

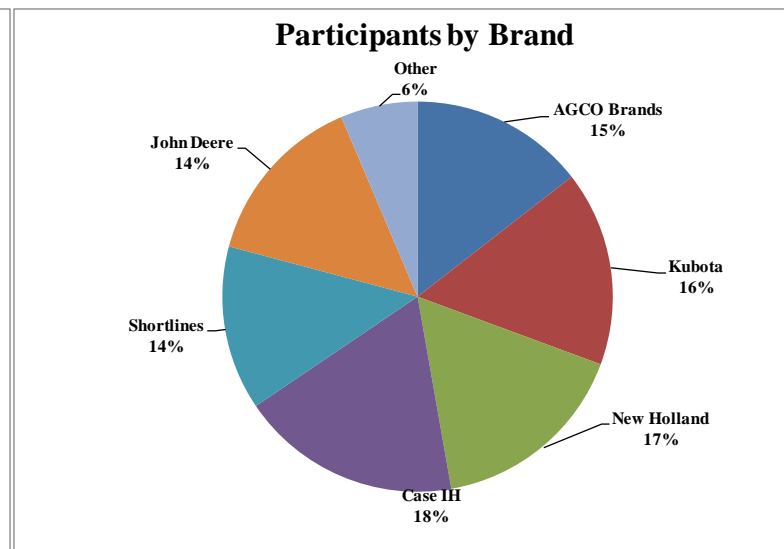
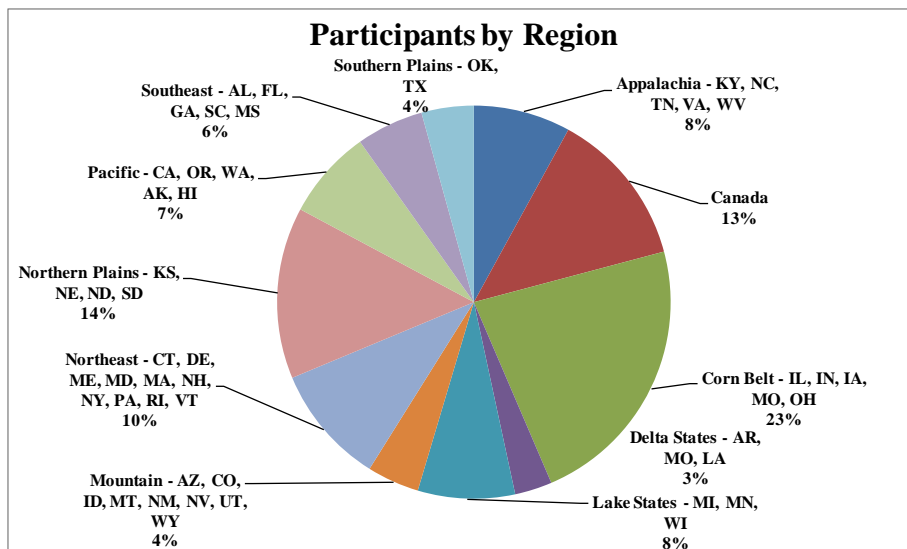
# ***Ag Equipment Intelligence***

April 2014 Dealer Sentiments &  
Business Conditions Update

# Monthly Ag Equipment Intelligence North American Dealer Survey

## Background:

- We are pleased to announce the results of the April 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 April survey had ~163 respondents representing combined annual revenues of roughly \$6.6 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.



## Highlights / Summary Thoughts

- **Industry Sales Down 2% y/y in March** – Dealers reported sales were down 2% on average in March, slightly worse than the flat sales reported last month. Case IH dealers reported the worst results for the month with average sales down 6%, while Kubota and “Other” dealers reported 1% growth for the month.
- **2014 Dealer Outlook for Sales Down 3%, Inline with Last Several Months** - For 2014, dealers are expecting a 3% sales decline vs the 2% decline forecast last month. Deere & Co. is forecasting the N. American Ag equipment industry to be down 5-10% in units in 2014, while AGCO expects the market to be flat to down 5%.
- **New Equipment Inventories Still “Too High” but Better** - A net 15% of dealers categorize their new inventory as “too high” (28% too high; 59% about right; 13% too low) compared to the net 9% who reported inventories “too high” last month.
- **Used Inventory Levels Remain Elevated** – A net 44% of dealers reported used combines inventories were “too high” (48% too high, 47% comfortable, 5% too low), similar to the net 46% last month. More broadly, overall used inventories were reported as “too high” by a net 36% of dealers vs the net 30% “too high” last month.

# Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales were down 2% in March, down from the flat sales reported in February.
- Kubota and “Other” dealers were the only two brands to see modest growth in March at 1% y/y, while Case IH dealers reported the largest sales declines of 6% y/y on average for the month.
- A net 5% of dealers reported worse than expected results for March, similar to February in which a net 4% of dealers’ sales were below plan.

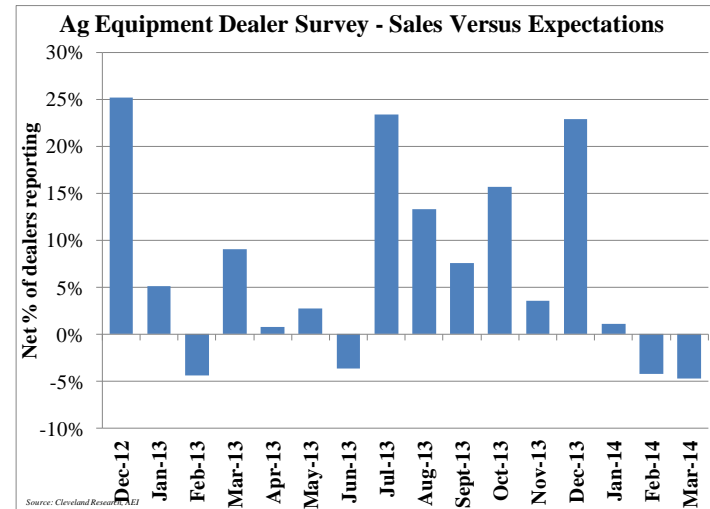
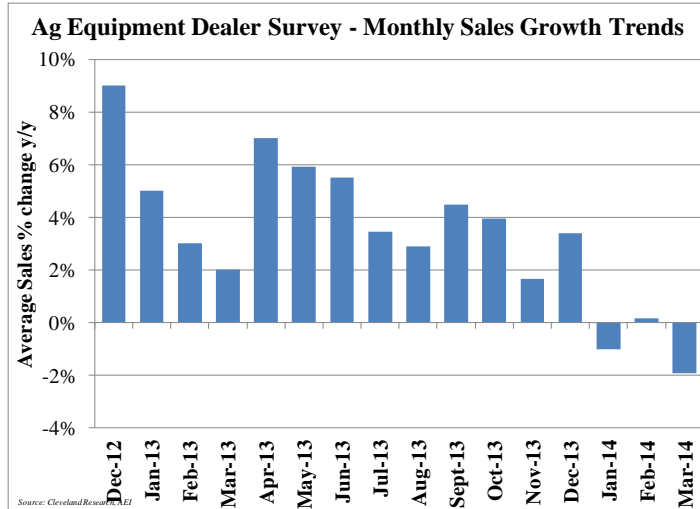
N. American Farm Equipment Dealer Survey - Average Dealer Sales Growth																
% Change y/y	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
<b>Overall</b>	9%	5%	3%	2%	7%	6%	5%	3%	3%	4%	4%	2%	3%	-1%	0%	-2%
By Brand	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
AGCO	13%	-2%	0%	5%	5%	1%	1%	-1%	-2%	-3%	-1%	4%	-4%	-3%	0%	-2%
John Deere	9%	6%	4%	1%	9%	9%	6%	4%	-7%	5%	7%	2%	5%	-2%	2%	0%
New Holland	6%	3%	1%	4%	5%	5%	7%	2%	4%	2%	4%	5%	5%	-1%	-2%	-2%
Case IH	5%	7%	4%	3%	6%	-1%	5%	5%	12%	6%	3%	2%	3%	0%	-2%	-6%
Kubota	8%	4%	3%	6%	13%	-2%	10%	3%	4%	4%	0%	2%	6%	6%	-3%	1%
Shortlines	3%	1%	-2%	4%	3%	5%	4%	11%	-1%	11%	12%	5%	6%	-2%	0%	-2%
Other	4%	6%	-3%	NA	5%	7%	3%	13%	0%	0%	5%	na	-1%	13%	0%	1%

Source: Cleveland Research

N. American Farm Equipment Dealer Survey - Sales Versus Expectations																
% of Dealers Reporting	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Better than expected	38%	23%	18%	27%	25%	23%	19%	38%	33%	27%	32%	24%	39%	25%	20%	21%
In line with expectations	49%	59%	60%	55%	52%	57%	58%	48%	47%	54%	51%	56%	45%	51%	55%	54%
Worse than expected	13%	18%	22%	18%	24%	20%	23%	14%	20%	19%	17%	20%	16%	24%	25%	26%
<b>Net % (Better - Worse)</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>	<b>13%</b>	<b>8%</b>	<b>16%</b>	<b>4%</b>	<b>23%</b>	<b>1%</b>	<b>-4%</b>	<b>-5%</b>

Source: Cleveland Research, AEI.

# Monthly Sales Growth Continued



**N. American Farm Equipment Dealer Survey - Average Dealer Revenue Growth Trends**

% of Dealers Reporting	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Positive Sales Growth	69%	48%	44%	51%	60%	58%	52%	64%	53%	57%	59%	45%	63%	40%	45%	49%
Flat Sales	14%	28%	35%	30%	20%	19%	21%	21%	21%	25%	20%	35%	18%	24%	17%	22%
Negative Sales Growth	17%	24%	21%	19%	20%	23%	27%	15%	26%	18%	22%	20%	19%	36%	37%	29%
<b>Net % Reporting Growth</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>	<b>26%</b>	<b>39%</b>	<b>37%</b>	<b>26%</b>	<b>44%</b>	<b>3%</b>	<b>8%</b>	<b>20%</b>
<b>Average % Change y/y</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>3%</b>	<b>4%</b>	<b>4%</b>	<b>2%</b>	<b>3%</b>	<b>-1%</b>	<b>0%</b>	<b>-2%</b>

