

# NORTH DAKOTA FARMERS' GRAIN MARKETING PRACTICES

Gary Bedker and Donald Anderson

Agricultural marketing channels have been changing in recent years. Considerably more market outlets are available to today's farmers than to the farmer in the early 1900's. In an effort to determine the effects these relatively new outlets have on farmers' marketing strategies and the factors farmers consider in marketing small grain, a survey was conducted in 1972. Results of this survey provide information which farmers can use to improve their techniques in marketing their grain. Additionally, grain marketing firms may use the results of this study to improve their buying effectiveness and to identify the services required by customers.

The survey of farmers was conducted in North Dakota's most highly concentrated small-grain growing region, east central North Dakota. Farmers interviewed were randomly selected and stratified into three farm size categories (large, medium and small). The data below illustrate the acreage included in the farm size categories and the acres of cropland harvested in 1971.

Category	Acres in Farm	Avg. Acres Harvested in 1971
Large	1,601 acres and over	1,080
Medium	801 to 1,600 acres	528
Small	160 to 800 acres	245

## Marketing Channels Used

Of the 75 farmers interviewed, five sold small grains in marketing outlets other than the local country elevator. One farmer sold wheat to a sub-terminal market located 45 miles from his farm, and four farmers sold barley through the National Farmers Organization (NFO). The average barley sale to the NFO was 2,227 bushels, and the grain in all cases was picked up at the farm by truck.

## Importance of Local Elevator

In all cases in which the farmers sold through market outlets other than the country elevator, a substantial amount of grain was also sold to the

country elevator. During the calendar year 1971, 99.3 per cent of the total wheat sales by farmers interviewed was sold to the local elevator. This reinforces the importance placed on the local ele-

**Table 1. Advantages of Selling Through a Local Elevator by Frequency of Farmers Responding in Study Area, 1972.**

Response	Frequency of Response*
	Per Cent
Convenience	60.6
Know the person with whom you are dealing	18.0
Freedom to sell when you want	14.7
Information	11.5
Patronize the local community	9.8
Certain of price before selling	9.8
Fair prices	9.8
Continuous market	8.2
Availability of time	8.2
Premiums and fair grading	6.5
Blending grain	4.9
Certain of grade before selling	3.2
No problems with road restrictions	3.2
Dividends	1.6

\* Many farmers listed more than one advantage of the local elevator. The frequency is based on the number of farmers interviewed and not the number of responses received.

Bedker is a former graduate assistant and Dr. Anderson is professor, Department of Agricultural Economics.

**Table 2. Characteristics of Local Elevators and the Per Cent of Farmers Feeling the Characteristic is Present in Their Local Elevator by Farm Size, 1972.**

Characteristics	Farm Size		
	Small	Medium	Large
		Per Cent	
Friendly, helpful personnel	96	96	100
Fair prices, grades and discounts	88	92	100
Grain handling ability satisfactory	92	88	100
Storage capacity adequate	68	76	40
Grain unloading is efficient	48	76	76
Modern, up-to-date facility	72	76	88
Pays for grain within reasonable time	100	100	100
Provides needed services	24	28	24
Pays premium on large lots	12	32	52
Provides credit for purchase	84	88	92
Has farm supplies available	84	92	92
Protein tests can be taken	0	8	16

vator as a marketing outlet in the area under study.

In looking at the importance of the local elevator, farmers were asked to give the advantages of selling through the local elevator over other market outlets. Table 1 illustrates the type and frequency of responses from farmers in the study area.

About 60 per cent of the respondents stated that convenience was the primary advantage the local elevator had over other market outlets. Average distance from the farm site to the local elevator patronized was about 6.5 miles. In addition to convenience, 18 per cent of the responses noted that knowing the person they are dealing with is an advantage when selling their grain. Many stated that the other marketing outlets offer little or no personal contact in the selling of their grain.

The local elevator has the advantage of providing a continuous market where a farmer can sell his grain when he has time and labor available. Some farmers noted that the information provided by the local elevator was a considerable advantage. The ideas of patronizing the local community and also receiving dividends were con-

sidered as an incentive to market at the local elevator. The certainty of a price and grade of the grain being sold before it leaves the farm site is an advantage which was considered important. One farmer stated that by shipping direct or through other market outlets of considerable distance away, he was at the mercy of the market outlet.

Farmers surveyed were asked to identify the disadvantages of dealing with the local elevator compared with other market outlets. About 35 per cent of the farmers listed a price disadvantage in dealing with the local elevator. The idea of dealing with the "middle man" in selling their grain was the reason for many of these responses. Farmers felt that they could get a higher net price for their grain by providing their own transportation.

