

CHS

The logo features the letters 'CHS' in a white, serif font. A thick white swoosh underline starts under the 'C', loops under the 'H' and 'S', and ends under the 'S'. At the bottom of the image, there is a decorative blue particle trail consisting of many small, bright blue dots of varying sizes, arranged in a curved path that sweeps across the lower half of the frame.



# **Rebooting after the Great Drought of 2012: Five Reasons to Be Optimistic!**

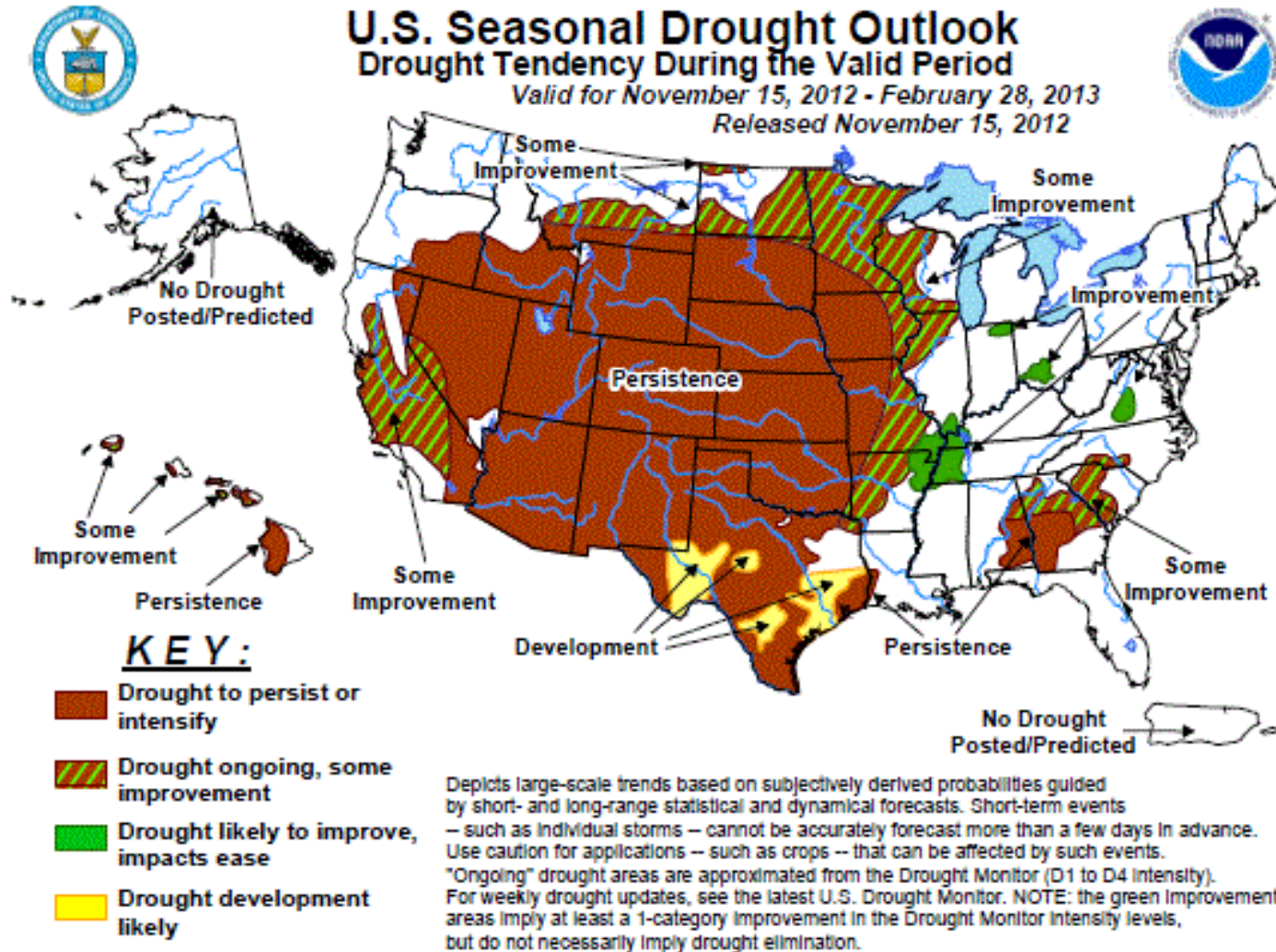
**Carl Casale,  
President & CEO  
CHS Inc.**

First, the disclaimer....

I can't predict the  
weather...or the  
prospects of  
continued drought  
in 2013



# The outlook: Half full or half empty?



# Comparing the impact of two droughts

1988 Drought	2012 Drought
Corn yields fell nearly 30%	U.S. net farm income reached a record \$122.2 billion and net cash income hit \$139.3 billion (USDA forecast)
Stocks-to-use ratio near 20%	Stocks-to-use ratio 5.6%
Corn price \$2.50	Corn price \$7.10-8.50 (record!)
1989 crop year nutrient application declined: <ul style="list-style-type: none"><li>- N 4%</li><li>- P<sub>2</sub>O<sub>5</sub> 9%</li><li>- K<sub>2</sub>O 8%</li></ul>	At current prices for corn and other crops, producers won't let crop nutrients be the limiting factor on potential 2013 yields

Source: The Fertilizer Institute

# A few more worries







# Five Reasons for Optimism



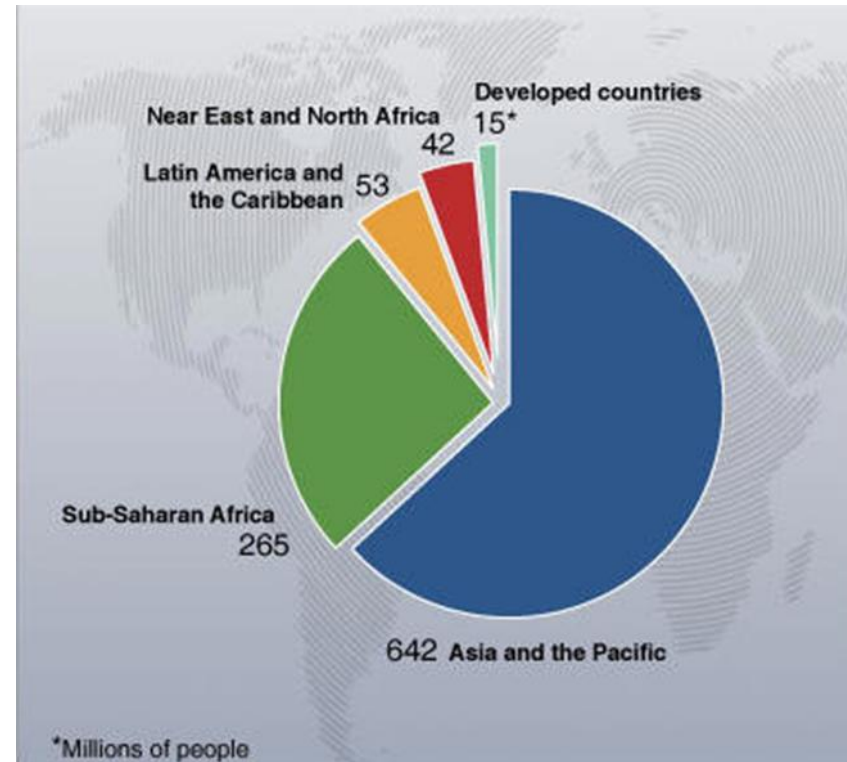
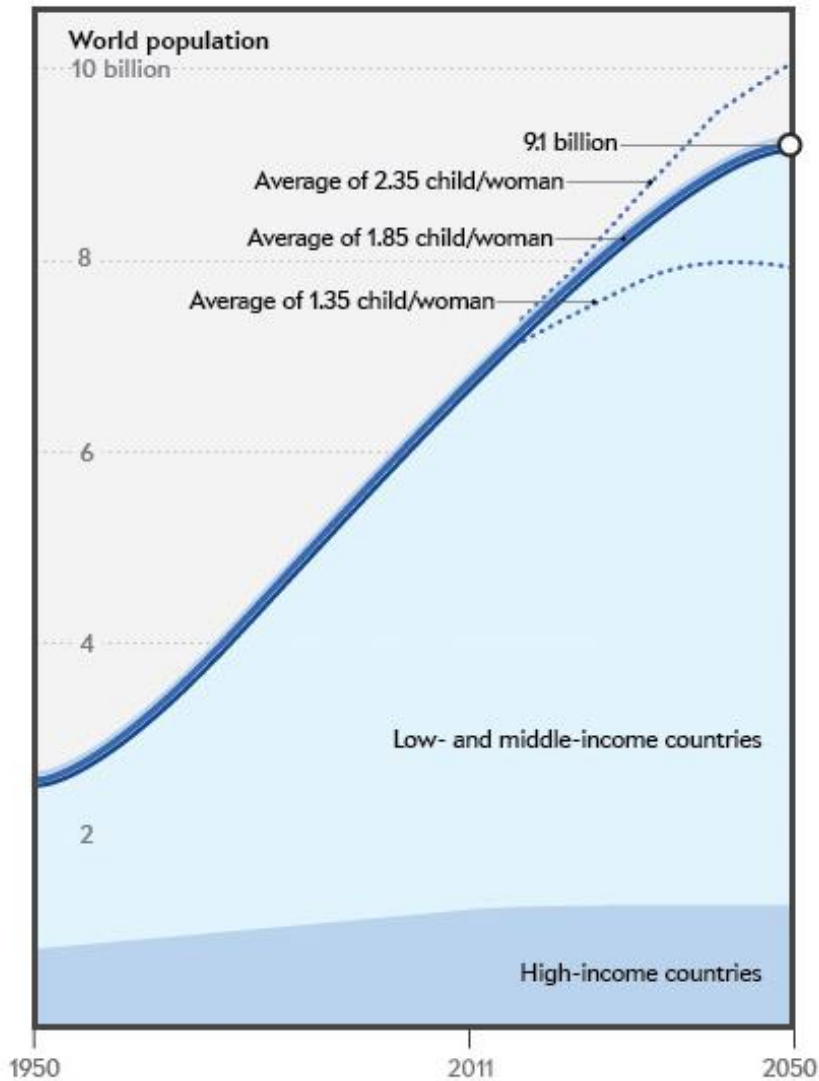




