

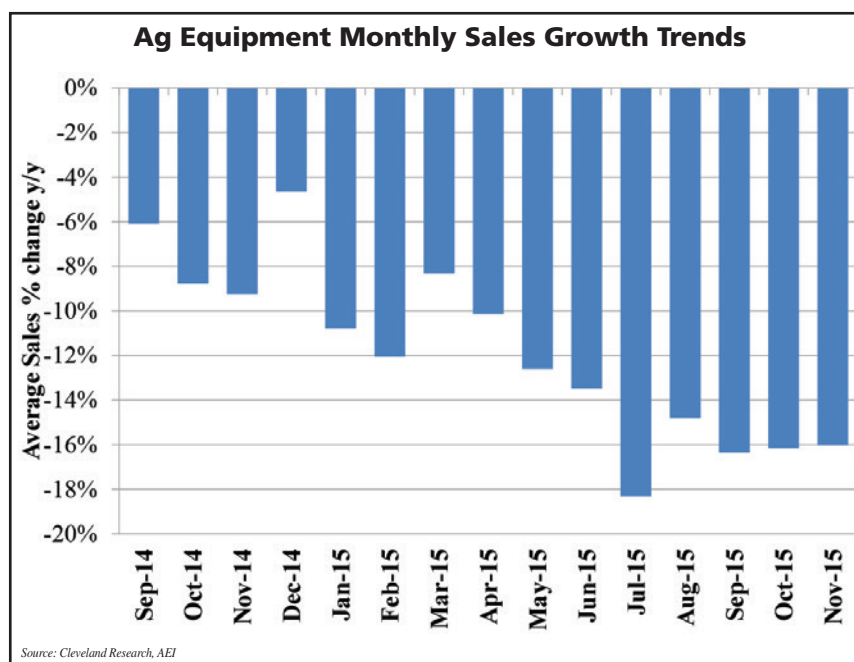
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Down 16% in November

- ✓ North American ag equipment dealers reported their sales, on average, were down 16% year-over-year in November, in line with the decline reported the previous month.
- ✓ A net 55% of dealers say their new equipment inventories are "too high," a deterioration from a net 53% in October who reported the same.
- ✓ Used equipment inventories improved with a net 37% of dealers reporting their inventory was "too high" vs. 44% last month.
- ✓ Dealers report that used large tractor pricing is down 8% on average and used combine prices are down 14% in November vs. a 13% decline in October.



Results vs. Expectations															
	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Better than expected	24%	22%	21%	29%	26%	13%	20%	27%	23%	21%	18%	16%	19%	15%	12%
In line with expectations	47%	51%	40%	47%	57%	59%	50%	44%	39%	48%	45%	56%	53%	43%	51%
Worse than expected	29%	27%	39%	23%	18%	28%	28%	29%	36%	31%	36%	28%	28%	41%	37%
Net % (Better - Worse)	-5%	-5%	-18%	6%	8%	-14%	-8%	-2%	-13%	-10%	-18%	-12%	-9%	-26%	-25%

2015 Full-Year Outlook: Down 13%

- ✓ The full year dealer average sales growth forecast improved slightly to down 13% year-over-year vs. down 14% in October. A net 38% of dealers are forecasting a sales decline for the year, up from 42% the previous month.
- ✓ Initial 2016 average dealer sales forecasts are for a 9% decline in line with last month. A net 43% of dealers are forecasting a sales decline for the year.
- ✓ Kubota dealers once again reported the most positive outlook calling for a 7% increase in sales. Case IH dealers are calling for the largest drop in sales, forecasting a 19% decline.

