

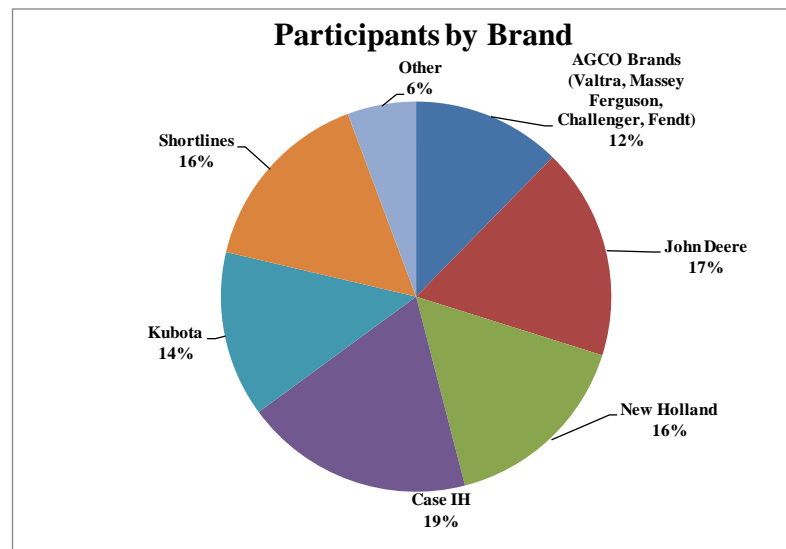
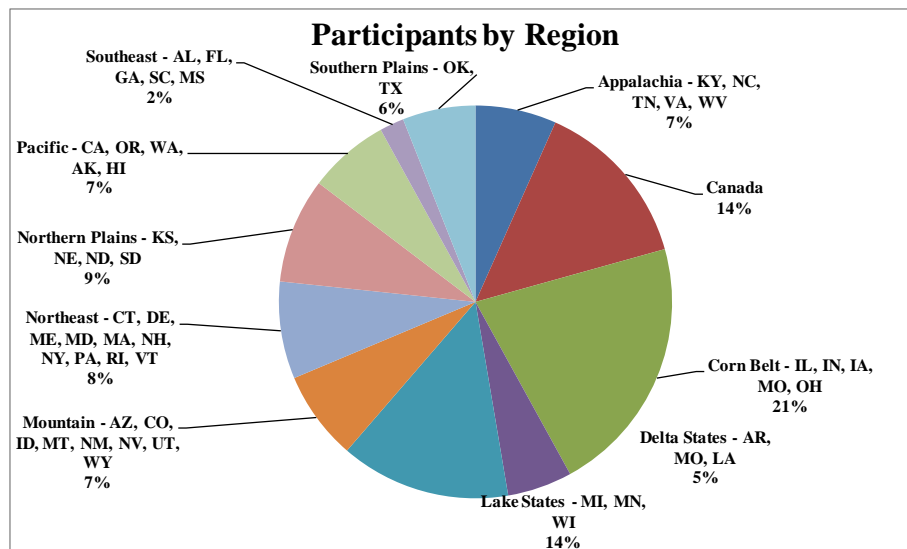
# ***Ag Equipment Intelligence***

November 2014 Dealer Sentiments &  
Business Conditions Update

# Monthly Ag Equipment Intelligence North American Dealer Survey

## Background:

- We are pleased to announce the results of the November 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 October survey had ~151 respondents representing combined annual revenues of roughly \$6.4 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 9% y/y in October** – Dealers reported sales were down 9% on avg. in October which compares to sales declines of 6% in September and 5% in August. Case IH dealers reported the largest declines on average at down 15% for the month.
- **Order Intake Down 15% y/y in October** – Orders for the month were reported down 15% y/y on avg. in our survey which compares to the 10% avg. order declines in September. Deere, Case IH and Shortlines dealers reported the weakest orders at down roughly 20%, while AGCO, New Holland, Kubota and “Other” dealers reported low single digit declines.
- **Dealers Expecting 2015 Sales Down 11% y/y Following 9% Declines in 2014** – Dealers are now expecting sales to decline 11% y/y on average for the full year 2015, which is slightly below the down 9% forecast last month. AGCO and “Other” dealers are most optimistic, expecting sales flat to up slightly, while Deere and Case IH dealers are expecting sales declines of 10-15% y/y.
- **Used Inventories Similar to Last Month While New Inventories Grow** – A net 39% of dealers reported used inventories “too high” in October, similar to the net 38% last month. New inventories, however, were much higher with a net 42% of dealers reporting “too high” compared to a net 32% last month and a net 24% in August.

# Monthly Sales Growth

- Dealers report average sales were down 9% y/y in October compared to the 6% declines in September.
- Case IH dealers reported the largest declines y/y on average at down 15%, while AGCO dealers reported the strongest growth of up 5% y/y on average.
- Sales were slightly below plan again in October and inline with September.

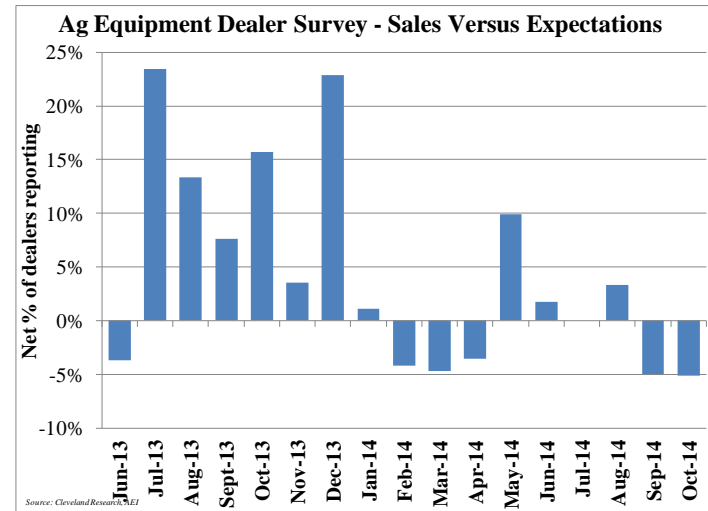
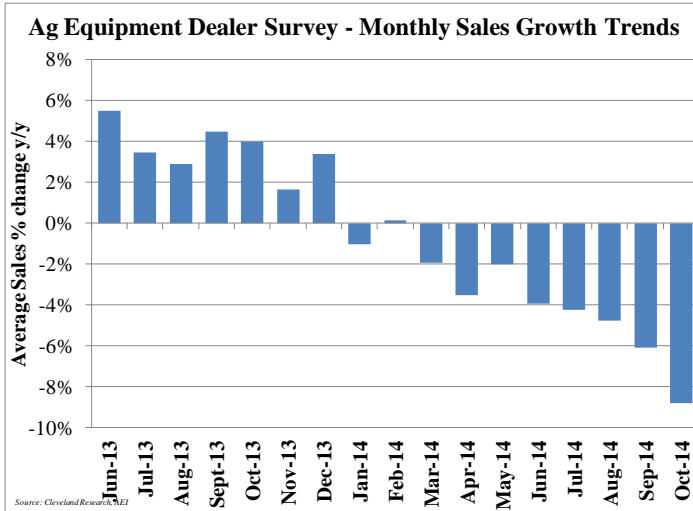
| N. American Farm Equipment Dealer Survey - Average Dealer Sales Growth |        |        |        |         |        |        |        |        |        |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| % Change y/y   | Jun-13 | Jul-13 | Aug-13 | Sept-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Feb-14 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 | Sep-14 | Oct-14 |
| Overall  | 5%     | 3%     | 3%     | 4%      | 4%     | 2%     | 3%     | -1%    | 0%     | -2%    | -4%    | -2%    | -4%    | -4%    | -5%    | -6%    | -9%    |
| By Brand   | Jun-13 | Jun-13 | Aug-13 | Sept-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Feb-14 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 | Sep-14 | Oct-14 |
| AGCO   | 1%     | -1%    | -2%    | -3%     | -1%    | 4%     | -4%    | -3%    | 0%     | -2%    | -3%    | 1%     | -3%    | 4%     | -3%    | 4%     | 5%     |
| John Deere   | 6%     | 4%     | -7%    | 5%      | 7%     | 2%     | 5%     | -2%    | 2%     | 0%     | -3%    | -2%    | -3%    | -6%    | -4%    | -6%    | -11%   |
| New Holland  | 7%     | 2%     | 4%     | 2%      | 4%     | 5%     | 5%     | -1%    | -2%    | -2%    | -4%    | -10%   | 2%     | -2%    | -3%    | 0%     | 0%     |
| Case IH  | 5%     | 5%     | 12%    | 6%      | 3%     | 2%     | 3%     | 0%     | -2%    | -6%    | -5%    | -1%    | -10%   | -5%    | -9%    | -13%   | -15%   |
| Kubota   | 10%    | 3%     | 4%     | 4%      | 0%     | 2%     | 6%     | 6%     | -3%    | 1%     | -1%    | -1%    | 2%     | 0%     | -2%    | 1%     | 1%     |
| Shortlines   | 4%     | 11%    | -1%    | 11%     | 12%    | 5%     | 6%     | -2%    | 0%     | -2%    | 1%     | 3%     | -2%    | -1%    | 0%     | 5%     | -6%    |
| Other  | 3%     | 13%    | 0%     | 0%      | 5%     | na     | -1%    | 13%    | 0%     | 1%     | na     | na     | -2%    | 6%     | 11%    | na     | 17%    |

Source: Cleveland Research

| N. American Farm Equipment Dealer Survey - Sales Versus Expectations |        |        |        |         |        |        |        |        |        |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| % of Dealers Reporting   | Jun-13 | Jul-13 | Aug-13 | Sept-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Feb-14 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 | Sep-14 | Oct-14 |
| Better than expected   | 19%    | 38%    | 33%    | 27%     | 32%    | 24%    | 39%    | 25%    | 20%    | 21%    | 21%    | 29%    | 25%    | 26%    | 28%    | 24%    | 22%    |
| In line with expectations  | 58%    | 48%    | 47%    | 54%     | 51%    | 56%    | 45%    | 51%    | 55%    | 54%    | 54%    | 52%    | 53%    | 49%    | 47%    | 47%    | 51%    |
| Worse than expected  | 23%    | 14%    | 20%    | 19%     | 17%    | 20%    | 16%    | 24%    | 25%    | 26%    | 25%    | 19%    | 23%    | 26%    | 25%    | 29%    | 27%    |
| Net % (Better - Worse)   | -4%    | 23%    | 13%    | 8%      | 16%    | 4%     | 23%    | 1%     | -4%    | -5%    | -4%    | 10%    | 2%     | 0%     | 3%     | -5%    | -5%    |

Source: Cleveland Research, AEI.

# Monthly Sales Growth Continued



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

| % of Dealers Reporting        | Jun-13     | Jul-13     | Aug-13     | Sept-13    | Oct-13     | Nov-13     | Dec-13     | Jan-14     | Feb-14    | Mar-14     | Apr-14     | May-14     | Jun-14     | Jul-14     | Aug-14     | Sep-14     | Oct-14     |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|
| Positive Sales Growth         | 52%        | 64%        | 53%        | 57%        | 59%        | 45%        | 63%        | 40%        | 45%       | 49%        | 39%        | 50%        | 46%        | 42%        | 37%        | 37%        | 40%        |
| Flat Sales                    | 21%        | 21%        | 21%        | 25%        | 20%        | 35%        | 18%        | 24%        | 17%       | 22%        | 20%        | 12%        | 18%        | 21%        | 22%        | 18%        | 14%        |
| Negative Sales Growth         | 27%        | 15%        | 26%        | 18%        | 22%        | 20%        | 19%        | 36%        | 37%       | 29%        | 40%        | 39%        | 36%        | 37%        | 42%        | 46%        | 46%        |
| <b>Net % Reporting Growth</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>11%</b> | <b>11%</b> | <b>5%</b>  | <b>-5%</b> | <b>-9%</b> | <b>-6%</b> |
| <b>Average % Change y/y</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> | <b>-2%</b> | <b>-4%</b> | <b>-4%</b> | <b>-5%</b> | <b>-6%</b> | <b>-9%</b> |

