.

The Northeast led all regions in organic yogurt advertising, which has been the case during all but two of fifteen periods of 2012. Regional percentages of organic yogurt ads this period include the Northeast, 37.5%; Southeast, 18.3%; Midwest, 13.3%; Northwest, 13.1%; South Central, 10.1%; and Southwest, 7.7%.

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

ORGANIC YOGURT FEATURES
Regional % of Surveyed Newspaper Ads
Report Week 30, 2012

4-6 Ounce Organic Yogurt. Ads for 4-6 ounce organic yogurt yielded a weighted average advertised price of 59 cents, down 23 cents, from two weeks ago. This is not the lowest recorded weighted average advertised price noted by this survey, but is 1 cent above the low and among the lowest since fall 2009. The top of the price range, 60 cents, has only been lower one time since fall 2009, during late January 2010. The range low price, 50 cents, has only been lower two other periods, 49 cents one time and 45 cents the other. There have been a number of periods with a range bottom price of 50 cents, but relatively few.

The following graph states the bi-weekly weighted average advertised price for 4-6 organic yogurt for each period of 2012, and the vertical blue lines show the corresponding price range for the period.

Advertised 4-6 Oz. Organic Yogurt Price Range and Weighted Average Advertised Price by 2012 Week

4-6 OUNCE ORGANIC YOGURT ADS
REGIONAL % and WEIGHTED AVERAGE ADVERTISED PRICE

- **REGION** | **%** | **WTD. AV. Adv. Price $**
- NE | 53.2 | 0.60
- SE | 32.4 | 0.60
- MW | 00.0 | ----
- SC | 14.5 | 0.50
- SW | 00.0 | ----
- NW | 00.0 | ----
- US | 00.0 | 0.59

### SUPERMARKET PRICE COMPARISON:

**Madison, Wisconsin Prices.** Non-advertised organic milk, yogurt, butter and cheese prices in a range of food stores in Madison, Wisconsin are compared for this two week period.

Madison stores included a big-box sized local supermarket; 2 regional chain supermarkets; a smaller but full product line food market; and 2 natural food stores; a national discount big box chain store also selling food; and a large local cooperative grocery store.

Organic milk available in Madison stores included 2 national brands, 4 private label store brands, and 3 small local or near-by creamery brands, one featuring non-homogenized milk. Cheese available included 2 national brands, 2 store brands, and cheese from 5 other cheese makers.

A table summarizing the survey results follows:

ORGANIC MILK, YOGURT, CHEESE, BUTTER PRICE RANGE
2012 REPORTING WEEK 30

<table>
<thead>
<tr>
<th>Fluid Milk</th>
<th>MADISON, WISCONSIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>5.49</td>
</tr>
<tr>
<td>High</td>
<td>6.79</td>
</tr>
</tbody>
</table>

**Milk - gallon**

- Whole: 5.49
- Nonfat (Skim): 5.49
- Low fat (1%): 5.49
- Reduced fat (2%): 5.49

**Milk - half gallon**

- Whole: 3.49
- Nonfat (Skim): 3.49
- Low fat (1%): 3.49
- Reduced fat (2%): 3.49

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ORGANIC GRAIN AND FEEDSTUFFS MARKETS:

National organic grain and feedstuffs were mixed, with light to moderate demand and light offerings. Corn averaged a slightly lower price, while beans averaged a higher price. Much of the corn movement this period was comprised of partial loads, because the supplies in most areas are very sparse. Drought concerns have halted new crop contracting for some farmers, who are reportedly waiting to see what their harvest will look like this fall before taking further steps to market new crop grain. Concern over market prices is on the minds of many, with some feeling as though the market should and will go higher. Others are very concerned that higher prices could later result in detriment to feed ingredient markets similar to that of the wheat market after the price spikes of 2008. Time will tell in these matters, but there is significant concern as to how these prices can continue in current economic conditions. Feed grade rye was lower on a light test, while movement on wheat increased somewhat this period due to new crop harvest in progress. Additional livestock and grain market news information is available at: http://www.ams.usda.gov/mnreports/lsbnof.pdf