

Digging the channel: proprietary Purdue ag retail survey highlights challenges ahead

Industry Overview

Equity | 12 April 2017

The US ag economy remains under stress

We conducted a survey in collaboration with the Purdue University Center for Food and Agricultural Business. The survey, which included 144 ag retailers representing 3% of the US channel, highlights a tough end market with farmers expected to generate less income, shift down to lower priced products, and exercise more discretion on optional purchases. These effects are felt throughout the supply chain with retailers highlighting upstream chemical companies are reducing prices and increasing rebates. A challenged end market supports our mixed stance on ag-related chemical companies with four Underperforms (AGU, POT, MOS, FMC) compared to four Buys (CF, DOW, DD, PAH).

Rapid Xtend launch positive for MON, negative for DOW

Responses show 27% penetration of Monsanto's Xtend soybeans among retailers, representing the potential for greater than 20mn acres vs. Monsanto's recently increased guidance of 18mn acres. Retailers in Illinois had a weighted average penetration of 47%, Indiana 34%, and Iowa 17%. Respondents noted the rapid adoption was driven by both the superior yielding genetics as well as a defensive maneuver to protect from potential spraying of dicamba by neighbors. Rapid adoption of Xtend, particularly in the high yielding Cornbelt, represents a launch challenge for Dow's Enlist soybeans that are still awaiting Chinese import approval. Retailers were mixed on Xtend's net effect on total industry herbicide sales with 25% expecting an increase and 21% expecting a decrease, and several were not expecting to spray any dicamba.

Increased pressure on seed prices vs. chemicals

Among respondents, 50% expected lower priced seed in 2017 compared to 17% expecting increased prices. Several retailers commented they expect increased competition in seeds and we note that since the 2013 peak, seed prices have increased about 5% vs. around 20% decline in fertilizer prices and about 3% decline in chemical prices. Crop protection chemicals showed a more benign trend with 36% expecting lower price/mix vs. 25% expecting an increase. Inventories may be elevated with 23% indicating above normal levels of crop protection chemicals in inventory compared to 15% below normal.

Bear case on fertilizer demand from variable rate unlikely

Variable rate application of phosphate and potash is estimated at 42%, consistent with other third-party survey work. Retailers noted applications on 91-100% of fields by 1% of respondents, on 76-90% by 10% of respondents, and on 51-75% by 28%. In contrast to one bear thesis on fertilizer demand, our survey shows no material change in fertilizer consumption from variable rate application with 38% of retailers indicating their application of P/K has not changed vs. 31% showing a decrease and 29% an increase.

Lower farm income, but yield drivers remain in place

Ag retailers highlighted another challenging year ahead with 62% of respondents expecting farmer cash margins per acre to contract in 2017, 24% expecting no change, and only 12% expecting an increase. Those expecting lower cash margins estimated a 12% decline while those expecting an increase predicted a 6% gain. Variable rate application of seed at 20% penetration remains behind the adoption curve of fertilizer and represents an upside driver of yield moving forward. Genetics, precision ag, and gene editing (see [2017 agricultural economy primer](#)) represent additional yield upside.

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Refer to important disclosures on page 15 to 16.

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Agricultural Chemicals



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BADER FARMS ET AL. v. MONSANTO ET AL.

**EXHIBIT
PLTF-191**

Highly Confidential

We conducted a survey in collaboration with the Purdue University Center for Food and Agricultural Business. We surveyed 144 Ag retailers in the US, representing 3% share of this channel, with a majority of the participants in the Cornbelt. All survey data was collected in April. See individual sections for executive summaries with full data and comments available in the appendix.

A map of the United States with 100 red pins indicating the locations of the 100 largest cities. The pins are densely clustered in the Northeast corridor, around the Great Lakes, and in the Southeast. Major cities like New York, Los Angeles, Chicago, and Houston are clearly marked with larger pins. State names are labeled across the map, and the Gulf of Mexico is visible to the south.

Farm Economics

Chart 1: Estimated farmer cash margin per acre vs. 2016



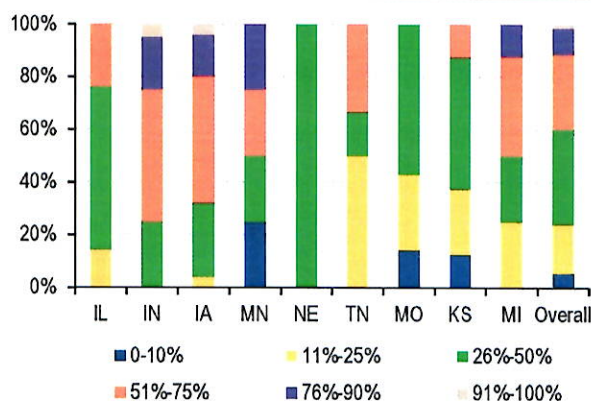
Chart 2: Estimated farmer cash rent per acre vs. 2016



Variable rate application of phosphate (P) and potash (K) was applied on 91-100% of fields by 1% of respondents, on 76-90% by 10% of respondents, on 51-75% by 28%, on 26-50% by 35%, on 11-25% by 18%, and applied on 0-10% of fields by 6% of respondents. As a result of variable rate application, 38% of retailers indicated their

