Hay Marketing Tips
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Marketing Is Becoming More Important
Net Returns Over Fertilizer, Fuel and Machinery 2001–2009

Are you a Seller or a Marketer?
- Produce what is easiest to sell
- Sell at the most convenient time
- Sell at most convenient place
- Price taker
- Produce what the market wants
- Market at the most profitable time
- Market using the most profitable method
- Have some control over price

Sellers – Focused on convenience
Marketers – Focused on profits

4 P’s of Marketing
1. Product → what does the buyer want?
2. Price → what will they pay for it/can you make money at their price?
3. Place → when and where do they want it?
4. Promotion → why should they buy your product as opposed to someone else’s?

Developing a Profitable Marketing Plan
1. Determine your product
2. Determine your breakeven price
3. Promote your product
4. Get it to your customer (either picked up or delivered)
5. Evaluate the results
6. Repeat

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2010 Hay Production School
Marketing Tips

Hay Markets in General
- Even though called a commodity, not really true.
- Very localized or regionalized
- Lack of standards - Define “horse hay” vs. “cow hay”
- End result → there are many “hay” products and “hay” markets.

Product – what does the buyer want?
- Forage type/quality
  - Horses → medium/high quality
  - Beef cows/goats → low–high quality hay
  - Gardeners/homeowners → low–quality
- Bale type (square/round)
- Bale weight – 40/50# square bale vs. 100#

Product – “Quality” depends on the Customer
- USDA Grass–Hay Guidelines based on Crude Protein only
  - Premium → 13%+ CP
  - Good → 9–13% CP
  - Fair → 5–9% CP
  - Utility → under 5% CP
- Generally speaking customers want:
  - Dry
  - Green
  - Free of weeds, insects and diseases

Price
- How much will they pay? How much do you need?

Let’s review the basics

Different Markets React Differently

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Determining Prices

- Local market conditions
  - Supply
  - Weather
  - Cost of inputs
  - Prices of other crops
  - Government policies
  - Demand
  - Number of animals
  - Others
    - Road construction
    - Home gardeners?

Price – What do you have to have/what can they pay?

Breakeven Cost = \[
\text{Variable Cost} + \text{Fixed Cost} \]
\[
\text{Production}
\]

Determining Prices

- Cost of production
  - Input costs
    - Variable
    - Fuel
    - Fertilizer
    - Chemicals
    - Repairs
    - Labor
    - Interest
    - Fixed
      - Depreciation and interest
      - Management
      - Taxes and insurance
  - Weather
  - Your risk tolerance
  - Your purpose for producing hay
    - Profits
    - Minimizing costs?

Using & Developing Contracts

- Contracts can be beneficial for buyers and sellers
  - Buyers know their cost
  - Sellers know their revenue
- Contracts should be beneficial for buyers and sellers
  - Buyers are satisfied with the price they will pay.
  - Sellers will cover all of their costs including management and labor.

"If it ain't in writing, it ain't a deal."

Components of a Good Contract

- Product to be provided is accurately described.
  - Quality
  - Quantity
- Pricing is straight-forward and not open to interpretation
  - Base price
  - Adjustments for quality
  - Is the price FOB or delivered?
  - Hauling costs?
  - Adjustments to hauling costs?
- Weighing conditions
- Terms of payment
- Length of the contract
- How will you settle disputes?

Steps in Developing a Contract

1. Know your costs
2. Re-check your costs
3. Get someone else to check your costs
4. Be open and honest about your costs (as much as you can).
5. Understand your customer's perspective
Place

When and where do they want it?

Delivery Considerations

1. Operational costs of trucks and trailers (fuel, repairs, tires, etc.),
2. Fixed costs of trucks and trailers (depreciation, insurance, tags, other taxes, etc.) and
3. Labor costs of loading hay out of the barn, hauling, loading hay into the buyer’s barn.

Promotion

Why are you so special?

Two Economic Truths

1. Long-term the price of a commodity will approach the total cost of production.
2. Anything can be profitable if you can charge enough.
3. Be a low-cost producer
4. Get more for your product by adding value

Ways to Reduce Costs or Add Value

Ways to Reduce Costs (per unit)
- Soil test
- Alternative sources of fertilizer
- Lower fixed costs
- Lease
- Share
- Custom-hire
- Rent additional land
- Irrigation?

Ways to Add Value
- Sell at peak times of year (summer/winter)
- Sort and sell by quality
- Square vs. round
- Not all customers want big bales
- Square bale “bad” hay for mulch?
- Educate the consumer
Promotion – What Makes Your Product So Special?

- Quality? What the customer wants.
- Service? Can you dependably provide them a quality product at a reasonable price?
- Quantity? Can you sell 2 bales or 2 semi-loads?

Marketing Outlets

- GA Farm Bureau
- GA Cattleman’s Magazine
- Market Bulletin
- Word of mouth
- Internet
- Printed materials
  - Feed store
  - Vet office
  - County extension office

Summary

- Sellers are focused on convenience, marketers are focused on profits.
- “Quality” is subjective.
- Know your costs.
- Explore ways to add value by merchandising hay in different forms and packaging.
- Be willing and able to tell customers why they should buy your products.