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Organic Market Outlook: Market Trends and Risks

OGRAIN Winter Conference
Alexander Schultz
25 January 2025



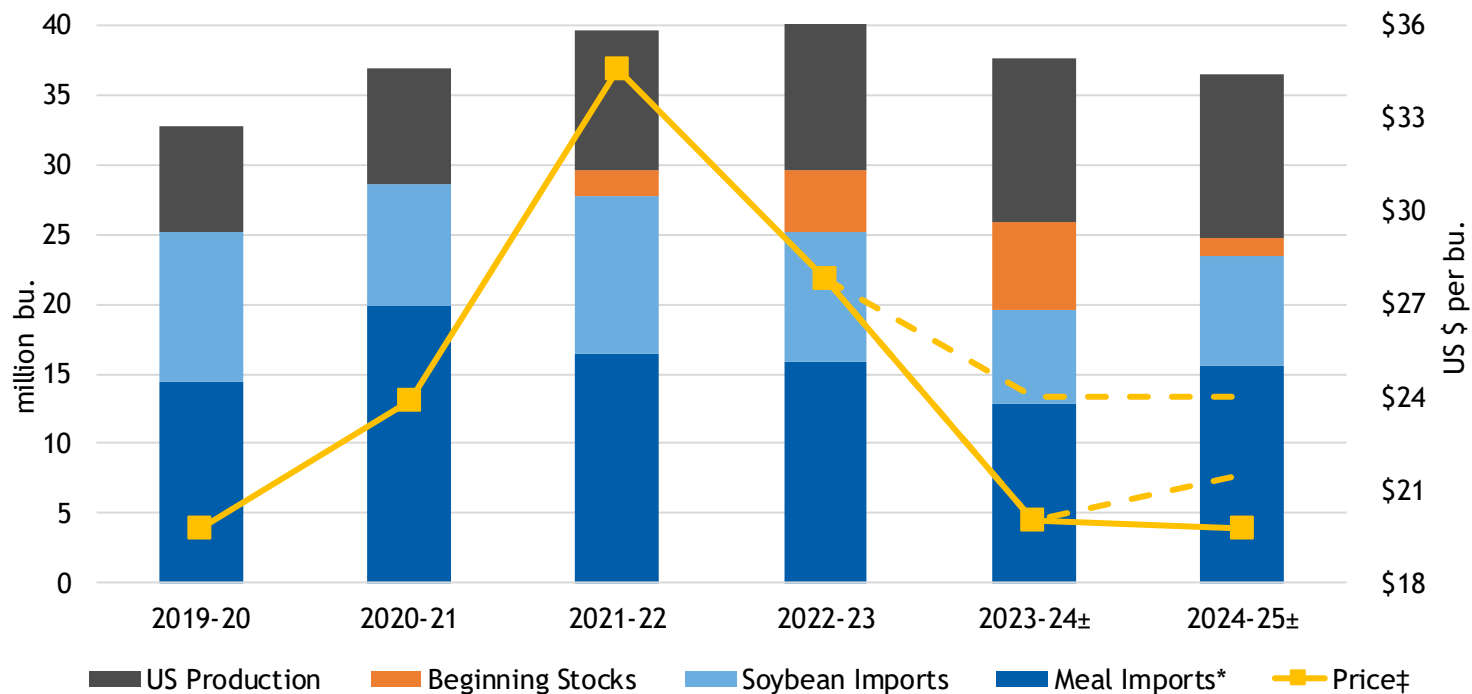
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Looking back: Organic soybeans



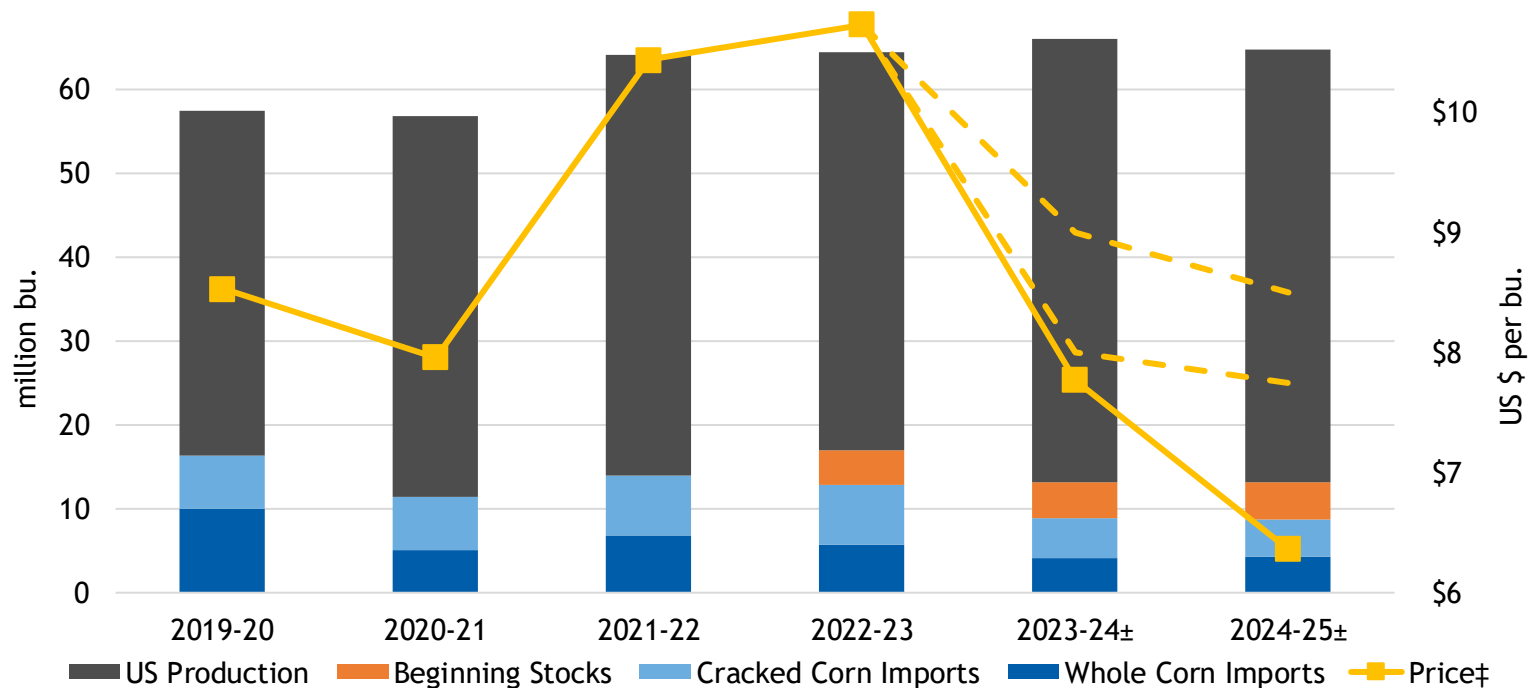
Source: Argus 2024, USDA GATS, ImportInfo®

