

Department of Agriculture, Trade and Consumer Protection
Division of Marketing
Agricultural Development & Diversification Program (ADD)

1998 Grant Project Final Report

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Agricultural Development and Diversification Grant Program

Final Report

(July 30, 2000)

Project Name: Central Wisconsin Alfalfa Marketing Network

Grant Recipient: Golden Sands Resource Conservation and Development (RC&D) Council, Inc.

Original Intent of Project...

The original intent of this project is to:

- A) Facilitate the creation of alfalfa production contracts between expanding Wisconsin dairy producers (buyers) and irrigated vegetable growers (potential suppliers) through the implementation of two interactive seminars, and
- B) Develop an electronic bulletin board on the Internet where buyers and suppliers can post their needs.

Individuals who custom plant, harvest, bale and transport alfalfa were also invited into the network to supply a service to vegetable growers who lack the necessary equipment or labor.

Introduction....

This project was funded through an Agricultural Development and Diversification (ADD) Program grant from the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) to address the rising need of Wisconsin's expanding dairy producers to purchase quality hay off the farm. The grant was awarded to and administered by the Golden Sands Resource Conservation and Development (RC&D) Council, Inc., a 501(C) 3, non-profit corporation working in nine Central Wisconsin counties since 1972. The project addressed the following objective of the Marketing Division of the Wisconsin Department of Agriculture, Trade and Consumer Protection: *"Production models that speak to sustainable practices and enhance economic returns to farmers"*.

History...

In March 1998, a small group of dairy farmers, custom hay operators and irrigated vegetable growers were assembled in Stevens Point to brainstorm on this initiative. They discussed the demand for hay; hay quality, moisture content, bale size and weight; transportation costs; manure bartering; contract development and the exchange of vegetable by-products and cover crops. They concluded that it was a worthwhile project to pursue.

Goal...

The goal of the project is to provide a link between 1) Wisconsin's expanding dairy operators who purchase hay off the farm, often from as far away as Nebraska, Manitoba and South Dakota, 2) irrigated vegetable growers who may be interested in adding a few years of alfalfa to their rotation to improve soil health and break pest cycles, and 3) custom hay producers who provide establishment, harvesting and transportation services.

Project Description...

At the March 1998 brainstorming session, the group agreed that the following five-step process be taken. It became the methodology for this initiative:

1. Conduct an Alfalfa Marketing Survey via direct mail to irrigated vegetable growers and expanding dairy operators within reasonable distance of Central Wisconsin to determine the quantity and quality of alfalfa hay supply and demand.
2. Implement two "Alfalfa Marketing Seminars" where farmers can learn about the market analysis, pros, cons and challenges of alfalfa in a vegetable rotation; legal aspects of developing farmer-farmer contracts; and share their personal concerns with one another.
3. Hold a follow-up meeting for seminar participants where specific information about each dairy producer's hay and haylage needs is made visible and available to attending irrigated vegetable growers. They can then discuss and give further consideration to producing hay to fulfill those needs.
4. Present the results of all three meetings at the Central Wisconsin Area Potato Growers Meetings, to be held in February 1999, in Stevens Point.
5. Create an electronic bulletin board on the Internet where buyers, growers and custom operators can connect with one another.

Results...

The market analysis survey was mailed to 291 dairy producers and 187 irrigated vegetable growers, whose names were provided by County Extension Agriculture Agents. The purpose of the survey was to determine the interest irrigated vegetable growers had in adding alfalfa to their crop rotation and the interest of expanding dairy producers in purchasing that product. The survey also addressed issues related to costs, contracts, and the trade or sale of vegetable by-products and manure. Eighty-seven surveys were returned, for a response rate of 18%. The results are summarized in **Appendix A**.

In total, ten dairy farmers, thirteen vegetable producers, and eight custom haulers/harvesters attended the two one-day Alfalfa Marketing Seminars, held on December 14, 1998 and January 11, 1999 in Waupaca and Hancock, respectively. Presentations were made by Stu Sorenson, O&S Harvesting on "*Costs and Services of Custom Haulers*"; Dr. Keith Kelling, UW-Madison Soils Department on "*Impacts of Alfalfa on Potato Yield and Quality*"; Kevin Erb, UW-Extension NPM Specialist - Green Bay on "*Challenges of Alfalfa Marketing*"; Deana Sexson, UW-Extension Agriculture Agent - Portage County on "*Environmental Impacts of Alfalfa Production*"; Joe Stellato, UW-Extension Agriculture Agent - Shawano County on "*Contract Feed Production Arrangements*"; Greg Blonde, UW-Extension Agriculture Agent - Waupaca County on "*Challenges for Expanding Dairies*" and Tom Bertz, Attorney at Law on "*Constructing Contracts*". Following the presentations, farmers engaged in an open forum where numerous questions were addressed between the dairy farmers and vegetable growers present. Upon request, a copy of the sign-in sheets from both seminars was sent to all in attendance, with no objections. Descriptions of the seminars are highlighted in **Appendix B**. The participants are listed in **Appendix C**.

The consensus of both groups attending the seminars was to meet again in Stevens Point in early February, 1999, where names and specific information about the needs of dairy farmers was made available. A "best case" and "worse case" economic alfalfa production scenario was developed. The results were shared verbally with those present at the Central Wisconsin Area Potato Growers Meeting on February 17, 1999, in Stevens Point. The results are presented in **Appendix D**.

Efforts began in March 1999 to build an electronic bulletin board on the World Wide Web. This allows interested dairy farmers and vegetable producers to log on if they are interested in either buying

hay or producing it for sale. To date, only 7 farmers have posted their intent to purchase or supply alfalfa. The web address for the alfalfa marketing bulletin board is www.goldensandsrkd.org.

Conclusions...

Dairy farmers are opportunistic and hesitate to enter into multi-year contracts with locked in prices. They fear that once they do, alfalfa hay will be abundant and their neighbor will have it for sale at a price lower than what they locked into. Therefore, dairy farmers prefer one-year contracts that enable them to quickly capitalize on opportunities that may arise outside of their contract. Similarly, most vegetable farmers are keen profit managers and hesitate to enter into one-year contracts because they desire an insured income for several years. Once dairy farmers realize the benefits of multi-year contracts to ride out the market volatility and vegetable growers realize they can improve soil quality, break pest cycles and put more money in their pockets than they can growing sweet corn or snap beans, both groups can work together to meet the demand for quality hay in Wisconsin.

Evidence shows that this initiative has potential and significant interest in Wisconsin, but will probably not establish itself and accelerate until a few individuals develop one-on-one contracts and strive to make it work. The old cliché "you can lead a horse to water but you can't make him drink" accurately depicts this project.

For more information, contact:

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