

Ag Equipment Intelligence

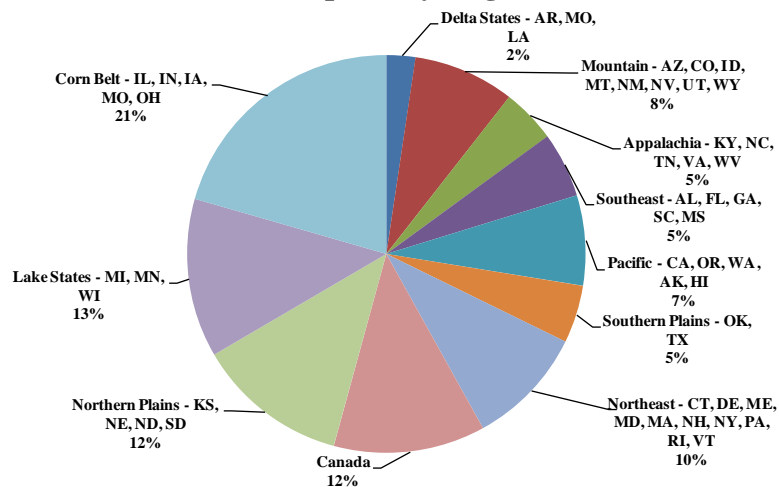
Dealer Trends and Business Outlook
September 2011

Monthly Ag Equipment Intelligence North American Dealer Survey

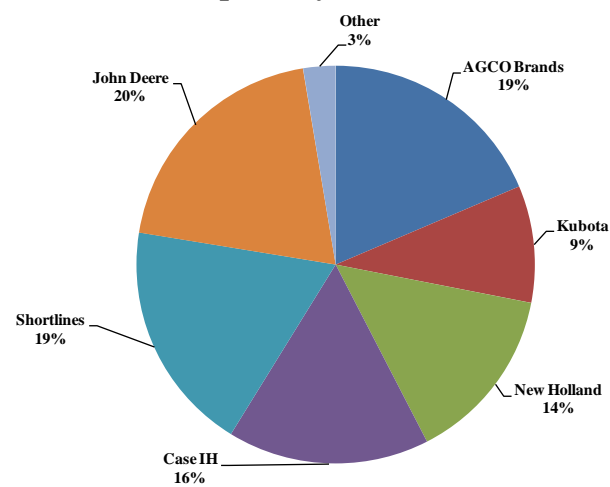
Background:

- We are pleased to announce the results of the August Ag Equipment Intelligence survey conducted in partnership with Cleveland Research Company. We hope this monthly survey will provide valuable and timely insight into industry trends and fundamentals.
- The September survey had 345 respondents representing combined annual revenues of roughly \$13.2 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 Remains Stable** – Ag equipment dealers reported year-over-year sales growth of 6% on average in August, consistent with June and July.
- **Respondents Are more Optimistic About the Remainder of 2011; The Initial 2012 Outlook is for 5% Sales Growth** – Despite sales growth unchanged vs. July this month, dealers raised their full year growth forecast for the second month in a row to 8%, up from 7% in July. Strong order growth has respondents expecting 5% growth in 2012.
- **Equipment Availability Continues to be the #1 Concern** – Availability of equipment continues to be a significant impediment to growth this year. All four products' lead times are roughly consistent with July, indicating no meaningful improvement this month.
- **Dealer Optimism Index Improves** – Our Dealer Optimism Index is a measure of sentiment amongst dealers compared to the prior month. A net 15% of dealers report they have a more optimistic outlook versus last month (30% more optimistic; 55% same; 15% less optimistic) compared to a net 12% in July.

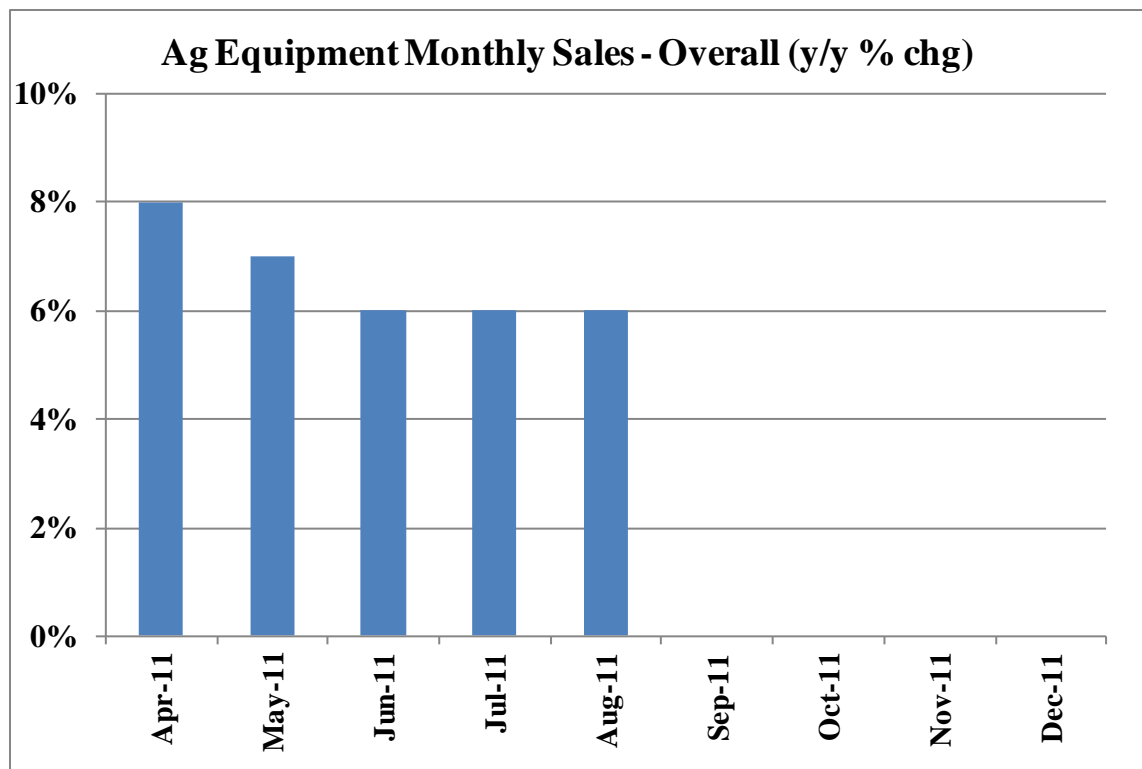
Optimism/Sentiment vs. Last Month					
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
More Optimistic	33%	25%	31%	32%	30%
Same	54%	54%	44%	49%	55%
Less Optimistic	13%	21%	25%	20%	15%
Net % (More- Less)	21%	3%	6%	12%	15%

Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales growth of 6% on average in August, consistent with June and July.
- AGCO dealers reported the highest average sales growth at up 14% while John Deere dealers saw the weakest results in the month with sales up 5% on average.
- A net 13% of participants categorized August results as “better-than-expected” (30% better-than-expected; 52% in-line with expectations; 18% worse-than-expected) which compares to the prior month when a net 8% report sales were “better-than-expected.”
- The Mountain region reported the highest average sales growth at up 15% while the southern plains saw the worst results with sales down (16%) 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>
Overall	8%	7%	6%	6%	6%
<u>By Brand</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>
AGCO	12%	13%	11%	9%	14%
John Deere	8%	8%	7%	5%	5%
New Holland	8%	4%	5%	7%	6%
Case IH	5%	4%	3%	8%	7%
Kubota	13%	5%	7%	12%	7%
Shortlines	n/a	-13%	3%	5%	6%
Other	n/a	n/a	n/a	2%	-3%
<u>By Region</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>
Appalachia	5%	-4%	1%	10%	9%
Canada	5%	8%	7%	7%	4%
Corn Belt	3%	6%	4%	9%	10%
Delta States	10%	4%	7%	-1%	5%
Lake States	11%	16%	11%	4%	4%
Mountain	3%	8%	9%	10%	15%
Northeast	13%	12%	13%	13%	0%
Northern Plains	11%	3%	3%	8%	6%
Pacific	11%	10%	8%	8%	13%
Southeast	0%	17%	9%	5%	8%
Southern Plains	-1%	-5%	1%	-9%	-16%

Monthly Sales Growth Continued



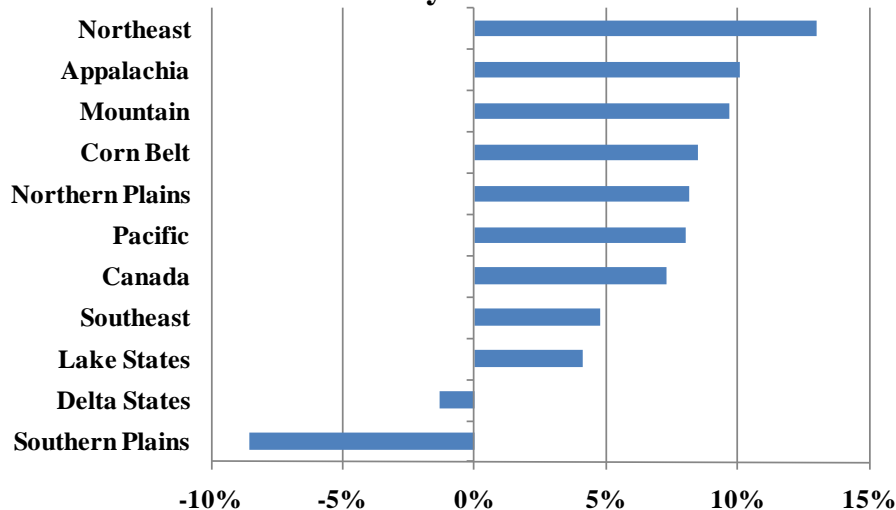
Percent Positive / Negative Growth					
	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
Positive Sales Growth	69%	60%	56%	66%	67%
Flat Sales	18%	14%	23%	15%	16%
Negative Sales Growth	14%	25%	21%	18%	18%
Net % (Positive - Negative)	55%	35%	35%	48%	49%

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

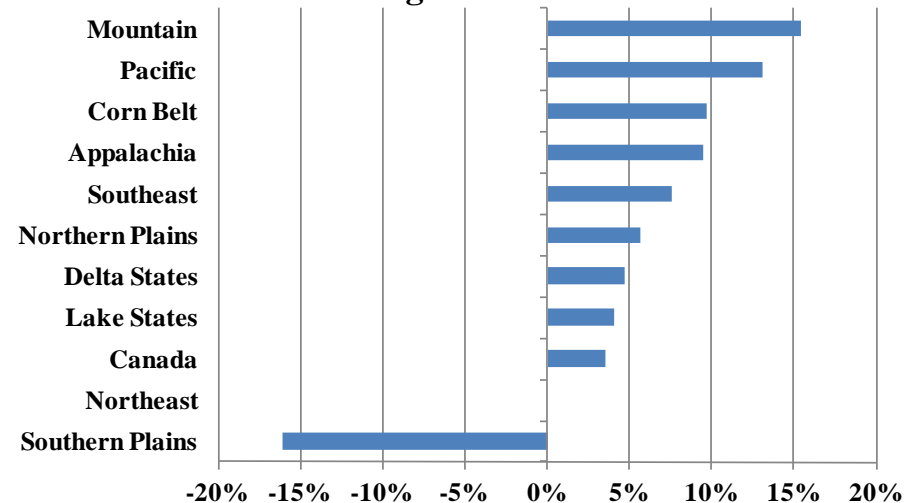
Monthly Sales Growth by Region

- Nine out of eleven regions showed positive average monthly sales growth in August, consistent with July. Mountain (AZ, CO, ID, MT, NM, NV, UT, WY), Pacific (CA, OR, WA, AK, HI), and Corn Belt (IL, IN, IA, MO, OH) head the list of best performing regions.
- On a sequential basis, Delta and Mountain regions showed the modest improvement from July while the Northeast (CT, DE, ME, MD, MA, NH, NY, NJ, PA, RI, VT) showed the most significant sequential slowing.

