

# ***Ag Equipment Intelligence***

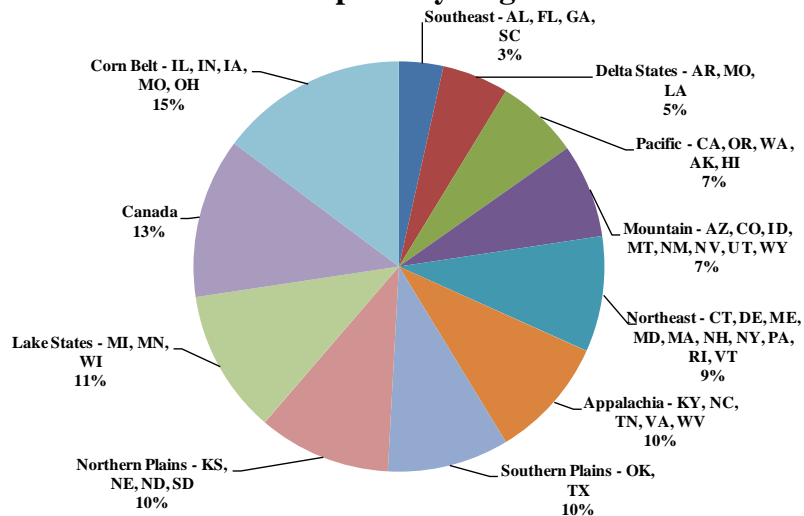
Dealer Trends and Business Outlook  
June 2011

# Monthly Ag Equipment Intelligence North American Dealer Survey

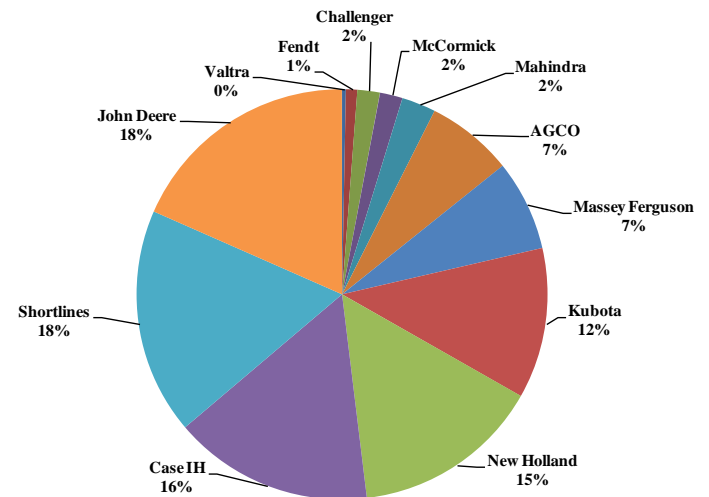
## **Background:**

- We are pleased to announce the results of the second monthly 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 June survey had 232 respondents representing combined annual revenues of roughly \$7 billion. Participants representing a broad cross section of geographies and brands summarized in the charts below.
- It is important to note Challenger, Fendt, McCormick, and Mahindra had relatively few respondents.

### Participants by Region



### Participants by Manufacturer



# Highlights / Summary Thoughts

## Monthly Highlights:

- **Sales Growth Remains Strong** – Ag equipment dealers report year-over-year sales growth of 7% on average in May vs. 8% growth in April.
- **2011 Outlook is for 6% Sales Growth** – On average, dealers are forecasting full year sales growth of 6% in May compared to 7% in April.
- **Equipment Availability Continues to be a Significant Concern** – Availability of equipment appears to be a significant impediment to growth this year. On average, lead-times are out slightly further than last month, and are now between 4 and 8 months.
- **Dealer Optimism Index Improves Modestly** – Our Dealer Optimism Index is a measure of sentiment amongst dealers compared to the prior month. A net 3% of dealers report they have a more optimistic outlook versus last month (25% more optimistic; 54% same; 21% less optimistic) compared to a net 21% in April.

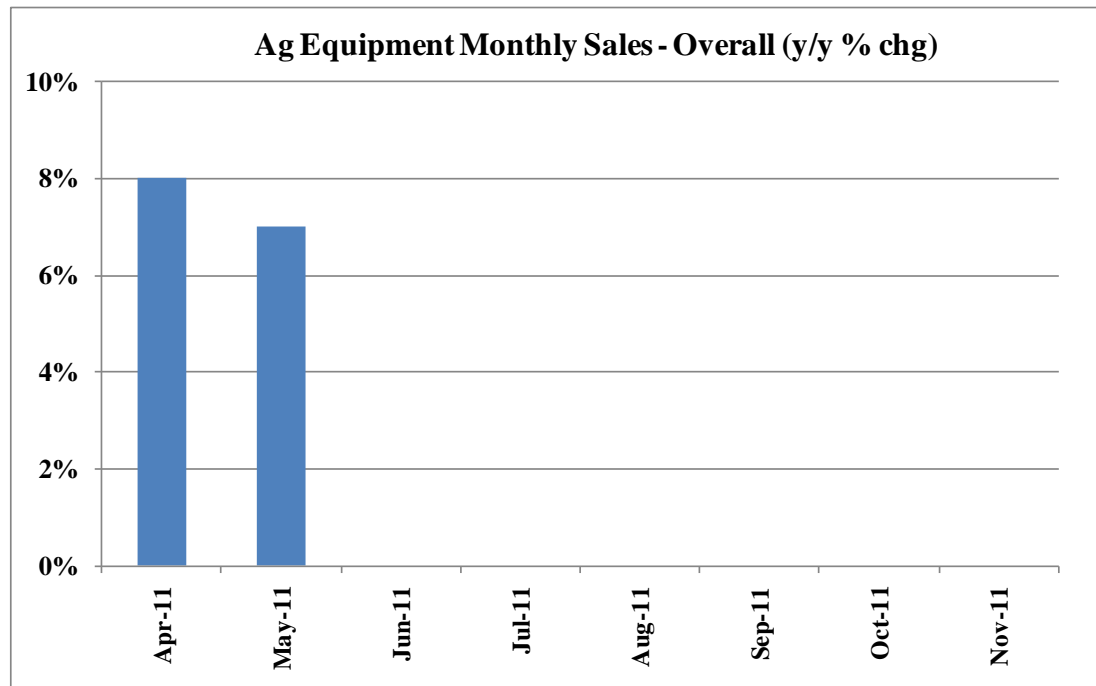
Optimism/Sentiment vs. Last Month		
	<u>Apr</u>	<u>May</u>
More Optimistic	33%	25%
Same	54%	54%
Less Optimistic	13%	21%
<b>Net % (More- Less)</b>	<b>21%</b>	<b>3%</b>

# Monthly Sales Growth - May

- Ag equipment dealers reported year-over-year sales growth of 7% on average in May vs. 8% growth in April.
- Challenger dealers reported the highest average sales growth at up 24% while shortline dealers saw the weakest results in the month with sales down (13%) on average.
- A net 4% of participants categorized May results as “worse-than-expected” (26% better-than-expected; 44% in-line with expectations; 30% worse-than-expected) which compares to April when a net 7% report sales were “better-than-expected.”
- The Southeast region reported the highest average sales growth at up 17% while the southern plains saw the worst results with sales down (5%) on average.

Average Sales Growth		
(% chg y/y)	Apr-11	May-11
<b>Overall</b>	<b>8%</b>	<b>7%</b>
<b>By Brand</b>	<b>Apr-11</b>	<b>May-11</b>
AGCO	12%	13%
Massey Ferguson	n/a	9%
Challenger	n/a	24%
John Deere	8%	8%
New Holland	8%	4%
Case IH	5%	4%
McCormick	n/a	2%
Kubota	13%	5%
Mahindra	n/a	-2%
Shortlines	n/a	-13%
<b>By Region</b>	<b>Apr-11</b>	<b>May-11</b>
Appalachia	5%	-4%
Canada	5%	8%
Corn Belt	3%	6%
Delta States	10%	4%
Lake States	11%	16%
Mountain	3%	8%
Northeast	13%	12%
Northern Plains	11%	3%
Pacific	11%	10%
Southeast	0%	17%
Southern Plains	-1%	-5%

# Monthly Sales Growth Continued

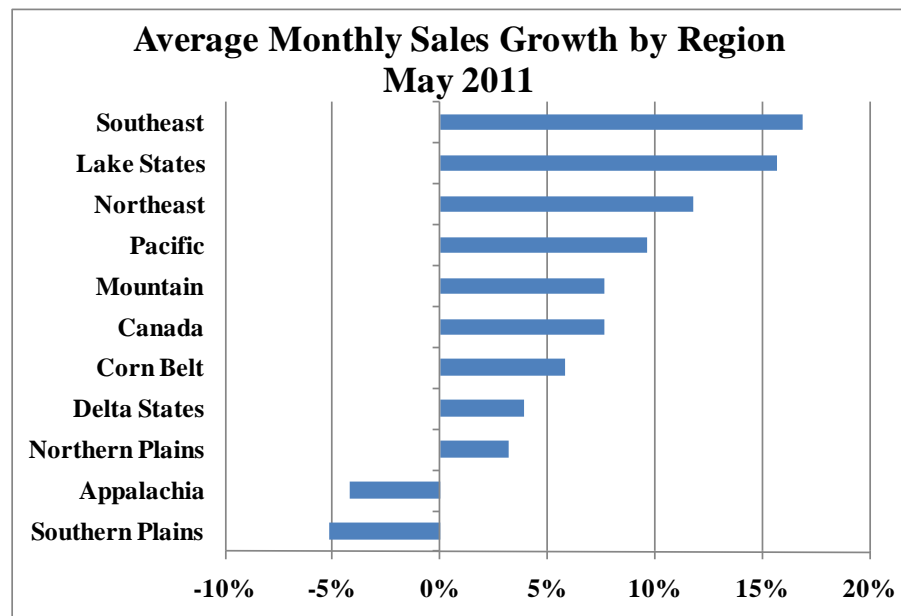
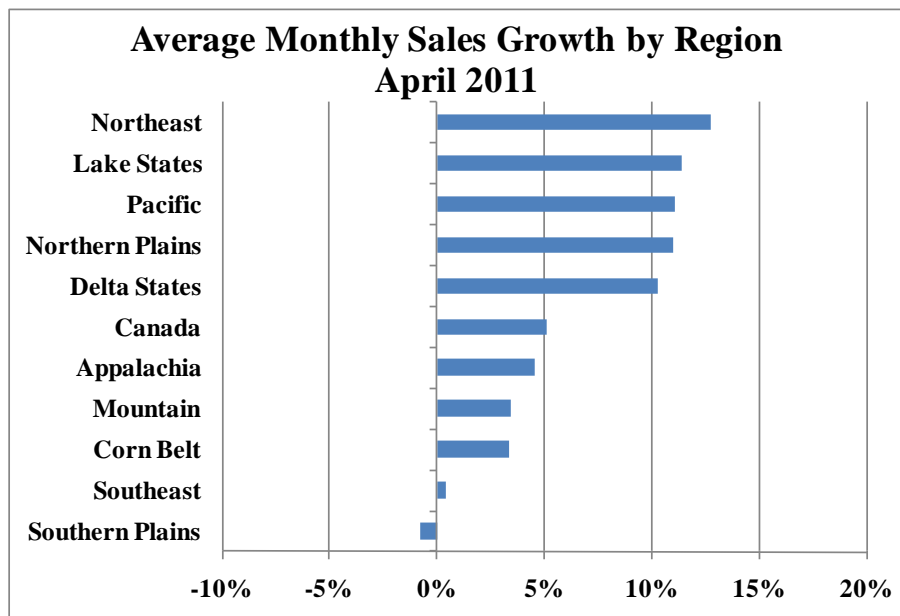


