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****Notice - Milk price correction on top of page 1 and explanation on bottom of page 3****

This week's Market Overview

Another week of limited trading on alfalfa hay in Central CA. Very few alfalfa hay prices steady. **(Sales in narrative of report fob stack for current move unless noted otherwise, dollars per short ton)**

Only a few trades on alfalfa hay in Central California this week prompted by dairies that were getting low on hay inventory. Hay dealers say that more dairies will need to buy hay in the coming weeks but most will only buy for short term need due to tight money.

In Kern County, **Dairy:** 375 tons Good/Premium alfalfa hay \$260 fob barn; 575 tons Good alfalfa hay \$245 fob barn, both deals direct sales and short haul to local dairy.

In Tulare, Kings, and Fresno Counties, **Dairy:** 100 tons Supreme alfalfa hay \$265 fob barn; 50 tons Good alfalfa hay \$230, to local goat dairy; 100 tons Fair alfalfa hay \$210, all sales were shorter hauls. 50 tons big bale wheat straw \$145 delivered from Arizona. 150 tons big bale double cut rice straw \$95 delivered from Sacramento Valley, 200 tons tarped \$115 delivered. **Retail:** 100 tons Premium retail alfalfa hay \$290 delivered to Central Coast.

In Los Banos-Dos Palos and Merced, **Dairy/Beef:** 50 tons

Market Indicators...	Unit	Most Recent	Week Ago	Year Ago
CA FMMO Uniform (blended) Milk Price-Tulare	Cwt. *	Dec-\$14.03	Nov-\$14.56	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.	\$13.98	\$14.22	\$13.32
Milk Cost of Production - Holstein Dairies S. J. Valley (Frazer, LLP) First half 2018	Cwt.	***\$15.86		***\$16.13
CME Spot Cheese Prices				
Block Cheese (40# blocks)	\$/Lbs.	\$1.3900	\$1.4000	\$1.4725
Barrel Cheese	\$/Lbs.	\$1.1800	\$1.2000	\$1.3200
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	Metric Tons	1,509,409		1,597,119
Rolled Corn Dlvd to Magic Valley ID Dairies	\$/Ton	\$185	\$185	N/A
Rolled Corn Dlvd to Central CA Dairies	\$/Ton	\$191	\$191	\$182.50
No. 2 Yellow Corn – FOB Iowa (USDA)	\$/Ton	\$125-\$133	\$126-\$129	\$116-\$123
Ethanol Price – FOB Iowa (USDA)	\$/Gal	\$1.10-\$1.25	\$1.10-\$1.20	\$1.18-\$1.36
Crude Oil – New York Futures (Mar 2019)	\$/Barrel	\$53.69	\$53.80	\$66.14
Alfalfa Hay Prices – (The Hoyt Report)				
California – Dlvd to Tulare/Hanford Dairies				
	Tons			
Supreme	250	\$/Ton \$275-\$285	\$270-\$283	\$280-\$300
Premium		\$/Ton No Sales	\$260-\$275	\$270-\$280
Good	725	\$/Ton \$238-\$248	\$240-\$250	\$245-\$250
Fair	250	\$/Ton \$230	\$225-\$235	\$213-\$220
Dlvd Escalon, Modesto, Turlock Dairies				
Supreme	50	\$/Ton \$280	No Sales	No Sales
Premium		\$/Ton No Sales	No Sales	\$270-\$280
Good		\$/Ton No Sales	No Sales	\$240-\$250
Fair (rained on 180-\$190 dlvd)	75	\$/Ton \$225-\$230	\$220-\$230	\$203-\$215
Idaho – Alfalfa Hay Big Bales, FOB Stack				
Supreme	3,800	\$/Ton \$170-\$180	No Sales	\$175
Premium/Supreme	1,205	\$/Ton \$162-170	\$175-\$180	\$150
Good		\$/Ton No Sales	No Sales	\$110-\$125
Fair	900	\$/Ton \$140	\$140-\$145	\$100-\$120
WA/OR (C. Basin) Alfalfa, FOB				
Good big bale (Dairy)	1,380	\$/Ton \$180-\$210	No Sales	\$150
Premium big bale (Export)		\$/Ton No Sales	\$195	\$170
Good big bale (Export)		\$/Ton No Sales	No Sales	\$150-\$155
Fair big bale (Feedlot/dairy)	400	\$/Ton \$180	2 tie-\$175	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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Supreme alfalfa hay \$265 fob barn, direct sale and short haul to local dairy. 100 tons Good sudan hay small bales \$128, for local beef cattle. 100 tons Premium beardless wheat hay big bales \$175 fob barn, to dairy in Modesto area.

