



US organic milk production grows to meet rising consumer demand

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Summary

The US organic dairy sector is experiencing steady growth, driven by evolving consumer preferences, regulatory developments, and expanding production. The USDA Organic Program, established through the Organic Foods Production Act of 1990, has provided a consistent framework for organic certification, helping organic dairy (and egg) sales reach USD 8.2 billion in 2023. Organic milk production rose from 3.4 billion pounds in 2014 to 5.2 billion pounds in 2021, with Texas leading in output due to its large-scale farms averaging 2,800 cows. Despite challenges in data collection, RaboResearch estimates organic production has grown since 2021 due to healthier margins especially into 2024 and 2025, and projections suggest organic milk production could exceed 6 billion pounds annually in the coming years.

Organic dairy farms face higher costs due to stricter standards, but they command premium prices. Legislative efforts are aiming to improve transparency and provide support for organic producers. Consumer demand is fueled by perceptions of health, sustainability, and quality, with organic fluid milk gaining market share and seeing volume growth even as conventional milk sales decline. Strategic interest from private equity and M&A activity, such as Platinum Equity's acquisition of Horizon Organic, highlight the sector's potential. Looking ahead, global organic dairy sales are expected to continue growing, though price and farmer barriers to entry remain key challenges.

The regulatory history of organic milk

The USDA Organic Program, administered by the Agricultural Marketing Service (AMS), provides the regulatory framework for organic agriculture in the United States. It ensures that products labeled as organic meet consistent national standards, protecting consumers and supporting organic producers.

The organic movement began in the early 20th century as a response to the rise of industrial agriculture. By the 1970s, organic farming had gained momentum in the US, but the lack of standardized practices led to inconsistent labeling and consumer confusion. To address this, Congress passed the Organic Foods Production Act (OFPA) in 1990, mandating the USDA to develop national organic standards. After a decade of stakeholder input and regulatory development, the National Organic Program (NOP) was launched in 2000, establishing uniform standards for organic production, handling, and certification.

Since its inception, the USDA Organic Program has experienced rapid growth. By 2023, US organic retail sales reached USD 69.7 billion, with a compound annual growth rate of over 7% from 2012 to 2023, according to the Organic Trade Association. In the dairy and eggs category, sales totaled USD 8.2 billion, up 5.5% YOY in 2023. This implies that organic dairy and eggs account for some 12% of total retail organic food sales.

Organic milk production trends

Organic milk production has risen steadily over the past decade, according to data that is collected sparingly. In 2014, organic milk production totaled 3.4 billion pounds, representing 1.7% of total US milk production at 206 billion pounds. Organic milk volume grew 53% between 2014 and 2021 (latest data available), reaching 5.2 billion pounds in 2021 and accounting for 2.3% of total 2021 US milk production.

The top five organic milk producing states are the same as the top five conventional milk producing states, but in a different ranking. In 2021, Texas was the top organic milk producing state, as opposed to California, which leads in overall milk output. Texas organic milk production was not reported in 2014 and 2015, due to confidentiality, as there were six organic dairies in Texas in 2014 and four organic dairies in 2015. In 2016, Texas produced 0.48 billion pounds of organic milk from six dairy farms, climbing 111% by 2021 to one billion pounds of organic milk from 13 organic dairy farms. California was the second largest organic milk producing state in 2021, followed by New York, Idaho, and Wisconsin.

The size and scale of organic farms in the leading states varies sharply. Texas records the largest milk volume per farm by far, at 78.1 million pounds in 2021, suggesting an average farm size of 2,800 cows. Idaho is second, at 17.5 million pounds of milk per farm per year, suggesting an average farm size of 650 cows per farm. In contrast, organic dairy farms in Wisconsin and New York on average are exceptionally smaller, averaging 900,000 pounds of milk per farm per year in Wisconsin and 800,000 in New York, and an average farm size of just 30 cows in both states. This is not to say that larger organic dairy farms do not exist in Wisconsin or New York, but the average is skewed toward the lower end. In Wisconsin, Sassy Cow Creamery reported they sourced 100% of their organic milk from a single organic dairy farm with 250 cows. In New York, 15 organic dairy farms participated in Cornell University's "New York Organic Dairy Cost of Production: 2023 Benchmarks and Financial Performance", with the 20th-80th percentile herd size ranging from 93 to 226 cows, and the 15 farms averaging 160 cows each, more than five times larger than the simple average farm size in the state.

