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THE FARMER'S EDGE

HURLEY & ASSOCIATES
Agri-Marketing Centers

Hurley & Associates Rail Transportation Update

By Tom Williamson

Precision Scheduled Railroading (PSR) has not produced the anticipated improved rail service. Rail car velocity and terminal dwell times are worse y/y but local switching service to shippers and receivers is much worse.

U.S. RAILROADS CARLOADINGS: U.S. rail carloads totaled 12.01 million in 2021, up 6.6% over 2020 but down 7.4% from 2019. In 2021, 16 of the 20 carload categories AAR tracks had gains. (Chart 1). Chemicals set a new annual record of 1.69 million carloads in 2021

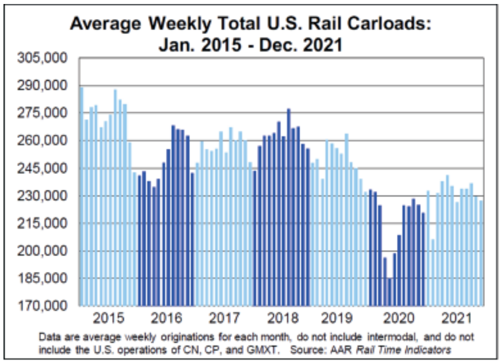

CHART ONE: Source American Association of Railroads, Rail Time Indicators

— chemical companies have invested tens of billions of dollars in new capacity in recent years to take advantage of cheaper shale-related feedstocks. Coal carloads were up 10.9% in 2021 to 3.33 million, thanks mainly to higher natural gas prices for much of 2021 that made coal-based electricity generation more competitive. U.S. carloads of motor vehicles and parts were down slightly in 2021 from 2020 as microchip shortages forced automakers to cut output, while carloads of petroleum products were down in 2021 as crude oil volumes remained far below where they were a few years ago.

For intermodal, 2021 was the tale of two halves. The first six months of 2021 saw record-breaking highs, but volume cooled in the second half as global supply chain challenges persisted. For all of 2021, U.S. railroads originated 14.14 million containers and trailers — up 5.1% over 2020, up 3.4% over 2019, and the second most ever for a full year. Only 2018's 14.47 million was higher.

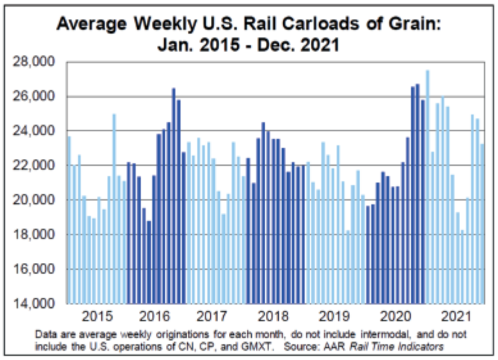

CHART TWO: Source American Association of Railroads, Rail Time Indicators

GRAIN CARLOADINGS: In 2021, U.S. carloads of grain were exceptionally strong in absolute terms from January through May; much

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Serving Agricultural Producers Since 1988
HURLEY & ASSOCIATES

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Hurley & Associates Rail Transportation Update

By Tom Williamson

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weaker from June through September, then much stronger again October to December (Chart 2). Corn made up 46%, soybeans 23%, wheat 20% and other grains 11% of rail shipments in 2021. Grain carloads were high in Q4 2020 so Q4 2021 were down 7.9% from Q4 2020. There's a very strong positive correlation between overall U.S. grain carloads and U.S. grain exports, highlighting

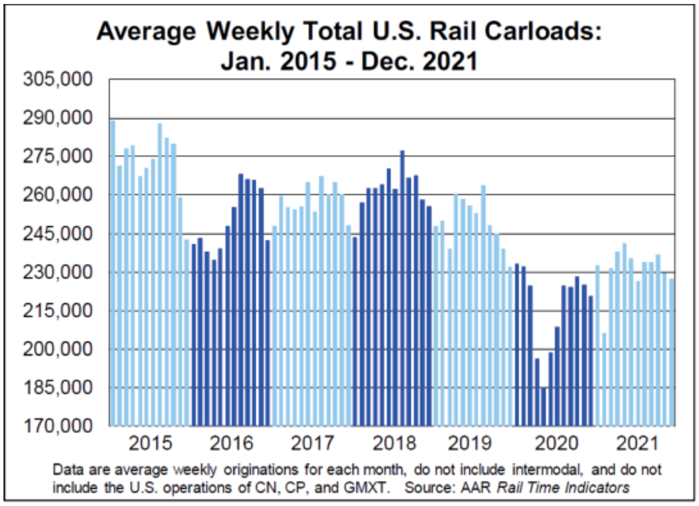

CHART THREE: Source American Association of Railroads, Rail Time Indicators

the importance to railroads of grain exports and export-friendly public policy. (Chart 3). U.S. grain carloads for all of 2021 totaled 1.21 million, the most for any year since 2008. Combined U.S. and Canadian grain carloads totaled 1.66 million in 2021, also the most since 2008.

