

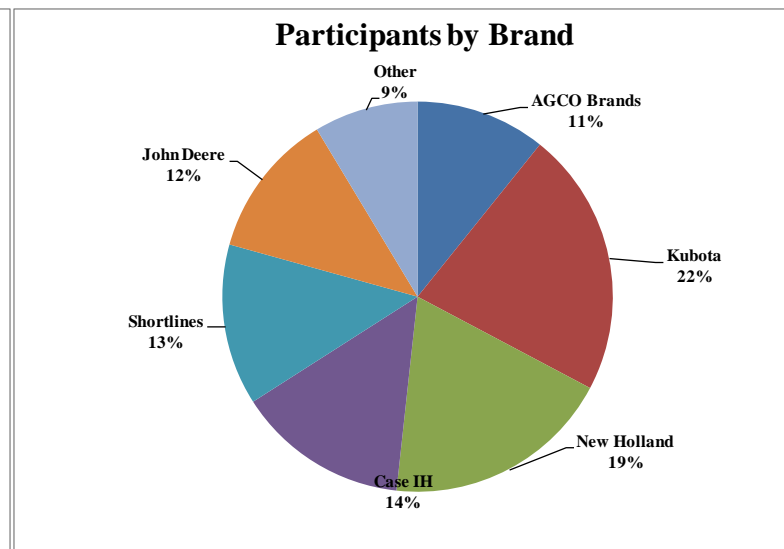
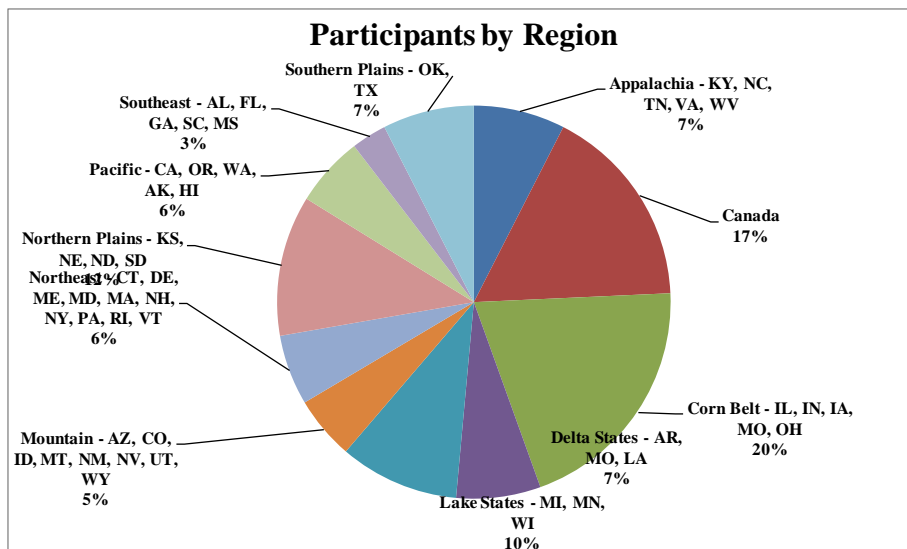
# ***Ag Equipment Intelligence***

May 2014 Dealer Sentiments &  
Business Conditions Update

# Monthly Ag Equipment Intelligence North American Dealer Survey

## Background:

- We are pleased to announce the results of the May 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 May survey had ~173 respondents representing combined annual revenues of roughly \$6.8 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 4% y/y in April** – Dealers reported sales were down 4% on avg in April, slightly worse than the down 2% sales reported last month. Case IH dealers reported the worst results for the month with average sales down 5%, while Shortlines dealers reported 1% growth for the month.
- **Order Intake Down 5% y/y in April vs Down 4% Last Month** – Orders for the month were reported down 5% y/y compared to down 4% last month. Deere, New Holland, and Kubota dealers all reported average order intake down worse than 5% on avg for the month while AGCO dealers reported the smallest order decline at down 1% y/y.
- **2014 Dealer Outlook in April for Sales Down 4% vs 3% in March** - For 2014, dealers are expecting a 4% sales decline vs the 3% decline forecast last month. 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%.
- **Optimism/Sentiment Index Turns Negative Again After Positive March Reading** – A net 9% of dealers were less optimistic about the outlook for 2014 than they were a month ago vs a net 3% more optimistic in March.
- **Overall Used Inventories Better in April** – A net 23% of dealers reported used inventories were “too high” (40% too high, 44% comfortable, 17% too low), better than the net 36% too high last month. Despite the improvement in overall used inventories, used combine inventories were worse vs last month with a net 51% reporting used combine inventories “too high.”

# Monthly Sales Growth

- Dealers report average sales were down 4% y/y in April, worse than the 2% decline reported in March.
- Shortlines dealers were the only brand to see modest growth in April at 1% y/y, while Case IH dealers reported the largest sales declines of 5% y/y on average for the month.
- Sales were largely inline with plan, similar to last month, as a net 4% of dealers reported worse than expected results for April.

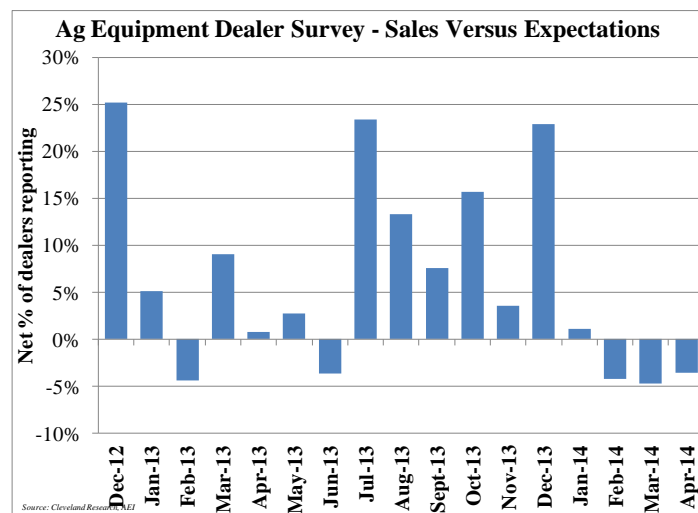
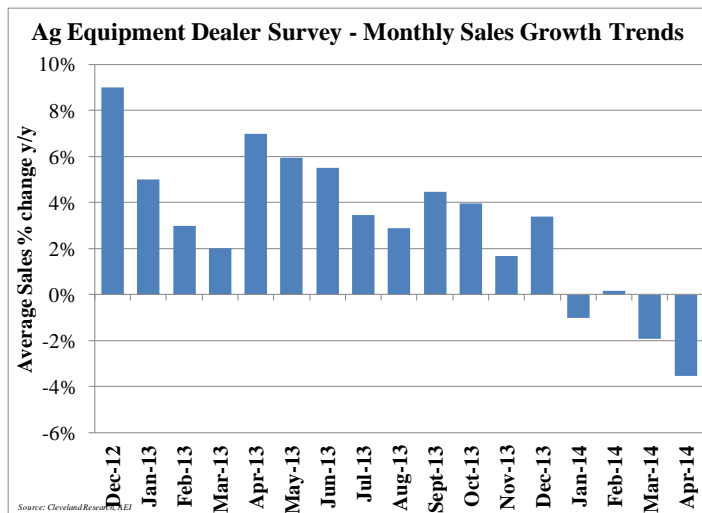
N. American Farm Equipment Dealer Survey - Average Dealer Sales Growth																	
% Change y/y	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
Overall	9%	5%	3%	2%	7%	6%	5%	3%	3%	4%	4%	2%	3%	-1%	0%	-2%	-4%
By Brand	Dec-12	Jan-13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

Source: Cleveland Research

N. American Farm Equipment Dealer Survey - Sales Versus Expectations																	
% of Dealers Reporting	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
Better than expected	38%	23%	18%	27%	25%	23%	19%	38%	33%	27%	32%	24%	39%	25%	20%	21%	21%
In line with expectations	49%	59%	60%	55%	52%	57%	58%	48%	47%	54%	51%	56%	45%	51%	55%	54%	54%
Worse than expected	13%	18%	22%	18%	24%	20%	23%	14%	20%	19%	17%	20%	16%	24%	25%	26%	25%
Net % (Better - Worse)	25%	5%	-4%	9%	1%	3%	-4%	23%	13%	8%	16%	4%	23%	1%	-4%	-5%	-4%

Source: Cleveland Research, AEI.

# Monthly Sales Growth Continued



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

% of Dealers Reporting	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
Positive Sales Growth	69%	48%	44%	51%	60%	58%	52%	64%	53%	57%	59%	45%	63%	40%	45%	49%	39%
Flat Sales	14%	28%	35%	30%	20%	19%	21%	21%	21%	25%	20%	35%	18%	24%	17%	22%	20%
Negative Sales Growth	17%	24%	21%	19%	20%	23%	27%	15%	26%	18%	22%	20%	19%	36%	37%	29%	40%
<b>Net % Reporting Growth</b>	<b>52%</b>	<b>25%</b>	<b>23%</b>	<b>32%</b>	<b>40%</b>	<b>35%</b>	<b>25%</b>	<b>49%</b>	<b>26%</b>	<b>39%</b>	<b>37%</b>	<b>26%</b>	<b>44%</b>	<b>3%</b>	<b>8%</b>	<b>20%</b>	<b>-1%</b>
<b>Average % Change y/y</b>	<b>9%</b>	<b>5%</b>	<b>3%</b>	<b>2%</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	<b>2%</b>	<b>3%</b>	<b>-1%</b>	<b>0%</b>	<b>-2%</b>	<b>-4%</b>

