



Market Update

The economic situation of the last 15 months has proven to be the most challenging financial time in the U.S. since the Great Depression. Large Wall Street corporations to small businesses in the heartland of America are starting to wonder if there is a light at the end of the tunnel. The nation's top economist and the politicians cannot agree on a resolution for the current situation. History tells us that it will bounce back, but to what degree and what the new paradigm will be is yet to be determined.

The United States has suffered many economic downturns since the market crash of 1929. Small businesses helped bring the country out of the Great Depression, but tight purse strings at the bank level today are currently hindering small business recovery. What the markets will do is the big question and how businesses react will determine who is left when things improve. Competition and adversity has always forced small businesses to become better merchants. The staff at Pawnee Buttes Seed is dedicated to providing the product, service and technical knowledge to be the best merchants in the industry. We genuinely appreciate our customers, our staff, our suppliers, our growers and the opportunity to face the challenges of the future.

Government Purchasing

Historically, the federal government, and the BLM in particular, has been the largest consumer of native seed in the U.S. With government agencies facing cutbacks due to falling tax revenues, government purchases of seed have dramatically decreased. This has left a lot of inventory in the industry and, coupled with declining demand from consumers across the board, it did not take long for prices to start falling.

Low demand and better than expected yields have forced many seed growers to plow out production

acres and to sell seed below the cost of production. This is an effort to reduce current inventories and bring supply back in line with deteriorating demand. Many native species are trading at 25 year lows. The market is showing signs that it has hit bottom and has started to stabilize. Current reports show that consumer spending has started to creep up and wise decisions on investments are starting to show positive returns.

Turf Report

Sinking prices have forced many growers to plow out production acres and replant with annual cash crops. It is estimated that nearly 200,000 acres in Oregon's Willamette Valley have been taken out of production.

Decreasing demand has left growers with literally "mountains" of inventory.

- Turf type tall fescues and perennial ryegrasses have been hit the hardest trading at 40% to 60% less than last year.
- **Fine fescues and common Kentucky Bluegrasses** are soft and down 20% to 40% from 2009.
- **Public varieties of Kentucky Bluegrass** are off 50%.

Pasture and Forage Report

Prices on items such as orchardgrass, bromegrass, forage fescue, and perennial ryegrass spiked in 2008 and early 2009 due to a short supply. Bumper crops in the fall and low demand show these cool season forage grasses trading 50% less than last year.

The supply on these will eventually fall in line with demand as more production acres are plowed out and replanted with other crops.

Reclamation and Conservation Report

The reclamation and conservation arm of the industry has acutely felt the brunt of a strained economy. The lack of any CRP sign-up, the decrease in number of building projects and severe government cutbacks has produced a severe drop in demand forcing prices to the lowest point in decades.

Cool season grass prices have dropped dramatically across the board; as much as 75% compared to prior year.

Native warm season grass prices are down but inventories are not extremely large. Prices may dip slightly more, but should stabilize soon.

Forbs and shrubs have seen significant price decreases with most species showing fair to moderate availability.

Alfalfas/Small Grains

Proprietary alfalfa prices are stable, as is the supply; however supply for public varieties is not excessive and could tighten throughout the year with some price increases to be seen.

Clover pricing is stable with fair to moderate supply. The one exception may be Yellow Blossom Sweet Clover showing poor supply and one item that will be higher priced in comparison to last year.

Small grains such as rye, oats, barley, wheat, and triticale are all in good supply, and prices should be comparable to 2008.

The Bozoisky Select variety of Russian Wildrye has proven to have greater palatability and higher yields than older varieties such as Vinall or Swift. It is faster to germinate and establishes more rapidly than other varieties.

References:

Plant Materials Service, USDA-NRCS, 2004.Plant Guide