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This week's Market Overview
 Alfalfa hay trading at a near standstill in Central California. Not enough sales to test the market. **(Sales in narrative of report fob stack for current move unless specified otherwise, dollars per short ton)**

Most dairies are still not buying hay and overall hay inventories at dairies are low. Rain early to midweek has pushed season to date rainfall above average. Snowpack in the Sierra Nevada Mountains is 150% of average. A little interest in contracting new crop alfalfa hay in Central Valley with one deal pending. Rolled corn delivered to Central California on Friday at \$204 per ton reached the highest level since May of last year (more on page 4).

In Kern County, no sales reported.

In Tulare, Kings, and Fresno Counties, **Dairy:** 25 tons Premium alfalfa hay a little high in moisture \$255 delivered from Imperial Valley. 50 tons big bale bermuda straw \$163 delivered to Madera from Imperial Valley. 50 tons tarped big bale double cut rice straw \$130 delivered to Madera from Sacramento Valley. **Dairy: New Crop Contract:** 8,750 tons Fair to Supreme alfalfa hay on seven cuttings for the season with price established when hay goes in the stack. **Retail/Stable: (Old Crop)** 25 tons Premium retail alfalfa hay \$320 delivered to Central

Market Indicators...	Unit	Most Recent	Week Ago	Year Ago	
CA FMMO Uniform (blended) Milk Price-Tulare	Cwt. *	Jan \$14.21	Dec \$14.03	N/A	
USDA Milk Mailbox Prices ** November 2018					
California (CDFA Oct 2018 & year ago)	Cwt.	N/A	Oct \$16.37	\$16.57	
New Mexico	Cwt.	\$14.34	Oct \$14.79	\$16.13	
Oregon/Washington	Cwt.	\$17.05	Oct \$17.53	\$18.09	
Class III Milk Futures –CME (Mar 2019)	Cwt.	\$14.90	\$14.53	\$13.87	
Milk Cost of Production - Holstein Dairies					
S. J. Valley (Frazer, LLP) First half 2018	Cwt.	***\$15.86		***\$16.14	
CME Spot Cheese Prices					
Block Cheese (40# blocks)	\$/Lbs.	\$1.5950	\$1.5800	\$1.4950	
Barrel Cheese	\$/Lbs.	\$1.4050	\$1.4350	\$1.4600	
All Hay Exports From West Coast Ports					
(U.S. Census Bureau) Jan – Nov 2018					
California Ports	Metric	1,902,968		2,141,839	
Washington Ports	Tons	1,665,510		1,747,827	
Rolled Corn Dlvd to Magic Valley ID Dairies	\$/Ton	\$193	\$192	N/A	
Rolled Corn Dlvd to Central CA Dairies	\$/Ton	\$204	\$197	\$192	
No. 2 Yellow Corn – FOB Iowa (USDA)	\$/Ton	\$124-\$133	\$124-\$135	\$119-\$128	
Ethanol Price – FOB Iowa (USDA)	\$/Gal	\$1.16-\$1.30	\$1.14-\$1.33	\$1.27-\$1.46	
Crude Oil – New York Futures (Apr 2019)	\$/Barrel	\$57.26	\$55.59	\$63.55	
Alfalfa Hay Prices – (The Hoyt Report)					
California – Dlvd to Tulare/Hanford Dairies					
	Tons				
Supreme (mostly \$275-\$285)	1,440	\$/Ton	\$260-\$290	\$275-\$290	\$285-\$295
Premium	550	\$/Ton	\$260-\$275	\$255-\$275	\$275-\$280
Good	625	\$/Ton	\$240	\$245-\$250	No Sales
Fair		\$/Ton	No Sales	No Sales	\$225-\$230
Dlvd Escalon, Modesto, Turlock Dairies					
Supreme	180	\$/Ton	\$280-\$285	\$275-\$280	\$290-\$300
Premium	200	\$/Ton	\$267	\$250-\$265	\$275
Good		\$/Ton	No Sales	\$240-\$250	\$250
Fair (rained on \$190)	250	\$/Ton	\$225	\$220-\$225	No Sales
Idaho – Alfalfa Hay Big Bales, FOB Stack					
Premium/Supreme	300	\$/Ton	\$180	No Sales	No Sales
Good/Premium	540	\$/Ton	\$162-\$170	\$170-\$175	No Sales
Good		\$/Ton	No Sales	\$150	No sales
Fair	250	\$/Ton	\$140-\$142	\$145	\$105
WA/OR (C. Basin) Alfalfa, FOB					
Supreme big bale (Dairy)	200	\$/Ton	\$225	No Sales	\$175
Premium big bale (Export)		\$/Ton	No Sales	\$250	\$170
Good big bale (Export)		\$/Ton	No Sales	No Sales	\$140
Fair (Feedlot/Dairy)		\$/Ton	No Sales	No Sales	No Sales

*Prices include \$0.38 cent cwt deduction for quota assessment ** Total receipts less marketing costs & assessments. ***Does not include return on investment and management costs.