Looking ahead, it is likely that organic milk production will continue to grow throughout the remainder of this decade, based on historical growth patterns and expanding consumer demand. RaboResearch estimates that annual production will surpass six billion pounds by 2030, if not sooner, with growth coming primarily from Texas and Idaho, which have accounted for most of the growth in recent years. The size and scale of organic dairy farms in these Western states are much more influential to the overall growth rate versus the smaller-scale dairies in Wisconsin and New York. For example, RaboResearch estimates that the largest organic dairy farm in Texas (and the US) is likely close to 10,000 cows. Adding another dairy at this size – or even at the average farm size of 2,800 cows – in either Texas or Idaho could mean significant additional growth potential for organic milk production from larger-scale Western dairies.

Figure 1: Organic milk production

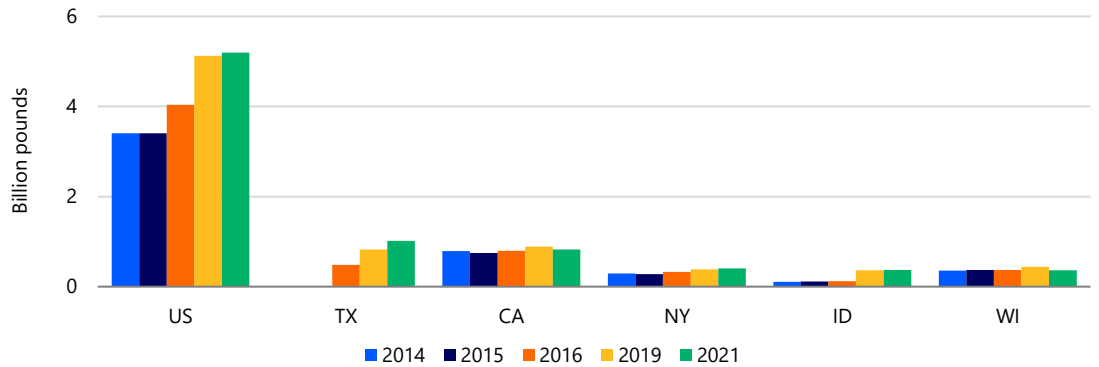


Figure 2: Number of organic dairy farms

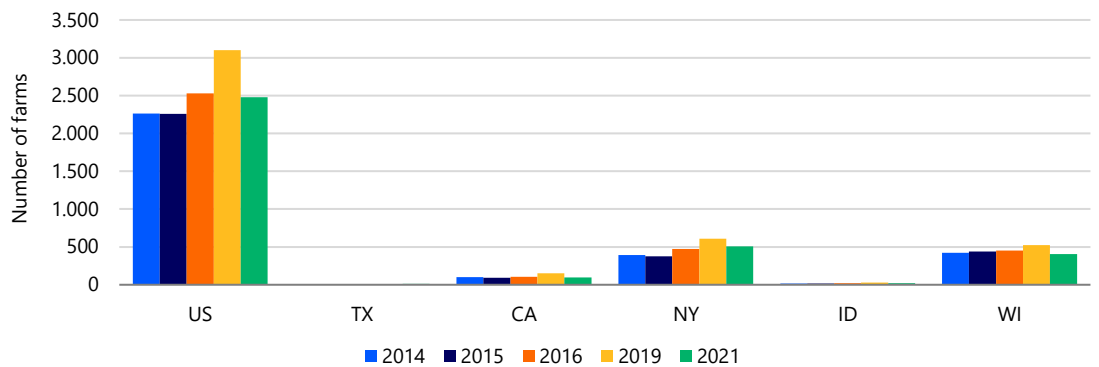
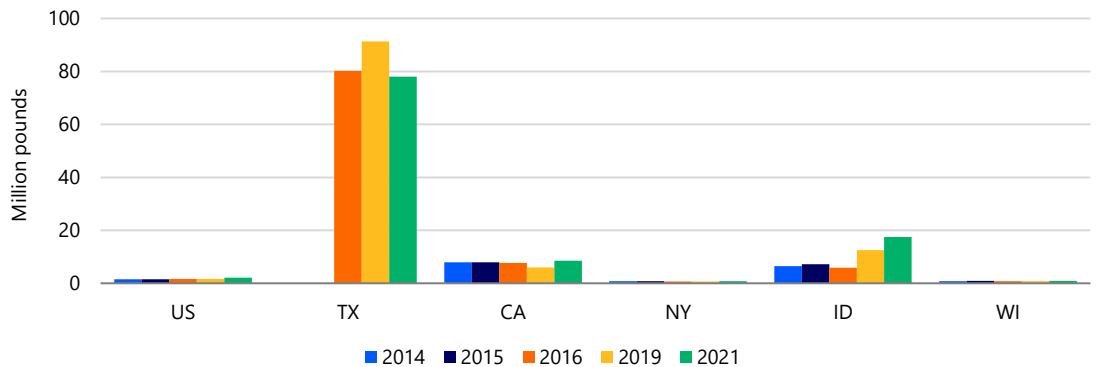


