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Western States Hay Market Analysis and Insights

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This week's Market Overview

Demand was good for very small supplies of alfalfa hay in central California. Alfalfa hay market firm on limited sales. Delivered prices on alfalfa hay were steady to \$10 higher with no comparison on high test alfalfa hay from out-of-State but undertone strong. **(Sales in narrative of report fob stack unless specified otherwise, dollars per short ton)**

Most alfalfa and other hay trading continued to be in the Imperial Valley where many central CA hay buyers were spending some time. Rainfall of a quarter to a half inch reported in central and northern valley past two days with some foothill areas receiving up to 1 to 2 inches. Forecast is for clear weather the next eight to 10 days. Second snow survey in the mountains was dismal **(Water and Drought on page 3)**. Another new crop wheat straw contract reported in Southern San Joaquin Valley. ****higher testing from out-of-State \$325-\$335 delivered.

In Kern County, **Dairy/Beef:** 800 tons Fair alfalfa hay with grass \$230 fob barn, 75 tons clean Fair alfalfa hay \$275 delivered to beef cow operator. **New Crop Contract:** 8,500 tons big bale wheat straw \$105 fob stack, most going to Kern County dairies. **Retail/Stable:** 125 tons Premium retail alfalfa hay \$260 fob barn; 100 tons tarped Good stable alfalfa hay \$245.

In Tulare, Kings, and Fresno Counties, **Dairy/Beef:** 300 tons outside high Good alfalfa hay \$265 fob stack; 500 tons Fair alfalfa hay \$245 fob barn, 725 tons Fair alfalfa hay \$240

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Market Indicators...	Unit	Most Recent	Week Ago	Year Ago	
California Overbase Milk Price (Dec 2013)	Cwt.	\$19.28	Nov-\$18.61	\$17.27	
Milk Mailbox Prices * October 2013					
California (CDFA)	Cwt.	\$19.26	Sep-\$18.48	\$19.40	
Idaho (private)	Cwt.	\$18.30	Sep-\$18.14	\$20.58	
New Mexico (USDA)	Cwt.	\$18.87	Sep-\$17.96	\$19.39	
Oregon/Washington (USDA)	Cwt.	\$20.73	Sep-\$19.88	\$21.18	
Class 111 Milk Futures -CME (Feb 2014)	Cwt.	\$23.11	\$22.45	\$17.18	
Milk Cost of Production -					
California (CDFA) July - September 2013	Cwt.	**\$17.76	***\$16.98	**\$18.46	
CME Spot Cheese Prices					
Block Cheese (40# blocks)	\$/Lbs.	\$2.36	\$2.31	\$1.6450	
Barrel Cheese	\$/Lbs.	\$2.32	\$2.2750	\$1.5425	
All Hay Exports From West Coast Ports (U.S. Dept of Comm.) Jan - Nov 2013					
California Ports	Short Tons	2,097,705		1,790,304	
Washington & Oregon Ports		1,882,892		2,021,319	
Rolled Corn Delivered to Central CA Dairies	\$/Ton	\$220	\$222	\$328	
No. 2 Yellow Corn - FOB Iowa (USDA)	\$/Ton	\$149-\$160	\$148-\$160	\$265-\$273	
Ethanol Price - FOB Iowa (USDA)	\$/Gal	\$1.85-\$2.00	\$1.85-\$2.03	\$2.32-\$2.40	
Crude Oil - New York Futures (Mar 2014)	\$/Barrel	\$97.49	\$96.64	\$97.77	
Alfalfa Hay Prices - (The Hoyt Report)					
California - Divd to Tulare/Hanford Dairies					
	Tons				
Supreme****(mostly \$300-325)	1,600	\$/Ton	\$290-\$335	\$295-\$310	\$275-\$290
Premium	1,000	\$/Ton	\$280-\$300	\$280-\$295	\$265-\$280
Good	725	\$/Ton	\$265-\$292	\$265-\$279	\$240-\$265
Fair (rain/grass \$210-\$240)	1,850	\$/Ton	\$245-\$270	\$245-\$260	\$230-\$235
Divd Escalon, Modesto, Turlock Dairies					
Supreme	400	\$/Ton	\$300-\$310	\$290-\$310	\$275-\$290
Premium	1,080	\$/Ton	\$290-\$305	\$285-\$305	\$265-\$280
Good	650	\$/Ton	\$280-\$295	\$268-\$290	\$240-\$270
Fair	625	\$/Ton	\$250-\$270	\$240-\$260	\$230-\$235
Idaho - Alfalfa Hay, FOB					
Supreme	1,260	\$/Ton	\$220	No Sales	\$225
Premium	5,500	\$/Ton	\$190-\$215	\$190-\$205	\$215-\$220
Good	6,012	\$/Ton	\$180-\$190	\$174-\$180	No Sales
Fair (mostly)	8,900	\$/Ton	\$170-\$176	\$160-\$170	\$190
WA/OR (C. Basin) Alfalfa, FOB					
Supreme (Dairy)		\$/Ton	No Sales	No Sales	No Sales
Premium (Dairy)	1,100	\$/Ton	\$185-\$195	No Sales	No Sales
Good (Dairy)	1,800	\$/Ton	\$175-\$185	No Sales	\$215
Fair (Dairy)	4,250	\$/Ton	\$150-\$160	\$150-\$162	\$190-\$200

