NINETEENTH ANNUAL AGRIBUSINESS MANAGEMENT CONFERENCE

Executive Summary

Regional Alfalfa Situation

by

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2000 California Alfalfa Supplies

Current indications point to an increase of about 10 thousand acres less than last year's 1.02 million acres. Total production is expected to be slightly less than last year at 6.93 million tons

This year's May 1 stocks were the lowest since 1994 at 321 thousand tons

Greater animal numbers in California and the West, and lower Western supplies point to stronger prices in 2000-2001

- California alfalfa acreage has remained relatively stable over the past 17 years, this year's acreage of 1.03 million is the same as that seeded in 1985 and has never gone higher than 1.15 million acres
- California average yields of 6.8 tons per acre are also well within the linear norm of the 17 year period and have never been higher than 7 tons per acre
- California 2000 production is the largest in the West but still flat when evaluated over two decades
- California December 1, 1999 stocks of 2.3 million tons were about 30 percent less than the previous year

• May 1, 2000 carry over stocks were pegged at 321 thousand tons, down from 428 thousand tons on May 1, 1999

California Supplies Off From 1999

- The 2000 domestic California alfalfa supply will be 175 thousand tons less than 1999
- Usage will be 200 thousand tons more than last year because of rising dairy numbers

Regional Production and Supplies

- U.S. growers will again harvest nearly 24 million acres in 2000, off nominally about 100 thousand acres from 1999
- Alfalfa acres in the 11 Western states is off 185 thousand acres from last year
- Regional average yields to be down slightly from last year at 4.0 tons per acre
- Regional May 1 stocks were off 23 percent from last year
- Regional production of 29.4 million tons is off 5 percent from last year

- Dairy cow numbers continue to grow in California, but growth has slowed in most Western states excepting Idaho and California
- May 1, 2000 stocks in the West were down substantially from last year at the same time
- · Western supplies will be off about 3.7 percent this year
- Big factor in pricing this year will be regional disparities in supplies--California will nearly exhaust available supply and thus be more dependent on out-of-state sources
- · California hay supplies will be off slightly more than 2 percent from last year
- · Improvement in international demand points to some improvement in grain prices in second half
- Dairy and commodity policy still in disarray, some discussion of return to traditional programs
- Regional supplies of all hay will be about 2.8 million tons less than last year

Western Alfalfa Supplies Decrease

- Water availability concerns are still on the back burner, with Western growers showing restraint in expanding production
- Cow numbers continue to grow in the West, primarily due to growth in California
- California alfalfa acreage was off a bit this year, but still well within historic norms
- Average California yields slipped back to those of traditional norms-6.7 tons per acre
- Examination of regional balance sheet data suggest residual supplies at the end of the marketing year will be off about 13 percent from last year
- Dairy cow numbers still indicating California in a growth mode
- California supply-use balance estimates point to the lowest ending

balance since I have been doing balance sheets

• Western hay supplies will be off about 3.7 percent

Expect Higher Alfalfa Prices in 2000-2001

- A very small California May 1 carry over, a smaller 2000 crop and smaller supplies in Oregon, Washington and Idaho will be mitigated a bit by a big 2000 grain crop, but expect prices to gradually move up during the the late fall and winter
- Grain prices will move up from last year's levels in the second half, a result of improving international demand
- California producers will again use more hay this year as dairy cow numbers continue to increase and will depend more on imported hay in 2000 and 2001
- Western region's hay growers in a recovery mode as 1999 supplies are largely worked off
- More alfalfa will find its way into California



California alfalfa acreage is about 10 thousand acres less than last year



Annual alfalfa production is slightly less than last year



Western alfalfa carryover was down sharply this May



California hay supplies will be about 175 thousand tons less than last year



Western alfalfa acres were slightly less than last year's seedings

Alfalfa Production, 2000

Eleven State Share



Regional alfalfa production will be about the same as last year



California share of regional alfalfa production picked up 2 percent this year, resulting from declines in production in other states



The regional supply-use balance still shows ample supplies for further expansion, but more inter-regional movement will occur



The growth in dairy numbers in the region has been spectacular



Regional use in the West continues to grow faster than production



California ending balances will be historically low at the end of this year



Regional supplies are down, a combination of lower stocks and production



California will become a net importing state next year



New Mexico has been a net importer for three years



Idaho alfalfa production contracted this year, a result of soft prices



Animal numbers have stabilized in Washington and lower prices have contracted supplies

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