

# ***Ag Equipment Intelligence***

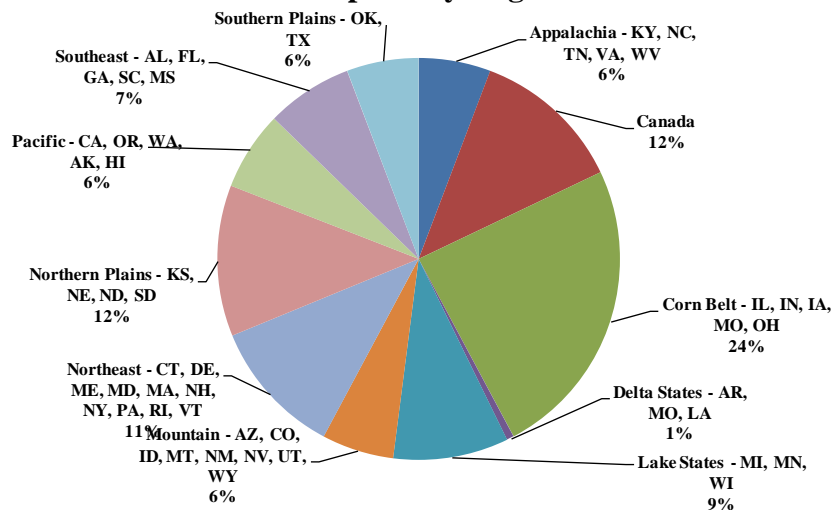
Dealer Trends and Business Outlook  
August 2012

# Thank You for Participating in Our Monthly Ag Equipment Intelligence North American Dealer Survey

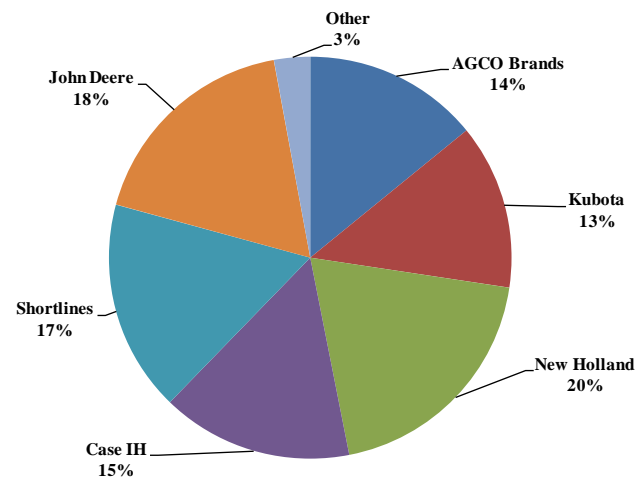
## Background:

- 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 August survey had ~177 respondents representing combined annual revenues of roughly \$5.2 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 Region**



## Highlights / Summary Thoughts

- Industry Sales Growth of 4% in July** – Ag equipment dealers reported year-over-year sales grew 4% on average in July, flat from 4% in June. The only brand that grew sequentially in July was New Holland with an increase of 2%. John Deere dealers maintained sales growth up 9% while Kubota dealers saw the weakest results in the month with sales down 3% on average.
- 2012 Outlook Lowered to 3% Growth** – For 2012, dealers slightly lowered their sales forecast and expect 3% sales growth for the full year versus 4% in June. John Deere, Shortlines, AGCO and “Other” dealers are the most optimistic this month while Kubota and Case IH dealers report the least optimistic outlook.
- Dealer Optimism Remains Negative** – Our Dealer Optimism Index, a measure of sentiment amongst dealers compared to the prior month, improved slightly to a net 19% of dealers reporting they have a less optimistic outlook now versus a net 23% last month (18% are more optimistic; 44% same; 38% are less optimistic).

Optimism/Sentiment vs. Last Month

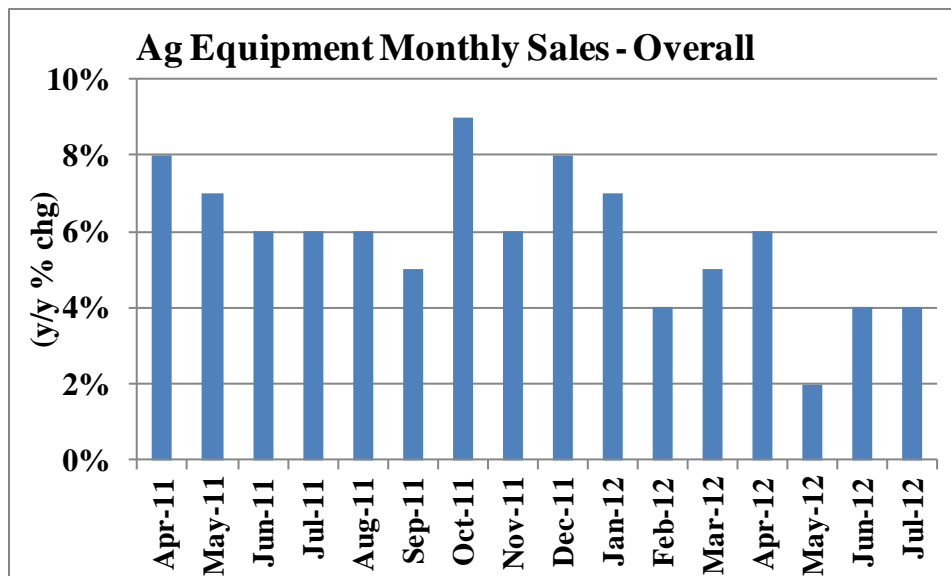
	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>
More Optimistic	33%	25%	31%	32%	30%	25%	36%	33%	30%	38%	29%	25%	22%	15%	14%	18%
Same	54%	54%	44%	49%	55%	58%	55%	55%	54%	53%	57%	59%	62%	61%	49%	44%
Less Optimistic	13%	21%	25%	20%	15%	17%	9%	12%	16%	10%	14%	17%	17%	24%	37%	38%
<b>Net % (More-1</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>	<b>15%</b>	<b>8%</b>	<b>5%</b>	<b>-9%</b>	<b>-23%</b>	<b>-19%</b>

# Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales grew 4% on average in July, which was in line with June. The biggest change this month was at Kubota dealers who saw sales slow from up 6% to down (3%), followed by AGCO dealers who's sales decelerated from 5% growth to 1% growth.
- John Deere dealers reported the highest average sales growth again at up 9%, inline with June while the “other” category declined for the second month in a row with sales down (3%) on average.
- A net 14% of participants categorized July results as “worse-than-expected” (21% better-than-expected; 44% in-line with expectations; 35% worse-than-expected) which is a further drop in sales vs. expectations relative to last month.

Average Dealer 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>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>
<b>Overall</b>	8%	7%	6%	6%	6%	5%	9%	6%	8%	7%	4%	5%	6%	2%	4%	4%
<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>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>
AGCO	12%	13%	11%	9%	14%	12%	12%	10%	12%	6%	1%	2%	5%	2%	5%	1%
John Deere	8%	8%	7%	5%	5%	4%	10%	5%	5%	6%	4%	6%	9%	4%	9%	9%
New Holland	8%	4%	5%	7%	6%	7%	7%	6%	12%	5%	-2%	4%	3%	1%	0%	2%
Case IH	5%	4%	3%	8%	7%	7%	8%	8%	11%	10%	4%	6%	3%	-2%	1%	1%
Kubota	13%	5%	7%	12%	7%	6%	7%	9%	10%	10%	4%	6%	5%	1%	6%	-3%
Shortlines	n/a	-13%	3%	5%	6%	2%	6%	2%	7%	2%	0%	2%	3%	6%	6%	6%
Other	n/a	n/a	n/a	2%	-3%	7%	6%	3%	11%	2%	-8%	2%	3%	1%	-1%	-3%

# Monthly Sales Growth Continued



## Percent Positive / Negative Growth

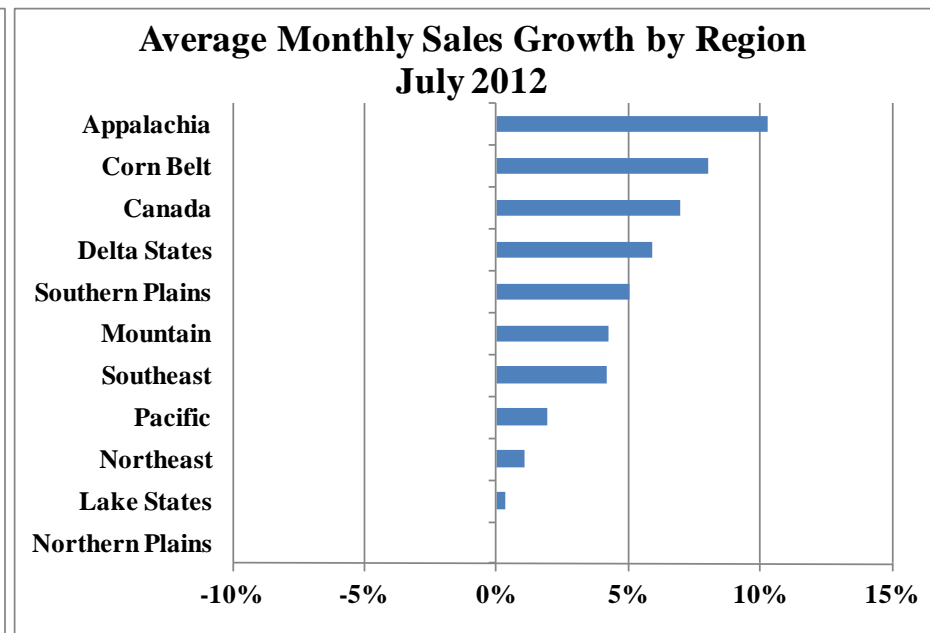
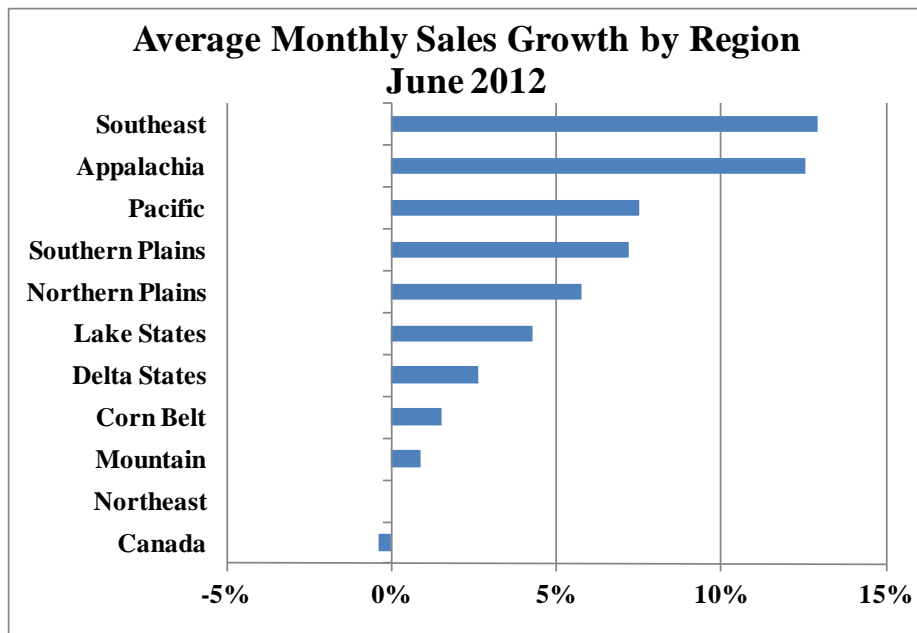
	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12
Positive Sales C	69%	60%	56%	66%	67%	61%	65%	65%	76%	57%	49%	60%	67%	55%	53%	49%
Flat Sales	18%	14%	23%	15%	16%	23%	20%	22%	11%	29%	30%	22%	19%	16%	26%	16%
Negative Sales	14%	25%	21%	18%	18%	16%	15%	13%	13%	14%	20%	18%	14%	29%	21%	34%
<b>Net % (Positive)</b>	<b>55%</b>	<b>35%</b>	<b>35%</b>	<b>48%</b>	<b>49%</b>	<b>45%</b>	<b>50%</b>	<b>52%</b>	<b>63%</b>	<b>42%</b>	<b>29%</b>	<b>42%</b>	<b>52%</b>	<b>25%</b>	<b>31%</b>	<b>15%</b>

