



*Open Markets, Economic Growth
and Shared Prosperity*

“The Luckiest Generation”

**Al Ambrose
Vice President, Risk Management
Oilseed Processing
CHS**

**22nd Annual Outlook Symposium
Federal Reserve Bank of Chicago
Chicago, IL
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A Remarkable Sequence of Events Leads Global Transformation

- *Circa 1947 – UK PM Atlee (Fabian Socialist) nationalized banks, coal, steel, roads, rails, aviation, electricity, telegraph. Created NHS (National Health Service) and welfare system.*
- *1979 – 1990 Margaret Thatcher as U.K. Prime Minister 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 deregulation, S.D.I.*
- *U.S./U.K. economies lead global economic recovery (**S&P 500 & U.K. FTSE triple '82 -'87**)*

Remarkable Sequence... continued

- *1983/84 - Deng Xiaoping introduces “market socialism” , de-collectivizes state-run farms, promotes **individual property rights** through long-term land leases*
- *Nov '89 Berlin Wall falls, **Cold War ends**, global shift from “**guns to butter**”*
- *1992/93 Uruguay Round (GATT) ends, global industrial trade reform*
- *1994 – “NAFTA”*
- *Widespread “**sustainable prosperity**”*

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 democracy by hundreds of years*



Standard & Poor 500 – Monthly – 78 Years

18:16 SPC5 - Standard & Poor's 500 Index (S&P 500), Monthly P079

*All price charts as of
C.O.B. November 28, 2008*

1,553 (Mar'00)

14-fold expansion over 18 years

107 (Jul'82)

160000

140000

120000

100000

80000

60000

40000

20000

0

89624

1940

1950

1960

1970

1980

1990

2000

Keynesian economic theory dominated public policy: 1945 -1980

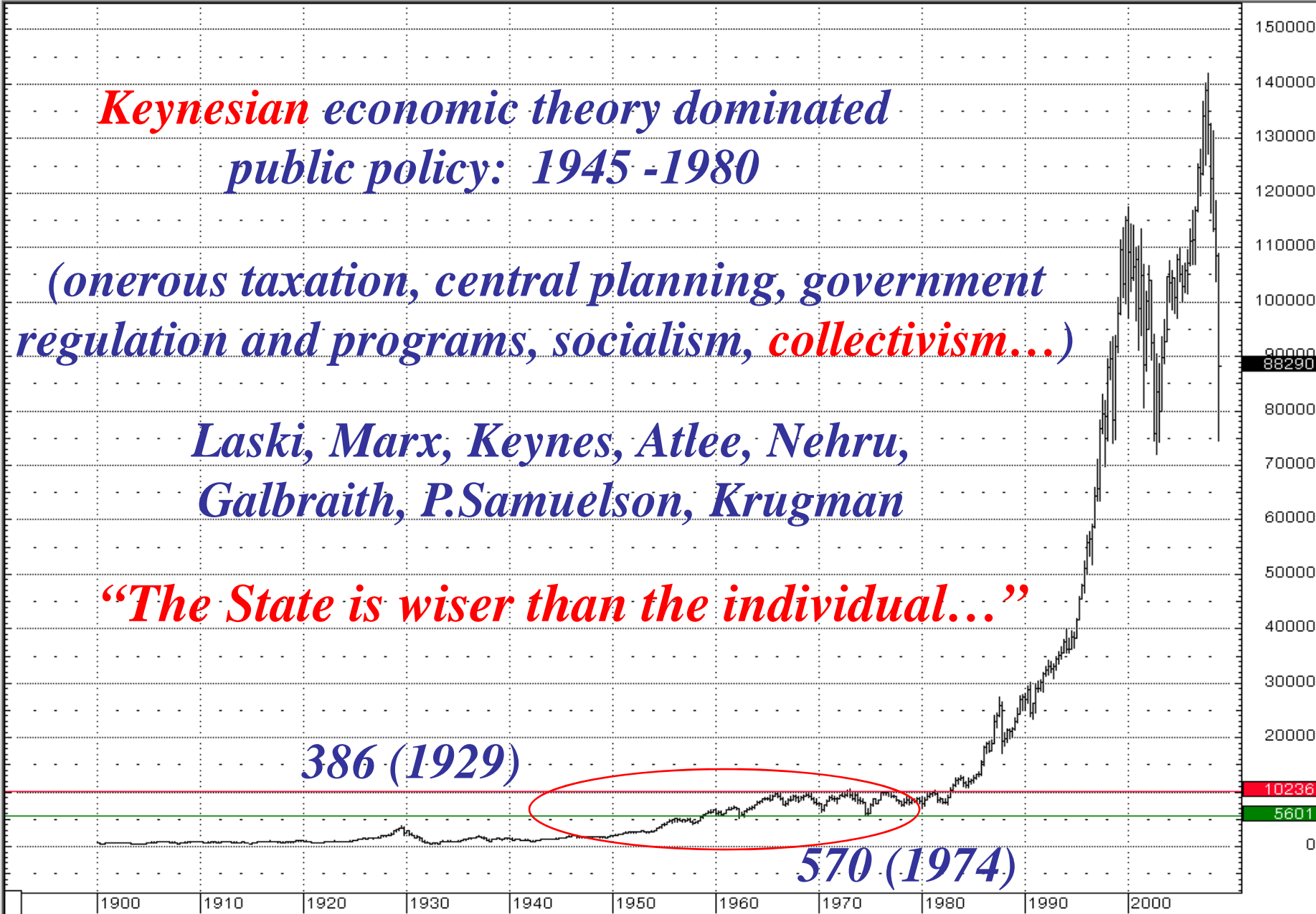
*(onerous taxation, central planning, government regulation and programs, socialism, **collectivism...**)*

Laski, Marx, Keynes, Atlee, Nehru, Galbraith, P.Samuelson, Krugman

“The State is wiser than the individual...”

386 (1929)

570 (1974)



Monetarist (“Chicago School”) approach replaced Keynesian policies circa 1981...

(tax-reform, privatization, deregulation, free enterprise, capitalism, individualism...)

Adam Smith, Von Mises, Hayek, Friedman, Reagan, Thatcher, Greenspan, Laffer, Kemp, Bernanke

“Individuals and markets allocate resources better than governments...”





Leadership, Ideas, Policy Choices Matter...

- *1957 – 1981*
- *300 months*
- *40 in recession*
- *13% of period*
- *1982 – 2007*
- *300 months*
- *8 in recession*
- *2.7% of period*



LEADERSHIP



U.S. Household Net Worth (trillion dollars)

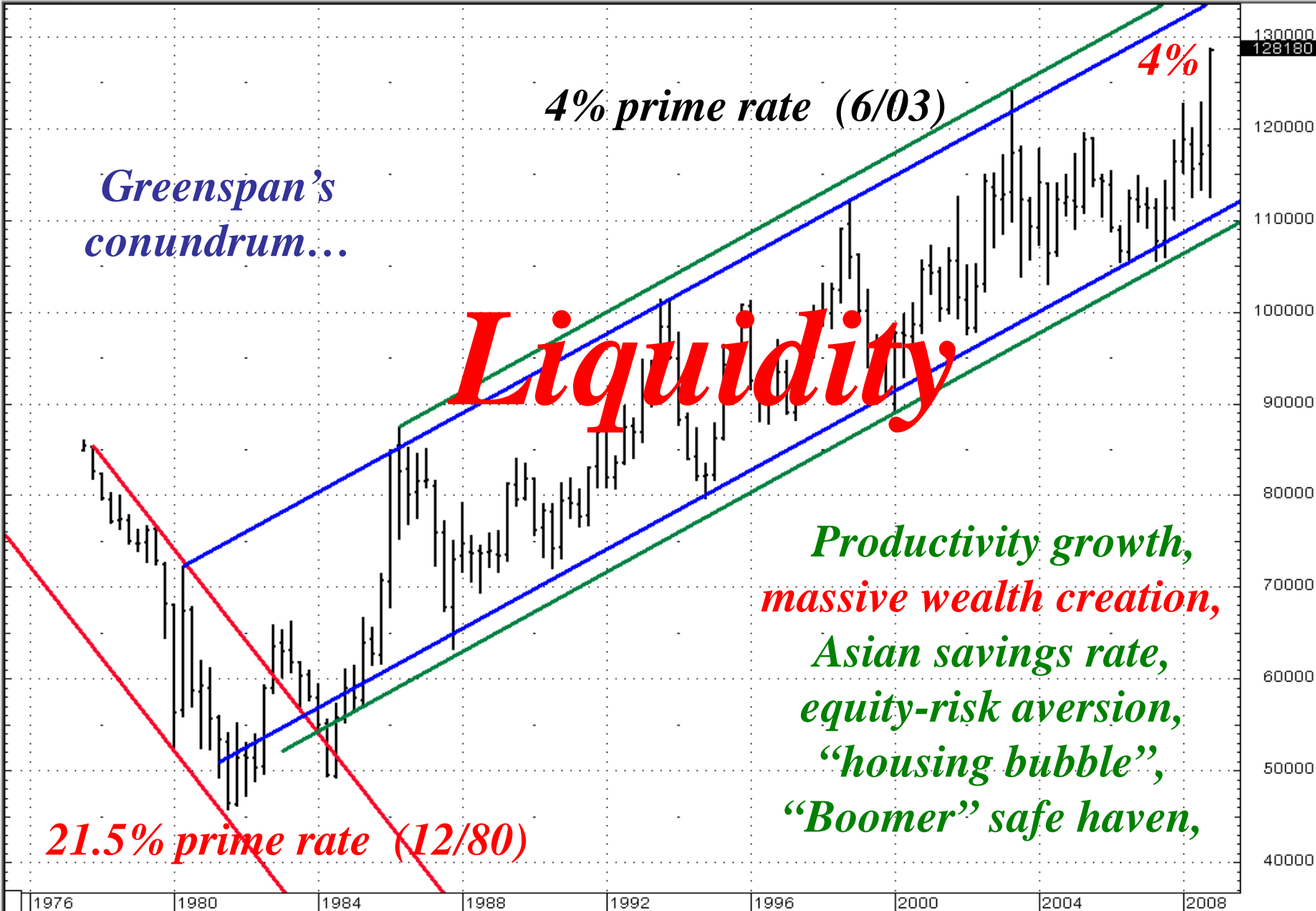
• 1950	1.0	
• 1960	1.8	<i>Expanded 6-fold in 27 years!</i>
• 1970	3.4	
• 1980	9.4	
• 1990	20.2	<i>Up 33% since 2000</i>
• 2000	42.0	
• 2007 (Q3)	58.7	<i>56 trillion seconds is 1.78 million years...</i>
• 2008 (Q2)	56.0	

All this growth despite...

- *U.S./global equity market collapse '00-02*
- *9/11/01*
- *Enron, WorldCom, Tyco, etc.*
- *Three-year global economic slump*
- *Afghanistan and Iraq wars*
- *SARS, BSE, Avian flu*
- *Global war on terror*
- *17 Fed funds rate hikes (6/04 – 6/06)*
- *Katrina/Rita*
- *Real-estate "bubble"*
- *\$100+ crude oil*
- *Sub-Prime loan debacle*

CHS U.S. 30-year Bond Index – Quarterly – 31 years

18:31 US - 30 Yr US Treasury Bonds - Pit, Quarterly P078



U.S. Life Expectancy at Birth (years)

	<i>Female</i>	<i>Male</i>	<i>Both Sexes</i>
1900	48.3	46.3	47.3
1935*	63.9	59.9	61.7
1970	74.7	67.1	70.8
2000	79.7	74.3	77.0
2006	80.7	75.4	78.1
2006 v 1900	+67%	+63%	+65%
2006 v 1935	+26%	+26%	+26%

