

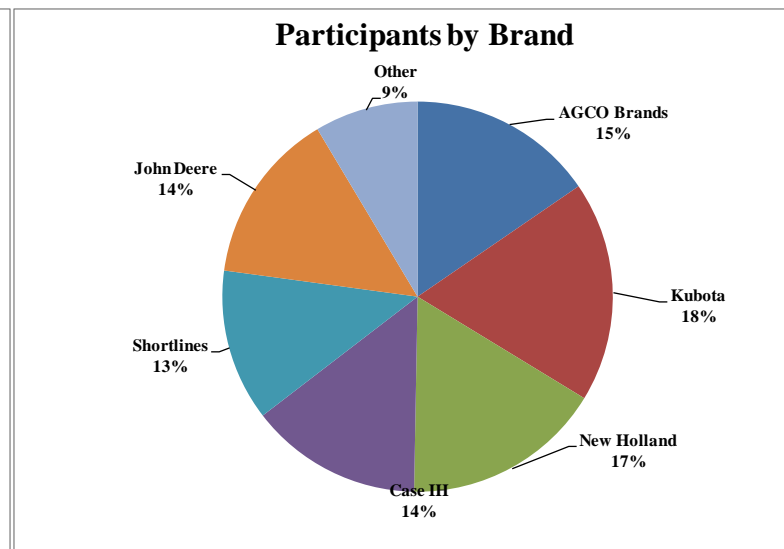
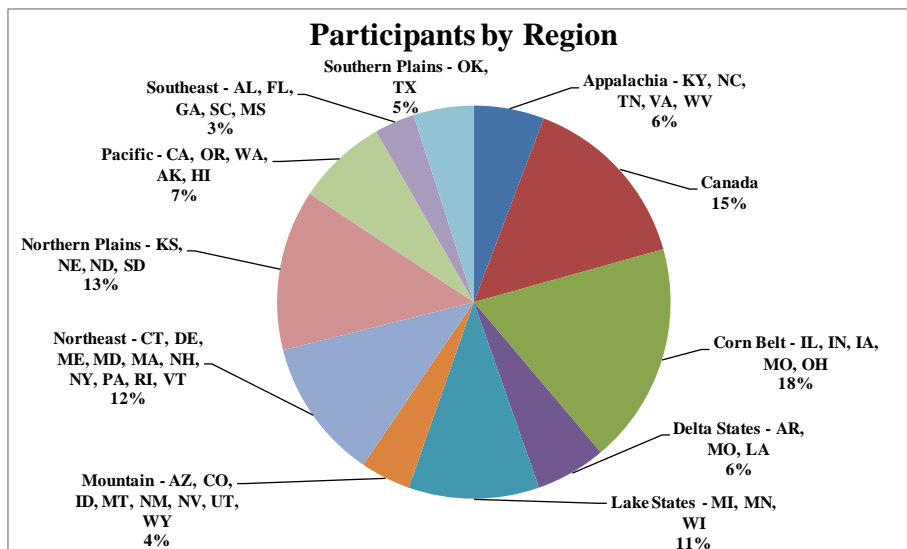
Ag Equipment Intelligence

June 2014 Dealer Sentiments &
Business Conditions Update

Monthly Ag Equipment Intelligence North American Dealer Survey

Background:

- We are pleased to announce the results of the June 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 June survey had ~122 respondents representing combined annual revenues of roughly \$5.1 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 May** – Dealers reported sales were down 2% on avg in May, an improvement from the down 4% sales reported last month. Shortlines dealers reported the best avg growth for the month at up 3% y/y, while New Holland dealers reported 10% declines y/y for the month.
- **Order Intake Down 4% y/y in May vs down 5% y/y Last Month** – Orders for the month were reported down 4% y/y compared to down 5% last month. All brands of equipment reported y/y declines in orders for the month of May (Kubota dealers saw the largest declines of 8%).
- **2014 Dealer Outlook in May for Sales Down 4%, Similar to Last Month** – For 2014, dealers are expecting a 4% decline in sales vs 2013 . Deere & Co. is forecasting the N. America Ag equipment industry to be down 5-10% in units in 2014, AGCO expects flat to down 5%, and CNH Industrial is forecasting tractor sales up 0-5% and combine sales down 15-20%.
- **Both New and Used Inventories Worse in May vs April** – A net 26% of dealers reported new inventories were “too high” in May vs a net 15% in April (the highest reading in the history of our survey). Used inventories also worsened with a net 38% of dealers reported used inventories “too high” vs a net 23% last month.

Monthly Sales Growth

- Dealers report average sales were down 2% y/y in May, slightly better than the 4% decline reported in April.
- Shortlines dealers were again the only brand to see modest growth in May at 3% y/y, while New Holland dealers reported the largest sales declines of 10% y/y on average for the month.
- Given the improvement in avg sales from down 4% to down 2%, a net 10% of dealers reported beating their plan for the month compared to a net 4% missing plan in May.

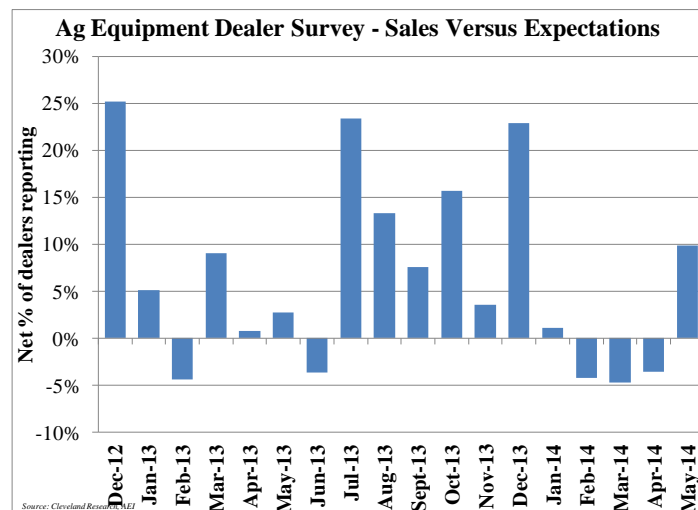
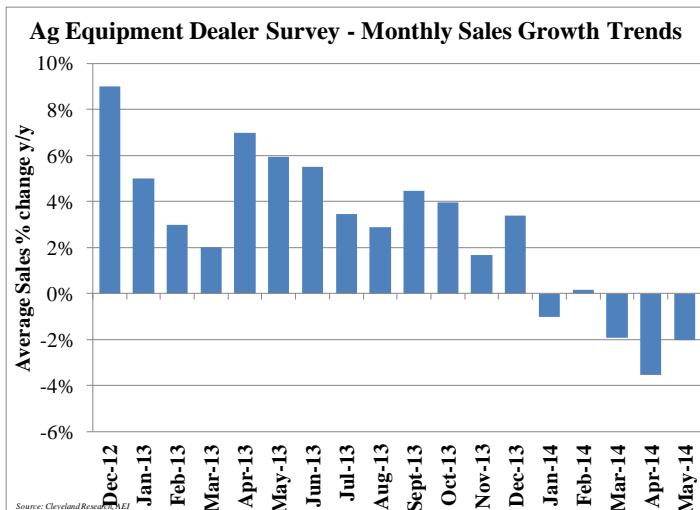
N. American Farm Equipment Dealer Survey - Average Dealer Sales Growth														
% Change y/y	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Overall	7%	6%	5%	3%	3%	4%	4%	2%	3%	-1%	0%	-2%	-4%	-2%
By Brand	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13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

Source: Cleveland Research

N. American Farm Equipment Dealer Survey - Sales Versus Expectations														
% of Dealers Reporting	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Better than expected	25%	23%	19%	38%	33%	27%	32%	24%	39%	25%	20%	21%	21%	29%
In line with expectations	52%	57%	58%	48%	47%	54%	51%	56%	45%	51%	55%	54%	54%	52%
Worse than expected	24%	20%	23%	14%	20%	19%	17%	20%	16%	24%	25%	26%	25%	19%
Net % (Better - Worse)	1%	3%	-4%	23%	13%	8%	16%	4%	23%	1%	-4%	-5%	-4%	10%

Source: Cleveland Research, AEI.