Figure 3: Organic milk production per farm



Organic farmgate milk price trends

Like organic milk production data, organic farmgate milk price data collection is not standardized or reported regularly by the USDA, making analysis difficult. However, organic milk pay prices from all sources reflect higher values than for conventional milk, largely driven by higher cost of production on organic dairy farms.

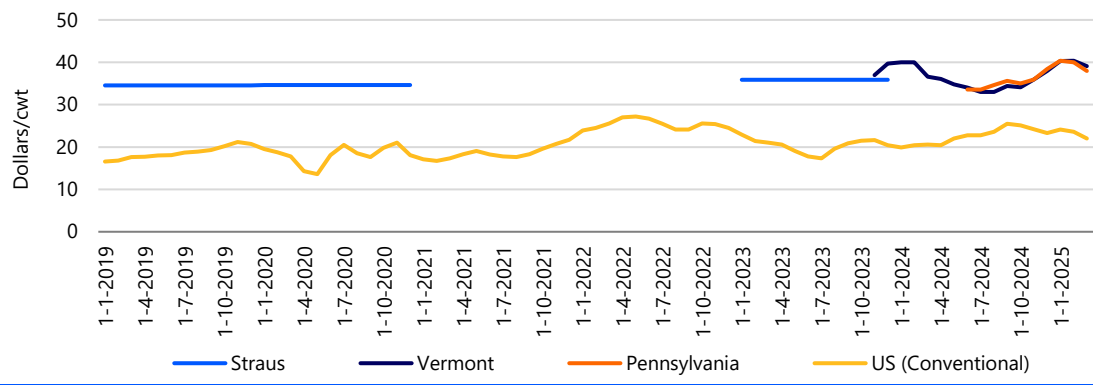
Organic dairy farms face higher production costs due to stricter regulations and more labor-intensive practices. Organic feed is significantly more expensive than conventional feed because it must be grown without synthetic inputs. Organic cows often produce less milk as well, due to sometimes restricted availability of certain organic feed sources, coupled with access to pasture requirements that often see cows expend energy on walking and grazing, which reduces milk production. Additionally, organic standards require extensive record-keeping and annual certification, both of which demand more land, labor, and management. Veterinary care is also

costlier, as organic farms have limited treatment options and often rely on preventative or alternative methods. Transitioning to organic production involves upfront costs and a multi-year process before farms can be certified as organic and receive organic premiums.

Sporadic data was found for organic farmgate milk prices in California, Vermont, and Pennsylvania. Depending on the month and state, the organic premium compared to the state’s all-milk price ranged from USD 8.28 per hundredweight (cwt) to USD 21.82 per hundredweight. In California, 2019, 2020, and 2023 data from Straus Family Creamery, an organic dairy averaged USD 35.01 per hundredweight in those three years, USD 16.45 higher the California all-milk price. More recently, prices in the Northeast were slightly higher than in California, but at a time when conventional milk prices trended higher too. Between November 2023 and March 2025, Vermont’s organic farmgate milk price averaged USD 36.84 per hundredweight, up USD 12.89 versus the state’s all-milk price, while the Pennsylvania price averaged USD 36.50 per hundredweight from June 2024 through March 2025, up USD 12.22 versus the conventional price.