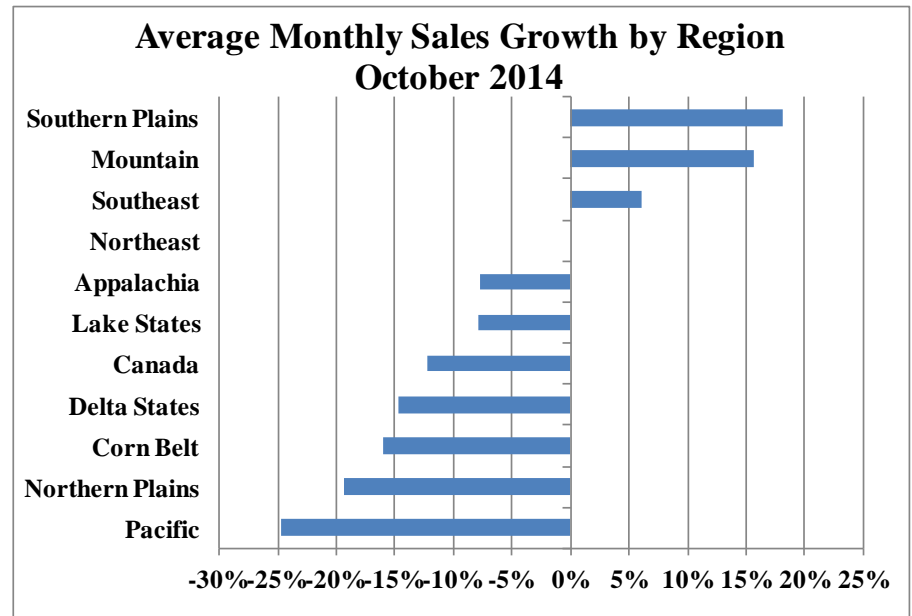
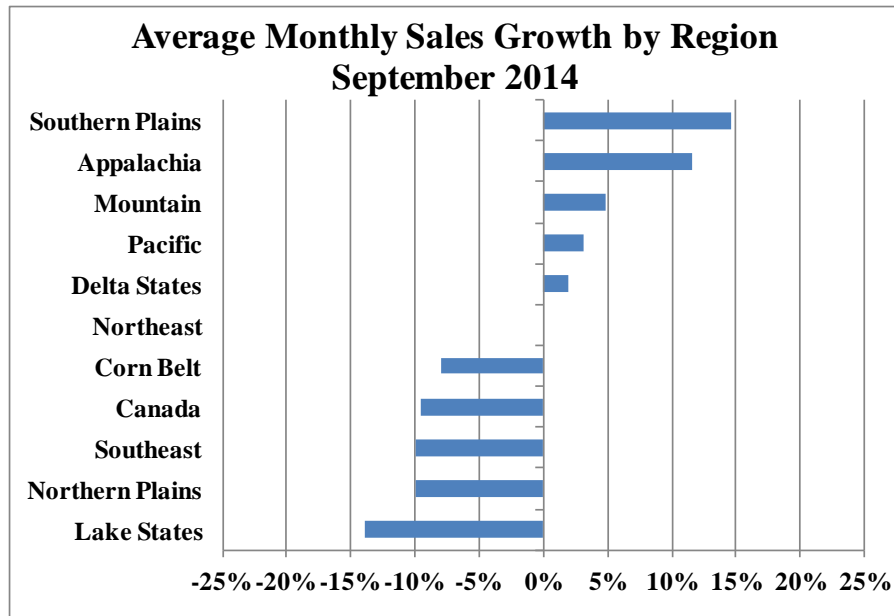
**Optimism/Sentiment vs. Last Month**

| % of Dealers Reporting       | Jun-13    | Jul-13    | Aug-13      | Sept-13    | Oct-13      | Nov-13      | Dec-13      | Jan-14      | Feb-14     | Mar-14    | Apr-14     | May-14     | Jun-14      | Jul-14      | Aug-14      | Sep-14      | Oct-14      |
|------------------------------|-----------|-----------|-------------|------------|-------------|-------------|-------------|-------------|------------|-----------|------------|------------|-------------|-------------|-------------|-------------|-------------|
| More Optimistic              | 26%       | 21%       | 19%         | 14%        | 15%         | 14%         | 9%          | 12%         | 24%        | 26%       | 24%        | 25%        | 23%         | 13%         | 12%         | 16%         | 8%          |
| Same                         | 50%       | 58%       | 50%         | 62%        | 60%         | 45%         | 52%         | 52%         | 50%        | 51%       | 44%        | 45%        | 42%         | 45%         | 50%         | 46%         | 48%         |
| Less Optimistic              | 24%       | 21%       | 31%         | 23%        | 25%         | 41%         | 39%         | 36%         | 26%        | 23%       | 32%        | 30%        | 35%         | 42%         | 38%         | 38%         | 44%         |
| <b>Net % Dealer Optimism</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> | <b>-5%</b> | <b>-11%</b> | <b>-28%</b> | <b>-26%</b> | <b>-22%</b> | <b>-36%</b> |

Source: Cleveland Research

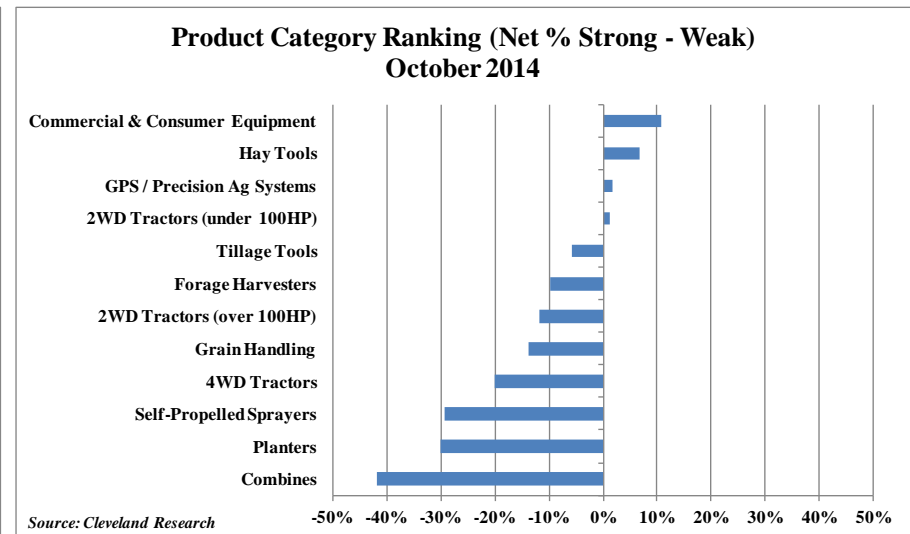
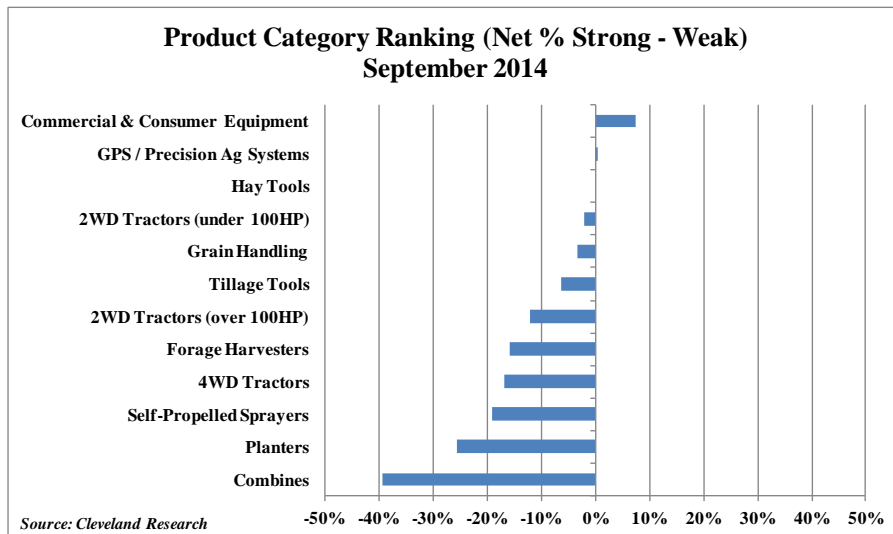
# Monthly Sales Growth by Region

- Three out of eleven regions showed positive average monthly sales growth in October, below the five in September. The Southern Plains region was again the strongest with average sales growth of 18%, while the Pacific region reported the largest sales declines of 25%.
- Compared to last month, the Southeast region saw the strongest pick up in growth, while the Pacific region saw the largest deceleration vs last month.

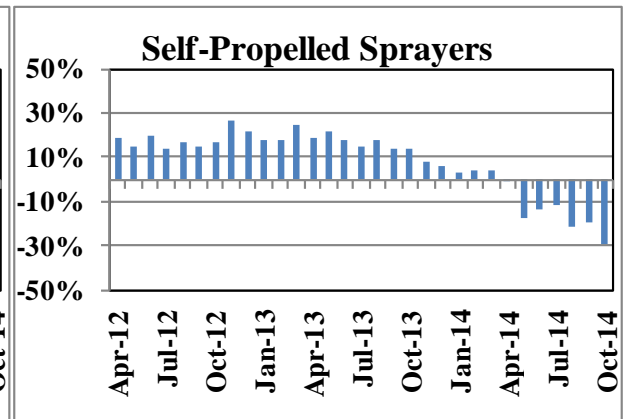
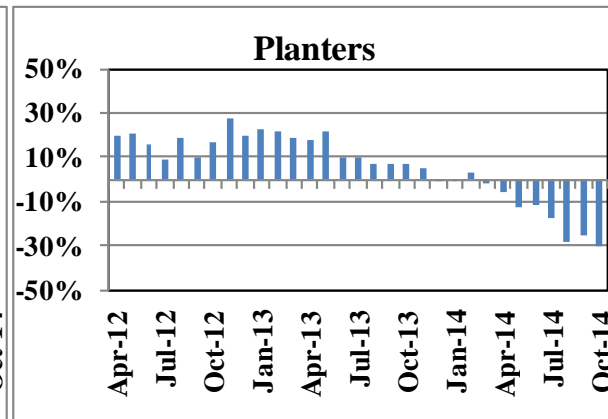
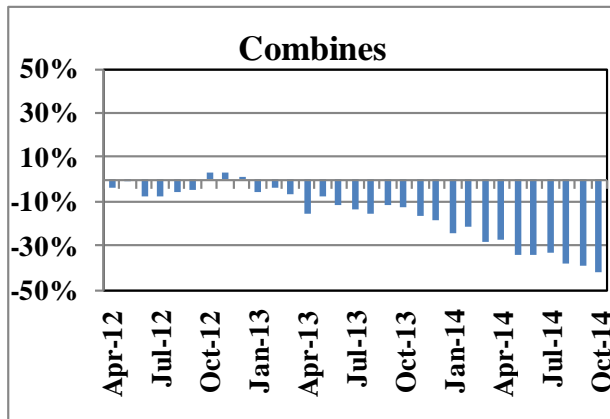
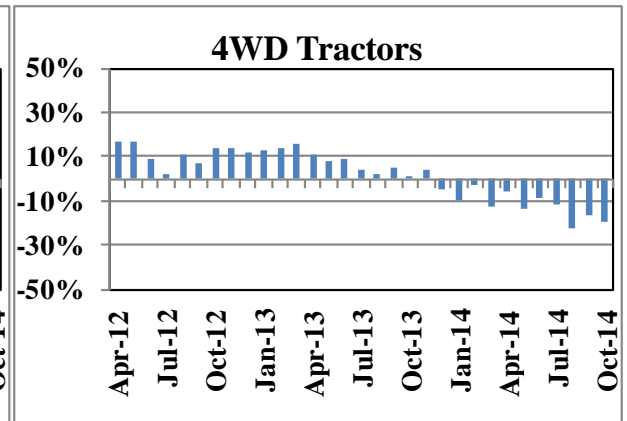
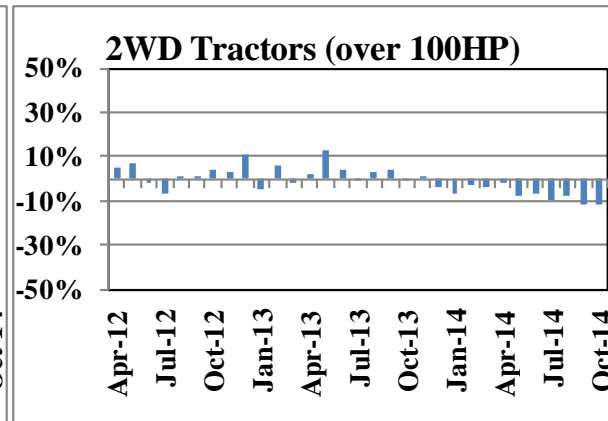
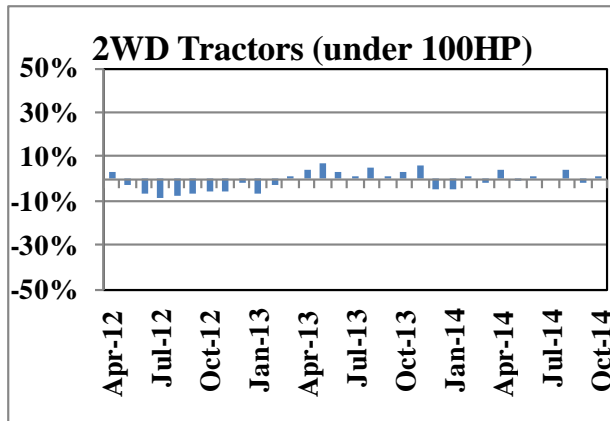


# Equipment Category Sales Trends

- Commercial/Consumer Equipment was again the strongest category in October. Hay Tools and GPS / Precision Ag products also ranked in the positive territory in October while Combines were again the weakest category with a net 42% of dealers reporting weakness.
- Comparing October to September, Hay Tools showed the largest improvement while Grain Handling equipment and Self-Propelled Sprayers weakened.

