



## **Energy, Grains and Foods Resources for the World**



## Who We Are

- CHS is a diversified Fortune 100 company providing essential energy, grains and foods resources to businesses and consumers around the world

# Recent Highlights

- Fiscal 2009 net income \$381 million
- Fiscal 2009 net revenues \$25.7 billion
- Number 91 on 2010 Fortune 500 listing
- Ninth year as Fortune “Most Admired” company





## About CHS

- Serves producers and consumers throughout the United States
- Supplies grain in 60 countries
- More than 8,000 employees worldwide

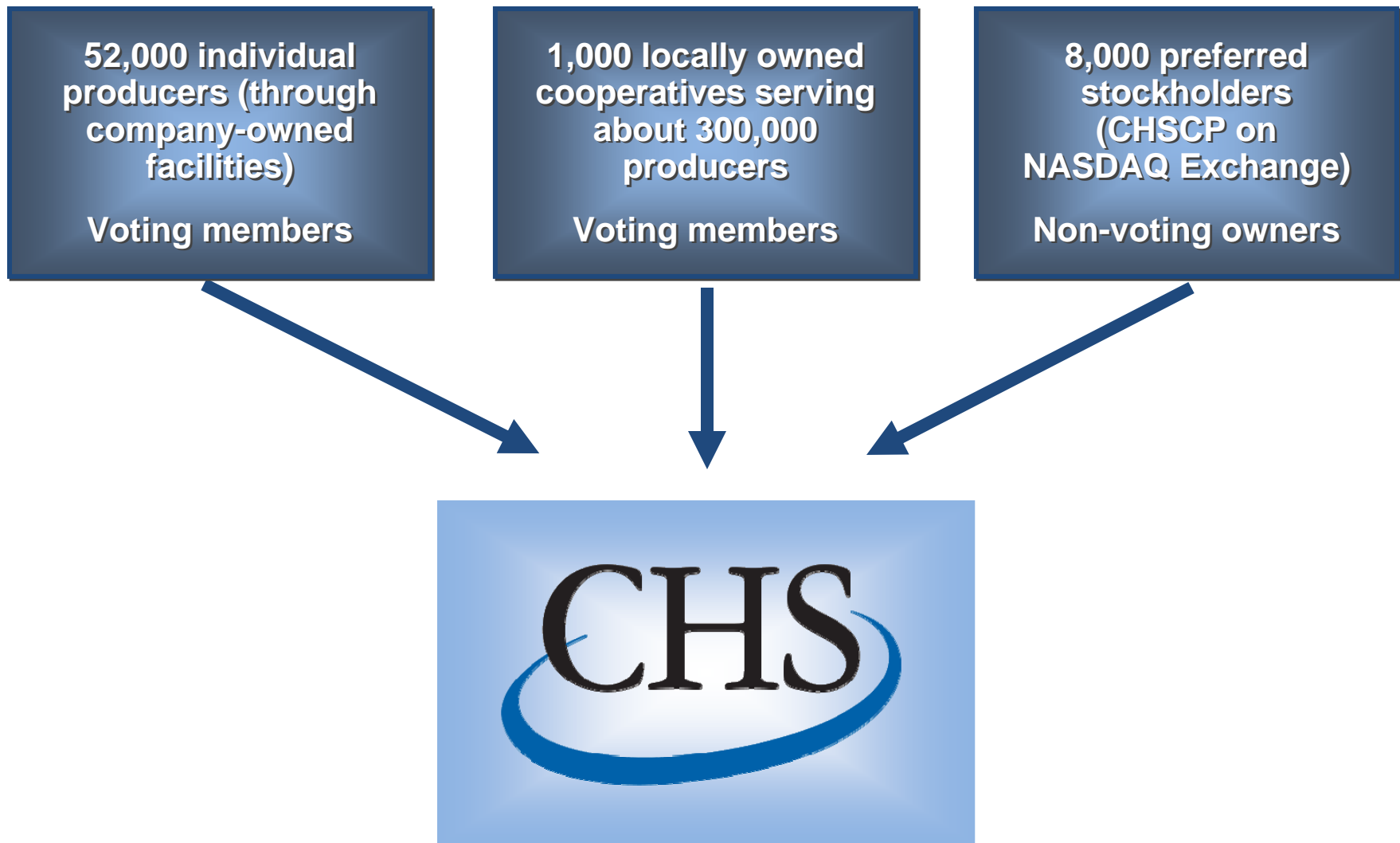


# Our Story

- A rich history reflecting 80 years of serving U.S. producers and cooperatives
- Today's CHS was created in 1998