Dealer Outlook												
(% chg y/y)	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
AGCO	0%	-10%	-11%	-12%	-5%	-3%	-9%	-15%	-4%	-15%	-14%	-15%
John Deere	-9%	-11%	-18%	-8%	-15%	-18%	-14%	-14%	-14%	-11%	-15%	-10%
New Holland	-3%	-6%	-11%	-10%	-4%	-9%	-8%	-10%	-17%	-11%	-12%	-15%
Case IH	-11%	-14%	-17%	-17%	-14%	-20%	-24%	-22%	-20%	-26%	-16%	-19%
Kubota	-6%	-11%	-13%	-17%	-10%	-14%	1%	3%	-1%	13%	10%	7%
Shortlines/Other	-9%	-7%	-10%	-13%	-10%	-7%	-8%	-11%	-16%	-9%	-11%	-11%
Overall	-8%	-11%	-15%	-10%	-12%	-15%	-15%	-16%	-15%	-14%	-14%	-13%

Dealer Optimism Falls Slightly

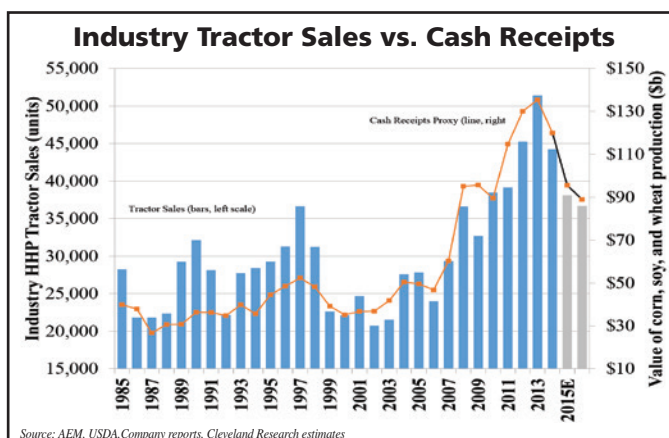
Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, shows a net 28% of dealers being less optimistic (10% more optimistic, 52% same and 38% less optimistic) in November compared to a net 25% who were less optimistic in October.

Optimism/Sentiment vs. Last Month															
	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
More Optimistic	16%	8%	9%	12%	12%	9%	14%	14%	12%	13%	14%	11%	13%	8%	10%
Same	46%	48%	38%	39%	52%	50%	42%	47%	48%	58%	52%	45%	51%	60%	52%
Less Optimistic	38%	44%	53%	49%	36%	41%	43%	40%	40%	30%	35%	43%	36%	33%	38%
Net % Dealer Optimism	-22%	-36%	-44%	-37%	-25%	-31%	-29%	-26%	-26%	-18%	-21%	-32%	-23%	-25%	-28%

USDA Outlook for Cash Receipts

This chart illustrates the historical relationship between the value of production of U.S. corn, soybeans and wheat compared to the annual industry sales of high horsepower tractors.

USDA's December crop report remained negative for future industry tractor sales, and was in line with the November report. Our cash receipts proxy now forecasts receipts down 9% year-over-year in 2015-16, the same as the November forecast. Dealers expect a decline of 13% for all of 2014-15.



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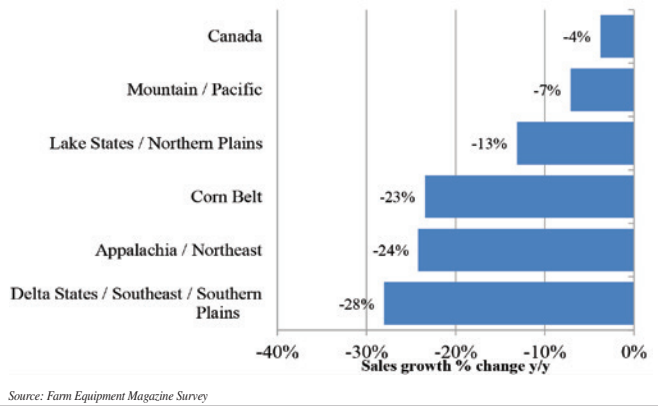
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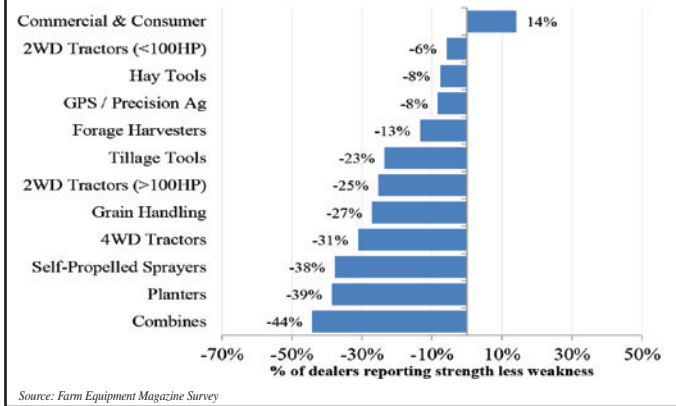
NEW EQUIPMENT TRENDS

