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## Hay Inventories Up, Prices Mixed to Lower; Cattle Inventory Report: Jan. 1, 1995

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# ECONOMICS COMMENTATOR



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## HAY INVENTORIES UP, PRICES MIXED TO LOWER

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### U.S. Inventories

Total hay on hand in the U.S. on 1 December 1994 amounted to 104.4 million tons, up 3.45 million tons (3.4%) compared to December 1993. This increase in stocks is the result of higher stocks on hand 1 May 1994 and increased production last summer. Stocks as of 1 May 1994 were 22.1 million tons, up 0.99 million (4.7%) compared to May 1993. Also, 1994 hay production nation wide was up about 2.57 million tons (1.7%) compared to 1993. The increase was due to yields increasing from 2.46 tons per acre (TPA) to 2.51 TPA. Acreage was down about 83 thousand acres or 0.1%.

### South Dakota and Regional Inventories

The situation in South Dakota and the eleven nearby states that have the biggest influence on the South Dakota hay market is a little different. The stock of all hay on hand in South Dakota on 1 December 1994 was 7.48 million tons, down from 9.46 million tons a year earlier, for a 21% decrease in inventory. Total stocks on hand 1 December 1994 for South Dakota and the nearby states were 49.27 million tons, down 2.77 million tons, or 5%, compared to December 1993.

The decline for both South Dakota and the region is due to reduced production in 1994, not lower stocks on 1 May 1994. In fact, hay stocks for the region as of 1 May 1994 were 12.69 million tons, up 2.14 million tons (20.3%) compared to

*(Continued on p.2)*

## CATTLE INVENTORY REPORT, JAN. 1, 1995

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### General

Everyone expected the slow growth noted in the nation's cattle inventory to continue through 1994. The Cattle Inventory report, released by the USDA on Feb. 3 for conditions on January 1, 1995, supported that expectation. The nation's cattle herd now is about 103.3 million head, a two percent increase from the newly revised 101.0 million head estimated for January 1, 1994 (Table 1). The two percent increase was about what the trade expected for the U.S.

In South Dakota, the state's cattle inventory now is 4.0 million head. That is a seven percent increase from the 3.7 million head on January 1, 1994.

### Beef Cattle

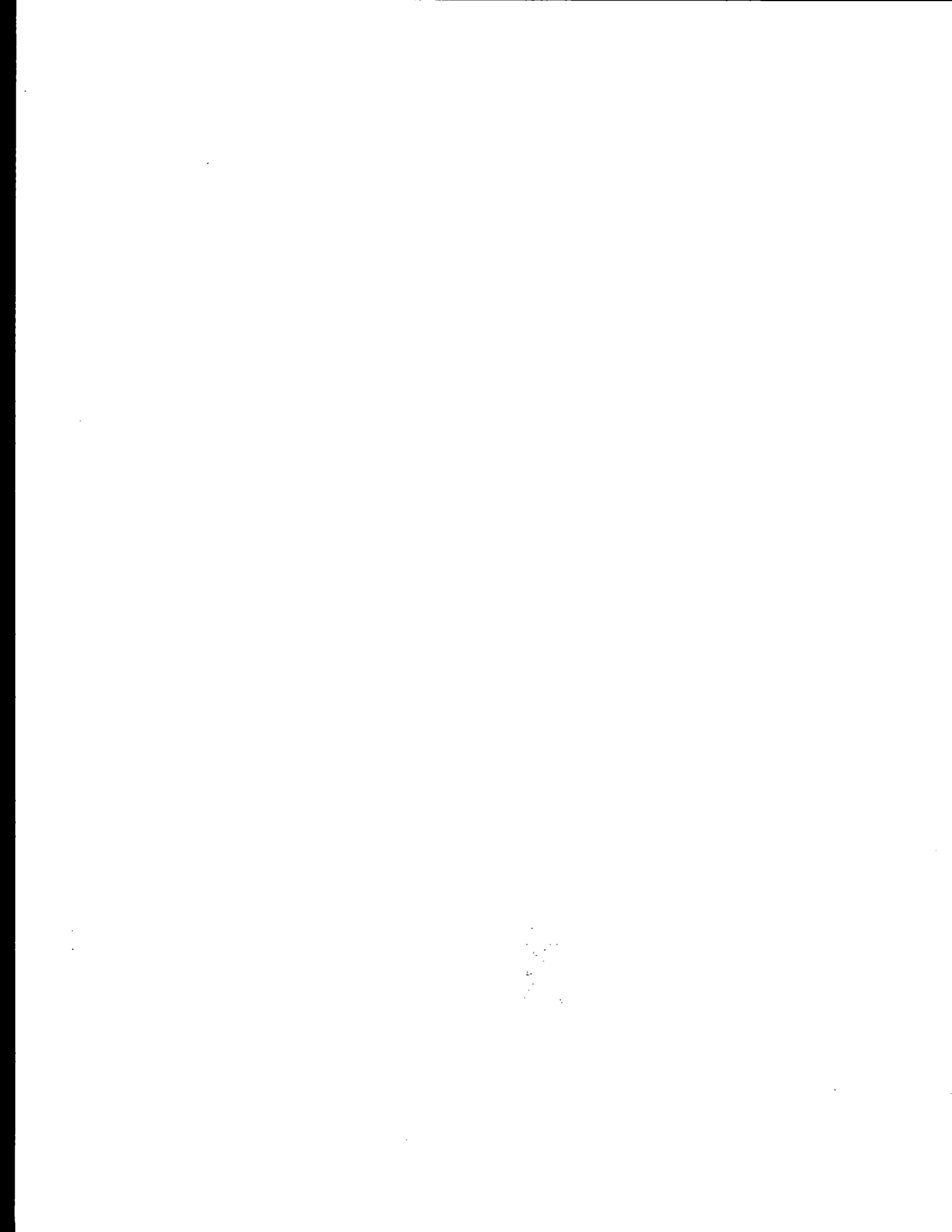
Increases were noted in all of the "beef" related categories, both in the U.S. and in S.D. In general, the increases were greater in S.D. than in the U.S. As noted earlier, our total inventory was

