

Market Price Discovery for Forages in Saskatchewan

As of July 15, 2008



1) Forward

Price discovery in the forage industry is a difficult task due to the lack of a central marketing entity. Forages are generally sold on a person to person basis often negotiated at the farm gate. Therefore the information provided in this report was compiled through a wide range of contacts and sources from within the industry to best try and depict the current market situation.

July is traditionally a slow point in the forage market as most producers are focused on the current year's crop during this time. July of 2008 has been a particularly slow time for forage movement due to several factors. According to Michel Tremblay, Saskatchewan Ministry of Agriculture (SMA) Provincial Forage Specialist, hay stocks across much of the province are at one of the lowest points in many years. Tremblay also notes that forage yields are likely going to be below average across most of the province and that total forage acreage in Saskatchewan is reduced in 2008, both of which will tighten supplies this year. In many areas haying has just gotten underway, so yields have not been confirmed. These factors have prompted livestock producers who have some carry over to hold on to it and brokers to wait and see how much prices go up before they beginning pricing hay this summer. The current lack of movement of hay will likely continue through most of July and August until producers have a better idea of forage yields and how much they will need to carry them through another year.

2) Regional Forage Production Trends for 2008

Across much of Saskatchewan this spring, moisture conditions were poor and temperatures were cooler than normal delaying growth of forages. Most areas are reporting anywhere from one to two weeks behind the average maturity rates. As a result of this slow spring, many farmers and ranchers were feeding livestock longer than normal, depleting winter feed stocks considerably. Moisture conditions improved in some regions as spring progressed, but in general, Saskatchewan producers are seeing reduced forage yields and delayed maturity of their forage stands. Haying has been delayed across most of the province due to the slow spring and most areas were just beginning to cut hay the end of June. Some producers have realized that they will not get a second cut of hay, so have delayed the first cut in effort to get the most tonnage from one cut as possible. In general, regional forage Agrolologists, producers and other contacts report that very little or no hay is moving in their areas, (with the exception of processing plants) as much of the old crop has been depleted and the new crop has not been harvested yet.

The following soil moisture and crop reports are from the Saskatchewan Ministry of Agriculture Crop Report #12 (for week ending June 22, 2008 – no report for week ending June 29) and Crop Report #13 (week ending July 6, 2008).

South East:

Week ending June 22, 2008

The SMA crop report shows that topsoil moisture conditions are declining with only 76% of hay and pasture land rated adequate as compared to 93% the previous week.

Week ending July 6, 2008

Topsoil moisture conditions on hay and pasture land saw a significant decline this week. The adequate category decreased from 91% in the previous week to 42% and the short category increased from 9% to 45% on crop land with 13% being very short this past week. After the heat stress experienced this week, lack of moisture is the most commonly mentioned source of crop damage in the southeast. Haying operations made some progress in the southeast with 8% baled or silaged, and a further 16% lying in the swath. Quality is generally expected to be good. Reporters estimate that dry land brome/alfalfa will yield 1.0 tons per acre.

The Regional Forage Agrologist noted that hay crops in this region appear to be below average and that based on the lower supply, it appears that prices will be higher than last year. The Regional Agrologist reports that hay stocks from 2007/2008 winter are very low due to a longer than normal winter feeding period. There are concerns in this area that hay supplies will be very short this fall and producers may have trouble obtaining enough hay to get them through the 2008/2009 winter.

South West:

Week ending June 22, 2008

Topsoil moisture conditions deteriorated slightly on hay and pasture land with 87% of the land rated as having adequate topsoil moisture, compared with 93% last week. Haying operations are just getting underway with less than 1% of the hay cut. Hay crops are very short. Some areas in this region saw frost damage earlier in the spring and some hay crops did not recover.

Week ending July 6, 2008

Moisture conditions were drier on hay and pasture land with 44% of reporters rating topsoil moisture as adequate, compared to 60% last week. Grasshopper damage was reported around in RM 228 around Tyner. Damage from gophers was reported across the region. Haying operations are well underway in the southwest with 10% of the crop baled or put into silage, and a further 20% lying in the swath. Quality is generally expected to be good. Reporters estimate that dry land brome/alfalfa will yield 0.94 tons per acre.

