

Ag Equipment Intelligence

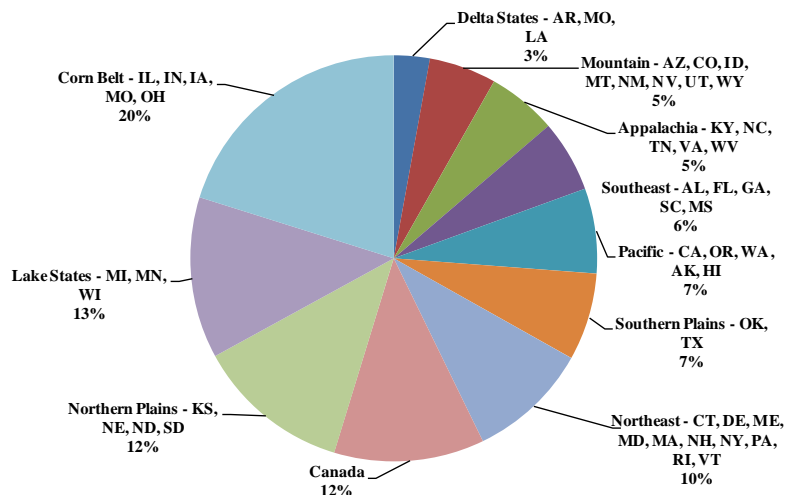
Dealer Trends and Business Outlook
August 2011

Ag Equipment Intelligence Monthly North American Dealer Survey

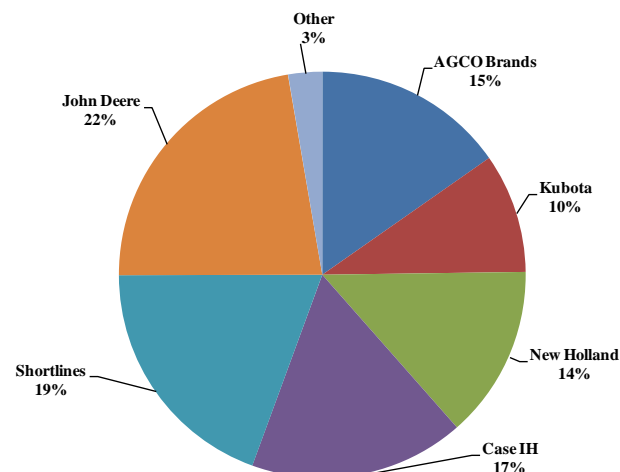
Background:

- We are pleased to announce the results of the August Ag Equipment Intelligence survey conducted in partnership with Cleveland Research Company. We hope this monthly survey will provide valuable and timely insight into industry trends and fundamentals.
- The August survey had 560 respondents representing combined annual revenues of roughly \$22 billion. Participants representing a broad cross section of geographies and brands summarized in the charts below.
- It is important to note Challenger, Fendt, Massey Ferguson, and Valtra, are included under AGCO while the “other” category includes manufacturers with relatively few respondents.

Participants by Region



Participants by Manufacturer



Highlights / Summary Thoughts

Monthly Highlights:

- **Sales Growth Remains Stable** – Ag equipment dealers reported year-over-year sales growth of 6% on average in July, consistent with last month.
- **2011 Outlook Improves Slightly at 7% Sales Growth** – On average, dealers are forecasting full year sales growth of 7% in July, up from June's 6% reading.
- **Equipment Availability Continues to be a Significant Concern** – Availability of equipment continues to be a significant impediment to growth this year. All four products' lead times are roughly consistent with June, indicating lead times have not gotten worse sequentially.
- **Dealer Optimism Index Improves** – Our Dealer Optimism Index is a measure of sentiment amongst dealers compared to the prior month. A net 12% of dealers report they have a more optimistic outlook versus last month (32% more optimistic; 49% same; 20% less optimistic) compared to a net 6% in June.

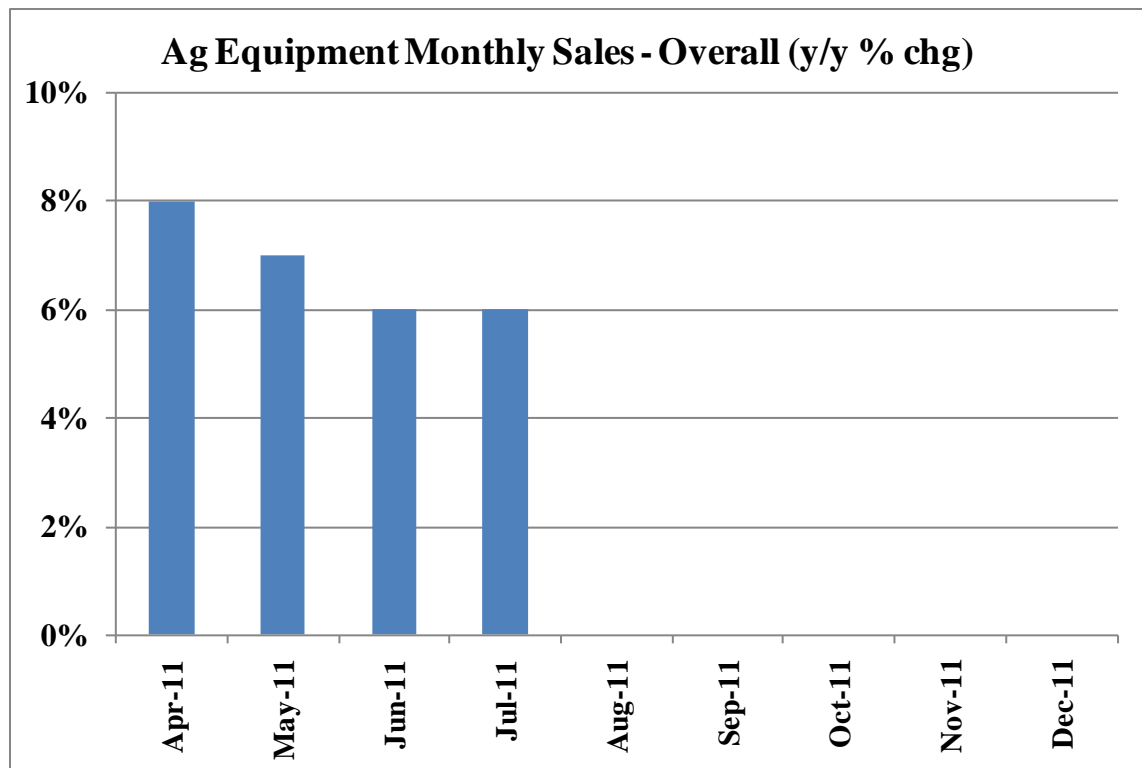
Optimism/Sentiment vs. Last Month				
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>
More Optimistic	33%	25%	31%	32%
Same	54%	54%	44%	49%
Less Optimistic	13%	21%	25%	20%
Net % (More- Less)	21%	3%	6%	12%

Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales growth of 6% on average in July, consistent with last month.
- Kubota dealers reported the highest average sales growth at up 12% while Shortline and John Deere dealers saw the weakest results in the month with sales up 5% on average.
- A net 8% of participants categorized July results as “better-than-expected” (27% better-than-expected; 54% in-line with expectations; 19% worse-than-expected) which compares to the prior month when a net 1% report sales were “better-than-expected.”
- The Northeast region reported the highest average sales growth at up 13% while the southern plains saw the worst results with sales down (9%) on average.

Average Sales Growth				
(% chg v/v)	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
Overall	8%	7%	6%	6%
<u>By Brand</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
AGCO	12%	13%	11%	9%
John Deere	8%	8%	7%	5%
New Holland	8%	4%	5%	7%
Case IH	5%	4%	3%	8%
Kubota	13%	5%	7%	12%
Shortlines	n/a	-13%	3%	5%
Other	n/a	n/a	n/a	2%
<u>By Region</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
Appalachia	5%	-4%	1%	10%
Canada	5%	8%	7%	7%
Corn Belt	3%	6%	4%	9%
Delta States	10%	4%	7%	-1%
Lake States	11%	16%	11%	4%
Mountain	3%	8%	9%	10%
Northeast	13%	12%	13%	13%
Northern Plains	11%	3%	3%	8%
Pacific	11%	10%	8%	8%
Southeast	0%	17%	9%	5%
Southern Plains	-1%	-5%	1%	-9%

Monthly Sales Growth Continued

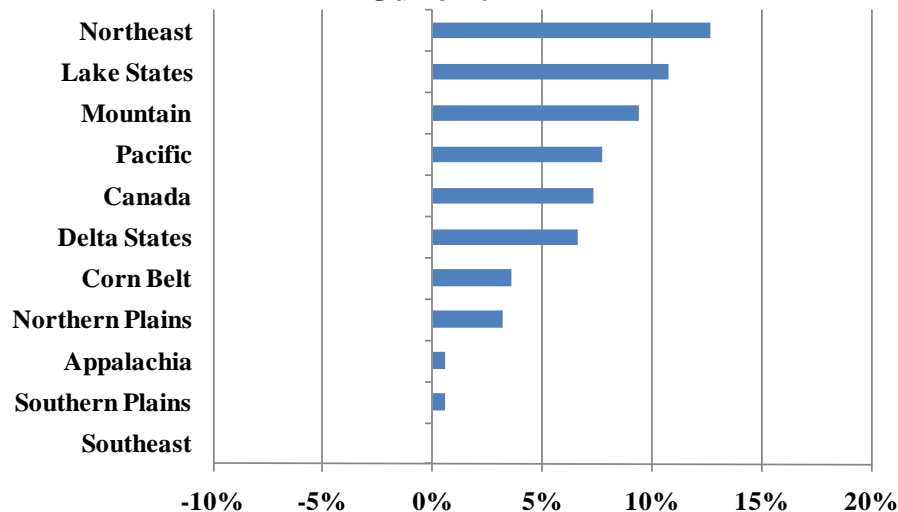


Percent Positive / Negative Growth					Results vs. Expectations				
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>		<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>
Positive Sales Growth	69%	60%	56%	66%	Better than expected	28%	26%	27%	27%
Flat Sales	18%	14%	23%	15%	In line with expectations	51%	44%	48%	54%
Negative Sales Growth	14%	25%	21%	18%	Worse than expected	21%	30%	25%	19%
Net % (Positive - Negative)	55%	35%	35%	48%	Net % (Better - Worse)	7%	-4%	1%	8%

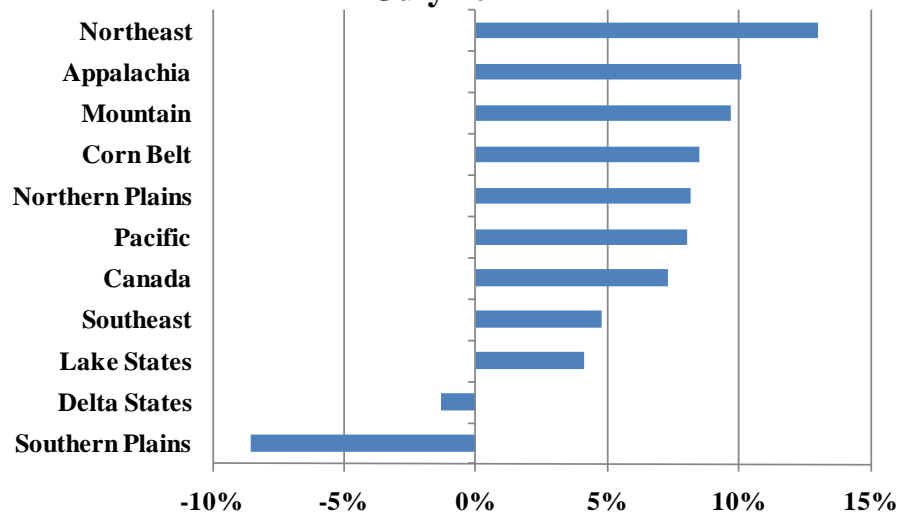
Monthly Sales Growth by Region

- Ten out of eleven regions showed positive average monthly sales growth in July, consistent with June. Northeast (CT, DE, ME, MD, MA, NH, NY, PA, RI, VT), Appalachia (KY, NC, TN, VA, WV), and Mountain (AZ, CO, ID, MT, NM, NV, UT, WY) head the list of best performing regions.
- On a sequential basis, the Appalachia region showed the most improvement from June while the Southern Plains (OK, TX), Delta (AR, MO, LA), and Lake States (MI, MN, WI) showed the most sequential slowing.