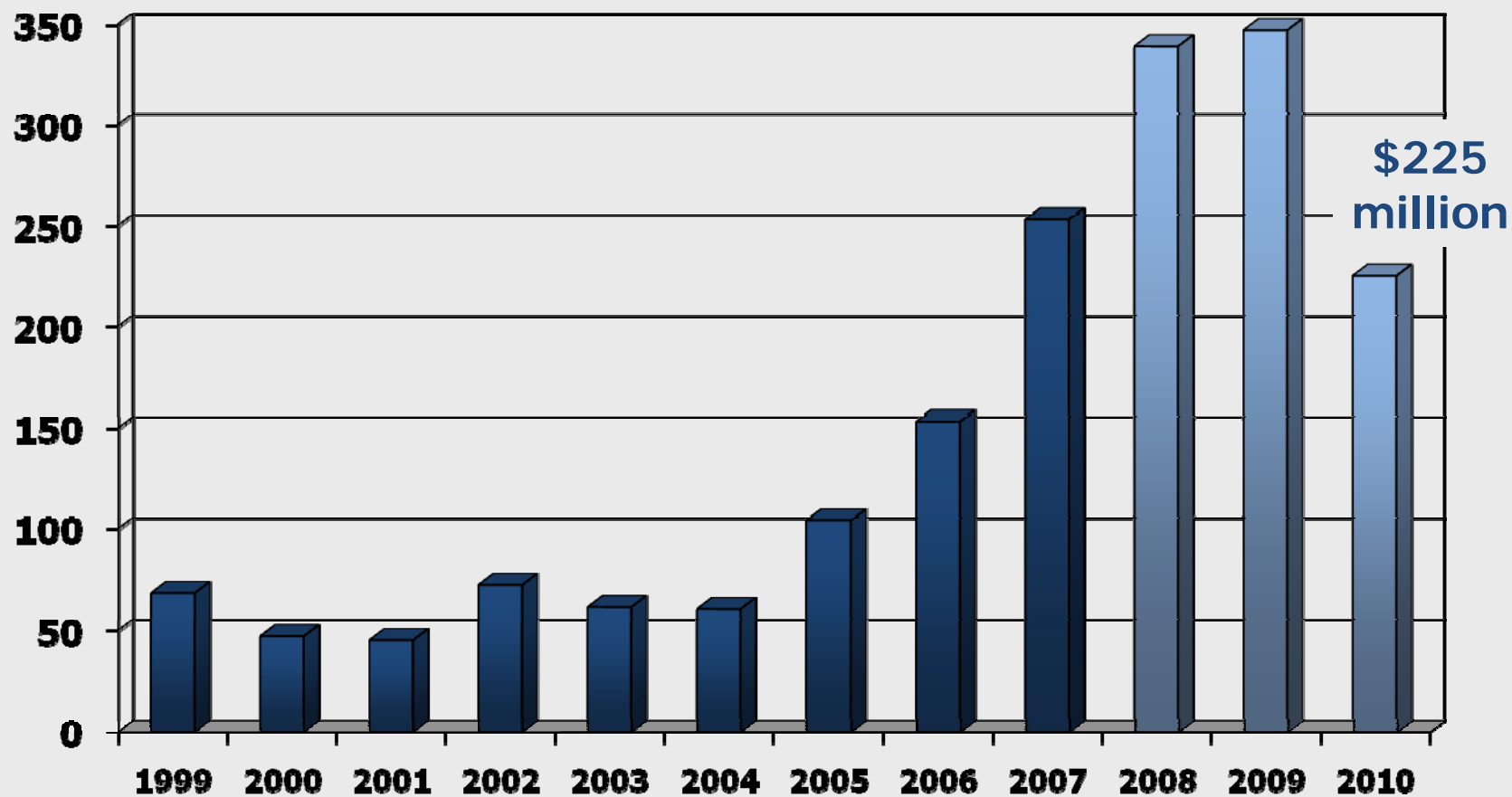
# Ownership



# A History of Success

## Cash Returns to Owners

\$ in millions



**\$1.8 billion!**



# Energy





# Grains & Foods



# The Journey from Producer to Global Consumer





# Benefits to Customers

Further diversify origination, so we always have a full basket

- Buyers looking for specific origins
- Different qualities to create unique blends
- Provide Security and Control with Physical Supply Chain
- Manage Risk



# Moving Grain to Customers







# Opportunities

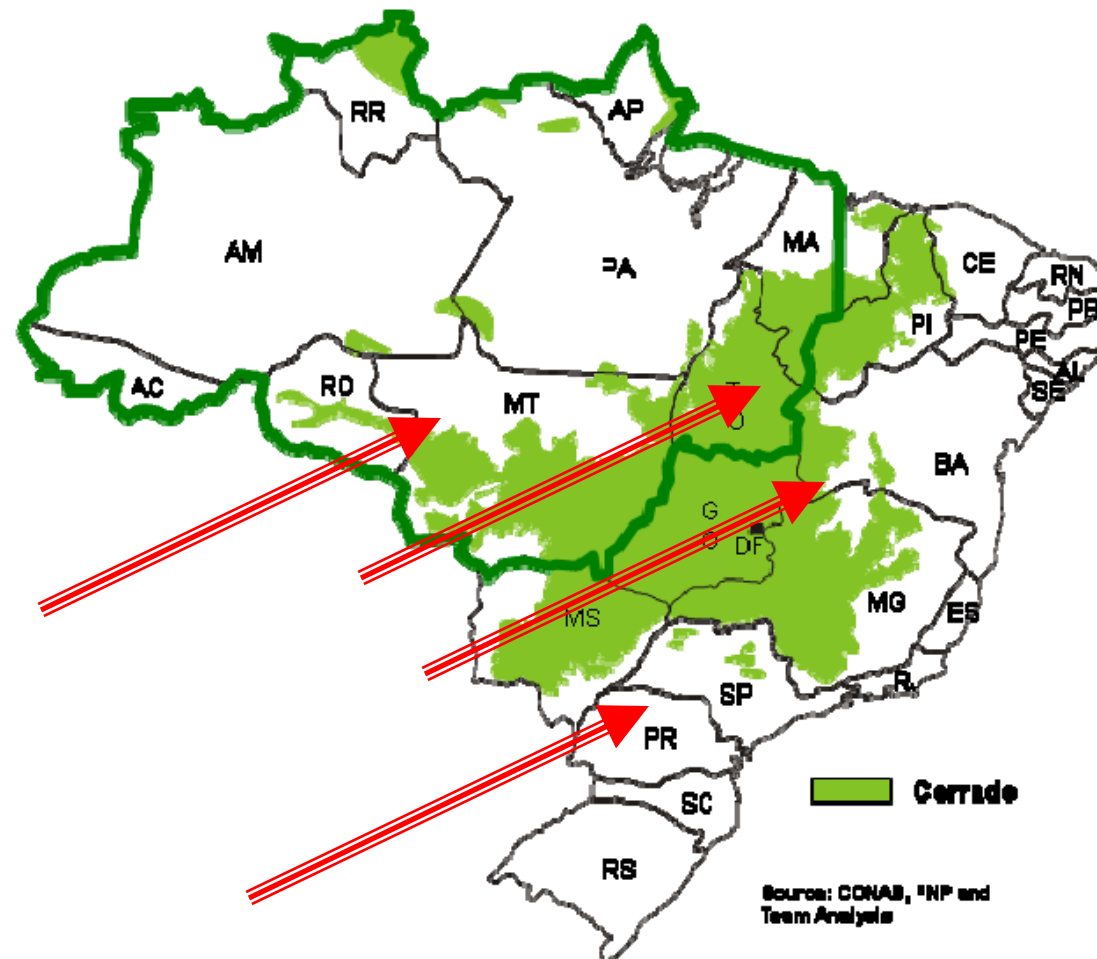
Scale, Climate, Soil and Technology

Water

4 F: Food, Feed, Fiber and Fuel

Asian Growth: Strong correlation between economic growth and total protein consumption

