

MARKETING KENTUCKY HAY - AN UPDATE

J. Kenneth Evans
Extension Forage Specialist

INTRODUCTION

Based on soil capabilities, Kentucky could grow 2-million acres of alfalfa while increasing the acreage of corn and soybeans. Even more than 2-million acres could be grown if Kentucky grown alfalfa should show market demands making it economically competitive with corn and soybeans. Marketing is the key to developing demand which could make hay a \$1-billion Kentucky crop.

Many of you have heard or read my comments on marketing hay. In this presentation, I will present a brief review of what I have previously said and then bring you up to date on hay marketing activities since the alfalfa conference in February 1986.

REVIEW

In the 1986 Kentucky Alfalfa Conference Proceedings, I stated that a successful marketing program must have several components:

1. Supply - Available hay throughout the year(s) must be adequate to supply the varying qualities demanded by customers.
2. Although many of the people who need Kentucky hay don't know it yet, there is tremendous need for high quality hay in the Southeastern United States. Kentucky is strategically well located to supply that need.
3. Promotion and advertising are necessary to develop markets.
4. Buyers and potential customers must have assurance that quality of hay will meet their standards each time they buy hay. Quality control is a vital part of a continuing marketing system.
5. Since hay is bulky, transportation is a function which demands innovative approaches.
6. An organized approach is critical to achievement of a successful marketing program for small farmers.

UPDATE

Kentucky farmer interest in hay as a cash crop continues at a high level. In my opinion, the 1987 acreage of alfalfa will show an increase over 1986. I hope production doesn't increase faster than demand. Progress in developing a marketing system is slow.

The USDA Agricultural Marketing Service has promised about \$60,000 to the University of Kentucky and the Kentucky Department of Agriculture for use in studying potential hay markets in the Southeastern United States. Some of the money has been received and I understand that the study is beginning under leadership of Dr. Joe Davis of the UK Department of Agricultural Economics. It is estimated that the study will not be completed for two years.

There is sufficient information already to convince me the market potential is out there. Table 1 shows dairy cow numbers in 12-states where we may sell hay. Assuming we could sell only 1.8 tons per cow (1/2 of their needs) there is potential for sale of 2.8 million tons of hay. Table 2 shows horse numbers in the same 12 states and at 1 1/2 tons per horse there is potential for sale of 706,000 tons. This is a total of about 3.5 million tons.

TABLE 1. Dairy cows in 12 states and estimated potential Kentucky alfalfa consumption.

	Dairy Cows*	Estimated Potential**
	1986	Alfalfa Consumption (Tons)
	(X1000)	(X1000)
Alabama	48	86.4
Florida	185	333.0
Georgia	119	214.2
Kentucky	234	421.2
Louisiana	96	172.8
Mississippi	86	154.8
Missouri	235	423.0
N. Carolina	127	228.6
S. Carolina	48	86.4
Tennessee	210	378.0
Virginia	165	297.0
W. Virginia	34	61.2
	<u>1,539</u>	<u>2,770.2</u>

*Source: Ky. Ag. Statistics, 1985-86

**Assumed 1.8 Tons/Cow/Year

TABLE 2. Horses in 12 states and estimated potential Kentucky alfalfa consumption.

	Horse* Population (X1000)	Estimated Potential** Alfalfa Consumption (Tons) (X1000)
Alabama	27.1	40.7
Florida	47.4	71.1
Georgia	26.6	39.9
Kentucky	78.6	117.9
Louisiana	36.1	54.2
Mississippi	26.3	39.4
Missouri	77.0	115.5
N. Carolina	27.5	41.3
S. Carolina	12.6	18.9
Tennessee	54.0	81.0
Virginia	42.2	63.3
W. Virginia	15.0	22.5
	<u>470.4</u>	<u>705.7</u>

*Source: 1986 MS Thesis, U. of Ky. Ms. Jean Buzby

**Assumed 1.5 Tons/Horse/Year

We should be able to produce 1.0 ton of horse quality, 2.0 tons of dairy quality and 1.5 tons of beef cattle quality hay per acre. This allows for some hay totally lost to weather. Table 3 shows potential markets for about 706,000 acres of alfalfa with gross returns to farmers of \$261-million annually. I believe these production and sales estimates are realistic goals to work toward.

TABLE 3. Estimated alfalfa market potential in 12 states and required production acreage.

	Land area required (acres x 1000)	Potential hay sales (Tons x 1000)	Potential sales (Gross \$)
Horses	706	706	\$ 88,250,000*
Dairy	706	1412	120,020,000**
Beef	706	1059	52,950,000***
		<u>3177</u>	<u>\$261,220,000</u>

*Assumed sale price, \$125/Ton

**Assumed sale price, \$85/Ton

***Assumed sale price, \$50/Ton most fed on or near farm on which it is produced.

BUT WE HAVE TO SELL THE HAY! Some would say we can't. That may be true. You may have heard the story of two shoe salesmen sent to the South Sea Islands to sell shoes. After a week one salesman wired back, "Be home next week. No market for shoes here. Nobody wears shoes". The second salesman wired, "Send 100,000 pairs of shoes, assorted sizes, immediately. Unlimited market

potential. **NOBODY HERE HAS SHOES!"** Within reason, our potential sales are limited most by our attitude, imagination and efforts.

Although intensive efforts have been made over the past years, no money has been received from Kentucky state government to form a state hay association and begin marketing activities. In response to a request from Larry Hayes, Secretary of the Cabinet for Governor Collins, a plan for development of a Kentucky cash hay industry was presented to Mr. Hayes on January 17, 1986. A meeting, with Mr. Hayes was subsequently held on June 27, 1986. To my knowledge, there has been no further communication of interest in financing initiation of the project.

Eight hay marketing associations are organized and are listed below with names of county agricultural agents in the counties where they are located. All of the associations are selling hay. Some organizations are extremely active.

LaRue County Hay Marketing Association
Mr. David Harrison
Box 210
Hodgenville, Kentucky 42748
Phone: 502/358-3401

Allen County Hay Marketing Association
Dr. Randolph Richards
P. O. Box 355
Scottsville, Kentucky 42164
Phone: 502/237-3146

Shelby County Hay Marketing Association
Mr. Roy Catlett
Route 7, Box 71
Highway 53, South
Shelbyville, Kentucky 40065
Phone: 502/633-4593

Central Kentucky Hay Marketing Association
Mr. Mike Carter
Box 648
Lancaster, Kentucky 40444
Phone: 606/792-3026

Gateway Hay Marketing Association
Mr. Ron Catchen
Room 158, Civic Center
Mt. Sterling, Kentucky 40353
Phone: 606/498-5856

Lake Cumberland Hay Marketing Association
Mr. Mark Douglas
Drawer I
Liberty, Kentucky 42539
Phone: 606/787-7384

Pennyrile Hay Marketing Association
Mr. Curtis Judy
Christian County Extension Office
P. O. Box 522
Hopkinsville, Kentucky 42240
Phone: 502/886-6328

Purchase (Mayfield)
Mr. Bill Green
Graves County Extension Office
Courthouse
Mayfield, Kentucky 42066
502/247-2334

The Central Kentucky Association is extremely active. At this time, I would like to introduce Mr. Ken Parsons who is with the Garrard County Vocational School who will introduce a speaker from one of their market areas; one who represents a customer for Kentucky alfalfa.