

Agricultural Producer Risk Management

Optimizing Client Success

Tom Neher VP AgriBusiness

AgStar Financial Services

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Risk Management?



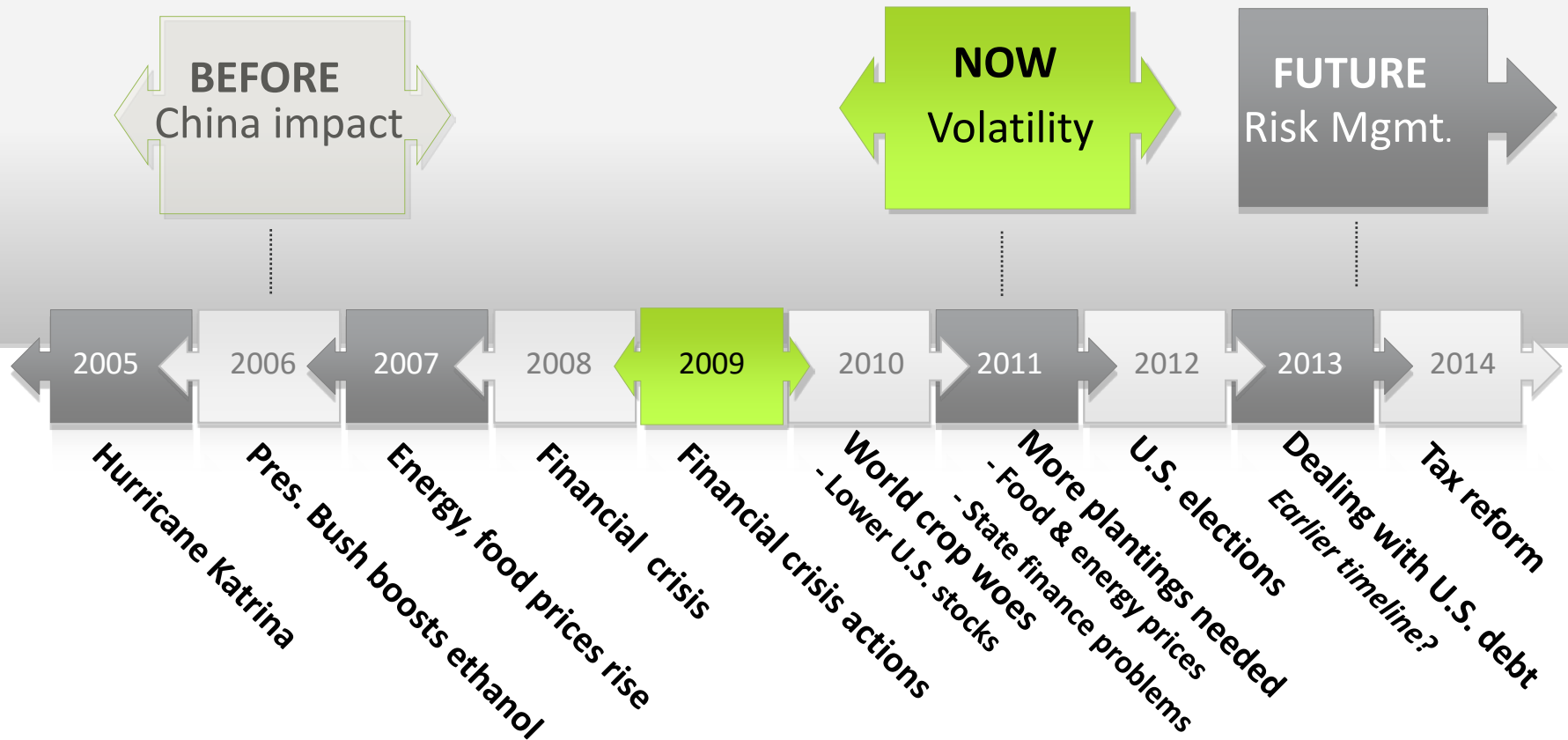
What could go wrong?

