

► Experts warn CRP hay is likely to have its share of weeds.



# The Art of Buying Standing Hay

Buying standing forage might be your best option in a tight hay market, but you'd better make sure you do your homework.

Story & photos by **Ed Haag**

**F**rom the end of the primary bird nesting season (usually in the beginning of August) through November 2008 the U.S. Department of Agriculture (USDA) will allow more than 24 million acres of Conservation Reserve Program (CRP) land to be cut or grazed for forage. The exemption involves potentially 330,000 individual CRP contracts and translates into 18 million tons of forage with a net value of \$1.2 billion.

"This authorization does not constitute an early opt out of CRP contracts," says Secretary of Agriculture Ed Schafer. "However, it does allow producers nationwide to either hay CRP acres once or allow livestock grazing,

either for their own use or to help their neighbors."

Those who understand the dynamics of forage production and marketing view this development as particularly significant to cow-calf operators who are struggling with record-high feed and hay prices, but, they warn, it does not come without risks.

"Depending on who cuts what, a considerable amount of really rough hay will hit the market this fall," says Don Kieffer, executive director of the National Hay Association. "Considering the source, it is definitely a 'buyer beware' situation."

Mike Rankin, University of Wisconsin

Extension crops and soils agent, agrees with Kieffer's assessment.

"We are certainly not talking about milk-production forage," he says. "Depending on how long it has been in CRP, the feed value of that acreage is probably not that great, but still, you make your evaluations in terms of quality and tonnage, and decide what it is worth to you."

He adds that when evaluating standing hay, a realistic figure for harvesting — and in some cases removal of nutritive value — should be added to the final cost of the forage unless you plan to graze it.

## It's all relative

For Rankin, the actual value of a field of standing hay is relative to the price of forage of comparable nutritional value.

"I would always look at what is the alternative?" he says. "What can I buy fair-quality grass hay for, and can I go in and make this standing CRP hay for something less than that?"

He cites as an example the purchase of a standing hay crop at \$30 per acre. "Say I get three tons to the acre. That means I am purchasing the standing hay crop for \$10 per ton before any inputs," Rankin says. "Add \$35 or more a ton for cutting and baling and I am

up to at least \$45 per ton for the hay.”

Rankin notes that if the purchase price is \$75 per ton for a comparable product, it makes sense to purchase the CRP.

Dan Undersander, University of Wisconsin Extension forage specialist, estimates that CRP ground in his area produces somewhat less.

“On nonirrigated ground a good rule of thumb around here is one to one and a half tons to the acre if the stand is over 15 inches (in.) tall,” he says.

For those who require a more accurate accounting, this can be accomplished by weighing a few bales and counting total bales harvested.

Like yields, the cost of cutting and baling will vary somewhat from region to region, depending on labor costs and the size of the stand. Similarly, custom cutting and baling rates will also vary depending on the locale and the level of competition.

Undersander warns that with the dramatic rise in production costs during the last 24 months one should not base estimates for cutting and baling hay on last year’s figures.

“With a 38% bump in fuel costs alone, you could get yourself in a lot of trouble,” he says.

### Cutting and baling in 2008

A May 2008 publication titled *Machinery Cost Estimates: Forage Field Operations* prepared by Gary Schnitkey and Dale Lattz, University of Illinois (U of I) Department of Agricultural and Consumer Economics, outlined production costs based on today’s prices.

The agricultural economists factored in fuel, labor, depreciation, interest, insurance, housing and repairs at current prices. The cost of labor was set at \$14.50 per hour and diesel fuel at \$3.75 per gallon (gal.) with 0.38 per gal. added for lubrication-related expenses.

The formula used to calculate cutting and baling costs was developed by the American Society of Agricultural Engineers.

According to the data presented, cutting, conditioning and raking can run from a low of just less than \$20 per acre to a high of close to \$25 per acre. Similarly, baling runs \$20 per acre for large round bales and \$25 per acre for small and large square bales.

Undersander notes that in Wisconsin the cost to cut and bale hay runs \$35-\$40 per acre per cutting.

“What we are looking at is \$8 to \$10 for mowing, another \$8 or \$9 for raking and then about \$20 for baling,” he says. “Rates can vary depending on competition and availability of labor.”

