

Ag Equipment Intelligence's

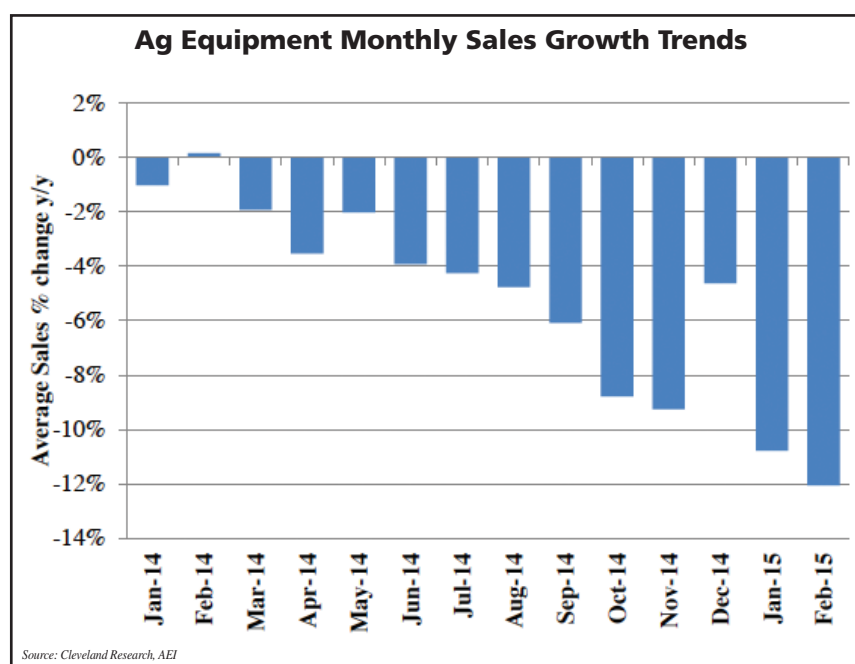
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Down 12% in February

- ✓ Ag equipment dealers reported **sales were down 12%** year-over-year on average in February.
- ✓ Kubota dealers reported the best results with sales up 5%, while John Deere dealers reported the largest decline at down 21%.
- ✓ Sales were slightly below dealer expectations, with a net 14% of dealers missing their sales budgets for the month.
- ✓ A net 36% of dealers reported new equipment inventories were "too high" in February compared to a net 34% the previous month.
- ✓ **A net 45% of dealers reported used equipment inventories were "too high"** in February, above the net 41% level the previous month and the highest level in our survey history.
- ✓ Incoming orders declined 15% year-over-year on average in February, a deterioration from the 12% decline in January.



Results vs. Expectations														
	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Better than expected	25%	20%	21%	21%	29%	25%	26%	28%	24%	22%	21%	29%	26%	13%
In line with expectations	51%	55%	54%	54%	52%	53%	49%	47%	47%	51%	30%	47%	57%	59%
Worse than expected	24%	25%	26%	25%	19%	23%	26%	25%	29%	27%	39%	23%	18%	28%
Net % (Better - Worse)	1%	-4%	-5%	-4%	10%	2%	0%	3%	-5%	-5%	-18%	6%	8%	-14%

2015 Dealer Outlook Continues to Drop

- ✓ For 2015, dealers are now expecting sales to decline 15% year-over-year on average, down from the 11% decline forecast in February.
- ✓ Shortline/Other dealers are the most optimistic, calling for a 10% decline in sales for 2015. John Deere dealers are the least optimistic and are expecting an 18% decline in sales for the year.

