

# THE HOYT REPORT

## Western States Hay Market Analysis and Insights

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### This Week's Market Overview

The alfalfa hay market in central California was very uneven this week in very slow trading. It is hard to define where the market is at times on the various qualities of alfalfa hay due to forced sales of outside hay and hay with faults. Alfalfa hay prices unevenly steady to \$10 lower. (Sales fob stack unless otherwise noted)

Most dairies continue to be very quiet with only a few on the market. A few offers on hay this week were contingent on the dairy being given extra time to pay for hay. Some of the dairies buying hand to mouth will not come into the market for a few weeks, including some after the first of the year. Beef cow operators showing a little more interest for hay in central California.

Between Kern and Fresno Counties, 1,000 tons bleached Premium alfalfa hay \$165, some high moisture \$125; 1,175 tons Good quality alfalfa hay \$165 to \$175; 1,650 tons Fair quality alfalfa hay traded from \$145 to \$160, some for beef cows, 450 tons with 20 percent grass or overgrown hay \$125 to \$140; Couple loads Good quality stable alfalfa hay \$197, 300 tons with grass \$161 to \$170. 100 tons Fair quality sudan hay for export \$130. 100 tons ground corn stalks \$116 delivered. 2,300 acres alfalfa haylage in the windrow \$50 to \$55. 1,000 acres dry chopped alfalfa hay with 25 to 30 percent moisture \$160 to \$180 delivered to dairy, short haul. 5,000 tons alfalfa hay green chop \$34 to \$40 standing and Milo green chop \$25 to \$30 standing.

Market Indicators...	Unit	Most Recent	Year Ago
California Overbase Milk Price (September 08)	Cwt	\$16.22	\$19.99
Milk Mailbox Prices* (August 08)			
California	Cwt	\$16.25	\$20.06
Idaho (private)	Cwt	\$15.61	\$18.29
New Mexico (July 08)	Cwt	\$17.13	\$20.16
Washington (July 08)	Cwt	\$18.51	\$20.86
Class 3 Milk Futures –CME (December 08)	Cwt	\$14.81	\$18.88
Milk Cost of Production - **			
California (CDFA) 2 <sup>nd</sup> quarter 08	Cwt	\$18.04	\$15.25
New Mexico (private) Jan-Dec 07	Cwt	\$15.59	\$13.23
Idaho (private) Jan-Dec 2007	Cwt	\$14.69	\$13.02
West Texas (private) Jan-Dec 07	Cwt	\$17.13	\$14.11
All Hay Exports From West Coast Ports (U.S. Dept of Comm.) January-August 2008			
California	Short Tons	783,589	710,935
Pacific Northwest	Tons	1,309,782	1,050,536
Alfalfa Hay In-Shipments to CA by Truck January-September 2008	Tons	723,198	656,167
No. 2 Yellow Corn – FOB Iowa	\$/Ton	\$124-\$133	\$121-\$132
Ethanol Price – FOB Iowa	\$/Gal	\$1.52-\$1.61	\$1.72-\$1.82
Distillers Dried Grains – FOB Iowa 10 percent moisture	\$/Ton	\$115-\$125	\$130-\$142
Crude Oil – New York Futures (December 08)	\$/Barrel	\$57.04	Wk ago 61.04
Alfalfa Hay Prices – Market News/Private California – Dlvd to Tulare/Hanford Dairies			
	Tons		
Supreme	1,175	\$/Ton	\$233-\$250
Premium	1,180	\$/Ton	\$190-\$210
Good	1,675	\$/Ton	\$188-\$200
Fair	1,650	\$/Ton	\$160-\$180
Dlvd Escalon, Modesto, Turlock Dairies			
Supreme	1,125	\$/Ton	\$230-\$255
Premium	300	\$/Ton	\$195-\$225
Good	200	\$/Ton	\$180
Fair	300	\$/Ton	\$160-\$180
Idaho – Alfalfa, FOB			
Supreme	3,340	\$/Ton	\$180-\$225
Premium		\$/Ton	No Sales
Good		\$/Ton	No Sales
Fair	3,300	\$/Ton	\$150-\$165

\*Total receipts less marketing costs and assessments. Idaho price is non-weighted

\*\*Private data from the CA CPA firm of Moore, Stephens, Wurth, Frazer, and Torbett

