

Interview with Jay Johnson

AIS-V-L-2008-032

July 2, 2008

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DePue: Today is Tuesday, July 1, 2008. My name is Mark DePue, I'm the Director of Oral History here at the Abraham Lincoln Presidential Library. I said "here" but actually where we're at right now is with Jay Johnson, who is the president of Johnson Grain Company. Is that right, Jay?

Johnson: That is correct.

DePue: And normally I start with a little background, but I think it might be appropriate today to have you explain to us where we're at right now.

Johnson: Well, right now, we're in Waverly, Illinois, which, we're just east of Waverly about three miles, just into Sangamon County, and we are at the Johnson shuttle. And what the Johnson shuttle is, is it is a grain terminal which we bring corn in from the local farmers and we ship the corn to Texas and Mexico for cattle feed. And the reason why it's called the shuttle is because we ship one hundred and ten car unit trains, which are, by the railroad standards are called shuttle trains.

DePue: OK. There is an awful lot of activity that's going on here, which I think is perfect. Off to your left shoulder here, we see some grain trucks going by. The facility we're in right now is what?

Johnson: We are in the scale house right now. And when the trucks come in they get probed. We take a sample of the grain and then they get weighed here at the scale house before they proceed to the dump pits.

DePue: OK. And I think over your shoulder here the camera can kind of catch a lot of those trucks going by and moving to dump the grain and so it can get loaded into the cars, right?

Johnson: That is correct.

DePue: Well, we're going to spend a lot more time talking about that. I love all this activity going on in the background. It's a gorgeous July day in Illinois, so it's not a bad time to be out here at all. Let's start with a little bit of background, though. When and where were you born, Jay?

Johnson: I was born in Springfield, Illinois in 1967, on November the sixth. Just turned forty here, last November.

DePue: Well. Happy belated birthday to you.

Johnson: Well, thank you.

DePue: Does it feel like forty years now?

Johnson: Well, yeah, it does (laughter).

DePue: You didn't grow up in Springfield, though, did you?

Johnson: I grew up in Waverly. I grew up just north of Waverly and we were in a tenant farm house in my parent's farm. And we moved to east of Waverly, which my parents my live now, which is not too far from the shuttle location, moved there when I was in the seventh grade.

DePue: Okay. And your Dad was primarily farming at that time?

Johnson: My father was a farmer all the way from when he got out of high school. Farmed, and in 1975 bought a few trucks and got a grain dealer's license and started into the grain business in 1975, with basically just a truck-to-barge operation. Basically picked up grain on the farmers' bins and from the farmers' fields and hauled it to the Illinois River to be loaded on a barge.

DePue: When he started doing that, was it, that, his full time job or that was just kind of a seasonal thing he was doing?

Johnson: That was, that was just a seasonal thing. Part time, kind of supplement the farm income. My parents had five children. I'm number four of five and I think it was to—he saw an opportunity and thought that he could help provide for his family in that way. And I never will forget the comment my dad said he made. He's got some sisters that live in California and the first year he made enough money to take the family to California. So that was nice.

DePue: A revelation after kind of scraping by on the farm income?

Johnson: Absolutely. Had not been on a vacation, family vacation, so the grain business in 1975 allowed us to go see his siblings in California, as a family.

DePue: What kind of farm operation did he have?

Johnson: My father was primarily a tenant farmer, which means that you rent from local landowners on a crop share basis, back at that point in time. We've went more to cash rents here in the, in the latest developments here in the last ten years. But back then it was basically a crop-share farming and owned a little bit of land and continued to buy just a little bit.

DePue: But it was pretty much grain? It wasn't livestock at all?

Johnson: Livestock was included back then. In the seventies it seemed like you had to have some livestock and so we had cattle. I was young at the time, was born in sixty-seven. I remember feeding the cattle and watering the cattle, but I don't think we had any other livestock. If it was, it was before I was born.

DePue: I was going to say, I suspected that you had a quite a few chores you had to do.

Johnson: I did. We were, like I said, in the country and lived on a tenant farm so we were always busy with the livestock, or mowing, or back then you would walk the bean fields to get the weeds out of it, so we were kept pretty busy as kids.

DePue: Any particular chores you really liked and didn't like?

Johnson: Well, you know, we didn't know any better, so we just did what we had to do (laughter).

DePue: Nothing nasty, even working with the cattle at all, that you really didn't take a liking to?

Johnson: Well, there was one thing that when my dad did start in the grain business in 1975, I would go around with the truck drivers and help clean out the grain bins. It always seemed like summertime when we were out of school that that's when the farmers were getting to the bottom of their bins, silos, to clean out prior to harvest time. And it seemed like I got to follow all the truck drivers around and scoop grain bins, so that's what I thought the grain business was so I didn't know if I wanted any part of that. But I since learned that that was just the education I needed to get going (laughter).

DePue: Yeah, just the inspiration. How about your mother? What's your mother's maiden name?

Johnson: Tranquilli. Judith Ann Tranquilli. Born in 1942 and obviously has an Italian lineage.

DePue: Okay. Did she have another job or was she pretty much busy keeping five kids in tow?

Johnson: Well, I believe my mother worked for a telephone company before I was born. And like I said, I was number four of five, so I think at that point in time she had a

full time job providing for the kids and keeping the, keeping my father supplied with what he needed for his farming operation and grain business.

DePue: You went to school here in Waverly, then?

Johnson: Went to Waverly grade school, high school. Graduated from Waverly High School in 1986. Proceeded on to Illinois State University in Bloomington-Normal and got a four year degree there in finance. And graduated in 1990.

DePue: Okay. You're moving along here pretty quick, Jay.

Johnson: Okay.

DePue: That's okay. As a high school kid, what did you think you wanted to do with your life? Other than not shovel grain, maybe?

Johnson: Well, I didn't want anything to do with the grain business because I had grown up around it and I thought that I would be scooping bins and that would be all I would be doing. Not that there's anything wrong with that. I could actually use some exercise now. I don't get enough of it. But I thought that's what the grain business was and I never did really get into the exciting and intriguing part that I enjoy so much today.

DePue: So what did you think you wanted to do?

Johnson: Well, I wanted to go to college and get a degree and see what developed, and as I went to college, I really took a liking to finance. I've always enjoyed working with numbers. And so as I got towards my junior, senior year, I started looking into different possibilities and I ended up in banking. I'm not sure that I had anything that I really wanted to do, but I knew that I needed to get an education and at that point in time, hopefully something would come to me and it did.

DePue: And that was banking.

Johnson: That was banking. Yes.

DePue: Why banking, then?

Johnson: I think just my love for numbers and the financial part and—not real sure exactly. I had some different opportunities coming out of college but I chose to go to work for First Chicago, which was downtown Chicago. Thought it would be neat to experience the city and see what it was like there.

DePue: Was it?

Johnson: It was neat. It was neat. I spent a year and a half there and that was long enough for a country boy coming from a small town and working in an operation with sixteen thousand employees and living downtown in downtown Chicago. It's a

great place to visit for a small town boy but I don't think that I could have stayed there much longer.

DePue: You were a bachelor at the time?

Johnson: I was.

DePue: And you had an apartment downtown?

Johnson: I had an apartment downtown.

DePue: Boy, you can't get much more rural than Waverly, Illinois, and then you can't get much more urban than downtown Chicago.

Johnson: That's right. Well, I wanted to experience that, and I did. And at the time my wife, Kelly, we were dating, she was a senior at Illinois State, so when I was in Chicago, so I was in Chicago and she was back at the college and...

DePue: That would suggest you put a lot of miles on the road.

Johnson: I did. I did not have a car because I lived downtown and I remember the parking garages were either full or the charges were astronomical. So I did a lot commuting by train or traveling weekend by train, Amtrak, to Bloomington.

DePue: What was it about living in downtown Chicago that you liked and what you didn't like about it?

Johnson: That's an interesting question. What did I like? I liked the experience of seeing what city life is like. I liked the experience of working in a, for a large corporation. I think it has made me appreciate the small business of the world. Not only ours but for those that get an opportunity to work for small businesses, it seems like you're noticed a lot quicker in a small business. When you're in a large corporation it takes you a long time to climb the ladder and to get to where you can make some decisions that you feel like you're probably capable of making long before you get to that point.

DePue: So it sounds like you think that the Chicago experience and working in banking and in finance and that background was the ideal thing to lead to where you're at today, then.

