CHS®

Opportunity and Interesting Times for Agriculture

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Farmer-owned
with global
connections.

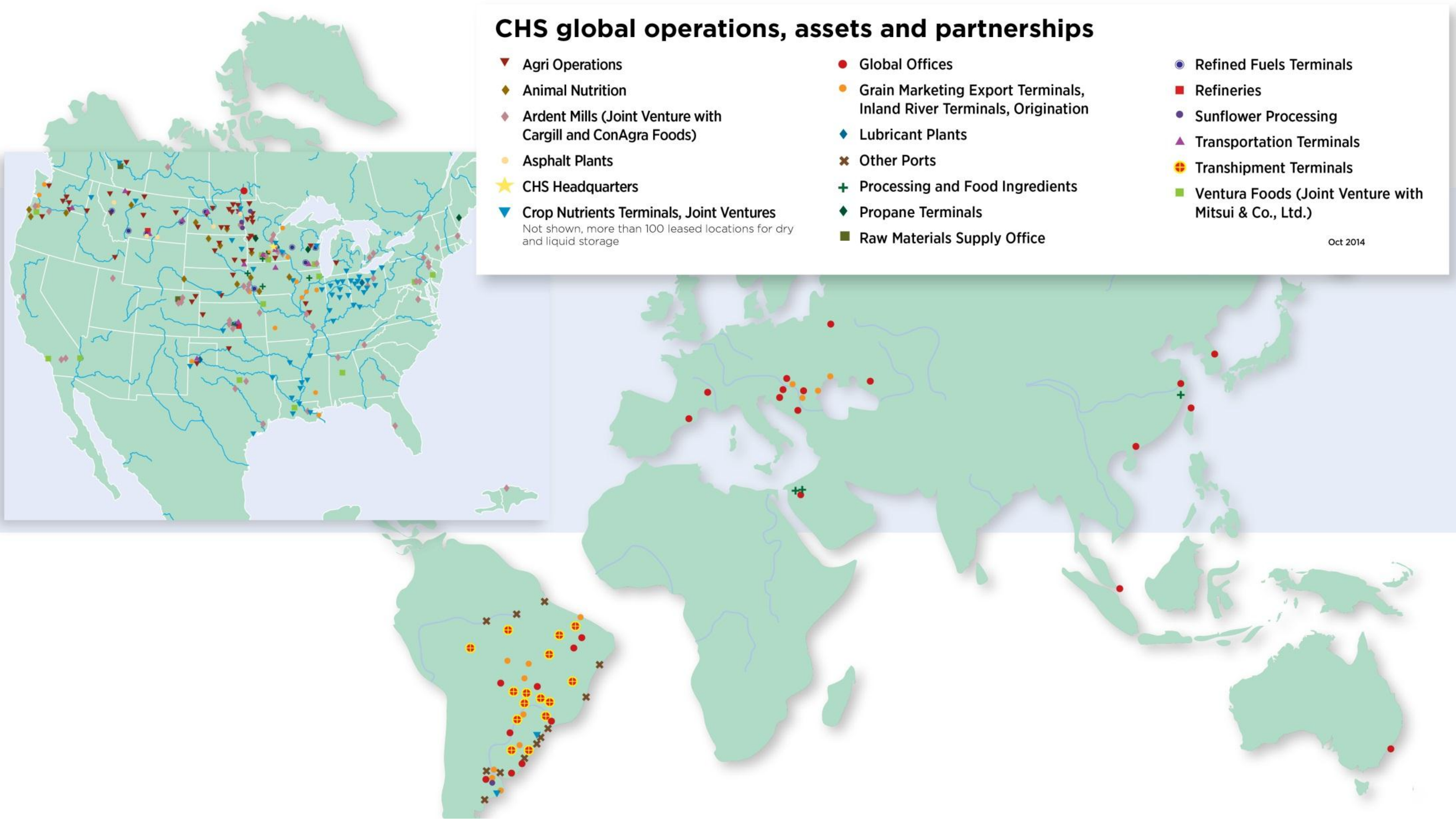
TODAY'S TOPICS

- Global competition
- U.S. transportation system
- Global food demand
- U.S. energy boom
- Global nitrogen fertilizer production

WHO WE ARE

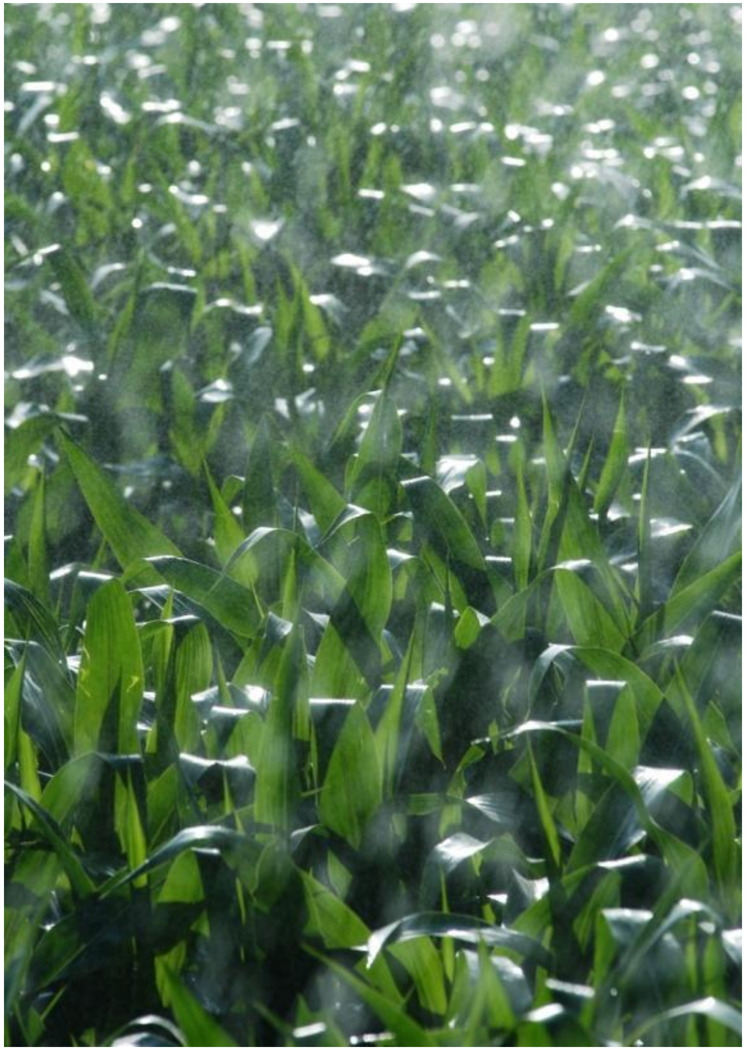
- Nation's leading cooperative, owned by farmers, ranchers and co-ops
- Global energy, grains, and foods business
- Cenex® brand
- Focused on helping our owners grow
- More than 10,000 employees in the U.S. and 24 other countries

GLOBAL FOOTPRINT



RECENT CHS HIGHLIGHTS

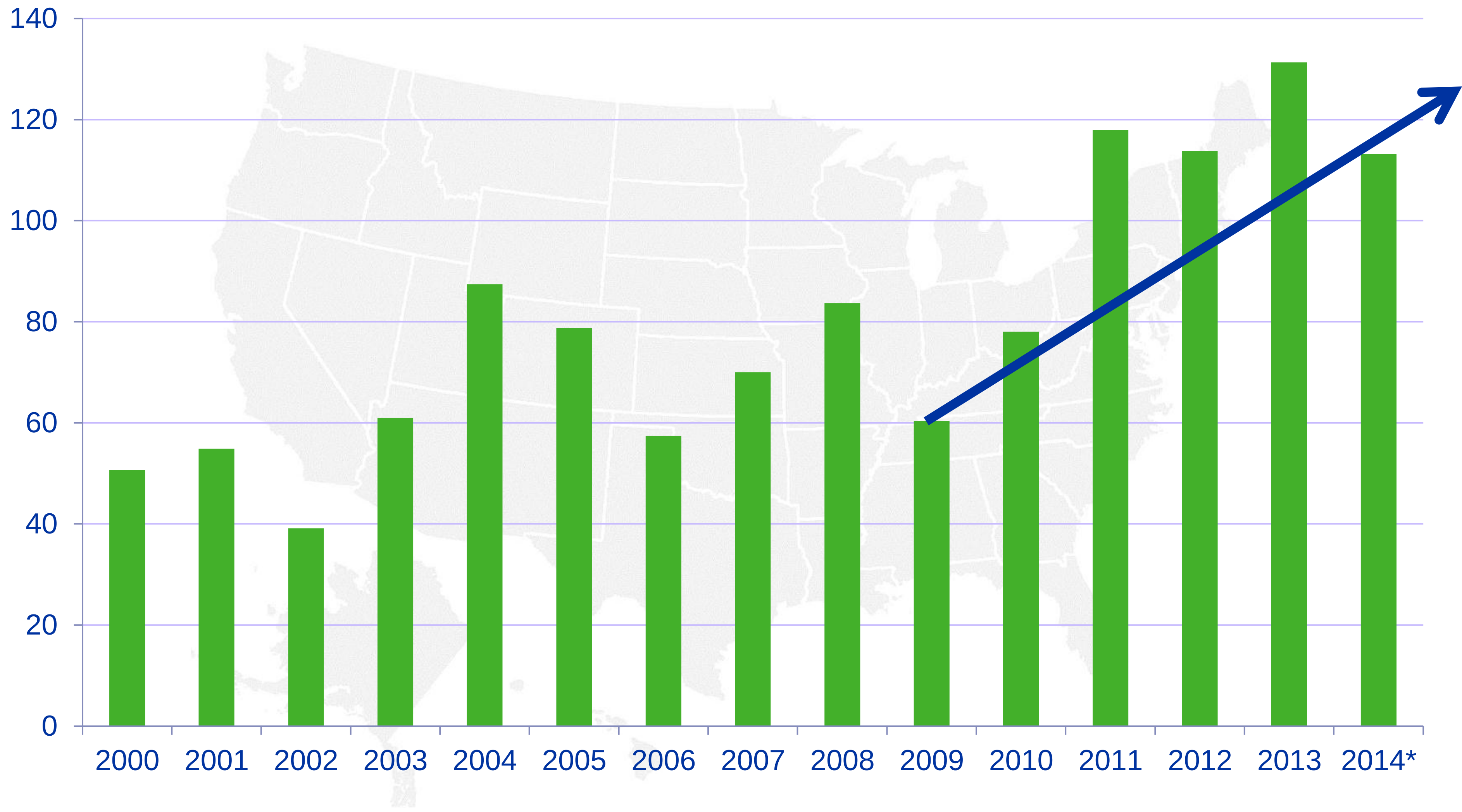
- **Fiscal 2014 net income $1.1 billion**
- **Fiscal 2014 net revenues $43 billion**
- **2013 record patronage refunds of $600 million**
- **2014 patronage est. $518 million**



Let the good times roll!!

