

Holy Crow, What Should I Grow: Crop Enterprise Planning in the Post Crow World

Implications for Farmers of Policy Changes to the WGTA, CWB Port Price Pooling and Country Elevation Charges

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Three regulatory changes occurred on July 31, 1995:

1. The Western Grain Transportation Act (WGTA) payment of approximately \$600 million per year to the railways for movement of eligible prairie grains to port was terminated. This resulted in an approximate doubling of rail freight charges paid by farmers on these eligible grains.

2. The Canadian Wheat Board (CWB) mechanism for price pooling was altered. The former mechanism of pooling the sales values at Vancouver with the sales values at Thunder Bay for each CWB grain was not accurately reflecting the locational advantage of the various prairie regions for production of different grains. The new pooling arrangement is designed to more accurately reflect the actual costs of transportation and to distribute income among grain producers according to locational advantage.

3. Government-imposed maximum tariffs for elevation and handling at country elevators were removed. Many elevator companies also now deduct the cost of shipping dockage to port. This can be a sizeable cost due to the increased freight rates.

1. Termination of WGTA payments on grain shipments

Most producers are informed about the termination of the WGTA payment and about the compensation mechanism the government has chosen. Per acre payments are being made in 1996 to landowners, with various arrangements being permitted for sharing part of the payments or adjusting rental rates with operators.

This increase in rail freight cost occurs for all crops which were previously covered by

the WGTA. Since freight rates are weight based, the larger the average per acre weight of a crop, the larger the per acre impact of removing the rail subsidy. For example:

canola: 25 bushels/acre * 50 lbs/bushel = 1250 lbs/acre

wheat: 40 bushels/acre * 60 lbs/bushel = 2400 lbs/acre

The basic rail freight rates increased in the same manner for CWB crops and open market crops. However, changes to the price pooling system for CWB crops affect the final freight rates charged to farmers for these crops in much of the prairie region differently than rates for open market grains.

2. CWB price pooling change

a) Rationale for the CWB pooling change

In the world market, grain in a port position (Vancouver) is worth more than grain at an inland waterway position (Thunder Bay). Under the former system, if one bushel of No. 1 CWRS wheat was sold at Vancouver at \$5.00 per bushel and another bushel of No. 1 CWRS wheat was sold at Thunder Bay for \$4.20 per bushel, the average (pooled) price for the two bushels was \$4.60 per bushel at port. (This average was weighted, in fact, by the relative amount of deliveries to each port.) The price farmers received was this average price reduced by the producer share of the rail freight rate to the nearest port, either Thunder Bay or Vancouver, plus elevator company charges. This did not reflect the market values of the grain to producers. For example, Alberta producers received less than market value for their spring wheat (shipped to Vancouver), while Manitoba spring wheat producers received more than market value for their grain (shipped to Thunder Bay).

The price premium for some grains exported through Vancouver is large enough that most prairie producers would prefer to use that port (wheat and feed barley especially). Prior to August 1, 1995, subsidized producer freight rates under the WGTA meant that almost all prairie farmers could have received a higher farm price for these grains if their grain had been exported through Vancouver. However, the port of Vancouver has been unable to handle that volume in the past, and remains unable to do so, at present capacities.

The new pooling calculations incorporate the reality that the various CWB grains have different market destinations from different prairie shipping points. Prices on grain sales to each of these markets should reflect locational advantage back to the various regions within the prairies. If malting barley is needed in the U.S. market near Minneapolis/Duluth, then being near Winnipeg is an advantage relative to being near Edmonton. Similarly, if No. 1 CWRS wheat markets are in Japan and Asia, then the net price to farmers on that crop should be higher in the Calgary area than in the Yorkton area. Under the new pooling arrangement, each grain has annually defined catchment areas for each port based on projected quantity available from each prairie location and volume of grain movement from each port. The export positions for calculation of the catchment areas are Vancouver/Prince Rupert, the Great Lakes/St. Lawrence positions and Churchill, with some continental exports via Minneapolis in the U.S. Midwest and other U.S. points in the Pacific Northwest. The catchment areas for wheat, durum, designated barley, and feed barley by market areas for 1995-96, are given in the schematic diagrams elsewhere in the Help Files (see Canadian Wheat Board Catchment Areas for All Grains). These catchment areas reflect the handling constraints at Vancouver. If export capacity at the west coast were to increase, so would the size of the Vancouver/Prince Rupert catchment area.

b) What determines the direction of grain movement and catchment areas?