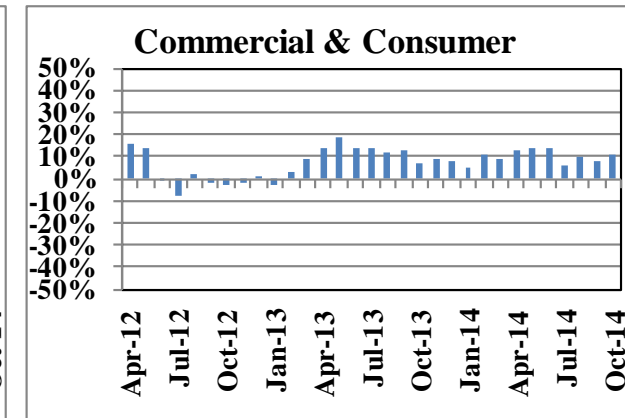
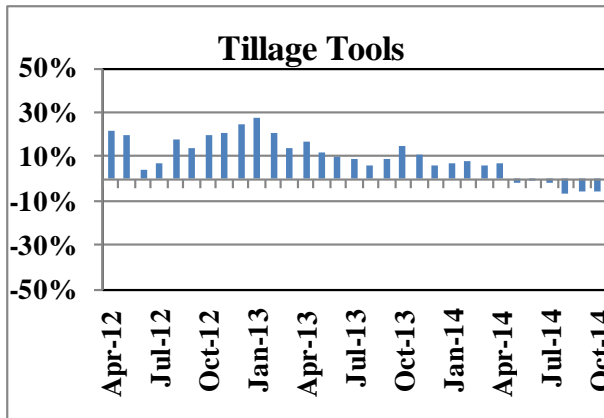
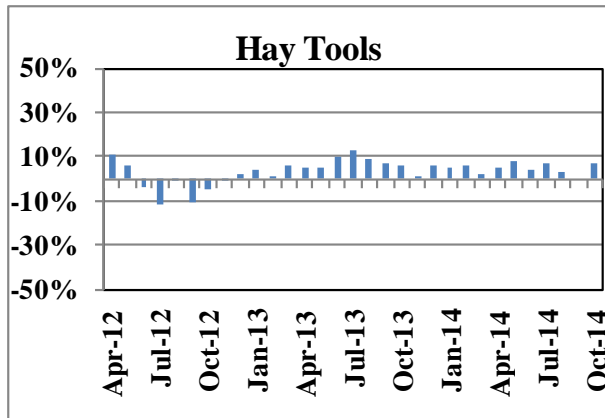
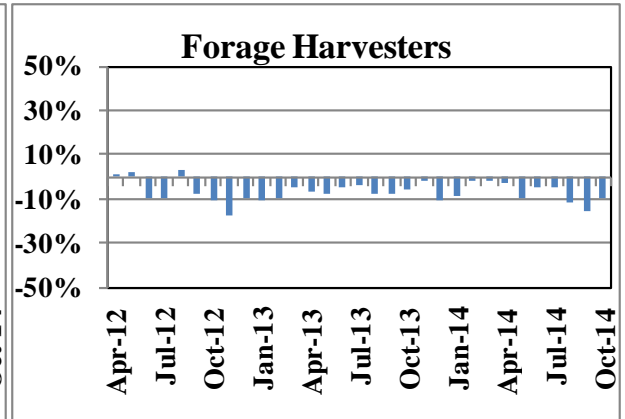
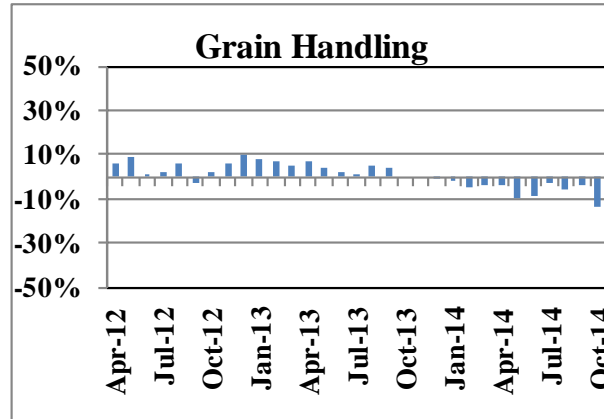
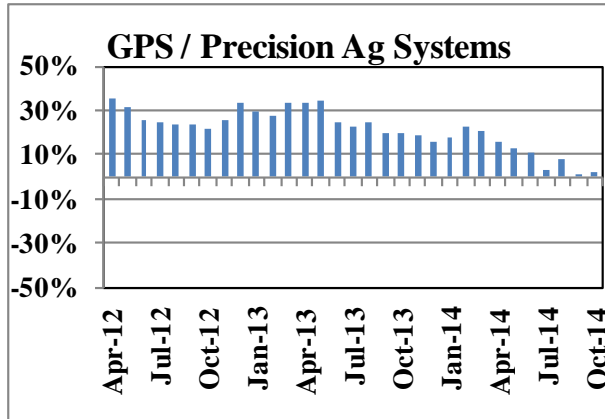


# Equipment Category Sales Trends





# Equipment Category Sales Trends (Continued)



## Most Interesting Commentary - Monthly Sales and Outlook

- *Most the farmers have bought ahead the last three years and can get by without purchasing new and \$3.40 corn doesn't make for much of a tax bill.*
- *Discounts from the manufacturer plus decent harvest results helped clean up some aged new and used combines. Not much for pre sells at all though for 2015.*
- *We are behind in harvest by about 3 weeks so that could have impacted the whole good sales numbers.*
- *Equipment shipped early so settlement was earlier than expected.*
- *A lot of our new buyers have upgraded their equipment in the last 3 yrs when crop prices were good and some are stretched .*
- *I know all the manufacturers want this pre-sell, pre-sell, but there is still a lot to be said for sales that could be achieved from last minute buyers.*
- *Lack of section 179 is causing farmers to take a wait and see attitude.*
- *You can order as much as you would like, because there are dealers FULL and not ordering.*
- *I feel that the cash grain market will be off. We do think that the dairy market will remain positive which should help our business not be down as much as some of the guys in the Midwest.*
- *Grain prices in the tank. No Section 179.*
- *Prices of grains and increased cost of machinery. Abundance of used machinery still an issue.*
- *Less optimistic, I thought that we would see some year end buying but it has been flat.*
- *The farmer equipment fleet is still very new. I do not expect section 179 to come through. Cash rents are not dropping fast enough, nor are other input expenses. Some farmers are penciling a loss for 2015 and can't change this.*
- *New over 150,000 is dry up big zero. We are selling one year used tractors \$40,000 below the market. Thank God we had \$40,000 less than the other dealers. But it is a moving target \$40,000 today maybe \$50,000 next spring.*
- *I think CNH is struggling financially.*

# Monthly Order Trends

## Overall Orders

- Incoming orders declined 15% y/y on avg. in October which compares to the 10% declines on avg. in September. Our conversations with dealers suggest early orders for large ag equipment could be down significantly more in the 30-50% range.
- All dealer brands saw orders decline during the month with the exception of “Other” dealers (primarily Mahindra).

## New Combine Order Intentions

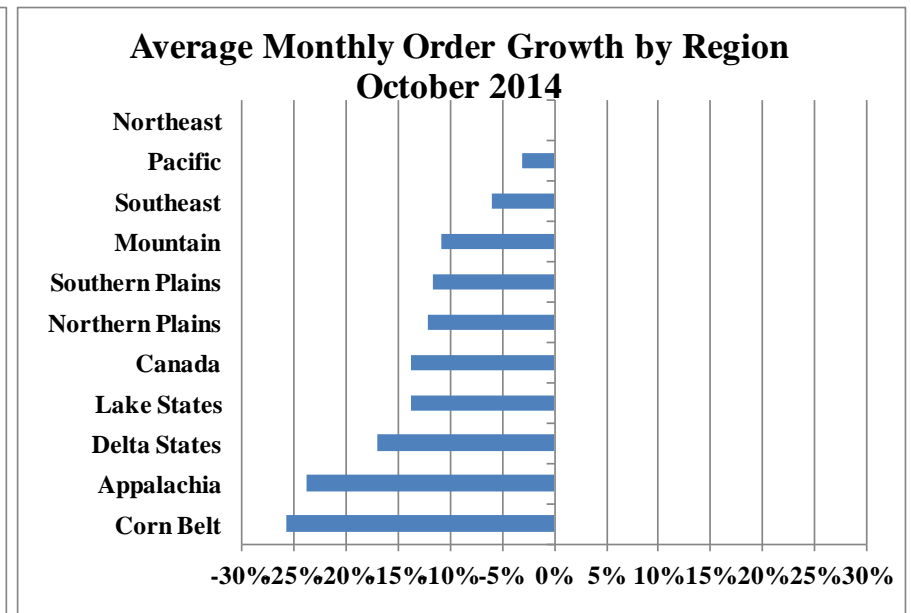
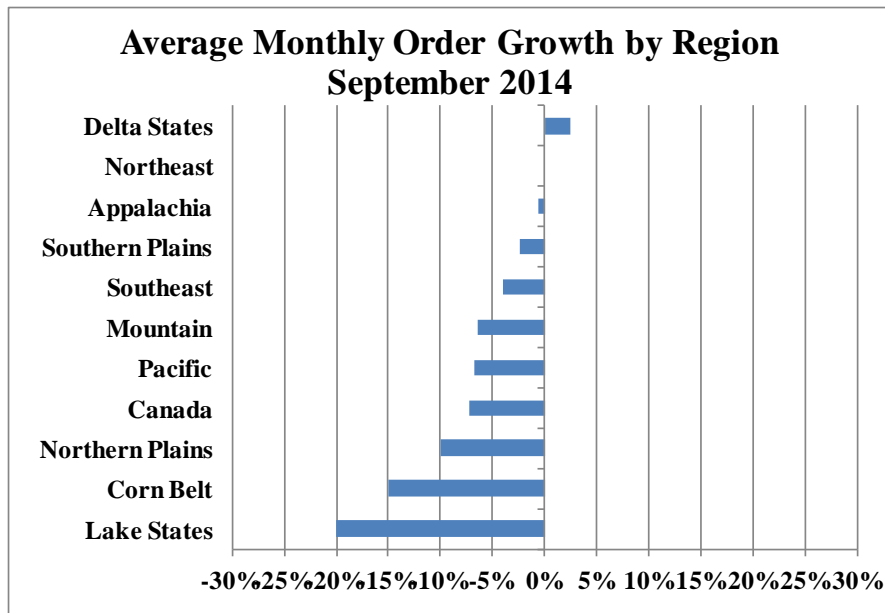
- Combine order intentions were similar to last month with a net 64% of dealers planning to order fewer combines than last year.

| N. American Farm Equipment Dealer Survey - Average Orders Growth |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| % Change y/y   | Jun-13      | Jul-13      | Aug-13      | Sept-13     | Oct-13      | Nov-13      | Dec-13      | Jan-14      | Feb-14      | Mar-14      | Apr-14      | May-14      | Jun-14      | Jul-14      | Aug-14      | Sep-14      | Oct-14      |
| <b>Overall</b>   | 0%          | 0%          | 2%          | 1%          | 1%          | -2%         | -3%         | -3%         | -2%         | -4%         | -5%         | -4%         | -8%         | -9%         | -9%         | -10%        | -15%        |
| By Brand   | Jun-13      | Jul-13      | Aug-13      | Sept-13     | Oct-13      | Nov-13      | Dec-13      | Jan-14      | Feb-14      | Mar-14      | Apr-14      | May-14      | Jun-14      | Jul-14      | Aug-14      | Sep-14      | Oct-14      |
| AGCO   | 0%          | -7%         | -2%         | -5%         | -2%         | -2%         | -5%         | 1%          | -4%         | 0%          | -1%         | -5%         | -8%         | -3%         | -7%         | -4%         | -2%         |
| John Deere   | 2%          | 2%          | 7%          | 2%          | 2%          | -2%         | -3%         | -4%         | -1%         | -5%         | -6%         | -5%         | -8%         | -11%        | -7%         | -14%        | -17%        |
| New Holland  | -1%         | -1%         | -12%        | 0%          | 0%          | -3%         | -1%         | -6%         | -3%         | -4%         | -8%         | -5%         | -8%         | -5%         | -7%         | -4%         | -5%         |
| Case IH  | -2%         | 1%          | 3%          | 1%          | 4%          | -1%         | -1%         | -4%         | -1%         | -7%         | -4%         | -6%         | -8%         | -9%         | -14%        | -11%        | -18%        |
| Kubota   | 0%          | -5%         | -1%         | 0%          | 0%          | -4%         | 1%          | -6%         | -2%         | -3%         | -7%         | -8%         | -6%         | -4%         | -9%         | -9%         | -4%         |
| Shortlines   | 1%          | 9%          | 15%         | 5%          | 5%          | -3%         | -1%         | -8%         | 0%          | -6%         | -2%         | -5%         | -13%        | -10%        | -13%        | -9%         | -23%        |
| Other  | 0%          | 0%          | -1%         | 0%          | 0%          | na          | 1%          | 6%          | 0%          | 3%          | na          | na          | -6%         | 1%          | 0%          | na          | 0%          |
| New Combine Order Intentions vs. Last Year                       |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
|  | Jun-13      | Jul-13      | Aug-13      | Sep-13      | Oct-13      | Nov-13      | Dec-13      | Jan-14      | Feb-14      | Mar-14      | Apr-14      | May-14      | Jun-14      | Jul-14      | Aug-14      | Sep-14      | Oct-14      |
| More   | 9%          | 14%         | 8%          | 16%         | 10%         | 11%         | 17%         | 8%          | 10%         | 7%          | 9%          | 11%         | 6%          | 6%          | 10%         | 4%          | 3%          |
| Same   | 62%         | 46%         | 49%         | 45%         | 39%         | 38%         | 44%         | 48%         | 44%         | 51%         | 50%         | 46%         | 43%         | 38%         | 30%         | 30%         | 29%         |
| Less   | 29%         | 41%         | 43%         | 39%         | 51%         | 52%         | 39%         | 44%         | 46%         | 42%         | 41%         | 43%         | 51%         | 56%         | 60%         | 66%         | 68%         |
| <b>Net % (More- Less)</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> | <b>-32%</b> | <b>-44%</b> | <b>-50%</b> | <b>-51%</b> | <b>-62%</b> | <b>-64%</b> |

Source: Cleveland Research

# Order Trends by Region

- No geographies reported positive orders y/y in October, while Corn Belt dealers reported the most significant order declines at down 26% y/y on average.
- Compared to last month, the Lake States showed a modest improvement in orders while the Appalachia region saw the most significant order deceleration.



