

Market Price Discovery for Forages in Saskatchewan

As of July 15, 2009



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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 2009 has been no exception and has possibly been slower than normal due to several factors. A dry, cool spring has delayed development of forage crops across much of the province. In some areas of the province (northern regions), haying has not yet began or is just getting underway, so hay yields have not been determined or confirmed. Also, due to the cold winter and associated length of the winter feeding period, many producers have very little hay left in their yards this spring. This has made producers who would normally sell excess hay, hold on to their stocks and hold off contracting 2009 crop until they have a better idea of the current crop yield. 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.

Most of the pricing for baled forage reported here are for 2008 crop moved between the previous price survey conducted in January 2009 and July 15, 2009. While most are suggesting that 2009 crop will likely be priced higher, this report gives a starting point for buyers and sellers looking to price 2009 forages.

2) Regional Forage Production Trends for 2009

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 expecting 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 either not cutting or just beginning to cut hay at the beginning of July. Many producers delayed the first cut in effort to get the most tonnage from one cut as possible. In general the regional agrologists and contacts from this survey 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 high hay prices seen earlier in 2009 have prompted feedlots in particular to cut hay out of their ration in favor of lower priced alternatives.

The poor growing conditions noted in Saskatchewan appear to extend much of the way into Alberta covering the majority of the east side of that province. Contacts from this survey report that some hay is moving into Alberta from as far away as eastern Saskatchewan and into Manitoba in effort to supply the forage shortfall being experienced in Alberta.

Saskatchewan Ministry of Agriculture Regional Forage Agrologists report that most areas of the province are expecting below average hay yields with particularly poor yields in western regions (west central and north west). Forage Agrologists from the west central and north west note that some hay fields are being grazed due to the dry conditions. Extra pasture was needed for livestock and hay yields did not warrant cutting and baling in some of these areas. The Watrous and Moose Jaw areas are expecting near average yields and some areas in the south east of the province may also be near average.

Several Regional Agrologist (north west, central and south west regions) report that rains in the early part of July have somewhat relieved pressure on pastures. Although these rains were largely too late for the hay crops, the regrowth on pastures will extend the grazing season. Producers in some of these areas were previously concerned about their pasture's ability to last the summer. Also, these rains may improve annual crops being counted on for greenfeed.

The extent to which greenfeed or crop residue may be able to fill the gap left by reduced hay yields is difficult to gauge at this point. While the amount of greenfeed will largely depend on the timing of the first frost or other weather detriments it has been noted that many annual crops around the province are behind or experienced spotty germination. There may be potential for greenfeed from these crops.

3) Field Pest Impact and Reports for 2009

The Saskatchewan Ministry of Agriculture Crop Report for July 6, 2009 informs that grasshoppers and gophers are causing damage in the south, southwest and northwest. Gophers (Richardson Ground Squirrels) continue to be a problem for perennial crops in the south west portion of the province and in more localized area of the south east, west central and north west portions of the province.

No significant grasshopper damage has been reported on hay and pastures in Saskatchewan during the 2009 growing season. The Regional Forage Specialist in Swift Current noted that grasshopper numbers were on the rise however the recent cool wet conditions seem to have reversed this trend. Recent crop reports have noted some damage from grasshoppers in annual crops and control measures are being taken in some areas mainly limited to lentil crops. The 2009 Saskatchewan Ministry of Agriculture grasshopper forecast predicted that across much of the province, grasshoppers would not be a problem especially following the cool spring.

There have been sporadic reports of alfalfa weevil coming in to Saskatchewan Ministry of Agriculture (SMA) regional offices over the past few weeks. Alfalfa weevil has traditionally been a problem only in the south east region of the province, but in past years has been moving north and west.

This year, weevils have been reported as far north as Foam Lake and as far west as Assiniboia. Lorne Klein, SMA Forage Specialist in Weyburn, has been in contact with concerned producers in the Indian Head, Grenfell and Montmartre areas. He reports that areas where weevils were seen last year seem to have them again this year. SMA Provincial Forage Specialist, Michel Tremblay indicates that cool spring conditions likely resulted in delayed development of alfalfa weevil this year, so damage has probably

been reduced due to these conditions. However, he stated that the primary concern this year is low yields, rather than pest problems.

4) Current Saskatchewan Transportation Costs

At the time of this survey, the transportation industry in Saskatchewan indicated that rates for hay and feed transportation have been leveling off due to the reduction in fuel costs. Throughout Saskatchewan current rates are anywhere in the range of \$5.00-\$6.00/loaded mile for hauling hay. Short hauls of less than 70 miles are reported at \$100-150.00/hour. These rates are essentially the same as seen in the January 2009 survey.

