

Ag Equipment Intelligence

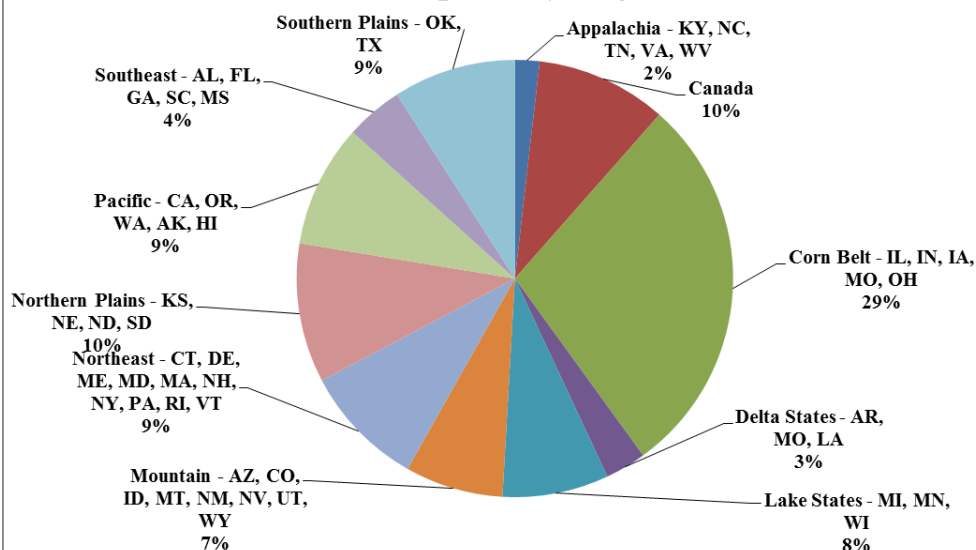
September 2013 Dealer Sentiments &
Business Conditions Update

Monthly Ag Equipment Intelligence North American Dealer Survey

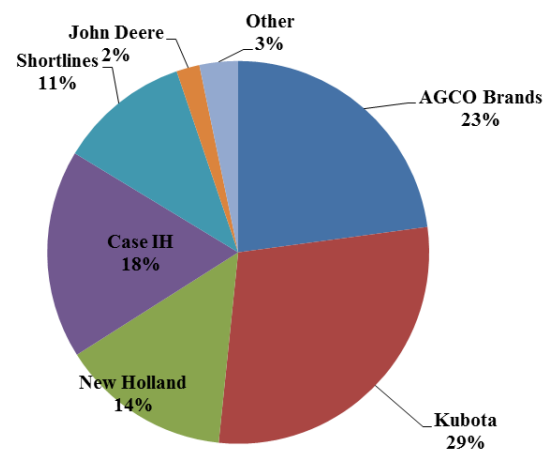
Background:

- We are pleased to announce the results of the September 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 September survey had ~98 respondents representing combined annual revenues of roughly \$4.72 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 Stabilize in August** – Ag equipment dealers reported year-over-year sales grew 3% on average in August, similar to July. Case IH dealers saw the highest growth at 12%, while John Deere was the weakest with sales down 7%.
- **2013 Dealer Outlook Unchanged at 3% growth; 2014 Outlook Flat to Down** – For 2013, dealers are forecasting 3% sales growth, inline with the 3% forecasted in July. For 2014, early dealer indication is that sales will be flat to down, depending on geography. Our recent feedback from the Farm Progress Show is that production will be down ~10%.
- **New Equipment Inventories Now “Too High”** - A net 7% of dealers categorize their new inventory as “too high” (23% too high; 61% about right; 16% too low), vs. 9% of dealers last month who categorized their new inventory as “too low”. This is the highest reading since July 2012.
- **Used Combine Inventories Issues Persist/Worsen-** Within the used equipment categories, a net 59% of dealers reported used combine inventory levels are “too high” (59% too high; 41% about right; 0% 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 (above last month’s net 54% responding “too high”). Deere is limiting new combine allocation to dealers in response to the inventory glut.

Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales grew 3% on average in August, similar to July.
- Case IH dealers saw the highest growth at 12%, while John Deere was the weakest with sales down 7%.
- A net 13% (33%, 47%, 20%) of dealers reported better than expected results for August. Last month's reading was 23%.

Optimism/Sentiment vs. Last Month

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

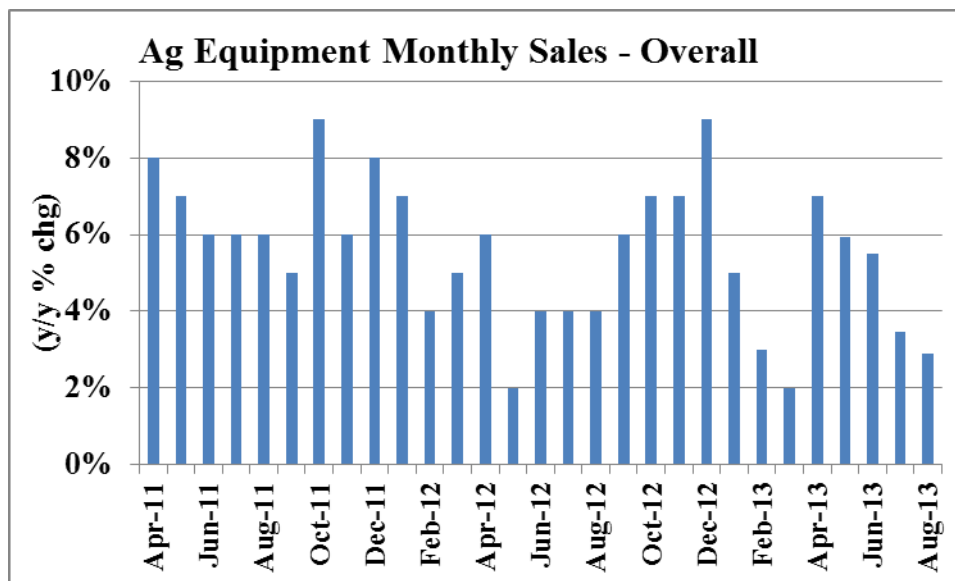
Source: Cleveland Research

Average Dealer Sales Growth

<u>(% chg y/y)</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>	<u>Aug-13</u>
Overall	4%	5%	6%	2%	4%	4%	4%	6%	7%	7%	9%	5%	3%	2%	7%	6%	5%	3%	3%
By Brand	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	Aug-13
AGCO	1%	2%	5%	2%	5%	1%	0%	4%	3%	7%	13%	-2%	0%	5%	5%	1%	1%	-1%	-2%
John Deere	4%	6%	9%	4%	9%	9%	7%	10%	10%	7%	9%	6%	4%	1%	9%	9%	6%	4%	-7%
New Holland	-2%	4%	3%	1%	0%	2%	-1%	5%	0%	6%	6%	3%	1%	4%	5%	5%	7%	2%	4%
Case IH	4%	6%	3%	-2%	1%	1%	2%	3%	7%	8%	5%	7%	4%	3%	6%	-1%	5%	5%	12%
Kubota	4%	6%	5%	1%	6%	-3%	3%	-1%	3%	-2%	8%	4%	3%	6%	13%	-2%	10%	3%	4%
Shortlines	0%	2%	3%	6%	6%	6%	3%	5%	7%	5%	3%	1%	-2%	4%	3%	5%	4%	11%	-1%
Other	-8%	2%	3%	1%	-1%	-3%	5%	0%	1%	3%	4%	6%	-3%	NA	5%	7%	3%	13%	0%

Source: Farm Equipment Magazine Survey

Monthly Sales Growth Continued



Percent Positive / Negative Growth

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

Results vs. Expectations

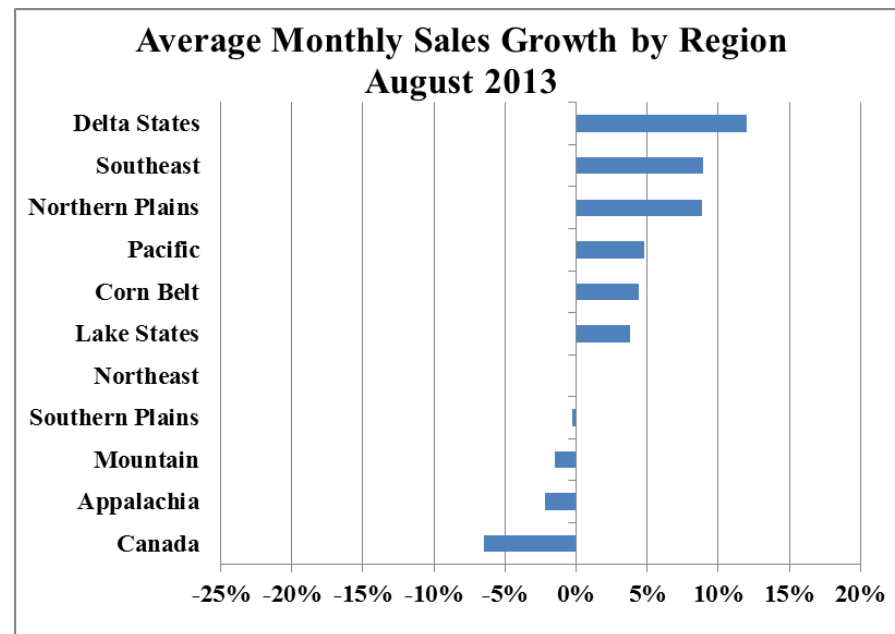
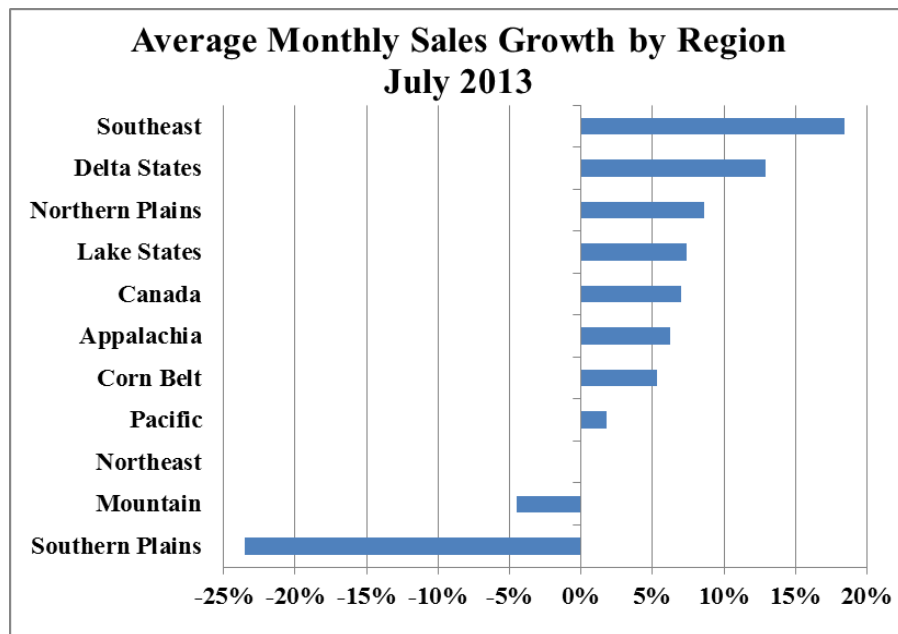
	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Aug-13</u>
Better than expected	19%	20%	24%	22%	23%	21%	30%	25%	26%	35%	38%	23%	18%	27%	25%	23%	19%	38%	33%
In line with expectations	54%	66%	63%	52%	51%	44%	41%	56%	54%	48%	49%	59%	60%	55%	52%	57%	58%	48%	47%
Worse than expected	26%	14%	14%	25%	26%	35%	29%	19%	20%	17%	13%	18%	22%	18%	24%	20%	23%	14%	20%
Net % (Better - Worse)	-7%	7%	10%	-3%	-3%	-14%	1%	6%	5%	18%	25%	5%	-4%	9%	1%	3%	-4%	23%	13%

