

# ***Ag Equipment Intelligence***

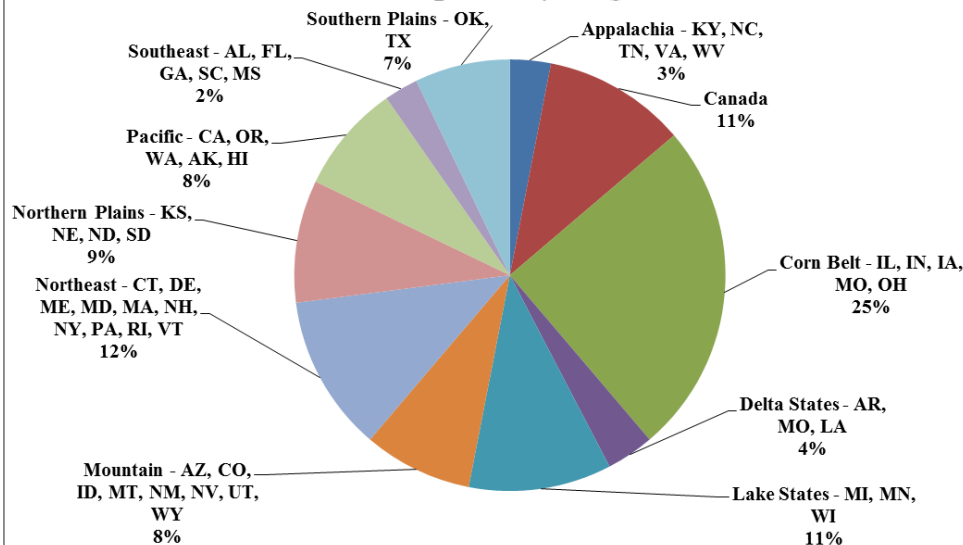
August 2013 Dealer Sentiments &  
Business Conditions Update

# Monthly Ag Equipment Intelligence North American Dealer Survey

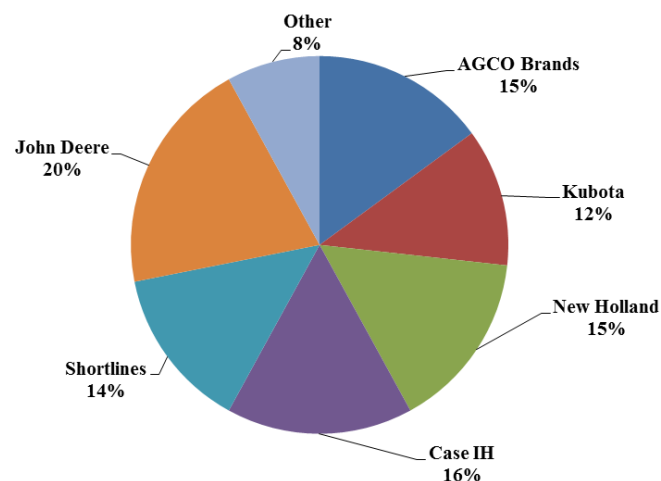
## **Background:**

- 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 ~127 respondents representing combined annual revenues of roughly \$4.46 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 Brand**



## Highlights / Summary Thoughts

- **Industry Sales Decelerate to 3% in July**– Ag equipment dealers reported year-over-year sales grew 3% on average in July, down from 5% the prior month. Other Ag dealers saw the highest growth at 13%, while AGCO was the weakest with sales down 1%.
- **2013 Dealer Outlook Stabilizes** – For 2013, dealers are forecasting 3% sales growth. This is similar to last month. Shortline dealers are the most optimistic, while the AGCO dealers hold the weakest outlook.
- **Results vs Expectations** – A net 23% (38% better, 48% inline, 14% worse) of dealers reported better than expected results for July. This is the highest positive reading since December 2011. Last month's reading was -4%.
- **Used Combine Inventory** -- Within the used equipment categories, a net 54% of dealers reported used combine inventory levels are “too high” (55% too high; 43% about right; 2% too low) up from 45% last month. This is the highest net percentage of dealers reporting high used combine inventory since we started tracking this data point in October of 2011. This is the key driver behind Deere's decision to limit new combine production in 2014.

# Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales grew 3% on average in July, down from 5% in June.
- Other Ag (McCormick & Mahindra) dealers saw the highest growth at 13%, while AGCO was the weakest with sales down 1%.
- A net 23% (38%, 48%, 14%) of dealers reported better than expected results for July. This is the highest positive reading since December 2011. Last month's reading was -4%.

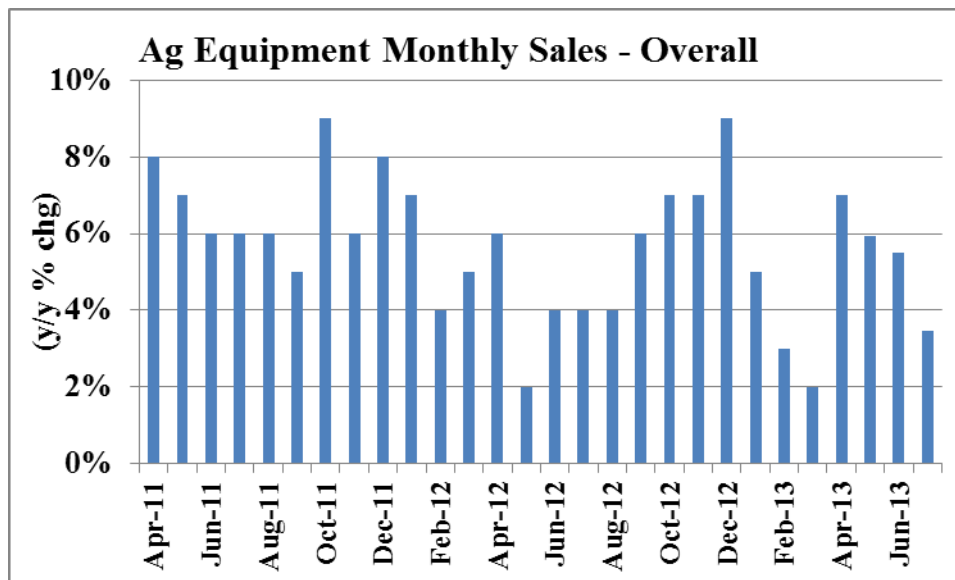
Optimism/Sentiment vs. Last Month

	<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>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>
More Optimistic	38%	29%	25%	22%	15%	14%	18%	28%	31%	27%	28%	28%	34%	34%	21%	27%	27%	26%	21%
Same	53%	57%	59%	62%	61%	49%	44%	54%	54%	54%	52%	55%	51%	50%	54%	58%	52%	50%	58%
Less Optimistic	10%	14%	17%	17%	24%	37%	38%	18%	15%	20%	20%	18%	15%	16%	26%	15%	21%	24%	21%
<b>Net % (More- Less)</b>	<b>29%</b>	<b>15%</b>	<b>8%</b>	<b>5%</b>	<b>-9%</b>	<b>-23%</b>	<b>-19%</b>	<b>10%</b>	<b>15%</b>	<b>7%</b>	<b>8%</b>	<b>10%</b>	<b>19%</b>	<b>18%</b>	<b>-5%</b>	<b>13%</b>	<b>6%</b>	<b>2%</b>	<b>1%</b>

Average Dealer Sales Growth

<u>(% chg y/y)</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>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>
<b>Overall</b>	<b>7%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>2%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>6%</b>	<b>7%</b>	<b>7%</b>	<b>9%</b>	<b>5%</b>	<b>3%</b>	<b>2%</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>	<b>3%</b>
<b>By Brand</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>	<b>Aug-12</b>	<b>Sep-12</b>	<b>Oct-12</b>	<b>Nov-12</b>	<b>Dec-12</b>	<b>Jan-13</b>	<b>Feb-13</b>	<b>Mar-13</b>	<b>Apr-13</b>	<b>May-13</b>	<b>Jun-13</b>	<b>Jul-13</b>
AGCO	6%	1%	2%	5%	2%	5%	1%	0%	4%	3%	7%	13%	-2%	0%	5%	5%	1%	1%	-1%
John Deere	6%	4%	6%	9%	4%	9%	9%	7%	10%	10%	7%	9%	6%	4%	1%	9%	9%	6%	4%
New Holland	5%	-2%	4%	3%	1%	0%	2%	-1%	5%	0%	6%	6%	3%	1%	4%	5%	5%	7%	2%
Case IH	10%	4%	6%	3%	-2%	1%	1%	2%	3%	7%	8%	5%	7%	4%	3%	6%	-1%	5%	5%
Kubota	10%	4%	6%	5%	1%	6%	-3%	3%	-1%	3%	-2%	8%	4%	3%	6%	13%	-2%	10%	3%
Shortlines	2%	0%	2%	3%	6%	6%	6%	3%	5%	7%	5%	3%	1%	-2%	4%	3%	5%	4%	11%
Other	2%	-8%	2%	3%	1%	-1%	-3%	5%	0%	1%	3%	4%	6%	-3%	NA	5%	7%	3%	13%

# Monthly Sales Growth Continued



## Percent Positive / Negative Growth

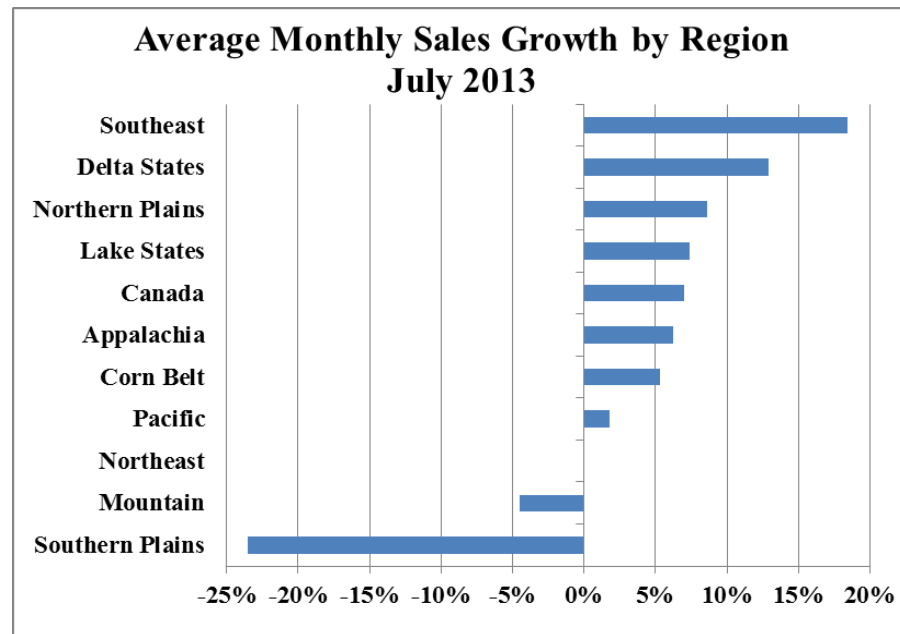
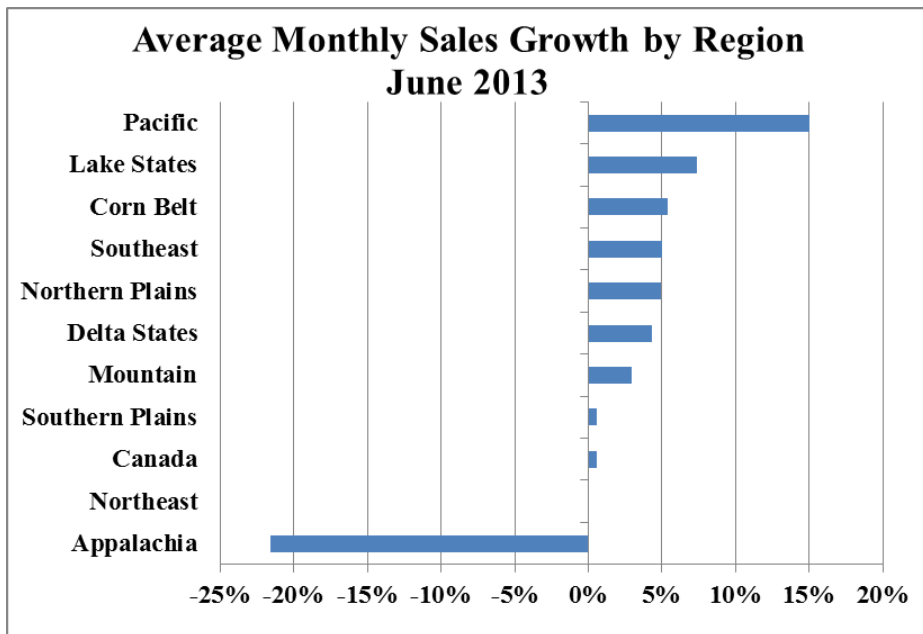
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
Positive Sales Growth	57%	49%	60%	67%	55%	53%	49%	59%	58%	61%	70%	69%	48%	44%	51%	60%	58%	52%	64%
Flat Sales	29%	30%	22%	19%	16%	26%	16%	15%	21%	17%	12%	14%	28%	35%	30%	20%	19%	21%	21%
Negative Sales Growth	14%	20%	18%	14%	29%	21%	34%	27%	21%	22%	18%	17%	24%	21%	19%	20%	23%	27%	15%
<b>Net % (Positive - Negative)</b>	<b>42%</b>	<b>29%</b>	<b>42%</b>	<b>52%</b>	<b>25%</b>	<b>31%</b>	<b>15%</b>	<b>32%</b>	<b>37%</b>	<b>39%</b>	<b>52%</b>	<b>52%</b>	<b>25%</b>	<b>23%</b>	<b>32%</b>	<b>40%</b>	<b>35%</b>	<b>25%</b>	<b>49%</b>