Trucking companies have not been moving much hay at this point in the year and expect to see things pick up later in July and into August. Producers again note the significant cost of moving hay therefore, 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. Also there is some concern in the industry that hay will be moving into Alberta at higher prices than local Saskatchewan producers can afford, so competition for hay especially in the western half of the province may become a factor later this summer.

Table 1. Transportation Costs for Forages in Saskatchewan

Location	Rate in \$/loaded mile (long hauls)	Rate in \$/hr (short hauls)
South West	5.00	105.00
North East	5.25	110.00
South East	5.00	
Southern	5.75	
South East	6.00	150.00
South West	5.00	
Central	5.00	100.00
Average	5.29	116.00

5) Current Saskatchewan Forage Prices

In large part, the prices reported here are for 2008 crop (forages moved between January 2009 and July 2009). Across most of the province, 2009 crop is just being cut and prices have not yet been set. In most cases, contacts from this survey predict that hay prices will be at least as much as prices for 2008 and likely will be higher. The exception to this is prices reported here for standing forages.

Table 2 shows the current price for various types of forages in Saskatchewan derived from this survey. Numbers presented here are collected from various sources including the June and July, 2009 Saskatchewan Ministry of Agriculture Feed and Forage Listing Service, hay and straw listings in the Western Producer from June and July 2009, as well as contact with the major feedlots in Saskatchewan (lot capacity of 5,000 to 30,000 head), auction marts and hay growers/brokers throughout Saskatchewan.

Grass- Straight grass forage is less predominant than mixed stands of grass and legumes. However, auction marts in Saskatchewan seem to prefer high percentage grass hay (80-90% grass component) for young calves coming through their facilities and are reflected in the values shown in Table 2. The wide range of prices seen in grass hay is largely due to the variability in quality of this commodity. Auction marts commented that they try to source high quality grass hay (thus demanding a higher price), while other users (feedlots or cow calf producers) can often utilize the lower quality, lower priced types of this product in their rations. The standing grass prices are mainly limited to conservation lands.

Standing Forages- The July 2009 price scan captured standing forage prices. 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. Again it was noted that many of the producers or organizations selling standing forages are concentrated in the eastern or northern portion of the province.

Green feed- Very few greenfeed prices were found on offer across the province. With high grain and oilseed prices, this is not surprising as 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 drastically. Many annual crops were delayed due to the cool, dry spring. Also spotty germination of annual crops may provide the potential for livestock feed on crops that will not be fit to harvest.

Clover- Clover is a low demand and low supply forage crop in the province. Very few prices were found through this price discovery process totaling only 495 Tons. There is limited to no purchasing by feedlots of this commodity.

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. The reduction in cow herd numbers in Canada has also had a negative effect on this industry, but demand has remained strong in the UK and Asia.

Dehy processors in Saskatchewan generally purchase either standing alfalfa or suncured (baled) alfalfa or possibly both. Processors noted that alfalfa acres were down last year so prices have been increased by most for 2009 to attract acres this year. Some processors have noted that they are not purchasing baled alfalfa this year as they have found the price to be a limiting factor.

Table 2. Saskatchewan Forage Prices as of July 15, 2009

Forage Type	Condition	Asking, Settled or Buying Price	# of Traders	Quantity (Acres or T)	High (\$/T)	Low (\$/T)	Weighted Average (\$/T)
Grass	Standing	Settled	3	16,119	20	12	14
Alfalfa	Standing	Buying*	4	28,380	75	28	46
Alfalfa	Standing	Asking	1	350	33	33	33
Alfalfa	Standing	Settled	2	365	82	39	47
Alfalfa/Grass	Standing	Buying	1	720	28	28	28
Alfalfa/Grass	Standing	Asking	1	320	53	53	53
Alfalfa/Grass	Standing	Settled	6	7,280	72	22	31
Standing Hay Totals/Average				53,534 acres	\$75	\$12	\$36**
Grass	Baled	Buying*	10	2,365	140	50	93
Grass	Baled	Settled	3	1,028	110	83	86
Alfalfa (1 st cut)	Baled	Buying*	2	554	115	75	111
Alfalfa (1 st cut)	Baled	Asking	4	1,110	110	88	103
Alfalfa (1 st cut)	Baled	Settled	5	2,288	113	83	92
Alfalfa (2 nd cut)	Baled	Settled	2	284	144	128	131
Alfalfa/Grass	Baled	Buying*	9	4,203	110	65	73
Alfalfa/Grass	Baled	Asking	8	2,354	110	50	103
Alfalfa/Grass	Baled	Settled	6	4,577	114	88	106
Baled Hay Totals/Average				18,763 T	\$144	\$50	\$100**