**Average Monthly Sales Growth by Region
June 2011**



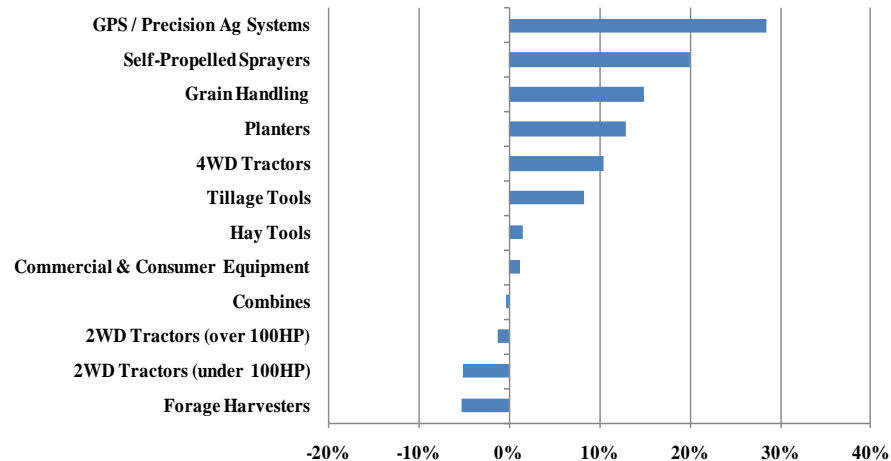
**Average Monthly Sales Growth by Region
July 2011**



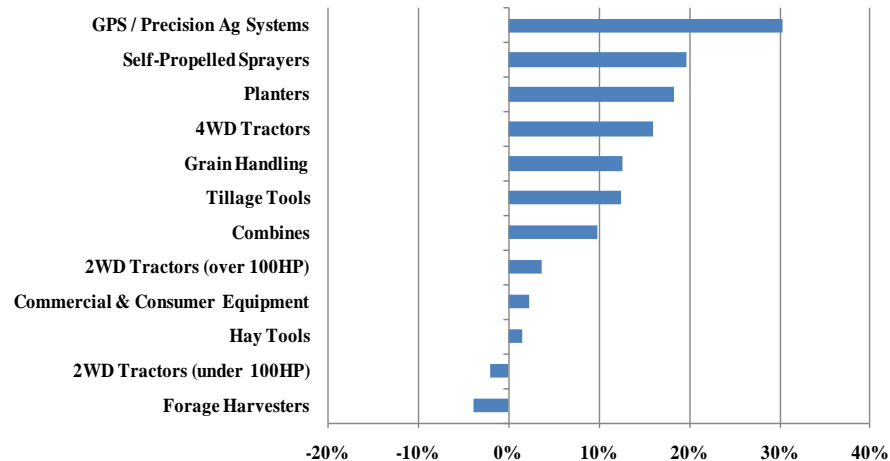
Equipment Category Sales Trends

- Ten out of twelve product categories ranked in positive territory in July, up from eight in June. GPS/Precision ag systems, self-propelled sprayers, and planters head the list of top performing products while forage harvesters and 2WD tractors (over and under 100HP) each ranked in negative territory.
- On a sequential basis, combines showed the most improvement relative to June while grain handling was the only product category to slow sequentially from last month.

Product Category Ranking (Net % Strong - Weak)
June 2011



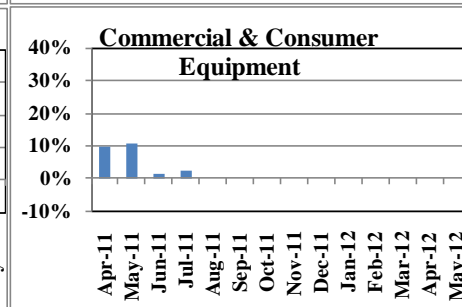
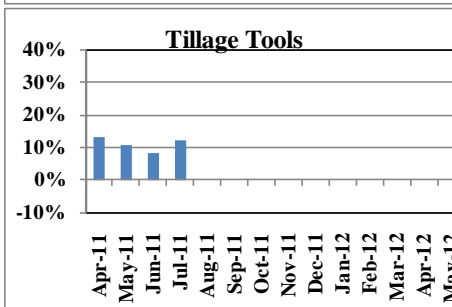
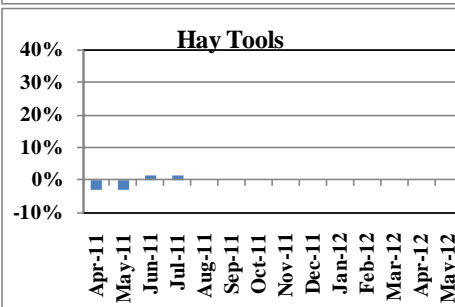
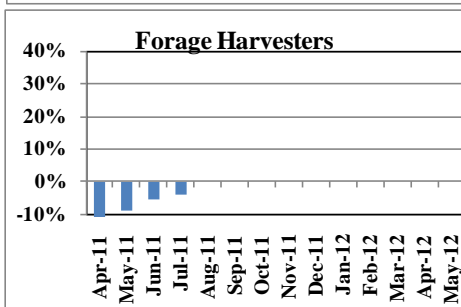
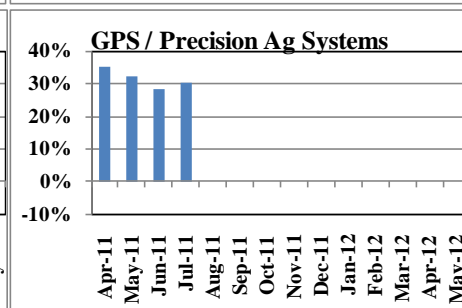
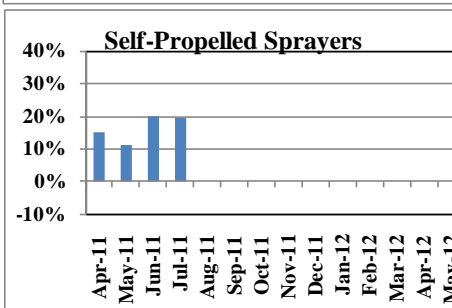
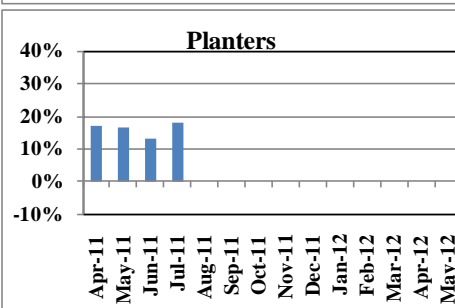
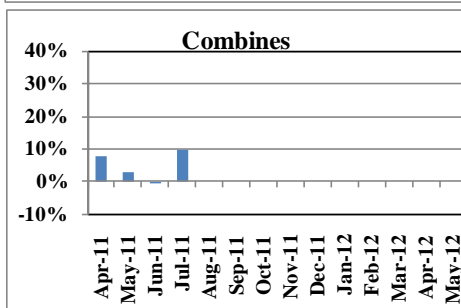
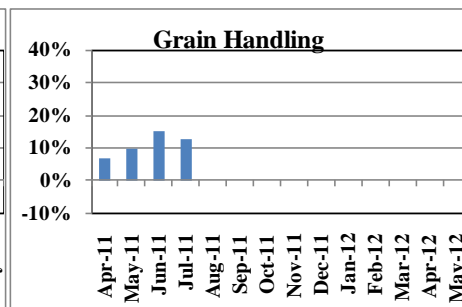
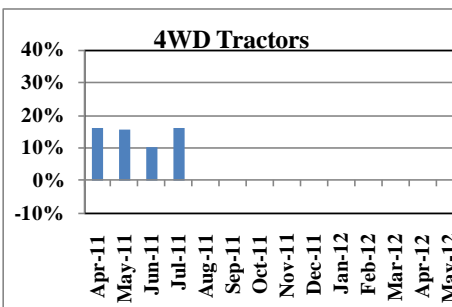
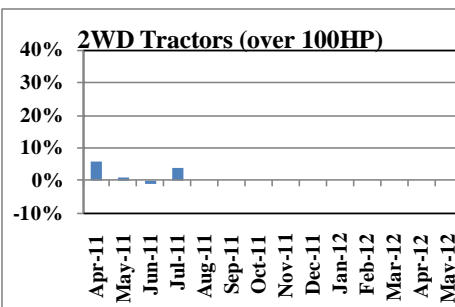
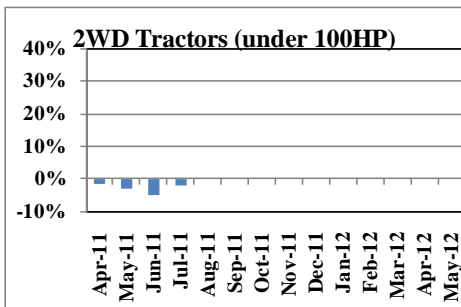
Product Category Ranking (Net % Strong - Weak)
July 2011



Dealer Commentary on Sales

- *“There is still a good selling environment with disposable income in the ag sector. Purchases are being made for some things that have been put off, and I noticed a large uptick in prepayments from farmers to their dealers this past December for tax reasons more than any other year in the last 30.”*
- *“Severe drought has resulted in poor wheat crop this summer and the prospects for this fall's corn crop are even worse.”*
- *“Most all ag products in our area are up (beef, citrus, sugar cane). This bodes well for us.”*
- *“Market is still flat and new start-up dealers are hard to find to expand new product lines.”*
- *“July was in line with our expectations as we saw good crops and good grain prices.”*
- *“We have significantly more marked sold waiting for delivery from the manufacturer this year.”*
- *“July was better than expected. We were very conservative in our budgeting, and hot early market.”*
- *“Grain and livestock prices are holding steady to above expected projections.”*

Equipment Category Sales Trends



Order Growth

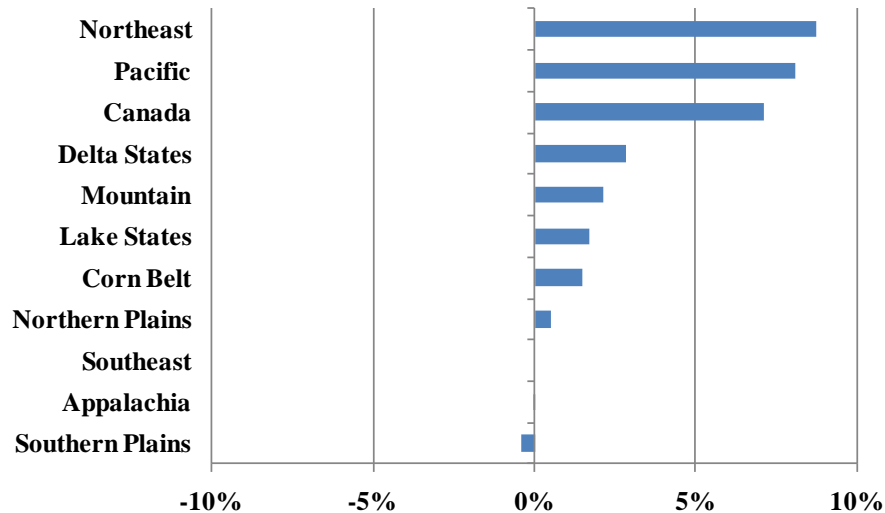
- Incoming orders grew 5% on average in July, up from 3% in June.
- AGCO dealers had the highest average order growth this month at 10% while Shortline dealers report the least growth in orders at 2% on average for the month.
- The Corn Belt and Pacific saw the highest average orders growth at 8% each, while Southern Plains, Appalachia, and Delta States, and saw the weakest results with order growth down (7%), (1%), and (1%), respectively.

Average Orders Growth				
(% chg y/y)	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
Overall	3%	3%	3%	5%
<u>Bv Brand</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
AGCO	4%	8%	5%	10%
John Deere	4%	2%	2%	5%
New Holland	4%	2%	3%	5%
Case IH	1%	3%	2%	4%
Kubota	9%	1%	6%	6%
Shortlines	n/a	-3%	2%	2%
Other	n/a	n/a	n/a	1%
<u>Bv Region</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
Appalachia	-1%	-4%	0%	-1%
Canada	4%	1%	7%	5%
Corn Belt	3%	2%	1%	8%
Delta States	3%	4%	3%	-1%
Lake States	7%	6%	2%	7%
Mountain	-2%	5%	2%	6%
Northeast	7%	6%	9%	5%
Northern Plains	2%	1%	1%	7%
Pacific	3%	4%	8%	8%
Southeast	0%	16%	0%	2%
Southern Plains	-3%	-6%	0%	-7%

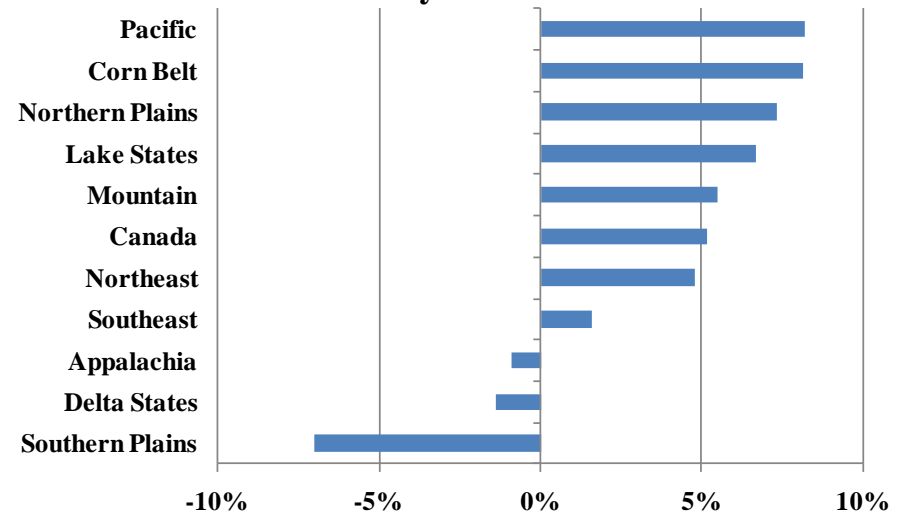
Order Growth by Region

- Eight out of eleven regions showed positive monthly orders growth in July, consistent with June. The Pacific (CA, OR, WA, AK, HI) and Corn Belt (IL, IN, IA, MO, OH) head the list of best performing regions.
- On a sequential basis, the Corn Belt and Northern Plains (KS, NE, ND, SD) regions showed the most improvement from June while the Southern Plains (OK, TX) showed the most significant sequential slowdown in order growth.