RAILROAD SERVICE: According to most metrics reported by railroads, their service has deteriorated. Forest fires, flooding and cold weather impacted service, especially to Vancouver, where floods washed out several miles of CN and CP track.

Switching service to industries is just unacceptable. Railroads blame Covid, holidays, winter weather, etc. Somehow, they just can't remember that Thanksgiving, Christmas and New Years and winter weather occur every year. However, they reduced staff substantially believing that Covid would reduce carloadings. And when railroads reduced staff, many employees retire, and these are the most experienced and knowledgeable crew members. Training new locomotive engineers and trainmen takes many months and railroads are still not staffed to handle current levels of business. History tells us railroads have a lot of capacity for additional business. Especially since railroads handled 20% more carloads in 2018 than 2021.

RAILROAD RATES: Railroads increased rates substantially above their increased cost of operations recently, stating the truck rates and availability are a justification for rail rate hikes. Ag and ag products rates increased from 3% to 8%.

NOTE: Mexico has a new VAT (value-added tax) tax that increases freight charges on all shipments to Mexico.

CONCLUSION: Railroads are more focused on operating ratios than railroad operations and service to customers. 2021 was a very frustrating year for rail shippers. While cars moved once they were on trains (and train shippers did get marginally acceptable service) single car shippers received very inconsistent service. Most cars did not come close to meeting railroad trip plans (railroads' metrics to measure service). I think anything under 85% is bad, but most railroads reported that less than 65% of their cars met their trip plans. AND to increase rates with this service is totally unreasonable.

Tom Williamson owns Transportation Consultants Co. (TCC) which he started in 1984. TCC is used by many major agriculture firms for the outsourcing of some or all their corporate transportation functions. Tom has extensive experience in transportation of bulk and consumer commodities on every Class I railroad and on every navigable river in the U.S. TCC clients include grain, grain processing, ethanol, alcohol, and food companies. TCC also charters both barge freight and ocean freight.

Tom was Director of Transportation for Anaconda Company from 1970 to 1975 and Assistant Vice President of Continental Grain from 1975 to 1981.

Tom and his wife Terry own Iron Horse Railcar Management that manages private rail car fleets and tracks the rail car leasing market and negotiates leases for railcars for clients. They also own Locomotive Leasing which buys, rebuilds, and leases switch engines.

Williamson was raised on a farm in West Texas, graduated from Texas Tech with a BBA in Transportation and graduated from the New York Academy of Advanced Traffic.

Tom has a married son that splits his time between Boston and Tokyo and has twin (boy and girl) grandchildren.

“Welcome Home”

By Tom Bovee

I like to tell people that I didn’t grow up on a farm, but I grew up in the farming industry. I received an offer from a large Co-op the day I graduated from college to join them as a manager trainee. I was young, knew everything and I was going to climb the company ladder. What that really meant was that I was going to get educated and they were going to allow me the opportunity to sell fuel door to door to producers during the time when fuel first hit $4.00+. Looking back at it today I think it would have been easier to sell today’s high-priced urea than it was to sell $4.00 diesel fuel. The major benefit I received with this opportunity was learning about the company and the industry. It got me working with and for the kind of people I wanted to be around, and it taught me to do things the right way when everyone who comes in the door is one of the owners of the company.

Fast forward 12 years and I was a grain merchandiser for the same Co-Op, but now in west central Minnesota buying grain by the truck so I could sell by it the train. Ida Hurley knew that elevators did things differently than the farmers did and I wish when I got into the industry, I recognized that faster. Every year I was explaining to people how piling five million bushels of corn on the ground could possibly be profitable; at Hurley & Associates we talk about that as return to storage. Elevators charge delayed price fees (normally $.05/month here) on grain to make up for the fact they are not getting the opportunity to pick up carry and basis from those bu, so either they get the return to storage from carry and basis improvement, or the storage meter keeps ticking, meaning that pile is always making some money - that is why you see so many of them. Many farmers market grain poorly or only when they need money, leaving a lot on the table. When an elevator hedges grain, they protect margin with basis, so a producer having a good futures position does not hurt the elevator in fact, you are less likely to look for an extra couple of pennies if you already have a good price established.

