

Forage Market Price Discovery in Saskatchewan

As of September 15, 2011



Table of Contents:

1) Executive Summary	3
2) Regional Forage Production Trends for 2011	3
3) Field Pest Impact and Reports for 2011	5
4) Current Saskatchewan and Neighbouring Transportation Costs	6
5) Current Saskatchewan Forage Prices	8
6) Regional Forage Pricing Trends	14
7) Adjoining Jurisdictions Forage Price Trends	16
8) Forage Seed Retail Prices	18
9) Saskatchewan Pasture Rates	19

List of Tables:

Table 1. 2011 Transportation Costs for Forages in Saskatchewan	6
Table 2. 2011 Transportation Costs for Forages in Alberta (AB) & Manitoba (MB)	7
Table 3. Saskatchewan Forage Prices as of September 15, 2011	11
Table 4. Saskatchewan Dehy Product Prices for 2011	12
Table 5. Expected Timothy prices for 2011 crop (SK)	13
Table 6. Expected Timothy prices for 2011 crop (AB)	14
Table 7. Forage Prices in Adjoining Jurisdictions	17
Table 8. Forage Seed Prices in Saskatchewan for 2011	19

1) Executive Summary

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 endeavor to depict the current market situation.

September is traditionally a point of beginning in the annual forage market as the marketing of hay typically commences. By this time of year some producers and companies have begun selling the 2011 hay crop and some have started purchasing 2011 hay as forage requirements are determined. Although movement tends to be slow in the summer months, it usually gains momentum as September approaches. September 2011 has been full of anticipation as many producers eagerly seek to determine 'actual' hay values. A very wet spring resulted in damaging flooding in a number of areas across Saskatchewan. However, many areas in the province experienced above average hay yields due to the excellent moisture reserve from 2010 and timely rains in 2011. Last year producers struggled to get hay put up dry due to the wet conditions, but in 2011 many producers were graced with cooperative weather during July and August, resulting in a quality hay crop. In 2010, the late start due to the wet conditions also negatively impacted hay quality as many forage stands over-matured. However, in 2011, timely dry weather allowed many producers to start haying on time, also contributing to the quality of hay. The majority of producers have completed haying operations or are just finishing up second cuts and greenfeed, and many livestock producers are shifting their focus to baling straw. There are many indications that forage prices will be relatively low again this year due to the high hay yields throughout the province and in neighbouring jurisdictions. The movement that has already started confirms this pricing for the current forage market. Movement very likely will continue to increase throughout September and into the fall as the industry gains a more definite measure of market variables.

Some of the pricing for baled forage reported within this report is for 2010 crop moved between the previous price survey conducted in January 2011 and September 2011. Due to the significant production of hay in 2010, some producers are still attempting to move 2010 hay stocks. This report gives a starting point for buyers and sellers looking to price 2011 forages.

2) Regional Forage Production Trends for 2011

Temperatures were cool across parts of Saskatchewan this spring and as a result many farmers and ranchers were feeding livestock longer than normal, depleting winter feed stocks in these areas. However other parts of the province still have ample supplies of 2010 hay stocks that they are attempting to move or will feed this coming winter. Moisture conditions were above average in many areas however, some localized areas did experience relatively dry conditions. Due to the record moisture levels that were seen in many areas in 2010, the average to below average precipitation was enough in these areas to produce a decent hay crop as reserve moisture levels were adequate. Many Saskatchewan producers received above average forage yields due to this moisture reserve and timely spring rains. Although haying was delayed in

certain areas of the province due to the cool, wet conditions, most areas were able to begin haying operations in a timely fashion as conditions allowed. Much of the hay that was put up in 2011 was not rained on and the quality of the hay in these areas is quite good. Some small pockets did experience poorer haying conditions that resulted in reduced hay quality. Although yields were above average this year in many regions, there were fewer acres cut due to flooding in some areas. In general, regional agrologists and contacts report that hay is moving in their areas, but due to transportation costs, most is being sourced locally. Prices are beginning to settle but where prices end up will of course, depend on demand. There are reports of fewer feedlots filling their pens this fall in Saskatchewan due to the extremely tight margins currently in the beef sector, and the cow herd in Canada continues to decline. However, there are also reports of hay from Saskatchewan moving down into the southern United States (US) where a severe drought is having a devastating impact on feed supplies. The actual amount of hay that may move into other jurisdictions in addition to supplies fed to livestock in Saskatchewan, will determine if our abundant hay supply is offset enough to push prices upward in the coming months.

Forage acres in Saskatchewan appear to be on the decline, as some producers take forage crops out of production to sow cash crops instead. This trend is understandable as relatively high prices in the grains and oilseeds sector during the last two years create a positive environment for producers that have the option to switch. The depressed hay prices experienced last year and potentially this year, have limited forage land profitability and have played a role in this trend. The actual acres that were taken out of forage production are unknown, but it is expected that the pendulum will continue to swing towards annual crop production and fewer forage acres until such time as markets change.

The excellent growing conditions noted in Saskatchewan appear to extend much of the way into Alberta covering the majority of the east side of that province, as well as into Manitoba. These widespread conditions have resulted in higher overall hay yields and will contribute to continued depressed hay prices. Most places will be able to source locally, but some movement long distances south has occurred where prices and demand justify transportation of feed.

