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Grain Bank Operations in Oklahoma

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In the grain bank, an individual can put grain in storage in an elevator and can draw it out later as processed feed when he needs it. This is somewhat similar to banking practice by which the individual deposits money in a bank and later draws it out as he wishes. Beyond this, however, there is little similarity. The farmer using a grain bank typically places feed grains in storage in a local elevator at or near harvest time. These grains he does not ordinarily wish to sell but rather to use in his livestock feeding operations. He leaves them in the elevator until he has need for feed. Several services may be performed by this local commercial elevator beyond the mere storage of the grain from the time it is delivered to the elevator until it is needed by the farmer. The grain may be ground, mixed with other grains or other ingredients, pelleted, sacked, and trucked to the farm.

Scope of Grain Bank Operations

Inasmuch as grain bank operations are relatively new in Oklahoma, there is considerable interest in their scope and methods of operation both by elevator organizations carrying on grain bank operations and by others considering the establishment of a grain bank. As a result of this interest, an inquiry was sent to all elevator organizations in Oklahoma asking if they were providing grain bank operations. Information was secured by a personal interview from each of the elevators indicating they were carrying on grain bank operations. By this method, data on grain bank operations were secured from 44 grain elevator organizations in Oklahoma in the Fall of 1960. While the grain bank is new in Oklahoma, the organizations of which it is a part may be relatively old. Grain bank operations generally started as departments or side-line operations of local grain elevators. Their newness is indicated by the fact that all but nine of the 44 were established in the years 1958, 1959, and 1960, and only one was established prior to 1954. The number started in 1958 was 12; in 1959, 16; and in 1960, to the time the

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information was secured, 7. A number of other elevator organizations were considering the starting of a grain bank at the time the survey was made.

Reasons for Starting a Grain Bank

Elevator managers were asked the major reasons, in order of their importance, for starting a grain bank. Those reasons given are listed in Table 1.

Table 1. Major Reasons for Starting Grain Bank

| Reason | Rank of Reason | | |
|---------------------------------------|----------------|--------|-------|
| | First | Second | Third |
| Service to farmers | 17 | 4 | 1 |
| Farmers requested | 16 | 4 | 1 |
| Lack of storage on farms | 2 | 4 | |
| Competition | 1 | | |
| Guarantee mill operation | 1 | | 2 |
| Greater milling efficiency | 1 | 5 | |
| Utilize facilities, labor and storage | 1 | 3 | |
| Handling convenience | 3 | 2 | |
| Increase capacity | 1 | 3 | 2 |
| Maintain good relations | | 2 | 3 |
| Maintain better grain | | 2 | 1 |

The two most important reasons were "service to farmers" and "farmers requested". These two reasons may actually mean the same thing in that the desire to perform a service to farmers may have been a result of farmers requesting a service, or of management's seeing that this service was needed.

Reasons related to the operations of the firm were secondary in importance to "service to farmers".

Volume of Operations

An indication of the size of the organizations carrying on grain bank operations is given by the number of bushels of different types of grain handled (Table 2). The average volume of all grain handled by the elevators surveyed was 692,626 bushels. Wheat was a major product with slightly over one-half million bushels, and was followed, in order, by grain sorghum, barley, oats, corn, and mixed grains. The average grain bank volume in 1959-60, based on data for 39 of the 44 elevators, was 39,019 bushels, which was approximately one-twentieth of the volume of all grain handled and a little over one-fifth of the volume of feed grains.

**Table 2. Volume of Operations in Year 1959-60
for Elevators Surveyed**

| | Total Bushels | Average Bushels |
|--------------------------------|---------------|---------------------|
| All Grain Handled ¹ | 29,090,301 | 692,626 |
| Wheat handled | 21,038,991 | 500,928 |
| Barley handled | 2,514,829 | 59,877 |
| Grain Sorghum handled | 4,561,535 | 108,608 |
| Oats handled | 702,187 | 16,719 |
| Corn handled | 50,759 | 1,209 |
| Mixed Grains handled | 27,000 | 214 |
| Grain Bank Volume ² | 1,521,758 | 39,019 ³ |

¹Data for 42 elevators

²Data for 30 elevators

³Range from 3,000 to 144,000 bushels

There was an expectation on the part of the managers that volume of grain bank operations would increase markedly within the next five years. The average estimate of the increase as given by 30 elevator managers was 99 percent, but the range was from 0 to 900 percent.