## Results vs. Expectations

	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12
Better than expected	28%	26%	27%	27%	30%	29%	35%	32%	41%	28%	19%	20%	24%	22%	23%	21%
In line with expectations	51%	44%	48%	54%	52%	56%	48%	54%	47%	56%	54%	66%	63%	52%	51%	44%
Worse than expected	21%	30%	25%	19%	18%	15%	17%	13%	12%	16%	26%	14%	14%	25%	26%	35%
<b>Net % (Better)</b>	<b>7%</b>	<b>-4%</b>	<b>1%</b>	<b>8%</b>	<b>13%</b>	<b>14%</b>	<b>18%</b>	<b>19%</b>	<b>29%</b>	<b>12%</b>	<b>-7%</b>	<b>7%</b>	<b>10%</b>	<b>-3%</b>	<b>-3%</b>	<b>-14%</b>

# Monthly Sales Growth by Region

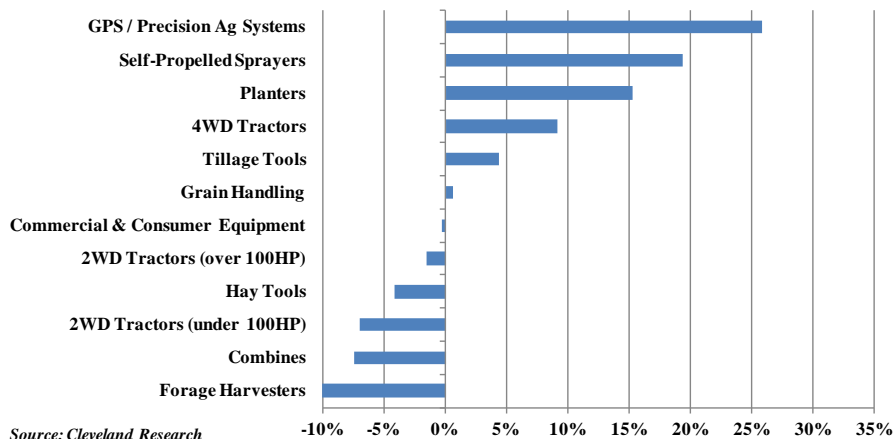
- Ten out of eleven regions showed positive average monthly sales growth in July, up from nine in June. Appalachia, the Corn Belt and Canada head the list of best performing regions.
- On a sequential basis, the Canada and the Corn Belt showed the most significant acceleration while the Southeast, Northern Plains, and Pacific regions all weakened this month.



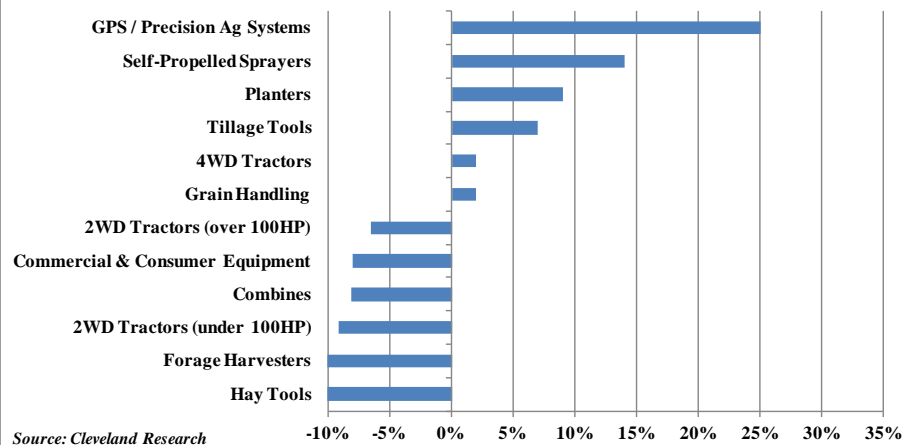
# Equipment Category Sales Trends

- Similar to last month, six out of twelve product categories ranked in positive territory in July. GPS/ Precision ag systems, self-propelled sprayers, and planters continue to head the list of top performing products while hay tools, forage harvesters, and 2WD tractors (under 100HP) were ranked the weakest.
- On a sequential basis, hay tools, forage harvesters, and under 100 HP declined the most significantly while C&CE, hay tools and 4WD tractors weakened the most relative to last month.

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

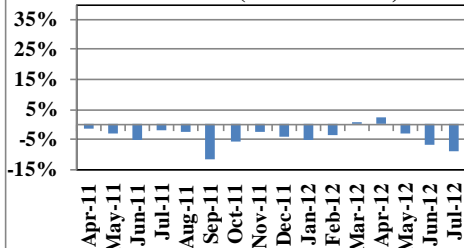


**Product Category Ranking (Net % Strong - Weak)**  
July 2012

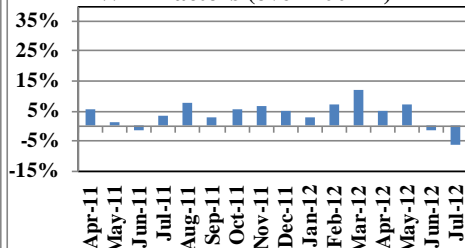


# Equipment Category Sales Trends

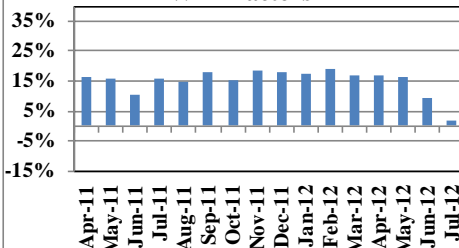
**2WD Tractors (under 100HP)**



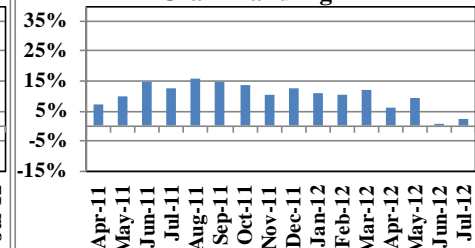
**2WD Tractors (over 100HP)**



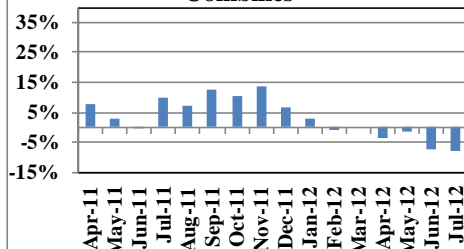
**4WD Tractors**



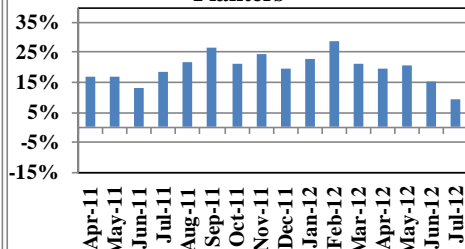
**Grain Handling**



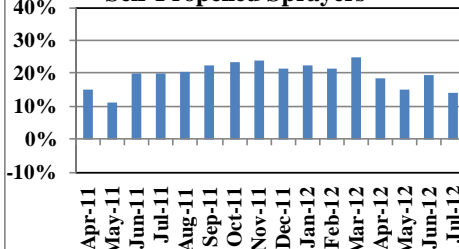
**Combines**



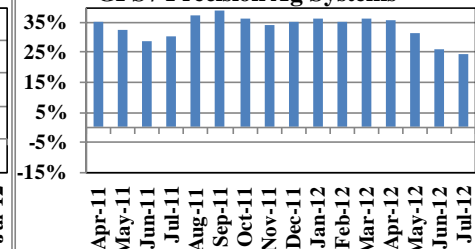
**Planters**



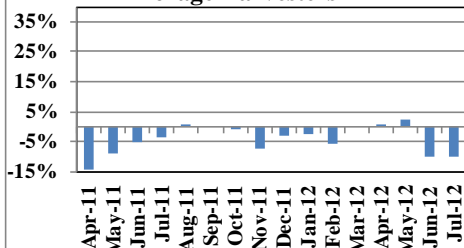
**Self-Propelled Sprayers**



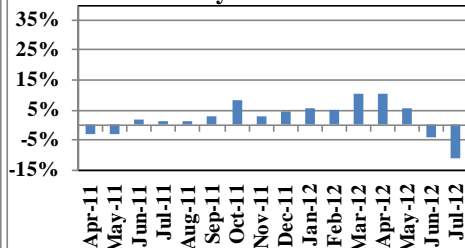
**GPS / Precision Ag Systems**



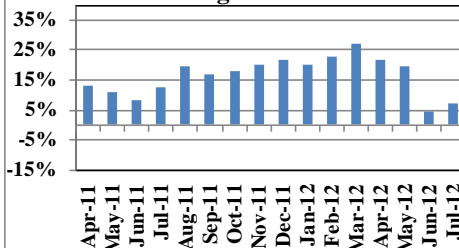
**Forage Harvesters**



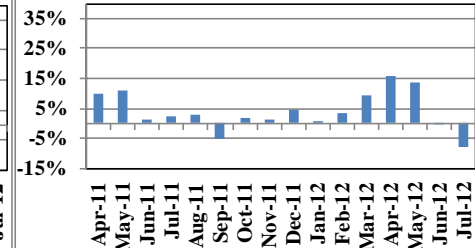
**Hay Tools**



**Tillage Tools**



**Commercial & Consumer Equipment**





# Dealer Commentary on Monthly Sales

- *We've seen an impact. It's slowed down but not as much as I thought it was going to.*
- *Our sales are taking a hit due to higher costs.*
- *Around here it's hit or miss. It's good within a 40 mile radius and guys have money to spend. If you go further south or west it's hit or miss.*
- *We recently added another store and that has boosted our performance.*
- *Tractor sales are still strong. Some models (8Rs, 9RTs) are well into next spring for delivery. Sprayers are sold out for MY13 production.*
- *I think the extreme heat and the uncertainty of the economy have hurt our sales.*
- *Our sales for the first half were pretty good we were up in the 5% range. In June activity came to a stop and I am not expecting any growth in the second half and it looks like we will end flat for the year*
- *We have seen sales increases but that's because we merged with another company and have additional locations.*
- *The drought isn't impacting us the way you would think, but I'm not as optimistic about 2012.*
- *Demand has been high related to strong commodity prices.*
- *Sales are down a little bit for us this year. Guys seem to be holding off from making purchases right now, but I think sales will pick back up when crop insurance proceeds are paid.*
- *In our area farmers income is excellent.*
- *No one is buying until they know what's going to happen with their crops.*
- *We added two stores and that helped our sales.*
- *We are out of the way of the drought and we are on irrigated land as well. The crop was planted early and the yields look good. We are seeing sales up about 20% in our area.*
- *The dry weather and the poor cotton market haven't helped us.*
- *2012 settlements are looking flat to up 5%. Through the end of the year sales look ok and we are in line with our expectations.*

# Order Growth

## Overall Orders

- Incoming orders grew 1% on average in July, flat with 1% in June.
- John Deere dealers saw highest average orders growth at 4%, while “Case IH” dealers orders came in the lowest at down 3% on average for the month.

