

**FCStone**



# Integrated Risk Management Program

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## What We Do

- **Work with commercial customers to control and manage their commodity risk**
- **By proactive management of commodity risk we allow our clients to...**
  - Manage volatility of commodity prices
  - More effectively manage budgets
  - Improve ability to achieve margin goals
  - Increase ability to hit profit objectives

# FCStone Commitment to our Customers

- **Mission**

- To add bottom line results for our customers

- **Vision**

- To be acknowledged as the premier commodity risk management company worldwide.

- **Goal**

- To provide the platforms, instruments, information and strategies that enhance the profitability of our customers and increase the value to our stakeholders.

- **Philosophy**

- FCStone was organized to serve the customer directly. This philosophy continues to be our pledge.

## Background on FCStone

- **Risk management firm specializing in management of commodity risk**
  - In business since 1924
  - Effectively manage 30 different commodities from agriculture, energy, financial instruments, foreign exchange, metals, etc.
- **Conservative Roots**
  - Began as a cooperative – FCC – Farmers Commodity Corporation
  - Currently a privately held company owned by employees and 550 Agricultural Cooperatives
- **Futures Commission Merchant (FCM) on all the major exchanges in North America**
  - CBOT, CME, NYBOT, NYMEX, KCBOT, MGE
  - #1 in open interest in grains on CBOT
  - Top 3 in volume cleared on NYMEX
  - Cleared over 65 million contracts in 2005

## FCStone Offices and Clients



## Customers and Markets Served...

**Energy**



**Commercial Ag**



**Renewable Fuels**



**Clearing / Brokerage**



**Food Service / Dairy**



**Over the Counter**



**Livestock**



**Cash Grain**



**Forest**



**Transportation**



**International**



**Currency Exchange**



# Specific Commodity Product Risk Protected by FCStone

- **Energy products**
  - Natural Gas
  - Crude Oil
  - Heating Oil
  - Refined Fuels
  - Propane
  - Electricity
- **Renewable fuels**
  - Ethanol
  - Bio-Diesel
- **Weather Derivatives**
  - Volumetric Risk
- **Foreign Currency Exchange**
- **Financial Instruments**
- **Interest rates**
- **Agricultural Products**
  - Corn
  - Wheat
  - Soybeans and Soybean meal
  - Cotton
  - Orange Juice
  - Cocoa
  - Fertilizer
  - Sugar
  - Coffee
- **Forest Products**
- **Livestock Products**
  - Live Cattle
  - Beef
  - Pork
  - Dairy and Food Products

**IRMP**

**FCStone**



# Integrated Risk Management Program

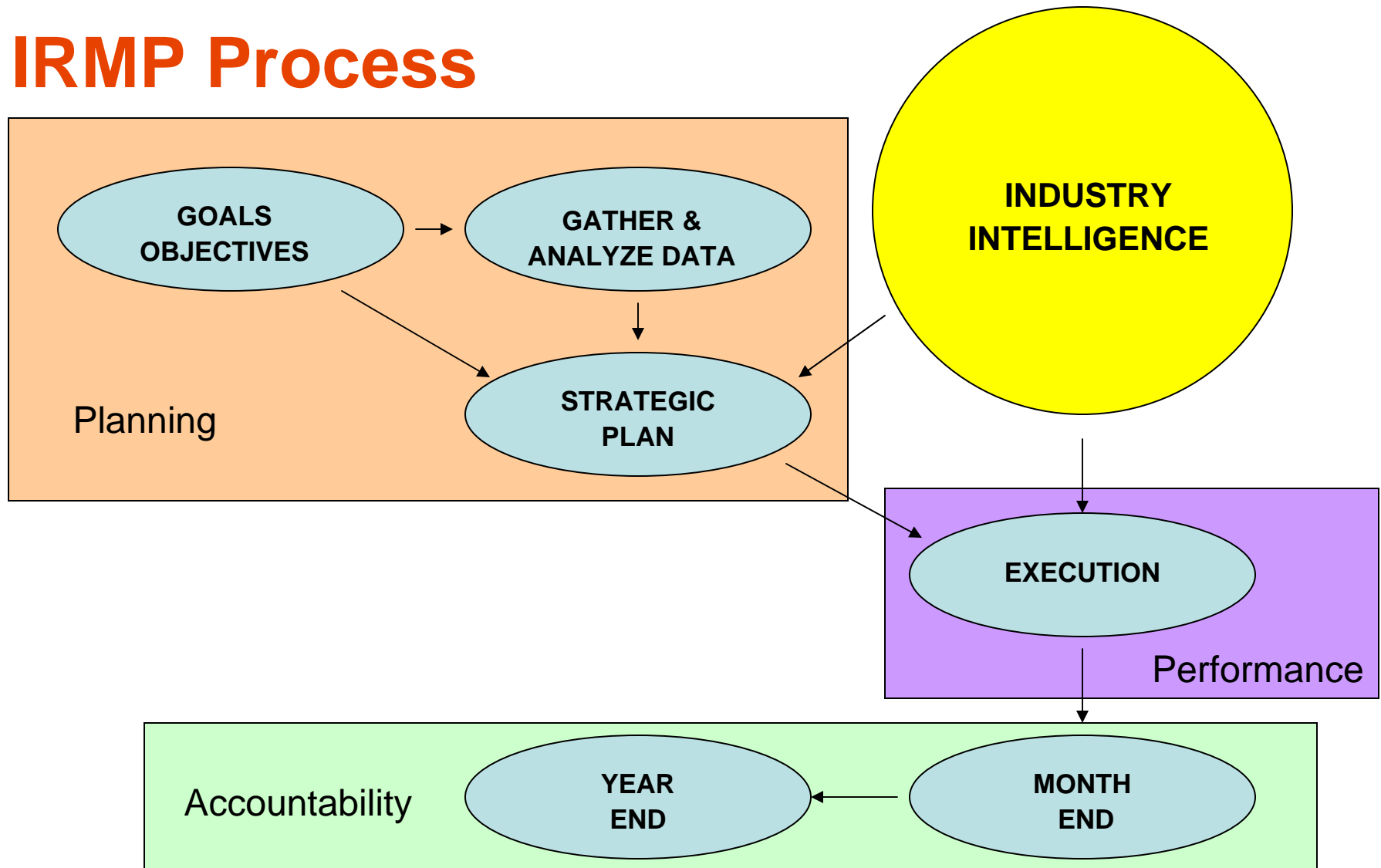
*Planning, Performance, and Accountability*

