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**This week's Market Overview**

Few sales on alfalfa hay in Merced County at steady prices, otherwise trading on alfalfa hay at a standstill in other Central California areas. **(Sales in narrative of report fob stack for current movement unless specified otherwise, dollars per short ton)**

While supplies of alfalfa hay in barns are not burdensome it really doesn't matter because most dairies are not in the market and are using existing inventories. Some dealers say dairies will need to buy hay in the coming weeks. Rain reported in many areas with the northern valley receiving up to 3 inches (our rain gauge has 3 inches). Some contacts in the Central Valley only received a third to 1 inch of rain. While there were some positives on the world dairy market this week, the domestic market still in the doldrums (**see Dairy Product Prices - page 4**)

In Kern County, no hay sales reported.

In Tulare, Kings, and Fresno Counties, **Dairy:** 60 tons Supreme alfalfa hay small bales \$250 fob barn, 75 tons big bales from Utah that tested better than it looked \$267 delivered. 100 tons Good beardless wheat hay big bales \$165 delivered, fast pay. 100 tons Good pasture grass hay \$150 delivered, for heifers. 150 tons big bale double-cut rice straw \$95 delivered, 3 loads from barn in Sacramento valley \$105 delivered. 150 tons big bale bermuda straw \$165 delivered from Imperial Valley.

Market Indicators...	Unit	Most Recent	Week Ago	Year Ago
CA FMMO Uniform (blended) Milk Price - Dec	Cwt.	\$14.91	Nov-\$15.44	N/A
Milk Mailbox Prices * September 2018				
California (CDFA)	Cwt.	\$15.90	Aug-\$15.28	\$16.33
New Mexico (USDA)	Cwt.	\$14.16	Aug-\$13.44	\$15.63
Oregon/Washington (USDA)	Cwt.	\$16.98	Aug-\$15.88	\$17.88
Class III Milk Futures -CME (Feb 2019)	Cwt.	\$14.22	\$14.49	\$13.56
Milk Cost of Production - Holstein Dairies				
California (CDFA) First quarter 2018	Cwt.	**\$15.18	***\$16.13	**\$15.03
S. J. Valley (Frazer, LLP) First half 2018	Cwt.	**\$15.86		**\$16.13
CME Spot Cheese Prices				
Block Cheese (40# blocks)	\$/Lbs.	\$1.4000	\$1.4100	\$1.5650
Barrel Cheese	\$/Lbs.	\$1.2000	\$1.2450	\$1.3450
All Hay Exports From West Coast Ports (U.S. Census Bureau) Jan - Oct 2018				
California Ports	Metric Tons	1,717,654		1,953,380
Washington Ports	Tons	1,509,409		1,597,119
Rolled Corn Delivered to Central CA Dairies	\$/Ton	\$191	\$190	\$181
No. 2 Yellow Corn - FOB Iowa (USDA)	\$/Ton	\$126-\$129	\$125-\$129	\$115-\$123
Ethanol Price - FOB Iowa (USDA)	\$/Gal	\$1.10-\$1.20	\$1.12-\$1.20	\$1.19-\$1.38
Crude Oil - New York Futures (Feb 2019)	\$/Barrel	\$53.80	\$51.73	\$63.37
Alfalfa Hay Prices - (The Hoyt Report)				
California - Dlvd to Tulare/Hanford Dairies				
	Tons			
Supreme	860	\$/Ton \$270-\$283	\$275-\$295	\$285-\$290
Premium	300	\$/Ton \$260-\$275	\$260-\$265	\$262-\$275
Good	900	\$/Ton \$240-\$250	No Sales	\$230-\$260
Fair (very grassy \$165 dlvd)	2,550	\$/Ton \$225-\$235	\$215-\$235	\$220-\$225
Dlvd Escalon, Modesto, Turlock Dairies				
Supreme		\$/Ton No Sales	\$285	\$280-\$295
Premium		\$/Ton No Sales	\$250-\$260	\$268
Good		\$/Ton No Sales	No Sales	\$230
Fair (grassy \$205 delivered)	150	\$/Ton \$220-\$230	\$215-\$220	\$215-\$220
Idaho - Alfalfa Hay Big Bales, FOB Stack				
Supreme		\$/Ton No Sales	\$180	No Sales
Premium/Supreme	4,850	\$/Ton \$175-\$180	No Sales	\$125-\$132
Good		\$/Ton No Sales	\$165-\$170	\$115
Fair	2,575	\$/Ton \$140-\$145	No Sales	\$100-\$110
WA/OR (C. Basin) Alfalfa, FOB				
Good/ Premium big bale (Dairy)	250	\$/Ton \$180	\$220	No Sales
Premium big bale (Export)	1,200	\$/Ton \$195	No Sales	No Sales
Good big bale (Export)		\$/Ton No Sales	No Sales	\$145
Fair big bale (Feedlot)	150	\$/Ton 2 tie- \$175	No Sales	\$105-\$130

