


What Goes **UP** Eventually  
Comes **DOWN**

What You Need to do  
**NOW** to Better  
**PREPARE** for Today's  
*Modern Day*  
*Depression* and Get  
**READY** for the *New*  
*Normal* Economy in  
2010-2014

**Prepared and Presented**  
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Fall Symposium

of the  
Transportation, Elevator and  
Grain Merchants Association  
(TEGMA)

**At**  
**The International Hotel on the Plaza**  
**Kansas City, Missouri**

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## What Goes Up Eventually Comes Down

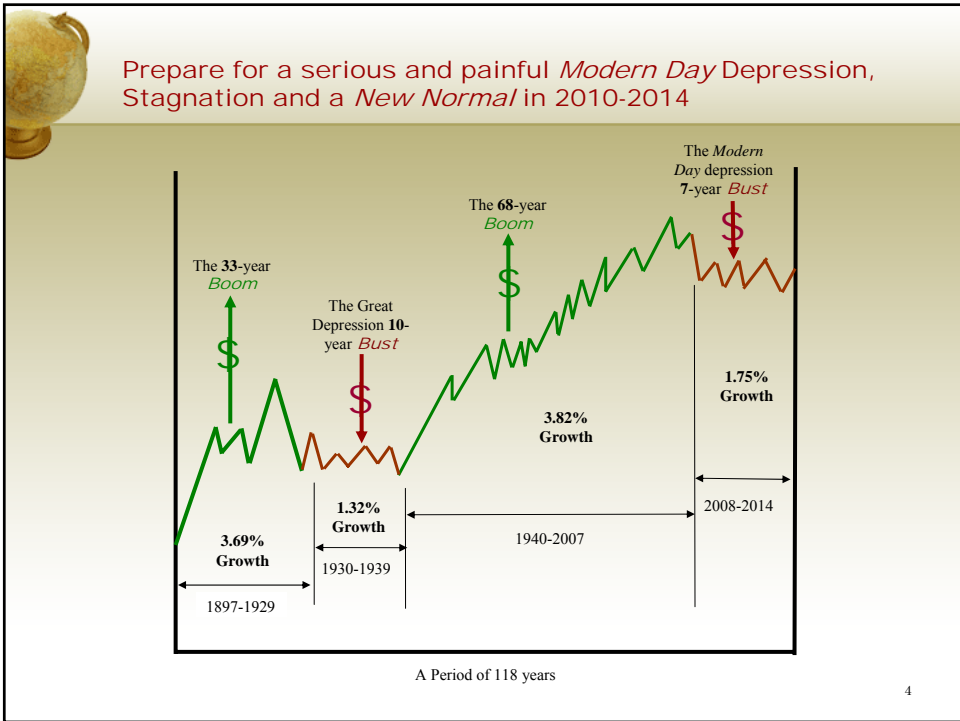
- Hard and financial asset values inflate over time and then these same asset values finally burst and begin the deflating process

Inflating

Bursting

Deflating

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## What I am *Bullish* about for 2010-2014

- The American people taking back their country and saying NO to socialism, the scary and sharply rising national debt, the runaway government spending and the huge expansion of our Federal Government.
- The U.S. Dollar.

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## What I am *Bearish* About for 2010-2014

- Economic and consumer spending growth will be much slower than normal.
- The U.S. economy will experience an L-shaped downturn and recovery, not a V-shaped downturn and recovery.
- There will be further major declines in home, commercial and farm real estate values.

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## What I am *Bearish* About for 2010-1014

- There will be continued major losses of equity and wealth by consumers, investors and business owners.
- There will be further major declines in the U.S. stock markets.
- There will be further rising unemployment that stays much higher than normal.
- There will be further declines in crude oil, corn, livestock and commodity market prices.

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## What I am *Bearish* About for 2010-1014

- There will be overall price deflation, zero inflation and/or much slower than normal inflation, plus very little, if any, pricing power by producers and businesses.
- There will be many more bank failures moving forward.
- Credit and loan standards will tighten and change substantially for all borrowers.
- Federal, state and local government taxes will be going up.

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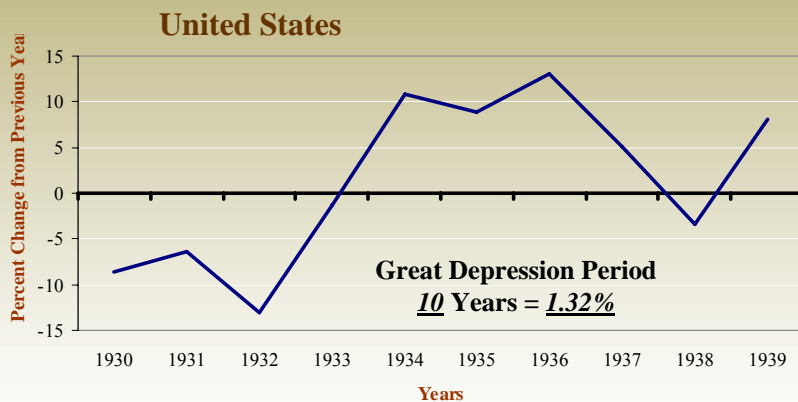
## Overview of GDP Growth, Unemployment Rate and Boom and Bust Periods in the U.S.

Most Recent Bust and Boom Periods in the U.S.	Rate of GDP Growth	Rate of Unemployment	Duration in Months/ Years
A. The <i>bust</i> period during the Great Depression from 1930-1939.	<u>1.32%</u>	<u>18.3%</u>	10 years
B. The <i>boom</i> period from 1940-2007 (1.70 generations assuming 40 years in a generation).	<u>3.82%</u>	<u>5.3%</u>	68 years
C. The 11 recessions that took place between 1940 and 2007 in the U.S.	<u>1.2%</u>	<u>5.9%</u>	10.2 months
D. My forecast for the 2008-2009 serious, deepest and longest lasting recession since the Great Depression	<u>-2.25%</u>	<u>7.6%</u>	24 months
E. My forecast for the next <i>modern day</i> depression, stagnation and <i>new normal bust</i> period during 2008-2014, with the most serious, painful and financial pressures coming during the five years of 2010-2014.	<u>1.75%*</u> (1.5% to 2.0%) 2008-2014	<u>11.0%</u> (10.5% to 11.5%) 2010-2014	7 years

