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Pask Farms Ltd.

Spring Newsletter 2018

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WHAT HAPPENED?

ALFALFA SEED DROPS FROM \$2.50 TO \$1.50 TO \$.70 IN TWO YEARS

How can this happen? This is like canola dropping from \$13 to \$8 to \$4 per bushel in only two years. Where would the grain farmers be if that happened to canola? If you've been reading our newsletters for a few years, you saw all the warnings. Except the price collapse is greater and likely will last longer than we anticipated.

ALFALFA SUPPLY:

Alfalfa prices had been good. Crops had been poor. Alternate crops were no better. Everyone increased their alfalfa seed acres.

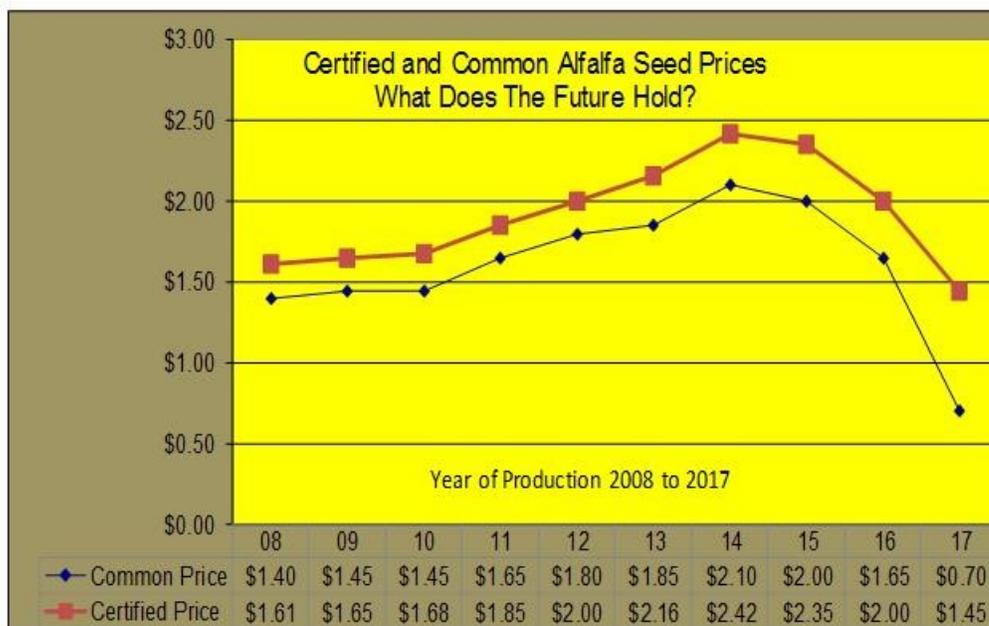
The simple answer is everyone in the world had an amazing crop. Europe, North America, Canada, USA; the entire world grew two crops in one year.

ALFALFA MARKET:

The world market for alfalfa seed has been declining. Alternative food stocks for livestock and improved alfalfa varieties with longer stand life have been factors.

Crops like corn, that use and need manure, have replaced alfalfa which improves the soil but also increases nitrogen. We consider alfalfa beneficial, but many farmers need to burn up manure based nutrients rather than produce more.

Finally, most of the alfalfa seed is sold to farmers to plant fields to produce hay. If the price of seed drops 50%, farmers DON'T plant more hay. The market can only consume so much seed each year, no matter the price or the supply. Right now we have a 2 year supply IF WE DON'T GROW ANY MORE SEED!



LEAFCUTTER BEE PRICES

LEAFCUTTER BEE PRICES DROP FROM \$120 TO \$15 IN ONLY ONE YEAR

BEE SUPPLY:

This did not make any headlines, but that is a huge drop in the price of a farm commodity. What happened here? Did we grow too many bees? Unfortunately, everyone had an excellent bee crop, including the USA alfalfa seed growers, who usually have negative bee returns. So the bee supply was pretty good, but with normal alfalfa seed production, the supply should not have totally crashed the market.