The Regional Agrologist predicts that the South West will have a winter feed deficit this year. In general, the feed shortage increases as you head south from the #1 hwy towards the US border. Areas hardest hit with the drought were Aneroid, Mankota and Val Marie. Significant gopher damage also occurred throughout the SW region. Forage harvest is 1-2 weeks later this year than the average due in part to the cool spring, and the lack of late fall and early spring moisture. The Regional Agrologist predicts that hay yields are 1/2 of what they would be in a good year. Some initial yields are around 0.75 tons/ac, however a lot of hay still remains to be cut and baled throughout the SW region.

East Central:

Week ending June 22, 2008

Topsoil moisture conditions deteriorated on hay and pasture land, with 83% of the land reported as having adequate topsoil moisture, compared to 92% last week. Some harvesting of the 2008 hay crop has begun, with about 3% of the hay cut. Most reporters expect that the hay crops will be below average yield. It has been predicted that some hay land will not be able to recover enough for a crop to be harvested.

Week ending July 6, 2008

Topsoil moisture conditions were drier on hay and pasture land with 48% of reporters rating topsoil moisture as adequate, compared to 76% last week. Grasshopper damage was reported in CD 6a. Some reports of aphids and alfalfa weevils were made. Haying operations are going well, with 3% baled or silaged and a further 13% cut. Quality is expected to be good. Reporters estimate that dry land brome/alfalfa will yield 0.98 tons per acre.

The Regional Agrologist noted that hay crops in this region will yield below average mostly due to the cool spring and delayed maturity. There have also been reports of alfalfa weevil in the east central area. There is little to no hay movement in the area so prices have been difficult to gauge.

West Central:

Week ending June 22, 2008

Topsoil moisture conditions deteriorated on hay and pasture land with 29% of the land rated as having adequate topsoil moisture compared to 52% last week. Three per cent of the 2008 hay crop has been cut or baled. Yields are expected to be well below normal. Frost damage was also a problem in this area earlier this spring which has had a negative impact on hay yields.

Week ending July 6, 2008

Conditions have declined on hay and pasture land with 20% rating topsoil moisture as adequate. Reporters are looking for rain to maintain crop conditions. Grasshopper damage to crops in the region was reported in CD 7a. Cutting and baling of the 2008 hay crop is well underway with 11% baled or silaged and a further 25% cut. Quality is generally expected to be fair to good. Reporters estimate that dry land brome/alfalfa will yield 0.65 tons per acre, the lowest average yield in the province.

North East:

Week ending June 22, 2008

Topsoil moisture conditions are drier on hay and pasture land with 41% of the land reported as having adequate topsoil moisture compared to 66% last week. Significant rain is needed soon for some crops. Some farmers have begun cutting the 2008 hay crop in crop district 8b. Hay crops are expected to yield below average.

Week ending July 6, 2008

Conditions remained almost the same on hay and pasture land with 21% of reporters rating topsoil moisture as adequate, compared to 22% last week. Good haying progress was made with 9% of the 2008 crop baled or silaged and a further 17% lying in the swath. Quality generally ranges from fair to excellent. Reporters estimate that dry land brome/alfalfa will yield 0.72 tons per acre.

According to the regional Forage Agrologist, most of the region has been drier than normal. He expects hay yields will be half to three quarters of the last few years depending on the number of rain showers the area received earlier this summer. Hay supplies have been mostly used up during the past winter so there is little hay carryover. The regional Agrologist was unsure what the green feed supplies will be like but predicts

that any cereals which look like they will make a crop will be harvested for grain. Haying just started around the region the first week of July.

North Western:

Week ending June 22, 2008

Topsoil moisture conditions were drier on hay and pasture land with 13% of the land rated as having adequate topsoil moisture compared to 17% last week. Crops and pastures are burning in the Speers area. Haying operations have not yet started in the northwest, but hay crops are poor and expected to yield well below average. Pastures are also very poor and cattle are quickly going through what grass there is. Some greenfeed was still being planted.

Week ending July 6, 2008

Conditions dropped slightly on hay and pasture land with 23% of reporters rating topsoil moisture as adequate, compared to 27% last week. The area in short and very short moisture conditions increased from 73 % to 76 %. Haying operations are well underway with 7% of the crop baled or silaged and 16% lying in the swath. Quality is expected to range from fair to excellent. Reporters estimate that dry land brome/alfalfa will yield 0.82 tons per acre.

