

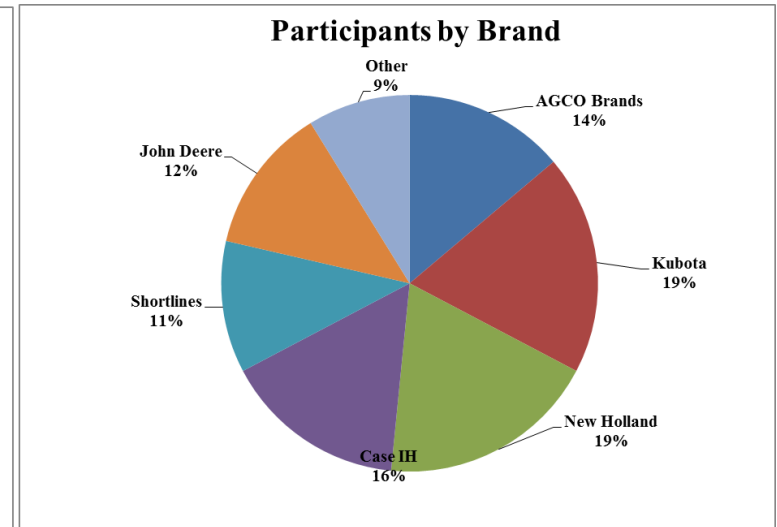
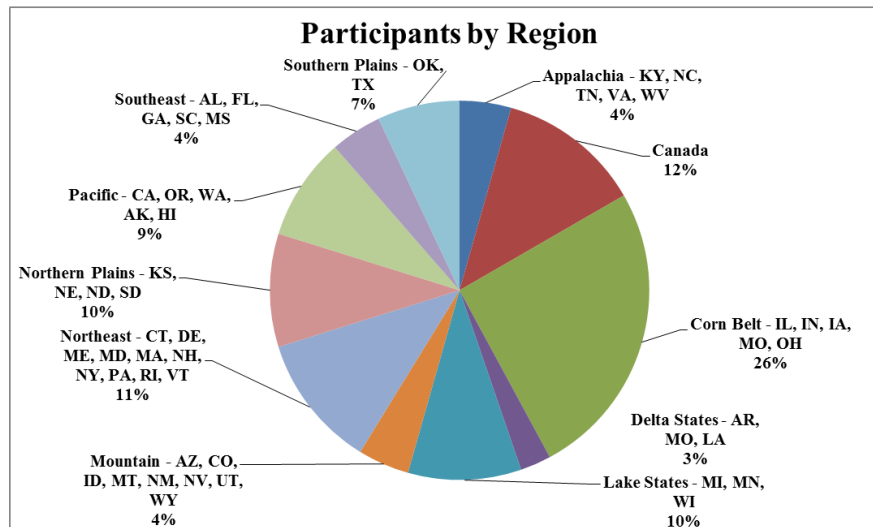
# ***Ag Equipment Intelligence***

January 2014 Dealer Sentiments &  
Business Conditions Update

# Monthly Ag Equipment Intelligence North American Dealer Survey

## Background:

- We are pleased to announce the results of the January 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 January survey had ~118 respondents representing combined annual revenues of roughly \$4.7 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 Growth Up Low Single Digits in December** – Dealers reported sales grew 3% y/y on average in December, roughly inline with the 2% sales growth in reported in November. AGCO dealers reported the worst results for the month with average sales down 4%, while Shortlines and Kubota dealers outperformed their peers with 6% growth y/y.
- **2014 Dealer Outlook Worsens** - For 2014, dealers are expecting 4% sales decline, down from the 1% decline expected last month. Deere is forecasting the N. American Ag equipment industry to be down 5-10% in units in 2014.
- **New Equipment Inventories Improve, Still “Too High”**- A net 11% of dealers categorize their new inventory as “too high” (25% too high; 61% about right; 14% too low), vs 24% of dealers last month who categorized their new inventory as “too high”. This marks the 5<sup>th</sup> consecutive month in that new inventories are “too high.”
- **Used Combine Inventories Slightly Better** – A net 49% of dealers reported used combines inventories were “too high” (54% too high, 41% comfortable, 5% too low) vs a net 59% last month.

# Monthly Sales Growth

- Ag equipment dealers reported year-over-year sales grew 3% on average in December, up slightly from the 2% reported in November.
- All brands saw improved growth in December with the exception of AGCO, which reported a 4% decline in sales on average for the month.
- A net 23% of dealers reported better than expected results for December, up significantly from the net 4% beating plan in November.

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

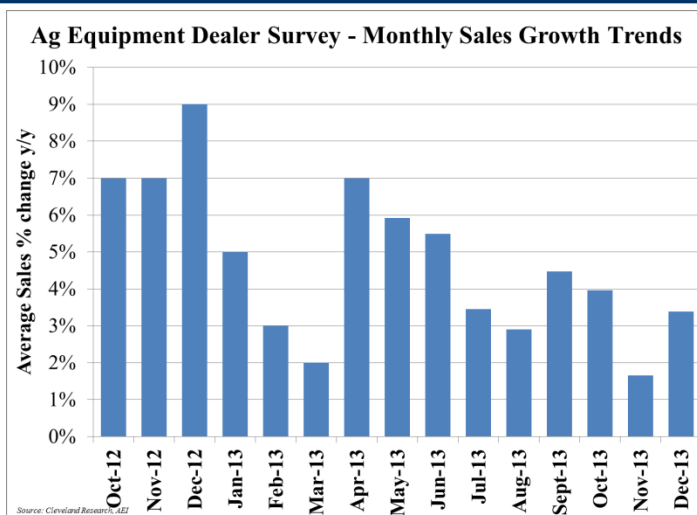
Source: Cleveland Research

N. American Farm Equipment Dealer Survey - Sales Versus Expectations															
% of Dealers Reporting	Oct-12	Nov-12	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
Better than expected	26%	35%	38%	23%	18%	27%	25%	23%	19%	38%	33%	27%	32%	24%	39%
In line with expectations	54%	48%	49%	59%	60%	55%	52%	57%	58%	48%	47%	54%	51%	56%	45%
Worse than expected	20%	17%	13%	18%	22%	18%	24%	20%	23%	14%	20%	19%	17%	20%	16%
<b>Net % (Better - Worse)</b>	<b>5%</b>	<b>18%</b>	<b>25%</b>	<b>5%</b>	<b>-4%</b>	<b>9%</b>	<b>1%</b>	<b>3%</b>	<b>-4%</b>	<b>23%</b>	<b>13%</b>	<b>8%</b>	<b>16%</b>	<b>4%</b>	<b>23%</b>

Source: Cleveland Research

Source: Farm Equipment Magazine Survey

# Monthly Sales Growth Continued



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

% of Dealers Reporting	Oct-12	Nov-12	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
Positive Sales Growth	61%	70%	69%	48%	44%	51%	60%	58%	52%	64%	53%	57%	59%	45%	63%
Flat Sales	17%	12%	14%	28%	35%	30%	20%	19%	21%	21%	21%	25%	20%	35%	18%
Negative Sales Growth	22%	18%	17%	24%	21%	19%	20%	23%	27%	15%	26%	18%	22%	20%	19%
<b>Net % Reporting Growth</b>	<b>39%</b>	<b>52%</b>	<b>52%</b>	<b>25%</b>	<b>23%</b>	<b>32%</b>	<b>40%</b>	<b>35%</b>	<b>25%</b>	<b>49%</b>	<b>26%</b>	<b>39%</b>	<b>37%</b>	<b>26%</b>	<b>44%</b>
<b>Average % Change y/y</b>	<b>7%</b>	<b>7%</b>	<b>9%</b>	<b>5%</b>	<b>3%</b>	<b>2%</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	<b>2%</b>	<b>3%</b>

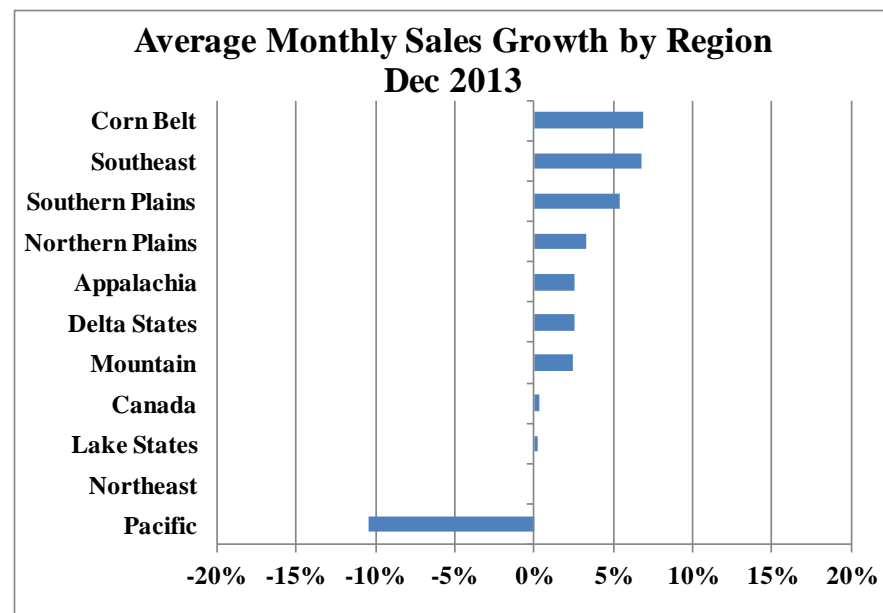
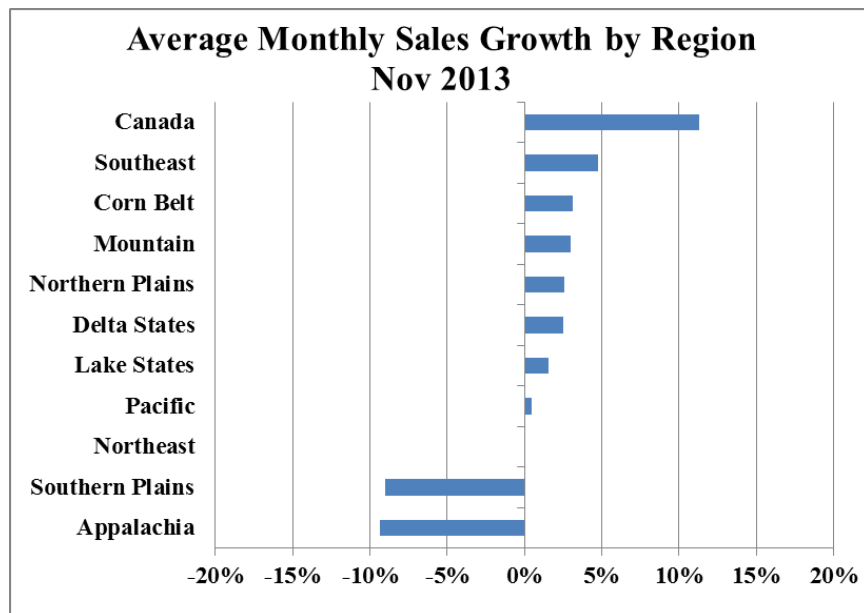
**Optimism/Sentiment vs. Last Month**