In the Imperial Valley, limited sales on dairy alfalfa hay steady, no sales on export alfalfa hay. No recent comparison on few sales of bermuda hay for export. Retail and stable alfalfa hay prices steady. Retail bermuda hay steady. Nice weather in the desert this week and a large number of growers were cutting alfalfa hay. Sources say quality will be mixed because some hay had frost damage or was overgrown. Overall good demand for retail and stable alfalfa hay but one dealer said some customers at feed stores he sales to are buying more pellets and cubes because of the strong hay prices. **Dairy:** 50 tons Premium alfalfa hay \$200, load rained on \$190; 100 tons Fair alfalfa hay \$175 fob stack, 400 tons rain damaged or higher moisture \$140 to \$155, 125 tons heavy rain damage and higher moisture \$110. 500 tons big bale bermuda straw lightly rained on \$95 fob stack, going to Central CA, 150 tons rained on and higher moisture \$80, load clean-up bermuda straw from last summer \$80. **Export:** No sales reported on alfalfa hay. 500 tons high Premium bermuda hay for export small bales \$205 fob barn, 150 tons tarped Premium bermuda and buyer can leave damaged bales \$170. **Retail/Stable:** 630 tons Premium retail alfalfa hay \$260 to \$265, mainly \$260 fob barns, 100 tons \$270, few loads top & side tarped and bad bottoms out \$250; 550 tons Premium stable alfalfa hay \$235 to \$240, most in barns or wrapped, 200 tons top & side tarped \$230 to \$235 fob stack; 150 tons tarped and un-tarped Good stable alfalfa hay \$200 to \$220. 550 tons Premium retail bermuda hay \$210 to \$220, large amount \$210 top & side tarped with straw bottoms, 100 tons 105 lb. bales \$200, 375 tons high Premium retail bermuda in barn \$230 fob, going to Texas.

In Blythe, hay trading slow with some growers trying to get rain damaged alfalfa hay put up and out of fields. Limited dairy alfalfa hay sales steady. Retail alfalfa hay prices steady. **Dairy:** 625 tons Fair to low Good alfalfa hay \$180 fob stack; 100 tons Fair rain damaged and higher moisture alfalfa hay \$120. **Retail:** 475 tons Premium retail alfalfa hay \$255 to \$260 fob barn, 250 tons tarped \$250; 250 tons tarped Good retail alfalfa hay \$230.

In Tracy-Patterson, Modesto, Stockton, and Lodi, no sales on dairy alfalfa hay. Retail hay prices steady. All from barns. **Dairy:** 75 tons Premium beardless wheat hay small and big bales \$160 fob. 50 tons big bale wheat straw \$100 loaded on truck. **Beef:** Load Good alfalfa hay for beef cattle and horses \$230. **Retail:** 310 tons Premium retail alfalfa hay \$265; 260 tons Good retail alfalfa \$245. 80 tons Premium orchardgrass/alfalfa mix \$300 fob barn. 110 tons Premium retail beardless wheat hay \$190. 65 tons Premium 3 way grain hay \$185. 60 tons small bale wheat straw \$6.00/bale loaded on truck.

In the Sacramento Valley, retail alfalfa hay prices steady. All from barns. **Beef:** 150 tons Good ryegrass hay \$150, 2 loads \$160, for local beef cattle. **Retail:** 175 tons Premium alfalfa hay \$260 fob barn, load \$240. 50 tons Premium retail 3 way grain hay \$170. 150 tons Premium retail oat hay \$160; 50 tons low Good oat hay \$108. 200 tons small bale rice straw \$3.50/bale, for erosion control.