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Coast; 25 tons Premium stable alfalfa hay \$305 delivered to central coast.

In Los Banos-Dos Palos and Merced, **Dairy:** 200 tons Premium alfalfa hay \$255 fob barn, short haul to dairy.

In Imperial Valley, limited sales on dairy alfalfa hay, prices steady. No export alfalfa hay sales reported. No comparison on one sale of bermuda hay for export and no reports of other grass hays for export. Retail and stable alfalfa hay prices steady. Retail bermuda hay steady. The weather was a challenge again this week in the Imperial Valley with rain and cold temperatures. Showers through the valley were scattered but freezing temperatures damaged some alfalfa stands. The weather next week looks promising with no rain and temperatures returning to normal. **Dairy:** 385 tons Premium/Supreme current production alfalfa hay small bales \$210 to \$212 fob stack; 465 tons current production Premium alfalfa hay big and small bales \$200 to \$206, most current move to Chino dairies, 150 tons with grass or high moisture \$190 to \$195; 485 tons Good alfalfa hay \$180 to \$190, some with frost damage. **Export:** no reported sales on alfalfa hay. 150 tons Premium export bermuda hay small bales \$185 fob fully tarped stack with straw bottoms. **Retail/Stable: (Old Crop)** 227 tons Premium retail alfalfa hay \$260 to \$265 fob barn, 50 tons tarped \$255; 100 tons fully tarped Premium stable alfalfa hay \$240. 100 tons Premium retail bermuda \$215 fob barn, 50 tons high Premium \$225; Load Good retail bermuda \$205.

In Blythe, trading slow on dairy alfalfa hay, in a limited comparison prices steady. Retail alfalfa hay prices steady. Rain and cold temperatures slowed hay production. Contacts reported muddy stack yards. Warming temperatures should help production next week. **Dairy:** 250 tons current production Supreme alfalfa hay big and small bales \$215 fob stack; 985 tons Premium/Supreme alfalfa hay \$205 to \$210, mostly \$210, current move to Central Valley and Chino dairies, 50 tons high moisture \$195; 250 tons tarped Fair old crop alfalfa hay \$175 fob stack. 75 tons tarped Premium beardless barley hay \$160 fob stack. **Retail:** 500 tons Premium retail alfalfa hay \$260 to \$265 fob barn, 375 tons fully tarped and buyer to take bottoms \$250. 75 tons fully tarped Premium retail bermuda hay \$200 fob stack, 2 loads high Premium in barn \$250.

In Tracy-Patterson, Modesto, Stockton, and Lodi, dairy alfalfa hay trading at a near standstill with very little demand from dairies. Retail alfalfa hay prices steady in slow to moderate trading, the exception was mixed orchard grass/alfalfa hay which found good demand and firm prices. All hay in barns. **Dairy:** 25 tons Good alfalfa hay (calf hay) \$220. 125 tons big bale Premium beardless wheat hay \$170 fob barn. **Retail:** 230 tons Premium retail alfalfa hay \$260 to \$265 fob barn; 75 tons Good retail alfalfa hay \$240. 120 tons Premium retail orchard grass/alfalfa hay \$340 fob barn. 285 tons Premium beardless wheat hay \$170 to \$180. 140 tons Premium 3-way grain hay \$170 fob barn.

In the Sacramento Valley, retail hay prices steady with no sales on dairy alfalfa hay. Rain early in the week and more rain forecast in the coming days. **Beef:** 50 tons Premium oat hay small bales \$160 fob barn. **Export:** 125 tons Fair oat hay with grass \$108 fob barn. **Retail/Stable:** 325 tons Premium retail alfalfa hay \$240 to \$260 fob barn; 75 tons Good retail alfalfa hay \$200; 100 tons Premium stable alfalfa hay \$240. 125 tons premium retail 3-way grain hay \$170. 125 tons Premium retail oat hay \$160 to \$170 fob barn. 175 tons small bale rice straw \$3.50/bale, to mostly feed stores.