## Results vs. Expectations

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
Better than expected	28%	19%	20%	24%	22%	23%	21%	30%	25%	26%	35%	38%	23%	18%	27%	25%	23%	19%	38%
In line with expectations	56%	54%	66%	63%	52%	51%	44%	41%	56%	54%	48%	49%	59%	60%	55%	52%	57%	58%	48%
Worse than expected	16%	26%	14%	14%	25%	26%	35%	29%	19%	20%	17%	13%	18%	22%	18%	24%	20%	23%	14%
<b>Net % (Better - Worse)</b>	<b>12%</b>	<b>-7%</b>	<b>7%</b>	<b>10%</b>	<b>-3%</b>	<b>-3%</b>	<b>-14%</b>	<b>1%</b>	<b>6%</b>	<b>5%</b>	<b>18%</b>	<b>25%</b>	<b>5%</b>	<b>-4%</b>	<b>9%</b>	<b>1%</b>	<b>3%</b>	<b>-4%</b>	<b>23%</b>

# Monthly Sales Growth by Region

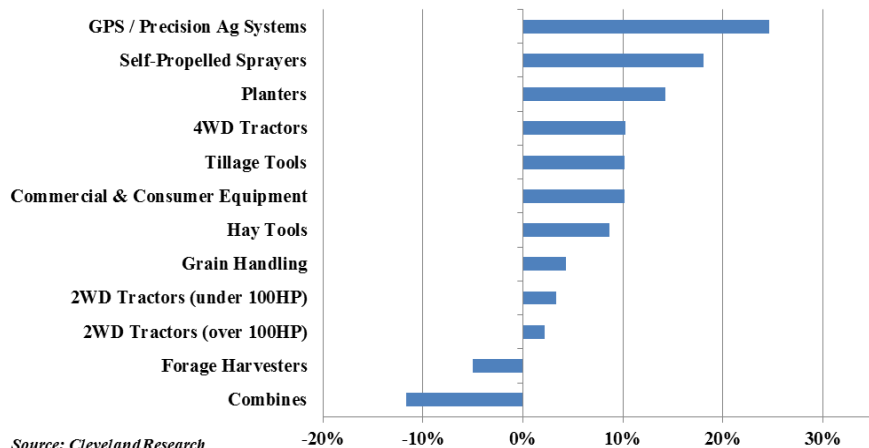
- Eight out of eleven regions showed positive average monthly sales growth in July with the Southern Plains and Mountain regions showing negative growth.
- On a sequential basis, Appalachia saw the most significant acceleration after showing the most significant deceleration last month.



# Equipment Category Sales Trends

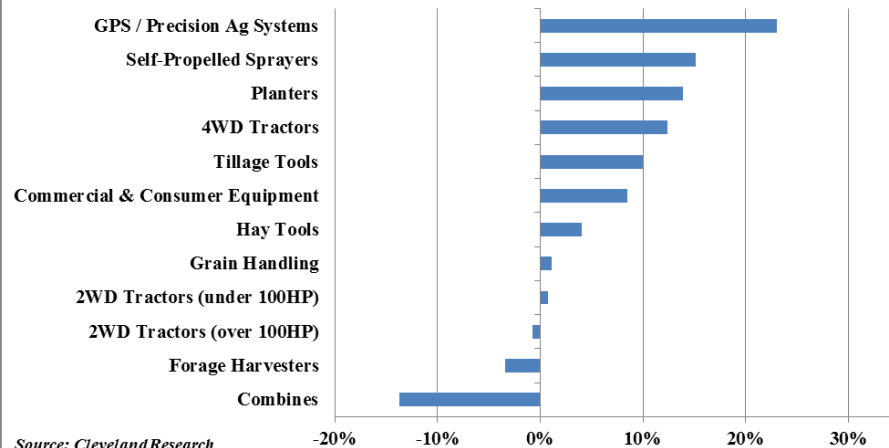
- Nine out of twelve product categories ranked in positive territory in July, down from ten last month. GPS/precision ag systems was the best performing category for the eighth straight month, while combines continued to be the weakest category.
- On a sequential basis, nine of the twelve product categories saw a decline in July. Hay tools saw the largest sequential decline, while 4WD Tractors, Planters and Forage Harvesters were the only categories that saw improvement

**Product Category Ranking (Net % Strong - Weak)**  
**June 2013**



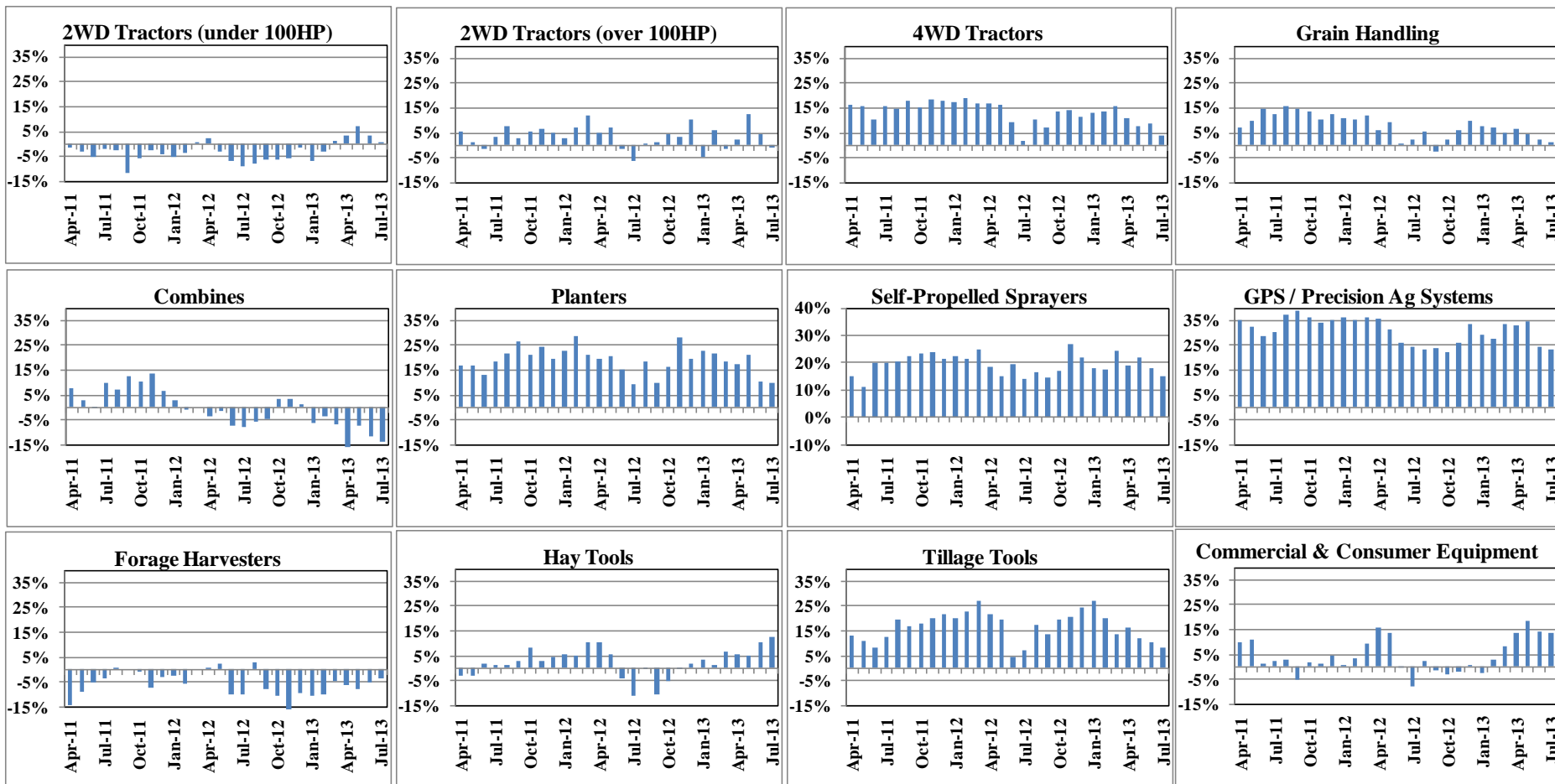
Source: Cleveland Research

**Product Category Ranking (Net % Strong - Weak)**  
**July 2013**



Source: Cleveland Research

# Equipment Category Sales Trends





# Dealer Commentary on Monthly Sales and Outlook

- *Two of our markets have extreme drought conditions that are severely impacting our business.*
- *We had a poor winter wheat crop, It was still extremely dry.*
- *We were in an exceptional drought the past two years, so July was sub par in 2011 and 2012. This year was more like a normal July for us - both weather and sales.*
- *Tractor sales are good, new combines are slow, trying to get rid of high dollar used combines.*
- *Good weather/rain makes good crops, and it helped tremendously with sales.*
- *These depressed grain prices are hurting sales.*
- *Rain has really helped our business this year compared to last. This time last year, we were experiencing a drought.*
- *Corn hovering near \$4.5/bushel.*
- *2013 is working out very close to projections. We anticipate we may see some slight reductions in 2014.*
- *Combine and used 4WD tractors sales are off.*
- *Next year totally depends on the water supply.*
- *Planter interest is up in our area more than we had expected.*
- *I'm not feeling as optimistic as I was. Weather concerns and impact on crops aren't good, we've had too much rain.*
- *lots of rain, better crop prospects*
- *This is a good crop year for us.*
- *Good crops and commodity prices are hanging in there.*
- *Unless we get a shot in the arm on grain prices, I think sales will suffer in the last part of the year.*
- *Less optimistic about next years sales mainly due to the commodity market sliding down.*
- *We're thinking flat at best for next year. The insurance check helped last year and we had a late push on purchases. Right now with prices and weather, I do not see that happening.*

# Order Growth

## Overall Orders

- Incoming orders were flat (0%) on average in July, stable from June's reading.
- Shortlines saw the highest orders growth at 9%, while AGCO saw orders decline 5%.

