

Ag Equipment Intelligence

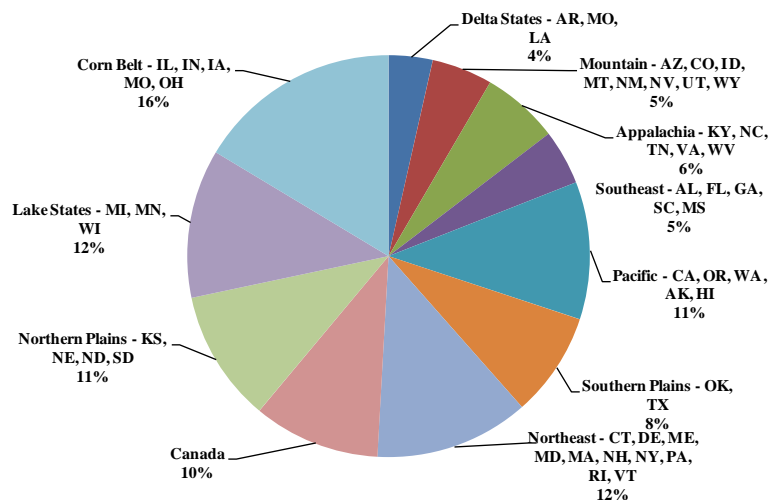
Dealer Trends and Business Outlook
October 2011

Monthly Ag Equipment Intelligence North American Dealer Survey

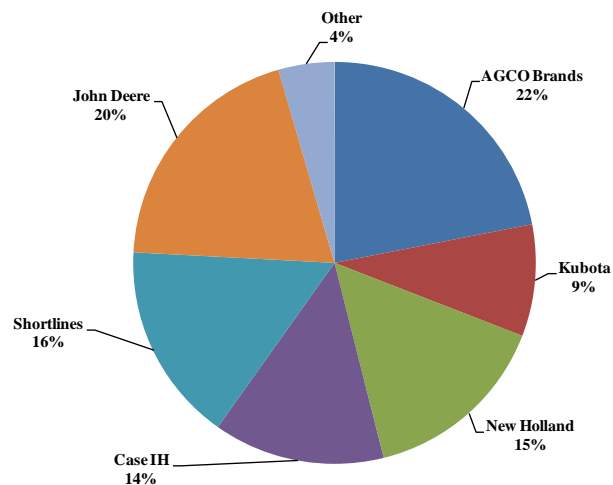
Background:

- We are pleased to announce the results of the September 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 231 respondents representing combined annual revenues of roughly \$8.2 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 of 5% in September** – Ag equipment dealers reported year-over-year sales growth of 5% on average in September, down from 6% in August.
- **WASDE Forecast Drives Lower Cash Receipts Outlook; 2012 Dealer Outlook also Lowered** – The USDA October WASDE reported lower price expectations for the three key crops this month, driving a negative revision to our simplified cash receipts Proxy. Dealers also lowered their forecast for 2012 and are now calling for 2% sales growth for the full year, down from 5% in August.
- **New Equipment Prices Head the List of Top Dealer Concerns for 2012** – With recent announcements of sizable price increases announced, it is no surprise dealers are most concerned about the increasing cost of new equipment, followed by healthcare affordability, energy/fuel costs, and farm input costs.
- **Dealer Optimism Drops Slightly vs. August But Remains Positive** – Our Dealer Optimism Index is a measure of sentiment amongst dealers compared to the prior month. A net 8% of dealers report they have a more optimistic outlook versus 15% last month (25% more optimistic; 58% same; 17% less optimistic).

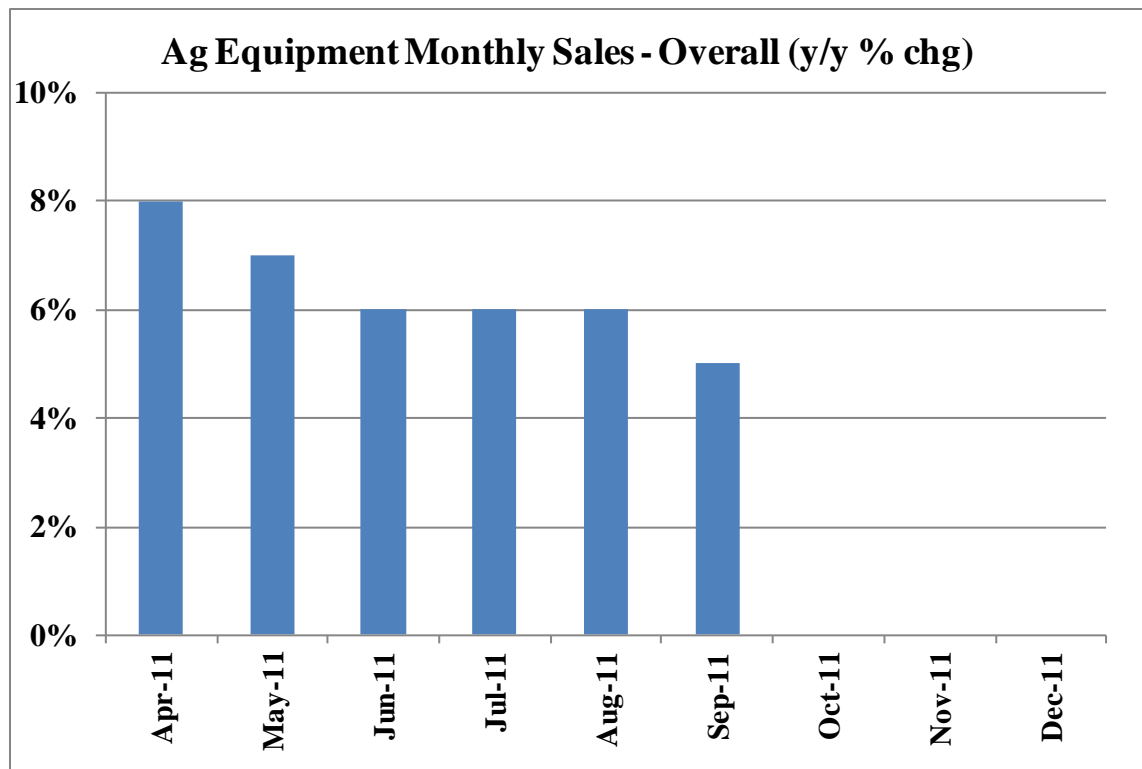
Optimism/Sentiment vs. Last Month						
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>
More Optimistic	33%	25%	31%	32%	30%	25%
Same	54%	54%	44%	49%	55%	58%
Less Optimistic	13%	21%	25%	20%	15%	17%
Net % (More- Less)	21%	3%	6%	12%	15%	8%

Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales growth of 5% on average in September, down from 6% in August.
- AGCO dealers reported the highest average sales growth at up 12% while Shortline dealers saw the weakest results in the month with sales up 2% on average.
- A net 14% of participants categorized August results as “better-than-expected” (29% better-than-expected; 56% in-line with expectations; 15% worse-than-expected) which compares to the prior month when a net 13% report sales were “better-than-expected.”
- The Southeast region reported the highest average sales growth this month, up 10% while the southern plains saw the worst results with sales down (10%) 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>
Overall	8%	7%	6%	6%	6%	5%
<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>
AGCO	12%	13%	11%	9%	14%	12%
John Deere	8%	8%	7%	5%	5%	4%
New Holland	8%	4%	5%	7%	6%	7%
Case IH	5%	4%	3%	8%	7%	7%
Kubota	13%	5%	7%	12%	7%	6%
Shortlines	n/a	-13%	3%	5%	6%	2%
Other	n/a	n/a	n/a	2%	-3%	7%
<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>
Appalachia	5%	-4%	1%	10%	9%	2%
Canada	5%	8%	7%	7%	4%	4%
Corn Belt	3%	6%	4%	9%	10%	4%
Delta States	10%	4%	7%	-1%	5%	-1%
Lake States	11%	16%	11%	4%	4%	6%
Mountain	3%	8%	9%	10%	15%	5%
Northeast	13%	12%	13%	13%	0%	0%
Northern Plains	11%	3%	3%	8%	6%	9%
Pacific	11%	10%	8%	8%	13%	8%
Southeast	0%	17%	9%	5%	8%	10%
Southern Plains	-1%	-5%	1%	-9%	-16%	-10%

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>
Positive Sales Growth	69%	60%	56%	66%	67%	61%
Flat Sales	18%	14%	23%	15%	16%	23%
Negative Sales Growth	14%	25%	21%	18%	18%	16%
Net % (Positive - Negative)	55%	35%	35%	48%	49%	45%

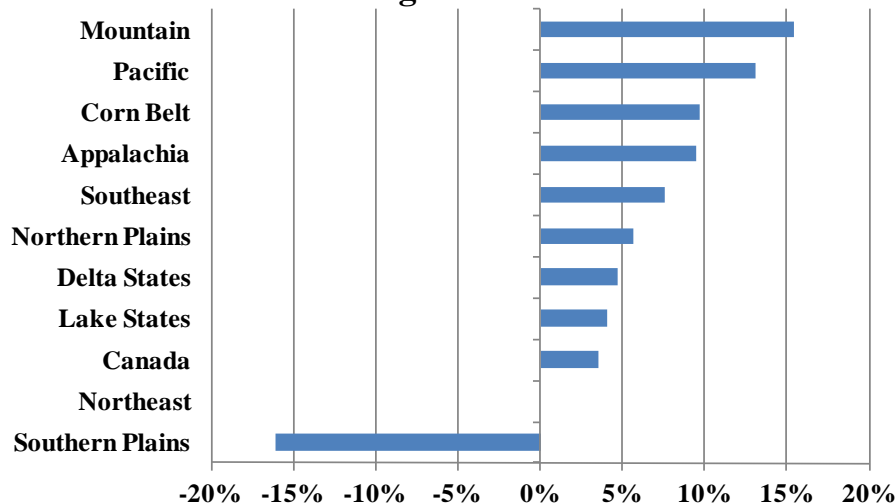
Results vs. Expectations

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

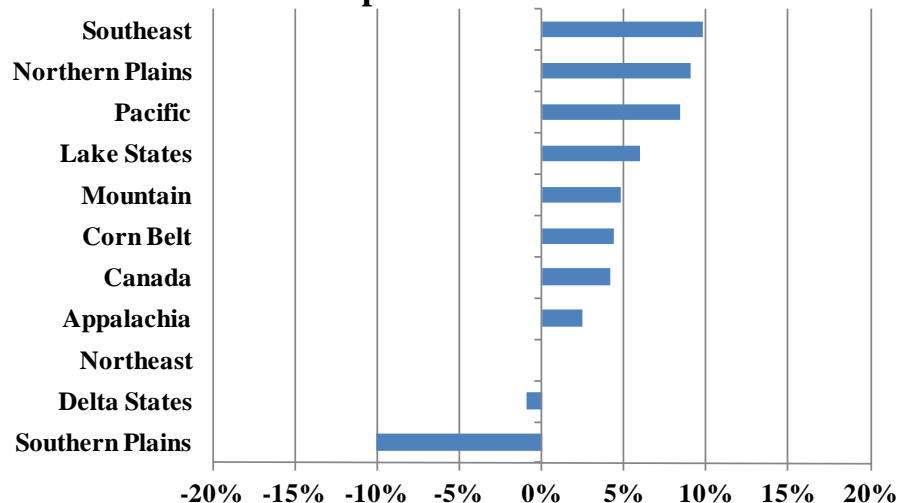
Monthly Sales Growth by Region

- Eight out of eleven regions showed positive average monthly sales growth in September, down from nine out of eleven in August. Southeast, Northern Plains, and Pacific head the list of best performing regions.
- On a sequential basis, Southern Plains showed modest improvement from August while the Mountain and Delta States regions showed modest sequential slowing.

