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RightRisk™ Uncertainty

RightRisk News

How Much Risk is Right for You?

Hay and Forage Markets: What to Watch This Winter

Livestock and forage producers have dealt with challenging production conditions throughout this decade. Multiple years of drought, water supply issues, and wildfires are just a few things causing many livestock producers to search for reliable feed resources amid large swings in forage prices. Recent rains have alleviated some of the 2026 drought pressures but, apart from the corn belt and northeast regions, much of the continental U.S. remains in some level of moderate to severe drought (figure 1).

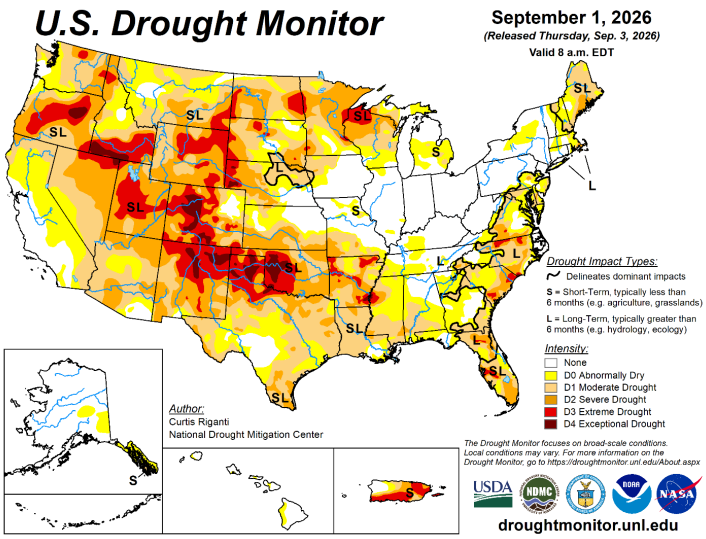


Figure 1. U.S. Drought Monitor

Pasture Productivity Risk Management Tools

Pasture and range are the primary forage sources for our nation's cattle herd. Nearly all pasture and rangeland acres rely on rainfall for growth, so drought monitoring is real and impactful to the production and financial planning situation. One of the ways the drought monitor is used is to determine counties that qualify for livestock forage program (LFP) disaster payments issued by the USDA Farm Service Agency (FSA).

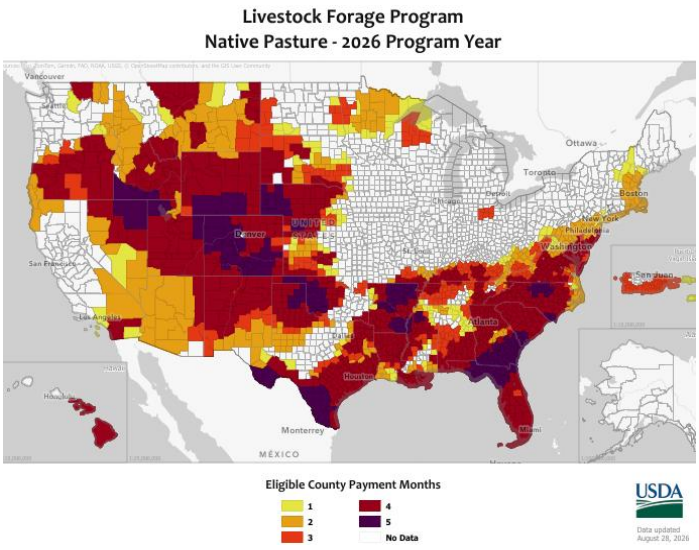


Figure 2. 2026 map for disaster payment qualifying counties under the USDA Livestock Forage Program – Native Pasture.

Figure 2 shows the current map of qualifying counties for native pasture LFP payments in 2026. This provides a more complete picture than the drought monitor of the full 2026 production season challenges in that most counties in the western and southeastern U.S. have qualified for two to five months of payments. Five months is the maximum number of months a producer can qualify for payments. In the west-central U.S., drought has been particularly persistent with most counties qualifying for 4 or 5 months already in 2026.

Livestock Forage Program

LFP is a reactive risk management program. Drought conditions must first occur and trigger

a disaster declaration before counties become eligible for payments and then producers can enroll to receive assistance. In contrast, Pasture, Rangeland, Forage (PRF) insurance administered by the USDA Risk Management Agency (RMA) is a proactive risk management tool. Producers must sign up for PRF coverage before the start of the calendar year, with a December 1 enrollment deadline, to protect against the risk of inadequate rainfall during the coming year. Because the two programs operate differently, producers may receive both LFP disaster payments and PRF insurance indemnities in the same year, providing complementary sources of drought risk protection.

