

Can Grain Trading Change Your Life?

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IS GRAIN PRICE an irrelevant factor in the success of your company? According to the authors of *The Art of Grain Merchandising*, the answer is “Yes.” This 582 page edition from Stipes Publishing is a how-to manual on the use of basis—the difference between the futures price and the local cash price of grain—to increase profit margins.

The book is the latest edition of a standard text, first released in 1993. Previously titled *The Merchant’s Edge*, the book has been used as an instructional text at a number of universities and at major grain companies in America and Canada.

The authors are certainly qualified to discuss the topic. Both have been part of the White Commercial Corporation, a consulting and education firm specializing in grain merchandising, since 1978. Don White is the founder of the company and has been teaching in the industry for 50 years. Sherry Lorton is White Commercial’s Educational Director and is a Grain Merchandising Specialist. She has written ten books on the subject (some co-authored with White) and has also developed an extensive body of educational materials on these merchandising techniques. Lorton also developed the only Grain Certification Course in the industry.

White and Lorton make a bold claim right out of the blocks: “People often ask,” the preface begins, “why they should read this book and the answer is quite simple, *because merchandising skills change people’s lives*” (emphasis in the original). Once elevator and mill

managers develop what Lorton and White call “basis eyes,” their profits increase without a disadvantage to their customers. As an example, they discuss a struggling 400,000 bushel elevator that became a highly successful 4 million bushel operation after 20 years of using basistechniques, and even discuss an entire Texas farm town transformed because the local elevator converted to basis techniques and increased the cash flow into the community.

The most striking feature of the book is the balance of information. Unlike many other technical tomes, this text addresses the absolute beginner, covering some of the most basic concepts of the grain business, even detailing what a futures contract is. However, the authors move on from there to highly detailed practical instruction, down to providing example contracts and record sheets. Presumably someone who’s never worked at a grain elevator could learn these trading techniques, but most of the coverage of the basics is corralled in the extensive appendix section, so the experienced grain merchant can dive

right in.

The authors note that the list of factors effecting grain price is virtually endless, but basis is controlled by local movement of grain. “These are factors you are aware of and can use to effectively anticipate basis movement.” These factors in “your own backyard” allow you to use basis—which is manageable and moves in “distinct patterns with less volatility” than

price—as the profit engine for your firm. The book also describes how value added businesses in the industry, such as feed mills and seed companies, can benefit from basis trading “in terms of lower costs rather than as a direct merchandising margins”.

The cover price of \$59.95 seems hefty, but the vast amount of information provided and the potential for large profits more than justifies the cost. If you’re not already trading on basis, or could use an updated, well-written and readable reference, make room on your shelf for this volume.

The Art of Grain Merchandising is available at major bookstores or from www.barnesandnoble.com.

