

Ag Equipment Intelligence

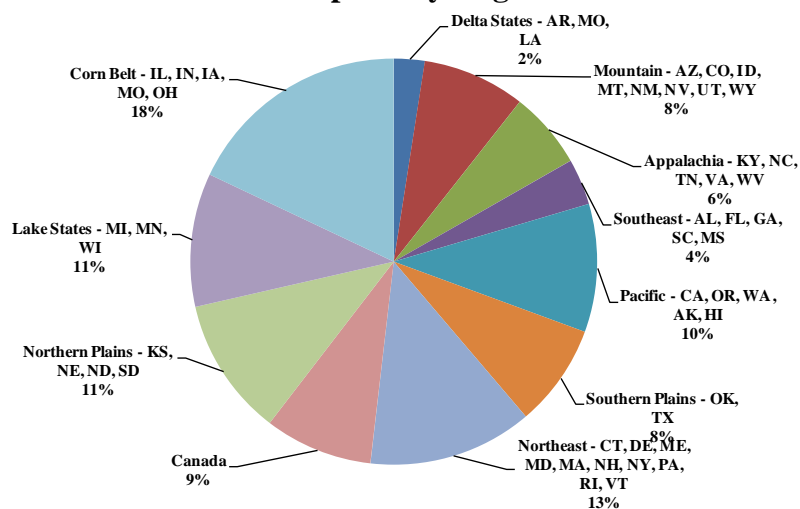
Dealer Trends and Business Outlook
November 2011

Monthly Ag Equipment Intelligence North American Dealer Survey

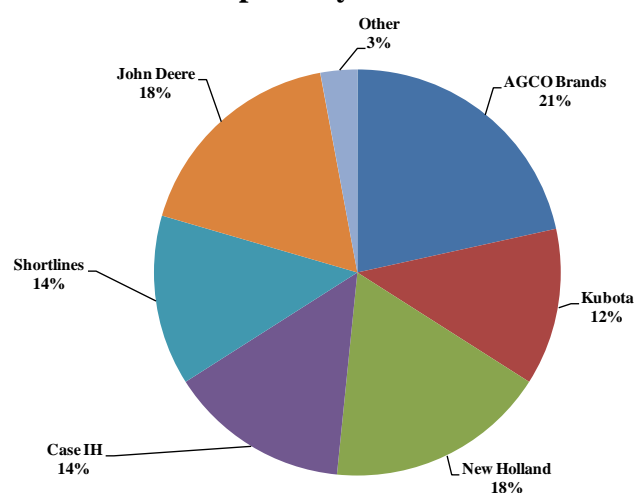
Background:

- We are pleased to announce the results of the October 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 October survey had 245 respondents representing combined annual revenues of roughly \$7.5 billion. Participants representing a broad cross section of geographies and brands are 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 Accelerates to 9% in October** – Ag equipment dealers reported year-over-year sales growth of 9% on average in October, up from 5% in September.
- **2012 Outlook Also Increased Modestly in October** – Looking out to 2012, dealers raised their forecast for 2012 on average and are now expecting 4% sales growth for the full year, up from 2% in September.
- **Dealer Optimism Increases** – Our Dealer Optimism Index, a measure of sentiment amongst dealers compared to the prior month, jumped to a net 26% of dealers reporting they have a more optimistic outlook now versus 8% last month (36% are more optimistic; 55% same; 9% are less optimistic). This is the highest level of optimism since we started the survey in April.

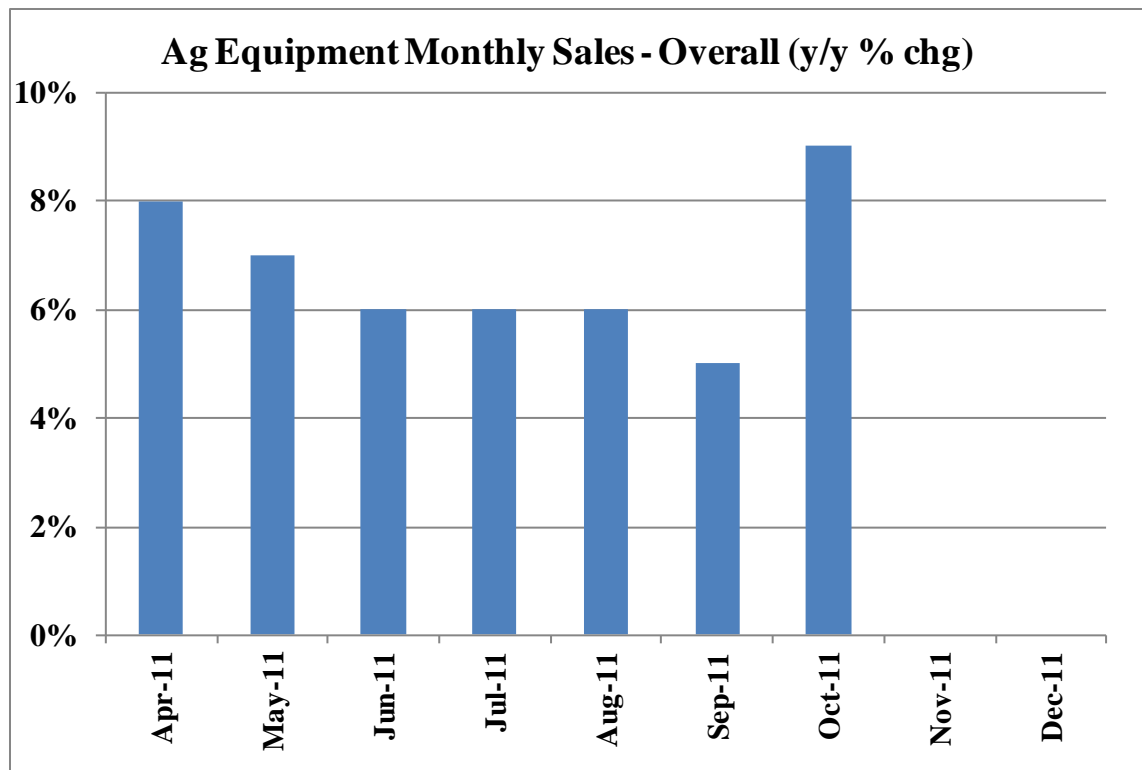
Optimism/Sentiment vs. Last Month							
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
More Optimistic	33%	25%	31%	32%	30%	25%	36%
Same	54%	54%	44%	49%	55%	58%	55%
Less Optimistic	13%	21%	25%	20%	15%	17%	9%
Net % (More- Less)	21%	3%	6%	12%	15%	8%	26%

Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales growth accelerated to 9% on average in October, up from 5% in September. Deere dealers saw the most notable acceleration as sales increased 10% this month, vs. 4% in September.
- AGCO dealers reported the highest average sales growth at up 12% while Shortline dealers saw the weakest results in the month with sales up 6% on average.
- A net 18% of participants categorized October results as “better-than-expected” (35% better-than-expected; 48% in-line with expectations; 17% worse-than-expected) which compares to the prior month when a net 14% report sales were “better-than-expected.”
- Canada reported the highest average sales growth this month, up 14%, while the delta states saw the worst results with sales down (1%) on average.

Average Sales Growth							
(% chg v/v)	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>
Overall	8%	7%	6%	6%	6%	5%	9%
<u>By Brand</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>
AGCO	12%	13%	11%	9%	14%	12%	12%
John Deere	8%	8%	7%	5%	5%	4%	10%
New Holland	8%	4%	5%	7%	6%	7%	7%
Case IH	5%	4%	3%	8%	7%	7%	8%
Kubota	13%	5%	7%	12%	7%	6%	7%
Shortlines	n/a	-13%	3%	5%	6%	2%	6%
Other	n/a	n/a	n/a	2%	-3%	7%	6%
<u>By Region</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>
Appalachia	5%	-4%	1%	10%	9%	2%	2%
Canada	5%	8%	7%	7%	4%	4%	14%
Corn Belt	3%	6%	4%	9%	10%	4%	7%
Delta States	10%	4%	7%	-1%	5%	-1%	-1%
Lake States	11%	16%	11%	4%	4%	6%	10%
Mountain	3%	8%	9%	10%	15%	5%	10%
Northeast	13%	12%	13%	13%	0%	0%	0%
Northern Plains	11%	3%	3%	8%	6%	9%	7%
Pacific	11%	10%	8%	8%	13%	8%	11%
Southeast	0%	17%	9%	5%	8%	10%	7%
Southern Plains	-1%	-5%	1%	-9%	-16%	-10%	4%

Monthly Sales Growth Continued



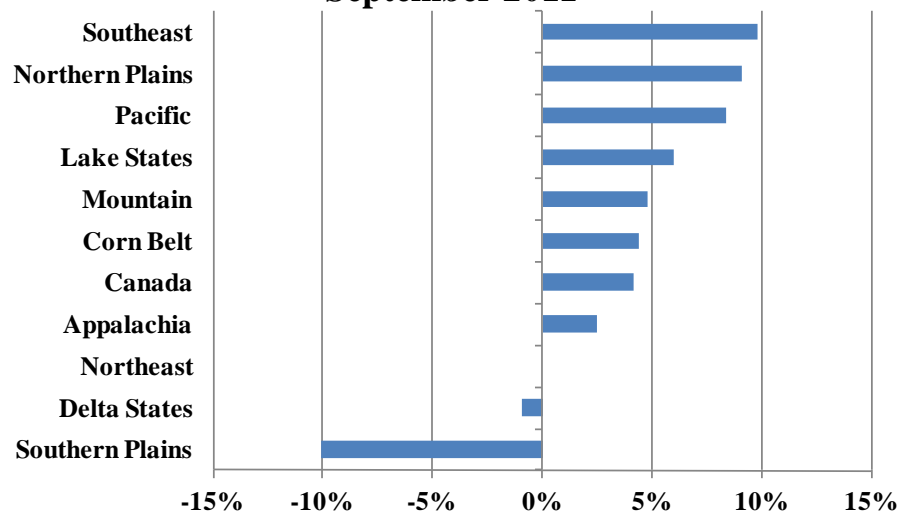
Percent Positive / Negative Growth							
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
Positive Sales Growth	69%	60%	56%	66%	67%	61%	65%
Flat Sales	18%	14%	23%	15%	16%	23%	20%
Negative Sales Growth	14%	25%	21%	18%	18%	16%	15%
Net % (Positive - Negative)	55%	35%	35%	48%	49%	45%	50%

Results vs. Expectations							
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
Better than expected	28%	26%	27%	27%	30%	29%	35%
In line with expectations	51%	44%	48%	54%	52%	56%	48%
Worse than expected	21%	30%	25%	19%	18%	15%	17%
Net % (Better - Worse)	7%	-4%	1%	8%	13%	14%	18%

