



*Open Markets, Economic Growth
and Shared Prosperity*

“A Decidedly Better World”

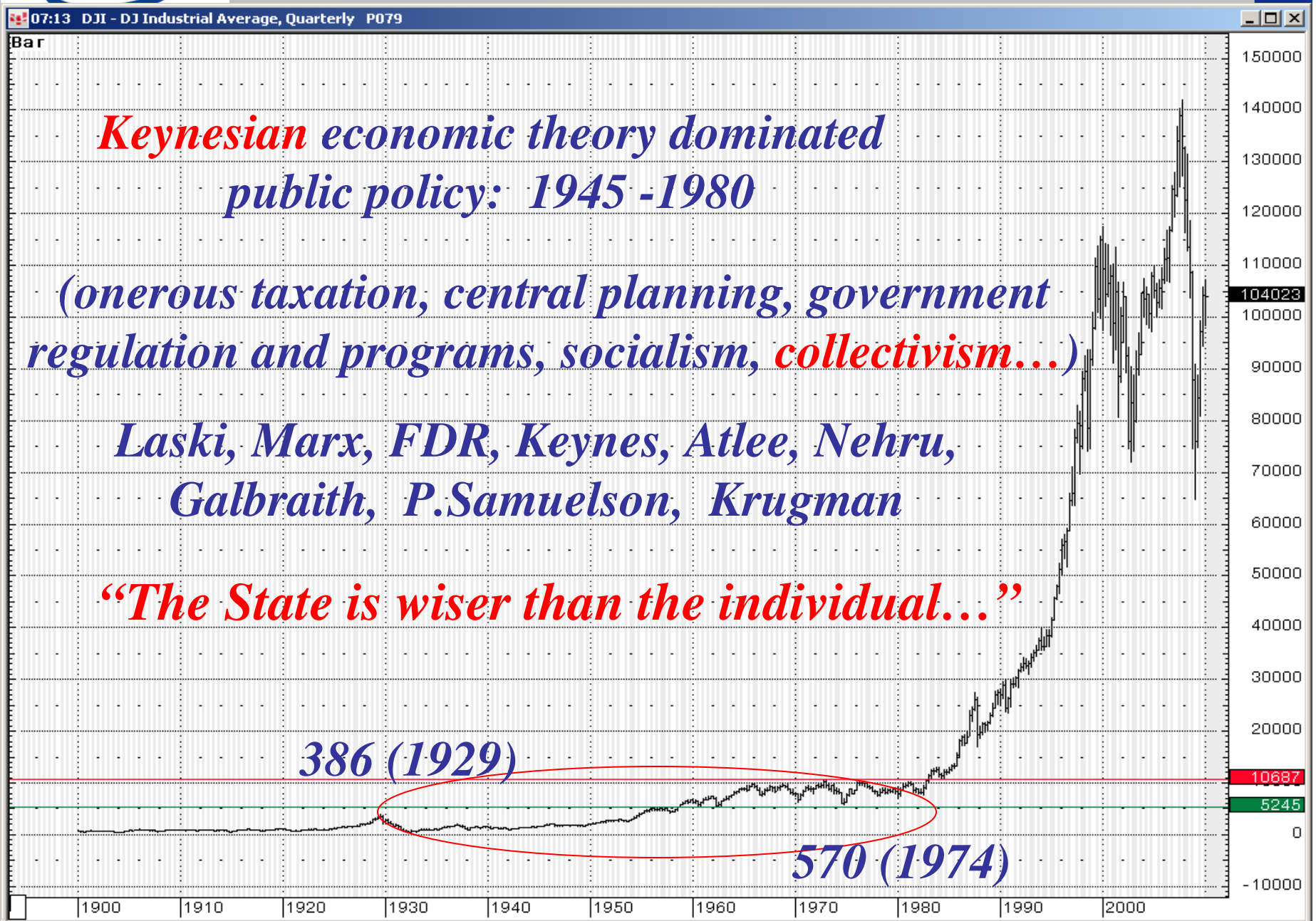
Al Ambrose
Vice President, Risk Management
Oilseed Processing
CHS

R. J. O’Brien - I.B. Conference
Gainey Ranch - Phoenix, AZ
February 27, 2010

- *1945 U.K. elects Clement Atlee PM (Fabian Socialist) . Fabian socialism: advancement of social democracy via gradualist and reformist means*
- *He **nationalized** banks, coal, steel, roads, rails, aviation, electricity, telegraph. Created NHS (**National Health Service**) and **welfare system***
- *35 years of economic sclerosis and stagnation under government and trade union dominance*
- *Much of the developed world followed suit*



Dow Jones Industrial Index - Quarterly - 109 years





and then...

A New Era of
LEADERSHIP

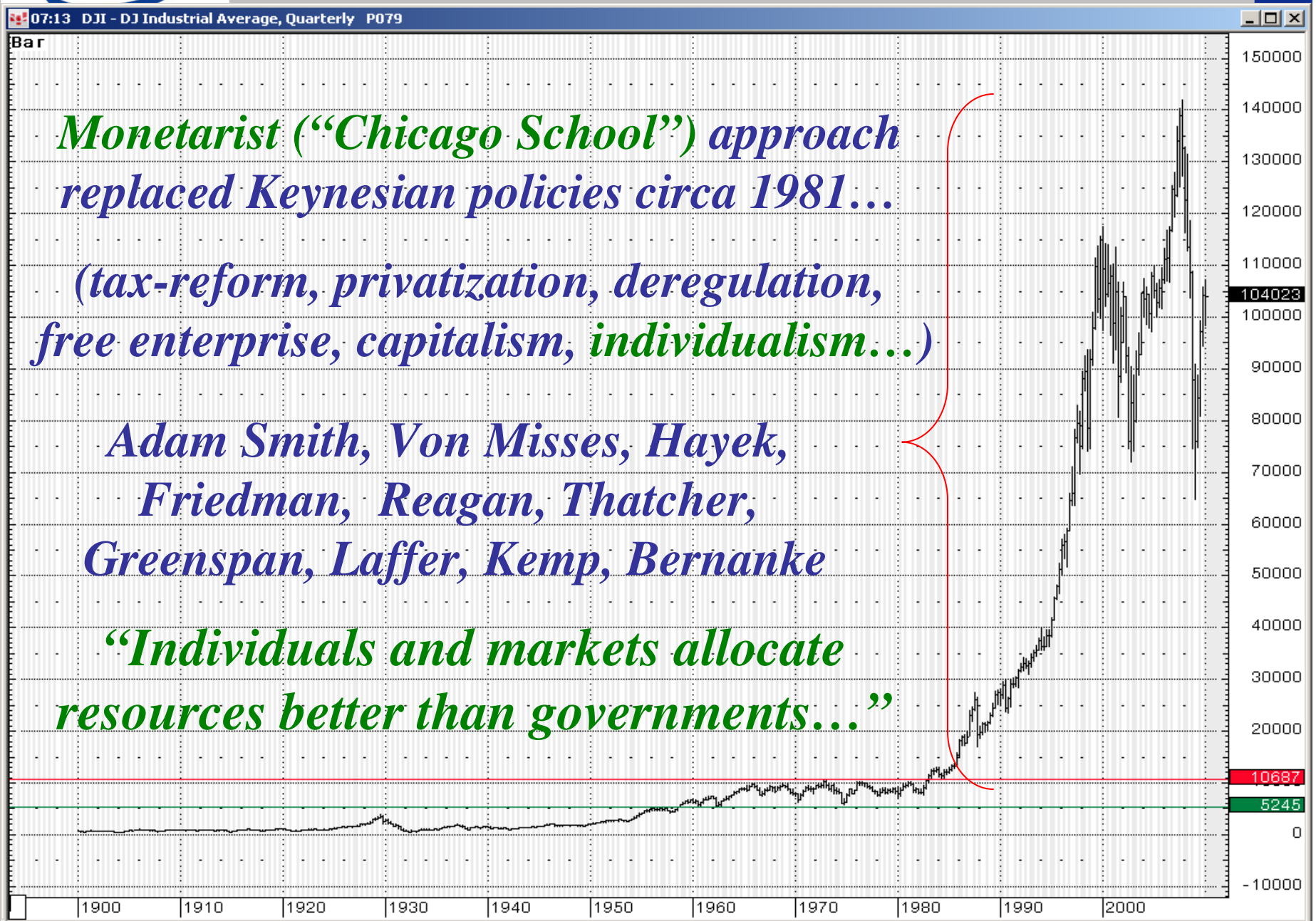


A Remarkable Sequence of Events Leads Global Transformation

- *1979 - 1990 Margaret Thatcher as U.K. PM privatizes 2/3 U.K. state-run industries, deregulates, cuts taxes (basic rate of 33% to 25%, top wage rate of **98% cut to 40%**)*
- *1980 - 1988 Ronald Reagan as U.S. President cuts taxes (top tax of **78% cut to 35%** [**was 91% in 1961**], promotes trade reform and deregulation, pursued S.D.I.*
- *U.S./U.K. lead global economic recovery (**S&P 500 & U.K. FTSE triple in 5 years... '82 -'87**)*



