



What to do with all that corn?

*By Roger Ginder, Iowa State University Extension Economist,
ginder@iastate.edu*

As they enter what's expected to be a record soybean harvest and near-record corn harvest, Iowa farmers have several options.

Storage could be a problem, even though Iowa has a lot of elevator storage available, large corn and soybean yields in some parts of the state are likely to create very tight storage conditions.

There are three standard options for farmers to handle the large expected harvest. Farm program-related options also may be worth consideration.

The first option is to store grain temporarily on the farm. The biggest concern is whether you have the ability to maintain quality in temporary storage on the farm. There are numerous ways to handle emergency storage on the farm but if the grain begins to spoil, the loss may cost you as much as it would cost for short-term storage elsewhere.

Farmers also could sell grain under a credit sale contract. Also known as price-later contracts or no-price-established contracts, credit sale contracts allow the price to be set at a later date. Credit sale contracts are not new and often are used to move grain when storage problems exist, however, I advise farmers to be cautious.

Under a credit sale contract, you turn the title to the grain over to the elevator. You must have confidence in who you're dealing with, especially if the elevator experiences financial difficulties later on. Credit sales contracts are not guaranteed by the Iowa Indemnity Fund.

Farmers should expect some service charges by the elevator issuing the contract to cover costs. If there is no service charge, or a very low service charge

at this point in the crop year, the elevator may be assuming additional risk.

Finally, a producer could store grain in an elevator under a warehouse receipt. Fees are generally higher than credit sale contracts, but payments are guaranteed under the Iowa Indemnity Fund. Farmers with warehouse receipts receive 90 percent protection up to \$150,000.

Normally, warehouse receipted grain cannot be stored outside, but a few times in the past elevators have received emergency approval from the Iowa Department of Agriculture and Land Stewardship (IDALS) to store grain under warehouse receipt outdoors.

This emergency measure was taken during the 1994 and 1998 harvests. However to use this provision elevators must post a large per bushel surety for every bushel of warehouse receipt grain stored outside. At current corn prices, the per bushel bond required would be much higher than the value of the bushel. And the grain must be off the ground by the end of January. These two factors make it unlikely that a lot of warehouse receipts will be issued on grain stored in outside piles even if the emergency measure is approved by IDALS.