

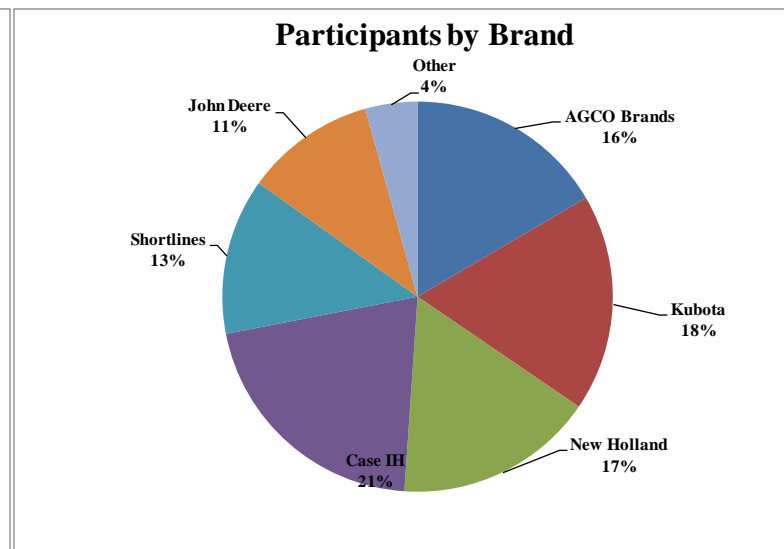
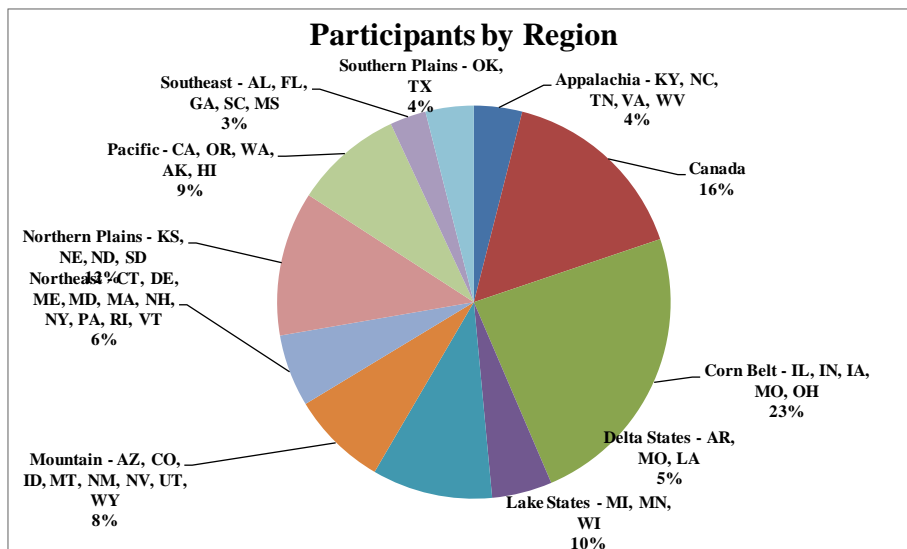
Ag Equipment Intelligence

February 2014 Dealer Sentiments &
Business Conditions Update

Monthly Ag Equipment Intelligence North American Dealer Survey

Background:

- We are pleased to announce the results of the February 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 February survey had ~102 respondents representing combined annual revenues of roughly \$4.56 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 1% in January** – Dealers reported sales declined 1% y/y on average in January, the first monthly decline in sales since we began the survey in April 2011. AGCO dealers reported the worst results for the second month in a row with average sales down 3%, while the “Other” group outperformed reporting 13% growth y/y.
- **2014 Dealer Outlook for Sales Down 4%, Inline with Last Month** - For 2014, dealers are expecting a 4% sales decline, inline with their forecast last month. Deere & Co. is forecasting the N. American Ag equipment industry to be down 5-10% in units in 2014, while AGCO has said they expect the market to be flat to down 5%.
- **New Equipment Inventories Still “Too High”**- A net 12% of dealers categorize their new inventory as “too high” (27% too high; 59% about right; 14% too low), similar to the 11% of dealers last month who categorized their new inventory as “too high”. This marks the 6th consecutive month in that new inventories are “too high.”
- **Used Combine Inventories Slightly Better** – A net 46% of dealers reported used combines inventories were “too high” (51% too high, 44% comfortable, 5% too low) vs a net 49% last month.

Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales declined 1% on average in January, down from the 3% growth reported in December.
- “Other” brands saw significant growth in January at 13% y/y, while Kubota dealers also reported growth for the month at up 6% y/y. All other brands reported sales were either flat or down slightly.
- A net 1% of dealers reported better than expected results for January, down considerably from the net 23% who beat their plan in December.

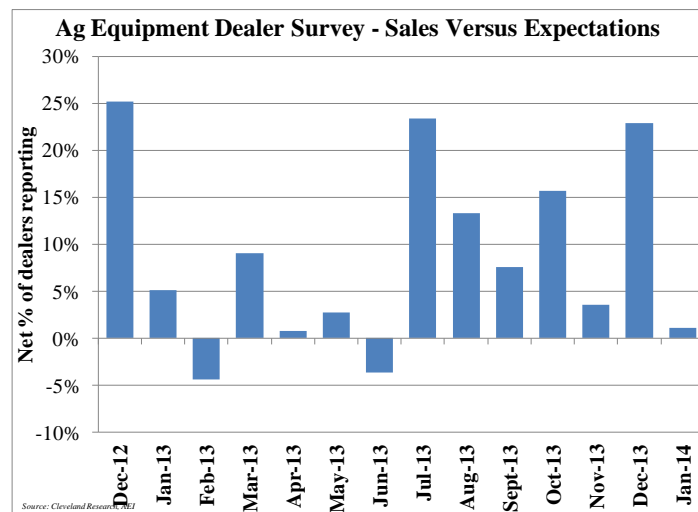
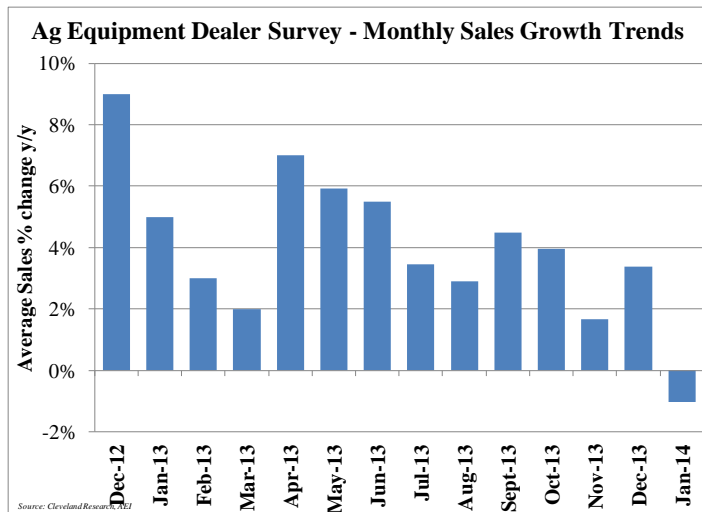
N. American Farm Equipment Dealer Survey - Average Dealer Sales Growth														
% Change y/y	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14
Overall	9%	5%	3%	2%	7%	6%	5%	3%	3%	4%	4%	2%	3%	-1%
By Brand	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13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

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
Better than expected	38%	23%	18%	27%	25%	23%	19%	38%	33%	27%	32%	24%	39%	25%
In line with expectations	49%	59%	60%	55%	52%	57%	58%	48%	47%	54%	51%	56%	45%	51%
Worse than expected	13%	18%	22%	18%	24%	20%	23%	14%	20%	19%	17%	20%	16%	24%
Net % (Better - Worse)	25%	5%	-4%	9%	1%	3%	-4%	23%	13%	8%	16%	4%	23%	1%

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
Positive Sales Growth	69%	48%	44%	51%	60%	58%	52%	64%	53%	57%	59%	45%	63%	40%
Flat Sales	14%	28%	35%	30%	20%	19%	21%	21%	21%	25%	20%	35%	18%	24%
Negative Sales Growth	17%	24%	21%	19%	20%	23%	27%	15%	26%	18%	22%	20%	19%	36%
Net % Reporting Growth	52%	25%	23%	32%	40%	35%	25%	49%	26%	39%	37%	26%	44%	3%
Average % Change y/y	9%	5%	3%	2%	7%	6%	5%	3%	3%	4%	4%	2%	3%	-1%

