



NGFA Bank Market Update

March 3, 2010



NGFA: Bank Market Update and Outlook

I. Bank Perspective of Grain Industry

II. Bank Market Update

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Bank Perspective of Grain Sector:

Question: If high commodity prices and volatility return, will the bank market be ready to meet industry demand?

- **Credit Quality:** Generally stable to strong; driven by solid gross margins; strong cash flow; reduced balance sheet leverage
- **Risk Management:** Operating discipline; focus on key risks; reduced risk profile of industry since peak period 07-08
- **Liquidity/Collateral Coverage:** Positive working capital trends; acceptable to strong collateral coverage
- **Growth Potential:** Increasing yields driving origination bushels; continued consolidation drives size and scale; rising long term demand expectations; improving macroeconomic factors
- **Debt Capital Requirements:** sector viewed quite favorably; large debt capital requirements
- **Financing Capacity:** Positive financial results + current credit commitments/utilizations = **LENDER DRY POWDER**

Solid Credit Profile Attracts Bank Capital



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New Environment for 2010

Syndicated Loan Markets

- The loan market has a positive outlook for 2010 following the recalibration in 2009

Recent Developments

- Bank market liquidity has improved as:
 - Lenders' balance sheets have been largely repaired through equity issuance
 - Loan have been refinanced with longer term debt
 - Profitability has returned
 - All geographic lender segments have participated in the liquidity rebound, with a particular push by Asian lenders to book assets
- Loan pricing continues to tighten at all ratings categories, by as much as 50 bps from the 2009 highs
- 3-year tenors are the current norm for multi-year facilities

Outlook for 2010

- Expect maturity spectrum to lengthen
- Pricing will continue to tighten
- Transaction sizes will continue to rebound toward pre-meltdown levels
- Pro-rata execution continues to improve as banks are focused on fulfilling new budgets for 2010
- Commercial bank demand is borrower specific and focused on relationship and ancillary business opportunities, though pressure to book assets continues to support participation
- Risk appetite is growing but credit quality remains in focus, combined with appropriate risk/return on committed capital



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Loan Market Conditions

Market Summary

Economic Backdrop

- The economic landscape has improved as the recession has given way to a recovery, though unemployment remains at elevated levels

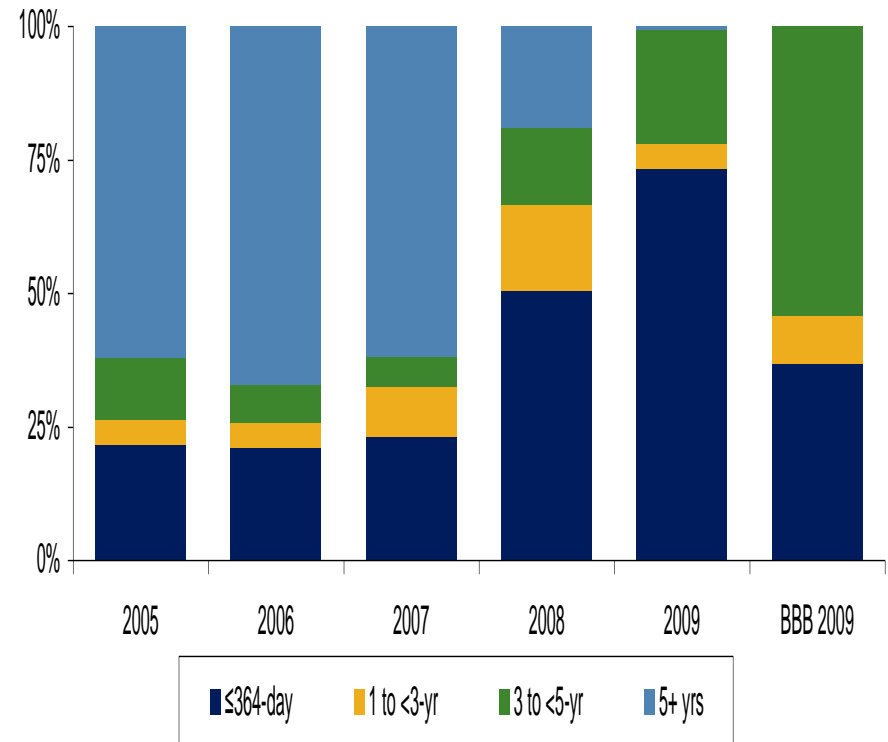
Market Conditions

- A **constructive tone** permeates the loan market as a result of several encouraging factors:
 - Overall liquidity has improved as a result of capital raising at financial institutions globally
 - Bank market **liquidity and risk appetite are rising**
 - Multi-year tenors of 3 years are today's norm with the prospect for longer maturities in the near term

