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U.S. Organic Industry Trends and Outlook



U.S. Organic Consumer Demand Growth Remains Positive

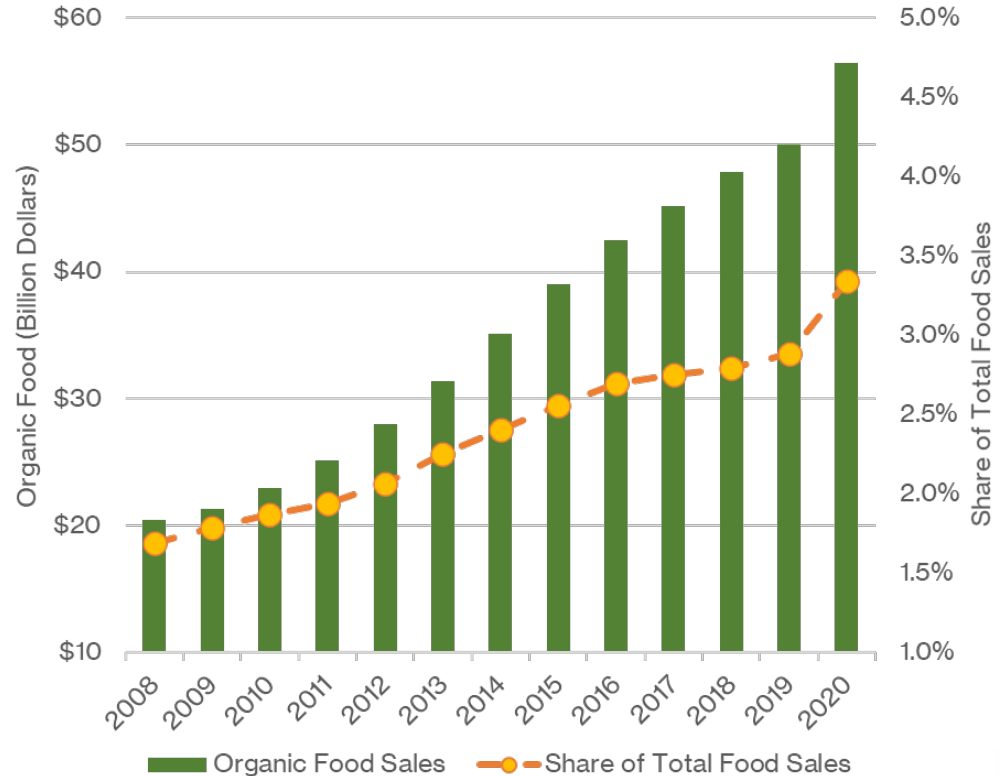
Organic food sales reach \$56 billion over 2020

- Organic food sales continue to outpace conventional
- Organic food sales **9% CAGR** (2009-2019)
- Conventional food sales **3% CAGR** (2009-2019)

Record 2020 sales as consumers adjust to COVID

CATEGORY	2020 SALES	2020 GROWTH
Fruit & Vegetables	20,438	12.2%
Beverages	7,607	12.8%
Dairy & Eggs	7,439	11.8%
Packaged & Prepared Foods	7,227	11.8%
Breads & Grains	6,405	12.3%
Snack Foods	3,200	5.3%
Condiments	2,401	31.2%
Meat, Poultry & Fish	1,768	24.7%
Total Organic Food	56,485	12.8%

