

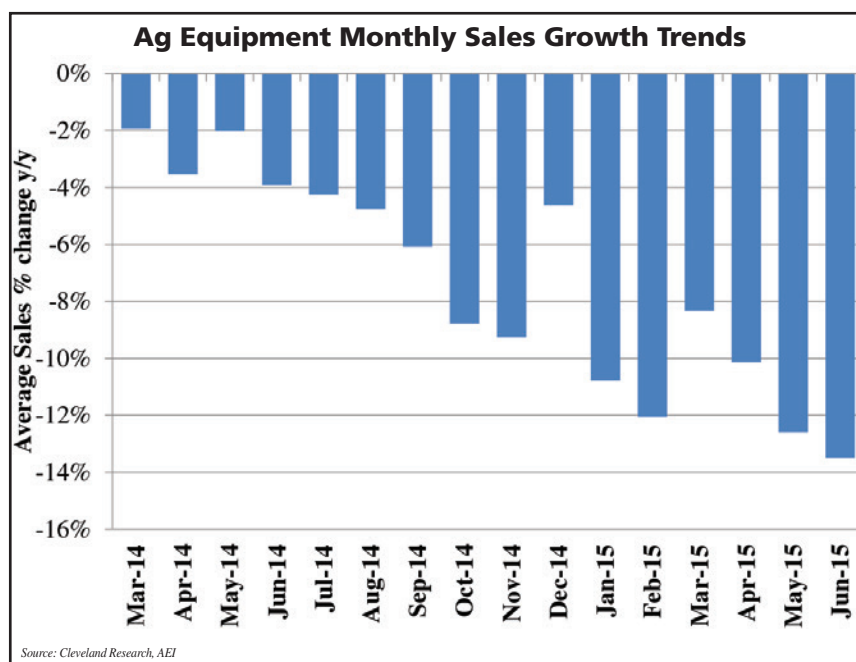
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Down 13% in June

- ✓ North American ag equipment dealers reported their sales, on average, were down 13% year-over-year in June, in line with the 13% average decline reported in the previous month.
- ✓ A net 37% of dealers surveyed say their new equipment inventories are still "too high," in line with the previous month, and at the high end of our survey history.
- ✓ More dealers – 40% – say their used equipment inventories are "too high" vs. the previous month when 34% rated used machinery backlogs as "too high."
- ✓ Dealers say they saw a 1-1.5% uptick in new equipment price realization in the last 3 months, largely due to Tier 4 and OEM price push.



Results vs. Expectations															
	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Better than expected	21%	29%	25%	26%	28%	24%	22%	21%	29%	26%	13%	20%	27%	23%	21%
In line with expectations	54%	52%	53%	49%	47%	47%	51%	40%	47%	57%	59%	50%	44%	39%	48%
Worse than expected	25%	19%	23%	26%	25%	29%	27%	39%	23%	18%	28%	28%	29%	36%	31%
Net % (Better - Worse)	-4%	10%	2%	0%	3%	-5%	-5%	-18%	6%	8%	-14%	-8%	-2%	-13%	-10%

2015 Full-Year Outlook: Down 15%

- ✓ For full-year 2015, the average sales growth forecast is expected to be down 15%, a drop from the 13% forecasted in the previous month. Some 36% of dealers are projecting a sales decline vs. 32% in May.
- ✓ Overall, Kubota dealers reported the most "positive" results indicating 0% average growth in June. All other dealers indicated that their average sales were in the red for the month with those handling shortline/other brands reporting the poorest results at down 33%.

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

Dealer Optimism Sinks

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, dropped to 17% in June from 26% in May. This was the lowest reading since dealers registered 11% on the Optimism Index in June 2014. While 58% of dealers reported no change in the level of optimism, a net 17% of dealers reported a less optimistic outlook for the year (13% more optimistic, 58% the same, 30% less optimistic).

