

# THE HOYT REPORT

## Western States Hay Market Analysis and Insights

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### This Week's Market Overview

A few trades on alfalfa hay in central CA were firm to \$15 higher but poorly tested again on light offerings. **(Sales in narrative of report are fob stack unless noted otherwise, dollars per short ton)**

New crop alfalfa hay clippings from the southern desert are boosting milk production for the dairies that can get it. We are witnessing a hay situation in central CA that is unprecedented as dairies that were counting on new crop alfalfa hay from the southern desert, which has been halted due to rain, are running out of hay. Rain of about 1/4 inch Friday in the northern San Joaquin Valley with 3/4 of an inch in the Sacramento Valley. First wheat green chop contract reported.

In Kern County, (In barns) **Retail & Stable:** 50 tons Premium retail alfalfa hay \$195; 100 tons Premium stable alfalfa hay \$180.

In Tulare, Kings, and Fresno Counties, (In barns) **Dairy:** 400 tons Good/Premium alfalfa hay \$235 to \$250, mostly \$250 fob; 500 tons Fair/Good alfalfa small bales (clean summer hay for blending) \$190. 1,200 tons alfalfa straw \$96 delivered from Imperial Valley. 400 tons bermuda straw \$83 delivered from Imperial Valley. 100 tons corn stalks \$92 delivered to dairy. 2,000 ton contract on boot stage wheat green chop \$40, fob windrow.

Market Indicators...	Unit	Most Recent	Year Ago
California Overbase Milk Price (January 2011)	Cwt.	\$14.42	\$13.48
Milk Mailbox Prices* (November 2010)			
California	Cwt.	\$15.62	\$13.78
Idaho (private)	Cwt.	\$15.20	\$13.70
New Mexico	Cwt.	\$16.84	\$13.86
Washington	Cwt.	\$17.56	\$14.84
Class 111 milk Futures –CME (March 2011)	Cwt.	\$19.07	\$13.00
Milk Cost of Production -			
California (CDFA) July-Sept 2010	Cwt.	**\$13.65	**\$14.09
CME Spot Cheese Prices			
Block Cheese (40# blocks)	\$/Lb.	\$1.9875	\$1.3450
Barrel Cheese	\$/Lb.	\$1.95	\$1.2975
All Hay Exports From West Coast Ports (U.S. Dept of Comm.) Jan - Nov 2010			
California	Short Tons	1,690,114	1,435,451
Pacific Northwest	Tons	1,813,904	2,060,233
Alfalfa Hay In-Shipment to CA by Truck January –December 2010	Tons	1,034,814	841,874
Rolled Corn Delivered to Central CA Dairies	\$/Ton	\$298	\$185
No. 2 Yellow Corn – FOB Iowa	\$/Ton	\$228-\$241	\$117-\$127
Ethanol Price – FOB Iowa	\$/Gal	\$2.32-\$2.38	\$1.58-\$1.69
Distillers Dried Grains – FOB Iowa 10 percent moisture	\$/Ton	\$194-\$200	\$95-\$108
Crude Oil – New York Futures (April 2011)	\$/Barrel	\$97.88	\$79.66
Alfalfa Hay Prices – (The Hoyt Report)			
California – Dlvd to Tulare/Hanford Dairies			
	Tons		
Supreme (From So. Desert)	850	\$/Ton	\$280-\$303
Premium	275	\$/Ton	\$270-\$280
Good	2,100	\$/Ton	\$235-\$255
Fair	600	\$/Ton	\$190-\$210
Dlvd Escalon, Modesto, Turlock Dairies			
Supreme (From Imp. Valley)	325	\$/Ton	\$300-\$315
Premium	150	\$/Ton	\$250
Good	100	\$/Ton	\$215-\$225
Fair	225	\$/Ton	\$200
Idaho – Alfalfa, FOB			
Good to Supreme	3,700	\$/Ton	\$200
Premium		\$/Ton	No Sales
Fair/Good	750	\$/Ton	\$145
Fair (export kick-outs)	350	\$/Ton	\$120

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

\*\* Does not include return on investment or management cost.

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In Los Banos-Dos Palos, and Merced, (In barns unless noted) **Dairy/beef:** 1,150 tons Good alfalfa, big/small bales, \$220 fob, 2 loads Supreme alfalfa \$220; 425 tons high Fair/Good alfalfa hay, mostly tarped big & small bales, little rain stack damage \$195 to \$210; 190 tons rain damaged or grassy Premium/Supreme alfalfa hay \$190 to \$195; 350 tons Fair alfalfa hay, part of it rain damaged, \$160 fob.