Source: Cleveland Research

Source: Farm Equipment Magazine Survey

Monthly Sales Growth by Region

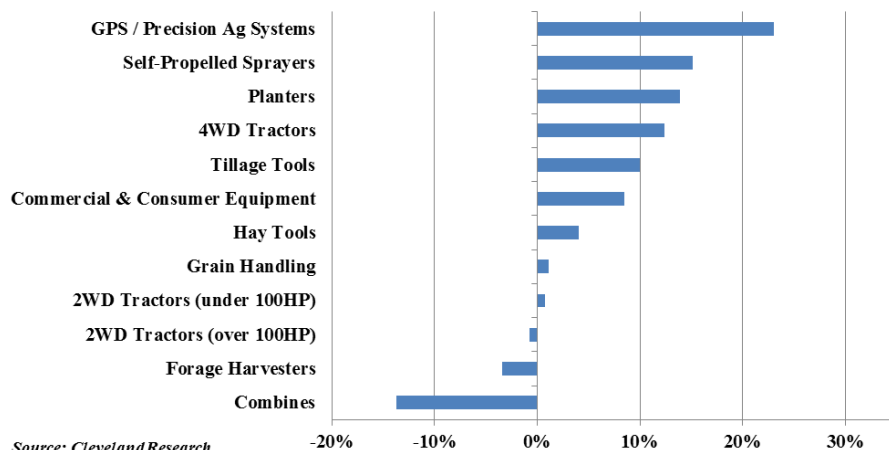
- Six out of eleven regions showed positive average monthly sales growth in August compared to 8 of 11 regions in July. The Mountain region continues to see negative growth, joined this month by Canada and Appalachia
- Compared to last month, the Southern Plains flattened after large sales declines in July, while Canadian equipment sales went from ~6% growth in July to ~6% declines in August.



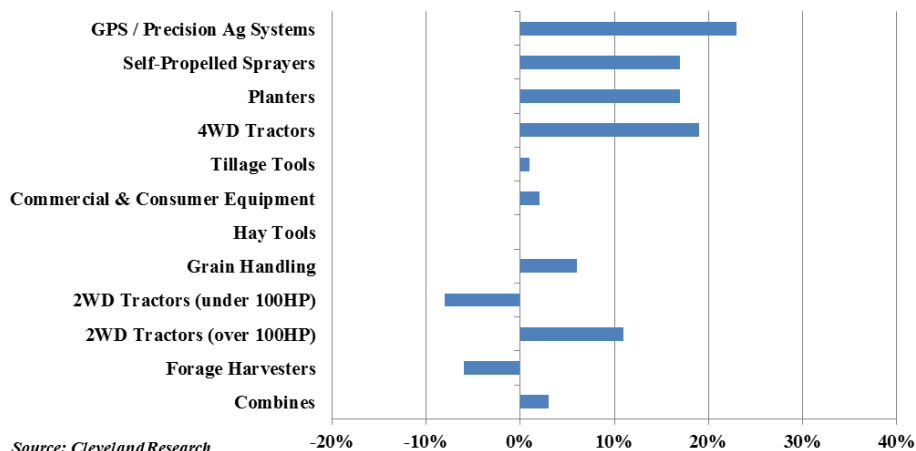
Equipment Category Sales Trends

- Ten out of twelve product categories ranked in positive territory in August, up from nine last month. GPS/precision ag systems was the best performing category for the ninth straight month, while 2WD tractors under 100hp were the weakest category.
- On a sequential basis, nine of the twelve product categories saw a decline in August. 4WD saw the largest sequential decline, while Tillage Tools, 2WD Tractors (over 100HP) and Forage Harvesters were the only categories that saw improvement.

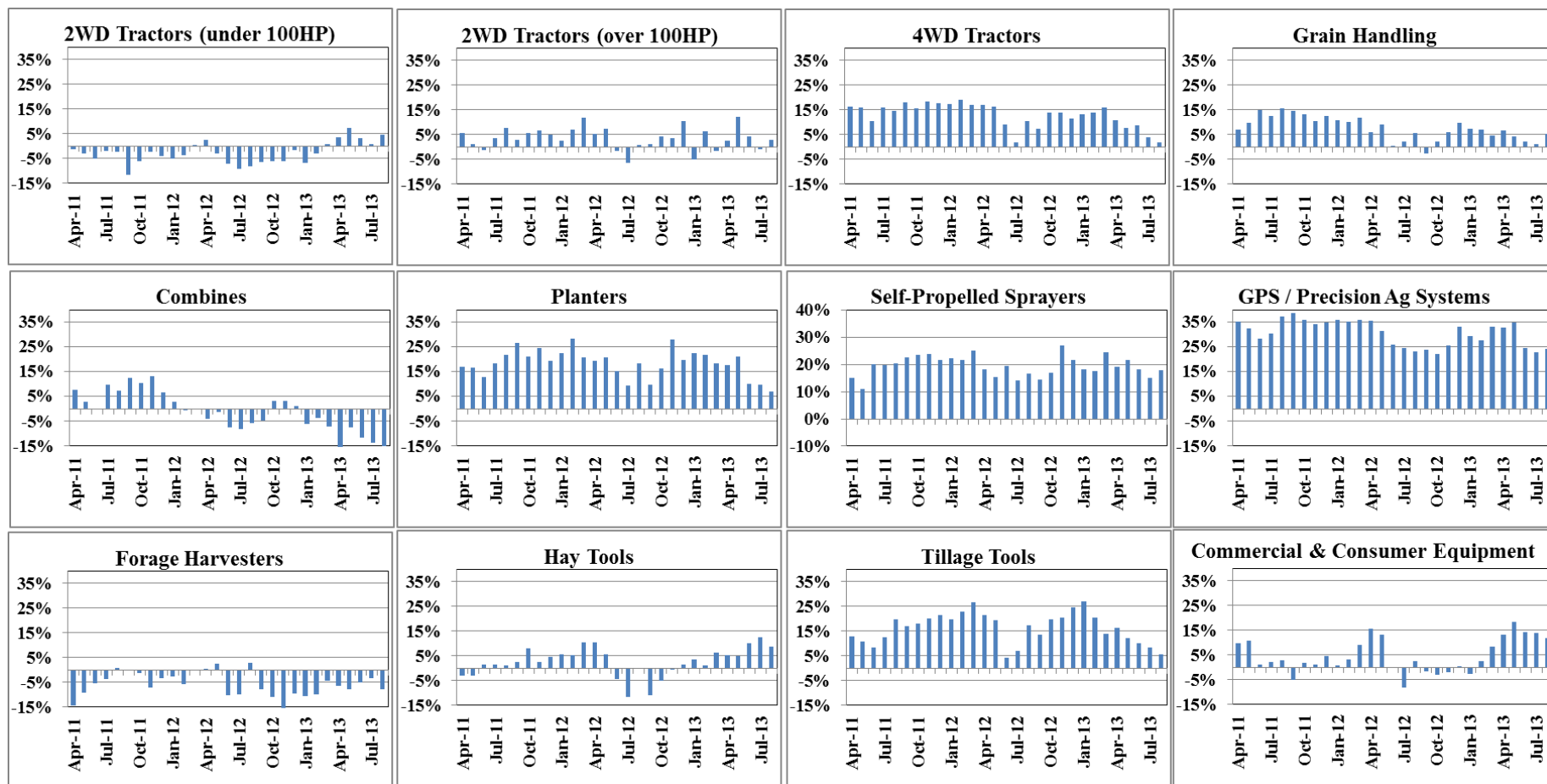
Product Category Ranking (Net % Strong - Weak)
July 2013



Product Category Ranking (Net % Strong - Weak)
August 2012



Equipment Category Sales Trends



Dealer Commentary on Monthly Sales and Outlook

- *The dry weather has made some farmers stop and wait to see how the crops turn out.*
- *LS Tractors have had a big impact in our market. Massey Ferguson is doing everything to take us out. 8 years ago we were one of largest mid range tractor dealer in USA.*
- *We could not get factory orders in time to sell in August.*
- *The egg business is depressed because of low egg prices and high feed prices.*
- *There has been too much rain in our area.*
- *Weather is holding which is allowing very late seeded crops to advance and harvesting is progressing nicely. We're looking at a large yield coming off. As long as commodity prices stay up, it should be a very good year.*
- *Expected lower commodity prices.*
- *Number of customers requesting quotes is up.*
- *Good weather in our AOR will produce a very good crop. Not bumper but very good.*
- *The amount of new equipment being retailed is unsustainable. Current depreciation tax laws and manufacturer incentives are creating inflated demand for new equipment. Compounding the issue, dealers have not yet exhausted their available financing and are grossly overvaluing used inventories in an effort to maintain, or improve, market share by salvaging a new deal. All of this, of course, is to the detriment of the dealer's short-term profitability and long-term financial sustainability.*
- *Increasing used equipment inventory levels across the country is forcing higher "to boots" on new buyers and may push back some sales.*
- *Input costs are up and commodity prices are lower .*
- *A lot of factors come into play but for now I am a little concerned about 2014.*
- *Burned up 1/2 a corn crop and beans have no pods on them. Second year in a row for living on crop insurance.*
- *We're planning to add to our sales force.*
- *We're not getting any rain, and commodity prices are falling.*

Order Growth

Overall Orders

- Incoming orders grew 2% on average in August, up from July's reading of flat orders year-over-year.
- Shortlines saw the highest orders growth for the second consecutive month of 12%, while New Holland saw orders decline 12%.