Optimism/Sentiment vs. Last Month

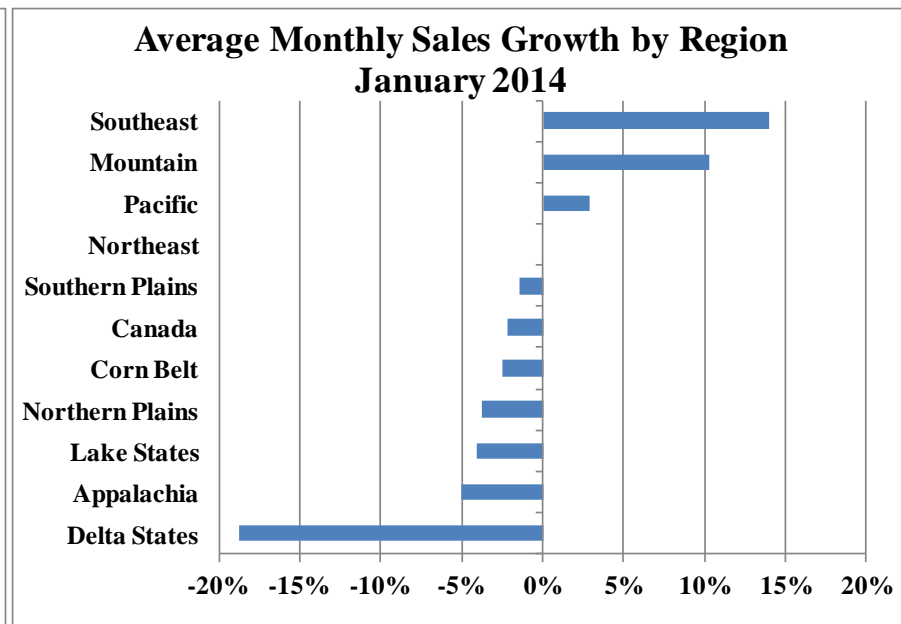
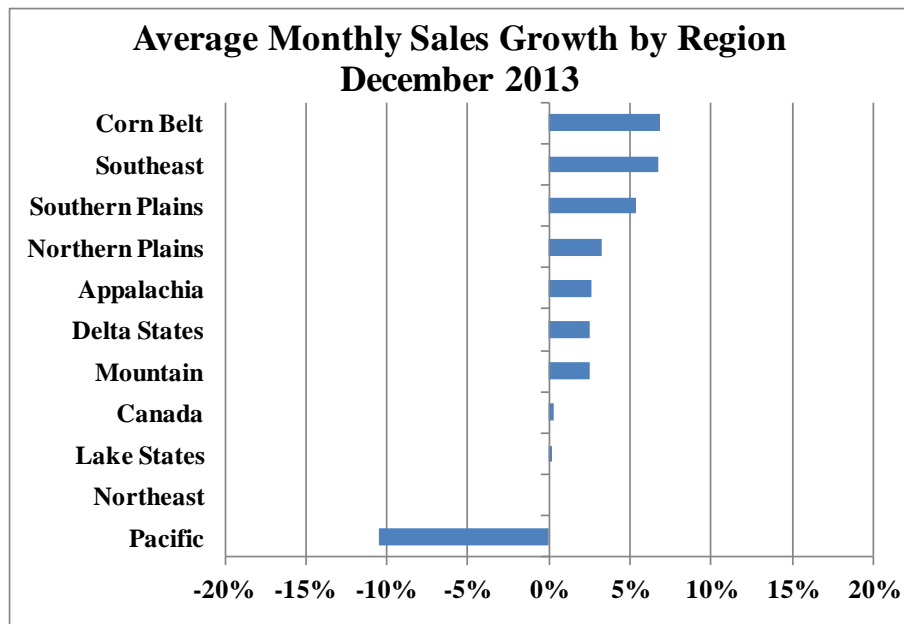
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14
More Optimistic	28%	34%	34%	21%	27%	27%	26%	21%	19%	14%	15%	14%	9%	12%
Same	55%	51%	50%	54%	58%	52%	50%	58%	50%	62%	60%	45%	52%	52%
Less Optimistic	18%	15%	16%	26%	15%	21%	24%	21%	31%	23%	25%	41%	39%	36%
Net % Dealer Optimism	10%	19%	18%	-5%	13%	6%	2%	1%	-12%	-9%	-11%	-27%	-30%	-23%

Source: Cleveland Research

Source: Farm Equipment Magazine Survey

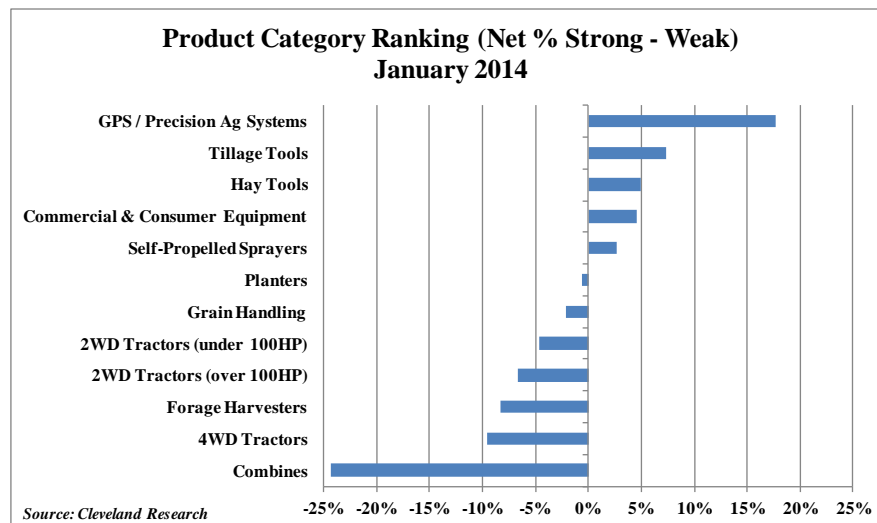
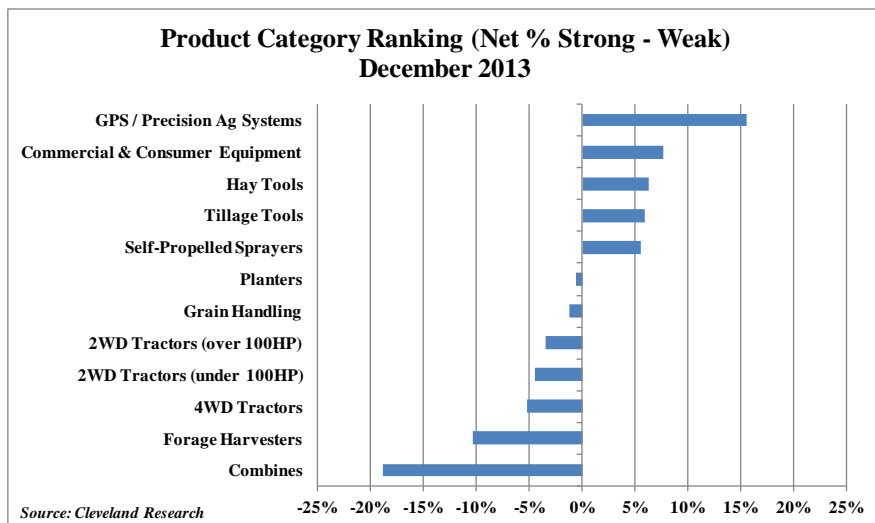
Monthly Sales Growth by Region

- Three out of eleven regions showed positive average monthly sales growth in January compared to seven who reported growth in December. The Delta States was the weakest performing region reporting sales down 19% y/y on average.
- Compared to last month, the Pacific region saw the strongest pick up in sales growth going from down 10% last month to up 3% this month. The Delta States saw largest drop off with sales going from up 3% y/y in December to sales down 19% y/y in January.

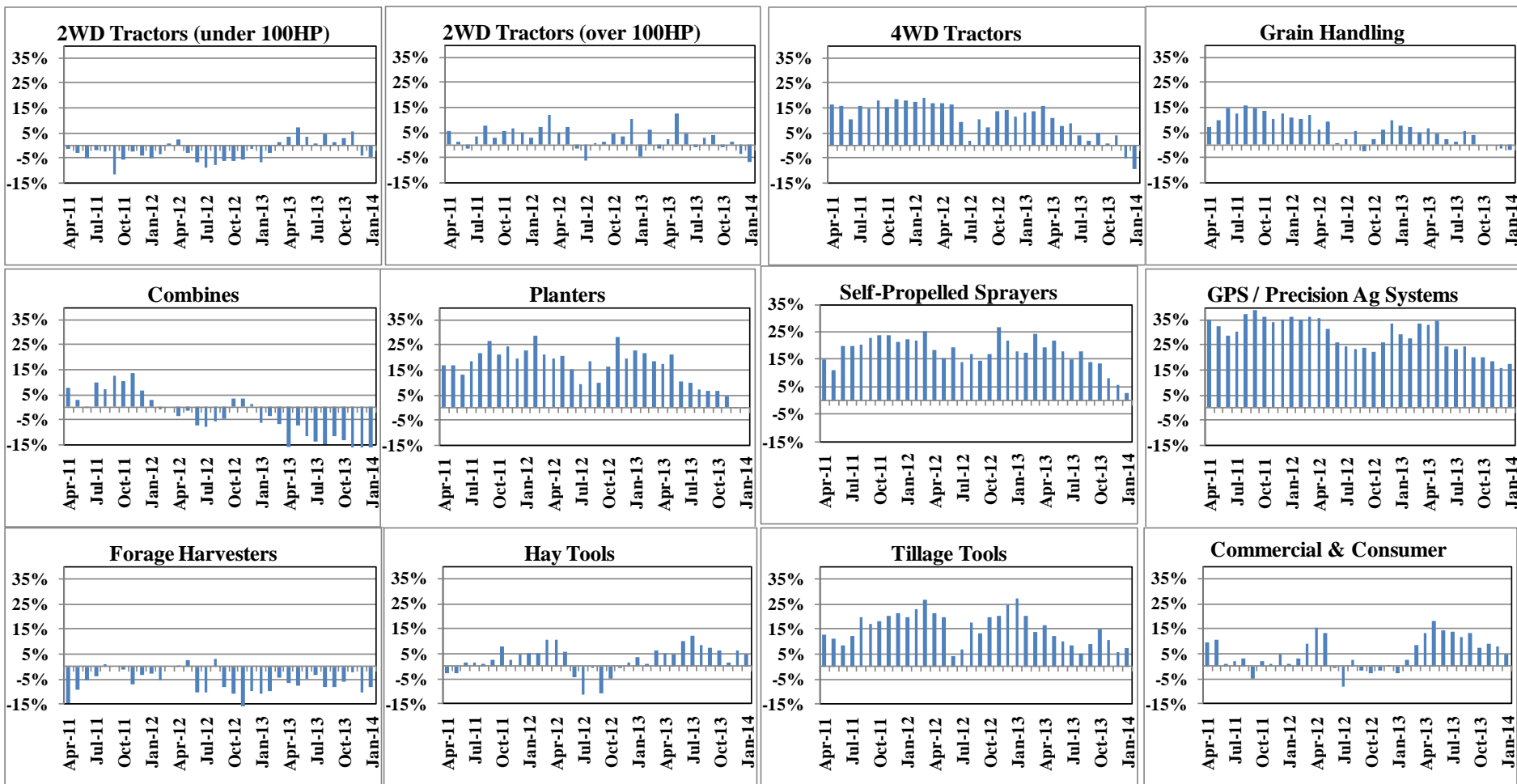


Equipment Category Sales Trends

- Five out of twelve product categories ranked in net positive territory in January, similar to last month. GPS / Precision ag systems was again the best performing category for the 14th straight month, while Combines were the weakest category for the 9th straight month.
- Comparing January to December, seven of the twelve product categories were reported weaker. Combines saw the largest decline in net % reporting strength, while GPS/Precision Ag products and Forage harvesters both showed improvement compared last month.