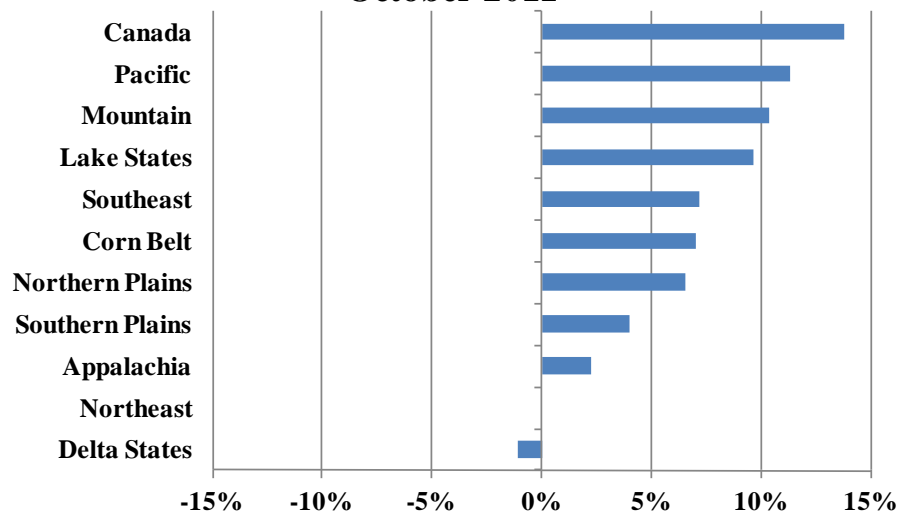
Monthly Sales Growth by Region

- Nine out of eleven regions showed positive average monthly sales growth in October, up from eight out of eleven in September. Canada, Pacific, and Mountain head the list of best performing regions.
- On a sequential basis, Southern Plains and Canada showed the most improvement from September while the Southeast and Northern Plains showed slight sequential slowing.

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



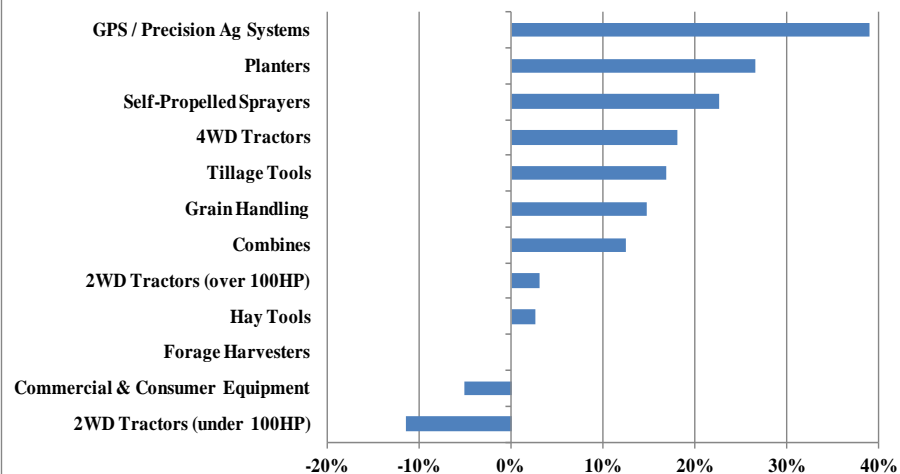
**Average Monthly Sales Growth by Region
October 2011**



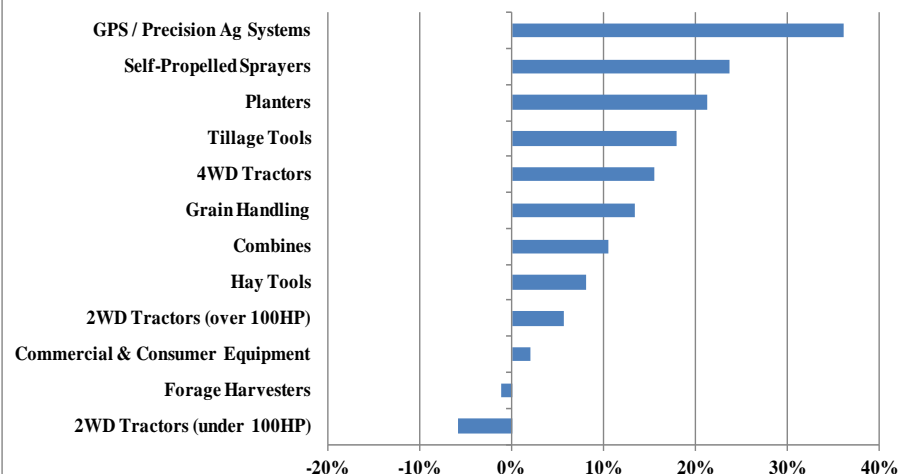
Equipment Category Sales Trends

- Ten out of twelve product categories ranked in positive territory in October, up from nine in September. GPS/ Precision ag systems, self-propelled sprayers and planters head the list of top performing products while 2WD tractors (under 100HP) and forage harvesters ranked in negative territory.
- On a sequential basis, commercial and consumer equipment and 2WD tractors (under 100HP) showed modest improvement relative to September while planters slowed modestly sequentially.

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



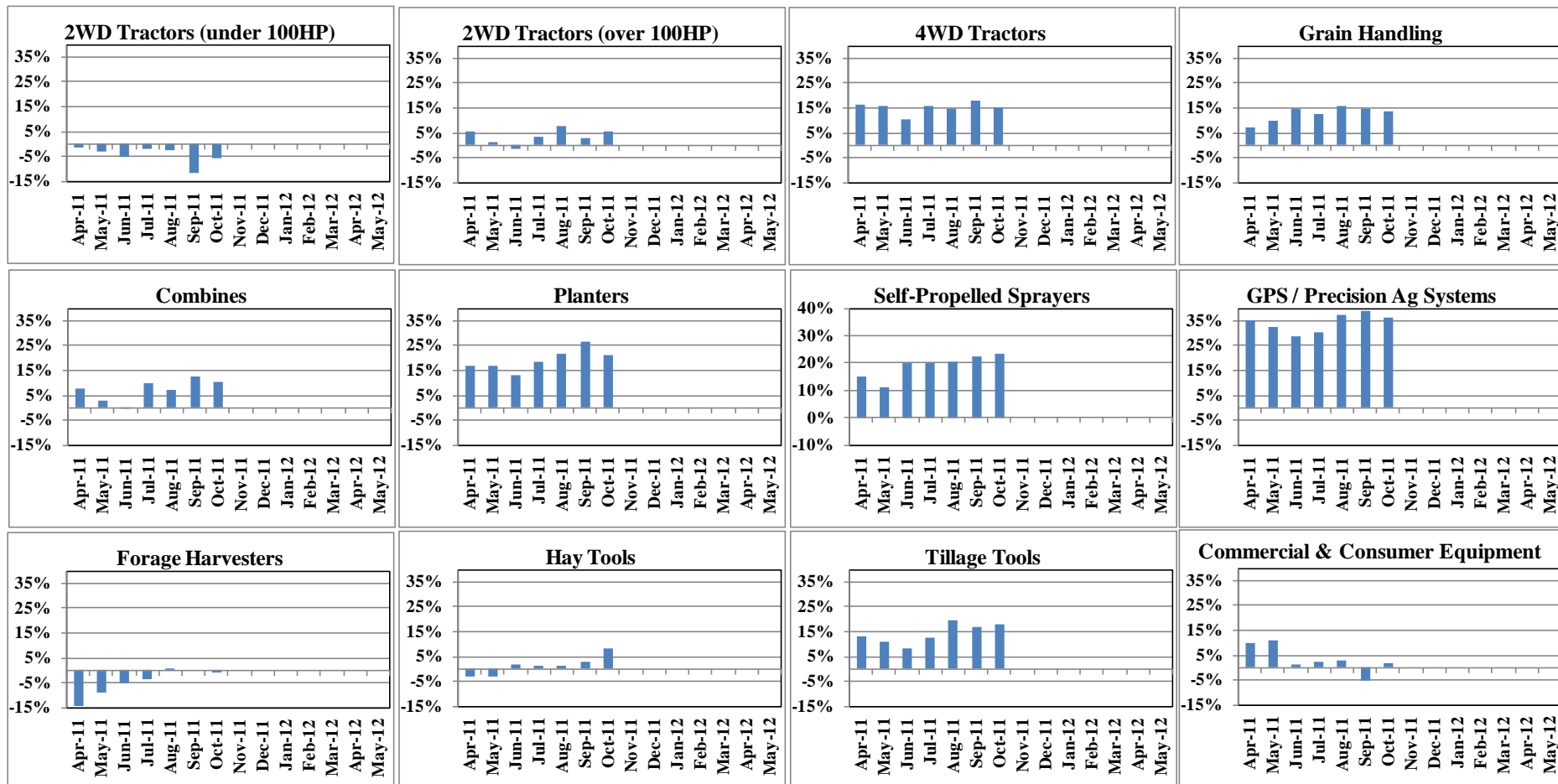
Product Category Ranking (Net % Strong - Weak)
October 2011



Dealer Commentary on October Sales

- *“Sales dropped off significantly in October for the first slow month in the last 12 months. Partly just seasonal, but also perhaps because we are so low on good used inventory, so we have little bait with which to lure in customers.”*
- *“October was better than expected due to good crop prices and good equipment availability from CaseIH.”*
- *“Our harvest equipment sales were excellent.”*
- *“We were actually up over 200%. Delivery dates (set by Deere) of equipment sold months ago, not specific to the actual conditions in October.”*
- *“Farm income was up as we have sold a lot of planter and sprayers.”*
- *“October beat our expectations. Markets stayed strong and I thought that 2011 was going to level off in our area.”*
- *“Fall Harvest is more difficult and extending much longer. Equipment is being purchased to assist and expedite harvest activities.”*
- *“October beat our expectations. There were a lot of questions of the markets going into 2011.”*

Equipment Category Sales Trends



Order Growth

Overall Orders

- Incoming orders grew 4% on average in October, consistent with September.
- AGCO dealers saw order growth of up 6% while Shortlines dealer orders came in at the low end at 1% on average for the month.
- The Pacific, Southeast, and Northern plains saw the highest average orders growth at 6%, while Appalachia saw the weakest results with order growth down (3%).

New Combine Order Intentions

- A net 10% of dealers also believe new combines orders will be below year ago levels. Used inventory and manufacturer availability are key factors for the lower order expectations.