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



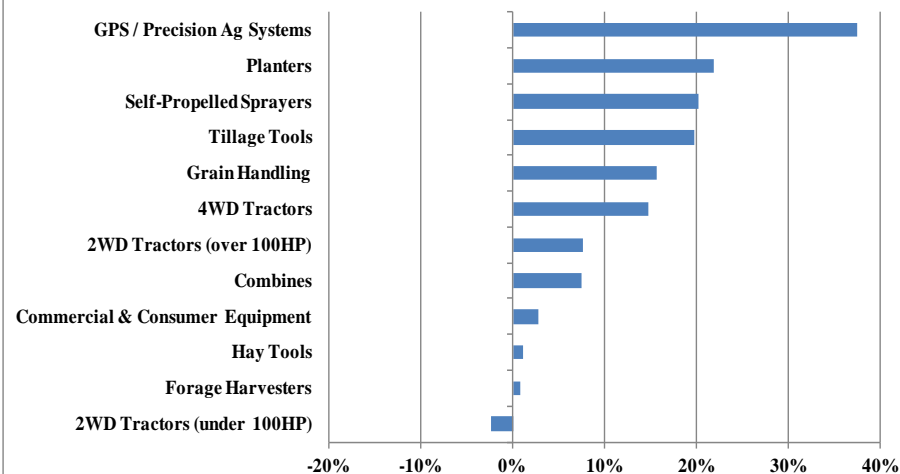
**Average Monthly Sales Growth by Region
September 2011**



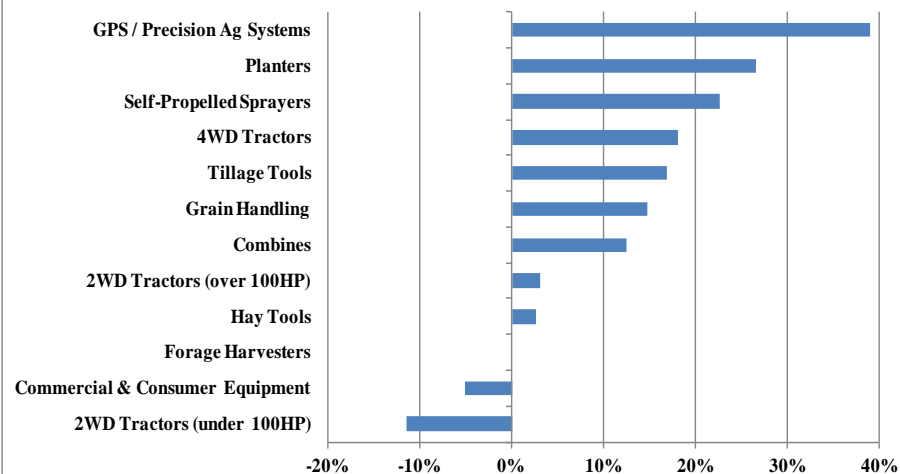
Equipment Category Sales Trends

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

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



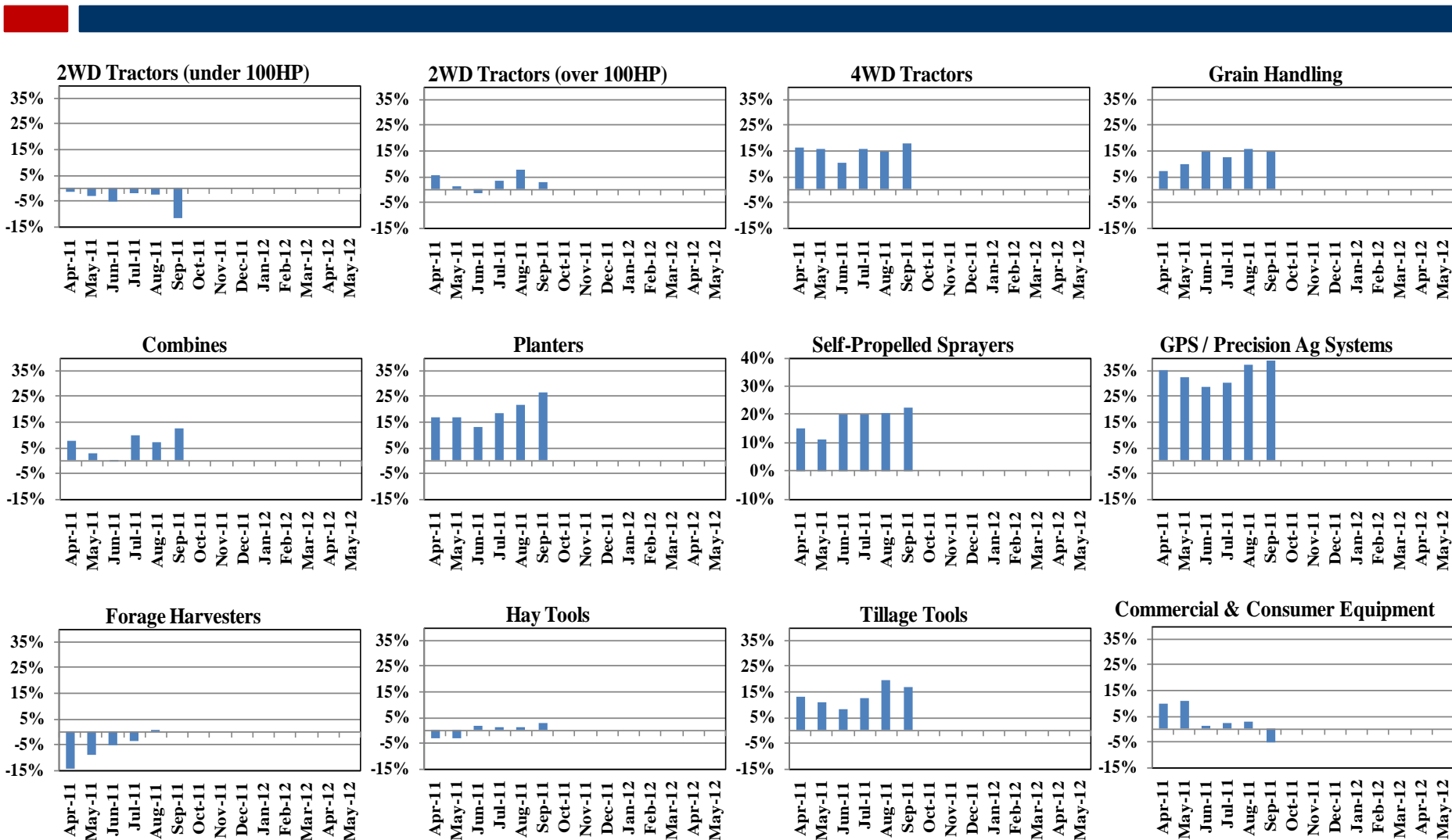
Product Category Ranking (Net % Strong - Weak)
September 2011



Dealer Commentary on September Sales

- *“September was better than expected due to price of milk, grain, and fruit farmers doing well.”*
- *“September was better than expected due to acceptance of equipment being offered.”*
- *“September was worse than expected due to prices are up on everything, but so are the sales bringing top dollar.”*
- *“Milk prices are higher than expected at year end last year when budgets were done. September was better than expected.”*
- *“September was better than expected. With grain prices going up, farmers are dicing down pasture for grain. Also "no till" has created packed headlands and slough's that have not been worked have got out of control with weeds. The USA acceptance of Canadian seed potatoes has created more need for tillage equipment.”*
- *“We anticipated a bumper soybean yield. Early corn looks bad, but the late corn looks pretty good.”*
- *“We did better than expected. We did not figure on consecutive years of good price/good yield for farmers. Also, many farmers are leaving the dairy industry, which are usually our bread and butter customer base.”*
- *“September was worse than expected mostly due to delivery dates from manufacture.”*

Equipment Category Sales Trends



Order Growth

Overall Orders

- Incoming orders grew 4% on average in September, consistent with August.
- AGCO and New Holland dealers saw order growth of up 5% while Shortlines and Case IH dealer orders came in at the low end at 3% on average for the month.
- The Pacific region saw the highest average orders growth at 10%, while Delta States saw the weakest results with order growth down (1%).

New Combine Order Intentions

- A net 16% of dealers now plan to order fewer new combines for 2012 delivery than projected a month ago.
- A net 12% 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.