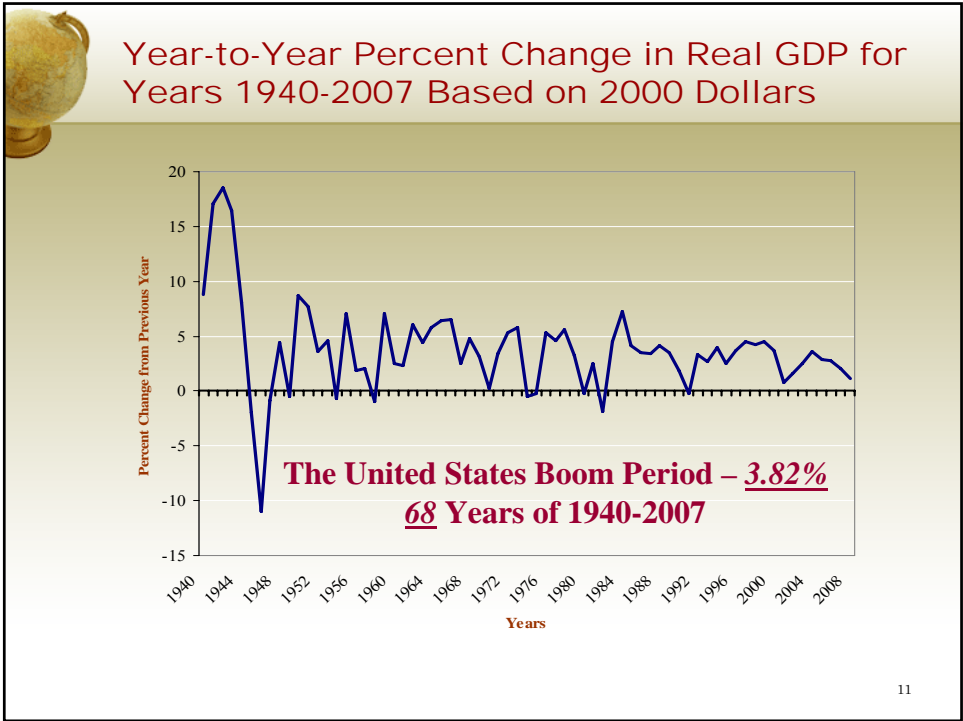
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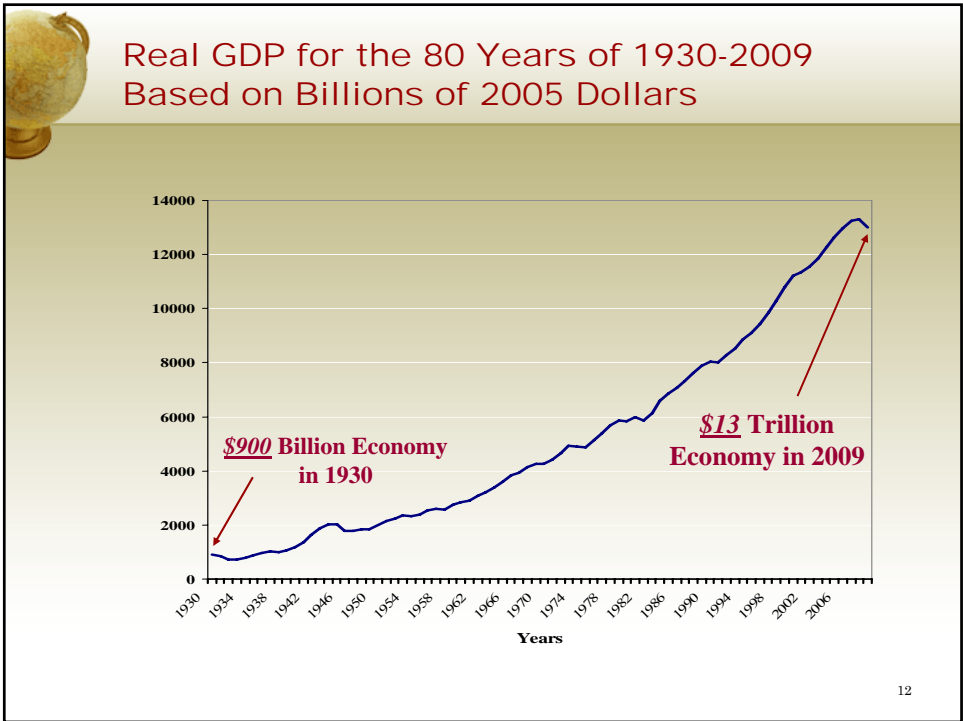
## Year-to-Year Percent Change in Real GDP During the Great Depression (1930-1939) Based on 2000 Dollars



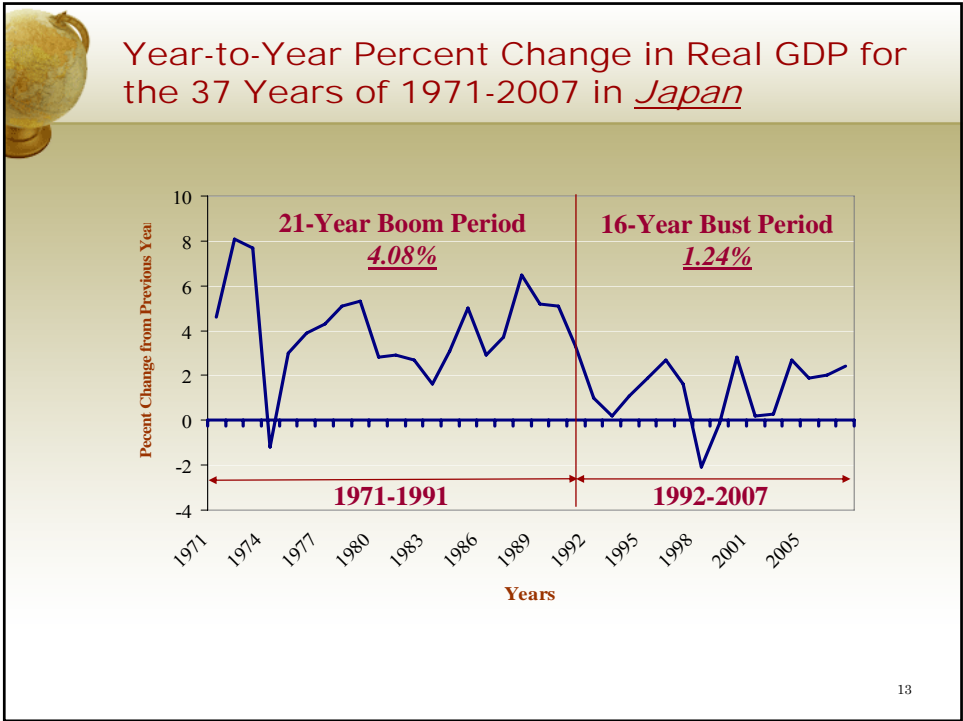
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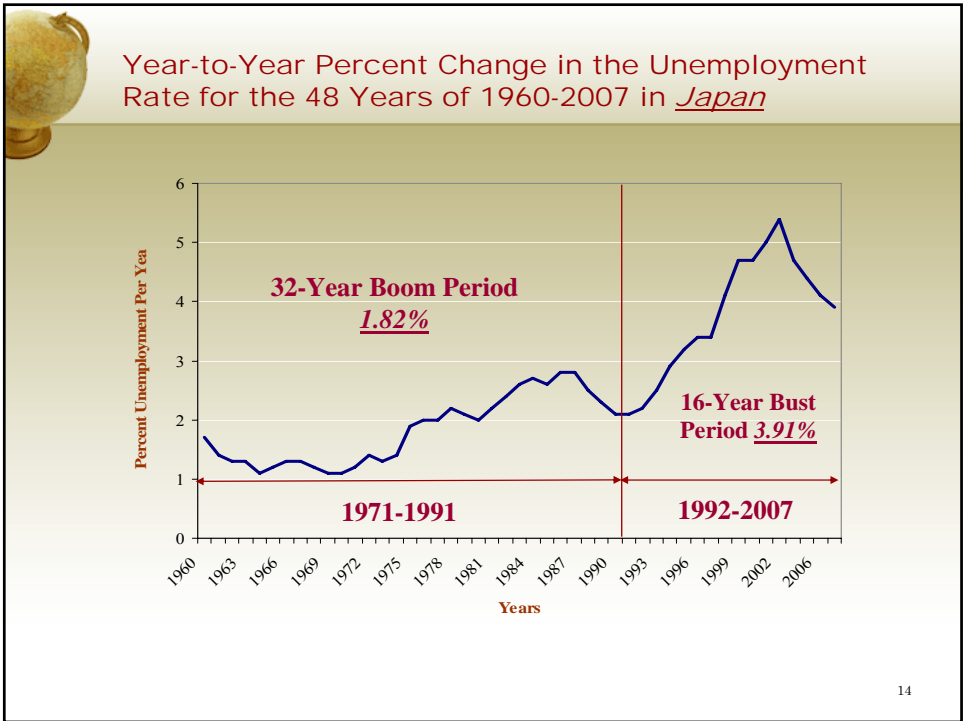
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## V-Shape Recession and Recovery

Illustration of typical V-shaped downturn and recovery over an 6 to 16-month period during and following periodic recessions within the 60 to 80-year boom period of the long-term business cycle.

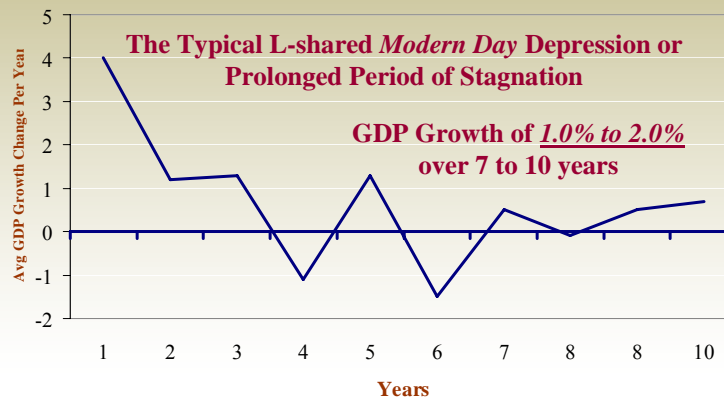


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## L-Shape Depression and Recovery

Illustration of the occasional and typical L-shaped downturn and very slow recovery over a 10-year period during and following a *Modern Day* depression or prolonged stagnation period (a 7 to 10-year bust period) of the long-term 60 to 80-year business cycle.