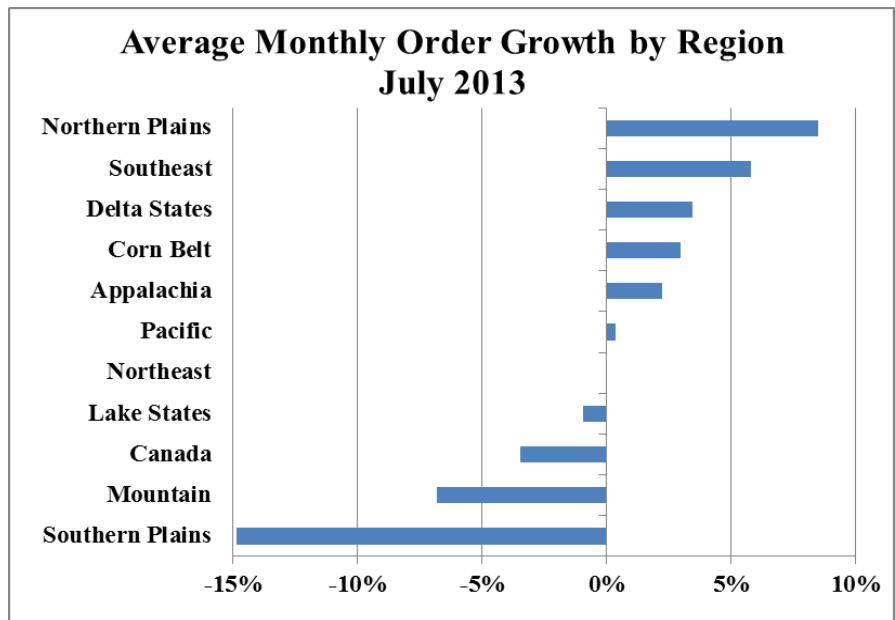
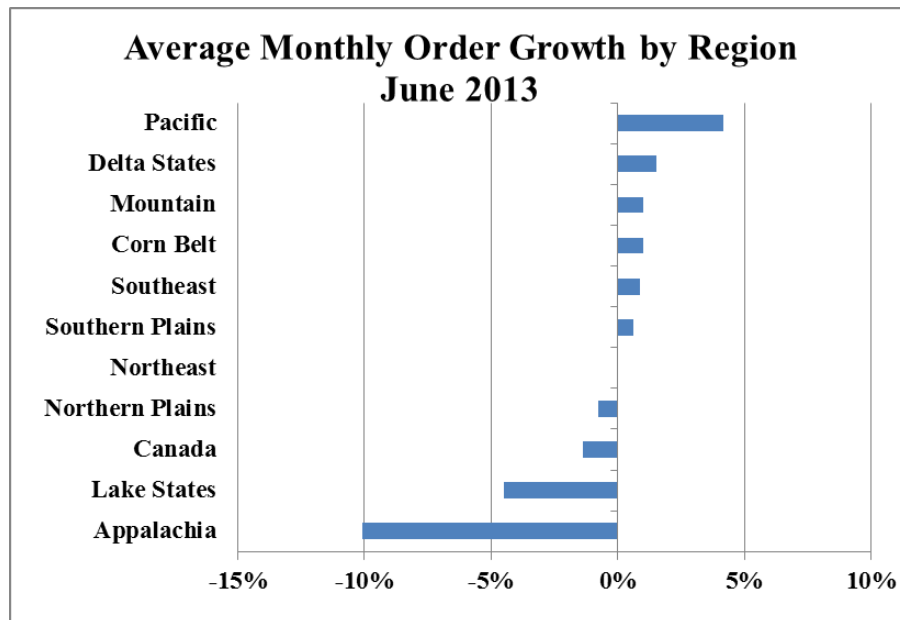
## New Combine Order Intentions

- Order intentions weakened amongst dealer with a net 27% of dealers believe they will order fewer combines compared to last year vs. 20% believing they would order fewer combines last month.

Average Orders Growth																										
(% chg y/y)	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	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
Overall	3%	5%	4%	4%	4%	4%	4%	5%	4%	2%	4%	2%	1%	1%	3%	2%	4%	2%	4%	3%	3%	1%	2%	2%	0%	0%
By Brand	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	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
AGCO	5%	10%	10%	5%	6%	8%	6%	8%	3%	3%	6%	6%	3%	0%	-1%	-1%	2%	1%	7%	2%	0%	0%	3%	-1%	0%	-7%
John Deere	2%	5%	3%	4%	3%	3%	4%	5%	4%	1%	8%	5%	6%	4%	6%	4%	5%	3%	5%	5%	4%	3%	2%	3%	2%	2%
New Holland	3%	5%	5%	5%	4%	3%	6%	3%	2%	2%	3%	2%	-3%	-2%	0%	0%	-1%	0%	-1%	0%	-1%	0%	0%	-1%	-1%	-1%
Case IH	2%	4%	3%	3%	5%	4%	3%	4%	2%	0%	0%	-5%	-3%	-3%	1%	-2%	4%	2%	2%	3%	4%	0%	3%	0%	-2%	1%
Kubota	6%	6%	6%	4%	4%	6%	7%	10%	2%	4%	2%	2%	2%	0%	1%	-1%	2%	0%	5%	2%	0%	1%	2%	1%	0%	-5%
Shortlines	2%	2%	4%	3%	1%	2%	4%	1%	3%	5%	2%	5%	2%	1%	7%	0%	2%	3%	3%	5%	1%	0%	1%	0%	1%	9%
Other	n/a	1%	-2%	2%	4%	3%	11%	3%	3%	5%	3%	1%	-4%	1%	6%	1%	0%	3%	0%	4%	0%	NA	1%	1%	0%	0%
New Combine Order Intentions vs. Last Year																										
	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13		
More	22%	20%	21%	20%	11%	14%	15%	14%	9%	10%	7%	6%	11%	6%	15%	21%	20%	20%	18%	16%	24%	9%	9%	14%		
Same	47%	48%	48%	53%	60%	61%	63%	63%	64%	54%	69%	55%	58%	68%	52%	52%	54%	59%	55%	60%	60%	68%	62%	46%		
Less	31%	32%	31%	27%	29%	25%	22%	24%	27%	37%	24%	39%	31%	26%	32%	28%	26%	21%	27%	23%	16%	23%	29%	41%		
Net % (More- Less)	-10%	-12%	-10%	-7%	-18%	-10%	-8%	-10%	-17%	-27%	-18%	-33%	-19%	-20%	-17%	-7%	-7%	-2%	-9%	-7%	8%	-14%	-20%	-27%		

# Order Growth by Region

- Five out of eleven regions showed positive monthly orders growth in July, down from six the prior month. The Northern Plains was the top-performing region, while the Southern Plains saw the sharpest decline.
- On a sequential basis, Appalachia showed the most significant improvement, while the Southern Plains demonstrated the most significant slowdown in orders.



# 2013 Sales Outlook

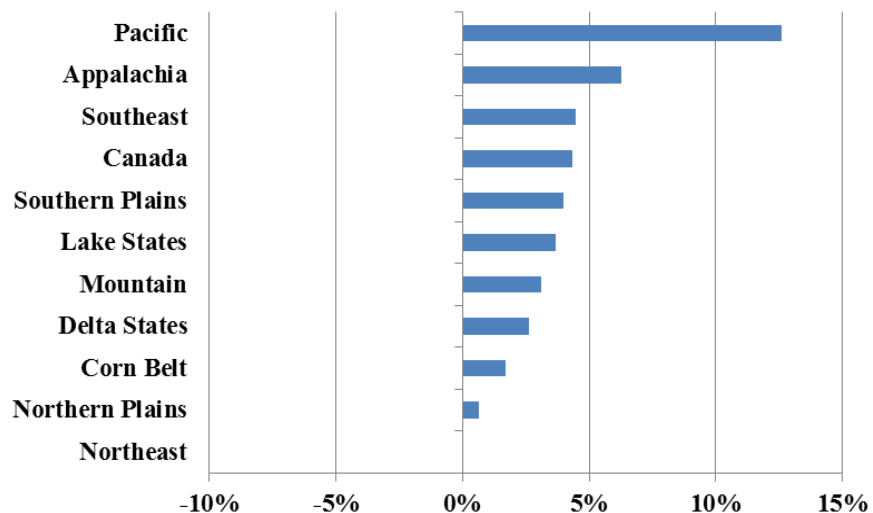
- For 2013, dealers are forecasting 3% sales growth, unchanged from outlook in June.
- Shortline dealers are the most optimistic, while the AGCO dealers hold the weakest outlook.

Dealer Outlook																								
(% chg v/v)	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
	2012 Outlook													2013 Outlook										
Overall	5%	2%	4%	4%	3%	5%	5%	4%	6%	3%	4%	3%	4%	3%	2%	4%	2%	4%	4%	3%	5%	5%	3%	3%
By Brand	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
AGCO	9%	8%	9%	8%	4%	6%	7%	3%	8%	7%	6%	2%	3%	4%	4%	3%	3%	2%	2%	6%	6%	2%	3%	-4%
John Deere	4%	1%	2%	3%	2%	6%	6%	4%	9%	5%	9%	7%	8%	4%	2%	6%	3%	4%	4%	3%	5%	8%	4%	6%
New Holland	5%	5%	5%	5%	4%	2%	3%	4%	3%	1%	1%	0%	2%	1%	0%	0%	-1%	1%	0%	2%	4%	1%	6%	0%
Case IH	4%	3%	5%	4%	3%	3%	2%	3%	3%	-1%	-1%	-1%	0%	2%	2%	2%	-1%	3%	4%	1%	5%	0%	0%	3%
Kubota	5%	7%	4%	4%	6%	4%	4%	3%	3%	4%	6%	-1%	4%	3%	2%	0%	0%	4%	4%	3%	7%	4%	8%	-3%
Shortlines	3%	2%	1%	2%	2%	2%	3%	6%	4%	7%	5%	2%	3%	5%	0%	2%	0%	4%	4%	2%	3%	3%	2%	12%
Other	3%	4%	6%	4%	7%	5%	3%	4%	3%	5%	-2%	2%	4%	3%	3%	-2%	2%	1%	5%	NA	1%	3%	1%	4%

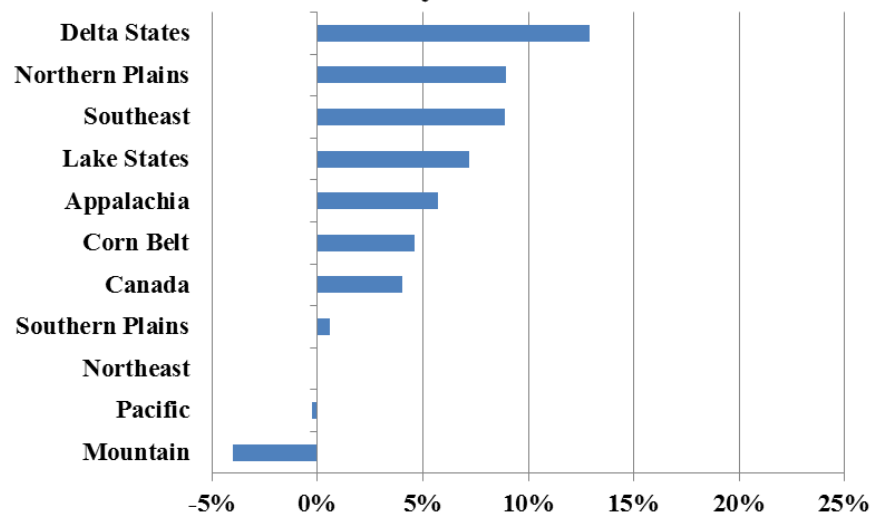
## 2013 Sales Outlook Continued

- Eight out of eleven regions are projecting a positive full year 2013 sales outlook in July, down from ten last month. The Delta States are the most optimistic, while the Mountain region is the only region expecting sales to be negative in 2013.