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

** Does not include return on investment and management costs. ***Previous quarter

\$255 delivered from Imperial Valley for beef cows, 700 tons grassy small bales \$210 to \$240 delivered to dairies from Arizona. 110 tons wheat straw big bales \$100 fob barn, 1,800 tons (not Krone) \$130 delivered from Imperial Valley.

In Los Banos-Dos Palos and Merced, **Dairy:** 50 tons grassy Fair quality alfalfa hay \$225 fob barn.

In the Imperial Valley, alfalfa hay market steady to \$5 higher on sales to dairy and beef cattle buyers. Not as much trading as last week as some growers are between cuttings on alfalfa and some will start first cutting in the coming week or two. No recent comparison on bermuda hay for export. Fair Bermuda hay to dairy/beef buyers \$10 to \$20 per ton higher than last week. Bermuda straw market steady. Retail alfalfa and bermuda hay markets steady to \$5 higher. Much of the lower end alfalfa, bermuda, and other hay that was sitting around for months has been traded, the challenge is getting it moved due to a tight supply of trucks. Two new crop alfalfa hay contract offers for first two cuttings from Central CA dairy hay buyers at \$230 to \$235 were turned down by grower. Aphids are becoming a bigger problem with some growers spraying. Another week of 80 to 85 degree temperatures. **Dairy:** 920 tons Premium/Supreme alfalfa hay current production \$225 to \$230 fob stack; 1,400 tons Good to mostly Premium alfalfa hay \$220 to \$225; 450 tons Good alfalfa hay \$212 to \$220, couple loads with frost damage/dead stem \$205. **Dairy/Beef: Old Crop** - 300 tons Good alfalfa hay, including export kick-outs \$200 to \$210; 250 tons Fair alfalfa hay \$185, 250 tons grassy \$165 to \$175. 160 tons tarped Good bermuda hay \$160 fob stack, direct sale to Southern CA dairy; 2,350 tons Fair bermuda hay, tarped and outside, \$110 to \$140, mostly \$123 to \$125 fob stack, most going to Central CA. 100 tons Fair/Good sudan export kick-outs \$110. 300 tons Fair kleingrass hay \$95 to \$100. 450 tons alfalfa straw \$55 to \$60. 3,000 tons bermuda straw \$75 to \$85 fob stack, 100 tons to Southern CA dairy \$105. **Export: Old Crop** 400 tons Premium export bermuda hay, fully wrapped, \$160 fob stack; 300 tons Good bermuda hay \$130; 500 tons tarped Fair bermuda hay \$100. 200 tons Good kleingrass hay for export \$135 fob stack. **Retail/Stable:** 250 tons Premium retail alfalfa hay, barn & tarped, \$235 to \$250, mostly \$240 fob stack; 250 tons Premium stable alfalfa hay \$225 fob barn, for export; 50 tons Good/Premium stable alfalfa hay \$215; 250 tons top tarped Good stable alfalfa hay \$200 to \$205, leave bottoms. 375 tons Premium retail bermuda hay \$210.

