

# ***Ag Equipment Intelligence***

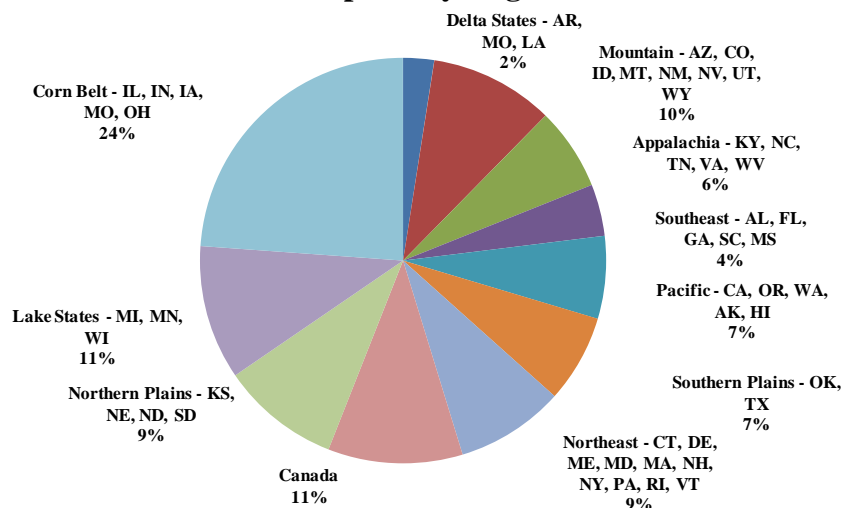
Dealer Trends and Business Outlook  
February 2012

# Monthly Ag Equipment Intelligence North American Dealer Survey

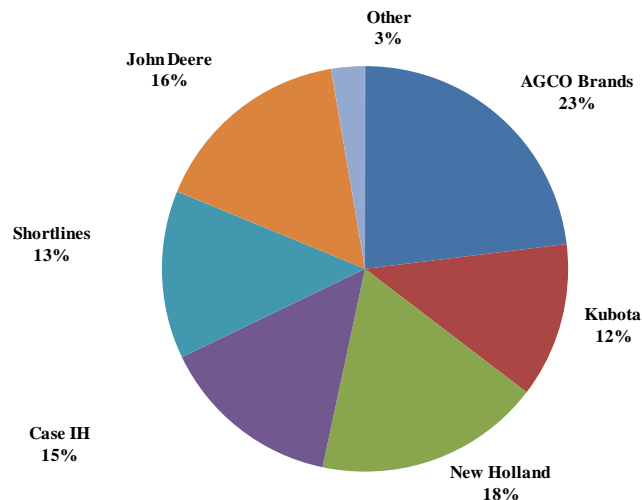
## **Background:**

- We are pleased to announce the results of the January 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 January survey had ~249 respondents representing combined annual revenues of roughly \$8 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

- **Industry Sales Growth Moderates Slightly to 7% in January Despite Some Expectations for a More Significant Drop Off** – Ag equipment dealers reported year-over-year sales grew 7% on average in January, down slightly from 8% in December. Case IH and Kubota dealers reported the highest average sales growth again at up 10% each, while shortline dealers saw the weakest results in the month with sales up 2% on average.
- **2012 Outlook Now Calls for 5% Growth** – Looking across 2012, dealers raised their forecast and now expect 5% sales growth for the full year, up from 3% in December. John Deere dealers revised their outlook up the most, as full year growth is now expected to come in at 6% (up from 2%) while Shortline dealers report the least optimistic outlook at 2% on average.
- **Dealer Optimism Increases After Strong Finish to 2011** – Our Dealer Optimism Index, a measure of sentiment amongst dealers compared to the prior month, accelerated to a net 29% of dealers reporting they have a more optimistic outlook now versus 14% last month (38% are more optimistic; 53% same; 10% are less optimistic).

Optimism/Sentiment vs. Last Month										
	<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>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>
More Optimistic	33%	25%	31%	32%	30%	25%	36%	33%	30%	38%
Same	54%	54%	44%	49%	55%	58%	55%	55%	54%	53%
Less Optimistic	13%	21%	25%	20%	15%	17%	9%	12%	16%	10%
<b>Net % (More- Less)</b>	<b>21%</b>	<b>3%</b>	<b>6%</b>	<b>12%</b>	<b>15%</b>	<b>8%</b>	<b>26%</b>	<b>21%</b>	<b>14%</b>	<b>29%</b>

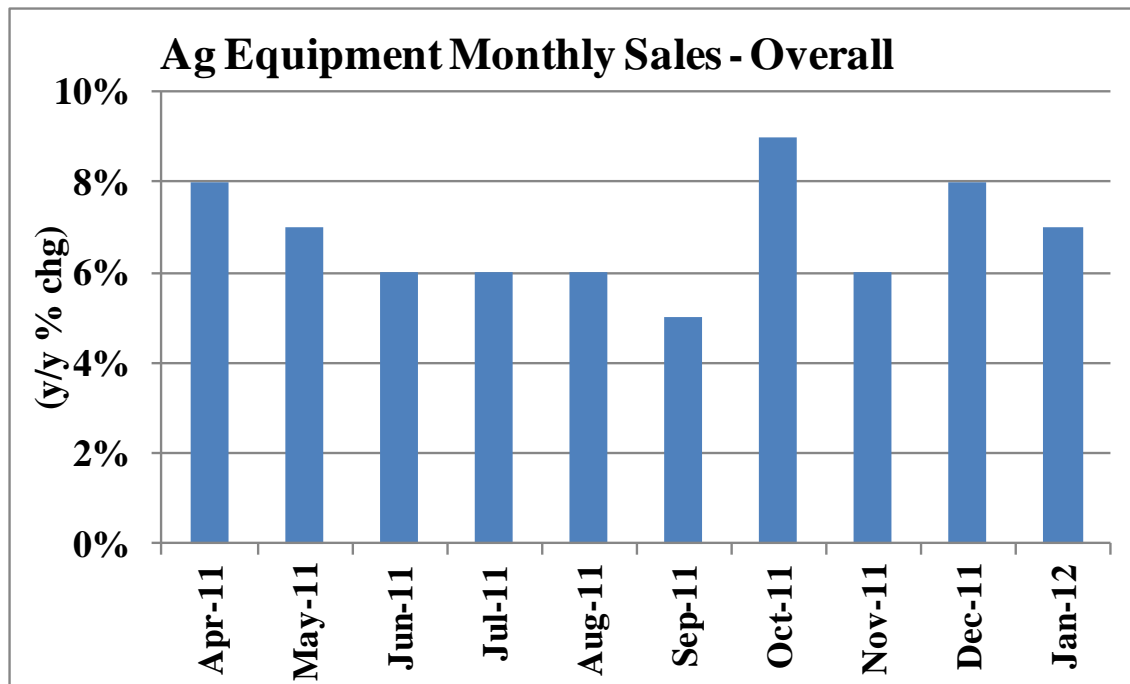
# Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales grew to 7% on average in January, down from 8% in December.
- Case IH and Kubota dealers reported the highest average sales growth at up 10%, while shortline dealers saw the weakest results in the month with sales up 2% on average.
- A net 12% of participants categorized January results as “better-than-expected” (28% better-than-expected; 56% in-line with expectations; 16% worse-than-expected) which compares to the prior month when a net 29% report sales were “better-than-expected.”

Average Sales Growth										
(% chg y/y)	<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>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>
<b>Overall</b>	8%	7%	6%	6%	6%	5%	9%	6%	8%	7%
<b>By Brand</b>	<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>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>
AGCO	12%	13%	11%	9%	14%	12%	12%	10%	12%	6%
John Deere	8%	8%	7%	5%	5%	4%	10%	5%	5%	6%
New Holland	8%	4%	5%	7%	6%	7%	7%	6%	12%	5%
Case IH	5%	4%	3%	8%	7%	7%	8%	8%	11%	10%
Kubota	13%	5%	7%	12%	7%	6%	7%	9%	10%	10%
Shortlines	n/a	-13%	3%	5%	6%	2%	6%	2%	7%	2%
Other	n/a	n/a	n/a	2%	-3%	7%	6%	3%	11%	2%

Source: Cleveland Research

# Monthly Sales Growth Continued



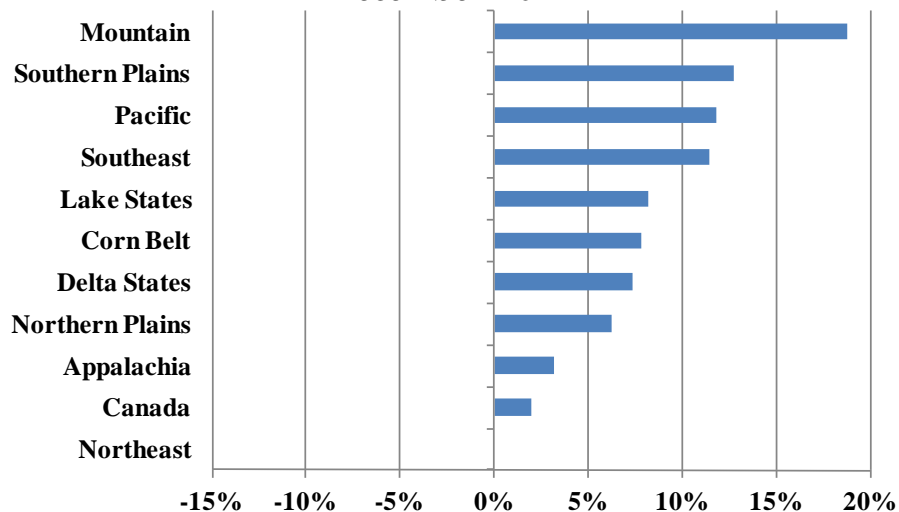
Percent Positive / Negative Growth										
	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12
Positive Sales Growth	69%	60%	56%	66%	67%	61%	65%	65%	76%	57%
Flat Sales	18%	14%	23%	15%	16%	23%	20%	22%	11%	29%
Negative Sales Growth	14%	25%	21%	18%	18%	16%	15%	13%	13%	14%
Net % (Positive - Negative)	55%	35%	35%	48%	49%	45%	50%	52%	63%	42%

Results vs. Expectations										
	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12
Better than expected	28%	26%	27%	27%	30%	29%	35%	32%	41%	28%
In line with expectations	51%	44%	48%	54%	52%	56%	48%	54%	47%	56%
Worse than expected	21%	30%	25%	19%	18%	15%	17%	13%	12%	16%
Net % (Better - Worse)	7%	-4%	1%	8%	13%	14%	18%	19%	29%	12%

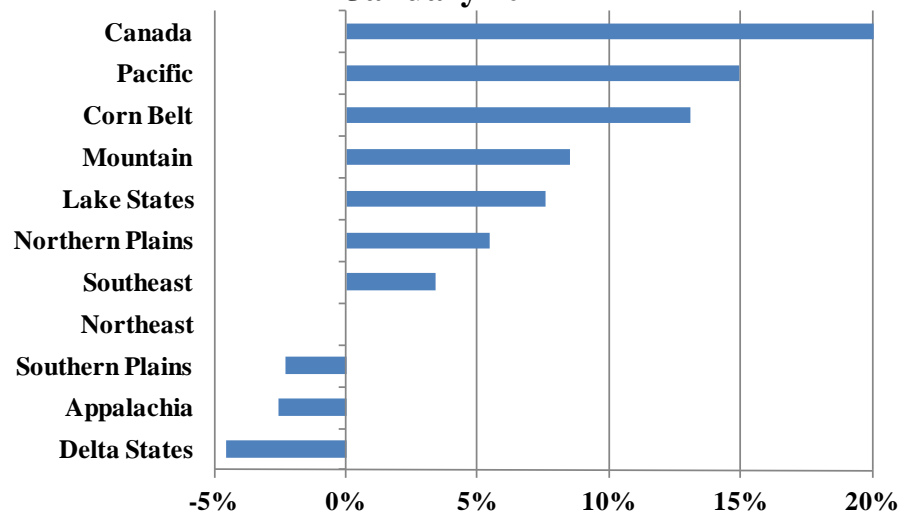
# Monthly Sales Growth by Region

- Seven out of eleven regions showed positive average monthly sales growth in January, down from ten out of eleven in December. Canada, Pacific, and the Corn belt regions head the list of best performing regions.
- On a sequential basis, Canada showed the most significant acceleration while the Southern Plains showed the most significant decline.