In the Northern Mountains, after light demand for some time there was a little demand on dairy & export alfalfa hay but not a good comparison with last week to test trend, undertone weak on sales in the Northern CA Mountains and southern OR. **Dairy:** In the Northern CA Mountains, 2,000 tons Premium to Supreme alfalfa hay big bales \$180 fob, most top tarped with 300 tons un-tarped and 300 tons in barn, 25% paid up front, current to extended move to Central CA. **Export:** In Southern OR, 500 tons Premium alfalfa hay small bales \$180 fob barn, 50% paid up front, current to 60 day movement. In Central OR, 700 tons Premium/Supreme export alfalfa hay \$210 fob barn, 25% money up front, current move. **Retail:** In the Northern CA Mountains, 100 tons Premium alfalfa hay \$220 to \$230 fob barn, current move. 100 tons Premium retail orchardgrass hay \$260 to \$280. 100 tons Premium retail orchardgrass/alfalfa hay \$270 to \$280 fob barn in light supply.

In Arizona, no additional new crop alfalfa hay contracts reported. The only test on trends this week was retail alfalfa hay, steady with last week. High temperatures in the low 70's and lows in the 30's. **Dairy:** In Central AZ, 2,000 acres alfalfa green chop \$140 standing, price based on zero moisture and weighed across local scale, going to local dairy. **Beef:** In Central AZ, 250 tons Fair alfalfa hay, either rained on or bottom bales, \$175 fob stack, to local rancher. **Export:** 600 tons Premium retail weight small bales \$285 loaded in containers, going to the Middle East. **Retail:** 1,300 tons Premium alfalfa hay \$275 to \$285 fob barns; 200 tons Good (#2) retail alfalfa hay \$260.

In Nevada, slow hay trading again this week and not a good comparison with last week to test the trend, undertone steady. All sales on big bales unless specified or on retail hay. **Dairy:** In Northern NV, Load un-tarped Supreme alfalfa hay small bales with a few weeds \$180; 75 tons un-tarped Fair alfalfa hay small bales \$150. In Western NV, 500 tons Supreme alfalfa big bales in barns with a little grass or part rained on and 17% to 19% proteins \$180 to \$185 fob, current move; 125 tons un-tarped Fair alfalfa hay with rain damage \$125. 200 tons un-tarped Good beardless wheat hay \$110. **Beef:** In Diamond Valley, 120 tons top tarped Fair alfalfa hay \$170 fob stack, going to Utah for beef cattle. **Export:** In Northern NV, 450 tons top tarped Good export alfalfa hay big bales \$160 fob stack, current move. **Retail:** In Yerington,

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75 tons Premium retail alfalfa hay \$220 to \$230 fob barn, 250 tons \$290 delivered to Central CA; 200 tons Good/Premium retail alfalfa hay \$210 fob barn; 100 tons Good retail alfalfa hay \$190. 100 tons Good/Premium retail beardless wheat & 2 way grain hay \$130 fob barn.

In Idaho, slow trading on alfalfa hay with prices steady with a week ago. Only a few Idaho dairies were in the market for higher quality alfalfa hay with one larger trade reported in Central Idaho. Good demand from dairy buyers for feeder hay but supplies very tight. Some interest from California and Midwest dairy buyers for higher quality alfalfa hay. Winter in the area continues to be mild with above average temperatures this week. 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:** 5,985 tons alfalfa hay. **Dairy:** In Southwest ID, 1,225 tons top tarped Premium/Supreme alfalfa hay \$170 to \$175, most going to Treasure Valley dairies; 80 tons top tarped Premium alfalfa hay \$175, test loads to California to see if the dairy wants to buy the balance of the hay. In Central ID, 3,000 tons top tarped Supreme alfalfa hay \$180, 50% down by February 1st, current to extended movement. In Eastern ID, 700 tons top tarped Premium/Supreme alfalfa hay \$162 fob stack, fast move as elk are eating the hay; 900 tons top tarped Fair alfalfa hay \$140, current move. **Retail:** In Southern ID, 80 tons Premium retail 3-tie alfalfa hay \$190 fob barn, current move out of state.

In the Washington-Oregon Columbia Basin, very slow hay trading with not enough dairy alfalfa hay sales last week to fully compare the trend, undertone firm to higher. No export alfalfa hay trades reported. Demand for export alfalfa hay remains light mainly due to strong asking prices by growers. Mixed demand from dairy buyers as a few are in the market but buying only for short-term basis. Light export demand for timothy hay as contacts report most remaining stocks are from second cutting. Export contacts reported the largest timothy importer from Japan in Washington this week meeting with various exporters. All sales on big bales unless specified otherwise, prices fob wrapped stack unless specified otherwise. **Dairy:** 1,030 tons Good alfalfa hay \$200 to \$210, wrapped or in barn, current to 90-day movement, 350 tons top tarped \$180; 400 tons top tarped Fair alfalfa hay \$180 fob stack. **Export Timothy: (Second Cutting)** 150 tons wrapped Premium 3-tie timothy hay \$170.