Monthly Sales Growth Continued



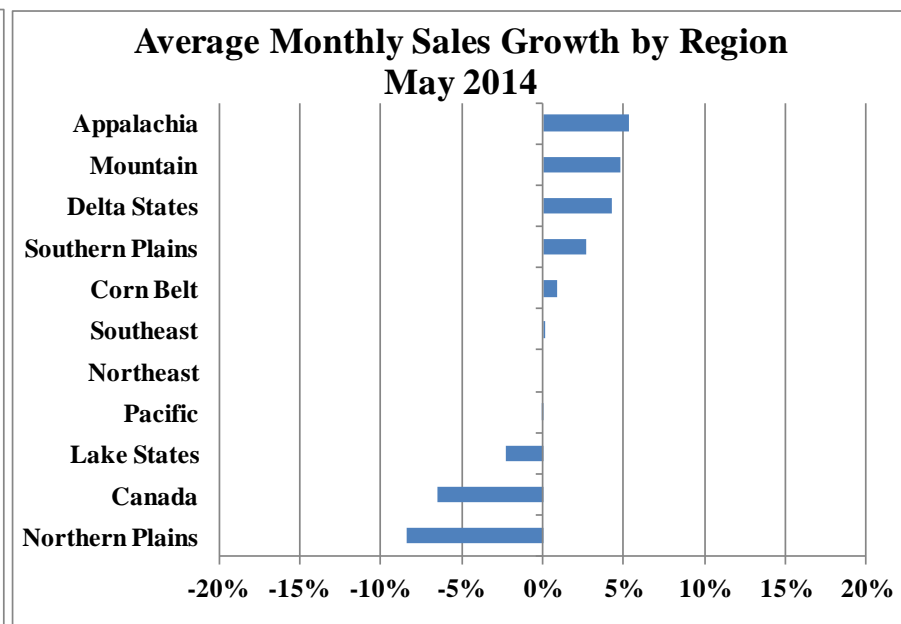
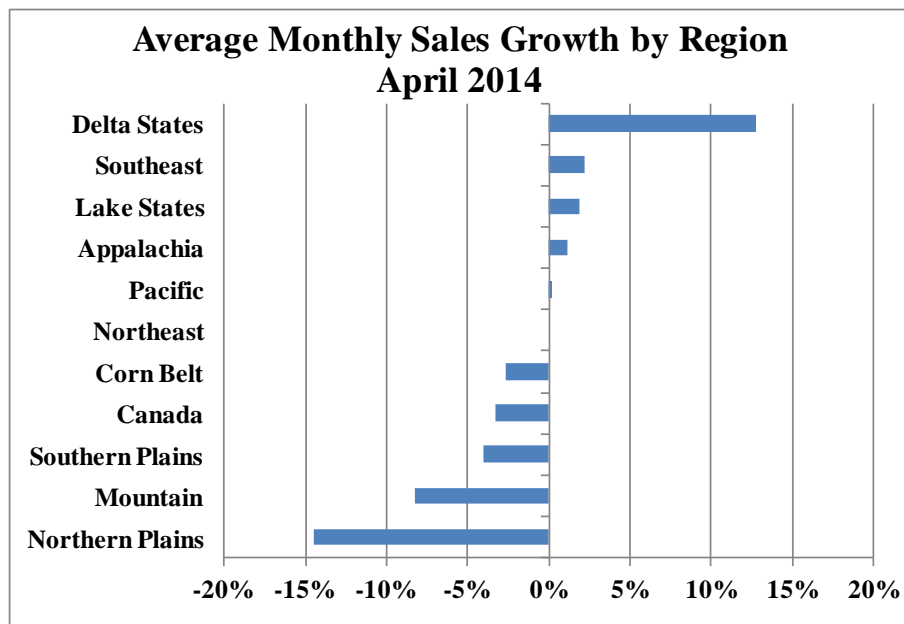
N. American Farm Equipment Dealer Survey - Average Dealer Revenue Growth Trends														
% of Dealers Reporting	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Positive Sales Growth	60%	58%	52%	64%	53%	57%	59%	45%	63%	40%	45%	49%	39%	50%
Flat Sales	20%	19%	21%	21%	21%	25%	20%	35%	18%	24%	17%	22%	20%	12%
Negative Sales Growth	20%	23%	27%	15%	26%	18%	22%	20%	19%	36%	37%	29%	40%	39%
Net % Reporting Growth	40%	35%	25%	49%	26%	39%	37%	26%	44%	3%	8%	20%	-1%	11%
Average % Change y/y	7%	6%	5%	3%	3%	4%	4%	2%	3%	-1%	0%	-2%	-4%	-2%

Optimism/Sentiment vs. Last Month														
	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
More Optimistic	27%	27%	26%	21%	19%	14%	15%	14%	9%	12%	24%	26%	24%	25%
Same	58%	52%	50%	58%	50%	62%	60%	45%	52%	52%	50%	51%	44%	45%
Less Optimistic	15%	21%	24%	21%	31%	23%	25%	41%	39%	36%	26%	23%	32%	30%
Net % Dealer Optimism	13%	6%	2%	1%	-12%	-9%	-11%	-27%	-30%	-23%	-1%	3%	-9%	-5%

Source: Cleveland Research

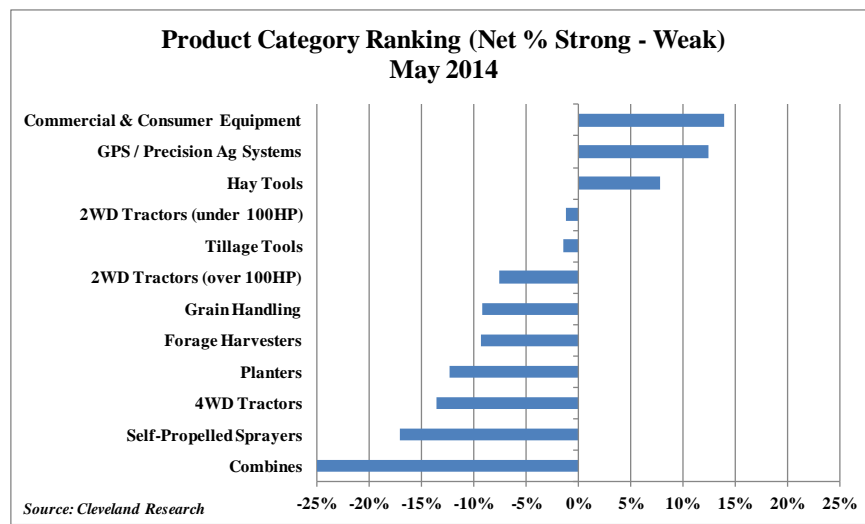
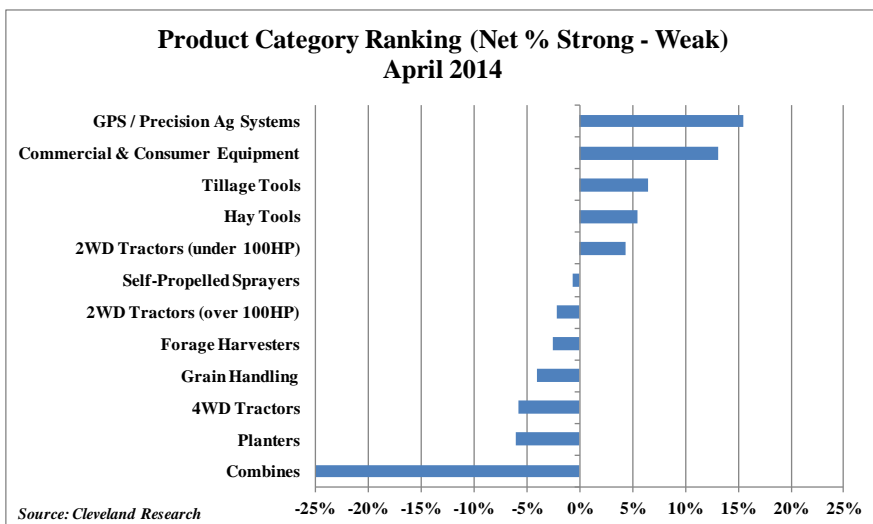
Monthly Sales Growth by Region

- Five out of eleven regions showed positive average monthly sales growth in May compared to four reporting growth in April. The Mountain and Appalachia regions were the strongest performing with sales up 5% y/y on average, while the Northern Plains region was again the weakest region with average sales down 8% y/y.
- Compared to last month, the Mountain region saw the strongest pick up in growth going from down 8% last month to up 5% this month, while the Delta States saw largest deceleration with sales going from up 13% y/y in April to up 4% y/y in May.

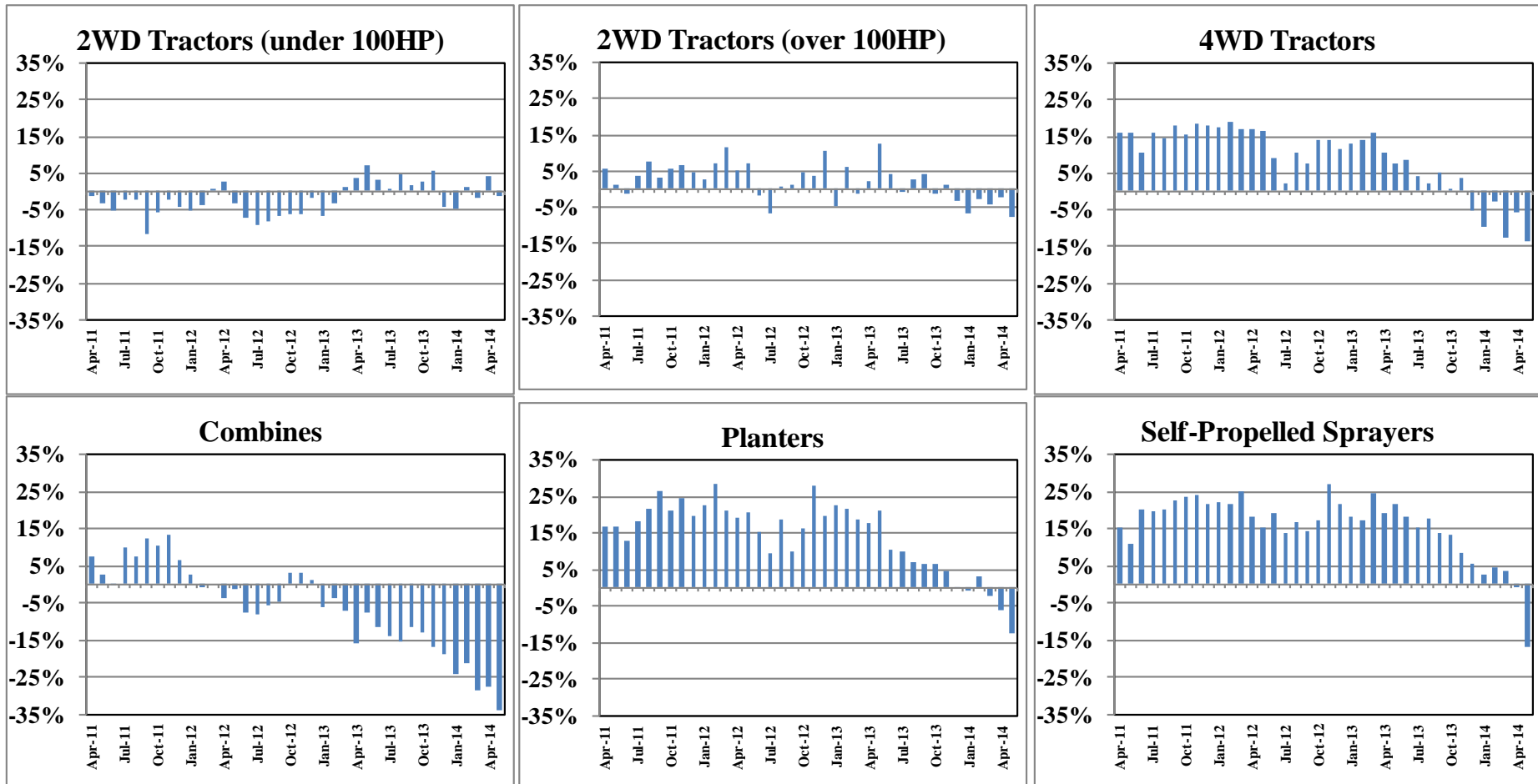


Equipment Category Sales Trends

- Three out of twelve product categories ranked in net positive territory in May vs five last month. Commercial and Consumer Equip was the strongest category (net 14% reporting strength), displacing GPS/Precision Ag systems for the first time in 17 months, while Combines were the weakest category for the 13th straight month (net 34% reporting weakness).
- Comparing April to May, only two of the twelve product categories were reported better, while the remaining ten were reported worse. Self-propelled sprayers saw the largest softening as a net 17% reported weakness vs a net 1% reporting weakness last month.

