2011 Southeast Hay Convention

Hay Production Economics and Outlook

Dr. Curt Lacy
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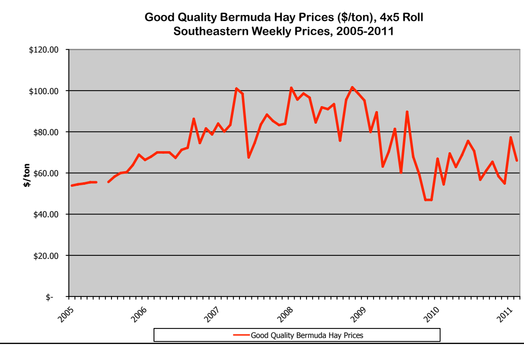
Hay Production Economics and Outlook

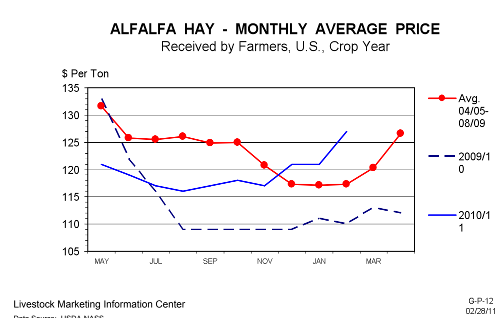
This morning's map

- Current situation
- Inputs
- Outlook for 2011

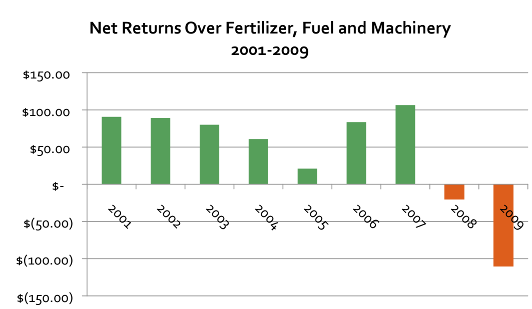
Hay prices have rallied some in recent months



Alfalfa hay prices are stronger also



Recent Calculated Returns – No surprises here!



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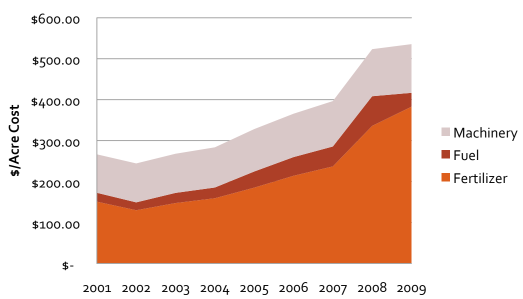
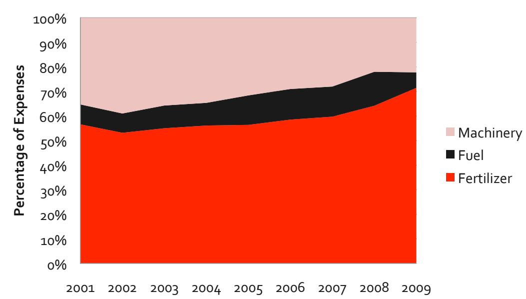
Hay Production Economics and Outlook

Past Cost Estimates



Past Cost Estimates



Outlook

Input situation and outlook

Factors at Work

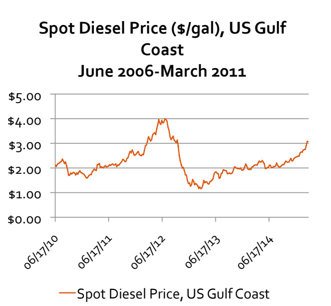
INPUTS

- Demand for fertilizers
- Fuel costs
- Equipment costs

PRICES RECEIVED

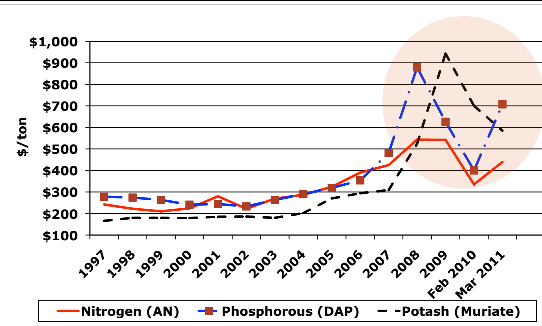
- Number of hay consuming units.
- Economy
- Acres of hay

