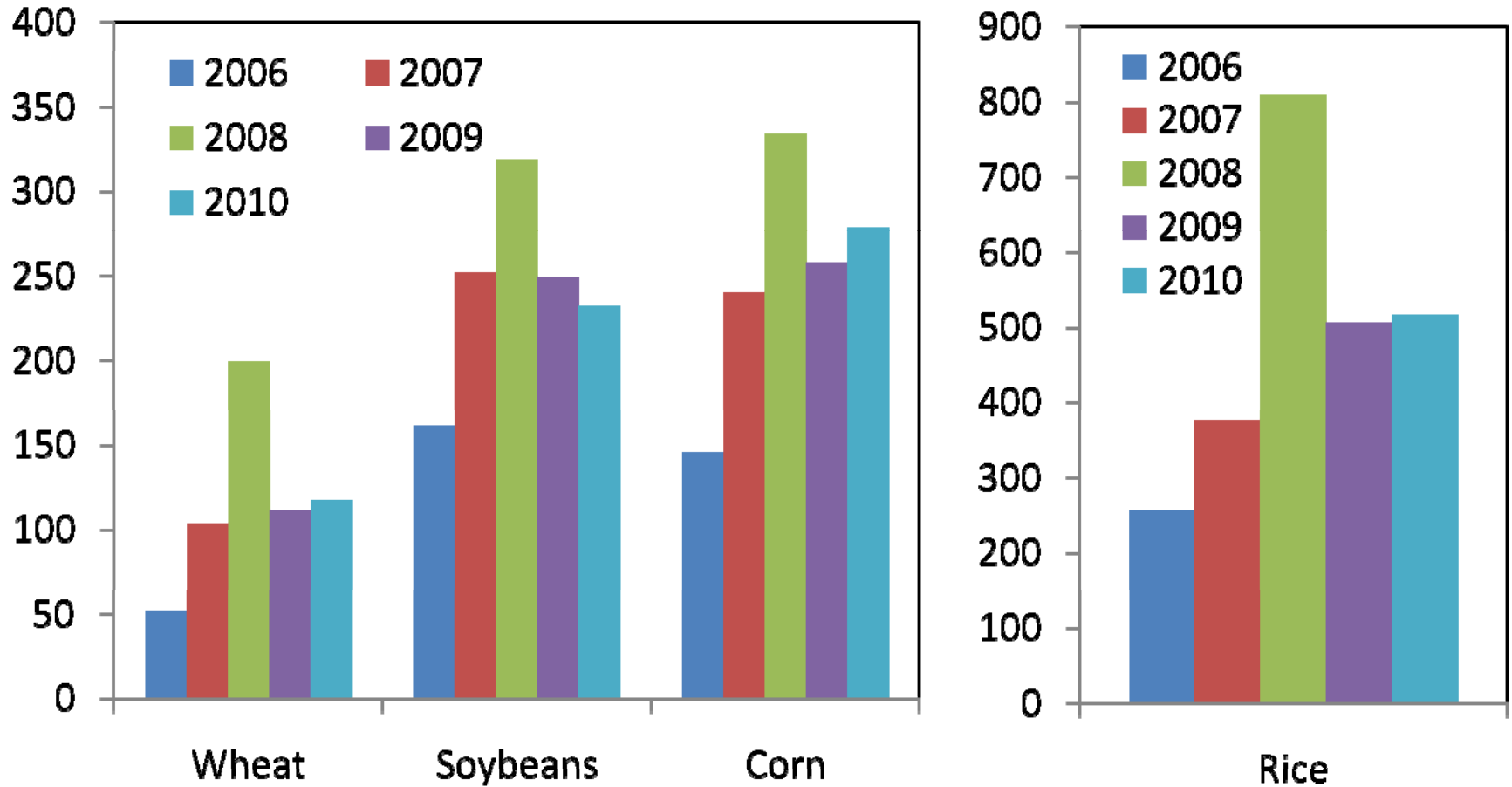


# Crop Profit Margins

## Market Returns Above Variable Costs

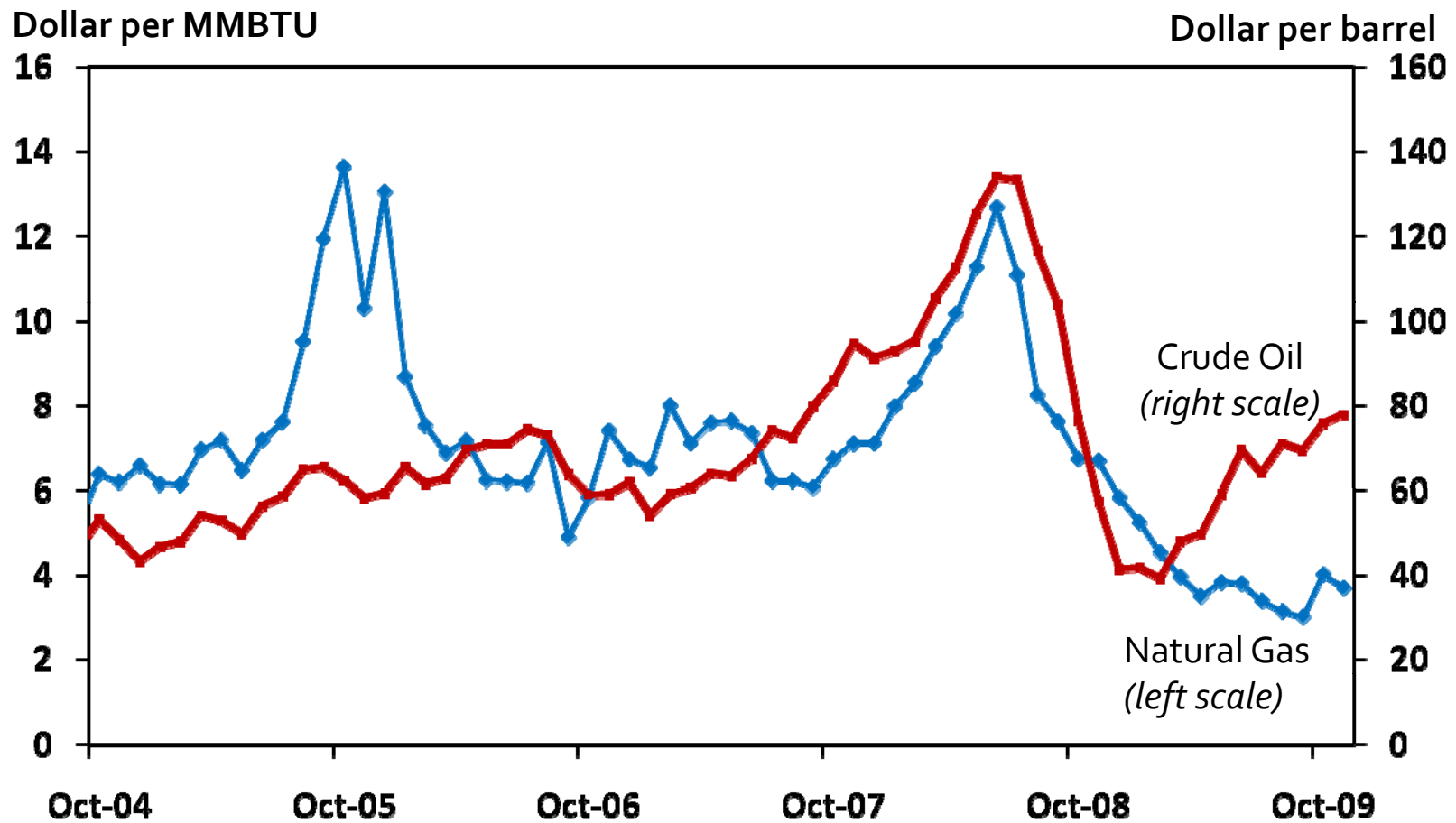
Dollars per acre



*Crop margins are likely to remain historically high in 2010.*



# Energy Prices



Source: Bloomberg