2) Field Pest Impact and Projections for Forages

Gophers (Richardson Ground Squirrels) continue to be a problem in the south west portion of the province and in more localized area of the south east and north west portions of the province. The last Saskatchewan Ministry of Agriculture crop report for June, 2008 saw gophers damaging crops across the southwest where they are moving back and re-infesting land where control measures had previously been taken. Some fields in the Rush Lake area have been treated up to four times. Gophers are also causing problems in more localized areas of the south east around Moosomin, Broadview, Weyburn, and Minton as well as in the North west around North Battleford and Medstead.

No significant grasshopper damage has been reported on hay and pastures in 2008 across the province. The 2008 Saskatchewan grasshoppers forecast predicted that this would be the case especially following the cool spring.

Saskatchewan Ministry of Agriculture reports that there have been some localized areas of alfalfa weevil around the Ituna-Foam Lake area and at Indian Head. However no alfalfa weevil infestations have been reported at this time in the south east of the province where this pest has traditionally been a problem.

3) Current Saskatchewan Transportation Costs

At the time of this survey, the transportation industry in Saskatchewan indicated that rates for hay and feed transportation will continue to rise this year as the cost of fuel increases. Throughout Saskatchewan current rates are anywhere in the range of \$4.50-\$6.00/loaded mile for hauling hay. Short hauls of less than 70 miles are reported at \$100-130.00/hour. These rates have increased by approximately \$0.25 - \$1.00/loaded mile and \$15-20/hour since last fall.

Trucking companies have not been moving much hay at this point in the year and the general consensus is that rates will be re-evaluated once hay movement begins later this summer and fall. Producers are finding the cost of moving hay a significant one and generally limit their purchases to an area within 70 miles of their yards. However, sourcing local hay in areas where hay yields are well below average could prove to be a problem this year.

4) Current Saskatchewan Forage Prices

Grass- Grass only forage is generally lower yielding so is not favored by forage producers and thus there is less available. Grass only forage is commonly associated with conservation lands (Ducks Unlimited Canada, Saskatchewan Watershed Authority, Saskatchewan Environment Wildlife lands, various mines and reclamation areas) that were seeded without a legume component or are lands that must be left in permanent cover and the legume component has diminished over time. These fields are tendered out either yearly in the spring or for long term use to be custom hayed. The standing price from the July 2008 Price Scan indicated that an average price was \$15/T, with a range of \$5/T to \$30/T. Some grass hay was found on the market

Standing Forages- The July 2008 price scan captured standing forage prices more accurately than baled forage prices due to the fact that there is very little baled forage on offer at this time. The overwhelming majority of which is last year's crop as the 2008 hay crop is just being cut and baled at this time. In general, standing forage can be priced around \$35/T less than baled forage prices as it costs approximately \$35/T to put up hay. Many of the producers or organizations selling standing forages are concentrated in the eastern or northern portion of the province.

Green feed- No green feed prices were found on offer across the province. With grain and oilseed prices at all time highs, this is not surprising. Farmers have the potential to make a much higher return on annual crops that are harvested this year. If growing conditions are good throughout the season, there will likely be very little greenfeed on offer this fall, however if conditions are poor, or if there is an early frost, this situation could change.

Dehy Alfalfa- The high prices in the grain and oilseed sector have prompted some producers to take acres out of forage crops to allow for annual crop seeding. The reduction in forage acreage has made it more difficult for some processors to procure acres. Also rising energy costs are having a negative effect on this industry throughout Canada. However, Mr. Dale Pulkinen, President of the Canadian Dehydrators Association, indicates that in general the industry is holding steady and that prices for end products are up partially due to strong demand both in Canada and the UK.

Standing, good quality alfalfa is being priced from \$25 – 60/T in the field. Good quality baled alfalfa is bringing 90-95/T delivered to the plant for processors that are purchasing baled alfalfa.