The higher organic milk price compensates for a higher organic cost of production. It is likely that margins on organic farms are similar to those on conventional farms, with volatility between times of profit and times of stress due to variations in both the milk price and feed costs.

Figure 4: Organic versus conventional milk price



Policy attempts at solving data collection issues

Currently, the organic dairy industry is attempting to rectify the aforementioned data collection issues in both milk production and farmgate milk price data, in addition to seeking additional economic support for organic dairy farms. The Organic Dairy Assistance, Investment, and Reporting Yields (O DAIRY) Act of 2025 has been introduced in the Senate and is meant to provide relief and structural support for organic dairy farmers, particularly small and mid-sized operations. It proposes expanding the USDA’s Emergency Assistance for Livestock (ELAP) to include organic-specific income losses, especially when net income drops by more than 10% in a year. The bill also mandates the USDA to collect and publish detailed organic dairy data to improve transparency and policy. The data collected would include cost of production, regional feed prices, and organic farmgate milk prices. The act also calls for the development of a safety net for organic producers and investments in regional processing infrastructure, on-farm improvements, and institutional purchasing programs.

The House version of the organic dairy legislation, known as the Organic Dairy Data Collection Act (H.R. 4110), targets transparency and data availability. This bill directs the USDA to collect and publish key economic data specific to organic dairy production, including monthly organic milk pay prices, regional production volumes, and cost-of-production data. Unlike the broader Senate version, the House bill does not include provisions for emergency assistance or infrastructure investment.

Organic fluid milk is experiencing unique growth

While all dairy products can be produced organically, RaboResearch estimates that over half of total organic sales are in the fluid milk category. Fluid milk is the most advertised organic dairy product, accounting for 48% of total organic dairy advertisements in the week ending August 8, 2025, according to the USDA.

Over the past 15 years, the fluid milk market has experienced a steady decline, driven largely by persistent erosion in conventional milk consumption. From 2010 through 2024, total fluid milk sales fell from 54.6 million pounds to 43 million pounds, down 21.3% - even as Fairlife, a conventional fluid milk brand, has seen steady growth in recent years. The decline likely reflects changing consumer demographics, evolving consumer preferences, and increased competition from plant-based alternatives and a variety of other beverages (water, sports drinks, energy drinks, and ready-to-drink coffees). Regardless of this broader decline in total fluid milk sales, the opposite is prevalent within organic fluid milk, with volume and market share both climbing between 2010 and 2024.

Organic fluid milk sales grew by 67.7% over this period, while their share of total fluid milk sales more than doubled, from 3.3% in 2010 to 7.1% by 2024. The peak share was recorded in July 2024, when organic milk accounted for 7.6% of all fluid milk sold in the US. This upward share trajectory occurred gradually, suggesting a slow but steady shift in consumer behavior rather than a reaction to a single market event.

Several factors likely contributed to this trend. Growing consumer awareness of health and wellness has bolstered demand for organic products, which are often perceived (even if not scientifically proven) as more natural and free from additives or hormones. The expansion of organic milk availability across mainstream retail channels has also improved accessibility. It's likely that sustainability drivers supported sales as well, with consumers purchasing products aligned with their environmental and ethical values.

Importantly, not all conventional fluid milk styles are experiencing decline. Conventional whole milk sales, which accounted for 38% of total conventional fluid milk sales in 2024, grew 1% in 2023 and 2.2% in 2024 versus the prior year. Positive consumer sentiment about milkfat, the same trend that has fueled stronger butter sales in recent years, is responsible for the increase, while lower-fat and skim milk sales continue to see weakness. Organic whole milk sales noted 4.9% growth in 2023 and 13.2% growth in 2024. On a volume basis, conventional whole milk sales climbed 483 million pounds between 2022 and 2024, higher than the organic whole milk sales increase, which was up 252 million pounds in the same period. It's worth noting that while the overall conventional category remains in decline, not all styles of milk are seeing sales weaken, with whole milk emerging as a growth category across both conventional and organic.

Additionally, surging popularity of Fairlife shows that consumers are interesting in seeking other types of milk with special attributes, regardless of the organic label. While made with conventional milk, Fairlife's ultra-filtered, lactose free, and higher protein qualities make it an outlier in the overall milk category. Reaching \$1 billion in annual retail sales in 2021 with consistent further growth in recent years, the product's sales increases eclipse those of all other styles of milk, whether conventional or organic.