**Average Monthly Sales Outlook by Region  
June 2013**

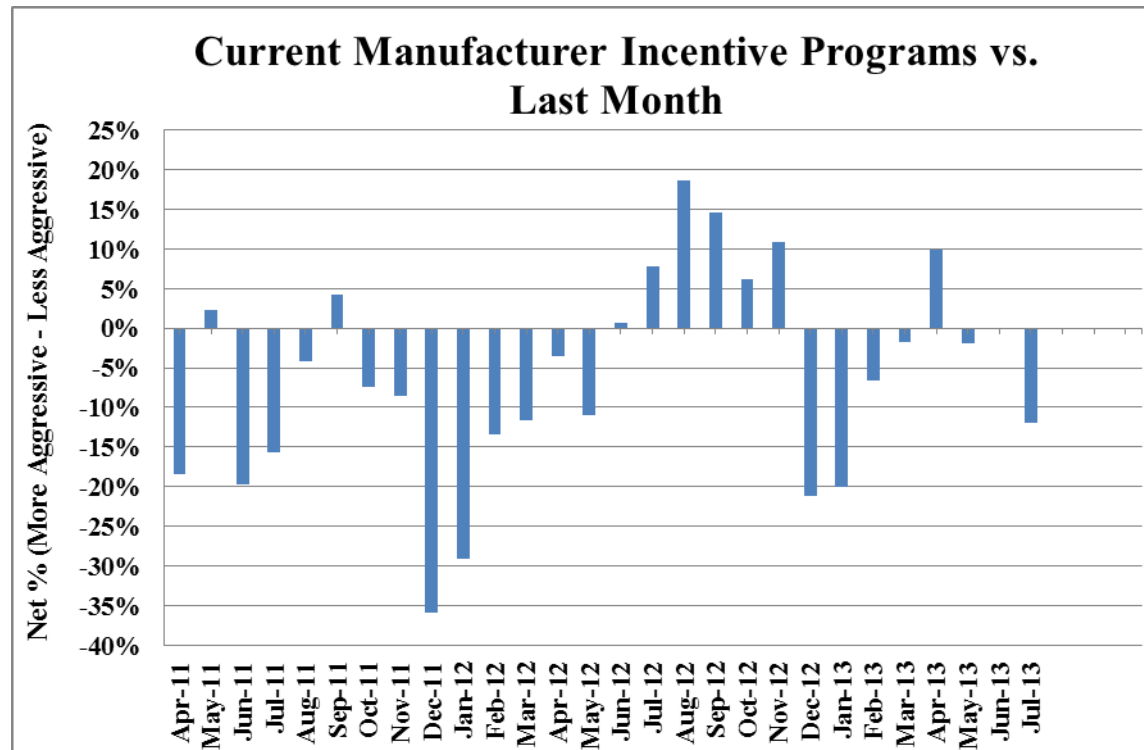


**Average Monthly Sales Outlook by Region  
July 2013**



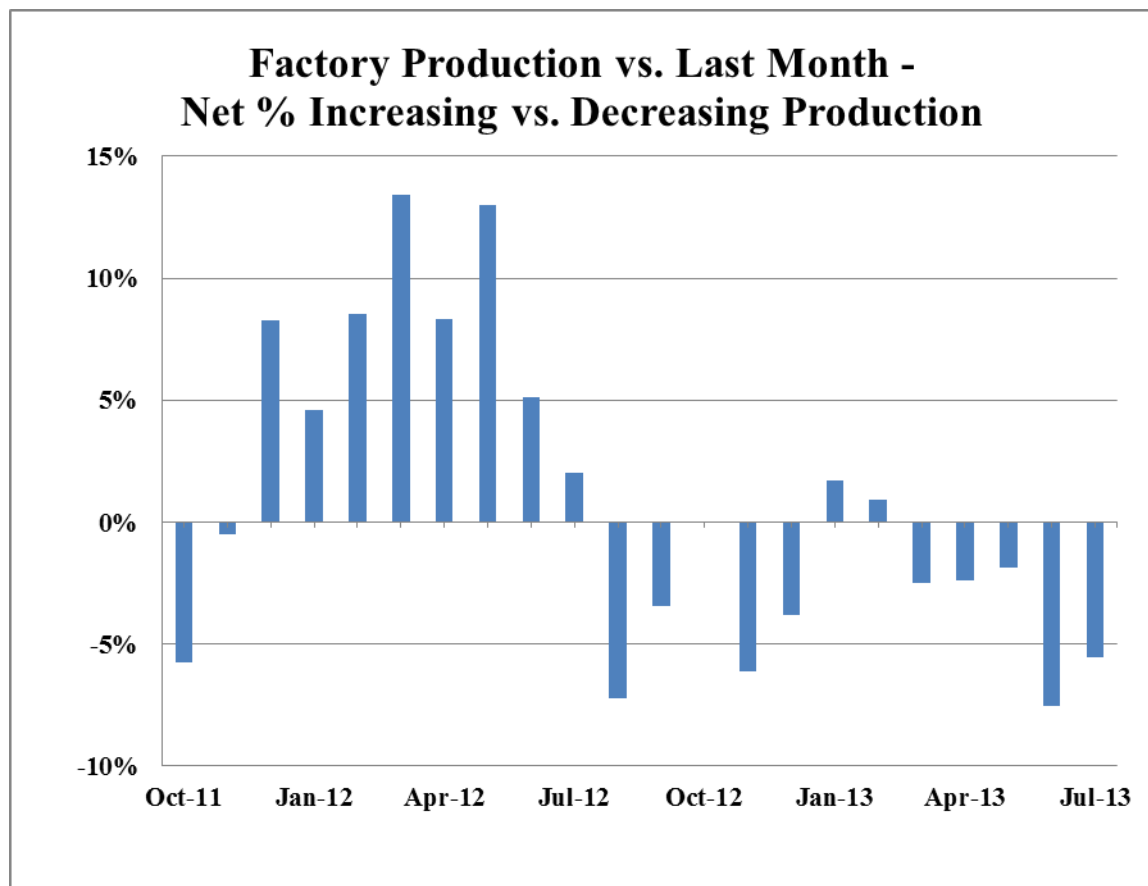
# Current Manufacturer Incentive Programs

- A net 12% of dealers report that manufacturers are less aggressive with incentives in July (11% more aggressive; 66% same; 23% less aggressive) compared to unchanged aggressiveness in June.



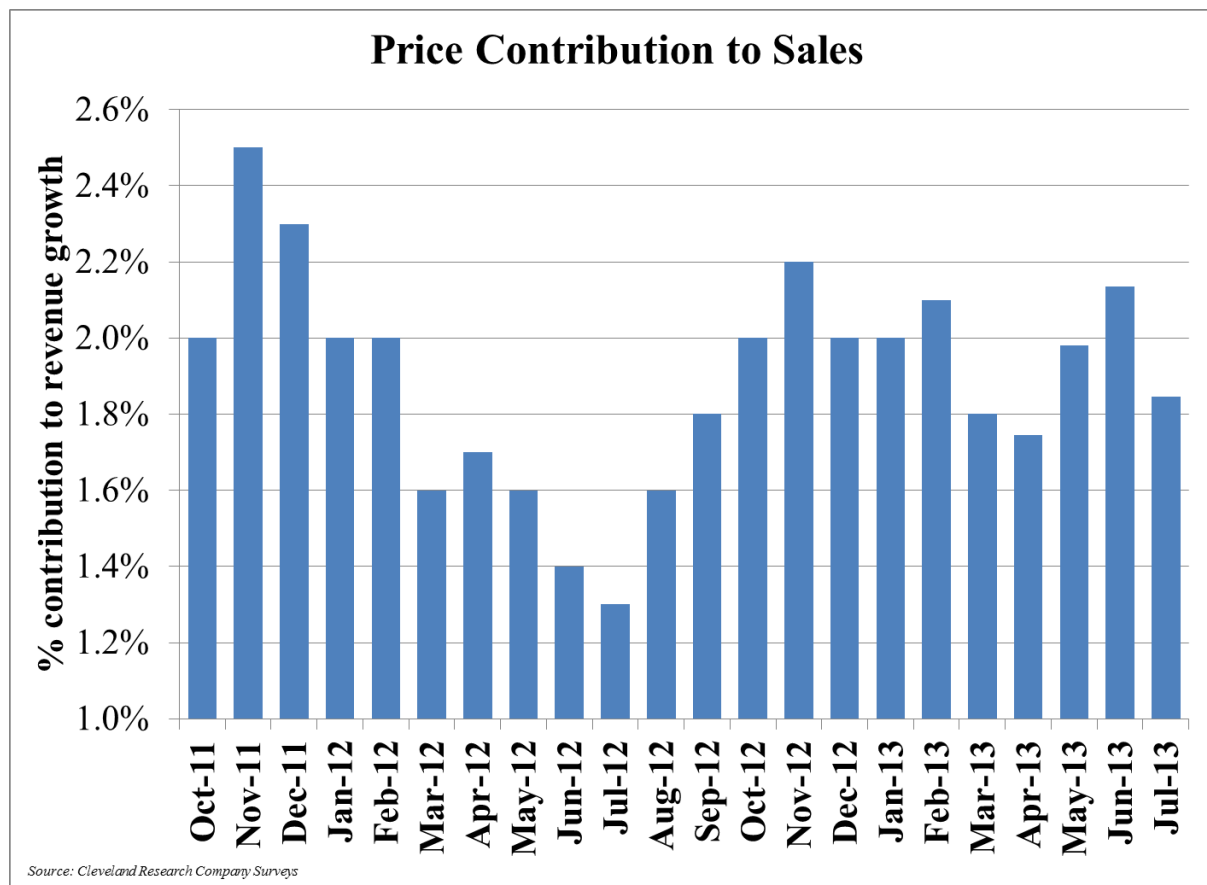
# Factory Production

- Dealers reported that factory production was down in July compared to June, as a net 6% of dealers reported production levels decreased (8% increasing production; 78% no change in production; 14% decreasing production). This compares to a net 8% reporting production decreases last month.



# Pricing Trends

- Dealers report price contributed roughly ~1.8% to total July revenue, down slightly from 2.1% the prior month. We would expect this trend to move higher in the coming months as new Model Year price increase announcements are made, as well Final Tier 4 price increases.