National Summary of Business

Crop Year	Policies Earning Premium	Policies Indemnified	Acres	Total Premiums	Total Subsidies	Total Indemnities	Producer Loss Ratio
2020	32,634	29,999	159,606,067	$ 674,503,145	$ 359,426,915	$ 886,723,738	2.81
2021	39,655	37,511	202,163,561	$ 859,331,457	$ 457,623,718	$ 982,025,073	2.44
2022	46,751	45,149	246,791,519	$ 1,065,572,605	$ 566,879,228	$ 1,430,903,139	2.87
2023	60,920	57,269	289,161,804	$ 1,331,043,911	$ 705,538,886	$ 1,122,902,138	1.80
2024	65,519	61,630	295,292,080	$ 1,393,738,315	$ 737,937,067	$ 1,277,456,254	1.95
2025	70,658	67,455	313,844,621	$ 1,529,322,740	$ 809,759,194	$ 1,554,708,011	2.16
2026	73,125	62,218	325,196,417	$ 1,629,753,488	$ 862,574,005	$ 1,045,514,191	1.36
2020-25 Average	**52,690**	**49,836**	**251,143,275**	**$ 1,142,252,029**	**$ 606,194,168**	**$ 1,209,119,726**	**2.26**

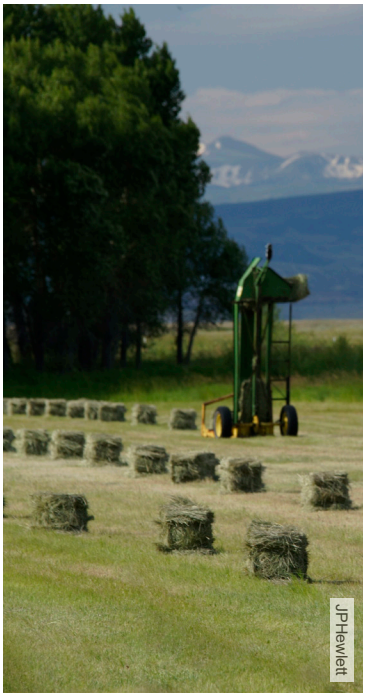
Source: USDA-RMA, Summary of Business, September 6, 2026

Note: 2026 crop year is still in progress and not included in the average.

Table 1. National summary of business for Pasture, Rangeland, Forage (PRF) insurance. (Source: USDA Farm Service Agency Crop Acreage Data.)

Table 1 shows the national PRF statistics with averages provided for the six-year span from 2020-2025 crop years along with year-to-date numbers for 2026. While 2026 is dry year-to-date with 85% of the PRF policies indemnified and over $1 billion of indemnities paid out, it is not extraordinary yet compared to the last several years in terms of PRF indemnity payments. However, with indemnities for the second half of the year yet to come, it may turn out to be even higher than the record $1.5 billion of indemnity payments made for the 2025 calendar year of coverage and approach the 2.8 plus producer loss ratios seen in 2020 and 2022.

The main point to realize is that PRF insurance has become a major part of the forage risk management plan for many livestock producers across the country dependent on perennial forage production. The summary of business from 2020-2026 for PRF insurance indicates significant indemnification dollars adding to producer bottom lines as a result of low precipitation.



National Range and Pasture Conditions

Looking at the national range and pasture condition report would suggest that 2026 is an extraordinary year in terms of poor forage production. Given how dry 2020-2025 were according to the PRF insurance summary of business, it is interesting to note that 2026 range and pasture conditions are worse than those six preceding years (Figure 3). These poor production conditions have led to a severe downsizing of the U.S. beef cattle herd and volatility in the hay markets.

