

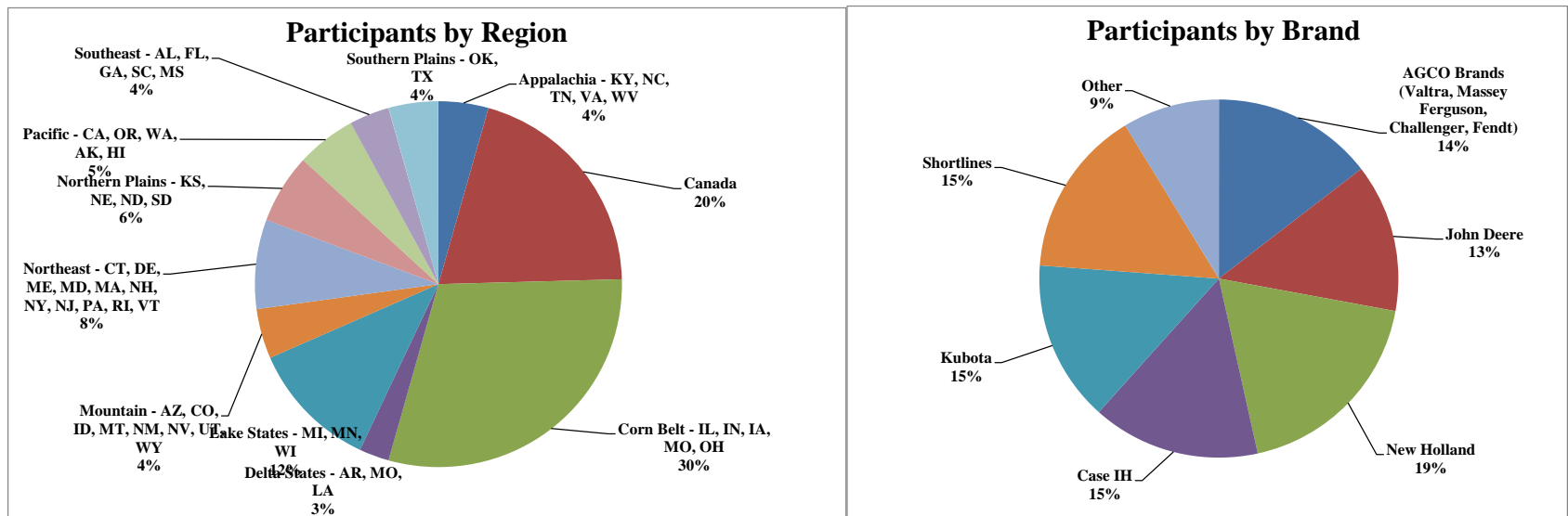
Ag Equipment Intelligence

February 2015 Dealer Sentiments &
Business Conditions Update

Monthly Ag Equipment Intelligence North American Dealer Survey

Background:

- We are pleased to announce the results of the February Ag Equipment Intelligence survey conducted in partnership with Cleveland Research Company. We hope this monthly survey will provide valuable and timely insight into industry trends and fundamentals.
- The February survey had ~114 respondents representing combined annual revenues of roughly \$4.3 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 11% y/y in January**– Dealers reported sales were down 11% on average in January, softer than the 5% sales decline in December, which was helped modestly by the Section 179 reinstatement.
- **Orders Down 12% y/y in January vs down 12% Last Month** – Orders for the month were reported down 12% y/y on average, inline with the 12% average order decline in December. Case IH dealers again reported the largest declines on average at down 18% y/y.
- **Dealers Cut 2015 Sales Outlook to Down 11%** – Dealers are now expecting sales to decline 11% y/y on average for the full year 2015, slightly better than the down 8% forecast last month but similar to the 10% decline forecast in the November survey.
- **New and Used Equipment Inventories Remain “Too High”** – A net 41% of dealers reported used inventories “too high” in January, similar to the 37% that reported inventories too high last month. New inventories were also similar with a net 35% of dealers reporting levels “too high” compared to a net 40% last month. Used equipment valuations continue to trend lower with the exception of small tractors.

Monthly Sales Growth

- Dealers report average sales were down 11% y/y in January, a deterioration from the 5% decline reported last month. The section 179 reinstatement appears to have provided a modest tailwind to December sales, reversing in January.
- Sales were roughly inline with dealer expectations, with a net 8% of dealers beating their sales budgets for the month, relatively consistent with the December results.

N. American Farm Equipment Dealer Survey - Average Dealer Sales Growth

% Change y/y	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Overall	3%	-1%	0%	-2%	-4%	-2%	-4%	-4%	-5%	-6%	-9%	-9%	-5%	-11%
By Brand	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
AGCO	-4%	-3%	0%	-2%	-3%	1%	-3%	4%	-3%	4%	5%	5%	-13%	-12%
John Deere	5%	-2%	2%	0%	-3%	-2%	-3%	-6%	-4%	-6%	-11%	-8%	-3%	-10%
New Holland	5%	-1%	-2%	-2%	-4%	-10%	2%	-2%	-3%	0%	0%	-9%	-1%	-4%
Case IH	3%	0%	-2%	-6%	-5%	-1%	-10%	-5%	-9%	-13%	-15%	-14%	-6%	-19%
Kubota	6%	6%	-3%	1%	-1%	-1%	2%	0%	-2%	1%	1%	-8%	-6%	-10%
Shortlines/Other	2%	6%	0%	0%	1%	3%	-2%	3%	5%	5%	5%	-1%	1%	-8%

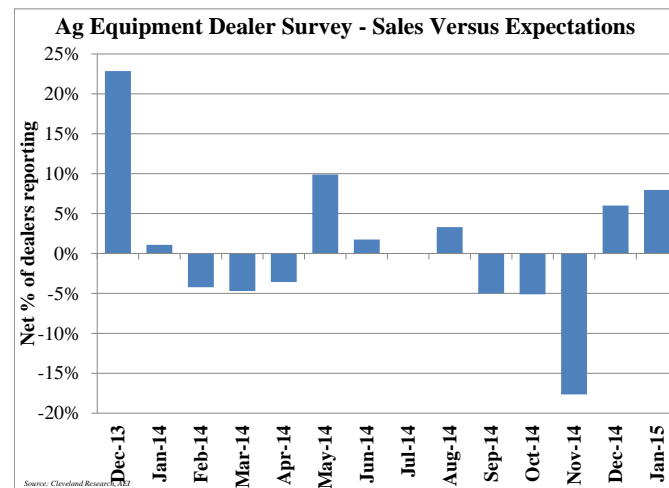
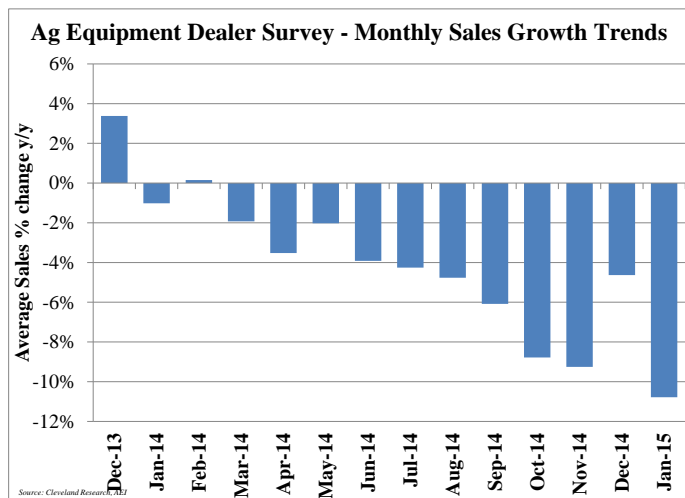
Source: Cleveland Research, AEI

N. American Farm Equipment Dealer Survey - Sales Versus Expectations

% of Dealers Reporting	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Better than expected	39%	25%	20%	21%	21%	29%	25%	26%	28%	24%	22%	21%	29%	26%
In line with expectations	45%	51%	55%	54%	54%	52%	53%	49%	47%	47%	51%	40%	47%	57%
Worse than expected	16%	24%	25%	26%	25%	19%	23%	26%	25%	29%	27%	39%	23%	18%
Net % (Better - Worse)	23%	1%	-4%	-5%	-4%	10%	2%	0%	3%	-5%	-5%	-18%	6%	8%

Source: Cleveland Research, AEI

Monthly Sales Growth Continued



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

% of Dealers Reporting	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Positive Sales Growth	63%	40%	45%	49%	39%	50%	46%	42%	37%	37%	40%	27%	33%	26%
Flat Sales	18%	24%	17%	22%	20%	12%	18%	21%	22%	18%	14%	16%	16%	57%
Negative Sales Growth	19%	36%	37%	29%	40%	39%	36%	37%	42%	46%	46%	58%	51%	18%
Net % Reporting Growth	44%	3%	8%	20%	-1%	11%	11%	5%	-5%	-9%	-6%	-31%	-19%	8%
Average % Change y/y	3%	-1%	0%	-2%	-4%	-2%	-4%	-4%	-5%	-6%	-9%	-9%	-5%	-11%

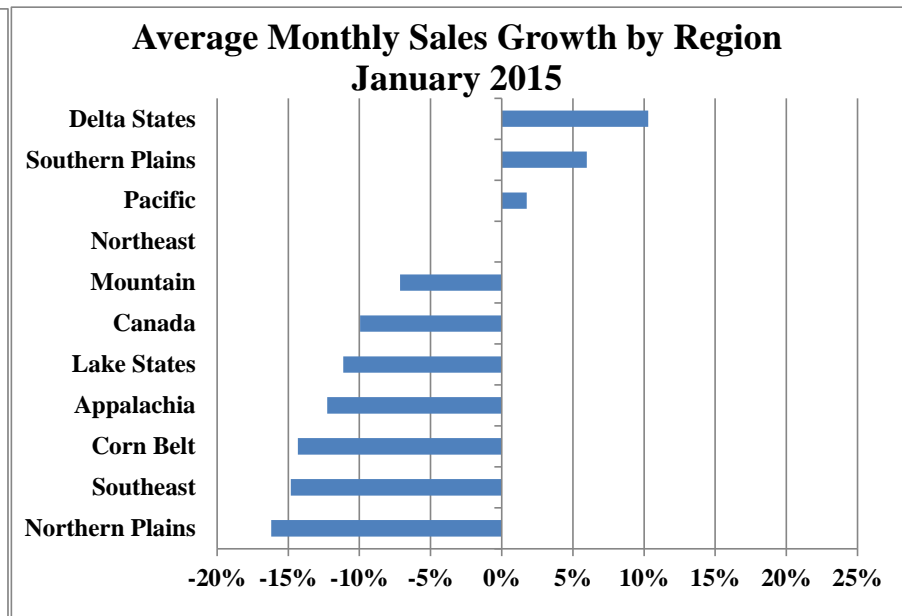
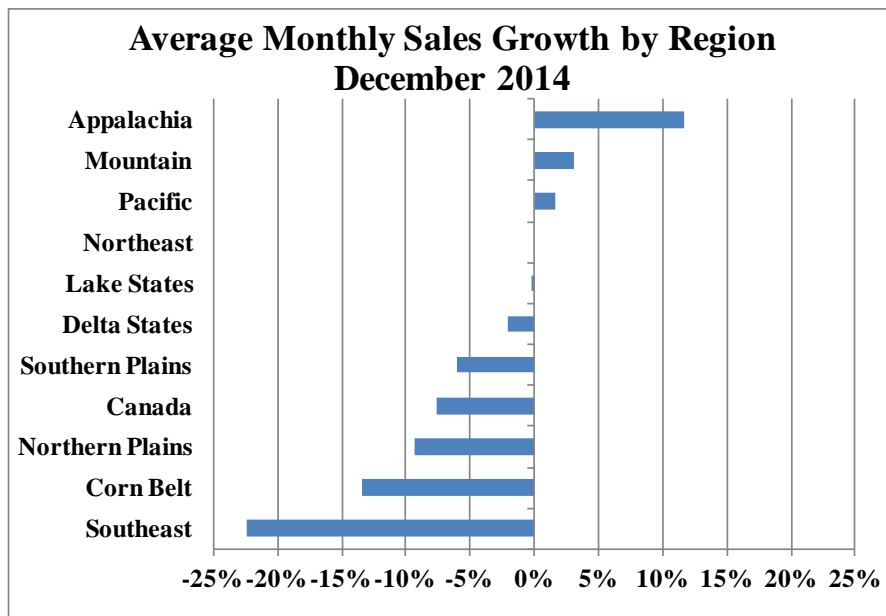
Optimism/Sentiment vs. Last Month