Johnson: I would say that it was a very good experience. I'm not saying it was ideal. I don't know what ideal would be, but I do know that living in the city for as long as I did made me appreciate the country. Working for a large corporation for a short time there, a year and a half, made me realize that small business was my preference. And then being away from family for a year and a half and realizing how important family values are and being close to your parents and your siblings brought me back here to Johnson Grain.

DePue: Now I know your dad, you said he got into shipping grain over to the river about 1975. Was that right?

Johnson: That's correct, yes.

DePue: What happened between seventy-five and up to the time you were up in Chicago in the banking business? For him.

Johnson: My father continued to ship corn and soy beans on truck to the river and the business was growing. From what I remember the business was doing very well in the late seventies and early eighties. In the late eighties there was a lot of increased competition doing the same thing that he was doing. My father was one of the first, if not the first to start picking up grain directly on the farm. Prior to him getting in business the farmers would take out their straight trucks and their tandems and haul their corn to the local elevator. My father bought some trucks and would actually provide that on-farm service, which was a new concept and kind of a pioneer in that development. Then as time progressed other competition started doing the same thing and then it got very, very difficult to continue the growth with the same type of market plan.

DePue: Well, we're seeing a lot of eighteen wheelers coming by here. Is that the kind of truck that he was working with at the time?

Johnson: No, no. It started with a tandem truck, which is a smaller truck. It's not an eighteen wheeler, not a separate unit. It's got the tractor part and then the bed right on the back is the tandem truck. But there were some eighteen wheelers on the road then hauling grain. Just, they were hauling from the local elevator and it was, and they were not going on the farm to pick up grain direct from the grain bins, so—it's a new concept.

DePue: Was it these trucks going out into the fields directly that was new? Or was it the fact that he was taking his truck out in the field and then going right to the terminal to load the grain at the terminal on the river?

Johnson: That is correct. What was new was him taking the grain directly from the farm to the terminal, the barge terminal, rather than the farmer hauling their grain to the local elevator and then the local elevator taking it to the barge terminal. Local elevators at that point in time had all of the grain brought to them, and they also had storage, which they would store grain for farmers. When my father started doing the direct ship, then the elevators were used primarily for storage and the grain that was picked up at the grain bins or out of the fields would be hauled directly to the terminal, which provided the farmer with a better price for his grain.

DePue: Okay. But your father was making money—was he purchasing the grain from the farmer?

Johnson: Yes, he was. He had a grain dealer's license and he was purchasing the grain from the farmer, getting a price from the grain terminals at the Illinois River, taking the trucking, the cost of trucking off of that barge terminal bid, plus a margin, then would pass what was left to the farmer, which was more than what they could get at the local elevators at the time.

DePue: Okay. So he's making more of a profit because you're saving on the elevator storage and the farmer's making a better profit off of that as well?

Johnson: The farmer was definitely getting a better price and my father was taking a small margin to pay the overhead and a little bit of profit margin.

DePue: Okay. Did he purchase these trucks, then?

Johnson: He did. Yes.

DePue: How many did he have?

Johnson: Started with one. Started with one and bought a second, and when I came back in—and I'm jumping ahead, but I don't want to jump too far—but when I came back in 1991 to the grain business, my father had six semis at that point in time. So he had grown from one to six and...

DePue: And semis by that time.

Johnson: And semis by that time, yes.

DePue: Okay, so obviously the scale of operation keeps growing then.

Johnson: Yes. Absolutely. And he did a lot of leased trucks, too. Like at harvest time, during the busiest, busy times of the year he would, he would hire some local trucking operations to come in and help. So there was probably at harvest time, through the eighties he would probably operate fifteen to twenty semis, at harvest time. Not owning them all, but some of the local independent truckers would lease on.

DePue: I don't know that we even mentioned your father's name.

Johnson: My father's name is Robert Paul Johnson. He was born in 1942 as well.

DePue: Does he go by Bob or Robert?

Johnson: Bob.

DePue: As he got more and more into the grain shipping business—is that what we should call it? Grain shipping?

Johnson: Yes. Yes.

DePue: Did he get less and less involved with the farm then? The tenant farm?

Johnson: Yes. I would say he continued to do both, but brought in some help to help with the farming operation. So he was overseeing the farm and the grain business as it continued to grow and was not able to do all of the work that he did before he had the grain business, so it more of a management of both businesses rather than directly involved in both of them.

DePue: And obviously increasingly over time he's hiring other people to help drive the trucks and manage the business with him.

Johnson: That's correct.

DePue: The thing that strikes me, though, is, you know, there's only about a month or two that corn goes to market. Becomes ripe and then you head over. So what's happening for the rest of the year?

Johnson: Well, the grain, the farmer at harvest time, when he harvests his crop, he has what we call on-farm storage, which if he's got his own grain bins or silos—back in the olden days is what they called them—he will put his grain in those grain bins. His remaining bushels that he cannot hold on his own, with his own storage he will take to the country elevator and either store it there or sell it at the country elevator. So the country elevators were busy in the fall, and then in the off season would send their trucks out to pick up grain directly from the farm, which I talked about earlier, and my father had started that concept. So at harvest time, and I mentioned the six semis in 1991, those six semis would keep up with hauling out of the grain bins in the off season and then at harvest time, when you needed more trucks, you would then hire the local independent truck drivers to help you.

DePue: Okay. So it's, the grain shipping business, which your dad got into in eventually into a very big way, it's all managing the storage or what's actually in the field. I'm not saying this very well, but what's intriguing me about this is, you want to have a steady flow of grain hitting the trans-shipment point, I would think.

Johnson: That is correct. Yes. If you think about the supply and demand of corn, for instance, we need a steady supply throughout the entire year. You know, it may vary a little bit from time to time, but for feed and for ethanol usage now, and for export usage for feed, we need a steady, we need a steady supply, and if you think about what we do here in Illinois and across the Midwest and across the country is we grow the crop and we harvest it in sixty days. And so it is the elevators storage and also the farmers' storage that holds that grain off of the market until that grain is needed and they are paid some sort of premium, most generally, to hold that grain off the market. When I say premium, that's, without getting too technical, that's carrying the market. Corn is worth more most generally in the spring and summer from a carry standpoint than it is at harvest time.

DePue: Carrying meaning you're just storing it, then?

Johnson: Yes. For an example, this last harvest, corn was probably—now it's gone up a lot here in the last six months—but at harvest corn was probably three fifty a bushel for harvest and you probably could have gotten three eighty for like an April/May shipment. So the market is paying you carry to keep that grain off the market and paying you for your storage to hold that grain off the market until the demand needs the corn.

DePue: Well this is your opportunity, being a finance major and being in banking then, to explain a little bit more about how the market price is determined and how it fluctuates back and forth, and the speculation, and...that whole thing is a mystery to me and I think to a lot of people.

Johnson: You know, a couple of years ago, I probably could have given you a good answer. With what's happened in the last two years, nobody has ever seen. No one has ever seen anything like it. We've made all time highs on corn, soybeans, and wheat. It is such a global market now that—you know the weak dollar that we've seen in the last couple of years has attributed to increased exports? Making our commodities less expensive to the foreign countries. The boom in ethanol production with corn has also added a lot of demand to our corn balance sheet. And then we've got several other things with the—feed usage has continued to rise. So we're in a global market here, we have worldwide shortage of commodities, a worldwide shortage of protein. What the market is searching for right now is a rationing point. At what price level do prices need to get to and how long do they need to stay there in order to ration enough demand, cut off enough of that usage that we will not run out of corn. And right now the market always seems to overdo that. When it's trying to find that point it always seems like it will go further than it needs to, but that's just in the hype of making sure you ration it.

DePue: What's corn prices today?

Johnson: Corn prices today are...

DePue: Go ahead and check it out for us, Jay.

Johnson: Right now we have corn, December corn, is worth 7.51, down six today. And we've got—

DePue: Six cents?

Johnson: Six cents. And we've got soy beans today at, November beans at 15.97.

DePue: (laughter).

Johnson: Okay? (laughter).

DePue: And I read recently that corn prices—and I suspect soybean as well, have been going up even faster than oil prices and right now we're in the midst of an oil

crisis because, I think, you know, crude oil has gone up to something like a hundred and forty four dollars a barrel? Something like that.

Johnson: Well, I can tell you right now, crude oil is at 142.59 right now.

DePue: Okay. So corn prices have been going up even faster than oil. Does that sound right?

