

Protein Trends & Technologies Seminar

May 23-24, 2017



BREAKING NEW GROUND
in organic & non-gmo markets

 **MERCARIS**

Overview

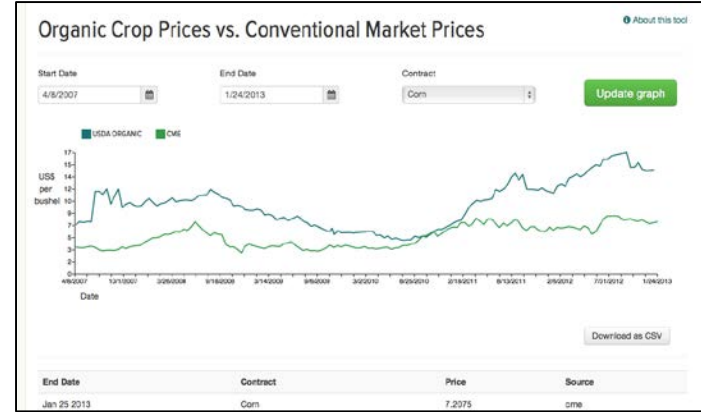
- Introduction to Mercaris
- Overview of Organic
- Understanding the Organic Supply Chain
 - Grains
 - Dairy
- What to Watch: 2017 and beyond
- How to Get an Edge in Today's Market (Opportunities)

Market Data Service and Trading Platform
for *organic, transitional, and non-GMO*
agricultural commodities.



Mercaris Data Service

- Volume Weighted Average Prices
 - Spot & Forward
 - Food & Feed
 - US Regional Basis
 - Canadian
- IP vs. Conventional Price Tracking
- Trade Volume Reports
- Acreage
- Infrastructure/Mapping
- Demand Analysis

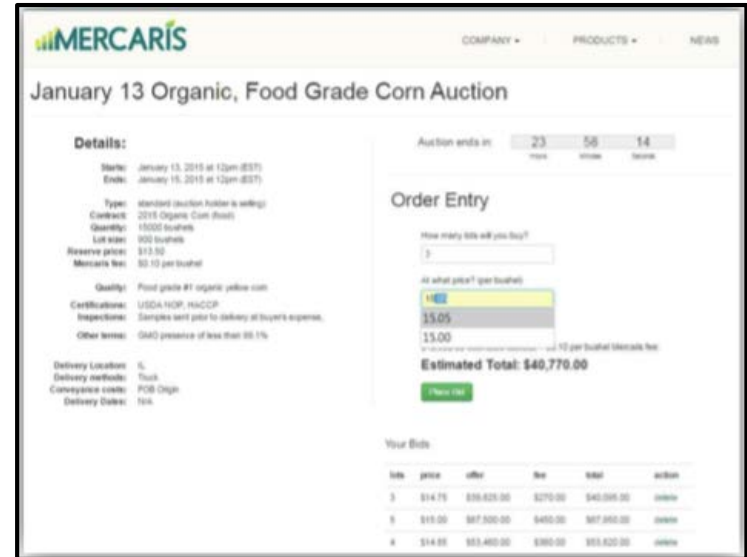


Where does Mercaris get Data?

- On-line Price/Volume Survey
 - Price data available from 2013
 - Approximately 60 first handlers participate
 - Prices represent 8-15% of total organic corn, wheat, soybean crop
- Analysis of other datasets: US Customs, USDA (where available)
- Trading Platform
 - Real time prices, volumes
 - Over \$4.5M notional traded in Q1 2017

Mercaris Online Trading Platform

1. Matches buyers and sellers electronically
2. Secure, centralized location for transactions
3. Increases the pool of buyers and sellers you can do business with
4. Low transaction costs