% of Dealers Reporting	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
More Optimistic	9%	12%	24%	26%	24%	25%	23%	13%	12%	16%	8%	9%	12%	12%
Same	52%	52%	50%	51%	44%	45%	42%	45%	50%	46%	48%	38%	39%	52%
Less Optimistic	39%	36%	26%	23%	32%	30%	35%	42%	38%	38%	44%	53%	49%	36%
Net % Dealer Optimism	-30%	-23%	-1%	3%	-9%	-5%	-11%	-28%	-26%	-22%	-36%	-44%	-37%	-25%

Source: Cleveland Research

Monthly Sales Growth by Region

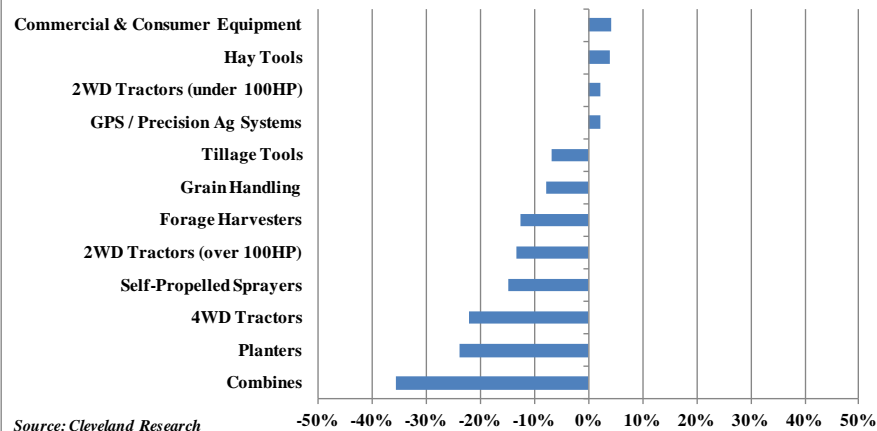
- Three of eleven regions showed positive average monthly sales growth in January, similar to December. The Delta States region reported sales up 10% y/y on average, while the Northern Plains region reported the largest decline with sales down 16% y/y.
- Compared to last month, the Delta States and Southern Plains regions saw the strongest improvement, while sales in Appalachia deteriorated notably from last month. Looking at sales trends over the last three months (to remove inherent volatility by region) trends have deteriorated the most across the Southeast, Southern Plains, while the West Coast has improved the most.



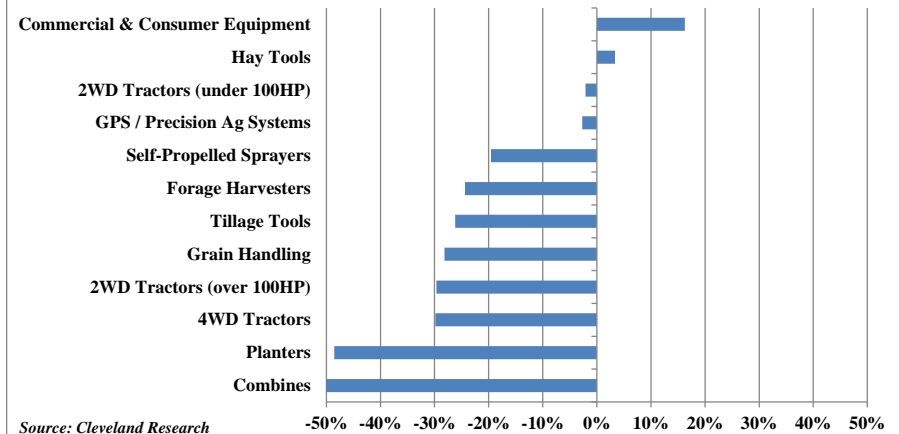
Equipment Category Sales Trends

- Commercial/Consumer Equipment remained the strongest product category in January, and improved from relatively weaker December performance. Hay Tools are also reported as strong, similar to the December survey.
- Relative to last month, all product categories saw a deterioration in demand outside of Commercial/Consumer, with the largest declines seen across Combines, Planters, and Row Crop tractors.

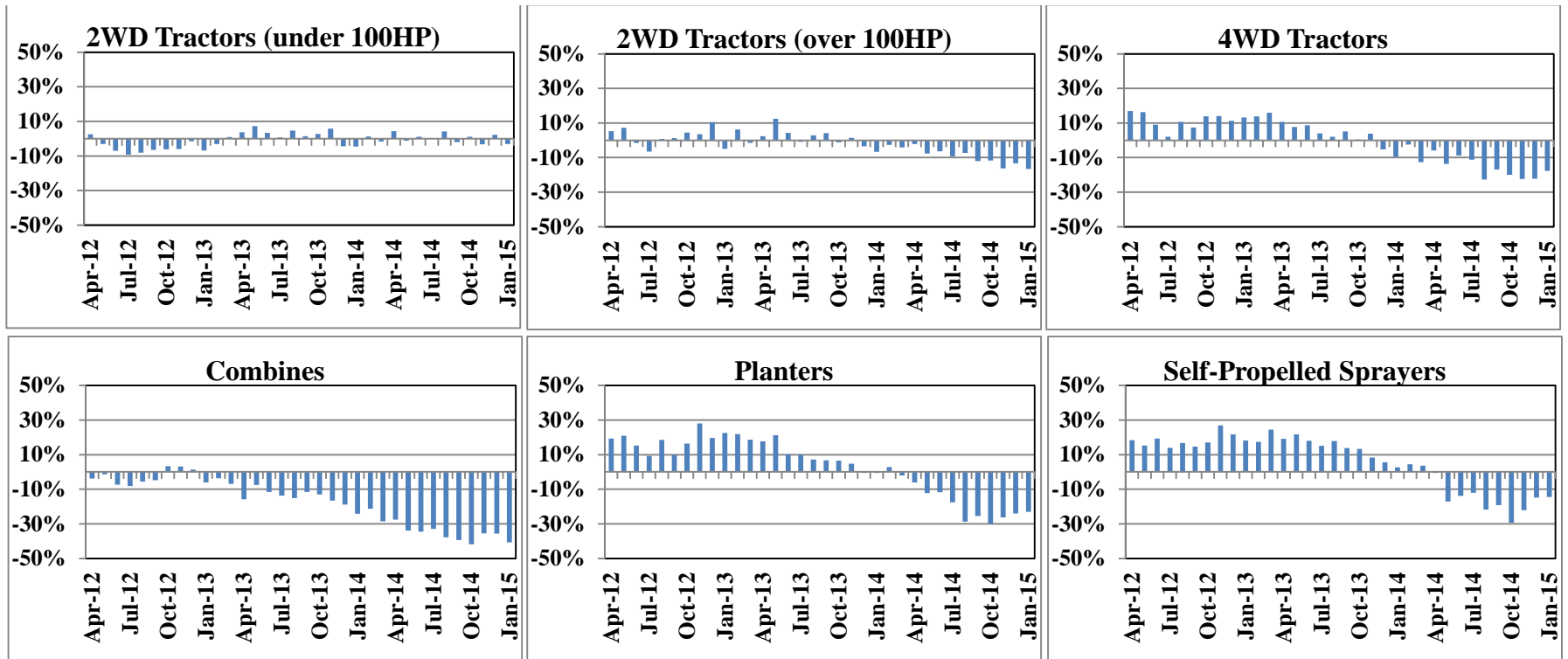
**Product Category Ranking (Net % Strong - Weak)
December 2014**



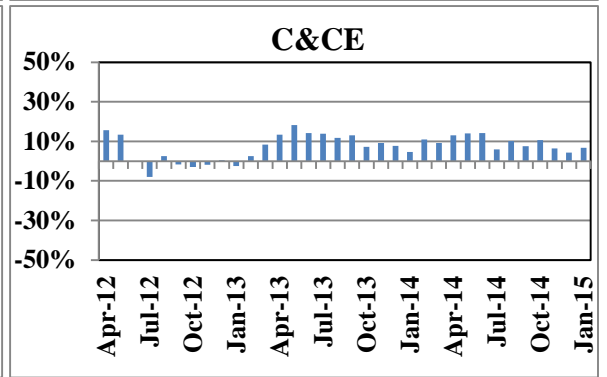
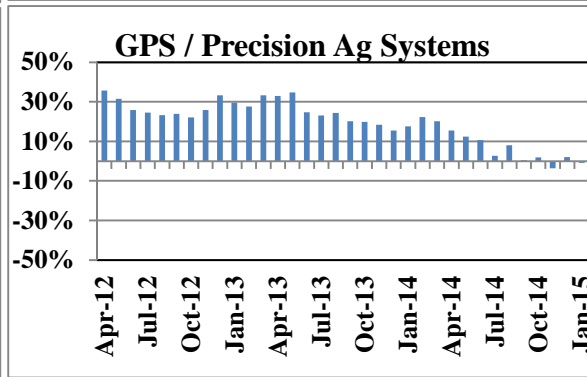
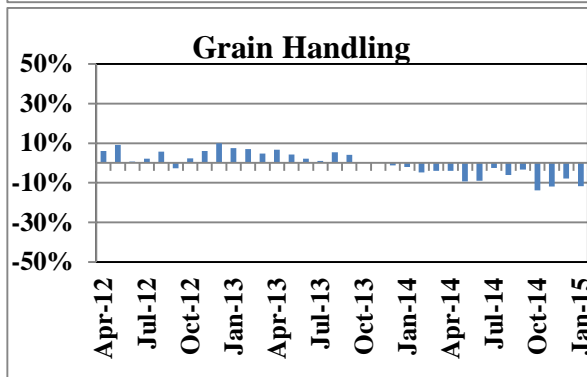
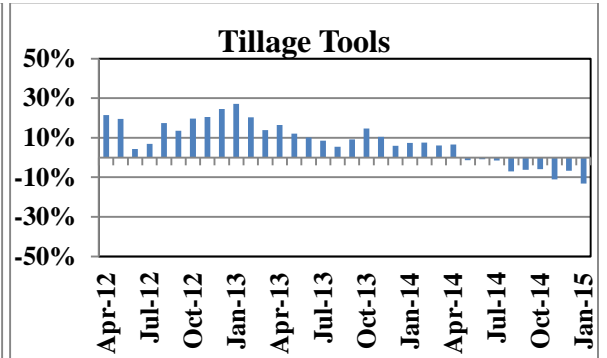
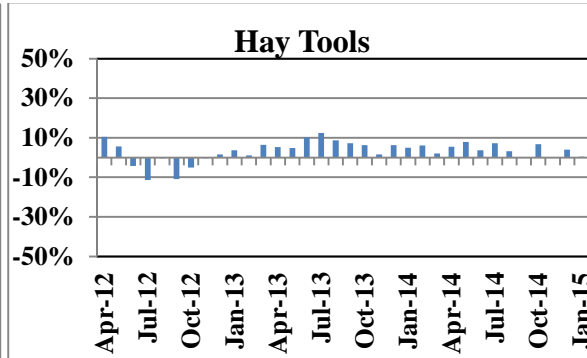
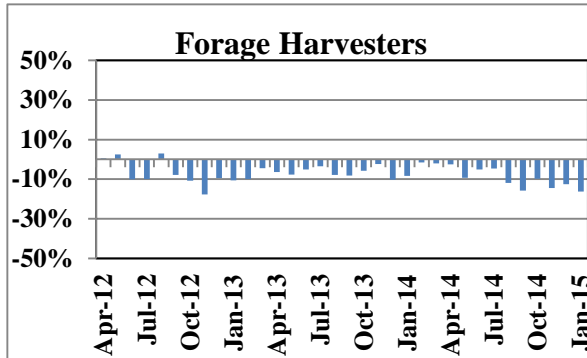
**Product Category Ranking (Net % Strong - Weak)
January 2015**