*How will energy prices shape farm profits?*

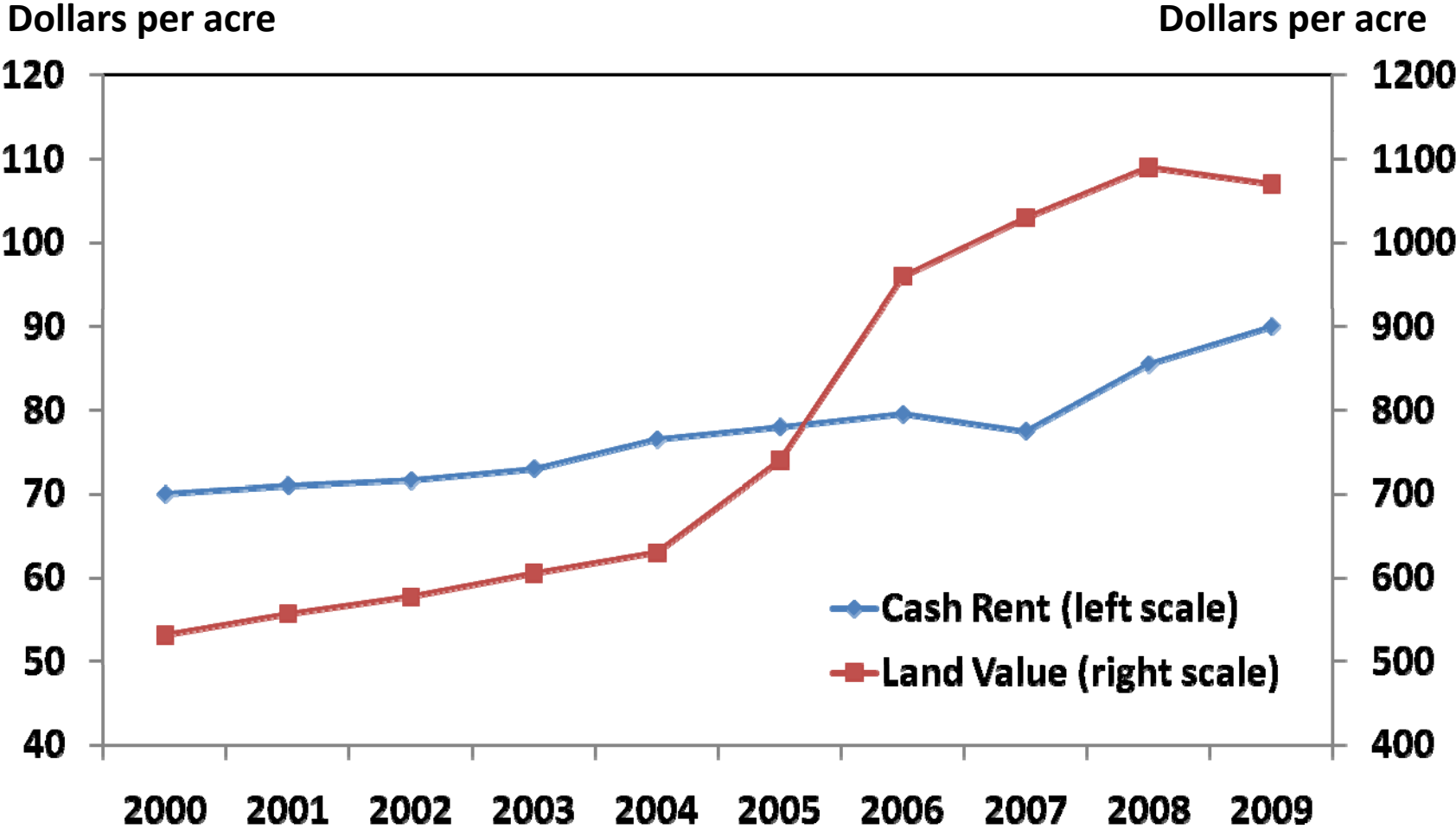


# Ag in Uncertain Times

- The farm boom ends with recession and a financial crisis.
- Will the recovery spark a demand rebound?