Average Sales Growth by Region



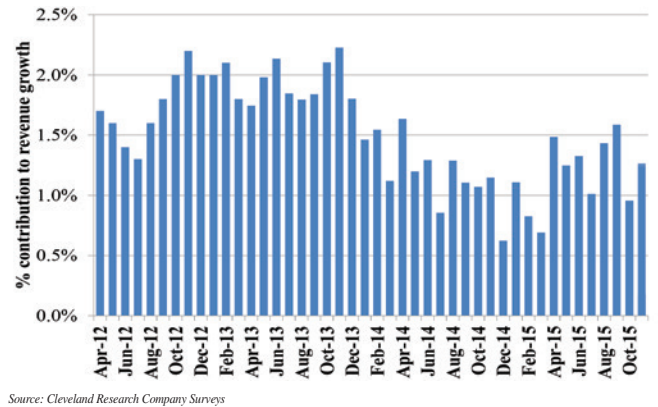
Sales trends continued to be weak across all regions in November. Canada and the Mountain/Pacific regions remain the stronger markets comparatively. The Delta States/Southeast/Southern Plains, Appalachia/Northeast and Corn Belt were the weakest regions this month.

Equipment Category Sales Trends



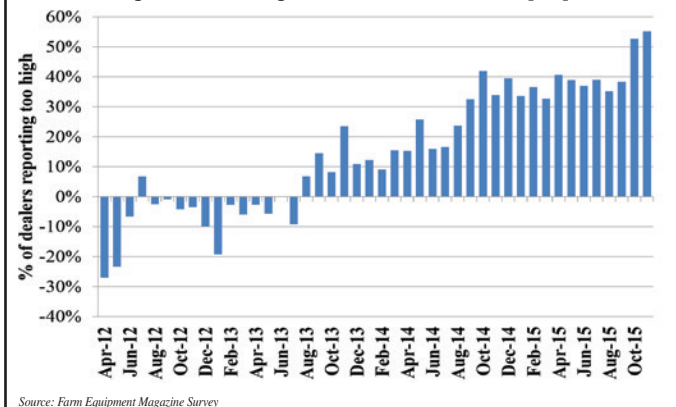
Commercial and consumer equipment continues to show strength in contrast to declines in other categories (combines, planters and sprayers in particular). We continue to see significant headwinds to large equipment sales.

Price Contribution to Sales



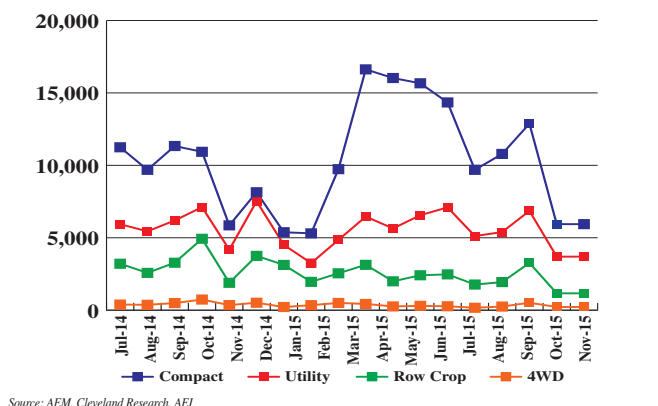
Dealers report several OEMs pushed through small price increases in recent months, which has modestly raised average new equipment price realization of about 1-1.5% across the sample. The effect of the strong U.S. dollar on Canadian exchange rate has also played a part in price inflation within North America.