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In the Los Banos - Dos Palos, Merced, Firebaugh areas, 1,220 tons Supreme alfalfa hay \$200 to \$225, 350 tons 57 to 58 TDN, including 100 tons high moisture with 90 days to pay for hay \$195 fob; 493 tons Premium alfalfa hay traded from \$170 to \$180, some at lower end had a little rain damage to top bales in stack, 300 tons high moisture \$125; 498 tons Good quality alfalfa hay \$160 to \$165; 350 tons Fair quality dry cow alfalfa hay \$140 to \$160, 1,100 tons with varying amounts of grass and a little rain damage to top bales \$112 to \$125. 150 tons Fair quality sudan hay with a little rain stack damage \$70. 1,500 tons corn stalks \$73 delivered. 200 tons bean straw \$65 to \$70 delivered. 750 tons rice straw \$30 fob/\$50 delivered after short haul.

In the Imperial Valley, hay trading very slow. Continued limited interest from dairies and bids are bearish. Export buyers quiet with most in Japan this week for an export meeting. Alfalfa hay prices steady in light test. Limited sudan hay steady and bermuda hay for horses and retail weak to \$10 lower. 285 tons Fair quality alfalfa hay \$170, 110 tons to local feedlot \$180, 1,075 tons with varying amounts of grass \$140 to \$150; 350 tons Good quality stable alfalfa hay \$195 to \$205, some at \$195 may be used for low end milk cow hay; couple loads Premium light retail alfalfa hay \$225 with 100 tons of Good #2 at \$210. 200 tons Premium light retail bermuda hay \$205 to \$210, including some in barn; 850 tons Good light retail bermuda hay \$180 to \$185; Couple loads Premium stable bermuda hay \$200. 375 tons Fair quality sudan hay for export \$105 to \$110, 120 tons a little better quality \$115. 1,000 tons kleingrass hay and 400 tons bermuda hay for export taken in on consignment with grower to be paid when hay goes into container.

In Blythe, hay trade slow. Only trading was on retail and stable alfalfa hay from barns. Market steady. 250 tons Premium light retail alfalfa hay \$210 to \$215; 300 tons Good quality #2 light retail alfalfa hay \$200; 75 tons Good stable alfalfa hay with 10 to 15 percent grass \$175 to \$180. Couple loads light retail bermuda hay, load tarped with little off on color \$190 and load outside with a little water grass in it \$165.

In the Tracy-Patterson, Stockton-Delta areas, Not enough sales to test trend. 150 tons Supreme alfalfa hay that received hard rain in the stack, \$200 fob; 75 tons Fair quality alfalfa hay to beef cow operators \$160.

In the Sacramento Valley and Delta area, trend on alfalfa hay hard to track because of faults on hay. 775 tons Supreme alfalfa hay with heavy rain in stack or wet bottom bales \$170 to \$200, Market News reported 750 tons Supreme alfalfa hay with no damage at \$225 to \$230 and 100 tons of Premium at \$195; 2,600 tons Good/Premium alfalfa hay with rain stack damage and some with wet bottom bales \$120 to \$140; 450 tons Fair quality alfalfa hay with some stack damage \$115 to \$125. Load Good stable alfalfa hay, tarped, \$150; 125 tons Premium light retail alfalfa hay from barn \$220. 100 tons Premium light retail alfalfa/orchardgrass mix or alfalfa/orchardgrass/fescue mix from barns \$235, some for extended take out. 700 tons Good/Premium sudan hay with rain stack damage \$100. 500 tons rice straw, small bales, \$2.00 bale.

In the Northern Mountains, alfalfa hay prices steady to \$5 lower. 517 tons Premium/Supreme alfalfa hay for winter take out \$200 to \$210, to dairy buyers; 265 tons Good quality alfalfa hay \$190 to \$200 for winter take out, to dairy buyers; 1,000 tons Good/Premium quality stable alfalfa hay for winter take out \$210. 250 tons Fair quality alfalfa hay for beef cows \$160 fob. 1,425 tons Good/Premium light retail orchardgrass/alfalfa mix for winter take out \$215 to \$245, 200 tons Good quality at \$210. 600 tons Premium orchardgrass hay with a little alfalfa for winter take out \$250 to \$260.

In Poston-parker, Arizona, 300 tons Good quality alfalfa hay \$185 for low end milk cows, 50 tons high moisture Premium alfalfa hay \$150; 300 tons Fair quality alfalfa hay to local pellet mill \$160.

