



Commodities As An Asset Class: Special Emphasis on Agriculture

Presented by
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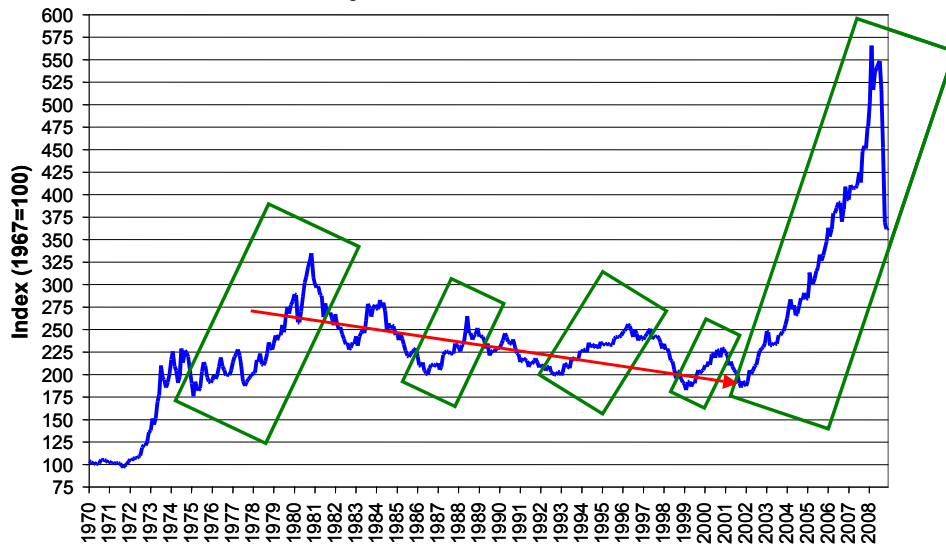
2009 Annual Meeting

National Alliance of Independent Crop Consultants

January 29, 2009

A New Era of Economic Relationships

Monthly Average Reuters - CRB Futures Index
January 1970 - December 2008



WHAT HAS CHANGED?

Stagflation Versus Global Expansion

- Commodity Markets Achieve Real Economic Value:
 - 1980 Base
 - ✓ \$80 - \$100 Crude Oil
 - ✓ \$4.00 - \$5.00 Corn

Will commodities be able to sustain real economic value: When history dictates dramatic reversions in prices to modestly higher historical means?

- Note Disinflation From 1977 Through 2001; Commodity Surge Starting In 2001 was Inflationary Catch-up In First Third of the Move
- Most Recent Commodity Price Surge Dwarfs Previous Four
- 1970's Commodity Price Inflation Fostered Consumer Price Increases of 15 to 16 Percent and Short Term Interest Rates of 22 Percent.
- Today's Extraordinary Commodity Price Inflation and volatility is Associated with 3 to 5 Percent Consumer Prices and 1 to 5 Percent Short Term Interest Rates

