



CASE STUDY

OVERVIEW

Country/Region:

Colton, South Dakota, USA

Industry:

Co-Op Grain Elevator

Customer Profile:

Colton Farmers Elevator is a mid-sized, independent grain elevator comprised of three divisions: Feed, which sells custom blends of livestock feed; Agronomy/Operations, which sells seed, fertilizer, and fertilizer and crop protection spreading services; and Grain, which purchases, stores, and sells grain. Its roughly 200 customers are all located within a 20-mile radius of Colton.

Problem:

Urgently needed oats for their feed mill operation, which the GM could not find locally within his usual customer base.

Solution:

The GM posted an offer on FarmLead and found a seller that same day, located 60 miles away.

Benefits:

- Found the oats they needed very quickly
- Didn't pick up a phone / play telephone tag
- Expanded their seller base
- Created a positive new business relationship
- Kept feed buying customers satisfied

Colton Farmers Elevator

Grain elevator uses FarmLead to find oats for feed mill when traditional routes fail.

A Co-op Truck House Grain Elevator

Colton Farmers Elevator is a mid-sized, independent co-op grain elevator with 1.8 million bushels of storage capacity located in Colton, South Dakota.

Colton's was established by local farmers in 1906. Over a century later, it's one of the last independent co-ops left in South Dakota. A board of directors oversees the operations. Annual dividends are either distributed to patrons or reinvested in the business.

The general manager, Glen Danielsen, manages Colton's 13 employees and all operations. The business now comprises three divisions: Feed, which sells custom blends of livestock feed; Agronomy/Operations, which sells seed, fertilizer, and fertilizer and crop protection spreading services; and Grain, which purchases, stores, and sells grain. Its roughly 200 customers are all located within a 20-mile radius of Colton.

Colton's is a "truck house" elevator which means they are not equipped for rail shipping. Thus, trucks are the only option for grain transportation in and out of the facility. They have two of their own semi trucks, which they use with a grain trailer or fertilizer tenders. They also hire independent truckers.

Trucks Versus Rail

Remaining competitive with a nearby rail-based grain-loading facility has always been a challenge for Colton's, when rail freight is cheap. Trains can transport over 300,000 bushels of grain at a time. If an elevator sells that quantity to a barge in Seattle, for example, they can command a premium price compared to what a truck house like Colton's can get with one semi-load.

As well, in the last ten or fifteen years, "shuttle trains," dedicated explicitly to shipping large volumes of grain from one origin to one destination, have been cropping up. Shuttle trains increase efficiency, lowering transportation costs for railroad grain shippers.

“There are buyers and sellers for any commodity you could possibly have or need, and they’re right there at your desk or on your phone, at any time.”

Glen, who manages grain merchandising for Colton’s, says that he can’t always offer the highest price, so he focuses on superior service and building relationships. “I’m trying to sell service and relationships rather than price. When the economy is not good, a couple of cents on a bushel of grain means a lot. But maybe that penny isn’t such a big deal if you know the guy that’s dumping you, and he can carry on an intelligent conversation with the guy bringing the grain in.”

Dumping Time

Unloading time is another pain point. Colton’s has made many improvements to the hundred-year-old grain elevator over the decades, many to speed up the process of unloading grain.

Even so, to dump a thousand bushels can take 15 minutes at Colton’s, whereas a new operation can do it in two minutes. Customers, especially the younger generation of farmers, don’t like to wait in line.

The Co-op Catch-22

A grain co-op exists to pool purchasing power and buy in quantity to get the best deal possible, maximize profits at resale, and then disburse the profits in the form of dividends to its patrons. However, that means the profits are not being reinvested into the business, which is eventually necessary to remain competitive and get the best deals.

That’s the Co-Op Catch-22, and the fine line Glen walks every day, bal-

ancing what’s due to the shareholders with the need to make more competitive bids or improve infrastructure.

In the 1990s, Glen says, if a grain elevator survived at all, it was considered to be doing well. Ten years later, you were successful if you were maintaining the status quo. Since the mid-2000s, though, it’s been “grow, or die.”

Glen, Meet FarmLead

Accordingly, Colton’s is always looking for ways to grow. Diversifying into a feed and agronomy business was part of that drive.

In late 2017, when Colton’s feed mill arm was in need of oats, Glen tried all his usual suppliers, to no avail. Right about then, he was introduced to FarmLead by a colleague, and immediately liked what he saw.

“I’m kind of from the old school,” laughs Glen. “The computer is not my friend!” But with a little assistance from the FarmLead support team, he got up and running and posted an offer on the Marketplace to buy some oats. “It was a new way of doing things for me. It was a growth spurt!”

That same day, he got a response from a seller located sixty miles away, who even offered to transport the grain the very next day. The transaction went off without a hitch, and Glen’s experience with the seller was so positive, he says he’ll try him again when he next needs oats. He’s happy to have initiated another positive business relationship. “I wouldn’t have got them if it hadn’t been for FarmLead.”

Pumping Up the Volume

Glen is now looking at FarmLead as a means of increasing the volume of grain Colton's buys and sells. He recently posted two offers to purchase soybeans, with the goal of finding a farmer with a product to sell, somewhere close to a processor ninety miles away who needs a load of beans.

Glen is offering to run the transaction through Colton's, but have the farmer deliver the beans to the nearby processor himself, all without ever setting foot at Colton's. He's offering to pay a better price than the seller could get from the processor, but Glen will have the volume and revenue he's looking for, without the cost of handling and transportation. It's a win-win scenario and a growth opportunity for Colton's. It's an exciting thought that all of this can be done with a few clicks on his computer.

When asked if he would consider using FarmLead for selling as well as buying, Glen replies, "Absolutely. Right now I'm buying, but eventually, I'll be a seller."

The biggest benefit Glen sees that FarmLead will give him is being able to reach buyers and sellers beyond his local contacts, and to buy and sell at optimal prices. Finding these better deals without going through the hassle of calling every contact is much more efficient for Glen "You want to do anything that will increase your profits, so the more opportunities there are to capture buyers or sellers, the more chance there is for me to make a profit."

The main advantage he sees to using FarmLead? "There are buyers and sellers for any commodity you could possibly have or need, and they're right there at your desk, at any time."

Would he recommend FarmLead to other elevators? "No!" he laughs, "because I want to keep it all to myself!"

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