Greenfeed and crop residue may become important feed sources as we enter mid-harvest. However, actual greenfeed production appears to be low again due to unseeded acres, late seeding, and flooding in certain areas. As in most years, the amount of greenfeed will largely depend on the timing of the first frost or other weather detriments experienced by the annual crops sector. Straw appears to be in demand in many areas of the province where limited supply is available. Reports have noted that larger farming operations are moving away from the inconvenience of dropping straw, and they are choosing to take advantage of benefits like increased organic matter and soil nutrients that spreading straw back on the land offers. This has resulted in less straw available to bale or purchase and as a result, straw is increasingly becoming a costly product that is hard to find.

During the past several weeks, weather has cooperated to allow widespread harvest progress. However, weather detriments could still impact feed supply. If frozen crop is put up as feed, it will serve to lower hay prices even further. Regional agrologists report that pasture conditions and water supplies are very good in many areas due to the 2010 moisture carryover and adequate precipitation during the 2011 growing season. Depending on fall weather, many areas will be able to graze late into the year. An early or extended cold winter could also have a

significant impact if 2011 winter feed stocks are in greater demand. In any case, the supply of hay in Saskatchewan for 2011 appears to be more than adequate and it will be a daunting task for any single factor to push prices upward in any significant way.

3) Field Pest Impact and Reports for 2011

The Saskatchewan Ministry of Agriculture Crop Reports earlier this summer reported that gophers (Richardson Ground Squirrels) were not causing excessive damage in many areas and that there appeared to be a population decline. Localized areas in the west central, east central, and southwest regions of the province have historically experienced damage to perennial crops from gophers, but even these areas saw a decline in populations this year. Current data from rodenticide sales, the "gopher rebate program" and reports from field staff and producers confirm that gopher populations appear greatly reduced in many areas of Saskatchewan in 2011. The decline in numbers is likely due to several factors including predation, disease, and producers' control efforts. However, a significant, widespread decrease is often a result of unfavourable climatic conditions. Wet and cool conditions prior to green growth in the spring are known to increase mortality in gophers through hypothermia and drowning.

The 2011 Saskatchewan grasshopper forecast indicated higher populations in southern Saskatchewan, primarily in the southwest, and central and west central regions. Excessive moisture and cool conditions in the spring of 2011 were not conducive to grasshopper development. However, hot and drier conditions experienced in most areas in July and August were favourable for grasshoppers. Higher numbers, some reportedly economic and requiring control, were reported in the northwest. According to the Regional Forage Specialist in the northwest, the appearance of quite large numbers of grasshoppers came as a surprise. Their presence was a mystery because of the cool, wet weather. Several producers were pondering insecticide applications but few acres were actually sprayed. Crop reports are not reporting any damage from grasshoppers in annual crops.

There have been reports coming into Saskatchewan Ministry of Agriculture (SMA) regional offices this year regarding the occurrence of alfalfa weevil. Alfalfa weevil has traditionally been a problem only in the southeast region of the province, but there is concern that they may be moving north and west. In 2009, weevils were reported as far north as Foam Lake and as far west as Assiniboia. Last year, weevil populations were drastically reduced and it was thought that this was linked to the excessive moisture and cooler conditions. According to the Regional Forage Specialist in Yorkton, alfalfa weevil were present in many fields throughout the region. Producers opted to cut the hay earlier where possible as opposed to controlling it with chemical means. According to the Regional Forage Specialist in Weyburn, the alfalfa weevil population was generally high in 2011. For the early cut alfalfa there was no significant problem, but some stands cut in August experienced major loss of leaves. Alfalfa weevils were high in 2009, but the 2010 population was down considerably and thought to be due to the cool wet conditions. The return to high populations in 2011 in this area was unexpected, as conditions in general were very wet and cool for much of the spring. In June and July, forage specialists and field staff conducted insect sweeps for alfalfa weevil, lygus bugs, and alfalfa plant bugs across the province. The results of the sweeps are currently being analyzed, and will become available in the coming months.

There have been reports in several areas of weed population increases on hay land and pasture. The Regional Forage Specialist in Swift Current indicated that the above average moisture levels last year and this year created conditions for more weed growth, with many unusual pasture weeds showing up that had not been observed in previous years.

4) Current Saskatchewan and Neighbouring Transportation Costs

At the time of this survey, the transportation industry in Saskatchewan indicated that rates for hay and feed transportation have been on the rise due to increases in fuel costs and shop rates for maintenance. Throughout Saskatchewan, current rates are anywhere in the range of \$5.00-\$6.25/loaded mile for hauling hay, with an average of \$5.75/loaded mile. Short hauls are reported at \$100.00-175.00/hour with an average of \$132.00/hour. Although these short haul rates are generally used for distances less than 70 miles, some transporters are beginning to use these short haul hourly rates for long hauls as well, and are going away from the mileage rate altogether. Some transporters use a \$/bale rate or a flat rate for short hauls, ranging from \$2.00/bale + \$0.25/km/bale to \$4.00/bale and \$300/load, respectively. The rates presented in this report are higher than the January 2011 survey, due to rising fuel and maintenance costs.

Trucking companies report that they have begun moving hay and expect to see increased activity into the fall. Producers again note the significant cost of moving hay, therefore, generally limit their purchases to an area within 70 miles of feeding yards. Sourcing hay locally will in most cases not be a challenge this year due to above average yields in most areas. Although hay prices are relatively affordable this year, there is potential for some producers in localized flooded areas to be faced with increased transportation costs to truck in hay from greater distances. There is very little indication in the industry that hay will be moving into Alberta or Manitoba because above average hay yields are in general being experienced in those provinces as well.