Takeaway

- Market is open and the pipeline remains healthy as participants look to take advantage of sustained, strong conditions in 2010

Tenor Distribution⁽¹⁾



(1) Note: Based on closed volume as tracked by Bank of America.



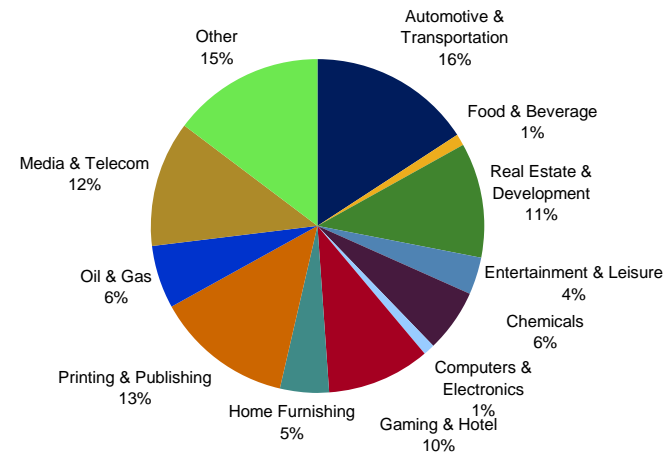
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Default Activity Expected to Decline Rapidly

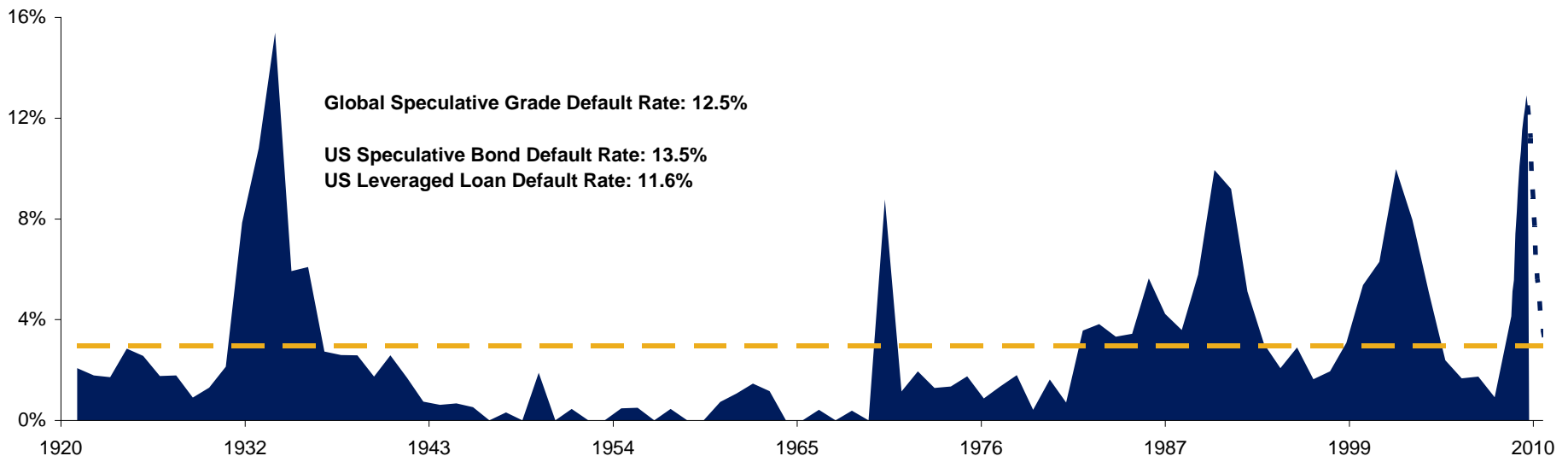
Default Activity Wanes

- As the economic recovery gains momentum, default activity has slowed significantly, with broad based expectations for a material decline throughout 2010
- Increased liquidity, greater access to capital and economic stability have all contributed to the slowing in the pace of defaults. Global capital markets have recovered nicely, allowing borrowers at risk to refinance in lieu of default
- The Global Speculative Grade Default Rate by Issuer has peaked at 12.9%, and is expected to decline to 3.3% by year end 2010
- Default activity remains concentrated in highly cyclical industries with other sectors impacted more selectively