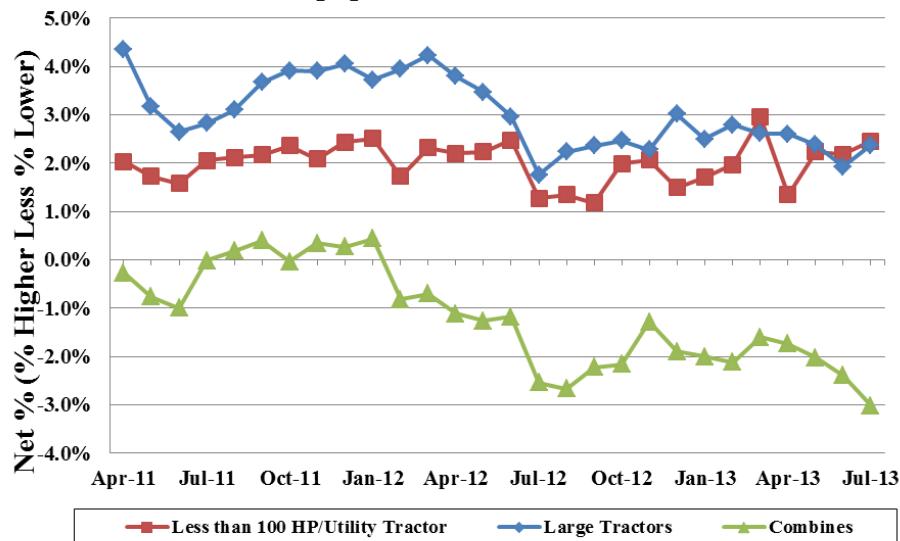




# Used Equipment Pricing

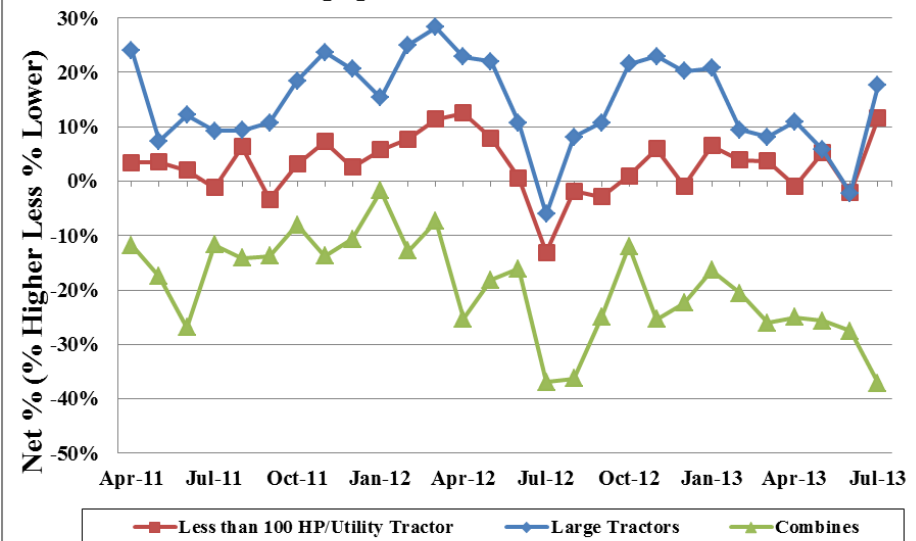
- By category, used prices for tractors over 100HP are up 2.4% year-over-year on average, up from 1.9% reported last month. Prices for used tractors under 100HP are up 2.5%, up from 2.2% the prior month. Used combine values are down -3%, down from -2.4% last month.
- Relative to last month, a net 12% of dealers report higher values for under 100HP/utility tractors. For over 100HP tractors, a net 18% of dealers report higher values vs. last month. Finally, a net 37% 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

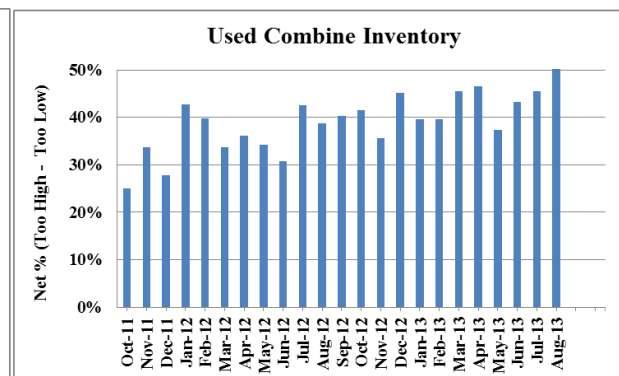
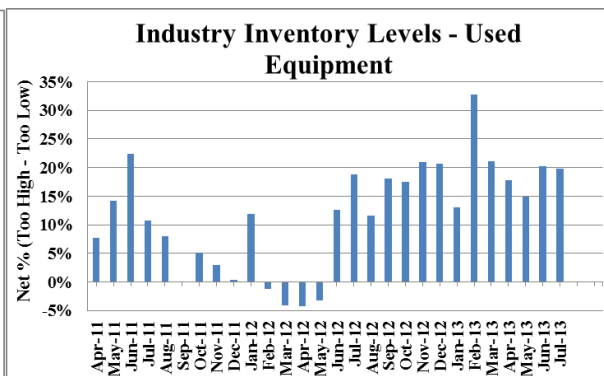
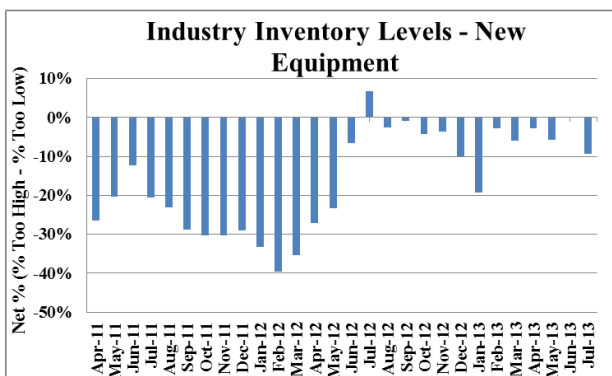
- A net 9% of dealers categorize their new inventory as “too low” (19% too high; 52% about right; 29% too low), vs. 0% of dealers last month who categorized their new inventory as “too low”.

## Used Equipment Inventory

- Used equipment inventory remains high as a net 20% of dealers categorize their used inventory levels as “too high” (35% too high; 50% about right; 15% too low), stable compared last month.

## Used Combine Inventory

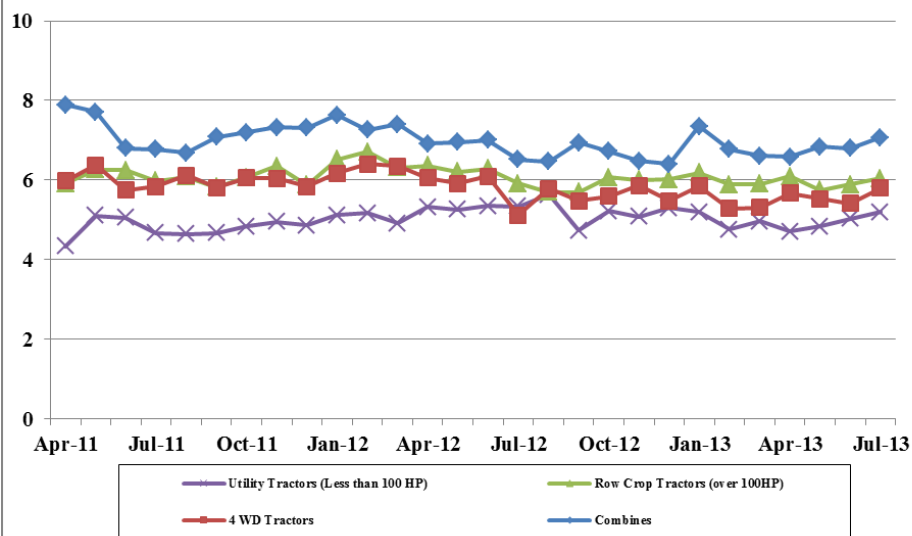
- Within the used equipment categories, a net 54% of dealers reported used combine inventory levels are “too high” (55% too high; 43% about right; 2% too low). This is the highest net percentage of dealers reporting high used combine inventory since we started tracking this data point in October of 2011. This is the key driver behind Deere’s decision to limit new combine production in 2014.



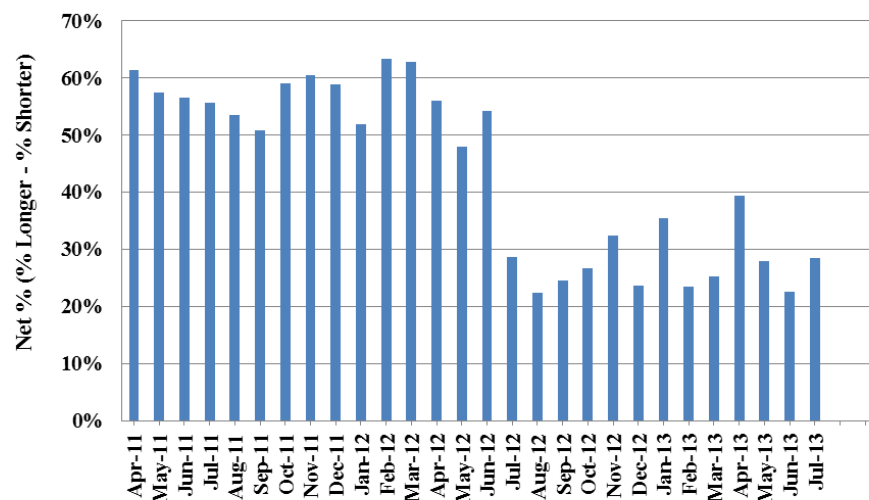
# Equipment Availability

- Overall, a net 28% of dealers report longer factory lead-times compared to last month (37% longer; 55% same; 8% shorter), up from a net 23% last month.
- Lead times for all categories were reported as longer this month. On average combine lead times are 7.1 months; 4WD are 5.8 months; row crop tractor lead times are 6.0 months; and smaller tractors (<100 HP) lead times are 5.2 months.

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



**Lead Times - Versus Prior Month**



# Dealer Commentary on Used Inventory Levels

- *Tillage units and grain carts are moving pretty slow.*
- *Combines and high HP 4WD's are a growing problem.*
- *Row Crop tractors are starting to become an issue and the haven't been in the last 5-8 years.*
- *Used combines are the biggest issue on the used side.*
- *Cotton harvest equipment is out of sink with production.*
- *We see the market in the west coming down .*
- *Used combine inventories are too high.*
- *Some locations too many used combines*
- *Tremendous year for SSL's, Lots of used on hand!*
- *Older units not selling, customers want later model used.*
- *Used combines are a huge issue*
- *The combine inventory is too high.*
- *The roll over program has created a glut of late model machines and an even larger number of the mid range price combines with low market demand.*

# Dealer Commentary on Biggest Surprise in the Month

- *The amount of rain we received was the biggest surprise.*
- *It is amazing how fast we can go from flooding to drought conditions.*
- *Customers taking big equipment on the outlook of big corn harvest, dependent on getting the crop out - no hurricanes!*
- *Commodity prices sliding off sort of, but we all knew that was coming sometime.*
- *Still a lot of interest in equipment, even with commodity prices going down.*
- *Sales have stayed positive for last quarter.*
- *We are getting plenty of rain causing the grass to grow longer and the crops are looking really good. Some are talking about above average yields this year. There are some spots where the spring rains drowned out crops but those are limited. Some well timed rain for the soybeans to pod and make the kernels larger is all we can hope for now.*
- *It is still dry.*
- *Rain - we received above normal rainfall and that was a surprise.*
- *Very green - bumper crop possibly*
- *The hay, tool and lawn and garden markets are extremely good.*
- *Increased buyers in dealership.*
- *Increase in tractor & implement sales to poultry growers.*
- *Not too many headaches with quality or inventory*
- *Late planting has slowed planning for next year. The early order program has seen slow bookings due to the late season this year.*
- *The drop in commodity prices is the biggest surprise.*
- *Weather is still an issue - way too much rain.*
- *Class 7 used combines are weak but class 5 used combines are hot.*

