

# ***Ag Equipment Intelligence***

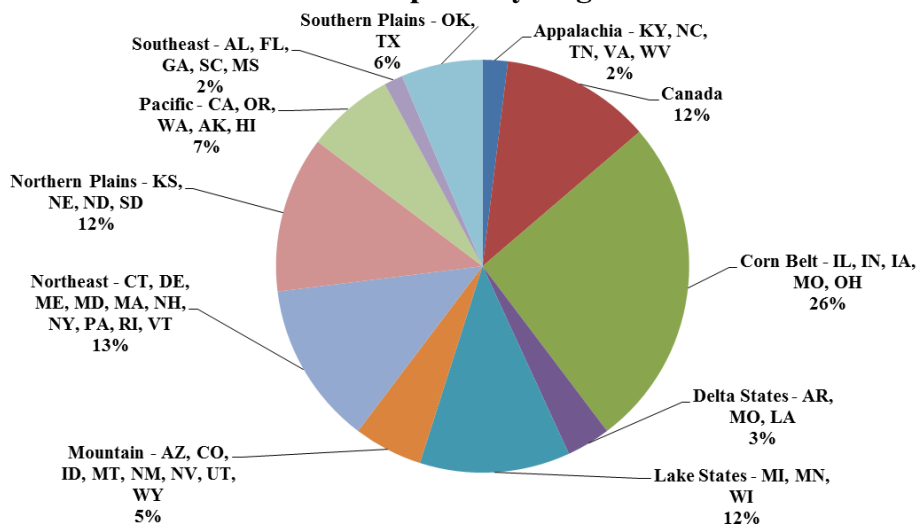
July 2013 Dealer Sentiments & Business  
Conditions Update

# Monthly Ag Equipment Intelligence North American Dealer Survey

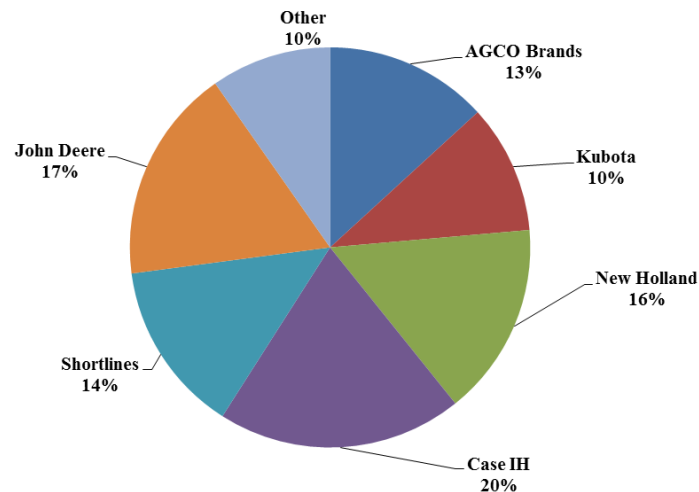
## **Background:**

- We are pleased to announce the results of the July 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 July survey had ~128 respondents representing combined annual revenues of roughly \$5.3 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 5% in June**– Ag equipment dealers reported year-over-year sales grew 5% on average in June, down from 6% the prior month. Kubota saw the highest growth at 10%, while AGCO was the weakest with sales up 1%.
- **2013 Dealer Outlook Decreased to 3%** – For 2013, dealers are forecasting 3% sales growth. This is down from 5% last month. Kubota dealers are the most optimistic, while the Case IH dealers hold the weakest outlook.
- **Used Combine Inventory** - Within the used equipment categories, a net 45% of dealers reported used combine inventory levels are “too high” (48% too high; 48% about right; 3% too low). This is only the fourth time used combine inventory reached levels this high since the start of this survey.

# Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales grew 5% on average in June, down from 6% the prior month.
- Kubota saw the highest growth at 10%, while AGCO was the weakest with sales up 1%.
- A net 4% of participants categorized June results as “worse-than-expected” (19% better-than-expected; 58% in-line with expectations; 23% worse-than-expected), compared to 3% “better-than-expected” the prior month.

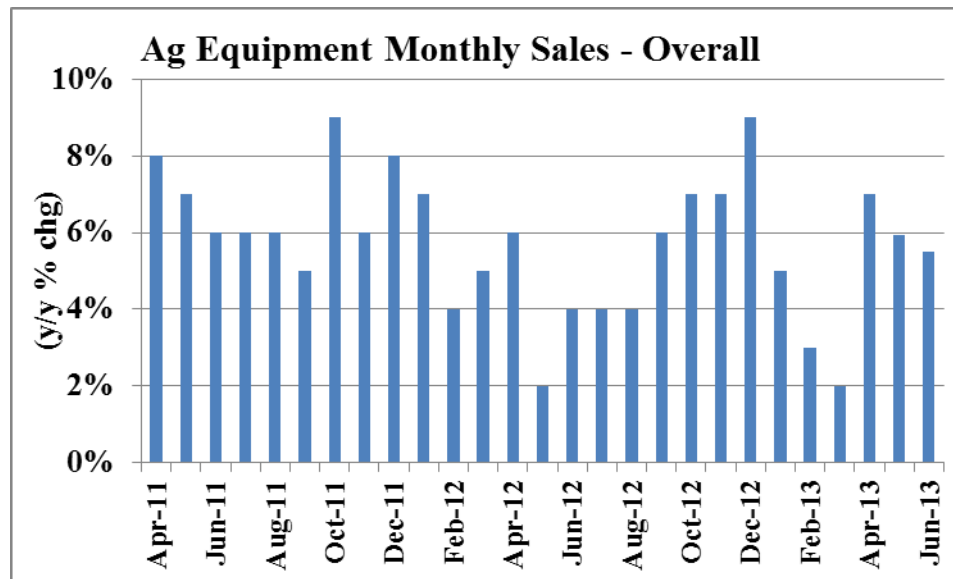
Optimism/Sentiment vs. Last Month

	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	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
More Optimistic	25%	31%	32%	30%	25%	36%	33%	30%	38%	29%	25%	22%	15%	14%	18%	28%	31%	27%	28%	28%	34%	34%	21%	27%	27%	26%
Same	54%	44%	49%	55%	58%	55%	55%	54%	53%	57%	59%	62%	61%	49%	44%	54%	54%	54%	52%	55%	51%	50%	54%	58%	52%	50%
Less Optimistic	21%	25%	20%	15%	17%	9%	12%	16%	10%	14%	17%	17%	24%	37%	38%	18%	15%	20%	20%	18%	15%	16%	26%	15%	21%	24%
Net % (More-1	3%	6%	12%	15%	8%	26%	21%	14%	29%	15%	8%	5%	-9%	-23%	-19%	10%	15%	7%	8%	10%	19%	18%	-5%	13%	6%	2%

Average Dealer Sales Growth

(% chg y/y)	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	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Overall	7%	6%	6%	6%	5%	9%	6%	8%	7%	4%	5%	6%	2%	4%	4%	4%	6%	7%	7%	9%	5%	3%	2%	7%	6%	5%
By Brand	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	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
AGCO	13%	11%	9%	14%	12%	12%	10%	12%	6%	1%	2%	5%	2%	5%	1%	0%	4%	3%	7%	13%	-2%	0%	5%	5%	1%	1%
John Deere	8%	7%	5%	5%	4%	10%	5%	5%	6%	4%	6%	9%	4%	9%	9%	7%	10%	10%	7%	9%	6%	4%	1%	9%	9%	6%
New Holland	4%	5%	7%	6%	7%	7%	6%	12%	5%	-2%	4%	3%	1%	0%	2%	-1%	5%	0%	6%	6%	3%	1%	4%	5%	5%	7%
Case IH	4%	3%	8%	7%	7%	8%	8%	11%	10%	4%	6%	3%	-2%	1%	1%	2%	3%	7%	8%	5%	7%	4%	3%	6%	-1%	5%
Kubota	5%	7%	12%	7%	6%	7%	9%	10%	10%	4%	6%	5%	1%	6%	-3%	3%	-1%	3%	-2%	8%	4%	3%	6%	13%	-2%	10%
Shortlines	-13%	3%	5%	6%	2%	6%	2%	7%	2%	0%	2%	3%	6%	6%	6%	3%	5%	7%	5%	3%	1%	-2%	4%	3%	5%	4%
Other	n/a	n/a	2%	-3%	7%	6%	3%	11%	2%	-8%	2%	3%	1%	-1%	-3%	5%	0%	1%	3%	4%	6%	-3%	NA	5%	7%	3%

# Monthly Sales Growth Continued



## Percent Positive / Negative Growth

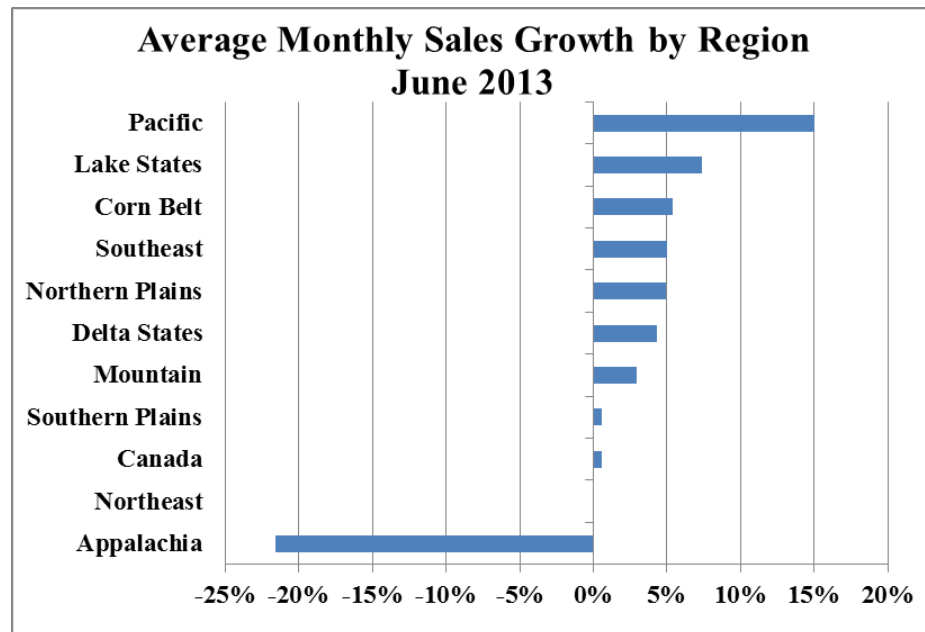
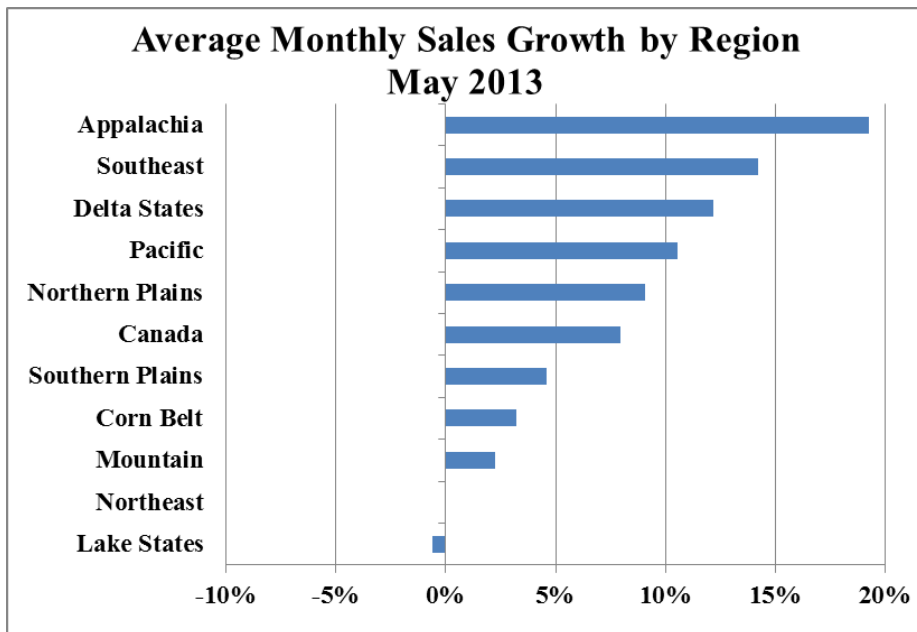
	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Positive Sales C	60%	56%	66%	67%	61%	65%	65%	76%	57%	49%	60%	67%	55%	53%	49%	59%	58%	61%	70%	69%	48%	44%	51%	60%	58%	52%
Flat Sales	14%	23%	15%	16%	23%	20%	22%	11%	29%	30%	22%	19%	16%	26%	16%	15%	21%	17%	12%	14%	28%	35%	30%	20%	19%	21%
Negative Sales C	25%	21%	18%	18%	16%	15%	13%	13%	14%	20%	18%	14%	29%	21%	34%	27%	21%	22%	18%	17%	24%	21%	19%	20%	23%	27%
Net % (Positive)	35%	35%	48%	49%	45%	50%	52%	63%	42%	29%	42%	52%	25%	31%	15%	32%	37%	39%	52%	52%	25%	23%	32%	40%	35%	25%