	Oct-12	Nov-12	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
More Optimistic	27%	28%	28%	34%	34%	21%	27%	27%	26%	21%	19%	14%	15%	14%	9%
Same	54%	52%	55%	51%	50%	54%	58%	52%	50%	58%	50%	62%	60%	45%	52%
Less Optimistic	20%	20%	18%	15%	16%	26%	15%	21%	24%	21%	31%	23%	25%	41%	39%
<b>Net % Dealer Optimism</b>	<b>7%</b>	<b>8%</b>	<b>10%</b>	<b>19%</b>	<b>18%</b>	<b>-5%</b>	<b>13%</b>	<b>6%</b>	<b>2%</b>	<b>1%</b>	<b>-12%</b>	<b>-9%</b>	<b>-11%</b>	<b>-27%</b>	<b>-30%</b>

Source: Cleveland Research

# Monthly Sales Growth by Region

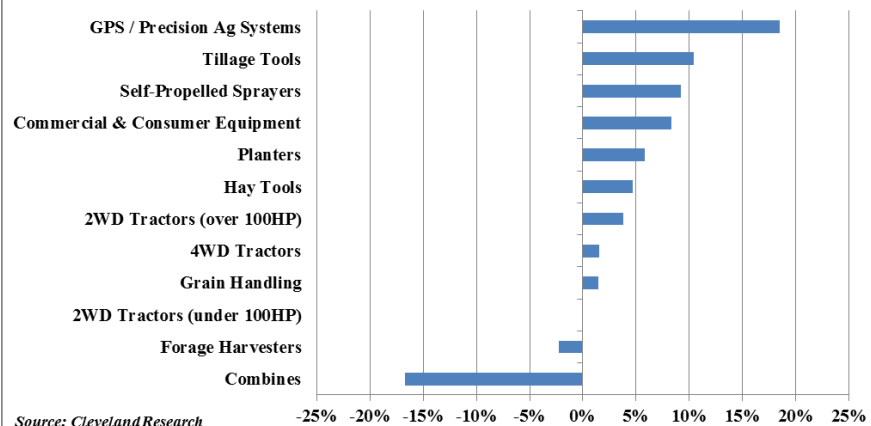
- Seven out of eleven regions showed positive average monthly sales growth in December similar to November. The Pacific region was the weakest performing reporting sales down 10% y/y on average.
- Compared to last month, the Pacific and Canada regions saw the most deceleration with average 11% below last month's levels. The Southern Plains had the largest growth acceleration with average sales 14% above November levels (up 5% compared to down 9%).



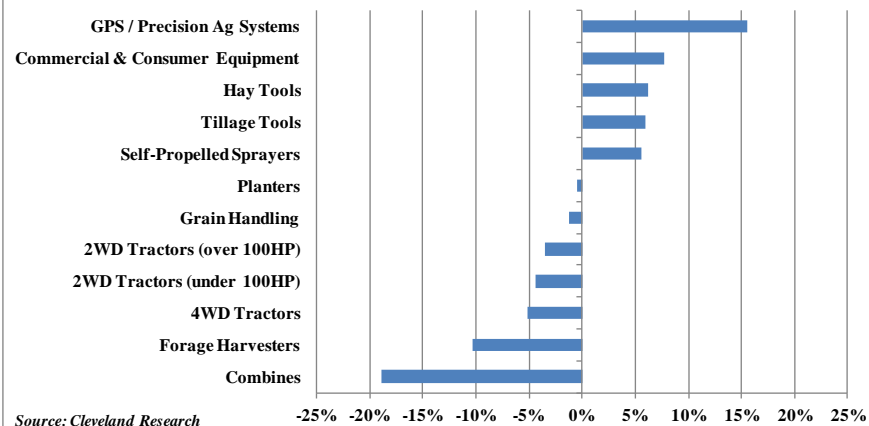
# Equipment Category Sales Trends

- Only five out of twelve product categories ranked in net positive territory in December, down from 9 last month. GPS / Precision ag systems was again the best performing category for the 13th straight month, while Combines were the weakest category for the eighth straight month.
- Compared to last month, eleven of the twelve product categories saw sales growth slow in December. 2WD Tractors (under 100 hp) saw the largest slowdown, while Hay Tools was the only category to show improvement.

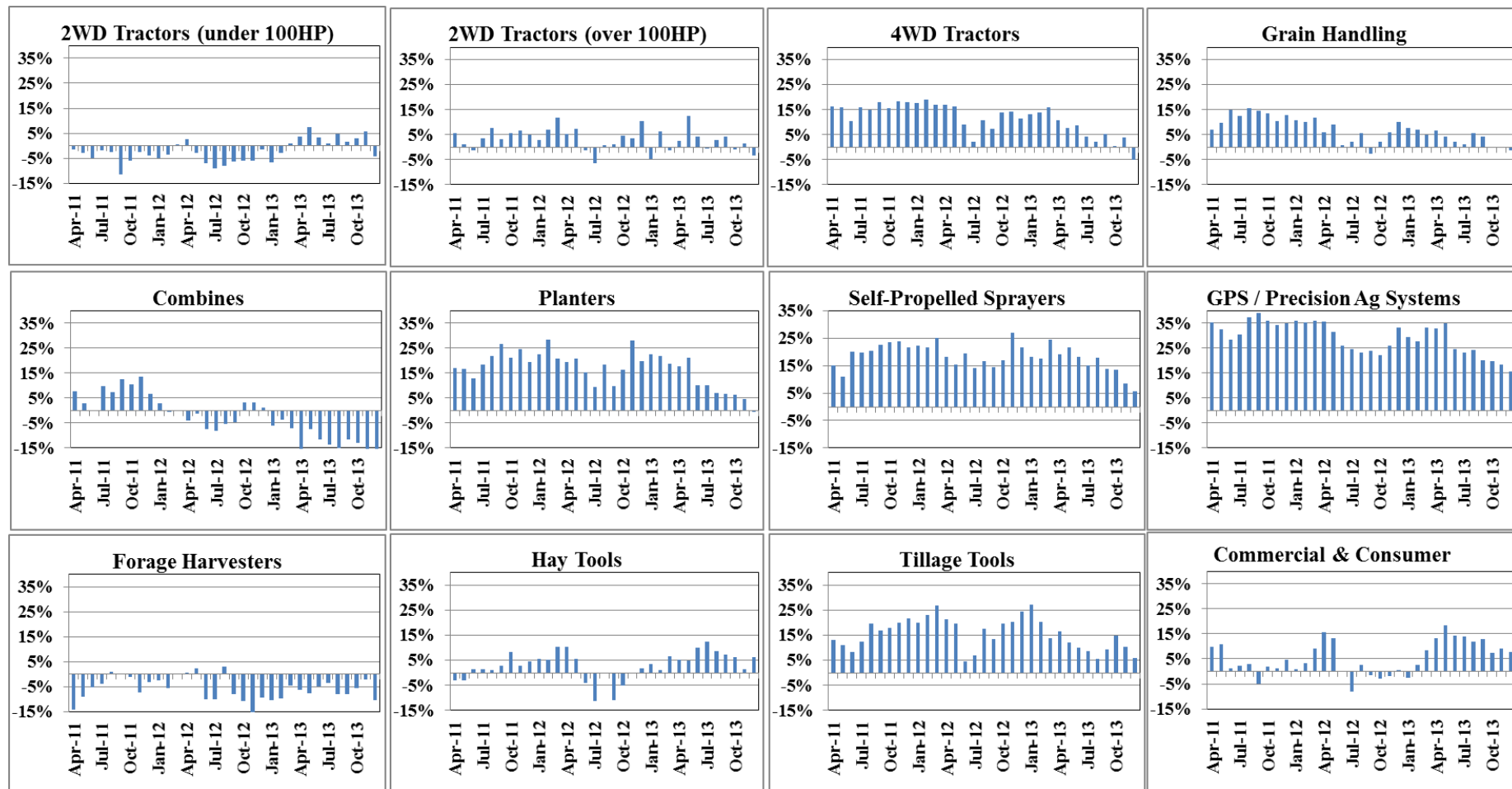
**Product Category Ranking (Net % Strong - Weak)**  
November 2013