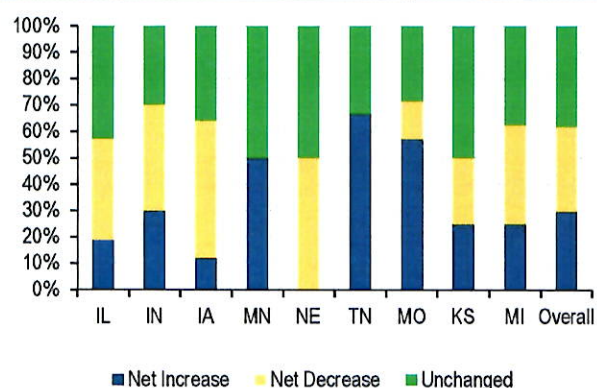
application of P/K has not changed while 31% showed a decrease and 29% showed an increase. If grower interest in variable rate fertilizer applications is not to reduce total fertilizer costs, then we believe the motivation is to prevent a potential yield drag from insufficient fertilizer availability in certain areas.

Chart 3: Fraction of fields receiving variable rate P/K application



Source: BofA Merrill Lynch Global Research

Chart 4: Change in P/K use from variable rate applications

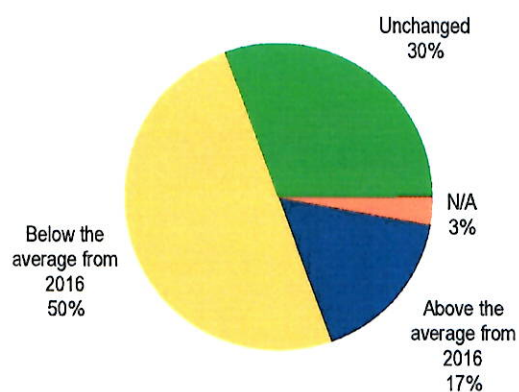


Source: BofA Merrill Lynch Global Research

Seed

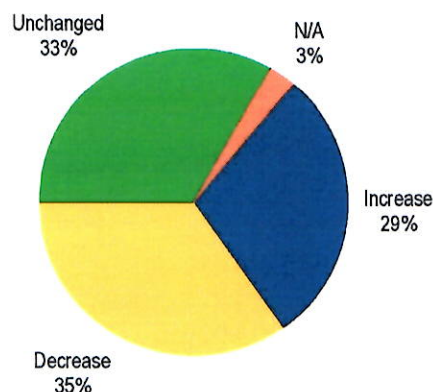
Retailers largely expect declining seed prices in 2017 with 50% of respondents forecasting below average prices vs. 2016, 30% expecting unchanged prices, and only 17% predicting prices to increase. Those expecting declines forecasted 8% lower prices while those expecting an increase predicted a 6% gain. Biotech traits per acre are likely to not materially change with 35% expecting a decrease, 33% forecasting unchanged, and 29% predicting an increase. DuPont (32%) and Monsanto (20%) were most mentioned when asked which brand has been most aggressive on price in 2017.

Chart 5: Expectation of seed prices in 2017 vs. 2016



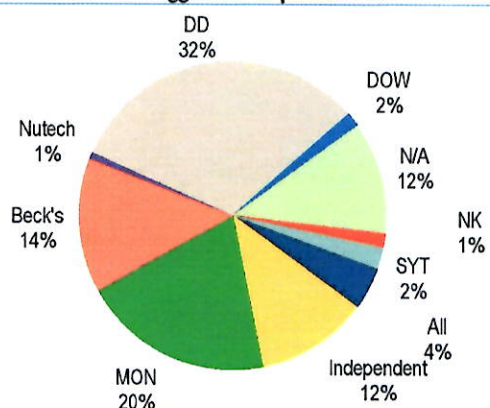
Source: BofA Merrill Lynch Global Research

Chart 6: Expectation of biotech traits per acre in 2017 vs. 2016



Source: BofA Merrill Lynch Global Research

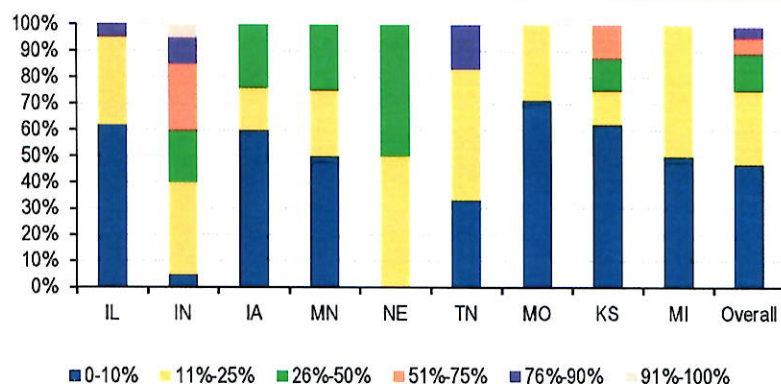
Chart 7: Seed brands mentioned as most aggressive on price in 2017



Source: BofA Merrill Lynch Global Research

Variable rate application of seed was applied on 91-100% of fields by 1% of respondents, on 76-90% by 4% of respondents, on 51-75% by 6%, on 26-50% by 14%, on 11-25% by 27%, and applied on 0-10% of fields by 45% of respondents. The "I" states of Illinois, Indiana, and Iowa tended to have higher fractions of variable rate seeding, which we believe could accelerate yield gains.

