

Forage Market Price Discovery in Saskatchewan

As of September 21, 2012



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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 depict the current market situation.

September is traditionally the starting point in the annual forage market as the current year's crop begins to trade. September 2012 has been full of anticipation as many producers eagerly seek to determine 'actual' hay values. A wet, cool spring resulted in a slow start for forage crops across much of Saskatchewan. However, as the growing season progressed, many areas in the province enjoyed average or slightly above average hay yields due to timely moisture. Last year producers across much of the province had cooperative weather during July and August, resulting in a quality hay crop. However in much of central and northern Saskatchewan in 2012, frequent showers and high humidity meant rained on swaths or mature hay fields being cut. For this reason, the quality of forage in these areas is expected to be lower. The majority of producers have completed haying operations and many livestock producers are shifting their focus to baling straw. There are many indications that forage prices will be higher this year than in recent years due to slightly lower production than in recent years as well as demand from neighbouring jurisdictions. Prices for 2012 hay that has already traded confirm this increase in pricing in the 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 2011 crop moved between the previous price survey conducted in January 2012 and September 2012 or still on offer. Due to the significant production of hay in 2010, 2011 and good carryover across much of Saskatchewan, some producers are still moving 2011 hay stocks. This report gives a starting point for buyers and sellers looking to price 2012 forages.

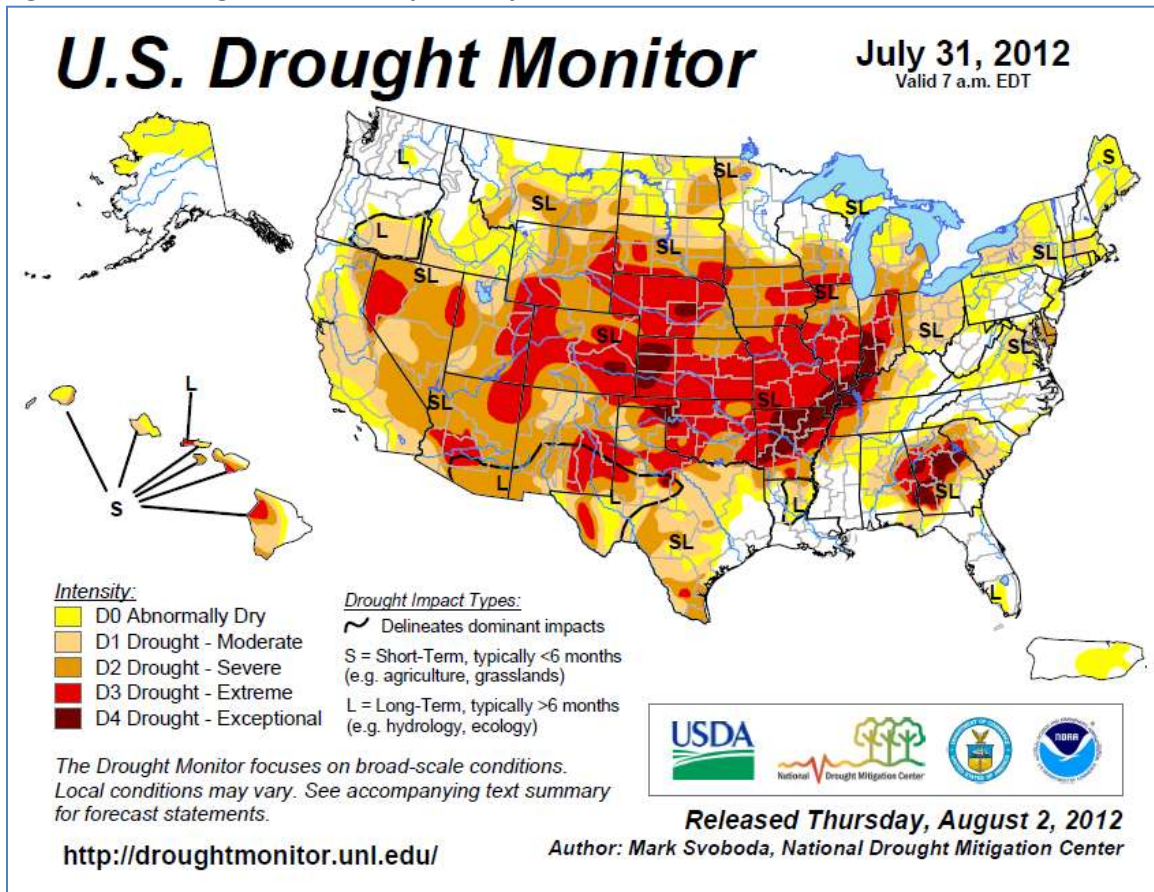
2) Saskatchewan Forage Production Trends for 2012