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



# Equipment Category Sales Trends





# Dealer Commentary on Monthly Sales and Outlook

- *No election issues, no fiscal cliff, overall less knee-jerk buying than we saw in 2012. This was more of a typical December.*
- *Ending of section 179 sparked late interest.*
- *More year end buying late in the month, but not as much sold ahead for 2014. More tax buying in 2013 than we expected.*
- *Sales were held back due to the late harvest.*
- *Real surge to tillage equipment, subsoilers, rippers.*
- *Expected more year end buying for taxes.*
- *This location decided to hold off from the frenzy for market share and work with profits in December. We were comfortable with annual sales, and inventories were in line, so we let a lot of the late low profit opportunities go by. We now have room to take trade-ins.*
- *Cattle prices were higher than ever but did not sell near as expected.*
- *Pent up year end buying by farmers and ranchers related to taxes.*
- *Concerns over California water availability led to many growers delaying capital purchases in 2013.*
- *With commodity prices re-adjusting to what is probably more realistic pricing, it will in turn hold back many on purchasing equipment.*
- *When grain prices go down and livestock prices go up it's a good thing for our dealership because we are in cattle country. Our customers should be able to make a buck this year. The projection of milk prices look favorable for the coming year.*
- *Grain prices are dropping big time.*
- *We are projecting another 10-15% reduction in 2014.*
- *Crash in grain prices, Higher tier 4 pricing.*
- *60% of fields were not worked before it got too wet. Will need bigger equipment to cover same acreage faster.*
- *I still think 2014 new sales will be down 10% or more. Just the fact that most equipment has been updated, the need is not there anymore.*
- *Commodities down and uncertainty of government programs.*
- *More optimistic about next year – better beef prices helps our customers.*
- *Central California is looking right between the eyes at the possibility of receiving no surface water deliveries for 2014. 2013 their wasn't a water district that delivered enough surface water for any irrigation district from Tracy, Ca. to Bakersfield, Ca. 2014 looks even drier*

# Order Growth

## Overall Orders

- Incoming orders declined 3% y/y on average in December, down from 2% decline in November.
- All dealers saw declines in order growth for December except for Kubota and Other, while ACGO saw the largest decline at -5%.

## New Combine Order Intentions

- Combine order intentions were up from last month among dealers with a net 22% of dealers planning to order fewer combines than last year.

N. American Farm Equipment Dealer Survey - Average Orders Growth															
% Change y/y	Oct-12	Nov-12	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
<b>Overall</b>	<b>4%</b>	<b>2%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>1%</b>	<b>2%</b>	<b>2%</b>	<b>0%</b>	<b>0%</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>	<b>-2%</b>	<b>-3%</b>
By Brand	Oct-12	Nov-12	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
AGCO	2%	1%	7%	2%	0%	0%	3%	-1%	0%	-7%	-2%	-5%	-2%	-2%	-5%
John Deere	5%	3%	5%	5%	4%	3%	2%	3%	2%	2%	7%	2%	2%	-2%	-3%
New Holland	-1%	0%	-1%	0%	-1%	0%	0%	-1%	-1%	-1%	-12%	0%	0%	-3%	-1%
Case IH	4%	2%	2%	3%	4%	0%	3%	0%	-2%	1%	3%	1%	4%	-1%	-1%
Kubota	2%	0%	5%	2%	0%	1%	2%	1%	0%	-5%	-1%	0%	0%	-4%	1%
Shortlines	2%	3%	3%	5%	1%	0%	1%	0%	1%	9%	15%	5%	5%	-3%	-1%
Other	0%	3%	0%	4%	0%	na	1%	1%	0%	0%	-1%	0%	0%	na	1%

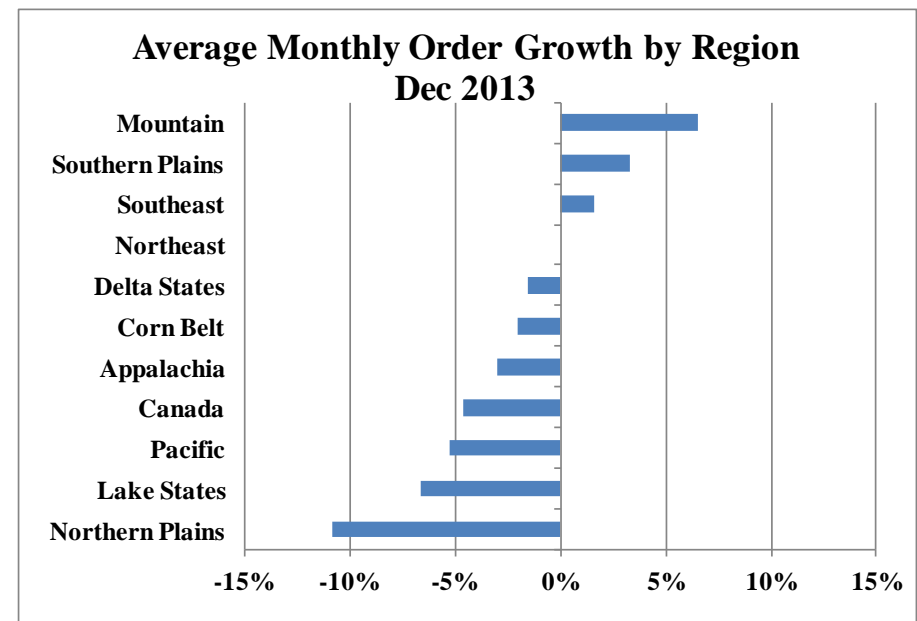
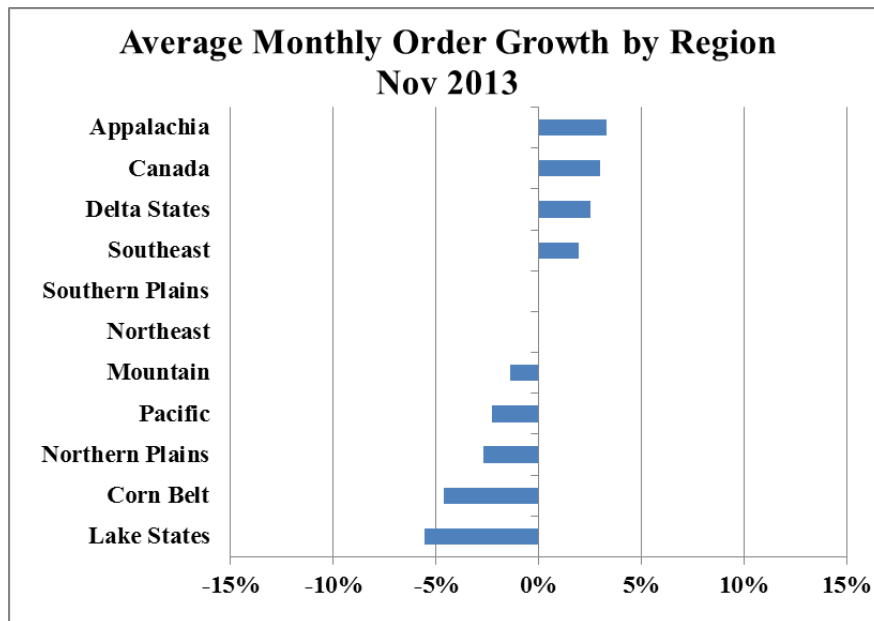
Source: Cleveland Research

New Combine Order Intentions vs. Last Year																
	Sep-12	Oct-12	Nov-12	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
More	6%	15%	21%	20%	20%	18%	16%	24%	9%	9%	14%	8%	16%	10%	11%	17%
Same	68%	52%	52%	54%	59%	55%	60%	60%	68%	62%	46%	49%	45%	39%	38%	44%
Less	26%	32%	28%	26%	21%	27%	23%	16%	23%	29%	41%	43%	39%	51%	52%	39%
<b>Net % (More- Less)</b>	<b>-20%</b>	<b>-17%</b>	<b>-7%</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>

Source: Cleveland Research

# Order Growth by Region

- Three out of eleven regions showed positive monthly order growth in December, down from four of eleven in October. Mountain, Southern Plains and the Southeast all saw low single digit order growth while the Northern Plains reported average orders down 11% y/y.
- Compared to last month, the Mountain, Southern Plains and Corn Belt regions were the only regions to demonstrate improvement in order growth, while the Northern Plains and Canada showed the most significant deceleration in orders.