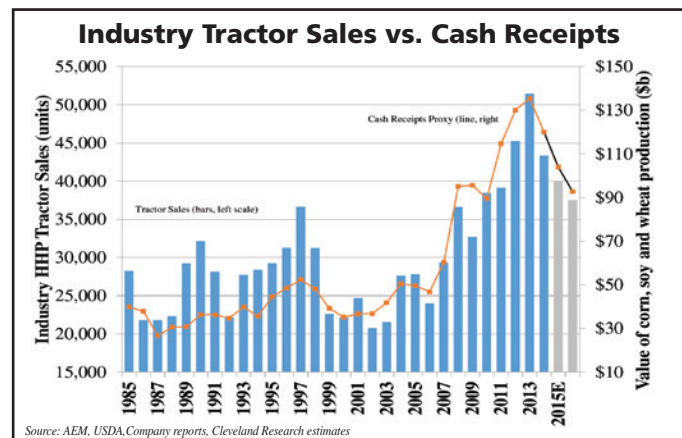
Optimism/Sentiment vs. Last Month																
	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
More Optimistic	26%	24%	25%	23%	13%	12%	16%	8%	9%	12%	12%	9%	14%	14%	12%	13%
Same	51%	44%	45%	42%	45%	50%	46%	48%	38%	39%	52%	50%	42%	47%	48%	58%
Less Optimistic	23%	32%	30%	35%	42%	38%	38%	44%	53%	49%	36%	41%	43%	40%	40%	30%
Net % Dealer Optimism	3%	-9%	-5%	-11%	-28%	-26%	-22%	-36%	-44%	-37%	-25%	-31%	-29%	-26%	-26%	-18%

COMMENTARY

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 July crop report was positive for future industry tractor sales. The ag agency raised its forecasted season average price for corn, soybeans and wheat by 6% to reflect stronger future prices. It also lowered its corn and soybean production forecasts by 1-2%. Our cash receipts proxy now forecasts receipts down 6% year-over-year in 2015-16 vs. down 11% in June and the 2014-15 decline of 13%.



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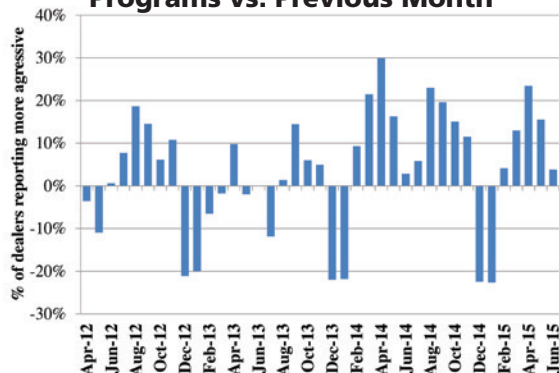
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NEW EQUIPMENT TRENDS

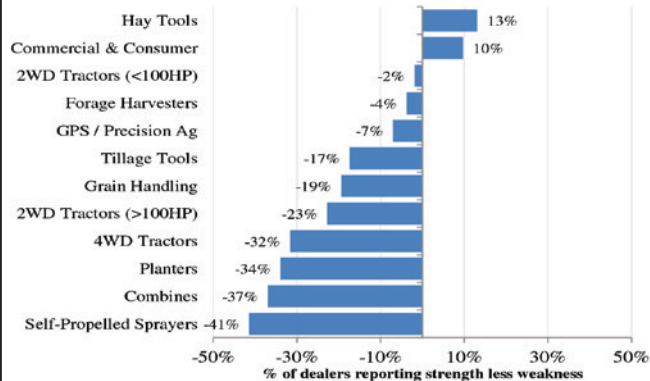
Current Manufacturer Incentive Programs vs. Previous Month



Source: Farm Equipment Magazine Survey

Compared to the previous month, a much smaller percentage of dealers — 4% — reported that manufacturers were more aggressive in June vs. a net 16% of dealers in May.