Grain Bank Storage Operations

The expansion in grain bank operations could add to storage needs, since most local elevators have been wheat organizations handling relatively small amounts of feed grains. A number of feed grains can not be binned by grade conveniently, with existing storage space. The storage problem is further complicated by the fact that quantities of a particular variety and grade of feed grains will likely not require as large storage bins as would wheat.

If storage space is ample, however, the grain bank operation will bring about a fuller utilization of available space.

Elevator managers agreed that at this time storage is not a major problem.

Problems of Grain Quality

When asked, "Is quality a problem in grain bank operations?" only two of the elevator managers said "yes." One elevator which indicated that quality was a problem related this to shortage of storage space. The other took only No. 1 or No. 2 grades of grain. Comments such as the following indicated how the grain was handled:

Farmer accepts same grade he delivered.

Grain graded in and out; customer pays difference.

Accept only good grades of grain.

Understanding with farmer at time of grain deposit.

Grades haven't varied enough to create problems.

Moisture content tests—no exceptions made.

Only one of the elevators had a formal agreement signed between the farmer and the elevator management.

Grain Overdrawals

Overdrawals on grain bank accounts were not a problem to the elevators. Only one organization felt that it was a problem. In this organization, when the account was overdrawn, a sale was made to the overdrawn account to compensate for the withdrawal. Generally grain bank accounts were balanced daily. At least one organization gave the farmer a copy of his ledger sheet which he must bring to the elevator when withdrawing grain from his account. Another organization charged the current market price on overdrafts extending ten days or more.

Charges for Grain Bank Services

There was a lack of uniformity in charges made for different grain bank services. Some organizations, for example, had a specific charge for each of the services, while others had an overall charge which covered several services. The combinations were many.

Storage charges for the grain bank averaged 2.3 cents per hundredweight per month for barley, 1.9 cents for grain sorghum, and 2.8 cents for oats. There was not a wide range in the amounts charged by the different elevators. This uniformity was in contrast to other charges made (Table 3).

Table 3. Charges Made by Elevators for Storage, Conditioning, and Shrinkage in Grain Bank Operations

| Grain | Storage ¹ | | Conditioning and Shrinkage | |
|---------------|----------------------|----------------------------|----------------------------|----------------------------|
| | No. | Amount (cents per cwt.) | No. | Amount (cents per cwt.) |
| Barley | 38 | 2.3 | 37 | 3.6 |
| | | | 23 ² | 5.8 |
| Grain Sorghum | 38 | 1.9 | 37 | 3.3 |
| | | | 23 ² | 5.4 |
| Oats | 33 | 2.8 | 32 | 4.2 |
| | | | 20 ² | 6.8 |

¹Cents per hundredweight per month.

²Number and average charge for those showing a conditioning and shrinkage charge. Average above is for those showing either a charge or no charge.

Conditioning and shrinkage charges varied greatly in the elevators surveyed. The range was from 0.0 to 12.0 cents per hundredweight for barley, making an average charge of 3.6 cents. However, the average for the elevators making a charge was 5.8 cents per hundredweight. Results were somewhat similar for grain sorghum and oats.

For *grinding*, the average charge made by the elevators was 13.8 cents per hundredweight (Table 4). Here again the range was extensive, for the minimum charge was 5 cents and the maximum 20 cents in the 41 elevators from which data were secured. For *mixing*, the average charge was 7.4 cents per hundredweight, although the range was from zero to 20 cents. When elevators listing zeros were eliminated, the average was 8.3 cents. The range was from 5 cents to 20 cents per hundredweight.

For the services provided by grain banks there was uniformity in charges for storage only. In all other cases the ranges were extensive.

Table 4. Charges Made by Elevators for Grinding and Mixing in Grain Bank Operations

| | No. of Elevators | Charge in Cents per Hundredweight Average | Range |
|----------|------------------|---|----------|
| Grinding | 41 | 13.8 | 5.0-20.0 |
| Mixing | 40 ¹ | 7.4 | 0.0-20.0 |
| | 36 ² | 8.3 | 5.0-20.0 |

¹Includes elevators listing no charge.

²Does not include elevators listing no charge.

Estimated Costs of Services

Most elevators did not estimate the cost for providing individual services. For those making estimates, however, a comparison was made for the charge for grinding and the estimated cost for grinding. Twelve elevators listed both the estimated cost and the charge for grinding (Table 5). The average charge for grinding for these twelve elevators was 14.3 cents per hundredweight, while the average estimated cost to these elevators for this grinding service was 11.6 cents. Examination of the charges and estimated costs for individual elevators, however, revealed a great lack of uniformity. In individual cases the estimated cost may be greater than the charge, equal, or considerably less. While charges ranged from 10 to 20 cents per hundredweight, the estimated cost ranged from 3 cents to 24 cents per hundredweight.

