

the growth in population will theoretically require an extra 2 million tons by 1965 and perhaps 5 million tons by 1970, since declining death rates will probably accelerate the population increase in many countries. Secondly, realization of the consumption improvement targets now being set in many B and C countries would add a further 3 to 4 million tons by about 1970. Even if we exclude the Communist regions in Asia and Europe, the free world faces a formidable challenge to increase its productivity in respect to fats and oils. How much of this will come from agriculture within the "underdeveloped" countries and what increase can be expected in the effective demand for American material, whether for dollars or under P.L. 480 or similar assistance programs?

Forecasts are dangerous, so I will conclude with a few generalizations. Price is of course an important factor in influencing both production and demand in any one country but there are some rigidities. Moreover price relationships are complex and fluid, both internationally and within any country. We should guard against the tendency to oversimplification such as the popular statement that if our farm supports or oil prices can be brought sufficiently low, then our soybean oil, cottonseed oil, or lard will inevitably capture a much larger foreign market. For example the tropical or southern hemisphere oils offered in

Europe are usually below the prices of the American edible oils, but this has not been the case for 1958/59 and most of the current season. We cannot predict what swing may occur in the various price structures and relationships around the world, particularly as affected by changes in freight costs, tariffs, quota controls, etc.

Nevertheless, along with the increase in the U.S. "exportable supply," the evidence to date suggests a growing dependence of the rest of the world on American material. However it would seem that our export trade will be increasingly concentrated on oilseeds and on crude oil rather than on fully refined oil. Expansion of American exports will require the determined cooperation of farm and processor groups, along with the U.S. overseas field services, in sustained technical assistance. This must be backed up by quality performance on the part of American processors and shippers and by financing arrangements which meet the necessities of the importer. Under such conditions the future "potential" expansion should become "actual." Much of these exports would be in the form of soybeans and crude or semi-refined oil, but there should also be an expanding market for "competitive lard" in several countries as well as for processed vegetable oils, especially in the newer markets.

The Art of Speculation

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THIS PAPER was supposed to fit together the oil supply-production picture as seen by Tom Hieronymus and the oil consumption picture as seen by Harold Knight. The area between commodity production and end-product consumption is frequently referred to as marketing. The type of marketing considered here, fats and oils, has one very important aspect, that is, that there are enormous price and decision hazards assumed by all involved, much more than, say, in the marketing of automobiles or even steel bars. These price hazards arise from the interaction of constantly shifting sentiment and constantly shifting statistics on a traditionally quite fluid price structure. The result is that all of the agencies in the marketing channel are engaged in a huge test of skill. This test is sometimes referred to as the art of speculation.

Over the years the term speculation has acquired some undesirable connotations, parasitism, gouging the farmer, market rigging. There is widespread opinion that speculation *per se* is faintly immoral and economically undesirable. Perhaps this attitude is the result of hostility to that which is not understood, complicated by some "ax-grinding" by agricultural leaders and politicians.

Frequently the debate centers around the undesirability of prices going up and down. Usually however farmers are only concerned about the immorality of low prices, never about the immorality of high prices. Industrial buyers tend strongly to take the opposite tack. So mostly it depends on whose ox is being gored.

No matter what the administration currently in office does, no matter what farm leaders say, the plain naked fact is that a rain in Kansas or the blocking of the Suez Canal changes considerably the price at which the market will "clear," *i.e.*, the equilibrium price. True, second-to-second fluctuations may not be necessary, but they are the price that all must pay in order to have a liquid usable market.

Everyone's a Speculator

When the term commodity speculator is used, a fairly standardized picture is conjured up. That is of a frantic group of men on futures exchange floors, surging back and forth in a milieu of hopeless confusion. Agreed, this is one form of the species. However there are other speculators who are seldom thought of as such. Yet their nonoffset risks (really the key) are frequently larger, more dangerous, and less liquid than the risks of the professional trader on the floor. Let us look at a few of them: how they work, how they decide what to do, what their speculation consists of.

