


**Enjoy the Growth  
Prepare for Next Shock**

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Wells Fargo Ag Industries

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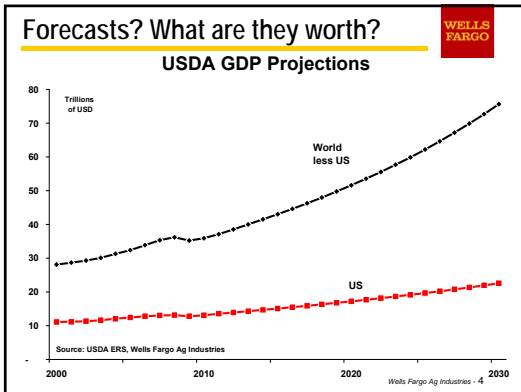

**Dressed for 41 degrees in  
Fargo, ND**

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**Right on the trend  
Wiped out by the volatility**

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**Remember: People eat**

**Population in millions**

Country	2000	2010	2020
Brazil	176	201	223
China	1,264	1,330	1,385
India	1,006	1,173	1,326
Indonesia	214	243	268
Mexico	100	112	125
South Africa	45	49	49
South Korea	47	49	49
US	282	310	341

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**Steering the iceberg**

**Annual Growth Rate**

Country	2000	2010	2020
Brazil	1.4	1.2	0.9
China	0.6	0.5	0.2
India	1.7	1.4	1.1
Indonesia	1.5	1.1	0.8
Mexico	1.4	1.1	0.9
South Africa	1.2	(0.1)	0.1
South Korea	0.8	0.3	0.1
US	1.1	1.0	0.9

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### We're not as young as we were

Country	Median Age		
	2000	2010	2020
Brazil	25.3	29.0	33.6
China	29.6	34.2	37.1
India	22.6	25.0	28.1
Indonesia	24.8	28.2	32.0
Mexico	23.4	27.6	31.9
South Africa	23.0	24.9	26.5
South Korea	32.1	37.9	43.2
US	35.1	36.6	37.9

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### Now, let's talk money

Country	Real GDP per Capita		
	2000	2010	2020
Brazil	\$ 4,856	\$ 6,010	\$ 8,801
China	\$ 1,152	\$ 2,802	\$ 5,934
India	\$ 547	\$ 965	\$ 1,951
Indonesia	\$ 1,107	\$ 1,621	\$ 2,507
Mexico	\$ 7,025	\$ 7,373	\$ 9,575
South Africa	\$ 4,154	\$ 5,198	\$ 8,172
South Korea	\$ 14,468	\$ 20,855	\$ 29,404
US	\$ 39,750	\$ 42,517	\$ 50,594

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- ### The take-away
- **Population**
    - ◆ Absolute growth
    - ◆ Rate of growth slowing dramatically
    - ◆ Aging almost everywhere
  - **Income**
    - ◆ Poorest benefiting the most
    - ◆ US is widening its lead in absolute terms
  - **Ag demand will be absolutely excellent**
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### The US is the OPEC of food

		United States	Mexico	China	India	Indonesia	Brazil	South Africa
Wheat	2009/10	195%	38%	87%	69%		25%	41%
	2010/11	205%	37%	91%	73%		31%	32%
Coarse Grains	2009/10	693%	150%	76%	18%	17%	179%	175%
	2010/11	672%	180%	83%	22%	21%	167%	167%
Rice Milled	2009/10	34%	3%	159%	118%	232%	59%	0%
	2010/11	36%	3%	158%	122%	233%	64%	0%
Total Grains	2009/10	410%	87%	96%	53%	55%	108%	99%
	2010/11	402%	101%	101%	58%	59%	106%	93%
Oilseeds	2009/10	493%	8%	67%	42%	60%	550%	38%
	2010/11	501%	8%	65%	46%	63%	552%	47%
Cotton	2009/10	265%	24%	162%	133%		184%	
	2010/11	349%	32%	134%	131%		241%	

