

Commodity Price Risk Management

Brent Grecian – Wells Fargo Financial Products



Full service OTC trading desk utilizing all available resources:

- CBOT, CME, ICE, KCBOT, LME, MGX, NYMEX
- OTC Broker/Dealer Market
- Ability to hold or warehouse positions (VAR)
- Greater Flexibility – WF can structure contracts with customized pricing and structures to meet specific client needs

Offices in Kansas City, Dallas, Houston, Charlotte, and San Francisco

- Wells Fargo Commodity Products works with industry participants across the country to find creative ways to provide capital, liquidity, and risk management strategies to commodity-based industries
- Experienced staff of over 50 traders, marketers and analysts

All trading done with Aa rated entity (Standard & Poor's)

One-stop bank for grain merchandising

- Revolving Lines of Credit
- Long-term Debt Capital (Real Estate Term Loans, Private Placements, Leasing)
- Derivative Solutions

Grain Merchandising Solutions – Wells Fargo offers unique structures combining financial derivatives with debt capital to meet a specific industry need.

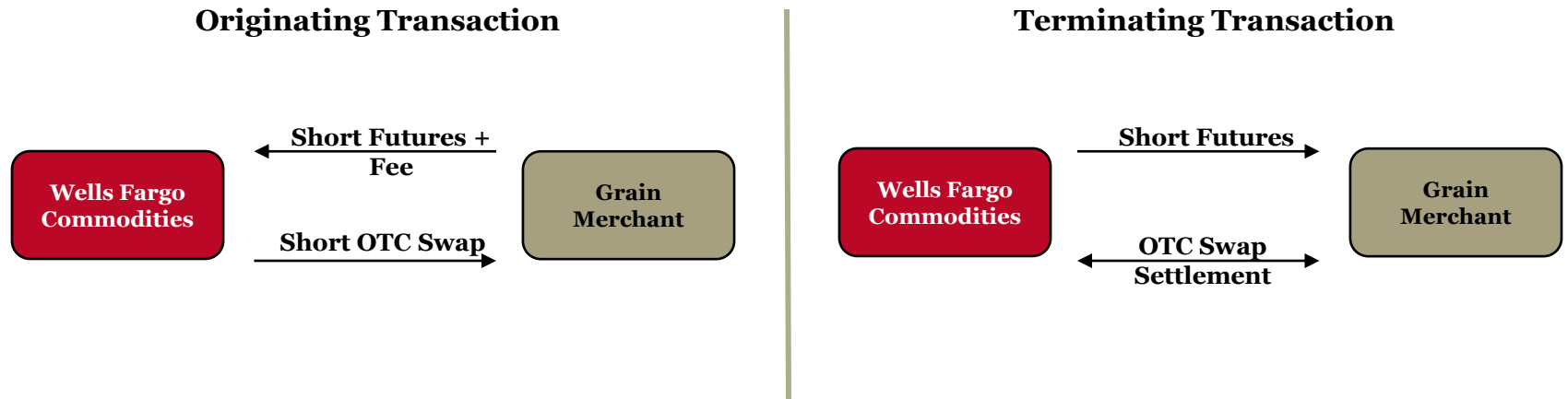
- Exchange for Risk (EFR) Swap
- Purchase and Forward Sale Agreement

New Crop & Grain in Storage Solution – Exchange For Risk (EFR) Swap

- Eliminate the unknown cost and liquidity constraints of posting margin on exchange-traded futures contracts

How it works:

- Grain Merchant transfers the existing futures contracts to Wells Fargo via the EFR program (similar to EFP)
- Wells Fargo and Merchant simultaneously enter an OTC swap based on the EFR exchange price, effectively replacing the futures with an equivalent swap position
- Wells Fargo takes on all margin requirements related to the futures over the life of the swap contract
- Settlement: At the earlier of the Merchant’s discretion or maturity, the contract can be terminated with another EFR re-establishing the futures contracts in the Merchant’s brokerage account
- A fixed fee is assessed at the settlement of the swap contract



An Exchange for Risk Swap offers the following benefits:

Improved hedge effectiveness

- Establish a defined cost of carry for hedged positions
- Fix interest costs to lock in grain margins

Greater efficiency

- Reduce or eliminate the impact of margin calls
- Reduce money transfers to and from margin accounts

Increase profitability

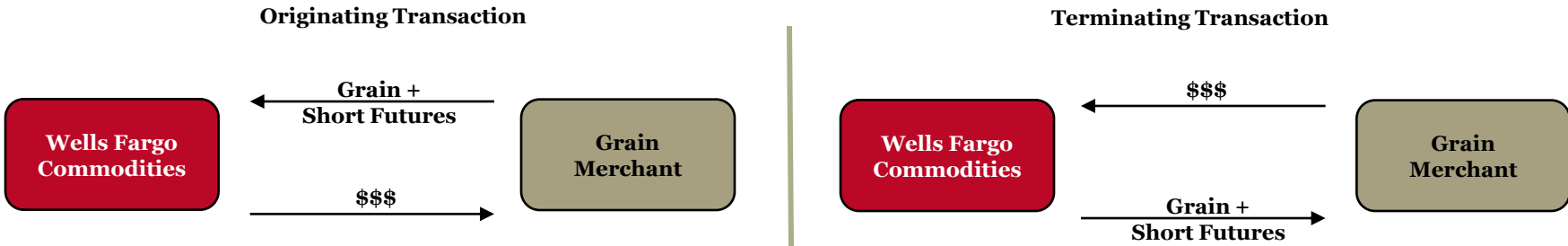
- Reduce the size and therefore the cost of your credit facility (reduced commitment fees)

Grain in Storage Solution – Purchase and Forward Sale Agreement (*In Development – Expected April 2010*)

- An alternate to Inventory Financing that effectively increases the advance rate and removes related futures positions, thereby removing the related financing and futures margin requirements over the life of the contract

How it works:

- Wells Fargo executes a spot grain purchase from Merchant with a related exchange for futures (EFP)
- Merchant provides Wells Fargo with negotiable grain warehouse receipts
 - Wells Fargo funds up to 100% of the spot market price for grain
 - Wells Fargo may pay storage if desired
 - Result: Wells Fargo owns inventory in the Merchant’s warehouse and is short futures (long basis)
- Simultaneously, Wells Fargo enters a forward basis sales agreement with the Merchant
 - Wells Fargo sale basis represents the financing fees for carrying the inventory and futures for the life of the contract
- Settlement: Merchant repurchases grain at the current futures price plus contract basis, and an EFP is executed to re-establish the client’s short futures position
 - Wells Fargo returns negotiable grain warehouse receipts



New Demand

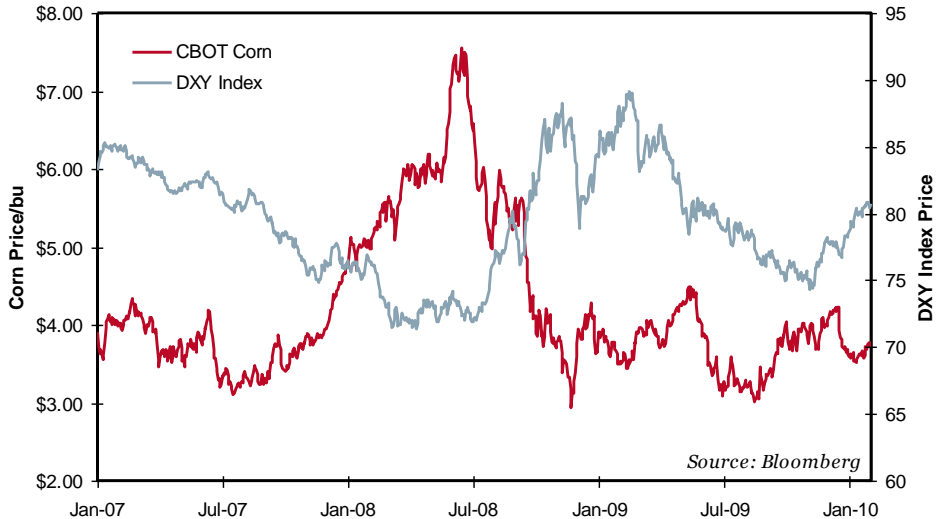
- For decades, grain & oilseed demand was more or less driven by population growth
- Within the past 5 years, we've added 3 major sources of demand, which has, and will continue to drive increased volatility and susceptibility to major price spikes
 - Ethanol – Virtually immeasurable 10 years ago, now consumes more than 30% of annual production and growing
 - Emerging Markets – Emerging markets, led by China, have experienced unprecedented economic growth and prosperity, driving demand growth for both food and energy – both of which are bullish for U.S. grains and oilseeds
 - Investor Demand – Volatility, past performance, concerns over USD weakness and inflation have all driven enormous growth in speculative interest