- For livestock, rebalancing supplies with demand.
- For crops, the profit perspective depends on your viewpoint.
- Land values have reached a plateau.
- 



# U.S. Cropland Cash Rents and Land Values



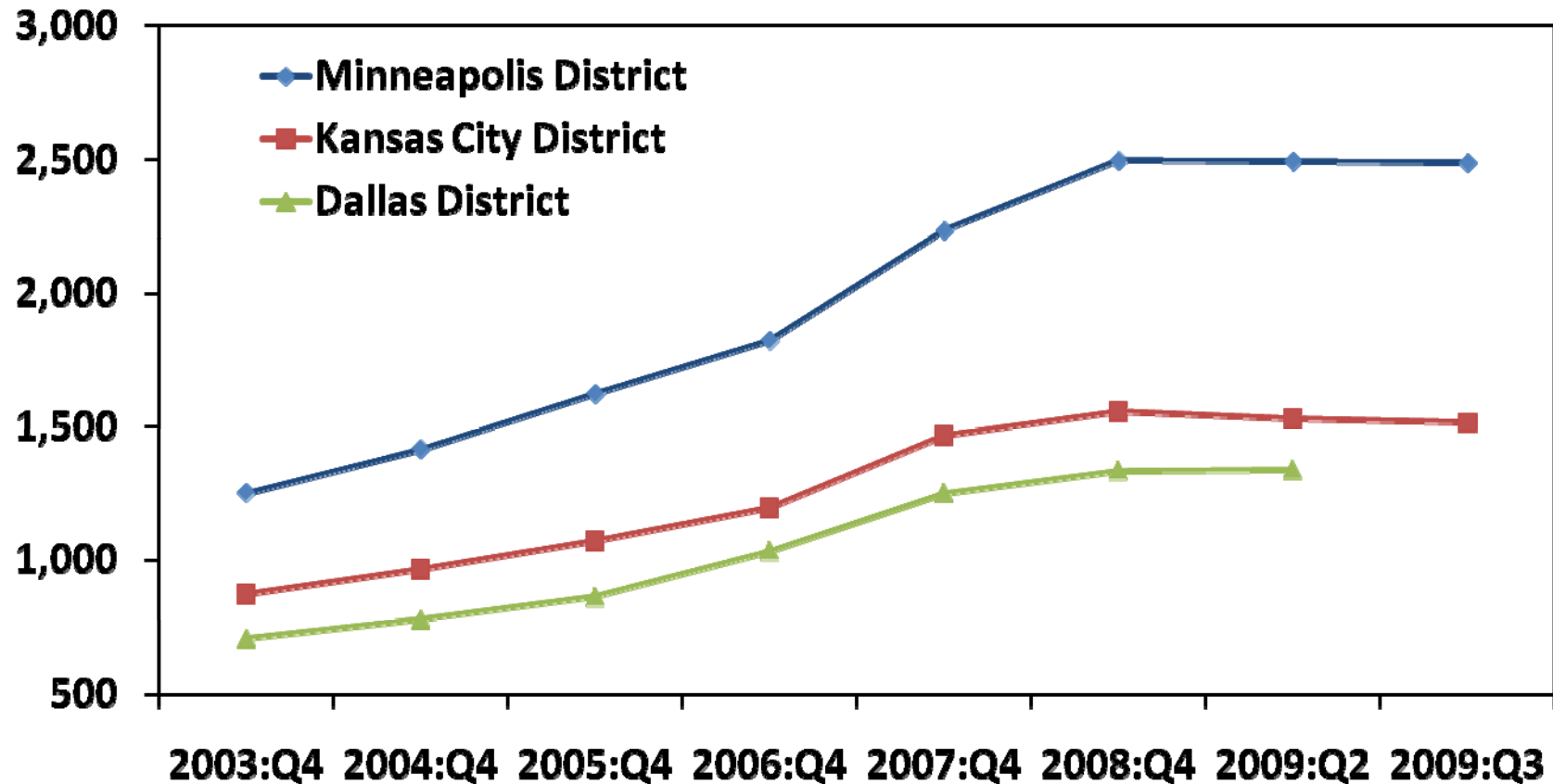
Source: USDA, January 1 data.