In Blythe, alfalfa hay market for dairy and retail firm to \$5 higher. **Dairy:** 400 tons Premium alfalfa hay current production \$220 to \$225, lower price with frost damage, 75 tons fall hay \$210; 125 tons Good alfalfa hay \$200. **Dairy/Beef: Old Crop** - 750 tons Fair alfalfa hay \$170 to \$185 fob stack, mostly \$180 to \$185, 650 tons grassy & buggy \$150 to \$165, 50 tons low end \$140. 125 tons Good three way grain hay \$150. **Retail:** 750 tons Premium retail alfalfa hay \$230 to \$240 fob barn or tarped stack; 75 tons Good retail alfalfa hay \$210 to \$220. 100 tons Premium retail bermuda hay \$200.

In Tracy-Patterson, Modesto, Stockton, and Lodi, limited sales reported. **Dairy:** 50 tons Good alfalfa hay \$270 fob barn. **Retail/Stable:** 225 tons Premium retail alfalfa hay \$260 fob barn; 50 tons Premium stable orchardgrass/alfalfa hay \$280.

In the Sacramento Valley, no decent comparison on oat & sudan hay for beef cows, undertone strong. Retail hay markets steady to firm. (all from barns) **Beef Cattle:** 150 tons Premium oat hay \$200; 500 tons Fair to Good oat hay \$175 to \$185. 50 tons Good sudan hay \$165. **Retail:** 150 tons Premium retail alfalfa hay \$240 to \$250 fob barn, load Fancy \$280; 100 tons Good retail alfalfa hay \$230. 50 tons Premium retail orchardgrass/fescue hay \$270. 75 tons Premium/Fancy retail oat hay \$240 fob barn.

In the Northern Mountains, alfalfa hay market steady to firm with no recent comparison on Supreme high testing dairy alfalfa hay in Southern Oregon. No recent comparison on retail hay, undertone strong. (All hay in barns, most for current delivery) **Dairy:** In Southern Oregon, 900 tons Supreme alfalfa hay (57 TDN) \$235, 400 tons very high test (59-61 TDN from a Central CA lab test) \$245 fob barn, 90% paid up front, for current delivery; 475 tons Premium alfalfa hay \$225, 400 tons rained on in Southeastern Oregon \$190. **Beef:** In Northern CA mountains, 150 tons Good alfalfa hay with some weeds \$210, 400 tons clean \$268 delivered to northern CA foothill area for beef cattle. 800 tons Good/Premium beardless wheat hay or triticale hay \$218 to \$235 delivered to northern foothills for beef cattle. **Retail:** 50 tons Premium retail alfalfa hay \$260 fob barn. 75 tons Premium orchardgrass/alfalfa hay \$280 to \$300. 100 tons Premium retail orchardgrass hay (95 lb. bales). 50 tons Premium retail meadowgrass hay \$285.

In Arizona, few alfalfa hay sales steady where tested. **Dairy:** In South Central Arizona, 1,000 tons Good dairy alfalfa hay \$215 fob stack, to local dairy. **New crop Contract:** 5,000 tons first two cuttings Premium/Supreme alfalfa hay \$225 loaded on truck, to local dairies, 20% paid up front. **Export:** In Southwest Arizona, 400 tons tarped Supreme export alfalfa hay 3x4 bales \$240 fob stack. **Stable:** 500 tons Premium stable alfalfa hay \$215 fob stack.

