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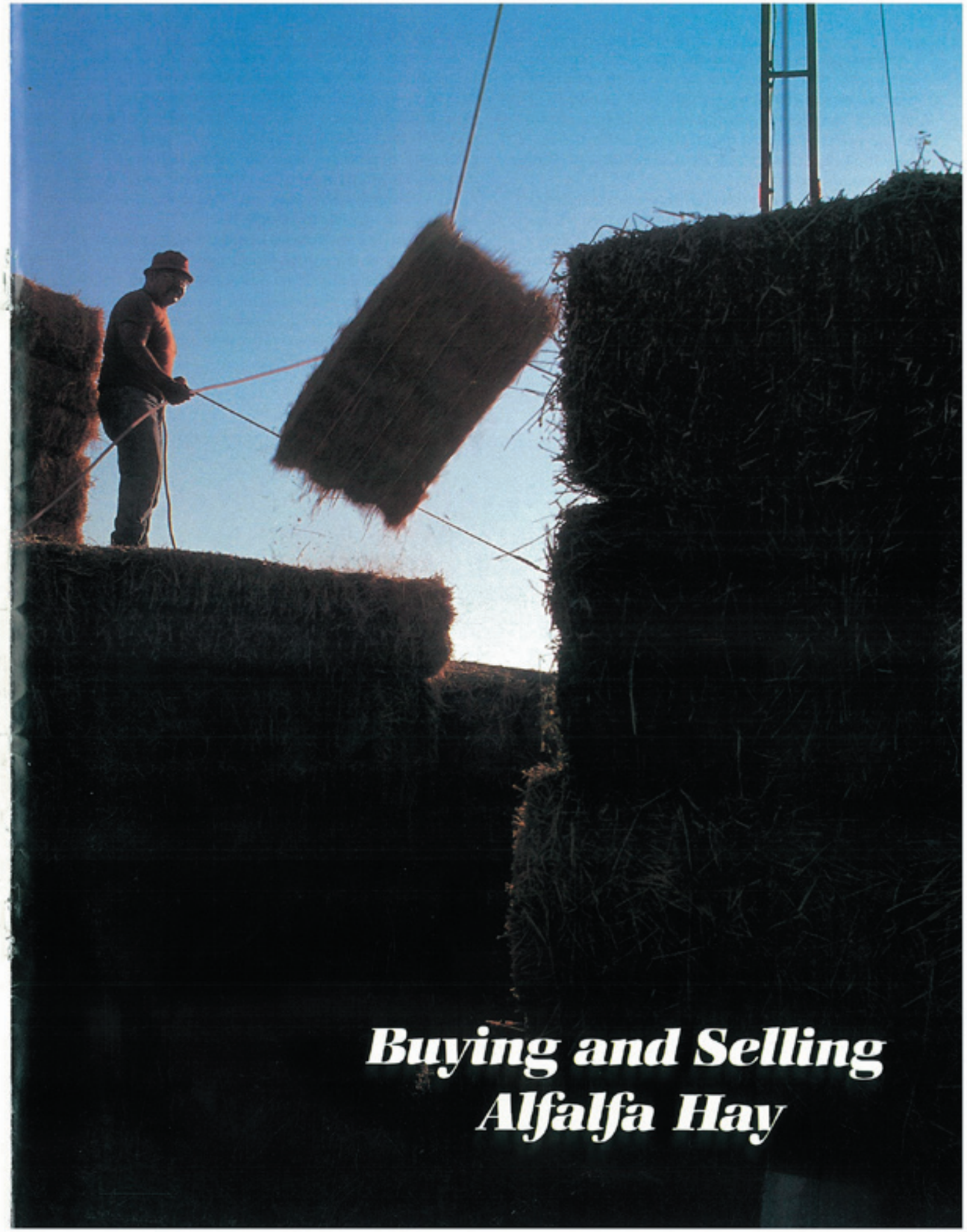


Buying and Selling Alfalfa Hay

Alfalfa hay is an important agricultural product. Although often fed on the farms where it is produced, much alfalfa hay is also sold as a cash crop. It often constitutes a major source of income for those who sell it, or a major expense for those who buy it. Such transactions involve billions of dollars nationwide each year.