Table 1 provides current transportation rates in Saskatchewan for hay and feed.

Table 1. 2011 Transportation Costs for Forages in Saskatchewan

Location	Rate in \$/loaded mile (long hauls)	Rate in \$/hr (short hauls)
North	6.25	175.00
North East	6.00	120.00
North West	5.50	
West	6.00	
Central		140.00
East		100.00
South	5.50	
South East	5.00	125.00
South West	6.00	
Provincial Average	\$5.75/mile	\$132.00/hour

A survey was also conducted in neighbouring provinces to help shed light on hay and feed transportation costs in Alberta and Manitoba. This information provides a gauge on transportation costs for hay being exported out of province, an important variable in overall forage price determination. Throughout Alberta and Manitoba current rates are reported in the range of \$5.00-\$6.30/loaded mile, with an average of \$5.71/loaded mile. Short hauls are reported at \$100.00-125.00/hour with an average of \$113.00/hour. Refer to Table 2 for current hay transportation rates in regions of Alberta and Manitoba.

Table 2. 2011 Transportation Costs for Forages in Alberta (AB) & Manitoba (MB)

Location	Rate in \$/loaded mile (long hauls)	Rate in \$/hr (short hauls)
Northern AB	6.30	
Eastern AB	5.75	125.00
Southern AB		100.00
Western MB	6.00	
Central MB	5.50	
Eastern MB	5.00	
Average	\$5.71/mile	\$113.00/hour

It appears that there will not be a lot of competition for hay supplies this year, with the exception of the demand in the southern U.S. There have been reports of large square, good quality hay bales being transported to Oklahoma and Texas where there is a severe drought. Transportation laws and regulations for hauling hay in many of the states usually restrict the hauling of large round bales and regulate load heights and widths. However, the severe drought in the south has been deemed a 'state of emergency' and as such, many of these states have suspended some of these regulations for a specific period of time to allow more hay to be transported into the drought affected areas (see <http://www.gotexan.org/HayhotlineHome/HayWaiverInformation.aspx>). These State transport waivers are allowing round bales to be hauled through each designated state. Even so, primarily large square bales are being hauled because they are more conducive for transport because of reduced load shifting. This preference for large squares eliminates much of the hay produced in Saskatchewan as round bales are most common, however producers that put up their hay in large squares are seeing the opportunity to access this market. Round bale producers may be able to access this market if they can find an interested buyer and transporter.

To justify transporting hay south, trucks on back-hauls to Oklahoma and Texas are being loaded with large squares. According to some hay exporters and hay brokers, it costs an estimated \$110.00-138.00/tonne to transport hay from Saskatchewan to Texas, even when back-hauls are used. There are reports of sales at the stack of \$88-150.00/tonne for some Saskatchewan hay being transported to the southern U.S. It would seem that these prices, along with the cost of transporting the hay, are not economically feasible; however, it appears that drought stricken producers are faced with the very difficult options of either paying the high price for bringing in hay or downsizing their cow herds. From conversations with the Texas Department of Agriculture, it was confirmed that livestock producers in that state are not receiving any type of subsidy for purchasing or transporting hay. The same is reported for Oklahoma producers. Due

to some unsuspected height and width regulations in certain states, some loads are carrying one row of small square bales with two rows of large squares to help fill the load weight.

5) Current Saskatchewan Forage Prices

Across most of the province, the 2011 hay crop has been harvested and prices are beginning to reveal themselves as trade has started to occur. Based on this price discovery exercise, hay prices are predicted to be similar to 2010 values. There appears to be a very large supply of hay again this year, however quality should be more affordable compared to last year. Overall hay quality appears to be better than last year due to the cooperative dry weather experienced in most areas during haying operations.

Grass: Straight grass forage tends to be less common than mixed stands of grass and legumes, but it remains an important feed source for the industry. Auction marts in Saskatchewan seem to prefer high percentage grass hay (80-90% grass component) for young calves coming through their facilities. This is a very large component of the demand side of grass hay. Feedlots, backgrounders, and producers that are feeding young calves also look to grass hay as a safer feed source that reduces the risk of bloat. Prices of purchases and sales from within these sectors are reflected in the values shown in Table 3. Wide ranges in prices can be seen in grass hay and is largely due to the variability in quality of this commodity; however, grass hay prices proved to be fairly consistent this year, with prices moderately ranged. Grass hay at the higher end of the price range tends to be of high quality and is generally sourced by the auction marts, while other users like 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. Ducks Unlimited Canada (DUC), noted that acres tendered for hay or grazing in 2011 were increased due to flooding in certain areas. This was an effort by DUC to provide more available hay and grazing land to producers affected by the flooding. DUC tendered approximately 17,000 acres of standing forage. However, most of the hay and grazing land made available due to the flooding did not receive any bids and had poor producer response. Bids on standing forage that was tendered ranged from \$10.00/acre to \$30.00/acre with an average of \$10.00 - \$15.00/acre. The variation in bids is attributed to land access and forage yield and quality differences.