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



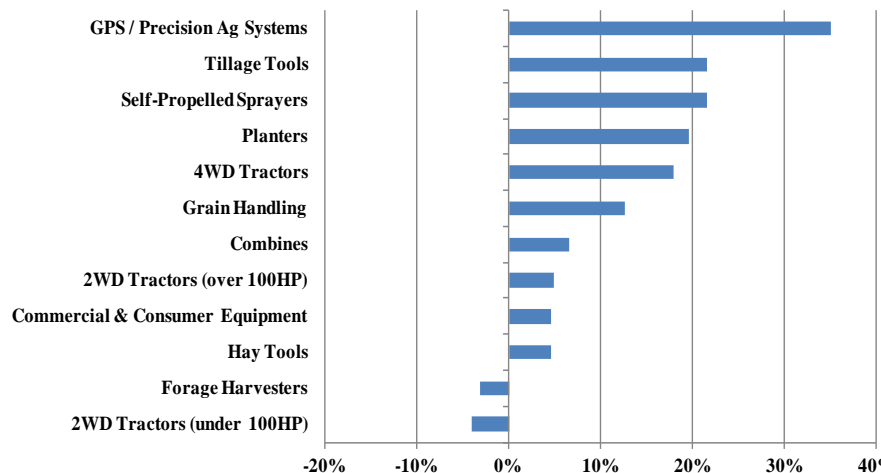
**Average Monthly Sales Growth by Region  
January 2012**



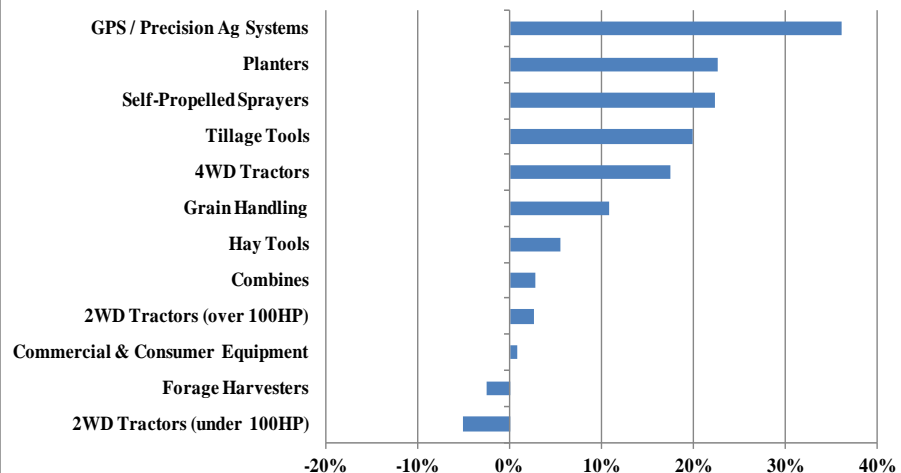
# Equipment Category Sales Trends

- Ten out of twelve product categories ranked in positive territory in January, consistent with the past few months. GPS/ Precision ag systems, planters, and self-propelled sprayers head the list of top performing products while forage harvesters and 2WD tractors (under 100HP) ranked in negative territory.
- On a sequential basis, planters accelerated modestly while combines and commercial and consumer equipment declined modestly. The remaining product categories were relatively consistent.

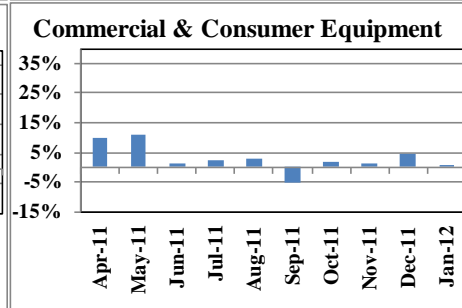
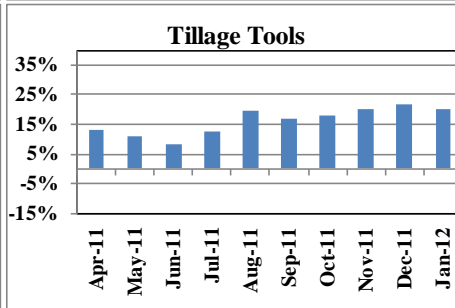
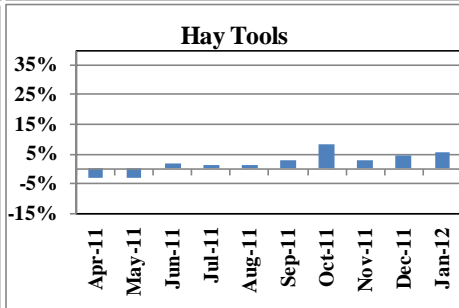
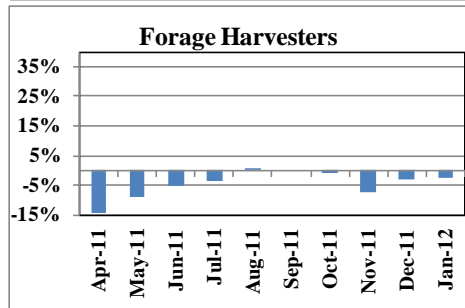
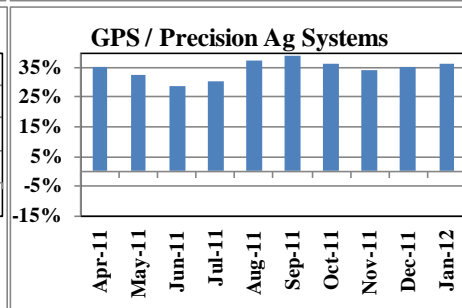
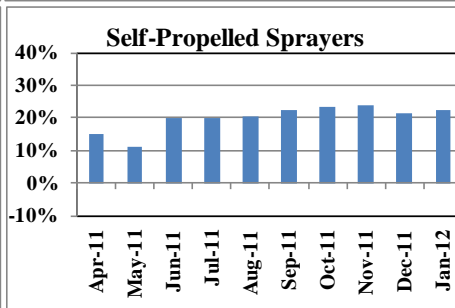
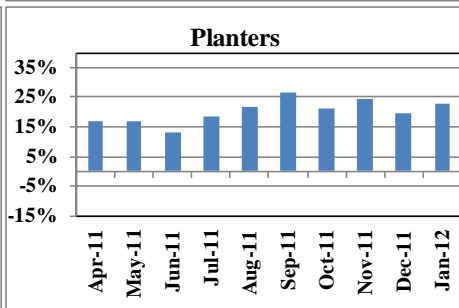
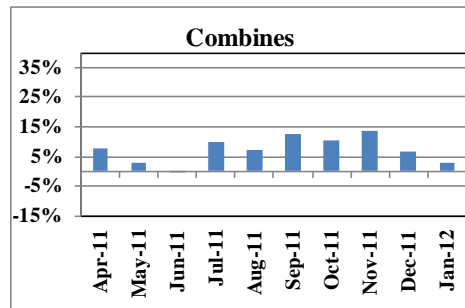
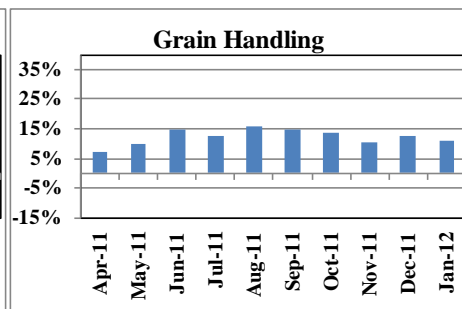
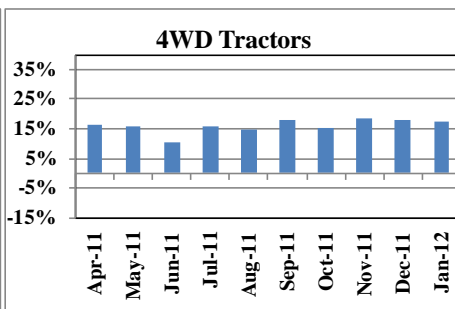
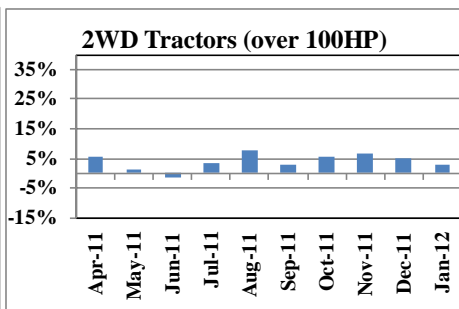
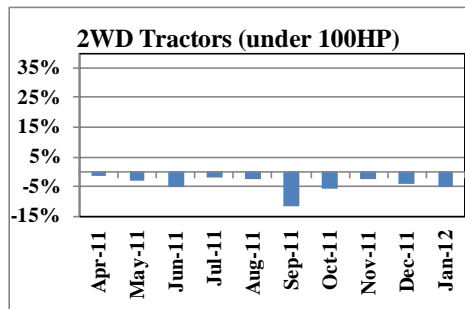
**Product Category Ranking (Net % Strong - Weak)**  
December 2011



**Product Category Ranking (Net % Strong - Weak)**  
January 2012



# Equipment Category Sales Trends





# Dealer Commentary on Monthly Sales

- *Lack of New Holland T6000 tractors is not good. There will not be enough supply available for spring 2012 market share gains. Fortunately (I guess) we don't sell that many of them. Our main store does and they will struggle to keep volume up in 2012.*
- *Large tractors tier 4 requirements have me less optimistic.*
- *Nothing new from the manufacturer.*
- *Introduced new products will help with growth*
- *The time from order to delivery has not improved and will effect our ability to grow the business.*
- *Commodity prices are the highest ever so that's the key.*
- *Interest free program have decreased from 18 months to 12 months on used combines- 12 months interest free is ok but 18 or 24 months is better*
- *We still have a drought in Texas*
- *The price is milk is better*
- *High cattle and hay prices have generated some capital that is flowing through our market.*

# Order Growth

## Overall Orders

- Incoming orders grew 5% on average in January, up from 4% in December.
- Kubota and AGCO dealers saw highest average orders growth at 10% and 8%, respectively, while shortline dealer orders came in at the low end at 1% on average for the month.