Forage Type	Condition	Asking, Settled or Buying Price	# of Traders	Quantity (T)	High (\$/T)	Low (\$/T)	Weighted Average (\$/T)
Greenfeed	Baled	Buying*	2	250	60	55	58
Greenfeed	Baled	Asking	2	1,222	119	95	101
Greenfeed	Baled	Settled	1	220	50	50	50
Clover	Baled	Asking	3	495	120	80	107
Millet	Baled	Settled	1	132	88	88	88
Other Feed Totals/Averages			9	2,119 T	\$119	\$50	\$81**
Straw	Baled	Buying*	5	3,452	90	31	51
Straw	Baled	Asking	1	1,206	24	24	24
Baled Straw Totals/Averages			6	4,658 T	\$24	\$90	\$38**
Organic Hay	Baled	Asking	1	135	115	115	115
Organic Hay	Baled	Settled	1	23	62	62	62
Organic Hay Totals/Averages			2	158 T	\$115	\$62	\$89**

* indicates price delivered

**simple average

Export Timothy- Again there is little activity within the province in the export timothy market, the reasons for which were explained in previous reports. There is one main buyer of timothy in Saskatchewan with two major processors in Alberta. In both provinces, processors anticipate prices will be similar to last year (about \$200/T for premium quality 2009 timothy crop). Demand remains strong in Japan and worldwide including some new markets in the US and Arab countries. The logistics of having large hay bales transported and delivered into these markets has become increasing problematic, so export of timothy from Canada has declined in the past decade. However, there are opportunities in North American specialty markets including pet food. The 2009 timothy crop was just beginning to be harvested at the time of this survey. Table 3 shows the expected timothy prices for 2009 crop in Saskatchewan.

Table 3. Expected Timothy prices for 2009 crop (SK)

Timothy Quality Level	Price \$/T
Premium	200
Low Premium	185
Standard	160
Utility	145

Alberta processors do not purchase any timothy from Saskatchewan, as transportation costs limit the purchasing area to Alberta. However Alberta companies were contacted for this report to get a better idea of timothy prices in Western Canada. Table 4 shows the expected prices reported by these companies for the 2009 crop. The expectation was that 2009 prices would be similar to last year. The 2009 timothy crop was just starting to come in and both companies reported that while the irrigated timothy would be on target for yield, dryland timothy stands will have greatly reduced yields this year due to the dry conditions in much of Alberta.

Table 4. Expected Timothy prices for 2009 crop (AB)

Timothy Quality Level	Price \$/T
Premium	200
Low Premium	180
Standard	168
Utility	148

Silage- The price for barley silage was determined by speaking to the large feedlots in Saskatchewan. Most reported that prices are determined through a formula based on the price of barley grain, therefore can be expected to rise and fall with the price of barley. Taking this in to account, the price for barley silage is down from 2008 due to the reduction in barley grain prices.

The Saskatchewan feedlots surveyed vary in capacity from 5000 to 30000 head. Only one of the feedlots surveyed is not currently using silage. Feedlots are predicting the price of barley silage in the \$36 – 50/T range for 2009.

Straw- At the time of this survey, there were very few prices for straw. Most buyers had purchased enough straw last fall to get them through the year. Prices for 2009 crop will be determined in the January 2010 survey.

Organic Hay- There did not appear to be much organic hay on the market during this survey. The situation in Saskatchewan seems to indicate a very limited market for organic hay. This is likely due to the fact that organic livestock producers in Saskatchewan seem to produce organic hay for their own use. There is a large market for organic hay in the USA, however, transportation costs limit the usefulness of this market to the Saskatchewan grower.

5) Regional Forage Pricing Trends

South West: Switzer Auction Services provides hay auction services across the southwest. Their last sale was held in February of 2009 and they do not begin sales for 2009 crop until December. They predict prices around \$110/T with the possibility of up to \$150/T. Other producers in the area have noted that there are widespread poor hay yields which will mean that sourcing hay could be a problem and transport costs will be big factor. Prices are in the \$90-113/T range. Auction marts in the area have reported that cow sales are up for this time of year as some producers are downsizing herds due to their lack of feed supply and their apprehension about high hay prices this fall. The Regional Agrologist reports that pricing has not yet been developed for 2009 crop as many are waiting to see what hay crops yield. He suggests that the rains in the region over the past weeks have helped annual crops, which may provide some much needed greenfeed in the area.

South East: There is very little hay moving in this region at this time. Prices are in the \$65-\$110/T range. The Regional Forage Agrologist expects hay yields to be 10 – 25% below average, which may tighten supplies and raise prices. However, some rains in the last few weeks have improved pasture conditions which should reduce the pressure on feed requirements.

East Central/North East: The Regional Agrologists in this area note that there is very little hay moving in the area. It has been dry in the Melfort, Tisdale, Nipawin areas this year which will have a negative impact on hay yields in those areas. There were some late frosts in the spring of 2009 as well that had a negative impact on many of the hay stands in this area. Prices in this region ranged from \$50-110/T. Due to the delay in growth of the 2009 crop, prices for this year are difficult to determine, but contacts from this survey are predicting \$80-90/T on average plus freight. One feedlot in the Melfort area predicts \$110/T delivered for 2009 hay and \$35-40/T for straw.