Industry Inventory Levels — New Equipment



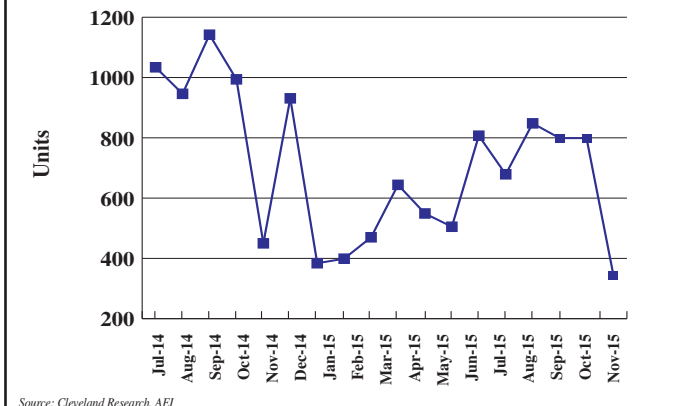
A net 55% of dealers reported new equipment inventories are too high vs. 53% in October and 38% in the third quarter. This marks 15 months of new inventory levels reported as too high by more than a net 30% of dealers, and is the highest reading in recent history.

North American Tractor Sales



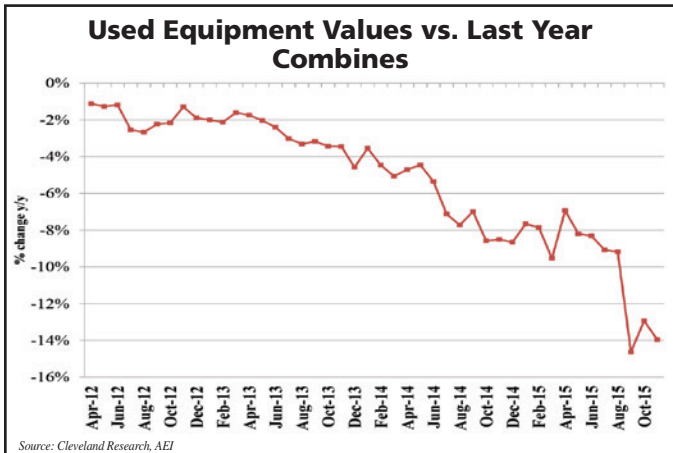
Total North American tractor sales were down 10% year-over-year in November, with row-crop and 4WD tractors both down 38%. Sales for <40 horsepower tractors were up 1% year-over-year in November.

North American Combine Sales

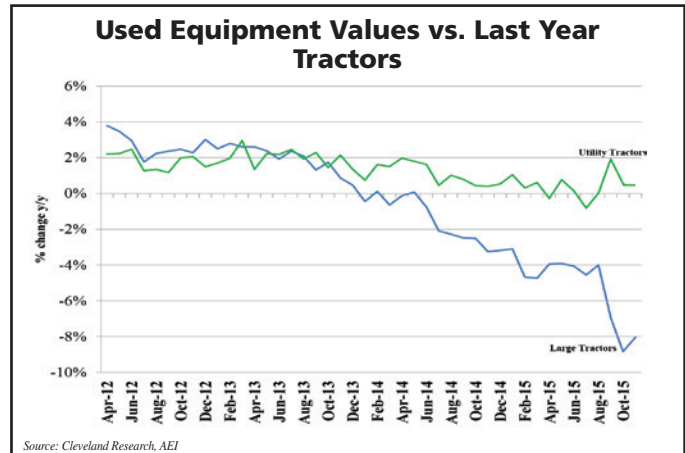


North American combine sales came in at 344 units in November, compared to 450 units in November 2014. On a year-over-year basis, combine sales were down 24%.