## Results vs. Expectations

	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	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Better than expected	26%	27%	27%	30%	29%	35%	32%	41%	28%	19%	20%	24%	22%	23%	21%	30%	25%	26%	35%	38%	23%	18%	27%	25%	23%	19%
In line with expected	44%	48%	54%	52%	56%	48%	54%	47%	56%	54%	66%	63%	52%	51%	44%	41%	56%	54%	48%	49%	59%	60%	55%	52%	57%	58%
Worse than expected	30%	25%	19%	18%	15%	17%	13%	12%	16%	26%	14%	14%	25%	26%	35%	29%	19%	20%	17%	13%	18%	22%	18%	24%	20%	23%
Net % (Better)	-4%	1%	8%	13%	14%	18%	19%	29%	12%	-7%	7%	10%	-3%	-3%	-14%	1%	6%	5%	18%	25%	5%	-4%	9%	1%	3%	-4%

# Monthly Sales Growth by Region

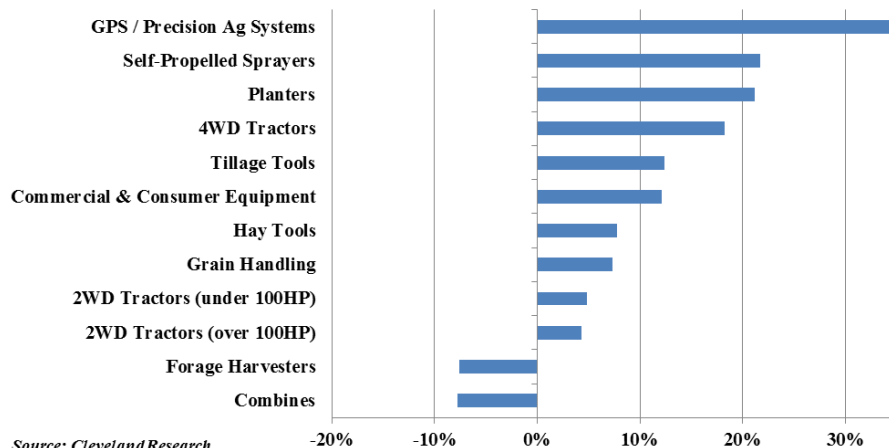
- Nine out of eleven regions showed positive average monthly sales growth in June with Appalachia being the only region showing negative growth (-22%) after showing the best performance last month (19%).
- On a sequential basis, the Lake States saw the most significant acceleration (8%), while Appalachia saw the most significant deceleration (-41%). 7 out of eleven regions showed flat or decelerated growth in May.



# Equipment Category Sales Trends

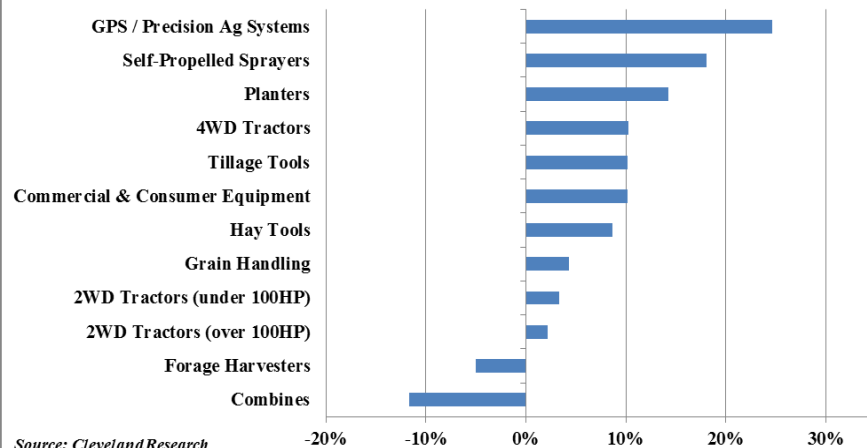
- Ten out of twelve product categories ranked in positive territory in June, flat from last month. GPS/precision ag systems was the best performing category for the seventh straight month (25%), while combines was the weakest category (-12%).
- On a sequential basis, forest harvesters saw the most significant improvement, while 4WD tractors saw the sharpest sequential decline.

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



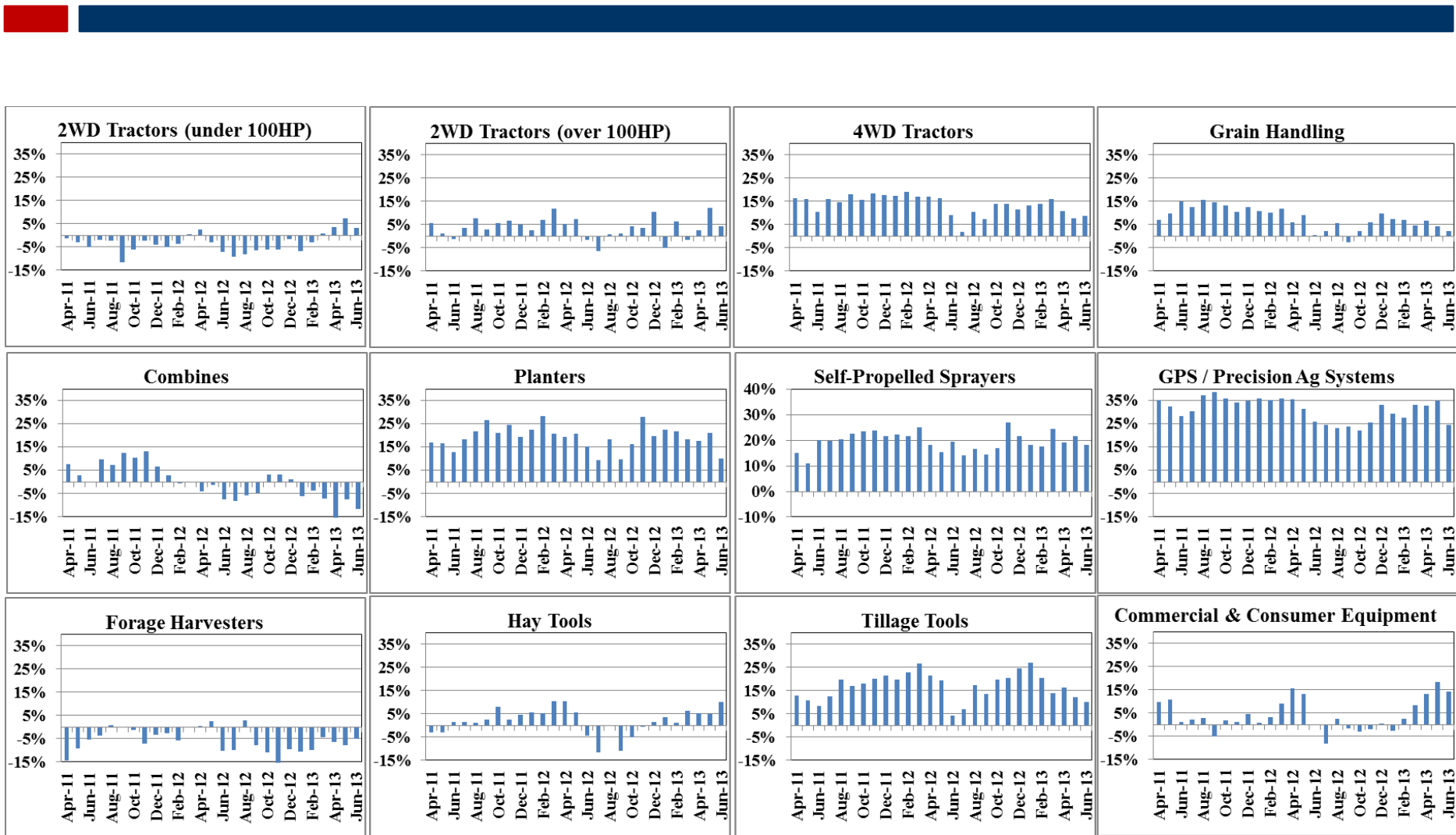
Source: ClevelandResearch

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



Source: ClevelandResearch

# Equipment Category Sales Trends





# Dealer Commentary on Monthly Sales and Outlook

- *Too much rain hurt sales for us this month.*
- *Poor spring had a negative impact.*
- *Very wet spring season delayed planting and damaged crops already emerging.*
- *More wells being drilled on farmers land is becoming more of a problem in our area.*
- *John Deere is still a powerhouse when it comes to market share. It seems as though their customers are thoroughly brainwashed.*
- *Lost sales because of consolidation of dealers by manufacturer*
- *Availability of equipment.*
- *John Deere has really put a great commercial mower in our hands and has helped us increase our market share*
- *Brand awareness is getting better for Mahindra.*
- *Competition and price are cutting fire sales*
- *John Deere is really going after Kubota in the < 100 hp tractor market*
- *It is still taking too long to get new equipment*
- *I'm less optimistic. The USDA is calling for lower farm income in 2014*
- *Commodity markets remain flat even with the crop uncertainties.*
- *More calls and visits to the dealership have me more optimistic.*
- *We've had problems with planting because it has been too wet. Livestock prices have and continue to take their toll.*
- *After a great month in May, it seems like just has just fell off*
- *I'm less optimistic because of weather....too wet to plant all spring.*
- *I am more optimistic because we finally got some rain*
- *Excess amount of rain hurt sales.*
- *Corn prices look like they will be down in the future and a lot of farmers have pulled ahead their purchases the last two years rather than pay taxes*
- *Simply put, my outlook is cautious on the expectation that commodity prices will be lower. Due to late spring in our area, I am concerned about yield and thus in farmers buying.*

# Order Growth

## Overall Orders

- Incoming were flat (0%) on average in June, down from 2% in May.
- John Deere saw the highest orders growth at 2%, while Case IH saw orders decline 2%.