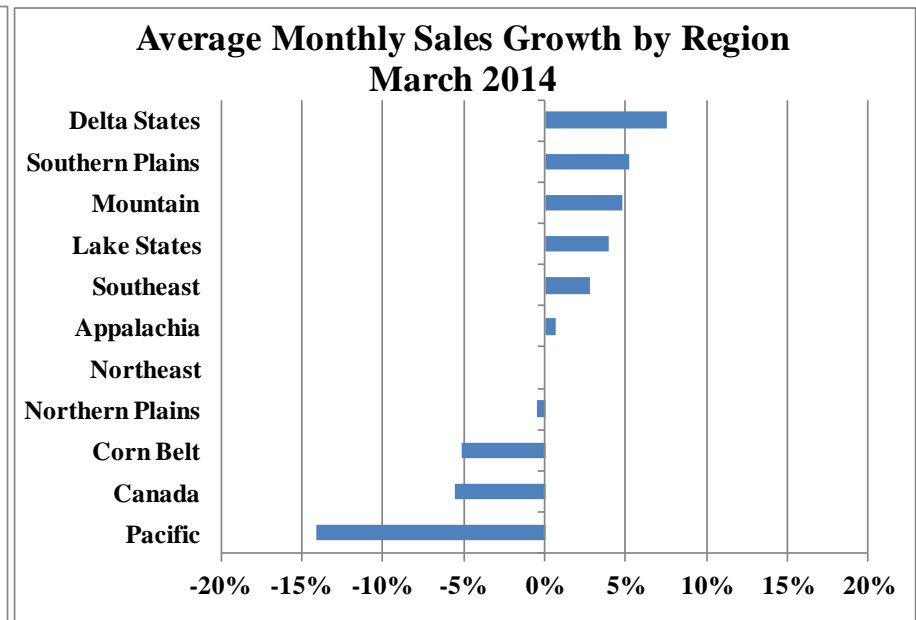
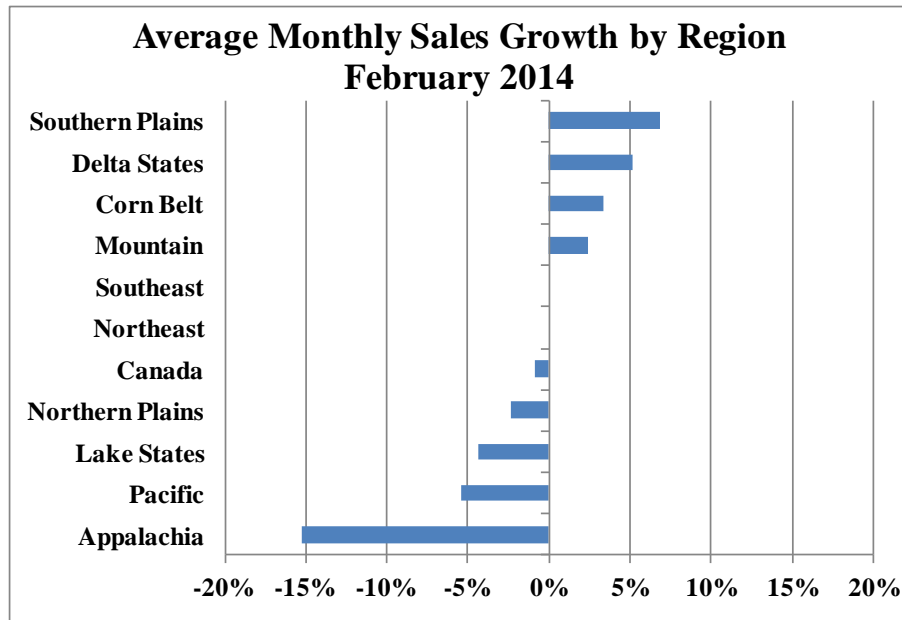
**Optimism/Sentiment vs. Last Month**

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
More Optimistic	28%	34%	34%	21%	27%	27%	26%	21%	19%	14%	15%	14%	9%	12%	24%	26%
Same	55%	51%	50%	54%	58%	52%	50%	58%	50%	62%	60%	45%	52%	52%	50%	51%
Less Optimistic	18%	15%	16%	26%	15%	21%	24%	21%	31%	23%	25%	41%	39%	36%	26%	23%
<b>Net % Dealer Optimism</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>	<b>-12%</b>	<b>-9%</b>	<b>-11%</b>	<b>-27%</b>	<b>-30%</b>	<b>-23%</b>	<b>-1%</b>	<b>3%</b>

Source: Cleveland Research

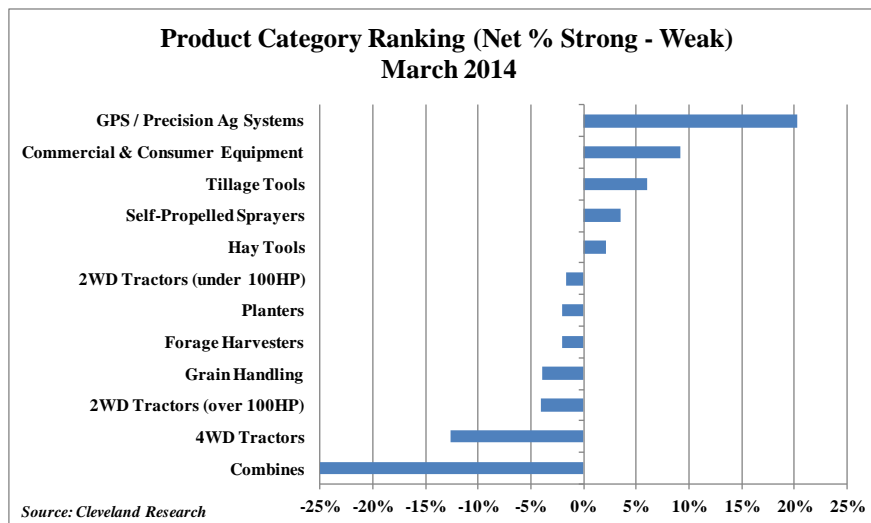
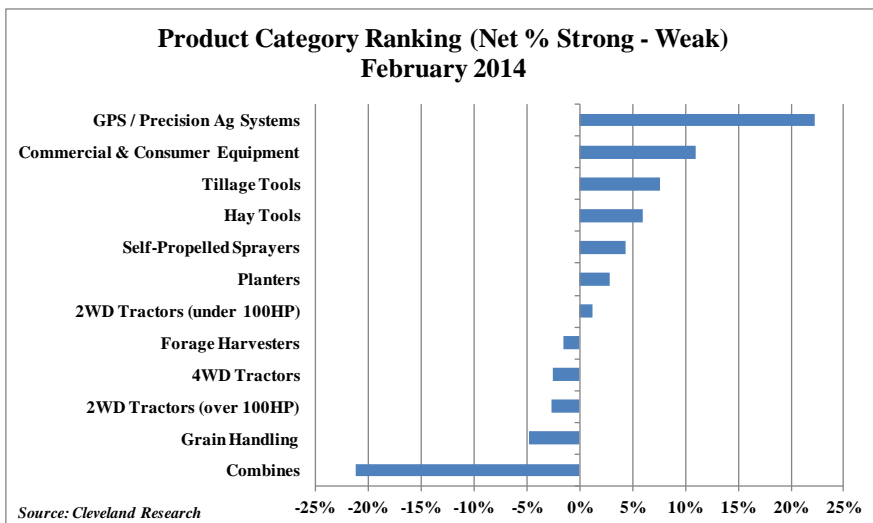
# Monthly Sales Growth by Region

- Six out of eleven regions showed positive average monthly sales growth in March compared to four who reported growth in February. The Delta States was the strongest performing region reporting sales up 8% y/y on average, while the Pacific region was the worst performing with average sales down 14% y/y.
- Compared to last month, the Appalachia region saw the strongest pick up in sales growth going from down 15% last month to up 1% this month. The Pacific region saw largest deceleration with sales going from down 5% y/y in February to sales down 14% y/y in March.

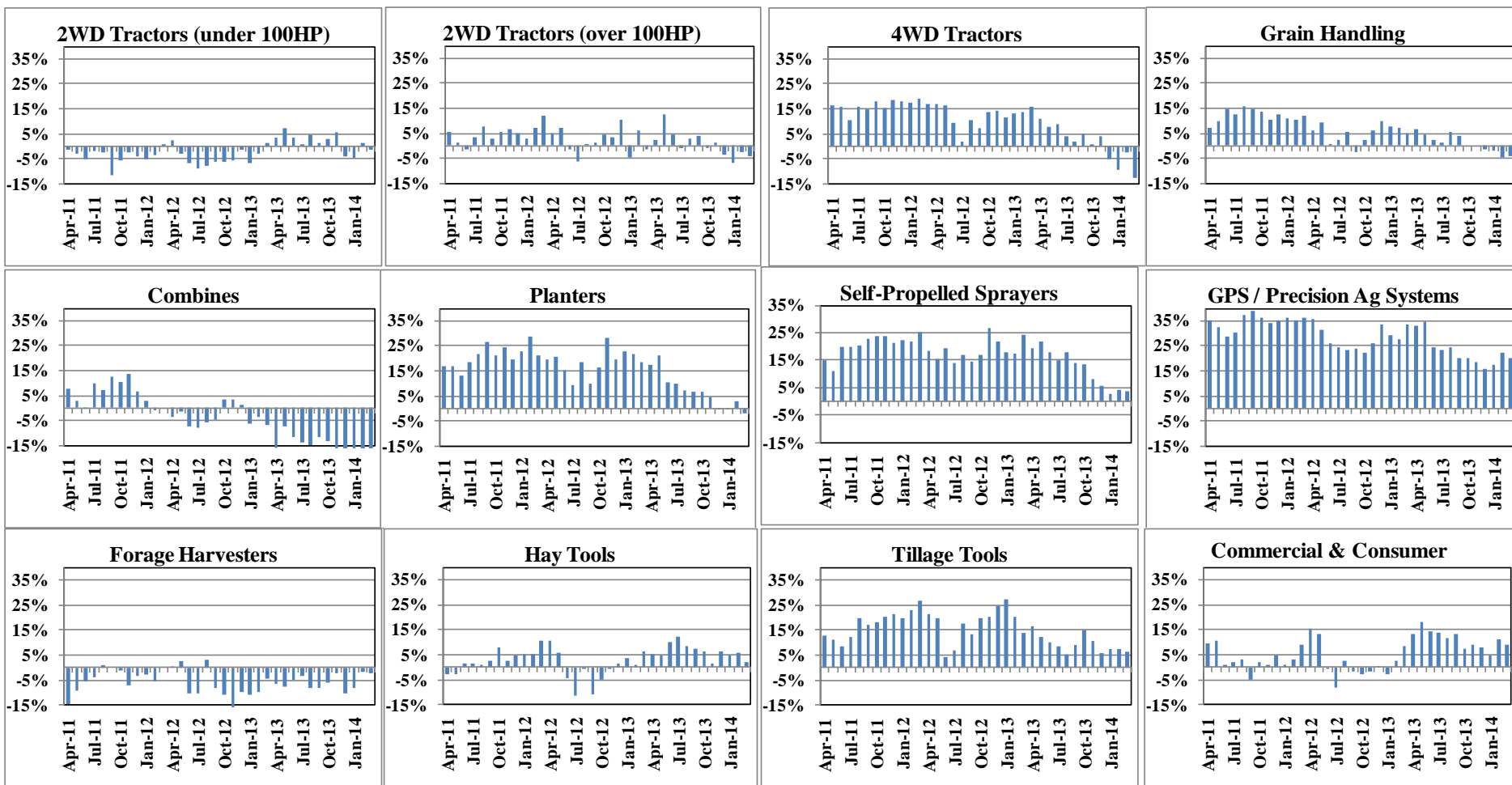


# Equipment Category Sales Trends

- Five out of twelve product categories ranked in net positive territory in March, down from seven last month. GPS/Precision Ag systems was again the best performing category for the 16th straight month, while Combines were the weakest category for the 11<sup>th</sup> straight month.
- Comparing March to February, ten of the twelve product categories were reported worse. 4WD tractors saw the largest decline in net % reporting strength, while Grain Handling equipment was the only category to show improvement compared last month.