## 2014 Sales Outlook

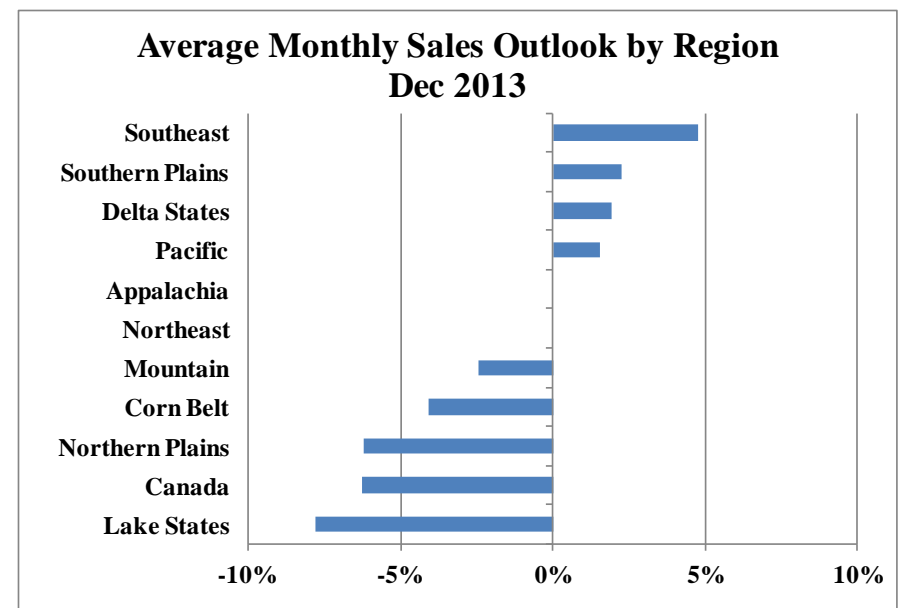
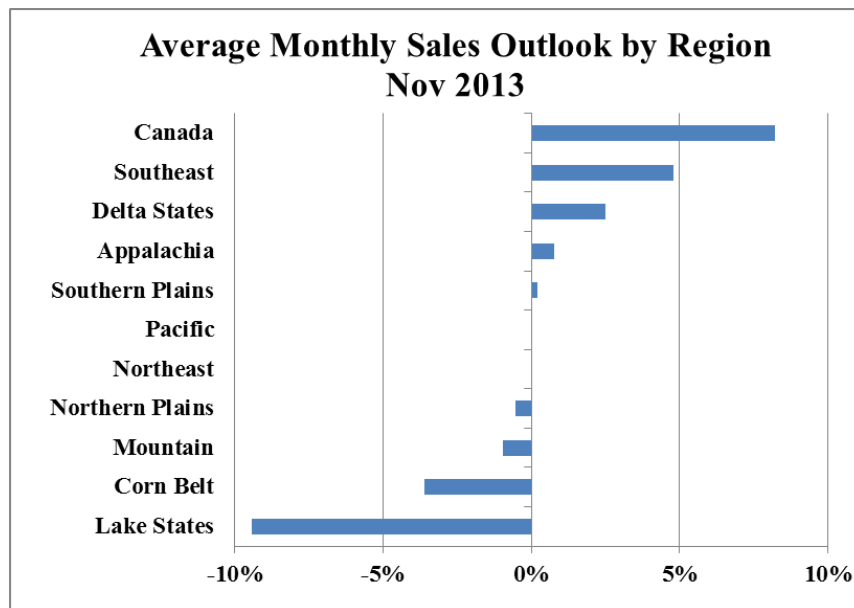
- For 2014, average dealer outlook is for a 4% sales decline, down from the 1% decline expected last month. Deere is forecasting the N. American Ag equipment market to be down 5-10% in 2014, while AGCO recently forecast the market down 0-5%.
- Among the survey participants, Case IH dealers were least optimistic regarding 2014 growth (projecting sales down 7% y/y), while AGCO, Shortlines, and other dealers are the most optimistic projecting a flat 2014.

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	Sept-13	Oct-13	Nov-13	Dec-13
	2013 Outlook												2014 Outlook			
Overall	3%	2%	4%	2%	4%	4%	3%	5%	5%	3%	3%	3%	0%	1%	-1%	-4%
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	Sept-13	Oct-13	Nov-13	Dec-13
AGCO	4%	4%	3%	3%	2%	2%	6%	6%	2%	3%	-4%	2%	-1%	-3%	-2%	0%
John Deere	4%	2%	6%	3%	4%	4%	3%	5%	8%	4%	6%	1%	2%	2%	0%	-3%
New Holland	1%	0%	0%	-1%	1%	0%	2%	4%	1%	6%	0%	-3%	2%	1%	-2%	-2%
Case IH	2%	2%	2%	-1%	3%	4%	1%	5%	0%	0%	3%	-5%	-3%	0%	-1%	-7%
Kubota	3%	2%	0%	0%	4%	4%	3%	7%	4%	8%	-3%	3%	-1%	-1%	-3%	-2%
Shortlines	5%	0%	2%	0%	4%	4%	2%	3%	3%	2%	12%	5%	4%	6%	-3%	0%
Other	3%	3%	-2%	2%	1%	5%	na	1%	3%	1%	4%	1%	2%	2%	na	0%

Source: Cleveland Research

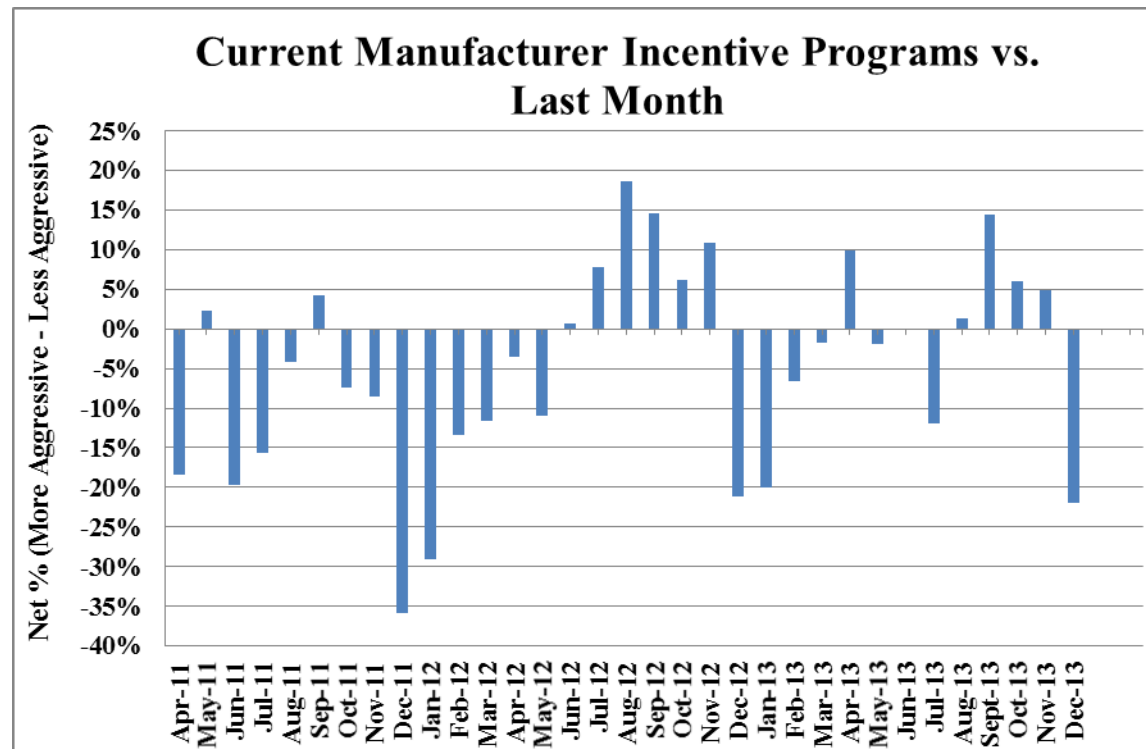
## 2014 Sales Outlook Continued

- Four out of eleven regions are projecting a positive full year 2014 sales outlook in December, similar to last month. The Southeast is the most optimistic (expecting 5% growth), while the Lake States region is expecting sales to decline 8% in 2014.



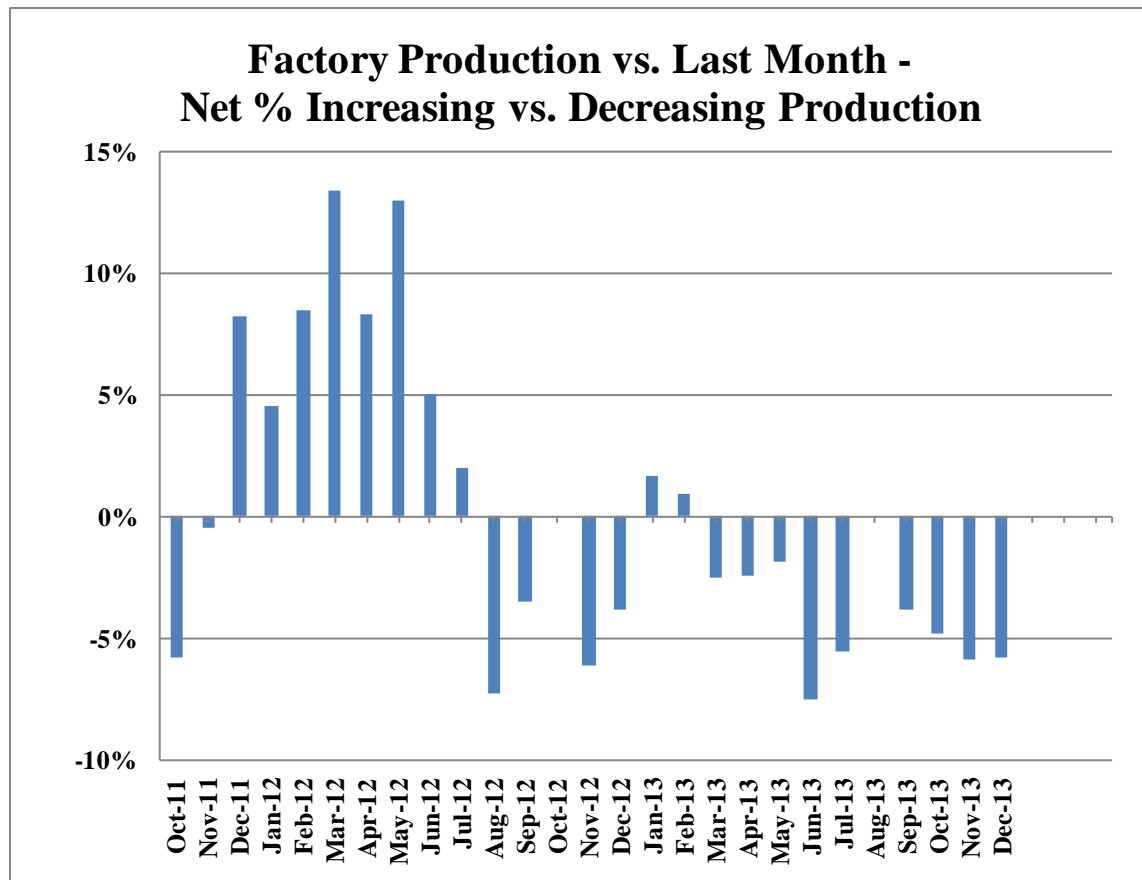
# Current Manufacturer Incentive Programs

- A net 22% of dealers report that manufacturers are less aggressive with incentives in December (12% more aggressive; 54% same; 34% less aggressive) compared to 5% reporting more aggressiveness in November.