# Average Dealer Sales Outlook

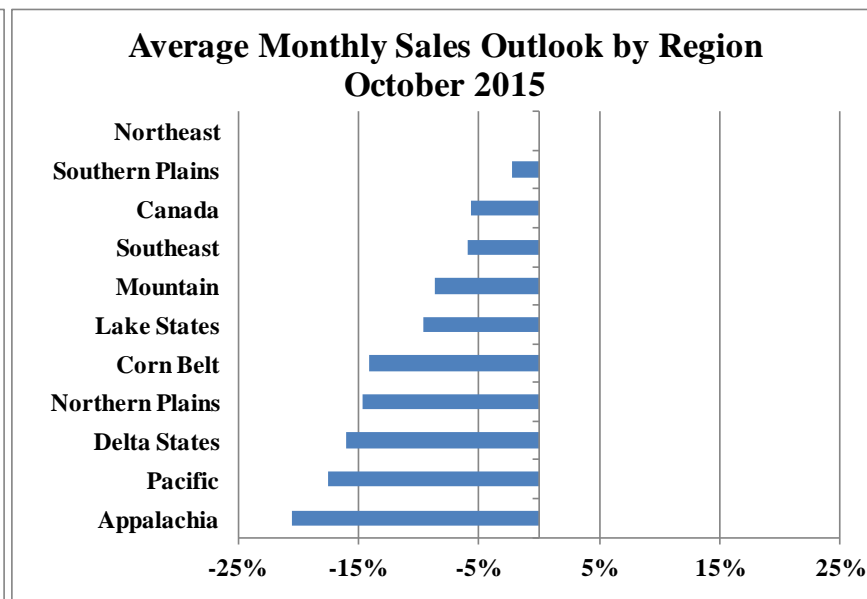
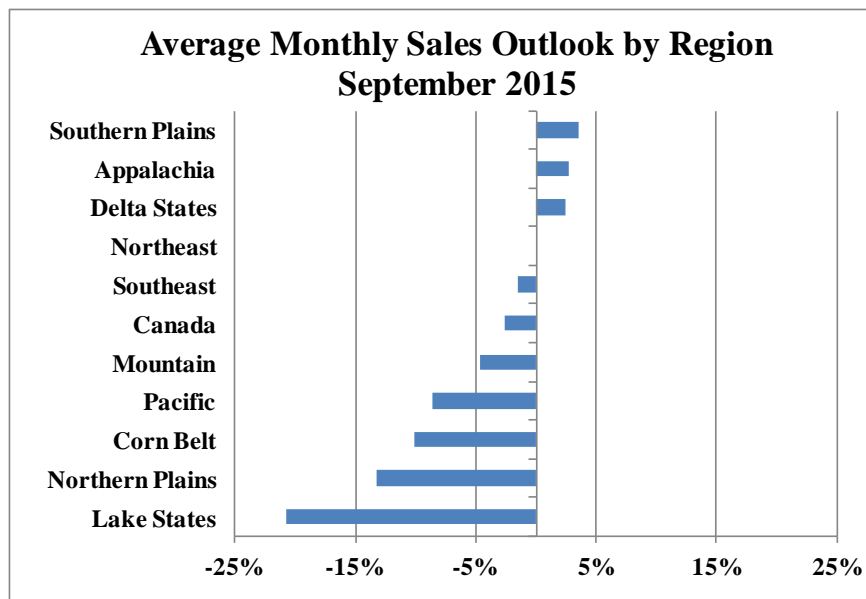
- The average dealer sales outlook for 2015 is for 11% declines y/y following 9% declines this year. The current 2015 outlook is slightly below the last month's forecast for 9% declines. AGCO and "Other" brand dealers are the most optimistic while Deere and Case IH dealers are expecting 10-15% sales declines.
- John Deere will report its fiscal 4<sup>th</sup> quarter results on November 26<sup>th</sup>, and will likely provide its industry outlook for 2015.

| N. American Farm Equipment Dealer Survey - Full Year Sales Forecast |              |           |            |            |            |            |            |            |            |            |            |            |            |             |
|---|--------------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| % change y/y  | 2014 Outlook |           |            |            |            |            |            |            |            |            |            |            |            |             |
|   | Sep-13       | Oct-13    | Nov-13     | Dec-13     | Jan-14     | Feb-14     | Mar-14     | Apr-14     | May-14     | Jun-14     | Jul-14     | Aug-14     | Sep-14     | Oct-14      |
| AGCO  | -1%          | -3%       | -2%        | 0%         | -2%        | -1%        | 2%         | 0%         | 0%         | -1%        | 2%         | -4%        | 2%         | 10%         |
| John Deere  | 2%           | 2%        | 0%         | -3%        | -2%        | -1%        | -3%        | -3%        | -2%        | -6%        | -6%        | -6%        | -4%        | -10%        |
| New Holland   | 2%           | 1%        | -2%        | -2%        | -5%        | 0%         | -1%        | -6%        | -9%        | -3%        | -3%        | -6%        | 1%         | 0%          |
| Case IH   | -3%          | 0%        | -1%        | -7%        | -5%        | -5%        | -5%        | -6%        | -9%        | -11%       | -9%        | -14%       | -7%        | -16%        |
| Kubota  | -1%          | -1%       | -3%        | -2%        | -3%        | -1%        | -2%        | -2%        | -10%       | -3%        | -4%        | -7%        | -1%        | 3%          |
| Shortlines  | 4%           | 6%        | -3%        | 0%         | -4%        | -3%        | -4%        | 1%         | -2%        | -8%        | -2%        | -5%        | 1%         | -9%         |
| Other   | 2%           | 2%        | na         | 0%         | 3%         | 3%         | 7%         | na         | na         | -4%        | 3%         | 2%         | na         | 19%         |
| <b>Overall</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> | <b>-4%</b> | <b>-6%</b> | <b>-6%</b> | <b>-8%</b> | <b>-4%</b> | <b>-9%</b>  |
| % change y/y  | 2015 Outlook |           |            |            |            |            |            |            |            |            |            |            |            |             |
|   | Sep-13       | Oct-13    | Nov-13     | Dec-13     | Jan-14     | Feb-14     | Mar-14     | Apr-14     | May-14     | Jun-14     | Jul-14     | Aug-14     | Sep-14     | Oct-14      |
| AGCO  |              |           |            |            |            |            |            |            |            |            |            |            | 6%         | 0%          |
| John Deere  |              |           |            |            |            |            |            |            |            |            |            |            | -12%       | -14%        |
| New Holland   |              |           |            |            |            |            |            |            |            |            |            |            | 9%         | -8%         |
| Case IH   |              |           |            |            |            |            |            |            |            |            |            |            | -12%       | -11%        |
| Kubota  |              |           |            |            |            |            |            |            |            |            |            |            | 7%         | -6%         |
| Shortlines  |              |           |            |            |            |            |            |            |            |            |            |            | 3%         | -12%        |
| Other   |              |           |            |            |            |            |            |            |            |            |            |            | 0%         | 3%          |
| <b>Overall</b>  |              |           |            |            |            |            |            |            |            |            |            |            | <b>-9%</b> | <b>-11%</b> |

Source: Cleveland Research

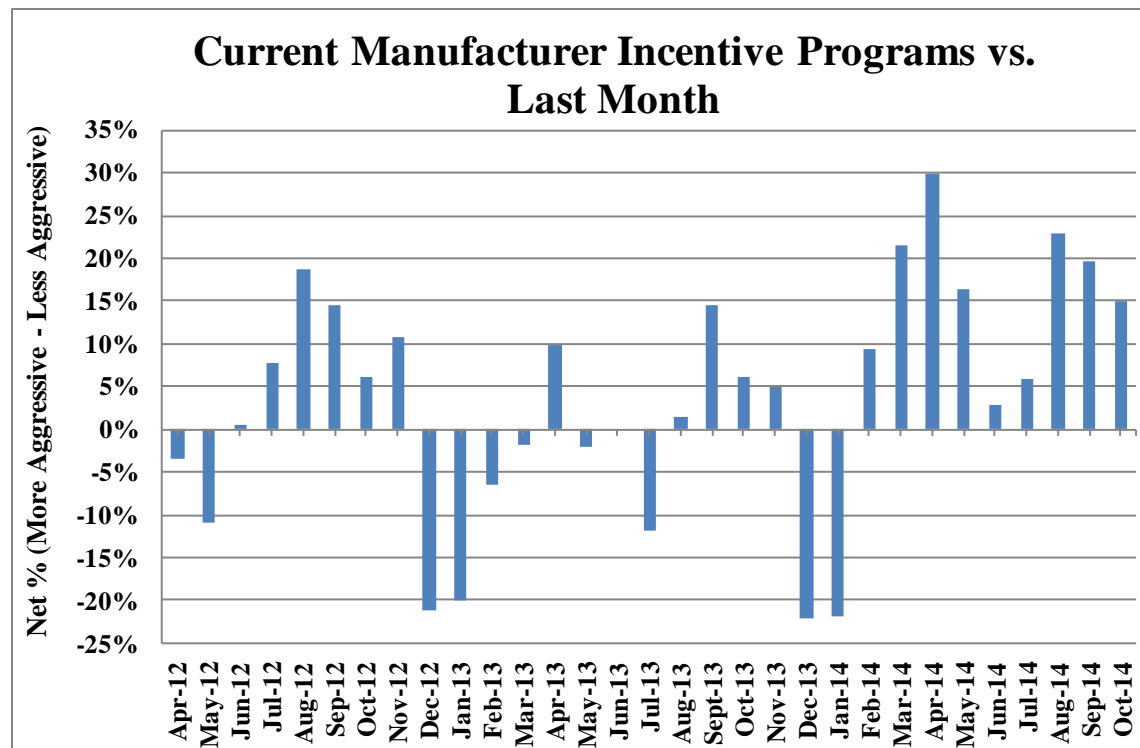
## 2015 Sales Outlook Continued

- All regions are expecting 2015 sales to decline y/y in our October survey compared to three regions expecting growth in 2015 last month. Dealers in the Northeast region are most optimistic, projecting flat sales y/y while dealers in the Appalachia region are the most pessimistic, projecting 21% sales declines next year.