Dow Jones Industrial Index - Quarterly - 109 years



A Formula for Prosperity

- ***Rule of Law (ordered liberty)***
- ***Property rights (i.e. limited taxation)***
- ***Capitalism (individual opportunity)***
- ***Competition (creative destruction)***
- ***Trade (comparative advantage)***
- ***Sensible immigration policy***
- ***Democracy?***
- ***In America, capitalism predated our CONSTITUTIONAL REPUBLIC by centuries***



Dow Jones Industrial Index - Quarterly - 109 years





*U.S. Household Net Worth (**trillion** dollars)*

- 1950 1.0
- 1970 3.4
- **1980 9.4**
- 1990 20.2
- 1999 42.7
- 2003 40.9 (-4%)
- **2006 64.5**
- 2009 (Q1) 48.5 (-25%)
- 2009 (Q2) 53.4 (+10%)

*Grew 7-fold
in 27 years!*

*Even now, still 5.7x
1980 level...*

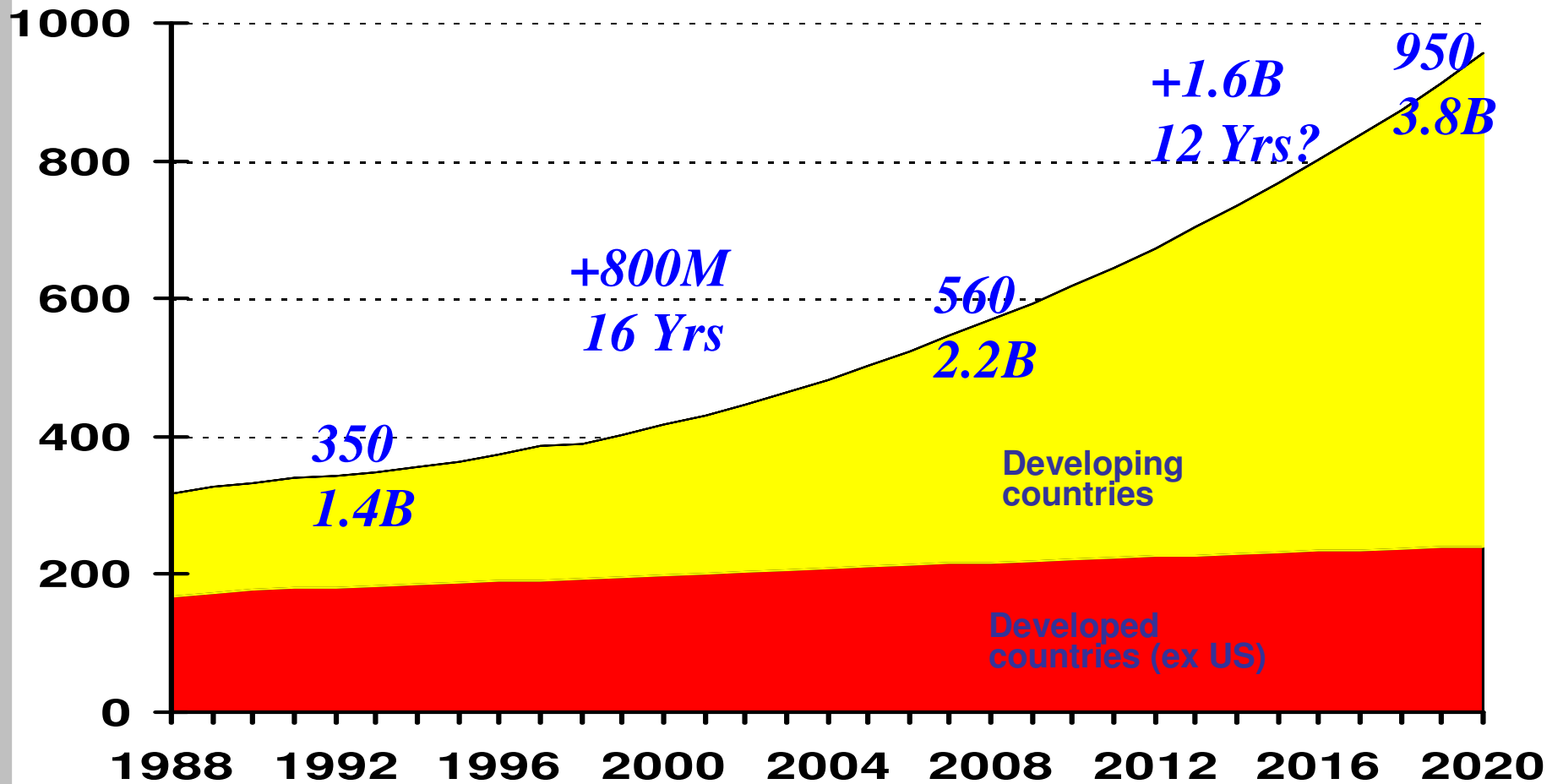
Up 30% since 2003

*53.1 trillion seconds
is 1.69 million years...*



Strong Economic Growth, Especially In Developing Countries, Stimulates Demand For Both Food And Fuel

**Foreign households w/ real PPP incomes greater than \$20,000 a year
(in millions of households)**



Source: Global Insight's Global Consumer Markets data as analyzed by OGA/FAS/USDA