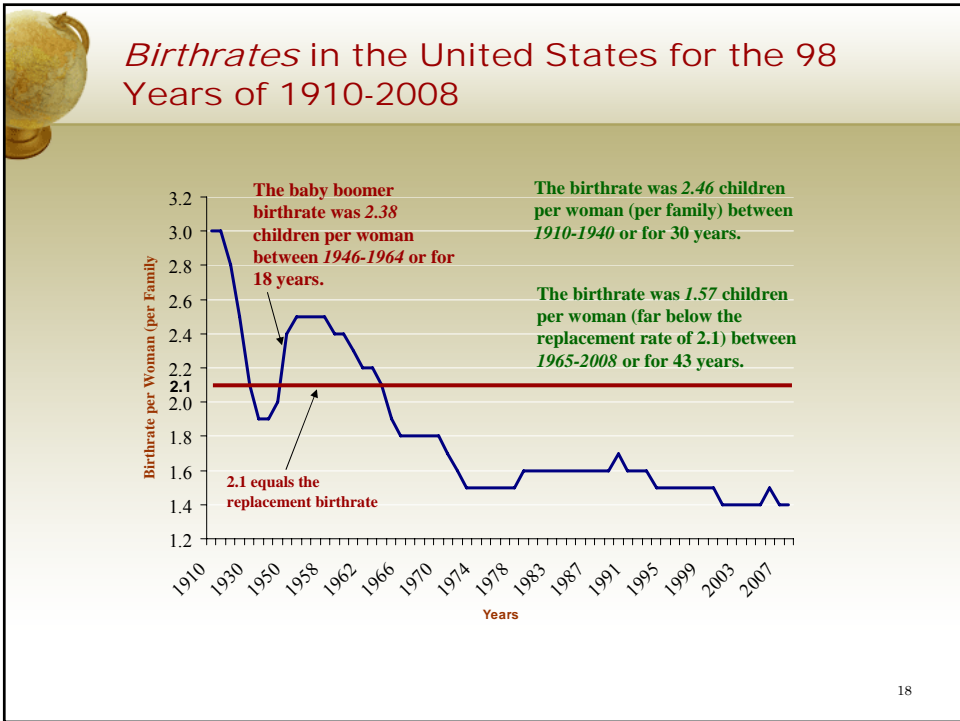


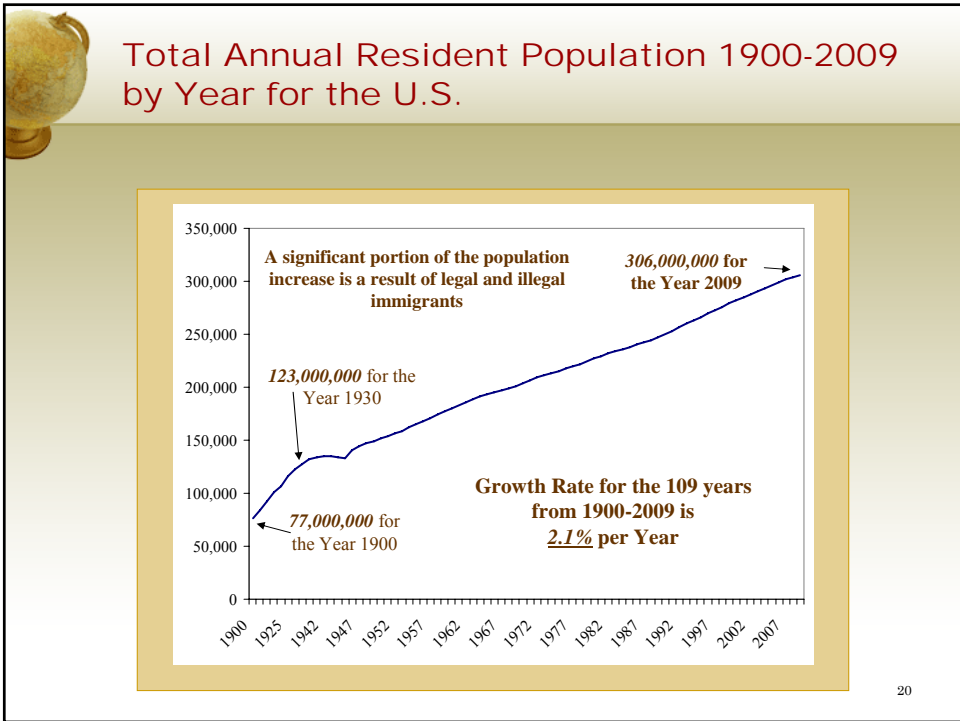
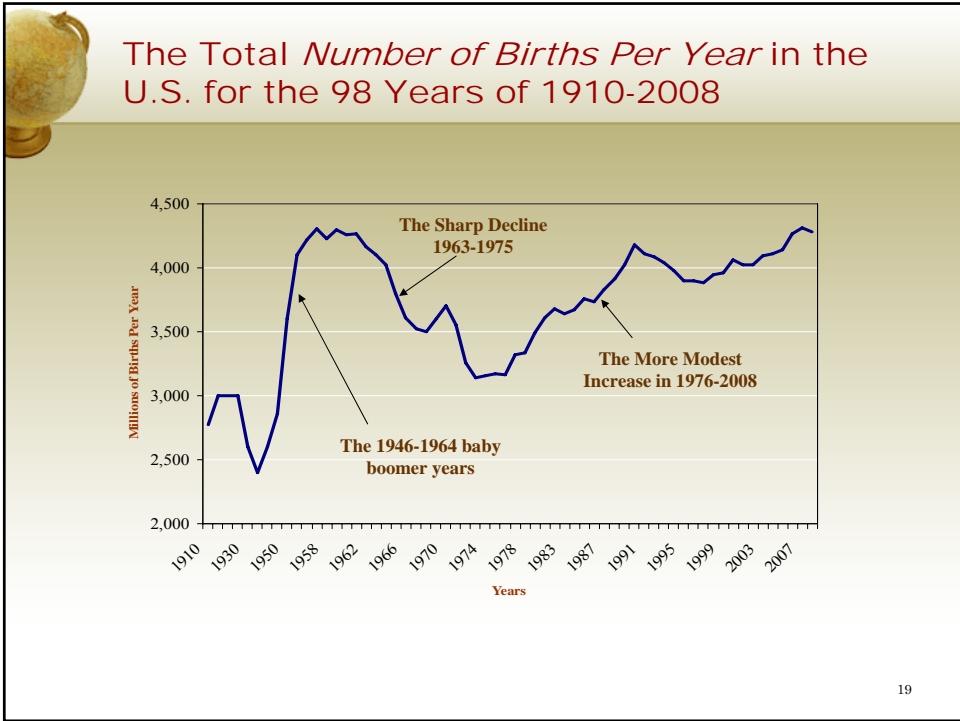
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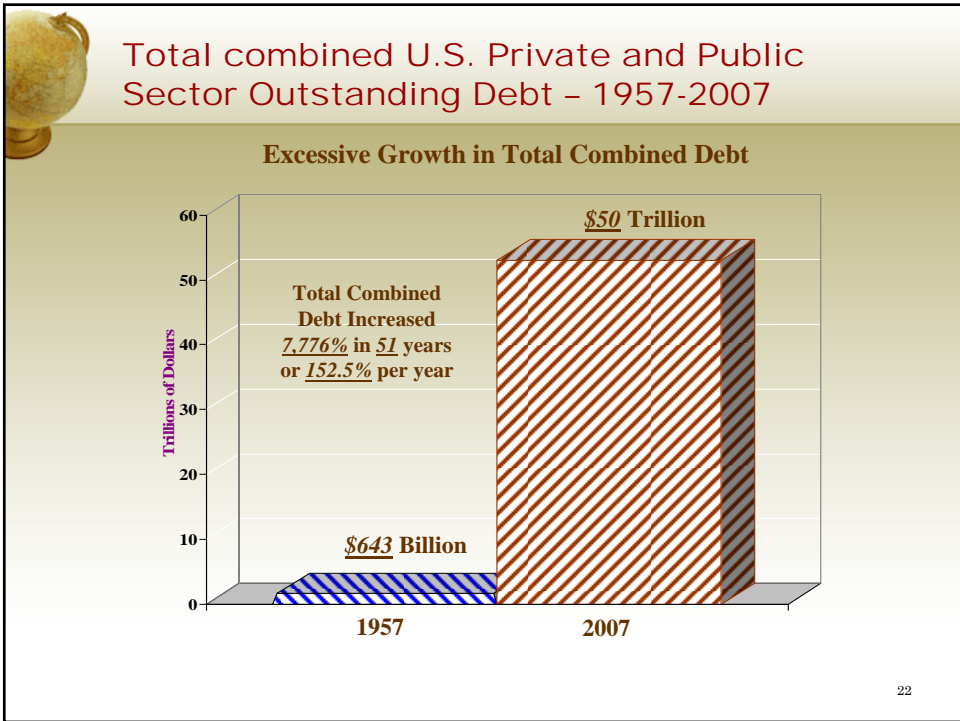
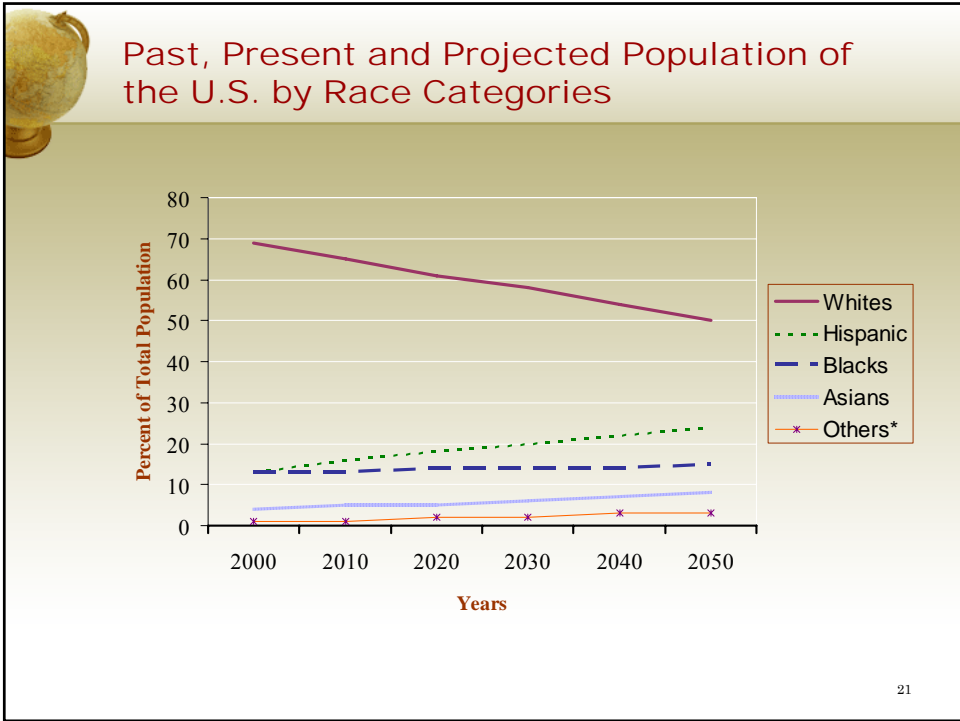
### Illustration of Positive and Slow Average GDP Growth via Green, Yellow and Red Light Zones