**Social Security Act signed*

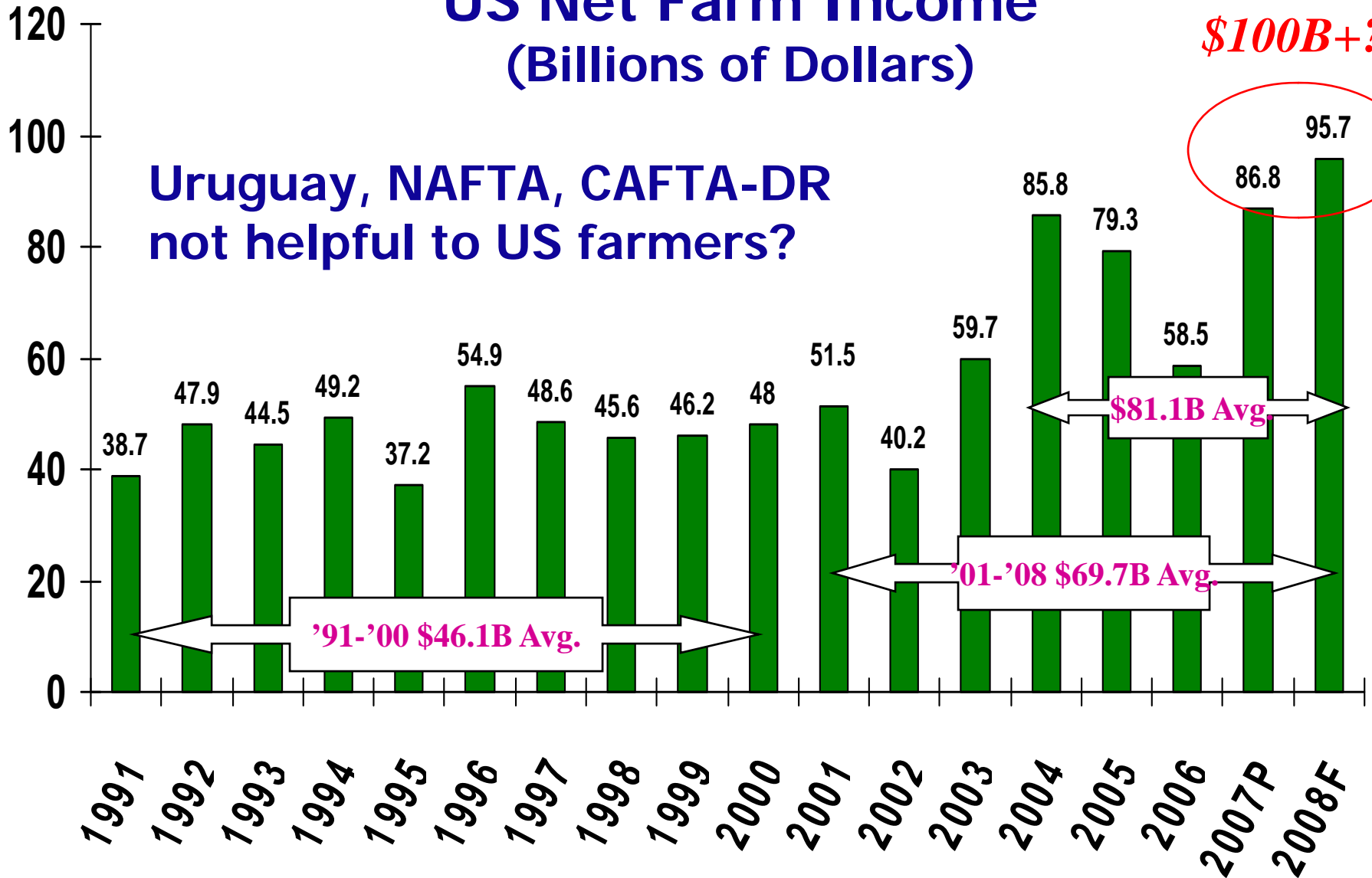
The Farm Sector



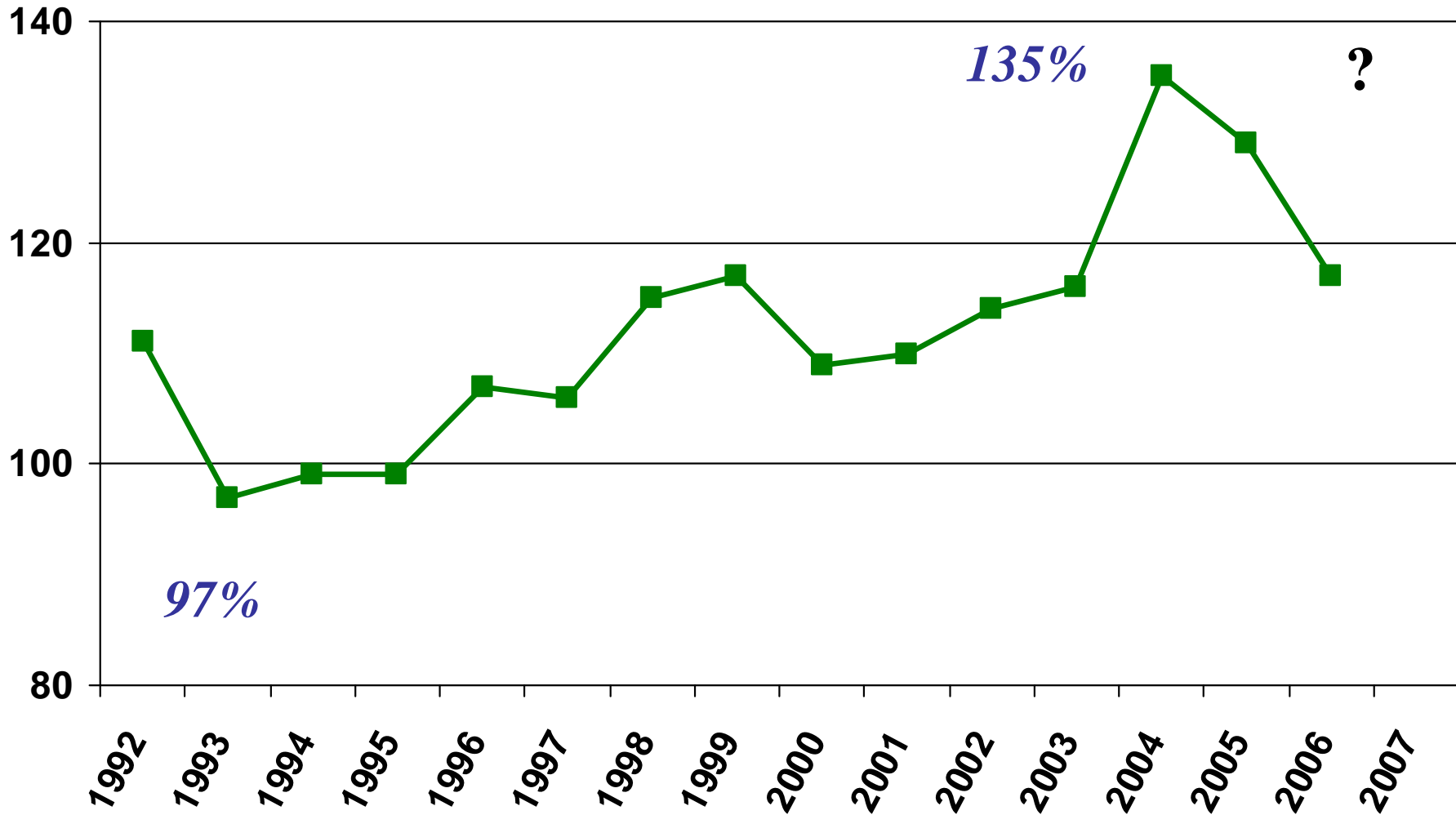
US Net Farm Income (Billions of Dollars)

Uruguay, NAFTA, CAFTA-DR
not helpful to US farmers?

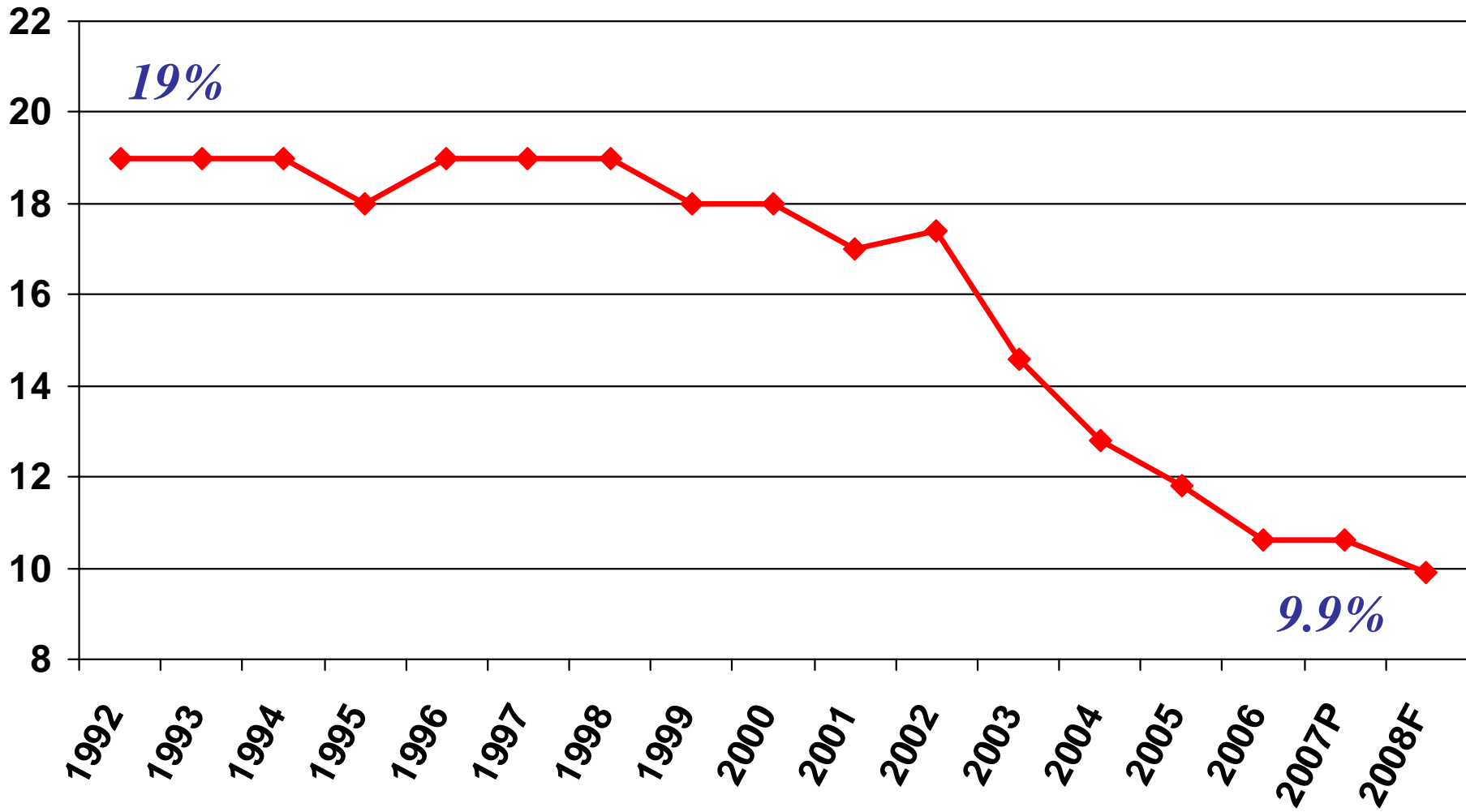
\$100B+?



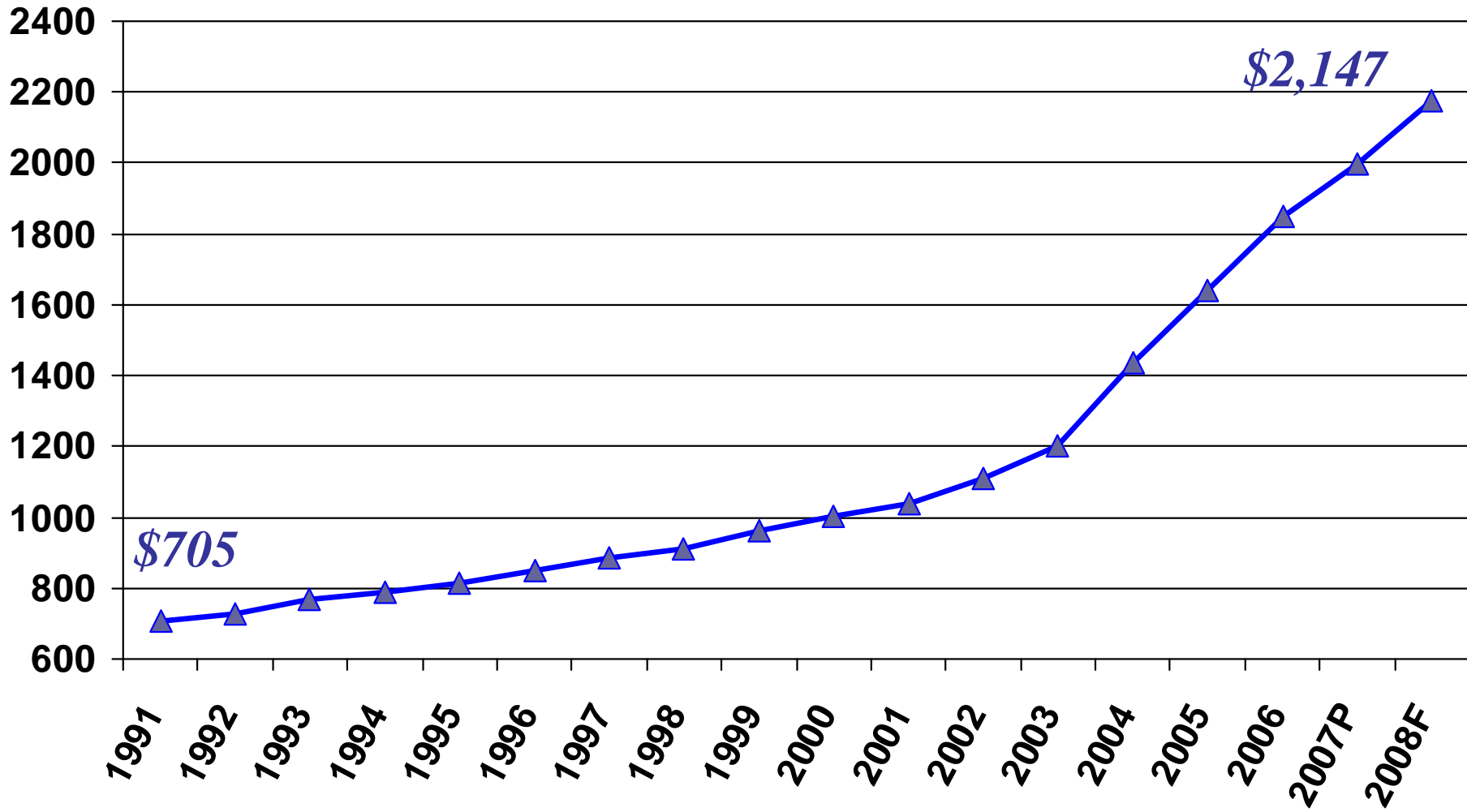
US Average Farm vs. Non-Farm Household Income (Percentage)



US Farm Sector Debt to Equity Ratio (Percentage)



Average Farm Equity (Thousands of Dollars)



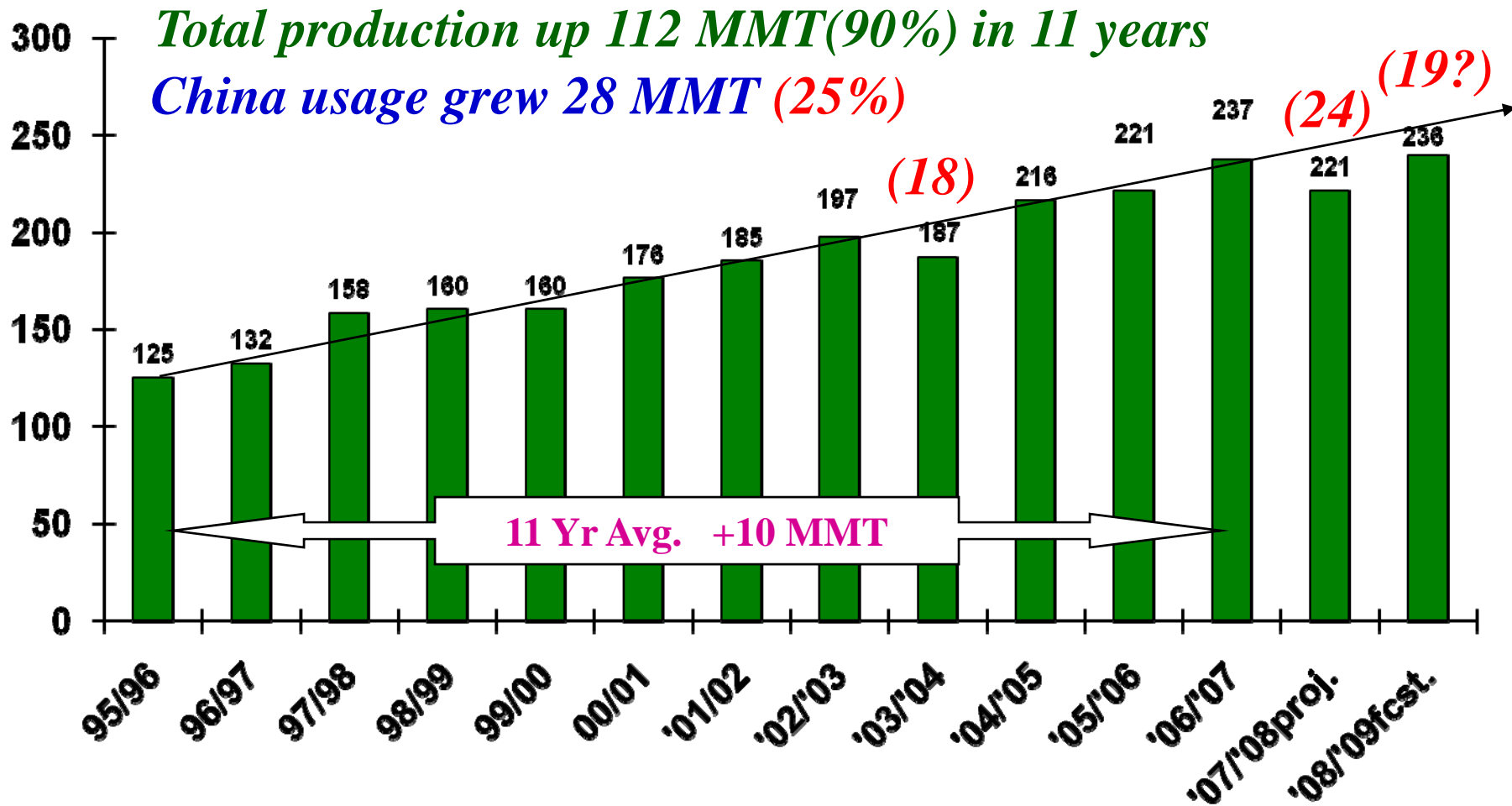
Food Supply

Soy Consumption and Global Prosperity

- *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 measure of changing living standards.*
- *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 expansion of vegetable oil and protein consumption.*



World Soybean Production 1995-2008 (Million Metric Tons)



