

2010 Hay Production School

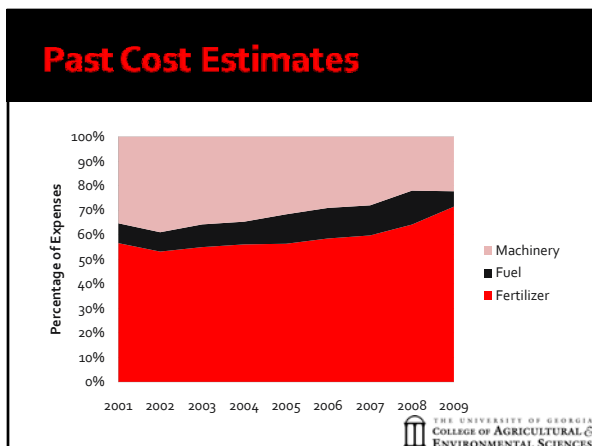
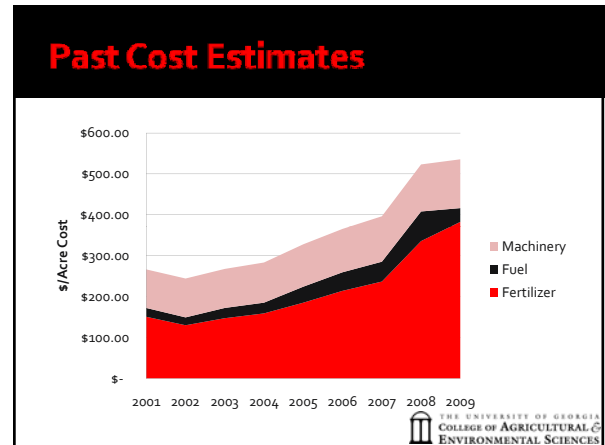
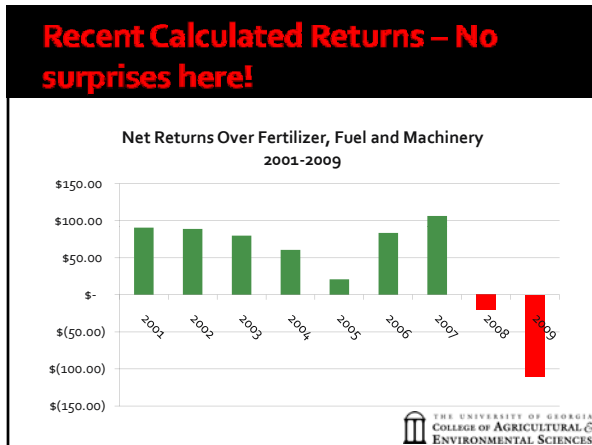
Hay Production Economics and Outlook



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Hay Economics and Outlook

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Return on Assets – As Important as Soil PH

$$ROA = \frac{NFI + \text{Interest Paid} - \text{Family Withdrawals}}{\text{Average Asset Value}}$$

NFI = Net Farm Income

$$\text{Average Asset Value} = \frac{(\text{Asset Value Year 1} + \text{Asset Value Year 2})}{2}$$