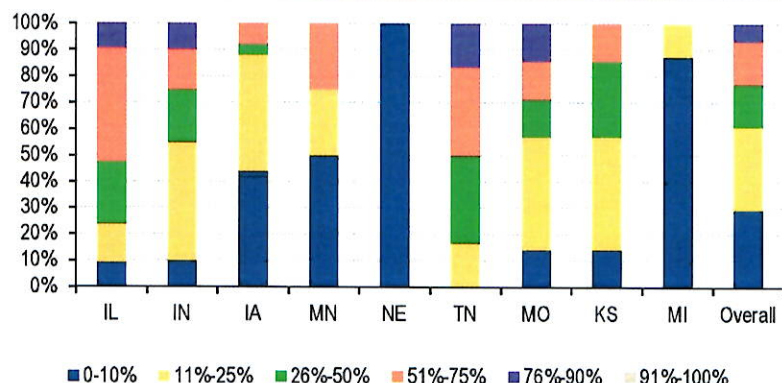
Chart 8: Fraction of fields receiving variable rate seeding



Source: BofA Merrill Lynch Global Research

Penetration of Monsanto's Xtend soybeans in the ag retailer's local area was estimated at 76-90% by 6% of respondents, at 51-75% by 15%, at 26-50% by 15%, at 11-25% by 30%, and at 0-10% by 28% of respondents. Illinois had a weighted average penetration of 47%, Indiana 34%, and Iowa 17%.

Chart 9: Penetration of Xtend soybeans in ag retailer's local area

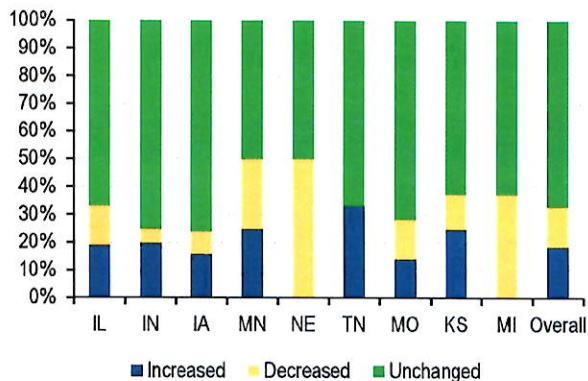


Source: BofA Merrill Lynch Global Research

Crop Protection Chemicals

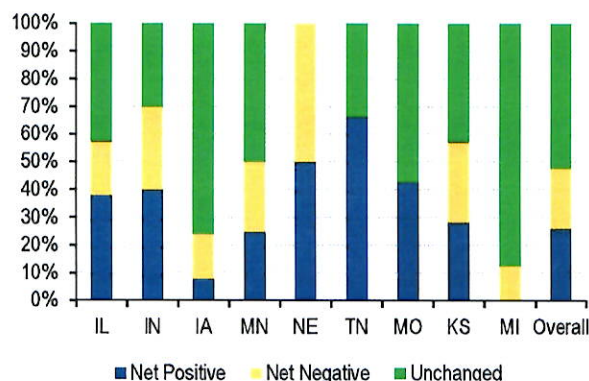
Retailers noted crop protection chemical (CPC) rebate incentives from chemical suppliers have likely overall slightly increased in 2017 with 65% indicating no change, 14% indicating a decrease, while 18% show an increase. Ag retailers were mixed in their views on Xtend's net expected effect on herbicide sales with 25% expecting increased sales, 21% expecting a decrease, and 50% predicting unchanged sales.

Chart 10: Change in rebate incentives from CPC suppliers in 2017



Source: BofA Merrill Lynch Global Research

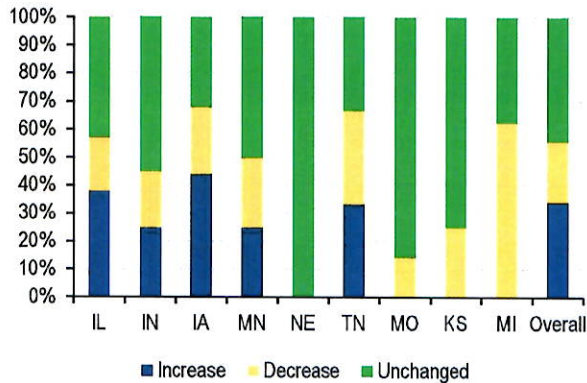
Chart 11: Xtend expected net effect on herbicide sales



Source: BofA Merrill Lynch Global Research

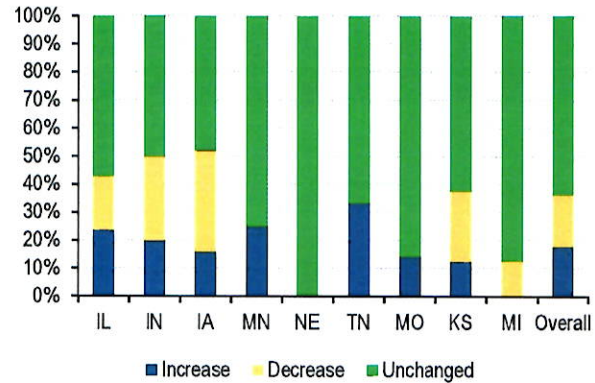
More retailers expected a higher level of fungicide use in 2017 vs. 2016 with 33% expecting an increase, 21% expecting a decrease, and 43% predicting unchanged use. Expected use of insecticide showed no material change with 18% expecting an increase, 18% expecting a decrease, and 62% predicting unchanged use.