## New Combine Order Intentions

- A net 33% of dealers believe they will order fewer combines for 2012, a decrease 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>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>
More	22%	20%	21%	20%	11%	14%	15%	14%	9%	10%	7%	6%
Same	47%	48%	48%	53%	60%	61%	63%	63%	64%	54%	69%	55%
Less	31%	32%	31%	27%	29%	25%	22%	24%	27%	37%	24%	39%
<b>Net % (More- Less)</b>	<b>-10%</b>	<b>-12%</b>	<b>-10%</b>	<b>-7%</b>	<b>-18%</b>	<b>-10%</b>	<b>-8%</b>	<b>-10%</b>	<b>-17%</b>	<b>-27%</b>	<b>-18%</b>	<b>-33%</b>

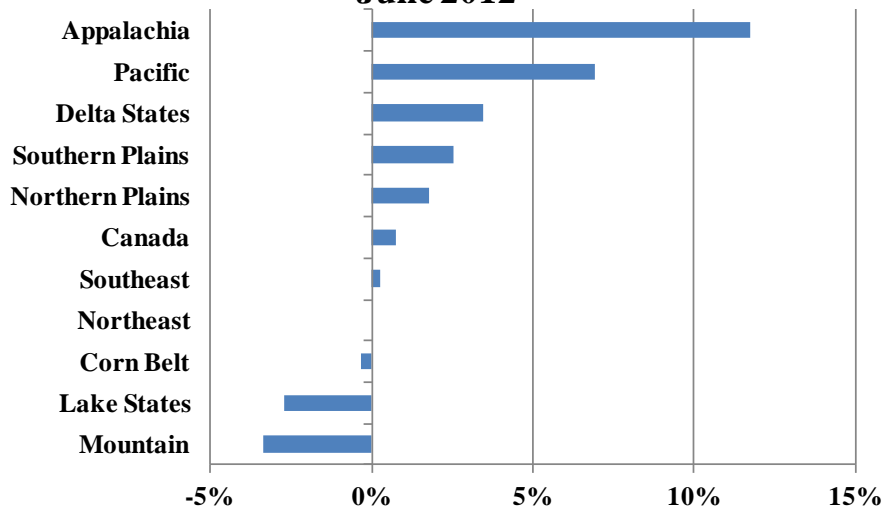
## Average Orders Growth

<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>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-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>4%</b>	<b>2%</b>	<b>4%</b>	<b>2%</b>	<b>1%</b>	<b>1%</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>	<b>Feb-12</b>	<b>Mar-12</b>	<b>Apr-12</b>	<b>May-12</b>	<b>Jun-12</b>	<b>Jul-12</b>
AGCO	4%	8%	5%	10%	10%	5%	6%	8%	6%	8%	3%	3%	6%	6%	3%	0%
John Deere	4%	2%	2%	5%	3%	4%	3%	3%	4%	5%	4%	1%	8%	5%	6%	4%
New Holland	4%	2%	3%	5%	5%	5%	4%	3%	6%	3%	2%	2%	3%	2%	-3%	-2%
Case IH	1%	3%	2%	4%	3%	3%	5%	4%	3%	4%	2%	0%	0%	-5%	-3%	-3%
Kubota	9%	1%	6%	6%	6%	4%	4%	6%	7%	10%	2%	4%	2%	2%	2%	0%
Shortlines	n/a	-3%	2%	2%	4%	3%	1%	2%	4%	1%	3%	5%	2%	5%	2%	1%
Other	n/a	n/a	n/a	1%	-2%	2%	4%	3%	11%	3%	3%	5%	3%	1%	-4%	1%

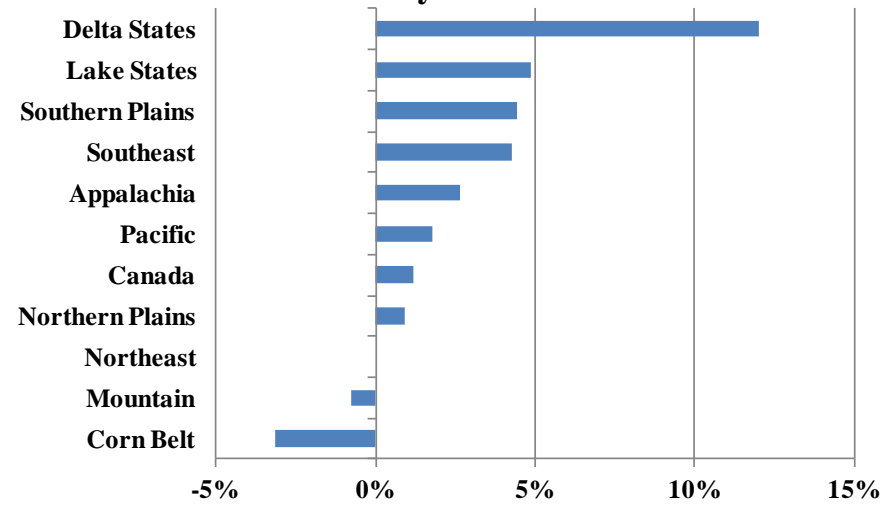
# Order Growth by Region

- Eight out of eleven regions showed positive monthly orders growth in July, up from seven out of eleven in June. Delta Plains, Lake States, Southern Plains and Southeast head the list of best performing regions this month.
- On a sequential basis, the Delta States region showed the most significant improvement, while the Pacific and Northern Plains showed modest sequential slowdown in order growth.

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



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



# 2012 Sales Outlook

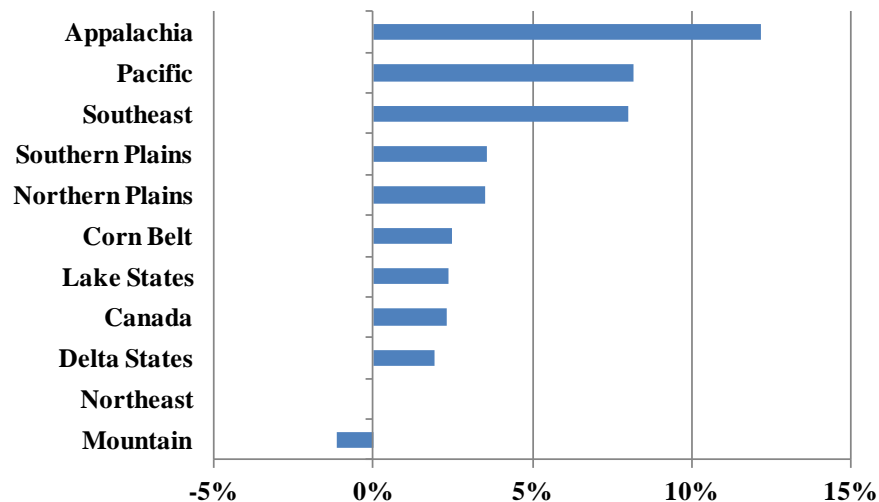
- For 2012, dealers slightly lowered their sales forecast and expect 3% sales growth for the full year versus 4% in June.
- John Deere, Shortlines, AGCO and “Other” dealers are the most optimistic this month while Kubota and Case IH dealers report the least optimistic outlook. Kubota had the biggest sequential change this month dropping from 6% growth expectations to a negative 1%.

2012 Dealer 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>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>
<b>Overall</b>	5%	2%	4%	4%	3%	5%	5%	4%	6%	3%	4%	3%
<u>By Brand</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>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>
AGCO	9%	8%	9%	8%	4%	6%	7%	3%	8%	7%	6%	2%
John Deere	4%	1%	2%	3%	2%	6%	6%	4%	9%	5%	9%	7%
New Holland	5%	5%	5%	5%	4%	2%	3%	4%	3%	1%	1%	0%
Case IH	4%	3%	5%	4%	3%	3%	2%	3%	3%	-1%	-1%	-1%
Kubota	5%	7%	4%	4%	6%	4%	4%	3%	3%	4%	6%	-1%
Shortlines	3%	2%	1%	2%	2%	2%	3%	6%	4%	7%	5%	2%
Other	3%	4%	6%	4%	7%	5%	3%	4%	3%	5%	-2%	2%

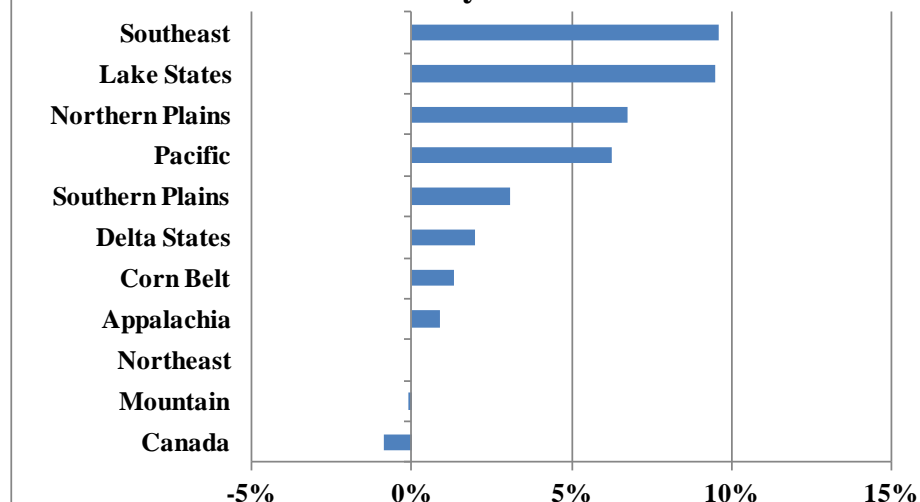
## 2012 Sales Outlook Continued

- Eight out of eleven regions are projecting a positive full year sales outlook in July, down from nine out of eleven in June. Dealers in the Southwest, Lake States, and Northern Plains are the most optimistic while the Mountain region and Canada is forecasting sales to be down in 2012.
- On a sequential basis, the Lake States showed the most significant improvement while Appalachia was significantly less optimistic. The remaining regions were relatively consistent.

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



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

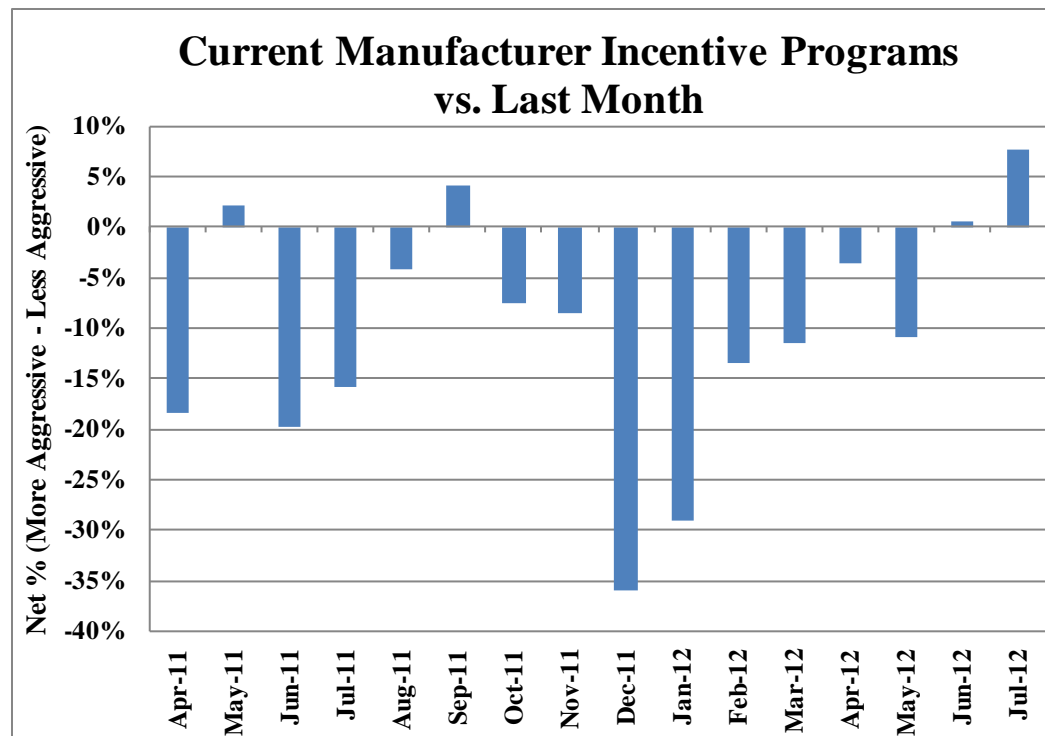


# Dealer Commentary on 2012 Outlook

- *I think 2013 has a chance to grow again once we get more normal rainfall. I think we'll end up positive for the year, maybe 5-10%. On combines DE will be late delivering them so that will hurt us in September.*
- *Our outlook really depends on farmers getting back in the store and spending some of their crop insurance proceeds. We have not had any order cancelations, and overall orders have been strong.*
- *Our full year will be down 10-15%. We would have been up a little bit without the drought.*
- *Higher grain costs to our dairy farms are going to hurt cash flow and equipment investments.*
- *Customer outlook remains positive though. I think the remainder of the year will be strong. 2013 could be more challenging. Sales will probably be down in 2013, but 2012 will stay flat.*
- *I feel the economy, Tier 4 price increases and the congressional deadlocks will all have a negative impact, coupled with the extreme drought that has affected hay production.*
- *We expect to be flat the next half of the year and we need to wait and see what's going to happen with the drought.*
- *The higher crop prices are really going to help us because we have a great crop.*
- *The next six months look pretty good, but we will be a little below last year's pace. Farmers will probably wait till harvest time before making decisions on purchasing new equipment.*
- *We are in a major drought and my outlook is less optimistic.*
- *If we come back the same way next year we could be up 10%. Orders are up pretty good and availability is decent as well.*
- *The conditions of crops are really poor in the Corn Belt which is probably going to have a negative effect.*
- *I am pretty optimistic because prices are high and the weather is good. Next year could be a good year for us. Orders have been good and I can sell everything I can get my hands on, but equipment availability has been poor.*
- *We still have some good crops and with prices where they are at it's going to be a good year.*
- *My outlook is negative based on Tier 4 prices, the overall stagnant deteriorating economy and stiffening competition.*
- *Our outlook really depends on farmers getting back in the store and spending some of their crop insurance proceeds. We have not had any order cancelations, and overall orders have been strong.*
- *This store is going to see a decline in sales because of the weather; DE will start to see some pushback because of pricing.*