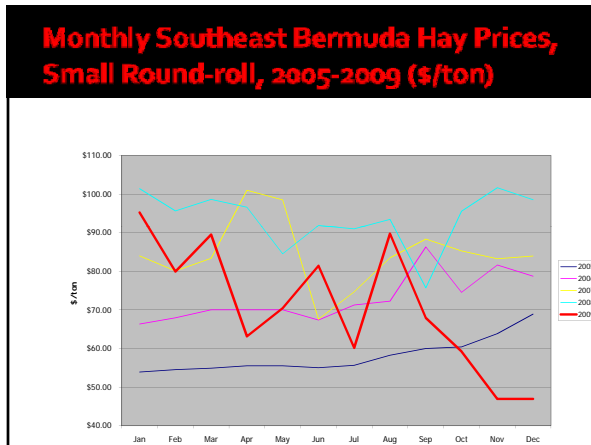
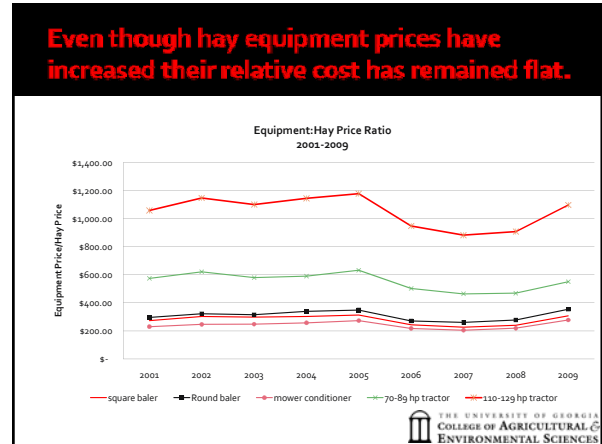
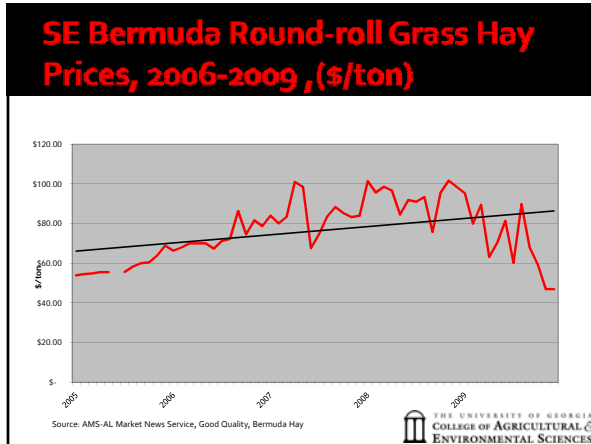
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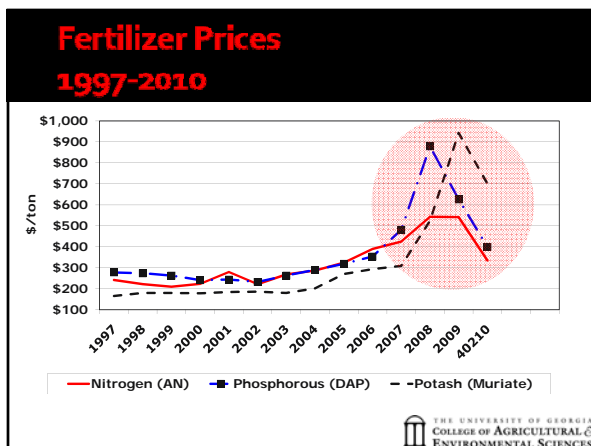


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Outlook



- ### Factors at Work
- | | |
|---|---|
| <h4>INPUTS</h4> <ul style="list-style-type: none"> ■ Demand for fertilizers ■ Fuel costs ■ Exchange rates ■ Economy | <h4>PRICES</h4> <ul style="list-style-type: none"> ■ Number of hay consuming units. ■ Economy ■ Acres of hay |
|---|---|
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Input Outlook for 2010 – Fuel and Fertilizer

Fuel

- Crude oil peaked in July 2008 at \$147/barrel.
- Natural gas prices also impact fertilizer prices.
- Tied to overall economic health.
- Expected to remain steady to increasing in 2010.

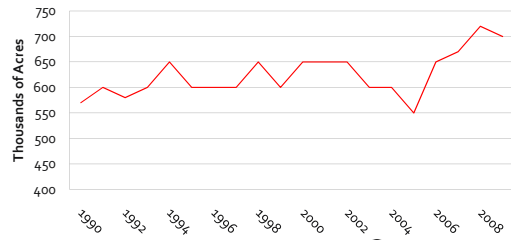
Fertilizer

- We import most of our fertilizer
- Nitrogen generally manufactured while phosphate and potash are mined.
- Major input for nitrogen is natural gas.
- Weak dollar makes inputs cheaper.
- Outlook for 2010
 - Nitrogen ↔↑
 - Phosphorous ↔↑
 - Potash ↔↑