**Reason One:  
The world is hungry,  
especially China**



# The shape of things to come

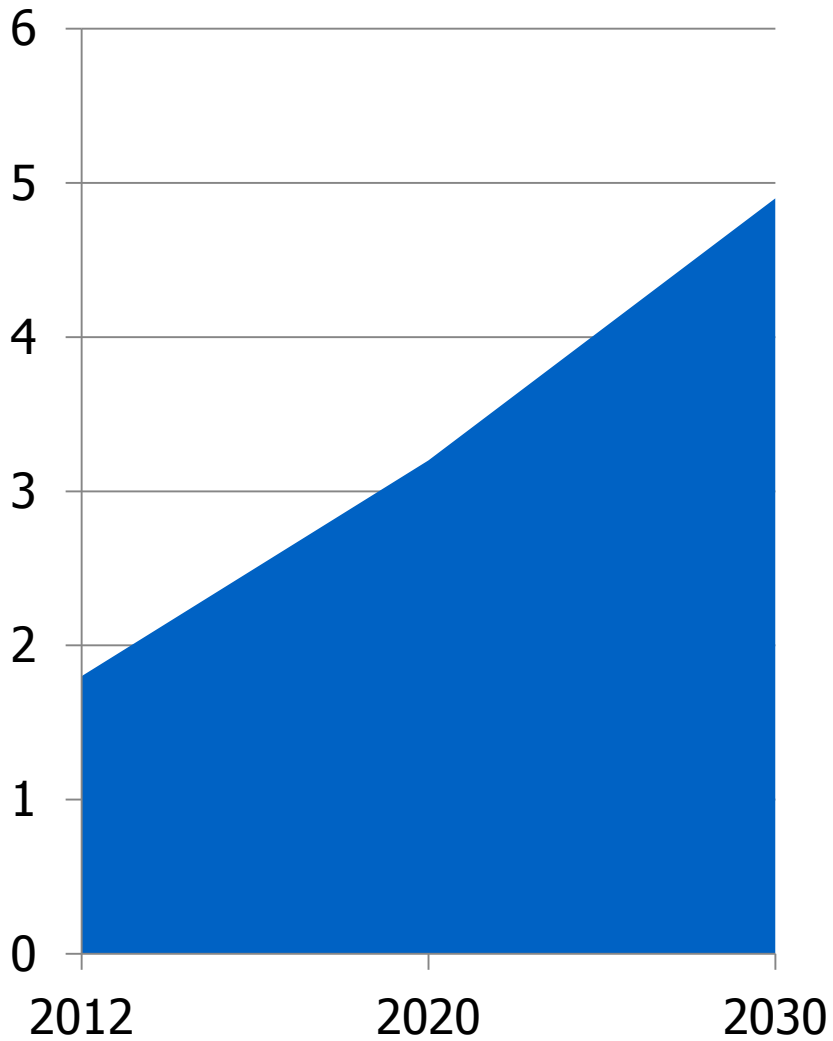


**Today:** More than 1 billion hungry people

**2050:** Food supply must nearly double

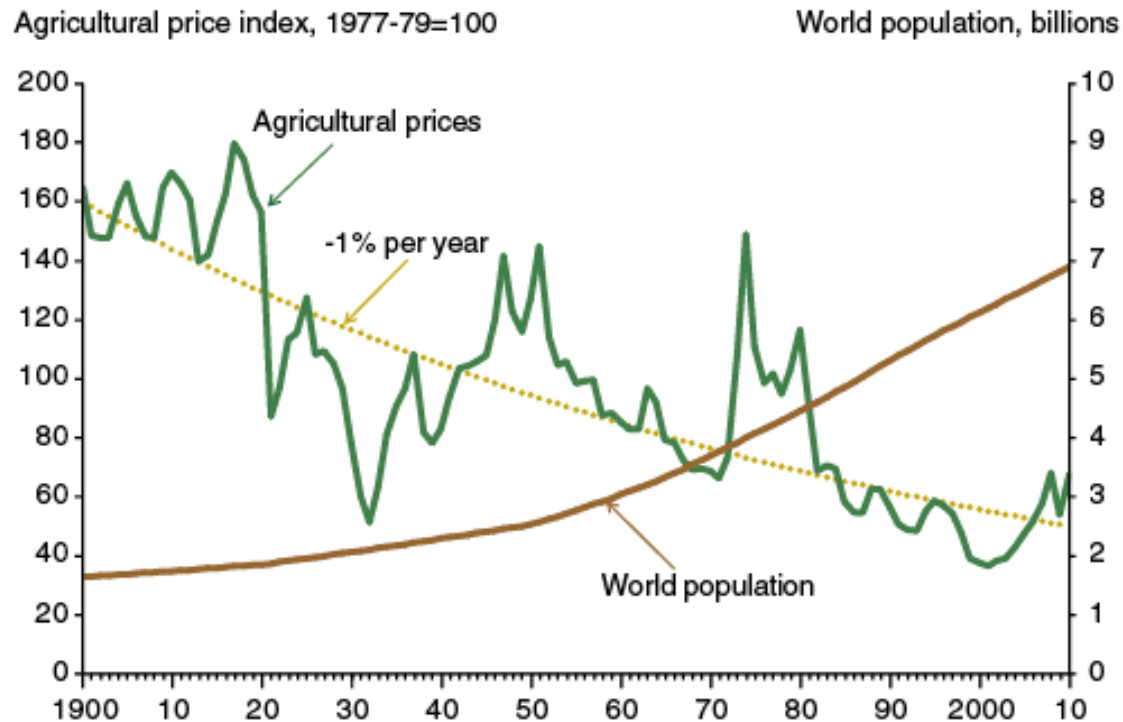
# Global middle class

*in billions*



# Perspective on food prices and population

**Real agricultural prices have fallen since 1900, even as world population growth accelerated**



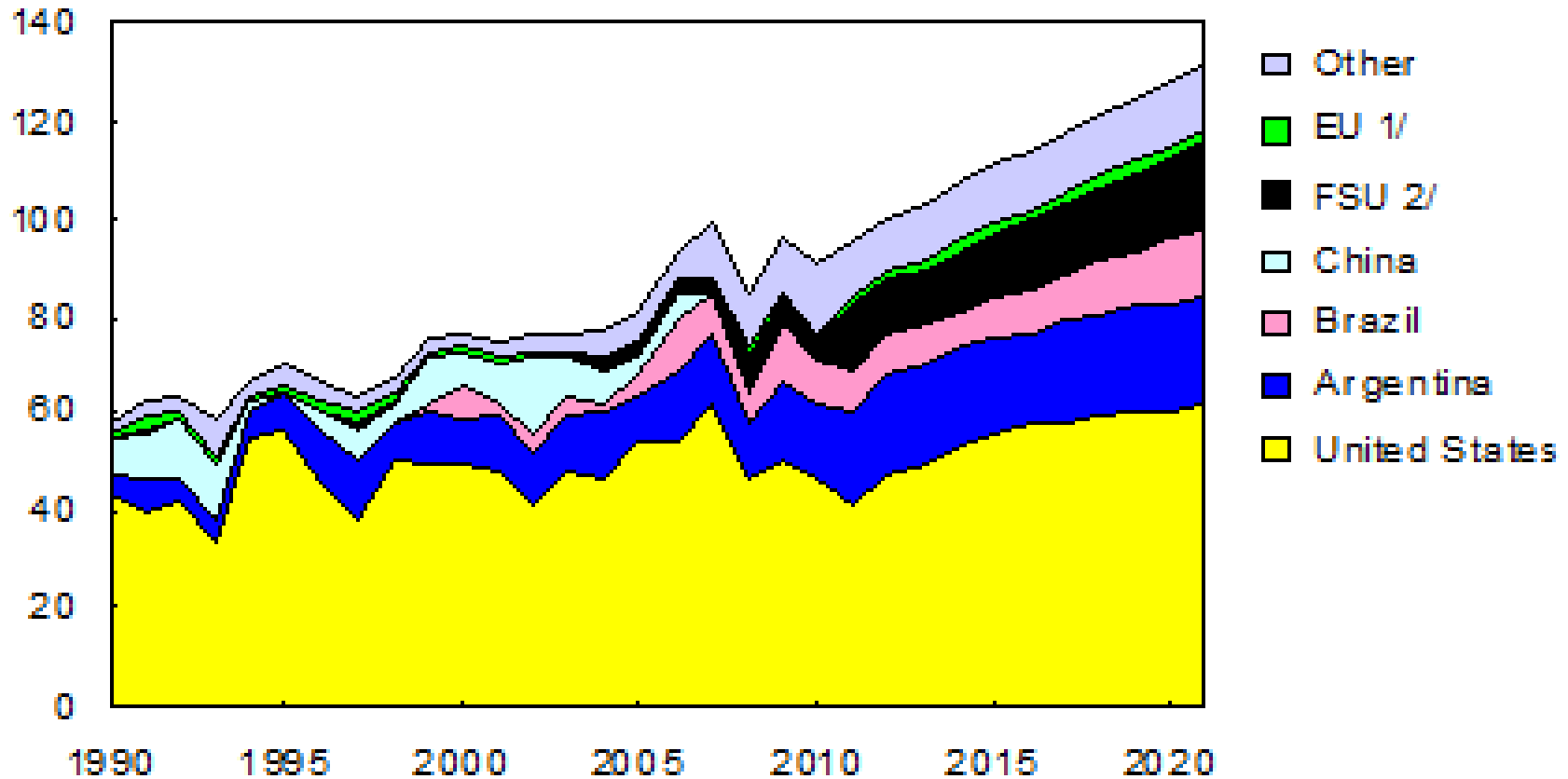
