

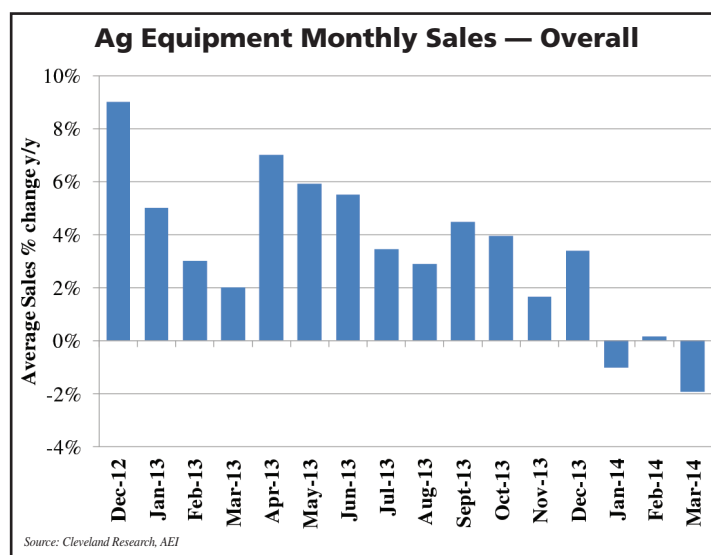
Dealer Sentiment & Business Conditions Update

From the editors of Farm Equipment & analysts of Cleveland Research Co.

EXECUTIVE SUMMARY

Industry Sales Down 2% in March, Incoming Orders Decline 4%

- ✓ Ag equipment dealers reported sales were down 2% year-over-year on average in March.
- ✓ Kubota and "Other" dealers reported the best results with 1% growth for the month. Case IH dealers reported the worst results with average sales down 6%.
- ✓ A net 5% of dealers reported worse than expected results for March, similar to February in which a net 4% of dealers' sales were below plan.
- ✓ A net 15% of dealers categorize their new equipment inventory as "too high" (28% too high; 59% about right; 13% too low), compared to the 9% of dealers last month who categorized their new equipment inventory as "too high." This marks the 8th consecutive month that new equipment inventories are "too high."
- ✓ A net 44% of dealers reported used combines inventories were "too high" (48% too high, 47% comfortable, 5% too low), down slightly from last month.
- ✓ Incoming orders declined 4% on average in March. Orders have been running down low-single-digits since November, with March being the largest year-over-year decline to date.



Results vs. Expectations

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Better than expected	24%	22%	23%	21%	30%	25%	26%	35%	38%	23%	18%	27%	25%	23%	19%	38%	33%	27%	32%	24%	39%	25%	20%	21%
In line with expected	63%	52%	51%	44%	41%	56%	54%	48%	49%	59%	60%	55%	52%	57%	58%	48%	47%	54%	51%	56%	45%	51%	55%	54%
Worse than expected	14%	25%	26%	35%	29%	19%	20%	17%	13%	18%	22%	18%	24%	20%	23%	14%	20%	19%	17%	20%	16%	24%	25%	26%
Net %	10%	-3%	-3%	-14%	1%	6%	5%	18%	25%	5%	-4%	9%	1%	3%	-4%	23%	13%	8%	16%	4%	23%	1%	-4%	-5%

2014 Dealer Outlook Down Slightly

- ✓ For 2014, dealers are expecting a 3% sales decline, vs. the 2% decline forecast last month.
- ✓ "Other" dealers were the most optimistic regarding 2014 growth, projecting sales to be up 7% year-over-year. Case IH dealers were the least optimistic, projecting 2014 sales to be down 5% year-over-year.