**Average Monthly Order Growth by Region
June 2011**



**Average Monthly Order Growth by Region
July 2011**



Dealer Commentary on Orders

- *“Incoming orders for all products are below average, especially combines.”*
- *“Self propelled sprayers and planter orders are above average.”*
- *“There are very few combines on order as Deere is introducing new models this month.”*
- *“Orders on all hay equipment is much lower as well as planters.”*
- *“Compact equipment and lawn garden orders are down while small ag tractors are up just a little.”*
- *“Orders for some items like Woods will be 0 this fall for the next year because of low sales, (i.e. we cannot meet the minimum order quantity to qualify for free freight).”*
- *“Combine orders are above average while planters are below.”*
- *“Planter orders for spring 2012 are down!”*
- *“New 2012 planter orders are the best we've seen in many years.”*

2011 Sales Outlook

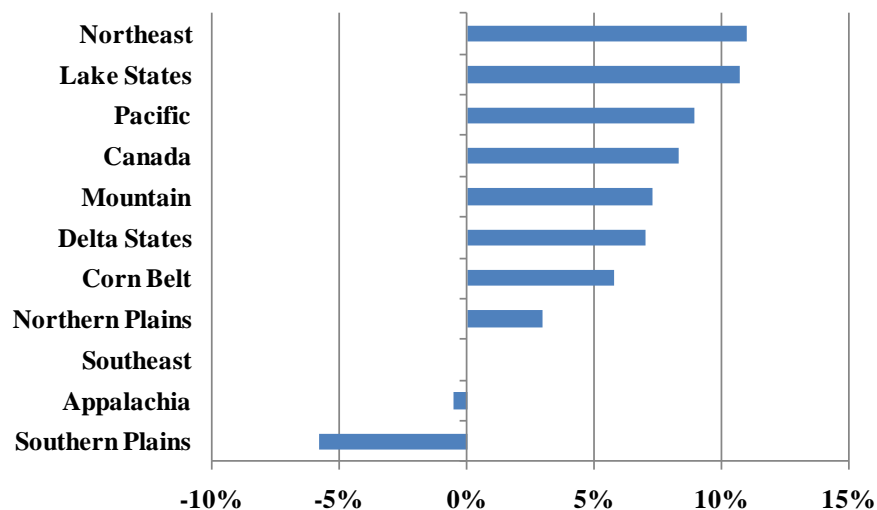
- Despite sales growth unchanged vs. June this month, dealers raised their full year sales growth forecast slightly to 7%, up from 6% in June due to increased visibility.
- Similar to last month AGCO dealers are the most optimistic reporting the highest full year growth outlook at 11% while Shortline dealers report the least optimistic outlook at 4% on average for the month.
- Also similar to last month, the Northeast region reported the highest average full year sales outlook at up 10% while the Southern Plains is the least optimistic with dealers forecasting a (5%) decline on average.

2011 Outlook				
(% chg v/v)	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
Overall	7%	6%	6%	7%
<u>By Brand</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
AGCO	11%	10%	12%	11%
John Deere	7%	7%	6%	6%
New Holland	7%	7%	7%	7%
Case IH	5%	3%	2%	7%
Kubota	8%	7%	8%	7%
Shortlines	n/a	-13%	3%	4%
Other	n/a	n/a	n/a	-1%
<u>By Region</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
Appalachia	4%	2%	-1%	5%
Canada	5%	6%	8%	9%
Corn Belt	5%	8%	6%	9%
Delta States	7%	4%	7%	-1%
Lake States	10%	11%	11%	9%
Mountain	6%	7%	7%	9%
Northeast	12%	12%	11%	10%
Northern Plains	9%	4%	3%	8%
Pacific	9%	9%	9%	7%
Southeast	6%	6%	0%	6%
Southern Plains	-6%	-3%	-6%	-5%

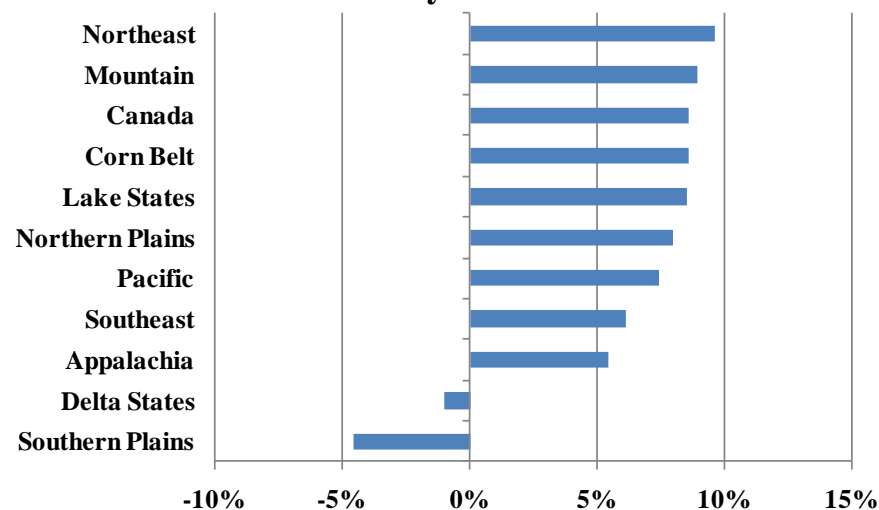
2011 Sales Outlook Continued

- Nine out of eleven regions are projecting a positive full year sales outlook in July, up from eight in June. Dealers in the Northeast (CT, DE, ME, MD, MA, NH, NY, PA, RI, VT), Mountain (AZ, CO, ID, MT, NM, NV, UT, WY), Canada, Corn Belt (IL, IN, IA, MO, OH), and Lake States (MI, MN, WI) are the most optimistic while the Southern Plains (OK, TX) and Delta States (AR, MO, LA) are forecasting sales to decline in 2011.
- On a sequential basis, Appalachia (KY, NC, TN, VA, WV) and the Southeast (AL, FL, GA, SC) regions are now projecting modestly more optimistic full year sales growth compared to June while dealers in the Delta States have lowered their average outlook the most from last month.

**Average Monthly Sales Outlook by Region
June 2011**



**Average Monthly Sales Outlook by Region
July 2011**

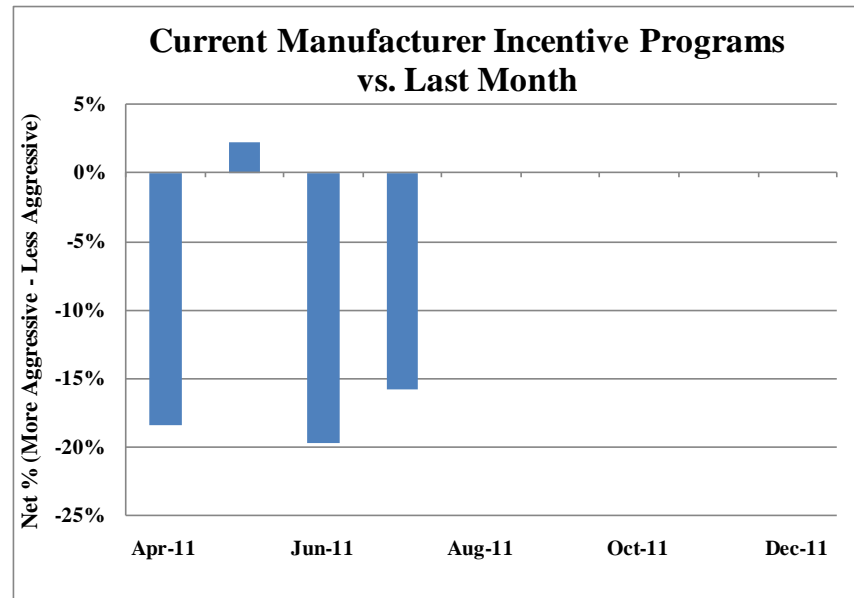


Dealer Commentary on 2011 Outlook

- *“We are expecting better spring conditions vs. this past year. We hope that more acres will be planted in 2012.”*
- *“We are less optimistic as used combines are going to put a bite in sales and profit margins.”*
- *“I feel grain and cattle prices will continue to be at a high level this will create extra revenue for many producers who in turn will look for new or newer equipment to replace and add to equipment already owned or leased.”*
- *“We had a late spring but due to a warm July and forecasted warm August for are area this year’s crop should be just fine. With good crop prices and low interest I expect a real strong run on equipment purchases before year end.”*
- *“We are in a very high area of dairy, there is pent up demand for those farms and the customers are beginning to replace equipment.”*
- *“We are more optimistic as dairy prices are up and staying up.”*
- *“High commodity prices mean farmers and dealers are willing to spend and put equipment on the lot.”*
- *“We are more optimistic as markets have stayed high, good weather, and very good chance of bumper crops. Also, farmer financials continue to get stronger.”*

Current Manufacturer Incentive Programs

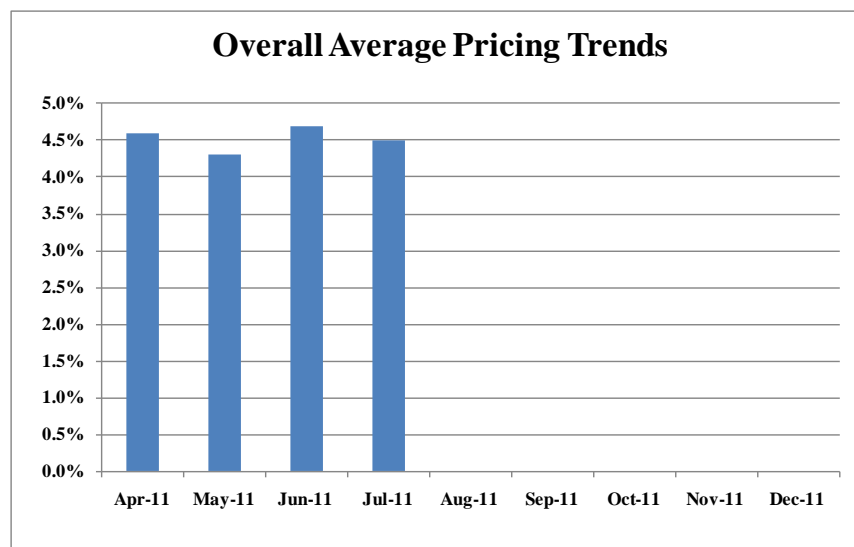
- A net 16% of dealers report that manufacturers are less aggressive with incentives in July (9% more aggressive; 66% same; 25% less aggressive) compared to June, down from a net 20% reported less aggressive incentive programs last month.



New Equipment Pricing Environment

- Dealers report new equipment prices up an average of 4.5% year-over year which is slightly lower than our June survey showing prices up an average of 4.7%.
- Dealers are noting price increases from nearly all suppliers with some implementing a second round of increases. Additionally, dealers are reporting fuel and steel surcharges from vendors.

