



Minnesota Grain and Feed Association February 8, 2010

“Nimbly Navigating Market Challenges”

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How to plan in a rapid changing
market place.



Business Environment Past / Present

2004 General

- Low commodity prices (\$2.00 corn)
- Ethanol booming – plant expansion
- Strong Economy
- Lots of capital around
- Golden age of refining
- Low unemployment
- Land pricing increasing
- Low interest rates
- High natural gas prices
- Lots of company changes (all industries)

2009 General

- Commodity prices peak 2008
- Declinement 2009 – 50% (still good)
- Recession
- High Unemployment – 10%+
- Global banking collapse
- Government stimulus
- Government motors
- Refining margins get weaker
- Ag Business continues to be good
- Lower Interest Rates
- Ethanol bust 2008
- Low natural gas prices

2020

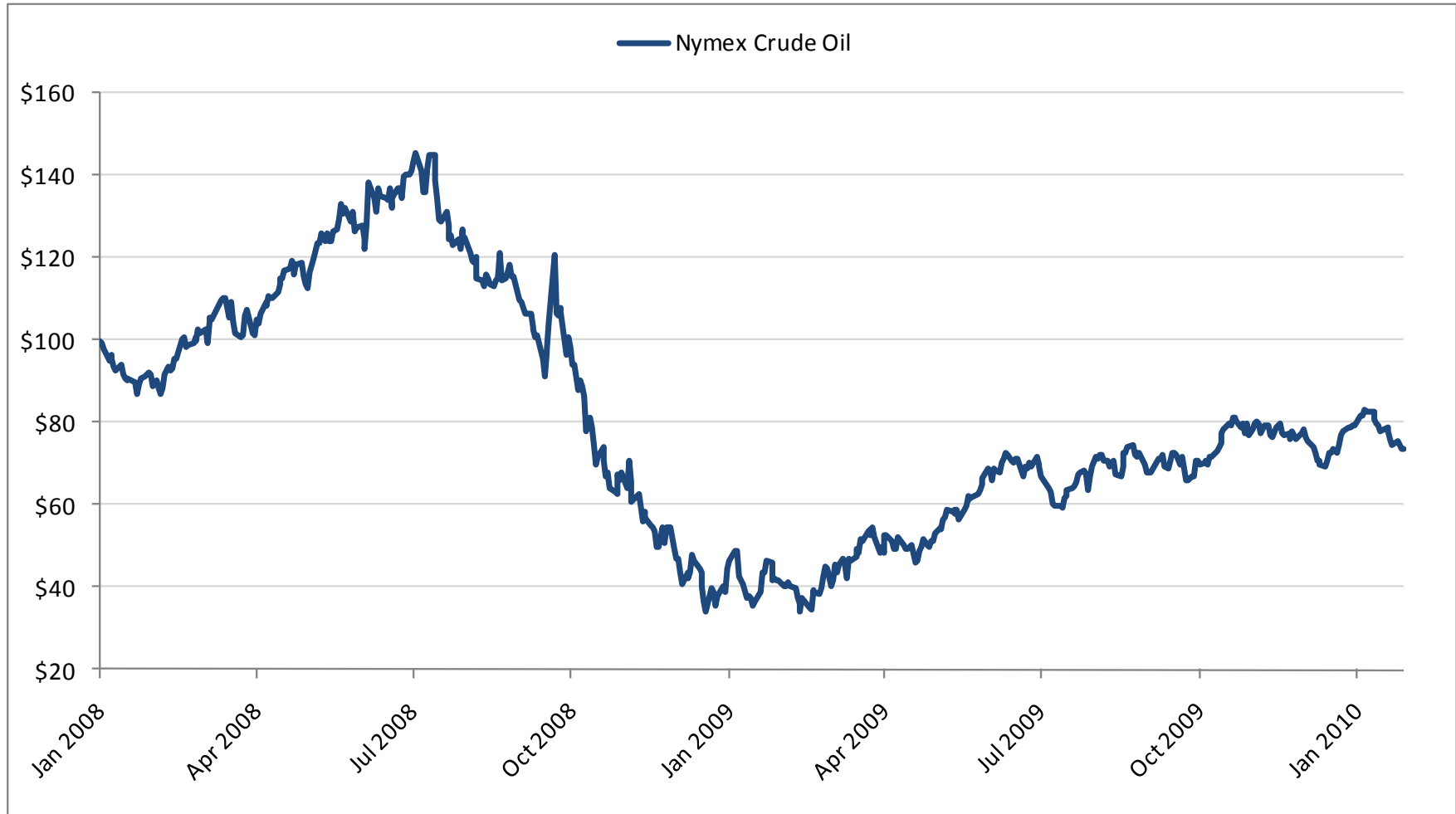
- Trend high – global demand
- Continued volatility
- Weather issues always there
- Yield trend higher
- Capital Market improving
- Consolidation of producers
- Consolidation of suppliers and marketers
- Economy improves ??? When