Alfalfa can be marketed in many ways. Sometimes it is sold locally, while in other cases it is shipped hundreds or thousands of miles. The quality of hay available from producers, and that needed by consumers, varies widely. Hay may be sold directly to the consumer by the producer; it may be sold through a hay-marketing association or through a broker, perhaps changing hands several times before being fed.

Successful transactions regarding hay should be profitable both to the seller and buyer. Most problems result from misunderstandings rather than from an intent to deceive. Therefore, communication and attention to detail are of great importance. Sharing of accurate information and agreement in advance upon the conditions of sale and movement of the hay are keys to accomplishing mutually satisfactory results.

Because of the extreme variation in marketing approaches, it is not possible to prescribe an absolute formula on how a hay transaction should be handled. Nonetheless, there are considerations, both from the buyers' and sellers' perspectives, which can help insure a fair trade without problems or misunderstandings.

What the Buyer Needs to Know

The buyer should obtain as much information as possible, including bale package size and weight and whether the bales are tied with string or wire. It is a good idea to ask if the hay has been stored, if so for how long, and under what conditions.

If it has been stored outside, as is often the case in the western U.S., the buyer should know in advance whether the hay was covered during storage and, if not, whether the top and bottom tier of bales will be included in the lot. The buyer should also ask whether the hay will be covered during shipment.

The current moisture content should be stated in advance because if not properly cured, mold may occur during or after shipment. If hay has a high moisture content, the weight will decrease with time. Hay containing over 12% moisture may need to be discounted due to anticipated shrinkage. It is wise to agree in advance who is responsible for the hay during shipment. It should be clearly understood who is paying for hauling costs and who is responsible for unloading and stacking the hay.

Keep in mind that heavy truckloads of hay may exceed load restrictions on local roads and bridges. A buyer should also consider where a load will be stacked on the farm and be certain that the truck can get there, even after a rain.

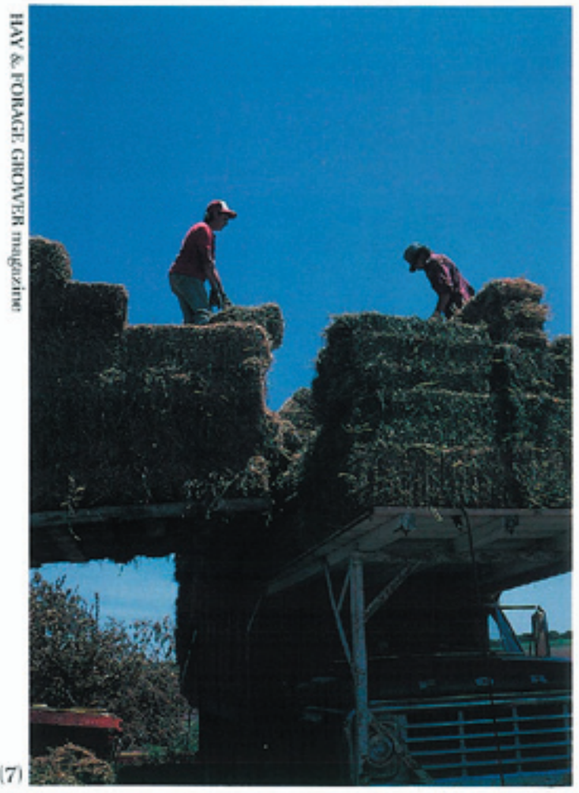
If the hay price includes hauling costs, it should be clear whether the haul price is per ton of hay or a flat price per trip. Light bales result in light loads and increase the price per ton. Delivery date and approximate arrival time should be mutually agreed upon. Consider all possible delivery modes (rail, backhaul trucks, etc.) and mutually agree on shipment.

Delivering hay which does not meet the needs and expectations of the buyer wastes time and money. Provide as much information as possible before hay is shipped to reduce potential problems. However, the rights of the buyer to reject hay, and the obligations of each party in the event a shipment of hay is rejected, should be understood in advance.

Many hay-marketing problems are really communication problems.

Method of payment (check, money order, etc.) and time of payment should be agreed upon in advance. The buyer should promptly pay for any shipment of hay which was authorized. Some states have laws which protect hay producers and/or buyers and any agreements should be in compliance.

Prepared by: Dr. Don Ball, Auburn University; Dr. Garry Lacefield, University of Kentucky; Dr. Harlan White VPI & State University and Dr. Troy Johnson, University of Georgia.