# Equipment Category Sales Trends





# Dealer Commentary on Monthly Sales and Outlook

- *The reason that it is up is that we received more new inventory earlier in the year.*
- *We're living off of pre sells from last quarter. Now we see what 2014 really brings.*
- *It was too cold in Jan and Feb.*
- *I believe farmers are planning for a later planting season and are purchasing 4WD tractors to make it through the conditions, along with large field cultivators to cover more acres per hour.*
- *Used inventory is dropping in value and farmers want to pay less to trade and it is putting a squeeze on our margin which is too low to begin with.*
- *The cold, long winter affected 1st quarter sales. We should balance out budget #'s by end of April.*
- *Weather still an issue along with too much used inventory, depreciation changes, crop prices.*
- *In a strong dairy state. Strong dairy prices.*
- *Drought in California is having a significant impact on high horsepower and 4WD tractor sales.*
- *Extreme drought combined with a late freeze have caused us to be less optimistic than we were last month.*
- *Crop prices are seeming to hold steady if depreciation rules are reinstated would be a boost for remainder of 14.*
- *Lots of questions about the drought in the West.*
- *Late spring is affecting commodity prices and the need for more equipment to get planting done.*
- *Cattle prices are strong and grain prices improving.*
- *Prices for old crops are great. Insurance has been locked in at a reasonable price. The late spring is putting pressure on farmers to have good equipment that covers a lot of ground efficiently, and we're also seeing larger discounts from manufacturers that are scared sales are going to drop.*
- *We are in the midst of a 3 year drought which is beginning to have a negative impact new equipment sales. Used tractor sales, from our rental fleet, have not been affected as much by the drought.*
- *Nobody is buying based on commodity price and extended winter.*
- *There is a lot of ground to make up due to lack of sales in the first quarter. Thus if it gets back to normal we will still be chasing the lost business so far in 2014.*

# Order Growth

## Overall Orders

- Incoming orders declined 4% y/y on average in March. Orders have been running down low-single-digits since November, with March being the largest y/y decline to date.
- All dealers saw declines in order growth for March except for AGCO and Other, while Case IH dealers saw the largest decline in orders at down 7% y/y.

## New Combine Order Intentions

- Combine order intentions were similar to last month, with a net 35% of dealers planning to order fewer combines than last year.

N. American Farm Equipment Dealer Survey - Average Orders Growth																
% Change y/y	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
<b>Overall</b>	4%	3%	3%	1%	2%	2%	0%	0%	2%	1%	1%	-2%	-3%	-3%	-2%	-4%
<b>By Brand</b>	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
AGCO	7%	2%	0%	0%	3%	-1%	0%	-7%	-2%	-5%	-2%	-2%	-5%	1%	-4%	0%
John Deere	5%	5%	4%	3%	2%	3%	2%	2%	7%	2%	2%	-2%	-3%	-4%	-1%	-5%
New Holland	-1%	0%	-1%	0%	0%	-1%	-1%	-1%	-12%	0%	0%	-3%	-1%	-6%	-3%	-4%
Case IH	2%	3%	4%	0%	3%	0%	-2%	1%	3%	1%	4%	-1%	-1%	-4%	-1%	-7%
Kubota	5%	2%	0%	1%	2%	1%	0%	-5%	-1%	0%	0%	-4%	1%	-6%	-2%	-3%
Shortlines	3%	5%	1%	0%	1%	0%	1%	9%	15%	5%	5%	-3%	-1%	-8%	0%	-6%
Other	0%	4%	0%	na	1%	1%	0%	0%	-1%	0%	0%	na	1%	6%	0%	3%

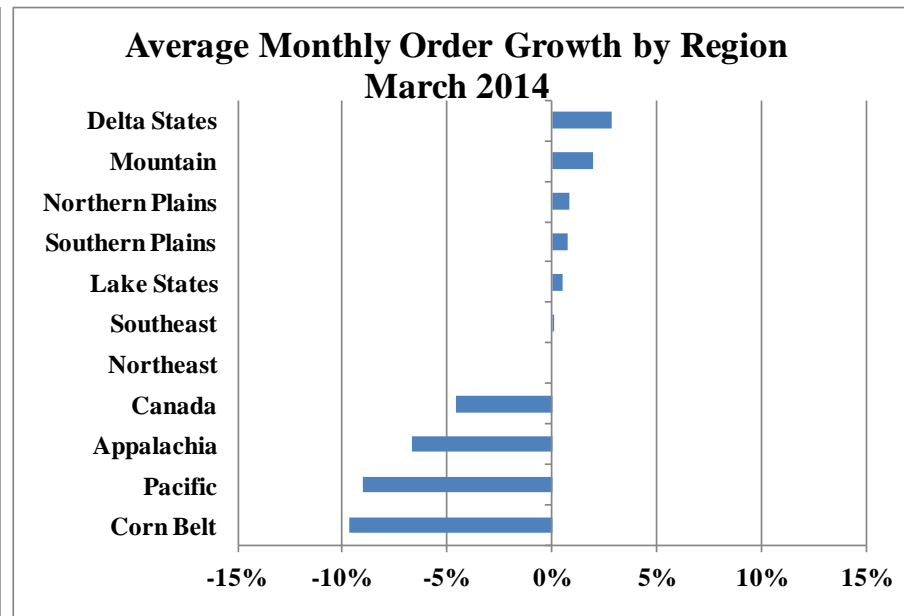
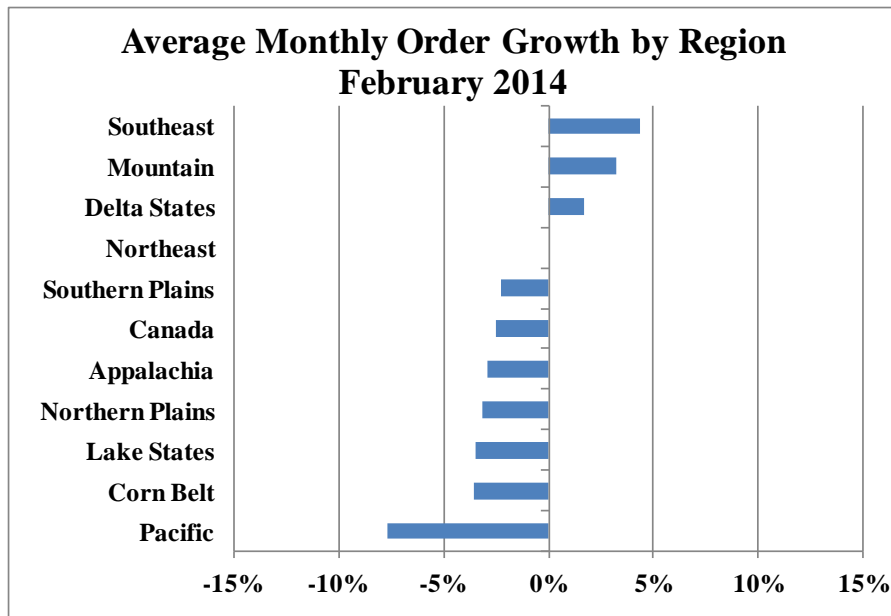
Source: Cleveland Research

New Combine Order Intentions vs. Last Year																
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
More	20%	20%	18%	16%	24%	9%	9%	14%	8%	16%	10%	11%	17%	8%	10%	7%
Same	54%	59%	55%	60%	60%	68%	62%	46%	49%	45%	39%	38%	44%	48%	44%	51%
Less	26%	21%	27%	23%	16%	23%	29%	41%	43%	39%	51%	52%	39%	44%	46%	42%
<b>Net % (More- Less)</b>	<b>-7%</b>	<b>-2%</b>	<b>-9%</b>	<b>-7%</b>	<b>8%</b>	<b>-14%</b>	<b>-20%</b>	<b>-27%</b>	<b>-35%</b>	<b>-22%</b>	<b>-40%</b>	<b>-41%</b>	<b>-22%</b>	<b>-36%</b>	<b>-37%</b>	<b>-35%</b>

Source: Cleveland Research

## Order Growth by Region

- Five out of eleven regions showed positive monthly order growth in March (although modest), above the three regions reporting growth in February. The Delta States saw the best order growth at up 3% y/y, while the Corn Belt reported average orders down 10% y/y.
- Compared to last month, the Corn Belt also showed the largest deceleration in order growth, while the Lake States and the Northern Plains saw the most significant acceleration in orders.



## 2014 Sales Outlook

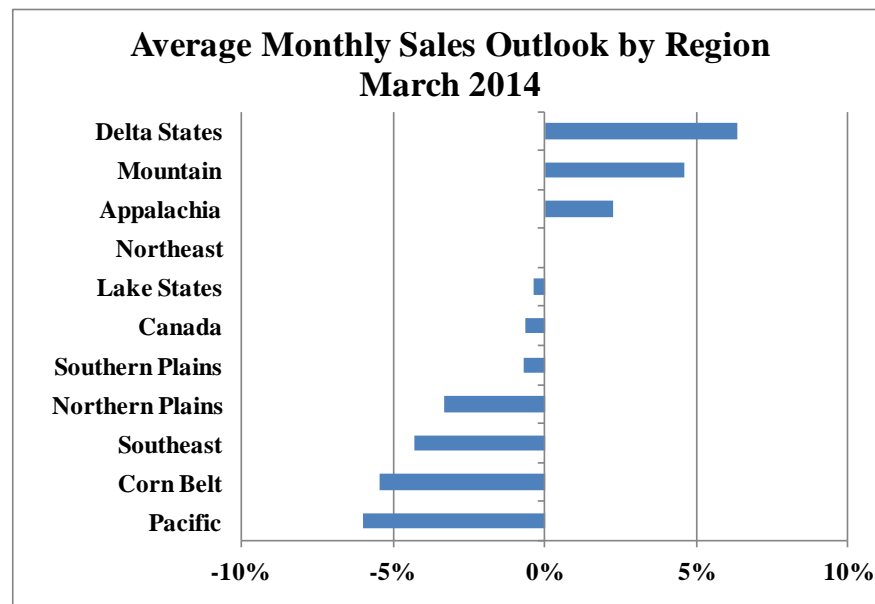
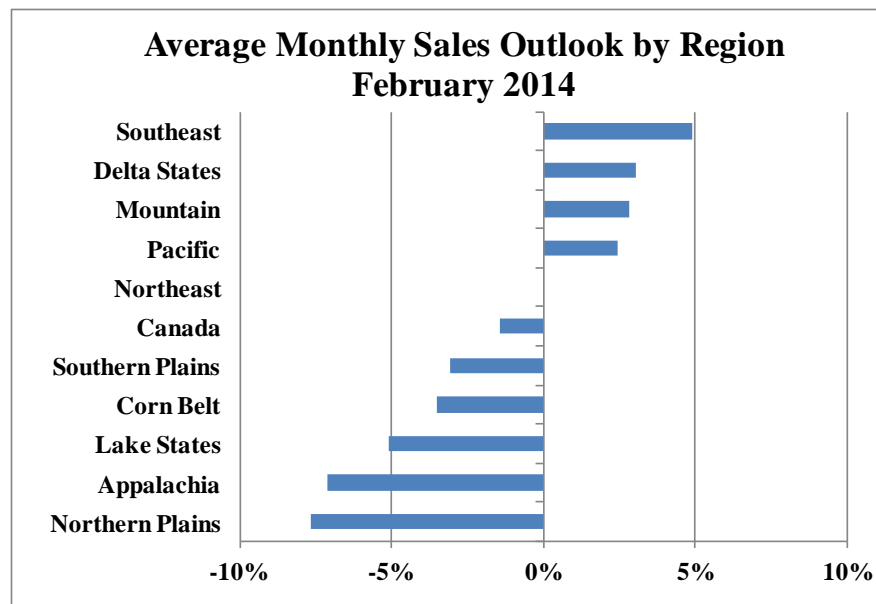
- For 2014, average dealer outlook is for a 3% sales decline, similar low-single-digit declines that dealers have been forecasting since November. Deere is forecasting the N. American Ag equipment market to be down 5-10% in 2014, while AGCO's forecast is slightly more bullish for the market down 0-5%.
- Among the survey participants, "Other" dealers were the most optimistic regarding 2014 growth (projecting sales up 7% y/y) while AGCO dealers are also expecting growth of 2% y/y on average for 2014.

