

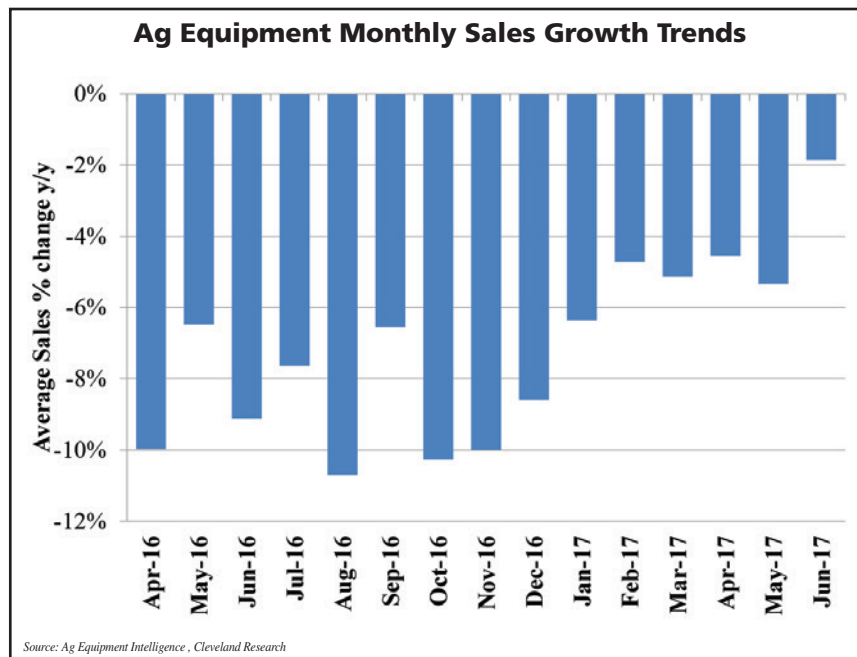
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Down 2% in June

- ✓ Average North American dealer sales were down 2% year-over-year in June, better than the 5% decline in May.
- ✓ A net 25% of dealers reported their new equipment inventories are "too high," an improvement from the 30% in May.
- ✓ A net 26% of dealers reported their used equipment inventories were "too high," better than the 34% last month.
- ✓ Dealers reported relatively flat pricing for new equipment as OEM price increases have been offset by discounting at the dealer level. Prices on used large tractors were down 5%, vs. the 4% declines in May. Used combine pricing was down 6% year-over-year, in line with May.



Results vs. Expectations																		
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Better than expected	12%	15%	20%	24%	21%	22%	15%	14%	14%	16%	8%	11%	16%	11%	12%	16%	19%	16%
In line with expectations	52%	47%	52%	48%	46%	40%	43%	44%	44%	40%	61%	57%	59%	58%	58%	54%	52%	65%
Worse than expected	35%	38%	28%	29%	34%	38%	42%	41%	42%	44%	31%	32%	25%	31%	30%	30%	30%	19%
Net % (Better - Worse)	-23%	-22%	-8%	-5%	-13%	-17%	-28%	-27%	-28%	-28%	-24%	-22%	-9%	-20%	-18%	-15%	-11%	-3%

2017 Full-Year Outlook: Sales Down 2%

- ✓ The 2017 sales growth forecast was reported at down 2% in June, better than the 5% declines reported in May.
- ✓ Kubota and John Deere are the most optimistic, forecasting sales to be up 3%. Case IH dealers were the least optimistic in June, calling for sales to be down 6%.

Dealer Outlook — 2017												
(% chg y/y)	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
AGCO	-1%	-2%	-20%	-10%	-8%	-2%	-1%	2%	-5%	-3%	-6%	-4%
John Deere	-11%	-4%	-15%	-1%	-6%	-5%	-3%	-3%	-3%	0%	0%	3%
New Holland	-4%	-3%	-21%	-3%	-5%	-4%	-6%	-3%	-5%	-11%	-4%	0%
Case IH	-14%	-6%	-20%	-12%	2%	-13%	-7%	-3%	-6%	-4%	-3%	-6%
Kubota	6%	-24%	4%	-3%	-6%	-2%	-8%	3%	4%	1%	1%	3%
Shortlines/Other	-3%	-5%	-19%	-2%	0%	-10%	1%	-2%	-6%	-10%	2%	0%
Overall	-8%	-7%	-8%	-5%	-4%	-4%	-4%	-2%	-4%	-4%	-2%	0%

Dealer Optimism Improves in June

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, showed improvement in June. A net 4% of dealers were more optimistic in June vs. the net 2% less optimistic in May.

