

The Basics of Marketing Cash Hay

An Opportunity for Added Profit

Growing forage as a cash crop is an excellent way to get higher net returns from your land base – either by selling to the local feeder market or selling internationally.

In the past 10 years, Manitoba hay has made an excellent name for itself as more producers have developed international markets. Their customers recognize a quality product and are willing to pay for it, despite the added transportation costs. Dairy producers in Wisconsin, North Dakota and South Dakota need quality hay, and have proven to be very good customers. In fact Manitoba is the leading Canadian exporter of hay into the U.S. dairy industry. Additionally, processed Manitoba timothy has created a niche for itself in the Japanese marketplace. There are now two timothy-processing plants in the province to accommodate Manitoba producers who want to export. They are:

- Intermountain Forage Ltd., Dauphin
- Sunridge Forage Ltd., Russell

If you're considering getting into cash hay, there are many benefits. You can make more money on hay land compared to the same amount of land that would be used for grain production, so you don't need to increase your land base to remain profitable. Agronomic benefits include increased soil fertility, fewer weeds and improved soil structure.

Check it Out First

Before you get into cash hay production, it's important to do some homework to ensure you're heading in the right direction:

- Talk to several hay brokers to find out the status of the U.S. market, and talk to timothy processors to find out about market potential in Japan and elsewhere. A list of brokers is available from your local Manitoba Agriculture, Food and Rural Initiatives (MAFRI) GO Centre.
- If you're considering alfalfa, check into transportation costs and regulations to the U.S. dairy markets.
- If you're looking at grass or an alfalfa/grass mix, the horse market is an excellent option – either locally or out of province. Contact your local MAFRI GO Centre or the Manitoba Forage Council for more information.
- If you're considering timothy, which has done well in the Asian market, see if there is a processing plant in your area; or if it's worth your while to ship to a distant facility. See what selling terms you can arrange.
- Investigate the local feeder cattle or beef cattle markets. Feeder cattle operators may buy high-quality timothy and other grasses, or alfalfa/grass mixes, while producers wintering beef cows may want your lower-quality hay. Local markets are a good way to save on transportation costs and to avoid the details of hauling arrangements.

Is Cash Hay for You?

Advantages

- A good option for diversification
- Fewer crop inputs
- Residual nitrogen after crop termination
- Less acreage required than cereal for the same income (better returns per acre)
- Protection from wind and water erosion
- Spreads workload out over the entire growing season
- Provides summer employment for older children
- Potential for excellent returns

Disadvantages

- Initial equipment investment is high
- Steep learning curve, potential for mistakes
- More summer hours, longer hours
- Crop insurance currently does not address export alfalfa
- Narrower window for harvest than grain
- Low quality in poor growing years makes crop hard to sell
- Need something each year to use lower quality forage produced

Greenhouse Gas Mitigation Program for Canadian Agriculture

Reducing greenhouse gas through healthy pastures, efficient feed practices and better manure management



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- Consider cereal and timothy straw to sell either as horse and dairy cattle bedding and feed or to ginseng producers.
- Whatever you decide, try and line up buyers ahead of time, a practice that is highly recommended by those in the business.

A Quick Lesson on Quality

Manitoba's climate is capable of producing high-quality hay, but to facilitate this quality there is no substitute for good agronomic practices. These include a clean field, appropriate variety selection, good crop establishment, proper fertility rates and a good weed control program. You must be willing to put in the extra effort to obtain the kind of quality that sells.

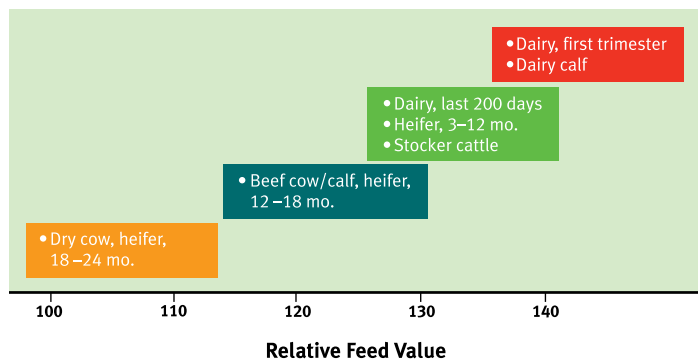
You must also be willing to put in the effort to cut, bale and store your hay so that it is free of moulds and/or sun damage. Deterioration of this type is simply not acceptable in any market!

Relative Feed Value

For most hay, the ideal relative feed value (RFV) – a standard domestic and foreign industry measure of quality – is 150. However, knowing the market will help determine the exact RFV. For example, hay for the dairy market requires a much higher RFV than hay for the feeder calf market.

It should be noted that timothy hay for processing and for some horse markets is appraised more on visual appearance rather than on feed value.