*Impact of Prosperity on
Global Vegetable Oil and
Protein Consumption*

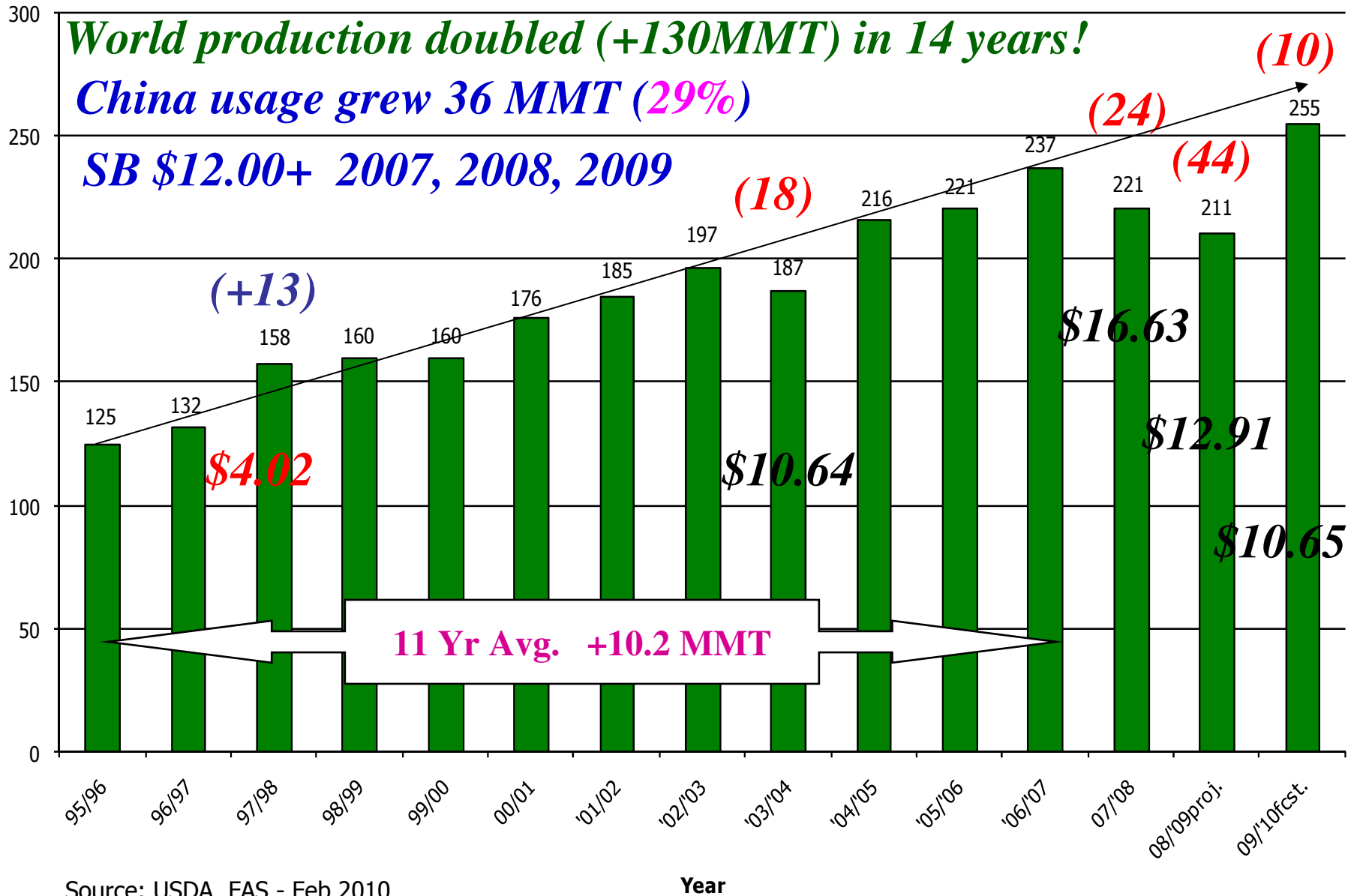


Global Prosperity versus Soy Consumption

- *As the very poor advance economically, they move from grains to vegetable oils to meat.*
- *Per capita vegetable oil consumption in the poorest countries is used by IMF as one measure of changing living standards.*
- *Soybeans ~ protein ~ meat ~ prosperity*
- *Very poor people do not purchase meat.*
- *In many developing countries, massive job creation and rapidly advancing incomes spur improved dietary intake.*
- *The result? An unprecedented global expansion of vegetable oil and protein consumption.*



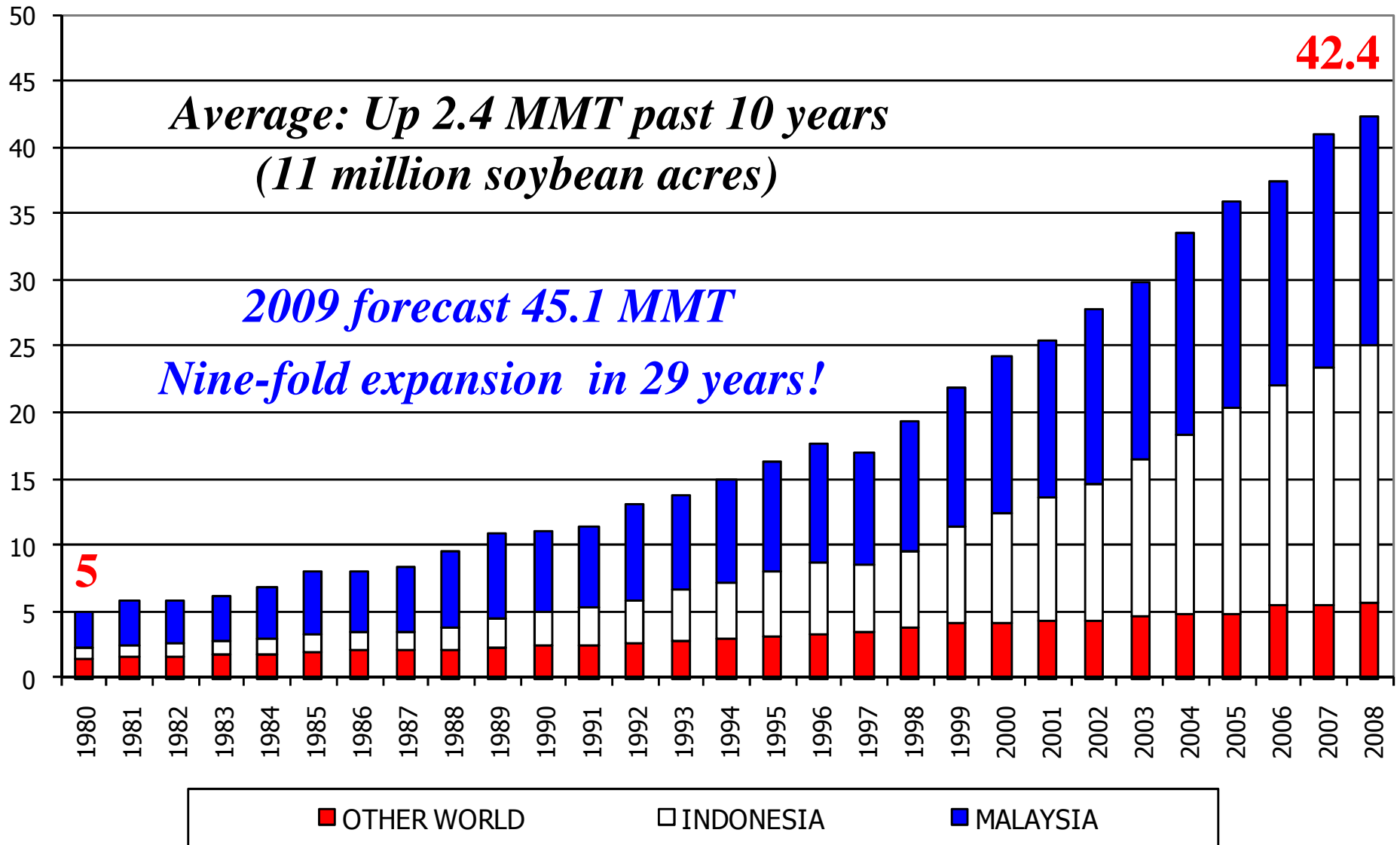
World Soybean Production 1995-2009 (Million Metric Tons)



Source: USDA FAS - Feb 2010

Year

Malaysian, Indonesian, Other World Palm Oil Production (Million Metric Tons)



Source: USDA FAS - Feb 2010



World Vegetable Oil Production (9) (Million Metric Tons)

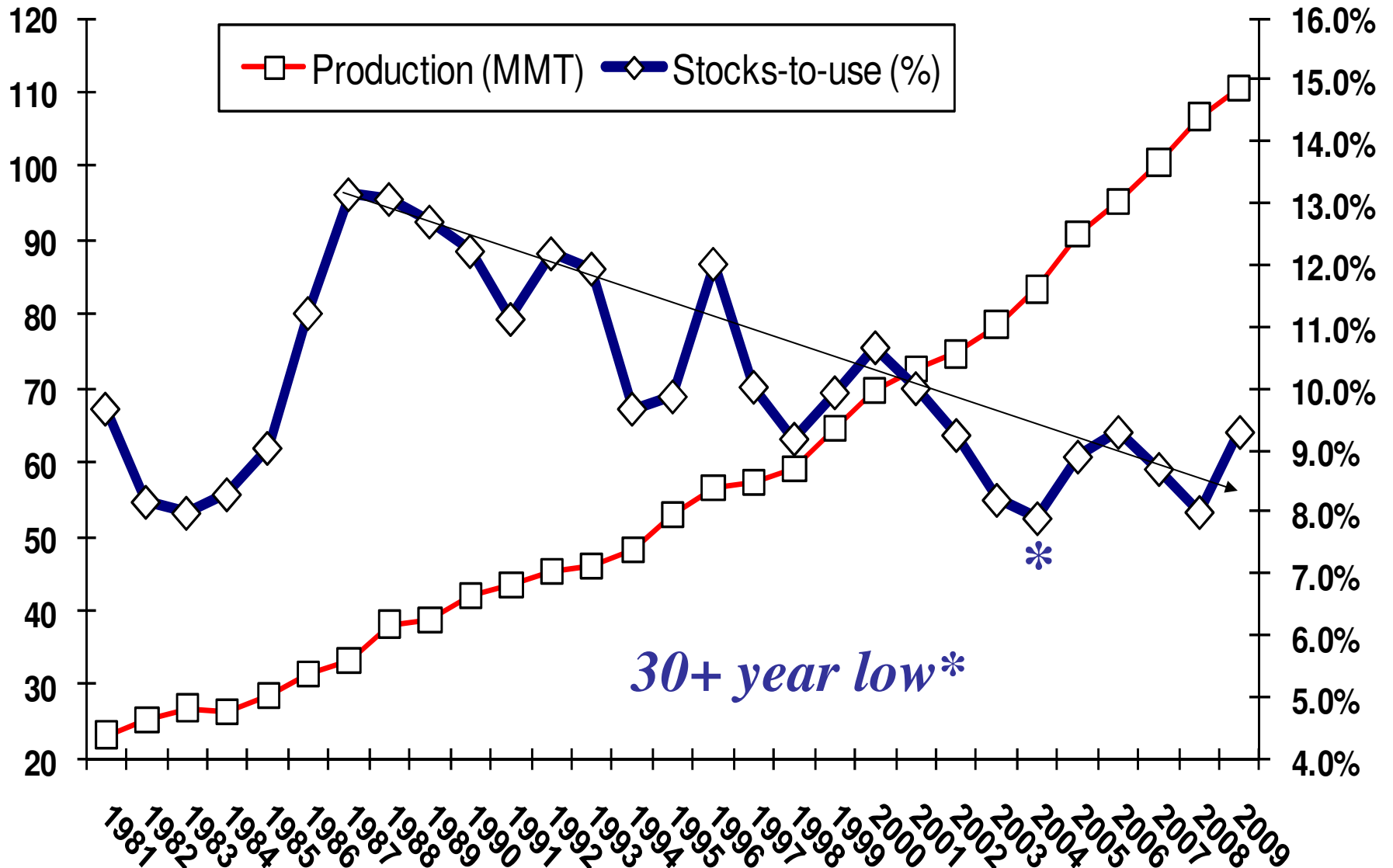
	80/81		09/10		Percent Change
Palm	4.9	} 23.2 69%	45.1	} 116 85%	+820%
Soybean	9.8		37.8		+286%
Rape	3.9		22.0		+464%
Sun Seed	4.6		11.3		+146%
Peanut	2.3		4.5		+96%
Cotton	2.9		4.7		+62%
Palm Kernel	0.5		5.3		+960%
Olive	1.9		3.0		+58%
Coconut	2.8		3.7		+32%
Total	33.6		137.4		+309%