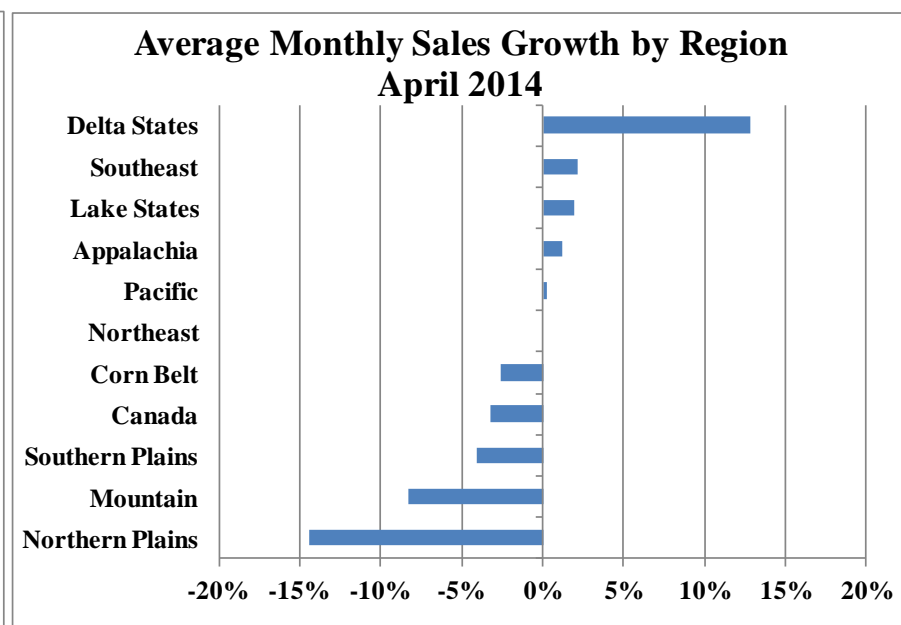
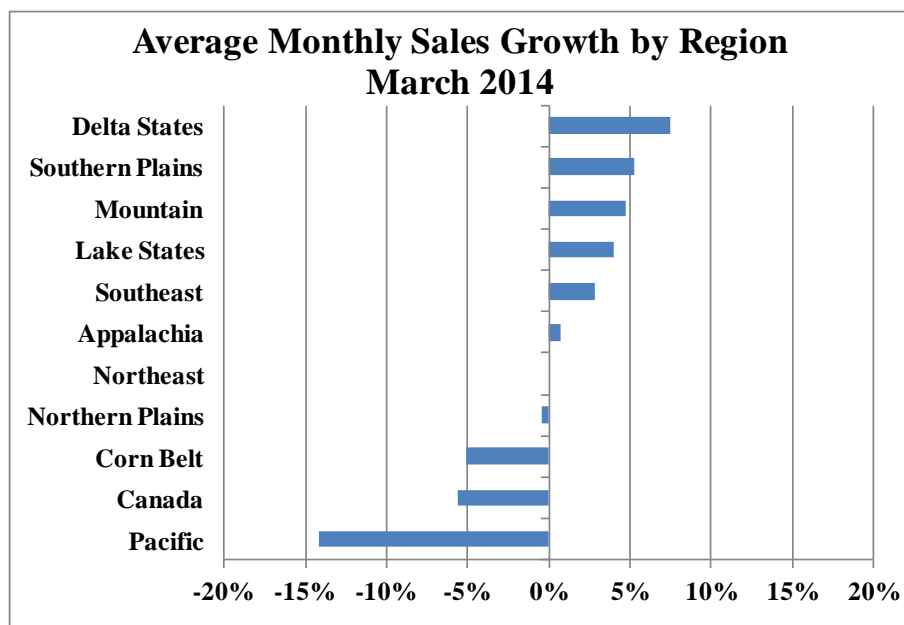
**Optimism/Sentiment vs. Last Month**

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
More Optimistic	28%	34%	34%	21%	27%	27%	26%	21%	19%	14%	15%	14%	9%	12%	24%	26%	24%
Same	55%	51%	50%	54%	58%	52%	50%	58%	50%	62%	60%	45%	52%	52%	50%	51%	44%
Less Optimistic	18%	15%	16%	26%	15%	21%	24%	21%	31%	23%	25%	41%	39%	36%	26%	23%	32%
<b>Net % Dealer Optimism</b>	<b>10%</b>	<b>19%</b>	<b>18%</b>	<b>-5%</b>	<b>13%</b>	<b>6%</b>	<b>2%</b>	<b>1%</b>	<b>-12%</b>	<b>-9%</b>	<b>-11%</b>	<b>-27%</b>	<b>-30%</b>	<b>-23%</b>	<b>-1%</b>	<b>3%</b>	<b>-9%</b>

Source: Cleveland Research

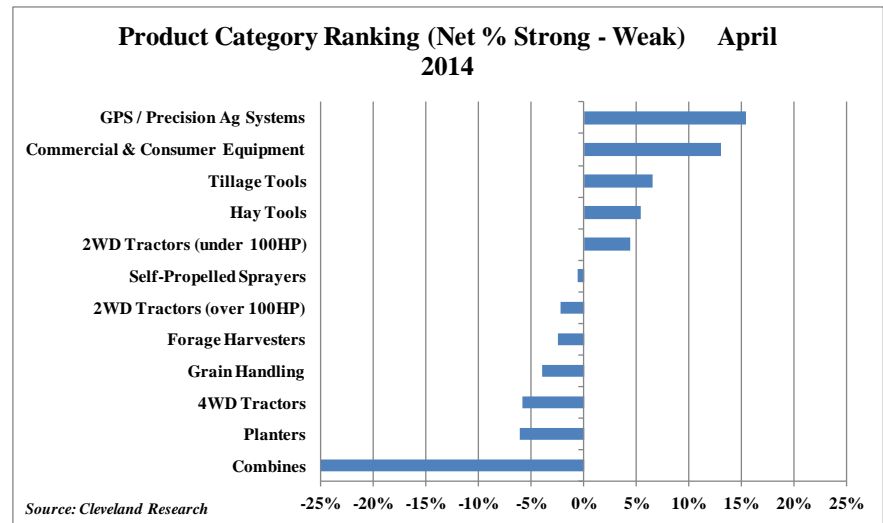
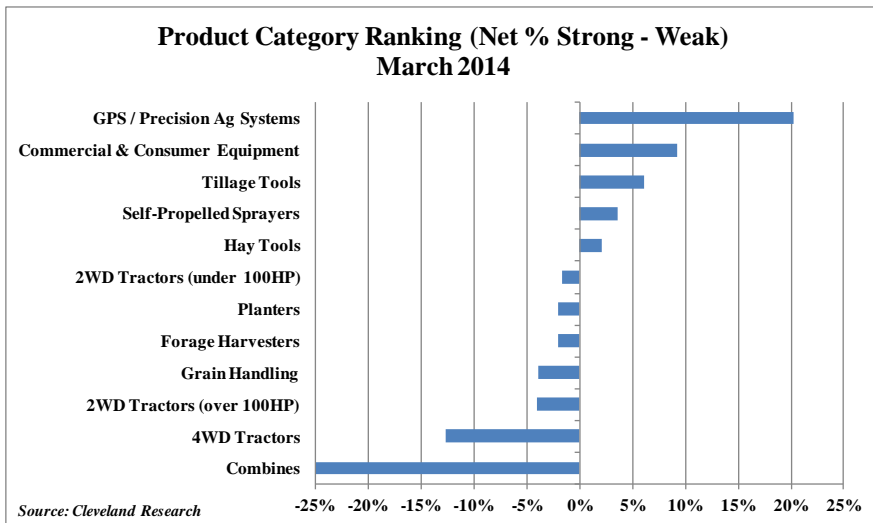
## Monthly Sales Growth by Region

- Four out of eleven regions showed positive average monthly sales growth in April compared to six reporting growth in March. The Delta States were by far the strongest performing region reporting sales up 13% y/y on average, while the Northern Plains region was the worst performing with average sales down 14% y/y.
- Compared to last month, the Pacific region saw the strongest pick up in growth going from down 14% last month to up 0% this month, while the Northern Plains saw largest deceleration with sales going from flat y/y in March to sales down 14% y/y in April.