Dealer Outlook																					
(% chg y/y)	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
2012 Outlook				2013 Outlook											2014 Outlook						
Overall	3%	4%	3%	2%	4%	2%	4%	4%	3%	5%	5%	3%	3%	3%	0%	1%	-1%	-4%	-4%	-2%	-3%
By Brand	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
AGCO	2%	3%	4%	4%	3%	3%	2%	2%	6%	6%	2%	3%	-4%	2%	-1%	-3%	-2%	0%	-2%	-1%	2%
John Deere	7%	8%	4%	4%	6%	3%	4%	4%	3%	5%	8%	4%	6%	1%	2%	2%	0%	-3%	-2%	-1%	-3%
New Holland	0%	2%	1%	0%	0%	-1%	1%	0%	2%	4%	1%	6%	0%	-3%	2%	1%	-2%	-2%	-5%	0%	-1%
Case IH	-1%	0%	2%	2%	2%	-1%	3%	4%	1%	5%	0%	0%	3%	-5%	-3%	0%	-1%	-7%	-5%	-5%	-5%
Kubota	-1%	4%	3%	2%	0%	0%	4%	4%	3%	7%	4%	8%	-3%	3%	-1%	-1%	-3%	-2%	-3%	-1%	-2%
Shortlines	2%	3%	5%	0%	2%	0%	4%	4%	2%	3%	3%	2%	12%	5%	4%	6%	-3%	0%	-4%	-3%	-4%
Other	2%	4%	3%	3%	-2%	2%	1%	5%	NA	1%	3%	1%	4%	1%	2%	2%	NA	0%	3%	3%	7%

Dealer Optimism Improves in March

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, improved significantly in March. A net 3% of dealers reported a more optimistic outlook for the year (26% more optimistic, 51% the same, 23% less optimistic). This is compared to a net 1% of dealers who reported a less optimistic outlook in February. This is the first time since July 2013 that dealers have been more optimistic.

Optimism/Sentiment vs. Last Month																									
	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
More Optimistic	25%	22%	15%	14%	18%	28%	31%	27%	28%	28%	34%	34%	21%	27%	27%	26%	21%	19%	14%	15%	14%	9%	12%	24%	26%
Same	59%	62%	61%	49%	44%	54%	54%	54%	52%	55%	51%	50%	54%	58%	52%	50%	58%	50%	62%	60%	45%	52%	52%	50%	51%
Less Optimistic	17%	17%	24%	37%	38%	18%	15%	20%	20%	18%	15%	16%	26%	15%	21%	24%	21%	31%	23%	25%	41%	39%	36%	26%	23%
Net %	8%	5%	-9%	-23%	-19%	10%	15%	7%	8%	10%	19%	18%	-5%	13%	6%	2%	0%	-12%	-9%	-11%	-27%	-30%	-23%	-1%	3%

COMMENTARY

USDA Forecast Improves to 10% Decline for 2013-14 Cash Receipts

The updated April USDA cash receipts outlook for 2013 is for down 10% over 2012-13, slightly better than the 12% decline expected in the March forecast. The improved outlook vs. March is the result of higher estimates for crop prices, which have taken a step up over the past several months (corn up approximately 20% vs. 3 months ago). The correlation between equipment sales and cash receipts has historically provided a good proxy for next year's equipment demand.

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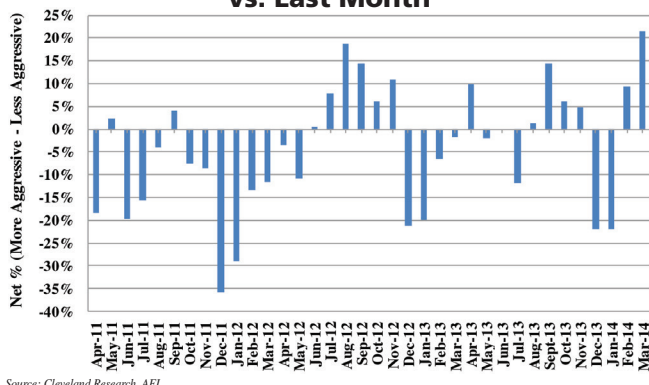
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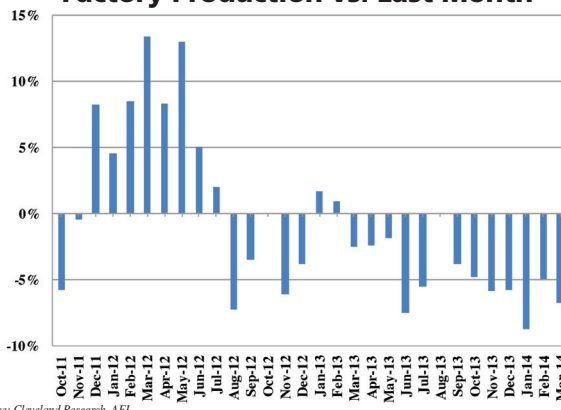
NEW EQUIPMENT TRENDS