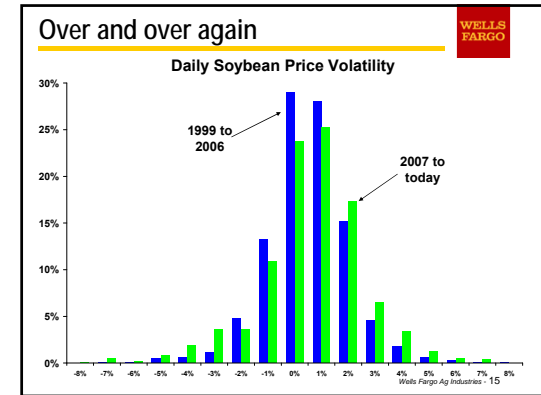
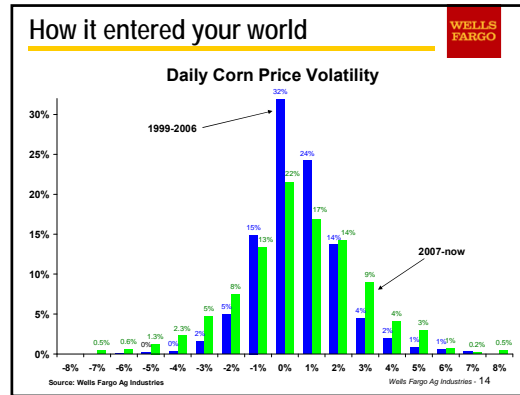
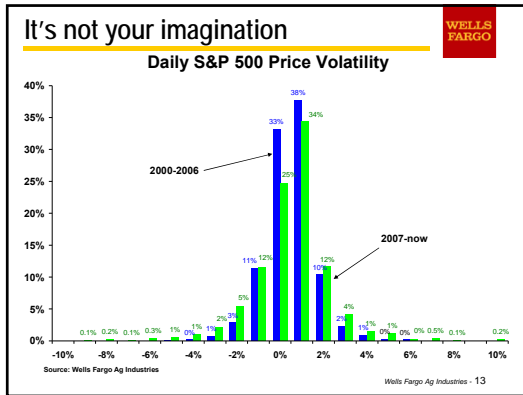
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In the end  
The US is the "go to" supplier

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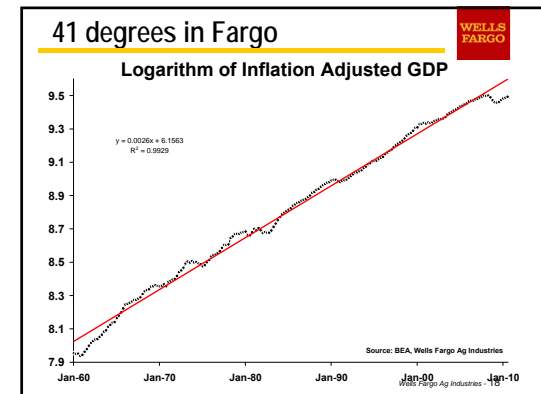
Economic volatility will be rising. What does that mean to your strategy?