Table 5. Grinding Charges and Estimated Costs in Cents per Hundredweight

| Elevator Code Number | Charge | Estimated Cost |
|----------------------|--------|----------------|
| 1 | 20 | 14 |
| 4 | 20 | 24 |
| 15 | 12.5 | 7 |
| 20 | 15 | 8 |
| 21 | 15 | 15 |
| 26 | 15 | 15 |
| 27 | 10 | 8 |
| 29 | 10 | 5 |
| 31 | 15 | 15 |
| 32 | 15 | 15 |
| 34 | 15 | 3 |
| 36 | 10 | 10 |
| Average | 14.3 | 11.6 |

Major "Likes" of Grain Banks

Managers of each of the elevators surveyed were asked to give in order the major "likes" for the grain bank and, following, the major "dislikes," giving the most important reason first, the second most important reason next, and so on (Table 6). The major like of the grain bank was that it provided a service or convenience to farmers. Twenty-three of 40 elevators listing likes gave this as their first reason. Characteristics having lesser frequency of reply were tied more to elevator operations, such as "evens the flow of business for the mill," "mill labor and facilities used more fully," and "feed mill business increased." The characteristic rating second in the greatest number of cases was "to make new customers," although this was followed closely by "better grades maintained," "as service or convenience to farmer," and "mill labor and facilities used more fully."

Table 6. Major "Likes" of the Grain Bank

| "Like" | Number of elevator managers Giving "Like" the following rank | | | |
|--|--|--------|-------|--------|
| | First | Second | Third | Fourth |
| 1. Storage space utilized | 2 | 3 | 3 | 1 |
| 2. Mill labor and facilities used more fully | 4 | 5 | 2 | 2 |
| 3. Feed mill business increased | 3 | 4 | 1 | 1 |
| 4. Ties customer to elevator | 2 | | 4 | 1 |
| 5. To keep customer | 1 | 1 | 3 | |
| 6. To make new customers | 1 | 7 | 4 | 2 |
| 7. To encourage sales in other lines | | 2 | 3 | 2 |
| 8. Evens the flow of business for mill | 4 | 3 | | |
| 9. As service or convenience to farmer | 23 | 6 | | 1 |
| 10. Better grades maintained | | 6 | 1 | 1 |
| 11. Eliminates excess operating capital | | | 1 | |

Major "Dislikes" of Grain Banks

Elevator managers did not have many dislikes of the grain bank (Table 7). The major dislike, however, was of the extra bookkeeping procedures required, although none of the organizations had added bookkeeping help to take care of grain bank operations. Many of them recognized that an extra bookkeeping load was added by grain bank operations.

Table 7. Major "Dislikes" of the Grain Bank

| "Dislike" | Number of elevator managers giving "dislike" the following rank | | | |
|-------------------------------------|---|--------|-------|--------|
| | First | Second | Third | Fourth |
| 1. Keeping customers informed | 1 | 2 | | |
| 2. Added storage space | 1 | 1 | | |
| 3. Bookkeeping procedure | 11 | 2 | | |
| 4. Overdrawn accounts | 1 | | | |
| 5. Grade changes while in storage | | | | |
| 6. Balanced rations and the manager | 1 | | | |
| 7. Delivery of poor quality | 1 | | | |
| 8. Small withdrawals | 1 | | | |
| 9. Member relations | 1 | 1 | | |

Operating Problems

The managers of 22 elevator organizations said they had no problems associated with the grain bank. Several managers indicated that they did have some problems (Table 8). The first of these was lack of storage space. The second was charges on storage, which are complicated by placing the grain in storage on the grain bank plan and perhaps later on taking it out without having it processed. The third problem was that of bookkeeping discussed above.

Table 8. Major Problems of the Grain Bank

| Problem | Number of Elevator Managers Considering Problems Important |
|---------------------------|--|
| 1. Lack of storage | 3 |
| 2. Charges on storage | 2 |
| 3. Bookkeeping | 2 |
| 4. Grade differences | 1 |
| 5. Collecting charges | 1 |
| 6. Dissatisfied customers | 1 |
| 7. No problems | 22 |