

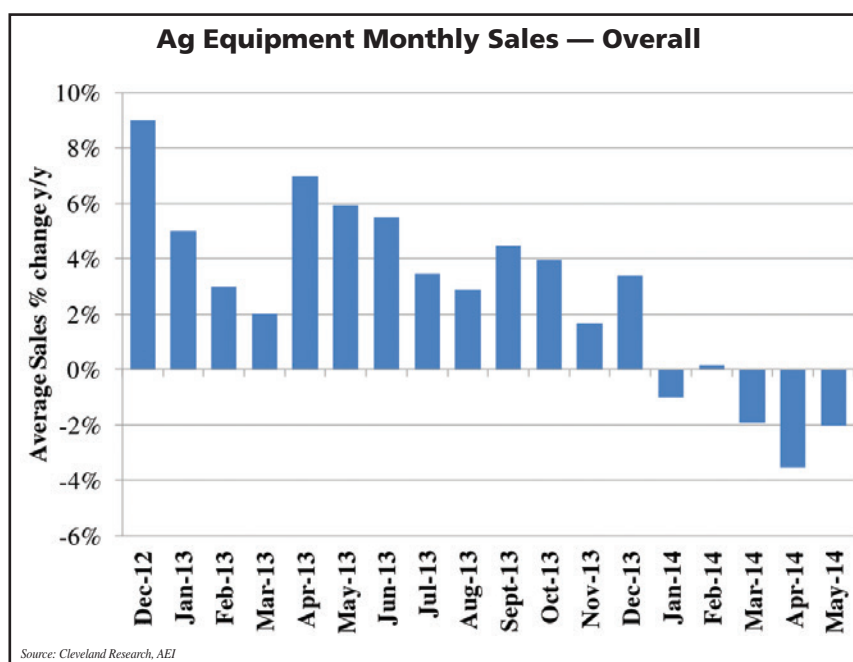
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

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

- ✓ Ag equipment dealers reported sales were down 2% year-over-year on average in May.
- ✓ Shortline dealers reported the best results with 3% growth for the month. New Holland dealers reported the worst results with average sales down 10%.
- ✓ Given the improvement in average sales from down 4% to down 2%, a net 10% of dealers reported beating their plan for the month compared to a net 4% missing plan in April.
- ✓ A net 26% of dealers categorize their new equipment inventory as "too high" (38% too high; 50% about right; 12% too low), vs. 15% last month.
- ✓ A net 52% of dealers reported used combines inventories were "too high" (59% too high, 34% comfortable, 7% too low), similar to last month.
- ✓ Incoming orders declined 4% on average in May. Orders have been running down low single digits since November



Results vs. Expectations																								
	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	Apr-14	May-14
Better than expected	23%	21%	30%	25%	26%	35%	38%	23%	18%	27%	25%	23%	19%	38%	33%	27%	32%	24%	39%	25%	20%	21%	21%	29%
In line with expected	51%	44%	41%	56%	54%	48%	49%	59%	60%	55%	52%	57%	58%	48%	47%	54%	51%	56%	45%	51%	55%	54%	54%	52%
Worse than expected	26%	35%	29%	19%	20%	17%	13%	18%	22%	18%	24%	20%	23%	14%	20%	19%	17%	20%	16%	24%	25%	26%	25%	19%
Net %	-3%	-14%	1%	6%	5%	18%	25%	5%	-4%	9%	1%	3%	-4%	23%	13%	8%	16%	4%	23%	1%	-4%	-5%	-4%	10%

2014 Dealer Outlook Holds Steady at Down 4%

- ✓ For 2014, dealers are expecting a 4% sales decline, similar to their outlook last month.
- ✓ AGCO dealers were the most optimistic regarding 2014 growth, projecting sales to be flat compared to last year. Kubota dealers were the least optimistic, projecting 2014 sales to be down 10% year-over-year.