Though organic milk remains a small portion of the total fluid market, its consistent growth and increasing share show its strategic importance within the fluid milk category. While conventional milk sales show persistent decline, organic sales show the opposite. This could prove attractive for companies looking to invest in the space or seeking acquisitions to grow their business, capitalizing on differentiation and value-added growth.

Figure 5: Fluid milk market share by type

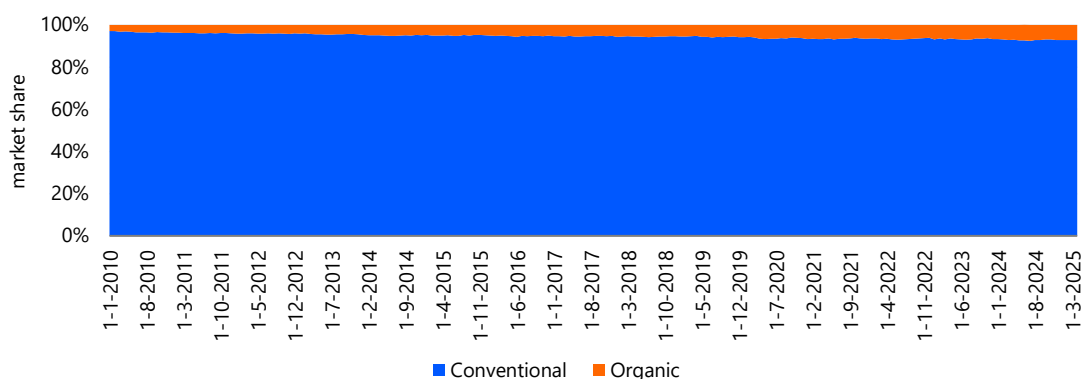
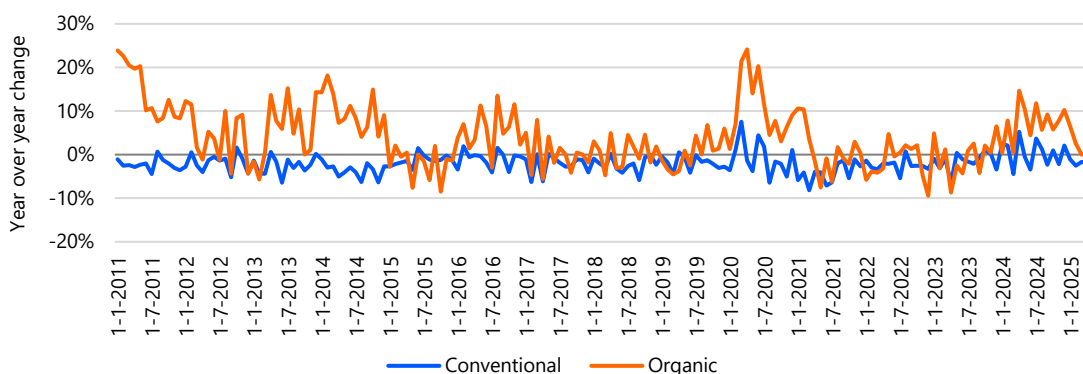


Figure 6: Year over year fluid milk sales



A possible shift in organic milk pricing

Three leading organic dairy companies, CROPP Cooperative (Organic Valley), Aurora Organic Dairy, and Horizon Organic Dairy, have formally petitioned the USDA to exempt certified organic milk from the Federal Milk Marketing Order (FMMO) regulations. Called the Coalition for Organic Dairy Exemption (CODE), these companies argue that the current FMMO framework imposes financial and regulatory burdens on organic milk handlers without delivering benefits.

The petition highlights several structural misalignments between the FMMO system and how organic milk is produced. First, the FMMO does not differentiate between organic and conventional milk in its pricing and pooling rules, despite the higher production costs and lack of substitutability for organic milk. Second, CODE claims the performance standards of the FMMO fail to account for the logistical and distribution challenges faced by organic handlers. Organic processors are also required to contribute to the producer settlement fund, which primarily benefits conventional producers, as the price received by organic milk producers is typically at a significant premium above FMMO minimum prices. According to CODE, these conditions result in additional financial burden for organic handlers.