## New Combine Order Intentions

- A net 20% of dealers believe they will order less combines compared to last year vs. 14% believing they would order less combines last month.

Average Orders Growth

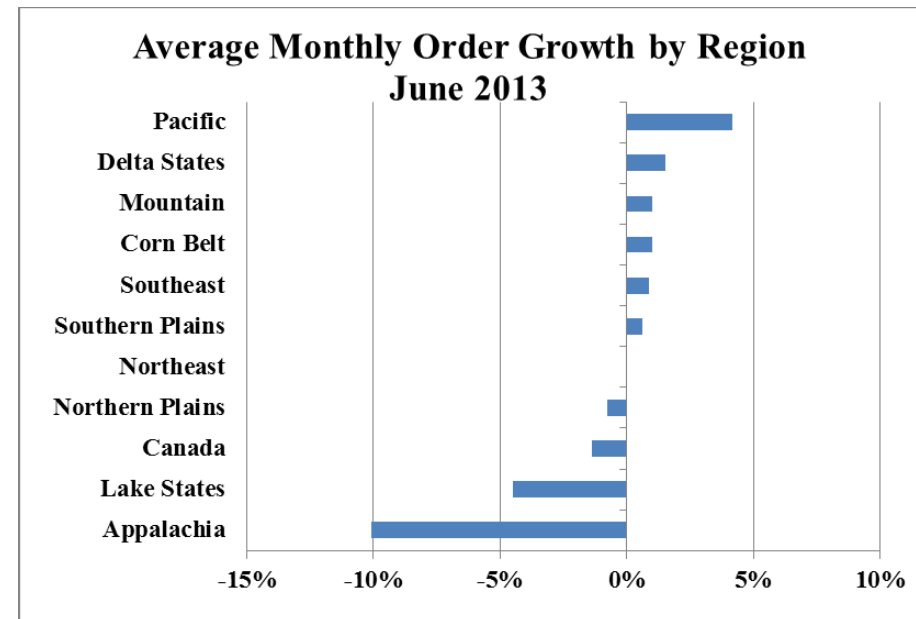
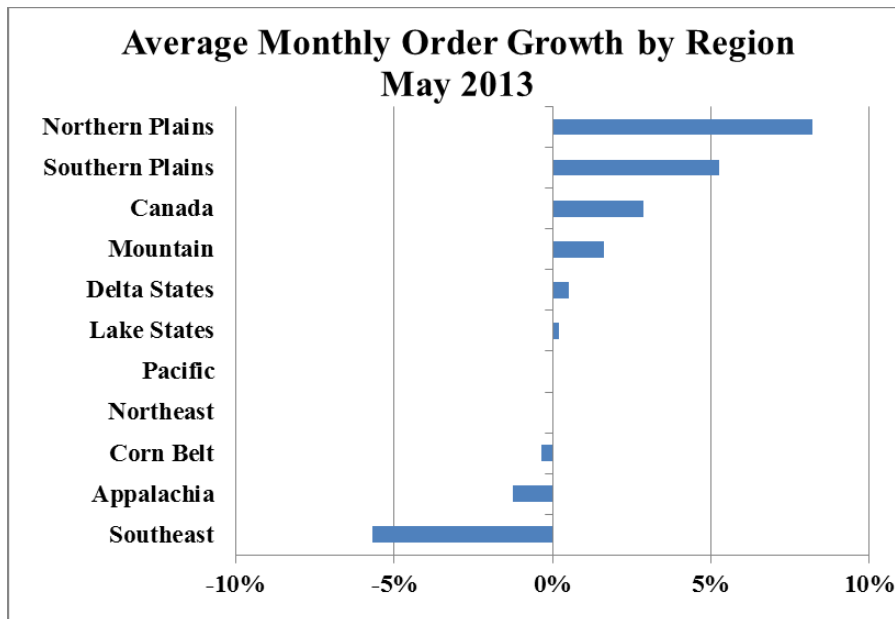
(% chg y/y)	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
Overall	3%	3%	5%	4%	4%	4%	4%	4%	5%	4%	2%	4%	2%	1%	1%	3%	2%	4%	2%	4%	3%	3%	1%	2%	2%	0%
By Brand	May-11	Jun-11	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	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
AGCO	8%	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%
John Deere	2%	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%
New Holland	2%	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%
Case IH	3%	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%
Kubota	1%	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%
Shortlines	-3%	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%
Other	n/a	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%

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
More	22%	20%	21%	20%	11%	14%	15%	14%	9%	10%	7%	6%	11%	6%	15%	21%	20%	20%	18%	16%	24%	9%	9%
Same	47%	48%	48%	53%	60%	61%	63%	63%	64%	54%	69%	55%	58%	68%	52%	52%	54%	59%	55%	60%	60%	68%	62%
Less	31%	32%	31%	27%	29%	25%	22%	24%	27%	37%	24%	39%	31%	26%	32%	28%	26%	21%	27%	23%	16%	23%	29%
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%

# Order Growth by Region

- Six out of eleven regions showed positive monthly orders growth in June, up from five the prior month. Pacific was the top-performing region (4%), while the Appalachia saw the sharpest decline (-10%).
- On a sequential basis, the Southeast showed the most significant improvement (7%), while the Northern Plains and Appalachia demonstrated the most significant slowdown in orders (-9%).



# 2013 Sales Outlook

- For 2013, dealers are forecasting 3% sales growth. This is down from 5% last month.
- Kubota dealers are the most optimistic, while the Case IH dealers hold the weakest outlook.

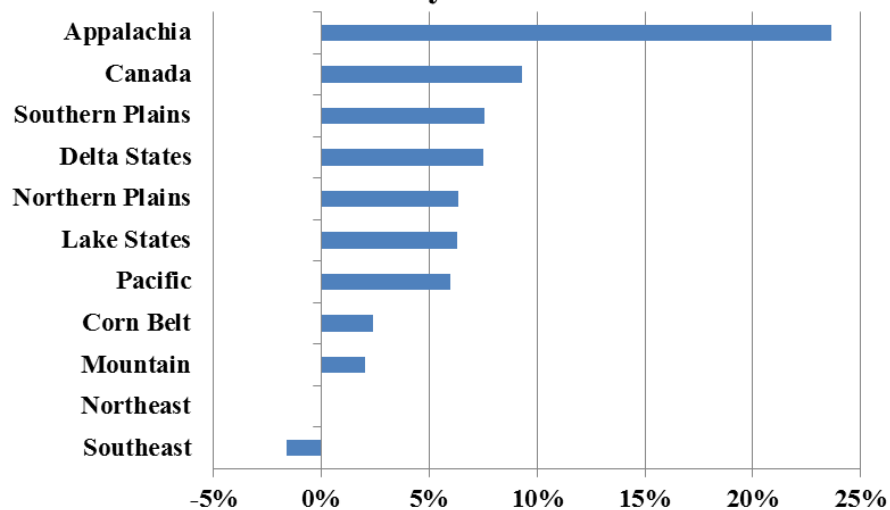
Dealer Outlook

(% 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
	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%
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
AGCO	9%	8%	9%	8%	4%	6%	7%	3%	8%	7%	6%	2%	3%	4%	4%	3%	3%	2%	2%	6%	6%	2%	3%
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%
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%
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%
Kubota	5%	7%	4%	4%	6%	4%	4%	3%	3%	4%	6%	-1%	4%	3%	2%	0%	0%	4%	4%	3%	7%	4%	8%
Shortlines	3%	2%	1%	2%	2%	2%	3%	6%	4%	7%	5%	2%	3%	5%	0%	2%	0%	4%	4%	2%	3%	3%	2%
Other	3%	4%	6%	4%	7%	5%	3%	4%	3%	5%	-2%	2%	4%	3%	3%	-2%	2%	1%	5%	NA	1%	3%	1%

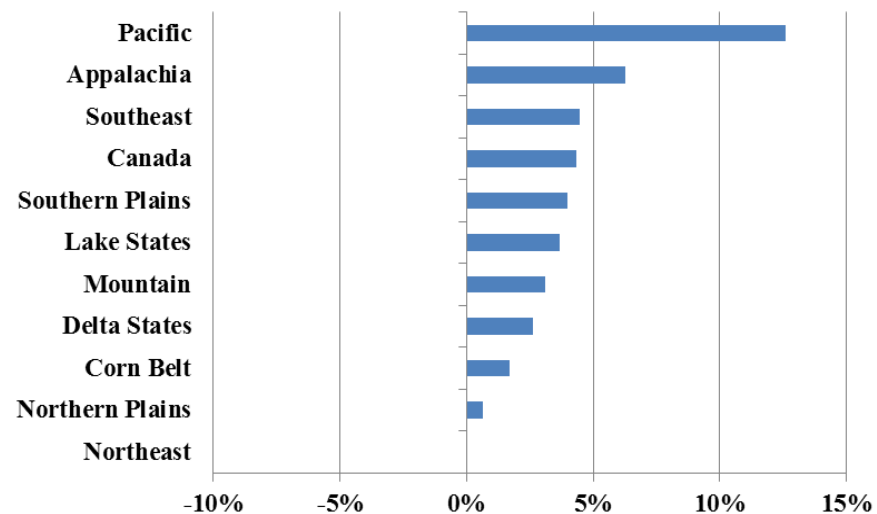
## 2013 Sales Outlook Continued

- Ten out of eleven regions are projecting a positive full year 2013 sales outlook in May, up from nine last month. Pacific is the most optimistic (13%), while the Northeast is the only region expecting sales to remain flat in 2013.

