Pricing Standing Hay
by Aaron Gabriel, CCE Washington County

Pricing crops standing in the field requires a record of expenses to calculate costs and some value judgments to adjust your calculations for your particular situation. Most people have a difficult time pricing standing crops, because they do not know their expenses. Nothing can substitute for accurate records.

From the seller's end of an agreement, s/he must know how much they have invested in the crop. The owner's expenses may include:

- Expense of owning the land (mortgage, taxes, insurance, land improvements like drainage).
- Cost of establishing the crop (seed, lime, fertilizer, pesticides, tillage, planting, etc). For hay, the establishment costs should be spread over 3 years or so.
- Cost of maintaining the crop (annual fertilization and other expenses).

The buyer must know what expenses s/he will incur if they harvest and market the crop. These expenses may include:

- Inputs such as fertilizer, lime, and pesticides depending on the situation.
- Harvest costs (mowing, tedding, raking, baling, handling)
- Trucking, storage, and marketing costs
- An allowance for risk, since weather or other factors may ruin part of the crop.

Once the seller knows what s/he has invested in the crop and the buyer knows what his/her expense will be to take the crop, they can then enter into negotiations on price. Each will know at what price an agreement will be unprofitable.

Some judgment must be used when negotiating a price. For example, the cost of growing a hay crop may be about 45% and the cost of harvesting may be about 55% of the expense for the entire crop. Let's say that three tons of good grass hay is worth $255. Can a seller ask someone to pay 45% of $255 or $115 for the crop if their only investment in it is the land ownership, since the field is 4 or more years old? Also, land can generally be rented from $30/acre/yr for decent land to $60/acre for very nice land. Some judgment must be made as to a realistic price based on what has been invested into the crop, balanced with a typical land rental price. The buyer and seller must also understand and agree on the crop quality and yield to properly adjust pricing. Of course the current market is one of many other factors that should be considered.

Both parties can negotiate a price with confidence if they know their costs and can make proper judgments as to their specific situation.