Percent Positive / Negative Growth		
	<u>Apr</u>	<u>May</u>
Positive Sales Growth	69%	60%
Flat Sales	18%	14%
Negative Sales Growth	14%	25%
<b>Net % (Positive - Negative)</b>	<b>55%</b>	<b>35%</b>

Results vs. Expectations		
	<u>Apr</u>	<u>May</u>
Better than expected	28%	26%
In line with expectations	51%	44%
Worse than expected	21%	30%
<b>Net % (Better - Worse)</b>	<b>7%</b>	<b>-4%</b>

# Monthly Sales Growth by Region

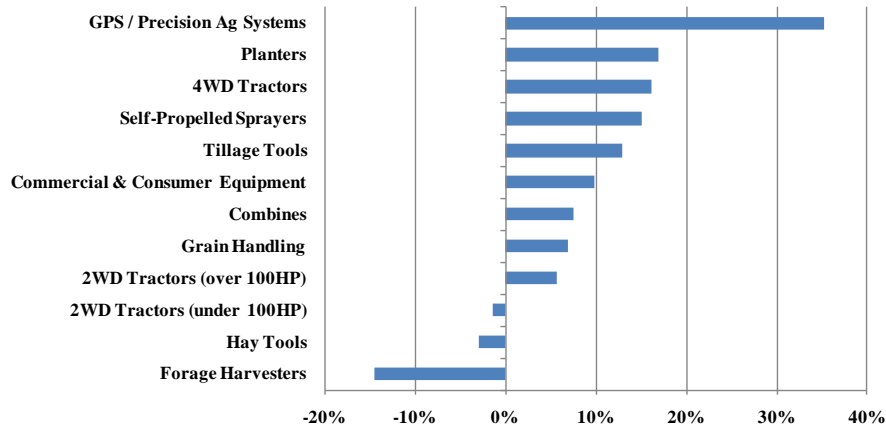
- Ten out of twelve regions showed positive average monthly sales growth in May, down from eleven in April. Southeast (AL, FL, GA, SC), Lake States (MI, MN, WI), and Northeast (CT, DE, ME, MD, MA, NH, NY, PA, RI, VT) head the list of best performing regions.
- On a sequential basis, the Southeast region showed the most significant improvement from April while Appalachia (KY, NC, TN, VA, WV), Northern Plains (KS, NE, ND, SD), and Delta States (AR, MO, LA) each showed modest sequential slowing.



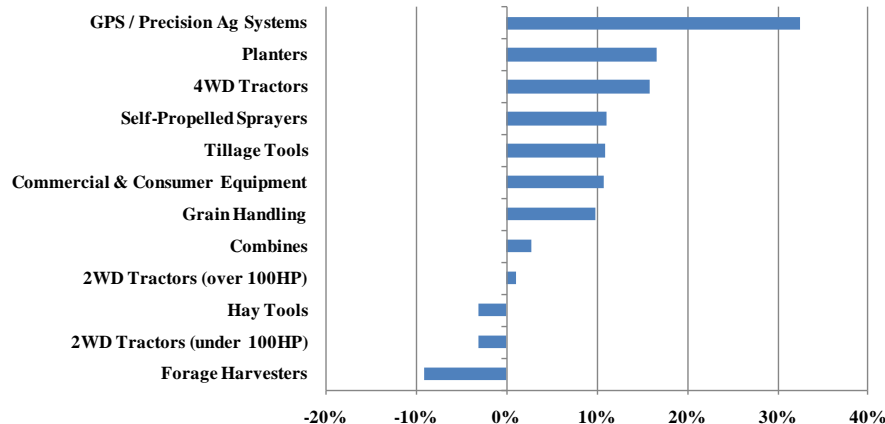
# Equipment Category Sales Trends

- Nine out of twelve product categories ranked in positive territory in May, consistent with April. GPS/Precision ag systems, planters, 4WD tractors and self-propelled sprayers head the list of top performing products while forage harvesters, 2WD tractors (under 100HP), and hay tools each ranked in negative territory.
- On a sequential basis, forage harvesters showed slight improvement from April while combines, 2WD tractors (over 100HP), and self-propelled sprayers showed the most significant sequential decline.

**Product Category Ranking (Net % Strong - Weak)**  
**April 2011**



**Product Category Ranking (Net % Strong - Weak)**  
**May 2011**

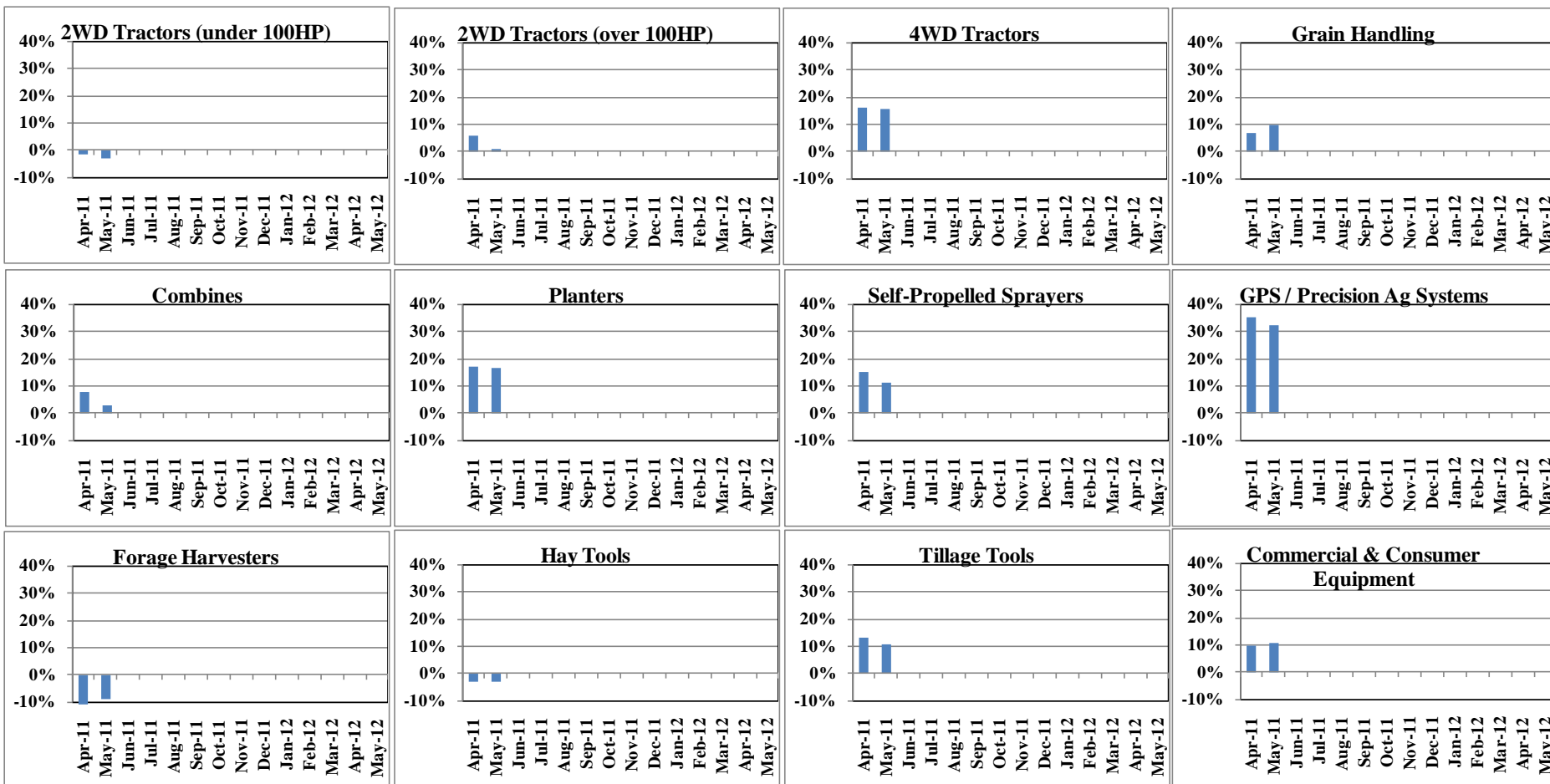


## Dealer Commentary on May Sales

- *New equipment settlements are up 8% YTD, manufacturer pulled business forward to get in 1st quarter.”*
- *“We are not performing as well as planned due to length of time to receive sold equipment from manufacturer. It has been taking 6 months to get sold equipment.”*
- *“We are a "rural lifestyle" dealer and high fuel prices and concerns about the economy caused prospective customers to take a "wait and see" attitude. Hay equipment sales are slower due to weather concerns.”*
- *“We have had a very wet and cold spring that has delayed purchases. However, year to date numbers are very close to plan and above last year. ”*
- *“We are not doing as well as expected because wet weather and delayed planting put a lot of deals on hold.”*
- *“We are performing in line with our expectations. Commodity prices for corn, soybeans and wheat are very good; dairy products are better than expected.”*
- *“I was surprised how bad sales crashed in May. We were +18% for the year, and May took us to even. So what does the rest of the year look like if it remains as dry as it is?”*



# Equipment Category May Sales Trends



# May Order Growth

- Incoming orders grew a modest 3% on average in May, consistent with April's reading.
- Similar to sales growth, Challenger dealers had the highest average orders growth at 15% while shortlines report the largest decline in orders at (3%) on average for the month.
- The Southeast reported the highest average orders growth at up 16% while the Southern Plains saw the weakest results with orders down (6%) on average.