In Nevada, North of Winnemucca, 225 tons Supreme quality alfalfa hay \$190, direct sale to Modesto California dairy. In Yerington, load Good quality alfalfa for beef cows \$180. Load Premium light retail orchardgrass hay \$230. Two loads Premium light retail orchardgrass/alfalfa mix \$205 to \$210. Load three way mix hay \$210.

In Idaho, alfalfa hay trading slow, undertone lower. Many Magic Valley dairies continue to be off the market. In Southwestern area, 2,000 tons Supreme alfalfa hay traded for \$220 fob, to Treasure Valley dairies, Market

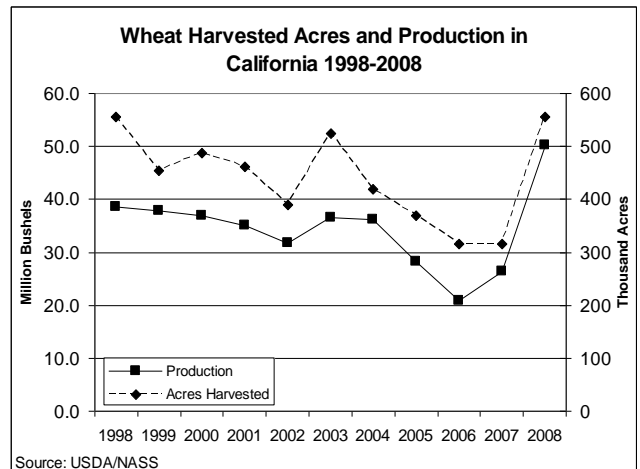
News quoted 3,340 tons of Supreme alfalfa hay in Idaho from \$180 to \$225; 3,300 tons Fair quality alfalfa hay in Southwestern area \$160 to \$165, large lot included brought \$180 delivered to feedlot.

In the Washington-Oregon Columbia Basin, alfalfa hay trading very quiet. Many exporters were in Japan this week for a meeting. 2,000 tons Fair/Good quality alfalfa hay for export cubes \$175 fob. Two loads Premium retail two string orchardgrass hay \$270.

In Utah, a little trade in the central area with no decent test on trend, undertone weak. 200 tons Supreme alfalfa hay traded last week at \$190, to Tulare CA dairy; 1,900 tons Good/Premium alfalfa hay \$150, to local and California dairy buyers.

### Huge Wheat Straw Production in California Confirmed

In USDA's final acreage and production report for all wheat harvested in California in 2008, the numbers confirmed that wheat straw production was much higher than expected. As you may recall early in the year I thought we would have "huge" production of wheat straw this year. However, I scaled back my estimate due to the lack of spring rain that hurt the dry land wheat. Big mistake - the original estimate of "huge" wheat straw production was correct. Whatever we lost in dry land wheat production we more than made up in irrigated production. Most of the wheat harvest was completed by early summer and was not heavily impacted by the cutbacks in surface irrigation water in central California. Normally, around 20 percent of the wheat crop in California is dry land but there may have been a little less than that this year. Wheat acres harvested for grain in California were up 76 percent from 2007. Wheat yields were a record high at 90.6 bushels per acre/2.72 tons per acre. This was 8 percent higher than last year and compares to the previous record yield in 2004 of 2.59 tons per acre. The bottom line is that wheat grain production in California was up 91 percent from last year. Growers were telling me of 2 to 3 tons per acre yields on wheat straw this year and it was verified in the USDA report. I have mentioned how dairies had large inventories of wheat straw for dry cows this year, now we know why. This, along with falling milk prices are the big reasons why the dry cow alfalfa hay market turned lower the last three months in California. The late market on big bale wheat straw has been poorly tested with the exception of a little trade in late October of \$50 to \$60 fob stack in the north central valley. The small bale wheat straw market is holding pretty stable in some areas due to the demand from feed stores, race tracks, and for erosion control.



### Fertilizer Update

The fertilizer distributor that sent me some information last week clarified this week that phosphate prices have actually come down \$100 to \$150 per ton with 10-34-0 selling at around \$850 per ton. He indicated that when he said prices could go back up on phosphate he was referring to production in Canada (where a lot of it comes from) not keeping pace with demand. He is now questioning if phosphate prices will go higher in the weeks ahead. He indicated that UN32 prices have come down \$75 per ton recently. He mentioned that potash prices are holding steady and may go higher. Potash supplies are tight and production is not keeping pace with demand.