± Argus estimated values; *Organic soybean meal converted to whole bean equivalent;

† U.S. Corn Belt delivered feed-grade organic soybean, 2024-25 Sep-Nov average



Looking back: Organic corn



Source: Argus 2024, USDA GATS, ImportInfo®

±Estimated values; ‡U.S. Corn Belt delivered feed-grade organic corn, 2024-25 Sep-Nov Average

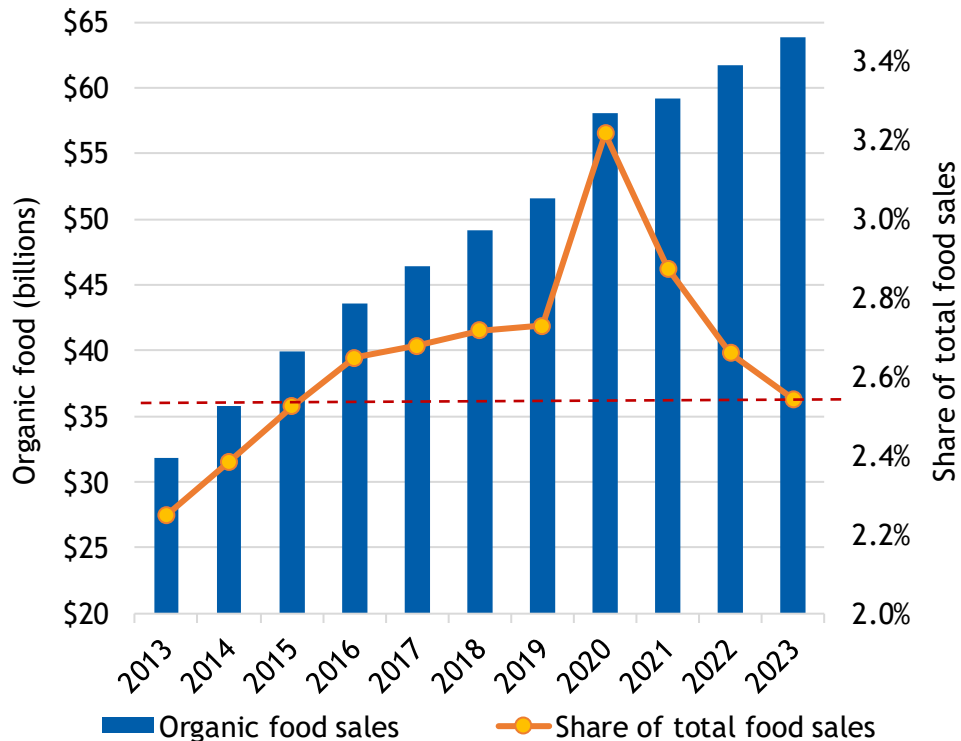
Organic demand growth needs a boost

5pc CAGR leaves organic demand behind

- National average growth 11pc
- Share of sales falls to 2015 levels (2.5pc)

	2020	2021	2022	2023	2023-22	5-Yr CAGR
Organic Sales (millions US \$)						
Milk/Cream	\$3,770	\$3,768	\$4,013	\$4,204	\$191	6%
Other Dairy	\$2,597	\$2,566	\$2,739	\$2,925	\$186	5%
Eggs	\$1,072	\$1,041	\$1,154	\$1,204	\$50	8%
Poultry	\$1,053	\$1,103	\$1,141	\$1,164	\$23	8%
Other Meat	\$715	\$710	\$771	\$877	\$106	12%
Breads & Grains	\$6,405	\$6,260	\$6,547	\$6,815	\$268	5%
Snack Food	\$3,673	\$3,846	\$4,035	\$4,160	\$125	4%
Prepared Foods	\$7,227	\$6,843	\$7,222	\$7,315	\$93	3%
Condiments	\$3,237	\$2,987	\$3,020	\$3,155	\$135	5%
Beverage	\$7,904	\$8,687	\$9,024	\$9,376	\$352	8%
F&V	\$20,439	\$21,339	\$22,006	\$22,620	\$614	6%
Total	\$58,092	\$59,150	\$61,672	\$63,815	\$2,143	5%