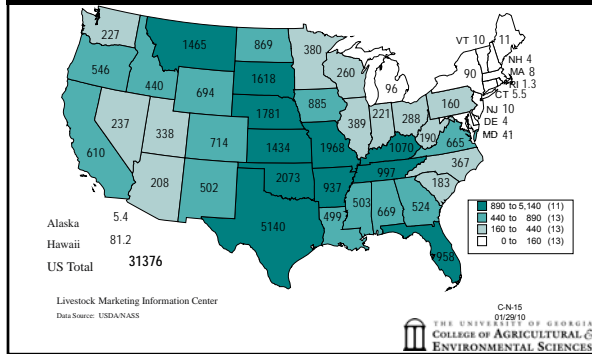


Hay acres in Georgia have remained relatively stable.

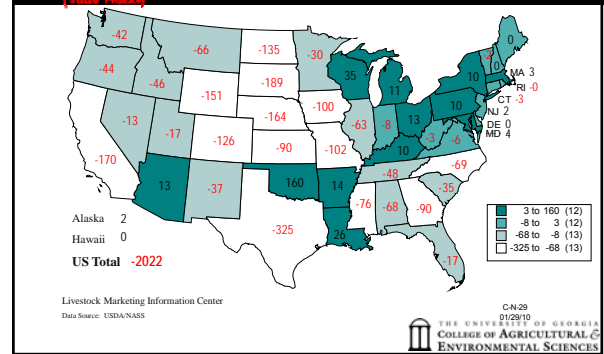
Harvested Hay Acres in GA
1990-2009



BEEF COWS THAT HAVE CALVED JANUARY 1, 2010 (1000 Head)

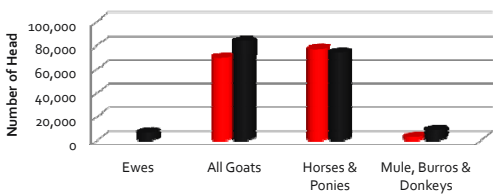


CHANGE IN BEEF COW NUMBERS JANUARY 1, 2001 TO JANUARY 1, 2010 (1000 Head)



