

ACX

for three generations ~ for ages to come

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advisor



Summer Edition



Ellensburg Division - PNW

2nd cutting alfalfa is finishing in Washington. Prices are increasing in the latter part of the cutting as other areas in west have had rain and exporters have become active in the market creating more demand for available hay.

Good baling conditions throughout the basin have been allowing farmers to keep good color in the hay. Nutritional quality has slipped as weather has changed with temps reaching the high 90s low 100s. Uncut hay is blooming quickly from the heat which will continue throughout next week.

High temperatures are expected to reach 115 degrees. It is too early to know if the heat will stress 3rd cutting.

Timothy harvest in the Columbia Basin is 95% completed. Dryland harvest is just getting started. Competition is fierce among select exporters with prices and demand remaining high.

Domestic buyers remain very aggressive for high quality hay and demand is high among world buyers. Drought continues to be a challenge in some areas of southwest U.S.

Highlights

PNW – Domestic buyers are aggressively purchasing high-quality hay...

PMW – TRUESWEET® Sudan consistent and available throughout the entire year...

PSW – Drought still prevalent in the South and prices remain strong...

ASE – North Carolina Bermuda quality is high...

Stockton Division - PMW

Sudan harvest is underway with a lot of high quality, light color material coming off. Fear of feedlot demand for Sudan this year is expected to keep lower end product at a higher price.

Most farmers had fears of not being able to put up 2nd cutting Sudan due to water issues, but some farmers now have more water than expected. We expect to see a lot of middle grade, light color material on 2nd cutting.

SJV and Central CA Piper Sudan a lot lighter color and softer than the Imperial Valley due to cool nights and hot days.

TRUESWEET® Sudan acres will be higher than expected and ACX TRUESWEET® will have consistent supplies available through the entire year.

Dairy farmers are resisting high-priced alfalfa of lower, dry cow quality. Dairy farmers do not want to spend money on expensive alfalfa for cows that do not produce milk. Dairy farmers are forward positioning on grain due to record low corn prices.

Dairy demand for supreme alfalfa is still very strong and is expected to remain throughout the season. Dairy rations have been cut from 8 pounds to 2 pounds. There is still a shortage of alfalfa, so we don't expect prices to return to normal levels.

Currently in 3rd cutting in Central Valley. Quality is nice, again, due to hot days and cool nights.

Klamath, Oregon alfalfa is in first cutting and the quality is very nice. The product is heavy, beautiful, soft, and leafy. Available quantities are still unknown but 1st and 2nd cuttings are to be very high yield. We will have a lot of 2nd cutting Klamath premium hay available from Stockton.

Nevada alfalfa farmers are on 2nd cutting and we expect a lot of high color #1 hay from the high desert region. First cutting was a record yield with some farmers pulling 3 tons per acre. There was a heavy dairy influence on 1st cutting due to high test.



Wilmington Division - PSW

Half way through the 2014 Alfalfa Crop in the Pacific Southwest and we continue to see mixed results in terms of the timing of cuttings, tons per acre, and quality to price ratios. Widespread drought across much of the western United States during the end of 2013 has continued and worsened in 2014. Parts of central and southern California are still suffering greatly and drought still affects Arizona, Nevada, and parts of Utah and Idaho.

These conditions have resulted in reduced planting of new crop alfalfa and reduction of existing alfalfa acreage. Reservoirs in California are at historic low levels. Surface delivery of irrigation water through the various canal systems is reduced in many cases and completely eliminated in others. Ground water levels have fallen dramatically resulting in higher energy costs to raise the water from deeper levels.

There continues to be considerable economic impact on the 2014 Alfalfa Crop. Due to high milk prices throughout the first half of the year and the uncertainty associated with the drought, dairies in western states have committed unusually high economic resources to the acquisition and storage of year-long alfalfa inventories. Many of the dairies in central and northern California are positioned in places where there is actually no alfalfa available at all.

The California dairies have used their economic strength and gone into almost every alfalfa market on the west coast to buy dairy quality alfalfa. This has resulted in a highly competitive environment where dairies in Arizona, Utah, Idaho and elsewhere have protected their local alfalfa sources from the California dairies by engaging in seldom seen bidding wars for the higher quality crops.

In previous years these dairies would work the domestic market over the first half of the year seeking good price and quality. In the current crop year these dairies have gone aggressively after all available alfalfa.

This has resulted in strong upward price pressure on west coast alfalfa. California dairies continue to pay unusually high prices for alfalfa from Oregon, Idaho, Utah, Nevada, and Arizona. This, in turn has driven pricing for all alfalfa in all areas to new record highs.

We expected to see continued strong competition for dairy quality alfalfa through the end of June and into early July. However, the new crop cuttings in Idaho and Utah have provided no relief.

Nearly the entire Idaho first cutting was wiped out by rain during late June and early July. This will cause the dairies to back away from the second cuttings and wait for the third, but it will also create a tight supply-demand cycle which will drive exporters into those areas aggressively.

It is now unlikely that we will see softening of at-the-stack alfalfa prices for export quality alfalfa on the west coast and the PSW in particular. Even the beginnings of summer hay (lower quality) have shown prices to be much higher than in previous years.

Other exporters who have been unable or unwilling to commit in this challenging market may find it difficult to acquire export quality product this late in the new crop season. This could result in some cases of non-delivery or other delays and/or interruptions in supply to Asia-side customer.