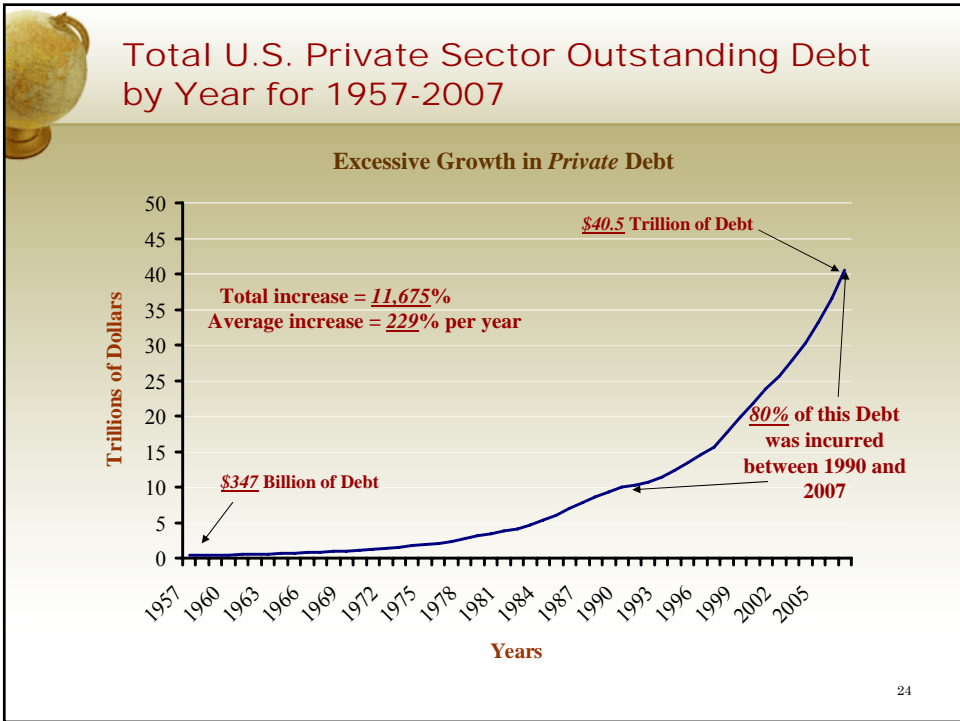
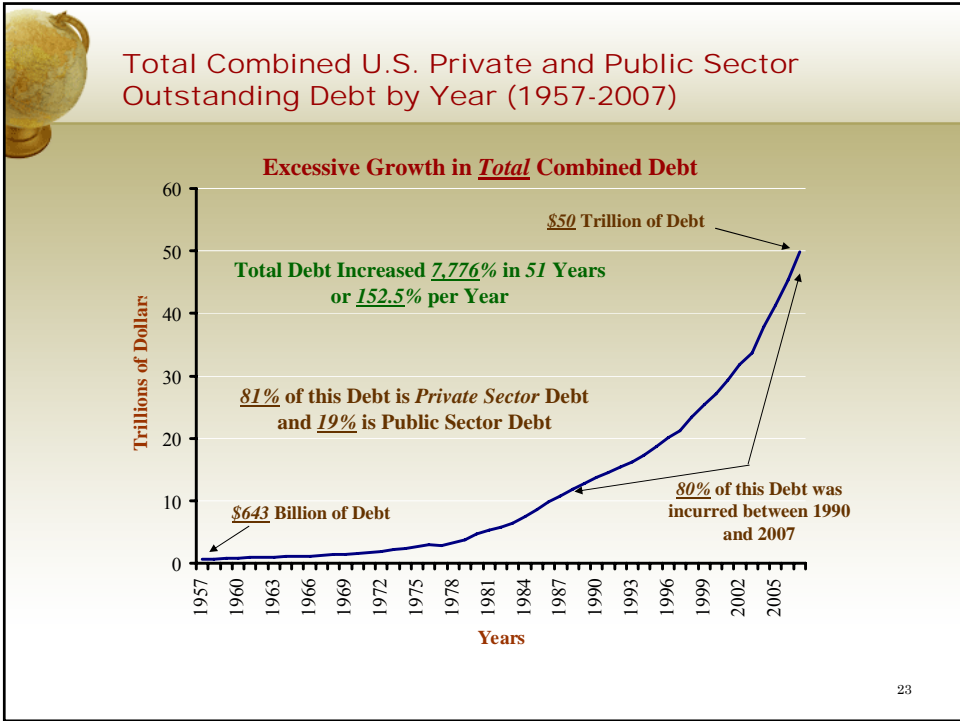
GDP Growth Categories	Range in GDP Growth by Zone		
	Green Light Zone	Yellow Light Zone	Red Light Zone
1. Real positive GDP Growth for years	<b>3% to 6% (Boom period persisting for many years)</b>	0	0
2. Slow GDP Growth for months	0	<b>1% to 2% (Recessions if they persist for 6 to 16 months)</b>	0
3. Slow GDP Growth for years	0	0	<b>1% to 2% (Depression and stagnation periods if they persist for 7 to 10 years)</b>