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



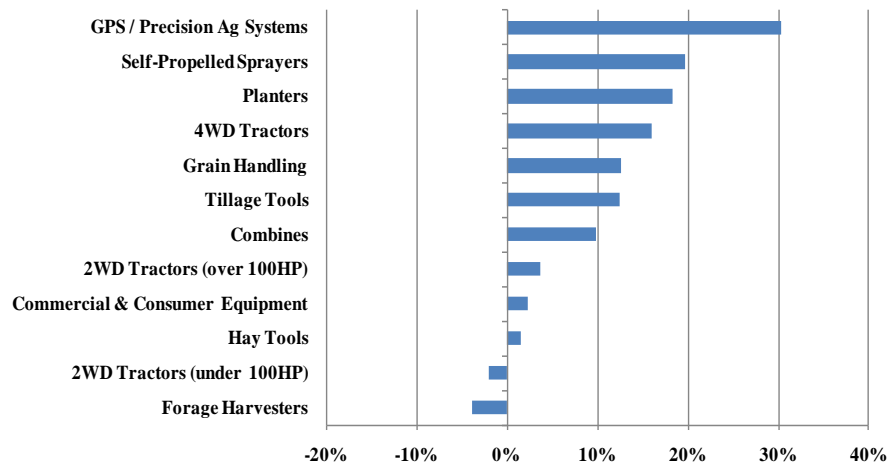
**Average Monthly Sales Growth by Region
August 2011**



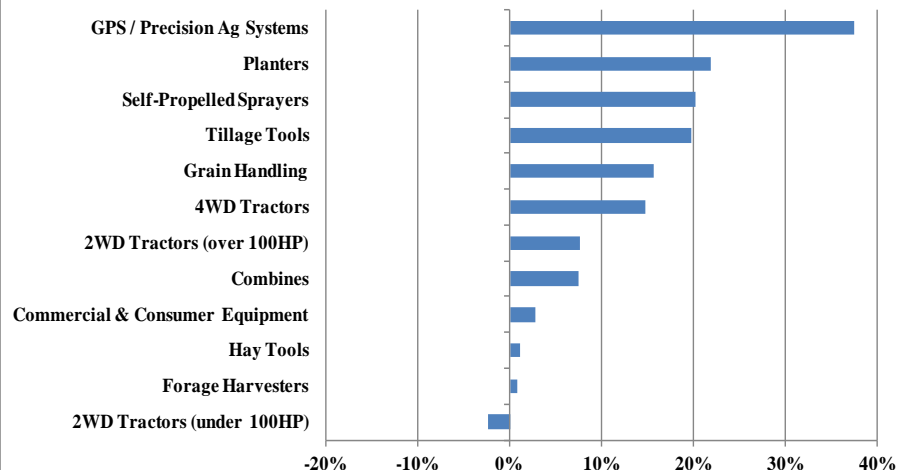
Equipment Category Sales Trends

- Eleven out of twelve product categories ranked in positive territory in August, up from eleven in July. GPS/ Precision ag systems, planters, and self-propelled sprayers head the list of top performing products while 2WD tractors (under 100HP) ranked in negative territory.
- On a sequential basis, tillage tools and GPS/ Precision ag systems showed modest improvement relative to July while combines and 4WD tractors slowed slightly sequentially.

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



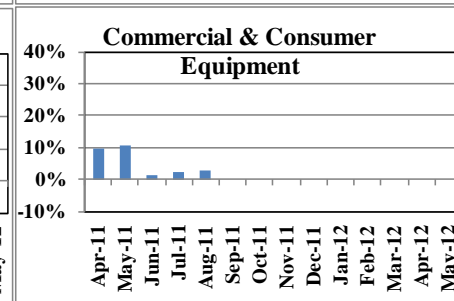
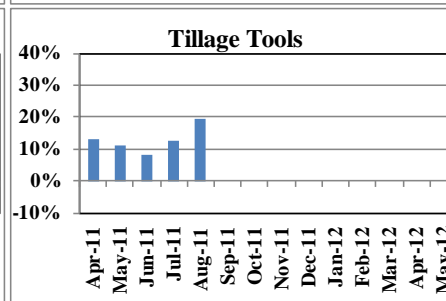
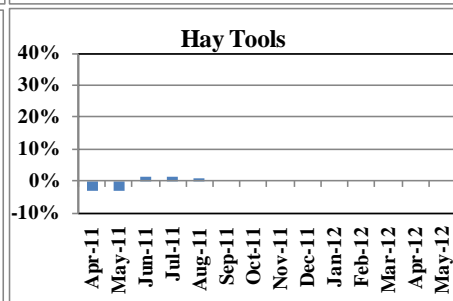
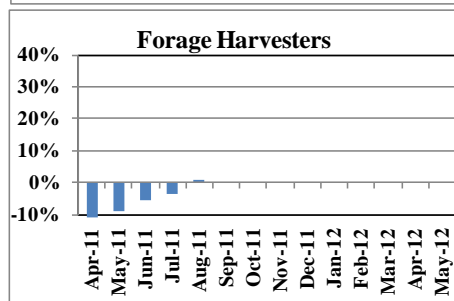
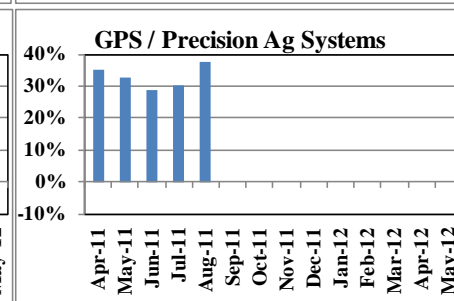
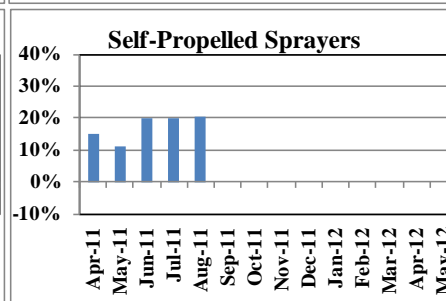
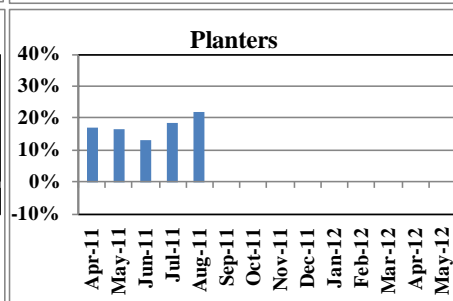
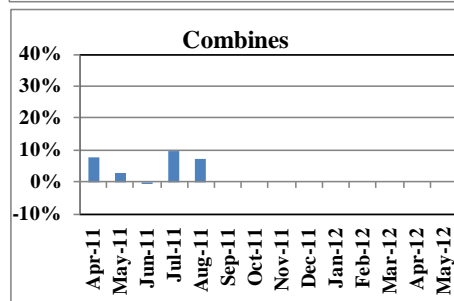
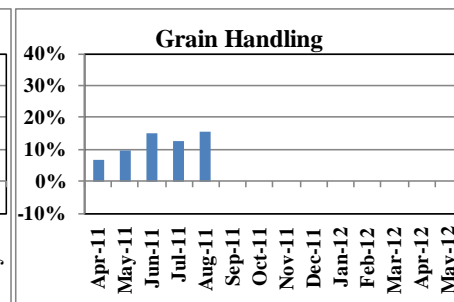
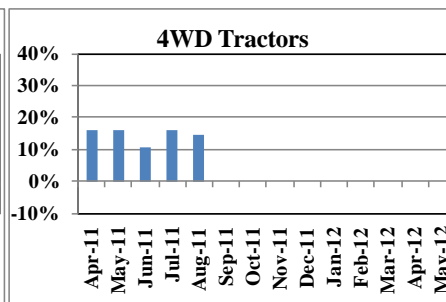
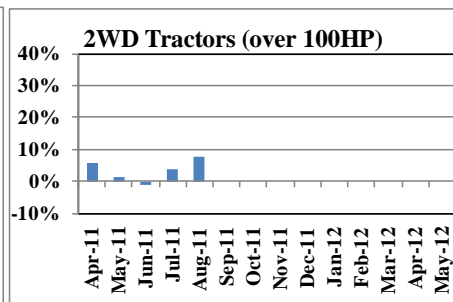
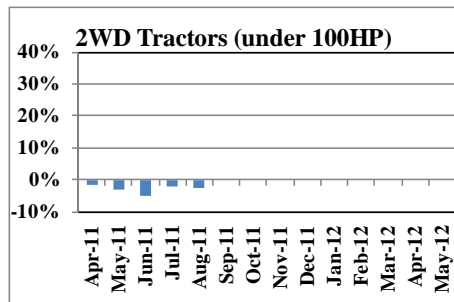
Product Category Ranking (Net % Strong - Weak)
August 2011



Dealer Commentary on August Sales

- *“Small tractor sales have picked up as well as lawn mower sales.”*
- *“We were surprised by the number of sales compared to July. August sales were double what we did in July.”*
- *“August was worse than we were expecting due to poor brand recognition and challenging supply chain issues.”*
- *“August was better than we expected. Farmers are doing things that they normally do not have time for (i.e. Road Graders, Rock Pickers).”*
- *“August was better than we expected. Late harvest customers panicked and needed to purchase extra equipment to finish harvest. Plus commodities are continuing to increase in price.”*
- *“With our wet spring it delayed hay tool purchases, so we did not see the drop off in sales that we normally would in August. There is a lot of interest in tractors now as customers are beginning to focus on year-end.”*
- *“New Holland has become an inconsistent supplier. We can't sell the product if it doesn't arrive in time for hay season.”*
- *“We saw an increased demand for tillage tools and requests for used 4WD tractors.”*

Equipment Category Sales Trends



Order Growth

Overall Orders

- Incoming orders grew 4% on average in August, down from 5% in July.
- AGCO dealers saw order growth accelerate this month at up 10% while John Deere and Case IH dealers reported sequentially slower growth in orders at 3% on average for the month.
- The Delta States saw the highest average orders growth at 8% each, while Southern Plains saw the weakest results with order growth down (9%).

