

**American Society of Agricultural and Biological Engineers
(ASABE)
2014 Annual International Meeting**

**Keynote Address from Sergio Marchionne,
Chairman of CNH Industrial
Chairman/CEO of Chrysler Group and CEO of Fiat**

Montreal, Canada

14 July 2014

Ladies and Gentlemen,

Good morning to you all and my thanks to the American Society of Agricultural and Biological Engineers for the invitation to address you here today. I don't get to come to Montreal very often. Many people associate this area of the country with poutine and good maple syrup, but perhaps just a few also know that the highest percentage of Christmas trees grown in Canada is grown right here in Quebec. There are 20,600 acres of Christmas trees in the province.

In fact, I find it very fitting that you chose to have your annual conference in Quebec. There are over 30,000 farms here – accounting for around 14% of Canadian farms – and Quebec is strong in all facets of agricultural activity. In essence, this province is an exemplary model of what agricultural communities should aspire to.

I am here today in my capacity as Chairman of CNH Industrial, one of the largest, most solid players in the capital goods sector. Just to give you some background, the businesses that today are under CNH Industrial's umbrella had been an integral part of the Fiat Group for more than a century. A few years ago we approved the separation of the Group into two distinct entities – Fiat-Chrysler and CNH Industrial – to provide each business greater freedom of movement and the necessary strategic independence to fully realize their potential.

This decision was propelled by the imperative for growth, autonomy and efficiency in the agricultural sector, which is one of Fiat's historic businesses since its founding 115-year ago.

As you may recall, during the U.S. broadcast of last year's Super Bowl, Chrysler's Ram Truck brand aired a two-minute video inspired by the stirring "So God Made a Farmer" tribute delivered some three decades ago.

It is an anthem to farmers and their life; a way to remind us of our shared identity and character, the greatness born out of perseverance and determination and the rewards that come from hard work.

The video was created to support the 2013 "Year of the Farmer" effort to benefit the National FFA Organization, formerly known as Future Farmers of America.

The Ram Truck brand teamed up with CNH Industrial, through its brand Case IH, to raise awareness and generate funds for hunger relief efforts in local communities.

Before my talk, I would like to show you this video, because I believe it is the most fitting introduction to our meeting and the topics I will be addressing today.

[WATCH: Ram Truck Farmer Video](#)

* * *

CNH Industrial began its new life as an independent entity on January 1st, 2011, focused on its core business, with well-defined targets that are clearly understandable to the market.

Currently we are the undisputed second largest producer of agricultural equipment worldwide, with leading positions in Europe and Latin America.

We have 48 R&D Centers and 62 plants and employ over 70,000 people worldwide. Altogether, we have 12 brands, each of which is a major international force in its sector.

I have been asked to share some thoughts with you on the main issues we face over the coming years and the role that our industry can play and, more generally, on the business climate around the world.

As you probably already know, the theme of the Global Expo that will take place in Milan next year is “*Feeding the Planet, Energy for Life*”.

That theme speaks first of all to the collective responsibility we have as human beings. It is about our vision of the future and the legacy we want to leave to future generations.

CNH Industrial, together with Fiat and Chrysler, is supporting the event as an Official Global Sponsor because we are committed to the very same values.

Our companies have long embraced these challenges, working on innovative solutions that lead to sustainable development.

The decision to support the Expo is consistent with our global business model built on respect for the environment and the communities in which we operate.

The concept of feeding a planet whose population is projected to grow by 2.5 billion in less than 40 years to 9 billion is daunting. But I'm not here to give you the magic recipe to solve this issue. No one person, Nation or industry has it.

Moreover, the effects of such huge growth in the world population go far beyond the problem of how to feed them. It deals with the much bigger issue of how to manage this explosion on a social, economic and political level, and how to do it on a global scale.

What we can do, as a leader in the agricultural sector, is give our small contribution to guarantee those people a continuity of life by equipping ourselves to produce the maximum food possible. We alone may not be able to resolve the big challenge of ensuring healthy, safe and sufficient food supply for everyone on the planet.

But everyone can and must do their part.

We in particular are important stakeholders in addressing these issues.

The private sector has a key role to play in areas such as agriculture and agribusiness, sustainable energy, infrastructure and social development, and climate change.

As a major global player through our Case IH and New Holland Agriculture brands, we believe that we have the power to make a significant impact in those areas.

We are aware of the responsibility that comes with our role and the importance of acting as a global steward to foster and support local agriculture.

To meet this broad objective, our strategy has been concentrated over the years in two directions. First of all, extending the coverage of mechanization as wide as possible, through different approaches, targeted on local needs and possibilities. We have developed specific products to make mechanization accessible to the maximum number of people, in order to provide the appropriate means to increase the actual and potential soil productivity.