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

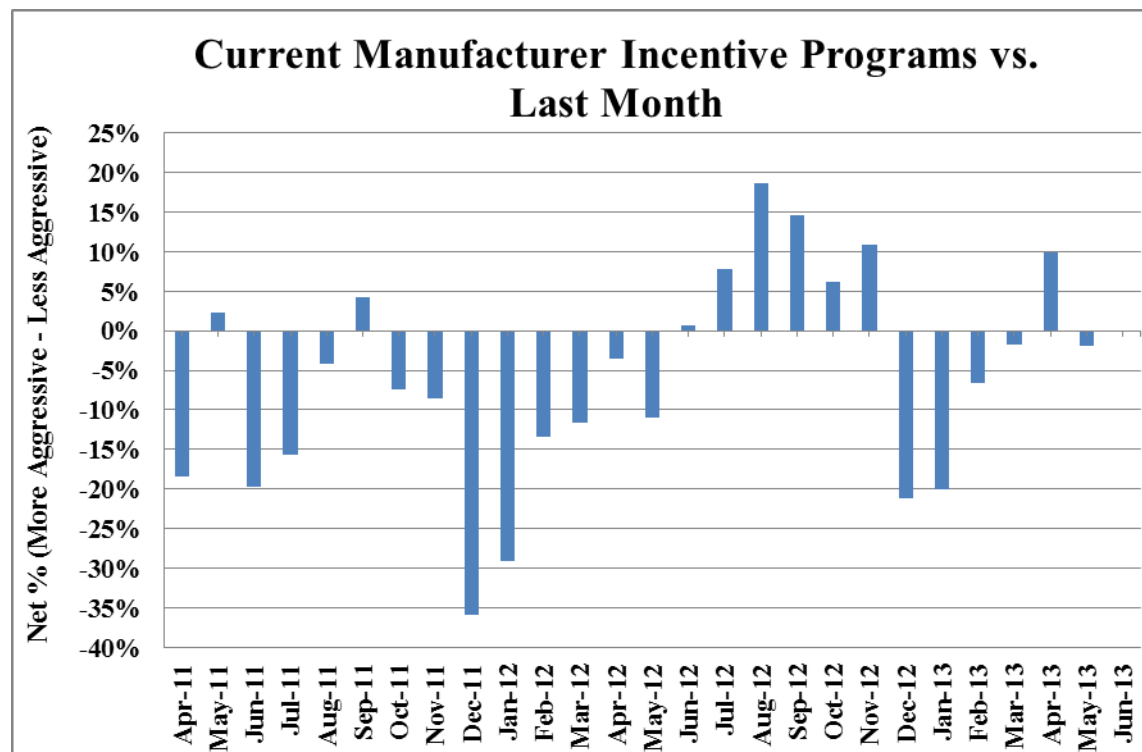


**Average Monthly Sales Outlook by Region  
June 2013**



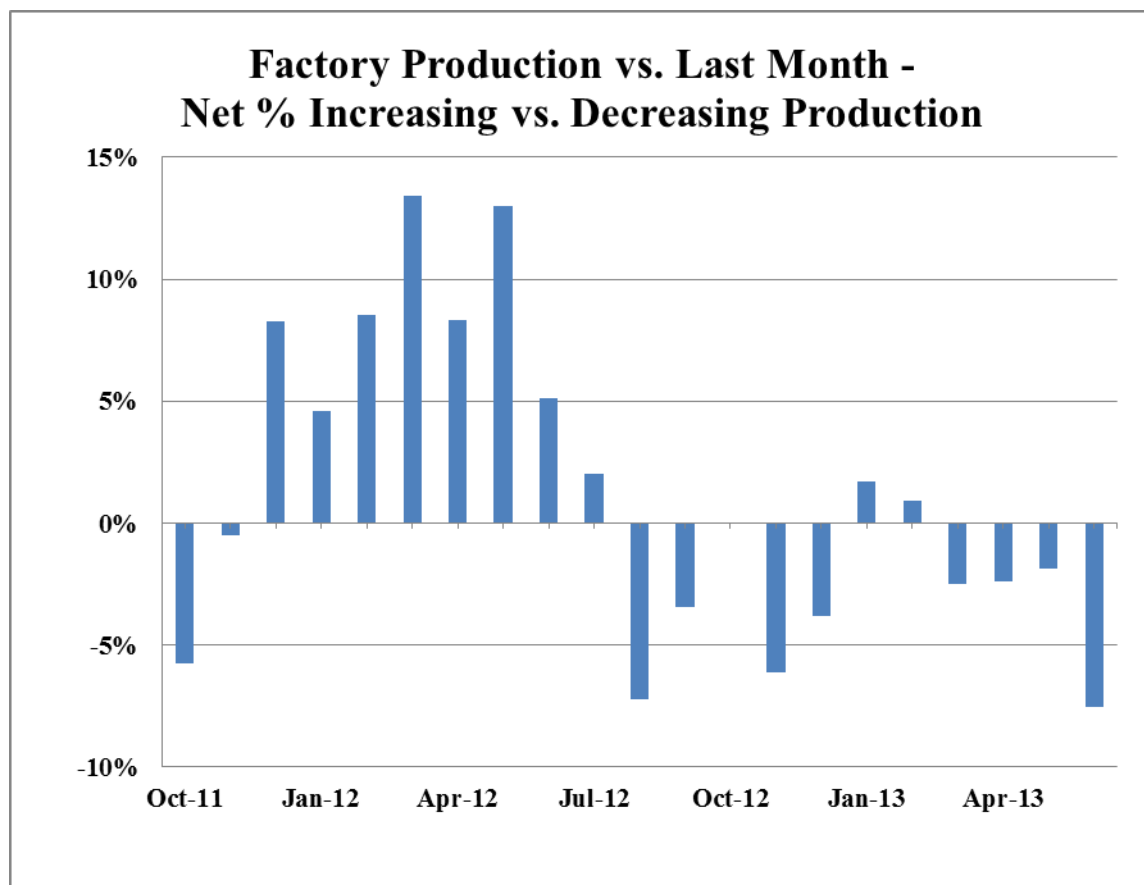
# Current Manufacturer Incentive Programs

- A net 0% of dealers report that manufacturers are more aggressive with incentives in June (15% more aggressive; 70% same; 15% less aggressive) compared to a net 2% who reported manufacturers were less aggressive in May.



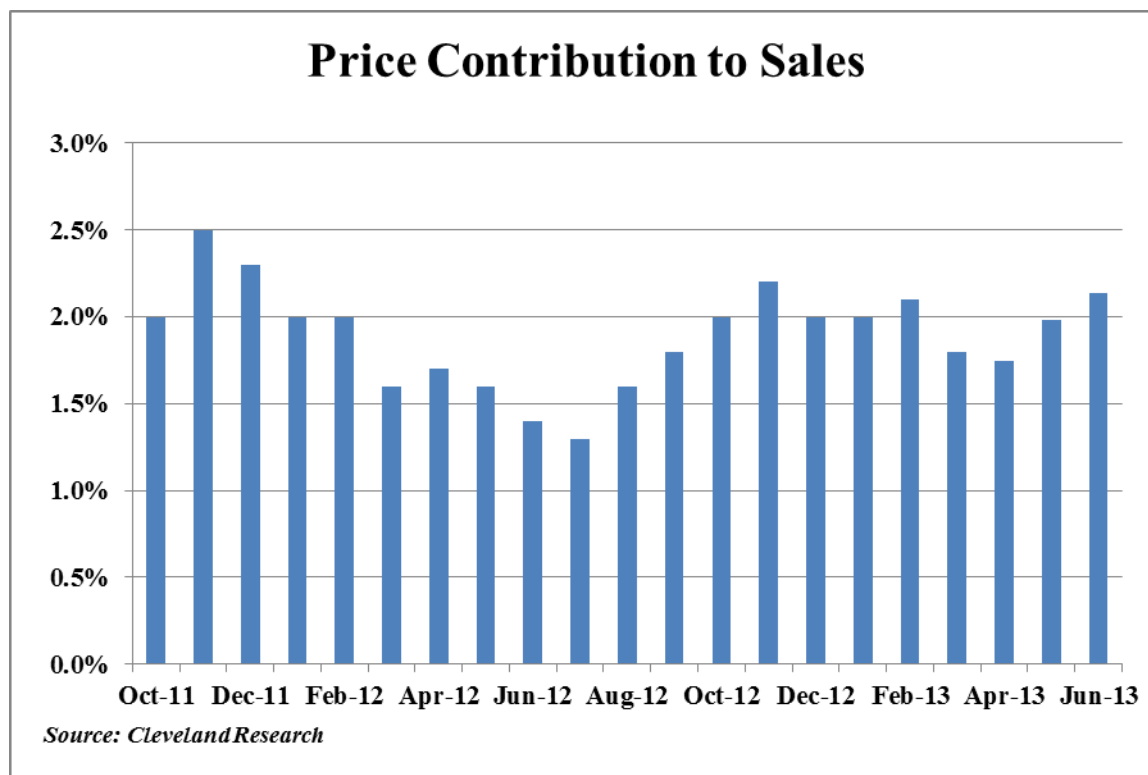
# Factory Production

- Dealers report that factory production was down compared to last month, reporting decreasing production levels of 8% (5% increasing production; 83% no change in production; 12% decreasing production).



# Pricing Trends

- Dealers report price contributed roughly ~2.1% to total June revenue, up slightly from 2% the prior month. We would expect this trend to move higher in the coming months as new Model Year price increase announcements are made.

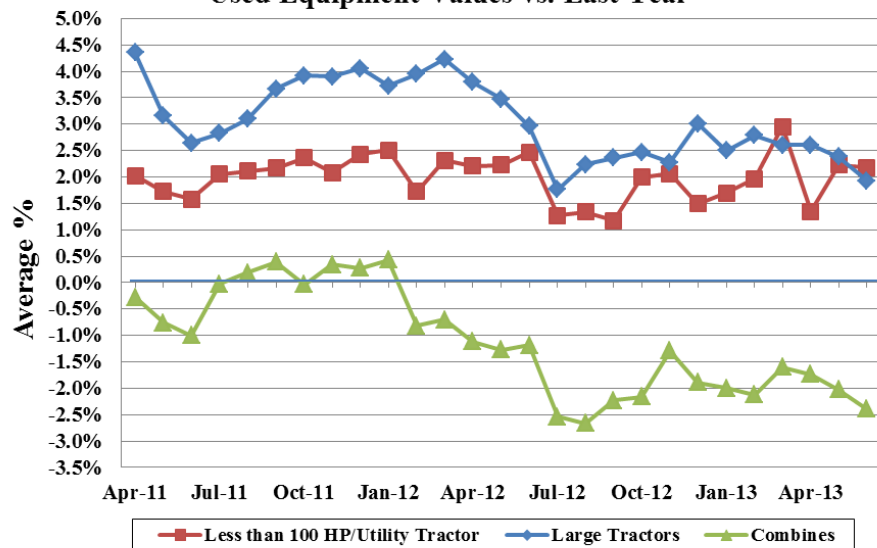




# Used Equipment Pricing

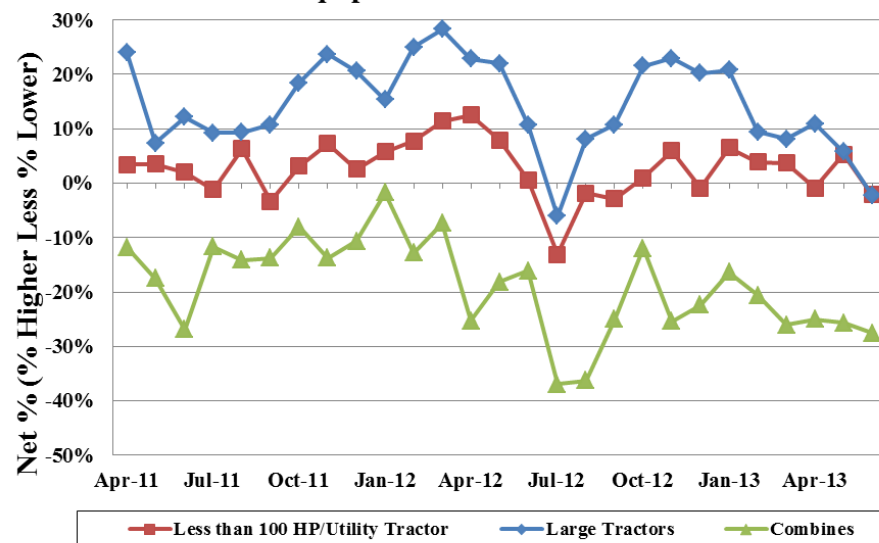
- By category, tractors over 100HP are up 1.9% year-over-year on average, down from 2.4% reported last month. Prices for used tractors under 100HP are up 2.2%, flat from the prior month. Used combine values are down -2.4%, down from down -2% last month.
- Relative to last month, a net 2% of dealers report lower values for under 100HP/utility tractors. For over 100HP tractors, a net 2% of dealers report lower values vs. last month. Finally, a net 28% 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