New Combine Order Intentions

- A net 14% of dealers now plan to order fewer new combines for 2012 delivery than projected a month ago.
- 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/v)	Apr-11	May-11	Jun-11	Jul-11	Aug-11
Overall	3%	3%	3%	5%	4%
By Brand	Apr-11	May-11	Jun-11	Jul-11	Aug-11
AGCO	4%	8%	5%	10%	10%
John Deere	4%	2%	2%	5%	3%
New Holland	4%	2%	3%	5%	5%
Case IH	1%	3%	2%	4%	3%
Kubota	9%	1%	6%	6%	6%
Shortlines	n/a	-3%	2%	2%	4%
Other	n/a	n/a	n/a	1%	-2%
By Region	Apr-11	May-11	Jun-11	Jul-11	Aug-11
Appalachia	-1%	-4%	0%	-1%	5%
Canada	4%	1%	7%	5%	5%
Corn Belt	3%	2%	1%	8%	6%
Delta States	3%	4%	3%	-1%	8%
Lake States	7%	6%	2%	7%	4%
Mountain	-2%	5%	2%	6%	4%
Northeast	7%	6%	9%	5%	0%
Northern Plains	2%	1%	1%	7%	2%
Pacific	3%	4%	8%	8%	7%
Southeast	0%	16%	0%	2%	7%
Southern Plains	-3%	-6%	0%	-7%	-9%

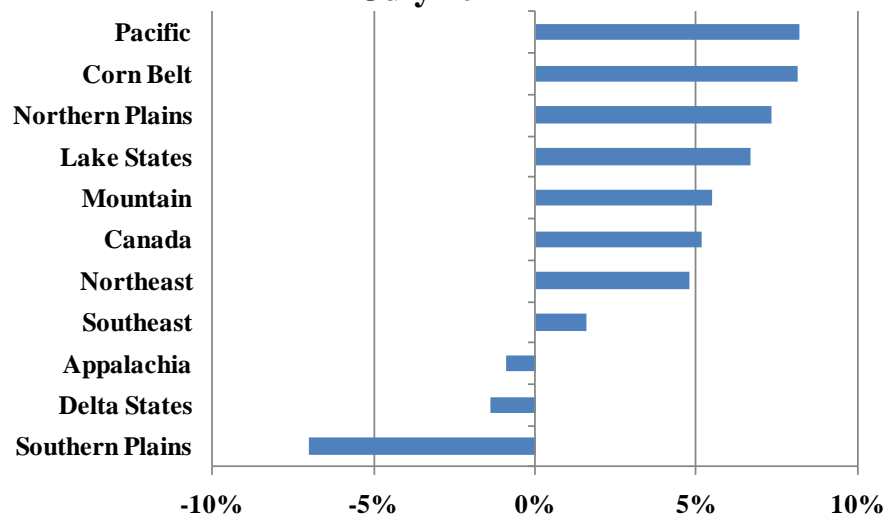
New Combine Order Intentions vs. Last Month	
	August
More	15%
Same	56%
Less	29%
Net % (More- Less)	-14%

New Combine Order Intentions vs. Last Year	
	August
More	22%
Same	47%
Less	31%
Net % (More- Less)	-10%

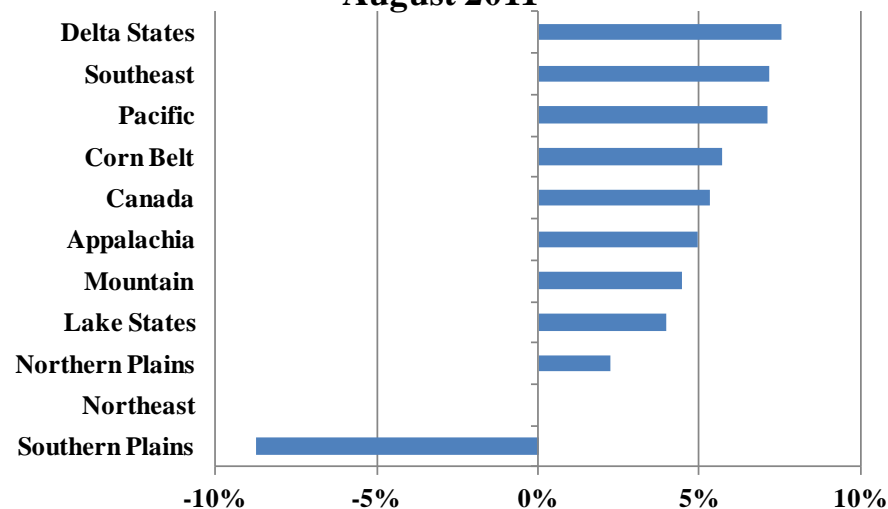
Order Growth by Region

- Nine out of eleven regions showed positive monthly orders growth in August, up from eight in July. The Delta States (AR, MO, LA), Southeast (AL, FL, GA, SC, MS), and Pacific (CA, OR, WA, AK, HI) head the list of best performing regions.
- On a sequential basis, the Delta States regions showed the most improvement from July while the Northeast (CT, DE, ME, MD, MA, NH, NY, NJ, PA, RI, VT) and Northern Plains (KS, NE, ND, SD) showed the modest sequential slowdown in order growth. Severe drought conditions still appear to be contributing to the lack of activity in the Southern Plains.

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



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



Dealer Commentary on Orders

- *“Incoming orders for 70 HP utilities with loaders, tractors, and seeding are above average.”*
- *“Haying equipment is way down.”*
- *“Planters, combines, and sprayers are trending above average. “*
- *“Planters are up from a year ago and tillage equipment is way above average.”*
- *“We have good crops, but the flooding/hail/wind are going to take about 10-20% of our crop.”*

2011 Sales Outlook

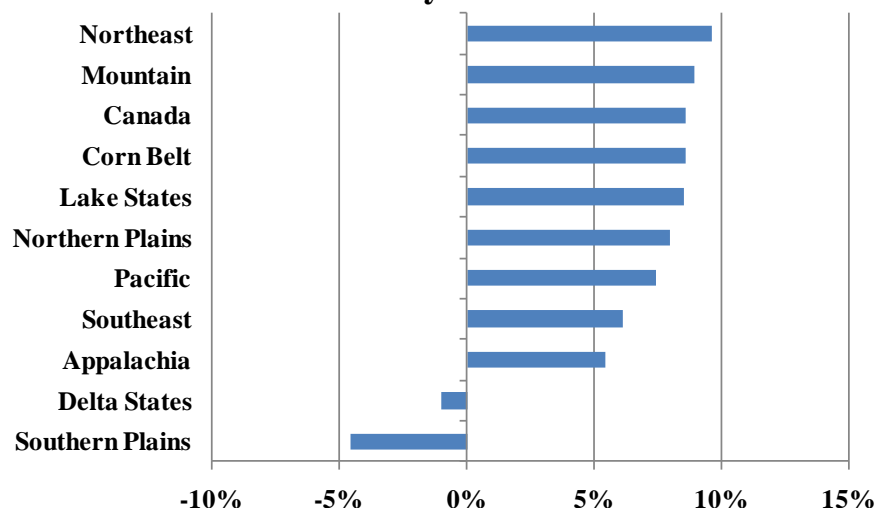
- Despite sales growth unchanged vs. July this month, dealers raised their full year sales growth forecast for the second month to 8%, up from 7% in July.
- Consistent with prior trend, AGCO dealers are the most optimistic reporting the highest full year growth outlook at 14% while Shortline dealers report the least optimistic outlook at 5% on average for the month.
- Mountain and Pacific regions reported the highest average full year sales outlook at up 11% while the Southern Plains is the least optimistic with dealers forecasting a (9%) decline on average.

2011 Outlook					
(% chg v/v)	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>
Overall	7%	6%	6%	7%	8%
By Brand	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>
AGCO	11%	10%	12%	11%	14%
John Deere	7%	7%	6%	6%	7%
New Holland	7%	7%	7%	7%	7%
Case IH	5%	3%	2%	7%	8%
Kubota	8%	7%	8%	7%	10%
Shortlines	n/a	-13%	3%	4%	5%
Other	n/a	n/a	n/a	-1%	-1%
By Region	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>
Appalachia	4%	2%	-1%	5%	5%
Canada	5%	6%	8%	9%	6%
Corn Belt	5%	8%	6%	9%	9%
Delta States	7%	4%	7%	-1%	5%
Lake States	10%	11%	11%	9%	9%
Mountain	6%	7%	7%	9%	11%
Northeast	12%	12%	11%	10%	0%
Northern Plains	9%	4%	3%	8%	9%
Pacific	9%	9%	9%	7%	11%
Southeast	6%	6%	0%	6%	10%
Southern Plains	-6%	-3%	-6%	-5%	-9%

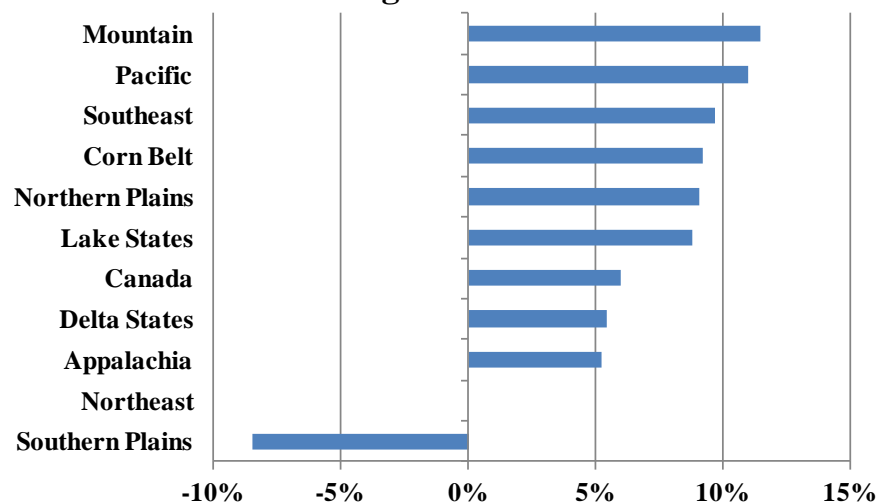
2011 Sales Outlook Continued

- Nine out of eleven regions are projecting a positive full year sales outlook in August, consistent with July. Dealers in the Mountain (AZ, CO, ID, MT, NM, NV, UT, WY), Pacific (CA, OR, WA, AK, HI), and Southeast (AL, FL, GA, SC, MS) are the most optimistic while the Southern Plains (OK, TX) are forecasting sales to decline in 2011.
- On a sequential basis, Delta States (AR, MO, LA) are now projecting modestly more optimistic full year sales growth compared to July while dealers in the Northeast (CT, DE, ME, MD, MA, NH, NY, NJ, PA, RI, VT), Southern Plains, and Canada have lowered their average outlook the most from last month.

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



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



2012 Sales Outlook

- Looking out to 2012, dealers initial forecast for 2012 sales growth is 5% for the full year.
- Consistent with the above average order growth, it is not surprising that AGCO dealers are the most optimistic reporting the highest full year growth outlook at 9% while Shortline dealers report the least optimistic outlook at 3% on average.
- The Southeast region reported the highest average full year sales outlook for 2012 at up 7% while the Northeast is the least optimistic with dealers forecasting 0% on average.