New Combine Order Intentions

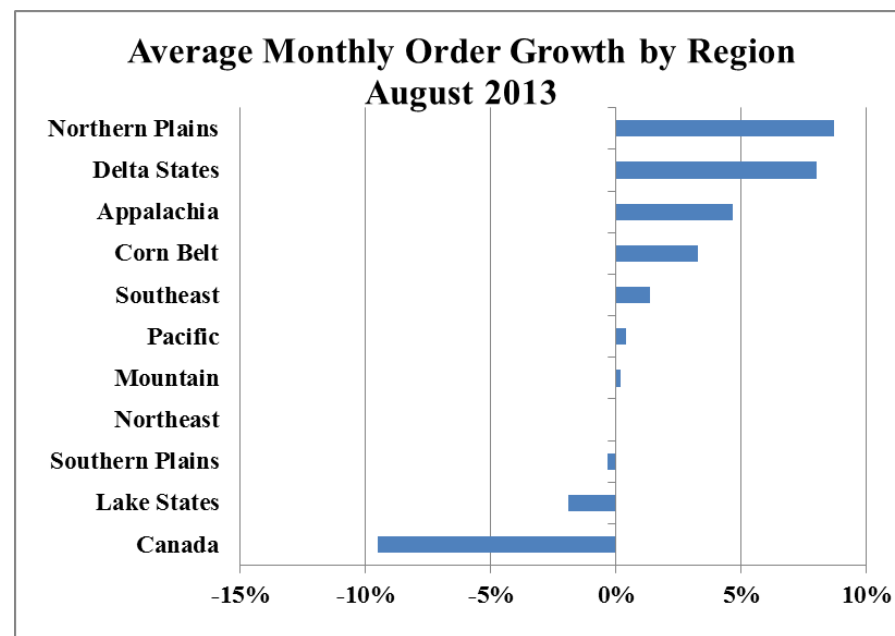
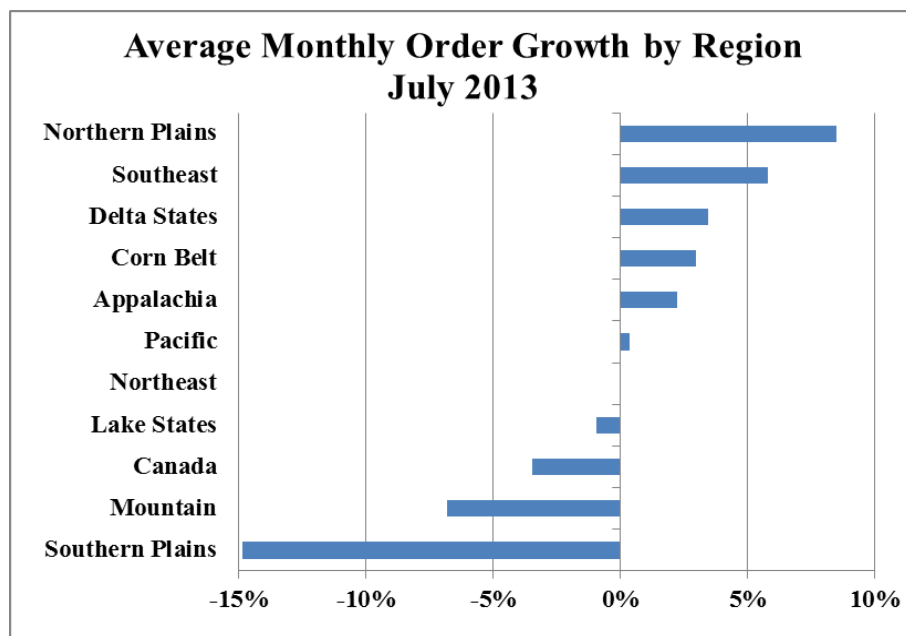
- Order intentions weakened amongst dealer with a net 35% of dealers believe they will order fewer combines compared to last year vs. 27% believing they would order fewer combines last month. This is the fourth consecutive month for double-digit decline in new combine order intentions and the largest decline noted since the inauguration of this survey.

Average Orders Growth																			
(% chg y/y)	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	Aug-13
Overall	4%	2%	4%	2%	1%	1%	3%	2%	4%	2%	4%	3%	3%	1%	2%	2%	0%	0%	2%
By Brand	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	Aug-13
AGCO	3%	3%	6%	6%	3%	0%	-1%	-1%	2%	1%	7%	2%	0%	0%	3%	-1%	0%	-7%	-2%
John Deere	4%	1%	8%	5%	6%	4%	6%	4%	5%	3%	5%	5%	4%	3%	2%	3%	2%	2%	7%
New Holland	2%	2%	3%	2%	-3%	-2%	0%	0%	-1%	0%	-1%	0%	-1%	0%	0%	-1%	-1%	-1%	-12%
Case IH	2%	0%	0%	-5%	-3%	-3%	1%	-2%	4%	2%	2%	3%	4%	0%	3%	0%	-2%	1%	3%
Kubota	2%	4%	2%	2%	2%	0%	1%	-1%	2%	0%	5%	2%	0%	1%	2%	1%	0%	-5%	-1%
Shortlines	3%	5%	2%	5%	2%	1%	7%	0%	2%	3%	3%	5%	1%	0%	1%	0%	1%	9%	15%
Other	3%	5%	3%	1%	-4%	1%	6%	1%	0%	3%	0%	4%	0%	NA	1%	1%	0%	0%	-1%

New Combine Order Intentions vs. Last Year																			
	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	Aug-13
More	15%	14%	9%	10%	7%	6%	11%	6%	15%	21%	20%	20%	18%	16%	24%	9%	9%	14%	8%
Same	63%	63%	64%	54%	69%	55%	58%	68%	52%	52%	54%	59%	55%	60%	60%	68%	62%	46%	49%
Less	22%	24%	27%	37%	24%	39%	31%	26%	32%	28%	26%	21%	27%	23%	16%	23%	29%	41%	43%
Net % (More- Less)	-8%	-10%	-17%	-27%	-18%	-33%	-19%	-20%	-17%	-7%	-7%	-2%	-9%	-7%	8%	-14%	-20%	-27%	-35%

Order Growth by Region

- Five out of eleven regions showed positive monthly orders growth in August, similar to the prior month. The Delta States was the top-performing region, while the Canada saw the sharpest decline.
- Compared to last month, the Southern Plains showed the most significant improvement, while the Canada demonstrated the most significant slowdown in orders.



2013 and 2014 Sales Outlook

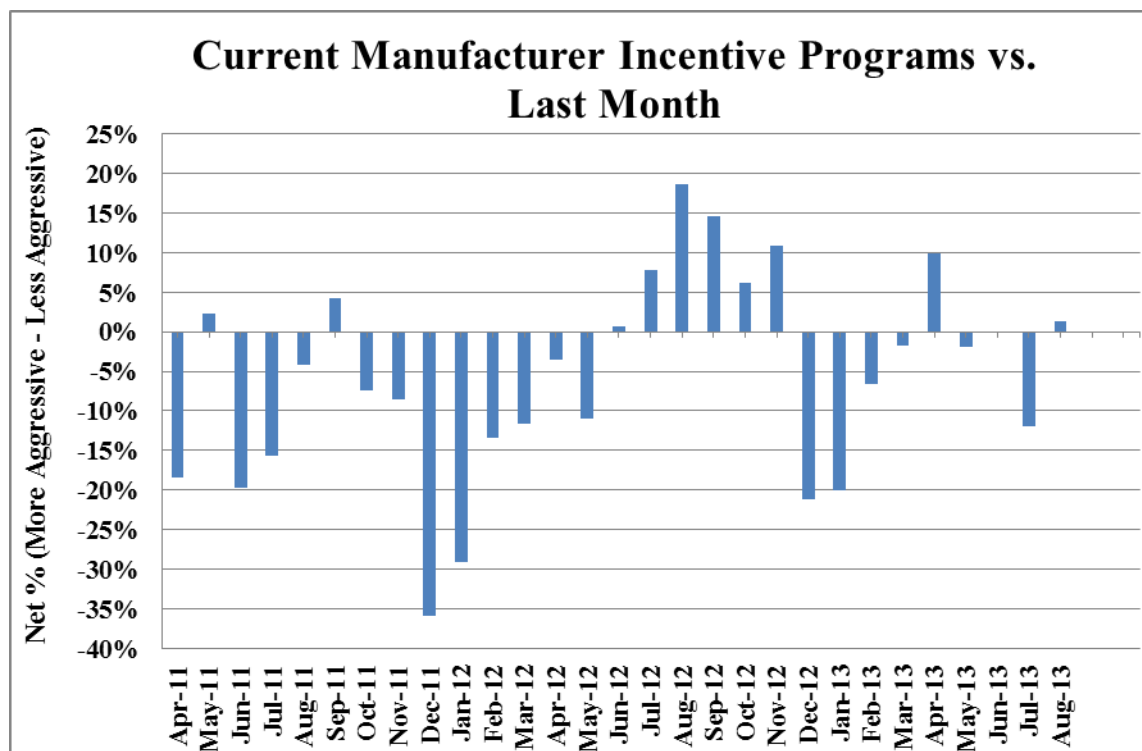
- For 2013, dealers are still forecasting 3% sales growth, inline with the July forecast. For 2014, most dealers had not completed plans, but early outlook is for a 1% sales decline.
- Shortline dealers are the most optimistic, while the Case IH dealers hold the weakest outlook.