Secondly, especially in mature markets, our strategy has been conducted to maximize the efficiency of cultivated land, to ensure continuous growth and development. Last month, right here in Canada, in the province of Saskatchewan, New Holland Agriculture launched the world's most powerful combine featuring the highest capacity in the industry.

The CR10.90 combine harvester has up to 15% higher productivity than our previously highest capacity model. And when compared with what was considered a high capacity combine of a decade ago, this new machine has over 25% more productivity, thanks to advances in harvesting and engine technology. This result has been achieved in just ten years, and I think it is a clear sign of our commitment and determination to continuously improve technology for the benefit of farmers.

We all know that a fundamental element in increasing the global food supply is ensuring farmers access to the proper tools, equipment and machinery.

The UN's Food and Agriculture Organization advocates up-to-date farming technologies as being crucial to sustainable development and feeding the world's growing population.

The FAO also stresses the importance of encouraging sustainable private sector development that gives farmers access to the right choice of technology for a variety of applications.

And that is what our agricultural arm is committed to provide and support: increased agricultural productivity, rural economic development, local and national food security, and promotion of local production of equipment and machinery.

In operational terms, for us that translates into:

- providing a full-range of high-performing agricultural equipment to help maximize crop yields and achieve more abundant harvests;
- delivering innovative technology through our precision agriculture systems;
- continuing to develop an already significant presence in both mature and emerging markets around the world;
- and creating sustainable initiatives, at the global and local level, tied to the themes of agriculture and food security.

With our extensive experience and track record in product innovation, we have gained an excellent understanding of the agriculture business and are able to provide farmers with efficient, sustainable and profit-generating technology.

In 2013, we spent over \$1.2 billion, or 3.8% of our global revenues from industrial operations, on Research & Development. Over \$730 million of this was dedicated to Agricultural and Construction Equipment.

To increase soil productivity, one of our main areas of focus is Precision Agriculture Technology, which is also widely recognized as the most efficient driver toward sustainable agriculture.

The evolution of precision agriculture over the last 20 years has seen a shift from a focus on individual machines to systems that create or support an eco-system of interconnected machines.

The latest phase of evolution is the use of telematics to link equipment, land and people – transforming a single machine into a complete system.

We are starting to see the one operator-driven machine method which leads multiple smaller, driverless machines through fields.

Our ultimate ambition is that the level of autonomy in agricultural machinery via digital control will lead to removal of the operator altogether.

To successfully introduce innovative new technologies that generate agronomic, economic and environmental benefits, we need to view it as an integrated process that goes far beyond the individual product to involve industry, policy makers, best-in-class technology providers and universities.

We actively engage externally with academic institutions and global working groups to promote the development of new innovations and expand our own wealth of knowledge and skills. We currently collaborate with over 30 universities in North America, Europe, South America, and Asia-Pacific.

At present, we are involved in two main projects under the Seventh Framework Program of the European Commission, both of which focus on precision agriculture as a means towards more sustainable production.

For our growers, these precision solutions are no longer optional – they are demanding that those technologies are built in.

We have partnered with best-in-class technology providers to develop integrated systems and components and open and secure data systems and telematics services that ensure our products are best-in-class, flexible, innovative and safe.

Products that meet the needs of growers for more efficient management of machines, land, labor and inputs throughout all phases of the crop production cycle.

The U.S. Department of Agriculture estimates that implementing precision agriculture practices could save 16 million gallons of fuel per year – that represents not just significant savings for growers, but also a great gift for our planet.

Our Precision Agriculture System is grouped into several major product categories:

- Guidance,
- Application Control,
- Attribute and Yield Monitoring,
- Telematics and Integrated Solutions.

Guidance improves operating efficiency by using integrated GPS for precision steering of machines through the field.

Application Control Systems are used in the growing phase to plant, fertilize and spray only where needed - thus reducing cost input and optimizing crop output.

Monitoring of crop yield and attributes at harvest provides the operator with an understanding of in-field variability and the results from their production management phases.

Finally, Telematics and Integrated solutions represent a more efficient way to make data available. They utilize wireless communication technology to connect equipment in the field with external data systems. This allows easy access to information via fixed or mobile devices such as a smartphone.

We believe that this technology will drive the next major evolution in farming by shifting the focus from the individual machine to the total agricultural ecosystem.

* * *

When we look at the agriculture industry today, trends are split between mature and emerging markets.

In mature markets, we are seeing a consolidation of farms to achieve economies of scale. North America and Europe, specifically, remain solid and stable markets for our business.

Meanwhile, the use of mechanization is growing in emerging markets motivated by the need for food security.

CNH industrial is widening its product offering to capture future opportunities in these markets and develop a distribution strategy best suited for their future transformations. Whoever works in this sector has to be globally consistent but locally relevant.