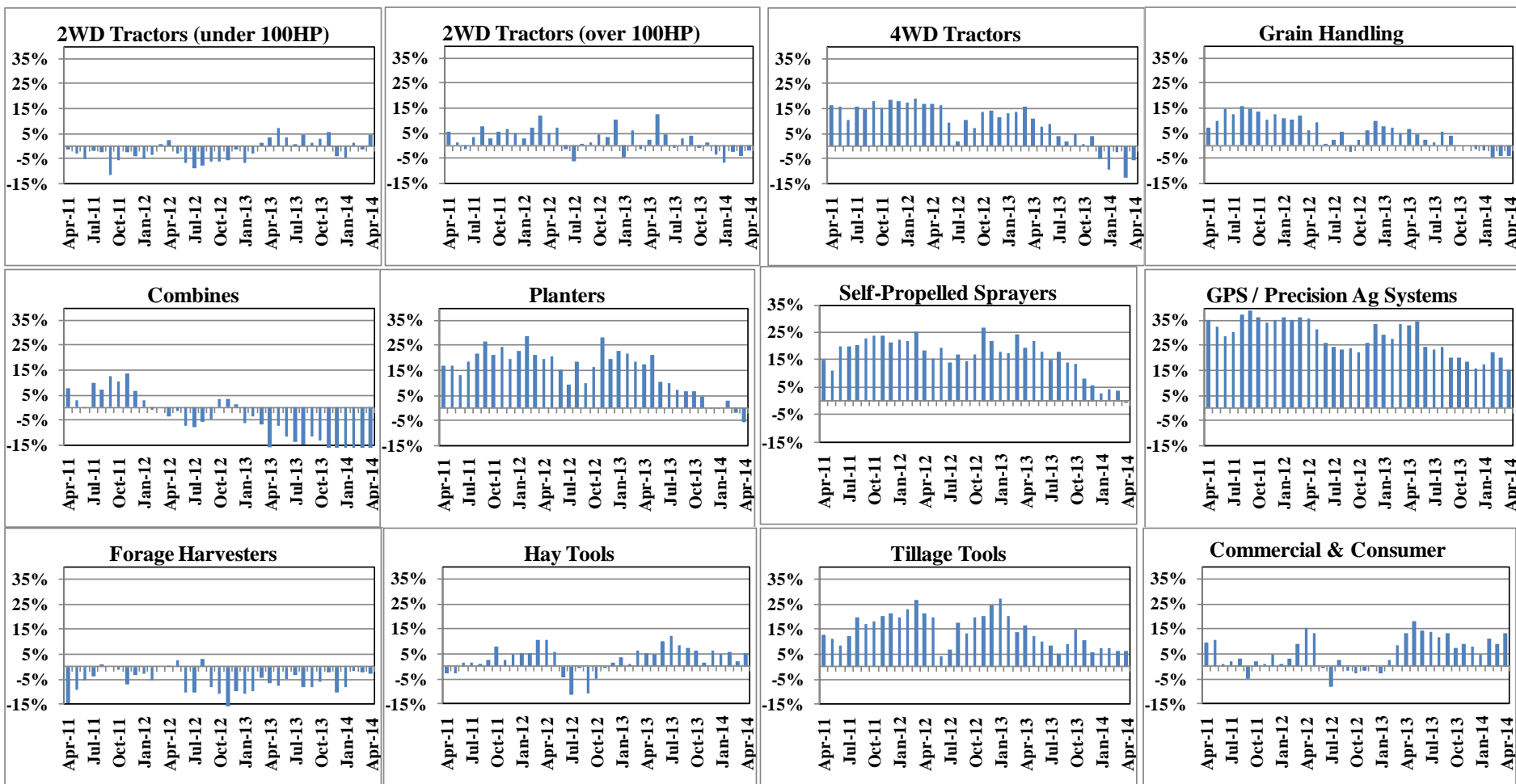


# Equipment Category Sales Trends

- Five out of twelve product categories ranked in net positive territory in April, similar to last month. GPS/Precision Ag systems was again the best performing category for the 17th straight month (net 15% reporting strength), while Combines were the weakest category for the 12<sup>th</sup> straight month (net 28% reporting weakness).
- Comparing April to March, six of the twelve product categories were reported better, while three were worse. Despite being the strongest category, GPS/Precision Ag saw the largest softening as a net 20% reported strength in March compared to a net 15% in April.



# Equipment Category Sales Trends





# Most Interesting Commentary - Monthly Sales and Outlook

- *Used inventory is dropping in value and farmers want to pay less to trade and it is putting a squeeze on our margin which is too low to begin with.*
- *Prices for old crops are great. Insurance has been locked in at a reasonable price. The late spring is putting pressure on farmers to have good equipment that covers a lot of ground efficiently, and we're also seeing larger discounts from manufacturers that are scared sales are going to drop.*
- *The reason that it is up is that we received more new inventory earlier in the year.*
- *Living off of pre sells from last quarter. Now we see what 2014 brings*
- *Late spring is putting pressure on customers to upgrade to get planting done. Mile prices continue to hold at higher prices.*
- *There is a lot of ground to make up due to lack of sales in the first quarter. Thus if it gets back to normal we will still be chasing the lost business so far in 2014*
- *Crop prices are seeming to hold steady if depreciation rules are reinstated would be a boost for remainder of 2014.*
- *Too cold in January and February.*
- *California drought has impacted sales greatly.*
- *I believe farmers are planning for a later planting season and are purchasing 4WD tractors to make it through the conditions, along with large field cultivators to cover more acres per hour.*
- *The cold, long winter affected 1st quarter sales. We should balance out budget #'s by end of April.*
- *Weather still an issue along with too much used inventory, depreciation changes, and crop prices.*
- *In a strong dairy state. Strong dairy prices.*
- *Weather adversely affected sales and foot traffic.*
- *Drought in California is having a significant impact on high horsepower and 4WD tractor sales.*
- *Extreme drought combined with a late freeze have caused us to be less optimistic than we were last month.*

# Order Growth

## Overall Orders

- Incoming orders declined 5% y/y on average in April. Orders have been running down low-single-digits since November, with April being the largest y/y decline to date.
- All dealers saw declines in orders decline compared to last year, with New Holland 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	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
<b>Overall</b>	4%	3%	3%	1%	2%	2%	0%	0%	2%	1%	1%	-2%	-3%	-3%	-2%	-4%	-5%
By Brand	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
AGCO	7%	2%	0%	0%	3%	-1%	0%	-7%	-2%	-5%	-2%	-2%	-5%	1%	-4%	0%	-1%
John Deere	5%	5%	4%	3%	2%	3%	2%	2%	7%	2%	2%	-2%	-3%	-4%	-1%	-5%	-6%
New Holland	-1%	0%	-1%	0%	0%	-1%	-1%	-1%	-12%	0%	0%	-3%	-1%	-6%	-3%	-4%	-8%
Case IH	2%	3%	4%	0%	3%	0%	-2%	1%	3%	1%	4%	-1%	-1%	-4%	-1%	-7%	-4%
Kubota	5%	2%	0%	1%	2%	1%	0%	-5%	-1%	0%	0%	-4%	1%	-6%	-2%	-3%	-7%
Shortlines	3%	5%	1%	0%	1%	0%	1%	9%	15%	5%	5%	-3%	-1%	-8%	0%	-6%	-2%
Other	0%	4%	0%	na	1%	1%	0%	0%	-1%	0%	0%	na	1%	6%	0%	3%	na

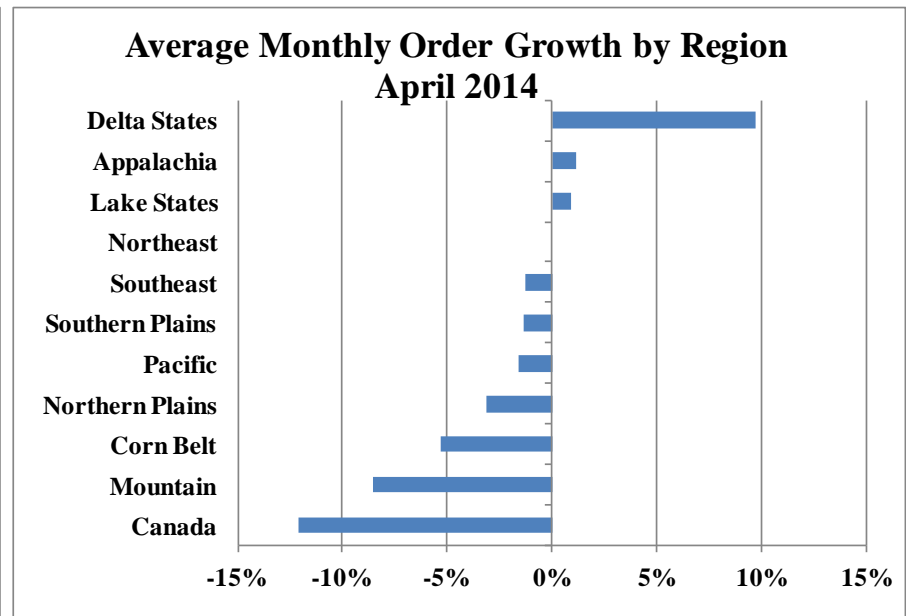
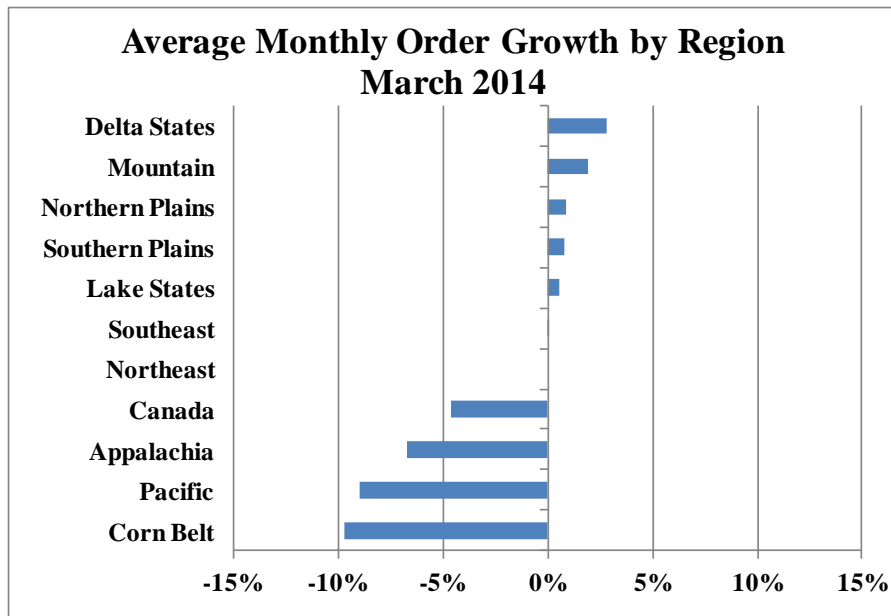
Source: Cleveland Research

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	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
More	20%	20%	18%	16%	24%	9%	9%	14%	8%	16%	10%	11%	17%	8%	10%	7%	9%
Same	54%	59%	55%	60%	60%	68%	62%	46%	49%	45%	39%	38%	44%	48%	44%	51%	50%
Less	26%	21%	27%	23%	16%	23%	29%	41%	43%	39%	51%	52%	39%	44%	46%	42%	41%
<b>Net % (More- Less)</b>	<b>-7%</b>	<b>-2%</b>	<b>-9%</b>	<b>-7%</b>	<b>8%</b>	<b>-14%</b>	<b>-20%</b>	<b>-27%</b>	<b>-35%</b>	<b>-22%</b>	<b>-40%</b>	<b>-41%</b>	<b>-22%</b>	<b>-36%</b>	<b>-37%</b>	<b>-35%</b>	<b>-32%</b>

Source: Cleveland Research

# Order Growth by Region

- Two of eleven regions showed positive monthly order growth in April, below the five regions reporting growth in March. Similar to sales, the Delta States saw the best order growth at up 10% y/y, while the Canadian dealers reported average orders down 12% y/y.
- Compared to last month, the Mountain States showed the largest deceleration in order growth, while the Appalachia region saw the most significant acceleration in orders.