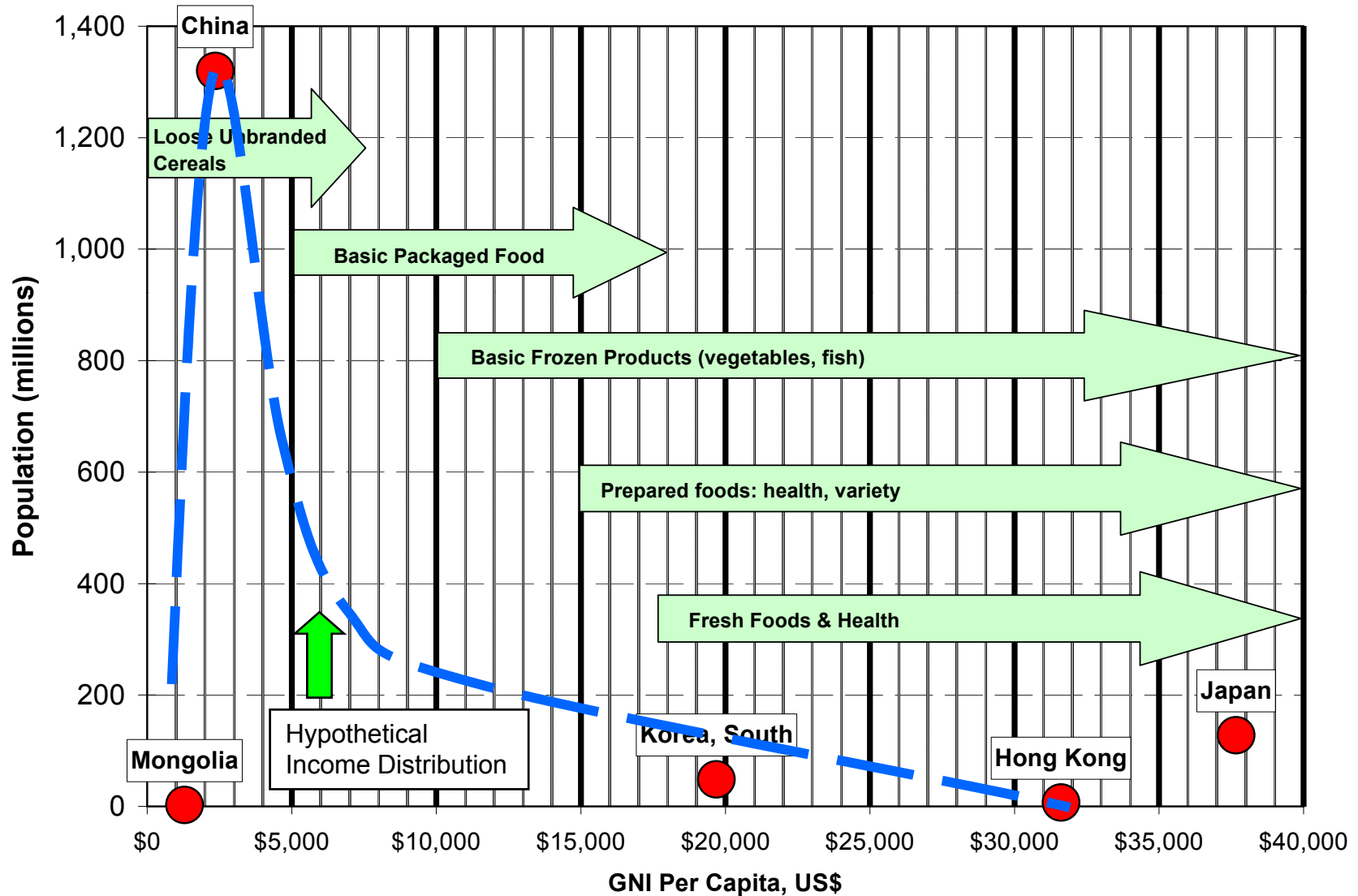
- **Commodity Inflation Was Growth Driven!**
- **What To Expect As Global Demand Sets-Back Due To Recession?**

Select World Macroeconomic Indicators

Indicator	2007	2008	2009	2010
Real Growth (% CH)				
World	3.8	2.2	-0.2	2.6
Asia/NIC/Emerging *	9.0	7.0	4.6	5.5
Latin America	5.2	4.3	2.2	3.2
Eurozone	2.6	0.9	-1.0	1.3
Country Specific				
United States	2.0	1.2	-2.1	2.7
Canada	2.7	0.6	-0.8	2.1
United Kingdom	3.0	0.8	-1.9	1.1
Japan	2.4	0.0	-2.3	1.1
China [Inflation Rate '06 1.5%]	11.8	9.0	6.3	7.0
India	9.0	8.5	6.1	6.8

* Note Asia (NIC): Korea, Taiwan, Hong Kong, Singapore; NIC (New ly Industrialized).
Emerging: China, India, Indonesia, Malaysia, Thailand.

