

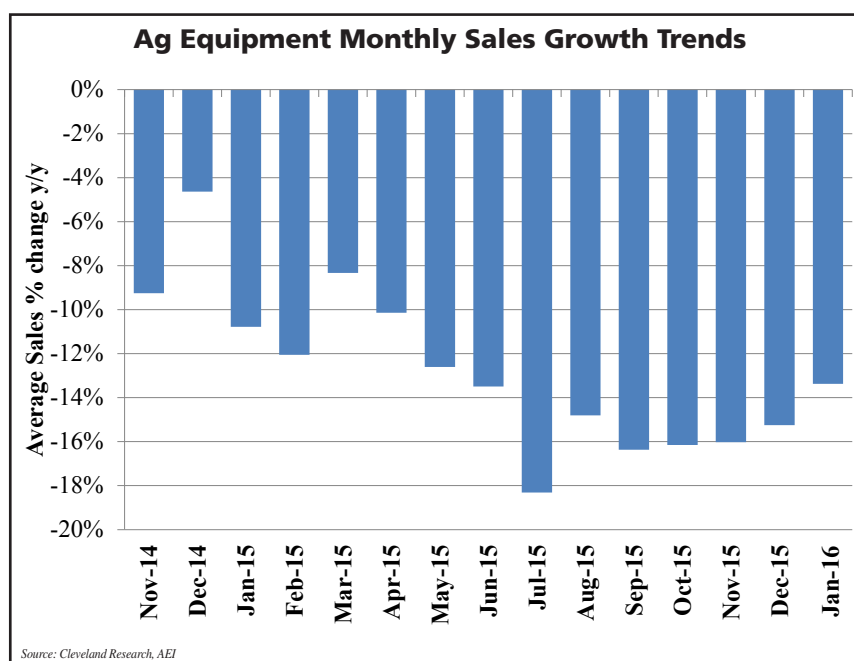
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Down 13% in January

- ✓ North American ag equipment dealers reported their sales, on average, were down 13% year-over-year in January, better than the 15% decline the month before.
- ✓ A net 60% of dealers say their new equipment inventories are "too high," a significant deterioration from the net 42% the previous month.
- ✓ Used equipment inventories were slightly worse in January, with a net 40% of dealers reporting inventory was "too high" vs. 38% the prior month.
- ✓ Dealers reported relatively flat new equipment pricing following a slight uptick in 4Q as Tier 4 sales and OEM price increases have been offset by greater discounting at the dealer level. Used large tractor pricing is reported down 8% year-over-year on average. Used combine prices were reported down 12%, a slight improvement from the 4Q average of down 14%.



Results vs. Expectations															
	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	Dec-15	Jan-16
Better than expected	21%	29%	26%	13%	20%	27%	23%	21%	18%	16%	19%	15%	12%	19%	12%
In line with expectations	40%	47%	57%	59%	50%	44%	39%	48%	45%	56%	53%	43%	51%	47%	52%
Worse than expected	39%	23%	18%	28%	28%	29%	36%	31%	36%	28%	28%	41%	37%	34%	35%
Net % (Better - Worse)	-18%	6%	8%	-14%	-8%	-2%	-13%	-10%	-18%	-12%	-9%	-26%	-25%	-15%	-23%

2016 Full-Year Outlook: Down 11%

- ✓ The average dealer sales forecast for 2016 is for an 11% drop, a decline from the down 9% forecast the prior month. A net 54% (18% positive, 72% negative) of dealers are forecasting a sales decline for the year.
- ✓ New Holland dealers reported the least negative outlook calling for a 6% decline in sales. Shortline/other, John Deere and Case IH dealers are all calling for the largest drop in sales, forecasting a 12% decline.