*After sharp declines, rent-to-value ratios are starting to rise.*



# Nonirrigated Cropland Values By Federal Reserve District

Dollars per acre

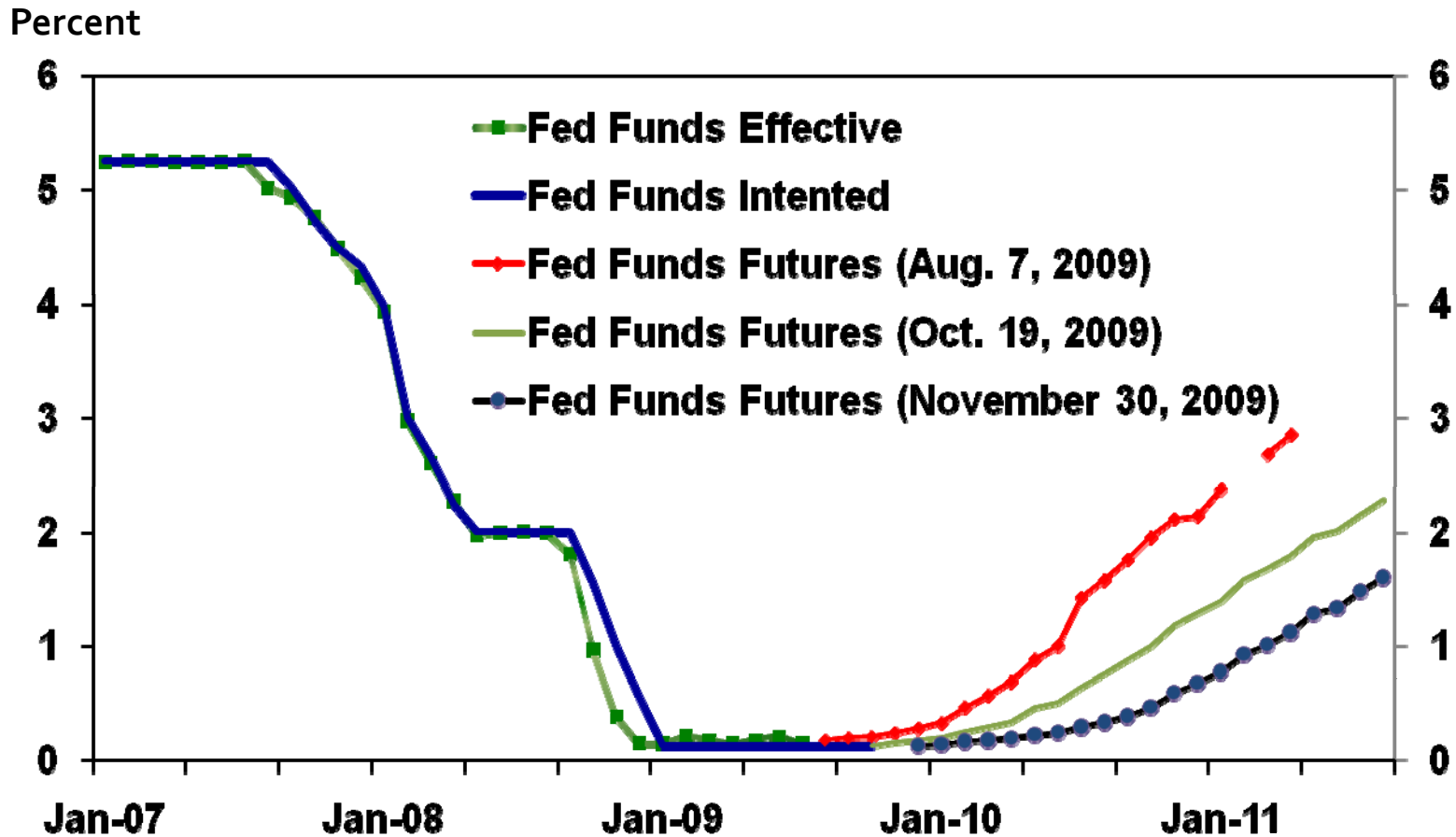


Source: Federal Reserve Banks of Kansas City, Minneapolis, and Dallas