Fundamentals for Agriculture – very good

- Growing population
- Improving economy
- Food & fiber and energy – demand keeps growing

Starts with Energy Costs

What goes up, must come down?



Crude Oil Price Outlook

Why did prices get so high?

- Value of the dollar
- Impact on the U.S. Gross Domestic Product
- Influence of electronic trading

And why won't they stay down? And didn't

- The cost of finding "the next barrel" remains high
- Current producers (Saudi Arabia, Venezuela) will tighten supply to keep prices up

Energy Policy/Regulatory Challenges on the Horizon

- Increased fuel efficiency standards
- Alternative fuels
- Environmental regulations
 - Focus on greenhouse gases
 - CO₂ reduction proposals will be heavy hit for refiners

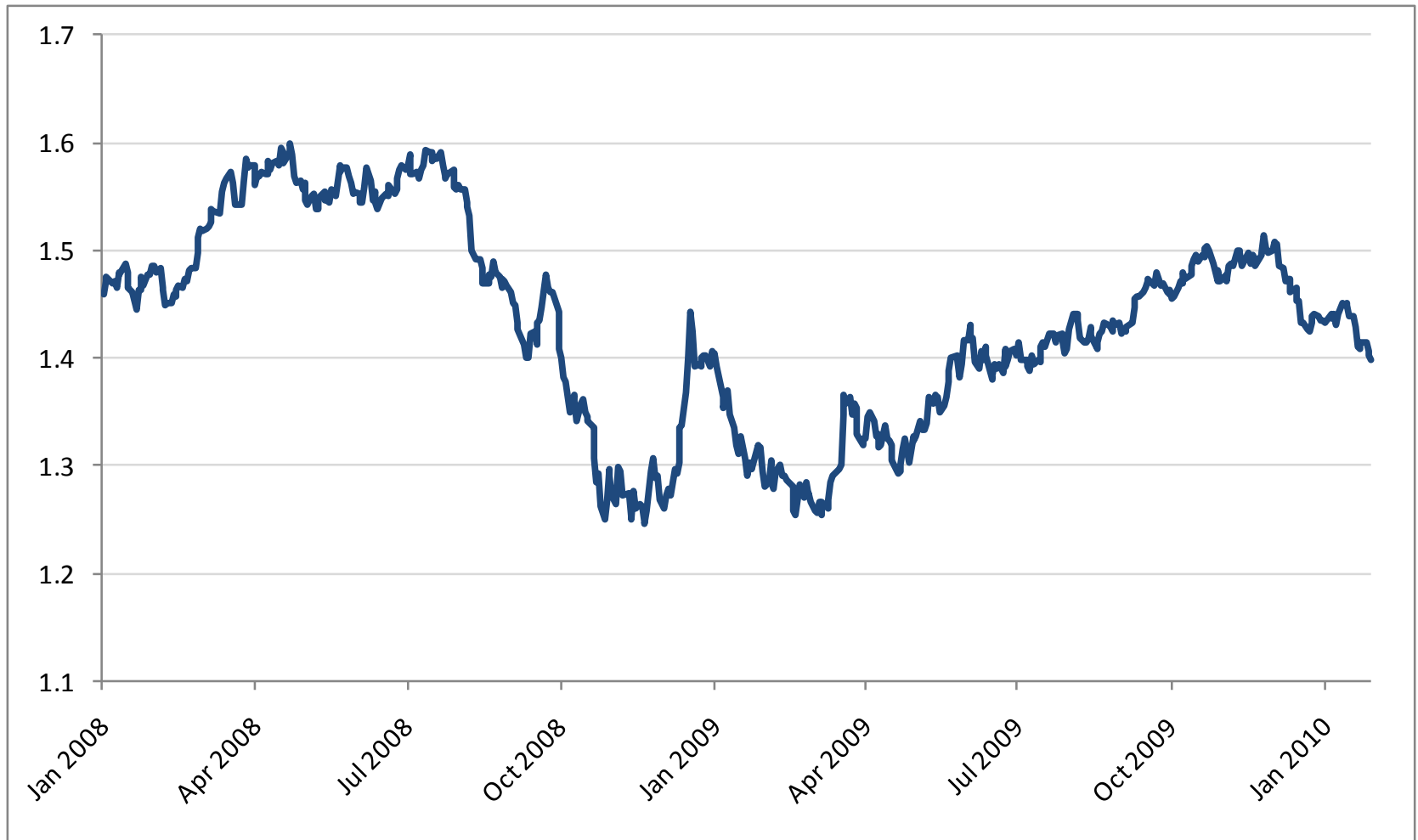
The Big Picture -- 2008

- High demand global food and fuel demand led to unprecedented high prices
- Crop nutrients values skyrocketed, further exacerbating price and supply risks
- Tight grain supplies made markets sensitive to global weather events
- Markets influenced by currency, credit, production, freight

