



 **MERCARIS** 



APRIL 2020 ORGANIC COMMODITY OUTLOOK

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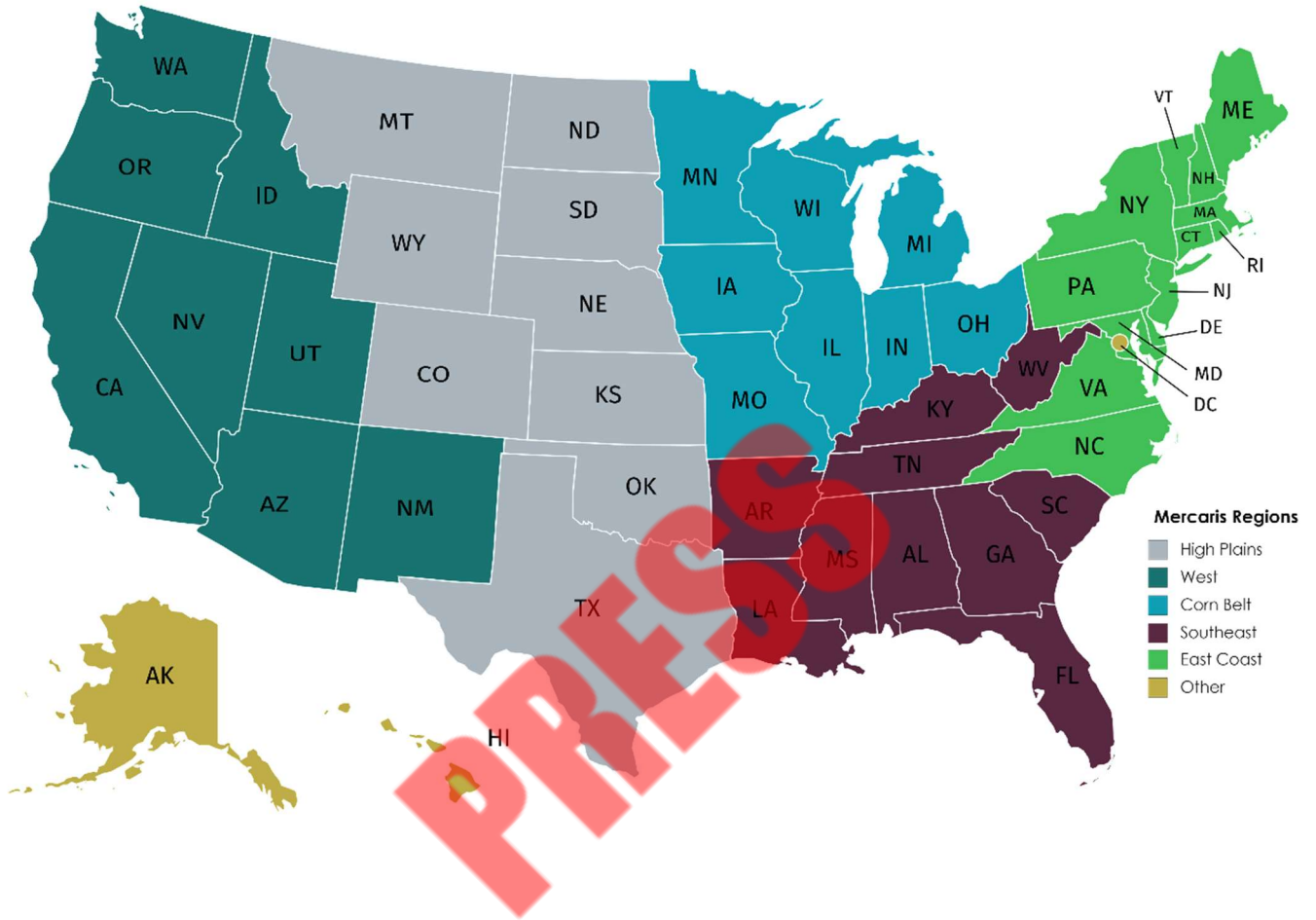
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Abbreviations and Acronyms

Acronym	Definition
AMS	Agricultural Marketing Service
bu	Bushel
COVID-19	Coronavirus Disease-2019
FAS	Foreign Agricultural Service
GCAU	Grain-Consuming Animal Unit
HPAU	High-Protein Animal Unit
HRS	Hard Red Spring
HRW	Hard Red Winter
HTS	Harmonized Tariff Schedule
MY	Marketing Year
NASS	National Agricultural Statistics Service
NOP	National Organic Program
ST	Short Ton
USDA	U.S. Department of Agriculture
Y/Y	Year-over-Year

Regional Map



A Note on COVID-19 Market Risk

As this report was being finalized, the U.S. was in the beginning stages of responding to the growing threat posed by the COVID-19 pandemic. Though it seems likely all commodity markets will be significantly affected by this seismic global threat, a comprehensive discussion of the associated health and economic risks and their potential impacts on U.S. organic markets at this time would be highly speculative, and thus not explicitly included in the following report. Rather, the analysis within this report is based on the best data and insights available at the time of this report's production.

Though a detailed examination of COVID-19's specific risks are not explicitly included in this report; it is clear that COVID-19's impact on organic markets will ultimately be determined by the pandemic's scope and duration. The following issues all have the potential of driving supply or demand (and thus, prices) higher or lower, and warrant further analysis:

Supply-Side/Production Risks:

- **Availability/Access to Labor** due to reduced access to on-farm labor, custom work, or livestock processing labor resulting from health outcomes or policy-related restrictions
- **Trade** reductions in production or access to organic grains and oilseeds for U.S. import
- **Disruption of Support Services** including farm-level support such as inputs, organic certification services, extension services, government services, etc.