Johnson: Yes. Well, I'd have to figure the percentages, but I remember a year ago crude being at seventy or eighty dollars a barrel. So they've doubled. And I remember corn prices a year ago being at 3.50 to four dollars. So they've doubled. Beans were about seven to eight and they've doubled. So I think all the commodities have about doubled in the last year to year and a half. And this is, a lot of that's due to the weak dollar on the grain side, and then in the crude market you've got not only the weak dollar and such global demand, you've got the—on the crude and the corn and soybeans—I just totally lost my train of thought there, so we'll have to end at that, but...

DePue: Well, let me ask you this question, Jay.

Johnson: Okay. (laughter).

DePue: When you said, "December corn," what does that mean?

Johnson: December corn is a futures month on the board of trade, which, basically you've got delivery periods. It's a delivery period on the board of trade. So right now, you've got July futures which would be the nearby. Okay. That goes off the board the fifteenth day of July. Then you've got September, jumps to September. So that would be, what is corn worth, delivered in September.

DePue: Delivered to who?

Johnson: Delivered to the delivery points that are specified for delivery with the Chicago Board of Trade. So...

DePue: What does that mean? Is that going over to the river and that terminal? Is that a delivery point?

Johnson: It can be. There's delivery points in north—there's delivery points all up and down the river. Okay. There's no delivery points on the rail system. That's been talked about, but the, there's delivery points on the barge.

DePue: So this is not a delivery point.

Johnson: This is not a delivery point.

DePue: Okay. I'm kind of jumping around myself, and I apologize for that. Let's get it, let's talk a little bit about what you brought you back here, and I think your father purchased an elevator in 1991? About, maybe that's about the same time.

Johnson: That's how I ended up back here. I was working for First Chicago, as I mentioned. My father called me and asked me if I had any intentions of coming back. And at that point in time I was starting to realize some of the benefits of coming back to Waverly, and coming back to the grain business, and coming back closer to my family, and he had mentioned there was an elevator for sale in Palmyra. It was called the P&M Elevator. P stands for Palmyra, M stands for Modesto. And that if I had any interest in coming back he thought that that ought to be purchased. So I made a decision in the summer in 1991 to come back to the family operation and we purchased the Palmyra elevator at that point in time.

DePue: What was his rational for going into the elevator business as well?

Johnson: I mentioned earlier that in the eighties a lot of the competition began to do the same thing, going out and picking up grain on the farm. As the technology and the farmers began to get faster, more intensive with their farming operations, there was a need to have storage closer than the river. Because if you think about a farmer in 1975 when my father started shelling a load of corn in three hours, two, three hours, and having one truck pick up that load of corn and take it to the river and then come back and be able to be there for that farmer when he had his next load of, all of his wagons full. Okay? In 1985, the farmer was probably shelling a load in an hour. So it took so many more trucks to get to the river and get it dumped, ten years later. Okay? So the need to continue, I mean, with us having to pick up that grain and haul it so far, there was a need arising to have storage more locally. More local. So by buying that elevator we were able to then pick up the grain on the farm, haul it into the country elevator in Palmyra, and then we could haul that back out—we'd fill our storage and then when we got full, then we would haul that during our slow periods, generally in the morning, before the farmers went to the field.

DePue: So it was all part of managing the flow. So you have a stead flow, a steady delivery.

Johnson: Yes.

DePue: Where exactly was your dad taking the grain to the river?

Johnson: All up and down the river. Would have went to Beardstown, Meridosia, Naples, and Florence.

DePue: So he delivered in all those places?

Johnson: Yes.

DePue: Okay. And this, obviously barge terminals was what these ____ (??).

Johnson: All of them were barge terminals.

DePue: Okay.

Johnson: Some of them were owned by Cargill. Some of them were owned by Continental at the time. Which Cargill bought later. Some were owned by ADM and also Consolidated Grain and Barge.

DePue: What exactly were you doing when you first started working for your dad? Were you running that Palmyra elevator operation?

Johnson: No. The first thing I did when I came back was, I was wanting to learn the entire business, and so was my father, so I started in the accounting side and was working with payroll and settlements and paying farmers and stuff like that. And I, about three weeks later I walked in—my dad tells this story—I walked into my dad's office, I said, "Dad, I've got all that down. Now I want your job." (laughter) So he was more than receptive. He'd been in the business since 1975 and had spent a lot of long, long hours and he said, "It's all yours" and he walked out the door. So...

DePue: Wow.

Johnson: I was able to pick up pretty quick on what the grain merchandizing was all about and he was there for guidance and help and taught me a lot that I needed to know in order to get to where we've gotten today.

DePue: So he signed over the business to you? Sold it to you?

Johnson: No. He still owned it. We operated at the time under Robert Johnson Grain, Incorporated. Okay. And he owned it and it wasn't long that I was doing the merchandizing, he was still, he was still making the big decisions, there's no doubt about that. So he basically just, just gave me his desk and said, start buying grain and learn the merchandizing. And as we continued—I don't want to get ahead of you so let me stop there and you can ask your next question.

DePue: I was going to say, what you're not doing, though, Jay, is you're not scooping grain, are you?

Johnson: That's right. That's right. I got beyond that. So I wanted to make sure that when he had called me, when I was in Chicago, that that wasn't going to be my job (laughter).

DePue: That went through your mind, huh?

Johnson: Yes, it did.

DePue: So where in this process did you get married?

Johnson: I got married in 1994, April twenty-third of 1994. And it's actually, we had gone out since 1988. So I had, I met my wife in college. I knew her through my stint in Chicago. And that was actually where she was from. She was from Elmhurst.

DePue: So she's a big city, suburban girl. And what's her last name?

Johnson: Rufa. R-u-f-a.

DePue: More ethnic mixture here.

Johnson: That's right. I think there's a little German there.

DePue: What was her thoughts about, okay, I'm dating this guy who's living in rural Waverly, Illinois. Was that a hard adjustment for her?

Johnson: (laughter) Well, when I went to Chicago, she loved it. Because she thought, well, when I graduate, then we can live in Chicago. And when I got up there and realized it wasn't for me and realized that I wanted to come back to the family grain operation, I told her that I was moving back to Waverly and asked her if she would like to consider that as we got married and come down here.

DePue: That sounds very romantic.

Johnson: Yes (laughter), yeah. And I couldn't believe it, but she said she'd do any, she'd go anywhere. So that's when I knew that I, at least I, I think I had the right woman. And found out later that I did.

DePue: Okay. Super. Let's talk then about some more development of the business, then. Ninety-one was a big year. And not too long after that, handed over the reins from your father to you. What's the next big step?

Johnson: The next big step is in 1996. We continued to grow. We actually went from about six semis in 1991 to, I think at our peak point probably in ninety-five or ninety-six we had eighteen of our own. So we, once we took over the Palmyra elevator, things continued to grow at that point in time. So in 1996 we had the need for more storage and also another outlet to dump corn at harvest time, so we purchased the abandoned Waverly elevator that had been shut down sometime in the mid-eighties. And we were able to purchase that and renovate that and we turned that into a, basically our own little dumping elevator. We turned it several times, which means we filled it up—it didn't have a lot of storage—but we would fill it up and haul the grain back out and it would be a place close, so that we could dump our trucks during the busy time.

DePue: So how far is Palmyra from here?

Johnson: Palmyra would be about 14 miles from here.

DePue: Okay.

Johnson: We're three miles east of Waverly. Palmyra's eleven miles directly south of Waverly.

DePue: What's the capacity of the Palmyra elevator?

Jo; Palmyra elevator holds about right at a million bushels.

DePue: For the novice, is that a big operation?

Johnson: No. No. By comparison, we hold ten and a half million here.

DePue: _____ (??)

Johnson: That's at this one shuttle facility that we're sitting at right now. So we had a million at Palmyra, and we have about five hundred to six hundred thousand at Waverly, at that elevator we built in ninety-six. And I'm jumping ahead of you, but we've got ten and a half million bushels here.

DePue: Ninety-six. So you're just increasing the volume, but basically you're doing the same kind of things.

Johnson: Same thing, just providing the service to the farmers, and growing. And just trying to do everything we can to keep trucks to the farmers at harvest time.

DePue: Did you find that your two elevators you have in ninety-six, did you have to go to other elevators to haul grain as well, to keep your, keep all these trucks busy?

Johnson: We would...no. We were able to keep the trucks busy with the farmer storage in the off season. At harvest time we needed all the trucks we could find. I remember back in probably ninety-eight or ninety-nine, I was dispatching trucks, that was part of my job, too, is the logistics of dispatching trucks. And I think on a Saturday one day, when a lot—a lot of the local truckers would be busy during the week. They would be hauling on their normal runs 'cause they needed to stay busy year round, too. So we were able to pick up some trucks, but we had access to several trucks on the weekends and I think on one Saturday I was dispatching like fifty-three semis in 1988 [sic] or 1999. And that was...