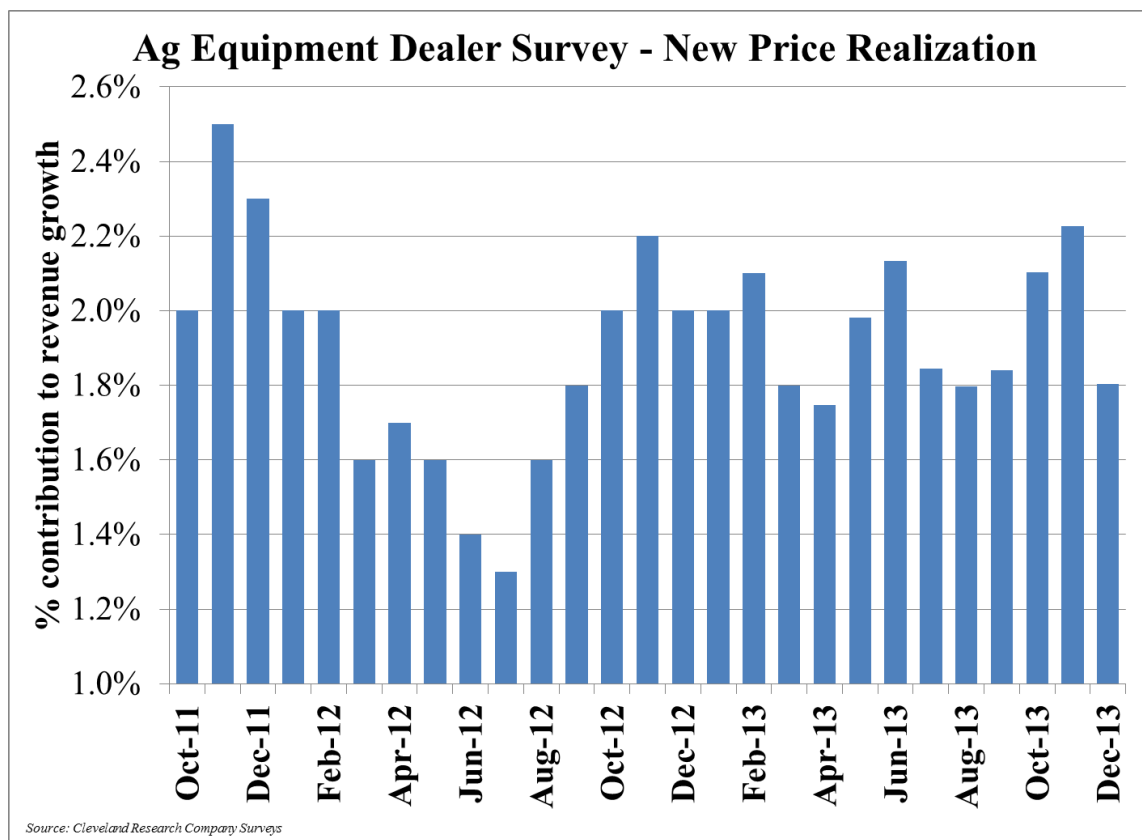
# Factory Production

- A net 6% of dealers report that factory production was down compared to last month (3% increasing production; 88% no change in production; 9% decreasing production).



# Pricing Trends

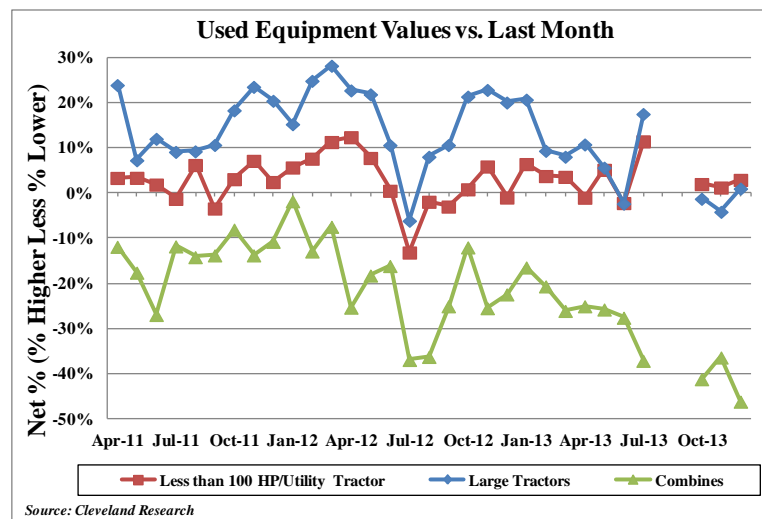
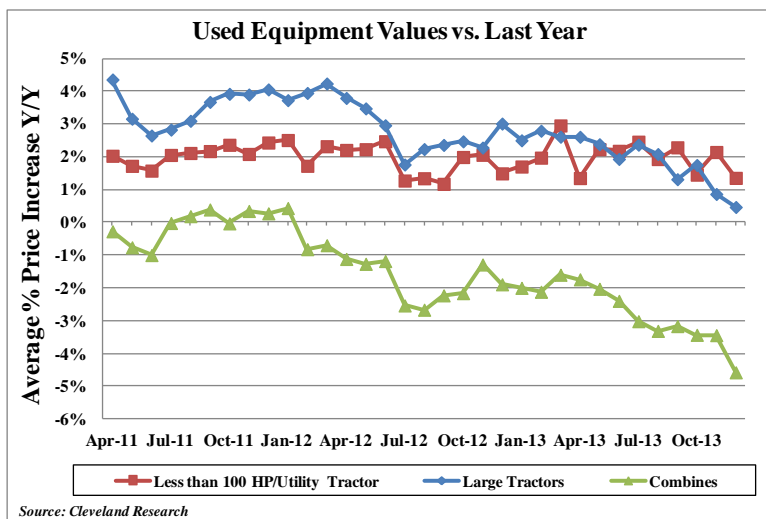
- Dealers report price contributed roughly ~1.8% to total December revenue growth. We would expect this trend to move higher in the coming months as new Model Year price increases and Final Tier 4 price increases kick in.





# Used Equipment Pricing

- By category, used prices for tractors over 100HP are up less than 1% year-over-year on average, down slightly from last month. Prices for used tractors under 100HP are up 1.4% y/y, while used combine values dropped more significantly to down 4.6% y/y.
- A net 46% of dealers reported that used combine values were lower in December compared to November, down from the net 36% who reported used combine values were lower in November than October.



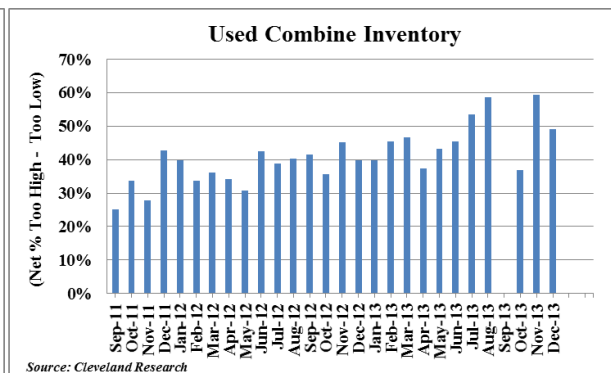
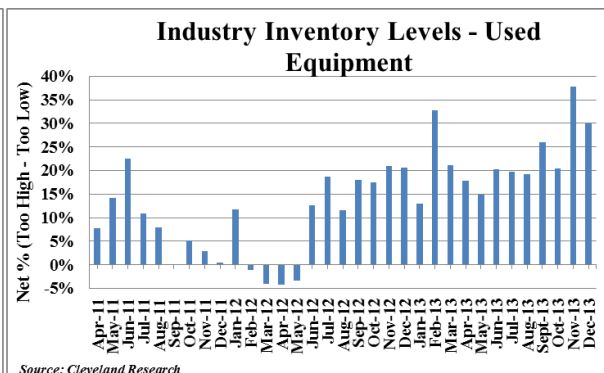
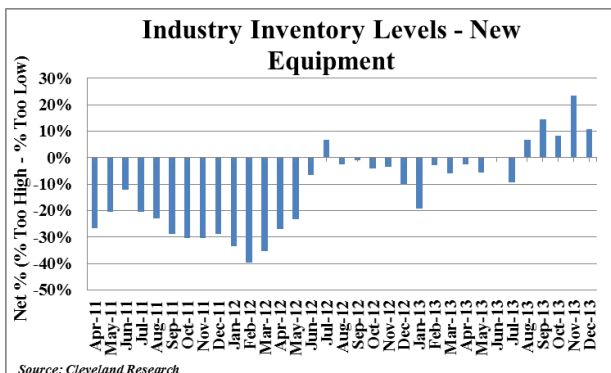
# Inventory Levels

## New Equipment Inventory

- A net 11% of dealers categorize their new inventory as “too high” (25% too high; 61% about right; 14% too low), vs. 24% of dealers last month who categorized their new inventory as “too high”. The lower % reporting new inventories “too high” is likely a result of the better than expected sales in December.

