

The availability of storage adds flexibility to a marketing program. Storage enables the producer to use marketing tools involving storage of grain after harvest.

Storage costs

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

If grain is stored in existing farm storage facilities, the ownership costs (depreciation, return on investment, insurance, etc.) of the farm storage facility are not included in the analysis of whether to store grain in a particular year.

If grain is stored commercially, the commercial storage charge is a cost of storage. The storage charge varies among elevators but usually is a fixed charge for the first few months with an additional charge for each additional month thereafter.

Interest on inventory

Even if no money is borrowed, there is an interest cost of storing grain. If the grain is sold, the proceeds can be invested in the business or placed in savings to earn an interest return. If the grain is stored, the amount of interest foregone is a cost of storage.

The cost of drying corn to a safe storage level is a cost of storing corn. Many producers prefer to dry farm stored corn that they intended to store into the summer to about 13 to 13.5 percent moisture. However, No. 2 corn sold at harvest can be 15 or 15.5 percent moisture, depending upon elevator policy. The extra drying fuel and power costs required to remove the additional moisture is a cost of corn storage.

Because grain is sold on a weight basis (No. 2 corn weighs 56 lbs.), the removal of additional moisture for farm stored corn also reduces the number of

bushels. This reduction in bushels is a cost of storage.

To compute the extra shrinkage for farm stored corn, use a shrink factor of 1.25 percent. Commercial elevators often use a shrink factor of 1.35 percent to 1.4 percent. The extra shrink cost is figured by multiplying the extra points of moisture removed times the shrink factor times the current corn price. For example, the cost of removing an additional two points of moisture for farm storage when corn price is \$2.30 is 6¢. ($2 \times 1.25\% \times \$2.30 = 6¢$).

Extra handling

The cost of moving grain in and out of farm storage is a cost of storage. Costs vary as to the type of handling equipment, bin size, and bin shape.

Generally, handling costs are greater for flat storage and smaller bins. The extra handling costs associated with most farm storage facilities range from 1.5¢ to 2.0¢ per bushel.

Quality deterioration

A cost of farm storage is the possibility of additional grain shrinkage and quality deterioration. Generally, loss due to shrinkage from moving grain into and out of storage and shrinkage during storage is $\frac{1}{2}$ to 1 percent. The cost of the shrinkage loss can be computed by multiplying the percentage by the corn price.

Quality deterioration is quite variable depending on the quality of grain placed in farm storage and how the stored grain is managed.

If the grain is stored commercially, these costs are covered in the elevator storage charge.