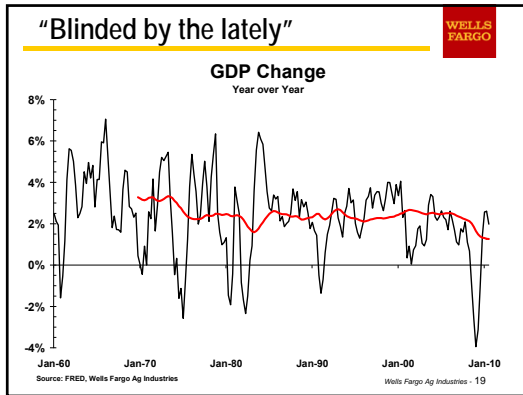
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- ### What's driving volatility
- Globalization and integration
  - Speculators
    - ◆ Electronic trading
    - ◆ Portfolio models
  - Biofuels policy
    - ◆ Love it or hate it – that's your business
    - ◆ Major input and now a major output
  - Sheer randomness
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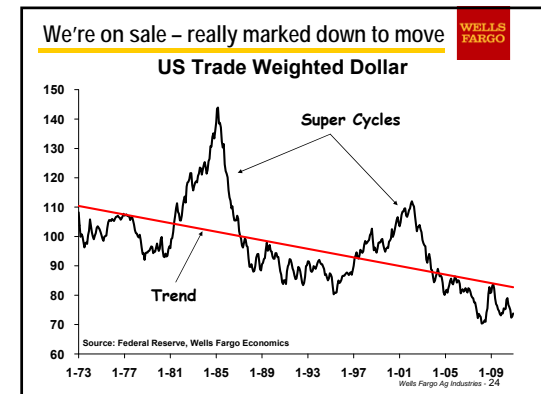
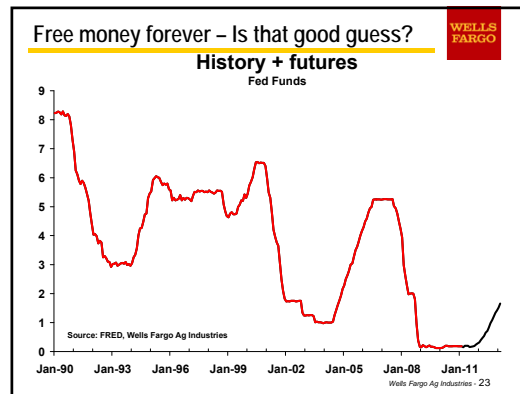
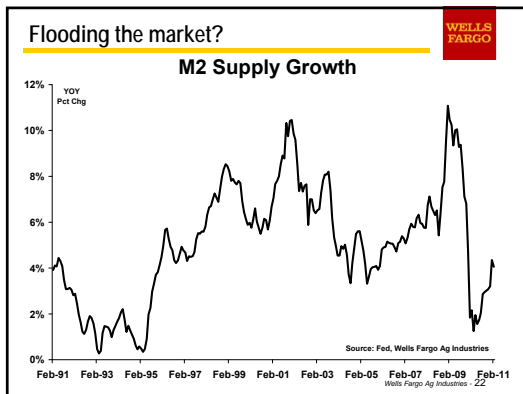
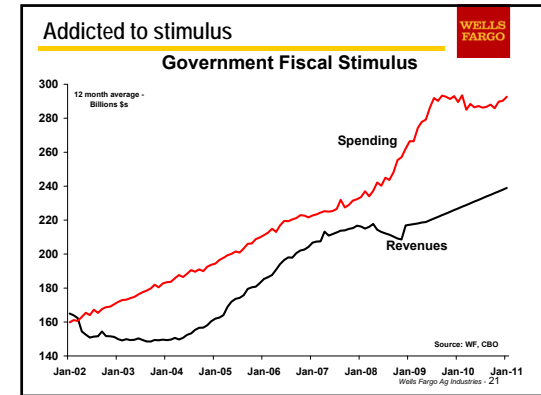
- ### Planning can't be about predicting
- Drunken monkeys throwing darts
  - Risk management
    - ◆ Own
    - ◆ Rent
  - Compensated risk
    - ◆ Theirs
    - ◆ Ours
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**So what have we been distorting lately?**

