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Western States Hay Market Analysis and Insights

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This week's Market Overview
Still very slow fob hay trading on alfalfa hay with one barn sale in Fresno County prompted by difficulty getting hay moved from Nevada because of weather. Not enough sales to fully test the market. **(Sales in narrative fob stack for current move unless specified otherwise, dollars per short ton)**

The big story this week was the challenge getting alfalfa hay trucked into California as Interstate 80 over Donner Pass was closed for three days. Several hay trucks were stuck in Reno for three days with a few trucks going south through Bishop and even some going south to Las Vegas and around. Some dairies in Turlock area were going to be out of hay by Friday and the weekend so they were cutting it close.

In Kern County, no sales reported.

In the High Desert, **Retail:** 150 tons Premium retail alfalfa hay $279 fob barn. Load Premium 3 way grain hay $275.

In Tulare, Kings, and Fresno Counties, **Dairy:** 600 tons Good/Premium alfalfa hay $235 fob barn. 50 tons big bale bermuda straw $150 delivered from Imperial Valley. **Retail/Stable:** 25 tons Premium retail alfalfa hay $320 delivered to central Coast; 150 tons Good retail alfalfa hay $290 delivered; 25 tons Premium stable alfalfa hay $305 delivered to coast.

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 (April 2019)		Cwt.	$15.13	$14.80	$14.09
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.	$1.6100	$1.5950	$1.5600
Barrel Cheese		$/Lbs.	$1.4100	$1.4050	$1.4750
All Hay Exports From West Coast Ports					
(U.S. Census Bureau) Jan – Nov 2018					
California Ports		Metric Tons	1,902,968		2,141,839
Washington Ports			1,665,510		1,747,827
Rolled Corn Dlvd to Magic Valley ID Dairies		$/Ton	$198	$193	N/A
Rolled Corn Dlvd to Central CA Dairies		$/Ton	$203	$204	$197
No. 2 Yellow Corn – FOB Iowa (USDA)		$/Ton	$122-$128	$124-$133	$122-$131
Ethanol Price – FOB Iowa (USDA)		$/Gal	$1.23-$1.30	$1.16-$1.30	$1.31-$1.51
Crude Oil – New York Futures (Apr 2019)		$/Barrel	$55.80	$57.26	$61.25
Alfalfa Hay Prices – (The Hoyt Report)					
California – Dlvd to Tulare/Hanford Dairies	Tons				
Supreme (4 lds very hi test 300	350	$/Ton	$275-$300	$260-$290	$285-$295
Premium	650	$/Ton	$265	$260-$275	$265-$280
Good		$/Ton	No Sales	$240	$255-$265
Fair	100	$/Ton	$220-$230	No Sales	$220-$235
Dlvd Escalon, Modesto, Turlock Dairies					
Supreme	50	$/Ton	$285	$280-$285	$285-$300
Premium		$/Ton	No Sales	$267	$265-$275
Good	25	$/Ton	248	No Sales	$250-$268
Fair	250	$/Ton	$210-$220	$225	$228
Idaho – Alfalfa Hay Big Bales, FOB Stack					
Premium/Supreme		$/Ton	No Sales	$180	$130-$140
Good/Premium (Export)	6,000	$/Ton	$175	$162-$170	No Sales
Good (mostly $150 for export)	3,300	$/Ton	$150-$155	No Sales	$120-$130
Fair	300	$/Ton	$145	$140-$142	$110
WA/OR (C. Basin) Alfalfa, FOB					
Supreme big bale (Dairy)		$/Ton	No Sales	$225	No Sales
Premium big bale (Beef)	100	$/Ton	$225	No Sales	No Sales
Good big bale (Export)		$/Ton	No Sales	No Sales	$145-$150
Fair (Feedlot/Dairy)	800	$/Ton	$180	No Sales	$120

*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.

In Los Banos-Dos Palos and Merced, **Dairy:** 25 tons high Good alfalfa hay $235 fob barn, to local goat dairy. 125 tons Premium beardless wheat hay big bales $180 fob barn. **Stable:** 50 tons Premium stable alfalfa hay in barn $240 fob.