Equipment Category Sales Trends



Equipment Category Sales Trends (Continued)



Most Interesting Commentary - Monthly Sales and Outlook

- *Seed corn companies are really cutting back grower's acres & in some cases they have lost all of their seed corn acreage.*
- *It's just unusually slow. We have had some pricing but I think they are waiting to see if the grain market will recover before they pull the trigger. Most have full bins, just waiting for the right time to sell*
- *The continued interest in a variety of smaller machines by livestock customers they will continue to buy as needed*
- *Snow removal products helped our January sales*
- *In January of 2014 we had some spill-over of settlements from the selling frenzy of the last days of 2013.*
- *Vertical tillage has been stronger*
- *We do not have a big pre sold book of business for the spring of 2015 . The sales we have had are coming from suppliers that can react quickly to demand. Not large ticket items.*
- *January is always small numbers*
- *Weather impact. Expecting big February due to deferred sales.*
- *...there is about a 4 to 5 year supply of over \$200,000 combines. The combines that are advertised are 30% above what they are bringing resale and at sales. This amounts to the possible largest 'write off' or coming loss to dealers in farm equipment history... Far overshadowing the 80's - unless an unforeseen miracle occurs*
- *high cattle prices , farmers still optimistic about future*
- *Grain prices - row crop farmers - they are not in the market for ANYTHING. Cattle farmers are buying.*
- *What we see big manufactures are not discounting. All are wait and see what other does first.*
- *New Holland is pushing dealers to take more inventory*
- *Demand is soft and pricing has not come down to stimulate sales*
- *STill more interest out there than expected. shows are still generating good interest and leads*

Monthly Order Trends

Overall Orders

- Incoming orders declined 12% y/y on average in January, inline with the December trend. Our conversations with dealers suggest early orders for large ag equipment are down significantly relative to year-ago levels.

New Combine Order Intentions

- A net 60% of dealers planning to order fewer combines for 2015 in comparison to 2014, relatively similar to the last several months.

N. American Farm Equipment Dealer Survey - Average Orders Growth														
% Change y/y	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Overall	-3%	-3%	-2%	-4%	-5%	-4%	-8%	-9%	-9%	-10%	-15%	-16%	-12%	-12%
By Brand	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
AGCO	-5%	1%	-4%	0%	-1%	-5%	-8%	-3%	-7%	-4%	-2%	-17%	-8%	-16%
John Deere	-3%	-4%	-1%	-5%	-6%	-5%	-8%	-11%	-7%	-14%	-17%	-14%	-10%	-11%
New Holland	-1%	-6%	-3%	-4%	-8%	-5%	-8%	-5%	-7%	-4%	-5%	-15%	-6%	-5%
Case IH	-1%	-4%	-1%	-7%	-4%	-6%	-8%	-9%	-14%	-11%	-18%	-21%	-19%	-18%
Kubota	1%	-6%	-2%	-3%	-7%	-8%	-6%	-4%	-9%	-9%	-4%	-16%	-8%	-7%
Shortlines/Other	0%	-1%	0%	-1%	-2%	-5%	-9%	-4%	-7%	-9%	-12%	-17%	-6%	-14%

Source: Cleveland Research, AEI

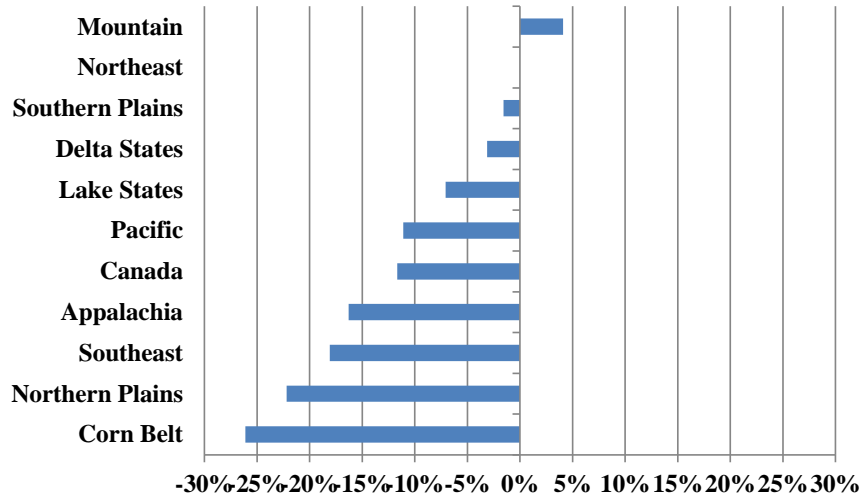
New Combine Order Intentions vs. Last Year														
	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
More	17%	8%	10%	7%	9%	11%	6%	6%	10%	4%	3%	5%	1%	7%
Same	44%	48%	44%	51%	50%	46%	43%	38%	30%	30%	29%	23%	34%	26%
Less	39%	44%	46%	42%	41%	43%	51%	56%	60%	66%	68%	72%	65%	67%
Net % (More- Less)	-22%	-36%	-37%	-35%	-32%	-32%	-44%	-50%	-51%	-62%	-64%	-67%	-63%	-60%

Source: Cleveland Research, AEI

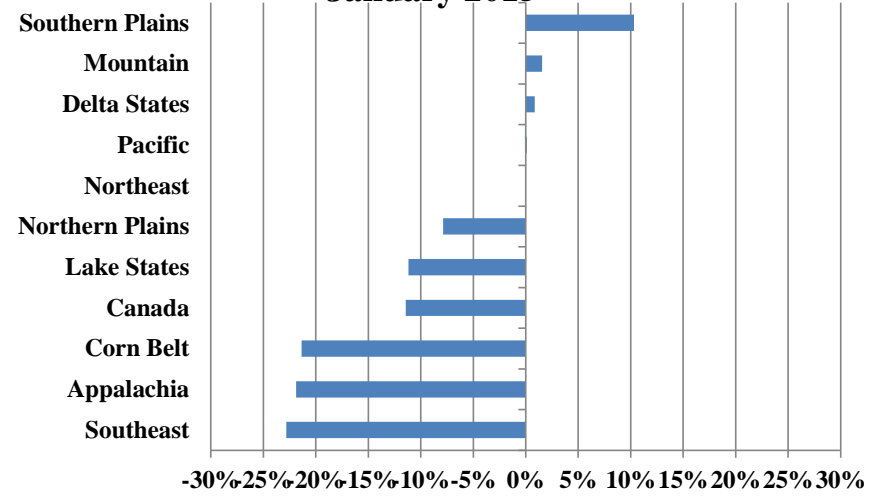
Order Trends by Region

- Southern Plains, Mountain State, and Delta States dealers all reported positive order growth in the month, while dealers across the Southeast, Appalachia, and Corn Belt regions reported the largest order declines in January.
- Over the last three months, order growth has improved the most across Mountain States and Southern Plains regions, while Appalachian and Southeastern regions have deteriorated the most.

**Average Monthly Order Growth by Region
December 2015**



**Average Monthly Order Growth by Region
January 2015**



Average Dealer Sales Outlook

- The average dealer outlook for 2015 is for sales down 11% y/y, down from the 8% decline forecast last month but similar to the outlook provided over the last several months.
- The second table below details the industry outlooks from Deere, Case IH/New Holland and AGCO.

N. American Farm Equipment Dealer Survey - Full Year Sales Forecast					
% change y/y	2015 Outlook				
	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
AGCO	6%	0%	-9%	0%	-10%
John Deere	-12%	-14%	-9%	-9%	-11%
New Holland	9%	-8%	-10%	-3%	-6%
Case IH	-12%	-11%	-16%	-11%	-14%
Kubota	7%	-6%	-14%	-6%	-11%
Shortlines/Other	1%	-4%	-16%	-9%	-7%
Overall	-9%	-11%	-10%	-8%	-11%

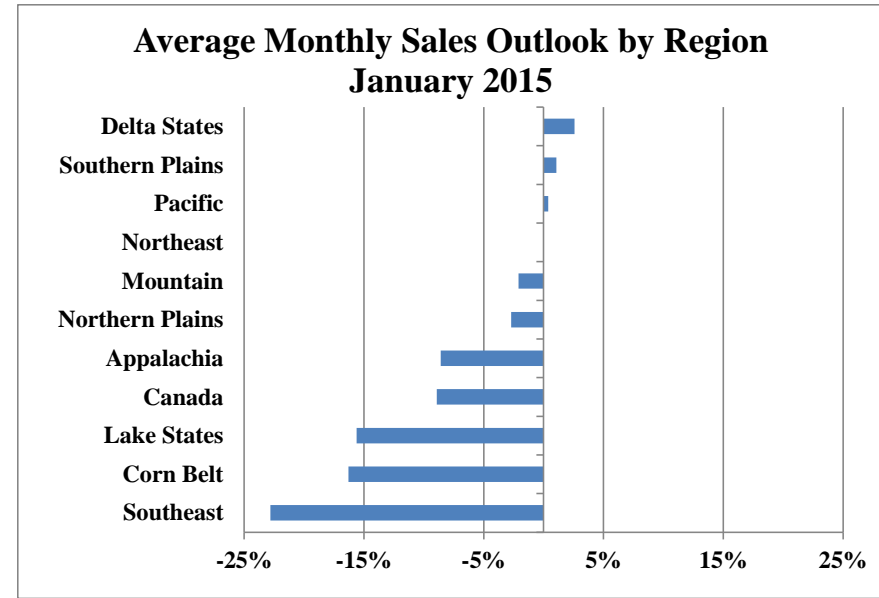
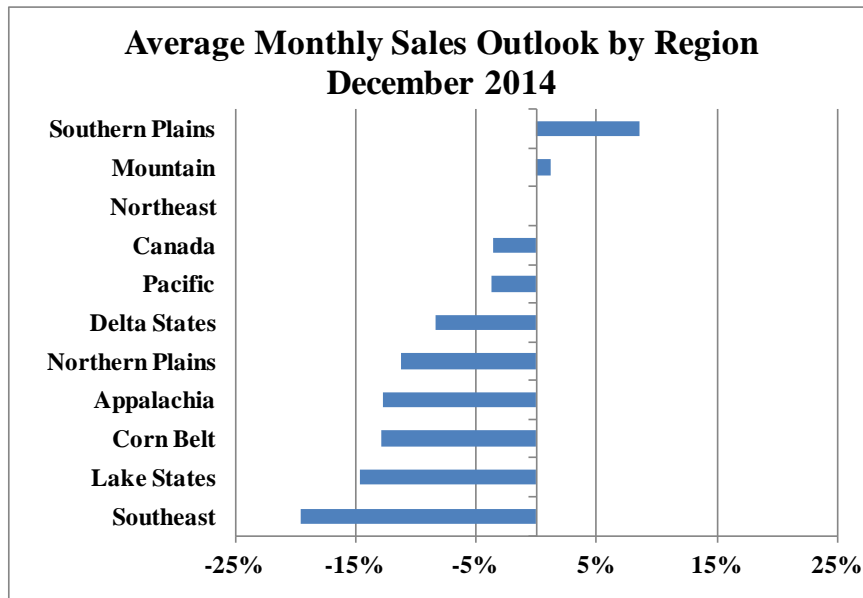
Source: Cleveland Research, AEI

2015 Ag Equipment Outlook - Deere, AGCO, CNH			
Geography	Deere	CNH Industrial	AGCO Corp.
N. America	Down 25-30%	Tractors (0-5%); Combines (25-30%)	Down 5-10% (HHP down over 20%)
Western Europe	Down ~10%	Tractors (0-5%), Combines (5-10%)	Down 5-10%
Latin America	Down ~10-15%	Tractors (10-15%), Combines (15-20%)	Down ~10%
CIS or ROW	Down Significantly	na	na
Asia	Down Slightly	Tractors 0-5%, Combines (10-15%)	na

