CALCULATING GRAIN DRYING COST

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Cost categories involved when drying grain are energy costs, which vary with the amount of moisture removed; capital costs, which are fixed once a dryer is purchased, labor costs and handling costs. Although individual situations differ and should be analyzed accordingly, estimates can be made. Typical cost estimates are made in this circular to help evaluate grain drying decisions.

The energy cost associated with drying wheat and corn will be about 1.5 cents per bushel per point of moisture removed. The expected energy cost for sunflower is 2.5 cents per hundredweight per point of moisture removed. This is based on 70 cents per gallon propane using a high temperature dryer. Capital costs will be about 6 cents per bushel, labor cost will be about 2 cents per bushel.

ESTIMATED ENERGY COSTS

Energy consumption depends on the type of dryer. Generally, the faster the drying speed, the greater the energy consumption. An estimate of the amount of energy required to remove a pound of water using different dryer types is listed in Table 1.

### Table 1. Estimated Drying Energy Requirement.

<table>
<thead>
<tr>
<th>Dryer Type</th>
<th>BTU's/lb. of Water Removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Air</td>
<td>1000-1200</td>
</tr>
<tr>
<td>Low Temperature</td>
<td>1200-1500</td>
</tr>
<tr>
<td>Batch-In-Bin</td>
<td>1500-2000</td>
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<tr>
<td>High Temperature</td>
<td></td>
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<tr>
<td>Air Recirculating</td>
<td>1800-2200</td>
</tr>
<tr>
<td>Without air recirculating</td>
<td>2000-3000</td>
</tr>
<tr>
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<td>3413 BTU per KWH</td>
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</tbody>
</table>

For natural air drying, approximately 50 percent of the drying energy is provided by electricity for the fan and 50 percent comes from the air. When drying low temperature, about 50 percent of the energy is provided by electricity for the fan and 50 percent by electricity or propane for the heater. About 98 percent of the energy for high temperature drying is provided by propane for the heater and about 2 percent by electricity for the fan. This needs to be considered when selecting the energy price in Tables 2, 4 and 5. Propane at 60 cents per gallon used for heat is approximately equivalent to electricity at 5.14 cents per kilowatt hour for motors and electricity at 2.57 cents per kilowatt hour for heating.

### Table 2. Estimated Drying Energy Cost Per Pound of Water Removed.

<table>
<thead>
<tr>
<th>Propane Price (¢/gallon)</th>
<th>Fan Electric Rate (¢/KWH)</th>
<th>Electric Heat Rate (¢/KWH)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>50</td>
<td>55</td>
</tr>
<tr>
<td>500</td>
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<tr>
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<td>3500</td>
<td>1.875</td>
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</tbody>
</table>

1 Refer to Table 1.
2 A propane price of 70¢/gal is approximately equivalent to electricity at 3¢/KWH for a heater and electricity at 6¢/KWH for a fan.

13 AENG 2-1
of water per hundredweight. This is \(7.15 + 6 = 1.19\) pounds per hundredweight per point of moisture removed.

Based on 0.72 pounds of water per bushel per point for wheat and corn, and 1.19 pounds of water per hundredweight-point for sunflower, the energy cost of drying is shown in Tables 4 and 5. For example, the estimated drying energy cost for drying wheat using a natural air type dryer and a 6 cents per kilowatt hour electric rate for the fan is 0.76 cents per bushel-point. The energy cost drying the wheat from 17 percent to 13 percent moisture content then is 0.76 cents per bushel-point \(\times 4\) percent = 3.04 cents per bushel. The estimated energy cost using a low temperature dryer and a 6 cents per kilowatt hour electric rate for the fan and a 3.21 cents per kilowatt hour electric rate for the heater would be \((0.95 + 1.01) \times 4 = 3.92\) cents per bushel-point. The estimated energy cost for drying the wheat from 17 percent to 13 percent is 0.98 cents per bushel-point \(\times 4 = 3.92\) cents per bushel. The estimated energy cost using a high temperature dryer without air recirculating using 2500 BTUs/lb and a propane price of 70 cents per gallon is 1.58 cents per bushel-point. The estimated cost for drying wheat four percentage points is 1.58 cents per bushel-point \(\times 4 = 6.32\) cents per bushel.