Source: USDA, Economic Research Service using Fuglie, Wang, and Ball (2012). Depicted in the chart is the Grilli-Yang agricultural price index adjusted for inflation by the U.S. Gross Domestic Product implicit price index. The Grilli-Yang price index is a composite of 18 crop and livestock prices, each weighted by its share of global agricultural trade (Pfaffenzeller et al., 2007). World population estimates are from the United Nations.



# Outlook for World Corn Exports

## Global corn exports

Million metric tons



1/ Excludes intra-EU trade.

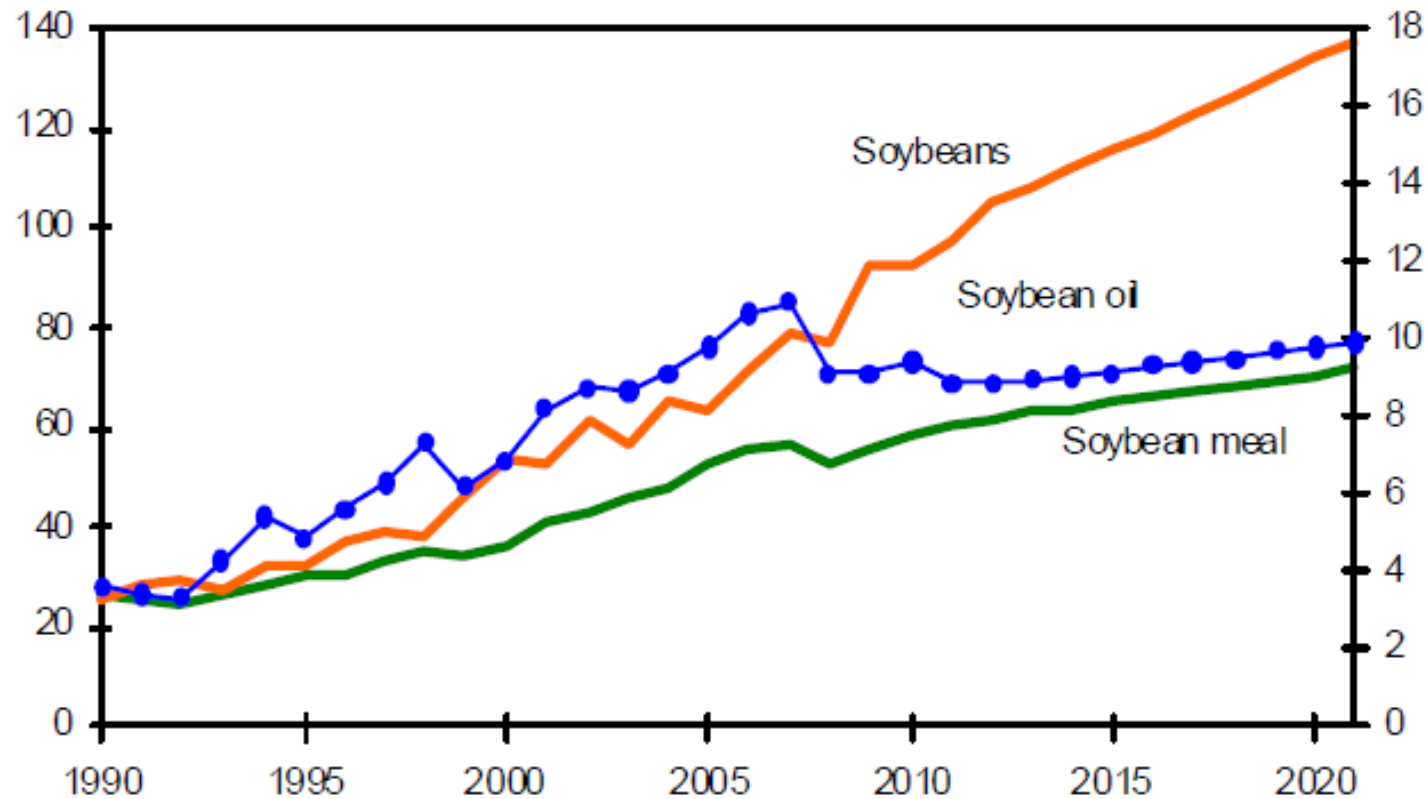
2/ Former Soviet Union.