## What is IRMP

### Integrated Risk Management Program

- Fee Based Consulting Relationship
- Program designed to link Planning, Performance, and Accountability into a strategic risk management plan based on customer goals, objectives, and expectations!
- Philosophy of program based on:
  - Industry Intelligence
  - Conservative approach to sound risk management
  - Accomplishment of client company goals / objectives
  - In-depth customer education
- Proven System and Process
  - 450 IRMP accounts domestically and internationally
  - 20 years of proven experience

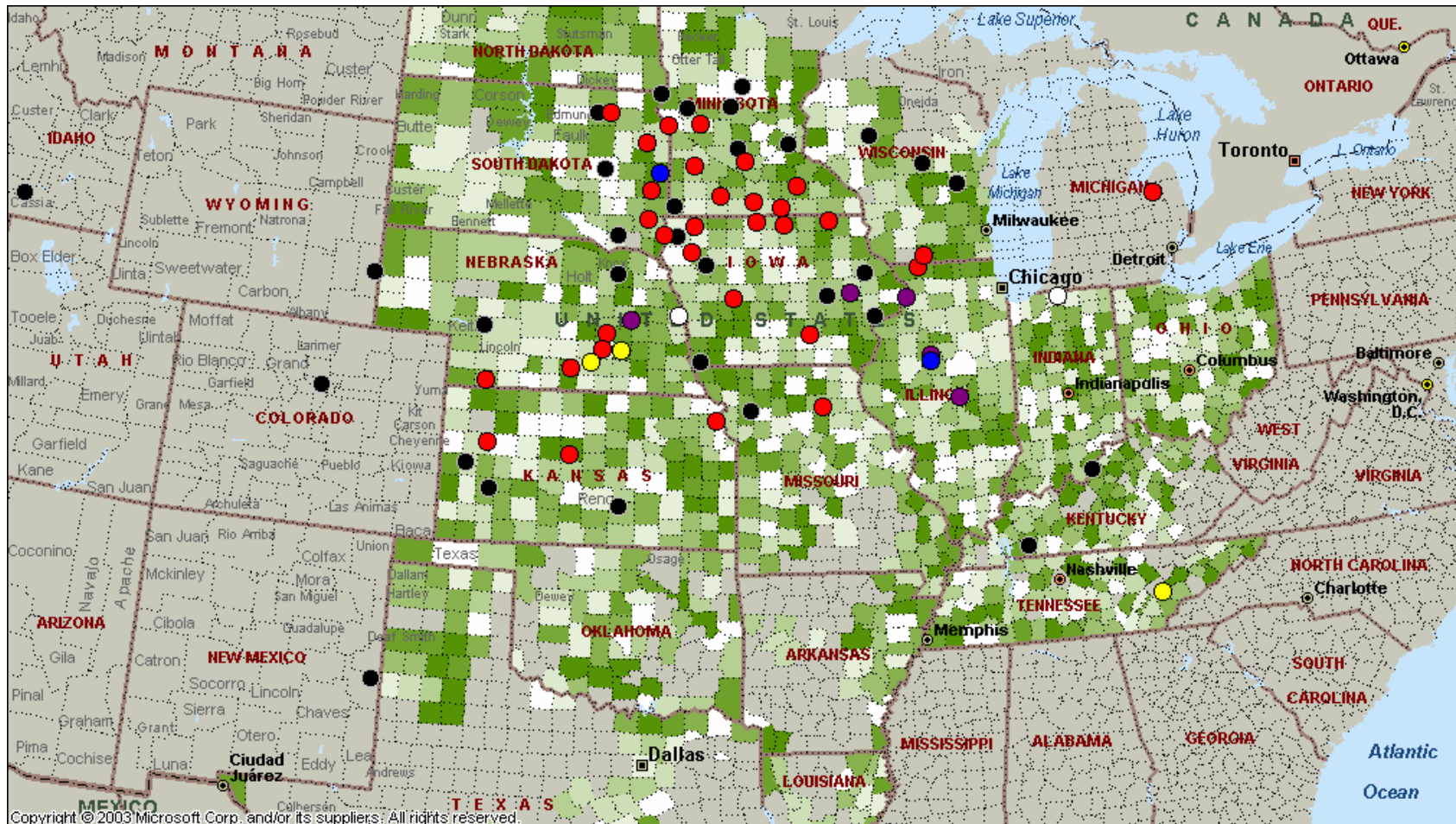
## IRMP Process



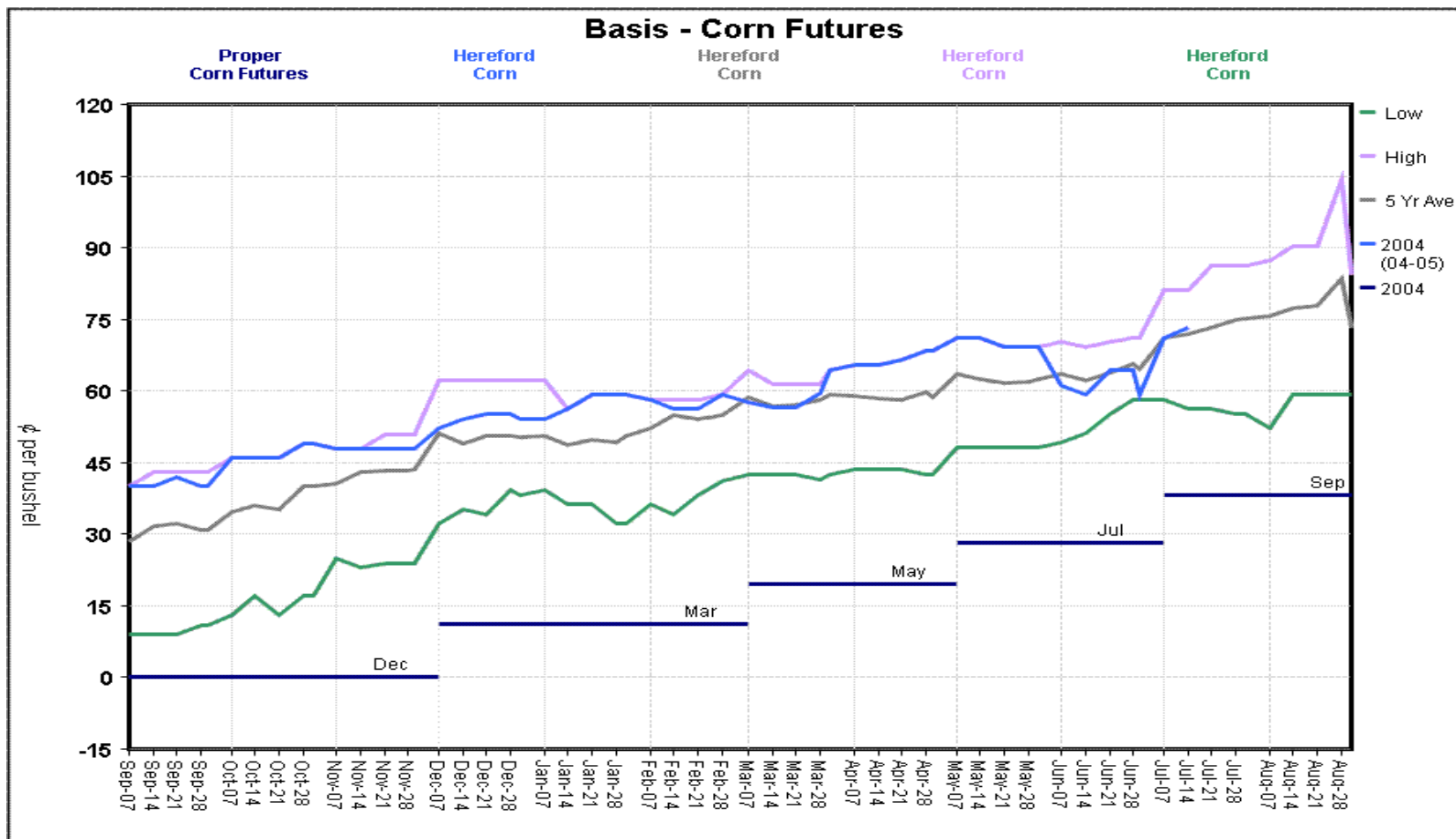
# Industry Intelligence

- Supply
- Demand
- Politics
- Weather
- Terrorist activities
- Bio-Security
- Transportation
- Tariffs
- Quotas
- New products
- Monetary and fiscal policy
- Basis Analysis
- New technology
- Trade agreements and treaties
- Legislation
- Data Base Analysis
- Technical analysis
- Hedge/index fund activity
- Local issues
- Industry consolidation
- Financial markets
  - Interest rates
  - Currency exchange rates
- Market perceptions

# Customized Research



# Proprietary Database



# IRMP Planning

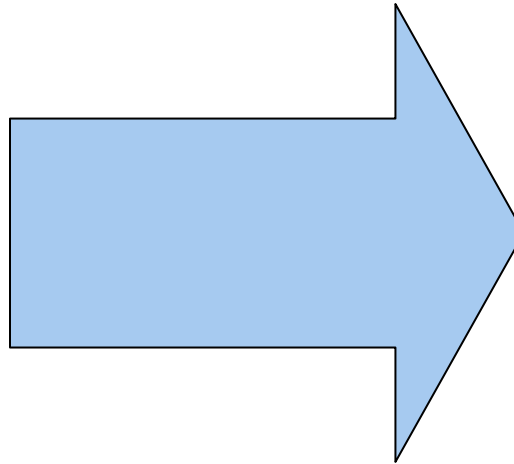
- **Where is the company going?**
  - Understand company goals
  - Understand company objectives
  - Understand areas of concern / opportunity
- **Where has the company been?**
  - Commodity purchase or sales quantities
  - Commodity purchase or sales timing
  - Commodity purchase or sales pricing
- **Define realistic expectations**
  - What does the client expect of FCStone
  - What does FCStone expect of the client
- **Create Commodity Specific Strategic Plan to impact customer goals, objectives and expectations**

# IRMP Performance

- **FCStone consultant gathers Industry Intelligence daily**
  - Industry Intelligence is used to create a “market opinion”
  - FCStone consultant reviews goals / objectives and meshes with “market opinion”
- **FCStone consultant interacts with customer with suggestions for activity (execution)**
  - Buying, selling or holding of the commodity
  - Hedging strategies and basis opportunities
  - Appropriate hedging instruments (financial, physical)
- **Client must fully understand (Education) and approves all decisions made**
- **YOU are in control!**

# Full Toolbox

- Futures
- Options
- Digitals
- Swaps
- Basis Swaps
- Physicals
- Indices
- Derivatives
- Weather
- Dual Contingent
- Exotics/Structured
- Index Cross Hedging