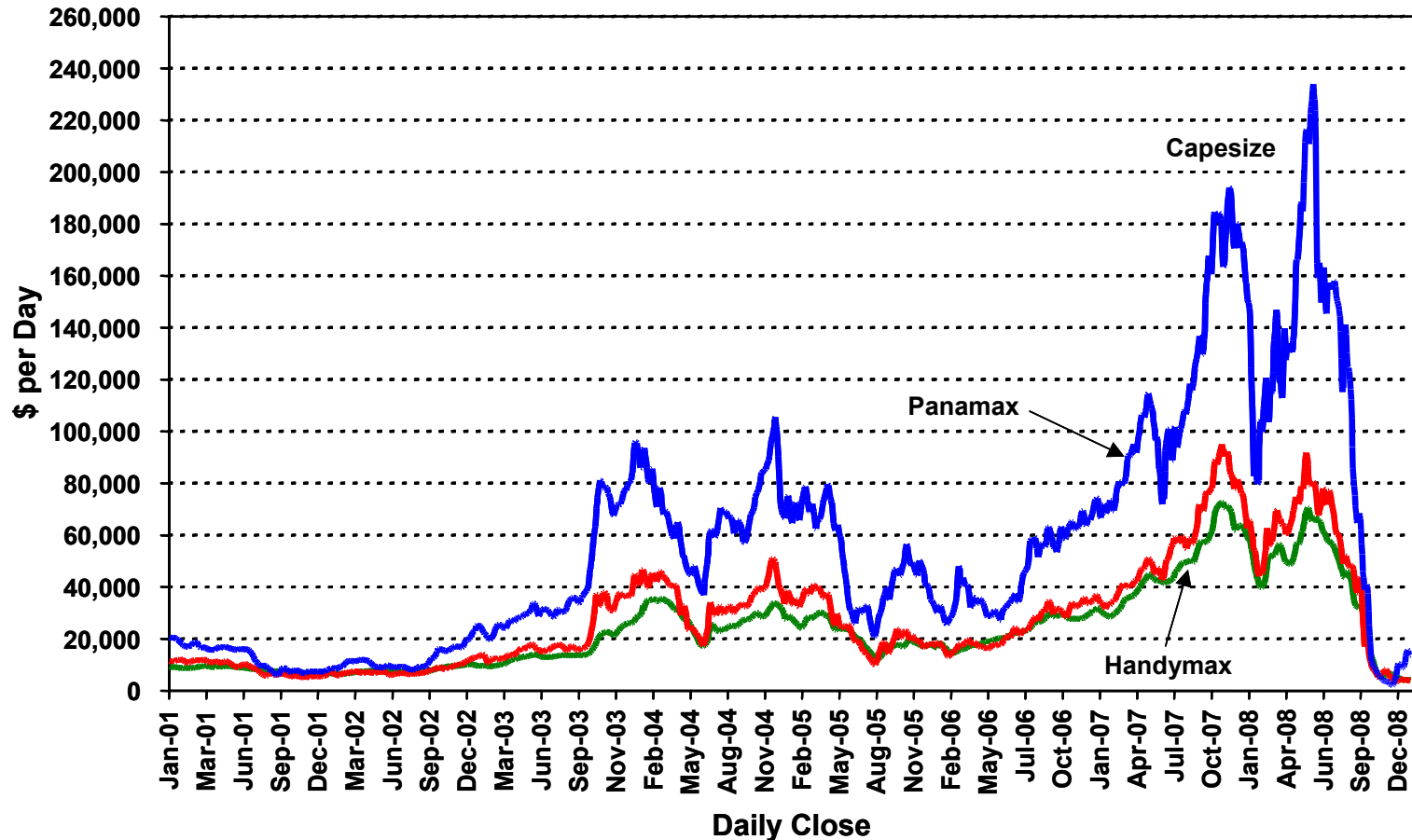
Trigger Levels of Gross National Income Per Capita for Different Types of Foods and the Potential Impact of China's Emerging Middle Class on Consumption



How Much Global Demand Erosion?

