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Argus Organic Commodity Outlook Preview 2024

An early look inside the upcoming biannual *Argus* Organic Commodity Outlook, providing short to mid-term analysis and forecasting of the organic wheat, soy and corn markets in North America.

Summary

Ample supplies and weak demand growth are expected to keep downward price pressure on US organic commodities as they enter the 2024-25 marketing year. Low prices have weighed on the US organic soybean market, with production down 7pc from the prior marketing year to 10.5mn bu. The decline in organic soybean production is driven by an 8pc decline in acreage to 292,000 acres. Combined with 4.5mn bu of carryover stocks, the market starts the year with 15mn bu of organic soybean supplies, down 11pc from the prior year. However, imports are expected to see a smaller decline than production, with organic soybean meal imports forecasted to be down only 2pc. Africa is forecasted to supply three-fifths of organic meal imports into the US, though supplies from the region face the risk of further scrutiny following a directive recently released by the US Department of Agriculture (USDA). Overall, the market is expected to remain amply supplied throughout 2024-25, despite declines in both production and imports, limiting potential price increases for organic soy markets through 2024-25.

The organic corn market faces a similarly supply position. The US is forecasted to see an 8pc rise in organic corn production to 52.8mn bu, driven by a 5pc increase in harvested acres and a 2pc increase in yields due to improved moisture conditions. However, this rise in acres is a result of increased organic acreage data availability from the USDA that resulted in increased acreage estimates in some states. The US is also estimated to have begun 2024-25 with 5mn bu of carryover stocks as the market remained in a long supply position. Imports are expected to fall a combined 25pc in response to strong domestic supplies, and as several large shipments of organic whole corn received from Turkey over 2023-24 not occurring again over 2024-25. *Argus* forecasts that the US organic corn market will end the 2024-25 marketing year with 4mn bu of carryover stocks, keeping downward pressure on organic corn prices through the marketing year.

The US organic wheat production is estimated at a record 26.1mn bu 2024-25. Yields increased 2pc as moisture conditions recovered across key growing states in the West and High Plains. Harvested acreage also saw a 3pc rise, further adding to the supply position. Organic winter wheat saw the largest increase in acres at 8pc, further compounded by a 1pc rise in yields. A 2pc decline in acres for spring wheat is offset by a 5pc rise in yields to push production up 3pc. As with organic corn and soybeans, large domestic production combined with a 41pc rise in imports is expected to keep downward pressure on prices through the 2024-25 marketing year as food use and residual supplies rise 14pc to 18mn bu.

Increased US organic grain and oilseed supplies are expected to be partially met by an increase in organic feed demand. Lower feed prices are expected to result in a 2pc increase in grain-consuming animal units, as the organic poultry sector expands turkey and egg layer inventories. Also, the organic dairy sector is expected to continue expansion over 2024-25. High-protein animal units are expected to experience a similar 2pc increase as the organic poultry and dairy sectors expand.

Despite increased feed demand, ample organic supplies are expected to limit price gains through 2024-25, and likely impact planting decisions in 2025. Organic soybean and corn harvested acres are expected to each fall 2pc. Imports of organic soybean meal are expected to fall further, allowing ending stocks to be reduced to zero over the marketing year. The organic corn market is expected to end 2025-26 with 750,000 bu of carryover stocks, an 81pc decline from 2024-25. Tightening market positions are expected to allow the US organic market strengthen over 2025-26, and potentially add price support by the start of the 2026-27 marketing year.

Organic Corn

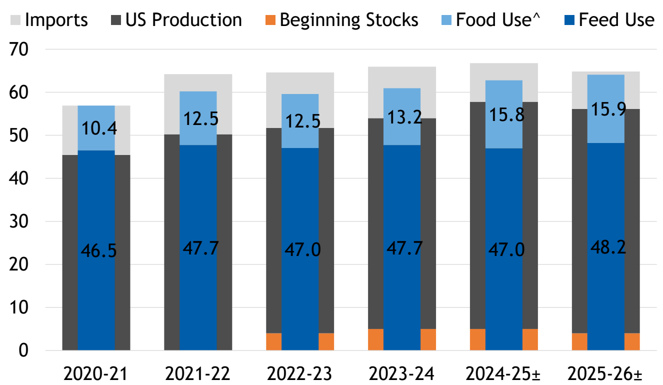
US organic corn production is expected to increase 8pc for the 2024-25 marketing year, following a 2pc increase in yields, and a 5pc increase in harvested acres. While organic corn acreage is up from the prior year, the increase is primarily driven by expanded organic farm data availability from the US Department of Agriculture (USDA) resulting in increased organic acreage estimates in some states. Yields improved due to overall better moisture conditions across the Corn Belt during much of the growing season but were hampered in some areas by storm damage and late-season dryness.

Combined organic whole and cracked corn imports are expected to continue the previous year's decline over 2024-25 as imported corn remains less cost competitive with domestic supplies, down 25pc from the prior marketing year to 9mn bu. Organic cracked corn imports are forecasted at 4.9mn bu, their lowest level since 2016-17, while organic whole corn imports are forecasted at 4.1mn bu, a 40pc decline from the prior marketing year.