Chart 12: Expected use of fungicide in 2017 vs. 2016



Source: BofA Merrill Lynch Global Research

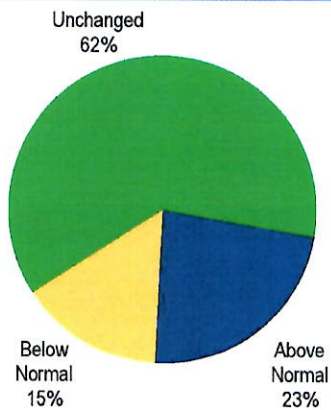
Chart 13: Expected use of insecticide in 2017 vs. 2016



Source: BofA Merrill Lynch Global Research

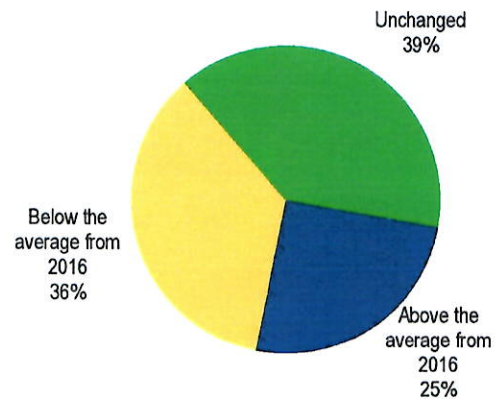
A greater number of retailers noted above normal levels of CPC inventory with 23% indicating above normal levels, 15% below normal, and 62% unchanged. This may have helped contribute to price/mix expectations in 2017 vs. 2016 with 36% indicating lower price/mix, 25% indicating higher, and 39% showing unchanged.

Chart 14: Inventory of crop protection chemicals



Source: BofA Merrill Lynch Global Research

Chart 15: Expected CPC price/mix in 2017 vs. 2016



Source: BofA Merrill Lynch Global Research

Appendix: Full data set and commentary

Table 1: General commentary

The consumer voice gets louder each day. Ag Retailers need to be aware that we must demonstrate responsibility (third party audits of stewardship programs) and be involved in process when legislation is drafted to keep the decision making based on science and not emotion.

Net farm income is still under pressure and resulting in lower margins and more generics. Income is totally dependent on yields. More focus on ROI of inputs, but at the same time a higher probability of a positive ROI is required.

Most of my customer base is still in with 50/50 leases or reasonable cash rest leases. Most the customers are fairly conservative. Chemical usage will increase a little do to using more products and higher rates on soybean acres fighting off weeds. There is a lot of dicamba beans being planted, but a very low percentage will be sprayed with dicamba the first year.

Most products are slightly lower except for fuel which is 20% increase

A lot depends on weather and implications of commodity price/pressure.

Table 1: General commentary

2017 will be a pivotal year - increase yields and depressed commodity prices will speed up the weak ag economy. Major drought with 15% lower trend line yields will band aide the economy for a year or two.

Most of the Dicamba tolerant crops are being planted for a "rescue treatment" option or from a defensive strategy, against drift from neighbors.

Margins could be up a little this year on Soybean and Corn Acres because of the decrease in fertilizer prices.

Lots of variables going into this season. how many less corn acres etc.

Expect this year to be more competitive than last. The other competition is going in up front with low pricing looking to get more market share.

Our customers are cautiously optimistic. We are surviving on superior yields in 2016 being marketed in 2017 for cash flow. This will work for 2017, but if yields slip back to average, with the current market prices, we will have a financial meltdown.

ag economy is very very tough

chemical inventories and dollars are up due to increase soybean residual rates

Grower margins will continue to be pressured. More acres will be planted with the abundance of moisture in the west. Commodity prices are either stagnant, or slightly declining. It will be another tough year to keep growers successful.

I feel that we are getting ready to see a correction in prices on seed and chemicals.

Not sure how all this will happen, but with fewer players in the market and consolidation, we may experience more chemical and Seed ties across our business.

Most of the responses provided will be highly dependent upon the weather and what happens in the coming weeks as we start planting in our area.

Not custom spraying any Dicamba this year on soybeans post emergent

Though sales are down on chemistry, any factor can change this during the growing season, threat of stripe rust in wheat, white mold in beans, weed resistance etc. or an insect out break like Aphids

Source: BofA Merrill Lynch Global Research

Table 2: How would you estimate farmer cash margins per acre in your area for this year vs 2016 levels (% change)?