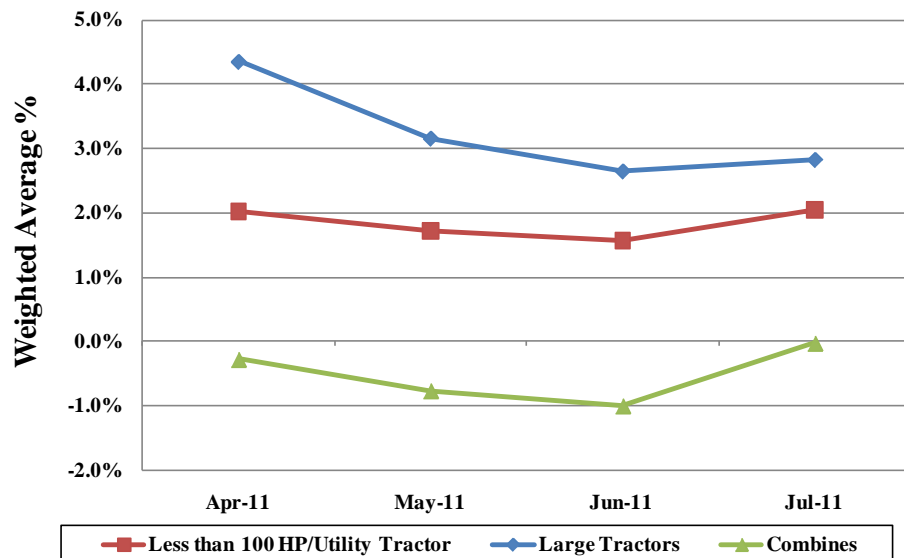
Average Pricing Trends				
(% chg y/y)	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
Overall	4.6%	4.3%	4.7%	4.5%
By Brand	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>
AGCO	4.2%	3.8%	4.3%	4.0%
John Deere	4.2%	4.1%	4.8%	4.7%
New Holland	4.7%	4.5%	4.8%	4.5%
Case IH	5.6%	4.6%	5.0%	4.8%
Kubota	3.8%	4.3%	4.0%	4.0%
Shortlines	n/a	4.3%	4.7%	4.4%
Other	n/a	n/a	n/a	3.3%



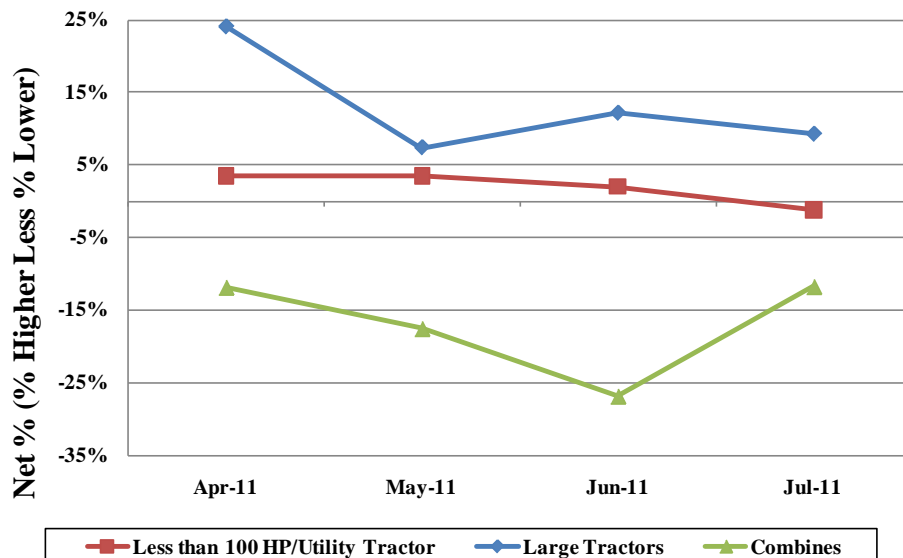
Used Equipment Pricing

- Dealers are reporting higher used prices in July compared to our June survey. By category, tractors over 100HP are up 2.8% year-over-year on average in July versus 2.6% in June while prices for used tractors under 100HP are 2.1% in July, up from 1.6% in June. Used combine values came in flat year-over-year, up from a (1%) decline last month.
- Sequentially, a net 1% of dealers report lower values for under 100HP/utility tractors (10% higher; 79% same; 11% lower), down from June's finding of a net 2% reporting higher values. For over 100HP tractors, a net 9% of dealers report higher values vs. last month (19% higher; 71% same; 10% lower), down from a net 12% in June. Finally, a negative net 12% are reporting used combine values are lower vs. last month (11% higher; 67% same; 23% lower), up from a negative net 27% in June.

Used Equipment Values vs. Last Year



Used Equipment Values vs. Last Month



Equipment Availability and Inventory Levels

Lead Times

- Overall, a net 55% of dealers report longer factory lead-times compared to last month (58% longer; 39% same; 3% shorter), similar to the net 56% in June. Lead-times continue to be one of the primary concerns for dealers and appear to still be constraining the full year growth outlook.

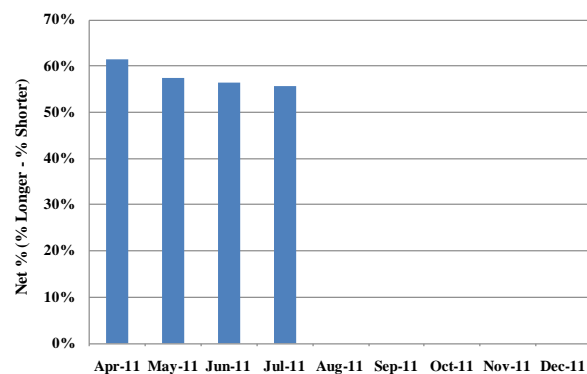
New Equipment Inventory

- Given the extended lead-times for new equipment it is no surprise that a net 20% of dealers still categorize their new inventory as “too low” (17% too high; 46% about right; 37% too low), which is up from a net 12% last month.

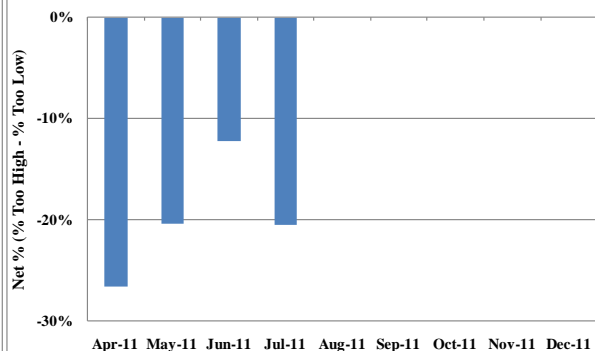
Used Equipment Inventory

- By contrast, a net 11% of dealers categorize their used inventory levels as “too high” (29% too high; 53% about right; 18% too low) compared to a net 22% last month. Within this, large equipment appears to be the primary concern as dealers frequently mentioned combines again as having the most significant overhang. August is a key month for used combine inventory as dealers are making a big push to flush out the overhang.

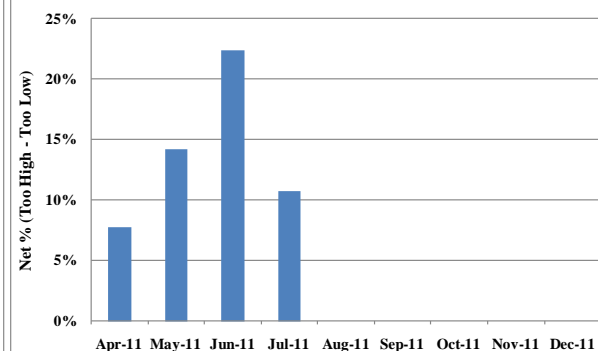
Lead Times - Versus Prior Month



Inventory Levels - New

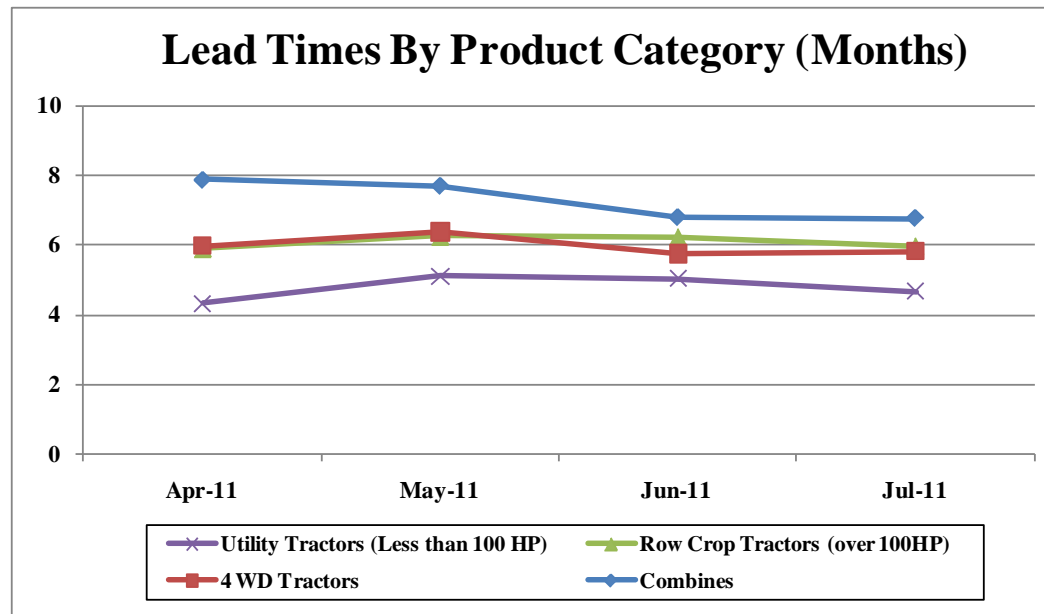


Inventory Levels - Used



Equipment Availability By Product Type

- A closer look at availability by product category shows all four products are roughly consistent with June. On average combine lead times are ~7 months; 4WD tractor and row crop tractors lead times are ~6 months; Smaller tractors (<100 HP) lead times are still ~5 months.



Dealer Commentary on Inventory Levels

- *“Deere wants all orders as sold; terms are going to fade away.”*
- *“Some products are in abundance and others are too low.”*
- *“Most inventory coming in is pre-sold. It seems like stock inventory for the impulse buyer is never available plus with all the available options it is hard to predict how to spec a piece for inventory. Most impulse buyers are price shoppers and place little importance on value.”*
- *“Slow inventory turn causing aging (inventory back-up)!”*
- *“Manufacturers can't supply equipment to fill orders in a timely manner. The lack of new inventory results in a loss of sale and market share.”*
- *“We will run out of inventory later this year, remaining business will be presale orders.”*
- *“We are concerned about the manufacturer's aggressiveness to stock up more product.”*
- *“Case IH has near zero tractor inventory in USA which hurts their sales activity. Other brands have replaced them.”*
- *“Inventory is too high now, but new products will cost more so old inventory is priced better!”*

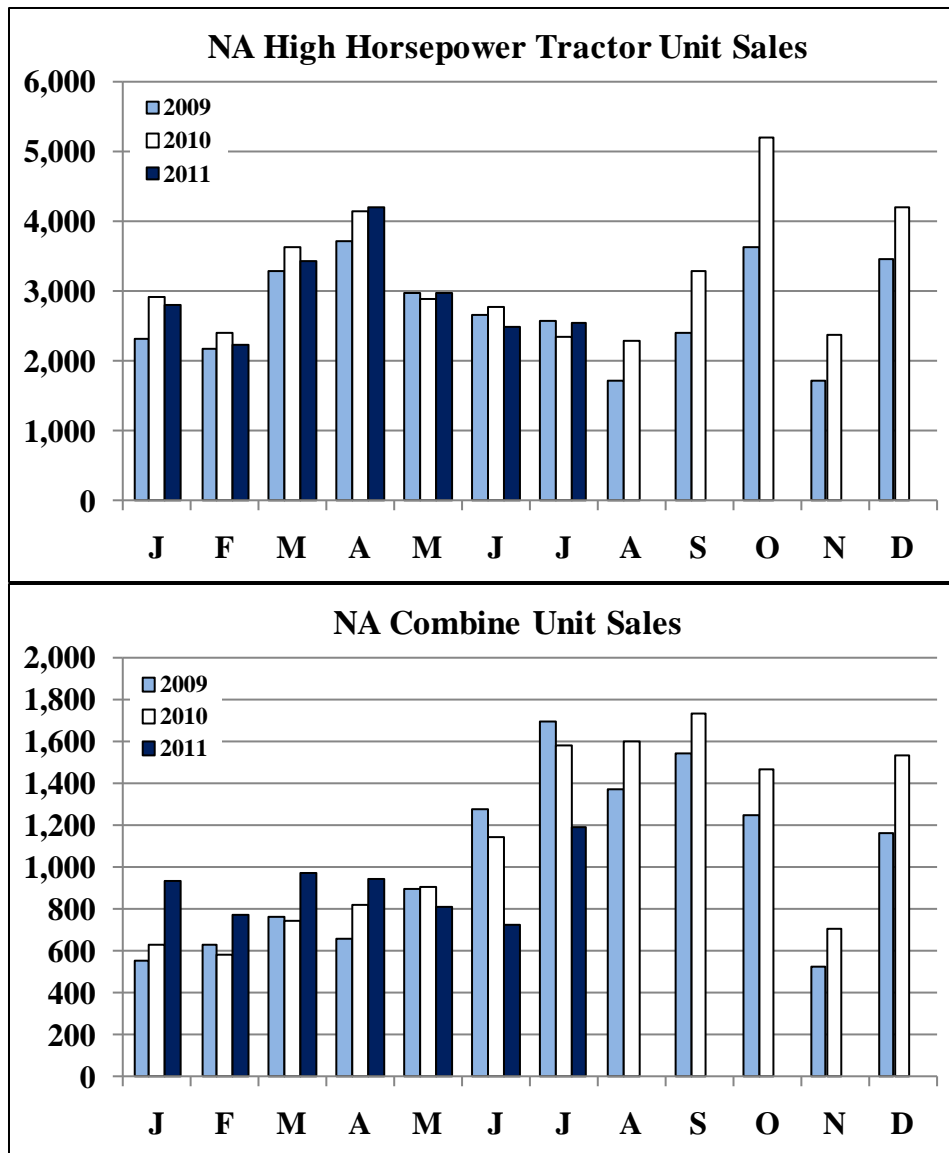
NA Farm Equipment Industry Retail Sales and Inventory

NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Memo: High hp	Combines	<40HP	Util	RC	4-WD	Total	High HP	Comb
Nov-09	48,811	28,061	10,615	1,081	88,568	11,696	1,187	54%	49%	39%	19%	49%	36%	10%
Dec-09	50,702	27,289	9,697	871	88,559	10,568	984	57%	49%	36%	15%	50%	32%	8%
Jan-10	51,307	27,106	8,936	1,016	88,365	9,952	1,096	57%	49%	32%	18%	49%	30%	9%
Feb-10	53,071	27,410	9,034	1,154	90,669	10,188	1,358	59%	50%	33%	20%	51%	30%	11%
Mar-10	54,430	27,854	8,570	1,151	92,005	9,721	1,387	60%	51%	31%	19%	51%	29%	11%
Apr-10	51,559	27,766	8,127	1,023	88,475	9,150	1,507	56%	51%	29%	16%	49%	27%	12%
May-10	47,800	26,701	8,013	1,149	83,663	9,162	1,932	51%	49%	29%	19%	46%	27%	15%
Jun-10	46,417	26,475	7,868	1,094	81,854	8,962	2,202	50%	49%	28%	17%	45%	26%	18%
Jul-10	46,618	26,538	8,361	1,407	82,924	9,768	2,546	51%	49%	30%	22%	46%	29%	21%
Aug-10	47,813	26,499	9,015	1,405	84,732	10,420	2,557	52%	49%	32%	22%	47%	30%	20%
Sep-10	48,820	25,850	8,944	1,504	85,118	10,448	2,207	53%	48%	31%	23%	47%	29%	17%
Oct-10	51,598	25,735	8,411	1,171	86,915	9,582	1,317	56%	48%	28%	17%	47%	26%	10%
Nov-10	55,248	26,251	8,420	1,354	91,273	9,774	1,714	59%	48%	27%	20%	49%	26%	13%
Dec-10	58,708	24,800	7,832	1,203	92,543	9,035	1,810	62%	45%	25%	17%	49%	23%	13%
Jan-11	60,357	25,451	7,219	1,125	94,152	8,344	1,735	64%	46%	23%	15%	50%	22%	13%
Feb-11	63,810	26,495	7,200	1,221	98,726	8,421	2,083	67%	47%	23%	17%	52%	22%	15%
Mar-11	65,267	27,435	7,716	1,213	101,631	8,929	2,128	68%	48%	25%	17%	53%	24%	15%
Apr-11	63,035	26,919	7,499	1,053	98,506	8,552	2,136	67%	48%	24%	14%	52%	22%	15%
May-11	58,905	26,579	6,951	1,122	93,557	8,073	1,826	63%	48%	23%	15%	50%	21%	13%
Jun-11	55,357	25,691	7,372	1,274	89,694	8,646	2,228	58%	46%	24%	18%	47%	23%	16%

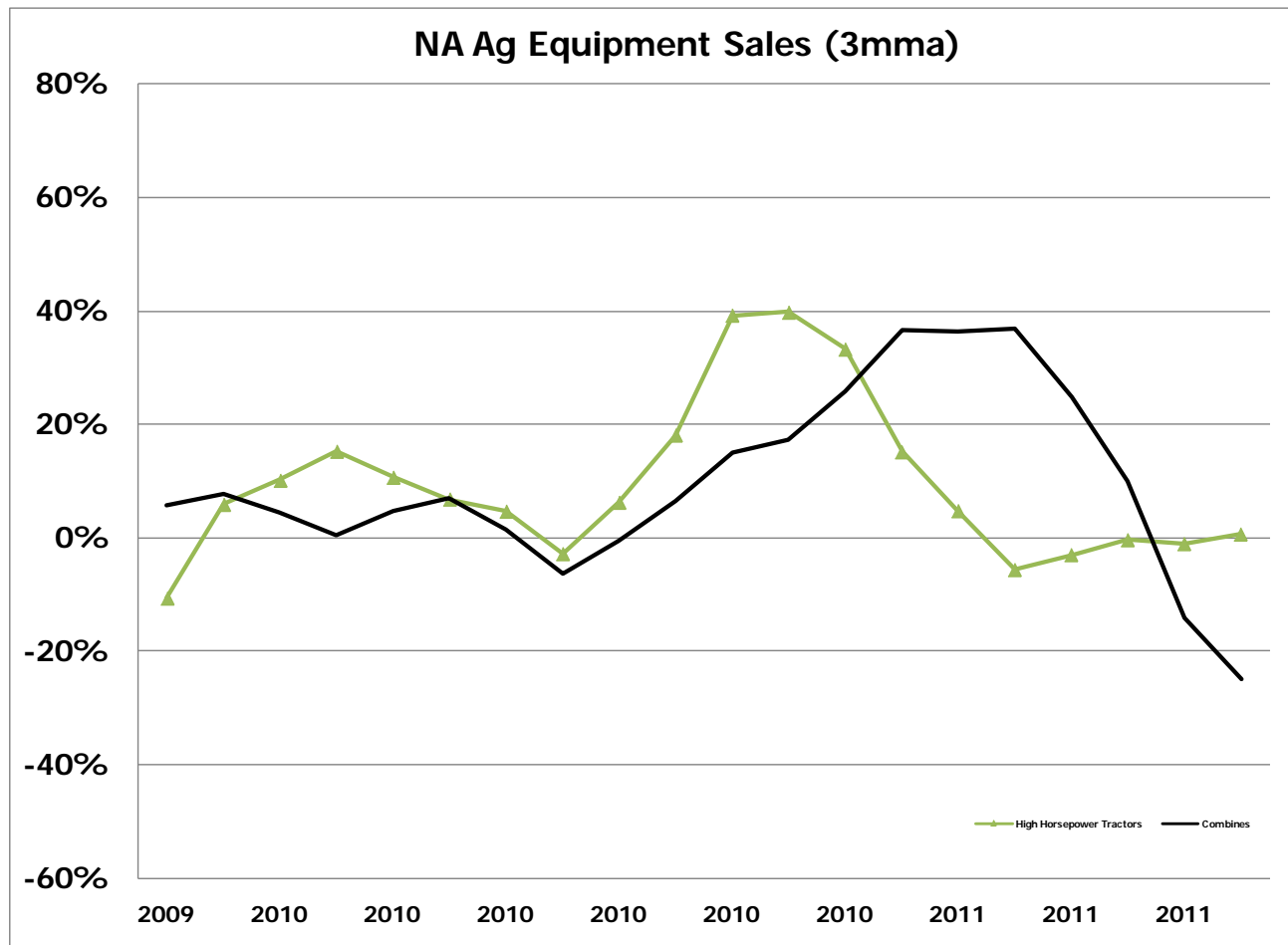
NORTH AMERICAN FARM EQUIPMENT RETAIL SALES														
	Units							% change year-over-year						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Memo: High hp	Combines	<40HP	Util	RC	4-WD	Total	High hp	Comb
Dec-09	5,652	4,654	2,930	542	13,778	3,472	1,160	(5%)	(17%)	(0%)	(3%)	(9%)	(1%)	7%
Jan-10	3,687	3,181	2,606	327	9,801	2,933	633	(1%)	(8%)	31%	4%	3%	27%	14%
Feb-10	3,893	2,670	1,947	456	8,966	2,403	584	(8%)	(19%)	8%	19%	(8%)	10%	(8%)
Mar-10	8,018	4,253	2,930	707	15,908	3,637	746	15%	(11%)	5%	41%	6%	10%	(2%)
Apr-10	12,604	5,743	3,287	853	22,487	4,140	825	15%	(7%)	6%	40%	8%	11%	25%
May-10	13,019	5,769	2,441	461	21,690	2,902	910	9%	5%	(1%)	(10%)	6%	(3%)	1%
Jun-10	10,726	5,750	2,195	570	19,241	2,765	1,146	(8%)	(12%)	(1%)	31%	(8%)	4%	(10%)
Jul-10	8,635	5,122	1,896	435	16,088	2,331	1,576	(2%)	2%	(11%)	(3%)	(2%)	(10%)	(7%)
Aug-10	7,150	4,111	1,887	412	13,560	2,299	1,598	3%	7%	44%	3%	9%	34%	17%
Sep-10	7,564	4,340	2,644	653	15,201	3,297	1,731	(1%)	(12%)	43%	16%	1%	37%	12%
Oct-10	7,067	5,290	4,091	1,117	17,565	5,208	1,464	3%	10%	39%	62%	15%	43%	17%
Nov-10	4,973	3,373	1,981	394	10,721	2,375	704	12%	12%	39%	25%	17%	37%	33%
Dec-10	6,633	5,620	3,445	754	16,452	4,199	1,532	17%	21%	18%	39%	19%	21%	32%
Jan-11	3,705	3,493	2,296	507	10,001	2,803	935	0%	10%	(12%)	55%	2%	(4%)	48%
Feb-11	4,448	3,074	1,764	462	9,748	2,226	777	14%	15%	(9%)	1%	9%	(7%)	33%
Mar-11	8,894	4,973	2,816	624	17,307	3,440	973	11%	17%	(4%)	(12%)	9%	(5%)	30%
Apr-11	11,412	5,413	3,325	885	21,035	4,210	941	(9%)	(6%)	1%	4%	(6%)	2%	14%
May-11	12,601	5,133	2,403	588	20,725	2,991	815	(3%)	(11%)	(2%)	28%	(4%)	3%	(10%)
Jun-11	12,102	5,966	2,076	428	20,572	2,504	722	13%	4%	(5%)	(25%)	7%	(9%)	(37%)
Jul-11	7,702	4,728	2,098	457	14,985	2,555	1,188	(11%)	(8%)	11%	5%	(7%)	10%	(25%)

Source: AEM, CRC Estimates

Annual Ag Equipment Industry Sales – 2009-2011

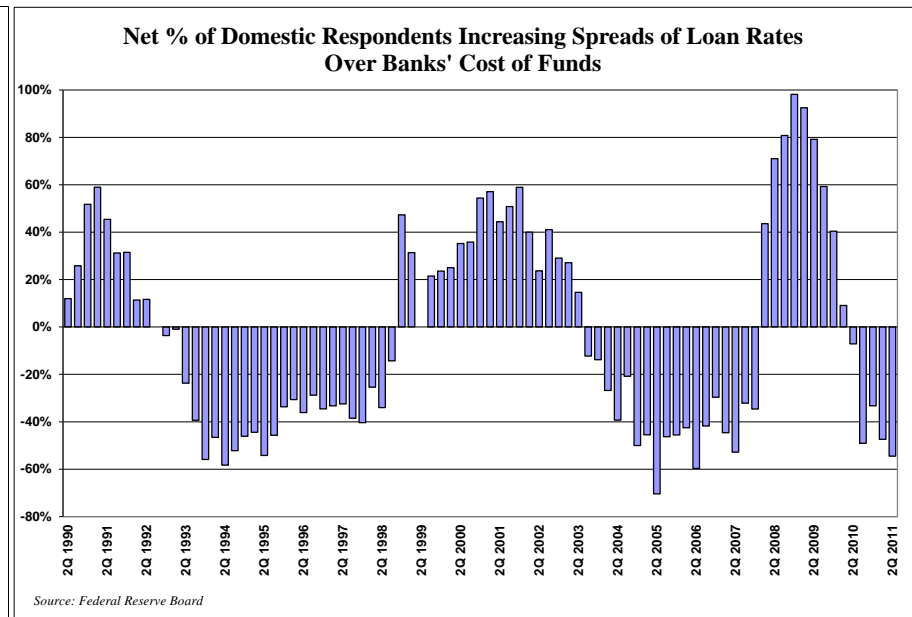
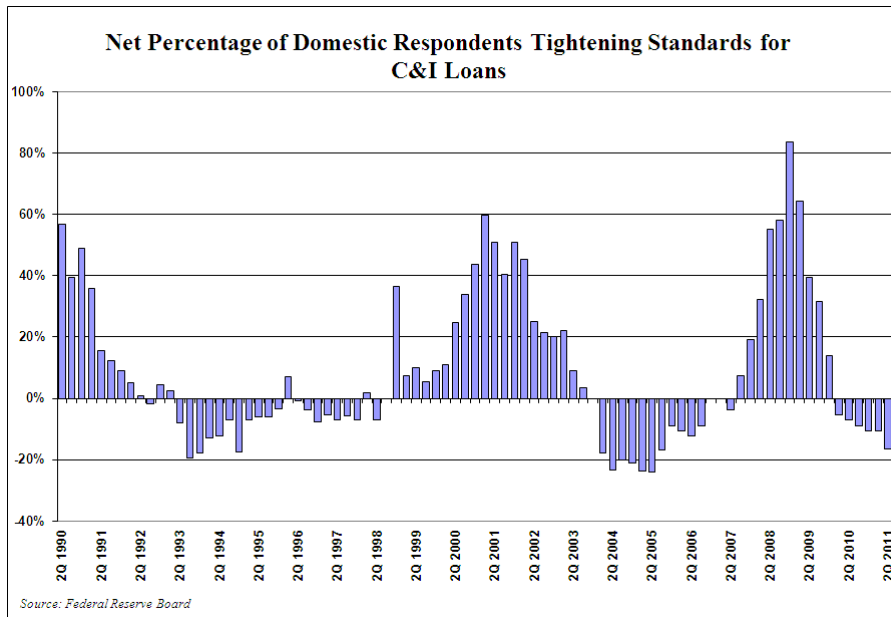