Equipment Category Sales Trends



Dealer Commentary on Monthly Sales and Outlook

- *We had a big December. I think it took away from Jan. If you average the two months we hit budget.*
- *Weather was certainly a factor, but overall we're seeing a very real softening in the market.*
- *With Case IH putting programs out there for 1st quarter, we don't have to hurry and settle everything in January.*
- *Strong Q4 2013 sales I believe were a factor as well as changes in depreciation.*
- *Weather had a bad effect. Lots of snow and 0 degree temperatures.*
- *It was really slow for most of the month. A flurry of business at the end saved us.*
- *We ended up pushing some business into 2014 because of the strong 2013.*
- *I think the lower CDN \$ will affect the purchase decisions of some farmers.*
- *Due to our ag, dairy relationships, we see some opportunities with this segment. Our L&G and Turf customers seem to have reasonably good disposable income.*
- *We are in a dairy state and our cattle and milk pricing is good. Lower imputes due to lower feed costs.*
- *Although there is good income momentum, the uncertainty of future row crop prices, Universal Health Care, the farm bill, and the advent of losing 179 has stalled many produces future plans. Also, most producers equipment fleets are fairly new and they can go without buying for a while!*
- *With respect to new volume, we're less optimistic based on the activity and interest we've seen and just a general hesitation from customers.*
- *Poor commodity prices.*
- *I'm a little less optimistic because of corn and wheat prices, but out here in the west it may help dairy farmers.*
- *I am very concerned about a pull back by our customers from major purchases, drought in the west; a lot of equipment has been purchased in the last three years.*
- *No tax laws yet, bad crops 2 years in a row, low grain prices.*
- *Just nice to see that after the calendar year ended and Section 179 may be going away, that sales continued at a healthy pace.*

Order Growth

Overall Orders

- Incoming orders declined 3% y/y on average in January, similar to the 3% decline in December.
- All dealers saw declines in order growth for January except for AGCO and Other, while Shortlines dealers saw the largest decline in orders at down 8% y/y.

New Combine Order Intentions

- Combine order intentions fell off again after the slight improvement last month, with a net 36% 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
Overall	4%	3%	3%	1%	2%	2%	0%	0%	2%	1%	1%	-2%	-3%	-3%
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
AGCO	7%	2%	0%	0%	3%	-1%	0%	-7%	-2%	-5%	-2%	-2%	-5%	1%
John Deere	5%	5%	4%	3%	2%	3%	2%	2%	7%	2%	2%	-2%	-3%	-4%
New Holland	-1%	0%	-1%	0%	0%	-1%	-1%	-1%	-12%	0%	0%	-3%	-1%	-6%
Case IH	2%	3%	4%	0%	3%	0%	-2%	1%	3%	1%	4%	-1%	-1%	-4%
Kubota	5%	2%	0%	1%	2%	1%	0%	-5%	-1%	0%	0%	-4%	1%	-6%
Shortlines	3%	5%	1%	0%	1%	0%	1%	9%	15%	5%	5%	-3%	-1%	-8%
Other	0%	4%	0%	na	1%	1%	0%	0%	-1%	0%	0%	na	1%	6%

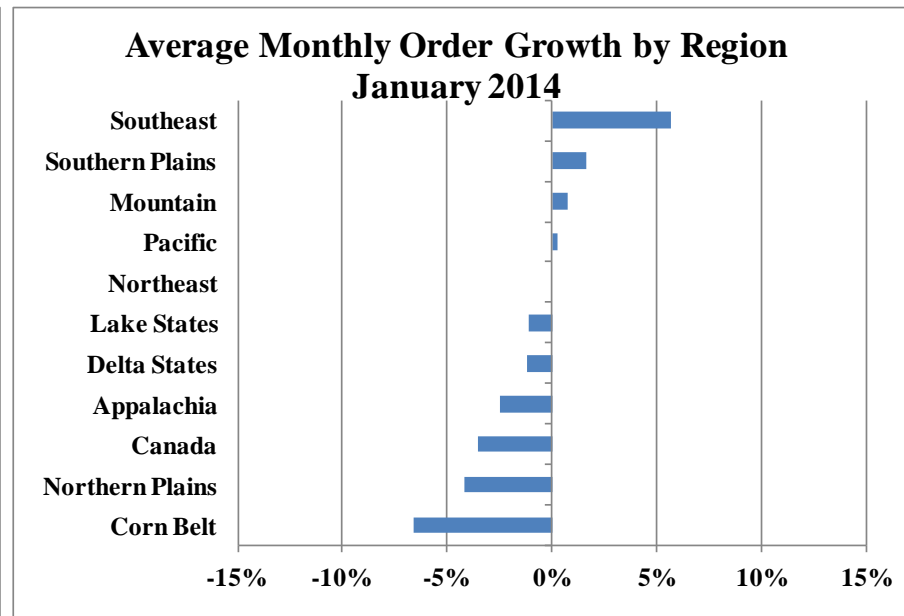
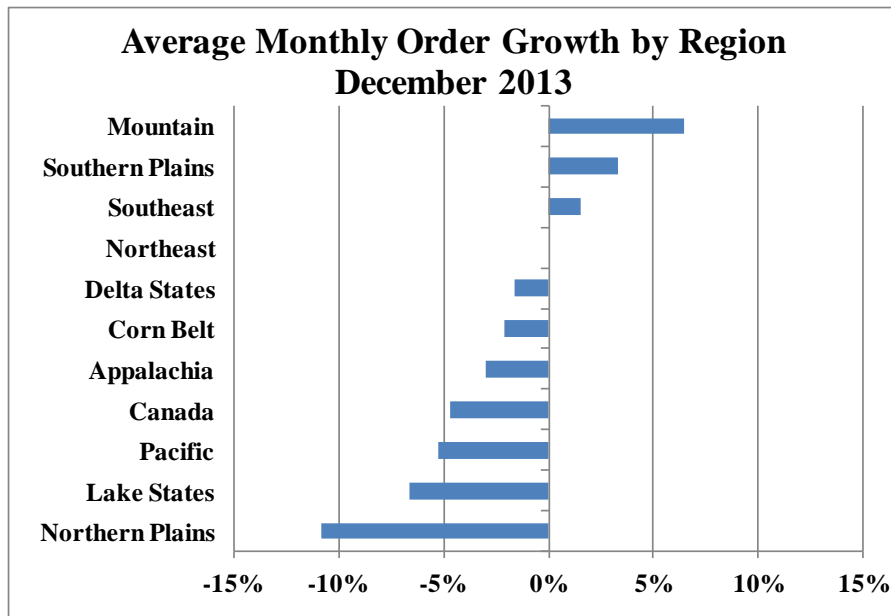
Source: Cleveland Research

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
More	20%	20%	18%	16%	24%	9%	9%	14%	8%	16%	10%	11%	17%	8%
Same	54%	59%	55%	60%	60%	68%	62%	46%	49%	45%	39%	38%	44%	48%
Less	26%	21%	27%	23%	16%	23%	29%	41%	43%	39%	51%	52%	39%	44%
Net % (More- Less)	-7%	-2%	-9%	-7%	8%	-14%	-20%	-27%	-35%	-22%	-40%	-41%	-22%	-36%

Source: Cleveland Research

Order Growth by Region

- Three out of eleven regions showed positive monthly order growth in January, similar to December. The Southeast saw the best order growth at up 6% y/y, while the Corn Belt reported average orders down 7% y/y.
- Compared to last month, the Northern Plains, the Lake States, and the Pacific regions showed improvement in order growth, while the Mountain region showed the most significant deceleration in orders.



2014 Sales Outlook

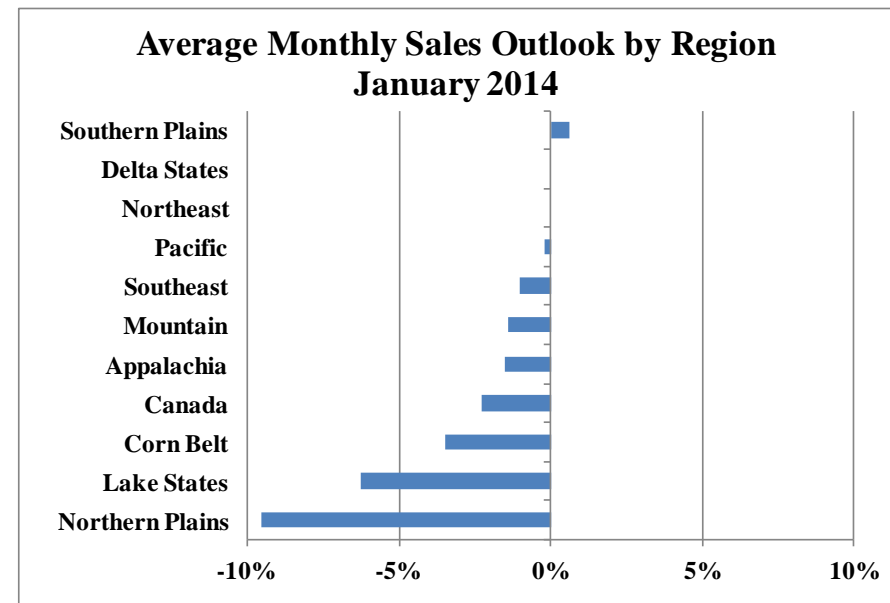
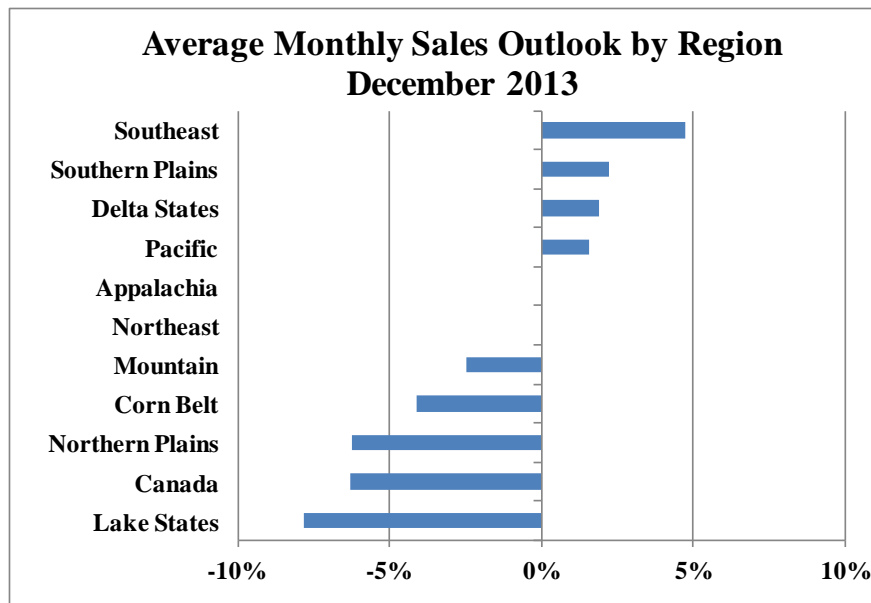
- For 2014, average dealer outlook is for a 4% sales decline, inline with last month. Deere is forecasting the N. American Ag equipment market to be down 5-10% in 2014, while AGCO recently forecast the market down 0-5%.
- Among the survey participants, “Other” dealers were the most optimistic regarding 2014 growth (projecting sales up 3% y/y), while all other brand dealers are projecting sales down low to mid single digits.