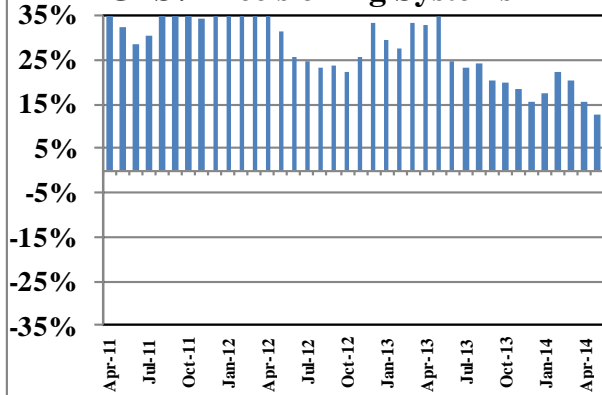


Equipment Category Sales Trends

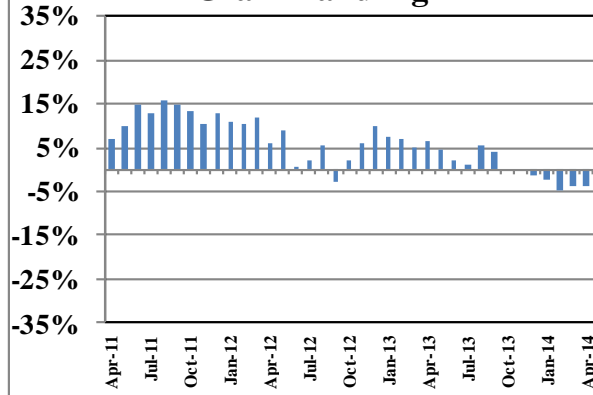


Equipment Category Sales Trends (Continued)

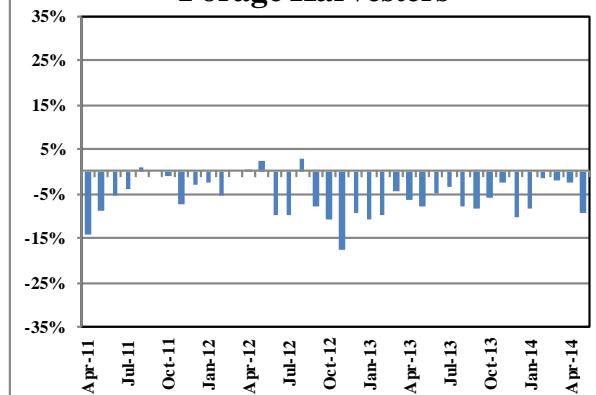
GPS / Precision Ag Systems



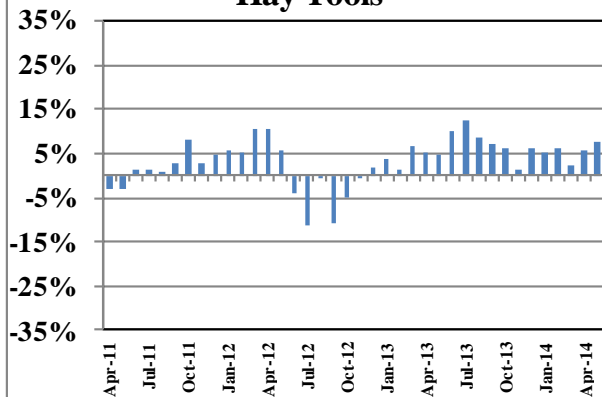
Grain Handling



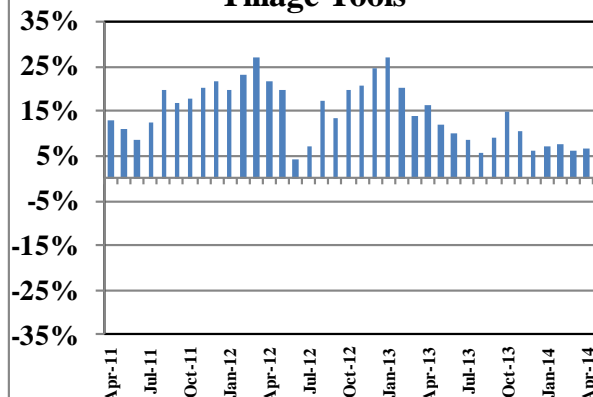
Forage Harvesters



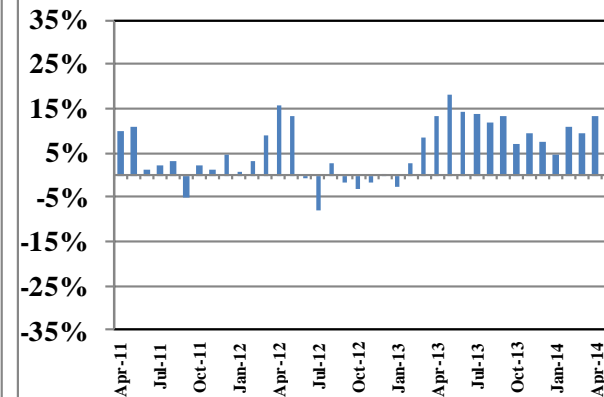
Hay Tools



Tillage Tools



Commercial & Consumer



Most Interesting Commentary - Monthly Sales and Outlook

- *Though some areas have had excess moisture driving replanting, the spring weather has been good and provided a great start to the growing season. We're hopeful that some timely rains and heat along with stability in commodity prices through the summer will generate some more optimism among our mid-to-small farmers and parlay into activity on used - we have plenty of options waiting for them.*
- *The big iron is slow. Vertical tillage is extremely strong and tillage in general is good. Kubota compacts mowers/rtv's are also very good.*
- *The lack of grain sales in western Canada had severely affected farmers attitude towards new purchases from Dec 1, 2013 through May 31, however, they did not back out of any pre-sells we had arranged last summer and fall.*
- *Presells came early*
- *New large 4WD tractors and combines are off. Headers are neck and neck. New skid-loaders and tractor-loader-backhoes are up. Used backhoes are up, used skids are slow. New planters pre-sales for 2015 are off to a slow start, but improving. Older used combines are very slow.*
- *The crop is coming up very well - bottom line: we are still eating well for now.*
- *Continued erosion of corn prices will greatly effect large ag purchasing.*
- *Everybody is just waiting.*
- *Affected by a drought. Recent rains have helped the fall crops. Wheat production will be off quite a bit.*
- *The drought is loosening its grip. But no 179, grain prices and short wheat crop is a bummer.*
- *If the grain markets continue, and the uncertainty of section 179, I believe there is a chance to see sales drop even more than the first half of the year.*
- *Dairy continues to be strong for the near term. Our business is slanted that way.*
- *We need rain in a big way.*

Order Growth

Overall Orders

- Incoming orders declined 4% y/y on average in May. Orders have been running down low-to-mid single digits since November.
- All dealers saw declines in orders decline compared to last year, with Kubota dealers reporting the largest order declines on average.

New Combine Order Intentions

- Combine order intentions were similar to last month, with a net 32% of dealers planning to order fewer combines than last year.

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

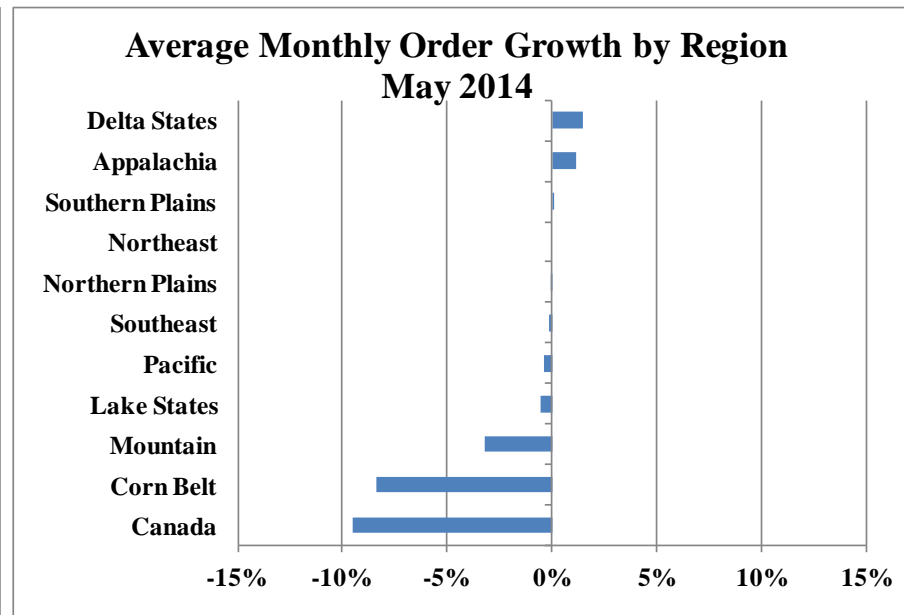
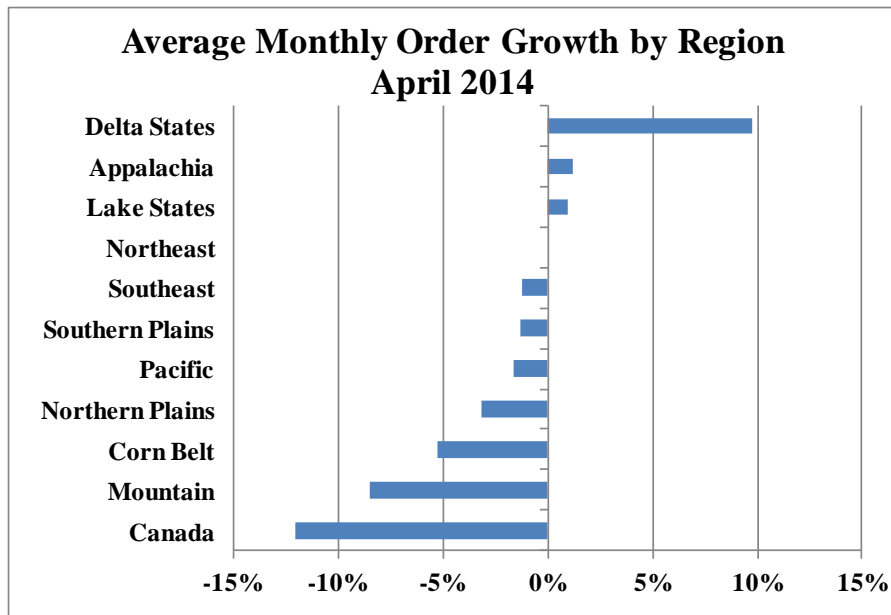
Source: Cleveland Research