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

Source: Cleveland Research

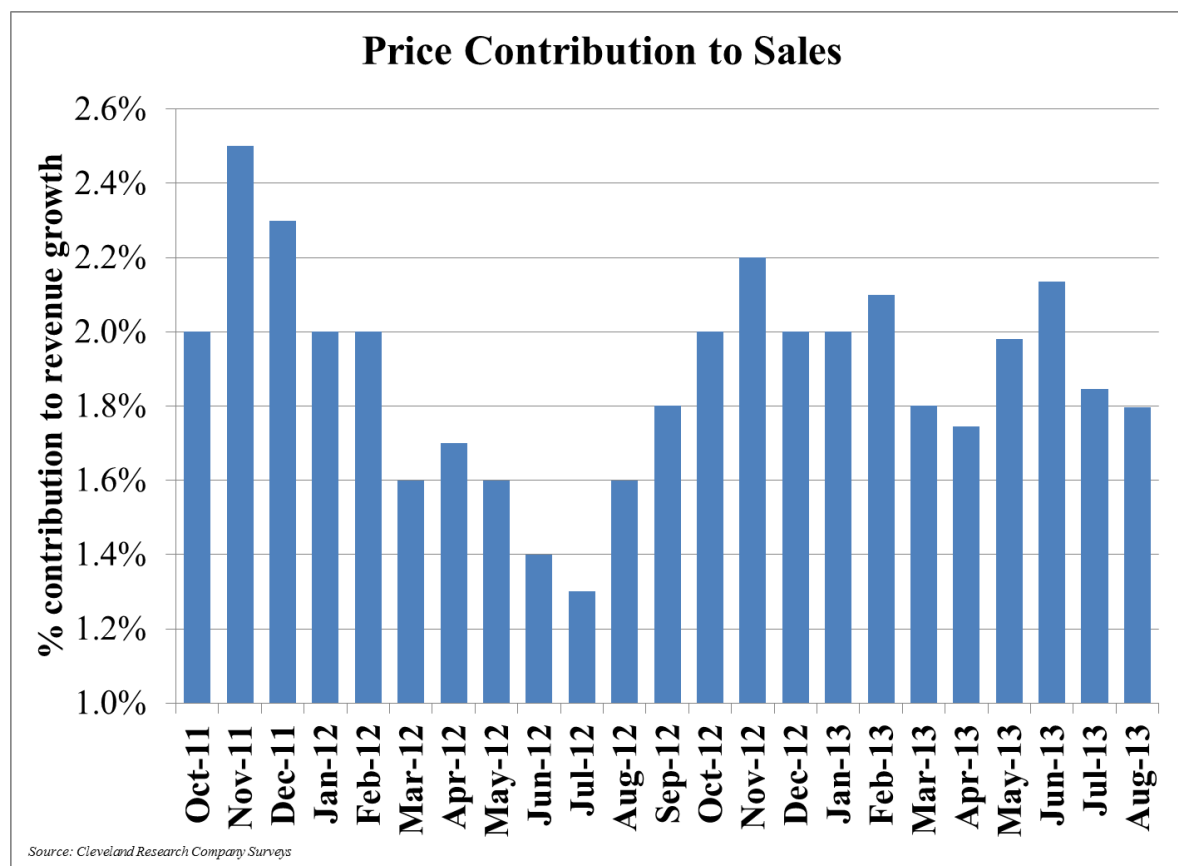
Current Manufacturer Incentive Programs

- A net 1% of dealers report that manufacturers are more aggressive with incentives in August (14% more aggressive; 74% same; 12% less aggressive) compared to 12% reporting less aggressiveness in July.



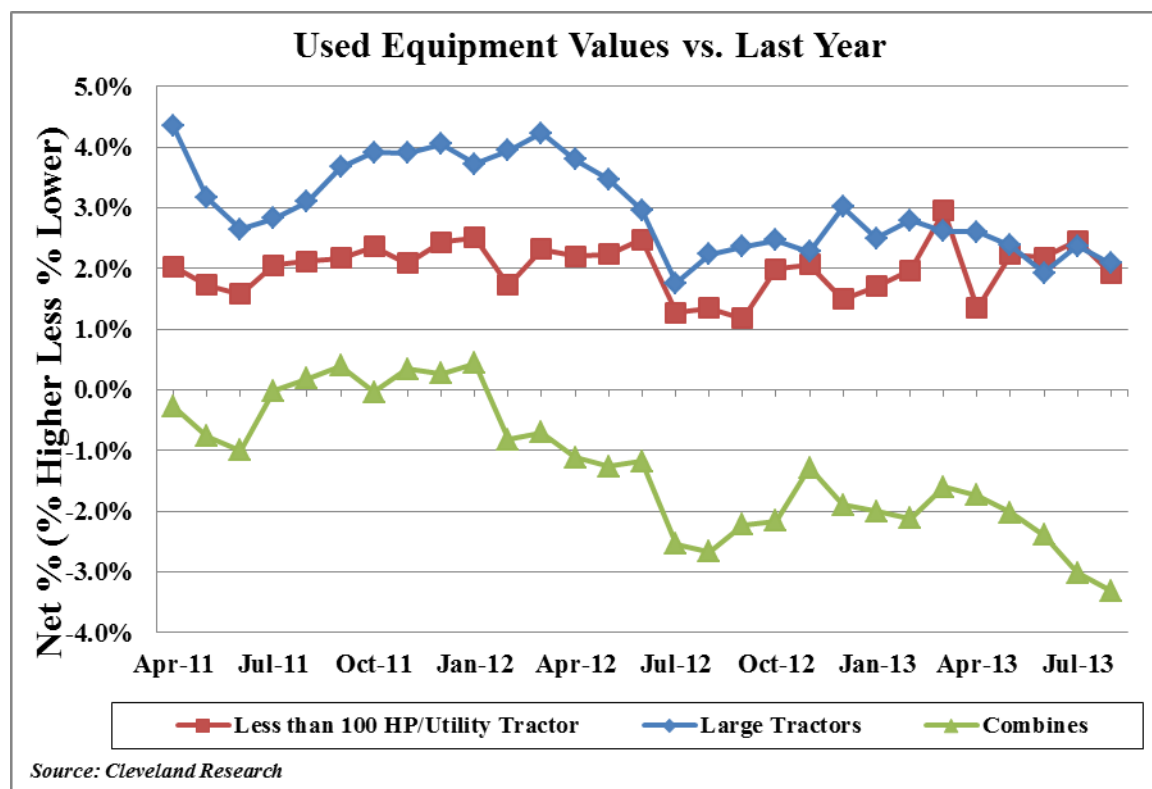
Pricing Trends

- Dealers report price contributed roughly ~1.8% to total August revenue growth, similar to 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 2.1% year-over-year on average, down from 2.4% reported last month. Prices for used tractors under 100HP are up 1.9%, down from 2.5% the prior month. Used combine values continue to decline and are down 3.3%, compared to down 3% last month.



Inventory Levels

New Equipment Inventory

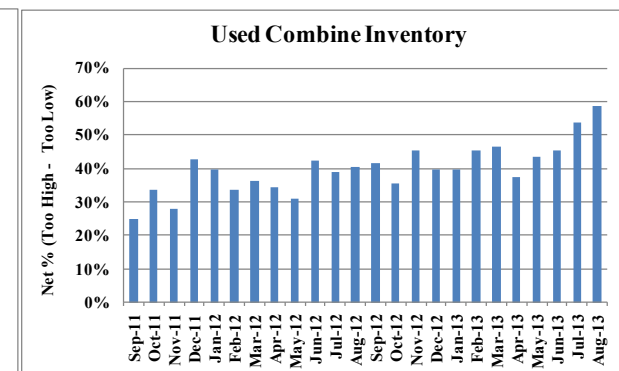
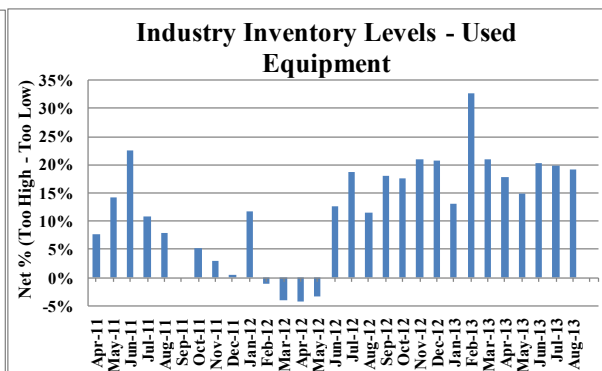
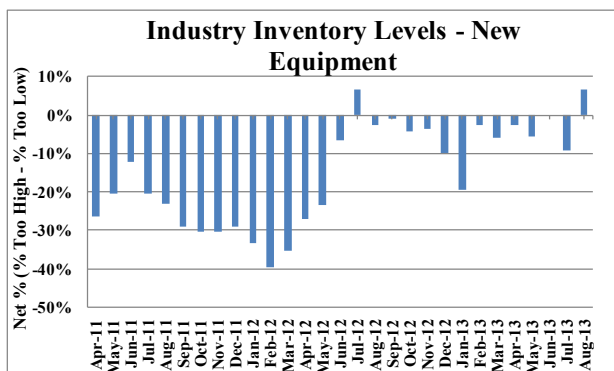
- A net 7% of dealers categorize their new inventory as “too high” (23% too high; 61% about right; 16% too low), vs. 9% of dealers last month who categorized their new inventory as “too low”. This is the highest reading since July 2012.

Used Equipment Inventory

- Used equipment inventory remains high as a net 19% of dealers categorize their used inventory levels as “too high” (35% too high; 50% about right; 15% too low), slightly down from 20% reported last month.