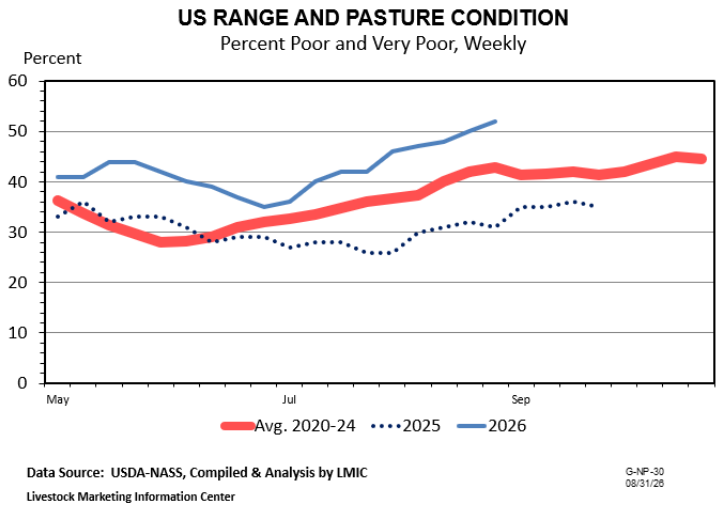


Figure 3. U.S. range and pasture conditions in the poor or very poor category 2020-2026.

Hay Market Volatility

Hay markets can vary widely across regions and years. Figure 4 captures the average monthly all hay price for the U.S. for the five-year span, 2020-2024, compared to 2025 and 2026 year to date. The all-hay price was above $200 per ton from April 2022 through October 2023. Lower prices before and after that period resulted in the

five-year average ranging from $182.80 (Jan) to $204.40 (May). All of 2025 and 2026 stayed below the five-year average. However, in July 2026 hay prices crept up to $184 per ton, still below the $195.40 five-year average for July but showing signs of higher hay prices in coming months.

Two important things to keep in mind moving forward are the seasonal hay price patterns and inventory levels. During the high hay price period of 2022-2023, the national all hay average price peeked at $251 per ton in April 2023. It also reached a peak of $248 per ton in August 2022 and remained there through September and October before declining slightly through the winter. A second spike occurred in March and April 2023 at the end of the hay feeding season as supplies ran low. In 2026, the U.S. all hay price has been on a steady climb from $151 per ton in January to $184 per ton in July. Hay production for 2026 is close to being settled at this point. How much hay is needed through the winter hay feeding season is key to determining where prices are in March and April of next year.

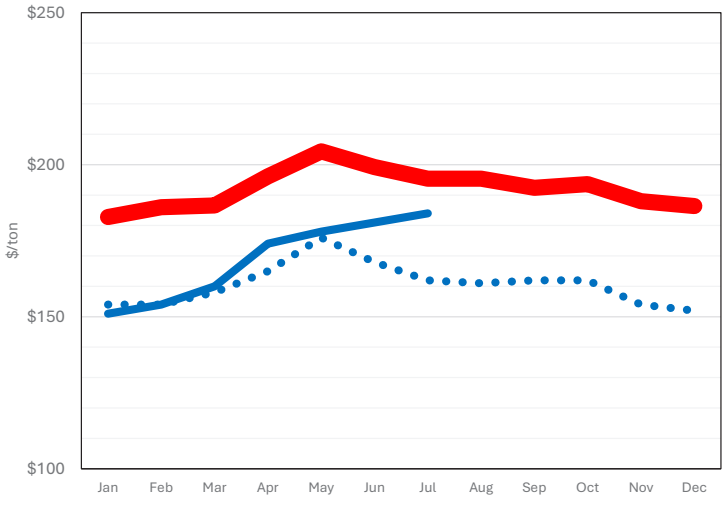


Figure 4. U.S. Monthly All Hay Prices (Source: Livestock Marketing Information Center and author calculations).

On the inventory side, May 1 national hay inventory varied from 17 million to 14 million tons through the 2022-2023 price spike. May 1 hay inventory in 2026 was 23.3 million tons. This was down from 24.1 million tons in 2025, but still comfortably above the low inventory of 2022-23. Current projections are for another million-ton decline in inventory for May 1 inventory in 2027 but a recovery of that inventory by the end of the year with normal 2027 production. However, hay inventories and hay markets tend to be regional in nature. So, abnormally dry conditions in the central western U.S. have resulted in sharp increases in regional hay prices even though the effects on national averages may look relatively modest at this time.

Summary

Drought conditions across much of the U.S. caused a decline in hay inventories and a spike in hay prices in 2022 and 2023. Dry conditions in 2026 and rising hay prices have producers concerned about a repeat of those market conditions over the 2026-2027 winter feeding period. Numbers suggest that current national hay inventory level is stronger now than it was in 2022 and the price spike may not be as severe. However, recent regional price increases in the central western U.S. are of concern and much is yet to be determined. Regardless, livestock producers need to remain diligent in their risk management plans for controlling drought risk and the resulting forage production and price risks.

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