

So you want to invest capital?  
Tell me more.

NGFA Country Elevator Conference  
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Tell me more....actually, tell  
me about your....

- Project description and scope
- Business case
- Financial drivers
- Risks and mitigating actions
- Project execution

# We know what we want....

- 2 x 500,000 bushel steel bins
- 20,000 BPH fill conveyor
- 20,000 BPH reclaim conveyor
- Zero entry sweep auger
- Above ground tunnel
- 1/10<sup>th</sup> CFM aeration



# Did you consider alternatives?



# How does this fit our strategy.....

- Positions grain for shipment after river open
- Reduces reliance on ground piles
- Grows presence in our western draw area



# What is the total project cost....

- \$3.6 million
- Firm bids on bins, conveying and construction
- Estimate on electrical and dirt work
- 10% contingency on entire project (\$360,000)



# What are the expected revenue drivers.....

- 500,000 bushels of incremental volume @ 10 cents/bushel
- 1-million bushels of carry revenue in excess of current piles @ 30 cents/bushel
- Mix and Blend earnings of 3 cents/bushel on 1-million bushels
- Reduced labor and trucking expense of ground piles of \$70,000



# What are the best and worst cases.....

## Best Case:

- Carry revenue of 45 cents/bushel per year

## Worst Case:

- Carry revenue of 15 cents/bushel per year
- Incremental volume of <250,000 bushels



# What new operating costs will we reduce or incur.....

- Property taxes
- R&M expense
- Labor expense
- Interest



# What are your critical assumptions.....

- Margins and carries increase 2% per year
- Trendline corn yields will continue to increase at 2 bushels/acre per year
- Space utilization in our crop reporting district will remain at current levels or higher
- Livestock and Ethanol demand in our region remains at current levels



# What kind of market analysis did you do.....

- Reviewed historical market carries for past 3-years
- Yield trend analysis to estimate expected production growth
- Compared anticipated market share with our other locations



# What are the risks.....

- Project completion before harvest
- Expected carry doesn't materialize
- Competitive response on incremental bushels



# What are you doing to mitigate the risks.....

- Budget includes a fulltime project manager
- Monitor and inform if carries don't materialize
- Targeted campaign on incremental volume targets



# Other considerations.....

- Economic Development funding
- Working capital requirements
- Permitting
- Connectivity with other parts of the business
- Impact on other functions
- Where will the new volume come from



# Other considerations.....

- Project safety
- Disruptions to current operations including lost revenue
- Non-economic drivers



**Questions ?**

**Do I have your  
approval ?**