Source: Organic Trade Association's 2024 Organic Industry Survey



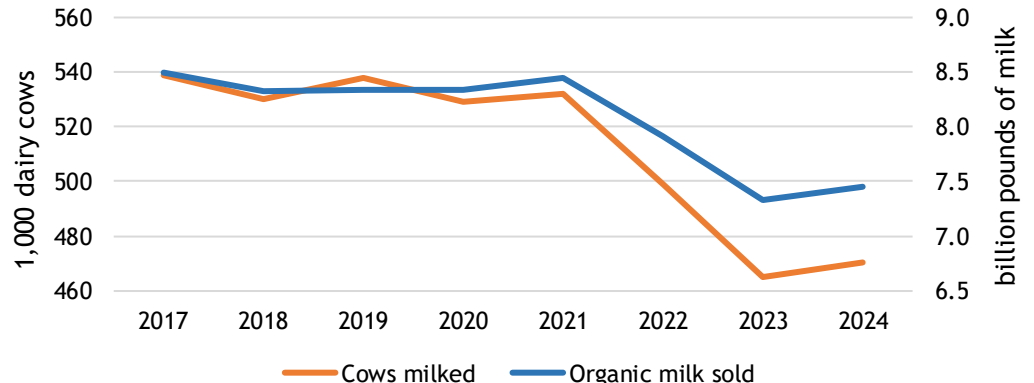
Source: Organic Trade Association 2024, USDA ERS

Organic dairy growth requires demand growth

- 2023 saw sales gain another 6pc y-o-y
 - Organic fluid milk sales gained \$191mn
 - Organic yogurt sales up \$164mn
- Other categories remain minimal
 - Organic cheese, ice cream largely flat
 - Organic butter, cottage cheese, sour cream sales approach COVID boom year
- After sharp retraction, organic dairy begins recovery
 - 2023 Organic fluid milk sales hit 7.3bn pounds, below 2016 levels
 - Dec 31 organic dairy cow inventories projected to be up 1pc y-o-y
 - Inventory recovery will be a multi-year process

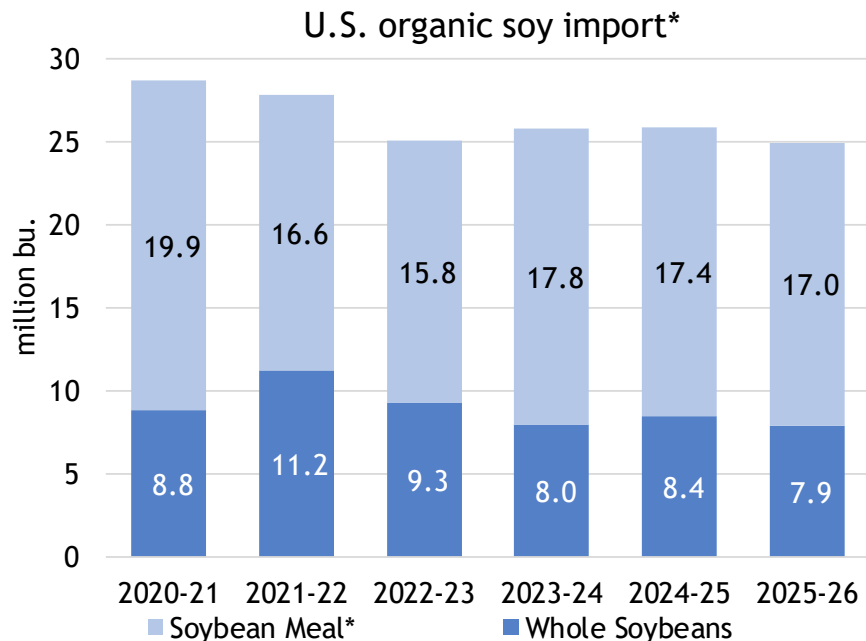
	2019	2020	2021	2022	2023	2019-2023	CAGR
Organic Dairy Sales (millions US \$)							
Milk/Cream	\$3,394	\$3,770	\$3,768	\$4,013	\$4,204	\$810	5%
Yogurt	\$1,260	\$1,310	\$1,342	\$1,506	\$1,670	\$410	7%
Cheese	\$572	\$653	\$635	\$629	\$626	\$54	2%
Butter, Cottage Cheese, and Sour Cream	\$425	\$492	\$451	\$466	\$487	\$62	3%
Ice Cream	\$119	\$142	\$138	\$138	\$142	\$23	5%
Total	\$5,770	\$6,367	\$6,334	\$6,752	\$7,129	\$1,359	5%

Source: Organic Trade Association's 2024 Organic Industry Survey



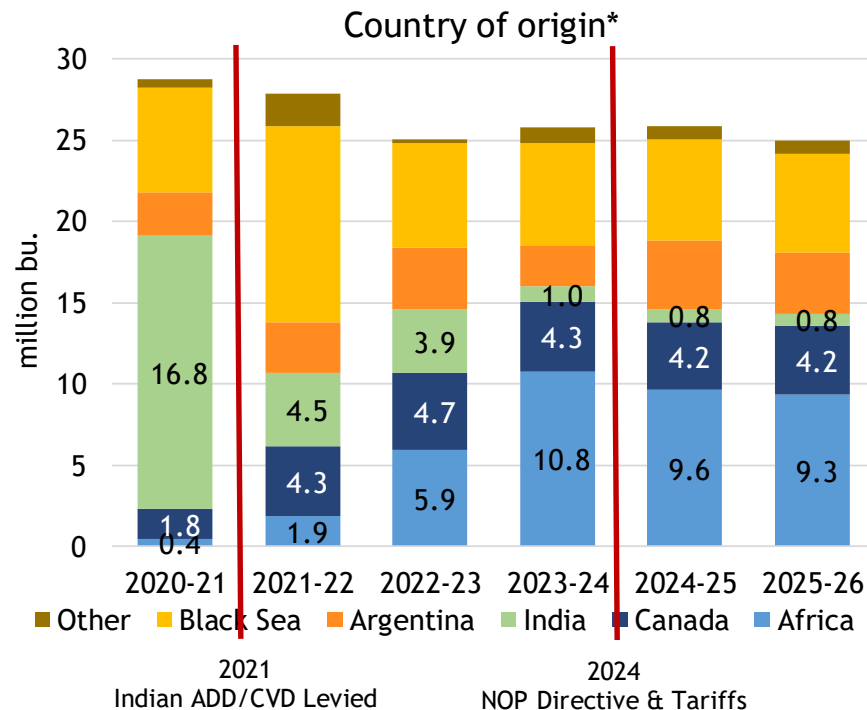
Source: Argus 2024

Is trade the next shock, again?

