



Q4 2025 OUTLOOK

We Made Enough Hay ... Again

By Matt Clark

REPORT SNAPSHOT

Situation: As of July, the prices for all hay and alfalfa have declined for 25 consecutive months on a year-over-year basis.

Outlook: With another season of favorable growing conditions, I expect total hay stocks to increase and prices to remain subdued as increases in production outpace domestic and export use.

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STRONG HAY PRODUCTION IN STORE FOR 2025

The USDA forecasts 2025 hay production at 123.5 million tons, the highest since 2020, chiefly due to strong yields and a slight increase in acreage. An average of 60% of hay acres have had no drought since

April, corroborating the high yield estimates. Alfalfa production, a subset of all hay production, is forecast to decline slightly to 49.75 million tons as record yields nearly offset the continued loss of acres.

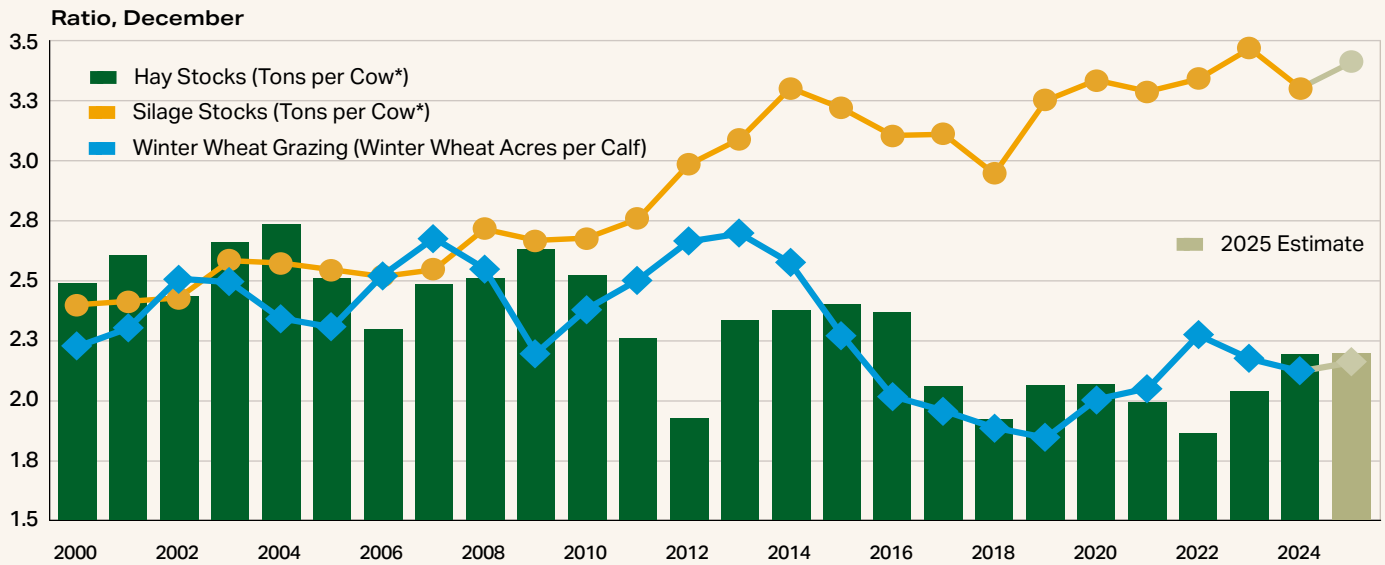
The hefty 2025 hay crop will be baled, bucked and bullied into already packed barns and crowded fencerows. Hay inventory levels in May were slightly above 24 million tons, the highest May reading since 2017 and the seventh highest since 2000 — which we accurately forecast last year. As a result, I currently forecast December stocks to be slightly under 83 million tons, the largest since 2020.

DEMAND UNLIKELY TO KEEP UP WITH INVENTORY

The building inventory levels are also a result of subdued demand, which I expect to continue into 2026 for three reasons:

1. More Hay Available per Cow
2. Other Attractive Forage Options
3. A Slower Export Market

Forage Availability Should Be Good for 2026



*Beef and Milk Cows Combined
Sources: USDA and Terrain

First, I forecast the December hay inventory relative to the size of the cattle herd to increase to about 2.2 tons per head, the highest level since 2016. Terrain analysts currently expect the combined beef and dairy cow herd to increase a little more than 1% from January 2025 to January 2026, driven primarily by dairy cow expansion. However, as hay inventories are expected to increase by about 2%, the hay stocks-to-cow ratio will increase for the third consecutive year.

Additionally, the American Horse Council estimates that the U.S. horse herd has declined to about 6.6 million head in 2023, a 9% decline from 2016 and a 28% decline since 2003. So, the total hay available relative to both cattle and horses remains high.

Second, hay faces competition from other forage options. Growing conditions for corn silage, for example, have also been favorable. I expect total corn silage to increase about 9% from 2024 because of strong yields. The ratio of winter wheat acres to total calves is also likely to increase slightly.

Likewise, the pasture ground rated “excellent” or “good” has been greater than the percentage rated “poor” or “very poor” each survey week of 2025. The use of cover

crops in some regions may also prolong grazing season into traditional hay feeding timeframes.

Third, the export market, a source of demand for very high-quality hay, has significantly slowed. Both total tons and total dollars exported are likely to fall well below recent levels. As of June:

- Year-to-date (YTD) hay exports were around 1.4 million metric tons, about 19% below year-ago levels.
- YTD hay exports totaled about \$482.5 million, or around 21% below year-ago levels.
- The YTD volume of exports is the lowest since 2008, and the value of exports in non-inflation-adjusted dollars is the lowest since 2011.

My expectation is that hay prices will remain relatively flat to slightly lower through 2025 and into 2026.

The decline in exports is also broad-based. The four largest importers, which make up about 85% to 90% of total exports, are down from last year (Japan, 15%; China, 29%; South Korea, 12%; and Saudi Arabia, 27%).

PRICES CONTINUE TO STRUGGLE

Hay prices have reflected a story of current inventory outpacing demand growth and an expectation of even larger inventories to come. In July, the USDA's price fell to \$163 per ton for all hay and to \$173 per ton for all alfalfa, the lowest July prices since 2020. Moreover, both hay and alfalfa prices have declined on a year-over-year basis for 25 consecutive months.

The USDA Farm Service Agency reported that the average price for premium alfalfa hay in July rebounded to \$245 per ton, about a 3% increase from the previous year. Previously, prices for premium alfalfa declined 22 consecutive months from July 2023 through April 2025 and again in June. The slight reversal in May and July may indicate that

the market is finding a near-term bottom, or that there are questions around the quality of the alfalfa production in 2025 due to high yields.

For buyers of hay, now may be a good time to price future deliveries or potentially store additional hay as a hedge against adverse weather.

My expectation is that hay prices will remain relatively flat to slightly lower through 2025 and into 2026 as inventories outpace demand. Hay producers should carefully weigh the cost of holding back inventory and losing sales against the gamble of a sharp drought or long, harsh winter that may improve prices. For buyers of hay, now may be a good time to price future deliveries or potentially store additional hay as a hedge against adverse weather.

ABOUT THE AUTHOR



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