In Nevada, alfalfa hay market steady to \$10 higher. Good demand for alfalfa hay from California buyers but not a lot of old crop hay to sell in many areas. The first new crop alfalfa hay contract reported appeared to be more about the up-front money on part of a growers production. All sales on big bales unless specified otherwise or on retail hay. **Dairy/Beef:** In

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Yerington-Smith Valley-Minden, 200 tons Premium alfalfa hay \$250; Load Good alfalfa small bales \$235; 750 tons outside Fair/Good alfalfa hay \$215 to \$230 fob stack, 100 tons with weeds \$210; 125 tons Fair alfalfa hay with rain stack damage \$195. 75 tons Good beardless wheat hay \$150. In Northern Nevada, most tarped or in barns, 1,020 tons Premium alfalfa hay \$210 to \$220, 105 tons \$230 fob stack, 427 tons rained on \$200 to \$205; 277 tons Good alfalfa hay with light rain damage \$190 to \$200; 1,500 tons Fair to Good alfalfa hay, half rained on, \$195 fob stack, for wild horses. In Diamond Valley, 125 tons tarped Fair alfalfa hay \$200; 550 tons Fair/Good alfalfa hay that was rained on \$185 to \$190 fob stack. 210 tons Premium beardless wheat hay \$165. **New Crop Contract:** In South Central Nevada, 3,500 tons Premium/Supreme alfalfa hay \$285 delivered to Central CA, rain clause, 30% of money up front. This was only part of the growers production. **Retail:** In Northern Nevada, 500 tons Premium retail timothy hay (100 lb. bales) \$360 fob barn. In Yerington, 105 tons Premium retail orchardgrass/alfalfa hay (95 lb. bales) \$270 fob barn.

In Idaho, alfalfa hay market firm to \$10 higher than last week. It was the third consecutive week of sales of 30,000 tons of alfalfa hay in active trading. Large number of sales to Idaho dairies with California buyers purchasing very little hay. Record high milk prices in the coming month and concern over dry conditions continues to give incentive to Idaho dairies to purchase alfalfa hay. All sales on big bales. **Dairy:** In South Central (including Magic Valley) and Southwest Idaho, 1,260 tons Supreme alfalfa hay \$220 fob tarped stack, few loads with low protein \$210; 5,000 tons Premium alfalfa hay in a wide range \$190 to \$215, mostly \$200 and up; 4,912 tons Good alfalfa hay \$180 to \$190 fob stack; 880 tons in Southwest Idaho with a short haul \$200 fob stack; 6,700 tons Fair alfalfa hay \$170 to \$176. In Eastern Idaho, 500 tons Premium alfalfa hay \$200; 1,100 tons Good alfalfa hay \$180 to \$190; 7,400 tons tarped Fair/Good alfalfa hay \$180 fob stack; 2,200 tons Fair alfalfa hay \$160 to \$175, includes 1,000 tons tarped \$170, 750 tons bleached or more freight \$150.

In the Washington-Oregon Columbia Basin, alfalfa hay sales to dairy/feedlot buyers steady in limited comparison. Dairies and feedlots showing more interest in buying alfalfa hay this week. First new crop contract on feeder hay reported to a feedlot. Export buyers continue to be very quiet. All sales on big bales unless specified otherwise, prices are on a tarped or current move basis. **Dairy:** 1,100 tons Premium alfalfa hay \$185 to \$195 fob stack; 1,800 tons Good alfalfa hay \$175 to \$185. 360 tons Fair, bleached, timothy hay \$130. **Dairy/Feedlot:** 4,250 tons Fair alfalfa hay \$150 to \$160 fob stack, lower price rained on; 1,000 tons Low/Fair quality outside rain damaged alfalfa hay \$140. **New Crop Contract:** 2,500 tons Fair alfalfa hay, June to October, \$165 fob stack, can have some grass & be rained on, pay as it ships, to local feedlot.

In Utah, alfalfa hay market steady. Increased interest in new crop alfalfa hay from California dairy buyers. All sales on big bales. **Dairy: New Crop Contracts:** In Central Utah, 10,000 tons Premium alfalfa hay, minimum 55 TDN & 20 protein, first & third cuttings, \$275 to mostly \$285 delivered to Tulare, rain clause but light rain o.k. if test holds, 80% paid up front, dairy pays difference if freight goes up. **Dairy/Beef: Current Hay:** 2,680 tons Fair alfalfa hay \$160 to \$165. 685 tons Good 3 way grain hay \$165, to local dairy & beef cows. **Retail:** 400 tons Premium retail alfalfa hay \$240 fob barn.

