

Fast Forward

Use technology to your advantage to enhance your business, and to make your business attractive and relevant to customers who were weaned on technology.

By Diana Klemme

Thumbing through his son's issue of PC magazine, Mike shakes his head in amazement. "Just look at all the gizmos and gadgets available these days — and how cheap they are; I remember getting my first fax machine in the late '80s — it cost almost \$1,000 and spit out that curly paper! Didn't have an e-mail address 'til about 10 years ago. Time sure does fly..." Looking across the room at his grandson, Mike's even more amazed to see his 4-year-old grandson easily doing something on an iPhone.

In the 1980s, grain traders had scores of trainees phoning bids to elevators every day, which slowly evolved to faxing bid sheets and eventually to website posting for immediate, widespread updating of bids. Now many country elevators even combine that with mass transmission of bids or other information via e-mail or to iPhones and Blackberries to keep customers continually updated — wherever they are. The personal touch has given way to speed, efficiency and lower costs.

Enhanced technology allows elevators to buy larger volumes and



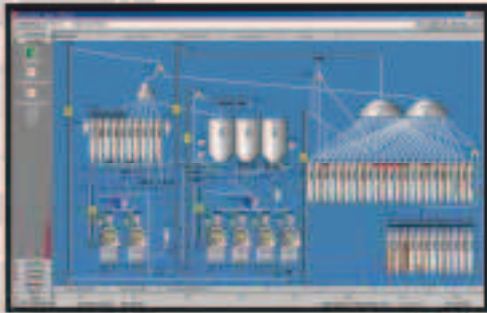
■ We can't know what new software and hardware will be available in 10 years or even five years. But there are broad trends managers of today can embrace in planning for expansion, staff and customer service. ■

operate with the same size or even smaller staffs than years ago. But the grain industry has evolved in many other ways over the decades that have facilitated expansion, consolidation and have increased efficiency.

- Interstate banking was authorized in the '80s; borrowers are now able to secure dramatically larger operating credit lines through a single lender.
- Spreadsheets and word processing programs for PCs evolved rapidly by the early '90s and became affordable even for small businesses, dramatically increasing managers' ability to track and analyze operating costs and margins.
- As unbelievable as it seems, 100-car unit trains only came on the scene in the 1970s (although the first COLT train — the Cargill On Line trains — shipped out of Gilman, IL, in 1967). Unit trains and shuttles dramatically increased the efficiency of moving ever-larger crops.
- The shift from local rail agents to centralized, computerized management of trains has vastly improved fleet utilization, benefiting both the railroads and the grain industry.
- On the other hand, today's container-shipments allow targeted loadings of smaller volumes of specialty crops, expanding access to niche markets.



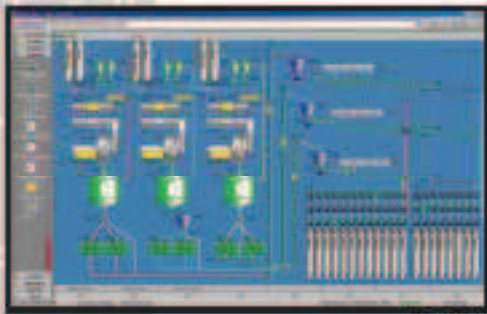
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GENERATION

- Automatic probes for grain trucks became common in the 1970s, lessening harvest backlogs.
- Computerized accounting wasn't common in country elevators until the 1980s, although Agris was introduced in 1978. The availability of detailed centralized reporting of position reports and grain accounting facilitated the consolidation of the grain industry in the late '80s and early '90s.
- Knight Ridder (now DTN™) introduced the push-button quote box in the 1980s, bringing a whole new world of information to the country elevator at an affordable price.
- Options trading was reauthorized in 1985 at the Chicago Board of Trade after a 50-year absence, opening a new world of risk-management tools for producers and merchandisers.
- 2006 brought side-by-side electronic and pit-trading of futures and options, without which the exchanges would have been hard-pressed to handle today's massive trading volumes.
- Computerized controls of elevator operations now allow larger terminals to shift inventories or load trains efficiently and with minimal staff.

No single innovation is responsible for the grain industry's ability to handle ever-larger volumes through facilities mostly built pre-1990 or even pre-1970. These were just a few examples, and collectively the changes have been dramatic! What stands out, however, is how many of the changes involve technology and the Internet.