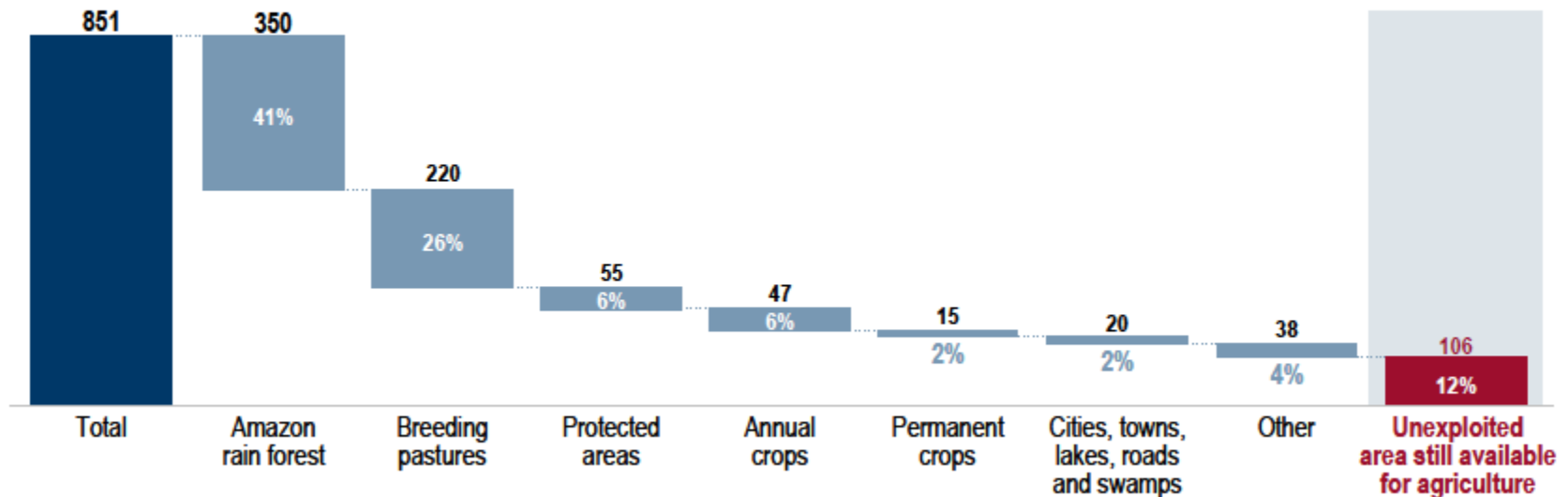
# Huge Potential for Expansion



Brazil is one of the largest agricultural producers in the world but still has around 106 Mln Ha of unexploited farmland. More Breeding pastures will move to agriculture. This represents another 220 Mln Ha available. Brazil's competitive advantage in agriculture is attributable to the appropriate weather conditions in the Cerrado area.

