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Fall Newsletter 2019

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**INSIDE THIS
ISSUE:**

**Seed
Movement** 1

**Seed
Production** 2

**2019 Crop
Prospects** 2

Leafcutter Bees 3

Heated Seed 3

**Moles & Pocket
Gophers** 3

Conclusions 4

Harvest Aids 4

Send Samples 4

SOMETHING POSITIVE, MAYBE

SEED MOVEMENT:

Good News: Our last newsletter showed a picture of the seed in our warehouse on April 1st. It was right full from corner to corner. Then it started raining in Kansas, Nebraska, Minnesota, South and North Dakota. First, it was just too wet and cold to plant corn, but then it was too late to plant corn. Hay prices were attractive, so a lot of alfalfa seed was planted to fill the gap. Cheap alfalfa seed. The end result was we moved a lot more alfalfa seed than we ever expected. But at low prices. If we tried to raise the price a bit, we didn't get the deal.

This seems like good news. Lots of inexpensive common seed went into the ground. But there are downsides:

The sales tended to be for common seed, not the high priced Certified product that has piled up from contract production. That pile is still pretty big, which means the irrigated alfalfa seed acres in the USA will stay very low, impacting leafcutter bees sales.

Since lots of acres got planted to hay this year, that may reduce the number of acres that need to be planted next year.

All the new hay acres may lower the hay price in the USA mid-west next year. If this happens we may see reduced seed movement in the coming year.

More Good News:

A significant amount of this inexpensive alfalfa seed has been exported outside North America. There is no doubt it is due to the low price, but alfalfa seed has moved to both China and Europe. All of this has reduced the alfalfa seed inventory in Canada and in the USA. Does this mean prices will rise?

Unfortunately, maybe not, as both inventory and production remain burdensome. We have simply produced too much alfalfa seed in North America, and we continue to produce too much. We expect prices to remain low for at least another year. We need poor alfalfa seed crops on reduced acres to make a difference. But each of us doesn't want that to happen on our farm.

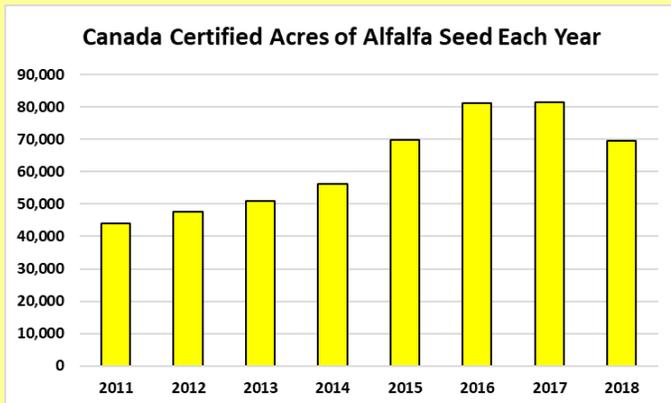


**Loading a
Container for
China. All
those tags are
written in
Chinese.**

**Craig says he
enjoys getting
out of the office,
and getting
some exercise.**

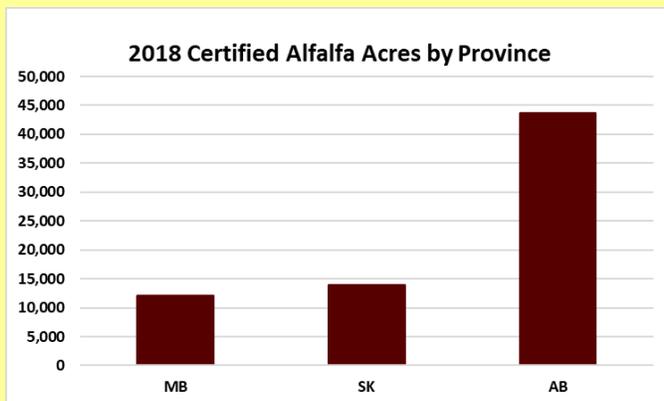
ALFALFA SEED PRODUCTION TRENDS:

How much of this excess alfalfa seed is produced in Canada?



You can see that Canada had over 80,000 acres of Certified alfalfa seed a couple of years ago, and that is only those fields inspected by CSGA.

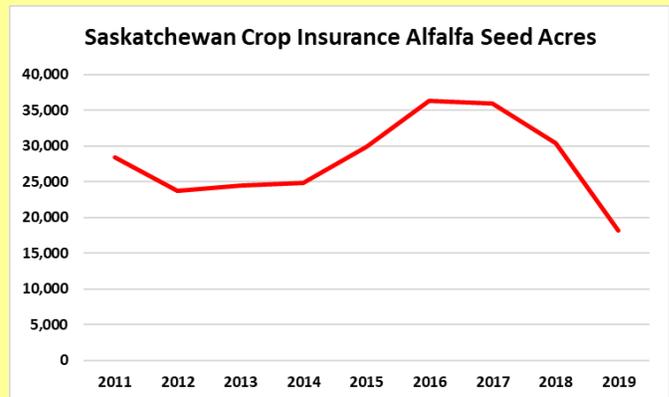
Where are those acres?



This shows that Alberta has the majority of the Certified acres. Since Alberta also has the highest average seed yields, it is obvious that Alberta is producing most of the Certified seed in Canada. Further there is general agreement that 80% of the alfalfa seed produced in Alberta ends up in the USA. It is interesting to note that the USA seed companies cut their USA seed production faster than they cut their Alberta production. The good news here is that Alberta Crop insurance has dropped its \$1,000/acre crop insurance guarantee on southern Alberta irrigated ground. That will also help reduce acres in Alberta. The bees may come from Saskatchewan, but the seed comes from Alberta.

