

How Alfalfa Markets Work in North America

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Josh Callen is the author of *The Hoyt Report*. Established in 2008, *The Hoyt Report* is the leading authority covering the Western states hay market. The report tracks and publishes current hay prices in states across the West. In 2018 he began working with the report's founder and took it over full-time in 2020. He grew up on a custom hay operation in Southern Idaho. He worked his way up to baler crew boss before deciding to make a change and attend college. In 2016 he received a bachelor's degree in accounting and began his career as a cost accountant for a dairy manufacturer. After time in the corporate world, he wanted to try his hand at running his own business and given his background, *The Hoyt Report* was a perfect match.

Alfalfa is a crop utilized throughout North America, and primarily associated with the dairy sector, and secondarily with beef, horses and small ruminants. In recent years, hay exports have become a major component particularly in western US states and Canada. However, there are major regional differences in the utilization of alfalfa as a harvested crop. The Northeastern states of the US and eastern Canada and many dairy regions of the upper Midwest utilize a majority of alfalfa on-farm, either as silage, green chop, or hay. However, in transition Midwestern regions, prairies of Canada, and irrigated regions of the Western USA and Canada a larger percentage of the alfalfa is sold off-farm or marketed intensively. The percentages in those areas is likely over 90% marketed, whereas the reverse is true in eastern regions. Alfalfa hay receives virtually zero subsidies from government sources (the exception is a crop insurance program that is not widely used). Thus hay prices are almost entirely subject to supply and demand forces. The demand side of hay markets is complex (dairy demand for different qualities, horses, beef, exports) and since there is some replaceability or substitution (e.g. with corn silage, grass hay or grains), other crop prices become important determinants, especially with high hay prices. On the supply side, acreage has had a major effect on price in recent years, and is subject to competition with other crops and limitations of soil and water supplies as per the current drought. These market forces tend to be regional due to the difficulty in moving bulky hay products long distances, and to the differences in populations of forage products in the different regions (with higher quality more common where weather risks are lower). Alfalfa hay markets are categorized by species mix (e.g. 100% alfalfa, alfalfa/grass mixtures and grass hays) and by quality features within a species or category. Dairy standards dominate, since this is the largest utilization sector. For many years, the alfalfa hay quality categories have been defined by USDA Market News by laboratory quality measurements and by subjective quality features (weeds, molds, condition). Categories include Supreme, Premium, Good, Fair, and Utility (low) qualities. The lab values have been historically defined by fiber content (NDF or ADF₀ which predict RFV and TDN, and secondarily by protein (CP), but in recent years, digestibility of fiber (NDFD) has been more widely used to predict Relative Feed Quality. There is often a supply-demand relationship with each of these quality categories, but it is rare for the very high quality hays to be in excess supply. We track hay prices on a regular basis, mostly in the western US. This talk will review the year-to-year trends in hay prices, how it relates to other commodities, and some of the factors which influence price in different regions.