OBSERVE VOLATILE OCEAN FREIGHT MARKET

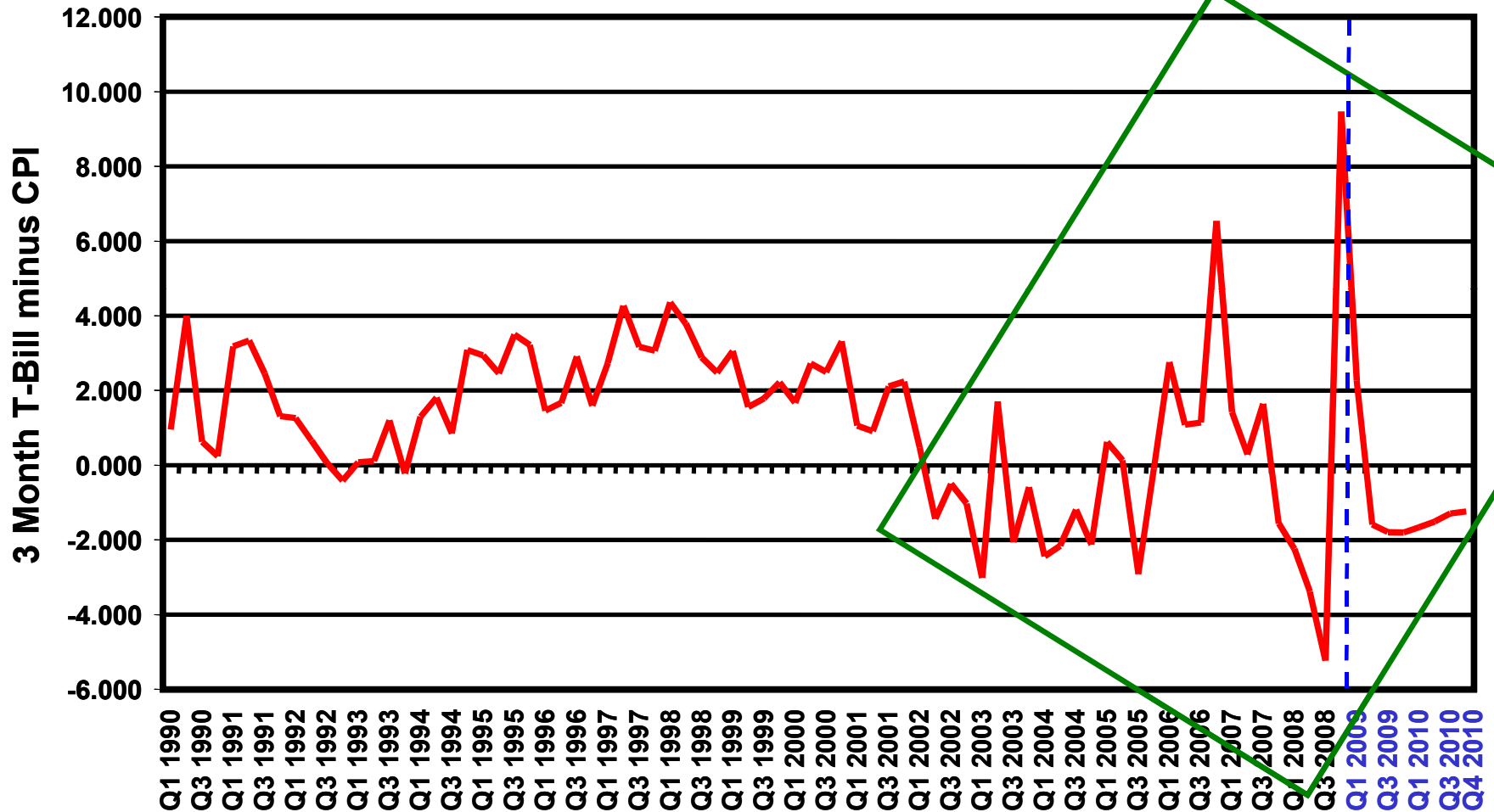
Daily Average Time Charter Rates



- Ocean Freight Market Reflects the Massive Movement Of Goods to Emerged Asian Economies
- Indicative of a Broader Global Situation