DePue: Eighty-eight or ninety-eight?

Johnson: Ninety-eight.

DePue: Okay.

Johnson: Or ninety-nine. One of those years. It was pretty crazy.

DePue: Well that sounds to me like a massive scale here. What's the number of bushels that one of these eighteen wheelers, these semis can hold?

Johnson: Anywhere between nine hundred and twenty five and nine hundred and seventy five bushels. There's a legal load.

DePue: Okay. Well that puts things in perspective. If you can store roughly a million bushels at Palmyra and you've got ten plus million here, that's a lot of truckloads in.

Johnson: That's a lot of truckloads.

DePue: What would you say the average—and this is probably a misnomer—but the average farmer would store on his farm.

Johnson: The average farmer on his farm...I'm going to do it in percentages. I'm going to say that there's probably, out of the crop that's growing here, probably forty to fifty percent of it is on-farm storage. Now the reason why it's hard to say the average is because there's small farmers, medium farmers, and large farmers. So a small farmer that grows, you know, fifty thousand bushels of corn a year and maybe store—half of it'd be twenty five. Then you've got, you know, if you figure a thousand acre farmer, corn farmer, grows two hundred bushels the acre, he's got two hundred thousand bushels of corn to do something with, so he may have a hundred thousand bushel storage. There might be some farmers that can store it all, and there might be some farmers that can't store any. But on average, probably almost half of it is on-farm storage.

DePue: If they store their own, that means, that gives them the latitude to play the market and determine when the best price to sell their corn is?

Johnson: It gives them two things. It gives them the ability to pick their price or to sell at a later date, or they can still sell that corn ahead of time and pick up the carry in the market. For instance, if they like the price in the summer, prior to harvest, rather than selling it at 3.50, last harvest they could have sold it 3.80 for say, April and picked up that thirty cents. Okay. So that, you get thirty cents for your storage. But you've also got the interest against that commodity between harvest and April, so you can net out maybe fifteen cents extra for his storage. So. Several ways to play.

DePue: All this suggests that even the average farmer anymore has to have a business degree or a really good foundation in understanding the marketplace.

Johnson: Absolutely. The farmers that did not have the education or the business have either consolidated with other farmers or have chose to do something else because they couldn't grow at the pace they needed to compete in the times of corporate farming, is really what it's coming to.

DePue: What's the next step after 1996 as far as your business is concerned?

Johnson: In 1996 we built the elevator and we continued to grow. And we desperately needed some storage in the late nineties. We were tapping out our two elevators

again and there was nothing for sale and there was nothing close that we needed, so we decided to build a 1.7 million bushel flat storage or ground pile just east of Waverly, and cover it with a tarp. So we constructed some concrete walls and covered the corn with a tarp and that allowed—and we put scales there so we could haul the corn in at harvest time and store that corn in the flat storage. And that helped us get by again. We continued to just do things as we needed to and that helped us get by again. What was interesting about the 2000 move to build that flat storage is we were really wanting to do something close to our main office, which was just by my parents house, where we're close to right now. And we chose not to because we found a location that we thought would work better. And as time progresses here, then we end up with the opportunity to build here, and I'll get into that when you get to...

DePue: Well, I think we're pretty close to that now, are we not?

Johnson: Well, let me proceed then. We, after we built that flat storage in 2000, in 2003 the railroad, the Burlington Northern Santa Fe Railroad, which runs right by my parents' house and right by our main office, and we own property right alongside, adjacent to the railroad. They were looking for corn to be shipped down to Texas and Mexico for cattle feed. Prior to 2003 most of the corn was coming from the western states of Iowa, Nebraska, Kansas, the Dakotas, were coming from there, going down to feed that market. But then the ethanol plant, the ethanol boom in the early 2000s in those states, which started out in the west, because of the cheaper basis, which I won't get into, that's a little technical, but that's where the ethanol plants were naturally, naturally began, because of the cost of grain on a basis level, were taking most of the corn. So we were able to then, when the Burlington Northern said, We need to go further east to get our corn to satisfy this feed market, we were in a good spot to then build a facility close to our main office, which we needed, and we also had property adjacent to the Burlington Northern Santa Fe Railroad. So it was a perfect fit to do that in 2003.

DePue: The railroad came to you or you went to them?

Johnson: Well, I went to them because we were not, we were not on the railroad. We did not have a country elevator on a rail. So basically the Burlington Northern looked at their maps and said, Okay, here's a grain elevator on the railway, here's another one, so they went to visit all those, and I was able to pick up the conversation that that's what they were looking for, and I contacted them and told them that we didn't have a facility on the railroad but we would sure build one if they wanted to build one here. And the reason why it was such a great opportunity to do so is the Burlington Northern was so eager to have facilities built in Illinois that they were providing some economic development incentive money to people to do that. However, they didn't want to put economic development money into just anywhere, anyplace. You had to fit the right credentials. You had to show, prove to them how you could provide the most grain at the least amount of cost. And they selected five Illinois facilities that submitted proposals. And they selected—we were the only central Illinois shuttle loader selected here. We were the furthest

south, southern shuttle loader in Illinois. The others would have been the first one, built in Ransom, Illinois, which is, which is up north, close to Kankakee, then you've got, the second one would have been Mendota, which is right on Interstate 39 north of Bloomington, between Bloomington and Rockford. Third one is Toluca, which is Ruff Brothers, there at Toluca, that is just north of Bloomington. And then you've got one up at Galva, which is up north, northwest part of the state, and then here in Waverly. And we were actually the third. Ransom, Mendota, Waverly, Toluca, and Galva was the order in which they were built.

DePue: So you've got this relationship with the Burlington Northern Santa Fe. They build a spur here at this particular facility, then?

Johnson: We actually built the spur. The railroad had the main line going by and we were responsible to do everything else. So we built the, we bought the switches, purchased the switches to get off of the main line and built the spur, which is a mile and a third oval, looped track to they entire train can pull in and be loaded, which we'll view later.

DePue: Yeah.

Johnson: We are loading a train here today, which is nice.

DePue: This might be a question you don't want to answer, but I'll ask you anyway. Just looking out the window and seeing the scale of this operation, this is no small facility you've got here. And the rail line itself had to be expensive. What kind of money were we talking about? The cost to build this entire facility here?

Johnson: Well, we did it in phases. We've actually up to about phase seven right now and continue to add. But phase one of the operation, when we first began, was about eight million. And we've since added, expanded each year, and to build an operation of this size and magnitude today would probably cost you some where around twenty five million. And we don't have quite that much in it because of the, you know, when we built, steel prices were less and we were, we actually built at really good time for the cost of steel.

DePue: And yet you still consider yourself a small businessman?

Johnson: Absolutely. Absolutely. When you look at some of the large operations like Cargill and ADM, we're very, very small.

DePue: So we've seen a constant flow of trucks going by here and the rail cars are in the background moving right now. See, now I've kind of lost my train of thought. The scale of it is impressive to me. Hundred and ten car trains is what comes through here?

Johnson: Yes.

DePue: And how quickly can you load up that train?

Johnson: Well, it's a hundred and ten cars. Each car holds four thousand bushels of corn, so that's about, about five, four and a half to five semi loads, Eighteen wheelers, to fill to one car. And there's a hundred and ten of those. So there's four hundred and forty thousand bushels on a train load, which is about five hundred semi loads. So as you see the trucks coming in and out today, we'll probably dump about two hundred semis today. And it takes about five hundred to fill a train. So we'll dump the corn that comes in from the trucks and also pull the balance of what we need to fill the train out of our storage.

DePue: The capacity of one trainload is what again?

Johnson: Four hundred and forty thousand bushels.

DePue: And how often do you load a train?

Johnson: We load a train, depending on the time of the year, at harvest time we load more, but I'm going to say we average about one and a half a week, and this year we'll load about eighty trains, this year.

DePue: What happens to the trains after they depart from here?

Johnson: They go northwest to Galesburg, believe it or not. We're going to Texas, but we go northwest to Galesburg. And the reason why they go to Galesburg is there's a, kind of like a railroad interstate I guess you'd call it.

DePue: Yeah. It's a rail hub. It always has been.

Johnson: They call it the trans-con. Yeah, they've got, they've got traffic going both ways. So they call it a trans-con. You can move both directions and the train has as straight shot without having to wait. As you see on our line here, which is right out the back, it's a single line to Galesburg. So if you, if the trains meet, one of them has to pull off on a siding while the other one passes. And when it gets to Galesburg it can shoot straight down to Texas without stopping.

