

December 2011
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Fall Edition

ACX ADVISOR

Highlights:

- ACX Ellensburg presentation at WA Hay Grower's conference 12 Jan...

- Alfalfa acres in California expected to rise next year...

- Farmers in PSW continue holding on to inventory...

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Pacific Northwest - PNW Ellensburg Division Update

Growers enjoy the winter break from hay, but continue harvesting corn throughout the winter. Most alfalfa fields have gone dormant in the PNW as winter weather takes over.

Many areas have experienced good snowfall. Shipments are steady with no major weather delays reported.

Hay stocks continue moving from farmer's fields to domestic and export buyers. Shipments from the PNW all the way to Texas have been reported. Inventory is very tight but hay inventories are expected to carry over into the new year.

Several shipping lines have been removing capacity from their transpacific services. Containers are becoming hard to obtain and many are unsure whether this will continue. It will be important to make arrangements for orders in advance and have all details set up in advance.

Milk prices and demand from US domestic dairies remain stable and Alfalfa inventories are expected to clear up before new crop.

ACX will be participating in the Washington State Hay Grower's convention in Kennewick, WA on January 11-12, 2012. ACX has also been asked to give a presentation on exports at 3pm on January 12. In addition, we will have a display booth at the convention. Please stop by to visit if you are in the area.





Pacific Midwest - PMW

Stockton Division Update

Alfalfa planting is finishing up this week in all areas with expectations for high demand 2012. Snow levels need to increase over the next 2 months to allow for a good water supply.



Alfalfa prices still holding as farmers feel supply inventories are light and buyers must buy for winter. Any hay stored in barns will go for horses and other small farms unwilling to buy full truck loads.

Acres of alfalfa will be up in the Southern San Joaquin Valley due to demand. Rumor has it dairies will also plant alfalfa if possible, but most dairies grow corn and wheat with waste water.

ACX is Ready



Growers are excited about growing Sudan next year. Record high price and demand for top export quality has farmer's early contracting seed for 2012 planting. The domestic market remains strong for Sudan, wheat straw and anything else they can feed cheaper than high price alfalfa.

Dryland oat hay is planted in the Central Valley; acreage is expected to be up 5 to 10% over last year. These types of hay products will continue to bring high prices and open the eyes of growers looking for a good crop to market.



Rice harvesting is finished in the Sacramento area and several growers are now planting Dryland wheat. Wheat straw will be plentiful going into next summer with good rainfall.

Plans have been finalized and construction is soon to start on a dry powdered milk plant to be built in Fallon Nevada. This plant could double the number of dairy cattle in Northern Nevada. The plant should be in operation in the next 12 months and in full production in the next two years.



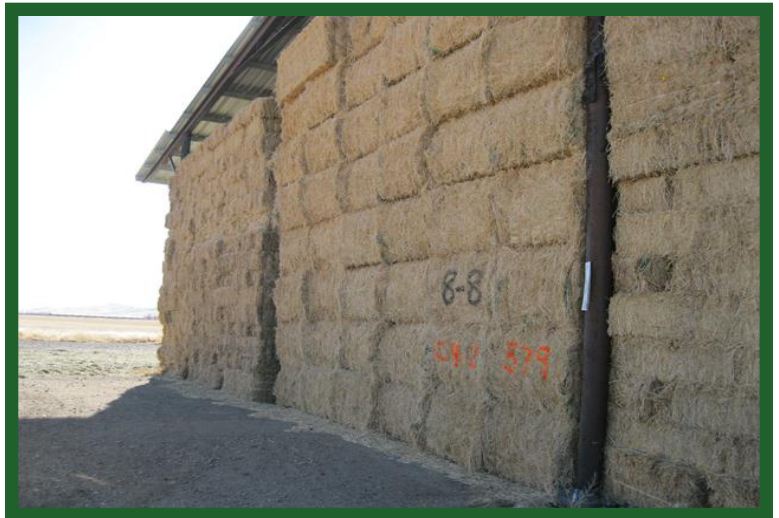
Pacific Southwest - PSW

Wilmington Division Update

Alfalfa hay and forage trading on most of the west coast has been very slow the past few weeks. Most growers and buyers are focusing on plans to finish the winter and start the season for 2012.