ON-AGAIN, OFF-AGAIN LIQUIDITY

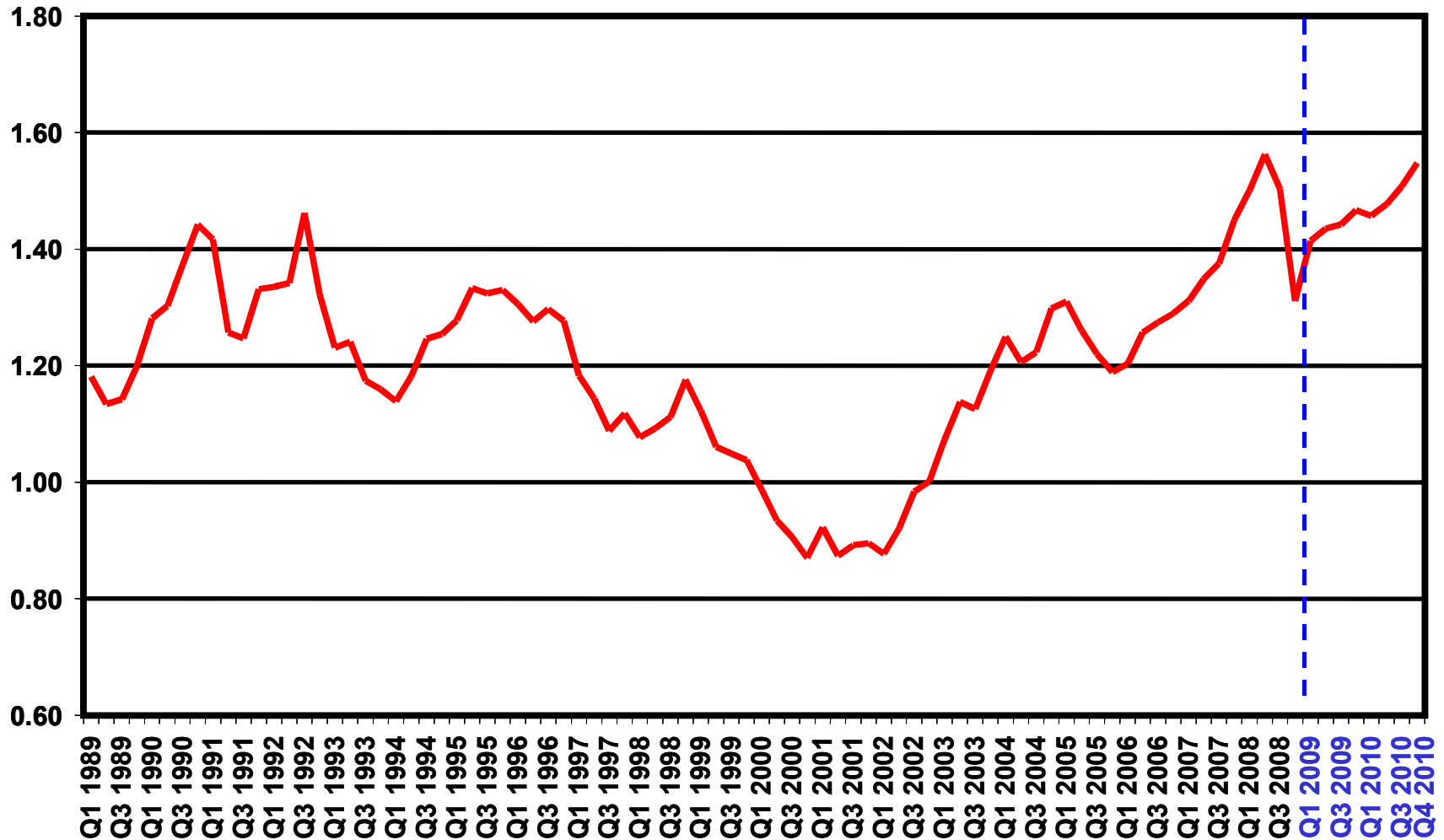
Real Interest Rate



- The Consequences of Institutional Failure

A RELATIVELY WEAK US CURRENCY: STILL!

\$ / Euro



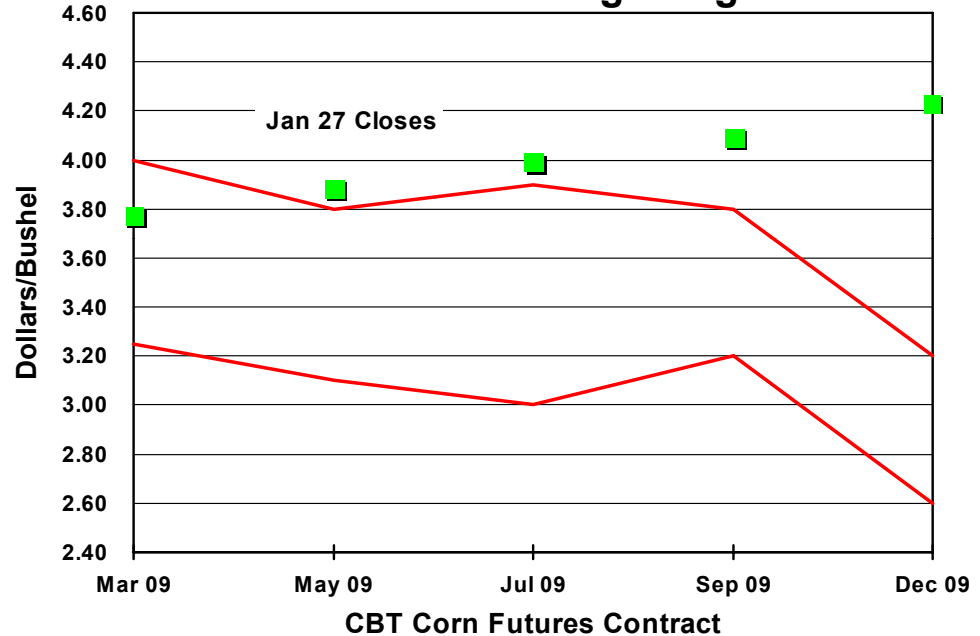
CORN

US Corn Supply and Demand

(Million Bushels/Million Acres)