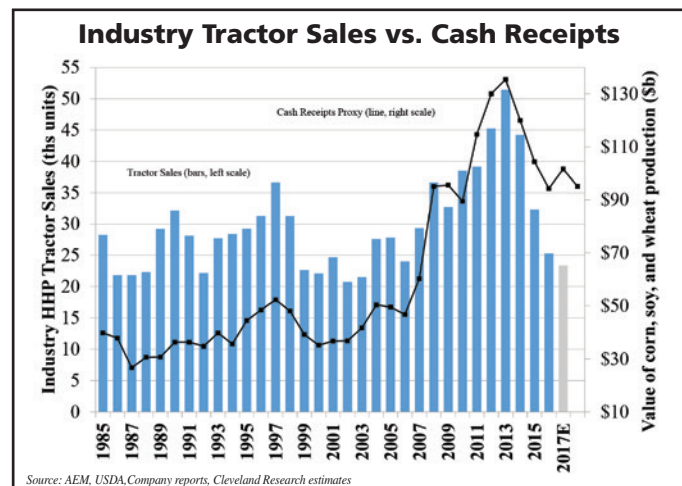
Optimism/Sentiment vs. Last Month																	
	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
More Optimistic	13%	17%	15%	22%	11%	16%	11%	14%	13%	15%	17%	31%	21%	26%	17%	19%	23%
Same	51%	55%	59%	51%	60%	44%	52%	49%	53%	60%	58%	48%	60%	47%	53%	61%	58%
Less Optimistic	36%	28%	26%	27%	30%	40%	36%	38%	34%	25%	26%	20%	19%	27%	30%	20%	19%
Net % Dealer Optimism	-24%	-11%	-11%	-4%	-19%	-24%	-25%	-24%	-21%	-10%	-9%	11%	1%	-1%	-13%	-2%	4%

USDA Outlook for Cash Receipts

Since 2009, the value of U.S. corn, soybeans and wheat production has correlated very closely to the annual industry sales of high horsepower tractors. This chart shows the historical relationship between the value of U.S. corn, soybeans and wheat production vs. annual industry sales of high horsepower (>100 HP) tractors.

USDA's July crop report was similar to June with cash receipts proxy forecast down 6% year-over-year in 2017-18.

Wheat cash receipts are now forecast down 3% year-over-year vs. down 4% in June, while corn and soybean forecasts were lowered to down 9% vs. down 7% previously.



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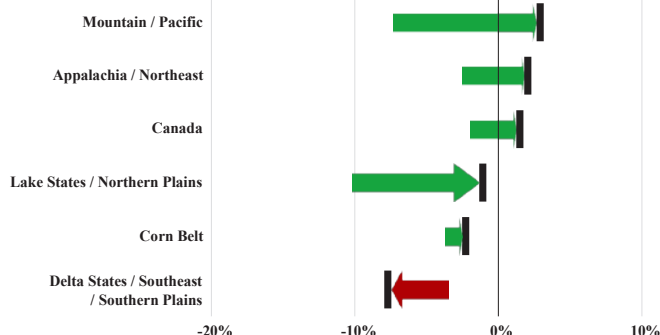
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NEW EQUIPMENT TRENDS

Average Sales Growth by Region

Net % Reporting Strength/Weakness in June 2017; Arrows show change vs. May 2017

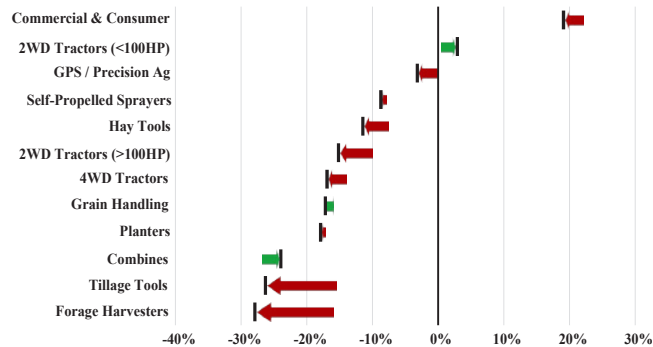


Source: Ag Equipment Intelligence

Sales trends by region were mixed in the month. Five of the 6 regions improved from last month's results, while trends in the Delta States/Southeast/Southern Plains region deteriorated from May. Sales growth by region in 2Q improved from 1Q with forecasts in the down 5% to down 1% range vs. the down 8% to down 1% range in 1Q.