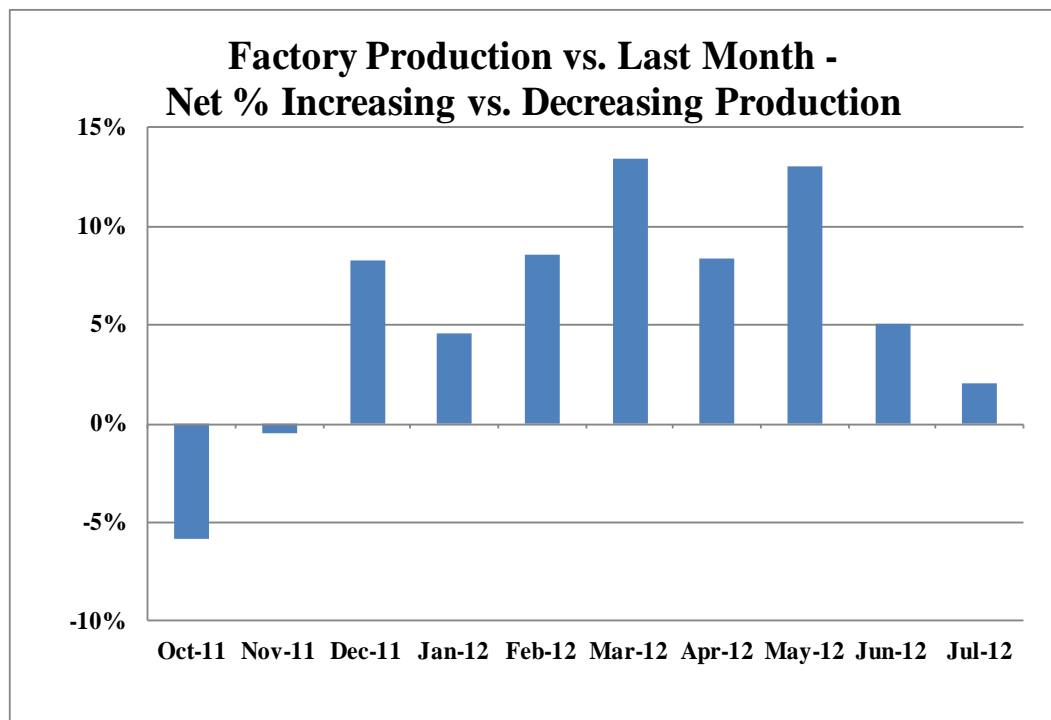
# Current Manufacturer Incentive Programs

- A net 8% of dealers report that manufacturers are more aggressive with incentives in July (23% more aggressive; 61% same; 15% less aggressive) compared to a net 1% who reported manufacturers were more aggressive in June. This trend continues to appear to be attributed to the end of pre-sell programs and slightly higher interest rates.



# Factory Production

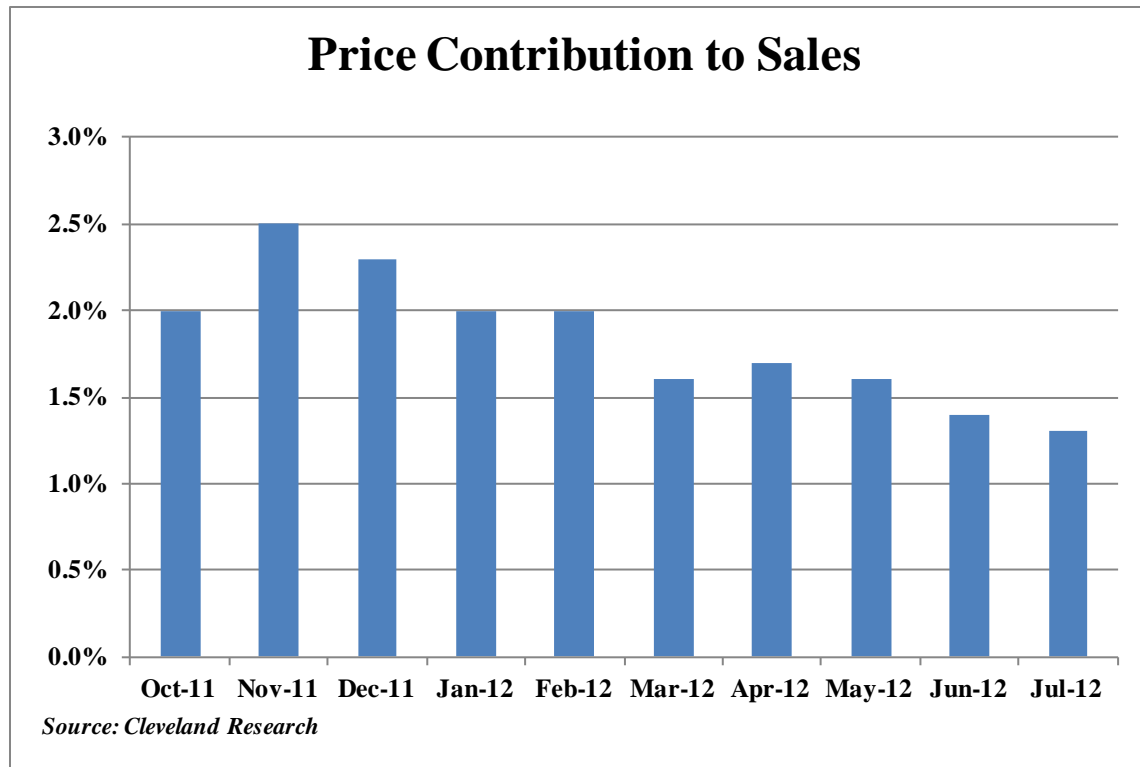
- Dealers report that factories appear to be slowly increasing production, albeit at a slower pace, as a net 2% of dealers are reporting increasing production levels (13% increasing production; 75% no change in production; 11% decreasing production) compared to a net 5% in June.





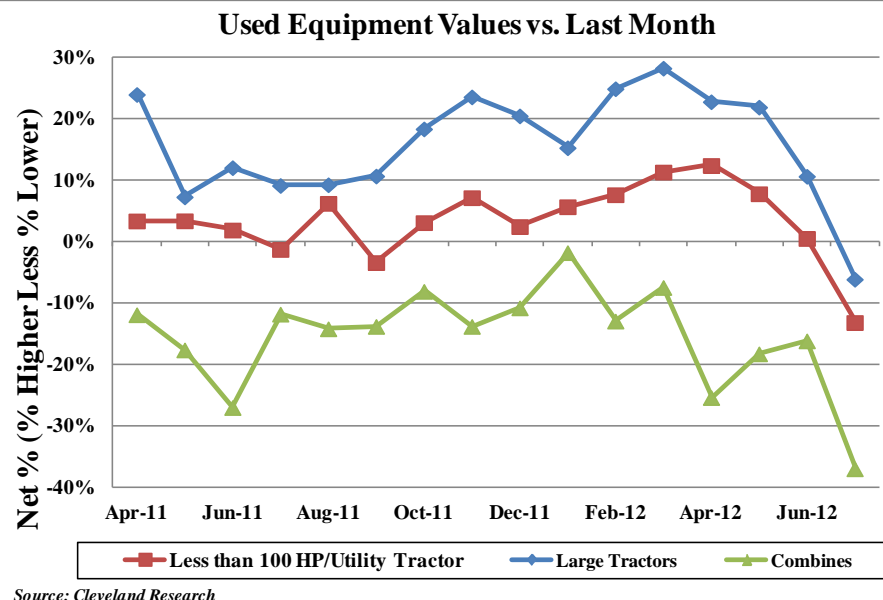
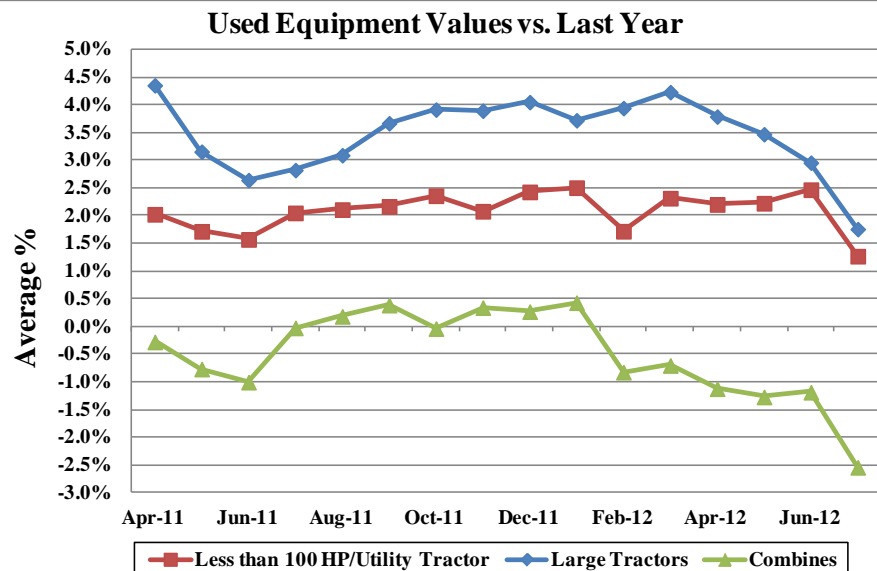
# Pricing Trends

- Dealers report price contributed roughly ~1.3% to total July revenue, slightly down from 1.4% in June.



# Used Equipment Pricing

- The drought appears to be having a more significant impact on used equipment prices. By category, tractors over 100HP are now up 1.8% year-over-year on average, down from 3% last month. Prices for used tractors under 100HP are up 1.3% in July, down slightly from 2.5% in June. Used combine values are down (2.5%) in July, down from (1.2%) last month.
- Relative to last month, a net 13% of dealers report lower values for under 100HP/utility tractors, down from a net 1% in June. For over 100HP tractors, a net 6% of dealers report lower values vs. last month, down from a net 11% in June. Finally, a negative net 37% of dealers report used combine values are lower than last month.



# Inventory Levels

## New Equipment Inventory

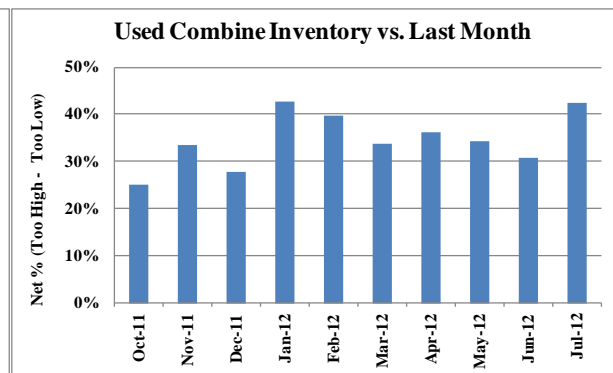
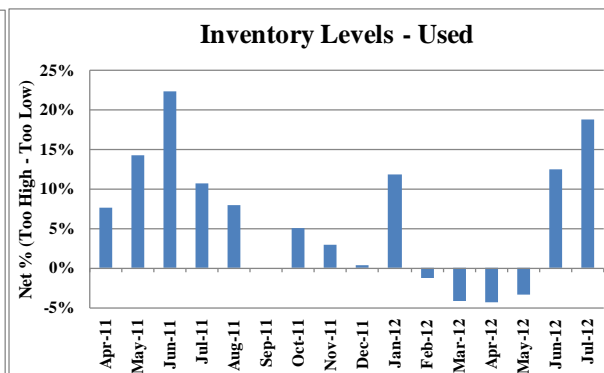
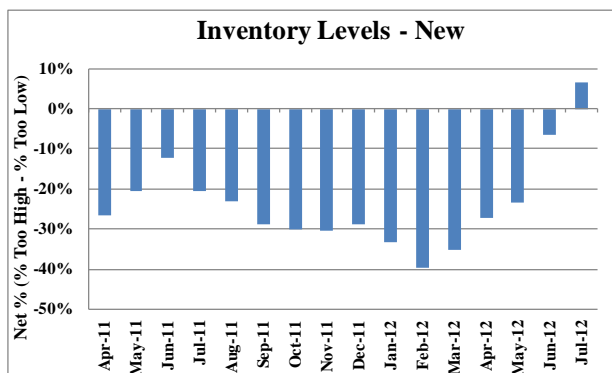
- New equipment inventory shows signs of easing as a net 7% of dealers categorize their new inventory as “too high” (28% too high; 52% about right; 21% too low), up from a net 7% that reported “too low” last month.