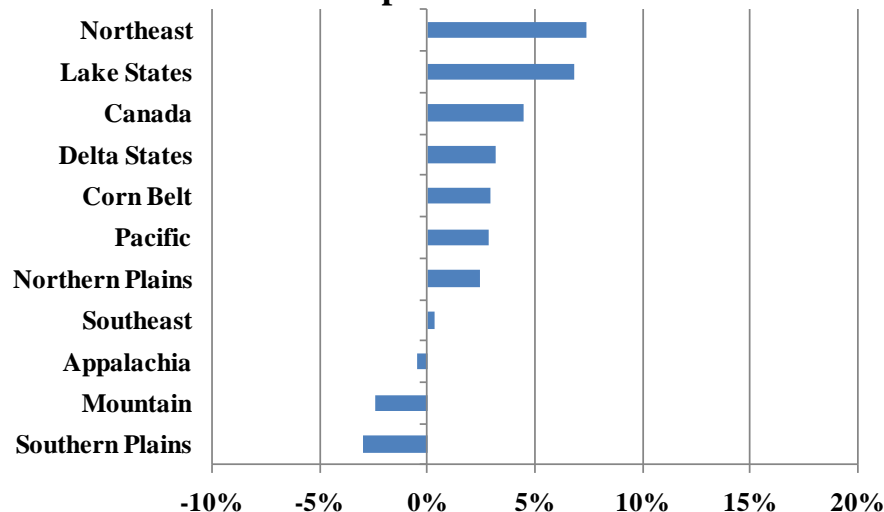
Average Orders Growth		
(% chg y/y)	Apr-11	May-11
<b>Overall</b>	<b>3%</b>	<b>3%</b>
<b>By Brand</b>	<b>Apr-11</b>	<b>May-11</b>
AGCO	4%	8%
Massey Ferguson	n/a	4%
Fendt	n/a	7%
Challenger	n/a	15%
John Deere	4%	2%
New Holland	4%	2%
Case IH	1%	3%
McCormick	n/a	2%
Kubota	9%	1%
Mahindra	n/a	-1%
Shortlines	n/a	-3%
<b>By Region</b>	<b>Apr-11</b>	<b>May-11</b>
Appalachia	-1%	-4%
Canada	4%	1%
Corn Belt	3%	2%
Delta States	3%	4%
Lake States	7%	6%
Mountain	-2%	5%
Northeast	7%	6%
Northern Plains	2%	1%
Pacific	3%	4%
Southeast	0%	16%
Southern Plains	-3%	-6%

# Order Growth by Region

- Ten out of twelve regions showed positive monthly orders growth in May compared to nine in April. Southeast (AL, FL, GA, SC), Northeast (CT, DE, ME, MD, MA, NH, NY, PA, RI, VT), and Lake States (MI, MN, WI) head the list of best performing regions.
- On a sequential basis, the Southeast and Mountain regions (AZ, CO, ID, MT, NM, NV, UT, WY) showed the most significant improvement from April while Appalachia (KY, NC, TN, VA, WV), Southern Plains (OK, TX), and Canada each showed modest sequential slowing in order growth.

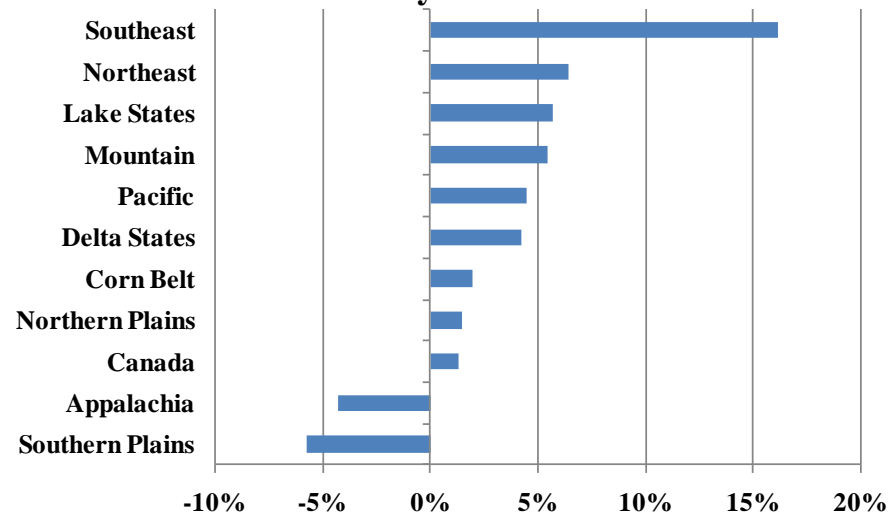
**Average Monthly Order Growth by Region**

**April 2011**



**Average Monthly Order Growth by Region**

**May 2011**



## Dealer Commentary on May Orders

- *“Basically, there are no stock orders, 90% is based on your order history, can't get all we can sell and that is probably not a bad thing.”*
- *“Planter and high HP tractor orders are above average.”*
- *“Hay equipment is below, tractors are flat, and used equipment is above average.”*
- *“Unfortunately there are no particular orders trending above our overall average because the manufacturer is at capacity and there is no additional production to order from.”*
- *“Everyone is cautious locally because of extended drought affecting the wheat. We had to start the pivots 30 days early on corn and alfalfa because of dry conditions.”*

# Updated 2011 Sales Outlook

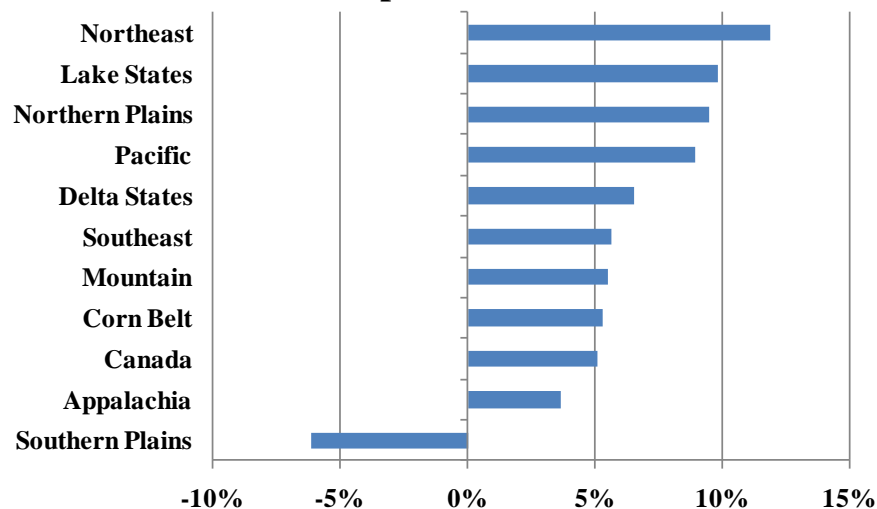
- On average, dealers are now forecasting full year sales growth of 6% compared to an average growth outlook of 7% in April.
- Fendt and Challenger dealers reported the highest full year outlook at 17% and 15% respectively, while shortlines report the largest decline at (13%) on average for the month.
- The Northeast region reported the highest average full year sales outlook at up 12% while the Southern Plains is the least optimistic with dealers forecasting a (3%) decline on average.

2011 Outlook		
(% chg y/y)	Apr-11	May-11
<b>Overall</b>	<b>7%</b>	<b>6%</b>
<b><u>By Brand</u></b>	<b><u>Apr-11</u></b>	<b><u>May-11</u></b>
AGCO	11%	10%
Massey Ferguson	n/a	8%
Fendt	n/a	17%
Challenger	n/a	15%
John Deere	7%	7%
New Holland	7%	7%
Case IH	5%	3%
McCormick	n/a	5%
Kubota	8%	7%
Mahindra	n/a	-3%
Shortlines	n/a	-13%
<b><u>By Region</u></b>	<b><u>Apr-11</u></b>	<b><u>May-11</u></b>
Appalachia	4%	2%
Canada	5%	6%
Corn Belt	5%	8%
Delta States	7%	4%
Lake States	10%	11%
Mountain	6%	7%
Northeast	12%	12%
Northern Plains	9%	4%
Pacific	9%	9%
Southeast	6%	6%
Southern Plains	-6%	-3%

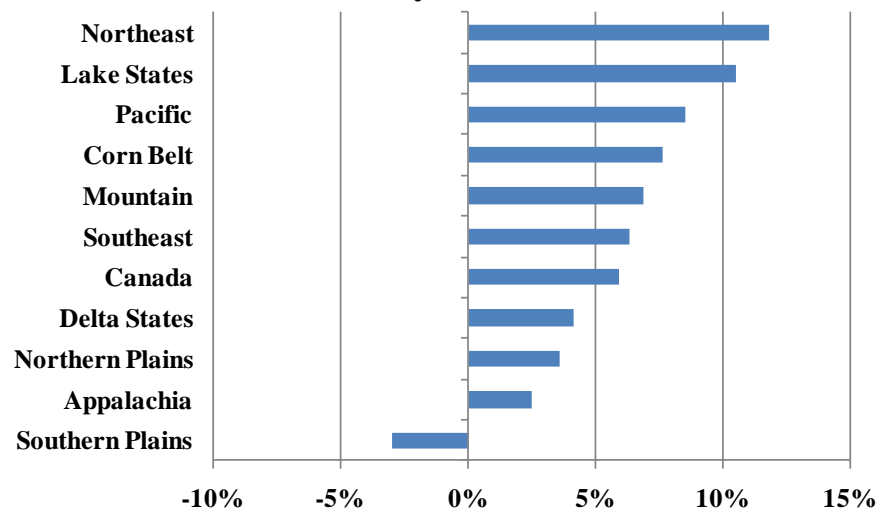
# 2011 Sales Outlook Continued

- Eleven out of twelve regions are projecting a positive full year sales outlook in May, consistent with April. Dealers in the Northeast (CT, DE, ME, MD, MA, NH, NY, PA, RI, VT), Lake States (MI, MN, WI), and Pacific regions (CA, OR, WA, AK, HI) are the most optimistic while the Southern Plains (OK, TX) was the only region forecasting sales to decline in 2011.
- On a sequential basis, the Southern Plains and Cornbelt (IL, IN, IA, MO, OH) are now projecting slightly more optimistic full year sales growth compared to April while dealers in the Northern Plains (KS, NE, ND, SD) have lowered their average outlook modestly.

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



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

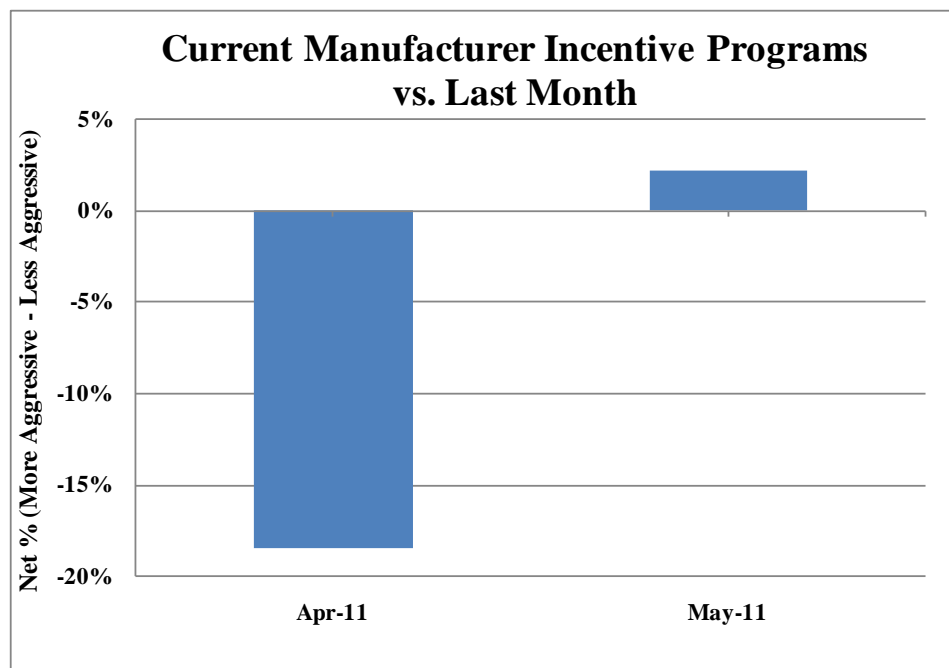


## Dealer Commentary on 2011 Outlook

- *We can't get equipment from our supplier which makes us less optimistic for 2011.*
- *We are less optimistic regarding 2011 outlook due to such poor weather and late planting.*
- *Crops are all in our area with good prices. In a lot of other areas, the crops will only be about 60-70% planted.*
- *Planting is way behind so yields will be hurt, thus less farm income. Some of this loss might be made up by higher grain prices however.*
- *No availability for combines and tractors makes us less optimistic for 2011. On the customer side, due to the weather we got this spring, no one is sure of the yield he will get: that makes the customer cautious.*
- *Wet weather and delayed plantings make us less optimistic for 2011. Most people just got in the field on June 1.*

# Current Manufacturer Incentive Programs

- A net 3% of dealers report that manufacturers are offering more aggressive incentives in May (19% more aggressive; 65% same vs. last month; 16% less aggressive) compared to April, when a net 18% reported less aggressive incentive programs.