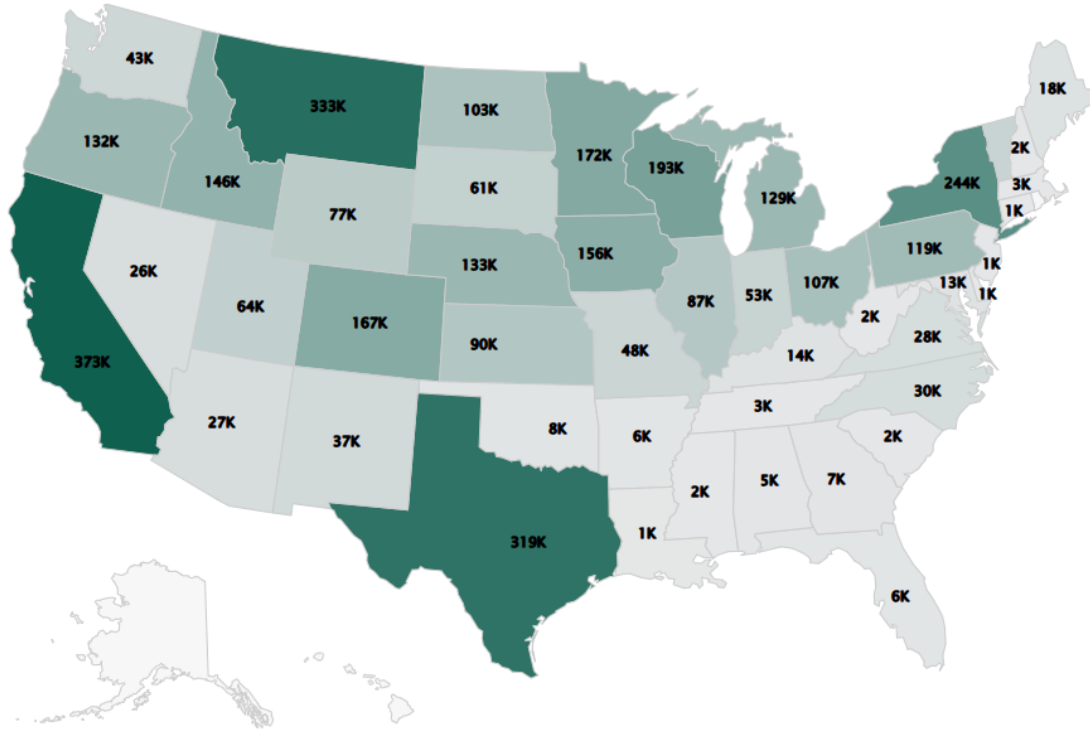
Source: Organic Trade Association's 2021 Organic Industry Survey conducted 1/13/2021-3/22/2021 (\$mil., consumer sales).



Source: Organic Trade Association 2021, USDA ERS

Organic Acreage Growth Remains Strong

2021 U.S. Organic Field Crops Acres Harvested



U.S. Organic Field Crops Acres Harvested



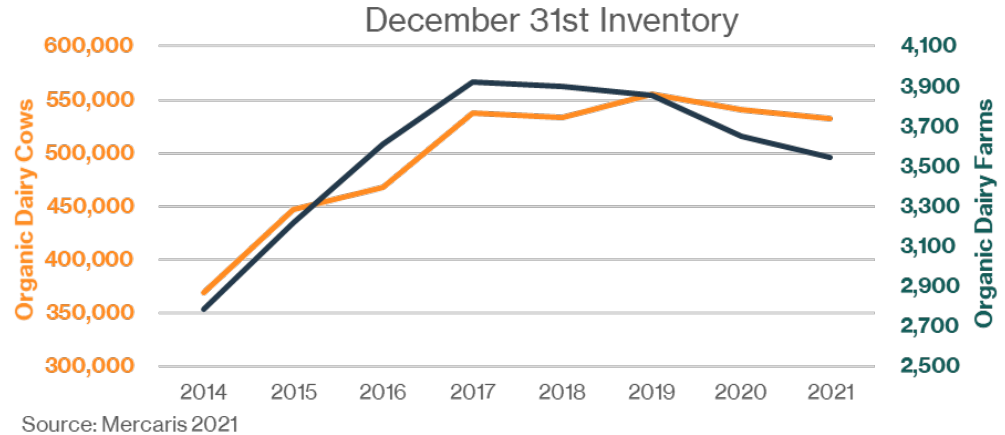
Crop	2020	2021	% Change
Other Field Crops	1,585,373	1,691,986	6.72%
Wheat	653,994	696,919	6.56%
Corn	441,569	454,484	2.92%
Small Grains	309,507	331,792	7.20%
Oilseeds	280,313	314,116	12.06%
Pulses	134,262	157,537	17.34%
U.S. Total	3,405,019	3,646,834	7.10%

Source: Mercaris.com © Natural Earth

U.S. Organic Dairy In Decline

	2017	2018	2019	2020
Organic Dairy Sales (Million U.S.\$)				
Milk/Cream		\$3,357	\$3,394	\$3,770
Yogurt		\$1,217	\$1,260	\$1,310
Cheese		\$561	\$572	\$653
Butter, Cottage Cheese, and Sour Cream		\$421	\$425	\$492
Ice Cream		\$117	\$119	\$142
Total	\$5,694	\$5,673	\$5,770	\$6,367
% Change Y/Y		-0.4%	1.7%	10.3%