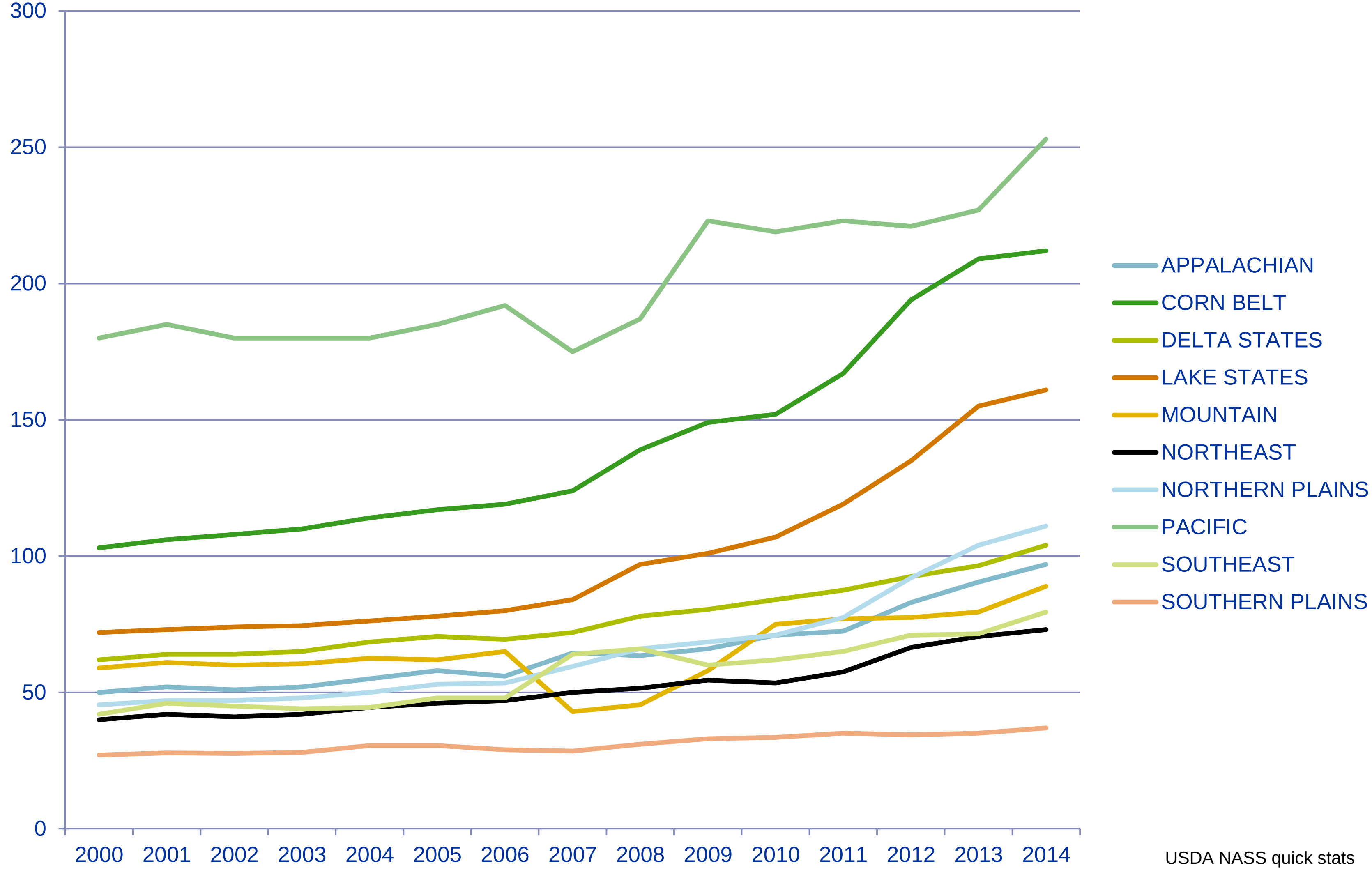
HISTORIC CORN, SOYBEAN, WHEAT PRICES

U.S. FARM INCOME IN BILLION DOLLARS



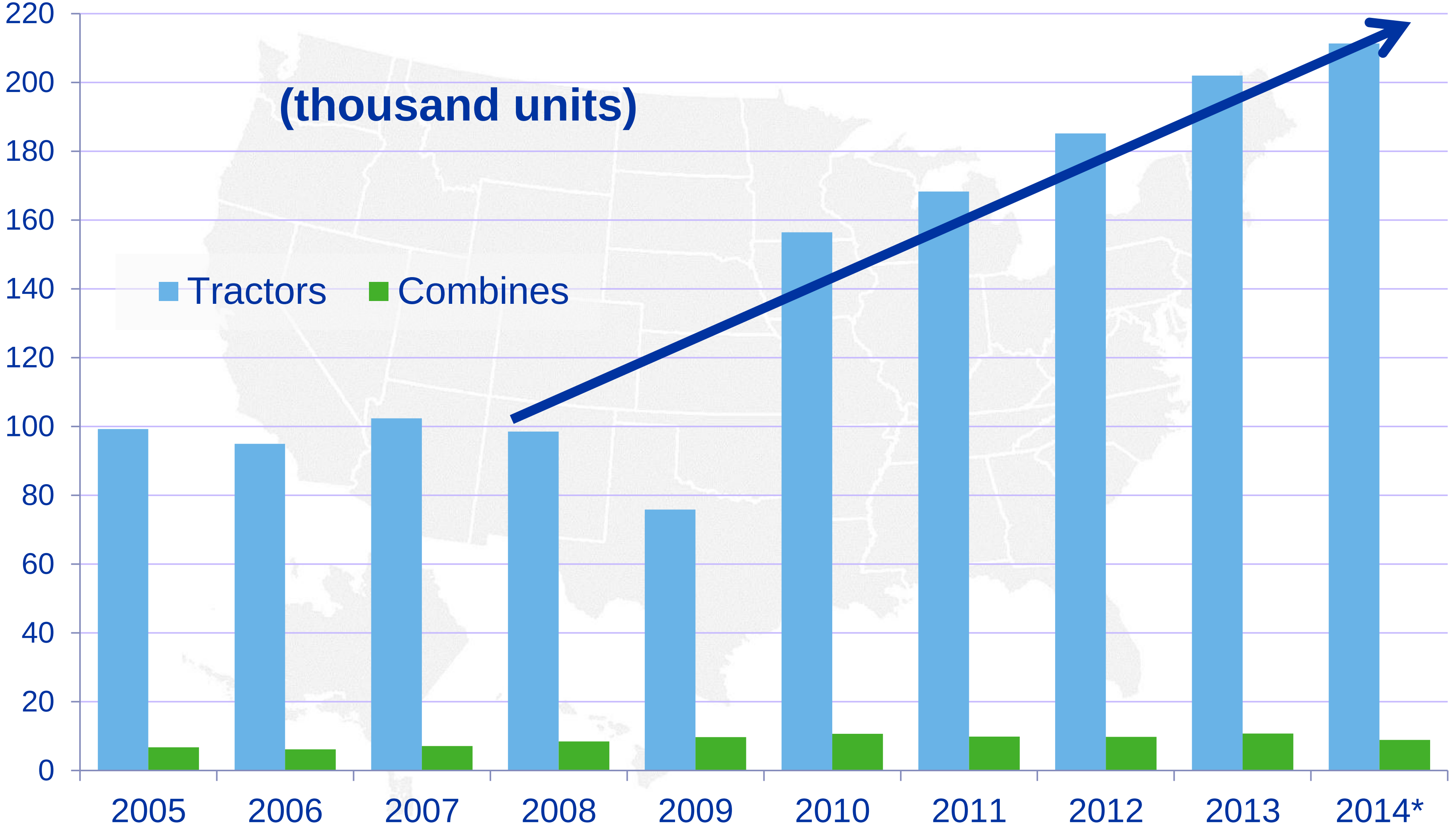
Source: USDA ERS

REGIONAL CASH RENTS



USDA NASS quick stats

FARM MACHINERY SALES



Source: AEM


CAUTION
BUMP
AHEAD

CURRENT MARKETPLACE DRIVERS

Foreign investment

Global competition

Lower commodity prices

Volatility

Counterparty risk

Global food demand

Land prices

Pricing

Cost of capital

Weather

Input costs

regulation

Energy Prices

Technology

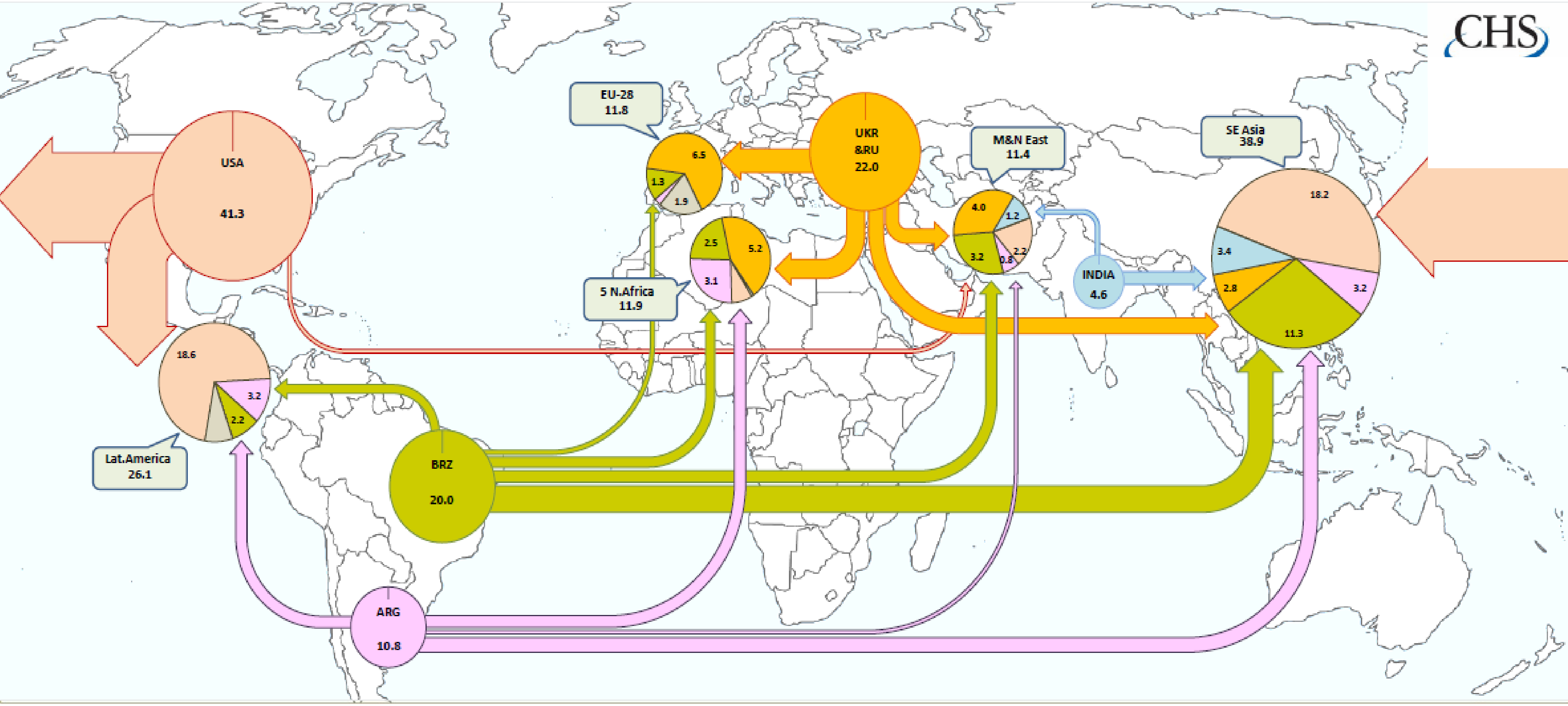
Currency

Transportation

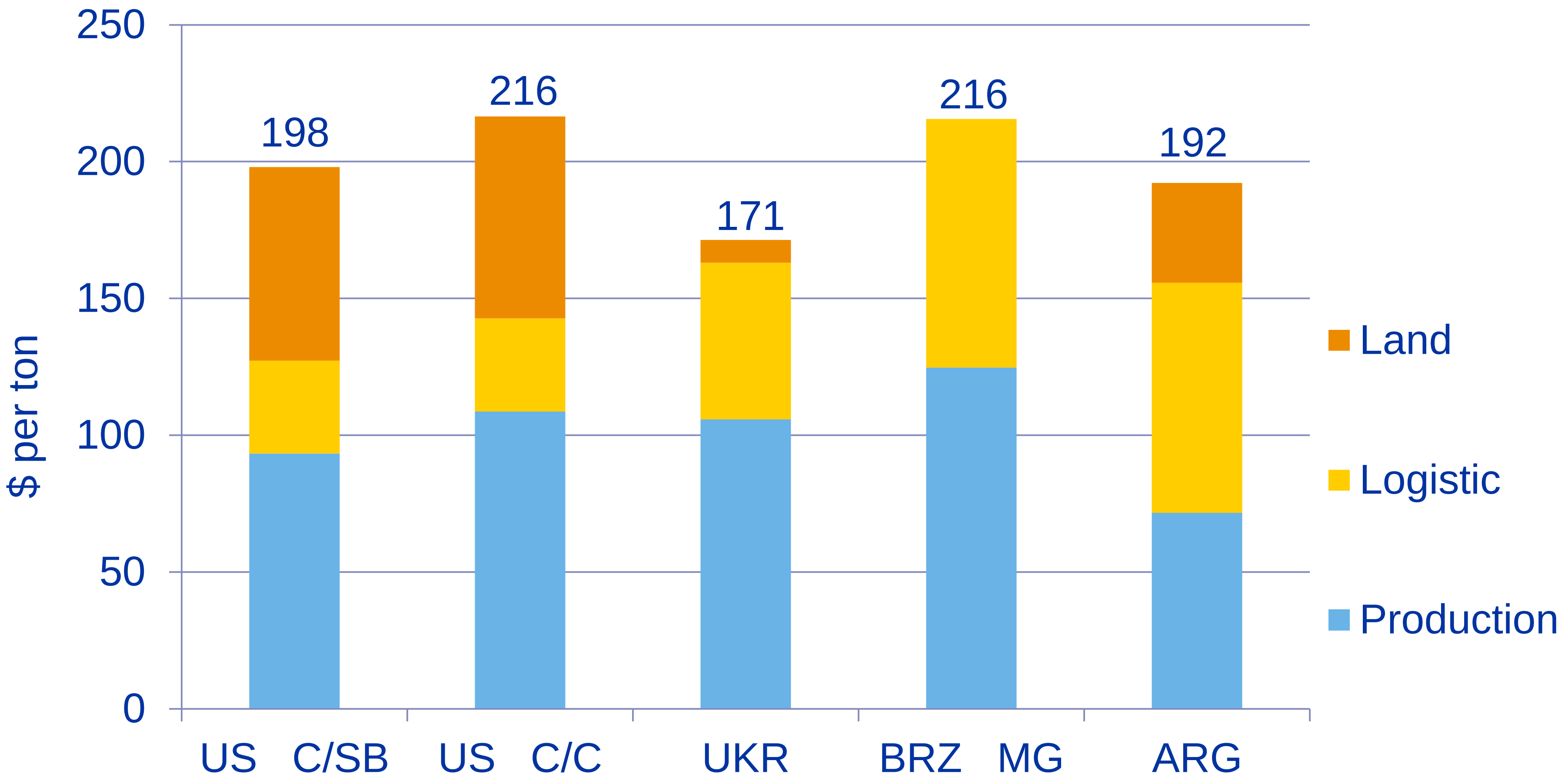