There is no single eastern point, such as Montreal, where the sales values for wheat, durum, feed barley and malt barley are equal to the sales values for each of these crops at Vancouver. Rather, sales values at Montreal may be lower for feed barley than at Vancouver, but higher for durum than at Vancouver. This is related to buyer location and premium markets which are dynamic, not static. As a complicating factor, the west coast ports cannot handle all the prairie grain exports that would flow west if there were no west coast handling restraints. Since catchment basins are now defined, values for each CWB grain are now equivalent at the borders, regardless of the direction of shipment. The border of the wheat collection basin might be at Brandon, Manitoba for wheat if there were no constraints on export capacity at Vancouver. The sharing of the capacity constraint results in a catchment basin border for wheat which is approximately a line running north and south from Canora to Sintaluta, Saskatchewan.

Price differences at different prairie delivery points which are close together cannot be

very large. Otherwise, all the grain would move to the higher price prairie delivery point. At the edge of each catchment area, grain is shipped to the most valuable export sale, via the least costly route, given the capacity constraint at Vancouver. At the edge of catchment basins, grain has the same value in the world market, regardless of which direction it moves.

The simplest conceptual explanation was provided by Richard Gray. To quote:

To obtain a geometric image of the basis pattern when there is more than two ports, picture a grain bin with a floor shaped like western Canada. The farmer who owns the bin cannot get into the bin to shovel wheat out. Rather, the farmer has four small chutes near the bottom of the walls of the bin at the points relative to Vancouver, Thunder Bay, Churchill, and the Manitoba/US border (for wheat). The farmer knows how much he wishes to take from each chute. The farmer simultaneously opens each chute such that just the right amount of wheat flows out from each, i.e. 10.5 million tonnes to the West Coast, 0.3 million tonnes to Churchill, etc. When the total required amount has flowed from the bin, the chutes are closed. Suppose this allowed enough grain to flow from the bin so that there were no longer any flat surfaces in the bin. Each chute (port) would have a well defined catchment. The height of the grain on the surface would represent the appropriate amount of basis. The size of the basin and the height of the grain in the basin would be dependent upon how much grain was taken from each chute (port). The slope of the grain in the bin would represent the transportation rate. In this grain bin example, all of the slopes would be equal because of gravity, and therefore it would only perfectly reflect the basis if all transportation rates were also equal, and a direct function of distance.

The new CWB basis deduction is calculated similarly to how values are determined in an open market - according to the direction and distance of movement. Canola moving from Watson to Vancouver will pay the freight rate to Vancouver. In order for canola to move east from Watson, the price of canola at Windsor, less the cost of moving canola to Windsor from Watson, must exceed the price at Vancouver, less the cost of moving canola from Watson to Vancouver. The CWB basis now more accurately reflects demand conditions, grain movement costs and locational advantages on the prairies.

c) How are total pool values and CWB port prices influenced by the pooling changes?

The basis rates deducted from CWB grains now reflect the locational advantage of each

shipping point for each grain. The CWB formerly pooled the sales value at Vancouver with the sales value at Thunder Bay for each grain. Individual freight deductions were based on distance to the nearest delivery point - either Vancouver or Thunder Bay. The CWB pools then picked up all costs beyond Thunder Bay, distributing them among all producers. Now the CWB actually achieves a higher return to each grain pool because the returns for wheat, for example, may be valued at Toronto, or Montreal or some other point along the Seaway. For example, the CWB may now receive \$5.00 per bushel at Vancouver and \$5.00 per bushel at Port Car-tier, Quebec for wheat of equal quality. The total value of the CWB pool is now \$10.00, for an average of \$5.00 per bushel, Individual producers in Manitoba and Eastern Saskatchewan now bear the full cost of freight from their local point to Port Car-tier, rather than all prairie grain producers sharing the movement costs from Thunder Bay east.