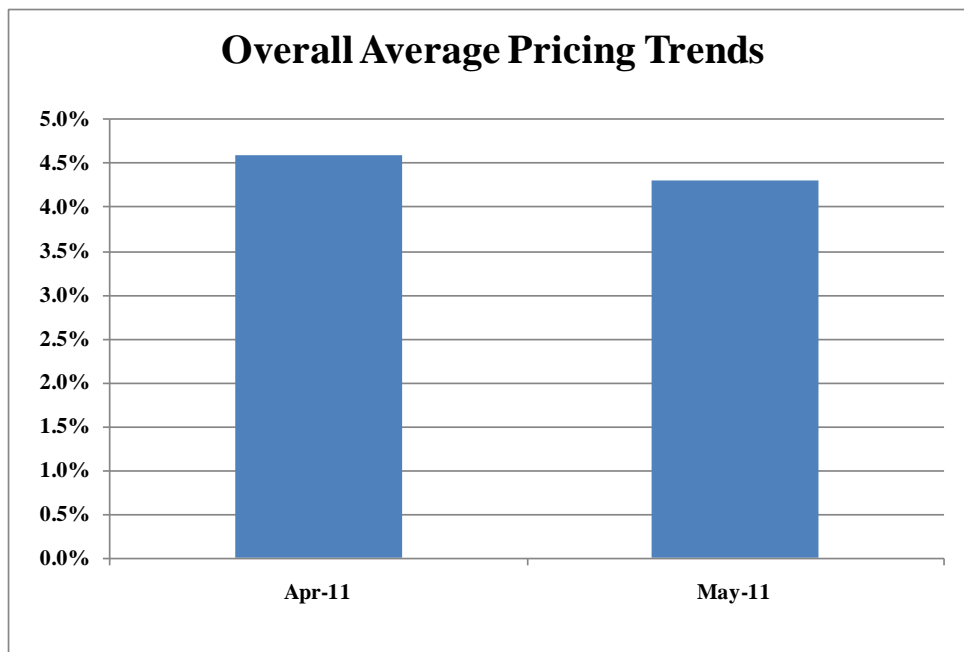




# New Equipment Pricing Environment

- Dealers report new equipment prices up an average of 4.3% year-over year which is similar to the April survey showing prices up an average of 4.6%.
- 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.

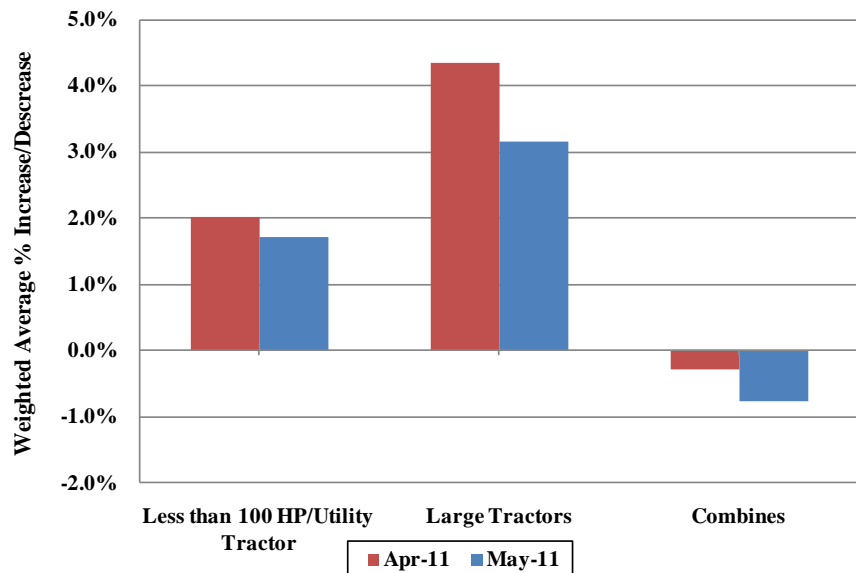
Average Pricing Trends		
(% chg y/y)	Apr-11	May-11
Overall	4.6%	4.3%
By Brand	Apr-11	May-11
AGCO	4.2%	3.8%
Massey Ferguson	n/a	3.9%
Fendt	n/a	3.5%
Challenger	n/a	3.5%
John Deere	4.2%	4.1%
New Holland	4.7%	4.5%
Case IH	5.6%	4.6%
McCormick	n/a	4.2%
Kubota	3.8%	4.3%
Mahindra	n/a	3.7%
Shortlines	n/a	4.3%



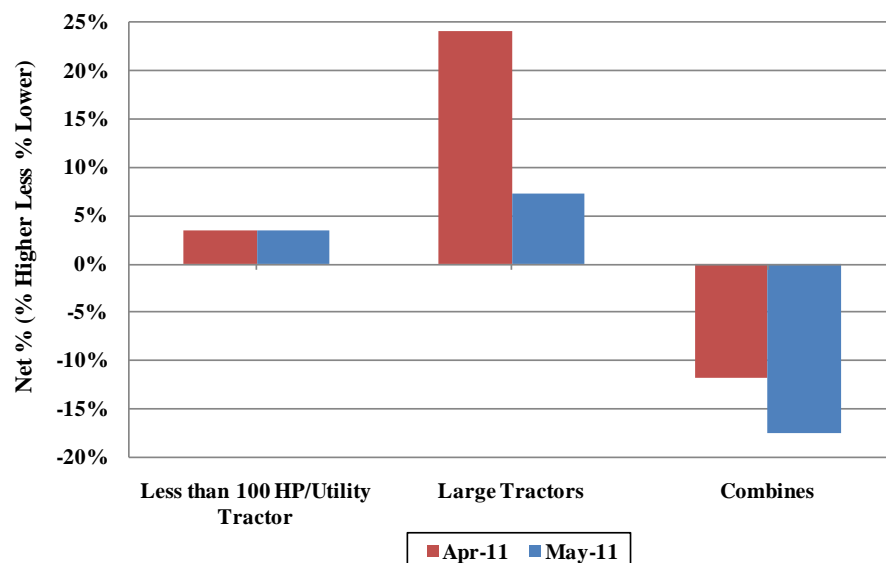
# Update on Used Equipment Pricing

- Dealers are reporting somewhat softer used prices in May compared to April. By category, tractors over 100HP are up 3.2% on average in May versus 4.3% in April while prices for used tractors under 100HP are up slightly less, at ~2% in May and just under 2% in April. Used combine values remain down slightly on average vs. 2010.
- Sequentially, a net 3% of dealers report higher values for under 100HP/utility tractors (11% higher; 81% same; 8% lower), consistent with April's findings. For over 100HP tractors, a net 8% of dealers report higher values vs. last month (17% higher; 74% same; 9% lower), down from a net 24% in April. Finally, a negative net (18%) are reporting used combine values are lower vs. last month (6% higher; 70% same; 24% lower), down from a net 12% in April. High used combine inventory appears to be a contributing factor.

**Used Equipment Values vs. Last Year**



**Used Equipment Values vs. Last Month**



# Equipment Availability and Inventory Levels

## Lead Times

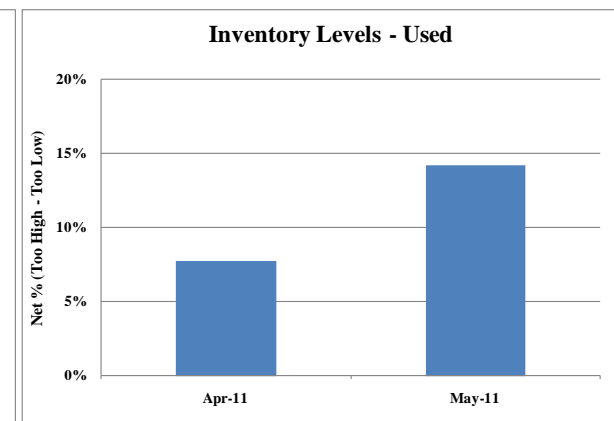
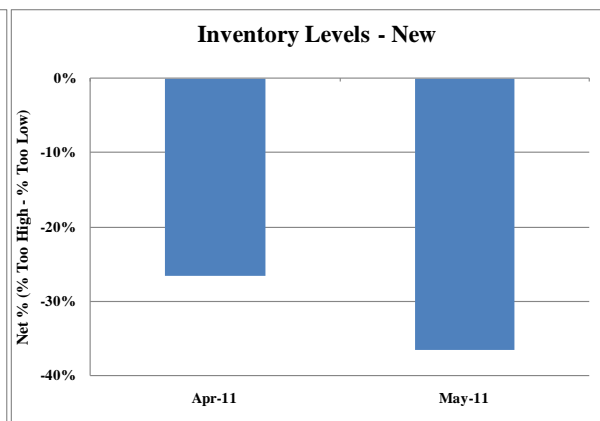
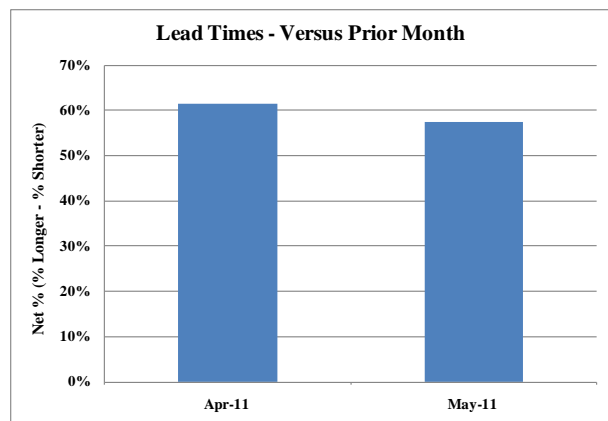
- Overall, a net 57% of dealers report longer factory lead-times compared to last month (61% longer; 35% same; 4% shorter), down from a net 61% in April. Lead-times continue to be one of the primary concerns for dealers and appear to be constraining the full year growth outlook.

## New Equipment Inventory

- Given the extended lead-times for new equipment it is no surprise that a net 37% of dealers categorize their new inventory as “too low” (32% too high; 0% about right; 68% too low), up from a net 27% in April.

