

## NEW MARKETING APPROACHES FOR ALFALFA HAY

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Ross Hay Inc., Lincoln

We planted our first hay crop in 1965 with a \$200.00 cat 30 and a \$50.00 grain drill. That first year we harvested less than 1000 2-wire bales which we retailed for \$1.25 each. This year in Colusa, Glenn, Placer, and Sutter counties we put up over 300,000 bales of which we sold two-thirds directly to dairies, cow-calf operators and replacement heifer growers. The balance was stored for winter sales at our Lincoln retail yard.

During our first 15 years in the hay business we had problems with custom operators who didn't show up as promised, those that showed up with junk equipment and promptly broke down, and those that ruined the hay by baling too dry or too wet because they were behind schedule and had to get somewhere else. We had truckers who lost loads, hauled from the wrong stack, switched hay after it left the ranch and some that left the stack yard looking like it had been hit by a tornado. We had hay brokers that started every conversation by telling us how bad the market was and what was wrong with our hay. After the hay was gone we found out that some brokers were slow pay or worse yet - no pay!! Many years we found that the buyers that were plentiful for the test hay didn't come around when the summer hay came off and began to pile up in the stack yard.

About five years ago we decided to vertically integrate to minimize the problems we had in using custom operators, truckers, and brokers. The primary consideration was to insure a reliable source of high quality hay for our retail sales yard which is the principle profit center in the business. We assembled a fairly large assortment of hay equipment, squeezes, trucks and people. Potential customers were contacted who were willing to take at least 100-ton shipments at one time so that we could use squeezes at each end of the haul and minimize trucking costs. Customers were selected who could and would pay reliably and quickly for quality hay at a bargain price. We made no real effort to develop customers for the summer hay because we wanted it all for our retail yard.

Soon after we began our integrated operation it became apparent that we needed more hay to satisfy demand so we began to recruit growers who needed a reliable market for their hay and who wanted a dependable cash flow. The majority of our profit comes from the baling fee and not from any brokerage commission so we do not generally market what we haven't baled. Another reason for this is that in our large retail business we must guarantee satisfaction with every bale. We could not afford to buy back someone else's baling mistakes.

Our approach to marketing places responsibility for all cultural practices with the grower - where it should be. We do the baling, trucking, selling and collecting. After the hay is baled it is tested and an offer is made to the grower within five days after stacking is complete. If the offer is accepted a deposit equal to 50 percent of the gross price of the contract is paid using an estimated bale weight of 16 bales to a ton. The balance of the contract, after baling and stacking charges of \$25.00 per ton are deducted, is paid after hauling is complete and the weight tags are collected. Since the baling charges are usually 25 percent or more of the gross value of the contract the grower is really getting 75 percent up front. If the hay we buy remains in the stack more than 30 days we pay 1 percent interest per month on the unpaid balance.

We swath the cuttings with a potential for testing high enough for dairy use as soon as the crowns get an inch and a half tall. The summer hay is allowed to go to 10 to 15 percent bloom to extend the life of the stand. The grower determines the cutting date for first and last cuttings due to the potential for rain damage during these periods. During the season we alter the cutting cycle if a grower has a problem with irrigation or pest control.

For hay bank-out we contract all of our work to Al Duarte and Son of Arbuckle. They have excellent equipment (5 New Holland 1075's) and they provide an independent bale count to the grower. We share a common radio frequency with Al and his people to keep our bale crews and his pick up machines synchronized.

If a grower gets a better offer than ours for his hay he can of course accept it and our baling fee is rolled over until the next cutting. In 1986 the equivalent of two cuttings off of 200 acres which we baled were sold to other buyers which apparently offered a better deal than we did. In one case the grower found the buyer lost interest in the balance of the stack after the best hay had been moved.

We have barn storage for 5000 tons of hay at our Lincoln yard and for another 3000 tons in rented barns at other locations. We recently bought a ranch at Arbuckle to use as a base for equipment and crews working in Colusa and Glenn counties. We are building a stationary alfalfa cuber at Lincoln which will blend alfalfa, grain, and supplements to produce a high quality total horse ration. This should be in operation in the spring of 1987 and should create an additional new market for high quality summer hay.

This integrated approach has worked well for us. First and perhaps most importantly we have a reliable source of high quality summer hay that is put up properly for our retail sales. Secondly, we make a profit on baling and trucking and we add enough on the selling end to pay the interest cost on our working capital. The growers have a steady and competitive market for all of their hay with a reliable cash flow and the customers get quality hay at a price consistently at the lower end of the market.