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Spring Newsletter 2019

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INSIDE THIS ISSUE:

A VERY DIFFERENT NEWSLETTER

Usually our spring newsletters are focused on improvements in alfalfa seed and bee production. Not this time. The questions we hear are:

How long will it take for the seed and bee markets to rebound?

What will the prices be next year if we have a crop failure? Another good crop?

When will the USA start rebuilding alfalfa seed acres and need bees?

No one has definite answers to these questions, but we will do our best to lay out the issues impacting these markets. Remember these are our opinions, based on our knowledge and sources of information. Our accuracy is guaranteed to be as good as the global warming or climate change predictions.

Current Prices:

Good quality common seed brought about $.65/lb to the grower. It was hard to find a buyer for poor quality. This is down from $2.00 a few years ago.

Our production contracts will pay about $1.40/lb net to the grower. If you have one of these, consider yourself very fortunate. In Saskatchewan and Manitoba, most contracts are being settled at $.80 to $1.10/lb.

Alfalfa Seed Supply:

Excellent crops of alfalfa seed on expanded acres world wide has resulted in enough seed to supply the world market for at least two years, IF NO MORE SEED IS PRODUCED. Of course, seed will be produced in 2019. The major cutback in production has occurred in proprietary varieties produced under contract in the USA. Even in 2019, USA growers are still being paid to plow out contract acres before the contract expires. Alberta's contract production is being cut back as well, but at a slower pace. Cutbacks are needed in common and VNS seed produced in Western Canada and South Dakota.

Europe has had such good alfalfa seed crops that we can't sell our seed there, even at these rock bottom prices. Saudi Arabia has switched from buying seed to buying imported hay.

Since production has been great, where is the seed? It is in your bins and our bins, in our warehouse, in warehouses in Canada, the USA, and all over the world.

Our Warehouse April 1st, 2019

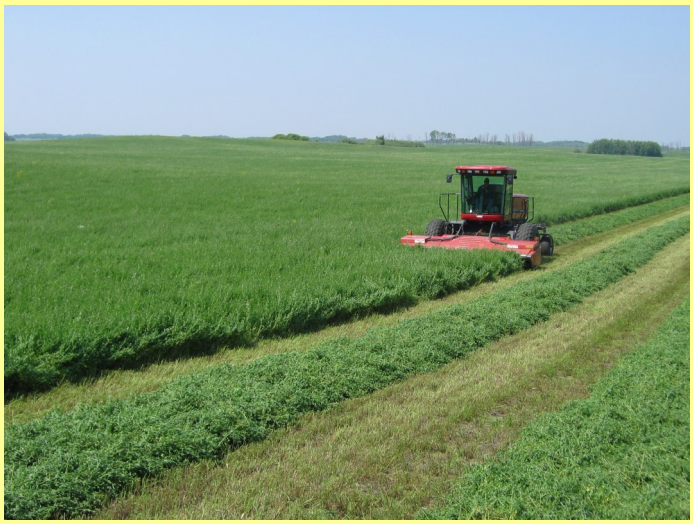
History says we don't cut back soon enough. We are reluctant to idle all our leafcutter bee equipment investments. Plus, what do we do with our bees?

The crystal ball says there is too much alfalfa seed, and this excess will remain for a while. Acres need to come out, and that doesn't happen in one year. Prices can't rise very quickly, or very much, as there is seed everywhere to meet any demand for at least a couple more years.

ALFALFA SEED DEMAND:

We don't eat alfalfa seed, and we don't feed it to cows. Over 90% of alfalfa seed is planted to grow alfalfa hay. Sprouts and health food products are a small portion of alfalfa seed usage.

The main markets for alfalfa hay are dairy cows, beef cows, and off-shore compressed hay markets. Corn silage has made big inroads into the dairy and beef cow markets. Dairies are still feeding alfalfa hay, but they are also feeding products like peanut shells and almond shells. The feed rations balance feed cost with milk production.



The price of alfalfa seed really doesn't affect alfalfa seed usage. The cost of alfalfa seed is spread over the life of the stand – maybe 3 or 4 years. If you grow canola on your farm, would you plant twice as many canola acres if the seed canola price dropped from $12/lb to $6/lb? And that cost is only spread over 1 year. But low seed prices may increase alfalfa seed sales to wholesalers who will inventory excess seed at record low prices. Alfalfa seed can be stored for a year or more without losing of germination. Why not buy a bit extra when prices are so low?