Buyer's Perspective

The goal of a potential hay buyer is to locate the appropriate type of hay at a reasonable price. It costs as much to transport poor hay as it does to transport good hay. While it is not necessary to purchase hay which exceeds one's needs, it certainly doesn't make sense to purchase hay which will *not* meet one's needs.

Dr. Don Ball, Auburn University

Hay quality varies by cutting — hay on right is better.

Determine Quality and Quantity

A buyer should first carefully determine his or her hay needs. The clearer the picture the buyer has in mind of the type of hay needed to meet the nutritional needs of the animals to be fed, the better. Both the quality and quantity of hay needed should be determined before contacting sellers.

Arriving at the quantity and quality of hay needed involves considering the length of the feeding period, alternative feeds available and their cost and the nutritional needs of the animals to be fed. Assessing the situation before seeking a source will allow an intelligent decision regarding hay purchase.

Information concerning alfalfa hay can be obtained through many possible sources. Advertisements are often included in farm magazines or newspapers. Computer listings of hay are available through local, regional or state hay associations, as well as some universities. Hay brokers may also be available who have contacts for quickly and efficiently obtaining hay of the type and amount needed, but there will be a charge for this service.

Just because hay was produced in an area noted for high quality does not insure that it will be good.

Once a seller has been contacted, one of the first questions should be whether the hay available has been sampled and tested. If it has, the buyer should obtain and evaluate the results.

A physical description including mention of whether mold, weeds and dust are present may be helpful. Visual appraisals of hay are subjective and cannot substitute for laboratory analysis, but an experienced evaluator can identify inferior- or mediocre-quality hay. *It is important to keep in mind that just because hay was produced in an area noted for high-quality hay does not insure that it will be good.* Locally produced hay could be as good or better, and perhaps priced more competitively.

Dr. Vern Marble, University of California, Davis

A buyer should ask if the hay available has been sampled and tested and obtain and evaluate the results.

Seller's Perspective

Producers who have had long-term success in producing and marketing alfalfa know that the better the product and the more dependably it can be provided, the easier it is to find and keep customers. Emphasis should be on producing large quantities of high-quality hay.

The first rule for a producer interested in marketing alfalfa hay is to identify the market he or she wishes to service. The needs and desires of persons interested in buying alfalfa hay vary greatly. Producers with a clear understanding of their customers' wants and needs, and who strive to produce hay which meets these requirements, are most likely to market their hay at acceptable price levels.

Once hay is produced, it is important to *know the product.*

Once hay has been produced, it is important to ***know the product.*** An astute producer will attempt to match the hay on hand with the specific needs of various customers. This requires a mutually-understood and objective approach to describing the hay. Proper hay sampling, followed by testing its nutritive value, is essential. Providing a physical hay description may also be helpful.

A nutritive analysis normally includes such information as:

- **crude protein (CP)**
- **acid detergent fiber (ADF)**
- **neutral detergent fiber (NDF)**
- **an estimate of digestibility, such as digestible dry matter (DDM) or total digestible nutrients (TDN)**

This and perhaps other information is normally expressed as a percentage of the material "as fed" and/or on a dry matter basis.

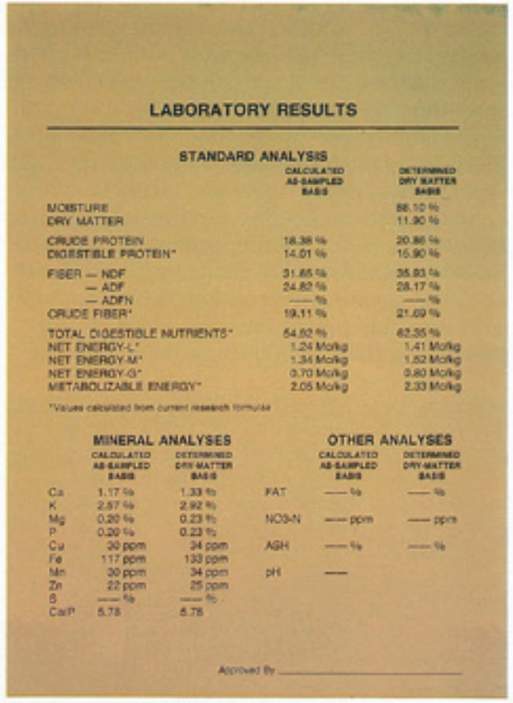
It is in the best interests of the seller to:

- **know how to take a proper hay sample**
- **know where to send hay samples to get a laboratory nutritive analysis**
- **know how to properly describe the physical condition of a lot of hay.**

County extension agricultural agents can be helpful in supplying this type of information, and in assisting with the interpretation of the results of laboratory analysis.

