

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 697

ORIGINAL

In the matter of the application of )  
the Northern Warehouse Company for ) Application No. 72.  
an order authorizing the increase )  
of storage and loading charges. )

Frank Freeman and G. A. Cutman for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application to increase the rates for the storage and handling of grain in the warehouse located at Germantown, operated by the Northern Warehouse Company.

The present rates are as follows:

Storage for the first month 25 cents per ton.  
Storage thereafter 25 cents per ton additional to October 1st.  
Storage thereafter 25 cents per ton additional to June 1st of following year.  
Delivery to wagon 15 cents per ton.  
Loading on car 15 cents per ton.

The proposed rates are:

Storage to October 1st 50 cents per ton.  
Storage thereafter 25 cents per ton to June 1st of following year.  
Delivery to wagon 25 cents per ton.  
Loading on car 25 cents per ton.

The grain crop is usually all stored during the months of June and July and the storage "season" runs from June 1st of one year to June 1st of the following year.

Therefore, the increase in the rates for storage if permitted, will affect only grain removed from the warehouse prior to the expiration of the first storage month, but it is proposed to increase the loading charge in all cases.

In justification of the proposed increases, the

applicant alleges that the cost of labor has increased; that the amount of grain stored has decreased owing to the fact that crops have changed from wheat to barley and that large tracts of land formerly devoted to the growing of grain have been subdivided and put to other uses, and as a consequence the business has been conducted at a loss. In support of this contention, applicant submits that in the past eight years there has been a net loss of \$1197.92, as follows:

	<u>Net Loss</u>	<u>Net Profit.</u>
1904	\$ 929.59	-----
1905	1693.04	-----
1906	595.34	-----
1907	556.29	-----
1908	935.01	-----
1909	----	\$ 73.31
1910	----	757.67
1911	----	2690.37
	<u>          </u>	<u>          </u>
Total	\$ 4709.27	\$3511.35

Loss eight years - \$ 1197.92

The statement of the expenses for conducting the warehouse, submitted in compliance with the Commission's request, shows:

Total Expense for year 1909	\$2594.75
Total Expense for year 1910	3454.64
Total Expense for year 1911	4268.26

The largest item of expense is labor, which varies with the amount of grain stored. The fixed charges are: annual rental of \$1,000; an annual corporation tax of \$10, and the salary of the manager. The propriety of charging some of the expenses, shown in statement, to the operation of the warehouse was questioned, but in view of the conclusions herein, this may be disregarded.

A decided protest was made against the proposed increase by a number of farmers who store their grain crops in the Germantown warehouse.

The evidence shows that the expense of handling the grain was materially decreased due to the substitution of machinery for manual labor. A witness for the applicant stated that this expense had decreased to "some extent" but that he was unable to state definitely the exact percentage of such decrease. The same witness testified that there had been an increase in the yield and amount of grain stored in the last two years, and that he did not believe the acreage devoted to the growing of grain in the vicinity of Corman-town had decreased. Similar testimony was given by various witnesses who appeared to protest against the proposed increases and it does not appear from the evidence that there is any present prospect of decrease in storage revenue because of abandonment of grain farming.

The profit for the year 1911 was approximately 38 per cent of the total revenue. The applicant admitted that that was a fair and satisfactory profit. Manifestly, therefore, the rate must be satisfactory if a large amount of grain is stored. If the present rates produce a reasonable net income in years of large crops, it may be that they would not during lean years, because of course, the fixed charges would accrue regardless of the amount of grain placed in storage. On the other hand, in the years of bumper crops the present rates might produce an unreasonably large net income. This is a condition which is dependable on the yield alone and which cannot be remedied by an increase in the rates for storage. A total crop failure, no matter what the rates for storage might be, would make the operation of the warehouse unprofitable. It appears, therefore, that to properly adjust the rates, the results from the operations over a period of years must be considered and not the results from one year's operation alone, and that a rate should be established that will yield sufficient returns in years of

large crops to provide not only for a fair return for that year's operation, but also sufficient to compensate for the lean years. It should not be expected to entirely recoup in one year the losses of several.

As has heretofore been said, the proposed increase in storage rates will affect only those who remove their grain during the first month of storage, and while this new rate would result in payment of the comparatively heavy rate of 50 cents per ton for grain stored for less than one month, yet it must be borne in mind that the warehouse is maintained so that the person storing shall have the opportunity to continue such storage for a whole year if to his advantage. Hence, it is fair that those who find a market for their grain soon after storing bear a reasonable proportion of the burden of maintaining this warehouse for the whole period during which storage is available.

As it has been shown that eight years' operation of this warehouse has resulted in the loss of \$1,197.92, it cannot be expected that the average amount of grain stored will produce an unduly high profit to the warehouse owners, and it must be conceded that the slight increase in storage rates is justified, particularly in view of the fact that compared to the storage rates at other warehouses in the locality, the rates now in effect for applicant's warehouse are low.

The accounts of the warehouse are not segregated so as to show the receipts and expenses for loading, separate from other receipts and expenses, and the result of the last year's operation embraces the results from loading. No sufficient evidence was presented at the hearing to show that the present charge for loading grain into wagons or cars is too low, and I therefore, hold that the present charge for such service is not unduly low.

Therefore, I am of the opinion that the application should be granted as to the proposed increase in storage rates and denied as to the proposed increase in handling charges, and submit herewith the following form of order:

O R D E R

The Northern Warehouse Company having applied to the Railroad Commission for an order authorizing increases in the rates for the storage and handling of grain in its warehouse, located at Germantown, California, and a hearing having been held upon said application, and the Commission being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now in force for the storage of grain in the warehouse of the Northern Warehouse Company are unduly low and are unjust and unreasonable rates, and that the following rates for said services by said company are just and reasonable rates, to-wit:

Storage to October 1st .....	50 cents per ton
Storage thereafter, to June 1st of following year .....	25 cents per ton

IT IS HEREBY FURTHER FOUND AS A FACT that the rates proposed to be established by applicant for handling grain at said warehouse are unjust and unreasonable, and that the following rates now being charged for such services are just and reasonable rates, to-wit:

Delivery to wagon .....	15 cents per ton
Loading on car .....	15 cents per ton

IT IS HEREBY ORDERED that the application of the Northern Warehouse Company to increase the rates for storage of grain, which said rates have hereinbefore been found just and reasonable, is hereby granted, and

IT IS HEREBY ORDERED that the application of the Northern Warehouse Company to increase the rates for delivering grain to wagons and loading grain on car, said proposed increase having hereinbefore been found unjust and unreasonable, is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28<sup>th</sup> day of May, 1913.

John W. Eschleman  
H. S. Leonard  
Alfred G. ...  
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Commissioners.