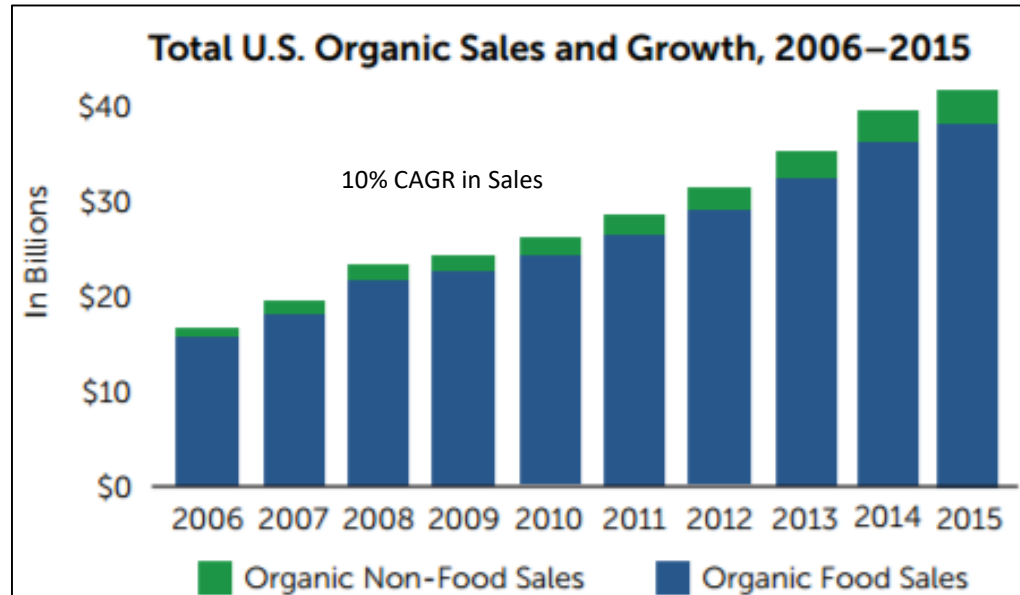


The screenshot displays the Mercaris website interface for a "January 13 Organic, Food Grade Corn Auction". The page includes a navigation bar with "COMPANY", "PRODUCTS", and "NEWS" links. The main content area is divided into several sections:

- Details:** Provides auction information such as start and end times (January 13, 2015 at 12pm EST), type (Standard auction), quantity (1500 bushels), lot size (500 bushels), reserve price (\$13.00), and Mercaris fee (\$0.10 per bushel). It also lists certifications (USDA NOP, HACCP), inspection details, and delivery information.
- Auction ends in:** A countdown timer showing 23 hours, 58 minutes, and 14 seconds remaining.
- Order Entry:** A section for placing bids, including a "How many lots will you buy?" input field, a "Bid" input field, and a "Place Bid" button. The current bid is \$15.00, and the estimated total is \$40,770.00.
- Your Bids:** A table showing the user's current bids.

lots	price	offer	bid	total	action
3	\$14.75	\$36,825.00	\$270.00	\$40,095.00	delete
9	\$15.00	\$67,500.00	\$450.00	\$67,950.00	delete
4	\$14.85	\$53,400.00	\$360.00	\$53,760.00	delete

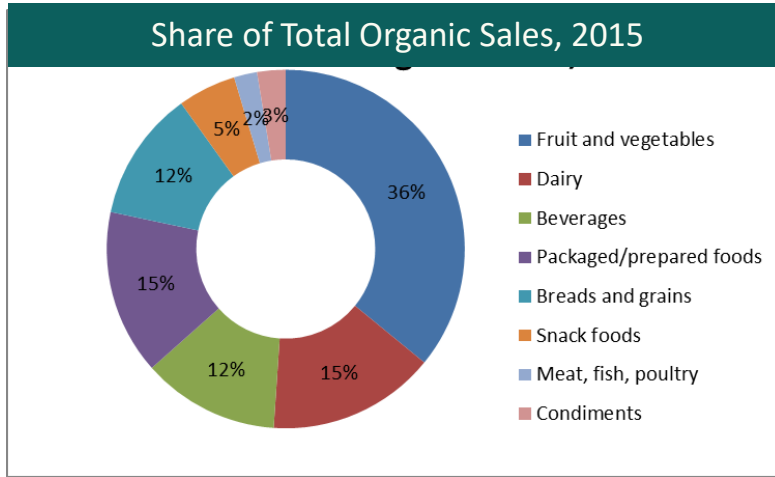
Organic as Driver of Food Industry Growth



