

## **CANADIAN PROCESSED ALFALFA SECTOR PROFILE**

### **Sector Structure**

Manufacturing plants are generally shareholder companies owned largely by farmers who also supply forage to their manufacturing plant for processing. In 1988, there were 32 known pelleting and cubing operations in Canada. Very recently, there have been a number of new small-scale cubing operations established in Alberta, and a number of compressed hay operations; largely in Alberta, parts of Eastern Canada and the Maritimes.

Products are marketed for export largely by four major processor-owned marketing groups. This is a major change from the early 1970's when processors marketed their product largely on an individual basis. There is a tendency for new plants to do their own marketing; although the additional risk to establish contacts and credibility in the marketplace is forcing them to turn to agents or to establish industry-owned marketing groups. Domestic marketing is less organized than the export market, although each marketing group maintains some presence in the domestic market. Individual processors also conduct their own domestic marketing program.

### **Supply Capabilities**

The total processing capacity is currently estimated at over 800,000 MT annually, split approximately equally between pellets and cubes; with minor volumes of other products such as mini-cubes and other specialized products. The capacity to package compressed long hay is thought to be in the range of 20-40,000 MT. For 1990, production capacity for pellets is expected to increase somewhat as existing operations expansion plans materialize.

As mentioned earlier, production levels are currently at slightly over 600,000 MT annually for pellets and cubes. Additional capacity is currently in place to supply another 200,000 MT of product to markets, largely as cubes. The scheduled 1990 increase in dehydrating and pelleting capacity will place us in a position to supply an additional 25-35,000 MT; with an increased capacity expected to take place as market demand develops.

Recent studies and industry experience have shown that large processing operations are more efficient and hence more likely to survive and prosper in the long-term. We will, therefore, most likely see a general increase in the size of operations in the future. Individual plant decisions to increase