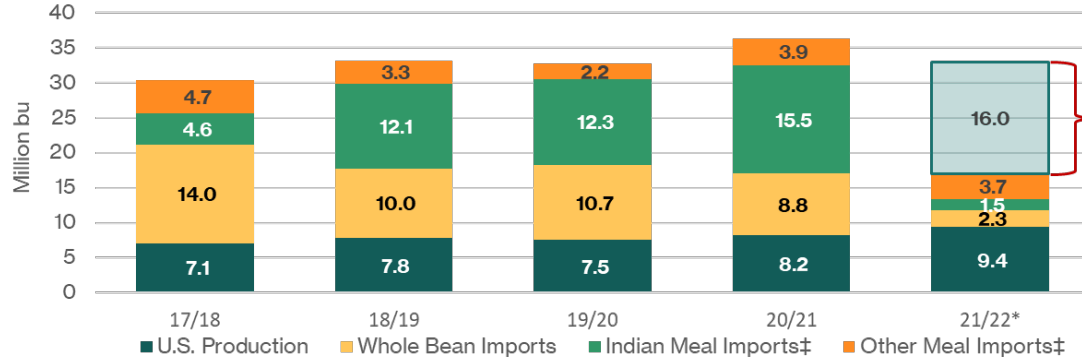
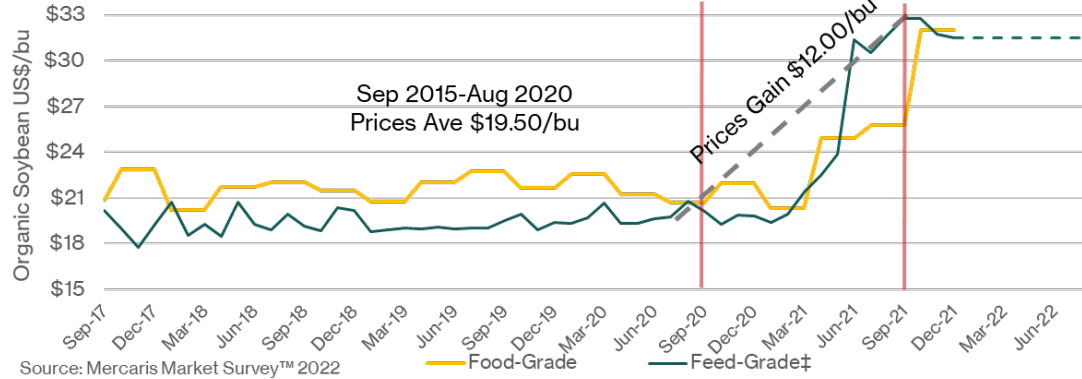
Source: Mercaris 2021, Organic Trade Association



2020 had 10% sales growth and 3% inventory decline

- 63% of 2020 growth came from fluid milk sales
- Through November 2021, U.S. organic fluid milk sales were down nearly 3% y/y
- Without product diversification, organic dairy sales are likely to struggle
- If organic dairy expands, it's likely to be due to lower feed prices

Organic Soybeans Turn Very Bullish



Source: Mercaris 2022, USDA GATS, IHS Markit PIERS

‡ Organic soybean meal converted to whole bean equivalent, * Imports through Dec 2021

The long quiet comes to an end

- Price remarkably stable through 19/20 on steady supply of imports
- Indian organic soybean meal becomes 38% of U.S. supplies over 19/20