## 2014 Sales Outlook

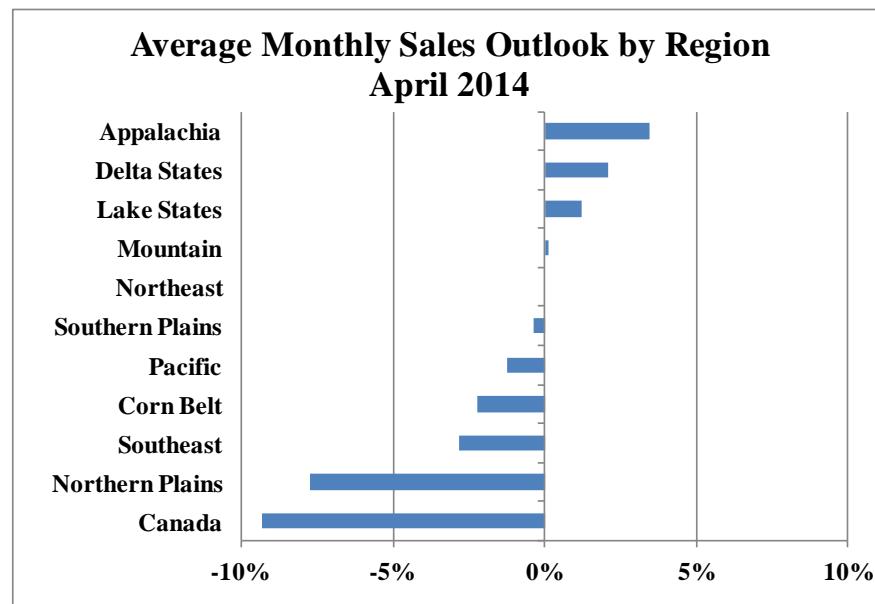
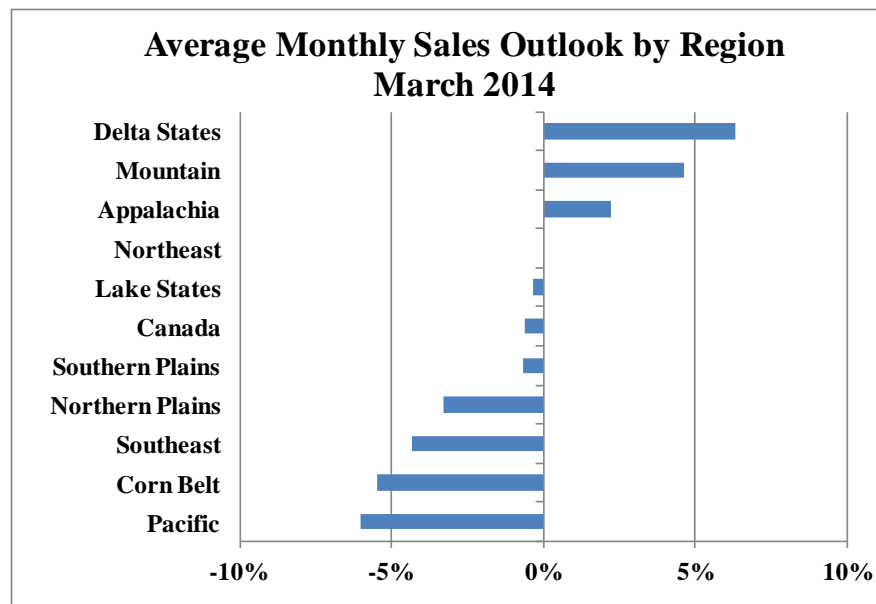
- For 2014, avg dealer outlook is for a 4% sales decline, similar to the low-single-digit declines dealers have been forecasting since Nov 2013, although slightly worse vs the last 2 months. Deere is forecasting the N. America Ag equipment industry to be down 5-10% in units in 2014, AGCO expects flat to down 5%, and CNH Industrial is forecasting tractor sales up 0-5% and combine sales down 15-20%.
- Among the survey participants, Shortlines dealers were the most optimistic regarding 2014 (projecting 1% growth y/y) while Case IH and New Holland dealers both expect 6% declines y/y on average for 2014.

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

Source: Cleveland Research

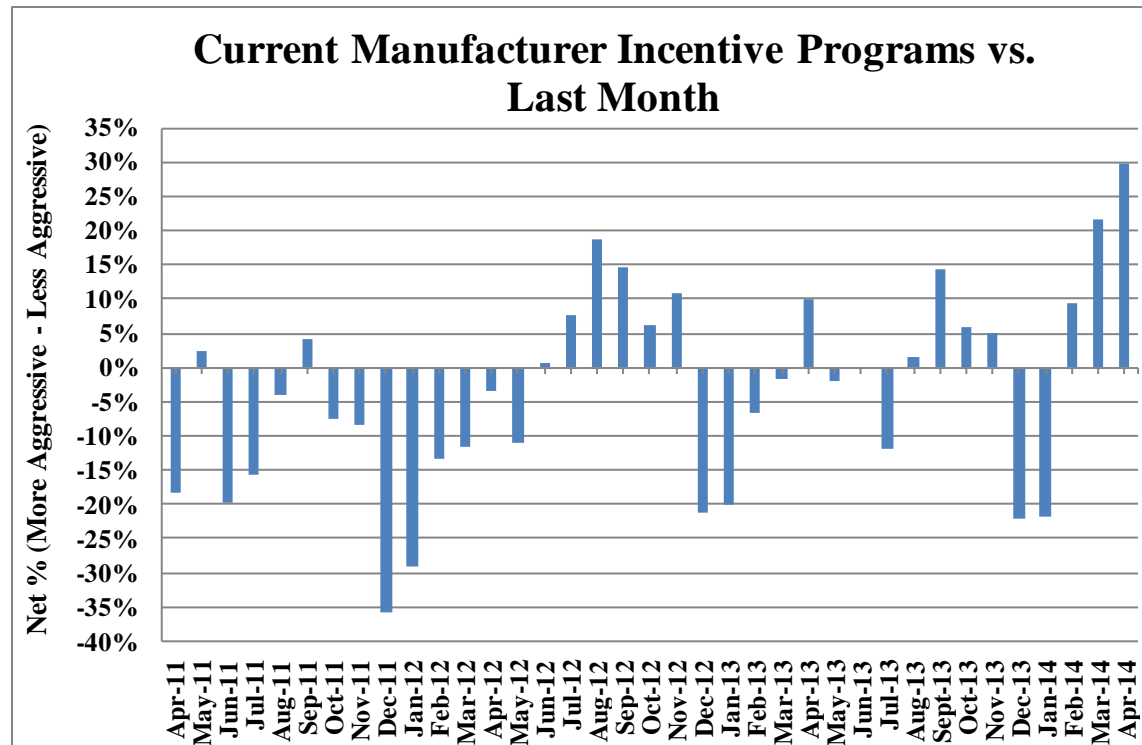
## 2014 Sales Outlook Continued

- Three of eleven regions are projecting sales to grow for the full year 2014 in April, similar to last month. Canadian dealers now forecast the largest sales decline for 2014 at down 9% y/y, while Appalachia region dealers are most optimistic with a 3% growth forecast.



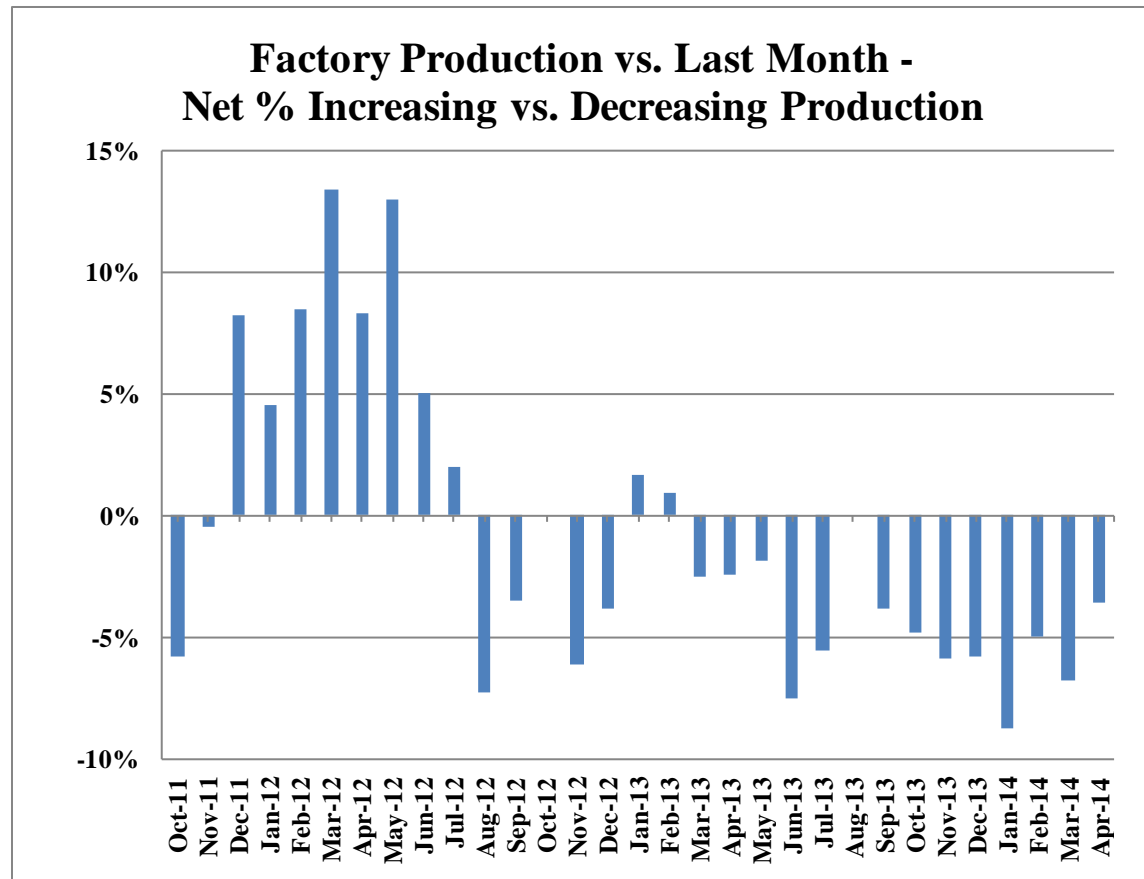
# Current Manufacturer Incentive Programs

- A net 30% of dealers report that manufacturers are more aggressive with incentives in April (35% more aggressive; 59% same; 6% less aggressive), a significant change over the past 3 months (net 22% less aggressive in Jan).



