

Peace Region Grass and Legume Seed Market Update: Spring 2015

Overview:

As producers hit the fields to get the annual ritual of seeding their crops into the ground, the winter doldrums seem like a thing of the past. However, as those involved in agriculture know, there's always something going on. In the case of the grass and legume seed industry, this past winter saw prices creep up for most species. Even though processors reported an average to good winter for movement, "average to good" in the present grass/legume seed environment is good news for growers. With production down and inventory levels continuing to drop, this past winter saw good price movements. But once again, are these price jumps enough to encourage more growers to start seeding grass and legume seed fields again?

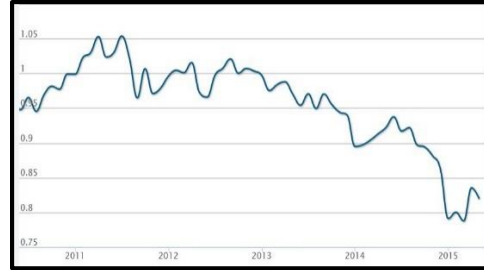


| Grass and Legume Seed Quotes, May 2015 (\$/lb) | | | | | | | | |
|--|-------|------|------|------|------|------|------|-------------|
| | | 2012 | | 2013 | | 2014 | | 2015 |
| | class | Jan | Oct | Jan | Oct | Jan | Oct | May |
| Alfalfa | Com | 1.52 | 1.70 | 1.75 | 1.78 | 1.78 | 1.93 | 2.00 - 2.30 |
| Alfalfa | Cert | 1.68 | 1.95 | 1.98 | 1.90 | 1.93 | 2.05 | 2.25 - 2.50 |
| Alsike | Com | 1.05 | 1.16 | 1.22 | 1.23 | 1.25 | 1.30 | 1.25 - 1.30 |
| Alsike | Cert | 1.25 | 1.33 | 1.30 | 1.40 | 1.32 | 1.53 | 1.40 - 1.50 |
| Clover, Sweet | Com | 0.80 | 0.72 | 0.76 | 0.69 | 0.70 | 0.70 | .75 - .80 |
| Clover, Red | Com | 0.76 | 0.73 | 0.76 | 0.85 | 0.84 | 0.85 | .95 - 1.00 |
| Brome, Smooth | Com | 1.16 | 1.71 | 1.88 | 1.30 | 1.38 | 1.65 | 2.05 - 2.20 |
| Brome, Smooth | Cert | 1.23 | 1.97 | 2.16 | 1.48 | 1.55 | 2.00 | 2.25 - 2.45 |
| Brome, Meadow | Com | 1.06 | 1.35 | 1.42 | 1.30 | 1.44 | 1.58 | 2.15 - 2.20 |
| Brome, Meadow | Cert | 1.22 | 1.59 | 1.69 | 1.53 | 1.65 | 1.90 | 2.50 - 2.60 |
| Fescue, Creeping Red | Com | 0.46 | 0.50 | 0.55 | 0.66 | 0.72 | 0.75 | 0.76 |
| Fescue, Creeping Red | Cert | 0.52 | 0.57 | 0.62 | 0.70 | 0.76 | 0.79 | .78 - .80 |
| Timothy | Com | 0.68 | 0.80 | 0.82 | 0.73 | 0.68 | 0.66 | 0.65 |
| Timothy | Cert | 0.79 | 0.94 | 0.95 | 0.85 | 0.83 | 0.79 | 0.72 |

Creeping Red Fescue

Despite low supplies (compared to historical levels), creeping red fescue quotes have remained relatively flat for the past 6 months. Current quotes of 76 cents/lb. are only slightly higher than last fall's quotes, this despite the huge fall in the Canadian dollar. Creeping red fescue quotes originate in the USA, with asking prices based on delivery into the USA, and quotes in US dollars. However, Canadian creeper continuing to