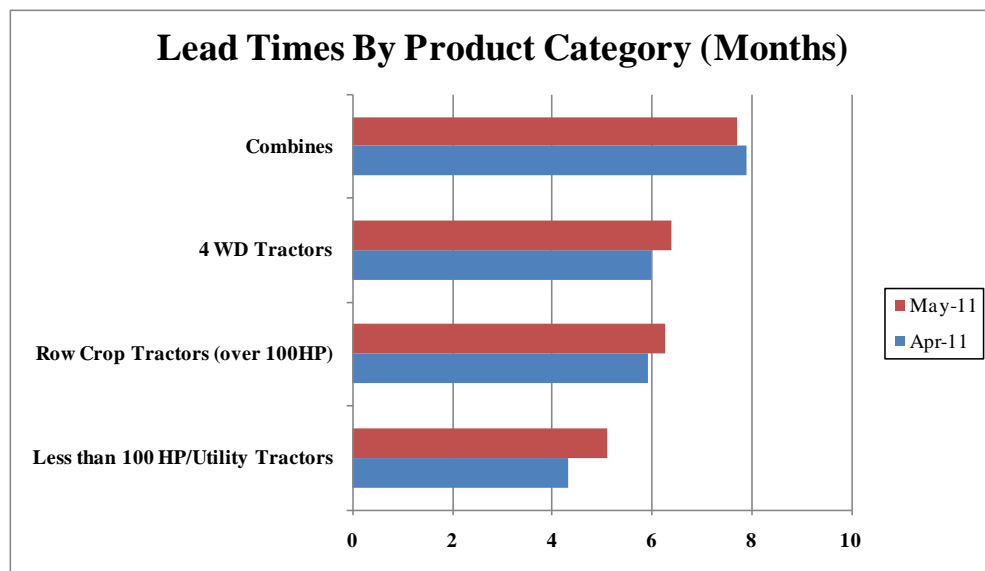
## Used Equipment Inventory

- By contrast, a net 14% of dealers categorize their used inventory levels as “too high” (33% too high; 48% about right; 19% too low) compared to a net 7% last month. Within this, large equipment appears to be the primary concern as dealers frequently mentioned combines as having the most significant overhang.



# Equipment Availability By Product Type

- A closer look at availability by product category shows average combine lead times still at nearly 8 months, just under what was reported last month. Combines were the only equipment category with shorter lead times in May. 4WD and row crop tractor lead times are slightly longer this month at just over 6 months. Smaller tractors (<100 HP) saw the biggest change, as lead times are now out over 5 months in May vs. just over 4 months in April.



## Dealer Commentary on Inventory Levels

- *“With late model used equipment is hard to find a used buyer that can afford the late model used at today’s price.”*
- *“Combine inventory needs to be reduced by 15 to 20 combines in the next 3 months.”*
- *“Retail sales were lost due to new and used equipment not available to meet customers’ needs.”*
- *“I am concerned with used harvester equipment inventory and potential decline of values. I believe there will be a near term "market correction" on both used demand and corresponding values that will likely affect new combine/header sales for 2012.”*
- *“There is a reasonable concern regarding the possibility of having too much used inventory. We incentivize our sales staff to not take trade-in and/or to pre-sell trades as quickly as possible.”*

# NA Farm Equipment Industry Retail Sales and Inventory

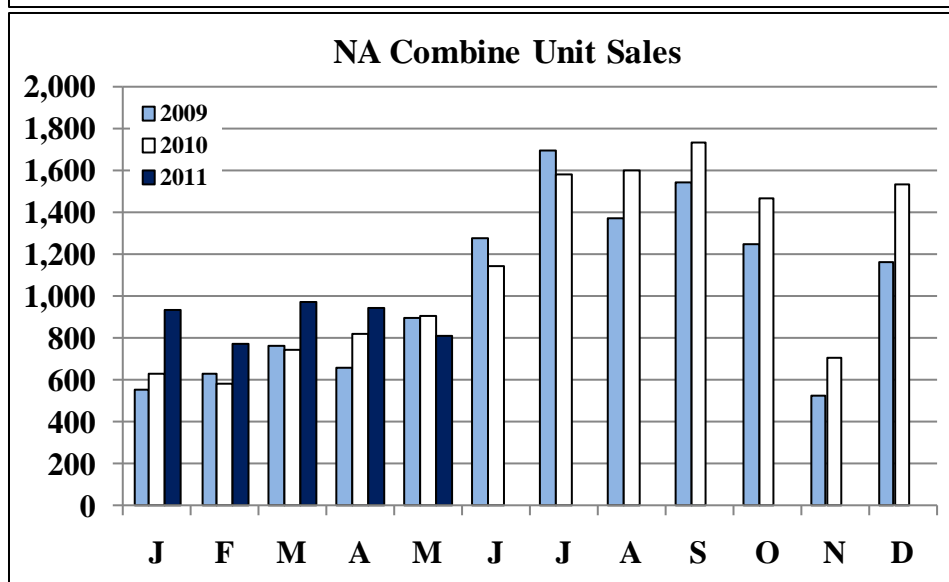
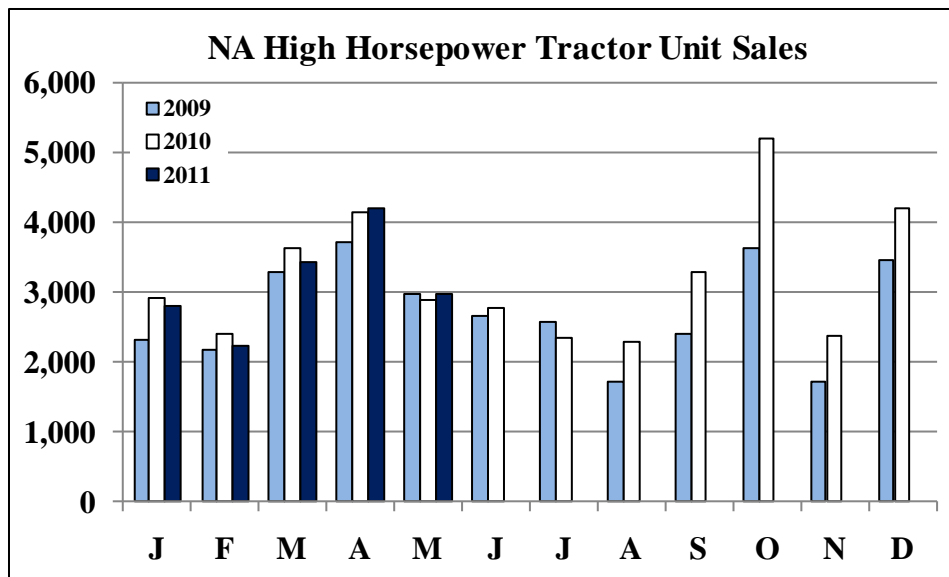
NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	<u>&lt; 40 HP</u>	<u>Utility</u>	<u>Row Crop</u>	<u>4-Wheel</u>	<u>Total Tractor</u>	<u>Memo: High hp</u>	<u>Combines</u>	<u>&lt;40HP</u>	<u>Util</u>	<u>RC</u>	<u>4-WD</u>	<u>Total</u>	<u>High HP</u>	<u>Comb</u>
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	63%	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	68%	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%

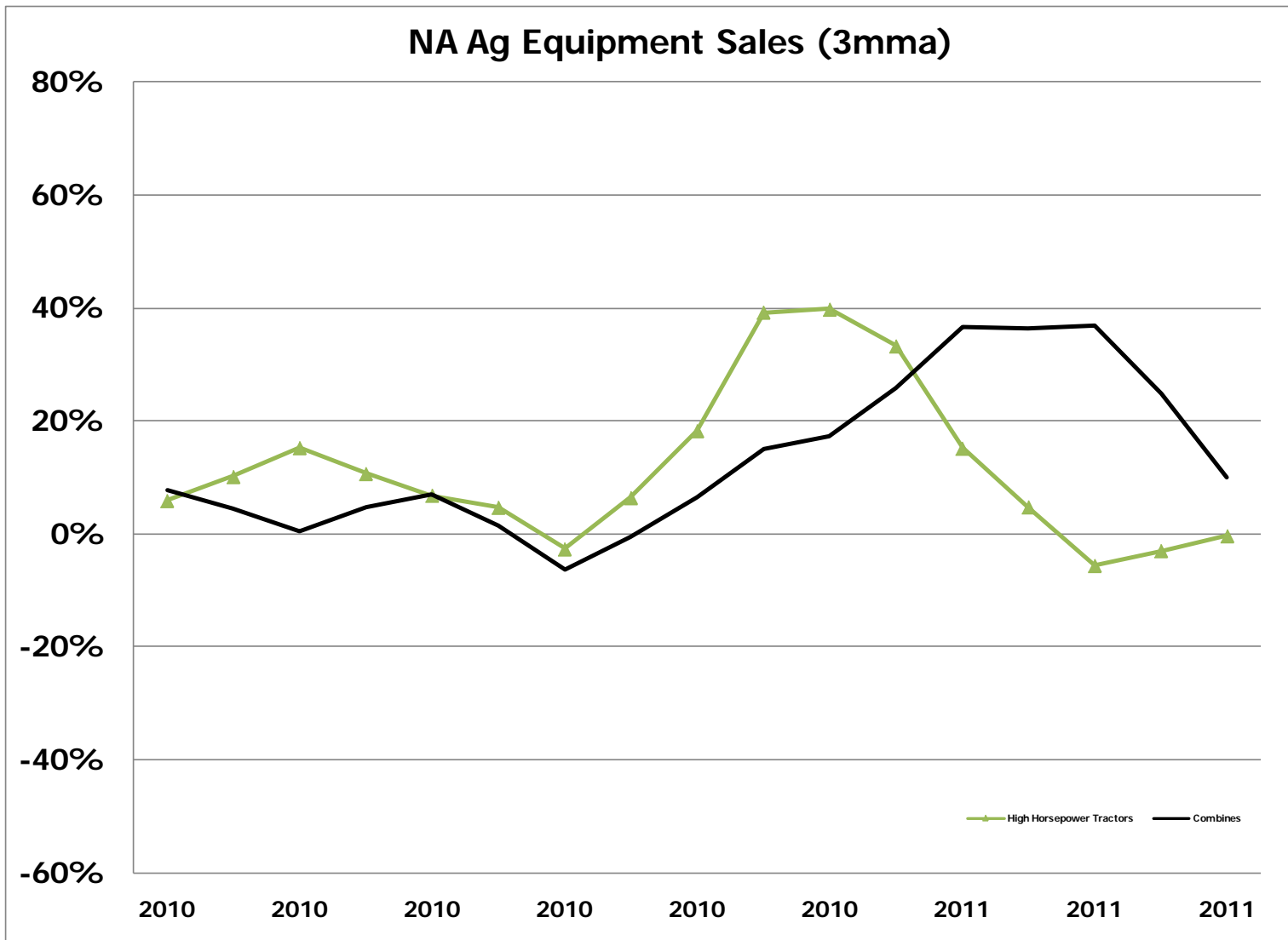
NORTH AMERICAN FARM EQUIPMENT RETAIL SALES														
	Units							% change year-over-year						
	<u>&lt; 40 HP</u>	<u>Utility</u>	<u>Row Crop</u>	<u>4-Wheel</u>	<u>Total Tractor</u>	<u>Memo: High hp</u>	<u>Combines</u>	<u>&lt;40HP</u>	<u>Util</u>	<u>RC</u>	<u>4-WD</u>	<u>Total</u>	<u>High hp</u>	<u>Comb</u>
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	8,508	5,162	1,903	438	16,011	2,341	1,579	(3%)	3%	(11%)	(2%)	(2%)	(9%)	(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%)

