JOHN DEERE

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John Deere and Renewable Energy

> *"John Deere has been intimately involved in Renewable Energy for some time as our agricultural, construction and forestry equipment provide solutions that optimize the feedstock providers production and harvesting needs."*
> *– John Hickman, Manager of Biorenewable Energy & Life Sciences*

In response to your keen interest in renewable energy, we wanted to update you on John Deere's involvement in this promising new business opportunity.

Renewable fuels from agricultural and forestry sources are playing an increasingly important role in U.S. national energy security, promoting cleaner air, reducing greenhouse gas emissions, increasing farm income and assisting rural economic development. Technology and policy developments in renewable energy resources, such as biofuels or wind energy, provide tremendous opportunities for John Deere, our customers, and rural America. To more closely focus on the renewable energy industry, Deere formed a separate Renewables business in Johnston, Iowa, which reports to John Deere Credit.

Following is a brief overview of Deere's involvement in various facets of renewable energy and some of the governmental policies that play an important role in this business. For example, numerous state legislatures across the country are considering renewable energy initiatives. The company's renewable energy goal includes the advancement of sound public policy to create sustainable, diverse, and reliable sources of renewable energy to meet the world's needs.

Biofuels

John Deere is investing in the development of effective product technologies and services to serve the corn ethanol industry. We also are pursuing solutions to serve customers in sugarcane, sugar beets, rapeseed, canola, crop and forest residues, dedicated energy crops, planted forests, and other potential bioenergy feedstocks. Deere's role as a provider of biomass harvesting and collection systems – our agricultural and forestry equipment technologies – defines but one aspect of our interest in current and future renewable fuel production.

Many states are taking action in the area of renewable fuels and alternative energy sources. For example, 30 states provide incentives for ethanol production and use, while 24 of them have enacted some form of a renewable portfolio standard, encouraging increased development and sourcing of electric energy from renewable sources such as wind and solar power. Also under consideration by state legislatures are bills to promote or require the use of biodiesel fuels, including production incentives, mandates requiring that a certain percentage of biodiesel fuel be included in all diesel fuel sold in the state, and government fleet purchase requirements.

Positive consumer experiences are necessary to create increased demand for renewable fuels. Renewable fuels which fail to meet industry quality and performance standards can harm engine components, decrease performance, and alter engine emissions resulting in a negative customer experience. Fully realizing the potential of renewable fuels requires that they meet established quality and performance standards and that the fuels, engines, and equipment be developed hand-in-hand. Deere has encouraged increased use of renewable fuels by supporting legislation that requires biofuels adherence to industry quality and performance standards.

Wind Energy
In 2003, wind energy was identified as a growth opportunity for the company. John Deere Renewables, LLC, a business unit of Deere & Company reporting to John Deere Credit, is focused on investing in and providing value-added services to wind projects. This includes project management services, debt and equity financing, and turbine procurement. **Watch for an in-depth look at John Deere Wind Energy in a future communication.**

Renewable Fuels Standard (RFS)
John Deere supports the continued development of renewable fuels sources, and seeks appropriate uniform standards for a harmonious national system that meets the needs of the consumer. An increase in the RFS will help to stimulate rural economies through increased production of renewable fuels. Furthermore, it will enable accelerated production and deployment of advanced biofuels technology, such as cellulosic ethanol, through the utilization of crops, plants and trees as well as renewable biomass available in every region of the country.

The recently enacted national energy bill included an expanded RFS, which provides tremendous opportunities for John Deere and its customers. Bill provisions of particular interest include:

- Establishing the role of agriculture, forestry, and working lands in meeting 25 percent of U.S. energy needs from renewable resources, along with providing safe, abundant, and affordable food, feed and fiber.
- Increasing the volume of renewable transportation fuel to 9 billion gallons by 2008 and increasing to 36 billion gallons by 2022. The total RFS is allocated between ethanol made from corn starch, and advanced biofuels that are defined as biofuels made from feedstocks other than corn starch.
- Establishing a program to study and improve the infrastructure for delivering renewable fuels.

John Deere was the first major equipment manufacturer to support the 25 x '25 initiative to provide 25 percent of the nation's energy requirement from renewable resources by the year 2025, while continuing to produce abundant, safe, and affordable food and fiber.

Renewable Energy Provisions in the Farm Bill
John Deere supports a robust Energy Title in the Farm Bill. Although that legislation has not progressed as quickly as expected, we continue to see a high degree of interest in the energy provisions included in both the House and Senate proposals. The passage of the recently enacted national energy bill with its expanded RFS has managed to move renewable energy forward while we wait for adoption of a new Farm Bill.

John Deere is committed to creating sustainable, alternative energy to ensure the world becomes less dependent on oil-based fuel sources. Laying the groundwork for growing sustainable businesses is critical to the future of renewable energy in the United States. The company is investing in energy research and working closely with customers, associations and government agencies to ensure we can create business models and infrastructure that will enable us to realize the promise of renewable fuels. As the company pursues business development opportunities in the renewable energy sector, we will support governmental policies that encourage environmental stewardship through growth in the renewable fuels and alternative energy sectors.

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