GLOBAL CORN PRODUCTION 10 YEAR CHANGE

	HARVESTED AREA	YIELD	PRODUCTION
UNITED STATES	+21%	+25%	+52%
CHINA	+52%	+24%	+88%
UKRAINE	+310%	+81%	+642%
BRAZIL	+27%	+67%	+111%
ARGENTINA	+34%	+16%	+56%

CORN TRADE FLOWS – 10 YEAR PROGRESS



COST OF CORN PRODUCTION MAJOR EXPORTERS



U.S. transportation system takes center stage

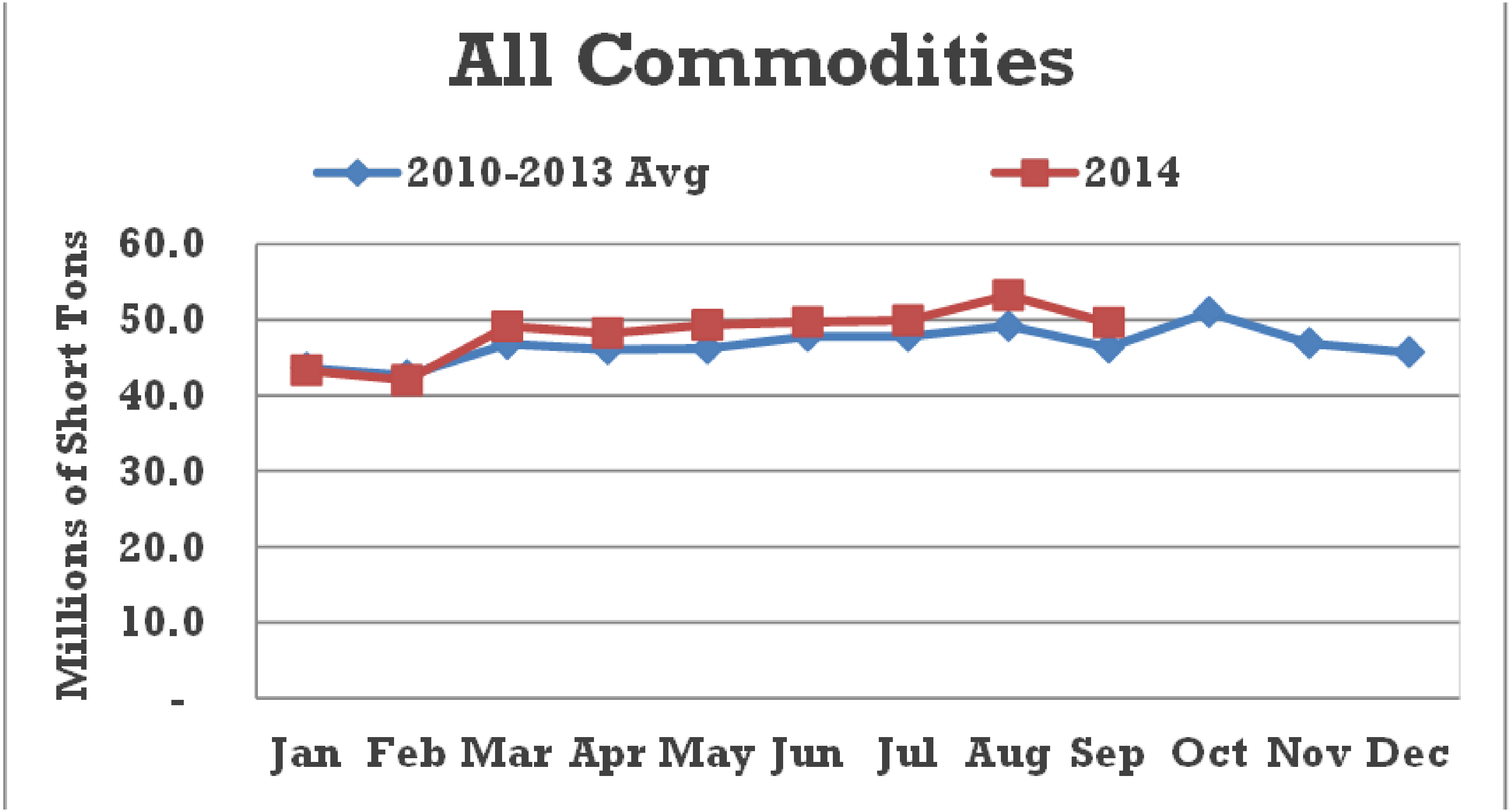
CURRENT RAIL SITUATION

- **Drivers**
  - Resources drawn down
  - Growth in all sectors
  - Extreme weather
- **Outcomes**
  - reduced capacity
  - longer cycle times
  - higher car costs
- **Outlook**
  - significant investments pay off

