

UW Cooperative Extension Service  Profitable & Sustainable Agricultural Systems

What is hay going to be worth this year?

By Scott Keith

Now that state fair is over, school is back in session, days are getting shorter, and a touch of fall is in the morning air, it's time to be thinking about hay marketing.

I just finished coordinating the Wyoming State Fair and Rodeo Hay Show, and it was a good one – lots of good-quality hay from all over the state. Many hay and livestock producers stopped by the hay show to see the quality hay, talk about their own current hay conditions, and ask that open-ended question, "What's hay going to be worth this year?"

My reply was, "I don't know for sure. What kind of conditions exist in your area?" to which I received a wide variety of answers.

It seems once again this year a shortage of irrigation water in the central and southeast areas of the state affected production yields. Other producers, like many in the Casper area, had a hard time getting hay harvested between rain showers. Still others, like the producers in northeast Wyoming, had a great harvest year, and their tonnages are up.

As far as hay sales, I also heard many differing stories. Producers in some areas are moving hay as rapidly as it is harvested to out-of-state dairy and horse interests for similar or higher prices than last year. Some producers are being contacted by new buyers from Midwestern markets as a result of the hay crop catastrophe in the middle part of



the country. Others are waiting to sell because they think the price will go up later. Still others are selling hay for less than last year to long-time customers.

So, really, "What is hay going to be worth this year?"

Good question.

My response to hay producers is, "What do you have to sell (what market does your hay fit in), what has it cost you to produce, and what are you willing to sell it for in the appropriate market?"

From a buyer's perspective, I talked with a lot of cattle producers who paid high prices for hay last winter and spring who are saying they can't afford to pay that same high price again this year. I have

been getting calls from the dairy sector looking for dairy hay prospects, but they are not willing to pay as high a premium as last year due to milk prices and freight costs (and I thought cattle producers were the only ones who bought hay based on what they thought they could pay for it).

And there is the horse hay market. Small, square bales of premium hay continue to be quite valuable. U.S. Department of Agriculture market reports indicated small squares, grass hay at 45 pounds per bale, brought \$6.75 per bale or \$300 per ton at the Centennial Livestock Auction's hay auction July 28 in Fort Collins, Colorado. So when the prospective hay buyer asks

the question, "What is hay going to be worth?" my response is "What are you needing, and what are you willing to pay for it?"

To fully answer the question, more information is necessary. First, both buyer and seller must have an idea of the quality of hay they have to sell or need to purchase; therefore, forage analysis and study of the feeding requirements for the class of livestock to be fed is necessary. I encourage producers to check with their local University of Wyoming Cooperative Extension Service agent to recommend an appropriate forage analysis company for their needs.

Second, both buyer and seller must know the true cost or value of hay. Sellers must know how much it costs per ton to harvest, and buyers must know how much they can afford to pay for hay versus alternative feed resources.

Third, buyers must locate a willing seller with the quality they need, and sellers must locate a willing buyer who needs what they have produced.

That is where marketing comes in.

Marketing hay can be accomplished in many ways, from word-of-mouth at the local feed store or coffee shop to ads on the feed store bulletin board or in local newspapers and industry publications. It can be marketed through video auctions, through brokers, or by industry promotion efforts such as entry in the Wyoming State Fair and Rodeo Hay

Show or the World's Forage Analysis Superbowl held in conjunction with the World Dairy Expo.

One free marketing method available to Wyoming hay producers and hay purchasers is the Wyoming Hay List Web site – www.wyohaylist.com. This Web site is jointly sponsored by the Wyoming Business Council and UW. It allows Wyoming hay producers to list their hay for sale online or by contacting Kathy Parsons with the UW Powell Research and Extension Center at (307) 754-2223.

Buyers can input their information under the hay needed category by going to the List Hay link on the home page. The site brings buyers and sellers together from all over the country, with an average of more than 4,000 hits per month and up to 10,000 per month in peak usage. The site also has links to U.S. Department of Agriculture pricing information (click on the Pricing Information link) and to other Web sites and information sources.

So, after all this information, we need to address the original question, "What is hay going to be worth this year?"

My answer, again, is "What are your conditions?"

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Livestock risk protection insurance for lamb producers

By James Sedman and John Hewlett

Livestock Risk Protection insurance (LRP) has been a valuable risk management tool for cattle producers and feeders since its inception in 2003.

LRP policies became available to lamb producers September 17 in Wyoming and across 26 other states. LRP, offered under the umbrella of federal crop insurance programs, helps limit producer exposure to downside price risk by ensuring a stable revenue level. LRP is also available for fed cattle, feeder cattle, and swine in Wyoming.

Program Requirements and Provisions

LRP for lamb producers is similar to other LRP contracts. Producers complete a one-time application for coverage and then may insure on a weekly basis after that. Producers purchase specific coverage endorsements (SCEs) for each group of lambs marketed at a specific time. SCE time periods are

limited to 13, 26, or 39 weeks. The maximum number of lambs that can be insured is 7,000 per SCE and 28,000 per year.

Price and coverage levels are determined when the SCE is purchased. Producers may select a coverage level from 80 to 95 percent of the expected ending value in 5 percent increments. The main difference in lamb LRP policies and other livestock policies is the pricing mechanism. Lamb prices used for the policy are determined weekly by the U.S. Department of Agriculture (USDA) "Formula Live Lambs" price, not by a current market price or futures price (as with other livestock). Actual ending values, prices, and per hundredweight (cwt.) costs of the policy can be viewed online at the USDA's Risk Management Agency (RMA) Web site www.rma.usda.gov. Click on the Livestock link at the left, and under Livestock Risk Protection in the middle of the page click on Coverage Prices, Rates and Actual Ending Values and fol-



low directions. Indemnities are paid when the calculated actual value of the lambs drops below the expected value specified in the insurance contract. Premium prices vary with coverage level and are determined weekly by the RMA.

How Lamb LRP Works

An LRP lamb contract can be an important part of any lamb producer's or feeder's overall risk management plan. It can be tailored to fit most feeding or production practices – for example, when a producer expects to sell 500 lambs weighing 120 pounds in 13 weeks.

The SCE purchased would be for 60,000 pounds of lamb at the established price of \$120/cwt. At 95 percent coverage, this would equate to an expected value of \$68,400 (0.95 times 600 cwt. times \$120/cwt.). If the prices determined by the USDA at the time of marketing yield an expected value lower than that of the SCE, an indemnity is paid. It is important to remember the actual market price received for the lambs is not included in the pricing formula for ending value.

Find out more about LRP contracts and options for live-

stock operations by contacting an authorized crop insurance agent or visit the RMA's Web site. For more information about this and other risk management topics on the Web, consult the Western Risk Management Library at <http://agecon.uwyo.edu/riskmgt>.

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