

# PRICING STANDING HAY

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Many variables come into play in determining what value to put on standing hay. The two main steps to establish a price are to determine the minimum price the seller would want to sell for and the maximum price that the buyer would want to pay for the hay relative to market prices.

1. Establish Minimum Price/Acre/Season (lowest price for seller)

Minimum Price = (6% X Value of Land) + Taxes + Input Costs

Example: (6% interest X \$1,000) + \$20 (taxes) = \$80/Acre/Season

(add to this the value of fertilizer, seed, and other establishment costs. For example, it costs around \$105 to seed down with a three year rotation, so \$105/3 yrs = \$35/yr

Total Minimum Price = \$80 + \$35 = \$115/Acre

2. Establish Maximum Price/Acre/Season (highest price for buyer)

(Tonnage X Market Price per ton) - Hay Making Cost - Risk = Price/Acre

(subtract about \$10/Ton of baled hay equivalent harvested for buyer risk factor which covers risk of rain).

Example: (4.5 Tons/Acre X \$75/Ton) - \$116 - \$45 = \$176/Acre

Thus, this standing hay should sell for anywhere between \$115/Acre to \$176 per acre given the respective yields and prices. These values must then be negotiated either way.

Operation	Hay Making Costs	
	\$/Acre/Crop	\$/Acre/Season (3 cut)
Mowing	\$7.30	\$21.90
Conditioning	\$6.25	\$18.75
Single Operation (mow/condition)	\$8.30	\$24.90
Side Raking	\$4.30	\$12.90
Baling	\$0.35/bale	\$0.35/bale
Twine	\$2.75	\$8.25

In order to determine the price for a single crop, realize the first crop will usually yield 40% of the total for the year so weigh it in that respect. At the same time, though, realize the quality of first crop is usually slightly lower quality than that of second and third crop. So, if selling a single crop, price it according to both quality and quantity.

Ex. Price first crop alone at yield of 80 bales/acre (45 lb. bales):

Minimum price = \$115 (from above) X 40% = \$46/Acre	
Maximum Price = 80 bales = 1.8 Ton X \$75/Ton = \$135.00	
(minus mower, condition, raking and twine costs)	- \$20.85
80 bales X \$.35/bale	- \$28.00
Risk of buyer	- \$18.00
Maximum Price per Acre	\$68.15

Therefore, the price for this standing first crop could range anywhere between \$46 and \$68 per acre. Again, the price would depend on what someone is willing to pay for the standing crop or for what someone is willing to sell the crop.

### If Harvested for Haylage?

If this crop is chopped rather than baled, use the same cost factors as it makes no difference to the seller whether the crop is chopped or baled cost-wise. It is necessary to convert the haylage to baled hay equivalent so as to determine an accurate price. To do this use the following formula:

$$\text{Adjusted Yield} = \frac{\text{Yield (at harvest)} \times \% \text{ Dry Matter (at harvest)}}{\% \text{ Dry Matter Adjusting to}}$$

For example, if 6 tons of haylage at 54% moisture were harvested it would be equal to 3.51 tons at 18% moisture.

### Other considerations

It is customary for the land owner to purchase the needed fertilizer unless in a multi-year contact but who pays for the insecticide if the potato leaf-hopper or alfalfa weevil invade the alfalfa?

### In Summary

It is not as easy as it may sound to establish a fair hay price between two parties since land, hay prices, yield, quality, and the supply and demand situation differ in each individual case. Therefore, in order to establish a equitable/fair price for the standing hay, it's important to realize what the crop is worth to each other and try to draw a middle line.

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\* If the hay is put up on shares, common thumbrules are that the renter gets 60% of the crop and that the landlord gets the other 40% assuming the renter cuts and transports the hay.

\* Another thumbrule is that hay ground should rent for 120 percent of the value of corn ground. So, if corn is renting for \$80/acre then the average hay ground should rent for \$96/acre. This 120 percent takes into account the landlord's cost for seed, liming and fertilizer, which are not normally associated with corn rent. If the renter is paying some of these costs because it is a longer term agreement, then the rent rate must be adjusted accordingly.

\* General thumbrule rental rates for land or pasture are 10% of the fair market value of the land.