Farm Bill - Congress passed the Farm Bill this week (now goes to the Senate) which included margin insurance for the dairy industry that would pay dairy producers when the difference between milk & feed prices grows too narrow. Dairymen would pay a premium based on the difference or margin that they want to insure.

Water and Drought – As of January 26, rainfall in central & northern California since July 1, 2013 ranged mostly from 10% to 24% of normal. Rainfall in the central coast is even more dismal with Paso Robles and King City at 7.5% to 8.8% of normal, respectively. CA Dept. of Water Resources second snow survey conducted yesterday (January 30) in the Sierra Nevada mountains showed snowpack at only 12% of normal and the lowest readings since statewide snow survey records began in 1960. The previous low was 21% of normal in 1991 and 1963.

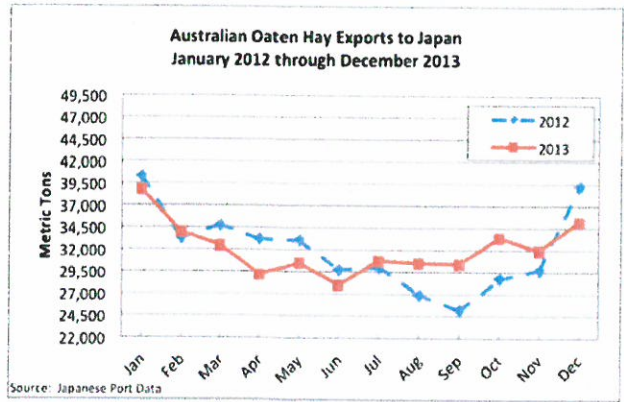
My Perspective - Oh how the alfalfa hay market outlook has changed in California from when I spoke at the Western Alfalfa Hay Symposium in Reno in mid-December. I said if it didn't rain "all bets were off" on my price predictions and that is where things stand. The hay market fundamentals in California are bullish in the face of drought, record high milk prices, and the fear of less wheat and corn silage production. The challenge in predicting markets in this environment is that we are in territory we have never seen before, record drought. I know the alfalfa hay market in California will be higher than what I thought two months ago, but I'm still reluctant to push new crop alfalfa prices as high as some people think they could go. I may be wrong. A few weeks ago I thought we'd see first cutting alfalfa hay in Imperial Valley in the \$230 to \$240 fob stack range after my prediction in mid-December of \$215 to \$230. A \$235 bid made by a central CA dairy buyer for the first two cuttings was turned down this week in Imperial Valley. Growers are afraid of leaving money on the table. I'm not sure what price it would take to contract the first two cuttings in Imperial Valley or if growers are even interested in contracting, but it appears that it may take at least \$240 with good terms. I think it is possible that Supreme alfalfa hay (not high testing) could deliver to Tulare from \$300 to \$310 which would put the early Supreme alfalfa hay in the central Valley in the \$270 to \$280 fob range. This is higher than my prediction of \$245 to \$260 in mid-December.

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Historical View of Hay Exports to Japan and Update on UAE and China Exports in 2014 - Last week I mentioned