## Used Equipment Inventory

- Used equipment inventory appears to have increased, as a net 19% of dealers now categorize their used inventory levels as “too high” (36% too high; 47% about right; 17% too low) compared to a net 13% who reported inventory as “too high” from last month.

## Used Combine Inventory

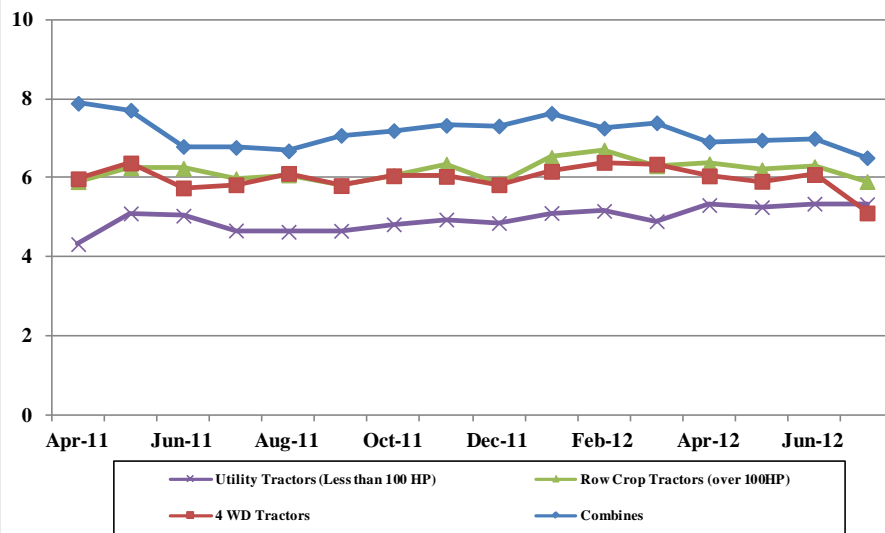
- Within the used equipment categories, a net 43% of dealers also reported used combine inventory levels are still “too high” (48% too high; 48% about right; 5% too low).



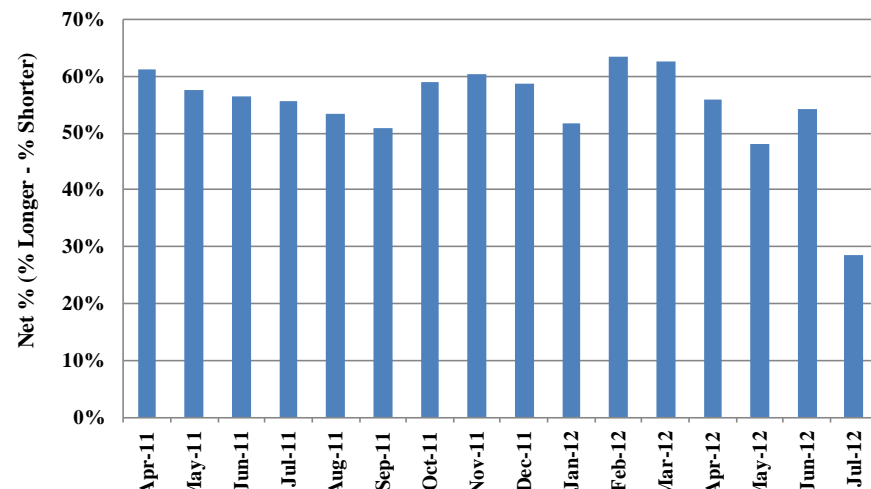
# Equipment Availability

- Overall, a net 29% of dealers report longer factory lead-times compared to last month (35% longer; 59% same; 6% shorter), down from a net 54% last month.
- A closer look at availability by product category shows a small decline in lead time trends this month. On average combine lead times are 6.5 months; 4WD are 5.1 months; row crop tractor lead times are 5.9 months; and smaller tractors (<100 HP) lead times are 5.3 months.

**Lead Times By Product Category (Months)**



**Lead Times - Versus Prior Month**



# Dealer Commentary on Used Inventory Levels

- *We have plenty of combines and we need to work on reducing those numbers. Our used tractor inventory is low. Next year we plan to order less combines. We are not sure how many less at this point, but it will definitely be fewer than last year.*
- *We're in good shape on inventory other than maybe some sprayers.*
- *Used combines levels still haven't come down as much as we would like.*
- *We are currently getting a better allocation on combines & cotton equipment.*
- *We are not too high in used combines and we are low on both new and used tractors.*
- *We have too many combines.*
- *We are a little high on used equipment, but otherwise we are pretty comfortable with inventory levels.*
- *Most of our sales are done for 2013; the problem will be with the used equipment that we have committed to trade and what we have in used inventory.*
- *There are still plenty of used combines.*
- *Moving used combines and 4 wheel drive tractors will be a major problem.*
- *Used tractors are a little higher and combines are definitely too high. I could see combines down 15-25% in 2013. That wouldn't surprise me.*
- *We have too many used combines, 4WD's, and self-propelled sprayers. The market is much too saturated and values are steadily dropping.*
- *We have almost no used combines and have hardly any other used equipment. We make trades for used equipment but we sell every piece of used that comes in here.*
- *We could order more combines but we are limited by DE's allocations, which in the long run is a good thing.*
- *Used inventory has improved compared to what it was but it's still high.*
- *We are seeing rapid decrease in the inventory value of used combines.*
- *Our inventory of combines and 4WD tractors is too high.*

# Dealer Commentary on Biggest Surprise in the Month

- *The Farm Bureau was just out here any they said that 75-80% of famers have crop insurance. The insurance definitely makes a difference for farmers. We can tell which of the famers have insurance from the ones who don't. The ones that do are now back in the store buying equipment.*
- *Some of our competitors have high inventories and some don't but I have noticed that AGCO and CNH are getting pretty aggressive on pricing.*
- *We have seen interest in combines pick up, but purchases remain low.*
- *We could see things slow down, but farmers don't indicate they are overly concerned. The insurance has taken the edge off.*
- *Pricing goes up and margins go down, which always seems to be the trend. Manufacturers need to figure how to build in healthier margins or the dealer base will continue to weaken and future dealers will not open up.*
- *We probably won't see many farmers need any crop insurance in our area.*
- *I think the Pooled Funds program has been around for about 4 years and this is the first time I have seen any adjustment. No one likes to have money taken from them, when you have a hundred and they take 10 it doesn't feel great, but I understand why they have to do it. They are trying to make money too.*
- *Our sales are up and we expected them to be lower.*
- *I think 80% of the farmers in my area will file for crop insurance claims. Depending on the level insured, and the crop basis they may make money, so far we ARE making deals for equipment for next year about normal.*
- *I think we have seen several delayed purchases and most farmers in our area could get by without buying any new equipment. I expect about 70% of them to need crop insurance this year.*
- *We have seen interest in combines pick up, but purchases remain low.*
- *Our market share has been hurt by the lack of availability for row crop tractors, price increases on new combines and a very soft used market. It did help that we had one of the worst wheat crops in history last year.*
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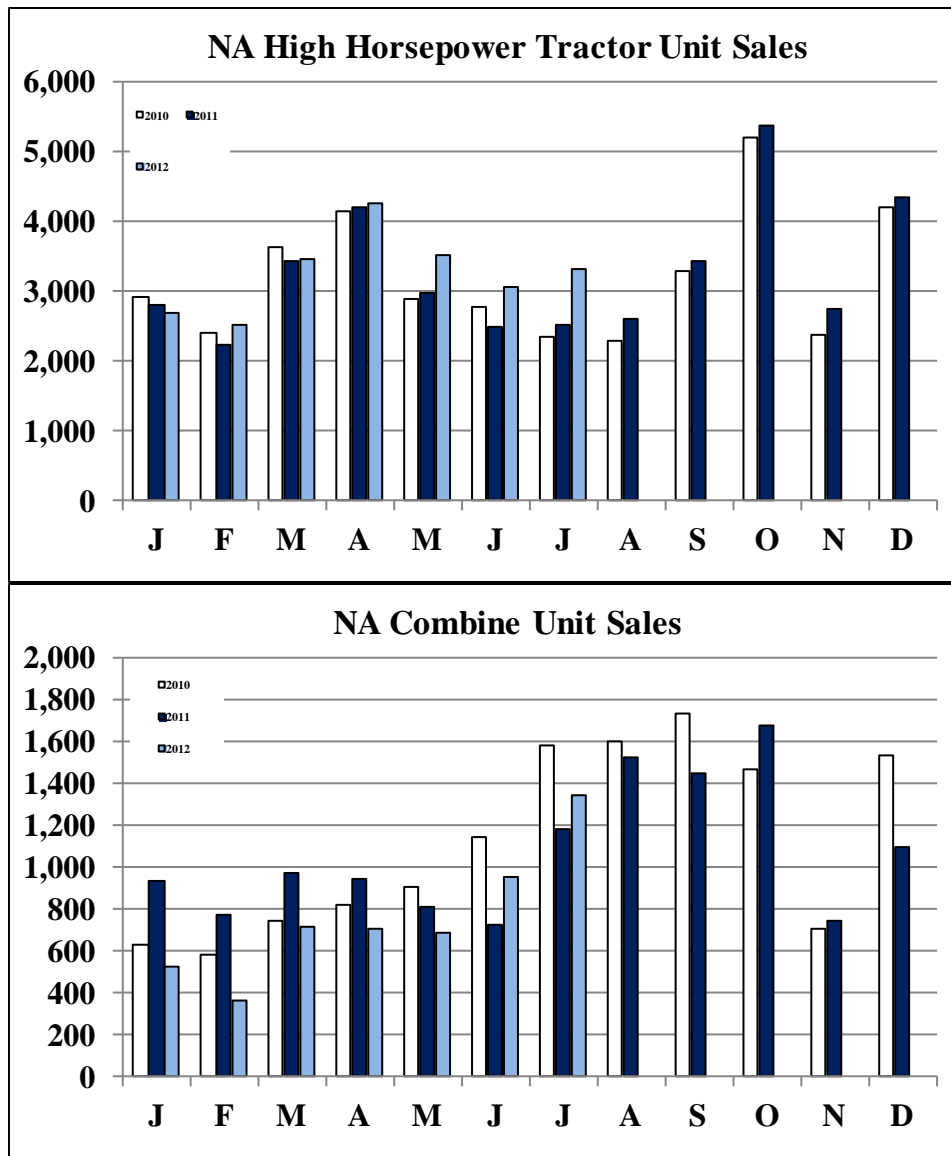
# NA Farm Equipment Industry Retail Sales and Inventory

NORTH AMERICAN FARM EQUIPMENT RETAIL SALES														
	Units							% change year-over-year						
	<u>≤ 40 HP</u>	<u>Utility</u>	<u>Row Crop</u>	<u>4-Wheel</u>	<u>Total Tractor</u>	<u>Memo: High hp</u>	<u>Combines</u>	<u>≤40HP</u>	<u>Util</u>	<u>RC</u>	<u>4-WD</u>	<u>Total</u>	<u>High hp</u>	<u>Comb</u>
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	7,687	4,717	2,074	457	14,935	2,531	1,185	(11%)	(8%)	9%	5%	(7%)	9%	(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%)
Feb-12	4,360	3,547	2,046	488	10,441	2,534	367	(2%)	15%	16%	6%	7%	14%	(53%)
Mar-12	8,627	4,586	2,722	745	16,680	3,467	720	(3%)	(8%)	(3%)	19%	(4%)	1%	(26%)
Apr-12	13,393	6,050	3,382	887	23,712	4,269	706	17%	12%	2%	0%	13%	1%	(25%)
May-12	13,562	5,984	2,911	611	23,068	3,522	691	8%	17%	21%	4%	11%	18%	(15%)
Jun-12	12,503	6,118	2,571	502	21,694	3,073	954	3%	3%	24%	17%	5%	23%	32%
Jul-12	8,635	4,854	2,763	552	16,804	3,315	1,346	12%	3%	33%	21%	13%	31%	14%

