

Grain firm expands in the Mid-South

By CECIL H. YANCY JR.

PAUL DeBruce has handled grain from behind a desk in a coat and tie for 30 years as CEO of the company he founded, DeBruce Grain. But it's the time he spent on the end of a scoop shovel as a youngster that continues to drive his philosophy in today's risky grain markets.

Last year, the company, which has major facilities in the Midwest, expanded in the Mid-South, building an "over the bank" facility in Rosedale,

Key Points

- DeBruce Grain expanded in Rosedale, Miss.
- The facility can house 800,000 bushels.
- Owner believes customer success is company success.

Miss. This year, it's expecting to be on line with an 800,000-bushel-capacity storage facility by the end of July.

"It's always exciting to build a new facility," DeBruce says.

The new facility will include

the ability to unload 30 trucks an hour to storage space, or unload 45 trucks with grain to barges at the river facility. "We can go in both directions," DeBruce says. "By the speed of the conveyors, we offer efficiencies and can get the producer back out in a timely fashion."

DeBruce grew up in southwestern Kansas, about 30 miles from the Colorado and Oklahoma border in Ulysses. "I've been around farmers and worked for a local elevator in high school."

DeBruce describes his com-

pany's strength in terms of a "niche in logistics and organization" in the grain business. "That complements servicing the user and the producer," he says. The company also has a strong presence in Mexico, "which allows us to buy grain in Rosedale and send it to Mexico" or other destinations.

"Efficient operations for our producers and access to a variety of markets are what we offer," DeBruce says. "From the Rosedale facility, we can send grain by barge down river or by truck every day year-round — whichever is best to put dollars in the producers' pockets."

In today's market, however, it's not always an easy call about what's the best price to take. For example, last year when wheat prices shot to all-time highs, growers signed up to deliver their crop at prices they'd never seen. Instead of plateauing, the prices continued an upward climb. The \$4-per-bushel wheat that looked so good a year ago now has a wide basis as prices have gone above \$12. The same thing has happened in corn and soybeans.

"The industry is very concerned today about the decoupling of cash and futures prices," DeBruce says. "The lack of convergence in markets is reducing liquidity in new-

About DeBruce

DEBRUCE Grain Inc. serves customers nationwide with more than 30 primary physical plant operations located in the Midwest. It's a privately held company with headquarters in Kansas City, Mo. It has other domestic locations, including Rosedale, Miss. DeBruce also has a trading office in Mexico, as well as leased and owned facilities. Visit www.debruce.com.

crop corn. It makes it very difficult for us to know what to bid for the producers' new crop."

It's a different market than when he started his company as a 27-year-old "who thought he was invincible. I no longer think I'm invincible. I'm not."

Today's markets feature more risk, particularly with the volatility in the futures markets and access to capital.

Still, looking back on his days with the scoop in his hand helps him realize that "farmers are our customers and to the extent that they succeed, we succeed," DeBruce says.

It's all about capital

THE challenge facing the grain industry today is twofold: 1) It's about capital; and 2) It's about information flow, says Paul DeBruce, CEO of DeBruce Grain Inc., the world's eighth-largest grain company.

As the price of grain (wheat, corn and soybeans) has risen, so has the basis — the spread between the futures and the cash price. There's essentially been a "decoupling" of those two prices. National grain banks that finance grain tenders don't want to touch anything less than \$20 million in lines of credit.

That presents an "unfortunate" scenario for the grain industry as a whole and small elevators in particular, DeBruce says.

"Small country elevators don't have scale and that makes it difficult," DeBruce says. Larger players like DeBruce, who also operates an elevator in Owensboro, Ky., have the strength to negotiate with barge lines for better transportation rates.

The other factor is "information flow." That happens when a farmer sells grain and tells the story at the local store or coffee shop. As the information migrates across the state,

growers begin to sell.

For example, DeBruce has 100 traders throughout the U.S. and Mexico. Those traders have access to what's going on when it's going on.

The high prices in the grain markets have created risky times. DeBruce believes the next five to 10 years will be ones of consolidation and change.

While big operations may have the advantage of scale over the small country elevators, DeBruce believes there will still be a need for the country elevators.

"The smaller elevators will have to figure out their strength. A lot of them already do feed and fertilizer. We're not very good at that."

American bakers go to Washington

By CECIL H. YANCY JR.

IN the Middle Ages, bakers changed the number in a dozen to save their necks. In a new century, high wheat prices, low stocks and policy changes have them marching on the seats of power crying out for relief.

Some 80 bakers from across the country marched on Washington, D.C., in March armed with press releases wrapped around rolling pins and their growing plight of operating in an economy where the cost of their raw product continues to rise.

Lee Sanders of the American Bakers Association describes the factors at play in the new paradigm of grain as a perfect storm. "We have the lowest wheat stocks since the end of World War II; the dollar is down; and there's been a large shift in growing corn for ethanol." U.S. wheat stocks in 2006 were below 200 million bushels, according to economic consultant Russell Lamb, citing USDA statistics.

The bakers went to

Washington to tout a three-point plan to deal with the problems.

"We are concerned about wheat acres," said Sanders, a native of Mississippi who once worked for U.S. Sen. Thad Cochran. "If adverse weather or transportation issues arise, we could be in a lot of trouble."

The bakers are in favor of opening up 7 million acres of Conservation Reserve Program land, giving farmers the opportunity to grow more wheat. They also favor doing an environmental study on the land. "That would take six months to complete," Sanders said.

While the group supports ethanol as vital, it also called on the EPA to consult with the U.S. Department of Agriculture and the U.S. Energy Department to talk about food shortages and consumer prices brought on by energy policy.

"We're just asking that Congress makes sure that happens, as it is outlined in the 2007 Energy Bill," Sanders said. "Many have said this new environment represents a paradigm shift over food vs. fuel."

The group favors an export policy that would "make sure there's enough supply for domestic uses," Sanders added.

"We would be in a bad national defense position if we had to import wheat to make our products."

Cost affecting donation

Since January, the price of wheat has gone up 50%, according to Sanders. "Since May of 2007, it's gone up 151%. Think about what that does for a small baker.

"Bakers have tried to be very careful, but they've had to increase prices some," she said. "But they cannot continue to absorb the increases. If they were going to increase the price of their product and pass on the cost, it would be a more than 30% increase."

The increase has already begun to affect food banks such as the Capital Area Food Bank, which depends on the American Bakers Association for donations. "When donations are lower from our members, the food bank has to purchase food for their pantries," Sanders said. "There's going to come a point where tough choices are going to have to be made."



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