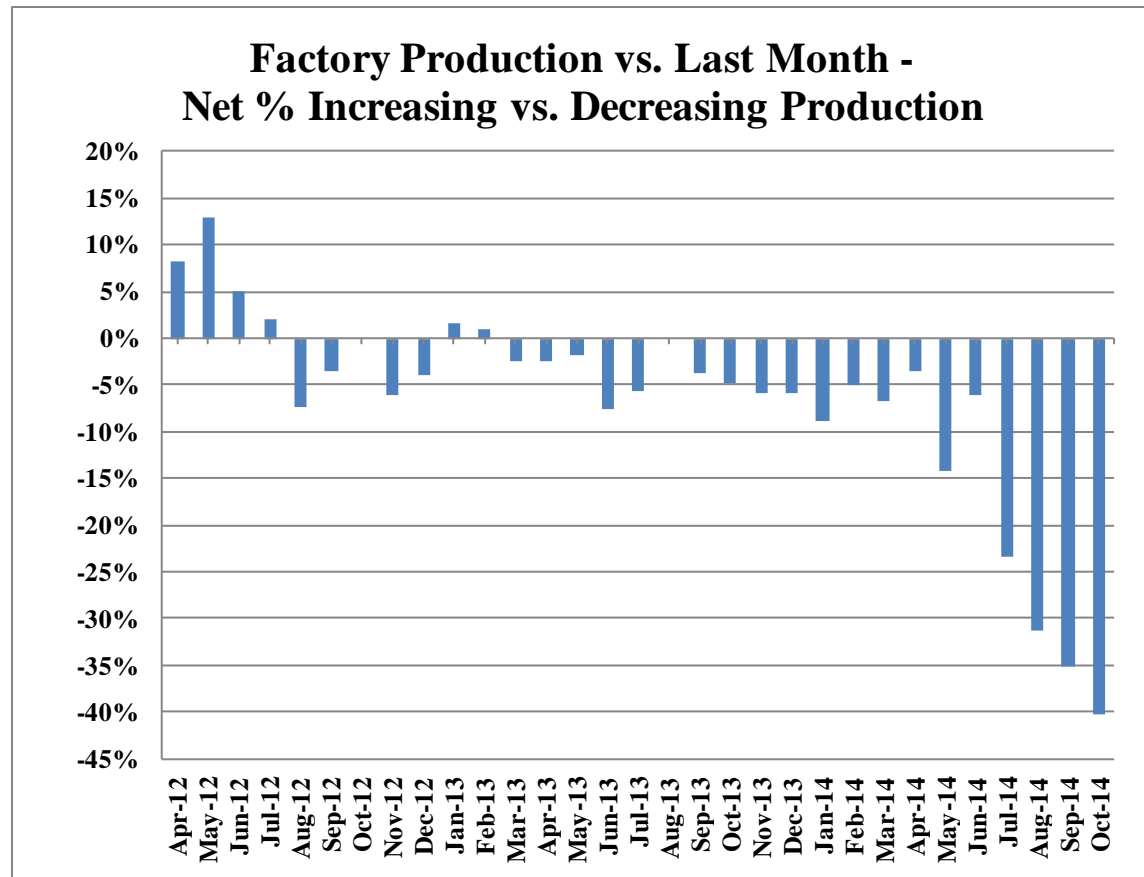
# Current Manufacturer Incentive Programs

- A net 15% of dealers report that manufacturers are more aggressive with incentives in October (23% more aggressive; 69% same; 8% less aggressive), compared to the net 20% of dealers reporting more aggressive incentives last month.



# Factory Production

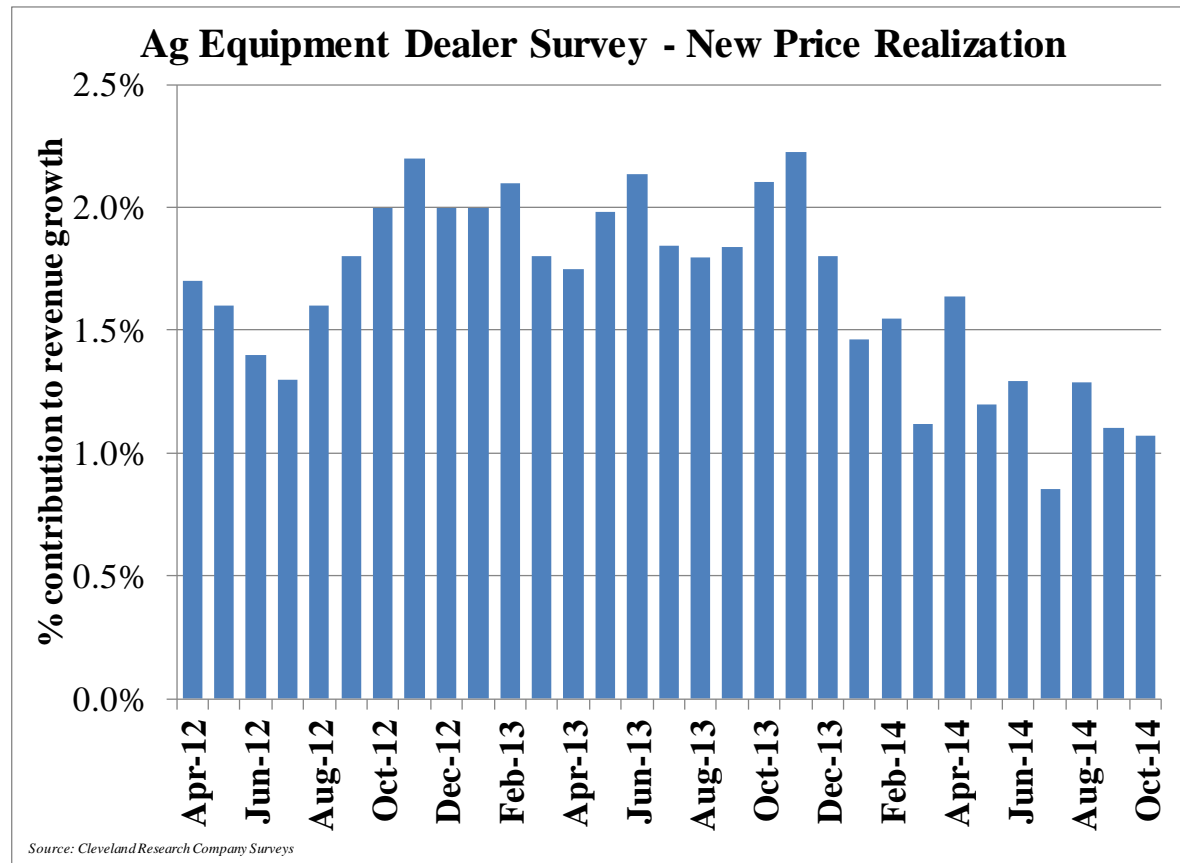
- A net 40% of dealers report that factory production was down in October compared to September compared to a net 35% of dealers reporting lower production volume last month.





# Pricing Trends

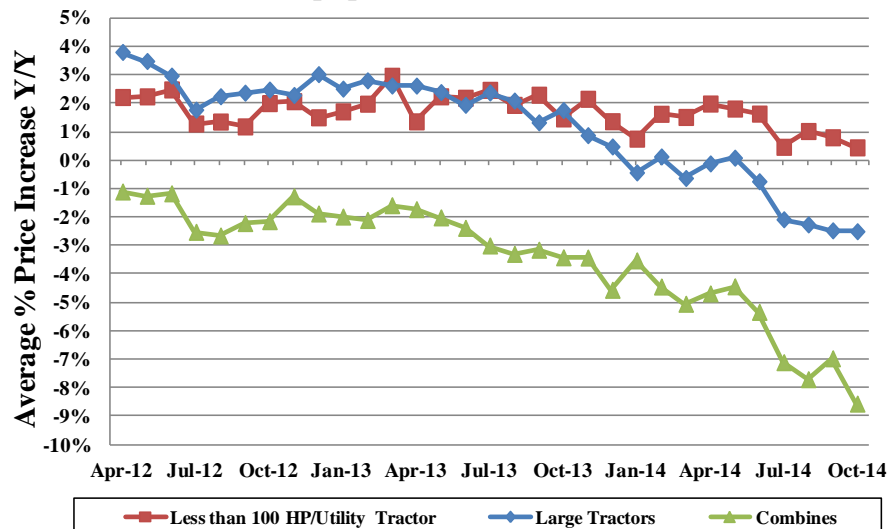
- Dealers report price contributed roughly ~1.1% to total revenues in October similar to last month. Final tier 4 price increases are expected to be ~5-10% on average, although not impacting all lines of equipment.



# Used Equipment Pricing

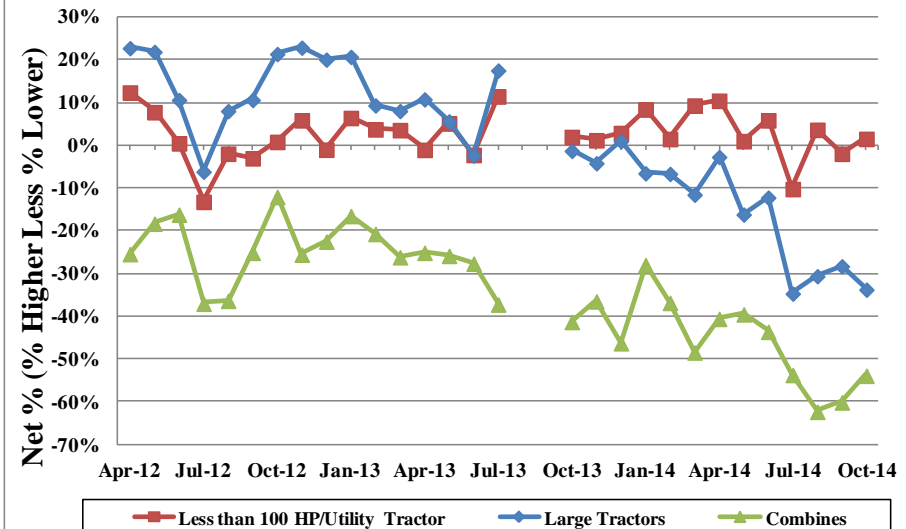
- Used combine values continue to decline and are reported at down 9% y/y vs down 7% y/y last month. Large and small tractor values were relatively steady on a year-over-year basis from September to October.
- On an absolute basis, combine and large tractor values continued to decline month-over-month while used values of tractor under 100hp were steady to slightly better.

Used Equipment Values vs. Last Year



Source: Cleveland Research

Used Equipment Values vs. Last Month



Source: Cleveland Research

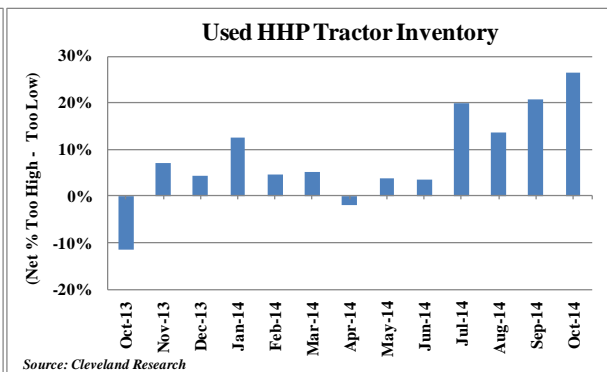
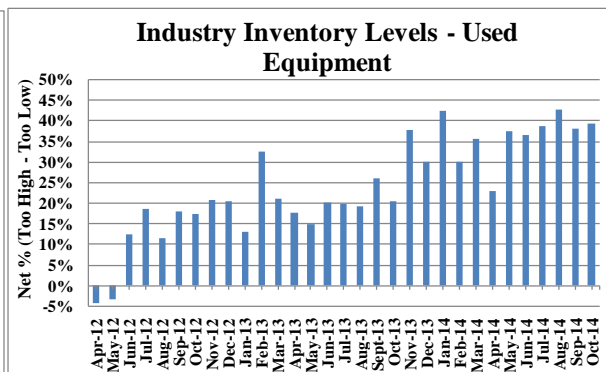
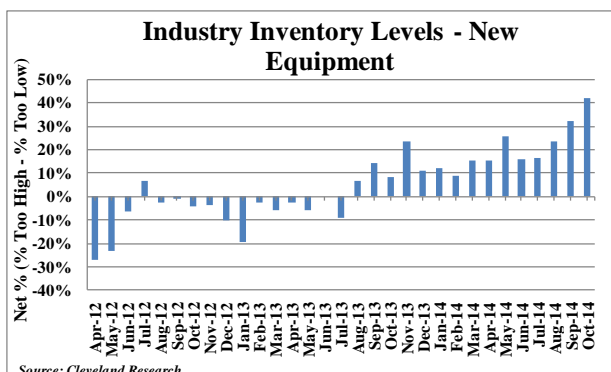
# Inventory Levels

## New Equipment Inventories Continue to Trend Higher

- A net 42% of dealers now report new inventory as “too high” (48% too high; 46% about right; 6% too low), up significantly over the past several months.