The Farmer. He speculates on: a) His ability to wrest crops from the soil. Weather makes this speculation for some crops in some areas, for example, corn in Nebraska, wheat in some areas of the Southwest, almost any spring grain on the bald prairies of Saskatchewan.

b) What distribution between crops will bring the greatest return for money and effort expended. Fre-

quently the construction of the support program gives him a clue, say between corn and soybeans, or soybeans-cotton, or barley-cotton. In hogs or cattle however there is no such clue. Cattle take so long to come to market that they are almost a fixed asset. The farmer must be able to look many, many months in advance with meat animals.

c) When to sell. Loan availability reduces this uncertainty somewhat. However the loan is not entirely a bed of roses. It requires either owned or rented storage space, plus interest payments if the loan is not defaulted. It may take a considerable market rise just to break even. Obviously when prices are above the loan, or there is neither a loan nor storage space available, then there is no way to make the decision except on the basis of educated guess. Obviously this is speculation.

The Country Elevator Operator. He speculates on: a) The terminal market a week or two hence. He normally pays the currently most attractive terminal prices less a difference. However his grain is not at terminal now, and when it gets there, the differences and the flat price may have changed greatly. Besides what was the most attractive terminal may now be the least attractive. He may try to reduce his risks by hedging although the futures price is only part of the story. He also has to worry about the basis, and this element is very difficult to do anything about. In addition, competition often forces him to pay more than the terminal price-less-full-freight. However he has to stay in business and move grain so he buys it and hopes.

b) The terminal market many months from now. This involves an attempt to earn his commercial storage charges and keep his house full. The same risks are here as occur in the case of run-through grain, only over a longer period. He must hope that, even if he takes a small paper loss, the storage earnings will offset the loss. His choice of a hedge month as a method of helping to fix storage makes hedging a little more attractive than in the first instance.

c) Quality. Grain is a living organism. Loss is always possible. Country-elevator-handling facilities are normally not up to the flexibility and quality levels of terminal equipment.

d) Uniform Grain Storage Agreement rates. Dependence of many country operators on CCC grain means that recent U.S.D.A. rate cuts are going to hurt badly.

The Terminal Elevator Operator. He speculates on: a) The basis. His basic risks are normally longer in duration than those of the country house, frequently larger in size and almost always larger in volume. This risk is reduced somewhat for the terminal elevator operator in a contract market such as Chicago as his hedges are near perfect. Offsetting this is that contract-terminal competition is much keener and margins are much slimmer.

b) Quality. Terminal operations must take bigger blending risks than country operators, offset by bigger potential profits and better equipment, yes, but the risks are great.

c) Billing. What to accumulate, what to apply against shipments, what to hold are complex decisions, and a wrong one can be costly.

d) Choice of what grains to handle, hold, sell, deliver. All of these call for considerable skill and

judgment. A wrong decision can be costly in terms of lost opportunity, lost money, empty space.

The Seed Crusher. He speculates on: a) Quantities to buy at harvest time. In cottonseed there is less judgment latitude on this point than there is in beans. Once the cottonseed harvest has passed, there is no more. Although harvest usually means the cheapest bean basis, it is frequently not the cheapest total price. One big crusher almost always ends up with huge piles of beans on the ground. Another stores beans for some time in his own specially designed storage that is big and cheap but may not hold quality. Others choose to do neither of these things. Net advantage over a long period of time is not yet settled for successes to this point may only prove to have been insurance premiums against big future losses.

b) To fix or not to fix. Fixing unfavorable conversion, like any form of conscious loss acceptance, is always distasteful. However if you don't fix, it may get worse. When conversion is favorable, there is always the possibility that it will get better and other crushers who hold out longer will be able to undercut you. Some crushers choose to postpone fixing (particularly unfavorable margins) by certain complicated operations in futures. This takes nerve, training, money, and an understanding board of directors. The operation of the support programs in recent years has made conversion hard to trade. As a result, there has been a greater trend toward speculation. A couple of years ago the annual report of one big processor said that only the holding of a very large inventory of unhedged beans in a bull market made the soybean division profitable for the year. One probably cannot quarrel with success, but the speculative element in such an operation is obvious. Obviously the processor who makes money speculating and loses money crushing must consider that maybe he is in the wrong business.

c) Product position. The great temptation is to attempt to help conversion by storing the product that is not moving and to hold it unhedged. The overlooked factor is that usually, when a product is not moving for one crusher, it is not moving for all. This is often a good sign that it is the worst possible of all times to hold speculative inventory. Besides, meal storage is expensive to construct *versus* dollar value. Also meal can deteriorate as well as pick up moisture. This is why many processors have gone into the mixed feed business, another risk. Several have even gone into contracting, sometimes entirely for their own account, for millions of broilers and egg-laying chicks. The only thing that can be said is that at least you know where the loss will go. The bean processor is in one way more fortunate than the cottonseed crusher. Adequate futures hedge-facilities are available in beans, bean oil, and bean meal. The cottonseed crusher has only an oil futures market (with a frequently unfavorable basis) and an ineffective meal market. There is no price protection whatever for seed, hulls, or linters. Yet these are the products that are really hard to move in a slow market.

d) Billing. Like the terminal operator and the feed mixer, the crusher has to speculate on billing. A couple of them have really been nailed on CBT deliveries when the meal was ordered to the wrong place.

