

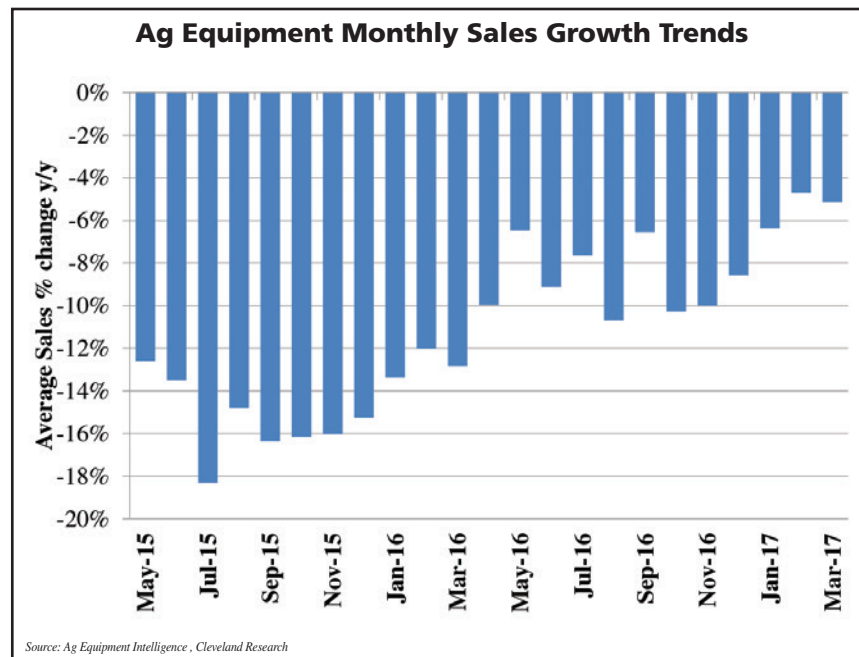
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Decline 5% in March

- ✓ Average North American dealer sales were down 5% year-over-year in March, in line with February.
- ✓ A net 35% of dealers reported their new equipment inventories are "too high," similar to the 37% in February.
- ✓ A net 30% of dealers reported their used equipment inventories were "too high," slightly above the 28% who reported elevated inventories the previous month.
- ✓ Dealers report mostly flat pricing for new equipment during the past month. Prices on used large tractors were down 5% year-over-year on average vs. down 5% reported in February. Used combine pricing was down 8% year-over-year vs. down 6% the previous month.



Results vs. Expectations																		
	Oct-15	Nov-15	Dec-15	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
Better than expected	15%	12%	19%	12%	15%	20%	24%	21%	22%	15%	14%	14%	16%	8%	11%	16%	11%	12%
In line with expectations	43%	51%	47%	52%	47%	52%	48%	46%	40%	43%	44%	44%	40%	61%	57%	59%	58%	58%
Worse than expected	41%	37%	34%	35%	38%	28%	29%	34%	38%	42%	41%	42%	44%	31%	32%	25%	31%	30%
Net % (Better - Worse)	-26%	-25%	-15%	-23%	-22%	-8%	-5%	-13%	-17%	-28%	-27%	-28%	-28%	-24%	-22%	-9%	-20%	-18%

2017 Full-Year Outlook: Sales Down 4%

- ✓ Dealers forecast 2017 sales growth at down 4% on average, declining from last month's forecast but in line with forecasts from November-January.
- ✓ Kubota dealers were once again the most optimistic, calling for a 4% increase. Case IH and shortline/other dealers were the least optimistic, anticipating 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
AGCO	-1%	-2%	-20%	-10%	-8%	-2%	-1%	2%	-5%
John Deere	-11%	-4%	-15%	-1%	-6%	-5%	-3%	-3%	-3%
New Holland	-4%	-3%	-21%	-3%	-5%	-4%	-6%	-3%	-5%
Case IH	-14%	-6%	-20%	-12%	2%	-13%	-7%	-3%	-6%
Kubota	6%	-24%	4%	-3%	-6%	-2%	-8%	3%	4%
Shortlines/Other	-3%	-5%	-19%	-2%	0%	-10%	1%	-2%	-6%
Overall	-8%	-7%	-8%	-5%	-4%	-4%	-4%	-2%	-4%

Dealer Optimism Drops in March

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, shows a net 1% of dealers being less optimistic in March, compared to a net 1% being more optimistic in February.