We all remember the spring/summer of 2019 and what level commodity prices were at. That was when I was approached about joining Hurley & Associates. I had a great relationship with my local consultant as I had purchased a lot of grain from them over the years, and I had even referred some business over when I could see a guy needed help and wasn’t taking it from me. With that general base of knowledge about the company I thought the least I could do was see what they wanted to say. After the hardest interview process I have ever been through, I was not offered the job. At that time, I still loved what I did because I knew I was helping guys make decisions they either wouldn’t make or would avoid making if left to do it on their own; the easiest marketing choice is always to do nothing, and we know that rarely works out despite what the guy at the coffee shop says. I would buy and sell grain from upwards of 400 customers, all the while knowing almost nothing about their farm or them. I did not have the benefit of using all the information that Hurley & Associates uses from you to help us make good choices together. I just looked at market conditions and made blanket recommendations, which is what you do when you really haven’t taken the time to get to know your customers like you should.

In all my time with the Co-op I never thought I would leave, but once I figured out that by knowing so little about my customer, I didn’t have the tools to really help them I had to reconsider. All I was doing was prescribing the same medicine to a group of people who all had different problems. Have you ever done a job and then seen someone else do it differently and realized you had been doing it wrong all these years? Wrong might not be the word for it, but different. At Hurley & Associates we say we do it differently, and once I saw that it changed my thinking. A Co-op is a business no different from any other, but if farmers could capitalize on the money left on the table and not hurt the elevator, that is a win-win situation. For me it was a revelation and ultimately what led me to Hurley & Associates. I was market minded and let what happened in the market determine if I had a good day or a bad day at work. Learning what the market is doing today is not that important if we are focused on our business was eye opening. I used to answer a hundred calls about what the market was going to do or why it was moving a certain way. Farmers normally make that call when their gut is telling them to do something, and their mind is telling them to wait because you can always talk yourself into being bullish. It seemed like they were trying to talk themselves out of doing what they called in to do; it goes right back to the easiest thing to do is nothing, to not plan. You can always find someone who will share and support your market bias to keep you from making decisions.

I titled this “Welcome Home” because that really is what it was for me. Joining Hurley & Associates fit what I wanted to do and how I believed it should be done. I live in Morris Minnesota, a small town of about 5,000 people, and when things are good on the local farms, things are great in Morris. The local farms drive the economy in town, everything is better when farmers do well. I decided that if I could play a role in helping farmers do well, I was ultimately helping the whole community and that is what I wanted to do. This

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Potential Fed Tightening Creates Unrest for Some Global Trading Partners

By John A Johnson

The U.S. economy is continuing to make economic progress in employment, production, gross national product and any number of other economic metrics. That statement should be good news, for our citizens, friendly trading partners, and even our trading partners who we have a more tenuous relationship with, such as China and our Arabian petroleum suppliers.

There is somewhat of a problem with all the good economic news in the U.S. that has begun to rear its ugly head in the form of runaway inflation which has manifested itself in almost every segment of our U.S. economy. Meanwhile domestic wages, even while surging, have not been able to keep pace with the rapid rise in prices for almost everything we want to buy. Some of the hardest hit items are absolute necessities, such as food and energy – the very two categories that dominate the budgets of the lowest income groups among us.

In its simplest form, the standard answer, ever since the Federal Reserve Bank began to manage our economy in the early 1900's, has been to manage the rate of printing and circulating currency. The central bank either prints or destroys currency, and at the same time, raises or lowers interest rates in order to create the flow of currency into or out of the general economy. This governance of the money supply relative to demand for goods and services, was designed to regulate our economic well being and to provide for economic stability.

Historically, during past cycles of tightening and loosening of the U.S. money supply, our domestic economy responds by faster growth during loosening phases and slowing down during tightening phases.

The past decade has been one of near-zero interest rates for savings. Those ultra-low interest rates and an accommodative policy of adding extra currency to the Fed balance sheet to the tune of several billion dollars per month for the past several years, have been augmented in the past couple of years by the Federal Government. The Federal Government has operated under the philosophy that any economic problem can be solved by simply turning up the speed of those money presses and borrowing the currency to fund billions of dollars in projects that were deemed necessary for our survival, many of which have turned out to be catastrophically wasteful government boondoggles.