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

Dealer Commentary on 2011 Outlook

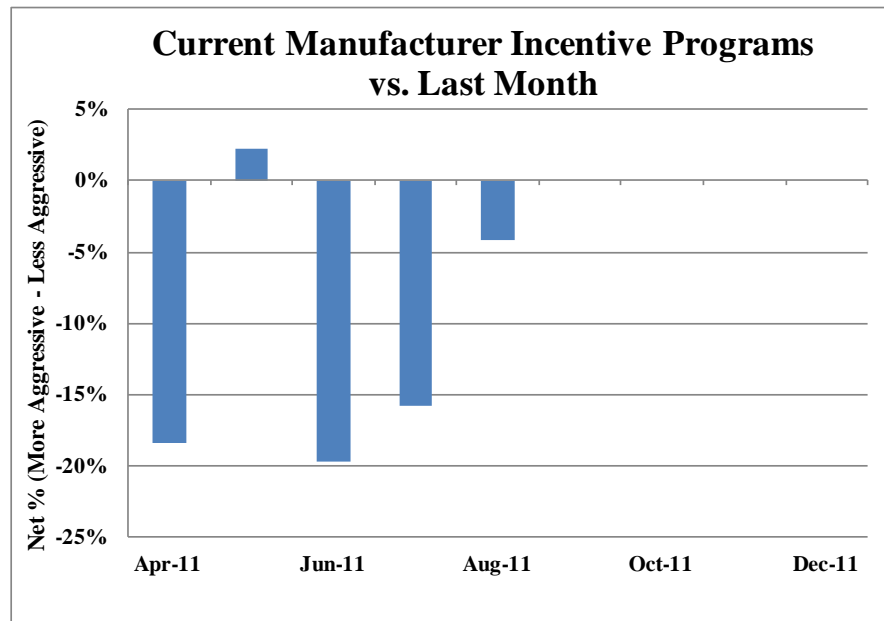
- *“We have good crops, but the flooding/hail/wind are going to take about 10-20% of our crop.”*
- *“Sales seem to have picked up. We put on a new salesman about 6 months ago and he is picking up steam and customers are starting to call him.”*
- *“Farmers are going to be surprised by the year’s profit.”*
- *“Soybean prospects are looking worse every day that we don’t get a rain.”*
- *“We are more optimistic for the short term as sales dollars are up because of price increases but not entirely because of higher sales.”*
- *“We are primarily in a high dairy sector. With prices holding up, customers are finally replacing equipment that would have been done 2-3 years ago.”*
- *“Excellent weather during harvest is bringing an above average, high quality crop in, an added bonus is strong prices for all crops. Also cattle prices are improving. The outlook is very promising.”*
- *“We are less optimistic as New Holland orders with ETA for December changed to February 2012.”*

Dealer Commentary on 2012 Outlook

- *“We have been oversupplying the market with new equipment. We need to pull back a little bit to keep profit margins from getting below 3%.”*
- *“We expect less farm income in 2011 due to weather, poor general economy effecting part time and small farmers.”*
- *“We think growth will be flat due to continued increases in input costs and more farmers making other capital purchases such as land, buildings, grain systems, etc.”*
- *“We think growth will be flat due to lack of new product availability.”*
- *“We are optimistic long term as sales of planters, sprayers, new combines are very strong.”*
- *“High hay prices should mean a good year for equipment sales.”*
- *“Milk is up, commodities are up, unless the unforeseen happens, we should see another good year.”*
- *“We are anticipating average crop yields with higher than average commodity prices, seeing improved equipment availability to fill the demand coming on line.”*

Current Manufacturer Incentive Programs

- A net 4% of dealers report that manufacturers are less aggressive with incentives in August (14% more aggressive; 69% same; 18% less aggressive) compared to July. This is down from a net 16% reporting less aggressive incentive programs last month.

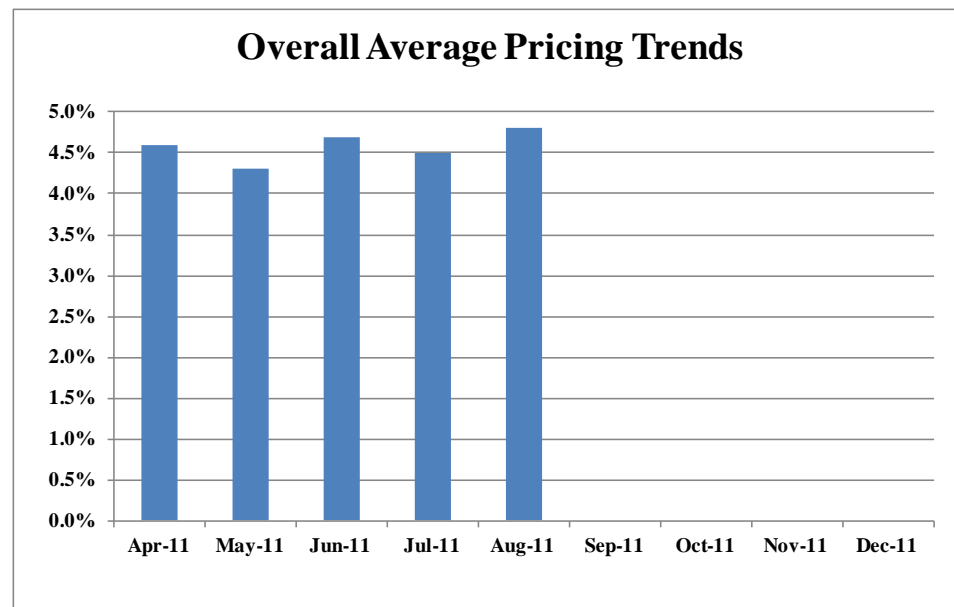


New Equipment Pricing Environment

- Dealers report new equipment prices up an average of 4.8% year-over year which is slightly higher than our July survey showing prices up an average of 4.5%.
- Dealers are noting price increases from nearly all suppliers with some implementing a second round of increases. John Deere and Case IH dealers both report prices over 5%, above the overall average. Additionally, new model year price increases have also recently been announced.

Average Pricing Trends					
(% chg y/y)	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>
Overall	4.6%	4.3%	4.7%	4.5%	4.8%

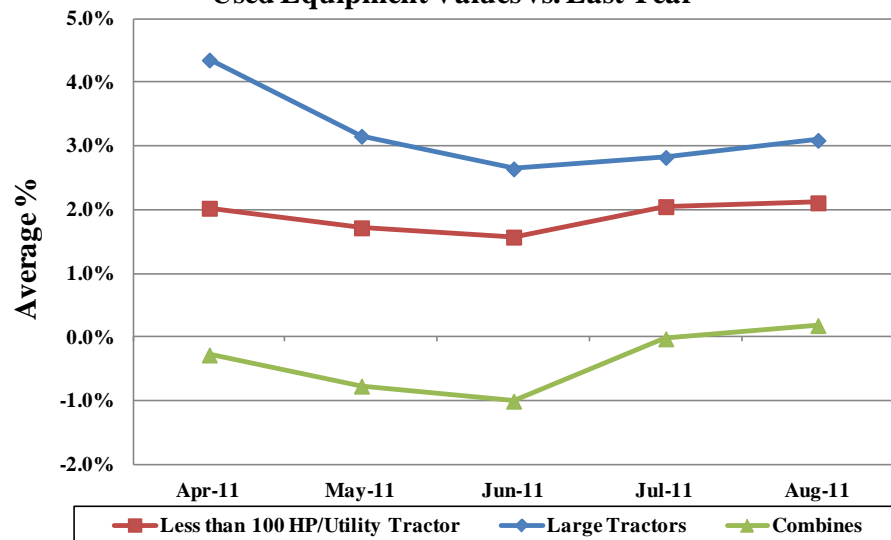
Source: Cleveland Research



Used Equipment Pricing

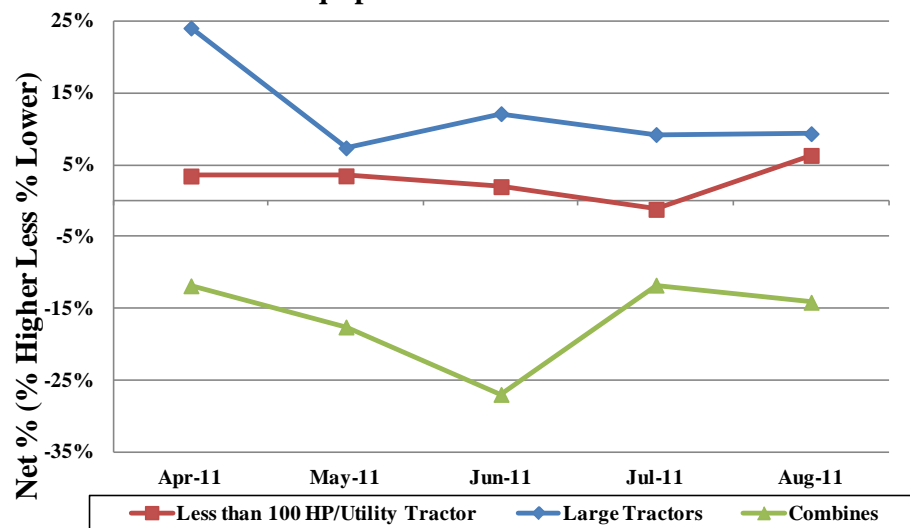
- Dealers are reporting roughly consistent used prices in August compared to our July survey. By category, tractors over 100HP are up 3.1% year-over-year on average in August versus 2.8% in July while prices for used tractors under 100HP are 2.1% in August, consistent with July. Used combine values came in slightly higher year-over-year with 0.2% in August, up from a flat reading last month.
- Sequentially, a net 6% of dealers report higher values for under 100HP/utility tractors (11% higher; 85% same; 5% lower), up from July's finding of a net 1% reporting lower values. For over 100HP tractors, a net 9% of dealers report higher values vs. last month (16% higher; 77% same; 7% lower), consistent with July. Finally, a negative net 14% are reporting used combine values are lower vs. last month (12% higher; 63% same; 26% lower), down from a negative net 12% in July.

Used Equipment Values vs. Last Year



Source: Cleveland Research

Used Equipment Values vs. Last Month



Source: Cleveland Research

Inventory Levels

New Equipment Inventory

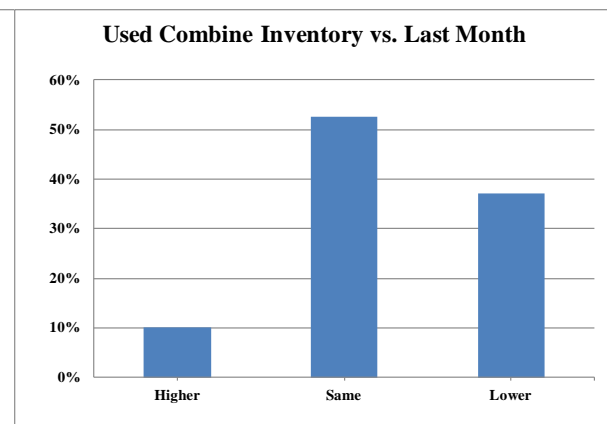
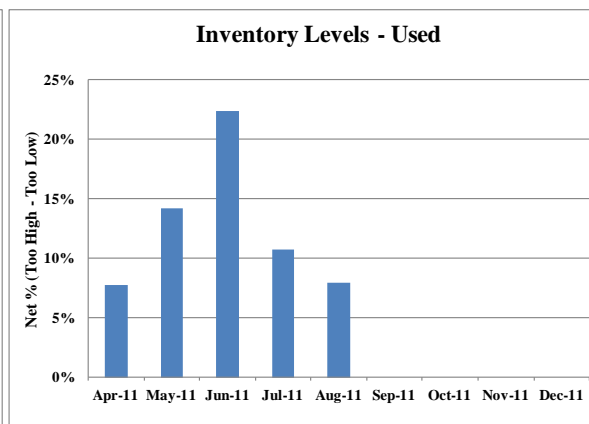
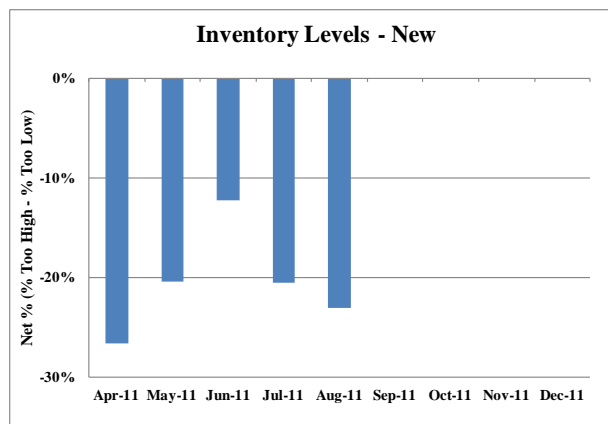
- Given the extended lead-times for new equipment it is no surprise that a net 23% of dealers still categorize their new inventory as “too low” (13% too high; 51% about right; 36% too low), which is up from a net 21% last month.