CURRENT RIVER SITUATION

- The inland waterway system is operating under capacity
- Who will invest in necessary improvements
- Weather
- Growing demand in all sectors

RIVER TRAFFIC



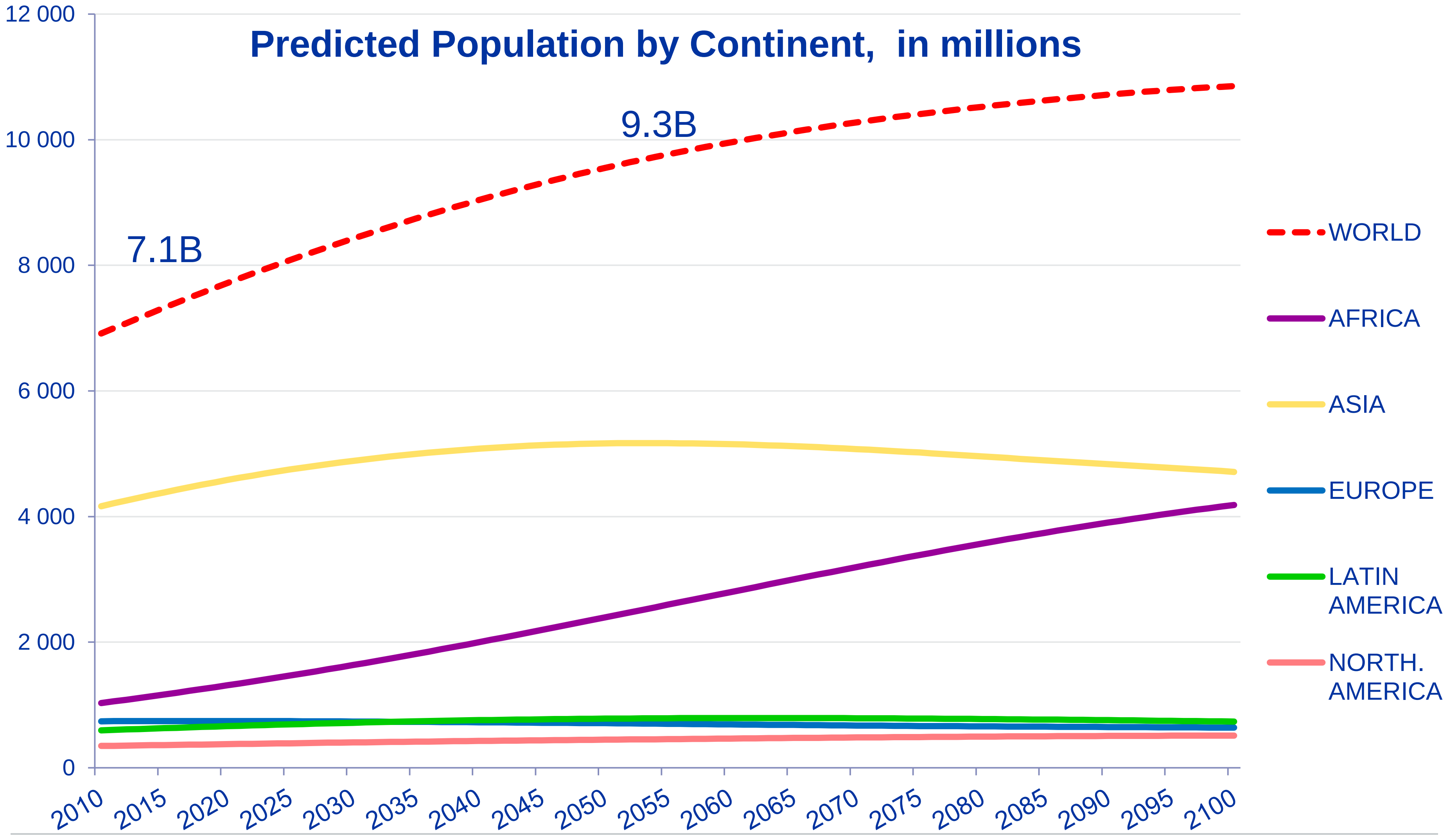
CURRENT TRUCK SITUATION

- **Underinvestment in infrastructure during recession**
- **More than 10% of drivers left industry (2008 – 2012)**
    - Continued driver shortage
- **Changing regulatory climate**
    - Hours of service rules adding to capacity constraints
    - Impact like reducing labor force by 5%-10%
- **Strong demand for trucking services from all sectors**

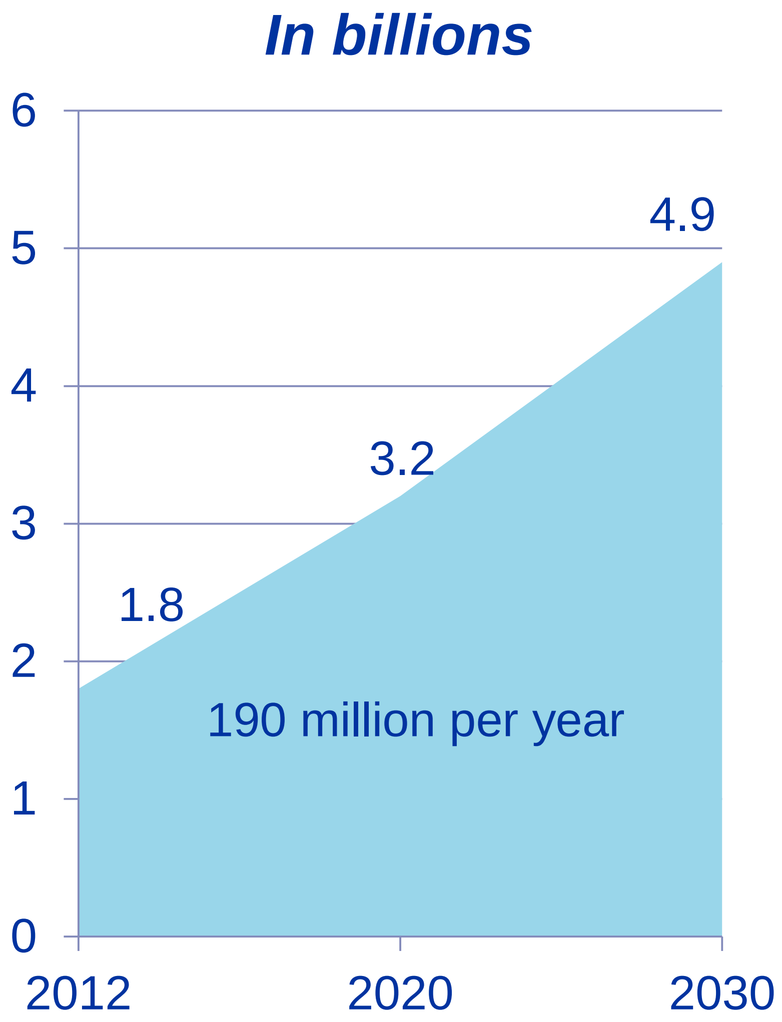
Opportunity ahead:

