

OVERVIEW OF ALFALFA PRODUCTION AND MARKET TRENDS IN LA PAZ COUNTY

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Abstract

Alfalfa producers in the Colorado River region of La Paz County have experienced some shifting trends in markets and production over the last 15 years. Acreage has increased steadily from a low of 25,000 acres in the early 1980's to a high of nearly 50,000 acres in 1999. Average annual alfalfa hay yields in La Paz County have maintained a fairly flat trend ranging from 7.5 to 8.5 tons per acre during this time. Low annual hay yields often resulted from extended cutting schedules and minimal inputs in years of below average hay prices. Alfalfa hay prices were severely depressed during the summer of 1986, from summer of 1991 through winter of 1992, during the summer of 1995, and from winter through summer of 1999. In contrast, La Paz County alfalfa hay producers experienced the strongest markets during the winters of 1989, 1990, 1994, 1997, and 1998. Annual hay tonnage per acre was also high during these years and acreage increases were observed the following spring planting

Introduction

La Paz County, in southwestern Arizona, was created in 1983, when Yuma County residents voted to split their county in two. There are 115,000 acres of cropland in La Paz County with thriving agricultural operations in Parker Valley (includes the towns of Parker, Poston, Ehrenberg, and Cibola) and McMullen Valley (includes the towns of Vicksberg, Salome, and Wenden). La Paz County ranked number two statewide (behind Maricopa County) in cash receipts from alfalfa hay which totaled more than \$47.5 million in 1997.

17 Year Alfalfa Hay Market Trends

Since 1983, La Paz County has kept weekly records of on-farm alfalfa hay prices being received by producers. Price quotes for high, low, and off-grade best current production prices were solicited from Parker Valley alfalfa hay producers. These quotes for current production do not include transportation costs nor do they reflect retail light baled horse hay prices. Averages of the high and low best current production quotes were calculated to determine an average weekly alfalfa hay prices.

Alfalfa production and prices have experienced some shifting trends in the last 17 years (Figure 1a, 1b). Average annual alfalfa hay prices have fluctuated dramatically during this time period reaching with on-farm prices reaching

highs exceeding \$110 per ton during winter of 1989, 1990, 1994, 1997, and 1998 and lows below \$60 per ton during summer of 1986, 1992, and 1999.

Market prices fell sharply during the summer of 1991 and remained unstable through 1992. Several factors contributed to this decline in the alfalfa hay market. First was a dramatic increase in alfalfa hay acreage from the 1980's to the 1990's with La Paz County experiencing acreage increases from 25,000 acres in 1984 to 45,000 acres in 1991 (Figure 3). During 1991, a drop in milk production and depressed milk prices reduced demand from the dairy industry which traditionally purchase large quantities of first and second cut alfalfa hay from the Colorado River region. Additionally, Arizona and California dairies began utilizing more locally produced green-chop hay. The combination of increased alfalfa hay acreage, reduced demand for dairy hay, and favorable alfalfa hay growing conditions in California resulted in supply out pacing demand, and prices fell dramatically.

During this period of depressed alfalfa hay prices, growers began putting emphasis on other markets for their hay. More light (95-110 lb) weight alfalfa hay bales were produced for the retail horse market, and some growers increased roadside hay and feed sales. Increased demand from Japan for retail hay also created profitable export markets opportunities for alfalfa growers. Sheep grazing became a popular winter practice of some alfalfa growers, rather than late fall and winter alfalfa hay clippings. Finally, the alfalfa hay market experienced a rapid recovery by the spring of 1993.

Alfalfa hay production in the Colorado River region declined during 1995 and 1996, compared to 1993. Inclement weather reduced alfalfa hay production in California, a severe drought throughout the west during summer 1995 followed by flooding in California during spring 1996 created increased market demand for cattle feed. Hay prices increased to new highs by the summer of 1996. Dairies held out for lower alfalfa hay prices and only purchased enough feed to meet their immediate needs. By the following winter, alfalfa hay stocks were severely depleted. Even through the spring of 1996, La Paz County alfalfa hay producers continued to experience an active market with strong buyer demand exceeding available supply.