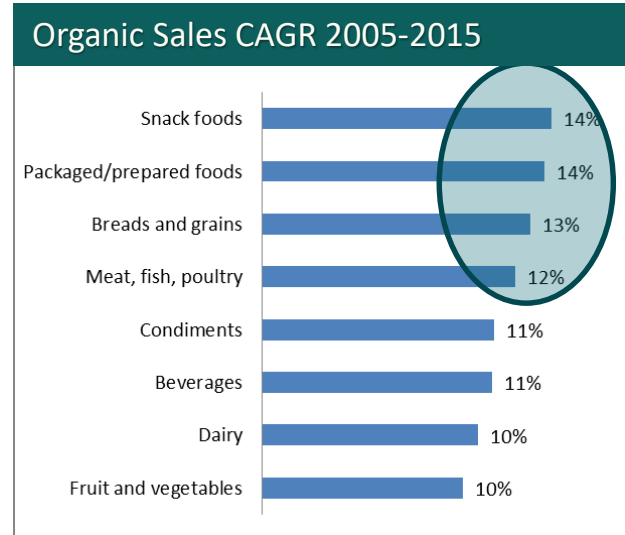
2016 Estimated Sales: \$45-47B

Source: OTA State of the Industry 2016

Organic Sales by Category



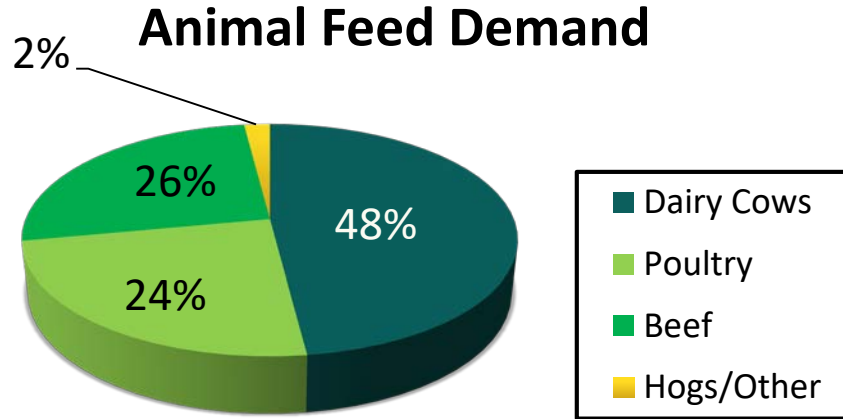
Source: OTA State of the Industry



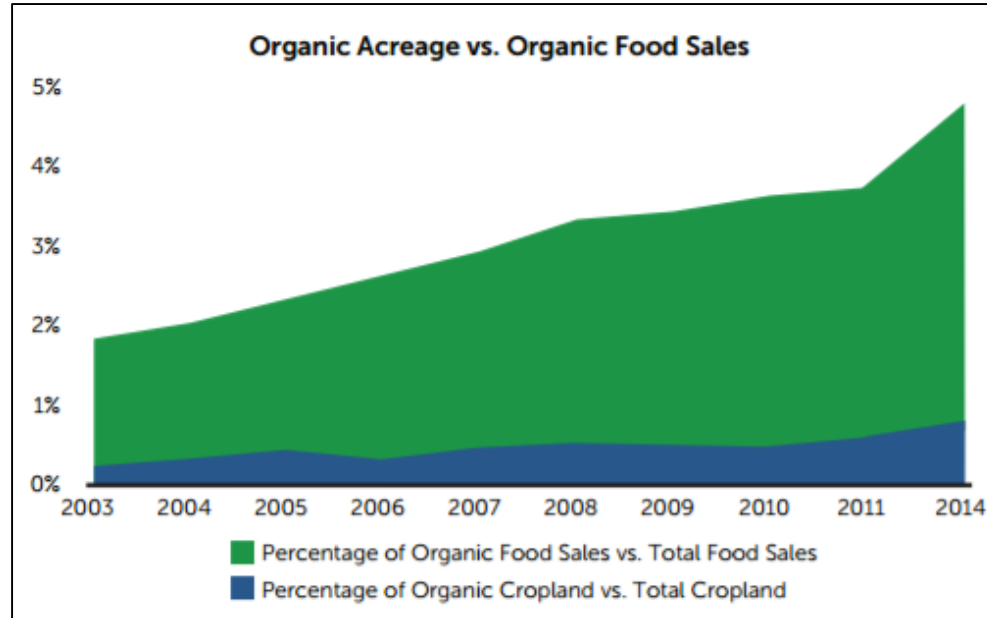
- **Established:** Fruits and vegetables accounted 36% percent of U.S. organic food sales and “only” 10% of growth, year-on-year.
- **Dairy** is the second largest category.