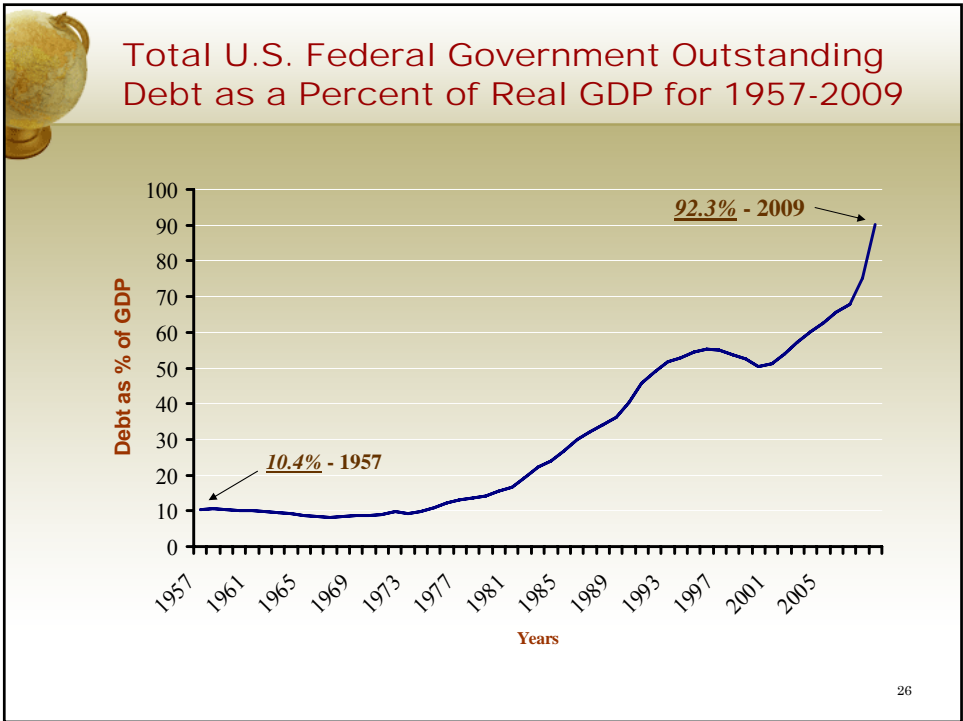
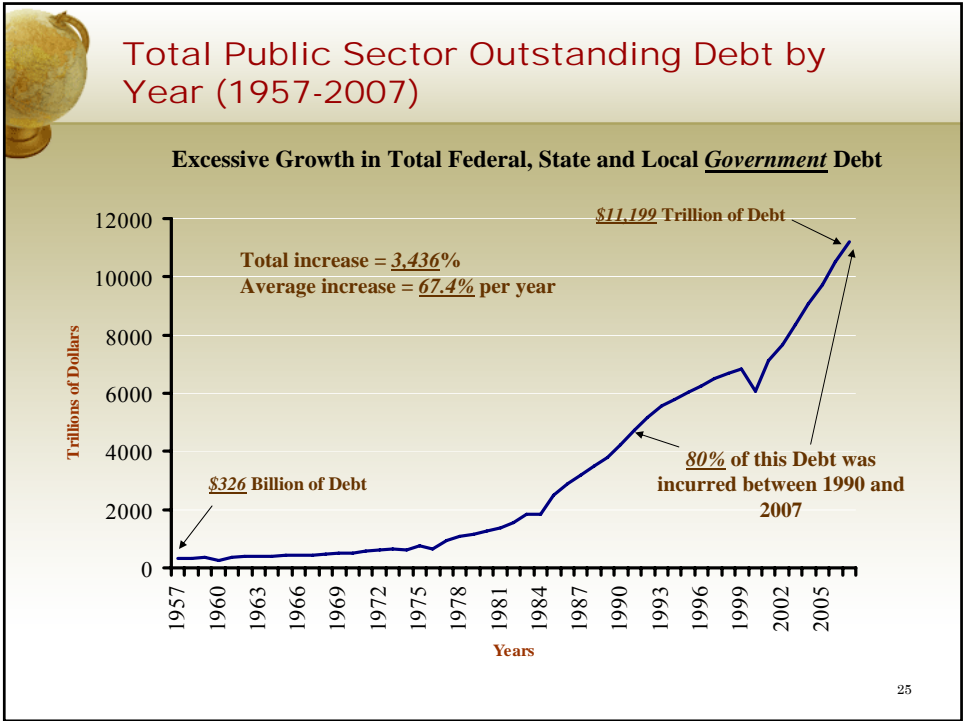
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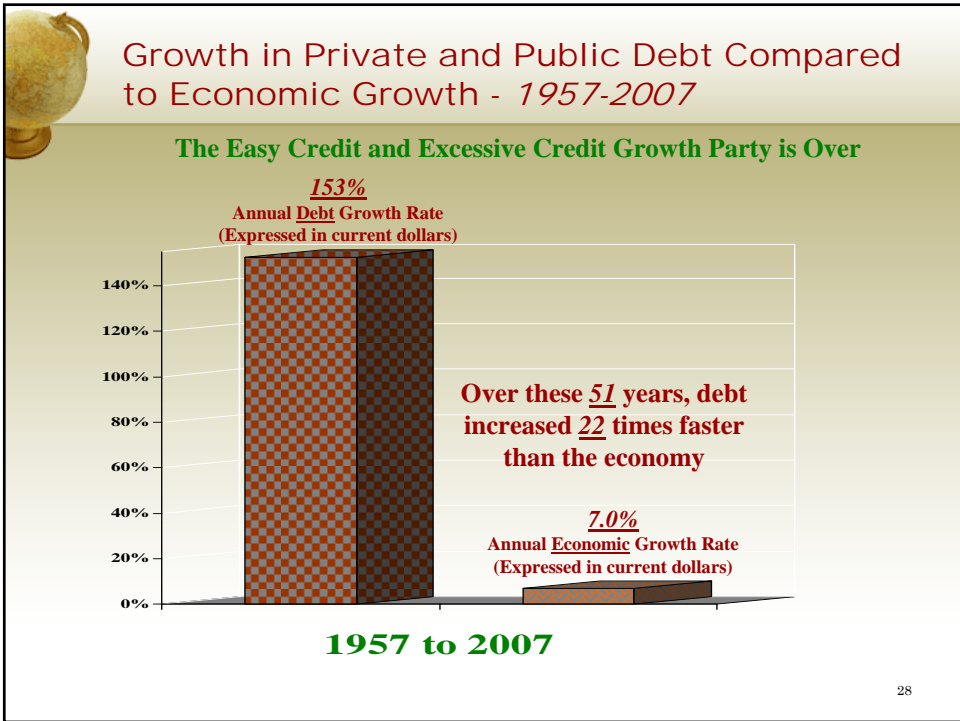
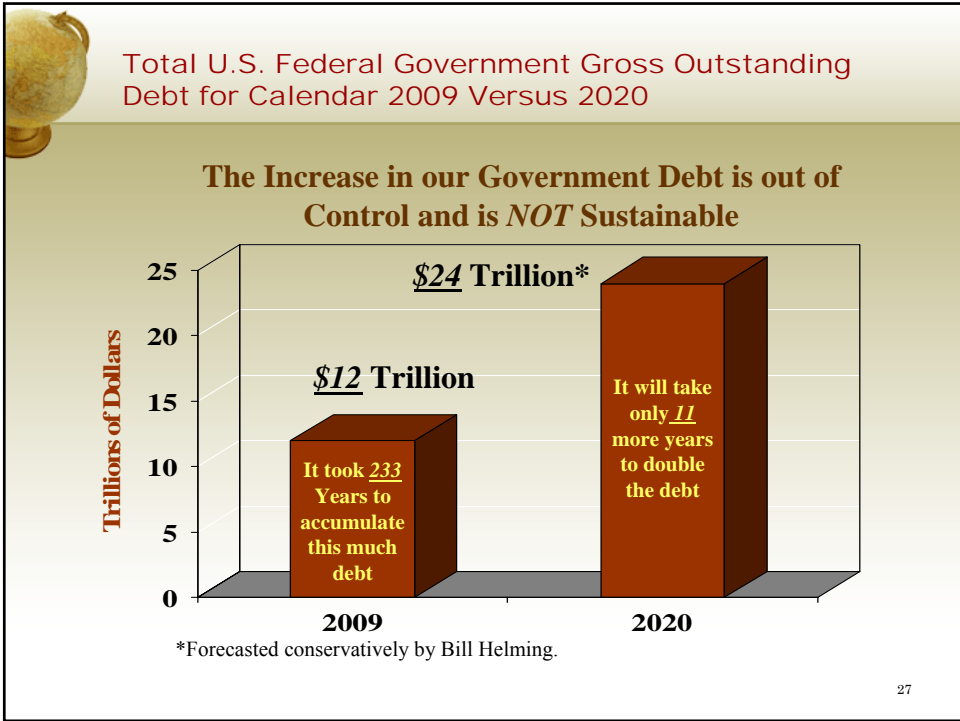