Dealer Outlook — 2016					
(% chg y/y)	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
AGCO	-9%	-8%	-7%	-9%	-10%
John Deere	-6%	-10%	-9%	-8%	-12%
New Holland	-5%	-12%	-9%	-13%	-6%
Case IH	-7%	-8%	-10%	-10%	-12%
Kubota	3%	3%	4%	-2%	-7%
Shortlines/Other	-9%	-15%	-8%	-6%	-12%
Overall	-6%	-9%	-9%	-9%	-11%

Dealer Optimism Improves Slightly

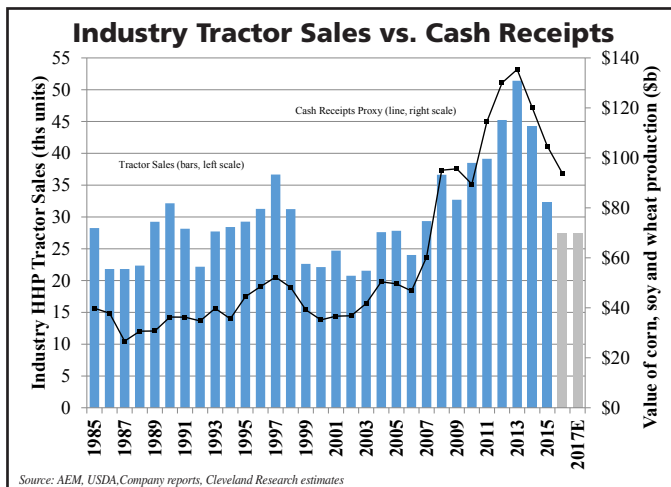
Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, shows a net 32% of dealers being less optimistic (11% more optimistic, 46% same and 43% less optimistic) in January compared to a net 36% who were less optimistic in December.

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

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 February crop report was in line with January, with our cash receipts proxy forecast down 10% year-over-year in 2015-16 compared to a decline of 13% in 2014-15.



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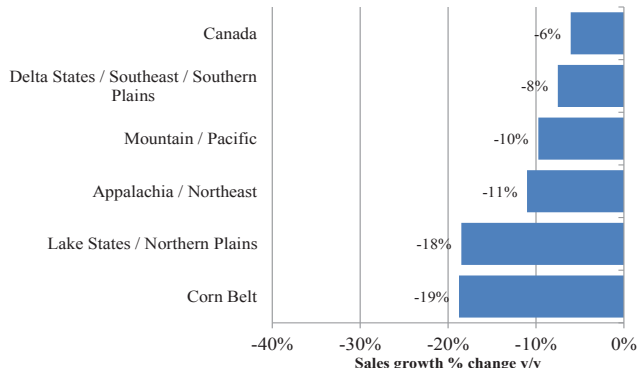
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NEW EQUIPMENT TRENDS

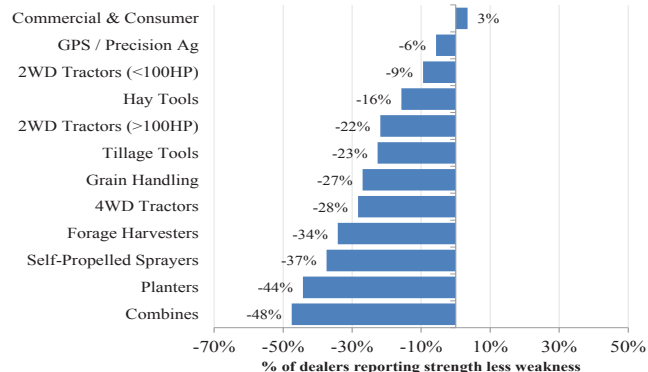
Average Sales Growth by Region



Source: Farm Equipment Magazine Survey

Sales trends were down in all regions in January, with the Corn Belt showing the largest decline at down 19% year-over-year. The Lake States/Northern Plains, Appalachia/Northeast and Mountain/Pacific also posted double digit declines. Canada had the strongest showing with declines of just 6%.