In addition to price competitiveness, the 2024-25 outlook for US whole corn imports is lower due other factors. Turkey exported 2.5mn bu of organic whole corn to the US over 2023-24 after shipping none over the preceding two marketing years. However, this was a result of changing Turkish tariff polices over 2023-24 and is unlikely to repeat in 2024-25. Imports from Argentina are expected to fall as well due to disease pressure weighing on the countries 2024 harvest. Additionally, the possibility of blanket import tariffs from the incoming presidential administration could push organic corn imports below current expectations.

A forecasted rise in production and fall in imports is expected to put total organic corn supplies for the 2024-25 marketing year at 66.8mn bu, a 1pc increase from the prior marketing year. Feed demand for organic corn grain is expected to decline 2pc to 47mn bu, due primarily to a 20pc rise in organic corn silage feed usage as organic corn silage harvested acreage has also been revised higher. In total, US corn ending stocks are projected to reach 4mn bu by the end of the 2024-25 marketing year.

US Organic Corn *mn bu*



- Argus 2024. ±Argus estimated values; ^Includes food use, and other ndefined non-food disappearance

Organic corn acreage is expected to fall 2pc in the 2025-26 marketing year as stock levels continue to weigh on prices through planting. With nearly flat yields year-over-year, organic corn production is expected to decline 1pc in 2025-26. Combined imports of organic whole and cracked corn are expected to fall a further 3pc as stocks levels keep US supplies elevated and prices reduced.

Declines in both domestic production and imports are expected to pull total organic corn supplies down 3pc, to 67.2mn bu during the 2025-26 marketing year. Organic grain corn feed usage is expected to increase 3pc as poultry and dairy both expand, reducing stock levels over the marketing year. Organic corn stocks are expected to reach 750,000 bu by the end of 2025-26, down 80pc from the prior marketing year. The decline in the carry-over position is expected to result in price support for organic corn by the end of 2025-26 as supplies for spot purchasing become less available.

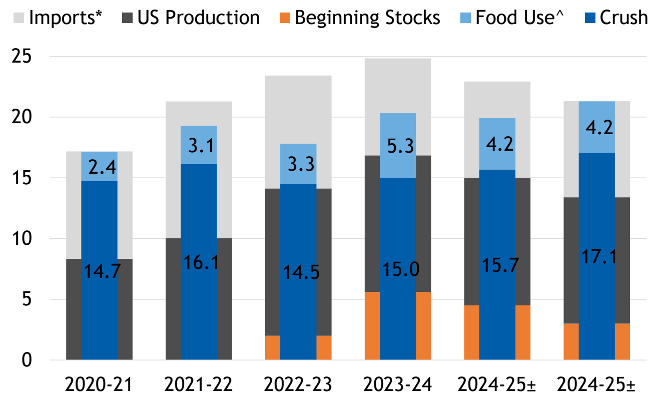
Organic Soybeans

US organic soybean production is forecasted to reach 10.5mn bu for 2024-25, a 7pc decline from the prior marketing year. The decline in production is driven by an 8pc reduction in organic soybean acreage. Harvested area is projected to decline for the second year in a row to 292,000 acres, the third highest level on record. Despite remaining historically high, organic soybean acres do appear to be returning to trends levels prior to 2022 which saw acres spike on record prices. Organic soybean yields are projected to increase 1pc following improved moisture conditions during the early portion of the growing season, despite some losses due late-season dryness.

With 4.5mn bu of carry-over stocks, the 2024-25 marketing year is forecasted to start with 15.7mn bu of domestic organic soybean supplies, down 11pc from the prior marketing year. Organic soybean supplies are expected to decline further over 2024-25 as imports of whole organic soybean are expected to fall 1pc to 7.9mn bu Africa is the largest source of this decline as the region continues to shift towards producing soybean meal for export, and the September 2024 directive released by the National Organics Program (NOP) increases scrutiny on West African organic soy supplies. Imports from Argentina are expected to be up, with most of the organic soybeans from their 2024 harvest having already shipped. Additionally, imports from their 2025 harvest are also expected to be higher as farmers shift acres away from organic corn, adding to imports from the country towards the end of the 2024-25 marketing year.

Organic soybean meal imports are also expected to fall over 2024-25 to 413,000 short tons (st), down 2pc from the prior marketing year. Africa is expected to see a decline of 3pc following the NOP's increased scrutiny of imports from West Africa, similar to organic soybeans. With this reduction in organic meal imports, domestic organic soybean crush is expected to see a 5pc increase in 2024-25. With reduced US organic soybean production and imports, and an increase in use for organic soybean meal production, US organic soybean stocks are expected to decline 33pc over 2024-25 to 3mn bu.

US Organic Soybeans *mn bu*



— Argus 2024. ±Argus estimated values; * Includes soybean meal converted to whole soybean equivalent; ^Includes food use, and other undefined non-food disappearance

The increase in crush is expected to be met by a 3pc increase in animal feed demand to 800,000 st. The increase in demand, along with the decline in imports, is expected to result in organic soybean meal ending stocks declining to zero by the end of the 2024-25 marketing year.