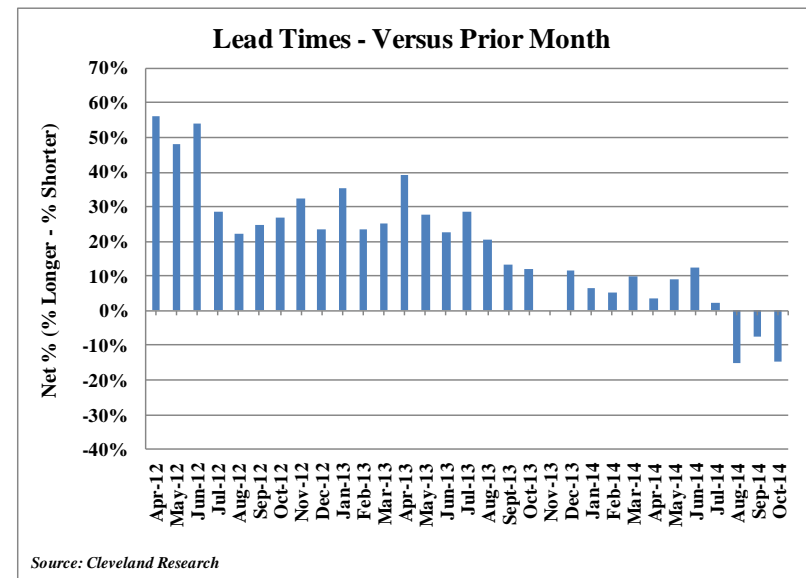
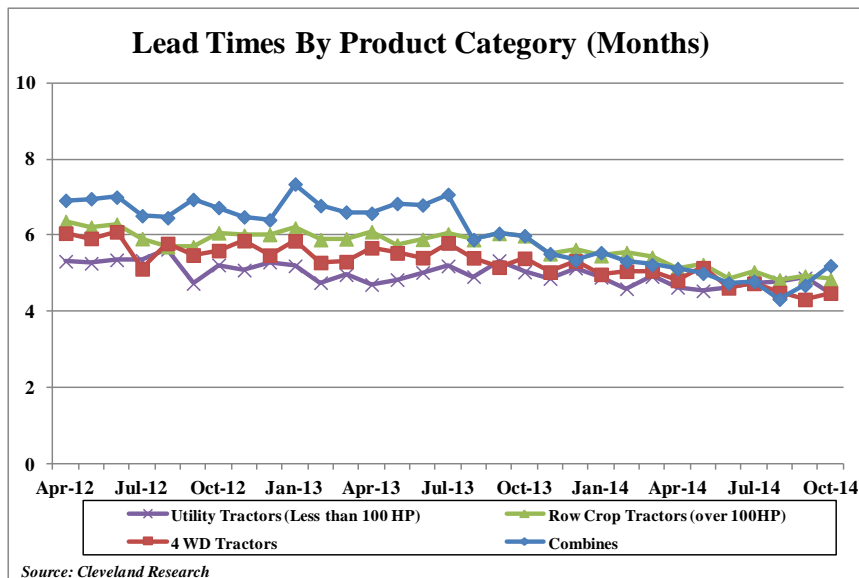
## Used Equipment Inventories Still Too High

- A net 39% of dealers reported used equipment inventory as “too high” in October (48% too high; 43% about right; 9% too low), similar to the net 38% last month.
  - Used Combines – a net 50% reported inventories “too high” compared to a 46% last month.
  - Used HHP tractors – a net 27% of reported inventories “too high,” up from the net 21% last month.
  - Used Sprayers – a net 35% of dealers reported inventories “too high,” below the net 39% last month.



# Equipment Availability

- Overall, a net 15% of dealers report shorter factory lead-times compared to last month (17% longer; 52% same; 31% shorter).
- Combine and 4WD tractor lead times were slightly longer on average, but were offset by shorter lead times for Row Crop and Utility Tractors.



## Most Interesting Commentary - Used Inventory

- *I think at some point the big dealer in our area will have to auction off some of this late model used inventory and that is going to definitely affect used values.*
- *High residual leases helped move iron out of inventories, but no doubt most of that will be turned back into leasing companies at end of lease. It's just a quick fix to lower inventory.*
- *No real new incentives from our major supplier to help move inventory. Really no communications from them at all. Seems like they do not know what to do.*
- *We have a shortage in under 100 hp and in hay equipment.*
- *One year ago we had too many used combines so we tried 5 year 0% financing, and if that didn't work we gave a free trip to Hawaii. Long story short, at the end of 2013 we got down to zero combines. Today we have one, and we're listing it \$80,000 below the market and still no calls. We glad we are a small dealer in this slow down. Bigger the dealer the bigger the problem.*
- *Our used inventory is double than what it should be. We put \$600,000 in Ritchie's Auction last month and took a \$200,000 beating from what we set it up as. In our area there is way more used inventory than there needs to be for customers. Very concerned for the used business!*
- *We're unique in that we could use more 2WD and 4WD tractors. Got control of combines and they will sell if bought right but that dollar amount is way lower than the trade guide.*
- *Too high with 4 wheel drive tractors and combines.*
- *We have far too many used square balers and windrowers with double windrow attachments. The better corn crops in western Oklahoma and Texas have caused a lot more people to harvest for grain this year as compared to the last several which in turn, reduced the need for these products.*
- *It will be a work of love for the last one to get used right. We're still too high on used.*
- *Too many late model tractors and combines.*
- *Depends which side of coin you are looking. From a sales side low inventory (new or used) could mean lost sales because in these harder times the only sales are impulse spend based on emotion. The pragmatic customers will hold off. On the management side, anything on hand is too much.*

## Dealer Commentary on Biggest Surprise in the Month

- *For the amount of layoffs at AGCO recently, marketing hasn't gotten with the program to stimulate sales.*
- *The drop off recently has surprised us. November has been noticeably slower.*
- *No one wants to talk about equipment, farmers or commercial fertilizer people.*
- *Pleasantly surprised at the amount of used that has moved ; however we are dumping at our cost in a lot of cases.*
- *Strong sales through out the month in new and a little slow down in used.*
- *Manufacturers have failed to bring help with used. New sales are being declined because of build up of new.*
- *The dry weather we are experiencing during the start of harvest season is proving to be less stressful on equipment, less breakdowns, less sales to customers (parts and equipment).*
- *Hay tool orders were better than anticipated. High livestock and good dairy prices are helping hay tools and smaller tractors. Having a lot of interest in compacts and utility tractors. Dealers have forgotten to diversify. Tillage and large tractors is just dead, it's literally hard to give them away. On the other hand grain handling and hay continues to be great.*
- *That I sold a tractor!*
- *Lack of direction in the industry – suppliers do not know what to do. Farmers do not know what they are going to plant next year. They're not buying seed or fertilizer, and not ordering equipment for 2015.*
- *Hay tool activity was higher than expected.*
- *Crop coming out so easy. They will be done this week. There is not corn on the ground. The farmer that has money is going on a shopping and is going to get a good deal. Maybe not for the dealer! Sec 179 is big. If sec 179 is not raised by Dec going to be a big slow end if year.*

# 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-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                                     | 17,189  | 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                                     | 10,739  | 5,542   | 3,168    | 491     | 19,940        | 3,659          | 1,480    | 24%                     | 15%     | 15%      | -11%    | 19%           | 11%            | 10%  |
| Aug-13                                     | 9,359   | 5,006   | 2,840    | 587     | 17,792        | 3,427          | 1,250    | 15%                     | 11%     | 16%      | 0%      | 13%           | 13%            | -16% |
| Sep-13                                     | 8,595   | 4,834   | 3,356    | 571     | 17,356        | 3,927          | 1,289    | 7%                      | 7%      | 8%       | -26%    | 6%            | 1%             | -27% |
| Oct-13                                     | 9,644   | 6,687   | 5,938    | 1,225   | 23,494        | 7,163          | 1,665    | -3%                     | -3%     | 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% |
| Jun-14                                     | 15,198  | 6,520   | 2,731    | 409     | 24,858        | 3,140          | 839      | 13%                     | 2%      | -17%     | -24%    | 5%            | -18%           | -25% |
| Jul-14                                     | 11,249  | 5,943   | 3,225    | 389     | 20,806        | 3,614          | 1,035    | 5%                      | 7%      | 2%       | -21%    | 4%            | -1%            | -30% |
| Aug-14                                     | 9,691   | 5,444   | 2,575    | 371     | 18,081        | 2,946          | 946      | 4%                      | 9%      | -9%      | -37%    | 2%            | -14%           | -24% |
| Sep-14                                     | 11,333  | 6,193   | 3,276    | 492     | 21,294        | 3,768          | 1,142    | 32%                     | 28%     | -2%      | -14%    | 23%           | -4%            | -11% |
| Oct-14                                     | 10,934  | 7,115   | 4,929    | 734     | 23,712        | 5,663          | 994      | 13%                     | 6%      | -17%     | -40%    | 1%            | -21%           | -40% |

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

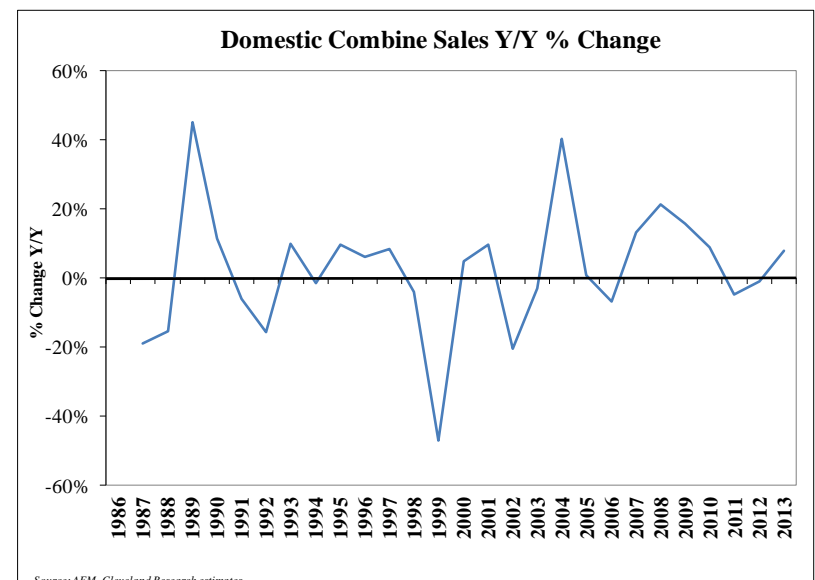
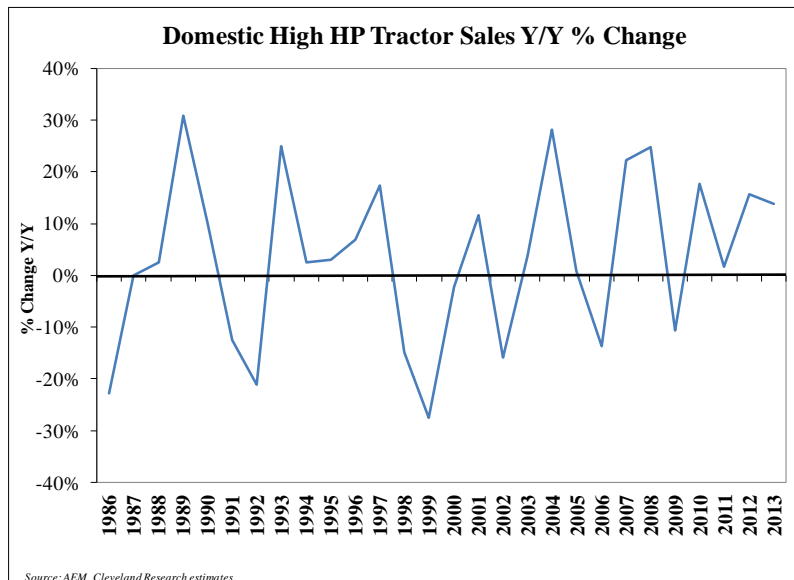
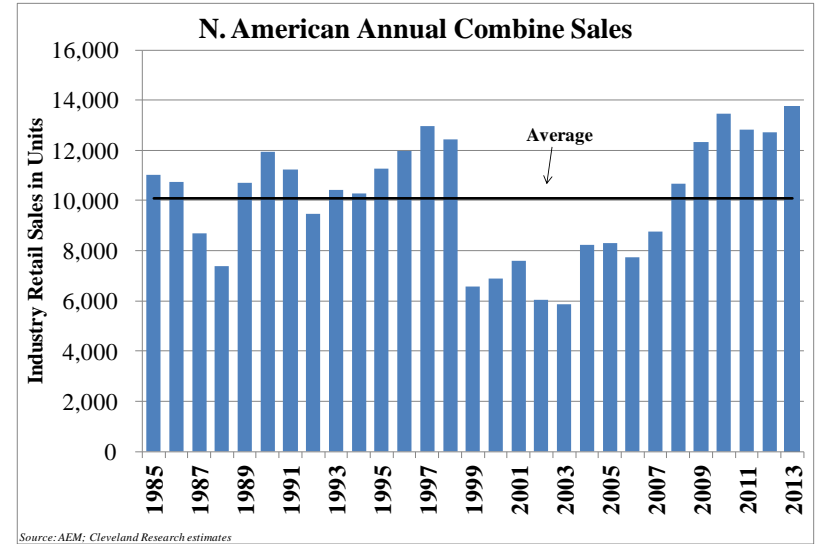
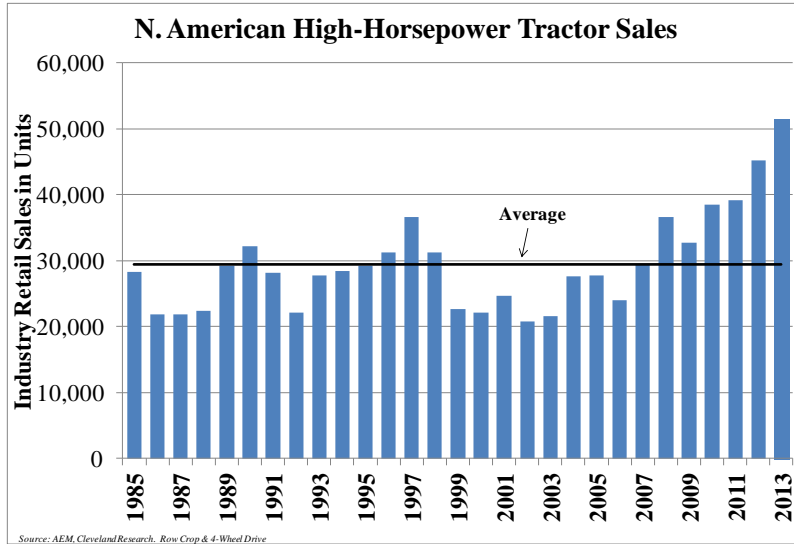
# NA Farm Equipment Industry Inventory

| 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%  |
| <b>Apr-14</b>                           | 69,986            | 35,615  | 13,298   | 2,117   | 121,016       | 15,415         | 2,467    | 60%                       | 55%  | 31% | 26%  | 52%           | 31%            | 18%  |
| <b>May-14</b>                           | 66,364            | 34,755  | 13,505   | 2,255   | 116,879       | 15,760         | 2,734    | 57%                       | 54%  | 32% | 28%  | 51%           | 32%            | 21%  |
| <b>Jun-14</b>                           | 62,025            | 34,004  | 14,531   | 2,294   | 112,854       | 16,825         | 3,101    | 53%                       | 52%  | 35% | 29%  | 49%           | 34%            | 24%  |
| <b>Jul-14</b>                           | 61,829            | 34,393  | 14,836   | 2,159   | 113,217       | 16,995         | 3,144    | 52%                       | 53%  | 36% | 27%  | 49%           | 35%            | 25%  |
| <b>Aug-14</b>                           | 62,466            | 35,692  | 15,060   | 2,193   | 115,411       | 17,253         | 3,360    | 53%                       | 54%  | 37% | 29%  | 49%           | 35%            | 28%  |
| <b>Sep-14</b>                           | 61,811            | 35,926  | 16,185   | 2,399   | 116,321       | 18,584         | 2,891    | 51%                       | 53%  | 40% | 32%  | 49%           | 38%            | 24%  |