Used Equipment Inventory

- By contrast, a net 8% of dealers categorize their used inventory levels as “too high” (27% too high; 53% about right; 19% too low) compared to a net 11% last month. While still high, it is encouraging to see more dealers feeling more comfortable with used equipment, as strong seasonal sales appear to be contributing to the improvement.

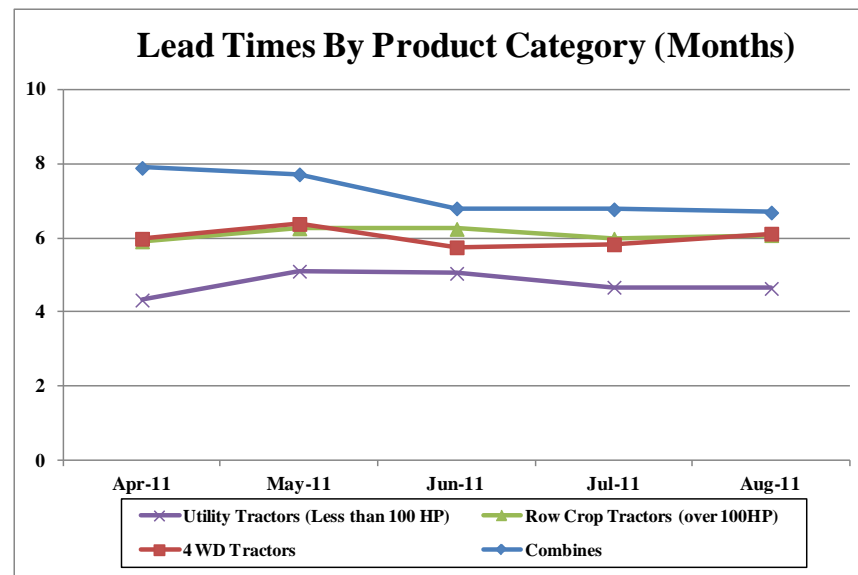
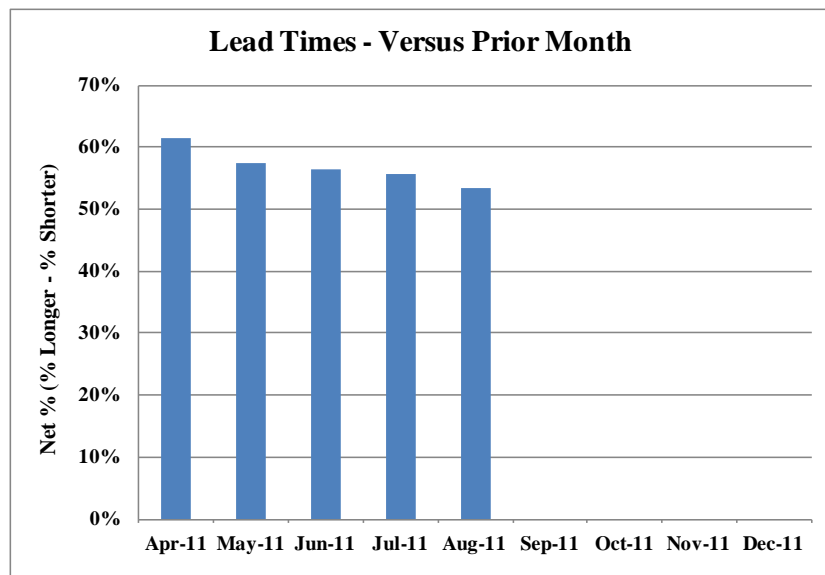
Used Combine Inventory

- A net 27% of dealers reported used combine inventory levels declined compared to last month (10% higher; 53% same; 37% lower). Commentary on combine inventory suggests that while there was sequential improvement, a significant overhang still exists.



Equipment Availability

- Overall, a net 53% of dealers report longer factory lead-times compared to last month (57% longer; 40% same; 3% shorter), down from the net 55% in July. Lead-times appear to be gradually improving overall, but continue to be one of the primary concerns for dealers and continue to constrain the full year growth outlook.
- A closer look at availability by product category shows all four core product categories we measure are roughly consistent with July. On average combine lead times are ~7 months; 4WD tractor and row crop tractors lead times are ~6 months; Smaller tractors (<100 HP) lead times are still ~5 months.



Dealer Commentary on Inventory Levels

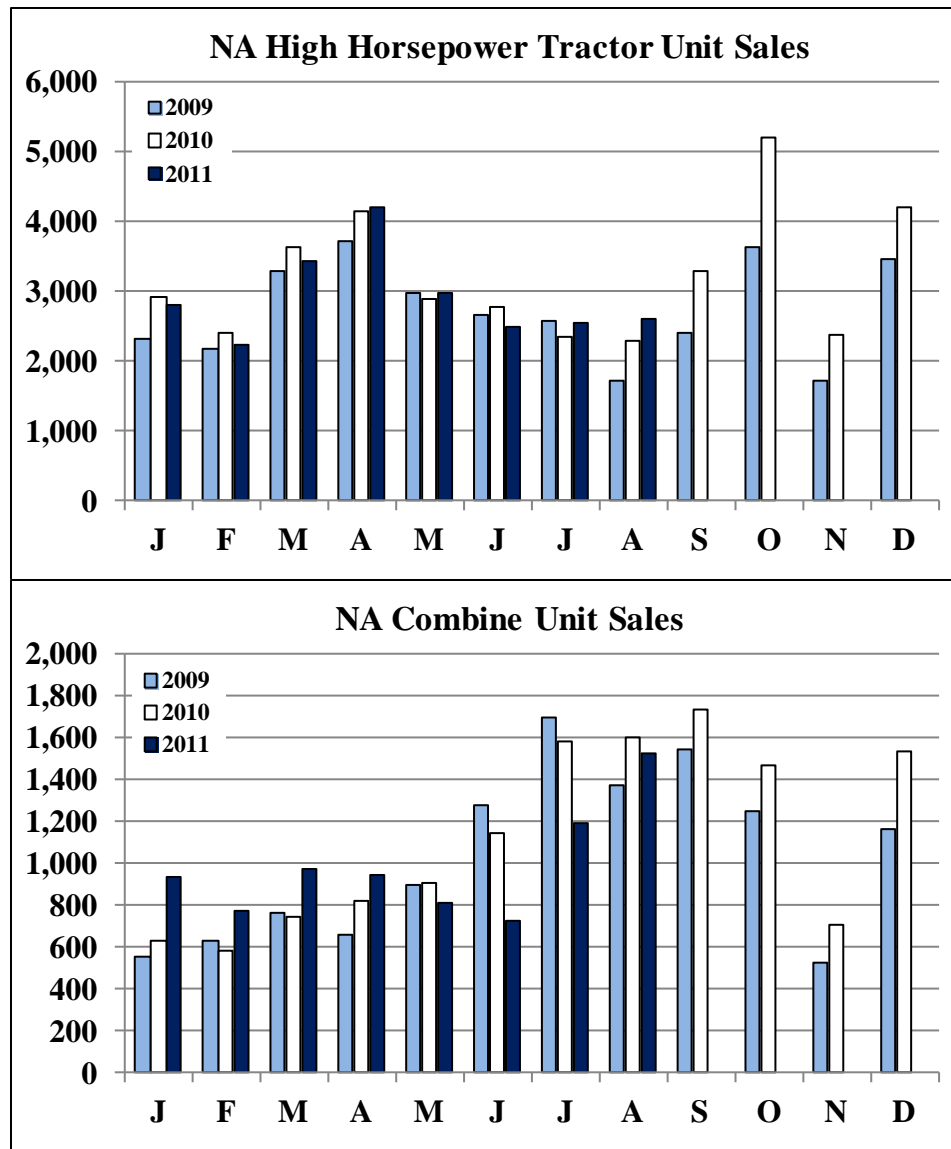
- *“We still can’t get new products fast enough or in a timely fashion.”*
- *“We can’t get new inventory from John Deere.”*
- *“We are concerned about manufacturer lead times. This year, it will be the dealers with the inventory that will win out, especially at year-end.”*
- *“Some short line products are in short supply; probably all whole goods will be tight in 2012.”*
- *“We think new combine orders for MY 2012 will be more due to Crop yields and prices, even though the orders may be up actual availability is going to be limited. Saying this we are expecting a decrease in combine sales for 2012.”*
- *“We think new combine orders for MY 2012 will be more due combine roll customers are willing to pay more trade difference than we thought they would.”*
- *“I am a trailer manufacturer and am seeing increasing sales figures on combine carrying trailers that I figure are due to increased sales of combines. I cannot build the trailers quick enough to meet the demand for US marketplace. Good problem to have but nonetheless a problem.”*
- *“We have too many 800-1000 hour combines. They are very hard to get rid of. “*
- *“Used combines are a big concern, not sure where we are going to go with them in the future. Tractors seem to have more of a possibility than combines.”*

