



# Change On the Rural Horizon: Managing the Expansion of Grain Storage in the Corn Belt

by Dan Kowalski

Lead Analyst,

Knowledge Exchange Division

## Inside this Issue...

Introduction..... 1

Background..... 2

How Did We Get Here?..... 3

The Way Forward..... 6

Conclusion..... 9

## Key Points:

- *Roughly 80 percent of U.S. grain storage capacity is located within the 12-state Corn Belt region, and this region accounts for 90 percent of new capacity added since 2005. During this period, Corn Belt capacity increased by 17 percent, or 2.7 billion bushels.*
- *Off-farm storage now accounts for 42 percent of Corn Belt capacity, but its share grew nearly twice as fast as on-farm storage since 2005 (24% growth vs. 13%). This trend suggests that most producers are opting to take on less risk and less leverage by utilizing elevator storage, whereas larger operations are storing more grain onsite.*
- *Since 2005, operational risks for the grain handling industry have increased dramatically. Wider trading ranges for commodities, shifting transportation patterns, and competitive threats are among the most significant challenges facing the industry.*
- *Meeting the evolving needs of producers will be critical to the future survival and success of grain handling firms. Success factors will include the ability to offer sufficient storage capacity in optimal locations, faster/newer technology, and competitive rates.*
- *Based on grain supply forecasts for the 12 Corn Belt States, it is estimated that this region will need about 2.3 billion bushels of additional capacity by 2020, of which 1.3 billion bushels is projected to be built off-farm.*
- *Yields for corn and soybeans will have the greatest impact on these estimates. If actual yields across the region trend five percent above or below our assumed rates, our estimates of additional storage needs would then range from 1.5 to 3.2 billion bushels. In turn, construction costs would range from \$2.5 – \$5.1 billion.*

## Introduction

The landscape of the countryside is changing. Record grain production in recent years has necessitated massive investments in new storage bins across the heartland. And while the building craze began several years ago, it is likely to be years before new construction subsidies. Not only has the demand for storage space increased, but the grain handling industry is operating in a new-normal