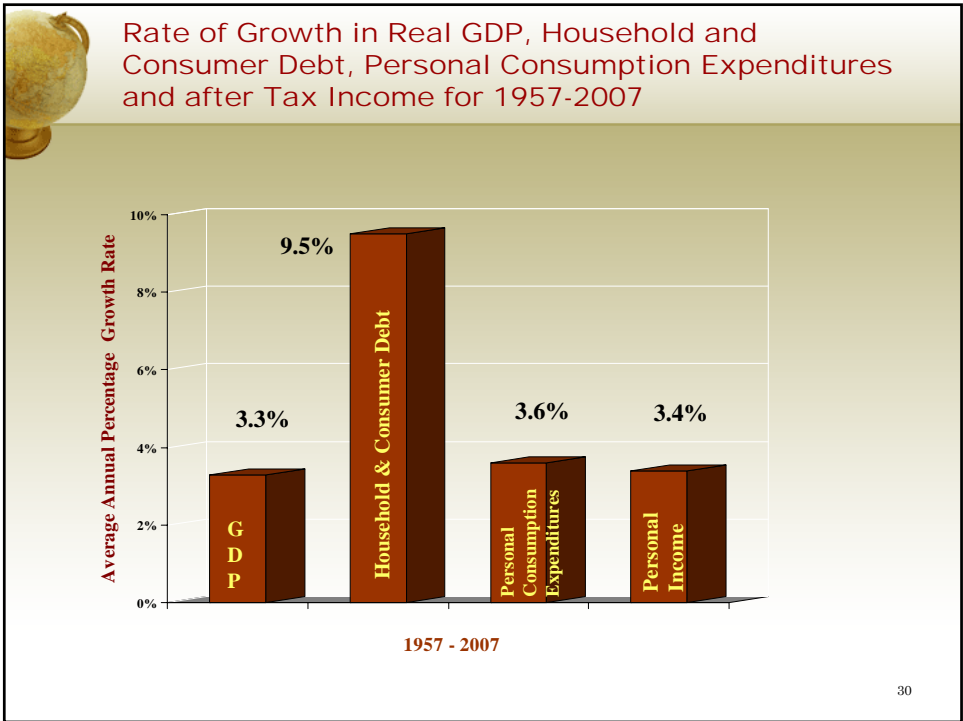
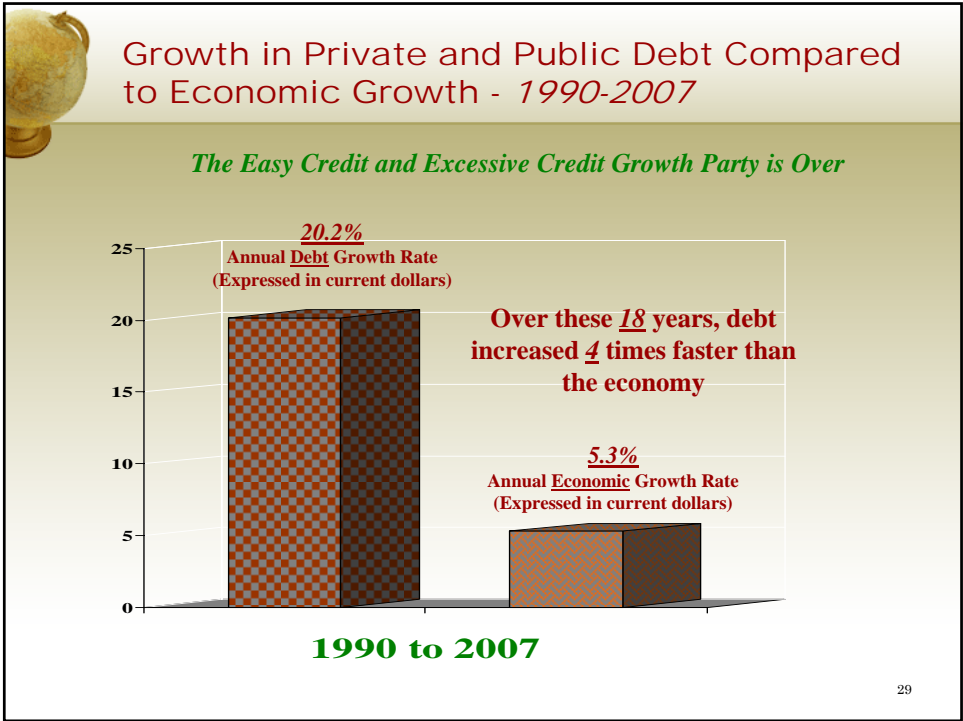