# Long-term soybean outlook

## Global exports: Soybeans, soybean meal, and soybean oil

Soybeans and soybean meal,  
million metric tons

Soybean oil,  
million metric tons





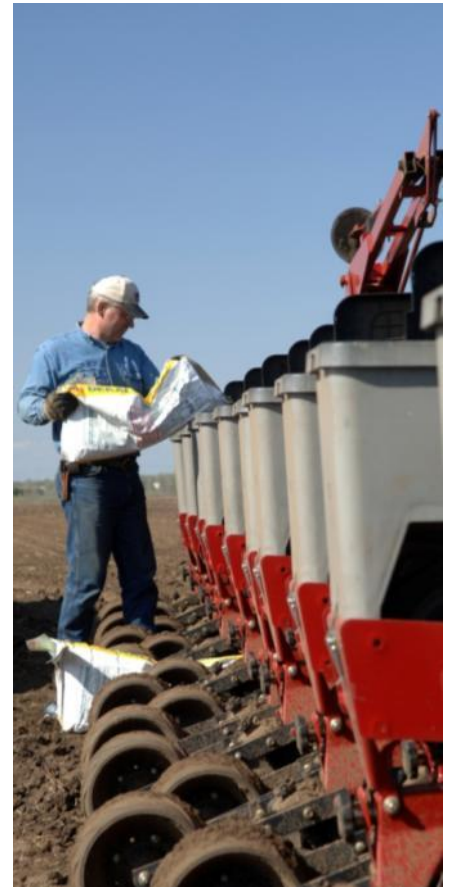
**Reason Two:  
New ag technologies  
can help offset tough  
conditions**



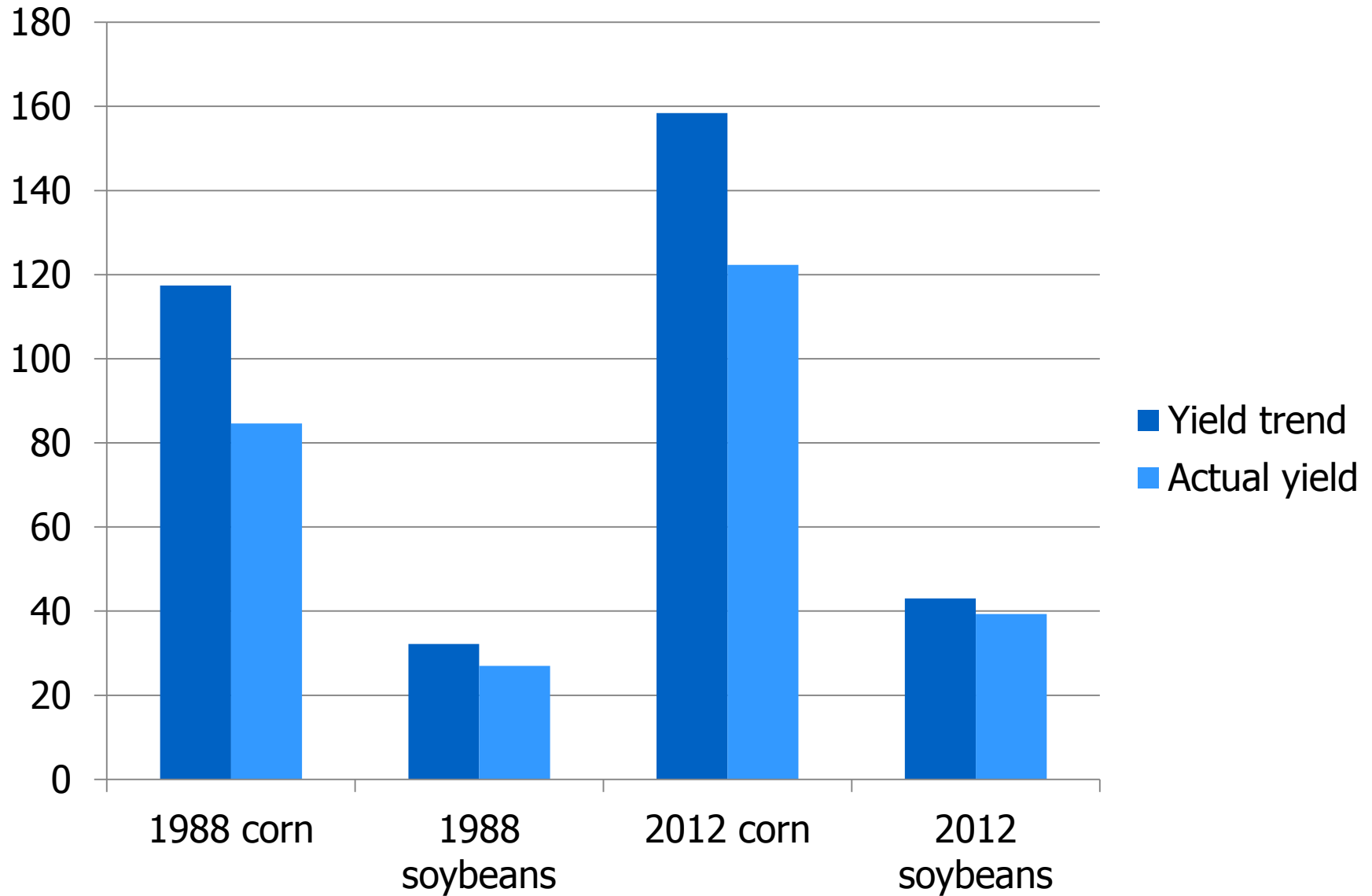
# Technology is not a silver bullet

But...it sure does help

- Today's corn hybrids can produce 50 percent more bushels/inch of water than 50 years ago
- Genetics have created plants more able to withstand a wider variety of stress



# Technology helps make most of bad situation



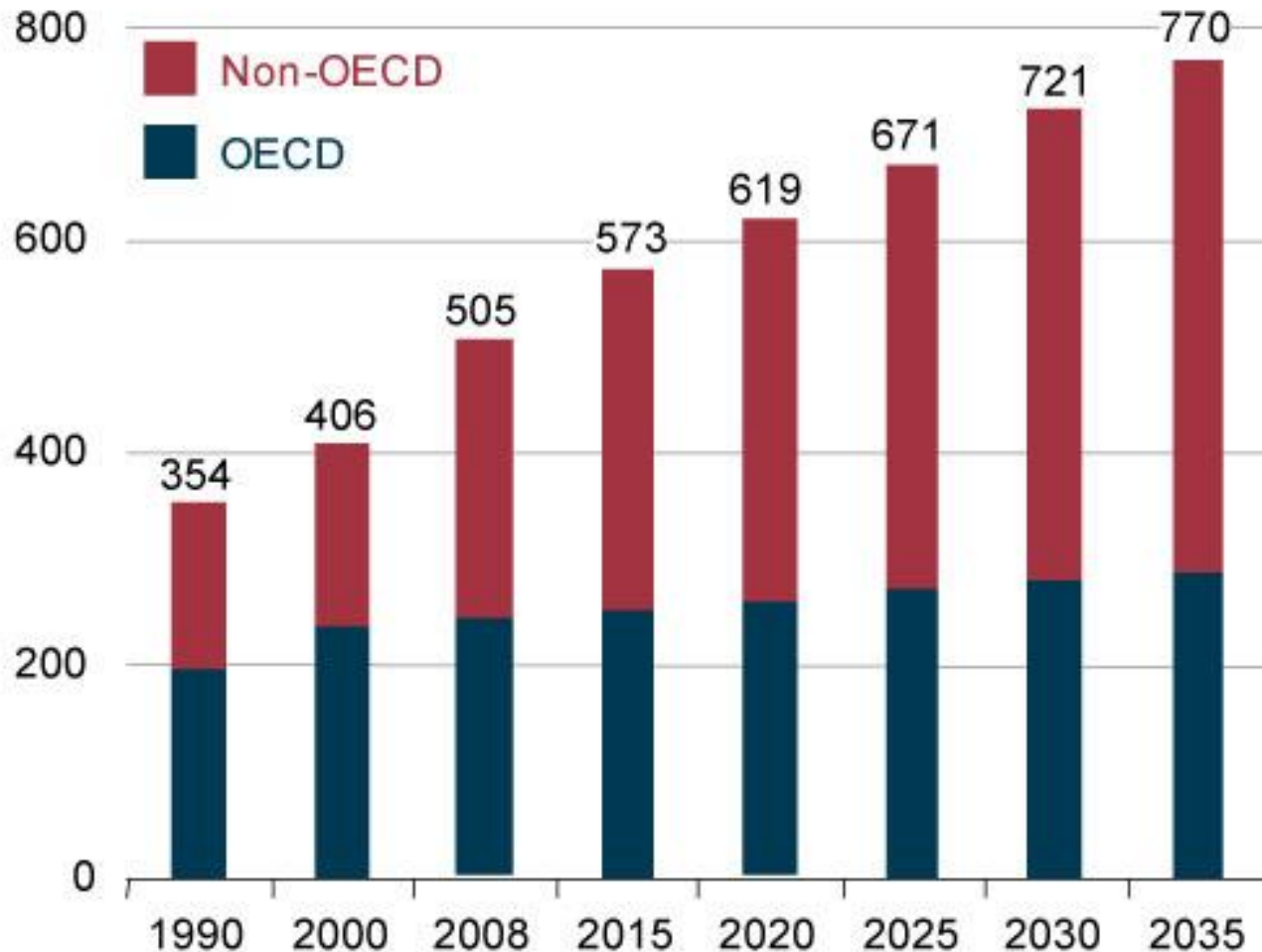
A photograph of an industrial refinery or chemical plant at sunset. The sky is filled with vibrant orange and red clouds, while the foreground shows the dark silhouettes of various industrial structures, including tall distillation columns and complex piping. The overall scene is dramatic and industrial.

