

CASE STUDY

Electronic D/P, Basis Contracts

ILLINOIS GRAIN HANDLER GOES ON-LINE WITH D/P, BASIS CONTRACTS



Joni Gray, merchandiser with Johnson Grain LLC near Waverly, IL, demonstrates the creation of a new D/P contract using the eGrain central electronic filing system. Photo by Ed Zdrojewski.

In recent years, laws governing the operation of grain warehouses have been rewritten extensively. On the federal level, the U.S. Warehouse Act rewrite approved by Congress in 2002 authorized the use of electronic warehouse receipts. And in Illinois, the state legislature recently approved a rewrite to the Grain Code, which among other things, allows for the use of electronic contracts for official warehouse records.

One Illinois grain handler has been taking advantage of these changes to write electronic delayed/price (D/P) and basis contracts with producers using a new Web-based central filing system.

“We write a lot of D/P contracts, and this system really cuts down on the amount of labor required,” says **Joni Gray**, a merchandiser with **Johnson Grain LLC**, Waverly, IL (217-435-2361).

Since September, her company has

been pilot testing the **eGrainSM** system, developed and marketed by **eGrain Inc.**, a wholly-owned subsidiary of **King Technology Inc.**, Springfield, IL (217-529-6700/www.egrain.com).

Previously, all D/P contracts offered by Johnson Grain were handwritten, with triplicate copies, one for the company, one for the producer, and one kept on file for the Illinois Department of Agriculture (IDA).

How It Works

Prior to starting the pilot program, Gray explains, Johnson Grain purchased a supply of electronic contracts from eGrain. These contracts are available on-line via the Internet.

When, for example, a producer wishes to enter into a D/P contract with Johnson Grain, Gray opens one of these forms on her PC workscreen. She types in the required information in the appropriate fields, including producer information, commodity,

number of bushels, delivery date, and type of contract (in this case D/P).

Gray then prints out three copies. One remains on file at the company in both paper and electronic formats. The other two are mailed to the producer. The producer signs one copy and mails it back to Johnson Grain and keeps the other copy for his or her own records.

The rest of the process works like any D/P contract. After the grain is delivered and is in storage at Johnson Grain, the producer calls to price the grain depending on what the market is telling him or her. The merchandiser fills in the date, number of bushels, price per bushel, settlement sheet number, and total dollars paid on the eGrain system.

Basis contracts work almost exactly the same way, except that instead of setting the price post-delivery, the producer sets the basis at which the grain will sell.

Electronic copies of these contracts remain on-line, making it faster and easier for IDA auditors to access them during annual audits.

Benefits

“With this system, it takes about 60 seconds to write a contract,” Gray comments, “and it’s quicker to look up the contract if we need to.”

According to eGrain’s web site, the benefits available include improved convenience; time savings; faster processing; uniform, complete, and accurate issuance of agreements and contracts; improved customer service; improved security and safeguarding of agreements and contracts; reduced paper consumption; and improved regulatory efficiency.

In addition to price later contracts, eGrain has made application to the U.S. Department of Agriculture to become the first provider of electronic warehouse receipts for the U.S. grain industry.

Ed Zdrojewski, editor