

DEVELOPING A HAY MARKETING STRATEGY

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Maryland is in the midst of a hay deficit area, particularly for high quality hay. Substantial quantities of hay move into Maryland, Delaware, Virginia and West Virginia. The primary market for imported hay has been and continues to be the horse industry but the demand for high quality alfalfa for the dairy industry is an increasingly important segment of the market. Hay is shipped in from the north (Pennsylvania, New York, Michigan and Canada), particularly timothy, and from as far west as Utah and Idaho. So a rather sizeable "market" for hay already exists in the area. We certainly have a transportation advantage over hay from New York, Michigan, Canada and the western states, but how can Maryland growers get into this market? What strategies can be used to find markets and then maintain those markets from year to year?

Selling vs. marketing

First, let's make a distinction between selling and marketing. These two terms are frequently used interchangeably, but the processes are quite different. **Selling** is defined simply as the exchange or delivery of goods and services to a customer for a negotiated price. An example of selling hay is a producer who calls a dealer and says that he has X number of bales for sale and asks the dealer to come, take a look, and quote a price. The hay is average quality, no forage test information is available and no attempt was made to segregate it by cutting or quality going into storage. Another example of selling is loading the hay on a truck and hauling it to an auction. Again the hay is average quality and no forage test information is available. In these examples, the selling procedure is relatively easy and simple but the producer is basically at the mercy of the buyer. Unless the producer is willing to retain ownership of the hay longer in hope that market price goes up, he is faced with someone else determining the selling price. The hay is average quality so the buyer has no particular reason to buy this hay over someone else's hay. There isn't much that these producers can do to get higher prices.

Marketing, on the other hand, is an aggregate of commercial functions involved in moving goods and services from producer to consumer in an organized and effective way. Marketing includes buying, selling, storing, transporting, standardizing, financing, risk bearing, and supplying market information. An

example of marketing hay is the producer who grows several kinds of hay to fit various markets, cuts early for high quality, segregates the hay as it goes into storage according to kind, cutting, and quality, and forage tests each lot. This producer has not only entered hay samples at the local county fair, but has also consistently exhibited winning entries at the Maryland State Fair, last year being the winner of the grand champion hay award. He has recently begun to enter samples in the commercial hay division in the World's Forage Analysis Superbowl held as a part of the World Dairy Expo in Madison, Wisconsin. His third place entry last year won him national and international recognition. Because of his hay show awards, he has gained several new customers. This producer has established contacts with some of the largest dairy operations and horse stables in the Mid-Atlantic Region and routinely supplies them top-notch hay.

When demand for a product or commodity exceeds supply, the producer can readily sell to the consumer. But when supply exceeds demand, marketing strategy usually determines which producer is able to move his product to the consumer. Certainly marketing is much more involved than selling but the rewards are higher prices and repeat buyers providing a more consistent and stable market.

Essential elements in marketing

As we look at hay as a cash crop, there are at least six essential elements to developing and maintaining hay markets. These elements should make you more aware of some of the constraints and requirements in hay marketing.

- 1. Know what your market is and then produce for it.** Is your primary market going to be everybody, dairy producers, or horse owners? Are you going to sell by the bale or by the ton? Out of the field or out of storage? If you are not familiar with the potential hay market opportunities open to you, conduct a market analysis. Talk to other growers, extension and agribusiness personnel, and members of organizations such as the National Hay Association. Determine where market opportunities are located. It may be local, regional, or even international. Are you in a position to provide service to that market? What is the future of the market? What type(s) and quality of hay is that market looking for? You should know the market before the crop is planted. If you planted alfalfa and the market wants an alfalfa/grass mixture, marketing may be quite difficult.
- 2. Produce a high quality product.** Hay marketing starts with hay production. When supply exceeds demand, buyers can be choosy. The top quality hay sells and the lower quality doesn't. And top quality to some buyers doesn't necessarily mean the highest nutritional value hay. Definitions of top quality mean different things to different people. Some horse owners have personal standards or definitions which differ from mainstream standards or definitions of hay quality. In the horse hay market, high quality is bright color and freedom from musty odor and dust.
- 3. Have a consistent and reliable supply.** To keep customers coming back, you must provide a consistent quality of hay on a continuous basis. If livestock or dairy producers

have to adjust feeding programs every time that they receive a hay delivery, they will find another supplier. You must be able to supply hay for the time period the buyer needs it. If the buyer needs hay year-round and you can only provide a 6-month supply, the buyer will likely look for another producer. Have a contingency delivery plan to cover equipment breakdowns or problems.