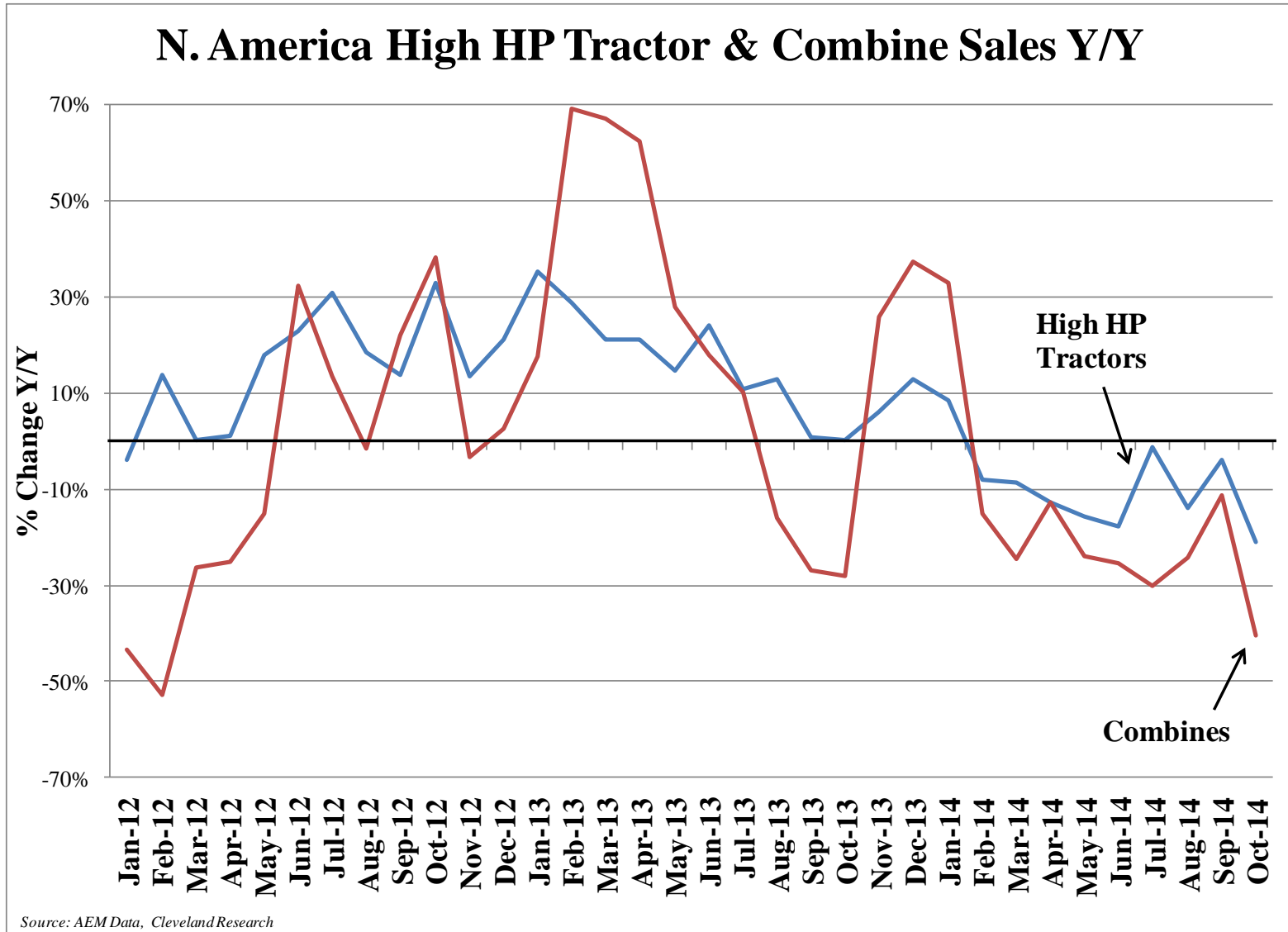
Source: AEM; Cleveland Research Company estimates



# Annual Ag Equipment Industry Sales (1985 - 2013)



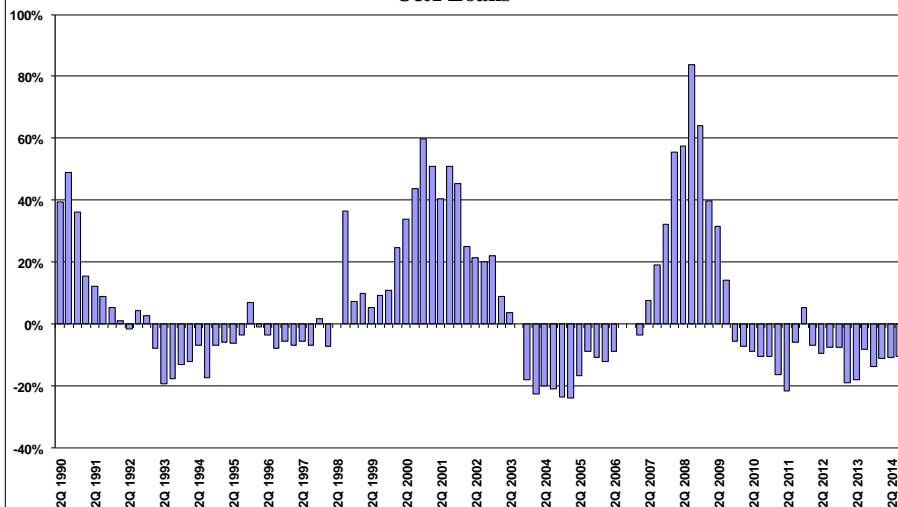
# NA Ag Equipment Sales



# Credit – C&I Loan Standards Continue to Loosen Along with Continued Low Rates

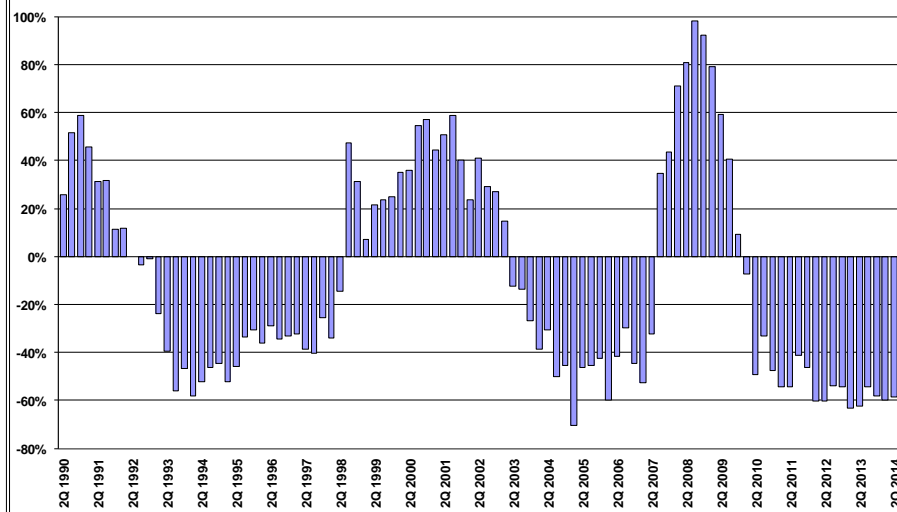
- The 3Q14 Senior Loan Officer survey saw continued loosening of loan standards as a net 11% of loan officers reported easier credit standards in 3Q14 (similar to 1Q and 2Q).
- Bank rate spreads continue to decline in 3Q14 (although slightly less broad-based) as a net 47% of loan officers reporting decreasing spreads. For reference, a net 60% of loan officers reported decreasing spreads in 1Q and 2Q.
- Demand for commercial and industrial loans decelerated slightly in 3Q as a net 16% of loan officers reported stronger demand for commercial and industrial loans, below the net 31% reporting stronger demand in 2Q14.

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



Source: Federal Reserve Board

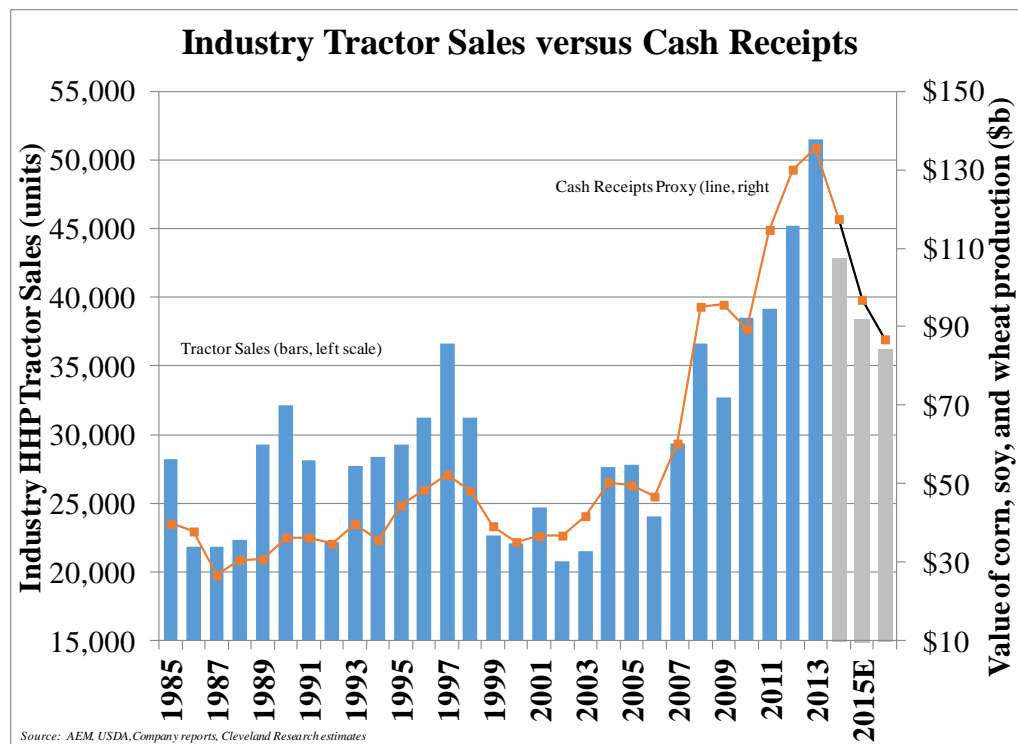
**Net % of Domestic Respondents Increasing Spreads of Loan Rates Over Banks' Cost of Funds**