New Combine Order Intentions vs. Last Year														
	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
More	24%	9%	9%	14%	8%	16%	10%	11%	17%	8%	10%	7%	9%	11%
Same	60%	68%	62%	46%	49%	45%	39%	38%	44%	48%	44%	51%	50%	46%
Less	16%	23%	29%	41%	43%	39%	51%	52%	39%	44%	46%	42%	41%	43%
Net % (More- Less)	8%	-14%	-20%	-27%	-35%	-22%	-40%	-41%	-22%	-36%	-37%	-35%	-32%	-32%

Source: Cleveland Research

Order Growth by Region

- Only the Delta States and the Appalachia region showed positive order growth in May. Dealers in Canada reported the most significant decline in orders at down 10% y/y.
- Compared to last month, the Mountain States showed the largest acceleration in order growth, while the Delta States saw the most significant acceleration in orders.



2014 Sales Outlook

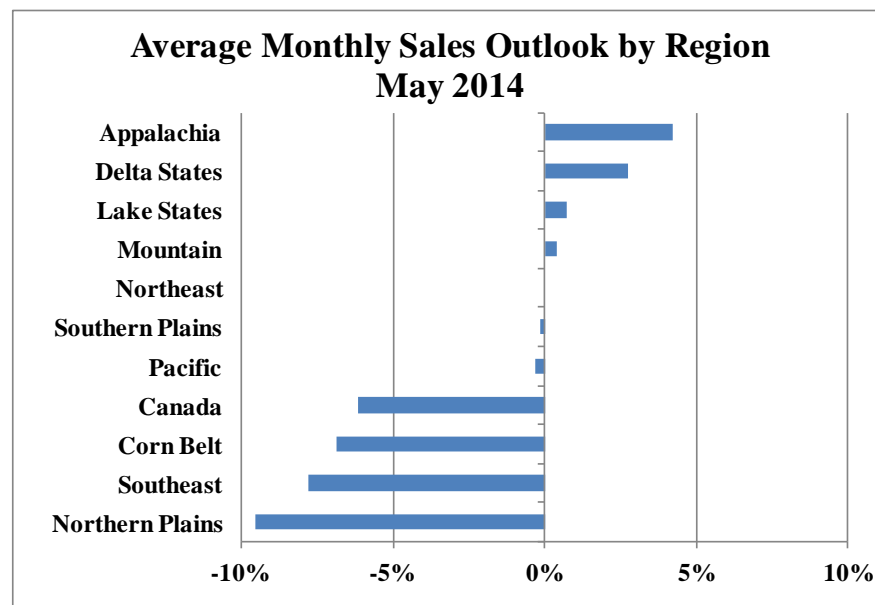
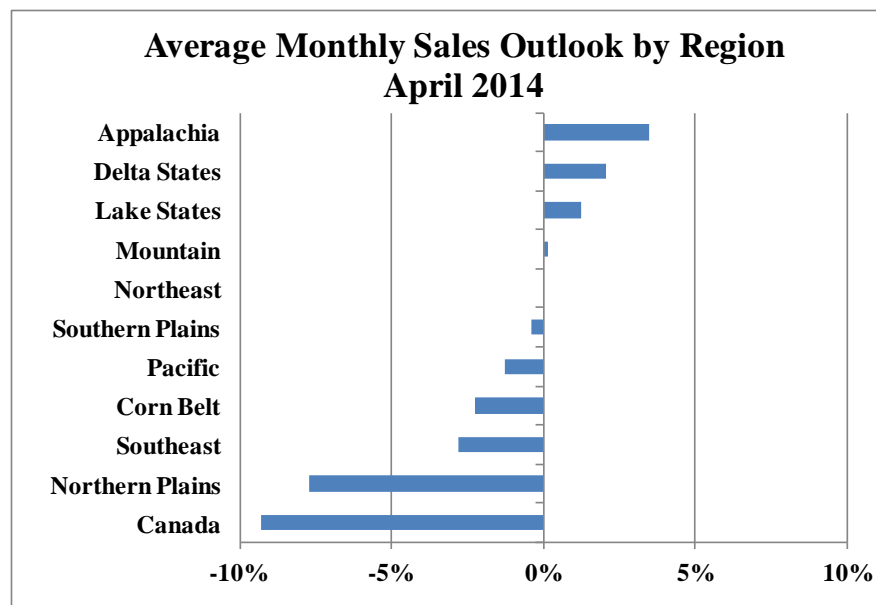
- For 2014, avg dealer outlook is for a 4% sales decline, similar to last month. Deere is forecasting the N. America Ag equipment industry to be down 5-10% in units in 2014, AGCO expects flat to down 5%, and CNH Industrial is forecasting tractor sales up 0-5% and combine sales down 15-20%.
- Among the survey participants, AGCO dealers were the most optimistic (projecting flat sales in 2014), while Kubota dealers are forecasting the largest sales declines of 10% declines y/y on average for 2014.

N. American Farm Equipment Dealer Survey - Full Year Sales Forecast														
% change y/y	2013 Outlook					2014 Outlook								
	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
AGCO	6%	2%	3%	-4%	2%	-1%	-3%	-2%	0%	-2%	-1%	2%	0%	0%
John Deere	5%	8%	4%	6%	1%	2%	2%	0%	-3%	-2%	-1%	-3%	-3%	-2%
New Holland	4%	1%	6%	0%	-3%	2%	1%	-2%	-2%	-5%	0%	-1%	-6%	-9%
Case IH	5%	0%	0%	3%	-5%	-3%	0%	-1%	-7%	-5%	-5%	-5%	-6%	-9%
Kubota	7%	4%	8%	-3%	3%	-1%	-1%	-3%	-2%	-3%	-1%	-2%	-2%	-10%
Shortlines	3%	3%	2%	12%	5%	4%	6%	-3%	0%	-4%	-3%	-4%	1%	-2%
Other	1%	3%	1%	4%	1%	2%	2%	na	0%	3%	3%	7%	na	na
Overall	5%	5%	3%	3%	3%	0%	1%	-1%	-4%	-4%	-2%	-3%	-4%	-4%

Source: Cleveland Research

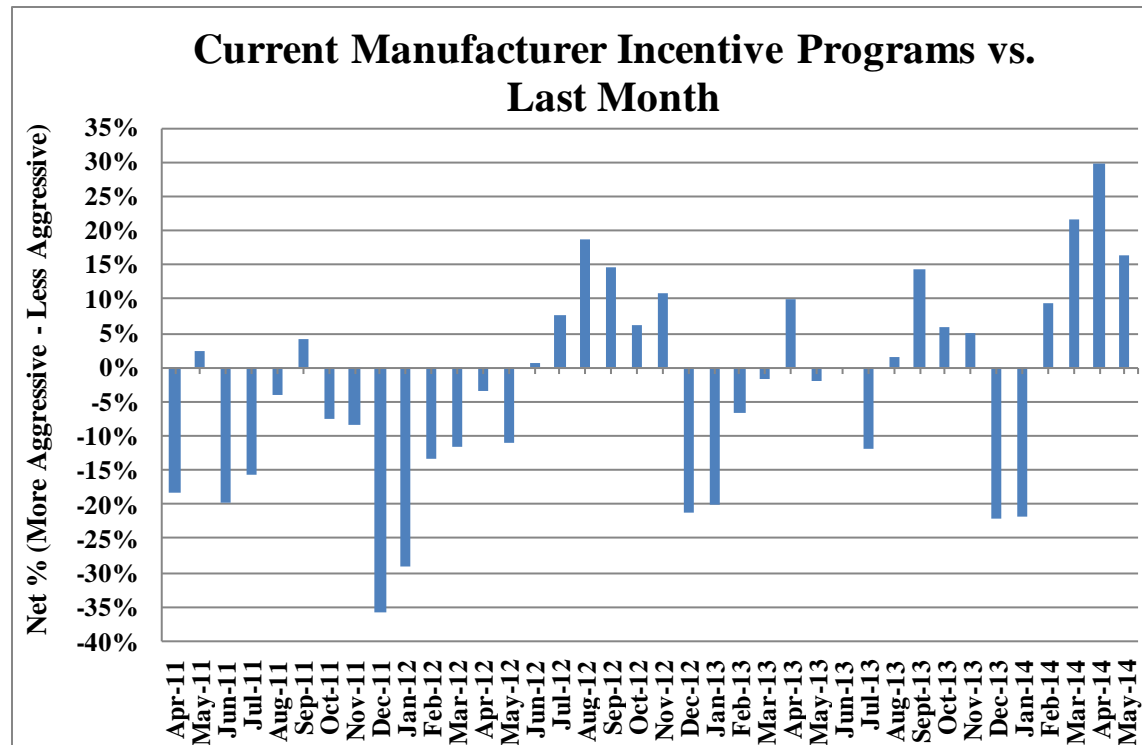
2014 Sales Outlook Continued

- Three of eleven regions are projecting sales to grow for the full year 2014 in May, similar to last month. Appalachia dealers are again forecast the best growth in 2014 at 4%, while the Northern Plains dealers are now forecasting the largest y/y sales declines of 10%.



