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Forage supplies help drive cattle prices

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Forage supplies help drive cattle prices

Abstract

Livestock Outlook: Lower hay production last year, coupled with higher cattle inventory this year, means a good forage crop is needed.

Disciplines

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SHORT SUPPLY: Hay stocks at the end of the crop marketing year on May 1 were down 43% from a year earlier in Iowa.

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Livestock Outlook: Lower hay production last year, coupled with higher cattle inventory this year, means a good forage crop is needed.

Lee Schulz | Jun 18, 2018

April 2018 was the coldest April in Iowa history, according to the Iowa Monthly Weather Summary from the climatology bureau of the Iowa Department of Agriculture. Then Iowa experienced one of the warmest Mays on record. May started

off with above-normal rainfall. Then the spigot closed. Much of Iowa ended May with below-normal precipitation, especially in the southwest corner.

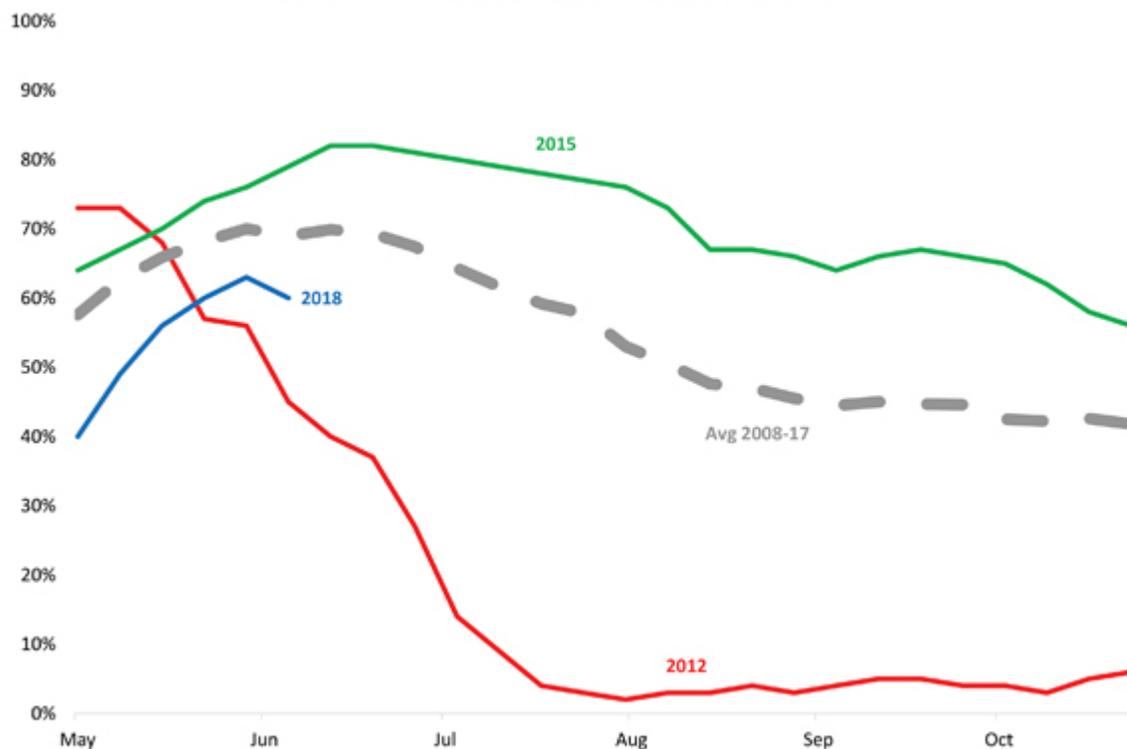
Widespread rain across most of Iowa during early June eased some of the dry conditions that developed in May.

The latest Drought Monitor showed Iowa had 29.32% of the state abnormally dry with 8.97% rated D1 (moderate drought) and with none of the state in more serious drought stages of D2 to D4. The remaining dry area is in southern Iowa and a pocket in central to east-central Iowa. Most of this region received significant rain this past week and will likely show further reduction in dry conditions.

Pasture stress lies ahead

Each Monday afternoon USDA's National Ag Statistics Service releases a Crop Progress Report showing state pasture and range conditions with a percentage rating in categories of very poor, poor, fair, good and excellent. The report provides a barometer for forage available for grazing cattle and, in turn, implies supplemental feeding levels of hay.

IOWA PASTURE CONDITIONS: 10 YEAR HISTORY
 % Rated Good/Excellent Condition. Week Ending June 10, 2018



The weekly USDA report shows percent of the state’s pasture rated in good-to-excellent condition. For 2018, the latest rating shown in this graph is as of June 10.

Normally, pasture conditions are best in late May and early June, when ample rainfall and mild temperatures encourage pasture growth. Conditions deteriorate into the summer, as heat and dry weather start to take a toll.

