

MARKETING KENTUCKY HAY - A REALITY

J. Kenneth Evans
Agricultural Consultant

INTRODUCTION

As I write this in early December, Kentucky does not yet have a system for marketing hay. The above title reflects an attitude which positively expects a marketing system to be in place by the 1989 season. Many details of such a system have been discussed, some decisions have already been made and more will be made by the time you read this. Literally hundreds of decisions need to be made before hay is marketed in 1989. Since these decisions will be made by a group of people (a producer Board of Directors and the KY Department of Agriculture personnel) what is written here is only an approximation of what will probably happen.

Since 1977, several county and area hay marketing associations have been formed in Kentucky. Members of some of these groups have marketed only modest amounts of hay. It has been the feeling of many individuals and the expressed opinion of a Kentucky Hay Task Force that hay could become a significant source of cash income to Kentucky farmers. It was further felt that this can be best accomplished by forming a statewide Hay Growers (or Marketing) Association. Members of the Association can then collectively do things which individual members and small associations cannot do alone, such as: 1) provide a large dependable supply of hay for cash sales; 2) provide quality analyses, assurance and control; 3) provide a readily accessible computerized inventory for potential buyers; and 4) promote and advertise Kentucky hay in targeted marketing areas.

The purpose of this paper is to report on progress which has been made in setting up a statewide marketing system, some detail on how the system may work, and possible "spin offs" from cash hay production which may also produce significant income for Kentucky farmers.

PROGRESS TO DATE ON A HAY GRADING AND MARKETING SYSTEM

The 1988 Kentucky General Assembly appropriated money to the Kentucky Department of Agriculture to "...promote the sale of hay produced in the state by operating, maintaining and administering a standard grading program for evaluating hay." Although this money was not available to the Department until July 1, 1988, work on the hay program was started immediately after Commissioner Butch Burnette assumed office in January 1988. It should be noted that appropriations are for two years and that no money was appropriated to actually sell the hay.

In June and July 1988, two "brainstorming" meetings were held in Frankfort. Attendants to these two meetings were invited to represent the University of Kentucky College of Agriculture, all existing Kentucky Hay Marketing Associations, the Kentucky Dept. of Vocational Education, Kentucky Farm Bureau, Kentucky Forage and Grassland Council and Agricultural Businesses (seed, fertilizer, machinery, etc.). About 50 people attended each meeting and made valuable suggestions, identified potential problems and offered some possible solutions. But more detailed planning was needed.

The University of Kentucky Cooperative Extension Service was asked to designate a county agent as the hay marketing coordinator for each of the fourteen extension areas. Each area was also asked to identify a producer who would serve on a board to develop more detailed plans. The Extension hay marketing coordinators and producer representatives met on October 17 and November 14 for further planning with Kentucky Department of Agriculture personnel. At the October meeting, a decision was made to form a non-profit corporation for the purpose of marketing Kentucky hay. At the November meeting, Articles of Incorporation and By-laws were reviewed, several changes were suggested and five producers were elected to serve as the first board of directors. This board will be replaced when area marketing associations are formed in the 14 areas. At that time, each area will elect one producer as their representative on the State Association Board of Directors.

The initial Board of Directors will meet on December 19 to approve Articles of Incorporation and By-laws and to put all of the previous discussions into final operational plans. It is visualized that the Kentucky Department of Agriculture will perform their statutory functions in close cooperation and coordination with state and area hay marketing associations.

HERE'S HOW THE SYSTEM MAY WORK

Any Kentucky producer who has hay for sale will be able to call a designated telephone number and obtain services of someone who is trained and certified in how to sample hay for chemical analysis. The lot of hay will be sampled and physically described by the sampler. The hay sample will then be sent to a certified laboratory, which is either operated or approved by the Kentucky Department of Agriculture. Presently, the Department has instruments to equip three laboratories. These labs will be located in McCracken, Barren and Franklin counties. The Franklin County lab will be mobile and can be moved to other areas as needed for testing and/or educational services.

All hay which is marketed will be tested for Dry Matter (DM), Crude Protein (CP), Acid Detergent Fiber (ADF), Neutral Detergent Fiber (NDF), Calcium (Ca), Phosphorus (P), Magnesium (Mg), and Potassium (K). From these analyses, the computer can

calculate heat damaged protein, available protein, digestible protein, Total Digestible Nutrients (TDN), Estimated Net Energy (ENE), and Relative Feed Value (RFV). Since RFV is the best single indicator of hay digestibility and intake potential, it is the best single value to use as a "Grade" for cattle hay. Hay which meets extremely high standards with respect to color, mold content, foreign materials and injurious foreign material may, in addition to the analyses, be given "TRIPLE CROWN" designation which means it is for high value horses.

All values, both tests and calculations, will be printed on the analysis form and entered into the computerized inventory for consideration by potential buyers and for use in balancing rations and negotiating price of the hay between producers and buyers. For all of these services, as well as promotion and "selling" of the hay, producers will be required to pay very modest fees. Collected fees will be used to pay all costs associated with management of the association, promotion of Kentucky hay, advertising in dairy and horse magazines and phone lines through which buyers may access the computerized inventory.

Very soon now, a membership drive will be conducted throughout Kentucky. It is hoped that there will be enough interested dues paying members to hire a full time Director by the Spring of 1989. This will be necessary if we are to have a really active marketing program in 1989.

OTHER RELATED INCOME SOURCES

Backgrounding Calves

Inevitably, each year there will be some hay which is produced for cash markets, but will not be sold. Much of this hay will be high quality hay for beef cattle. The highest quality hay can be fed to calves and may produce 1 1/2 lb. average daily gain.

Nobody knows for sure the average weights of beef calves which are sold by Kentucky Cow-Calf farmers. It may be as low as 350-400 lbs. A neighbor of mine just paid \$0.93/lb for a group of calves which averaged 250 lbs each. The \$232.50 average price per head was probably not enough to get a profit for the producer who sold the calves. They were a good buy for my neighbor. Suppose we could keep all of these lightweight calves on Kentucky farms a little longer and feed them the excess hay (and maybe a little corn) to add another 300 lbs to their weights. How much income would this provide for Kentucky farmers? If we assume 1,000,000 calves each year to which 300 additional pounds are added through the backgrounding period, we would sell 300,000,000 more pounds of calf. If we received \$0.70/lb it would generate \$210,000,000 more gross income to Kentucky farmers. Since this gain would cost only about \$0.45/lb, \$75,000,000 of this would be net income. And, we will have marketed our excess hay at a profit also!

Controlled Grazing

Now let's assume that we have some stands of alfalfa and other hay crops which have thinned stands or for other reasons are not harvested for hay. These fields and other pasture fields could be used for intensive controlled grazing by dairy or beef cattle. If we again assume the beef calves could have 300 pounds additional gain added by grazing, it would produce \$138,000,000 increased net income because cost of this gain would only be about \$0.24/lb.

SUMMARY

Cash sale of hay has the long range potential to add \$1-billion to the income of Kentucky farmers. To add any income, the hay must be sold. A marketing system should be in place in 1989. Success of marketing efforts will require producers to insist on an active marketing program and to support the program not only financially, but also by producing high quality hay for cash sale.

We could add as much as \$200-million to the value of our feeder calf crop by retaining these cattle in Kentucky for an additional 300 lbs of gain by either backgrounding and/or controlled grazing. If Kentucky farmers decide they are really interested in more income, we could add more cows and/or bring in more calves and better utilize our forage resources through both backgrounding and controlled grazing, thus more than doubling the income from sales of cattle and calves in Kentucky.