The Oil Refiner. He speculates on: a) Always being one jump ahead of final user-demand. This demand varies in volume and in disposition between types of

product. In general, the refiner hedges less than other factors in the trade, and he may hedge far less than he should. He often tries to balance lack of hedging by skilled average-price, hand-to-mouth buying. (Another name for this type of buying is "educated speculation.") The refiner often puts himself in the position of second-guessing powerful forces beyond his control when he does not have to. When he is a less skillful buyer than one or more of his competitors, he is faced with the prospect of having his prices undercut.

The Finished Oil User. He speculates on:

a) Wholesaler demand for his branded product and/or market demand for his private label product. Hedging is helpful, but being in close touch with the product market is the first essential.

b) Fixed sale price vs. fluctuating raw material price. Frequently big amounts of fixed-value products are in process, storage, and transit. A hedge is useful only against unfinished raw material. The best policy seems to be to hire the best oil buyer you can find; hire the best oil salesman you can find; hedge when you can.

c) Possibility of being undercut in the market. Others with different or smarter buying policies frequently will be able to undercut prices when the market is going their way rather than yours. This results in frantic efforts to ascertain the inventory and market position of others.

The Exporter. He speculates on: a) Currency. Less of a problem now than a few years ago, it is still a risk when trading with certain unstable countries. This is not a problem when participating in government give-away sales, but these are frequently hard to get in on without working on an almost invisible margin.

b) Barter transactions. The margin is better, but these require savvy, luck, and worldwide organization.

c) Ocean freight rates. These can move violently. Most exporters are forced to maintain a long position in either vessels or charters. Others are persistent short-sellers of the freight. In either case it is the same as any other unhedged long or short position, a big risk in a volatile item. We have been trying to get a freight futures market going that would help reduce this risk, but so far it hasn't jelled.

d) Deferred values. Sometimes it is necessary to make long term trades and/or to move goods afloat unsold. Both are risky. Sometimes it is necessary to sell ahead under the market in order to make the big trades. This is hazardous since this is an unhedgeable position. Putting on a long hedge only locks up the loss.

e) The over-night news. Nearly every export offer requires at least firm for over-night acceptance. Some complicated offers, particularly to government buying agencies, require firm for several days. Obviously being out firm in a strong market can be very uncomfortable. One has no idea whether to hedge or not, or buy cash oil, or just pray your offer is not accepted. The theory is that the offer price is likely to include an "Insurance Premium" in the form of everyone upping prices a shade. In practice, competition is usually tight enough to forestall this.

The Feed Mixer. He speculates on: a) a big inventory of all sorts of feeding stuffs. Animal nutrition has become enormously complicated in recent years. Only a computer can figure a true least-cost formula.

The number of potential combinations forces the mixer to carry many more ingredients in inventory that he would like to have. The more the ingredients, the greater the potential market loss since total inventory is increased. The danger of spoilage increases in proportion.

b) Animal prices and feeding ratios. One would think that only the farmer carries this risk, but actually the compounder is also involved. Oddly enough when feeding ratios are tight, the farmer practices worse nutrition than when they are generous. The mixer's inventory moves more slowly when ratios are tight; his cost per unit rises; his investment is depreciated against fewer tons of sales.

c) In addition to the risk-takers mentioned, there are all sorts of others that appear at various stages of the marketing line. They include dealers, jobbers, packers, wholesalers, cash commodity speculators, commodity futures speculators. All take risks. Some are successful, some are not. All these people are a part of the fats and oils marketing system. All contribute to moving commodities from farm to dinner table at remarkably low cost.

Exchanges and Other Arbiters of Uniformity in Trading

Most of the speculation and trading discussed was at one time wholly unorganized. When the volume of unorganized trade increases beyond mental and physical capacity to comprehend and handle, certain guide organizations begin to appear. These associations are designed to reduce somewhat the speculation as to quality, specifications, and performance that are inherent in just straight commercial contracts.

