MERCARIS Market Update November 13, 2019

U.S. Organic Market Update

Less than half of all U.S. corn acres across key organic producing states had been harvested as of November 3rd, according to crop progress data from USDA NASS, putting the pace of harvest behind the five-year average by nearly two weeks. This delay is starting to be reflected in production expectations, with the November 8th release of the USDA WASDE report cutting the U.S. conventional corn yield estimate by another 1.4 bu/acre from the estimate offered in October. Considering the already challenging outlook for this year's corn crop, it's likely many farmers are eager to pull their crops in from the fields and put this season behind them. However, the question remains: just how soon will farmers be able to put the last of their grain in the bin and put 2019 behind them?

Fortunately, the week ending November 9th brought relatively drier and warmer conditions to much of the Midwest, with many places receiving less than a half an inch of precipitation over the week, providing the opportunity for some much-needed harvest catch up. However, cold and snow have returned to the Midwest this week, particularly for North Dakota, South Dakota, Minnesota, and Wisconsin—key organic grain producing states. If this occurs, many places could see the end of harvest pushed well into December, pulling corn yield and crop quality expectations lower along the way.

% of Corn Acres Harvested (Week #44)

	2019	2018	5-year ave
Iowa	43%	72%	74%
Minnesota	44%	78%	77%
Wisconsin	21%	59%	52%
Michigan	25%	57%	52%
Nebraska	60%	65%	70%
Illinois	58%	93%	89%
Ohio	49%	70%	70%
South Dakota	27%	59%	68%
Indiana	57%	83%	78%
North Dakota	10%	49%	62%
Average	**40%**	**69%**	**69%**

Source: Mercaris, USDA NASS

Altogether, it's difficult to speak with any level of certainty about production this year when half of the corn crop is still in the field. It's clear that weather this harvest season is not offering much in the way of an apology for this year's planting conditions. Producers are going have to take advantage of every opportunity, and use every available tool to bring this year to a close.

Average Monthly North American Organic and Non-GMO Delivered Prices ($/bu)

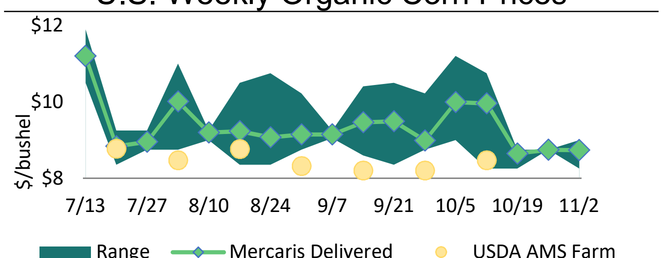
Organic	*Aug-19*	*Sep-19*	*Oct-19*	*Oct-18*
Corn (feed)	$9.95	$9.25	**$9.70**	$9.51
Eastern Canada	$9.49	N/A	**N/A**	$10.21
Corn Belt	$10.05	$9.27	**$9.67**	$9.67
East Coast	N/A	N/A	**N/A**	$11.41
Soybeans (feed)	$18.89	$19.50	**$19.48**	$18.94
Eastern Canada	N/A	N/A	**N/A**	N/A
Corn Belt	$19.04	$19.50	**$19.56**	$18.87
East Coast	N/A	N/A	**N/A**	N/A
Soybean Meal^	N/A	N/A	**N/A**	$758
Wheat (feed)	$9.83	$9.99	**$10.95**	$10.88
Canada	N/A	N/A	**N/A**	N/A
Corn Belt	N/A	N/A	**N/A**	$9.56
East Coast	N/A	$10.85	**N/A**	N/A
Barley (feed)	$7.21	N/A	**$7.21**	$5.99
Oats (feed)	$4.27	$4.70	**$4.40**	$5.91
Corn (food)	N/A	N/A	**N/A**	N/A
Soybeans (food)	$22.11	N/A	**$20.69**	$21.08
Wheat (food)				
Durum	N/A	N/A	**$15.03**	N/A
Hard Red Spring	N/A	N/A	**N/A**	$14.68
Hard Red Winter	N/A	N/A	**N/A**	N/A
Soft Red Winter	N/A	N/A	**N/A**	N/A