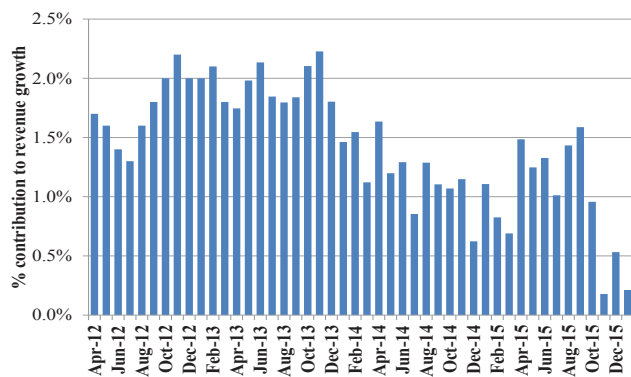
Equipment Category Sales Trends



Source: Farm Equipment Magazine Survey

Commercial and consumer lawn 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.

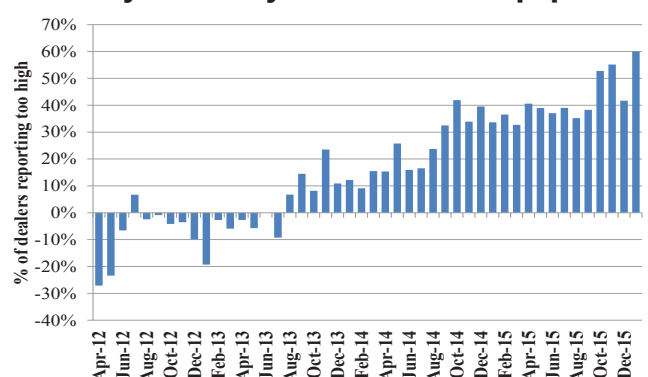
Price Contribution to Sales



Source: Cleveland Research Company Surveys

Dealers report several OEMs pushed through small price increases in 4Q (0.5-1%), with respondents reporting pricing in January improving slightly at up 0.2% year-over-year. The effect of the strong U.S. dollar on Canadian exchange rate continues to play a part in pricing inflation within North America.

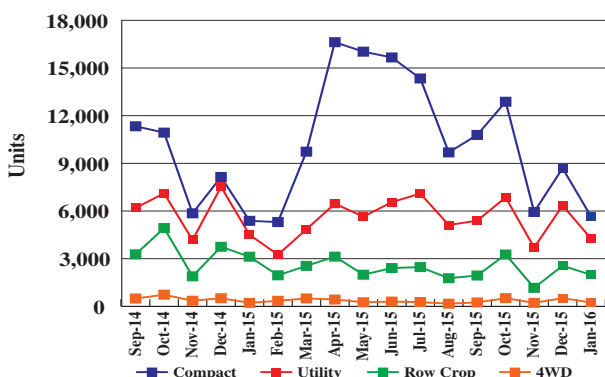
Industry Inventory Levels — New Equipment



Source: Farm Equipment Magazine Survey

A net 60% of dealers reported new equipment inventories are "too high" (62% too high, 36% about right, 2% too low) vs. 42% (44% too high, 54% about right, 2% too low) in December and an average 50% in 4Q. This marks 17 months of new inventory levels reported as "too high" by more than a net 30% of dealers, and the worst reading in survey history.

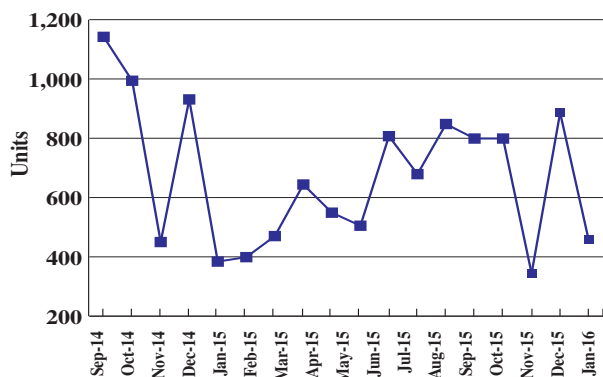
North American Tractor Sales



Source: AEM, Cleveland Research, AEI

Total North American tractor sales were down 8% year-over-year in January, with row-crop tractors down 37%. 4WD tractor sales saw growth at up 10%. Sales for <40 horsepower tractors were up 5% year-over-year.