ACX Wilmington has worked diligently through the previous months to acquire product at the best possible pricing. This, coupled with long term contracts with top tier growers, has left us with a reasonably stable and robust on-hand and future inventory picture.

Customers should be confident that we will supply product in the quantities and on the schedules that are contracted. ACX remains committed to Quality, Value, and Delivery.

There continues to be some challenges related to inbound trucking in the PSW. However, this problem is subsiding and we are able to maintain steady supply to our Wilmington processing facility. Customer demand for value/quality-priced alfalfa is returning in early July as we see steady influxes of inquiries and new orders.

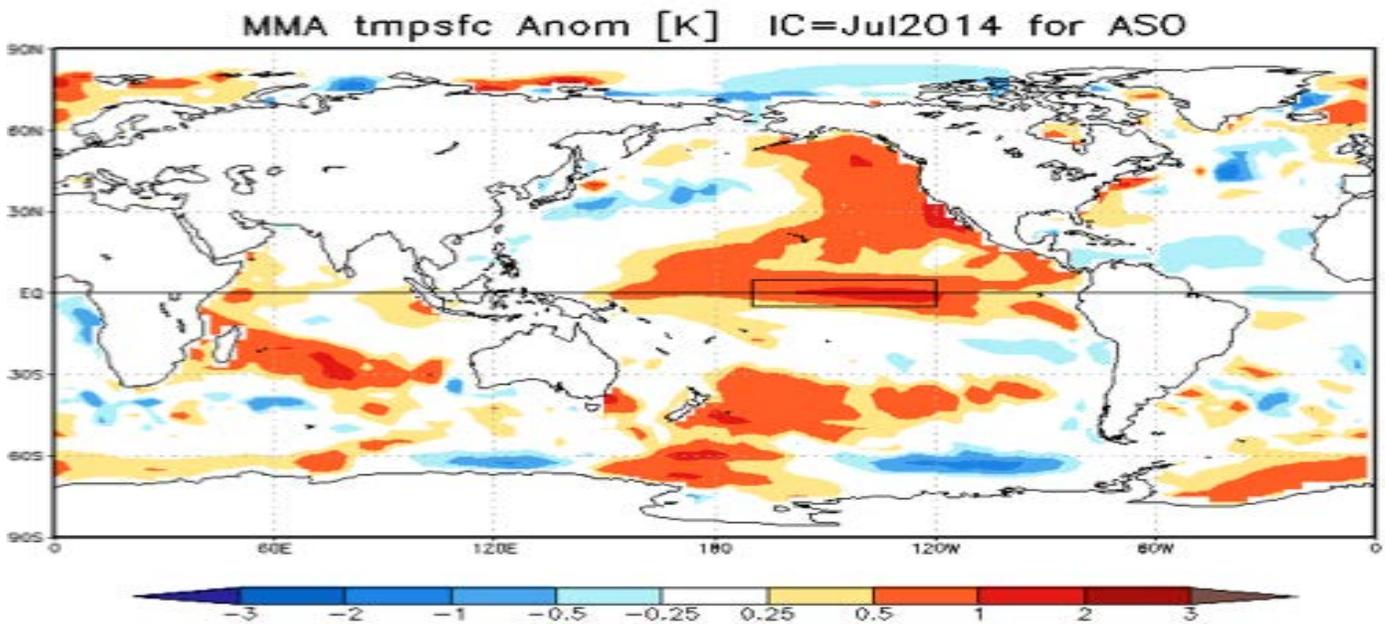
Goldsboro Division - ASE

The harsh 2013 winter and late 2014 spring frost has resulted in a late first and second Bermuda cutting with reduced yields. This has stimulated reluctance for growers to sell on a spot basis outside of long term contracts.

Many growers will set aside cattle needs prior to marketing harvested Bermuda. This appears to have caused a slight atmosphere in the local market of hay production being “short” for 2014. However, favorable weather conditions and fast regrowth of Eastern North Carolina fields suggest local market prices will soften going into third and fourth cutting.

Bermuda quality is high compared to last year. Growers are becoming more familiar with export quality standards and ACX's Triple Check Quality Control process. County extension agents have shown keen interest and involvement in providing knowledge to growers concerning proper pasture and hay field management.

Please contact ACX Goldsboro Division for more information about Bermuda and grass hay products for all markets.



Get Ready for El Niño

According to numerous meteorologists and the National Centers for Environmental Prediction, there is a 70% chance of El Niño occurring by the end of 2014.

El Niño is a temporary change in the climate of the equatorial Pacific Ocean. It occurs when winds become weak resulting in warmer water near the ocean's surface. The warmer ocean water then affects weather patterns as well as migratory patterns.

The last time El Niño occurred was 17 years ago when California experienced landslides and other weather-related problems. Conversely, the same El Niño caused severe drought in Africa and other parts of the world.

An El Niño event is expected to bring increased rain and moderate relief to drought-stricken farmers in the Western U.S., especially in southern regions and most of California. However, meteorologists speculate that El Niño won't help end the California drought.

Scientists at the Climate Prediction Center continue to issue favorable odds of an El Niño developing in 2014. We hope to see this much-needed El Niño rain in late summer and throughout the 2015 winter, so get ready!

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