# Reason Three: North American energy production



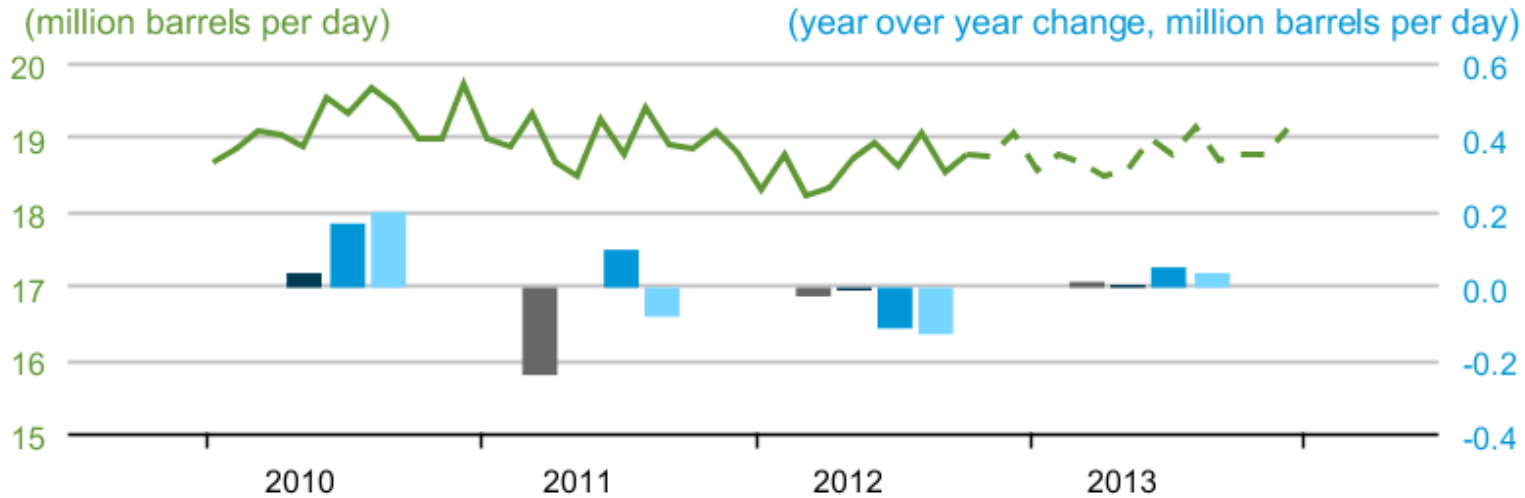
# A world thirsty for fuel

Figure 1. World energy consumption, 1990-2035  
(quadrillion Btu)



# Diesel demand leads U.S. consumption

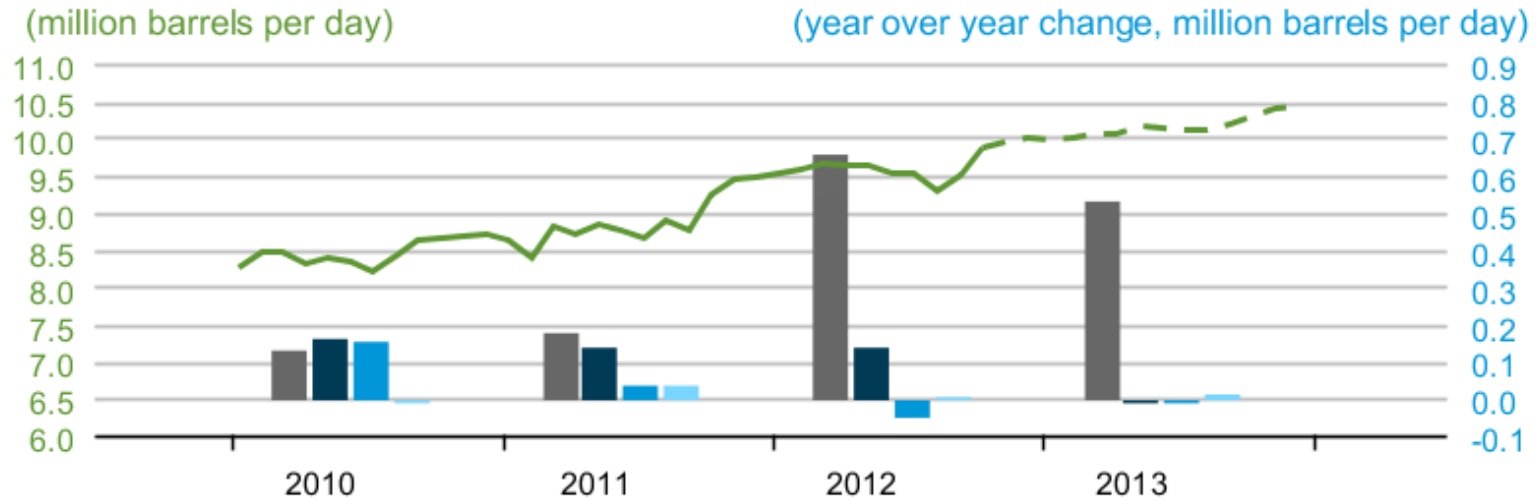
## U.S. Liquid Fuels Consumption



- Total consumption (left axis)
- - Consumption forecast (left axis)
- Motor gasoline (right axis)
- Jet fuel (right axis)
- Distillate fuel (right axis)
- Other fuels (right axis)

# But we are becoming more self-sufficient

## U.S. Crude Oil and Liquid Fuels Production



- Total production (left axis)
- - - Production forecast (left axis)
- Crude oil (right axis)
- LPG and pentanes plus (right axis)
- Fuel ethanol (right axis)
- Biodiesel (right axis)

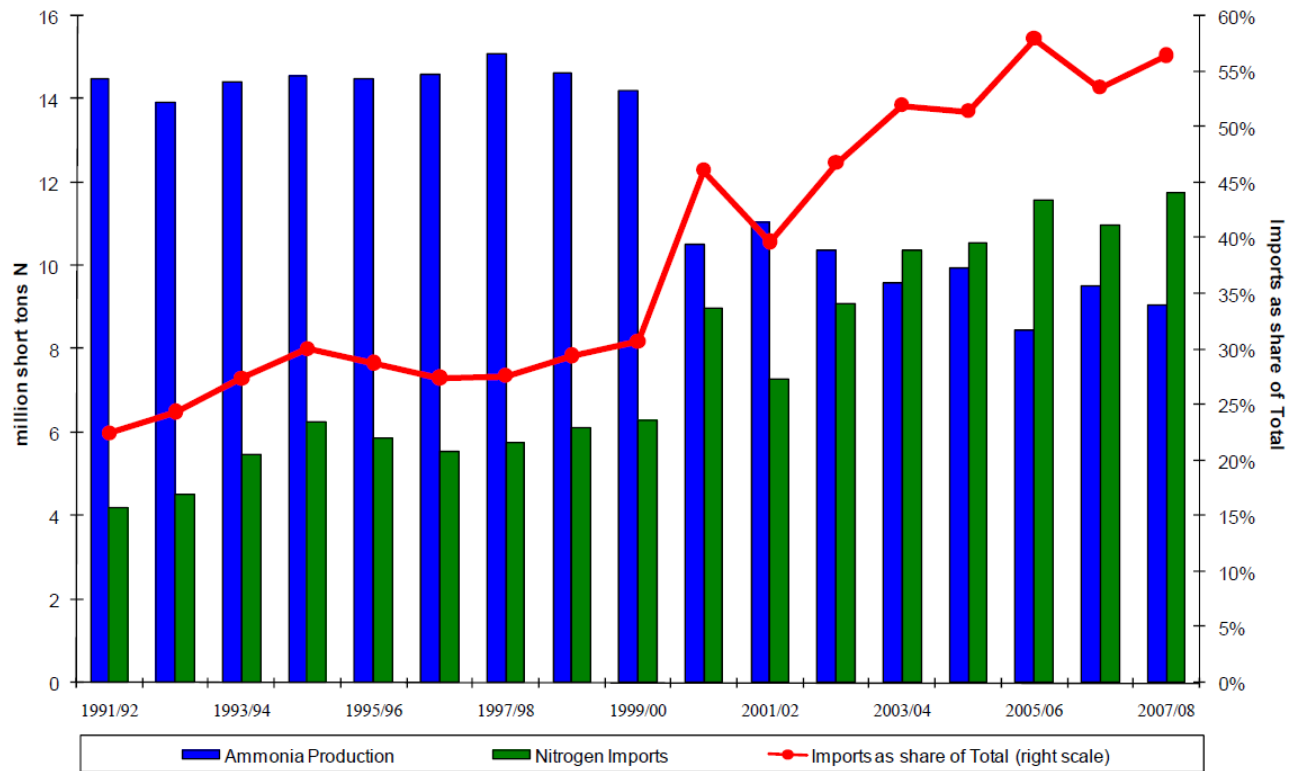


A tractor is plowing a large field of dark brown soil. The sky is blue with scattered white clouds. The text is overlaid in the center of the image.