The world is hungry; especially China

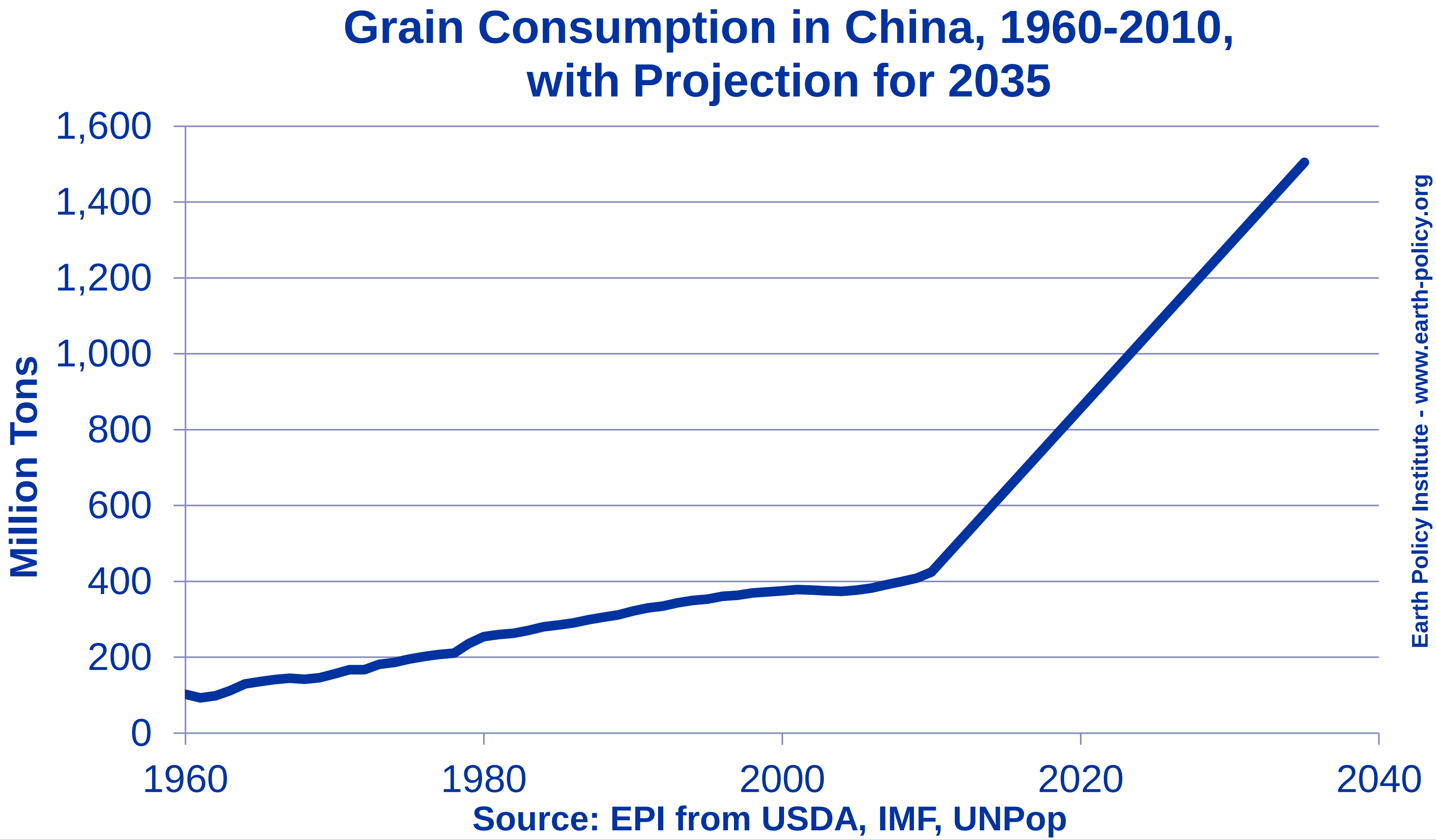
POPULATION GROWTH BY CONTINENT



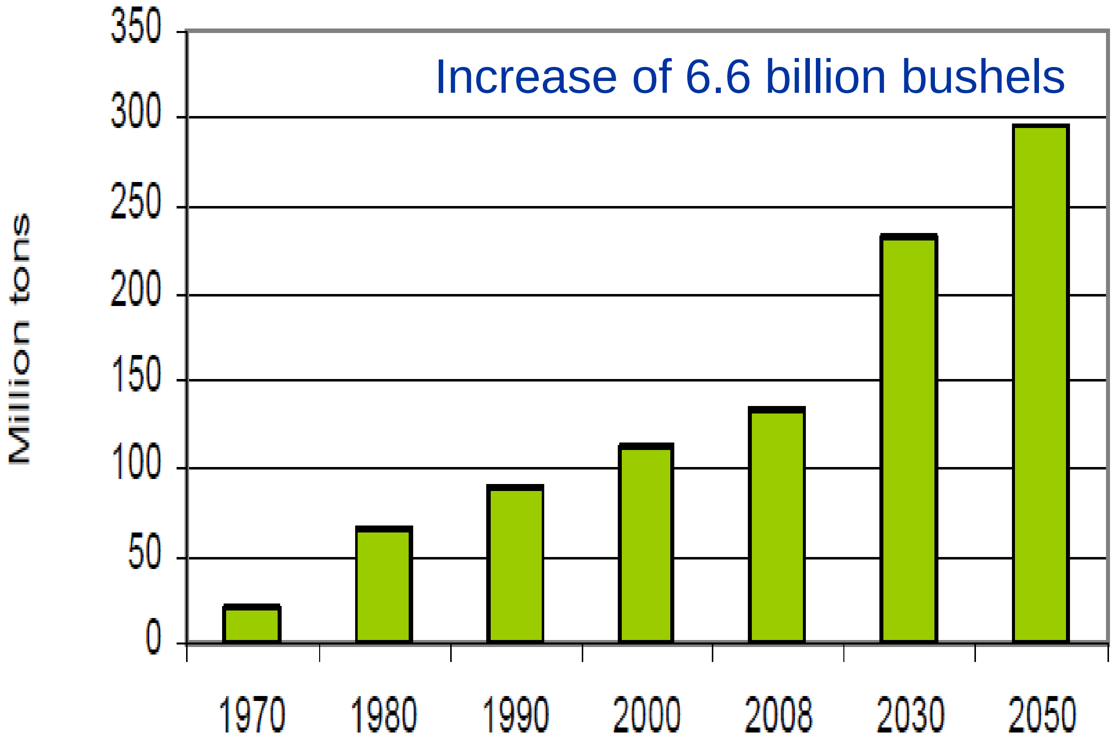
A GROWING MIDDLE CLASS



A HUNGRY CHINA



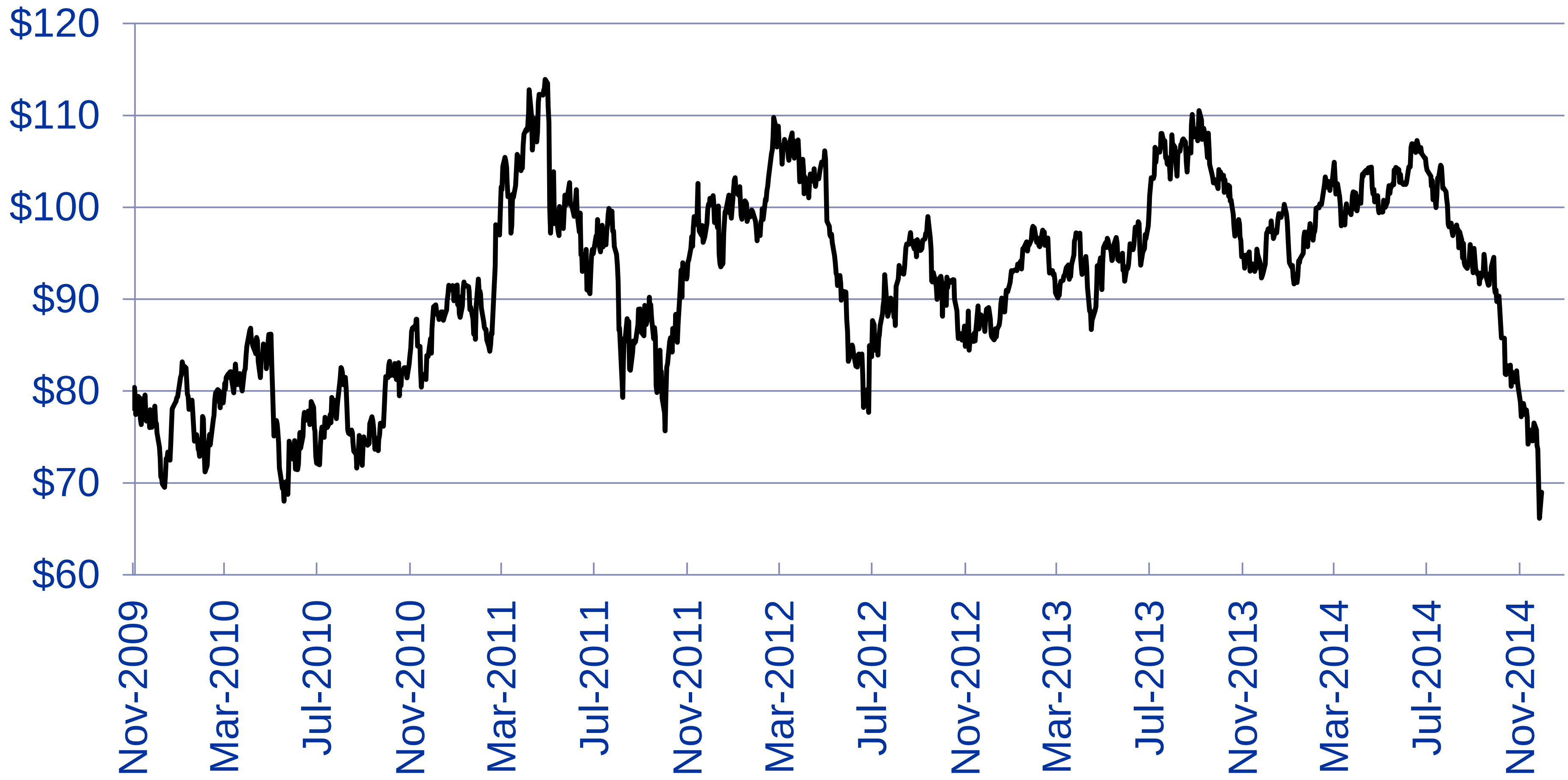
NET GRAIN IMPORTS IN DEVELOPING COUNTRIES



Source: FAO

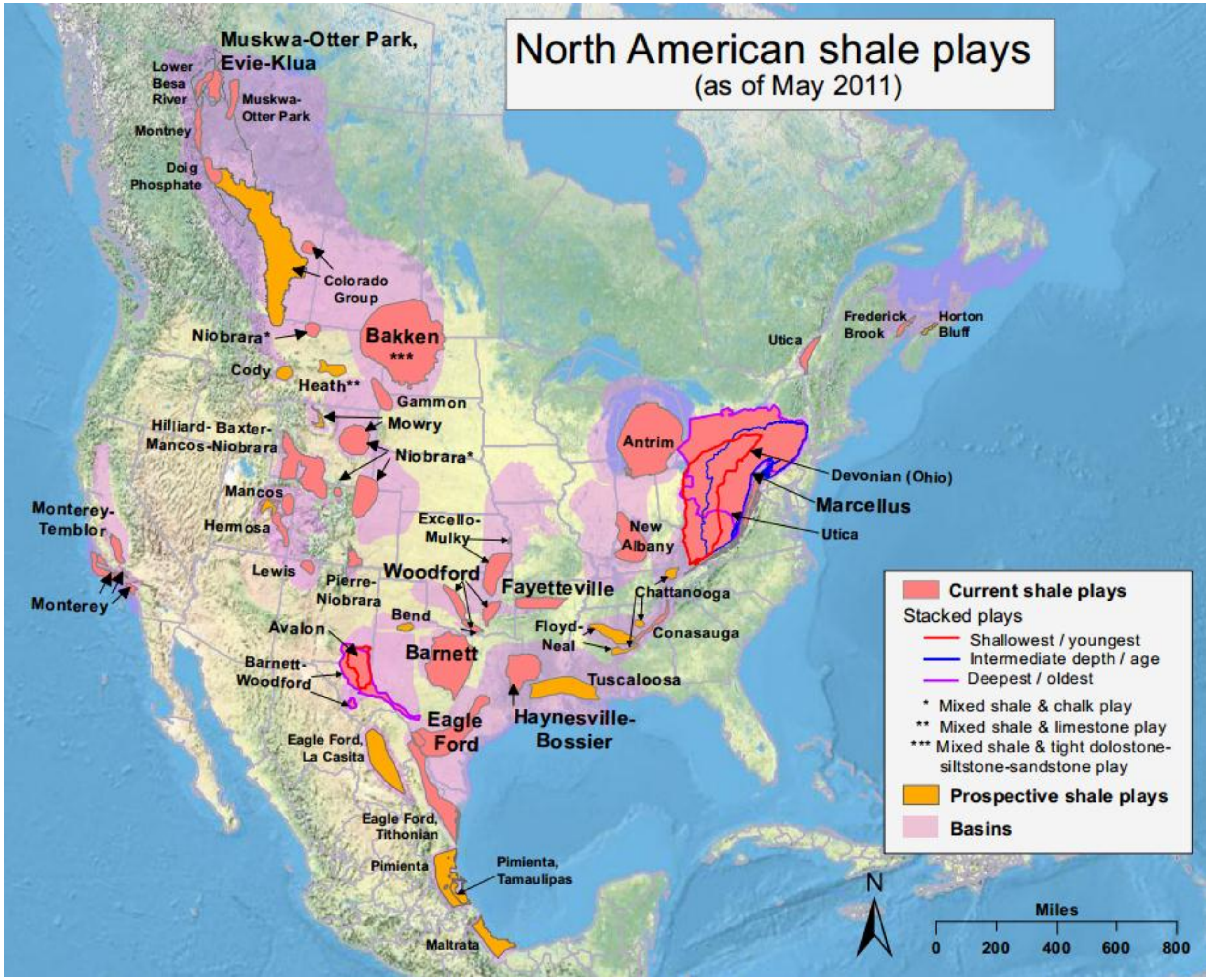
U.S. energy independence, what does it mean?