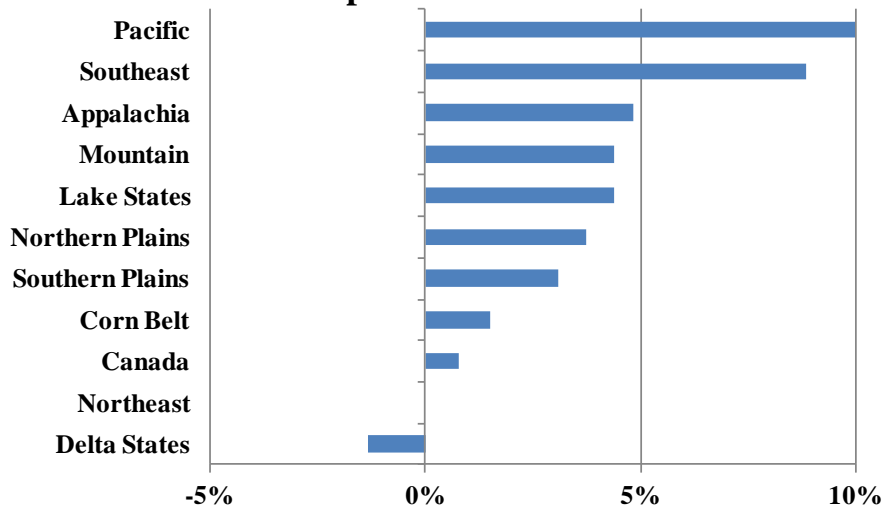
Average Orders Growth							
(% chg v/y)	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
Overall	3%	3%	3%	5%	4%	4%	4%
By Brand	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
AGCO	4%	8%	5%	10%	10%	5%	6%
John Deere	4%	2%	2%	5%	3%	4%	3%
New Holland	4%	2%	3%	5%	5%	5%	4%
Case IH	1%	3%	2%	4%	3%	3%	5%
Kubota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

New Combine Order Intentions vs. Last Year			
	Aug	Sep	Oct
More	22%	20%	21%
Same	47%	48%	48%
Less	31%	32%	31%
Net % (More- Less)	-10%	-12%	-10%

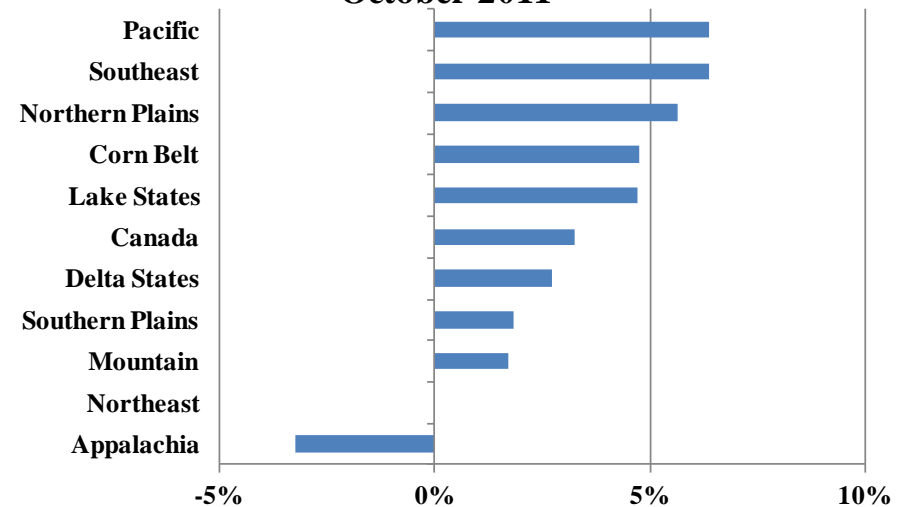
Order Growth by Region

- Nine out of eleven regions showed positive monthly orders growth in October, consistent with September. The Pacific, Southeast and Northern Plains head the list of best performing regions this month.
- On a sequential basis, the Delta States and Corn Belt showed the most improvement from September albeit small improvement, while Appalachia showed modest sequential slowdown in order growth.

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



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



2012 Sales Outlook

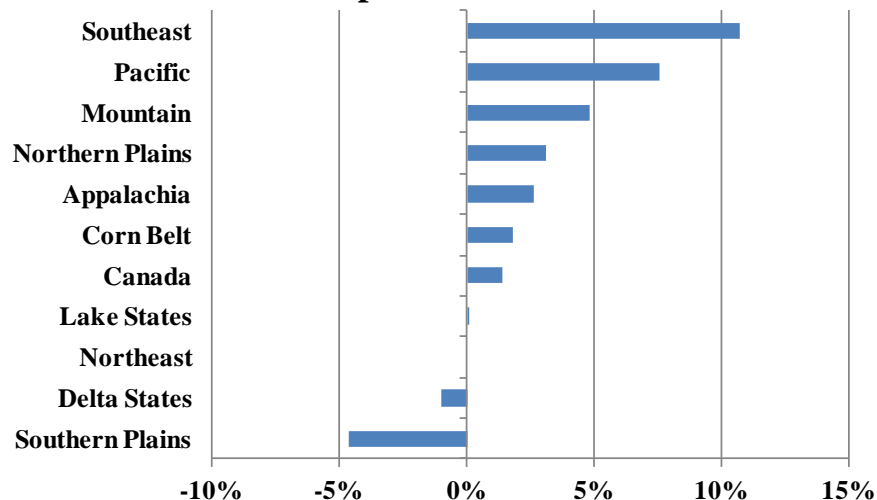
- Looking out to 2012, dealers raised their forecast for 2012 on average and are now expecting 4% sales growth for the full year, up from 2% in September.
- Consistent with the above average order growth, it is not surprising that AGCO dealers are still the most optimistic reporting the highest full year growth outlook at 9% while Shortline dealers report the least optimistic outlook at 1% on average.
- The Pacific region reported the highest average full year sales outlook for 2012 at up 8% while the Northeast is the least optimistic with dealers forecasting flat sales yr/yr.

2012 Outlook			
(% chg y/y)	Aug-11	Sep-11	Oct-11
Overall	5%	2%	4%
By Brand	Aug-11	Sep-11	Oct-11
AGCO	9%	8%	9%
John Deere	4%	1%	2%
New Holland	5%	5%	5%
Case IH	4%	3%	5%
Kubota	5%	7%	4%
Shortlines	3%	2%	1%
Other	3%	4%	6%
By Region	Aug-11	Sep-11	Oct-11
Appalachia	3%	3%	1%
Canada	5%	1%	1%
Corn Belt	4%	2%	6%
Delta States	3%	-1%	1%
Lake States	6%	0%	3%
Mountain	6%	5%	4%
Northeast	0%	0%	0%
Northern Plains	3%	3%	3%
Pacific	6%	8%	8%
Southeast	7%	11%	1%
Southern Plains	5%	-5%	2%

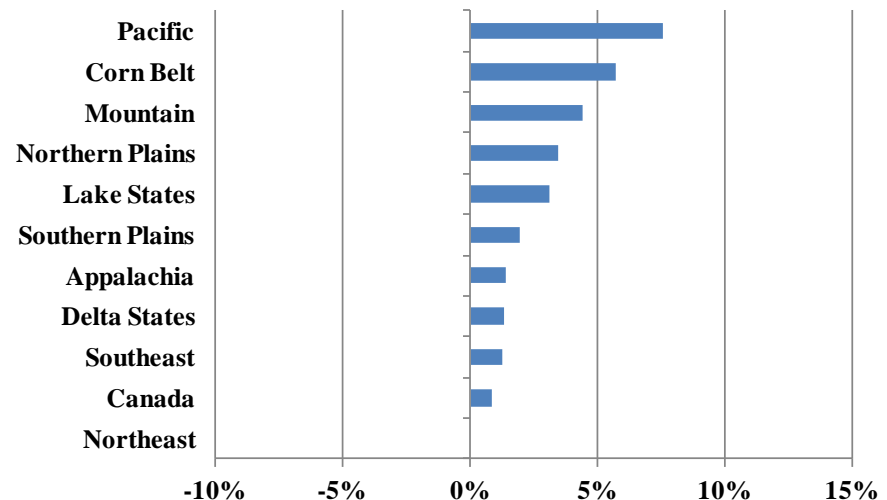
2012 Sales Outlook Continued

- Ten out of eleven regions are projecting a positive full year sales outlook in October, up from seven out of eleven in September. Dealers in the Pacific, Corn Belt, and Mountain regions are the most optimistic while the Northeast region is forecasting sales to be flat in 2012.
- On a sequential basis, the Southern Plains are now projecting modestly more optimistic full year sales growth compared to September while dealers in the Southeast region have lowered their average outlook the most from last month.

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



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

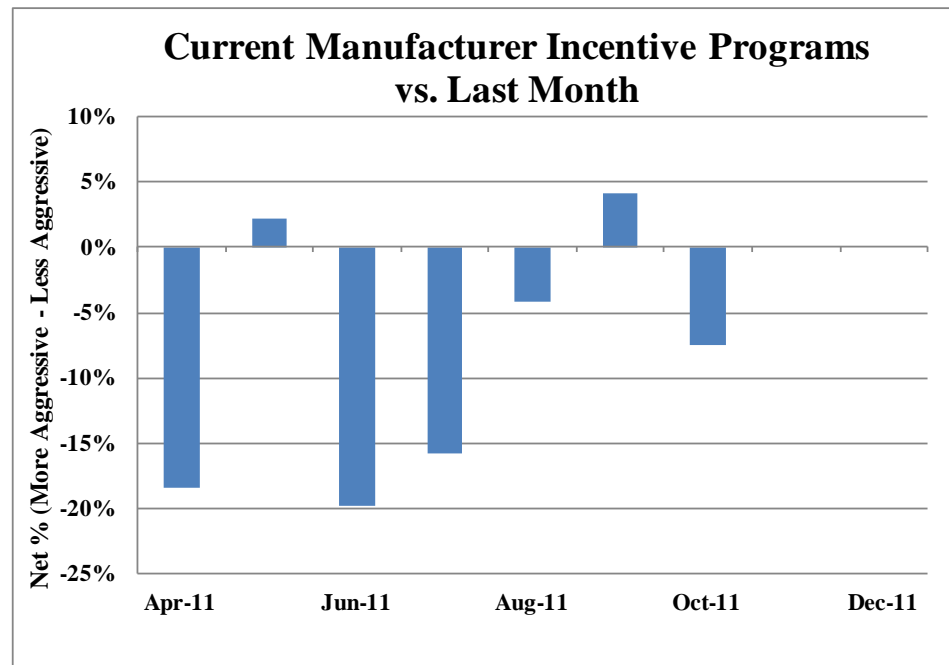


Dealer Commentary on 2012 Outlook

- *“Weather in 2011 will result in lower farm receipts and when combined with age (or lack of) of equipment in most barns and large price increases will have many farmers deciding that they go a year with buying.”*
- *“Weather in 2011 will result in lower farm receipts and when combined with age (or lack of) of equipment in most barns and large price increases will have many farmers deciding that they go a year with buying.”*
- *“Our customers for now are holding off on new combine purchases due to the 12% price increase.”*
- *“Our customers are not spending. When we ask, they say it costs too much to upgrade equipment.”*
- *“New and used purchases are exceeding expectations. I believe strong commodity prices being received are creating more income to make purchases.”*
- *“Unless tractor availability becomes better, we will miss lots of sales.”*
- *“We are more optimistic due to a good harvest and prices for most crops.”*
- *“We are more optimistic about 2012 as we took on two new lines.”*
- *“We are concerned about the reduction of Sec 179. We believe it drives 30-40% of new business.”*