Table 1. Beef Cattle Inventory on Jan. 1, 1995 and Changes in Inventory, United States and South Dakota.<sup>1</sup>

	U.S.		S.D.	
	Inventory	Change	Inventory	Change
Total Inventory	103.3 mil	+2%	4.0 mil	+7%
Beef Cow Inventory	36.1 mil	+4%	1.68 mil	+5%
Beef Cow Replacement	6.5 mil	+2%	.29 mil	+3%
Calf Crop, 1994	40.7 mil	+3%	1.74 mil	+4%

<sup>1</sup>Change Jan 1, 1994 to Jan 1, 1995.

*(Continued on p.3)*



May 1993.

Total acreage in 1994 for the region was 28.63 million acres, down 870,000 acres or 3.0%. Also, average regional yields were off 0.03 TPA to 2.21 TPA.

South Dakota hay acreage actually was up 100,000 acres (2.4%) to 4.30 million acres in 1994. However, yields were off 0.29 TPA to 1.72 TPA. Total South Dakota production declined from 8.45 million tons in 1993 to 7.41 million tons in 1994, a 12.3% decrease.

Alfalfa acreage for the region declined 190,000 acres (1.2%) to 15.13 million acres, but alfalfa production was off less than 0.5% to 42.17 million tons. South Dakota acreage was up 200,000 acres to 2.5 million acres, but total production was off 730,000 tons (12%) to 5.25 million tons because yields dropped from 2.60 TPA to 2.10 TPA.

### Hay Prices

Auction prices of premium alfalfa hay in eastern South Dakota and western Iowa have held up well this winter. Prices of premium alfalfa in small square bales have edged up from an \$80 to \$105 per ton range in November to a \$90 to \$105 range in January. There has been some exceptional 3rd and 4th cutting alfalfa hay that sold for \$125 per ton. A year ago, January prices were in the \$95 to \$105 range. East River South Dakota hay dealers have been quoting offers of \$70 to \$100 per ton for premium alfalfa in large or small square bales picked up at the farm and \$60 to \$70 for good quality alfalfa.

Good quality alfalfa in small square bales at action has increased in price from a range \$55 to \$80 per ton in November to \$75 to \$87.50 in January. Fair quality alfalfa during January brought \$53 to \$75. A year ago, good and fair alfalfa in small square bales sold in the \$80 to \$95 range and \$42 to \$80 range, respectively. Not enough hay was offered for sale in November to get a reading of the market for comparison purposes.

Round bales of good quality alfalfa brought \$60 to \$80 per ton at auction in January, compared to \$50 to \$72 per ton last November and \$70 to \$78

a year ago. Fair quality during January sold in the \$43 to \$50 per ton range when offered, compared to \$45 to \$50 last November and \$37 to \$60 a year ago. South Dakota hay dealers have been quoting bids of \$35 to \$50 per ton for good alfalfa in round bales picked up at the farm since last November.

Very little premium grass hay has been offered at auction since mid December. Then, it sold for \$80 to \$96 per ton. Small square bales of good quality grass hay sold in the \$65 to \$80 range during January, compared to \$70 to \$85 a year ago. Round bales of good grass were about the same price as small square bales. Fair quality round bales were in the \$35 to \$50 range in January.