DePue: For?

Johnson: Feed. Primarily cattle feed. Now, there are some ethanol plants being built down in Texas right now. There's three of them under construction that we will actually be providing some corn for those ethanol plants down in Texas as well.

DePue: I just heard a couple days ago that the ethanol plant that was being planned for Waverly has at least been put on hiatus for now.

Johnson: That is correct. The market environment is such that if you haven't begun to build a ethanol plant, you don't want to start with corn at almost eight dollars a bushel.

DePue: So it's not, no longer as economical to produce ethanol with that corn?

Johnson: The margins have definitely slipped. Now, we were a part of that group that was going to build the ethanol plant here and really what our play was in that is to provide the corn. We were going to provide the land and we were going to provide the origination of the corn order to run that plant. There was a group of Knoxville investors that were wanting to get into the ethanol business and we were able to seek them out in order to provide the corn for the ethanol plant. Which is not, no longer feasible, due to the shrinking margins.

DePue: Put you on the spot here, Jay. If you were to, if you were to guess, if you were to make your educated guess, what's caused the price of grain to go up. Is it the overseas markets? Is it the ethanol production? Is it speculation?

Johnson: It's a combination of everything.

DePue: What would be the biggest pressure on it, do you think?

Johnson: Probably the ethanol. And I know there's a huge food versus fuel debate. At the time when ethanol was being made with corn, the, our exports weren't as large because the dollar was not near as weak. And once the margins got large in ethanol, the reason why they got fairly large is because the price of corn was so low. Because we had a surplus. Okay? Just like in anything, when something's good, it always gets overbuilt. And nobody's going to get into anything that's got good margins in it very long because everybody's going to enter that market. So what happened was we had a bunch of ethanol plants that were announced they're going to be built because the margins were good, and at the same time the dollar continued to get weak and the speculators came in, and I say the large index funds, and have totally ran this market up. Now, have they taken it too far? Only time will tell. Because we don't know really where that price is that rations enough demand to keep the balance sheet at tolerable levels. Okay?

DePue: I think I heard you say, and this intrigues me, that even though ethanol production had increased dramatically in the United States over the last ten years, let's say, and that means a lot more grain is being diverted to make ethanol than before, you're still sending more overseas than you have before?

Johnson: Yes. We're not, but the country as a whole is still increasing exports. Yes.

DePue: And where are those exports going?

Johnson: Mainly Asia. Big markets. Japan, China, some to Africa, a little bit to Europe, but primarily to the huge populations in China and Japan.

DePue: And they're obviously using that for livestock feed?

Johnson: The majority of it. I think they've got some, use some of it for some food ingredients, but the majority of it would be for protein for...in feed for cattle and whatever livestock that they need for their protein.

DePue: Let's talk about some of the other ways that you've diversified. If you could spend just a couple minutes of other different kinds of businesses that you've gotten into as well. Or offshoots of this main business.

Johnson: In 2000, I mentioned the need for some more storage and we built that ground pile. And it looked like, at that point in time, that...it's kind of interesting how all this develops. It looked like at that point in time that we were going to need to make some huge expenditures. Real soon. And I was concerned of being able to, with the margins we were able to get and the profits and we were able to make in the late nineties and around 2000 was not significant enough to be able to expand at the pace that we needed to expand. So I was fearful that the future on the grain business for me wasn't that bright, at that point in time. Even though we were growing, our margins were shrinking and we had a lot of outside competition. So at that point in time I diversified into—I started up an asset business, a hedge fund business, which I had had some experience in college. I was on the educational investment fund team, which was a chosen team in college where I got a lot of knowledge, and through working with markets for ten years I was able to learn quite a little bit about hedging strategies. So I started an investment fund in 2000 and then in 2001 I started an insurance agency, which was primarily selling crop insurance to the farmers. Tried to find businesses that I could provide better service to the clientele that we already had. I also, through this entire time sold Pioneer seed corn, from 1993 to 2004, which I had to give up in '04 when we started this shuttle operation. So there's been several things that I've done to diversify and it has allowed this shuttle to happen, because I was able to make some capital in those other businesses to help build this shuttle for our community and for our area farmers.

DePue: But the margin that you were concerned about a few years ago has improved a little bit for you?

Johnson: Yes, it has. And it needs to because of the amount of investment that we've got here. I mean, when you figure what it cost to build this and the overhead that it takes to operate a facility of this size—even though we're still small, it's still big in our world. And it's pretty intensive. So yes, the margins have gotten better, but also the risk is enhanced greatly as well.

DePue: Well let's finish off with this. We've got a lot to talk about when we go out and actually look at the facility and that's going to be a lot fun for me just to kind of walk around and, you know, be overwhelmed by the scale of things. But you've hinted around at this a little bit. What's the future of the family farm? You've kind of talked about your progression in your family. What's the future of the average family farm?

Johnson: Well, I would say that you either need to grow or get out is really what it's come to. And that's unfortunate. But it's the way of the world. In every business progress is inevitable. Progress is good. Progress can be bad. But it's got more benefits than—and we hate to see the family farm suffer but in this day and age

you really need to farm a lot of acres in order to make it work. Margins on, per acre, are on average less than they used to be. Now this year is an exception because of the high price of grain, but that won't last either. That will come back down as well.

DePue: Okay. Thank you Jay, we'll pick this up this afternoon, and I had fun with it.

Johnson: Thank you.

(End of file #1)

Interview with Jay Johnson

Interview #2: July 2, 2008

Interviewer Mark DePue

DePue: Okay, we're back again with Jay Johnson, and we're in your scale house, is that right, Jay?

Johnson: This is a scale house.

DePue: I want you to walk us through step by step because I'm amazed at the technology that you've got just here in the scale house, and that's kind of the theme that we want to follow through with the rest of the operation. We take it chronologically from grain arriving here. So take it from there, Jay.

Johnson: Okay, what we've got here, Mark is the screen here shows the probe. And you can see the truck, has untarped, you can see the corn in the trailer there. And what we do here with the probe is—go ahead Cindy—and we'll turn on the vacuum and stick the probe down into the truck and as we pull that up you can hear the corn and see the corn coming into the vacuum box. This probe will, and the vacuum box will suck the corn in. It's about three hundred feet. And then we will swing around and we probe both hoppers. So—did you already buzz, Cindy?

Cindy: No, he's coming up.

Johnson: Okay. Get the probe up. Okay. One thing, a lot of times—we've got a buzzer on there but a lot of times the driver gets impatient and will pull on up. But anyway, you're supposed to probe both hoppers. Comes into the vacuum box. Then the—and what we're doing here is we are testing for moisture of the corn. 15.0 is the, is the moisture that it needs to be, otherwise there is a discount above 15.0.

DePue: Fifteen point oh. You mean fifteen percent?

Johnson: Fifteen percent moisture. That's correct. You're going to see this, as it tests the moisture here, we're also checking for test weight. Okay, that's twelve percent. So

that's fine. Anything under fifteen—now we do accept anything over fifteen percent, however, it needs to be conditioned to fifteen percent. We have dryers.

DePue: So you store that someplace else on the facility.

Johnson: That's correct. We would store that. Today it's going directly into the train. Because it's dry corn, we can put it directly on the train. The trains have to be 15.0 when they leave her.

DePue: We're seeing another truck pull up here, which gives you a sense of how quickly things happen at this place.

Johnson: Now this, the truck that was just probed is now on the scales and Cathy here—Cindy was probing—and Cathy is now entering the information for this truck. She will enter the vehicle I.D. and the holler(??). Okay. Normally the trucks do not, our hours every day in the off season are 7:00 to 4:30. Normally, the truck driver stays in the truck and doesn't come in, and we have a stop light which we can go out and look at here. But as soon as she gets him weighed, which he's got a weight on at seventy-seven thousand eight pounds. You're allowed eighty thousand so he's within the tolerance there. And she sends him to the pit. We have three dump pits and I think we need to show you the stop light and the dump pits and how all that works.

DePue: Before we move on here, I see that there's a scale behind me as well.

Johnson: That is correct. We have, we were probably one of the first in the industry to put in two scales. That just enhances your speed and your efficiency because you can put the loaded trucks on one scale and the empty on the other scale and therefore you don't have the trucks using the same scale, okay, which can create a bottleneck. Because you've got, if you can imagine, trucks coming in one way and empties coming out the other way, and it just, it wastes a lot of time.