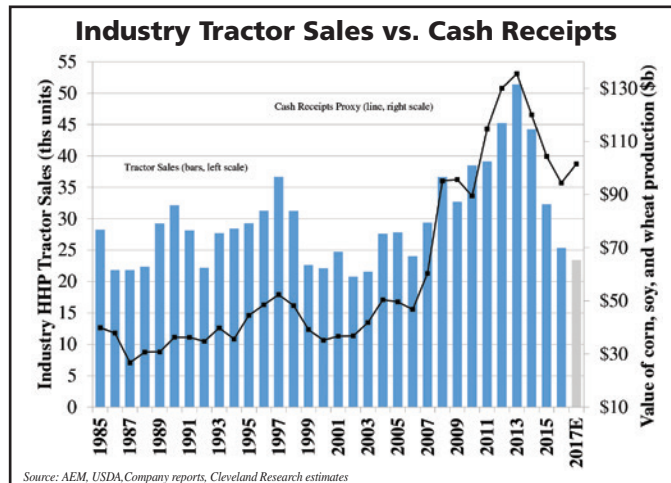
Optimism/Sentiment vs. Last Month																	
	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
More Optimistic	10%	8%	11%	13%	17%	15%	22%	11%	16%	11%	14%	13%	15%	17%	31%	21%	26%
Same	52%	48%	46%	51%	55%	59%	51%	60%	44%	52%	49%	53%	60%	58%	48%	60%	47%
Less Optimistic	38%	44%	43%	36%	28%	26%	27%	30%	40%	36%	38%	34%	25%	26%	20%	19%	27%
Net % Dealer Optimism	-28%	-35%	-31%	-24%	-11%	-11%	-4%	-19%	-24%	-25%	-24%	-21%	-10%	-9%	11%	1%	-1%

USDA Outlook for Cash Receipts

Since 2009, the value of production of U.S. corn, soybeans and wheat 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. the annual industry sales of high horsepower (>100 HP) tractors.

USDA's April crop report was similar to March, with cash receipts proxy forecast up 8% year-over-year in 2016-17.

Soybean pricing estimates were adjusted down 1% from last month to \$9.95 per bushel.



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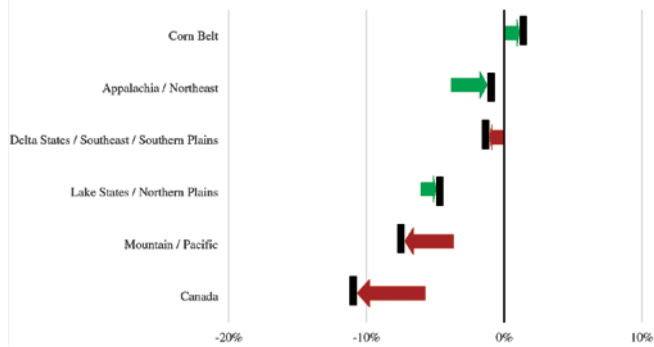
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NEW EQUIPMENT TRENDS

Average Sales Growth by Region

Net % Reporting Strength/Weakness in March 2017; Arrows show change vs. Feb. 2017

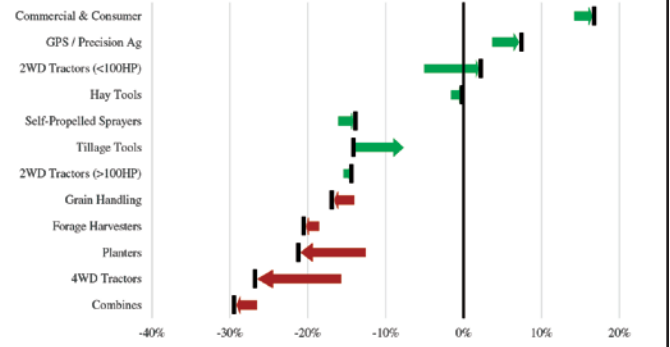


Source: Ag Equipment Intelligence

Sales trends by region were mixed for the month. The Corn Belt, Appalachia/Northeast and Lake States/Northern Plains regions improved from February's reading, and the Corn Belt saw the best reading since May 2014. The Mountain/Pacific, and Delta States/Southeast/Southern Plains regions and Canada declined from last month's results.

Equipment Category Sales Trends

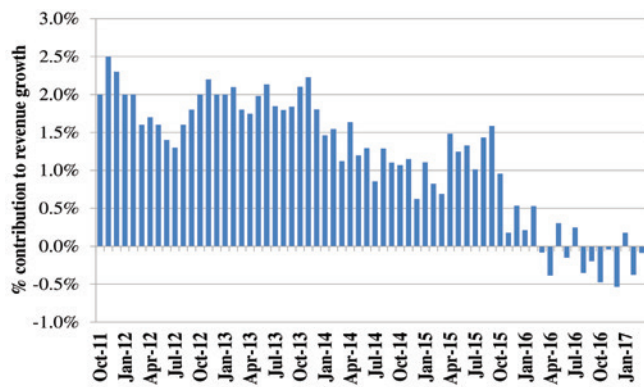
Net % Reporting Strength/Weakness in March 2017; Arrows show change vs. Feb. 2017



Source: Ag Equipment Intelligence

Equipment sales trends were mixed in March as commercial & consumer lawn equipment, GPS/Precision Farming and 2WD tractors showed strength in contrast to declines in other categories (planters, combines, sprayers and harvesters in particular). 2WD tractors saw growth in March for the first time since September 2015.