In Utah, very slow trading this week, in a limited test alfalfa hay for beef cattle at steady prices. No dairy alfalfa hay sales reported. With tight Fair alfalfa hay supplies beef cattle buyers are purchasing higher quality alfalfa hay and mixing it with grass or straw to feed. Good inquiry for stable and retail alfalfa hay and timothy hay. All sales on big bales fob barns. **Beef:** In Central UT, 175 tons Premium alfalfa hay \$200 to \$205, extended movement; 600 tons Good to Low Premium alfalfa hay \$180 fob barn; 700 tons Good alfalfa hay \$170.

Government Shutdown – News broke on Friday that a deal had been reached to end the partial government shutdown. The deal only funds the government for three weeks to give congress time to negotiate funding for a border wall. President Trump hinted in a tweet that if a deal isn't reached in three weeks he may use emergency powers to fund the wall or shutdown the government again. USDA stated that delayed reports and data would be released on Feb 8th. Some analysts believe these reports could be released sooner as many in the agricultural industry will be looking for information. More information on the timing of report releases is expected on Monday. Important reports to be released include the final crop summaries for 2018, winter wheat seeding estimates, USDA estimates of South American corn and soybean crops. We will be looking for updates on alfalfa and other hay exports and the December Hay stocks report.

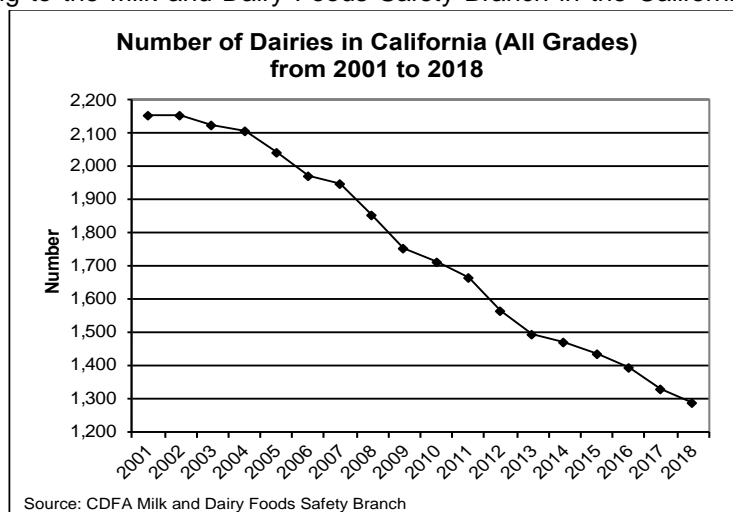
Milk Price Correction – We missed the mark on our first attempt at reporting the new CA FMMO milk price. Last week we showed a uniform (blended) milk price for December in California of \$14.91 cwt. That is not correct. That is the price in Los Angeles County before the quota assessment and the blended price after the quota assessment (\$0.38 cents cwt.) was \$14.53. There is a \$0.50 cent cwt. location differential for Tulare County where the December FMMO blended milk price after the quota assessment was \$14.03 cwt. There is not a blended FMMO statewide milk price for CA but there are blended prices in the various areas (Zones). We will use the blended FMMO milk price for Tulare County in the top of the table on page 1. According to the Milk Producers Council Newsletter last week, the estimate for the California overbase milk price for December under the old CDFA State Order would have been \$13.76 cwt. Sorry for the confusion but we are still trying to figure this all out. We will update or make corrections when necessary.

Changes in Table on Page 1 – Last week we changed the CA Overbase milk price to the new CA FMMO Uniform (blended) Milk Price but this week we will show that price for Tulare County for the two most recent months and there will not be a price for a year ago. Also, because there will no longer be milk cost of production data coming from the California Department of Food and Agriculture and the last cost number we have is for the first quarter of 2018, we have removed that from the table. We will continue to show milk cost of production in the San Joaquin Valley that is furnished by Frazer, LLP with the most recent number for the first half of 2018. We added rolled corn delivered prices to Magic Valley Idaho dairies that we will show as a comparison to prices on rolled corn delivered to Central California dairies.