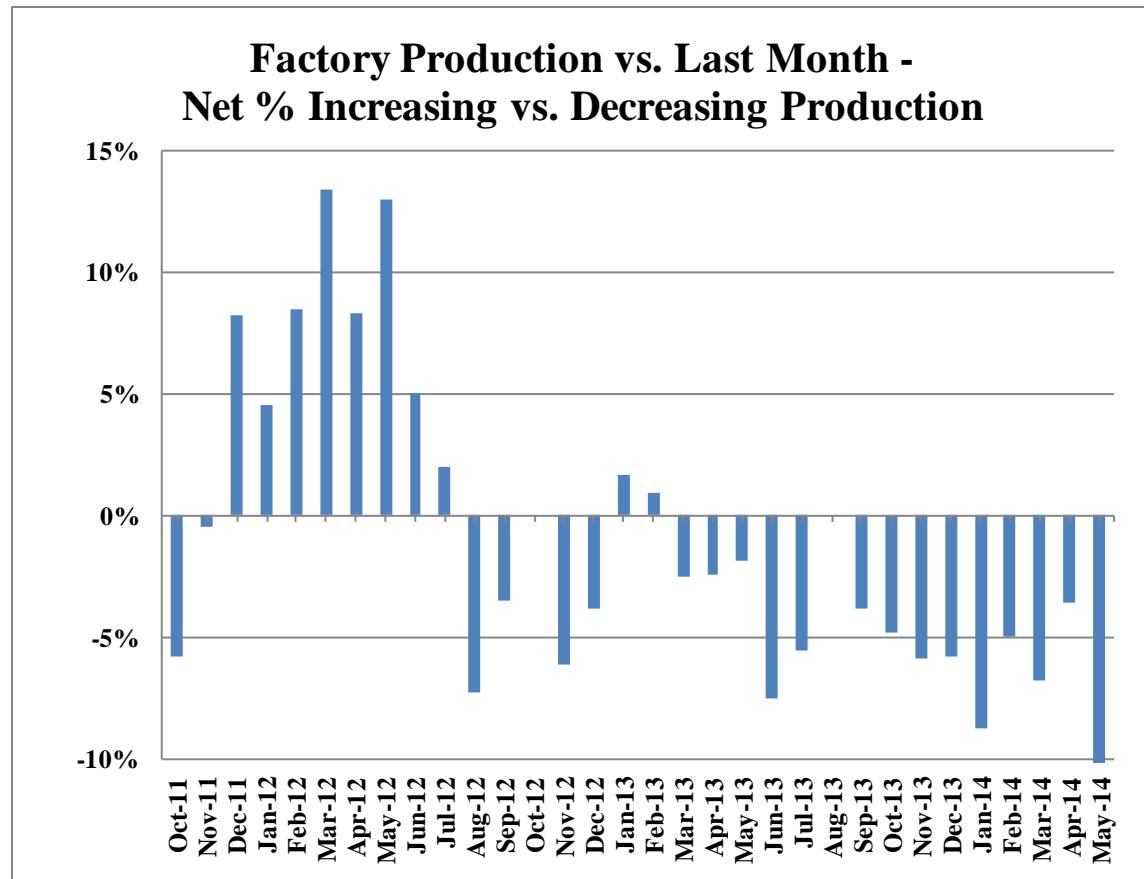
Current Manufacturer Incentive Programs

- A net 16% of dealers report that manufacturers are more aggressive with incentives in May (27% more aggressive; 62% same; 11% less aggressive) vs a net 30% reporting more aggressive incentives in April.



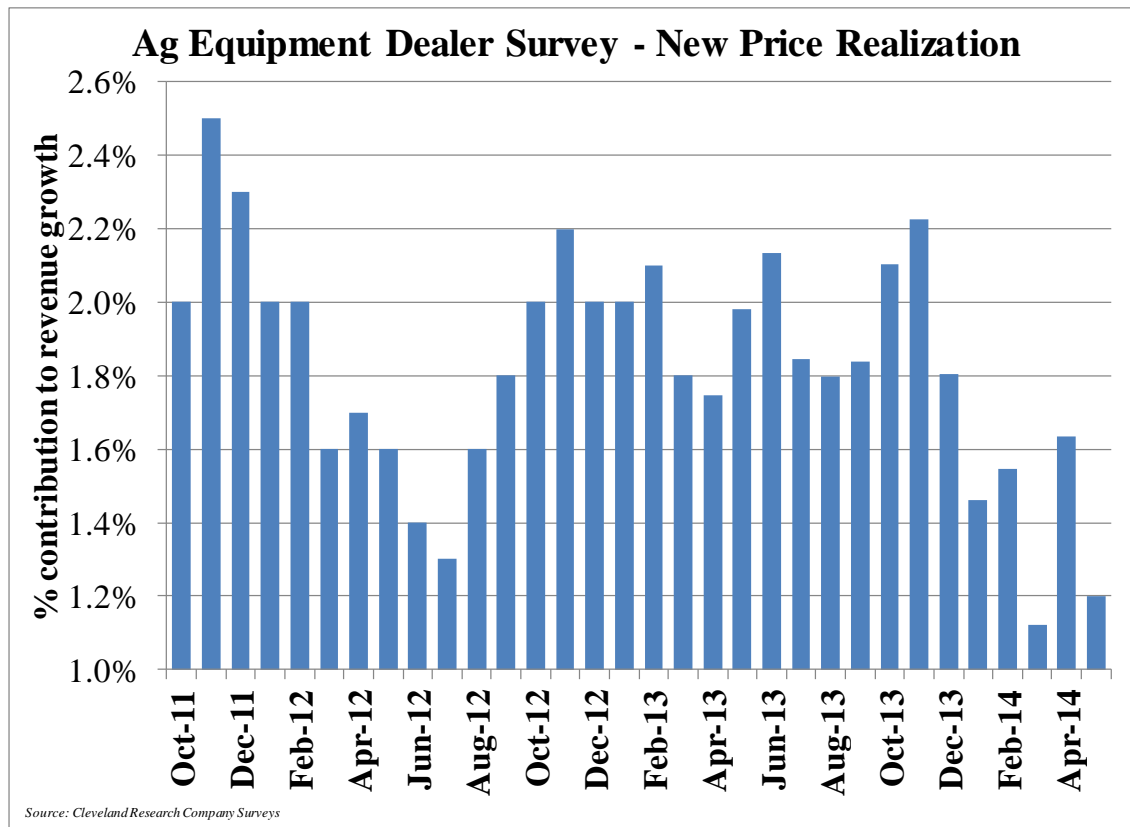
Factory Production

- A net 14% of dealers report that factory production was down compared to last month (4% increasing production; 78% no change in production; 18% decreasing production).



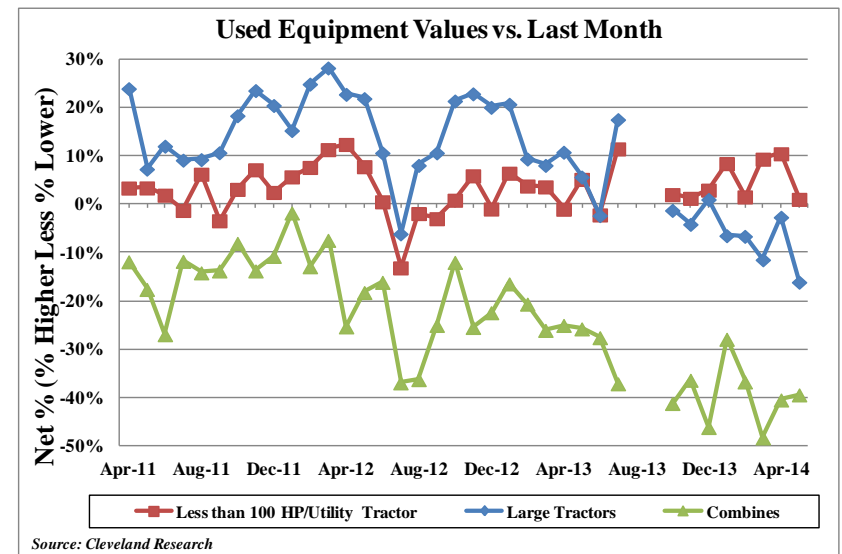
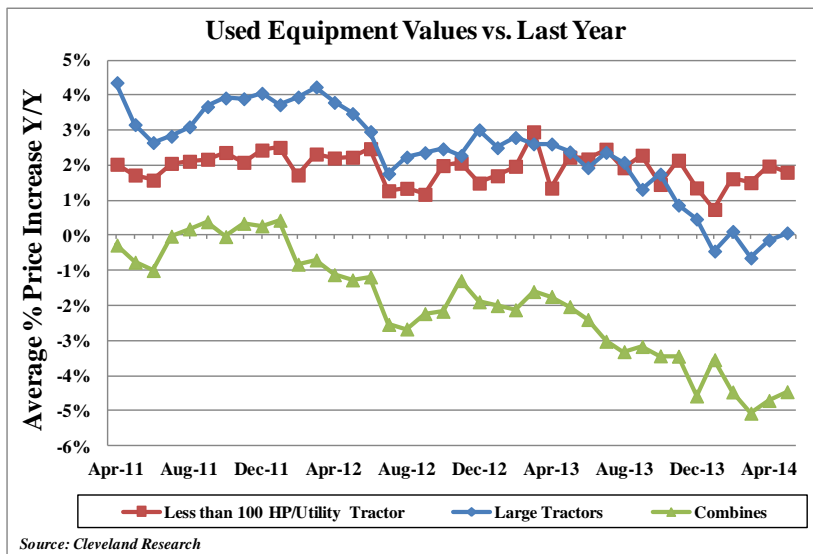
Pricing Trends

- Dealers report price contributed roughly ~1.2% to total May revenue growth vs the 1.6% in April. Final tier 4 price increases are expected to be ~5-10% on average, although not impacting all lines of equipment.