. There will be a \$45 million, one time direct producer payment made in 1995-96 to producers in Eastern Saskatchewan and Manitoba to compensate them for the extra freight charges on CWB grains moved East. There will be two more annual payments of about \$30 million each, but the mechanism for these two payments has not yet been decided.

The freight rate increase does not translate directly into an equal drop in farm income at each delivery point. The removal of WGTA and changes in price pooling mean that CWB grains dropped in value across the prairies, assuming world prices remain unchanged. However this does not mean the decline in income for an individual producer is equal to the increase in freight costs. For example, simply saying that the rail freight rate on wheat last year was \$11.80 per tonne at Kamsack and this year's rate is \$36.71 per tonne will not provide an accurate picture of the income change. If the higher selling value achieved by the CWB pool is predicted to be \$5.37 per tonne (or 15 cents per bushel) because of calculating sales based on Vancouver and Port Car-tier rather than Vancouver and Thunder Bay, the reduction in income on one tonne of wheat sold from Kamsack is $(\$36.71 - \$11.80) - \$5.37 = \$19.54/\text{tonne}$.

The implementation of a more accurate basis deduction by crop results in farmers in some regions paying greater rail (and now lake freight) costs for moving grain to ports. This increases the sales value received by the CWB pools for wheat, durum, designated barley (malting) and feed barley. If based on historical sales, the increase in sales revenues to the pools would be \$5.37/tonne for wheat; \$1.13/tonne for durum; \$0.82/tonne for malt barley; and \$8.93/tonne for

feed barley.

d) How have the locational advantages of various regions for different crops been affected?

Consider an example of how the prices of wheat and durum are affected at two points, Cabri and Estevan, as a result of the removal of WGTA and the revision in CWB price pooling calculations. This example uses hypothetical CWB port pool values for both wheat and durum of \$200.00/tonne.

The actual 1994-95 total freight costs for wheat and durum from Cabri were \$30.04/tonne (Vancouver based). For Estevan, the 1994-95 freight costs were \$24.04/tonne for both wheat and durum (Thunder Bay based). Only the portion of the rail rate paid by producers in 1994-95 is deducted from the port pool value to determine the price at each shipping point.

1994-95 Year	Crop	Port Price \$/tonne	Cabri Freight (producer share)	Cabri Farm Price	Estevan Freight (producer share)	Estevan Farm Price
	Wheat	\$200.00	14.04	185.96	11.80	188.20
	Durum	\$200.00	14.04	185.96	11.80	188.20

Now remove the WGTA freight subsidy and adjust for CWB pooling. The CWB pool value increases for wheat by \$5.37/tonne and durum by \$1.13/tonne (see above section for increases in pool values). Assuming world prices for both wheat and durum remain constant, the new pool values are \$205.37/tonne for wheat and \$201.13/tonne for durum.

1995-96 Year	Crop	Port Price \$/tonne	New Cabri Basis	New Cabri Farm Price	New Estevan Basis	New Estevan Farm Price
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Wheat	205.37	30.63	174.74	36.05	169.32
Durum	201.13	30.63	170.50	24.42	176.71

On-farm change in advantage of durum over wheat at each location is -\$4.24/tonne at Cabri but +\$7.39/tonne at Estevan!