*Non-GMO Premium**	*Aug-19*	*Sep-19*	*Oct-19*	*Oct-18*
Corn (feed)	$0.67	$0.79	**N/A**	N/A
Corn (food)	N/A	N/A	**N/A**	N/A
Soybeans (feed)	$0.86	N/A	**N/A**	$1.27
Soybeans (food)	N/A	N/A	**N/A**	$2.53
Soybeans Meal^	N/A	N/A	**N/A**	N/A

^ $/Short Ton FOB

*Premium over local delivered cash price

U.S. Weekly Organic Corn Prices



Source: Mercaris, USDA AMS

Comments

Organic Feed Corn prices remained volatile in October, pulling above both the previous month, and the previous year. However, the delivered price remained below the $10/bu level, averaging $9.70/bu.

Organic Feed Soybean prices held their September gains, averaging $19.48/bu in October. Prices had been mostly range bound around $19/bu since the start of the year, but with the pace of harvest slowed, and a reduced production outlook on the horizon, the market may be signaling the start of more bullish support.

Organic Feed Wheat prices average $10.95/bu in October, up nearly $1/bu over the prior month, beating the gains seen in feed-grade corn. Feed-grade wheat is following the trend of other organic feed prices, as the market is hinting at price support as harvest progresses.

Organic Feed Barley prices remained at $7.21/bu in October, up $1.22/bu from the prior year.

Organic Feed Oats prices fell to $4.40/bu in October, down $0.30/bu from the prior month, and down more than $1.50/bu y/y.

Organic Food Soybean prices fell below $21/bu in October, their lowest level since the start of the year. Typically, feed-grade soybean prices move sideways-to-slightly higher at the start of the MY. However, this year has seen the opposite. It is unclear if this is a result of purchasing being muted by the delayed harvest, or if the bearish prices are due to other fundamental factors.

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Organic Livestock Production

Organic broiler slaughter increased along seasonal lines in October, but remained down 5% y/y at 4.5 million head. With October's production, Q4 2019 looks to continue this year's lower production trend. Originally, Mercaris looked for U.S. organic broiler slaughter to end 2019 mostly even y/y. Now, organic broiler slaughter is on track to end 2019 down 2% y/y.

Organic cage free egg layer inventories achieved gains in October for the first time since May of this year. Over October, organic layer inventories reached a record setting 16.1 million head, up 3% y/y. Organic layer inventories maintaining these gains through 2020 could become an important offset to the declining organic broiler production situation.

Organic Poultry (Million Head)

	2019			2018	Y/Y
	Aug	Sep	Oct	Oct	
Broilers Slaughtered	4.79	4.46	4.50	4.74	-5%
Cage Free Egg layers	15.76	15.76	16.11	15.69	3%

Organic Fluid Milk Sales

	2019			2018	Y/Y
	Jun	Jul	Aug	Aug	
Million Pounds	197	217	208	222	-6%

Source: Mercaris, USDA AMS

Organic fluid milk sales dipped to 208 million pounds in August, down 6% y/y. August's reduced milk sales are not particularly surprising, given that every month for 2019, with the exception of July, saw fluid milk sales fall y/y. August's reduced sales volumes only add to the already slowing demand growth outlook for U.S. organic livestock feed.

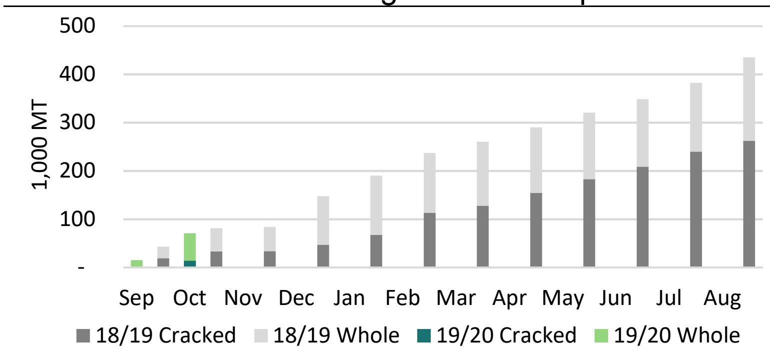
Mercaris and USDA Organic Imports: Cumulative Marketing Year to Date