### Alfalfa Hay Still Being Harvested in Mid November

One of my contacts in Kern County said they were still swathng alfalfa late this week in Western Kern County. Much of the late alfalfa harvest is being either dry chopped, put up as haylage, or green chopped. Even though daytime temperatures have been mild it is almost impossible to dry the hay enough for baling. A little high moisture hay has been baled and this must be fed right away.

### **Alfalfa Hay Acres Up In the Imperial Valley**

I mentioned a couple of months ago that it appeared that alfalfa hay acres could be up 10 percent or more in the Imperial Valley in 2009. The mid-November report from the Imperial Irrigation District (IID) showed alfalfa hay acres at 125,089, up 5 percent from last year. The mid-December report should give us a better picture of alfalfa hay acres as much of the alfalfa is planted in the Imperial Valley in November and December. It appears that overall alfalfa hay plantings in the in the central and northern valley of California will be down due to irrigation water uncertainties, competing crops (processed tomatoes being a big one), and a collapse in the alfalfa hay market the last two months. Early rainfall in the Sacramento Valley has been promising with season-to-date totals of 3.82 inches in Redding, 105 percent of normal and Sacramento receiving 3.18 inches, 185 percent of normal. However, in the central valley the situation is much different with season-to-date rainfall in Bakersfield at 0.29 of an inch, 50 percent of normal and Fresno with 0.68 of an inch, 58 percent of normal. Temperatures in the central and northern valley are forecast to be warmer than normal in the coming days in the mid 70's to 80 degrees.

While there are areas with more secure irrigation water, particularly in the Northern San Joaquin Valley where alfalfa hay acres will be up, it appears that this will be offset by fewer acres in other areas, particularly in the central and southern San Joaquin Valley and Sacramento Valley. I believe alfalfa hay acres in California in 2009 will be lower than 2008 unless there are above normal spring plantings due to heavier rainfall and snow pack in the coming months. If acres are down this will be positive for growers in States that export alfalfa hay to California.

### **Utah Alfalfa Hay Outlook for 2009**

The sources I spoke with in Utah thought carryover of hay into 2009 would be pretty close to a year ago with one source thinking there would be more hay carried into the New Year. Alfalfa hay production in Utah this year was estimated by USDA to be 6 percent below 2007. It appears that the lower alfalfa hay production may offset much of the unsold hay in grower's hands late in the year. Many growers were holding at firm prices on their last cutting and many still have their hay. Demand tapered off pretty dramatically late in the season, particularly from California dairy hay buyers.

It appears that alfalfa hay acres will be the same to slightly higher in Utah in 2009. Alfalfa acres could be up in some areas due a drop in the grain market. Utah had record high alfalfa hay prices this year, including strong prices this summer from California dairy hay buyers. The market has deteriorated late in the year as it has in most other Western States. Due to the jump in the alfalfa hay market in early summer, some Utah growers who had contracted their hay to California buyers early in the year, backed out on contracts. They sold this hay on the current market for \$20 to \$40 more per ton. Some of these deals were verbal agreements.

The alfalfa hay market in 2009 in Utah will be lower than in 2008, the question is how much lower? Some think it will drop dramatically to \$125 to \$135 for top hay due to the poor financial condition of the dairy industry. I think top hay will be a little better than that but probably not by much, maybe \$140 to \$150 per ton. However, in the scenario that we have a drier than normal winter in California and alfalfa hay production is down, the market on top hay in Utah could be \$160 to \$170. The key will be the financial condition of the dairy industry. If there was a turnaround in milk prices before first cutting in Utah next season that would help the hay market.

### **Hay Exports**

There was a meeting in Japan this week of the Export Processors Council (EPC), which most West Coast Exporters are members of. Japan is starting to mandate Good Manufacturing Practices (GMP) and much of the meeting was about that. There was a discussion on how milk prices are set in Japan. It looks like they will set milk prices once a year in order to achieve stability for the milk processors. Milk prices will increase 10 percent in March. As my source mentioned "the problem is they are missing stability in their hay prices." The price stabilization fund for feed grains is running out of money for this year and the subsidy for growing local hay in Japan will be ending which should help alfalfa and other hay sales from the West Coast in the weeks ahead. My source said there was a light at the end of the tunnel for hay shipments to Japan. The short term hurdle is clearing out the current supplies at the Port warehouses. Best Regards, Seth

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