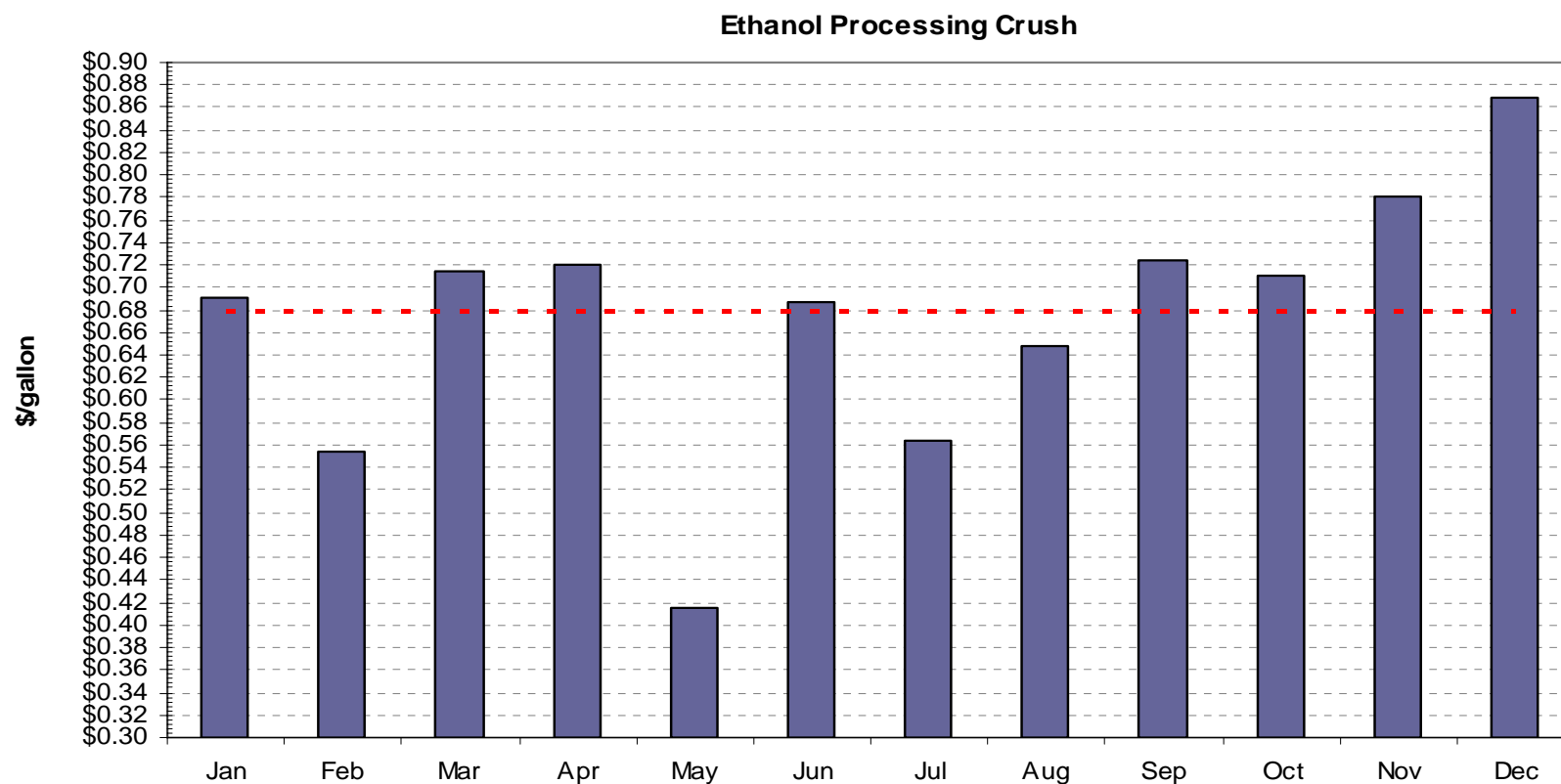


**Ability to offer programs tailored to the customer's needs.**

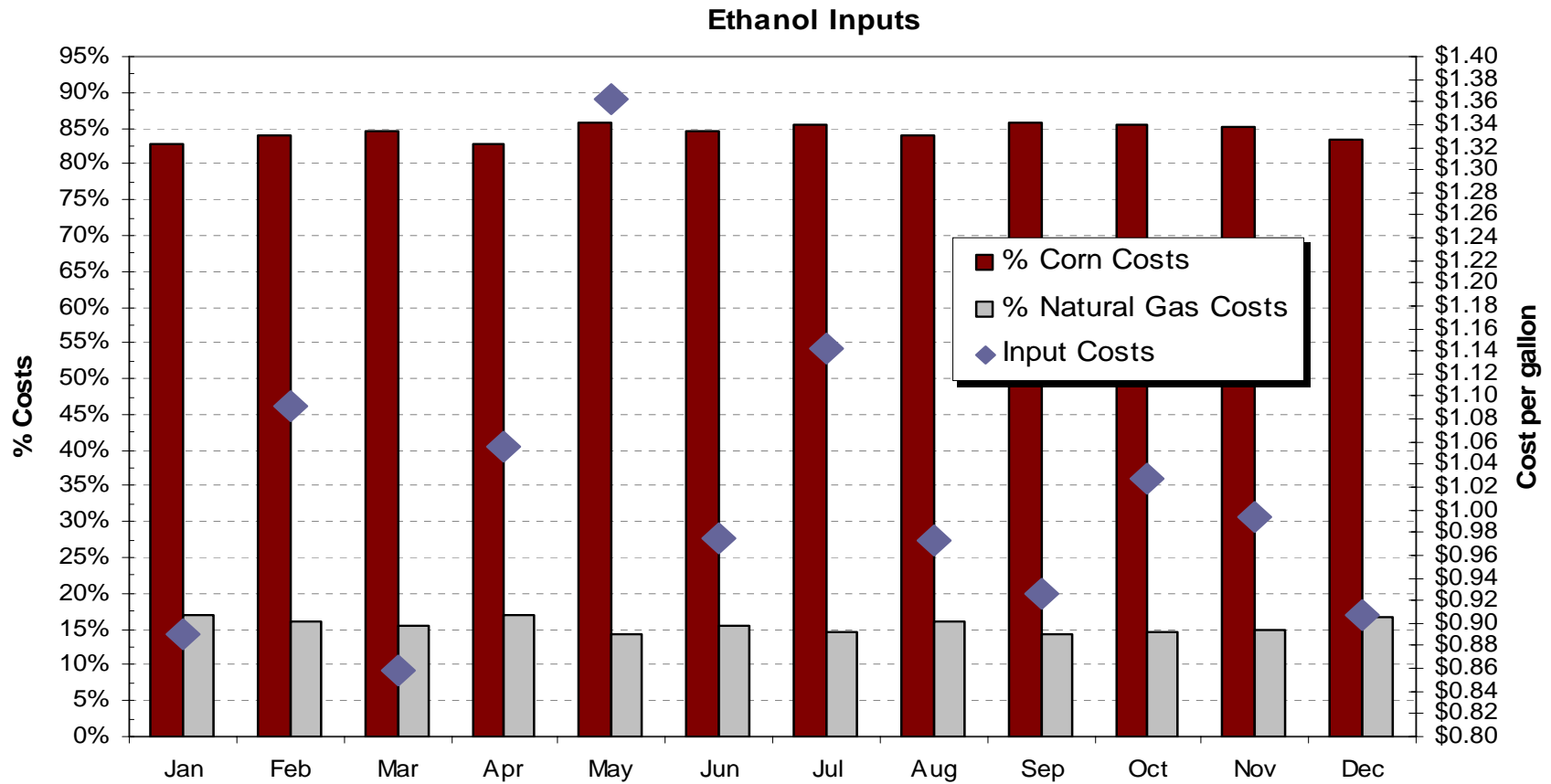
## IRMP Accountability

- **Month end reports reviewed by client**
  - Results of all activity (execution of orders) are summarized daily
  - Daily reports are summarized into a month-end report (gains or losses, accomplishment of goals, budgets, etc.)
- **Year end summary reviewed with client**
- **Year end performance assists in the planning of goals, objectives, and expectations for the following fiscal year**