It means we have to ensure continued investment in new products and, at the same time, we have to develop a product offer tailored to satisfy demand in each individual market.

With over a century of experience operating in all markets around the world, we are now able to adapt to the state of development of the country in which we work, so as to accompany them on their specific growth path.

For this reason, in the emerging markets many of our brands are developing products locally to meet local needs.

In addition to our local R&D centers, our Product Development and Engineering area has established Regional Operating Groups that develop and customize products for local markets based on our global specifications.

In places such as **Africa and the Middle East**, high population growth and the consequent need for further mechanization to feed this growing population is driving demand for our products.

In Africa, in particular, there is a significant gap in mechanization and productivity. We are intensifying our efforts in the value market and increasing the presence of our brands with the establishment of local offices and expansion of the dealer network.

The **Asia Pacific** region is another key area where we are focusing our efforts as it accounts for the largest percentage of worldwide crop output.

The population in India alone is projected to reach 1.6 billion by 2050, requiring an increase in annual food grain production of more than a third compared with current levels.

Our activities there are a prime example of what we are currently doing to address the demand for mechanization in Asia Pacific.

The demographic, social and economic dynamics all point to a transformation of Indian agriculture. It will happen and it is overdue.

In terms of mechanization we can say that India is in its infancy, and is mainly focused on land preparation today.

There is considerable room therefore for improvement in the way tractors are used and significant room for growth in the other steps of the crop cycle.

We are already developing new and more sophisticated products and investing for the future and we recently invested in a new manufacturing facility in the city of Pune which will serve the Indian market, as well as producing for export to Africa, the Middle East, and South America.

China on the other hand has its own unique set of assets combined with rising population challenges.

Here, a combination of policies, social trends, demographic and economic development will progressively drive more rapid mechanization and a shift towards more efficient farms. We are focusing on crops that are the least mechanized today and on crop cycle phases where the use of high quality equipment can produce the best improvements in yield.

In order to deliver the best solutions in China we are investing in local research and development. Our R&D center there is one of the largest in the region dedicated to agricultural machinery. Our long-established manufacturing presence will be strengthened by our new flagship plant in Harbin that comes on stream later this year.

Moving on to **South America**, we expect continued strong growth in agricultural production. Over the past five years, corn and soybean production has increased from 80 to 90 million hectares.

One of the areas where we see some of the greatest potential is in Argentina which produces globally competitive food and other agro

products in terms of both quantity and quality. This makes it an effective and attractive target for foreign exchange and a significant source of employment throughout the entire production chain.

Based on public data, the national industry generates 34% of the country's total employment, about 4.5 million jobs, which produce over 40% of the National GDP.

In the next five years, production is expected to grow by 2.8% in Argentina for wheat, coarse grain, and oilseeds.

We are supporting this fast expansion through local production at our three plants.

* * *

The World Food Summit of 1996 defined food security as existing “when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life”.

Here in North America, both the U.S. and Canadian governments continue to integrate food security and development policies, investing billions both at domestic and international levels.

For the U.S., global food aid assistance accounts for 6% of traditional foreign aid annually.

Canada has also been an instigator and key donor to countless international agendas while also promoting its national Food Security

Strategy, a part of which focuses on doubling its investment in sustainable agriculture.

CNH Industrial has worked with Federal, State, Provincial, and Local governments to help shape sound agricultural and food security related policies.

We have consistently lobbied government officials to support policies that maintain a robust farm safety net so we may continue to enjoy the world's safest, most affordable and most abundant food supply while also benefiting from the manufacturing jobs generated as a result.

Another region with significant resources that is working to best regulate and exercise its influence to ensure global food security is **Europe**.

Europe's 500 million consumers all depend upon a reliable supply of healthy, nutritious food at an affordable price.

But farming is not just about quantity.

The EU's new Common Agricultural Policy (CAP) supports all different types of farm and farming practices, whether big or small, family-run, conventional or organic, respecting the wide variety of European agricultural traditions.

Our food security-related activities include support for and participation in major institutional events and initiatives and we are also active members of various EU industry associations such as CEMA, which acts as the voice of the Agricultural Machinery Industry in Europe.

Through CEMA, we have been a part of engagement and policy recommendations on food-security related issues, for example through its recent Advancing Agricultural Mechanization (AM) publication to promote farming & rural development in Africa.

* * *

Our involvement in all the regions goes beyond merely conducting business, however.

Everyone at CNH Industrial is aware that our decisions can significantly impact the communities in which we operate, both directly and indirectly.

As an organization, wherever we have an operating footprint, we voluntarily foster projects and activities that encourage economic, social and cultural development.

We do this because we believe that our success is also measured by the impact our activities have on society as whole.