The mild winter (2011-2012) coupled with above average hay yields in 2011 has resulted in most areas of Saskatchewan reporting adequate to abundant hay stocks. The growing conditions in 2012 started off cool and moist in most of Saskatchewan this spring and as a result hay fields were slow to start growing. Moisture conditions were ample across much of the province, with the exception of the south west and small areas in the south east. However, spring moisture allowed most regions to support average hay crops. Many Saskatchewan producers reported above average forage yields due to this precipitation and good moisture reserves. However, high humidity and frequent showers made haying conditions difficult across much of the north and central parts of the province. As a result hay quality may suffer due to rained on swaths or mature stands being cut. Those able to put hay up in late June and early July avoided some of these showers and are expected to have good to excellent quality hay. Hay cut during later July and into August may be of poorer quality. Another challenge to forage crops this year was the alfalfa weevil. Regions including the south east, south central and central Saskatchewan reported impact from this pest during 2012. The weevil showed up in alfalfa fields

approximately two weeks earlier than normal this year catching some producers off guard. Up to a 30% reduction in yield from alfalfa stands due to weevil damage have been reported.

In general, regional agronomists and the other stakeholders contacted during this process report that hay is moving in their areas, but that local movement of forages is light. The exception this year is hay moving from many areas of southern Saskatchewan into the US. Regions close to the border and into central areas of the province are seeing significant movement of hay into the US this year. Figure 1 shows a drought map of the US from July 31, 2012 published by the USDA. It depicts the widespread nature of drought in that country which has livestock producers scrambling for feed affecting demand and prices for hay in Saskatchewan.

Figure 1. US Drought Monitor Map for July 31, 2012



There appears to be two markets evolving for hay in Saskatchewan; local and export. In areas where significant amounts of hay are being sent to the US (particularly in southern SK), prices for local hay are being impacted. This is less of an issue in more northern regions of the province. For this reason, hay buyers in Saskatchewan are paying more for hay than last year and in some areas are holding off buying to see if prices remain high or begin to stabilize as more product begins to trade.

Another trend noted during this analysis is the report of fewer feedlots filling their pens this fall in Saskatchewan due to the extremely tight margins currently in the beef sector, and the continuing decline in the North American cow herd. In Saskatchewan, the beef cattle industry is

the largest user of forages thus has a large impact on demand for forage acres. With cattle numbers trending down, demand for forage has dropped off from the highs seen during the post BSE years.

Forage acres in Saskatchewan appear to be static or on the decline, as some producers take forage crops out of production to sow annual cash crops instead. This trend is largely due to record high prices in the grains and oilseeds sector creating strong competition for acres. Coupled with weakening demand due to a declining cow herd, some producers see potential to increase profits by taking acres out of forage production. Actual acres 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.

Manitoba reports average or below average hay yields this year and coupled with low hay stocks from 2011 and hay moving south, may contribute to a slight forage deficit in that province. As a result, hay prices in Manitoba are up from average anywhere from 50 – 75% with some cases of 100% above average. These conditions may create opportunities for Saskatchewan hay producers with excess product. Additionally, drought in Ontario has created demand for hay as well and there are some reports of hay moving from Saskatchewan to fill this demand.