Source: Federal Reserve Board

## Commodity Prices – Cash Receipts vs. Next Year Equipment Sales

The USDA's updated WASDE report suggests cash receipts down 11% for 2013/14 and down 15% for 2014/15 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 (using the 3 most important crops - corn, soybeans, wheat). The updated November USDA report left the outlook for 2013/14 unchanged at down 11% from last month. The 2014/15 cash receipts outlook, however, was revised slightly upward to down 15% vs down 17% last month. 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 |
| 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     | 11,629       | 1,917   | 13,546    | 1,236      | 9.1%       | \$4.46        | 2013/14              | 25,018     | 25,928    | 5,575      | 21.5%      |
| 2014/15                           |            |              |         |           |            |            |               | 2014/15              |            |           |            |            |
| October                           | 14,475     | 11,905       | 1,750   | 13,655    | 2,081      | 15.2%      | \$3.10-\$3.70 | October              | 24,527     | 26,404    | 5,422      | 20.5%      |
| November                          | 14,407     | 11,910       | 1,750   | 13,660    | 2,008      | 14.7%      | \$3.20-\$3.80 | November             | 24,580     | 26,349    | 5,531      | 21.0%      |
| Corn Futures Price: <b>\$3.48</b> |            |              |         |           |            |            |               |                      |            |           |            |            |
| Change m/m                        | -68        | 5            | 0       | 5         | -73        | -0.5%      | (\$0.10)      | Change m/m           | 53         | -56       | 109        | 0.5%       |
| Change y/y                        | 482        | 281          | -167    | 114       | 772        | 5.6%       | (\$1.06)      | Change y/y           | -437       | 421       | -43        | -0.5%      |

| 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 |
| 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                              | 3,358      | 3,478        | 1,647   | 5,125     | 92         | 1.8%       | \$13.00        | 2013/14                  | 7,114      | 8,162     | 2,364      | 29.0%      |
| 2014/15                              |            |              |         |           |            |            |                | 2014/15                  |            |           |            |            |
| September                            | 3,913      | 3,583        | 1,700   | 5,283     | 475        | 9.0%       | \$9.00-\$11.00 | September                | 7,519      | 8,588     | 2,838      | 33.0%      |
| October                              | 3,927      | 3,583        | 1,700   | 5,283     | 450        | 8.5%       | \$9.00-\$11.00 | October                  | 7,508      | 8,564     | 2,881      | 33.6%      |
| November                             | 3,958      | 3,615        | 1,720   | 5,335     | 450        | 8.4%       | \$9.00-\$11.00 | November                 | 7,508      | 8,607     | 2,867      | 33.3%      |
| Soybean Futures Price: <b>\$9.44</b> |            |              |         |           |            |            |                |                          |            |           |            |            |
| Change m/m                           | 31         | 32           | 20      | 52        | 0          | -0.1%      | \$0.00         | Change m/m               | 0          | 43        | -14        | -0.3%      |
| Change y/y                           | 600        | 137          | 73      | 210       | 358        | 6.6%       | (\$3.00)       | Change y/y               | 394        | 444       | 503        | 4.3%       |

| 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 |
| 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                            | 2,135      | 1,256        | 1,176   | 2,432     | 590        | 24.3%      | \$6.87        | 2013/14               | 24,127     | 24,603    | 6,235      | 25.3%      |
| 2014/15                            |            |              |         |           |            |            |               | 2014/15               |            |           |            |            |
| September                          | 2,030      | 1,191        | 900     | 2,091     | 698        | 33.4%      | \$5.50-\$6.30 | September             | 24,424     | 24,897    | 6,517      | 26.2%      |
| October                            | 2,035      | 1,216        | 925     | 2,141     | 654        | 30.5%      | \$5.55-\$6.25 | October               | 24,461     | 25,022    | 6,422      | 25.7%      |
| November                           | 2,026      | 1,216        | 925     | 2,141     | 644        | 30.1%      | \$5.65-\$6.15 | November              | 24,424     | 24,970    | 6,444      | 25.8%      |
| Wheat Futures Price: <b>\$5.14</b> |            |              |         |           |            |            |               |                       |            |           |            |            |
| Change m/m                         | -9         | 0            | 0       | 0         | -10        | -0.5%      | \$0.00        | Change m/m            | -36        | -52       | 21         | 0.1%       |
| Change y/y                         | -109       | -40          | -251    | -291      | 54         | 5.8%       | (\$0.97)      | Change y/y            | 298        | 367       | 209        | 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 |  |
| 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 | 3,358    | 2,135          | \$4.46 | \$13.00  | \$6.87              | \$62,106 | \$43,654 | \$14,667 | \$120,427 | -11%         |  |
| 2014/15                    |        |          |                |        |          |                     |          |          |          |           |              |  |
| September                  | 14,395 | 3,913    | 2,030          | \$3.50 | \$10.00  | \$5.90              | \$50,383 | \$39,130 | \$11,977 | \$101,490 | -16%         |  |
| October                    | 14,475 | 3,927    | 2,035          | \$3.40 | \$10.00  | \$5.90              | \$49,215 | \$39,270 | \$12,007 | \$100,492 | -17%         |  |
| November                   | 14,407 | 3,958    | 2,026          | \$3.50 | \$10.00  | \$5.90              | \$50,425 | \$39,580 | \$11,953 | \$101,958 | -15%         |  |

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

| 2014 USDA - Long Run Crop Supply and Demand Projections |               |               |              |               |              |              |               |
|---|---------------|---------------|--------------|---------------|--------------|--------------|---------------|
| CORN - DOMESTIC   |               |               |              |               |              |              |               |
| Year  | Production    | Domestic Use  | Exports      | Total Use     | End Stocks   | Stocks/Use   | Avg Price     |
| 2004/05   | 11,807        | 8,848         | 1,814        | 10,662        | 2,114        | 19.8%        | \$2.06        |
| 2005/06   | 11,114        | 9,122         | 2,147        | 11,269        | 1,968        | 17.5%        | \$2.00        |
| 2006/07   | 10,535        | 9,086         | 2,125        | 11,210        | 1,304        | 11.6%        | \$3.04        |
| 2007/08   | 13,038        | 10,300        | 2,437        | 12,737        | 1,624        | 12.8%        | \$4.20        |
| 2008/09   | 12,092        | 10,207        | 1,849        | 12,056        | 1,674        | 13.9%        | \$4.06        |
| 2009/10   | 13,092        | 11,079        | 1,987        | 13,066        | 1,708        | 13.1%        | \$3.55        |
| 2010/11   | 12,447        | 11,220        | 1,835        | 13,054        | 1,128        | 8.6%         | \$5.18        |
| 2011/12   | 12,360        | 10,985        | 1,543        | 12,528        | 989          | 7.9%         | \$6.22        |
| 2012/13   | 10,780        | 10,377        | 731          | 11,108        | 823          | 7.4%         | \$6.89        |
| 2013/14   | 13,989        | 11,550        | 1,400        | 12,950        | 1,888        | 14.6%        | \$4.50        |
| 2014/15   | 14,260        | 11,865        | 1,700        | 13,565        | 2,607        | 19.2%        | \$3.65        |
| 2015/16   | 14,010        | 11,965        | 1,800        | 13,765        | 2,877        | 20.9%        | \$3.30        |
| 2015/17   | 13,840        | 12,035        | 1,900        | 13,935        | 2,807        | 20.1%        | \$3.35        |
| 2017/18   | 13,830        | 12,100        | 1,950        | 14,050        | 2,612        | 18.6%        | \$3.45        |
| 2018/19   | 13,990        | 12,190        | 2,000        | 14,190        | 2,437        | 17.2%        | \$3.60        |
| 2019/20   | 14,155        | 12,305        | 2,050        | 14,355        | 2,262        | 15.8%        | \$3.75        |
| 2020/21   | 14,405        | 12,425        | 2,100        | 14,525        | 2,167        | 14.9%        | \$3.85        |
| 2021/22   | 14,565        | 12,540        | 2,150        | 14,690        | 2,067        | 14.1%        | \$3.95        |
| 2022/23   | 14,730        | 12,655        | 2,200        | 14,855        | 1,967        | 13.2%        | \$4.10        |
| 2023/24   | 14,890        | 12,750        | 2,250        | 15,000        | 1,882        | 12.5%        | \$4.20        |
| <b>10-yr Avg</b>  | <b>14,268</b> | <b>12,163</b> | <b>1,925</b> | <b>14,088</b> | <b>2,369</b> | <b>16.9%</b> | <b>\$3.75</b> |

Source: USDA; Cleveland Research estimates

| 2014 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        | 1,889        | 1,097        | 2,986        | 256        | 8.6%        | \$5.74        |
| 2005/06   | 3,068        | 1,938        | 940          | 2,878        | 449        | 15.6%       | \$5.66        |
| 2006/07   | 3,197        | 1,965        | 1,116        | 3,081        | 574        | 18.6%       | \$6.43        |
| 2007/08   | 2,677        | 1,897        | 1,159        | 3,056        | 205        | 6.7%        | \$10.10       |
| 2008/09   | 2,967        | 1,768        | 1,279        | 3,047        | 138        | 4.5%        | \$9.97        |
| 2009/10   | 3,359        | 1,862        | 1,499        | 3,361        | 151        | 4.5%        | \$9.59        |
| 2010/11   | 3,329        | 1,779        | 1,501        | 3,280        | 215        | 6.6%        | \$11.30       |
| 2011/12   | 3,094        | 1,791        | 1,362        | 3,153        | 169        | 5.4%        | \$12.50       |
| 2012/13   | 3,034        | 1,779        | 1,320        | 3,099        | 141        | 4.5%        | \$14.40       |
| 2013/14   | 3,258        | 1,794        | 1,450        | 3,244        | 170        | 5.2%        | \$12.15       |
| 2014/15   | 3,480        | 1,821        | 1,640        | 3,461        | 204        | 5.9%        | \$9.75        |
| 2015/16   | 3,500        | 1,836        | 1,650        | 3,486        | 232        | 6.7%        | \$8.85        |
| 2015/17   | 3,525        | 1,852        | 1,675        | 3,527        | 245        | 6.9%        | \$8.90        |
| 2017/18   | 3,580        | 1,873        | 1,725        | 3,598        | 243        | 6.8%        | \$9.05        |
| 2018/19   | 3,615        | 1,898        | 1,735        | 3,633        | 240        | 6.6%        | \$9.25        |
| 2019/20   | 3,650        | 1,918        | 1,750        | 3,668        | 237        | 6.5%        | \$9.45        |
| 2020/21   | 3,685        | 1,943        | 1,755        | 3,698        | 239        | 6.5%        | \$9.60        |
| 2021/22   | 3,720        | 1,969        | 1,765        | 3,734        | 241        | 6.5%        | \$9.75        |
| 2022/23   | 3,750        | 1,989        | 1,775        | 3,764        | 241        | 6.4%        | \$9.95        |
| 2023/24   | 3,785        | 2,009        | 1,790        | 3,799        | 243        | 6.4%        | \$10.15       |
| <b>10-yr Avg</b>  | <b>3,629</b> | <b>1,889</b> | <b>1,692</b> | <b>3,581</b> | <b>229</b> | <b>6.4%</b> | <b>\$9.67</b> |

Source: USDA; Cleveland Research estimates

| 2014 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   | 2,157        | 1,168        | 1,066        | 2,234        | 540        | 24.2%        | \$3.40        |
| 2005/06   | 2,103        | 1,151        | 1,003        | 2,154        | 571        | 26.5%        | \$3.42        |
| 2006/07   | 1,808        | 1,137        | 908          | 2,045        | 456        | 22.3%        | \$4.26        |
| 2007/08   | 2,051        | 1,051        | 1,263        | 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          | 2,018        | 976        | 48.4%        | \$4.87        |
| 2010/11   | 2,207        | 1,126        | 1,291        | 2,417        | 862        | 35.7%        | \$5.70        |
| 2011/12   | 1,999        | 1,180        | 1,051        | 2,231        | 743        | 33.3%        | \$7.24        |
| 2012/13   | 2,266        | 1,406        | 1,007        | 2,413        | 718        | 29.8%        | \$7.77        |
| 2013/14   | 2,130        | 1,333        | 1,100        | 2,433        | 565        | 23.2%        | \$7.00        |
| 2014/15   | 2,220        | 1,258        | 1,025        | 2,283        | 642        | 28.1%        | \$4.90        |
| 2015/16   | 2,205        | 1,227        | 1,025        | 2,252        | 745        | 33.1%        | \$4.35        |
| 2015/17   | 2,145        | 1,231        | 1,025        | 2,256        | 794        | 35.2%        | \$4.30        |
| 2017/18   | 2,080        | 1,239        | 1,035        | 2,274        | 770        | 33.9%        | \$4.45        |
| 2018/19   | 2,100        | 1,247        | 1,045        | 2,292        | 758        | 33.1%        | \$4.60        |
| 2019/20   | 2,120        | 1,255        | 1,055        | 2,310        | 753        | 32.6%        | \$4.75        |
| 2020/21   | 2,135        | 1,263        | 1,070        | 2,333        | 745        | 31.9%        | \$4.90        |
| 2021/22   | 2,155        | 1,271        | 1,085        | 2,356        | 739        | 31.4%        | \$5.05        |
| 2022/23   | 2,165        | 1,279        | 1,100        | 2,379        | 725        | 30.5%        | \$5.20        |
| 2023/24   | 2,185        | 1,287        | 1,115        | 2,402        | 713        | 29.7%        | \$5.35        |
| <b>10-yr Avg</b>  | <b>2,151</b> | <b>1,260</b> | <b>1,057</b> | <b>2,317</b> | <b>724</b> | <b>31.3%</b> | <b>\$4.95</b> |

Source: USDA; Cleveland Research estimates

# U.S. Acreage Planted Per Crop Year