In the Northern Mountains, hay trading slow. In a limited comparison with last week, few alfalfa hay sales steady. Quite a bit of snow but not as much as the Sierra Nevada Mountains. **Dairy:** In the Klamath Basin, 150 tons high test (59 TDN) Supreme alfalfa hay in barn \$215 loaded on truck. **Retail/Stable:** In the Northern CA Mountains, 200 tons Premium retail alfalfa hay \$220 fob barn, current move; 500 tons Good/Premium stable alfalfa hay \$200. 100 tons Premium retail orchard grass hay \$280. 50 tons Premium retail orchard grass/alfalfa hay \$280 fob barn, going to Florida

In Arizona, no comparison on dairy alfalfa hay. No export sales reported this week. Retail alfalfa hay prices steady with a firm undertone. Rain and cold temperatures brought current production alfalfa to a standstill in Central AZ with up to two inches in some areas with just over an inch in Casa Grande area. Snow was also reported in areas that rarely see snow. Contacts reported frost damage to some stands of alfalfa that will need another clipping before first cutting. Weather and temperatures to return to normal by the end of next week. **Dairy:** In Parker/Poston, 75 tons Premium current production alfalfa hay \$180, high moisture. **Retail:** In Central AZ, 1,125 tons old crop Premium retail alfalfa hay \$275 to \$285 fob barn, two loads of high Premium going to Florida \$300. 300 tons Good (#2) retail alfalfa hay \$260.

In Nevada, hay trading slow, few alfalfa hay sales steady. With all the snow and rain, it was hard to get into barns and stack yards. One contact in Western Nevada said un-tarped hay had bad stack damage. **Dairy:** In Northern NV, 1,000 tons tarped Good alfalfa hay \$170 fob stack, current move to CA. In Diamond Valley, 500 tons Supreme alfalfa hay with 18-19% protein \$190 fob barn; 100 tons top tarped alfalfa hay \$170, for local beef cows. In Western NV, 100 tons rain damaged Fair alfalfa hay in a barn \$140. **Beef:** In Western NV, 300 tons top tarped and un-tarped Fair alfalfa hay \$160 for local beef cows.

In Idaho, very slow hay trading this week, where there was a comparison prices steady. Demand for Fair alfalfa hay from dairy and beef buyers remains good but supplies limited. Beef cattle buyers are buying Good to Premium alfalfa hay as very little Fair alfalfa hay is available. With recent snow fall and cold temperatures interest for wheat straw is good but supplies are tight. All sales on big square bales fob stack for current move unless specified otherwise, dairy hay sales to Magic Valley dairies unless specified otherwise. **Dairy:** In Southwest ID, 300 tons Premium/Supreme alfalfa hay \$180, half in a barn, 75% down and current move to local dairy. 200 tons orchard/pasture grass mix big bales \$160 fob barn, current move to Washington dairy. In Eastern ID, 40 tons top taped Premium alfalfa hay \$162; 150 tons top tarped Fair alfalfa hay \$142, current move. **Beef:** In Southwest ID, 500 tons top tarped Good/Premium alfalfa hay \$170 fob stack, for background lot; 100 tons Fair alfalfa hay with light grass \$140, 50 tons with cheat grass \$130. 120 tons tarped Good bearded wheat hay with some alfalfa hay \$100 fob. 180 tons Good bluegrass straw \$95 fob, current move. In Eastern ID, 250 tons wrapped Premium alfalfa hay \$185, very short haul for local beef cows.

In Washington-Oregon Columbia Basin, export alfalfa hay trading at a standstill. Still some export interest for alfalfa hay but tight supplies with firm asking prices from growers has limited trading. No export timothy hay trades reported. Dairy and export buyers continue to look for alfalfa hay in neighboring states. Good demand for wheat straw from dairies for bedding and dry cows. Export contacts reported that interest from China for alfalfa hay has picked up with the end of the Chinese New Year. All sales on big bales unless specified otherwise, prices fob wrapped stack unless specified otherwise. **Dairy:** 200 tons Supreme alfalfa hay \$225 fob stack. 300 tons Good sudan grass big bales \$120, delivered from barn. 300 tons wheat straw \$90 delivered, for bedding and dry cows.