The price change for each crop between 1994-95 and 1995-96 at these locations is summarized as follows:

	1994/95 \$/tonne	1995/96 \$/tonne	Net Price Change \$/tonne
Cabri Wheat	185.96	174.74	-11.22
Cabri Durum	185.96	170.50	-15.46

	1994/95 \$/tonne	1995/96 \$/tonne	Net Price Change \$/tonne
Estevan Wheat	188.20	169.32	-18.88
Estevan Durum	188.20	176.71	-11.49

3. The removal of maximum elevator handling tariffs

The other regulatory change in the grain handling system in 1995-96 is the termination of the regulated maximum tariffs for country elevators. Producers may need to shop around as different elevators may have different tariffs, both between companies and within the same company at different delivery points. Local competition is much more important in the determination of elevation and handling charges. Factors such as grade, dockage and elevator

handling charges and removal of dockage fees are now negotiable with any elevator agent or other buyer. Many elevator companies are now also charging shipping costs to port on dockage.

USING THE *FREIGHT RATE MANAGER*

Freight rates and your planting/marketing decisions

The “Freight Rate Manager” can be used to calculate the expected price for both CWB and open market crops at any prairie delivery point.

CWB crops

CWB Pool Return Outlooks (PROs) and Estimated Pool Returns (EPRs) are initially used with the appropriate freight, elevation and handling charges deducted, to calculate the on-f&-m price. The on-farm projected values reflect the higher sales values achieved for each grain after Thunder Bay was discontinued as a pooling point. The full basis deducted for each CWB grain in regions where the grain is moved east is more than simply the rail’rate to Thunder Bay.

Open market crops

Open market crops pay the full rail freight to Thunder Bay or Vancouver. Be careful to have the price quote for correct port position as flax and oats prices are Thunder Bay price while canola is at Vancouver. You must also be sure to add an additional basis cost to cover the cost of interest, storage, risk and profit on open market crops. These costs are deducted in the CWB pool before the pool sales value is calculated.

Producers must learn their total deductions from the reported CWB PROs and how the

differences in these deductions by crop may influence the profitability of various crops in their rotations. Durum has improved in profitability relative to wheat in eastern Saskatchewan and Manitoba compared to the situation under WGTA (1994-95 and previous). Conversely, wheat has improved in profitability in western Saskatchewan relative to durum. Malt barley has become relatively more profitable than feed barley in eastern Saskatchewan and Manitoba. The important factor for a producer to understand is that if the price of durum is at a \$6 per tonne premium to the price of wheat in the CWB PRO, this may no longer translate into the same price premium at the local elevator point. For example, for one producer the premium may be \$6 per tonne, but for others it may be \$14/tonne or -\$5/tonne because of differences by crop in freight costs from many delivery points.

Use caution and common sense in the application of a freight deduction and other basis deductions for non-board grains

Producers who are calculating prices for canola at Yorkton cannot use Vancouver canola prices and subtract a rail freight cost to Thunder Bay! The price bid for canola at Thunder Bay may be lower than the bid at Vancouver by a substantial amount. Costs of moving canola include interest costs, storage costs, risk and profit margin, which must be manually added by the users of *Freight Rate Manager* to determine the total basis deduction from Vancouver. Basis will vary by grain company and delivery point. **Producers must shop around!**

The *Freight Rate Manager* program has the flexibility to enable a farmer to enter a farm bid price for some crops. This is used when a bid is received for a loaded truck at the farm. In this case, the buyer will pay the freight to an export position, or perhaps use the grain locally. There is no basis to deduct. However, the on-farm bid reflects what value the grain would likely achieve if it was shipped to export position. A local buyer only needs to bid a slight price premium above other bidders to make a grain purchase.

Overview information and understanding your freight cost on dockage

A brochure “Freight Rates: Managing the Change on Your Farm” is available elsewhere in the HELP FILES on this disk and in print at your Rural Service Centre. The examples

included in the brochure calculate the cost to a producer of delivering grain containing a high level of dockage. The producer now is usually responsible for paying the cost of shipping dockage to port. Again, this factor can enter into negotiations between a producer and the grain buyer. The costs in the brochure are measured from the elevator door to port. A producer also incurs a cost of trucking from farm to elevator on dockage, which is included in the cost calculations of *Freight Rate Manager*.