Used Equipment Pricing

- Dealers reported used combine values improved slightly in May vs April on a y/y basis (down 4.5% y/y vs down 4.7% last month). Used HHP tractors values were also slightly better vs last month (on a y/y basis), although a larger net % of dealers reported values were lower vs last month.
- Used tractors values under 100hp were slightly worse vs last month on a y/y basis (up 1.8% in May vs up 2% in April).



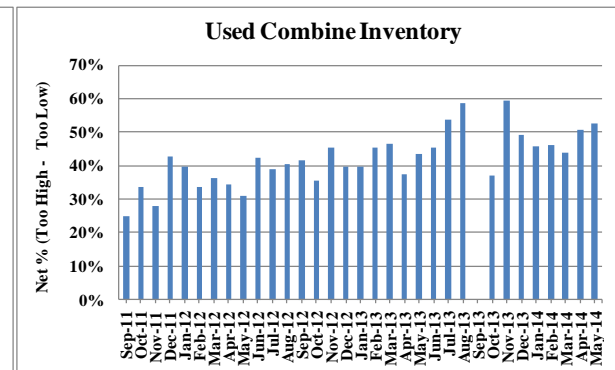
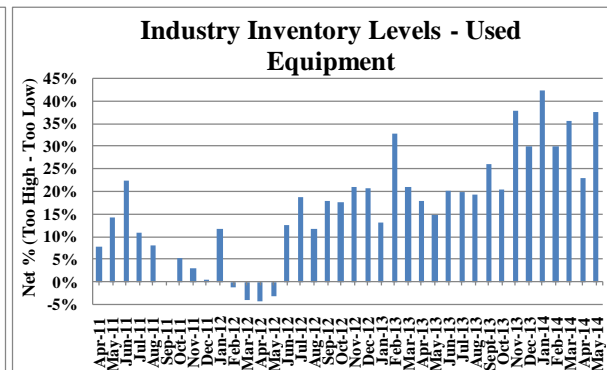
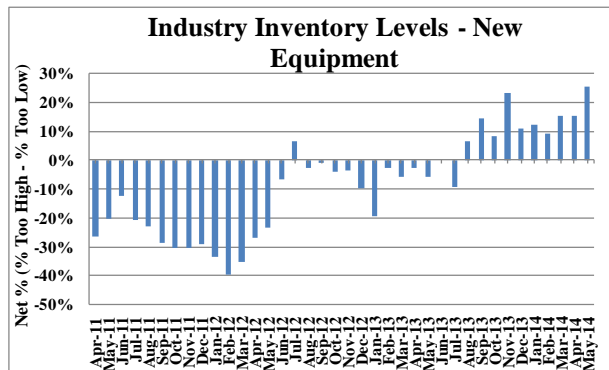
Inventory Levels

New Equipment Inventory

- A net 26% of dealers categorize their new inventory as “too high” (38% too high; 49% about right; 12% too low), worse than the net 15% last month.

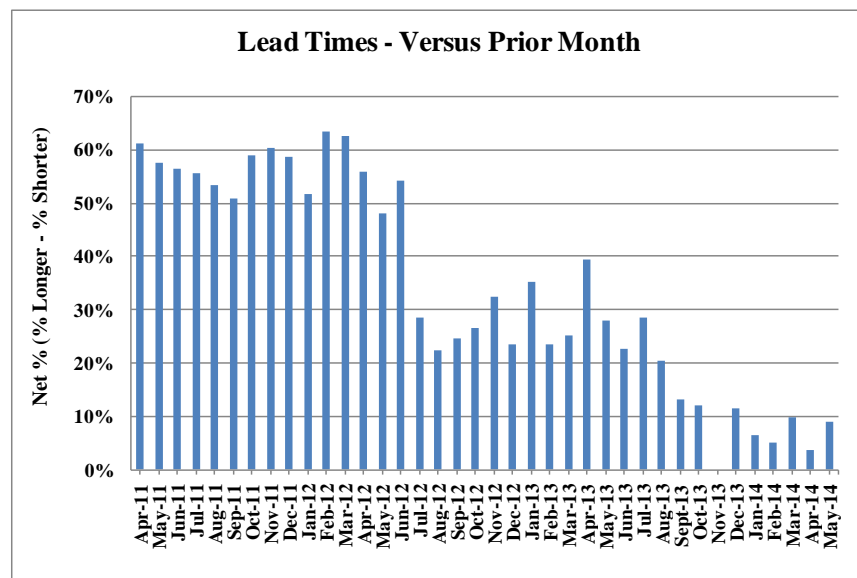
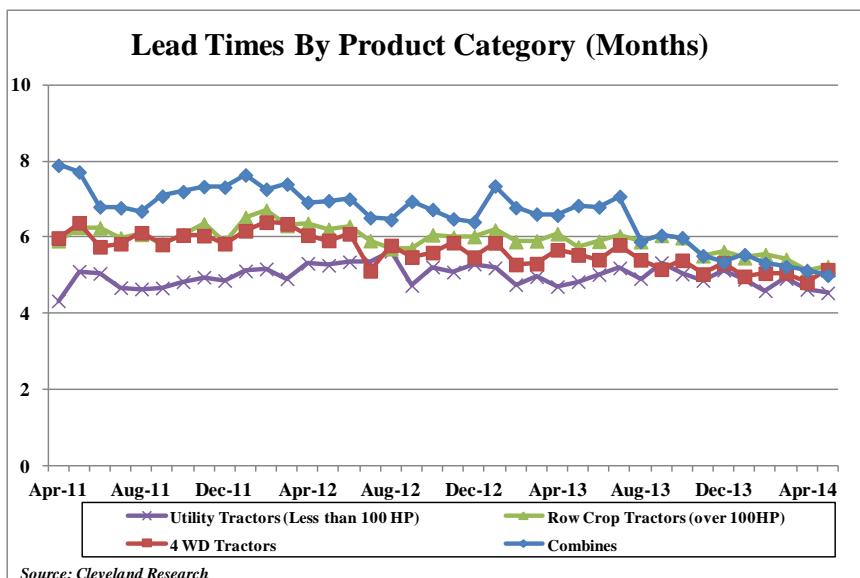
Used Equipment Inventory

- A net 38% of dealers reported used equipment inventory as “too high” in May (52% too high; 34% about right; 14% too low), a reversal of the better trend in April.
- A net 52% of dealers reported used combines inventories were “too high” (59% too high, 34% comfortable, 7% too low), similar to last month.



Equipment Availability

- Overall, a net 9% of dealers report longer factory lead-times compared to last month (28% longer; 53% same; 19% shorter, above the net 4% who reported longer lead times last month).
- Lead times in May were similar to last month. Combine lead times are 5.0 months (5.1 last month), row crop tractor lead times are 5.2 months (5.1 last month), and 4WD tractors are 5.1 months (4.8 last month).



Most Interesting Commentary - Used Inventory

- *Planters, harvesting, and 4WD tractors.*
- *In dollars total, we're too high on combines but low on tractors*
- *All western Canadian dealers have a problem here. Too much of it, and our book values are too high. All of us will be asking for a larger difference when taking 1st generation trades for sure going forward.*
- *Late model combines and Steigers are an issue.*
- *Drought, no 179, lower grain prices, wheat crop will be 1/3 normal. Planting condition have been poor, but that is changing as we write. Used machines are slow to move.*
- *Way too many late model combines and tractors.*
- *Lack of rain. Sec.179 tax incentives aren't helping.*
- *Used self propelled sprayer sales are weak. Both JD & CIH dealers have too much "roll-over" used inventory. These dealers have started cutting prices to move the used sprayers.*

Dealer Commentary on Biggest Surprise in the Month

- *Price drop on used excessive used inventory at dealers. Some dealers are being too aggressive on trade in allowance . It's their own fault with high price used inventory.*
- *Rain has pretty much got farmers tight lipped right now. Just pricing new magnums because planting window is narrowing . Can't afford timely breakdowns.*
- *The interest is less than a year ago.*
- *Sales are actually up.*
- *Finally getting some rain and the temperatures have been cool.*
- *Buyers seemed motivated which is unusual in this locale!*
- *Grain prices and world events causing pause in purchasing on high dollar items.*
- *Heavy rains have delayed sales of AG and Consumer products, service department is very busy, parts department is moderately busy.*
- *Weather played a big part, late planting.*
- *Talk about Titan has been very active.*
- *It is raining in western Kansas*
- *Seeding equipment sales stronger than expected.*
- *Weather impacting retail, slow start to season.*
- *Sales were down because of rain/weather.*
- *Self-propelled sprayer demand is much lower than 2013. Hay baler sales are good, but hay tools (i.e. disc mowers, rakes) are weak.*
- *Stronger than expected hay and forage tools along with increased demand for HHP tractors.*
- *Things are slowing down faster then I was thinking.*

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 & 4WD	Combines	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Row Crop & 4WD	Comb
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	13,907	5,615	4,301	851	24,674	5,152	1,144	4%	-7%	28%	-4%	4%	21%	62%
May-13	17,189	6,239	3,483	554	27,465	4,037	883	27%	4%	20%	-9%	19%	15%	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%
Apr-14	14,163	6,029	3,744	746	24,682	4,490	999	2%	7%	-13%	-12%	0%	-13%	-13%
May-14	16,815	6,602	2,929	474	26,820	3,403	671	-2%	6%	-16%	-14%	-2%	-16%	-24%