Soybean Harvest - Mato Grosso, Brazil

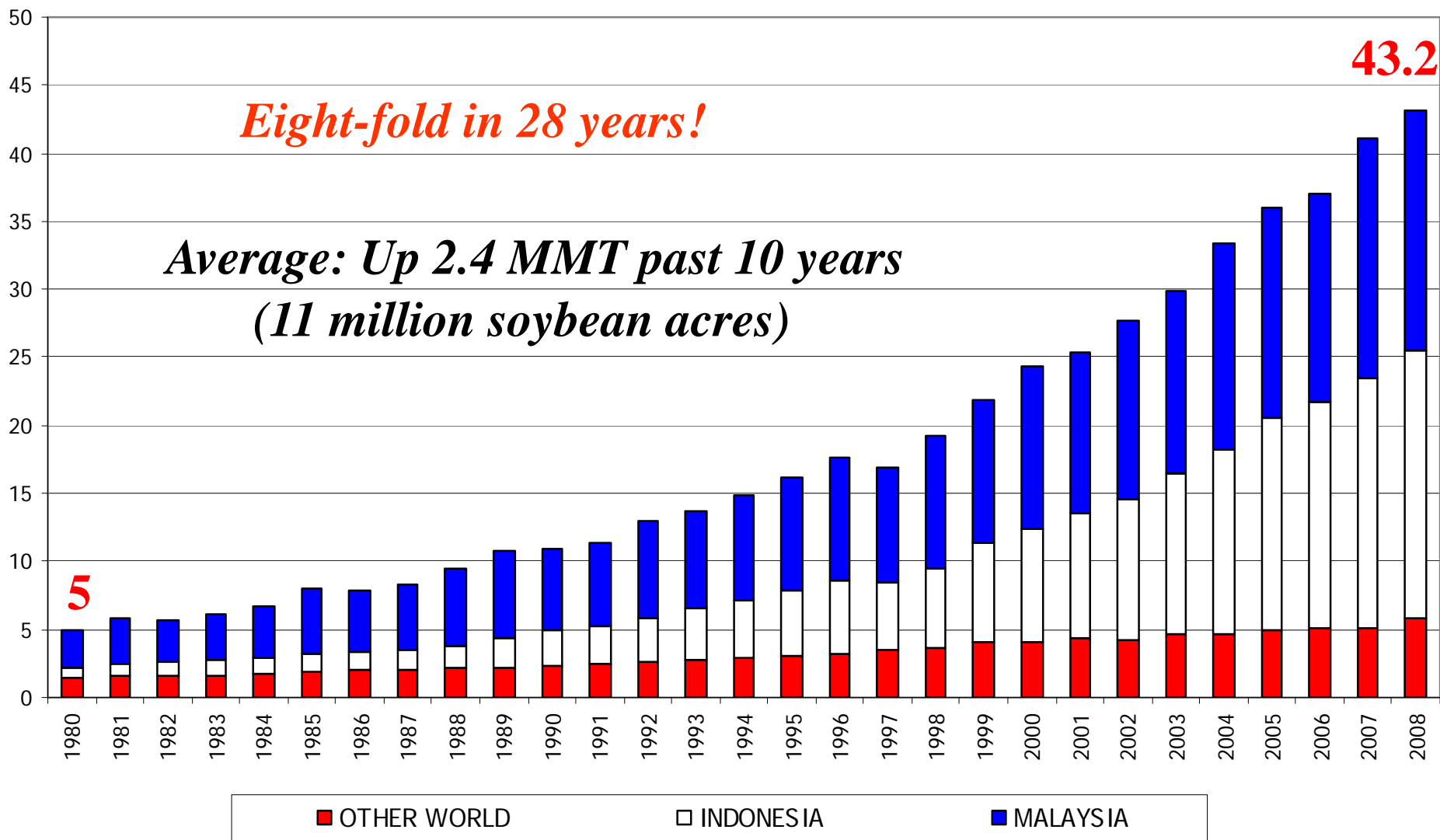
*Soybean harvest followed by planting of double crop corn
(31 combines & 12 planters)*



Today: A Necessity...

Yesterday: A Threat...

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





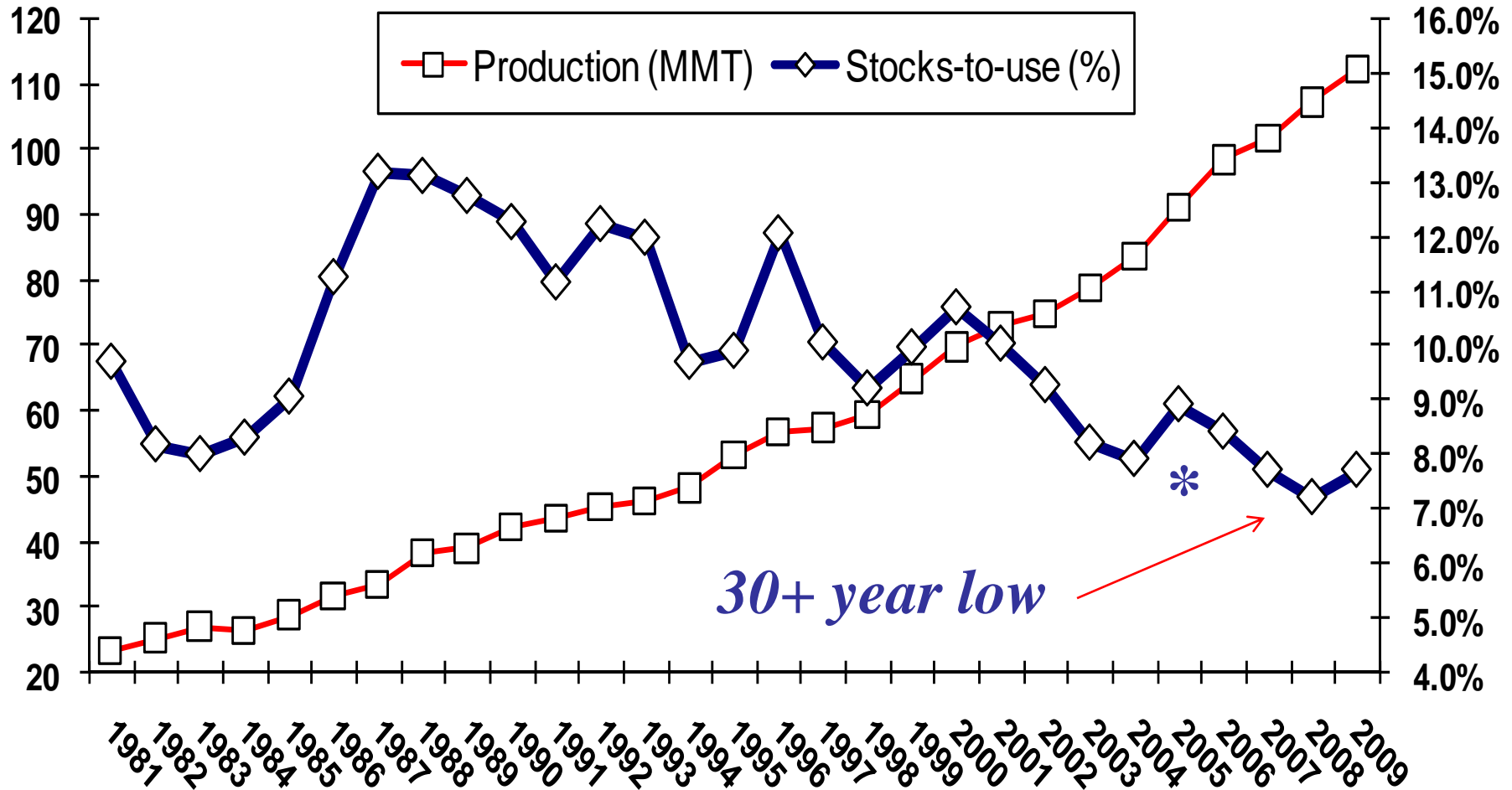
World Vegetable Oil Production (9) (Million Metric Tons)

	80/81		08/09		Percent Change
Palm	4.9	} 23.2 69%	43.2	} 112 84%	+782%
Soybean	9.8		37.8		+286%
Rape	3.9		19.4		+398%
Sun Seed	4.6		11.7		+154%
Groundnut	2.3		4.9		+113%
Cotton	2.9		5.0		+72%
Palm Kernel	0.5		5.1		+920%
Olive	1.9		3.0		+58%
Coconut	2.8		3.6		+29%
Total	33.6		133.7		+298%

World production quadruples in 28 years! (5.9X)

(World Population + 50.5% same period)

World Production vs. Year-end Stocks-to-Use Ratios (Combined Palm oil, Rape oil, Soy oil, Sun oil)

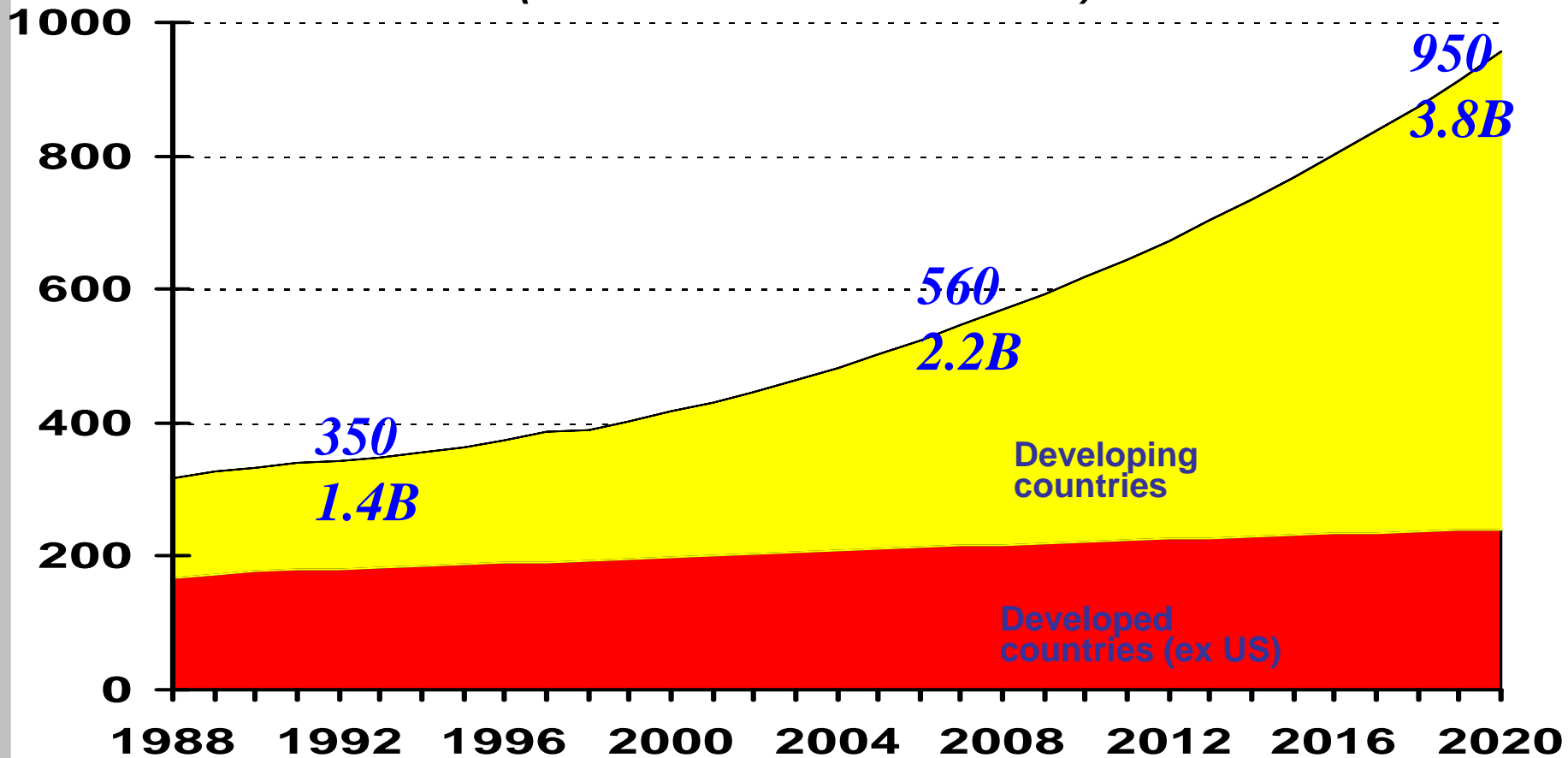


**This prior to recent bio-fuels phenomenon...*



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

Soybean Oil Futures - Quarterly - 40 years



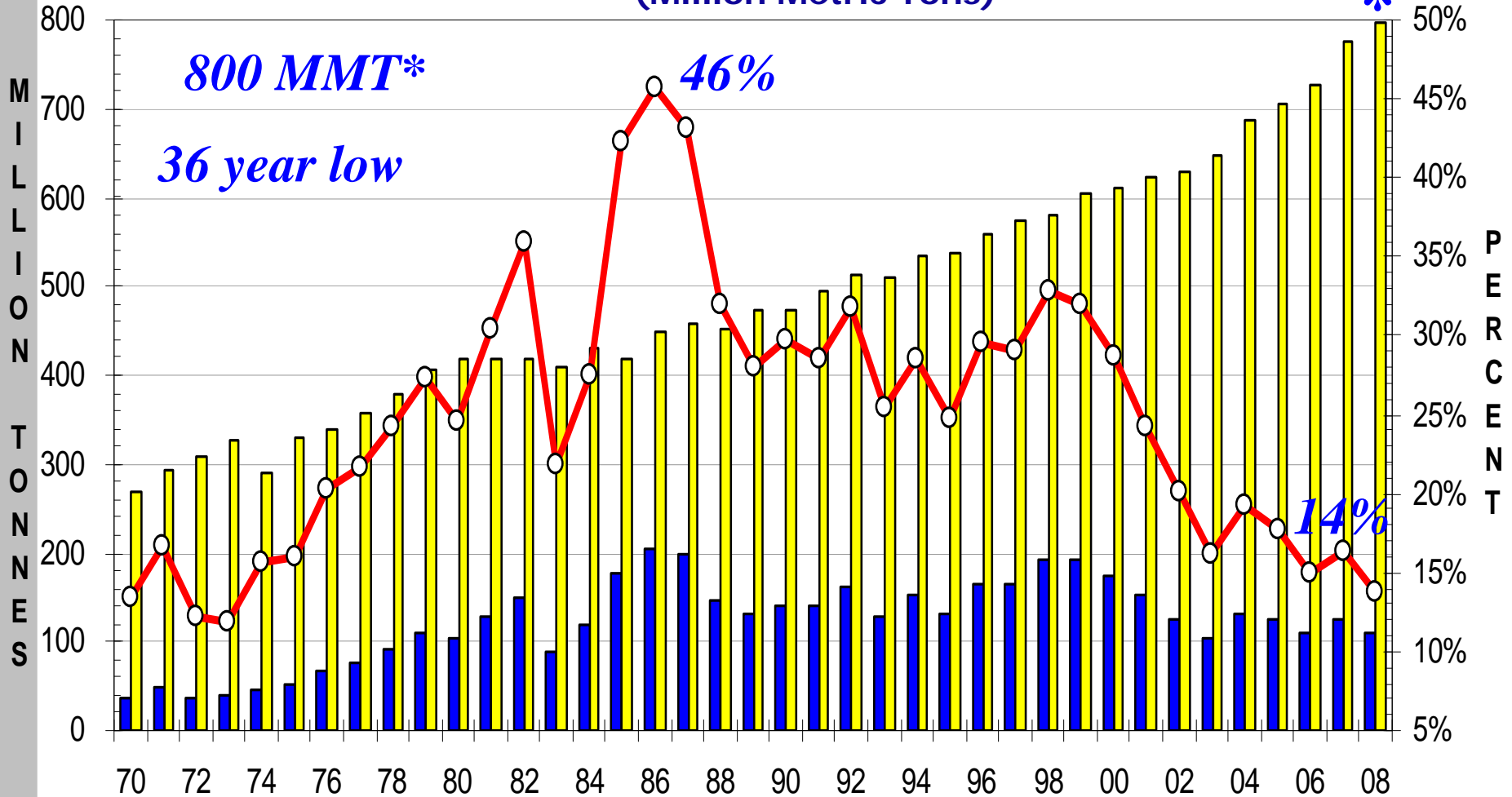
Soybean Futures - Quarterly - 40 years





World Corn Ending Stocks, Consumption and Stocks to Use %

(Million Metric Tons)