WHO BUYS LEAFCUTTER BEES?:

- USA Alfalfa Seed Growers
- Low Bush Blueberry Growers
- Alberta Hybrid Canola Growers
- New Canadian Alfalfa Seed Growers

The USA Growers are cutting back contract alfalfa seed production on a massive scale. Any field in the last year of production in 2017 has been worked out. Growers were offered cash incentives of \$500 to \$1,000 per acre to work out existing contract seed fields. The end result is a huge reduction in the realistic bee requirements. Growers have enough bees for their remaining fields without buying any more.

The blueberry market is also oversupplied, plus they also use honeybees to pollinate that crop. At last years leafcutter prices, they needed zero bees.

The hybrid canola market is stable to up, so they need bees, but they had a good increase on their own acres. The Alberta alfalfa seed contract acres have been cut back just like the USA seed acres. There are more than enough bees in Alberta to pollinate their crops.

Over the past few years many leafcutter bees were used to fuel alfalfa seed expansion in Canada. That has completely ended, and many growers are cutting back their alfalfa seed acres. All this means the leafcutter bee market got a lot smaller.

Bees can't be stored. You sell them, incubate and fly them, or burn them. But when prices are low enough, the poor bees become garbage and are replaced by good bees. USA growers will burn their bees and use far more bees than they need on less acres. So many of the bees did find a market when the price got this low. And most of us will fill our trays and incubators to the max, and put out far more bees than usual.



HOW LONG WILL THIS LAST?

ALFALFA SEED:

The simple answer is the poor prices are here for 2 or 3 years at least. We have swamped our customers with contract seed. They are taking the crop, and paying for the crop, but it will take them 2 years to sell the crop. As long as we keep producing more seed, the market will stay over supplied, and prices will stay low. Some of the farmer's common crop is still in their bins. Much of it is in seed company's hands, waiting for things to turn around.

Can we keep producing seed at \$.70/pound? What is your average yield? Does \$.70/lb x 150 lbs/acre pay any bills? If we produce another big crop next year, who will buy that?



We have been down this road before, and the cycle has lasted as long as 10 years. In time people quit. Other crops become more attractive. Poor crops happen, and that helps reduce the surplus.

WHAT ARE YOUR OPTIONS FOR SEED FIELDS?

The big money, the easy money, is gone. If you love the bees, the crop, the intense management it requires, then just cut back a bit and ride it out. But be prepared to lose money for a while.

If you sold some of your bees, work out that weedy field and clean up the land. Grow something that has potential for a profit.

Idle the bee equipment for a couple of years, and try to get your timing on re-entering the industry correct.

Buy Low—Sell High

CROP INSURANCE:

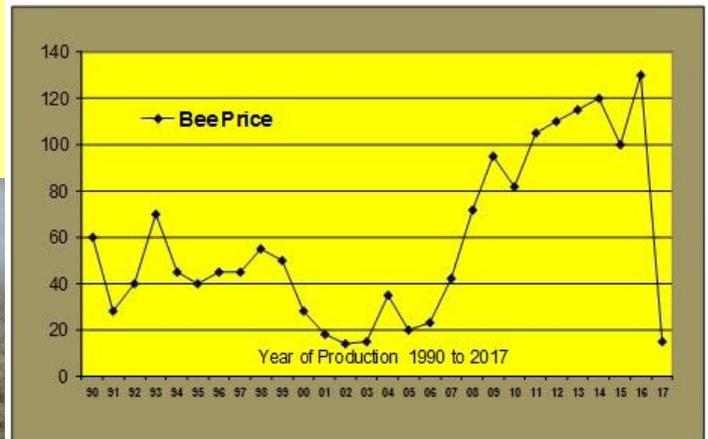
Their prices look higher than the market. Maybe check this out for a cash flow guarantee.