Coating alfalfa seed became popular over the last ten years when alfalfa seed was high priced. The coated product consists of 67% alfalfa seed and 33% coating and growth enhancing products. The irrigated hay grower was 21 lbs/acre of alfalfa seed. Now he seeds 21 lbs/acre of coated seed, which means he is only seeding 14 lbs/acre of actual seed. This means significantly less seed is needed to plant the same acres of hay.

QUALITY SELLS:

Why buy seed with weeds, clovers, and poor color, when you can buy good quality seed for almost the same price? A single GM canola seed can bring a container back from Europe. A single Canada thistle or wild mustard seed can bring a truck load back from the USA. Yet how does the grower justify spending money on weed control, disease control, and harvest management when the price is well below the cost of production?

LEAFCUTTER BEES:

The 2018 bee crop looks like as big as the 2017 crop. Leafcutter bees have fallen to new lows. Limited bees were bought at $5 to $10, and anyone who got $15 did fantastic. Again, this is down from $100 - $120 from just two years ago. Most Saskatchewan growers sold few or no bees and will incubate all they can, making next year's supply even bigger.

Leafcutter bee and alfalfa seed markets are niche markets where everyone knows everything. As soon as someone buys bees for $5, or sells seed for $.65, everyone knows it within a few days. In this over supplied market, every buyer gets 25 calls with amazing offers. In reality, the experienced buyers and sellers have develop relationships over time. There may be loyalty, but the price must always be right. It makes it really difficult for newcomers to make a deal.

USA alfalfa seed growers – at these prices they are disposing of their bees and replacing them with our bees. With more acres being plowed out, they don't need any bees at all for the next year or so.

Alberta Alfalfa Seed Growers – they were increasing acres and needing bees. Now they are cutting back acres, so they are selling bees. They usually get their bees back plus a bit of bee increase. They don't need any bees, and won't need any bees until seed acres in Alberta start to increase significantly.

Saskatchewan and Manitoba Growers – we were increasing acres. Now those acres are being cut back. This puts both the bee increase, and the bees from plowed out fields on the market.

Blueberry Producers – Leafcutters compete well with honey bees, but the seller-buyer relationships are tight, and prices are at the rock bottom as everywhere.

Alberta hybrid canola production – these guys have gotten to the point where they produce as many bees as they need. Their yields of hybrid canola seed are increasing. Western Canadian farmers are seeding the same acres, but cutting back on the seed planted / acre. It doesn't look like much hope for a bee market here.

ECONOMICS:

What is your average yield? Pencil that against $.70/lb in the fall of 2019. Assume bees will be free for one more year. What is your $/acre return? Is hay a better crop on good stands? What is the cost of idling your equipment? Are you better to switch those acres to an annual crop? Are you better to harvest the nitrogen and clean these fields up, while you wait for markets and prices to recover?

CROP INSURANCE:

Government Programs help reduce both price and production risk. SCIC price insurance is $.70/lb, and cover begins if your yield is less than 70% of the long term average of 175/lbs/acre. For example, if your yield was 100 lbs/acre, then your SCIC payment would be 70% x 175 = 120 lbs/a - 100 lbs = 20 lbs/a x $.70/lb = $14/acre. Individual coverage helps if your average yield is better than the provincial average.

"Richer" programs in other provinces or states may encourage farmers to stay with the crop and "farm the government".

TERMINATING ALFALFA STANDS:

This allows you to re-crop those alfalfa acres, use up that nitrogen and maybe make some money. Alfalfa is hard to kill and very competitive. Many of you are doing a FINAL pre-harvest of alfalfa fields with glyphosate. We have watched alfalfa seed germination following pre-harvest glyphosate for more than 10 years. Still haven't seen a problem, but you are off-label and there are no guarantees. Remember, we are growing seed and it must germinate.

Canola seeded into alfalfa stubble, with alfalfa growth coming back

Chemical Residues: This can be an issue depending on moisture, temperature and soil ph. So far, when we fall apply Velpar and/or Authority prior to the last seed year, then spring apply the Pursuit/Odyssey in the last seed year, we have been able to re-crop the next year to either wheat or canola without significant crop damage.

Cultivation: We try not to use any form of cultivation to kill alfalfa. Too much equipment and man-power cost, moisture loss, rock picking – just too much expense. We think there is value in leaving the surface plant mulch and those alfalfa roots intact for moisture retention.

Glyphosate in Spring: This is OK, but it just sets the alfalfa back for a while.