N. American Farm Equipment Dealer Survey - Full Year Sales Forecast																
% change y/y	2013 Outlook									2014 Outlook						
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
AGCO	3%	2%	2%	6%	6%	2%	3%	-4%	2%	-1%	-3%	-2%	0%	-2%	-1%	2%
John Deere	3%	4%	4%	3%	5%	8%	4%	6%	1%	2%	2%	0%	-3%	-2%	-1%	-3%
New Holland	-1%	1%	0%	2%	4%	1%	6%	0%	-3%	2%	1%	-2%	-2%	-5%	0%	-1%
Case IH	-1%	3%	4%	1%	5%	0%	0%	3%	-5%	-3%	0%	-1%	-7%	-5%	-5%	-5%
Kubota	0%	4%	4%	3%	7%	4%	8%	-3%	3%	-1%	-1%	-3%	-2%	-3%	-1%	-2%
Shortlines	0%	4%	4%	2%	3%	3%	2%	12%	5%	4%	6%	-3%	0%	-4%	-3%	-4%
Other	2%	1%	5%	na	1%	3%	1%	4%	1%	2%	2%	na	0%	3%	3%	7%
<b>Overall</b>	<b>2%</b>	<b>4%</b>	<b>4%</b>	<b>3%</b>	<b>5%</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>0%</b>	<b>1%</b>	<b>-1%</b>	<b>-4%</b>	<b>-4%</b>	<b>-2%</b>	<b>-3%</b>

Source: Cleveland Research

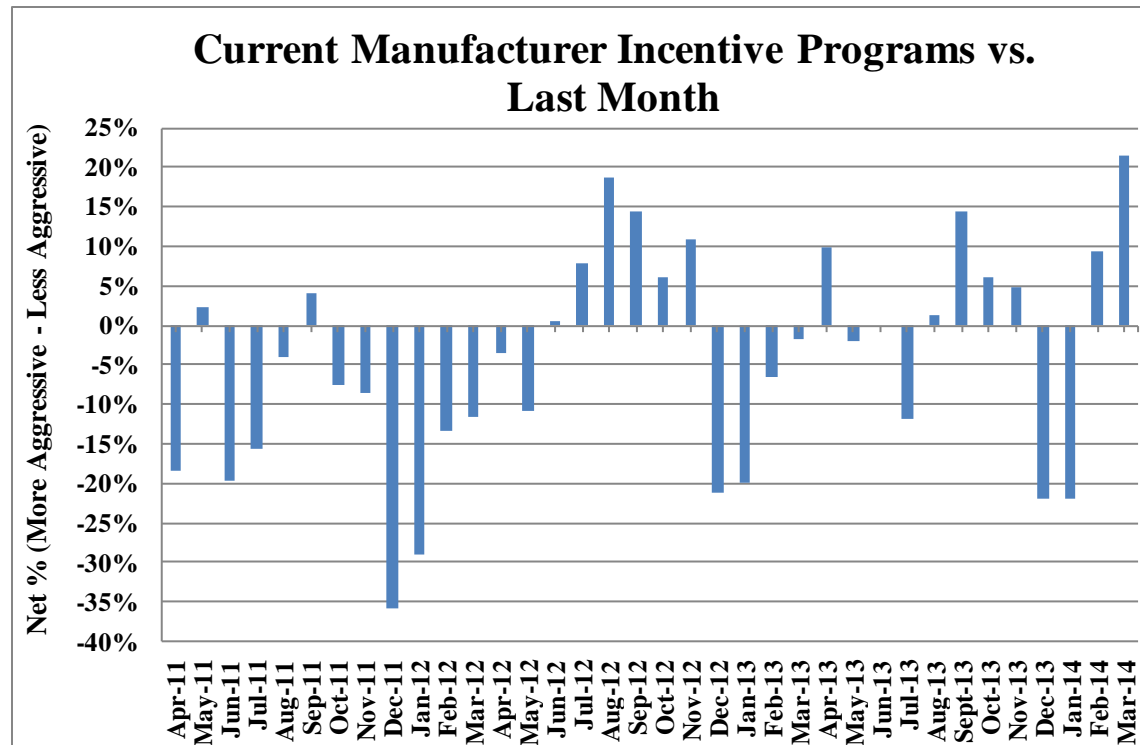
## 2014 Sales Outlook Continued

- Three of eleven regions are now projecting sales to grow for the full year 2014 in March compared to four regions last month. The Pacific region is now forecasting the largest sales decline for 2014 at down 6% y/y, while the Delta States are projecting the strongest growth at up 6% y/y.



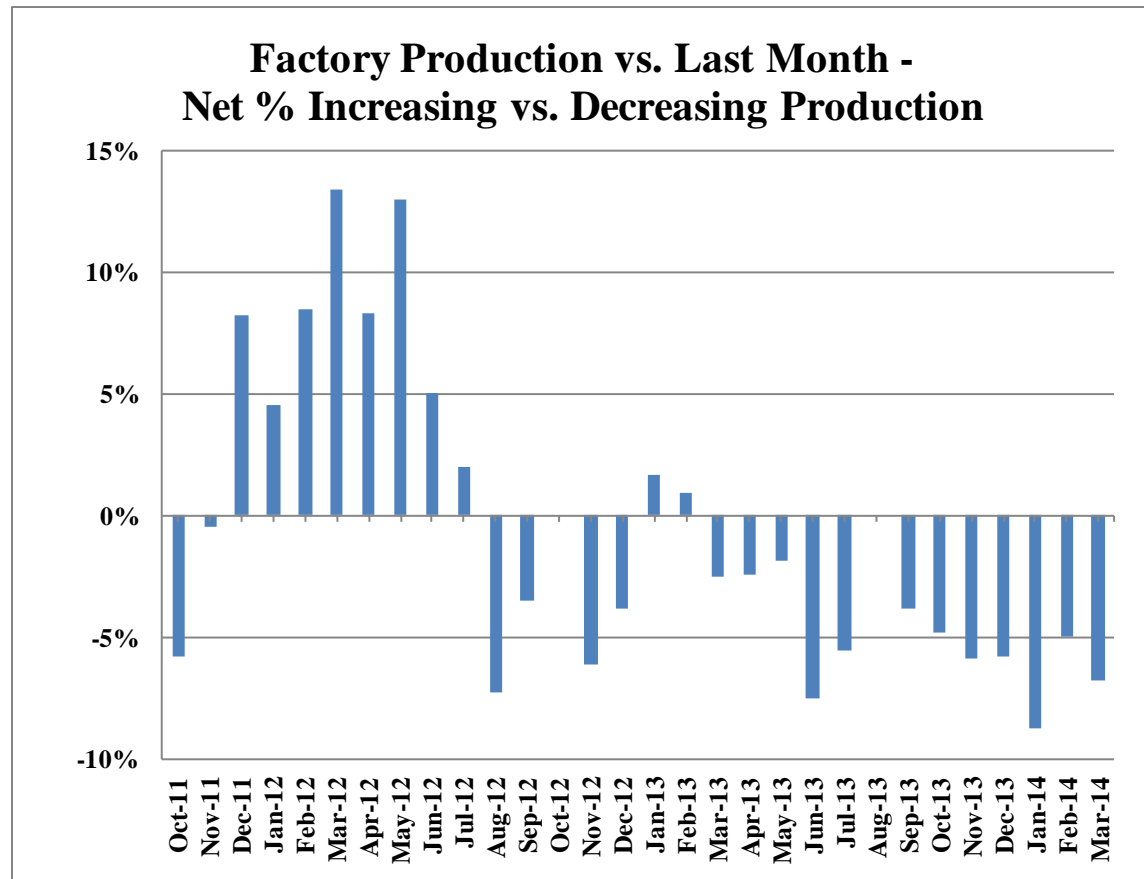
# Current Manufacturer Incentive Programs

- A net 21% of dealers report that manufacturers are more aggressive with incentives in March (31% more aggressive; 59% same; 10% less aggressive), up significantly over the past two months (net 22% less aggressive in Jan, net 9% more aggressive in Feb).



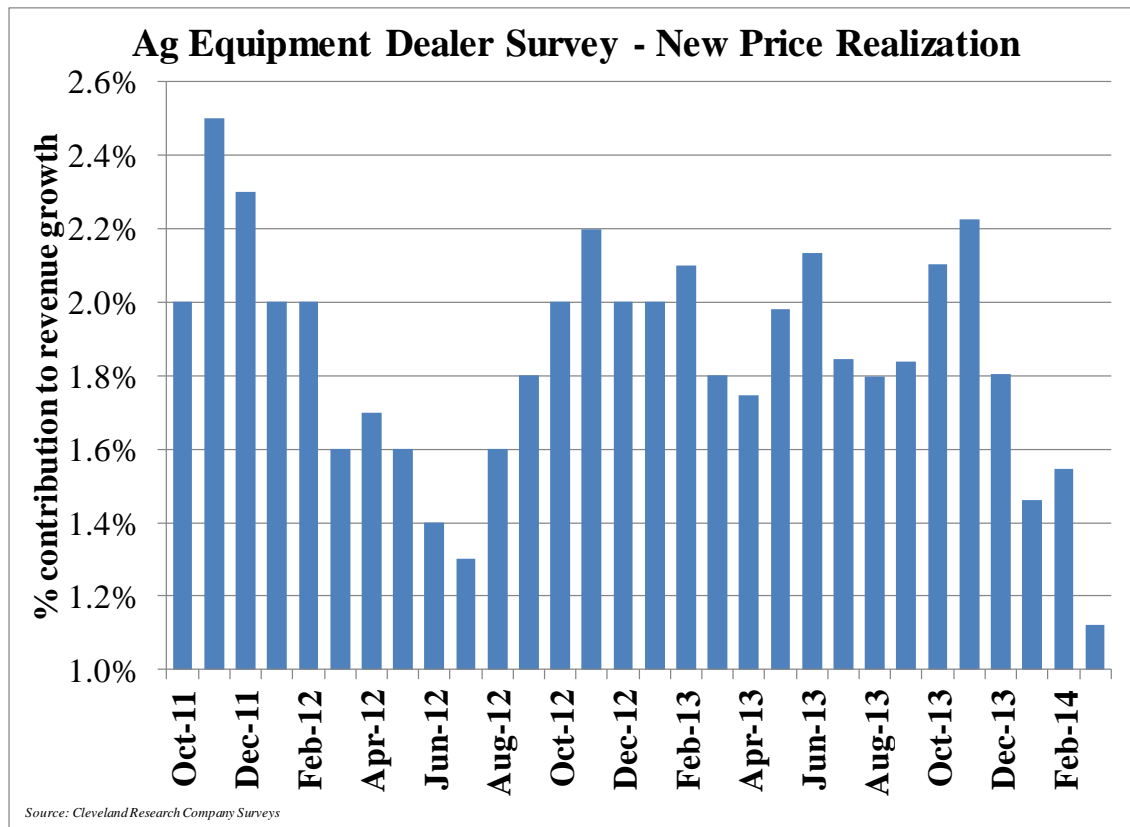
# Factory Production

- A net 7% of dealers report that factory production was down compared to last month (6% increasing production; 81% no change in production; 13% decreasing production).