# NA Farm Equipment Industry Retail Sales and Inventory

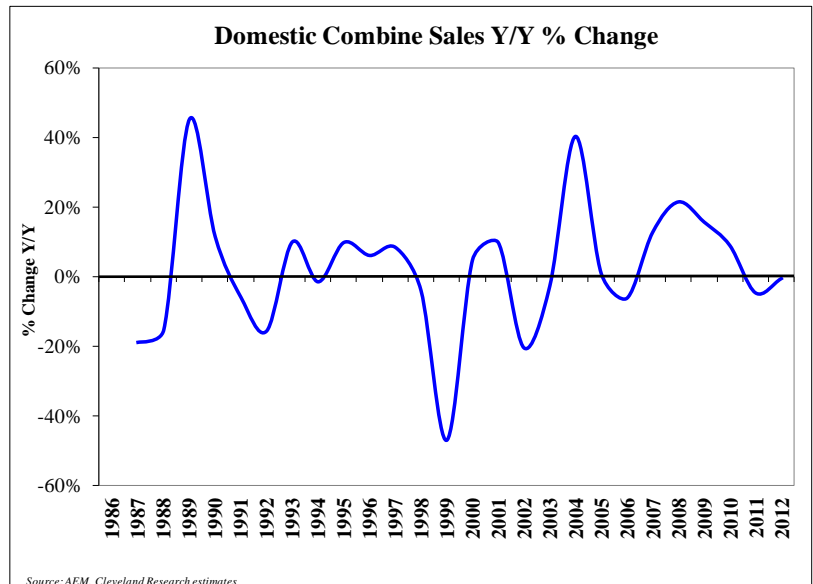
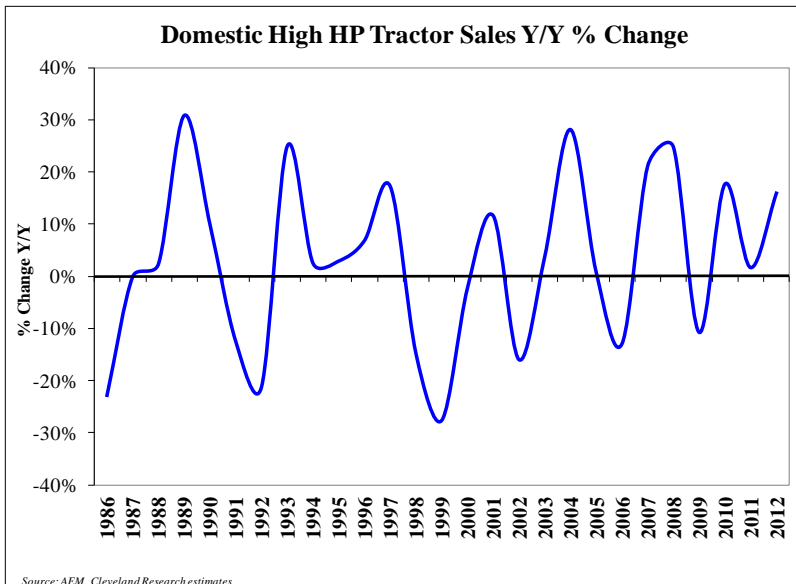
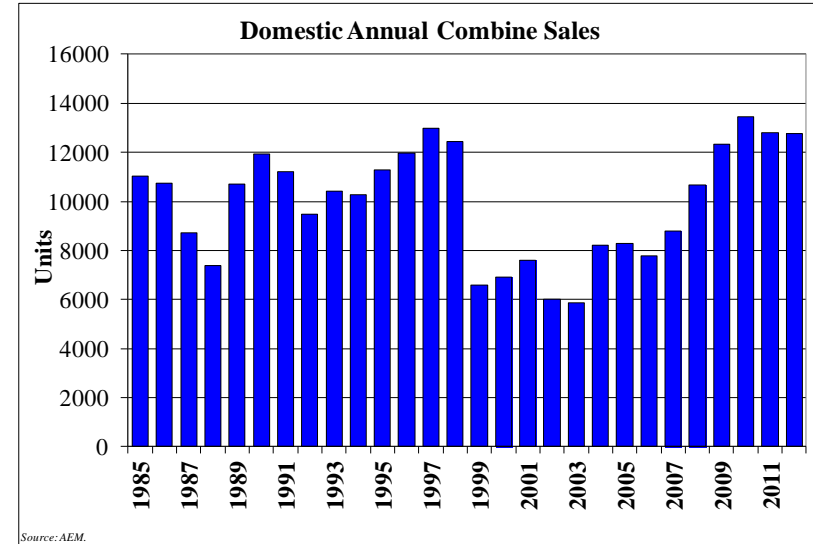
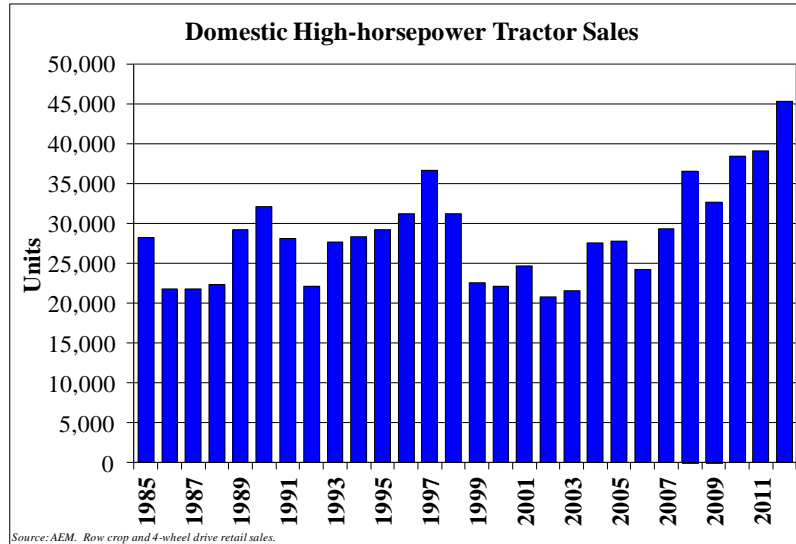
## NORTH AMERICAN FARM EQUIPMENT RETAIL SALES

	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>
Jul-11	7,687	4,717	2,074	457	14,935	2,531	1,185	(11%)	(8%)	9%	5%	(7%)	9%	(25%)
Aug-11	7,336	4,186	2,131	434	14,087	2,565	1,516	3%	2%	13%	5%	4%	12%	(5%)
Sep-11	7,903	4,562	2,727	699	15,891	3,426	1,443	4%	5%	3%	7%	5%	4%	(17%)
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	4,925	3,400	2,259	481	11,065	2,740	742	(1%)	1%	14%	22%	3%	15%	5%
Dec-11	7,256	6,080	3,667	658	17,661	4,325	1,099	9%	8%	6%	(13%)	7%	3%	(28%)
Jan-12	3,899	3,698	2,335	359	10,291	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	8,589	4,559	2,703	743	16,594	3,446	718	(3%)	(8%)	(4%)	19%	(4%)	0%	(26%)
Apr-12	13,365	6,016	3,369	887	23,637	4,256	705	17%	11%	1%	0%	12%	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%
Aug-12	8,153	4,516	2,497	588	15,754	3,085	1,497	11%	8%	17%	35%	12%	20%	(1%)
Sep-12	7,975	4,541	3,141	778	16,435	3,919	1,764	1%	(0%)	15%	11%	3%	14%	22%
Oct-12	9,885	6,908	5,660	1,499	23,952	7,159	2,321	25%	16%	33%	33%	25%	33%	39%
Nov-12	5,158	4,005	2,492	632	12,287	3,124	722	5%	18%	10%	31%	11%	14%	(3%)
Dec-12	8,239	6,333	4,350	902	19,824	5,252	1,137	14%	4%	19%	37%	12%	21%	3%
Jan-13	4,723	4,114	2,956	677	12,470	3,633	616	21%	11%	27%	89%	21%	35%	17%
Feb-13	5,102	3,734	2,588	669	12,093	3,257	622	17%	5%	26%	37%	16%	29%	69%
Mar-13	8,311	4,941	3,464	706	17,422	4,170	1,199	-3%	8%	28%	-5%	5%	21%	67%
Apr-13	13,883	5,652	4,269	855	24,659	5,124	1,149	4%	-6%	27%	-4%	4%	20%	63%
May-13	17,193	6,326	3,406	556	27,481	3,962	887	27%	6%	17%	-9%	19%	12%	28%
Jun-13	13,449	6,363	3,272	541	23,625	3,813	1,123	8%	4%	27%	8%	9%	24%	18%
Jul-13	10,725	5,563	3,177	492	19,957	3,669	1,123	24%	15%	15%	-11%	19%	11%	-17%

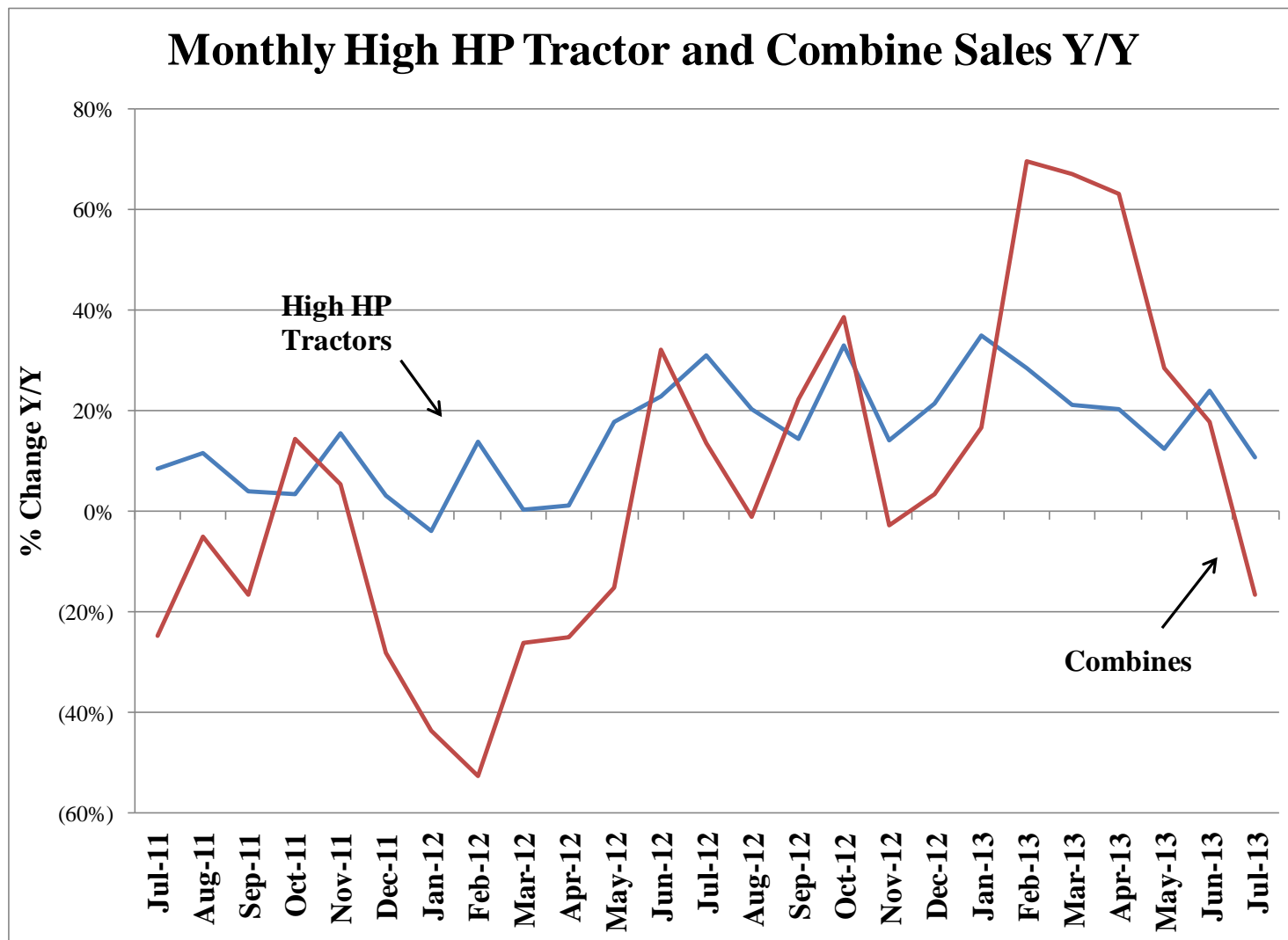
## NORTH AMERICAN FARM EQUIPMENT INVENTORY

	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>
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%	27%	20%
Jun-12	62,380	27,773	9,395	1,665	101,213	11,060	2,476	63%	47%	28%	22%	51%	27%	21%
Jul-12	61,495	28,135	10,351	1,950	101,931	12,301	2,791	61%	48%	31%	26%	51%	30%	24%
Aug-12	61,108	28,892	11,307	2,248	103,555	13,555	3,008	60%	49%	33%	29%	51%	32%	26%
Sep-12	62,319	29,587	11,580	2,398	105,884	13,978	2,870	62%	50%	34%	31%	52%	33%	24%
Oct-12	61,918	29,266	10,573	1,931	103,688	12,504	1,662	60%	49%	29%	24%	50%	28%	13%
Nov-12	65,873	29,835	11,232	2,079	109,019	13,311	1,520	64%	49%	31%	25%	52%	30%	12%
Dec-12	67,319	29,137	10,335	1,753	108,544	12,088	1,409	65%	48%	28%	21%	51%	27%	11%
Jan-13	69,290	30,182	10,399	1,803	111,674	12,202	1,659	66%	49%	28%	20%	52%	26%	13%
Feb-13	72,473	30,842	11,375	1,850	116,540	13,225	2,186	68%	50%	30%	20%	54%	28%	17%
Mar-13	72,499	30,869	11,700	1,931	116,999	13,631	2,518	69%	50%	30%	21%	54%	29%	19%
Apr-13	70,567	30,512	12,507	1,883	115,469	14,390	2,577	66%	49%	32%	21%	53%	30%	18%
May-13	65,268	30,400	13,202	2,068	110,938	15,270	2,866	59%	49%	33%	23%	50%	31%	20%
Jun-13	62,097	29,271	13,330	2,068	106,766	15,398	2,866	56%	47%	33%	23%	48%	31%	20%