Current Manufacturer Incentive Programs vs. Last Month



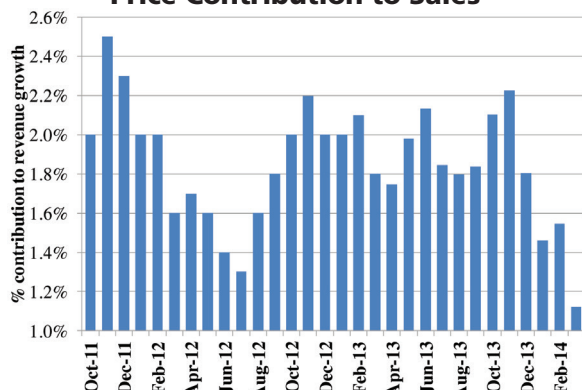
A net 21% of dealers report manufacturers were more aggressive with incentives in March (31% more aggressive; 59% same; 10% less aggressive), up significantly over the past two months (net 22% less aggressive in January, net 9% more aggressive in February).

Factory Production vs. Last Month



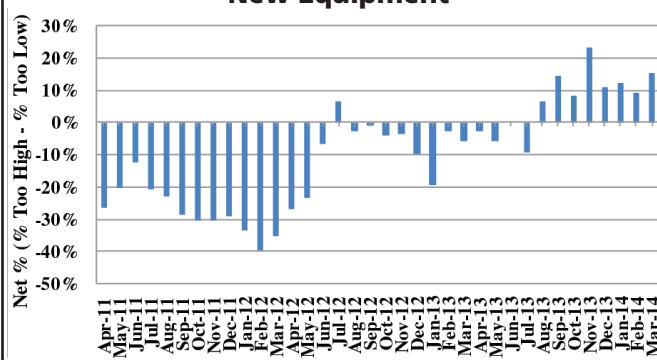
A net 7% of dealers report factory production was down compared to last month (6% increasing production; 81% no change in production; 13% decreasing production).

Price Contribution to Sales



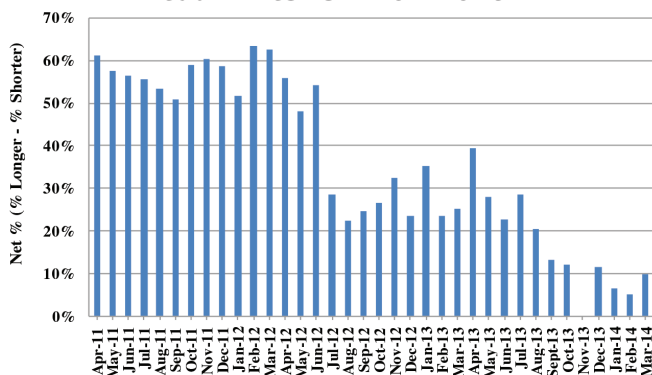
Dealers report price contributed roughly 1.1% to total March revenue growth. This downward trend since November is slightly surprising as new Model Year price increases and Final Tier 4 price increases should be rolling in, but aligns well with the reported increase in manufacturer incentive programs.

Industry Inventory Levels New Equipment



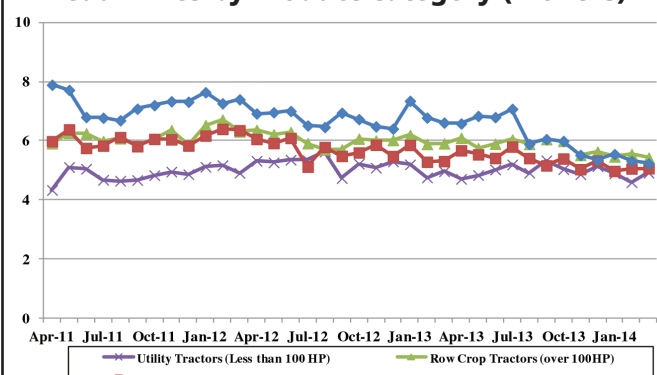
A net 15% of dealers categorize their new inventory as "too high" (28% too high; 59% about right; 13% too low), slightly worse than the net 9% of dealers last month who categorized their new inventory as "too high."

