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U.S. Department of Agriculture  
Agricultural Outlook Forum 2003  
February 20 & 21, 2003

Doing Business with Today's Producer-  
An Ag Business Perspective

John D. Johnson

“Doing business with  
today’s producer  
-- an ag business perspective”

-- John D. Johnson  
President & CEO  
CHS Cooperatives



# Key forces driving change

- Global competition
- Consolidation/integration
- Technology
- Government programs



First -- Meet the competition



A new global benchmark?

# Who is today's U.S. producer?

Today -- 2.2 million producers total...but  
8% (176,000) produce 75% of  
commodities.

The future? Fewer than 70,000 producers  
may produce 85% of commodities.



More consolidation to come?

*When was the last time a  
producer purchased a  
smaller tractor?*





# Tomorrow's producers

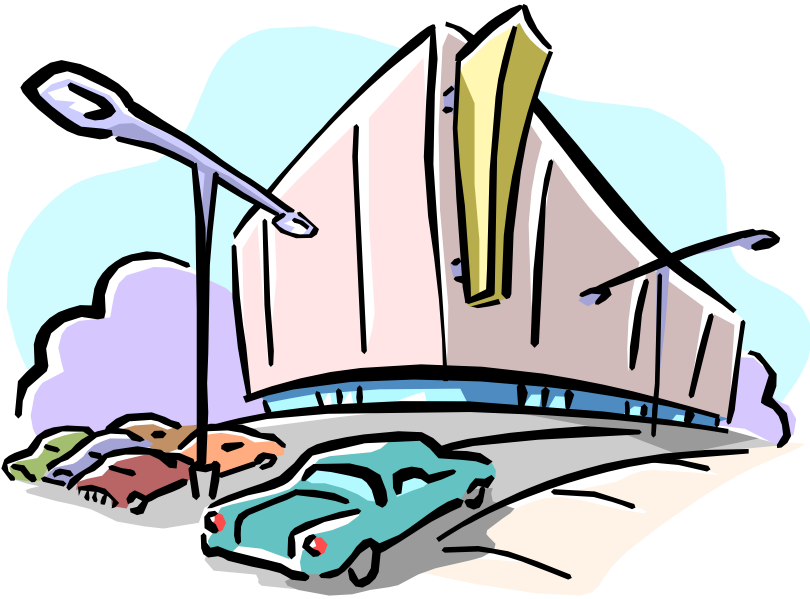
- Commercial producer
- Large commercial producer
- Professional farm management

Today, 10% of farm operators influence  
65 percent of land -- and growing!!



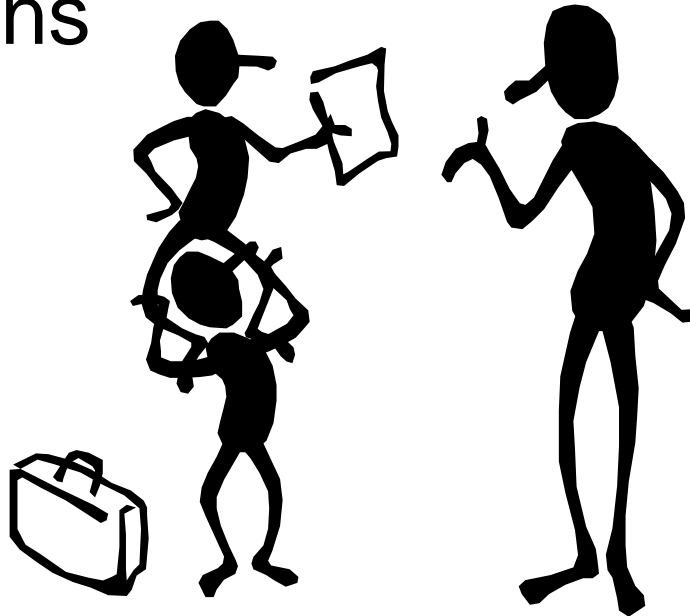
# How will this affect ag retailers?

- Today -- 18,000 - 20,000
- Tomorrow -- Fewer than 10,000



# What does the producer of the future want?

- Unique relationships
- Unique solutions



# Producers and ag business -- A new relationship

Business to business

vs.

Business to consumer



# The “Walmartization” of ag business

Business decisions based on:

- Cost
- Value
- Efficiencies
- Consistency



# Emerging business models

- Market segmentation
- Bundled offerings
- Supply chain management
- Financial and risk management services

# How does it add up?

Fewer suppliers + reduced markets  
x fewer producers

= an Environment of Interdependency

*No longer a buy/sell relationship.*

# How can we move ahead?

- Face future challenges
- Create opportunities
- Have a need and willingness to change



# In conclusion...

Future success will be based on the ability to create success on both sides beyond traditional buying and selling.