What about Common and VNS alfalfa seed? There are not many acres of common alfalfa seed in Alberta. Manitoba and Saskatchewan produce most of the common seed. It is hard to get a good handle on common acres, but we can look at Saskatchewan crop insurance acres and Certified acres to guess at Saskatchewan's contribution to excess production of alfalfa seed.

Here we see that alfalfa seed crop insurance acres have really fallen in Saskatchewan. Likely this is a combination of less alfalfa acres, and less fields getting insured.



These charts point to less acres and lower seed production in Canada. Low seed prices, lack of seed contracts and zero bee prices are doing what we expect. Cutting the production acres back.

WHERE DOES ALL THIS SEED GO?

We do consume some alfalfa seed in Canada, but the majority of the seed we produce is exported. The USA is by far our biggest market for both Certified and Common seed. China has been in and out of our market, Europe comes and goes according to prices and their crops.

2019 CROP PROSPECTS:

USA: Harvest of the 2019 crop is nearly complete in California, Nevada, Idaho and Washington. Montana and Wyoming are into their alfalfa harvest. Overall reports are an average crop on record low acres.

Alberta: It sounds like an average crop with very little harvested. The acres are down, but still have to drop more to match the market. Expect Alberta acres to drop further in 2020.

Manitoba: An average crop on reduced acres is expected. We expect to less acres again in Manitoba and Saskatchewan in 2020.

Saskatchewan: This crop is good average, not bumper like the last couple of years, but still pretty good. These late rains haven't helped, but won't damage the crop like rain in August. Acres are down a bit, but less acres, or a crop failure, are needed to help the get inventory balanced with demand.

LEAFCUTTER BEES:

Much of the increase in seed acres here was driven by amazingly high leafcutter bee prices. The world may worry about bees, but they don't need to worry about leafcutter bees. We still have too many leafcutter bees. USA and Alberta will need virtually zero bees this year. The only bees that move, will be at 2019 prices (translation—nearly free), to replace USA bees with issues, and to pollinate blueberries. We haven't helped this surplus by running bees on canola and clover, just adding to the free surplus of bees.

There is no good news for bee prices.



Here we are bringing in the empty trays. Note the buckwheat planted around the bee shelter, adding to the bee surplus. How do you quit good management practises in times of surplus? It is even harder to simply dispose of extra bees.

HEATED ALFALFA SEED:

Many of you, and ourselves, are holding alfalfa seed for higher markets. We all have temperature cables in the bins, probe the top and move the seed. Yet, despite our best efforts, someone ends up with a heated seed lot each year. Usually we can clean most of it out, blend the rest, and sell it into a "cheap" market. **JUST TELL US FIRST**. There is a moisture chart for alfalfa seed on our website.



SEED QUALITY SELLS IN TIMES OF EXCESS:

Now our customers want perfectly clean seed. With lots to chose from, seed with traces of canola, cleavers, clovers either don't sell or require big discounts.

We "cherry pick" the common seed lots. We pay a little more for the good lots, then either don't buy, or heavily discount, the lots with cleaning problems.

PESTICIDE RESISTANCE:

This is a real problem. Cleavers and kochia, plant bugs and aphids, plant diseases— these are just some things that have developed some resistance to the pesticides we commonly use. Switch your tools around as much as you can, from your cropping practises to your pesticide choices. Volunteer canola in alfalfa seed is always GMO, so seed lots with a trace of canola aren't going to Europe. You need to cut costs, but sometimes cutting costs ends up costing more in the long run.

MOLES OR POCKET GOPHERS:

James trapped so many of these he caught albinos and one jet black. Tracy found the taxidermist. For an easier method, check out the gopher machine at:

www.gophergeneral.com



CONCLUSIONS:

This will be the 3rd year of really low prices for leafcutter bees and alfalfa seed. It also may be the bottom of the trough. When can we expect prices to recover? How will that recovery take place?

Alfalfa Seed: Contract Seed Production has been severely cut back in the USA. Many US growers who had 2,000 acres of alfalfa seed may have 150 acres in 2020. Seed sales will still take time to eat thru the surplus. It is reasonable to expect that there will be **LIMITED** new alfalfa seed acres established for seed production in 2021. These will likely be new varieties with special traits. Expect this to go to the best alfalfa seed growers in the USA and Alberta. After that the recovery will be gradual. The ag world has changed. It doesn't need anywhere near as many acres producing seed as it did 20 years ago. Alfalfa hay has been replaced in many animal rations. Hay fields last longer and produce more. Coating alfalfa seed means more acres get planted with a given amount of raw seed. The bottom line is simply less alfalfa seed will be needed, and recovery of contract production will be slow. Common seed is price sensitive. We plan to start buying seed at:

\$.75 per pound— subject to changes in the market

Bees: It is really hard to see any upside for bees in 2020. You can expect to see prices identical to spring 2019 this coming year. The market for leafcutter bees should grow starting in 2021. The remaining problem is we think there will be more bees than demand for bees in 2021.

HARVEST:

Swathing, Reglone, Roundup, Liberty, Frost are all harvest options. Combine settings, seed loss tables, and moisture charts—all these things are discussed on our website in the grower newsletter section. The 2019 harvest is very late with most guys working on wheat and canola. The alfalfa seed harvest is yet to come.



Please Send Us a 1 kg sample of any alfalfa seed you have for sale

We will do a detailed dockage test and give you a quote for dockage and price

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