Organic Grains & Dairy

Emerging: Meat, fish, poultry, snack foods, breads, grain, and packaged foods will require disproportional growth in grains & oilseeds relative to other crops.



Is Organic Demand Outpacing Supply?



Source: OTA State of the Industry 2016

What's **Different** (and Difficult) about Organic?

Production

- 3-year transition period
- New farm management techniques

Handling/Processing/

Manufacturing/Logistics

- Limited organic processing and storage availability (costs & lead time)
- Consistent organic raw commodity supply
- Market transparency issues in commodity and finished product market
- Understanding sustainability implications of going organic

Everything Else

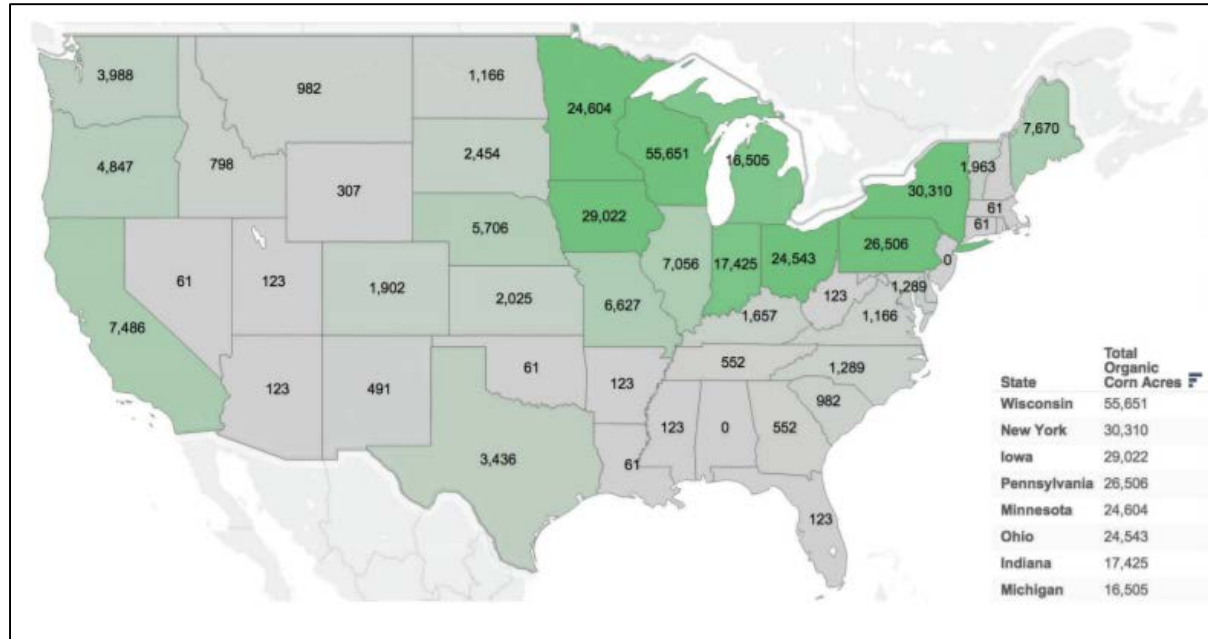
- Financial risk management, higher stakes
- Rotational crops (barley, oats, legumes)
- Price discovery
- Achieving/maintaining organic certification