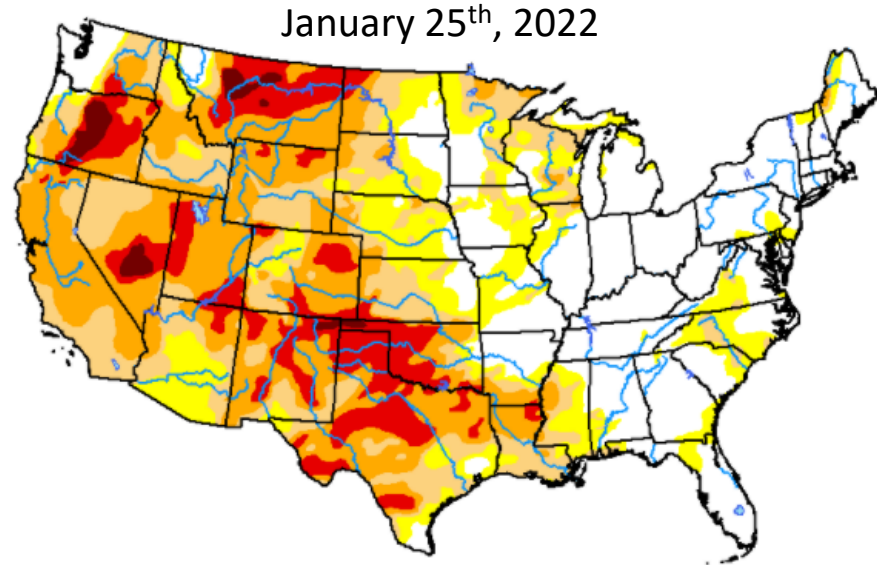
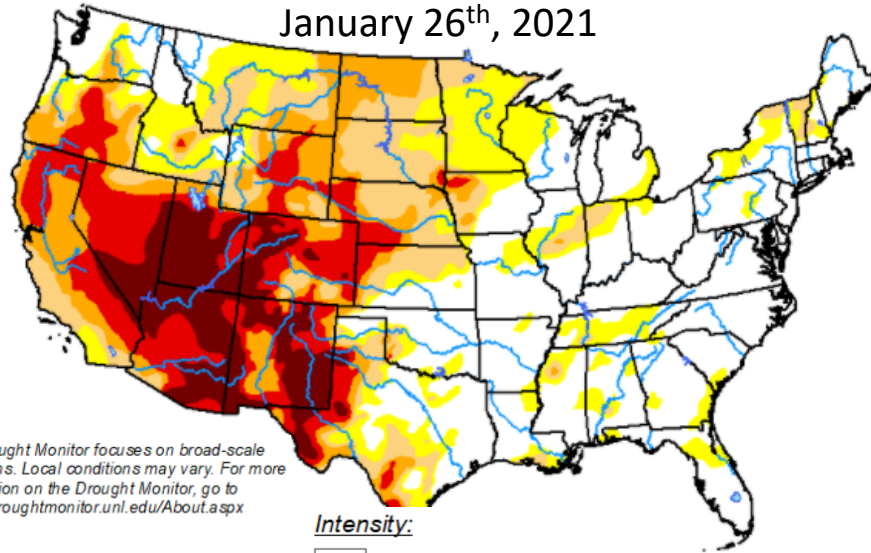
January 2021: A new reality emerges

- Price gain 70% on looming Indian organic import reform, and global supply chain challenges
- Indian organic soybean meal import reach record levels ahead of trade restrictions

2021/22 Holds Bullish Market Risk

- Assuming organic soybean use reaches 2019/20 levels, the U.S. will need to imports another 16 million bu before Sep 2021
- Where can it come from?

Drought Conditions Persist in Key Western States









The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

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Richard Tinker
CPC/NOAA/NWS/NCEP

Intensity:

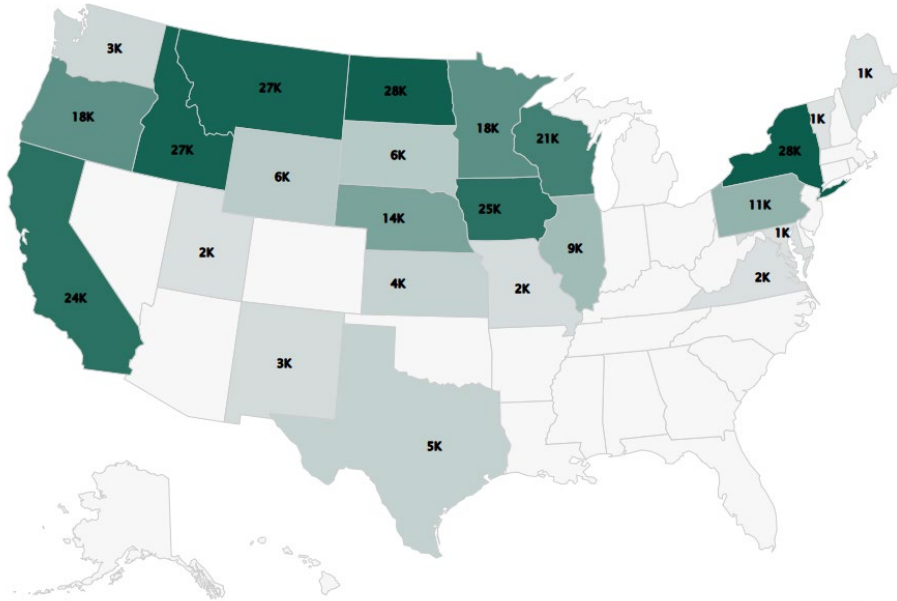
-  None
-  D0 Abnormally Dry
-  D1 Moderate Drought
-  D2 Severe Drought
-  D3 Extreme Drought
-  D4 Exceptional Drought