Greenfeed and crop residue may become important feed sources as harvest nears completion across the province. However, actual greenfeed production appears to be low due to relatively large hay stocks and the potential returns for cash crops. 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. Seeing as the majority of the annual crop harvest is now complete, it appears that greenfeed will not play a significant role in the feed market. Straw appears to be in demand in many areas of the province where limited supply is available. Again, buyers report that many of the larger farming operations do not want the inconvenience of dropping straw, and are concerned about conserving the nutrients and soil improving benefits that spreading straw back on the land offers. This has resulted in a reduced supply of straw in some areas and has increase the price of this commodity.

During the past several weeks, weather has cooperated to allow widespread harvest progress. Regional agrolgists report that pasture conditions and water supplies are good in most of the northern and central areas but are becoming limited in some southern areas that have been short of moisture for the past few months. Depending on fall weather, most areas predict that cattle will come off pasture at the usual time for their regions. An early or extended cold winter could support hay prices if local buyers are forced to bring in feed at the current higher price. Also, if demand continues to draw Saskatchewan hay into the US, prices could remain at current levels into the winter.

3) Field Pest Impact and Reports for 2012

The 2012 Saskatchewan Ministry of Agriculture Crop Reports made limited mention of gopher (Richardson Ground Squirrels) damage with the exception of localized areas in the southwest and northeast. The 2011 Forage Market Report stated that areas which normally report gopher damage to perennial crops were seeing a decline in populations. The decline was attributed to a combination of rodenticide sales and the "gopher rebate program" that supported control

programs for this pest as well as predation and disease. Additionally, significant, widespread population decreases are 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. These conditions prevailed in both 2011 and 2012 and may have contributed to the reduction in gopher populations across much of the province.

The 2012 Saskatchewan grasshopper forecast predicted low populations across much of the province with only a few RM's showing moderate to severe infestations. Excessive moisture and cool conditions in the spring of 2011 and 2012 were not conducive to grasshopper development. However, hot and drier conditions experienced in the southern areas of the province during July and August were favourable for grasshoppers. Nonetheless, significant damage to perennial crops was not reported.

There have been a greater number of reports coming in to 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 after the last two growing seasons, this pest appears to be moving north and west. According to the Regional Forage Specialist in Moose Jaw, alfalfa weevils were present in many fields throughout this region as far west as Moose Jaw. The Specialist at Yorkton reported that weevils had an impact on yields of alfalfa fields in the region but to a lesser extent than first estimated. Weevils did not seem to be a problem north of Canora. The Regional Forage Specialist in Weyburn also reported that there were significant numbers of alfalfa weevils in the area causing up to a 30% reduction in alfalfa yields in some cases. Alfalfa weevils were reported up to two weeks earlier than normal during 2012. In most cases, producers opt to cut the hay earlier where possible as opposed to controlling this pest by chemical means. However, as the weevil was showing up early in fields, damage was largely done by the time producers identified the problem. The increase in weevil populations may be partially due to the mild winter and adequate soil moisture going into the 2012 growing season. As in previous years, forage specialists and field staff conducted insect sweeps for alfalfa weevil, lygus bugs, and alfalfa plant bugs during June and July across the province. The results of the sweeps are currently being analyzed, and will become available in the coming months.

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 holding or are up slightly due to increases in fuel costs. Throughout Saskatchewan, current rates are anywhere in the range of \$5.50-\$6.25/loaded mile for hauling hay, with an average of \$5.92/loaded mile. Short hauls are reported at \$100.00-175.00/hour with an average of \$135.00/hour. Although 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 up slightly compared to the September 2011 survey.

Trucking companies report that they have begun moving hay and expect to see increased activity into the fall. Saskatchewan hay buyers again note the significant cost of moving hay,

which for the most part limits purchases to an area within 70 miles of feeding yards. Sourcing hay locally is not predicted to be a problem this year with ample supply in most areas. The exception noted is hay moving into drought stricken areas of the US, eastern Manitoba and Ontario. While transportation costs are normally limiting to these long distance hauls, trucking companies are reporting a significant increase in calls from out of province buyers.