*Farmland values have reached a plateau in 2009.*



# Fed Funds Rate and Futures



Source: Federal Reserve Board of Governors and CME Group

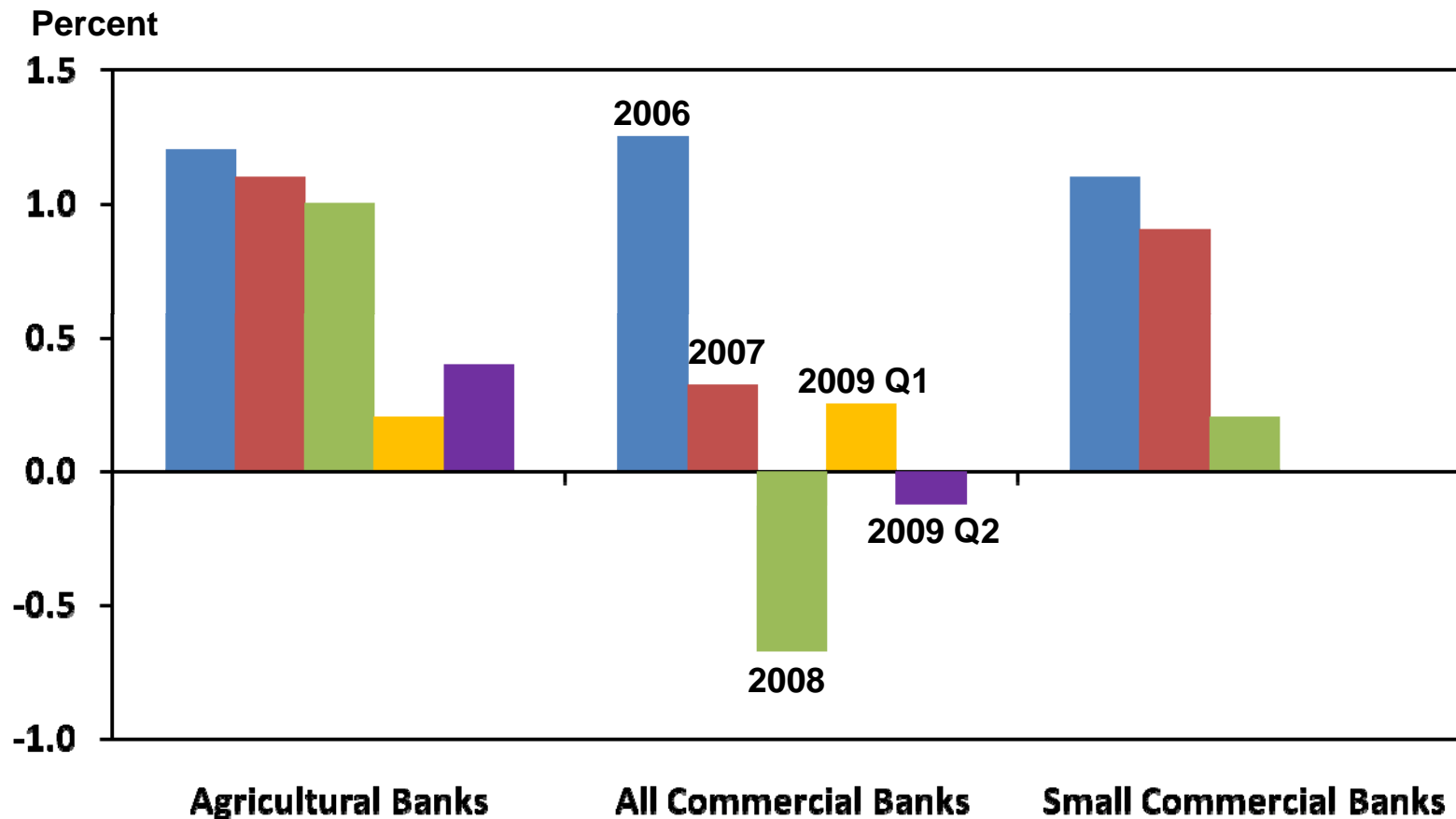
*What are the implications of higher rates on capitalized values ?*