% of LTM Defaults by Industry⁽¹⁾



Annual Global Speculative-Grade Default Rate by Number of Issuers⁽²⁾



(1) Source: LCD (2) Source: Moody's



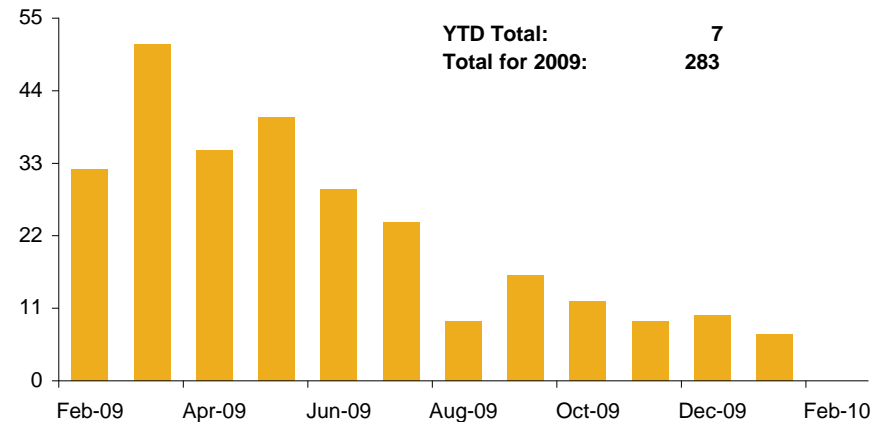
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Covenant Relief Amendment Activity Abates

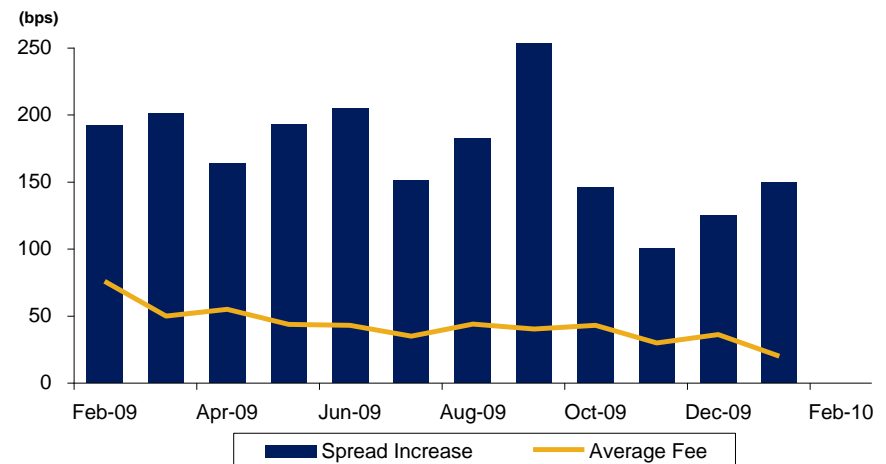
Amendment Activity Slows

- Though amendment requests were a significant component of 2009 activity, a steadily strengthening economy has resulted in a recent, and welcome, slowdown in the pace of amendments
- However, lenders remain disciplined regarding amendment approval
 - Push for mark to market pricing and yield
 - Limitations on document flexibility
 - Requirement for regularly updated projections, with covenant headroom structured to expectations
- Borrowers can expect upfront amendment fees in the 20-30 bps area on average, though highly dependent on the magnitude of the request
- Amend and extend transactions will likely have a different fee profile depending on the overall terms of the extension