Organic Whole and Cracked Corn imports have moved against expectations so far in 19/20. Through October, combined whole and cracked corn imports reached nearly 71,000 MT, down 13% y/y. The reduced pace of imports is due primarily to cracked corn, which saw imports decline y/y to 14,000 MT in October. In contrast, whole corn imports have shown unexpected strength, lead primarily by Argentina. Mercaris does look for higher overall U.S. imports from Latin America this year, however, imports from Argentina reached an estimated 51,000 MT over the first two months of 19/20, or 65% of the volume imported from the country over 18/19. Despite the MY's unexpected start, Mercaris holds its expectation of expanding organic whole and cracked corn imports, with cracked corn imports outpacing whole corn for a fourth year in a row.

Organic Soybean imports continue to push higher y/y, with U.S. imports for the month of October reaching an estimated 37,000 MT. The expansion in U.S. organic soybean imports is not itself surprising, as Mercaris had looked for the market to offset reduced U.S. soybean production this year. What is unexpected, however, is the source. According to USDA FAS, over August and September of 2019, the U.S. imported 14,400 MT of organic soybeans from Russia. Additionally, Mercaris estimates another 11,400 MT of Russian organic soybeans arrived at U.S. ports over the month of October. This means that, so far, Russia has shipped nearly 21,000 MT of organic soybeans to the U.S. this MY, more than what arrived from Canada over the entirety of 18/19.

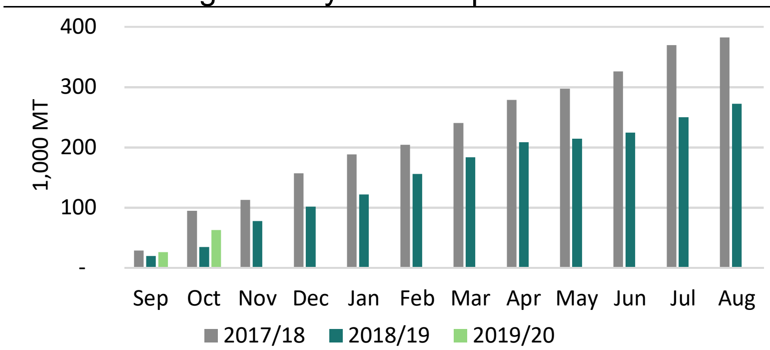
Organic Soybean Meal maritime imports reached 18,100 MT in October, up just 2% y/y. Like organic cracked corn, organic soybean meal imports are starting 19/20 off at a slower than expected pace. However, this is not likely a signal of the MY to come, as the U.S. organic soybean production outlook indicates organic livestock operations will need to fill a hole in feed supplies this year. The slower pace of organic soybean meal imports is worth keeping an eye on, though. If organic soybean meal imports fall below current Mercaris expectations, then the volume of organic soybeans used for crush and meal production domestically is likely to escalate as a result. If this happens, then U.S. organic soybean supplies will become much tighter, adding significant bullish price support to the market.

Whole and Cracked Organic Corn Imports MYTD



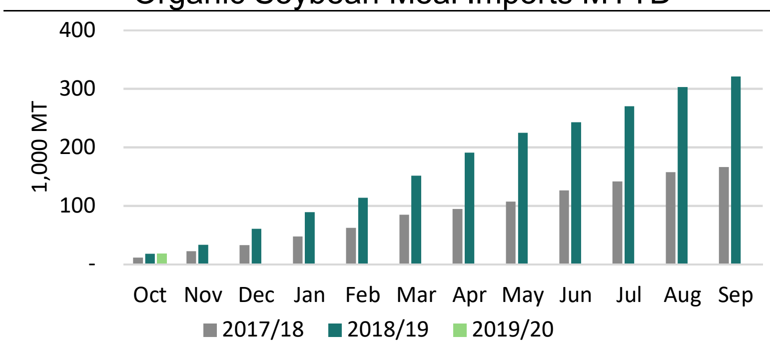
Source: Mercaris, Panjiva®, USDA FAS GATS

Organic Soybeans Imports MYTD



Source: Mercaris, Panjiva®, USDA FAS GATS

Organic Soybean Meal Imports MYTD



Source: Mercaris, Panjiva®