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Consultant Spotlight: KAREN MARSHALL

What do you most enjoy about your job?
The people I work with. Whether it is learning more about an operation, working through market plans, or sharing challenges and successes, there is a strong spirit of trust, respect and collaboration among colleagues and clients. In many ways it is like family.

How did you get started in your career?
In the early 1990's, I was working at a bank, and we sponsored a Hurley & Associates meeting. This was my first opportunity to learn about Hurley and meet Ida. She was small but mighty. Her passion for farmers and agriculture was inspiring. Fortunately, fate was very kind. I was asked to join Hurley & Associates in 1995 and continue to serve clients and work with a team that is committed to our philosophy and mission.

What are you most passionate about when it comes to serving your clients?
Building strong relationships and trusted partnerships. Encouraging the value of financials. They are the foundation of any market plan. With sound financials it is so much easier to identify opportunities for profitability and growth. I encourage producers to be active in the HA client portal. Any time of day they can access a view of their farm business. We want to stay focused on the bottom line and not market noise.

What would be your ideal vacation?
My ideal vacation would have the sea, sun and the sand, sharing it with my daughter and grandsons. Who doesn't love a palm tree?

Karen Marshall was born and raised in Caruthersville, Missouri. Karen started her career in agriculture working with MFA Grain, and through involvement in agri-business with a local bank. Karen has been with Hurley & Associates since 1995. She manages the Hurley office in Caruthersville and works with a very diversified farmer base, including southern farmers who grow cotton and rice, as well as farmers in the Midwest who produce row crop grains and livestock. Karen provides guidance to our Field Offices across the country. Karen lives in Caruthersville, has one daughter, and 2 grandsons.

Potential Fed Tightening Creates Unrest for Some Global Trading Partners

By John A Johnson
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The past fifteen years have seen our national debt careen upward at a dizzying pace, to numbers not dreamed of only a few years ago. That debt has been largely funded by some of our trading partners from whom we purchase goods. We have a huge imbalance of trade with China, that is we buy many billions of dollars' worth of goods from them over and above the relatively few billions of dollars' worth of goods we sell them.

China has, in turn, helped to prop up our deficit printing and spending by buying our bonds in huge quantities. "Buying bonds" is a nice way of saying "loaned us money". For the past few years those bonds have carried extremely low interest rates, so we can assume the Chinese would be thrilled to see our Federal Reserve raise interest rates, right? Wrong!

Their difficulty seems to stem from the fact that while our economy is trending upward as we come out of the pandemic, the Chinese economy is tilting downward. Generally, China is losing about one per cent per year in economic growth from a super-robust 10% /year only a few short years ago, to only 4% per year projected for this year.

The leading sources for imported goods into the U.S. are China ($463 bil.), Mexico ($350 bil), and Canada ($324 bil). In short, especially the Chinese, depend on the U.S. economy for their continued upward spiraling economy.

This becomes apparent when President Xi of China took the stage in January (by remote) at the World Economic Forum at Davos, to address Chairman Jerome Powell of the U.S. Federal Reserve Bank. According to his manuscript he asked Chairman Powell, "Please don't lift interest rates. If major economies slam on the brakes or take a U-turn in their monetary policies, there would be serious negative spillovers. They would present challenges to global economic and financial stability, and developing countries would bear the brunt of it," said Xi.

We can only assume that our suppliers of goods from around the World said a hearty "Hear! Hear!", under their collective breaths when they heard President Xi pleading with Chairman Powell. Apparently the Fed's general punch-bowl approach to our economic woes has served our trading partners very well.

One can only imagine how badly our global energy suppliers hated to hear of any Fed tightening news when they have only briefly been allowed to enjoy the benefit our massive importation of crude oil again after a couple of years of U.S. energy independence!

Domestically, there are at least two sides to the rising interest rates question and the proponents for each side are beginning to line up as we write. Interest rates have been "low for long" and savers have been cruelly punished for having cash set aside for a rainy day. They have endured a slow drizzle for years, virtually interest-free savings have slowly deteriorated through inflation while they were locked into fixed amounts of currency. People whose nest eggs are in savings will rejoice at potentially getting better returns.