DePue: Looks like they're waiting on us. You can go ahead and start the next one if you want, there. Jay, how do you determine, how do you make sure that you've got a steady flow of grain trucks arriving here?

Johnson: Well, it doesn't really matter. We're just, whenever they come, we dump them. When we do not have a train it goes into storage, so whenever the trucks come we dump them and during the busy times we do create a little bit of a line. So.

DePue: Are you ever contacting farmers or grain elevator _____(??) can you send us some shipments on this particular date?

Johnson: Absolutely. If we need corn, we'll put out a bid for that time frame that will entice some selling, and if we don't get the selling then we start calling around to see what it takes in order to buy corn to satisfy our outbound shipment.

DePue: So, it might sound like a pretty obvious statement, but you're purchasing this grain from these local elevator operators and the farmer?

Johnson: That is correct.

DePue: _____(??) every time you do that.

Johnson: Absolutely. Absolutely.

DePue: Okay. How much is this grain that you're going through here right now. What's the purchase price that you're paying for a bushel?

Johnson: Right now, the futures are around 7.30. And we're about forty under, so about \$6.90 is what the farmer would get, or the country elevator. And you figure nine hundred and fifty bushel. That's over seven thousand dollars for a load of corn.

DePue: And I know sometimes that ____ (??) smells the corn. Looking for a particular aroma, then?

Johnson: Yes. The great factors, like I mentioned, moisture is 15.0, damage, you're allowed five percent damage. Damage would be, you know, molded kernels or some sort of other damage. You're allowed—foreign material, you're allowed three percent. Okay, that's the industry standard. Foreign material would be like fine or cracked and broken kernels that would fall through a screen. And then the odors you're looking for would be either musty, which is a musty smell, a sour smell, or what they call Copo(??) which is a foreign odor. Copo(??) is a foreign odor. We see very little of that. If corn was put away too wet, and not enough air on it, it can develop a musty or sour smell.

DePue: You can dry grain if it comes in here too moist?

Johnson: That's correct.

DePue: And what do you do with the sour grain?

Johnson: We will also dry it to get rid of the smell. Or we will air it. Put some air on it to, if it's not too bad, to get rid of the smell. Those are the damaged kernels right here. See that?

DePue: Yeah.

Johnson: And then what she'd doing is shaking for foreign material. Show him what the foreign material...see, that would be the fines. The foreign material. That gets discounted if it's over three. Then you pick the damage out. Like these damaged kernels, you pick that out and you weigh it. And you see if it's above five percent or not. If it's under five percent it's fine. That's what the industry allows.

DePue: Okay. We just had the next grain truck pull up. Jay, tell us what's going on here.

Johnson: Right now they're weighing the loaded truck on the inbound scale. You can see right now on the stop light it's red, so they just weighed him and it's sending him to Pit One. Which, we have three pits. So he's proceeding to Pit One and then the next truck will come up, get probed, get weighed, and go dump.

DePue: And this particular part of the operation takes us five minutes or less, right? Just a couple minutes.

Johnson: That's correct. And right here you got the readout that goes to zero here, and when truck pulls on it can see what its weight is, so it knows what its weight is. And this whole process from start to finish takes the truck about four or five minutes to dump. It's pretty efficient.

DePue: Wow. And how many trucks on an average day do you move through here?

Johnson: Depends on the time of year. Harvest time our record was round nine hundred and twenty five trucks in a day. And in the off season, especially in the summer, it's slow, so today we'll probably dump two hundred.

DePue: That still sounds like a lot of corn to me.

Johnson: It is.

DePue: Okay. Let's go ahead and head on towards the main operation.

(Break in file)

DePue: Okay. It looks like we're ready to start again, Jay. If you could tell me what's behind you here.

Johnson: Well, this is the entire shuttle operation, with storage and dryers, the train loading, you can see everything happening. We've picked a good day 'cause we usually load one to two trains a week and we do have one today, fortunately. What we've got here is, you can see these tanks over here that say "Behlen" on them. B-e-

DePue: The ones on our right.

Johnson: On the right, here. B-e-h-l-e-n. We've got five tanks—bin, we call them—all Behlen bins. These two bins here hold a hundred thousand bushel each. The bin over there holds a hundred and twenty five. Those are our wet holding bins. Okay. We hold wet corn in there before it goes to the dryers. The dryers, there's two on this side on the far right...

DePue: The taller ones?

Johnson: The taller ones. There's two there. There's one behind the other. And then over on this side, those each dry five thousand bushel an hour. So there's ten thousand

bushel drying capacity on this side. And that big dryer over there on the far one, the tall one dries ten thousand bushel and hour.

DePue: What do you use for power? Is that natural gas you're using, or what?

Johnson: That is propane.

DePue: Propane.

Johnson: Yeah, we're on propane. We got a propane tank right on the other side of these rail cars and we've got another one right over here. The white propane tank over on that side.

DePue: What is the long shed? The huge shed you've got.

Johnson: That is a storage building. We hold seven million bushels of corn in that building. And we'll take a walk out there and look in that building. Inside that building you can hold five football fields.

DePue: Wow.

Johnson: Seven million bushels of corn.

DePue: Okay, we've got another truck coming by here. We'll wait for that to pass. Jay, can you tell us just a little bit about the construction of this facility?

Johnson: We started construction in October of 2003. We dumped our first load of corn March 17th of '04 and we loaded our first train April 19th of '04. When we started construction we did it in phases and we had enough built so we could start receiving grain in March, which was only about a six month project until we were dumping grain. Prior to October of '03 there was nothing but corn and bean fields out here. This was completely built from scratch. The road, the blacktop road coming up, the scale house, all of this construction, the fertilizer business, which is Lemon Ag, which Lemon Ag leases property from us and has his own fertilizer business. So all of this has been done since October of 2003.

DePue: Did the rail line actually supervise the construction of the spur coming in here then?

Johnson: The rail, we had specs that we had to meet and they gave us all the specifications. We bid it out with the specifications that the rail, the Burlington Northern Santa Fe required, and we hired the crew to build the railroad.

DePue: And how about the main contractors? There are companies that specialize in building these facilities?

Johnson: Yes, there are. We had about eight or nine companies from all over the midwest that were interested in bidding the project. And we selected Metroplex out of, north of Peoria, Illinois to do the building and construction of the rail.

DePue: Okay. I guess we're on again. We've got a truck pulling up, and Jay go ahead and explain to us now what's going to happen here.

Johnson: Okay. We just left the scale. The truck comes out to one of three dump pits. This is Truck Pit Number One, Truck Pit Two, and Truck Pit Three. We dump in different pits based on the moisture content, the damage content, the foreign material. We segregate it so we know what we have where so we can work with it. This truck pulls up—we built this so that you can dump both hoppers at the same time. These hopper bottom trailers have two hoppers and if you swing over here you can look at the corn coming out of the first hopper.

DePue: And this is just an inherently noisy job, isn't it?

Johnson: Yes it is. Especially with the train being loaded today. Hear that in the background? The corn's going into the train.

DePue: I imagine that's the sounds that you like to hear, though.

Johnson: We, expensive as corn is right now, we like to buy it but we also like to sell it. So, all the trucks come in and dump in the pits, we'll put it in storage or put it on the train and ship it out, and rail five hundred semi loads at a time down to Texas and Mexico for cattle feed.

DePue: I wonder if we can pan around and catch the loading operation behind Jay, here. And Jay, tell us a little bit about that.

Johnson: Okay, what we've got here is, we've got a mile and a third loop track. This train's a hundred and ten cars and the load out spout right here is filling the rail cars with corn. Once it reaches the weight, which there's a bar code on the side of the car which reads the proper weight, and it weighs out exactly the amount of weight that you need to fill that car legally. So as we, each rail car is made up of three separate hopper compartments, so we're dumping into the third compartment—well actually in the middle—moving to third compartment. As soon as we're done dumping in the third compartment, it'll send the next order for the next car.

DePue: Now, a hundred and ten cars in a typical train that comes in?

Johnson: A hundred and ten cars is a train that comes in and it takes us about seven hours to load.

DePue: How many engines to pull that monster?

Johnson: Four engines.

DePue: All four are in tandem?

Johnson: Four engines in tandem, yes.

DePue: Anything else we need to know about her right here?

Johnson: Well, let's go in and look at the control room, here.

DePue: Okay, great.

(Break in file)

DePue: Jay, we've gone inside now. Exactly where are we in the operation?