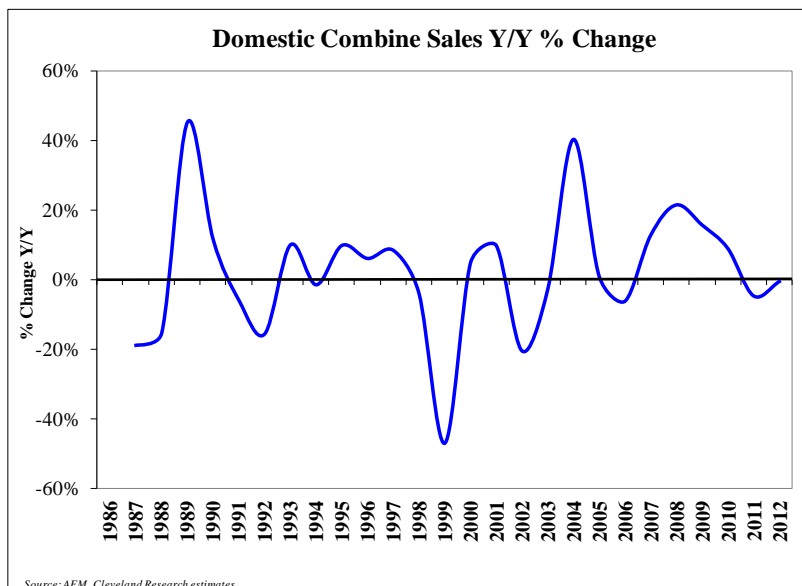
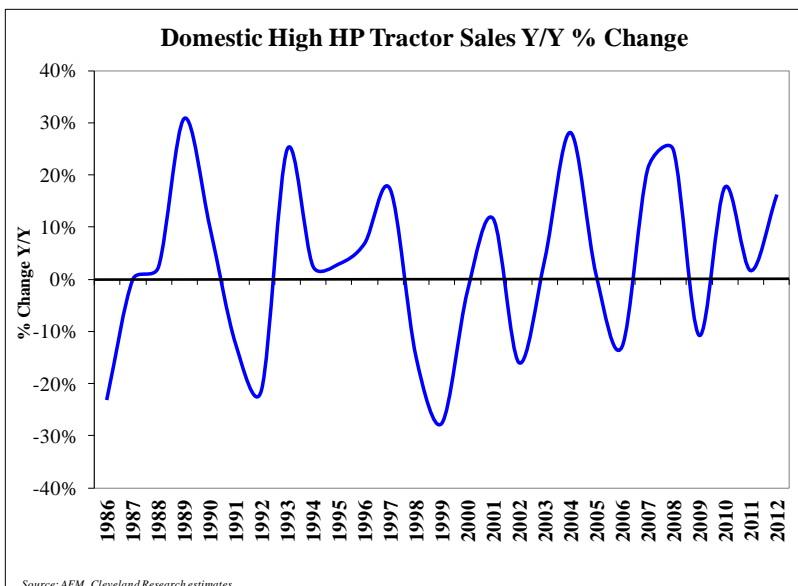
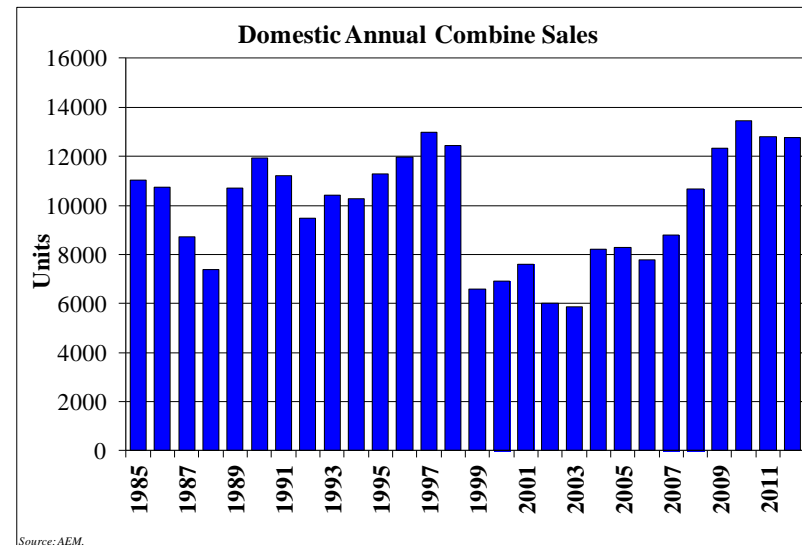
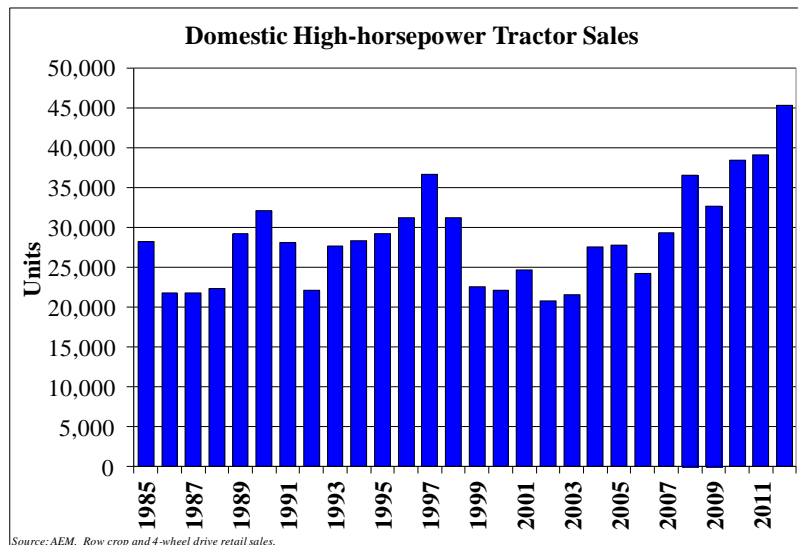
Source: AEM; Cleveland Research Company estimates. High hp tractors are row crop & 4-wheel drive.

NA Farm Equipment Industry Inventory

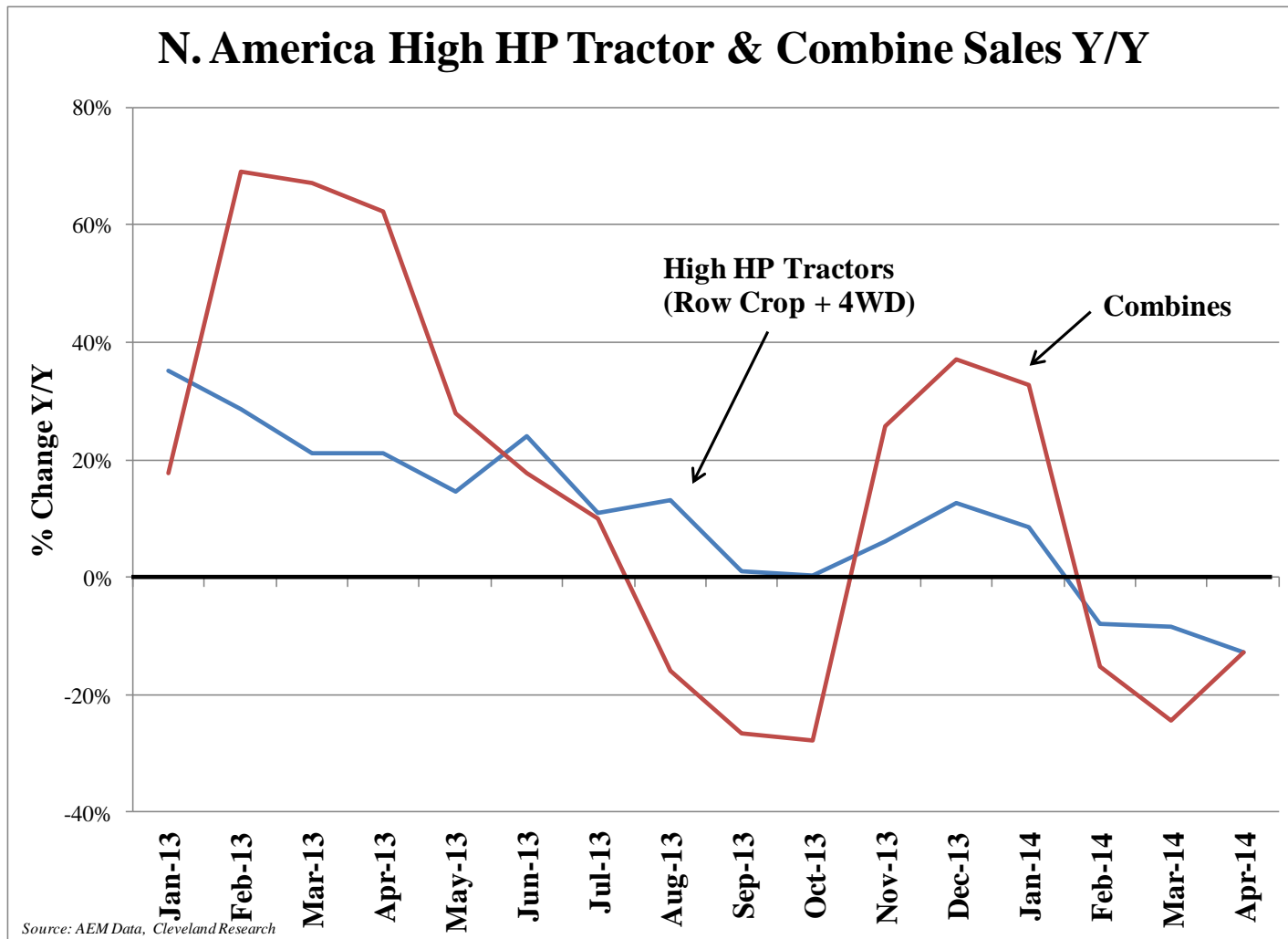
NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Row Crop & 4WD	Combines	<40HP	Util	RC	4-WD	Total Tractor	Row Crop & 4WD	Comb
Dec-12	67,319	29,137	10,335	1,753	108,544	12,088	1,409	64%	48%	28%	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%	25%	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%
Jan-14	69,111	33,240	12,620	2,028	116,999	14,648	1,681	60%	52%	29%	24%	51%	28%	12%
Feb-14	71,514	34,326	13,267	2,046	121,153	15,313	2,063	62%	54%	31%	25%	53%	30%	15%
Mar-14	71,249	35,256	14,058	2,218	122,781	16,276	2,456	61%	55%	33%	27%	53%	32%	18%
Apr-14	69,986	35,615	13,298	2,117	121,016	15,415	2,467	60%	55%	31%	26%	52%	31%	18%