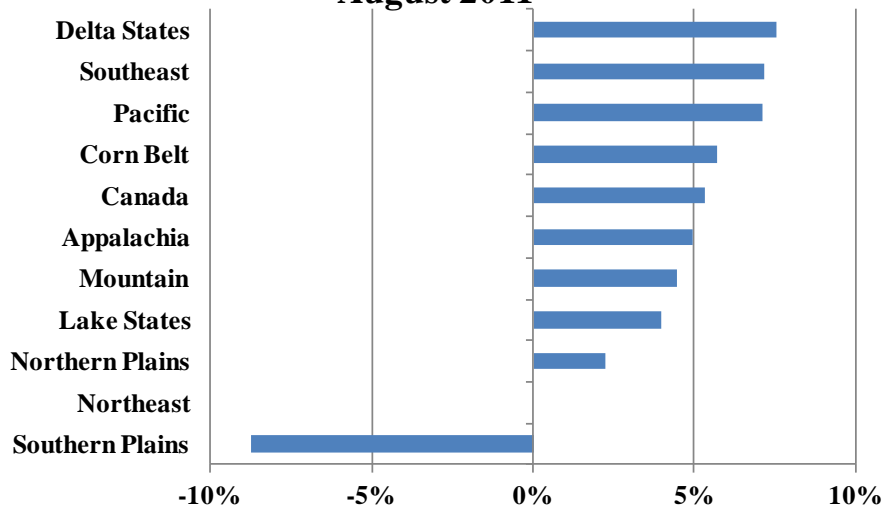
Average Orders Growth						
(% chg v/v)	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11
Overall	3%	3%	3%	5%	4%	4%
By Brand	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11
AGCO	4%	8%	5%	10%	10%	5%
John Deere	4%	2%	2%	5%	3%	4%
New Holland	4%	2%	3%	5%	5%	5%
Case IH	1%	3%	2%	4%	3%	3%
Kubota	9%	1%	6%	6%	6%	4%
Shortlines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

New Combine Order Intentions vs. Last Year			New Combine Order Intentions vs. Last Month		
	August	September		August	September
More	22%	20%	More	15%	9%
Same	47%	48%	Same	56%	66%
Less	31%	32%	Less	29%	25%
Net % (More- Less)	-10%	-12%	Net % (More- Less)	-14%	-16%

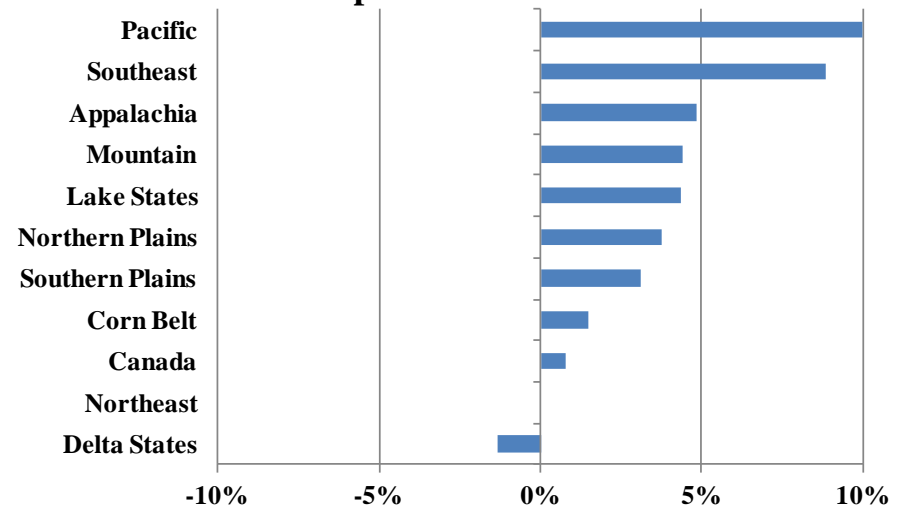
Order Growth by Region

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

Average Monthly Order Growth by Region
August 2011



Average Monthly Order Growth by Region
September 2011



2012 Sales Outlook

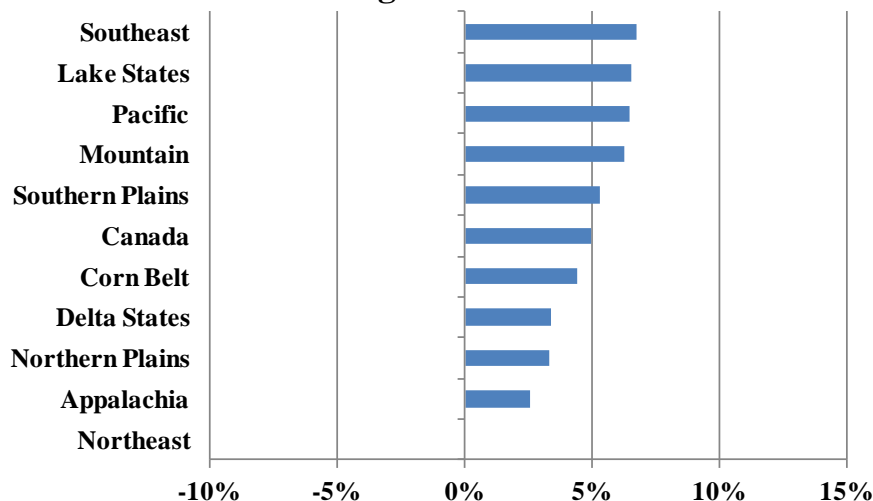
- Looking out to 2012, dealers lowered their initial forecast for 2012 on average and are now expecting 2% sales growth for the full year, down from 5% in August.
- Consistent with the above average order growth, it is not surprising that AGCO dealers are still the most optimistic reporting the highest full year growth outlook at 8% while John Deere and Shortline dealers report the least optimistic outlook at 1% and 2% on average, respectively.
- Interestingly, Deere dealers outlook came down the most from 4% last month to just 1% growth last month.
- The Southeast region reported the highest average full year sales outlook for 2012 at up 11% while the Southern Plains is the least optimistic with dealers forecasting down (5%) on average.

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

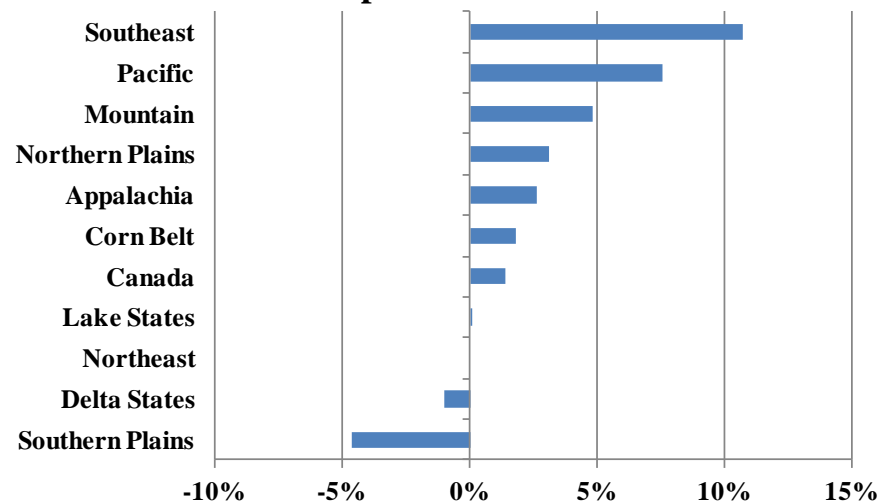
2012 Sales Outlook Continued

- Seven out of eleven regions are projecting a positive full year sales outlook in September, down from ten out of eleven in August. Dealers in the Southeast, Pacific, and Mountain regions are the most optimistic while the Southern Plains and Delta States are forecasting sales to decline in 2012.
- On a sequential basis, the Southeast and Pacific regions are now projecting slightly more optimistic full year sales growth compared to August while dealers in the Southern Plains and Lake States have lowered their average outlook the most from last month.

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



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

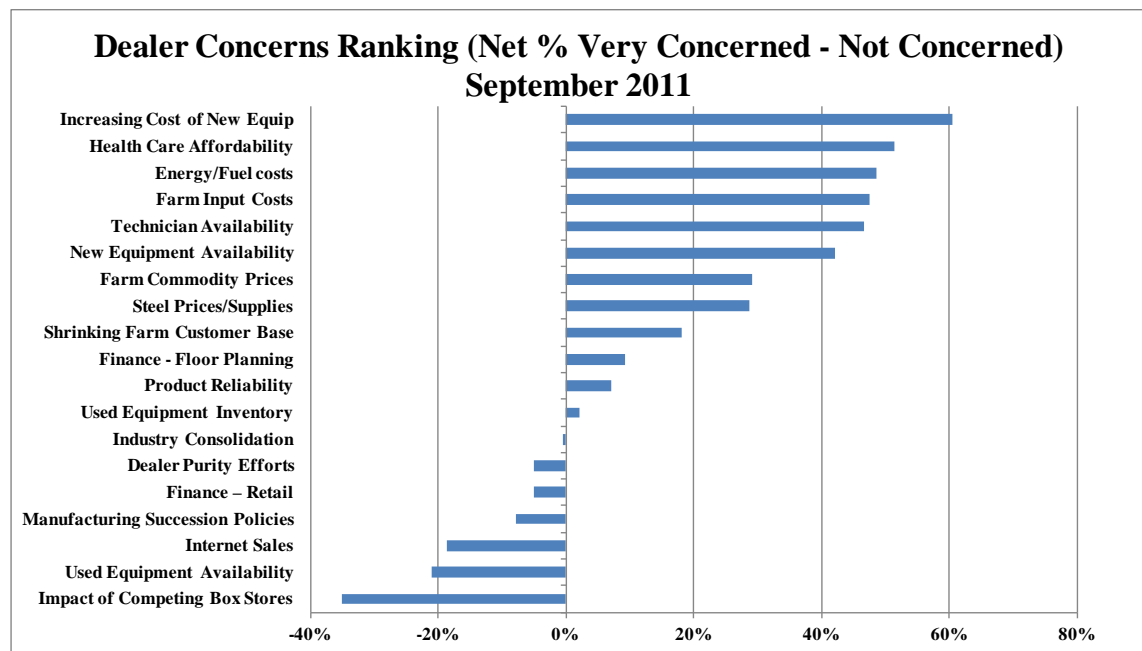


Dealer Commentary on 2012 Outlook

- *“Deere is sold out on planters for 2012, 2012 combines are allocated, and we have sold our allocation so new equipment sales for next year are fairly easy to budget.”*
- *“We think 2012 will be better because farmers are reporting good crop quality and quantity.”*
- *“We think 2012 will be worse than 2011 due to weather issues (hot, dry summer, hurricane and then flooding) combined with rising equipment pricing (iT4 engines) and falling commodity prices on the AG side and worsening general economy will depress consumer and LPO sales further.”*
- *“We are more optimistic due to delay in planting season has not resulted in wide spread reductions in revenue potential for farm operators as expected earlier.”*
- *“We are more optimistic due to poultry industry is down, cattle demand is high, and row crop is making a comeback.”*
- *“We are less optimistic. We’re not sure how the recession will affect our industry and if there will be an economic lag factor to consider. In other words, will 2012 start off really well but taper off quickly due to economic slowdown elsewhere in markets.”*
- *“We are less optimistic. We are currently out of products to sell as we have sold out of Schulte cutters and lost our tractor provider we have equipment on order but are looking 60 days before delivery.”*

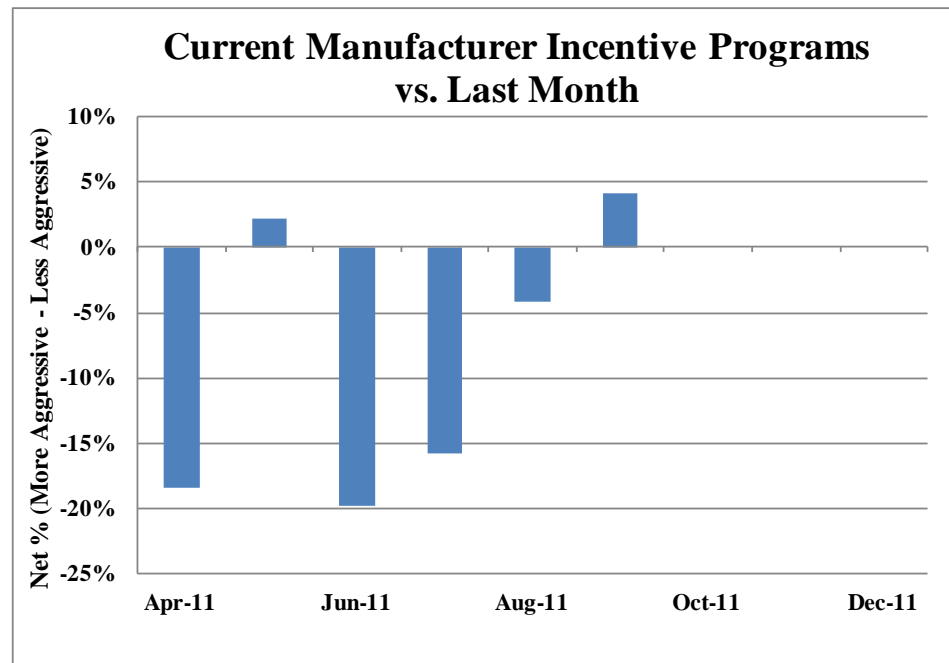
Dealer Concerns for 2012

- Dealers are most concerned about the increasing cost of new equipment, healthcare affordability, energy/fuel costs, and farm input costs.
- The least concerning issues to dealers relate to the impact of competing box stores, used equipment availability, internet sales, manufacturing succession policies, retail finance, and dealer purity efforts.



