As we prepare for the 2008 hay crop, it’s probably a good time to look back and see what the ’07 crop brought to us and wonder if it will have any bearing on the upcoming 2008 crop.

We entered the ’07 hay year with little or no carryover in Kentucky of the ’06 crop due to extreme drought conditions in the southeast. Many Kentucky producers had shipped hay south during the previous fall and winter which left our carryover hay at next to nothing here in the state. Nationwide carryover supplies were low as well due to drought and other issues as well.

We now have the ethanol and alternative energies phenomenon that is sweeping the country which has greatly impacted the supply of hay. Although, hay acres remain somewhat constant there is no push to seed additional acres of hay especially with grain and commodity prices at their current levels. Even with supplies being as low as they are and prices being as high as they are, there seems to be no great ground swell to put in new hay acres.

The drought of ’07 only exacerbated the hay situation for the ’07 – ’08 hay feeding season. Plant material got off to an early start due to warmer than normal temperatures in March but were frozen back dramatically with our “Easter” week freeze. This left forage plants stressed and they were slow to recover and some stands even perished totally. Then it turned dry in May and June and hay yields statewide were at 50% levels or below. Some sporadic rains came in July but then more drought in August and September. So many producers were feeding hay as early as June and certainly many more were feeding in August and September. This early feeding depleted inventories that were already diminished due to the freeze and early drought not to mention we had no carryover. Needless to say, the hay supplies were very short entering the typical hay feeding season starting in late November and December.

If you have had to buy any hay this year you know full well that the price is up….up dramatically. The hay market is like most agriculture commodity markets in that prices are usually driven by supply and demand. But the supply and demand theory continues to be clouded with other issues also. The export market continues to grow almost exponentially, producers in other parts of the country are having to battle environmentalist as well as major urban areas for water rights and of course more good farm land continues to be swallowed up by developers at a rapid rate. All of these issues along with the ethanol picture continue to jeopardize hay acres nationwide.
Other concerns also continue to drive the price of hay upward. The price of fuel for instance has to be factored in the equation. No 2 diesel fuel remains at over $3.00 per gallon. That diesel is used to swath, ted, rake, bale, store and transport the hay. And then if you factor any amount of travel distance between where the hay is grown and then utilized it can substantially increase the price of the hay. For example, if you are shipping hay 2000 miles via tractor trailer and you get 5 miles to the gallon that means it’s going to take 400 gallons of fuel to move the hay. At $3.00 per gallon that is $1200 total just for the fuel that doesn’t take into consideration permits, insurance, wear & tear and maybe even a little something for the driver to make a decent living. So, if there is 15 tons of hay on the load then the fuel alone cost $80 per ton for that particular load of hay.

We’ve talked about fuel prices going up and that also has a great bearing on fertilizer prices. As fuel prices increase, so does the price of fertilizer. It’s an accumulative effect….a snowball effect.

So needless to say, it’s not the “same ol’ hay business that your Dad used to be in”. Dynamic changes continue to shape and mold a “new” hay industry that will be more exciting, more challenging and more diverse than ever before. All the components that we have visited about previously will all play important roles as to how this industry changes but I think that it is safe to say old pricing schemes, old packaging, poor storage, etc. will not be able to bear up under the new hay landscape. Producers will have to be diligent and forward thinking in order to succeed in this new “hay making” environment.

It is an exciting time to be in forage agriculture. The winds of change seem like they are almost at hurricane force. So jump in and hang on…it’s going to be a wild and exciting ride.