Livestock RFV Requirements



When to Cut for Maximum RFV

Alfalfa reaches 150 RFV at the early to mid-bud stage, and not at the late-bud/first-bloom stage that has traditionally been the signal to cut. Alfalfa/grass mixes reach this critical number sooner. However, because RFV can drop by up to 15 points after harvest, the crop often needs to be harvested at 165. For more information, contact your Manitoba Agriculture, Food and Rural Initiatives GO Centre.

Relative Forage Quality (RFQ)

To improve on the accuracy of the RFV concept, researchers have now developed a new measure called relative forage quality (RFQ)

as a way of evaluating forage quality. This analysis, which is now being used in the northern U.S. dairy states, is based not only on amount of digestible fiber but also the invitro digestibility of that fiber, to provide an energy estimate of the feed. Research indicates that RFQ provides a more accurate assessment of forage quality, especially for grasses. Grasses were discounted with the RFV system because of their high proportion of fibre; however, many grasses (ex. timothy) can be more digestible than alfalfa. This will likely be the system used in the future.

Moisture Content

Moisture content varies for different types of markets, although dryer is generally better. Export markets require 12 per cent moisture or less, while domestic markets range between 14 and 18 per cent, depending on bale size and density. Hay processors require 12 per cent, but many of them have dryers to help producers dry to this level.

Moisture testing of all hay – but especially timothy – is recommended. Use either a Koster tester or a microwave test, which are more reliable than a hay probe. The hay probe is especially unreliable with grasses.

Feed Analysis

A feed analysis will determine moisture content, relative feed value, crude protein, total digestible nutrients, and minerals in the feed. It is an essential tool in determining if the hay meets the criteria of the desired market. A list of accredited labs is available from Manitoba Agriculture, Food and Rural Initiatives, although some customers may want the testing done at their own testing facilities.

The Right Bale Size is Essential

It's important to know the requirements of your market, as well as the cost of transportation, before you select your bale size and type. If you're fixed to a particular baling option, this becomes a limiting marketing factor. For example, round bales are usually sold in the local market because there are transportation difficulties in shipping to the U.S. Some U.S. buyers do not have the equipment to handle them. The U.S. dairy market prefers square bales – either in small, medium, or sometimes large sizes. The U.S. horse market prefers small and medium squares.

Silage will limit market scope because the high moisture content makes it too heavy and costly to transport very far. However, a local and U.S. export baled-silage market is showing signs of development.

Tips for Finding Customers

- Produce and protect a quality product – the first and most important marketing strategy you can develop.
- Join the Manitoba Forage Council and access marketing benefits.
- Consider using the services of hay brokers. They are usually producers with plenty of experience, and know far more about

the marketplace than the average seller does. A hay broker can usually generate more money for you, and will generally take care of transportation arrangements.

- Get your name put on as many lists of sellers as possible, using the Internet. To submit your name to Manitoba Agriculture, Food and Rural Initiatives' electronic listing, contact your local farm production advisor or forage specialist.
- Search online for lists of buyers (both domestic and international), and contact as many as you need to.
- Obtain the World Dairy Expo list of buyers and their requirements available to Manitoba Forage Council members.
- Take out classified ads in local, provincial and foreign farm papers.
- Let it be known that you are selling hay, by personally calling on prospective buyers, attending forage events and talking to people at local events.
- Use local or U.S. auction marts to sell your hay – and establish contacts.

Developing Good Customer Relations

Just like any other business venture, marketing hay requires sound business practices that ensure maximum return for your product.

Knowing your production and shipping costs is essential to price appropriately. Equally important is knowing what others are charging. To find this out, you can check with hay brokers, in newspapers, on the Internet and with any contacts that you have.

If you are marketing into the U.S., your quoted price should include delivery and should be set in U.S. dollars per imperial ton. You should also specify whether loading is included. And remember, a pre-priced load of hay will sell faster than one that is subject to negotiation.

Once you establish your customers, it's important to develop a good relationship with them. Honesty is the best policy. Make sure you describe is what you deliver!

To ensure yourself against the risk of a bad sale, check the customer's credit reputation and reliability for paying. Advance or partial advance payment by certified cheque is also an option.

If you use the services of a hay broker (either domestic or foreign), remember that there will be a fee or commission involved. This amount can vary from broker to broker, so it's a good idea to shop around. However, cost isn't the only consideration; a good broker is one with a reputation for getting the best price for their clients.

Check on your hay broker to ensure the person is financially reliable and will pay you for your hay. Look for someone who is interested in building a business relationship through repeat transactions with you. If you're uncertain about them at first, try

working out an arrangement for an advance or partial advance payment. Ask for a certified cheque. This is the most reliable method of payment.

Shipping to the U.S.

Commercial Transport

A commercial transport is the most economical form of shipping to the U.S. Often, truckers who have hauled a load into Canada are looking for a back haul – something to create revenue on the way back – and costs can be surprisingly low.

However, there can be drawbacks. Trucks may not always be available when you need them, and some truckers may refuse to ship hay because of load shifting and fire hazards. As well, open loads must be tarped in the U.S., and some truckers are not willing to do this. Others may not be willing to load and unload, or may be late for loading and delivery. Also consider that there may be problems getting the transport into small driveways.