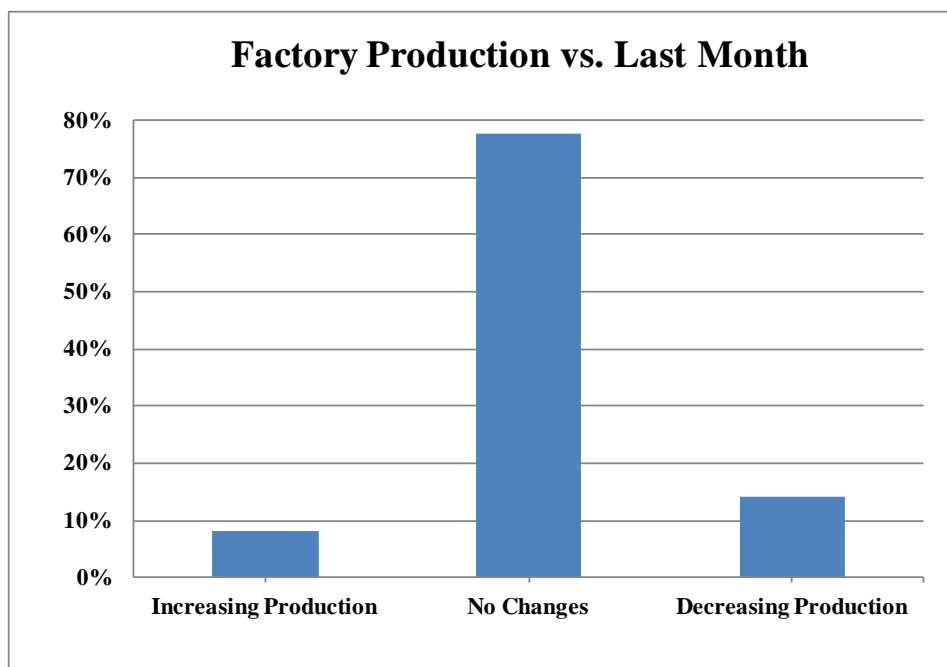
Current Manufacturer Incentive Programs

- A net 7% of dealers report that manufacturers are less aggressive with incentives in October (11% more aggressive; 70% same; 19% less aggressive) compared to September. This is a reversal from the last month where dealers reported manufacturers were more aggressive with incentive programs.



Factory Production

- A net 6% of dealers report that factories are decreasing production (8% increasing production; 78% no change in production; 14% decreasing production) compared to last month.

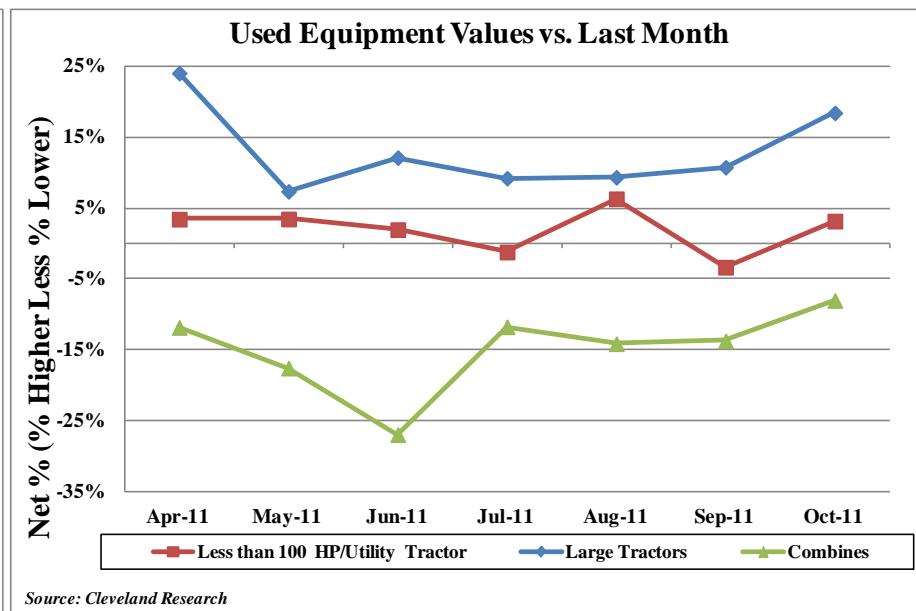
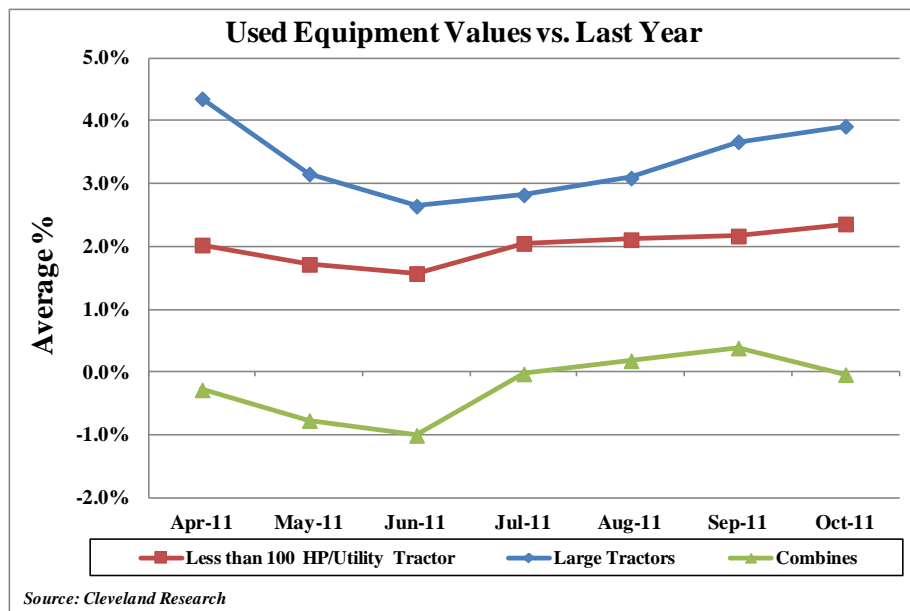


New Equipment Pricing Environment

- Dealers report price is contributing roughly ~2% to total October revenue. The following are some comments this month on recent price increase announcements:
- *“Virtually every manufacturer we deal with is increasing prices this fall - average is 3 to 5%.”*
- *“We are seeing whole goods increase of roughly 5% across the board.”*
- *“Most, if not all, of Deere's Ag products will take scheduled annual price increases November 1, as it is their model year change.”*
- *“Tier four tractors price is going up.”*
- *“Most tractor price increases for 2012 are 5.5%.”*
- *“We were surprised at the amount of price increases for new equipment. I am very concerned about the price of new equipment. Manufacturers just think they can keep passing higher and higher prices on to dealers and customers. This is not going to work in the future as dealers will not carry that high priced new and used equipment in their inventory. Customers are starting to resist the high prices. They are leaving many customers behind that will never buy new again.”*
- *“Margins are getting very tight, which I don't understand with short supply of equipment.”*

Used Equipment Pricing

- Dealers are reporting slightly higher used prices for two out of three categories in October compared to our September survey. By category, tractors over 100HP are up 3.9% year-over-year on average in October versus 3.7% in September while prices for used tractors under 100HP are up 2.4% in October, up from 2.2% in September. Used combine values came in flat in October, down from a 0.4% positive reading last month.
- Relative to last month, a net 3% of dealers report higher values for under 100HP/utility tractors (13% higher; 78% same; 10% lower), up from September when a net 3% reported lower values. For over 100HP tractors, a net 18% of dealers report higher values vs. last month (24% higher; 70% same; 6% lower), up from a net 11% in September. Finally, a net 8% are reporting used combine values are lower vs. last month (12% higher; 68% same; 20% lower).



Inventory Levels

New Equipment Inventory

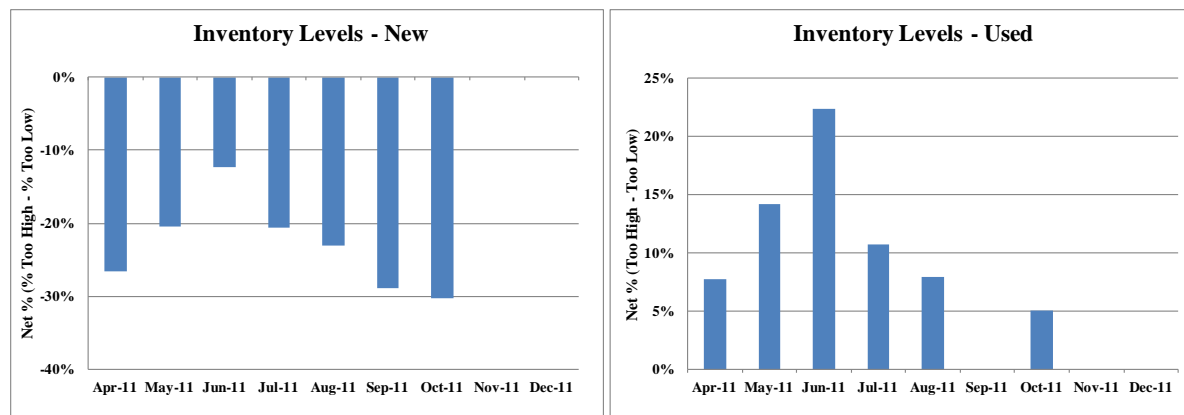
- New equipment inventory remains tight as a net 30% of dealers categorize their new inventory as “too low” (12% too high; 46% about right; 42% too low), up slightly from a net 29% last month and the highest number in the history of the survey reporting new inventory is “too low”.

Used Equipment Inventory

- Used equipment inventory appears to have ticked up from this month, as a net 5% of dealers now categorize their used inventory levels as “too high” (24% too high; 57% about right; 19% too low) compared to a net 0% last month.