# Pricing Trends

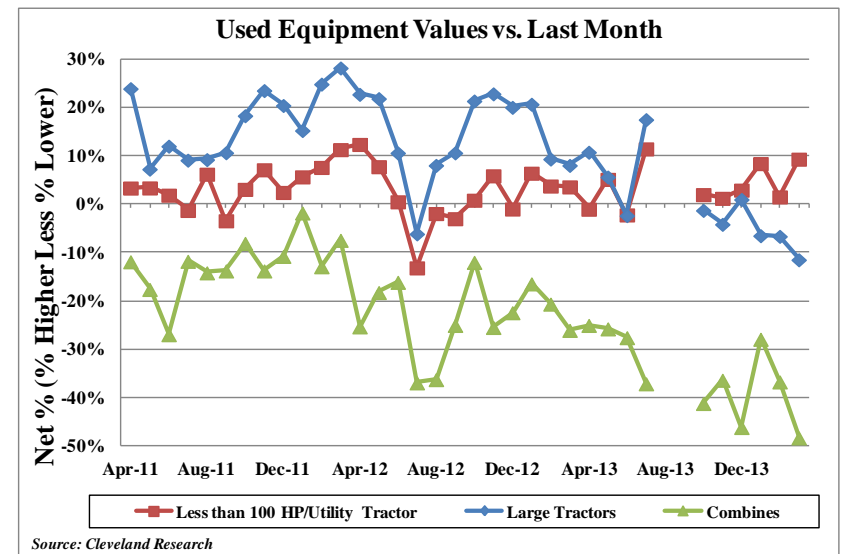
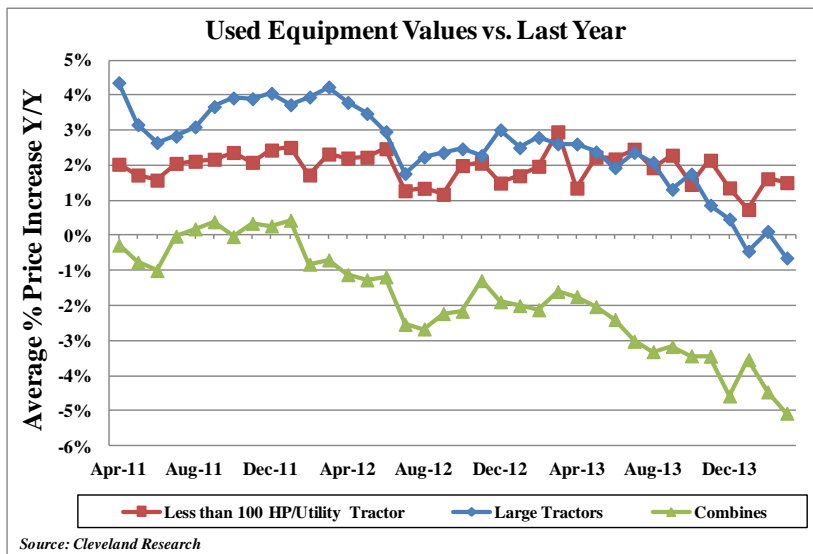
- Dealers report price contributed roughly ~1.1% to total March revenue growth. This downward trend since November is slightly surprising as new Model Year price increases and Final Tier 4 price increases should be rolling in, but aligns well with the reported increase in manufacturer incentive programs.





# Used Equipment Pricing

- Dealers reported used combine values continued to worsen in March on both a y/y and sequential basis and are now down over 5% vs last year. Used HHP tractors values also took a step down vs last year and sequentially vs February.
- A net 48% of dealers reported that used combine values were lower in March compared to February, down from the net 37% who reported used combine values were sequentially lower in February. Utility tractor pricing appears to be holding steady with prices up both y/y and sequentially.



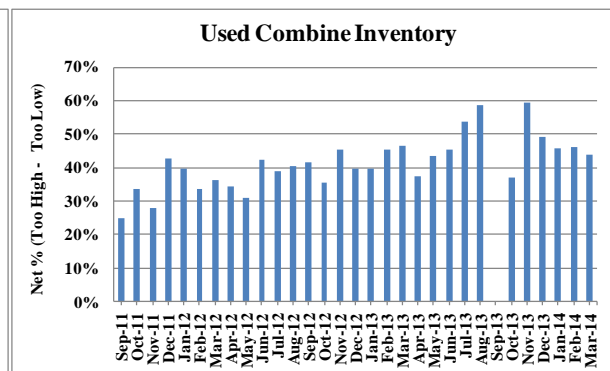
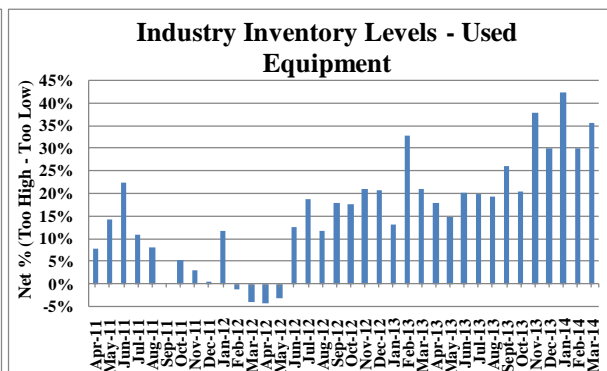
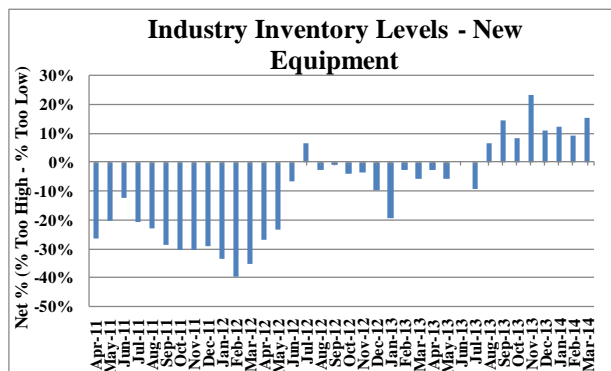
# Inventory Levels

## New Equipment Inventory

- A net 15% of dealers categorize their new inventory as “too high” (28% too high; 59% about right; 13% too low), slightly worse than the net 9% of dealers last month who categorized their new inventory as “too high”.

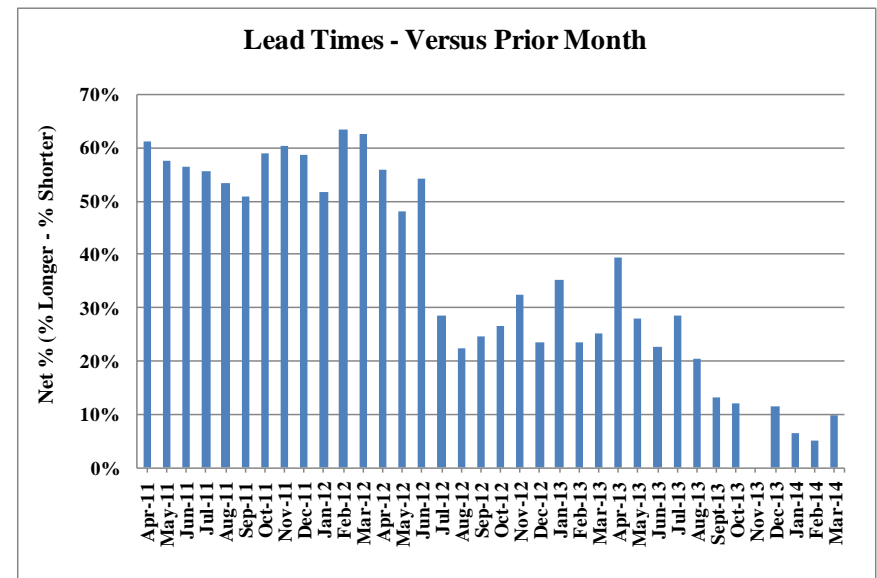
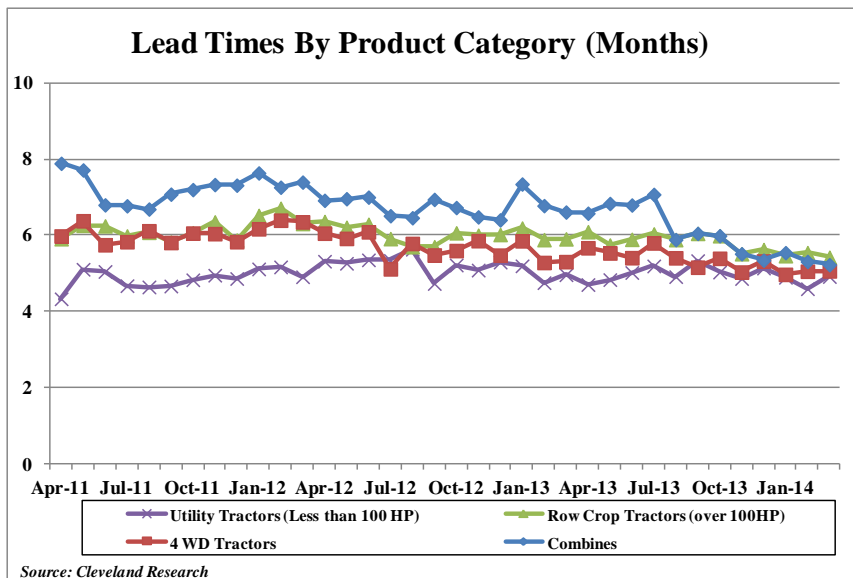
## Used Equipment Inventory

- A net 36% of dealers reported used equipment inventory as “too high” in March (47% too high; 42% about right; 11% too low), also worse than the net 30% of dealers reported used inventories as “too high” in February.
- A net 44% of dealers reported used combines inventories were “too high” (48% too high, 47% comfortable, 5% too low) vs a net 46% last month.