Source: Company reports, CRC estimates

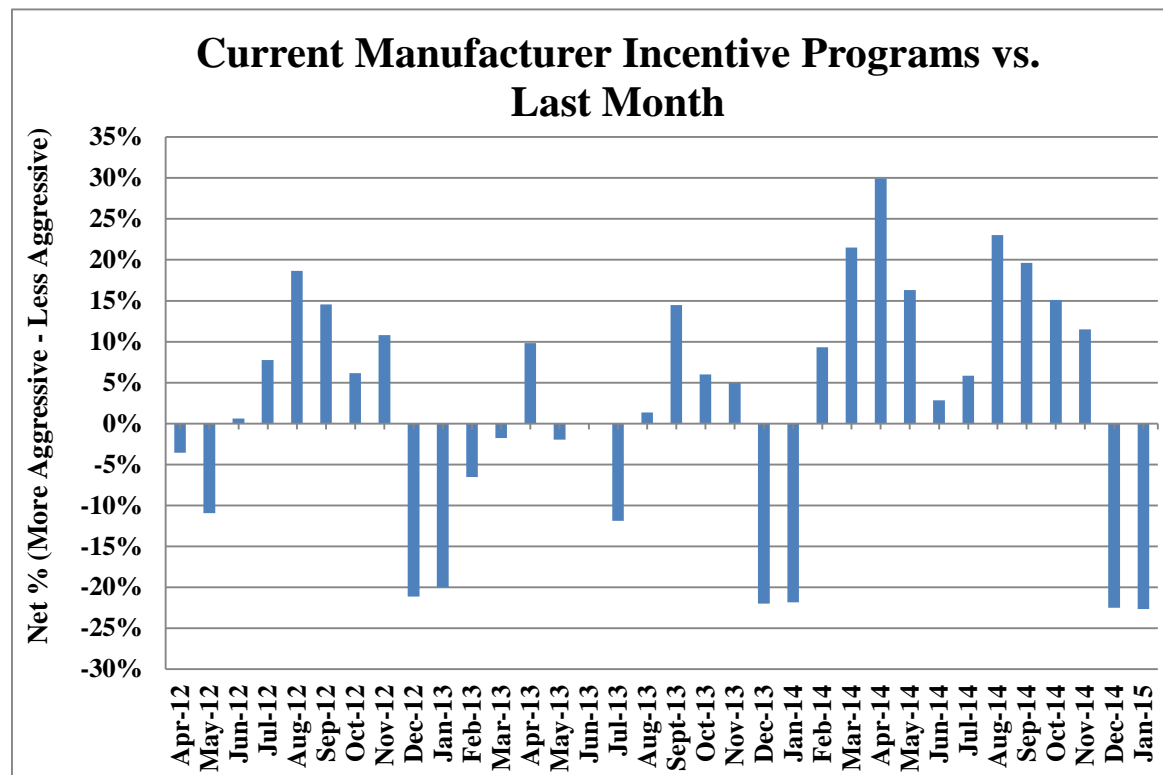
2015 Sales Outlook Continued

- Dealers in the Delta States, Southern Plains, and Pacific regions have the most optimistic 2015 outlook with forecasts to grow low single digits for the year. Dealers across the Southeast, Cornbelt, and Lake States maintain the most bearish sales forecasts for the year at down 15-25%.



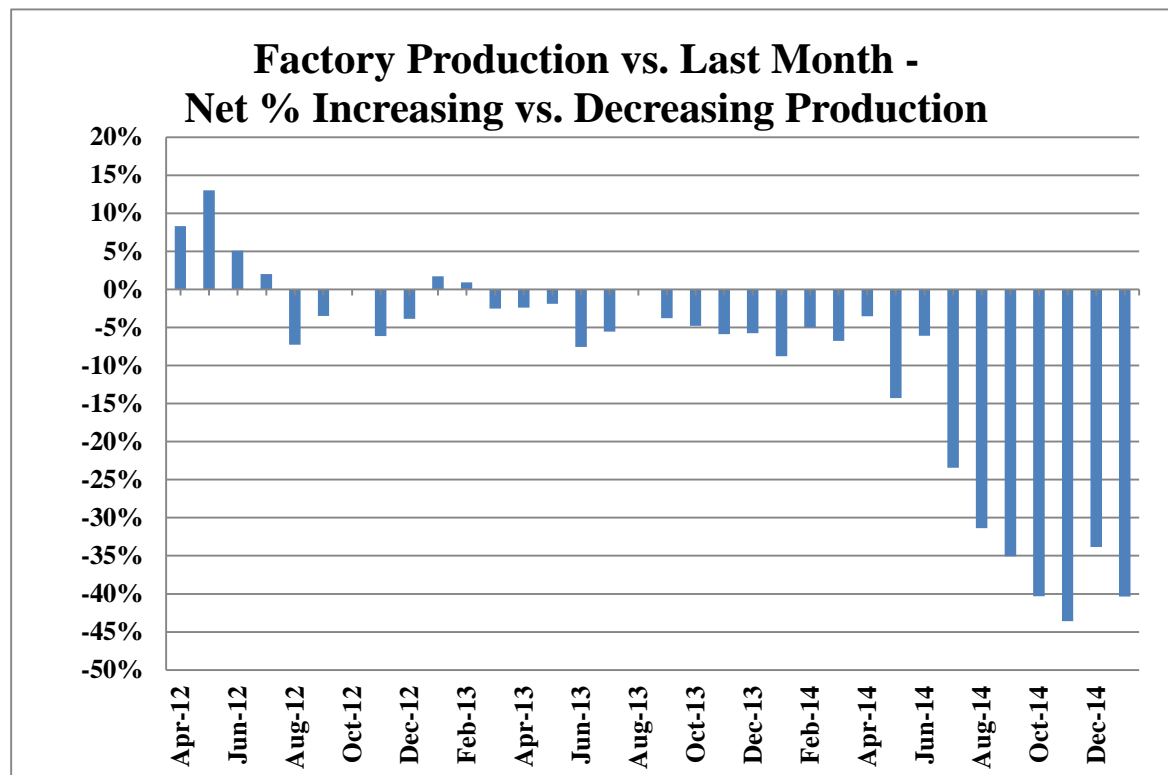
Current Manufacturer Incentive Programs

- A net 23% of dealers report that manufacturers are less aggressive with incentives in January (9% more aggressive; 58% same; 32% less aggressive). Historically, manufacturer incentives in both December and January have been reported as less aggressive than other months.



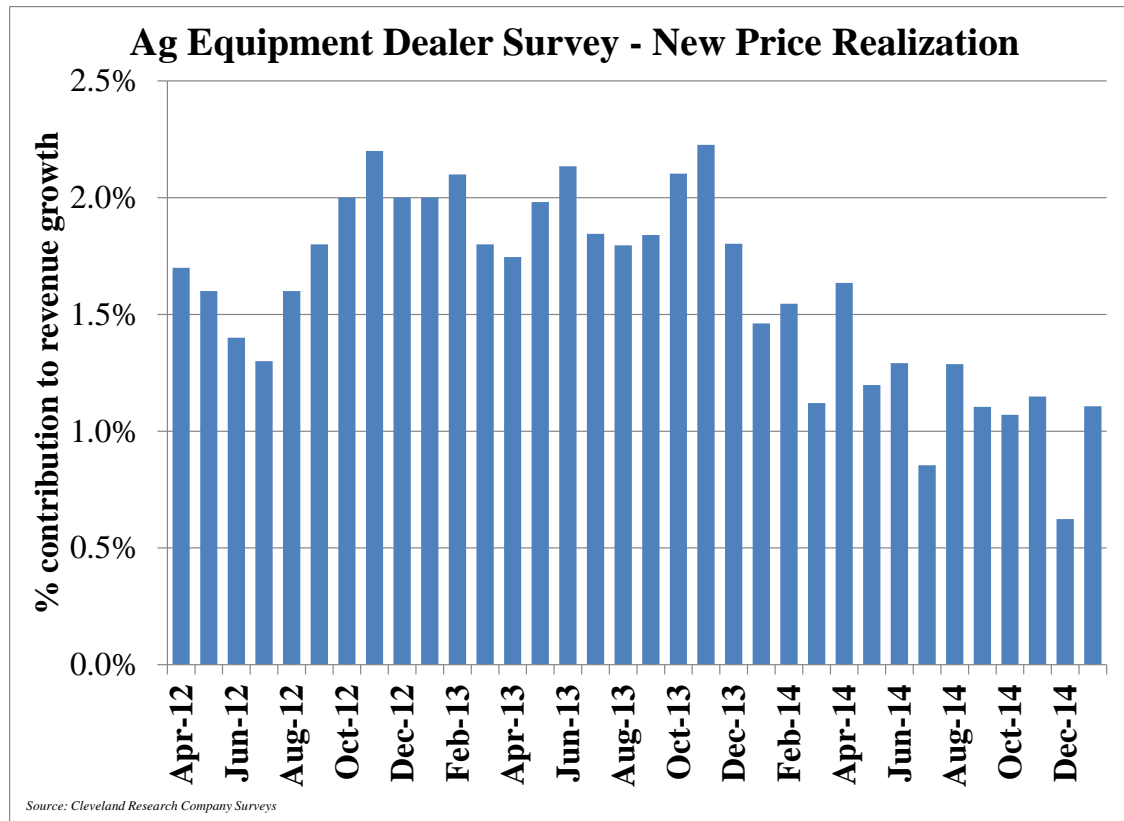
Factory Production

- A net 40% of dealers report that factory production was down in January, which compares to the net 34% of dealers reporting lower production volume last month.



Pricing Trends

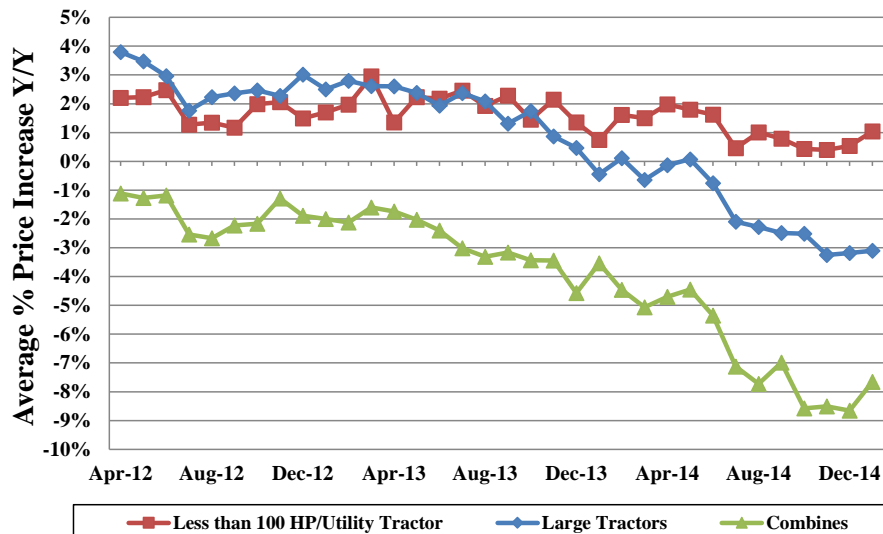
- Dealers report new equipment price increases contributed roughly ~1% to total revenues in January, up slightly from last month but similar to the prior several month trend.