A convenience disadvantage was noted by 27 per cent of the farmers. Many of these farmers felt that it is much more convenient to have a trucker come to the farm site and load grain than to haul to the local elevator. Others responding to the question felt that they did not have the labor available to haul grain when they would like to sell. They felt that by using market outlets where

**Table 3. Factors Influencing Choice of Market Outlet and Per Cent of Farmers Who Feel These Factors Have a Significant Influence on the Choice of Market Outlet by Farm Size, 1972.**

Factor	Farm Size			Average
	Small	Medium	Large	
		Per Cent		
Higher prices	96	96	96	96.0
Convenience	96	88	96	93.0
Lenient grading practices	72	88	72	77.0
Loyalty to firm or manager	60	76	76	70.6
Firm provides credit for purchases	60	60	80	66.6
Farm supplies available	52	60	64	58.6

**Table 4. Marketing Practices and Per Cent of Farmers Feeling That the Practice Could Provide a Higher Price by Farm Size, 1972.**

Marketing Practice	Farm Size			Average
	Small	Medium	Large	
			Per Cent	
Selling for seed	64	80	76	73.3
Providing uniform quality	48	80	76	68.0
Selling in large volume	60	60	68	62.6
Dealing with local elevator	36	40	52	42.6
Selling through a marketing association	32	36	32	33.3
Dealing with the processor	20	32	44	32.0
Dealing with terminal elevator	12	24	32	22.6
Delivery to purchaser	16	20	28	21.3
Selling to another farmer	8	16	8	10.6
Selling at harvest	8	4	8	6.6

transportation normally is provided, the problem of labor availability would be decreased greatly.

**Attitudes About the Local Elevator**

Table 2 illustrates the percentage of farmers in each farm size group that felt the characteristics listed are provided by their local elevator in a satisfactory manner.

As illustrated in the preceding table, the services provided to the farmers appear to need improvement. Some specific services cited as needing improvement were feed grinding, seed cleaning, protein testing and market information.

**Choice of Grain Marketing Outlet**

An attempt was made to measure the importance of factors influencing farmers' decisions as to choice of grain market outlet. A list of factors believed to influence the choice of marketing outlet was presented in the questionnaire. Farmers were asked to check the factors that influenced their choice of outlet. Table 3 presents the responses of farmers in each farm size category which farmers felt had an influence on their choice of marketing outlet.

As illustrated in Table 3, convenience and price received the largest percentage of responses. Lenient grading practices and loyalty to the firm or manager received a substantial per cent of responses.

The price received for grain in all farm size groups was considered the most important factor in making a decision as to the choice of marketing outlet. Convenience and lenient grading practices were the next two most important factors. There is no apparent difference between farm size groups in deciding which factors are of greatest importance.

**Opinions on Selling Strategies**

Although the marketing outlets available to farmers were somewhat limited, marketing practices between farmers may differ. In this study farmers were asked about marketing practices and their effect on increasing the prices they received. Table 4 lists the marketing practices which were included in the schedule and the percentage of farmers, according to farm size, who felt that the marketing practice could provide a higher price for their grain.

**Table 5. Per Cent of Farmers Anticipating Changes in Marketing Practices Within the Next Five Years by Practice and Farm Size, 1972.**

Changes in Marketing Practice	Farm Size			Per Cent of Total Responses
	Small	Medium	Large	
			Per Cent	
None	72	44	52	56.00
Contract selling	0	4	4	2.67
Ship direct to processor or terminal elevator	20	28	24	24.00
Add storage	8	4	4	5.33
Market to larger local elevator	0	0	4	1.33
Ship through local elevator	0	4	4	2.67
Large volume selling	0	12	8	6.67
Market at different time periods	0	4	0	1.33
	100	100	100	100

The marketing practices of selling grain for seed, providing uniform quality of grain and selling grain in large volumes were noted by more than half of the farmers interviewed as a practice which could provide a higher per bushel price. Some farmers stated that a combination of two or more marketing practices is required to obtain a higher price per bushel.

#### Anticipated Changes in Marketing

A question was asked about changes anticipated in their marketing practices within the next five years. The question was asked in an attempt to determine the extent that farmers are planning changes in their marketing strategies. Table 5 lists the responses of farmers interviewed and the percentage of responses within each farm size group.

The majority of the farmers interviewed did not anticipate any changes in marketing their grain. About one-fourth of the farmers, however, anticipated shipping grain direct from the farm to grain processors or to terminal elevators.

#### Factors Considered in Choosing When to Sell

Farmers interviewed were asked to identify the most important factors considered in the timing of their grain sales. These factors are shown in Table 6.

**Table 6. Factors Considered in the Timing of Grain Sales, by Per Cent of Farmers Responding, 1972.**

Response	Per Cent Responding
Price	73.3
Availability of labor or time	12.0
Need money	6.7
Income tax	6.7
Local elevator storage shortage	1.3
	100.0

The price of grain and availability of labor, both of which seem to be typically low during harvest periods, are the most frequent responses listed by farmers for choosing when to sell grain. The need for ready cash, income tax considerations and farm storage shortages also are important factors considered by many farmers in the timing of grain sales.