#### Exhibit 124: Use of land in Brazil

millions of hectares, 2008



Source: Conab, Credit Suisse

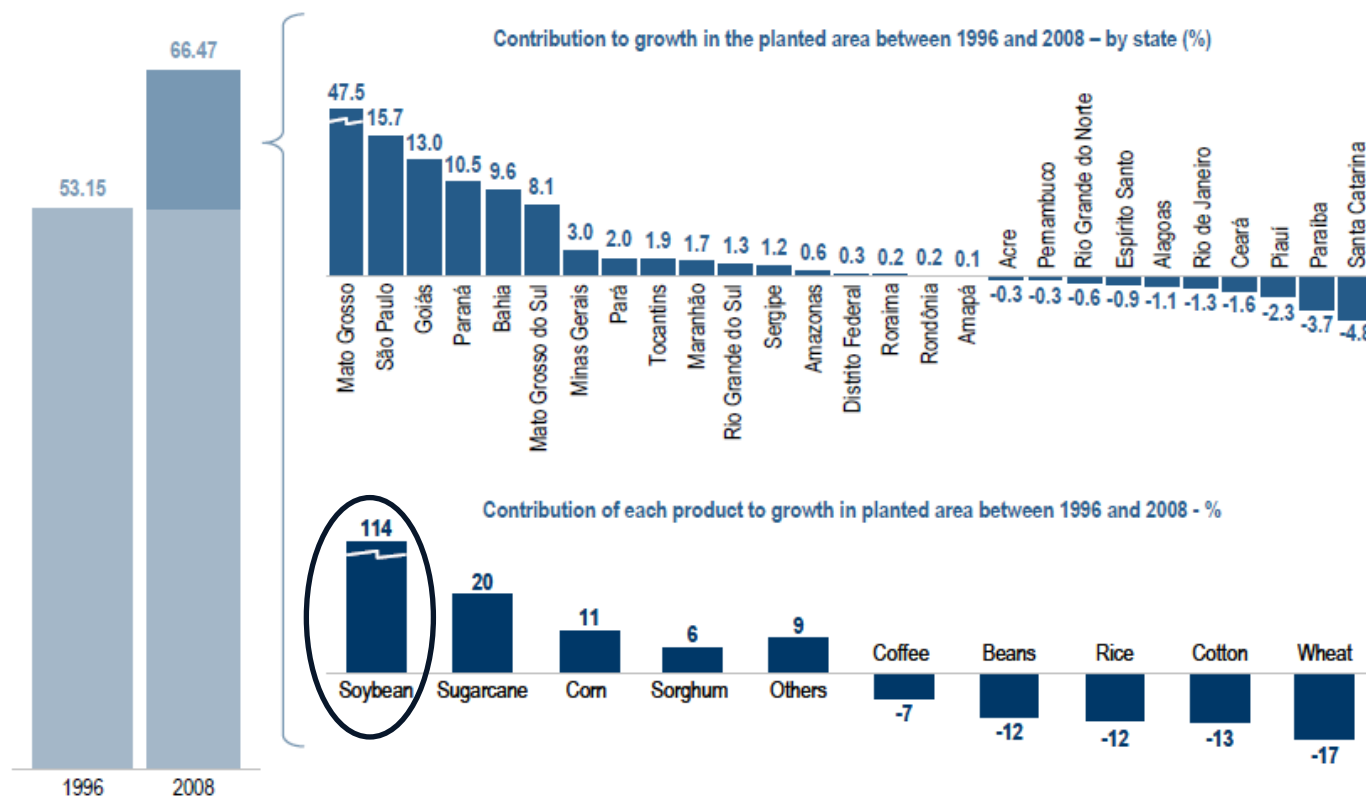




The country's planted area expanded approximately 25% from 1996 to 2008. Mato Grosso accounts for 47.5% of this expansion, followed by São Paulo (15.7%) and Goiás (13%). Soybean accounts for the bulk of this increase.

**Exhibit 126: Planted area in Brazil**

Millions of hectares, 1996 and 2008

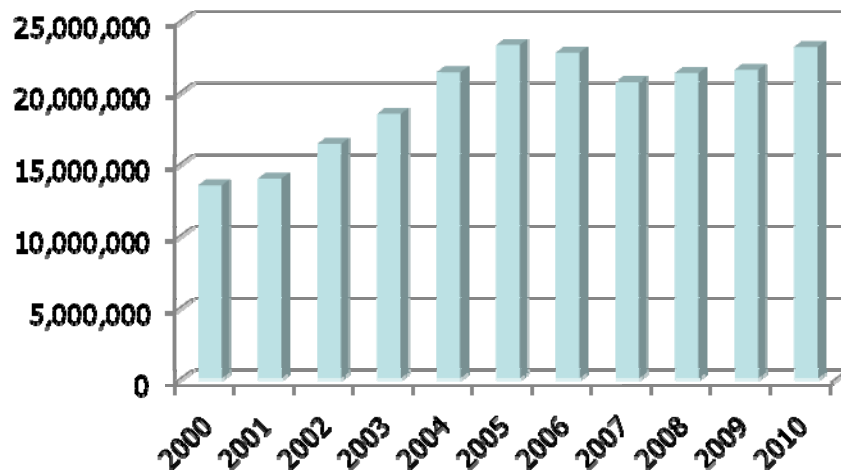


Source: IBGE, Credit Suisse

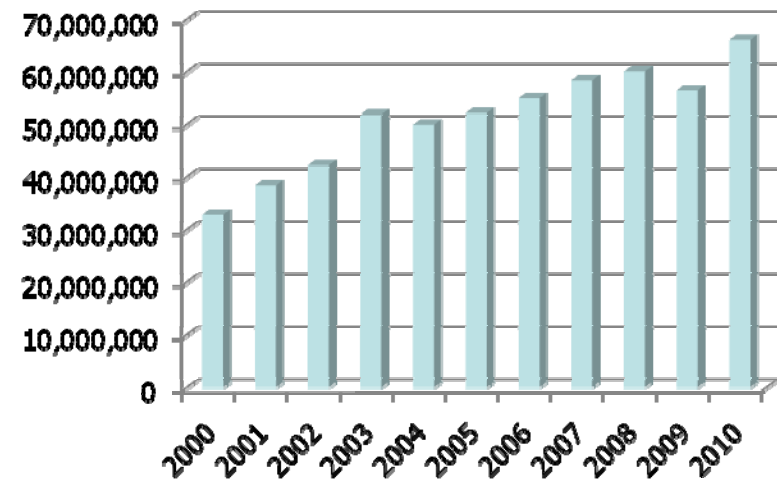
Soybean production has grown rapidly in Brazil. It grew 101% from 2000 to 2010. An average annual growth rate of 7.23%.

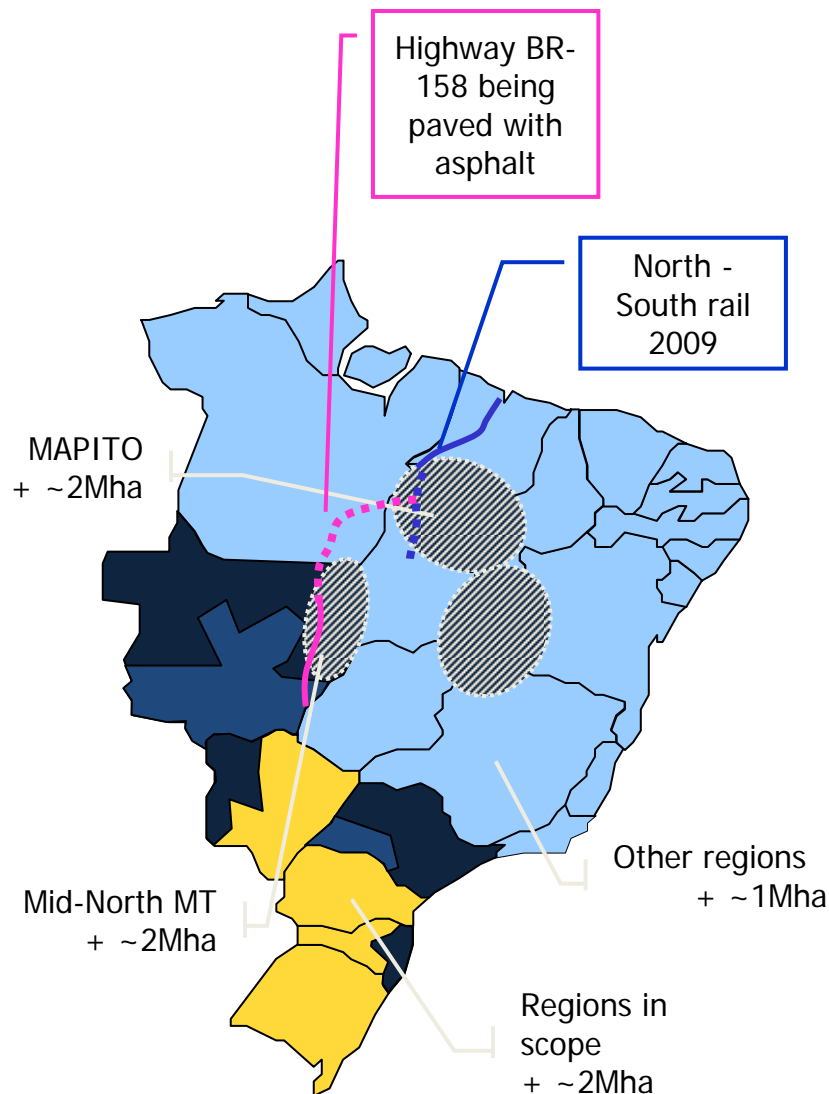
Soybean planted area has also grown significantly. Soy is the crop with the largest planted area in Brazil with over 23 Mln Ha.