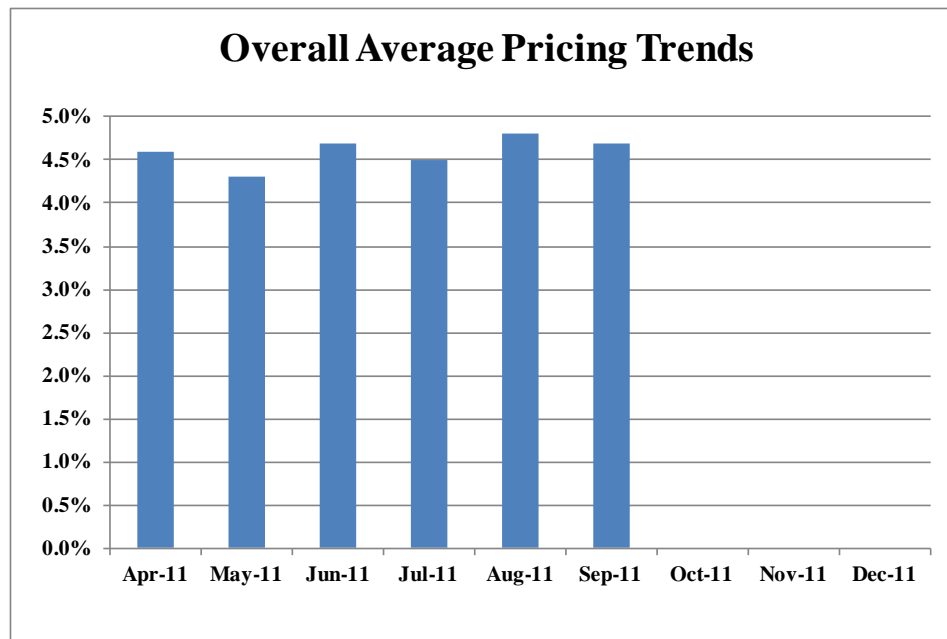
Current Manufacturer Incentive Programs

- A net 4% of dealers report that manufacturers are more aggressive with incentives in September (21% more aggressive; 61% same; 17% less aggressive) compared to August. This is a reversal from the past few months where dealers reported manufacturers were less aggressive with incentive programs. It appears Early Order/Pre-sell Programs are the reason for the three month trend.



New Equipment Pricing Environment

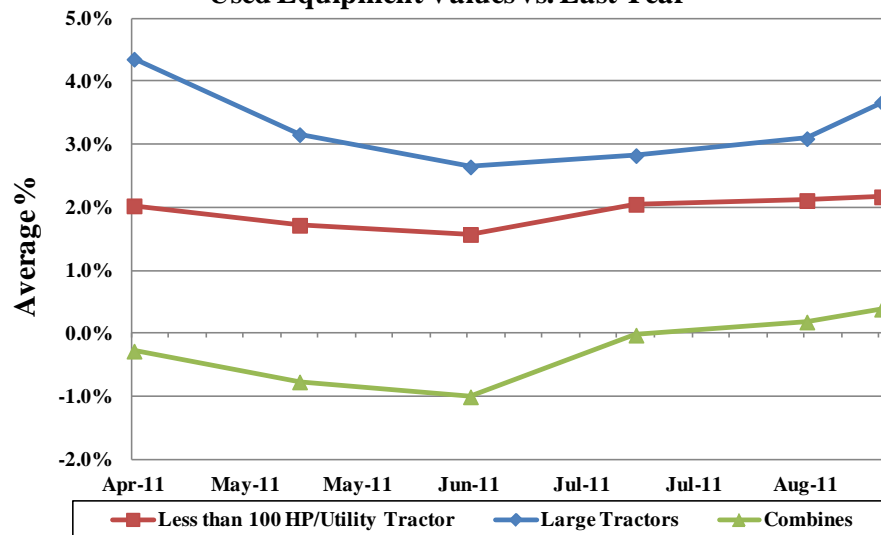
- Dealers report new equipment prices up an average of 4.7% year-over year which is slightly lower than our August survey showing prices up an average of 4.8%.



Used Equipment Pricing

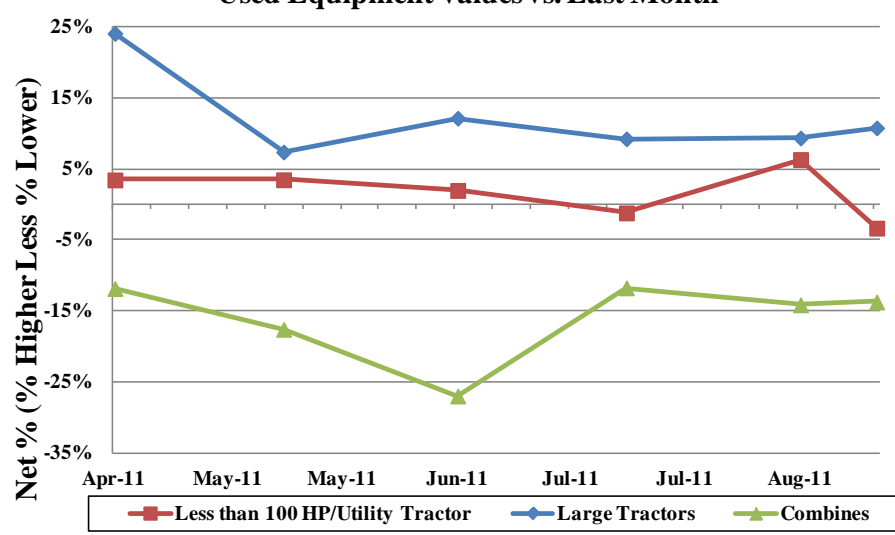
- Dealers are reporting slightly higher used prices in September compared to our August survey. By category, tractors over 100HP are up 3.7% year-over-year on average in September versus 3.1% in August while prices for used tractors under 100HP are 2.2% in September, roughly consistent with August. Used combine values came in slightly higher year-over-year at 0.4% in September, up from a 0.2% reading last month.
- Sequentially, a net 3% of dealers report lower values for under 100HP/utility tractors (7% higher; 82% same; 10% lower), down from August when a net 6% reporting higher values. For over 100HP tractors, a net 11% of dealers report higher values vs. last month (19% higher; 72% same; 8% lower), up from a net 9% in August. Finally, a negative net 14% are reporting used combine values are lower vs. last month (11% higher; 64% same; 25% lower), consistent with August.

Used Equipment Values vs. Last Year



Source: Cleveland Research

Used Equipment Values vs. Last Month



Source: Cleveland Research

Inventory Levels

New Equipment Inventory

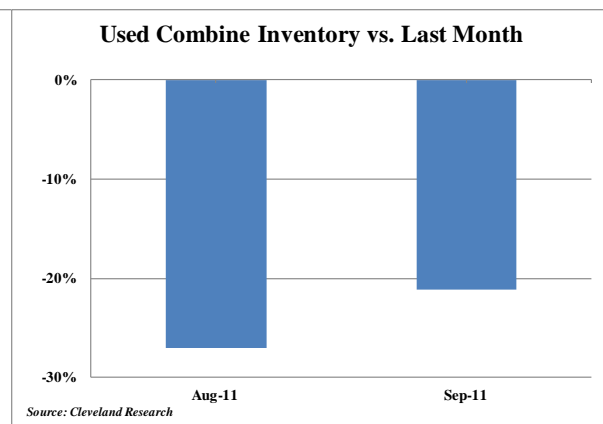
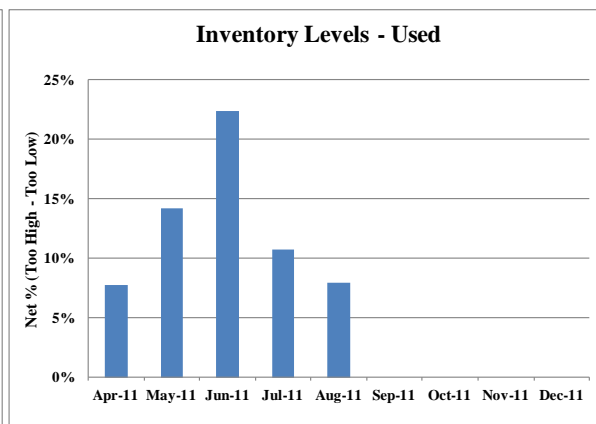
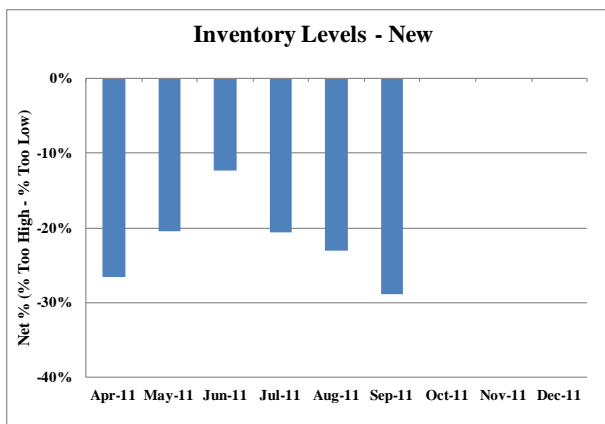
- Given the extended lead-times for new equipment it is no surprise that new equipment inventory is tighter as a net 29% of dealers categorize their new inventory as “too low” (14% too high; 43% about right; 43% too low), which is up from a net 23% last month.