Equipment Category Sales Trends

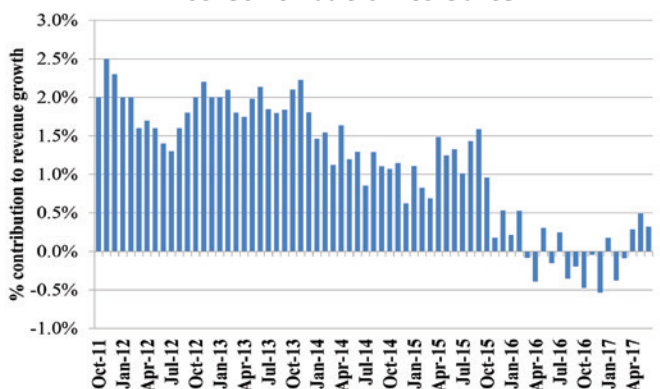
Net % Reporting Strength/Weakness in June 2017; Arrows show change vs. May 2017



Source: Ag Equipment Intelligence

Commercial and consumer lawn equipment and GPS/precision farming sales showed strength, while large equipment demand remains weak. Sequentially, the bulk of equipment category sales softened in June, though combines saw the greatest improvement from May.

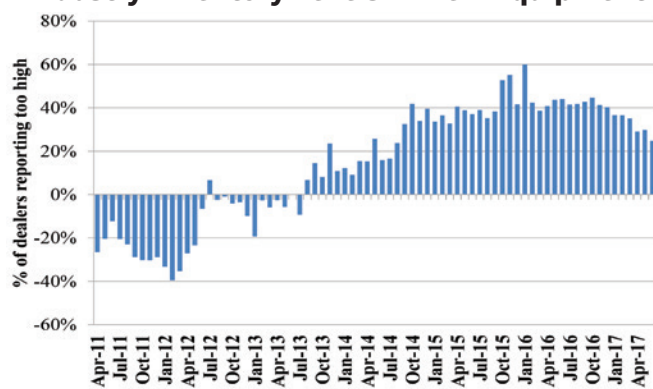
Price Contribution to Sales



Source: Ag Equipment Intelligence, Cleveland Research

Dealers reported relatively flat pricing over the last year as incentive programs have more than offset list price increases. Pricing has shown sequential improvement over the past 5 months.

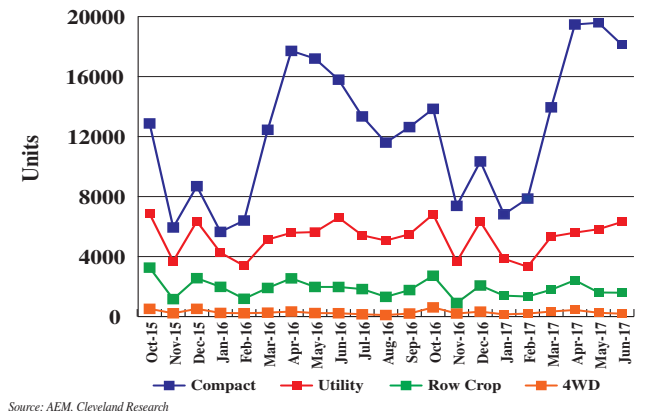
Industry Inventory Levels — New Equipment



Source: Ag Equipment Intelligence

A net 24% of dealers reported new equipment inventories "too high" (38% too high, 48% about right, 14% too low), an improvement from the 30% in May.