Lead Times vs. Prior Month



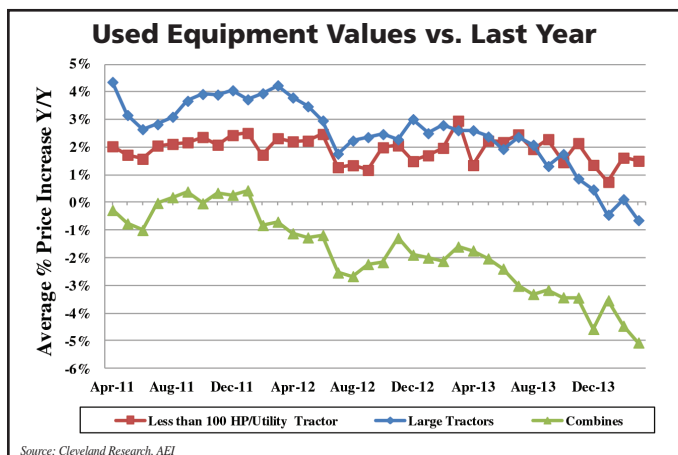
Overall, a net 10% of dealers report longer factory lead times compared to last month (25% longer; 59% same; 15% shorter), above the 5% who reported longer lead times last month.

Lead Times by Product Category (Months)

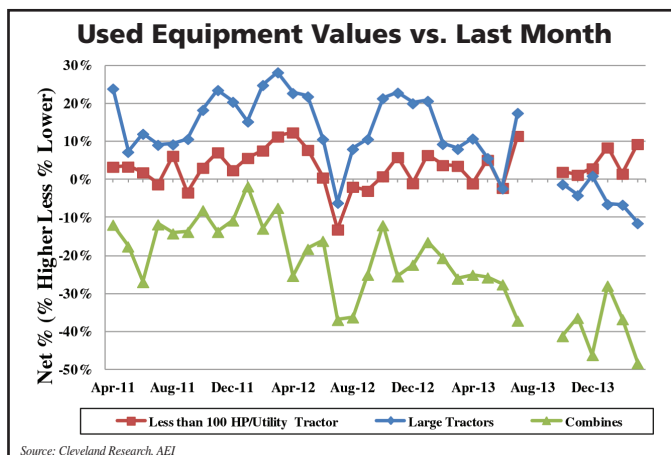


On average, lead times were similar in March compared to last month. Combine lead times are 5.2 months, row-crop tractor lead times are 5.4 months and 4WD tractors are about 5.1 months. Utility tractors were the only standalone category to show an increase in lead times vs. last month.

