



County	Contact	Premium Hay (\$/ton)	Top Quality Hay (\$/ton)	Other Hay (\$/ton)	Cut Complete/Condition
Chaves	Sandra Barraza, County Agent	\$170-175 large (Del); \$200-245 small bales in barn	\$140-150 large (Del)	\$185 Bermuda large; \$220 small; \$150 large oat	2 nd cut 100%; Hot and dry with spotty showers
Dona Ana	Rafa Realivasquez, County Agent	\$170 large; \$6.00/bale small	\$150 large; \$5.00/bale small	\$130 large; \$3.75/bale small	3 rd cuts underway; Milk prices affecting hay sales; cut conditions ideal
Eddy	Woods Houghton, County Agent	\$200-230 large bales; \$210-240 small	\$200+ large	\$180 large #2; \$200 small; \$160 dry cow	3 rd cut 100%; 4 th cut 30%
Lea	Wayne Cox, County Agent	\$185-190 large; \$200-205 small	\$170-180 large; \$190 small	\$155 and up	3 rd cut 100%
Roosevelt	Patrick Kircher, County Agent	\$165-185 large; \$200 and up small bales	\$165-185 large	\$150 on wheat hay in field	2 nd cut 50%; Hot, dry with spotty showers
Torrance	Gene Winn, County Agent	\$140-160 large; \$8.00 per small bale	\$120-140 large	<\$120	1 st cut 100%; week out from start of 2 nd cut.
SE & SW Colorado	USDA-CO, Dept. of Ag Market News	\$185-190 large; \$8.00/bale small; \$230-260 (grass) small squares	\$140 (NC) -185 large \$5.50 to 7.00/bale small	\$140-165 large fair; \$100-120 large utility	Trade is limited but increasing. 1 st cuts underway, some delayed due to rain.

The 2009 Dairy Malaise – Where’s the Dairy Bailout?

Robert Hagevoort, Extension Dairy Specialist, NMSU Agricultural Science Center at Clovis

I’ve heard the conversations in the coffee shops and local restaurants; the tone of conversations went from being concerned at the end of 2008, to being worried earlier this spring, to being downright frightened this summer, that the economic downturn is going to take its toll on a number of dairies in the Southwest and the subsequent impact it will have on area farmers.

I believe most people by now have some feel as to why the current situation in the dairy industry ended up being the “perfect storm”, or a tsunami of epic proportions if you will, taking down with it or gutting lots of other businesses while rushing ashore: businesses which depend on the economic well being of the dairy industry. Cause and effect: the economic downturn slowing demand for dairy products worldwide, leading to, and combined with, a 3-4% overproduction (we still haven’t found that on/off switch on these black & whites), leading to prices near support level, which effectively wiped us out of the export market (from 13% down to near to nothing), a somewhat stronger dollar earlier this spring only fortified that fate, and “BUJAH” here we are: \$15-18/cwt cost of production with a \$9-10/cwt milk price!

So how do you manage a business situation where you produce a product at close to 50% of cost? What responses have the owners had to make over the last 6 to 8 months, and how will that affect your bottom-line as farmers? For one, when a tsunami like this hits you do not know in advance how big the wave is and how long it's going to last – hindsight in this case truly is 20-20! So dairymen have started making cuts to reduce costs: at first you “cut out the pork”, meaning cutting out all these little conveniences that make life easier: services or products that make your job easier, lighter and more convenient, such as extra labor, silage covering service, additives that your trying but not sure about.

Secondly, you decide to hold on to that feeder wagon or tractor for a little while. In other words reduce capital expenditure even though the equipment is fully depreciated. This is called *cutting* without *cutting corners*! Whatever you do, don't cut on the cows, especially the close-up and fresh cows, because those are the cows that will be paying your future bills! That is the only OFF switch we know our cows have; you cut on feed quality there, and you signed up for a slow and painful exit strategy! Maybe you sell that heifer program to generate cash – problem is with depressed cow values, how much cash will that generate? At the end what you do is you eat your equity every month, equity which may have been built for generations, till there is no equity left!

The dairy industry is going through some fundamental changes due to the loss of equity – read borrowing power – one ends up like a homeowner in an upside-down real estate market: stuck with nowhere to go! The CWT program (Cooperatives Working Together) is in the process of retiring just over 100,000 cows, which represents about 1/3 of what we believe is the “over-production”. It is very probable that the financial institutions will come in and do the remaining knock down of operations gutted by the storm and declared “unfit for survival”, like the Army Corps of Engineers after Katrina!

What does this mean for area farmers? In general, dairymen in eastern New Mexico and West Texas over the last several years have resorted to buying more land to grow more silage and lessen their dependence on outside forage such as alfalfa, especially when prices went close to and over \$200 per ton for prime hay! Even typical California dairymen with high alfalfa rations have made the switch to high silage rations much like east coast dairymen which have never had the luxury of high quality alfalfa.

With increasing feed costs over the last 2 years, this trend has continued, especially when milk prices went sour! Currently, every dairymen I know has reduced the portion of alfalfa hay in the rations by as much as their nutritionist feels comfortable reducing it and replacing it with alternatives such as wheat silage, corn silage, green chop, or any other available forage source that may be cheaper than hay at the time. This trend may not be reversible, unless we completely run out of irrigation water (which is entirely possible on the High Plains), or the cost of irrigation water becomes so astronomical, that purchasing outside forage such as alfalfa hay becomes a more affordable alternative! Even at \$140-\$150, ration balancing software is going to recommend QUALITY silage put in at cost of production over QUALITY alfalfa hay for most groups of animals on the dairy! In other words, demand is down and may remain down for a foreseeable future, even if the recovery does take place.

That is the reason why without being a pessimist, I believe the dairy industry is going through some fundamental changes which are going to leave the landscape different after all of this is over and milk prices rebound, which they will in time, because the consumer will continue to drink their milk and enjoy their cheese!

***** REMINDER *****

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