**ACTUAL ENERGY COST**

Actual energy costs are calculated by measuring the amount of moisture removed and the amount of

<table>
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<tr>
<th>Moisture Content</th>
<th>Wheat</th>
<th>Sunflower</th>
<th>Corn</th>
<th>Barley</th>
<th>Oats</th>
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</table>
energy used. Weighing the wet grain and the dried grain would accurately determine the pounds of water removed. For example, 500 bushels of 23 percent moisture corn would weigh about 30,723 pounds and 500 bushels of 15 percent moisture corn would weigh about 27,835 pounds, so 2890 pounds of water would be removed during drying. If the grain is not weighed, both the number of bushels dried and the change in moisture content are required to determine the amount of moisture removed in bushel-points. For example, the amount of moisture removed drying 500 bushels of corn from 23 to 15 percent moisture content is $500 \times (23 - 15) = 4000$ bushel-points of moisture removed.

The amount of all forms of energy used for drying must be measured. For example, the number of gallons of propane and the number of kilowatt-hours of electricity. One gallon of propane has an effective heat content for grain drying of about 80,000 STUs.

### Table 4. Estimated Drying Energy Cost for Wheat and Corn.

<table>
<thead>
<tr>
<th>Dryer Type</th>
<th>Drying Energy Requirement BTU's/lb. water</th>
<th>Estimated Energy Cost (Cents/Bushel-Point)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Air</td>
<td>1200</td>
<td>0.54 0.59 0.65 0.70 0.76 0.81 0.86 0.92 0.97</td>
</tr>
<tr>
<td>Low Temperature</td>
<td>1500</td>
<td>0.68 0.74 0.81 0.88 0.95 1.01 1.08 1.15 1.22</td>
</tr>
<tr>
<td>Batch-in-Bin High Temperature w/Air Recirculating</td>
<td>2000</td>
<td>0.90 0.99 1.08 1.17 1.26 1.35 1.44 1.53 1.62</td>
</tr>
<tr>
<td>Batch-in-Bin High Temperature w/o Air Recirculating</td>
<td>2500</td>
<td>1.13 1.24 1.35 1.46 1.58 1.69 1.80 1.91 2.03</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3000</td>
</tr>
</tbody>
</table>

0.72 pounds of water per bushel per point of moisture 17% to 13% wheat 23% to 15% corn

### Table 5. Estimated Drying Energy Cost for Sunflower.

<table>
<thead>
<tr>
<th>Dryer Type</th>
<th>Drying Energy Requirement BTU's/lb. water</th>
<th>Estimated Energy Cost (Cents/Bushel-Point)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Air</td>
<td>1200</td>
<td>0.89 0.98 1.07 1.16 1.25 1.34 1.43 1.52 1.61</td>
</tr>
<tr>
<td>Low Temperature</td>
<td>1500</td>
<td>1.17 1.23 1.34 1.45 1.56 1.67 1.79 1.90 2.01</td>
</tr>
<tr>
<td>Batch-in-Bin High Temperature w/Air Recirculating</td>
<td>2000</td>
<td>1.49 1.64 1.79 1.93 2.08 2.23 2.38 2.53 2.68</td>
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<tr>
<td></td>
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<td>2500</td>
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<td>3000</td>
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</table>

1.19 pounds of water per CWT per point of moisture 16% to 10%
per gallon. One kilowatt-hour of electricity is equivalent to 3413 BTUs. To dry the 500 bushels of corn mentioned previously might take 88.5 gallons of propane and 42.3 KWH of electricity. The energy used would be 88.5 \times 80,000 = 7,080,000 BTU from the propane and 42.3 KWH \times 3413 = 144,370 BTU from the electricity totaling 7,224,370 BTUs. The energy required to remove a pound of water during drying then is 7,224,370 BTU/2890 lbs. = 2500 BTU per pound. If the price of propane is 70 cents per gallon, then the propane drying cost is $0.70 \times 88.5 = $61.95. At an electric price of 6 cents per KWH, the cost for electricity is $0.06 \times 42.3 \text{ KWH} = $2.54. The total drying energy cost then is $61.95 + 2.54 = $64.49, which is 1.61 cents per bushel per point of moisture removed; (64.49 \div 4000 \text{ bu-pts}).