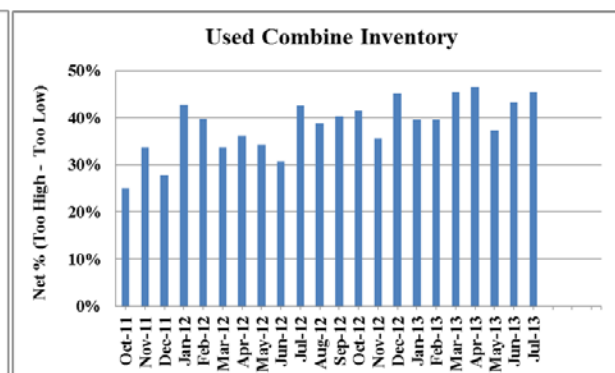
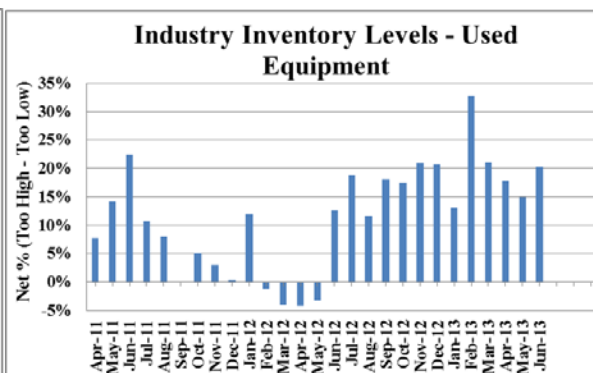
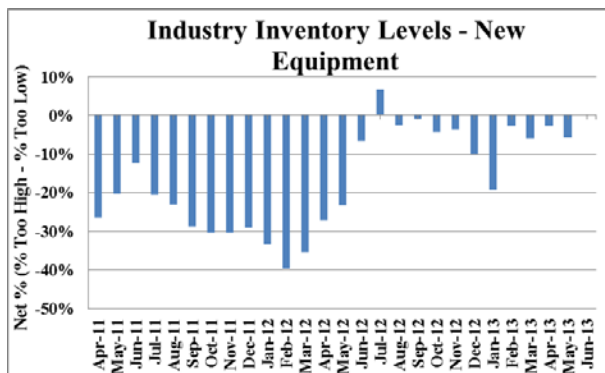
- A net 0% of dealers categorize their new inventory as “too high” (23% too high; 54% about right; 23% too low), vs. 6% of dealers last month who categorized their new inventory as “too low”.

## Used Equipment Inventory

- Used equipment inventory remains high as a net 20% of dealers categorize their used inventory levels as “too high” (34% too high; 52% about right; 14% too low), up from 15% last month.

## Used Combine Inventory

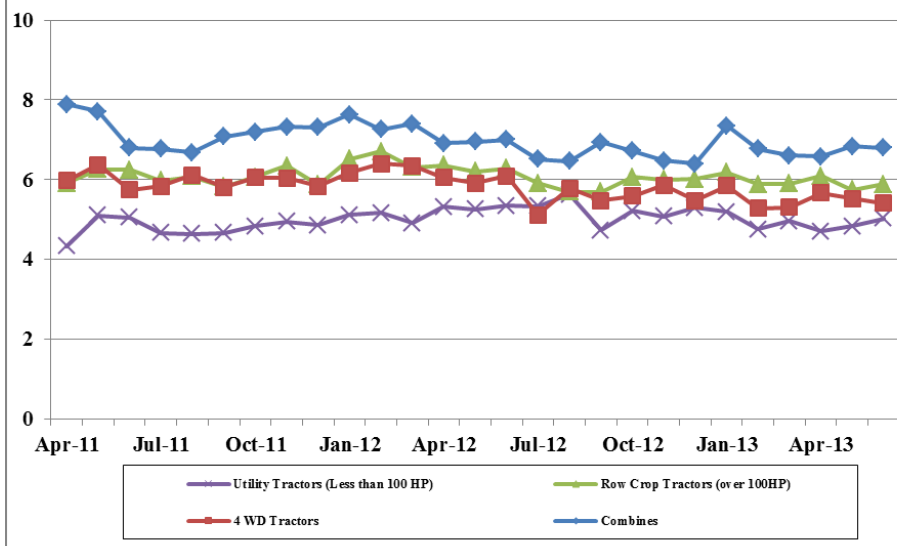
- Within the used equipment categories, a net 45% of dealers reported used combine inventory levels are “too high” (48% too high; 48% about right; 3% too low). This is the second highest net percentage of dealers reporting high used combine inventory since we started tracking this data point in October of 2011. This is the key driver behind Deere’s decision to limit new combine production in 2014.



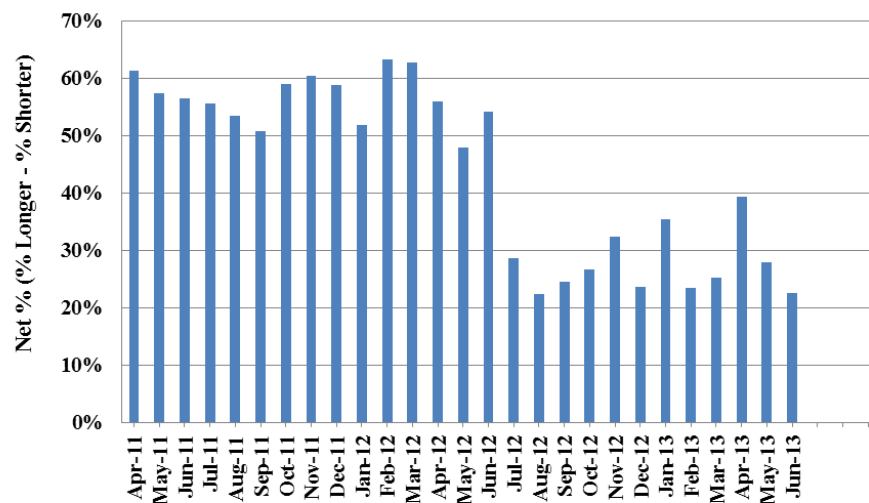
# Equipment Availability

- Overall, a net 23% of dealers report longer factory lead-times compared to last month (28% longer; 66% same; 6% shorter), down from a net 28% last month.
- Trends in lead times were mixed this month. On average combine lead times are 6.8 months; 4WD are 5.4 months; row crop tractor lead times are 5.9 months; and smaller tractors (<100 HP) lead times are 5.0 months.

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



**Lead Times - Versus Prior Month**



# Dealer Commentary on Used Inventory Levels

- *Used planters are dogs right now. Other local cih dealers are dumping used combines*
- *Late model used 24 row planters are not moving. There are too many units on hand for the demand.*
- *We're a little high on combines but low on planters and tractors*
- *Could use more used tractors*
- *We need to move some used combines and planters. Could use some 200 hp tractors.*
- *Still struggle with too many used combines*
- *Combines and 4wd tractor inventory is higher then I would like it to be*
- *Combine inventories are stagnant and under pricing pressure*
- *We have too much money tied up in inventory.*
- *Too many used SP Forage Harvesters*
- *Those buying want new and want to trade and the market is not there for used unless you can buy below book.*

# Dealer Commentary on Biggest Surprise in the Month

- The drop off in sales of new and used equipment. Customers very concerned w/economy and Obamacare costs on future finances and taking a loan now
- I was surprised by the amazing amount planted in two weeks!
- Strong consumer product due to the weather.
- Just that we were very busy.
- Increased interest in outside investments in agriculture
- Biggest surprise is the amount of rain you can get less than a year after a drought!!!
- Ag sales softer due to corn price moving lower. Consumer sales are still at 2010 levels for us.
- Flooding was a problem.
- How well the commercial mowing have been, the aggressive financing, and the ease of using green fleet
- Weather was the biggest surprise.
- Large number of calls on used hay equipment.
- A lot of pricing of planters but many are holding off until late in year.
- There was nothing too surprising except that our pre-sell planters are a month behind compared to last year. This is because of our late spring.
- Used equipment interest was stronger than I would have thought.
- We had more sales of new equipment than we were planning for.
- That our sales momentum stayed intact which was surprising.
- I thought there would be more hay buying but we got to July and started hearing about drought again.
- Used planter sales have been higher than what we thought.
- More interest in Anhydrous and Liquid Toolbars. A lot of interest in New Leader Beds.
- AGCO talking merger was surprising.
- Rain, Rain, Rain!
- Hay equipment business, moco's and balers, new and used, has been very fast paced

# NA Farm Equipment Industry Retail Sales and Inventory

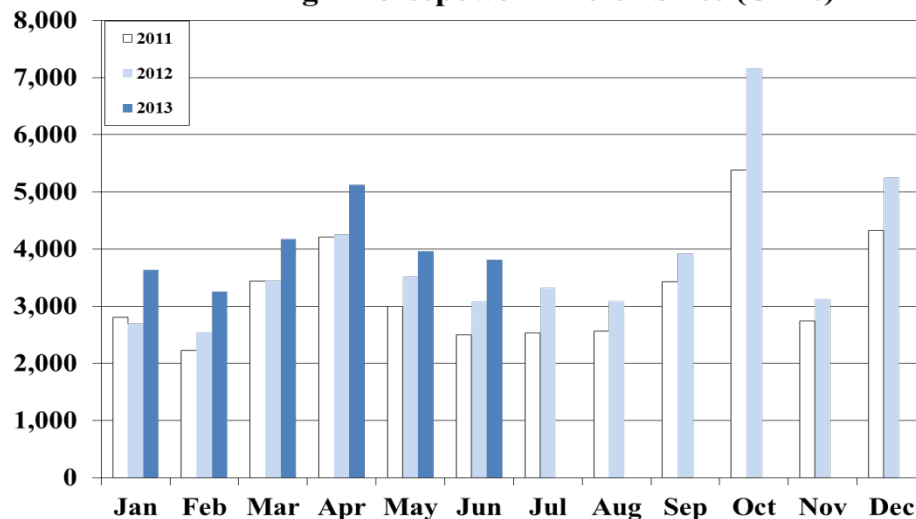
NORTH AMERICAN FARM EQUIPMENT RETAIL SALES														
	Units							% change year-over-year						
	≤ 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Memo: High hp	Combines	≤40HP	Util	RC	4-WD	Total	High hp	Comb
Jan-11	3,705	3,493	2,296	507	10,001	2,803	935	0%	10%	(12%)	55%	2%	(4%)	48%
Feb-11	4,448	3,074	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	7,336	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%

NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	≤ 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Memo: High hp	Combines	≤40HP	Util	RC	4-WD	Total	High HP	Comb
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%	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%