# Reason Four: Nitrogen fertilizer production heads home

# World outlook – U.S. ammonia production/imports

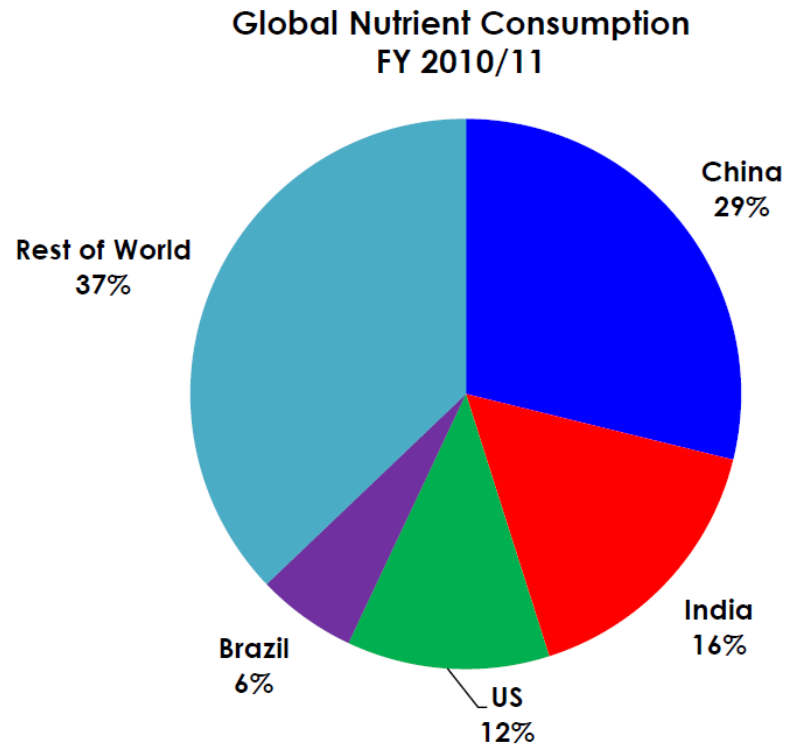
## U.S. Nitrogen Sources - Ammonia Production and N Imports



Source: U.S. Department of Commerce and The Fertilizer Institute.

# World outlook – Crop nutrients

## The Lion's Share of Global Nutrient Demand, 88 Percent, is Outside the United States

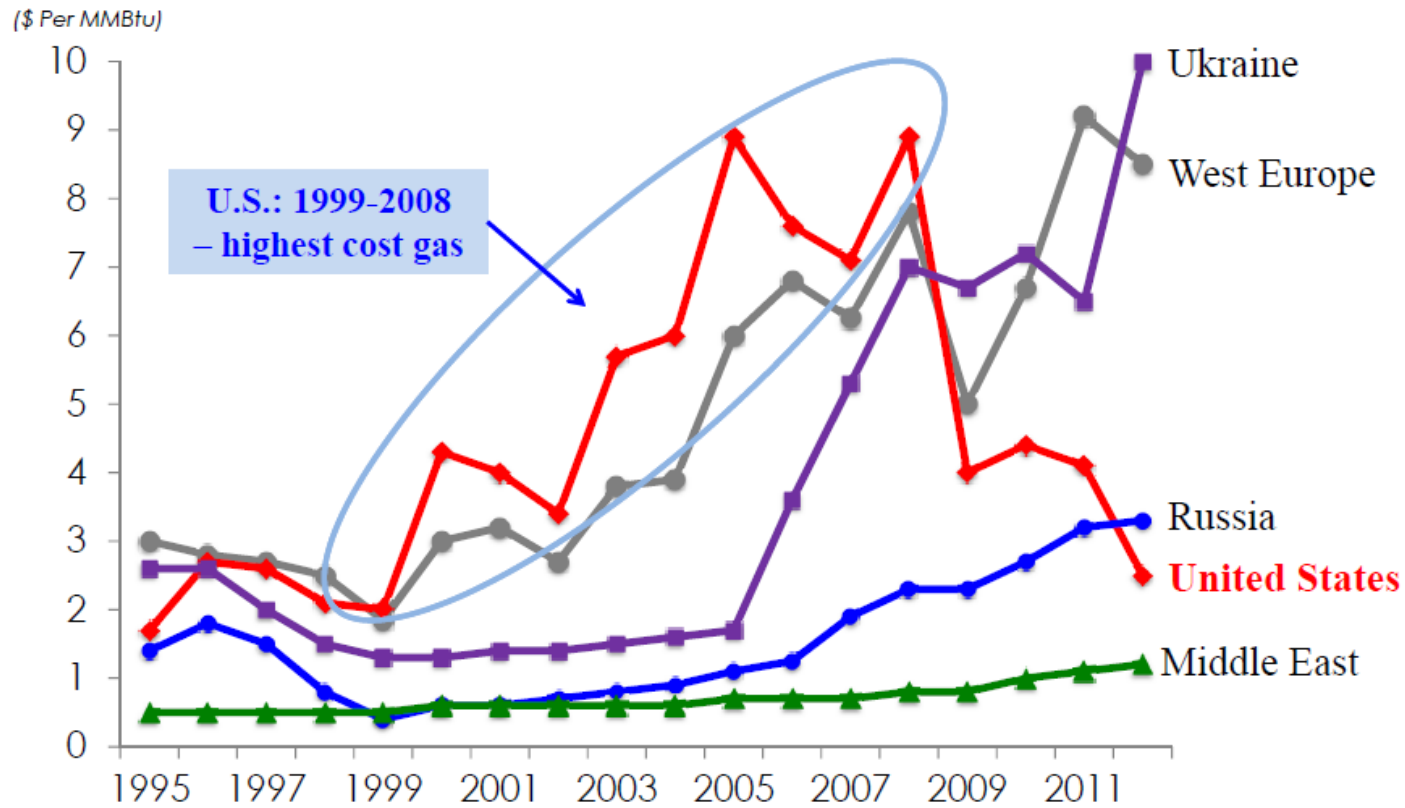


Source: International Fertilizer Industry Association (IFA).



# The time is right...

## World Natural Gas Costs



Source: FERTECON, CF Industries, Inc.