## New Combine Order Intentions

- A net 10% of dealers believe they will order fewer combines for 2012, an increase from the net 18% last month. Used inventory and manufacturer allocation remain key factors for the lower order expectations.

New Combine Order Intentions vs. Last Year						
	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>
More	22%	20%	21%	20%	11%	14%
Same	47%	48%	48%	53%	60%	61%
Less	31%	32%	31%	27%	29%	25%
<b>Net % (More- Less)</b>	<b>-10%</b>	<b>-12%</b>	<b>-10%</b>	<b>-7%</b>	<b>-18%</b>	<b>-10%</b>

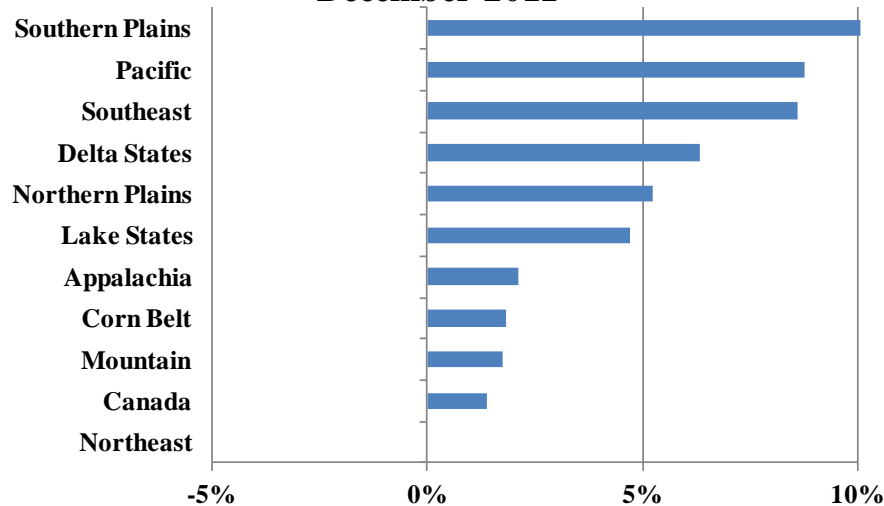
Average Orders Growth										
<u>(% chg y/y)</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>
<b>Overall</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>
<b>By Brand</b>	<b>Apr-11</b>	<b>May-11</b>	<b>Jun-11</b>	<b>Jul-11</b>	<b>Aug-11</b>	<b>Sep-11</b>	<b>Oct-11</b>	<b>Nov-11</b>	<b>Dec-11</b>	<b>Jan-12</b>
AGCO	4%	8%	5%	10%	10%	5%	6%	8%	6%	8%
John Deere	4%	2%	2%	5%	3%	4%	3%	3%	4%	5%
New Holland	4%	2%	3%	5%	5%	5%	4%	3%	6%	3%
Case IH	1%	3%	2%	4%	3%	3%	5%	4%	3%	4%
Kubota	9%	1%	6%	6%	6%	4%	4%	6%	7%	10%
Shortlines	n/a	-3%	2%	2%	4%	3%	1%	2%	4%	1%
Other	n/a	n/a	n/a	1%	-2%	2%	4%	3%	11%	3%

Source: Cleveland Research

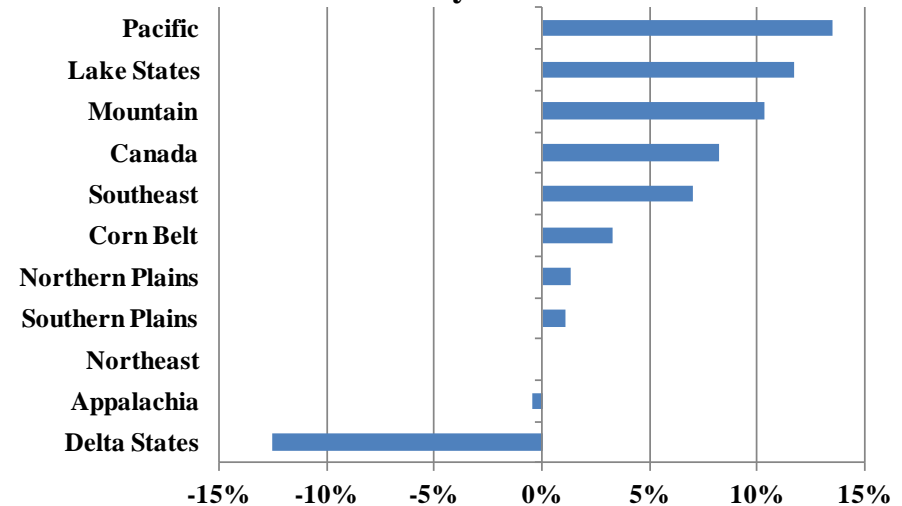
# Order Growth by Region

- Eight out of eleven regions showed positive monthly orders growth in January, down from ten out of eleven in December. The Pacific, Lake States, and Mountain regions head the list of best performing regions this month.
- On a sequential basis, the Mountain region showed the most significant improvement, while the Delta States showed modest sequential slowdown in order growth.

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



**Average Monthly Order Growth by Region  
January 2012**



## 2012 Sales Outlook

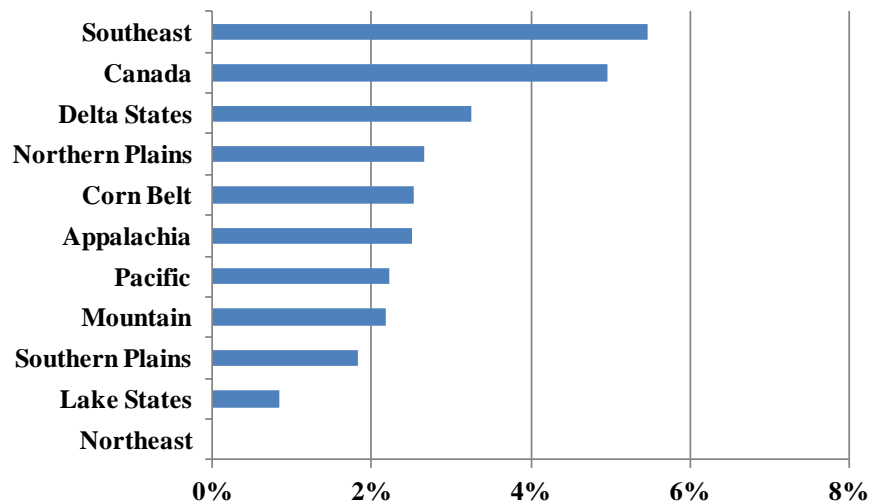
- For 2012, dealers raised their sales forecast and now expect 5% sales growth for the full year, up from 3% in December. This is also the highest growth outlook since the initial outlook back in August.
- John Deere and AGCO dealers are the most optimistic reporting the highest full year growth outlook at 6% while Shortline dealers report the least optimistic outlook at 2% on average. The Deere outlook improved the most this month, improving from 2% to 6% as better visibility is likely driving the increased optimism about their 2012 prospects.

2012 Outlook						
(% chg y/y)	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>
<b>Overall</b>	5%	2%	4%	4%	3%	5%
<b><u>By Brand</u></b>	<b><u>Aug-11</u></b>	<b><u>Sep-11</u></b>	<b><u>Oct-11</u></b>	<b><u>Nov-11</u></b>	<b><u>Dec-11</u></b>	<b><u>Jan-12</u></b>
AGCO	9%	8%	9%	8%	4%	6%
John Deere	4%	1%	2%	3%	2%	6%
New Holland	5%	5%	5%	5%	4%	2%
Case IH	4%	3%	5%	4%	3%	3%
Kubota	5%	7%	4%	4%	6%	4%
Shortlines	3%	2%	1%	2%	2%	2%
Other	3%	4%	6%	4%	7%	5%

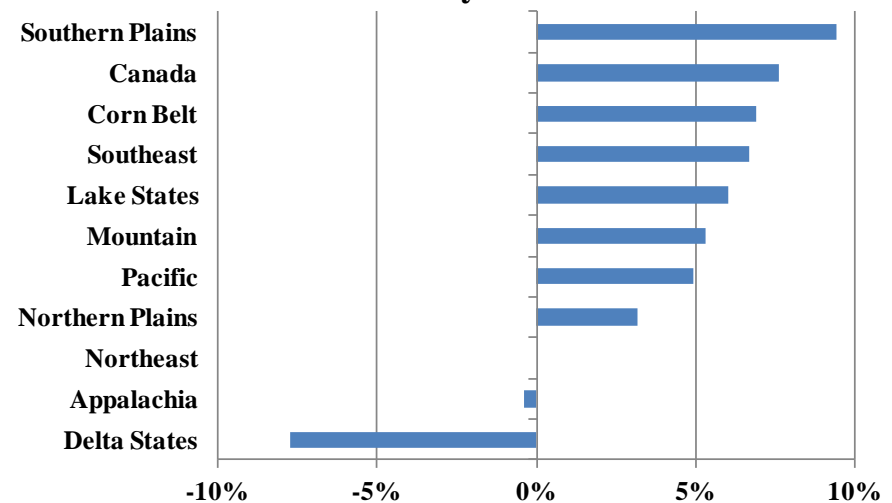
## 2012 Sales Outlook Continued

- Eight out of eleven regions are projecting a positive full year sales outlook in January, down from ten out of eleven regions in December. Dealers in the Southern Plains, Canada, and Corn Belt are the most optimistic while Appalachia and Delta States are forecasting sales to be negative in 2012.
- On a sequential basis, the Southern Plains showed the most significant improvement, while the Delta States showed the most sequential slowdown.

