

Storage Economics

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September 28, 2017
Carrington, ND

Objectives

List four reasons to store grain

List seven costs of storing grain

Be able to calculate storage costs and break-even stored grain price

Harvest Efficiency

On-farm storage can decrease the amount of time transporting and unloading grain.



Improved Basis

Basis (cash-futures) is typically lowest at harvest. Storing grain allows flexibility in marketing, and selling physical grain when basis has improved.

Carry in the Market

There is typically carry in the market from harvest. (This isn't fully expressed in the futures market).

Speculation



Storage Facility Costs

If on-farm storage exists, ownership costs are not considered – they are already sunk.

If grain is stored commercially, commercial storage costs are included.



Interest on grain inventory



Interest that would be gained if the grain were sold and the proceeds placed in savings to earn an interest return

Extra drying of corn

Corn needs to be at the proper moisture level for safe storage.



Corn shrinkage



Reducing moisture, reduces the number of bushels (56 lbs/bu).

Quality deterioration

Corn may fall out of condition during storage and be discounted accordingly.



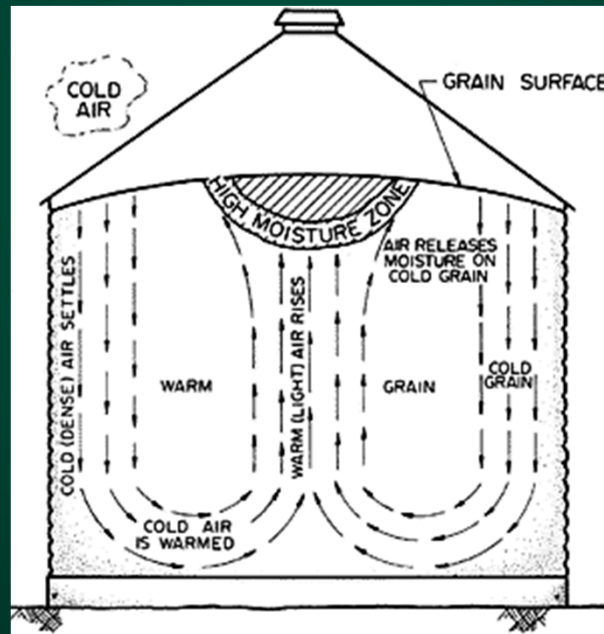
Extra Handling

There is a cost to move grain into and out of farm storage.



Aeration

The cost aerating dried grain to keep it in condition.



Costs of Storing Grain

- Storage facility cost
- Interest on grain inventory
- Extra drying of corn
- Extra corn shrinkage
- Extra handling cost
- Quality deterioration
- Aeration

Electronic Worksheet

Activity