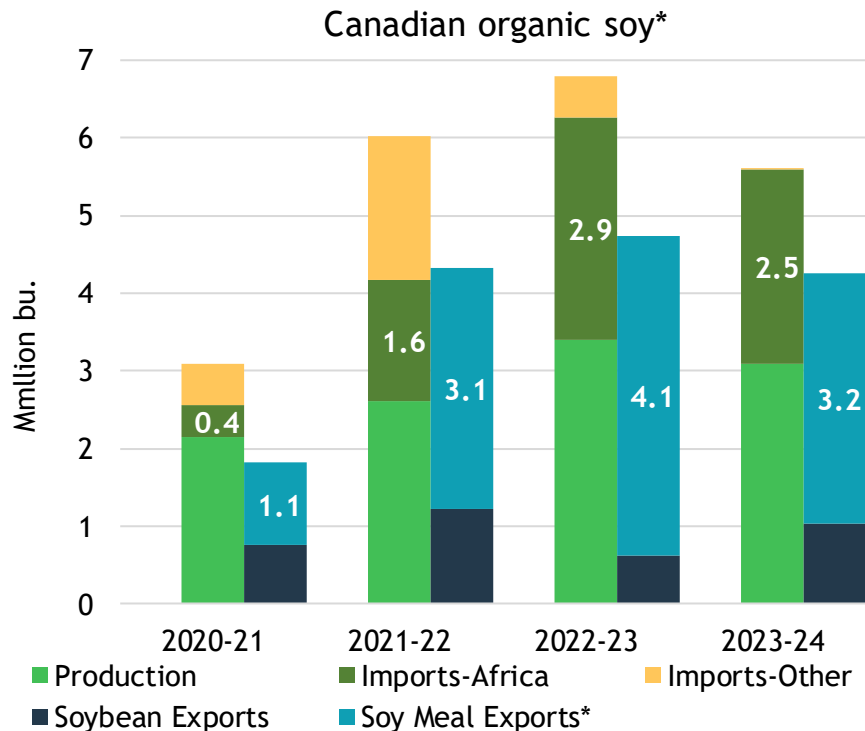


Source: Argus 2024, USDA GATS, ImportInfo®

* Includes organic soybean meal converted to whole bean equivalent



The Canada-Africa-US triangle



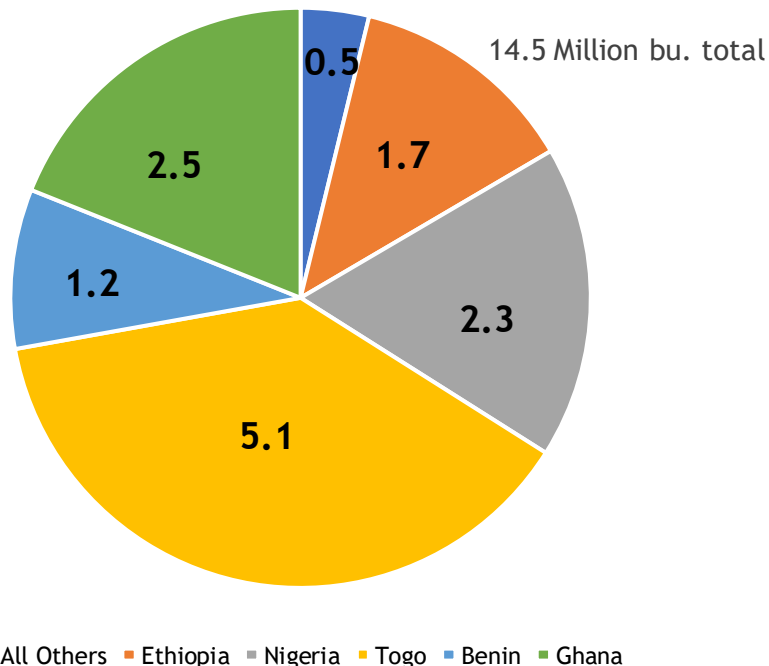
Source: Argus 2024, USDA GATS, Statistics Canada

*Includes organic soybean meal converted to whole soybean equivalent



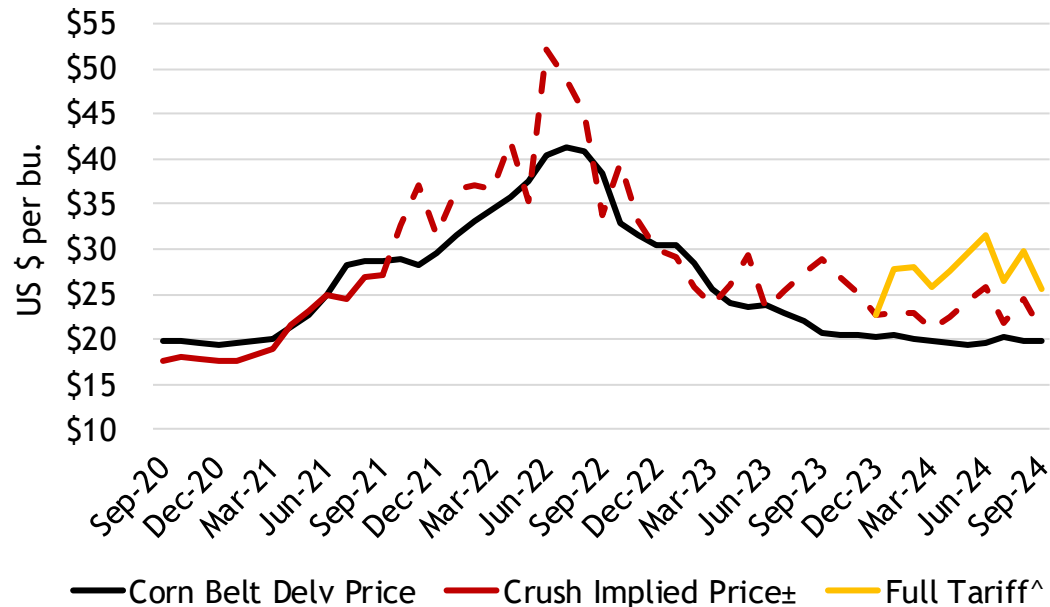
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2023-24 North American imports of African organic soy * (million bu.)