The HayEast 2012 mission is to be organized by producer groups to help farmers in Ontario sustain livestock through the winter, and the Ontario Federation of Agriculture says that it will go a long way in addressing the emergency situation on many eastern Canada farms. At this time, volumes of hay to be transported as part of the HayEast 2012 program are unknown. For more information on Hay East 2012, visit their website at www.hayesat2012.com. Table 1 provides current transportation rates in Saskatchewan for hay and feed.

Table 1. 2012 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	130.00
North West	5.50	
Central		140.00
East		122.50
South	5.50	
South West	6.13	
Provincial Average*	\$5.92/mile	\$135.83/hour

*Provincial average calculated by averaging all reported values from across the province.

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 \$5.83/loaded mile. Short hauls are reported at \$95.00-125.00/hour with an average of \$110.00/hour. Refer to Table 2 for current hay transportation rates in regions of Alberta and Manitoba.

Table 2. 2012 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	6.00	125.00
Southern AB		110.00
Western MB	6.00	
Central MB	5.00	95.00
Average	\$5.83/mile	\$110.00/hour

*Average calculated by averaging all reported values from across the two provinces.

As mentioned previously, there is demand for Saskatchewan hay into the drought areas of the central and southern U.S. Although it is unable to gauge exact amounts, reports indicate that more hay has already gone south this year than in the previous decade. Demand is strong enough that not only large square, good quality hay bales are being transported, but large round bales are moving south as well. Due to the extreme and widespread drought, many states have lifted or relaxed transportation restrictions to allow feed to come into these areas. In addition, transportation programs are available for many producers who have to truck hay in from long distances for livestock. Large square bales are still preferred and will likely receive a premium due to reduced load shifting and the greater load weights that can be achieved using these bales.

To justify transporting hay south, trucks on back-hauls to the US are being loaded with hay. According to some hay exporters and hay brokers, transport can easily double the cost of hay when transporting into the southern states even when back-hauls are used. There are reports of sales at the stack of \$66-150.00/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 purchasing high priced hay to hold on to their core herd or liquidating altogether.

5) Current Saskatchewan Forage Prices

Across most of the province, the 2012 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 up from 2011 values. At first glance, prices for alfalfa and alfalfa/grass hay are up an estimated 10-30% however caution needs to be applied in using these values. Two markets for hay seem to be evolving in Saskatchewan: local and out of province. The higher prices are largely seen for hay south of the number one highway based on demand for hay going into the US. Prices for hay within Saskatchewan, especially in central and northern regions appear to be less affected by US demand and prices are reported as similar to slightly higher than in 2011. Hay yields are somewhat lower than last year but remain at average or slightly above long-term yield averages. Good quality forage may be more difficult to find due to difficult haying conditions in many central and northern regions.

Grass: Pure stands of grass only forage is less common than legume grass mixes in Saskatchewan, but is in demand from some buyers. For example, auction marts in Saskatchewan report that grass forage is preferred for young calves coming through their facilities. This is a very large component of the demand side of grass hay. Although it is a smaller market, buyers of horse hay also seem to prefer grass forage. 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, and horse owners.

The standing grass prices are mainly limited to conservation lands. Ducks Unlimited Canada (DUC), noted that the final tally of acres tendered for haying as well as number of acres grazed

in 2012 under long-term grazing agreements will not be compiled until November of this year, so estimates were provided. An estimated 4000 acres of standing forage were tendered for haying in 2012 and prices paid were in the \$10-20/acre with an average of \$15/acre. The variation in bids is attributed to land access and forage yield and quality differences.

Standing Forages: Prices for standing forage were difficult to find as there were few advertized listing. 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). Price discovery for this product is difficult as many deals are conducted at the farm gate level and there are few acres advertised. Also, with reduced cow numbers in the province, there is less demand for standing forage especially when baled forage is abundant. 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.