## Used Equipment Inventory

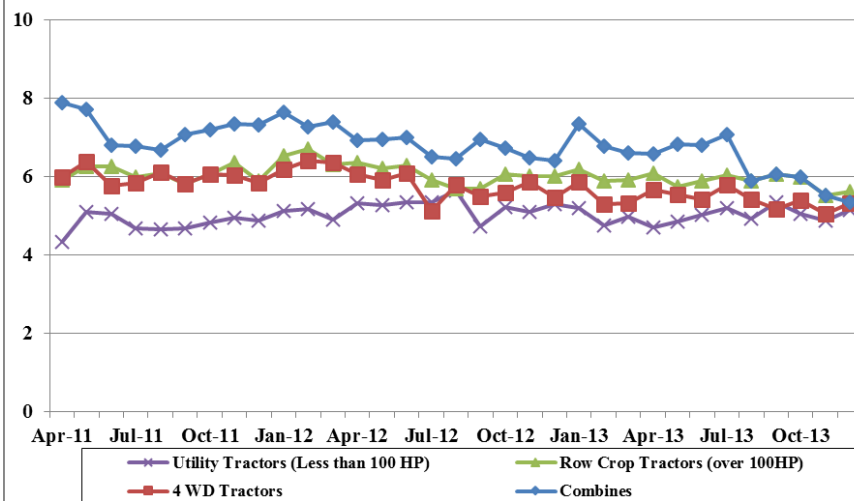
- Used equipment inventory overall also fell to a net 30% of dealers reporting used inventories as “too high” (39% too high; 52% about right; 9% too low), below the net 38% reporting “too high” last month.
- A net 49% of dealers reported used combines inventories were “too high” (54% too high, 41% comfortable, 5% too low) vs a net 59% last month.



# Equipment Availability

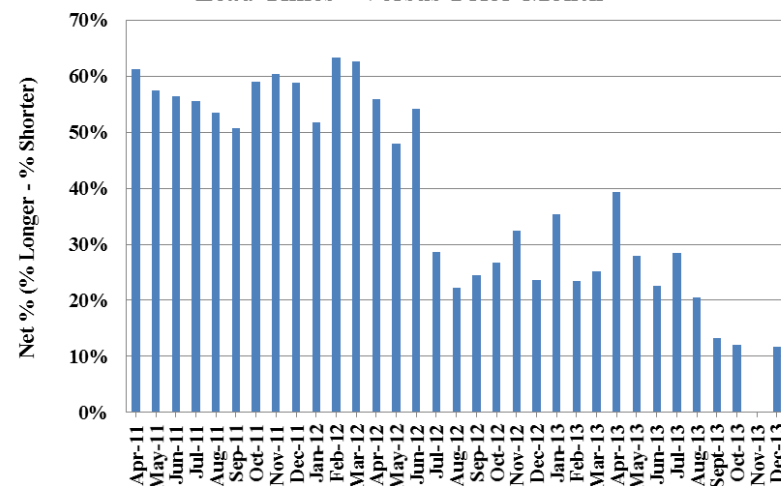
- Overall, a net 12% of dealers report longer factory lead-times compared to last month (28% longer; 55% same; 17% shorter), up from the flat lead times reported last month.
- On average combine and row crop tractor lead times are 5.6 months; 4WD are 5.3 months; and smaller tractors (<100 HP) lead times are 5.1 months.

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



Source: Cleveland Research

**Lead Times - Versus Prior Month**



Source: Cleveland Research

# Dealer Commentary on Used Inventory Levels

- *Too high on 4WDs, large planters (24row) and hay tools. Concerned about tillage going forward with the increase in beans vs. corn being planted next year.*
- *No good late model tractors.*
- *Big self propelled machines are hard to move, smaller hay tools move very good.*
- *The 4WD wheel market is very soft. 4WD track market still hanging in there but has softened a little.*
- *We've got too many air seeders and planters.*
- *Used combine inventory is always up this time year.*
- *We need more 100-120HP tractors.*
- *Combines are dropping in price daily, 4WD tractors are slow.*
- *The market is dead on pull type sprayers.*
- *Combines are too high, everything else is good.*

# Dealer Commentary on Biggest Surprise in the Month

- *Year end sales were higher than I thought they would be.*
- *People still looking for equipment with lower markets and fewer tax breaks.*
- *Sales the last 2 weeks of the year were stronger than in years past. I think a lot of farmers are taking a "wait and see" attitude. I think we are going to have to work a lot harder to create business in 2014.*
- *Sales we should of had in October/November. Stronger end of month than expected.*
- *Good crops and prices are bringing buyers in to spend.*
- *Strong year end tax buying, loss of this will hurt if not reinstated.*
- *Case IH incentives at year end were ridiculous. We as dealers should have saved all sales to the last week of the year and we could have made a lot more money with reduced cost.*
- *No real surprise but tax laws are a giant motivators*
- *Floor traffic was slower than anticipated. Expected some year end activity.*
- *Overall optimism considering falling grain prices. We think some pulled purchases forward in anticipation of tougher times ahead.*
- *Strength of the market. We don't deal in large ticket items but we did more in retail on the last day of the month than we've ever done. We must be doing something right, I'm very proud of our team.*
- *The strength of sales with the dismal forecast of \$2.75 corn.*
- *More customers wanted to prepay equip purchases (2014 orders) in Dec. 2013.*
- *Demand for new equipment sales due to tax changes.*
- *Sales higher than expected*
- *How late people waited to even start to shop for equipment. Sales was pretty slow until the second week of December and just went crazy. When your running around Tuesday looking at trade ins, that's too close. Usually New Years Eve is spent signing contracts and finalizing deals, not just starting them.*
- *How soft year end business was compared to last year and lack of shale gas lease money. (How fast it was spent during the year and less gas lease money available at end of year)*
- *After season buying was very strong.*

# 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	4,723	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%	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%

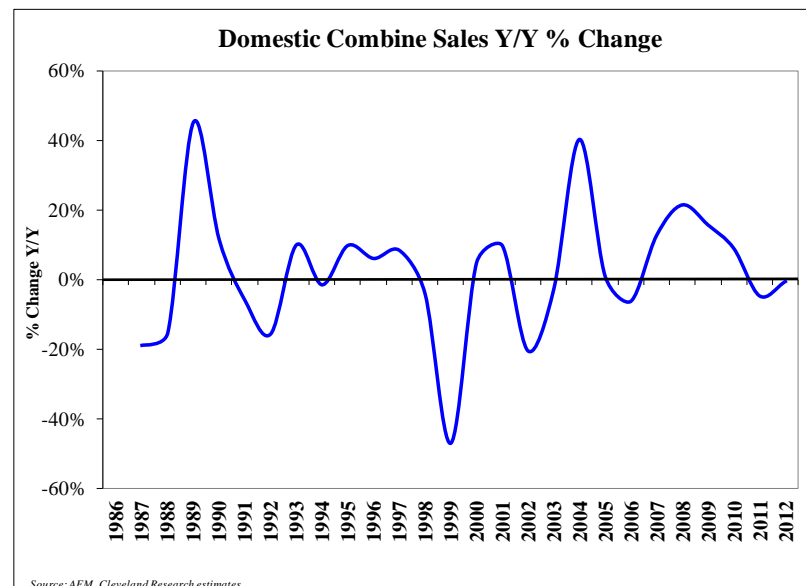
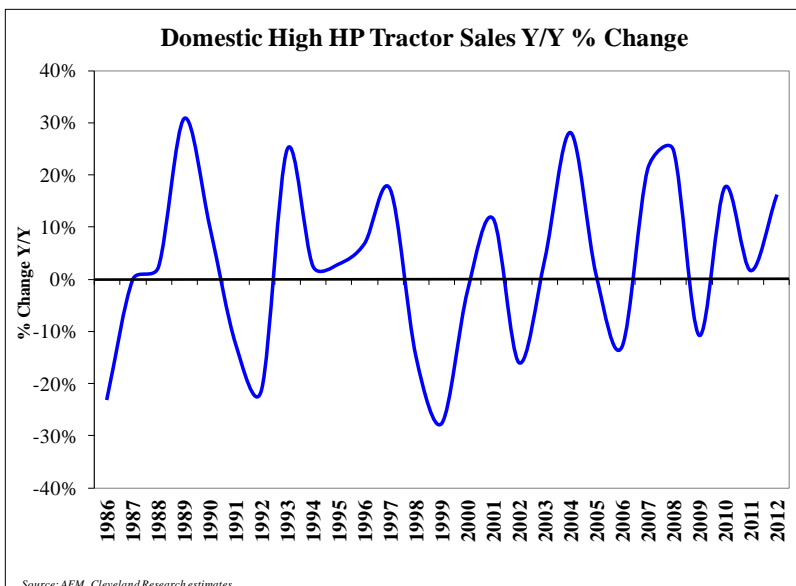
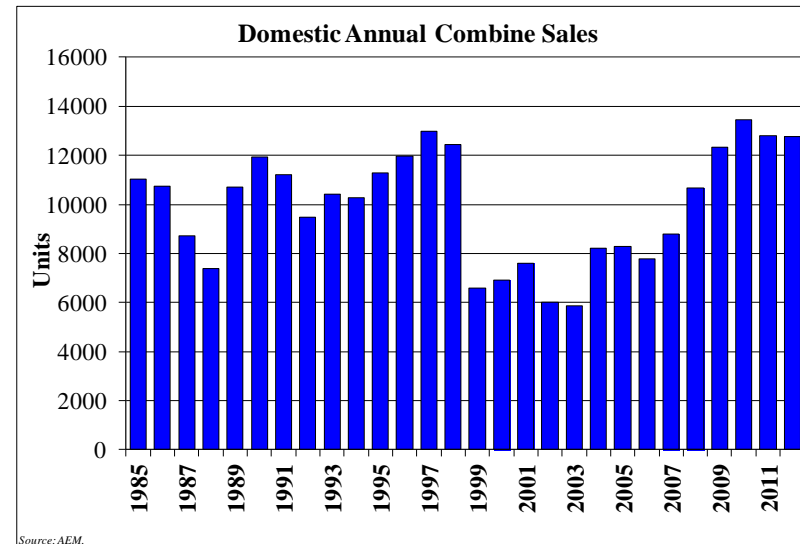
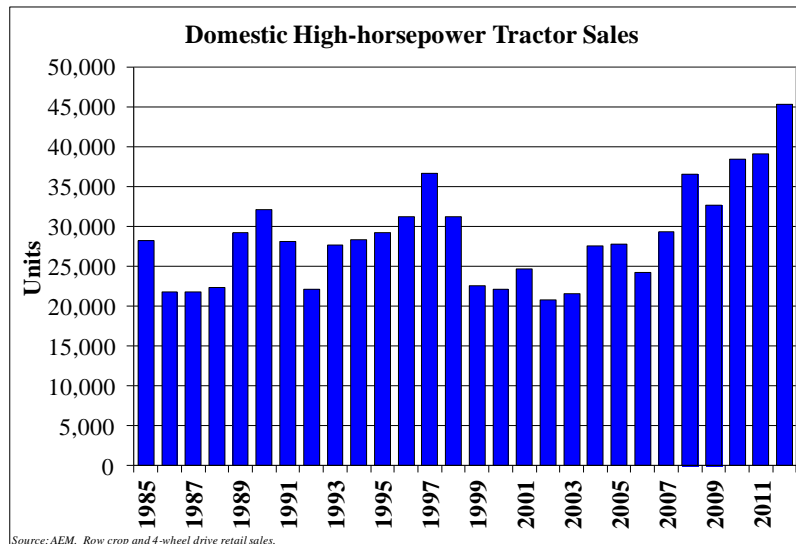
# NA Farm Equipment Industry Inventory