NA Ag Equipment Sales



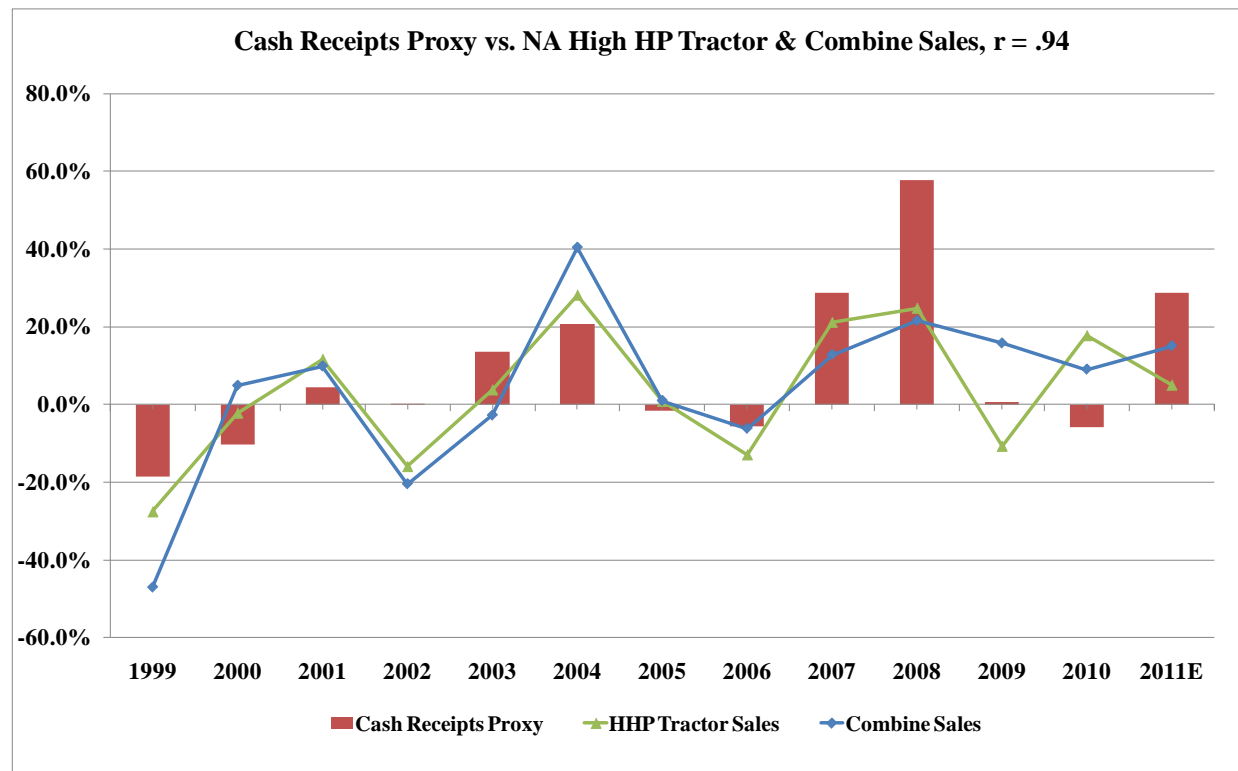
Credit – C&I Loan Demand Improves as Lending Standards Loosen

- The 2Q11 Senior Loan Officer survey saw the sixth consecutive quarter of loosening loan standards which began in 1Q10 following a prolonged period of tightening. A net 16% of loan officers reported loosening credit standards in 2Q11 compared with a net 11% loosening in 1Q11.
- Bank rate spreads contracted again in 2Q11 with a net 55% of loan officers reported lower lending spreads, up from a net 47% of loan officers reported lower spreads in 1Q11.
- Along with the more favorable loan standards and cost of funds, a net 27% of loan officers reported stronger demand for commercial and industrial loans in 2Q11 marking the second consecutive month of better demand.



Commodity Price Trends - Cash Receipts vs. Out Year Equipment Sales

- The USDA's crop supply and demand update for the 2011/12 crop year this month shows an upward revision to prices for the most important crops, corn, soybeans, and wheat. This suggests higher expected cash receipts vs. last month, as depicted in our simplified cash receipts proxy on the following slide. The impact to our simplified farmer crop cash receipt proxy is an increase of \$5Bil, to just over \$143Bil, or about 22% above last year's level. This follows last year's record level of cash receipts with our proxy showing a 29% increase for the 10/11 crop year. Farmer cash receipts are highly correlated with new equipment sales as shown below, so the more optimistic outlook is a positive indicator for 2012 NA ag machinery demand.



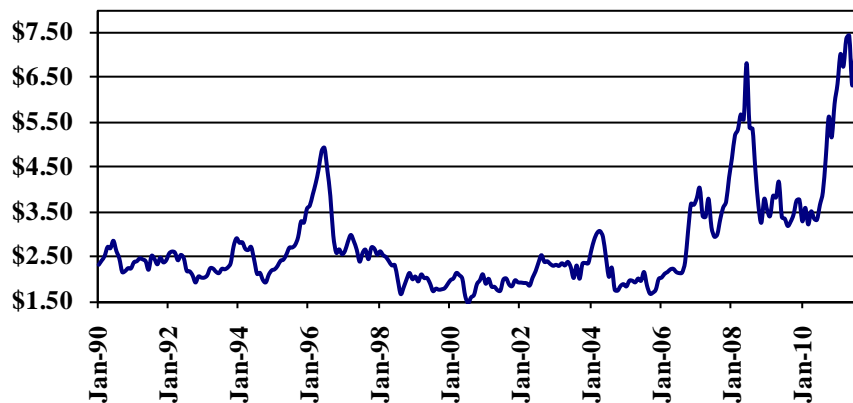
Commodity Price Trends – Simplified Cash Receipts Proxy

USDA - World Agricultural Supply and Demand Estimates (bu millions)													
CORN - DOMESTIC								CORN - INTERNATIONAL					
Year	Production	Domestic Use	Exports	Total Use	End Stocks	Stocks/Use	Avg Price	Year	Production	Total Use	End Stocks	Stocks/Use	
2010/11	12,447	11,550	1,900	13,450	730	6.3%	\$5.10-\$5.40	2010/11	19,652	21,464	4,081	19.0%	
2011/12								2011/12					
June	13,200	11,455	1,800	13,255	695	6.1%	\$6.00-\$7.00	June	20,900	22,864	3,710	16.2%	
July	13,470	11,600	1,900	13,500	870	7.5%	\$5.50-\$6.50	July	20,875	22,950	3,684	16.1%	
August	12,914	11,410	1,750	13,160	714	6.3%	\$6.20-\$7.20	August	20,963	22,798	3,795	16.6%	
Revision to 2011/12:								Corn Spot Price: \$7.30					
m/m chg	-556	-190	-150	-340	-156	-1.2%	\$0.70	m/m chg	88	-152	111	0.6%	
y/y chg	467	-140	-150	-290	-16	-0.1%	\$1.45	y/y chg	1311	1334	-286	-2.4%	
SOYBEANS - DOMESTIC								SOYBEANS - INTERNATIONAL					
Year	Production	Domestic Use	Exports	Total Use	End Stocks	Stocks/Use	Avg Price	Year	Production	Total Use	End Stocks	Stocks/Use	
2010/11	3,329	3,325	1,550	4,875	170	5.1%	\$11.40	2010/11	6,296	7,572	2,174	28.7%	
2011/12								2011/12					
June	3,285	3,290	1,520	4,810	190	5.8%	\$13.00-\$15.00	June	6,371	7,901	2,073	26.2%	
July	3,225	3,264	1,495	4,759	175	5.4%	\$12.00-\$14.00	July	6,382	7,881	2,101	26.7%	
August	3,056	3,146	1,400	4,546	155	4.9%	\$12.50-\$14.50	August	6,404	7,892	2,084	26.4%	
Revision to 2011/12:								Soybean Spot Price: \$13.54					
m/m chg	-169	-118	-95	-213	-20	-0.4%	\$0.50	m/m chg	23	11	-17	-0.3%	
y/y chg	-273	-179	-150	-329	-15	-0.2%	\$2.10	y/y chg	108	321	-90	-2.3%	
WHEAT - DOMESTIC								WHEAT - INTERNATIONAL					
Year	Production	Domestic Use	Exports	Total Use	End Stocks	Stocks/Use	Avg Price	Year	Production	Total Use	End Stocks	Stocks/Use	
2010/11	2,208	1,180	1,275	2,455	839	71.1%	\$5.65	2010/11	21,606	23,148	5,855	25.3%	
2011/12								2011/12					
June	2,058	1,240	1,050	2,290	687	55.4%	\$7.00-\$8.40	June	22,352	23,275	6,083	26.1%	
July	2,106	1,247	1,150	2,397	670	53.7%	\$6.60-\$8.00	July	22,233	23,379	6,024	25.8%	
August	2,077	1,267	1,100	2,367	671	53.0%	\$7.00-\$8.20	August	22,618	23,534	6,269	26.6%	
Revision to 2011/12:								Wheat Spot Price: \$7.03					
m/m chg	-29	20	-50	-30	1	-0.8%	\$0.30	m/m chg	385	155	245	0.9%	
y/y chg	-131	87	-175	-88	-168	-18.1%	\$1.95	y/y chg	1012	386	413	1.3%	
FARMER CROP RECEIPTS													
Production:				Avg Price:			Crop Cash Receipts*						
	Corn	Soybeans	Wheat		Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Total	y/y %	Chg
2010/11	12,447	3,329	2,208		\$5.25	\$11.40	\$5.65	\$65,347	\$37,951	\$12,475	\$115,773	29%	
2011/12													
June	13,200	3,285	2,058		\$6.50	\$14.00	\$7.70	\$85,800	\$45,990	\$15,847	\$147,637	25%	
July	13,470	3,225	2,106		\$6.00	\$13.00	\$7.30	\$80,820	\$41,925	\$15,374	\$138,119	17%	
August	12,914	3,056	2,077		\$6.70	\$13.50	\$7.60	\$86,524	\$41,256	\$15,785	\$143,565	22%	
*Note: Cash receipts estimated as USDA production X USDA average price forecast													

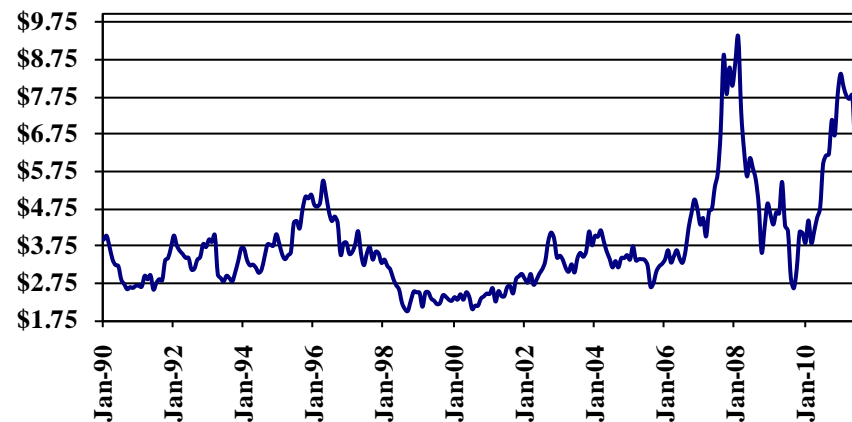
Source: USDA; Cleveland Research estimates