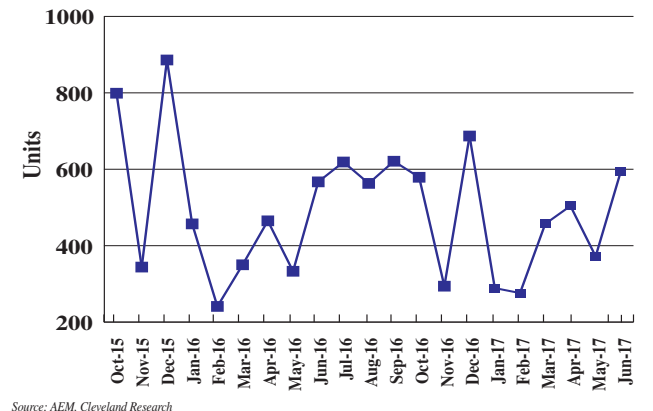
North American Tractor Sales



Source: AEM, Cleveland Research

Total North American tractor sales were up 9% year-over-year in June on the strength of <40 horsepower tractors, which were up 14% year-over-year. Row-crop tractors were the only tractor category to see a year-over-year decline in June at down 18%.

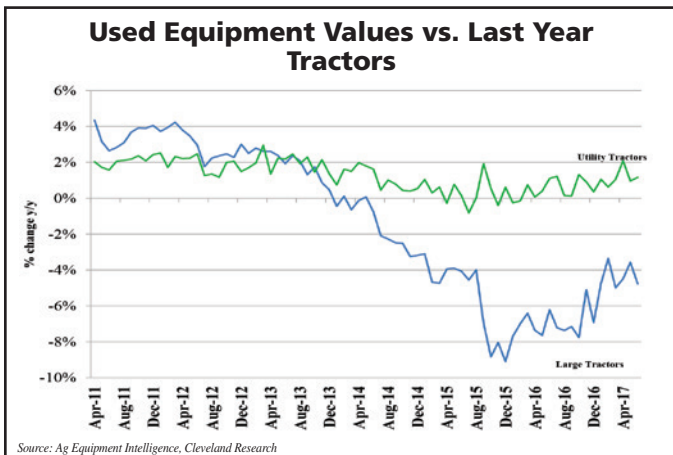
North American Combine Sales



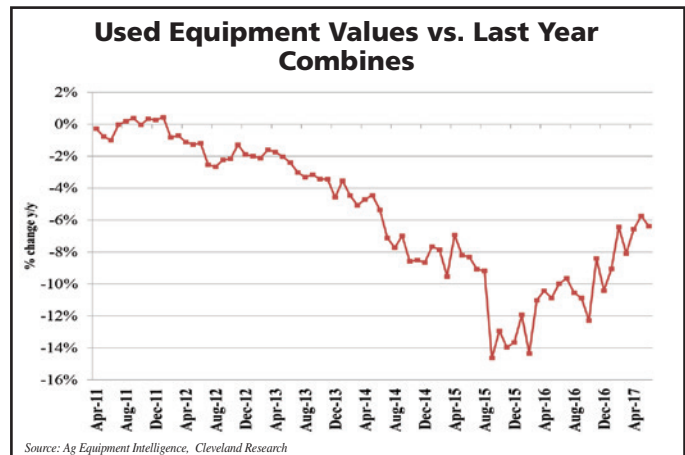
Source: AEM, Cleveland Research

Total North American combine sales were up 5% in June. North American combine sales have seen positive growth for the last 5 months following declines for all but two months over the last 3 years.