	2006/07	2007/08	2008/09	2009/10
Planted Acres	78.3	93.5	86.0	82.7
Harvested Acres	70.6	86.5	78.6	75.7
Yield	149.1	150.7	153.9	159.2
Carryin	1,967	1,304	1,624	2,215
Production	10,531	13,038	12,101	12,053
Imports	12	20	15	15
Total Supply	12,510	14,362	13,740	14,284
Feed & Residual	5,593	5,938	5,250	5,350
Food/Seed/Ind	3,488	4,364	4,700	5,120
Ethanol for Fuel	2,117	3,026	3,400	3,800
Exports	2,125	2,436	1,575	1,725
Total Use	11,207	12,737	11,525	12,195
Carryout	1,304	1,624	2,215	2,089
Stocks/Use	11.6%	12.8%	19.2%	17.1%
Futures Price (Bu)	\$3.54	\$5.15	\$3.80	\$3.10
Farm Price (Bu)	\$3.04	\$4.20	\$3.90	\$2.80

Corn Futures Trading Ranges



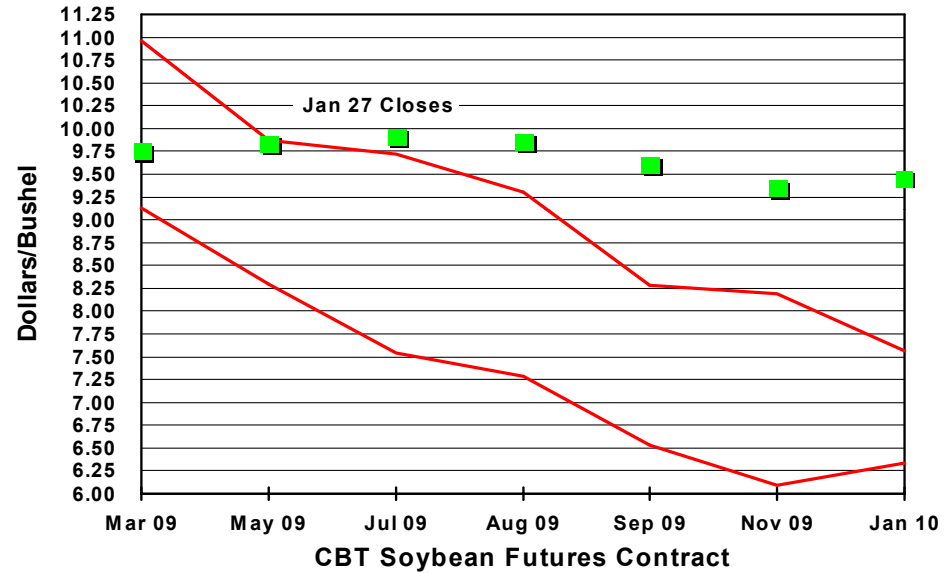
SOYBEANS

US Soybean Supply and Demand

(Million Bushels/Million Acres)

	2006/07	2007/08	2008/09	2009/10
Planted Acres	75.5	64.7	75.7	80.8
Harvested Acres	74.6	64.1	74.5	80.0
Yield	42.9	41.7	39.7	42.9
Carryin	449	574	205	235
Production	3,197	2,677	2,959	3,430
Total Supply	3,655	3,261	3,174	3,675
Crush	1,808	1,803	1,625	1,625
Exports	1,116	1,161	1,150	1,125
Seed	80	93	99	90
Residual	77	-2	65	80
Total Use	3,081	3,056	2,939	2,920
Carryout	574	205	235	754
Futures (\$/Bu.)	7.27	12.57	9.10	7.00
Farm Price (\$/Bu.)	6.43	10.10	9.15	6.50