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



**Average Monthly Sales Outlook by Region  
January 2012**

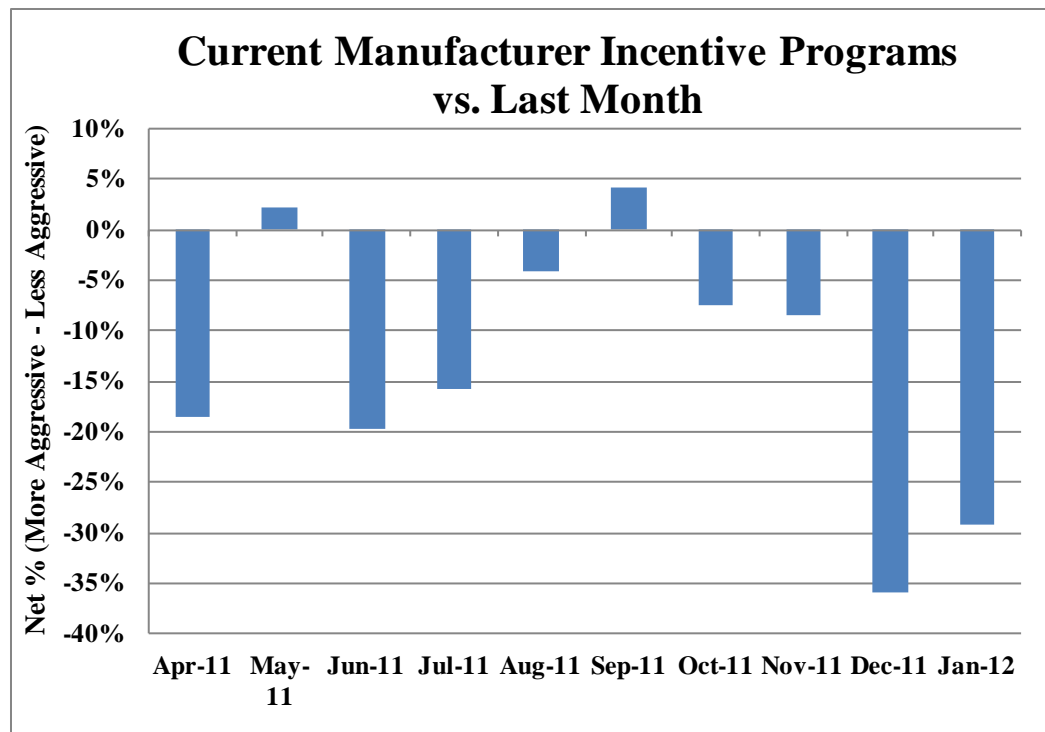


# Dealer Commentary on 2012 Outlook

- *We think 2012 will be flat. We hope to recover from drought and tax write off change.*
- *I'm more optimistic. Hopefully we will get some professional guidance from the top of our government*
- *Less optimistic. January is a small month and prone to high variability*
- *I'm less optimistic. Gas is high and jobs are scarce.*
- *I'm more optimistic. Commodity prices are projected to be stronger*
- *I'm more optimistic. Customers are requesting quotes earlier this year*
- *More optimistic. Commodity prices.*
- *More optimistic. Increased ag demand because of hay sales due to drought in other areas.*
- *Less optimistic. Continued drought in our area and local issues with our largest employer, American Airlines have caused our rural lifestyle customers to take a wait and see attitude.*
- *More optimistic. Surprising sales in Jan12*

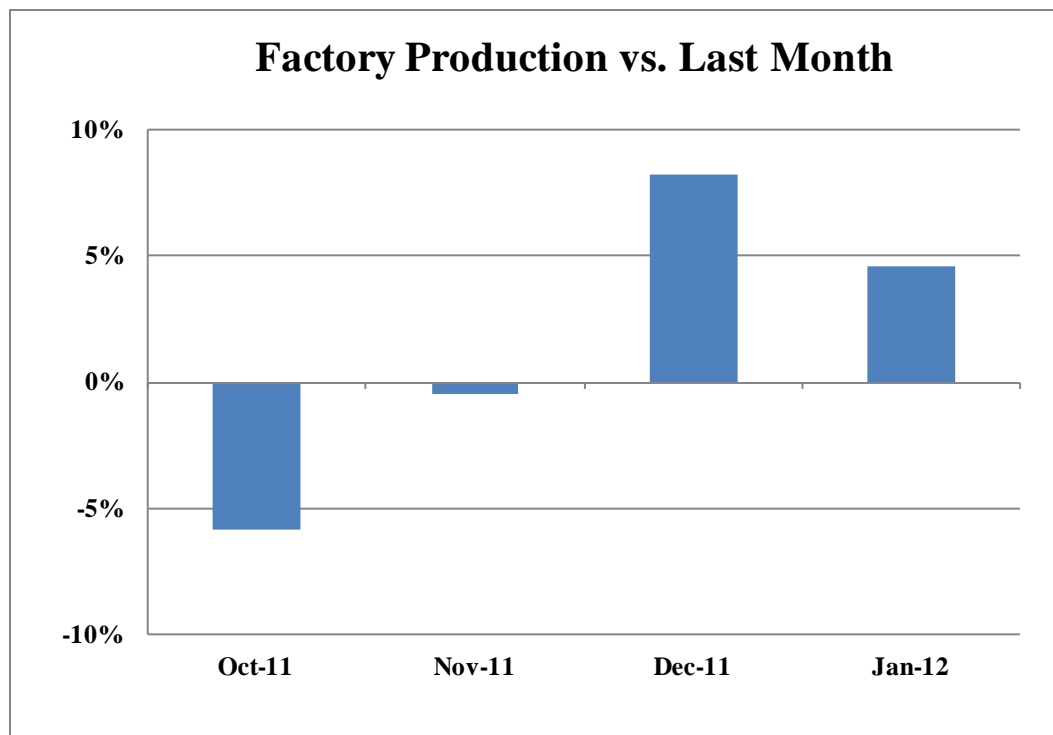
# Current Manufacturer Incentive Programs

- A net 29% of dealers report that manufacturers are less aggressive with incentives in January (10% more aggressive; 51% same; 39% less aggressive) compared to a net 36% in December. This trend continues to appear to be attributed to the end of pre-sell programs and slightly higher interest rates.



# Factory Production

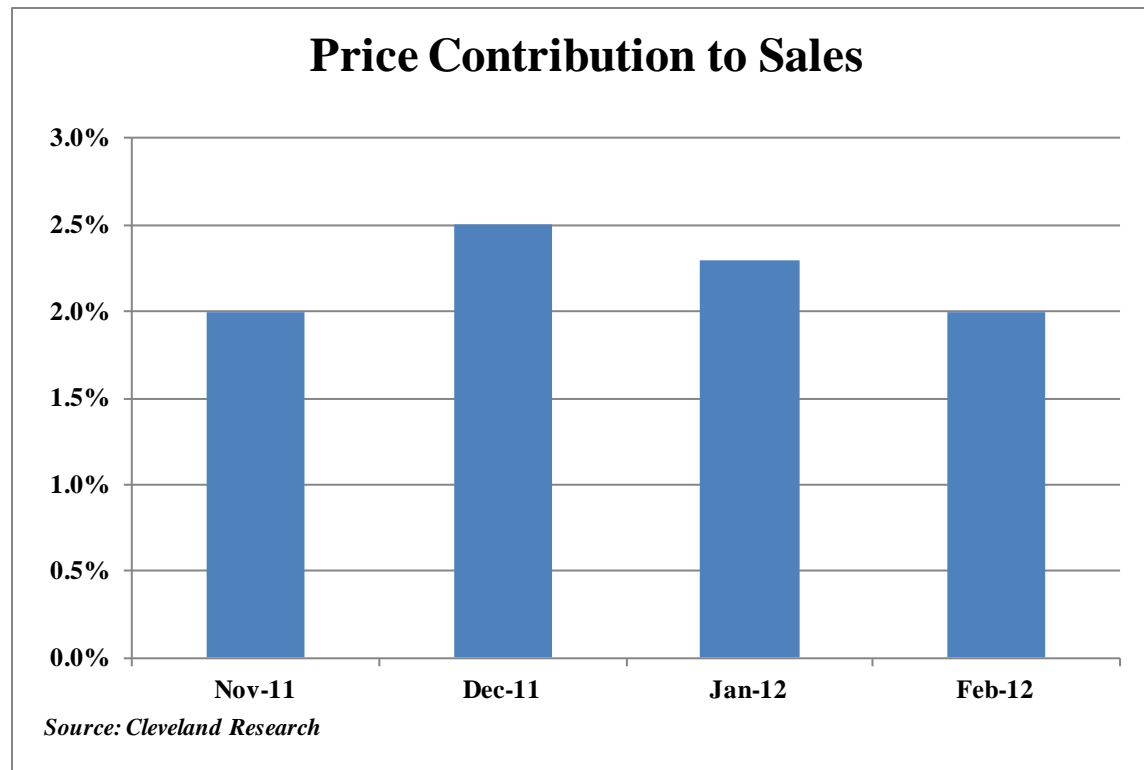
- Dealers report that factories appear to be keeping production relatively stable as a net 5% of dealers are reporting increasing production levels (11% increasing production; 83% no change in production; 6% decreasing production) compared to a net 8% last month who reported factories are neither increasing nor decreasing production.





# Pricing Trends

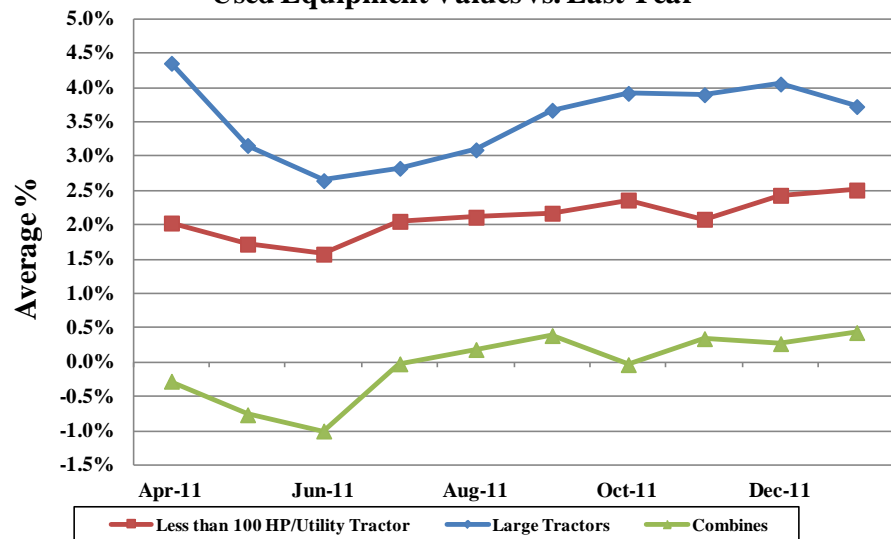
- Dealers report price contributed roughly ~2.0% to total January revenue, down just slightly from ~2.3% from December.



# Used Equipment Pricing

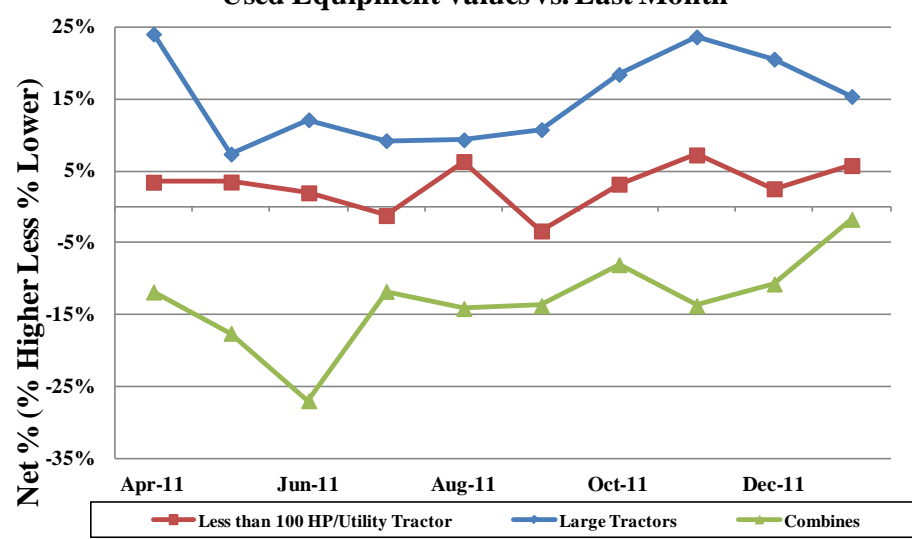
- By category, tractors over 100HP are up 3.7% year-over-year on average in January, down from 4.1% in December. Prices for used tractors under 100HP are up 2.5% in January, down slightly from 2.4% in December. Used combine values are up 0.4% in January, up slightly from 0.3% last month.
- Relative to last month, a net 6% of dealers report higher values for under 100HP/utility tractors, up from a net 3% in December. For over 100HP tractors, a net 15% of dealers report higher values vs. last month, down from a net 21% in December. Finally, a net 2% of dealers report used combine values are lower than last month.

