An Analysis of Grain Carrying Costs and Cash Grain Advances to North Dakota Country Elevators

by

Dennis R. Ming
Research Associate

UGPTI Staff Paper No. 19
June 1982

AN ANALYSIS OF GRAIN CARRYING COSTS AND CASH GRAIN ADVANCES TO NORTH DAKOTA COUNTRY ELEVATORS

BY

DENNIS R. MING
RESEARCH ASSOCIATE

UPPER GREAT PLAINS TRANSPORTATION INSTITUTE
NORTH DAKOTA STATE UNIVERSITY
P. O. BOX 5074
FARGO, NORTH DAKOTA 58105

JUNE 1982

2

TABLE OF CONTENTS

INTRODUCTION

The current level of interest rates in the United States is impacting various sectors of the nation's economy. Small businesses that once offered customers interest free charge accounts are now assessing finance charges on both short-term and long-term credit arrangements. Notwithstanding, is the effect that high interest rates are having on the grain marketing industry. Country elevator managers are becoming keenly aware of carrying costs associated with carrying grain inventories and shipping commodities. These carrying costs may increase grain merchandising costs substantially and ultimately affect trading margins. Consequently, elevator managers may need to develop new grain marketing strategies and techniques in order to minimize carrying costs.

Objectives

The general purpose of this paper is to examine certain effects of high interest rates on the marketing of grain. Specifically, the paper addresses alternative carrying costs to country elevators assuming various scenarios and contains a description of the economic incentives for utilizing cash grain advances. In addition, the rules and regulations governing advance payments to country elevators in North Dakota are compared with advance payments being made in other areas of the country.

Data Sources

Data used in this paper were collected through telephone interviews with various grain industry officials and from rules regarding cash grain advances as published by the Minneapolis Grain Exchange, Kansas City Board of Trade and Merchants Exchange of Portland.

4

Carrying Costs to Grain Elevators

Carrying costs to country elevators as referred to in this paper shall be defined as:

> "interest income foregone between the time a given amount of grain is shipped by the country elevator and final payment is received by the country elevator."

Thus, the carrying cost is, in effect, an opportunity cost to the elevator management and will be treated as potential interest income that could have been earned on an investment equal in value to the monetary value of the grain being shipped. For example, if 5,000 bushels of grain were being shipped at a market value of $4.00 per bushel, assuming an 18 percent interest rate and a shipment to final settlement of 30 days, the carrying cost to the elevator would be $300:

$$[5{,}000 \text{ bu.} \times \$4/\text{bu.} \times (.18 \div 12)].$$

Alternative per bushel carrying costs (calculated using an 18 percent interest rate) are shown in Table 1. As can be seen, the number of days from shipment to final settlement is critical in calculating carrying costs. For example, the carrying cost to the elevator increases from 5¢ per bushel to 15¢ per bushel as the shipment to final settlement time increases from 20 days to 60 days, assuming $5.00 per bushel of grain.

5

TABLE 1. PER BUSHEL CARRYING COSTS TO GRAIN ELEVATORS FOR ALTERNATIVE SHIPMENT TO FINAL SETTLEMENT TIMES, 18 PERCENT INTEREST						
	Days from Shipment to Final Settlement					
Value of Grain	**10**	**15**	**20**	**30**	**45**	**60**
	Dollars per Bushel					
1.00	.0050	.0750	.0100	.0150	.0225	.0300
2.00	.0100	.0150	.0200	.0300	.0450	.0600
3.00	.0150	.0225	.0300	.0450	.0675	.0900
4.00	.0200	.0300	.0400	.0600	.0900	.1200
5.00	.0250	.0375	.0500	.0750	.1125	.1500

Shipment and Delivery to Final Settlement Times

As was mentioned in the previous section, the number of days between shipment and final settlement is critical in calculating carrying costs to country elevators. A survey conducted by the North Dakota Grain Dealers Association in May 1981, found that the average times between shipment and final settlement and unload and final settlement were 25.9 and 14.2 days, respectively, for rail shipments to Minneapolis/St. Paul and Duluth/Superior.[1] In order to calculate equitable carrying costs to country elevators, however, transit times should be considered. Car-days spent on-branch and off-branch may be calculated based on economic-engineering data supplied by the United States Railway Association.[2] Based on alternative branch line service and a 400 mile one-way movement, the average transit time would be 4.8 days.[3] Subtracting this figure (4.8)

[1] North Dakota Grain Dealers Association, Grainmens' Mirror, Volume LXIII, No. 12, December 1981, pp. 24-27.

