



County	Contact	Premium Hay (\$/ton)	Top Quality Hay (\$/ton)	Other Hay (\$/ton)	Cut Complete	Market Activity
Chaves	Sandra Barraza, County Agent	\$175-220, large; \$200-255 small	\$170-190, large	\$230+, lesser quality small bales	2 nd 80%, 3 rd Starting	Good, High Demand; Light volume
Dona Ana	Rafa Realivasquez, County Agent	\$185 large; \$7.00/bale small	\$165 large; \$5.50/bale small	\$145 large; \$4.50/bale small	2 nd 100%, 3 rd 10%	Good
Eddy	Woods Houghton, County Agent	\$180-190 dairy large; \$200-210 small	\$180-190 large; \$200-210 small	\$150-160 oats, dairy	3 rd 45-50%	Most growers contracted for year-all cuts
Roosevelt	Patrick Kircher, County Agent	\$210 and up; 8.00 per bale	\$210; \$200 in the field	\$6.50 per bale	1 st 100%, Light Yields	Good
Torrance	Gene Winn, County Agent	\$190+, large; \$7.00+, small	\$180-190 large	\$180+ large	1 st 90%, Light Yields	Good
SE & SW Colorado	USDA-CO	\$150-160 large bales; \$255-290 small	\$120-140 large bales	\$120-140, fair large \$100-115, utility	1 st Started, reduced yields	Moderate

Volatile Commodity Markets

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There is little doubt that you have experienced either first- or secondhand the effects of the enormous upward swing in energy and food/feed prices lately. Listening to the experts, it seems this trend is only going to continue, at least in the near future. As I write this, corn is at \$7.30/bu and may rise even further as reports out of the flooded Midwest stream in about large losses to U.S. corn production. Several conversations with growers and buyers alike in the last week got me to thinking about what all of this means for the hay market. What will happen to hay prices as corn and fuel continue to skyrocket? The recent past tells us that other commodities will follow suit. Increased input costs and limited supplies caused hay prices to go through the roof last year and early this year. How long will these prices continue? I'm not sure, but we are starting to see a slight downward trend as 2008 cuttings come off and supplies come up. However, this may be temporary as most areas in New Mexico are still very dry and are predicted to remain that way for a while. Hot, dry and windy weather generally means lower yields associated with larger amounts of irrigation water (i.e., less bang for your buck). Water use of alfalfa peaks in the summer; this should come as no surprise. Although alfalfa is drought tolerant, its production of hay per unit of water drastically decreases under hot, dry conditions (reduced yield are already being reported). As I've stated with wheat recently, this is not one of those years that you want to skimp on management or vital inputs (i.e., water). Prices are too good to take even a minimal reduction in production. High market prices lead to lower economic thresholds. Some have the opinion that with such high prices, they can cut back a little on inputs and take a slight reduction in yield. One problem with this is that yield loss is often under-estimated and in a dry year, losses could be far greater than what is anticipated. This could be particularly true if soil profiles were not full at the start of the growing season from a lack of winter moisture. Although recent spotty rain has relieved some of

the dryness, the benefit of these showers is often short-lived especially in the blast furnace-like conditions we've experienced lately. Certainly, I'm not condoning wasteful use of our water resources – quite the contrary. In a year like this, extra care should be taken to ensure no waste (energy or water) in your production system in order to maximize profits and maintain healthy stands. At the same time, you don't want to limit your crop's potential either. Whatever the market does, resource-use efficiency is of utmost importance; but keep in mind that the effects of any inefficiency tend to be exacerbated in an extreme high price market where profit potential is great.

With alfalfa (or any other forage), the question always remains – tonnage or quality? You may have a pretty good idea of when you should cut your hay that has worked well for you year in and year out. However, history tells us that market supplies have a profound effect on what is considered 'quality' hay. Desperate times call for desperate measures, and they also cause an interesting shift in what buyers will accept for feed. As a seller, potential profits are higher with low quality hay when market supplies are limited (Figure 1). In these situations, cutting later in order to maximize yields is not as detrimental as you might think. The opposite is true when supplies are plentiful and buyers have more options to choose from. When supplies are good, maximizing quality is more important and cutting earlier is recommended. Essentially, what this means is that the 'dairy quality' window opens up considerably and the difference between lower and premium quality hay shrinks when supplies are short (simple supply and demand). It is well known that continual harvesting at early growth stages (e.g., late bud) reduces yield and stand longevity. During times of limited supplies and high prices, growers may be able to give their stands a rest from early/frequent harvesting without much, if any, reduction in profits. From an agronomic standpoint, this is very beneficial to the life of an alfalfa stand. Unfortunately, this is not very beneficial to the dairy as it requires a constant supply of high quality forage year-round. As with most things, not everyone will be happy. This is the cruel game we play with unfair pricing systems, market volatility, and Mother Nature. Ultimately, the price paid by the buyer of raw commodities trickles down to every consumer (just check your supermarket aisle). Profitability is like the old saying about NM weather, "If you don't like the weather, wait a few minutes and it will change". Who knows who will benefit tomorrow, and for how long? Laughter all the way to the bank – may end up in tears when you have to stop off and buy a gallon of milk on the way home.

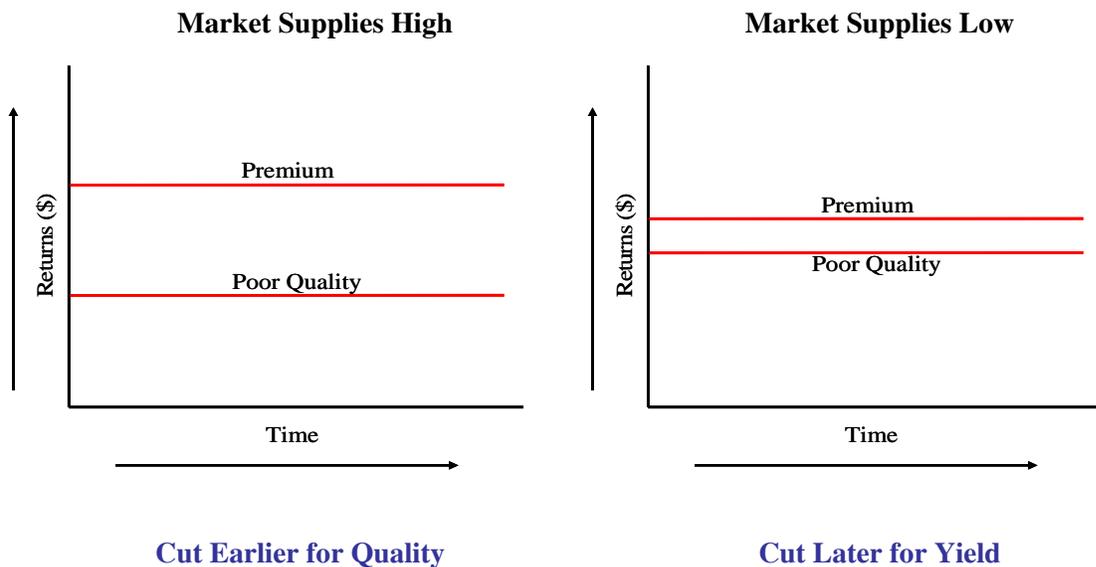


Figure 1. Relationship of returns and cutting interval as dictated by market supplies.

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