World production quadruples in 29 years! (6X)

(World Population + 50.5% same period)



World Production vs. Year-end Stocks-to-Use Ratios (Big-4 Oils: Palm, Soy, Rape, Sun)

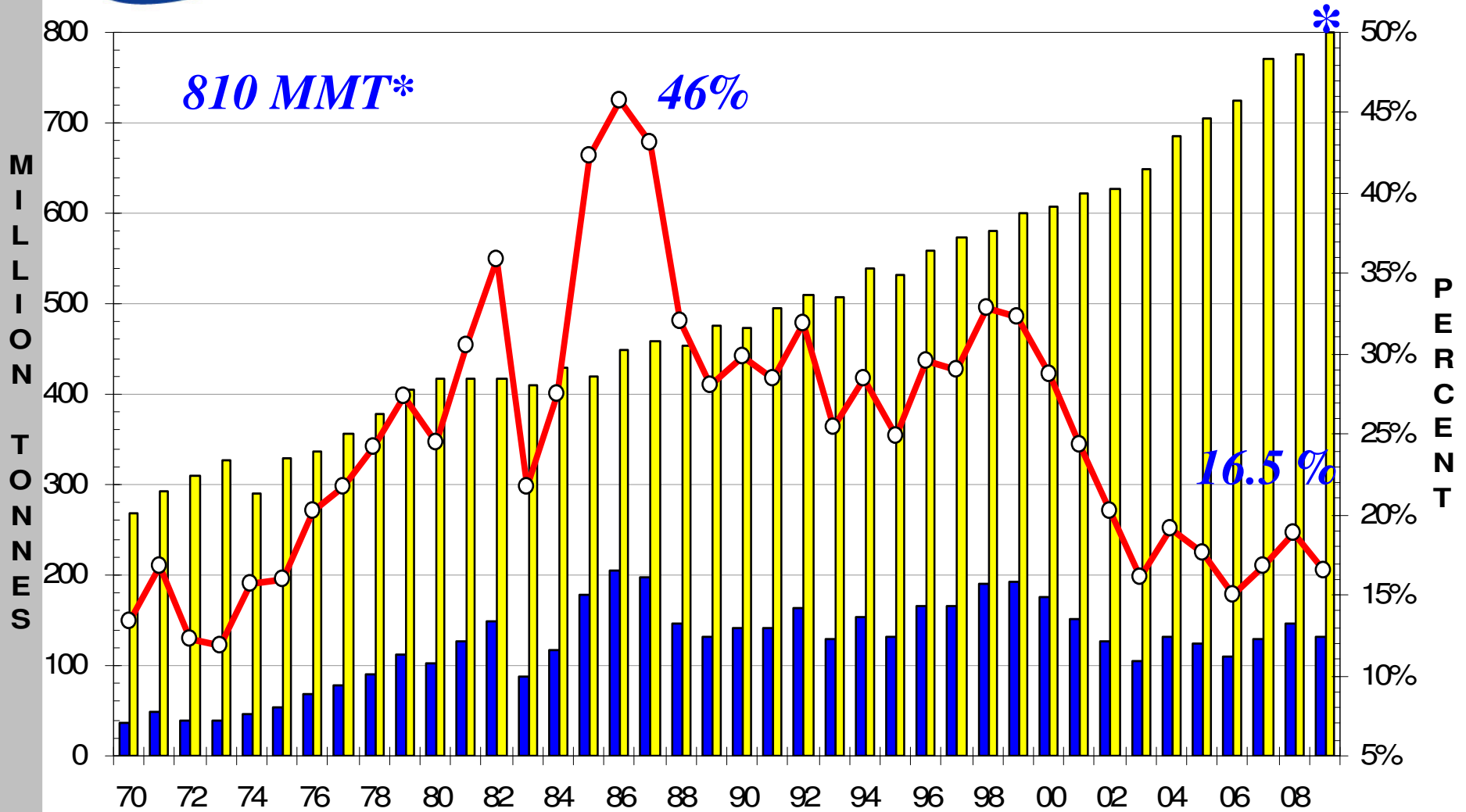


*30+ year low**

**This trend prior to recent bio-fuels phenomenon...*



World Corn Ending Stocks, Consumption and Stocks to Use % (Million Metric Tons)