# Equipment Availability

- Overall, a net 10% of dealers report longer factory lead-times compared to last month (25% longer; 59% same; 15% shorter, above the net 5% who reported longer lead times last month).
- On average, lead times are similar in March compared to last month. Combine lead times are 5.2 months, row crop tractor lead times are 5.4 months, and 4WD tractors are 5.1 months. Utility tractors were the only standalone category to show an increase in lead times vs last month.



# Dealer Commentary on Used Inventory Levels

- *Too much commercial hay equipment and combines heading into our 5th year of drought.*
- *I am being very cautious about adding more used equipment, especially late model items. it seems that the mainline line dealers in my area have several units and are starting to put them on online auctions.*
- *We have to many new tractors, and older used is not moving.*
- *Combines and four wheel tractors are too high.*
- *No major concern but grain prices and drought are a bit of a worry. A soaking rain over a large area would relieve many obstacles.*
- *Need RAIN!*
- *Our used turnover is poor. We need to get used in and out the door faster. Otherwise it gets yard disease.*
- *Used equipment was traded in with to high a value from following year.*
- *Too many late model high priced used tractors and combines out there.*
- *Combines and planters are stagnant. Just not getting usual phone interest in them.*
- *4WD tractors and combines are too high on used inventory.*
- *Used planter inventory is too high.*

# Dealer Commentary on Biggest Surprise in the Month

- *High number of customers calling in wanting to SELL hay equipment.*
- *The lack of significant rainfall.*
- *Increased Sales during a very cold March.*
- *Smaller item traffic is little better.*
- *Uncertainty of cash crop price, pushing customers to wait.*
- *The amount of new and used inventory in the field.*
- *The price of grains strengthening...cattle and hogs very strong*
- *The lack of activity and poor weather.*
- *We sold more new equipment than budgeted.*
- *Despite the drought situation, our whole goods sales were up over same month last year.*
- *The neutral position of many buyers. The lack of enthusiasm.*
- *Planter delivery running late.*
- *Nothing we saw it coming.*
- *Delays on factory releases of new hay tools.*
- *Very aggressive programs from the manufacturer and customers large purchases. We thought everyone was still in a poor mood from the long winter holding on.*
- *Still waiting most of the month for the weather to break, then it took off on sales with pent up demand*
- *Auction sale prices on used 4WD and high \$ combines*
- *After an extremely bitter winter March was very active.*

# 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	Row Crop & 4-Wheel	Combines	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Row Crop & 4-Wheel	Combines
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	8,632	4,830	2,755	551	16,768	3,306	1,345	12%	2%	33%	21%	12%	31%	14%
Aug-12	8,146	4,514	2,452	585	15,697	3,037	1,491	11%	8%	15%	35%	11%	18%	-2%
Sep-12	8,002	4,531	3,120	773	16,426	3,893	1,760	1%	-1%	14%	11%	3%	14%	22%
Oct-12	9,918	6,891	5,644	1,499	23,952	7,143	2,312	25%	16%	33%	33%	25%	33%	38%
Nov-12	5,186	3,981	2,474	632	12,273	3,106	718	5%	17%	10%	31%	11%	13%	-3%
Dec-12	8,233	6,294	4,338	900	19,765	5,238	1,128	13%	4%	18%	37%	12%	21%	3%
Jan-13	4,694	4,087	2,960	678	12,419	3,638	621	20%	11%	27%	89%	21%	35%	18%
Feb-13	5,111	3,701	2,589	669	12,070	3,258	620	17%	4%	27%	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%	12%	16%	1%	13%	13%	-16%
Sep-13	8,527	4,871	3,360	574	17,332	3,934	1,291	7%	8%	8%	-26%	6%	1%	-27%
Oct-13	9,665	6,747	5,943	1,228	23,583	7,171	1,671	-3%	-2%	5%	-18%	-2%	0%	-28%
Nov-13	5,628	3,873	2,651	644	12,796	3,295	903	9%	-3%	7%	2%	4%	6%	26%
Dec-13	7,683	6,944	4,940	962	20,529	5,902	1,547	-7%	10%	14%	7%	4%	13%	37%
Jan-14	4,762	4,172	3,314	631	12,879	3,945	824	1%	2%	12%	-7%	4%	8%	33%
Feb-14	5,310	3,655	2,423	575	11,963	2,998	526	4%	-1%	-6%	-14%	-1%	-8%	-15%
Mar-14	10,156	5,149	3,157	657	19,119	3,814	906	22%	4%	-9%	-7%	10%	-9%	-24%

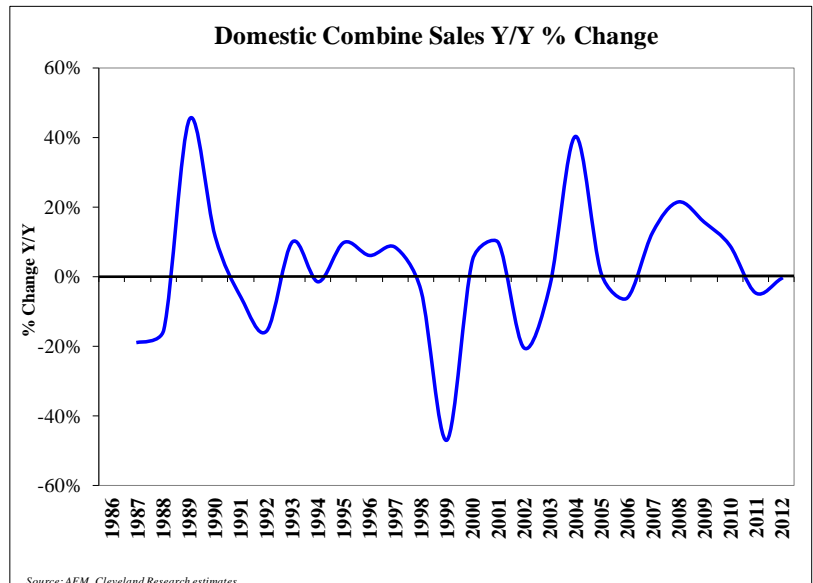
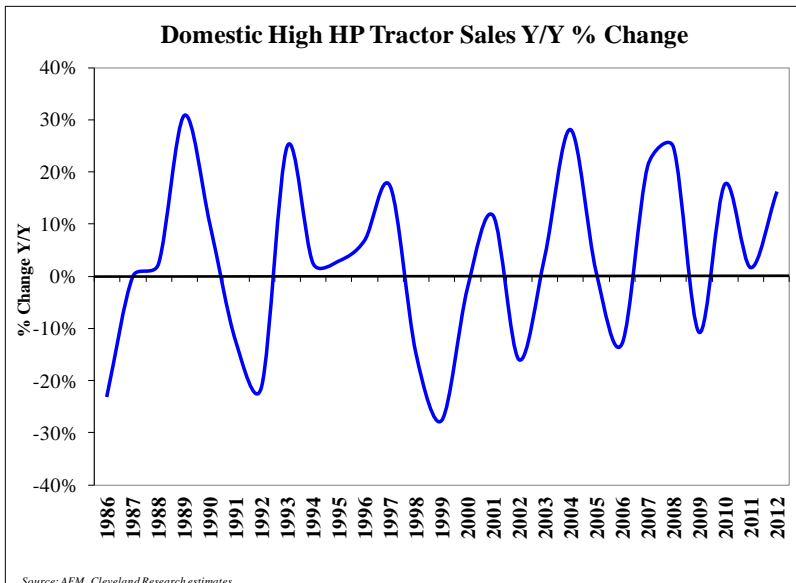
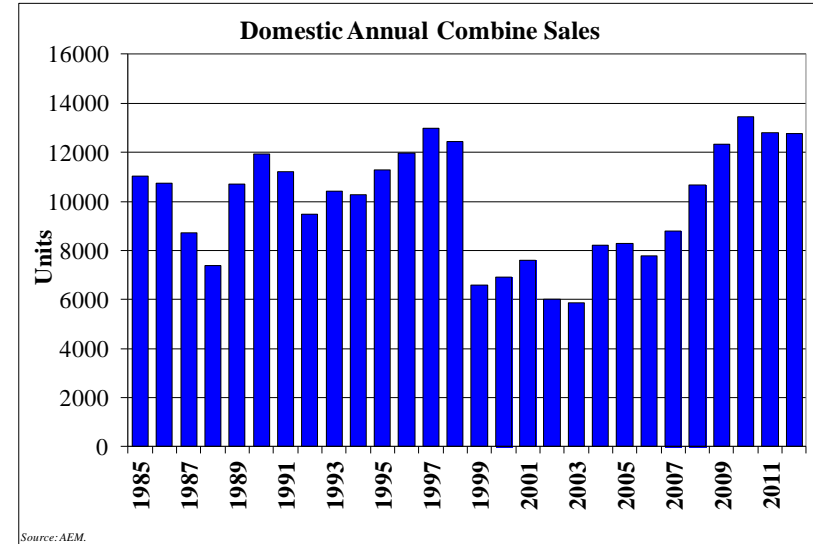
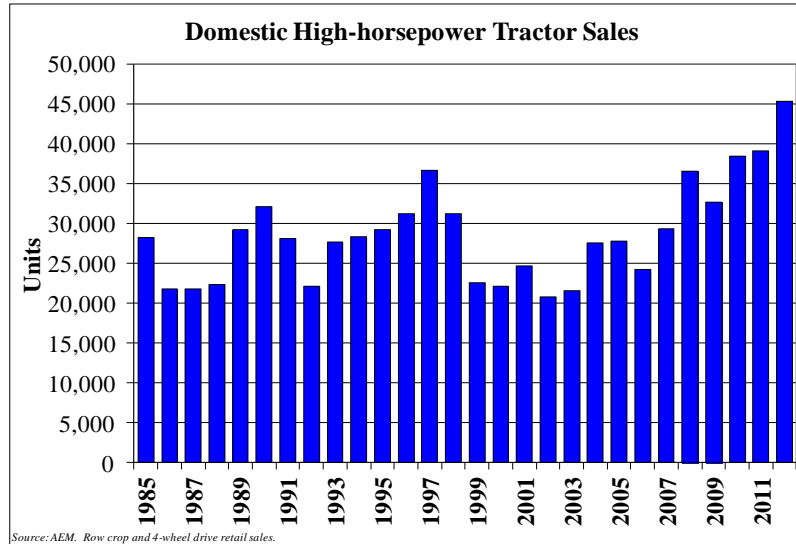
Source: AEM; Cleveland Research Company estimates. High hp tractors are row crop & 4-wheel drive.