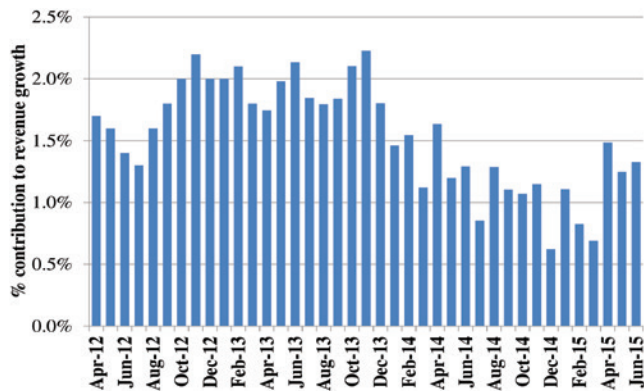
Equipment Category Sales Trends



Source: Farm Equipment Magazine Survey

Demand for hay tools is up with a net 13% of dealers reporting higher sales in this category in June, one of the highest levels in survey history. Commercial and consumer lawn equipment also remains a strong category, while most other categories continue to show weak demand trends.

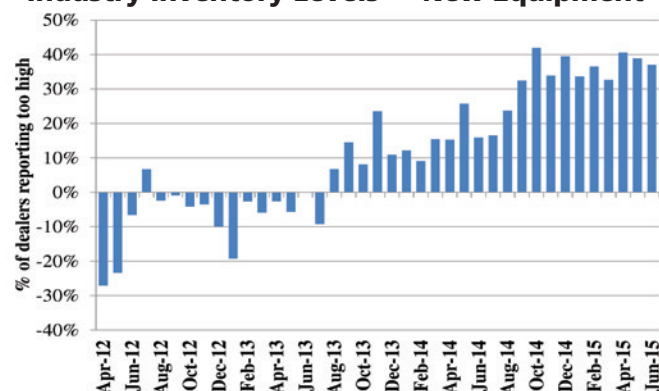
Price Contribution to Sales



Source: Cleveland Research Company Surveys

Small price increases have pushed the average new equipment price realization across our dealer sample to 1-1.5% over the last 3 months. Tier 4 final emissions related price increases were also noted as a factor in higher prices.

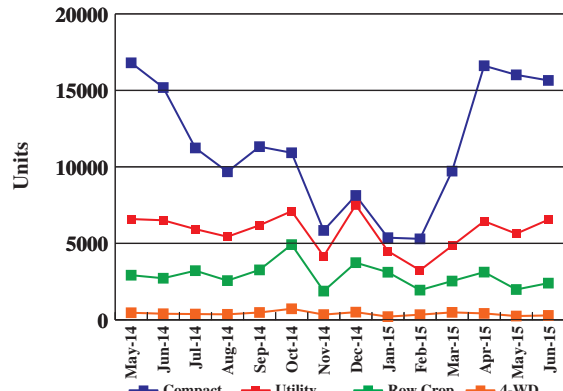
Industry Inventory Levels — New Equipment



Source: Farm Equipment Magazine Survey

A net 37% of dealers reported new equipment inventory as "too high" in June, a slight improvement over the 40% reporting new equipment inventory as "too high" in May.

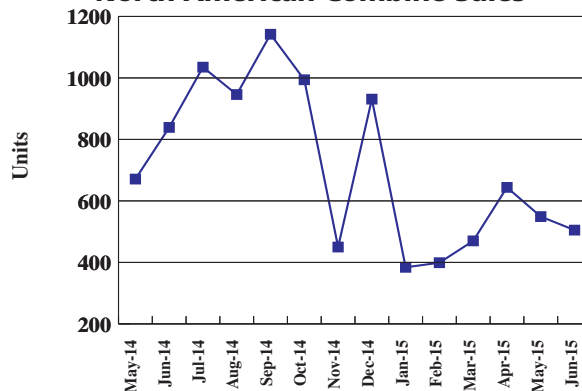
North American Tractor Sales



Source: AEM, Cleveland Research, AEI

Total North American tractor sales were flat in June, with row-crop and 4WD tractors down 12% and 26%, respectively. Utility tractors saw a 1% year-over-year increase in June and <40 horsepower tractors increased 3%.