A more complete explanation of the CWB deductions

A more complete explanation of the CWB basis change is found in the HELP FILES: Basis Deductions for CWB Deliveries in Western Canada, by Richard Gray. The printed report can be ordered from the Department of Agricultural Economics, University of Saskatchewan, phone (306) 966-4008.

Concluding comment

We wish you the best in your farm management and crop planning decisions! If you have any comments or suggestions for improvements, call (306) 966-4017

Jason Skotheim and Travis Sulewski wrote the program software for *Freight Rate Manager*. The project was funded by AIMS and involved the cooperation of the Department of Agricultural Economics, College of Agriculture at the University of Saskatchewan and Saskatchewan Agriculture and Food.

You can order the *Freight Rate Manager* from:

Freight Rate Manager
Agricultural Economics Department
University of Saskatchewan
5 1 Campus Drive
Saskatoon SK S7N 5A8

Please make your \$15.00 cheque payable to Freight Rate Manager
c/o Ken Rosaasen.

FREIGHT RATES: MANAGING THE CHANGE ON YOUR FARM

The end of the WGTA freight subsidy on all previously subsidized crops and changes in the method of port price pooling for CWB crops present new challenges and opportunities for prairie farmers.* Farm decision makers must learn to understand a new set of relative price signals for crop and livestock enterprises.

The table on page 3 compares the changes in transportation costs for various crops for five delivery points in Saskatchewan. The worksheet on page 2 can be used to estimate the changes for your own farm,

IMPORTANT OBSERVATIONS

- Increases in transportation costs differ for each point within the prairie region.
- Increases in transportation costs vary among crops at the majority of delivery points in Saskatchewan. Even for similar crops such as CWRS wheat and durum, or feed and malt barley, there are often different freight cost deductions at the same delivery point. These variations arise because of differences in the destinations of each crop shipped from specific locations. **KNOWING THE THUNDER BAY AND VANCOUVER FREIGHT RATES IS NOT ENOUGH!**
- Three factors interact to determine your freight costs per acre: distance to export position, direction of shipment and volume of crop produced per acre. Each delivery point is different. **THERE ARE NO GENERAL “RULES OF THUMB”.**

CONCLUSIONS

- Freight costs have become more important in crop choice at the individual farm level.
- The crop mix will be affected differently in different regions of the prairies.
- Feed costs and the competitiveness of livestock production by region are affected.

. Formerly, freight deductions for CWB grains at each shipping point were the producer share of rail freight costs to the closer of Thunder Bay or Vancouver. Now, the cost to the farmer of movement of CWB grains is the actual transportation cost to Montreal, Vancouver and other export positions, adjusted by the proportional movement of each crop to the various export positions, not simply the closest export point.



Cooperation in Agricultural Extension

COMPUTER ASSISTED PLANNING FOR FREIGHT RATE CHANGES

Enter your local delivery point, your soil zone, your price estimates and your crop rotation constraint in the computer and let the computer help you decide what to grow in 1996. The computer will assist you in selecting the crops with the greatest return over cash costs for your farm. The default values (values automatically chosen) for production costs and yield are typical for your soil zone. They are taken from the Saskatchewan Agriculture and Food annual publication FARM FACTS CROP PLANNING GUIDE (by soil zone). You are urged to use this publication for crop planning, substituting your own costs and yields whenever possible.

The data currently used in this computer program includes 1995/96 freight rates and 1995/96 CWB PROs. The computer program has the capability to update freight rates for 1996/97 as soon as they are available electronically, which will be shortly after they are announced. Similarly, as the CWB PROs are released throughout this year, the computer price data for CWB crops will be updated. Canola, flax and pea prices also will be updated with recent quotes at those times. Starting in March, wheat, durum and barley prices will be based on the 1996/97 CWB PROs.