Feb 2010

Source: USDA & Citi

YEAR BEGINNING ON JUNE 01

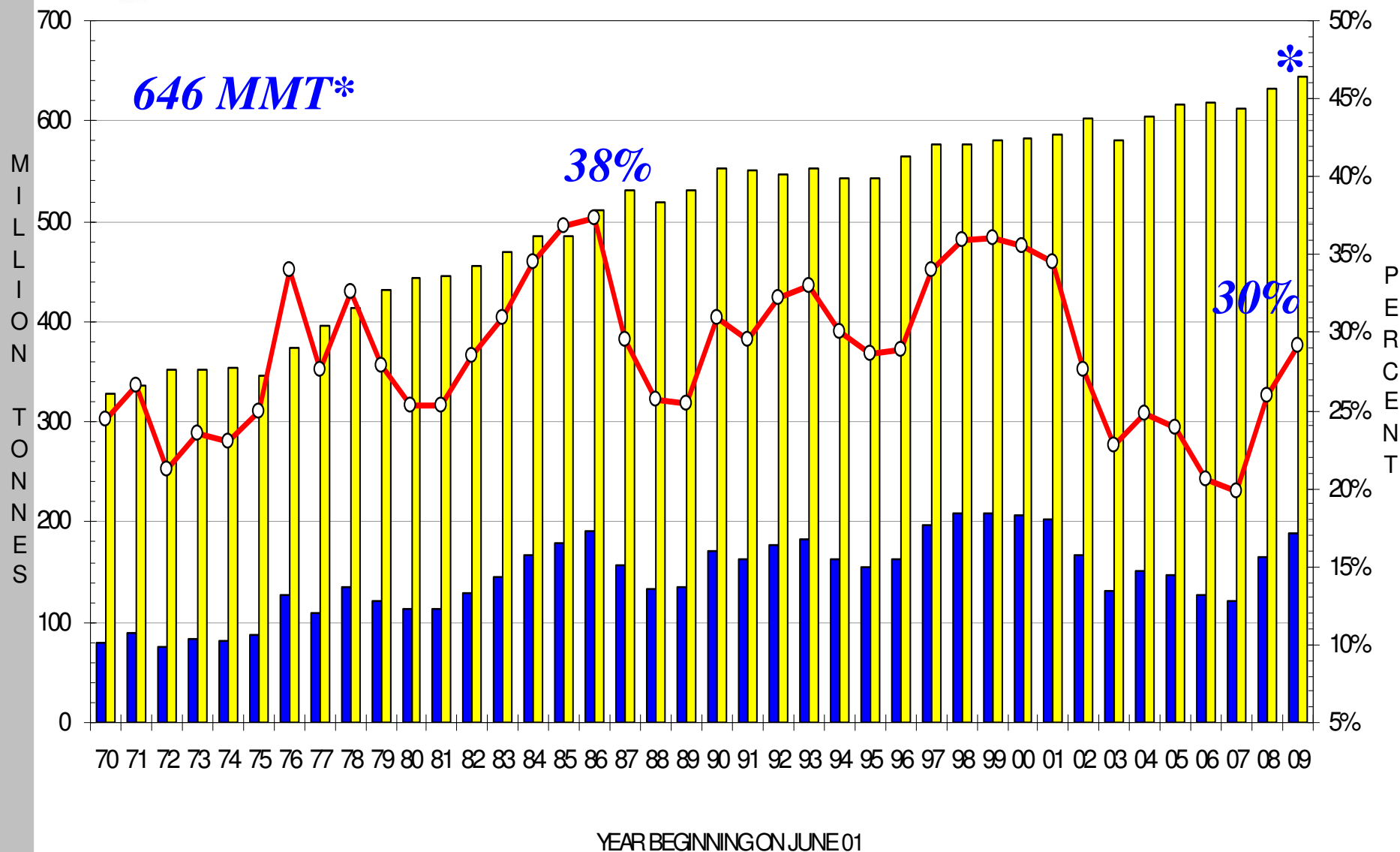
Ending Stocks

Total Consumption

STU %



World Wheat Ending Stocks, Consumption and Stocks to Use % (Million Metric Tons)

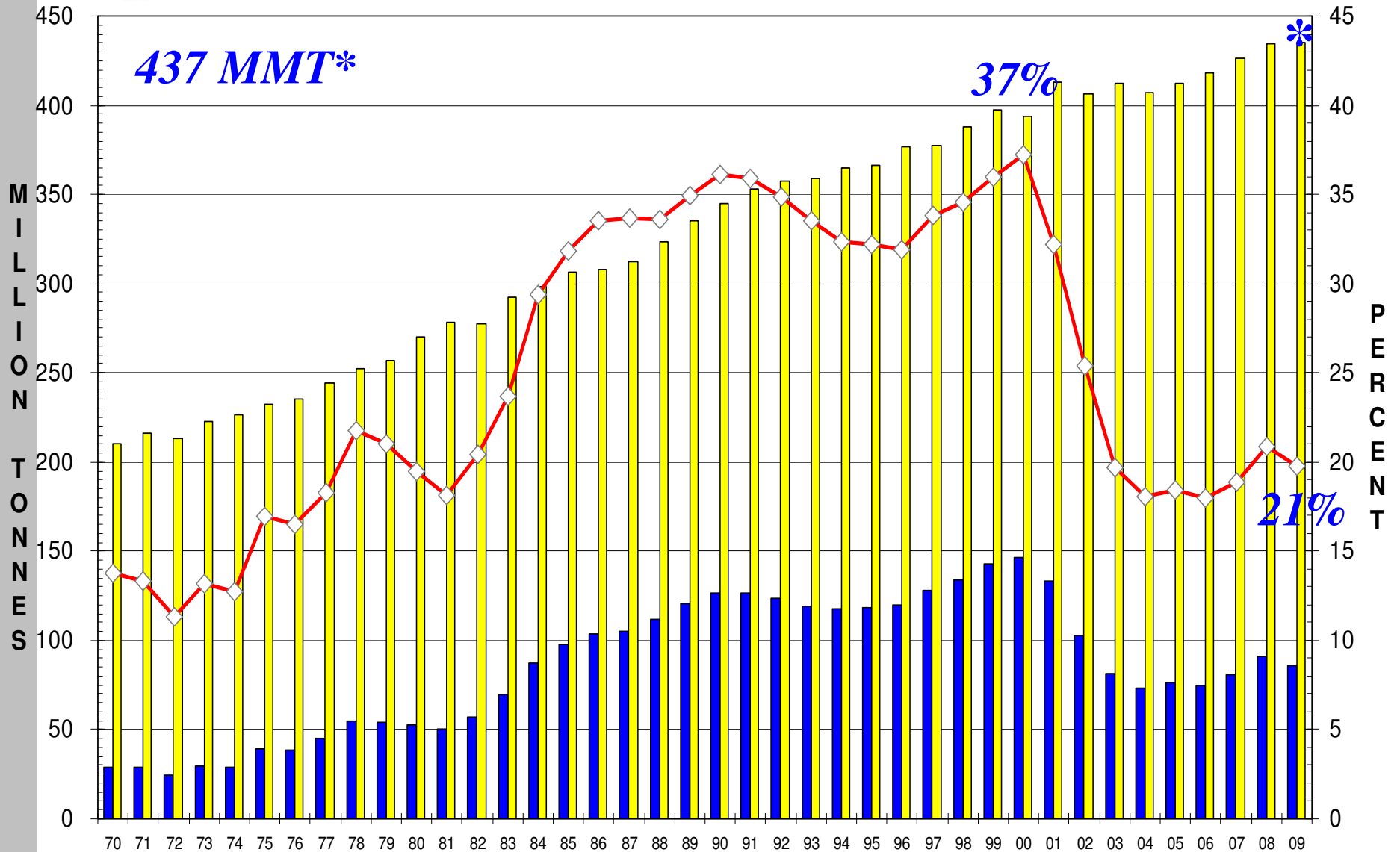


Feb 2010
Source: USDA & Citi

■ Ending Stocks ■ Total Consumption -○- STU %



World Rice Ending Stocks, Consumption and Stocks to Use % (Million Metric Tons)