Used Equipment Inventory

- By contrast, An improving situation is seen in used equipment as a net 0% of dealers now categorize their used inventory levels as “too high” (25% too high; 50% about right; 25% too low) compared to a net 8% last month. It is encouraging to see more dealers feeling more comfortable with used equipment, as strong seasonal sales appear to be contributing to the improvement.

Used Combine Inventory

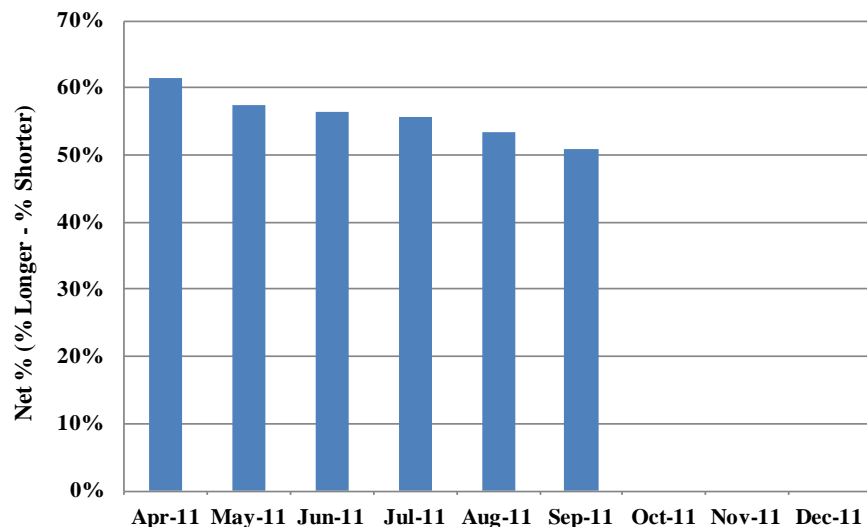
- Dealers continue to see their used combine inventory shrink, but the pace moderated this month. A net 21% of dealers reported used combine inventory levels were lower compared to last month (17% higher; 45% same; 38% lower) vs. a net 27% in August (10% higher; 53% same; 37% lower).



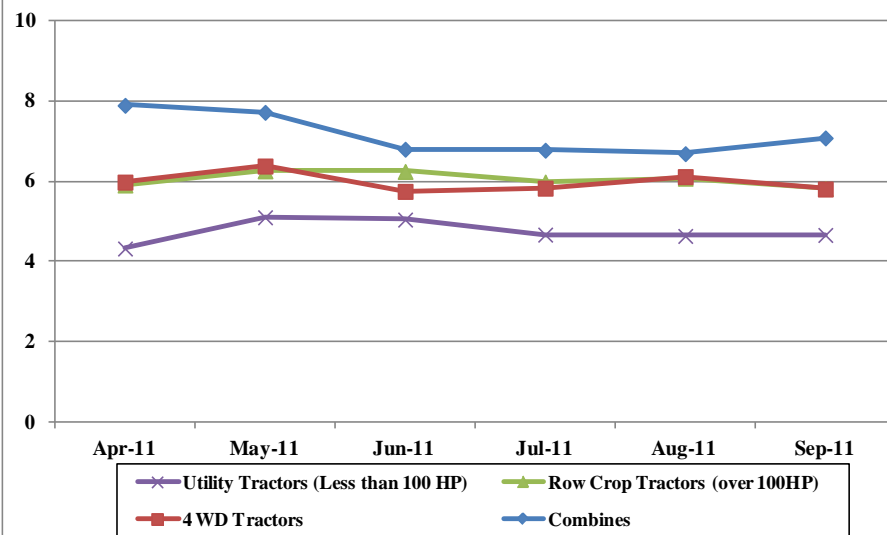
Equipment Availability

- Overall, a net 50% of dealers report longer factory lead-times compared to last month (53% longer; 44% same; 3% shorter), down from the net 53% in August. Lead-times appear to be gradually improving overall, but 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 all four core product categories we measure are roughly consistent with August. On average combine lead times are ~7 months; 4WD and row crop tractor lead times are ~6 months; Smaller tractors (<100 HP) lead times are still ~5 months.

Lead Times - Versus Prior Month



Lead Times By Product Category (Months)



Dealer Commentary on Inventory Levels

- *“New combine orders for MY 2012 will be the same as a month ago due to new combines are allocated.”*
- *“New combine orders for MY 2012 will be the same as a month ago due to normal purchase turnover.”*
- *“New combine orders for MY 2012 will be less due to 12% price increase YOY.”*
- *“We’re still concerned about availability.”*
- *“New machinery keeps getting pushed back to later build/delivery dates-makes it hard to plan our business and meet manufacturer's sales goals when the product just simply isn't out there to sell.”*
- *“We have a difficult time getting orders when we want them. They always seem to fall way too early or after the season.”*
- *“We’re concerned about the length of time to receive retail orders.”*
- *“100-140 hp tractors are very short. We have almost none and are not expecting many for the rest of the year.”*
- *“It varies greatly by product type. For most large ag product groups there is ZERO ability to STOCK DEERE equipment.”*

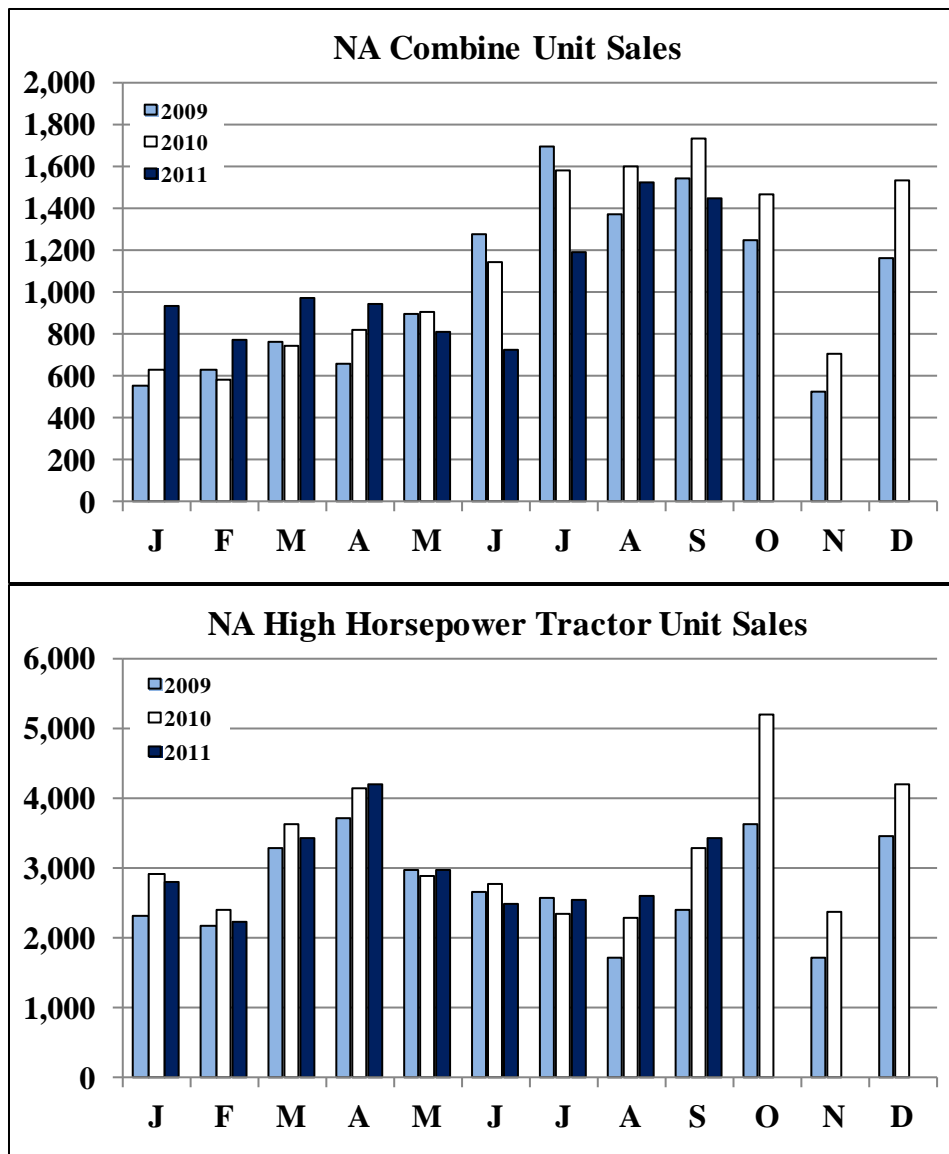
NA Farm Equipment Industry Retail Sales and Inventory

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
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%

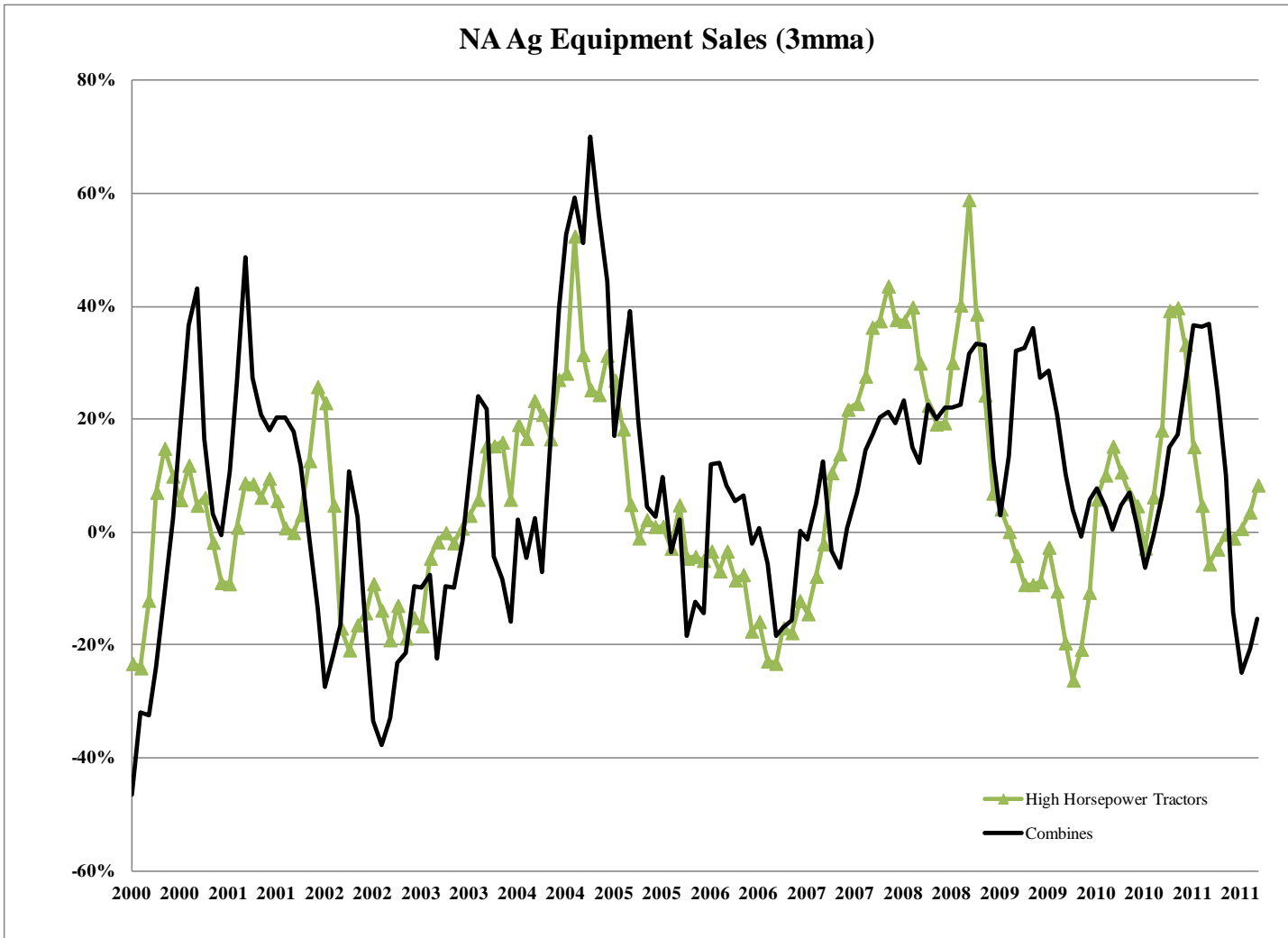
NORTH AMERICAN FARM EQUIPMENT RETAIL SALES														
	Units							% change year-over-year						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Memo: High hp	Combines	<40HP	Util	RC	4-WD	Total	High hp	Comb
Jan-10	3,687	3,181	2,606	327	9,801	2,933	633	(1%)	(8%)	31%	4%	3%	27%	14%
Feb-10	3,893	2,670	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%)