**LABOR COST**

Labor should be included as a cost when determining a custom rate. The total hourly labor rate should be used if the person is constantly at the dryer and a fraction of the hourly labor rate if the person only attends the dryer part-time. The labor cost per unit dried is the hourly rate divided by the drying rate.

Per unit labor cost = \text{Hourly Labor Rate} \div \text{Hourly Drying Rate}

Per unit labor cost = $5.00/hr. = $0.02 per bushel 250 bu/hr.

**HANDLING COSTS**

More grain handling equipment is likely required when drying grain than if the grain is not mechanically dried. There is both a capital cost for the equipment as well as an energy cost when using the equipment. The capital cost is about 16 percent of the purchase price. The capital cost can be divided by the number of bushels handled to give a per unit fixed cost. An estimated capital cost might be 1 to 2 cents per bushel. The handling energy cost will vary depending on the type of handling equipment used. The per unit cost is calculated by dividing the total energy cost for grain handling by the number of bushels moved. The energy cost is insignificant on a per bushel basis so the total handling cost can be estimated as about 1 to 2 cents per bushel dried.

**ESTIMATED FIXED AND CAPITAL COSTS**

The capital cost (annual ownership cost) depends on the price of the dryer or drying system. Annual ownership cost can be estimated at about 16 percent of the purchase price. This includes a depreciation rate of 10 percent, 8 percent interest on average investment, 0.5 percent for insurance, and 3 percent for repairs. For a $15,000 dryer the annual ownership cost would then be $2,400. The capital cost per bushel depends on the amount the dryer is used. Table 6 shows the capital cost per bushel for a $15,000 dryer for various quantities of crop dried per year.

**ACTUAL CAPITAL COST**

Determine the actual capital or ownership cost by examining depreciation, interest on average investment, insurance and possibly repairs (unless repairs are recorded separately).

**Annual Depreciation**

Annual depreciation is determined by multiplying the depreciation rate times (purchase price – salvage value).

The depreciation rate can be calculated using the straight line method:

\[
\text{Depreciation (\%) = } \frac{100}{\text{Rate}} \times \text{Years of Life}
\]

\[
\text{Depreciation (\%) = } \frac{100}{10} = 10\%
\]

The annual depreciation for a dryer with a purchase price of $15,000 and a salvage value after 10 years of $2,000 with a depreciation rate of 10% is:

\[
\text{Annual Depreciation} = 10\% \times (15,000 - 2,000)
\]

\[
\text{Annual Depreciation} = $1,300
\]
Interest on Average Investment
The real interest rate is used for interest calculations. The real interest rate is the interest rate minus inflation rate. With an interest rate of 12 percent and an inflation rate of 4 percent, the real interest rate is 8 percent (12% - 4%). The interest is calculated on the average investment.

The average investment is the average of the purchase price and the salvage value. For a dryer with a $15,000 purchase price and a $2,000 salvage value after 10 years, the average investment is $8,500 \[(15,000 + 2,000) / 2\]. The real interest on average investment then is $680 ($8,500 \times 8\%).

ACTUAL FIXED COST
Insurance can be calculated as 0.5 percent of the average investment unless the actual premium amount is known.

Repairs can be calculated as a fixed cost at 3 percent of purchase price or can be included as a variable cost if repair repair costs have been recorded separately so they can be related to bushels dried. Actual repair costs depend on how much the dryer is used annually and the quality of care it receives. Belts, bearings, pulleys, shafts and controls are typical repair items.

The annual capital and fixed cost for the $15,000 dryer then is:

- Depreciation
  \[10\% \times (15,000 - 2,000) = 1,300\]
  \[8\% \times (15,000 + 2,000) = 680\]

- Insurance
  \[0.5\% \times (15,000 + 2,000) = 42.50\]

- Repairs
  \[3.0\% \times 15,000 = 450\]

TOTAL FIXED AND CAPITAL COST
\[\frac{1,300 + 680 + 42.50 + 450}{2,472.50}\]

In this example, annual fixed and capital costs as a percent of purchase price are 16.5%

Annual Fixed and Capital Cost = $2,472.50 \times 100 = 16.5\%
Purchase Price = $15,000

To determine the fixed and capital cost per bushel or hundredweight, divide the total fixed and capital cost by the number of units dried annually.

