

Hay production and forage supply prospects for cattle producers are finishing the growing season in better shape than might have been expected at mid-year. Drought conditions across the Northern Plains that began in late May and worsened into the early summer forced abnormally high numbers of cattle to be moved out of that region to feedlots or areas with better forage. Dry weather also became a bigger issue for the Pacific Northwest and Intermountain West as the summer progressed, leading to major wild fire challenges.

USDA-NASS (National Agricultural Statistics Service) estimated that hay production will be close to 132 million tons in 2017, down 3 million tons from last year. Meanwhile, range and pasture conditions have traced a typical seasonal pattern, declining from the spring to the fall as summer heat and dryness take a toll. In 2016, range and pastures rated in good to excellent conditions at mid-year was at 59%, declining to 46% by mid-October. This year, mid-year range and pasture conditions were 57% good to excellent, with a decline to 40% in the most recent week. Better range and pasture condition in the Southeast and Southern Plains this year have been a counterbalance to problems in the West and Northern Plains.

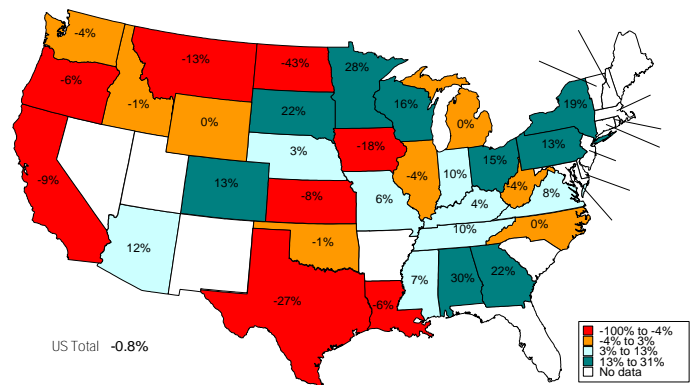
Total hay supplies for the 2017-2018 crop year (May 2017-April 2018) are down almost 2% from the prior year, given the smaller hay production this year. This matches up with a 2% increase in roughage consuming animals in the US compared to 2016, due mostly an expanding beef cattle herd. Hay prices had been tracking above year earlier values since the Spring based on the combination of less hay supply versus more animals.

Grass hay values were surprisingly weak in August, mostly due to a 25% price decline in Oklahoma, the third largest non-Alfalfa hay producing state. Grass hay prices were down 5% in Texas, the largest producer of non-Alfalfa hay. California, Minnesota, and Ohio also recorded double-digit percentage declines in non-Alfalfa hay prices from July to August.

Carryover hay supplies from last year in Oklahoma were at the highest levels since 2008 at the end of April and triple the inventory on hand in April 2012 when Oklahoma experienced its last drought. These large supplies, coupled with favorable weather in August for pastures in Oklahoma put pressure on hay prices even though current year grass hay production is about the same as last year. Also, alfalfa hay production in Oklahoma is up more than 40% from 2016.

Cattle producers in the Southern Plains are looking at a much improved situation compared to a year ago. Calf prices this August are up 8% from the prior August while grass hay prices (non Alfalfa

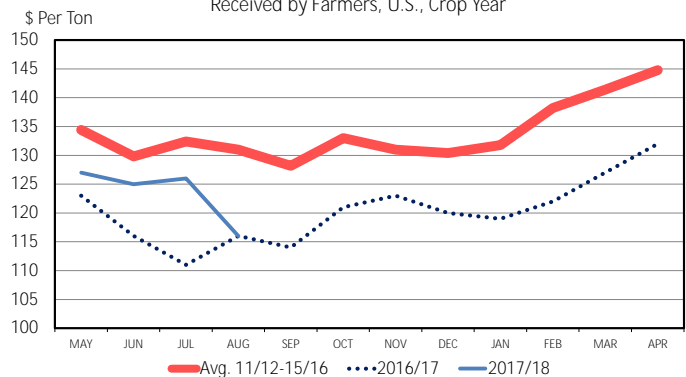
PERCENT CHANGE OTHER HAY PRODUCTION
(2016-2017)



Livestock Marketing Information Center
Data Source: USDA-NASS

10/18/17

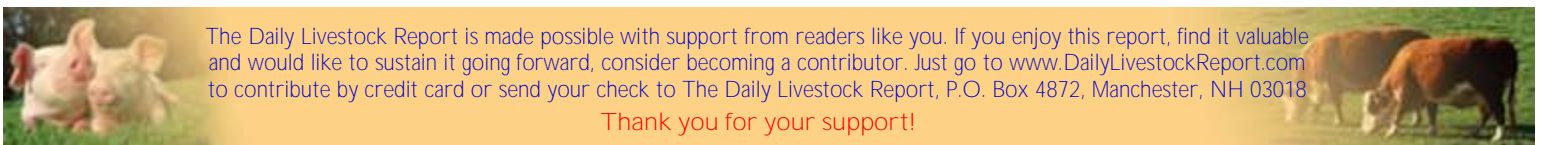
OTHER HAY – MONTHLY AVERAGE PRICE
Received by Farmers, U.S., Crop Year



Data Source: USDA-NASS
Livestock Marketing Information Center

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type) were 12% lower than a year earlier. The ratio of Oklahoma City steer calf prices (500-550#) to grass hay prices this August was 2.61:1, compared to 2.12:1 in August 2016 and 3.69:1 in August 2015. The current forage situation is encouraging for the beef cattle industry in the Southern Plains.



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