ORGANIC DAIRY FLUID OVERVIEW

Milk Product Sales. AMS reports total organic milk products sales for December 2014, 210 million pounds, were up 5.7% from December 2013 and up 9.2% for 2014 compared with 2013.

Organic whole milk sales for December, 67 million pounds, were up 23.2% compared with December 2013 and up 20.3% for 2014 compared with 2013.

Organic reduced fat milk sales for December, 58 million pounds, were -9.5% below December 2013 sales but up 10.1% for 2014 compared with 2013.

Organic whole milk sales for December 2014, 67 million pounds, were up 23.2% compared with December 2013 and up 20.3% for 2014 compared with 2013.

Organic reduced fat milk sales for December, 58 million pounds, were -9.5% below December 2013 sales but up 10.1% for 2014 compared with 2013.

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS, DECEMBER 2014, WITH COMPARISONS

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</thead>
<tbody>
<tr>
<td>Whole Milk</td>
<td>67</td>
<td>742</td>
<td>23.2</td>
<td>20.3</td>
<td></td>
</tr>
<tr>
<td>Reduced Fat Milk (2%)</td>
<td>58</td>
<td>728</td>
<td>-9.5</td>
<td>10.1</td>
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<tr>
<td>Low Fat Milk (1%)</td>
<td>40</td>
<td>472</td>
<td>2.6</td>
<td>4.3</td>
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<tr>
<td>Fat-Free Milk (Skim)</td>
<td>32</td>
<td>402</td>
<td>-7.9</td>
<td>-4.9</td>
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<tr>
<td>Flavored Fat-Reduced Milk</td>
<td>13</td>
<td>125</td>
<td>106.1</td>
<td>17.3</td>
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<tr>
<td>Other Fluid Milk Products</td>
<td>0</td>
<td>4</td>
<td>---</td>
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</tr>
<tr>
<td>Total Fat-Reduced Milk 3/</td>
<td>143</td>
<td>1,728</td>
<td>-0.7</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>Tot. Organic Milk Products</td>
<td>210</td>
<td>2,474</td>
<td>5.7</td>
<td>9.2</td>
<td></td>
</tr>
</tbody>
</table>

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which account for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data.

2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; 3/ Both conventional and organic fat-reduced milk categories are total of reduced fat, lowfat, skim, and flavored fat reduced milk.

ORGANIC PRODUCTION PRACTICE

Organic Dairy News. Organic Milk Supply. National organic dairy processors observe that the organic milk supply remains tight with little expectation of improvement over the winter months due to most organic dairy producers relying on stored feed.

The tight supply is evident in some retail dairy coolers where grocers once again report shortages of organic milk. Reports of shortages come in the Midwest from independent natural food stores as well as regional supermarket chains. Continuing increases in consumer demand for fluid organic milk are cited. However, an often overlooked factor is the growth in sales of new organic dairy products and food products using organic dairy components. Examples include a national fast food chain offering organic milk in coffee products and various types of easy to prepare foods sold in supermarkets, which feature organic dairy components.

While much of the recent discussion about what can be done to increase organic dairy production focuses on organic processor pay prices, processors observe that some of the newer entrants into manufacturing food utilizing organic dairy products are more focused on sourcing organic milk from the existing pool than helping processors with efforts to encourage expansion of the organic milk pool.

As producers are aware, there is a cost in money and lead time to become a certified organic dairy producer. While the national data shown above details the national increase in organic milk sales during 2014, there are regional variations in production levels, sales and demand from processors.

Organizations speaking for organic producers lament the lack of available data showing movements of organic milk between states and regions. Availability of such data is believed to be a factor that would encourage entrance of new organic producers in the larger organic milk deficit areas, as well as providing additional assurance to agricultural lenders when prospective new organic producers seek financing.

An additional factor that organic milk processors cite that would help encourage more transitioning into organic dairy production, would be more visible and tangible commitments from food manufacturers who use organic dairy components, as to anticipated purchasing needs moving forward.

Organic Grassmilk Certification. An organic dairy certifier in the Northeast is planning to offer certification for producers of grass fed organic milk. This development is consistent with a substantial increase in efforts by processors to contract with organic dairy producers for grass fed milk, especially in the Northeast and Mid-Atlantic states.

California Organic Pastures. The effects of heavy rains in Northern California last week are being assessed in terms of whether there will be an easing of drought conditions moving into spring. Typically, Sonoma County organic dairy producers have sufficient pasture growth by this time of year to begin to pasture graze organic cows. So far, conditions have not reached what is normal for this time of year, leaving many organic dairy producers to continue relying on stored feed. Humboldt County organic dairy producers are hoping sufficient rain occurs for normal Spring grazing to occur, allowing them to reduce using contracted feed and silage to feed cows.

Slaughter Auction of Organic Cows. At an auction in Oregon late last week, organic cows sold for slaughter continued to bring a premium over conventional cows. The top ten organic cows auctioned brought an average price of $1.5171 a pound, compared with a $1.0857 average for the top ten conventional cows. The current top 10 organic price average is down from $1.9033 while the top 10 conventional price is down from $1.1184. The top 50 organic cows brought $1.3539 versus $1.0483 for the top 100 conventional cows.

ORGANIC DAIRY RETAIL OVERVIEW

NATIONALLY ADVERTISED PRICE COMPARISON

Organic Dairy Overview. Organic dairy ad numbers are lower than any period of 2014 and lower than the three organic report periods of this year. Current organic dairy ad numbers are about 40% of the level one year ago and organic milk ads are about 37% of the level one year ago.

Paradoxically ad numbers for organic milk gallons are at a 2015 high, an organic milk category that has not stood out for advertising volume intensity. Ads also appeared for organic yogurt, but not for any other organic dairy product. The last time only organic milk and yogurt ads were found was July 2014.

Organic milk supplies continue to be tight, with some brands having notices on store coolers about tight supplies.

CONTINUED ON PAGE -8A-
Organic milk accounted for 63% of organic dairy ads and organic yogurt 37%.

Advertising information presented is compiled from nearly 23,000 surveyed newspaper supermarket ads with prices valid from February 13 to February 19, 2015, 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 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

**ORGANIC GRAIN AND FEEDSTUFF MARKETS:**
Prices are trending higher for organic corn but are mostly steady to slightly lower on all other reported grains. Spot market activity has been mostly moderate for all organic, with organic corn and soybeans moving the best. Demand for organic corn, organic soybeans and organic wheat is moderate to good, for organic hay and organic straw moderate to good, and for all other organic grains light to moderate. There are concerns involving feed quality issues as well as the recent extreme winter weather across the Midwest which has caused some transportation issues.

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

**Organic Milk Half Gallons.** The U.S. weighted average advertised price of organic milk half gallons is $3.56, down 33 cents. One year ago the price was $3.59. While this is an average of all prices nationwide, no ads for organic milk half gallons ran in the Southeast, Midwest, Southwest, Northwest, or South Central regions.

All ads are in the Northeast, at prices from $3.49 to $3.59.

**Organic Milk Gallons.** The U.S. weighted average advertised price of organic milk gallons is $6.14, up $1.13. One year ago the price was $5.09.

Prices range from $5.29 in the Northwest to $6.99 in the Southwest.

**Organic Yogurt.** The U.S. weighted average price of organic Greek 32 ounce yogurt, $6.53, is up $2.31 cents from last week. One year ago there were no ads for 32 ounce organic Greek yogurt.

Ads for 4-6 ounce organic Greek yogurt have an average price of $0.99, 10 cents below last week and 4 cents below one year ago.