MONITORING AREA GRAIN BIDS

TRUCKING COSTS ADD UP - IS THE DISTANCE REALLY WORTH THE RETURN?

Here we are already—spring planting time! All of us at Security Bank wish you a safe and timely planting season! Hopefully we can get sufficient moisture to maximize the bushels for 2017 and get them into the bin.

Speaking of bushels, obviously in addition to getting the crop planted, you are likely thinking about the bushels from 2016 crop that will still need to go to market between now and harvest. It is a constant process of monitoring area grain bids and determining which destination will give the best price and is most cost-effective in terms of trucking. This month, we put together some helpful considerations and reminders to think about regarding trucking costs and choosing the best market as you go back and forth across the field with tillage and planting.

Best Regards,

KEITH KNUDSEN
PRESIDENT/CEO | SECURITY BANK

ASK A LENDER TODAY ABOUT OUR “GRAIN DELIVERY DECISION TOOL”

Looking for a tool to help you weigh your options and to be able to make educated decisions that are best for you and your operation?
TOP 4 CONSIDERATIONS WHEN DECIDING WHERE TO HAUL/SELL YOUR GRAIN

BY LEE POTTS | V.P./LOAN OFFICER
SECURITY BANK, LAUREL

A producer can spend significant time evaluating which markets will net the best grain price. There are many variables to consider. Price, basis, distance, fuel prices, labor cost, repairs, depreciation, and transport/wait time all factor into a decision of which location is best to choose. As we all know, this year it will be more important than ever to enhance income and reduce expense where possible with low prices and high costs.

Here are four considerations to help determine the best choice of where to sell grain.

1. **Come up with your costs to haul to various locations.** For example, by considering the mileage your truck gets, current fuel prices, round trip miles to/from each selected destination, labor cost per hour, hours per trip to each respective location, and bushels per load, do the math to figure out a per bushel cost of fuel and labor for each destination.

2. **Estimate repair and replacement costs.** In addition to fuel and labor, there is a cost associated with continued wear on your truck and trailer. This one will be a bit more difficult to determine. If you know what repairs have run on the truck and trailer the last few years, you can use an average, assuming there will be certain repairs to do annually, tires, servicing, etc. If figuring what these annual costs are, average it out over the total bushels you have to haul in the given year. Then add this per bushel cost to the fuel and labor cost already outlined.

Some people also figure a percentage of the purchase cost of the truck and trailer to cover the cost of replacing with a different truck and trailer after so many years.

3. **Monitor each desired location’s bids.** Many local elevators and processors will text you their daily bids. Otherwise, a person can find the information readily available on the internet. Bids obviously change based on futures price, basis, and the need for that location to acquire more grain (or not).

4. **Take the time to periodically determine which location could result in best net price.** Subtract the respective cost you arrived at for each location from that location’s current bid. Once you arrive at the cost to truck to each location, you might only need to update your information periodically depending on changes in fuel or other costs. There may be times where the further location still nets you a better price than somewhere closer, but there are times during the year where using a location closer to home may net a better cash price. For each location, you can develop a “rule of thumb” to know that when certain locations’ prices are within a certain spread, it might make more sense to choose one location over the other regardless of who happens to have a higher bid at the time. It comes back to which has the higher net price, and in general, the closer the location, the less cost to get the grain there.

Remember that what it might cost your neighbor to haul to a given location is likely different from what it might cost you to go to that same location. The bottom line with these points is simply to give consideration to all options, especially in years where managing marketing and costs can have huge impacts in your operation.