Source: USDA & Citi

Nov 2008

YEAR BEGINNING ON JUNE 01

Ending Stocks

Total Consumption

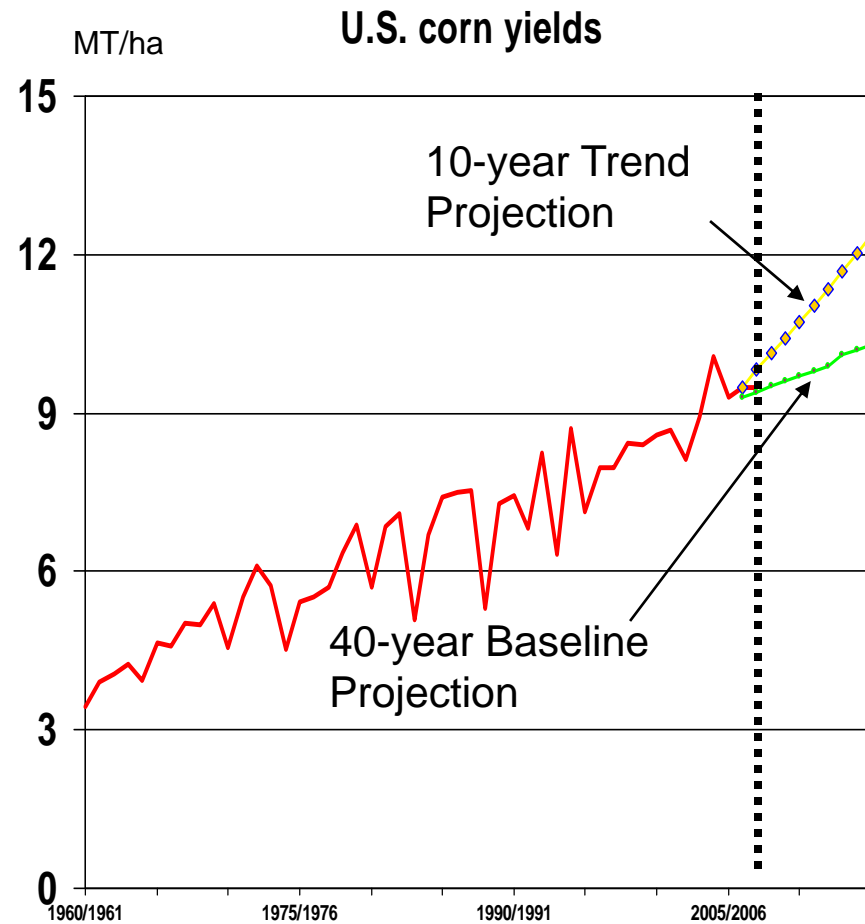
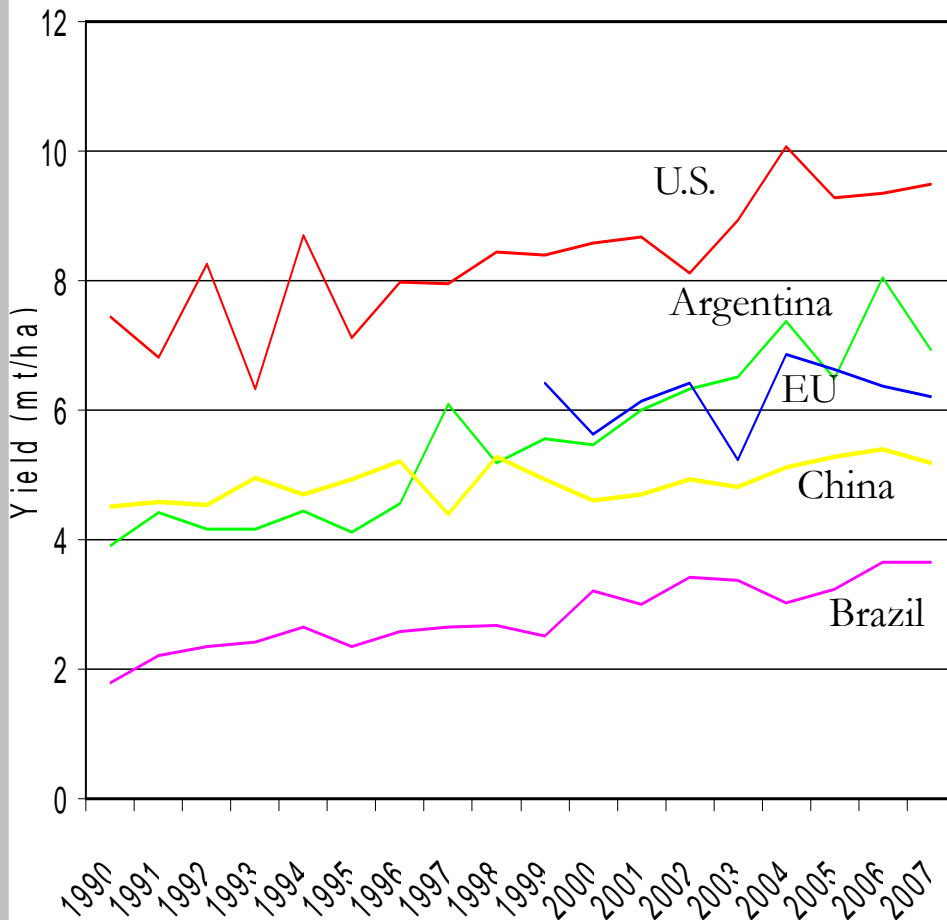
STU %

Corn Futures - Quarterly - 40 years





Major producing country corn yields: Huge untapped potential

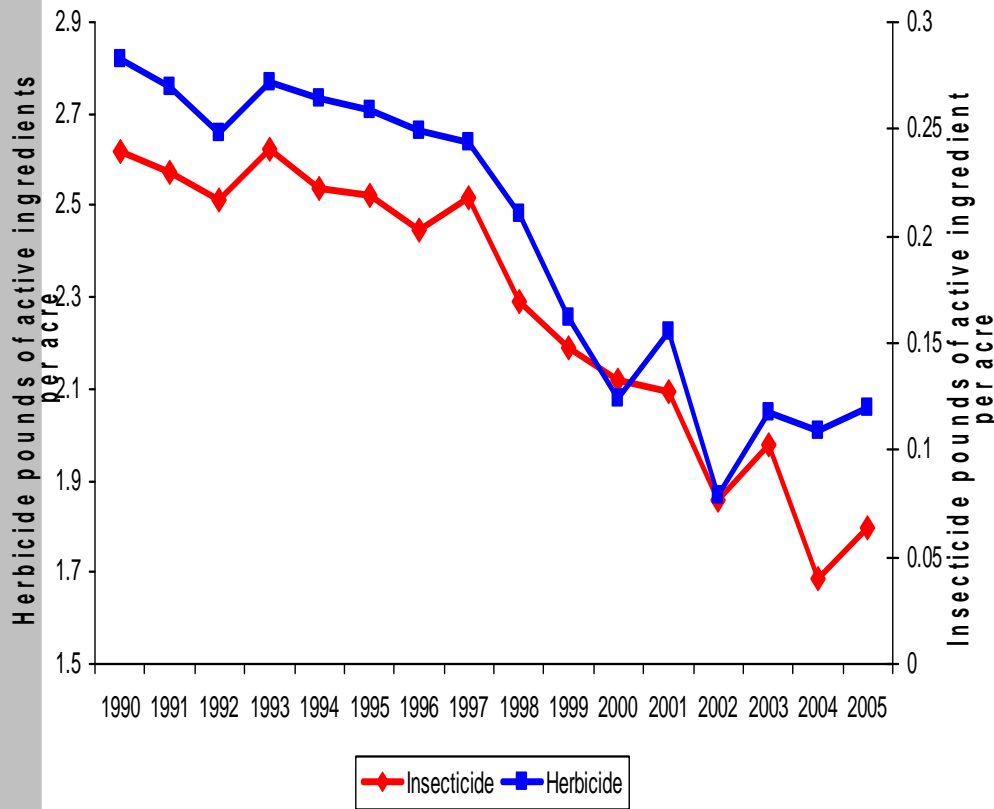


2008 – 2016 data from USDA Agricultural Baseline Projections; 10-year trend analysis from FAS



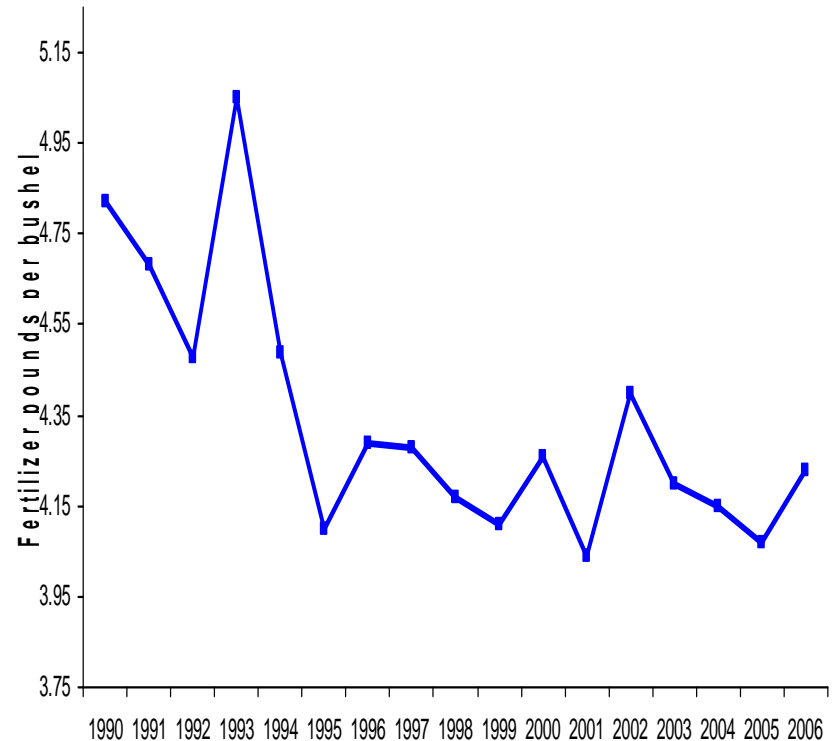
Herbicide, Insecticide, Fertilizer Use in U.S. Corn Production