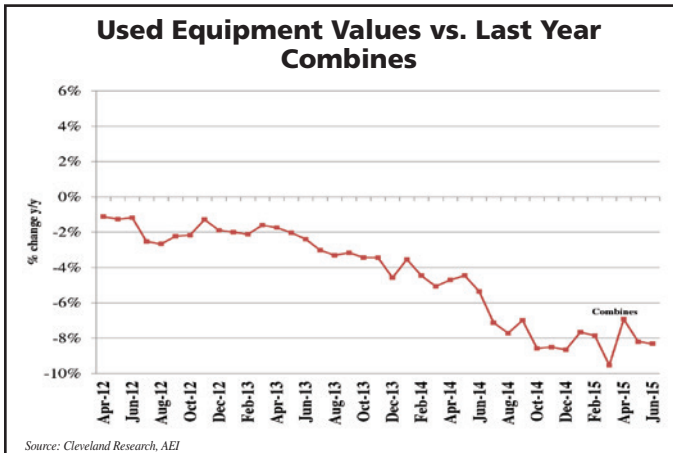
North American Combine Sales



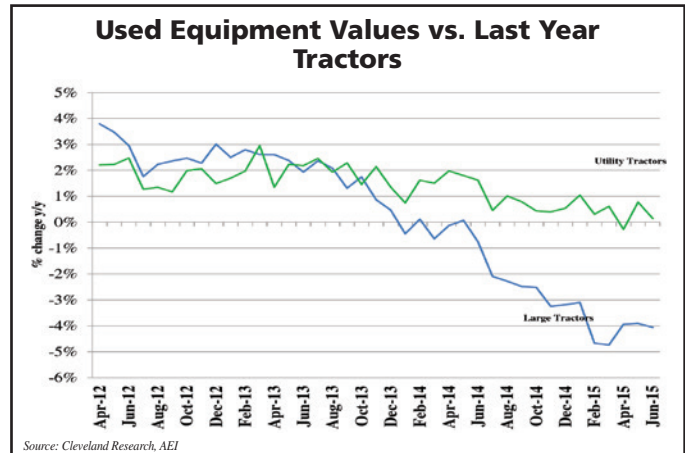
Source: Cleveland Research, AEI

North American combine sales came in at 505 units in June, compared to 549 the previous month. On a year-over-year basis, combine sales were down 40%.