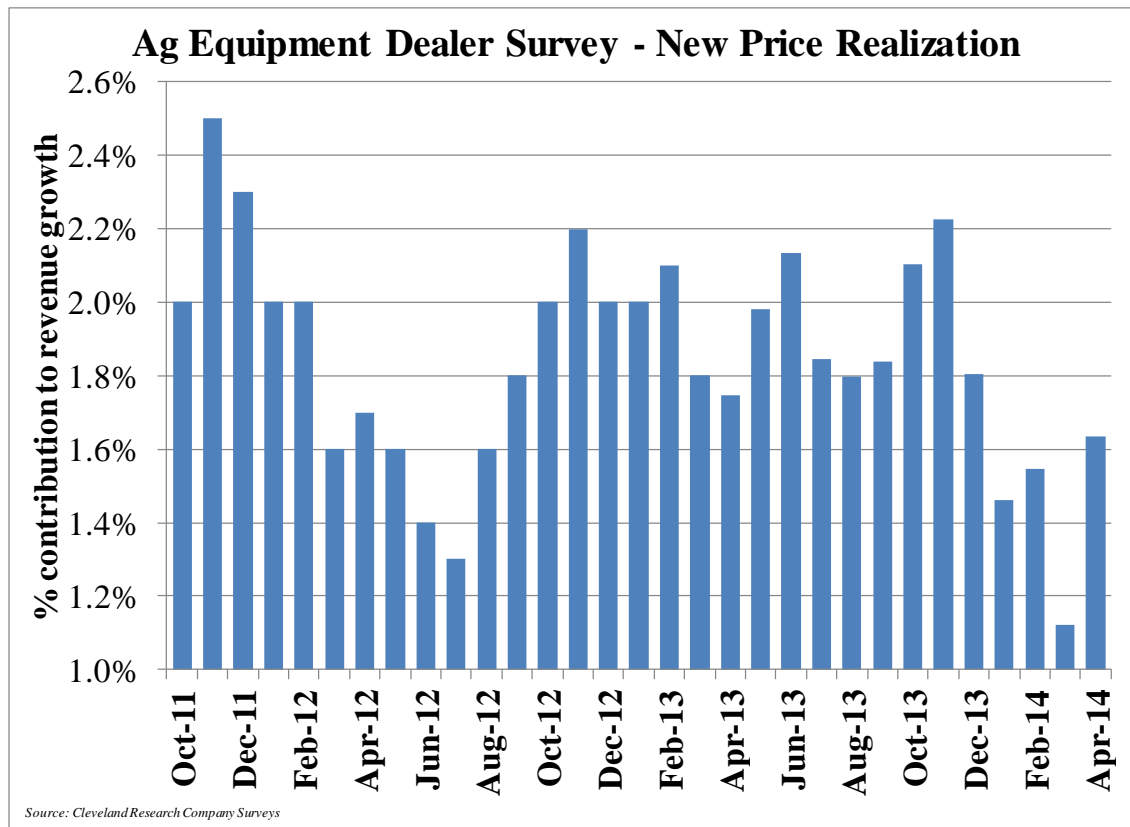
# Factory Production

- A net 4% of dealers report that factory production was down compared to last month (10% increasing production; 77% no change in production; 13% decreasing production).



# Pricing Trends

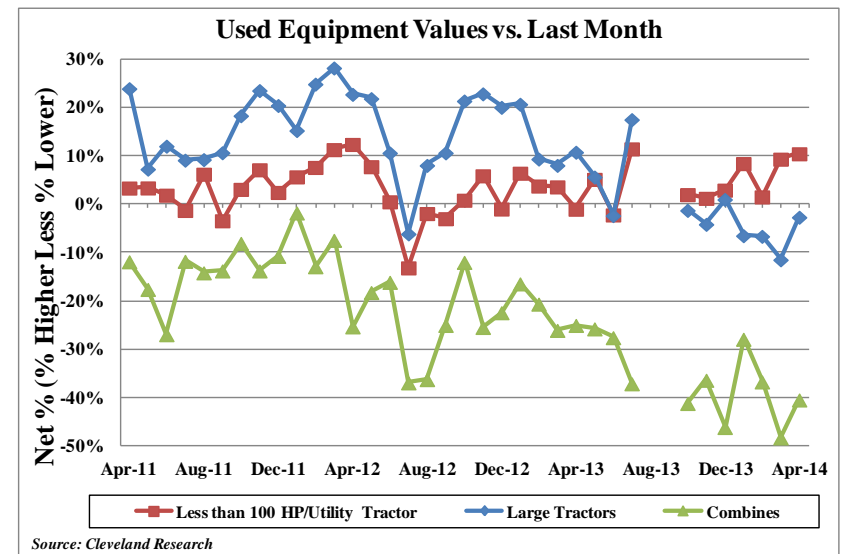
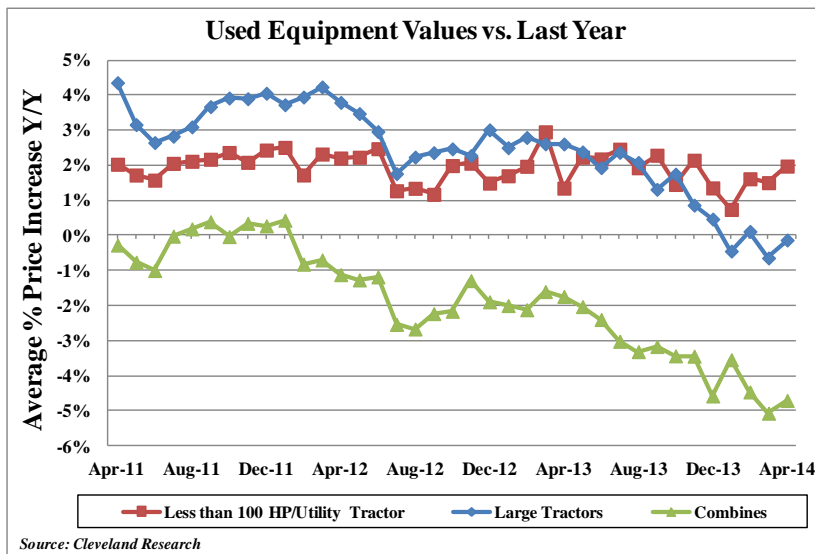
- Dealers report price contributed roughly ~1.6% to total April revenue growth, a reversal in the downward trend since November. Final tier 4 price increases are expected to be ~5-10% on average, although not impacting all lines of equipment.





# Used Equipment Pricing

- Dealers reported used combine values improved slightly in April vs March on a y/y basis (down 4.7% y/y vs down 5.1% last month). Used HHP tractors values were again slightly negative vs. last year, although to a lesser extent at down .1% vs down .6% in March. Smaller tractor used pricing continues to be the outlier with prices up ~2% y/y.
- Compared to last month, a net 40% of dealers report combine values are weaker, a net 3% report weaker values for large tractors, and a net 11% report stronger tractor values less than 100HP/Utility.



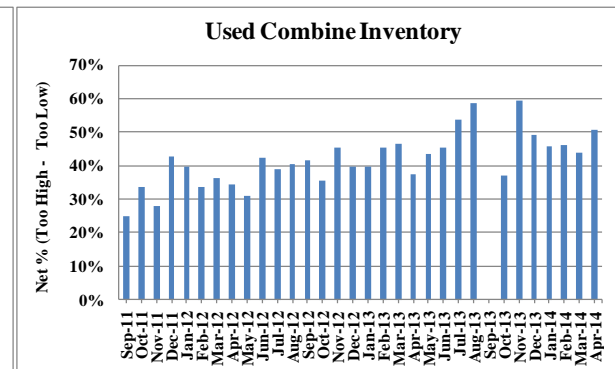
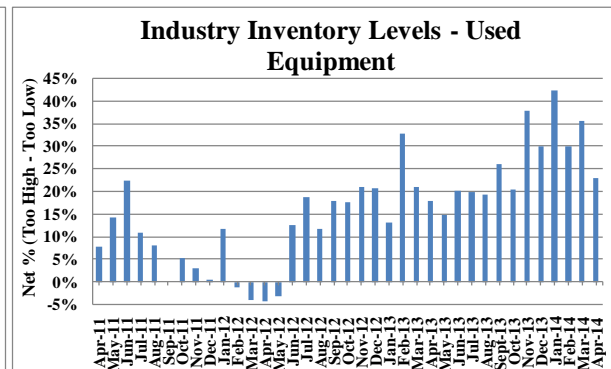
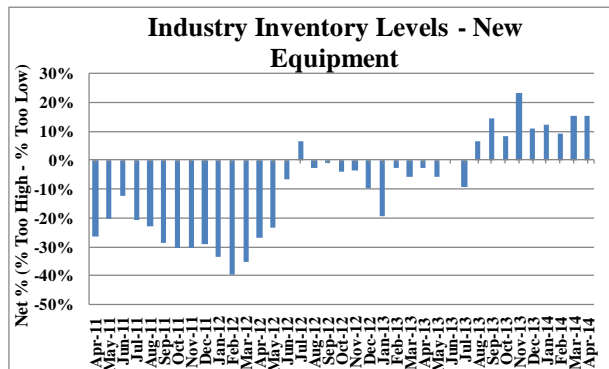
# Inventory Levels

## New Equipment Inventory

- A net 15% of dealers categorize their new inventory as “too high” (32% too high; 51% about right; 17% too low), similar to last month.