Trading of Alfalfa and other grasses has quieted significantly, although some prices have remained high. Many people in the industry are concerned about the supply and demand situation over the winter.

There is speculation that tight supplies and heavy demand from drought stricken Texas could keep prices high through the winter, but increased acres, cash trouble, low milk prices and decreased rations could counteract those factors.



Some farmers are continuing to hold stock until after the new year arrives. There are preliminary estimates, but a good portion of tonnage may still become available in January 2012 from farmers holding product for speculation and/or tax reasons.

Most movement in the export market has been steady and consistent with some price resistance in late quarter three, early quarter four slowing some sales. Many customers are limiting their supply chain to monthly acquisitions to avoid future risk in a possible down market.

One thing is certain, that the transition from 2011 season to 2012 season will be very interesting and depending on several factors outside of most people's control.

ACX Wilmington Division continues to develop the Pacific Southwest supply chain, reduce costs and improve quality control. Going into the third year for this division we will focus on long-term supply and volatility management to support our farmers and customers into the new season and for many more years.



Weather Update

The below is a weather forecast for the primary growing regions of the Western 11 states. Please visit the weather section at acxpacific.com for more information.

Date	PNW – Ellensburg Area				PMW – San Joaquin Valley				PSW – Imperial Valley			
	Cond	High	Low	Rain	Cond	High	Low	Rain	Cond	High	Low	Rain
8 Dec		3	-6	0%		14	2	0%		19	2	0%
9 Dec		5	-6	10%		18	3	0%		21	3	0%
10 Dec		4	-4	20%		18	3	0%		22	2	0%
11 Dec		5	-6	10%		16	2	0%		21	4	0%
12 Dec		3	-4	0%		13	2	30%		19	4	10%
13 Dec		5	-3	0%		12	1	30%		17	2	30%
14 Dec		4	-4	10%		13	2	10%		19	2	10%
15 Dec		3	-7	10%		12	1	10%		19	3	0%
16 Dec		3	-5	20%		13	2	0%		20	2	0%
17 Dec		3	-3	30%		14	4	0%		20	3	0%

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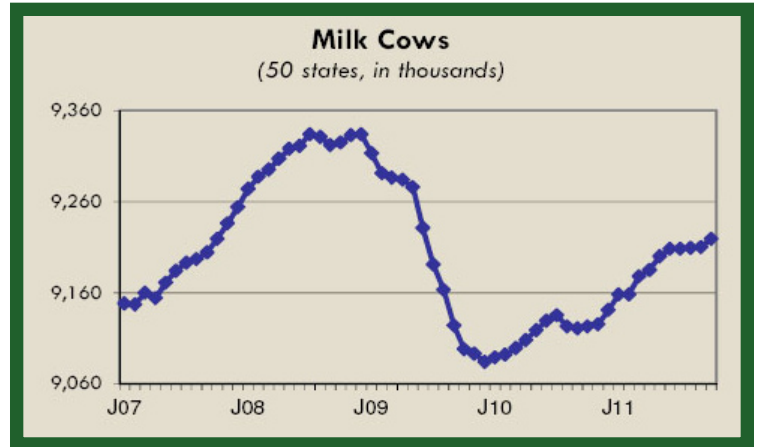
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US Dairy Market Update

The dairy market in the US continues to remain profitable for most producers as prices on a Chicago basis have stabilized around \$18 in recent months. The USDA has forecasted that the dairy price for 2012 will be around \$18/cwt as well.



Feed input costs are expected to remain at current levels as well. While not as profitable as 6 months ago, current dairy prices allow for dairymen to remain profitable despite high feed costs.

Dairy herd numbers continue to increase. So far in 2011, the US dairy herd has expanded by 96,000 cows. Milk production is up 2.1% from one year ago. The states with the largest gains are California, Texas, New Mexico, and Wisconsin.

Dairy Exports continue to rise and are currently above the record highs seen in 2008. Much of this has been fed by demand from the developing markets in China and Southeast Asia.



Merry Christmas

from everyone at

ACX

for three generations ~ for ages to come

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