**Soybean Area in Ha**



**Production**





Brazil could grow its soybean Area to 30 Mln Ha in 2020.

Potential increase of 2 Mln Ha in the Southern (Traditional) regions.

5 Mln Ha potential increase in the Midwest and Northern (Newer) regions.





## **But Realizing There Are Still Inefficiencies**

Logistics

Transportation matrix and infrastructural needs

Burdensome Tax Structure

Inefficient Legal System

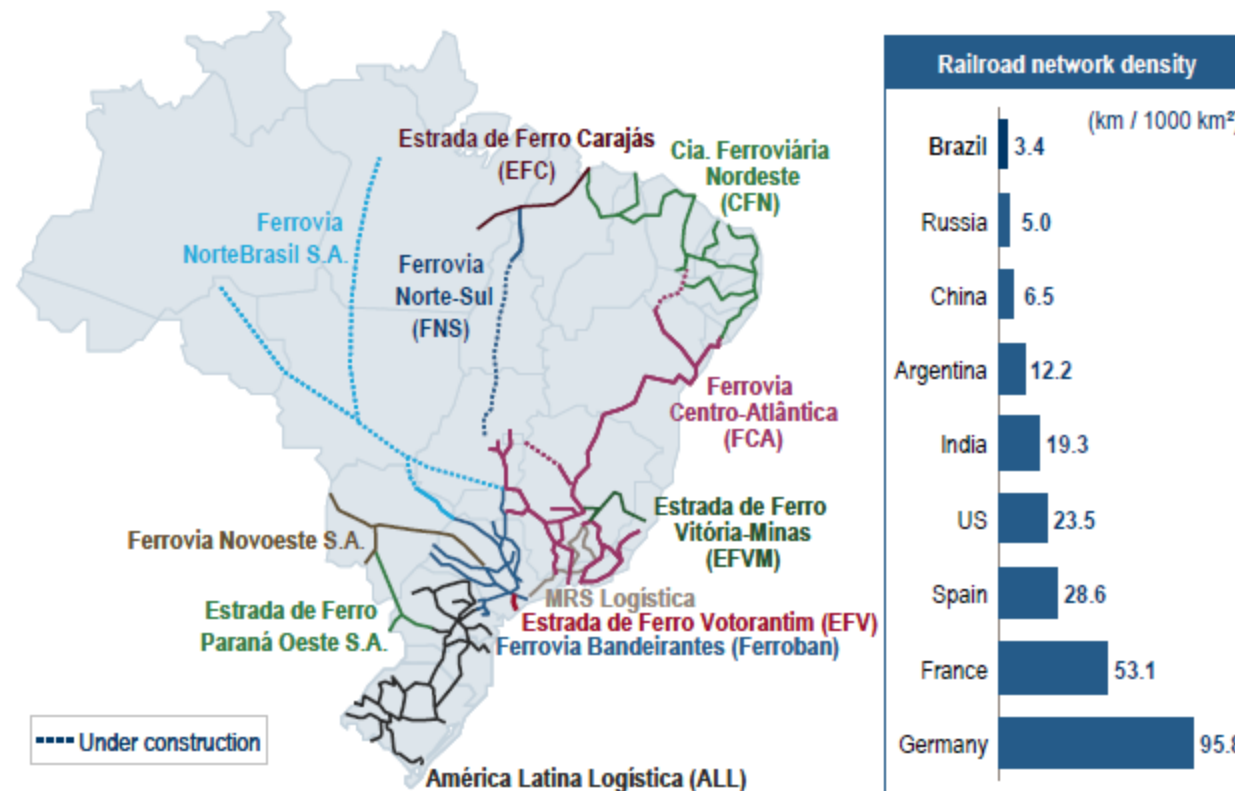
Skilled labor

# Railroad Transportation

The railroad system accounts for 21% of all freight transportation in Brazil and consists of 28.800 Km of track, which is quite limited in comparison with other countries, especially taking into account Brazil's vast Area

**Exhibit 101: Length and density of freight railroad system**

Km / 1000 Km<sup>2</sup>



Source: ANTF, Credit Suisse


















# Logistics: A Comparison Between US, Argentina and Brazil

			
Road	60%	82%	16%
Railway	33%	16%	23%
Waterway	7%	2%	61%
Average Distance from Port	1000 Miles	200 Miles	1000 Miles
Average Freight Cost (in US\$/Bu)	1,82	0,45	0,71

Logistical disadvantage can cost  
over US\$ 1,00 per bushel !!!

