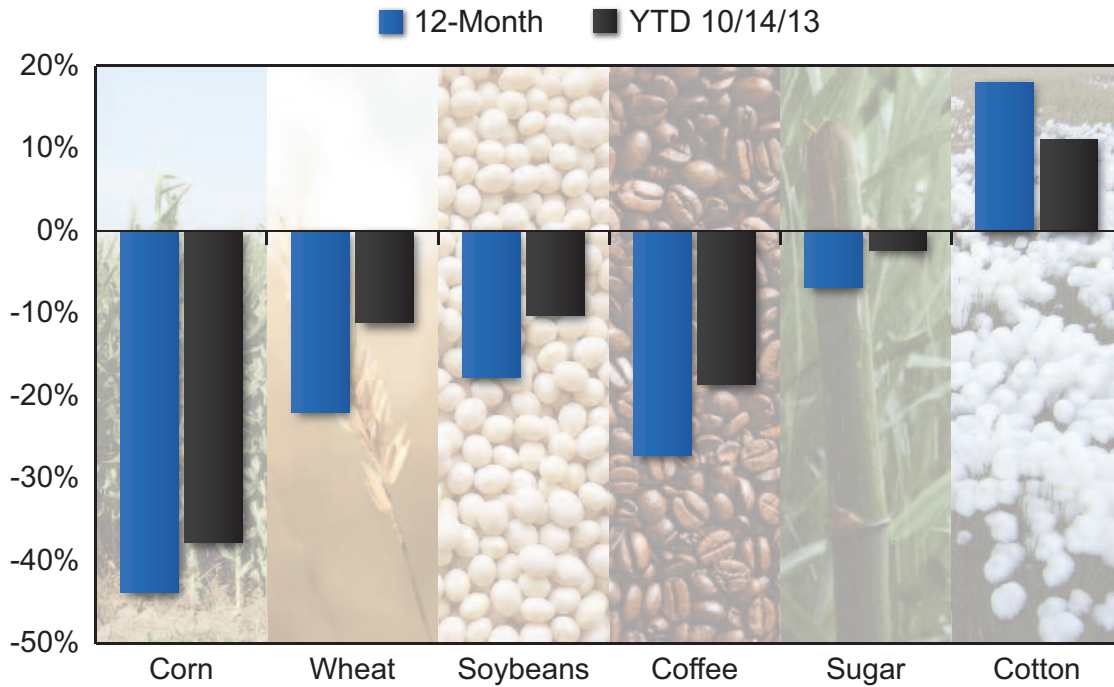


Agriculture Prices Potentially Poised For A Rebound

Price Changes for Major Soft Commodities



Source: Bloomberg. Price performance as of mid-day 10/14/13. Past performance is no guarantee of future results.

View from the Observation Deck

1. On April 24, 2012, our blog post warned investors that agriculture prices, which had posted a strong decade, were in need of a breather. In hindsight, what we got was a correction.
2. Here are the price fluctuations for just the past year (10/14/12 - midday 10/14/13) on a few of the major soft commodities: Corn (-43.8%); Coffee (-27.2%); Wheat (-22.0%); and Soybeans (-17.7%).
3. The U.S. dollar was up approximately 0.7% over that 12-month period, as measured by the U.S. Dollar Index (DXY). So the dollar was not a big contributor to the downward move in prices, in our opinion.
4. One of the encouraging storylines to agriculture is the health of the U.S. farming industry. National net farm income is expected to reach a record \$120.6 billion in 2013, according to the U.S. Dept. of Agriculture.
5. Farm asset values are projected to rise 7.0% (y-o-y) to a record \$3.0 trillion in 2013, according to Zacks Equity Research.
6. The farm debt-to-asset ratio is expected to fall to 10.2%, the lowest level since 1960, according to Zach's.
7. While past performance is no guarantee of future results, we looked back at how agriculture-related stocks performed over a 12-month period approximately 4.5 years into the previous bull market (10/9/02-10/9/07).
8. From 3/07-3/08, of the roughly 132 S&P 500 subsectors, the S&P 500 Fertilizer & Agriculture Chemicals Index ranked #1, up 102.9%, on a total return basis, according to Bloomberg.
9. The S&P 500 Construction & Farm Machinery Index and the S&P 500 Agriculture Products Index were ranked #16 (+18.5%) and #21 (+12.2%), respectively.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Fertilizer & Agriculture Chemicals Index, S&P 500 Construction & Farm Machinery Index and S&P 500 Agriculture Products Index are all capitalization-weighted and comprised of S&P 500 constituents representing a specific industry.