Source: AEM, CRC Estimates

# Annual Ag Equipment Industry Sales – 2009-2011



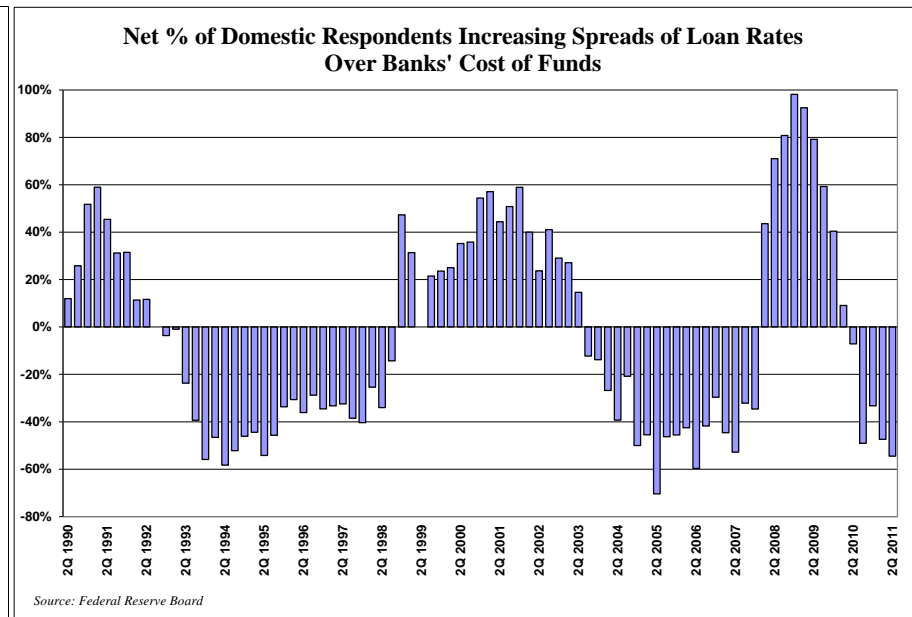
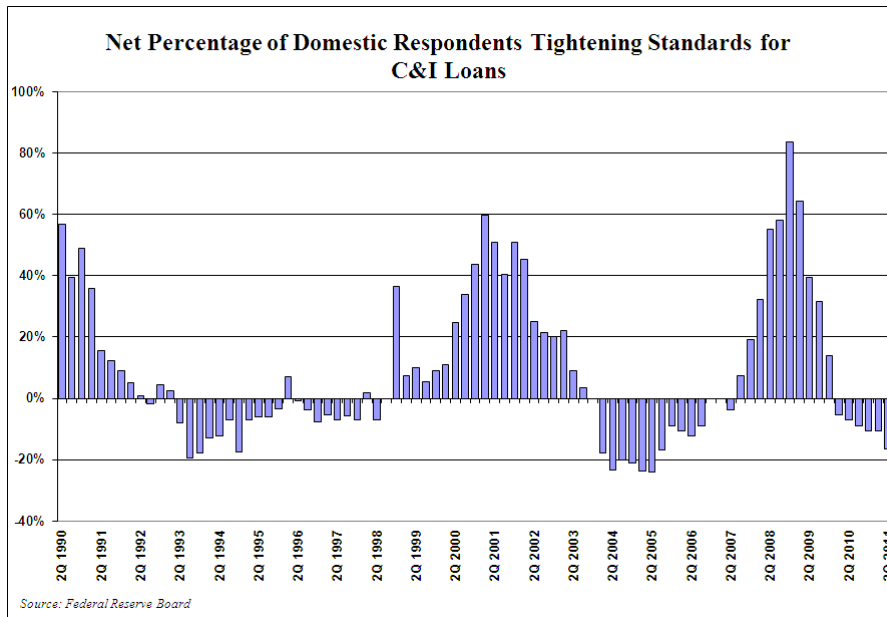
# NA Ag Equipment Sales





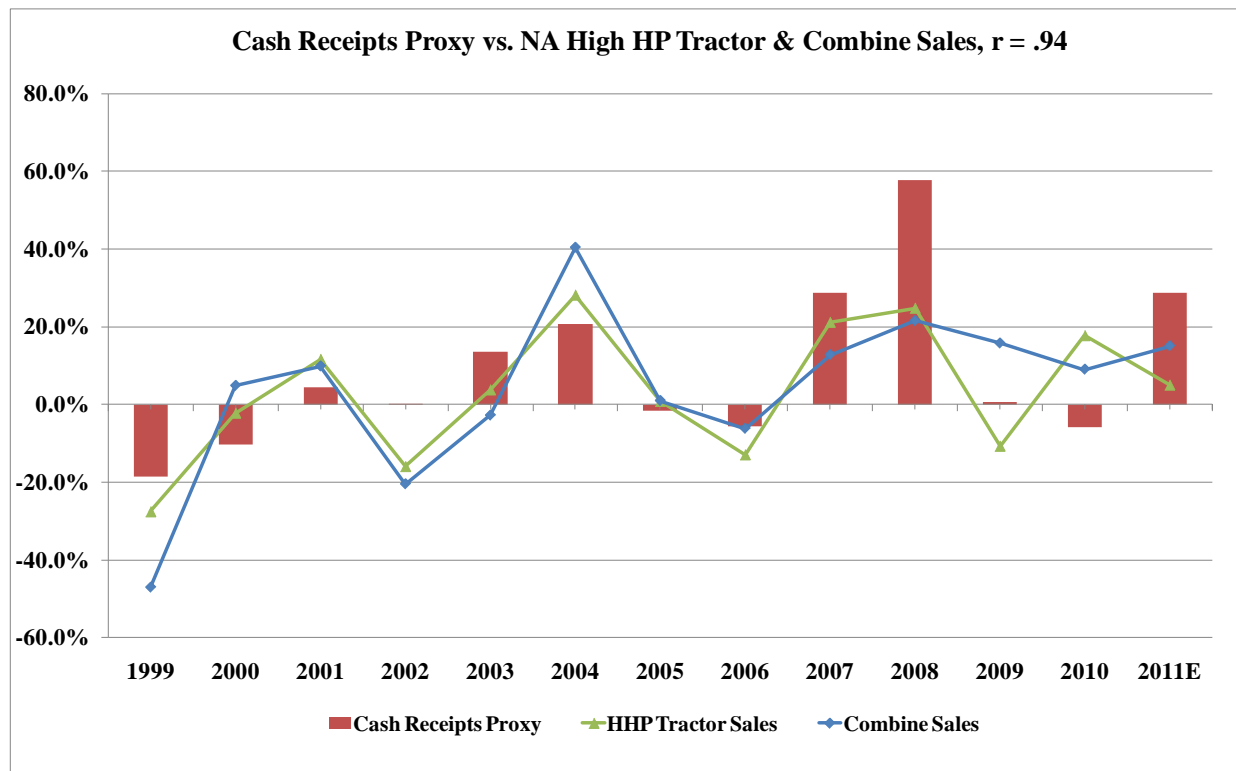
# Credit – C&I Loan Demand Improves as Lending Standards Loosen

- 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 stronger 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 record cash receipts of over \$147Bil, or about 25% 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.



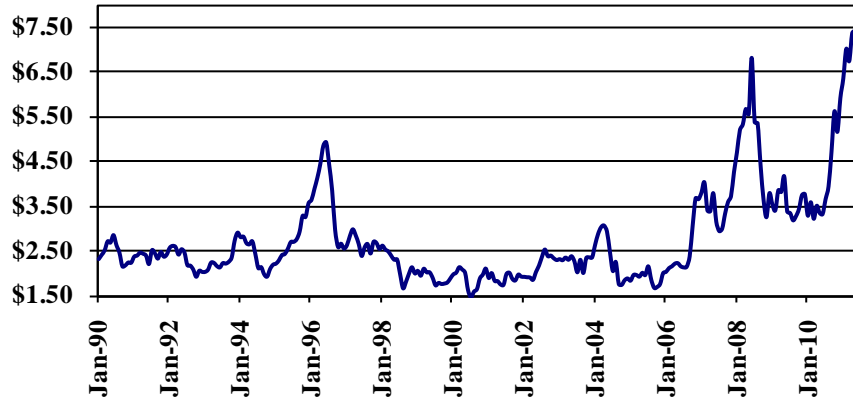
# Commodity Price Trends – Simplified Cash Receipts Proxy Revised Up in May

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					
May	13,505	11,555	1,800	13,355	900	7.8%	\$5.50-\$6.50	May	20,656	22,333	4,184	18.7%	
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%	
Revision to 2011/12:					Corn Spot Price:			<div>\$6.78</div>					
m/m chg	-305	-100	0	-100	-205	-1.7%	\$0.50	m/m chg	244	531	-474	-2.5%	
y/y chg	753	-95	-100	-195	-35	-0.3%	\$1.25	y/y chg	1248	1400	-371	-2.8%	
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	
2007/08	2,677	3,056	1,161	4,217	205	6.7%	\$10.10	2007/08	5,447	6,538	1,746	26.7%	
2008/09	2,967	3,047	1,283	4,330	138	4.5%	\$9.97	2008/09	4,780	6,339	1,396	22.0%	
2009/10	3,359	3,323	1,455	4,778	190	5.7%	\$9.50	2009/10	6,121	6,771	2,153	31.8%	
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					
May	3,285	3,310	1,540	4,850	160	4.8%	\$12.00-\$14.00	May	6,389	7,882	2,112	26.8%	
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%	
Revision to 2011/12:					Soybean Spot Price:			<div>\$13.17</div>					
m/m chg	0	-20	-20	-40	30	0.9%	\$1.00	m/m chg	-18	19	-39	-0.6%	
y/y chg	-44	-35	-30	-65	20	0.7%	\$2.60	y/y chg	74	330	-101	-2.5%	
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	
2008/09	2,499	1,260	1,015	2,275	657	52.1%	\$6.78	2008/09	22,574	22,071	5,561	25.2%	
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					
May	2,043	1,240	1,050	2,290	702	56.6%	\$6.80-\$8.20	May	22,558	23,396	5,958	25.5%	
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%	
Revision to 2011/12:					Wheat Spot Price:			<div>\$6.74</div>					
m/m chg	15	0	0	0	-15	-1.2%	\$0.20	m/m chg	-206	-121	126	0.7%	
y/y chg	-150	60	-225	-165	-152	-15.7%	\$2.05	y/y chg	746	126	228	0.8%	
FARMER CROP RECEIPTS													
Production:							Avg Price:						
	Corn	Soybeans	Wheat		Corn	Soybeans	Wheat	Crop Cash Receipts*					
	Corn	Soybeans	Wheat		Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Total	y/y	% Chg
2009/10	13,110	3,359	2,216		\$3.60	\$9.50	\$4.90	\$47,196	\$31,911	\$10,858	\$89,965	-6%	
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													
May	13,505	3,285	2,043		\$6.00	\$13.00	\$7.50	\$81,030	\$42,705	\$15,323	\$139,058	18%	
June	13,200	3,285	2,058		\$6.50	\$14.00	\$7.70	\$85,800	\$45,990	\$15,847	\$147,637	25%	
*Note: Cash receipts estimated as USDA production X USDA average price forecast													