WORKSHEET

Your Farm	1994-95 Freight Rates (\$/tonne)	1995-96 Freight Rates (\$/tonne)	Increase in Freight Cost		Yield (bu/acre)	Increase in Freight Cost (\$/acre)
			(\$/tonne)	(\$/bu.)		
CWRS Wheat						
Durum						
Canola						
Feed Barley						
Malt Barley						

**A Comparison of Freight Rate Changes
(Various Locations in Saskatchewan)**

Kamsack	1994-95 Freight Rates (\$/tonne)	1995-96 Freight Rates (\$/tonne)	Increase in Freight Cost		Stubble Yield D Soil ** (bu/acre)	Increase in Freight Cost (\$/acre)
			(\$/tonne)	(¢/bu.)		
CWRS Wheat	11.80	36.71	24.91	67.8	26.8	18.17
Durum	11.80	25.82	14.02	38.2	27.0	10.31
Canola	17.72	38.43	20.71	47.0	17.2	8.08
Feed Barley	11.80	38.43	26.63	58.0	47.0	27.26
Malt Barley	11.80	25.74	13.94	30.4	47.0	14.29

Malt barley freight cost/acre increases less than CWRS wheat freight cost/acre despite the higher yield of malt barley.

Battleford	1994-95 Freight Rates (\$/tonne)	1995-96 Freight Rates (\$/tonne)	Increase in Freight Cost		Stubble Yield F Soil ** (bu/acre)	Increase in Freight Cost (\$/acre)
			(\$/tonne)	(¢/bu.)		
CWRS Wheat	14.49	31.23	16.74	45.6	27.0	12.31
Durum	14.49	31.23	16.74	45.6	23.9	10.90
Canola	14.49	31.23	16.74	38.0	18.0	6.84
Feed Barley	14.49	31.23	16.74	36.4	47.8	17.40
Malt Barley	14.49	31.23	16.74	36.4	47.8	17.40

Relative freight costs/acre are determined by yield since transport costs/tonne and direction of shipment are the same for all crops.

Davidson	1994-95 Freight Rates (\$/tonne)	1995-96 Freight Rates (\$/tonne)	Increase in Freight Cost		Fallow Yield J Soil ** (bu/acre)	Increase in Freight Cost (\$/acre)
			(\$/tonne)	(¢/bu.)		
CWRS Wheat	13.37	34.26	20.89	56.9	25.5	14.51
Durum	13.37	30.03	16.66	45.3	24.1	10.92
Canola	15.84	34.26	18.42	41.8	17.4	7.27
Feed Barley	13.37	34.26	20.89	45.5	40.0	18.20
Malt Barley	13.37	30.25	16.88	37.0	40.0	14.80

Durum and canola have smaller freight cost increases per acre than wheat, feed barley and malt barley.

Kindersley	1994-95 Freight Rates (\$/tonne)	1995-96 Freight Rates (\$/tonne)	Increase in Freight Cost		Fallow Yield F Soil ** (bu/acre)	Increase in Freight Cost (\$/acre)
			(\$/tonne)	(¢/bu.)		
CWRS Wheat	14.72	32.82	18.10	49.3	28.9	14.25
Durum	14.72	32.82	18.10	49.3	27.3	13.46
Canola	15.39	32.82	17.43	39.5	19.7	7.78
Feed Barley	14.72	32.82	18.10	39.4	48.3	19.03
Malt Barley	14.72	32.82	18.10	39.4	48.3	19.03

Relative freight costs/acre are determined by yield since transport costs/tonne and direction of shipment are the same for all crops.