# Black Sea Expansion



UKRAINE, RUSSIA AND KAZAKHSTAN IS A PART OF SO CALLED BLACK SEA REGION THAT IN 2008/9MY PRODUCED 173 MMT AND EXPORTED 53 MMT OF GRAINS WHICH IS MAINLY SHIPPED VIA BLACK SEA PORTS WORLDWIDE





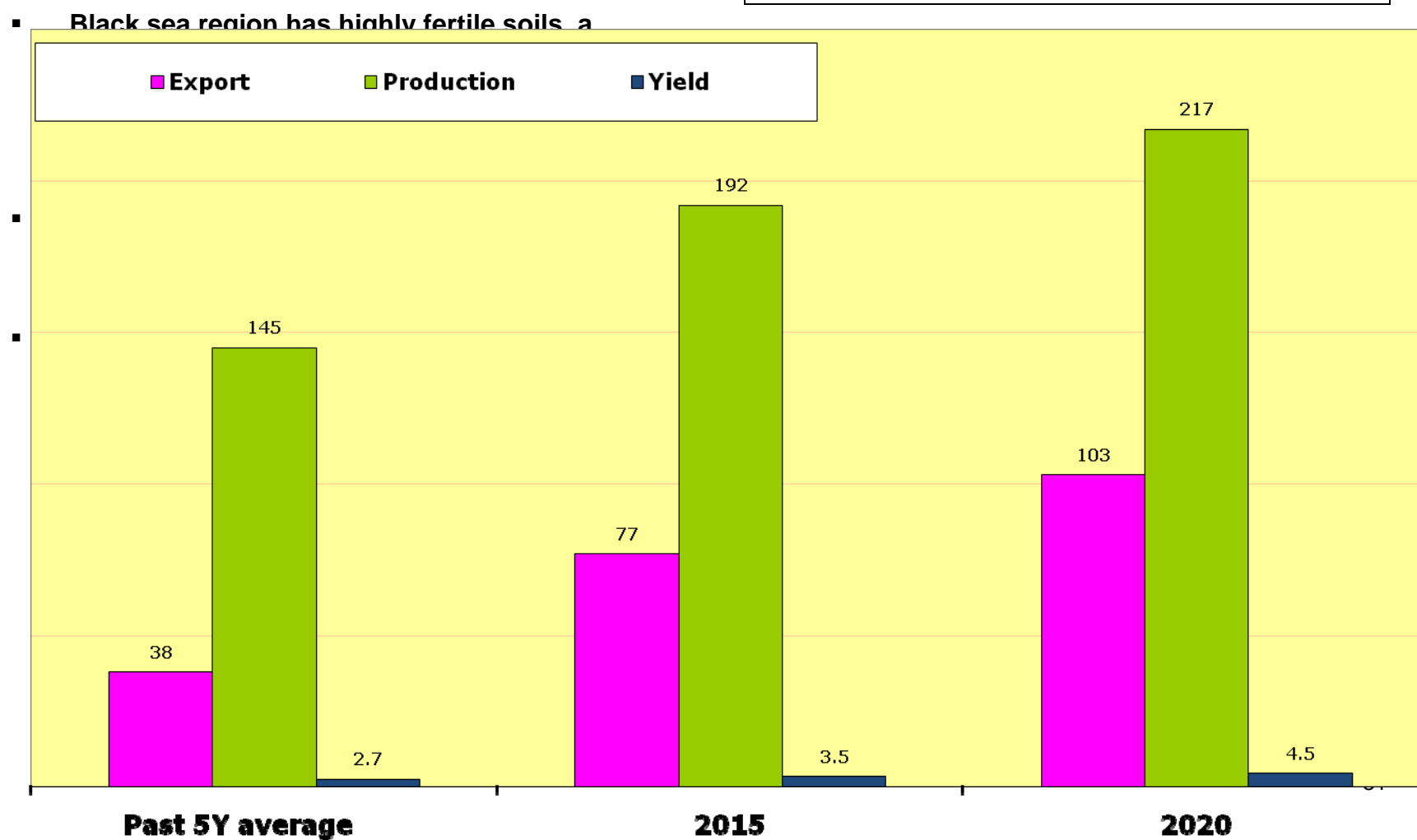
WORLD WHEAT TRADE IN 2009/10 CAN REACHED 123 MMT  
BLACK SEA REGION KEEPS ITS WHEAT RECORD OF LY



Main Wheat Exporters in 2009/10

# BLACK SEA REGION HAS HUGE GROWTH POTENTIAL FOR GRAIN/OILSEEDS PRODUCTION AND EXPORT

## 3 Black sea Total grain Outlook



# BLACK SEA AREA COMPARISONS: BESIDES THE GROWING YIELDS, BLACK SEA REGION HAS A POTENTIAL FOR ACREAGE EXPANDING

	UKRAINE				RUSSIA				KAZAKHSTAN			
	Historical maximum		2009/10 season	2009/10 to maximum	Historical maximum		2009/10 season	2009/10 to maximum	Historical maximum		2009/10 season	2009/10 to maximum
	Year	thnd ha			Year	thnd ha			Year	thnd ha		
WHEAT	1977	8658	6936	-1722	1970	38914	28700	-10214	1976	18313	14754	-3559
BARLEY	1979	7207	5120	-2087	1979	22406	9700	-12706	1979	7022	1853	-5169
TOTAL GRAIN	1986	22015	16220	-5795	1977	78393	47700	-30693	1975	25568	17544	-8024
				0				0				0
SFS	2006	5750	4300	-1450	2008	6300	6250	-50	2006	493	400	-93

- In Soviet times agricultural policy was via extensive farming
- Area expansion preferred over increased yields
- Today, total planted areas in Ukraine are 6 ha less than historical maximum, but realistic additional area potential is at 3 - 4 mil ha - the rest of the land is not really effective
- Russia has huge area potential growth
- Kazakhstan too – but needs more open agri-system