[2] United States Railway Association, Viability of Light-Density Rail-lines, March 1976.

[3] Figure does not include the time it takes to spot and load the rail cars.

from 25.9 would give 21.1 days and would represent an average "delivery" to final settlement time. Thus, based on these figures, most elevator managers receive payment for their grain approximately three weeks after delivery and one month after shipment. In order to reduce carrying costs, therefore, elevator managers should attempt to reduce delivery to final settlement times or seek advance payments on grain.

Advanced Payments

Rules affecting cash grain advances will be examined in this section for grain sold in three areas of the United States. The rules are those published by the Minneapolis Grain Exchange (MGE), Minneapolis, Minnesota; Merchants Exchange (ME), Portland, Oregon; and Kansas City Board of Trade (KCBOT), Kansas City, Missouri.

Minneapolis Grain Exchange

Rule 419 outlines the Board of Directors authority in adopting regulations for the Minneapolis Grain Exchange.[4] This authority includes adopting rules and regulations concerning requests for and payments of cash grain advances:

> "The Board of Directors shall have the power from time to time to make Regulations (including fixing times of day) governing the rendering and delivery of all orders, notices, and documents of all sorts having to do with or incident to handling or passing title to commodities, and for the payment for commodities, including (but not being limited to) Delivery Notices, deliveries on Futures Contracts and payment therefor, Load-out Notices, Notices of Reinspection and Appeal, Disposition Orders, Invoices and payment therefor, requests for advances and payment therefor, Bills of Lading, payment for F.O.B. cars, payment of elevator charges, and the giving of disposition on cars purchased or loaded in satisfaction of warehouse receipts."

---

[4]Minneapolis Grain Exchange, Rules and Regulations of the Minneapolis Grain Exchange, Minneapolis, Minnesota, July 1981.

The MGE publishes two basic rules which outline cash grain advances. Rule 1321 applies to grain that is unloaded locally (within the Minneapolis/St. Paul or Duluth/Superior switching districts) while Rule 1322 applies to grain unloaded at "other" destinations.[5]

Rule 1321 states:

> "When a sale has been made basis "delivered" to on unloading industry within the Minneapolis/St. Paul or Duluth/Superior switching districts, if the car has not been unloaded within ten days after being actually or constructively placed upon the tracks of such industry, then and in the event the buyer shall pay to the seller (upon demand) a cash advance on the commodity sold equal to ninety percent (90%) of its value based on the sale price."

Rule 1322 states:

> "When a sale of a carload of any commodity has been made on arrival at Minneapolis/St. Paul or Duluth/Superior, or at an outside *Hold* or inspection point, or elsewhere, (or such a car has been applied on a sale *To Arrive*) with unloading weights at a destination outside the Minneapolis/St. Paul or Duluth/Superior switching districts to govern, the seller shall have the right to demand a cash advance on the commodity equal to ninety percent (90%) of its value based on the sale price if, as, and when documents passing title to the commodity have been delivered to the buyer.
>
> If the sale has been made basis delivery *On Track* at origin, at Minneapolis/St. Paul or Duluth/Superior, or at an outside *Hold* or inspection point, the buyer may not charge any interest on the advance. If the sale has been made basis *delivered* at some point outside the Minneapolis/St. Paul or the Duluth/Superior switching districts, the buyer shall have the right to charge the seller interest on such advances, from the time when paid, up to and including the next business day following the day on which the car is unloaded at its destination, except that such interest shall stop ten days after the car has been actually or constructively delivered to the unloading industry."

---

[5] Ibid, p. 91.

Rule 1321 basically pertains to situations whereby the buyer must provide a cash advance of 90 percent of the carload value to the seller for grain that has not been unloaded within 10 days after being placed upon the tracks of the buyer. The advance pertains to deliveries made within the Minneapolis/St. Paul or Duluth/Superior switching districts.

Rule 1322 applies to instances in which delivery is outside the Minneapolis/St. Paul or Duluth/Superior switching districts. Under the provisions of Rule 1322, the seller may request a cash advance equal to 90 percent of the carload value when documents passing title to the commodity have been received by the purchaser. The buyer may or may not charge interest on the advance (see second paragraph of Rule 1322).