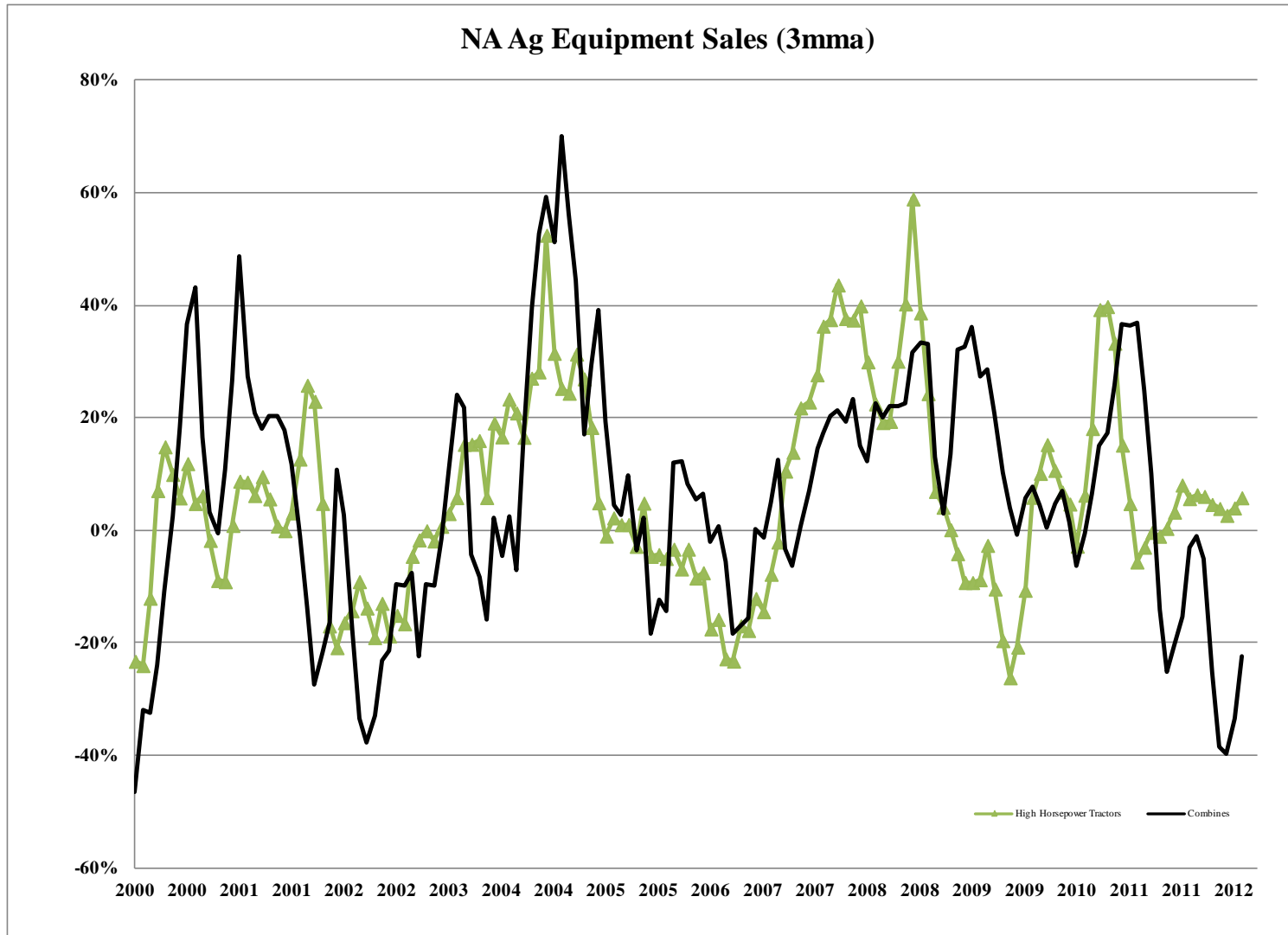
NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	<u>≤ 40 HP</u>	<u>Utility</u>	<u>Row Crop</u>	<u>4-Wheel</u>	<u>Total Tractor</u>	<u>Memo: High hp</u>	<u>Combines</u>	<u>≤40HP</u>	<u>Util</u>	<u>RC</u>	<u>4-WD</u>	<u>Total</u>	<u>High HP</u>	<u>Comb</u>
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%	27%	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%
Jan-12	61,967	27,298	7,277	1,222	97,764	8,499	1,338	64%	48%	23%	17%	51%	22%	11%
Feb-12	65,727	28,689	7,763	1,360	103,539	9,123	1,676	68%	50%	24%	19%	54%	23%	14%
Mar-12	68,756	29,144	8,199	1,518	107,617	9,717	1,955	72%	51%	26%	21%	56%	25%	17%
Apr-12	66,562	28,743	8,241	1,472	105,018	9,713	1,961	68%	50%	26%	20%	54%	25%	17%
May-12	65,188	28,322	8,930	1,659	104,099	10,589	2,258	66%	48%	27%	22%	53%	26%	20%
Jun-12	62,380	27,773	9,395	1,665	101,213	11,060	2,476	63%	47%	28%	22%	51%	27%	21%

# Annual Ag Equipment Industry Sales – 2010-2012





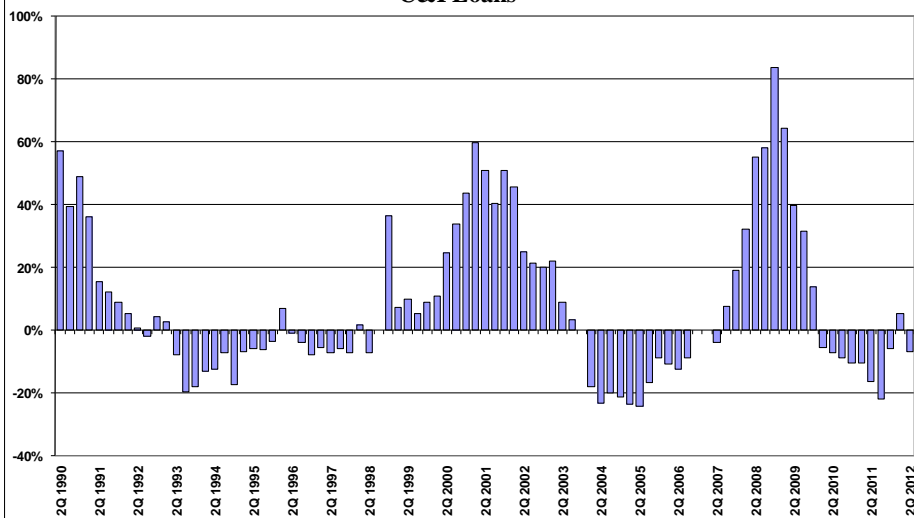
# NA Ag Equipment Sales



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

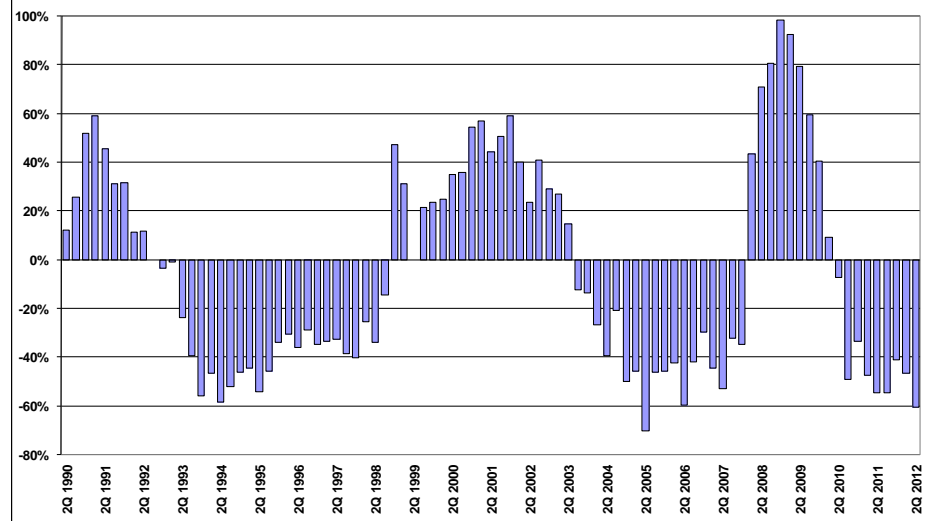
- The 2Q12 Senior Loan Officer survey saw loan standards improve, a reversal after standards tightened in 4Q and 1Q. A net 7% of loan officers reported loosening credit standards in 2Q12 compared with a net 5% who reported tightening in 1Q12.
- Bank rate spreads contracted again in 2Q12 with a net 60% of loan officers reporting lower lending spreads, up from a net 46% in 1Q12.
- Demand for commercial and industrial loans improved in 2Q as a net 31% of loan officers reported stronger demand for commercial and industrial loans, up from the 20% reporting stronger demand in 1Q12.

Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



Source: Federal Reserve Board

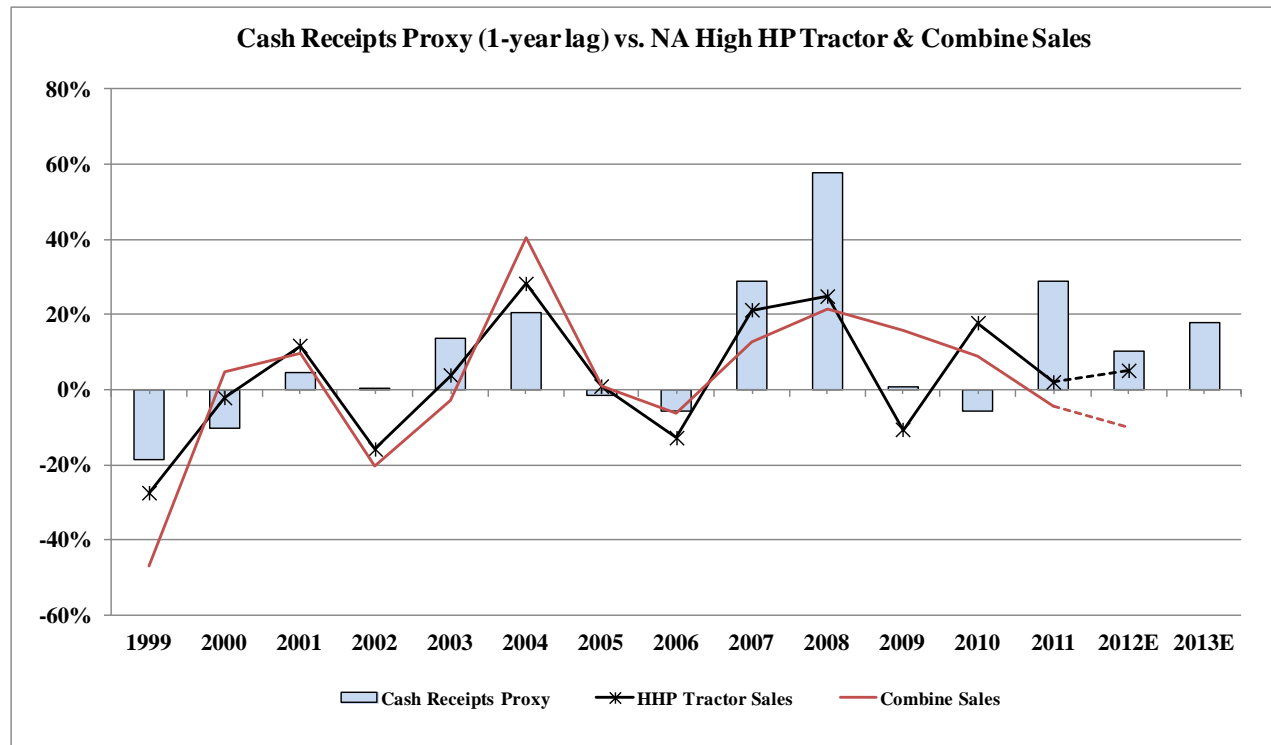
Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds



Source: Federal Reserve Board

# Commodity Price Trends - Cash Receipts vs. Next Year Equipment Sales

**The USDA's August crop supply and demand forecast for the 2012/13 crop year shows a notable positive revision in our simplified cash receipts proxy.** The updated price projections for the 2012/2013 crop year shows a significant increase in our simplified cash receipts proxy as the positive price changes in all three key crops compared to last month more than offsets lower production forecasts due to the US drought. This drives our simplified cash receipts proxy to just over \$150Bil, or about 18% above last year's levels. Farmer cash receipts are highly correlated with out-year new equipment sales as shown below, so the initial outlook for 2012/2013 cash receipts is a cautious indicator for 2013 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	11,220	1,835	13,055	1,128	10.1%	\$5.18	2010/11	20,194	22,192	3,766	17.0%
2011/12	12,358	11,005	1,650	12,655	851	7.7%	\$5.95-\$6.25	2011/12	22,010	23,171	4,235	18.3%
2012/13								2012/13				
June	14,790	11,875	1,900	13,775	1,881	15.8%	\$4.20-\$5.00	June	22,607	24,477	4,250	17.4%
July	12,970	11,120	1,600	12,720	1,183	10.6%	\$5.40-\$6.40	July	22,667	24,332	4,096	16.8%
August	10,779	9,925	1,300	11,225	650	6.5%	\$7.50-\$8.90	August	22,646	23,996	4,206	17.5%
Revision to 2011/12:								Corn Spot Price: <b>\$8.13</b>				
m/m chg	-2,191	-1,195	-300	-1,495	-533	-4.1%	\$2.30	m/m chg	-22	-335	110	0.7%
y/y chg	-1,579	-1,080	-350	-1,430	-201	-1.2%	\$2.10	y/y chg	636	825	-29	-0.7%

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	3,280	1,501	4,781	215	6.6%	\$11.30	2010/11	6,397	7,457	2,361	31.7%
2011/12	3,056	3,111	1,335	4,446	175	5.6%	\$12.30	2011/12	5,629	7,536	1,785	23.7%
2012/13												
June	3,205	3,255	1,485	4,740	140	4.3%	\$12.00-\$14.00	June	6,753	7,965	2,011	25.2%
July	3,050	3,105	1,370	4,475	130	4.2%	\$13.00-\$15.00	July	6,766	7,934	1,915	24.1%
August	2,692	2,742	1,110	3,852	115	4.2%	\$15.00-\$17.00	August	6,878	7,809	1,846	23.6%
Revision to 2011/12:								Soybean Spot Price: <b>\$16.98</b>				
m/m chg	-358	-363	-260	-623	-15	0.0%	\$2.00	m/m chg	112	-125	-69	-0.5%
y/y chg	-364	-369	-225	-594	-60	-1.4%	\$3.65	y/y chg	1249	273	61	0.0%

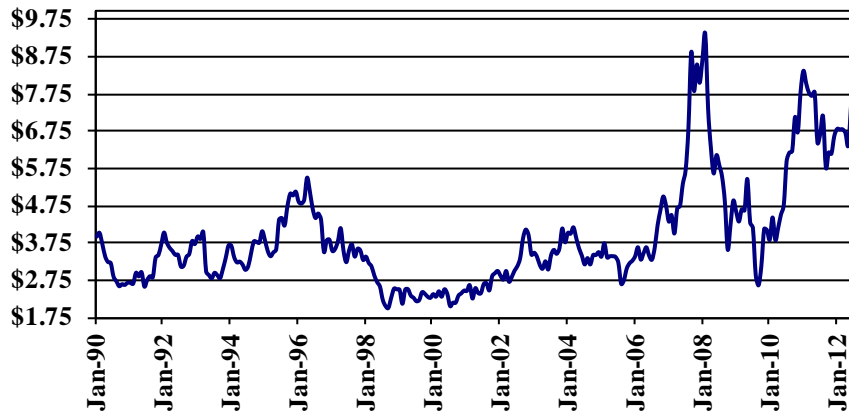
WHEAT - DOMESTIC								WHEAT - INTERNATIONAL				
Year	Production	Domestic Use	Exports	Total Use	End Stocks	Stocks/Use	Avg Price	Year	Production	Total Use	End Stocks	Stocks/Use
2010/11	2,207	1,128	1,289	2,417	862	76.4%	\$5.70	2010/11	21,718	22,919	6,385	27.9%
2011/12	1,999	1,199	1,055	2,254	728	60.7%	\$7.25	2011/12	23,506	24,369	6,458	26.5%
2012/13												
June	2,234	1,238	1,150	2,388	694	56.1%	\$5.50-\$6.80	June	22,460	23,816	6,131	25.7%
July	2,224	1,223	1,200	2,423	664	54.3%	\$6.20-\$7.40	July	22,222	23,765	6,040	25.4%
August	2,268	1,243	1,200	2,443	698	56.2%	\$7.60-\$9.00	August	22,086	23,862	5,812	24.4%
Revision to 2011/12:								Wheat Spot Price: <b>\$8.55</b>				
m/m chg	44	20	0	20	34	1.9%	\$1.50	m/m chg	-136	97	-228	-1.1%
y/y chg	269	44	145	189	-30	-4.6%	\$1.05	y/y chg	-1420	-507	-646	-2.1%

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	2,207	\$5.25	\$11.40	\$5.65	\$65,347	\$37,951	\$12,470	\$115,767	29%
2011/12	12,358	3,056	1,999	\$6.10	\$12.35	\$7.25	\$75,384	\$37,742	\$14,493	\$127,618	10%
2012/13											
June	14,790	3,205	2,234	\$4.60	\$13.00	\$6.15	\$68,034	\$41,665	\$13,739	\$123,438	-3%
July	12,970	3,050	2,224	\$5.90	\$14.00	\$6.80	\$76,523	\$42,700	\$15,123	\$134,346	5%
August	10,779	2,692	2,268	\$8.20	\$16.00	\$8.30	\$88,388	\$43,072	\$18,824	\$150,284	18%