Dealer Outlook													
(% chg y/y)	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
2014 Outlook								2015 Outlook					
Overall	-4%	-4%	-6%	-6%	-8%	-4%	-9%	-9%	-11%	-10%	-8%	-11%	-15%
By Brand	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
AGCO	0%	0%	-1%	2%	-4%	2%	10%	6%	0%	-9%	0%	-10%	-11%
John Deere	-3%	-2%	-6%	-6%	-6%	-4%	-10%	-12%	-14%	-9%	-9%	-11%	-18%
New Holland	-6%	-9%	-3%	-3%	-6%	1%	0%	9%	-8%	-10%	-3%	-6%	-11%
Case IH	-6%	-9%	-11%	-9%	-14%	-7%	-16%	-12%	-11%	-16%	-11%	-14%	-17%
Kubota	-2%	-10%	-3%	-4%	-7%	-1%	3%	7%	-6%	-14%	-6%	-11%	-13%
Shortlines	1%	-2%	-8%	-2%	-5%	1%	-9%	3%	-12%	-16%	-7%	-7%	-10%
Other	NA	NA	-4%	3%	2%	NA	19%	0%	3%	NA	-11%	—	—

*As of January 2015, we've combined shortlines and other.

Dealer Optimism Falls

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, declined in February. A net 32% of dealers reported a less optimistic outlook for the year (9% more optimistic, 50% the same, 41% less optimistic). This compares to a net 25% of dealers who reported a less optimistic outlook in January.

Optimism/Sentiment vs. Last Month													
	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
More Optimistic	12%	24%	26%	24%	25%	23%	13%	12%	16%	8%	9%	12%	9%
Same	52%	50%	51%	44%	45%	42%	45%	50%	46%	48%	38%	39%	52%
Less Optimistic	36%	26%	23%	32%	30%	35%	42%	38%	38%	44%	53%	49%	41%
Net % Dealer Optimism	-23%	-1%	3%	-9%	-5%	-11%	-28%	-26%	-22%	-36%	-44%	-37%	-25%

COMMENTARY

USDA Forecast Calls for 12% Decline for 2014-15 Cash Receipts Outlook

The updated March USDA report was largely unchanged for both 2013-14 and 2014-15 at down 11% and 12% respectively, with a minor upward revision to the average corn price outlook. The correlation between equipment sales and cash receipts has historically provided a good proxy for the next year's equipment demand.

The contents of this report represent our interpretation and analysis of information generally available to the public or released by responsible individuals in the subject companies, but is not guaranteed as to accuracy or completeness. It does not contain material provided to us in confidence by our clients.

Individual companies reported on and analyzed by Lessiter Publications Inc., may be clients of this and other Lessiter Publications Inc. services.

This information is not furnished in connection with a sale or offer to sell securities or in connection with the solicitation of an offer to buy securities.

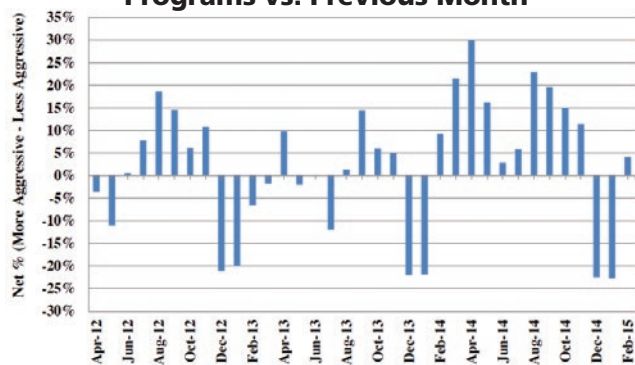
DEALER SENTIMENTS & BUSINESS CONDITIONS UPDATE is a joint project of the editors of *Farm Equipment* and research team at the Cleveland Research Co.

DEALER SENTIMENTS & BUSINESS CONDITIONS UPDATE is published monthly and distributed to subscribers of *AG EQUIPMENT INTELLIGENCE* as well as to dealers participating in the survey by Lessiter Publications Inc., 16655 W. Wisconsin Ave., Brookfield, WI 53005. © 2015 by Lessiter Publications Inc. All rights reserved. Reproduction in any form of this newsletter content is strictly forbidden without the prior written consent of the publisher.