In the Imperial Valley, alfalfa hay to dairy buyers \$10 to \$15 higher with strong demand for limited supplies. No sales of alfalfa hay to exporters. Retail/Stable alfalfa and bermuda hay firm to \$10 higher. Not enough other hay sales to test trend, undertone firm. Any unsold hay or straw, even from two to three years ago is being sold to dairy hay buyers. Rain late last week and the threat of rain this weekend has brought alfalfa hay production to a halt in the Imperial Valley. If it doesn't rain this weekend there will be many swathers in alfalfa fields early next week. Dairy buyers were telling some growers they would give them \$240 fob on the next top quality alfalfa hay they put up. Alfalfa hay is crossing into the Imperial Valley from Mexico with some of this hay moving to central CA. **Dairy:** 1,500 tons Supreme alfalfa hay clippings \$230 to \$240 fob, 320 tons early or with a little winter grass \$225 to \$227, few loads with freeze damage \$215; 300 tons Good 2008/2009 outside alfalfa (clean summer hay) \$190; 225 tons Fair alfalfa hay clippings \$175. 2,000 tons Fair bermuda hay, half of it tarped, \$65 to \$90, mostly \$90, 300 tons export kick-outs \$90 to \$95. 775 tons bermuda straw, including 2008/09 crop \$40 to \$50, lower price rained on, 600 tons big bales \$60. 1,100 tons alfalfa straw \$30 to \$50. 1,000 tons wheat straw big bales, including 2009 crop, \$25 to \$30, mostly \$30 fob. **Retail/Stable:** 525 tons Premium retail alfalfa hay \$200 to \$220, 100 tons \$235; 50 tons Premium stable alfalfa hay \$200. 600 tons Premium retail bermuda hay \$140 to \$150, 125 tons from barn \$160; 50 tons Good retail bermuda hay \$135.

In Blythe, alfalfa hay market \$5 to \$15 higher to dairy buyers, steady to retail. **Dairy:** 670 tons Supreme alfalfa hay clippings \$210 to \$230, mostly \$220 fob, 500 tons with dead leaf and a few weeds \$200; 200 tons Good old crop alfalfa, small light bales, \$200. 200 tons Fair sudan hay big bales (export kick-outs) \$95 fob. **Retail:** 300 tons Premium retail alfalfa hay, barn/tarped, \$200; Load Good retail alfalfa hay \$175. 125 tons Premium retail bermuda hay in barn \$130.

In Tracy-Patterson, Modesto, Stockton, and Lodi, not enough alfalfa hay reported to test the market. (In barns) **Dairy:** 150 tons low Good alfalfa hay \$200, load light small bales for dairy heifers \$210 fob; 200 tons Good alfalfa/ryegrass hay \$155. 100 tons Good mixed grain hay \$90. 75 tons wheat straw big bales in barn \$85 fob. **Stable:** Load Premium stable alfalfa hay \$200 fob; 50 tons Premium alfalfa/orchardgrass hay \$200.

In the Sacramento Valley and Delta, Few sales retail alfalfa hay steady. (small bales In barns) **Dairy:** 50 tons Premium alfalfa hay \$205; In extreme northern end of valley, 100 tons Low/Fair quality rain damaged alfalfa hay \$135. 500 tons, 2009 crop, Good oat hay \$85. 75 tons Good oat/grass hay \$85. **Retail/Stable:** 150 tons Premium retail alfalfa hay \$190, load \$220; Load Premium stable alfalfa hay \$200. 175 tons Premium retail orchardgrass and orchardgrass/fescue hay \$180. 50 tons Premium oat hay \$100. 500 tons stripper header wheat straw small bales \$3.65 fob, for race tracks; 100 tons conventional for feed stores \$3.50/small bale.

In the Northern Mountains, Limited trades reported. 100 tons Good alfalfa hay in barn for low end milk cows and for horses \$160 fob; 200 tons Fair alfalfa hay with mustard weed \$200 delivered to North Central CA dairy.

In Arizona, alfalfa hay prices firm to \$10 higher. In Parker/Poston, 750 tons Supreme alfalfa hay clippings \$205 to \$215 fob, few loads with frost damage \$200. In Southwest area, 300 tons Supreme alfalfa hay with a little frost damage \$200 fob. In Phoenix area, 800 tons Premium retail alfalfa hay from barns \$185 to \$205.

In Nevada, couple of new crop contracts were reported in central and northern Nevada, otherwise it was a quiet week. Few alfalfa hay sales from barns in Western area firm to \$10 higher. New crop alfalfa hay contracts: In central Nevada, 20,000 tons for the season, \$170 straight through, \$500,000 up front, no test requirement, no rain damage, up to 10% grass, to central CA dairy dealer; In No. Nevada, 5,000 tons for the season, \$155 straight through, \$300,000 up front, no test requirement, no rain damage, up to 10% grass, to central CA. In Western Nevada, (In barns) 100 tons Supreme alfalfa \$200 fob; 100 tons Good alfalfa hay with a little grass \$175; 100 tons Premium retail alfalfa hay \$200. 75 tons Premium retail orchardgrass hay \$210.