that oaten hay exports from Australia to Japan in 2013 were unchanged from 2012 while most other hay & straw exports from the west coast to Japan were down in 2013. One of my Australian contacts pointed out that while 2013 oaten hay exports to Japan were unchanged from the previous year they were still well down from past years. Oaten hay exports to Japan in 2013 at 384,425 Metric Tons (MT) compared to 430,054 in 2011, 479,766 in 2010, and to 538,300 MT in 2006, according to Japanese port data. The same Australian contact indicated that China reduced the tariff on oaten hay from 9% to 4% on January 1, and Australia is hoping to increase oaten hay sales into China in 2014. Another contact said 100,000 Metric Tons of oaten hay exported into China in 2013. Alfalfa hay exports from the west coast to Japan showed similar trends in past years as Australian oaten hay: 419,681 MT in 2013, compared to 450,723 in 2011, 454,160 in 2010, and 456,968 in 2006. The weak Japanese Yen is the main factor for the drop in hay exports compared to past years. Some other types of hay showed different long term trends. Timothy hay exports to Japan from the west coast (PNW) in 2013 at 368,684 MT, compared to 305,557 in 2011, 309,766 in 2010, and 222,744 MT in 2006. Much of this can be attributed to the subsidy paid by the Japanese government for the purchase of timothy hay. This subsidy is slowly being phased out. Sudan hay, which is not subsidized, showed mixed trends: 309,420 MT in 2013, 301,811 in 2011, 286,108 in 2010, and 309,477 MT in 2006. An export contact that ships alfalfa hay to the UAE said hay exports to the UAE from the West Coast will be down in 2014. He said hay inventories are large in the UAE and exports will be slow until supplies are worked down in the coming months. He also indicated that due to heavy alfalfa hay shipments to China the second half of last year and with the Chinese New Year, alfalfa hay exports to China have slowed. Another contact indicated that with China now purchasing dehydrated alfalfa hay from Spain, this could reduce demand for U.S. alfalfa hay. Another issue in 2014 is that alfalfa hay prices will be higher in some areas of the west and this could influence Chinese hay purchases. It will be interesting to see if the very strong growth in west coast alfalfa hay exports to China the past few years will continue.



Source: Japanese Port Data

Dairy News - A tight milk supply in Idaho led Glanbia Foods, the world's largest American-style cheese manufacturer, to lay off 50 employees at its Idaho facilities last week, according to a story in the Capital Press paper. Idaho's milk production was down 1 percent in 2013 compared with 2012. Milk production in Idaho was down 1.1% in December and off 2.1% in November, according to USDA. It is anticipated that milk supplies will pick up in the coming months as dairies reduce culling during a period of very strong milk prices and due to the spring flush. At the Overland Stock Yard in Hanford, CA they sold a small number of Holstein Springer heifers last Monday from \$1,800 to \$2,050 each. At the A&M Livestock Auction in Hanford they sold 100 head of high quality first lactation Holstein fresh cows from \$1,800 to \$2,900 each with the average over \$2,000 each. All the cows went to local buyers. At the monthly Holstein steer calf video sale at Overland Stock Yard they sold 14,600 head. Demand was very strong with prices \$25.00 cwt. higher than last month. Large Frame 3 Holstein steer calves, 325 lbs, for February through April delivery traded from \$174 to \$186 cwt.; May and June delivery \$186.50 to \$190.50, all fob central CA calf lots. Slaughter cow prices were steady to \$5 higher at central CA auctions this week with Breaking and better Boning Utility cows trading from \$77 to \$91 cwt. Dairy cow slaughter in Region 9 (CA & AZ) was down 10% the week ending January 11 and down 9 % the week ending January 18. An auction manager said reduced dairy cow culling is offsetting the larger number of beef cows moving to slaughter.

This-N-That - All cattle and calves in the U.S. on January 1, 2014 were down 2% from a year ago, the lowest January 1 inventory since 1951. Surprisingly, milk replacement heifers over 500 lbs. in the U.S. were unchanged, although CA was down 4% at 750,000 head and Idaho was down 16% at 260,000 head, according to USDA's report today.

The California Tomato Growers Assn. Board has agreed to accept \$83 per ton from nine processors for processed tomatoes in the 2014 season, a record high price for California processed tomatoes.

Alfalfa Hay Test Guidelines (used with visual appearance of hay)			
	TDN (90% DM)	RFV (100% DM)	CP (100% DM)
Supreme	55.9 and up	185 and up	22 and up
Premium	54.5-55.9	170-185	20-22
Good	52.5-54.5	150-170	18-20
Fair	50.5-52.5	130-150	16-18
Low	Below 50.5	Below 130	Below 16

The Cattlemen's Livestock Market in Galt, CA had 3,666 head of cattle at the auction this week compared to 420 head the same week last year. Beef feeder steers & heifers under 700 pounds sold \$10 to \$20 cwt. higher with 400 to 500 lb. steers selling from \$225 to \$250 cwt. in active trading. Most feeder cattle sold to Midwest or Southwestern U.S. buyers. Best Regards, Seth

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