**Used Equipment Values vs. Last Year**



Source: Cleveland Research

**Used Equipment Values vs. Last Month**



Source: Cleveland Research

# Inventory Levels

## New Equipment Inventory

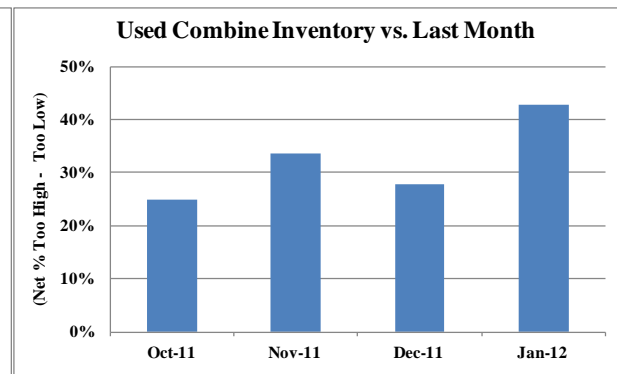
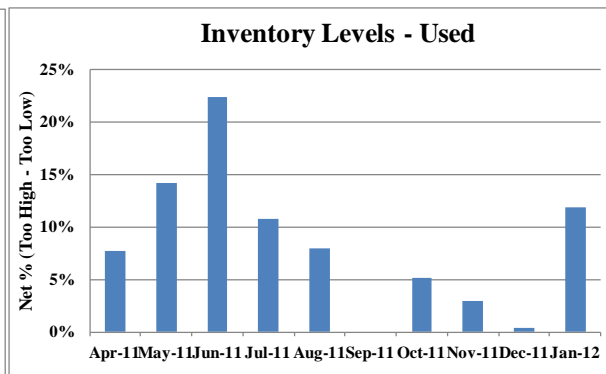
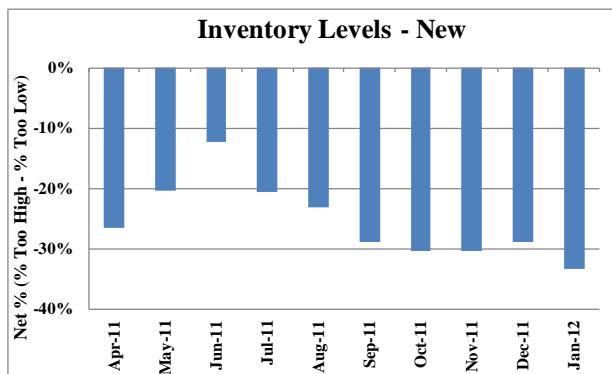
- New equipment inventory remains tight as a net 33% of dealers categorize their new inventory as “too low” (9% too high; 48% about right; 43% too low), up from a net 29% last month.

## Used Equipment Inventory

- Used equipment inventory appears to have decreased, as a net 12% of dealers now categorize their used inventory levels as “too high” (31% too high; 51% about right; 19% too low) compared to a net 1% last month.

## Used Combine Inventory

- Within the used equipment categories, a net 43% of dealers also reported used combine inventory levels are still “too high” (51% too high; 40% about right; 9% too low).



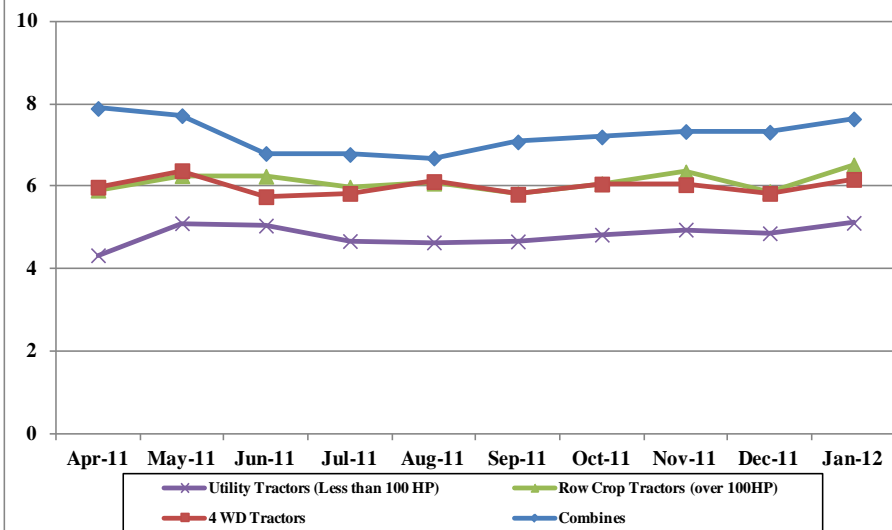
# Equipment Availability

- Overall, a net 52% of dealers report longer factory lead-times compared to last month (55% longer; 42% same; 3% shorter), down from the net 59% in December. 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 seeing slightly longer lead times this month. On average combine lead times are 7.6 months; 4WD are 6.2 months; row crop tractor lead times are 6.5 months; and smaller tractors (<100 HP) lead times are 5.1 months.

## Lead Times - Versus Prior Month



## Lead Times By Product Category (Months)



Source: Cleveland Research

# Dealer Commentary on Used Inventory Levels

- *It's too high. We are creating more than the market can absorb.*
- *Still too high. Used combines are still an issue*
- *About right. We're short on used tractors---long on late used combines.*
- *Too high. Used combines and values, used seeding equipment inventory high*
- *About right. We don't take many trades, Need to have more of the right used tractors*
- *Too high. Need to turn our used tillage and tractors better.*
- *Too high. Older gas tractors and older hay balers need to go. Make offer.*
- *Too high. Combines and self propelled sprayers.*
- *Too low. People are keeping their older tractors longer by having them repaired.*
- *Used is about right. We're not getting enough nice trade ins*

# NA Farm Equipment Industry Retail Sales and Inventory

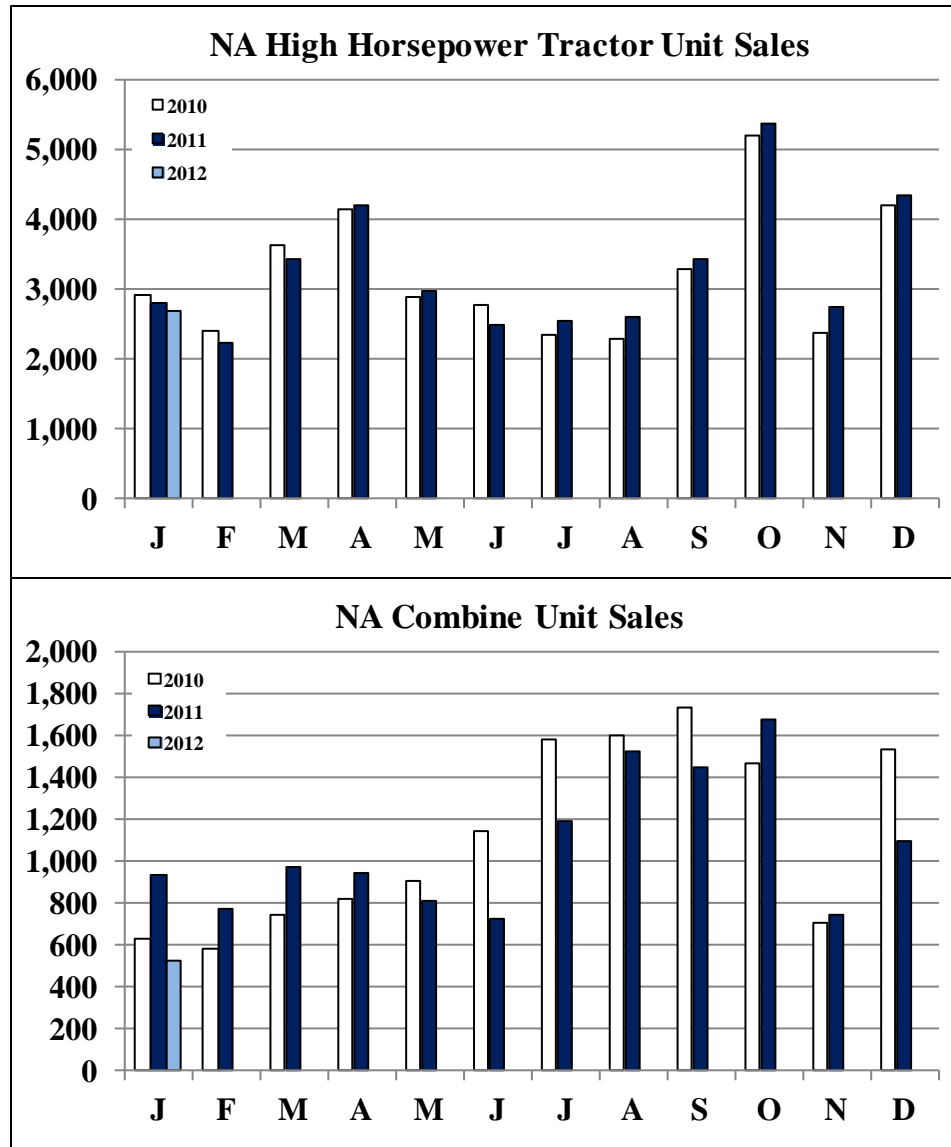
NORTH AMERICAN FARM EQUIPMENT RETAIL SALES														
	Units							% change year-over-year						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Memo: High hp	Combines	<40HP	Util	RC	4-WD	Total	High hp	Comb
Jan-10	3,687	3,181	2,606	327	9,801	2,933	633	(1%)	(8%)	31%	4%	3%	27%	14%
Feb-10	3,893	2,670	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%)
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%
Nov-11	4,952	3,430	2,274	482	11,138	2,756	742	(0%)	2%	15%	22%	4%	16%	5%
Dec-11	7,273	6,156	3,697	662	17,788	4,359	1,101	10%	10%	7%	(12%)	8%	4%	(28%)
Jan-12	3,901	3,698	2,335	359	10,293	2,694	528	5%	6%	2%	(29%)	3%	(4%)	(44%)