Can organic soy rally on imports?

US organic soy remains below parity



Source: Argus 2024, USDA GATS, Statistics Canada

*Soybean meal converted to whole soybean equivalent using 1 to 0.79 ratio;

±Price calculated based on CIF Baltimore organic soybean meal, and FOB Central Illinois conventional soybean oil;

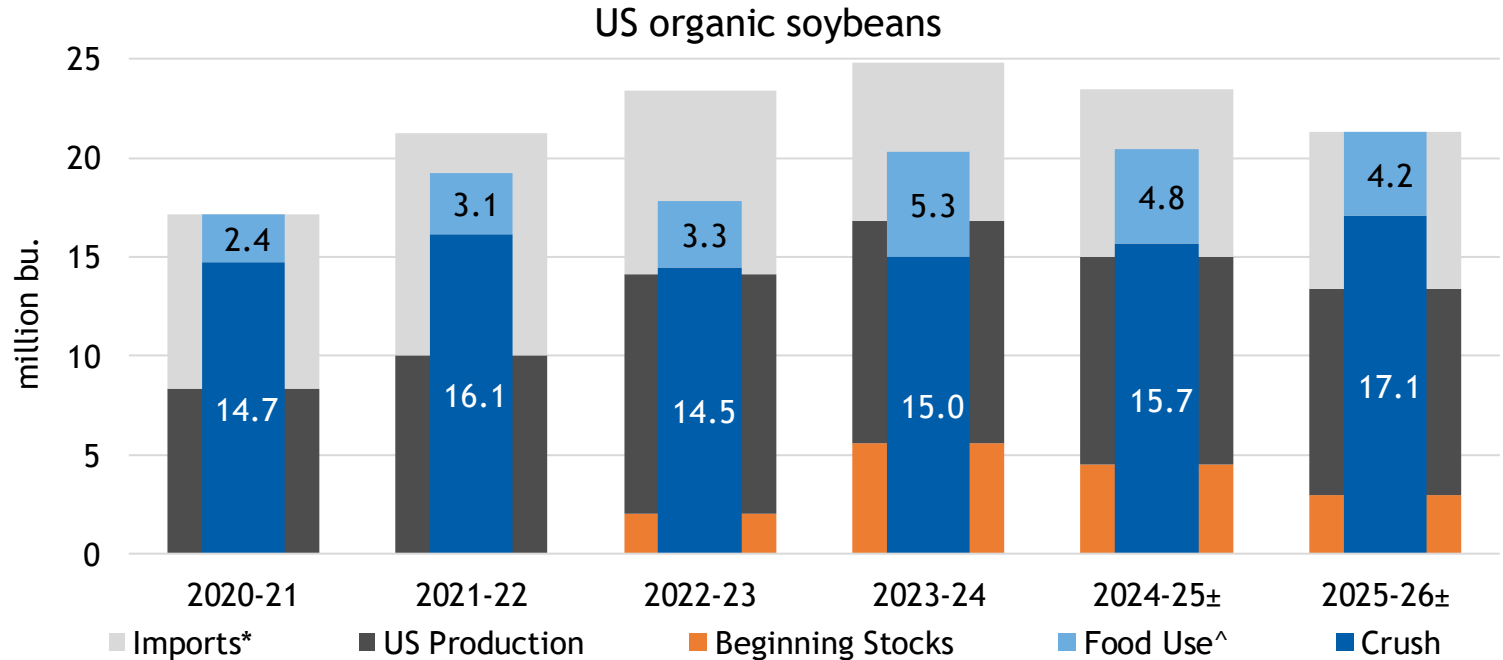
^Full 25% tariff on soybean meal from Canadian Tariff



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- US organic soy prices stuck below import-parity
 - Long supplies weigh on domestic markets
 - Last six months of 2023-24, US corn belt soy averaged \$19.72 per bushel delivered
 - Crush implied value averaged \$23.29
- 2025 imports do have risks
 - Trump tariffs threaten 4 million bushels of Canadian supply
 - NOP action puts 9 million bu of West African supplies under scrutiny
 - A combined 54pc of US organic soy imports
- Assume full tariff shock
 - Adds \$5 per bushel to implied crush value
 - Puts implied crush nearly \$9 per bushel over current values
- Reality is in the middle
 - Likely minimal risk from tariffs
 - Loss of imports from Africa likely to be limited
 - Imports likely to constrict, but not enough to add \$4-\$9 to US soy