\* Total receipts less marketing costs and assessments. BB - Big Bales

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

In Los Banos-Dos Palos and Merced, **Dairy:** 436 tons Supreme alfalfa hay big bales \$250 to \$255 fob barn; 430 tons Premium alfalfa hay big bales \$240.

In the Imperial Valley, unsettled weather and rain slowed hay trading the past week. Few dairy alfalfa hay sales steady, not enough export alfalfa hay sold to test the market. No sales reported on grass hay for export. Retail alfalfa hay prices steady to \$5 higher. Retail bermuda hay steady to \$10 higher. Much of the trading on dairy alfalfa hay this week was rained on or high moisture hay. It has been a challenge for growers to put up alfalfa hay with rain and fog. The forecast is for dry weather the next couple of weeks with high temperatures in the mid 60's to low 70's. **Dairy:** 625 tons Premium alfalfa hay \$200 to \$205 fob stack, 100 tons with around 10% weeds \$190, 400 tons high moisture \$145 to \$170; 188 tons Fair alfalfa hay with a little rain damage \$160, 470 tons with more rain damage \$140 to \$145. 300 tons Fair bermuda hay \$105. 1,000 tons big bale bermuda straw \$95 fob stack. **Export:** 250 tons Good to Premium alfalfa big bales \$198 fob stack. **Retail/Stable:** 400 tons Premium retail alfalfa hay \$260 to \$265 fob barn, 3 loads \$270; 150 tons Good retail alfalfa hay \$245 fob barn, load tarped low Good retail alfalfa \$210; 300 tons Premium stable alfalfa hay \$235 to \$240 fob barn or fully tarped. 200 tons Premium retail bermuda hay \$210 to \$215 fob barn or fully tarped stacks with straw bottoms, 375 tons high Premium in barn \$230 fob; Load tarped Premium stable bermuda hay \$185.

In Blythe, hay trading slow. Few Premium to Supreme dairy alfalfa hay prices steady, no comparison on large lot Fair alfalfa hay from summer 2018 cuttings. Retail alfalfa hay market slow this week with prices steady. Rain was the main reason for the slow hay trading with wet and muddy conditions. Heavy rain in Los Angeles and other coastal areas also slowed retail hay movement to those areas. **Dairy:** 500 tons Premium to Supreme alfalfa hay \$205 to \$210; 1,800 tons old crop Fair alfalfa hay \$165 fob stack, load current rain damaged alfalfa hay \$125. **Retail:** 225 tons Premium retail alfalfa hay \$255 to \$265 fob barn, includes few loads going to Texas.

In Tracy-Patterson, Modesto, Stockton, and Lodi, rain brought hay trading to a near standstill. Few retail hay sales steady but market poorly tested. **Dairy:** 250 tons big bale double-cut rice straw \$96 delivered from barn in Sacramento Valley. **Retail:** (all sales from barns) 50 tons Premium retail alfalfa hay \$265 fob barn; 80 tons Good retail alfalfa hay \$250. 65 tons Premium beardless wheat hay \$190; 40 tons Premium 3-way grain hay \$180. 30 tons Premium retail orchardgrass hay \$285 fob barn.

In the Sacramento Valley, not enough dairy alfalfa hay to test the market, retail alfalfa hay prices steady. Rain slowing trading and movement of hay. **Dairy:** Load Supreme alfalfa hay \$237 fob barn. **Retail:** 100 tons Premium retail alfalfa hay \$260 fob barn, load \$240. 50 tons Good oat hay \$108. 50 tons small bale rice straw \$3.50/bale.

In the Northern Mountains, hay trading slow with not a good comparison with last week to fully test market trend, undertone steady. **Dairy:** In East Central OR, 250 tons Premium alfalfa hay \$185. 60 tons Premium oat hay big bales \$120, all fob barn for current move to Washington dairies. In Central OR, 140 tons Supreme alfalfa hay \$210; 1,200 tons Premium alfalfa hay \$195, all fob barns for current to May 1 movement, 25% paid up front. 60 tons of Premium triticale hay \$130. **Beef:** In the Northern CA Mountains, 250 tons Good alfalfa hay for local beef cattle \$175 to \$180 fob barn. **Retail:** In the Northern CA Mountains, 150 tons Premium retail timothy hay \$340 fob barn, current move.