Source: USDA & Citi

Feb 2010

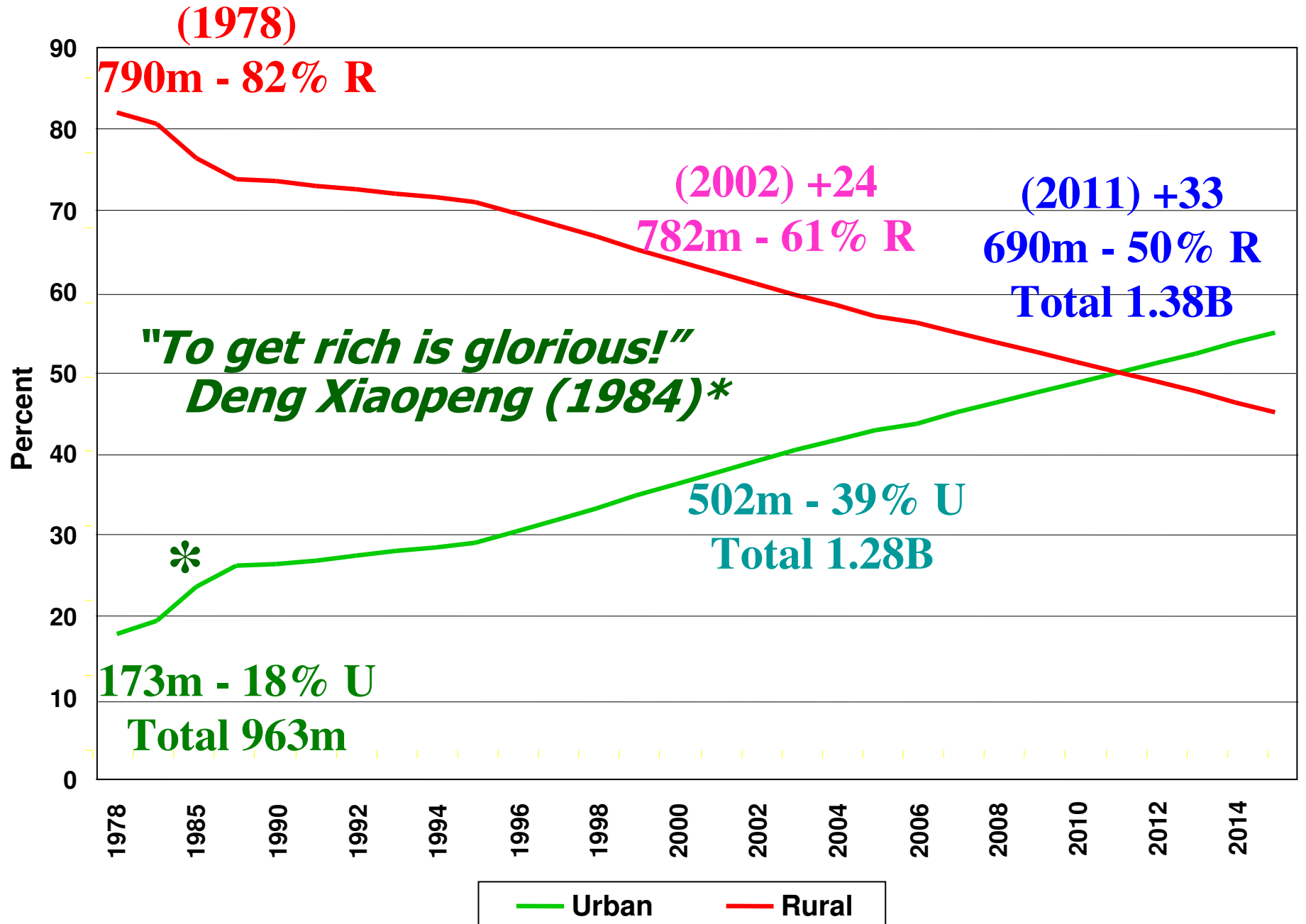
STOCKS

USAGE

STK/USE

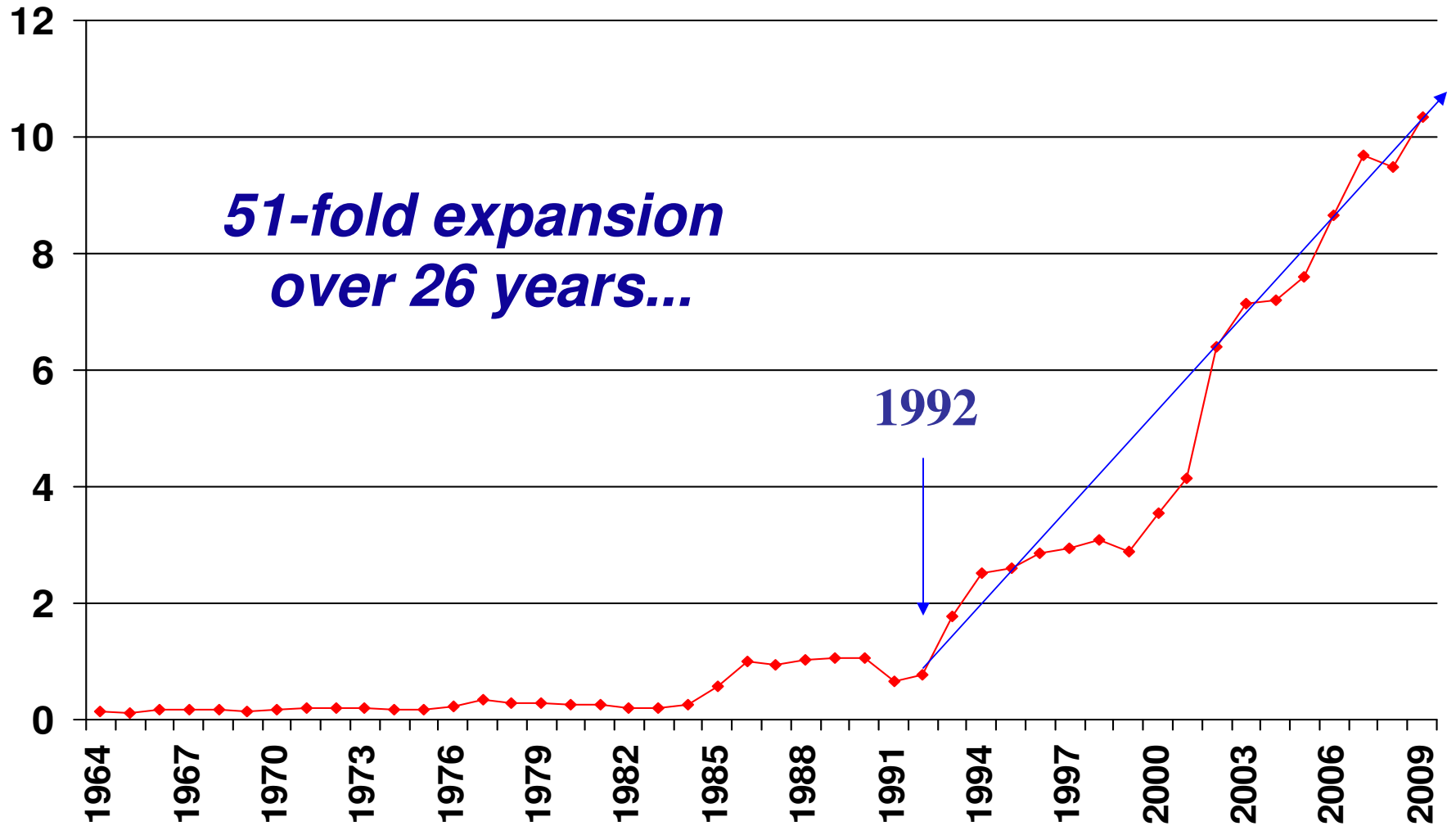


China – Rural versus Urban Population





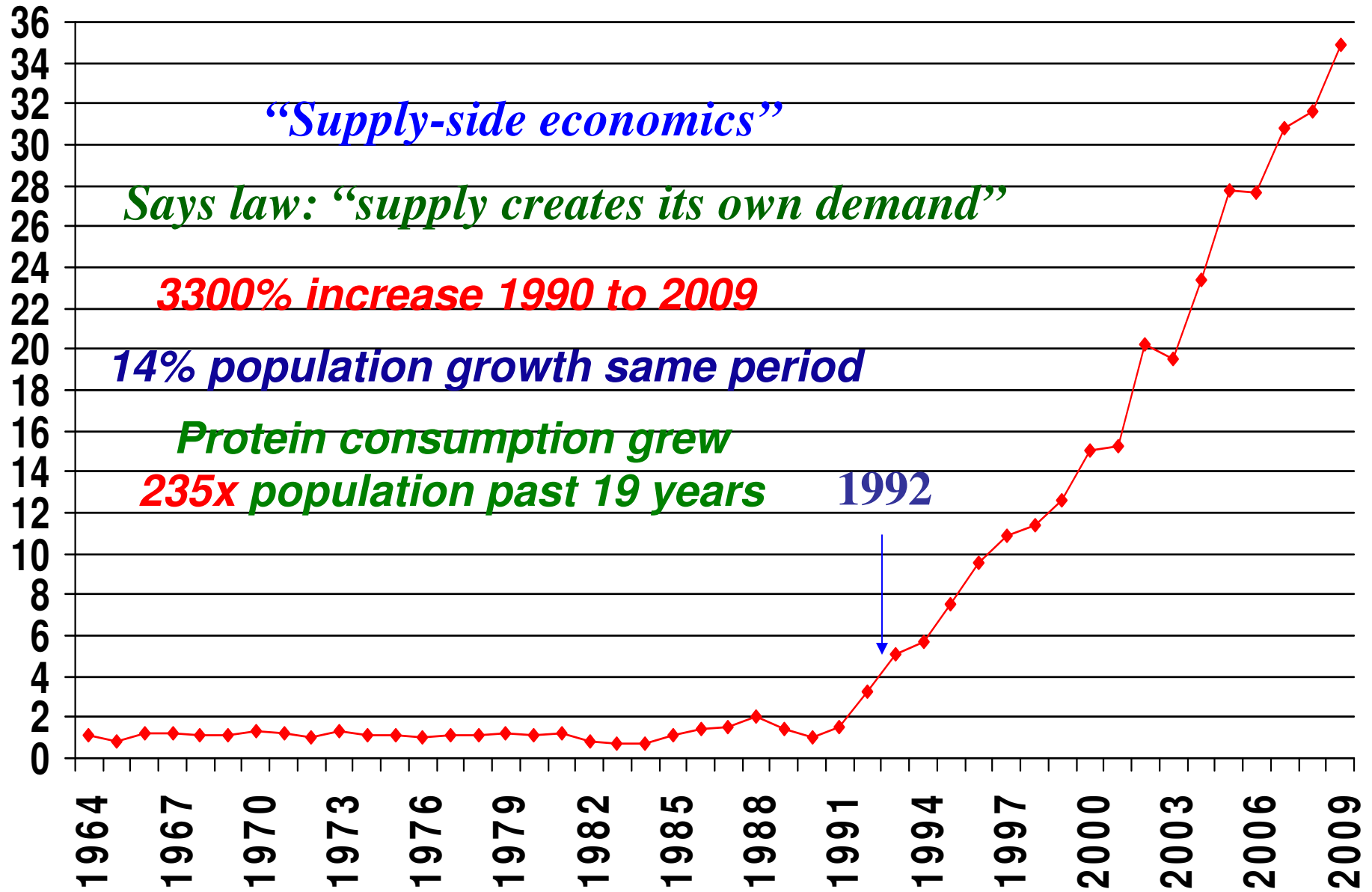
Chinese Soybean Oil Consumption (Million Metric Tons)