If granted, the exemption could allow organic handlers to opt out of FMMO pooling and pricing requirements, potentially reducing costs and improving efficiencies. It could also set a precedent for differentiated regulatory treatment of organic versus conventional dairy products. It is difficult to predict whether CODE will be successful, as this is not the first time that organic handlers have asked for an exemption. Nevertheless, if successful, implementation is not likely until mid-2026.

A history of leading companies

WhiteWave Foods

Founded in 1977 in Boulder, Colorado, WhiteWave Foods began as a small tofu operation and quickly grew into a leader in plant-based and organic foods. Initially focused on soy-based products, WhiteWave was among the first US companies to use organic soybeans, launching flavored soymilk and other new soy-based products. In May 2002, Dean Foods acquired WhiteWave and later spun it off as an independent entity in 2013. During this time, WhiteWave expanded and became a major player in organic dairy through its ownership of Horizon Organic. In 2017, WhiteWave was acquired by Danone for USD 12.5 billion.

Horizon Organic

Horizon Organic was founded in 1991, also in Boulder, Colorado. It grew into the first company to supply organic milk across much of the US, with independent farmers in many regions. Horizon went public in 1998 and was later also acquired by Dean Foods in 2004. Horizon became part of WhiteWave in 2013 and subsequently became part of Danone in 2017 via the aforementioned acquisition. In 2024, Horizon was acquired by Platinum Equity, signifying private equity interest in the organic category, likely because of demonstrated sales growth and future margin potential.

Horizon Organic has faced backlash in the past for severing ties with farmers. In 2021, Horizon notified 89 farms across Vermont, New Hampshire, Maine, and New York that their milk contracts would be terminated by August 2022, citing rising transportation and operational costs. This decision was controversial to farmers, consumers, organic advocacy groups, and government officials, even as the company stated they remained committed to their organic milk supply in other parts of the country.

More recently, in 2024, Dairy Farmers of America (DFA), which had managed supply relationships for Horizon Organic producers, ended its partnership with Horizon. DFA members who shipped to Horizon were given the option to become independent Horizon suppliers, switch to another cooperative, or discontinue organic production and remain with DFA as a conventional producer.

CROPP Cooperative (Organic Valley)

CROPP Cooperative, founded in 1988 as the Coulee Region Organic Produce Pool in Wisconsin, has grown into the largest farmer-owned organic cooperative in North America, marketing products under the Organic Valley and Organic Prairie brands. With nearly 2,000 farmer-members, CROPP has expanded from produce into dairy, meat, and eggs, distributing in over 25 countries. In 2016 it acquired Farmers Cooperative Creamery in Oregon, which strengthened its West Coast presence. In recent years, CROPP has reported annual sales exceeding USD 1.2 billion, with organic milk remaining its flagship product and accounting for the majority of its revenue.

Maple Hill Creamery

Maple Hill Creamery began in 2003 in upstate New York. Initially conventional dairy farmers, the company transitioned to organic practices and eventually pioneered 100% grass-fed dairy in the US. By 2010, Maple Hill had expanded its network and in 2012, the company sold its original farm to focus on scaling production. Today, Maple Hill has 150 farmer members. Its products are widely recognizable through national distribution via Whole Foods.

Rumiano Cheese Company

Founded in 1919 in Willows, California, Rumiano Cheese Company is the oldest family-owned cheese company in California. The company prioritizes local sourcing and sources milk from within a 100-mile radius of the plant. Rumiano was the first cheese company in the world to receive Non-GMO Project verification for its entire organic product line in 2011. The company

emphasizes regenerative agriculture, humane animal treatment, and environmental stewardship as part of its values.

In June 2025, Wisconsin-based Sartori Cheese announced its acquisition of the cheesemaking division of Rumiano Cheese Company. Rumiano will continue its cheesemaking operations in Crescent City, California, under Sartori's ownership. Rumiano's converting facilities in Willows, California, were sold separately to Masters Gallery Foods. The acquisition by Sartori is expected to enhance the product portfolio and market reach while preserving the Rumiano values and brand.