U.S. CRUDE OIL PRICE (WTI)



Source: EIA

SHALE DEPOSITS AND HYDRAULIC FRACKING



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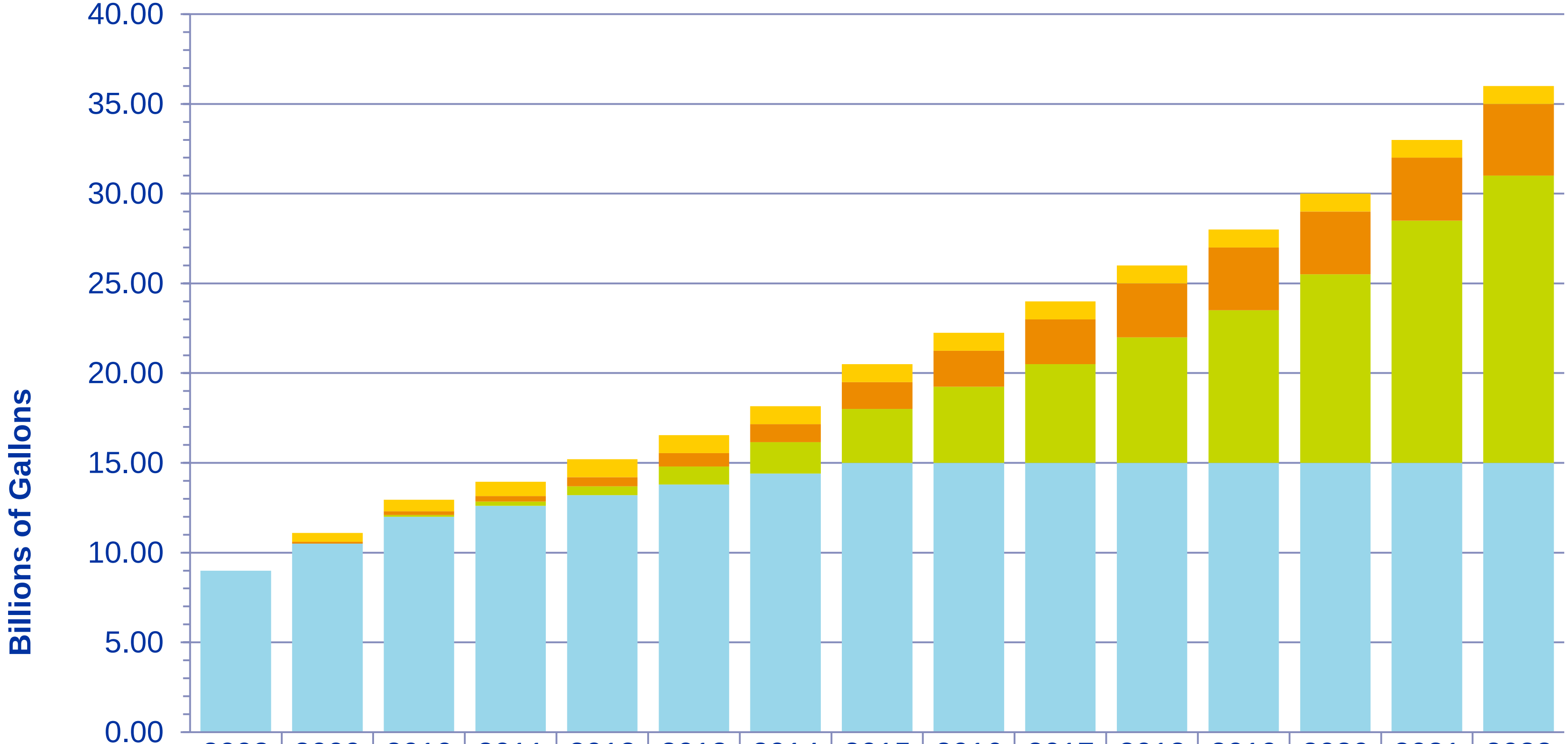
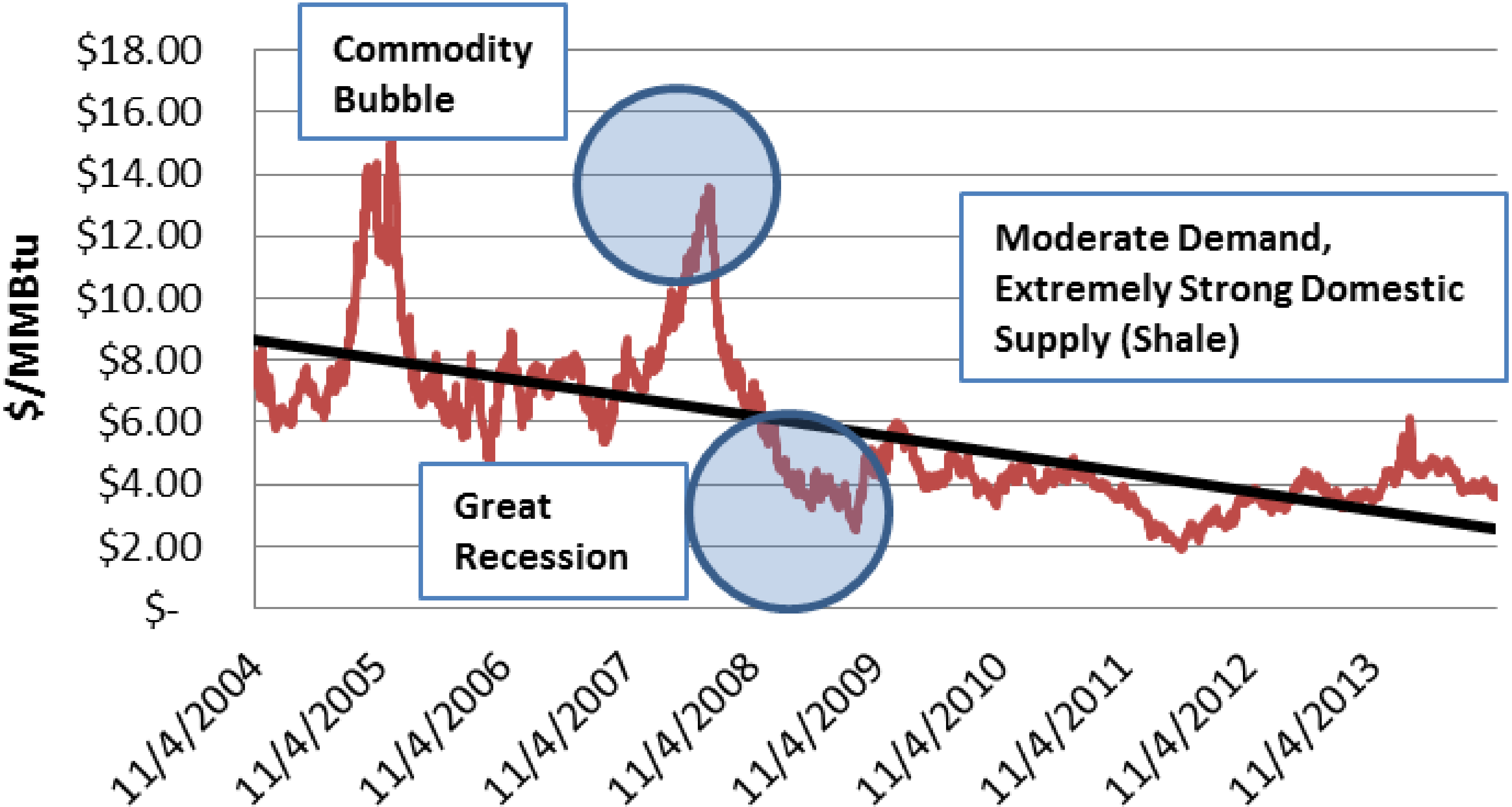
FEDERAL RENEWABLE FUEL STANDARD (2008 - 2022)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Biomass-based Diesel		0.50	0.65	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Non-cellulosic Advanced		0.10	0.20	0.30	0.50	0.75	1.00	1.50	2.00	2.50	3.00	3.50	3.50	3.50	4.00
Cellulosic Advanced			0.10	0.25	0.50	1.00	1.75	3.00	4.25	5.50	7.00	8.50	10.50	13.50	16.00
Conventional Biofuels	9.00	10.50	12.00	12.60	13.20	13.80	14.40	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00