Soybean Futures Trading Ranges



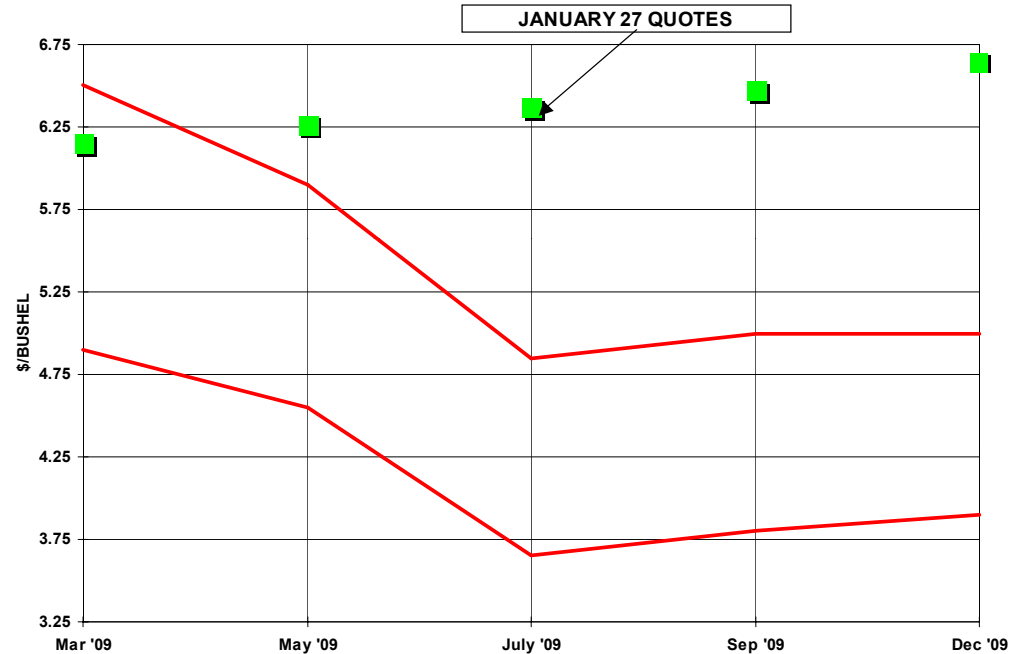
WHEAT

US Wheat Supply and Demand

(Million Bushels/Million Acres)