Used Equipment Pricing

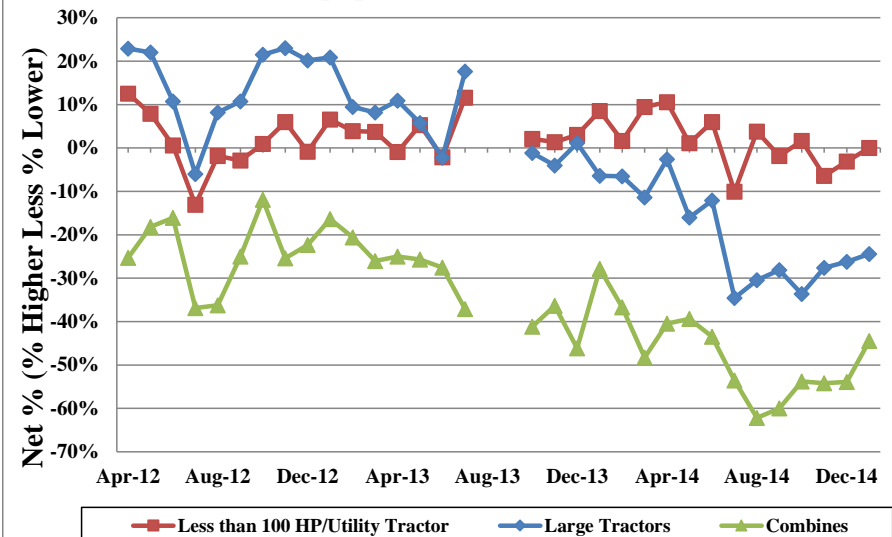
- Used combine values are reported at down 8% y/y, a slight improvement from last month.
- Large tractor values are reported at down 3% y/y, consistent with prior months trend.
- Small tractor values are trending slightly higher y/y due to higher relative demand from the livestock sector.

Used Equipment Values vs. Last Year



Source: Cleveland Research

Used Equipment Values vs. Last Month



Source: Cleveland Research

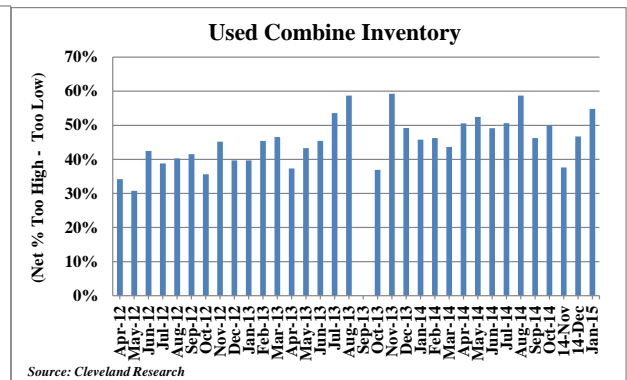
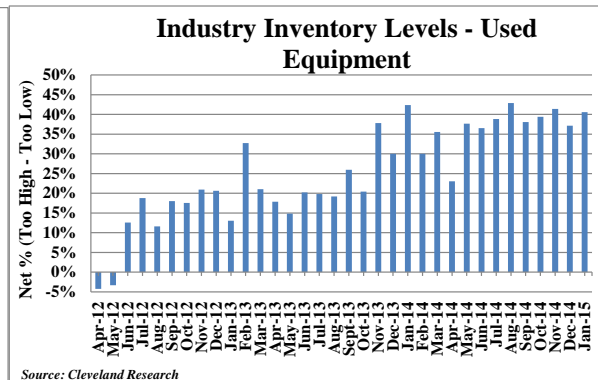
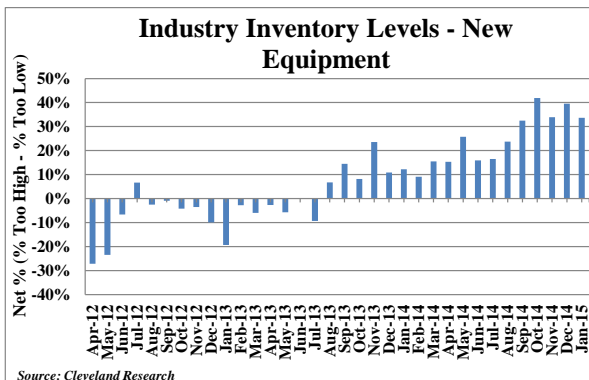
Inventory Levels

New Equipment Inventories Remain “Too High”

- A net 35% of dealers report new inventory as “too high” (39% too high; 55% about right; 5% too low) compared to a net 40% last month, remaining within a consistent range over the four months.

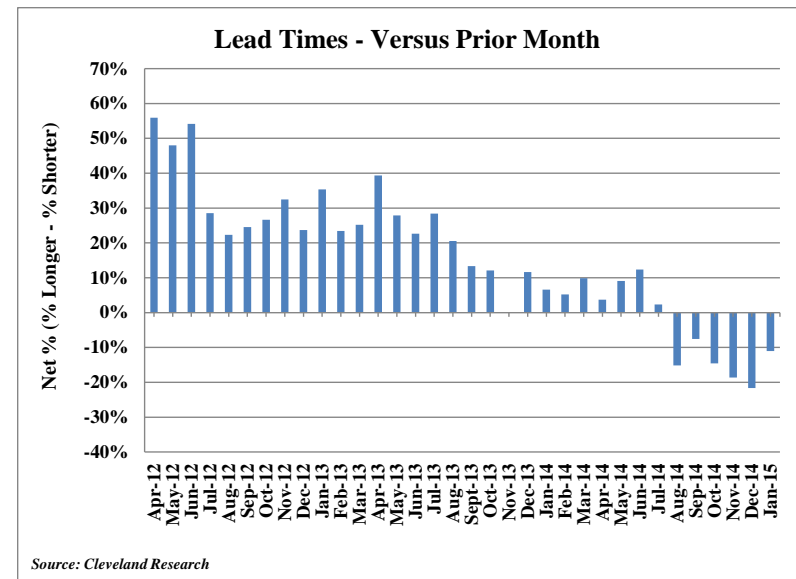
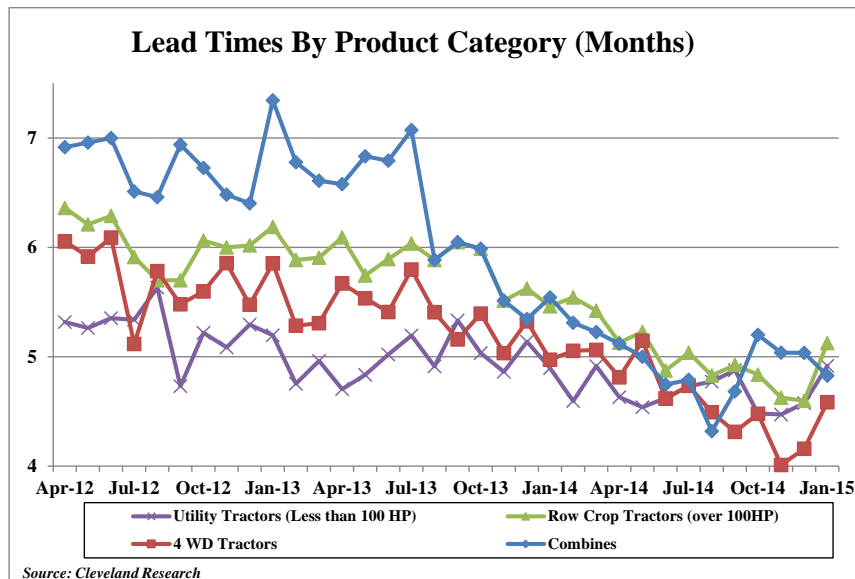
Used Equipment Inventories Remain Elevated But Stable

- A net 41% of dealers reported used equipment inventory as “too high” in January (46% too high; 48% about right; 6% too low), slightly above the net 37% last month.
 - Used Combines – a net 55% reported inventories “too high,” up from a net 47% last month.
 - Used HHP tractors – a net 12% of reported inventories “too high,” above the net 10% last month.
 - Used Sprayers – a net 37% of dealers reported inventories “too high,” up from 28% last month.



Equipment Availability

- Overall, a net 11% of dealers report shorter factory lead-times compared to last month (18% longer; 52% same; 29% shorter), the sixth consecutive month of contraction.
- Tractor leadtimes have generally remained in the 4-5 month range for nearly all product types over the last several months, down from 5-6 months for much of 2012 and 2013. Combine leadtimes remain short at under 5 months with broad availability.



Most Interesting Commentary - Used Inventory

- *We continue to participate in local auctions and use target lists with our salesmen to find homes for aged equipment.*
- *Used demand from United States buyers is improving due to low value of Canadian dollar*
- *Used was too high, worked very hard the last few months to bring down.*
- *Salesmen are putting too much in trade ins to try and capture more sales*
- *Our used inventory is about 25% too high in total dollars*
- *Prices for late model high horsepower tractors and late model combines on the market being reduced to very low margins - what are we going to live off of?*
- *Used Combines. Little interest. Unsure on valuations*
- *We are about 25% more than what we would like and want to get it even lower*
- *Now that some growers are retiring or renting their land with lower commodity prices, there is way too much used iron. The older, tougher stuff is once again getting harder to find homes for as growers leave the business.*
- *Moderately high. Lack of outlet for used hay equipment*
- *We participated in a local consignment auction January 31. It went well. That is the way we have our used inventory in good shape.*

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
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	5,646	3,871	2,646	643	12,806	3,289	897	9%	-3%	7%	2%	4%	6%	25%
Dec-13	7,623	6,903	4,919	960	20,405	5,879	1,538	-7%	10%	13%	7%	3%	12%	36%
Jan-14	4,755	4,152	3,303	631	12,841	3,934	824	1%	2%	12%	-7%	3%	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%
Nov-14	5,857	4,177	1,891	354	12,279	2,245	450	4%	8%	-29%	-45%	-4%	-32%	-50%
Dec-14	8,142	7,520	3,749	514	19,925	4,263	931	7%	9%	-24%	-46%	-2%	-27%	-39%
Jan-15	5,382	4,506	3,124	220	13,232	3,344	384	13%	9%	-5%	-65%	3%	-15%	-53%