Standing Forages: The September 2011 price scan also captured standing forage prices. In general, standing forage can be priced at an estimated \$39/tonne less than baled forage prices as it costs approximately \$39/tonne to put up hay, according to the Saskatchewan Ministry of Agriculture (http://www.agriculture.gov.sk.ca/avg1107_pg9). In 2010, standing forage was a difficult product to move as wet conditions made haying very difficult. This year conditions encouraged more standing forage movement, however, above average production in many areas reduced the demand for standing forages in those locations. Although more standing forage was moved in 2011 as compared to 2010, trade still remains quite low. Some contacts attribute this decline to the reality that there is no guarantee of the quality when purchasing standing forage, whereas baled forage allows for purchase of the finished product. In a year with ample affordable hay, producers tend to take the safer route of purchasing the finished product and reducing the risk of quality issues. Again it was noted that many of the producers

or organizations selling standing forages are concentrated in the eastern or northern regions of the province.

Greenfeed: Only one greenfeed supply was found on offer across the province. With high grain and oilseed prices experienced last year and continuing this year, this was not surprising as farmers had the potential to make a much higher return on annual crops that were harvested. The depressed hay prices and surplus hay supply also seem to be an important factor as most producers can source local hay that is very affordable, while utilizing greenfeed acres for cash crops. Some producers have also reported that greenfeed oats and barley were left to mature and harvested in order to capture favourable grain prices on these commodities. The fact that there is limited supply of greenfeed available is also attributed to unseeded acres, late seeding, and flooding in certain areas. With harvest well underway and widespread progress being made it is anticipated that greenfeed supplies will not increase significantly. However, weather occurrences including frost and rain could still have an impact and move some crop production into the feed supply.

Clover: Clover is a low demand and low supply forage crop in the province. Only two prices were found within the province for this forage. There is limited to no purchasing by feedlots of this commodity. It appears that many producers are moving away from clover as a forage option mainly due to the fact that it is a biennial crop which requires extensive management and inputs for re-seeding. Perennial forage blends and varieties require much less management and input costs and are therefore preferred by producers. Also, those producers that would normally seed clover on cultivated acres, are choosing to seed cash crops to capture positive returns on grains and oilseeds.

Straw: At the time of this survey, straw values and availability were not yet certain as harvest is still underway. Most buyers purchase straw locally and have good working relations with repeat straw suppliers. Prices for 2011 straw supplies appear to be increasing and availability is reported to be limited in many areas. According to some feedlots, straw is becoming a very difficult product to source. Many farmers are moving away from dropping straw to be baled and are spreading it back on the land. This is partly attributed to the fact that straw swaths left unbaled can create difficulties with seeding the following spring, and straw bales unable to be hauled off the field create an extra obstacle as well. Farmers do recognize the value of spreading straw back on the land as a means to improve organic matter and other soil and nutrient advantages. In order for most livestock producers to source straw, they often have to be willing to pay a high enough price to compensate the grain farmer for lost benefits and offset any perceived nuisances that come with putting up straw. As a result of this changing mindset, straw prices have increased substantially and availability continues to decline.

Organic Hay: There appeared to be very little organic hay on the market during this survey, as only one source was established. The situation in Saskatchewan still seems to indicate a very limited market for organic hay. This is very likely due to the fact that organic livestock producers in Saskatchewan appear to produce organic hay for their own use. There are spotty markets for organic hay in parts of Alberta and Manitoba, and there seems to be a large market for organic hay in the United States. However, these markets are often limited for the Saskatchewan grower due to transportation challenges and costs. It appears that there are very few organic hay producers in the province attempting to market product and that the demand for organic hay in Saskatchewan is very limited.

Table 3. Saskatchewan Forage Prices as of September 15, 2011

(all prices in \$ per metric tonne (\$/T))

Forage Type	Condition	Asking, Settled or Buying Price	# of Traders	Quantity (Acres or T)	High (\$/T)	Low (\$/T)	Weighted Average (\$/T)
Grass	Standing	Buying	1	160	22	22	22
Grass	Standing	Settled	1	8800	24	10	15
Alfalfa/Grass	Standing	Buying	1	160	22	22	22
Alfalfa/Grass	Standing	Settled	1	4960	23	12	17
Alfalfa	Standing	Buying	1	160	22	22	22
Alfalfa	Standing	Settled	1	3200	26	12	18
Standing Hay Totals/Average			6	17,440 acres	\$23	\$17	\$19**
Grass	Baled	Buying	15	12,642	77	40	52
Grass	Baled	Asking	8	2,190	66	44	57
Grass	Baled	Settled	1	254	49	49	49
Grass Totals/Average			24	15,086 T	\$64	\$44	\$53**
Alfalfa (1 st cut)	Baled	Buying	5	4,820	118*	50	68
Alfalfa (1 st cut)	Baled	Asking	19	7,895	88	48	66
Alfalfa (1 st cut)	Baled	Settled	1	1,225	83	83	83*
Alfalfa (1st cut) Totals/Average			25	13,940 T	\$96	\$60	\$72**
Alfalfa (2 nd cut)	Baled	Buying	2	976	116	99	108*
Alfalfa (2 nd cut)	Baled	Asking	3	1,067	127	83	103
Alfalfa (2 nd cut)	Baled	Settled	1	980	110	110	110*
Alfalfa (2nd cut) Totals/Average			6	3,023 T	\$117	\$97	\$107**