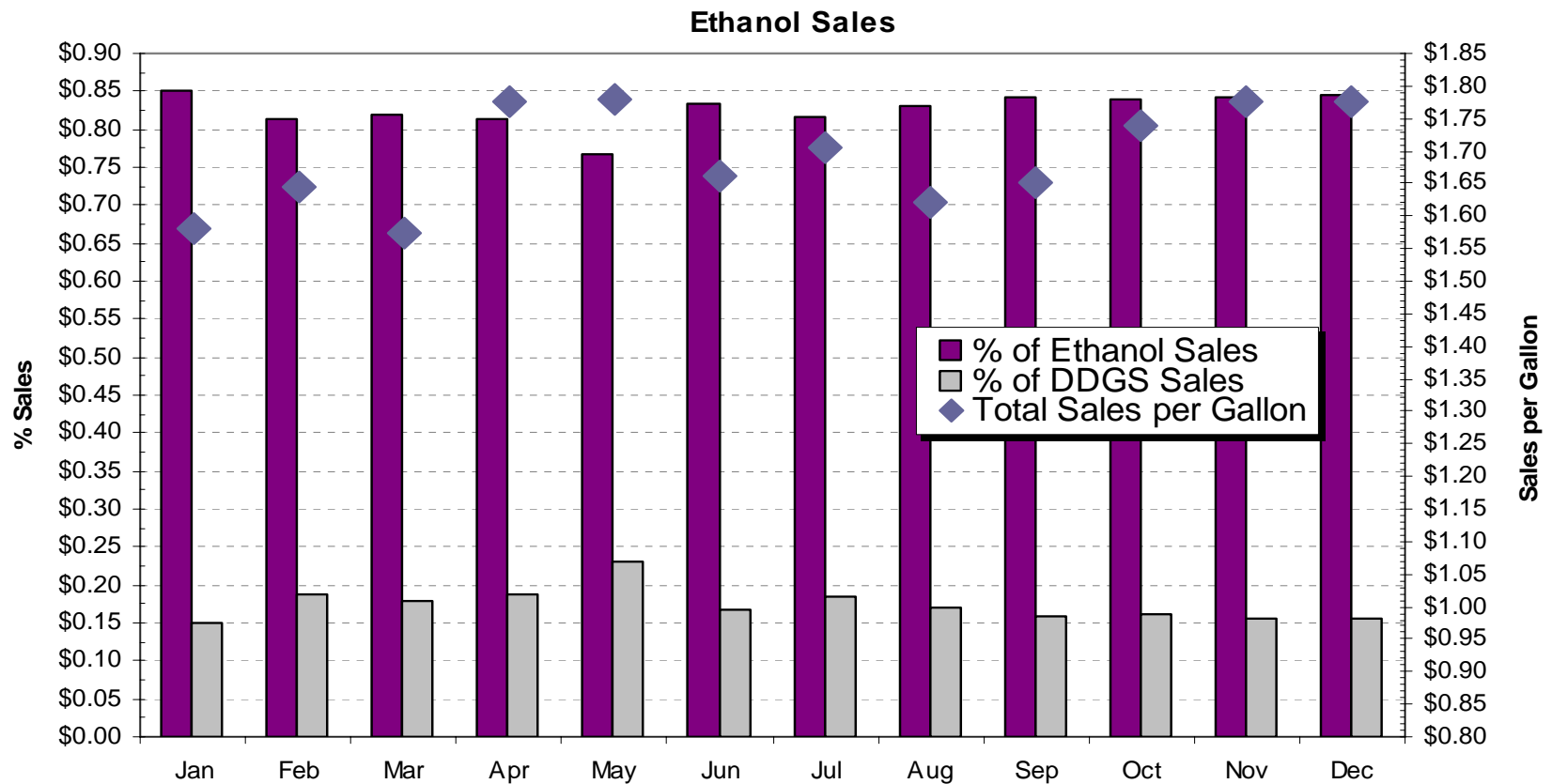
# Accountability



# Accountability



# Accountability



# IRMP Education

- **Working sessions as needed with customer**
  - Market Review
  - Strategic Planning
  - Training for new personnel or programs
- **Formal in house risk management training programs**
  - Custom designed for
    - Senior Management
    - Board of Directors
    - Staff
- **On site or public training sessions with emphasis on...**
  - Transaction fundamentals
  - Execution
  - Accounting
- **Education is critical to the success of our relationship!**

# What does IRMP do for you?

- **Allows you to...**
  - **Focus on running your business** knowing that an expert will be spending full time focusing on your commodity risks!
    - *Evaluate and Manage* the commodity risk in your business
    - *Quantify and Understand* the impact of the risks on your business
- **Apply Industry Intelligence into opinions and ultimately recommendations that will affect your business goals and objectives!**
- **Have an independent third party sit on your side of the desk to help you evaluate and manage your commodity risk**

**Bottom line – the IRMP allows you to take control and more effectively manage the volatility of your commodity purchases or sales!**

