

# Exciting Times for the Grain Business

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**August 18, 2007, Stuart, FL** - The grain business has never been better. Advances in science and technology have enabled farmers to increase production while at the same time demand for crops has grown significantly. Not only do we have more uses for grain and soybeans when it comes to food products but its use as a fuel alternative has added a whole new dimension to the grain business. This steady increase in supply and ever-growing demand is a winning combination.

Like any industry that goes through a period of growth, however, there are changes that happen along the way. For the grain business it is adjusting to handling more bushels while being able to accommodate the differing needs of the marketplace. It used to be that farmer or elevator would simply put the grain in the tanks and wait for a buyer to come looking for the bushels later in the season. The dynamics of the marketplace are different now in that there is a steady need for grain year-round and more users in competition for the bushels. In this environment, the marketplace looks for more proactive merchants that can better facilitate the flow of bushels between producers and users and do it in a way that is of benefit to all parties.

Another change the growth of the grain markets has brought about is increased volatility. There are bigger swings and more frequent moves in price, basis and spreads. This volatility is not to be feared; on the contrary, it is a tremendous opportunity for those in the position to take advantage of it. For example, price fluctuations provide producers with more opportunities to sell at profitable prices. Fluctuations in basis and spreads create opportunities for merchants to make better margins. But, volatility can also bring about enormous risk if businesses are not prepared to deal with the situation.

There are two areas that are important to dealing with these changes and preparing ag-related businesses for the opportunities ahead. The first involves having sound marketing and merchandising skills. Each sector of the industry -- producers, users, elevators and other merchandisers alike -- will require specialized skills that target their specific needs and objectives. Skills related to farm marketing, basis trading and disciplined risk management are and will continue to be in high-demand.

Second is sound fiscal management. The grain business has always been a capital intensive industry and it is even more so now days with the increase in commodity prices. It takes a lot more money to finance grain positions. For businesses to grow and prosper in the years ahead it will be imperative that they have the proper financial resources in place and the expertise to effectively manage cash flow in different market environments.

The future holds great promise for the grain business and there are exciting times ahead. Those that prosper will be the ones that fulfill their commitment to build their skills and are able to successfully embrace change, seek out opportunity and take direct steps to avoid risk.

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