

Grain Storage

The combines are rolling in Teton County! Hopefully, the equipment is holding up well and we have enough moisture to reduce fires, but not so much to keep us out of the fields. For the most part, we are seeing winter wheat get knocked down in the dry land areas. On a drive through the Fairfield bench area last week, I noticed that winter wheat was close, but that most of the barley harvest is still about a week away.

With all this grain now harvested, there are many questions about storing that crop. What are prices going to do? How much will it cost to store grain? What other considerations are there in storing grain? There are several factors that will influence whether you store grain or not this year.

I'll be honest, most producers tell me they don't have any costs associated with storing grain. They own the bins, the grain, the trucks, and pay little for any other expenses. Is there a cost to such an individual? Absolutely! There are two main costs involved to anyone who wants to store grain. Several things will change the costs; most importantly the age and condition of your bins.

The first cost to consider is a transfer and spoilage loss, as well as the cost of the bin paying for itself. So far this year, your bins have just sat there and looked pretty (even with grasshoppers foraging around them). Cereal grains seem to have an advantage over corn or soybeans in terms of transfer and spoilage. Putting wet grain into the bin usually leads to grain going out of condition. In short, it has been a crazy year for moisture. It's like Mother Nature can't decide whether we should have a wet year, or a dry one. One thing is certain: grain can go out of condition in a very short time span. Continue to monitor your grain for the entire time it is in the bins. A low transfer and spoilage cost would be \$.01/bushel/month.

The second cost is more substantial - it is the simple interest cost of holding onto that grain instead of putting the money into something else. There is a loss of flexibility in having capital tied up in stored grain. Essentially, you have a big pile of money sitting in your grain bins that you can't do anything with. This is the cost of losing the opportunity to pay operating loans or purchasing equipment or other assets. A simple way of calculating this is to take the current price for a bushel of grain, multiplying by 10% and dividing by 12 (months per year). This gives us the interest cost per bushel per month.

Using these concepts applied to winter wheat, we can determine the needed future price of grain to make storage worth our while. As with most things in agriculture, the current local price of winter wheat "depends". Protein and test weight are two of the biggest considerations. Using 12% protein US 1 hard red winter wheat, prices reported for the last week were \$4.35 in the Triangle. If we use \$4.35, multiply by 10% and divide by 12, we get \$.04/bushel/month. When added to our \$.01/bushel/month, this means we incur a cost of \$.05/bushel/month to store our grain. Unless we can get at least five cents a month increase on price, we would be losing money by storing. Another option would be commercial storage, such as at an elevator. Commercial storage, if you can find it, will cost between \$.04/bushel/month and \$.06/bushel/month.

A positive difference between the current price (\$5.19 for September at Kansas City Board of Trade - www.kcbot.com), and the price down the road, such as March (\$5.52), is called "carry". The market will pay you \$.34/bushel to store grain from September until March as of this writing. Conversely, it will cost you roughly \$.35/bushel to store the grain for the same period, so there is little value in storing for a better price. If you extend this scenario out to May, the current price is \$5.63/bushel. It would be about the same story.

There is more to financial decisions than numbers, such as the value of keeping combines running instead of waiting for trucks to return from the elevator. A good manager will factor these variables into a financial decision. Whether you store grain this year or not, or if you have it marketed going in to the bin or not, I hope you have a safe and bountiful harvest this year. If you would like learn more about grain storage, grain marketing, or any other questions, feel free to contact me at the Extension Office. Also look for an upcoming class on grain marketing this fall.