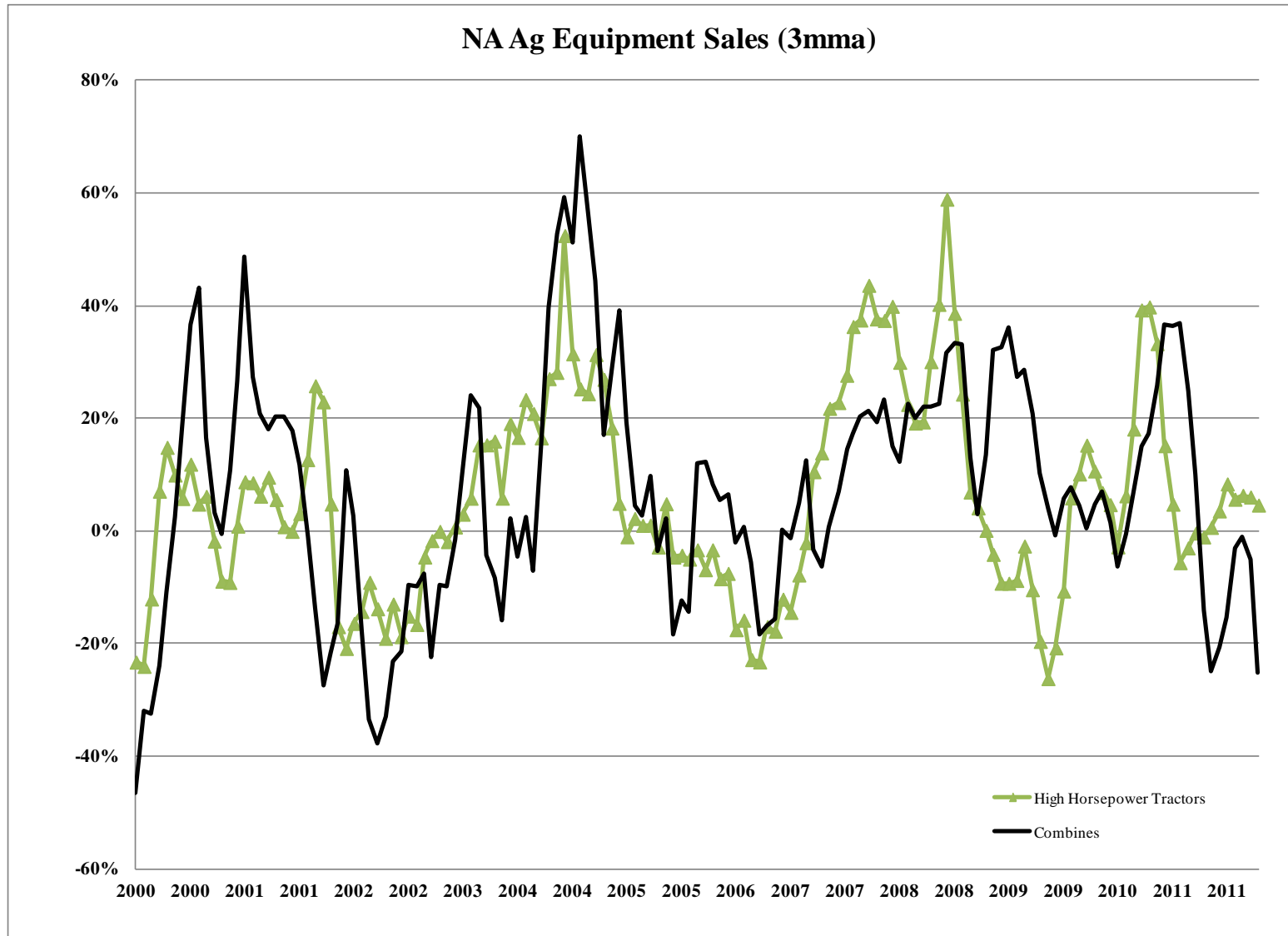
NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Memo: High hp	Combines	<40HP	Util	RC	4-WD	Total	High HP	Comb
Dec-09	50,702	27,289	9,697	871	88,559	10,568	984	57%	49%	36%	15%	50%	32%	8%
Jan-10	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%
Sep-11	53,873	26,448	9,073	1,806	91,200	10,879	2,666	57%	47%	29%	25%	48%	28%	20%
Oct-11	54,999	25,858	8,299	1,391	90,547	9,690	1,564	58%	46%	26%	19%	47%	25%	12%
Nov-11	57,959	27,430	8,466	1,241	95,096	9,707	1,545	61%	49%	27%	17%	50%	25%	12%
Dec-11	59,746	26,551	7,666	1,035	94,998	8,701	1,250	62%	47%	24%	14%	49%	22%	10%

Source: AEM, CRC Estimates

# Annual Ag Equipment Industry Sales – 2010-2012



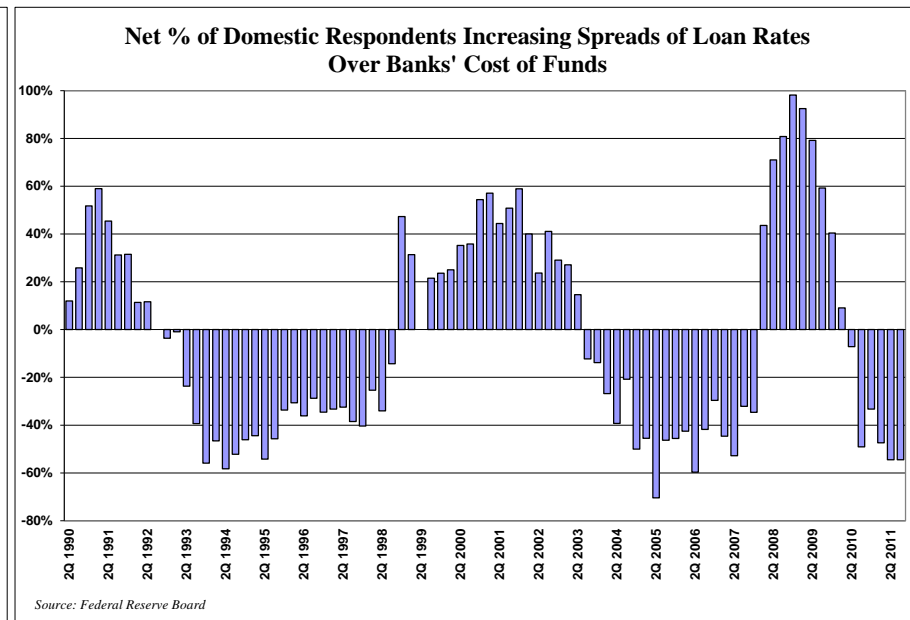
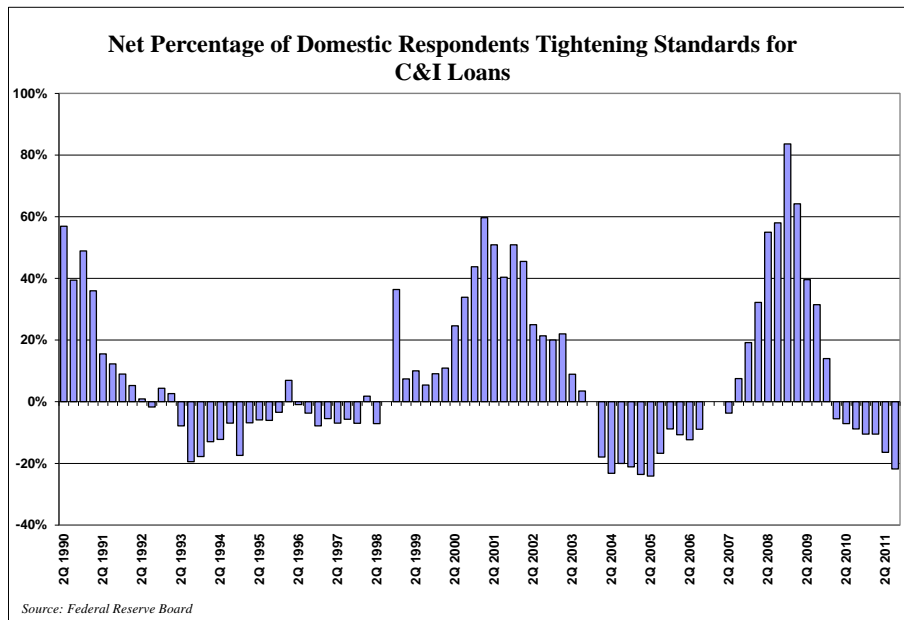
# NA Ag Equipment Sales





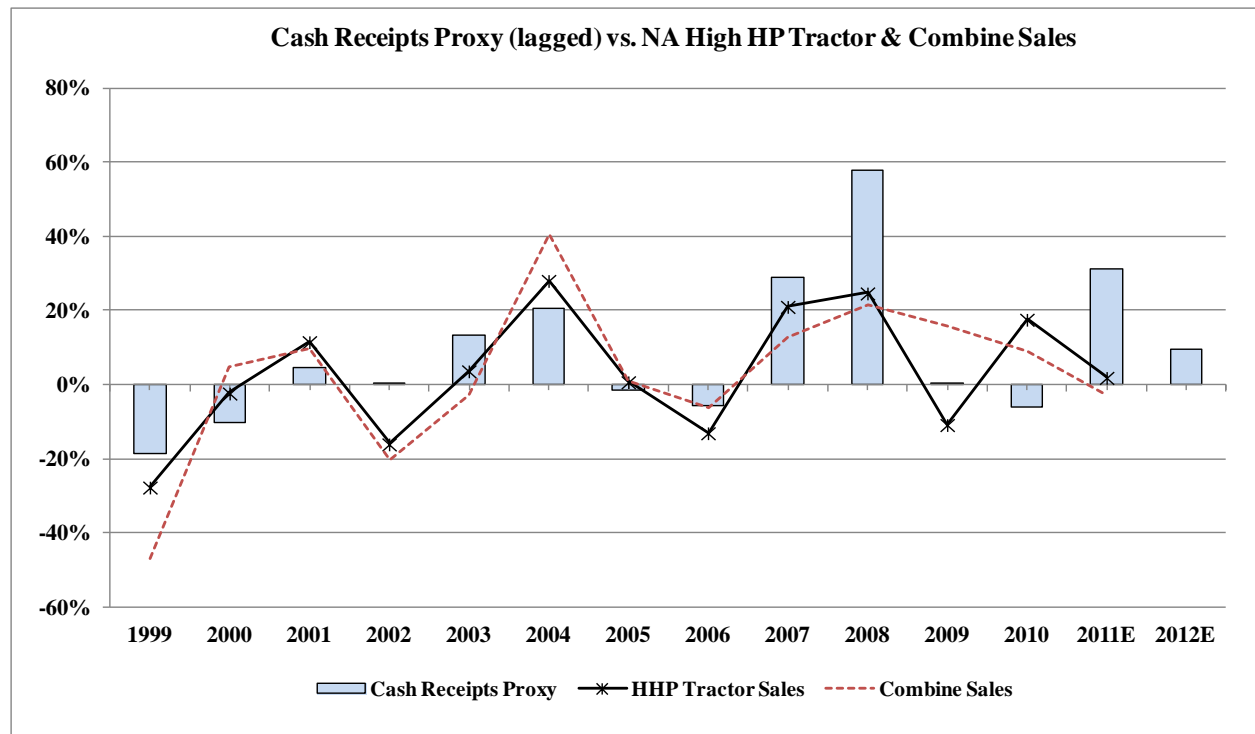
# Credit – C&I Loan Demand Improves as Lending Standards Loosen