- 2008 High was due to US housing collapse. What if the same happens in China?
- Increase US regulations on futures or limits on large speculative traders positions
- Perfect 2012 US/World weather

Current grain market factors

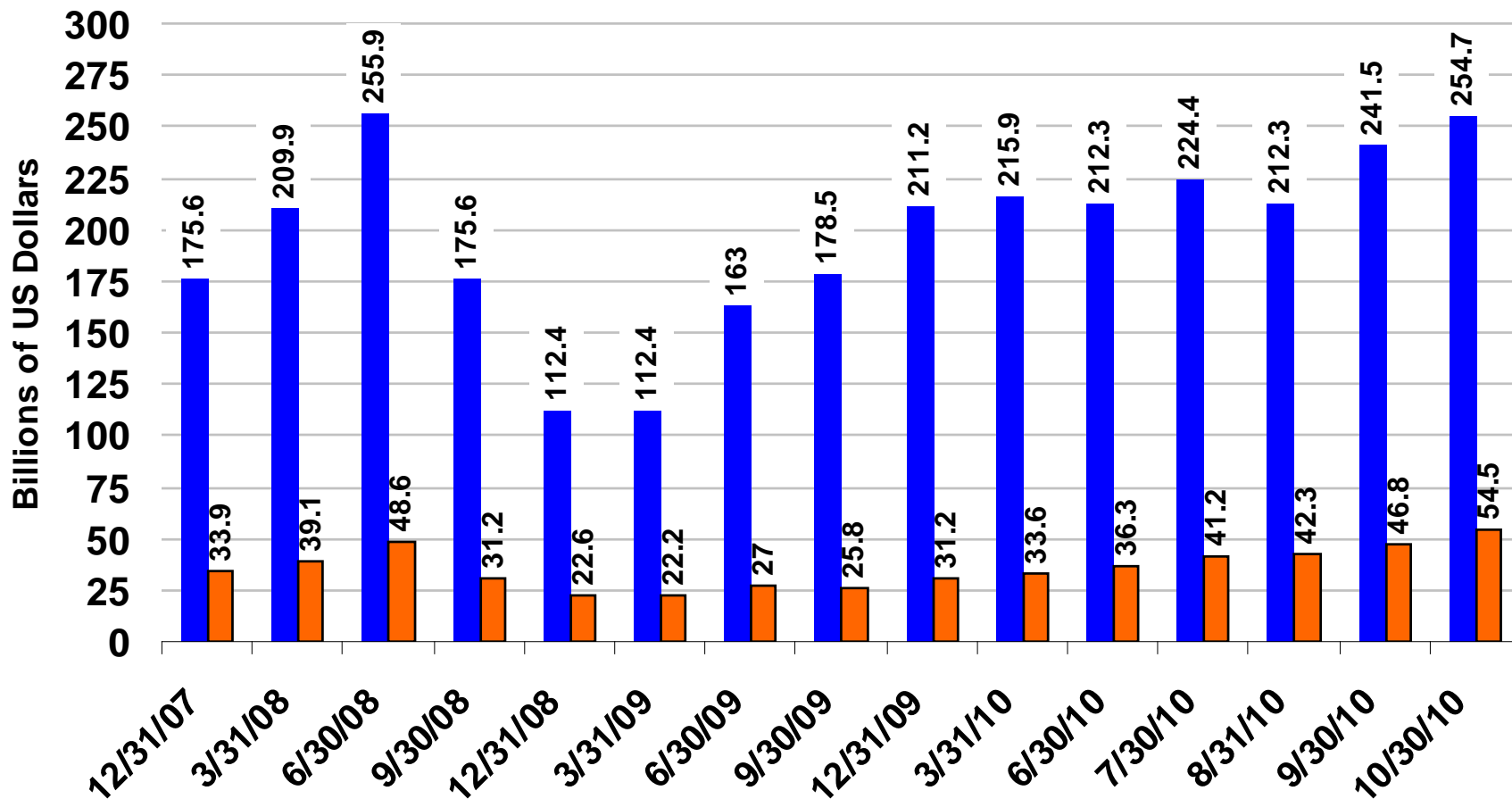
- Volatility and Money flow
- China commodity demand
- World economic and currency outlook
- 2012 weather, Russia, China, USA, Argentina
- Soybeans now the bull leader?
- US Demand, export and domestic use
- US/World 2012 acreage mix