Result

- Crop supplies are less flexible to meet the new sources of demand, thereby resulting in higher volatility and susceptibility to major price spikes

Long Term Outlook

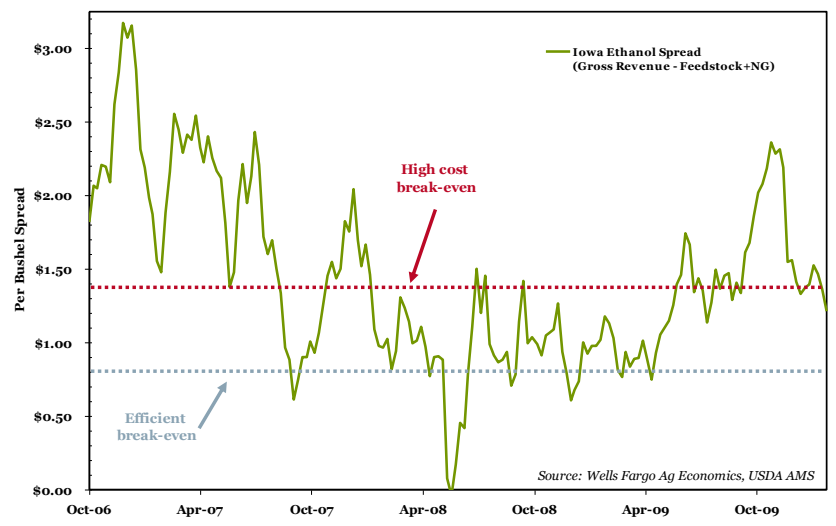
- Expect continued volatility
- US Dollar fluctuations
- Investor / Speculative Interest
- New Demand
 - Ethanol has gone from immaterial to 30%+ of the US corn crop in less than 4 years.



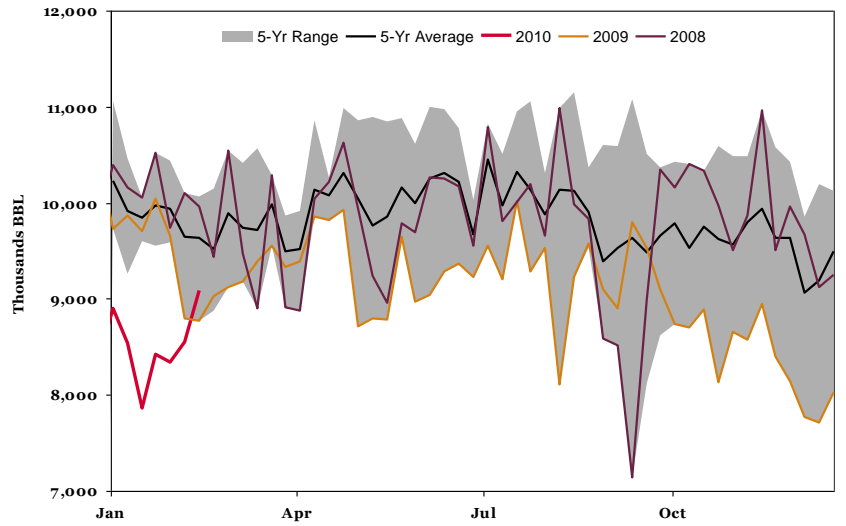
Corn	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Planted	75.80	78.90	78.60	80.90	81.80	78.30	93.50	86.00	86.50
Harvested	68.80	69.30	70.90	73.60	75.10	70.60	86.50	78.60	79.60
Yield per harvested acre (million bu)	138.2	129.3	142.2	160.4	148	149.1	150.7	153.9	165.2
Beginning Stocks	1,899	1,596	1,087	958	2,114	1,967	1,304	1,624	1,673
Production	9,507	8,967	10,089	11,807	11,114	10,535	13,038	12,101	13,151
Imports	10	14	14	11	9	12	20	14	10
Supply - Total	11,416	10,577	11,190	12,776	13,237	12,514	14,362	13,739	14,834
Feed and residual	5,861	5,563	5,795	6,158	6,155	5,595	5,313	5,231	5,550
Food, seed and industrial	2,054	2,340	2,537	2,686	2,981	3,490	4,387	4,976	5,565
Ethanol for fuel	-	996	1,168	1,323	1,603	2,119	3,049	3,700	4,300
Domestic - Total	7,915	7,903	8,332	8,844	9,136	9,085	9,700	10,207	11,115
Exports	1,905	1,588	1,900	1,818	2,134	2,125	2,437	1,858	2,000
Use - Total	9,820	9,491	10,232	10,662	11,270	11,210	12,137	12,065	13,115
Ending stocks - Total	1,596	1,086	958	2,114	1,967	1,304	2,225	1,674	1,719
Stocks/Use	0.16	0.11	0.09	0.20	0.17	0.12	0.18	0.14	0.13