Forage Type	Condition	Asking, Settled or Buying Price	# of Traders	Quantity (Acres or T)	High (\$/T)	Low (\$/T)	Weighted Average (\$/T)
Alfalfa/Grass	Baled	Buying	11	17,834	83	44	50
Alfalfa/Grass	Baled	Asking	37	12,743	83	41	59
Alfalfa/Grass	Baled	Settled	1	332	49	49	49
Alfalfa/Grass Totals/Average			49	30,909 T	\$72	\$45	\$53**
Greenfeed	Baled	Settled	1	227	55	55	55
Clover	Baled	Asking	2	365	62	51	55
Other Feed Totals/Averages			3	592 T	\$59	\$53	\$55**
Straw	Baled	Buying	9	5,153	55	35	41
Straw	Baled	Asking	2	390	55	46	51
Straw	Baled	Settled	1	544	45	45	45
Baled Straw Totals/Averages			12	6,087 T	\$52	\$42	\$46**
Organic Hay	Baled	Asking	1	127	62	62	62
Organic Hay Totals/Averages			1	127 T	\$62	\$62	\$62**

* indicates price delivered
** indicates simple average

LEGEND: T = tonne (all prices in CDN \$ per metric tonne (\$/T))

Dehy Alfalfa: According to the dehy processors and several individuals contacted during this survey, alfalfa acres appear to be declining and it seems that this trend will only continue. The high prices in the grain and oilseed sector continue to prompt many producers to consider taking acres out of forage crops to allow for annual crop production. It appears that the low market values experienced in the forage industry are also fueling this shift, as noted by several hay brokers and producers in different regions, particularly in the northeast. This continued decline in forage acreage could potentially make it more difficult for some processors to procure acres. That being said, much like last year, companies did not have difficulty obtaining forage supplies due to the ample 2011 production. Dehy processors require pure alfalfa stands, which eliminates many forage acres in some areas, and the continued decline in forage acres coupled with this reality have the potential to impede on standing forage availability. Also, rising energy costs continue to have a negative effect on this industry throughout Canada. The continued reduction in cow herd numbers in both Canada and the US also continues to have a negative effect on this industry. However, demand remains strong in the UK and Asia, and new markets developing in the Middle East continue to grow.

Alfalfa processing plants in Saskatchewan generally purchase either standing alfalfa or sun-cured (baled) alfalfa or both. They produce sun-cured products and/or dehy products. Processors explained that dehy alfalfa pellets are made from directly harvesting standing alfalfa, where as sun-cured alfalfa pellets are made from baled alfalfa. As a result, dehy pellets tend to retain more vitamins and other nutrients than sun-cured pellets, and this is why they tend to demand a higher price. Much of the standing alfalfa that was required by processors for dehy production was sourced at approximately \$28-45/tonne. Much of the baled alfalfa required by processors to make cubes was sourced at approximately \$83/tonne. Processors noted that the alfalfa crop was very poor in the US this year, and as a result demand for alfalfa cubes and pellets could increase further due to demand from the south. Table 4 provides average dehy product prices in Saskatchewan for 2011. Prices for 2011 are up from last year (2010 prices were \$180/tonne for dehy pellets and \$165/tonne for sun-cured pellets).

Table 4. Saskatchewan Dehy Product Prices for 2011

Product Type	Price \$/T
*Dehy Pellets	213
**Sun-cured Pellets	190

(prices in \$ per metric tonne (\$/T))

**Dehy Pellets – alfalfa pellets made from standing alfalfa*

***Sun-cured Pellets – alfalfa pellets made from baled alfalfa*

Export Timothy: The timothy market in Saskatchewan remains a small market with little movement, as only one plant is processing timothy in the province for export. Another factor impeding on the growth of the timothy market in Saskatchewan is the fact that the main players in the export timothy market in western Canada are still both situated in Alberta. Generally, these Alberta companies do not purchase timothy from Saskatchewan due to the high cost of freight.

Saskatchewan timothy production was well above average this year as most first cut timothy yielded 4 tonnes/acre. It was noted that quality was excellent this year as well due to the dry conditions this summer. According to some processors, the US had a good timothy crop in some of the northern states, so supplies appear to be adequate in these areas. Processors explained that international markets are usually strong in Asia. The new markets emerging in the Arab countries continue to grow slowly. Timothy demand into these international markets plays an extensive role in timothy exports. However, the logistics of having large hay bales transported and delivered into these markets can be problematic, so Saskatchewan processors continue to focus their marketing within North America. A large market is the North American equine industry. Depending on the year, Saskatchewan processors also supply feed into the dairy industry in North America, specifically the US. There has been opportunity for this export this year, as some dairies in the southern US are experiencing feed shortages due to drought conditions. Saskatchewan processors are also focusing small exports in specialty markets including pet food. Table 5 reports timothy prices for the 2011 crop in Saskatchewan. Prices are up from last year (2010 price was \$180/tonne for premium quality timothy), largely due to increased demand in North American markets like the equine and dairy industries.

Table 5. Expected Timothy prices for 2011 crop (SK)

Timothy Quality Level	Price \$/T
Premium	200
Low Premium	185
Standard	160
Utility	120

(prices in \$ per metric tonne (\$/T))

Alberta processors do not purchase any timothy from Saskatchewan, as all plants are located in Alberta and 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 6 includes the averages of expected prices reported by these companies for the 2011 crop. 2011 timothy production was above average in Alberta. Processors noted that domestic demand is mostly for supreme and premium quality timothy and goes into the equine industry as horse hay. They also noted that quite a bit of this type of timothy also goes into the United States (Florida, Kentucky, California, etc.); again to meet the demand of the equine industry. Alberta processors continue to market internationally as well, with demand still strong in Asia, primarily Japan, and a continued growing demand in the Middle East. Please refer to Table 6 for timothy prices for the 2011 crop in Alberta. Prices are higher than last year (2010 price was \$205/tonne for premium quality timothy), reportedly due to increased demand in international markets.

