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ACX ADVISOR

Highlights:

- PNW supplies are very tight...
- ACX Stockton fully operational...
- PSW alfalfa stocks mostly sold...

Contents:

ACX PNW	1
ACX PMW	2
ACX PSW	3

Pacific Northwest - PNW *Ellensburg Division Update*

The PNW hay season has officially ended. Some growers are still green chopping fields for dairies; however, recent freezing temperatures will end this soon. Growers are still harvesting corn and buck wheat.

This time of year we turn our attention to making sure all stacks are securely protected and prepared for winter storage for continuous shipment to our customers. We are still searching for hay supplies for some markets. Supplies are very tight and moving well. Growers are reporting 90% sold and moving as agreed in the Columbia Basin.

ACX Ellensburg has made major improvement to the ground between our staging Barn and Press Barn with the recent addition of approximately 35,000 square feet of asphalt pavement. This area was historically very wet in the winter and spring months. This improvement will help in keeping consistent flow of product to our press barn and help keep mud tracking to a minimum. This is also great for all trucks delivering product into our presses during the winter and spring months.

Ellensburg Division has also completed installation and has started operating a New Cooper 450kg sleeve bale press. This gives us the opportunity to offer a great sleeve package to all markets and increases our production capacity. The older sleeve bale press is no longer being used.



Pacific Midwest - PMW

Stockton Division Update

The PMW received rain this week ranging from ¼- 1 inch (.5cm to 2.5cm) throughout the SJV. This last rain has indicated that winter is right around the corner. Many farmers finished up their last cutting and will be winding down the season.

The remaining alfalfa acres will go to green chop and be delivered straight

to the dairies. Dairies seem like they are completely full of inventory as barns are filled up and many dairies have 1,000-2,000 ton stacks tarped and stored for next year.



ACX is Ready

Sudan harvest is nearly over and many farmers in the Stockton area only had one cutting this year. Sudan yields were dramatically down due to late harvest with most farmers only getting one cutting. There are some farms that still have Sudan in the fields but the rain, cool weather, and high dews in the morning will make it almost impossible to cure their hay. They will disk what they have or try to green chop and sell domestically.

After many months of preparation and planned execution, the Stockton facility is fully operational. The three-tie press was relocated into Stockton and is running better than ever. In addition, we will install a 450kg big bale sleeve press which will be operational in Q1 2012.

The Port of Stockton, where ACX Stockton Division is located, plans to operate barges on the Sacramento Delta from Stockton to Sacramento and the Port of Oakland. This “Marine Highway” which is expected to be operational in Q1 2012 will allow Stockton Division to maximize container weights and add value for our customers.



Pacific Southwest - PSW

Wilmington Division Update

Throughout the PSW region growers are finished with their harvest and preparing for the winter. Likewise, freezing weather in Utah and Idaho has signaled the end of harvest.

October and November weather did improve the quality and yield of the remaining alfalfa harvests in the Imperial Valley. The remaining Bermuda and Sudan harvest is finishing with stronger than expected prices.

Overall, most stock of alfalfa remains in the hands of dairy, broker, and export buyers. There are some large stocks remaining for purchase, but farmers are holding until January expecting higher prices due to lower supply and retail buyers.



The drought in Texas remains a strong pull on supply in the Western states, but many speculate that there is enough supply to bridge the gap from this harvest to the next. Cash flow remains very limited for hay buyers and there is some concern over defaults and late payments this winter.

The US, Western States, Class III milk prices remain in the \$17-\$18 CWT range, which some estimate is barely above breakeven for most dairy farmers given the high costs of feed and inputs compared to previous years.

Export demand has increased to some countries such as China that were late to position inventory. Other export markets have decreased their purchases in part due to full supply chain and strong prices.

Inland transportation is stable, but diesel prices remain high despite the retreat in oil prices during Q2 and Q3. Oil prices in Q4 appear to be moving higher.

Weather Update

The below is a weather forecast for the primary growing regions of the Western 11 states. Please visit the weather section at acxpacific.com for more information.

Date	PNW – Ellensburg Area				PMW – San Joaquin Valley				PSW – Imperial Valley			
	Cond	High	Low	Rain	Cond	High	Low	Rain	Cond	High	Low	Rain
11 Oct		11	-2	20%		18	3	0%		22	6	0%
12 Oct		11	1	20%		18	5	0%		22	6	0%
13 Oct		11	-1	20%		22	7	0%		23	8	0%
14 Oct		13	-1	0%		24	9	0%		24	9	0%
15 Oct		14	2	0%		19	10	40%		26	11	10%
16 Oct		11	1	20%		16	9	50%		21	12	30%
17 Oct		8	-4	30%		14	7	50%		20	11	10%
18 Oct		8	-2	10%		15	6	20%		24	9	0%
19 Oct		7	-3	10%		18	6	40%		26	9	0%
20 Oct		6	1	10%		16	8	0%		26	12	0%

Ocean Freight Update

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Ocean freight from Los Angeles and Long Beach remains favorable for exporters with surplus equipment and capacity despite reductions to import volumes. Evening and weekend terminal gates continue to be a challenge with some steamship lines.



Ocean freight from Oakland is a challenge as export volume historically outpaces import volume. Most steamship lines reposition containers for exports from Oakland attempt to collect a premium rate for some trade lanes. Hours of operation at the Port of Oakland do not allow any evening or weekend terminal gates.

Ocean freight from Seattle and Tacoma remains challenging as carriers are booked 3-4 weeks out. The cost spread for ocean freight from the PSW to the PNW is significantly higher than the typical \$200-300 per container.

Most carriers implemented some form of general rate increase on November 1, 2012. The GRI ranges from \$50-\$100 with some carriers mitigating the GRI in either the northern or southern ports. At least two WTSA carriers did not implement a GRI and held their prices the same through the end of 2012.

Ocean carriers claim the GRI was necessary due to tight equipment and capacity along with a decrease in Western US imports from the far east. Some carriers, however, are laying up ships to create demand.

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