droughtmonitor.unl.edu

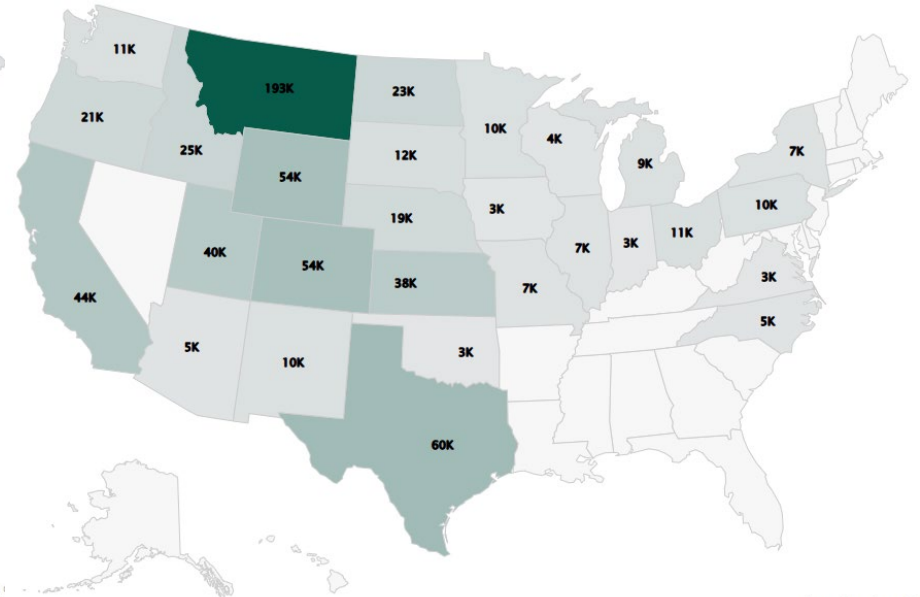
U.S. Organic Wheat and Small Grains Under Drought Threat