Johnson: Okay. This room right here is our control room where we control the dump pits and all of our equipment going to the grain bins, and it's also where we grade our trains when we're loading a train. If you film over here on this sampler—Don, will you open that up for us and show us what you're doing there? This is actually what we just looked at up above, with the spout filling the rail car, a certain percentage, there's an arm that swipes corn as it's coming by and we'll send the sample down in here. Now as we showed you the grading on the way in and how we discounted up there, the same applies to the outbound shipments. So Don and Jessica here are working for the Decatur Grain Inspection, federally regulated. So they come here and check the quality of the corn going out to make sure that the buyer is getting what they're paying for. So Don, you want to run that through the shaker here? Right now we've just dumped the corn in the shaker and what that's going to do is check for FM. As we had that tray up there that we shook and we showed you the broke, broken, cracked corn and the fines, this right here will shake the corn and it will pull the, pull the fines out and Donny'll show us that here in just a second.

DePue: You call that "FM?"

Johnson: For—yeah, the foreign material. It's—

DePue: Foreign material.

Johnson: —the cracked and broken, and fines and tips and, that fit through that screen that we were talking—there's screens in here. About got it, Don?

DePue: Well, I'm interested. The two people you've got in here are not your employees? They're federal employees?

Johnson: Okay, you got the—all right. Right here would be the foreign material. Cracked and broken corn.

DePue: And most of that just looks like fragments of corn and nothing else.

Johnson: That's correct. Yes.

DePue: But that's considered foreign material.

Johnson: That's considered foreign material, yes.

DePue: And again, it's to determine a percentage of that?

Johnson: Yes. You're allowed three percent on foreign material. And you asked the question about our employees. These are, we are not allowed to have our employees grade. They have to be federally licensed inspectors. So we have contracted with Decatur Grain Inspection to do our grading of outbound shipments.

DePue: So they work on your schedule but they answer to somebody else.

Johnson: That's correct. And they do an absolutely magnificent job of working nights, weekends. I think that's the way the business goes, and they're here when we need them.

DePue: Excellent.

Johnson: So it works out well.

DePue: Okay. Anything else in here, Jay?

Johnson: Yes, I'd like to show you—here are the controls. As you can see, the bins, the grain bins that I talked about, the five tanks that we have, this shows the grain level in all of the bins. It shows the equipment. Anything in green is running. Okay, so as you can see this Pit Number One, right here, Truck Pit Number One is green. It's running and it's dumping corn into a grain leg, which elevates the corn. It's got buckets inside of it on a belt and it elevates the corn. Then there's a series of valves up here that can all be done by a touch of a mouse, and then directs into the grain bins. Okay? If we follow the flow here, this truck is dumping into leg number two. It's coming over here, and if you follow the lines, you'll see that it's coming right down into the bulk weigher, into the rail car. And this right here is the bulk weigher that weighs the corn. This leg right here, we're pulling out of grain bin thirty, because it's green, grain bin twenty, green. Coming over into this grain leg and coming, and if you follow the lines, it's coming into the bulk weigher as well. So we're dumping the trucks and pulling out of the bins, all going into the train.

DePue: Okay. And the people control ____ (??) are controlling both sides of this operation, both the grain that's being dumped from the trucks and the grain that's being loaded in the rail cars?

Johnson: From this room, yes.

DePue: Okay. Well, there's a lot going on here, then.

Johnson: Yes, and we do have a gentleman upstairs who actually does the loading. These computers work simultaneously. This, when we're dumping, we're down here, and when we're loading, we're upstairs, but it's the same control from both places. And so, he's controlling everything from upstairs today. Normally he would be down here, running it from this location.

DePue: So these two employees here aren't actually controlling the loading of anything. It's just the testing.

Johnson: No. Just testing, yes.

DePue: Okay. Well, let's go on to the next step here, then, Jay.

Johnson: Okay. We'll go upstairs. We'll go out this...

(break in file)

DePue: Jay, we're in the next step. Why don't you go ahead and pick it up from here.

Johnson: Okay. Right now we're in the loading room and Pete is loading the train here. And like we explained down below, you've got the cars that are read by a scanner, it tells us what weight we need in a car, and right now he's dumping the corn into the rail car.

DePue: So I see our computer screens the same things we saw below.

Johnson: The only difference is, this is identical to what we saw below, so he's controlling everything from here today, since we're loading. And this is the load-out side, which is only controlled from up here. That is not downstairs because this is where you need to be to load. It shows the corn coming into the first hopper. Then it goes, it feeds down into a scale, which is weighing it right now. And the middle part's the scale. And then it drops you into the bottom hopper here, and that's what feeds into the rail car. So it weighs eight, nine, or ten drafts in that scale to get the total weight that we need for that rail car. Depending on the size of the load that the car calls for.

DePue: How long does it take to load a rail car?

Johnson: Pete, what do you say? About three minutes on a rail car?

Pete: Three minutes or better.

Johnson: Okay.

DePue: And you say there's two hoppers in each rail car?

Johnson: Three.

DePue: Three.

Johnson: Mmm-hmm.

Pete: Our quickest time's two minutes and fifty-four seconds.

DePue: Two minutes and fifty-four seconds is the fastest. Okay. Cool.

Johnson: And the fastest train is about six and a half hours.

DePue: I've got to tell you, Jay, this is kind of a moving experience up here 'cause I feel the building vibrate as we stand here.

Johnson: If you think about the weight that's being supported in this room right here, you've got the tower that we're sitting on here, the structure that is holding up the entire bulk weigher system with that corn dropping down through there. So there's a lot of weight, so you do get a little shake.

DePue: Yeah, and a little movement here. I'm sure that's all part of the engineering standard because you've got to factor all of that in, and wear and tear over the years.

Johnson: Absolutely. We've loaded two hundred and sixty some trains since we've started and we're still going strong.

DePue: Now these other operations you were talking about, the Burlington, what, the Burlington Northern...

Johnson: Santa Fe.

DePue: Santa Fe. Are each on the same scale operation as you have here?

Johnson: They all vary. They've all, the requirements are that they can all load a hundred and ten cars and they can all do it in fifteen hours or less. So all of them are set up to do that. We probably load as fast as any of them in the state. And we probably got more storage than any of them in the state. So I'd say we're, you know, as far as storage and time of loading, we're right up there towards the top.

DePue: Do you have a sense of the geographical area that you serve, of people who are delivering grain here?

Johnson: Depends on the time of year, but most generally we pull corn from a thirty mile radius.

DePue: Okay. That doesn't seem like a lot.

Johnson: It doesn't seem like a lot, but there's a lot of cornfields in—

DePue: There's a lot of corn, yeah.

Johnson: —sixty miles (laughter).

DePue: Okay. Great. Anything else in here, Jay?

Johnson: I think that'll do us for now.

(break in file)

DePue: Jay, we've got you standing next to this sign, here. I wanted to ask you just very quickly that nature of the relationship between you and your father. Are you now the president of Johnson Shuttle ALLC?

Johnson: Yes, my father, like I mentioned earlier, started the grain business in 1975, and in 2003, at his age and being semi-retired, he didn't want to undergo this large a project, so I am the majority owner and my father and Carol Carrofa(??), my father being Robert Johnson, and Carol Carrofa(??), one of our outstanding employees that's been with us for thirty years is also a minority owner. So I would be the president, and my father the vice president, and Carol would be our corporate secretary.

DePue: So the weight of success or failure is on your shoulders, then.

Johnson: Well, that's...yeah, it sure is. And it's quite an undertaking but things have gone very well so far and we're hoping that Mother Nature provides us with another good crop this year.

DePue: Outstanding. Well, let's move on then.

(Break in file)

DePue: Jay, this is certainly an impressive building. Why don't you tell us a little bit about it.

Johnson: This is our seven million bushel flat storage building. We built this, started building this in '05. Added to it in '06, and added to it again in '07. It's about seven hundred and fifty feet long, three hundred and thirty feet wide. In this building we've got an automatic ___(??) conveyer that runs across the top. Fills the cart(??), drops the corn down, all the way, seventy two feet high, slope down to the wall. We have also a reclaim tunnel. You see this hole right over here? There's a tunnel down under ground that has a conveyer in it that will clean the corn out of here, so we pull the entire center down and then we, when we get pulled out then we start auguring it to the center to get the rest of it cleaned out. That's all the noise you here, is all of the conveying equipment pushing the corn and moving the corn to the center so that we can get it out into our bin storage and eventually load it on a train.

DePue: Okay. That's great. Anything else on this building, Jay?