Weyburn	1994-95 Freight Rates (\$/tonne)	1995-96 Freight Rates (\$/tonne)	Increase in Freight Cost		Stubble Yield H Soil ** (bu/acre)	Increase in Freight Cost (\$/acre)
			(\$/tonne)	(¢/bu.)		
CWRS Wheat	12.03	34.86	22.83	62.1	19.1	11.86
Durum	12.03	27.00	14.97	40.7	20.3	8.26
Canola	17.38	34.86	17.48	39.6	9.8	3.88
Feed Barley	12.03	34.86	22.83	49.7	29.7	14.76
Malt Barley	12.03	26.49	14.46	31.5	29.7	9.36

Durum and malt barley become more attractive relative to wheat.

****Saskatchewan Crop Insurance Corporation 1994 Premium Tables & Land Rating Sheets** (Risk Area Averages).

QUESTIONS TO CONSIDER

- How do the freight rate changes affect a typical farm in your area? For example, have the potential net returns over cash costs improved for durum relative to wheat at your delivery point? Does attempting to grow malt barley become more attractive?
 - How are feed grain prices affected in your region compared to other areas of Saskatchewan? What regions will become more competitive in livestock production, based on relative changes in feed costs? (The price of feed grains across the whole prairie region should decline **RELATIVE TO OTHER NON-PRAIRIE AREAS** with the loss of the freight subsidy. Because of the port price pooling changes, the relative differences in feed grain prices will also change among various prairie shipping points.)
 - Is your neighbor's comment correct: "Freight rate changes don't affect me! I'll sell my canola to the local crusher, my barley to the local feedlots and my peas f. o. b. the farm by semi. Let the railways do what they like!?" (Prices for locally sold crops are also negatively affected by the freight rate changes. Local buyers pay just enough to divert the grain they need away from the export market. This incentive to market locally may take the form of a slight price premium, transportation assistance or even non-monetary benefits.)
 - How much more does dockage cost than in the past? (See the example on the enclosed single page handout.)
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LOOK FOR A SEMINAR ON MANAGING THE FREIGHT RATE CHANGE ON YOUR FARM!

Seminars will be held in various regions of Saskatchewan from February to April, 1996 to assist farmers in understanding the impact of the freight rate changes on their cropping and marketing decisions.

This demonstration is part of a project in cooperative extension between the Agricultural Economics Department of the University of Saskatchewan (Ken Rosaasen, Jason Skotheim, Travis Sulewski, James Lokken and Rob Roy) and Saskatchewan Agriculture and Food (Cyril Laforge, Morley Ayars, Mike Makowsky, Glen Payne and Jon Gruel). Funding is provided by the Agriculture Institute of Management in Saskatchewan, Inc. (AIMS) under the National Farm Business Management Program through a Federal Provincial agreement between Agriculture Canada and Saskatchewan Agriculture and Food.



Cooperation in Agricultural Extension

HIGH DOCKAGE NOW COSTS YOU MORE!

Increased freight costs and farmer responsibility for handling and shipping charges on dockage have resulted in major changes in the economics of on farm cleaning. Two examples below compare the returns from a location in east central Saskatchewan for 1000 bu of wheat at 2% and 12% dockage and then 1000 bu of canola at 4% and 21% dockage for the 199596 crop year. Elevator handling and removal of dockage fees differ by company so the producer must shop around. DO A CALCULATION FOR YOUR FARM!