# NA Farm Equipment Industry Inventory

NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	<u>&lt; 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>&lt;40HP</u>	<u>Util</u>	<u>RC</u>	<u>4-WD</u>	<u>Total</u>	<u>High HP</u>	<u>Comb</u>
<b>Dec-11</b>	59,746	26,551	7,666	1,035	94,998	8,701	1,250	62%	47%	24%	14%	49%	22%	10%
<b>Jan-12</b>	61,967	27,298	7,277	1,222	97,764	8,499	1,338	64%	48%	23%	17%	51%	22%	11%
<b>Feb-12</b>	65,727	28,689	7,763	1,360	103,539	9,123	1,676	68%	50%	24%	19%	54%	23%	14%
<b>Mar-12</b>	68,756	29,144	8,199	1,518	107,617	9,717	1,955	72%	51%	26%	21%	56%	25%	17%
<b>Apr-12</b>	66,562	28,743	8,241	1,472	105,018	9,713	1,961	68%	50%	26%	20%	54%	25%	17%
<b>May-12</b>	65,188	28,322	8,930	1,659	104,099	10,589	2,258	66%	48%	27%	22%	53%	27%	20%
<b>Jun-12</b>	62,380	27,773	9,395	1,665	101,213	11,060	2,476	63%	47%	28%	22%	51%	27%	21%
<b>Jul-12</b>	61,495	28,135	10,351	1,950	101,931	12,301	2,791	61%	48%	31%	26%	51%	30%	24%
<b>Aug-12</b>	61,108	28,892	11,307	2,248	103,555	13,555	3,008	60%	49%	33%	29%	51%	32%	26%
<b>Sep-12</b>	62,319	29,587	11,580	2,398	105,884	13,978	2,870	62%	50%	34%	31%	52%	33%	24%
<b>Oct-12</b>	61,918	29,266	10,573	1,931	103,688	12,504	1,662	60%	49%	30%	24%	50%	28%	13%
<b>Nov-12</b>	65,873	29,835	11,232	2,079	109,019	13,311	1,520	64%	49%	31%	25%	52%	30%	12%
<b>Dec-12</b>	67,319	29,137	10,335	1,753	108,544	12,088	1,409	64%	48%	28%	21%	52%	27%	11%
<b>Jan-13</b>	69,290	30,182	10,399	1,803	111,674	12,202	1,659	66%	49%	28%	20%	52%	26%	13%
<b>Feb-13</b>	72,473	30,842	11,375	1,850	116,540	13,225	2,186	68%	50%	30%	20%	54%	28%	17%
<b>Mar-13</b>	72,499	30,869	11,700	1,931	116,999	13,631	2,518	69%	50%	30%	21%	54%	29%	19%
<b>Apr-13</b>	70,567	30,512	12,507	1,883	115,469	14,390	2,577	66%	50%	32%	21%	53%	30%	18%
<b>May-13</b>	65,268	30,400	13,202	2,068	110,938	15,270	2,866	59%	49%	33%	23%	50%	31%	20%
<b>Jun-13</b>	62,097	29,271	13,330	2,158	106,856	15,488	3,249	56%	47%	33%	24%	48%	31%	23%
<b>Jul-13</b>	59,174	29,628	14,138	2,177	105,117	16,315	3,208	52%	47%	34%	24%	47%	33%	22%
<b>Aug-13</b>	58,941	30,907	15,063	2,307	107,218	17,370	3,325	52%	49%	36%	26%	47%	34%	23%
<b>Sep-13</b>	60,787	31,714	15,372	2,507	110,380	17,879	3,255	53%	50%	37%	29%	48%	35%	24%
<b>Oct-13</b>	63,364	31,876	14,009	2,094	111,343	16,103	2,222	55%	50%	33%	25%	49%	32%	17%
<b>Nov-13</b>	67,922	33,406	14,847	2,312	118,487	17,159	2,343	59%	53%	35%	27%	52%	34%	18%
<b>Dec-13</b>	67,863	32,028	13,318	2,049	115,258	15,367	2,083	59%	50%	31%	24%	50%	30%	15%
<b>Jan-14</b>	69,111	33,240	12,620	2,028	116,999	14,648	1,681	61%	52%	29%	24%	51%	28%	12%
<b>Feb-14</b>	71,514	34,326	13,267	2,046	121,153	15,313	2,063	63%	54%	31%	24%	53%	30%	15%

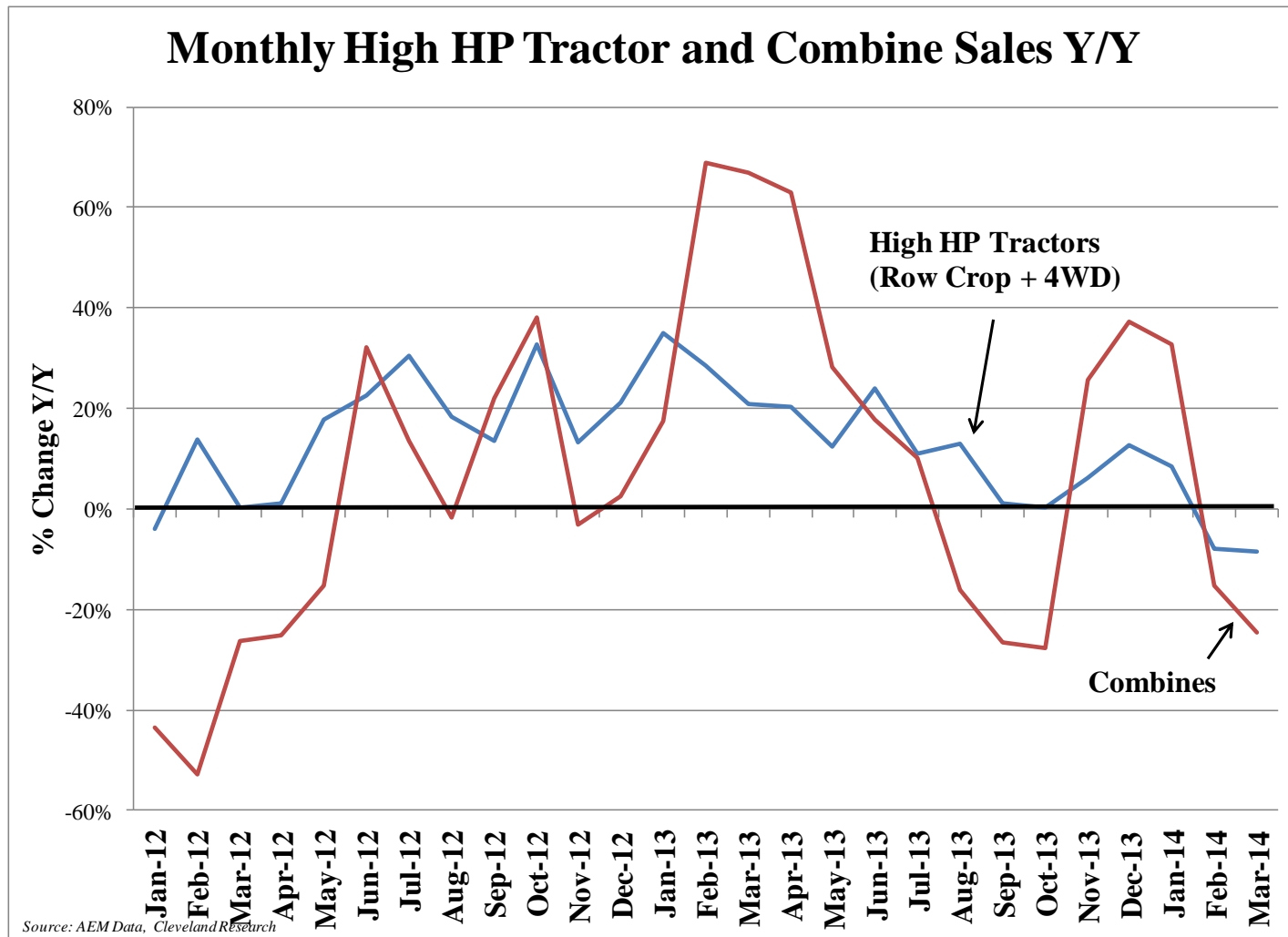
Source: AEM; Cleveland Research Company estimates

# Annual Ag Equipment Industry Sales (1985 - 2012)





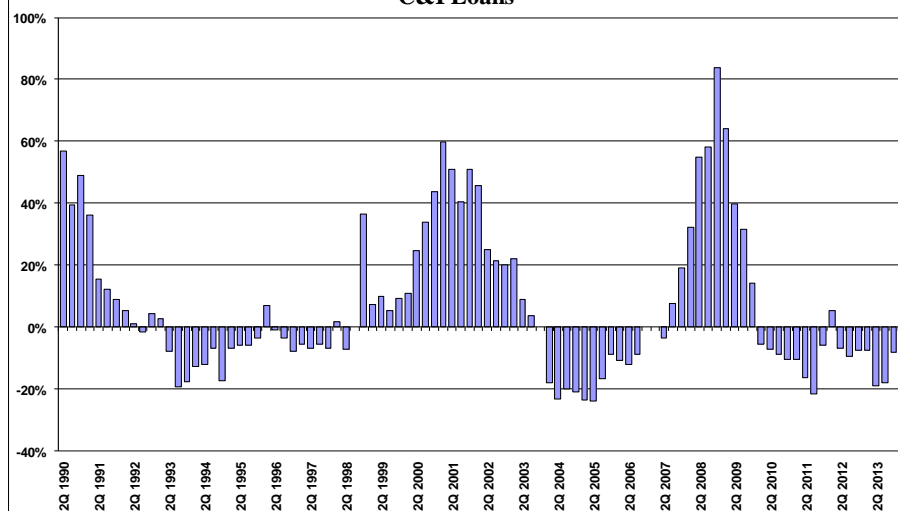
# NA Ag Equipment Sales



# Credit – C&I Loan Demand Increases as Standards Loosen Slightly

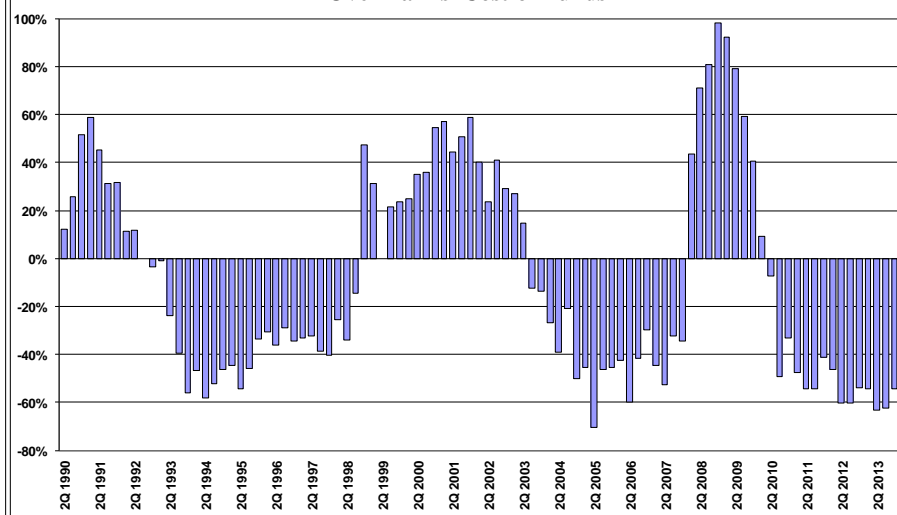
- The 1Q14 Senior Loan Officer survey saw a slight loosening of loan standards. A net 14% of loan officers reported easier credit standards in 1Q14 compared with a net 8% in 4Q13.
- Bank rate spreads saw a slight increase in 1Q14 with a net 58.3% of loan officers reporting lower lending spreads, down from a net 54.2% in 4Q13.
- Demand for commercial and industrial loans accelerated in 1Q as a net 16% of loan officers reported stronger demand for commercial and industrial loans, up sharply from the net 1% of loan officers reporting stronger demand for loans in 4Q13.