Table 6. Expected Timothy prices for 2011 crop (AB)

Timothy Quality Level	Price \$/T
Supreme (<i>Horse Hay</i>)	233
Premium	213
Low Premium (<i>Choice</i>)	188
Standard	158
Utility	118
Off-Grade	98

(all prices delivered) (prices in \$ per metric tonne (\$/T))

Silage: The price for barley silage was determined by speaking to many medium to large feedlots in Saskatchewan. Most reported that prices are determined through formula based on the price of feed barley, therefore can be expected to rise and fall with these prices. Taking this into account, the price for barley silage should be higher compared to the January 2011 values due to increases in feed barley prices. Most of the feedlots contacted priced silage based on early summer feed barley prices. Feed barley prices during the January 2011 survey were approximately \$3.50/bushel and earlier this summer prices were up at approximately \$4.00/bushel. As a result, barley silage prices provided by feedlots were higher than compared to the January 2011 values. However, the September 2011 barley grain prices are above \$4.50/bushel. This aggressive rise in barley grain prices will no doubt increase barley silage prices into the fall and possibly into next year if these levels are maintained or exceeded. Total silage production appears to be down this year as some feedlots chose to source affordable hay, and harvest barley crops in an attempt to capture the high barley grain market value. A select number of feedlots have even chosen not to fill their pens this fall due to the extremely tight margins in the cattle sector, also contributing to the reduction in silage production.

Many of the feedlots surveyed produce their own silage on their own land. Those surveyed are predicting to price barley silage in the \$43 – 57/tonne range for 2011, with an average of \$48/tonne.

From consultation with several dairy operations it was discovered that alfalfa silage was priced lower at \$36/tonne and that this was largely reflective of the affordable price for alfalfa in the hay market.

6) Regional Forage Pricing Trends

South West: Reports from sources in this area including the SMA Regional Forage Specialist have noted widespread above average hay yields, resulting in the potential for easy access to local hay. Prices are predicted to be relatively low again this year due to well above average hay yields, as much as 2-3 times the average in some areas. It was acknowledged that premium quality could be easier to source in this region this year, as hay conditions were more favourable as compared to 2010. Prices appear to be in the \$40-70/tonne range for hay, with the higher end representing premium quality hay or higher percentage alfalfa blends. It was reported that in some cases, standing hay was being purchased at \$11/tonne and that this was reflective of

the surplus supply. There is some carryover of feed from the previous year and this will only add to the abundant available supply in this region. It was also noted that very limited acres of greenfeed have been put up at this point. With strong grain prices, producers were choosing to harvest fields if this was an option.

South East: The SMA Regional Forage Specialist in this region and reports from other sources in this area indicate that there has been some hay movement in this region. Flooding in the southeast did result in some hay acres being drowned out or inaccessible. However, production in areas where hay crops were taken off was estimated at 150%-200% above the long-term average for the region. There appears to be an adequate local supply of hay available. Prices are in the \$55-\$70/tonne range. There have been reports of standing forage prices averaging \$22/tonne, and that some of this hay was being purchased to be move into the southern United States. It was reported that, even with flooding, there is still sufficient hay in the southeast and they are anticipating prices to remain fairly low. Reports indicated that quality is better in general compared to last year, ranging mostly between fair to excellent. In many areas, weather conditions provided the opportunity for hay to be cut and baled with limited rain damage. However, some areas did experience difficult weather during haying operations, as cool wet conditions resulted in hay stands being more mature than normal when cut; thus, impeding on hay quality in these areas.

East Central/North East: The SMA Regional Forage Specialists in this region and other sources in this area indicate that flooding was an issue in some locations. It was extremely wet in the Yorkton area, and there were some unseeded acres and some flooded hay stands because of the wet conditions. However, hay yields were still reported to be above average across the region. Due to the above average yields for the 2011 crop, prices are expected to be well below the long term average of \$60-66/tonne in the region, ranging from \$44-\$66/tonne for the 2011 crop. It was reported that greenfeed acres appear to be up in this area this year due to flooded acres.

West Central/North West: Reports from sources in this area including the SMA Regional Forage Specialist indicated that this region was wet for much of the spring and early summer, with the exception of some small pockets where moisture was limiting this spring. Reports noted that hay yields are well above average with estimates of 10-50% above normal in most areas. Hay harvest was completed within a reasonable timeframe in most areas, with exception to areas of the northwest that experienced cool conditions this spring resulting in delayed plant growth. Cutting in these areas was nearly a month delayed. Across much of the region, hay quality is much better than last year with most producers reporting good to excellent quality. Pastures have received adequate moisture in most areas resulting in adequate forage production for grazing. Carryover of 2010 winter feed stocks are greater in west central areas, whereas livestock producers in the northwest utilized the majority of feed supplies due to the relatively cold winter. The carryover that does remain tends to be of extremely poor quality, as much of the 2010 hay crop was rained on in the swath and has been sitting in the stack for some time now. High yields are expected to have a significant impact on hay prices for 2011 crop, resulting in relatively low prices reported in the \$55-66/tonne range in this region.