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
AGCO	3%	2%	2%	6%	6%	2%	3%	-4%	2%	-1%	-3%	-2%	0%	-2%
John Deere	3%	4%	4%	3%	5%	8%	4%	6%	1%	2%	2%	0%	-3%	-2%
New Holland	-1%	1%	0%	2%	4%	1%	6%	0%	-3%	2%	1%	-2%	-2%	-5%
Case IH	-1%	3%	4%	1%	5%	0%	0%	3%	-5%	-3%	0%	-1%	-7%	-5%
Kubota	0%	4%	4%	3%	7%	4%	8%	-3%	3%	-1%	-1%	-3%	-2%	-3%
Shortlines	0%	4%	4%	2%	3%	3%	2%	12%	5%	4%	6%	-3%	0%	-4%
Other	2%	1%	5%	na	1%	3%	1%	4%	1%	2%	2%	na	0%	3%
Overall	2%	4%	4%	3%	5%	5%	3%	3%	3%	0%	1%	-1%	-4%	-4%

Source: Cleveland Research

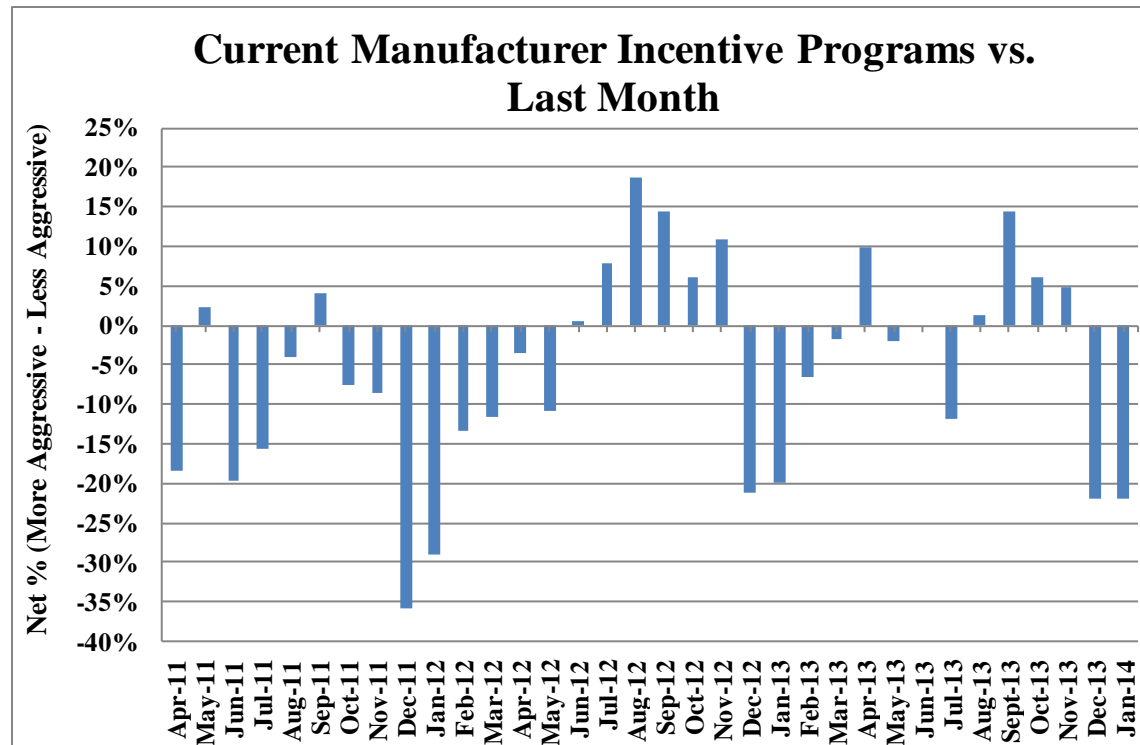
2014 Sales Outlook Continued

- Only the Southern Plains region is now projecting sales to grow for the full year 2014 in January, well below last month where 4 regions were projecting growth. The Northern Plains regions is now projecting the largest sales decline for 2014 at down 10% y/y.



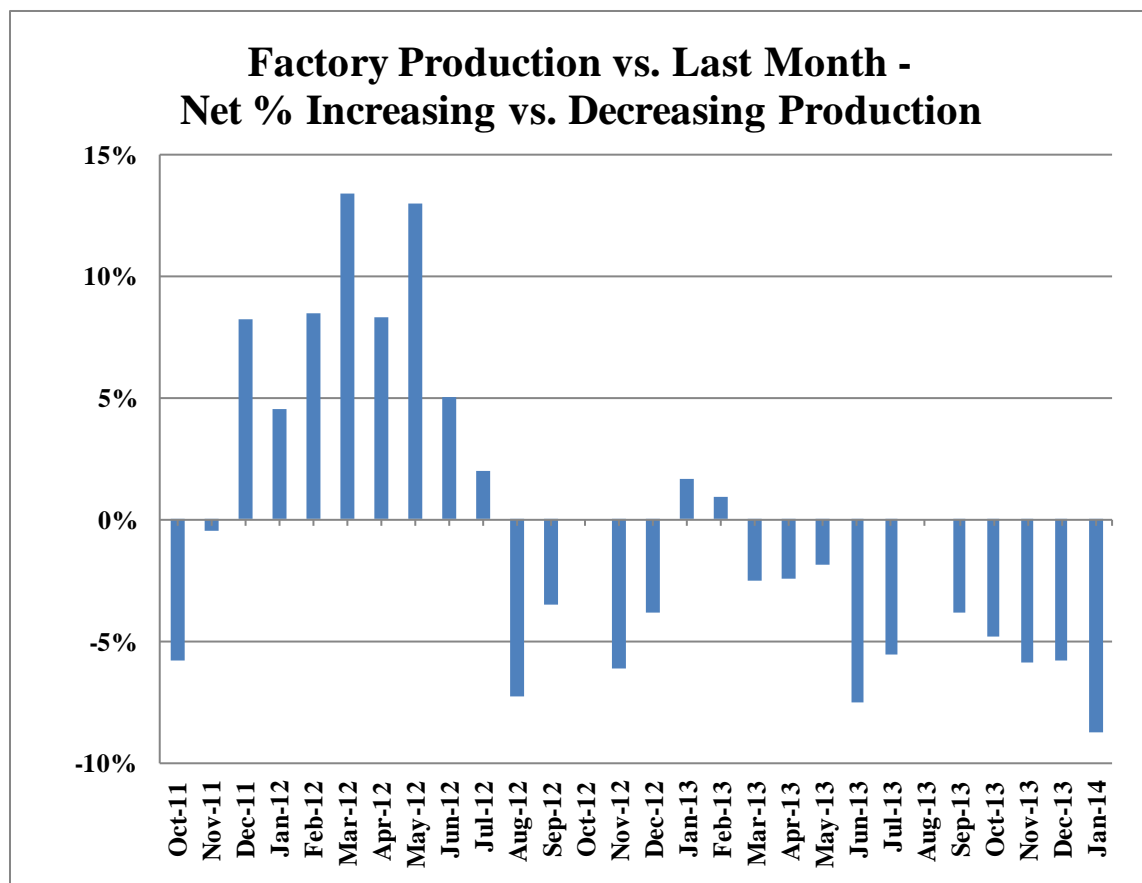
Current Manufacturer Incentive Programs

- A net 22% of dealers report that manufacturers are less aggressive with incentives in January (9% more aggressive; 60% same; 31% less aggressive), equal to December.



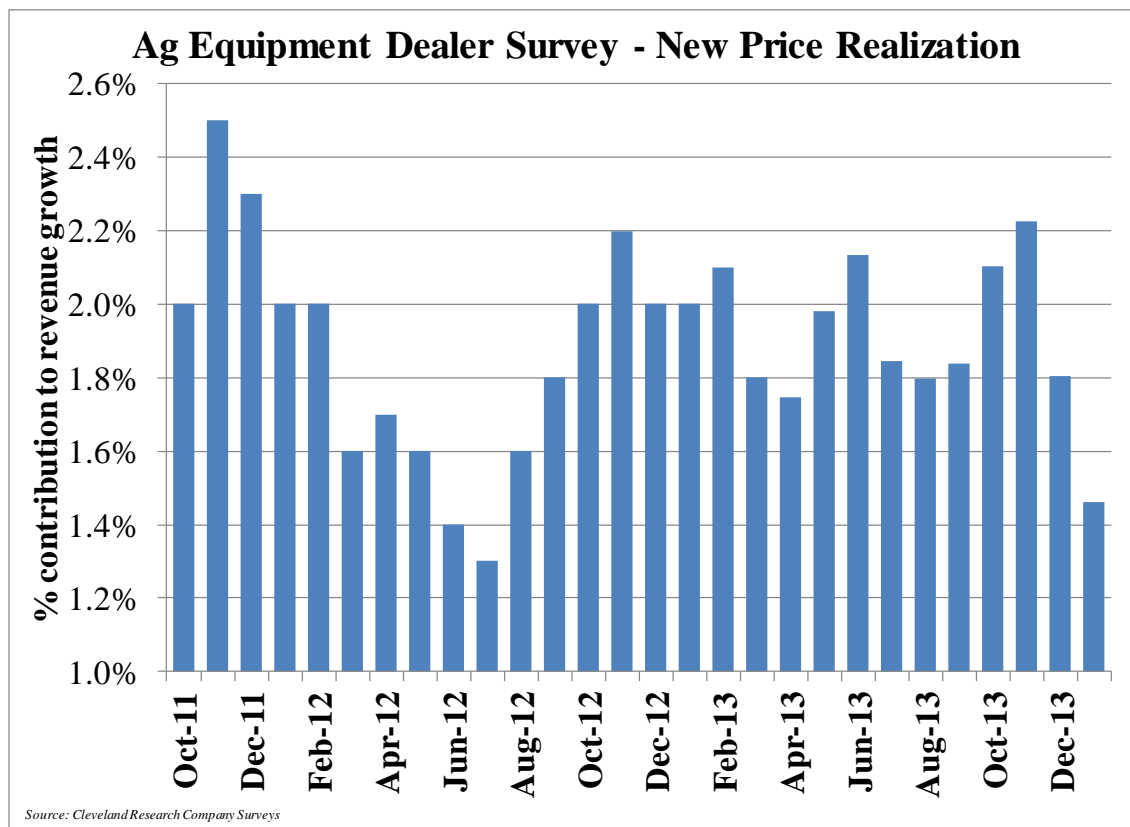
Factory Production

- A net 9% of dealers report that factory production was down compared to last month (2% increasing production; 87% no change in production; 11% decreasing production).