LEAFCUTTER BEES:

Some of you will remember long stretches www.paskfarms.com

of leafcutter bee prices between \$10 to \$20. This graph goes back to 1990. I remember not able to sell bees at any price in 1974 and selling bees for \$300 in 1980. Typically it takes us a while to reduce the bee production acres here, so we may have oversupply on bees for a couple more years.

Eventually the USA starts to plant more acres and needs more bees, and prices start to recover. It may take a few years before we see \$50 again.



WHAT ARE YOUR OPTIONS FOR THE BEES?

If you didn't sell any bees, that means the ones you kept still aren't worth very much. That happened to me in 1974. I filled the trays to the top. The parasites had a field day, and I learned the hard way how much heat bees can generate. About 1/2 of them died from overheating in the trays, even though my incubator was 85. I would have been ahead if I would have fed the bad parasite bees to the dog, and just kept the best bees. Live and learn.

If you managed to sell some bees, then put the rest all out on less acres. This allows you to get rid of some acres and maybe make some money on the rest of the farm.

Check the back page for the final solution. It has happened before.



Another Option?

A Few Production Reminders

BURNING: We hate burning, but every year burning shows up as a winner on the yield maps. Plus we are getting good at rebuilding fences even though we



have no cattle. Burning is hard on plant bug eggs, adult alfalfa weevils, trash and winter annuals. The disease control is worth at least one pass of fungicide. Make sure you have a good stand, and beware of soil drifting. The field in the picture had been planted to wheat and alfalfa the previous year. It was well established, and gave us 700 lbs/acre of clean seed in 2017.

SPRING TILLAGE: So far our trials with our Salford have been a wash. The fields look great, but the yield maps show little benefit. Everyone's situation is different. Some of you may get yield benefits from stand thinning with spring tillage.

INSECTS: We are guaranteed to have plant bugs,



lygus bugs, alfalfa weevils, aphids, perhaps grasshoppers and bertha army worms. With low prices, when do you start and when do you quit? You can't ignore plant bugs and weevils. Last year we had 150—200 aphids per sweep about 3 weeks away from harvest. We sprayed half and left half of two fields. The yield maps showed we should have kept the sprayer at home rather than spray those aphids.

WEEDS: This is the area to spend some money. Make sure you do decent weed control on fields under contract with decent pricing. Everyone is looking for a reason to reject taking delivery and weedy lots is a good place to start. Sweet clover cannot be separated from alfalfa seed. If you leave it in the field, remember we can't clean it out. When it comes to Common seed, quality will sell. With so much seed available, we chose NOT to buy weedy lots. 2018 will be no different. If your seed has sweet clover, canola or cleavers, good luck selling it at any price.

DISCLAIMER: Very few weed control products get labelled for alfalfa seed. There are so few acres grown, plus bees are involved, and seed production is touchy. No one wants to spend any money on registration. So when we talk about Lorsban, Authority, Viper, Valterra, Pardon in July, remember almost everything is NOT registered for alfalfa seed production. Our comments are based on our experience. Each year, each field, each condition may be a bit different, and these products may fail to control target plants, or even worse, they may damage your alfalfa seed crop. Proceed at your own risk.

PARDNER AND ASSURE IN MAY: This will control some of the annual weeds, but will do very little on cleavers.

AUTHORITY: We've had better luck with Authority on kochia and cleaver control than any other product we've tried. Its not great on canola. Authority Supreme will be new on the market this spring. We have heard rumours of one grower, one field, having good results. We will do multiple tests with check strips this spring on this product testing weed control and alfalfa yield. Remember Authority and Valtera must be sprayed when the alfalfa is dormant.

PARDNER ON A HOT JULY DAY: So far we have had good luck on suppressing seed production of canola, lambsquarters, kochia, sweet clover, and Canada thistle with this product. Be careful with tank mixes, as we "toasted" a field last year.