Source: AEM, CRC Estimates

Annual Ag Equipment Industry Sales – 2009-2011

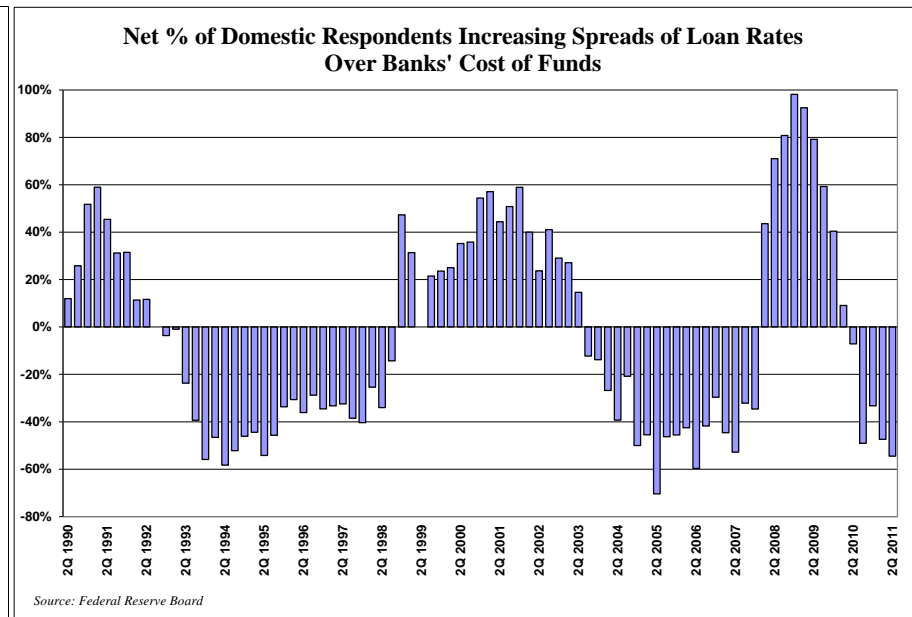
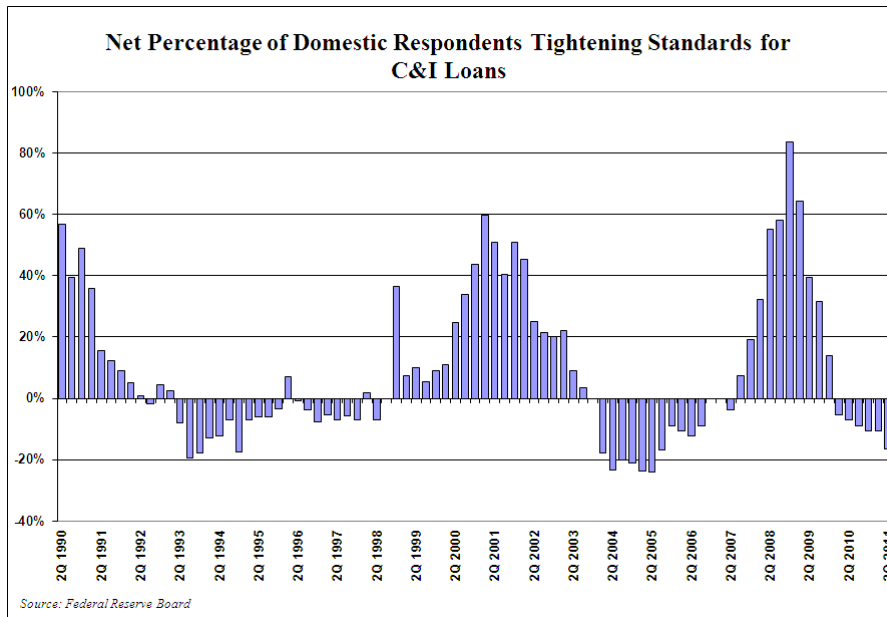


NA Ag Equipment Sales



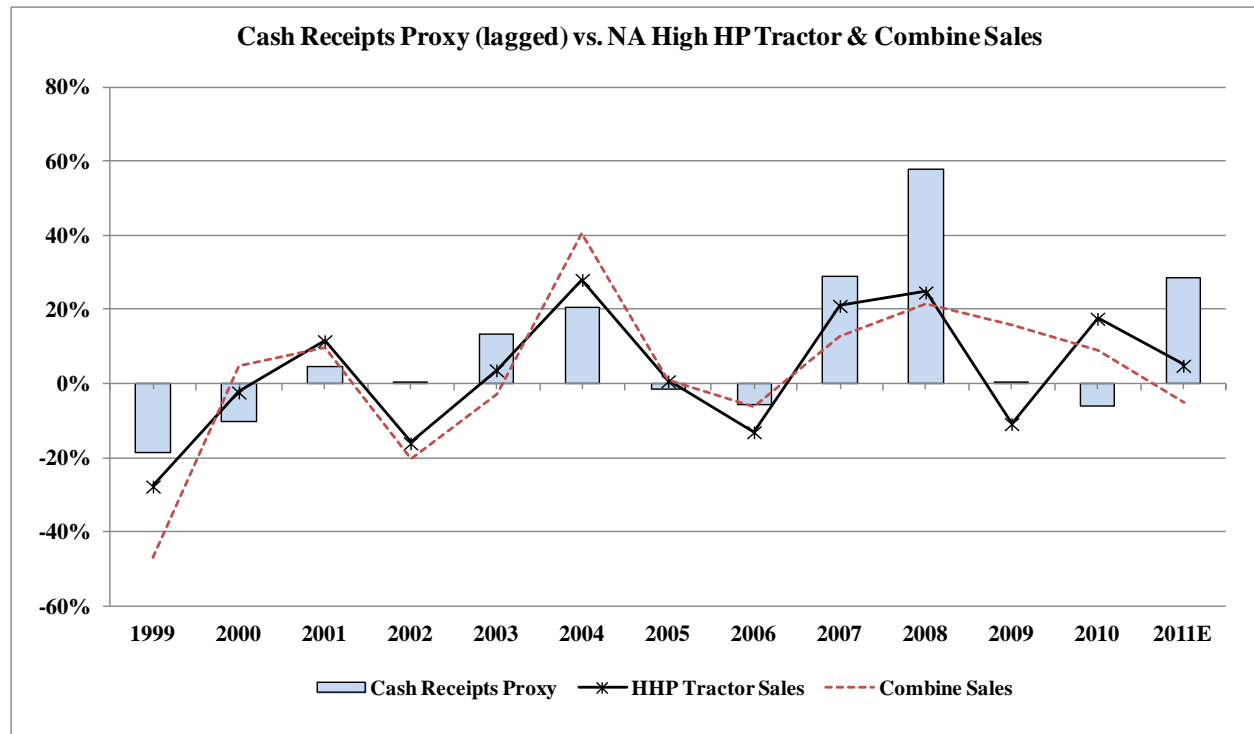
Credit – C&I Loan Demand Improves as Lending Standards Loosen

- 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 a downward revision to prices for the most important crops - corn, soybeans, and wheat. This suggests lower expected cash receipts vs. last month's forecast, as depicted in our simplified cash receipts proxy on the following slide and helps explain the lower growth outlook for next year. The impact to our simplified farmer crop cash receipt proxy is a decrease of over \$7Bil, down to just under \$139Bil, or about 18% above last year's level. This compares to last month's forecast for a 24% increase in cash receipts yr/yr, and 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.