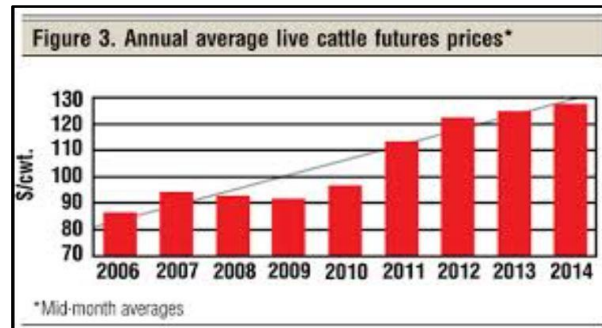
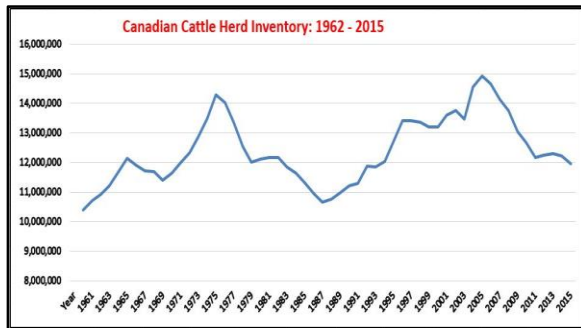
be a “filler” in American grass seed mixtures. With increased seed coating and average to good turf seed crops in the USA (perennial ryegrass/tall fescue) the past few years, the demand for creeping red fescue has fallen off in recent years. Canadian production acres remain well below long term average.



Canadian: US Dollar Exchange Rate: 2011-2015

Forage Grass Seed

The turnaround in cattle markets the past couple years has finally found its way to the forage grass seed marketplace. Prices have really moved up. However, it is **NOT** an increasing number of cattle that is causing this demand for grass seed, it is the increase in finances for our Canadian ranchers (finally!). Canada’s livestock numbers (cattle) have actually fallen (total cattle inventory Jan. 1, 2015 = 11.91 million hd., compared to 12.2 million and 12.3 million hd. in 2014, 2013 respectively). It is the record high prices beef producers are receiving, combined with low forage grass seed inventory levels that has pushed prices up. Time to reseed those pastures and hay fields!



*Mid-month averages

With low inventories of smooth and meadow brome grass seed, prices moved up significantly this past winter, with good retail movement this spring. Common smooth brome grass seed is now quoted in the \$2.00 to \$2.20/lb. range, while meadow brome grass seed quotes rose over 50¢/lb. to settle in the \$2.10 to \$2.20/lb. range. Timothy seed, with steady demand and steady production, saw price quotes fall slightly to 65 ¢/lb. There were many new timothy fields seeded in the Peace last spring, but with the dry conditions last growing season, it is not known how many of these new fields “made it”. Crested wheatgrass, a very good dryland variety, has been quoted in the \$1.40 to \$1.50/lb. range.

Legume Seed

Price quotes for the main Peace grown legume seed crops grown primarily for forage purposes, saw quotes rise over the winter. Alfalfa seed quotes have moved up over 20 ¢/lb. or more, as demand for alfalfa increased. Alfalfa exports increased by over 30% in 2013/2014, with most headed south to the USA. Combine this with domestic usage increasing, the demand for alfalfa now sees quotes in the \$2.00 to \$2.30

range for common seed. Premiums for certified seed can add another 20-30 ¢/lb. into your pocket, depending upon variety.

Red clover seed quotes are in the 95 ¢/lb. to \$1.00/lb., up 10 to 15 ¢/lb. from last fall. Export demand for Canadian red clover has increased each of the past four years, depleting supplies. New acres have not materialized with recent price rises, so inventories remain low. Alsike or red clover fields, underseeded to wheat last year, generally did not establish well. Alsike clover, used for other purposes in addition to forage, saw its' price quote remain the \$1.30/lb. range. With the slowdown in the Canadian oil and grass seed industry, usage by this sector is expected to be down.



Summary

Like a broken record, for the past few years now, higher price quotes for Peace Region grown grass and legume seed has not seen any appreciable amount of response from growers. Supplies remain low or are now depleted, and production acres for most species, remain low. If good prices for our grass and legume seed crops is NOT good enough to entice new acreages, it may just have to be a complete wreck in our grain and oilseed sector marketplace to draw growers back into this sector. But with a growing world population, don't expect this to occur (hopefully not!). So, barring anything unforeseen, expect grass and legume seed quotes to remain well above historical levels. Remember though, quality sells. Don't grow "junk"! Growing a good, clean crop will result in the premiums you deserve.

David Wong
Beaverlodge, AB
B.S. Ag., B.Ed., CACE
May 25, 2015