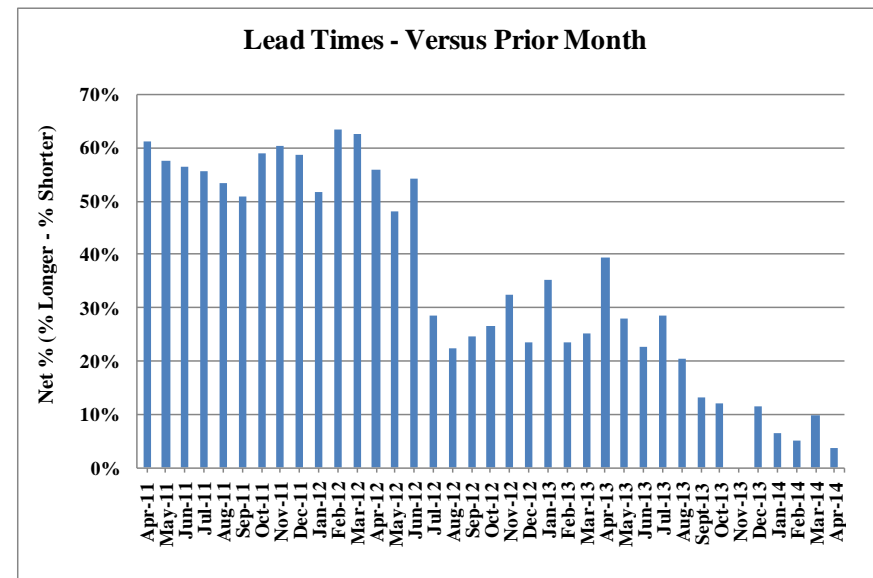
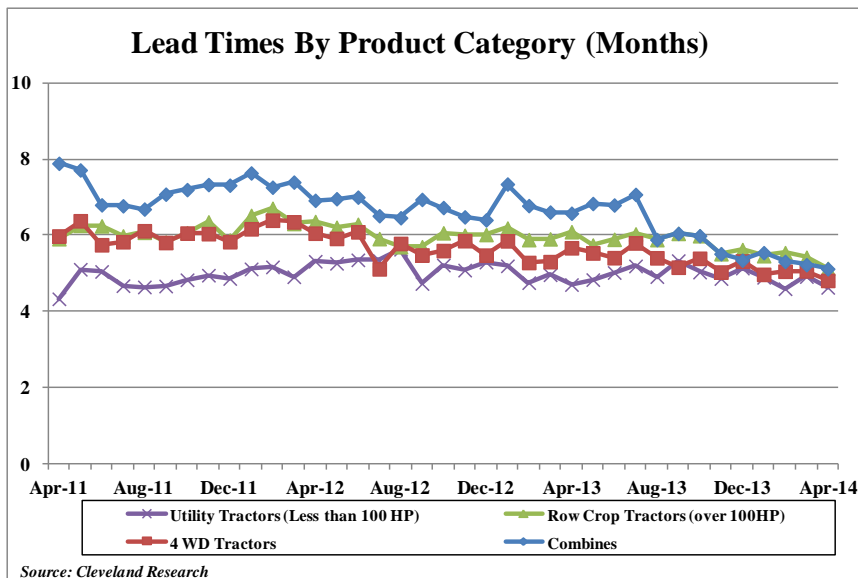
## Used Equipment Inventory

- A net 23% of dealers reported used equipment inventory as “too high” in April (40% too high; 44% about right; 17% too low), a significant improvement compared to last month (net 36% “too high”).
- A net 51% of dealers reported used combines inventories were “too high” (53% too high, 45% comfortable, 2% too low) vs a net 44% last month.



# Equipment Availability

- Overall, a net 4% of dealers report longer factory lead-times compared to last month (28% longer; 49% same; 24% shorter, below the net 10% who reported longer lead times last month).
- On average, lead times across the board were shorter in April compared to last month. Combine lead times are 5.1 months (5.2 last month), row crop tractor lead times are 5.1 months (5.4 last month), and 4WD tractors are 4.8 months (5.1 last month).



## Most Interesting Commentary - Used Inventory

- *New Holland has some aggressive ALL in programs that may help this month on hay tools.*
- *Higher pre-sell amounts of big tractors/combines. Sales are now slowing down.*
- *For Q3, orders incentives have increased.*
- *Sunflowers current programs make new machines out of the factory cheaper than the ones we have in stock. That is a problem.*
- *We have a few high dollar trade ins to get rid of.*
- *Customers are asking for high values to trade-in and wanting to pay low prices to purchase.*
- *Used combines are an issue.*
- *The major factor is used combines, other than that it is manageable.*
- *Some NH Compact Tractors sitting too long on lot.*
- *Used planters are not getting any interest.*
- *Too many late model combines.*
- *All large Ag is tough (combines, 4WD - 8000 series).*
- *Combines and late model tractors.*
- *Bigger the dealer more used they have.*

# Dealer Commentary on Biggest Surprise in the Month

- *Sales were positively affected by spring products coming in late, but in time for the later spring planting season*
- *Continued good demand overall*
- *There is a low level of pent up demand. Anyone who wanted or needed a combine has one. the one year rolls are getting tougher to handle.*
- *There will be dealer inventory available*
- *Orders are softer than expected and there are people considering cancelling.*
- *Growers are still positive even with late spring & weaker prices. Dairy & livestock looking better.*
- *Utility Vehicle product category continues to experience sales increases.*
- *Used is selling well*
- *Lack of customer interest.*
- *More self propelled windrowers sold.*
- *Late spring.*
- *More activity than I thought there'd be.*
- *The weather has still not tempered, causing lower floor traffic.*
- *Grain movement very slow.*
- *Lawn mower market was extremely brisk.*
- *Lack of interest for new hay equipment.*
- *Why are some doing the same trades as last year. The extensiveness of the freeze damage our area incurred.*

# NA Farm Equipment Industry Retail Sales

NORTH AMERICAN FARMEQUIPMENT 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-12	3,899	3,698	2,335	359	10,291	2,694	528	5%	6%	2%	-29%	3%	-4%	-44%
Feb-12	4,360	3,547	2,046	488	10,441	2,534	367	-2%	15%	16%	6%	7%	14%	-53%
Mar-12	8,589	4,559	2,703	743	16,594	3,446	718	-3%	-8%	-4%	19%	-4%	0%	-26%
Apr-12	13,365	6,016	3,369	887	23,637	4,256	705	17%	11%	1%	0%	12%	1%	-25%
May-12	13,562	5,984	2,911	611	23,068	3,522	691	8%	17%	21%	4%	11%	18%	-15%
Jun-12	12,503	6,118	2,571	502	21,694	3,073	954	3%	3%	24%	17%	5%	23%	32%
Jul-12	8,632	4,830	2,755	551	16,768	3,306	1,345	12%	2%	33%	21%	12%	31%	14%
Aug-12	8,146	4,514	2,452	585	15,697	3,037	1,491	11%	8%	15%	35%	11%	18%	-2%
Sep-12	8,002	4,531	3,120	773	16,426	3,893	1,760	1%	-1%	14%	11%	3%	14%	22%
Oct-12	9,918	6,891	5,644	1,499	23,952	7,143	2,312	25%	16%	33%	33%	25%	33%	38%
Nov-12	5,186	3,981	2,474	632	12,273	3,106	718	5%	17%	10%	31%	11%	13%	-3%
Dec-12	8,233	6,294	4,338	900	19,765	5,238	1,128	13%	4%	18%	37%	12%	21%	3%
Jan-13	4,694	4,087	2,960	678	12,419	3,638	621	20%	11%	27%	89%	21%	35%	18%
Feb-13	5,111	3,701	2,589	669	12,070	3,258	620	17%	4%	27%	37%	16%	29%	69%
Mar-13	8,311	4,941	3,464	706	17,422	4,170	1,199	-3%	8%	28%	-5%	5%	21%	67%
Apr-13	13,907	5,615	4,301	851	24,674	5,152	1,144	4%	-7%	28%	-4%	4%	21%	62%
May-13	17,193	6,326	3,406	556	27,481	3,962	887	27%	6%	17%	-9%	19%	12%	28%
Jun-13	13,449	6,363	3,272	541	23,625	3,813	1,123	8%	4%	27%	8%	9%	24%	18%
Jul-13	10,725	5,563	3,177	492	19,957	3,669	1,480	24%	15%	15%	-11%	19%	11%	10%
Aug-13	9,280	5,034	2,846	588	17,748	3,434	1,252	14%	12%	16%	1%	13%	13%	-16%
Sep-13	8,527	4,871	3,360	574	17,332	3,934	1,291	7%	8%	8%	-26%	6%	1%	-27%
Oct-13	9,665	6,747	5,943	1,228	23,583	7,171	1,671	-3%	-2%	5%	-18%	-2%	0%	-28%
Nov-13	5,628	3,873	2,651	644	12,796	3,295	903	9%	-3%	7%	2%	4%	6%	26%
Dec-13	7,683	6,944	4,940	962	20,529	5,902	1,547	-7%	10%	14%	7%	4%	13%	37%
Jan-14	4,762	4,172	3,314	631	12,879	3,945	824	1%	2%	12%	-7%	4%	8%	33%
Feb-14	5,310	3,655	2,423	575	11,963	2,998	526	4%	-1%	-6%	-14%	-1%	-8%	-15%
Mar-14	10,156	5,149	3,157	657	19,119	3,814	906	22%	4%	-9%	-7%	10%	-9%	-24%
Apr-14	14,163	6,029	3,744	746	24,682	4,490	999	2%	7%	-13%	-12%	0%	-13%	-13%