Cheap natural gas fuels U.S. nitrogen fertilizer expansion

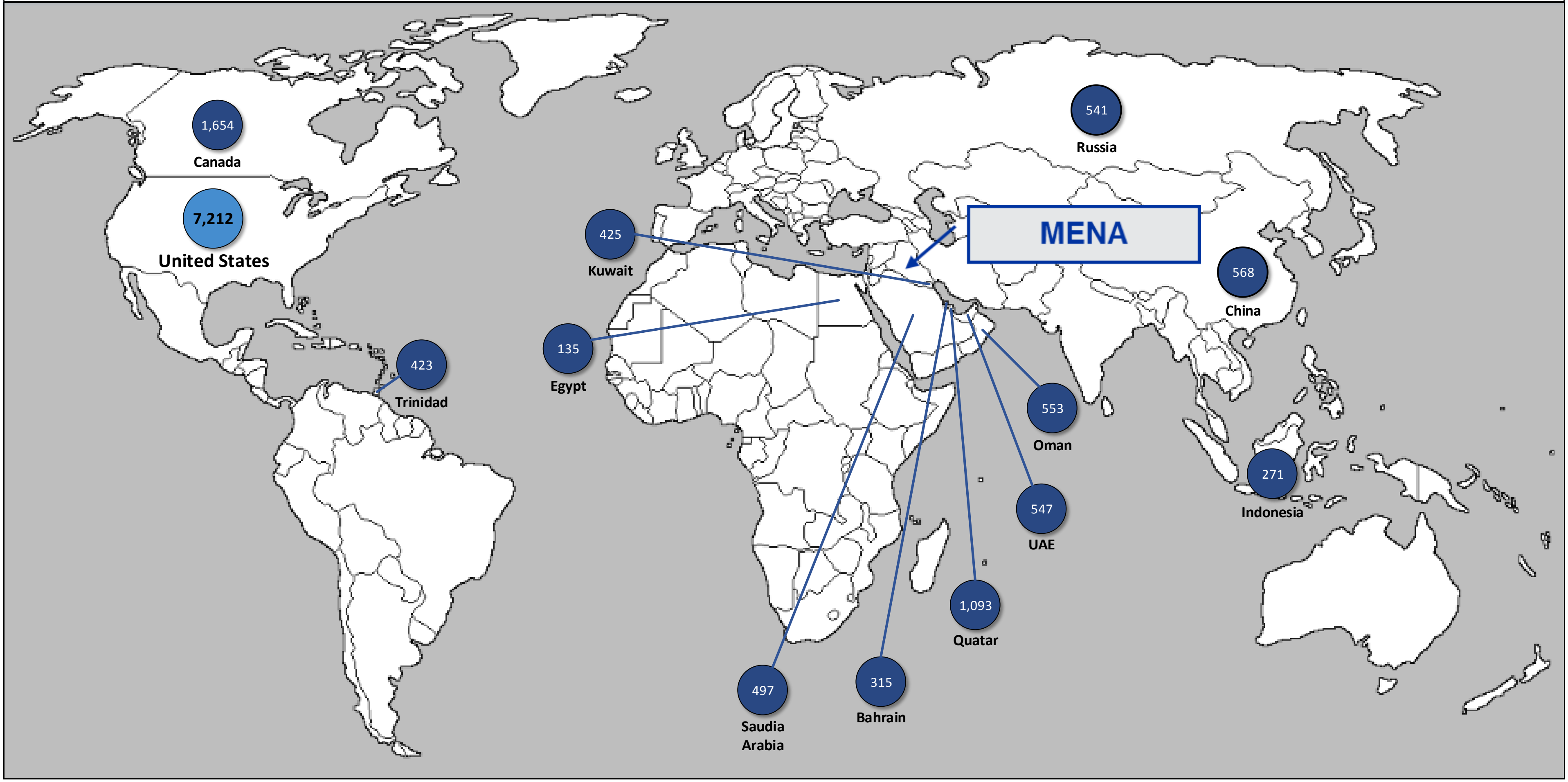
NATURAL GAS TRENDS



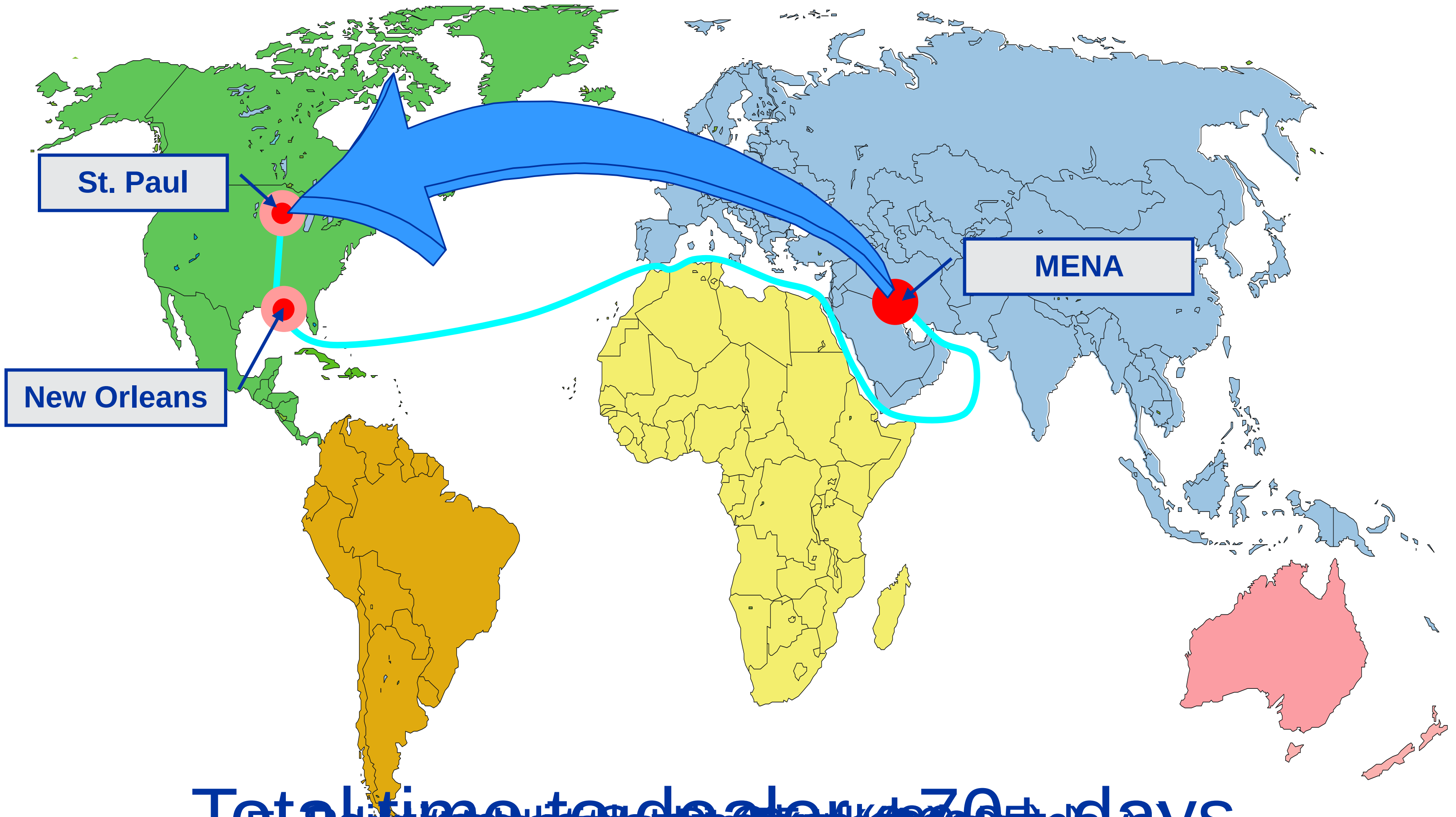
2013 U.S. UREA IMPORTS

United States Urea Imports (2013)