West Central/ North West: This region has been extremely dry for much of the spring and early summer to the detriment of hay crops. The Regional Agrologists are reporting that many hay stands in this area are being grazed instead of hayed this year. Pastures received some much needed moisture in the past few weeks which has taken the pressure off some areas, but for the most part, hay crops are well below average (25-

40% of normal). The poor yields are expected to have a significant impact on hay prices for 2009 crop. Prices are in the \$80-120/T range. The regional Agrologists as well as some of the auction marts note that some producers in the north west 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. The widespread drought in Alberta this year may have a larger effect on Saskatchewan prices this year. However, 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 listings for any type of hay were found in the northern portion of North Dakota, and few listings were found in northern Montana. Prices found in the adjoining provinces and states were similar to those reported in Saskatchewan. The higher prices tended to be for irrigated alfalfa or alfalfa/timothy grass mixtures of premium quality.

Table 5. 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	140.00-210.00 (2 offers)	37.00-154.00 (9 offers)	63.00-139.00 (3 offers)	139.00-171.00 (2 offers)
Alfalfa/grass	120.00-220.00 (5 offers)	50.00-77.00 (7 offers)	-	47.00-139.00 (2 offers)
Grass	-	-	-	44.00 (1 offer)
Straw	37.00 (2 offers)	22.00 (1 offer)	-	-
Clover	-	88.00 (1 offer)	-	-

*Listings were taken from Alberta, Manitoba, Montana and North Dakota state listings as of July 13, 2009. All prices converted to Canadian \$/metric T

The USDA weekly hay reports monitor the settled price of hay across auction houses in individual states. For the week ending July 10, 2009, prices were as follows (converted to CDN\$/T unless otherwise stated):

Montana- hay prices trending lower but market not fully established due to first quotable prices on new crop offerings. When compared to last year, established prices hay prices trending mostly \$10.00 lower on new crop 1st cutting. A large amount of the 1st cutting was showered on which decreased some quality and nutritional values. Some producers are reluctant to sell at established prices this early. These producers are

opting to stack and store inventories until they decide to establish a trade. Trade activity and demand light to moderate on new crop 1st cutting offerings. A majority of hay producers are still waiting patiently to harvest their first cutting due to weather conditions.

Alfalfa: good to premium \$139.00/T small squares, fair to good \$101.00/T

Alfalfa/grass mix: good to premium; \$120.00-127.00/T

Orchard grass: good to premium small squares- \$152.00/T

South Dakota- compared to last week all classes of reported hay rather steady. Limited sales this week. Rain and storms continue to delay hay production in most of Eastern South Dakota. Demand good for high quality hay as it is in short supply. Grinding hay in plentiful supply.

Alfalfa: large squares; premium \$160.00/T, good \$143.00-152.00/T, utility \$63.00-

82.00/T, loaded \$89.00/T, large rounds; good \$101.00-114.00/T utility \$63.00-82.00/T

Grass: small squares premium \$4.00/bale (US\$)

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

Prices for native seeds varied significantly. Seed companies commented that pricing for native seeds is often done on a case by case basis due to the limited availability of many of these seeds. For specific native seed price information, dealers should be contacted for the current price.

Table 6 Forage Seed Prices in Saskatchewan for 2009

Class	Species	Average Price \$/lb	High \$/lb	Low \$/lb
Grasses	Smooth brome	2.51	2.57	2.49
	Smooth brome (common)	2.33	2.39	2.29
	Fleet Meadow brome	3.82	3.85	3.79
	Meadow brome (common)	3.72	3.79	3.69
	Russian Wildrye	4.87	4.99	4.49
	Tall Fescue	2.89	2.99	2.79
	Fairway Crested wheatgrass	2.99	2.99	2.99
	Kirk Crested wheatgrass	2.86	2.89	2.79
	Crested wheatgrass (common)	2.66	2.69	2.59
Legumes	Alfalfa hay type	3.83	4.00	3.62
	Alfalfa creeping root	3.60	3.71	3.54
	Alfalfa common	2.54	2.59	2.39
	Cicer milk vetch	3.89	3.90	3.86
	Sainfoin	2.98	3.09	2.83
	Alsike Clover	1.74	1.89	1.69
	Sweet Clover	2.06	2.14	1.99
	Sweet Clover (common)	1.36	1.55	1.29
Native	Western Wheatgrass	9.76	18.87	4.25
	Northern Wheatgrass	11.21	21.70	6.75
	Slender Wheatgrass	3.41	4.61	2.29
	Green Needlegrass	9.29	15.33	4.60
	June Grass	46.62	85.14	22.00
	Canada Wildrye	15.27	22.76	7.00
	Purple prairie clover	60.80	101.51	21.59