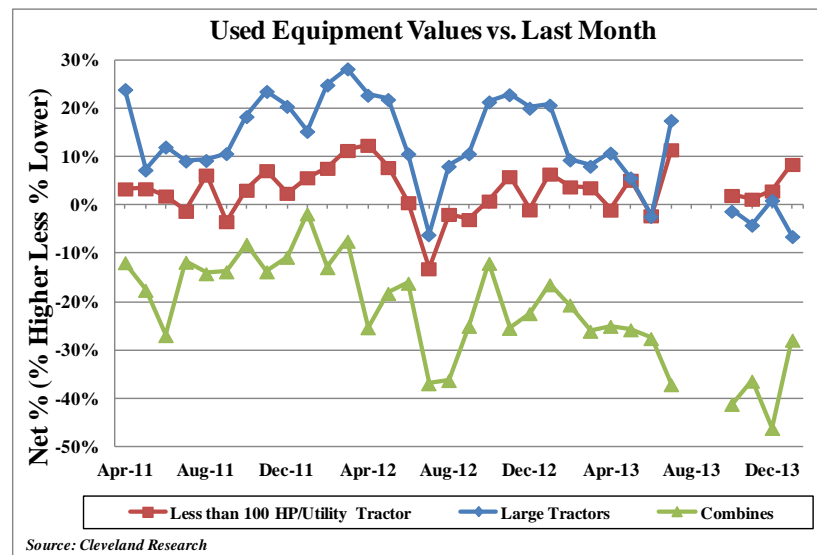
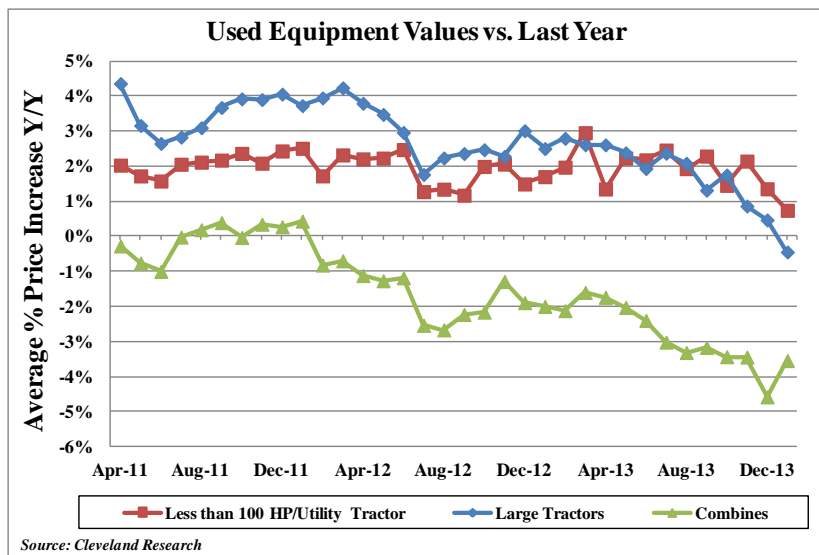
Pricing Trends

- Dealers report price contributed roughly ~1.5% to total January revenue growth. We would expect this trend to move higher in the coming months as new Model Year price increases and Final Tier 4 price increases kick in.



Used Equipment Pricing

- Dealers reported used combine values rebounded slightly in January to down ~3.5% y/y compared to down 4.6% in December. Used HHP tractors values are now falling y/y for the first time in the history of our survey.
- A net 28% of dealers reported that used combine values were lower in January compared to December, slightly better than the net 46% who reported used combine values were sequentially lower in December.



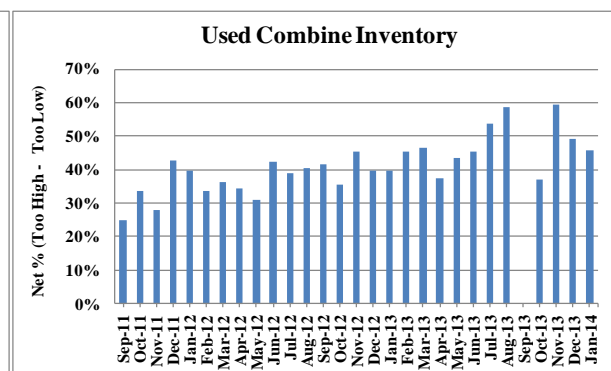
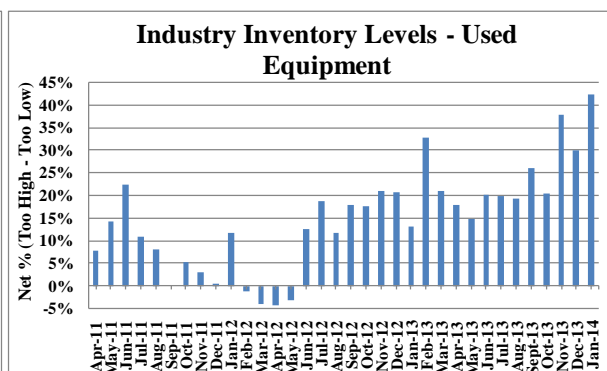
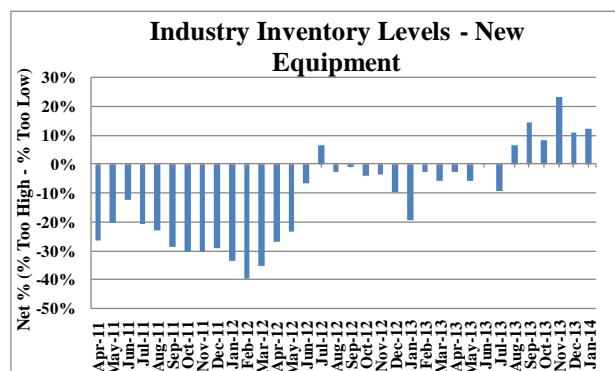
Inventory Levels

New Equipment Inventory

- A net 12% of dealers categorize their new inventory as “too high” (27% too high; 59% about right; 14% too low), similar to 11% of dealers last month who categorized their new inventory as “too high”.

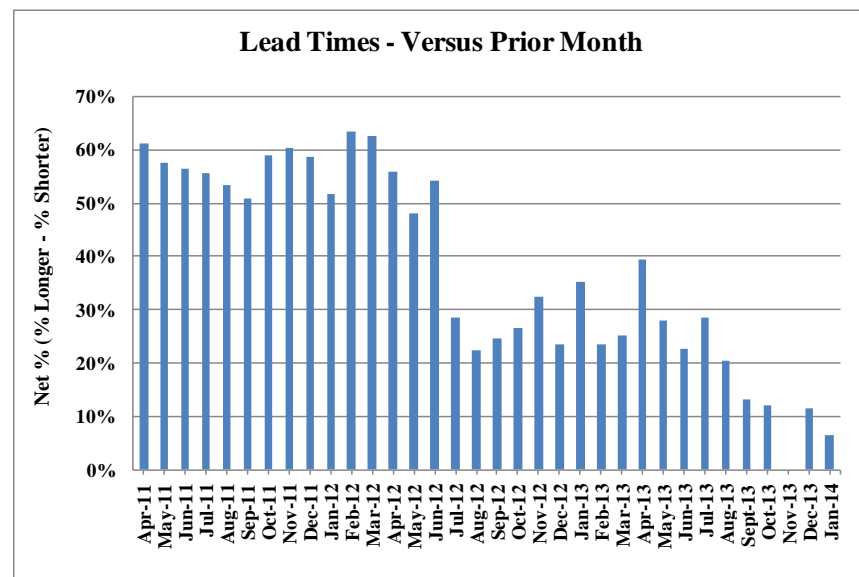
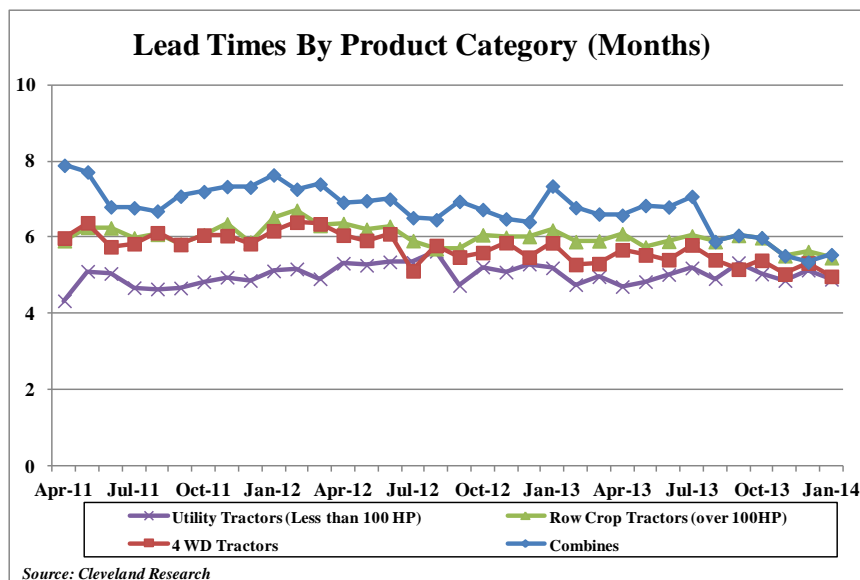
Used Equipment Inventory

- Used equipment inventory grew to the highest level in the history of our survey in January as a net 42% of dealers reported used inventories as “too high” (48% too high; 46% about right; 6% too low), compared to 30% “too high” in December.
- A net 46% of dealers reported used combines inventories were “too high” (51% too high, 44% comfortable, 5% too low) vs a net 49% last month.