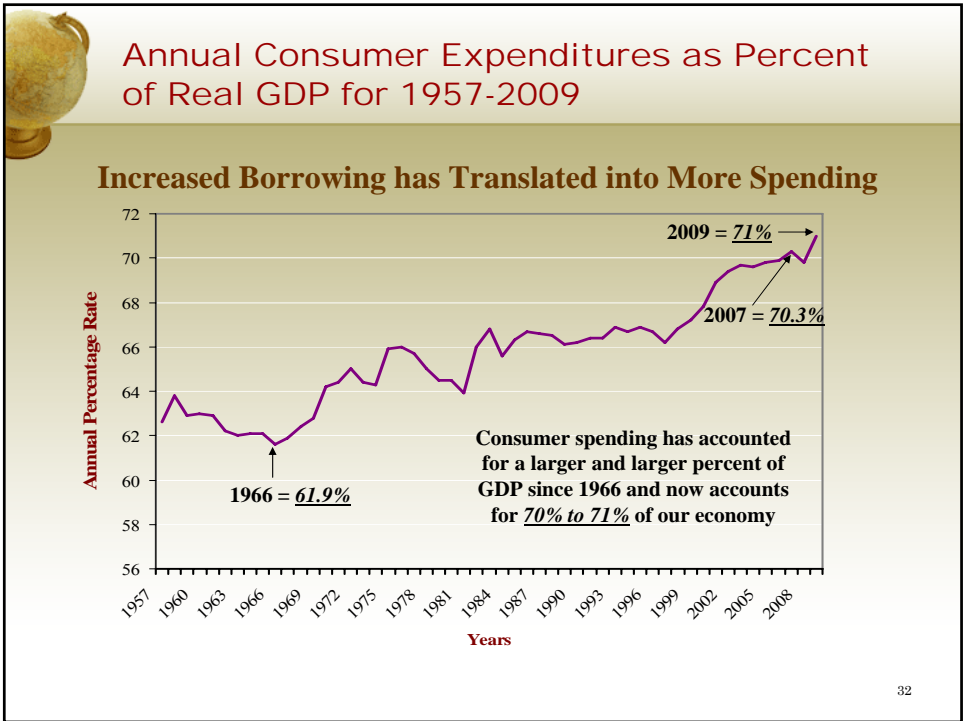
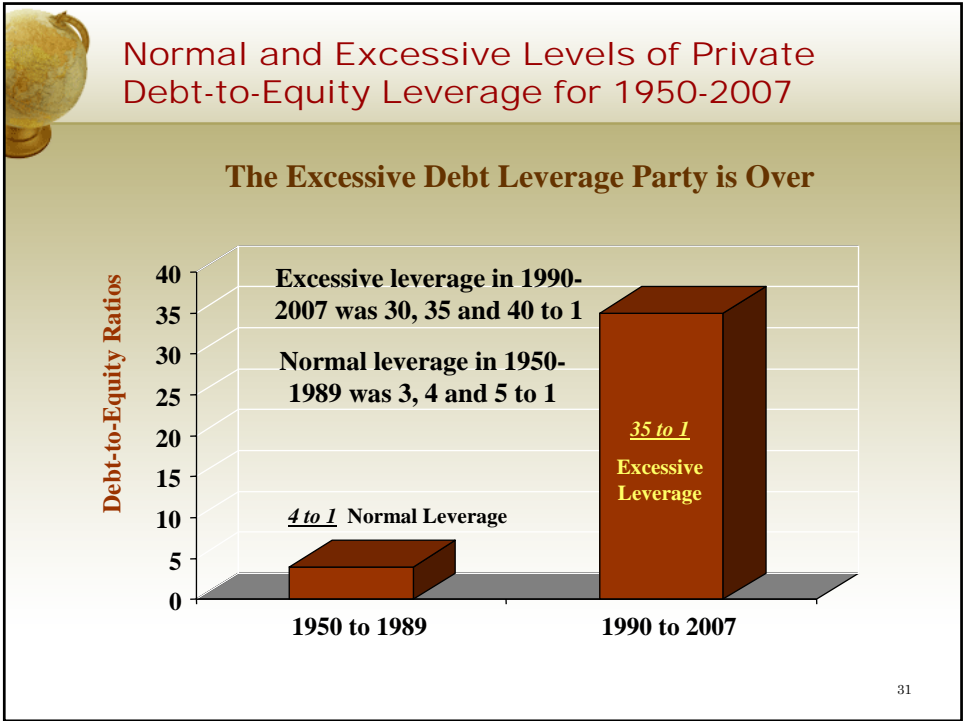














## Consumer Spending will be Disappointing and Far Below Normal for 2010-2014

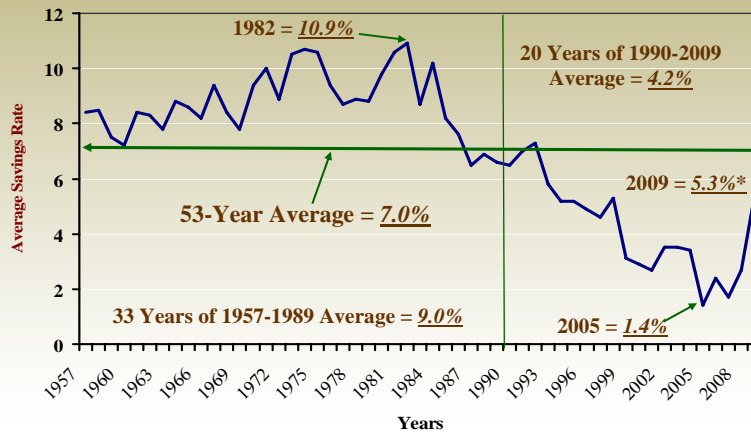
### Why

- Rising and much higher than normal unemployment.
- Major loss of consumer wealth and equity.
- More difficult credit terms, reduced credit and debt growth and much reduced leverage.
- Increased savings by consumers and households.
- The 78,000,000 baby boomers spending and saving more.

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## Personal U.S. Savings Rate for 1957-2009

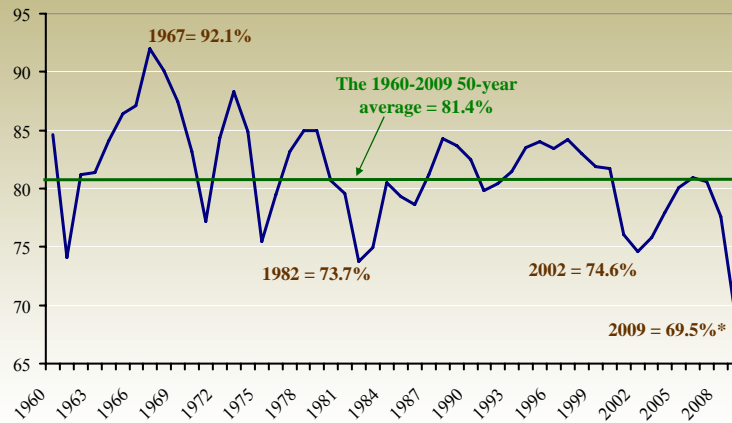


\*The year 2009 was estimated by Bill Helming.

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## Annual Rate of Total Industry Capacity Utilization for 1960-2009



\* The year 2009 Estimated by Bill Helming.

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The Private Sector Borrow, Borrow and Borrow and Spend, Spend and Spend Party is over.

This has Resulted in the Real Estate, Stock Market and Commodity Market Bubbles (Balloons) to begin Bursting in 2008 and 2009.

This Process will continue in the Years 2010-2014.

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American Consumers, Businesses and  
Federal and State Governments Got Drunk  
on Excessive Easy Credit Terms, Excessive  
Growth of Debt and Credit and Excessive  
Leverage.

This Party is Now Over for the Private  
Sector.

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So Goes the U.S. Home Real Estate and Auto  
Industry, So Goes the United States  
Economy.

Both of these Key Industries and Segments  
of our U.S. Economy have Major Excessive  
Capacity and Demand Problems and will  
Struggle for at least the next Five to Ten  
Years.

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### Continued Major Issues and Trends within the U.S. Home Real Estate Markets for 2010-2014

- The average drop in U.S. home values from the peak in 2006 to now has been 32% to 35%.
- The total average decline in home values from the peak to the bottom in 2010-2012 will be 45% to 55%.
- Today between 30% to 32% of all U.S. homes that have mortgages are *under water*. By 2012, this number will grow to at least 50% to 55%.

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### Continued Major Issues with the U.S. Home Ownership Markets for 2010-2014

- The term *under water* means these homeowners owe more on their homes than their homes are worth or could be sold for.
- Home mortgage delinquencies and foreclosures will increase significantly further over the 2010-2012 time period.
- Many more bank failures will happen because of declining home values and rising unemployment in 2010-2014.

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## What to Expect and Plan for Concerning the Total Loss of Consumer and Investor Equity and Wealth in 2008-2014

Major Asset Classes	Years when Asset Class Values Peaked	Approximate Peak Value in each Asset Class	Estimated Loss of Equity and Wealth*
1. Home real estate values	July, 2006	\$22.0 Trillion	<b>\$11.0 Trillion</b>
Percent decline by 2012	---	---	<b>50%</b>
2. Total combined U.S. stock market values	October, 2007	\$18.5 Trillion	<b>\$13.2 Trillion</b>
DOW High Point	October 9, 2008	14,164	---
DOW Low Point	2010-2012	4,000	---
Percent decline by 2012	---	---	<b>72%</b>
3. Commercial real estate values	July, 2007	\$6.5 Trillion	<b>\$2.6 Trillion</b>
Percent decline by 2014	---	---	<b>40%</b>
4. Farm and ranch real estate values	July, 2008	\$2.0 Trillion	<b>\$1.2 Trillion</b>
Percent decline by 2014	---	---	<b>35%</b>
<b>Total</b>	---	<b>\$49.0 Trillion</b>	<b>\$28.0 Trillion</b>
<b>Percent decline overall</b>	---	---	<b>57%</b>

\*Estimated by Bill Helming.