NA Farm Equipment Industry Retail Sales and Inventory

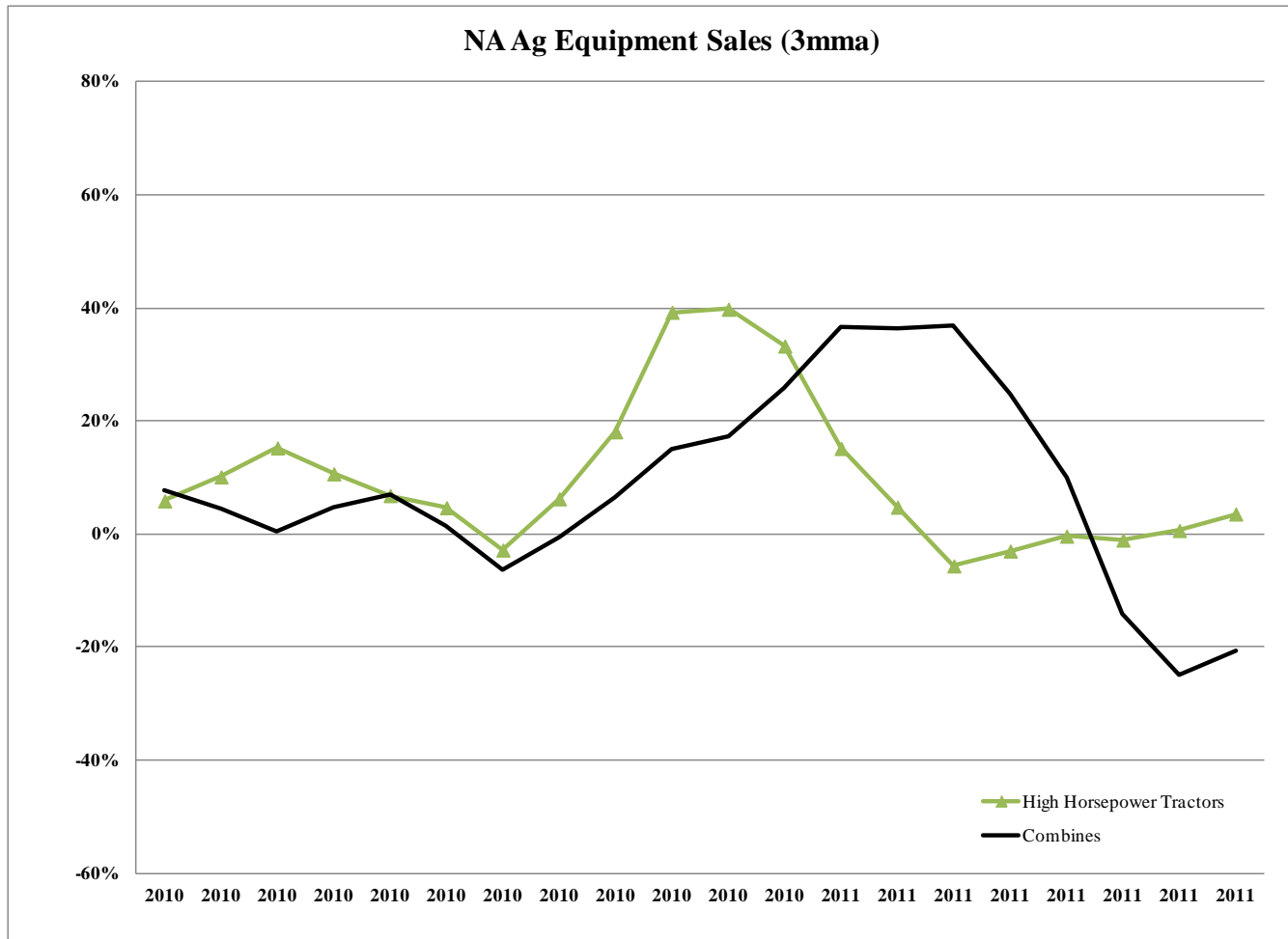
NORTH AMERICAN FARM EQUIPMENT RETAIL SALES														
	Units							% change year-over-year						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Memo: High hp	Combines	<40HP	Util	RC	4-WD	Total	High hp	Comb
Jan-10	3,687	3,181	2,606	327	9,801	2,933	633	(1%)	(8%)	31%	4%	3%	27%	14%
Feb-10	3,893	2,670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

Source: AEM, CRC Estimates

Annual Ag Equipment Industry Sales – 2009-2011

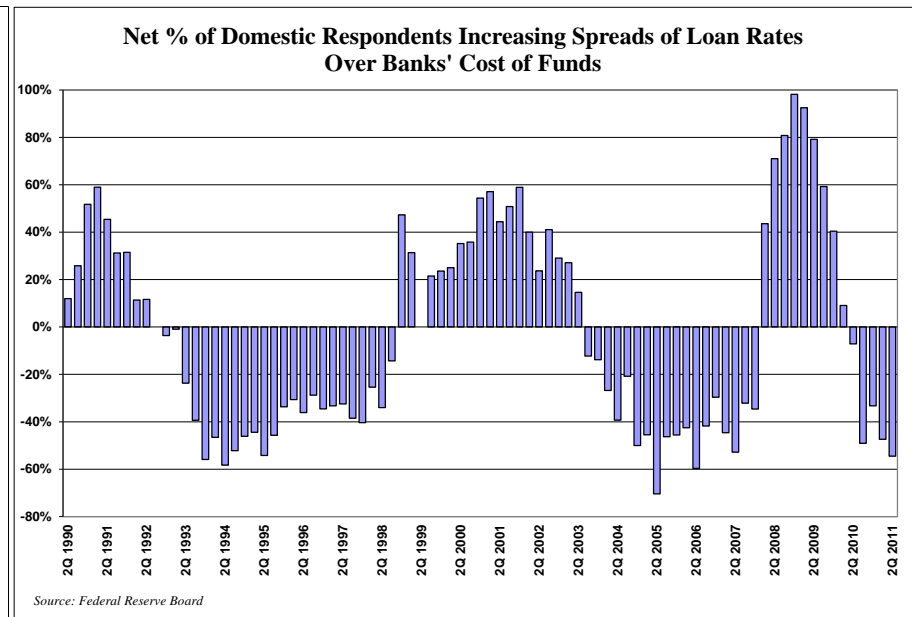
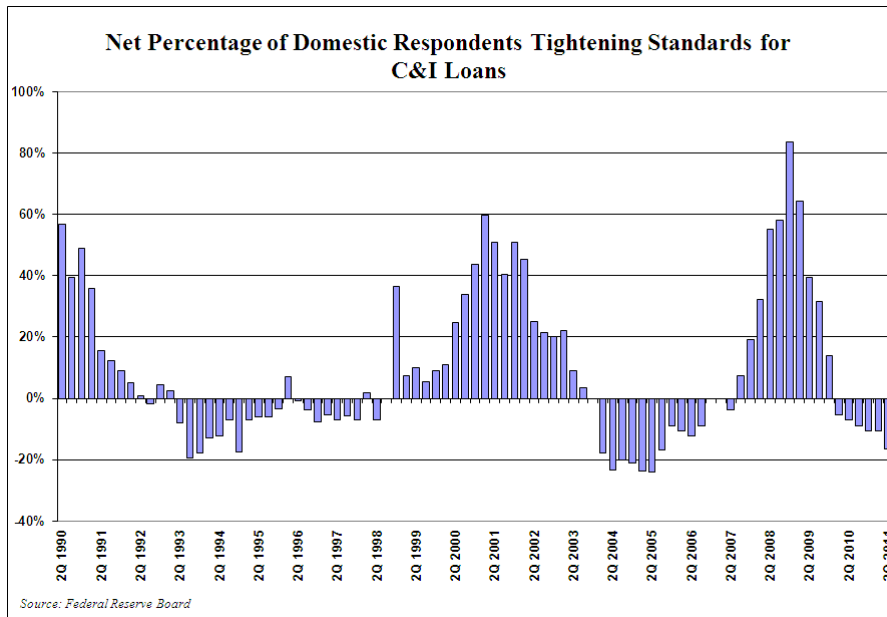


NA Ag Equipment Sales



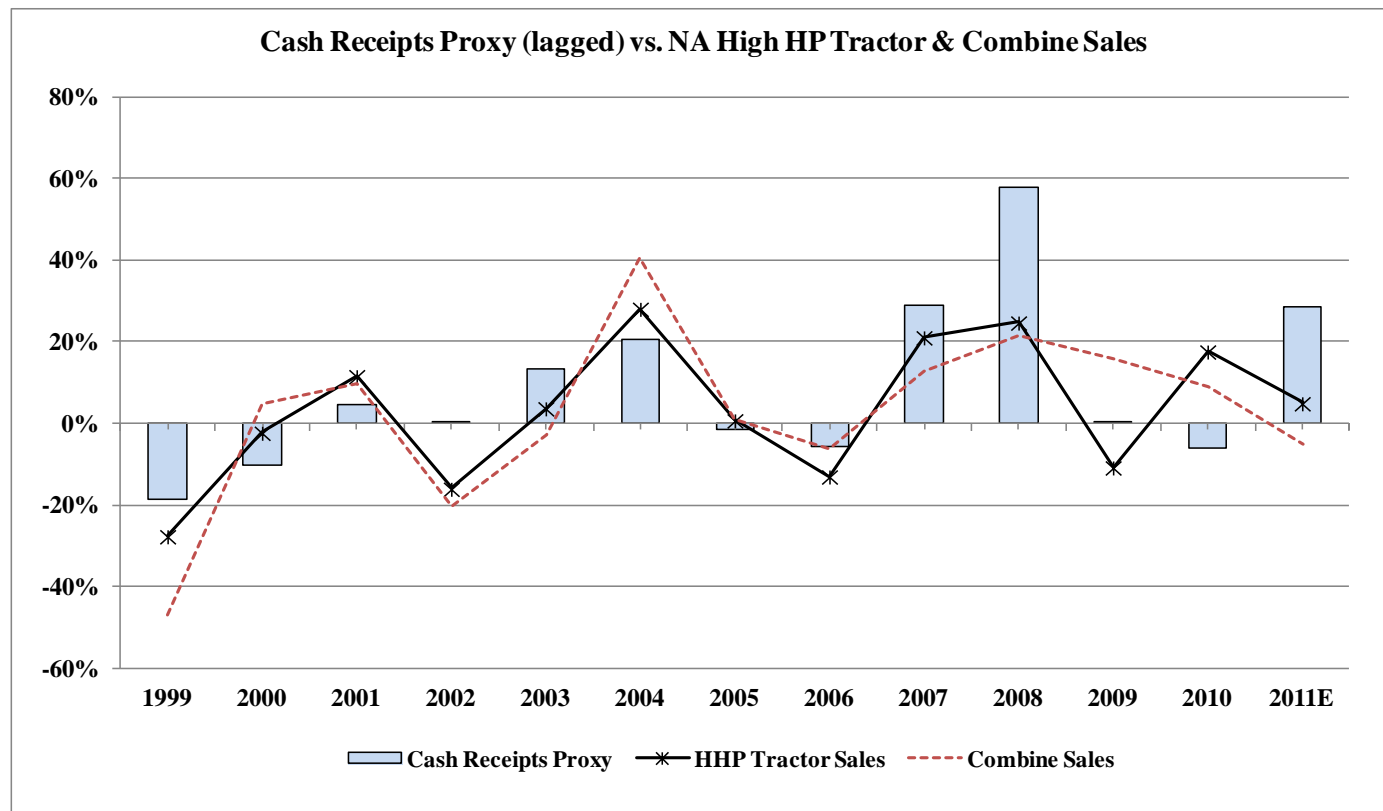
Credit – C&I Loan Demand Improves as Lending Standards Loosen

- 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 another upward revision to prices for the most important crops, corn, soybeans, and wheat. This suggests higher expected cash receipts vs. last month, as depicted in our simplified cash receipts proxy on the following slide. The impact to our simplified farmer crop cash receipt proxy is an increase of over \$2Bil, to almost \$146Bil, or about 24% above last year's level. This follows last year's record level of cash receipts with our proxy showing a 29% increase for the 10/11 crop year. Farmer cash receipts are highly correlated with new equipment sales as shown below, so the more optimistic outlook is a positive indicator for 2012 NA ag machinery demand.