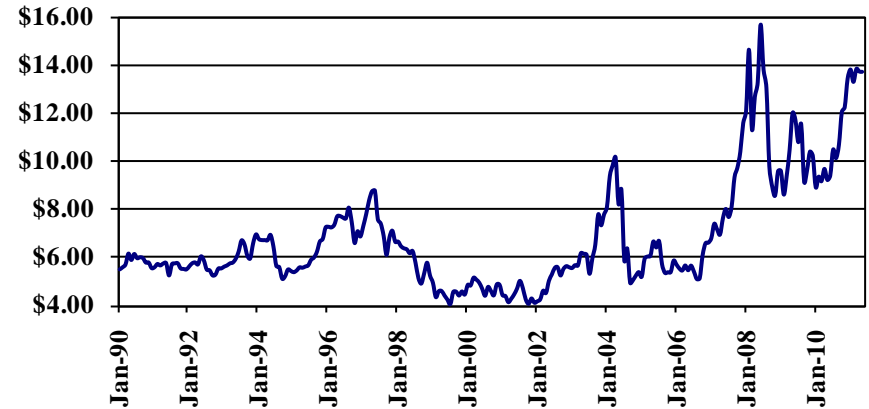
Source: USDA; Cleveland Research estimates

# Commodity Price Trends – Corn, Soybean, Wheat, Cotton

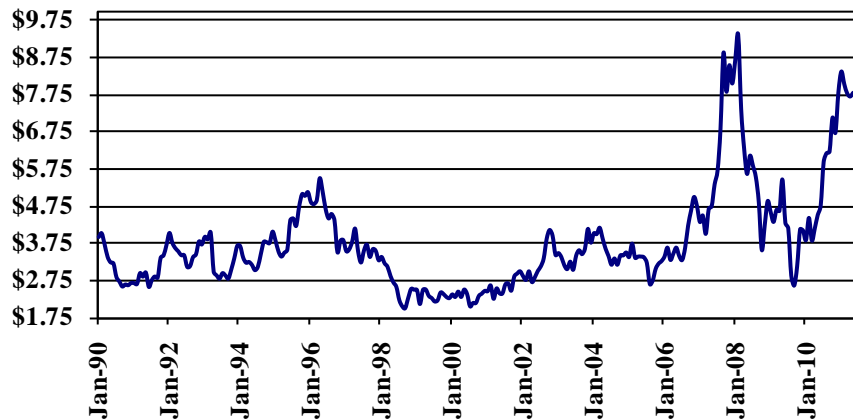
## Corn Price Trends



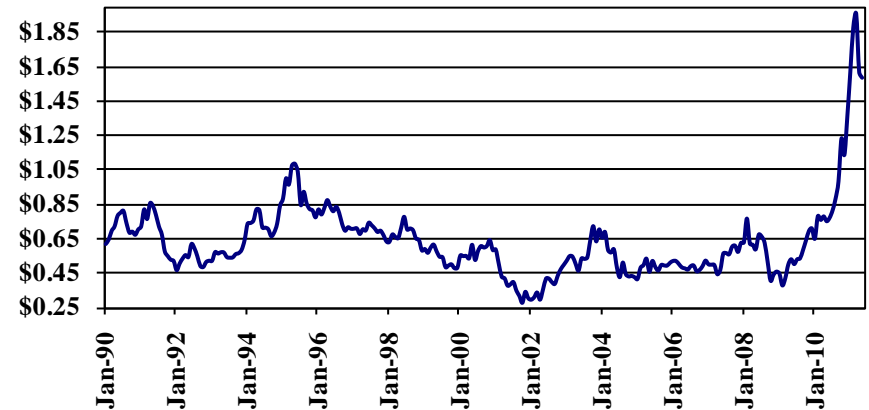
## Soybean Price Trends



## Wheat Price Trends



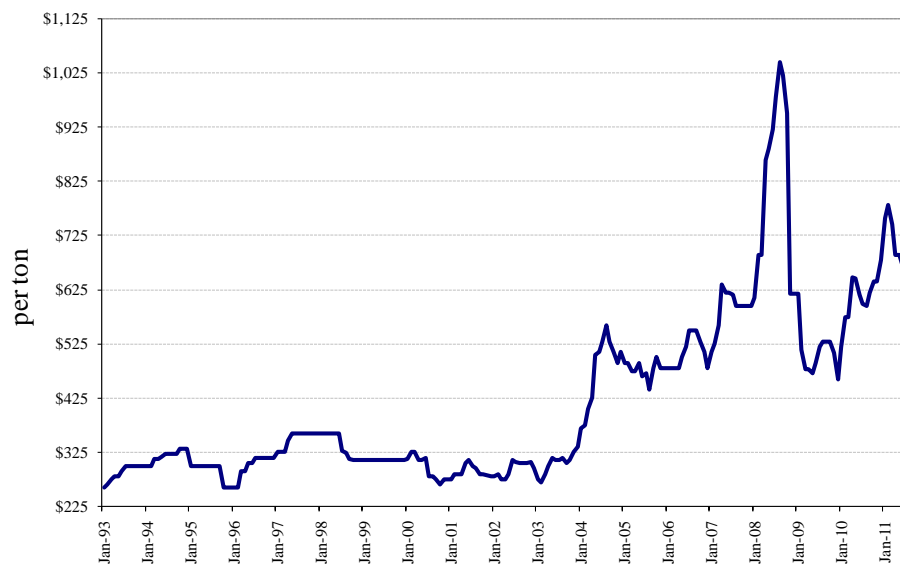
## Cotton Price Trends



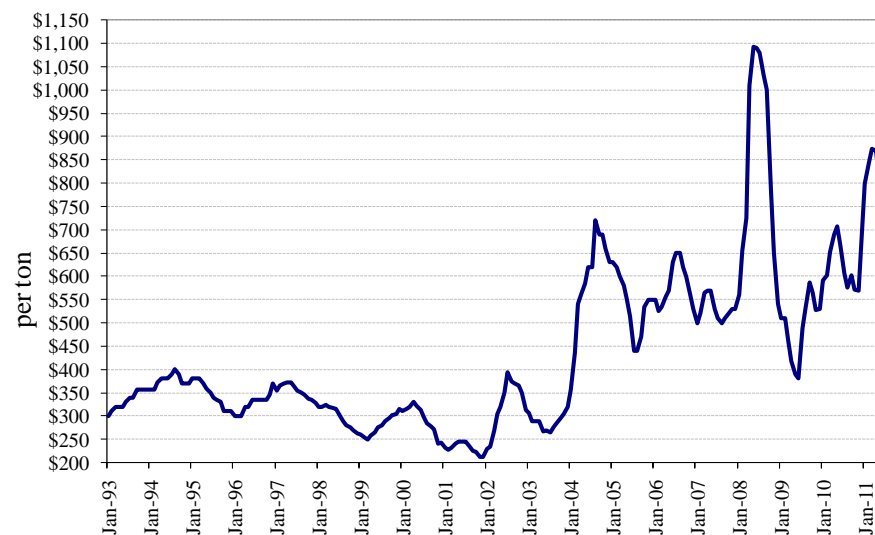
# Commodity Price Trends – Steel

- Carbon sheet demand continued to slide sequentially in May, although the rate of deterioration slowed compared to April. This continued slowdown seems to be driven primarily by a reluctance from the channel to take on additional inventory levels in the face of declining prices. We calculate the May comp to be up 7-8%, which is down slightly from the up 8-10% recorded in April. The underlying demand trends seem to remain intact, as the distribution channel has not received any signals from the end users that underlying demand is showing signs of weakness.
- Carbon steel prices have found near-term support at the \$760-780 per ton range following a string of price increase announcements from the mills. The increase announcements have helped stem off any further near-term deterioration and pass through higher scrap costs. This follows significant pressure on pricing over the past 30 days which drove prices down from the \$820-830 per ton range to the \$740-760 per ton range. We still believe that the medium-term dynamics suggest lower prices given the additional capacity introductions through the remainder of the year.
- The following charts show the long term price trends for both hot rolled sheet and rebar prices.

**Domestic Reinforcing Bar (Rebar) Prices**



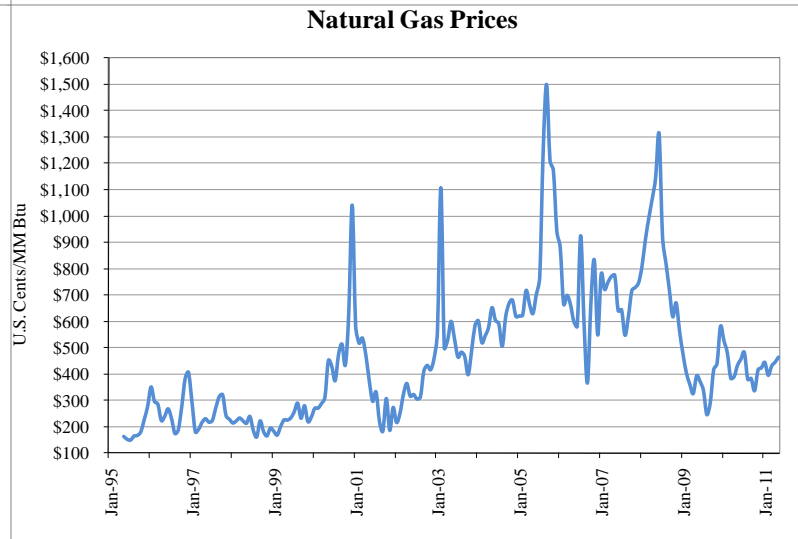
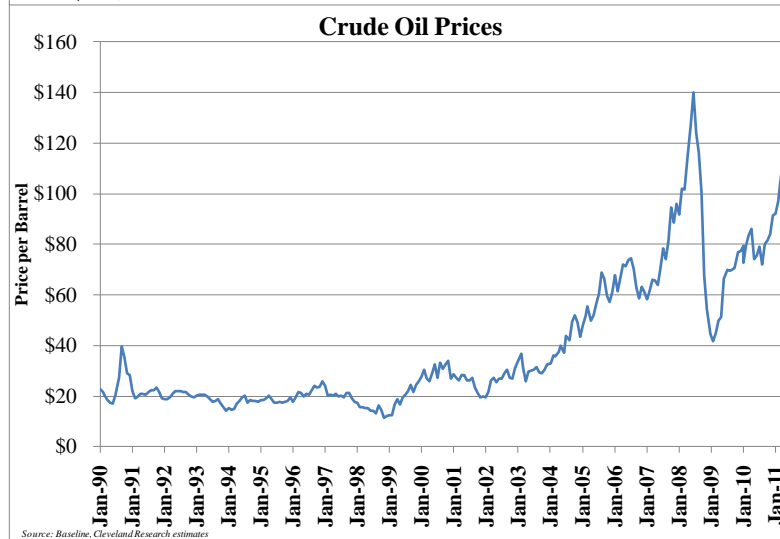
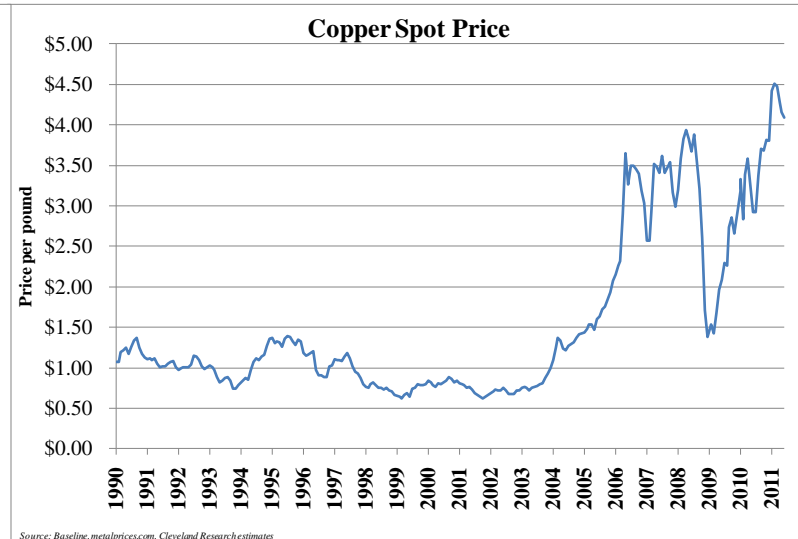
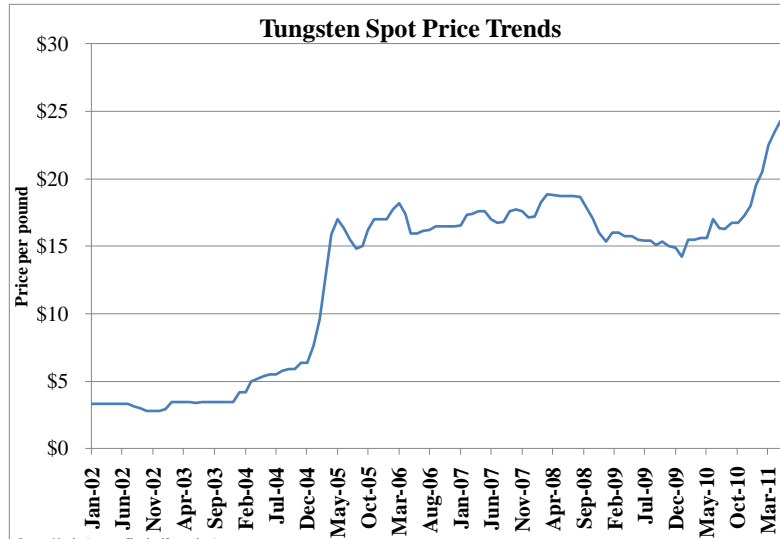
**Domestic Hot Rolled Sheet Prices**



