ORGANIC DAIRY FLUID OVERVIEW

**Organic Dairy News.** Current reports from Maine to Georgia to Arizona and even California of fluid organic milk shortages, have origins tracing back to 2012. The primary impact of tighter organic milk supplies, until now, has been reduced availability of organic dairy products made from milk, such as organic cream, organic butter, organic whey and organic nonfat dry milk. This has led a number of processors of organic dairy products to cut back, or in some cases, leave organic dairy processing. Thus, the shortage has been ongoing but less visible to most consumers.

In recent weeks the tightness of organic milk has reached retail dairy coolers, causing increasing awareness among consumers that organic fluid milk is in shorter supply. This shortness is not a new development.

Some supermarkets in the Northeast, South and Southwest have posted signs on dairy coolers advising consumers that organic milk is in short supply. There have been instances of various brands of organic milk being temporarily being sold out.

Part of the reason for the current shortage of organic milk sold as packaged milk is seasonal. Now is the time of year when milk production tends to be at a low level, whether organic or conventional. Milk production typically begins to increase later in the year, then continuing through the new year toward the spring flush.

Yet the current situation has causal factors which transcend seasonal production cycles. The 2012 drought resulted in less organic feed, lower quality feed, and more expensive feed, a situation which carried into 2013. This led to higher production costs and lower milk output for many organic dairy producers. Increasing costs led some producers to feed less, or feed lower quality feed, which further reduced organic milk production per cow. Lower economic returns then prompted some producers to sell organic cows to help make ends meet. There was not recovery from the effects of 2012 in 2013, so the situation carried into 2014.

This continuing cycle has resulted in less organic milk being produced, some reduction in herd sizes on some farms, and some producers leaving organic milk production.

Organic dairy producer organizations in the Northeast and Northwest have been seeking increases in contracted organic milk pay prices. The increases are sought to break the cycle and help organic milk production rebound. Price increases are also sought to generate new organic dairy producers to begin transitioning into organic certification and then, milk production.

Organic producer representatives acknowledge that normal seasonal milk production increases will ease the current situation in coming months, but point out that even at the seasonal peak of milk production, organic milk output will not meet current demand. Resolution will require more organic dairy producers and more organic cows being milked.

ORGANIC DAIRY RETAIL OVERVIEW

**NATIONALLY ADVERTISED PRICE COMPARISON**

**Organic Dairy Overview.** Organic dairy ad volume has rebounded from recent survey periods to the fourth highest level of 2014. This outcome results in significant part from the combination of the second highest 2014 level of 8 ounce organic milk ads, coupled with very high 8 ounce organic cheese ad numbers.

The first ads for organic egg nog of the holiday season appeared this survey period.

Organic yogurt ad numbers continue the recent trend of being well below average.

Advertising information presented is compiled from nearly 14,000 surveyed newspaper supermarket ads for the period October 20 to October 31, 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/AM Sv1.0/DairyRetailReport

**Regional Organic Dairy Ad Trends.** Organic dairy ads appeared in all regions. The percentage change in ad numbers increased from two weeks ago in all regions, including the Southwest, 158%; South Central, 138%; Southeast, 101%; Northwest, 86%; Midwest, 27%; and Northeast, 14%.

**Organic Milk Half Gallons.** The U.S. weighted average advertised price of organic milk half gallons is $3.32, down 15 cents from 2 weeks ago. One year ago the price was $3.73.

The lowest price is down 19 cents to $2.50, while the top of the price range is down $1.00 to $4.29. The lowest advertised price, $2.50, is in the South Central. The highest advertised price, $4.29, is found in the Southwest.

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

![Graph](image.png)

**Organic - Conventional Milk Half Gallon Price Spread.** The conventional-organic milk half gallon average advertised price spread is $1.02. This spread is calculated from the organic milk half-gallon average advertised price, $3.32, and the conventional milk half gallon average advertised price of $2.30. The price spread this year has ranged between $0.67 and $2.55.

**Organic 8 Ounce Milk.** The U.S. weighted average price of organic 8 ounce milk this period is $1.00, up 8 cents from two weeks ago and up 4 cents from one year ago. All ads are priced $1.00.

**Organic Milk Gallons.** Ad numbers for organic milk gallons are about one-half of the average bi-weekly level this year. All ads are in the Northeast, with a national average price of $5.99. Two weeks ago the national average price was $6.59.

**8 Ounce Block Organic Cheese.** Organic cheese (8 ounce blocks) has an average price of $3.83 down from $4.39 two weeks ago. Advertised prices range from $3.39 to $3.99.

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8 Ounce Shredded Organic Cheese. Organic cheese (8 ounce shredded) has an average price of $3.99. There were no ads two weeks ago. All advertised prices are $3.99.

8 Ounce Organic Cream Cheese. All ads for organic cream cheese appeared in the Northwest, priced $2.99, down from $3.89 two weeks ago.

16 Ounce Organic Sour Cream. All ads for organic sour cream appeared in the Northeast and Southeast, priced $2.99-$3.00.

32 Ounce Organic Yogurt. All ads for 32 ounce organic yogurt, the only organic yogurt advertised, appeared in the Northeast, with an average advertised price of $3.61. Prices range from $2.99-$3.99.

Quart Organic Egg Nog. All ads for quart size organic egg nog appeared in the Southeast, all priced $3.49.

ORGANIC GRAIN AND FEEDSTUFF MARKETS:
Prices of organic corn are steady to lower and steady for all other reported commodities. Market activity is mostly slow, to occasionally moderate for organic corn and soybeans. Market activity for organic wheat and organic smaller grains (i.e. barley, oats, and rye) is moderate to active. Demand for organic corn and soybeans is light to moderate, organic wheat is moderate to good and especially good for food grade quality, and for other organic smaller grains, light to moderate. Interest continues as to current harvesting efforts, associated yields, and quality. Other concerns include transportation, storage, moisture levels, drying costs, mixed wheat yields, and protein levels.

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