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HAY SUPPLIES TIGHTEN: Iowa's 2016 all hay yield of 3.53 tons per acre was the highest since 2007. Good yields boosted all hay production to 3.2 million tons. While higher than the drought-reduced 2.8 million tons in 2012, it was the second lowest Iowa all hay production on record.

Hay acreage down, demand up

Livestock Outlook: Beef producers need a good hay growing season in 2017, or a hay price spike is possible.

Lee Schulz | Mar 17, 2017

Hay prices on average for the U.S. are the lowest since February 2011. This situation is driven by an uptick in 2016 hay yields, despite lower acreage. The relatively mild

winter across much of the U.S. trimmed hay consumption in recent months, also letting prices ease.

Iowa's hay acres continue to decline and stocks are tight. The Iowa beef cow herd is growing. Iowa hay buyers are vulnerable to a price spike should weather trim hay production this year.

USDA's National Agricultural Statistics Service in its ag prices report provides average monthly hay prices by state and nationally by crop year (May to April). Prices are reported for alfalfa hay, other hay and the combined all hay categories.

Alfalfa hay prices for the U.S. were \$128 per ton in January, while prices for "other hay" were \$119 per ton. Those are averages. The price range can be wide, given varying quality and geographic supply-and-demand conditions. For example, the highest "other hay" price in January was \$181 per ton in Pennsylvania. The lowest average price of \$55 per ton was in Minnesota. Iowa's January "other hay" price was \$80 per ton.

Another useful source for hay prices is USDA's Agricultural Marketing Service's weekly Iowa Hay Summary (report NW_GR312). These are prices paid at auction each week and include detail on quality (supreme, premium, good, fair, utility), bale size (small squares, large squares, large rounds) and type (alfalfa, alfalfa-grass, grass). For the week ending March 3, good-quality grass in large round bales was in the \$70 to \$80 range.

USDA's Crop Production Annual Summary released on Jan. 12 reported on state and total U.S. hay area harvested, yield per acre, and production for alfalfa, other hay and all hay categories on a calendar-year basis. All hay harvested in the U.S. at 53.5 million acres in 2016 was down 1.8% from the 54.4 million harvested in 2015. The average U.S. yield per acre for all hay in 2016 was 2.52 tons per acre. This compares to 2.47 tons per acre in 2015 and the highest "all hay" yield since the 2.55 tons per acre in 2004. U.S. all hay production in 2016 at 134.8 million tons was up 0.2% from 2015, but still 3.7% lower than 2014.

Row crop land grab continues

In 2016, Iowa harvested 910,000 hay acres. This was the lowest harvested all hay acres in the history of the data back to 1974. Competition for land due to historically high crop prices not many years ago bid hay acres into row crop production. Record-high cow-calf profits in 2014 and a very good year in 2015 for cow-calf profits failed to pull acres back to hay. In 2016 in Iowa, 220,000 acres were taken out of alfalfa production and 30,000 acres were taken out of other hay production.

Iowa's 2016 all hay yield of 3.53 tons per acre was the highest since 2007. Good yields boosted 2016 all hay production to 3.2 million tons. While higher than the drought-reduced 2.8 million tons in 2012, it was the second-lowest Iowa all hay production on record.

In Iowa, most beef cows are fed non-alfalfa hay (referred to as other hay). In 2016, Iowans produced 900,000 tons of other hay, 36,000 tons below 2015. Iowa other hay production has not topped 1 million tons since 2000.

Iowa hay stocks are also much lower than in previous decades. Dec. 1 hay stocks for 2001-10 averaged 3.8 million tons, compared to 2011-16's average of 2.7 million tons. Tighter supplies mean drought or poor pasture and range conditions could aggressively move prices upward.

Grazing generally trims costs

Adequate hay is essential for cow-calf production. Hay is generally more expensive than grazing. But feeding hay is often an easy and convenient substitute for better grazing management. Iowa beef cow numbers rose 2.7% in 2016. The Jan. 1 inventory of 965,000 head was the largest since 2008. This raises the question of whether Iowa has adequate hay for the growing beef cattle herd. Or said another way, producers may need both favorable pasture grazing conditions and improved grazing management. Minimizing hay needs with improved grazing management can lead to significant savings in annual cow cost of production and help maintain the growth in the beef cow herd.

Kansas data for 2010-14 compiled by Pendell and Herbel in Feed costs: Pasture vs. Non-pasture Costs show that feed cost (pasture and non-pasture) typically represents nearly 50% of the total annual cost of production for beef cows. Total feed cost averaged \$491 per cow, but ranged from less than \$209 to over \$792. Pasture cost averaged \$150 per cow, or just over 41 cents per cow per day on a year-round basis.

Non-pasture costs — which include supplements, hay and other feed sources, such as crop aftermath — made up the remaining feed cost of \$341 per cow, or about 93 cents per cow per day. The data do not have enough detail to show the precise relationship between hay and pasture cost. But the authors note that producers who rely more on pasture and less on non-pasture feeds tend to have lower total feed costs.

Producers may not be able to do much at this point to change hay requirements until grazing is available, but planning now for 2017 grazing and hay management may provide cost savings and flexibility in the coming year.

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