4. **Be realistic about price.** It is very difficult to establish farm price for hay. You may read a hay auction report and see a price of \$200 per ton for alfalfa. But is that a realistic market price? That price may have been for a pickup load of very nice alfalfa that some horse owner was determined to buy regardless of price. And even if it brought that price, there were the added costs of loading and hauling associated with it.
5. **Put up a firm, solid bale.** Bale size , weight and shape effect marketing. Tailor bale packages to suit buyers' needs and convenience. One of the greatest deterrents to distant hay marketing in the eastern U.S. is size and density of bales. You may have good quality hay but if the bales are light, misshapen and the ties are loose, the market opportunities are limited. Contract haulers are not interested in loads that may fall off going down the highway. It is difficult for buyers to get profitable pay loads since delivery charges are usually based on mileage rather than weight. Also, workers don't want to handle bales that break apart. Even pleasure horse owners want firm, solid bales, but they usually want a 35-40 lb bale rather than 60, 80 or 100 lb bales.
6. **Have an outlet for low quality hay.** Hay producers are always going to have some amount of low quality hay. In developing a marketing strategy, anticipate having it and have an outlet for disposal. Don't try to hide low quality bales in the middle of a load. Don't try to sell mulch hay as dairy quality. And don't try to make the buyer take every bale in the barn or hay shed. Sort hay by quality and price it accordingly. Many western cash hay growers have cattle operations that can utilize the lower quality hay. They sell the best and feed the rest. Some areas have a high demand for mulch hay. Excavating and construction companies, highway departments and ski resorts are some potential markets for low quality hay as long as it is weed-free.

Other considerations in marketing strategy

In addition to the essential elements in developing and maintaining hay markets listed above, several other aspects related to marketing need to be considered. Successful marketing transactions should be profitable for the seller and economical for the buyer. Most problems result from misunderstandings. Communication between buyer and seller and attention to detail are essential. Considerations from both the buyer's and seller's perspectives can help insure a fair trade without problems or misunderstandings.

1. Storage facilities are an integral part of marketing. Sorting hay by kind, cutting and quality

was emphasized earlier. Not only should the hay be sorted, but you need to have access to hay of any given kind and quality at any time to meet the needs of customers. If different qualities of hay are stacked on top of each other, invariably the hay the customer wants is on the bottom of the stack or mow.

2. Buyers have perceptions that some geographic areas are noted for poor quality hay. These perceptions may or may not be accurate, but they exist. For example, some buyers in the Mid-Atlantic Region are biased against hay from Maryland. The opinion of these buyers is that hay from New York, Pennsylvania or Canada is superior to hay grown in Maryland. Certainly some geographic areas have advantages over others in terms of growing conditions and more suitable haymaking weather, but the primary determining factor influencing hay quality is the management practices of the hay producer. There are producers in Maryland who put up just as good or better quality hay as that from New York, Pennsylvania or Canada. But if you are located in areas that are perceived as having lower quality hay, you may have to overcome that stigma. You will want to have forage test results available for the buyer and you may want to consider techniques such as chemical conditioning, preservatives, or swath and windrow inverters that can reduce field drying time. Use techniques that will enable you to put a high quality product in the barn and allow you to compete with that northern or western hay grower.
3. After considering the essential elements in developing and maintaining hay markets, you need to decide whether selling or marketing is the more appropriate procedure for the market that you are going to be in. If your primary operation is dairy and you have varying quantities of surplus hay from year to year, judicious selling is probably the more appropriate procedure. An elaborate marketing strategy would not be cost or time efficient. You can't be a 2 or 3 truck loads or even 2,000 or 3,000 bales kind of producer and develop much of a market.
4. Does your market pay a sufficient premium for high nutritional value hay to justify earlier cutting management? Or is market price primarily based on green color and freedom from musty odor and dust? This determination should be part of the market analysis. If little consideration is given to high nutritional value in your market, you may want to use a 3- or 4-cutting management system rather than 5.
5. Be sure the buyer clearly understands the sale price and terms of sale. Where is the point of sale? Who is responsible for the hay during shipment? What is the delivery charge, if any? How long are price quotes good? All these points need to be clearly stated to the potential buyer.
6. What are acceptable reasons for buyer rejection of delivered hay,? Will unacceptable hay

be replaced or money refunded? How will buyer/seller disputes be resolved? Has the hay been analyzed for forage quality? Agree, prior to delivery, to resampling in presence of seller or truck driver and retesting at a jointly-agreed upon laboratory, if, on delivery, hay does not appear to match analysis. Also have an advance agreement on price adjustment if new analysis exceeds the agreed upon allowances. There should be a clear understanding between buyer and seller before sales are finalized.

7. How and when is payment to be made? If the buyer is unknown to you, you should check references and you may want to request a certified check or letter of credit from the buyer's bank.
8. Where and how will hay be unloaded? Is storage site accessible for delivery in all types of weather? Will buyer provide labor and equipment assistance for unloading? Is the hay to be dumped or stacked in storage facility?
9. There are no established national standards or grades for hay as there are for grains and many other commodities. Neither is there a uniform language for sensual characterization of hay quality. Quality is in the eye of the beholder. What is high quality to one person may be mediocre quality to someone else. Is quality determined by analysis, leafiness, green color? Forage analysis can be quite helpful in assessing nutritional quality, but an honest physical description of the hay is also helpful to buyers who can not examine it before delivery.
10. If you have customers who routinely need a type of hay that you do not grow, consider buying that hay (for resale) as a service to your customers. Otherwise the customer may find another producer or supplier who can provide all of the types of hay needed. Or may be rather than hay, the customer has a need for straw. Meeting the customer's need to the extent possible is a part of marketing strategy.

There is money to be made in hay marketing for those producers willing to spend the time and effort to develop a marketing strategy. Increasing yields and reducing costs of production will boost profit but effective marketing is often where the biggest contribution to profit is made. Let me emphasize again that **hay marketing starts with hay production**. Don't waste your time if you're going to grow mediocre quality hay -- there isn't a profitable market for you year in and year out. If you want to be in the hay marketing business, know what your market is and produce for it.