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California Loses another 45 Dairies in 2018 - According to the Milk and Dairy Foods Safety Branch in the California Department of Food and Agriculture there were 1,286 dairies in California on December 31, 2018. This compares to 1,331 the end of 2017 and to 2,195 dairies in 2000. As you can see from the graph, the decline has been occurring for quite a few years and indications point to a continuing downtrend in the coming years. Even in 2014 when there were record high milk prices in California there was a loss of 26 dairies. The 42% decline in dairies in California since 2000 has been at a much steeper percentage drop than where the number of milk cows have gone in that same time period. In fact, the decline in dairy cows in California did not start until 2008 when the number of dairy cows peaked at 1.847 million head. Today, the number of cows is around 1.73 million head, a 6% decline in 10 years. The average size dairy in CA in 2001 was 721 cows. On December 31, 2018 the average size dairy was 1,345 cows.



Water – In Parker, Arizona, the Colorado River Indian Tribes (CRIT) Tribal Council approved a System Conservation Agreement last September which will provide the Tribes with more than \$2 million per year in exchange for fallowing 1,884 acres of farmland on the reservation, according to Parker Live online. The agreement with the Lower Colorado Region of the Bureau of Reclamation will make the conserved water available for storage in Lake Mead. It is estimated that the conserved water will total approximately 11,000 acre-feet a year. “This agreement allows our tribes to receive economic benefits from the water rights we have fought so hard to secure,” said CRIT Tribal Chairman Dennis Patch. “Indeed, that fight has paid off in terms of economic opportunities for CRIT and drought relief for the State of Arizona.” Some of the revenue will be used to improve CRIT irrigation systems. This one year agreement started on October 1, 2018 and ends September 30, 2019. There is an option for a second year to fallow the same acreage. CRIT has the first priority water rights in the Lower Basin of the Colorado River dating back to 1865 when the reservation was established.

Dairy Cattle Prices - The F&J dairy in Tulare County will have a dispersal sale on February 4 at the Overland Stock Yard in Hanford where they will sell 600 Holstein & Jersey cows (This does not include 300 of the bottom end that were sorted out). At Overland this week better Holstein and Jersey Springer heifers sold from \$900 to \$1,200 each. Slaughter cow prices at Overland Stock Yard were steady with Breaking and Boning Utility dairy cows selling from \$37 to \$41 cwt.

Dairy Product Prices – The dairy market results were mixed this week with the ten cent drop in the dry whey market being the big news. According to the Dairy & Food Market Analyst this 20% drop from the previous week was due to rumors of higher supplies and the African Swine Fever issues in China. The Chinese hog industry is a big buyer of dry whey and Chinese farmers have culled one million hogs, hurting dry whey demand. Cheese finished the week down slightly with block cheese down 1 cent and barrels down 2 cents. Cheese stocks in cold storage remain high and according to analysts the outlook on cheese is bearish for the near future. The CME Class III milk futures for February lost ground dropping 24 cents to close at \$13.98 cwt and other months were 25 to 52 cents cwt. lower than a week ago. Butter was the bright spot on the CME moving up a half a cent to close at \$2.2450.

Hay and Straw Imports into Japan - Total hay and straw imports into Japan in December totaled 167,958 Metric Tons (MT), down 6% from the 178,818 MT in November but up 5% from the 159,703 MT in December of last year, according to Japanese Port data. Total for 2018 at 1,969,529 MT, was up 1% from 2017 and 7% higher than 2016. Alfalfa hay imports from the west coast in 2018 totaled 395,010 MT, unchanged from 2017. Australian oaten hay imports totaled 458,921 MT, up 9% from 2017. Imports of Timothy hay into Japan in 2018 from the PNW totaled 298,068 MT, down 11% from last year. Canadian timothy imports totaled 116,811 MT, up 15% from 2017. Sudan hay imports into Japan from mainly California totaled 269,413 MT, up 3% from last year. Ryegrass straw imports from the PNW totaled 165,044 MT, up 3% from 2017. Fescue straw imports totaled 54,847 MT, down 8%. Bermuda hay imports mainly from Imperial Valley at 85,937 MT, down 2% from 2017. Kleingrass hay imports from Imperial Valley at 71,984 MT, down 1% from last year. Best Regards, Seth and 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