In Arizona, two more new crop contracts on first two cuttings of alfalfa hay reported in Poston/Parker area at steady prices with last week. Retail alfalfa hay prices in central Arizona steady with a week ago. Rain bought current hay trading to a near standstill throughout Arizona. Demand continues to be strong for retail alfalfa hay. **Dairy: New Crop Contracts:** In Poston/Parker, 3,000 tons Supreme alfalfa hay first two cuttings \$225 fob stack, 60% paid up front, no rain, extended movement to Central and Southern California dairies. **Retail:** In Central AZ, 1,275 tons Premium alfalfa hay \$275 to \$285 fob barn; 300 tons Good (#2) retail alfalfa hay \$260, all retail alfalfa hay sales to Texas, New Mexico and Arizona buyers. 250 tons Premium retail bermuda hay \$250 fob barn, going to Texas.

In Nevada, hay trading slow. Few sales dairy alfalfa and retail alfalfa hay steady with last week. A few lots of Premium alfalfa hay being offered but light demand. More interest in Fair to Good alfalfa hay than the higher quality alfalfa. All sales on big bales unless specified otherwise or retail hay. **Dairy:** In Western NV, 1,050 tons high Fair to low Good alfalfa hay \$155 fob stack, biggest lot will be top tarped by buyer, current to extended movement, 150 tons un-tarped with a little grass \$150. 200 tons top tarped Premium beardless wheat hay big bales \$110. 500 tons Good sudan hay big bales \$100 fob barn, little stack damage before it went in barn. In Northern NV, 100 tons top tarped Good/Premium alfalfa hay \$170. **Retail:** In Yerington, 100 tons Premium retail alfalfa hay \$210 fob barn; 100 tons Good retail alfalfa hay \$190.

In Idaho, alfalfa hay market steady where there was a comparison. Best demand continues to be for Fair and Good quality feeder alfalfa hay that is in short supply. (**Read - Feeder Hay in Idaho - on bottom of page 3**). Still lackluster demand for

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Premium to Supreme alfalfa hay from Magic Valley dairies with some interest from Treasure Valley dairies. One broker said even dairies in southern Idaho that were prompt with payments in the past are currently slow paying for hay. All sales on big square bales fob stack for current move unless specified otherwise, dairy hay sales to Magic Valley dairies unless specified otherwise. **Confirmed Sales:** 9,225 tons alfalfa hay. **Dairy: Organic:** In Eastern ID, 200 tons top tarped low Good alfalfa hay \$155. **Dairy: Conventional:** In Southern ID, 1,350 tons top tarped mostly Premium to Supreme alfalfa hay \$175, to a Treasure Valley dairy; 375 tons top tarped Fair alfalfa hay with slight rain damage \$140 fob, 1,200 tons of other Fair alfalfa hay, mostly from Montana, \$170 delivered to Magic Valley dairies. 350 tons top tarped Good ryegrass hay big bales \$95 fob stack. In Western ID, 3,500 tons top tarped Premium to Supreme alfalfa hay \$195 delivered to local dairy. **Beef:** In Southern ID, 400 tons un-tarped Fair alfalfa hay \$145 fob stack, to a feedlot. In Eastern ID, 1,800 tons top tarped Fair alfalfa hay, part of it with weeds, \$140, short haul to a background lot, 2 loads \$145. **Retail:** In Southern ID, a load Premium 3-tie retail alfalfa hay \$190, current move back East.

In Washington-Oregon Columbia Basin, slow trading this week as many industry members were at the Northwest Hay Expo. In a limited test export alfalfa hay prices steady. No comparison on dairy alfalfa hay, undertone steady. No trades on export timothy hay reported with light demand. Moderate demand for export alfalfa hay but trading slow due to stronger asking prices by growers. Some dealers expect more demand from dairies in the coming months for higher quality alfalfa hay. Many grower contacts in the Basin don't expect much change in alfalfa acres for 2019. All sales on big bales unless specified otherwise, prices fob wrapped stack unless specified otherwise. **Dairy:** 250 tons top tarped Good/Premium alfalfa hay big bales \$180, current move. **Feedlot:** 150 tons top tarped Fair alfalfa hay 2-tie \$175. **Export:** 1,200 tons wrapped Premium alfalfa hay big bales, part of it with light grass, \$195 fob stack.