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

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

## Wheat Price Trends



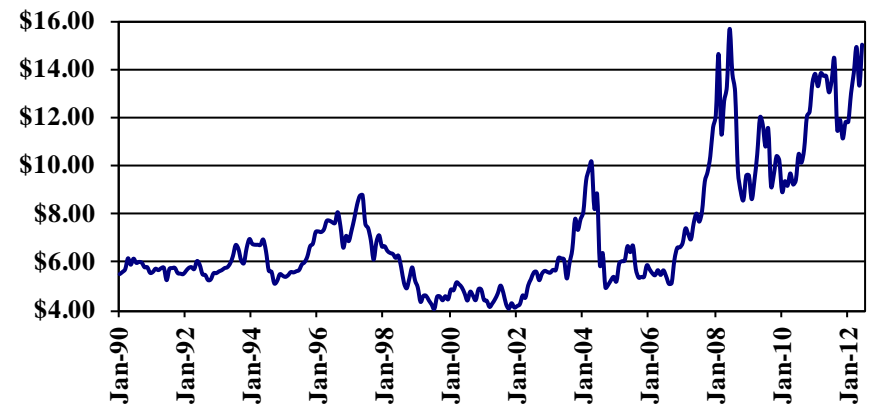
## Corn Price Trends



## Cotton Price Trends

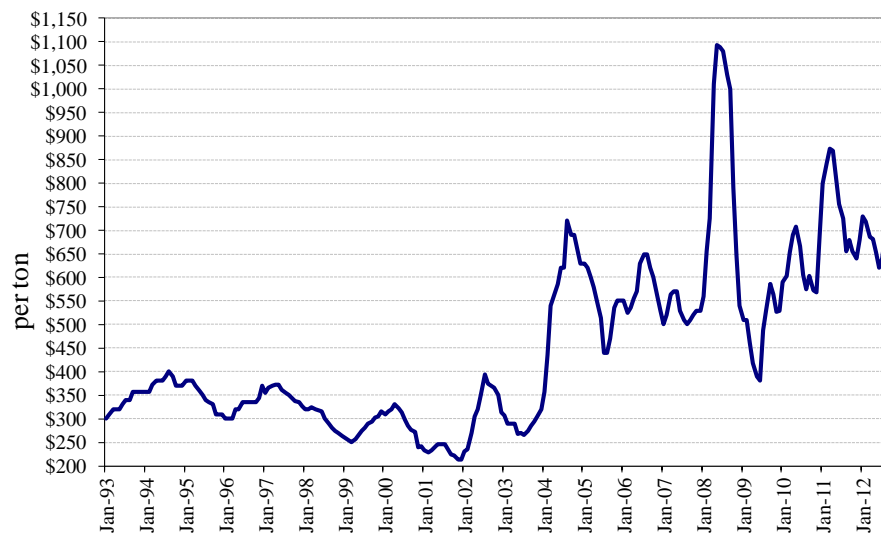


## Soybean Price Trends



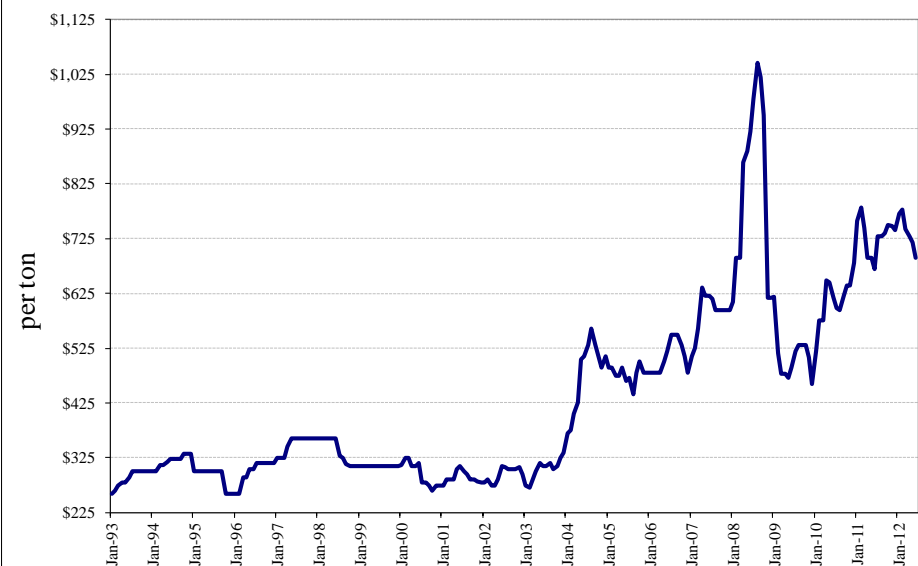
# Commodity Price Trends – Steel

## Domestic Hot Rolled Sheet Prices

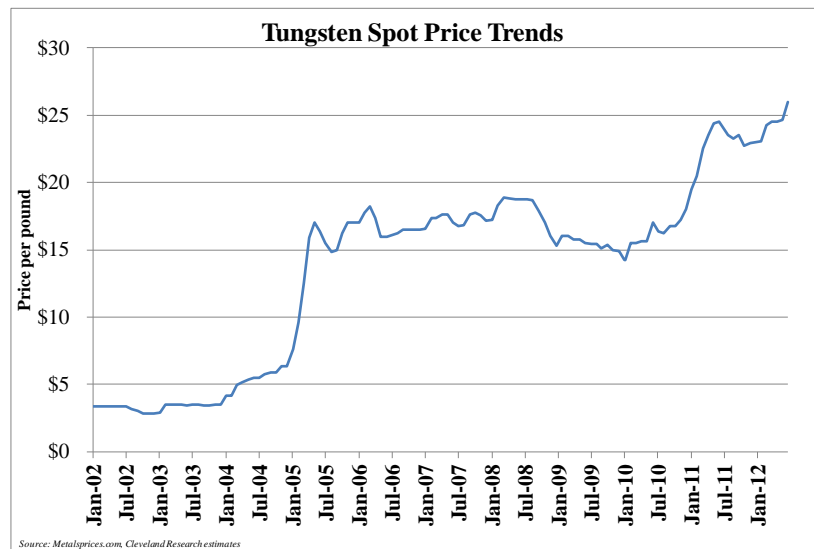
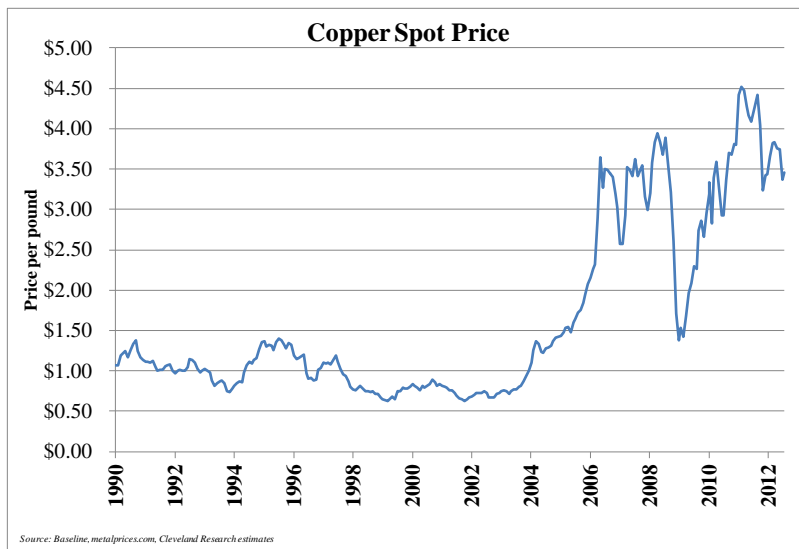
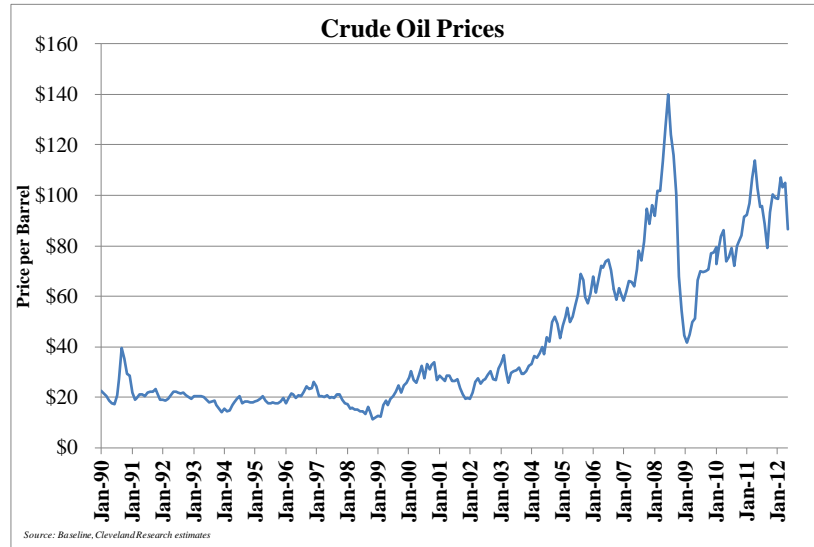
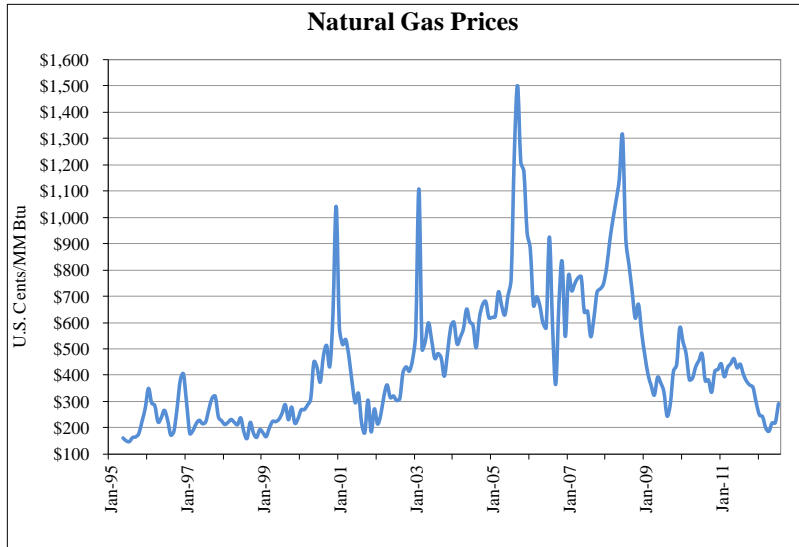


Source: Steel Business Briefing, CRC Estimates

## Domestic Reinforcing Bar (Rebar) Prices



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



# Commodity Trends – Long Run Supply and Demand Projections

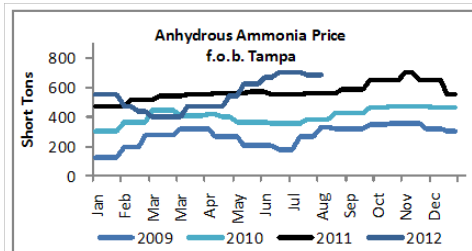
<b>CORN - DOMESTIC</b>								
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Use for Ethanol</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	10,535	9,086	2,150	2,125	11,211	1,304	14.4%	\$3.04
2007/08	13,074	10,338	3,026	2,436	12,774	1,624	15.7%	\$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>

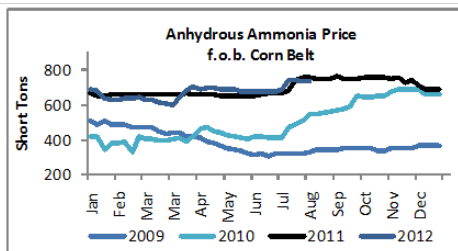
<b>WHEAT - DOMESTIC</b>							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2006/07	1,812	1,140	909	2,049	418	36.7%	\$4.35
2007/08	2,067	1,066	1,264	2,330	306	28.7%	\$6.48
2008/09	2,500	1,302	1,000	2,302	603	46.3%	\$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>



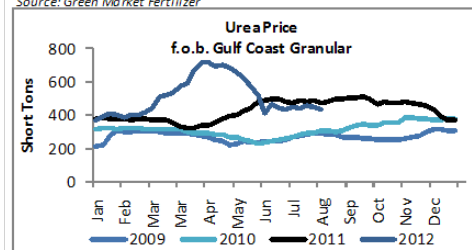
# Other Input and Chemical Costs – 2009-2012



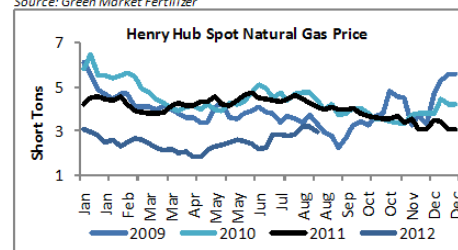
Source: Green Market Fertilizer



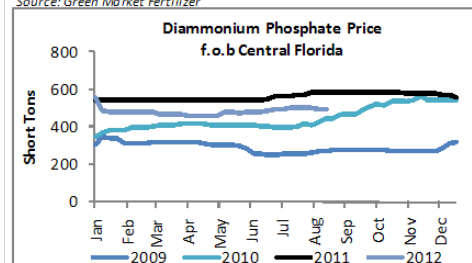
Source: Green Market Fertilizer



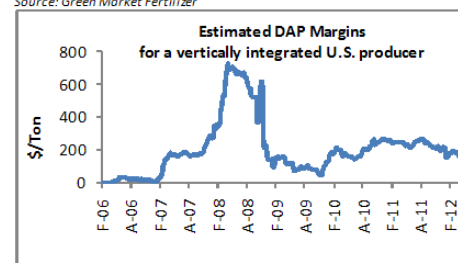
Source: Green Market Fertilizer



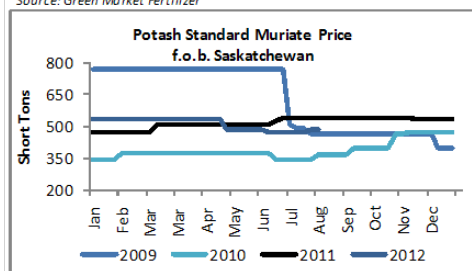
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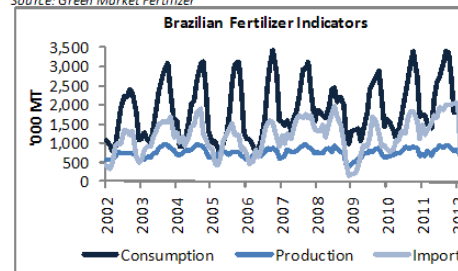
Source: Green Market Fertilizer



Source: Green Market Fertilizer

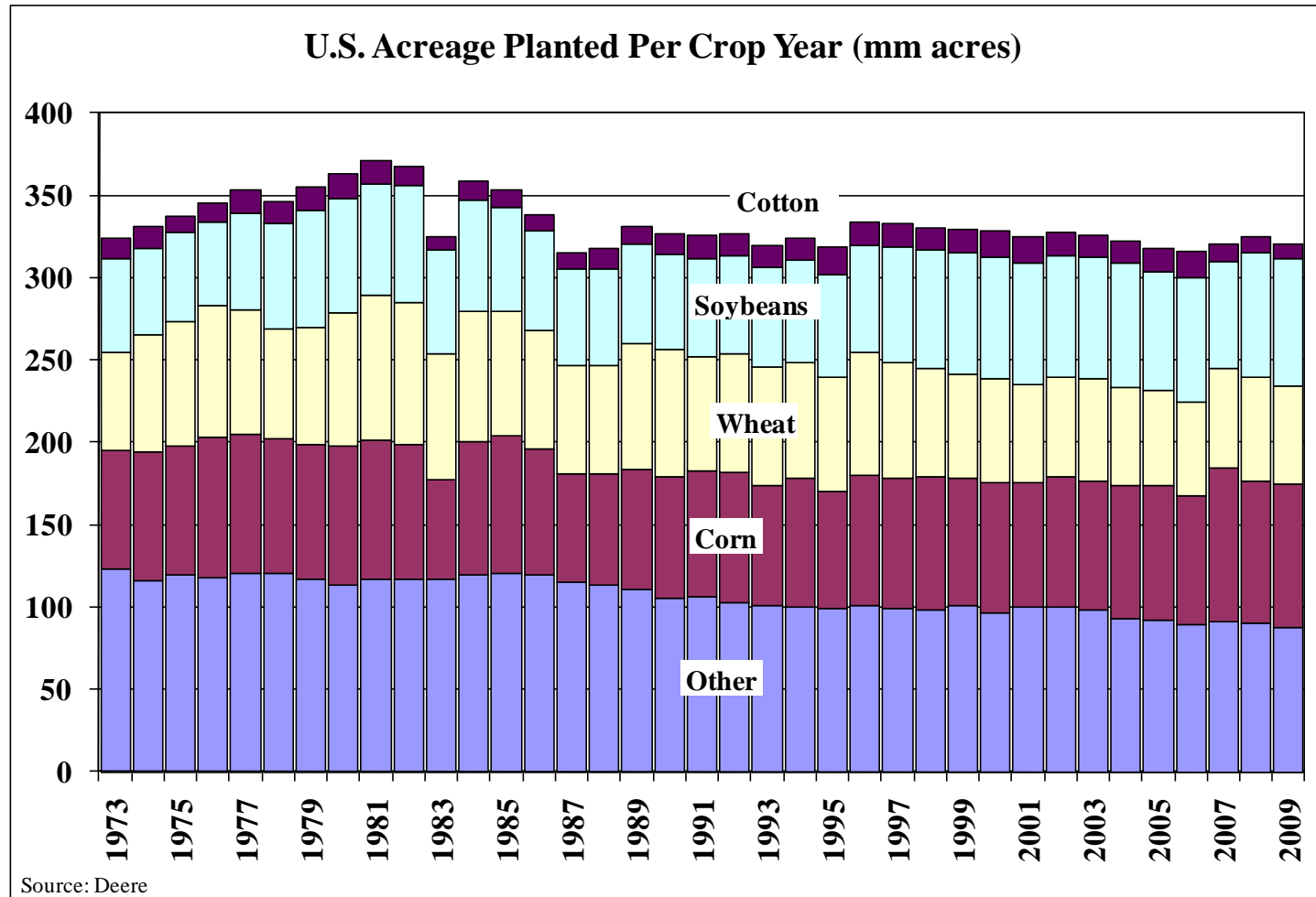


Source: Green Market Fertilizer



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