Source: AEM; Cleveland Research Company estimates

Annual Ag Equipment Industry Sales (1985 - 2012)



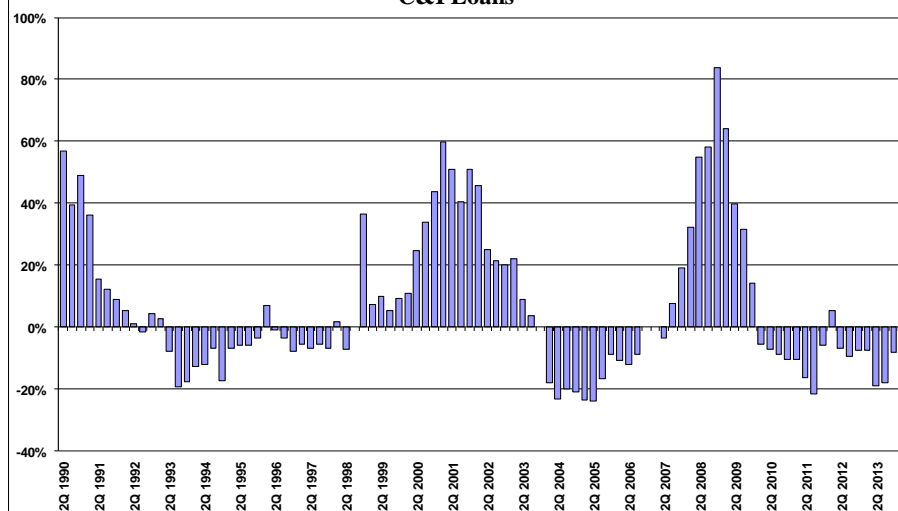
NA Ag Equipment Sales



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

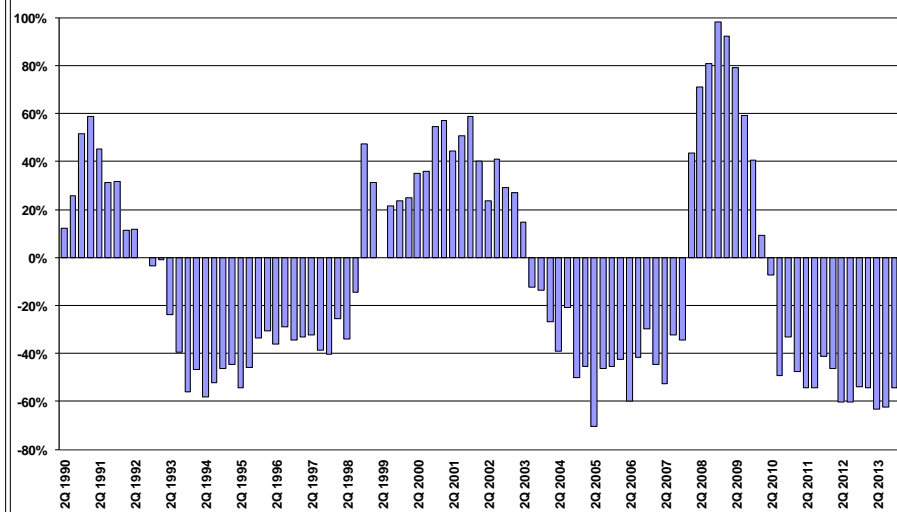
- The 1Q14 Senior Loan Officer survey saw a slight loosening of loan standards. A net 14% of loan officers reported easier credit standards in 1Q14 compared with a net 8% in 4Q13.
- Bank rate spreads saw a slight increase in 1Q14 with a net 58.3% of loan officers reporting lower lending spreads, down 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

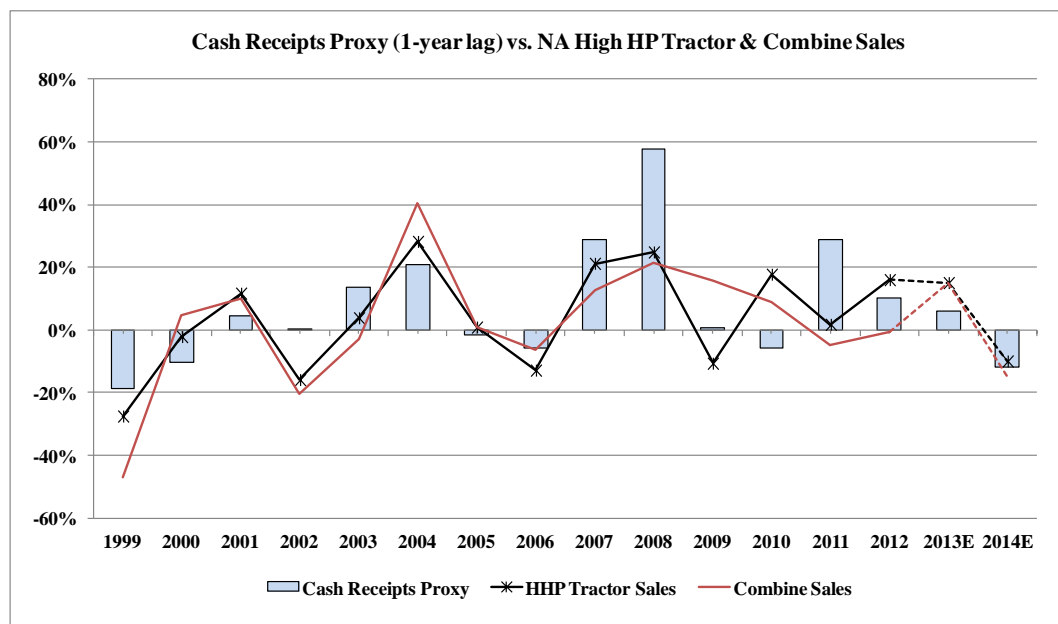
Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds



Source: Federal Reserve Board

Commodity Prices – Cash Receipts vs. Next Year Equipment Sales

The USDA's updated crop supply and demand forecast is unchanged vs last month implying a (10%) decline for 2013/14 and a (9%) decline in the 2014/15 crop year in our simplified cash receipts proxy. The chart below depicts N. American high HP tractor and combine sales on a one year lag vs. our simplified farm cash receipts proxy as illustrated using the three most important crops (corn, soybeans, wheat). The updated June USDA cash receipts outlook for 2013/14 is similar to last month implying a 10% decline and an addition 9% decline in 2014/15 largely as a result of lower corn and soybean price expectations. 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	13,925	11,735	1,900	13,635	1,146	8.4%	\$4.50-\$4.80	2013/14	24,730	25,704	5,509	21.4%
2014/15								2014/15				
May	13,935	11,685	1,700	13,385	1,726	12.9%	\$3.85-\$4.55	May	24,610	26,336	5,428	20.6%
June	13,935	11,685	1,700	13,385	1,726	12.9%	\$3.85-\$4.55	June	24,690	26,405	5,464	20.7%
Corn Futures Price:							\$4.50					
Change m/m	0	0	0	0	0	0.0%	\$0.00	Change m/m	81	69	36	0.1%
Change y/y	10	-50	-200	-250	580	4.5%	(\$0.45)	Change y/y	-40	701	-44	-0.7%
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	3,289	3,390	1,600	4,990	130	2.6%	\$13.10	2013/14	7,138	8,128	2,343	28.8%
2014/15								2014/15				
May	3,635	3,450	1,625	5,075	330	6.5%	\$9.75-\$11.75	May	7,381	8,485	2,691	31.7%
June	3,635	3,450	1,625	5,075	325	6.4%	\$9.75-\$11.75	June	7,388	8,487	2,720	32.1%
Soybean Futures Price:							\$13.61					
Change m/m	0	0	0	0	-5	-0.1%	\$0.00	Change m/m	7	2	29	0.3%
Change y/y	346	60	25	85	195	3.8%	(\$2.35)	Change y/y	249	359	377	3.2%
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	2,130	1,254	1,185	2,439	583	23.9%	\$6.85	2013/14	24,104	24,593	6,243	25.4%
2014/15								2014/15				
May	1,963	1,216	950	2,166	540	24.9%	\$6.65-\$7.95	May	23,648	24,363	6,346	26.0%
June	1,942	1,196	925	2,121	574	27.1%	\$6.35-\$7.65	June	23,838	24,490	6,356	26.0%
Wheat Futures Price:							\$6.12					
Change m/m	-21	-20	-25	-45	34	2.1%	(\$0.30)	Change m/m	190	127	10	-0.1%
Change y/y	-188	-58	-260	-318	-9	3.2%	\$0.15	Change y/y	-266	-104	114	0.6%
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	13,925	3,289	2,130	\$4.65	\$13.10	\$6.85	\$64,751	\$43,086	\$14,591	\$122,428	-10%	
2014/15												
May	13,935	3,635	1,963	\$4.20	\$10.75	\$7.30	\$58,527	\$39,076	\$14,330	\$111,933	-9%	
June	13,935	3,635	1,942	\$4.20	\$10.75	\$7.00	\$58,527	\$39,076	\$13,594	\$111,197	-9%	

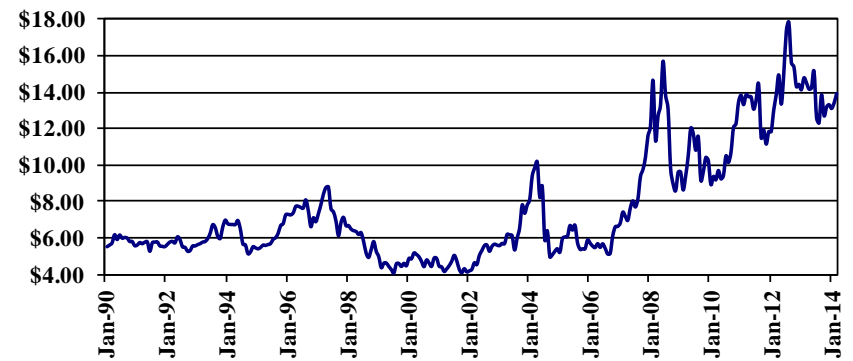
Source: USDA; Cleveland Research estimates. *Note: Cash receipts estimated as USDA production X USDA average price forecast

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