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

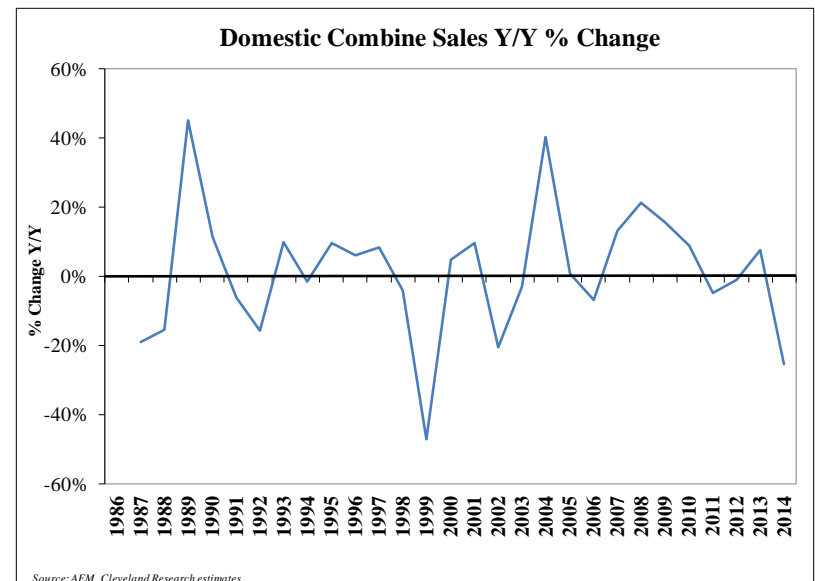
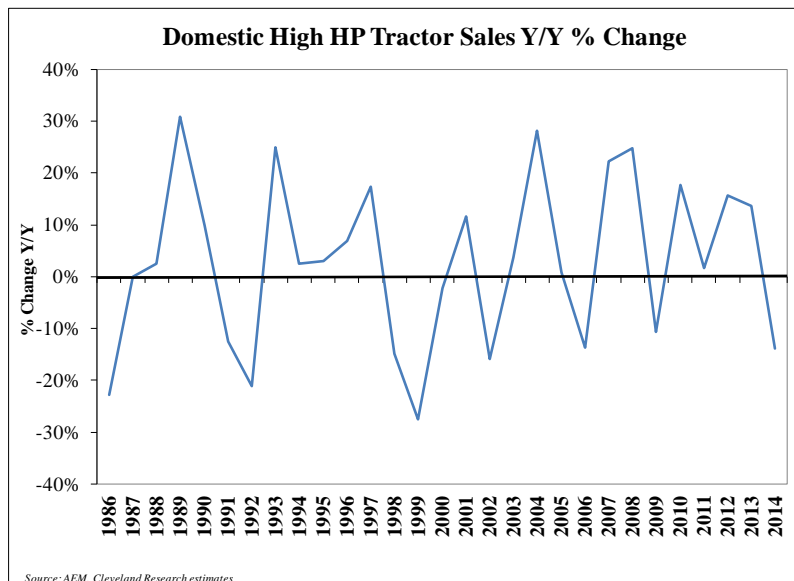
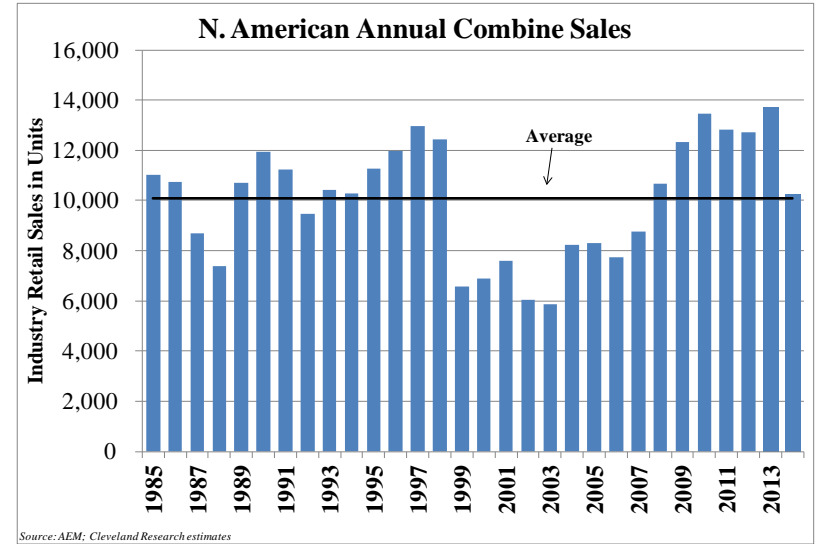
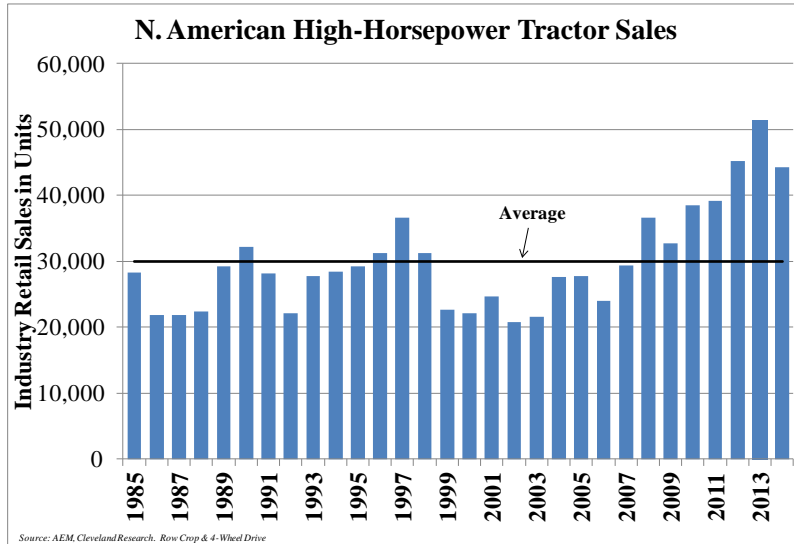
NA Farm Equipment Industry Inventory

NORTH AMERICAN FARM EQUIPMENT INVENTORY

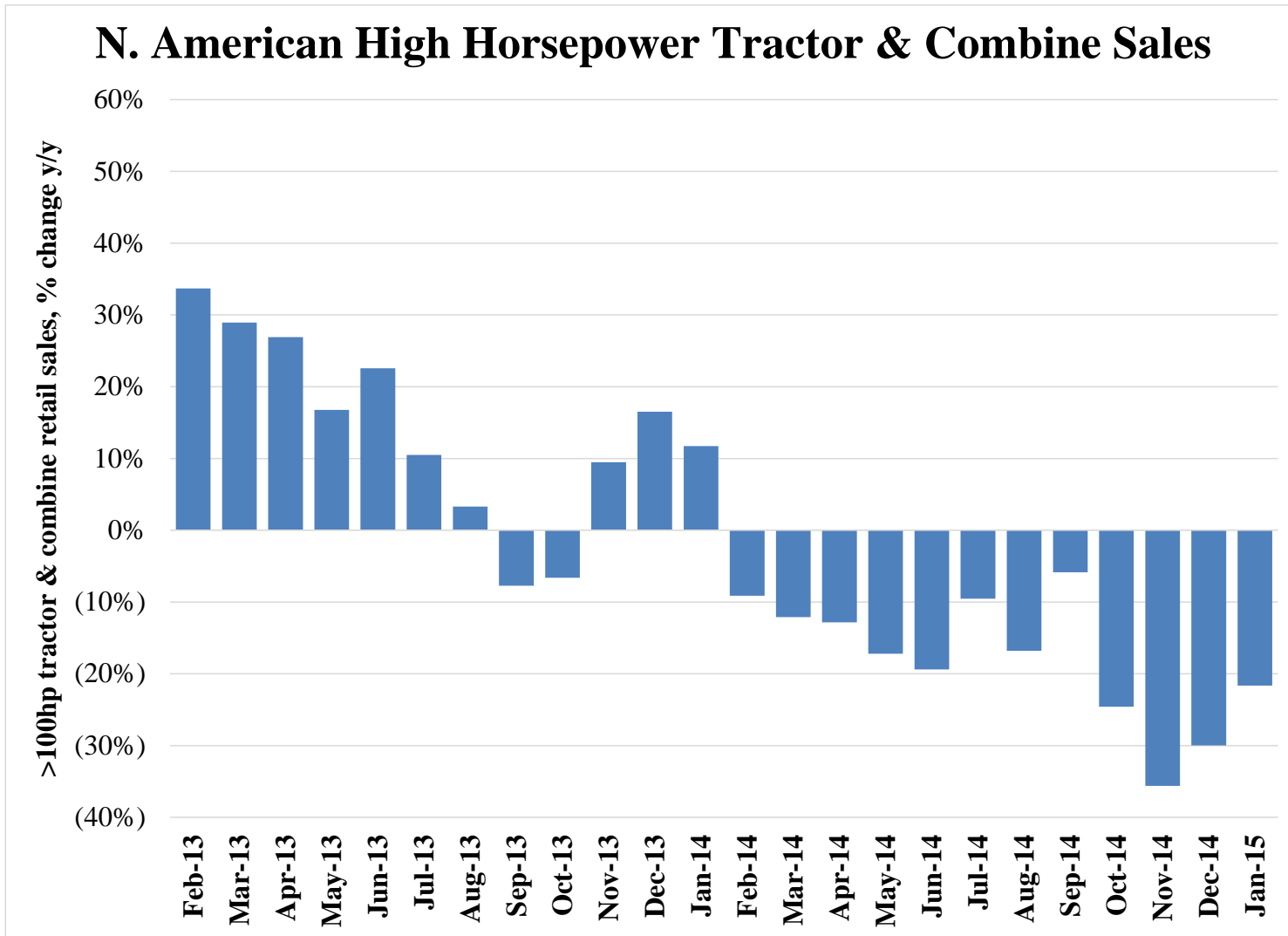
	Inventory (Units)							Inventory to 12-mo. Sales						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Row Crop & 4WD	Combines	<40HP	Util	RC	4-WD	Total Tractor	Row Crop & 4WD	Comb
Jan-13	69,290	30,182	10,399	1,803	111,674	12,202	1,659	66%	49%	28%	20%	52%	26%	13%
Feb-13	72,473	30,842	11,375	1,850	116,540	13,225	2,186	68%	50%	30%	20%	54%	28%	17%
Mar-13	72,499	30,869	11,700	1,931	116,999	13,631	2,518	69%	50%	30%	21%	54%	29%	19%
Apr-13	70,567	30,512	12,507	1,883	115,469	14,390	2,577	66%	50%	32%	21%	53%	30%	18%
May-13	65,268	30,400	13,202	2,068	110,938	15,270	2,866	59%	49%	33%	23%	50%	31%	20%
Jun-13	62,097	29,271	13,330	2,158	106,856	15,488	3,249	56%	47%	33%	24%	48%	31%	23%
Jul-13	59,174	29,628	14,138	2,177	105,117	16,315	3,208	52%	47%	34%	25%	47%	33%	22%
Aug-13	58,941	30,907	15,063	2,307	107,218	17,370	3,325	52%	49%	36%	26%	47%	34%	23%
Sep-13	60,787	31,714	15,372	2,507	110,380	17,879	3,255	53%	50%	37%	29%	48%	35%	24%
Oct-13	63,364	31,876	14,009	2,094	111,343	16,103	2,222	55%	50%	33%	25%	49%	32%	17%
Nov-13	67,922	33,406	14,847	2,312	118,487	17,159	2,343	59%	53%	35%	27%	52%	34%	18%
Dec-13	67,863	32,028	13,318	2,049	115,258	15,367	2,083	59%	50%	31%	24%	50%	30%	15%
Jan-14	69,111	33,240	12,620	2,028	116,999	14,648	1,681	60%	52%	29%	24%	51%	28%	12%
Feb-14	71,514	34,326	13,267	2,046	121,153	15,313	2,063	62%	54%	31%	25%	53%	30%	15%
Mar-14	71,249	35,256	14,058	2,218	122,781	16,276	2,456	61%	55%	33%	27%	53%	32%	18%
Apr-14	69,986	35,615	13,298	2,117	121,016	15,415	2,467	60%	55%	31%	26%	52%	31%	18%
May-14	66,364	34,755	13,505	2,255	116,879	15,760	2,734	57%	54%	32%	28%	51%	32%	21%
Jun-14	62,025	34,004	14,531	2,294	112,854	16,825	3,101	53%	52%	35%	29%	49%	34%	24%
Jul-14	61,829	34,393	14,836	2,159	113,217	16,995	3,144	52%	53%	36%	27%	49%	35%	25%
Aug-14	62,466	35,692	15,060	2,193	115,411	17,253	3,360	53%	54%	37%	29%	49%	36%	28%
Sep-14	61,811	35,926	16,185	2,399	116,321	18,584	2,891	51%	54%	40%	32%	49%	38%	24%
Oct-14	63,713	35,965	14,640	1,802	116,120	16,442	2,187	52%	53%	37%	25%	49%	35%	19%
Nov-14	67,691	37,110	14,840	1,652	121,293	16,492	2,046	55%	55%	38%	24%	51%	36%	19%
Dec-14	69,876	35,550	14,638	1,426	121,490	16,064	1,674	57%	52%	39%	22%	51%	36%	16%

Source: AEM; Cleveland Research Company estimates

Annual Ag Equipment Industry Sales (1985 - 2014)



