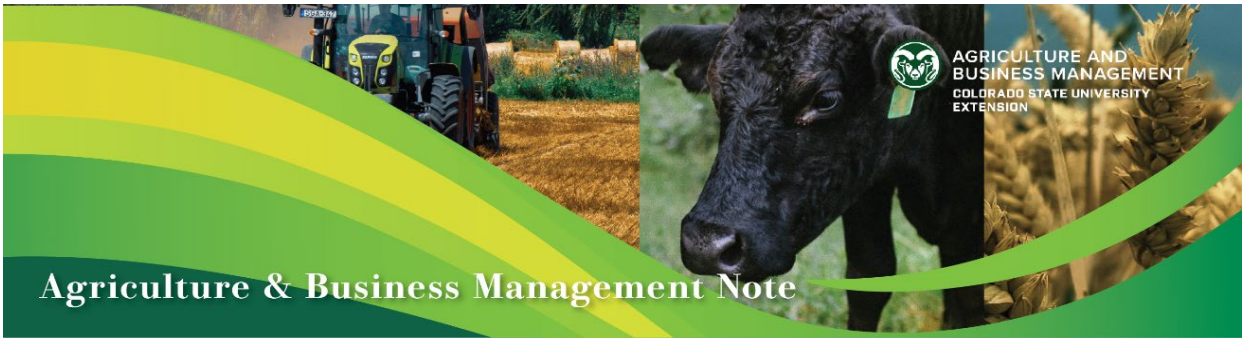

Pricing Hay Sold in the Field [1]

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Selling hay standing in the field allows producers to avoid harvesting, hauling, storage, labor, and machinery expenses. In return, the buyer assumes responsibility for harvesting the crop and accepts the associated production, weather, and market risks. Because the hay has not yet been harvested when the transaction occurs, determining a fair price requires estimating both expected production and expected market value.

Estimating Yield Before Harvest

Developing a realistic estimate of hay yield is the foundation of any standing-hay valuation. Since most standing hay is sold on a per-acre basis, errors in estimating production can substantially affect the fairness of the final price.

Historical production records are often the best starting point. Previous yields from the same field provide valuable information, particularly where management practices, irrigation, fertility, and stand condition have remained relatively consistent. For example, if an irrigated alfalfa field has historically produced 3.5 tons per acre on first cutting, that figure may provide a reasonable benchmark for current production.

Historical averages should be adjusted to reflect current conditions. Moisture availability, stand density, insect pressure, weed competition, fertility levels, hail damage, and overall crop vigor can affect yield potential. In years with drought stress or reduced irrigation

[1] Colorado State University Extension, U.S. Department of Agriculture, and Colorado counties cooperating. No endorsement of products mentioned is intended, nor is criticism implied of products not mentioned. This fact sheet is intended for educational purposes only. Colorado State University Extension programs are available to all without discrimination. Further, no endorsement nor criticism of products is intended.

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supplies, expected production may be substantially lower than historical averages.

Field sampling can provide additional information. Clipping and weighing forage from several representative locations allows producers to estimate expected dry matter production and develop a more objective estimate of likely yield. Because production is rarely uniform across an entire field, collecting multiple samples generally improves estimate reliability.

While yield estimates are inherently uncertain, careful yield assessment provides a stronger basis for negotiation and helps both parties better understand the risks involved in the transaction.

Estimating the Value of Standing Hay

A common approach is to begin with the expected value of harvested hay and then account for the costs and risks transferred to the buyer.

Suppose a field is expected to produce 3.0 tons of hay per acre and similar hay is currently selling for $180 per ton. Under those assumptions, the expected harvested value equals $540 per acre because 3.0 tons per acre multiplied by $180 per ton equals $540 per acre.

The buyer must still cut, rake, bale, haul, and store the crop. If those operations are expected to cost approximately $58 per ton, harvesting costs equal $174 per acre, calculated by multiplying 3.0 tons per acre by $58 per ton.

In addition to harvesting expenses, the buyer accepts uncertainty associated with yield, quality, weather conditions, equipment performance, and future market prices. If a reasonable allowance for those risks is estimated at $30 per acre, the standing value of the hay becomes approximately $336 per acre. This value is derived by subtracting harvesting costs ($174 per acre) and the risk allowance ($30 per acre) from the expected harvested value ($540 per acre).

Under these assumptions, a negotiated price between $330 and $350 per acre would likely be reasonable.