VIPER: This is basically Odyssey and Basagran. Most cleavers are resistant to Odyssey, and Basagran yellows the alfalfa for a while. Still better than nothing.

VELPAR: We use a lot of Velpar, but describe it as doing something, sometimes. It is pretty good on dock and biennial wormwood. You should get many of the shallow rooted annuals, and it will yellow sow thistle. It is relatively expensive.

GETTING SEED CLEAN

Lloyd runs our seed plant, and he must deal with all the weed control issues we bring him.

The customer is always right, and the customers are getting fussy. If you or I bought seed barley loaded with wheat and wild oats, we would be unhappy. The farmer seeding your alfalfa seed feels the same way. If he sees canola, cleavers, sweet clover and Canada thistle seeds in that bag, he won't buy that seed again. Since the customer is always right, we have no choice but to supply cleaner seed every year.

When alfalfa seed gets cleaned, some alfalfa seed ends up with the similar sized weed seeds.

Overall, the dockages were more reasonable and the seed was easier to clean this year. Some of the really ugly lots took 3 or 4 times longer to



clean than decent seed, often with 50% dockage in the process.

There have been some delays with delivery, but the warehouse should look a lot better in a few months.

This was a good year for contract seed production.

SEED CONTRACTS

Delivery was guaranteed, and our contracts will get paid at twice the price of common seed. The higher yields and drier year meant less weeds in most fields. The dockage on most of the contract seed was similar to the common seed. The biggest problem is it will take our customers (your customers) two years to sell it.

We expect new seed contracts for 2018 spring planting to be extremely limited.

These rodents have made harvesting alfalfa fields

MOLES & POCKET GOPHERS

difficult since time began. A mole has a hard life on fibrous root crops like grass, wheat, barley and flax. They need tap root crops like peas, lentils, canola, carrots, and potatoes to survive, but they really like alfalfa. Back in the days of wheat and summerfallow, moles weren't a big problem. After two or three years of alfalfa, you worked the field out, summerfallowed it and grew wheat. Times have changed. Continuous cropping with canola, peas and beans in the rotation, has allowed these moles to set up permanent homes in our fields.

What To Do? We trapped them, fed them poison bait, and gassed them with hand placed fumigants. They multiplied faster than we killed them. The 3-pt mechanical tunnel - bait machines made their digging easier and they didn't eat the bait. The other methods were too much hand work.

Over the years, we developed a tunnel machine to place a slow release fumigant product in an artificial tunnel. After about 3 prototypes we got a machine that actually worked. We patented the process and had a few made for some friends to try. One machine went to an alfalfa seed grower



in the USA. The machine gave him amazing gopher control last fall and this spring.

So we made some more. Contact Murray if you are interested in buying one of these for your farm.

MANAGEMENT DECISIONS:

The upcoming year is one where we expect financial returns may be lower than the cost of production. If we back off the good management, we end up with bee issues and seed issues such that no one will buy our product.

If we spend the money to ensure our bees are free of parasites and disease, we likely won't get that money back.

If we spend the money on bug control, weed control, disease control and harvest management to target a good, clean crop, will we get that money back?

There are no easy answers to these questions, and everyone's farm is different. Each one of us must plot the course that will carry us through until better times return.

Does this make any sense? We have some old nesting material that produces bees, but is really poor fitting. The parasites can access the newly developed bee larva in lots of places. The shelters that contain these poor nests get bees with 0% parasites. Yet in a hot calm year, somehow 0% parasites turned into 5% parasites. With prices below \$20/gallon for good bees, what are these bees worth? And if we incubate them, how much harm can they do?



One grower suggested we needed to have a BYOB party, where that means Burn Your Own Bees. That would help the surplus.

So rather than incubate these high parasite bees, we decided to do our share.



This may look crazy to you newer growers, but the guys with 20+ years experience know this has happened before.

Wishing You Brilliant Decision Making and Safe Farming !!

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