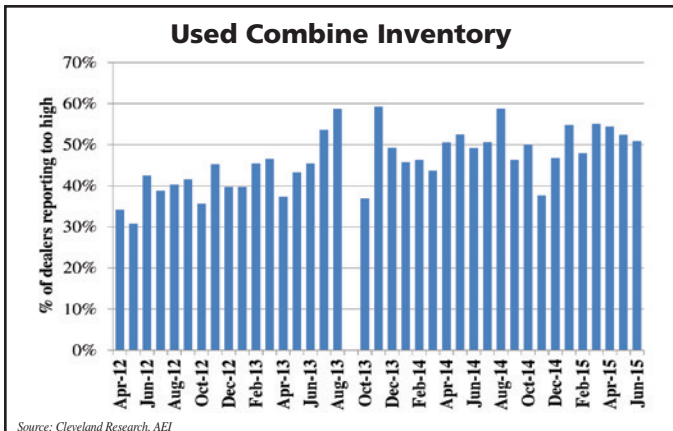
USED EQUIPMENT TRENDS



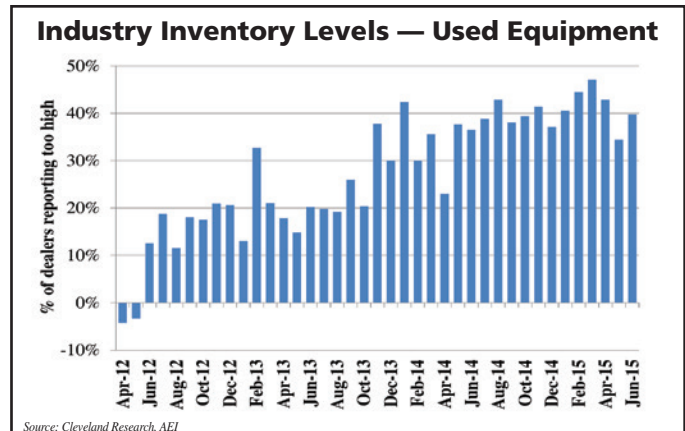
Used combine values are reported at down 8% year-over-year in June, in line with the decline reported last month.



Dealers reported large tractor pricing is down 4% year-over-year, in line with the past 2 months, while utility tractor used pricing remains flat year-over-year.

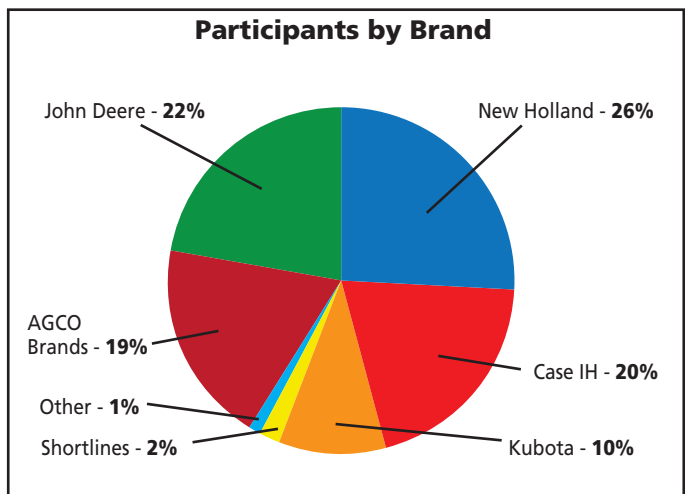
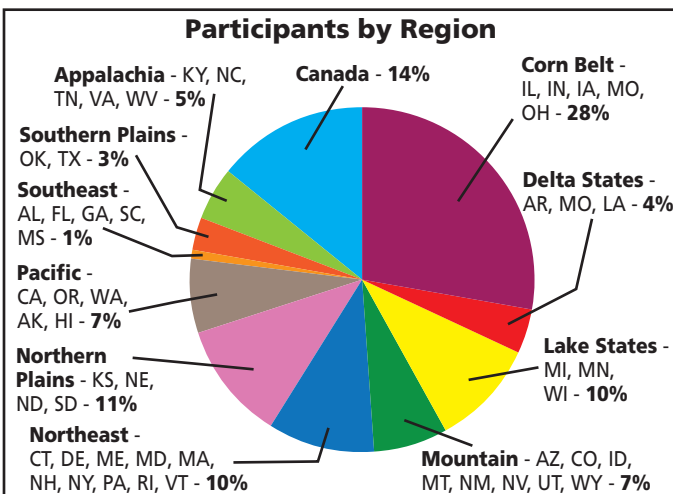


Used combine inventory levels remain "too high," with just over a net 50% of dealers reporting inventories are above where they would like them.



Dealers reporting used equipment inventories as "too high" increased to 40% vs. 34% in May. Anecdotally, many dealers report their efforts to sell used inventory instead of new has been helpful in recent months.

JUNE 2015 SURVEY RESPONDENTS



The June survey had 81 respondents representing combined annual revenues of roughly \$3.5 billion, covering a broad cross section of geographies and brands.