The challenge now is to plan for the elevator and the grain business of the future. We can't know what new software and hardware will be available in 10 years or even five years. But there are broad trends managers of today can embrace in planning for expansion, staff and customer service.

- Mike's 4-year-old grandson may someday be a farmer, merchandiser or an elevator manager. He and others his age or older are growing up with a digital device in one hand and a computer available nearly 24/7. He'll be your customer or your employee and the challenge will be to use those talents and preferences to your advantage.
- Country elevator managers talk endlessly about the challenges of finding and keeping good employees for routine tasks. Wireless networking allows even smaller ag businesses to instantly manage a stream of computer data from the scales, bins, dryers and pits to the main office. This can make "outside jobs" more attractive to the younger generation and can allow managers to operate with a leaner staff of more qualified workers.
- Consider computer skills as you interview and hire staff. You'll need someone to manage and develop network systems and to fully incorporate future tech-

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nology to gather and distribute information to/from your customers.

- Increasingly complex reporting is available now through temperature cables, CO₂ monitors, and a host of other modern operational equipment. Incorporate these

innovations into your expansion and rehab plans. The cost may *seem* unnecessary but you'll also buy efficiency and the ability to better manage these ever-larger volumes of high-priced inventories. (Who wants to first find a bin of \$15 soybeans going out of

condition when you're loading them into a railcar?)

- Electronic order management of your futures/options hedging will become more common at the country elevator. It's not necessary (or even desirable) to enter orders yourself, but you should be able to instantly see your net hedges, daily activity in real time and other important management information to monitor your business risk exposure.
- Search out ways to reduce fuel consumption to trim costs. Computers and GPS can aid in setting up feed delivery routes.
- Robots may perform routine functions as their unit cost declines. Robots that bag feed are already in use.

While you're planning, think outside the box as well. Most country elevators receive and unload grain about the same as they did 50 years ago. Sure, they have automatic probes and electronic scales, and the information can feed to the accounting system instantly. But think beyond that.

We live in an automated age. Bank ATMs are everywhere and make it all but unnecessary to set foot in a bank except to secure your line of credit. Many groceries (at least in the cities) have self-checkout lanes where customers swipe their items and pay one central cashier or pay by credit/debit cards at the scanner. Fast food is available with a swipe of a card.

Grain elevators aren't really that different from banks. Both handle a generic commodity that comes in various quantities or denominations, and is "routed" in a few basic ways, to a checking account or to savings, for example. People insert a bank card and deposit paper money and checks directly into the machine without even a deposit slip. (At least one major bank is moving into accepting check "deposits" via a scan by iPhone.)

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Think about streamlining a country elevator along those lines — at least in part. Customers could drive up to a “grain bank” (a little elevator humor), insert a card or a pin number, and begin the unload process. The machine would ask a few questions (commodity, etc.), offer a few alternatives (sell, store, contract, “other”), and instruct the driver where to go. At that point an automatic probe (perhaps a robot?) could sample the grain, test it and send the information to the management office, or even to a “traffic signal” that could direct the driver to a specific pit. As unloading begins, after a verification of an ID code, an automated system could route the grain to the correct bin and log other data. The outcome of the transaction could be sent instantly to the customer — wherever he is — as well as to the office. This would alert the farm customer to grade problems, or potential mistakes on disposition, information that’s valuable to farmers as well as to elevators.

In an ideal world the entire process could be handled with fewer mistakes, in less time, and by fewer employees, all of which will be essential to handling ever-larger volumes at low cost. In the real world there are problems to address. Drivers don’t always know more than to deliver the grain for Farmer Jones for example. But keep in mind that farmers will be far more computer savvy; they have their own wireless communication ability — perhaps the farmer could handle the “issues” remotely to the elevator’s system upon receiving an inquiry or alert. The possibilities are endless.

U.S. grain production will continue to grow, and tight global supply/demand balances point to continued high-prices and volatility in the years ahead. These will be good times for elevators but the costs and risks will rise. Elevators have

to plan now in order to prosper in that environment, not just through higher credit lines, but through good management.

The mission isn’t to turn country elevators into banks; it’s to embrace technology to your advantage, to enhance efficiency, to reduce costs

and errors, and to make your business attractive and relevant to customers who were weaned on technology. Such changes won’t happen overnight, but the time to start is now. What ideas do *you* have for *your* business’ future? ■



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