In Imperial Valley, moderate demand for new crop alfalfa hay from dairy buyers, prices steady. No recent comparison on export alfalfa hay and no trades on grass hays for export reported. Retail and stable alfalfa hay market steady with good demand. Retail bermuda hay steady. Some interest for wheat straw from dairy buyers and with wheat acres down in the valley contacts expect supplies of wheat straw to be tight. With the forecast for good weather contacts report a lot of alfalfa hay has been cut in the valley and there should be more alfalfa hay trading next week. First cutting new crop alfalfa hay production has begun. **Dairy:** 1,285 tons current production Premium alfalfa hay $200 to $210 fob stack, 575 tons high moisture and/or with weeds $180 to $185, 200 tons high moisture and frost damage $170; 425 tons current production Good alfalfa hay $180 to $190; 50 tons rain damaged Fair alfalfa hay $140. 850 tons current production big bale bermuda straw $90 to $100 fob stack. **Export:** 407 tons current production Premium/Supreme big bale alfalfa hay $215, current move; 200 tons Premium export alfalfa hay $210 fob stack. **Retail/Stable: (Old Crop)** 186 tons Premium retail alfalfa hay $260 to $265 fob barn, 65 tons tarped $255; 150 tons Good Retail alfalfa hay $245 fob barn; 250 tons Premium stable alfalfa hay $230 to $240 fob barn. 110 tons Premium retail bermuda hay $210 to $220 fob barn or fully tarped with straw bottoms, 100 tons high Premium in barn $230; 150 tons Good retail bermuda hay $200 fob barn.

In Blythe, alfalfa hay trading slow with a few sales on dairy alfalfa hay steady compared to last week. Retail alfalfa hay prices steady with a week ago. Better weather conditions should allow growers to put up more current production alfalfa hay in the coming week**.** **Dairy:** 100 tons tarped current production Supreme alfalfa hay $220, for extended movement; 800 tons current production Premium alfalfa hay big and small bales $200 to $205, 125 tons with slight rain damage $190. **Retail: (Old Crop)** 300 tons Premium retail alfalfa hay $260 fob barn, 350 tons fully tarped and buyer to take bottoms $250; 50 ton tarped Good retail alfalfa hay $230, buyer to take bottoms. 50 tons Premium retail bermuda hay $220 fob barn; 50 tons fully tarped Good bermuda hay $200. 25 tons Premium retail teff grass $220 fob barn.

In Tracy-Patterson, Modesto, Stockton, and Lodi, limited trading on dairy alfalfa hay, retail hay prices steady. **Dairy:** 25 tons Good/Premium alfalfa hay $230 fob barn; 25 tons Fair alfalfa hay with a little grass $200. 50 tons Premium big bale beardless wheat hay $160 fob barn. 50 tons big bale wheat straw in barn $100 fob. 75 tons big bale corn stalks $95 delivered from barn, 50 tons outside with a lot of rain stack damage $75 delivered. 20 tons big bale wheat straw $155 delivered to central coast. **Retail: (In barns)** 150 tons Premium retail alfalfa hay $260; 160 tons Good alfalfa hay $240. 50 tons Premium retail orchardgrass/alfalfa hay $340 fob barn. 70 tons Premium beardless wheat hay $180. 50 tons Premium retail 3 way grain hay $170 fob barn.

In the Sacramento Valley, retail alfalfa hay prices steady. No sales reported on dairy alfalfa hay. Heavy rain this week. **Retail:** 200 tons Premium retail alfalfa hay $240 to $260 fob barn; 50 tons Good retail alfalfa hay $240. 75 tons Premium retail 3 way grain hay $170. 150 tons small bale rice straw $3.50/bale, for mainly erosion control, few to feed store.

In the Northern Mountains, hay trading slow. No comparison on a few sales of dairy alfalfa hay. Retail hay prices mostly steady. All hay in barns. **Dairy/Beef:** In Southern Oregon, 400 tons Premium alfalfa hay $190 fob barn; 375 tons Good alfalfa hay $180, for dairy and beef cattle. **Retail:** In the Northern CA Mountains, 100 tons Premium retail alfalfa hay $220, 75 tons high Premium $250 fob barn. 150 tons Premium retail orchardgrass/alfalfa hay $260 to $280. 150 tons Premium retail orchardgrass hay $270. 150 tons Premium retail timothy hay $340, load high Premium $390 fob barn. .

