



# Legacy & Leadership

**Joe Gressel** has been trading commodities since 1971 and is owner of Gressel Produce & Commodities (GPC), a family-run business that provides access and execution on futures, options and spot markets. GPC specializes in dairy and agriculture markets to help its customers manage their inventory and procurement risk as well as providing liquidity for electronic dairy markets on the Chicago Mercantile Exchange (CME).

Gressel originally got involved in hedging through his family's egg business. After graduating from Ohio State University with a degree in Ag Econ, Gressel made his way back to the CME trading floor, where he holds several seats, and has been in and out of nearly every trading pit there since 1981. Gressel is a member of CME, Chicago Board of Trade and COMEX.

Gressel started trading dairy when the cash market was moved from Green Bay, Wisconsin, to Chicago in May 1997 and was instrumental in the push to get it there. Gressel pioneered "taking the opposite side of the industry's trades" and has seen it all.

**Q** How is the coronavirus pandemic affecting marketing messaging and positioning for the financial markets?

**A** The financial markets have underestimated the effects of the pandemic. Instead, both the stock and bond markets have focused on the manic money printing that has been going on since 2008 and the financial stimulus packages that have been introduced.

We, as traders, have been directly affected. Since I left the floor, there has been a proliferation of professional trading firms which have replaced the individual traders as we knew them. Electronic access has been one reason, but cheap capital has been another. The hurdle rate of return is a lot lower when you have a 0.5%-1% for cost of capital that these large firms enjoy. It has made our business as traders much more competitive from a risk/reward standpoint.

This cheap money will also have unintended consequences that we have not even begun to appreciate. Obviously, in a greater sphere, there is a misallocation of resources as projects that should not be undertaken are done so because of the availability of low-cost capital. One also has the proliferation of zombie companies, but the biggest problem is for society as a whole. "If money has no value, then work has no value," says the renowned Ducky Muffberg. Something is terribly wrong with this picture, but I will be damned if I know how this will turn out.

Hedging one's inventory, sales and needs can help a cheese operation deal with market uncertainties. Although futures and options are in and of them-

selves no silver bullet, they can help mitigate the risk of adverse price moves. Careful risk management enables one to fill in the other side of the buy/sell equation.

**Q** How has the globalization of the dairy industry affected price transparency and financial strategies for U.S. dairy companies?

**A** We increasingly see international trade affect the pricing of dairy commodities. As the marginal load affects the price, it has increasingly come from international trade. Many times, there is a flurry of trading activity in dairy futures occurring at the same exact time of the Global Dairy Trade auction. Also, we have seen export business drive futures prices, which in turn has caused cash basis cheese traders to bid up cash prices. The market is all one interlocking jigsaw puzzle.

**Q** What are your thoughts on the launch of block cheese futures earlier this year? Do you think this has been a helpful tool for managing unprecedented price volatility?

**A** I think the CME introduction of block cheese futures was a positive for the dairy complex. This has been talked about for a long time, and the big reason it was not done earlier has been fear of cannibalization of existing dairy contracts, notably the current all cheese and Class III milk. So far, this has not been the case. The contract allows its users to tighten up their margin expo-

sure to more closely match up their product specifications. Also, one can strip out the block component from the all-cheese contract to give one total barrel exposure if that is what one desires. And, of course, one could take a position in the block/barrel spread, if that is what one desires.

**Q** As trading and hedging have gone increasingly electronic, what are some of the challenges and opportunities this has presented for your service offerings?

**A** Electronic trading is not the mystery it was when it came into being over a quarter of a century ago. The biggest change for a customer is he knows immediately if he is filled and at what price. The world is a lot more computer savvy now than then. I still don't know how to type, but I know how to work about four different trading platforms, and I would say I am in the bottom 10% among the professional trading community as far as the mechanics of working a computer. Fortunately, the next generation working with us more than compensates for me. The key is to know what you want to do and have a plan.

**Q** What are some of the benefits and possible challenges that come with running a family business?

**A** The benefit of working with one's family is the trust factor involved. The biggest disadvantage is sometimes one must bite one's tongue because you know what you say can spill over into other areas. The next generation of our business is my son, Sam, and my nephew, Leon. They do 95% of the work now and all the dairy market making. Both my brother, Arthur, and I are lucky to have them with us.

**Q** What is one characteristic that you believe every leader should possess?

**A** I think the most important thing is your word as a leader, and as a business, your reputation keeping your word.

**Q** What is the biggest challenge facing the dairy industry today?

**A** The biggest challenge facing the dairy industry today is the same as almost every other industry: profitability. It is not that easy to make money. Vertical integration in agriculture has eroded the profitability of each area. As the marketing channels have been shortened, not only has the total profitability of the industry shrunk — so has each segment.

**Q** What are the most important decisions you made/have made as a leader of your company?

**A** One of the most important decisions I have made was to embrace electronic trading. It has allowed me to trade other markets. Our firm and Glen Millar were the first electronic dairy market makers and facilitated the move of the trading from the floor to the screen.

**Q** What has been your favorite thing about working in the cheese and dairy industry?

**A** My most favorite thing about working with the dairy industry is the people. There is a true sense of loyalty. I remember doing cash cheese calls and talking markets with my customers. It was a way to integrate cash and futures conversations. The same people are still my friends today.

**Q** How has social media and electronic communications changed the way people do business?

**A** I do not do any social media. I think it has its advantages, but it also has its drawbacks as well. Not everything new is good for me. It's not to say that it may not be good for someone else, but it is not for me. When I was growing up, the most successful man in the country was Howard Hughes. I think he would abhor the concept of social media. **CMN**