# Ag in Uncertain Times

- The farm boom ends with recession and a financial crisis.
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- For livestock, rebalancing supplies with demand.
- For crops, the profit perspective depends on your viewpoint.
- Land values have reached a plateau.
- Credit remains tight as the agricultural loan portfolio erodes.



# Return on Assets at Commercial Banks



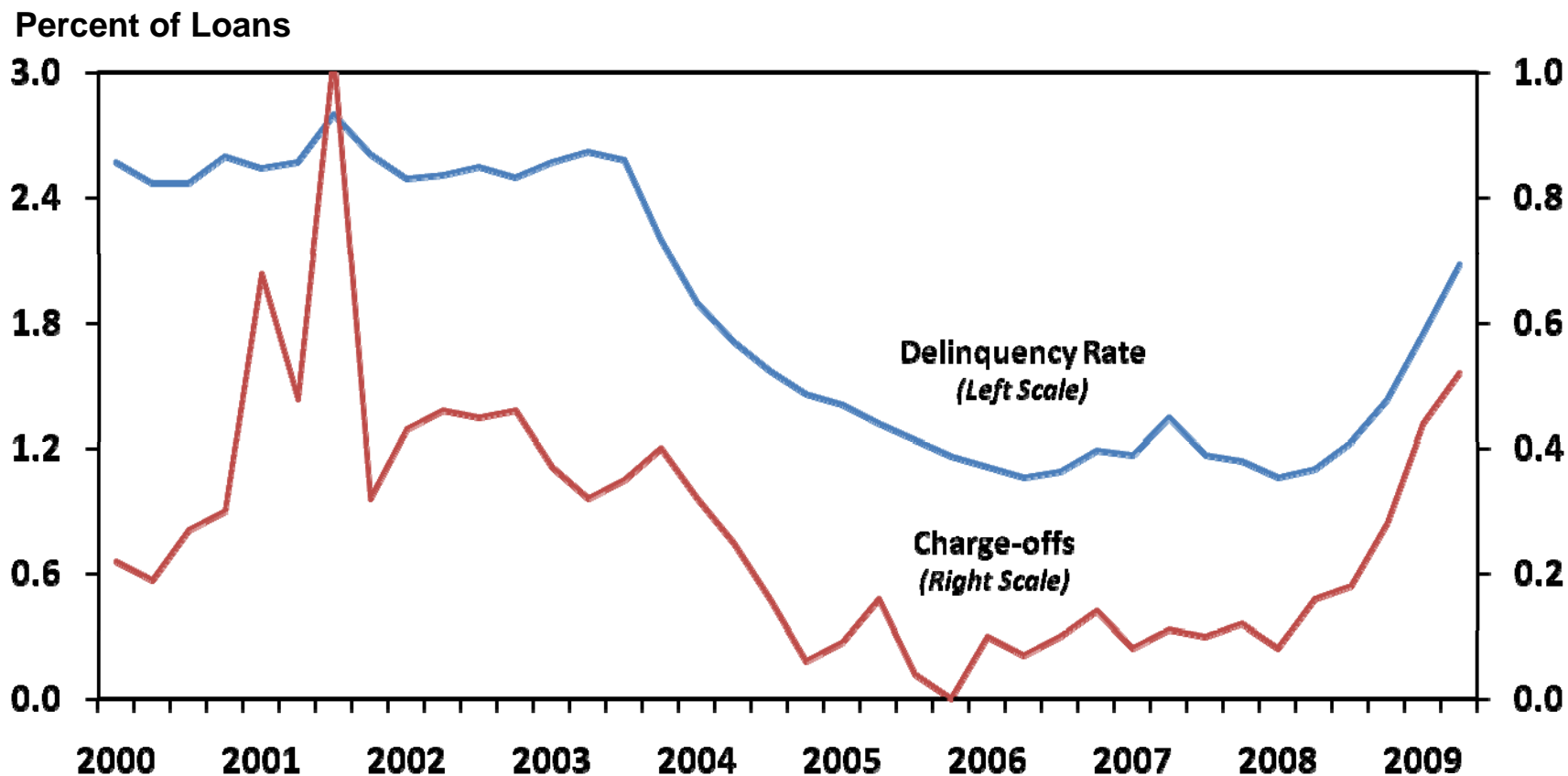
Source: Board of Governors of the Federal Reserve and FDIC  
 Agricultural banks are banks with agricultural loans accounting for 14% or more of their loan portfolio.  
 Small commercial banks are banks with less than \$500 million in assets