**Reason Five:  
The ag economy is  
healthy and  
opportunity  
abounds**



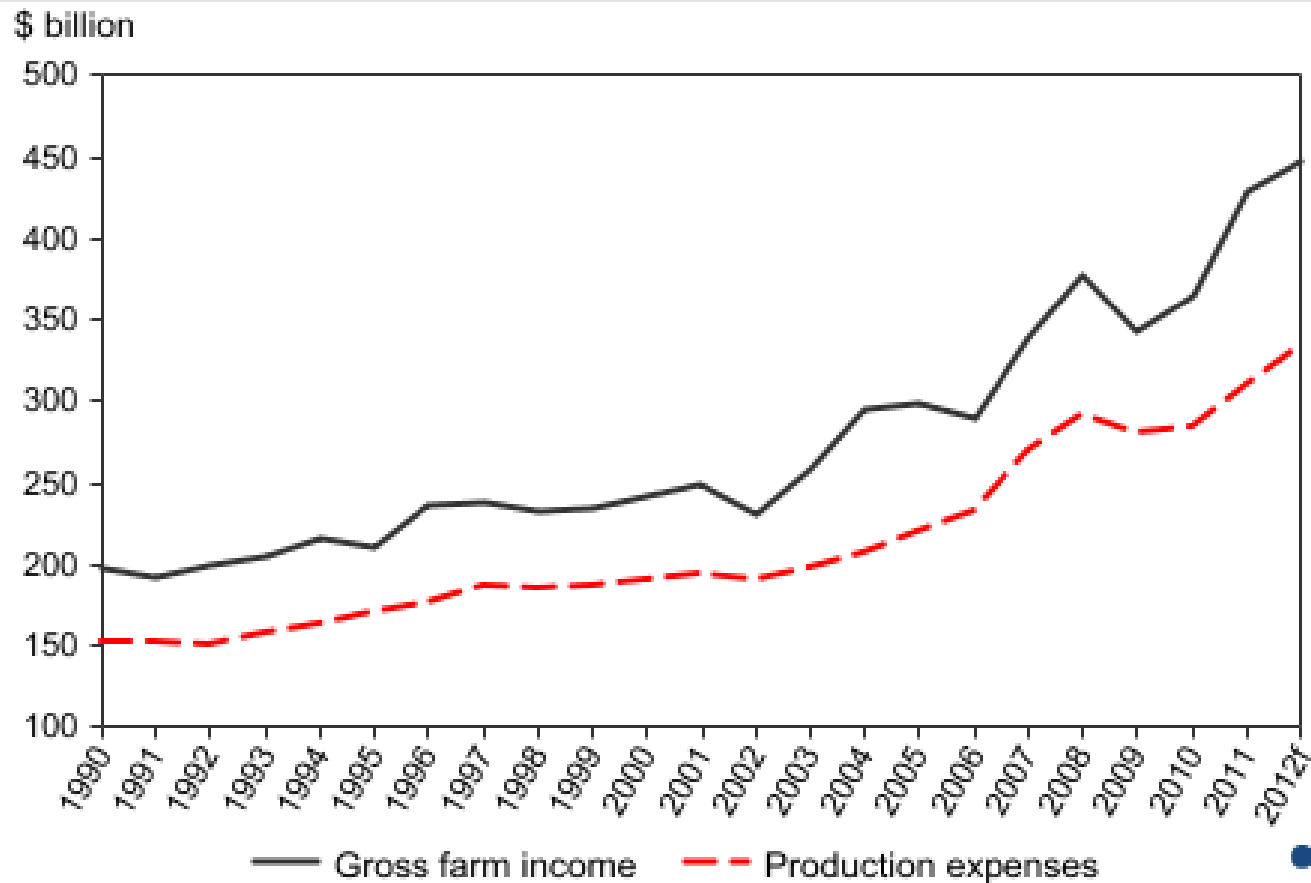
# Why 2012 is better than 1988

- U.S. farmers are in their strongest financial position in history
- Farm balance sheets are stronger
  - 2012 debt-to-assets: 10.3
  - 1988 debt-to-assets: 16.9
- Interest rates are lower
- Grain demand is higher – so are prices
- Crop insurance provides more protection



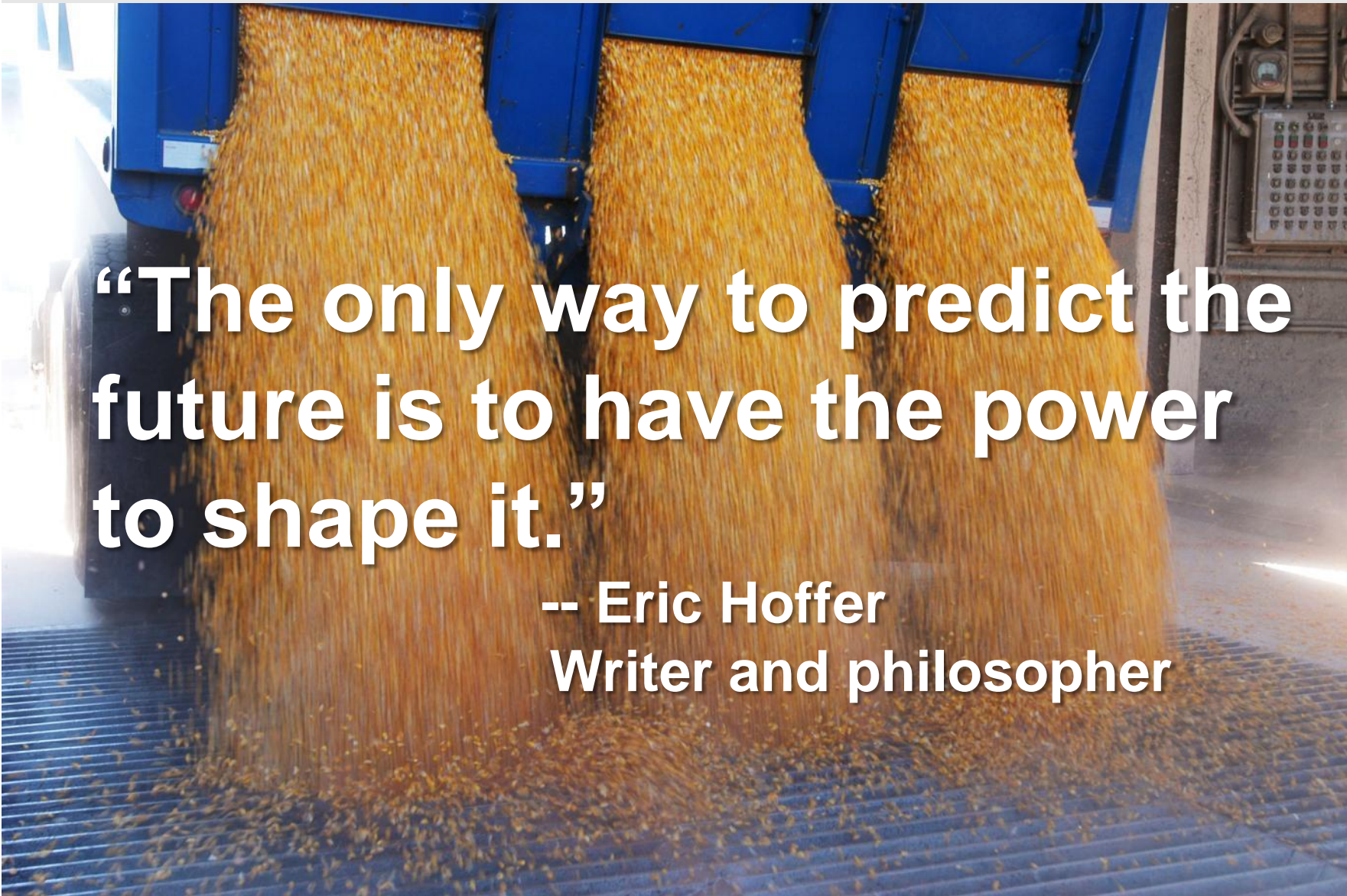


## Gross farm income and production expenses, 1990-2012f



Source: Economic Research Service, USDA. Data as of November 27, 2012.