La Paz County alfalfa hay receipts reached an all time high of \$47.5 million in 1997 (Figure 2). This strong alfalfa market, coupled with weak cotton and grain prices, resulted in increased alfalfa seedings with production reaching an all time high of 50,000 acres in 1999 (Figure 2). By winter of 1999, statewide alfalfa hay stocks exceeded buyer demand, and hay prices remain weak at this time.

Average annual alfalfa hay yields in La Paz County have maintained a fairly flat trend ranging from 7.5 to 8.5 tons per acre the last 17 years (Figure 2). Low annual hay yields often resulted from extended cutting schedules and minimal inputs in years of below average hay prices.

Averaged over 17 years, the highest alfalfa hay prices were received for best current production during the months of December through April, with peak high prices in March and April. Weekly alfalfa hay prices for best current production exceeded \$95 per ton from December through May (Figure 2). Historically, alfalfa hay quality and prices weaken following Memorial Day weekend, slump through the summer months, then begin a gradual recovery by mid-October. Lowest prices for best current production (below \$80 per ton) were received by alfalfa hay producers from the first week of July through the first week of October. This period of low hay prices corresponds with the period of summer slump when alfalfa hay tonnage and quality decline.

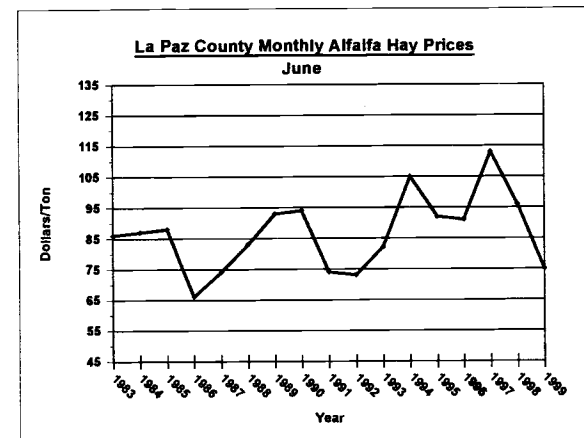
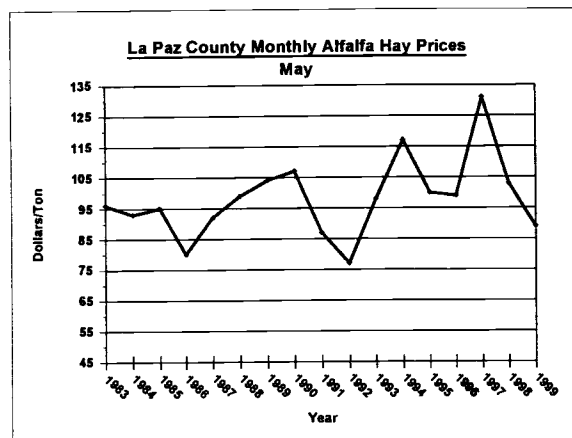
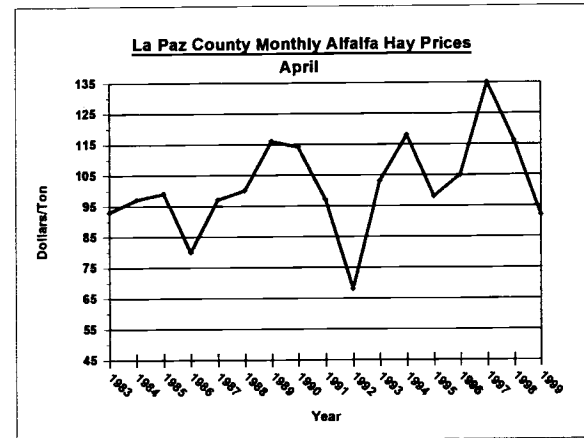
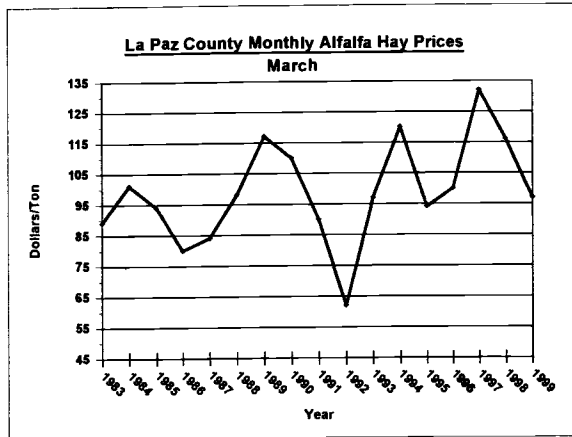
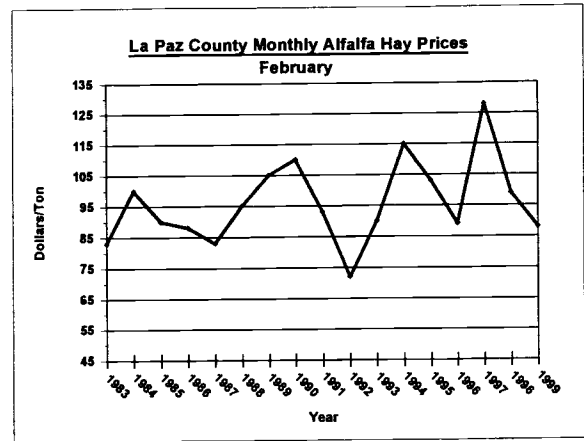
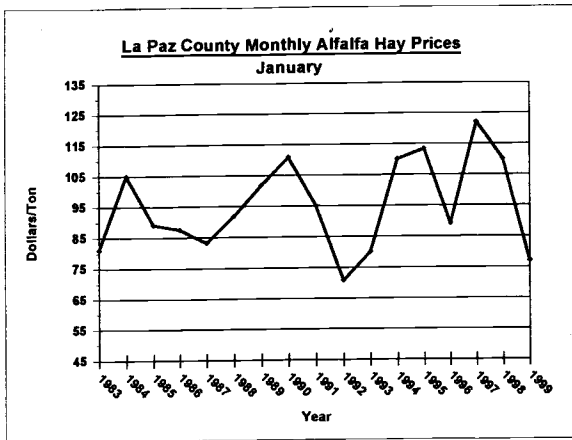