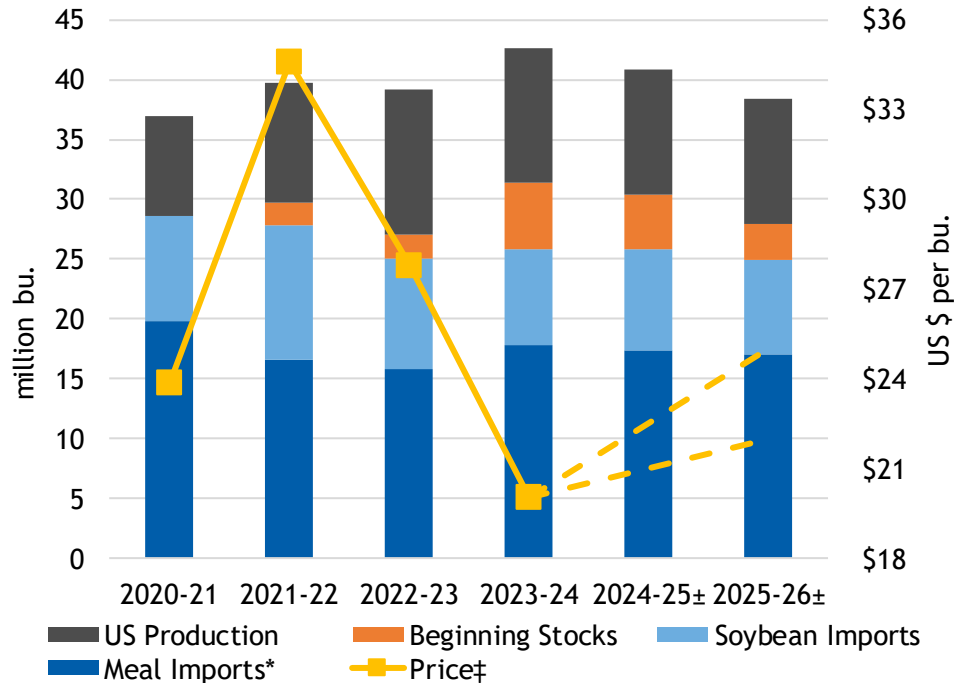
Long supplies stick around



Source: Argus 2024

±Argus estimated values; * Includes soybean meal converted to whole soybean equivalent; ^Includes food use, and other undefined non-food disappearance

Where does this take organic soy markets?



Source: Argus 2024, USDA GATS, ImportInfo®

± Argus estimated values; *Organic soybean meal converted to whole bean equivalent;

‡ U.S. Corn Belt delivered feed-grade organic soybean



Market continues to seek reduced stocks

2024 harvest 7pc lower on 8pc acreage decline

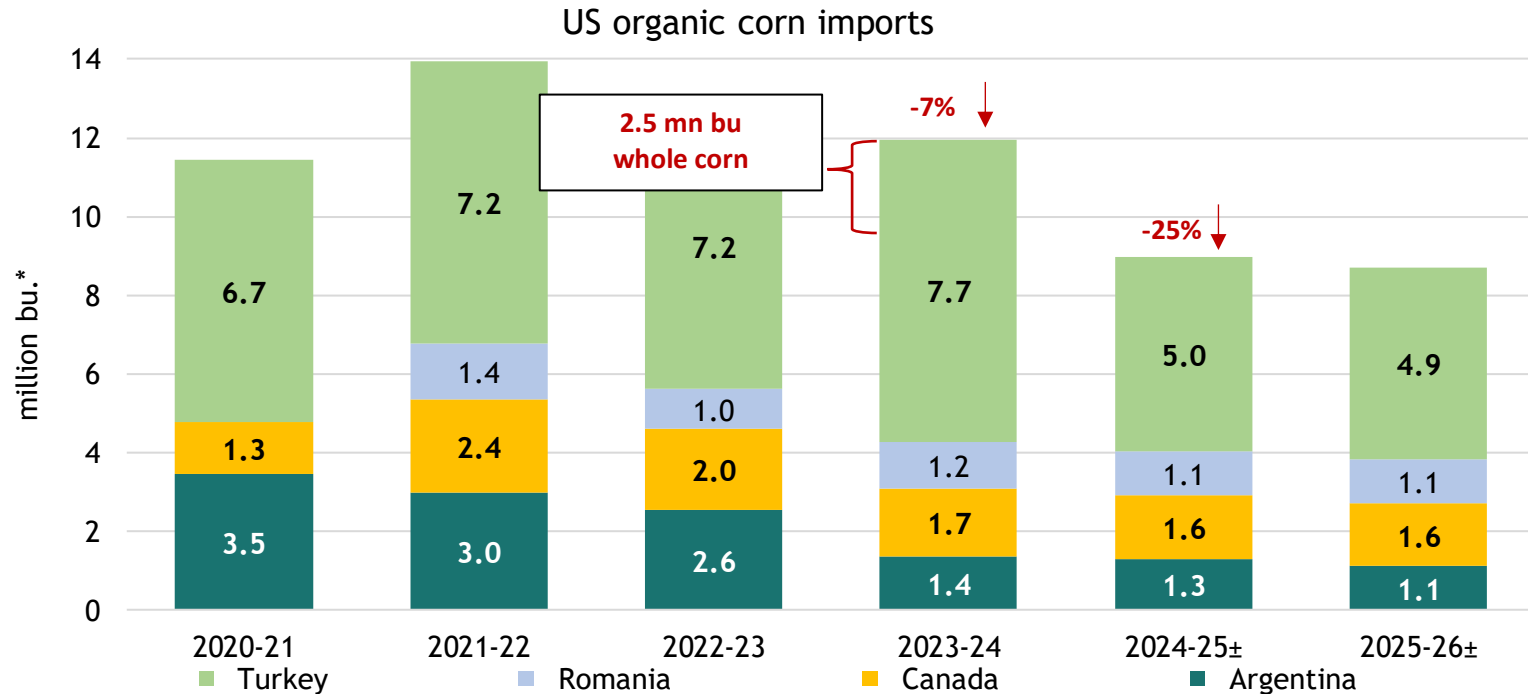
2023-22 carry-over stocks remain elevated on strong meal imports

- 2023-24 Africa meal imports up 164pc y-o-y

2023-24 didn't hit brakes enough, again, pushing 4.5 million bushels of carry-over into 2024-25