Equipment Availability

- Overall, a net 7% of dealers report longer factory lead-times compared to last month (23% longer; 60% same; 16% shorter, below the 12% who reported lead times last month.
- On average, lead times are similar in January compared to last month. Combine lead times are 5.5 months, row crop tractor lead times are 5.5 months, and 4WD tractors are about 5 months.



Dealer Commentary on Used Inventory Levels

- *Used combine inventory is always high this time of year.*
- *Our used combine inventory is slightly higher than desired.*
- *Planter sales are very slow. We've got way too many used units.*
- *4WD tractors and self-propelled sprayers are a problem for us.*
- *Combine inventories are too high.*
- *We've got too many row crop tractors.*
- *Used combines, used combines, used combines.*
- *Everything but used combine inventories are too high.*
- *We could use more 150+HP tractors.*

Dealer Commentary on Biggest Surprise in the Month

- *Extreme cold.*
- *Weather was terrible but customers are still buying.*
- *THE WEATHER. The winter never goes away!!*
- *Lack of activity may have been a result of a cold wet winter!*
- *Very slow sales activity.*
- *Tractor sales to the cattle operator.*
- *Strength of the market.*
- *The farmers with grain in the bin, income problems for 2014, and livestock guys with money.*
- *Rapid change in the Canadian/US exchange rate.*
- *Pre-sells equated to a great January.*
- *It was a little quitter than we expected or we like.*
- *Continued demand for equipment into the new year.*
- *How the below zero temperature kept the famers from buying.*
- *The amount of interest in new and used tractors and combines.*
- *Crash in grain prices.*
- *We had a huge month in December, so it was nice to see that January did not drop off, but was actually stronger than last January.*
- *No sec 179 change.*
- *I actually thought we were down from 2013, it felt slow, but we had a nice gain. The weather is killing sales of lawn & garden and outdoor power equipment and hasn't helped ag. We're in a predominantly livestock area and producers are tired of feeding hay and dealing with cold and snow and that's put a little of a damper on things.*
- *There was still a surge on used equipment in January.*

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	<40HP	Util	RC	4-WD	Total	High hp	Comb
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	5,102	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%	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%

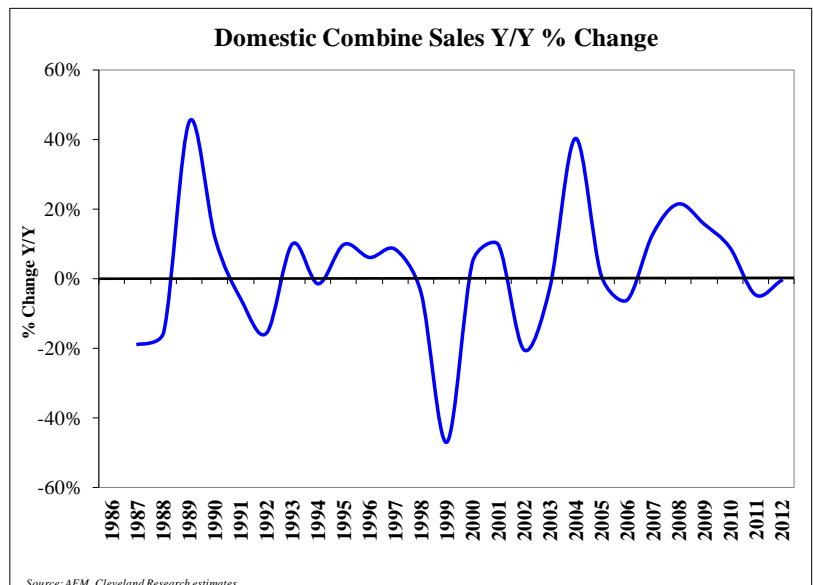
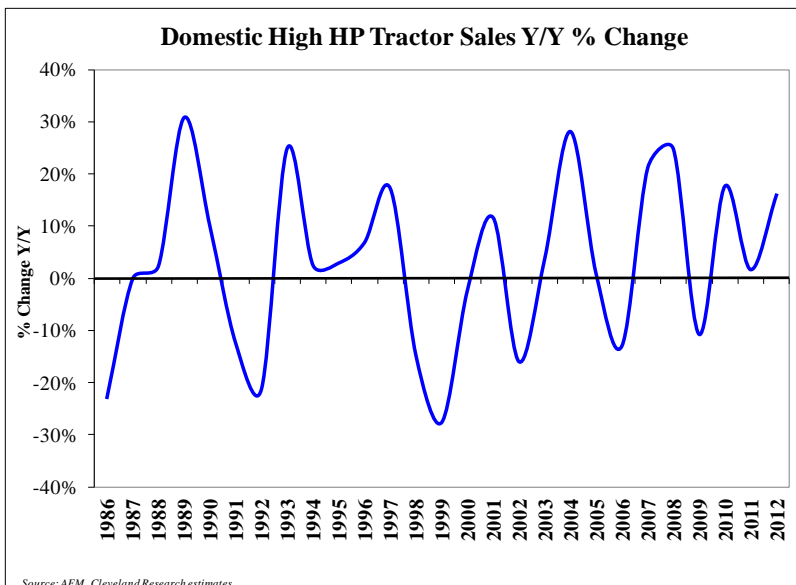
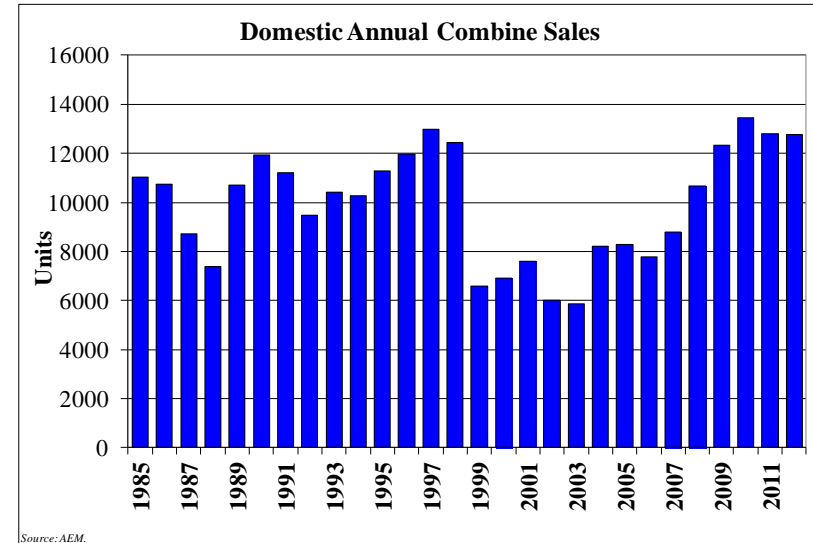
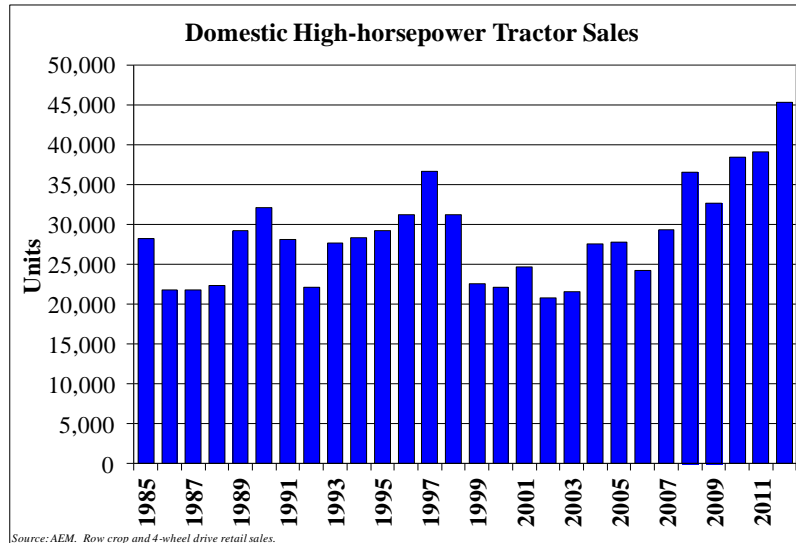
Source: AEM; Cleveland Research Company estimates. High hp tractors are row crop & 4-wheel drive.

