



## Value of Standing Forage

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A frequent question is how much should a person charge or pay for standing hay. There is no simple answer but one can come to a fair price by considering the following factors:

First, one should consider the price of hay. During spring 2001 the price of alfalfa hay was \$45 to \$90 per ton, depending on the forage quality, longer term averages have tended to be in the \$60 to \$60 range. Grass hay averages \$30 to \$60 per ton depending on quality. Since the price of hay tends to fall with first harvest unless there is significant winterkill, this sets an upper limit on the price of hay.

Second, the seller needs to consider the cash rental price of land in the region. This obviously becomes the lower value of the standing hay since the landowner will want some return in addition to the cash rental price to cover the cost of establishing the alfalfa.

Another consideration is who is going to harvest the hay or silage. The selling price of hay mentioned in the second paragraph includes the harvesting cost of the seller. If the seller is still providing harvesting, then the price of standing hay may be near that of hay sold. Most often, however, the purchaser of a standing field of alfalfa will harvest the crop. This is usually preferable to the purchaser because then he can control the quality of forage harvested. Since harvesting costs in the range of \$30 to \$60 per cutting this price must be subtracted from the value of the hay if the buyer is doing the harvesting.

Similarly, the buyer and seller must agree on who will pay for fertilizer and who will pay for insecticide if it is needed. This becomes especially important if the standing hay is bought for the entire season. These costs are also included in normal hay prices.

Lastly the issue of risk must be considered. The further ahead of harvest the contract is concluded, the greater risk the buyer assumes. If possible, the buyer should wait until after spring greenup to know the condition of the stand before signing a contract. Signing an agreement before this is risky for the buyer and, if done, the risk assumed by the buyer should result in a lower purchase price.

Similarly, if a standing crop is purchased near harvest, the price might be near to the selling price of hay (minus harvest cost if the buyer is harvesting). The price would still be less than purchased hay because the buyer is assuming the risk of having the low-quality hay due to rain damage. Also, if the buyer buys the entire year's growth, the cost should be significantly less

than the value of expected hay yield because the buyer has assumed the risk of reduced yield due to drought, insect infestation, disease, etc.

Lastly, the buyer should consider hauling costs. Longer distances to haul the forage obviously add to the harvesting costs of the forage.

For alfalfa, a fair price would be considered a yield of 1.5 to 2 tons/acre for first cutting and 4 tons/acre for the year (unless there is a record of previous year's yield), to value the hay at \$60 to \$70 per ton and subtract the harvesting cost if the buyer is harvesting. This works out to \$55 to \$100 per acre for first cutting.

If the buyer buys the standing crop for the entire season the total cost should be about twice the value of first cutting. Normally, more than twice the tonnage of first cutting is expected for the season but the reduced price is reasonable because the buyer is assuming greater risk yield loss because of drought, insect damage, rain on hay etc. The previous prices are for alfalfa; grassy fields would be valued slightly less due to lower yield and quality.

Make sure that all agreements are put into writing and signed. The contract for purchase does not need to be particularly formal but should specify land involved, price, who pays for fertilizer, and when payments are due. The major purpose of writing out the conditions of sale is to make sure that each party has the same understanding.

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