Please send any address changes as soon as possible to the address shown above. U.S., Canada and Mexico print subscriptions are \$299 per year. International subscriptions are \$399 per year. Send subscription orders to: *Ag Equipment Intelligence*, P.O. Box 624, Brookfield, WI 53008-0624. Fax: 262-786-5564. Phone: 262-782-4480 or 866-839-8455 (U.S. only). E-mail: info@lesspub.com.

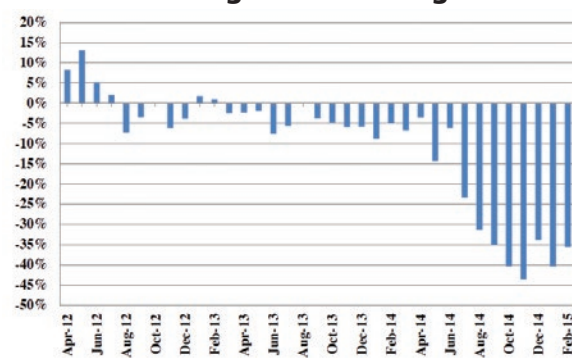
NEW EQUIPMENT TRENDS

Current Manufacturer Incentive Programs vs. Previous Month



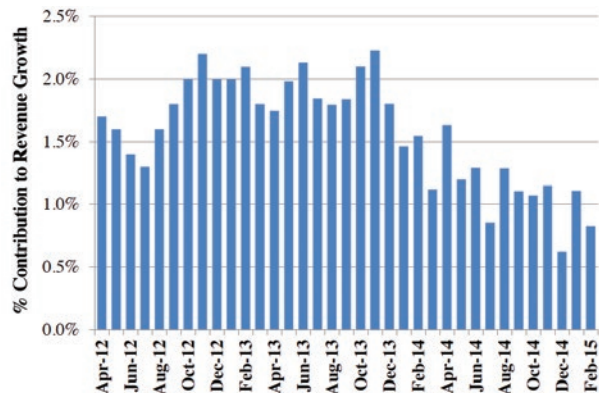
A net 4% of dealers report manufacturers were more aggressive with incentives in February, a reversal of the seasonal trend of a reduction in incentives in December and January. The relative magnitude of incentives are reported to be relatively low, as underlying equipment demand remains weak.

Factory Production vs. Previous Month
Net % Increasing vs. Decreasing Production



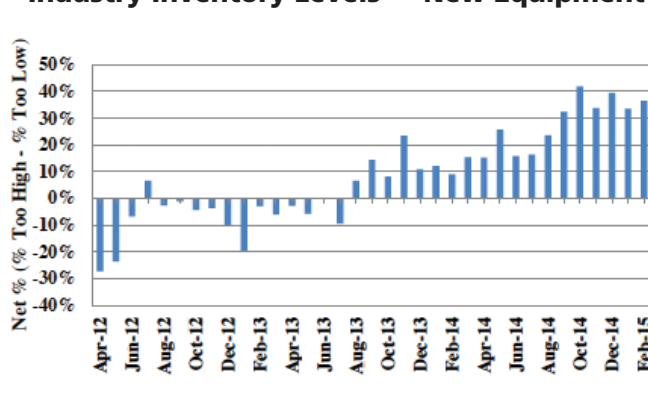
A net 36% of dealers report factory production was down in February, which compares to a net 40% of dealers reporting lower production volume the previous month and relatively consistent with the last several months.

Price Contribution to Sales



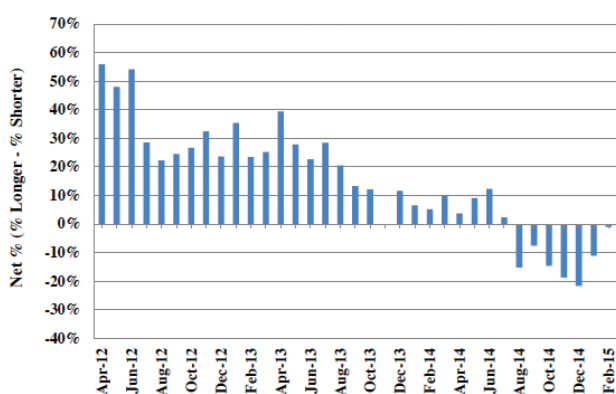
Dealers report price contributed just under 1% to total revenues in February, down slightly from the previous month and continuing a trend of slightly lower price relation over the last 1.5 years.