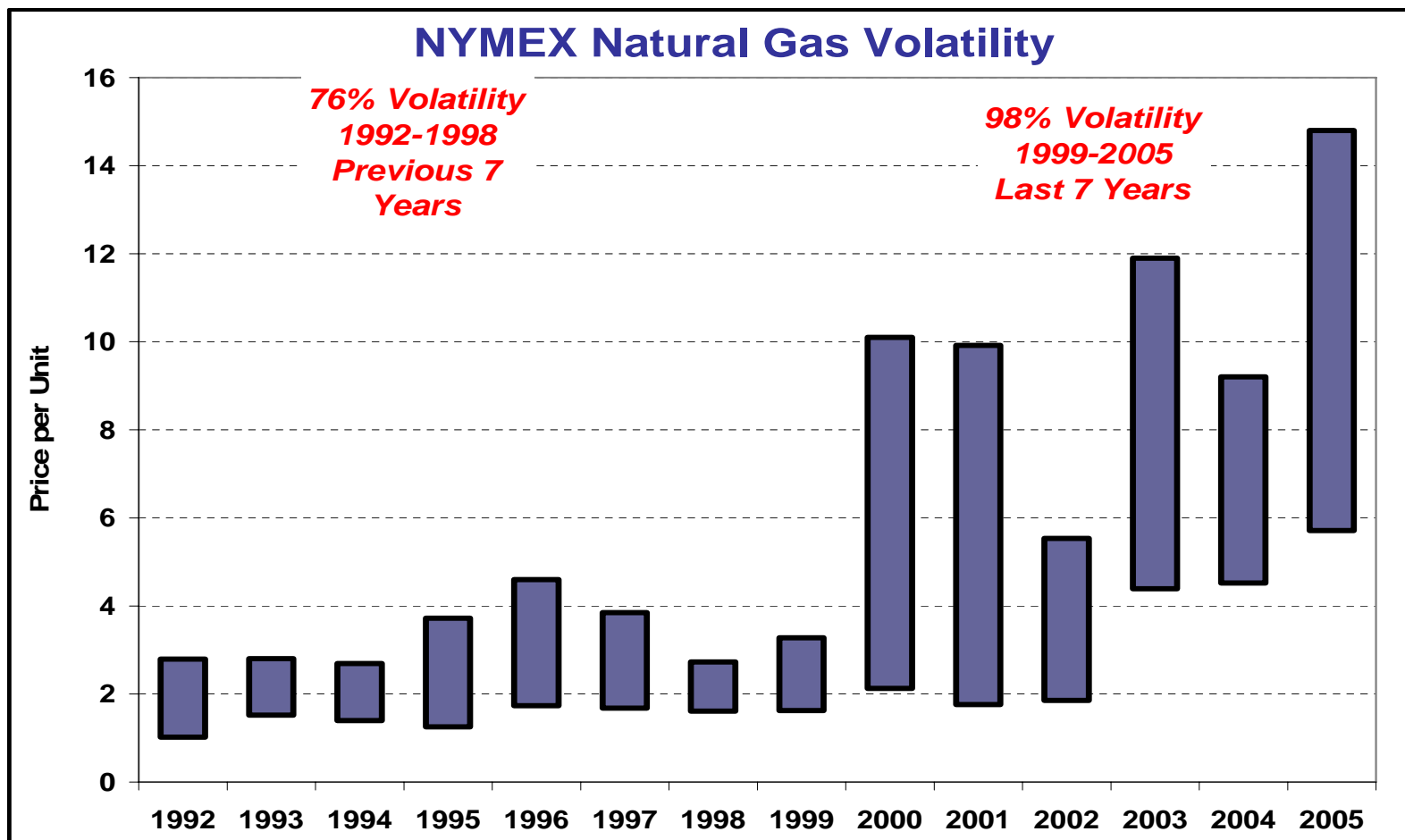
## Why Partner with FCStone?

- **Your goals are our goals!**
  - We listen before we act.
  - IRMP is proven to successfully integrate with your management objectives
    - Budgets
    - Cost of goods sold
    - Bottom line profitability
  - You are in control of all risk management activities!
- **Industry Intelligence**
  - Fundamental and Technical Analysis experts!
  - We collect and analyze factors affecting your commodity products
  - We develop a concise market outlook
  - We use that market outlook to create recommendations that help you achieve your company goals, objectives, and expectations

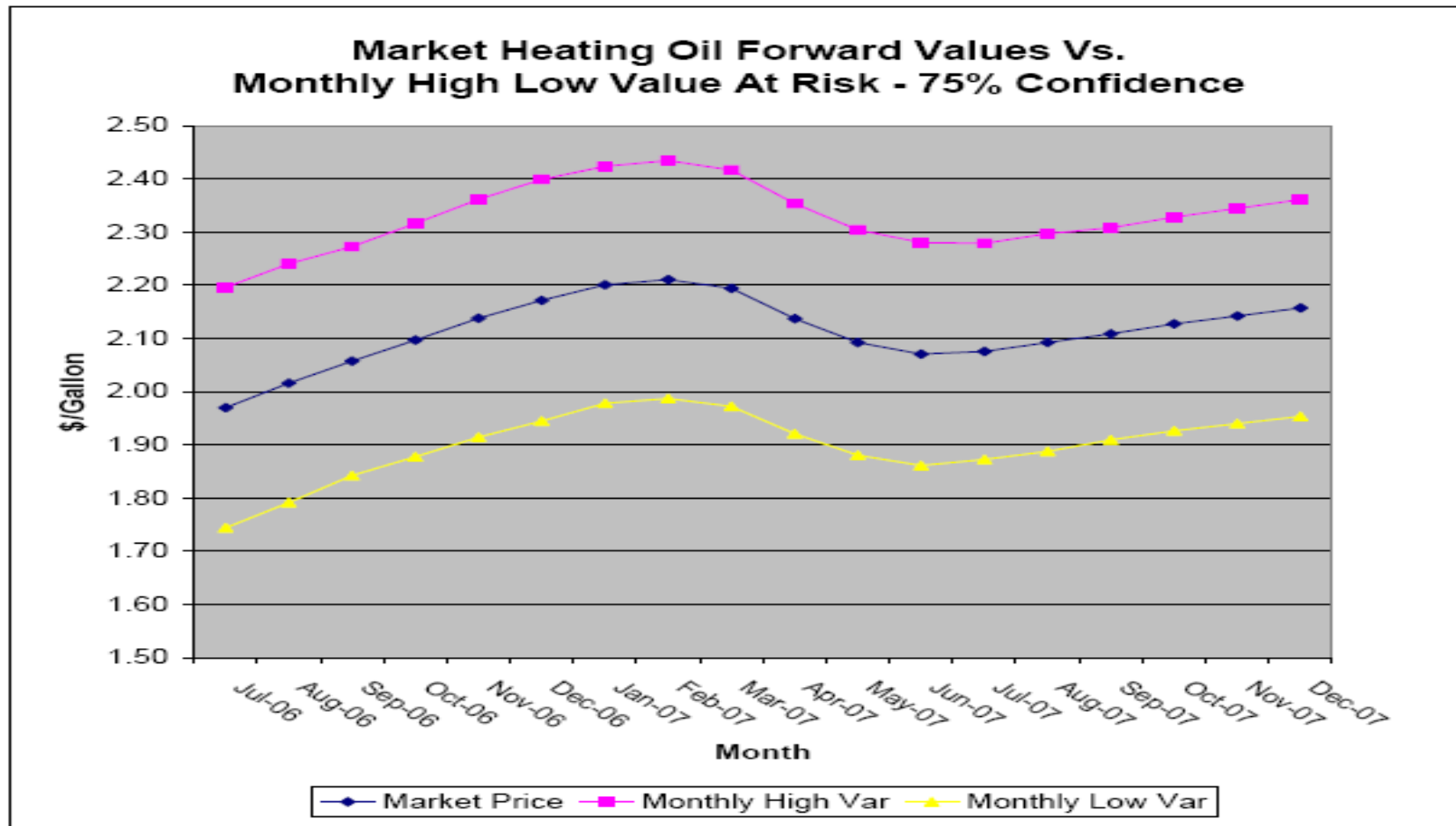
# A Financially Responsible Relationship!

