



Renting on-farm grain storage

by William Edwards, Iowa State University Extension Economist,
wedwards@iastate.edu

With an abundant harvest under way and low grain prices making immediate sales unattractive, storage space for corn and soybeans will be in high demand this fall.

The USDA Census of Agriculture from 2002 estimates that there is storage capacity for 1.5 billion bushels of grain on Iowa farms, and over 1.0 million bushels of commercial storage available in the state. By comparison, the latest USDA crop report projected 2.6 billion bushels of corn and soybeans would be harvested this fall in Iowa. Add in carryover bushels from the past and a few acres of other grain crops, and we are looking at a very tight situation.

When grain storage is scarce, older bins and other structures that are not usually in use may be pressed into service. Often this extra space is available on a rental basis. Several questions arise about fair rates and terms.

Rental rates

Commercial storage rates often run from 2 to 3 cents per bushel per month, with a 60-day or 90-day minimum. Those rates may be higher this year. However, elevator storage also includes handling and managing the grain, and bearing the risk of storage losses. When storage is rented on the farm, those services are usually not provided. Thus, farm storage rental will generally be below commercial rates.

The 2005 Iowa Farm Custom Rate Survey conducted by Iowa State University Extension showed an average rental rate of 2.7 cents per bushel per month for on-farm grain storage, and about 13 cents per bushel for the whole year. The range of rates reported for annual storage was 7 to 25 cents per year. Owners of farm storage usually prefer to rent by the year, since they will seldom have a chance to rent a bin more than once during a crop year.

The wide range in rates reflects a variety of conditions and features. The size of the bins and convenience for unloading and loading are obvious factors. Likewise, the type of aeration available and the availability of supplemental heat can add or subtract several cents per bushel.

Other structures

Other types of storage structures will generally rent for less than conventional grain bins. Flat storage, such as a machine shed, was not included in the survey. However, based on rental rates for machine storage, a charge of 5 to 7 cents per bushel is probably adequate. Of course, the owner of the grain would have to provide aeration and any other modifications needed to make the building suitable for storing grain, and assume responsibility for storage losses. Corn cribs would probably be worth a similar amount.

Another option is to store corn as high moisture corn in an air-tight silo. A survey taken a few years ago showed an average rental charge of \$2.50 per ton of silage for such structures. Assuming that 30 bushels of corn takes the same space as a ton of silage, an equivalent rate for corn would be about 8 cents per bushel.

Other considerations

The actual rental rate is not the only consideration when negotiating a rental agreement for grain storage. For example, who is responsible for checking the condition of the grain and deciding when to aerate it? Generally, the renter would want to do this, but in some cases the owner of the storage might perform this function. Access to the bins is important, also. Who will be responsible for clearing snow, or moving machinery?

The cost of electricity used for aeration is usually paid by the renter. If there is a separate electric meter for the bins, the cost can be observed directly. If not, the kilowatt-hours of electrical use

Renting on-farm grain storage, continued from page 4

can be estimated by multiplying 80 percent of the horsepower rating of the motor by the hours of use. The cost per kilowatt-hour can be found on the farm utility bill.

The date and manner of payment for the rent should be specified in advance. Some agreement about the date by which grain must be removed

is also important. Usually, enough time should be allowed to clean the bin before the next harvest. Finally, any storage structure should be carefully inspected before it is filled, and the responsibility for making any needed repairs or modifications established.

Custom harvesting rates affected by higher fuel prices

*by William Edwards, Iowa State University Extension Economist,
wedwards@iastate.edu*

Nearly everyone has been impacted by higher fuel prices this year. Custom corn and soybean harvesters are no exception. Their increased costs will likely be factored into custom harvesting rates this fall.

Estimates of diesel fuel consumption for combining corn range from 1.5 to 2.0 gallons per acre. Soybean harvesting takes only about 1.0 to 1.5 gallons per acre. Larger, newer combines will typically use less fuel per acre. The most recent survey of farm custom rates in Iowa was completed by Iowa State University Extension specialists last February, when the price of diesel fuel delivered to the farm was about \$1.60 per gallon. Since then prices have surged to as much as a dollar per gallon above that level. Fortunately, some operators have been able to purchase or contract fuel at prices lower than those seen in the most recent increases.

If an average price increase of \$.80 per gallon is assumed, and average fuel consumption is assumed to be 1.25 gallons per acre for soybeans and 1.75 gallons per acre for corn, the increased costs per acre for combining would be \$1.00 and \$1.40, respectively. If 15 percent is added to these increases to account for the cost of lubricants, the total increase in costs would be approximately \$1.15 per acre of soybeans and \$1.60 per acre for corn.

Custom operators should record their actual fuel consumption and purchase prices, so they can calculate a fair charge to their customers. Some operators may quote a base rate plus actual fuel costs to be calculated after crops have been harvested. In other cases, persons hiring the work done may provide fuel from their own supplies.

Costs for hauling grain to storage or market have also increased. Distances and fuel consumption rates vary widely, but haulers can estimate their own costs by recording fuel purchases and distances driven.