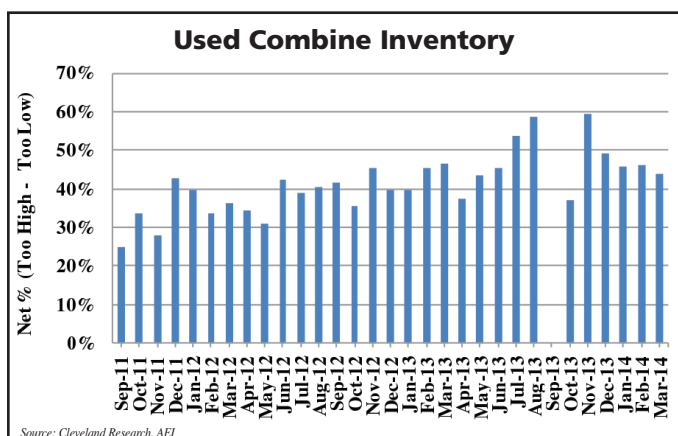
USED EQUIPMENT TRENDS



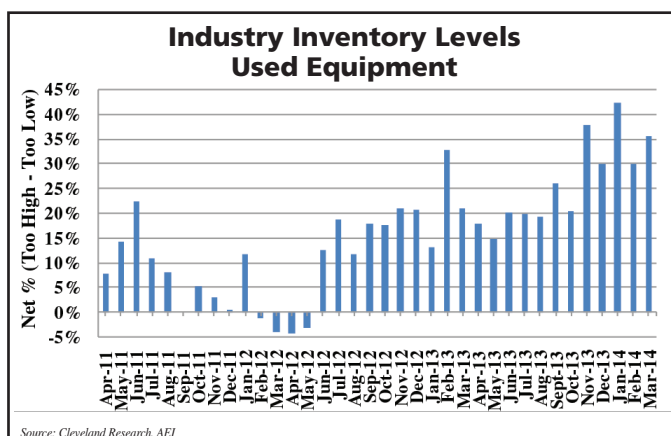
Dealers reported used combine values got worse in March on both year-over-year and sequential basis and are now down over 5% vs. last year. Used high horsepower tractors values also took a step down vs. last year and sequentially vs. February.



A net 48% of dealers reported that used combine values were lower in March compared to February, down from the net 37% who reported used combine values were sequentially lower in February.

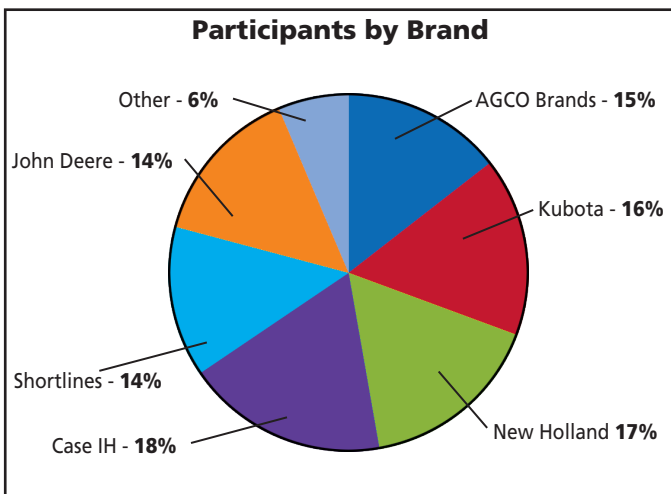
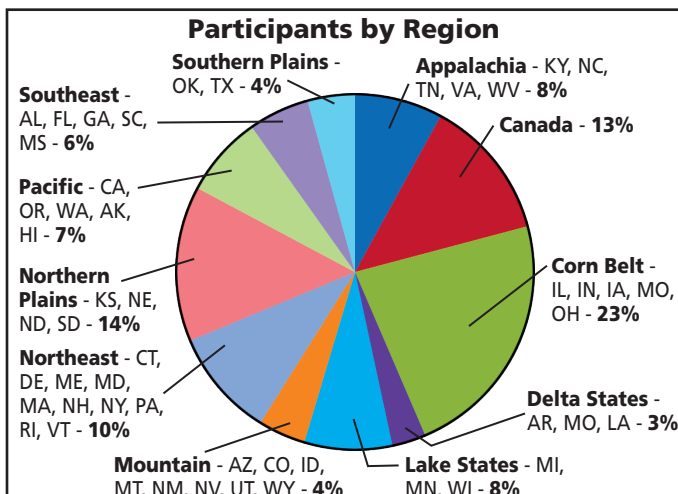


A net 43% of dealers reported used combines inventories were "too high" in March (48% too high, 47% comfortable, 5% too low) vs. a net 46% last month.



A net 36% of dealers reported used equipment inventory as "too high" in March (47% too high; 42% about right; 11% too low), worse than the net 30% of dealers who reported used inventories were "too high" in February.

MARCH 2014 SURVEY RESPONDENTS



The April survey had approximately 163 respondents representing combined annual revenues of roughly \$6.6 billion, covering a broad cross section of geographies and brands.