- **Overhead Savings**
  - You focus on what you do best!
  - IRMP is like having a key employee that is an expert in your commodity risk at a fraction of the full time equivalent cost
  - Allows you to more effectively manage to your budget, and can add additional bottom line results
- **Accountability**
  - Maintains records for a professionally managed hedge program
  - Access to personnel familiar with accounting rules, regulations and procedures
  - Match against your goals and objectives
- **We prove our value every day!**

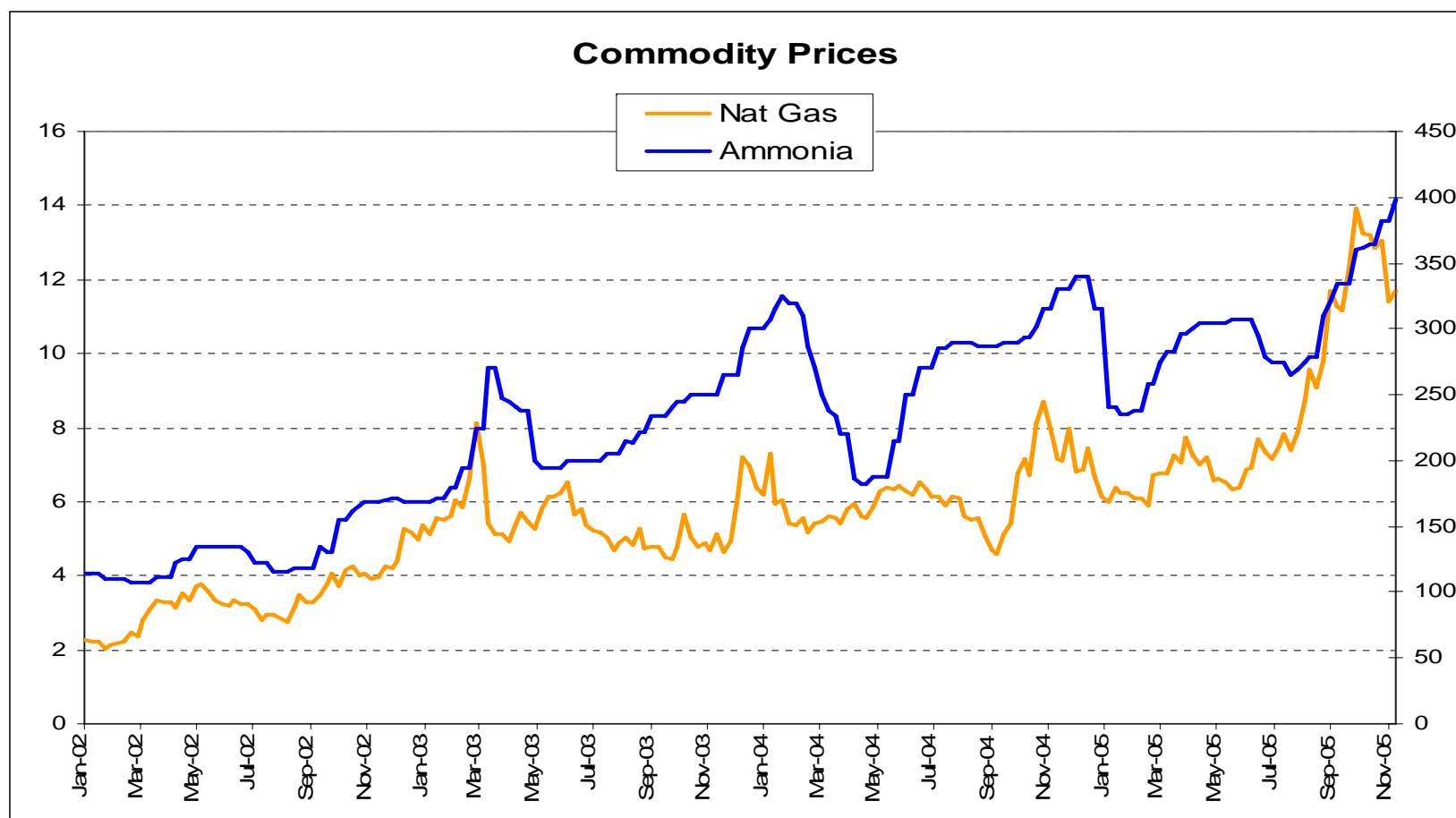
# Understand



# Understand



# Understand



# Simplify

## Approximate Diesel Required For Field Operations - Corn

Field Operation	Diesel Gallons Per Acre	At \$2.50 a gallon	At \$3.00 a gallon
Fertilization			
Anhydrous ammonia (30-inch Spacing)	0.55	\$1.38	\$1.65
Tillage			
Chisel Plow	1.10	\$2.75	\$3.30
Planting			
Till-Planter	0.55	\$1.38	\$1.65
Weed Control			
Sprayer, trailer type	0.10	\$0.25	\$0.30
Harvesting			
Combine	1.50	\$3.75	\$4.50
Hauling (field plus 1/2 mile on Gravel)	0.20	\$0.50	\$0.60
	Total Gallons per Acre	4.00	
	Total Costs per Acre	\$10.00	\$12.00