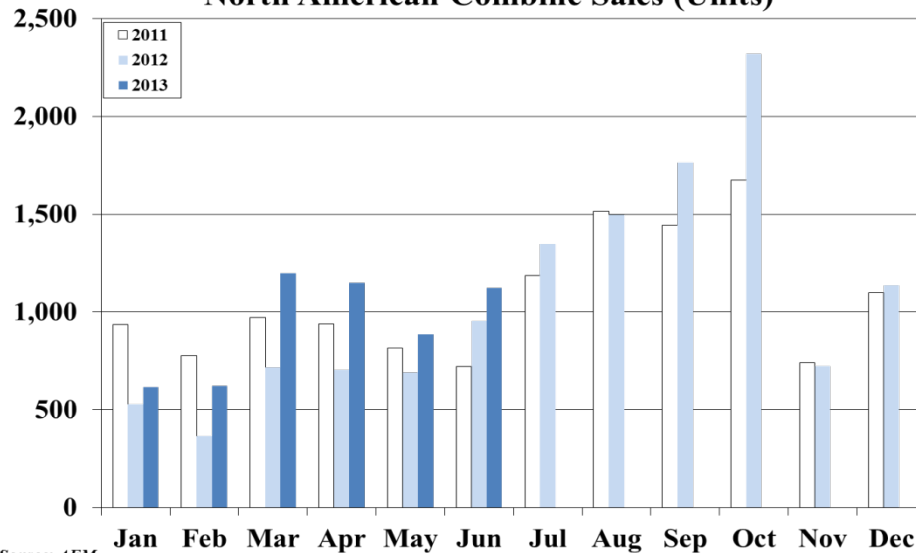
# Annual Ag Equipment Industry Sales – 2010-2013

## NA High-Horsepower Tractor Sales (Units)



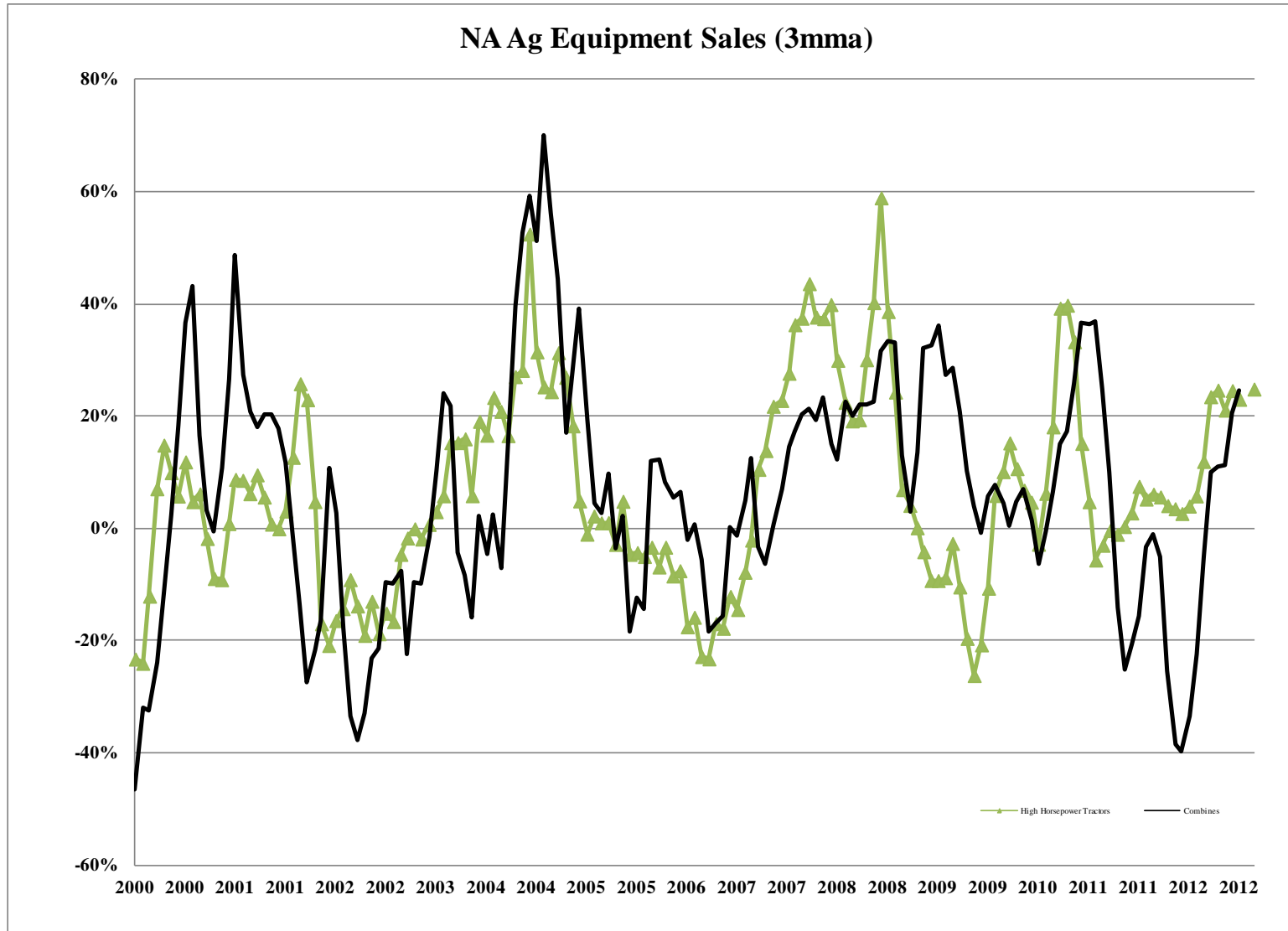
Source: AEM

## North American Combine Sales (Units)



Source: AEM

# NA Ag Equipment Sales

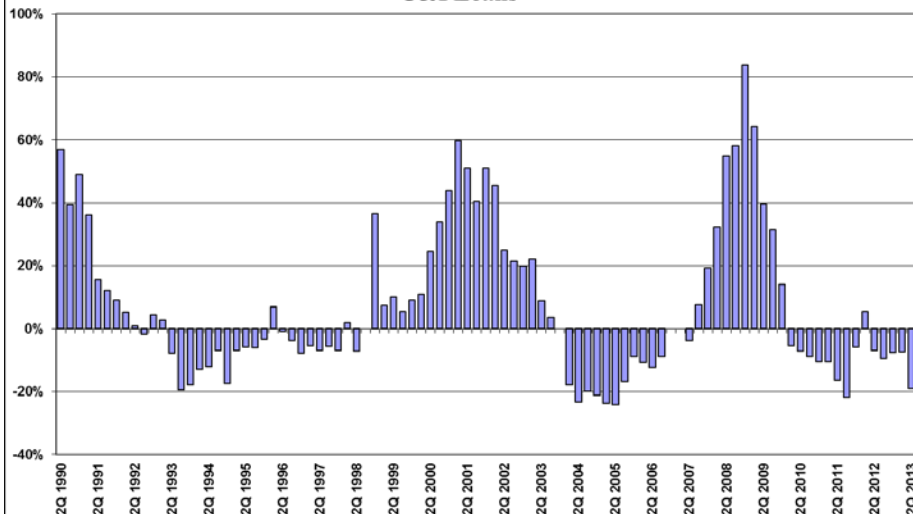




# Credit – C&I Loan Demand Declines as Lending Standards Loosen

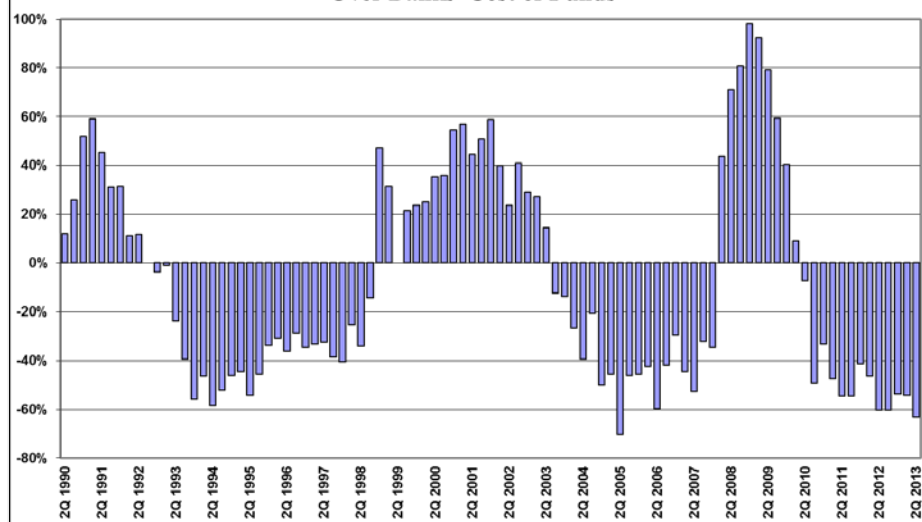
- The 2Q13 Senior Loan Officer survey saw a further loosening of loan standards. A net 19% of loan officers reported easier credit standards in 4Q12 compared with a net 7% in 1Q.
- Bank rate spreads contracted again in 2Q13 with a net 63% of loan officers reporting lower lending spreads, up from a net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

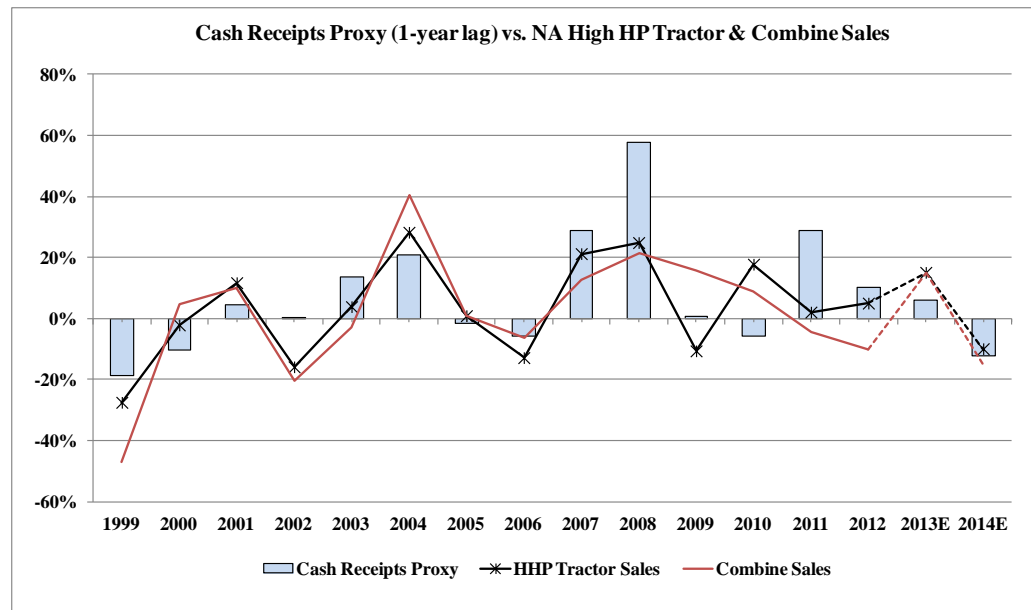
Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds



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 now points to a (12%) decline in our simplified cash receipts proxy.** 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 July USDA cash receipts outlook is now for a decline of (12%) compared to the (13%) decline projected 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.