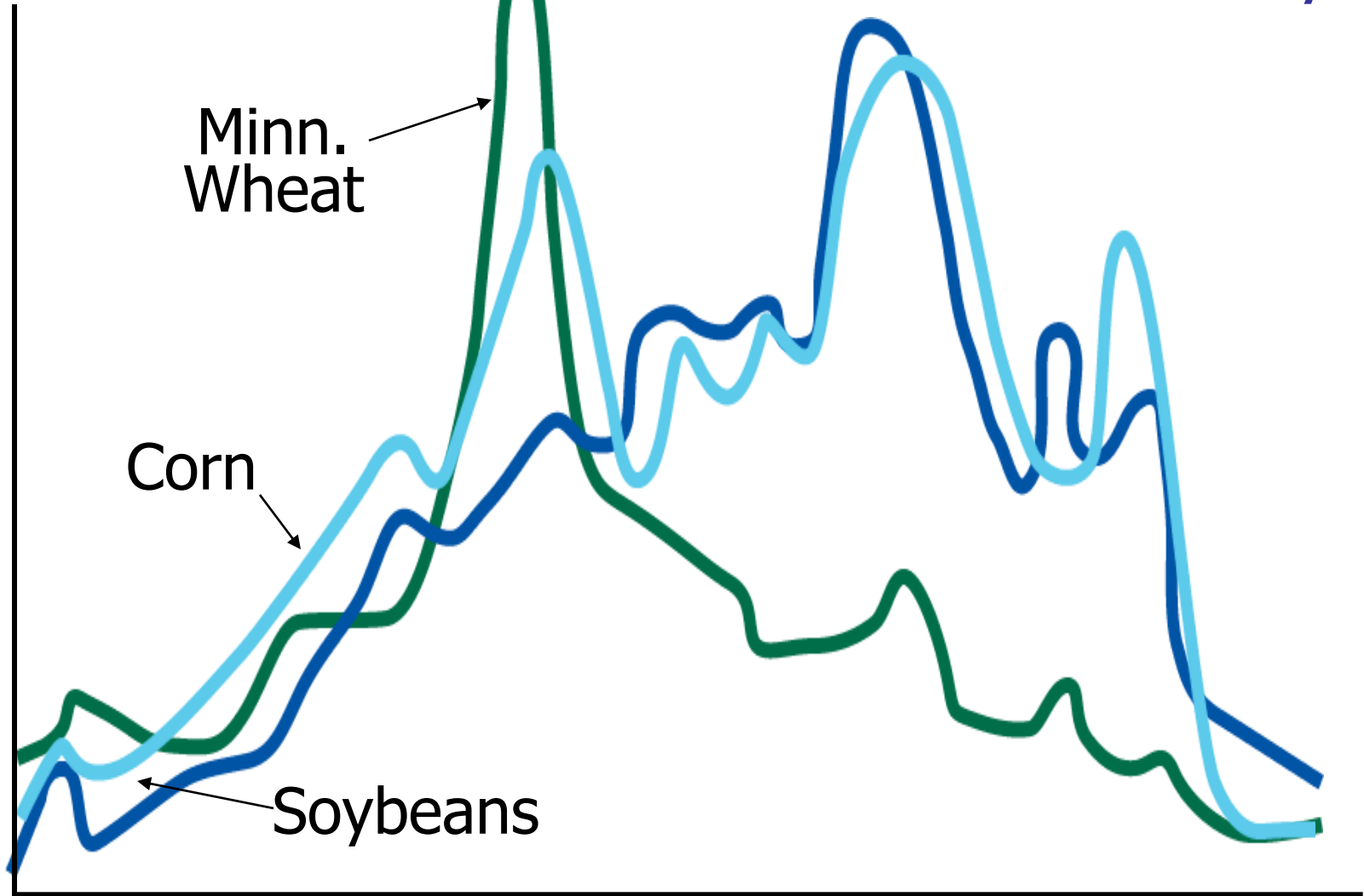
The Big Picture -- 2009

- Commodity prices have plummeted
- Energy demand is down
- Corn exports are down 45 percent year-to-date
- Wheat down 27 percent year-to-date
- Crop Nutrients demand destruction
- Long-term, \$800 urea, \$1,100 phosphorus, \$7 corn and \$15 wheat are NOT healthy