Commodity Price Trends – Corn, Soybean, Wheat, Cotton

Corn Price Trends



Wheat Price Trends



Soybean Price Trends



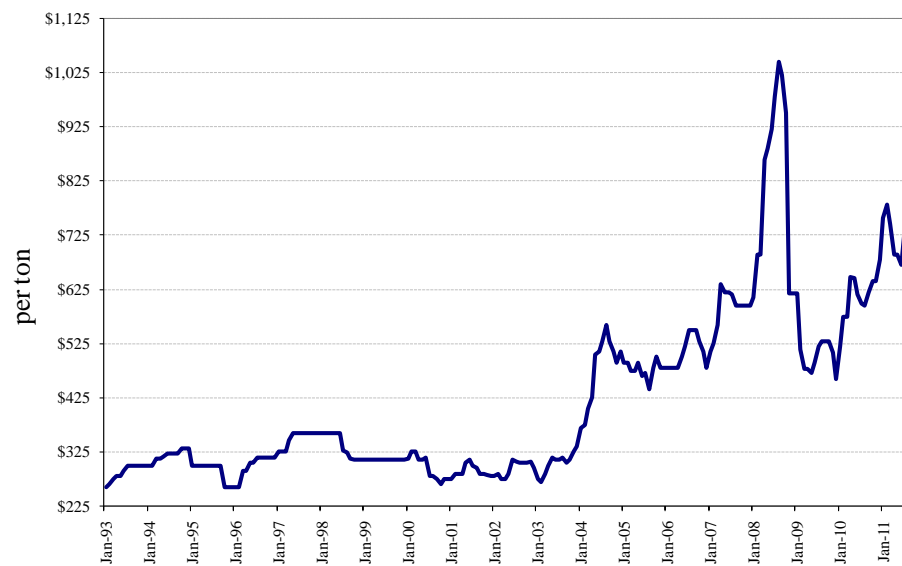
Cotton Price Trends



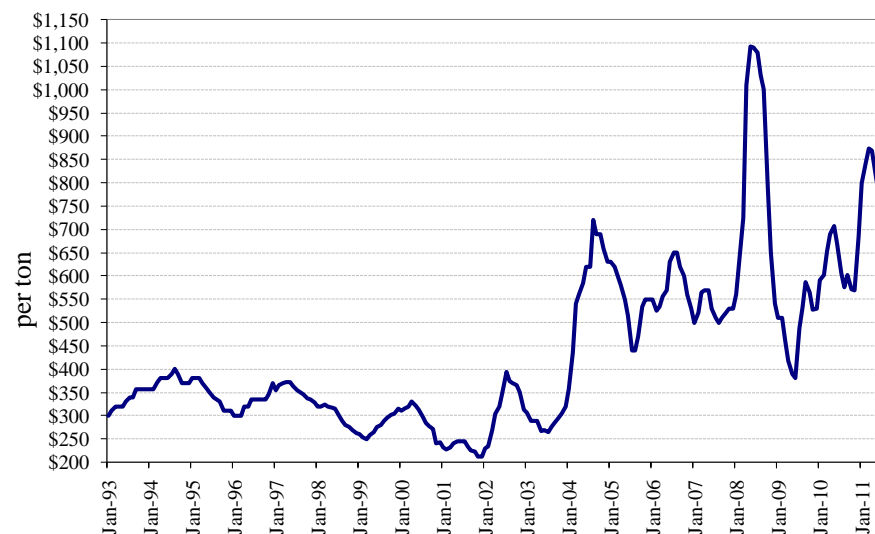
Commodity Price Trends – Steel

- Steel distribution checks suggest demand has softened slightly with current volumes up in the 6-8% y/y range (vs. the 8-12% range for most of the year) and the 2011 outlook is now up 5-7% vs. the 7-10% outlook of the past 4-6 months.
- The weaker volumes are being driven by softer construction, appliance and HVAC demand and the lack of a pickup in auto demand. The slower demand comes at a time when incremental steel capacity is coming on-line.
- Current listed quotes are in the \$660/ton range with some transactions occurring at or below breakeven levels (transactions occurring as low as \$600/ton). Lead times remain in the 3 week range which is down from the 6 week range early in the year.
- The following charts show the long term price trends for both hot rolled sheet and rebar prices.

Domestic Reinforcing Bar (Rebar) Prices

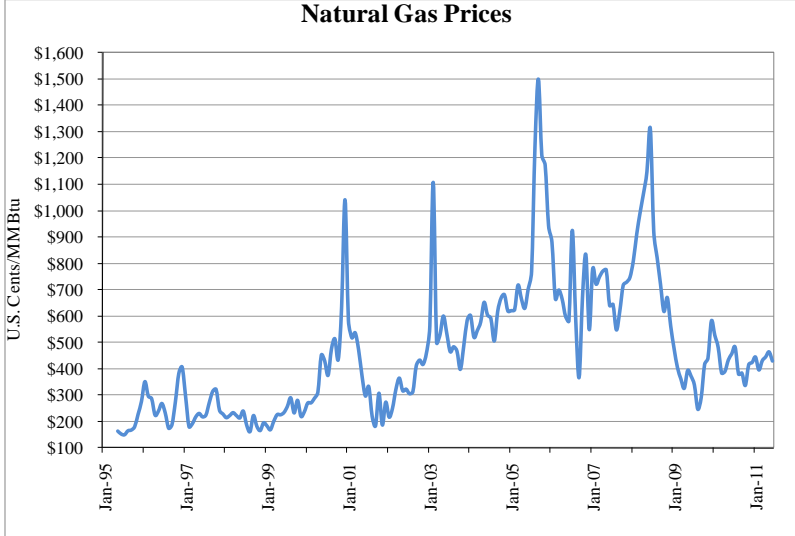
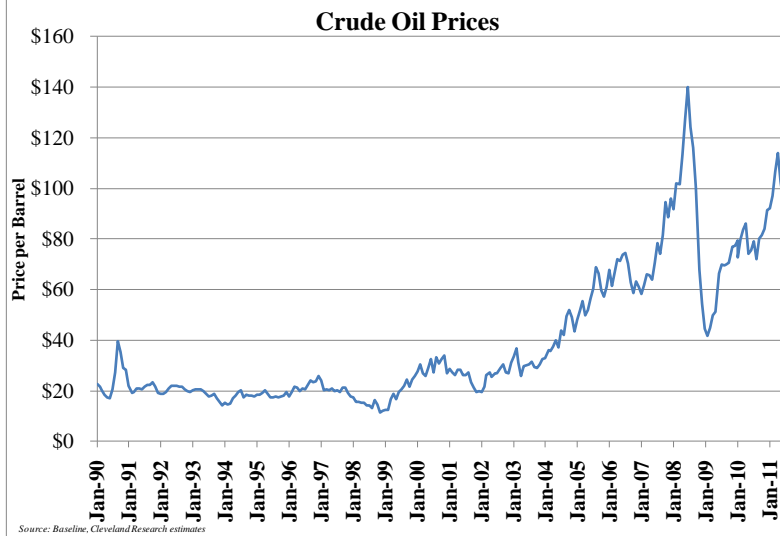
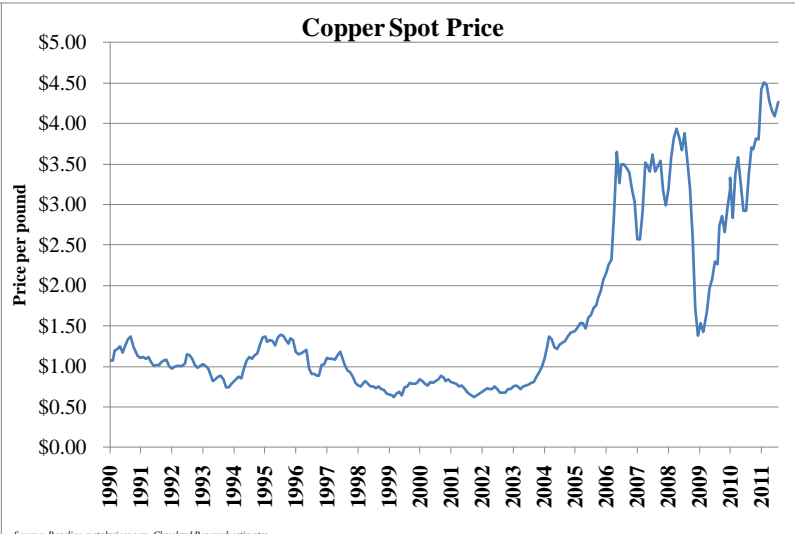
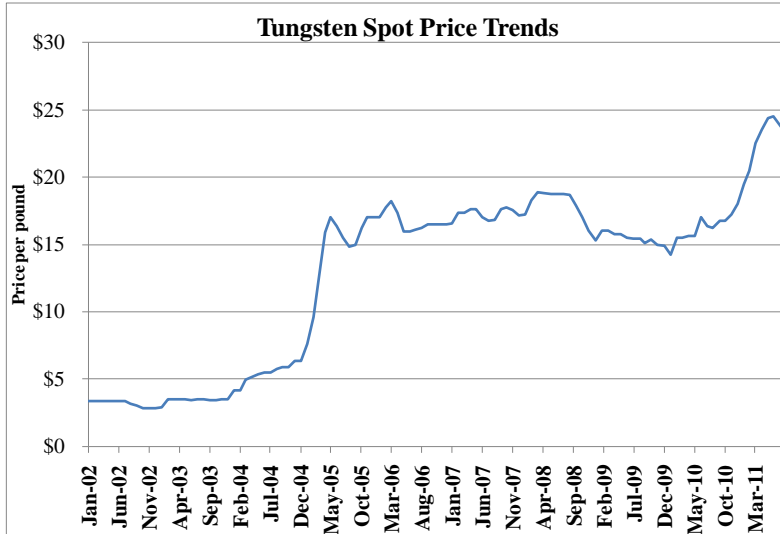


Domestic Hot Rolled Sheet Prices



Source: Steel Business Briefing, CRC Estimates

Commodity Price Trends – Cobalt, Tungsten, Oil, Natural Gas



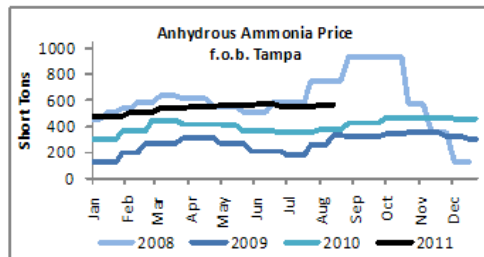
Commodity Trends – Long Run Supply and Demand Projections

CORN - DOMESTIC								
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Use for Ethanol</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	10,535	9,086	2,150	2,125	11,211	1,304	14.4%	\$3.04
2007/08	13,074	10,338	3,026	2,436	12,774	1,624	15.7%	\$4.20
2008/09	12,020	10,635	4,000	1,900	12,535	1,124	10.6%	\$4.40
2009/10	12,685	10,820	4,200	2,000	12,820	1,004	9.3%	\$4.00
2010/11	13,005	10,970	4,300	2,025	12,995	1,029	9.4%	\$3.90
2011/12	13,330	11,150	4,425	2,050	13,200	1,174	10.5%	\$3.80
2012/13	13,495	11,335	4,550	2,075	13,410	1,274	11.2%	\$3.70
2013/14	13,660	11,520	4,650	2,100	13,620	1,329	11.5%	\$3.65
2014/15	13,830	11,705	4,750	2,125	13,830	1,344	11.5%	\$3.70
2015/16	13,995	11,865	4,825	2,150	14,015	1,339	11.3%	\$3.75
2015/17	14,245	12,000	4,900	2,175	14,175	1,424	11.9%	\$3.75
2017/18	14,410	12,135	4,975	2,200	14,335	1,514	12.5%	\$3.75
2018/19	14,580	12,295	5,050	2,225	14,520	1,589	12.9%	\$3.75
2019/20	14,595	12,200	5,025	2,425	14,625	1,490	12.2%	\$3.65
10-yr Avg	13,915	11,718	4,745	2,155	13,873	1,351	11.5%	\$3.74