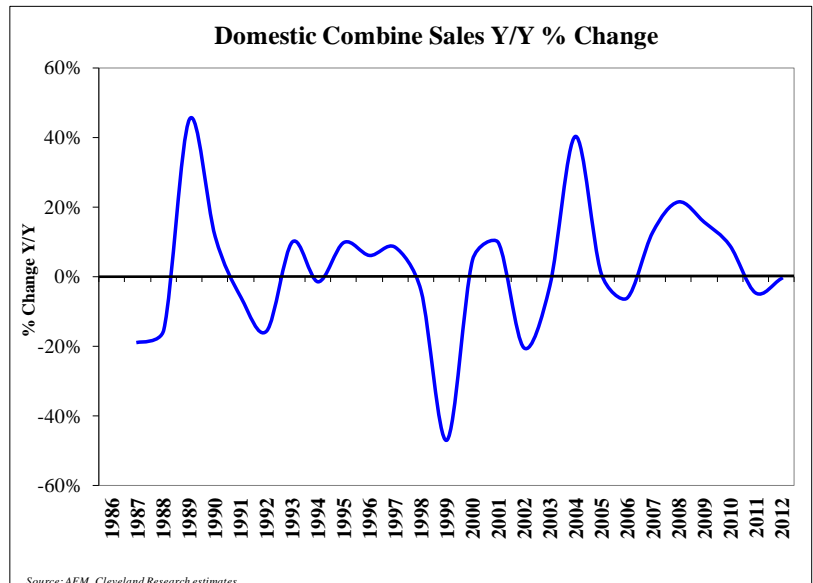
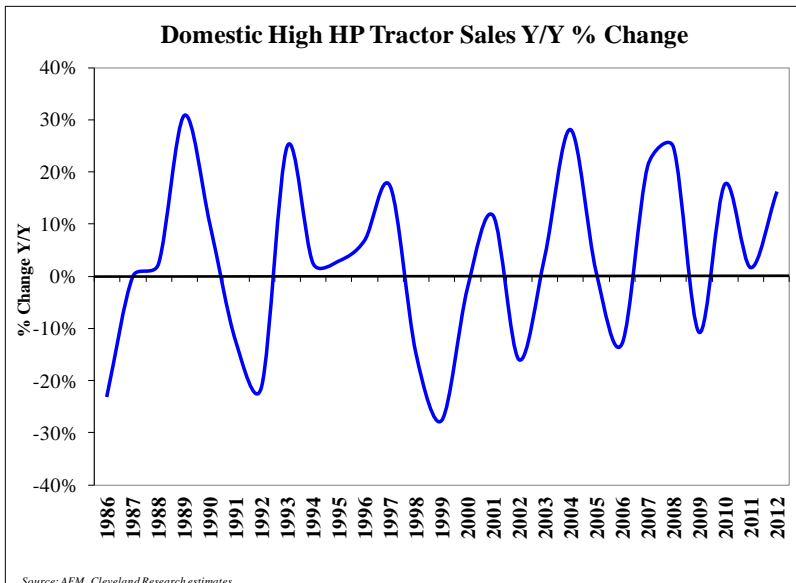
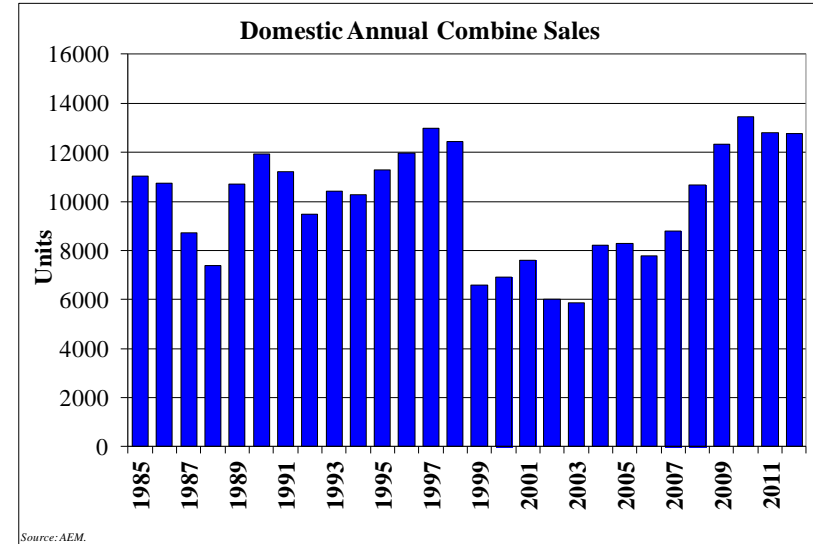
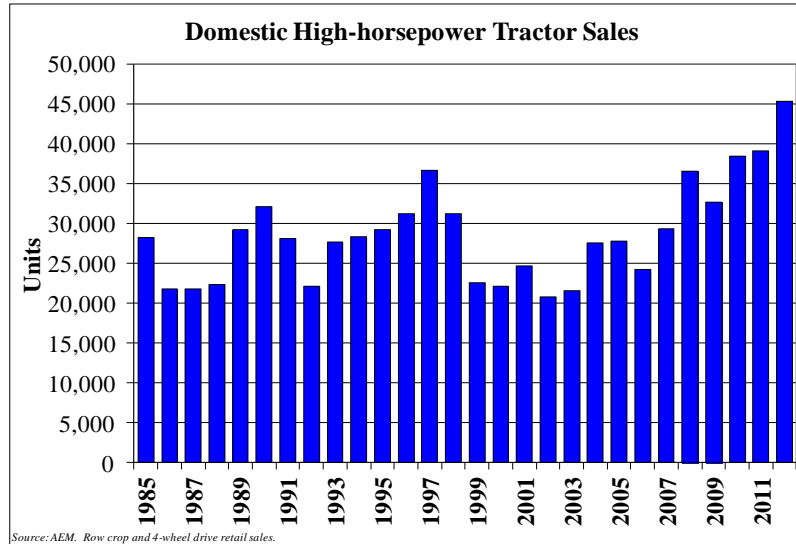
Source: AEM; Cleveland Research Company estimates. High hp tractors are row crop & 4-wheel drive.

# 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
<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%
<b>Dec-13</b>	67,863	32,028	13,318	2,049	115,258	15,367	2,083	59%	50%	31%	24%	50%	30%	15%
<b>Jan-14</b>	69,111	33,240	12,620	2,028	116,999	14,648	1,681	60%	52%	29%	24%	51%	28%	12%
<b>Feb-14</b>	71,514	34,326	13,267	2,046	121,153	15,313	2,063	62%	54%	31%	25%	53%	30%	15%
<b>Mar-14</b>	71,249	35,256	14,058	2,218	122,781	16,276	2,456	61%	55%	33%	27%	53%	32%	18%

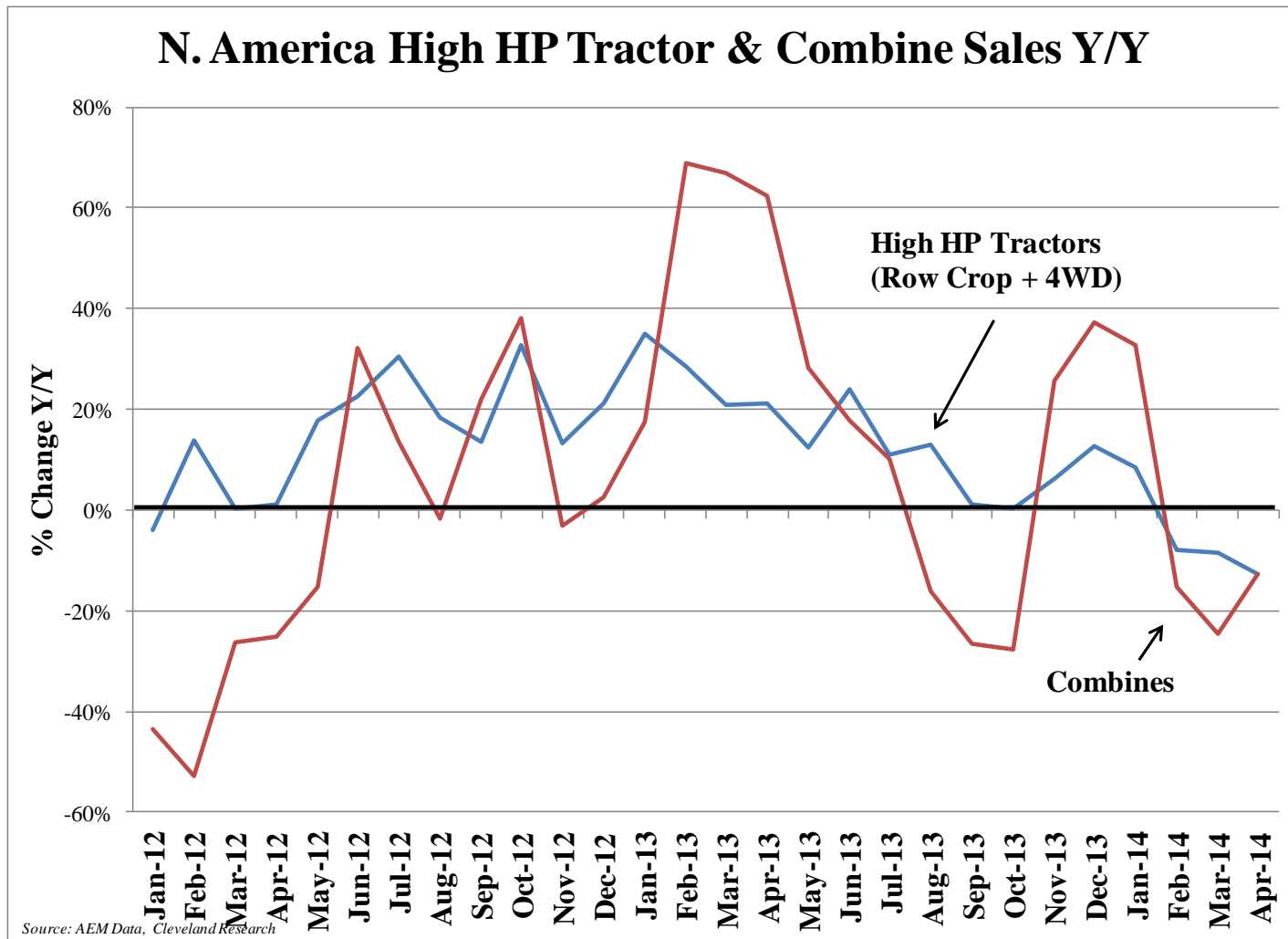
Source: AEM; Cleveland Research Company estimates