2021 U.S. Organic Small Grains Acres Harvested



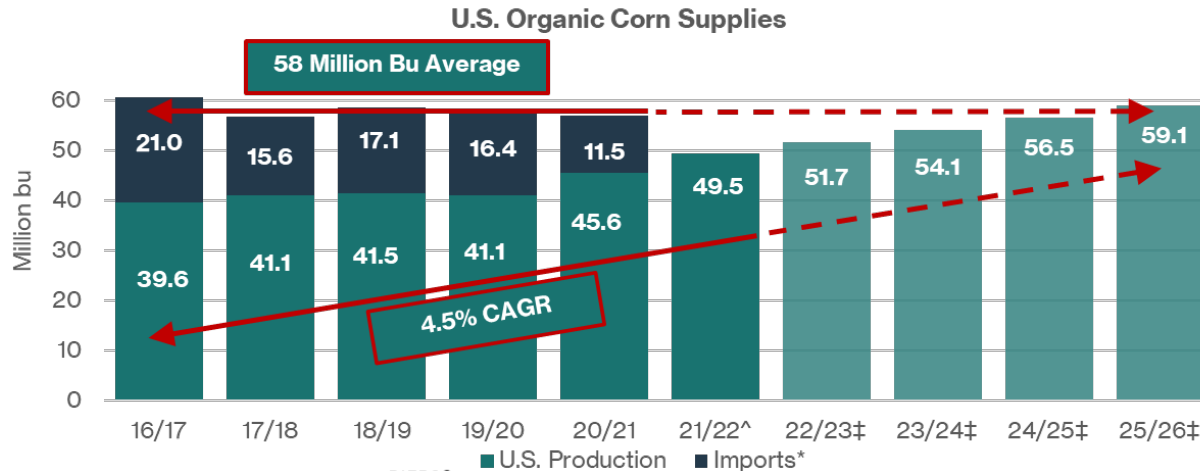
Source: Mercaris.com

2021 U.S. Organic Wheat Acres Harvested



Source: Mercaris.com © 2021

Overall U.S. Organic Corn Supply Remains Steady



Source: Mercaris 2021, USDA GATS, IHS PIERS®

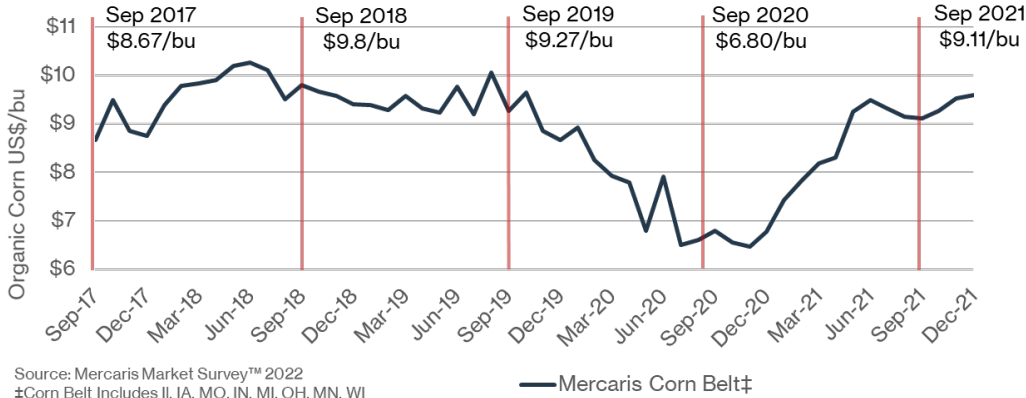
*Imports include whole and cracked organic corn, ^Mercaris MY Estimate ‡Mercaris MY projections

Altogether, 2020/21 organic corn supplies flat y/y at 58 million bushels

59 million bushels pushes us over the edge

- Total U.S. organic corn supply has remained remarkably stable around 58 million bushels annually
- Last time supplies went over 58 million bushels was 2018/19, leading to the bearish 2019/20 MY
- What happens the next time we break the 58 million bushel mark?

Organic Corn Prices Remain Firm, Despite growing Supplies



Sep 2019-Sep 2020

- Prices fall on \$2.47/bu as harvest exceeds expectations
- Imports stall on lower U.S. prices

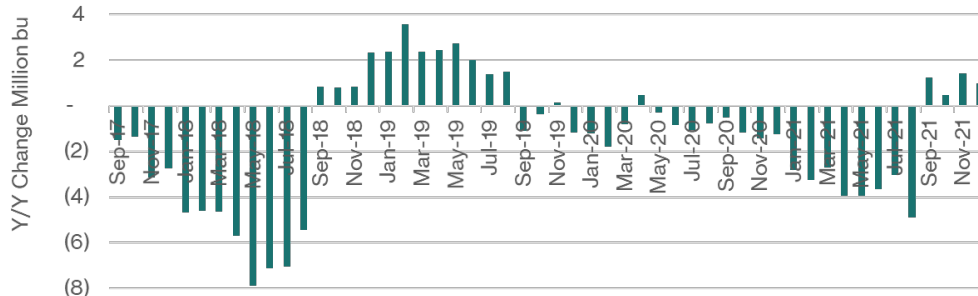
Sep 2020-Sep 2021

- Imports retract as U.S. market works through old-crop supplies and harvested new-crop, down 30% y/y
- Prices recover, gaining \$2.28/bu

Sep 2021 and beyond

- U.S organic corn harvest estimated at a record setting 49.5 million bu for 2021, up 9% y/y
- Imports are holding slightly higher since the start of 2021/22
- Price remain bullish despite growing supplies (up \$0.50/bu September through December 2021)
- Growers/purchasers hold supplies on uncertain U.S. production outlook
- Could we be building towards another 2019/20?

