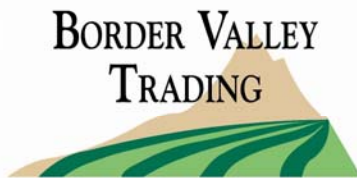


Border Valley News

January 23, 2009



A Commitment to Safe, Quality, Feed

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2009 PSW Grass Hay Outlook

Growers in the Imperial Valley are now determining their intentions for farming Sudan, Bermuda and Klein grass for the 2009 growing season. Faced with challenges of a depressed export market as well as limitations on water availability for 2009, farmers are having to make some difficult decisions.

Many farmers in the Imperial Valley are very nervous about the current export market and the prices that are currently discussed. Growers feel that with the current state of the export industry they will decrease Sudan, Bermuda and Klein acres. Wheat is a better option this year due to the uncertainty within the export market.

A new challenge farmers are faced with in 2009 in the Imperial Valley is the implementation of water allocations. The Imperial Irrigation District must comply with the amount of water it is allocated from the Colorado River. As a result, the amount of water available for agriculture has to be allocated. Most farmers will manage the impact of allocations by changing their crop rotations. This could limit the acres

of Sudan planted by farmers. As this trend continues, it will limit the amount of water available to double crop with Sudan.

In 2008 there was 68,000 acres of Sudan planted. Of this total, 37,000 acres (54%) was planted after May 15th with the balance of 31,000 acres planted prior to May 15th. Based on grower intentions to continue planting wheat for the next 30 to 45 days, the amount of Sudan planted by May 15th is expected to be similar to that in 2008. However, with the uncertainty of the export market and the allocation of water, much less Sudan will be planted after May 15th.

Our forecast is that 2009 Sudan plantings will not exceed 45,000 acres. This is a 35% decrease from 2008 and is only the second time in 15 years that Sudan plantings did not exceed 50,000 acres (2002).

BVT will continue to meet with our core growers to make sure they plant as much Sudan as possible. Based on current market conditions, challenges with the allocation of water and the costs to grow Sudan, it will be a challenge to get farmers to plant Sudan aggressively like we have seen in previous years.

Over the past few months we have now seen some farmers plowing under some Bermuda fields due to the slow demand from the export market, as well as the costs to produce Bermuda hay. Over the past several months we have seen a decrease of 5,573 acres. From 2008 to 2009, the total decrease of Bermuda is 6,300 acres. Based on discussions with growers, we expect more fields out of production.

Bermuda grass is primarily grown to make Bermuda seed, and growers have been able to make Bermuda hay after a seed crop due to demand from the export and domestic horse market. With the decrease export demand, growers could focus on only making Bermuda seed and then not irrigate Bermuda fields after seed harvest. This would give growers another way to save water due to water allocations.

Klein grass acres have been stable over the past several months with a slight decrease from last year. Growers are currently evaluating, if they will continue to farm their Klein. Based on the price and demand from the export markets, growers feel farming Klein will not be profitable. Growers will consider one of three options:

1. Plow it now and grow wheat.
2. Make 2-3 cuttings and then re-evaluate the market conditions and decide to continue production of Klein grass, or plow the fields out of production.
3. Put Klein fields into the fallowing program for one year starting in July.

Because Klein is a summer grass, rotating from Klein to Sudan will be difficult as some Klein grass may continue to grow and mix into the Sudan crop.

Based on our conversations with farmers, we feel growers will use a combination of all three scenarios. We expect to see at least 15% reduction (minimum) in Klein production from 2008 to 2009.

In Central California, growers have indicated they will reduce the amount of Sudan planted and in some cases not plant any at all. Many growers in Central California are very unhappy with the lack of support from certain suppliers in the export market and are considering other options to replace Sudan.

Another concern facing farmers in Central and Northern California is the lack of rainfall so far this winter. While we are partially into the winter season, the precipitation amounts are below normal. This is a big concern as California has had lower than average rain and snowfall the past 2 years. Some areas of Central California did not have adequate water to farm crops in the summer of 2008 and the current prospects for 2009 could be more severe than last year.






The snow pack in the upper Colorado River basin is slightly higher than average for this time of year. The Imperial Valley as well as other farming areas in Southern California and Western Arizona depend on the Colorado River for water. While this is very good news for water supply from the Colorado River, river managers caution that last year at this time the snow pack in Colorado was also above average but late winter snowfall in 2008 was much lower than normal. Lake Mead, where a lot of the water is stored for Southern California, is currently 5 feet lower than last year at this time. With the drought conditions in Northern and Central California, Los Angeles and San Diego will attempt to get more water from the Colorado River.

Imperial Valley January 15, 2009 Acres Comparison





	Alfalfa	Bermuda	Klein	Sudan	Wheat
1999	168461	52654			31743
2000					37244
2001	178975	60965	7691		27365
2002	181596	65701	10172		28680
2003	163414	64781	10316		43563
2004	147289	68029	14120		34417
2005	141237	62722	14302		16283
2006	150682	62263	13656		16587
2007	132219	65145	15256		29310
2008	114914	57830	15160		71135
2009	129545	51468	14459		71280

The Weather

Imperial Valley

JAN 23	JAN 24	JAN 25	JAN 26	JAN 27
				
AM Showers	Partly Cloudy	Mostly Sunny	Mostly Cloudy	Few Showers
High: 25° Low: 11°	High: 25° Low: 8°	High: 25° Low: 9°	High: 21° Low: 6°	High: 21° Low: 5°

Modesto

JAN 23	JAN 24	JAN 25	JAN 26	JAN 27
				
Rain	AM Showers	Showers	Few Showers	Partly Cloudy
High: 13° Low: 9°	High: 14° Low: 8°	High: 9° Low: 4°	High: 11° Low: 1°	High: 13° Low: 1°