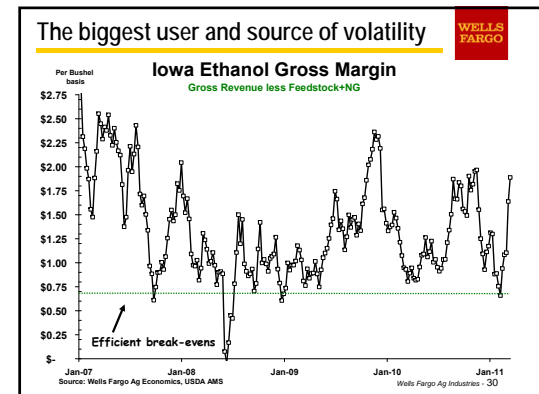
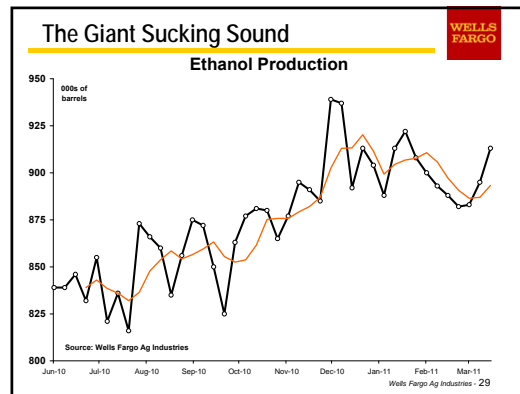
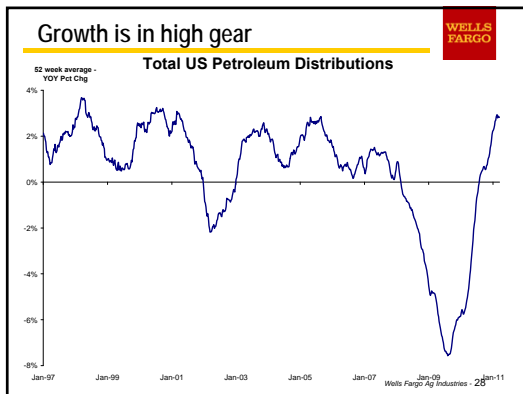
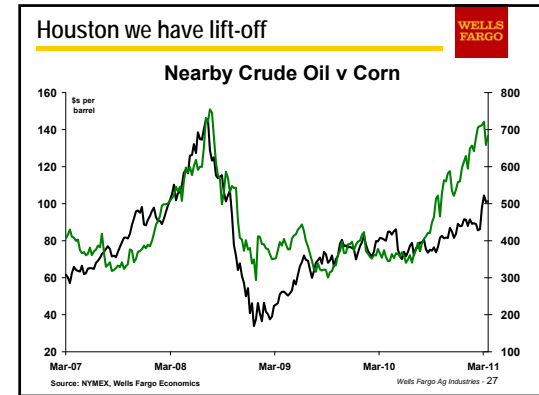
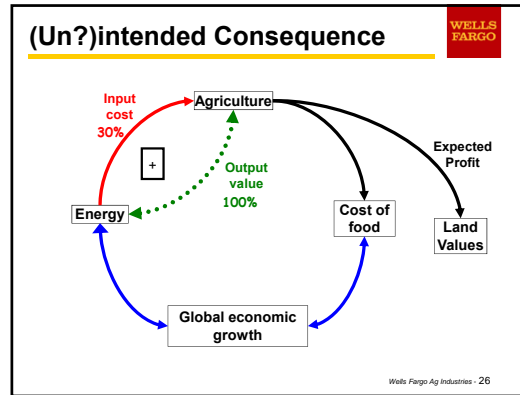
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**A quick show of hands.  
Who thinks they know what they're doing?**

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**We have deliberately combined weather and energy volatility.**

**We will live to regret that choice.**

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**So where does it leave me?**