Grain & Oilseed Market Outlook

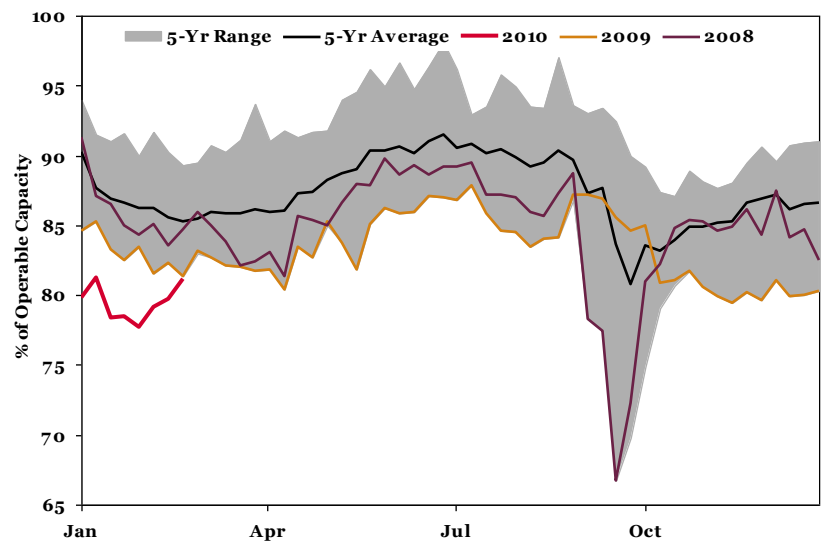
Iowa Ethanol Spread



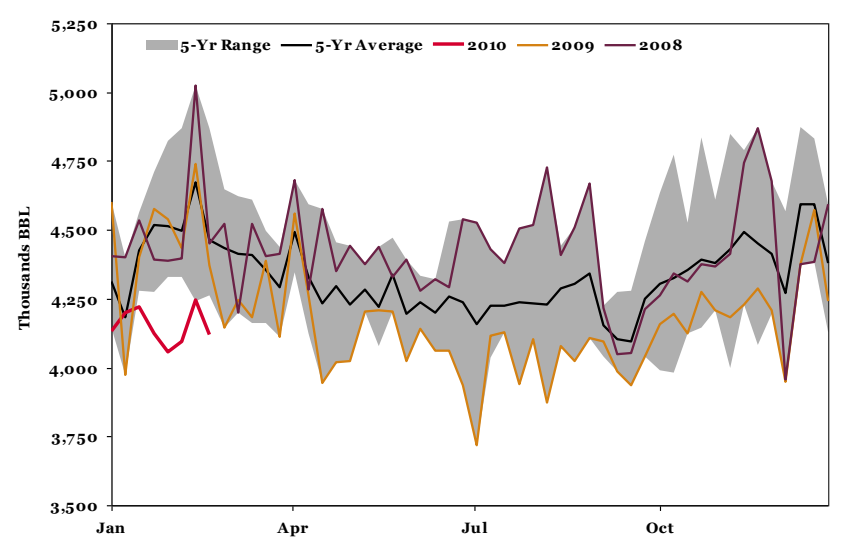
Crude Imports



Refinery Utilization



Implied Product Demand

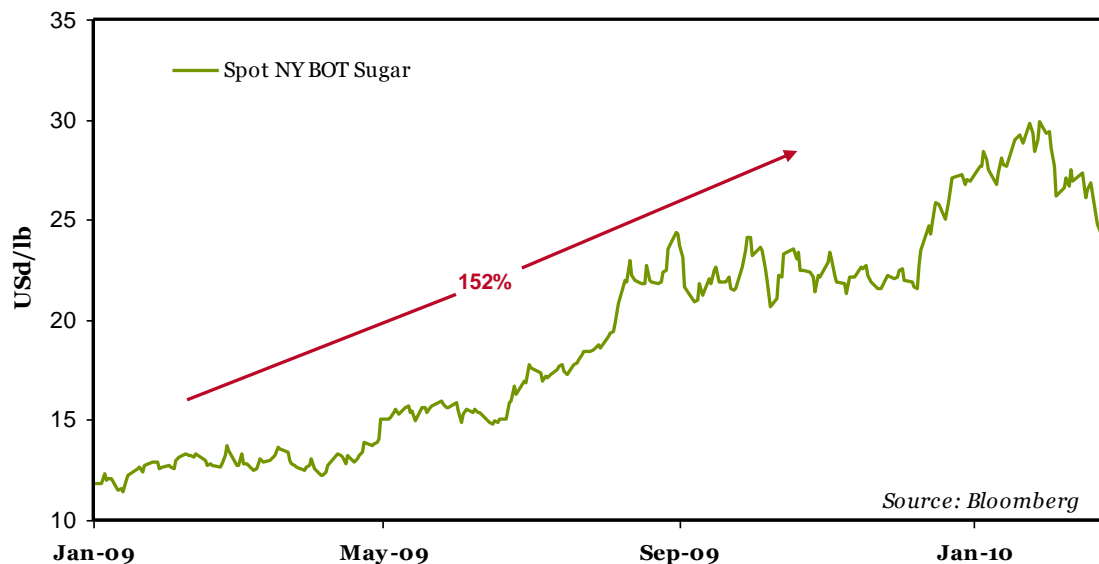


Shifting global demand

- Developing Economies – population and economic growth, especially in the Asia and the Middle East, have accelerated demand for energy and meat proteins - both are bullish for corn

Decreasing Idle Acreage

- Crop production has less excess capacity and we have tighter carryout for crops than we used to.
- This will result in major spikes when crop production comes in below potential
- Grain merchandisers need to plan for major price spikes, which will create opportunities for those that are prepared
 - Case in point – NYBOT Sugar



Questions

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1. All derivatives transactions are arm's-length transactions, and each party is expected to negotiate with the other party at arm's length and in its own best interests. The decision whether to proceed with any transaction with us, and the terms and conditions thereof, rests solely with you. In our written and oral communications with you relating to any proposed transaction, we are not giving you any economic, tax, accounting, legal or regulatory advice or recommendations, and are not acting in a fiduciary relationship with you. You should conduct a thorough and independent review of the economic, tax, accounting, legal and regulatory characteristics, consequences and risks of the transaction in light of your particular circumstances, consulting with such advisors as you consider appropriate.
2. All amounts, terms and conditions in our communications with you are estimates as of a particular date for indicative purposes only. They should not be relied on as amounts, terms or conditions on which we or anyone else would at any time be willing to enter into, terminate or transfer a transaction with you, or relied on for any other purpose. They may be based on market information we obtained from secondary sources without independent verification, and are not binding on us in any way.