**“The only way to predict the future is to have the power to shape it.”**

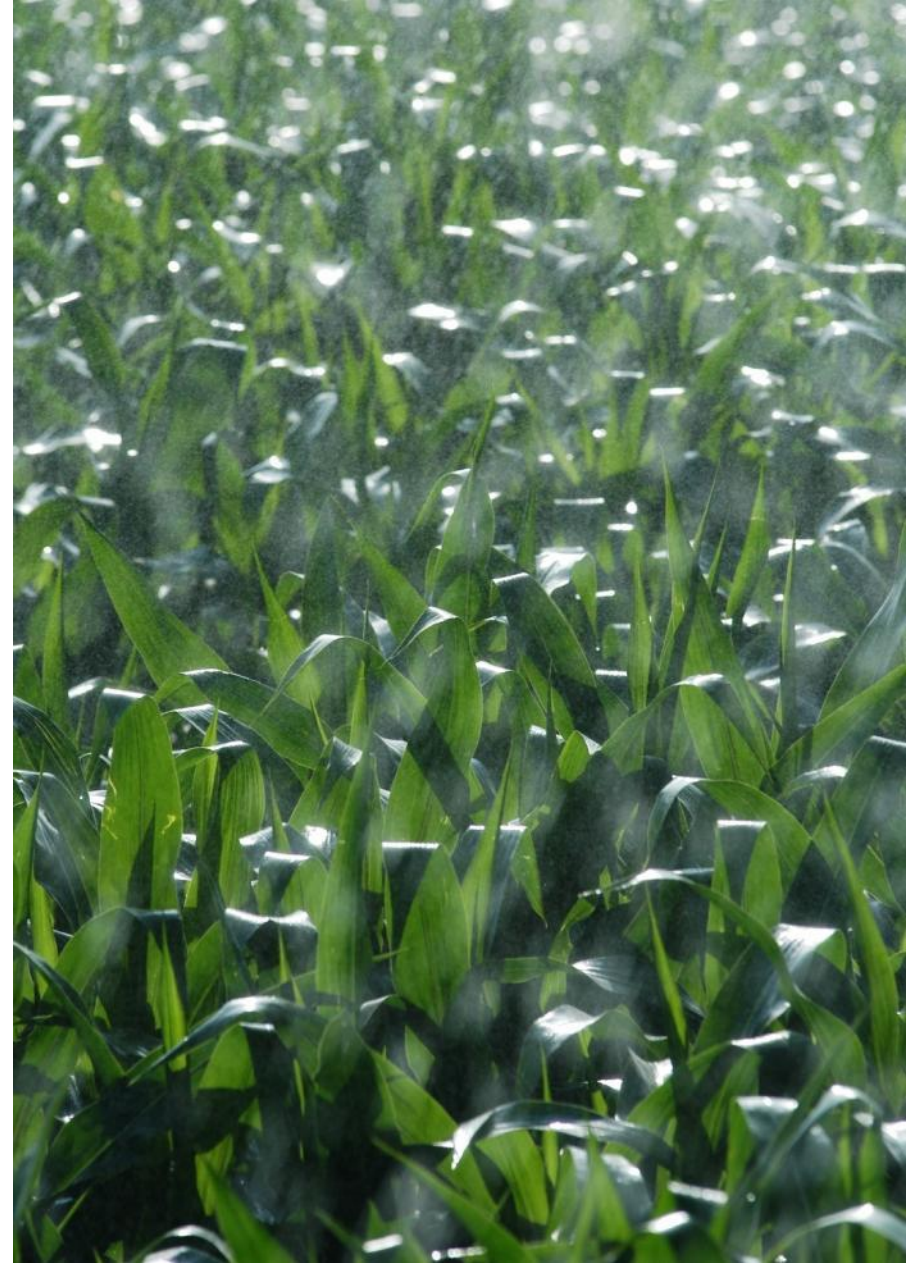
**-- Eric Hoffer**

**Writer and philosopher**



# Who we are

- Leading U.S. cooperative, owned by farmers, ranchers and local co-ops
- A diversified, global energy, grains and foods business
- Fiscal 2012 net income \$1.26 billion
- Fiscal 2012 net revenues \$40.6 billion
- Will return \$600 million in cash to owners in 2013
- Number 78 on 2012 *Fortune* 500 list







## About CHS

- Supplies grain and other products to customers in 60 countries
- Nearly 10,000 employees in the U.S. and 19 other countries

# Energy

- Investing in our two petroleum refineries
- Increasing crude oil supply options
- Enhancing refined fuels distribution to our customers
- Strengthening distribution of propane and other fuel sources
- Establishing a global renewable fuels distribution platform



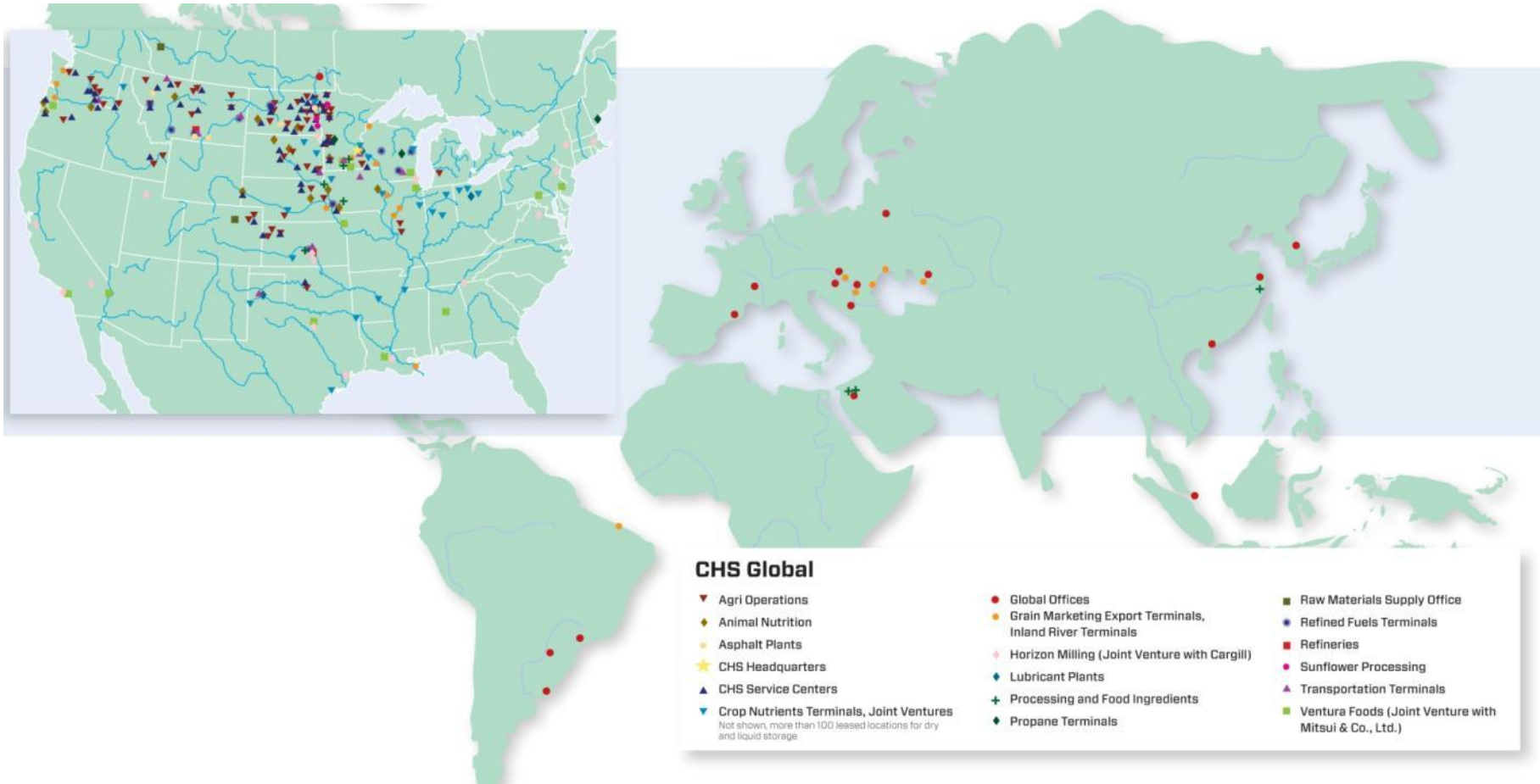


## Global Commodities

- Strengthening our grain and crop nutrients systems with:
  - Domestic grain origination and export infrastructure investments and partnerships
  - Global grain origination and market access
  - Global and domestic crop nutrients origination and distribution
  - Direct participation in nitrogen manufacturing



# Expanding our Global Footprint





# Processing and food ingredients

- Growing desire by developing economies for higher levels of dietary protein through meat and soy-based foods
- U.S. and global acquisitions to strengthen soy processing and food ingredients
- An owner of the leading U.S. flour miller and the nation's largest manufacturer and packager of vegetable oil-based food and food ingredients





**Shaping YOUR future**

# What can you control?

- You can't control:
  - Global markets
  - Domestic markets
  - Technology
  - The weather
- You can control:
  - How you manage your operation





# Shaping your future

- Be a serious player in global agriculture
- Find the right partners in supply, agronomic advice, marketing
- Diversify your business, as warranted
- Incorporate risk management tools
- Strive to add value
- Create a game plan only you can win





A vibrant landscape featuring a lush green field in the foreground, a clear blue sky with scattered white clouds, and a distant horizon line. The text "Shape your future with optimism!" is overlaid in the center in a bold, white, sans-serif font with a slight shadow effect.

**Shape your future  
with optimism!**



**Thank You!**

**Questions?**

CHS

The logo features the letters 'CHS' in a white, serif font. A thick white swoosh underline starts under the 'C', loops under the 'H' and 'S', and ends under the 'S'. At the bottom of the image, there is a decorative blue particle trail consisting of many small, bright blue dots that curve from the left towards the right.