Input Outlook for 2011 – Fuel



- Tightening Supplies
- Increasing demand
- Political unrest
- Steady to higher prices for 2011 and 2012

Fertilizer Prices 1997-2011



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Fertilizer Factors

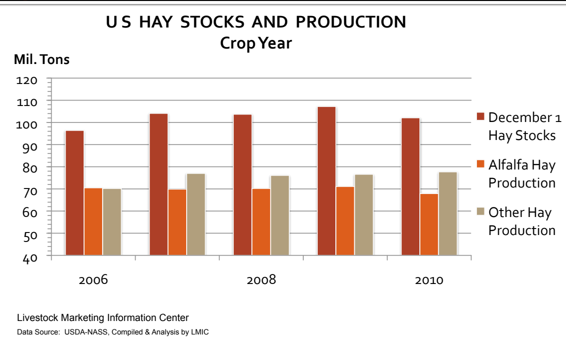
- More corn acres
- Increasing South American demand
- Strength of US dollar
- Price of natural gas

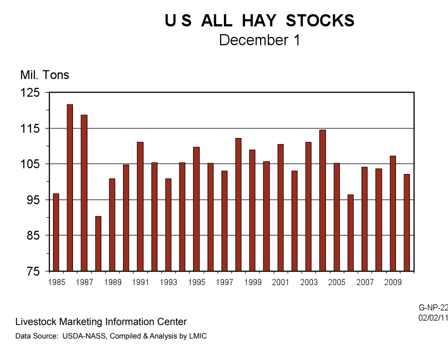
= Steady to higher fertilizer prices in 2011-2012

Outlook

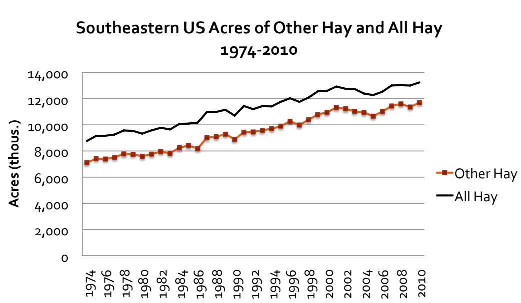
Projected Supply and Demand

Tighter US stocks led to tighter prices this winter





Southeastern Hay Acreage has continued to increase



Other fundamental factors

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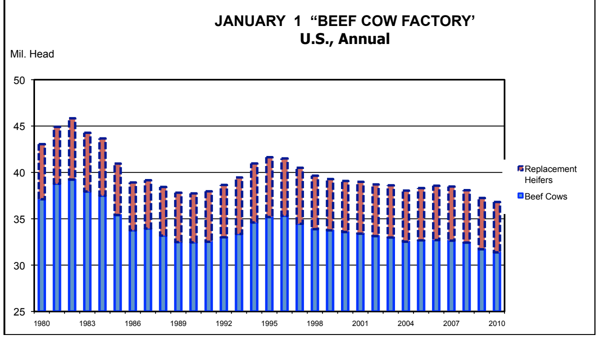
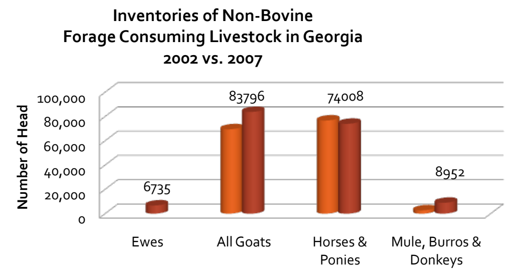
Hay Production Economics and Outlook

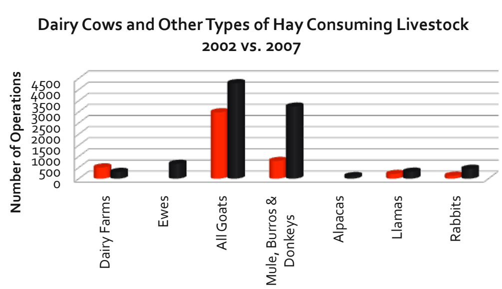
Current high prices for cattle suggest herd expansion before long.