Dealer Outlook																					
(% chg y/y)	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	Apr-14	May-14
2012 Outlook				2013 Outlook								2014 Outlook									
Overall	3%	2%	4%	2%	4%	4%	3%	5%	5%	3%	3%	3%	0%	1%	-1%	-4%	-4%	-2%	-3%	-4%	-4%
By Brand	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	Apr-14	May-14
AGCO	4%	4%	3%	3%	2%	2%	6%	6%	2%	3%	-4%	2%	-1%	-3%	-2%	0%	-2%	-1%	2%	0%	0%
John Deere	4%	2%	6%	3%	4%	4%	3%	5%	8%	4%	6%	1%	2%	2%	0%	-3%	-2%	-1%	-3%	-3%	-2%
New Holland	1%	0%	0%	-1%	1%	0%	2%	4%	1%	6%	0%	-3%	2%	1%	-2%	-2%	-5%	0%	-1%	-6%	-9%
Case IH	2%	2%	2%	-1%	3%	4%	1%	5%	0%	0%	3%	-5%	-3%	0%	-1%	-7%	-5%	-5%	-5%	-6%	-9%
Kubota	3%	2%	0%	0%	4%	4%	3%	7%	4%	8%	-3%	3%	-1%	-1%	-3%	-2%	-3%	-1%	-2%	-2%	-10%
Shortlines	5%	0%	2%	0%	4%	4%	2%	3%	3%	2%	12%	5%	4%	6%	-3%	0%	-4%	-3%	-4%	-1%	-2%
Other	3%	3%	-2%	2%	1%	5%	NA	1%	3%	1%	4%	1%	2%	2%	NA	0%	3%	3%	7%	NA	NA

Dealer Optimism Improves

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, improved after a big slip last month. A net 5% of dealers reported a less optimistic outlook for the year (25% more optimistic, 45% the same, 30% less optimistic). This is compared to a net 9% of dealers who reported a less optimistic outlook in April.

Optimism/Sentiment vs. Last Month																									
	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	Apr-14	May-14
More Optimistic	15%	14%	18%	28%	31%	27%	28%	28%	34%	34%	21%	27%	27%	26%	21%	19%	14%	15%	14%	9%	12%	24%	26%	24%	25%
Same	61%	49%	44%	54%	54%	54%	52%	55%	51%	50%	54%	58%	52%	50%	58%	50%	62%	60%	45%	52%	52%	50%	51%	44%	45%
Less Optimistic	24%	37%	38%	18%	15%	20%	20%	18%	15%	16%	26%	15%	21%	24%	21%	31%	23%	25%	41%	39%	36%	26%	23%	32%	30%
Net %	-9%	-23%	-19%	10%	15%	7%	8%	10%	19%	18%	-5%	13%	6%	2%	0%	-12%	-9%	-11%	-27%	-30%	-23%	-1%	3%	-9%	-5%

COMMENTARY

USDA Forecast Unchanged at 10% Decline for 2013-14 Cash Receipts

The updated May USDA cash receipts outlook for 2013 is similar to last month, implying a 10% decline vs. 2012-13. The initial 2014-15 outlook implies an additional 9% decline in the value of production largely a result of lower corn and soybean price expectations. The correlation between equipment sales and cash receipts has historically provided a good proxy for net year's equipment demand.

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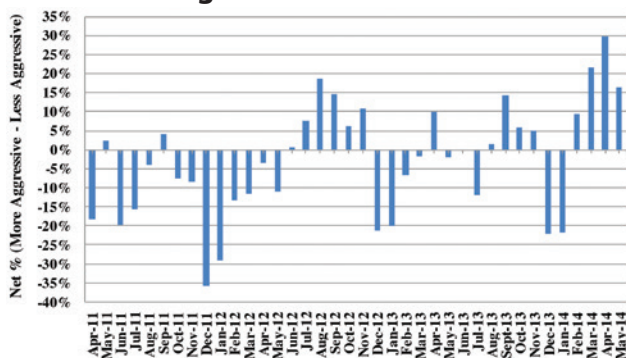
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NEW EQUIPMENT TRENDS

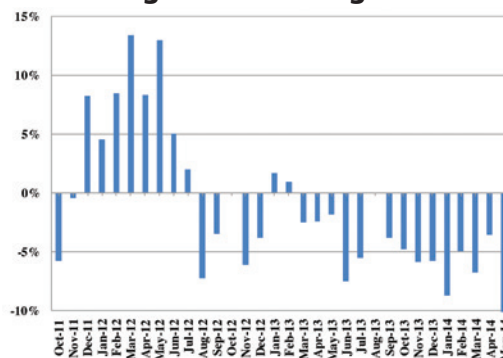
Current Manufacturer Incentive Programs vs. Last Month



Source: Cleveland Research, AEI

A net 16% of dealers report manufacturers were more aggressive with incentives in May (27% more aggressive; 62% the same; 11% less aggressive) vs. a net 30% reporting more aggressive incentives in April.