In Arizona, very slow trading on dairy alfalfa hay with not enough sales to test the market. Retail alfalfa hay prices steady in good demand. With strong retail alfalfa hay prices, some growers that normally produce dairy alfalfa hay from their first few cuttings said they are considering doing retail alfalfa hay instead. Better weather and warmer temperatures have more growers preparing to cut**.** **Dairy:** In Central AZ, 200 tons current production Premium alfalfa hay big bales $205 fob stack, going to local dairy. In Parker/Poston: 125 tons current production high moisture Premium alfalfa hay $180. **Retail: (Old Crop)** 1,650 tons Premium retail alfalfa hay in barns $275 to $285 fob; 225 tons Good (#2) retail alfalfa hay $265 to $270.

In Nevada, hay trading slow with not a good comparison with last week to test the trend on alfalfa hay. A couple of export trades in Northern Nevada were the biggest deals reported. It was a challenge trucking hay into California from Nevada this week as Interstate 80 over Donner Summit was closed for 3 days due to heavy and blowing snow. Two bigger alfalfa hay growers in Northern Nevada said export buyers were trying to purchase all of their cuttings for the 2019 season, we will see what develops. **Dairy:** In Yerington-Smith Valley, 200 tons un-tarped Good alfalfa hay with weeds and tops & bottoms out $140; 200 tons Fair alfalfa hay $160 fob barn, 200 tons un-tarped with weeds and tops off $120. **Export:** In Northern NV, 1,300 tons mostly Good alfalfa hay big bales $160 fob barn, current move. **Retail:** In Yerington, 50 tons Premium retail alfalfa hay $230 fob barn.

In Idaho, alfalfa hay trading slow except for two larger export trades. No comparison on the export alfalfa hay trades. In a limited comparison dairy alfalfa hay prices steady. Good interest from dairy buyers for wheat straw. Recent snowfall followed by rain has made getting into stack yards and unloading at dairies very difficult. Many areas in the state broke records for snowfall in the month of February boosting the water outlook for next year. 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:** 11,020 tons alfalfa hay; 600 tons wheat straw. **Dairy/Beef:** In Southwest ID, 300 tons Good alfalfa hay, half in a barn, $155. In Southern ID, 920 tons Fair alfalfa hay $160 to $170 delivered from Montana, the $160 hay was on back hauls. In Eastern ID, 300 tons top tarped Fair alfalfa hay $145 fob stack, couple loads going to Utah, 500 tons $180 delivered to Magic Valley dairies. 600 tons wheat straw $50, current move. **Export:** In Eastern ID, 6,000 tons Good to Premium alfalfa hay $175 fob barn, few stacks top tarped, 30% down and extended movement; 3,000 tons top tarped Good alfalfa hay $150 fob stack, extended movement and pay as it moves, buyer must take bottoms.

In Washington-Oregon Columbia Basin, alfalfa hay trading very slow with no export alfalfa hay trades reported. Compared to three weeks ago Fair alfalfa hay prices steady with a firm undertone. No timothy export sales reported. Good demand for wheat straw from dairies. More snow this week in the Basin with some areas breaking records for February snowfall. Heavy snow drifts made it difficult to access stacks. With prolonged snow cover in the basin, brokers that had expected some extra feeder hay from beef cattlemen to come back onto the market now say most of the hay will be fed. All sales on big bales unless specified otherwise, prices fob wrapped stack unless specified otherwise. **Beef/Dairy:** 100 tons Premium Alfalfa hay $225 fob, short haul for beef & dairy cattle; 800 tons Fair alfalfa hay $180, for beef & dairy cattle. 180 tons Good big bale timothy hay $150 to $170, current move for beef & dairy cows. 500 tons wheat straw $60 fob stack, for dairy bedding. **Retail:** 100 tons Premium two tie timothy hay $200 fob wrapped stack.

In Utah, alfalfa hay trading quiet this week, prices steady where there was a comparison. Contacts reported good interest from export buyers for higher quality alfalfa hay. **Beef:** In Central UT 100 tons Premium 3-way grain hay $160 fob barn. In Southern UT, 200 tons Premium alfalfa hay $210 fob barn, short haul for beef cattle. 200 tons Premium 3-way grain hay $165, tops sorted. **Export:** In Central UT, 800 tons Good to Premium alfalfa hay $200, in a barn or fully wrapped, current move. **Retail:** In Southern UT, 75 tons Premium alfalfa hay 3x4 bales $220, going to out of state horse stable.