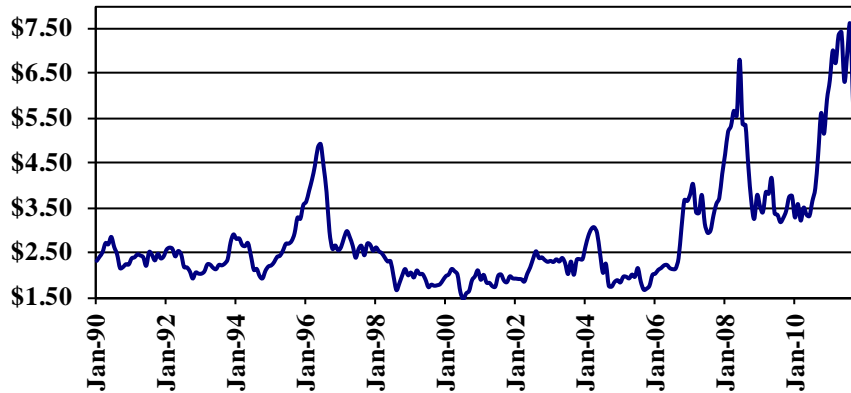
Commodity Price Trends – Simplified Cash Receipts Proxy

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					
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%	
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%	
Revision to 2011/12:				Corn Spot Price: \$6.44									
m/m chg	-64	0	-50	-50	194	1.7%	(\$0.30)	m/m chg	278	200	34	0.0%	
y/y chg	-14	-440	-300	-740	136	1.5%	\$1.45	y/y chg	1776	1546	-97	-1.7%	
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					
August	3,056	3,146	1,400	4,546	155	4.9%	\$12.50-\$14.50	August	6,404	7,893	2,084	26.4%	
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%	
Revision to 2011/12:				Soybean Spot Price: \$12.04									
m/m chg	-25	-31	-40	-71	-5	-0.1%	(\$0.50)	m/m chg	11	-27	22	0.4%	
y/y chg	-269	-195	-175	-370	-10	0.0%	\$1.75	y/y chg	146	291	-19	-1.3%	
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					
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%	
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%	
Revision to 2011/12:				Wheat Spot Price: \$6.26									
m/m chg	-69	-84	-50	-134	76	10.8%	(\$0.35)	m/m chg	182	-6	209	0.9%	
y/y chg	-200	-2	-300	-302	-2	0.0%	\$1.85	y/y chg	1415	455	743	2.7%	
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													
August	12,914	3,056	2,077		\$6.70	\$13.50	\$7.60		\$86,524	\$41,256	\$15,785	\$143,565	22%
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%
*Note: Cash receipts estimated as USDA production X USDA average price forecast													

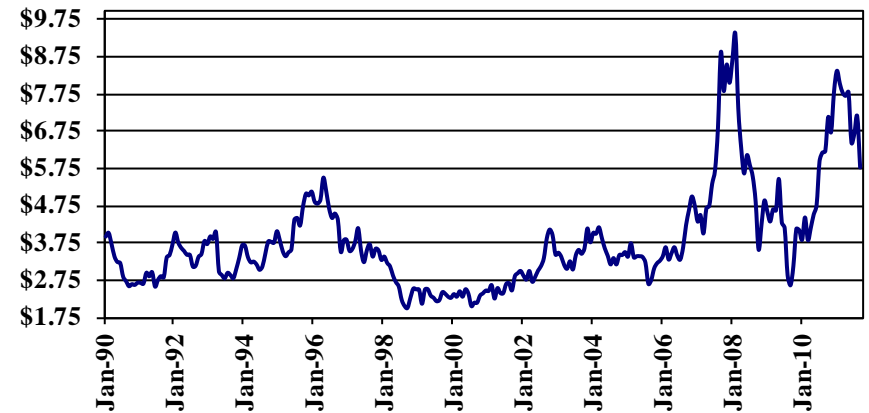
Source: USDA; Cleveland Research estimates

Commodity Price Trends – Corn, Soybean, Wheat, Cotton

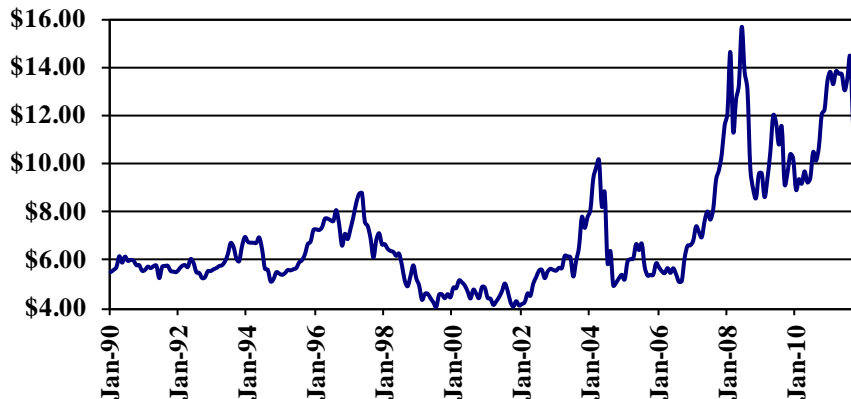
Corn Price Trends



Wheat Price Trends



Soybean Price Trends

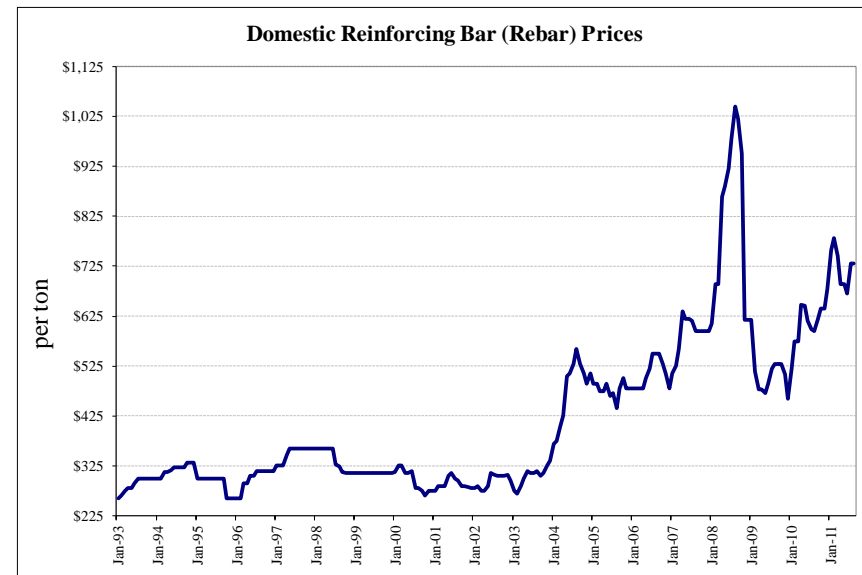
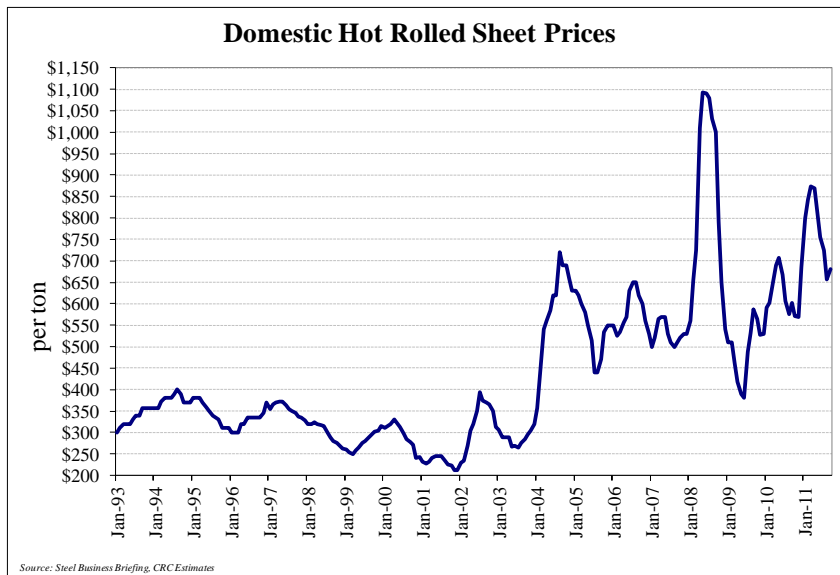


Cotton Price Trends

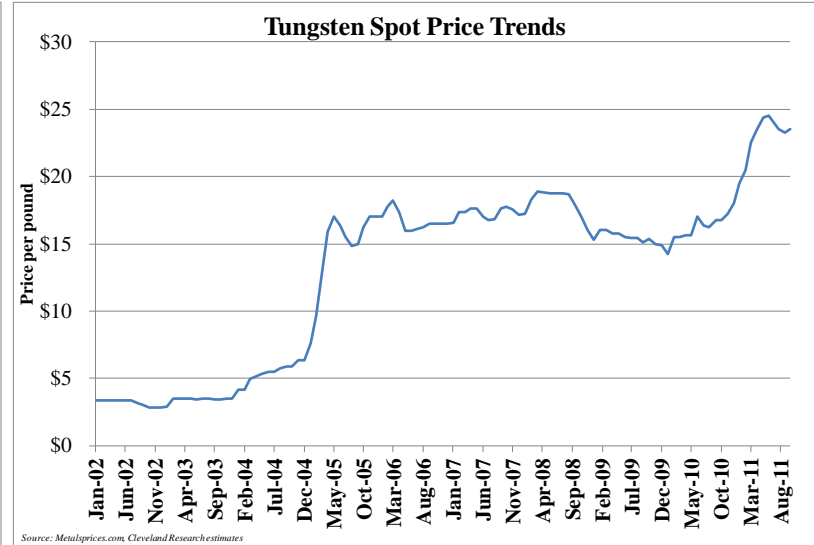
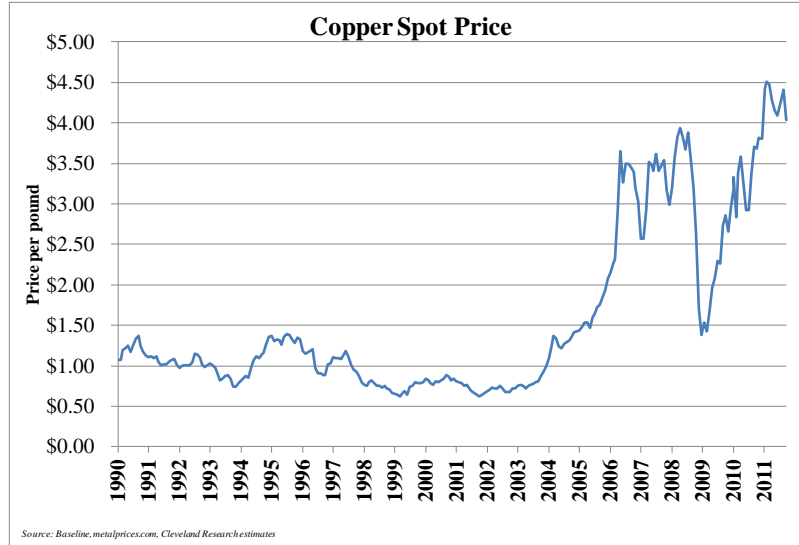
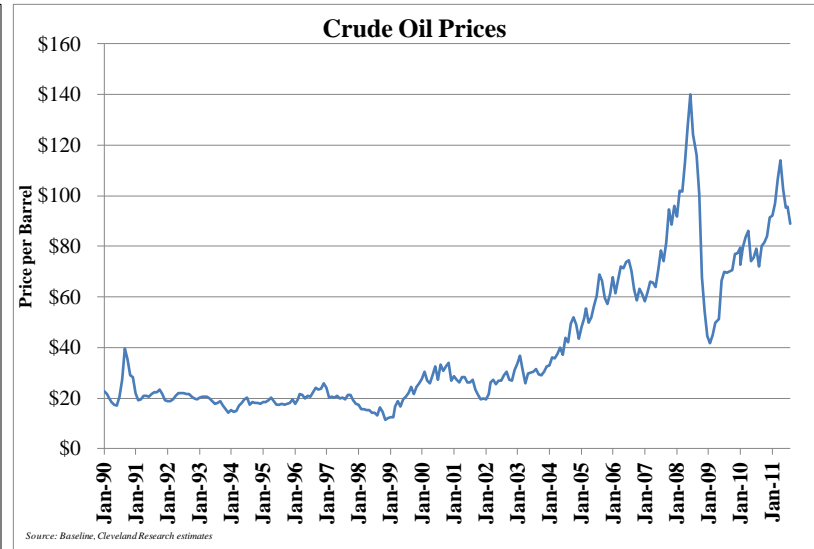
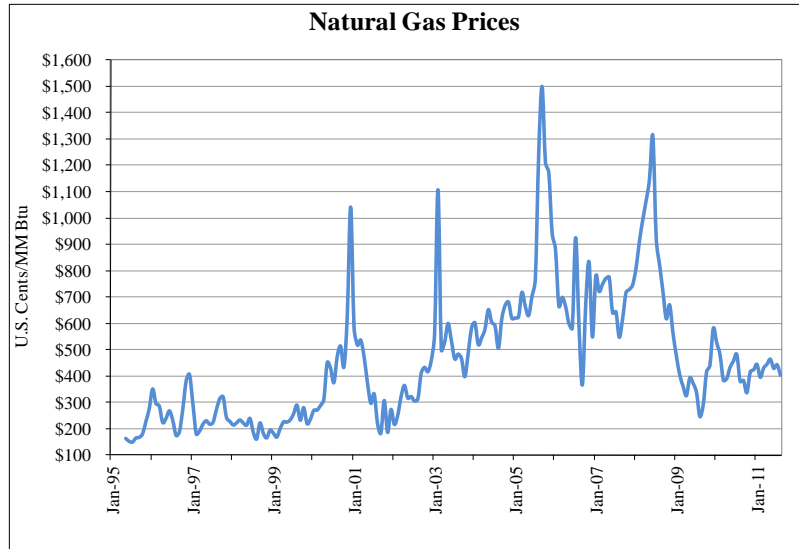