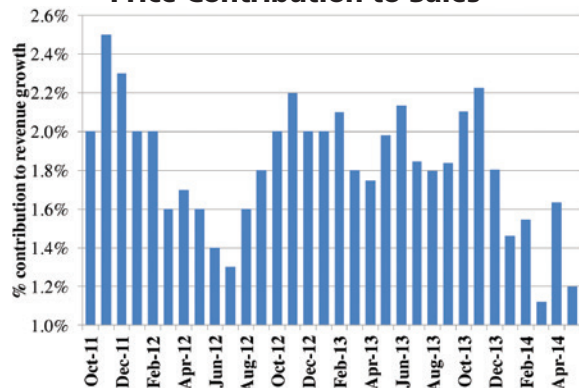
Factory Production vs. Last Month — Net % Increasing vs. Decreasing Production



Source: Cleveland Research, AEI

A net 14% of dealers report factory production was down compared to last month (4% increasing production; 78% no change in production; 18% decreasing production).

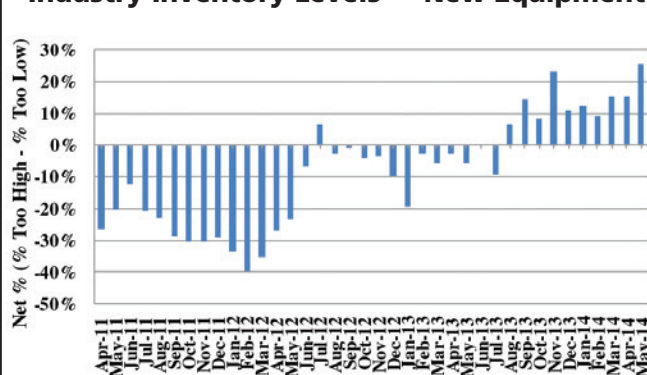
Price Contribution to Sales



Source: Cleveland Research Company Surveys

Dealers report price contributed roughly 1.2% to total May revenue growth vs. the 1.6% in April. Final Tier 4 price increases are expected to be 5-10% on average, although not impacting all lines of equipment.

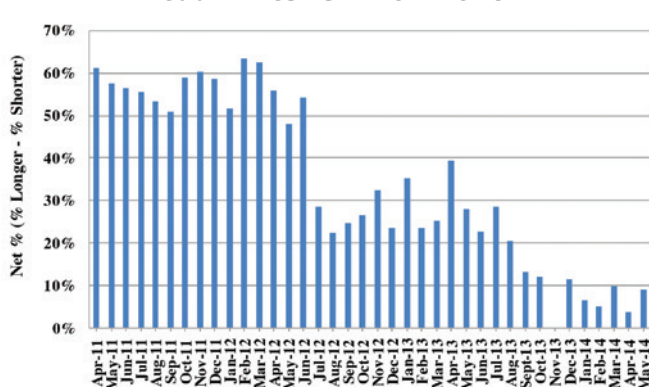
Industry Inventory Levels — New Equipment



Source: Cleveland Research, AEI

A net 26% of dealers categorize their new inventory as "too high" (38% too high; 50% about right; 12% too low), similar to the previous month.