Domestic organic soybean production is expected to be flat during the 2025-26 marketing year at 10.4mn bu. The decline comes from a forecasted 2pc decline in acreage to 389,000 acres that is only partially offset by a 1pc increase in yields. Organic whole soybean imports are expected to be flat in 2025-26 while organic soybean meal imports are expected to fall 2pc from the prior marketing year. This would allow for a further 9pc expansion in domestic crush. Combined with a 1pc further rise in feed demand, the US is expected to work through the remaining carryover position during 2025-26. The tightening of availability which would allow for more bullish pressure to organic soy pricing.

Organic Wheat

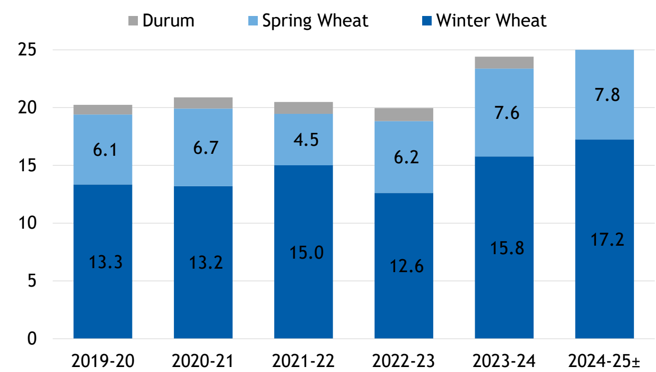
US organic wheat markets continued to build upon the prior years increased supply position, with production estimated to have reached a record 26.1mn bu over 2024-25 as both yields and harvest acres improved following consecutive seasons of drought.

US winter wheat production increased from the previous marketing year over 2024-25 as improved growing conditions across Nebraska, South Dakota, Wyoming and Kansas boosted yields across the states to bring US average yields to 37.86 bu per acre, up 1.5pc from the priot year. Additionally, the state of Texas increased harvested acres 23pc from 2023-24, contributing to US total winter wheat harvest area increasing 8pc from the prior year to 456,000 acres. In total, US organic winter wheat production reached a record 17.2 mn bu, up 9pc from the prior marketing year.

US organic spring wheat production also expected to have reached a record setting 7.8mn bu over 2024-25, despite increasing by lesser 3pc from the prior marketing year. Improved growing conditions across California, Idaho, North Dakota, Oregon, and South Dakota boosted US organic spring wheat yields 5pc from the prior marketing year to 26.36 bu per acre. Improved yields offset an 8pc reduction harvested acres in Montana, the largest organic spring wheat producing state, which pulled US organic spring wheat harvested area down 2pc to 296,000 acres.

Unlike winter and spring wheat, US organic durum production did not reach a record level, although it did increase 5pc from the prior year to 1.08mn bu. Harvested area increased 2pc to 23,400 acres as gains in Arizona and California offset a reduction in Montana. Yields increased nearly 3pc to 46.04 bu per acre, as reductions in California and Montana were more than offset by gains in all other organic durum wheat producing states.

US Organic Wheat Production *mn bu*



— Argus 2024.
± Argus projection

US imports of organic wheat are expected to increase 41pc from the prior marketing year over 2024-25, as imports were up 173pc from the prior year over the first four months of the marketing year. Given US supply and price levels, it is anticipated that this pace will slow following the US organic spring wheat harvest. However, this assumption does carry some risk as only a few additional months of import matching the rate seen at the start of the marketing year will see this value pull higher. In total, US wheat supplies are expected to reach 28.4mn bu, up 9pc from the prior year. This increase is expected to be met by a less than 2pc increase in organic livestock feed demand, resulting in food use and residual supplies gaining 14pc from the prior year to 18mn bu for 2024-25.

This level of supply is likely to keep downward pressure on prices as the marketing year works through 2025-26 spring wheat planting decisions, and the US winter wheat harvest. This in addition to challenging growing conditions at the start of the 2025-26 organic winter wheat growing season is expected to limit organic wheat production for the marketing year. Following planting season drought in South Dakota and Wyoming, US winter wheat production is expected to reach 16.6mn bu over 2025-26, down 4pc from the prior year. Organic spring wheat acres are expected to rebound 2pc from their decline over 2024-25, with yields increasing 1pc along trend lines to bring total US spring wheat production to 8mn bu, up 3pc from the prior year. Similarly, US organic durum wheat is expected to maintain trend growth rates to reach 1.12mn bu.

The loss in organic winter wheat production is expected to result in an overall decline of 1pc for total US organic wheat production for 2025-25, down to 25.8mn bu. Organic feed demand is also expected to increase nearly 2pc as poultry feed demand continues to expand. As a result, it is expected that US supplies of organic wheat for food use and residual will retract by 3pc over 2025-25, down to 17.5mn bu.

However, even at this level US organic wheat supplies are expected to remain sufficient to limit upward pressure on market prices.