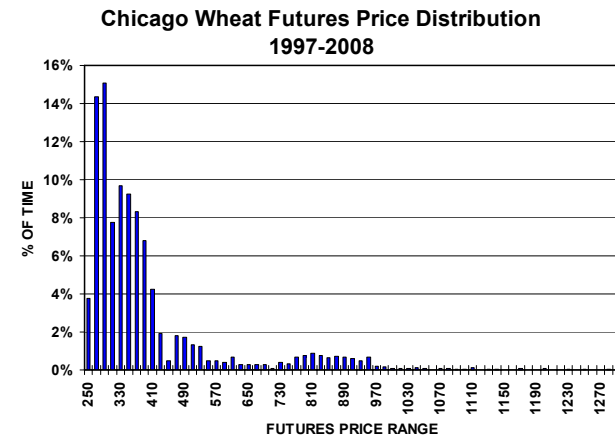
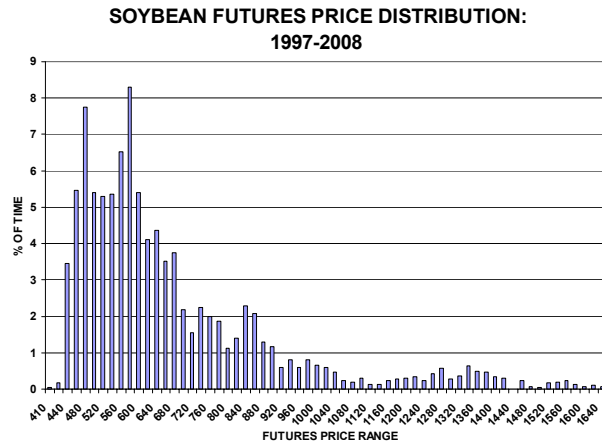
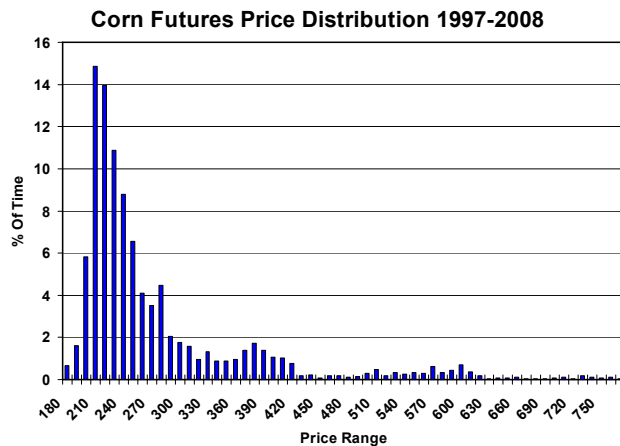
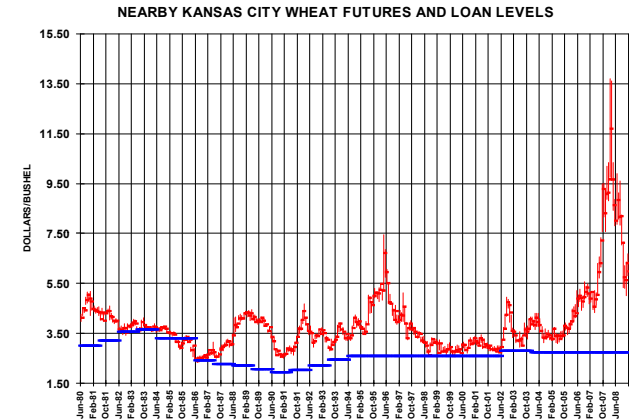
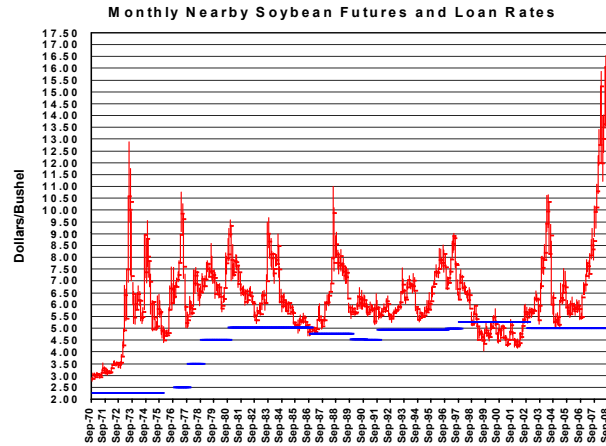
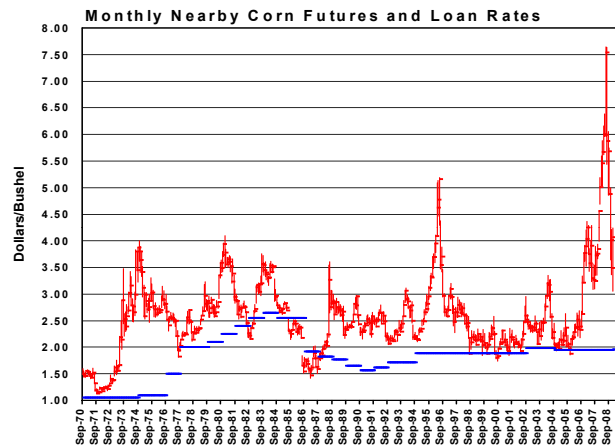
	06/07	07/08	08/09	09/10
Planted Acres	57.3	60.5	63.1	59.1
Harvested Acres	46.8	51.0	55.7	51.8
Yield (Bu./Ac.)	38.6	40.2	44.9	44.0
Carryin	571	456	306	660
Production	1,808	2,051	2,500	2,276
Imports	122	113	107	90
Total Supply	2,501	2,620	2,913	3,025
Feed & Residual	117	14	200	240
Seed	82	88	80	77
Food Use	938	948	953	969
Exports	908	1,264	1,020	975
Total Use	2,045	2,314	2,253	2,261
Carryout	456	306	660	764
Stocks/Use	22.3%	13.2%	29.3%	33.8%
Farm Price (\$/Bu.)	4.26	6.48	6.75	4.05
KC Futures Price (\$/Bu.)	4.93	8.58	6.45	4.50

KC WHEAT FUTURES TRADING RANGES



HISTORICAL PRICES AND DISTRIBUTIONS FOR CORN, SOYBEANS AND WHEAT

Where Do We Go From Here?



PREMISE I: AGRICULTURE COMMODITIES, ALONG WITH NON-AGRICULTURE COMMODITIES HAVE ACHIEVED AND WILL SUSTAIN, REAL ECONOMIC VALUE.

Principle Causes

- Global Growth
- Globalized Markets
- Limited Political Intervention
- Food and Fuel Agricultural Strategy

Risks

- Institutional Failure
- Pandemics
- Wars
- Policy Interference
- Global Economic Collapse

Future Prospects

- Limited Land
- Selective Investment in Productivity Enhancements
- Sustained Real Commodity Value