In Utah, very slow hay trading this week. The only comparison was on export alfalfa hay at steady prices. Contacts reported good interest for wheat straw from dairy buyers. Recent cold temperatures and steady snow storms has led to increased alfalfa hay consumption by beef cattle. **Dairy/Beef:** In Central UT, 500 tons wrapped Supreme alfalfa hay \$200 fob stack, 80% down, current move to Central CA dairy. 900 tons Fair 3-way grain hay \$135 fob stack, current move for local beef cows. **Export:** In Southern UT, 500 tons Supreme alfalfa hay \$218 fob barn.

U.S. Milk Production- Milk production in December was up 9% in the top 23 dairy producing states and up 2% in the West. With mild weather across much of the country in December the per cow production in the 23 states was up 23 lbs. to 1,966. According to the USDA this is the highest production per cow for the month of December since record keeping began in 2003. California saw a 1.7% increase in milk production over last December even though there were 11,000 fewer dairy cows than a year ago. Milk per cow in CA was up 45 lbs. Idaho saw the largest growth in cow numbers in the west, adding 14,000 head and milk production increased 4.9%. Production per cow Idaho was up 50 lbs. over last December. Washington saw strong milk production growth at 4.8% with dairy cow numbers up 6,000 head and per cow production was strong at 50 lbs. above last year. Oregon was up 4.3% due to strong milk per cow increases while adding a modest 1,000 head. The only Western States to see a decrease in milk production were Arizona and New Mexico, down 1.4% and 2.8% respectively. One trend from this report was the loss of dairy cows in the eastern U.S. and increases in the west. In the 23 major dairy States, those east of the Mississippi saw a loss of 69,000 cows while States to the west saw an increase of 48,000 cows for a net total loss of 21,000 dairy cows from a year ago. This led to a 1% drop in milk production in the Eastern States and a 2% increase in the Midwest and West. The losses in the East were led by Pennsylvania, Ohio and Florida. In the Midwest and West, the biggest gains were Texas, Idaho and Colorado.

Dairy Product Prices- Cheese prices were split this week with blocks up 1.5 cents while barrels were down 3 cents. The momentum that blocks had over the last three weeks has slowed. According to the Dairy & Food Market Analyst, the recent rally in blocks "may be running out of steam". Nonfat dry milk closed the week at \$.9975 per pound, up one cent over last week. Butter prices finished the week up a cent at \$2.2600, but analyst expect that to change next week as the cold storage report released late Friday showed December butter stocks up 6.25% over a year ago. The 179.3 million pounds of butter in storage was the highest December number since 1993. March Class III milk futures saw a \$.37 increase from a week ago to close at \$14.90 and other months were up 10 to 37 cents for the week. There was a little optimism as the July Class III futures closed at \$16.01 and prices from July to December ranged \$16.01 to \$16.42 cwt. On the CME dry whey prices were down half a cent to close at \$0.3475. Dry whey prices are off 15 cents from this year's highs in mid-January.

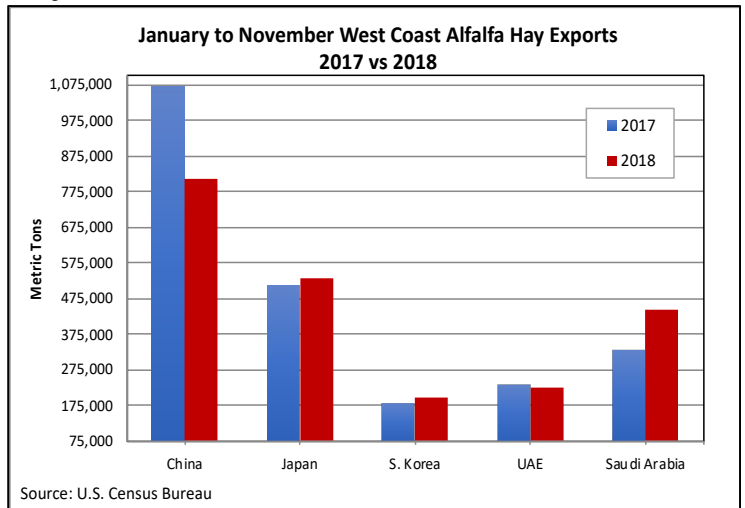
Dairy Cattle Prices – At the Lost Valley Farms dairy dispersal sale in Boardman, Oregon on February 19 they sold 7,000 cows for an overall average price, including cows going to slaughter, of \$920 each. 3,053 head of nice quality Jersey and Jersey cross cows, first through third lactation, averaged \$1,110 per head in good demand. 994 Holstein cows, from second lactation to older cows averaged \$994 each. Cows sold to Oregon, Idaho, Washington, Colorado, and Texas buyers. At the Overland Stock Yard this week Holstein and Jersey Springer heifer prices were steady from \$800 to \$1,100 each. Slaughter cows were steady at Overland with Breaking and better Boning Utility dairy cows \$43 to \$48 cwt.