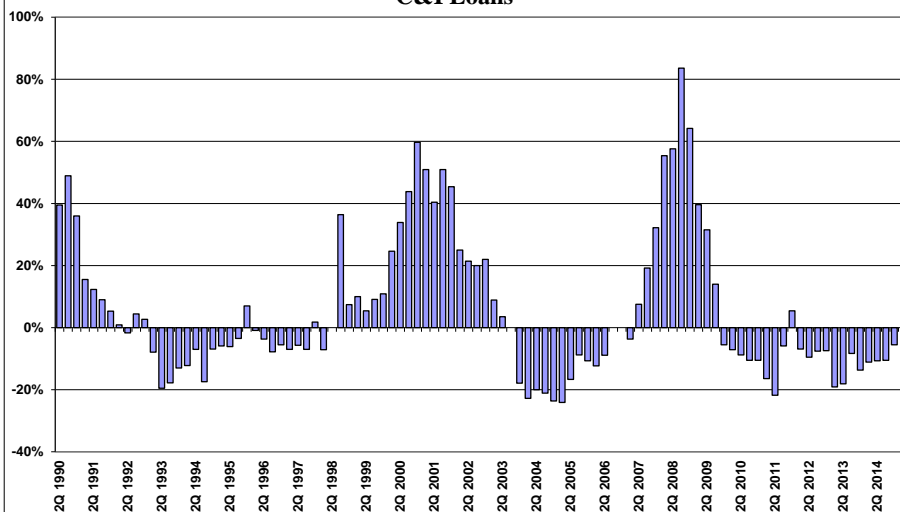
NA Ag Equipment Sales



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

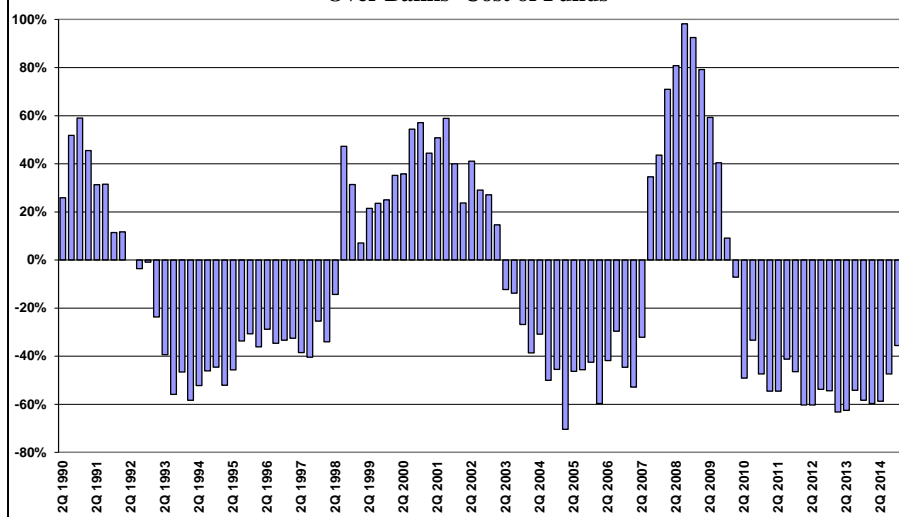
- The 4Q14 Senior Loan Officer survey saw continued loosening of loan standards as a net 6% of loan officers reported easier credit standards in 4Q14.
- Bank rate spreads continue to decline in 4Q14 as a net 36% of loan officers reported decreasing spreads. For reference, a net 60% of loan officers reported decreasing spreads in 1H14 and 47% in 3Q14.
- Demand for commercial and industrial loans remained steady in 4Q14 as a net 18% of loan officers reported stronger demand for commercial and industrial loans, similar to the 16% reporting growth in 3Q14.

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

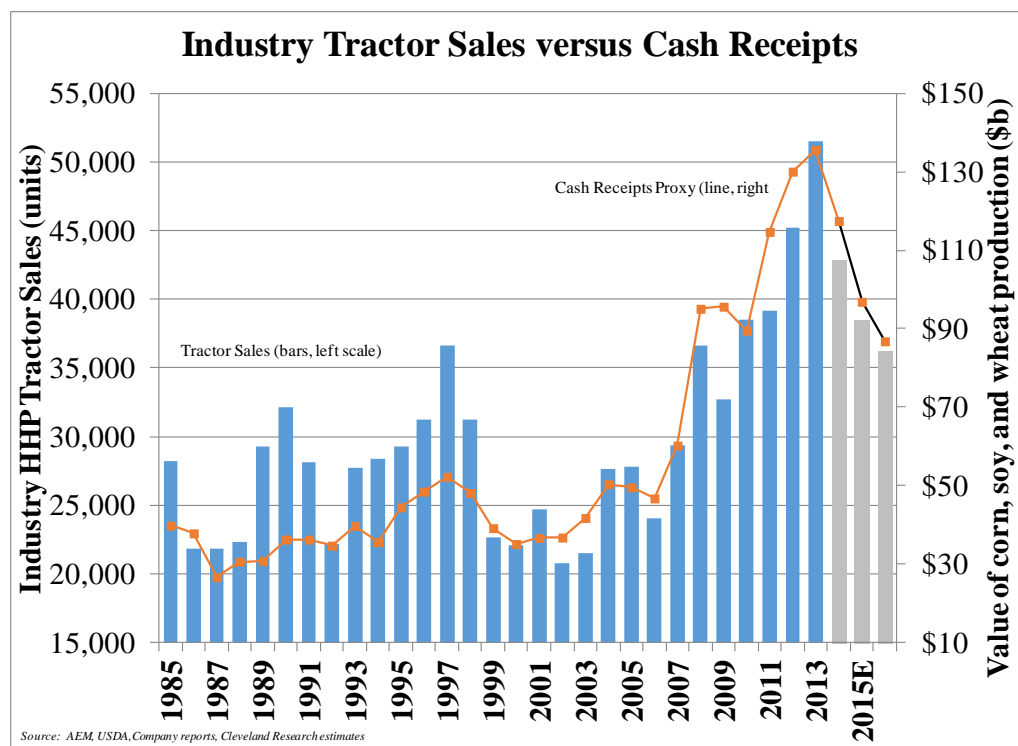


Source: Federal Reserve Board

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 13% 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 February USDA report was unchanged for both 2013/14 and 2014/15. The correlation between equipment sales and cash receipts has historically provided a good proxy for next year's equipment demand.

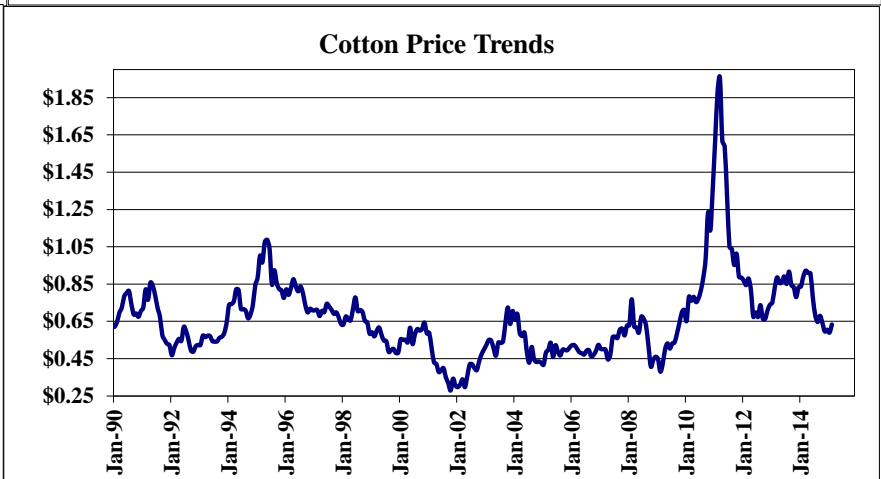
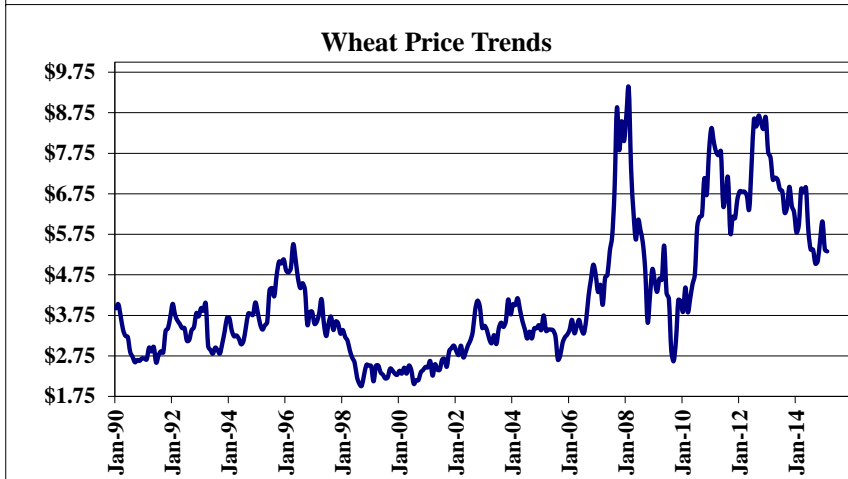
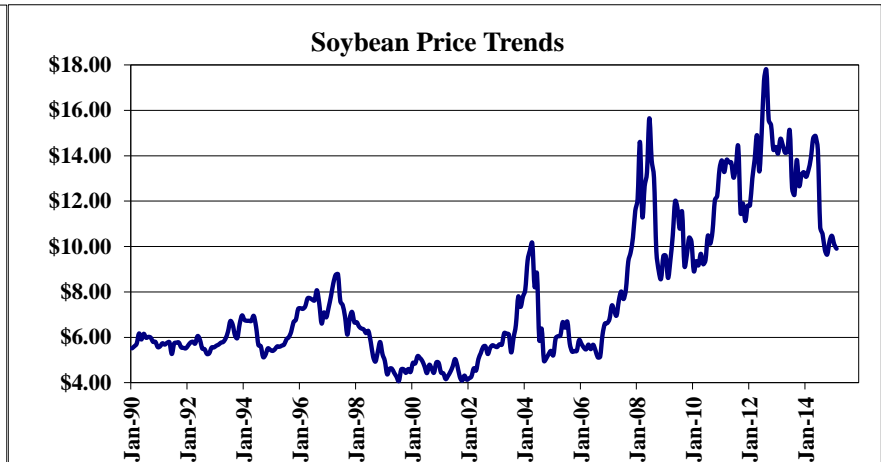
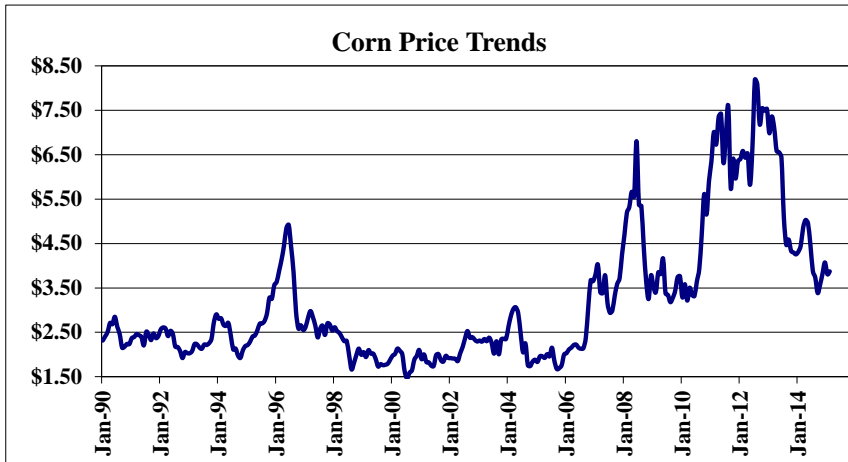