Market & Policy Volatility: Fasten Your Seat Belts



Index Investment Data - Long Positions

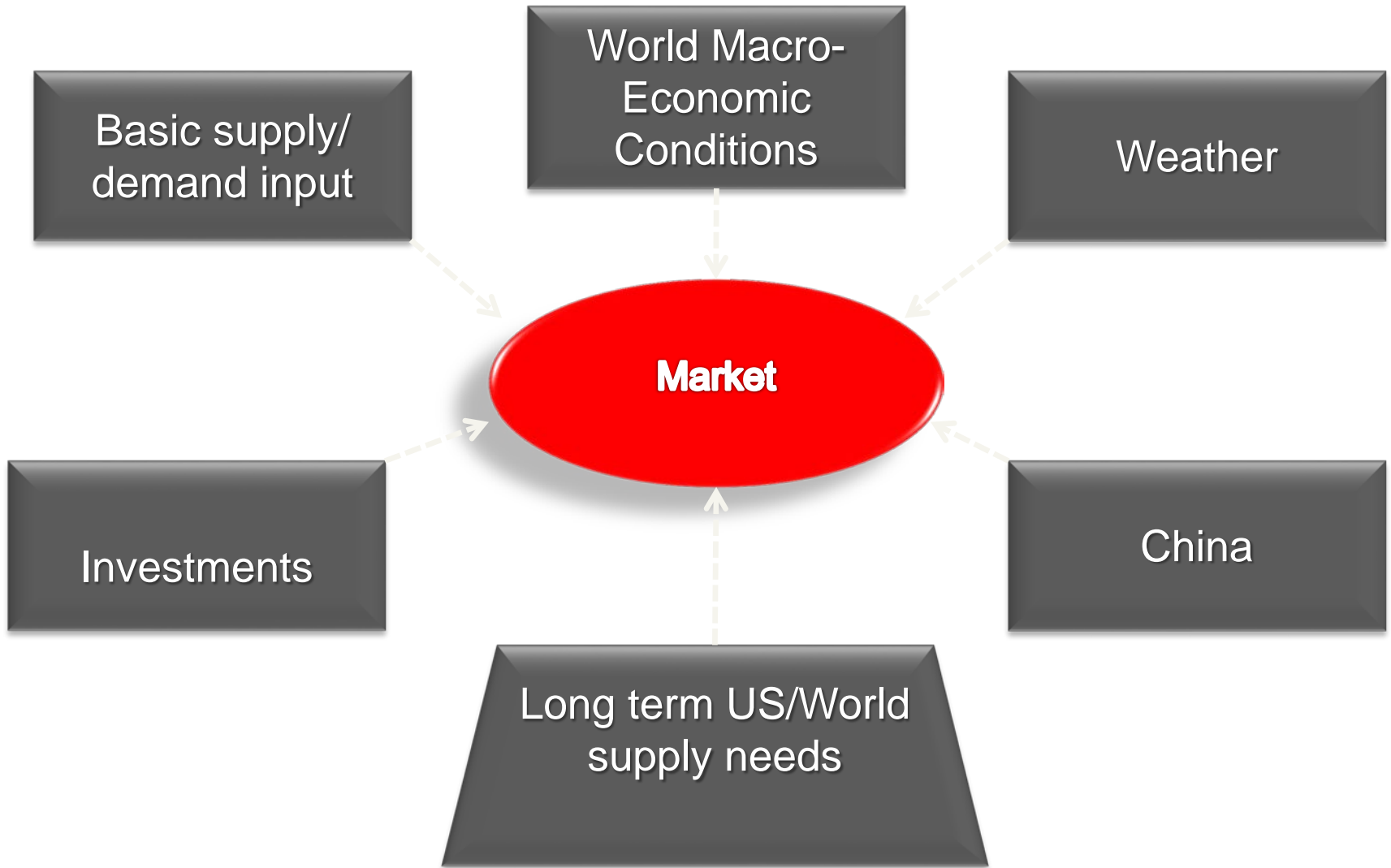
Swap Dealers and Index Traders



Source: CFTC Index
Investment Data Report

■ All Reported Markets ■ Grains (Corn, Soybean, Soyoil, Chi & KC Wheat)

FUNDAMENTAL FACTORS IN THE FORMATION OF PRICES



Producer Risk Management



Paradigm Shift

- Trading Approach
 - Predict where the markets will go
 - Sell the top
 - Buy the low
- Margin Management
 - Cost of Production
 - Financial Goals
 - Reward the Market