The U of I economists noted allowances for profit were not factored into their final figures and that by adding 5%-15% to the total estimated costs for cutting and baling,



► With CRP hay the yield must justify higher production costs.

an appropriate estimate for custom cutting could be generated.

Based on August 2008 quotes from custom cutters in Texas, Iowa and Utah, charges for cutting, raking and baling run \$25-\$30 per 6-foot (ft.)×5-ft. square bale, \$20-\$35 per large round bale and \$1.20-\$3 per 60-lb. small square bale.

### What about quality?

When he initially evaluates standing hay for quality, Undersander relegates the forage to one of two broad categories.

“If the forage is headed out, then the protein is in the 8% to 10% range,” he says. “If it is just leaves, then the protein is about 16% to 18%.”

Undersander adds that although CRP is more likely to fall into the 8% to 10% category, knowing what extra costs will be incurred supplementing this low-quality forage will help determine whether it is worth cutting and baling.

“Even if you are feeding it to mother cows, you will have to add some protein and perhaps some energy,” he says. “That increases your overall feeding costs and should be subtracted from what you pay for the hay.”

This year, he notes, baled hay with 8%-10% protein sells for \$80-\$90 per ton, while the 16%-18% protein hay sells for \$150-\$200 per ton. If there is any doubt about what category a prospective CRP stand falls into, Undersander recommends having it tested.

### Thinking outside of the bale

With the cost of packaging forages at an all-time high, often the difference between a bargain and a losing proposition is the price of converting standing hay into bales. One practical option to consider when production costs interfere with a CRP hay purchase is to introduce grazing into the equation.

According to the Secretary of Agriculture’s statements on the temporary release of CRP ground to reduce the effect of hay shortages across the country, the modified CRP contracts allow for either cutting or grazing.

For those who plan to use the forage immediately, grazing the standing hay directly might be a viable option as long as there is a practical way to confine the cows and provide them with adequate water.

If the purchaser wants to postpone grazing to a date later in the fall but wishes to retain

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► Swathing CRP hay then grazing it in the fall eliminates baling.



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some of the nutritional value associated with an early fall hay crop, cutting and stockpiling the CRP hay in windrows could be a practical alternative to letting it stand until needed.

One two-year demonstration project funded by The Montana Grazing Lands Conservation Initiative (GLCI) and conducted by researchers from Montana State University during the summer and winter of 1996-1997 and 1997-1998 examined the effectiveness of grazing

pubescent and crested wheatgrass that had been in CRP for 10 years and then swathed into windrows in late July and stockpiled on site to be grazed midwinter. In the first year the project compared this stockpiled hay with a hay that was cut and baled from the same site at the same time and hay that was left standing.

Samples from the three treatments were tested periodically from August 1996 to January 1997, with the bales delivering 7.6% crude protein, the swathed hay 5.8% and

4.3% in the standing hay. Total digestible nutrient (TDN) values were 50% in bales, 49% in the swath and 47% in the standing hay.

While there was no detectable drop in forage value in any of the treatments between August and January, the researchers administering the project noted that there was an absence of rain during that period. Nutrient leaching would have likely occurred in the swathed hay if it were exposed to their typical fall precipitation, they said.

In the second year the project only compared the swath-grazed hay with the baled hay. Because the hay was cut earlier in 1997, the protein was considerably higher. Crude protein values were 10.9% for the bales and 8.3% for swaths, and TDN values were 62.7% for bales and 49.9% for swaths.

In the final analysis, the Montana researchers concluded that while the nutritional numbers were higher in the baled hay than in the swathed forage, the actual nutritional value in the two treatments

was the same because of the lower costs associated with swath-grazing.

### **If you swath-graze**

For those interested in swath-grazing, the Montana researchers have the following advice. Keep the windrows less than 4 ft. wide and as dense as possible. This will prevent the wind from blowing the hay away before you can feed it.

Another technique to reduce the likelihood of wind loss and at the same time

cut your chances of rain damage is to rake your hay immediately after cutting. If hay is not going into a bale, there is no need to dry it down before raking.

Finally, consider using a portable electric fence to control grazing on the swaths. The MSU researchers calculate the costs for electric fence and labor to move it at less than \$2 per acre, and it will more than pay for itself in reduced hay waste.

