Valuing Immature Grain Crops as Forage

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Abstract
Late planted corn, soybeans and oats crops can be harvested as forages instead of for grain. Options include corn or oat silage, earlage, and oat or soybean hay. Estimating a value for these crops is made difficult by the fact there are few reported prices or significant markets in which they are bought and sold. However, there are two other general approaches to valuing grain crops harvested as forage. Both are based on comparisons to alternative actions by either the forage buyer or seller.

Keywords
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Disciplines
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Valuing Immature Grain Crops as Forage

By William Edwards, Department of Economics and Steve Barnhart, Department of Agronomy

Late planted corn, soybeans and oats crops can be harvested as forages instead of for grain. Options include corn or oat silage, earlage, and oat or soybean hay. Estimating a value for these crops is made difficult by the fact there are few reported prices or significant markets in which they are bought and sold. However, there are two other general approaches to valuing grain crops harvested as forage. Both are based on comparisons to alternative actions by either the forage buyer or seller.

For the Forage Buyer
The alternative for the buyer is to compare the price of substituting other common feedstuffs into rations instead of the grain crop forage. What would be the cost of the other feedstuffs that the corn, oats or soybean forage would replace? The first step is to determine which feedstuffs and how much of each one could be replaced. Advice from a livestock nutrition consultant or Extension livestock specialist may be useful. The second step is to multiply the quantity of each one by its current market price, and sum them. This represents the most the buyer would rationally pay.

Care must be taken to adjust each feedstuff to a comparable dry matter level. Transportation costs may need to be subtracted from the feed value, depending on whether the forage is purchased delivered to the buyer, at the location where it is harvested, or standing in the field. Where a market price is available, such as for oat hay, the most local price should be used. For soybeans harvested for hay, price comparisons for legume hay of similar feeding values can be used as a guide.

For the Forage Seller
For the seller, the alternative is to harvest the crop as grain and sell it, possibly accepting quality or moisture discounts. For this approach a realistic estimate of the potential grain yield is important. The cost of harvesting, drying and transporting the grain crop is subtracted from the current market value of the grain. If the forage crop is sold in a harvested state, the costs for harvesting it as forage must be added to its value. Any other additional costs, such as added fertilizer costs for the following year, must also be included. The potential income from selling the crop as grain, adjusted for differences in harvesting costs, represents the minimum price the seller would accept.

The final price for the forage should fall somewhere between the buyer's maximum price and the seller's minimum price. This range may be wide or narrow, depending on current market conditions. If the seller's minimum price is higher than the buyer's maximum price, then the buyer could achieve lower feed costs using other feedstuffs instead of the forage in question, and/or the seller could achieve higher net revenue by harvesting and selling the crop as
grain. In other words, harvesting the crop as forage would not be economically justified.

An electronic decision aid for pricing corn silage and other forages, "Corn Silage Pricer", decision aid A1-65, is available on the Ag Decision Maker Web site. It follows the general approach described above and can be adapted for crops such as oats and soybeans, as well.

William Edwards is a professor of economics with extension responsibilities in farm business management. Steve Bamhart is a professor of agronomy with extension, teaching, and research responsibilities in forage production and management.

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