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Hay Prices for New Mexico **Volume 10, Issue 4** **July 25, 2011**

County	Contact	Premium Hay ($/ton)	Top Quality Hay ($/ton)	Other Hay ($/ton)	Condition/ Market Activity/Cut Complete
Chaves	Sandra Barraza, County Agent	$210-250 large del; $235-275 small in barn	N/A	N/A	3rd cut 100%; Market strong, very little hay being stored; Yields reduced 50%; Hot and dry, scattered showers.
Dona Ana	Jeff Anderson, County Agent	$225 large; $9.00-15.00/bale	N/A	N/A	No irrigation water; All hay contracted/spoken for; More demand than supply; Hot and dry
Lea	Wayne Cox, County Agent	$250+ large; $11.00 small	$200-220 large; $8.00-9.00 small	$180-200 large cow hay; $7.00 small	3rd 100%; Hot and dry.
Luna	Jack Blandford, County Agent	$280 barn stored; $7.50-8.00/bale small	N/A	N/A	4th cut started; High demand in all markets; Hot and dry, isolated showers
Roosevelt	Patrick Kircher, County Agent	$250-275 del; $6.75-8.00/bale	N/A	N/A	3rd cut 100%; Market volatile; Selling as fast as it can be baled; Yields reduced; Hot and dry, scattered showers.
Socorro	Tom Dean, County Agent	$250; $7.00-8.00/bale small	$235-250; $7.00/bale	N/A	3rd cut 95%; High demand, moving rapidly; Hot and dry; Improved yields
Valencia	Kyle Tator, County Agent	$220-260; $7.00-8.00/bale small	$6.00-7.00/bale small	<$6.00/bale small	2nd cut 75%; High demand; High quality 2nd cuts being produced; Hot and dry, isolated showers.

N/A = prices not available at this time

Summer 2011: "The Good, the Bad and the Ugly!"

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The Good: milk prices!

The Bad: lack of moisture in the Southwest.

The Ugly: what this drought is doing to the forage supplies!

Is this scenario another setup for a perfect storm much like 2009? Nobody has a crystal ball to predict the future but the current scenario does taste a little like 2008 with its high milk prices and high feed prices! The difference: the world economy is not riding high on an empty tank!

So milk prices are excellent; August Class II milk is in excess of $21/cwt. But with corn hovering around $7/bushel, rumors of 45-50/ton corn silage, soybean meal around $350/ton, hay prices currently running somewhere between $250 and $300/ton, oil still flirting with $100/barrel, estimated costs of production for the dairy are probably around $18.50/cwt. This leaves a slight margin for producers still hurting and trying to recuperate from severe equity bleeding in 2009 and 2010, and trying to work with their banks to realign and explore options for credit for feed purchases.

The question becomes how long will milk prices remain good and will it be good enough to pay for expensive forage? Major drivers for these good prices are continued strong exports at 13% of production, and if the world keeps demanding high quality US dairy products, we should be in good shape. Internal growth in production has been steady but moderate (1.5 to 2%) and with good exports that growth has found its way into a world market without building huge domestic supplies.

The bad thing is the effect the 2011 weather is having on forage quality and quantity for the coming winter of 2011. This year is one that many farmers would love to forget, but most won't be able to. With extreme cold temperatures in February, late freezes in May, wildfires, high winds, and extreme heat and drought in spring and summer, 2011 will likely go down as one of the worst on record for agricultural production. One is hard-pressed to find a single farm that is in 'good shape'. Most silage crops are 'stressed' to say the least and current corn conditions in Eastern New Mexico and West Texas are not looking good. Many farmers have had to abandon acres (i.e., alfalfa and excess corn) to concentrate water onto critical fields and crops that have at least some potential to make something; a move which may have come too late for these crops which are definitely stressed under the extreme weather conditions of 2011.

The hay situation isn't any better. Water supplies were short going into the summer season and it is safe to say that water status in our soil profiles was less than ideal for both alfalfa and corn production coming out of winter. Most producers haven't been able to keep up, or even water at all where there has been little or no irrigation supply (e.g., Elephant Butte Irrigation District). The situation in Texas is just as bad and southern Colorado, from where a lot of hay comes into New Mexico, isn't much better. Most counties in New Mexico are reporting significantly lower yields of alfalfa hay, if any cuttings are taken at all. Add on top of that reduced alfalfa acreage overall due to increases in corn and cotton acres and you get a severe supply and demand issue. While New Mexico has always been a forage-deficit state (i.e., always hay moving into the state), this year is showing extreme shortages and a downright volatile hay market.

The ugly part in a time when dairymen should be rebuilding equity and paying off overextended lines of credit, is the effect the drought and policy decisions are having on feed prices: corn prices, of course, largely driven by tremendous demand for corn into the ethanol markets (now up to 48%), and the effect of the extended drought in the Southwest is having on crop conditions and prices for forage products. This is a prescription for trouble for not only forage quantity, but also forage quality, and many dairymen are looking around to fill their forage needs to make it through 2011 and into 2012. The supplies, however, likely won't be there as we push later into the growing season. The highly anticipated monsoon rains, typically very good in "La Nina" years, have yet to come to much of the state and with corn in critical stages of development and alfalfa water demand peaking, the rains may be too little too late to do needed damage control and fill in the feed gaps. Wheat silage and hay were short this year due to a lack of winter moisture and the extreme freezes; thus, the feed supply was already behind going into the summer. Now, with corn silage crops looking terrible and suspected lower tonnage, where is the difference going to be made up? It is doubtful that it will be from alfalfa, unless it comes from very far away. So, the ugly could get a whole lot uglier before we're through.

How this year will turn out is anyone's guess, but the situation is bleak for many producers involved in agriculture. One thing is for certain, the weather will change eventually. Unfortunately, the agricultural climate won't change nearly as fast and the repercussions of 2011 will likely last for a long time. If we could only peek into the future once in a while to see where we are going. We know where we've been and we don't ever want to go back there.

Mark Marsalis, Mark Marsalis, Extension Agronomist—New Mexico State University is an equal opportunity employer. All programs are available to everyone regardless of race, color, religion, sex, age, handicap or national origin, New Mexico State University and the U.S. Department of Agriculture cooperating.