*Ag banks are still earning profits.*





# Charge-offs and Delinquency Rates on Agricultural Loans



Source: Board of Governors of the Federal Reserve System

*Agricultural loan portfolios erode.*



# Ag in Uncertain Times

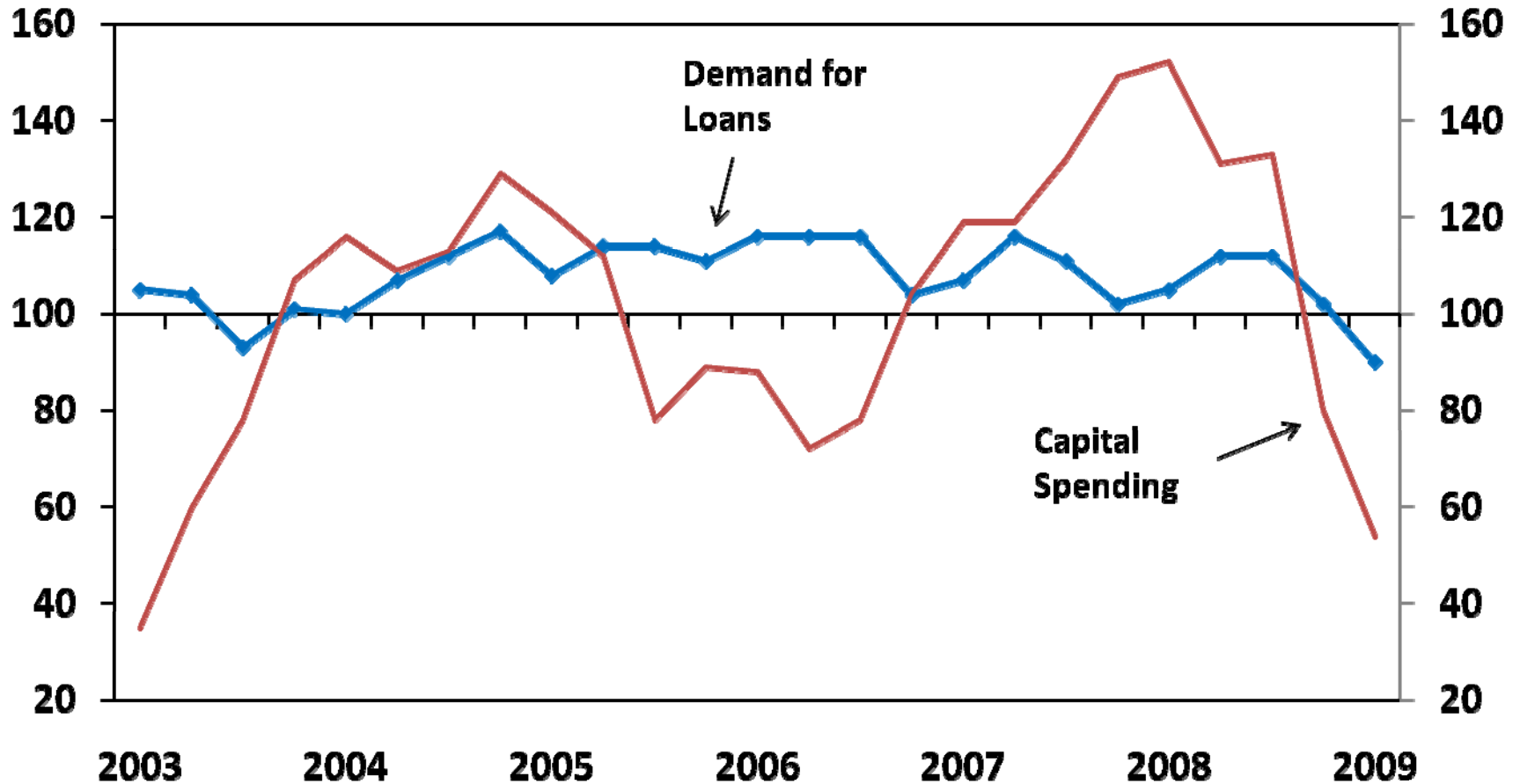
- The farm boom ends with recession and a financial crisis.
- Will the recovery spark a demand rebound?
- For livestock, rebalancing supplies with demand.
- For crops, the profit perspective depends on your viewpoint.
- Land values have reached a plateau.
- Credit remains tight as the agricultural loan portfolio erodes.
- Farmers appear to have learned the lessons of the 1980s
  - too much leverage leads to bankruptcy.