Snow Survey - The California Department of Water Resources conducted its third snow survey since the first of the year. At the Phillips Station east of Sacramento the manual survey recorded 113 inches of snow depth and a snow water equivalent of 43.5 inches, more than double what was recorded last month at the same location. Statewide the Sierra Nevada snowpack is 153 percent of average for this date, thanks to several atmospheric rivers during February. Lake Shasta, California's largest reservoir is currently 112 percent of its historical average.

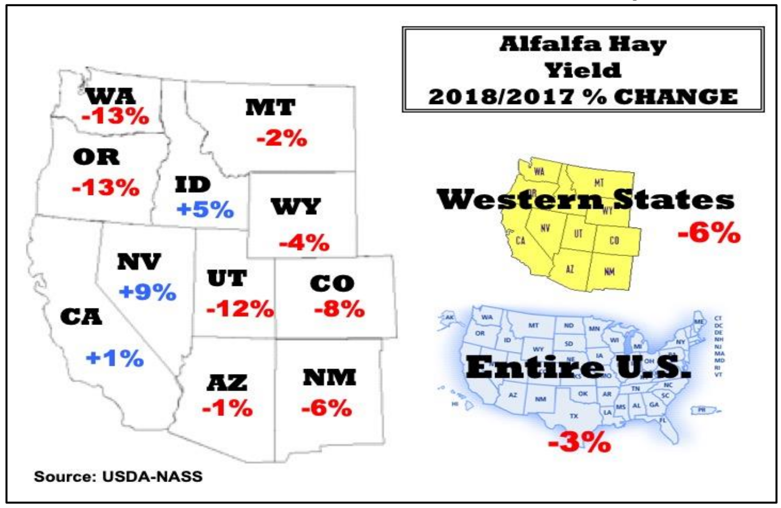
Dairy Cattle Prices - At the Holstein steer video auction at Overland Stock Yard in Hanford, CA on Thursday they sold 15,000 cattle with very few "no sales." Demand was good with May and June calves steady to $5 higher than last month and no comparison on July calves. Large Frame 3 Holstein steer calves, 325 pounds, few March delivery $124 to $124.50, load April calves $126; May delivery $112 to $118 cwt., fob Central CA calf lots; June delivery $111 to $114.50; July delivery Holstein calves in a wide range $106.75 to $116, 2 loads $120 cwt., fob central CA calf lots. Better Holstein Springer heifers at Overland this week traded from $900 to $1,100 each. Slaughter cows were $3 to $4 higher at Overland Stock Yard with Breaking and better Boning Utility dairy cows trading from $48 to $54 cwt.

Dairy Product Prices - Block cheese prices on the CME closed the week at $1.6100, up 1.5 cents from a week ago and barrels were $1.4100, up a half a cent. Nonfat dry milk was down 1.25 cents with the price on Friday at $0.9850 per pound. Butter ended the week at $2.2875, up 2.75 cents and Dry whey was $0.3600 on Friday, up 1.25 cents. USDA's Dairy Products report on Thursday showed some positives. American cheese production was down 4.4% from the previous year and total cheese production was less than some analysts were expecting. According to the Dairy & Food market Analyst, cheese production declined for the first time in almost six years. Dry whey production was 13.4% lower than a year ago. Nonfat dry milk (NDM) production in December was down 13% from the previous year but FCStone called NDM production only slightly bullish because of inventories still relatively elevated vs. historically. What does all of this mean for milk prices? Indications point to slow increases in milk prices with March to May Class III milk futures on Friday up 10 to 33 cents cwt. from a week ago, balance of 2019 unchanged to 9 lower with April $15.13 & Sept $16.33.

China Trade News – On Sunday President Trump called off the increases in tariffs on Chinese goods set for March 1st citing the tremendous progress on trade negotiations. According to the Wall Street Journal, the two countries have been making progress nailing down terms covering six areas: non-tariff barriers, forced technology transfers, intellectual property, cyber theft, agriculture and currency. Trump praised the work of his top trade negotiator Robert Lighthizer and Treasury Secretary Steven Mnuchin for the progress. Bloomberg news reported a signing ceremony with President

Trump and President Xi could take place around the middle to the end of March.