Greenfeed: Only one greenfeed supply was found on offer across the province at this time. 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 relatively low price for hay when compared to annual crops and ample supply of hay seem to be important factors as most producers can source local hay that is 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. With harvest nearing completion, 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. In fact, no prices or offers 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: Prices for 2012 straw supplies appear to be increasing and availability is reported to be limited in many areas. According to some feedlots (especially those in the south), 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 obstacles as well. Additionally, farmers recognize the value of spreading straw back on the land as a means to improve organic matter and other soil and nutrients. In order for most livestock producers to source straw, they often have to be

Table 3. Saskatchewan Forage Prices as of September 20, 2012 *(all prices in \$ per metric tonne (\$/T))*

Forage Type	Condition	# of Traders	Quantity (Acres or T)	High (\$/T)	Low (\$/T)	Weighted Average (\$/T)
Grass	Standing	1	4000 Ac	20	15	15/acre
Alfalfa/Grass	Standing	4	1962 Ac	33	16.5	34
Alfalfa	Standing	5	3260 Ac	50	30	45
Grass	Baled	17	9,575 T	132	30	67
Alfalfa (1 st cut)	Baled	30	34,582 T	150	37	76
Alfalfa (2 nd cut)	Baled	4	2,631 T	150	95	105
Alfalfa/Grass	Baled	44	30,909 T	94	16	68
Greenfeed	Baled	1	500 T	65	65	65
Straw	Baled	19	15,980 T	73	25	42

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

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 over the past number of years and availability continues to decline.

Organic Hay: There appeared to be no organic hay on the market during this survey, as no offers were found. 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 for the most part 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.

Dehy Alfalfa: 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. This continued decline in forage acreage is making it difficult for some processors to procure sufficient alfalfa acres. Most processors report that although they were able to source enough acres to fulfill contracts, they are unable to tap into emerging markets in the Middle East without being assured of a more stable supply. Another big hurdle for this industry is transportation of product to markets. The US continues to have an advantage over Canadian processors and without significant change to transportation issues, this will remain the case. e East continue to grow.

Alfalfa processing plants in Saskatchewan generally purchase either standing alfalfa or sun-cured (baled) alfalfa or a combination of the two. 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 as a result tend to demand a higher price. Much of the standing alfalfa that was required by processors for dehy production was sourced at approximately \$30-50/tonne. Much of the baled alfalfa required by processors to make cubes was sourced at approximately \$95/tonne. Processors noted that the alfalfa crop was 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 5 provides average dehy product prices in Saskatchewan for 2012. Prices for 2012 are up from last year (2011 prices were \$213/tonne for dehy pellets and \$190/tonne for sun-cured pellets).

Table 4. Saskatchewan Dehy Product Prices (per metric tonne) for 2012

Product Type	Price \$/T
*Dehy Pellets	273
**Sun-cured Pellets	250
***Cubes	240
<i>*Dehy Pellets – alfalfa pellets made from standing alfalfa</i>	
<i>**Sun-cured Pellets – alfalfa pellets made from baled alfalfa</i>	
<i>***Cubes – alfalfa cubes made from baled and standing alfalfa</i>	

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 (Wilbur-Ellis and Green Prairie International). Generally, these companies do not purchase timothy from Saskatchewan due to the high cost of freight.

Saskatchewan timothy yields are reported as average this year, but that quality is excellent due to the dry conditions during the early summer. International markets remain strong in Asia and new markets are emerging in the Arab countries and are continuing to grow slowly. The logistics of having large hay bales transported and delivered into these markets continues to be problematic, so the Saskatchewan processors tend to focus their marketing within North America. Their largest market is the North American equine industry. Depending on the year, timothy also enters the dairy industry in the US. There may be opportunity for this again in 2012 as many dairies in the southern US are experiencing feed shortages due to drought conditions. Additionally, there are smaller specialty markets for timothy as a pet food. Table 6 reports timothy prices for the 2012 crop in Saskatchewan. Prices are similar to last year (2011 price was \$200/tonne for premium quality timothy). An estimate of \$150/tonne for standard grade was reported, but no standard grade has been sources at the time.

