Does Storing Unpriced Crops Really Pay?

Steve Johnson

Farm Management Specialist
Iowa State University Extension
sdjohns@iastate.edu

Marketing Considerations

• Develop a Crop Marketing Plan for unpriced grain in storage
• Calculate cost of grain ownership for bushels stored both on-farm as well as commercially
• Consider basis, futures carry, cash flow implications and your appetite for managing risk
• Develop your own historical perspective for storing unpriced corn and soybeans.
October cash price anchored to elevator bid when 50% of Iowa corn harvested. On-farm Storage = 1¢ per bu. per month; Commercial Storage at 16¢ for first 90 days, then 2.8¢ per bu. per month thereafter. Interest rate = 5% APR.

Cost of Corn Ownership Example, 2018 Crop (Cash Price at Mid-Harvest = $3.29/bu., 5% Interest)

Cost of Corn Ownership Example, 2017 Crop (Cash Price at Mid-Harvest = $2.97/bu., 5% Interest)
Cost of Corn Ownership Example, 2016 Crop
(Cash Price at Mid-Harvest = $3.11/bu., 5% Interest)

October cash price anchored to elevator bid when 50% of Iowa corn harvested. On-farm Storage = 1¢ per bu. per month; Commercial Storage at 16¢ for first 90 days, then 2.8¢ per bu. per month thereafter. Interest rate = 5% APR

Cost of Corn Ownership Example, 2015 Crop
(Cash Price at Mid-Harvest = $3.39/bu., 5% Interest)

October cash price anchored to elevator bid when 50% of Iowa corn harvested. On-farm Storage = 1¢ per bu. per month; Commercial Storage at 16¢ for first 90 days, then 2.8¢ per bu. per month thereafter. Interest rate = 5% APR
Basis Trends (versus March Corn futures)

October cash price anchored to elevator bid when 50% of Iowa soybeans harvested. On-farm Storage = 1¢ per bu. per month; Commercial Storage at 16¢ for first 90 days, then 2.8¢ per bu. per month thereafter. Interest rate = 5% APR

Cost of Soybean Ownership Example, 2018 Crop
(Cash Price at Mid-Harvest = $7.86/bu., 5% Interest)

October cash price anchored to elevator bid when 50% of Iowa soybeans harvested. On-farm Storage = 1¢ per bu. per month; Commercial Storage at 16¢ for first 90 days, then 2.8¢ per bu. per month thereafter. Interest rate = 5% APR
Cost of Soybean Ownership Example, 2017 Crop
(Cash Price at Mid-Harvest = $9.04/bu., 5% Interest)

October cash price anchored to elevator bid when 50% of Iowa soybeans harvested. On-farm Storage = 1¢ per bu. per month; Commercial Storage at 16¢ for first 90 days, then 2.8¢ per bu. per month thereafter. Interest rate = 5% APR

Cost of Soybean Ownership Example, 2016 Crop
(Cash Price at Mid-Harvest = $8.75/bu., 5% Interest)

October cash price anchored to elevator bid when 50% of Iowa soybeans harvested. On-farm Storage = 1¢ per bu. per month; Commercial Storage at 16¢ for first 90 days, then 2.8¢ per bu. per month thereafter. Interest rate = 5% APR
October cash price anchored to elevator bid when 50% of Iowa soybeans harvested. On-farm Storage = 1¢ per bu. per month; Commercial Storage at 16¢ for first 90 days, then 2.8¢ per bu. per month thereafter. Interest rate = 5% APR

Basis Trends (versus March Soybean futures)
Key points:

• Calculate your cost of grain ownership; both on-farm and commercially stored bushels.
• Learn to use a variety of marketing strategies & tools.
• Timing of final cash sales is critical so understand implications for futures carry and basis appreciation.
• Develop a Crop Marketing Plan for your stored bushels to increase discipline and overcome emotions.

Thanks for joining the Iowa Commodity Challenge