The most common and usually the first to form is the trade association. In the oil, oilseed, and oilseed meal trades the most prominent are the A.F.M.A., G.F.D.N.A., N.C.P.A., N.S.P.A., N.I.O.P., and N.A.G.E.A. Perhaps the most important function of these associations is to set down trading rules, definitions, quality standards, and forms of contracts for trading between members. This does not mean that only members use the models provided. Many others use them also. For the models provide a kind of handy shorthand that anyone can use, and both buyer and seller have quite a clear idea as to their obligations and latitude. Two interests that have never traded together before do not have to go into a long rigamarole of discussion of terms, specifications, refining loss premiums. This is not to say that variations do not appear. They do. N.S.P.A. Rule 103 (inedible oil) is only a suggested guide whereas Rule 102 (edible) is reasonably rigid and constant. This difference recognizes the more varied oil uses and widely differing specification needs in the industrial field as opposed to the edible field. Some other groups such as the Baltic Exchange (London), the Chicago Board of Trade, and the New York Produce Exchange have set up some cash contract terms. Here however it was mostly as a favor to the trade rather than almost a *raison d'être* as in the case of a trade association.

Governmental bodies, such as the U.S. Department of Agriculture, the Board of Grain Commissioners for Canada, the departments of agriculture of the individual states have specifications different from those of the trade association in that they possess absolute rigidity as well as the force of majesty of the issuing

body. Over the years grading in this country has had an erratic history. In general, as we have moved more toward being an export nation, we have tightened our grading rules. Buyers on the other side, experienced as they are with the grades of other countries, have been (and are) dissatisfied with U.S. grades. We shall have to tighten our terms further if we are ever to have our grades accorded full respect in international markets.

More rigid and of narrower scope is the work of organizations such as the Cereal Chemists and the A.O.C.S. These organizations arose in response to the technical terms laid down by the afore-mentioned bodies. They try to make the rules of the other organizations meaningful by encouraging duplicability of standards-testing. By laying down rules on equipment and method only a reference to a standard testing procedure is theoretically necessary to produce reasonably identical results on replicate samples. When confidence in this system is undermined, trades go astray. In recent years I know of two prominent instances where U.S.A. sellers refused to offer on export deals when overseas laboratory results were to be the final determinant of quality without appeal. One was a big oil deal to Italy, the other a moderate-sized meal deal to Norway. I think sellers were reluctant to offer because they suspected foul play when our system was rejected.

More comprehensive, tighter, more carefully shaped and refined are the formal rules of boards of trade similar to the one in Chicago. Here perhaps is trade association inter-agreement in its highest form. This type of group arises when trade associations alone are not sufficient to sort out the volume and complexity of trade. In many cases futures trading also evolved when the volume of forward sales become so great that it had to become more formal to avoid chaos. These exchanges have virtually become law courts unto themselves. Frequently outside counsel is not permitted, and there is no appeal. The need for greater formality and rigidity is apparent when one considers that in a few days of trading more grain will change hands on CBT than will arrive in Chicago all year. Our firm alone in an average year will probably trade in as many bushels of beans as the whole country produces. Futures exchange clearing-houses remove the one great failing of trade associations, their failure to protect a party at contract from loss due to failure of performance by the other party. This way you do not have to know a man in order to trade with him. All the other trades and traders in futures are co- and joint-guarantors of every other trade and trader. No credit check, no uncertainty, an absolutely firm and known contract, this is what we strive for.

Futures trading also lends vastly greater flexibility to the individual deal. Cash trades almost always have to be fulfilled with the opposing party or unwound in some mutually satisfactory manner. Futures, on the other hand, allow the principle of offset, free substitutability of parties. Thus an opposing trade with a party will cancel out one side of the original transaction. Another difference between futures and cash is that in the cash market nearly every trade is made in contemplation that at some time the trade will actually be fulfilled by delivery of the commodity. In futures, on the other hand, nearly every trade is made in contemplation that delivery will not be made, that the contracts will be cancelled out before final

maturity day, and deliveries will only be made when necessary or ultra-convenient to some of the parties. As a result, futures terms and specifications are different from cash market terms. Each set of terms and specifications has its own function uppermost, and substitution of one for the other would result in a terrible mess. Exchanges also set minimum commissions and rules of conduct, something that no trade association can attempt.

