Dunavant is one of the storied names of the cotton business, but a few years ago the Memphis-based company made a bold decision to exit the cotton trading business to concentrate on logistics.

To get a sense of the magnitude of that decision, a little history is needed:

In the late 1800s, former Civil War Col. William Pemberton Dunavant helped establish a railroad that moved cotton in Mississippi with Gen. Nathan Bedford Forrest.

His son, William Buchanan Dunavant Sr., started trading cotton with T.J. White & Co. in 1928 and was joined by his son, William B. Dunavant Jr., at the firm in 1952. The company was renamed W.B. Dunavant & Co. in 1960 after T.J. White retired.

Upon the death of his father in 1961, William B. Dunavant Jr. became chief executive officer at the age of 28, building the company into the largest cotton trading company in the world.

An article in the International Directory of Company Histories said “not only did Dunavant possess an innate feel for the market, he proved to be a true innovator and visionary.” It credits him with “pioneering the concept of forward contracting in cotton, whereby and entire crop was bought at a set price before it was planted” and making the first sale to mainland China in November 1972, just months after President Nixon’s visit.

**Proud Heritage.** His son, William B. Dunavant III, joined the company in 1982, becoming CEO in 2005, and still runs the company today.

“We are very proud of our cotton heritage and what my father and my grandfather built up,” said Dunavant, noting that revenues reached more than $1.5 billion.

“We focused solely on cotton and did not trade other commodities,” he said. “The principal business was to buy and sell raw cotton from a farmer and ship it overseas or domestically to a textile mill.”

As merchandisers, the company discovered the price of cotton, hedged risk, sorted it by quality and delivered it to the mill. The company was vertically integrated, with its own warehouses for storing cotton, gins to remove seeds, and mills for crushing cotton seeds for their oil and meal.

It arranged transportation, and lots of it. “We provided all of the logistics for moving 5 to 6 million bales of cotton globally every single year,” Dunavant said. “That included everything in the supply chain — from warehousing to moving it by truck, rail, ocean, and intermodal — to a containerized delivery somewhere around the world.”

The company’s intermodal spend was about $250 million, and it moved 125,000 TEUs throughout the globe, from every cotton-producing country to every importing country.

In the 1970s, he said the company was having trouble getting truckers to meet appointments and make on-time deliveries. So Dunavant decided in 1972 to go into the truck brokerage business, arranging its own freight on a non-asset basis “to get better control of our supply chain — particularly with the domestic mills in the United States which were looking for just-in-time service.”

Then “we had to get into the warehousing business because warehouses were not performing and delivering our commodity, cotton, to us, on a timely manner,” he said.

As the company developed its logistics business, it also wrote many proprietary software programs to assist with its supply chain, and Dunavant said the most important was the company’s document packaging system (DPS).

“We were shipping cotton all over the world,” he said. “You had an invoice and a packing list that included all the quality parameters of each individual bale of cotton, a letter of credit, a phytosanitary certificate.

“We wrote a system to aggregate all of that electronically into one package where we could move it and negotiate from one system as opposed to having to run around and aggregate a bunch of documents,” he explained. “It cut out a lot of time and effort to what we were doing.”

But in the late 1990s and 2000s, the cotton industry was undergoing a profound change.

For one thing, domestic consumption plummeted as textile production moved overseas — from 13.3 million bales of cotton in 1997 to 4 million bales in 2007. The company switched more into the
export business, and also sourced cotton from around the world, namely from Australia, India, Uzbekistan, Africa, and South America in addition to the United States.

“We truly were global — negotiating letters of credit and creating and solving supply chain issues all over the world, and we had a great team that did that,” Dunavant said.

Five years ago, the company hired Richard McDuffie, a logistics expert who held management stints at AutoZone, Williams-Sonoma, Cardinal Logistics, Ryder and J.B. Hunt.

“We wanted him to come in and make sure we were managing our business and our spend in logistics all the way out to the fourth decimal point,” Dunavant said.

“If you squeeze 50 cents a bale on 6 million bales, it’s a lot of dollars at the end of the day.”

Even though it was shipping cotton worldwide at different times, he said the company was only using its employees part-time, or about 80 percent of the time. So the company “started moving freight for other people and it worked very well for us.”

Difficult Decision. Dunavant said in 2000, as money became cheap, speculation increased globally, especially in commodities.

“The risk level in cotton was really quite incredible,” he said.

So in 2008-2009, the firm made what he said was a difficult decision, and sold its cotton trading operation to the Allenberg Cotton, part of Louis Dreyfus Commodities.

“They were No. 1 in some places in the world, and we were No. 1 in some places in the world,” Dunavant said.

When the company exited the trading business it decided to focus on its logistics operations.

“Handling freight is not like trading futures where there is enormous risk, so our risk profile has changed,” he said.

“We had logistics relationships and infrastructure all over the world. I felt there was a wide need to help small and medium-size shippers as they go international.”

He added: “We feel like our biggest customer was Dunavant for years and years, and we did a very good job for Dunavant and we feel we can do a very good job for our other customers.”

With Dreyfus deciding to handle the logistics of the cotton trades, Dunavant’s handling of this freight fell sharply.

Dunavant referred to the company today as a small to mid-market 3PL, but said it is building volume every day, “moving at a pretty good clip.”

“We are quite excited about this. We have been doing this over two years and I would say that we are in another commodity business,” Dunavant said. “The commodity is freight, logistics and movement. It is a high-volume business, fairly low margin, and you have to do it right for your customer.”

The company retained its truck brokerage operation, and logistics software. It also has a capital management and private equity business.

Dunavant’s logistics business today consists of four groups:

• Global – The company is a licensed freight forwarder, non-vessel-operating common carrier, and customs broker and is in the process of getting its air forwarder license. It also has extensive experience negotiating letters of credit. “We can give people solutions in literally any country in the world. It’s no different from what we did in cotton, what we are doing today for other people,” Dunavant said.

• Warehousing – While the company divested itself of 7 million square feet of owned and leased warehouse space when it got out of the cotton trading business, it retains warehouses in Memphis and middle Tennessee, and does pick-and-pack work.

• Solutions – This group provides supply chain consulting to small, midsized and large companies. Dunavant said this involves teaching clients the processing and costing models it developed when it was in the cotton industry and adapting it to their businesses.

• Freight – The company has both non-asset and asset-light freight operations. The non-asset business is its truck brokerage operation. The company said it has access to more than 4,000 trucking companies throughout the country and moves all types of freight across all transport modes. The asset-light business is involved in intermodal drayage, where the company uses owner-operator drivers.
FORWARDING / NVOs

The company also believes the region may benefit from increased trade with Central America as labor costs rise in Asia and fuel pushes up the cost of transportation.

In addition, the company is interested in investing in the chassis business. Dunavant believes it will probably use a mixture of chassis supplied by liner carriers and their pools, shippers, as well as its own equipment.

"As a 4PL we want to keep all our options open," Dunavant said. However, he believes an owned pool will be a safety asset that attracts both drivers and shippers.

Dunavant said ports in the Southeast should benefit from the opening of the Panama Canal. "I don't expect it to be a hockey stick, but I think it will allow them to grow at a good steady pace," he said.

"We are putting tablets inside all our intermodal drayage trucks," Dunavant said. "We want people to be able to invoice before our trucks are out of the port."

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