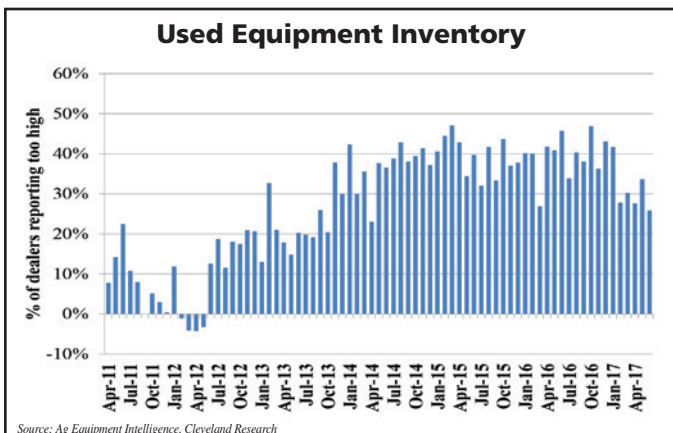
USED EQUIPMENT TRENDS



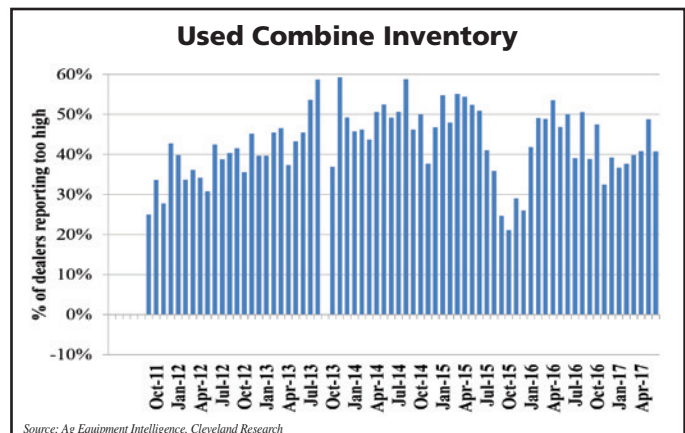
Pricing trends were mixed in June. Large tractors were reported down 5% year-over-year, below the 4% decline reported in May.



Used combine pricing remained the same as last month with values reported down 6% year-over-year.

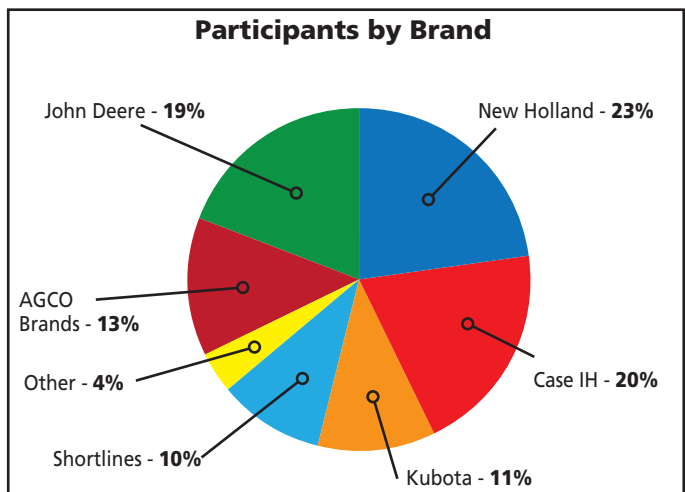
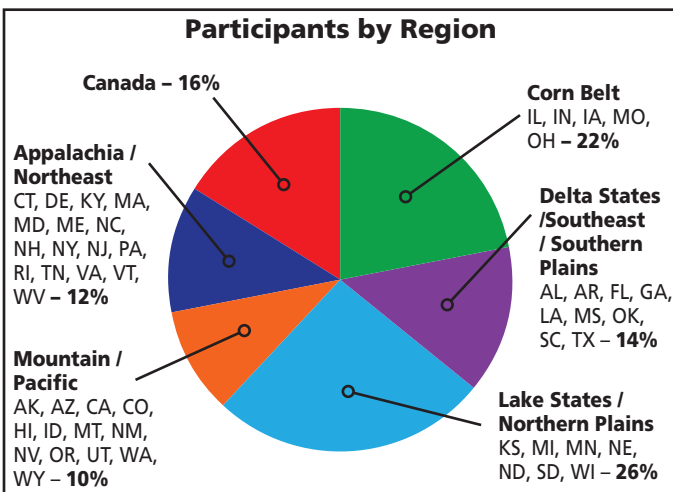


A net 26% of dealers reported used equipment inventory as "too high" (35% too high, 55% about right, 9% too low), an improvement from the 33% reporting heightened inventory in May (41% too high, 51% about right, 8% too low).



Used combine inventory levels were reported as "too high" by a net 41% of dealers in June, in line with 1Q trends, and better than the 49% in May.

JULY 2017 SURVEY RESPONDENTS



The July survey had about 130 respondents representing combined annual revenues of roughly \$5 billion. By brand, 23% of respondents were New Holland dealers, 20% Case IH, 19% John Deere, 11% Kubota and 13% AGCO dealers.