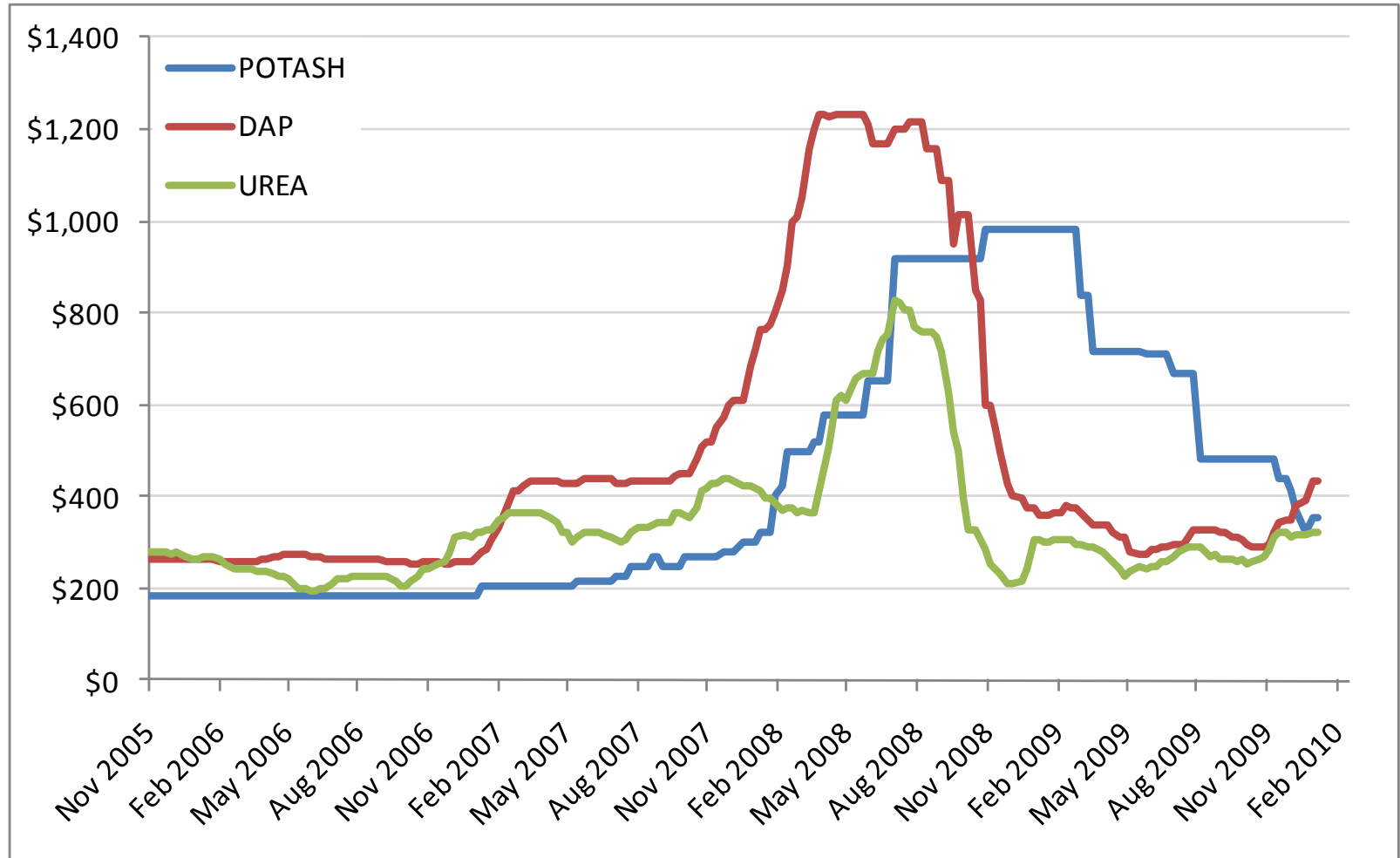
US Dollar to Euro



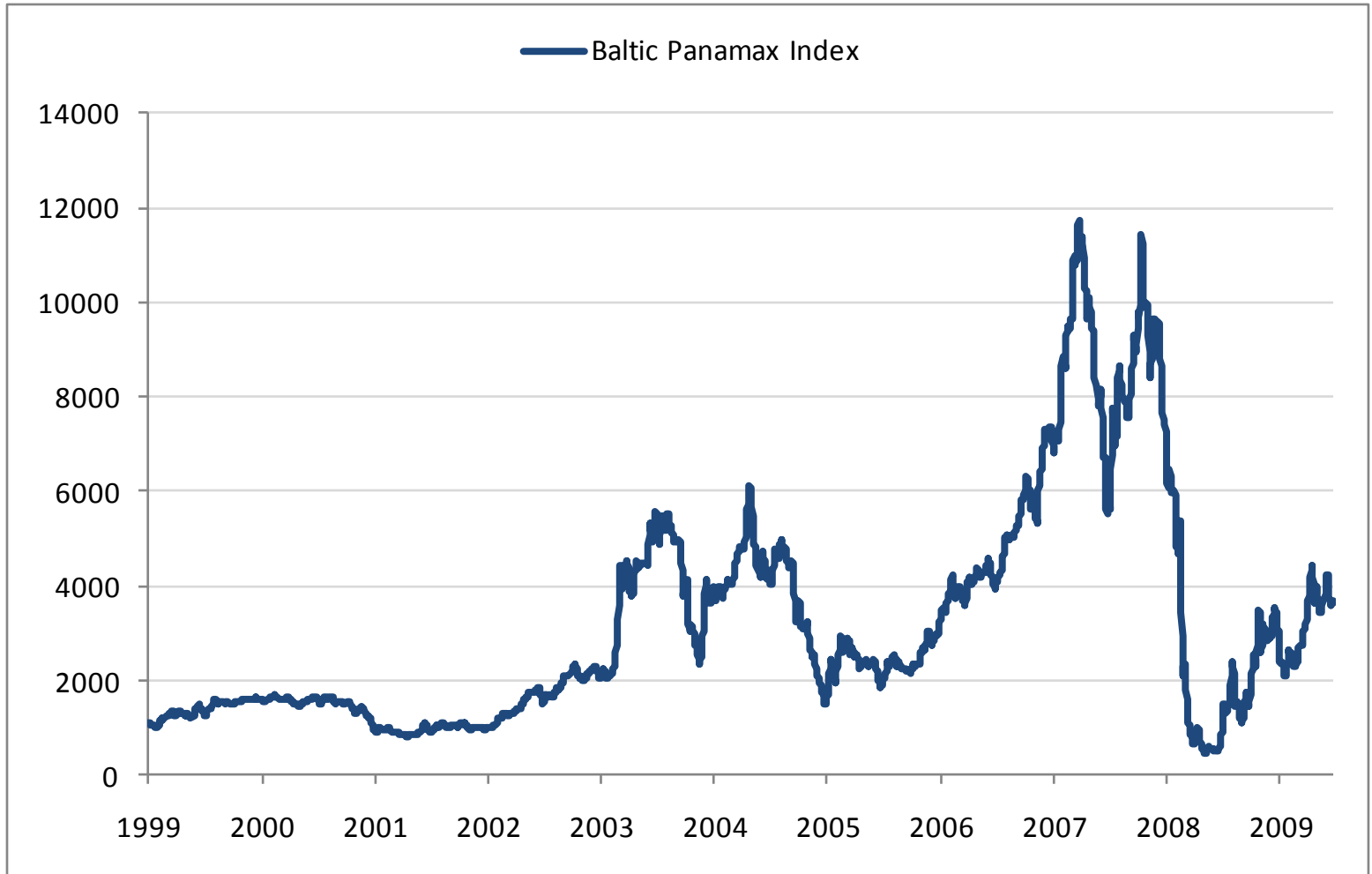
Grain market volatility



NPK Prices



Monthly Panamax since 11/99





Crop Nutrients – What happened?