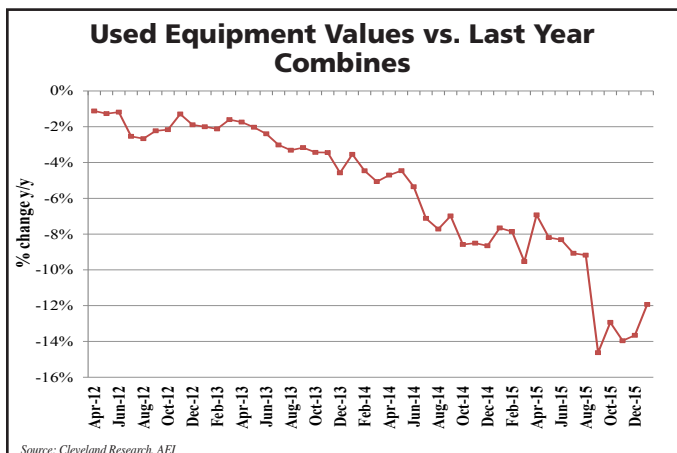
North American Combine Sales



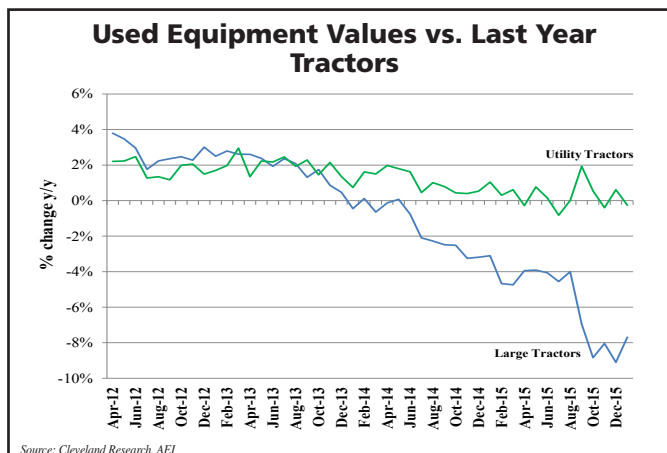
Source: AEM, Cleveland Research, AEI

North American combine sales came in at 457 units in January compared to 384 units in January 2015. On a year-over-year basis, combine sales were up 19%.