Herbicide and insecticide use



Source: USDA/NASS, Agricultural Chemical Usage Report

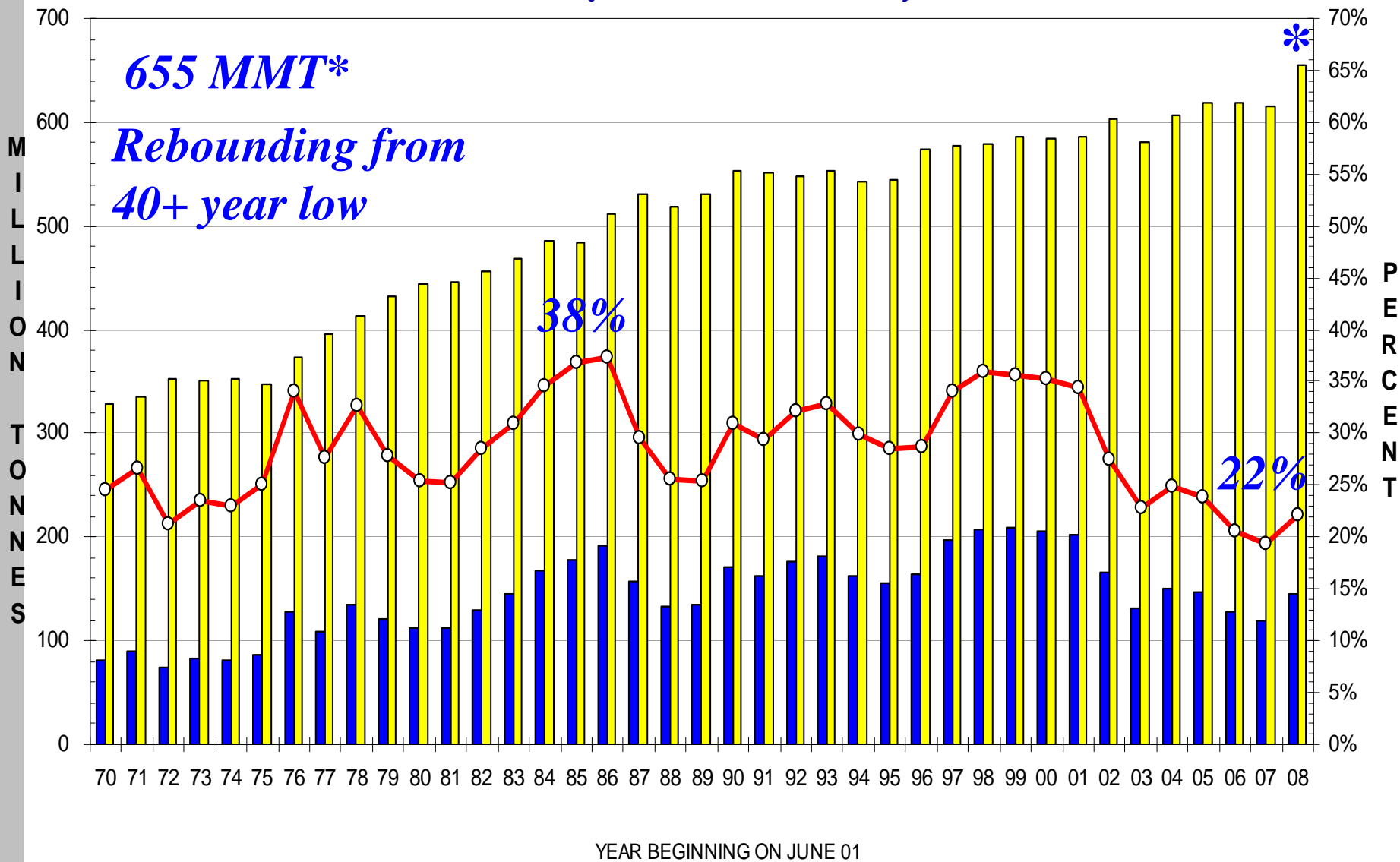
Fertilizer use



Source: USDA/ERS



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



Source: USDA & Citi
Nov 2008

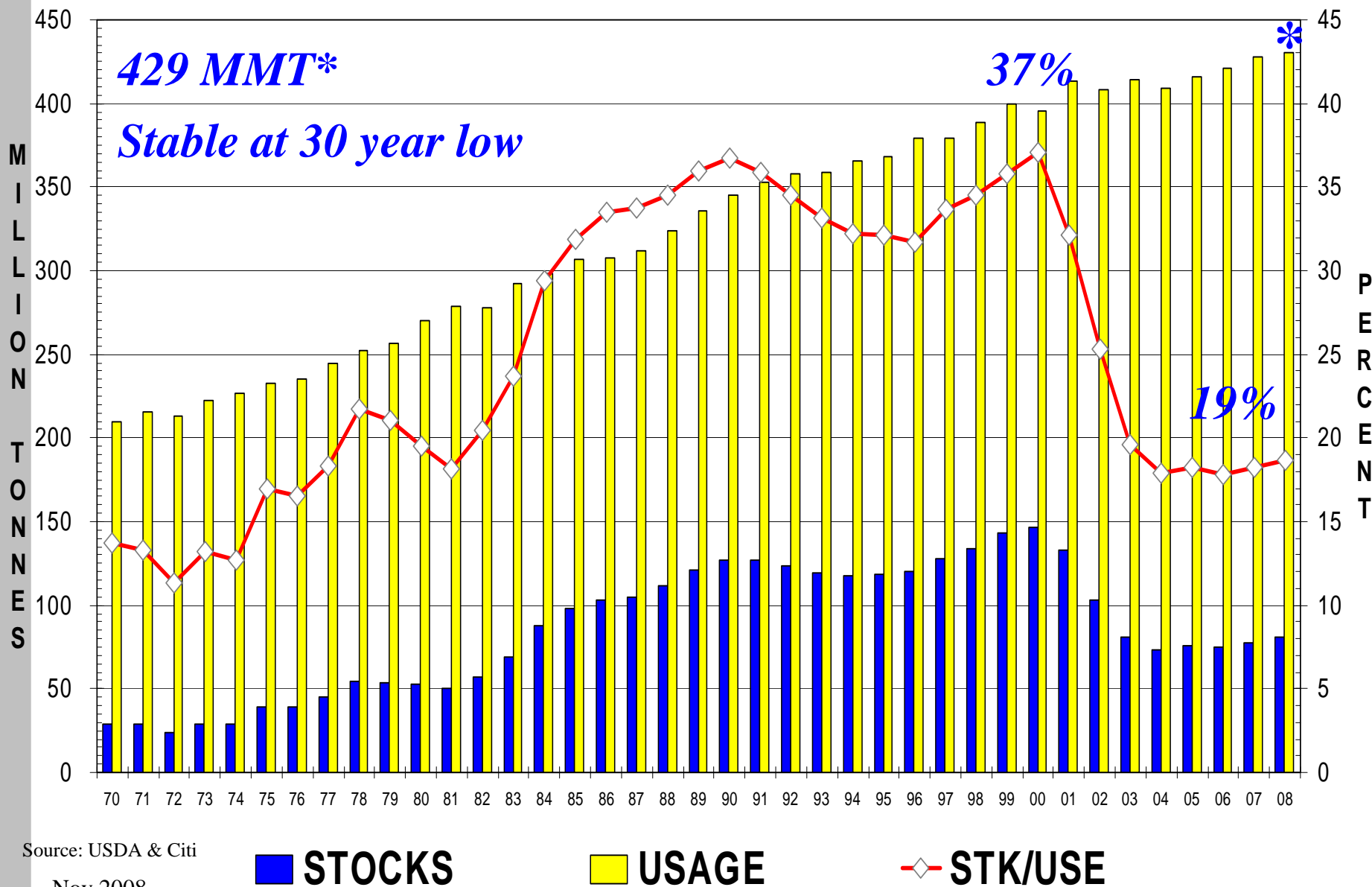
Ending Stocks

Total Consumption

STU %



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

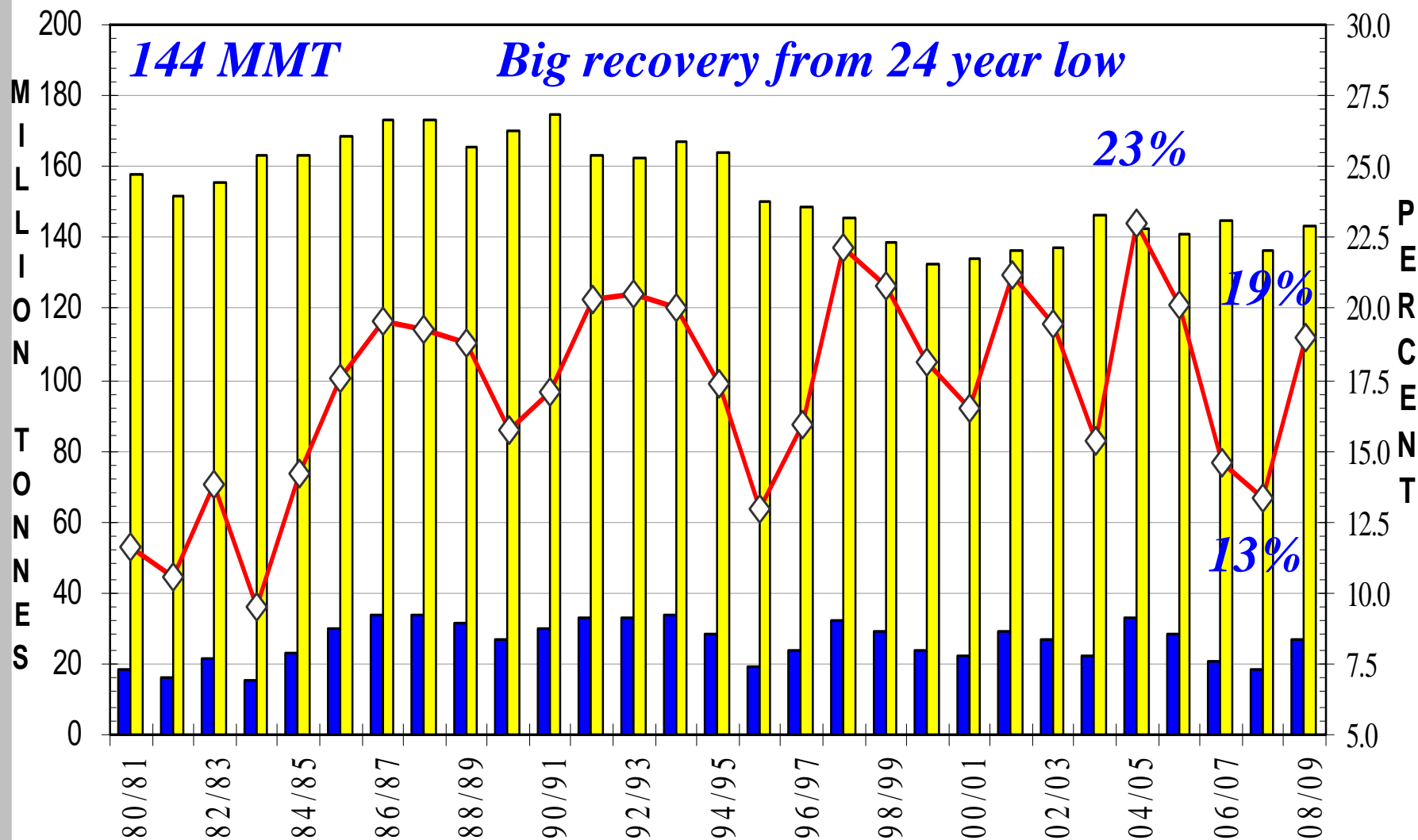


Source: USDA & Citi

Nov 2008



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



Source: USDA & Citi

Nov 2008

 **STOCKS**

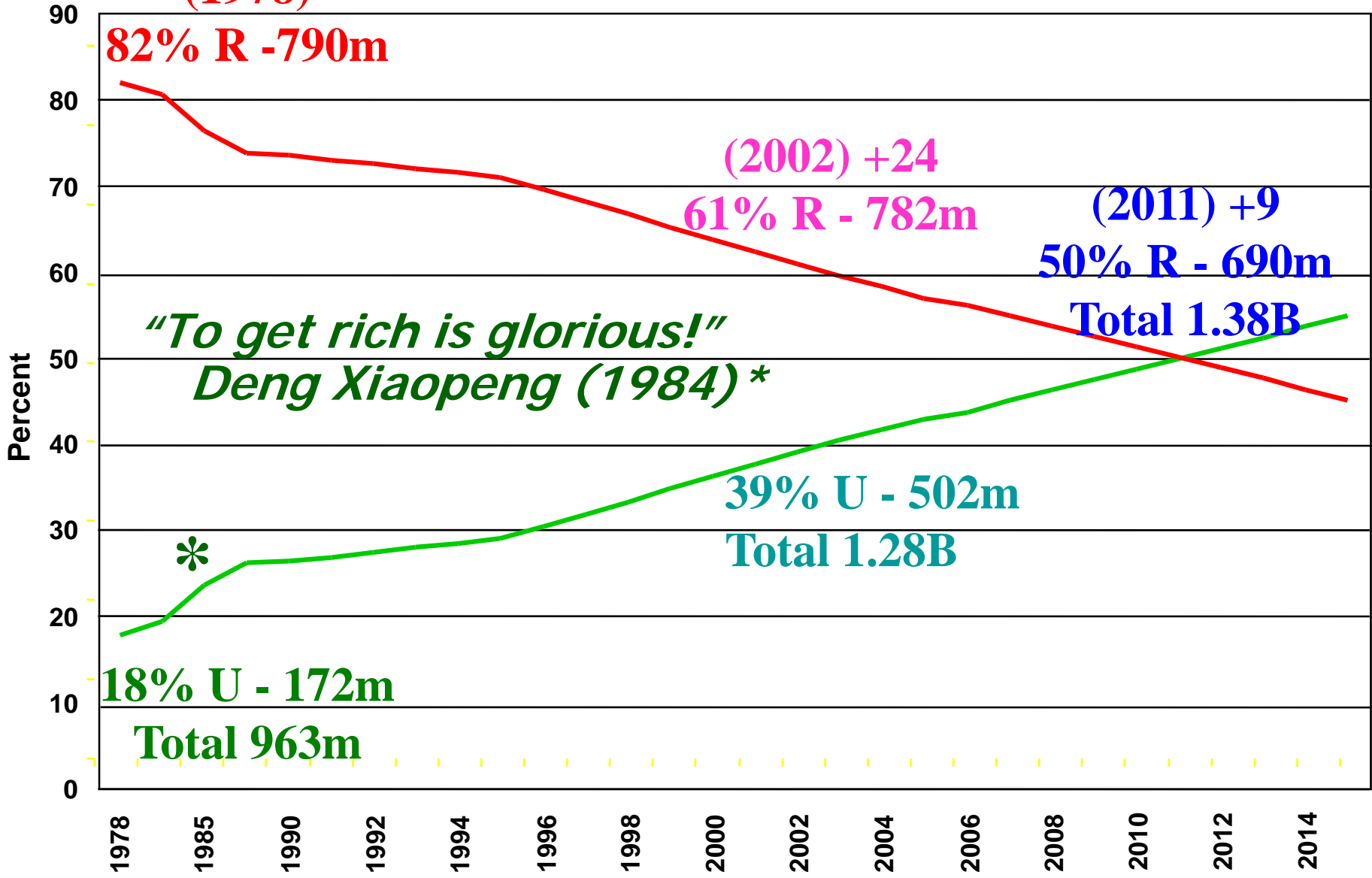
 **USAGE**

 **STK/USE**



China – Rural versus Urban Population

(1978)



82% R - 790m

(2002) +24

61% R - 782m

(2011) +9

50% R - 690m

"To get rich is glorious!"

*Deng Xiaoping (1984) **

Total 1.38B

39% U - 502m

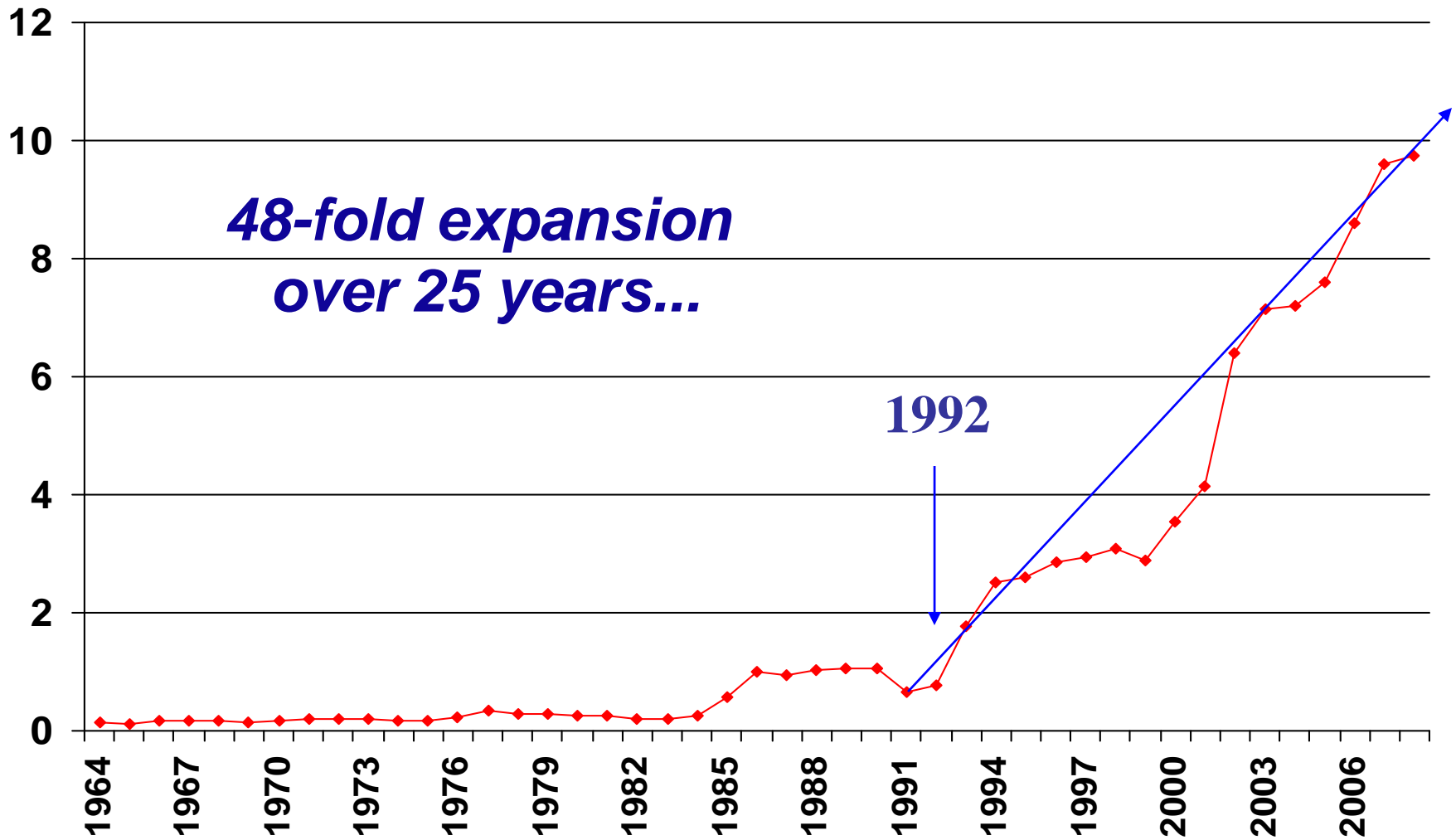
Total 1.28B

18% U - 172m

Total 963m

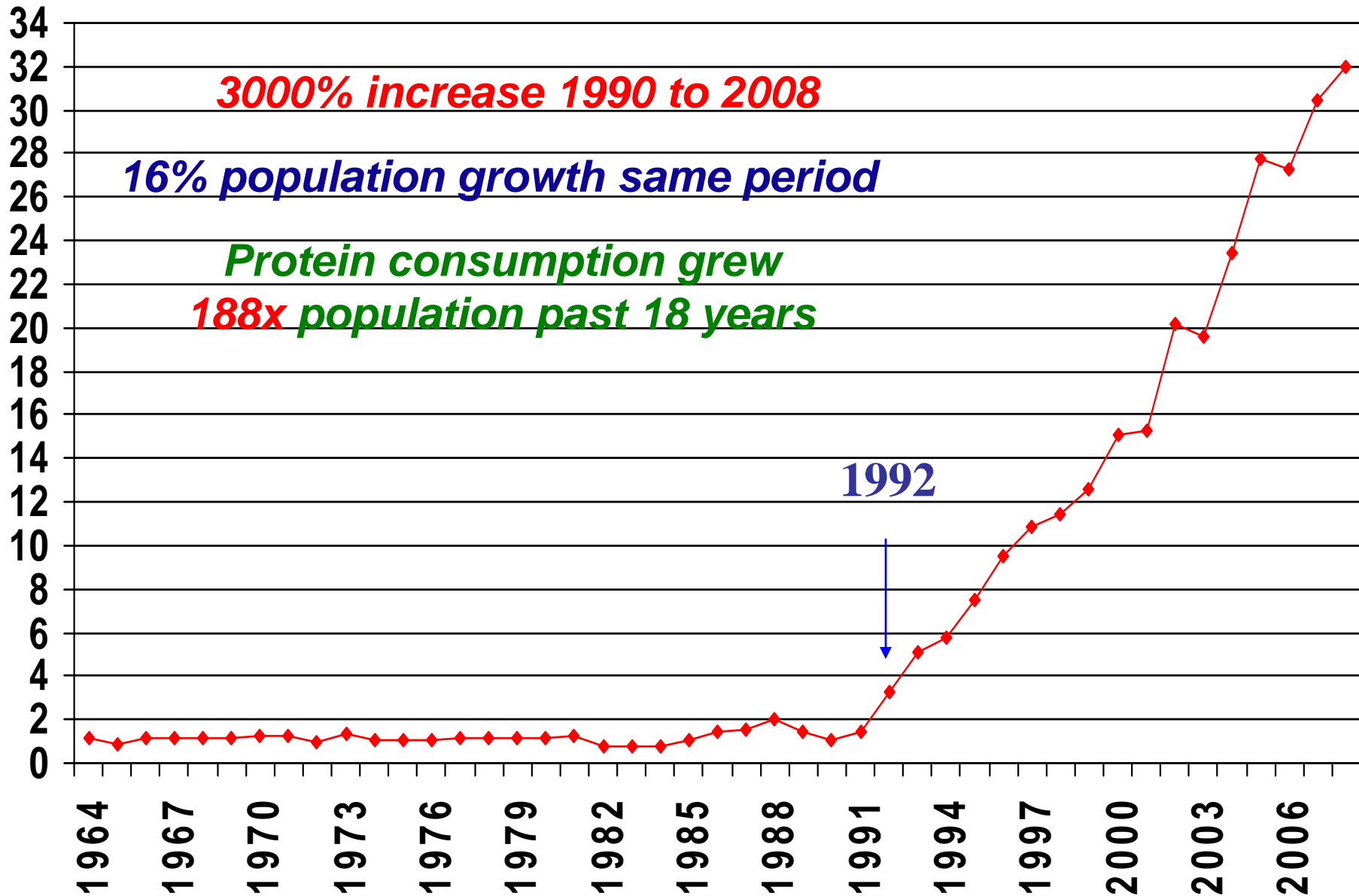
Urban Rural

Chinese Soybean Oil Consumption (Million Metric Tons)



