New Mexico State University

Extension Plant Sciences

Alfalfa Market News

New Mexico Hay Association, www.nmhay.com

New Mexico State University ▫ Cooperative Extension Service ▫ U.S. Department of Agriculture

Hay Prices for New Mexico and S. Colorado **Volume 8, Issue 6** **September 25, 2009**

County	Contact	Premium Hay ($/ton)	Top Quality Hay ($/ton)	Other Hay ($/ton)	Cut Complete/ Condition/ Market Activity
Chaves	Sandra Barraza, County Agent	$140-150 large (Del); $200-220 small bales in barn	$125-130 large (Del)	$110-115 large striped	5th cut 95%; Very low activity; Hay being barned. Scattered showers/cooler.
Dona Ana	Rafa Realivasquez, County Agent	$175 large; $6.00-6.50/bale small	$155 large; $4.50-5.00/bale	$135 large; $3.00-3.75/bale	6th cut 100%; Some rained on hay; Recent rains helping with late growth/no irrig water conditions
Eddy	Woods Houghton, County Agent	$175 large; $180-210 small bales	$145-170 large; $170-190 small	$145-160 light stripe (big); $125-150 lesser quality	5th cut 100%; Market variable; 40% of 1-3 cut in barn, 70% of 4-5 cut in barn
Lea	Wayne Cox, County Agent	$185-190 large; $200-205 small	$170-180 large; $190 small	$155 and up	5th cut 90%
Luna	Jack Blandford, County Agent	$125-130; $4.50/bale small	$120-125; $4.00/bale	<$120; depends on damage	75%+ of 5th; Dairy market slow; Horse hay slowing; Spotted showers

Trends in New Mexico Hay Prices

Jay Lillywhite, Associate Professor, NMSU Dept. of Agric. Economics and Agric. Business

Hay prices, like many other agricultural commodities, can exhibit seasonal price patterns. These patterns are a reflection of supply and demand factors working throughout the year. For example, hay prices may be low during the summer months when hay is being harvested and other feed alternatives (pasture) are available. Hay prices often rise during cold winter months when alternative feeds are unavailable, animal energy demands are high and there is a limited supply of available hay. One measure of seasonality in prices is a simple seasonal index. A simple seasonal index is created by dividing monthly price averages over a series of years by the overall average (average of all months for all years) for the same period of time. This quotient is then multiplied by 100 to create the index. A value of 100 represents the overall average for the time period under consideration. Seasonal indexes can help participants in the hay market better understand pricing issues throughout the year. Caution must be exercised though, as the price index does not directly reflect the amount of hay on the market at any given time (e.g., the price index value of hay shows that hay prices are relatively high in January, even though very little hay may have sold during the month). Figure 1 shows three simple seasonal indexes for New Mexico hay, each index representing seasonal pricing patterns during the previous three decades (1980s, 1990s, and 2000s). A quick glance of the index reveals that seasonal patterns during the current decade have evolved, becoming more consistent throughout the year, with only slight price increases during late spring and early summer (May, June, and July) and decreases in late summer and early fall (August, September, and October). This compares to relatively stronger seasonal patterns observed in the 1980s and 1990s where prices tended to increase during the winter months and decrease in the summer months.

Reasons for changes in seasonal hay price patterns may include: increased storage (allowing hay to be stored during summer months), increased efficiencies in transportation (making it less expensive to purchase hay from outside the region during the high demand periods, thereby reducing prices during historically high prices), and increased use of marketing tools (for example, forward contracting hay purchase transactions). Alfalfa prices in New Mexico are influenced by milk and corn prices for local dairy farmers (Figures 3 and 4). However, this relationship between milk and hay is not one to one (Figure 3). Dairy farmers will buy and store hay and are not in the market every month. In addition, hay will track the broad movements in dairy prices. Dairy prices were up 2006 to 2008 due to strong export markets, but have fallen off sharply since the middle of 2008 as dairy exports collapsed. Alfalfa prices have responded, especially as corn prices began to drop in late 2009. Normally, alfalfa will follow corn prices, but two factors can interfere will the relationship. Either drought and the usual government response to allow haying and grazing on CRP land, or ethanol mandates for corn will break the relationship between corn and alfalfa prices. Although there are several factors that can affect hay prices, knowing when and how extreme price changes potentially occur may help you take advantage of upward swings and reduce the impact of downward swings.