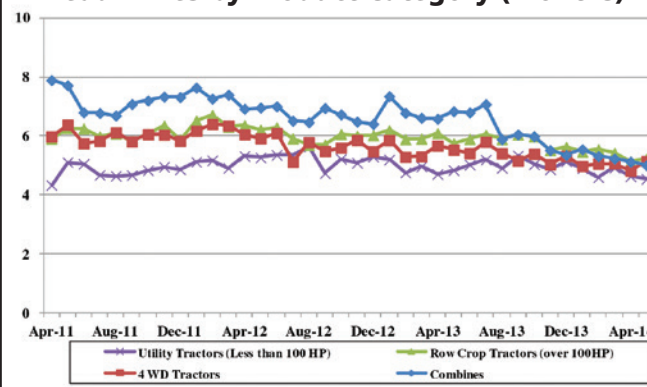
Lead Times vs. Prior Month



Source: Cleveland Research, AEI

Overall, a net 9% of dealers report longer factory lead times compared to last month (28% longer; 53% the same; 19% shorter), above the 4% who reported longer lead times last month.

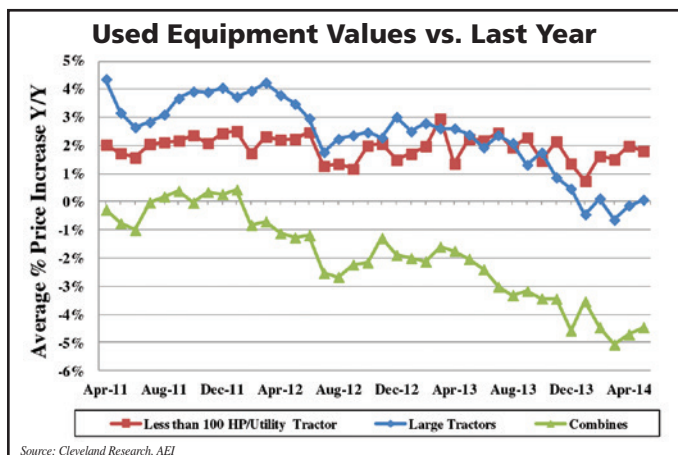
Lead Times by Product Category (Months)



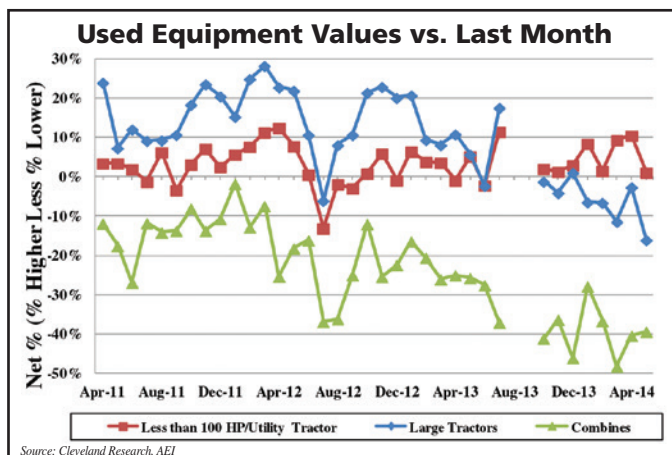
Source: Cleveland Research, AEI

On average, lead times across the board in May were similar to the previous month. Combine lead times are 5.0 months (5.1 last month), row-crop tractor lead times are 5.2 months (5.1 last month) and 4WD tractors are 5.1 months (4.8 last month).