## NORTH AMERICAN FARMEQUIPMENT INVENTORY

	Inventory (Units)							Inventory to 12-mo. Sales						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Memo: High hp	Combines	<40HP	Util	RC	4-WD	Total	High HP	Comb
<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%	25%	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%

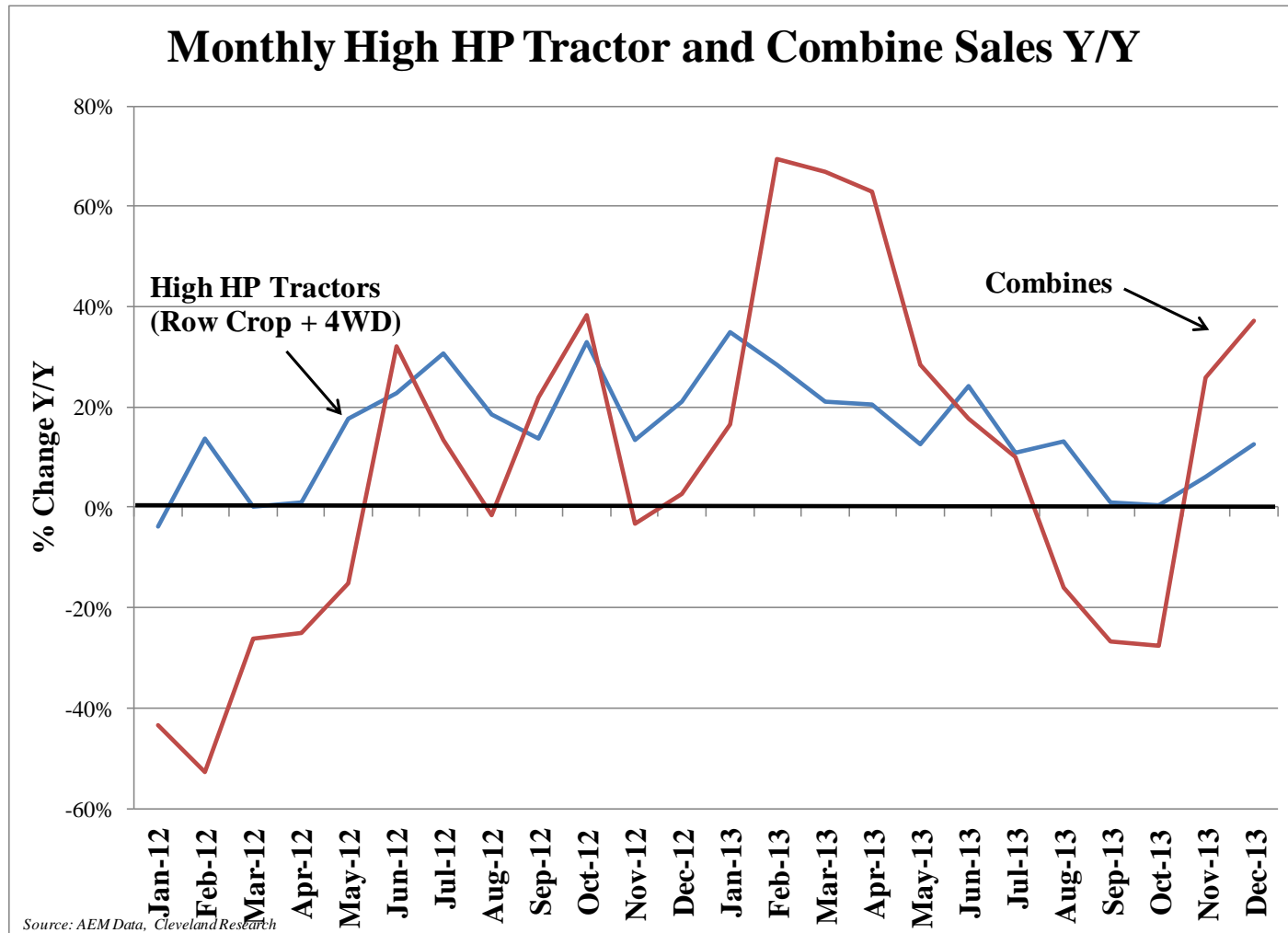
Source: AEM; Cleveland Research Company estimates

# Annual Ag Equipment Industry Sales – 1985-2012





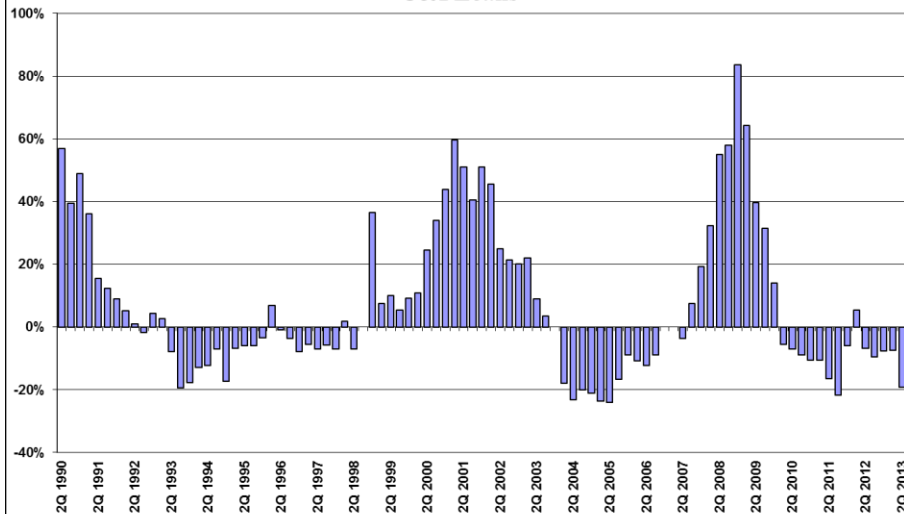
# NA Ag Equipment Sales



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

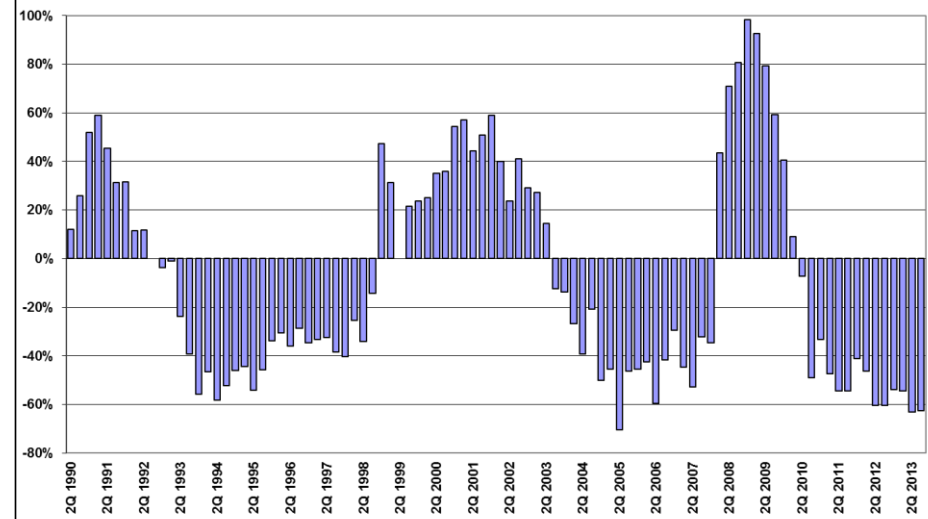
- The 3Q13 Senior Loan Officer survey saw a slight uptick in tightening of loan standards. A net 18% of loan officers reported easier credit standards in 3Q13 compared with a net 19% in 2Q.
- Bank rate spreads also saw a slight increase in 3Q13 with a net 62.5% of loan officers reporting lower lending 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