#### Adequacy of Farm Storage Facilities

The total amount of farm storage facilities on sample farms at harvest-time in 1971 was enough to handle about 138 per cent of the crop produced during the calendar year 1971. The type of grain storage facilities used tends to vary according to the needs of the individual farmer. Table 7 shows

**Table 7. Per Cent and Average Capacity of Storage by Kind of Storage and Farm Size, 1972.**

Kind of Storage	Farm Size			Average of Total
	Small	Medium	Large	
Per cent and Average Capacity				
<b>Metal Bins</b>				
Per cent of farms using	84%	92%	100%	92%
Avg. bushel capacity/farm reporting	7,000	18,000	25,500	17,400
Avg. bushel capacity for all farms	5,900	16,600	25,500	16,000
<b>Wooden Granaries</b>				
Per cent of farms using	84%	84%	72%	80%
Avg. bushel capacity/farm reporting	5,900	10,500	16,300	10,600
Avg. bushel capacity for all farms	5,000	8,800	11,800	8,500
<b>Quonset</b>				
Per cent of farms using	20%	52%	76%	49%
Avg. bushel capacity/farm reporting	15,200	18,200	22,800	20,100
Avg. bushel capacity for all farms	3,000	9,400	17,300	9,900
<b>Silo</b>				
Per cent of farms using	8%	8%	12%	9%
Avg. bushel capacity/farm reporting	4,000	2,500	3,700	3,400
Avg. bushel capacity for all farms	300	200	400	300
<b>Other</b>				
Per cent of farms using	24%	16%	44%	28%
Avg. bushel capacity/farm reporting	3,200	10,300	22,500	14,600
Avg. bushel capacity for all farms	800	1,600	9,900	4,100
Avg. Total Bushel Capacity (All Farms)	15,000	36,600	64,900	38,800
Avg. Storage Per Acre of Cropland	61	69	61	—

the types and capacities of storage facilities for each farm size category. Included in the "other" column are small elevators, barns, sheds and other temporary storage facilities.

Metal bins were the major type of storage facility used by farmers interviewed. The proportion of farm use of metal bins and quonsets tends to increase with farm size. These two types of storage facilities accounted for two-thirds of the storage found on farms surveyed.

Farmers interviewed were asked about the amount and type of storage which they anticipate adding in the next five years. Table 8 presents the responses of farmers asked if their farm storage was adequate for their individual farm. The highest percentage of farmers stating that storage was inadequate was the medium-size farm group. These data indicate that farmers believe farm storage is a necessary part of their grain marketing strategies.

**Table 8. Per Cent of Farmers Having Adequate and Inadequate Storage by Farm Size Category, 1972.**

Response	Farm Size		
	Small	Medium	Large
		Per Cent	
Adequate	84	40	48
Inadequate	16	60	52

Table 9 indicates the type, amount and kind of storage which was anticipated being added in the next five years. Metal bins and quonsets are the two most popular types of storage facilities being planned within the study area.

As shown by Tables 8 and 9, many of the farmers feel that their storage is inadequate and that either metal bins or quonsets are being planned to increase the farmers storage capacity. If the planned storage space were added to farms, average storage capacity per farm would increase about 16 per cent for the farmers interviewed.

**Table 9. Per Cent and Average Storage Space Per Type Anticipating Adding by Kind of Storage and Farm Size Category, 1972.**

Kind of Space to Be Added	Small		Medium		Large	
	Per Cent of Storage Space to Be Added	Average Storage Space/Type	Per Cent of Storage Space to Be Added	Average Storage Space/Type	Per Cent of Storage Space to Be Added	Average Storage Space/Type
Metal bins	100.0	5,000	80.00	13,500	84.62	16,818.18
Wooden			6.67	10,000		
Quonset			13.33	15,000	15.38	27,500.00
TOTAL	100.0	5,000	100.0	13,446.5	100.0	18,461.58

## Summary

Results of the survey indicate the importance of the local elevator to North Dakota small-grain farmers. Local elevators received more than 99 per cent of the total wheat sold by sample farmers in 1971.

Convenience and knowing the person the farmer was dealing with were the main advantages the local elevator had over other marketing channels in selling grain. Some of the local elevator characteristics which were felt to need improvement were the storage capacity and customer services provided by local elevators. The primary factors considered important in selecting a marketing outlet, in order of importance, were price, convenience, grading practices, loyalty to firm or manager, credit provisions for purchases and the availability of farm supplies.

The majority of farmers interviewed felt that by using the marketing practices of providing uniform quality, selling in large volume, or selling grain for seed, they could increase their net price per bushel of grain sold. Most farmers anticipated no change in their marketing strategies in the next five years. Twenty-four per cent of the farmers, however, responded that they were going to try to ship grain directly from the farm to the terminal market or processor.

The major factors considered by farmers interviewed in determining the timing of their grain sales were price and availability of labor. Income tax considerations, the need for ready cash and farm storage shortages also affected the time in which they chose to sell grain.

An average increase in storage capacity of about 16 per cent was indicated by farmers interviewed. The addition of these storage facilities was anticipated to increase marketing flexibility of farmers, and thereby strengthen their marketing position.