State	Total	Above the average from 2016	Below the average from 2016	Unchanged	N/A	Above the average from 2016			Below the average from 2016		
						Average	Max	Min	Average	Max	Min
IL	21	2	16	3	0	2%	2%	2%	(11%)	(20%)	(3%)
IN	20	8	8	4	0	7%	15%	3%	(9%)	(15%)	(4%)
IA	25	2	19	4	0	4%	4%	4%	(14%)	(20%)	(10%)
MN	4	0	2	2	0	NM	NM	NM	NM	NM	NM
NE	2	0	1	1	0	NM	NM	NM	NM	NM	NM
TN	6	1	4	1	0	NM	NM	NM	(20%)	(20%)	(20%)
MO	7	0	5	2	0	NM	NM	NM	(15%)	(25%)	(5%)
KS	8	2	4	2	0	10%	10%	10%	(5%)	(5%)	(5%)
MI	8	0	5	3	0	NM	NM	NM	(10%)	(10%)	(10%)
Others	43	3	25	12	3						
Overall	144	18	89	34	3	6%	15%	2%	(12%)	(35%)	(2%)
<i>Answer Mix</i>	<i>100%</i>	<i>13%</i>	<i>62%</i>	<i>24%</i>	<i>2%</i>						

Source: BofA Merrill Lynch Global Research

Table 3: How would you estimate farmer cash rent per acre in your area for this year vs 2016 levels (% change)?

State	Total	Above the average from 2016	Below the average from 2016	Unchanged	N/A	Above the average from 2016			Below the average from 2016		
						Average	Max	Min	Average	Max	Min
IL	21	2	7	12	0	NM	NM	NM	-6.8%	-10.0%	-2.0%
IN	20	0	8	12	0	NM	NM	NM	-8.2%	-15.0%	-1.0%

Table 3: How would you estimate farmer cash rent per acre in your area for this year vs 2016 levels (% change)?

IA	25	1	11	13	0	NM	NM	NM	-6.5%	-10.0%	-3.8%
MN	4	0	3	1	0	NM	NM	NM	-9.5%	-15.0%	-5.0%
NE	2	0	0	2	0	NM	NM	NM	NM	NM	NM
TN	6	1	1	4	0	NM	NM	NM	NM	NM	NM
MO	7	1	3	3	0	15.0%	15.0%	15.0%	-5.0%	-5.0%	-5.0%
KS	8	0	4	4	0	NM	NM	NM	-12.5%	-20.0%	-5.0%
MI	8	0	3	5	0	NM	NM	NM	-10.0%	-10.0%	-10.0%
Others	43	3	10	27	3						
Overall	144	8	50	83	3	8.0%	15.0%	1.0%	-7.8%	-20.0%	-1.0%
<i>Answer Mix</i>	100.0%	5.6%	34.7%	57.6%	2.1%						

Source: BofA Merrill Lynch Global Research

Table 4: In your area, what fraction of cultivated fields will receive variable rate applications of Phosphate and Potash for the 2017 crops?

State	Total	0-10%	11%-25%	26%-50%	51%-75%	76%-90%	91%-100%	N/A
IL	21	0	3	13	5	0	0	0
IN	20	0	0	5	10	4	1	0
IA	25	0	1	7	12	4	1	0
MN	4	1	0	1	1	1	0	0
NE	2	0	0	2	0	0	0	0
TN	6	0	3	1	2	0	0	0
MO	7	1	2	4	0	0	0	0
KS	8	1	2	4	1	0	0	0
MI	8	0	2	2	3	1	0	0
Others	43	5	13	12	6	4	0	3
Overall	144	8	26	51	40	14	2	3
<i>Answer Mix</i>	100.0%	5.6%	18.1%	35.4%	27.8%	9.7%	1.4%	2.1%

Source: BofA Merrill Lynch Global Research

Table 5: Has variable rate applications of Phosphate and Potash resulted in a net increase or decrease in total applications?

State	Total	Net Increase	Net Decrease	Unchanged	N/A
IL	21	4	8	9	0
IN	20	6	8	6	0
IA	25	3	13	9	0
MN	4	2	0	2	0
NE	2	0	1	1	0
TN	6	4	0	2	0
MO	7	4	1	2	0
KS	8	2	2	4	0
MI	8	2	3	3	0
Others	43	15	9	16	3
Overall	144	42	45	54	3
<i>Answer Mix</i>	100.0%	29.2%	31.3%	37.5%	2.1%

Source: BofA Merrill Lynch Global Research

Table 6: Do you expect the average price of seed sold for 2017 season to be above or below the average from 2016, and by how much (percentage)?

State	Total	Above the average from 2016	Below the average from 2016	Unchanged	N/A	Above the average from 2016			Below the average from 2016		
						Average	Max	Min	Average	Max	Min
IL	21	2	13	6	0	4.5%	5.0%	4.0%	-5.9%	-10.0%	-3.0%
IN	20	2	7	11	0	5.0%	5.0%	5.0%	-7.3%	-15.0%	-4.0%
IA	25	3	14	8	0	NM	NM	NM	-11.7%	-25.0%	-5.0%
MN	4	0	3	1	0	NM	NM	NM	-9.5%	-10.0%	-8.5%
NE	2	1	0	1	0	2.0%	2.0%	2.0%	NM	NM	NM

Table 6: Do you expect the average price of seed sold for 2017 season to be above or below the average from 2016, and by how much (percentage)?