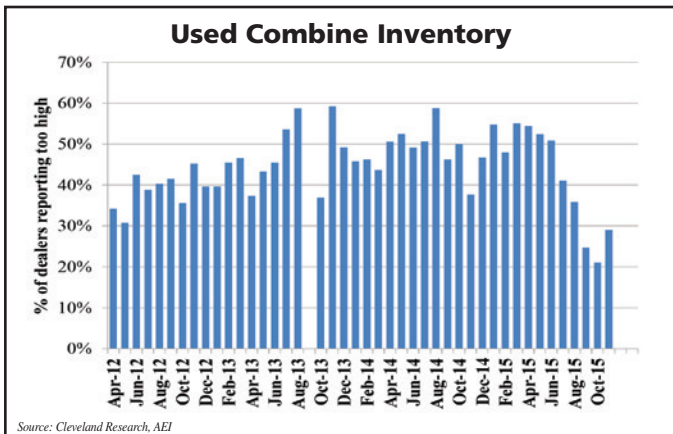
USED EQUIPMENT TRENDS



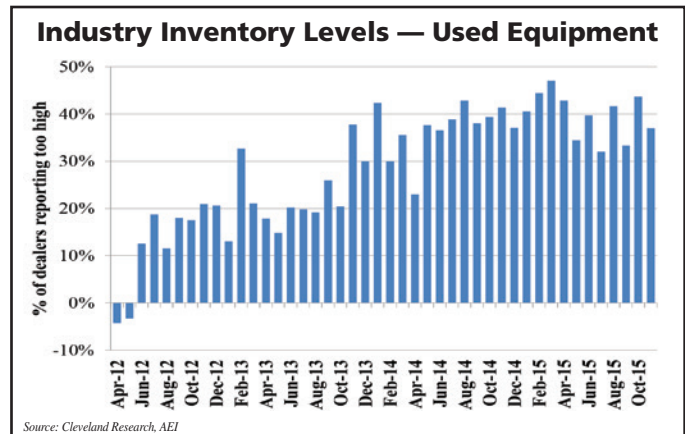
Used combine pricing was down 14% year-over-year in November vs. down 13% the previous month.



November saw flat pricing in used small tractors. Large tractor pricing was reported down 8% year-over-year on average vs. October's decline of 9%.

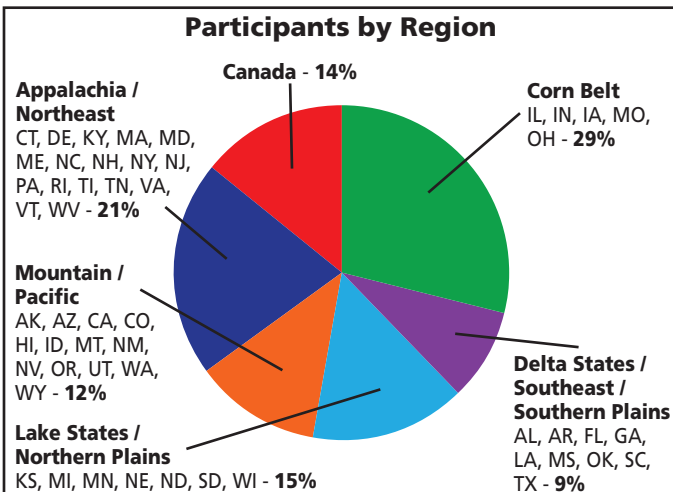


The used combine inventory remains too high with a net 29% of dealers reporting inventories as "too high." Used combine inventory has been reported in better shape than general used inventory levels since August, but November saw the first increase in the inventory reading since March.



A net 37% of dealers reported used equipment inventory as "too high" vs. 44% the previous month.

DECEMBER 2015 SURVEY RESPONDENTS



The December survey had 116 respondents representing combined annual revenues of roughly \$5.4 billion, covering a broad cross section of geographies and brands.