Used Combine Inventory

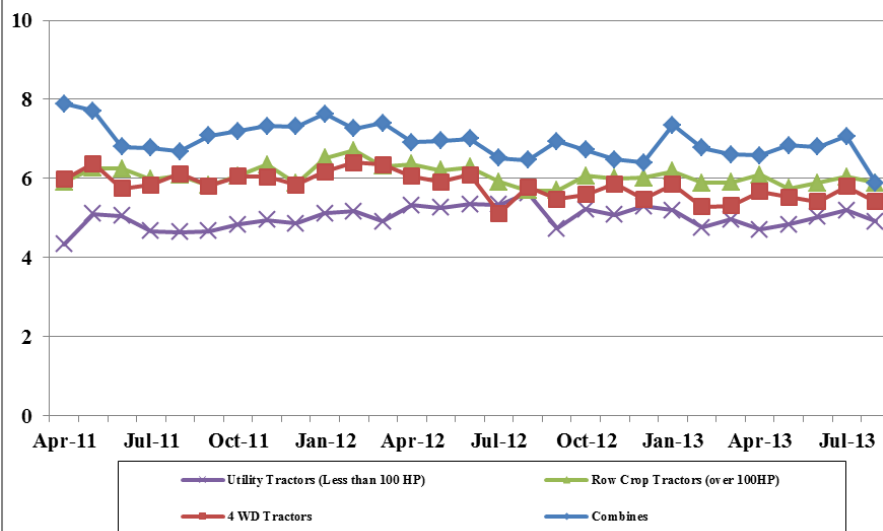
- Within the used equipment categories, a net 59% of dealers reported used combine inventory levels are “too high” (59% too high; 41% about right; 0% too low). This is the highest net percentage of dealers reporting high used combine inventory since we started tracking this data point in October of 2011. This is the key driver behind Deere’s decision to limit new combine production in 2014.



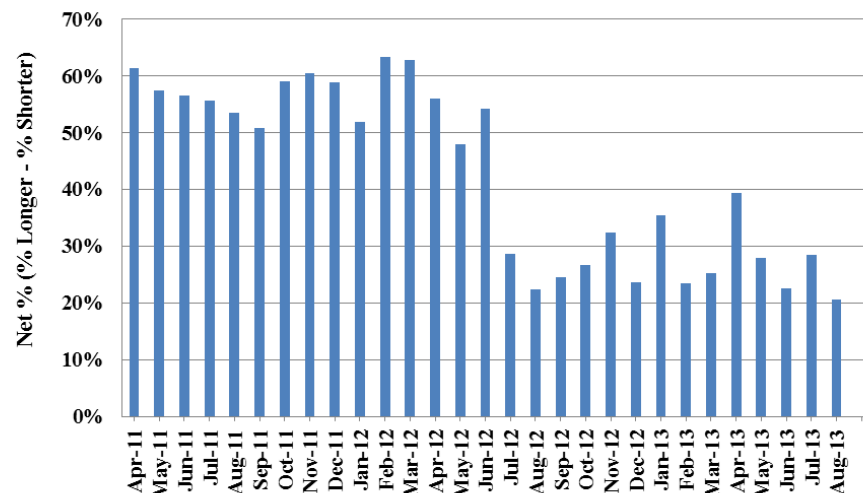
Equipment Availability

- Overall, a net 21% of dealers report longer factory lead-times compared to last month (32% longer; 58% same; 11% shorter), down from a net 28% last month.
- Lead times for all categories were reported as shorter this month. On average combine lead times are 5.9 months; 4WD are 5.4 months; row crop tractor lead times are 5.9 months; and smaller tractors (<100 HP) lead times are 4.9 months.

Lead Times By Product Category (Months)



Lead Times - Versus Prior Month



Dealer Commentary on Used Inventory Levels

- *Used combines are still a problem for us.*
- *Used combines as well as 4WD tractors inventories are too high.*
- *Still have some used SP Forage harvesters that are giving me heartburn.*
- *Looks like JD and Case IH dealers have too much "roll over" used inventory.*
- *All harvesting and track tractors.*
- *Far too many late model used combines, row crop and four wheel drive tractors.*
- *We do not have any issues with our used inventory at the moment.*
- *I can't find good used eq. price right to resale.*
- *Used combine inventories are very high with a weak market. Planters are right behind them. Good used tractors continue to move.*
- *Combines and large high HP 4WD are very soft and the trend is down.*
- *Combines and 35 foot flex platforms are an issue.*
- *Used combines are too high, with a lot of late model high priced units.*
- *Combines and 4WDs are too high.*
- *The grab for market share hurts used equipment margins, and that's happening right now.*
- *Combines, sprayers and large tractor inventories are still too high.*

Dealer Commentary on Biggest Surprise in the Month

- *Farmers are cautious with their spending right now.*
- *Interest in new equipment has slowed this month.*
- *Gator sales have been surprising.*
- *Sales have stayed brisk for us.*
- *No money is being spent by farmers.*
- *Positive commodity price news due to Midwest drought.*
- *We saw a flurry of activity in the HHP tractor segment. This was a couple of months before we anticipated seeing this sort of interest. Not sure if we are pulling business forward, or if we will still see the normal year-end surge.*
- *Presell program for planters resulted in 25% growth in new commitment over last year's Presell.*
- *Farmers are still cautiously optimistic considering dropping corn market.*
- *No rain therefore no surprises! Wheat crop is looking better than expected in many areas. Lots of talk of 100+ bushel with 14 protein.*
- *The increase in sales of the LS Brand. Great company to deal with.*
- *We are still selling hay equipment!*
- *Poor commodity prices at harvest time. Could affect purchases.*
- *Not enough flow of people looking at equipment.*
- *How fast the drought has affected our crop outlook. Everyone is going to get pretty cautious through harvest.*
- *The market on hay tools and lawn mowers continues at record pace. An incredible year on those items that will be tough to duplicate.*
- *Stronger new sales than I anticipated.*

NA Farm Equipment Industry Retail Sales

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
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	1,480	24%	15%	15%	-11%	19%	11%	10%
Aug-13	9,280	5,034	2,846	588	17,748	3,434	1,252	14%	11%	14%	0%	13%	11%	-16%

Source: AEM; Cleveland Research Company estimates. High hp tractors are row crop & 4-wheel drive.

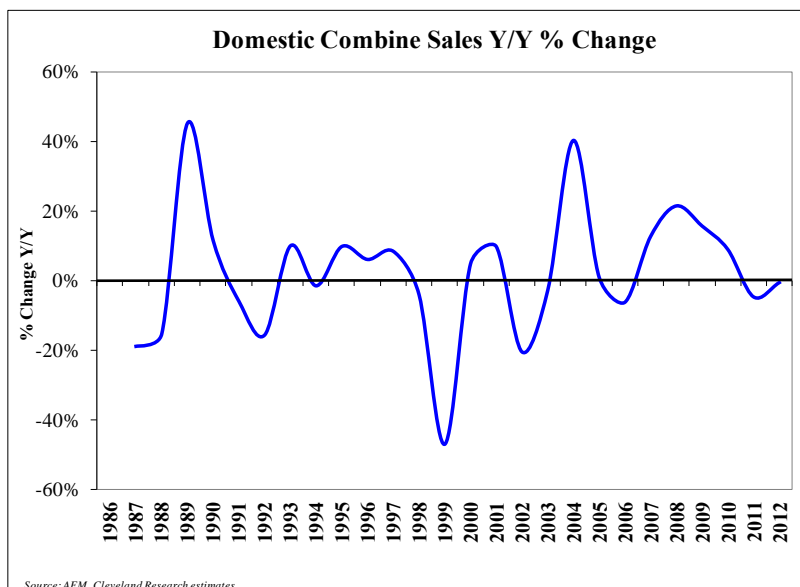
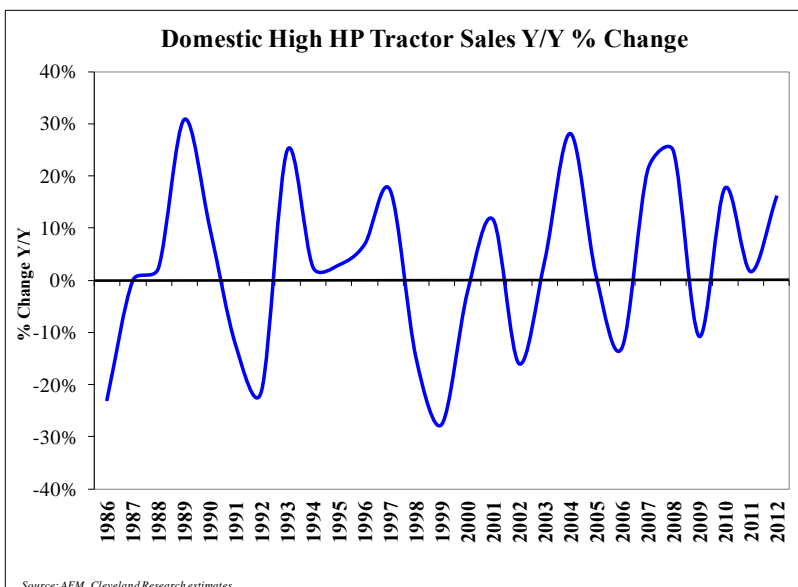
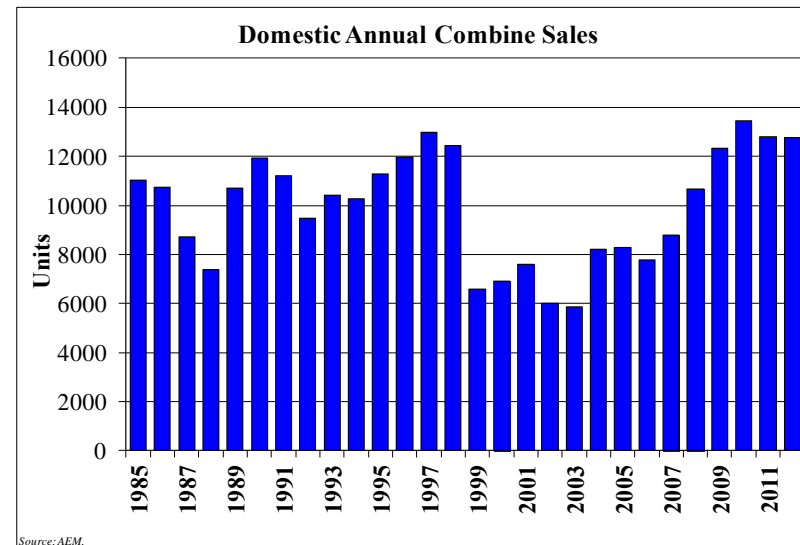
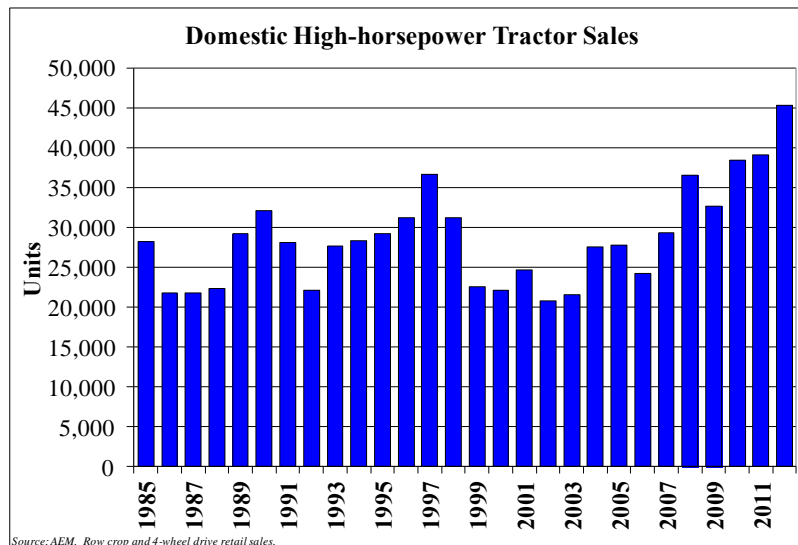
NA Farm Equipment Industry Inventory