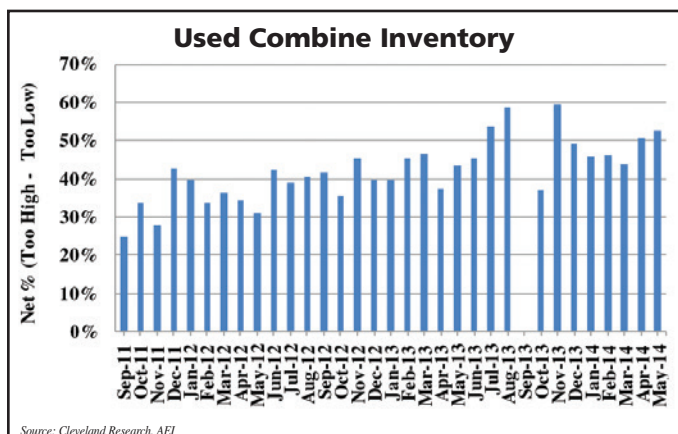
USED EQUIPMENT TRENDS



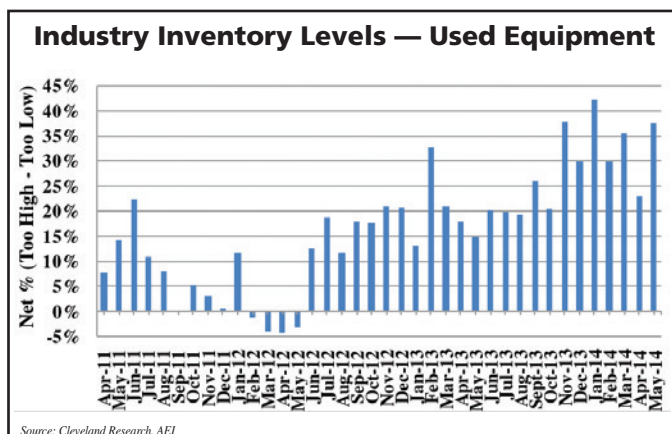
Dealers reported used combine values improved slightly in May vs. April on a year-over-year basis (down 4.5% vs. down 4.7% last month). Used HHP tractor values were slightly better vs. last month, although a larger net percentage of dealers reported values were lower vs. last month.



Used tractor values under 100 HP were slightly worse vs. last month on a year-over-year basis (up 1.8% in May vs. up 2% in April).

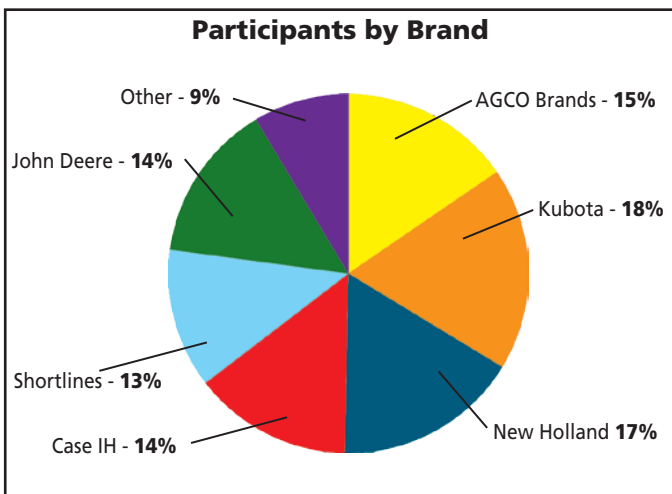
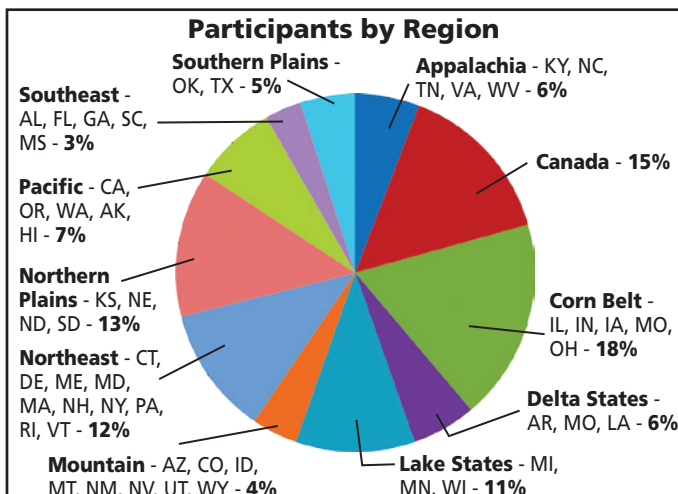


A net 52% of dealers reported used combines inventories were "too high" in May (59% too high, 34% comfortable, 7% too low), similar to the previous month.



A net 38% of dealers reported used equipment inventory as "too high" in May (52% too high; 34% about right; 14% too low), a reversal of the improving trend seen in April.

APRIL 2014 SURVEY RESPONDENTS



The June survey had approximately 122 respondents representing combined annual revenues of roughly \$5.1 billion, covering a broad cross section of geographies and brands.