- 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 largely unchanged.** Price projections this month were largely unchanged from the prior months forecast, leaving our cash receipts our simplified cash receipts proxy below unchanged at just over \$126Bil, or about a 8% increase from last year's level. 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					
December	12,310	11,005	1,600	12,605	848	7.7%	\$5.90-\$6.90	December	21,843	23,191	4,159	17.9%	
January	12,358	11,005	1,650	12,655	846	7.7%	\$5.70-\$6.70	January	21,816	23,166	4,199	18.1%	
February	12,358	11,005	1,700	12,705	801	7.3%	\$5.80-\$6.60	February	21,660	23,151	4,134	17.9%	
Revision to 2011/12:				Corn Spot Price:				\$6.39					
m/m chg	0	0	50	50	-45	-0.4%	\$0.00	m/m chg	-156	-15	-65	-0.3%	
y/y chg	-89	-545	-200	-745	71	1.0%	\$0.95	y/y chg	2008	1687	53	-1.2%	
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					
December	3,046	3,045	1,300	4,345	230	7.6%	\$10.70-\$12.70	December	6,479	7,811	2,141	27.4%	
January	3,056	3,011	1,275	4,286	275	9.1%	\$10.95-\$12.45	January	6,387	7,792	2,055	26.4%	
February	3,056	3,011	1,275	4,286	275	9.1%	\$11.10-\$12.30	February	6,183	7,746	1,940	25.0%	
Revision to 2011/12:				Soybean Spot Price:				\$12.59					
m/m chg	0	0	0	0	0	0.0%	\$0.00	m/m chg	-204	-46	-116	-1.3%	
y/y chg	-273	-314	-275	-589	105	4.0%	\$0.30	y/y chg	-113	174	-235	-3.7%	
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					
December	1,999	1,178	925	2,103	878	74.5%	\$7.05-\$7.55	December	23,316	23,814	6,783	28.5%	
January	1,999	1,162	950	2,112	870	74.9%	\$6.95-\$7.45	January	23,409	23,876	6,847	28.7%	
February	1,999	1,162	975	2,137	845	72.7%	\$7.15-\$7.45	February	23,459	23,841	6,985	29.3%	
Revision to 2011/12:				Wheat Spot Price:				\$6.57					
m/m chg	0	0	25	25	-25	-2.2%	\$0.10	m/m chg	50	-35	138	0.6%	
y/y chg	-209	-18	-300	-318	6	1.6%	\$1.65	y/y chg	1853	693	1129	4.0%	
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													
December	12,310	3,046	1,999	\$6.40	\$11.70	\$7.30	\$78,784	\$35,638	\$14,593	\$129,015	9%		
January	12,358	3,056	1,999	\$6.20	\$11.70	\$7.20	\$76,620	\$35,755	\$14,393	\$126,768	8%		
February	12,358	3,056	1,999	\$6.20	\$11.70	\$7.30	\$76,620	\$35,755	\$14,593	\$126,968	8%		
*Note: Cash receipts estimated as USDA production X USDA average price forecast													

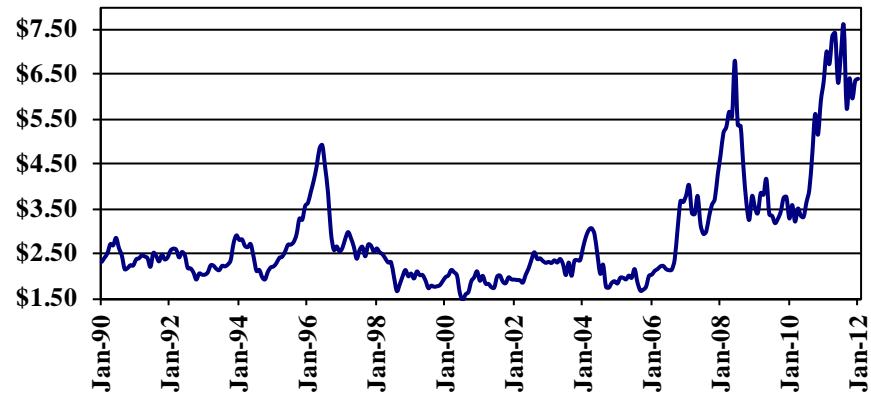
Source: USDA; Cleveland Research estimates

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

## Wheat Price Trends



## Corn Price Trends



## Cotton Price Trends



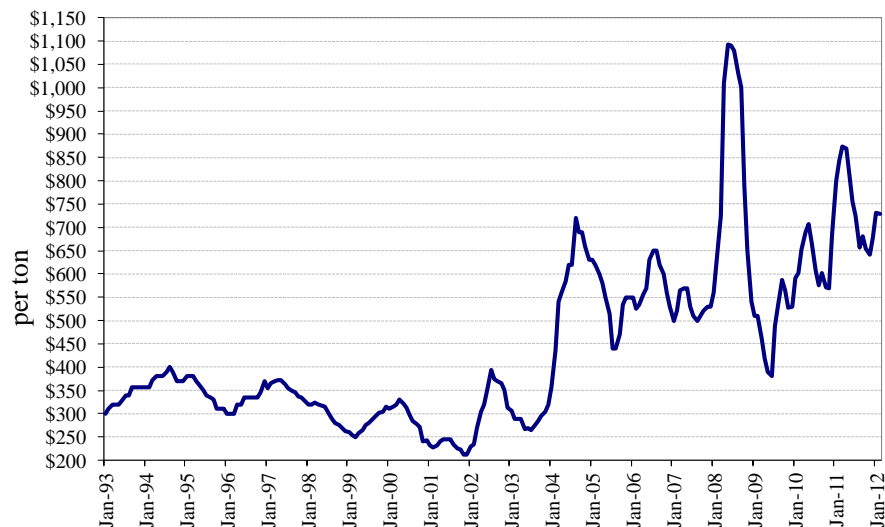
## Soybean Price Trends



# Commodity Price Trends – Steel

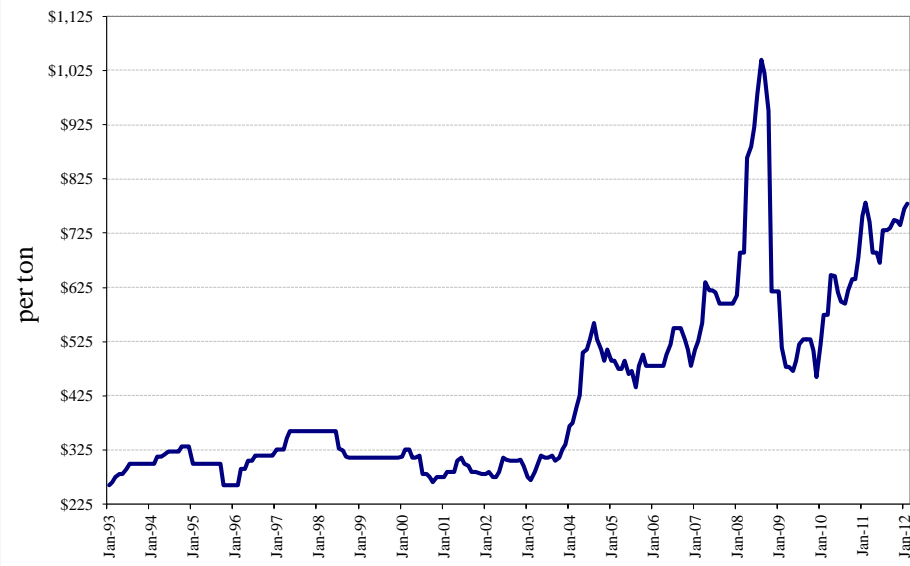
- February steel distribution orders moderated relative to January order rates, but underlying consumption levels remain favorable. We estimate the February order rate to be running near 5%, which compares to the January average of 5-7% (back-end loaded @ +10%) and the +5% December comp. The weakness in steel order rates over the past month is being driven by decreased inventory purchasing from the distribution channel, after an aggressive buying period during the previous three months driven by negative price speculation.
- The carbon sheet pricing momentum has stalled in February, following four months of successful mill increases. The current listed quote is approximately \$740 per ton, which is consistent with our January update, but transactions are now taking place below this listed value, as we are hearing deals are now being transacted between \$720-730 per ton (and as low as \$700 per ton for larger-volume orders). The relative weakness appears to be tied to the lower surcharge mechanism (down \$40-50 per ton) and an increase in import offers.