Per unit fixed cost = \[\frac{\text{Total Fixed Cost}}{\text{Annual Number of Units}}\]

Per unit fixed cost = \[\frac{2,472.50}{40,000 \text{ bu.}} = 0.062 \text{ per bushel}\]

Per hundredweight = 0.062 \times 3.125 = $0.194 per CWT of sunflower

TOTAL DRYING COST
The total drying cost is the sum of the energy cost, labor cost, handling cost, capital and fixed cost, and repair cost. For example, the total drying cost per hundredweight to dry sunflower from 15 to 10 percent moisture content in a high temperature dryer is:

Energy Requirement = 2500 BTUs/lb. water
Propane Price = \[70\text{¢}/\text{gallon}\]
Energy Cost = \[2.60\text{¢}/\text{CWT per Pts.} \times 5 = 13.0\text{¢}/\text{CWT}\]
Labor Cost = \[0.02\text{¢}/\text{bu.} \times 3.125 = 6.25\text{¢}/\text{CWT}\]
Handling Cost = \[1\text{¢} \times 3.125 = 3.13\text{¢}/\text{CWT}\]
Capital and Repair Cost = \[6.0\text{¢} \times 3.125 = 18.75\text{¢}/\text{CWT}\]
Total Drying Cost = \[13.0\text{¢} + 18.75\text{¢} + 6.25\text{¢} + 3.13\text{¢} = 41.13\text{¢}/\text{CWT}\]

The best way to determine drying cost is to keep accurate records and do the calculations on the following worksheet. The energy efficiency of the dryer can be determined by dividing the energy used by the pounds of water removed.

DRY OR MARKET WET
The decision to market wet grain or dry grain depends on the moisture shrink, handling loss, and cost of drying compared to the moisture discount. The moisture discount is the amount that grain price is reduced because the grain contains excess moisture. The moisture discount needs to include moisture shrink, handling loss, drying cost and an indication of the risk of the grain spoiling before being dried.

Moisture shrink is calculated using the following equation:

Moisture Shrink (%) = \[\frac{\text{Mo} - \text{Mf} \times 100}{100 - \text{Mf}}\]

Mo = Original or initial moisture content, (%)
Mf = Final moisture content, (%)

The moisture shrink when drying sunflower from 15 percent to 10 percent moisture content is:

Moisture Shrink (%) = \[\frac{15 - 10 \times 100}{10} = 5.56\%\]

Handling loss will vary for each facility so it should be determined for each facility, but a 0.50 percent loss for handling through a facility is common.
The drying cost and shrink must be calculated before a comparison can be made to the moisture discount. Compare, for example, a moisture discount of 2 percent for each 1 percent moisture removed, to the cost of drying before marketing 15 percent moisture content sunflower.

Moisture Discount:
15% - 10% = 5% moisture reduction
5% x 2% = 10% price reduction
10% x $10.00 per CWT = $1.00 per CWT at 15% m.c.

Adjustment to 10% moisture content basis:
Price discount – (moisture shrink (%) x Price discount)
$1.00 – (5.56% x $1.00) = $0.94 per CWT at 10% m.c.

Drying Cost:
Percent of Price
Moisture Shrink (from previous example) 5.56%
Handling Loss 0.50%
Capital and Fixed Cost (from previous example) $0.1875/CWT
Energy Cost (Table 5, 2500 BTU/lb Propane 70¢/gallon)
2.60¢ x 5 pts = $0.130/CWT
Handling Cost
1¢/bu x 3.125 = 0.031/CWT
Labor
$5.00/hr = 0.0625/CWT
80 CWT/hr
SUBTOTAL $0.411/CWT

$0.411/CWT x 100 = 4.11%
$10.00/CWT
TOTAL 10.17%
Cost = 10.17% x $10.00 = $1.017
Comparison: Moisture Discount $0.94
Drying Cost 1.02

Now there is an advantage for drying in comparison to marketing the sunflower wet for a moisture discount of 2 percent per percent of moisture above the market requirement. As the price of grain changes, the percentage that drying cost is of the price changes.