Number of Borrowers Seeking Amendments



Spread Increases Remain Meaningful



Source: LCD



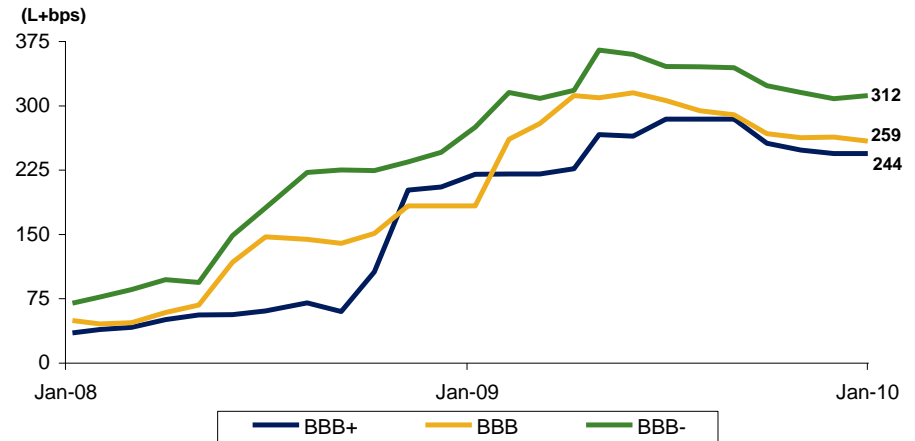
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Spreads Are Stabilizing

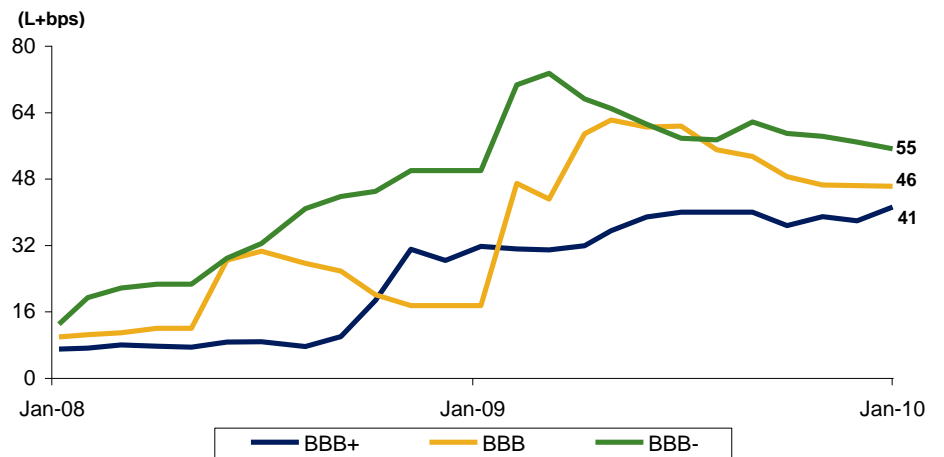
Pricing Volatility Has Diminished

- Pricing stabilized and spread volatility diminished in 2009 in IG and is expected to continue in 2010 with tightening trend moving into Non-IG markets
- Key factors in determining the market clearing price remain expected usage and ancillary business opportunities
- Similar to trends in drawn pricing, commitment and upfront fees have increased significantly from pre-credit crisis levels
- Nevertheless, since mid-2009, undrawn pricing has stabilized and begun to decline for IG facilities, a trend expected to continue in 2010
- Commitment fees need to be considered in conjunction with upfront fees
 - In today's market, upfront fees are paid on virtually all facilities
 - Factors impacting the level of upfront fees include:
 - Borrower's credit ratings
 - Facility tenor
 - Facility size / market capacity
 - Overall relationship profitability

Drawn Spreads - Lower IG Facilities⁽¹⁾



Undrawn Spreads - Lower IG Facilities⁽¹⁾



(1) Based on fully drawn 364-day facilities; BBB and BBB- based on multi-year facilities.



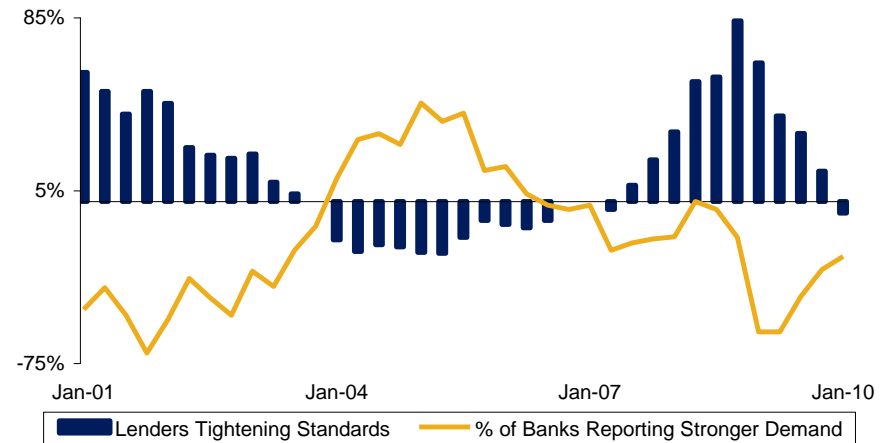
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Investor Commentary - Traditional Bank Demand