Used Combine Inventory

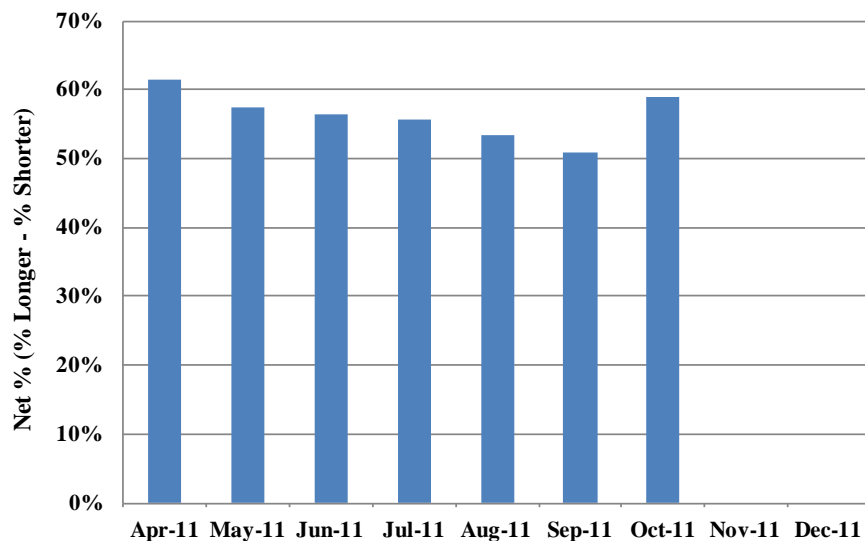
- Within the used equipment categories, a net 25% of dealers also reported used combine inventory levels are still “too high” (32% too high; 61% about right; 7% too low).



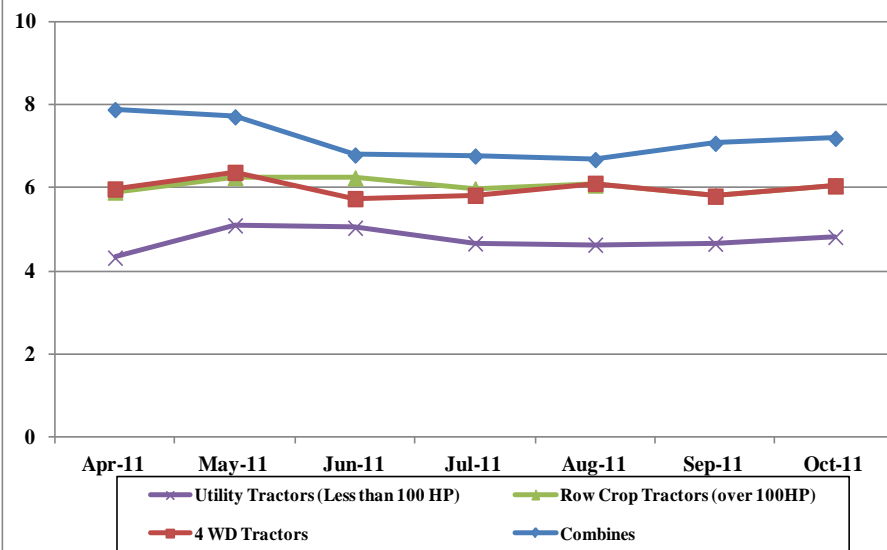
Equipment Availability

- Overall, a net 59% of dealers report longer factory lead-times compared to last month (61% longer; 37% same; 2% shorter), up from the net 51% in September. Lead-times appear to continue to be one of the primary concerns for dealers and continue to be a constraint on the growth outlook.
- A closer look at availability by product category shows the four core product categories we measure are also seeing slightly longer lead times this month. On average combine lead times are 7.2 months; 4WD and row crop tractor lead times are 6.1 months; and smaller tractors (<100 HP) lead times are still 4.8 months.

Lead Times - Versus Prior Month



Lead Times By Product Category (Months)



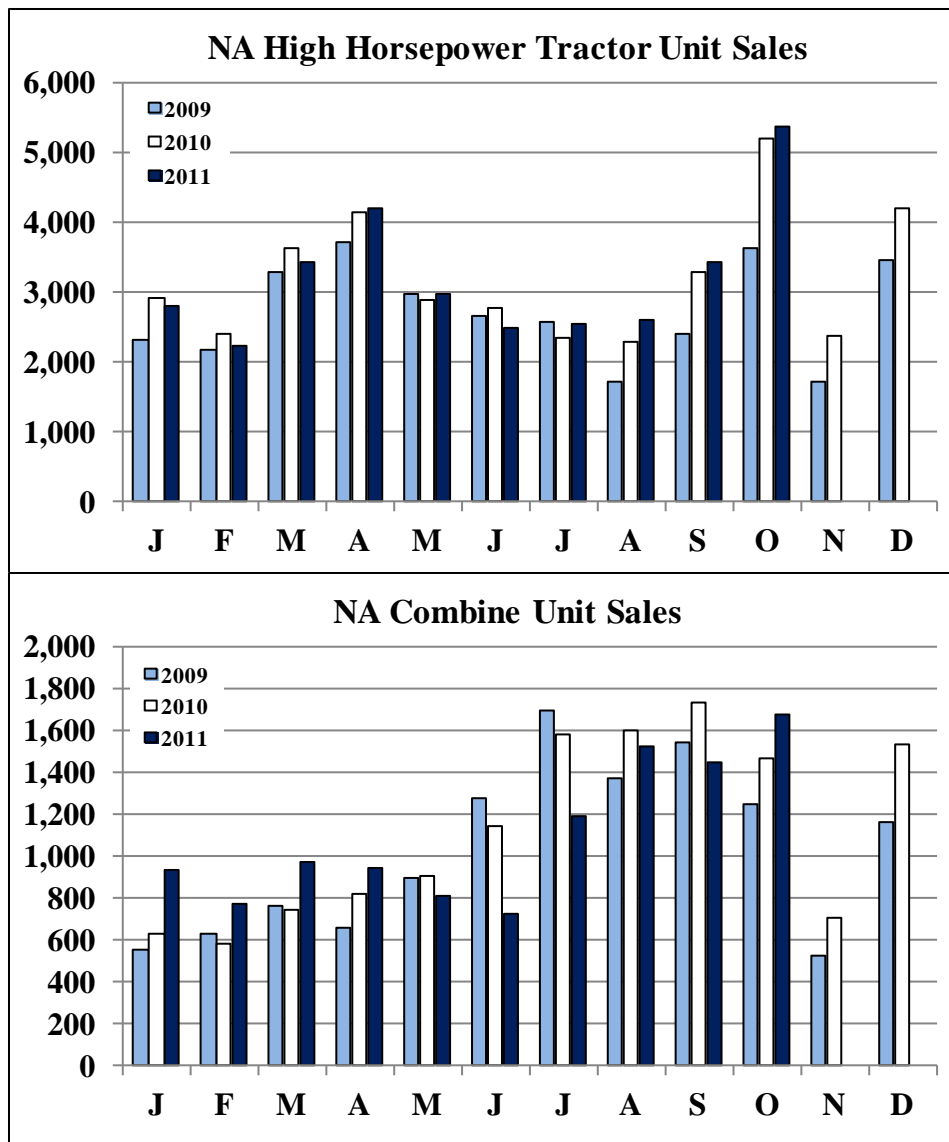
Dealer Commentary on Inventory Levels

- *“We are concerned about combines and large 4WD--450+ HP.”*
- *“There are too many late model used combines.”*
- *“People are holding on to their existing equipment longer than normal.”*
- *“We are concerned about combines.”*
- *“Used combine inventory is still a little too high.”*
- *“We are concerned about used combines and sprayers.”*
- *“16 row split planters are very tough to sell.”*
- *“We have taken in more trades than normal on tillage and hay equipment. Seems to be a real trend in converting more hay land to crops due, I imagine, to the higher grain prices.”*

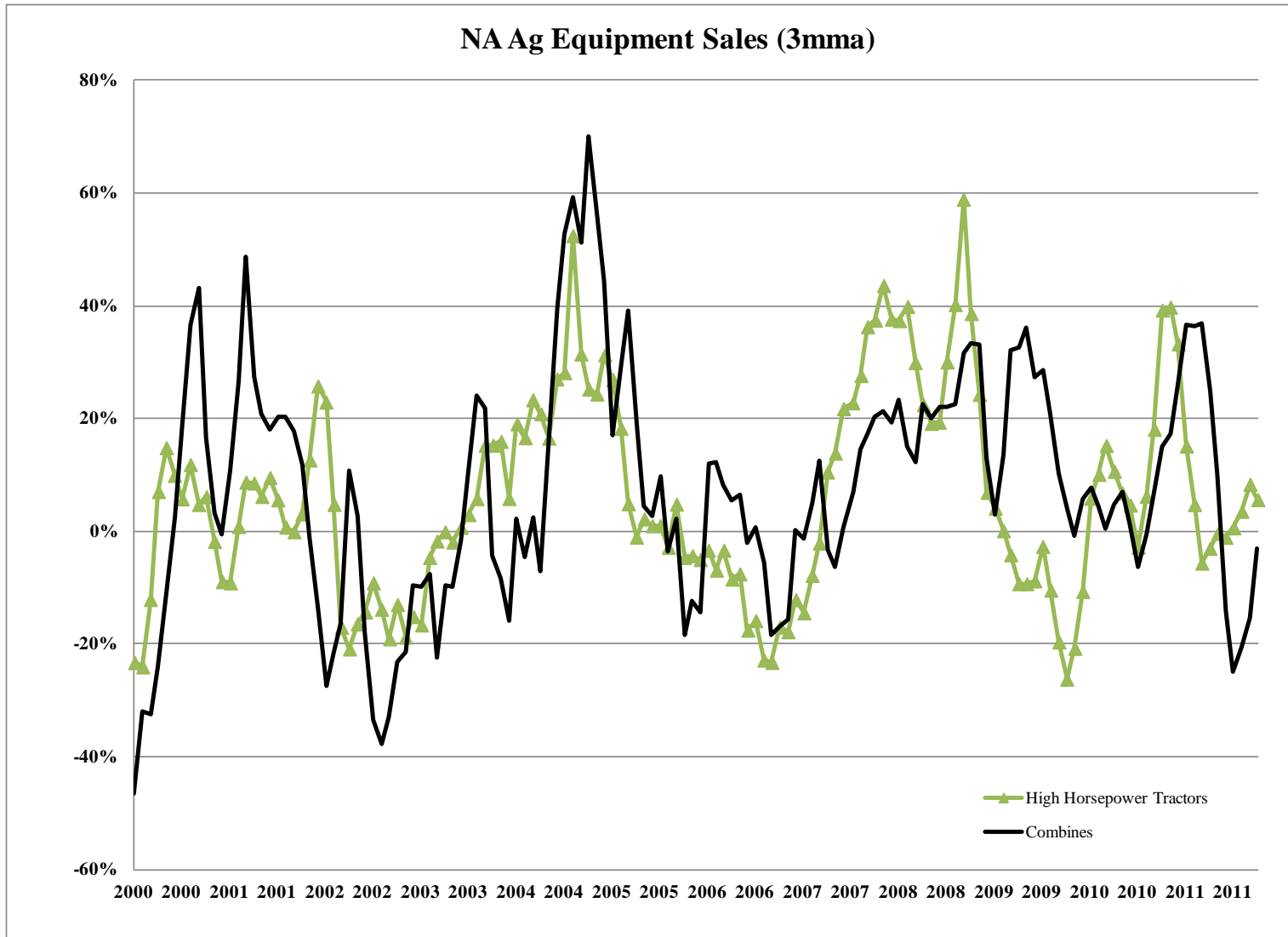
NA Farm Equipment Industry Retail Sales and Inventory