In addition to knowing the quality of hay available for sale, it is helpful to know the quantity of hay available of various quality levels. The multiple cutting management of alfalfa naturally leads to varying quality with each cutting. Some sort of accounting system needs to be developed, and various hay lots need to be kept separate.

Dr. Don Ball, Auburn University



LABORATORY RESULTS

STANDARD ANALYSIS

	CALCULATED AS-SAMPLED BASIS	DETERMINED DRY MATTER BASIS
MOISTURE		88.10 %
DRY MATTER		11.90 %
CRUDE PROTEIN	18.38 %	20.86 %
DIGESTIBLE PROTEIN*	14.01 %	15.90 %
FIBER — NDF	31.65 %	35.93 %
— ADF	24.82 %	28.17 %
— ADFN	—— %	—— %
CRUDE FIBER*	19.11 %	21.69 %
TOTAL DIGESTIBLE NUTRIENTS*	54.82 %	62.35 %
NET ENERGY-L*	1.24 Mcal/kg	1.41 Mcal/kg
NET ENERGY-M*	1.34 Mcal/kg	1.52 Mcal/kg
NET ENERGY-G*	0.70 Mcal/kg	0.80 Mcal/kg
METABOLIZABLE ENERGY*	2.05 Mcal/kg	2.33 Mcal/kg

*Values calculated from current research formulas

MINERAL ANALYSES

	CALCULATED AS-SAMPLED BASIS	DETERMINED DRY MATTER BASIS
Ca	1.17 %	1.33 %
K	2.57 %	2.92 %
Mg	0.20 %	0.23 %
P	0.20 %	0.23 %
Cu	30 ppm	34 ppm
Fe	117 ppm	133 ppm
Mn	30 ppm	34 ppm
Zn	22 ppm	25 ppm
S	—— %	—— %
Ca/P	5.78	5.78

OTHER ANALYSES

	CALCULATED AS-SAMPLED BASIS	DETERMINED DRY MATTER BASIS
FAT	—— %	—— %
NO3-N	—— ppm	—— ppm
ASH	—— %	—— %
pH	——	

Approved By _____

Visual appraisals of hay cannot substitute for a laboratory analysis.

Selling to the Horse and Dairy Markets

In many areas of the United States, the horse market offers the best opportunity for selling hay at premium prices. However, horse owners or trainers are often quite particular about the hay they purchase. Some horse producers have personal standards for hay which differ from mainstream thinking regarding hay quality.

Horse owners in urban areas often want to purchase hay in small quantities because of limited storage. The owners of some types and classes of horses (thoroughbred race horses, for example) may demand higher quality hay than other horse owners. Since blister beetles are potentially highly toxic to horses, many horse producers want assurance that no blister beetles are present in the hay.

Dairy farmers are another potential market for good- to excellent-quality alfalfa hay. They tend to be highly aware and knowledgeable about hay quality and may pay as much or more for top-quality alfalfa than will pleasure horse owners.

Other Markets

Specialty markets such as zoos may purchase hay of quality and price levels similar to dairy producers, but special grading may be required. Once their requirements have been met, the low bid which also meets minimum quality standards will likely determine where purchases are made.

Regardless of the skill of an alfalfa hay producer, weather and other factors sometimes prevent producing top-quality hay. Profitably disposing of average- or poor-quality hay can become a major challenge. Since beef producers often do not require top-quality hay, they constitute a possible market for lower hay quality. Another possible market opportunity for poor-quality hay is to sell it as mulch to gardeners, mushroom growers, etc.

Bale Considerations

Bale size, weight and type can affect marketing. It may be worthwhile to tailor-bale packages to suit buyers' needs, desires and convenience. It is important to make bales of a size and weight conducive to easy loading and transport.

Hay in small packages may be either twine-tied or wire-tied. A hay producer should determine customer preference, since the method of tying may influence the price a buyer is willing to pay.