Industry Inventory Levels — New Equipment



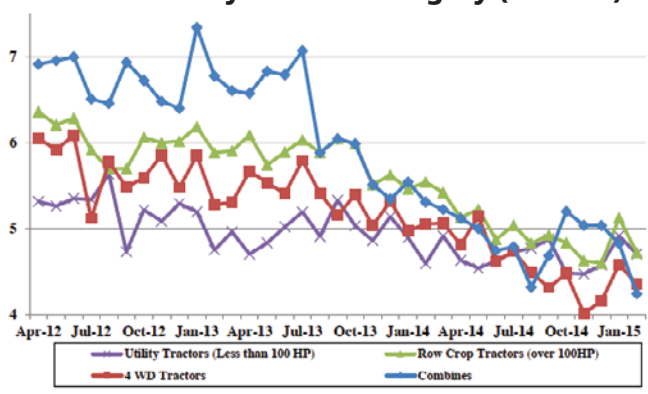
A net 36% of dealers report new equipment inventory as "too high" in February (43% too high; 50% about right; 7% too low), compared to a net 34% the previous month, remaining within a consistent range over the last four months.

Lead Times vs. Prior Month



Overall, a net 1% of dealers report shorter factory lead times compared to the previous month (22% longer; 55% same; 23% shorter). This was the sixth consecutive month of contraction

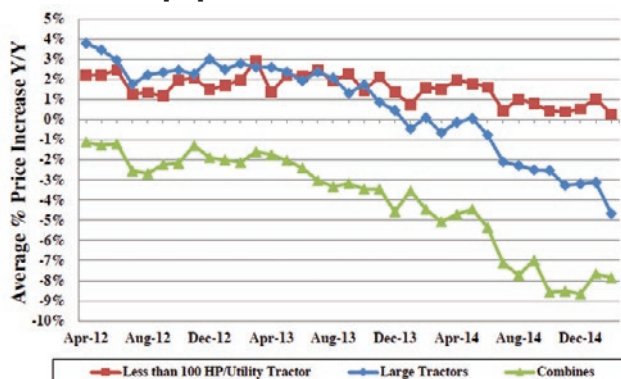
Lead Times by Product Category (Months)



Tractor lead times have generally remained in the 4-5 month range for nearly all product types over the last several months, down from 5-6 months for much of 2012 and 2013. Combine lead times remain short at under 5 months with broad availability.

USED EQUIPMENT TRENDS

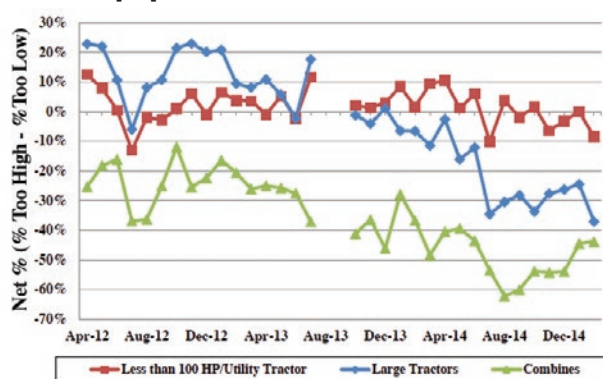
Used Equipment Values vs. Last Year



Source: Cleveland Research, AEI

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

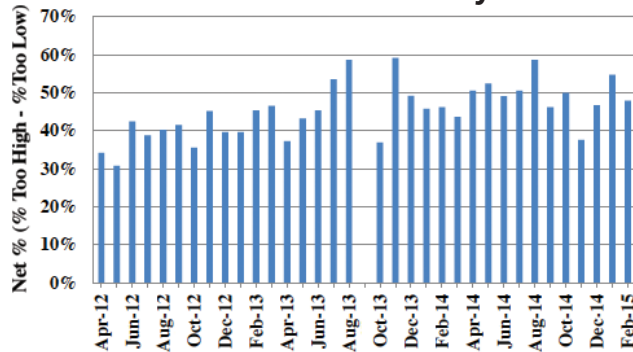
Used Equipment Values vs. Previous Month