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January to November 2018 Alfalfa Hay Exports to Five Major Countries from the West Coast Down 5 Percent

According to U.S. Census Bureau, alfalfa hay exports to China in the first 11 months of 2018 at 812,276 Metric Tons (MT), were down 24% from the same period in 2017 with tariffs taking a hit on alfalfa exports from July to November. The lower exports to China was the main reason that alfalfa hay exports to the five major countries were down 5% in the first 11 months of 2018. While the 35% increase in alfalfa hay exports to Saudi Arabia in the January through November period was not surprising, it was interesting that alfalfa hay exports to South Korea were up 8% and 4% higher to Japan. Although, Japanese port data numbers show west coast exports of alfalfa hay to Japan during that same period were unchanged from 2017. The big story is the United Arab Emirates (UAE). Alfalfa hay exports to the UAE from the west coast in 2018 saw an amazing difference between the first and second half of the year. In January to June alfalfa exports at 60,647 Metric Tons (MT), compared to 171,793 MT in the first half of 2017. When China slapped tariffs on U.S. alfalfa hay in July 2018 everything changed. West coast exports to the UAE from July to November jumped to 162,341 MT, compared to 65,659 in the same four months in 2017. Chinese buyers who were facing higher priced alfalfa hay from the U.S. due to tariffs started buying hay in Spain and Africa (Sudan) where the UAE was buying alfalfa hay. The strong competition from China brought UAE buyers back to the Western U.S. for alfalfa hay. Consequently, alfalfa hay exports from the west coast to the UAE the first 11 months of 2018 were down 6% and would have been down much more had it not been for the Chinese tariffs.



Corn – Rolled corn prices in California and Idaho have been moving higher in recent weeks and are stronger again this week, particularly in California. With all the talk of ample supplies of corn why are prices going up? Joel Karlin with Western Milling says with harsh weather in the Midwest and limited farmer movement of grain that corn prices are being pushed higher. Truck transport of grain is very difficult, and this has also impacted rail rates where snow, ice, and frigid temperatures are taking a toll on timely movement of corn shuttles out of the Midwest. Consequently, rolled corn delivered to Central CA this week was \$204, up \$12 per ton from three weeks ago and the highest price since May of last year. Rolled corn delivered to the Magic Valley in Idaho at \$193 was up \$6 per ton from three weeks ago.

Irrigation Water Costs in Central California - In a letter last week to farmers in Fresno and Kings Counties in Central CA, Westlands Water District said surface water rates for 2019-2020 would be approximately \$225 for an acre foot of water. This is much higher than water costs in the Southern California desert where alfalfa hay acres are higher for the coming season. While water costs vary in the Central and Northern valley, in those districts with higher costs farmers must plant higher value crops in order to make a profit. Groundwater regulations under the Sustainable Groundwater Management Act from the CA Dept. of Water Resources will also restrict the use of well water in some parts of Central and Northern Valley. We are not sure when this will be implemented but it sounds like it is not too far off. Is it any wonder that high value crops like Almonds continue to be planted in Central California and alfalfa hay acres continue to come out.

Water Allocations – The first surface water allocation for the Central Valley Project from the Bureau of Reclamation was good for some California farmers and bad for others. North of Delta contractors were allocated 70% for agriculture while Eastside Water Service contractors and Friant Division contractors will receive 100% allocation. However, the surface water allocation for farmer’s south of the Delta, which includes farms in Fresno and Kings Counties was 35%. On February 15, the statewide average snow water equivalent in the Sierra Nevada snowpack was 141% of the historical average and precipitation was approximately 121% of average. CEO Ryan Jacobsen of the Fresno County Farm Bureau stated, “The current biological opinions in which California’s water system operates is dysfunctional. They continue to cost this region [central Valley] a reliable water supply with no positive benefit to the species it is meant to protect in the Delta.” The California Department of Water Resources increased the State Water project allocation to 35%.

Best Regards, Seth & Josh

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