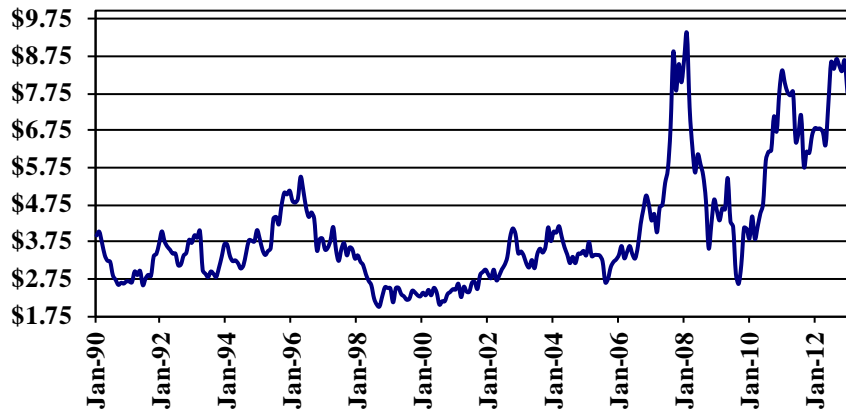
# Commodity Price Trends – Simplified Cash Receipts Proxy

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	10,780	10,385	750	11,135	759	7.3%	\$6.70-\$7.10	2012/13	22,963	23,626	4,179	17.7%
2013/14								2013/14				
June	14,005	11,550	1,300	12,850	1,949	16.9%	\$4.40-\$5.20	June	23,890	25,262	4,028	15.9%
July	13,950	11,500	1,250	12,750	1,959	17.0%	\$4.40-\$5.20	July	23,837	25,208	3,984	15.8%
Revision to 2013/14: NA							Corn Spot Price:	\$7.30				
m/m chg	-55	-50	-50	-100	10	0.2%	\$0.00	m/m chg	-53	-53	-44	-0.1%
y/y chg	3,170	1,115	500	1,615	1,200	9.7%	(\$2.10)	y/y chg	874	1,583	-194	-1.9%
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	3,015	3,080	1,350	4,430	125	4.1%	\$14.30	2012/13	6,873	7,777	2,170	27.9%
2013/14								2013/14				
June	3,390	3,264	1,450	4,714	265	8.1%	\$9.75-\$11.75	June	7,093	8,112	2,442	30.1%
July	3,420	3,264	1,450	4,714	295	9.0%	\$9.75-\$11.75	July	7,085	8,126	2,428	29.9%
Revision to 2013/14: NA							Soybean Spot Price:	\$15.03				
m/m chg	30	0	0	0	30	0.9%	\$0.00	m/m chg	-8	14	-14	-0.2%
y/y chg	405	184	100	284	170	5.0%	(\$3.55)	y/y chg	212	349	258	2.0%
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	2,269	1,381	1,025	2,406	731	52.9%	\$7.80	2012/13	21,821	23,418	5,889	25.1%
2013/14								2013/14				
June	2,080	1,322	975	2,297	659	49.8%	\$6.25-\$7.55	June	23,488	24,195	6,001	24.8%
July	2,114	1,311	1,075	2,386	576	43.9%	\$6.45-\$7.75	July	23,525	24,405	5,758	23.6%
Revision to 2013/14: NA							Wheat Spot Price:	\$7.06				
m/m chg	34	-11	100	89	-83	-5.9%	\$0.20	m/m chg	38	210	-243	-1.2%
y/y chg	-155	-70	50	-20	-155	-9.0%	(\$0.70)	y/y chg	1705	987	-132	-1.6%
FARMER CROP RECEIPTS												
Production:				Avg Price:			Crop Cash Receipts*					
Corn	Soybeans	Wheat		Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Total	y/y %	Chg
2004/05	11,807	3,124	2,158	\$2.06	\$5.74	\$3.40				\$49,591		
2005/06	11,114	3,063	2,105	\$2.00	\$5.66	\$3.42	\$22,228	\$17,337	\$7,199	\$46,764	-6%	
2006/07	10,531	3,188	1,812	\$3.04	\$6.43	\$4.26	\$32,014	\$20,499	\$7,719	\$60,232	29%	
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	10,780	3,015	2,269	\$6.90	\$14.30	\$7.80	\$74,382	\$43,115	\$17,698	\$135,195	6%	
2013/14												
June	14,005	3,390	2,080	\$4.80	\$10.75	\$6.90	\$67,224	\$36,443	\$14,352	\$118,019	-13%	
July	13,950	3,420	2,114	\$4.80	\$10.75	\$7.10	\$66,960	\$36,765	\$15,009	\$118,734	-12%	
*Note: Cash receipts estimated as USDA production X USDA average price forecast												

Source: USDA; Cleveland Research estimates

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

## Wheat Price Trends



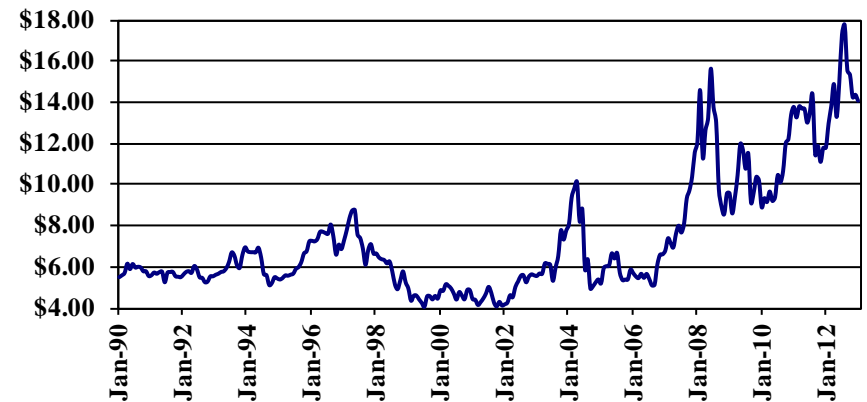
## Corn Price Trends



## Cotton Price Trends

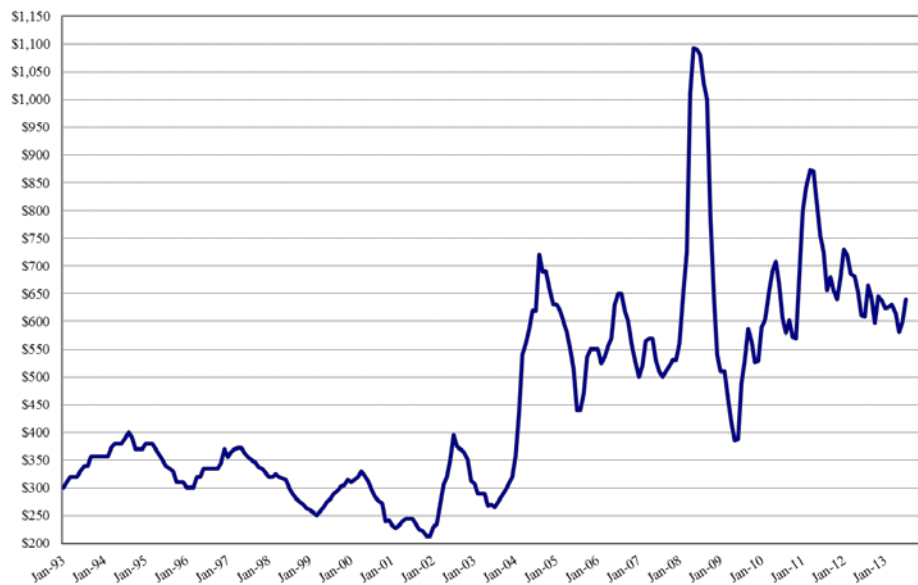


## Soybean Price Trends



# Commodity Price Trends – Steel

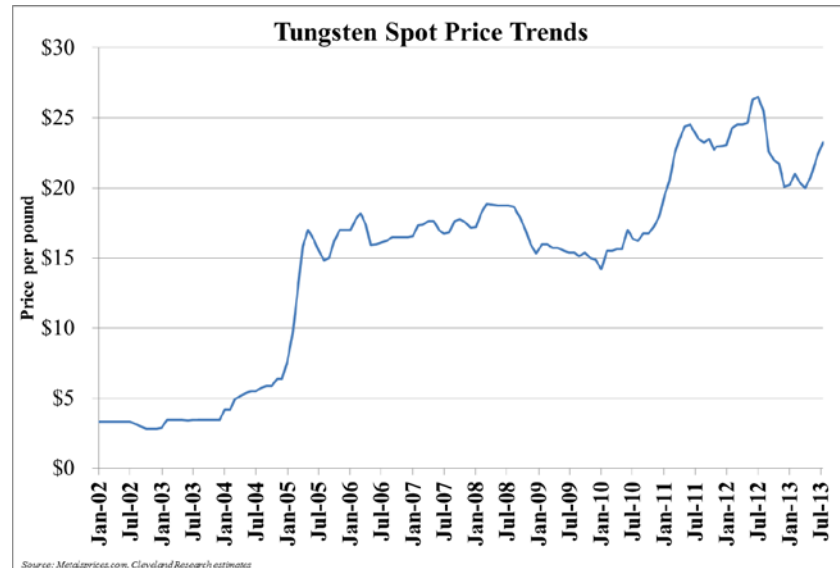
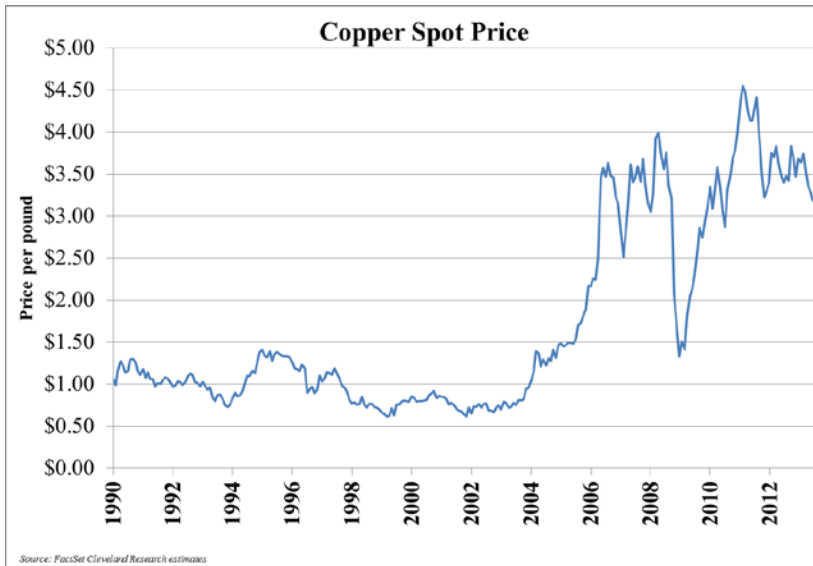
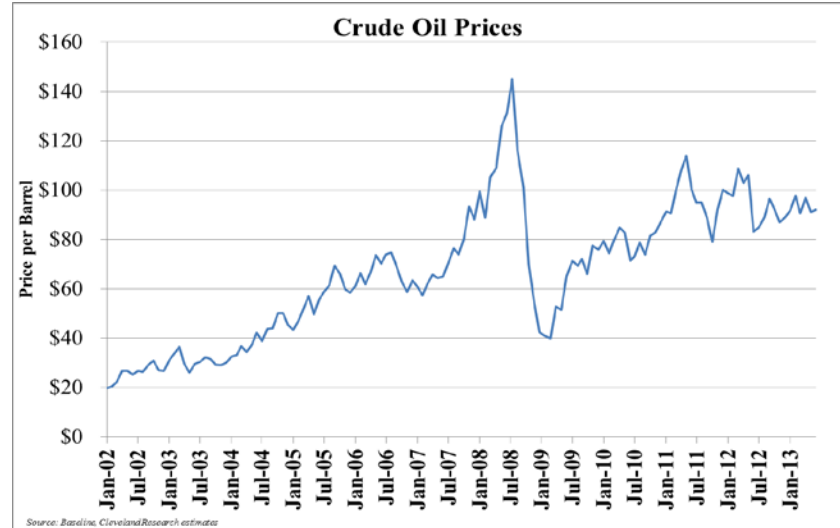
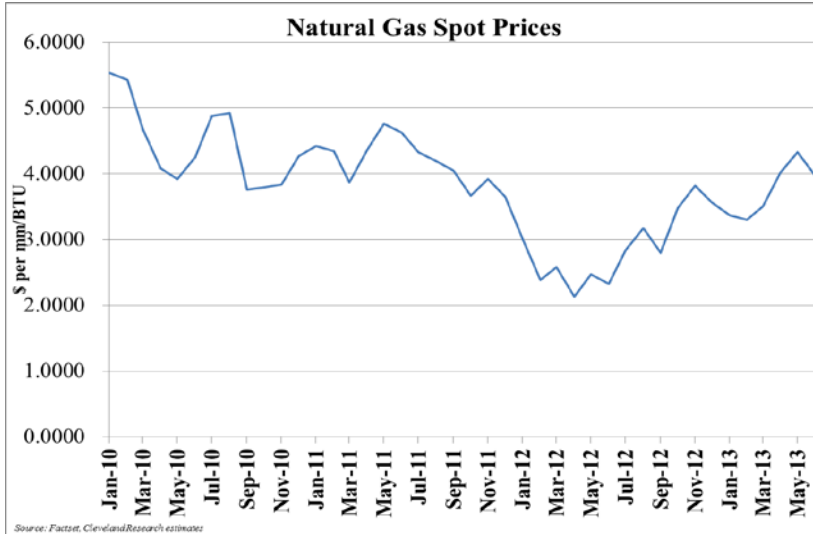
**Domestic Hot Rolled Sheet Prices**  
Monthly 1993 to Present