TN	6	3	2	1	0	7.5%	10.0%	5.0%	NM	NM	NM
MO	7	0	3	4	0	NM	NM	NM	-5.0%	-5.0%	-5.0%
KS	8	4	1	3	0	5.2%	7.5%	3.0%	-10.0%	-10.0%	-10.0%
MI	8	0	8	0	0	NM	NM	NM	-8.3%	-10.0%	-3.0%
Others	43	9	21	9	4						
Overall	144	24	72	44	4	5.5%	20.0%	2.0%	-8.2%	-25.0%	-1.0%
<i>Answer Mix</i>	<i>100.0%</i>	<i>16.7%</i>	<i>50.0%</i>	<i>30.6%</i>	<i>2.8%</i>						

Source: BofA Merrill Lynch Global Research

Table 7: Do you expect the average number of biotech traits per acre will increase or decrease vs 2016, and why?

State	Total	Increase	Decrease	Unchanged	N/A
IL	21	8	5	8	0
IN	20	4	12	4	0
IA	25	5	13	7	0
MN	4	0	2	2	0
NE	2	1	0	1	0
TN	6	4	1	1	0
MO	7	3	0	4	0
KS	8	3	2	3	0
MI	8	1	6	1	0
Others	43	13	9	17	4
Overall	144	42	50	48	4
<i>Answer Mix</i>	<i>100.0%</i>	<i>29.2%</i>	<i>34.7%</i>	<i>33.3%</i>	<i>2.8%</i>

Source: BofA Merrill Lynch Global Research

Table 8: Do you expect the average number of biotech traits per acre will increase or decrease vs 2016, and why?

Comments

Increase

Added insurance for the big guys.
 Addition of Dicamba to the lineup.
 advancement in technology
 Better products
 dicamba traits
 Dicamba Beans & more Liberty beans (40% Xtend, 20% Liberty, 40% RR2)
 dicamba tolerant soybeans
 Dicamba trait has been added to the mix
 Dicamba tolerant cotton and soybeans will drive more Biotech trait sales
 farmers are looking at ways to increase profits
 herbicide resistance
 introduction of dicamba tolerant soybeans in ON.
 Many acres will add Xtend to others. Should outweigh conversion to conventional
 Need the Biotech traits in today's environment. Without has not worked, yields < 20% Last YR
 New choices in herbicides
 New technologies of Roundup Xtend and Enlist
 New technology has come on the scene. (Dicamba & 2, 4-D technology)
 Palmer amaranth control with new technologies.
 Resistance
 Results
 Still where the yield is at
 Weed resistance
 Weeds
 XTEND
 Yield
 Increase on drought tolerance traits.
 Duracade is coming, along with Enlist and Balance bean

Decrease

cost cutting, low corn prices

Table 8: Do you expect the average number of biotech traits per acre will increase or decrease vs 2016, and why?

Comments

Cost Savings-Take advantage of soil applied products
 Farmers are more willing to accept risk of pest pressure in lieu of planting biotech seeds
 Farmers looking to decrease the purchase price per unit
 Farms are cutting corn input cost as much as possible
 Few guys buying cheaper seed with less traits
 grain prices
 I think cost will drive producers to average the same number of traits or plant a cheaper product with less traits
 less corn acres, so less corn on corn and less of the rootworm traits are being ordered
 Less traits lowers cost
 Margins
 more above ground only, less above and below
 More demand for non-gmo
 Non traited corn will increase 5% due to price.
 Price
 Producers do not see the value of purchasing EVERY trait in the bag. They would rather only purchase the specific traits they feel the need.
 Slightly down due to conventional and organic demand.
 some will look at lowering seed cost per acre this year
 Still shifting corn genetics from full traited to conventional because of costs
 We have had an extreme interest in Non-GMO varieties for the dairies
 Price
 Price
 Reduce seed costs
 Similar yields can be attained without expensive traits.
 Smartstax to DoublePro
 The value to grower is lower in our geography with low-priced commodities
 too pricey
 Using insecticides
 VT2's have been yielding well with plenty of rain the last couple of years, cost savings
 based on price. Need to cut costs somehow.
 Be more deliberate where used.
 Cheaper
 Cost
 Cost
 Cost savings that growers are looking for
 farmers are more willing to accept risk of pest pressure in lieu of planting biotech seeds
 Growers are looking for cheaper seed and often that offers fewer biotech traits
 Lower corn price
 Lower cost on less traits and less corn on corn acres
 More conventional and double stacked traits rather than triple or smart stacks
 More conventional corn in area
 Source: BofA Merrill Lynch Global Research

Table 9: In your area, what fraction of cultivated fields will receive variable rate seeding for 2017?