Table 5. Expected Timothy prices for 2012 crop (\$K)

Timothy Quality Level	Price \$/T
Premium	200
Low Premium	No prices
Standard	150*
Utility	No prices

* Estimate

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

Alberta processors do not purchase any timothy from Saskatchewan, as transportation costs are limiting. However Alberta processors were contacted for this report to get a better idea of timothy prices in Western Canada and table 7 includes the averages of expected prices reported by these companies for the 2012 crop. 2012 timothy production was average. 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 confirm that international markets remain important to this industry with demand still strong in Asia, primarily Japan, and continued growing demand in the Middle East. Please refer to Table 7 for timothy prices for the 2012 crop in Alberta. Prices are higher than last year (2011 price was \$213/tonne for premium quality timothy), reportedly due to increased demand in both domestic and international markets.

Table 6 Expected Timothy prices for 2012 crop (AB)

Timothy Quality Level	Price \$/T
Supreme (<i>Horse Hay</i>)	247
Premium	238
Low Premium (<i>Choice</i>)	215
Standard	180
Utility	124

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

Silage: The price for barley silage was determined by speaking to medium and 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 2012 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 2012 survey were approximately \$4.00-4.50/bushel while prices have jumped to \$4.60-6.00/bushel this summer and fall. As a result, barley silage prices provided by feedlots were higher than compared to the January 2012 values. Barley grain prices are predicted to increase and the high prices will have upward pressure on barley silage prices into the fall and possibly into next year if the price holds or increases. Total silage production appears to be down again this year due to the high cost and competition for acres for grain and oilseed crops. Several lots have closed or changed hands in the last year due to a number of factors including feed costs, reduced cattle numbers and tight margins in the feeding business.

The 17 feedlots surveyed vary in capacity from 1,000 to 30,000 head. Many of the feedlots produce their own silage on their own land. Those surveyed are predicting to price barley silage in the \$50 – 70/tonne range for 2012, with an average of \$61/tonne.

Alfalfa silage price has been much more difficult to nail down partially due to the fact that production of this forage is less common than barley silage as well as other factors. In consultation with dairies, nutritionist and other industry experts, the price of alfalfa silage is elusive this year partially due to volatile feed markets. This coupled with the fact that alfalfa silage is predominantly used on farm and not sold in a marketplace has meant that a price will not be reported in this survey.

6) Regional Forage Pricing Trends

South West: Producers in the area have noted above average hay yields although lower than in 2011. This should mean an ample supply of hay for the area. Local movement of hay is light at this time, but many predict prices will be up significantly from last year due to demand for hay to go south. Prices appear to be in the \$50-100/tonne range for hay, with the higher end representing premium quality hay or hay to be shipped into the US.

The Regional Forage Specialist reports that accurate pricing has not yet been developed for the 2012 hay crop, but it is anticipated that prices will be higher than the previous two years due to

demand for hay to go south. He commented that more hay is going south out of this region this year than has in the previous 15 years. There is above average carryover of hay from the previous year so many local buyers are waiting to see if high prices prevail into fall and winter. He noted very limited acres of greenfeed and a limited amount of straw in the area.

South East: There has also been hay movement in this region. Production was average to above average in most areas with significant damage reported in alfalfa stands due to alfalfa weevil. Forage stands dominated by alfalfa in some areas of this region saw reduction in first cut yields of up to 30%. However, production levels should mean that hay supplies in this region will be adequate again this year. Prices are in the \$55-\$100/tonne range with the higher prices associated with hay going south of the border. There are unconfirmed reports of up to \$150/tonne as well. The Regional Forage Specialist and others in this area report a significant amount of hay going into the US from this region. Similar to the south west region, local hay buyers are noticing significant upward pressure on hay prices. The Regional Forage Specialist notes that significantly more second cut hay will be produced in this region as compared to normal. Prices for second cut hay are not yet clear as there has been limited trade to date.