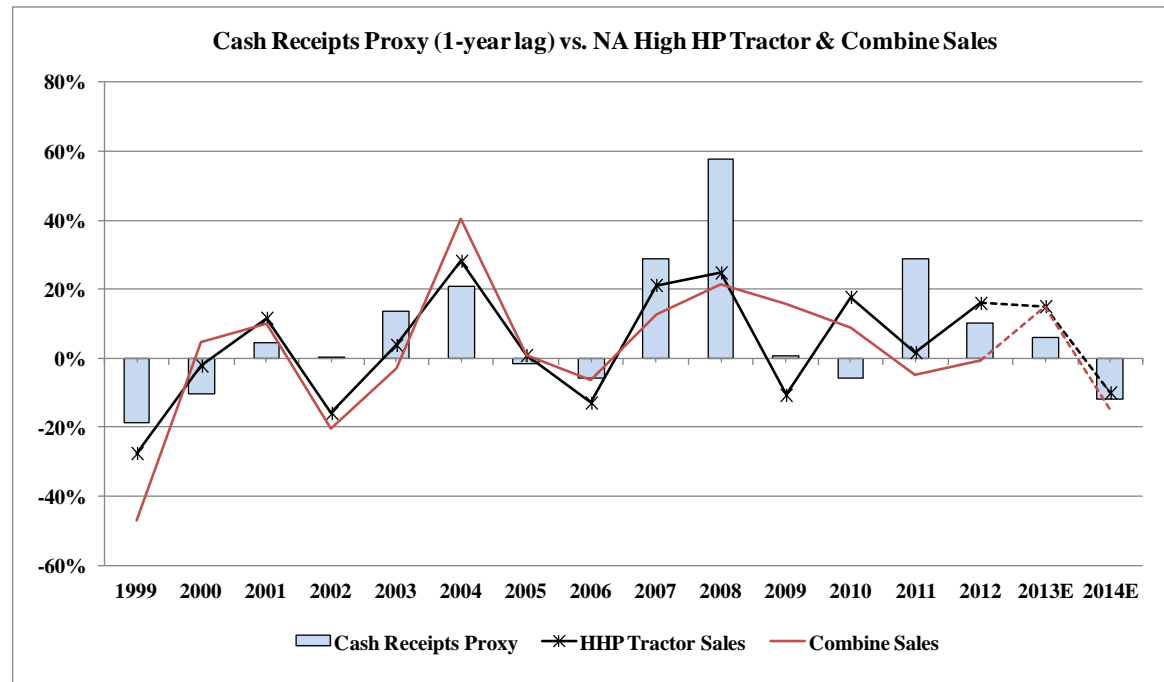
Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds



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 (14%) decline in our simplified cash receipts proxy, slightly below the December 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 January USDA cash receipts outlook for 2013 is for down 14% over 2012, just below the 13% decline in the December 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.

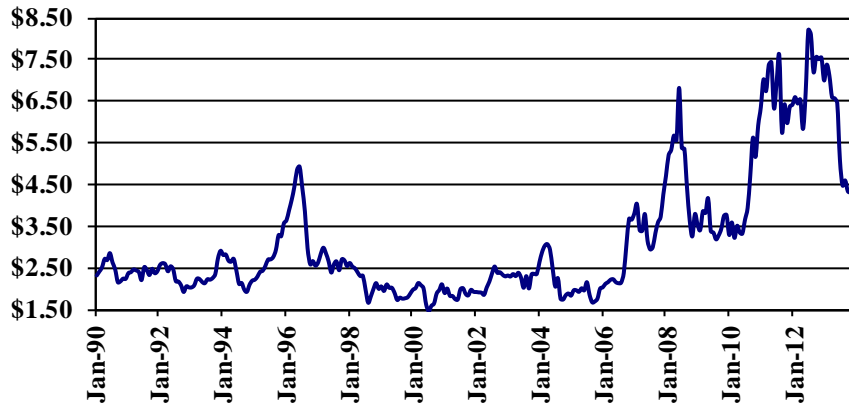


# Commodity Price Trends – Simplified Cash Receipts Proxy

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	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				
November	13,989	11,550	1,400	12,950	1,887	16.3%	\$4.10-\$4.90	November	23,916	25,195	4,582	18.2%
December	13,989	11,600	1,450	13,050	1,792	15.4%	\$4.05-\$4.75	December	23,973	25,277	4,603	18.2%
January	13,925	11,700	1,450	13,150	1,631	13.9%	\$4.10-\$4.70	January	24,141	25,293	4,677	18.5%
Revision to 2013/14:								Corn Futures Price: <b>\$4.12</b>				
Change m/m	-64	100	0	100	-161	-1.5%	\$0.00	m/m chg	167	16	73	0.3%
Change y/y	3,145	1,315	700	2,015	872	6.6%	<b>(\$2.50)</b>	y/y chg	1,178	1,667	498	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	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				
November	3,258	3,243	1,450	4,693	170	5.2%	\$11.15-\$13.15	November	7,160	8,127	2,410	29.7%
December	3,258	3,274	1,475	4,749	150	4.6%	\$11.50-\$13.50	December	7,212	8,154	2,445	30.0%
January	3,289	3,304	1,495	4,799	150	4.5%	\$11.75-\$13.25	January	7,250	8,146	2,507	30.8%
Revision to 2013/14: NA								Soybean Futures Price: <b>\$12.74</b>				
Change m/m	31	30	20	50	0	0.0%	\$0.00	m/m chg	38	-8	62	0.8%
Change y/y	274	224	145	369	25	0.5%	<b>(\$1.80)</b>	y/y chg	377	369	337	2.9%
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	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				
November	2,130	1,333	1,100	2,433	565	42.4%	\$6.70-\$7.30	November	23,825	24,515	5,993	24.4%
December	2,130	1,333	1,100	2,433	575	43.1%	\$6.65-\$7.15	December	24,010	24,551	6,142	25.0%
January	2,130	1,274	1,125	2,399	608	47.7%	\$6.60-\$7.00	January	24,056	24,570	6,204	25.3%
Revision to 2013/14: NA								Wheat Futures Price: <b>\$5.84</b>				
Change m/m	0	-59	25	-34	33	4.6%	-\$0.10	m/m chg	46	19	62	0.2%
Change y/y	-139	-107	100	-7	-123	-5.2%	<b>(\$1.00)</b>	y/y chg	2,235	1,152	315	0.1%
FARMER CROP RECEIPTS												
Production:			Avg Price:			Crop Cash Receipts*						
	Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Total	y/y % Chg	
2010/11	12,447	3,329	2,207	\$5.25	\$11.40	\$5.65	\$65,347	\$37,951	\$12,470	\$115,767	29%	
2011/12	12,358	3,056	1,999	\$6.10	\$12.35	\$7.25	\$75,384	\$37,742	\$14,493	\$127,618	10%	
2012/13	10,780	3,015	2,269	\$6.90	\$14.30	\$7.80	\$74,382	\$43,115	\$17,698	\$135,195	6%	
2013/14												
November	13,989	3,258	2,130	\$4.50	\$12.15	\$7.00	\$62,951	\$39,585	\$14,910	\$117,445	-13%	
December	13,989	3,258	2,130	\$4.40	\$12.50	\$6.90	\$61,552	\$40,725	\$14,697	\$116,974	-13%	
January	13,925	3,289	2,130	\$4.40	\$12.50	\$6.80	\$61,270	\$41,113	\$14,484	\$116,867	-14%	
*Note: Cash receipts estimated as USDA production X USDA average price forecast												

# Long Term Commodity Price Trends

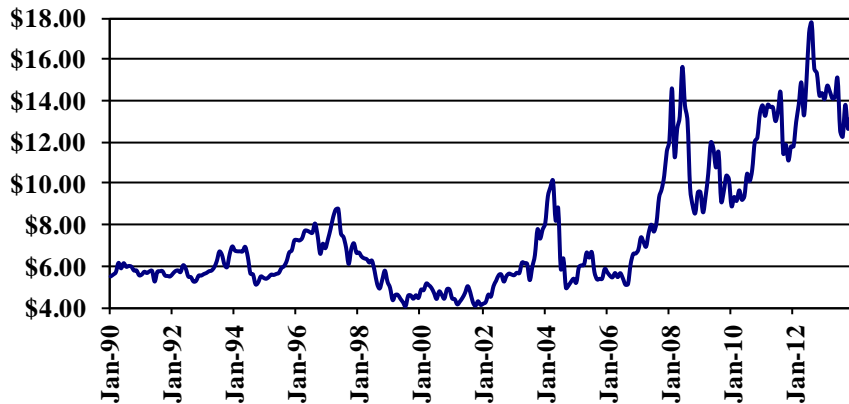
## Corn Price Trends



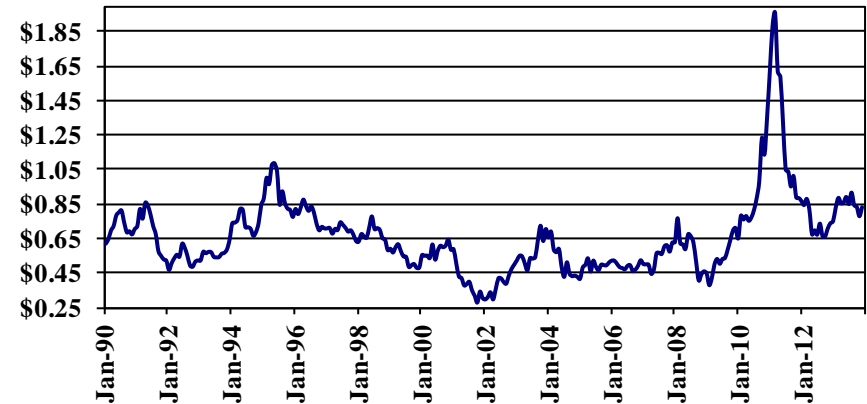
## Wheat Price Trends



## 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	

# U.S. Acreage Planted Per Crop Year