NORTH AMERICAN FARM EQUIPMENT INVENTORY

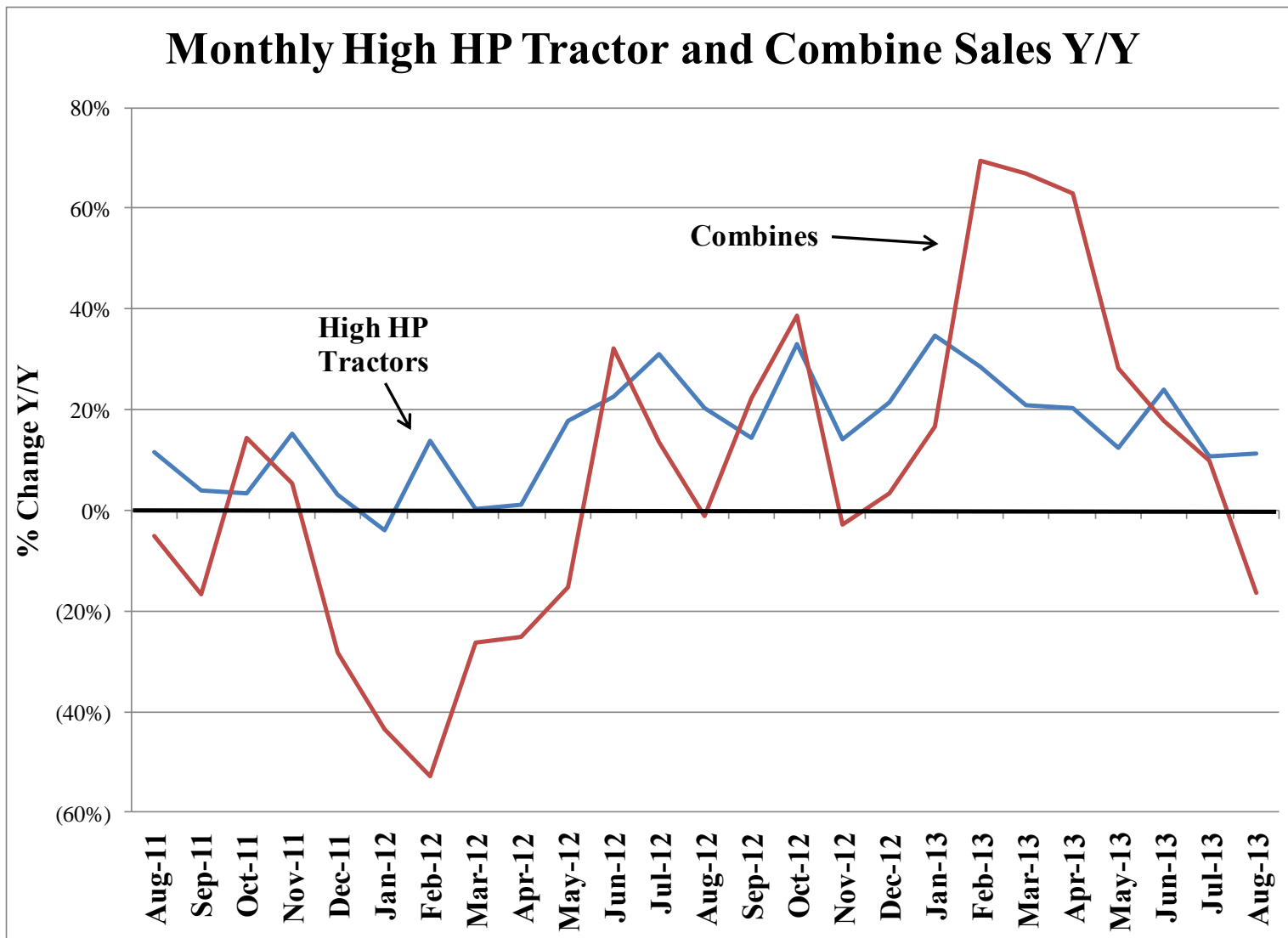
	Inventory (Units)							Inventory to 12-mo. Sales						
	<u>< 40 HP</u>	<u>Utility</u>	<u>Row Crop</u>	<u>4-Wheel</u>	<u>Total Tractor</u>	<u>Memo: High hp</u>	<u>Combines</u>	<u><40HP</u>	<u>Util</u>	<u>RC</u>	<u>4-WD</u>	<u>Total</u>	<u>High HP</u>	<u>Comb</u>
Jul-11	55,120	25,713	7,971	1,594	90,398	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	2,158	106,856	15,488	3,249	56%	47%	33%	24%	48%	31%	23%
Jul-13	59,174	29,628	14,138	2,177	105,117	16,315	3,208	52%	47%	34%	24%	47%	33%	22%

Source: AEM; Cleveland Research Company estimates

Annual Ag Equipment Industry Sales – 1985-2012



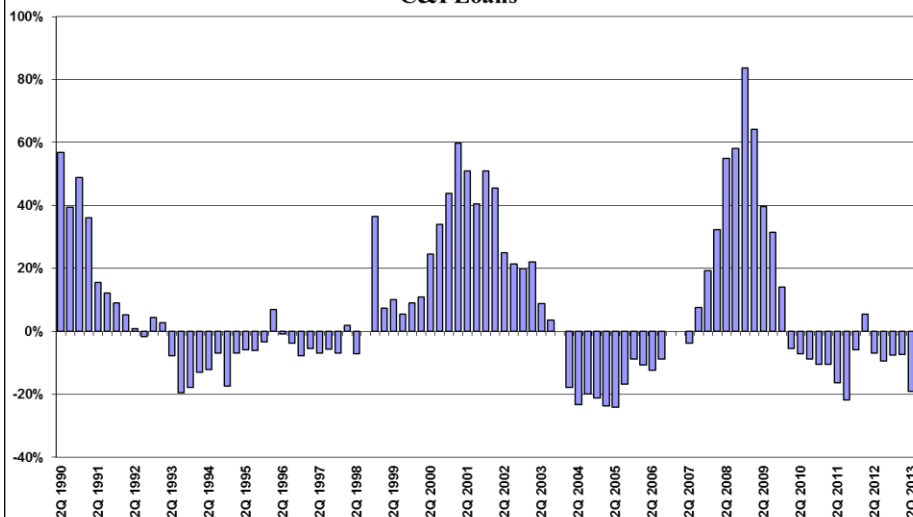
NA Ag Equipment Sales



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

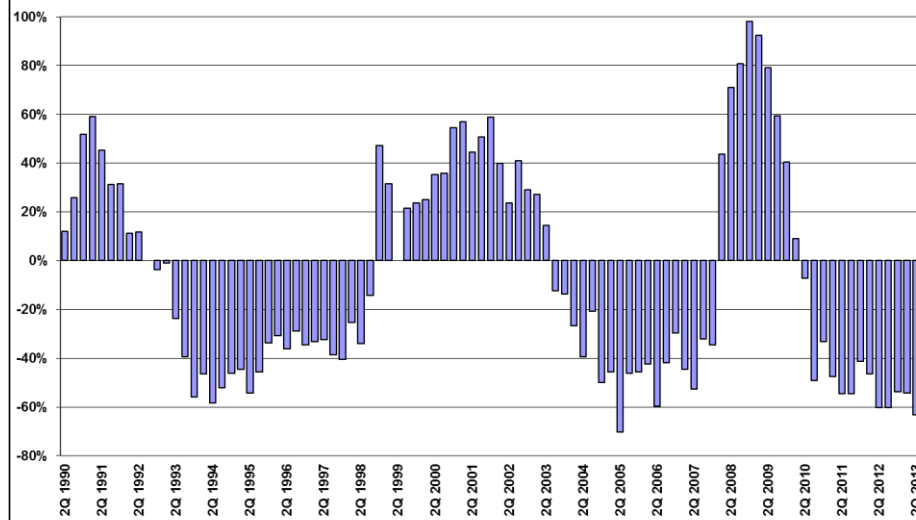
- The 2Q13 Senior Loan Officer survey saw a further loosening of loan standards. A net 19% of loan officers reported easier credit standards in 4Q12 compared with a net 7% in 1Q.
- Bank rate spreads contracted again in 2Q13 with a net 63% of loan officers reporting lower lending spreads, up from a net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