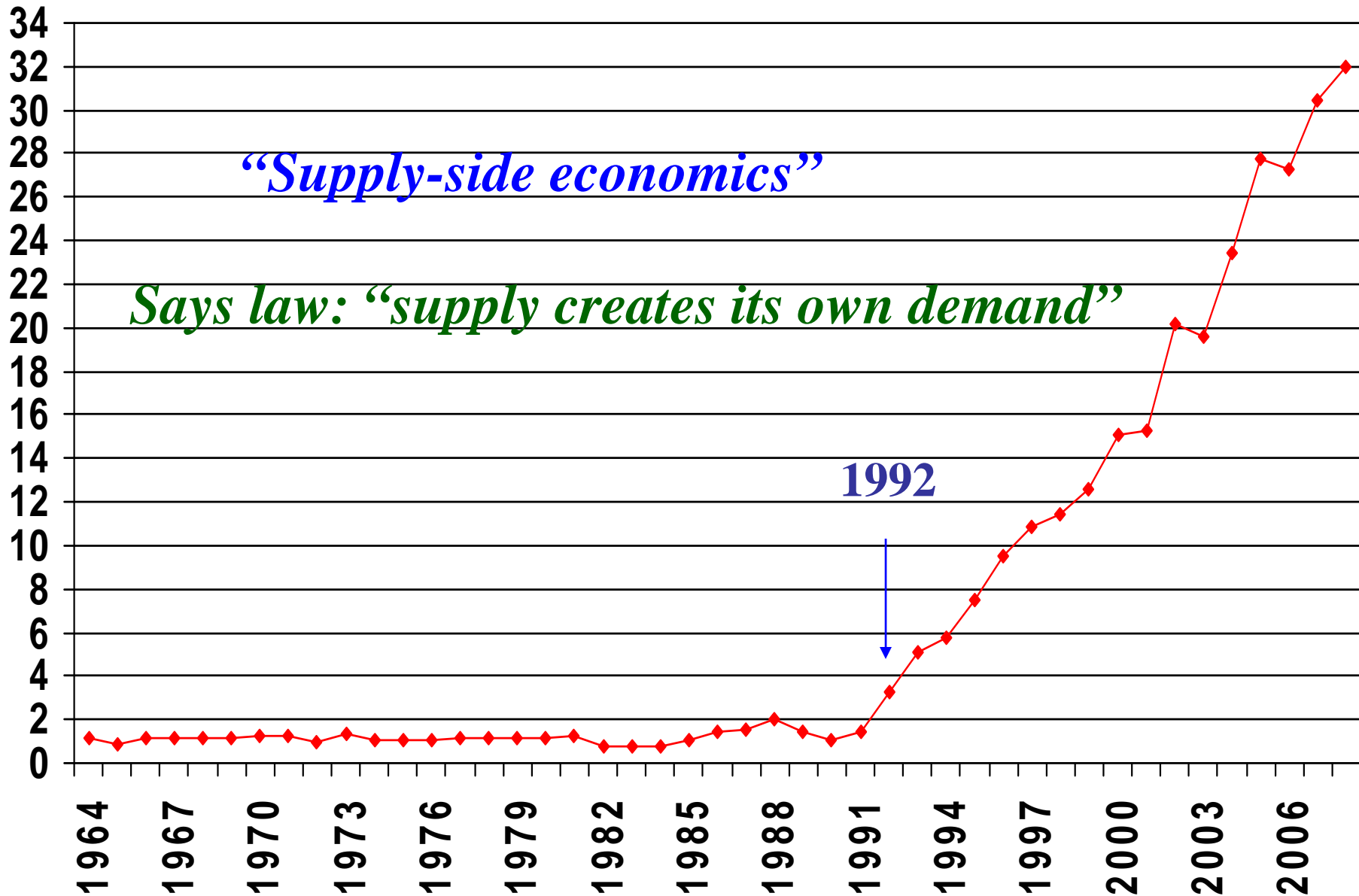


Chinese Soybean Meal Consumption (Million Metric Tons)





Chinese Soybean Meal Consumption (Million Metric Tons)



*Trade-generated prosperity is
not a zero-sum game!*

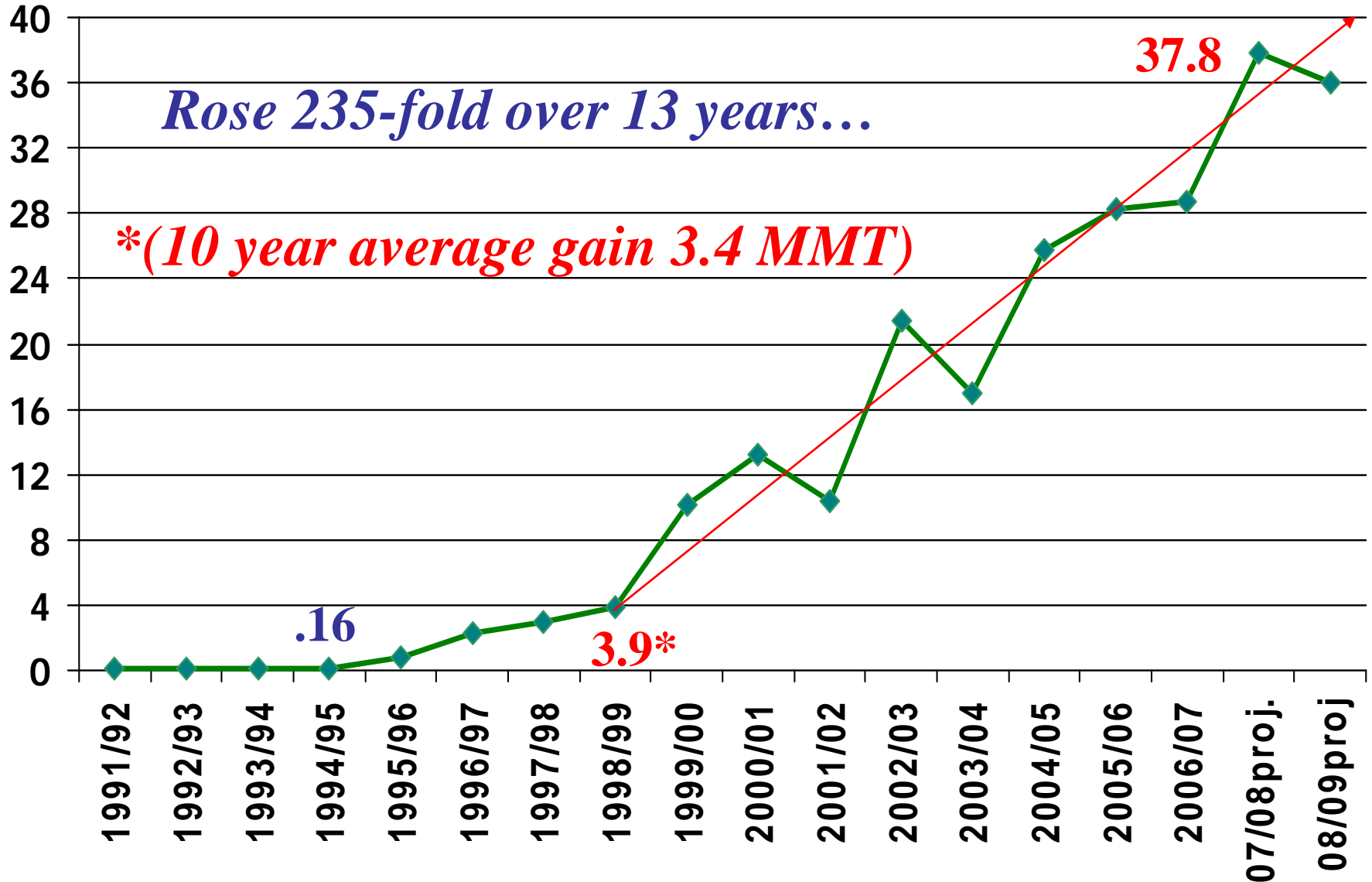
1992



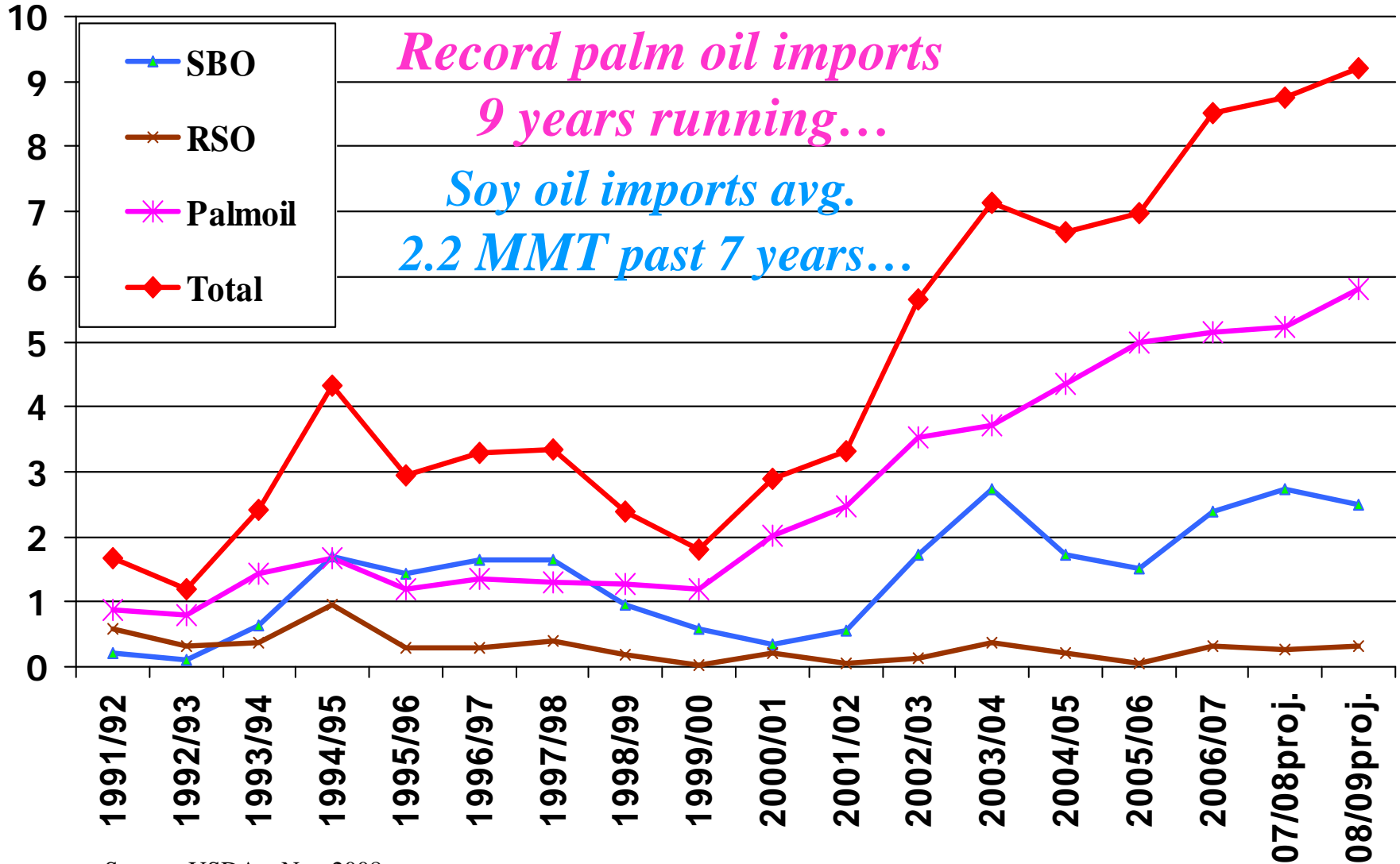
89624



Chinese Soybean Imports (MMT)



Chinese Vegetable Oil Imports (Million Metric Tons)

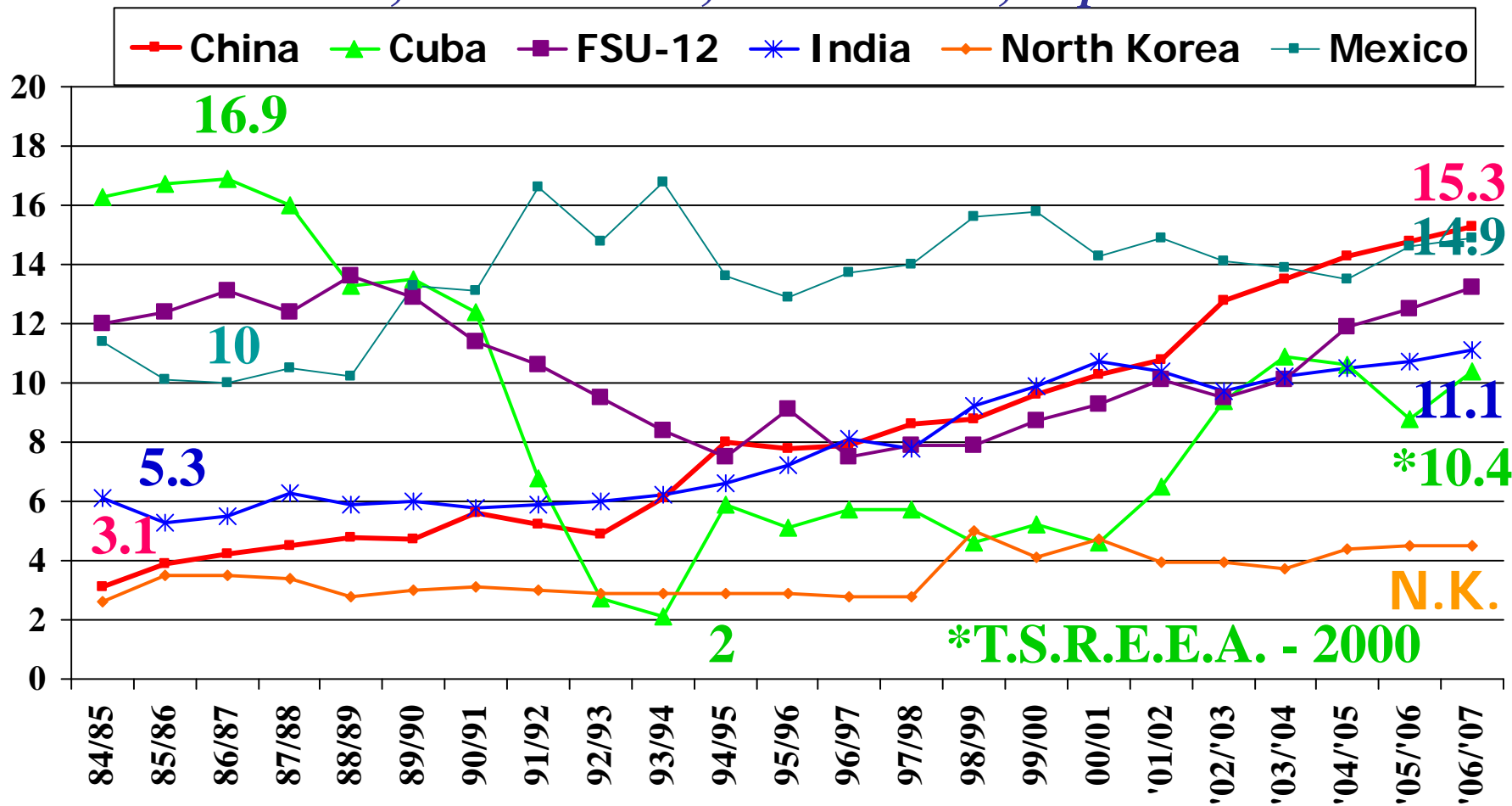




Vegetable Oil Disappearance

Socialistic Democracy? (KG P/C) *Capitalistic Autocracy?*

U.S. 38, Canada 26.3, EU-25 27.8, Japan 17.2



Still Not Convinced?