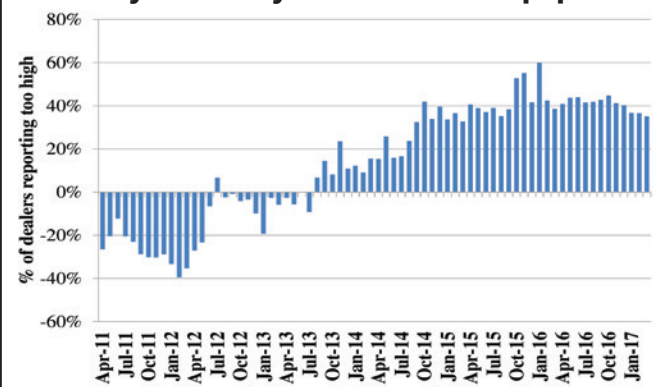
Price Contribution to Sales



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. Commentary in the month suggests that OEMs are pulling back on incentive programs.

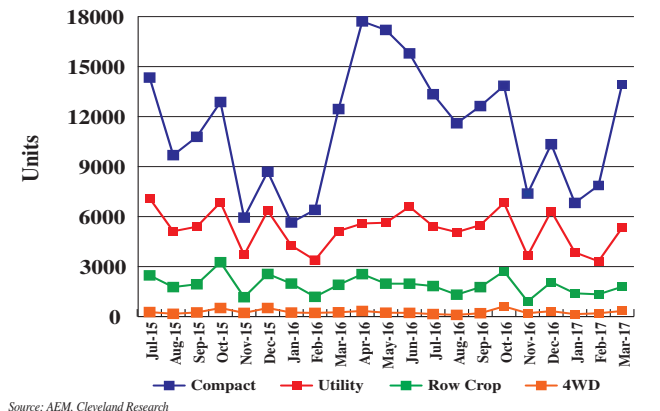
Industry Inventory Levels — New Equipment



Source: Ag Equipment Intelligence

A net 35% of dealers reported new equipment inventories are "too high" (45% too high, 45% about right, 10% too low), slightly better than the 37% in February. New inventory levels have been elevated for over 3 years.

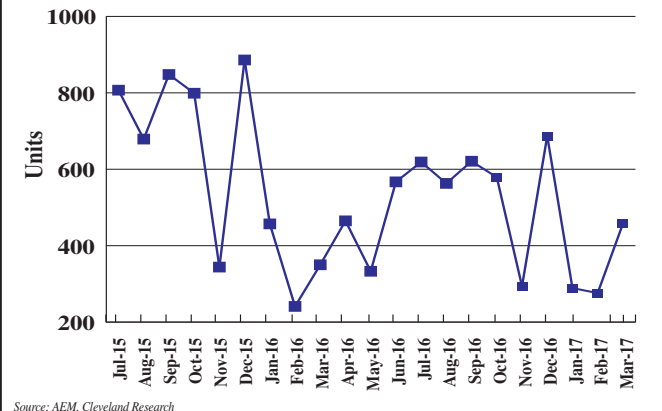
North American Tractor Sales



Source: AEM, Cleveland Research

Total North American tractor sales were up 9% year-over-year in March on the strength of 4WD tractor sales, which saw a 31% year-over-year sales increase. Row-crop tractors were the only tractor category to see a year-over-year decline in March at down 6%.

North American Combine Sales

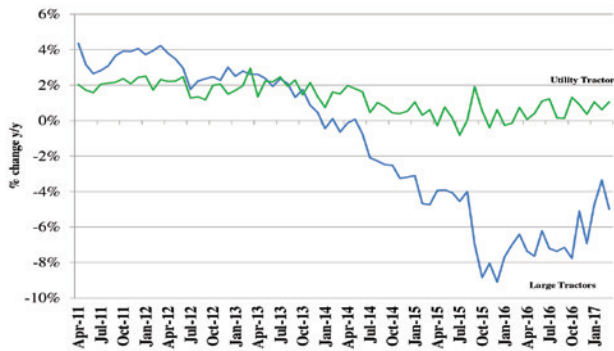


Source: AEM, Cleveland Research

Total North American combine sales increased 32% year-over-year in March following an increase of 15% the month before.