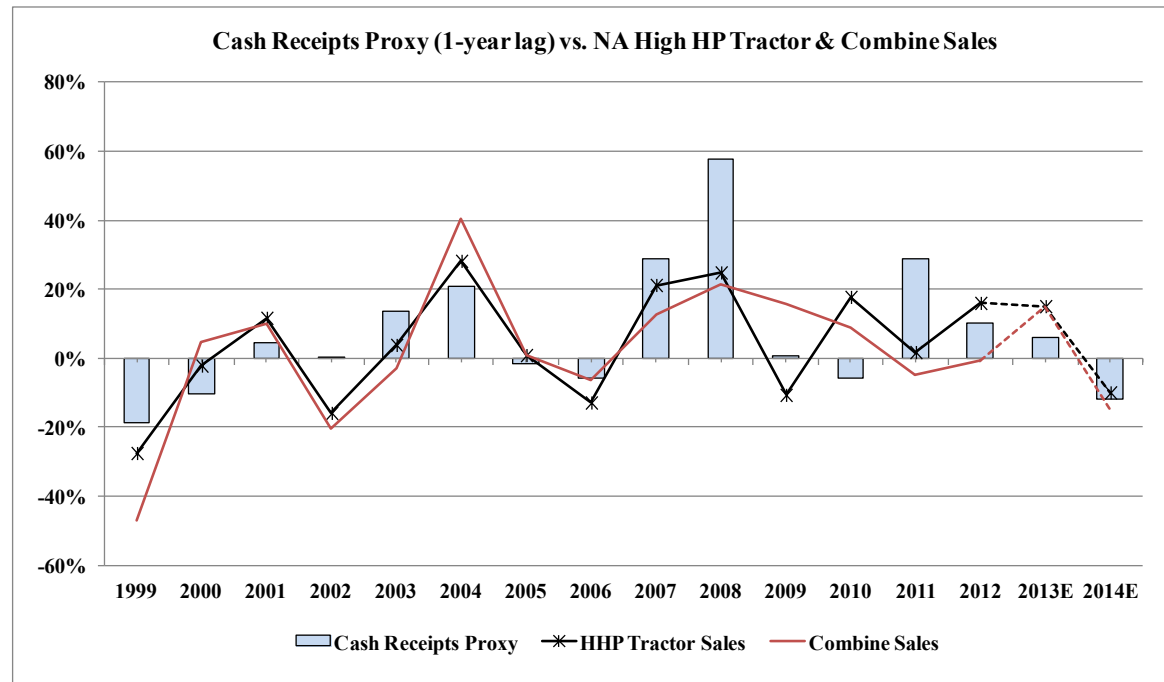
Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds



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 (11%) decline in our simplified cash receipts proxy, slightly better than the August 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 to down 11% over 2012, slightly better than the down 12% from 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				
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%
August	13,763	11,450	1,225	12,675	1,873	16.4%	\$4.50-\$5.30	August	23,918	25,166	4,075	16.2%
September	13,843	11,450	1,225	12,675	1,855	16.2%	\$4.40-\$5.20	September	23,820	25,078	4,107	16.4%
Revision to 2013/14:								Corn Futures Price: \$4.57				
Change m/m	80	0	0	0	-18	-0.2%	-\$0.10	m/m chg	-99	-88	32	0.6%
Change y/y	3,063	1,065	475	1,540	1,096	8.9%	(\$2.10)	y/y chg	856	1,452	-72	-1.3%
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				
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%
August	3,255	3,176	1,385	4,561	220	6.9%	\$10.35-\$12.35	August	7,096	8,083	2,435	30.1%
September	3,149	3,140	1,370	4,510	150	4.8%	\$11.50-\$13.50	September	7,200	8,110	2,479	30.6%
Revision to 2013/14: NA								Soybean Futures Price: \$13.17				
Change m/m	-106	-36	-15	-51	-70	-2.1%	\$1.15	m/m chg	104	27	43	0.4%
Change y/y	134	60	20	80	25	0.7%	(\$1.80)	y/y chg	327	333	309	2.7%
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				
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%
August	2,114	1,311	1,100	2,411	551	42.0%	\$6.40-\$7.60	August	23,804	24,659	5,805	23.5%
September	2,114	1,311	1,100	2,411	561	42.8%	\$6.50-\$7.50	September	23,933	24,647	5,916	24.0%
Revision to 2013/14: NA								Wheat Futures Price: \$6.78				
Change m/m	0	0	0	0	10	0.8%	\$0.00	m/m chg	129	-12	111	0.5%
Change y/y	-155	-70	75	5	-170	-10.1%	(\$0.80)	y/y chg	2,112	1,229	26	-1.1%
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		\$22,228	\$17,337	\$7,199	\$46,764 -6%
2005/06	11,114	3,063	2,105		\$2.00	\$5.66	\$3.42		\$32,014	\$20,499	\$7,719	\$60,232 29%
2006/07	10,531	3,188	1,812		\$3.04	\$6.43	\$4.26		\$54,760	\$27,038	\$13,290	\$95,088 58%
2007/08	13,038	2,677	2,051		\$4.20	\$10.10	\$6.48		\$49,094	\$29,581	\$16,943	\$95,618 1%
2008/09	12,092	2,967	2,499		\$4.06	\$9.97	\$6.78		\$47,131	\$31,911	\$10,868	\$89,910 -6%
2009/10	13,092	3,359	2,218		\$3.60	\$9.50	\$4.90		\$65,347	\$37,951	\$12,470	\$115,767 29%
2010/11	12,447	3,329	2,207		\$5.25	\$11.40	\$5.65		\$75,384	\$37,742	\$14,493	\$127,618 10%
2011/12	12,358	3,056	1,999		\$6.10	\$12.35	\$7.25		\$74,382	\$43,115	\$17,698	\$135,195 6%
2012/13	10,780	3,015	2,269		\$6.90	\$14.30	\$7.80					
2013/14												
July	13,950	3,420	2,114		\$4.80	\$10.75	\$7.10		\$66,960	\$36,765	\$15,009	\$118,734 -12%
August	13,763	3,255	2,114		\$4.90	\$11.35	\$7.00		\$67,439	\$36,944	\$14,798	\$119,181 -12%
September	13,843	3,149	2,114		\$4.80	\$12.50	\$7.00		\$66,446	\$39,363	\$14,798	\$120,607 -11%

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

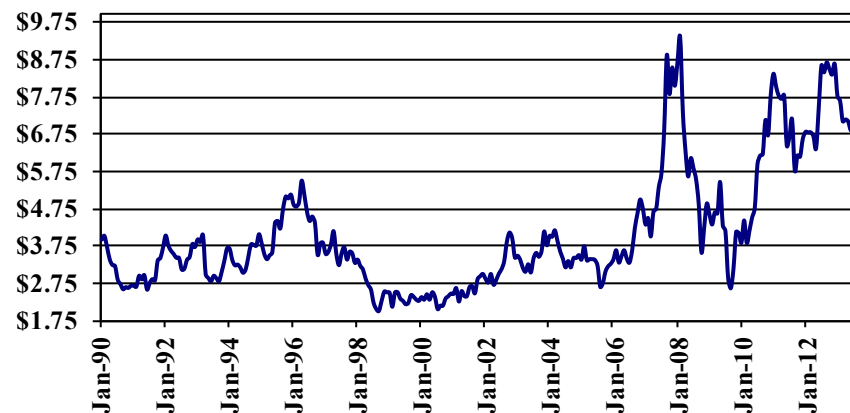
Source: USDA; Cleveland Research estimates

Long Term Commodity Price Trends

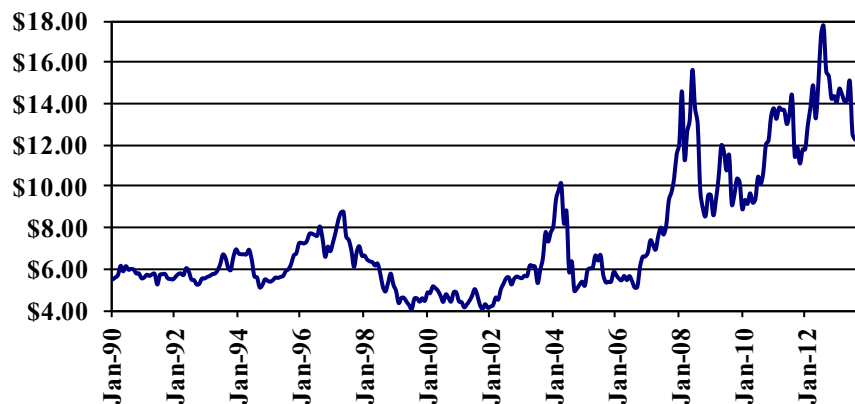
Corn Price Trends



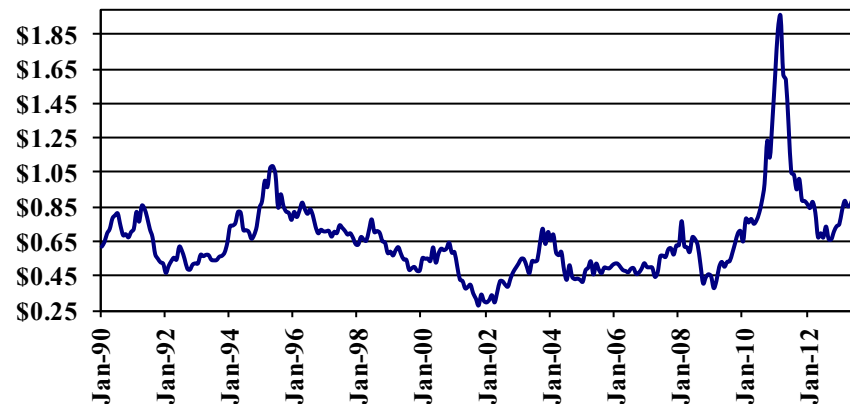
Wheat Price Trends



Soybean Price Trends



Cotton Price Trends



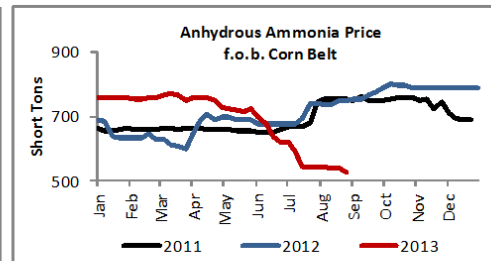
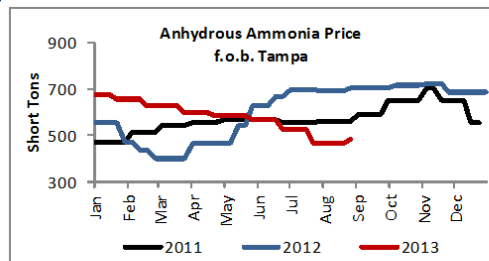
Commodity Trends – Long Run Supply and Demand Projections