Thousand Tonnes

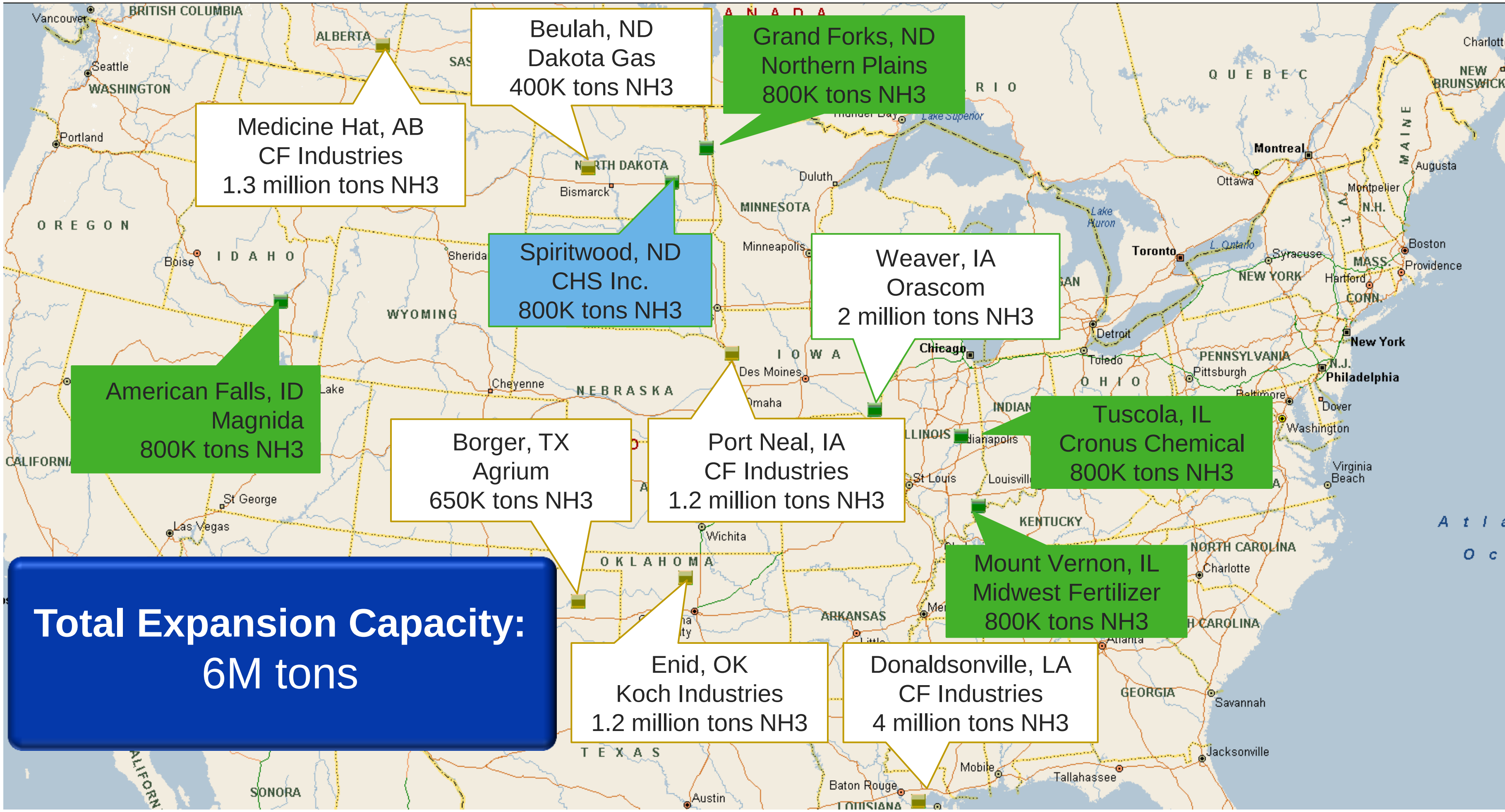


BUT UREA IMPORTS TAKE TIME



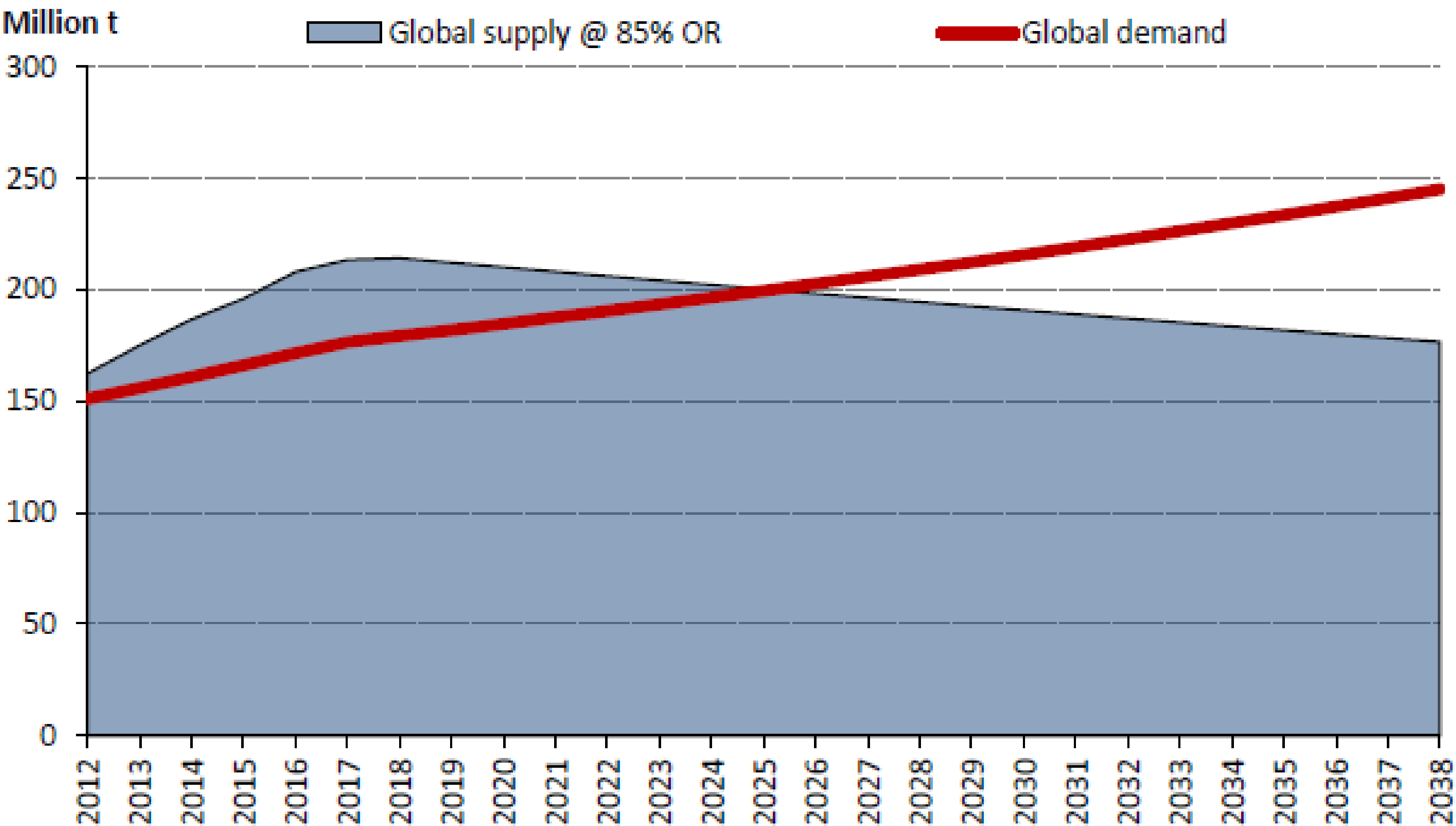
Total time to dealer ~70+ days

NITROGEN PRODUCTION PROJECTS

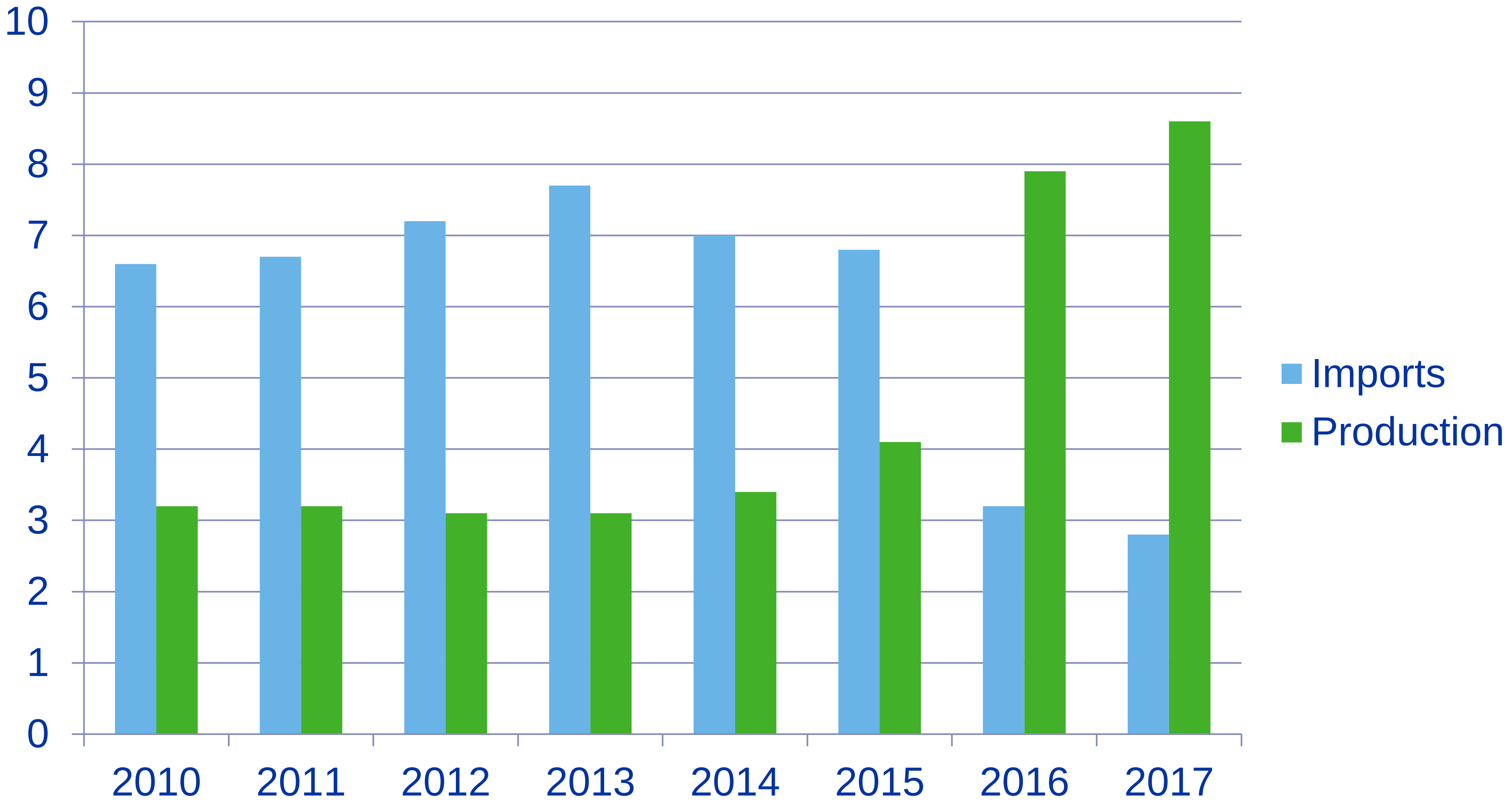


Proposed new facility   Expansion of existing facility

GLOBAL SUPPLY AND DEMAND FORECAST



U.S. UREA IMPORTS VS. PRODUCTION
(MILLION TONS)



Source: Informa Economics

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AMMONIA

- **Tight international market**
  - Unrest in Ukraine
- Trinidad gas curtailments
  - Trinidad is largest origin of ammonia imports to U.S.
  - Government promised improvement by year-end would bode well for 2015
- **Risk aversion throughout the system**
- **International supply picture should improve, but when?**
- **Phosphate curtailments help, but price is still climbing**

UAN

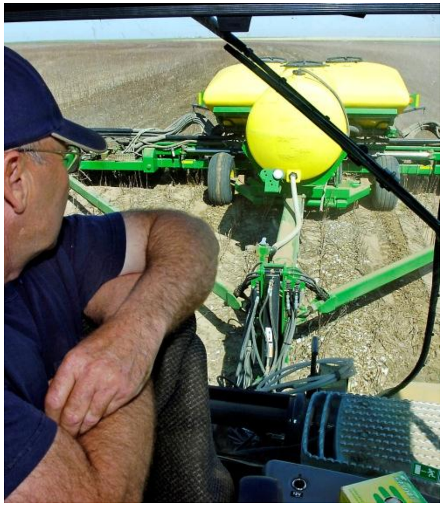
- **Big summer fill!**
  - Suppliers sold forward
  - Still fulfilling those orders
  - Buyers still waiting for purchased tons
- **Some allocation due to lack of inventory**
- **Logistics will play a key role**

UREA

- **Focus on late harvest, yields, grain prices, 2015 acres**
- **Urea is a relative bargain based on cost per unit of N**
  - Lack of buyer commitment suggests length in distribution chain
  - Record-high fleeting and barge rates discourage trader positioning and spot vessels
  - Open-origin more accepted than in the past

FINAL THOUGHTS

- **Transition from a strong agricultural environment to one that is softer**
- **Global demand remains strong creating a need for more food production**
- **Strong United States energy markets provide United States farmers with opportunity**



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