Regulation 2000 contains provisions regarding payment of invoices and requests for advances:[6]

> "Pursuant to the provisions of Rule 419, the Board of Directors has adopted this Regulation, effective on and after November 12, 1973, until rescinded:
>
> a. The buyer must, before two thirty o'clock (2:30 P.M.), give to the seller disposition that will enable the seller to move the car so as to avoid demurrage charges or the buyer will be liable for any ensuing demurrage.
>
> b. Invoices based on final weights, whether destination or FOB, must be delivered to the buyer before one o'clock (1:00 P.M.). Buyer's checks in payment of such invoices must be ready for delivery to the seller's representative as soon as practicable, but no later than one o'clock (1:00 P.M.) the following business day.
>
> c. If requests for advances have been delivered to the buyers before one o'clock (1:00 P.M.), buyers must have checks for the advances due ready for the seller's representative as soon as practicable, but no later than one o'clock (1:00 P.M.) the following business day.

---

[6]Ibid, p. 123.

d. A seller who has been unable to deliver invoices on FOB cars or requests for advances in accordance with the provisions of Sections b and c of this Regulation may, however, avoid liability for demurrage charges by delivering to the buyer documents passing title before three o'clock (3:00 P.M.). If not so delivered, the liability for demurrage shall be on the seller. If documents passing title have been so delivered, the buyer must, at the request of the seller, receipt for the same, and must, upon demand, have the check in payment of the invoice, or for the advance due, ready for the seller's representative as soon as practicable, but no later than one o'clock (1:00 P.M.) the following business day."

Thus, under the provisions of Regulation 2000, the seller must, in effect, pass title of the commodity, either by actual delivery of the commodity or by delivery of documents transferring ownership, in order to be eligible for an advance from the buyer.

Documents passing title are typically duplicate Disposition Orders, Bills of Lading or elevator Load-out Notices.[7] Rule 1335 contains provisions for delivering documents that transfer ownership and qualifying for cash advances:

> "**1335. DISPOSITION ORDERS AND OTHER DOCUMENTS: DELIVERY OF.** - Buyers must demand and Sellers must deliver to Buyers the duplicate copy of the Disposition Order, duly executed and endorsed by the Seller to the Buyer, and signed or stamped by the carrier's agent or his representative upon payment of invoices based on final weights of cars unloaded within the Minneapolis/St. Paul or Duluth/Superior switching districts.
>
> Documents passing title (i.e. duplicate Disposition Orders, Bills of Lading or elevator Load-out Notices, as the case may be) shall be delivered to the Buyer upon payment of the advances authorized by Rule 1322.
>
> In all cases, if the Seller has delivered his invoice or request for advances by the required time, he is entitled to payment if he has the Disposition Order or other necessary documents ready for delivery to the Buyer at the time payment is due.

[7] Ibid, p. 93.

If such Disposition Order or other documents have been delivered to the Buyer prior to the time required for payment of the invoice or request for an advance and, if for any reason, the Buyer fails or declines to make payment therefor when due, he shall forthwith upon demand return the Disposition Order or other documents to the Seller."

Rules 1315 and 1316 (e), respectively, contain provisions regarding advances when cars are diverted by the buyer and when reconsideration of grades are called for.[8]

Rule 1315 states:

"**1315. DIVERSION OF CARS: BY BUYER.** - Whenever a sale of a carload of any commodity has been made, basis delivery at a specified unloading industry (or basic delivery "On Track" but to unload at a specified industry of destination), the buyer shall not reorder or divert the car from such specified industry or destination without having secured the consent of the seller so to do, which consent must be secured upon every such change.

Any reordering or diversion of a car away from such specified industry or destination, unless otherwise agreed, shall constitute a final acceptance of the car and shall entitle the seller to a cash advance on the commodity sold equal to ninety percent (90%) of its value (based on the sale price); and, unless official/certified destination weights can be furnished, settlement shall be made basis shipper's affidavit weights, or other weights satisfactory to the seller."

Rule 1316 (d) and (e) include the following:

1316. CALLS FOR RECONSIDERATION OF GRADE. - The expression "Call for Reconsideration of Grade" as used in the Rules shall mean any request to the proper grading authorities for reinspection, appeal, Federal appeal, appeal to the Board of Grain Supervision, or for any other grading of the contents of a car or of a lot or parcel of any commodity that would supersede the grade then in existence, including any request for a recheck of protein.

[8] _Ibid_, p. 89.

d. If a buyer has given disposition to the seller (or otherwise caused the car to be moved or ordered towards a specific unloading destination) on or before the second business day after the day of sale, he may (except as otherwise limited in this Chapter or agreed by the parties) call for reconsideration of grade or refuse the car on account of not being up to sample up to the time of final acceptance (as stipulated in Rule 1314) but not thereafter.