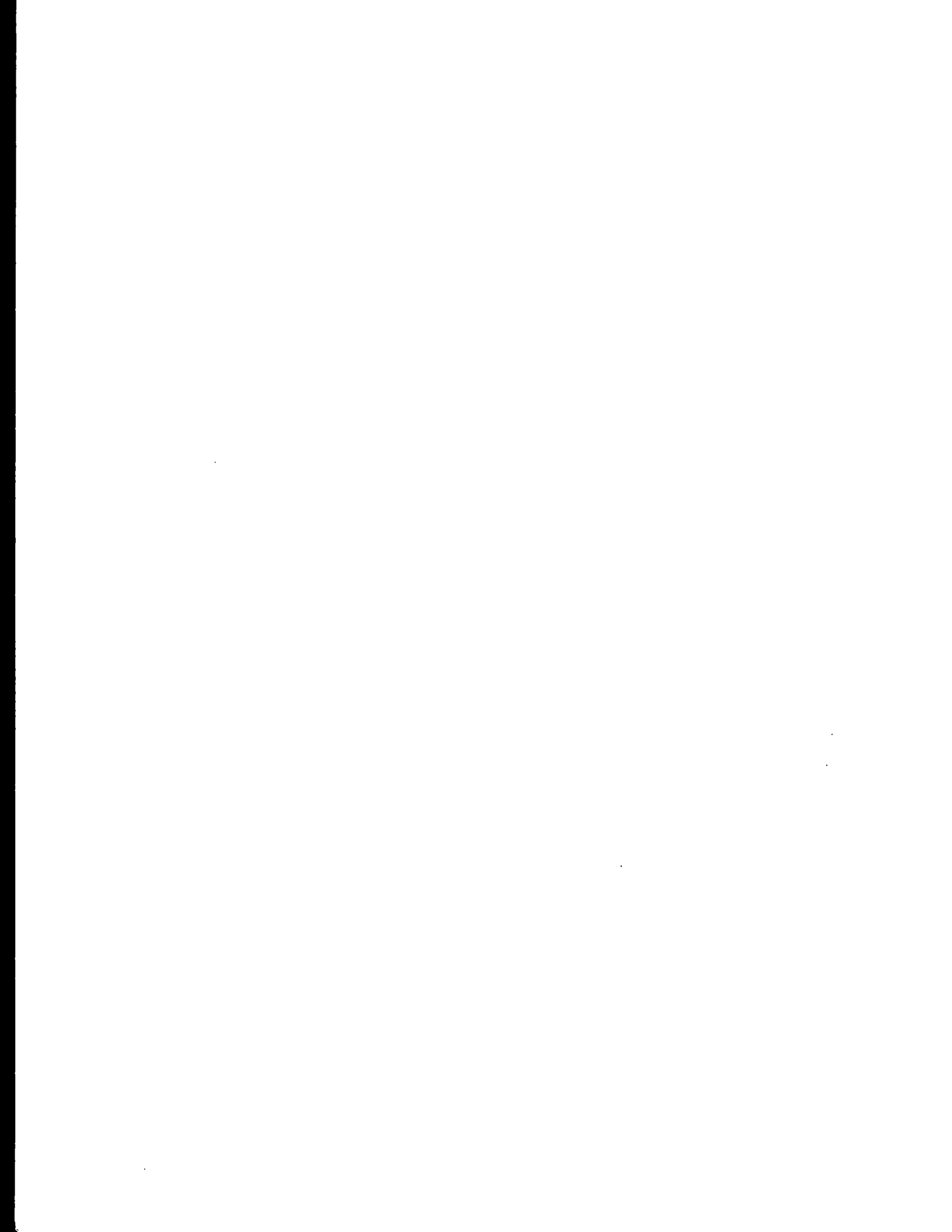
Straw in small square bales during January 1995 was in the \$1.05 to \$2.00 per bale range at auction. That compares to \$1.45 to \$2.30 last November and \$1.45 to \$2.70 a year ago.

The slightly lower prices for premium and good quality alfalfa, despite a smaller harvest in the Midwest, can be attributed to several factors. Better harvesting conditions in 1994 compared to 1993 allowed more higher quality hay to be harvested -- both relative to 1993 and as a percentage of total hay harvested. The large crop of corn and soybeans reduced the prices of corn and soybean meal allowing some of these and other feeds to be economically substituted for hay. The price of milk is lower this year due to increased milk production. Lower milk prices mean that dairy farmers can not afford to pay as much for their forage this year.