A Rule-of-Thumb Approach

Some producers prefer a simpler approach that uses a percentage of expected harvested value rather than separately estimating harvesting costs and risk allowances.

Continuing the previous example, the expected harvested value is $540 per acre. If the parties agree that standing hay should be valued at 60% of harvested value, the resulting standing-hay price would be approximately $324 per acre ($540 × 0.60).

This method reflects the reality that the buyer will incur harvesting costs and assume

production risk. In many regions and under typical market conditions, standing hay commonly sells for 50% to 70% of expected harvested value. Lower percentages are typically observed when yield uncertainty, harvesting costs, or weather risks are relatively high. Higher percentages are more common when yields are predictable, forage quality is well known, and harvest conditions are favorable.

For many situations, a value between 55% and 65% of expected harvested value provides a practical starting point for negotiations.

Additional Considerations

The valuation methods presented above provide a framework for negotiations, but individual circumstances may justify adjustments. Irrigated fields with a history of consistent yields often support higher values than dryland fields. Likewise, high-quality alfalfa intended for dairy markets may command a larger share of harvested value than lower-quality grass hay. Transportation costs, fuel prices, harvesting efficiency, field accessibility, and local market conditions can also influence negotiated prices.

Contract Considerations

Because standing hay sales involve uncertainty regarding yield, quality, weather, and harvest timing, a written agreement can help reduce misunderstandings and clarify responsibilities. While agreements may vary, several provisions deserve consideration.

The contract should clearly identify the involved parties, field location, acreage, and crop being sold. It should also specify how the hay is being priced, whether on a per-acre basis, per-ton basis, or as a percentage of harvested value. Payment terms should state the amount due, the payment schedule, and whether any portion of the payment is required before harvest begins.

The agreement should establish when ownership of the crop transfers from the seller to the buyer. This provision becomes particularly important if hail, fire, wind, or excessive rainfall damages the crop after the agreement is signed but before harvest is completed. Contracts should clearly state which party bears the risk of loss during this period.

Harvest timing is another important consideration. The agreement should identify when the buyer may enter the property, when harvesting may begin, and the date by which harvesting must be completed. Without a harvest deadline, delays may affect forage quality, subsequent cuttings, irrigation schedules, or other farm operations.

If irrigation water is available, the agreement should specify which party is responsible for irrigation activities before and during harvest. Similarly, access provisions should address gates, roads, livestock, vehicles, equipment movement, and any restrictions on field activities.

In situations where the crop is sold on a per-ton basis, the agreement should identify how production will be measured, where hay will be weighed, and how disputes regarding weights or yields will be resolved. If the crop is sold on a per-acre basis, the agreement should clarify that the buyer assumes production risk once the sale is completed.

Finally, contracts should address remedies if either party fails to fulfill their obligations. Although formal dispute-resolution provisions are often overlooked, including a process for resolving disagreements may help avoid costly conflicts.

Most written agreements should include the parties, field location, acreage, crop description, pricing method, payment terms, transfer of ownership, responsibility for losses, harvest deadlines, access provisions, irrigation responsibilities, production measurement procedures when applicable, dispute-resolution provisions, and signatures of both parties.

Using the ABM Standing Hay Decision Tool

Estimating the value of standing hay requires information about expected forage yield, expected hay prices, harvesting costs, and the risks assumed by the buyer. While the examples presented in this fact sheet illustrate the valuation process, producers may benefit from using a structured decision aid to evaluate alternative assumptions and pricing scenarios. CSU Extension's Agriculture and Business Management (ABM) Team provides decision tools designed to support management and marketing decisions for Colorado producers through its website at https://abm.extension.colostate.edu. The site also provides enterprise budgets, financial management resources, custom rate information, and other farm and ranch decision-making tools.

The ***Standing Hay Decision Tool*** allows buyers and sellers to compare the expected value of harvested hay with alternative standing-hay pricing arrangements. By adjusting assumptions regarding yield, hay prices, harvesting expenses, and risk, producers can evaluate how changes in market conditions affect the value of a standing hay crop. Using a common framework can improve transparency during negotiations and help both parties understand how expected production, costs, and risks influence the final price.

Bottom Line

The value of standing hay depends primarily on expected yield and the anticipated market value of harvested forage. A reasonable estimate of yield should be developed before negotiations begin. Once expected harvested value is determined, a fair standing-hay price can be estimated by accounting for harvesting expenses and the risks assumed by the buyer. In many situations, negotiated prices equal to about 55% to 65% of expected harvested hay value provide a useful benchmark for both buyers and sellers.