Organic Corn Prices

30 day average, 2017

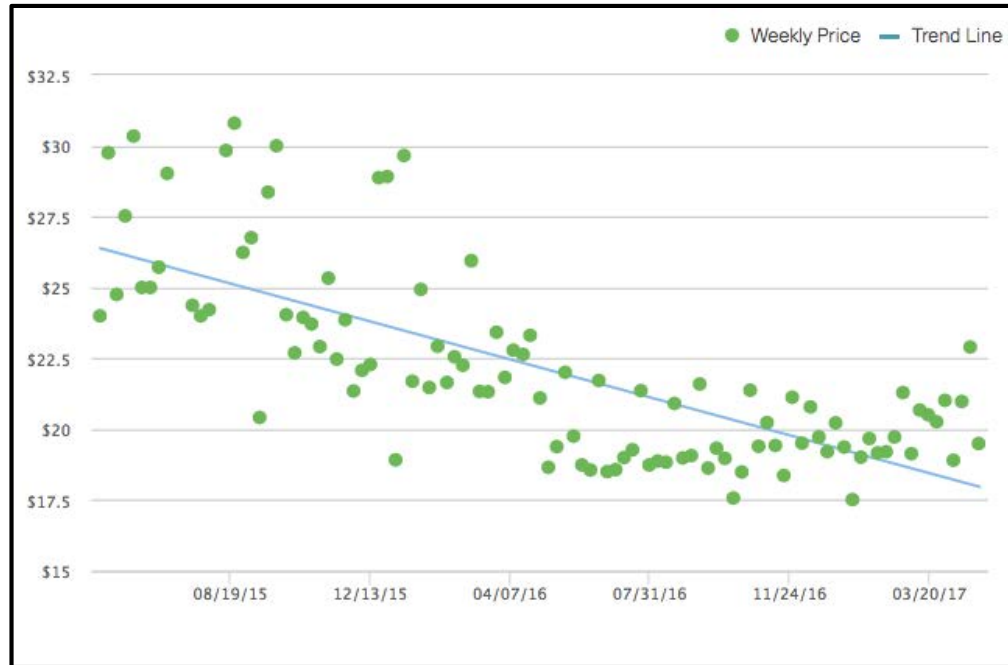


2016 Total Organic Corn Acreage



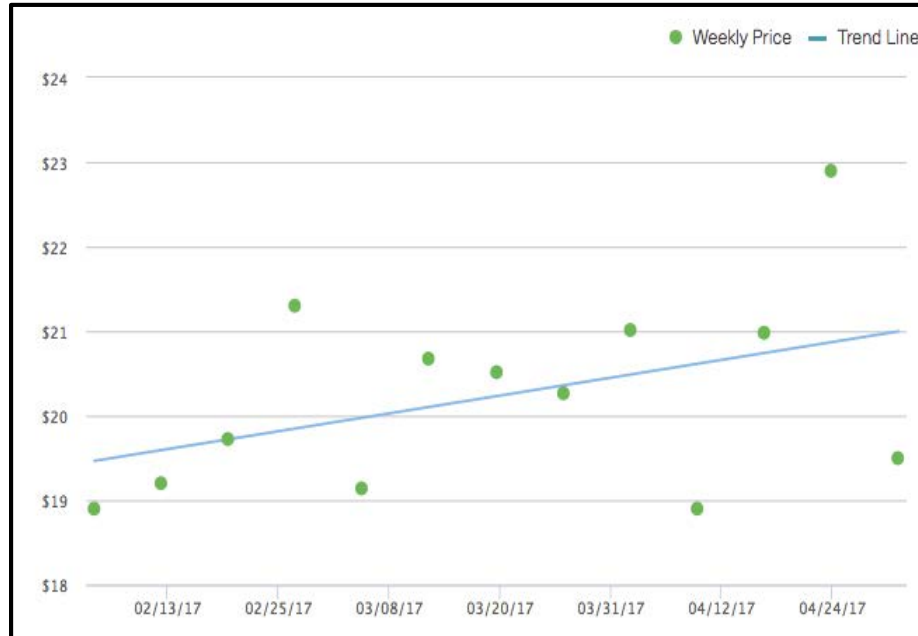
Organic Soybean Prices

2015 to present



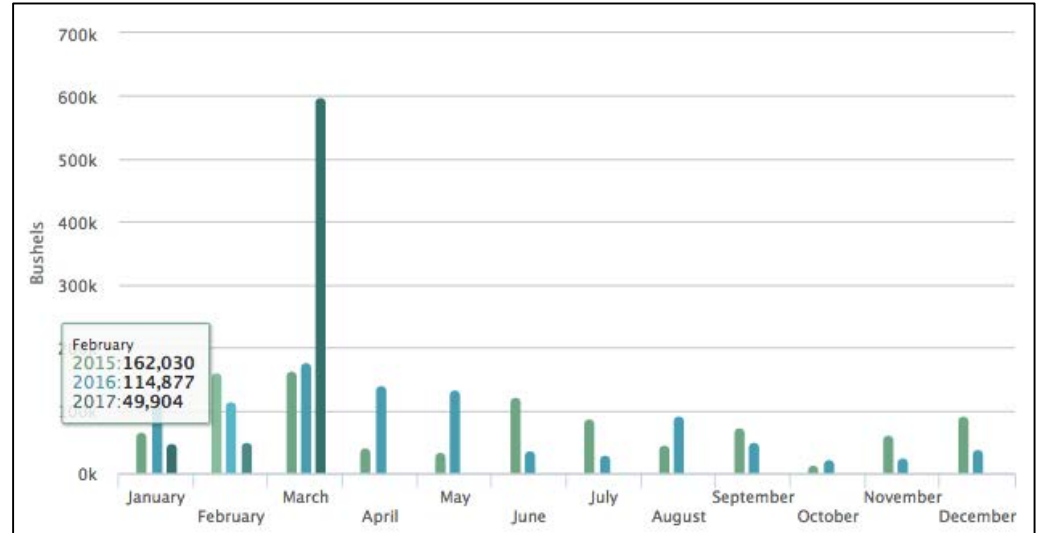
Organic Soybean Prices

30 day average 2017



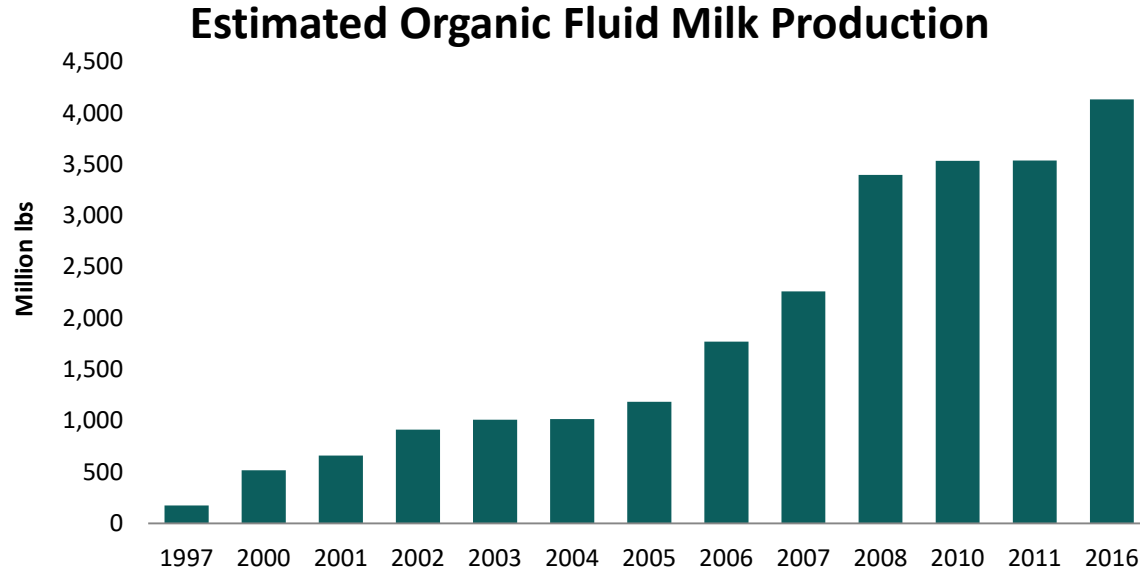
Organic Wheat Prices & Imports

Commercial Grade Prices, 2017



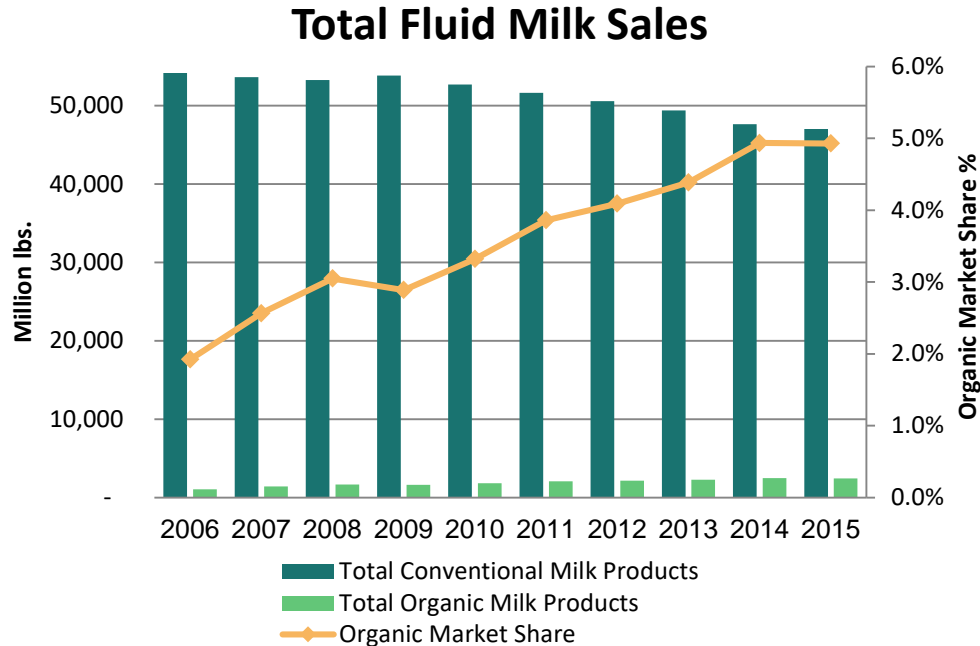
2015 2016 2017

Organic Dairy- Dramatic Growth



Source: Mercaris

Organic Dairy- Gaining Market Share



Growth of Organic Dairy Products

Milk Fat-Milk Equivalent (MM lbs.)