Strategic considerations

Premium valuation

Organic and clean-label brands consistently command premium valuations in the marketplace. Health-conscious and environmentally-driven consumers seeking foods that align with their values are willing to pay the higher prices of organic food products. While the cost of production is higher for organic products, including dairy, the premium valuation and potential for margin capture is likely also higher for organic food brands. When it comes to organic dairy, consumers associate organic certification with superior animal welfare, environmental stewardship, and perceived nutritional quality (even if these traits are not scientifically different from conventional dairy), and are likely to become loyal customers to certain brands.

Private equity interest

Private equity firms are increasingly investing in organic brands, with organic companies proving attractive to firms interested in driving margin and profitability growth. The aforementioned acquisition of Horizon Organic (and Wallaby Yogurt) from Danone by Platinum Equity in 2024 is a significant transaction within the dairy space. When announcing the acquisition, Platinum Equity emphasized Horizon Organic's future growth potential, contributing this to growing consumer demand for premium, organic, and value-added products.

Outside of dairy, other firms have also targeted organic foods for their portfolios. Butterfly Capital, which acquired Actus Nutrition (non-organic dairy whey protein) in 2022, also includes companies like Orgain (organic nutrition) and MaryRuth Organics in its portfolio. VMG Partners includes brands like Justin's and Perfect Snacks, which include organic product lines, and Swander Pace Capital has invested in Kicking Horse Coffee and Plum Organics.

M&A potential

Many organic food (including dairy) brands present attractive strategic imperatives. Opportunity for portfolio diversification is significant, especially when organic foods show significant growth trajectories opposite their conventional counterparts, like in the fluid milk category. Established organic brands with high consumer recognition that could be acquired via M&A prevent conventional food companies from needing to build organic brands from scratch. Market share considerations, including established shelf-space at grocery stores, could also make certain brands attractive. Supply chain considerations, with a tightly regulated and separate vertically integrated organic production model in some cases, could present value gleaned from the organic space as well.

Consumer motivations

The organic dairy sector continues to evolve as consumer preferences shift toward perceived healthier and supposedly more sustainable food choices. Organic dairy has emerged as a category that aligns with this growing set of consumer values, ranging from personal health to environmental stewardship.

Health and wellness

Consumers are increasingly drawn to organic dairy due to the perception that these products are free from synthetic hormones, antibiotics, and genetically modified organisms (GMOs). Many believe that organic dairy offers superior nutritional benefits, including higher levels of omega-3 fatty acids and antioxidants. These beliefs are particularly influential among parents, who want to prioritize organic options for their children.

Environmental and ethical concerns

Organic dairy farming is widely viewed as more environmentally responsible, with a limited reliance on synthetic inputs and an emphasis on soil health and biodiversity. Consumers also associate organic certification with higher animal welfare standards, including access to pasture and more humane treatment of cows.

Taste and quality

Some consumers claim that organic dairy products taste fresher and more natural than their conventional counterparts. This perception is often linked to the belief that organic products are less processed and more “authentic,” aligning with the broader clean-label movement that favors transparency and simplicity in food production.

Demographics

Higher-income, urban, and more educated consumers are significantly more likely to purchase organic dairy, according to USDA ERS and the Organic Trade Association. As organic products have become widely available in mainstream grocery stores and on online platforms, accessibility has improved, helping to normalize organic consumption across a broader population.

The future of the organic dairy market

Looking ahead, the organic dairy market is poised for continued growth. Globally, the market is projected to expand from approximately USD 27 billion in 2024 to over USD 45 billion by 2033, with a CAGR of nearly 6%, according to consulting group Research and Markets. Organic milk, in particular, is expected to dominate, with forecasts suggesting it could reach USD 34.6 billion by 2035, according to Future Market Insights. In some cases, the growth is policy-driven, such as the European Union’s aspiration to convert 25% of its farmland to organic by 2030.

Despite its positive outlook, the organic dairy sector faces some challenges. Price remains a significant barrier, as organic products typically cost more than their conventional counterparts. This price premium can limit access for lower-income consumers. Additionally, the complexity and cost of organic certification (a three-year process for dairy farmers, due to the time to transition their land as a feed source for cows) and supply chain logistics can pose hurdles for producers.

Imprint

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