AgStar Margin Manager

Margin Manager 2011 vs. 2012 Projections

Enter Farm Name Here	Corn		Soybeans	
	2011	2013	2011	2012
Acres	500	500	500	500
Revenue Expense per Acre				
YIELD Bushel/Acre	180	182	48	48
Price \$/Bushel	\$ 6.01	\$ 7.00	\$ 13.49	\$ 13.65
Basis	\$ (0.65)	\$ (0.65)	\$ (0.70)	\$ (0.70)
Cash Price \$/Bushel	\$ 5.36	\$ 6.35	\$ 12.79	\$ 12.95
Crop Revenue/Acre	\$ 964.80	\$ 1,155.70	\$ 613.92	\$ 621.60
Govt Payment (avg over acres)	\$ 24	\$ 24	\$ 15	\$ 15
Total Revenue	\$ 989	\$ 1,180	\$ 629	\$ 637
Expense Estimate per Acre				
Seed	\$ 110	\$ 110	\$ 44	\$ 44
Fertilizer	\$ 134	\$ 158	\$ -	\$ -
Herbicide	\$ 13	\$ 25	\$ 14	\$ 18
Farm Insurance	\$ 4	\$ 4	\$ 4	\$ 4
Crop Insurance	\$ 38	\$ 44	\$ 29	\$ 32
Fuel/Oil	\$ 24	\$ 20	\$ 18	\$ 18
Repairs	\$ 28	\$ 28	\$ 22	\$ 22
Crop Drying	\$ 16	\$ 19	\$ -	\$ -
Machine Lease/Hire	\$ 18	\$ 18	\$ 13	\$ 13
Custom/Hired Labor	\$ 12	\$ 8	\$ 10	\$ 8
Crop Marketing	\$ 1	\$ 1	\$ 1	\$ 1
Misc Crop Expense	\$ 16	\$ 16	\$ 15	\$ 15
Operating Interest	\$ 17	\$ 17	\$ 12	\$ 12
Term Interest	\$ 9	\$ 9	\$ 7	\$ 7
Machinery/Bldg Depreciation	\$ 37	\$ 43	\$ 30	\$ 39
Utilities	\$ 6	\$ 6	\$ 6	\$ 6
Other #1	\$ -	\$ -	\$ -	\$ -
Other #2	\$ -	\$ -	\$ -	\$ -
Other #3	\$ -	\$ -	\$ -	\$ -
Total Non-Land Expense per Acre	\$ 483	\$ 526	\$ 225	\$ 239
Plus Land Costs/Rent	\$ 210	\$ 210	\$ 210	\$ 210
Family Living/Operator Draw	\$ 45	\$ 55	\$ 35	\$ 45
Total Land Costs/Rent/Draw	\$ 255	\$ 265	\$ 245	\$ 255
Total Expense inc. Land and Draw	\$ 738	\$ 791	\$ 470	\$ 494
Net Margin per Acre	\$ 251	\$ 389	\$ 159	\$ 143
Break-Even per Bushel	\$ 4.10	\$ 4.35	\$ 9.79	\$ 10.29
Total Revenue	\$ 494,400	\$ 589,850	\$ 314,460	\$ 318,300
Total Expenses	\$ 369,000	\$ 395,500	\$ 235,000	\$ 247,000
Net Margin	\$ 125,400	\$ 194,350	\$ 79,460	\$ 71,300

AgStar Margin Manager Calculators

- Crop Insurance
- Equipment
- Facility
- Land
- Margin Projection

Risk Management Today: 6 Tips for Balancing Your Inner Bull and Bear

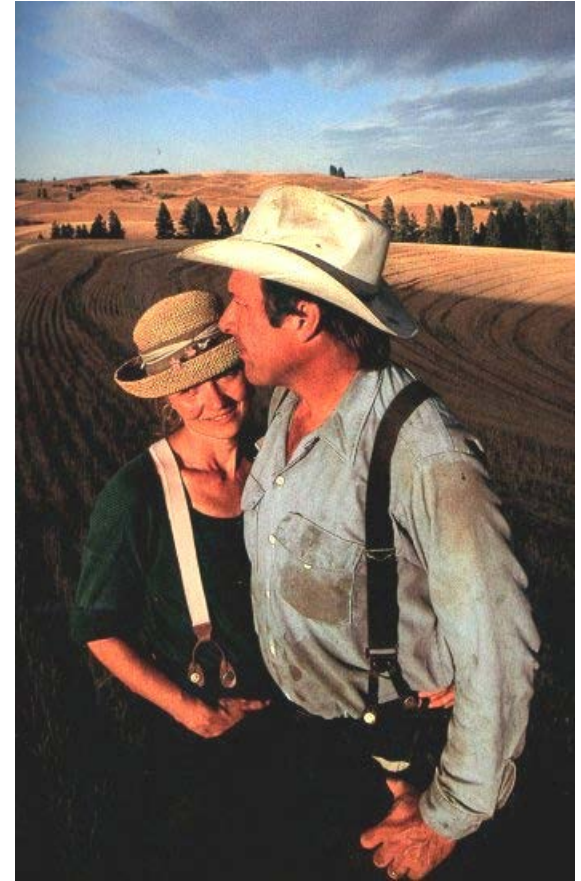


6 Tips to Finding Balance

- 1. Weigh the rewards of action versus inaction**
- 2. Beware the power of regret**
- 3. Keep confidence in check**
- 4. Build robustness**
- 5. Risk management is the key to leveraging the opportunities**
- 6. Master the practice of “laying risk off onto others.”**

Viewpoint

- Bulls focus on the opportunities
- Bears focus on the risk
- Takes discipline to find a healthy balance



Thank You!

Tom Neher

VP AgriBusiness

AgStar Financial Services, ACA

Tom.Neher@agstar.com

507-696-3614