U.S. Organic Corn Import Trends



Source: Mercaris 2022, USDA GATS, IHS PIERS®
 *Imports include whole and cracked organic corn

Could Feed Cost Hit the Brakes?

2020/21 production costs jump 16% above 5-year average on higher organic soybean meal price

What happens if...

- \$1,200/ST OSBM = 31% to 36% higher
- \$1,300/ST OSBM = 38% to 44% higher
- \$1,400/ST OSBM = 44% to 51% higher

How sustainable is production growth at +30% higher feed costs?

	5-Year Average ¹	2020/21 MY	\$1,200 OSBM	\$1,300 OSBM	\$1,400 OSBM
Organic Feed Costs					
Feed-Grade Corn (U.S. \$/bu) ²	\$ 8.95	\$ 7.96	\$ 8.95	\$ 8.95	\$ 8.95
Soybean Meal (U.S. \$/ST) ³	\$ 735	\$ 1,067	\$ 1,200	\$ 1,300	\$ 1,400
Organic Turkey Feed (per-head slaughtered)					
Organic Corn (14.3 lbs)	\$ 2.29	\$ 2.03	\$ 2.29	\$ 2.29	\$ 2.29
Organic Soybean Meal (8.17 lbs)	\$ 3.00	\$ 4.36	\$ 4.90	\$ 5.31	\$ 5.72
Total	\$ 5.29	\$ 6.39	\$ 7.19	\$ 7.60	\$ 8.01
% Above 5-Year Average		21%	36%	44%	51%
Organic Broiler Feed (per-head slaughtered)					
Organic Corn (7.44 lbs)	\$ 1.19	\$ 1.06	\$ 1.19	\$ 1.19	\$ 1.19
Organic Soybean Meal (4.25 lbs)	\$ 1.56	\$ 2.27	\$ 2.55	\$ 2.76	\$ 2.98
Total	\$ 2.75	\$ 3.32	\$ 3.74	\$ 3.95	\$ 4.16
% Above 5-Year Average		21%	36%	44%	51%
Organic Layers Feed (mature layer per-year)					
Organic Corn (54.75 lbs)	\$ 8.75	\$ 7.78	\$ 8.75	\$ 8.75	\$ 8.75
Organic Soybean Meal (22.81 lbs)	\$ 8.38	\$ 12.17	\$ 13.69	\$ 14.83	\$ 15.97
Total	\$ 17.13	\$ 19.95	\$ 22.44	\$ 23.58	\$ 24.72
% Above 5-Year Average		16%	31%	38%	44%

Source: Mercaris 2021

1. Average calculated over 2015/16 though 2019/20 MY

2. Organic feed-grade corn delivered to U.S. Corn Belt elevators

3. High-protein organic soybean meal FOB U.S. crushing facility

What if Organic Feed Demand Grows Slows

Organic dairy remains the largest grain consumer

- But not a source of growth, and actually in retraction

Organic poultry expansion has carried the market

- 4.9% annual growth
- As a group broilers, turkeys, and layers account for 56% of total demand over 2020/21

Flat dairy and growing poultry put feed demand growth at 3.1% annually

- Flat dairy and growing poultry put GCAU growth at 3.1%
- Organic corn growth a bit faster at 4.2%
- Organic corn production growing at 4.5%

	2016/17	2020/21	2021/22 ¹	6-Year CAGR
Grain Feed Demand (1,000 GCAU)				
Milk Cows & Heifers	531	549	544	0.5%
Beef Cows	2	2	3	2.3%
Cattle on Grass	5	9	10	16.3%
<i>Cattle Total</i>	538	561	556	0.7%
Broilers	214	225	227	1.2%
Turkeys	34	64	69	14.9%
Layers	336	441	445	5.8%
<i>Poultry Total</i>	584	730	741	4.9%
Total GCAU	1,126	1,303	1,311	3.1%
Corn Feed Use				
Grain Feed Use (1,000 bu)	37,666	45,308	46,176	4.2%
Domestic Production	16,620	33,854	36,442	17.0%
Imports ²	21,046	11,454	9,734	-14.3%
Feed Use (bu/GCAU) ¹	44.16	43.92	44.43	0.1%

Source: Mercaris 2021

Note: Values represent September–August MY

1. Includes corn silage converted to grain corn equivalent value

2. Includes whole and cracked corn imports



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