- Manufacturers pushed prices; buyers didn't resist
- Worldwide, distributors and dealers bought at high prices and built inventories; the pipeline was full
- Late 2008:
 - Global financial crisis
 - Falling grain prices as investors left commodities
 - A full inventory

Crop Nutrients – What happened?

- Demand evaporated, leaving India as sole buyer taking urea/P205 in reduced increments
- Prices decline
- Industrial demand fell
- Many companies/countries lacked credit to buy

Crop Nutrients – What Next?

- Short-term: Prices establishing support
- Long-term: Demand will recover, prices will improve, shortages could develop



Grain Markets – What Happened?

- “Perfect storm” of global and domestic food and fuel demand pushed markets to unprecedented highs
- Credit collapse took markets down with dramatic speed



Grain Markets – What's Next?

- Credit crunch forcing growth acres out
- Flight of capital from emerging markets
- No longer \$6 corn. Will it be \$4?
- Tight supplies remain, which will be a demand plus when credit crisis subsides
- Shakeout of demand in ethanol manufacturing

The Long-term View

- 2009 -- a year of confusion and recalibration for the commodity markets and economy
- Volatility is here to stay – but it's not always bad!
- The global marketplace will recover and grow
- We must all look beyond our own backyards

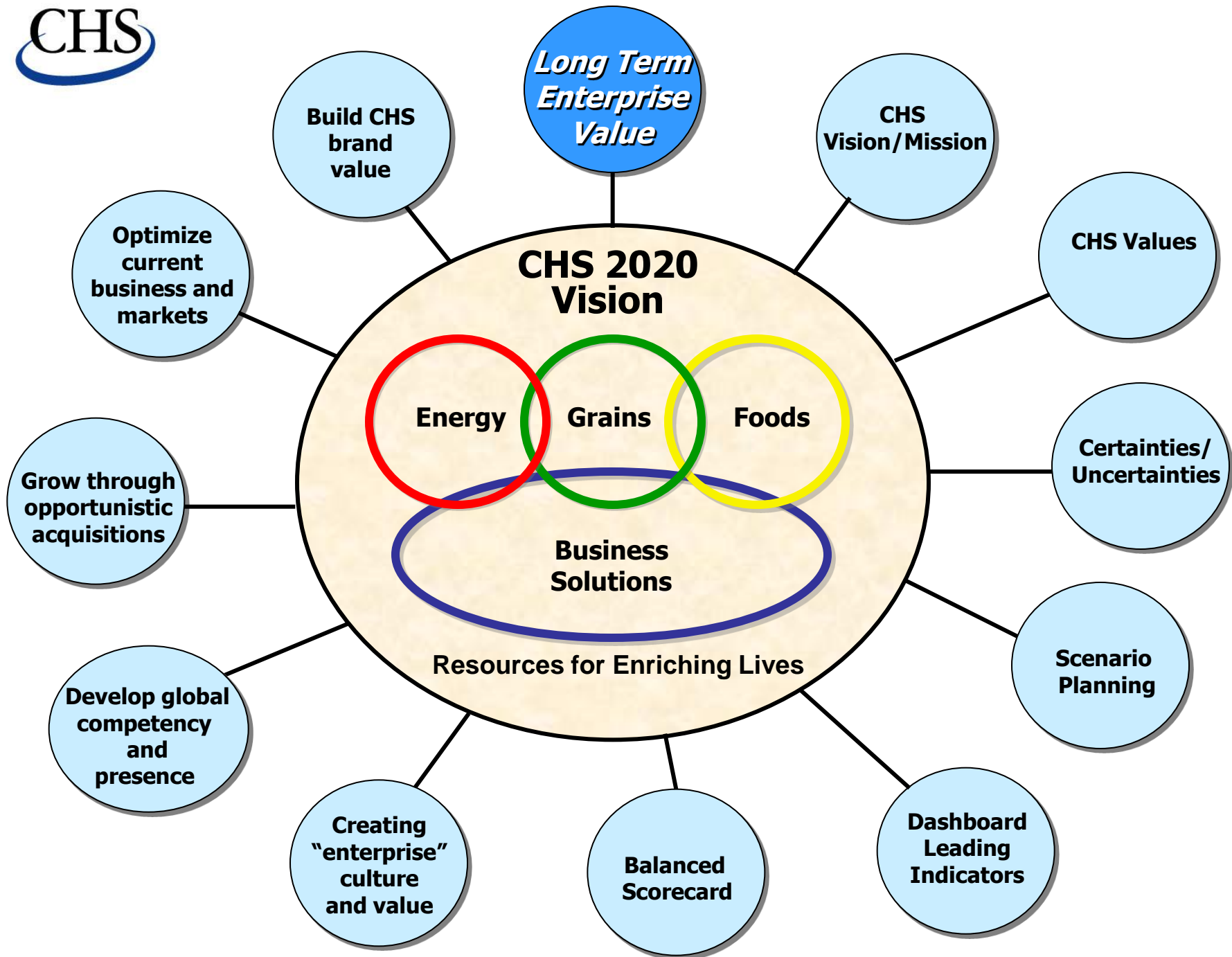


Our Strategy

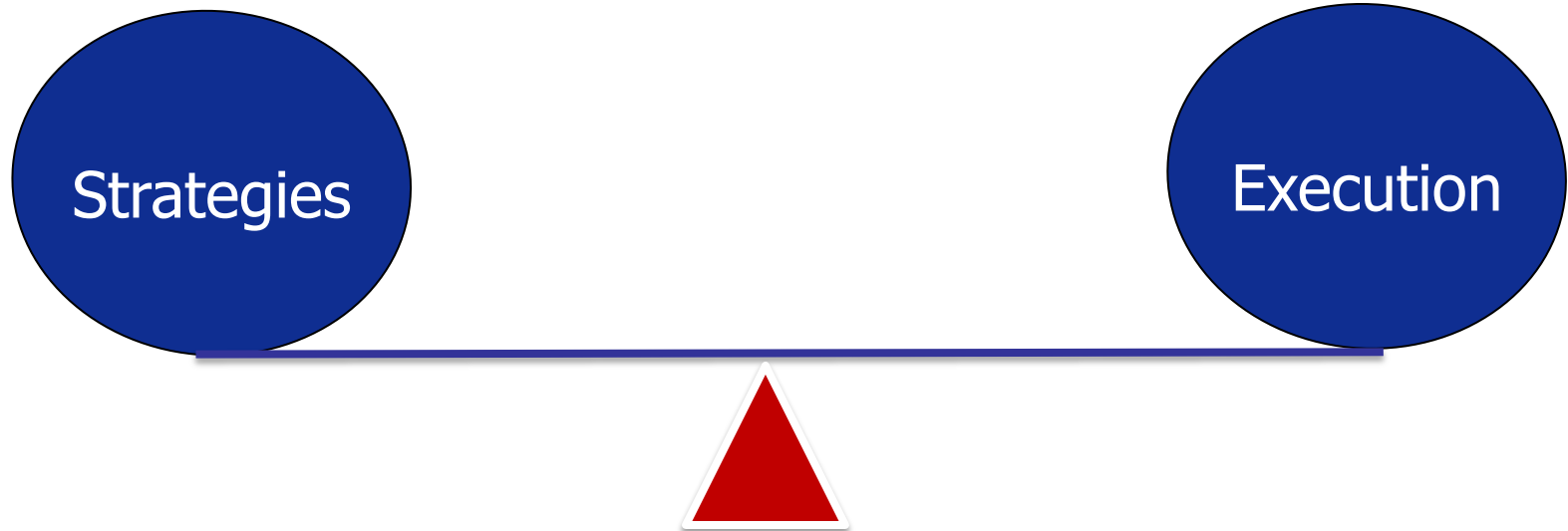
- Keep doing what we're doing
 - Diversify grain origination globally and in the eastern and southern U.S.
 - Diversify crop nutrients origination in compliment to grain routes; expand infrastructure
 - Meet buyer needs for specific origins and traits
 - Provide superior customer service and strong relationships
- We must manage crop nutrients and grain businesses as integrated commodities with retail, wholesale and international components

How should you respond?

- Focus on economic preservation – better days are ahead in 2010 and beyond
- Remember that producers and companies around the world are experiencing the same
- Maintain relationships with your dealer, business partners, banker, employees
 - Work with those who are financially strong, long-term players with integrity
- Importance of planning
- Stay nimble!



Long-Range Planning Must Balance Strategies with Execution, and involve Input from All the Business Units





Business Practices for Difficult Times

- Cash is king
- Keep your eye on the ball
- Communication
- Fish rots from the head down

Be Optimistic!

***Ag production
in the U.S. will
continue to be
economically
rewarding!***





Resources for enriching lives.

Thank you!