Figure 1a. Seventeen year average monthly La Paz County alfalfa prices received (minus trucking) for best current production during the months of January through June.

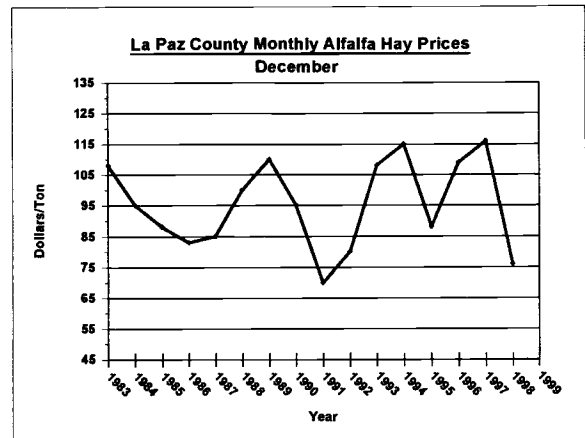
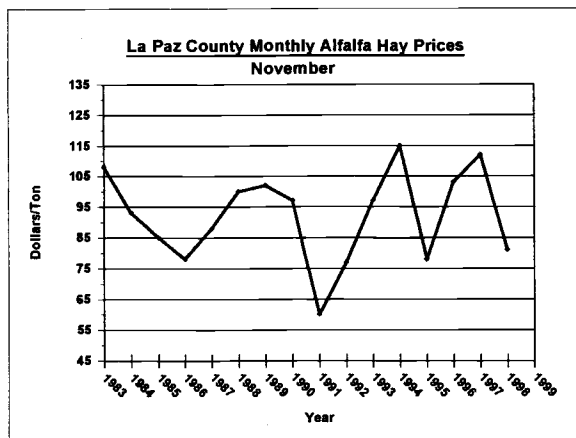
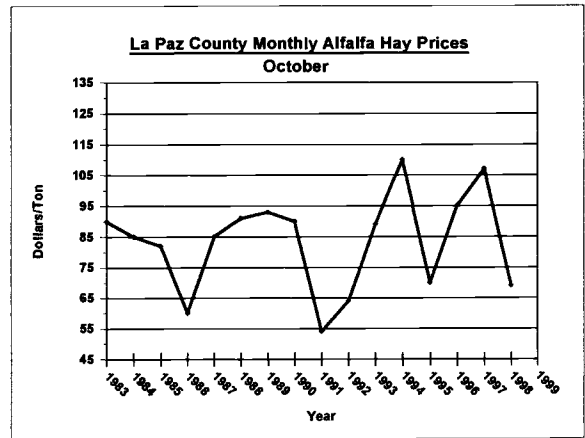
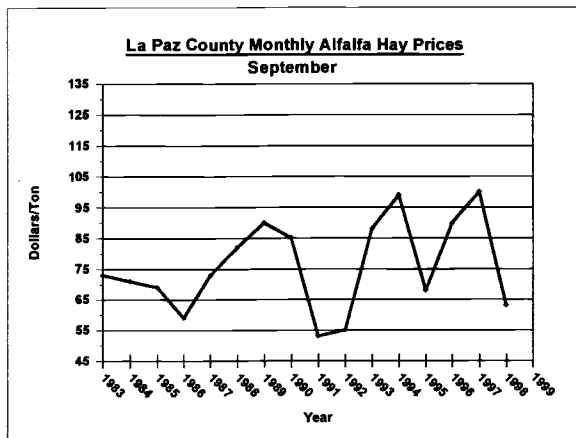
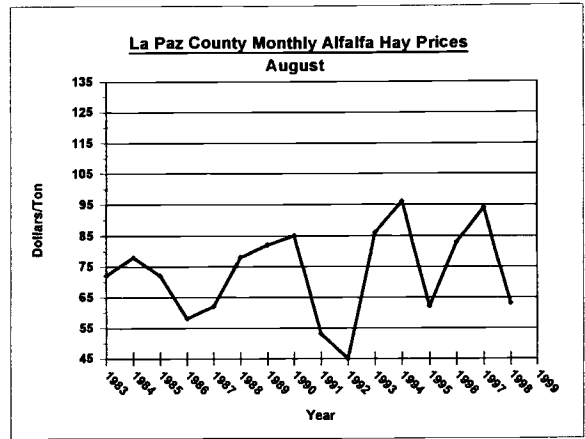
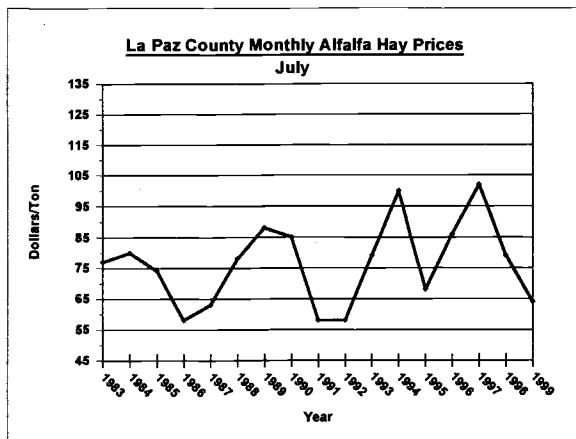


Figure 1b. Seventeen year average monthly La Paz County alfalfa prices received (minus trucking) for best current production during the months of July through December.