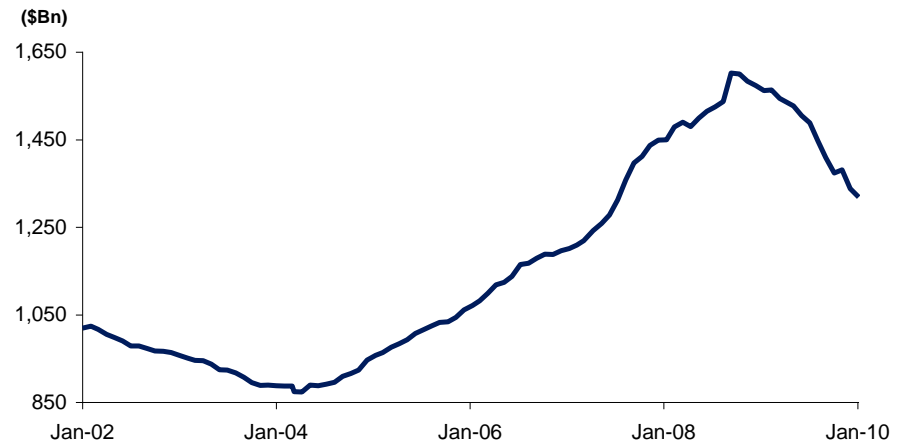
Commercial Bank Demand

- Commercial bank demand is expected to pick up pace in 2010.
- With the passage of stress tests, new capital injections, and a reduction in overall outstandings, bank demand has reemerged
- Demand varies among type of institution
 - U.S. regional banks: more positive economic data combined with fresh capital raises has renewed appetite, though capital commitments are credit specific and selective. Remain focused on existing relationships, structural integrity, and meaningful returns, but will consider new commitments
 - Universal banks: have experienced stabilization since the economy has rebounded with most institutions repaying TARP in late 2009 and resuming lending in 2010
 - European banks: severe capital constraints due to high cost of funds and nationalization of several institutions remain limiting factors, though improving fundamental economic conditions are bringing lenders back to the market
 - Asian banks: have begun to reengage on a limited basis; remain concentrated on investment grade opportunities