On the other hand, highly leveraged consumers with high loan to asset ratios and massive note payments of various types, especially variable-rate loans (of which there are trillions in U$D-denominated currency), will be scrambling to make steeper payments. Historically, when the Fed starts to raise rates, they go too high and stay too high for too long.

There are typically massive upheavals in stock prices if/when rates start to climb and money supplies tighten. The perceived value of many stock investments hinges not on the present earnings of the underlying company, but on expectations of future earnings promised after the company achieves sufficient market share. Much of the time those company shares increase in value as they make progress in achieving their stated goals. Growth is what fuels the value of this kind of stock. Growth stocks are what have propelled most of the popular stock indices to their present lofty levels relative to dividend-paying shares. If/when interest rates start to rise, the slow steady pace of the interest on bonds, or the steady dividends of more mundane names in the stock market, begin to find appeal due to the security of steady cash returns.

John A. Johnson has worked for Hurley & Associates since 2000. John is semi-retired now living the life of chasing grandkids. John is based in Sikeston, MO.

Leading With A Servant Mindset

By Lynn Weeks

Hurley & Associates is built on the philosophy of providing servant leadership to its employees and clients. Ida believed that "the key to providing a great service has always been loyalty between consultants and clients that has been a two-way street."

Hurley & Associates hires consultants that fit the philosophy of having a desire to help each other and, just as important, to help serve producers to improve their risk management, protect the family farm and to help it prosper. Our consultants accomplish this by possessing a servant leadership mindset. This is about helping others by using your abilities and skills to improve the lives of others around you. Doing so improves your working relationships, provides strength to the organization, and has influence in the community.

Attributes of servant leadership requires certain behaviors and actions. Robert Greenleaf, who is credited with being creator of the servant leadership mindset, in his 1970 essay lists certain characteristics as being most important for servant leadership. The following are characteristics and how they are important to us:

Listening: Our consultants can serve producers by establishing a commitment to listening intently to what they are saying and what needs they are communicating. Give people your full attention, take notice of their body language, avoid interrupting them before they have finished speaking, and give feedback on what they say.

Empathy: Servant leaders strive to understand producers' ideas and expectations. You can be more empathetic by putting aside your viewpoint temporarily, valuing others' perspectives, and approaching situations with an open mind.

Healing: This characteristic relates to the emotional health of people and involves supporting them both physically and mentally. The organization needs to make sure that the consultants have the knowledge and support they need to do their jobs. It is recognizing conflict that is present and having the willingness to address issues before moving on. (Greenleaf, 1970 p.27)

Self-Awareness: Self-awareness is the ability to look at yourself, do a self-assessment and take into consideration your emotions and behavior, and how they affect the people around you and align with your organization's values. It helps to know your strengths and weaknesses and how your behaviors may affect others.

Conceptualization: This pertains to the ability for people to realize their dreams and set goals and the processes to reach those dreams. This is one thing that Hurley & Associates is proud to be a part of building. It allows the consultant to help provide the client clarity to all day-to-day rhetoric that is interfering with staying focused on the big picture goals.

Foresight: This is the ability to use past experiences to recognize, and approach cautiously, certain situations and their consequences. At Hurley & Associates this is a team attribute that everyone can draw on. Our clients know that we are always looking into the future and strategizing what the best plan may be for their operation.

Accountability: This is about taking responsibility for the actions and performance of your team and being able to hold each team member accountable for the role they play in our organization. We believe that the recommendations that we make with our clients are based on information the marketplace is giving us and that they are the right choices for the client's operation.

Growth of our people: In this fast paced, ever-changing environment we work in, we must allow our people to grow and learn to become better leaders for our team and our producers. Hurley & Associates fully support the personal and professional development of all our team members. We believe that if we do not maintain the focus for continuous growth of our team then we will not be able to fully serve our producer to the best of our abilities.

Building the Community: The last characteristic has to do with building a sense of community within your organization. We accomplish this by providing the opportunity for our consultants, clients, advocates, etc., to interact with one another. We bring people together in fellowship so everyone can get to know each other on a more personal level outside of the workplace. This helps build a bond that is based on all our consultants and producers genuinely caring for one another.

Servant leadership is a philosophy in which the goal of the leader is to serve. By having consultants who utilize this philosophy it allows our consultants and producers to build a bond that goes beyond just being work related. A servant leader shares power, puts the needs of the employees and producers first and helps people develop and perform as highly as possible. This plays a vital role in the reason that Hurley & Associates maintains a successful foothold in an environment that is built on volatility and the unknown.