NA Farm Equipment Industry Inventory

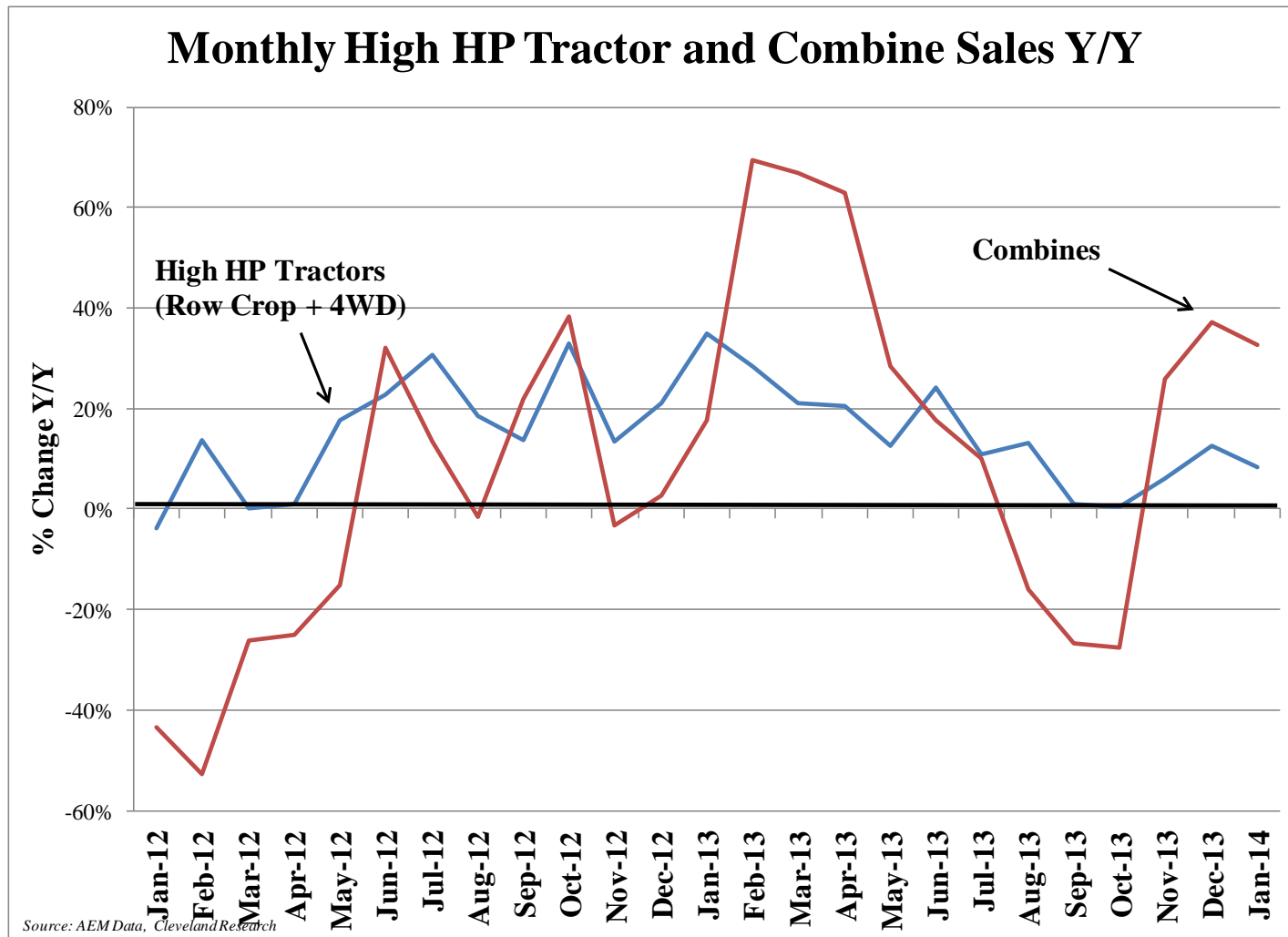
NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	<u>< 40 HP</u>	<u>Utility</u>	<u>Row Crop</u>	<u>4-Wheel</u>	<u>Total Tractor</u>	<u>Memo: High hp</u>	<u>Combines</u>	<u><40HP</u>	<u>Util</u>	<u>RC</u>	<u>4-WD</u>	<u>Total</u>	<u>High HP</u>	<u>Comb</u>
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%	30%	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	64%	48%	28%	21%	52%	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%	50%	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%
Aug-13	58,941	30,907	15,063	2,307	107,218	17,370	3,325	52%	49%	36%	26%	47%	34%	23%
Sep-13	60,787	31,714	15,372	2,507	110,380	17,879	3,255	53%	50%	37%	29%	48%	35%	24%
Oct-13	63,364	31,876	14,009	2,094	111,343	16,103	2,222	55%	50%	33%	25%	49%	32%	17%
Nov-13	67,922	33,406	14,847	2,312	118,487	17,159	2,343	59%	53%	35%	27%	52%	34%	18%
Dec-13	67,863	32,028	13,318	2,049	115,258	15,367	2,083	59%	50%	31%	24%	50%	30%	15%

Source: AEM; Cleveland Research Company estimates

Annual Ag Equipment Industry Sales – 1985-2012



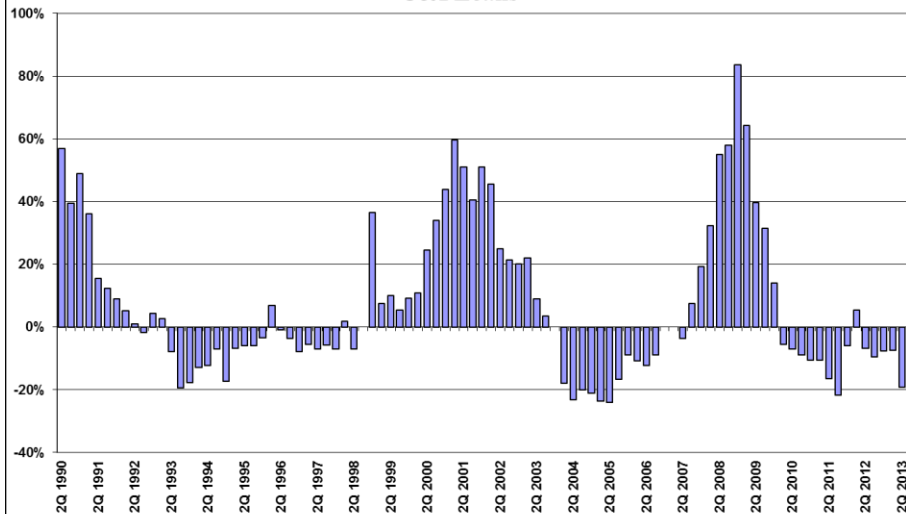
NA Ag Equipment Sales



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

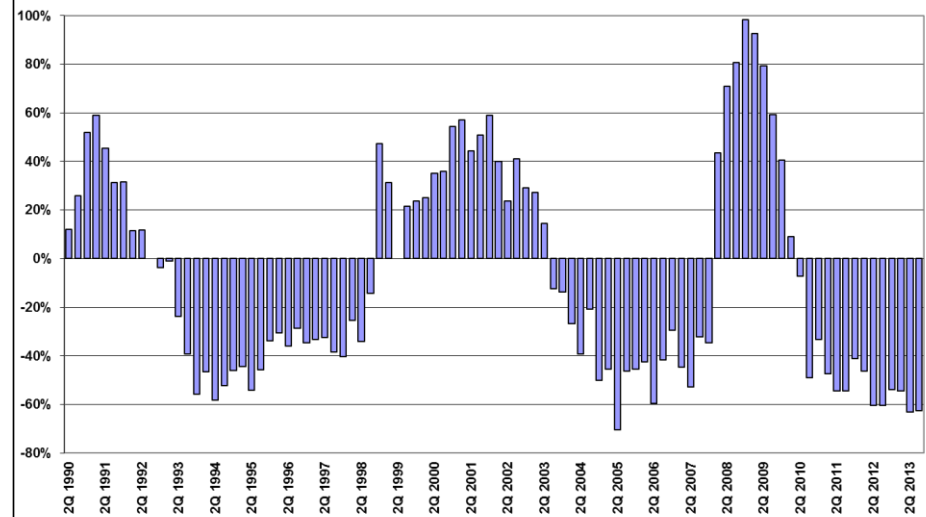
- The 3Q13 Senior Loan Officer survey saw a slight uptick in tightening of loan standards. A net 18% of loan officers reported easier credit standards in 3Q13 compared with a net 19% in 2Q.
- Bank rate spreads also saw a slight increase in 3Q13 with a net 62.5% of loan officers reporting lower lending spreads, up from a net 63% in 2Q.
- Demand for commercial and industrial loans accelerated in 3Q as a net 15% of loan officers reported stronger demand for commercial and industrial loans, up from the net 6% of loan officers reporting stronger demand for loans in 2Q.

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



Source: Federal Reserve Board

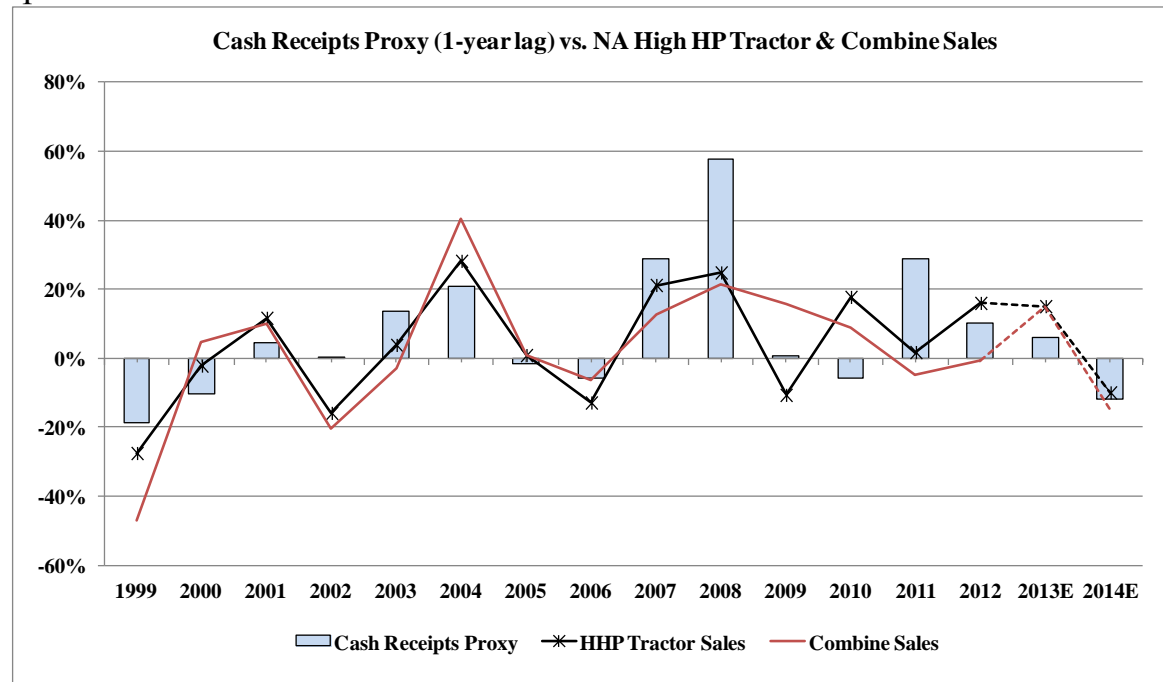
Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds



Source: Federal Reserve Board

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

The USDA's Updated crop supply and demand forecast for the 2013/14 crop year points to a (12%) decline in our simplified cash receipts proxy, up slightly from the January 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 February USDA cash receipts outlook for 2013 is for down 12% over 2012/13, slightly better than the 14% decline expected in the January forecast. 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 next year's equipment demand.