Johnson: I think I said before, three hundred and thirty feet wide, seven fifty feet long, five football fields inside one building, so it's, it's a rather large complex.

DePue: And the maximum storage capacity?

Johnson: Pardon me?

DePue: Maximum storage capacity?

Jo : Seven million bushels.

DePue: Seven million. In this one facility here.

Johnson: In this one building. Under one roof.

DePue: And the key of this whole business is knowing when to store it, and knowing when to sell it, and when to move it, huh?

Johnson: You've got to be, you've got to be on top of things in this business, and know the, all the different aspects of the trade and work hard.

(break in file)

DePue: Well, we're obviously in a different location, Jay. We're on the train, now. Why don't you take it from there.

Johnson: Okay. We've got Jerry German here, driving the train. He's our engineer. And what he's doing right here is he's got a radio, and when the loader, Pete—we showed you the load room here a minute ago—tells him to move forward, he'll pull up to the next hopper. And we'll load each of the three hoppers and then we'll move on to the next car. So right now he's waiting for his command to move forward, and as soon as he does, what he's got his right hand on there is the throttle. So he's going to throttle it forward here and move to the next compartment in the car.

DePue: So Jerry is your employee, I take it.

Johnson: Jerry is our employee, yes.

DePue: And what happens to the train crew when they arrive here?

Johnson: The train crew comes in, leaves the train. They have a shuttle service that picks them up and takes them back to their post in Beardstown, which is about an hour west of here. And then our guys come—we have three train loaders. We have Jerry, Ralph, and Wayne, and then we have two train loaders, which would be—train drivers. Jerry, Ralph, and Wayne, and Dave Gean. There's four of them. And then train loaders would be Pete, who we talked about earlier, and David Moose, and then Wayne also loads some, and also drives. So.

DePue: And the train loaders are the people who work in the control room there?

Johnson: That is correct. And most our train drivers are retired individuals that can meet the schedule, because you never know when the train's going to come in. It can be nights or weekends. And Jerry's a farmer in our area and a good friend, and used to operate trains in the military. Is that right, Jerry?

Jerry: Yep.

Johnson: So Jerry's had a lot of experience, so we're glad to have him on our team.

DePue: This loop we're on, you said, was a mile and a third?

Johnson: Yes.

Jerry: I think it's seventy two hundred feet.

Johnson: Seventy seven hundred feet of track.

Jerry: Seventy seven.

DePue: And it's coming right off the main rail line for BNSF?

Johnson: Yes. It comes right off the main line, and we've got a switch on both, going both directions, so the train can come on or off from either direction.

DePue: Tell us a little bit about where this train's destination is then?

Johnson: This train will go to—is this a Mexico or a domestic train, Jerry?

Jerry: I think this is going to Hereford, Texas.

Johnson: This one's going to Hereford, Texas. About half of our trains go to Mexico for feed, and the other half go to southwest or...it'd be west Texas. This one's going to Hereford, Texas, where there's some huge, huge cattle lots down there in Hereford.

DePue: I guess that's different in the old days when they used to drive them north to feed them off, and now it's being done down south.

Johnson: Yes, they've got a lot of herds down south now, and they, they sit on some nice aquifers for water supply, and we take them the corn. And what Jerry's doing here is probably, probably the most desired job. Everybody wants to drive a train. And especially my kids. Jerry if you could sound the horn for us. Can you sound the horn? (horn blast) Yeah. You got the horn and bells and I've got a nine year old and a twelve year old, and my twelve year old, Haley, loves to drive the train and toot the horn and my nine year old boy, he loves it as well. So, it's kind of the most popular place to be, is right here in the engine, lot a fund to be able to operate this much power, isn't it Jerry?

Jerry: Yes it is.

Johnson: Yep.

Jerry: About thirteen thousand horse power.

Johnson: And most generally we have four engines, which is, I guess it'd be over seventeen thousand horse power. Is that right, Jerry?

Jerry: That's right.

Johnson: Yeah.

DePue: Do your, do you see your kids following you in the business, Jay?

Johnson: Well, you know, it's one of those things I was talking about earlier. I didn't figure out what I wanted to do until I was almost out of college, and I think my kids at this point in time probably think is too much work also. But I think they'll find out like I did that there's, there's no better place than, when you grow up in the country, to return to the country and return to your family and your friends and agriculture, so I hope that they'll play a part in this one of these days, but too early to tell right now.

DePue: This is certainly a far cry from where you started off, from where your dad, especially, started out, being a tenant farmer and having a little bit of diversity in the farm. Can you talk a little bit about how farm life has changed?

Johnson: Yes, the farming operations have gotten much larger and that's what's made this possible, is the amount of volume and the speed at which we can dump, really attracts the modern day farmer, and like I mentioned, how my father started out in 1975 and a lot of credit to my mother and father for having the foresight to begin the business, and then by doing that allowing me the opportunity to further that and make it, make it what it is today.

DePue: Do you see this kind of, what do you see for the future for farming? Let me put it that way.

Johnson: The future for farming, we're going to continue to see larger and larger farmers and fewer of them. And it's going to turn into a corporate business. And it already has, and it's going that way, but you're seeing farmers that are becoming more and more advanced with knowledge and management and that's going to continue.

DePue: The good and the bad of that trend?

Johnson: Well, like I mentioned earlier, you can't go against progress and there's, you know, the good progressive, good managers are doing things more efficiently. And I think in any business, that's what you strive for is efficiency, and the ones that are smaller that are efficient, I think will continue to survive and could grow

in this environment. So I think it's just turning more into a corporate business and you've got to be able to manage and be efficient in order to survive.

DePue: And your piece of this, are you...it seems to me you're at the innovative edge of what's going on with grain processing, and grain shipping, and grains transmission. Transmiss...

Johnson: Yes. Starting in 2003 when we built this, we were probably one of the most efficient, technologically advanced facilities, being new, and a lot of them being older. There have been some newer ones built here since then that are equal or even maybe a touch more advanced than we are, but we're definitely on the cutting edge of the technology and it's pretty neat to see how it all works.

DePue: Is that why you were named the Small Businessman of the Year a couple of years ago?

Johnson: Well, I'm not quite sure how all that came about, but I was nominated for the Springfield district of small businesses and there were several districts in the state that had nominees, and I was fortunate enough to be selected the businessman of the year for 2007. And what was really neat about that is I got to represent Illinois in Washington, D.C. for Small Business Week in Washington, D.C., and was fortunate enough there to be the first runner up behind a business from North Carolina.

DePue: What was the North Carolina business?

Johnson: There were two gals, two females that were, had started a hospice center and had several hospice centers across the state of North Carolina and several thousand employees and had shown just a ton of progress, and a lot of growth and profitability, and providing employment opportunities, and that's a lot of the criteria they looked at.

DePue: But this is small operation yourself. How many people do you employ?

Johnson: We will employ, between full time and part time, about thirty five, and that's grown from about ten, three years ago, and I think that there'll be a need to continue to add as we continue to grow.

DePue: And where do you see the business ten years from now?

Johnson: Well, I hope that we're still moving as many trains as we are, and I hope that Mother Nature is good to us and we have good crops, and I hope that our markets in Texas and Mexico continue to be good for the farmer. This has been a great situation for the farmers, to be able to have this market right in their back yard, and has enhanced their grain prices because of that. So I hope that we can continue to do what we're doing, and I hope it brings value and as long as it does bring value to the farmers and local elevators, I think we'll be doing just what we're doing and hopefully on a larger scale. (Break in file.) What Jerry, the

driver's saying, and he's not miked, so I don't know if you can hear that or not, but what he was saying is, is we've had a lot of rains. And we've had some floods along the Illinois River here in the last three or four weeks, and that has backed up the trains. And there's, was a half a mile of railroad track washed out down by the Illinois River, which has caused a lot of congestion on the railroad. So as we have seen a lot of—we've been very, very pleased with the performance of the Burlington Northern Santa Fe, and right now due to Mother Nature and the floods, the service has not been that great, but understandably so.

DePue: Interesting comments. I would think that the barge traffic has certainly been disrupted as well, on the Mississippi. And that's been the alternative way to get grain south, is it not?

Johnson: Absolutely. The entire movement of grain has been affected and that will happen from time to time. We've seen the—the rail lines are generally more reliable because you don't have to deal with low water or high water like they do on the barge. So rail system is definitely more reliable from that standpoint. But when we have some track get washed out I guess it doesn't...

DePue: You just can't argue with Mother Nature, can you?

Johnson: That's right. There's somebody else in charge.

(end of audio)