Commodity Prices – Simplified Cash Receipts Proxy

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
2012/13	10,755	10,353	730	11,111	821	7.4%	\$6.89	2012/13	23,416	23,681	4,609	19.5%
2013/14	13,829	11,537	1,917	13,454	1,232	9.2%	\$4.46	2013/14	25,055	25,997	5,548	21.3%
2014/15								2014/15				
December	14,407	11,920	1,750	13,670	1,998	14.6%	\$3.20-\$3.80	December	24,630	26,354	5,569	21.1%
January	14,216	11,845	1,750	13,595	1,877	13.8%	\$3.35-\$3.95	January	24,684	26,388	5,569	21.1%
February	14,216	11,895	1,750	13,645	1,827	13.4%	\$3.40-\$3.90	February	24,810	26,507	5,638	21.3%
Corn Futures Price:							\$3.90					
Change m/m	-191	-75	0	-75	-121	-0.8%	\$0.15	Change m/m	54	33	0	0.0%
Change y/y	387	308	-167	141	645	4.6%	(\$0.81)	Change y/y	-371	391	21	-0.2%
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
2012/13	3,042	3,111	1,317	4,428	141	3.2%	\$14.40	2012/13	6,833	7,803	1,959	25.1%
2013/14	3,358	3,478	1,647	5,125	92	1.8%	\$13.00	2013/14	7,068	8,178	2,339	28.6%
2014/15								2014/15				
December	3,958	3,655	1,760	5,415	410	7.6%	\$9.00-\$11.00	December	7,535	8,616	2,892	33.6%
January	3,969	3,666	1,770	5,436	410	7.5%	\$9.45-\$10.95	January	7,582	8,622	2,925	33.9%
February	3,969	3,701	1,790	5,491	385	7.0%	\$9.45-\$10.95	February	7,607	8,691	2,895	33.3%
Soybean Futures Price:							\$9.82					
Change m/m	11	11	10	21	0	0.0%	\$0.20	Change m/m	47	6	34	0.4%
Change y/y	611	188	123	311	318	5.7%	(\$2.80)	Change y/y	515	445	586	5.3%
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
2012/13	2,252	1,388	1,012	2,400	718	29.9%	\$7.77	2012/13	21,926	23,588	5,691	24.1%
2013/14	2,135	1,255	1,176	2,431	590	24.3%	\$6.87	2013/14	24,149	24,612	6,236	25.3%
2014/15								2014/15				
December	2,026	1,216	925	2,141	654	30.5%	\$5.80-\$6.20	December	24,509	24,967	6,507	26.1%
January	2,026	1,184	925	2,109	687	32.6%	\$5.90-\$6.30	January	24,554	25,021	6,515	26.0%
February	2,026	1,184	900	2,084	692	33.2%	\$5.85-\$6.15	February	24,615	25,075	6,577	26.2%
Wheat Futures Price:							\$5.37					
Change m/m	0	-32	0	-32	33	2.0%	\$0.10	Change m/m	44	54	8	0.0%
Change y/y	-109	-71	-251	-322	97	8.3%	(\$0.77)	Change y/y	405	409	278	0.7%
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	10,755	3,042	2,252	\$6.89	\$14.40	\$7.77	\$74,102	\$43,805	\$17,498	\$135,405	4%	
2013/14	13,829	3,358	2,135	\$4.46	\$13.00	\$6.87	\$61,677	\$43,654	\$14,667	\$119,999	-11%	
2014/15												
November	14,407	3,958	2,026	\$3.50	\$10.00	\$5.90	\$50,425	\$39,580	\$11,953	\$101,958	-15%	
December	14,407	3,958	2,026	\$3.50	\$10.00	\$6.00	\$50,425	\$39,580	\$12,156	\$102,161	-15%	
January	14,216	3,969	2,026	\$3.65	\$10.20	\$6.10	\$51,888	\$40,484	\$12,359	\$104,731	-13%	
February	14,216	3,969	2,026	\$3.65	\$10.20	\$6.00	\$51,888	\$40,484	\$12,156	\$104,528	-13%	

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

Long Term Commodity Price Trends



Commodity Trends – Long Run Supply and Demand Projections

US Corn, Soy, and Wheat Supply and Demand - Long Term Annual Forecast 2015

US Corn Balance Sheet - USDA Long Term Forecast (Feb 2015)															
Millions of bushels	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Planted	88	92	97	95	91	88	90	90	90	90	90	89	89	89	89
Harvested	81	84	87	88	83	80	82	82	82	82	82	81	81	81	81
Yield (bu/acre)	153	147	123	159	173	167	169	171	173	175	177	179	181	183	185
Beginning Stocks (MM bu)	1,708	1,128	989	821	1,236	2,008	1,733	1,738	1,753	1,773	1,748	1,753	1,703	1,683	1,668
Production (MM bu)	12,447	12,360	10,780	13,925	14,407	13,445	13,940	14,105	14,270	14,355	14,520	14,595	14,760	14,920	15,085
Imports (MM bu)	28	29	162	35	25	25	25	25	25	25	25	25	25	25	25
Total Supply (MM bu)	14,183	13,517	11,931	14,781	15,668	15,478	15,698	15,868	16,048	16,153	16,293	16,373	16,488	16,628	16,778
Feed & Residual (MM Bu)	4,792	4,557	4,329	5,300	5,375	5,225	5,375	5,500	5,600	5,650	5,700	5,750	5,800	5,875	5,925
Food, Seed, & Industrial (excl. Ethanol)	1,407	1,428	1,403	1,435	1,385	1,420	1,435	1,440	1,450	1,455	1,465	1,470	1,480	1,485	1,495
Ethanol & By-Products	5,021	5,000	4,648	5,000	5,150	5,200	5,150	5,100	5,075	5,075	5,075	5,100	5,125	5,150	5,200
Exports	1,835	1,543	731	1,900	1,750	1,900	2,000	2,075	2,150	2,225	2,300	2,350	2,400	2,450	2,500
Total Use	13,054	12,528	11,111	13,635	13,660	13,745	13,960	14,115	14,275	14,405	14,540	14,670	14,805	14,960	15,120
Ending Stocks	1,128	989	820	1,146	2,008	1,733	1,738	1,753	1,773	1,748	1,753	1,703	1,683	1,668	1,658
Ending Stocks/Use	8.6%	7.9%	7.4%	8.4%	14.7%	12.6%	12.4%	12.4%	12.4%	12.1%	12.1%	11.6%	11.4%	11.1%	11.0%
Weeks Carryover	4.5	4.1	3.8	4.4	7.6	6.6	6.5	6.5	6.5	6.3	6.3	6.0	5.9	5.8	5.7
Average Farm Price (\$/bu)	\$5.18	\$6.22	\$6.89	\$4.55	\$3.50	\$3.40	\$3.50	\$3.50	\$3.50	\$3.55	\$3.55	\$3.60	\$3.65	\$3.70	\$3.75
Value of Production	\$64,475	\$76,879	\$74,274	\$63,359	\$50,425	\$45,713	\$48,790	\$49,368	\$49,945	\$50,960	\$51,546	\$52,542	\$53,874	\$55,204	\$56,569
% change y/y	39%	19%	-3%	-15%	-20%	-9%	7%	1%	1%	2%	1%	2%	3%	2%	2%

U.S. Soybean Balance Sheet - USDA Long Term Forecast (Feb 2015)															
Millions of bushels	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Planted	77	75	77	77	84	84	79	78	78	79	79	79	79	79	79
Harvested	77	74	76	76	83	83	78	77	77	78	78	78	78	78	78
Yield Per Harvested Acre (Bushels)	44	42	40	43	48	46	47	47	47	48	48	49	49	50	50
Beginning Stocks	151	215	169	140	92	450	519	396	282	243	238	232	237	241	244
Production	3,329	3,094	3,034	3,289	3,958	3,820	3,630	3,620	3,655	3,715	3,750	3,810	3,845	3,885	3,920
Imports	14	16	36	90	15	15	15	15	15	15	15	15	15	15	15
Total Supplies	3,495	3,325	3,239	3,519	4,065	4,285	4,164	4,031	3,952	3,973	4,003	4,057	4,097	4,141	4,179
Crush	1,648	1,703	1,689	1,700	1,780	1,835	1,850	1,850	1,855	1,880	1,900	1,925	1,940	1,960	1,975
Exports	1,501	1,362	1,320	1,600	1,720	1,820	1,810	1,790	1,745	1,745	1,760	1,785	1,805	1,825	1,845
Seed & Residual	131	88	90	95	115	111	109	109	109	110	111	111	111	111	111
Total Use	3,280	3,155	3,099	3,395	3,615	3,766	3,769	3,749	3,709	3,735	3,771	3,821	3,856	3,896	3,931
Ending Stocks	215	169	140	124	450	519	396	282	243	238	232	237	241	244	248
Stocks/Use	6.6%	5.4%	4.5%	3.7%	12.4%	13.8%	10.5%	7.5%	6.6%	6.4%	6.2%	6.2%	6.3%	6.3%	6.3%
Average Price (\$/bu)	\$11.30	\$12.50	\$14.40	\$13.10	\$10.00	\$8.50	\$8.55	\$8.80	\$9.10	\$9.20	\$9.30	\$9.35	\$9.40	\$9.45	\$9.55
Value of Production	\$37,620	\$38,669	\$43,690	\$43,086	\$39,580	\$32,470	\$31,037	\$31,856	\$33,261	\$34,178	\$34,875	\$35,624	\$36,143	\$36,713	\$37,436
% change y/y	17%	3%	13%	-1%	-8%	-18%	-4%	3%	4%	3%	2%	2%	1%	2%	2%

Commodity Trends – Long Run Supply and Demand Projections (Cont.)

US Corn, Soy, and Wheat Supply and Demand - Long Term Annual Forecast 2015 (continued)

U.S. Wheat Balance Sheet - USDA Long Term Forecast (Feb 2015)

Millions of bushels	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Planted	54	54	56	56	57	56	53	53	53	53	53	52	52	52	52
Harvested	48	46	49	45	46	47	45	45	45	45	45	44	44	44	44
Yield Per Harvested Acre (Bushels)	46	44	46	47	44	46	46	47	47	47	48	48	49	49	49
Beginning Stocks	976	862	743	718	590	644	700	680	663	654	653	666	662	661	663
Production	2,207	1,999	2,266	2,130	2,026	2,155	2,075	2,075	2,090	2,105	2,125	2,115	2,135	2,145	2,165
Imports	97	112	123	170	170	150	155	160	165	170	175	180	185	190	195
Total Supplies	3,279	2,974	3,131	3,018	2,786	2,949	2,930	2,915	2,918	2,929	2,953	2,961	2,982	2,996	3,023
Food	926	941	945	950	960	967	974	981	988	995	1,002	1,009	1,016	1,023	1,030
Seed	71	76	73	74	76	72	71	71	71	71	70	70	70	70	70
Feed&residual	129	162	388	220	180	190	180	170	170	170	170	170	180	180	190
Exports	1,291	1,051	1,007	1,180	925	1,020	1,025	1,030	1,035	1,040	1,045	1,050	1,055	1,060	1,065
Total Use	2,417	2,231	2,414	2,424	2,141	2,249	2,250	2,252	2,264	2,276	2,287	2,299	2,321	2,333	2,355
Ending Stocks	862	743	718	593	644	700	680	663	654	653	666	662	661	663	668
Stocks/Use	35.7%	33.3%	29.7%	24.5%	30.1%	31.1%	30.2%	29.4%	28.9%	28.7%	29.1%	28.8%	28.5%	28.4%	28.4%
Average Price (\$/bu)	\$5.70	\$7.24	\$7.77	\$6.87	\$5.90	\$5.00	\$4.65	\$4.75	\$4.80	\$4.80	\$4.80	\$4.80	\$4.85	\$4.85	\$4.85
Value of Production	\$12,579	\$14,475	\$17,607	\$14,631	\$11,953	\$10,775	\$9,649	\$9,856	\$10,032	\$10,104	\$10,200	\$10,152	\$10,355	\$10,403	\$10,500
% change y/y	16%	15%	22%	-17%	-18%	-10%	-10%	2%	2%	1%	1%	0%	2%	0%	1%

Total Acreage and Value of U.S. Corn, Soy and Wheat Production - USDA February 2015 Projection

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Total Corn, Soy, Wheat															
Planted (mm acres)	219	221	230	228	232	228	222	221	221	221	221	220	220	220	220
Harvested (mm acres)	206	204	213	209	213	211	205	204	204	204	204	204	204	204	204
Yield (bu/acre)	87	86	76	93	96	92	96	97	98	99	100	101	102	103	104
Production	17,983	17,453	16,080	19,344	20,391	19,420	19,645	19,800	20,015	20,175	20,395	20,520	20,740	20,950	21,170
Average Price (\$/bu)	\$6.38	\$7.45	\$8.43	\$6.26	\$5.00	\$4.58	\$4.55	\$4.60	\$4.66	\$4.72	\$4.74	\$4.79	\$4.84	\$4.88	\$4.94
Value of Production	\$114,675	\$130,024	\$135,571	\$121,076	\$101,958	\$88,958	\$89,475	\$91,080	\$93,238	\$95,242	\$96,621	\$98,318	\$100,372	\$102,321	\$104,505
% change y/y	28%	13%	4%	-11%	-16%	-13%	1%	2%	2%	2%	1%	2%	2%	2%	2%

U.S. Acreage Planted Per Crop Year

