



# Ag Decision Maker

## A Business Newsletter for Agriculture

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### Corn drying, shrink and storage decision tools now available

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The near ideal growing conditions to close out the 2014 corn and soybeans growing season benefited both yields and quality. However, the crops will be harvested later than normal. This leaves much of Iowa's corn harvest to stretch from October well into November. Higher corn moisture levels are adding to shrink losses and drying costs with depressed cash market prices.

Rather than take discounts for delivery of corn above 15 percent moisture content, many farmers will let their crop dry down naturally in the field before harvesting. ISU Extension and Outreach research indicates that unharvested corn could dry at a rate of 0.3 points of moisture per day in wet, cool weather during the fall. Dry

down improves to 1.0 points of moisture per day in hot, dry weather. This reduces the cost of artificially drying the crop, but it may delay harvest and result in additional stalk lodging and potential ear loss.

Cash flow constraints and lack of adequate on-farm storage are two reasons why some farmers may choose to deliver corn at harvest above 15 percent moisture content. Lack of adequate on-farm and commercial drying capacity are other possible reasons for making cash sales. Farmers may choose to deliver corn above 15 percent moisture, accepting a discounted price but avoiding additional shrink losses as well as drying costs. Commercial storage requires that the corn be adjusted to 14 percent moisture to be placed under warehouse receipt.

The farmer making cash corn sales could still choose to use a minimum price contract to improve the final settlement price. This likely anticipates a futures price rally in the deferred contracts, likely May or July 2015 corn futures.

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**Handbook updates**

For those of you subscribing to the handbook, the following new updates are included.

- Current Crop Insurance Policies** – A1-48 (9 pages)
- Fieldwork Days in Iowa** – A3-25 (2 pages)
- Farmland Value Survey** (Realtors Land Institute) – C2-75 (2 pages)

Please add these files to your handbook and remove the out-of-date material.

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### Comparing cash sales with a moisture discount

Iowa State University has a new online decision tool you can use to compare selling your corn at harvest versus the shrink loss, drying and storage costs you would incur by drying and storing corn. Using the [ISU Extension and Outreach Ag Decision Maker Decision Tool A2-32, Corn Drying and Shrink Comparison](#), you plug in your own information and assumptions. Here's how it works.

**Step 1** - Variable cost estimate for on-farm drying: Choose a drying system and input your variable costs. Those are propane, electricity, drying time labor, drying capacity, average points of moisture removed per bushel, total bushels per year and total investment in drying system.

**Step 2**- Yield and moisture projections for unharvested corn: Input your own decisions regarding acres harvested, wet gross bushels yield, corn moisture in field, days before harvesting and expected cash grain price at harvest.

**Step 3** – Compare your grain sale alternatives at harvest: You can 1) Sell wet corn and incur a moisture discount; 2) Dry the grain commercially and then sell; 3) Dry it on-farm and sell it.

**Step 4** - Input your own final moisture level for commercial sale, moisture discount for wet corn sale, commercial drying charge and shrink factor. You might want to consider additional on-farm costs for drying and hauling.

**Step 5** - Input your own sales alternatives for after storage. This includes for the number of months grain will be stored, cash price paid after storage, moisture level for storage, minimum charge for commercial storage, base rate in months, monthly minimum charge commercial storage after minimum, quality deterioration on-farm storage, fans, electricity and labor on-farm storage and short-term interest rates.

### Summary

This new *Corn Drying and Shrink Comparison*, available on ISU's [AgDM website](#), is a decision tool that uses assumptions and compares net revenue after storage costs and the breakeven selling price needed to pay storage costs.

The new ISU information files (pdfs) and decision tools (Excel spreadsheets) were developed by retired ISU Economics Professor William Edwards and are posted to the ISU Extension and Outreach Ag Decision Maker web page at [www.extension.iastate.edu/agdm/cdmarkets.html](http://www.extension.iastate.edu/agdm/cdmarkets.html). They are:

- *Estimating the Cost for Drying Corn* - A2-31
- *Corn Drying and Shrink Comparison* - A2-32
- *Cost of Storing Grain* - A2-33



### Crop insurance policies in 2014

by Alejandro Plastina, extension economist, [plastina@iastate.edu](mailto:plastina@iastate.edu), 515-294-6160

The 2014 Farm Bill left the farm-level COMBO products introduced by the Risk Management Agency in 2011 unchanged, but released the Area Risk Protection Insurance (ARPI) to overhaul the county-level or Group products. This article describes COMBO and ARPI products and illustrates each of them with numerical examples.

### Farm-level COMBO products

The Common Crop Insurance policy provides three choices of buy-up plans: 1) insuring yields with the Yield Protection plan, or revenue with either; 2) the Revenue Protection plan, or; 3) the Revenue Protection with Harvest Price Exclusion plan. A fourth choice is to choose Catastrophic coverage, which is only available under the Yield Protection plan.

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