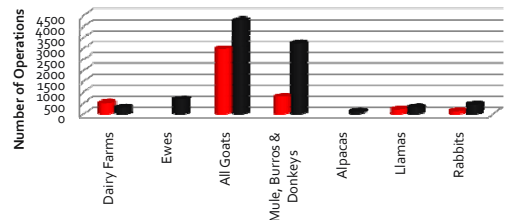
Inventories of Other Animals

Inventories of Non-Bovine Forage Consuming Livestock
in Georgia
2002 vs. 2007



Numbers of Operations

Dairy Cows and Other Types of Hay Consuming Livestock
2002 vs. 2007



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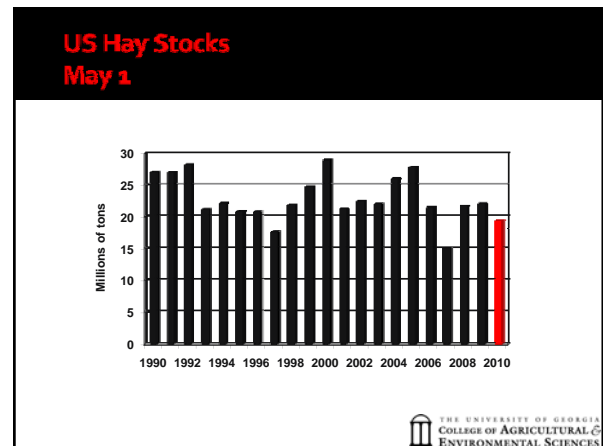
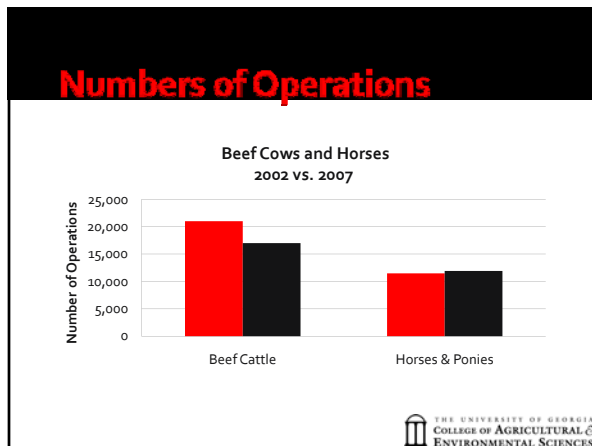
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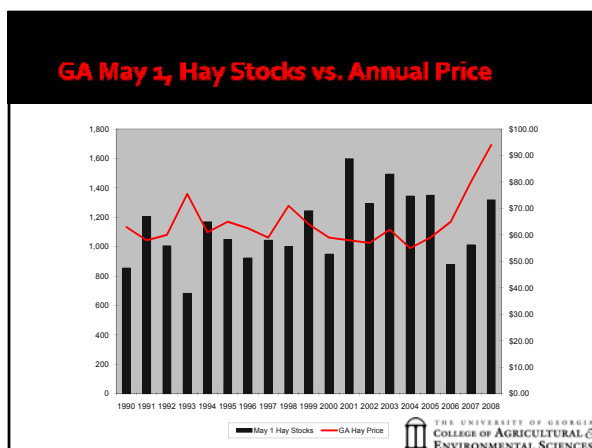
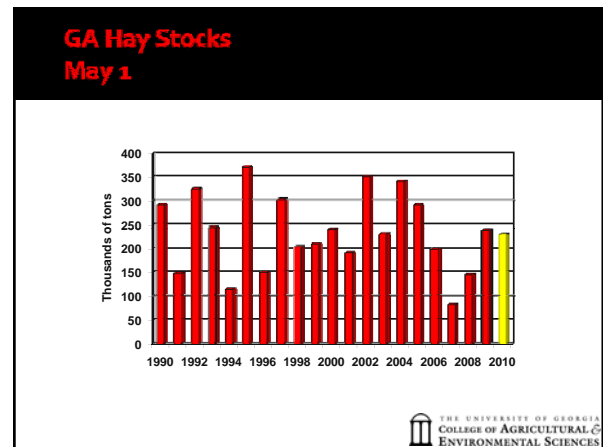
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Projected Supply, Utilization and Prices for U.S. and Georgia Hay

	U.S. (million tons)
Stocks May 1*	19.3
Total Production	143.0
Total Supply	162.3
Disappearance	145.0
Ending Stocks	17.30
Season Average Price	\$120.00

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Projected Supply, Utilization and Prices for U.S. and Georgia Hay – USDA Yields

Item	U.S. All Hay (million tons)	GA Hay Outlook
Stocks May 1	19.30	.23
Total Production	143.00	1.48
Total Supply	162.30	1.71
Disappearance	145.0	1.46
Ending Stocks	17.30	.25
Season Average Price	\$120.00	\$130-\$170 <i>Good Bermuda hay price Square & Round Bales</i>

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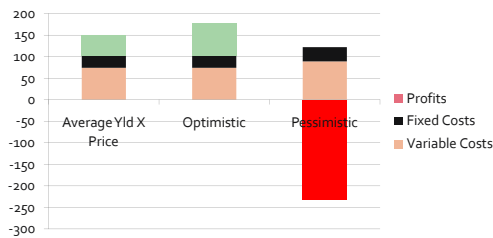
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Profits for 2010



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Emerging Markets

- Increasing interest in forage-based dairies.
- Growing interest in home gardening/locally-grown produce → mulch
- Improving economy could likely improve market for horse-quality or other hay products.

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Summary

- 2010 should be a better year for hay producers.
- Tight supplies and an improving economy will likely increase demand.
- However, higher input prices could reduce costs enough to lower profits.
- Producers need to start thinking in terms of risk management and not just income minus expenses.

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