Table 1. Saskatchewan Forage Prices as of July 15, 2008

Forage Type	Condition	Asking, Settled or Buying Price	# of Traders	Quantity	High (\$/T)	Low (\$/T)	Weighted Average (\$/T)
Grass	Standing	settled	1	3345 acres	30	5	15
Grass	Standing	asking	2	400 acres	25	20	22
Alfalfa	Standing	buying (processors)*	3	?	60	25	37**
Alfalfa/Grass	Standing	settled	3	960 acres	30	15	24
Alfalfa/Grass	Standing	asking	1	270 acres	20	20	20
Grass	Baled	buying*	1	45 T***	50	50	50
Alfalfa	Baled	asking	1	64 T	64	64	64
Alfalfa	Baled	buying (processors)*	1	unknown	95	90	92.50**
Alfalfa/Grass	Baled	settled	3	3196 T	70	30	60
Alfalfa/Grass	Baled	asking	2	47 T	80	65	70

* indicates price is delivered

**simple average used where T are unknown

***Low quality grass hay

Numbers compiled through use of Saskatchewan Ministry of Agriculture Feed and Forage Listing Service, Western Producer listings from June and July, 2008, personal communication with the major feedlots in Saskatchewan, Dehy processors in Saskatchewan and companies with reclaimed land.

Export Timothy- There is little activity within the province in the export timothy market, which is a trend that has developed over the past several years.

At the time of this report, 2008 timothy crop pricing had not began. Please refer to table 2 for timothy prices from the 2007 crop year. Producers are anticipating prices to be \$40/T over last year (about \$200/T for premium quality 2008 timothy crop). It was explained that demand was strong in Japan and worldwide including some new markets in the US and Arab countries. However, the logistics of having large hay bales transported and delivered into these markets is becoming increasing problematic, so many producers have changed their marketing focus to avoid these difficulties. Some are turning their focus to the horse market, while others are exploring specialty markets including pet food.

Table 2. Timothy prices for 2007 crop based on quality

Timothy Quality Level	Price \$/T
Premium	165
Low Premium	150
Good One	135
One	120
Low One	105
Good Two	90

Table 3 shows the prices reported for timothy in Alberta for the 2007 crop. Expectations were that 2008 prices would be \$20 above last year. The 2008 timothy crop was just starting to come in and it appears that quality may be lower this year due to rain on cut hay. It was also reported that timothy acres were projected to be down in 2008 by approximately 30% in Alberta.

Table 3. Timothy prices for 2007 crop based on quality

Timothy Quality Level	Price \$/T
Supreme Dairy	145
Premium	140
Good	135
Standard	110
Utility	80

Silage- In speaking to the feedlots, all reports indicate that the price of silage has climbed considerably in 2008 as barley prices continue to rise. Most feedlot ingredients are priced off the current price of barley using a formula. For example, silage price may be determined by the following:

$$10 \times \text{the average price/bushel of feed barley} + \$4 = \$ / \text{ton of silage}$$

Where the average price for barley is determined over a set time period (months or year)

Silage at 35% moisture

Feedlots are predicting to price barley silage in the \$45 – 65/T range for 2008, with the lower end of the range reported by those feedlots producing their own silage and the higher end of the range reported by those purchasing silage from outside.

5) Regional Forage Pricing Trends

South West: Hay brokers in the southwest have not held any hay sales for quite some time and are waiting for this year's crop to come in to begin sales for 2008. They predict prices in the \$80-100/T range and possibly up to \$120/T. Other producers in the area have confirmed that there is very little hay moving in the area and are also predicting hay prices in the \$80/T range this fall. The Regional Agrologist reports that a few large-scale hail storms went through the area during the 2nd week of July affecting crops in the area. Damaged cereal crops may be available as forages for some livestock producers as a result.

South East: There is also very little hay moving in this region. Prices are in the \$65/T range. The Regional Forage Agrologist reports below average hay yields over the entire region, which will tighten supplies and likely raise prices.

East Central/North East: The Regional Agrologist in the East central region notes that there is basically no hay moving in the area. He predicts that hay prices this year will be up this year, but only by approximately 10% over last year. There have been some severe hail storms recently in the area that will increase the availability of greenfeed for livestock producers thus taking some of the pressure off the hay market. The Regional Forage Agrologists from the North East notes that there is little hay moving currently in the area. He had only heard of a few prices but it seems that about \$70/T is the present going rate for brome/alfalfa hay. Other prices reported in the area were in \$30-70/T range and are expected to rise for this year's crop.

