

Establishing a Fair Price for Standing Hay

As we get further into the growing season, first cut hay crops will be coming off. Most people will ask “what do I pay or charge for standing hay?” This isn’t an exact science. It requires an estimate of hay market price and a method to determine yield.

Hay prices are difficult to establish because they are affected by a combination of a number of factors: spring inventory carryover, pasture conditions, feed competitors, cutting date, quality, yield, and location. As we saw in 2015, hay supplies were low coming into the year and pasture conditions were poor. This caused hay to be in demand and prices rose substantially. Only after silage and greenfeed crops were harvested did we see a softening in the price. This year, a mild winter allowed hay supplies to rebuild somewhat but pasture conditions were poor in the spring.

Current hay prices are less readily available than prices for wheat, canola or barley. There is often large regional variation in price because of the cost of transport and local supply and demand. Typically, hay prices do not settle until about the end of October when hay, greenfeed, silage and salvaged cereal crops are harvested. Current asking prices are available on the Alberta Agriculture and Forestry’s website under “Alberta Hay and Pasture Directory”. Agriculture Financial Services Corporation (AFSC) also publishes historical forage price data for all regions of the province.

Basic economic principles should factor into the pricing decision. If you’re the seller, the price should be based on the estimated market value of hay in the bale less expected harvest costs (the cost to cut, bale and haul hay) and an allowance for weather risk. This weather risk would be at least 10% for grass hay and as high as 30% for alfalfa, reflecting the loss in nutritional value due to poor weather. Harvesting costs are available through Alberta Agriculture and Forestry’s 2015 Custom Rate survey or the online Machinery Cost Calculator.

If you’re the buyer, there will be a limit to what you can and will pay, depending on the availability, quality and price of other forages. The decision should compare the price of the bale of hay versus the cost savings of purchasing the crop standing in the field. Buying a standing crop can provide more quality control, the forage you want, and in a location that minimizes the cost of transport. The price of livestock and the cost of feeding should also factor into your price decision point.

It is recommended to negotiate by the ton rather than by the acre because yields can be quite variable, even within fields or a local area. The buyer would assume all the yield risk if pricing is done by the acre. Since estimation of yield is critical in finalizing the value, historical records are a starting point if they are available. Once the value is agreed upon, it is suggested that the buyer pay one half of the value at haying time and make the final payment in the fall when the yield is known and prices are more firmly established.

Remember, the price is determined by the market, not necessarily what we think it should be.

If you need assistance with pricing standing hay, call the Ag Info Center at 310-FARM (3276).

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