The following example shows the change in percentages for the previous drying cost example using a sunflower price of $6.00 per CWT.

Percent of Price
Moisture Shrink 5.56%
Handling Loss .50%
Capital, fixed, handling & labor
0.411/CWT x 100 = 6.00/CWT
TOTAL 6.85%
Cost = 12.91% x $6.00 = $0.77

The percent that drying cost is of the price changes from 7.99% to 12.91%. The drying cost, however, is reduced from $0.80 to $0.77 due to the moisture shrink affecting sunflower with a price of $6.00 vs. $10.00.

The moisture discount must be adjusted as the sunflower price changes to compare to the drying cost.

Moisture Discount for a 5% Moisture Reduction

Discount
2:1 2% x 5% = 10% price reduction
10% x $6.00/CWT = $0.60
$6.00 – (5.56% x .60) = $0.58
2.5:1 2.5% x 5% = 12.5%
12.5% x $6.00/CWT = 0.75
$7.50 – (5.56% x .75) = $0.71
3:1 3% x 5% = 15%
15% x $6.00/CWT = 0.90
$9.00 – (5.56% x .90) = $0.88

For $6.00/CWT sunflower, a moisture discount of 2.5% for each percent moisture reduction would be slightly less than the drying cost. For $10.00/CWT sunflower, a moisture discount of 2% per point was just slightly less than the drying cost.
EXAMPLE DRYING COST WORKSHEET
Drying 500 bushels of corn from 23% to 15% moisture content

CAPITAL COST
Depreciation = rate × (purchase price – salvage value)
10% × ($15,000 – $2,000) = $1,300.00
Interest on average investment:
(Current rate – inflation rate) × (purchase price + salvage value)
(12% – 4%) × ($15,000 + $2,000) × 2 = 680.00

FIXED COST
Insurance: 0.5% × (purchase price + salvage value) × 2 = 42.50
Repairs: 3% × purchase price × $15,000 = 450.00
TOTAL FIXED AND CAPITAL COST = $2,472.50

VARIABLE COST
Energy Cost:
Fuel Cost 88.5 gallons × $0.70 = $61.95 (1)
Electricity Cost 42.3 KWH × $0.06 = 2.54 (2)
Total Energy Cost (1 + 2) = $64.49
Energy cost per unit dried

$64.49 ÷ 40,000 units = $0.0129/unit

Labor Cost:
Per unit labor cost = Hourly Labor Rate ÷ Hourly Drying Rate
$5.00 ÷ 250 = $0.02

Handling Cost:
Handling system purchase price × 16% ÷ Annual Units Dried
$3400 × 16% ÷ 40,000 = $0.0136/bu.

TOTAL DRYING COST PER UNIT
Fixed and Capital Cost + Energy Cost + Labor Cost + Handling Cost
$0.062 + $0.129 + $0.02 + $0.01 = $0.22/bu.
DRYING COST WORKSHEET

CAPITAL COST
Depreciation = rate \times (purchase price - salvage value)
Interest on average investment:
\((\text{Current rate} - \text{inflation rate}) \times (\text{purchase price} + \text{salvage value})\) \div 2

FIXED COST
Insurance: \(0.5\% \times (\text{purchase price} + \text{salvage value})\) \div 2
Repairs: \(3\% \times \text{purchase price}\)
TOTAL FIXED COST
Fixed cost per unit = \(\frac{\text{Total Capital and Fixed Cost}}{\text{Annual units dried}}\)

VARIABLE COST
Energy Cost:
Fuel Cost
Electricity Cost
Total Energy Cost \((1 + 2)\)
Energy cost per unit dried = \(\frac{\text{Total Energy Cost}}{\text{units dried}}\)

Labor Cost:
Per unit labor cost = \(\frac{\text{Hourly Labor Rate}}{\text{Hourly Drying Rate}}\)

Handling Cost:
Handling system purchase price \times 16\%
Annual Units Dried

TOTAL DRYING COST PER UNIT
Fixed and Capital Cost + Energy Cost + Labor Cost + Handling Cost

DATE DUE

MAR 31 1997