West Central/ North West: This region experienced spring frost and a snow event that had adverse effects on the hay crop which is looking to be well below average based on early reports. There is some hay beginning to move into this region as livestock producers are worried about winter hay stocks already. Prices are in the \$60-70/T range. The regional Agrologist notes that some livestock producers in the Biggar area are reducing herd sizes to try and reduce costs going into fall.

7) Adjoining Jurisdictions Forage Price Trends

Due to the high cost of transportation, supply and demand for forages in adjoining provinces and states has had a lesser effect on the Saskatchewan forage market. Occasionally, demand from the northern US states dictates the forage prices in Southern Saskatchewan. This effect is similar in the eastern and western areas of the province when demand is high in Manitoba and/or Alberta. Livestock hay is rarely transported more than 110 -160 kilometers.

In general it appears that there is little hay moving in the US as no listing for any type of hay was found in the northern portion of North Dakota, and very few listings were found in northern Montana. Table 4 shows the prices for forages in adjoining jurisdictions as of July 15, 2008. Prices found in the adjoining provinces and states were similar to those reported in Saskatchewan.

Table 4. Forage Prices in Adjoining Jurisdictions*

Forage Type	Alberta Gov't listing service (asking \$/T)	Manitoba Gov't listing service (asking \$/T)	Montana State listing service (asking \$/T)	North Dakota State listing service (asking \$/T)
Alfalfa	-	61.66 (3 offers)	75.00 (3 offers)	-
Alfalfa/grass	65.00 (4 offers)	65.70 (7 offers)	77.00 (3 offers)	-
Grass	90.00 (1 offer)	55.00 (2 offer)	-	-
Greenfeed		60.00 (1 offer)	-	-

*Listings were taken from Alberta, Manitoba, Montana and North Dakota state listings as of July 4, 2008. All prices converted to Cdn\$/metric T

The USDA weekly hay reports monitor the settled price of hay across auction houses in individual states. For the week ending July 4, 2008, prices were as follows (quoted as US\$/short T unless otherwise stated):

Montana- just a few reported sales- Alfalfa: good to premium new crop 140.00-150.00 in Western MT; small squares (horse hay) 175.00; good 70.00 in Northeastern MT. Alfalfa/grass mix: good to premium small squares 4.00 per bale; \$80.00/ton (\$88.00/T); premium timothy small squares- \$150.00/ton (\$165.00/T).

South Dakota- Compared to last week Alfalfa higher, except for grinding quality which has an abundance in the area due to much of the first cutting being rained on. First cutting complete and second cutting to start soon. Alfalfa: premium 125.00-160.00, good 90.00-150.00, grinding quality 75.00-90.00. Alfalfa/grass: good 135.00. Grass: good 110.00-125.00.

Overall the USDA indicates that supply and demand are good for forages across the northern states. They do not indicate a large pull of forages from Canada.

8) Forage Seed Retail Prices

Table 5 contains an inventory of commonly purchased forage seed prices compiled by surveying the retail companies. Three classes of forages are presented: grass, legume and native species. All prices are for certified #1 seed unless otherwise stated.

Table 5 Forage Seed Prices in Saskatchewan for 2008

Class	Species	Average Price \$/lb	High	Low
Grasses	Carlton Smooth brome	2.92	2.98	2.89
	Smooth brome (common)	2.84	2.95	2.79
	Fleet Meadow brome	3.88	3.95	3.85
	Meadow brome (common)	3.80	3.90	3.75
	Russian Wildrye	4.81	4.99	4.49
	Tall Fescue	2.89	2.99	2.69
	Fairway Crested wheatgrass	3.00	3.25	2.77
	Kirk Crested wheatgrass	2.89	2.99	2.77
	Crested wheatgrass (common)	2.77	2.95	2.67
	Legumes	Alfalfa Algonquin	2.69	2.70
Alfalfa creeping root		3.52	3.75	3.39
Alfalfa tap root		3.71	3.95	3.53
Cicer milk vetch		3.81	3.90	3.60
Sainfoin		2.86	2.90	2.79
Native	Western Wheatgrass	8.35	10.32	6.58
	Northern Wheatgrass	11.16	12.57	9.79
	Slender Wheatgrass	2.34	2.60	1.99
	Green Needlegrass	5.26	5.83	4.70
	June Grass	18.85	20.43	15.95
	Canada Wildrye	8.00	9.76	6.24
	Purple prairie clover	29.73	51.13	10.93