## Simplify

- Corn is to be dried from 22% moisture down to 15%
- Heat source is LP Gas, priced at \$1.00 per gallon, fuel costs per bushel would be:
  - $(12,589 \text{ BTU's} \times \$1.00/\text{gal}) / 92,000 \text{ BTU's/gal} = \$0.1368$  or 13.68 cents/bu
- If LP prices go up 15 cents = \$0.157 or 15.7 cents/bu an increase of 2.02 cents/bu or nearly 15% increase.
- Based off 170/bu per acre production this equates to an additional cost of \$3.43 an acre.

# Simplify

- Fuel Used to run Irrigation: Diesel, Nat Gas, Propane
- Comparisons: Natural Gas
- Approx 30 mmbtu, or 30 mcf, or 30 decatherms per acre
  - In 2003: (\$5.50)
    - » \$150-175 per acre
  - In 2005: (\$10.00)
  - \$290-\$310 per acre
  - \$1/Mmbtu extra in natural gas costs is equivalent to \$0.125 per bushel of corn

# Succeed

Last Month Buying Game Plan Prices as of 06/23/06

Month	Current Price	25% Hedged	Structure	50% Hedged	Structure	75% Hedged	Structure	100% Hedged	Structure
3Q 2006	\$ 2.015	\$ 1.90		\$ 1.90		\$ 1.87		\$ 1.85	
4Q 2006	\$ 2.136	\$ 2.04		\$ 1.98		\$ 1.90		\$ 1.75	
1Q 2007	\$ 2.202	\$ 2.07		\$ 1.90		\$ 1.85		\$ 1.70	
2Q 2007	\$ 2.100	\$ 1.96		\$ 1.80		\$ 1.70		\$ 1.70	
3Q 2007	\$ 2.092	\$ 1.95		\$ 1.75		\$ 1.75		\$ 1.70	
4Q 2007	\$ 2.150	\$ 1.98		\$ 1.78		\$ 1.70		\$ 1.75	
1Q 2008	\$ 2.120	\$ 2.01		\$ 1.90		\$ 1.85		\$ 1.70	
2Q 2008	\$ 2.010	\$ 1.95		\$ 1.80		\$ 1.70		\$ 1.70	
3Q 2008	\$ 1.960	\$ 1.93		\$ 1.75		\$ 1.75		\$ 1.70	
4Q 2008	\$ 1.990	\$ 1.96		\$ 1.78		\$ 1.70		\$ 1.75	

Previous Stop Loss Gameplan

Month	Current Price	25% Hedged	Structure	50% Hedged	Structure	75% Hedged	Structure	100% Hedged	Structure
3Q 2006 1st stop	\$ 2.015	\$ 1.80		\$ 1.80		\$ 1.85		\$ 1.85	
3Q 2006 2nd stop	\$ 2.015	\$ 1.85		\$ 1.89		\$ 1.91		\$ 1.92	
3Q 2006 3rd stop	\$ 2.015	\$ 2.05		\$ 2.10		\$ 2.15		\$ 2.15	
4Q 2006 1st stop	\$ 2.136	\$ 1.83		\$ 1.83		\$ 1.85		\$ 1.85	
4Q 2006 2nd stop	\$ 2.136	\$ 1.88		\$ 1.92		\$ 1.94		\$ 1.97	
4Q 2006 3rd stop	\$ 2.136	\$ 2.15		\$ 2.20		\$ 2.25		\$ 2.25	
1Q 2007 1st stop	\$ 2.202	\$ 2.00		\$ 2.00		\$ 2.05		\$ 2.10	
1Q 2007 2nd stop	\$ 2.202	\$ 2.20		\$ 2.20		\$ 2.25		\$ 2.25	
2Q 2007 2nd stop	\$ 2.100	\$ 2.00		\$ 2.00		\$ 2.05		\$ 2.10	
2Q 2007 2nd stop	\$ 2.100	\$ 2.15		\$ 2.15		\$ 2.20		\$ 2.20	
3Q 2007 1st stop	\$ 2.092	\$ 2.00		\$ 2.00		\$ 2.05		\$ 2.10	
3Q 2007 2nd stop	\$ 2.092	\$ 2.10		\$ 2.15		\$ 2.20		\$ 2.20	
4Q 2007 1st stop	\$ 2.132	\$ 2.00		\$ 2.00		\$ 2.05		\$ 2.10	
4Q 2007 2nd stop	\$ 2.132	\$ 2.20		\$ 2.25		\$ 2.25		\$ 2.28	

Re-Sell Long Hedge Gameplan

Month	Current Price	25% Hedged	Structure	50% Hedged	Structure	75% Hedged	Structure	100% Hedged	Structure
3Q 2007	\$ 2.015	\$ 2.25		\$ 2.25		\$ 2.25		\$ 2.30	
4Q 2007	\$ 2.136	\$ 2.35		\$ 2.38		\$ 2.40		\$ 2.40	
1Q 2007	\$ 2.202	\$ 2.35		\$ 2.38		\$ 2.40		\$ 2.40	

# Succeed

- CZ6 Producer Accumulator
- weekly pricing / potential weekly double-up
- Start: 5/26/06
- End: 11/10/06 (25 weeks)
- pricing level: 301.00
- knock-out: 244.00

# Succeed

## Cal 07-09

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<b>corn</b>	<b>3.09</b>
<b>ethanol</b>	<b>2.03</b>
<b>DDG</b>	<b>90</b>
<b>nat gas</b>	<b>8.67</b>
<b>crush</b>	<b>0.88</b>

## In a business where risk is ever-present,

it's intelligence that makes the difference between ordinary and extraordinary results. With a sound foundation and commitment to superior performance, FCStone is committed to be the worldwide innovator in commodity risk intelligence. Our goal is to deliver sound risk management strategies that help our clients minimize risk and maximize profit margins.

*Thank you*

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