Regional Forage Pricing Trends Summary: It appears that across much of the province, prices are anticipated in the \$40-70/tonne range. Very few areas in the province did not experience above average yields, and as a result there is an overall surplus of hay. With carryover of winter feed

stocks remaining in some areas, it appears that an over abundance of hay will be the reality for most regions. Hay quality is much improved this year in most areas, as weather conditions were overall favourable during the haying season. These variables are expected to result in hay prices remaining below average for the coming winter feeding period.

7) Adjoining Jurisdictions Forage Price Trends

Supply and demand for forages in adjoining provinces and states appears to have had a lesser effect on the Saskatchewan forage market over the past few years, and this is believed to be related to transportation costs. Demand from the northern US states will occasionally have an effect on forage prices in southern Saskatchewan; however, forage production is reported to be adequate or better in these northern states, resulting in limited demand from these markets. Demand from Alberta and Manitoba can similarly have an effect on forage prices in the western and eastern areas of the province; however, forage production also appears to be very good west and east of Saskatchewan and there likely will not be a lot of demand into Alberta or Manitoba markets. The widespread above average moisture situation that the Prairies experienced in many regions in 2010 and 2011 has resulted in abundant hay supplies both locally and in neighbouring markets. Even when demand from these adjoining jurisdictions exists, in most cases livestock hay is rarely transported distances greater than 110-160 kilometres.

In general, it appears that the majority of areas within Alberta, Manitoba, Montana, and North Dakota experienced average to above average forage production. There is a lot of hay moving within the US as supplies trade south to the drought stricken areas of Oklahoma and Texas especially. The area affected by this drought is very vast and, according to the Texas Department of Agriculture, stretches east into parts of Louisiana and Arkansas and west into parts of New Mexico. The demand for hay is being filled first by neighbouring southern states followed by northern states including North Dakota and Montana. There are also reports of hay in the Prairie provinces moving south to fill this demand. However, the demand appears to be limited to large squares in all these regions due to their conduciveness for long haul transportation. This eliminates many forage producers in Canada from accessing this market. Some producers with large square bales in the Prairie provinces and in the northern states are taking advantage of this limited market and are receiving much higher prices than their local markets. Some reports noted prices of \$150/tonne and greater.

With the exception of hay being shipped to the southern states, prices in the adjoining provinces and states were similar to those reported in Saskatchewan (Table 7). The higher end prices reported in Alberta and Montana appear to be for high quality irrigation hay. Little movement of hay in Manitoba has been reported to date.

Table 7. Forage Prices in Adjoining Jurisdictions **(prices in CAN \$ per metric tonne)*

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	61.00-110.00 (9 offers)	-	65.00-157.00 (9 offers)	60.00-97.00 (4 offers)
Alfalfa/grass	44.00-83.00 (16 offers)	44.00-51.00 (4 offers)	71.00-108.00 (11 offers)	53.00-92.00 (4 offers)
Grass	55.00-80.00 (9 offers)	47.00 (1 offer)	81.00 (1 offer)	49.00-92.00 (4 offers)
Straw	26.00-46.00 (4 offers)	-	-	33.00 (1 offer)
Greenfeed	49.00-50.00 (2 offers)	-	-	-
Clover	59.00-73.00 (4 offers)	-	-	-

*Listings sourced from Alberta, Manitoba, Montana and North Dakota provincial/state listings as of September 15, 2011. All prices converted to Canadian \$/metric tonne.

The United States Department of Agriculture (USDA) weekly hay reports monitor the settled price of hay across auction houses in individual states. For the week ending September 9, 2011, prices were as follows *(prices converted to CDN \$ per metric tonne (\$/T))*:

Montana: Hay prices are steady to firm. Trade activity is moderate to active with the majority of inventories, mostly large squares, continuing to move out of state. Demand is good to very good. Hay supplies throughout the state remain adequate on Good quality alfalfa and grass hay, however Premium to Supreme quality alfalfa supplies are somewhat limited in availability. Producers, mostly in the north and north eastern part of the state, are commenting on previously flooded hay fields being out of production for a year or more. On irrigated ground, most producers completed second cutting and some look to be about 10 days to 2 weeks away from third cuttings. On dry land, cutting and baling should be complete with some producers able to get a second cut. Dairy operators have been constantly adjusting their break-evens as forage prices continue to rally.

Alfalfa Hay: Good to Premium large squares \$135.00-162.00/T, large rounds \$92.00-108.00/T. Alfalfa/Grass and Grass Hay: Good to Premium large squares \$129.00-140.00/T, large rounds \$92-108/T. Good to Fair large rounds \$81-92/T. Timothy Grass Hay: Good small squares \$162.00-194.00/T.

South Dakota: Trade and movement are fairly active. Demand is very good with very good buying inquiry noted in all areas. Hay prices are steady. Very good interest is noted from out-of-state hay buyers. Good weather has helped hay production as most third cutting is completed in some areas. Grasshoppers reported to be a growing problem in several areas.

Alfalfa Hay: Premium large squares \$108.00-162.00/T, Good large squares \$92.00-113.00/T, Good large rounds \$86.00-92.00/T, Fair large rounds \$75.00/T. Alfalfa/Grass Hay: Premium large squares \$135/T, Good large rounds \$65.00-75.00/T. Grass Hay: Good large rounds \$70.00/T.