24D: Cheap, good setback on the alfalfa, but you can't grow canola

Lontrel: Expensive, but a pretty good alfalfa killer. It can be a good product used with glyphosate or Liberty depending on your canola.

Recropping with Wheat vs. Canola: Alfalfa ground can be dry, with lots of nitrogen. Canola can recover from drought better than wheat if moisture comes later in the season. We now always follow alfalfa with canola.

NEW CONTRACTS

WHO WILL GET SEED CONTRACTS FIRST?

Where will the large seed companies plant new acres when the pile of seed gets depleted?

Traditional USA Areas: These fields are close to the big seed plants, have reliable production, experienced growers, and the seed is "PRODUCT OF THE USA". But they have the highest cost per acre, and need leafcutter bees every year. If alfalfa seed production returns here, there is hope for eventual leafcutter bee sales.

Southern Alberta's irrigation districts. This area is fairly reliable, has lower production costs, and will grow seed at lower prices than the USA growers. Plus the Canadian dollar trades at a big discount to the USA dollar. This is like building cars in Brazil and Mexico rather than in Oshawa and Detroit. These guys can maintain their leafcutter bees, so sustained bee sales here aren't likely.

Saskatchewan and Manitoba. Alfalfa seed production becomes more unreliable here, and likely more weeds, but these growers are desperate to grow seed at any price. Or so it seems. But they have bees.

WILD CARDS THAT CHANGE EVERYTHING:

Agriculture is experiencing many unexpected changes that come out of nowhere.

- Three months ago, who guessed China would stop buying our canola?
- The animal rights, anti-meat, group is gaining momentum. What is the impact on hay sales?
- The USA Mid-west had a cold winter, with lots of spring flooding? Did this hurt hay stands?
- Dairy prices are not great and margins are thin in the USA. Any impact on seed sales?
- Hay prices are good, will that encourage more acres planted to hay?
- GMO free production – will this become important?
- Will the USA and Alberta be seen as GMO contaminated?
- Dairy and red meat foods play now play a minor role in Canada's new food guide.
- In the USA, population keeps going up, but milk consumption per person goes down.
- What are the odds of 3 good alfalfa seed crops in a row? Is this climate change?
- Are contracts without prices, delivery dates, or quality requirements, worse than no contracts?
- China has bought some alfalfa seed – 5,000,000 pounds in 2018, and continue to buy at these record low prices in 2019. Will it be a rerun of the 1973 Great Russian Wheat Robbery?
- History says we over compensate and don't rebuild soon enough, so shortages occur.

OUR CONCLUSIONS:

There are lots of questions, but is there any wisdom? Our guess is:

Recovery will be slow, and profitability won't return for at least 3 more years.

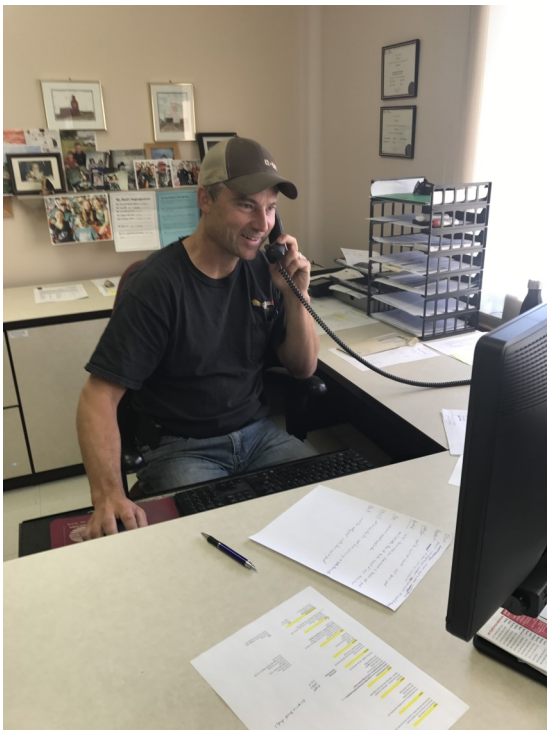
Our hope is that we are wrong.

CHECK OUT OUR WEBSITE ADDITIONS:

We now have all our previous newsletters on our website, with an index by topic. Those newsletters have lots of "how to" information, plus the charts of seed and bee prices. You can access all the newsletters on the bottom of the Grower page.

There is also information on:

- What causes dockage in your seed,
- Measuring seed loss out the back of your combine,
- Moisture testing alfalfa seed
- Our experience with different herbicides.



Wishing You A Safe and Prosperous Year!

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