Source: USDA - Feb 2010



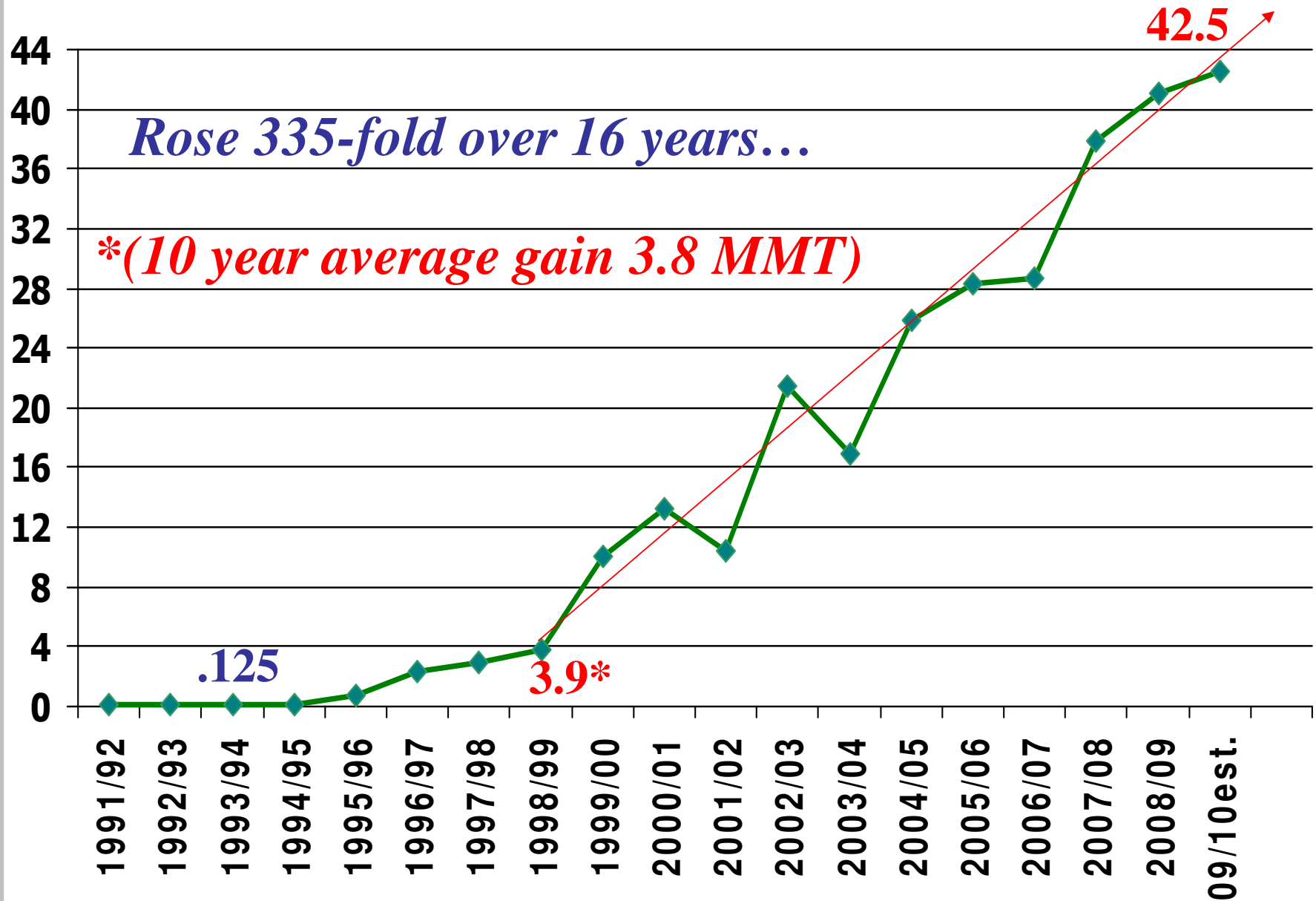
Chinese Soybean Meal Consumption (Million Metric Tons)



Source: USDA - Feb 2010



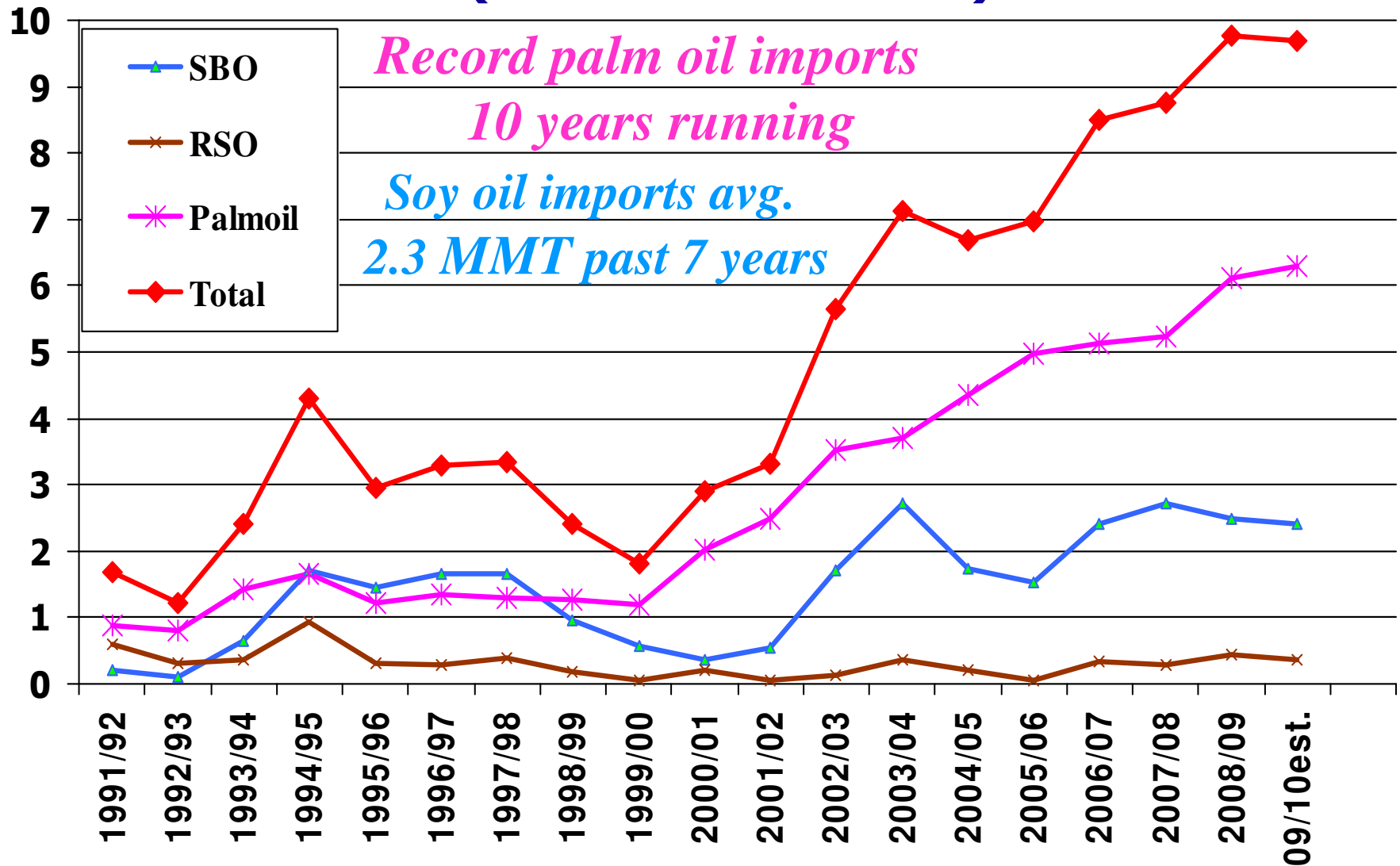
Chinese Soybean Imports (MMT)



Source: USDA - Feb 2010



Chinese Vegetable Oil Imports (Million Metric Tons)