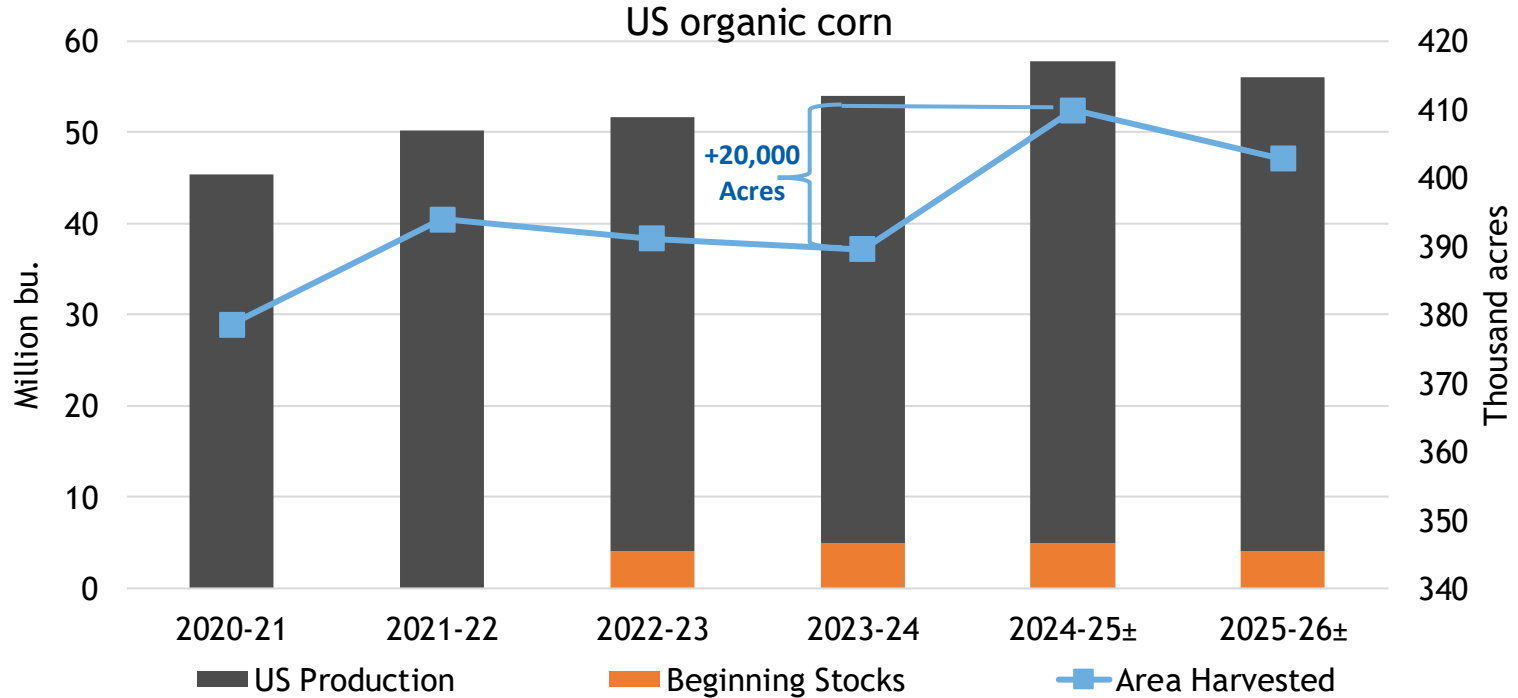
Will 2024-25 prices be enough to tighten the market?

Import loose steam over 2024-25



Source: Argus 2024, USDA GATS, ImportInfo®
 ± Estimated values; *Includes organic whole and cracked corn

Organic corn acres gain on new data



Source: Argus 2024
±Argus estimated values

Will it pay to grow organic corn?

- Costs are down some, but historically elevated
 - Corn up 12pc from 5-yr ave.
 - Soybeans up 19pc from 5-yr ave.
- Prices are much lower
 - Corn down 18pc from 5-yr ave.
 - Soybeans down 18pc from 5-yr ave.
- Where's the pressure on acres?
 - With 2023-24 production cost, corn needs to increase \$0.40 per bu. from August
 - Soybeans can lose \$2.60 per bu from August

US organic farm profitability

	2021-22	2022-23	2018-20 Through 2022-23	2023-24	2024-25		
					Cost trends	Prices recover	Breakeven
Prices (US \$ per-bu.)¹							
feed-grade corn	\$ 10.10	\$ 10.73	\$ 9.52	\$ 7.78	\$ 6.68	\$ 9.52	\$ 7.20
feed-grade soybeans	\$ 34.18	\$ 27.83	\$ 24.58	\$ 20.07	\$ 19.89	\$ 24.58	\$ 17.26
feed-grade wheat	\$ 9.75	\$ 8.23	\$ 8.91	\$ 8.76	\$ 6.00	\$ 8.91	\$ 12.23
Operating cost per-acre							
Organic corn	\$791	\$1,049	\$817	\$918	\$952	\$918	\$918
Organic soybeans	\$547	\$646	\$544	\$649	\$668	\$649	\$649
Organic winter wheat ²	\$424	\$705	\$507	\$482	\$492	\$482	\$482
Yields (bu per acre)							
Organic corn	127	128	121	127	127	127	127
Organic soybeans	39	38	37	38	38	38	38
Organic winter wheat	31	39	32	39	39	39	39
Farm net-revenue per-acre							
Organic corn	\$490	\$328	\$341	\$73	-\$101	\$296	\$0
Organic soybeans	\$780	\$399	\$382	\$106	\$80	\$275	\$0
Organic winter wheat	-\$117	-\$385	-\$220	-\$137	-\$256	-\$131	\$0
Total	\$1,153	\$343	\$504	\$42	-\$277	\$440	\$0