In Utah, slow trading this week, in a light test dairy alfalfa hay prices steady. Light demand from California dairy buyers. Export alfalfa hay prices steady. Contacts reported an uptick in interest for higher quality alfalfa hay for export. Good interest for retail alfalfa hay from out of state buyers. Recent storms have brought good moisture to drought-stricken areas of the state. **Dairy:** In Central UT, 100 tons Premium alfalfa hay \$190 fob barn; 800 tons Good to low Premium alfalfa hay \$175 to \$180 fob barn, extended movement to Central California dairy. **Export:** In Central UT, 1,100 tons Premium alfalfa hay big bales \$205 fob barn.

**Oil Prices:** Prices reached an eight-week high as last month's production cuts from OPEC finally lowered global supplies. US crude prices are up 18% to start 2019. Recent optimism on the US-China trade negotiations is seen as a bullish development for global oil consumption. Low prices could slow the shale oil production in the US according to the Wall Street Journal. The CEO of a large oil-field service company stated on an investor call that budgets of US shale drillers are expected to be down in 2019. Analysts still anticipate U.S. oil production will be up in 2019 but growth will be at a slower rate than the large gains seen in 2018. The article also cited a 2% drop in the number of active oil rigs in the US as helping recent oil price gains.

**Dairy Cattle Prices –** At the Overland Stock Yard this week Holstein and Jersey Springer heifers sold steady from \$900 to \$1,200 each. Slaughter cow prices were softer at Overland on Thursday with Breaking and better Boning Utility dairy cows trading from \$38 to \$41 cwt. In Southern Idaho at the Producers Livestock Auction springer heifer prices held steady this week, ranging from \$910 to \$1250 each.

**Feeder Hay in Idaho -** State Senator Mark Harris, the Idaho Department of Agriculture, and Idaho Transportation Department have been working together to address the feeder hay shortage in Idaho. This is similar to what happened in 2012. Idaho Forage Specialist Dr. Glenn Shewmaker stated, "I have heard there is little feeder quality hay left in the Magic valley or Eastern Idaho. The southern part of the state experienced abnormal drought in the summer of 2018, so dryland hay production and grass meadow hay production was down significantly. In Addition, more hay has been moved from Idaho to California, Nevada, and Utah this year. My understanding is that Montana has extra hay but much of it is in round bales. Therefore, it will be important for [Idaho] beef producers to have access to this hay. Hauling round bales requires extra width and length for trucks to get enough of a load and even then, I hear that freight on 4x4x8 bales cost \$40 per ton. It might be double that with round bales unless trucks can get a good load." The Idaho Transportation Department (ITD) issued temporary "Round Hay Bales Extra Length/Excess Weight Permits" for the transport of round hay bales from Montana into Idaho. The memo was signed January 16, 2019. Craig Roberts with ITD can be contacted at 208-334-8292.

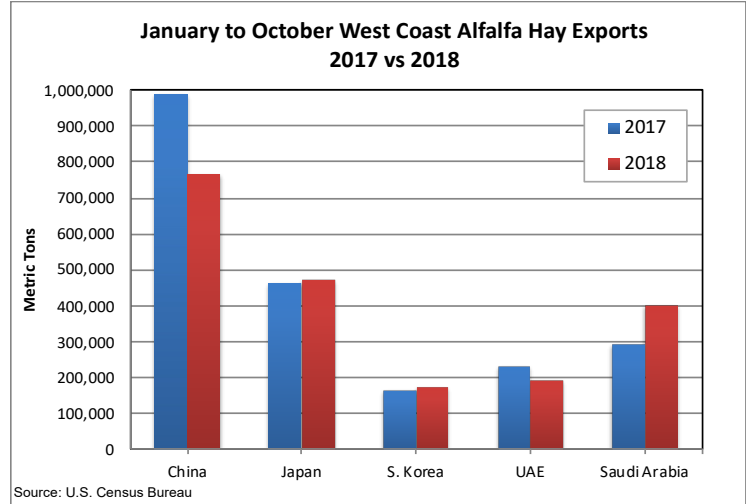
**Milk Prices -** The CA FMMO office did get back to us and they do have a blended milk price for California called "Uniform Price." At the top of the table on page 1 we are showing CA FMMO Uniform (blended) milk price with December at \$14.91 and November \$15.44 cwt. In the PNW, the December uniform milk price was at \$14.96 down \$.26 from the November price of \$15.22. The Arizona price for December was \$15.30, down \$.39 from November.