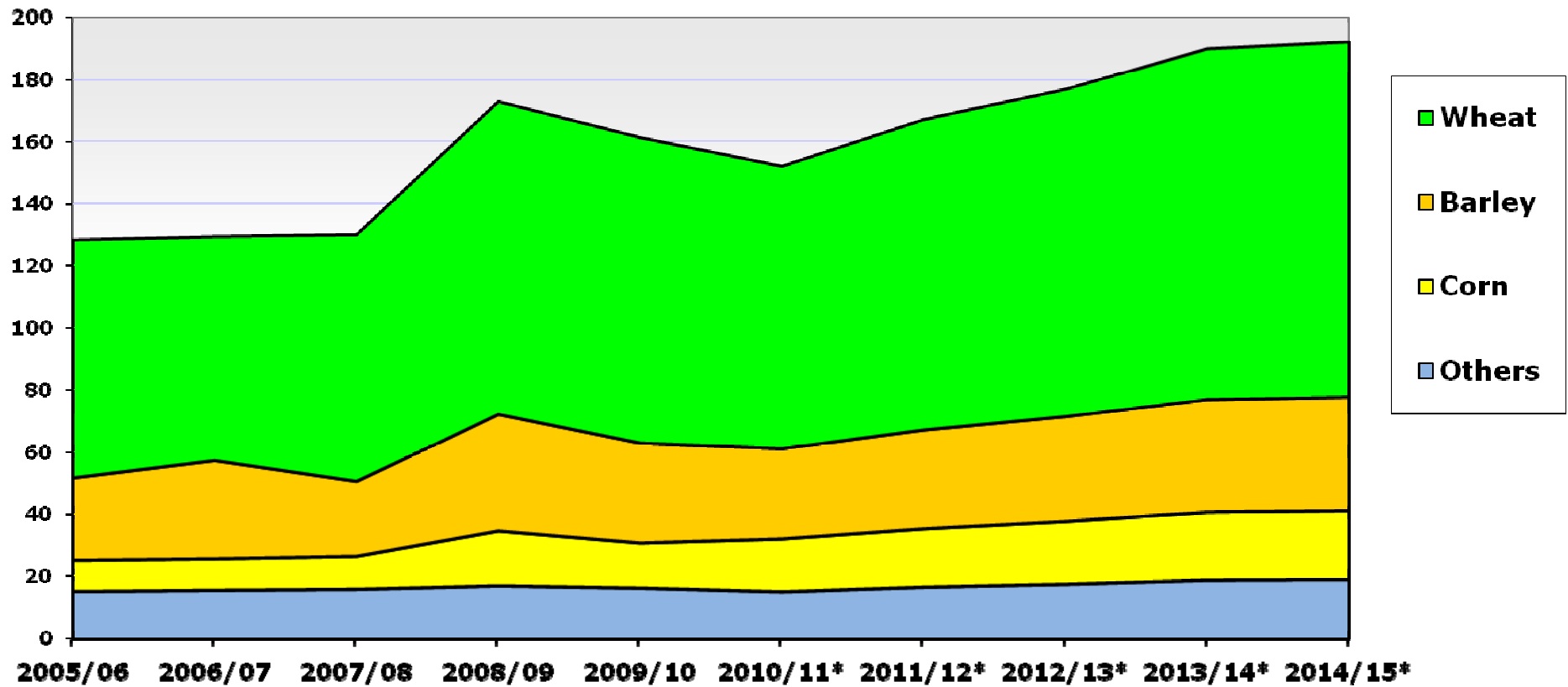
# BLACK SEA PORT LOGISTICS



## DESCRIPTION OF KEY PORTS

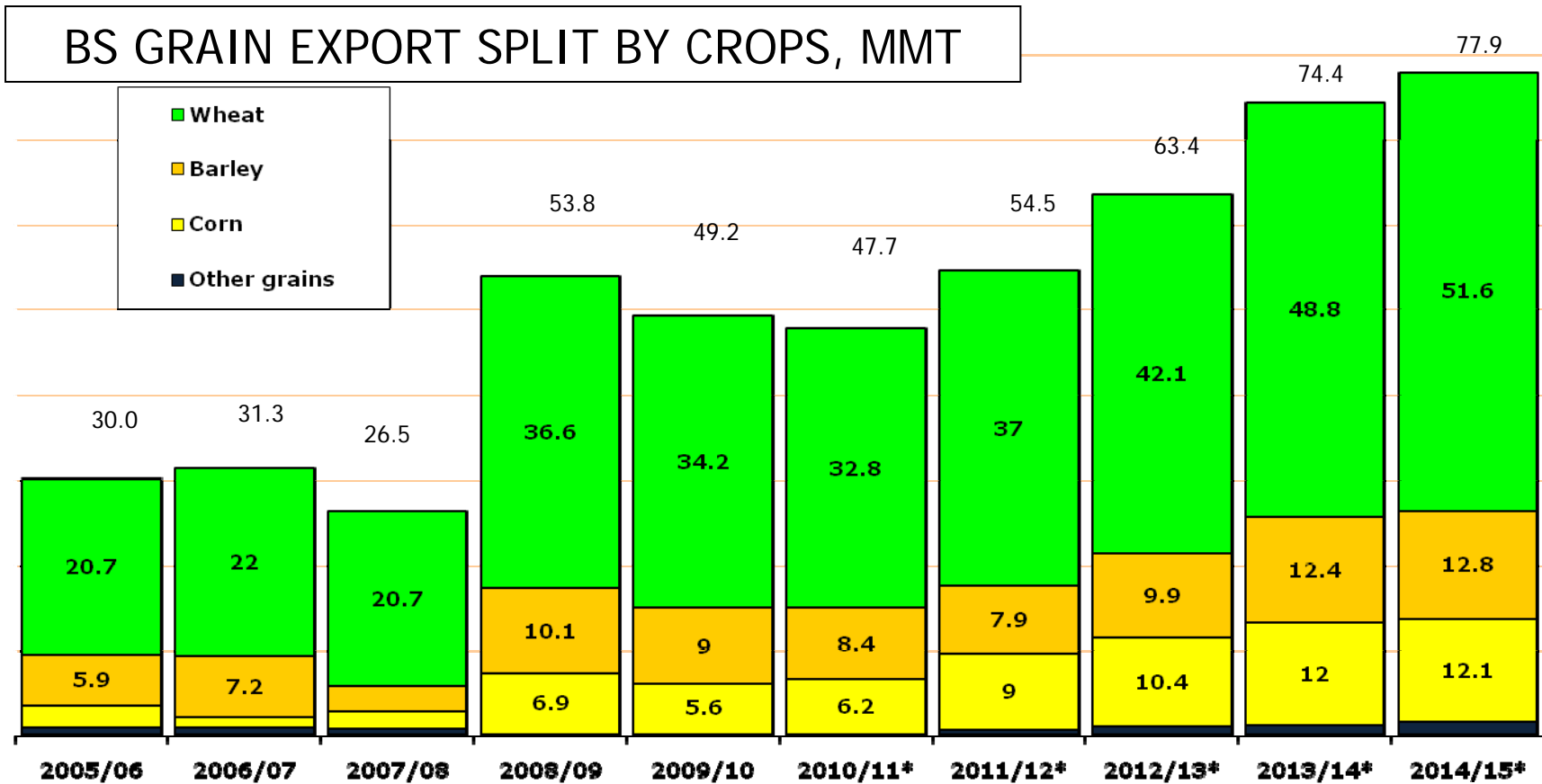
- Biggest UKR Black sea ports are Odesa, Illichivsk, Yuzhny and Sevastopol
- Novorossiysk is the main RU port on Black sea
- Annual Throughput capacity of UKR ports make about 28 MMT; RU ports capacity is at 17 MMT. These capacities steadily grow. Needs to grow to 80 MMT + by 2014/ 2015