Interchangeability of Fats

Let us look for a moment at one important type of risk encountered by manufacturers of finished products, that is shifting between fats. Trying to change formulations is another rank speculation. Large sums of money have to be spent on technical research, consumer attitude and taste research, new equipment, heavy advertising. After all this has been done, the manufacturer has only a fair notion as to whether the new product will be an immediate success or will be a dud. Experience indicates that it is the manufacturer of the top-line branded product that is the slowest to change formulation. Neither small nor large manufacturers are eager to speculate with the reputations of labels that are going well. The little man cannot afford to bring out a new label with its risk and attendant promotional cost. The big manufacturer can afford the cost but is concerned whether the same amount of money and effort expended on his top product might not bring better net dollar results. The result is that frequently the daring moves are made by those without as much to lose; by the private label manufacturers; the unsuccessful manufacturers; or by the giants who have researched the market so exhaustively that they are sure that the change or new label will be well received. This whole field might be somewhat easier to look at if we take a look at the surface indications of several real-life situations. Remember now that my view of them may or may not match reality.

Probably the best known formulation change of recent years was the introduction of blended animal fat-vegetable oil shortenings by two big manufacturers. At first the percentage of animal fat was not large as economics were not favorable. This percentage expanded considerably however when animal fats turned weak *vis-a-vis* oils. Thus the foresight of these two sellers had laid a nice groundwork for a later period. They were able to cash in on their investment.

For a fair period of time certain sellers of shortening on the Army bids were much cheaper than others and did the greatest share of the business. Finally the light dawned for some of the high-price sellers; the cheap sellers were using blended animal fat-vegetable oil shortenings. They followed suit, and the bid gap narrowed. The experience taught everyone more about blending, a knowledge that stood them in good stead not much later when the industry generally was forced to blend because of economics.

A manufacturer whose margarine is made from three ingredients used by almost no one else had a product that was never overly successful. Taste, color, and consistency were altered a bit. A marketing push was inaugurated, and a fair amount of money was spent. In some areas it caught on reasonably well. The manufacturer apparently felt that he had very little to lose. His ingredient mix would almost cer-

tainly not be copied as it would be easy to get trapped.

A margarine manufacturer with a good name but limited success decided to change formulation and push the absolutely cheapest margarine he could, both branded and private label. He has sold a lot of it, all on price. His margins are probably thin, but he should be making a lot more money.

A big manufacturer experimented until he found nearly the most expensive margarine blend possible. He built a quality reputation so strong that you want to bow deeply when you buy it. It has been eminently successful.

Two other manufacturers burst on the scene with corn oil margarines just as the cholesterol-atherosclerosis publicity was at its peak. One is fully hydrogenated, the other "selectively hydrogenated." In the one case all of the polyunsaturation benefits are probably lost; in the other only part of the benefits are lost. They have been rousing commercial successes despite F.T.C. clamp down on cholesterol advertising. They have been so successful that at least one is reportedly nervous over supplies as corn oil is strictly a by-product. At any rate formulating a corn oil margarine at all is an interesting speculation.

A grocery chain deciding to capitalize on the success of a prominent branded corn oil changed to a corn oil-cooking oil formula. However their refinery has stainless steel kettles instead of cast iron, and the oil comes out much clearer and lighter than the big selling item. Besides it stayed lighter on the shelves because they used an amber bottle instead of a clear bottle. Buyers do not like it. Reportedly this is very frustrating.

Inherent in any formula-shifting is a desire to speculate on gaining some salable advantage:

Price Appeal Low. Very effective, particularly for chain stores which are always in competition for the business of the budget-conscious buyer. Here the formulation changes are determined by relative price actions of the potential oils.

Price Appeal High. Basically the old story that something high-priced is probably better than something low-priced by more than the net-price difference. (The theory of appeal to snobbery probably does not apply in foods.) Formulation can be either random or deliberately extra-high quality.

Quality Appeal Emotional. This encompasses mostly advertising of mythical advantages. It can be successful if the drum is beaten loudly enough for a long enough time. Here the speculation is to guess what might be an appealing combination.

Quality Appeal Rational. Cholesterol is probably a good example. Also included might be the liquid-solid controversy. Here the construction of the appeal determines the blend.

Taste-Texture Appeal. Whipped, hard, soft, bland, strong, "lardy." Both sides of all of these factors have strong devotees as well as strong detractors. Also might be included color appeal, such as pure creamy fluffy white vs. pure creamy fluffy gold. The laboratory and the market research department may control the blend.