Lynn grew up on his family farm in southeast Missouri where he and his brother worked with their father raising corn, soybeans, rice and cotton. Lynn has remained active in the farm over the years and continues to do so. Lynn graduated from Southeast Missouri State University in 1993 with a bachelor's degree in wildlife management and a minor in law enforcement. Upon graduating, Lynn acquired a job in operations with Cargill, Inc, where he quickly worked his way up to elevator manager in Hickman, Kentucky. In 2006, Lynn became

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"Welcome Home"

By Tom Bovee

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company is a family of people with that shared goal, to partner with farmers to help them succeed, reach their goals, and help clients not make the same costly decisions they made for years. It does not hurt the elevator if you market well, in fact you are less likely to price shop the competition if you have marketed well. I am a sports fan, so I use a lot of sports analogies and I will finish with one: For me the decision to leave the Co-op was hard, a lot like that decision to sign up with Hurley was for a lot of you. However, I wasn't leaving the game - I was just changing to a different team, a team that has become a family. So, from me to you, "Welcome Home".

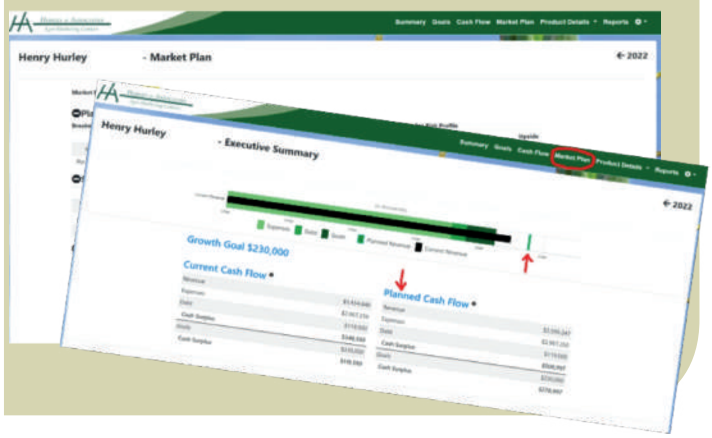
Tom grew up moving around the country with his parents due to his father's job. He has lived in several different states but always will consider Ashby, MN to be his hometown. Being around people who are hardworking and maintain solid core values is what brought Tom to the Ag Industry after growing up around but never in it his whole life. Tom graduated from Minnesota State Moorhead in 2004 with a degree in Biology but decided he was not finished with his studies, so he got his MBA from North Dakota State University in 2005. He worked as a life flight paramedic while finishing college but left that role to join Cenex Harvest States upon graduation. He spent 12 years with CHS growing his knowledge and skills in regards to grain merchandising. In December of 2019, Tom joined the Hurley & Associates marketing team in the Wheaton, MN location. Tom's knowledge of grain handling and elevator merchandising will be very beneficial in his future success with Hurley & Associates. He believes that helping farmers make better decisions will in turn benefit the entire community and all in it.

HA Portal Highlight

Market Plans

Winter months are a time for planning. At Hurley & Associates, our consultants are working with producers to solidify financials and market plans for 2022 crops. The power of the plan is twofold. First we base the plan on each operation's financial needs and goals, then we team with our producers to build hedge, basis and carry plans that make sense for the operation. As those plans come to fruition or are adjusted, the Hurley Advantage portal reflects those changes. It is the producer's road map for seeing what has been completed and what remains.

Market Plan values are represented throughout the portal, anywhere you see the label Planned. The details of each product's market plan can be found in the Market Plan section of the upper right menu.



Leading With A Servant Mindset

By Lynn Weeks

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a grain merchandiser with Consolidated Grain and Barge where he originated grain, before becoming a crop consultant with Hurley and Associates in 2011.

Lynn became acquainted with Hurley and Associates working as a grain merchandiser and was impressed with their level of service to clients while maintaining the integrity of the family farm and their values. Lynn was excited for the opportunity to join the Hurley team and work closely with producers to individualize risk management marketing based on each farmer's needs. Lynn's knowledge in marketing, finance, and the different levels of the grain elevator business — along with the general workings of a farm — assists in his ability to help producers understand and manage their risk and make educated marketing decisions.

*Lynn currently lives in New Madrid, Missouri with his wife, Tiffany and has raised three children — Kameryn, Aaron, and Austin—*around the farm and their rural community. Lynn enjoys spending time with his family along with hunting and taking kids hunting to enjoy the outdoors.

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