Alfalfa Hay Yields Down 3 Percent in the Seven Western States in 2018 – Down 3 Percent Nationally - The two largest alfalfa hay producing states in the West and the U.S., CA and Idaho, saw their yields increase in 2018 according to USDA. Idaho came in at 4.2 tons per acre, a tenth of a ton above its 20-year average. Many grower contacts in Idaho called it about an average year. It was a different story for dryland alfalfa farmers who saw their yields drop significantly. Low snow pack in early 2018 and untimely rains were cited as factors. In Nevada, after a few years of drought Rye Patch Reservoir near Lovelock had more water for allotments in 2018 and growers were able to produce more alfalfa hay. With the current heavy snow pack, 2019 looks to be another good water year. Drought conditions and record high temperatures during late summer hurt yields in Utah, Colorado, and New Mexico. Above average snow pack in areas of Southern Utah to Eastern Colorado should help ease drought conditions in the coming season. Arizona saw record rainfall in October from tropical storms coming in off the Pacific Ocean. Many growers went well over cutting schedules with one grower estimating he lost a cutting and a half to the storms. Grower contacts in Washington thought yields were about average for 2018. Feedback from a few growers in Washington said good weather conditions allowed them to cut on schedule and led to less overgrown alfalfa hay and yields were down slightly. Alfalfa hay yields varied in CA from lower yields last August and September in the Imperial Valley due to extremely hot weather to better yields in some central and northern areas. Overall, not much change.



Export Versus Domestic Demand for Alfalfa Hay - Will Export Demand Drive the Alfalfa Hay Market In the West in 2019? Early indications point to strong demand for western U.S. alfalfa hay from Saudi Arabia in 2019. This is due to the Saudi Arabian government not allowing large alfalfa farms to use water for irrigation in the future and no alfalfa could be planted in Saudi Arabia after September 2018. Much of the alfalfa hay exported to Saudi Arabia has come from the Southern California and Arizona desert but that could expand into other areas of the west in 2019. The other key element on export demand for alfalfa hay is China. If the trade war with China is settled in the coming weeks this will increase the demand from Chinese dairies for western U.S. alfalfa hay. Our source in China says many Chinese dairies prefer feeding western U.S. alfalfa hay but it has been too expensive since last July. West coast alfalfa hay exports to China from September through November 2018 were down 32% to 47% from the previous year, according to the U.S. Census Bureau. When tariffs end and U.S. alfalfa hay prices delivered to China decline this will boost demand from Chinese dairies for western U.S. alfalfa hay. They have been buying lower priced but not as good of quality alfalfa hay from Spain and from the Sudan in Africa. The thing that has been noticeable for some time is that dairies in the western U.S. are not buying the amount of alfalfa hay they purchased in the past. Hay dealers in Central California say that because dairies are feeding less alfalfa hay that the amount of hay they purchased in 2018 was down from two to three years ago. If milk prices return to profitable levels in the coming months will this pattern change? Or will strong alfalfa hay prices still be the main factor in less usage by dairies? Another question, how much will dairies in the west compete with exporters for alfalfa hay if the market is stronger than 2018? Some dealers in Central CA mentioned in recent weeks that unless milk prices improve to profitable levels that many dairies in 2019 may continue to buy alfalfa hay for only short term needs.

Follow-Up from Last week - We mentioned that groundwater regulations under the Sustainable Groundwater Management Act (SGMA) in California will restrict the use of well water in the future in the central and northern valley. An article in the Western Farm Press this week said that long term aquifer sustainability plans must be submitted to the state by January 2020. Most of those basins are in the San Joaquin Valley where surface water cutbacks in recent years led to an overreliance on wells. It is estimated that the full effects of the SGMA on growers won't be felt for 4 to 5 years but land values are already starting to drop in some areas, according to Steve Worthy, former Tulare County Supervisor who leads the San Joaquin Water Authority's board.

Best Regards, Seth and Josh

Alfalfa Hay Test Guidelines
(used with visual apperance 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