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In Idaho, no decent comparison on alfalfa trades this week, undertone strong, particularly on a large lot in south central Idaho. Some dairies are realizing that they will not make it to new crop with their current hay supplies. Most growers were turning down new crop contract offers. Large round grass hay bales moving from Montana into the Magic Valley for dry cows. All sales on big bales. In South Central Idaho, 3,700 ton lot of tarped mixed quality Good to Supreme alfalfa hay and includes around 800 tons Fair quality, \$200 fob, to move over the next two months; 500 tons Premium alfalfa hay \$180 to \$185 delivered from Montana. 1,500 tons Fair/Good large round grass hay bales from Montana \$135 delivered. In Eastern Idaho, 4,000 ton alfalfa hay contract for the season, 170 RFV and higher \$160 fob, below 170 RFV \$125 and includes rain damaged hay, no money up front, to Magic Valley buyer. 750 tons tarped Fair/Good alfalfa hay \$145. In Southwest area, 350 tons Fair alfalfa hay, export kick-outs, \$120 fob, to dairy heifer lot.

In the Washington-Oregon Columbia Basin, alfalfa hay market steady to firm with some Good export alfalfa hay \$10 higher. Limited offerings continued to be in strong hands. Best demand this week was for Good export alfalfa hay. A test load of Supreme alfalfa hay sent to Canada at \$190. One load of feeder hay sold to North Central CA dairy buyer for dry cows. All sales on big bales unless noted otherwise, prices are on a covered or current move basis. **Dairy:** 100 tons Supreme alfalfa hay \$170, load to Canada buyer \$190 fob; 150 tons Premium alfalfa hay \$150; 210 tons Good alfalfa hay \$140; 455 tons Fair alfalfa hay \$115 to \$120, latter price to be used for blender hay, load to CA buyer \$125 fob, 450 tons Low quality rained on fourth cutting \$100. 800 tons wheat straw \$40 fob. **Export:** 4,050 tons Good alfalfa hay big bales \$160 fob, current to extended movement; 800 tons Fair/Good alfalfa hay \$140 to \$145. **Feedlot:** 400 tons Fair alfalfa hay \$115 fob.

In Utah, only limited trading reported with a few new crop contracts still pending. In the Central area, 900 tons Premium alfalfa hay in a barn \$180 fob, to local dairy; 800 tons Premium retail alfalfa hay in barns \$180 to \$200. In Northern Utah, 100 tons Fair alfalfa hay in barn \$120 fob.

**Volatile Week for Class 111 Milk Futures** - The April to September Class 111 milk futures market dropped 20 to 60 cents from a week ago but without a recovery today prices would have been down twice that much. The unrest in Libya that has driven oil prices sharply higher and took a toll on all commodity prices this week probably impacted milk futures prices as well due to concern about the U.S. economy. However, it appeared that more cheese offerings this week along with increased dairy cow numbers in last Friday's milk production report were also factors. April Class 111 milk futures made an historic move going from \$13.75 on December 8 to a high of \$18.80 cwt. on February 16. April's \$17.15 close on Thursday was pricing cheese at \$1.68 a pound compared to the \$1.9875 close today, according to Eric Meyer. April futures closed at \$17.81 today.

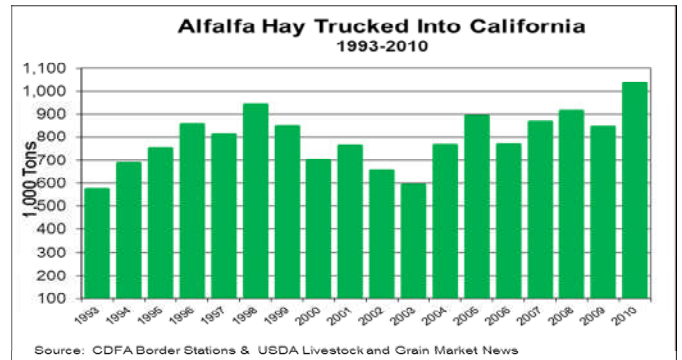
**My Perspective** - We are seeing once again extreme volatility in milk and other commodity prices. Risk Management can be put some dairymen in a foul mood if they locked in a floor price on part of their production at \$16 cwt. and production costs are currently at \$17. Hopefully they didn't lock in a large percentage at \$16. Some dairies locked in some of their production at \$18. The bottom line is that if you are totally exposed to the open market you could take a much greater hit if the market falls. I told a few people this week that maybe it's time hay growers protect part of their production by contracting ahead. I know growers don't want to "leave money on the table" but in this volatile environment why not contract part of your production, even if it is 25 percent. There is no guarantee that milk prices are going to hold. I realize that hay supplies are tight and the outlook is for strong prices but if milk prices fall below cost of production and more dairies are buying hand to mouth, it puts pressure on hay prices. Of course the alfalfa hay market is not going to "fall out of bed" but if it slips back even a little the contract price on part of your production may have been a good move. If the market stays at levels above your contract price at least you have guaranteed a price on part of your production. Ask growers of other commodities that buy Put options on the futures market to protect part or all of their production. And please do not think the current market, particularly in the Imperial Valley will stay at these levels once we get into first cutting. \$300 plus delivered prices on Supreme alfalfa hay into central CA cannot be sustained by an \$18 to \$18.50 milk price. Even the big lot of mixed Good to Supreme alfalfa that traded in Idaho this week is going to dairies that need hay before new crop. I am calling the current hay market in the Imperial Valley the "desperation" market. Some slow pay dairies in central CA may run out of hay before first cutting.