**Obesity in China Doubled in 11
Years With Rising Prosperity**

**By Cristina Alesci
July 8 (Bloomberg) --**

Capitalism versus Socialism

"A government big enough to give you everything you want, is strong enough to take everything you have."

Thomas Jefferson

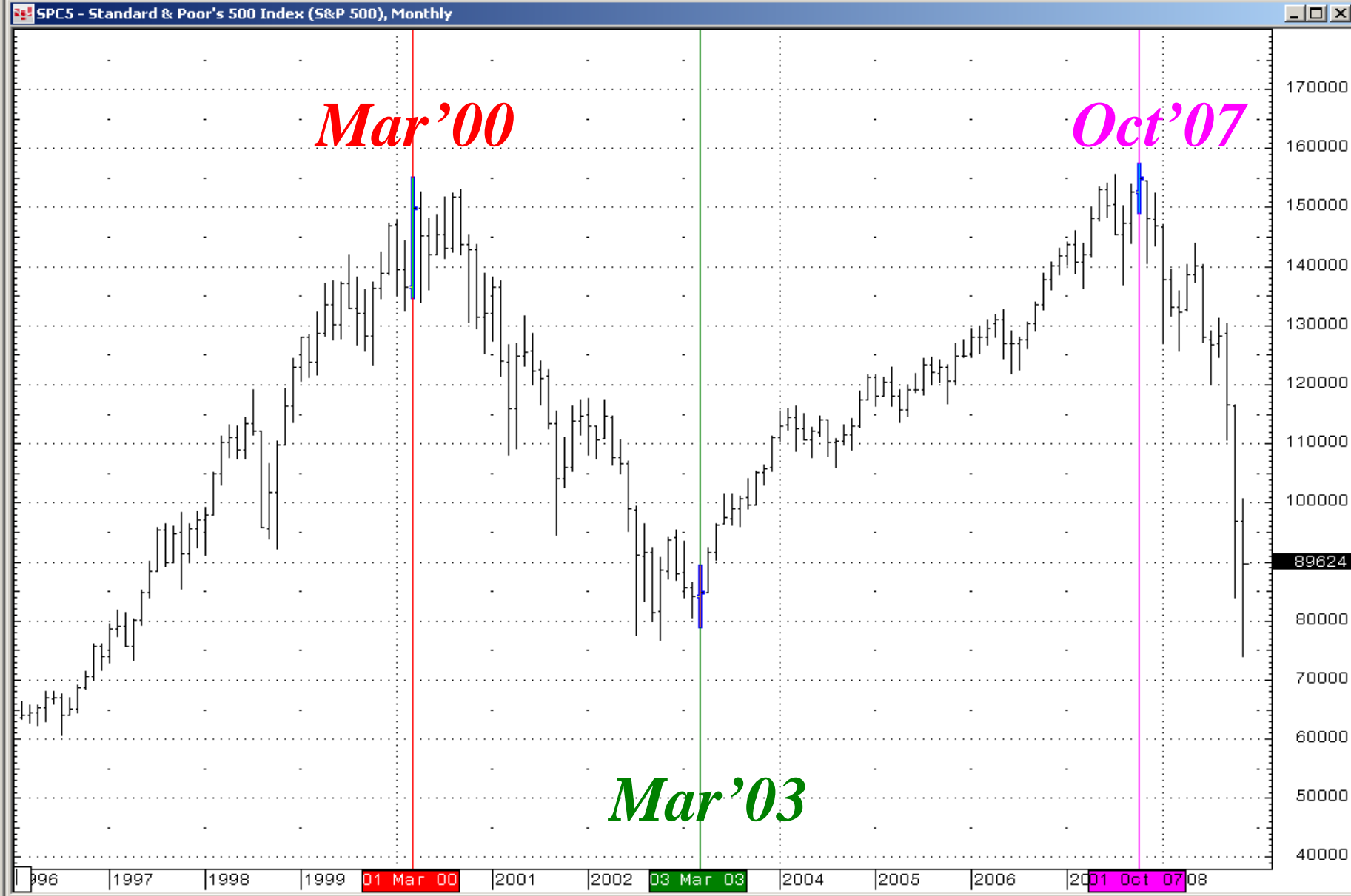
"The inherent vice of capitalism is the unequal sharing of the blessings. The inherent blessing of socialism is the equal sharing of misery."

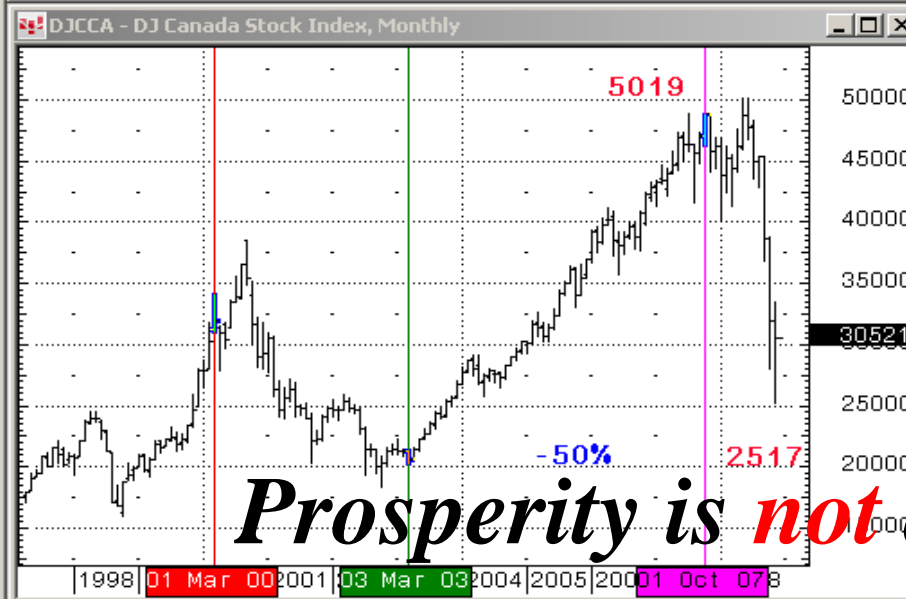
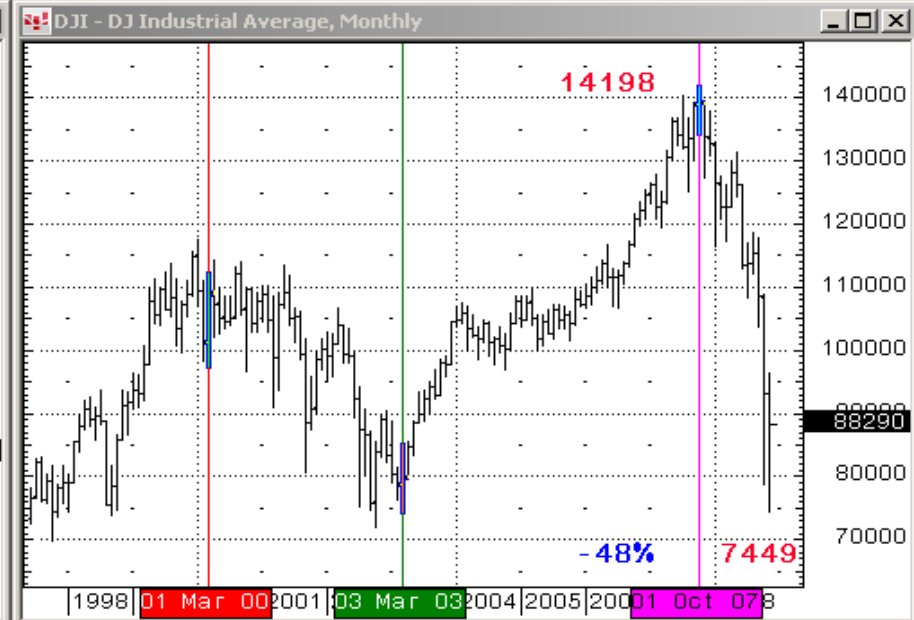
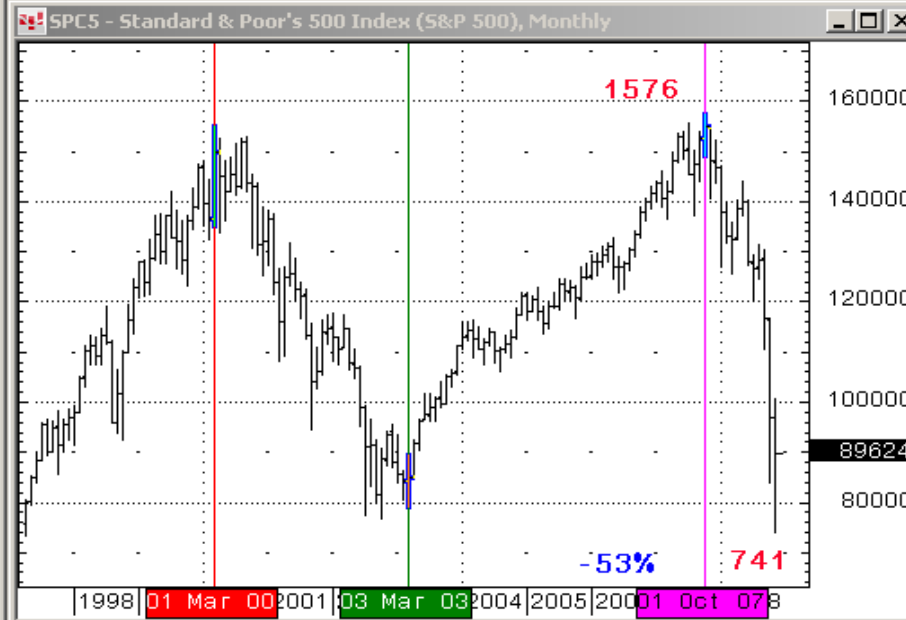
Winston Churchill

The Unmistakable Trend...

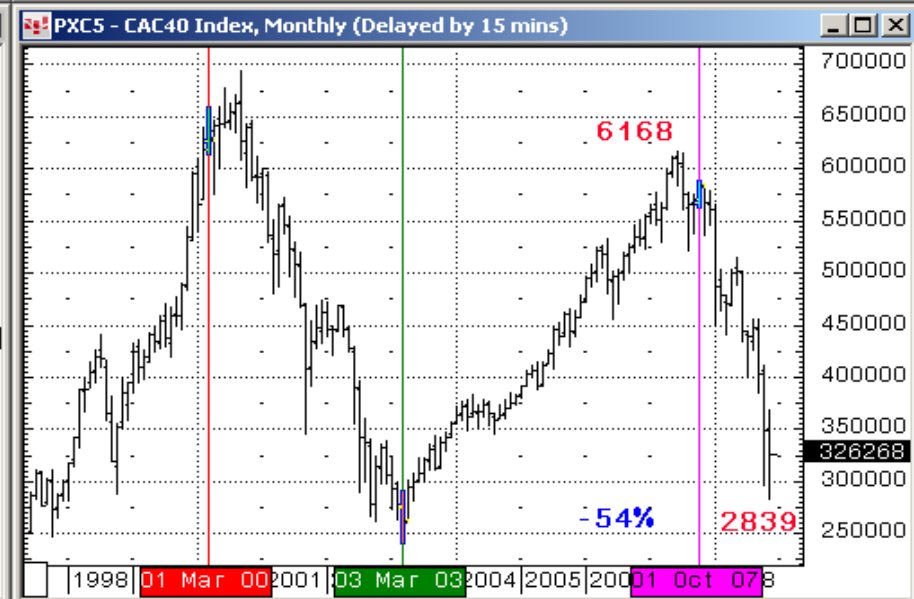
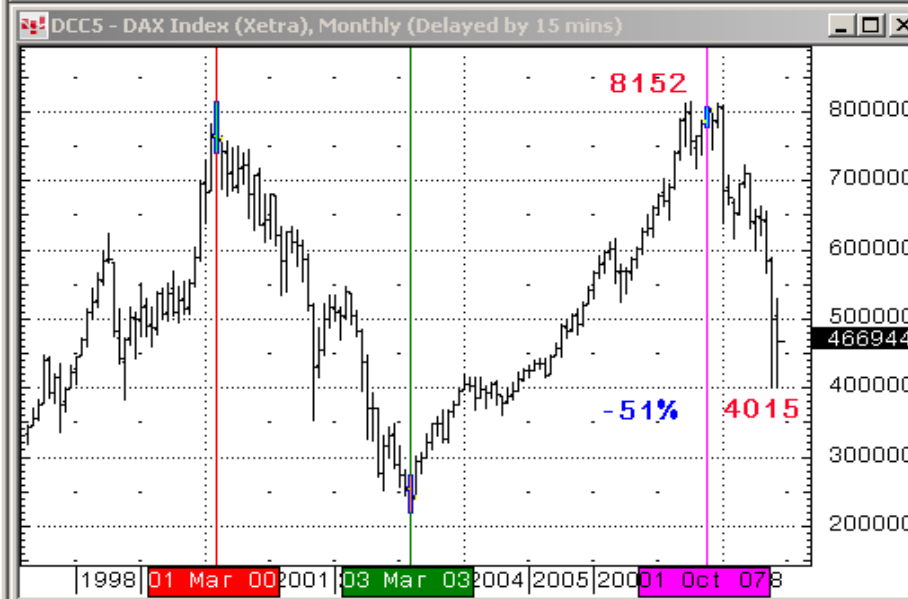
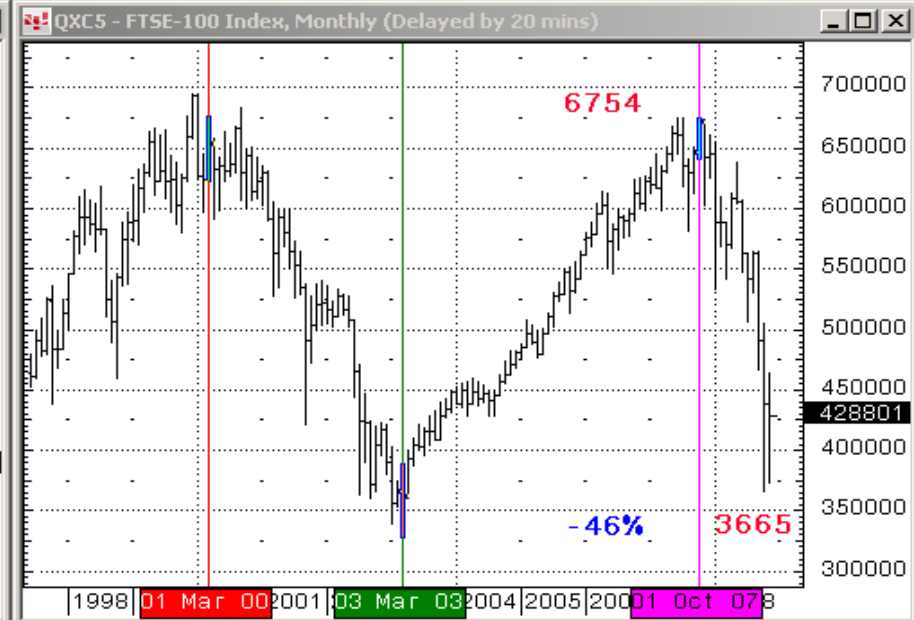
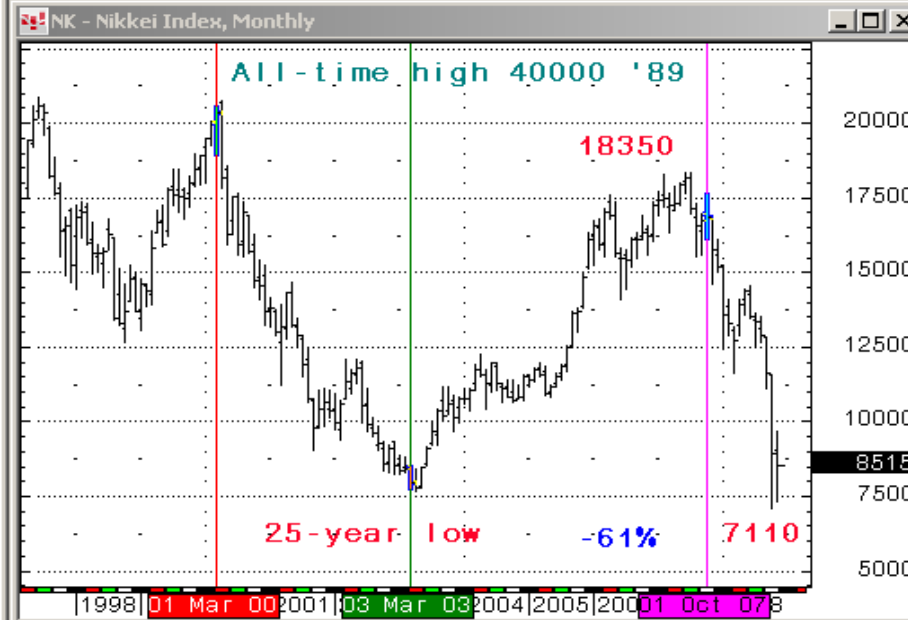
An Interdependent World