It's a good practice to check the references of truckers. Some producers have run into problems with truckers who are interested only in quick cash, and not in providing the kind of service that will result in repeat business.

Rail/Piggyback

More often than not, using rail to ship hay directly to a client is too costly, unless the load goes to a major distribution centre. However, a piggyback system – sending a loaded flat deck van/trailer via train to a major centre and then trucking it from there – is a feasible option for long hauls. Contact CN or CPR for more details.

Hauling On Your Own

If you are able to invest in a highway tractor-trailer unit, or you have access to one, hauling your own hay can be an option. It provides the opportunity for face-to-face marketing and personalized service that will ensure the customer is satisfied. However, vehicles with farm plates are restricted from back hauling, and make very long distances uneconomical because you cannot create revenue on the way back. One advantage, at least, is that there is no duty on hay entering the U.S.

Hauling into the U.S. requires a number of pre-travel arrangements:

- a mileage log book (maximum driving time is 11 hours per day)
- a fuel log book
- amber fuel (purple fuel is subject to a fine of up to \$2,000)
- essential permits (see box on next page)
- U.S. dollars (recommended)
- extra medical insurance (recommended)

For further details and driving regulations in the U.S., visit www.fmcsa.dot.gov (Federal Motor Carrier Safety Administration).

Permits Required to Haul Hay in the U.S.

DOT Number

Required by each state's Department of Transportation to ensure safety regulations are met. Must be displayed on vehicle. No fee for farm-plated vehicles. Minnesota: 651-291-6150; North Dakota: 701-250-4346.

IFTA Registration

International Fuel Tax Agreement requires all carriers to register. Registration decal must be displayed on vehicle; registration must be carried in cab. Annual fee of \$65 and \$4 per set of decals. Phone: 204-945-3194 in Winnipeg or 1-800-782-0318.

Liability Insurance

Manitoba minimum is \$1 million on tractor trailer units carrying non-dangerous goods. Some states require proof of liability insurance and additional coverage. Contact your MPIC agent.

Manitoba Safety Inspection

Vehicles must be safety inspected in Manitoba. Contact your MPIC agent for inspection outlets.

Medical Examination and Certificate

Certificate forms available from the Manitoba Trucking Association, 25 Bunting St., Winnipeg, R2X 2P5. Phone: 204-632-6600.

Minnesota Hay Permit (over-width/overweight loads)

Annual fee of \$24 U.S. per bale type, or \$20 per trip (five days). Phone: 651-405-6000.

North Dakota Hay Permit (over-width/overweight loads)

Permit only required for out-of-dimension loads. Seasonal fee of \$50, or \$20 per trip. Phone: 701-328-2621.

NAFTA Certificate

Cost of \$25 per year. Requires services of a customs broker; check the yellow pages.

Drug Testing Card

Required by truckers to cross the U.S. border. Call 204-633-7439 in Winnipeg for information.

Permits Required by the U.S. *Bioterrorism Act*

To protect the country from threat of international terrorism, the U.S. *Bioterrorism Act*, which took effect December, 2003, requires the following:

- If you are brokering hay, or shipping your own hay, you must register with the U.S. Food and Drug Administration (FDA) under the Registration of Food Facilities regulation. Phone: 301-575-0156. Website: www.fda.gov/oc/bioterrorism/bioact.html E-mail: furls@fda.gov
- Whether you are a broker or an individual shipping your own hay, you must also give prior notice to the FDA before you ship. Use contact information above.

Please note that the above information was accurate at the time this publication was printed, but may be subject to change.

U.S. Highway Regulations

- Over-dimension loads must be flagged with 18-inch square flags (red, orange or yellow).
- Mirrors must extend past load width.
- Each row of bales must be strapped from front to back.
- Night hauling of round bales or over-width loads is not permitted.
- In Minnesota:
 - Round bales must be hauled with flat sides facing front and back.
 - Over-width loads are only permissible at certain times of the year.
- Maximum gross vehicle weight is 80,000 pounds.
- Contact the Department of Transportation for each state you will be travelling through for further details on transportation regulations specific to that state.

For More Information

- Your local Manitoba Agriculture, Food and Rural Initiatives Growing Opportunities Centre.
- Manitoba Agriculture, Food and Rural Initiatives website: www.manitoba.ca/agriculture.
- Manitoba Forage Council website: www.mbforagecouncil.mb.ca.
- Your local Agriculture and Agri-Food Canada (PFRA) office.

You Can Help Reduce Greenhouse Gas

Healthy pastures and riparian areas are better able to sequester carbon, and more-widely distributed manure reduces greenhouse gas emissions compared to manure packs. For more information on greenhouse gas, and how livestock producers can do their part to help reduce it, visit the following two websites.

- Canadian Cattleman's Association: www.cattle.ca
- Greenhouse Gas Mitigation Program: www.agr.gc.ca/progser/ghgm_e.html

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- Manitoba Forage Council

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