East Central/North East: Much of the hay in the east central region was put up in good to excellent condition with yields reported as average. However, localized thunderstorms and high humidity did lower the quality for some producers and stretched out the haying season. In the north east region, rains and humidity caused more of a problem during haying season thus hay quality will likely be average or below average with yields reported as above average. Alfalfa weevils impacted forage crops in the east central region but did not appear to be a problem north of Canora. Prices are reported in the \$50-80 range and there is less hay moving into the US from these regions. Regional Forage Specialists predict that prices will be near average or slightly above average going into the fall. In east central regions there may also be an adequate supply of greenfeed from fields seeded late due to wet spring conditions.

Central/West Central: In central areas, yields were average to below average with variable quality due to challenges with weevil infestations and slow drying of the cut hay. Some hay is starting to move with most transactions occurring within the local market. Prices are on a slight rise due to the lower availability of high quality hay. In west central areas, the Regional Forage Specialist reports that if producers cut hay late June there was excellent haying weather. In July the weather was more unsettled with showers and high humidity making baling of good quality hay more challenging. However it was still possible to miss these showers and put up good quality hay. He also reports that there is not significant hay movement out of this region so prices are not clearly established. From this survey, prices in the area are reported in the \$40-75 range.

North West: Regional Specialists also note the long haying season due to frequent showers and high humidity slowing the dry down process. Yields are reported as average for the region but quality may be down due to rain on swaths or mature stands being cut. Due to the lateness of haying and onset of harvest, little hay is moving in this area. Prices reported in the region range from \$35-75 with the lower prices associated with older or lower quality hay.

Regional Forage Pricing Trends Summary: It appears that across much of the province, prices are anticipated in the \$50-80/tonne range. Supply of hay appears to be adequate with most

areas reporting some carryover from last year and average yields during 2012. However, demand from the US may draw out a significant portion of hay from Saskatchewan this winter, especially in southern areas. This demand has put upward pressure on prices. Many predict that this demand will persist through the fall and winter and if it does could have the potential to reduce supplies of hay in southern areas. High quality hay may be harder to find especially in central and northern regions where haying conditions were difficult for much of July and August. These variables are expected to result in hay prices remaining above average for the coming winter feeding period.

7) Adjoining Jurisdictions Forage Price Trends

Supply and demand for forages in adjoining provinces appears to have had a lesser effect on the Saskatchewan forage market this year than the demand from the US (see section 2 for details). Prices reported on the Montana and North Dakota hay listings range from 50-150/T with the prices over 75/T more frequently listed for 2012 hay. A limited amount of hay appears to be moving into Manitoba and Ontario who have also had dry conditions and a resulting decrease in forage supplies. As always the main determining factor in movement of hay is related to transportation costs. Transportation programs and disaster assistance appears to be available to many livestock producers bringing in feed to the US states while these supports are less available to those in Manitoba and Ontario. This year certainly appears to be the exception to the rule with hay being transported over very long distances.

The Provincial Forage Specialist in Manitoba reports that provincially yields are slightly below average for 2012 (above average in the south west, average in north, slightly below average centrally, and well below average in south east). Many producers are waiting for the last cut of the season to determine how limited their supply is. Manitoba has had significant amounts of hay going to the US, some traded locally, and the rest are waiting until the final harvest to sell or buy. Prices are up 50-75%, and in some cases 100% above average. (5 cents/lb or 110/T for average quality beef hay, at the stack).

Reports from Alberta indicate that hay is in good supply with additional feed coming from salvage crops that were damaged during hail and wind storms this summer and ample carryover from 2011. Prices may be slightly higher than last year because of the increased amount of quality hay on the market. Many producers were able to put up first cut hay in good to excellent quality if it was cut early in the summer. Additionally, many places have had the opportunity to put up second cut hay that is expected to be good quality. Prices are expected to be in the \$66/T range for good quality first cut alfalfa/grass hay.

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 firm. Trade activity mostly light to moderate. Demand very good for all classes. Ranchers opting to hold on to additional hay supplies as majority prepare for winter. All prices are dollars per ton and FOB unless otherwise noted.