Source: USDA - Feb 2010

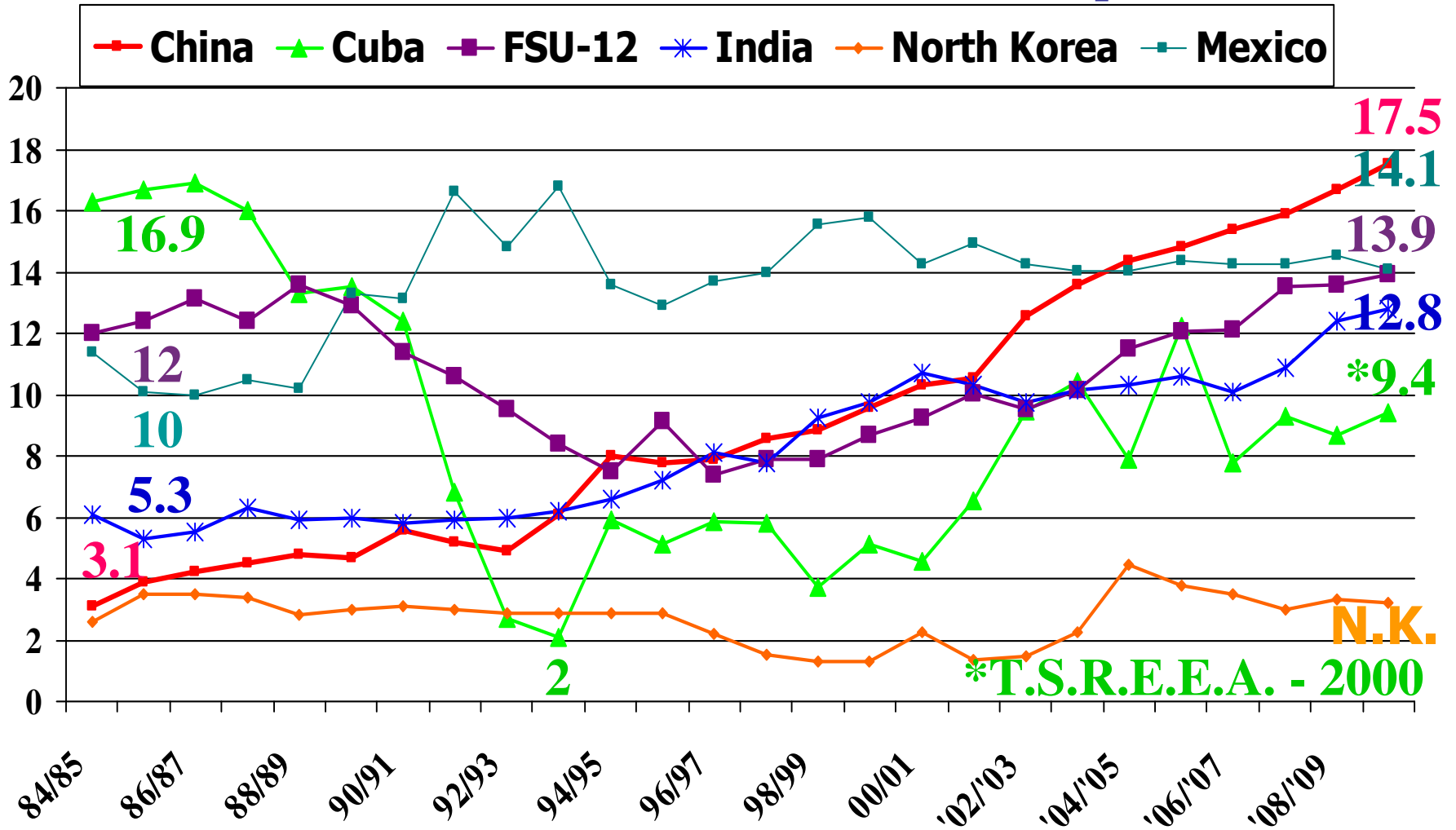


Vegetable Oil Disappearance (KG P/C)

Socialistic Democracy?

Capitalistic Autocracy?

U.S. 32.3; Canada 22.4; EU-25 27.3; Japan 15.8



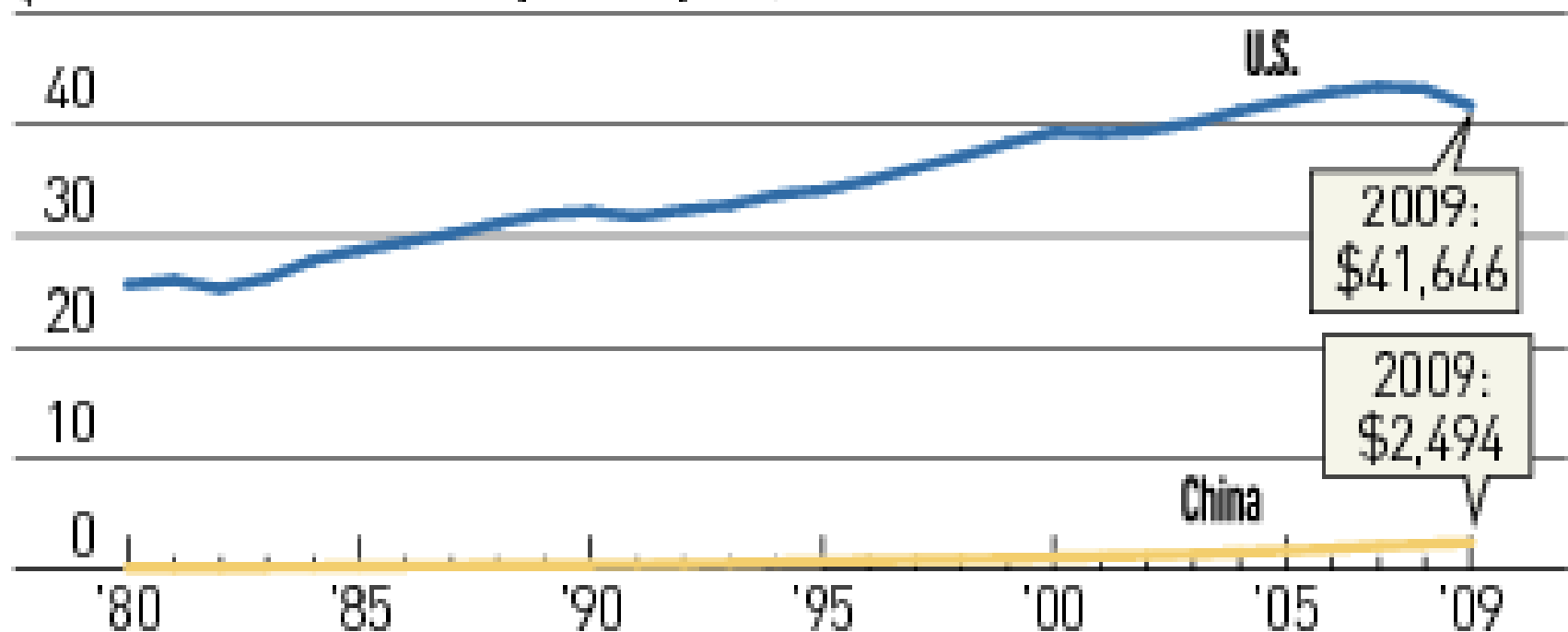
Source: USDA - FAS - Dec 2009

**Trade Sanctions Reform Export Enhancement Act of 2000*

The China Syndrome

Media accounts of China roaring past major world economies — particularly the U.S. — are greatly exaggerated

\$50 **Real 2005 GDP per capita, in thousands**



Source: U.S. Dept. of Agricultural, Economic Research Service

The Outlook...

- ***The pervasive spread of economic freedom, free enterprise, and optimism trumps terrorism***
- ***Food-demand growth rates still advancing***
- ***Free-market principles, enlightened policy, and the indomitable human spirit still required if the advance of the human condition to continue***
- ***The forward march of global prosperity currently hangs in the balance***

- ***Caveats...***
- ***Rising protectionism, isolationism, collectivism, and overt nationalism pose greater threats to broadening prosperity than terrorism***
- ***Excessive taxation, litigation, and oppressive levels of regulation always inhibit growth***



***"...Once you begin a great movement,
there's no telling where it will end. We
meant to change a nation, and instead,
we changed a world."***

**President Ronald Reagan
Farewell Address to the Nation
Oval Office - January 11, 1989**



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Thank you!

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