*Twelve Selected Equity Markets
1996-2008*





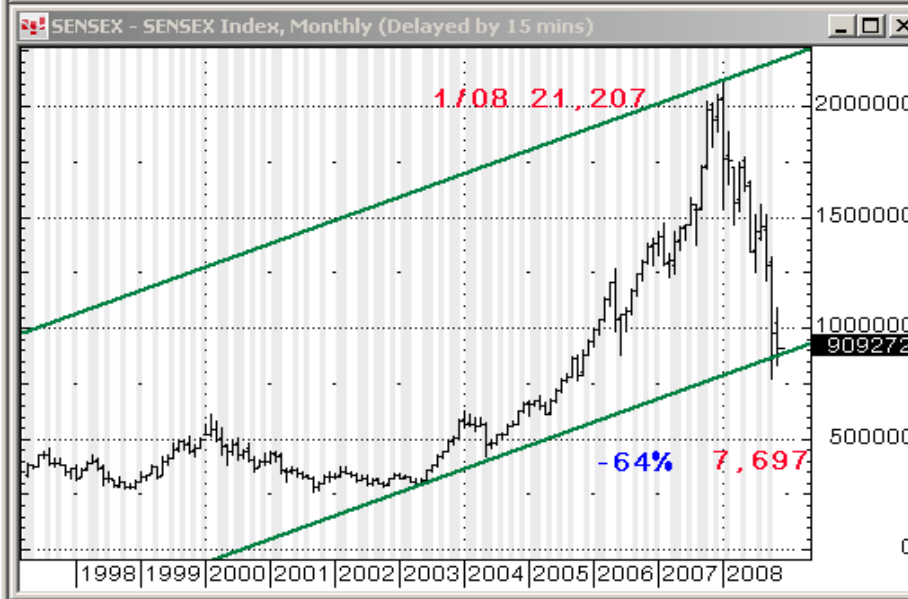
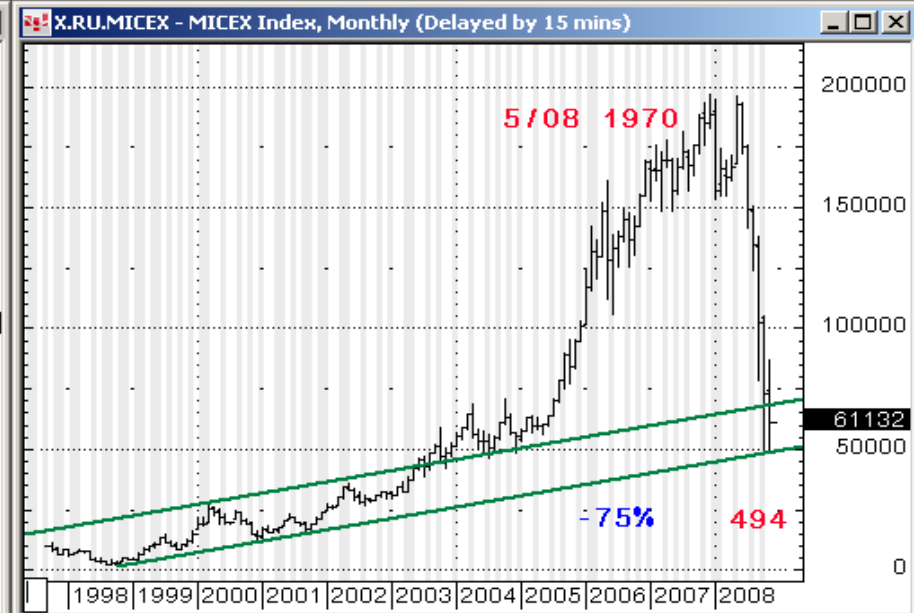
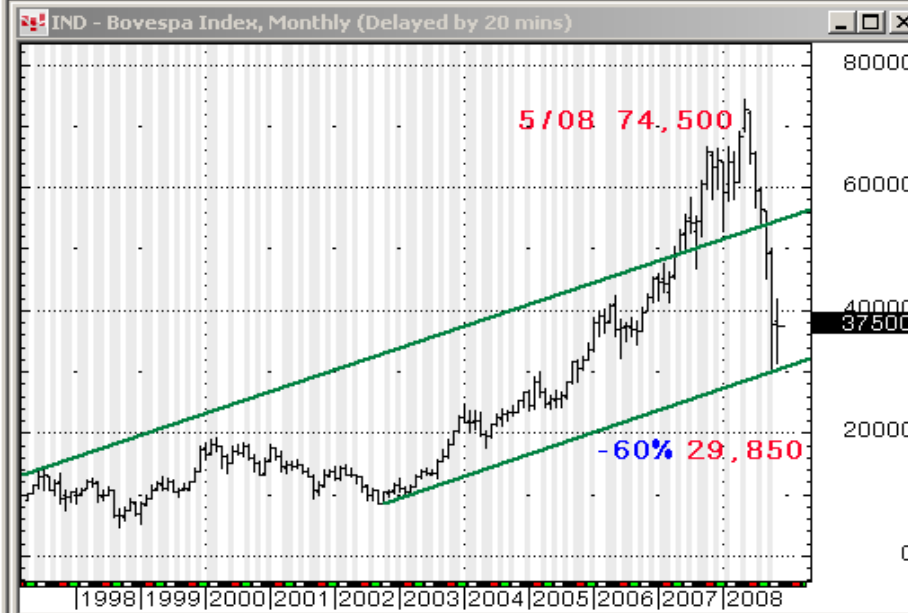
*Prosperity is **not** a zero-sum game!*





"B.R.I.C." – Brazil, Russia, India, China

22:29 CQGNet 76068 P030



GRAB

Baltic Dry Index

Index MACD

At 07:07 Op 1102 Hi 1102 Lo 1102

BDIY INDEX Hide MACD - Moving Average Convergence/Divergence Page 1/106

Range 10/24/02 - 10/24/08 Upper Line Chart Mov. Avgs 50 200 Currency USD

Period Daily Lower None Mov. Avg Events

MACD 12 - 26 Signal 9 MACDDiff Histogram

BALTIC DRY INDEX 1102 -47 -4.09%



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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 G352-308-3 24-Oct-08 9:19:13



16 Selected Equity Markets

As of C.O.B.	28-Nov-08				
Symbol	Post 9/11 Low	2007 High	Gain	Current	Current % gain
S & P 500	769	1,576	105%	896	17%
Dow Jones Industrials	7,198	14,198	97%	8,829	23%
DJ Canada	1,843	5,019	172%	3,052	66%
DJ Mexico	3,719	22,355	501%	13,730	269%
NIKKEI 225	7,650	18,350	140%	8,515	11%
FTSE 100 London	3,278	6,754	106%	4,288	31%
DAX 30 Frankfurt	2,189	8,152	272%	4,669	113%
CAC 40 Paris	2,401	6,168	157%	3,263	36%
SNG - Singapore	895	3,126	249%	1,334	49%
DJ Taiwan	871	2,448	181%	1,074	23%
DJ South Korea	829	4,374	428%	2,279	175%
DJK Hong Kong	1,378	5,992	335%	2,335	69%
Average	2,752	8,209	229%	4,522	73%
BRAZIL BOVESPA	8,420	74,500	785%	37,500	345%
RUSSIA MICEX	131	1,970	1404%	611	366%
INDIA SENSEX	2,595	21,207	717%	9,093	250%
CHINA SHANGHAI	110	588	435%	196	78%
Average	2,814	24,566	835%	11,850	260%



World & Selected Countries (2007 Data)

GDP, GDP and Rank, Population

Country	Gross Domestic Product			2005-07 3yr GDP Growth Avg.	World Population		
	Rank	\$Trillion	%		Million	Rank	%
World		54.3		3.6	6,602		
US	1	13.8	25.4%	2.7	301	3	4.6%
Japan	2	4.4	8.1%	2.2	127	10	2.0%
Germany	3	3.3	6.1%	2.4*	82	14	1.3%
China	4	3.3	6.1%	10.8	1,322	1	20.0%
United Kingdom	5	2.7	5.0%	2.4*	61	22	0.9%
France	6	2.6	4.8%	2.4*	64	21	0.9%
Italy	7	2.1	3.9%	2.4*	58	23	0.9%
Spain	8	1.4	2.6%	2.8	33	36	0.5%
Canada	9	1.3	2.4%	2.4	40	29	0.6%
Brazil	10	1.3	2.4%	3.8	190	5	2.9%
Top 10		36.2	66.7%				
Russia	11	1.30	2.4%	6.9	141	8	2.1%
India	12	1.2	2.2%	9.2	1,130	2	17.1%
South Korea	13	0.97	1.8%	4.7	49	24	0.7%
Mexico	14	0.89	1.6%	3.6	109	11	1.7%

* Euro Zone Average

Source: World Bank. July 1, 2007

	Total countries	Free	Partly Free	Pct. F/P.F.	Not Free
• 1975	158	40	53	59%	65
• 1981	164	54	46	61%	64
• 1985	167	56	56	67%	55
• 1995	191	76	62	72%	53
• 2005	193	90	58	77%	45
		+125%	+9%	+31%	-31%

In 2002, the GDP of Free countries stood at \$26.8 trillion, while the GDP of Not Free countries was \$1.7 trillion.

*Not free because prosperous;
rather, prosperous because free.*

The Next Great Opportunity?

Global Agricultural Trade Reform

Global industrial tariffs average: 4% (20%)

Global agricultural tariffs average: 40%

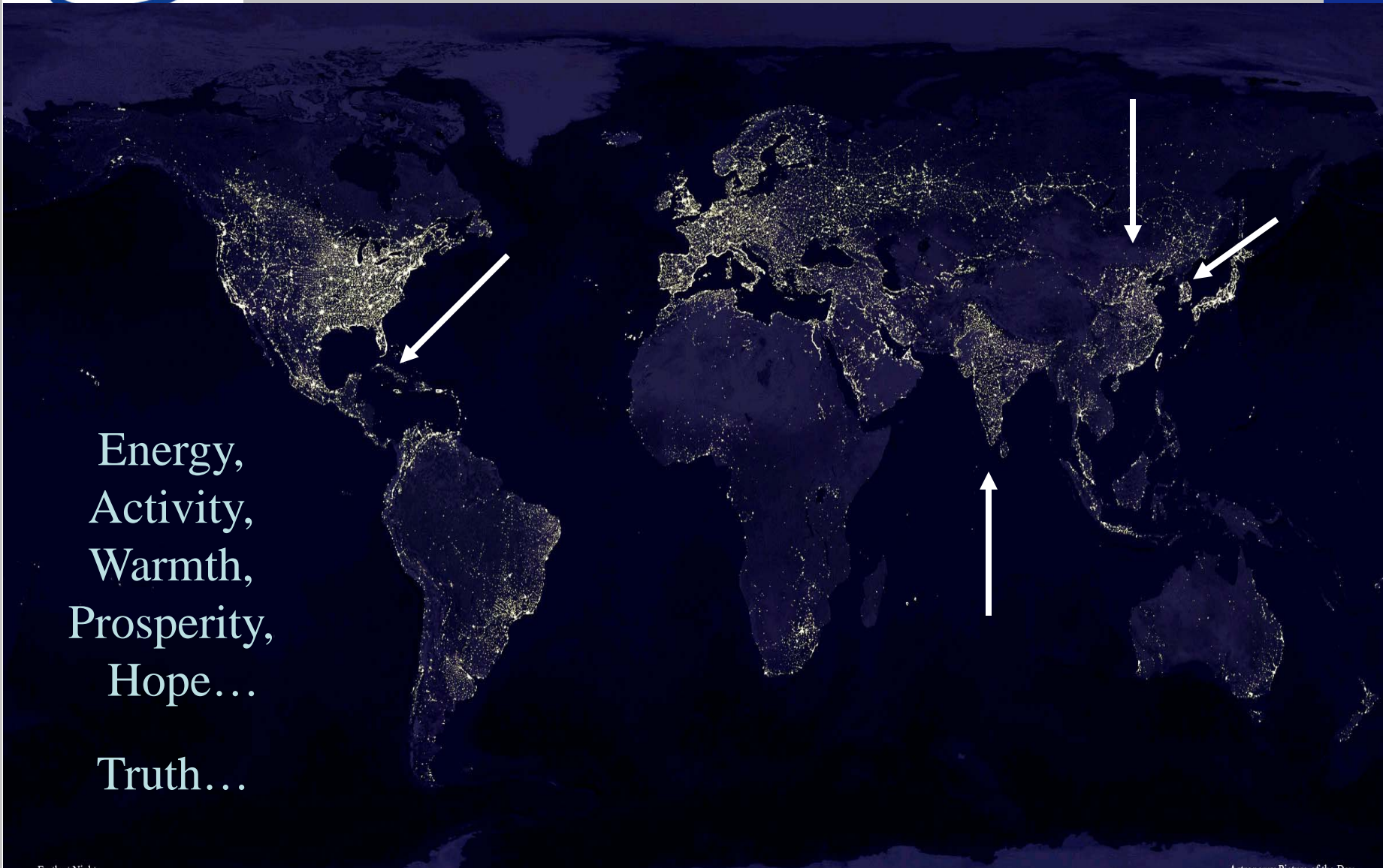
Support Global Agricultural Trade Reform!

The Outlook...

- *The pervasive spread of economic freedom, free enterprise, and optimism trumps terrorism*
- *The forward march of global prosperity hangs in the balance*
- *Food-demand growth rates still advancing?*
- *Free-market principles, progressive policies, and the indomitable human spirit still required if the advance of the human condition to continue*
- *Caveats... rising protectionism, isolationism, and overt nationalism pose greater threats to broadening prosperity than terrorism*
- *Excessive taxation, litigation, and regulation 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



Energy,
Activity,
Warmth,
Prosperity,
Hope...

Truth...

Count Your Blessings!



*Open Markets, Economic Growth
and Shared Prosperity*

“The Luckiest Generation”

Thank you!

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