ORGANIC DAIRY FLUID OVERVIEW

Organic Dairy News. Recent discussion on organic dairy online forums and in the press about organic butter tightness, has noted that a number of longstanding buyers of bulk organic butter have either been unable to continue acquiring bulk butter, or to acquire it in desired quantities. Initial explanations focused on increases in organic butter sales as being generally responsible, leading butter manufacturers to prefer selling organic butter in retail settings, rather than bulk.

A manager of national organic dairy brand says this explanation is not representative of a larger situation. “Organic butter is not isolated. Organic dairy suppliers are hard pressed to meet demand. This is not recent and it has been coming and developing for a while.”

He observes that the specific market situation surrounding organic bulk butter is driven by customer apprehension, leading to “produced demand” rather than “real demand”. By that, he means that as supply tightness began to develop, a number of organic bulk butter buyers responded by attempting to build stocks above normal levels, which created a produced demand exceeding real demand.

Similarly, a number of retailers increased ordering of organic butter and began to build retail inventory levels of 1 pound butter above what had been prevailing levels. This fueled apprehension about obtaining organic butter, and the impact fueled more apprehension.

This has resulted in more efforts by organic processors to make decisions to try and balance supply availability among customers, by attempting to balance supplies against an estimation of real demand, rather than produced demand.

The new reality applies not only to butter, but most organic dairy products. Butter is said to be the most evident example of organic milk supply tightness.

Organic milk is distributed into three types of channels: products with the processors’ brand; private label products; and organic dairy manufacturing for a variety of products.

The organic milk supply tightness is causing more attention by processors to maintaining balance among the channels. This requires decisions to be made as to organic milk allocation.

Compounding the current supply tightness, is the fact that it takes some time for new organic dairy processors or farms to become certified as organic. This process limits how quickly new producers can come online to supply additional organic milk.

Another factor cited by a representative of a national organic processor, is recent weather going back to 2013. The grazing requirements of organic dairy make weather impacts on pastures significant. The early wet spring in 2013, followed by drought in many areas, left pastures less than ideal. This led to more demand by organic producers for organic feed.

Further compounding demand for organic feed by organic dairy processors, was the recent increased demand for non GMO food. Indeed, a national natural food store chain began to emphasize that it sold primarily GMO free food products. Because organic grains are GMO free, the growing interest in GMO free food increased demand for organic grains, competing with demand of organic producers for organic feed grains.

This leaves organic dairy producers with continuing challenges in maintaining herds, and output per cow. A result is holding back potential organic milk output, according to the manager.

NATIONALLY ADVERTISED PRICE COMPARISON

Organic Dairy Overview. Organic dairy ad numbers are at the third highest level of 2014 this period. This is attributable to a very large number of organic cheese ads, in tandem with a slightly above average number of organic milk ads, supplementing a below average number of organic yogurt ads. The number of organic yogurt ads is at the second lowest level of the year, about one half the average number for a survey period.

No organic dairy products other than organic milk, cheese and organic yogurt were advertised in surveyed ads this period.

Advertising information presented is compiled from nearly 14,000 surveyed newspaper supermarket ads for the period June 2 to June 13, 2014, identifying weekly “specials” and containing organic dairy content. Surveyed ads reflect advertised “specials” and not the range of non-advertised supermarket cooler prices.

Complete results of this bi-weekly survey providing additional graphs, tables, and regional delineation, follow at the end of Dairy Market News, or can be accessed at: http://www.ams.usda.gov/AMSv1.0/DairyRetailReport

Regional Organic Dairy Ad Trends. Organic dairy ads appeared in all 6 regions. The percentage change in each region’s ad numbers increased from two weeks ago in all regions except the Northeast, which declined 57%. The percentage increased in the Midwest, +72%; Southeast, +376%; South Central, +197%; Southwest, +180%; and Northwest, +372%.

Organic Milk Half Gallons. The U.S. weighted average advertised price of organic milk half gallons is $3.44, down 5 cents from 2 weeks ago. One year ago the national price was $3.59. The lowest price is down 20 cents to $2.79, while the price range is unchanged at the top, $3.99. The lowest price, $2.79, is advertised in the South Central region. The highest advertised price, $3.99, is found in the Midwest, South Central, and Southwest. Organic milk half gallon ads did not appear in the Northeast.

U.S. Advertised Organic Milk Half Gallon Price Range and Weighted Average Advertised Price by 2014 Week

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Conventional milk half gallons have an average price of $1.99 and organic milk half-gallons have a price of $3.44. This results in a conventional-organic price spread of $1.45. The price spread this year has ranged between $0.67 and $2.07. Last year at this time the price spread was $2.59.

Organic Milk Gallons. Ad volume for organic milk gallons is below average for 2014, but up from each of the last three survey periods. All ads appear in the Southeast, all priced $4.99. One year ago the price was $5.00.

Organic Yogurt. 4-6 ounce organic yogurt ads lead the number of 4-6 ounce organic Greek yogurt ads by slightly over a 2 to 1 ratio.

The national average price of 4-6 ounce organic yogurt is $.57, with no ads two weeks ago to price compare and 27 cents lower than one year ago. The lowest advertised price is $.50 in the Southeast, South Central region, Southwest and Northwest. The highest advertised price is $0.75 in the Midwest.

4-6 ounce organic Greek yogurt has an average price of $1.25, up from $1.12 two weeks ago. The lowest advertised price is $1.00 in the Northeast and the highest is $1.50 in the Midwest, the only two regions with ads for this product.

Organic Cheese. Over twice as many organic cheese ads appear this survey period than during all other prior periods of 2014 combined. The current ad volume was generated primarily by a national supermarket chain. Organic cheese ads appear this period in all regions except the Midwest.

8 ounce block organic cheese has an average national price of $3.63. No ads appeared two weeks ago or one year ago. The lowest advertised price, $3.49, appeared in the South Central region, and Northwest. The highest advertised price, $3.69, appeared in the Northeast, Southeast, South Central region, and Southwest.

8 ounce shredded organic cheese has an average national price of $3.62. No ads appeared two weeks ago or one year ago. The lowest advertised price, $3.49, appeared in the South Central region, and Northwest. The highest advertised price, $3.69, appeared in the Northeast, Southeast, South Central region, and Southwest.

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

Prices for organic corn and organic soybeans are mostly unchanged. Market activity is moderate to active for organic corn and organic soybeans, but slow for other reported grains. Winter wheat is being harvested with slightly lower yields than expected. Demand for organic corn and organic soybeans is moderate to good, while demand for most other reported grains is moderate.

Additional livestock and grain market news information is available at: www.ams.usda.gov/LSMarketNews