Dairy Product	2015	2016	YoY
Organic Fluid Milk	1,593	1,592	0%
Organic Yogurt	166	181	9%
Organic Cheese	119	147	24%
Organic Cream	553	630	14%
Organic Butter	383	445	16%
Total	\$2,814	\$2,995	6%

Organic Dairy- Volatile Ingredient Prices

Product	2016 Median Price/lb	2016 Price Range/lb
Organic Fluid Milk	\$0.38	\$0.37 - 0.45
Organic Cream	\$2.93	\$1.35 - \$4.50
Organic Butter	\$3.75	\$3.00 to \$4.50
Organic NFDM	\$3.70	\$2.90 to \$4.50
Grass-fed Organic Fluid Milk	n/a	10% to 15% above organic prices

Source: Mercaris survey of organic dairy processors

What to Watch for in 2017 and Beyond: Innovation in the Supply Chain

- Direct contracting with growers and co-ops, some long-term
- Transitioning farmer incentives
- Vertical integration – buying, leasing land
- Investments in new supplier & processing capacity
- Whole rotation contracting
- New product launches





What does this mean?

- Now is a good time to buy, launch new products, expand existing product lines
- Lower organic commodity prices means lower input costs
- Organic prices still a major premium to conventional
- Be aware that US Farmers are feeling some pain



To Access Market Reports/Analysis or Trading Platform:

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