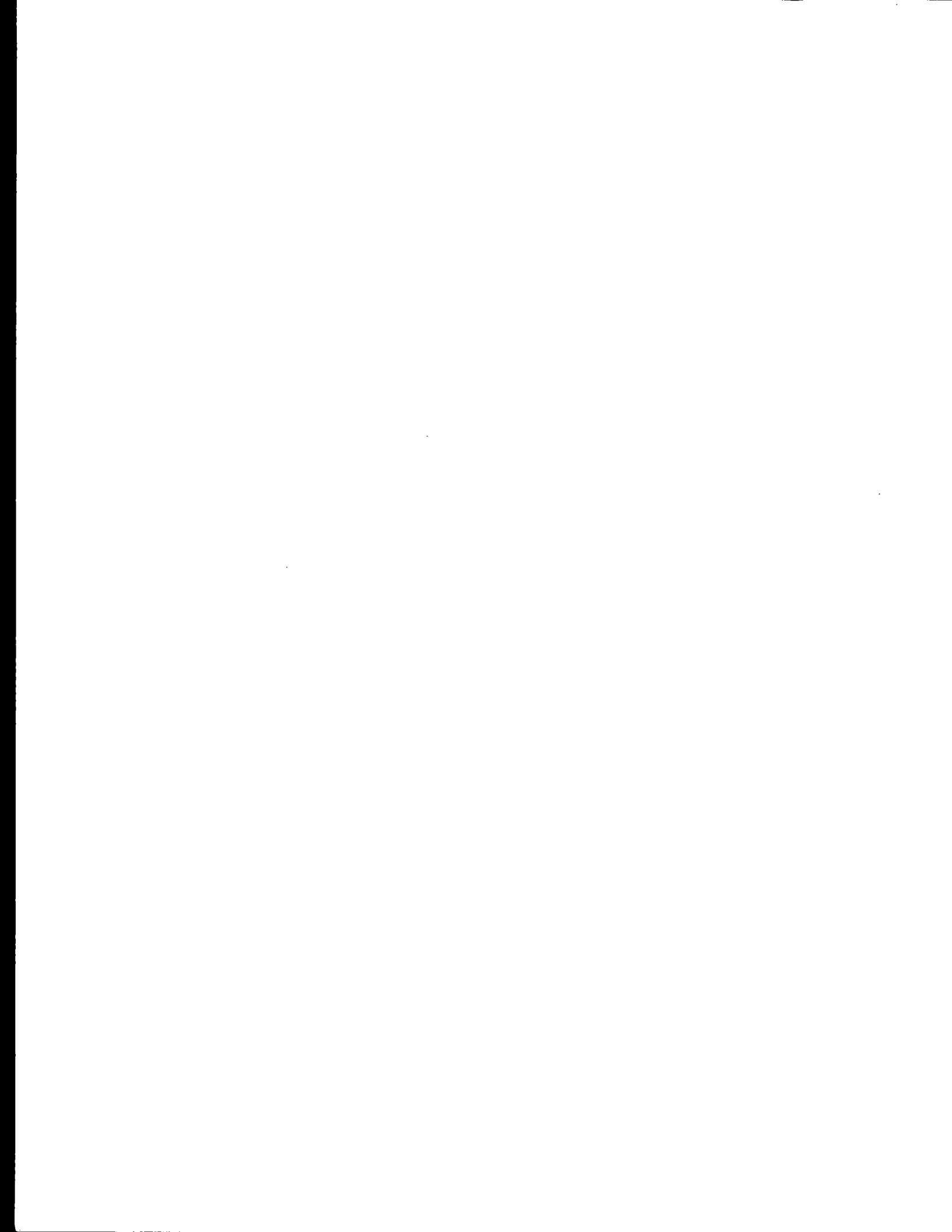
Mild weather this winter has reduced feed consumption of forage consuming animals, and less snow on the ground in some areas has allowed greater use of winter grazing of beef cows. A cold snap or heavy snow fall could put short term upward pressure on the hay markets. However, because what is normally the coldest part of the winter is now past, any price increase induced by snow or cold temperatures would likely be short lived.

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While most cattle operations are small, a relatively small percentage of the inventory is owned by those small operations (Table 4). Note again that the distribution in S.D. is different from that for the U.S.

Table 4. Percent of Cattle in Operations of Various Sizes, South Dakota and United States, 1994.

	Number of Head				
	1-49	50-99	100-499	500-999	1000+
	----- (% of cattle in each category) -----				
U.S.	13.6	14.1	38.5	11.1	22.7
S.D.	4.0	7.7	50.0	20.0	18.3

**Summary**

The state's and nation's cattle herds expanded in 1994. However, because of lower prices, the value of those herds decreased during 1994. While most of the herds are small (under 100 head), the inventory is concentrated more in herds of 100-1000 size.

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