# Annual Ag Equipment Industry Sales (1985 - 2012)





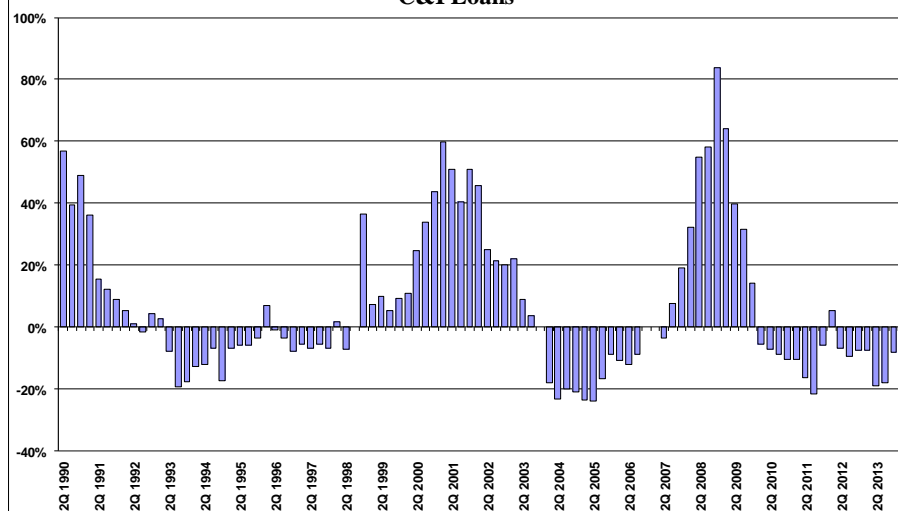
# NA Ag Equipment Sales



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

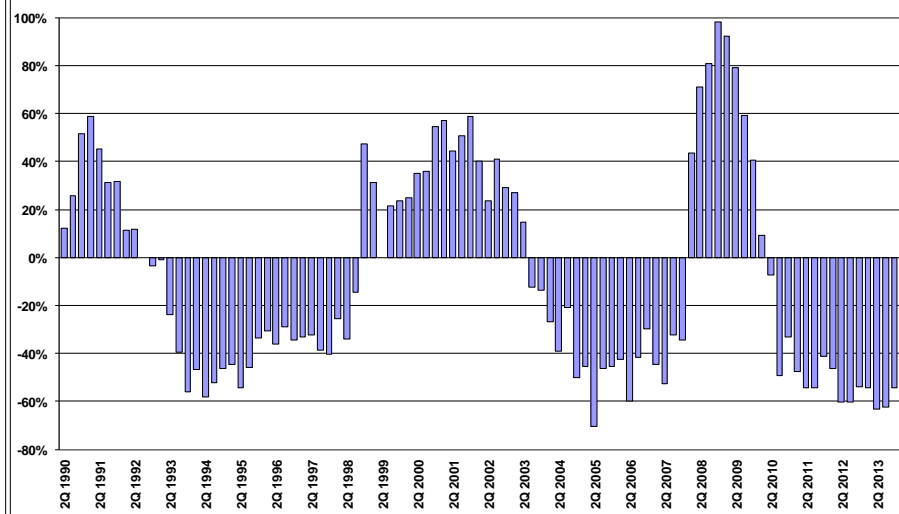
- The 1Q14 Senior Loan Officer survey saw a slight loosening of loan standards. A net 14% of loan officers reported easier credit standards in 1Q14 compared with a net 8% in 4Q13.
- Bank rate spreads saw a slight increase in 1Q14 with a net 58.3% of loan officers reporting lower lending spreads, down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

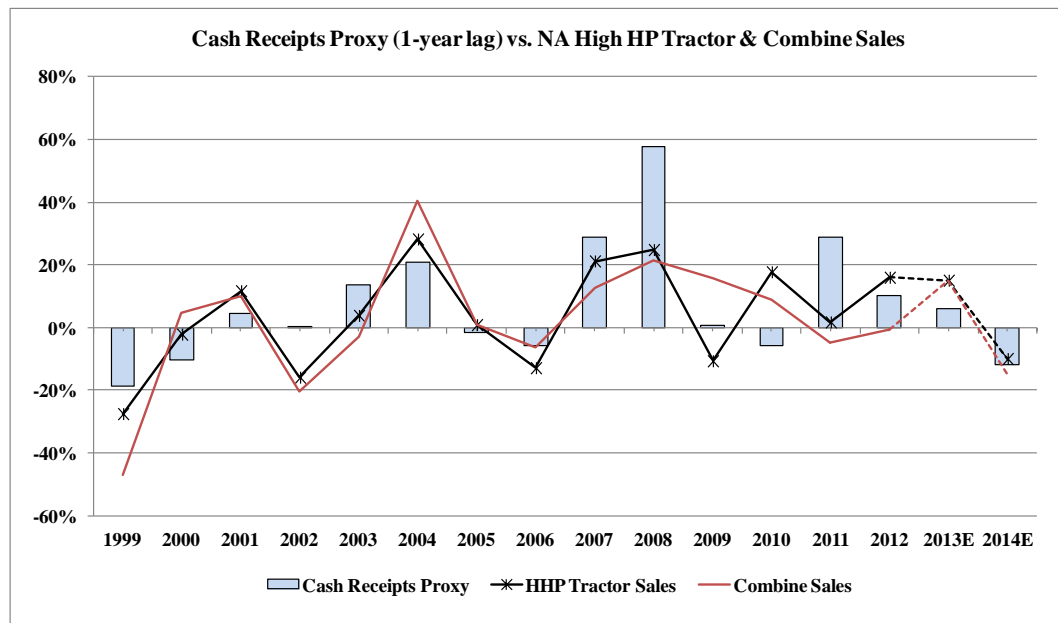
Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds



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 the 2013/14 crop year in our simplified cash receipts proxy. Initial 2014/15 forecast points to another (9%) decline. 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 May USDA cash receipts outlook for 2013/14 is similar to last month implying a 10% decline vs 2012/13. The initial 2014/15 outlook implies an additional 9% decline in the value of production 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								2013/14					
April	13,925	11,700	1,750	13,450	1,331	9.9%	\$4.40-\$4.80	April	24,416	25,712	4,889	19.0%	
May	13,925	11,735	1,900	13,635	1,146	8.4%	\$4.50-\$4.80	May	24,617	25,617	4,619	18.0%	
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%	
Corn Futures Price: <div>\$4.50</div>								Change m/m					
Change m/m	na	na	na	na	na	na	na	Change m/m	na	na	na	na	
Change y/y	10	-50	-200	-250	580	4.5%	(\$0.45)	Change y/y	-7	719	809	2.6%	
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					
April	3,289	3,360	1,580	4,940	135	2.7%	\$12.50-\$13.50	April	7,148	8,104	2,416	29.8%	
May	3,289	3,390	1,600	4,990	130	2.6%	\$13.10	May	7,138	8,127	2,331	28.7%	
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%	
Soybean Futures Price: <div>\$13.61</div>								Change m/m					
Change m/m	na	na	na	na	na	na	na	Change m/m	na	na	na	na	
Change y/y	346	60	25	85	200	3.9%	(\$2.35)	Change y/y	243	358	360	3.0%	
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					
April	2,130	1,254	1,175	2,429	583	24.0%	\$6.75-\$6.95	April	24,051	24,555	6,276	25.6%	
May	2,130	1,254	1,185	2,439	583	23.9%	\$6.85	May	24,105	24,569	6,271	25.5%	
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%	
Wheat Futures Price: <div>\$6.12</div>								Change m/m					
Change m/m	na	na	na	na	na	na	na	Change m/m	na	na	na	na	
Change y/y	-167	-38	-235	-273	-43	1.0%	\$0.45	Change y/y	-457	-206	75	0.5%	
FARMER CROP RECEIPTS PROXY													
Production:				Average Price:			Crop Cash Receipts*						
Year	Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Corn	Soybeans	Wheat	Total	% change y/y		
2005/06	11,114	3,063	2,105	\$2.00	\$5.66	\$3.42	\$22,228	\$17,337	\$7,199	\$46,764	-6%		
2006/07	10,531	3,197	1,808	\$3.04	\$6.43	\$4.26	\$32,014	\$20,557	\$7,702	\$60,273	29%		
2007/08	13,038	2,677	2,051	\$4.20	\$10.10	\$6.48	\$54,760	\$27,038	\$13,290	\$95,088	58%		
2008/09	12,092	2,967	2,499	\$4.06	\$9.97	\$6.78	\$49,094	\$29,581	\$16,943	\$95,618	1%		
2009/10	13,092	3,359	2,218	\$3.55	\$9.59	\$4.87	\$46,477	\$32,213	\$10,802	\$89,491	-6%		
2010/11	12,447	3,329	2,207	\$5.18	\$11.30	\$5.70	\$64,475	\$37,618	\$12,580	\$114,673	28%		
2011/12	12,360	3,094	1,999	\$6.22	\$12.50	\$7.24	\$76,879	\$38,675	\$14,473	\$130,027	13%		
2012/13	10,780	3,034	2,266	\$6.89	\$14.40	\$7.77	\$74,274	\$43,690	\$17,607	\$135,571	4%		
2013/14													
April	13,925	3,289	2,130	\$4.60	\$13.00	\$6.85	\$64,055	\$42,757	\$14,591	\$121,403	-10%		
May	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%		

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

# Long Term Commodity Price Trends

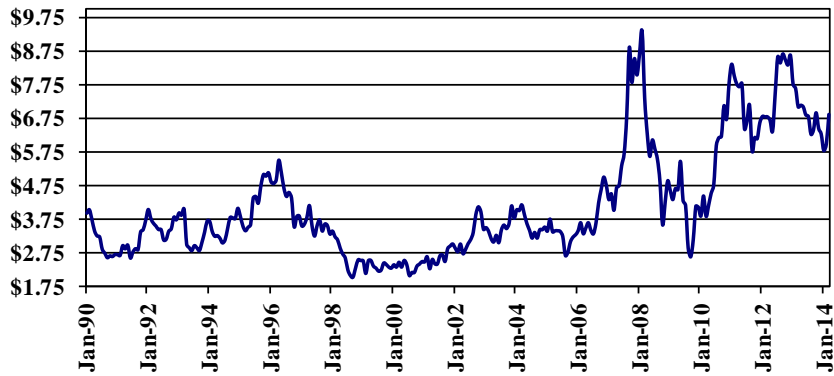
## Corn Price Trends



## 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