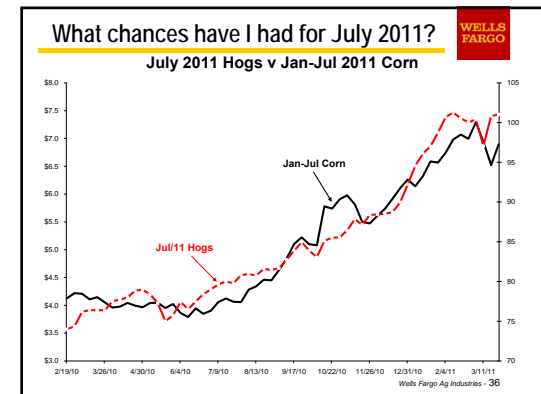
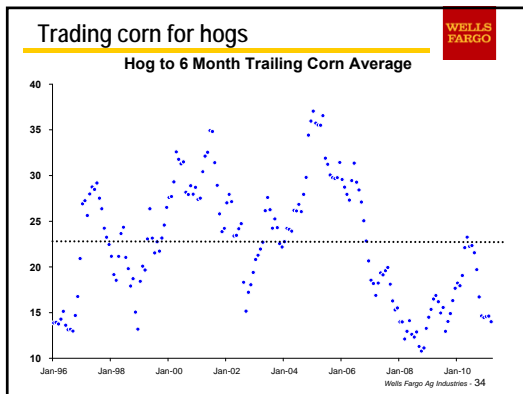
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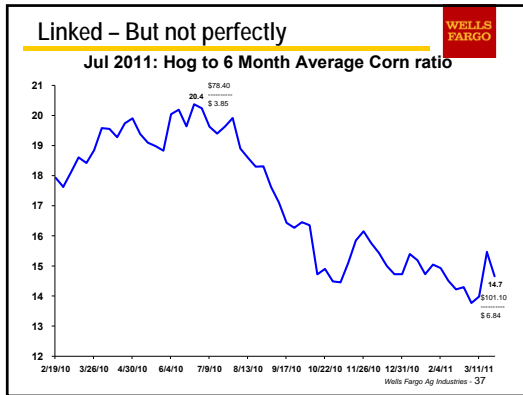
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**Managing what you can control**

- **Cash is king – long live the king**
- **Ground**
  - ◆ Own it smart
  - ◆ Rent it smart
- **Working the trade**
  - ◆ No guessing needed
  - ◆ Historical knowledge is key
  - ◆ Keeping fear and greed on short leashes

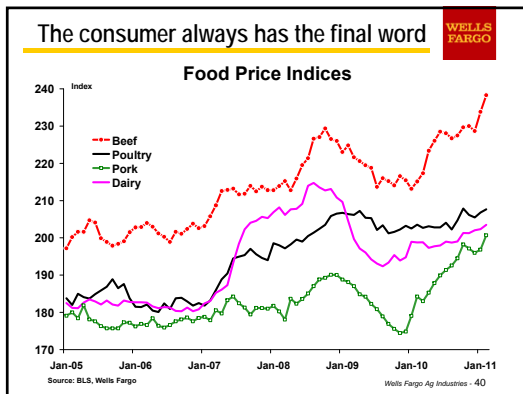
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- ### Nuance
- **Hog to Feed**
    - ◆ Know your ratios
    - ◆ Good opportunities can be 1 year out
    - ◆ Avoid the extremes
  - **Hog to overhead**
    - ◆ Ratios still work
    - ◆ Time horizons
    - ◆ What is really a “fixed” cost
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- ### Some assertions
- **Corn no longer cares about protein**
    - ◆ Energy rules the price outlook
    - ◆ Speculators “assume”
  - **2011 to 2012 will be strong economy**
  - **We can't grow enough corn to make it cheap in this environment**
    - ◆ Only demand doubts will crack this market
    - ◆ Average + Poor > Excellent
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- ### Key questions
- **Do these ratios still work?**
    - ◆ The world runs on ratios
    - ◆ Everything returns to the averages
      - ☒ Things can get worse before they get better
      - ☒ You need to survive to benefit from the average
  - **What scenarios are reasonable?**
    - ◆ It's like shoveling snow
    - ◆ Possible ≠ Sustainable
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- ### Increasing volatility has consequences
- **Margin management v. “guessing”**
    - ◆ Risk management is never free
    - ◆ Deleveraging has a financial cost
  - **You need to**
    - ◆ “own” your program
    - ◆ not “rent”
  - **It's about the trade not the future**
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The "perfect" kills the "good"

- Hitting a "hole in one" is always luck
- Scratch golf = skill + practice

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**When the environment changes, it's the adaptable that thrive not the well adapted.**

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