

MARKETING PROGRAMS AND STRATEGIES

J. Kenneth Evans
Extension Forage Specialist
University of Kentucky

INTRODUCTION

Hay has never been widely perceived as a cash crop, therefore, it has historically accounted for a very small part of the total cash sales by farmers. It has been estimated that more than 90% of all hay baled in the state is retained on the producing farms. Most of that which is sold is transported very short distances and of course if one farmer in a community has a good hay year, all do. Organized marketing efforts have been minimal in both scope and successes. In 1978, efforts were initiated toward a more organized system of marketing Kentucky hay.

In the following few minutes I will discuss marketing organization, surveys to locate potential buyers, the national quality assessment system which has been approved and one possible hay pricing procedure.

LOCAL MARKETING ASSOCIATIONS ORGANIZED

In the fall of 1978, marketing assistance was requested by a small group of hay producers in LaRue County. After discussion of market options (including hay auctions) they decided to form a hay marketing association. The organization was formalized, officers were elected, dues and tonnage fees were decided upon, rules for operation were established, stationery was printed and their hay was advertised.

One of the procedures decided upon was a bold and wise decision by the LaRue County group. They decided to have all of their hay tested for crude protein (CP), acid detergent fiber (ADF), neutral detergent fiber (NDF) and moisture. A new grading system based on these analyses had been under study by members of the American Forage and Grassland Council (AFGC) for over 10-years. These studies had shown that a laboratory analysis for ADF was useful in predicting digestibility and an analysis for NDF was useful in predicting palatability or intake. Of course a CP analysis was needed to balance livestock rations. Information gained through use of the system in LaRue County showed some problems which were corrected before a national system (discussed later) was adopted.

Some details of LaRue County procedures and successes are published in proceedings of the Second Annual Kentucky Alfalfa Conference, 1982. Hay marketing associations are now organized in Allen County and the Louisville area. Other county groups have met and it appears that several other associations will be organized this winter.

Why do we need associations? In conversations with horse farmers we had learned, they were buying hay from present suppliers (many of them in Western States) because they could consistently get the quality and quantity they wanted and they could get it when they wanted it. Most said they would buy Kentucky hay if we could provide the same service. Since our producers are usually unable to supply such service individually, associations of producers are needed. Our information proved to be correct in a survey of Kentucky horse owners conducted in 1983. Some results of this survey were presented to this conference in 1984.

The LaRue County association has each year marketed all hay which was for sale, much of it to repeat customers and people who were referred by their customers. Their average price received through 1982 was \$95 per ton (about \$36/ton above state average) and they didn't really try to capture the high priced horse market.

SURVEYS OF MARKET POTENTIAL

Results of the survey of Kentucky horse owners are presently being summarized for publication. But we need to know the potential for marketing hay for all livestock and over a broader geographical area than Kentucky. Thus an interdepartmental committee was formed in the College of Agriculture and a proposal was written to study the potential for marketing hay in the Southeastern States. Since the Kentucky Department of Agriculture, Division of Marketing was also interested in hay marketing (they have published a hay directory for several years) we worked with them to submit this proposal to Washington for funding. We have been told that funds will be made available soon to initiate the study. Upon completion of the study we should know where there is a demand for hay and what kind of hay is wanted. We can then plan procedures to capture some of the markets.

NATIONALLY STANDARDIZED QUALITY ASSESSMENT

As I told you earlier, LaRue County decided to sell hay on the basis of analysis. A study in Oregon, had shown a wide variability in analyses reported by different labs on the same hay samples. The lab used by Kentucky was one which had good reports, but a system of laboratory quality control was needed.

The American Forage and Grassland Council, had presented to USDA a proposal for replacing the present hay grading system (which is seldom used) with a system based on the previously mentioned chemical analyses plus certain sensory characteristics. The AFGC proposal was opposed by the National Hay Association (NHA) and was rejected by USDA.

Our LaRue County experiences show this to have been a wise decision. For example, many times producers would have hay that tested high enough in CP and low enough in ADF to be in grade 1,

but NDF would be slightly too high for grade 1. This forced the hay into grade 2 and thereby forced the price down. Another problem with a USDA grading system is the cost of hiring a grader to grade small lots of hay.

These and other problems considered, representatives from the AFGC and NHA reached agreement on an alfalfa quality assessment system which has no government involvement and in fact, no "grade" on the hay. The AFGC is to be responsible for technical information and developments and NHA will be administrator of the system. Laboratories wishing to be certified will be sent prepared samples of hay which have been tested by the National Alfalfa Hay Testing Association. The laboratory analyzes the samples and reports their results. Results obtained by all participating laboratories will be published along with the correct analyses. You as a producer can decide which of the labs you use to test your hay based on the accuracy of their analyses.

Various aspects of this system were discussed and approved by the boards of directors of AFGC and NHA. A conference was held in Chicago in March 1984 at which time the system was presented to and approved by a large group of producers and scientists from over the entire United States. Proceedings of that conference (National Alfalfa Hay Quality Testing Workshop) are available for \$6.00/copy from:

The National Hay Assoc., Inc.
P. O. Box 1059
Jackson, Michigan 49204

or

Dr. Vern Marble
618 Elmwood Drive
University of California
Davis, California 95616

Detailed procedures for both sampling and testing of hay are presently being written and will soon be available for use throughout the country.

PRICING HAY

A national system of pricing is not being discussed or even considered for discussion. As an individual producer you may want some guidance on how to price your hay in a manner which is equitable for both buyer and seller. There are innumerable alternatives which could be used. For dairymen who are usually most nutritionally concerned of all livestock feeders, it seems sensible to base a price on the two most expensive components, energy and protein. Such a system is being devised which will price hay at the receiving farm based on current prices at the farm of corn (the most used energy source), soybean meal (the most used protein source) and the energy and protein contents of a particular lot of hay. Although it is not ready at press time for these proceedings, we plan to discuss the procedure and hand out copies at the Kentucky Alfalfa Conference on February 26, 1984.