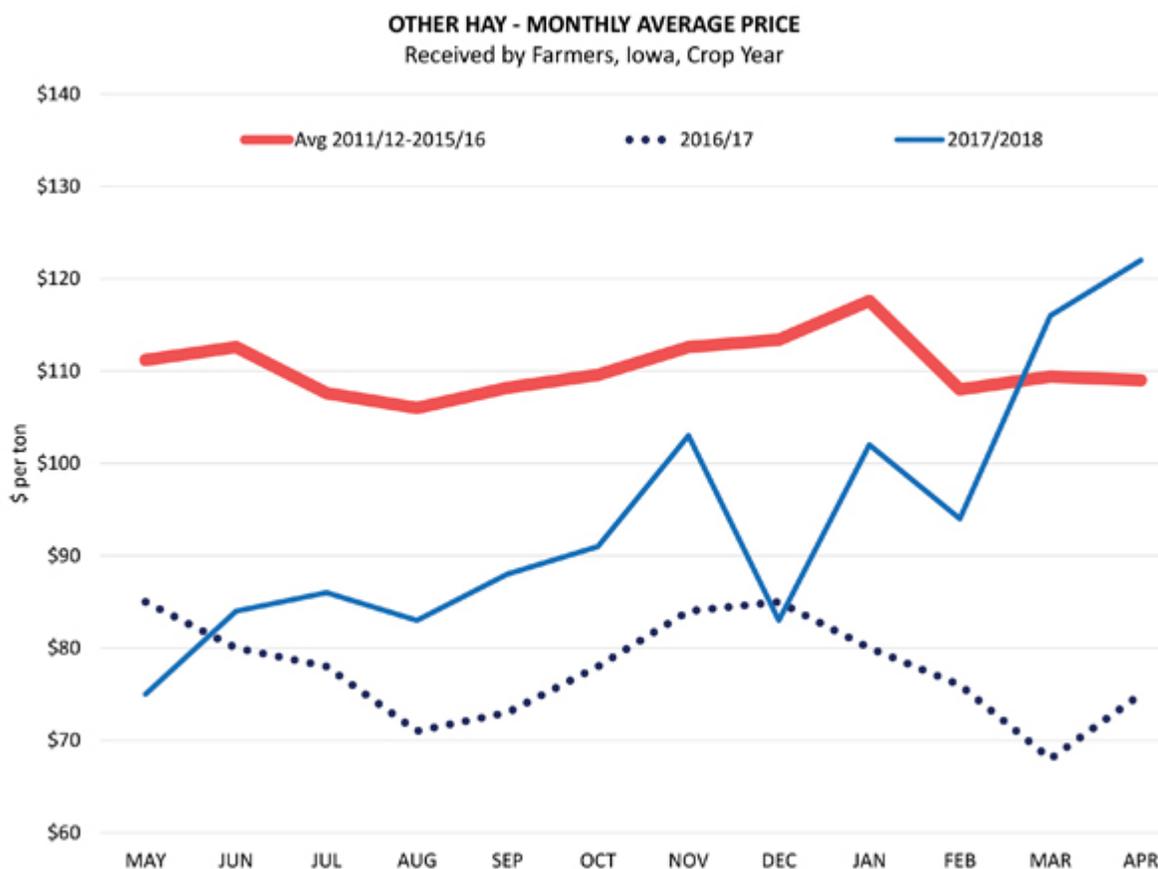
Though starting late, pasture production is underway to, hopefully, meet summer needs. The week ending June 10 saw 11% of Iowa pastures in poor to very poor condition. Late May, early June rains lifted the percent in good-to-excellent condition to 60%. Current conditions are below the 10-year average, but it’s still early in the season to draw any conclusions. The true test will likely come from now into July.

Grazing management will be key to maintaining forage quantity and quality, not only for the summer but to plan ahead for fall and winter. Carefully planned grazing

management and pasture fertility can go a long way to using forage effectively this summer and stockpiling pasture for later use.

Iowa needs good hay growing season

The relationship between pasture conditions and hay output is positive — good pasture conditions correlate with higher hay yields and increased production. Increased hay production is needed. Iowa experienced the coldest April on record and the month began unseasonably dry in Iowa's southern two-thirds, causing much more hay to be fed to beef cattle than typical. Supplies of hay were drawn down.



Hay prices are up significantly compared to a year ago, reflecting last year's decline in production, lower carryover supply and continued strong demand for forage.

USDA estimated U.S. hay stocks on May 1, the beginning of the hay crop year, at 15.7 million tons, down 36% from last year and 27% below the 10-year average. The 2018 level was the lowest May 1 hay stocks since 2013, which followed the national drought of 2012, and the third lowest in the history of the data going back to 1973.

The Iowa May 1 hay stocks level was 360,000 tons, down 43% from one year ago and the second lowest since 1973, with the 2013 level the lowest at 290,000 tons.

Hay prices not likely to soften

Hay stocks are not broken out by hay type, but both alfalfa and “other hay” appear to be in tight supply. Iowa alfalfa hay prices have posted year-over-year increases each month since June 2017, and in April averaged \$142 per ton, up \$53 per ton year-over-year (latest data available per USDA-NASS Agricultural Prices report).

As of April, the National Agricultural Statistics Service reported the Iowa “other hay” price was \$122 per ton, up \$47 per ton from a year earlier. For perspective, nationally, alfalfa prices in April were \$162 per ton and “other hay” prices were \$124 per ton. Continued hay price increases compared to 2017s are very likely this year.

According to USDA’s Prospective Plantings report released in March, U.S. producers are expected to harvest about 53.7 million hay acres in 2018, about the same number of acres as in 2017. In Iowa, hay acres are expected up 2% at 1.1 million acres. How many of these intended acres will actually be harvested this year and their yields remain to be seen. USDA’s acreage report set to be released on June 29 will update the forecast of 2018 hay acreage harvested by type.

Total hay supply (May 1 stocks plus 2018 production) looks to remain historically tight, especially against a backdrop of more cattle. Hay users have a strong impetus to secure needs for the coming months. That’s why weather in the next several months will be critical.

Any deterioration in pasture conditions would be particularly negative for the feeder cattle market as producers will need to re-evaluate their ability to carry heifers into next year. On the flip side, better forage conditions would bring opportunities for cattle producers to implement more aggressive cattle production and marketing plans.

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