State	Total	0-10%	11%-25%	26%-50%	51%-75%	76%-90%	91%-100%	N/A
IL	21	13	7	0	0	1	0	0
IN	20	1	7	4	5	2	1	0
IA	25	15	4	6	0	0	0	0
MN	4	2	1	1	0	0	0	0
NE	2	0	1	1	0	0	0	0
TN	6	2	3	0	0	1	0	0
MO	7	5	2	0	0	0	0	0
KS	8	5	1	1	1	0	0	0
MI	8	4	4	0	0	0	0	0
Others	43	19	9	7	2	2	0	4
Overall	144	66	39	20	8	6	1	4
<i>Answer Mix</i>	100.0%	45.8%	27.1%	13.9%	5.6%	4.2%	0.7%	2.8%

Source: BofA Merrill Lynch Global Research

Table 10: Penetration of Xtend soybeans in your area?

State	Total	0-10%	11%-25%	26%-50%	51%-75%	76%-90%	91%-100%	N/A
IL	21	2	3	5	9	2	0	0
IN	20	2	9	4	3	2	0	0
IA	25	11	11	1	2	0	0	0
MN	4	2	1	0	1	0	0	0
NE	2	2	0	0	0	0	0	0
TN	6	0	1	2	2	1	0	0
MO	7	1	3	1	1	1	0	0
KS	8	1	3	2	1	0	0	1
MI	8	7	1	0	0	0	0	0
Others	43	12	11	7	3	3	0	7
Overall	144	40	43	22	22	9	0	8
<i>Answer Mix</i>	100.0%	27.8%	29.9%	15.3%	15.3%	6.3%	0.0%	5.6%

Source: BofA Merrill Lynch Global Research

Table 11: Have rebate incentives from crop protection chemical suppliers for 2017 changed from 2016?

State	Total	Increased	Decreased	Unchanged	N/A
IL	21	4	3	14	0
IN	20	4	1	15	0
IA	25	4	2	19	0
MN	4	1	1	2	0
NE	2	0	1	1	0
TN	6	2	0	4	0
MO	7	1	1	5	0
KS	8	2	1	5	0
MI	8	0	3	5	0
Others	43	8	7	23	5
Overall	144	26	20	93	5
<i>Answer Mix</i>	100.0%	18.1%	13.9%	64.6%	3.5%

Source: BofA Merrill Lynch Global Research

Table 12: Will Xtend (dicamba tolerance) be a net positive or net negative for herbicide sales?

State	Total	Net Positive	Net Negative	Unchanged	N/A
IL	21	8	4	9	0
IN	20	8	6	6	0
IA	25	2	4	19	0
MN	4	1	1	2	0
NE	2	1	1	0	0
TN	6	4	0	2	0
MO	7	3	0	4	0
KS	8	2	2	3	1
MI	8	0	1	7	0
Others	43	7	11	20	5
Overall	144	36	30	72	6
<i>Answer Mix</i>	100.0%	25.0%	20.8%	50.0%	4.2%

Source: BofA Merrill Lynch Global Research

Table 13: In your areas, do you expect Fungicide use to increase or decrease from 2016 levels, and why?

State	Total	Increase	Decrease	Unchanged	N/A
IL	21	8	4	9	0
IN	20	5	4	11	0

Table 13: In your areas, do you expect Fungicide use to increase or decrease from 2016 levels, and why?

IA	25	11	6	8	0
MN	4	1	1	2	0
NE	2	0	0	2	0
TN	6	2	2	2	0
MO	7	0	1	6	0
KS	8	0	2	6	0
MI	8	0	5	3	0
Others	43	21	5	13	4
Overall	144	48	30	62	4
<i>Answer Mix</i>	<i>100.0%</i>	<i>33.3%</i>	<i>20.8%</i>	<i>43.1%</i>	<i>2.8%</i>

Source: BofA Merrill Lynch Global Research

Table 14: In your areas, do you expect Fungicide use to increase or decrease from 2016 levels, and why?

Comments

Increase

0% finance offers to attract early orders have us thinking today use will be up. That remains to be seen.

2016 results were good

Benefits have been demonstrated in a very wet year (2015) and a dry year (2016).

Increase

Due to warm winter, disease pressure will be up

great results from 2016

growing uptake on soybeans

Heavy yield loss due to Rust last year will increase farmer use of fungicide this year

Higher rainfall and inoculum from 2016

Higher than normal moisture

If we have potential of a good crop they will apply due to the results of applying or not applying fungicides last year

Its effectiveness in preventing losses last year was dramatic

Lots of moisture / disease pressure

More disease issues popped up last year where they didn't use it

more on soybeans, less on corn

N/A

No Winter

Positive ROI from 2016.

ROI

running local program to incentivize these applications

some nice payoffs most years but more when conditions are right.

the results are positive in most cases

we continue to see consistent value in both corn and soybeans

we will have an increase in peanut acres - thus resulting in higher usage.

Weather conditions

Wet 16

wet cool spring

wet warm spring

Decrease

\$

cutting overall dollars spent on the farm

Depends on the weather

due to cost / pricing / ROI lower potential

Due to crop prices on Corn & Soybeans. Up on Sugar Beets and Fruit Crops.

Farmers will prioritize \$ for weed control

grain prices

Keeping cost down, less corn acres

Less producers will invest in preventative products, and instead take a chance on fungicide being needed or not

Lower moisture so far on wheat acres and less margin to spend for it.

margins

More selective use and cost cutting.

Primarily used on Wheat and we have 20-25% less wheat, additionally not sure how much investment in wheat will be made

Source: BofA Merrill Lynch Global Research

Table 15: In your area, do you expect Insecticide use to increase or decrease from 2016 levels, and why?