USED EQUIPMENT TRENDS

**Used Equipment Values vs. Last Year
Tractors**



Source: Ag Equipment Intelligence, Cleveland Research

Pricing trends saw deterioration in the month. Large tractors were reported down 5% year-over-year, worse than the 3% decline reported in February.

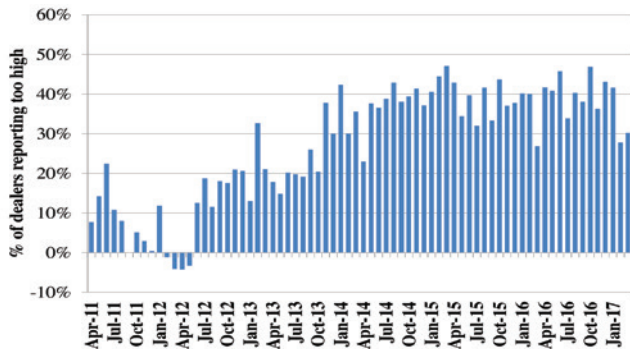
**Used Equipment Values vs. Last Year
Combines**



Source: Ag Equipment Intelligence, Cleveland Research

Used combine pricing declined with values reported down 8% year-over-year vs. the 6% decline in February.

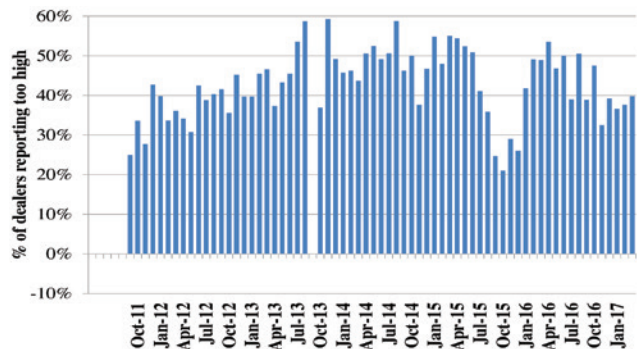
Used Equipment Inventory



Source: Ag Equipment Intelligence, Cleveland Research

A net 31% of dealers reported used equipment inventory as "too high" (40% too high, 51% about right, 9% too low), up from the 27% reporting heightened inventory in February (38% too high, 51% about right, 11% too low).

Used Combine Inventory

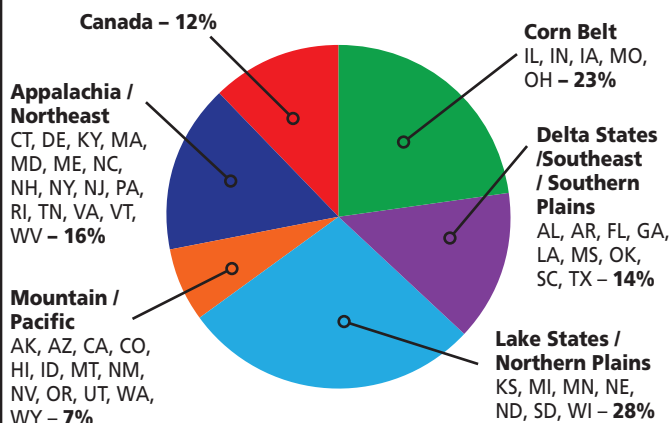


Source: Ag Equipment Intelligence, Cleveland Research

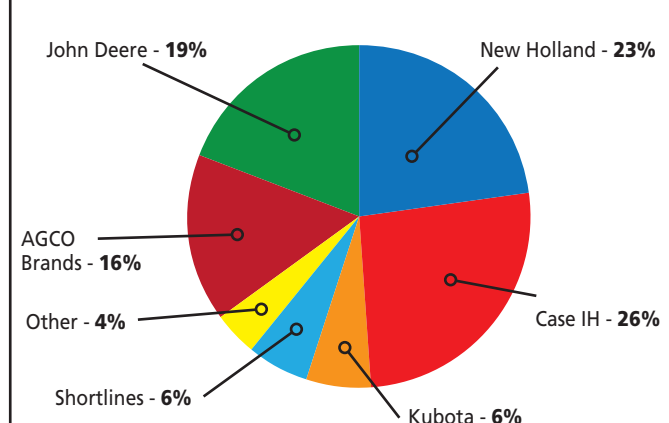
Used combine inventory levels were reported as "too high" by a net 40% of dealers in March, compared to February's reading of 38%.

APRIL 2017 SURVEY RESPONDENTS

Participants by Region



Participants by Brand



The April survey had about 160 respondents representing combined annual revenues of roughly \$5 billion. By brand, 23% of respondents were New Holland dealers, 19% John Deere, 26% Case IH and 16% AGCO dealers.