Beef producers and some dairymen may accept hay in large, round bales, but this usually is not acceptable to horse producers. Round bales are much less conducive to efficient long-distance transport, and may cause a load to exceed width restrictions. There is considerable price discrimination in many areas against round bales.

Bale weight is also a major concern in transporting hay long distances, since the transportation cost per ton is less for heavy bales. On the other hand, local buyers may not like excessively heavy bales, and may not pay as much for them.

Delivering hay which does not meet the needs and expectations of the buyer wastes time and money.

A premium can and should be charged for high-quality hay, but it is important for the long-term profit of a commercial hay operation to deliver what has been promised. Profit will, in the long run, be determined largely by a hay producer's reputation. It does not pay to be anything less than completely truthful and scrupulously honest.

Storing Hay

Storing hay until late winter or other times when hay is less-readily available can often result in higher prices received, but a hay producer needs to be aware of the costs and risks associated with storing hay. "Opportunity cost," the amount of interest lost on money which could have been realized from immediate sale of the hay, should not be overlooked. Shrinkage (loss of moisture) from stored hay also cannot be ignored.

Other expenses include insurance, or the possible loss of uninsured hay. In addition, a portion of a storage facility's value should be charged against any hay stored in it.

If hay is stored outside in the drier areas of the United States, wheat straw or tarps used to cover the hay may also need to be included as a production expense. All these factors should be considered when determining whether it will be economically feasible to store hay, or in determining the asking price for hay which has been stored.

Help in Marketing Hay

A hay producer may benefit from joining a hay-marketing association. Many of these organizations have been formed in various states in recent years. However, hay producers cannot afford to stop their marketing efforts once they are a member of one of these groups. It would be a mistake for producers to assume that someone else is going to do their marketing for them. No one has more interest in marketing hay than the producer who stands to profit from its sale.

HAY & FORAGE GROWER magazine

Some states have hay auctions. These generally require the seller to pay a fee, but have the advantage that the auction firm is bonded so that payment is immediate and assured. Both the buyer and seller are more likely to feel that the price was appropriate because the hay was sold on the open market.

When placing advertisements, it is important to provide a good deal of information about the hay. Price, some indication of quality, delivery rates, package type and size and any restrictions regarding minimum or maximum purchases should be provided. To do this can avoid a waste of time by both the seller and potential buyers.

The more information which can be provided about the hay, the more likely that a buyer will be interested. For example, providing assurance that no unapproved pesticide was used on the hay can be a selling point. Many potential buyers are also interested in knowing which cutting a hay lot represents. Physical descriptions, even though subjective, may also be helpful.

Hay Pricing

Hay prices should take into account costs of production, harvesting, storage (if any) and advertising. The availability and price of other feedstuffs such as soybean meal may greatly affect the price which buyers are willing to pay.

Successful transactions regarding hay should be profitable both to seller and buyer.

Since there is no national market price structure for hay, it is often difficult to decide what the asking price for hay should be. Experience, assessing demand and knowing what other producers are asking is what producers must generally rely upon.

"Relative Feed Value" (RFV) is often used to compare hay of various quality levels. It compares a sample of hay to the quality of full-bloom alfalfa, which has an RFV of 100. RFV value is strongly correlated with hay price as illustrated by the accompanying table.

Average prices paid by grade in Tested Hay Auctions in Wisconsin, 1983-1989*

Grade	1983-4	1984-5	1985-6	1986-7	1987-8	1988-9
RFV>151	----	$110.42	$115.72	$95.31	$89.61	$164.41
125-150	$123.75	$ 89.30	$106.68	$78.03	$91.81	$149.99
103-124	$112.01	$ 72.29	$ 97.47	$62.68	$73.46	$125.05
87-102	$ 92.97	$ 61.85	$ 87.23	$48.01	$61.35	$100.76
75-86	$ 74.91	$ 51.92	$ 79.56	$38.18	$50.73	$ 72.23
<75	$ 72.00	$ 49.50	$ 70.93	$40.00	$44.13	----

*Data provided by Dr. Dan Undersander, Extension Forage Agronomist, University of Wisconsin.

Many hay-marketing problems are really communication problems. Anyone can sell hay during shortage periods, but marketing hay during times of hay surpluses can be difficult. However, once a producer establishes his own market and dependably provides a high-quality product, repeat customers and the spread of a favorable reputation are likely.