# Farm Loan Demand and Capital Spending

## Kansas City District

Diffusion Index

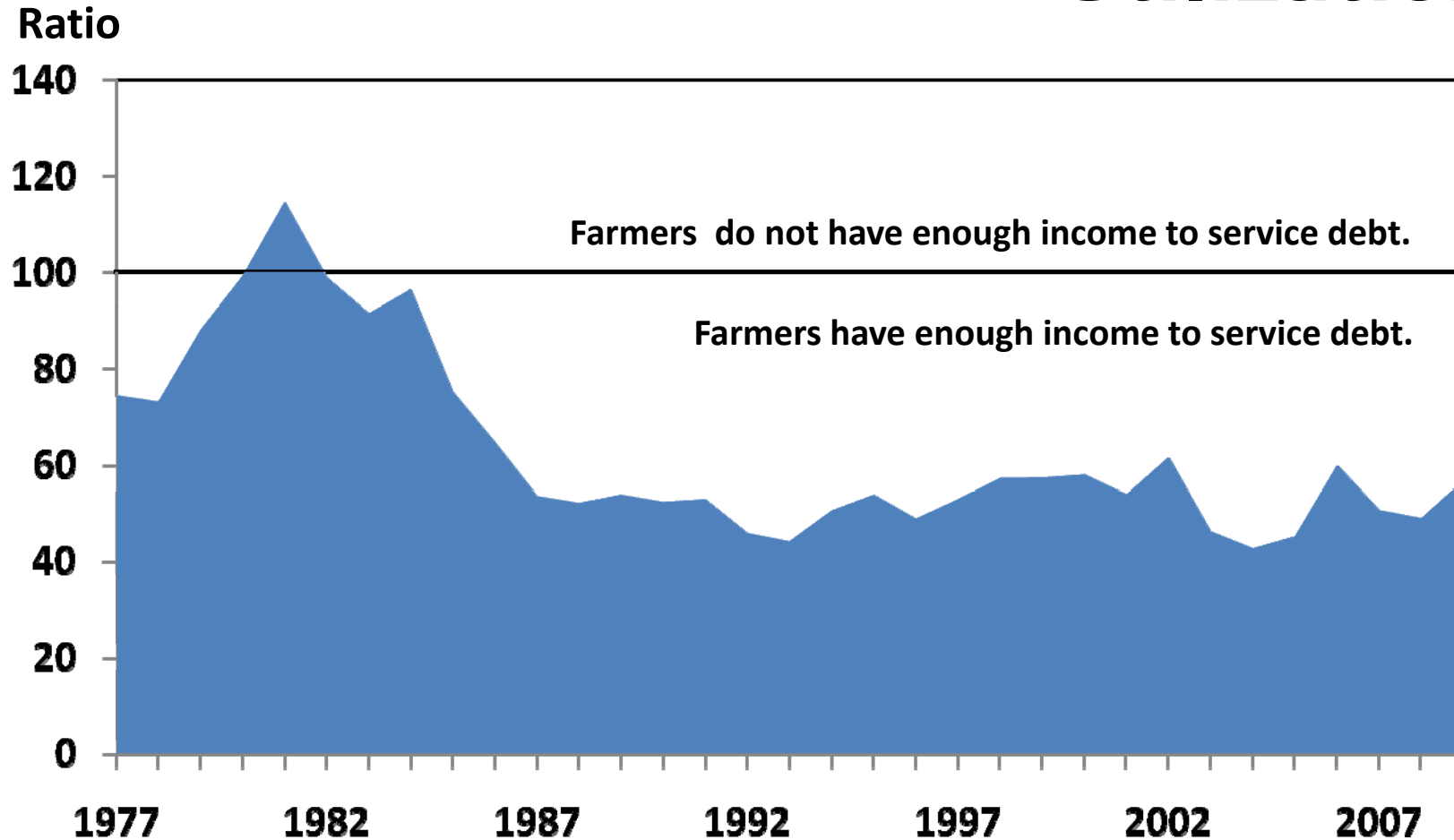


Source: Federal Reserve Bank of Kansas City

*Capital spending by farmers will likely remain weak heading into 2010.*



# U.S. Debt Repayment Capacity Utilization



Source: USDA

*In general, farmers have healthy balance sheets heading into 2010.*



# Ag in Uncertain Times

- With the recession and financial crisis ending, the near-term future for agriculture hinges on the recovery.
  - U.S demand may be limited with a modest recovery.
  - Stronger global economies and a weak dollar provide opportunities for exports and U.S. commodities.
- Tight supplies lead to increased volatility in agriculture.
- Farm balance sheets remain healthy, but credit is still tight.
- The future of agriculture will be shaped in how farmers manage risks during the next farm rebound.