PROVIDED, however, that if the commodity was sold or applied on sale while at an outside "Hold" or inspection point located outside the State of Minnesota and ordered to Minneapolis (or Duluth/Superior) for inspection, the period of time herein allowed shall run after the car has been inspected in the terminal market.

e. If the buyer has not given disposition to the seller (or otherwise caused the car to be moved or ordered) toward a specific unloading destination as provided in subdivision "d," he may not thereafter call for reconsideration of grade or refuse the car on account of not being up to sample, and he shall pay to the seller (upon demand) a cash advance on the commodity sold equal to ninety percent (90%) of its value based on sale price.

In summary, the payment of cash advances is predicated on two basic circumstances: (1) delivery to unloading industries within the Minneapolis/St. Paul or Duluth/Superior switching districts; and (2) delivery to unloading industries outside the Minneapolis/St. Paul or Duluth/Superior switching districts. Cash advances on commodities delivered within the switching districts may be requested by the seller if the cars have not been unloaded within 10 days after being "properly placed" for unload. Thus, the buyer has 10 days in which to unload a car or he is required to pay an advance to the seller (upon seller's request). Cash advances on commodities delivered outside the Minneapolis/St. Paul or Duluth/Superior switching districts may be requested by the seller when documents passing title to the commodity have been delivered to the buyer. The buyer may charge interest on the advance for up to 10 days after the car has been delivered to an unloading facility outside the switching districts. The buyer may not charge interest for deliveries within the switching districts.

Both the diversion of cars and the reconsideration of grades may affect the transaction of cash advances. For example, if a car is diverted away from the original delivery site, the act constitutes final acceptance of the car by the buyer and the seller is authorized a cash advance on the commodity involved. Also, once the buyer has failed to exercise his right to give final disposition to the seller toward a specific unloading destination, he is obligated to pay a cash advance to the seller and may not call for reconsideration of grade. In both instances the amount of the cash advance shall be 90 percent of the commodities value based on the sale price.

Kansas City Board of Trade

Rules and regulations published by the Kansas City Board of Trade (KCBOT) governing cash grain advances are not as specific as rules published by the Minneapolis Grain Exchange. Specifically, Rule 3047.00 contains a description of cash grain advances:[9]

> "**3047.00 Track Grain; Advances**. On all grain sold or applied on contract on track at origin or any inspection point, including Kansas City, the seller may draw on advance of ninety percent (90%) of contract price, less discounts and less unpaid freight charges based on billed weights and on presentation of proper papers as follows:

[9]The Board of Trade of Kansas City, Missouri, Inc., By-Laws, Rules and Regulations, Kansas City, Missouri, April 1981.

a. **On Track At Kansas City**. A railroad notice of arrival showing the billed weight, a duly signed railroad disposition order showing that the car has been properly ordered as directed, and the original Kansas City Inspection Certificate.

b. **On Track At Interior Inspection Points**. A duly signed railroad bill of lading showing that the car has been properly ordered as directed, and the original inspection certificate."

Thus, cash grain advances are normally made for grains sold or applied on contract on track at Kansas City or at interior inspection points. Advances may also be made to sellers for trucked grain and may deviate from the 90 percent figure stated in Rule 3047.00.[10] Advances on truck shipments, however, are normally not made since turnaround from shipment to final payment is generally much faster compared to rail shipments. Thus, the time differential between final payment and advance payment is minimal and does not warrant the payment of cash advances, in most instances. Also, cash advances on truck shipments involve additional paperwork compared to rail shipments and this may detract from applying advances to trucked grain.[11]

The receiver or buyer of the grain may, in some instances, charge the seller interest on cash advances.

[10]Personal communications with Leon Hannebaum, Hannebaum Grain Company, Inc.

[11]Ibid.

Pursuant to Rule 3092.00:[12]

> "**3092.00 Interest on Advances**. On all grain consigned to any member, or to any firm or corporation duly represented in its membership, or brought by any member thereof, or by any such firm or corporation, and shipped to Kansas City, subject to either Kansas City Weights or Inspection, or both Kansas City Weights and Inspection, the receiver or purchaser, as the case may be, shall charge interest on any sum advanced on such consignments or purchases to the time of contract application, sale, or reimbursement."