Commodity Price Trends – Simplified Cash Receipts Proxy

USDA - World Agricultural Supply and Demand Estimates (bu millions)													
CORN - DOMESTIC								CORN - INTERNATIONAL					
Year	Production	Domestic Use	Exports	Total Use	End Stocks	Stocks/Use	Avg Price	Year	Production	Total Use	End Stocks	Stocks/Use	
2010/11	12,447	11,550	1,900	13,450	730	6.3%	\$5.10-\$5.40	2010/11	19,652	21,464	4,081	19.0%	
2011/12								2011/12					
July	13,470	11,600	1,900	13,500	870	7.5%	\$5.50-\$6.50	July	20,875	22,950	3,684	16.1%	
August	12,914	11,410	1,750	13,160	714	6.3%	\$6.20-\$7.20	August	20,963	22,798	3,795	16.6%	
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%	
Revision to 2011/12:					Corn Spot Price:			\$6.20					
m/m chg	-417	-300	-100	-400	-42	-0.2%	\$0.30	m/m chg	187	11	155	0.7%	
y/y chg	50	-440	-250	-690	-58	-0.3%	\$1.75	y/y chg	1498	1346	-131	-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					
July	3,225	3,264	1,495	4,759	175	5.4%	\$12.00-\$14.00	July	6,382	7,881	2,101	26.7%	
August	3,056	3,146	1,400	4,546	155	4.9%	\$12.50-\$14.50	August	6,404	7,893	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%	
Revision to 2011/12:					Soybean Spot Price:			\$12.26					
m/m chg	29	15	15	30	10	0.3%	\$0.15	m/m chg	26	-3	49	0.6%	
y/y chg	-244	-164	-135	-299	-5	0.1%	\$2.25	y/y chg	134	318	-41	-1.7%	

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					
July	2,106	1,247	1,150	2,397	670	53.7%	\$6.60-\$8.00	July	22,233	23,379	6,024	25.8%	
August	2,077	1,267	1,100	2,367	671	53.0%	\$7.00-\$8.20	August	22,618	23,534	6,269	26.6%	
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%	
Revision to 2011/12:					Wheat Spot Price:			\$6.03					
m/m chg	0	-5	-75	-80	90	7.3%	\$0.25	m/m chg	221	75	121	0.4%	
y/y chg	-131	82	-250	-168	-78	-10.8%	\$2.20	y/y chg	1233	460	534	1.8%	

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																		
July	13,470	3,225	2,106		\$6.00	\$13.00	\$7.30		\$80,820	\$41,925	\$15,374	\$138,119	17%					
August	12,914	3,056	2,077		\$6.70	\$13.50	\$7.60		\$86,524	\$41,256	\$15,785	\$143,565	22%					
September	12,497	3,085	2,077		\$7.00	\$13.65	\$7.85		\$87,479	\$42,110	\$16,304	\$145,894	24%					

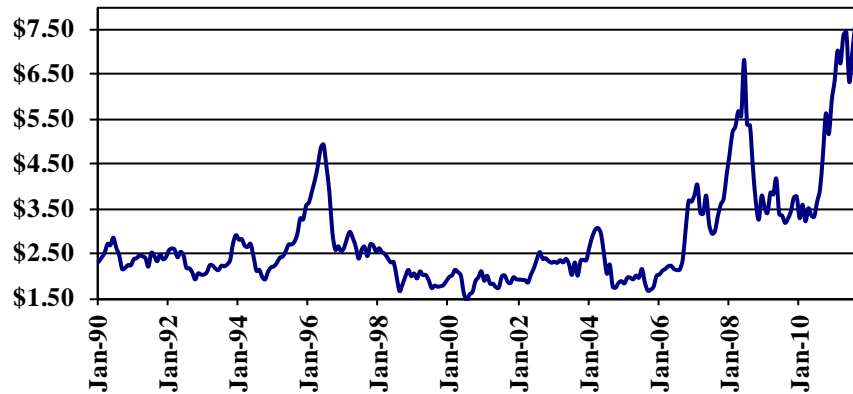
*Note: Cash receipts estimated as USDA production X USDA average price forecast

*Note: Cash receipts estimated as USDA production X USDA average price forecast

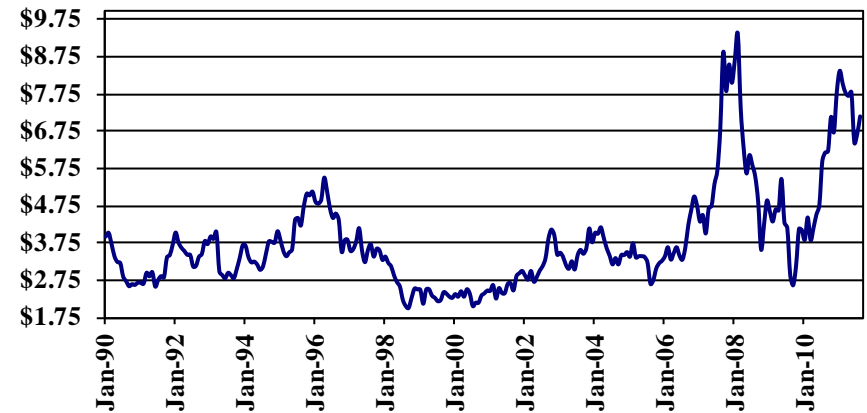
Source: USDA; Cleveland Research estimates

Commodity Price Trends – Corn, Soybean, Wheat, Cotton

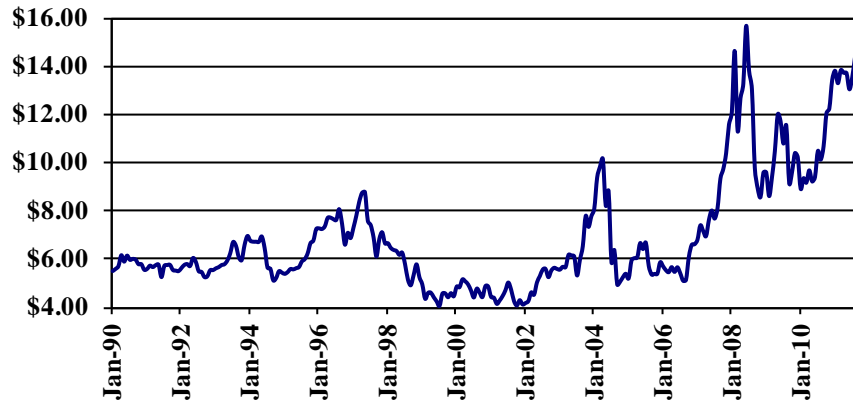
Corn Price Trends



Wheat Price Trends



Soybean Price Trends

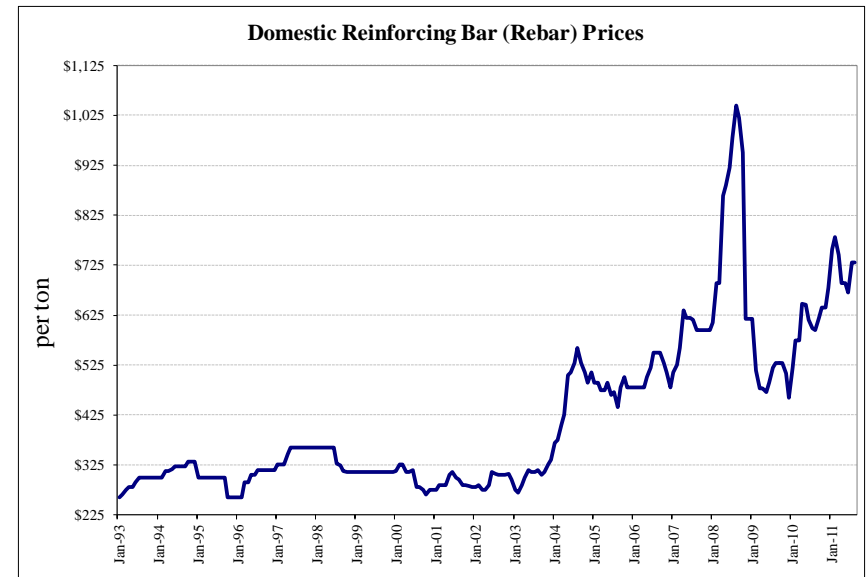
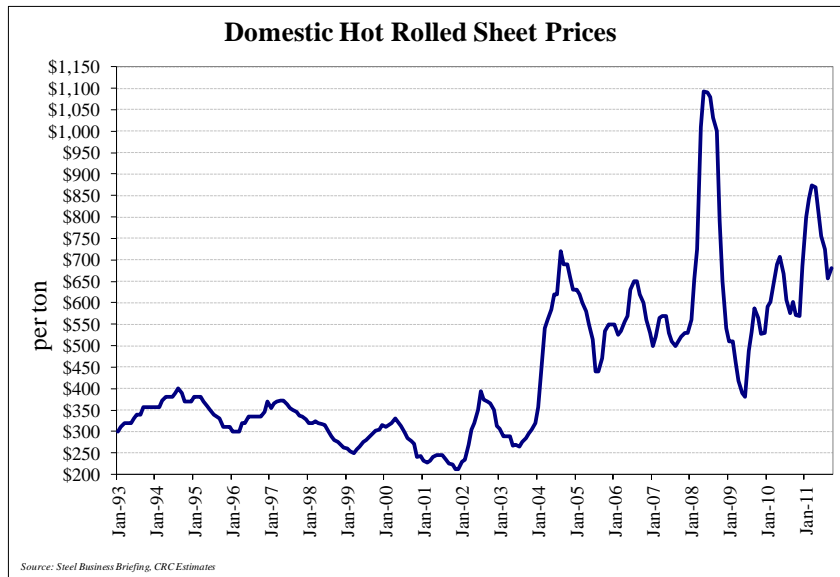


Cotton Price Trends

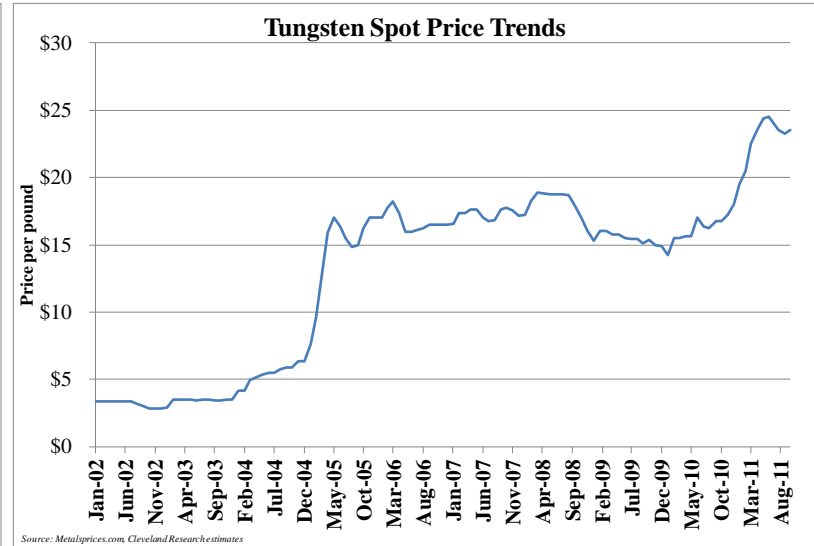
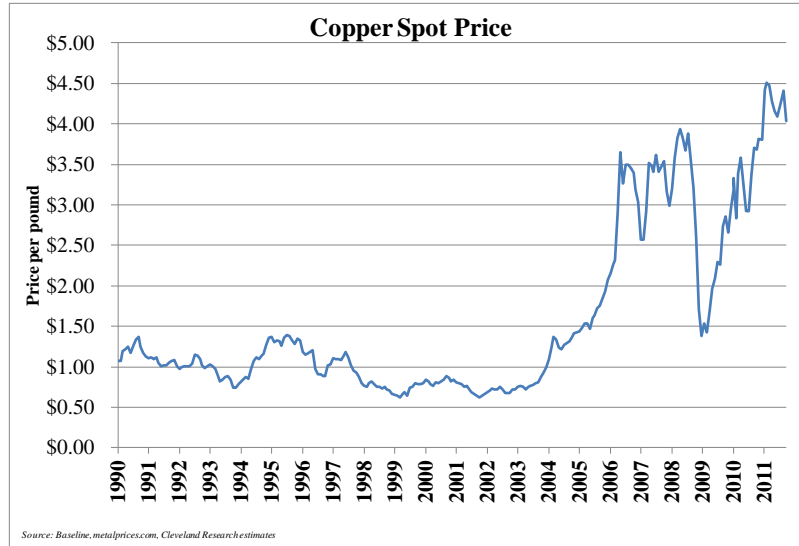
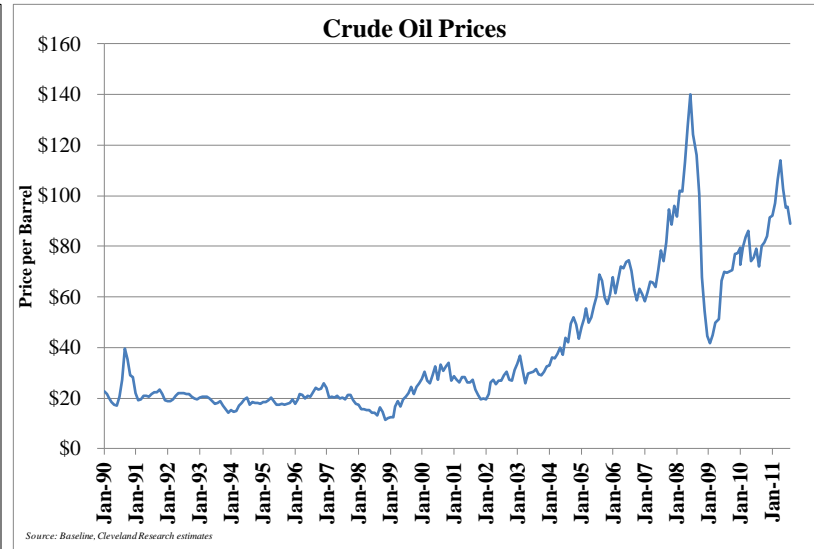
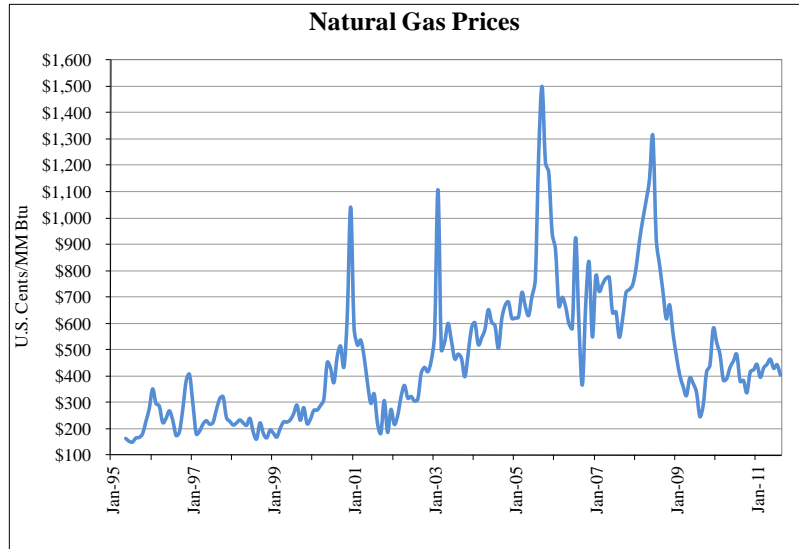