Source: Cleveland Research, AEI

Large tractor values are reported at down 5% year-over-year, a deterioration from the 3% decline reported the previous month. Small tractor values are trending slightly higher year-over-year due to higher relative demand from the livestock sector.

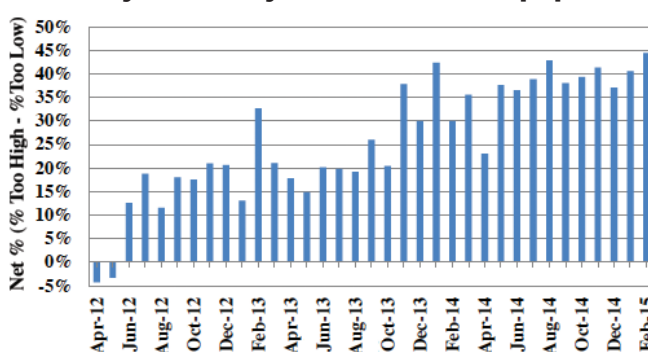
Used Combine Inventory



Source: Cleveland Research, AEI

A net 48% of dealers reported used combine inventories were "too high," down from a net 55% the previous month.

Industry Inventory Levels — Used Equipment

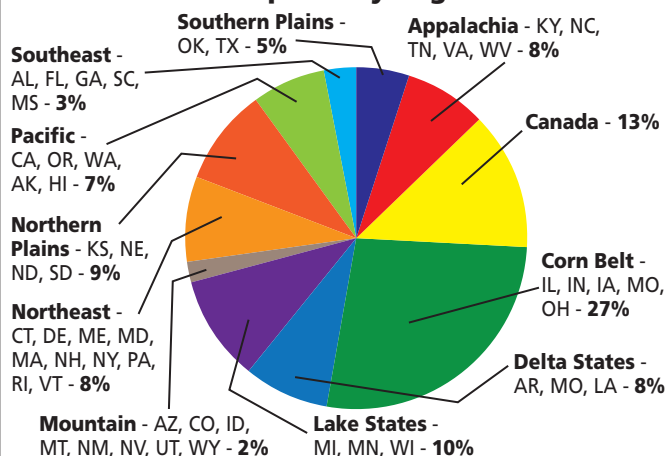


Source: Cleveland Research, AEI

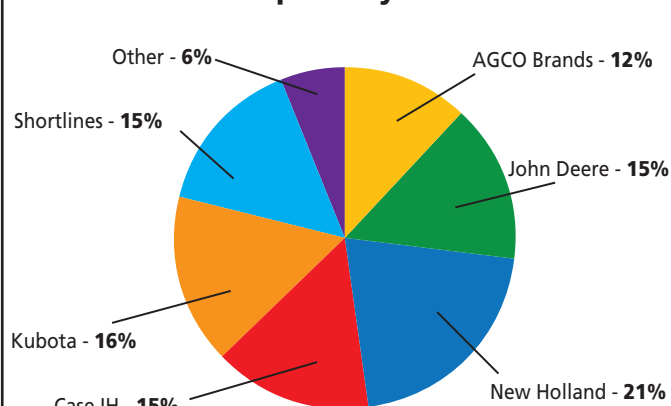
A net 45% of dealers reported used equipment inventory as "too high" in February (51% too high; 43% about right; 6% too low), above the net 41% last month and the highest level on our survey history.

MARCH 2015 SURVEY RESPONDENTS

Participants by Region



Participants by Brand



The March survey had 108 respondents representing combined annual revenues of roughly \$4.3 billion, covering a broad cross section of geographies and brands.