These and others could be cited. Some changes and appeals are meaningful, and some are aimless. However in the final analysis it is what sells that counts. For it does the manufacturer little good if he reduces his raw material cost by changing formula yet produces a product that does not move. Some of the

formulation shifts have stemmed from Madison Avenue and its advertising agencies; some have stemmed from LaSalle Street and its price changes; some have stemmed from the motivation researchers with their chalets on the Hudson River; some have stemmed from technical advances such as Sharples rendering. Basic to all is the willingness of the manufacturer to put money on the line.

Remember every shift, no matter how small, has the potential of affecting the market a little. The effect, of course, can be magnified in the items in which small changes in supply/demand can force large changes in price. Peanut oil, corn oil, coconut oil are the most susceptible in this way. Lard and edible tallow are next. SBO is the great leveller for it is the big production item. It serves as a buffer for changes in other items and is only affected strongly when changes in net availability of the others are largely, or all, in the same direction. The leverage and sensitivity in the thin items makes formulation changes involving an increased usage of them an even bigger speculation than formulation change in the more generally available fats and oils.

Of course, there are outer limits of formulation changes. The maximum proportion of lard usable in a blended animal-vegetable shortening has been a long-standing debate. The usual conclusion is that there is a top limit on lard, above which buyer reaction turns poor. Only very little lard is, or can be, used in margarine. Consumers are (or seem to be) able to tell the difference fairly quickly. SBO is not a desirable component of cooking oil because of oxidation when subjected to repeated reheating.

In all interchangeability problems the basic trend is for usage and changes to be forced by supplies. For supplies in general determine price. Fats and oils cannot pile up in storage indefinitely as can wheat, corn or beans. In cottonseed oil and lard the problem is even more acute as neither can be stored more than a short time in raw form (seed and hogs). Of the whole group beans as beans store best of all so the bean crush winds up being the balance wheel. It is an imperfect balance wheel however as bean crush is about equally dependent on the demand for meal. Frequently the meal demand is even more important as one can store oil more easily than meal.

It is not clear at this point whether all the cholesterol-atherosclerosis talk will be a long-term factor in changing consumption and consequently formulations. It certainly has some potential for doing so because of the above-mentioned breakdown of unhydrogenated SBO when reheated. The scare could also reduce total consumption of visible fats. Another long-term change that threatens to change patterns of consumption and hence formulation is the fairly strong movement to convenience foods such as cake mixes, bakery products, pre-made dishes, and pre-made dinners.

How Does One Decide Which Way to Jump?

The many speculations outlined above are engaged in every day by your buying and selling departments. Yet in no sense can the decisions be called blind guesswork. Traders for all firms spend a considerable portion of their time digging into the fats and oils, oil-seeds, and meal statistical situations, the international fats and oils situation, the Washington outlook, the

gossip, the news, the charts, the cash market, the futures position, the weather, and so on indefinitely. All those myriad factors potentially can change prices. At the same time the numbers and the news are not the only things that affect the market. The trader also has to try to assess the underlying psychology and tone of the market. For one man's wildly bearish news is another man's meaningless piece of gossip that has already been discounted. To help a trader make his decisions there is a large number of commodity news-gathering and publishing organizations. In addition, both futures brokers and cash brokers attempt to act as clearing-houses of information. My firm, for example, sends out nearly 10,000 weekly commodity letters and uncounted daily letters. We also circulate a vast amount of commodity information over hundreds of thousands of miles of private wire. This is all in an attempt to help keep traders well informed. Being well informed is the first necessity in approaching a trading decision intelligently. Admittedly there are people who are astute, intuitive traders just as there are people who are astute, intuitive poker players. However this is an extraordinary mental facility, not dissimilar from ability to

play the violin well or to do complicated arithmetical operations without pencil or paper. There are not many of these men.

The large majority of oil buyers and sellers depend on digging into all the available information and formulating the best decision possible on the basis of what can be learned. This is true whether the speculation under consideration is one of formulation, of cash position, of futures position, of conversion, or of basis. In large measure the information on which to base the decisions is available to all. The hard part is to find the time and/or the people to assemble it, analyze it, interpret it. This can be an especially pressing problem in a small organization. However, regardless of whether the research is done well or the right decision made, the plain fact is that this is a business of constant decisions. Each decision is in a sense a speculation and over time a trader must have a good record. The men forced to make the decisions must be given considerable credit for their accomplishments under pressure. It seems to me that the ever-present pressure of speculative decisions is the single most important characteristic of the marketing end of this business.