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**West Coast Alfalfa Hay Exports from January Through October Down 6 Percent to Five Major Countries – With the**

government shutdown we were not able to get the November alfalfa hay exports from the west coast to the five major foreign destinations. The January through October 2018 alfalfa hay exports continued to be heavily influenced by the 23% drop in alfalfa hay shipments to China compared to the first 10 months of 2017. Our contact in China says he has seen a big increase in alfalfa hay from Spain coming into the Chinese market. The question is, will some Chinese dairies continue using alfalfa hay from Spain when the tariffs end or will they switch back to alfalfa hay from the western U.S.? Alfalfa hay shipments from the west coast to Saudi Arabia were up 37% the first 10 months of 2018 compared to the same period the year before. We know that more alfalfa hay will be purchased in the western U.S. for this market in 2019 as dairies in Saudi Arabia will not be able to produce alfalfa hay like they have in the past. West coast alfalfa hay exports to South Korea were up 6% in January through October 2018 and Japan was up 2%, according to the U.S. Census Bureau. Alfalfa shipments to the UAE the first 10 months of 2018 were down 17% but were up significantly since July as UAE buyers faced competition from Chinese buyers in various parts of the world, including Spain, and were coming back into the western U.S. alfalfa hay market.



**Dairy Product Prices** – The positive this week was on the world dairy stage was the 4.2% higher all price index at the Global Dairy Trade auction in New Zealand, the fourth consecutive auction with a higher index price. The Skim Milk Powder (SMP) price was up 10.3%. Milk production in November in Europe was down 0.7%, the third consecutive month below a year ago, according to the Dairy & Food Market Analyst (DFMA). The negative is the domestic dairy product markets cannot sustain upward moves. Even though prices showed some strength Friday, cheese prices on the CME were off 1 to 4.5 cents compared to last Friday with blocks closing at \$1.4000 and barrels \$1.2000. The \$1.1850 close on barrel cheese Thursday was the lowest price in 10 years according to DFMA. Nonfat dry milk on the CME Friday was unchanged with a week ago at \$1.0300 but export interest was down even though powder prices rose in New Zealand and Europe, according to DFMA. Butter prices closed at \$2.2400 a pound, down 1.75 cents and dry whey prices were unchanged at \$0.5050. Class III milk futures fell 11 to 19 cents on Thursday and closed the week 10 to 46 cents lower than last Friday. The February and March prices are the most depressed at \$14.22 and \$14.64, respectively, with April to June ranging from \$15.05 to \$15.85 and July to December ranged from \$16.22 to \$16.57 cwt.

**California Quota** – According to the Dairy & Food Market Analyst, the value of California dairy quota is crashing with prices falling 40% over the last few months. The reason, according to DFMA, is that there is fear that CA dairies will vote to end quota in the near future. Started in 1969, California’s quota program pays owners an additional \$1.70 per cwt for the amount of milk covered by their quota. Six months ago, total quota in CA was worth about \$1.2 billion. Today, it is worth \$694 million, according to DFMA. The difference amounts to a loss of about \$357,000 in quota value per CA dairy.

**Other Hay Exports** – Our contact in China verified what we were hearing last week from some of our Washington export contacts. He said that normally the demand for U.S. alfalfa hay would be strong after the Chinese New Year (February 5-11) but Chinese importers are not as aggressive to buy alfalfa hay currently because of the chance that the U.S. and China may finalize a trade deal in the next two months and the 25% tariffs will end. Our contact said it is not a question if the two countries will make a deal but more of when the deal will be made. Total exports from China to the U.S. in December were down 4.4%, the most in two years according to Business News. This is after Chinese exports to the U.S. were up 11.3 % in the January through November period. China posted its biggest trade surplus on record with the United States in 2018 as U.S. exports to China have been weak. There seems to be incentive on both sides to get a trade deal finalized.

One of our contacts in Australia said that drought really reduced supplies of oaten hay. He said that oaten hay exports could grow to 1.2 to 1.3 million Metric Tons in the coming years but not this year because of the reduced supplies from the drought. Best Regards, Seth and Josh

<b>Alfalfa Hay Test Guidelines</b> (used with visual appearance of hay)			
	<b>TDN (90% DM)</b>	<b>RFV (100% DM)</b>	<b>CP (100% DM)</b>
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