Demand-Side Risks:

- **Changes in Consumer Behavior**, both temporary and long-term, resulting from an economic downturn, reduced wages, and limited mobility, among others

Macroeconomic Risks:

- **Value of the U.S. Dollar**, relative to the currencies of major organic grain-exporting countries influencing the price of organic commodity imports
- **Government Subsidies and Relief** packages aimed at ameliorating the economic impact of COVID-19
- **Access to Capital** including the entire supply chain, from farmers to end-users, and including factors such as interest rates, credit/debt markets, and even buyer supported financing

The risks outlined above will likely have a variety of compounding or conflicting impacts on the U.S. organic sector. As such, explicitly addressing these risks was not only highly speculative at the time of this report's production, but also requires detailed analysis that is beyond its scope.

Mercaris has conducted a more thorough examination of COVID-19 related risks, and on April 15th released these results in a [publicly available market report](#). As the COVID-19 situation continues to develop, Mercaris will continue to monitor and report on its impact on organic markets. For additional details and more current analysis, please contact Mercaris at [Mercaris.com](https://www.mercaris.com).

Section 1: Executive Summary

With changes to production, feed demand, and trade; the market outlook for organic commodities has shifted since the release of the October 2019 Organic Commodity Outlook Report. **U.S. organic corn markets have developed an unexpectedly bearish tone, as 2019/20 beginning stocks coupled with a larger-than-anticipated 2019 harvest boosted supplies this MY.** At the close of 2018/19, the pace of U.S. organic corn imports escalated unexpectedly, pushing MY imports up 12% from the October 2019 report's estimate while the demand for organic livestock feed slowed—reducing estimated organic corn feed demand by 1%. The result of this was a 5%, or 1.3 million bu, boost to 2018/19 food use and residual, the majority of which likely rolled into the 2019/20 MY as beginning stocks. Additionally, Mercaris has revised 2019 harvested organic corn area up nearly 10%, adding another 3.4 million bu to 2019/20 organic corn MY supplies.

In contrast, organic soybean markets have remained relatively bullish, with reduced organic soybean meal imports and higher feed demand offsetting an upward revision to the 2019/20 harvest. In the October 2019 report, Mercaris looked for 2019/20 organic soybean meal imports to expand 8% y/y as tighter domestic supplies and modest organic livestock production growth fueled growth in feed demand. However, imports have failed to meet expectations following a collapse in imports from China as well as reduced imports from Canada and the Black Sea region. As a result, Mercaris has reduced its outlook for 2019/20 U.S. organic soybean meal imports to 374,000 ST, or up 4% y/y. In addition, the pace of organic livestock production has escalated, boosting demand for organic soybean meal. In total, Mercaris estimates organic soybean meal demand will reach 636,000 ST over the 2019/20 MY, up 2% from the October 2019 report, while the supply of organic soybeans for food use and residual is estimated to contract to 6.8 million bu, or down 7% from the October 2019 report.

Finally, **U.S. organic wheat markets have held on to the bearish trend that has persisted since the 2019 winter wheat harvest.** Generally speaking, higher yields and acreage expansion provided a significant boost to the 2019/20 organic wheat harvest. Mercaris estimates the U.S. harvested nearly 20 million bu of organic wheat in 2019, up 15% y/y. With higher production, both the amount of wheat demanded for organic animal feed and the supply of organic wheat for food use and residual are expected to grow over the MY—up 8% and 17%, respectively. This bearish supply situation is reflected in wheat prices, with first quarter 2020 food-grade organic durum, HRS, HRW wheat prices each down more than 25% from the first quarter of 2019.

Key Findings

Organic Corn

- Organic corn production is revised upward to 39.7 million bu for the 2019/20 MY, up 9% from the October 2019 report, but remains down 4% y/y.
- The import outlook for organic whole and cracked corn is reduced following larger beginning stocks and a boost to the 2019 harvest. Organic whole and cracked corn imports are projected to decline a combined 2% y/y to 16.7 million bu—down 19% from the October 2019 report.
- U.S. organic corn livestock feed demand is largely unchanged from the October 2019 report at 31 million bu, despite the 1% increase in estimated organic livestock grain feed demand. Organic corn feed use is expected to remain at 31 million bu over 2019/20 as more wheat and organic corn silage are consumed instead of organic corn.

Organic Soybeans

- U.S. organic soybean production is estimated at 7.6 million bu for the 2019/20 MY, down 4% y/y, but up 9% from the October 2019 report. Soybean imports are expected to reach 10 million bu by the end of 2019/20, putting total MY soybean supplies at 17.6 million bu—or down just 2% y/y.
- U.S. organic soybean crush is revised significantly higher due to a decrease in estimated organic soybean meal imports, as well as a 1% increase in organic livestock meal feed demand. Mercaris estimates U.S. organic soybean crush will reach 10.8 million bu over the 2019/20 MY— up 12% from the October 2019 report and up 4% y/y.
- With increased organic soybean crush, and reduced y/y organic soybean supplies, the volume of organic soybeans for food use and residual is expected to reach 6.8 million bu over 2019/20— down 10% y/y and down 7% from the October 2019 report.

Organic Wheat

- Mercaris estimates U.S. organic wheat production reached nearly 20 million bu in 2019, up 15% y/y.
- The majority of this increase is expected to occur in the U.S. High Plains region, with yields and harvested area increasing across all categories of organic wheat.
- With U.S. organic wheat supplies at robust levels coming alongside tight organic corn supplies, Mercaris estimates organic wheat for livestock feed use will reach 8 million bu over 2019/20, up 8% y/y.
- Even with elevated feed demand, the supply of organic wheat for food use and residual is expected to increase 17% y/y, reaching 13.2 million bu.

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