**Domestic Reinforcing Bar (Rebar) Prices**  
Monthly 2000 to Present



# Commodity Price Trends



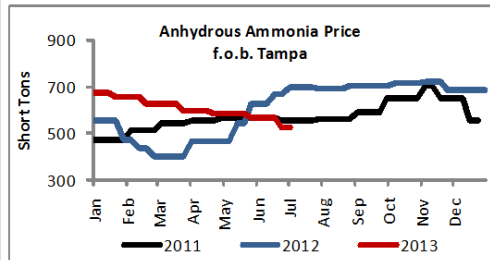
# Commodity Trends – Long Run Supply and Demand Projections

<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>

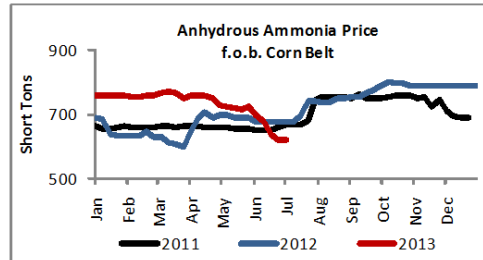
<b>SOYBEANS - DOMESTIC</b>							
<u>Year</u>	<u>Production</u>	<u>Domestic Use</u>	<u>Exports</u>	<u>Total Use</u>	<u>End Stocks</u>	<u>Stocks/Use</u>	<u>Avg Price</u>
2007/08	2,676	1,893	1,161	3,054	205	6.7%	\$10.10
2008/09	2,967	1,763	1,283	3,046	138	4.5%	\$9.97
2009/10	3,359	1,860	1,501	3,361	151	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>

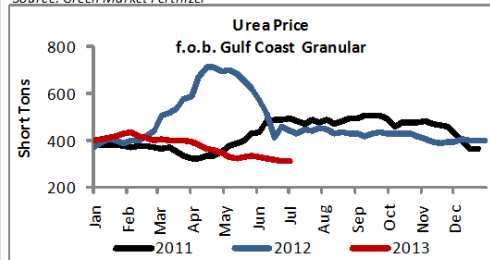
# Other Input and Chemical Costs – 2011-2013



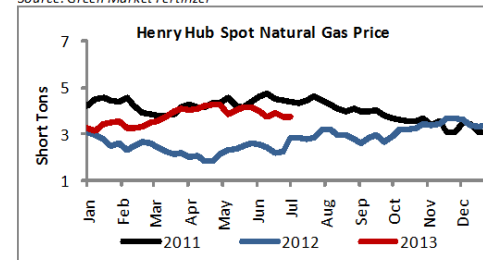
Source: Green Market Fertilizer



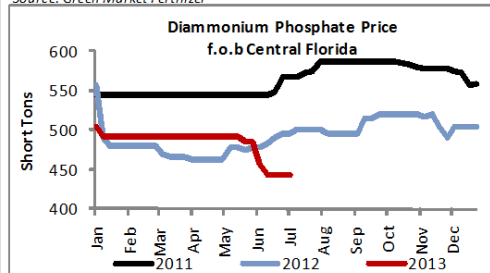
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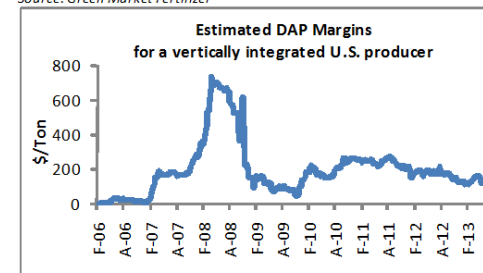
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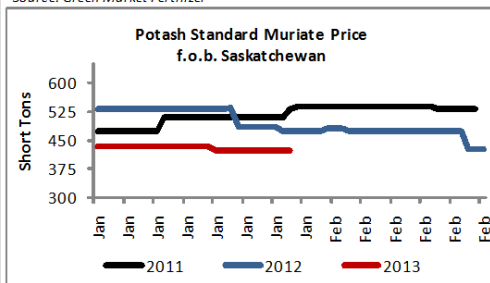
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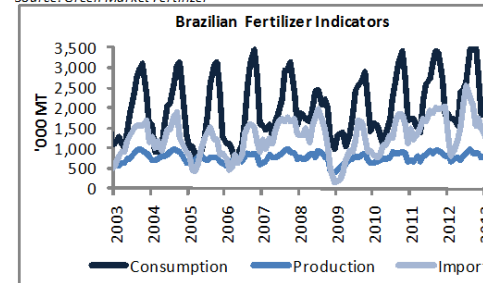
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Source: Green Market Fertilizer



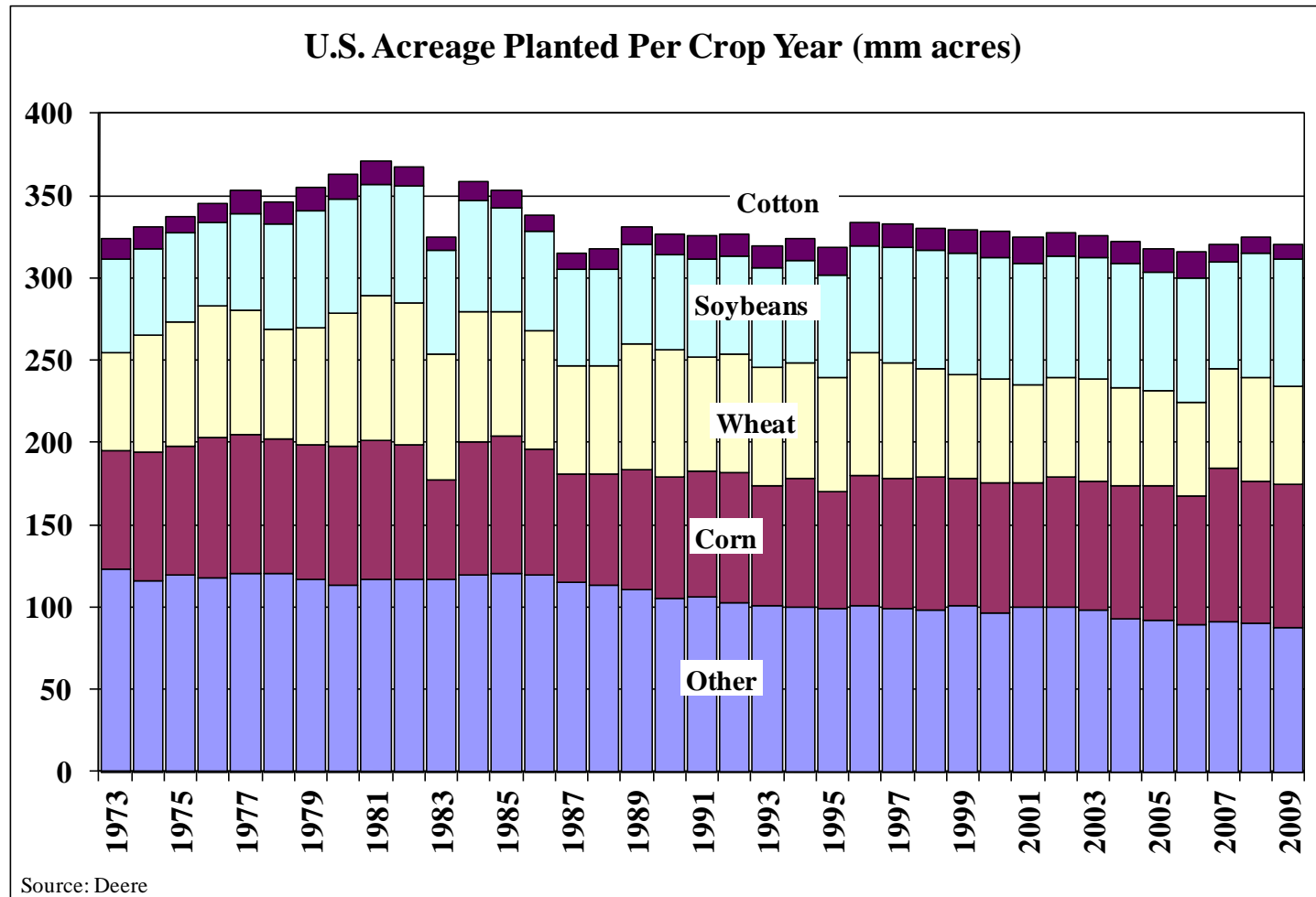
Source: Green Market Fertilizer



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