2013 USDA - Long Run Crop Supply and Demand Projections								
CORN - DOMESTIC								
Year	Production	Domestic Use	Use for Ethanol	Exports	Total Use	End Stocks	Stocks/Use	Avg Price
2004/05	11,807	8,848	1,323	1,814	10,662	2,114	19.8%	\$2.06
2005/06	11,114	9,122	1,603	2,147	11,270	1,967	17.5%	\$2.00
2006/07	10,531	9,081	2,150	2,125	11,206	1,304	11.6%	\$3.04
2007/08	13,038	10,302	3,026	2,436	12,738	1,624	12.7%	\$4.20
2008/09	12,092	10,198	3,677	1,858	12,056	1,673	13.9%	\$4.06
2009/10	13,092	11,086	4,568	1,980	13,066	1,708	13.1%	\$3.55
2010/11	12,447	11,220	4,800	1,835	13,055	1,128	8.6%	\$5.18
2011/12	12,358	10,984	5,011	1,543	12,527	988	7.9%	\$6.22
2012/13	10,725	10,017	4,500	1,150	11,167	647	5.8%	\$7.60
2013/14	14,435	11,340	4,675	1,700	13,040	2,067	15.9%	\$5.40
2014/15	13,610	11,570	4,825	1,900	13,470	2,232	16.6%	\$4.10
2015/16	13,105	11,545	4,825	2,000	13,545	1,817	13.4%	\$4.30
2015/17	13,595	11,715	4,850	2,050	13,765	1,672	12.1%	\$4.40
2017/18	13,925	11,880	4,900	2,125	14,005	1,617	11.5%	\$4.50
2018/19	14,255	12,070	4,975	2,200	14,270	1,627	11.4%	\$4.55
2019/20	14,500	12,260	5,075	2,275	14,535	1,617	11.1%	\$4.60
2020/21	14,750	12,450	5,175	2,350	14,800	1,592	10.8%	\$4.65
2021/22	15,000	12,645	5,275	2,425	15,070	1,547	10.3%	\$4.75
2022/23	15,260	12,835	5,375	2,500	15,335	1,497	9.8%	\$4.85
10-yr Avg	14,244	12,031	4,995	2,153	14,184	1,729	12.3%	\$4.61

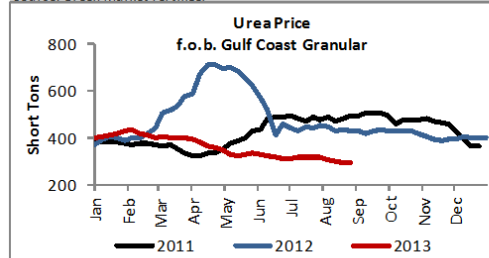
2013 USDA - Long Run Crop Supply and Demand Projections								
SOYBEANS - DOMESTIC								
Year	Production	Domestic Use	Exports	Total Use	End Stocks	Stocks/Use	Avg Price	
2004/05	3,124	2,986	1,103	4,089	256	6.3%	\$5.74	
2005/06	3,063	1,927	947	2,874	449	15.6%	\$5.66	
2006/07	3,188	3,073	1,118	4,191	574	13.7%	\$6.43	
2007/08	2,677	3,056	1,161	4,217	205	4.9%	\$10.10	
2008/09	2,967	3,047	1,283	4,330	138	3.2%	\$9.97	
2009/10	3,359	3,361	1,499	4,860	151	3.1%	\$9.59	
2010/11	3,329	3,280	1,501	4,781	215	4.5%	\$11.30	
2011/12	3,094	1,793	1,362	3,155	169	5.4%	\$12.30	
2012/13	2,971	1,676	1,345	3,021	140	4.6%	\$14.30	
2013/14	3,335	1,790	1,515	3,305	185	5.6%	\$11.35	
2014/15	3,280	1,802	1,480	3,282	197	6.0%	\$10.35	
2015/16	3,360	1,838	1,530	3,368	204	6.1%	\$10.65	
2015/17	3,415	1,869	1,560	3,429	205	6.0%	\$10.75	
2017/18	3,470	1,900	1,575	3,475	215	6.2%	\$10.85	
2018/19	3,505	1,926	1,590	3,516	219	6.2%	\$10.90	
2019/20	3,535	1,956	1,590	3,546	222	6.3%	\$10.95	
2020/21	3,570	1,982	1,600	3,582	226	6.3%	\$11.05	
2021/22	3,600	2,012	1,605	3,617	223	6.2%	\$11.20	
2022/23	3,635	2,038	1,610	3,648	226	6.2%	\$11.35	
10-yr Avg	3,471	1,911	1,566	3,477	212	6.1%	\$10.94	

2013 USDA - Long Run Crop Supply and Demand Projections								
WHEAT - DOMESTIC								
Year	Production	Domestic Use	Exports	Total Use	End Stocks	Stocks/Use	Avg Price	
2004/05	2,158	1,172	1,063	2,235	540	24.2%	\$3.40	
2005/06	2,105	1,146	1,009	2,155	571	26.5%	\$3.42	
2006/07	1,812	1,140	909	2,049	456	22.3%	\$4.26	
2007/08	2,051	1,050	1,264	2,314	306	13.2%	\$6.48	
2008/09	2,499	1,260	1,015	2,275	657	28.9%	\$6.78	
2009/10	2,218	1,138	879	2,017	976	48.4%	\$4.87	
2010/11	2,207	1,128	1,289	2,417	862	35.7%	\$5.70	
2011/12	1,999	1,182	1,050	2,231	743	33.3%	\$7.24	
2012/13	2,269	1,338	1,100	2,438	704	28.9%	\$8.10	
2013/14	2,190	1,281	1,000	2,281	733	32.1%	\$7.20	
2014/15	2,105	1,234	925	2,159	804	37.2%	\$5.40	
2015/16	2,005	1,231	930	2,161	778	36.0%	\$5.65	
2015/17	2,025	1,238	935	2,173	765	35.2%	\$5.75	
2017/18	2,040	1,244	940	2,184	761	34.8%	\$5.85	
2018/19	2,035	1,251	940	2,191	745	34.0%	\$5.90	
2019/20	2,050	1,258	940	2,198	737	33.5%	\$5.95	
2020/21	2,065	1,265	940	2,205	737	33.4%	\$6.00	
2021/22	2,080	1,272	940	2,212	745	33.7%	\$6.10	
2022/23	2,080	1,279	940	2,219	746	33.6%	\$6.20	
10-yr Avg	2,068	1,255	943	2,198	755	34.4%	\$6.00	

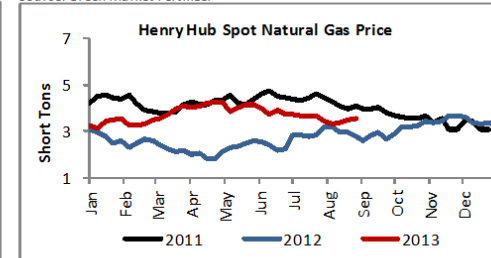
Other Input and Chemical Costs – 2011-2013



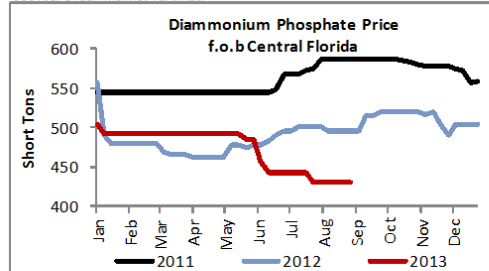
Source: Green Market Fertilizer



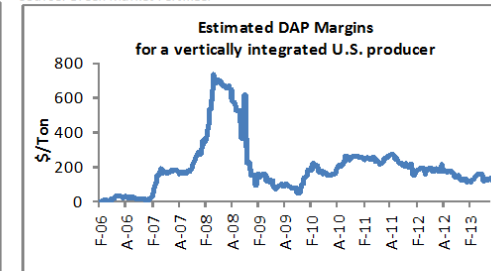
Source: Green Market Fertilizer



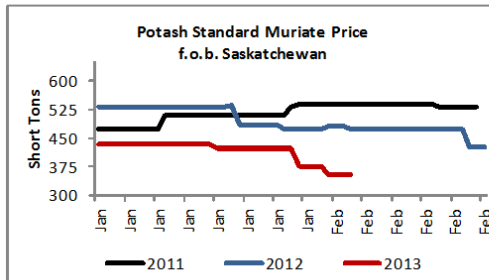
Source: Green Market Fertilizer



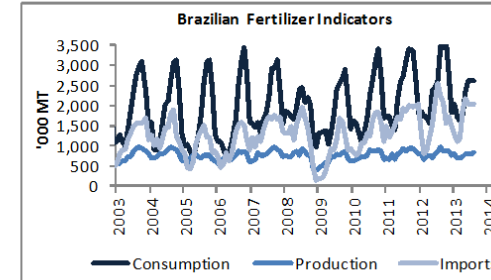
Source: Green Market Fertilizer



Source: Green Market Fertilizer



Source: Green Market Fertilizer



Source: Green Market Fertilizer

Source: ANDA

U.S. Acreage Planted Per Crop Year

