

End of the Hay Marketing Year Perspective

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After two and one-half years of decline, alfalfa hay prices began to increase in early 2000. By mid-April of 2001, prices of alfalfa hay across the nation averaged \$100 per ton compared to \$73 per ton in December of 1999. Weather related forage production and harvest problems in 2000 and a cool, late spring in 2001 contributed to the price rise. This is the first time that alfalfa hay prices have averaged \$100 per ton since May of 1998.

Prices increased the most in Western and Southern States where forage production was substantially reduced in 2000. In Texas, hay production declined 32 percent in 2000 and alfalfa prices averaged \$140 per ton in mid-April. This was the highest state average in the country.

The recent release of the May 1 Hay Stocks report by the USDA provides an end-of-the-year demarcation for the hay marketing year that began May 1, 2000. The hay stocks data is the "bottom line" regarding production and disappearance of hay during the past year.

Stocks of all hay on farms totaled 21.1 million tons on May 1, 2001, down 27 percent from the previous year. This reduction reflects a return to near normal stock levels following last year's near record high. Disappearance of hay between December 1, 2000 and May 1, 2001 totaled 82.6 million tons, three percent higher than the previous year. Disappearance during the entire hay marketing year totaled 159.9 million tons, an increase of 2.7 percent. The increased disappearance was due to severe early winter weather in the northern Plains and the Midwest, and a late cool spring across much of the country.

Twenty-seven States had lower hay stocks. Most of these were located west of the Mississippi River. Ten States west of the Mississippi River reported stocks at or below 50 percent of last year's levels. The Southeast was also hurt by drought with Alabama, Florida, and Mississippi also reporting stocks at or below 50 percent of year ago levels.

The States in the Ohio Valley and Northeast saw stocks rise as a result of favorable weather in 2000 bringing about an increase in production following the drought that occurred in 1999. Stocks have risen to a more normal level in most States. The largest increases in stocks were in Kentucky, Pennsylvania, Virginia, and West Virginia.

In Indiana, May 1 hay stocks totaled 342 thousand tons, an increase of 18 percent over the same date in 2000. An 18 percent increase in hay production in 2000 contributed to the increase. Hay disappearance totaled 2.6 million tons during the past year, an increase of twelve percent which reduced the May 1

stocks of hay. This was the second largest disappearance of hay in Indiana in any year for which data was available. Due to the severe winter weather, disappearance increased 25 percent between December 1, 2000 and May 1, 2001.

In Ohio, May 1 hay stocks totaled 835 thousand tons, an increase of 94 percent over 2000. An 48 percent increase in hay production in 2000 contributed to the sharp increase. However, sharply increased hay disappearance reduced the potential carry out. Usage increased 28 percent during the entire marketing year. Disappearance increased 63 percent during the December 1, 2000 through May 1, 2001 time frame. Prices of alfalfa hay averaged \$110 per ton in mid-April of 2001 compared to \$110 in January of 2001 and \$130 in April of 2000.

Looking ahead, producers expect to harvest nearly 64 million acres of hay in 2001, an increase of seven percent from the 59.9 million harvested in 2000. The four million acre increase in hay would more than offset the three million acre decline in planting intentions for the eight major field crops.

Increases are intended in 26 States across the Nation. The greatest increase in acreage is planned in the Great Plains States where 2000 acreage and production were reduced by dry weather. Hay is an important feedstuff for the beef and dairy industries in the Great Plains. Hay producers in these States are responding to the higher prices of the past year by sharply increasing production.

Producers in Texas intend to increase harvested hay acreage by 1.78 million acres, nearly 43 percent. If harvested this will be a new record acreage. Much of the unseeded winter wheat acres and some corn acres in Texas will likely be switched to hay in 2001.

Producers in 16 States do not intend to increase or decrease their harvested acreage. Producers in only six States intend to reduce their harvested acres. These six States include Washington, Oregon, Nevada, Kentucky, Connecticut, and Maine.

Intended hay harvested acreage in Indiana will remain steady at 750,000 acres. Acreage to be harvested in Ohio is expected to increase three percent, to 1.44 million acres. Acres that producers intend to harvest will also remain the same in Michigan, Illinois, and Wisconsin. Increases are intended in Pennsylvania (3%) and New York (5%).

Summer weather will be the major determinant of the direction of hay production and resulting prices during the year ahead. If weather remains dry in the Great Plains States and Southeastern States, prices will increase even more. Producers in Indiana will benefit by the increased incentives (higher prices) to ship hay into the deficit areas.

However, producers of hay must remain wary of potential oversupplies of hay as well as feed grains and oilseeds. If production of hay increases in the Northeastern States and supplies become excessive, prices of hay could decline sharply.

Producers of high quality alfalfa hay will continue to enjoy premium prices. These premiums may decline if the prices of all hay come under pressure from increasing supplies of feedstuffs. Hay producers need to carefully assess the potential market for increased quantities of their product before further expanding production. Producers should be prudent when considering expansion unless they have developed a consistent market outlet that will return profitable prices.