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## Other Important Financial and Economic Outlook Trends for 2010-2014

- **Due to market forces, banks and other lenders will have to substantially mark down many assets on their balance sheets. This will rekindle the banking and liquidity crisis.**
- **Major price deflationary forces will exist during the next five years.**
- **Interest rates will stay at or very close to historically low levels for at least the next three years.**

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## Some of My Recommendations and How to Prepare for 2010-2014 and Beyond

- **Hope for the best. Plan for the worst. Think positively. Be optimistic, but be very realistic in these changing times.**
- **Plan on the overall U.S. economy going through a serious and painful bust period, a *Modern Day* depression and a prolonged period of economic stagnation.**
- **The *new normal* will experience much slower than normal economic growth and consumer spending and much higher levels of unemployment and savings. Plan for the L-shaped economic downturn and recovery within 2008 and 2014.**

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## Some of My Recommendations and How to Prepare for 2010-2014 and Beyond

- **Do not count or plan on inflation bailing you out or causing hard assets and/or commodity prices to go up sharply. This will not happen.**
- **Plan on price and asset deflation, zero inflation or much lower than normal inflation over the next five to seven years.**
- **Plan on the U.S. dollar remaining relatively strong and continuing to be the world's reserve currency.**
- **Plan and prepare now for all bank and other lender credit and loan financing requirements changing a lot and for it becoming much more difficult to get a new loan or renewing an existing loan moving forward.**

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## Some of My Recommendations and How to Prepare for 2010-2014 and Beyond

- **Cash will be King. Having cash will present many opportunities for your business and for you and your family.**
- **If you are still in the stock market, get out completely starting now and within the September-October period of 2009. Get back in the stock market when the DOW gets to the 3,500 to 4,500 range within the 2010-2012 time period.**
- **Put your cash investment funds, in the meantime, in FDIC insured bank CD's and high quality and investment grade corporate bonds.**

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## Some of My Recommendations and How to Prepare for 2010-2014 and Beyond

- **The de-leveraging process for consumers, businesses, banks and all other lenders is very real, will be painful and will go on for at least the next 10 years.**
- **Borrow all money and structure all loans by using the short end of the yield curve. Use variable monthly floating interest rates exclusively for the next five years.**
- **Plan on having and using more cash and equity. Plan on using a lot less leverage to get financed in the future. This will be part of the *new normal*.**

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## Some of My Recommendations and How to Prepare for 2010-2014 and Beyond

- **Save more money. Spend less money. Borrow less money. Be more budget conscious and frugal. Take advantage of major discounts, declining prices of many goods and services. There will be some really good bargains over the next five years.**
- **Be patient in buying a home, renting office space and in pricing corn, cattle soybeans, wheat, fuel, etc. Being patient will pay big dividends over the next five years.**

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## Some of My Recommendations and How to Prepare for 2010-2014 and Beyond

- **Plan for much higher federal, state and local government taxes. This will be negative on our economy.**
- **By 2012-2014, plan on our U.S. Federal Government *beginning* to slow down and reduce spending and begin the process of reducing annual budget deficits, plus starting to move towards a balanced budget.**
- **Vigorously oppose and work hard against the attempts of our federal government to manage and control our private sector capitalistic and free market system by using all kinds of socialistic programs. Capitalism is a proven winner over time. Socialism always fails.**

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## Some of My Recommendations and How to Prepare for 2010-2014 and Beyond

- **I encourage you to vigorously oppose and take time to voice your opposition against our present government's determination to bankrupt America and their obvious desire and attempt to replace our free and competitive market and capitalistic system with all kinds of socialistic policies and programs that are based on the premise that *government knows best, can do it better and can fix the problem.***

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## Some of My Recommendations and How to Prepare for 2010-2014 and Beyond

- **The federal government's policy in the past and present administrations of *too big to fail* is a seriously flawed, very bad and very counter productive policy. This policy needs to be repealed. The sooner this happens, the better. A very important part of the magic and success of our capitalistic system is the principle that there are both winners and losers. Not all businesses can be winners. Some businesses, corporations and banks will fail.**

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*Key Summary Reasons Why We Will Experience Price Deflation, Zero Inflation and/or Much Slower than Normal Inflation for 2010-2014*

- **The write down and write off of massive amounts of private debt in the billions and trillions of dollars by banks and other lenders. This is always deflationary.**
- **The deflationary effects resulting from the trillions of dollars in lost and declining equity and wealth by consumers, families and businesses, which is the fallout from declines in real estate and stock market values in the 2008-2014 time period.**
- **The much slower than normal growth in our economy and in consumer spending.**

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*Key Summary Reasons Why We Will Experience Price Deflation, Zero Inflation and/or Much Slower than Normal Inflation for 2010-2014*

- **The much higher than normal and the rising rate of unemployment.**
- **The substantially increased rate of consumer savings.**
- **The substantially reduced borrowing and use of leverage by consumers, businesses and by banks (lenders), plus the much tighter credit and loan standards, which is the fallout from the de-leveraging of the complete U.S. financial system.**

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*Key Summary Reasons Why We Will Experience Price Deflation, Zero Inflation and/or Much Slower than Normal Inflation for 2010-2014*

- **The level of the total U.S. industry capacity utilization is now by far at the lowest level it has ever been since 1960 at 69.5%. This degree of excess capacity fosters deflationary forces. The past 50-year average total capacity utilization was 81.4%.**
- **Consumers and businesses are now and will continue to demand lower prices and costs. They will respond to major discounts and to what they consider to be *good deals*.**
- **The impact of the 78,000,000 baby boomers spending less, saving more and downsizing over the next 10 years will significantly contribute to price deflation, zero inflation and to less than normal inflation between now and 2020.**

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*My Updated Price Forecasts for Key Ag Sector Commodities for 2009 and 2010*

Key Commodities	Pricing Units	Avg Annual Price for 2009	Avg Annual Price for 2010
1. Corn (crop yr)	\$ per bushel	3.95-4.05	2.50 – 3.50
2. Soybeans (crop yr)	\$ per bushel	9.90-10.10	7.50 – 9.50
3. Soybean Meal (crop yr)	\$ per ton	320-330	250 – 300
4. Wheat (crop yr)	\$ per bushel	6.78	4.50 – 6.00
5. Fed Cattle (calendar yr)	\$ per CWT	83-86	78-86
6. 7-800 lb Feeder Cattle (calendar yr)	\$ per CWT	94-97	85-93
7. 5-600 lb Calves (calendar yr)	\$ per CWT	103-106	87-95
8. Slaughter Hogs (calendar yr)	\$ per CWT	36-39	34-38
9. Crude Oil (calendar yr)	\$ per barrel	57-62	30 – 60*

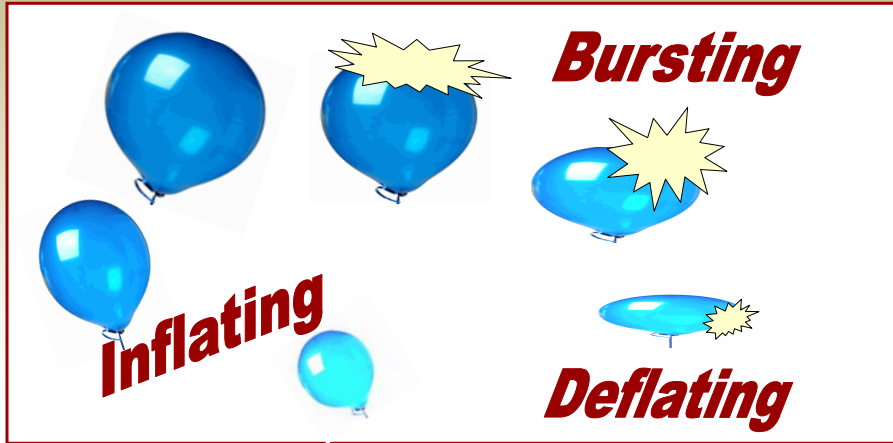
\*The range on the high end will likely be \$70 to \$85 per barrel and the range on the low end will likely be \$5 to \$15 per barrel within the 2010-2012 time period.

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## What Goes Up Eventually Comes Down

- Hard and financial asset values inflate over time and then these same asset values finally burst and begin the deflating process



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