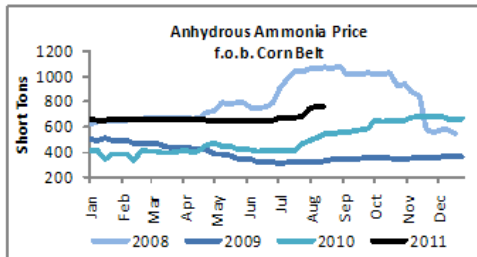
SOYBEANS - DOMESTIC							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	3,188	1,955	1,118	3,073	573	29.3%	\$9.00
2007/08	2,676	1,893	1,161	3,054	205	10.8%	\$10.10
2008/09	2,921	1,907	1,020	2,927	205	10.7%	\$9.85
2009/10	3,110	1,888	1,175	3,063	257	13.6%	\$8.85
2010/11	3,100	1,901	1,200	3,101	261	13.7%	\$8.75
2011/12	3,095	1,915	1,200	3,115	246	12.8%	\$8.75
2012/13	3,100	1,936	1,180	3,116	235	12.1%	\$8.70
2013/14	3,130	1,956	1,180	3,136	235	12.0%	\$8.60
2014/15	3,140	1,976	1,175	3,151	229	11.6%	\$8.70
2015/16	3,170	1,997	1,175	3,172	232	11.6%	\$8.75
2015/17	3,195	2,017	1,180	3,197	235	11.7%	\$8.75
2017/18	3,230	2,043	1,190	3,233	237	11.6%	\$8.75
2018/19	3,260	2,064	1,200	3,264	238	11.5%	\$8.80
2019/20	3,490	2,041	1,455	3,496	261	12.8%	\$9.20
10-yr Avg	3,191	1,985	1,214	3,198	241	12.1%	\$8.78

WHEAT - DOMESTIC							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	1,812	1,140	909	2,049	418	36.7%	\$4.35
2007/08	2,067	1,066	1,264	2,330	306	28.7%	\$6.48
2008/09	2,500	1,302	1,000	2,302	603	46.3%	\$6.85
2009/10	2,210	1,297	1,000	2,297	616	47.5%	\$5.75
2010/11	2,225	1,301	1,025	2,326	620	47.7%	\$5.60
2011/12	2,265	1,300	1,050	2,350	640	49.2%	\$5.50
2012/13	2,255	1,308	1,050	2,358	647	49.5%	\$5.35
2013/14	2,255	1,317	1,050	2,367	645	49.0%	\$5.30
2014/15	2,270	1,315	1,075	2,390	640	48.7%	\$5.40
2015/16	2,265	1,324	1,075	2,399	621	46.9%	\$5.45
2015/17	2,280	1,333	1,075	2,408	613	46.0%	\$5.45
2017/18	2,295	1,342	1,075	2,417	611	45.5%	\$5.45
2018/19	2,310	1,351	1,075	2,426	620	45.9%	\$5.45
2019/20	2,125	1,360	900	2,260	717	52.7%	\$4.75
10-yr Avg	2,255	1,325	1,045	2,370	637	48.1%	\$5.37

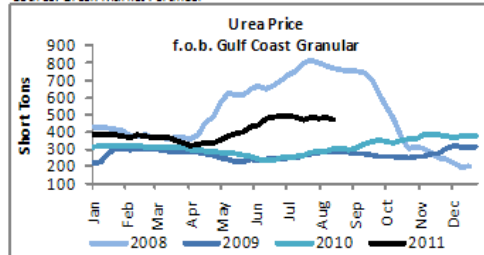
Farm Input and Chemical Costs – 2008-2011



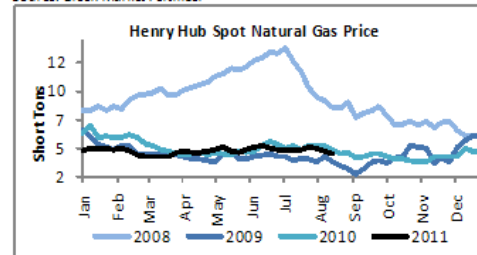
Source: Green Market Fertilizer



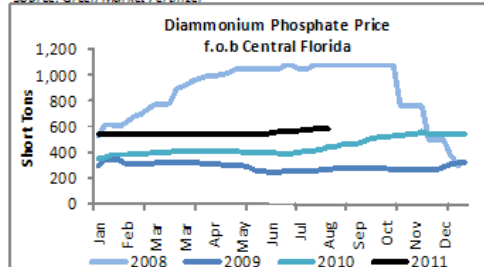
Source: Green Market Fertilizer



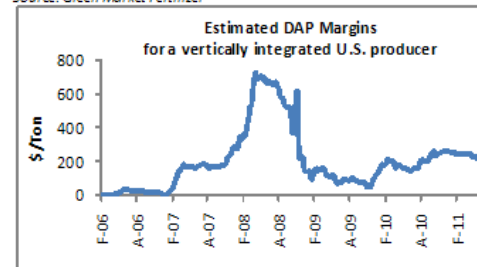
Source: Green Market Fertilizer



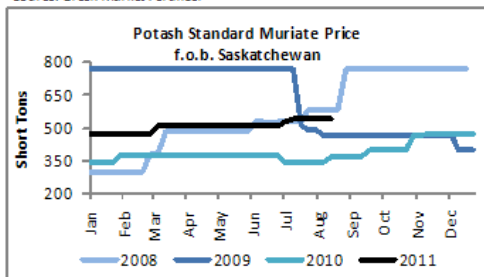
Source: Green Market Fertilizer



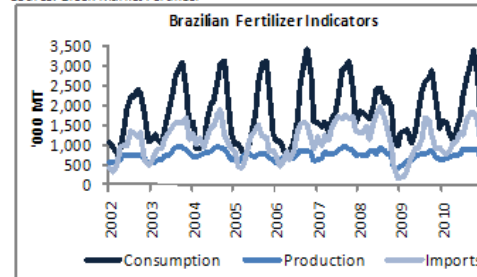
Source: Green Market Fertilizer



Source: Green Market Fertilizer

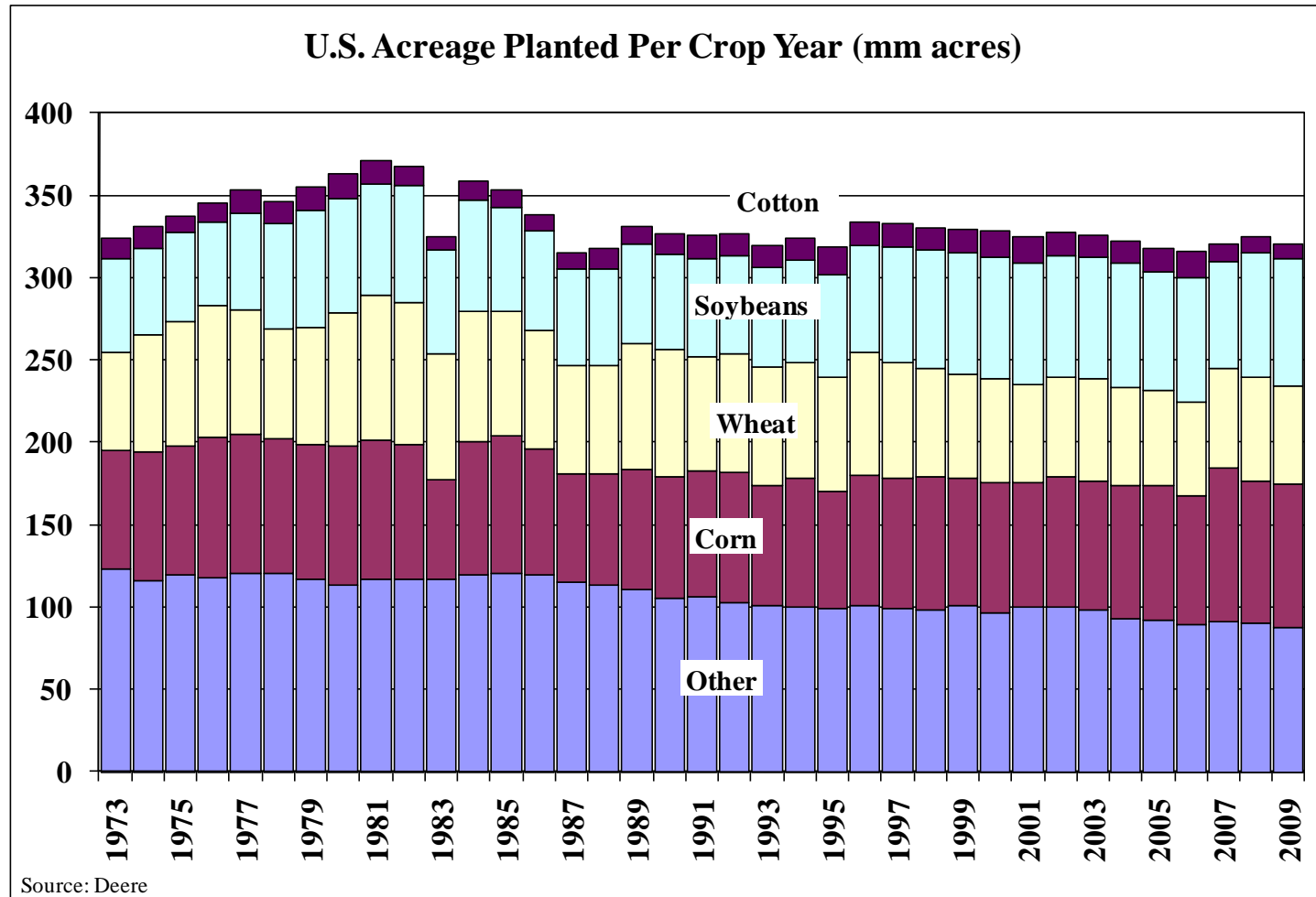


Source: Green Market Fertilizer



Source: ANDA

U.S. Acreage Planted Per Crop Year



US Farm Financial Data

U.S. Farm Financial Data (\$Bil)								
Year	Crop Receipts	Crop Rec % chg	Livestock Receipts	Gov't Payments	Total Receipts	Net Farm Cash Income	Total Assets	Debt to Asset Ratio
1972	25.5	-	35.6	4.0	65.1	22.8	339.9	17.1
1973	41.1	61%	45.8	2.6	89.5	35.6	418.5	16.0
1974	51.1	24%	41.3	0.5	92.9	34.4	449.2	16.6
1975	45.8	-10%	43.1	0.8	89.7	29.1	510.8	16.4
1976	49.0	7%	46.3	0.7	96.1	29.5	590.7	15.9
1977	48.6	-1%	47.6	1.8	98.1	27.4	651.5	16.6
1978	53.2	9%	59.2	3.0	115.4	32.7	777.7	15.9
1979	62.3	17%	69.2	1.4	132.9	32.6	914.7	16.1
1980	71.7	15%	68.0	1.3	141.0	33.2	1000.4	16.2
1981	72.5	1%	69.2	1.9	143.5	31.6	997.9	17.8
1982	72.3	0%	70.3	3.5	146.1	36.8	962.5	19.1
1983	67.2	-7%	69.6	9.3	146.1	37.0	959.3	19.4
1984	69.9	4%	72.9	8.4	151.2	36.0	897.8	21.0
1985	73.9	6%	70.1	7.7	151.7	45.6	775.9	22.2
1986	63.8	-14%	71.6	11.8	147.2	46.5	722.0	21.0
1987	65.8	3%	76.0	16.7	158.5	52.6	756.5	18.3
1988	71.6	9%	79.6	14.5	165.7	53.7	788.5	16.9
1989	76.9	7%	83.6	10.9	171.4	53.5	813.7	16.1
1990	80.2	4%	89.1	9.3	178.6	53.8	840.6	15.6
1991	82.2	3%	85.8	8.2	176.2	51.4	844.2	15.6
1992	85.7	4%	85.8	9.2	180.6	56.9	867.8	15.2
1993	87.8	2%	90.5	13.4	191.7	60.8	909.2	14.8
1994	93.1	6%	88.3	7.9	189.3	53.7	934.7	14.9
1995	101.0	8%	87.2	7.3	195.5	54.5	965.7	14.8
1996	106.5	5%	92.9	7.3	206.8	60.9	1002.9	14.8
1997	111.3	5%	96.5	7.5	215.3	60.9	1051.3	14.9
1998	102.2	-8%	94.2	12.4	208.8	57.7	1083.4	15.2
1999	92.1	-10%	95.7	21.5	209.3	57.9	1138.8	14.7
2000	92.5	0%	99.6	23.2	215.2	57.4	1203.2	13.6
2001	93.4	1%	106.7	22.4	222.5	62.2	1255.9	13.6
2002	100.7	8%	93.9	12.4	207.4	51.0	1259.7	14.1
2003	110.5	10%	105.7	16.5	232.0	72.3	1383.4	11.9
2004	114.5	4%	123.5	13.0	250.3	83.7	1588.0	11.5
2005	116.1	1%	124.9	24.4	265.2	86.8	1779.4	11.0
2006	122.3	5%	118.6	15.8	255.1	68.8	1923.6	10.6
2007	149.9	23%	138.6	11.9	296.7	78.2	2055.3	10.4
2008	183.1	22%	141.1	12.2	336.6	97.5	2005.5	11.9
2009	166.3	-9%	118.8	12.9	297.9	70.8	1943.7	12.8

Source: USDA, CRC estimates