NORTH AMERICAN FARM EQUIPMENT RETAIL SALES														
	Units							% change year-over-year						
	<u>< 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><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	8,635	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%)
Aug-11	7,318	4,180	2,152	448	14,098	2,600	1,523	2%	2%	14%	9%	4%	13%	(5%)
Sep-11	7,843	4,570	2,735	700	15,848	3,435	1,446	4%	5%	3%	7%	4%	4%	(16%)
Oct-11	7,914	5,932	4,249	1,130	19,225	5,379	1,673	12%	12%	4%	1%	9%	3%	14%
NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	<u>< 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><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	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%
Jul-11	55,120	25,713	7,971	1,594	90,398	9,565	2,715	58%	46%	26%	22%	48%	25%	20%
Aug-11	54,880	26,320	8,584	1,740	91,524	10,324	2,607	58%	47%	28%	24%	49%	27%	20%
Sep-11	53,873	26,448	9,073	1,806	91,200	10,879	2,666	57%	47%	29%	25%	48%	28%	20%

Annual Ag Equipment Industry Sales – 2009-2011

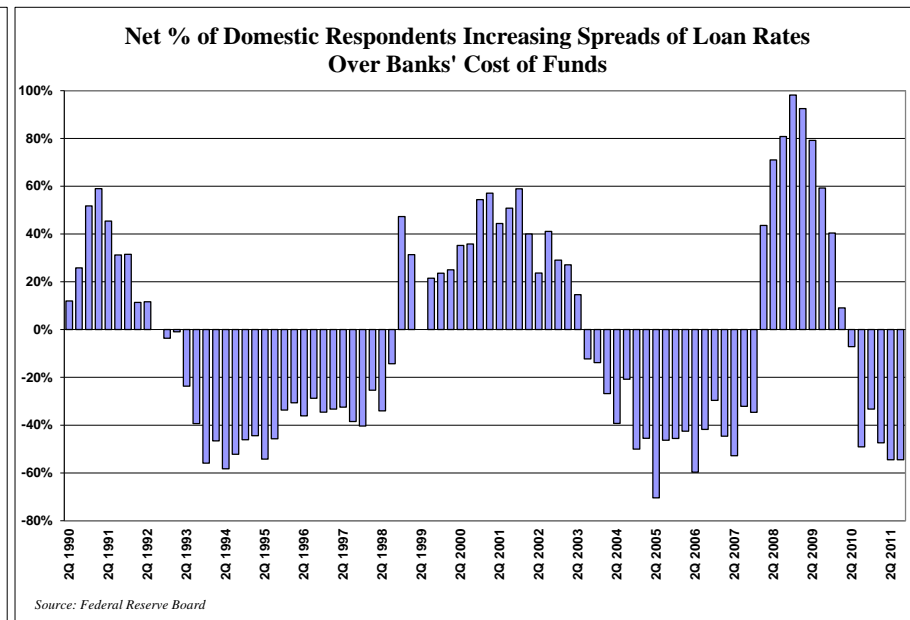
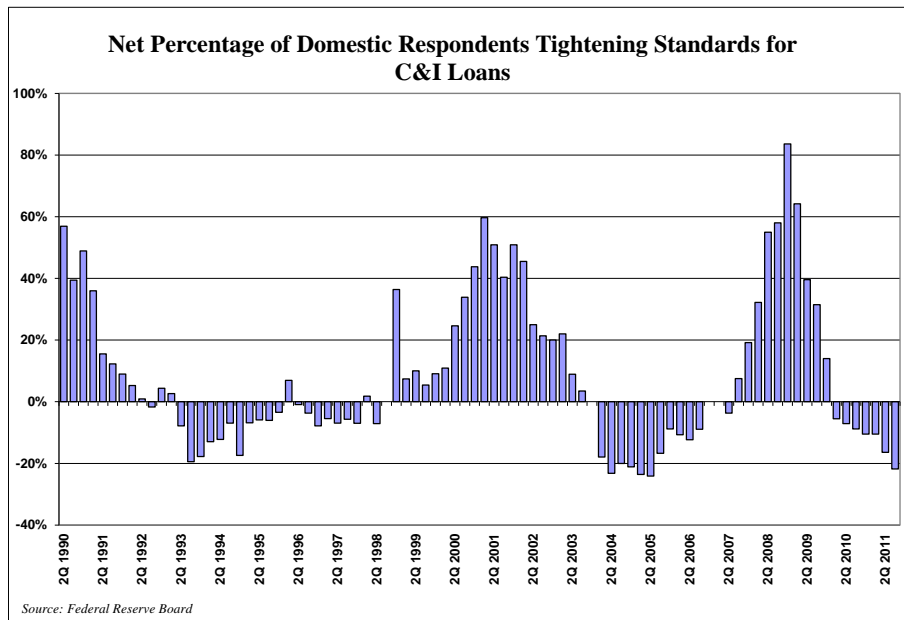


NA Ag Equipment Sales



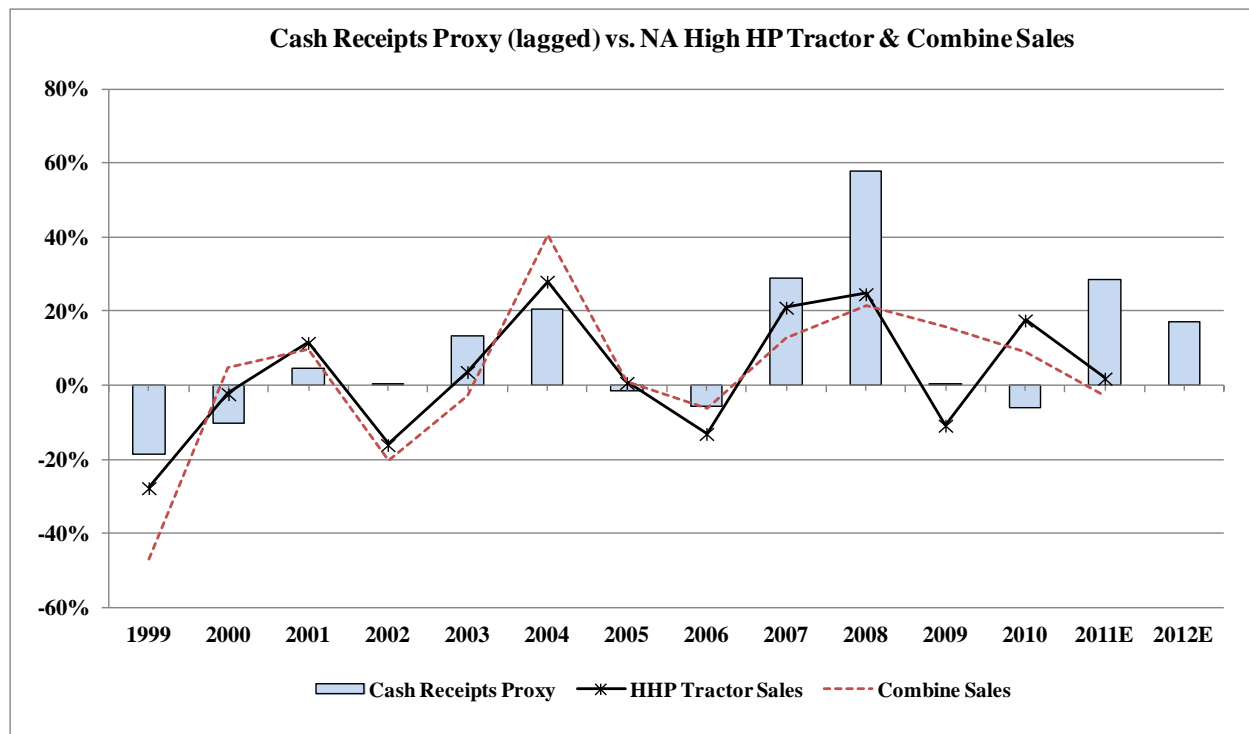
Credit – C&I Loan Demand Improves as Lending Standards Loosen

- The 3Q11 Senior Loan Officer survey saw the seventh consecutive loosening of loan standards which began in 1Q10 following a prolonged period of tightening. A net 22% of loan officers reported loosening credit standards in 3Q11 compared with a net 16% loosening in 2Q11.
- Bank rate spreads contracted again in 3Q11 with a net 55% of loan officers reporting lower lending spreads, unchanged from 2Q11.
- Along with the more favorable loan standards and cost of funds, a net 20% of loan officers reported stronger demand for commercial and industrial loans in 3Q11 down from the 27% reporting stronger demand in 2Q11 but marking the third consecutive quarter of improving 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 another downward revision to prices for 2 out of three of the most important crops - corn, soybeans, and wheat. Coupled with lower production, this suggests lower expected cash receipts vs. last month's forecast, as depicted in our simplified cash receipts proxy on the following slide. The impact to our simplified farmer crop cash receipt proxy in dollars is a decrease of over \$3Bil following a \$7Bil reduced forecast last month. This is down to just over \$135Bil, or about a 15% increase compared to last month's forecast for an 18% increase in cash receipts yr/yr. Farmer cash receipts are highly correlated with out year new equipment sales as shown below, so a less optimistic outlook for 2011/2012 cash receipts is a negative 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				
September	12,497	11,110	1,650	12,760	672	6.0%	\$6.50-\$7.50	September	21,150	22,809	3,950	17.3%
October	12,433	11,110	1,600	12,710	866	7.8%	\$6.20-\$7.20	October	21,428	23,009	3,984	17.3%
November	12,310	11,010	1,600	12,610	843	7.7%	\$6.20-\$7.20	November	21,507	23,101	3,943	17.1%
Revision to 2011/12:								Corn Spot Price: \$5.93				
m/m chg	-123	-100	0	-100	-23	-0.1%	\$0.00	m/m chg	80	92	-41	-0.2%
y/y chg	-137	-540	-300	-840	113	1.3%	\$1.45	y/y chg	1855	1637	-138	-1.9%
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				
September	3,085	3,161	1,415	4,576	165	5.2%	\$12.65-\$14.65	September	6,431	7,890	2,134	27.0%
October	3,060	3,130	1,375	4,505	160	5.1%	\$12.15-\$14.15	October	6,442	7,863	2,155	27.4%
November	3,046	3,080	1,325	4,405	195	6.3%	\$11.60-\$13.60	November	6,468	7,836	2,140	27.3%
Revision to 2011/12:								Soybean Spot Price: \$11.04				
m/m chg	-14	-50	-50	-100	35	1.2%	(\$0.55)	m/m chg	26	-27	-15	-0.1%
y/y chg	-283	-245	-225	-470	25	1.2%	\$1.20	y/y chg	171	265	-35	-1.4%
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				
September	2,077	1,262	1,025	2,287	761	60.3%	\$7.35-\$8.35	September	22,840	23,609	6,389	27.1%
October	2,008	1,178	975	2,153	837	71.1%	\$7.10-\$7.90	October	23,021	23,603	6,598	28.0%
November	1,999	1,178	975	2,153	828	70.3%	\$7.05-\$7.75	November	23,107	23,690	6,616	27.9%
Revision to 2011/12:								Wheat Spot Price: \$6.13				
m/m chg	-9	0	0	0	-9	-0.8%	(\$0.10)	m/m chg	86	88	18	0.0%
y/y chg	-209	-2	-300	-302	-11	-0.8%	\$1.75	y/y chg	1501	542	761	2.6%
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												
September	12,497	3,085	2,077	\$7.00	\$13.65	\$7.85		\$87,479	\$42,110	\$16,304	\$145,894	24%
October	12,433	3,060	2,008	\$6.70	\$13.15	\$7.50		\$83,301	\$40,239	\$15,060	\$138,600	18%
November	12,310	3,046	1,999	\$6.70	\$12.60	\$7.40		\$82,477	\$38,380	\$14,793	\$135,649	15%
*Note: Cash receipts estimated as USDA production X USDA average price forecast												