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



Source: Federal Reserve Board

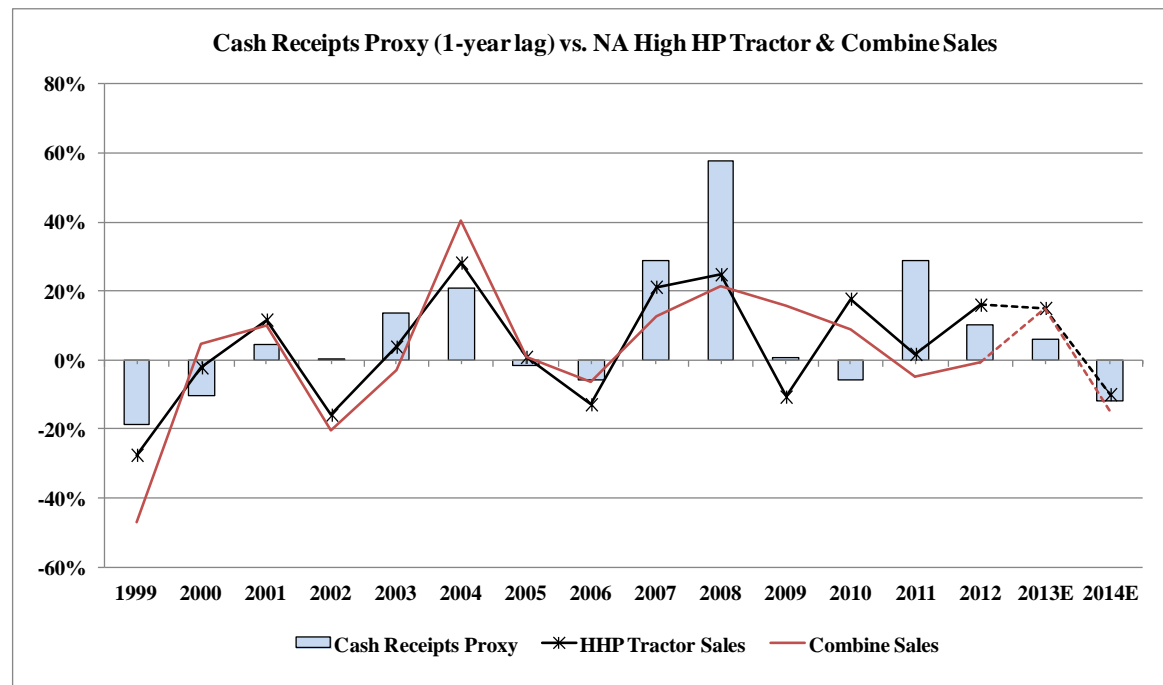
**Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds**



Source: Federal Reserve Board

# Commodity Prices – 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 (10%) decline in our simplified cash receipts proxy, inline with the March 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 April USDA cash receipts outlook for 2013 is for down 10% over 2012/13, slightly better than the 12% decline expected in the March forecast. The improved outlook vs March is the result of higher estimates for crop prices which have taken a step up over the past several months (corn up ~20% vs 3 months ago). The correlation between equipment sales and cash receipts has historically provided a good proxy for next year's equipment demand.



# Commodity Prices – 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	8.6%	\$5.18	2010/11	20,194	22,192	3,766	17.0%	
2011/12	12,360	10,985	1,543	12,528	989	7.9%	\$6.22	2011/12	22,010	23,171	4,235	18.3%	
2012/13	10,780	10,379	731	11,111	821	7.4%	\$6.89	2012/13	22,963	23,626	4,179	17.7%	
2013/14								2013/14					
February	13,925	11,700	1,600	13,300	1,481	11.1%	\$4.20-\$4.80	February	24,130	25,437	4,711	18.5%	
March	13,925	11,700	1,625	13,325	1,456	10.9%	\$4.25-\$4.75	March	24,164	25,453	4,782	18.8%	
April	13,925	11,700	1,750	13,450	1,331	9.9%	\$4.40-\$4.80	April	24,416	25,712	4,889	19.0%	
Corn Futures Price:							\$4.50						
Change m/m	0	0	125	125	-125	-1.0%	\$0.10	Change m/m	252	259	106	0.2%	
Change y/y	3,145	1,321	1,019	2,339	510	2.5%	(\$2.29)	Change y/y	1,453	2,086	710	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	4.5%	\$11.30	2010/11	6,397	7,457	2,361	31.7%	
2011/12	3,094	3,155	1,365	4,520	169	3.7%	\$12.50	2011/12	5,629	7,536	1,785	23.7%	
2012/13	3,034	3,099	1,320	4,419	141	3.2%	\$14.40	2012/13	6,873	7,777	2,170	27.9%	
2013/14								2013/14					
February	3,289	3,309	1,510	4,819	150	3.1%	\$11.95-\$13.45	February	7,282	8,097	2,532	31.3%	
March	3,289	3,319	1,530	4,849	145	3.0%	\$12.20-\$13.70	March	7,199	8,121	2,450	30.2%	
April	3,289	3,360	1,580	4,940	135	2.7%	\$12.50-\$13.50	April	7,148	8,104	2,416	29.8%	
Soybean Futures Price:							\$13.61						
Change m/m	0	41	50	91	-10	-0.3%	\$0.05	Change m/m	-51	-16	-35	-0.4%	
Change y/y	255	261	260	521	-6	-0.5%	(\$1.40)	Change y/y	275	327	246	1.9%	
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	35.7%	\$5.70	2010/11	21,718	22,919	6,385	27.9%	
2011/12	1,999	1,180	1,051	2,231	743	33.3%	\$7.24	2011/12	23,506	24,369	6,458	26.5%	
2012/13	2,266	1,406	1,007	2,413	718	29.8%	\$7.77	2012/13	21,821	23,418	5,889	25.1%	
2013/14								2013/14					
February	2,130	1,284	1,175	2,459	558	22.7%	\$6.65-\$6.95	February	24,027	24,583	6,193	25.2%	
March	2,130	1,284	1,175	2,459	558	22.7%	\$6.75-\$6.95	March	24,058	24,613	6,196	25.2%	
April	2,130	1,254	1,175	2,429	583	24.0%	\$6.75-\$6.95	April	24,051	24,555	6,276	25.6%	
Wheat Futures Price:							\$6.12						
Change m/m	0	-30	0	-30	25	1.3%	\$0.00	Change m/m	-7	-58	80	0.4%	
Change y/y	-136	-152	168	16	-135	-5.8%	(\$0.92)	Change y/y	2,230	1,137	387	0.4%	
FARMER CROP RECEIPTS PROXY													
Production:				Average Price:			Crop Cash Receipts*						
Year	Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Total	% change y/y		
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	3,197	1,808	\$3.04	\$6.43	\$4.26	\$32,014	\$20,557	\$7,702	\$60,273	29%		
2007/08	13,038	2,677	2,051	\$4.20	\$10.10	\$6.48	\$54,760	\$27,038	\$13,290	\$95,088	58%		
2008/09	12,092	2,967	2,499	\$4.06	\$9.97	\$6.78	\$49,094	\$29,581	\$16,943	\$95,618	1%		
2009/10	13,092	3,359	2,218	\$3.55	\$9.59	\$4.87	\$46,477	\$32,213	\$10,802	\$89,491	-6%		
2010/11	12,447	3,329	2,207	\$5.18	\$11.30	\$5.70	\$64,475	\$37,618	\$12,580	\$114,673	28%		
2011/12	12,360	3,094	1,999	\$6.22	\$12.50	\$7.24	\$76,879	\$38,675	\$14,473	\$130,027	13%		
2012/13	10,780	3,034	2,266	\$6.89	\$14.40	\$7.77	\$74,274	\$43,690	\$17,607	\$135,571	4%		
2013/14													
February	13,925	3,289	2,130	\$4.50	\$12.70	\$6.80	\$62,663	\$41,770	\$14,484	\$118,917	-12%		
March	13,925	3,289	2,130	\$4.50	\$12.95	\$6.85	\$62,663	\$42,593	\$14,591	\$119,846	-12%		
April	13,925	3,289	2,130	\$4.60	\$13.00	\$6.85	\$64,055	\$42,757	\$14,591	\$121,403	-10%		

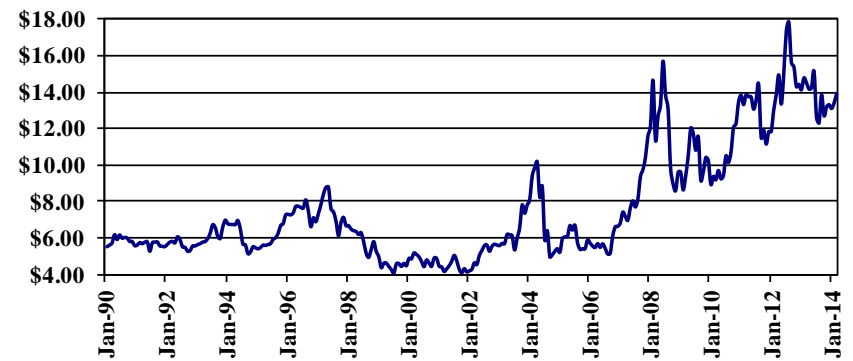
Source: USDA; Cleveland Research estimates. \*Note: Cash receipts estimated as USDA production X USDA average price forecast

# Long Term Commodity Price Trends

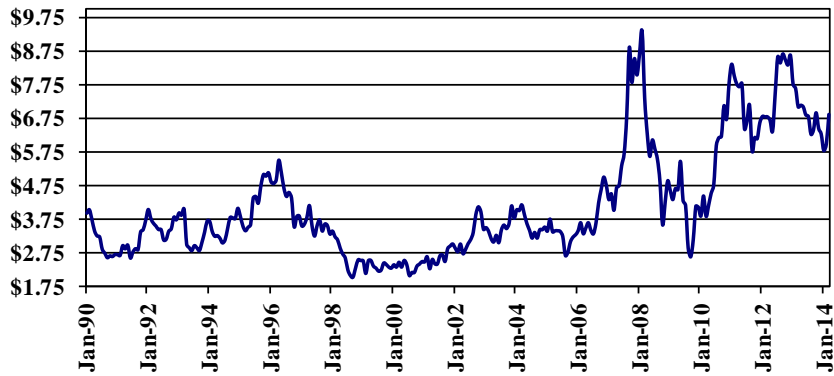
## Corn Price Trends



## Soybean Price Trends



## Wheat 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	

# U.S. Acreage Planted Per Crop Year