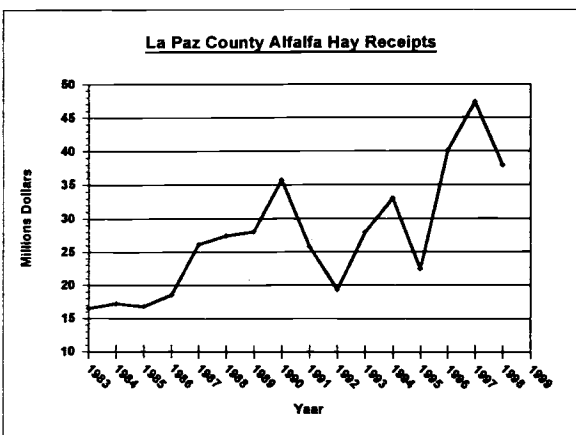
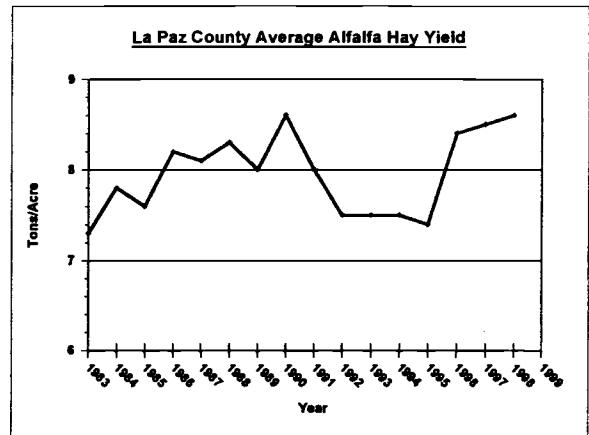
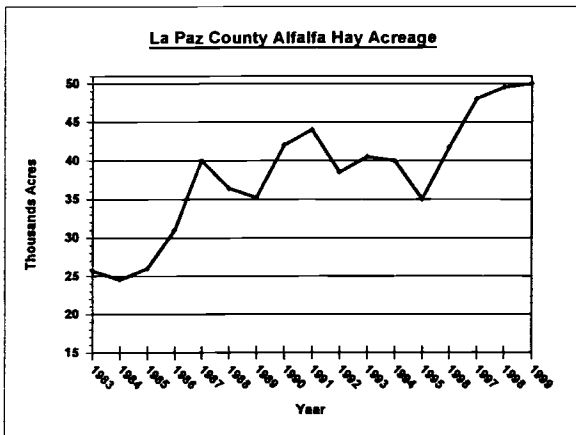
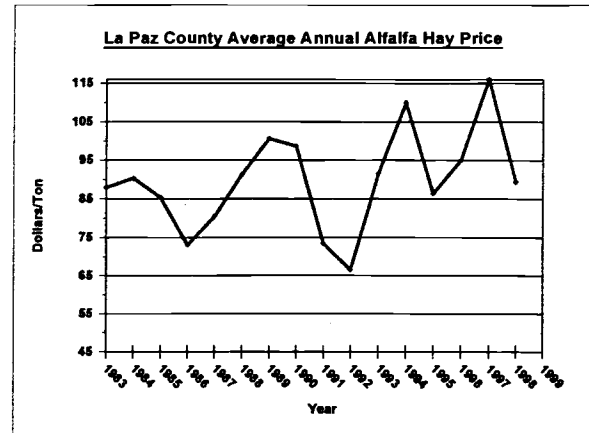
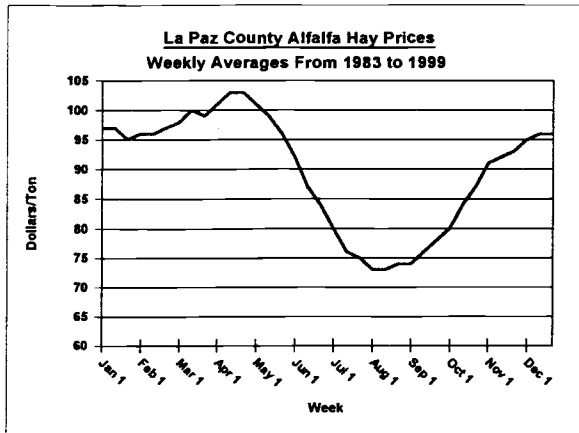


Figure 2. Seventeen year average weekly La Paz County alfalfa prices for best current production during the growing season and average annual prices received by growers, production and yield of alfalfa hay in La Paz County.