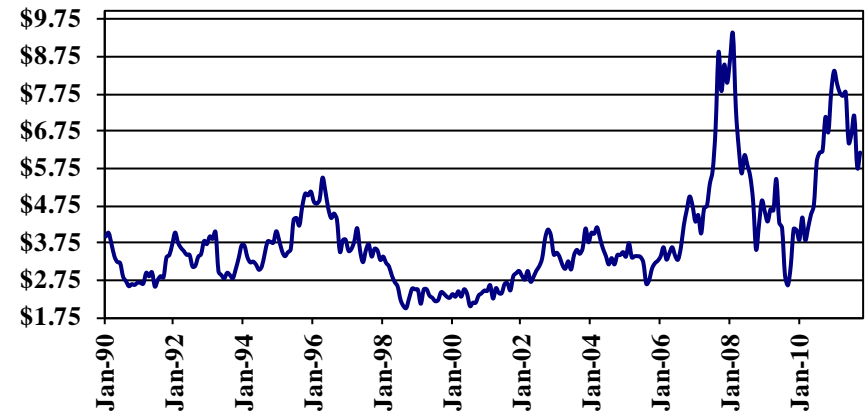
Source: USDA; Cleveland Research estimates

Commodity Price Trends – Corn, Soybean, Wheat, Cotton

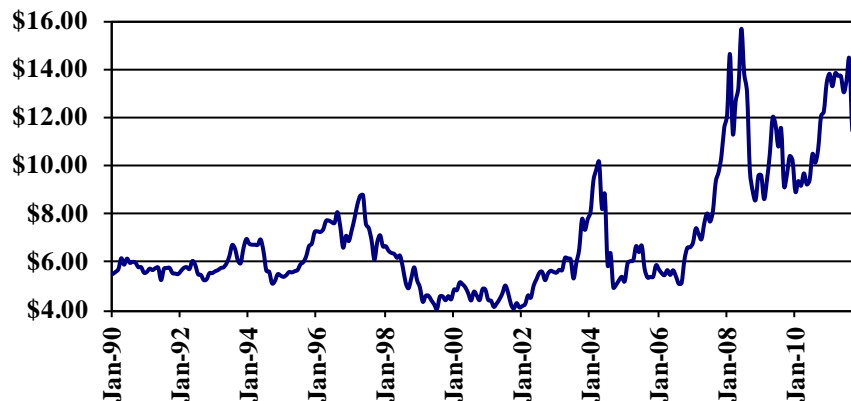
Corn Price Trends



Wheat Price Trends



Soybean Price Trends



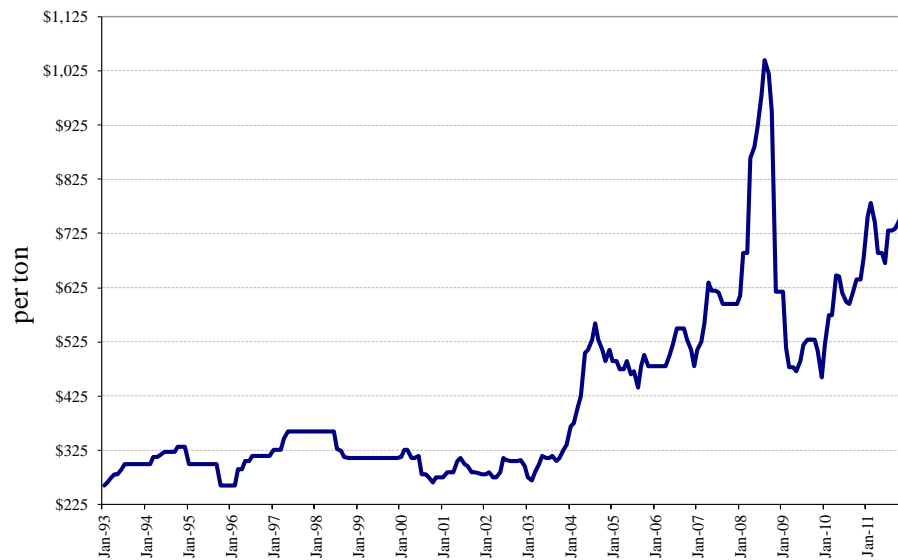
Cotton Price Trends



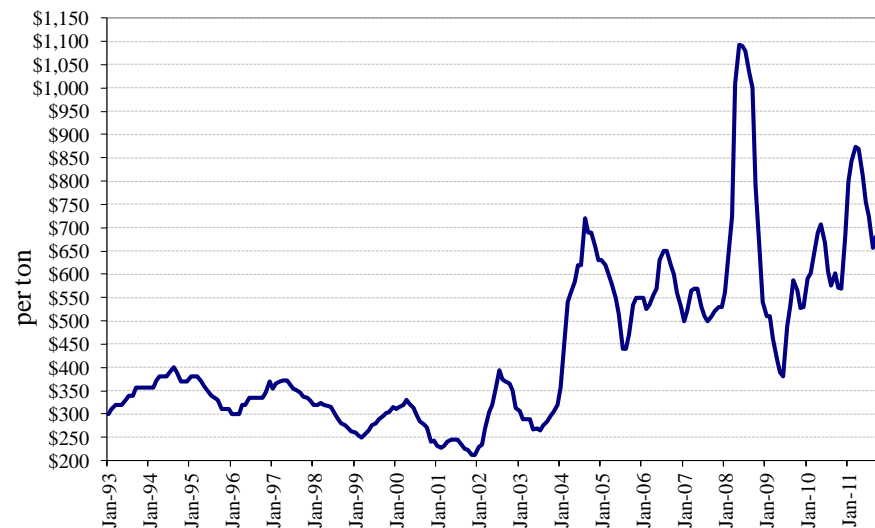
Commodity Price Trends – Steel

- The November steel distribution update suggests domestic steel industry fundamentals have reached a near-term inflection point. Steel orders have turned positive following 4 consecutive months of negative data points. We project the monthly comp to be trending flat-to-up-5%, which is consistent with our October update. However, distribution bookings have improved slightly despite a relatively subdued customer outlook offered by the distribution network 30 days ago.
- The mills are looking to push through a small price increase on hot-rolled sheet products, which does not seem to have much support. However, the recent announcements triggered a wide-spread channel belief that spot market prices have likely bottomed. A number of mills announced \$40-60 per ton price increases for all carbon flat-rolled products, consequently trying to push the hot rolled quote to the \$650-670 per ton range.

Domestic Reinforcing Bar (Rebar) Prices



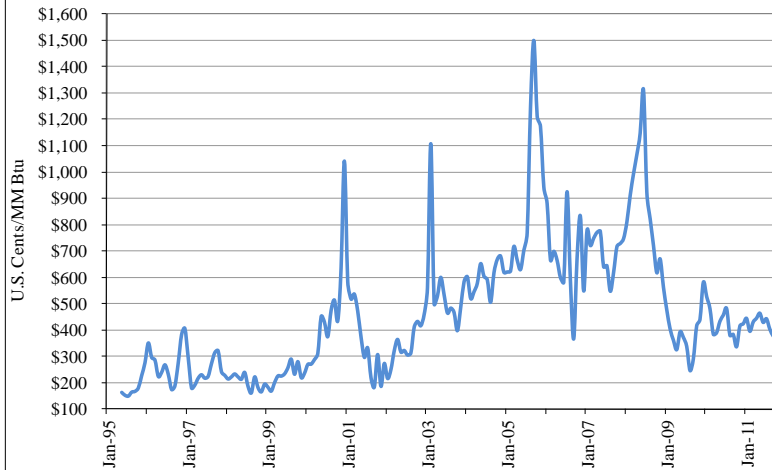
Domestic Hot Rolled Sheet Prices



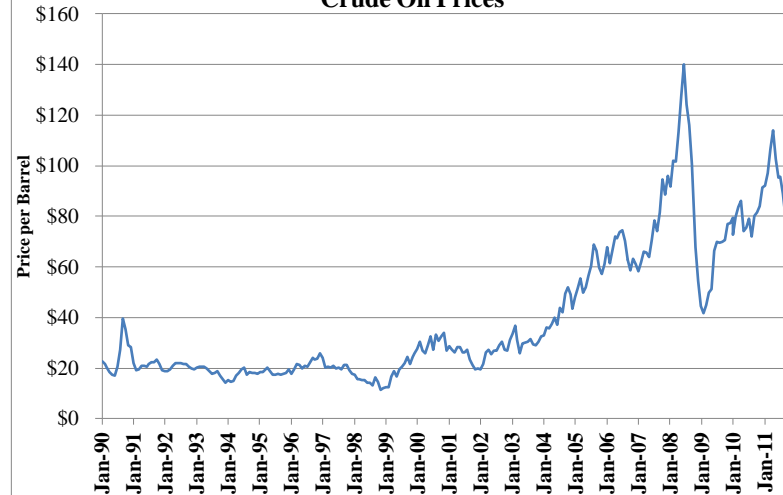
Source: Steel Business Briefing, CRC Estimates