Commodity Price Trends – Steel

- The October steel distribution update points to the third straight month of challenging fundamentals, with steel orders trending well below expectations for the month. The comp took another step down to the flat-to-up 5% range, a correction from the +6-8% comp recorded the past two months (and down from the +10% comp in the early Spring). Given the lack of orders over the last 30 days and the dismal view for volumes for the remainder of 2011, the channel is now only expecting 2011 consumption growth of +4-5%, which is down from the +5-7% outlook given previous.
- Steel prices are in retreat once again. The price increase attempts from the mills over the 45-60 days did not hold in the marketplace for long and the average hot-rolled coil price is back down to between \$660-680 per ton (the mills were asking for \$700 per ton 30 days ago). The channel believes that there is further downside to pricing, as the supply-demand imbalance becomes enhanced on 2H, and we believe the cash-cost floor is between \$625-650 per ton.



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



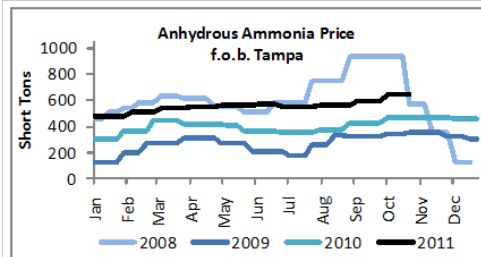
Commodity Trends – Long Run Supply and Demand Projections

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

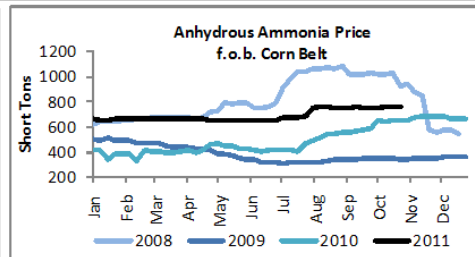
SOYBEANS - DOMESTIC							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	3,188	1,955	1,118	3,073	573	29.3%	\$9.00
2007/08	2,676	1,893	1,161	3,054	205	10.8%	\$10.10
2008/09	2,921	1,907	1,020	2,927	205	10.7%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

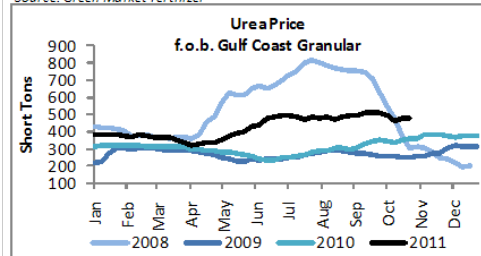
Other Input and Chemical Costs – 2008-2011



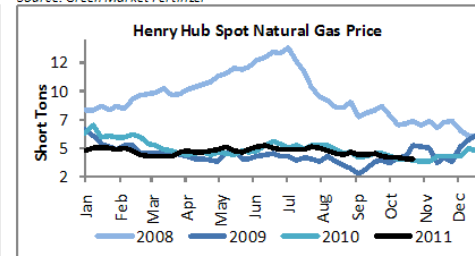
Source: Green Market Fertilizer



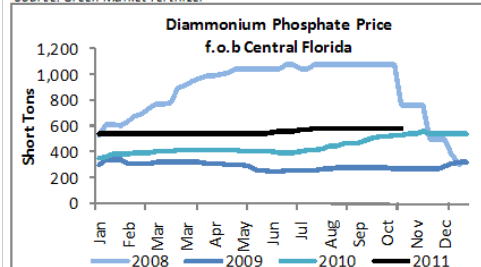
Source: Green Market Fertilizer



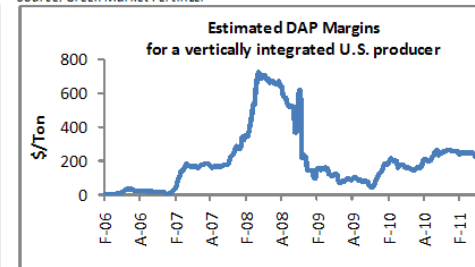
Source: Green Market Fertilizer



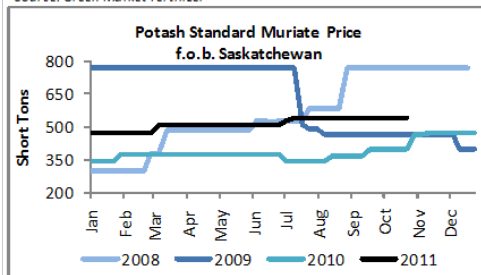
Source: Green Market Fertilizer



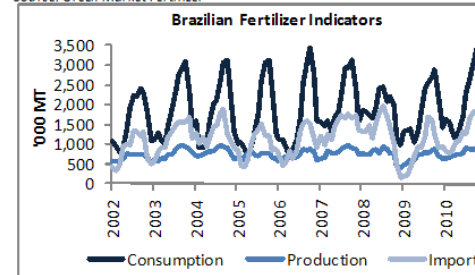
Source: Green Market Fertilizer



Source: Green Market Fertilizer

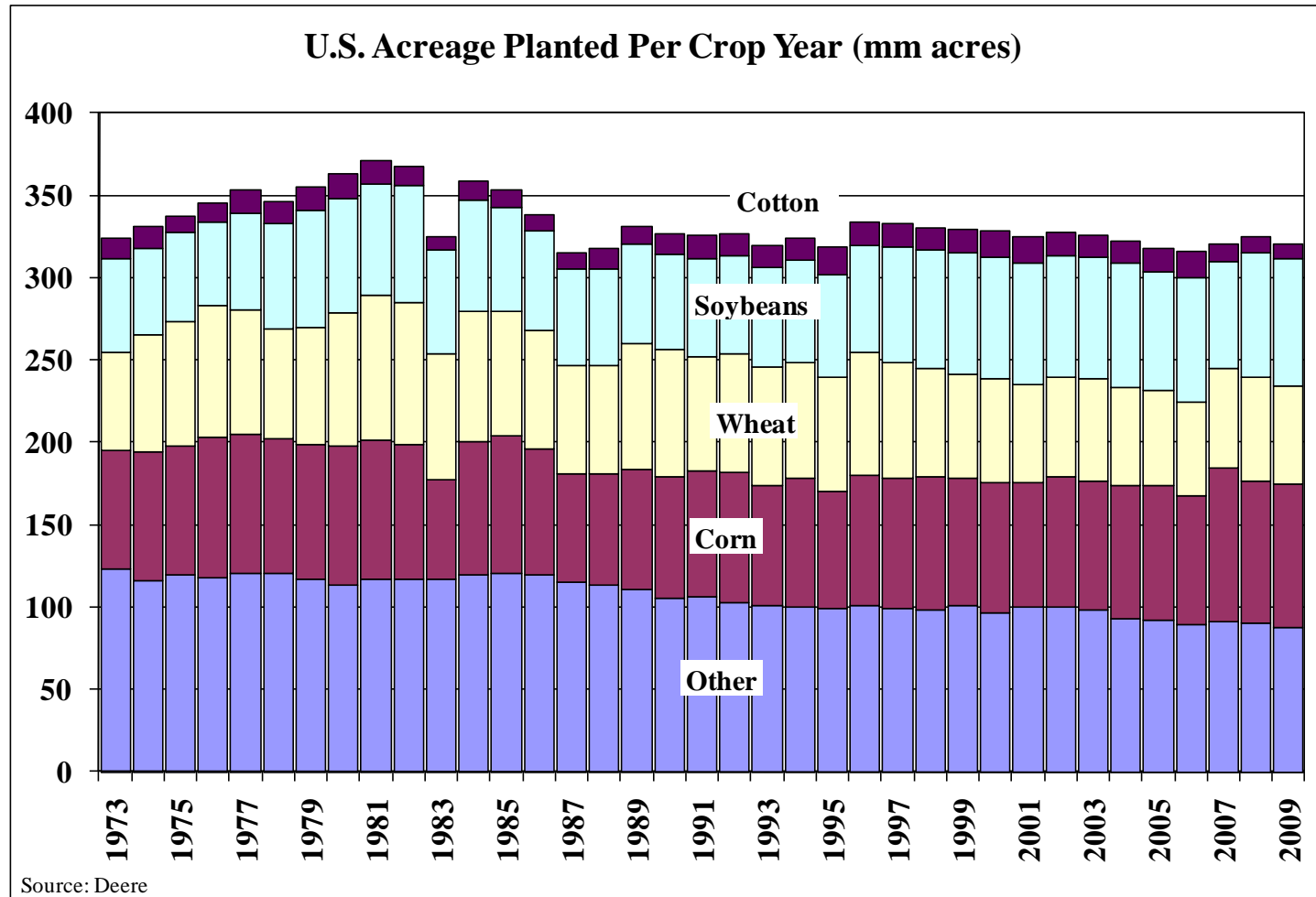


Source: Green Market Fertilizer



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