# Annual Ag Equipment Industry Sales – 1985-2012



# NA Ag Equipment Sales

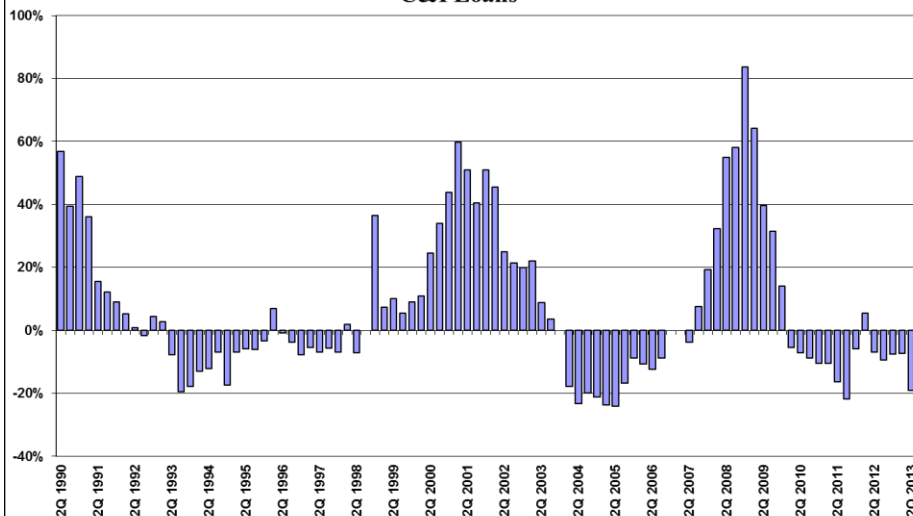




# Credit – C&I Loan Demand Declines as Lending Standards Loosen

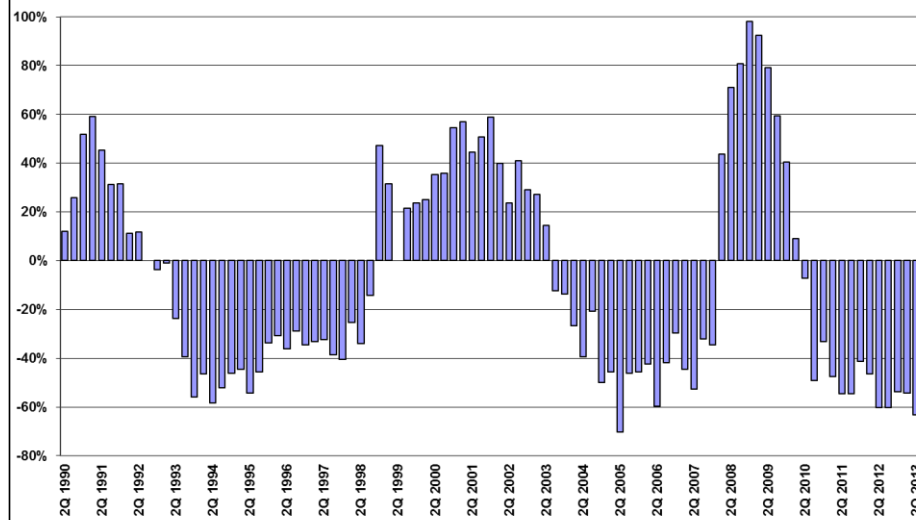
- The 2Q13 Senior Loan Officer survey saw a further loosening of loan standards. A net 19% of loan officers reported easier credit standards in 4Q12 compared with a net 7% in 1Q.
- Bank rate spreads contracted again in 2Q13 with a net 63% of loan officers reporting lower lending spreads, up from a net 54% in 1Q.
- Demand for commercial and industrial loans decelerated in 2Q as a net 6% of loan officers reported stronger demand for commercial and industrial loans, down from the net 19% of loan officers reporting stronger demand for loans in 1Q.

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



Source: Federal Reserve Board

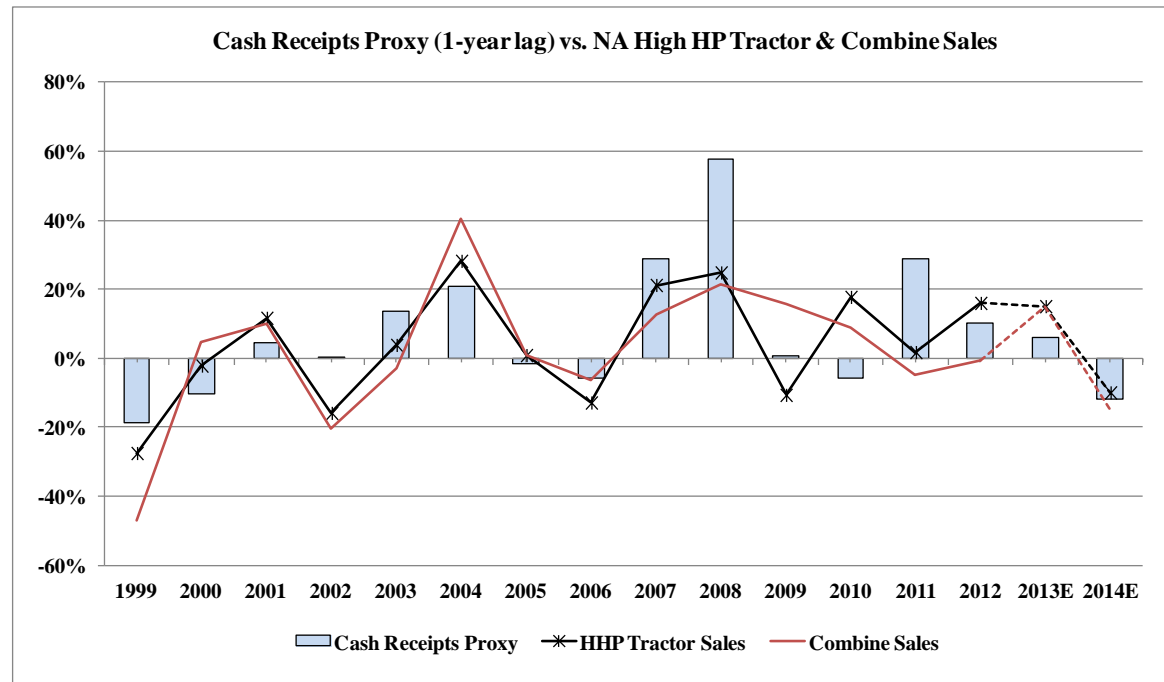
Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds



Source: Federal Reserve Board

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

**The USDA's Updated crop supply and demand forecast for the 2013/14 crop year points to a (12%) decline in our simplified cash receipts proxy, roughly inline with our July forecast.** The chart below depicts N. American high HP tractor and combine sales on a one year lag vs. our simplified farm cash receipts proxy as illustrated using the three most important crops – corn, soybeans, and wheat. The updated August USDA cash receipts outlook for 2013 is up slightly on a total dollar basis, but remains at a (12%) decline, similar to last month. If historical trends hold, this would imply that 2014 could be a challenging year for equipment demand vs. 2013, as the correlation between equipment sales and cash receipts has provided a good proxy for future equipment demand.



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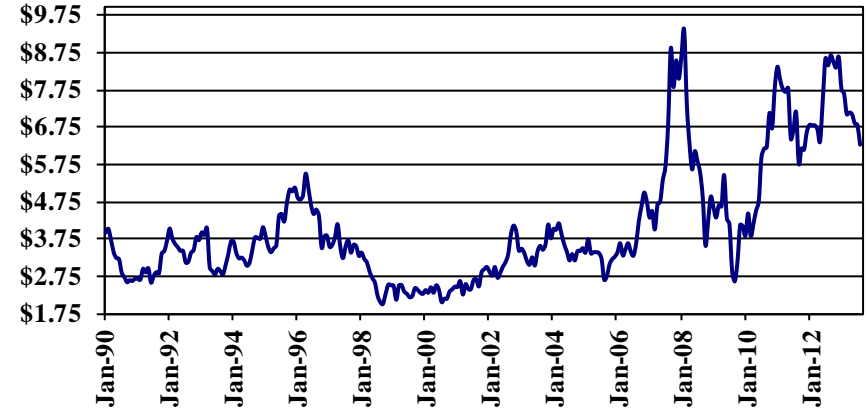
\*Note: Cash receipts estimated as USDA production X USDA average price forecast

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

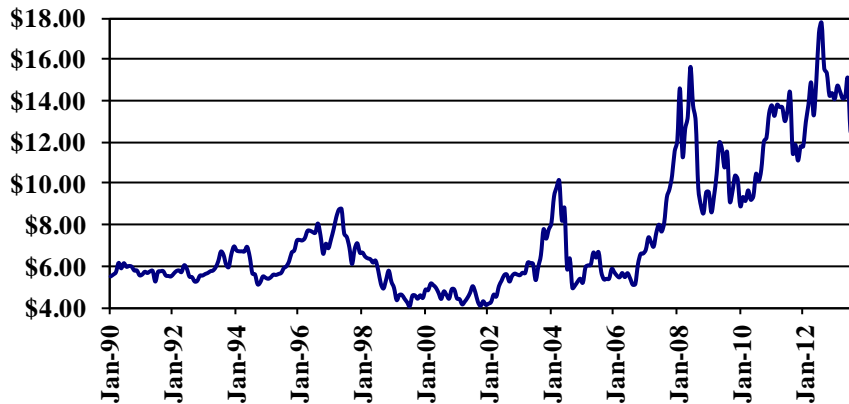
## Corn Price Trends



## Wheat Price Trends



## Soybean Price Trends



## Cotton Price Trends



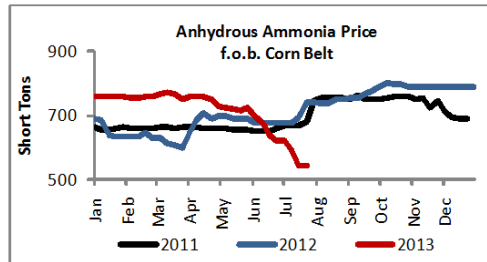
# Commodity Trends – Long Run Supply and Demand Projections

<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>
2007/08	13,074	10,338	3,026	2,436	12,774	1,624	12.7%	\$4.20
2008/09	12,101	10,207	3,677	1,858	12,065	1,674	13.9%	\$4.06
2009/10	13,110	11,097	4,568	1,987	13,084	1,708	13.1%	\$3.55
2010/11	12,540	11,480	4,800	1,950	13,430	827	6.2%	\$5.20
2011/12	13,755	11,465	4,875	2,000	13,465	1,127	8.4%	\$4.80
2012/13	13,840	11,620	4,925	2,025	13,645	1,332	9.8%	\$4.30
2013/14	13,925	11,780	4,975	2,050	13,830	1,437	10.4%	\$4.10
2014/15	14,010	11,935	5,025	2,075	14,010	1,447	10.3%	\$4.10
2015/16	14,180	12,095	5,075	2,100	14,195	1,442	10.2%	\$4.10
2015/17	14,345	12,305	5,175	2,150	14,455	1,342	9.3%	\$4.15
2017/18	14,600	12,490	5,300	2,200	14,690	1,262	8.6%	\$4.20
2018/19	14,855	12,650	5,400	2,250	14,900	1,227	8.2%	\$4.25
2019/20	15,110	12,805	5,475	2,300	15,105	1,242	8.2%	\$4.25
2020/21	15,280	12,940	5,525	2,350	15,290	1,242	8.1%	\$4.25
<b>10-yr Avg</b>	<b>14,390</b>	<b>12,209</b>	<b>5,175</b>	<b>2,150</b>	<b>14,359</b>	<b>1,310</b>	<b>9.1%</b>	<b>\$4.25</b>