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

Natural Gas Prices

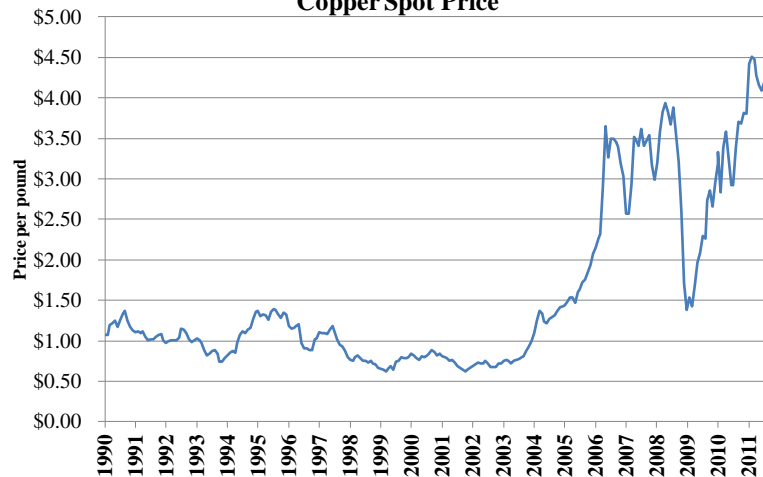


Crude Oil Prices



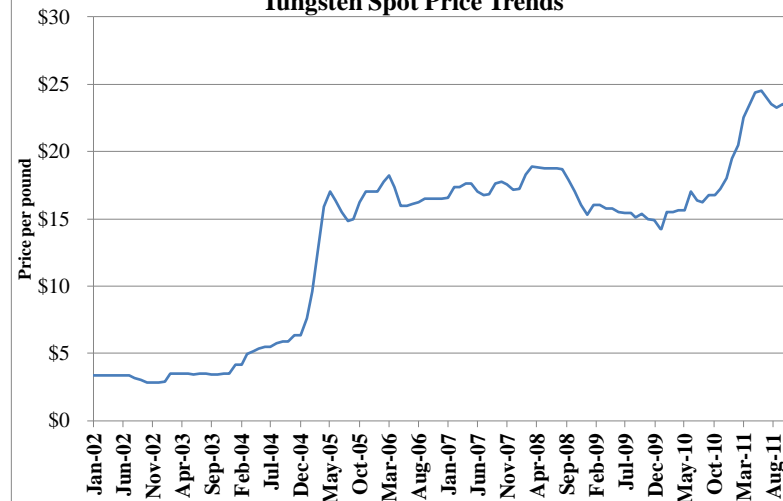
Source: Baseline, Cleveland Research estimates

Copper Spot Price



Source: Baseline, metalprices.com, Cleveland Research estimates

Tungsten Spot Price Trends



Source: Metalprices.com, Cleveland Research estimates

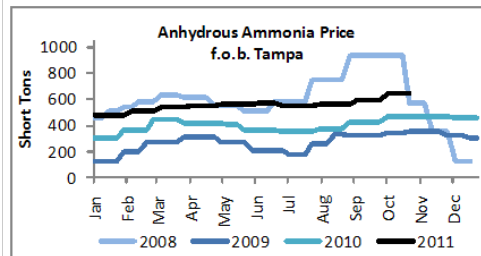
Commodity Trends – Long Run Supply and Demand Projections

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

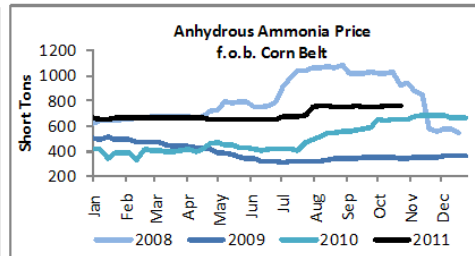
SOYBEANS - DOMESTIC							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	3,188	1,955	1,118	3,073	573	29.3%	\$9.00
2007/08	2,676	1,893	1,161	3,054	205	10.8%	\$10.10
2008/09	2,921	1,907	1,020	2,927	205	10.7%	\$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

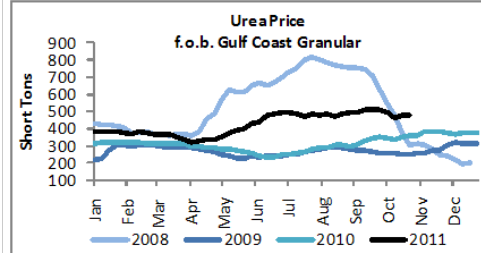
Other Input and Chemical Costs – 2008-2011



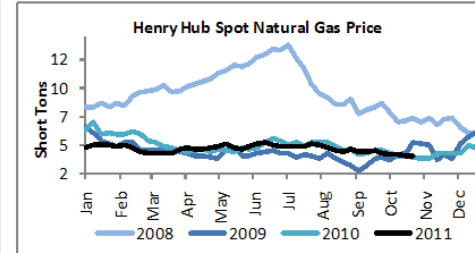
Source: Green Market Fertilizer



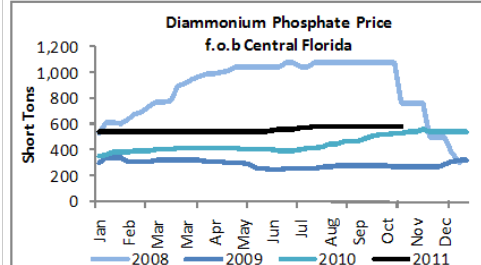
Source: Green Market Fertilizer



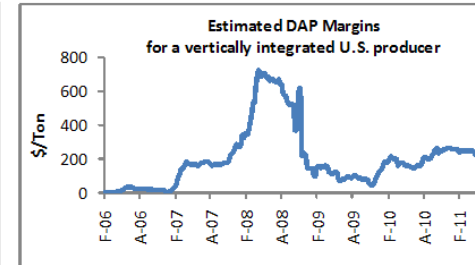
Source: Green Market Fertilizer



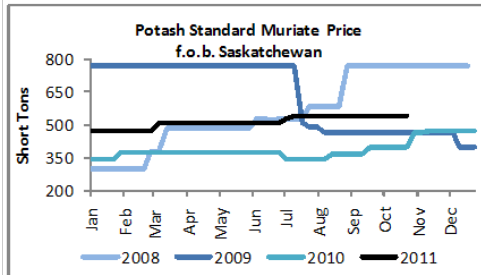
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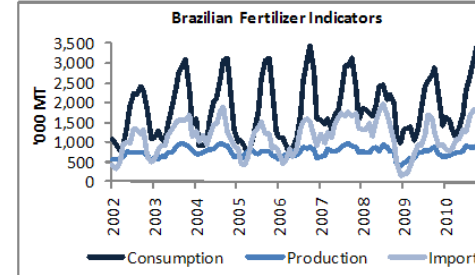
Source: Green Market Fertilizer



Source: Green Market Fertilizer

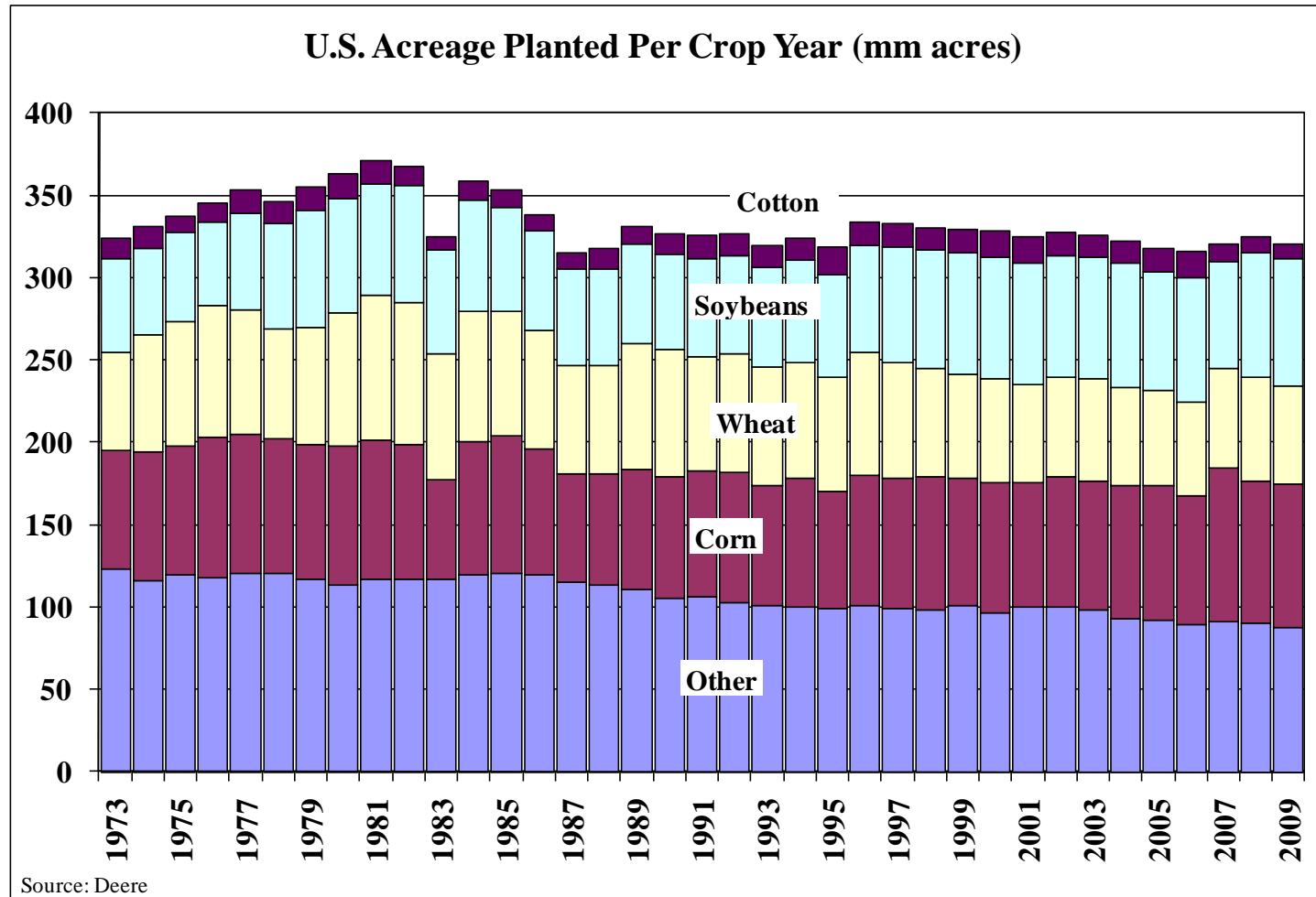


Source: Green Market Fertilizer



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