Credit Tightening Slows, Demand Rises



U.S. Commercial Bank Outstandings



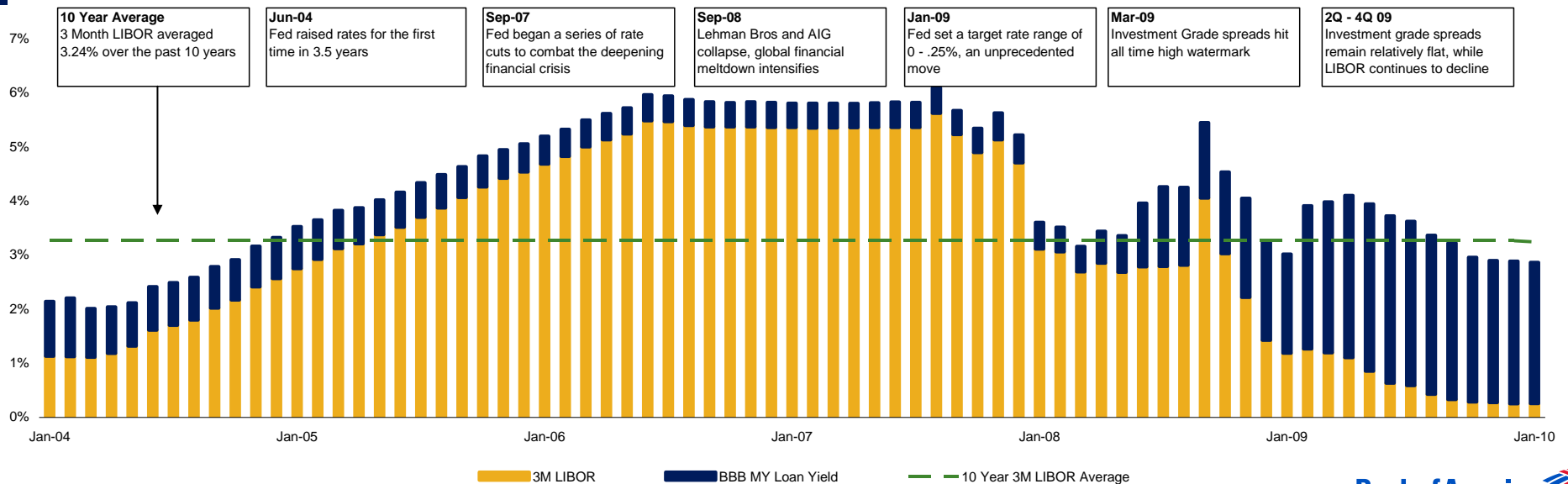


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Borrowing Costs Decline Despite Increased Spreads

- Though spreads have increased across the credit spectrum, significant declines in LIBOR have mitigated increases in the all-in cost of capital
- Aggressive government intervention has resulted in new historic LIBOR lows
- Currently at 0.25%, 3-month LIBOR is significantly below the 10-year average of 3.4% and the 10-year peak of 6.9% (May 2000)
- This is the lowest 3-month LIBOR has been over the past decade
- Though credit spreads have widened, floating rate debt still offers borrowers a relatively cost-effective source of capital

Historical Rates and Yields





Interest Rate Outlook



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Banc of America Securities - Merrill Lynch Interest/Economic Forecast

	Q1:09	Q2:09	Q3:09	Q4:09	Q1:10	Q2:10	Q3:10	Q4:10	Q1:11	Q2:11	Q3:11	Q4:11
US Interest Rate Outlook												
Fed Funds	0.00-0.25%	0.00-0.25%	0.00-0.25%	0.00-0.25%	0.00-0.25%	0.00-0.25%	0.00-0.25%	0.00-0.25%	0.25-0.50%	0.50-.075%	0.50-.075%	0.75-1.00%
3-Month LIBOR	1.19%	0.60%	0.27%	0.25%	0.35%	0.35%	0.35%	0.65%	0.90%	1.20%	1.45%	1.60%
2-Year Note	0.80%	1.11%	0.95%	1.14%	1.00%	1.20%	1.30%	1.50%	1.65%	1.75%	1.90%	2.00%
5-Year Note	1.66%	2.57%	2.32%	2.68%	2.60%	2.90%	3.00%	3.10%	3.20%	3.30%	3.35%	3.40%
10-Year Note	2.67%	3.54%	3.31%	3.84%	3.60%	4.00%	4.10%	4.25%	4.30%	4.40%	4.45%	4.45%
30-Year Note	3.54%	4.31%	4.05%	4.64%	4.45%	4.75%	4.90%	4.95%	4.95%	5.00%	5.00%	5.00%

Notes: Interest rates are averages for the period. Forecasts are prepared by Banc of America Securities - Merrill Lynch as of January 29th, 2010

US Economic Outlook												
GDP Growth	-6.40%	-0.70%	2.20%	5.70%	2.00%	3.70%	3.60%	3.60%	-	-	-	-
CPI Inflation	-2.40%	1.30%	3.60%	3.40%	3.20%	0.50%	2.90%	2.30%	-	-	-	-
Unemployment Rate	8.20%	9.30%	9.60%	10.00%	10.00%	9.50%	9.50%	9.80%	-	-	-	-

Notes: Quarter over quarter annualized rates.

Banc of America Securities - Merrill Lynch currently predicts that the Federal Reserve will keep rates on hold until at least Q1 2011:

“A double dip is highly unlikely. Positive feedback loops between the real economy and capital markets have kicked in and will prove difficult to reverse. Headwinds will result in a sub-par recovery. A large output gap and contained inflation expectations suggest continued disinflation. The Fed remains on hold until 2011

- Ethan S. Harris, Head of North American Economics, Banc of America Securities - Merrill Lynch



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Questions?