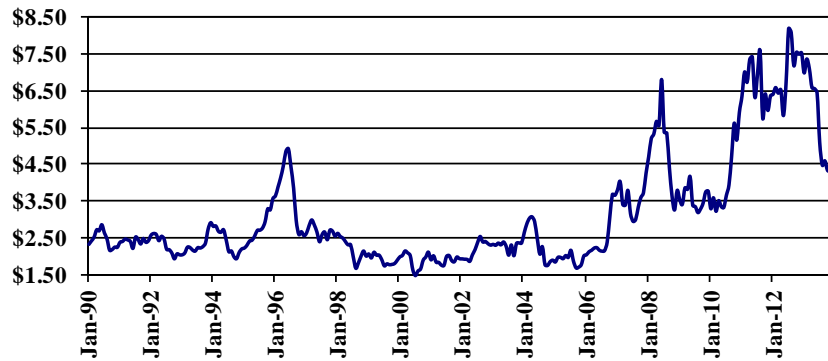
Commodity Price Trends – Simplified Cash Receipts Proxy

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	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						
December	13,989	11,600	1,450	13,050	1,792	13.7%	\$4.05-\$4.75	December	23,973	25,277	4,603	18.2%		
January	13,925	11,700	1,450	13,150	1,631	12.4%	\$4.10-\$4.70	January	24,141	25,293	4,677	18.5%		
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%		
Corn Futures Price: \$4.50														
Change m/m	0	0	150	150	-150	-1.3%	\$0.10	Change m/m	-11	144	35	0.0%		
Change y/y	3,145	1,321	869	2,189	660	3.7%	(\$2.39)	Change y/y	1,166	1,811	533	0.8%		
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						
December	3,258	3,274	1,475	4,749	150	3.2%	\$11.50-\$13.50	December	7,212	8,154	2,445	30.0%		
January	3,289	3,304	1,495	4,799	150	3.1%	\$11.75-\$13.25	January	7,250	8,146	2,507	30.8%		
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%		
Soybean Futures Price: \$13.61														
Change m/m	0	5	15	20	0	0.0%	\$0.20	Change m/m	32	-49	25	0.5%		
Change y/y	255	210	190	400	9	-0.1%	(\$1.70)	Change y/y	409	320	362	3.4%		
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						
December	2,130	1,333	1,100	2,433	575	23.6%	\$6.65-\$7.15	December	24,010	24,551	6,142	25.0%		
January	2,130	1,274	1,125	2,399	608	25.3%	\$6.60-\$7.00	January	24,056	24,570	6,204	25.3%		
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%		
Wheat Futures Price: \$6.12														
Change m/m	0	10	50	60	-50	-2.7%	-\$0.10	Change m/m	-29	12	-11	-0.1%		
Change y/y	-136	-122	168	46	-160	-7.1%	(\$0.97)	Change y/y	2,206	1,164	304	0.0%		
FARMER CROP RECEIPTS PROXY														
Year	Production:			Average Price:			Crop Cash Receipts*					% change y/y		
	Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Total				
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														
December	13,989	3,258	2,130	\$4.40	\$12.50	\$6.90	\$61,552	\$40,725	\$14,697	\$116,974	-14%			
January	13,925	3,289	2,130	\$4.40	\$12.50	\$6.80	\$61,270	\$41,113	\$14,484	\$116,867	-14%			
February	13,925	3,289	2,130	\$4.50	\$12.70	\$6.80	\$62,663	\$41,770	\$14,484	\$118,917	-12%			

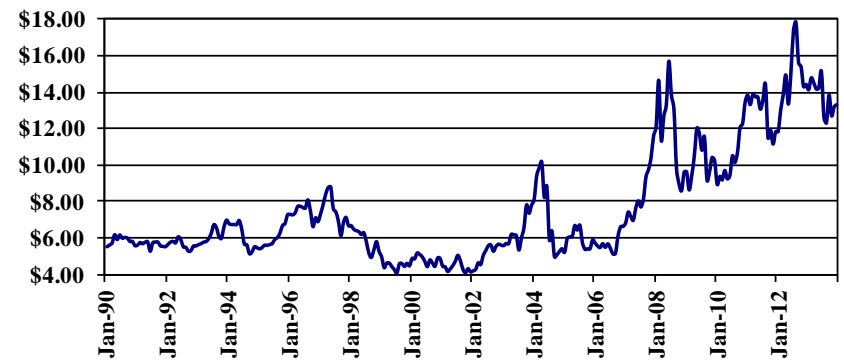
Source: USDA; Cleveland Research estimates. *Note: Cash receipts estimated as USDA production X USDA average price forecast

Long Term Commodity Price Trends

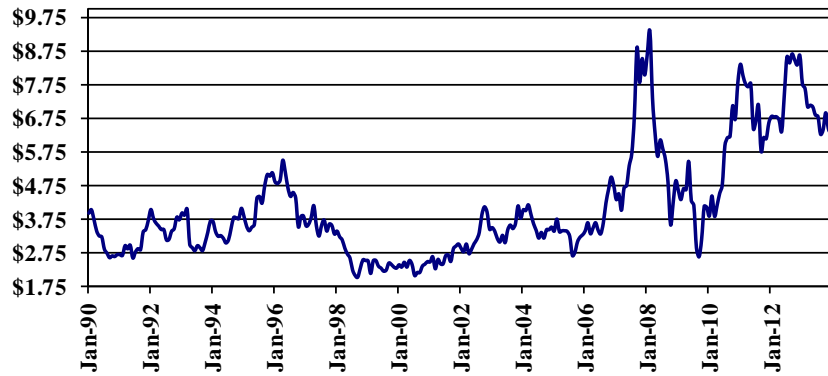
Corn Price Trends



Soybean Price Trends



Wheat Price Trends



Cotton Price Trends



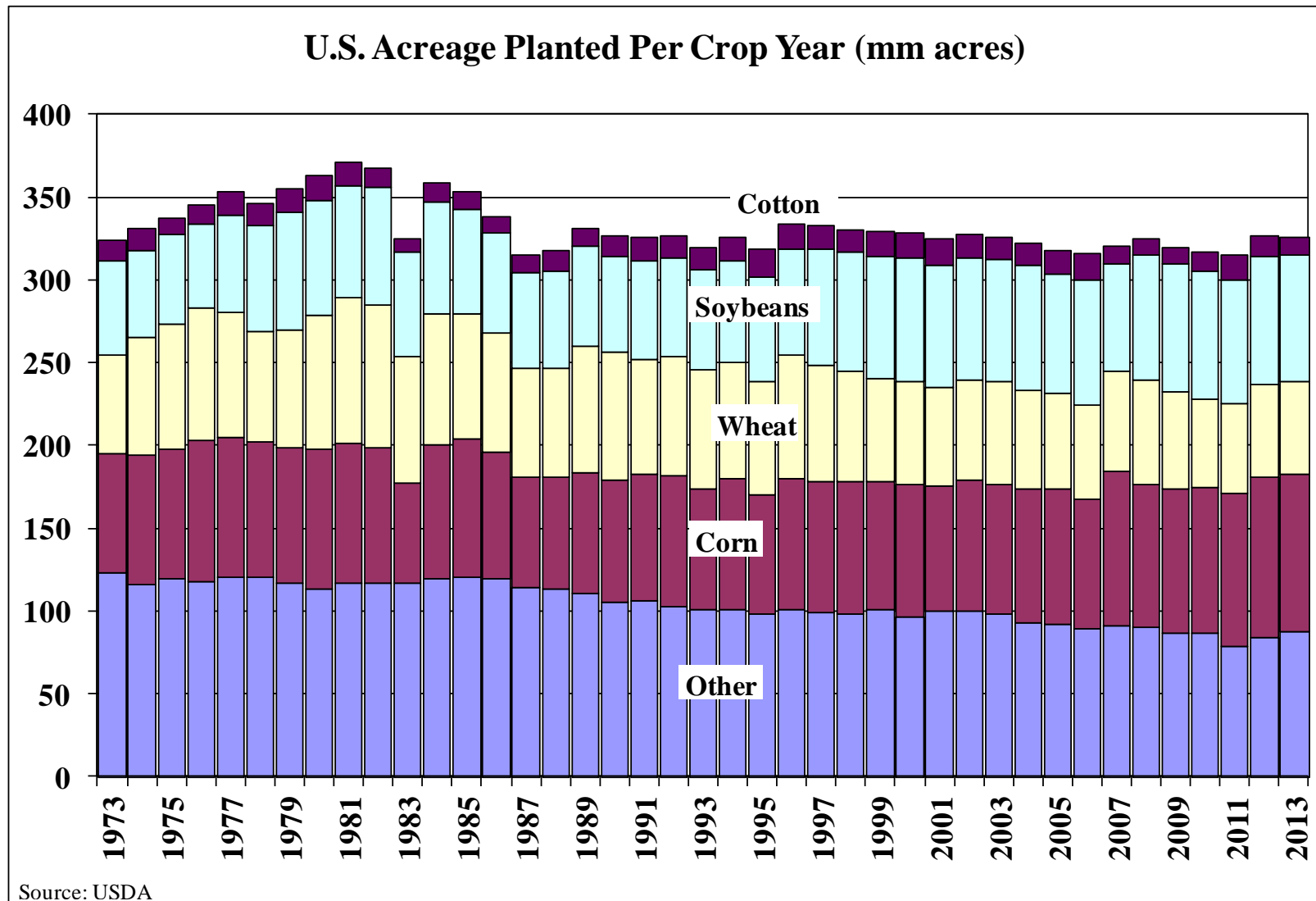
Commodity Trends – Long Run Supply and Demand Projections

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



Appendix – Interesting Info from the 2014 Ag Outlook Conference

- The USDA is forecasting farm income down 22% y/y in 2014, with its initial 2014/2015 row crop commodity price forecasts materially lower than Deere's (corn at \$3.95, soybeans \$9.65, wheat \$5.30).
- Government payments are expected to be down 45% in 2014 from \$11.2bb to \$6.1 as a result of the new Farm Bill, which eliminates the direct payment programs in favor of insurance programs.
- The USDA acres planted projections for 2014 are:
 - Corn – down 3.5%, Soybeans – up 3.9%, Wheat – down 1.2%, Cotton – up 10.5%, Rice – up 16.5%

Farm Census Data by Year			
Total Farms	2002	2007	2012
Total Number of Farms	2,128,982	2,204,792	2,109,363
5 Year Annual Growth Rate	(4%)	4%	(4%)
Average Farm Size (acres)	441	418	434
Sales Dollars	2002	2007	2012
Crop Sales	\$95,152	\$143,658	\$212,404
Livestock Sales	\$105,494	\$153,563	\$182,243
Total Agricultural Sales	\$200,646	\$297,220	\$394,647
5 Year Annual Growth Rate	2002	2007	2012
Crop Sales	(1%)	9%	8%
Livestock Sales	1%	8%	3%
Total Agricultural Sales	(0%)	8%	6%
Average Age of the Farmer	55.3	57.1	58.3

Source: USDA, Cleveland Research