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 price)	Montana State listing service (asking \$/T)	North Dakota State listing service (asking \$/T)
Alfalfa	40-200 (11 offers)	77-132/T (2 offers)	71-220 (7 offers)	-
Alfalfa/grass	44-132 (45 offers)	55-77/T (3 offers) 25-50/bale (8 offers)	60-150 (10 offers)	85/T (1 offer) 30/bale (1 offer)
Grass	42-115 (16 offers)	28-45/bale (4 offer)	55-143 (9 offer)	77-90/T (4 offers) 32-45/bale (4 offers)
Straw	-	10-15/bale (4 offers)	50-86 (8 offers)	18/T (1 offer) 20/bale (1 offer)
Greenfeed	54-59 (2 offers)	66/T (1 offer) 10-17/bale (6 offers)	138 (1 offer)	-

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

**Prices presented here are across all cuts, qualities and types thus the large range.

Alfalfa Hay: Good to Premium small squares 200.00-250.00, large bales 200.00-265.00; Good to Fair large bales 150.00-180.00. Mixed Alfalfa/Grass Hay: Good to Premium large bales 180.00-200.00. Timothy Hay: Good to Premium small squares 235.00-250.00. Straw: large bales 70.00-85.00.

South Dakota: Compared to last week: All classes trading steady to firm. Producers and buyers are waiting to understand the upcoming feeding needs of the region before contracting remaining hay. Light to moderate demand with slow trading activity. All prices dollars per ton FOB stack in large square bales and rounds, unless otherwise noted. Most horse hay sold in small squares. Prices are from the most recent reported sales. Alfalfa: Premium large squares 225.00-250.00; Premium large rounds 200.00; Good large rounds 175.00. Alfalfa/Grass Mix: Premium large squares 125.00-150.00; Fair large rounds 100.00-105.00, 110.00 Del. Oat Hay: large rounds 170.00. CRP Hay: large rounds 130.00-160.00.

USDA 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

8) Forage Seed Retail Prices

Table 9 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. Another trend noted by seed retailers during this survey is the rise in smooth brome prices. Supply is down this fall so prices have increased due to difficulties in sourcing this particular species. All seed companies also remarked that their revised seed pricing will be released between October and December of 2012 to better reflect prices for the upcoming year. Refer to Table 9 for the current forage seed prices in Saskatchewan.

Table 8. Forage Seed Prices in Saskatchewan for 2011

Class	Species	Average Price \$/lb	High \$/lb	Low \$/lb
Grasses				
	Smooth Brome	3.59	3.89	3.39
	Smooth Brome (common)	3.46	3.59	3.29
	Fleet Meadow Brome	3.44	3.49	3.29
	Meadow Brome (common)	3.28	3.39	3.09
	Russian Wildrye	5.81	6.99	4.96
	Tall Fescue	2.61	2.69	2.49
	Fairway Crested Wheatgrass	3.06	3.19	2.99
	Kirk Crested Wheatgrass	2.98	3.09	2.93
	Crested Wheatgrass (common)	2.72	2.79	2.69
Legumes				
	Alfalfa hay type	4.23	4.89	3.53
	Alfalfa creeping root	3.94	4.14	3.67
	Alfalfa common	3.56	3.79	3.09
	Cicer Milkvetch	3.92	4.17	3.65
	Sainfoin	3.00	3.09	2.90
	Alsike Clover	2.67	2.79	2.59
	Sweet Clover	2.80	2.99	2.49
	Sweet Clover (common)	2.42	2.49	2.29
Native seed prices in \$/kg				
Native	Western Wheatgrass	11.88	16.71	10.23
	Northern Wheatgrass	17.56	18.70	16.27
	Slender Wheatgrass	6.81	8.91	3.92
	Green Needlegrass	14.12	16.60	12.52
	June Grass	60.27	63.82	55.11
	Canada Wildrye	18.38	19.58	15.98
	Purple Prairie Clover	84.62	96.45	68.34
	Hairy Vetch	11.12	14.27	7.94

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, Agriculture and Agri-Food Canada (formerly PFRA), and the Saskatchewan Watershed Authority were all contacted regarding grazing rates for 2012.

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.