DOCKAGE IN WHEAT

British measures		Metric measures
\$4.90/bu	CWB initial payment at port position	\$180/tonne
\$0.978/bu	freight costs	\$ 35.93/tonne
\$0.212/bu	elevator handling costs	\$ 7.78/tonne
<u>\$0.087/bu</u>	removal of dockage	<u>\$ 3.20/tonne</u>
\$1.277/bu	cumulative charges	\$46.91/tonne
\$3.62/bu	CWB initial payment at country point	\$133.09/tonne
2% dockage in No. 1 CWRS		
1000 bu.	Gross No. 1 CWRS (less shrink)	27.2158 tonnes
<u>80.0 bu</u>	dockage @ 2%	<u>.5443 tonnes</u>
980.0 bu	net sales weight	26.67 15 tonnes
\$3547.60	sales value of wheat	\$3549.7 1
LESS cost of moving dockage to port		
20.0 bu @ \$1.28/bu	.5443 tonnes @ \$46.91/tonne	
<u>\$25.60</u>	cost of moving dockage	\$25.60
\$3522.00	sales value of wheat less dockage costs	\$3524.18
\$3.594/bu	price achieved on net weight sold	\$132.13/tonne
12% dockage in No. 1 CWRS		
1000 bu.	Gross No. 1 CWRS (less shrink)	27.2158 tonnes
<u>120.0 bu</u>	dockage @ 12%	<u>3.2659 tonnes</u>
880.0 bu	net sales weight	23.9499 tonnes
\$3185.60	sales value of wheat	\$3 187.49
LESS cost of moving dockage to port		
120.0 bu @ \$1.28/bu	3.2659 tonnes @ \$46.91/tonne	
<u>\$ 153.60</u>	cost of moving dockage	<u>\$ 53.20</u>
\$3032.00	sales value of wheat less dockage costs	\$3034.29
\$3.445/bu	price achieved on net weight sold	\$126.69/tonne

The amount which can be realized by cleaning wheat from 12 percent dockage down to 2 percent dockage is about \$128 (\$153.60 - \$25.60) on a 1000 bushel load PLUS you retain ownership of the dockage!

ON FARM CLEANING IS NOW A MUCH MORE ATTRACTIVE ALTERNATIVE!

DOCKAGE IN CANOLA

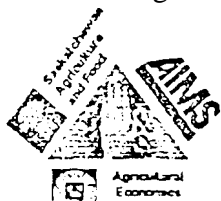
British measures		Metric measures
\$0.872/bu	freight costs	\$ 38.43/tonne
\$0.228/bu	elevator handling costs	\$ 10.04/tonne
<u>\$0.091/bu</u>	removal of dockage	<u>\$ 4.00/tonne</u>
\$1.191/bu	cumulative charges	\$52.47/tonne
\$8.50/bu	Elevator bid price: east central Sask.	\$ 3 74.78/tonne
4% dockage in No. 1 Canada Canola		
1000 bu.	Gross No. 1 Can. Canola (less shrink)	22.6793 tonnes
<u>40.0 bu</u>	dockage @ 4%	<u>.9072 tonnes</u>
960.0 bu	net sales weight	21.7726 tonnes
\$8160.00	sales value of canola	\$8159.94
LESS cost of moving dockage to port		
40.0 bu @ \$1.19/bu	.9072 tonnes @ \$52.47/tonne	
<u>\$ 47.60</u>	cost of moving dockage	<u>\$ 47.60</u>
\$5112.40	sales value of canola less dockage costs	\$5112.34
\$8.450/bu	price achieved on net weight sold	\$372.59/tonne
21% dockage in No. 1 Canada Canola		
1000 bu.	Gross No. 1 Can. canola(less shrink)	22.6798 tonnes
<u>210.0 bu</u>	dockage @ 21%	<u>4.7628 tonnes</u>
790.0 bu	net sales weight	17.9170 tonnes
\$6715.00	sales value of canola	\$67 14.93
LESS cost of moving dockage to port		
210.0 bu @ \$1.19/bu	4.7628 tonnes @ \$52.47/tonne	
<u>\$ 249.90</u>	cost of moving dockage	<u>\$ 249.90</u>
\$6465.10	sales value of canola less dockage costs	\$6465.03
\$8.184/bu	price achieved on net weight sold	\$360.83/tonne

The amount which can be realized by cleaning canola from 21 percent dockage down to 4 percent dockage is about \$202 (\$249.90 - \$47.60) on 1000 bushels PLUS you retain ownership of the dockage.

ON FARM CLEANING IS NOW A MUCH MORE ATTRACTIVE ALTERNATIVE!

**BE WATCHING FOR THE DOCKAGE RETURN CALCULATOR
AVAILABLE IN THE NEAR FUTURE!**

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Cooperation in Agricultural Extension