Source: Steel Business Briefing; Energy Information, Baseline

Source: Steel Business Briefing, CRC Estimates

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



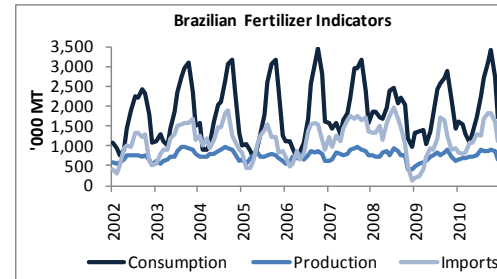
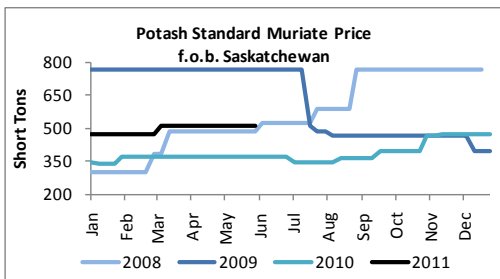
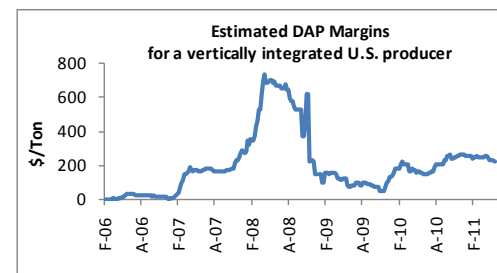
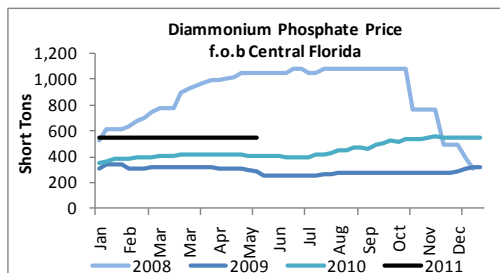
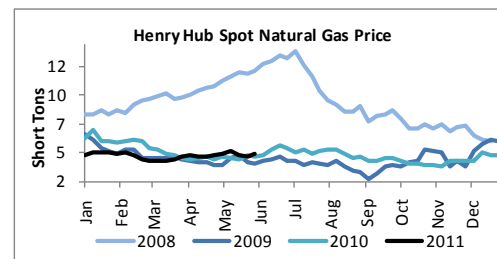
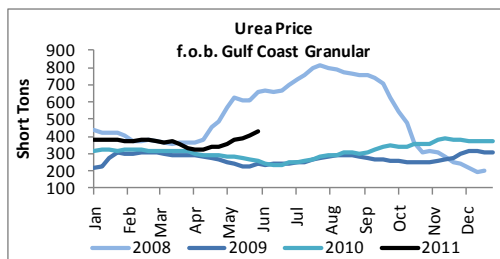
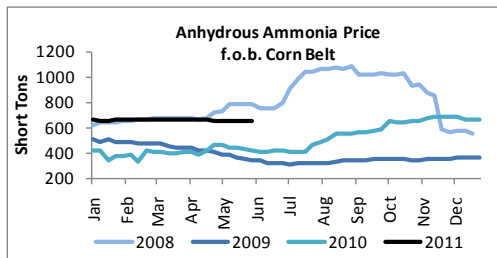
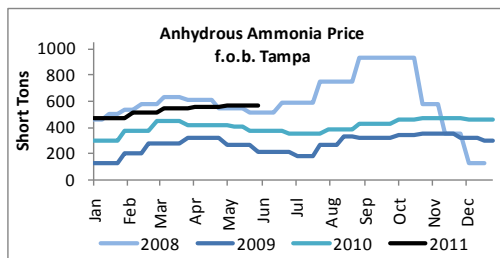
# Commodity Trends – Long Run Supply and Demand Projections

<b>CORN - DOMESTIC</b>								
<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
<b>10-yr Avg</b>	<b>13,915</b>	<b>11,718</b>	<b>4,745</b>	<b>2,155</b>	<b>13,873</b>	<b>1,351</b>	<b>11.5%</b>	<b>\$3.74</b>

<b>SOYBEANS - DOMESTIC</b>							
<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
<b>10-yr Avg</b>	<b>3,191</b>	<b>1,985</b>	<b>1,214</b>	<b>3,198</b>	<b>241</b>	<b>12.1%</b>	<b>\$8.78</b>

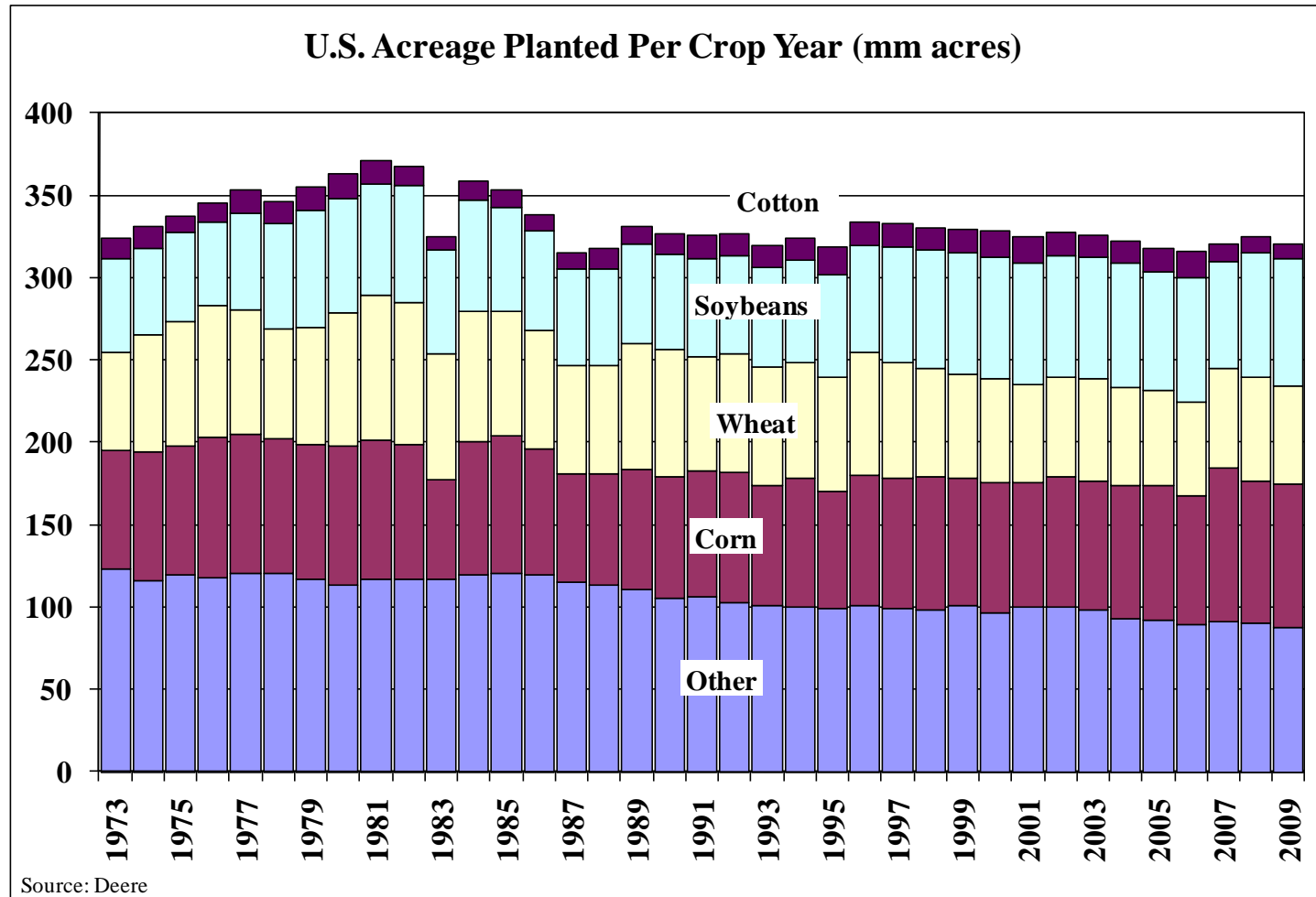
<b>WHEAT - DOMESTIC</b>							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	1,812	1,140	909	2,049	418	36.7%	\$4.35
2007/08	2,067	1,066	1,264	2,330	306	28.7%	\$6.48
2008/09	2,500	1,302	1,000	2,302	603	46.3%	\$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
<b>10-yr Avg</b>	<b>2,255</b>	<b>1,325</b>	<b>1,045</b>	<b>2,370</b>	<b>637</b>	<b>48.1%</b>	<b>\$5.37</b>

# Farm Input Costs – 2008-2011





# 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