Commodity Price Trends – Steel

- September steel orders are trending in line with expectations. The comp of +6-8% is flat compared to 30 days ago. Despite the fact that the channel has seen slight sequential improvement in orders, there is very little volume upside expected for the remainder of 2011. The growth outlook within the channel remains at +5-7% for 2011. The stronger volume end markets include heavy equipment, ag equipment, heavy truck and energy, while appliance and HVAC continue to be cited as weaker end markets.
- Recent price increases from the steel mills have gained partial traction within the market place, as average selling prices for hot-rolled coils have bounced off the bottom of \$640 per ton and are now ranging between \$680-720 per ton. However, the channel believes that these recent increases will be short-lived and prices will come under pressure once additional capacity come to the market.



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



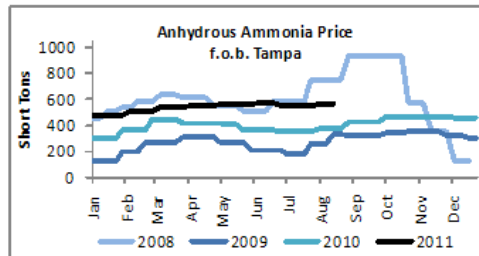
Commodity Trends – Long Run Supply and Demand Projections

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

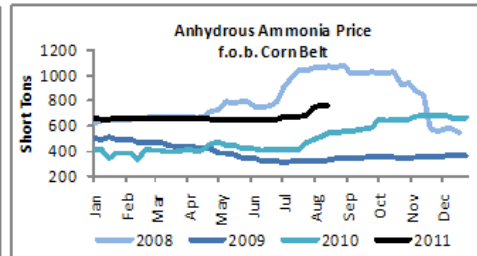
SOYBEANS - DOMESTIC							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	3,188	1,955	1,118	3,073	573	29.3%	\$9.00
2007/08	2,676	1,893	1,161	3,054	205	10.8%	\$10.10
2008/09	2,921	1,907	1,020	2,927	205	10.7%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

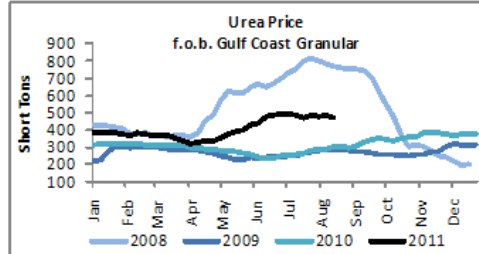
Other Input and Chemical Costs – 2008-2011



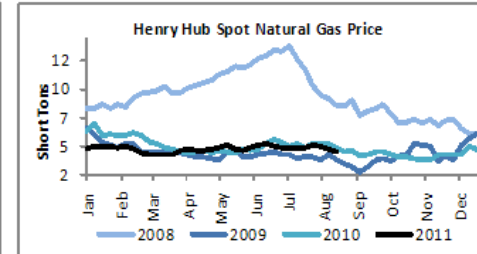
Source: Green Market Fertilizer



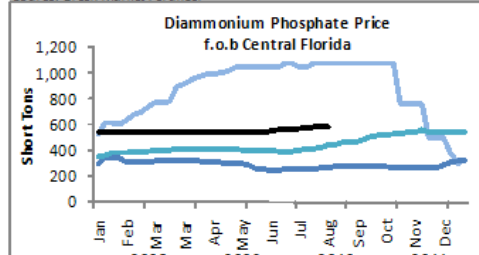
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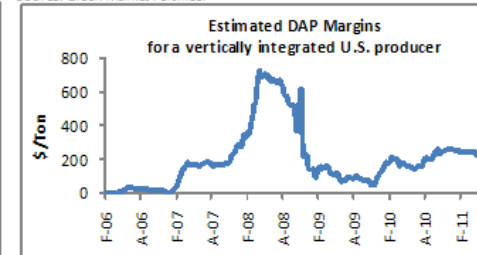
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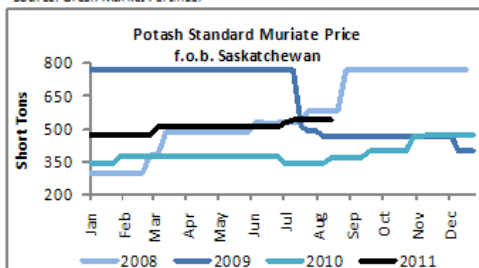
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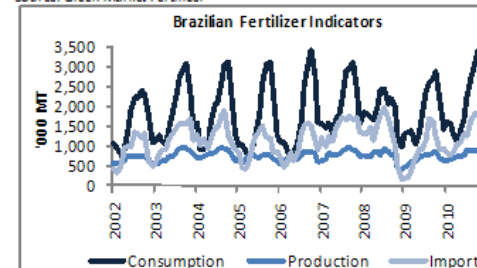
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Source: Green Market Fertilizer

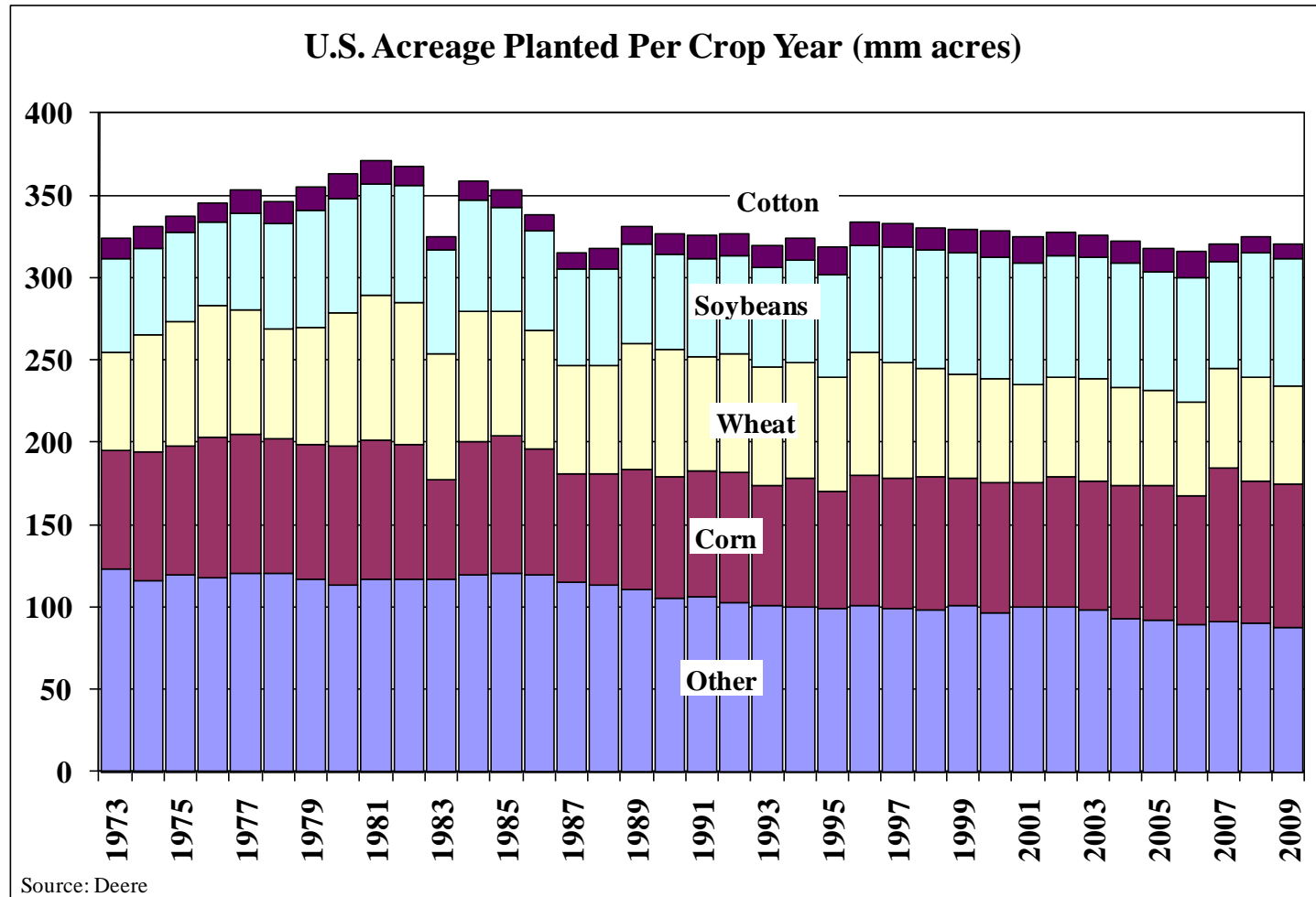


Source: Green Market Fertilizer



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