## Black sea Grain Production Evolution

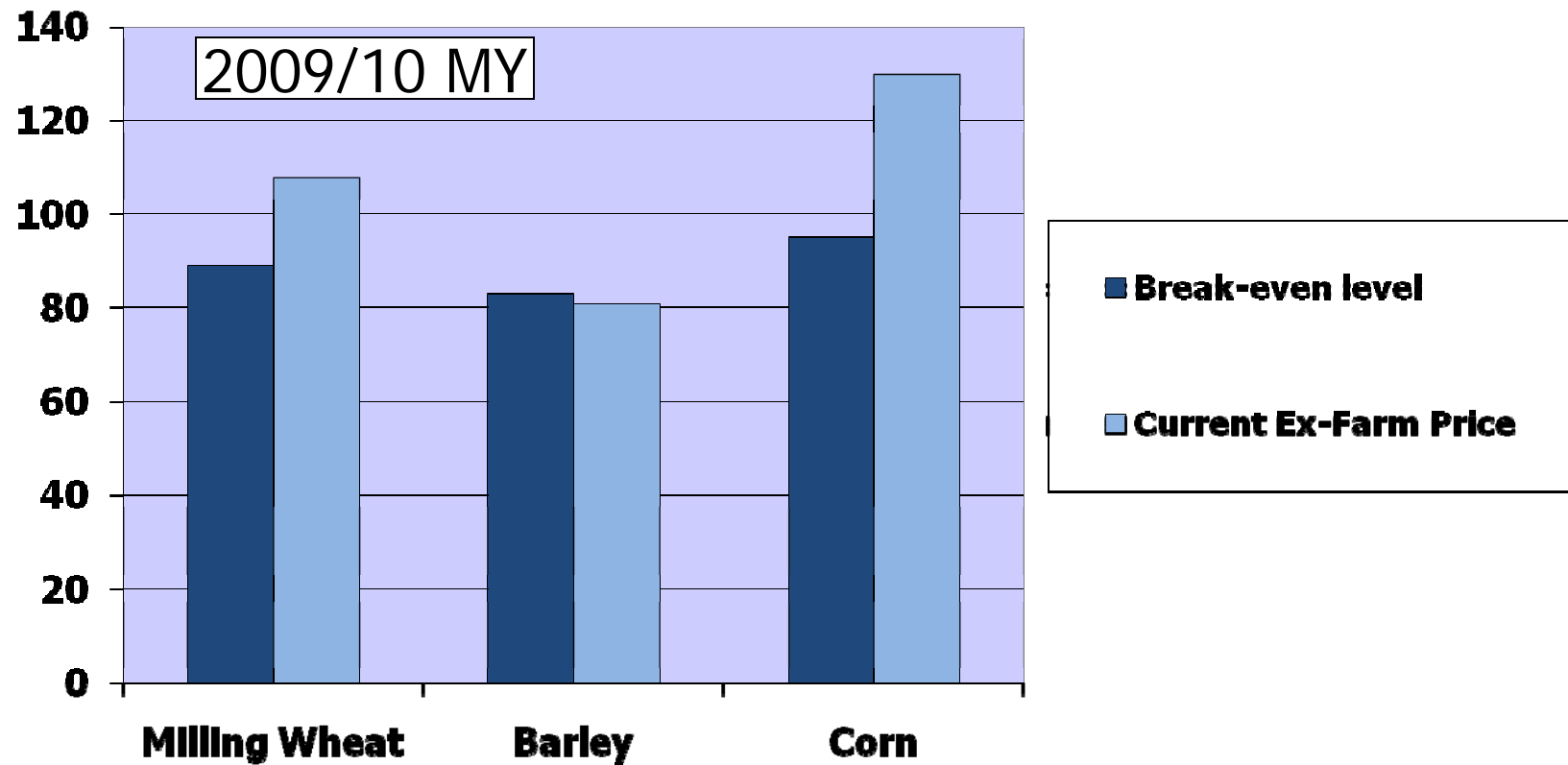




# BLACK SEA GRAIN EXPORT OUTLOOK



## COMPARISON OF EX-FARM PRICE AND ESTIMATED BRAKE-EVEN LEVEL IN RUSSIA, USD



## Risks / Challenges for the Future

- Government Distortion to the Market
- Sovereign Risk / Currency
- Credit Liquidity / Availability
- Use of New Technology

# Why Would the U.S. Farmer Want Us Globally?

- Understands the Need for Growth
- His Market is Global
- Hedge Against Their Production and Price Risk
- Maintain Customer Access
- Develops and Enhances New and Existing Areas of Expertise
- Creates Opportunities for Other Areas in the Company
- Platform to Create Direct Ownership / Participation in Other Areas of the World





**Thank You!**