Rule 3092.00 does not require buyers to charge interest, but allows them the discretion to charge interest or not to charge interest depending upon applicable circumstances. In addition, Interpretation (INTRP 30-3092.00-1) clarified Rules 3047.00 and 3092.00:[13]

1. "No interest shall be charged on money paid on the purchase of a spot cash commodity transaction."
2. "Interest shall be charged on advances made on car-lots of commodities purchased by contract until cars are applied on contract with an official inspection in accordance with the contract terms. No interest shall be charged after such application."
3. "Interest shall be charged on advances paid on consignments until the time of reimbursement to the consignee."

In summary, cash advances of 90 percent of contract price may be drawn by the seller for grain sold or applied on contract at Kansas City or at interior inspection points. Advances are normally not made on truck shipments since final payments are usually just as timely. Also, the additional paperwork required on truck shipments compared to rail shipments dissuades some from requesting advances on trucked grain.

---

[12]The Board of Trade of Kansas City, Op.Cit.

[13]Ibid.

Merchants Exchange of Portland

Cash grain advances in the Portland area are equal to 90 percent of the value of the grain.[14] Section 1 of Rule 5 contains a description of proper presentation of documents regarding exchange of the commodity:

> "**Section 1.** It shall be the duty of the Seller to mail or present to the Buyer, or other such consignee as may have been previously designated by the Buyer, an invoice, giving the initial and number of the car, kind and grade of grain, actual or estimated weight, price, contract on which shipment is to apply, and amount of invoice. Unless otherwise agreed when a contract is made, it shall be understood that sight drafts or invoices are subject to payment on presentation to the Buyer or his designated agent, when properly documented and substantiated by bill of lading, and if applicable, weight and inspection certificate."

Section 2 of Rule 5 covers the amount of the advance:

> "**Section 2.** On presentation of railroad and/or barge bills of lading, and proper documentation as described in section 1, as a delivery on existing contracts, the Buyer shall pay to the Seller an Advance of 90% of the net value of the grain covered thereby."

Additional Rules on cash grain advances are not published by the Merchants Exchange of Portland. The rules, as published, are fairly explicit as to the amount of the advance. Provisions for charging interest, however, are not covered by published Trading Rules.

Cash Grain Advances in Practice

Various rules governing the payment of cash grain advances and interest charges were described in the previous three sections as they pertain to the Duluth/Superior, Minneapolis/St. Paul, Kansas City, and Portland markets. Analyzing the rules as they

---

[14] Merchant's Exchange of Portland, Grain Trading Rules, Portland, Oregon, March 1981.

appear in the various rule books, indicates that numerous interpretations could prevail. Consequently, several phone interviews with both shippers and receivers of grain were conducted in order to review some of the practices involved in the actual payment of cash grain advances.

Data gathered from the phone interviews indicate that no formal procedures are followed, to any significant degree, with respect to the payment of cash grain advances.[15] For instance, (relating to MGE Rule #1322) two North Dakota shippers reported two methods in the receipt of advanced payments. One reported receiving the 90 percent cash advance based on the value of the shipment while the other reported receiving interest on the carload value from the buyer rather than an actual advance. The net effect between the two methods should have been negligible assuming equitable interest rates, but nonetheless, alternative methods were used in the payment of the advances. It is also apparent that advances are more commonly used for westbound shipments relative to eastbound shipments. Shippers indicated that the most important reason for this was due to the expediency of Duluth/Superior and Minneapolis/St. Paul receivers in settling accounts relative to westbound receivers. Shipment to final settlement times for eastbound shipments were commonly three to four weeks compared to six weeks for westbound shipments. One westbound shipper reported receiving advances about one week after sending bills of lading. Advances for eastbound shipments normally took two weeks according to those who were contacted.

[15]It should be noted that the data gathered through the phone interviews may not be representative of the population. While care should be taken in interpreting the results, the data do present alternative procedures followed by some in the payment of and receipt of cash grain advances.

Advances on truck shipments normally are not made. Two significant reasons regarding this matter were cited by those contacted. First, the time from shipment to final payment for truck-moved grain is short enough to preclude the need for advance payments. And second, truck shipments normally require additional accounting measures for those requesting advances. Rail cars, on the other hand, are numbered and allow for more precise accounting.

The payment or receipt of cash grain advances did not vary to any significant degree with the type of grain shipped according to those contacted. However, the total amounts of the advances varied according to the relative volumes shipped per commodity.

The amounts of cash grain advances also varied. It is not uncommon for advances to be less than 90 percent of the carload value as is stipulated in the various trading rules. For example, some of the country elevator operators contacted reported receiving advances ranging from 75 to 90 percent of carload value.