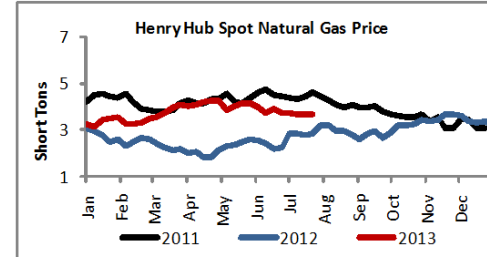
<b>SOYBEANS - DOMESTIC</b>							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2007/08	2,676	1,893	1,161	3,054	205	6.7%	\$10.10
2008/09	2,967	1,763	1,283	3,046	138	4.5%	\$9.97
2009/10	3,359	1,860	1,501	3,361	151	4.5%	\$9.59
2010/11	3,375	1,782	1,570	3,352	185	5.5%	\$11.45
2011/12	3,355	1,785	1,575	3,360	190	5.7%	\$11.20
2012/13	3,395	1,795	1,605	3,400	195	5.7%	\$10.55
2013/14	3,445	1,821	1,635	3,456	194	5.6%	\$10.25
2014/15	3,505	1,842	1,670	3,512	197	5.6%	\$10.20
2015/16	3,540	1,863	1,685	3,548	199	5.6%	\$10.25
2015/17	3,590	1,898	1,705	3,603	196	5.4%	\$10.25
2017/18	3,625	1,919	1,715	3,634	197	5.4%	\$10.30
2018/19	3,660	1,939	1,730	3,669	198	5.4%	\$10.30
2019/20	3,695	1,959	1,745	3,704	199	5.4%	\$10.35
2020/21	3,735	1,980	1,765	3,745	200	5.3%	\$10.35
<b>10-yr Avg</b>	<b>3,555</b>	<b>1,880</b>	<b>1,683</b>	<b>3,563</b>	<b>197</b>	<b>5.5%</b>	<b>\$10.40</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>
2007/08	2,067	1,066	1,264	2,330	306	13.1%	\$6.48
2008/09	2,499	1,260	1,015	2,275	657	28.9%	\$6.78
2009/10	2,218	1,137	881	2,018	976	48.4%	\$4.87
2010/11	2,208	1,196	1,250	2,446	848	34.7%	\$5.50
2011/12	2,125	1,215	1,150	2,365	718	30.4%	\$6.50
2012/13	2,085	1,207	1,000	2,207	706	32.0%	\$5.90
2013/14	2,045	1,215	900	2,115	746	35.3%	\$5.55
2014/15	2,020	1,222	900	2,122	759	35.8%	\$5.45
2015/16	2,000	1,231	900	2,131	743	34.9%	\$5.45
2015/17	1,995	1,240	900	2,140	718	33.6%	\$5.50
2017/18	2,005	1,249	900	2,149	694	32.3%	\$5.50
2018/19	2,020	1,257	900	2,157	682	31.6%	\$5.55
2019/20	2,020	1,266	900	2,166	661	30.5%	\$5.55
2020/21	2,030	1,275	900	2,175	646	29.7%	\$5.60
<b>10-yr Avg</b>	<b>2,035</b>	<b>1,238</b>	<b>935</b>	<b>2,173</b>	<b>707</b>	<b>57.1%</b>	<b>\$5.66</b>

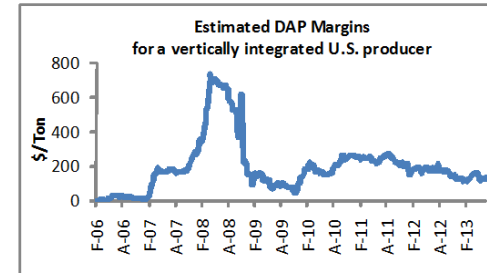
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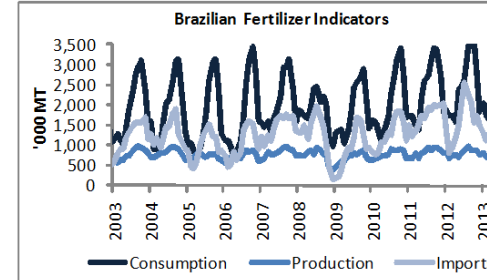
Source: Green Market Fertilizer



Source: Green Market Fertilizer

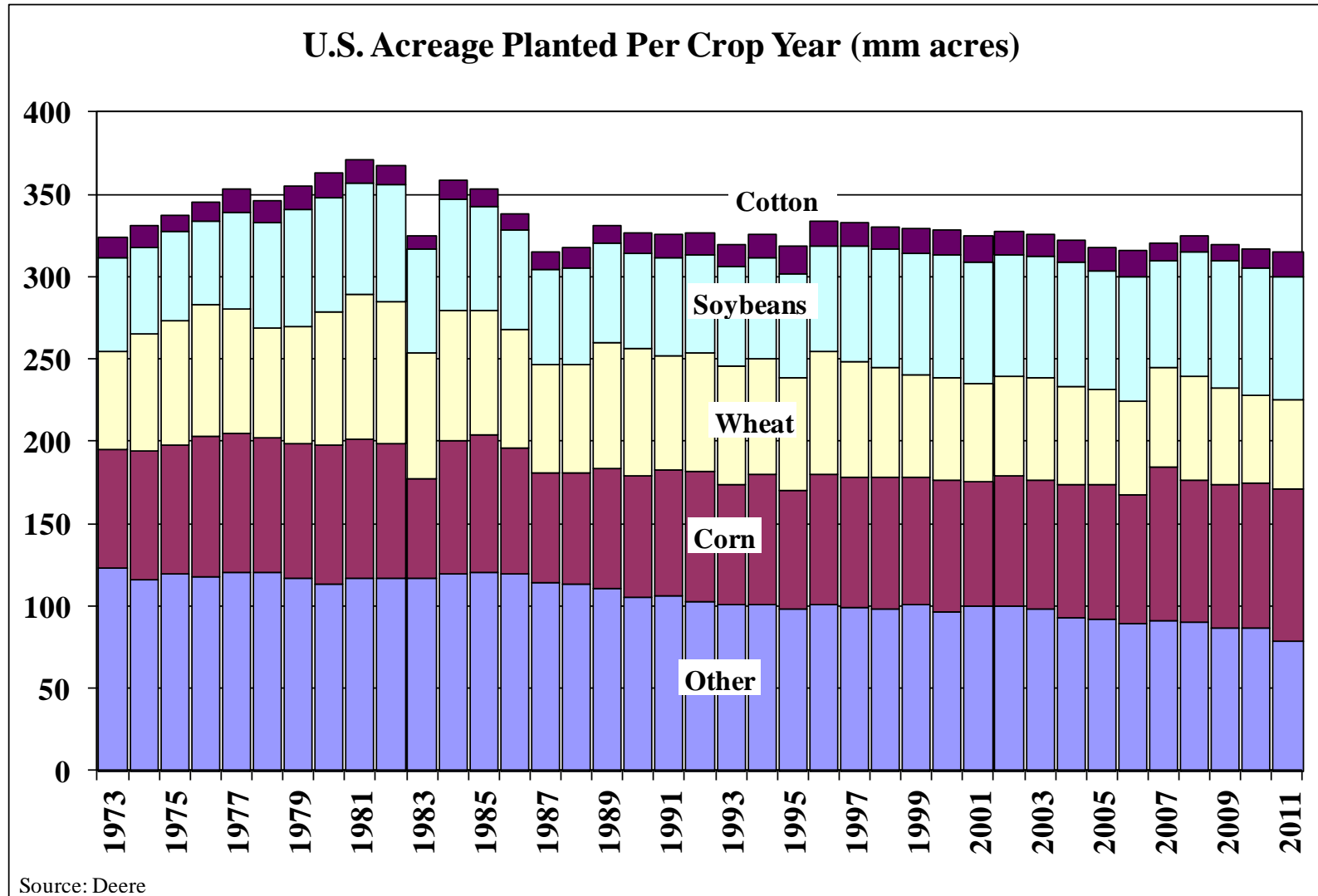


Source: Green Market Fertilizer



Source: ANDA

# U.S. Acreage Planted Per Crop Year



# US Farm Financial Data

U.S. Farm Financial Data (dollars in billions)												
Year	Crop Receipts	Crop Receipts % Change	Livestock Receipts	Government Payments	Total Receipts	Net Farm Cash Income	Farm Capital Expenditures	Expnd. To Receipts	Total Assets	Value of Farm Real Estate	Debt to Asset Ratio	
1976	49	7%	46	0.7	96	29	15	16	591	457	15.9	
1977	49	-1%	48	1.8	98	27	17	17	652	509	16.6	
1978	53	9%	59	3.0	115	33	20	17	778	602	15.9	
1979	62	17%	69	1.4	133	33	21	16	915	706	16.1	
1980	72	15%	68	1.3	141	33	20	14	1000	783	16.2	
1981	72	1%	69	1.9	144	32	18	13	998	786	17.8	
1982	72	0%	70	3.5	146	37	15	10	962	750	19.1	
1983	67	-7%	70	9.3	146	37	14	9	959	753	19.4	
1984	70	4%	73	8.4	151	36	14	9	898	662	21.0	
1985	74	6%	70	7.7	152	46	10	7	776	586	22.2	
1986	64	-14%	72	11.8	147	46	9	6	722	542	21.0	
1987	66	3%	76	16.7	159	53	12	8	756	564	18.3	
1988	72	9%	80	14.5	166	54	13	8	789	582	16.9	
1989	77	7%	84	10.9	171	54	14	8	814	600	16.1	
1990	80	4%	89	9.3	179	54	16	9	841	619	15.6	
1991	82	3%	86	8.2	176	51	14	8	844	625	15.6	
1992	86	4%	86	9.2	181	57	14	8	868	641	15.2	
1993	88	2%	91	13.4	192	61	15	8	909	678	14.8	
1994	93	6%	88	7.9	189	54	15	8	935	704	14.9	
1995	101	8%	87	7.3	196	54	14	7	966	740	14.8	
1996	106	5%	93	7.3	207	61	17	8	1003	770	14.8	
1997	111	5%	96	7.5	215	61	18	8	1051	808	14.9	
1998	102	-8%	94	12.4	209	58	20	9	1083	840	15.2	
1999	92	-10%	96	21.5	209	58	21	10	1139	887	14.7	
2000	93	0%	100	23.2	215	57	22	10	1203	946	13.6	
2001	93	1%	107	22.4	222	62	21	9	1256	996	13.6	
2002	101	8%	94	12.4	207	51	23	11	1260	999	14.1	
2003	110	10%	106	16.5	233	72	23	10	1383	1112	11.9	
2004	114	4%	123	13.0	251	84	27	11	1588	1305	11.5	
2005	116	1%	125	24.4	265	87	26	10	1779	1487	11.0	
2006	122	5%	118	15.8	256	68	23	9	1924	1626	10.6	
2007	150	23%	138	11.9	301	77	27	9	2055	1751	10.4	
2008	175	17%	142	12.2	329	89	32	10	2023	1703	11.9	
2009	168	-4%	120	12.2	301	74	27	9	2054	1724	11.8	
2010	173	3%	141	12.4	327	92	27	8	2191	1854	11.3	
2011F	197	14%	166	10.6	374	109	N/A	N/A	2340	1987	10.5	

Source: USDA, CRC estimates