Inventories of Other Animals



Numbers of Operations



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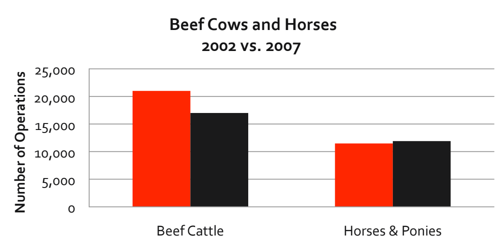
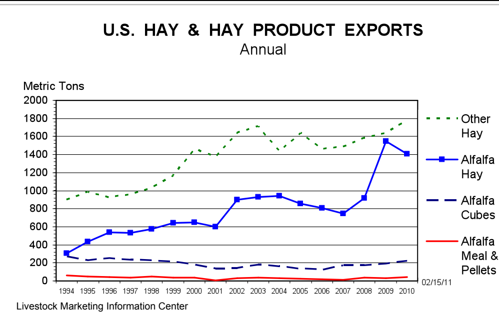


Summary of Livestock Factors

- High beef cattle prices are good for at least two reasons:
  - Suggests herd expansion is coming soon
  - Makes it more economical to feed cows hay
- Dairy herd continues to consolidate
  - Larger farms tend to be more specialized and willing to contract with local or regional growers.
  - Increasing emphasis on forage-based systems increases demand for hay or baleage.
- Rapidly expanding goat and sheep market provides another often overlooked target market.

Hay exports have become more important



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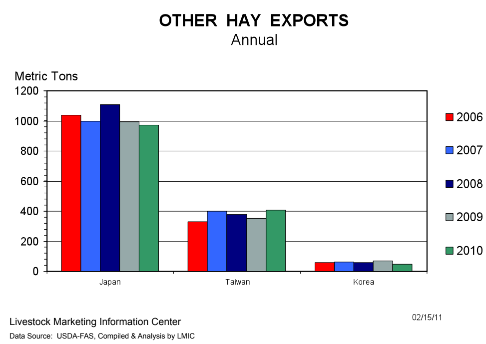
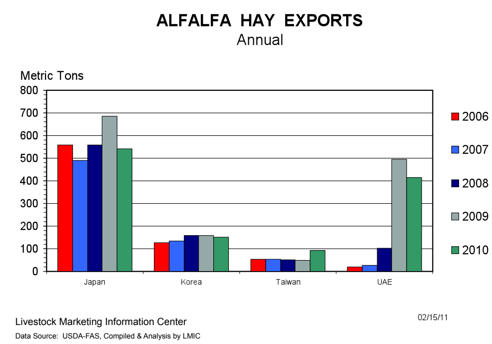
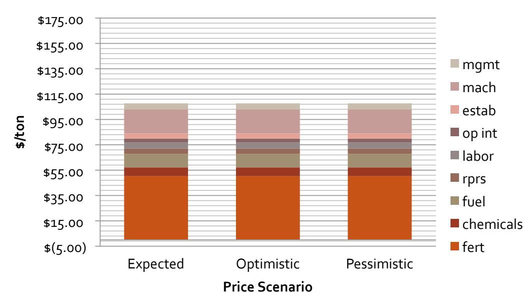




Projected Prices for 2011

Item	U.S. All Hay	Southeastern All Hay
Stocks May 1	20.60	3.52
Total Production	143.80	25.34
Total Supply	164.40	28.86
Disappearance	146.50	24.88-25.8
Ending Stocks	17.90	3.06-3.98
Season Average Price	$131 per ton	$125-$135 per ton Good quality Bermuda Hay

Projected Costs and Profits 2011



Summary

- 2011 could be a very interesting one 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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Questions?

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