SUMMARY AND CONCLUSIONS

This report examines some of the effects of high interest rates on shipping grain and examines the concept of cash grain advances. The findings of the analysis are summarized and presented below.

Carrying Costs to Grain Elevators

With today's high interest rates it is imperative that country elevator managers explore alternatives in decreasing the time it takes between shipping grain and receiving payment. As indicated in Summary Table A, this "carrying cost" to the elevator can be quite costly. For example, assuming an 18 percent interest rate and $5 per bushel grain, carrying costs increase from 2.5¢ per bushel to 15¢ per bushel as the shipment to final settlement time increases from 10 to 60 days.

SUMMARY TABLE A

PER BUSHEL CARRYING COSTS BASED ON ALTERNATIVE SHIPMENT TO FINAL SETTLEMENT TIMES AND 18 PERCENT INTEREST

	Days from Shipment to Final Settlement			
Value of Grain	**10**	**15**	**30**	**60**
	Dollars per Bushel			
1.00	.0050	.0750	.0150	.0300
3.00	.0150	.0225	.0450	.0900
5.00	.0250	.0375	.0750	.1500

The <u>North Dakota Grain Dealers Association</u> reported average shipment to final settlement times of 25.9 days for country elevators shipping grain east by rail (Minneapolis/St. Paul and Duluth/Superior destinations). Based on economic-engineering data, transit times for these shipments would average about 4.8 days. Consequently, North Dakota shippers were receiving payment for their grain about 21 days after delivery (25.9 - 4.8). Assuming $4 per bushel grain and an 18 percent interest rate, this results in a 4.2¢ per bushel carrying cost to the shipper:

$$(18\% \div 360 * 21 \text{ days} * \$4 \text{ per bushel}).$$

Advanced Payments

Advanced payments may represent an alternative for country elevator managers in reducing carrying costs. Advances on rail shipments are normally received in about half the time it takes to receive final payment. Advances on truck shipments are usually not more timely than final payment.

Minneapolis Grain Exchange Rules

The Minneapolis Grain Exchange publishes two basic rules governing cash advances. The first (Rule 1321) pertains to shipments within the Minneapolis/St. Paul or Duluth/Superior shipping districts and states, in part, that cash grain advances equal to 90 percent of the carload value are to be provided to the seller for grain that has not been unloaded within 10 days after being placed on the tracks of the buyer. The second rule (Rule 1322) applies to delivery outside the Minneapolis/St. Paul or Duluth/Superior switching districts and provides a basis for payment of advances (also equal to 90 percent of the carload value) subsequent to the passing of title of the grain from the seller to the buyer. The buyer may charge interest on the advance for up to 10 days after the car has been delivered to an unloading facility outside MSP and DS switching districts. The buyer may not charge interest for deliveries within the switching districts.

Kansas City Board of Trade and Merchants Exchange of Portland Rules

Trading rules governing cash grain advances as published by the Kansas City Board of Trade (KCBOT) and Merchants Exchange of Portland (ME) are not as detailed as rules published by the Minneapolis Grain Exchange. Nonetheless, the rules are similar in that they all call for advances equal to 90 percent of the carload value. The KCBOT rules contain provisions for assessing interest charges while the ME rules do not.

Cash Grain Advances in Practice

Trading rules governing cash grain advances as published by the Minneapolis Grain Exchange, Kansas City Board of Trade and Merchants Exchange of Portland allow for considerable interpretive discrepancies. Also, many advances are paid that are not in accordance with explicit provisions of the published rules. For example, two separate shipments to a similar destination resulted in one shipper receiving a direct cash advance while the other received final payment plus interest.

Advances on truck shipments are normally not made since final payment is usually just as timely as the advance. Also, some shippers stated that accounting practices were somewhat more difficult for truck shipments relative to rail shipments and complicated the process of receiving advances.

While the various trading rules called for advances of 90 percent of carload values, it was not uncommon for advances to be less. Advances, according to many shippers, ranged from 75 percent to 90 percent of carload values for all three market areas.

The payment of advances did not seem to vary according to the type of grain shipped but did vary according to the volume and frequency of shipments. In other words, there was some evidence of preferential treatment to large volume and regular shippers compared to infrequent shippers.

According to those contacted, advance payments were received more quickly for westbound grain shipments compared to eastbound shipments. Advances on grain that was shipped west normally took from one to one and one-half weeks compared to about two weeks for grain that was shipped east. A grain merchandiser in Kansas indicated that shippers normally received advances in seven to ten days.