In every decision we make, we seek to find the right equilibrium between economic profit and socially responsible behavior, between financial returns and sustainable development.

Because of this, for three consecutive years our company has been named as Sector Leader in the *Dow Jones Sustainability World and Europe indices*, receiving the maximum score in several key areas of analysis in the environmental dimension, such as policies and operational eco-efficiency, and in the social dimension, especially related to human capital development, management and philanthropy.

Maybe most of the social initiatives we have promoted – and which our people have supported – were not reported in the press and they may not be of common knowledge to the greater global community.

It is the unseen parts of CNH Industrial, made up of people at every level, working away without fanfare, that give this organization its good name and carry its values with them into the community.

They serve as an example that, despite the difficulties, it is possible to rediscover the importance of commitment and solidarity; of demonstrating generosity in difficult times and having the courage to get

involved when there is a need. I think that ultimately, they serve as an example that it is possible to build a better future.

Here in **North America**, CNH Industrial finances long-term projects in partnership with major charitable organizations, such as Habitat for Humanity, the United Way and the American Cancer Society.

We also make high-impact, one-off contributions such as the donation of farm equipment to the Forgotten Harvest organization which assists families in need by delivering fresh food and prepared meals.

Case IH and New Holland donated close to \$400,000 worth of equipment to help increase the production capacity of the organization's farm.

Similarly, in the **Asia Pacific** Region we work to support a range of things from agricultural career formation to disaster relief.

Following the devastation caused in the Philippines last year by Typhoon Haiyan, CNH Industrial and its distributors donated a fleet of five agricultural and construction machines to the United Nations relief operations.

In 2012, New Holland inaugurated the first Agri Training Centre in **India**. This is an ongoing project conducted in association with the State of Odisha's Department of Agriculture. The training center provides young and unemployed people interested in a career in farming with the specific

skills necessary to find suitable employment in mechanized agricultural farming. This Agri Training Centre trained 180 young people in 2013.

I'm not saying these things to brag about our accomplishments.

We still have much work to do.

I am telling you these things to highlight that those responsible for leading a global enterprise have the duty to open their minds and look beyond the walls of their offices.

The reason we chose the route we chose is that we have a different definition of success and a different vision of the kind of future we want to build.

You cannot build our future simply on the basis of spreadsheets.

There is a reality out there that must not be overlooked.

At the 1999 World Economic Forum in Davos dealing with the impact of globalization, Nelson Mandela, who was then the President of the Republic of South Africa, addressed a collection of the most prominent politicians and business leaders from around the world.

I was fortunate enough to be in the audience when he spoke.

In his remarks, he raised some of the thorniest issues that we all face as we try to cope with the unprecedented speed of change impacting our lives.

His words are worth repeating, as I close here today, because I believe they address our real challenge:

“Is globalization only to benefit the powerful and the financiers, speculators, investors and traders?

Does it offer nothing to men, women and children who are ravaged by the violence of poverty?

...You will therefore understand why this old man, to whom you have granted the privilege of bidding you farewell in the twilight of his public life and at the turn of the century, has raised such very practical matters of unfinished business.”

His words go straight to the heart of the problem and our conscience.

The need to find a way to feed the world's population is part of a much bigger problem: the huge gap that has been created between the rich and the poor, between those who have and those who have nothing.

There are many areas of the world where poverty and lack of economic power require structural intervention.

There are countries where people are fighting to take their destiny into their own hands, to improve their lives. They are fighting for freedom, for a dignified life or, in many cases, *simply* for survival. The point is that we have been so inward-looking that we let the economic and social gap grow ever wider; we ignored it until it came pounding on our door.

These issues force us to ask questions of ourselves. The Western world has a duty to evaluate what its role should be. We all need to understand that there can never be rational markets, growth and economic well-being if a large part of our society has nothing to bargain with other than their own lives. The truth of the matter is that spreadsheet capitalism has failed and does not work. Sometimes I wonder whether we have stiffened our mental models even in the face of clear market threats because we feel comfortable in our relative well-being and uncomfortable in dealing close up with the have-nots.

Mandela's words that day served as a reminder that shaping the world the way we want it to be is not something that can be delegated to others.

The future is not just the responsibility of governments. It's an individual and collective responsibility. It is the duty of every person at every level.

Closing our eyes, or thinking that finding a solution is someone else's role, makes us part of the problem. We have a duty to commit to what we are able to do, to dedicate our individual skills and talents in uniting the best of society and to work together to achieve higher objectives.

I am speaking to you about this issue because, as leaders, your commitment goes beyond a simple professional obligation.

And the essence of leadership is this: personally assuming the moral duty to act, to commit yourself to building the future. Embracing your personal responsibility to give future generations hope for a better future.

This is what makes leadership a privilege and a noble calling.

Thank you all.

* * *