State	Total	Increase	Decrease	Unchanged	N/A
IL	21	5	4	12	0
IN	20	4	6	10	0
IA	25	4	9	12	0
MN	4	1	0	3	0
NE	2	0	0	2	0
TN	6	2	0	4	0
MO	7	1	0	6	0
KS	8	1	2	5	0
MI	8	0	1	7	0
Others	43	7	4	28	4
Overall	144	25	26	89	4
<i>Answer Mix</i>	<i>100.0%</i>	<i>17.4%</i>	<i>18.1%</i>	<i>61.8%</i>	<i>2.8%</i>

Source: BofA Merrill Lynch Global Research

Table 16: In your area, do you expect Insecticide use to increase or decrease from 2016 levels, and why?

Comments

Increase

Also because of warm winter, insect pressure will be up
 Increase in non-gmo = need for insecticide
 Increased for foliar application in soybeans. Decrease in soil applied for corn.
 Mild winter expect more bugs
 More cotton acres will result in more total insecticides. But other crops will more selective.
 No cold winter weather
 no hard freeze
 Smaller guys have the time to do it, and will save money.
 There will be more insect pressure this year
 we will have an increase in peanut acres - thus resulting in higher usage.
 Weed pressure
 with a mild winter I expect to see a lot of bugs

Decrease

\$
 cost too much/acre
 Going back on crop rotations, to a 60/40 c/sb vs 90/10
 growers are more willing to accept the risk of rootworm feeding on traited-seeds
 Insecticides not approved as tank mix partner with new dicambas
 Less Milo planted so we wont spray as much for Sugar Cane Aphids, We also had a large run on soybeans last year I would not count on again
 margins
 reduction in corn on corn acres
 Sacrificial lamb
 So much depends on the season and on the pressure, with costs in mind I think producers would say decrease now but pressure will drive the ultimate net change

Source: BofA Merrill Lynch Global Research

Table 17: Is your inventory of crop protection chemicals above or below normal and by how much (percentage)?

State	Total	Above Normal	Below Normal	Unchanged	N/A	Above Normal			Below Normal		
						Average	Max	Min	Average	Max	Min
IL	21	7	0	14	0	9%	15%	5%	NM	NM	NM
IN	20	3	4	12	1	9%	10%	8%	-15%	-20%	-10%
IA	25	7	3	15	0	10%	15%	5%	-5%	-5%	-5%
MN	4	1	1	2	0	10%	10%	10%	-10%	-10%	-10%
NE	2	0	1	1	0	NM	NM	NM	-20%	-20%	-20%
TN	6	4	1	1	0	11%	20%	5%	NM	NM	NM
MO	7	0	2	5	0	NM	NM	NM	-15%	-20%	-10%
KS	8	2	1	5	0	15%	15%	15%	-5%	-5%	-5%
MI	8	1	3	4	0	10%	10%	10%	-15%	-25%	-10%

Table 17: Is your inventory of crop protection chemicals above or below normal and by how much (percentage)?

Others	43	7	5	27	4						
Overall	144	32	21	86	5	12%	30%	5%	-13%	-25%	-5%
Answer Mix	100.0%	22.2%	14.6%	59.7%	3.5%						

Source: BofA Merrill Lynch Global Research

Table 18: How do you expect average price mix of crop protection chemicals to change in 2017 vs 2016 (percent change)?

State	Total	Above the average from 2016	Below the average from 2016	Unchanged	N/A	Above the average from 2016			Below the average from 2016		
						Average	Max	Min	Average	Max	Min
IL	21	9	4	8	0	9%	15%	5%	NM	NM	NM
IN	20	6	5	8	1	9%	10%	8%	-15%	-20%	-10%
IA	25	6	9	9	1	10%	15%	5%	-5%	-5%	-5%
MN	4	1	1	2	0	10%	10%	10%	-10%	-10%	-10%
NE	2	0	1	1	0	NM	NM	NM	-20%	-20%	-20%
TN	6	2	2	2	0	11%	20%	5%	NM	NM	NM
MO	7	3	4	0	0	NM	NM	NM	-15%	-20%	-10%
KS	8	3	1	4	0	15%	15%	15%	-5%	-5%	-5%
MI	8	1	6	1	0	10%	10%	10%	-15%	-25%	-10%
Others	43	4	16	19	4						
Overall	144	35	49	54	6	12%	30%	5%	-13%	-25%	-5%
Answer Mix	100.0%	24.3%	34.0%	37.5%	4.2%						

Source: BofA Merrill Lynch Global Research

Companies mentioned

	Ticker	Rating	Price in US\$ (Apr 11, 2017)
Agrium Inc.	agu	C-3-8	93.81
Potash Corp	pot	C-3-8	16.85
The Mosaic Company	mos	C-3-8	28.69
FMC	fmc	B-3-7	75.38
CF Industries	cf	C-1-8	29.65
Dow Chemical	dow	C-1-7	62.49
DuPont	dd	B-1-7	79.14
Platform Specialty	pah	C-1-9	13.27

Source: BofA Merrill Lynch Global Research

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