Hay Quality Designations - Physical Descriptions:

Supreme: Very early maturity, pre bloom, soft fine stemmed, extra leafy - factors indicative of very high nutritive content. Hay is excellent colour and free of damage. Relative Feed Value (RFV): >185

Premium: Early maturity, i.e., pre-bloom in legumes and pre head in grass hays; extra leafy and fine stemmed - factors indicative of a high nutritive content. Hay is green and free of damage. RFV: 170-185

Good: Early to average maturity, i.e., early to mid-bloom in legumes and early head in grass hays; leafy, fine to medium stemmed, free of damage other than slight discoloration. RFV: 150-170

Fair: Late maturity, i.e., mid to late-bloom in legumes and headed in grass hays; moderate or below leaf content, and generally coarse stemmed. Hay may show light damage. RFV: 130-150

Utility: Hay in very late maturity, such as mature seed pods in legumes or mature head in grass hays, coarse stemmed. This category could include hay discounted due to excessive damage and heavy weed content or mould. RFV: <130

Overall the USDA indicates that supply and demand are good for forages across the northern states. They do indicate that there is a significant pull for forages from these northern states to the south, but the actual final amount that will be accessed from this supply will not be known until later this fall. There are indications of this pull extending up into Alberta, Saskatchewan, and Manitoba slightly; however, actual amounts appear to be insignificant compared to the local supplies.

8) Forage Seed Retail Prices

Table 8 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.

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 types of seeds. Due to this reality, native seed prices can be very volatile. Refer to Table 8 for the current forage seed prices in Saskatchewan.

Table 8. Forage Seed Prices in Saskatchewan for 2011*(prices in \$ per pound (\$/lb))*

Class	Species	Average Price \$/lb	High \$/lb	Low \$/lb
Grasses	Smooth Brome	2.31	2.47	2.19
	Smooth Brome (common)	2.19	2.31	2.05
	Fleet Meadow Brome	3.04	3.09	2.98
	Meadow Brome (common)	2.96	3.17	2.89
	Russian Wildrye	4.96	4.99	4.89
	Tall Fescue	2.60	2.69	2.49
	Fairway Crested Wheatgrass	3.02	3.09	2.99
	Kirk Crested Wheatgrass	2.93	2.99	2.89
	Crested Wheatgrass (common)	2.68	2.69	2.66
Legumes	Alfalfa hay type	4.19	4.34	3.89
	Alfalfa creeping root	3.87	3.99	3.79
	Alfalfa common	3.34	3.79	2.99
	Cicer Milkvetch	3.82	3.89	3.65
	Sainfoin	2.95	3.01	2.89
	Alsike Clover	2.44	2.39	2.49
	Sweet Clover	2.84	3.00	2.49
	Sweet Clover (common)	2.47	2.59	2.29
Native	Western Wheatgrass	5.05	6.65	4.25
	Northern Wheatgrass	7.52	9.30	5.25
	Slender Wheatgrass	2.21	2.59	1.20
	Green Needlegrass	5.68	6.65	5.15
	June Grass	30.34	37.52	23.50
	Canada Wildrye	7.98	9.30	6.50
	Purple Prairie Clover	28.24	33.66	21.59

9) Saskatchewan Pasture Rates

As seen in previous surveys, there again appears to be a marked difference between pasture rental prices for Provincial or Crown land versus those observed on private land. This is largely due to the assumption that rates on provincially or federally owned land are subsidized as part of the pasture programs employed by these two levels of governments.

In this survey, the Saskatchewan Ministry of Agriculture, the AAFC-Agricultural Environmental Services Branch (AESB) (formerly PFRA), and the Saskatchewan Watershed Authority were all contacted regarding grazing rates for 2011.

Rates for grazing land owned or managed by these agencies were \$0.45/cow per day. Normally in these agency owned pastures, the owner of the cattle is provided with fence, water, and animal management. Agencies reported that in addition to the per day charge, there is also a calf fee of \$20-25/calf per season, a breeding or bull fee of \$30-40/cow per breeding season, a mineral fee, and a land tax fee. Any vet or medicine costs are charged to the owner of the cattle as well for each individual treatment. However, in most cases, even after additional fees have been added to the grazing cost, the rate per cow/calf pair is still well below rates reported for private grazing agreements. Saskatchewan Ministry of Agriculture staff estimate that rates are approximately \$0.85/pair per day when all other costs are calculated in.

Pasture listings in the Western Producer for August, the Saskatchewan Feed Grain and Forage Listing in August, as well as personal contacts were used to determine average prices for private grazing agreements. A limited amount of information on private land grazing rates was discovered during this survey. This is likely due to the nature of this business where most arrangements are made person to person. Grazing rates for private land ranged from \$0.60-1.25/cow-calf pair per day, \$0.70-0.90/yearling per day, and \$1.25/bull per day. The rates for cow/calf pairs range widely partially due to the difference in services that are provided as part of the private land agreement. Some rates include animal management, while others do not. Also, some producers charge a different rate for commercial pairs as compared to purebred pairs, with the higher end charged for purebred animals. An average of \$0.70/cow-calf pair per day could be considered an average rate for situations where the landowner is simply renting out fenced pastureland and is not responsible for animal management. Animal management in these cases is the responsibility of the animal owner. The higher prices for private land grazing (\$1.00-1.25/pair per day) would likely be associated with situations where the landowner is providing some animal management or water management for the pasture being rented.