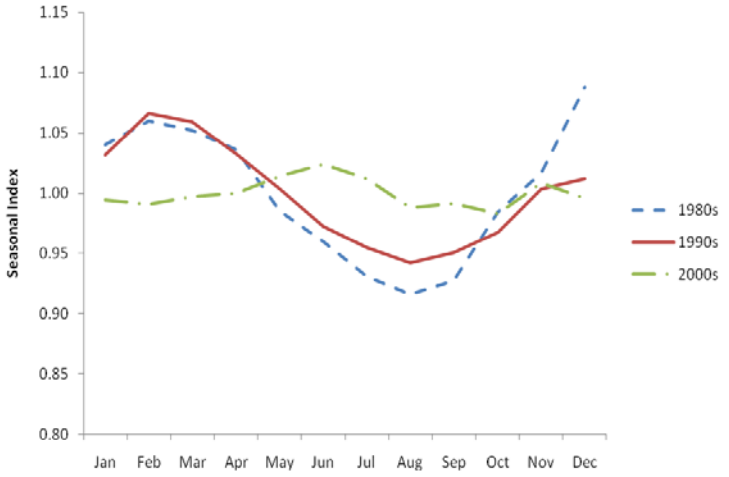

Figure 1. Seasonal Indexes for New Mexico Hay Prices, 1980 – 2009 (by Decade)

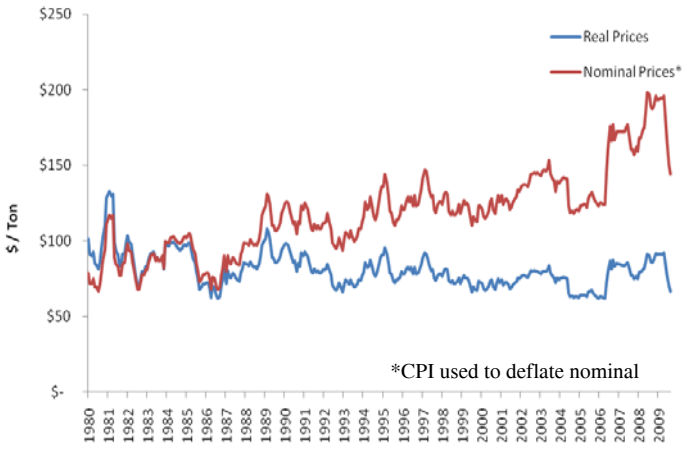

Figure 2. Real and Nominal New Mexico Hay Prices, 1980 – 2009.

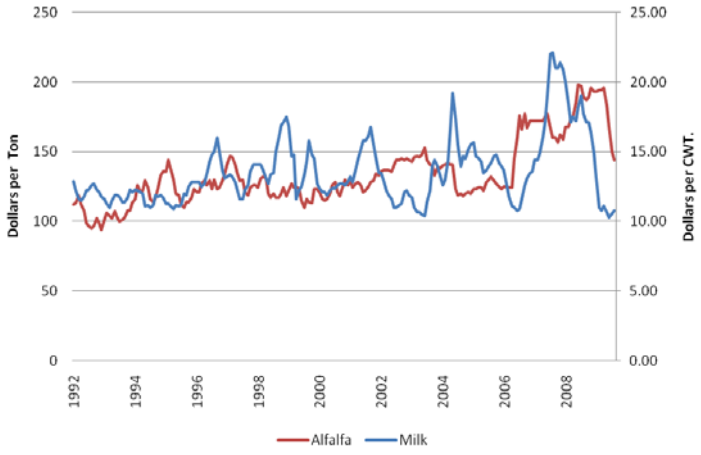

Figure 3. Monthly Alfalfa and Milk Prices in New Mexico, 1992-2009.

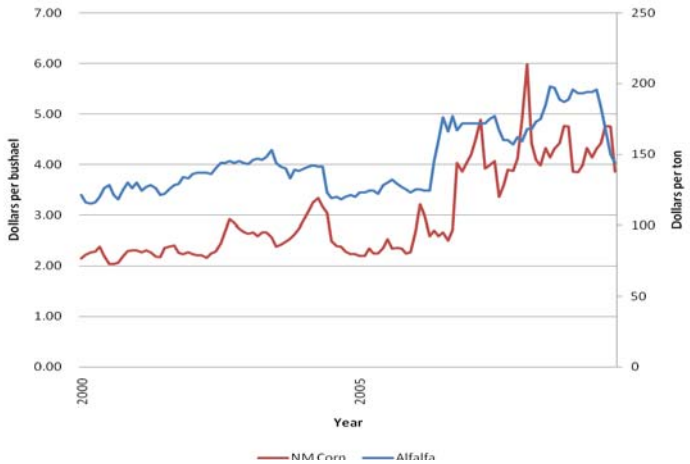

Figure 4. New Mexico Alfalfa and Corn Prices since 2000.

******* Mark Your Calendars *******

The date has been set for the 2010 Southwest Hay & Forage Conference (January 14-15, 2010). As usual, the event will take place at the Ruidoso Convention Center, Ruidoso, NM. For more information, please contact Gina Sterrett at 575-626-5677.