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## Alfalfa Hay Crossings into California Close the Year Strong – Alfalfa hay trucked into CA in December

totalled 79,840 tons, 29% above a year ago and the highest December crossings since 2005. Alfalfa hay trucked into California in 2010 was a record 1,034,000 tons, up 23% from 2009 and 10% higher than the previous record of 941,044 tons in 1998. The largest tonnage was shipped from Nevada at 418,512 tons, up 38% from 2009. Alfalfa hay crossings from Arizona totalled 329,855 tons, down 1% from the previous year. Utah shipped 173,822 tons of alfalfa to CA dairies with a little to retail horse buyers in 2010, up 31% from 2009. Oregon crossed 87,484 tons of alfalfa hay into CA in 2010, up 56% from 2009. Idaho shipped 9,978 tons into CA compared to 1,072 tons in 2009. Alfalfa hay shipped into CA from other States in 2010 totalled 16,717 tons compared to 9,044 in 2009. Alfalfa hay trucked into CA for export in 2010 from mainly Utah totalled 171,717 tons, according to CA Border Stations, compared to 208,151 tons in 2009.



**Milk Production up 2.3 Percent in U.S., Cow Numbers Climbing** - The USDA Milk Production report last Friday was not a big surprise at 2.3% higher for the U.S. and was considered neutral by some analysts. But what was surprising was the strong growth in dairy cow numbers, up 31,000 head in the past three months. To put this in perspective, the 31,000 head increase in U.S. cow numbers compares to a 5,000 head increase from November to January a year ago. While CA cow numbers dropped 1,000 head from November, that was not the case with some other States. This climb in cow numbers is of concern given the negative news this week about the U.S. economy if escalating oil prices continue in the weeks ahead.

**Dairy News** – The monthly video sale on Holstein steer calves at Overland Stock Yard this week saw strong demand for the 8,500 calves consigned. Around 2,400 head of the calves were located outside of CA and most calves in the sale sold to feedlots in Arizona, Texas, Kansas, and Colorado. Very few calves went to CA buyers. Large Frame 3 Holstein steer calves, 300 lbs., for March 1 to late June delivery traded from \$120 to \$130 cwt. fob, calves for May-June delivery were mainly in the top half of the price range. Good Holstein Springer heifers sold steady at Overland Stock Yard on Monday and traded from \$1,400 to \$1,500 each. Slaughter cows sold weak to \$5 lower at central CA auctions with Breaking Utility cows trading from \$67 to \$77 cwt. West Coast wholesale dressed cow beef today was unchanged with a week ago at \$111.00 cwt.

It was interesting that the same week New Zealand is hit with a 6.3 magnitude earthquake which disrupted some dairy product exports, it was announced that the country's large dairy cooperative Fonterra plans to build dairies in China. Fonterra produces around a third of the world's internationally traded dairy products, according to the Wall Street Journal. Fonterra's Chief Executive says they are not only looking at China as a growth market but there isn't the space in New Zealand to grow their dairy industry. He mentioned bringing in grain for the cows but nothing was mentioned about hay. Where will the hay come from for these dairies?

**Hay Exports** - My source in Japan says that Japanese dairy farmers are still making good profit in spite of higher grain costs. He says that Japanese importers and wholesalers are concerned about sharply higher hay prices in the Western U.S. and higher prices for new crop alfalfa and other hay due to tighter supplies. He indicated that Japanese dairy farmers will not see stronger hay prices for a while because importers are still selling hay to Japanese dairies that was purchased earlier this past season. He stated that Japan imported a total of 2,083,865 MT of hay & straw in 2010 from the U.S., Canada, and Australia. This is up 1 percent from 2009. Alfalfa hay imports totalled 454,154 MT, up 4 ½% from 2009. My source said the main reason for increased hay imports into Japan is due to poor hay production in Hokkaido. If Japan has a good hay harvest this coming season they will not need as much hay from the Western U.S., he said. Best Regards, Seth

	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

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