**Domestic Hot Rolled Sheet Prices**



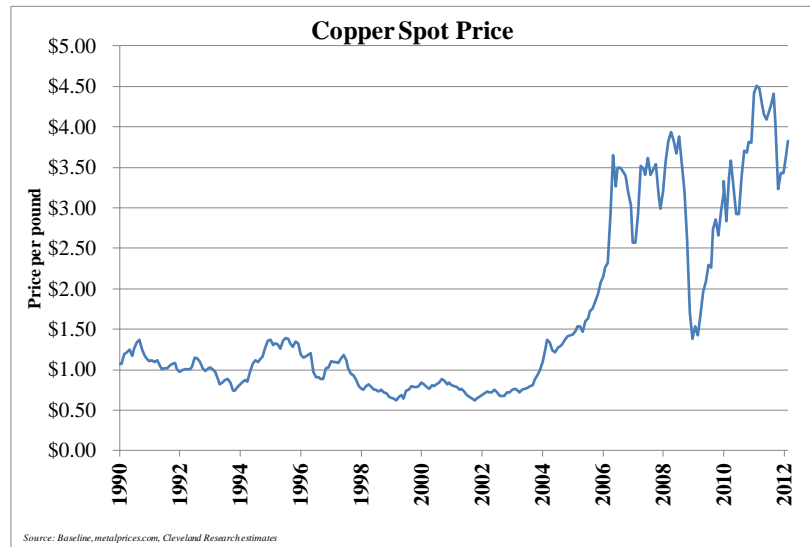
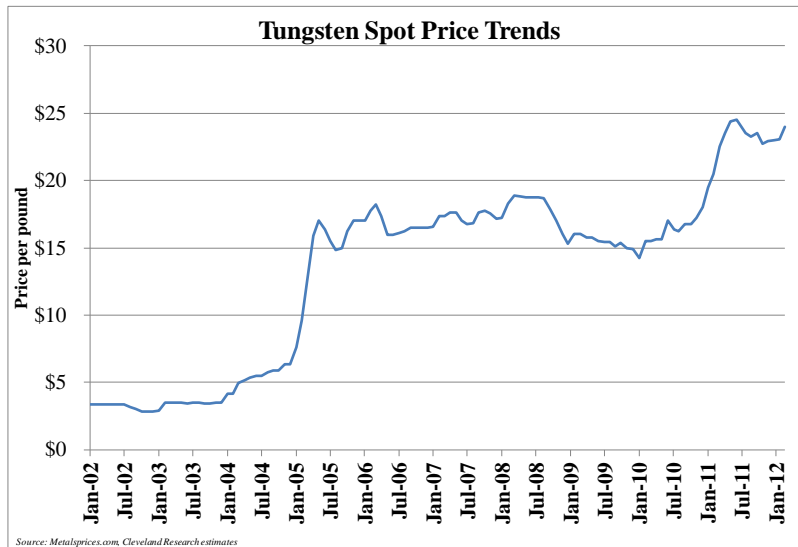
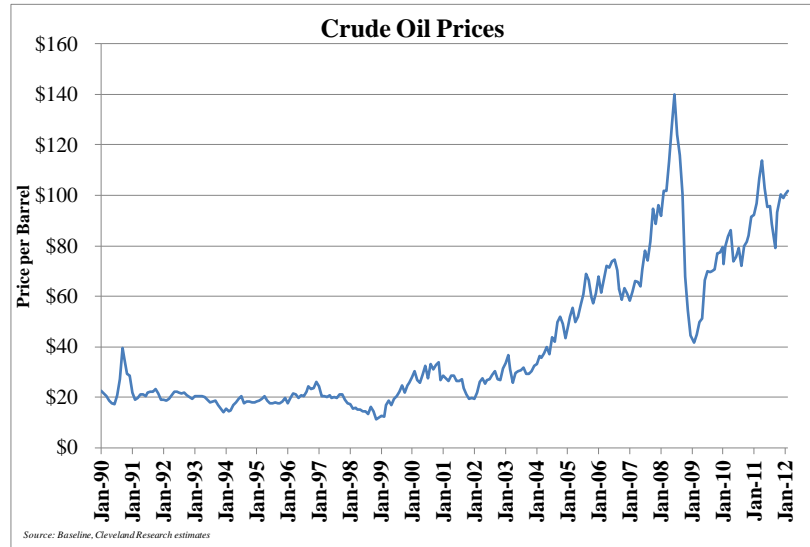
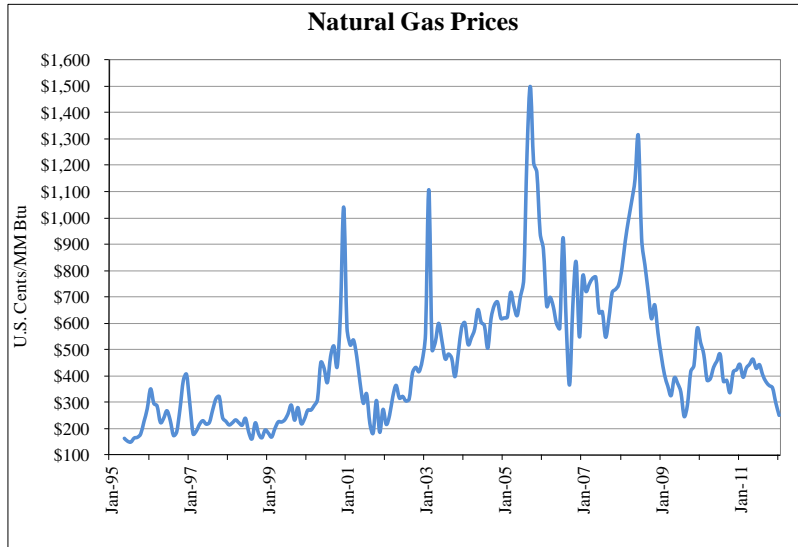
Source: Steel Business Briefing, CRC Estimates

**Domestic Reinforcing Bar (Rebar) Prices**



Source: Steel Business Briefing; Energy Information, Baseline

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



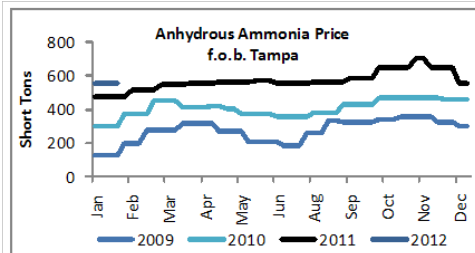
# Commodity Trends – Long Run Supply and Demand Projections

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

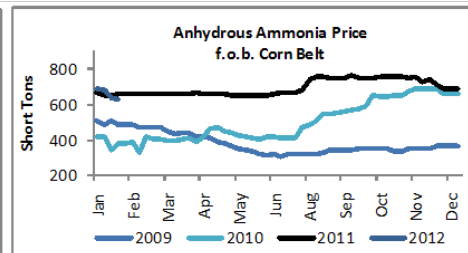
<b>SOYBEANS - DOMESTIC</b>							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	3,188	1,955	1,118	3,073	573	29.3%	\$9.00
2007/08	2,676	1,893	1,161	3,054	205	10.8%	\$10.10
2008/09	2,921	1,907	1,020	2,927	205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

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

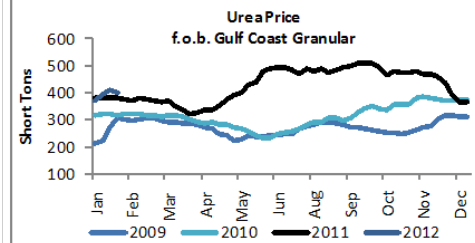
# Other Input and Chemical Costs – 2009-2012



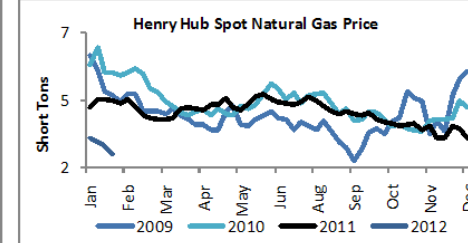
Source: Green Market Fertilizer



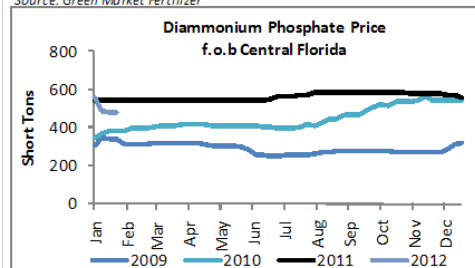
Source: Green Market Fertilizer



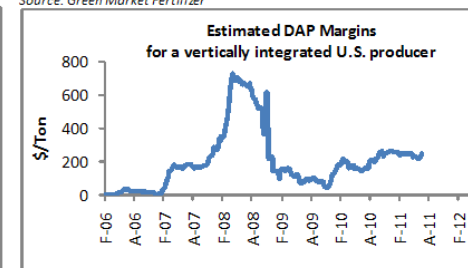
Source: Green Market Fertilizer



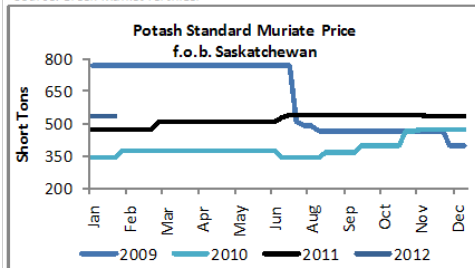
Source: Green Market Fertilizer



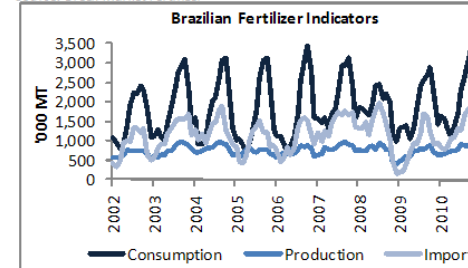
Source: Green Market Fertilizer



Source: Green Market Fertilizer



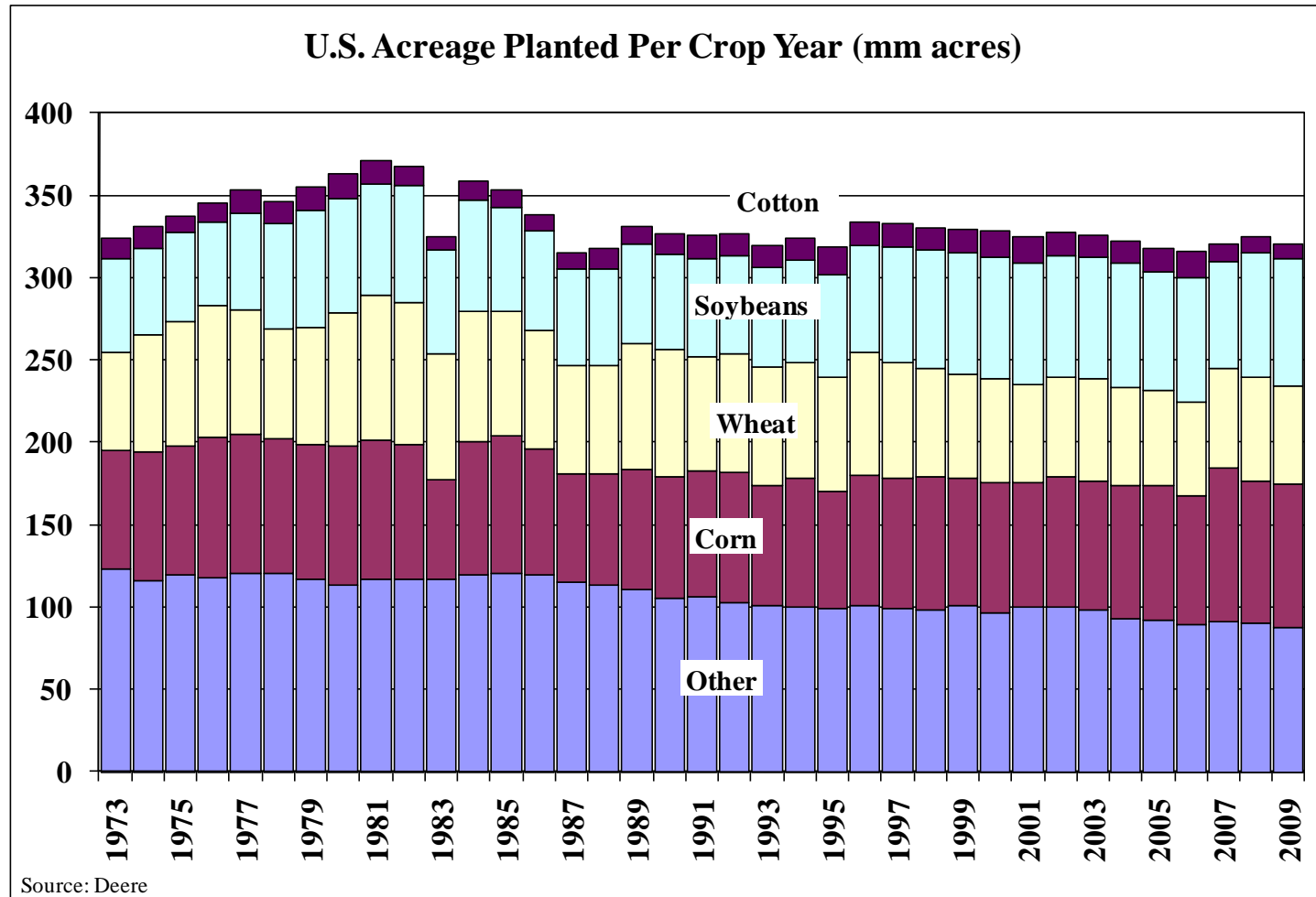
Source: Green Market Fertilizer



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