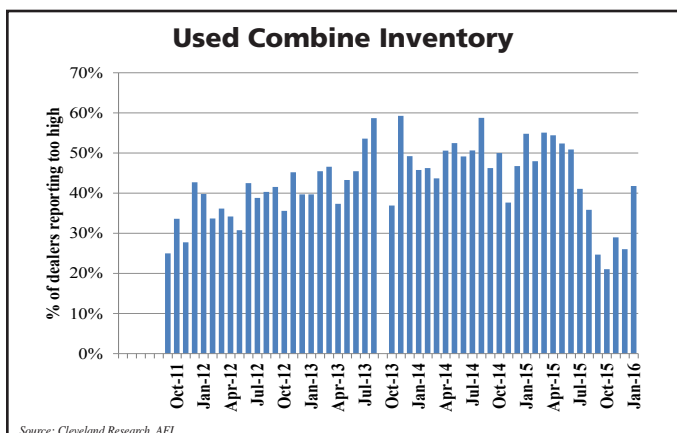
USED EQUIPMENT TRENDS



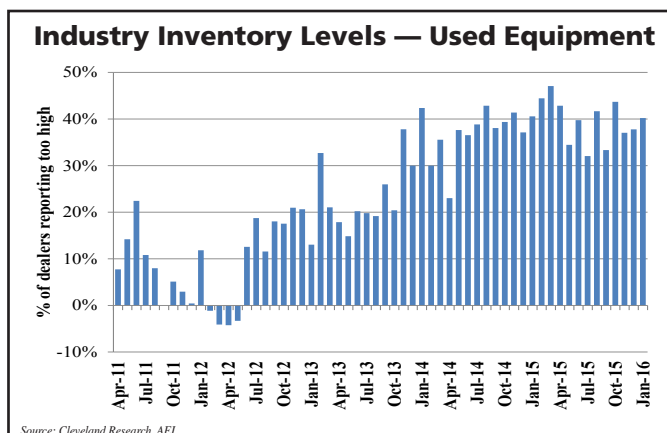
Used combine pricing was down 12% year-over-year, a slight improvement over the 14% decline reported in 4Q in 2015.



January saw slightly negative pricing for small tractors, in line with the past few months. Large tractors were reported down 8% year-over-year on average, slightly better than the down 9% reported in December and 4Q in 2015.

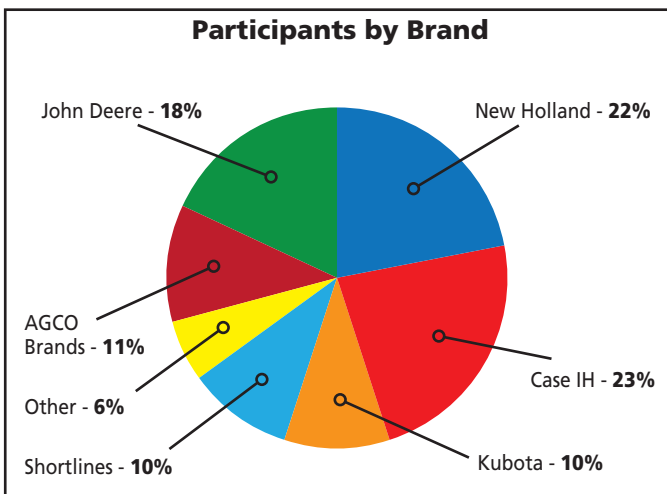
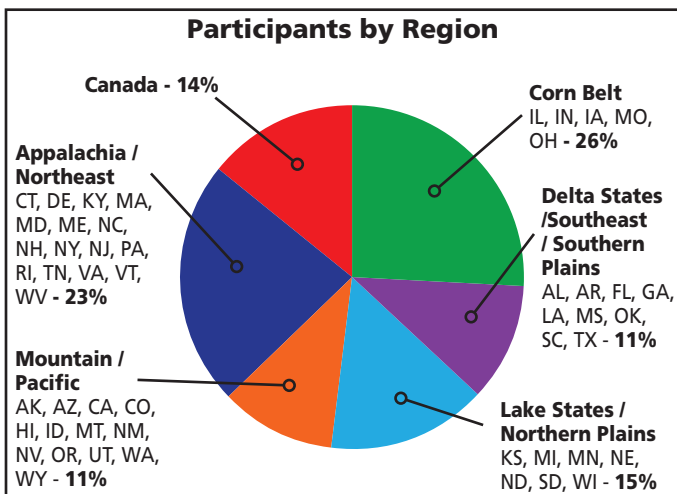


Used combine inventory remains "too high" with a net 42% of dealers reporting inventories above where they would like them, a significant decline from the net 26% reporting high inventory last month. This marks a stark change from the prior trend of combine inventory outperforming general used inventory levels.



A net 40% of dealers reported used equipment inventory as "too high" (47% too high, 46% about right, 7% too low) vs. 38% in December (47% too high, 44% about right, 9% too low).

FEBRUARY 2016 SURVEY RESPONDENTS



The February survey had 124 respondents representing combined annual revenues of roughly \$4.4 billion, covering a broad cross section of geographies and brands.