Source: Argus Media 2024, FINBIN

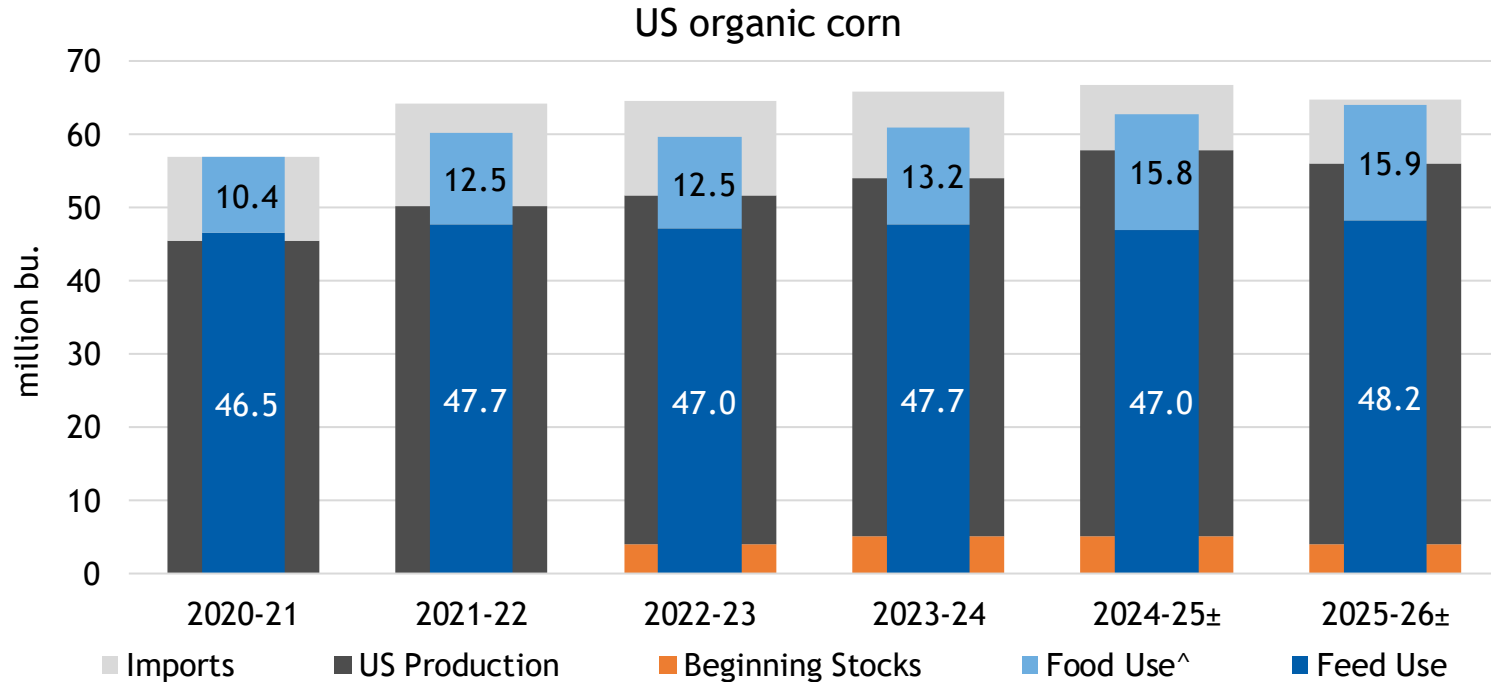
1. Sep-Aug MY average delivered to U.S. Corn Belt elevators

2. Wheat prices 2016-2022 from organic feed-grade contract data, 2023-2024 from organic SRW prices

3. Argus estimates based on FINBIN data. Wheat estimates for 2017/18 are based on trends from corn and soybeans



US supplies remain net-long

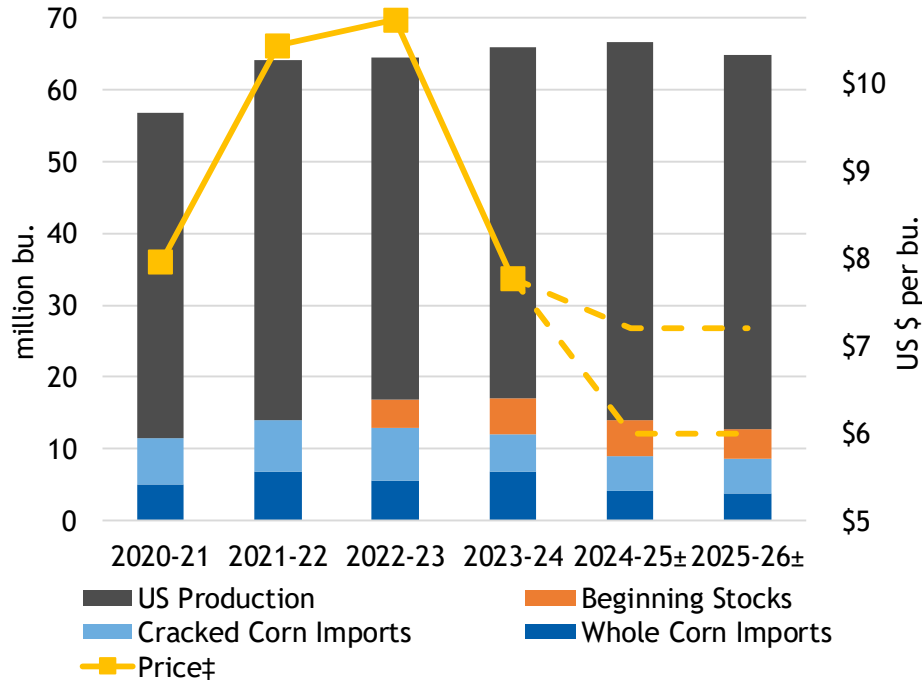


Source: Argus 2024

±Argus estimated values; ^Includes food use, and other undefined non-food disappearance



Where does this take organic corn markets?



Source: Argus 2024, USDA GATS, ImportInfo®

±Estimated values; ‡U.S. Corn Belt delivered feed-grade organic corn

Prices start 2024-25 below \$7 per bu.

2024-25 production higher following data changes

Imports declined only slightly in 2023-24 leavening stock levels near 4 million bu

Organic dairy demand is slowly returning

Imports matter less every year
-(down to 17pc of supply for 2024-25)

Organic corn demand is the key



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