

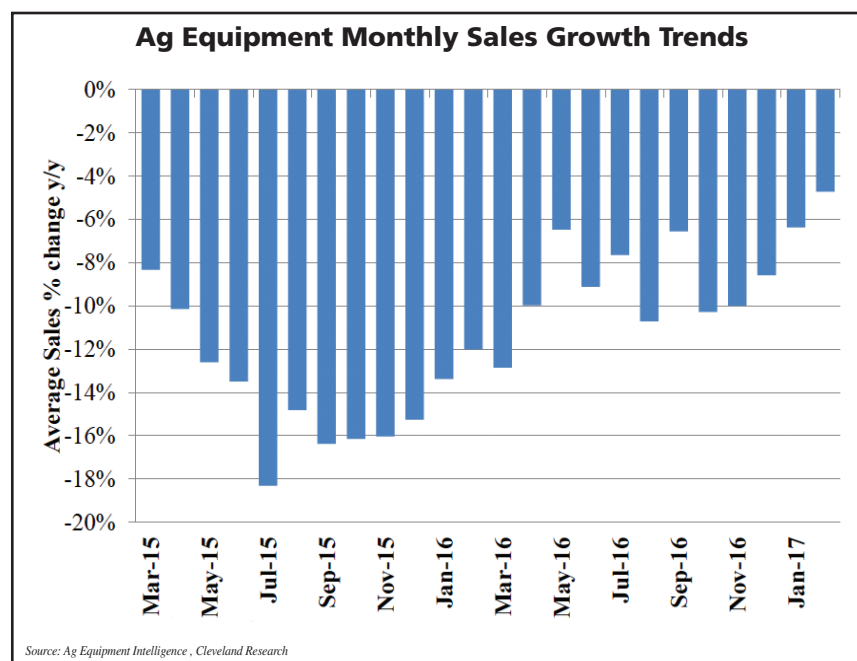
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Decline 5% in February

- ✓ Average North American dealer sales were down 5% year-over-year in February, an improvement from January when sales were down 6%.
- ✓ A net 37% of dealers reported their new equipment inventories are "too high," in line with January.
- ✓ A net 28% of dealers reported their used equipment inventories were "too high," an improvement from 42% of dealers who thought it was "too high" in January.
- ✓ Dealers report mostly flat pricing for new equipment during the past month. Prices on used large tractors were down 3% year-over-year on average, better than the down 5% reported in January. Used combine pricing was down 6% year-over-year vs. down 9% the previous month.



Results vs. Expectations																		
	Sep-15	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
Better than expected	19%	15%	12%	19%	12%	15%	20%	24%	21%	22%	15%	14%	14%	16%	8%	11%	16%	11%
In line with expectations	53%	43%	51%	47%	52%	47%	52%	48%	46%	40%	43%	44%	44%	40%	61%	57%	59%	58%
Worse than expected	28%	41%	37%	34%	35%	38%	28%	29%	34%	38%	42%	41%	42%	44%	31%	32%	25%	31%
Net % (Better - Worse)	-9%	-26%	-25%	-15%	-23%	-22%	-8%	-5%	-13%	-17%	-28%	-27%	-28%	-28%	-24%	-22%	-9%	-20%

2017 Full-Year Outlook: Sales Down 2%

- ✓ Dealers forecast 2017 sales growth at down 2% on average, better than last month's forecast following improvements in cash receipt forecasts over the past 3-4 months.
- ✓ Kubota dealers were the most optimistic, calling for a 3% increase, while John Deere, New Holland and Case IH dealers were the least optimistic, forecasting sales to drop 3%.

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

Dealer Optimism Remains Positive in February

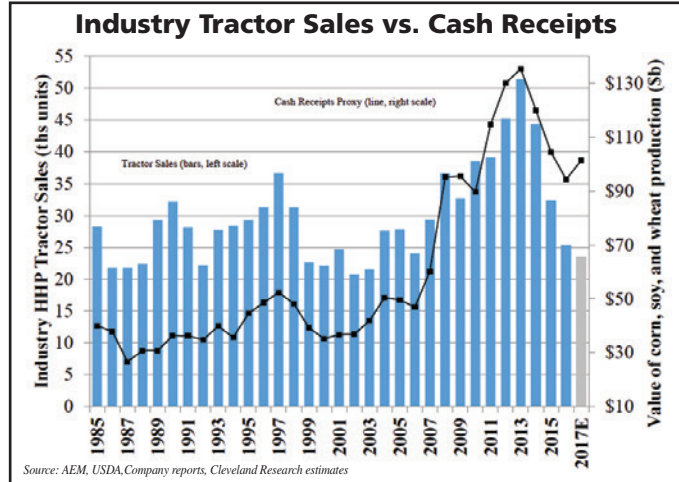
Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, shows a net 1% of dealers being more optimistic in February, compared to a net 11% being more optimistic in January. While down month-over-month, the latest reading is an improvement from a net 24% of dealers being less optimistic in February 2016.

Optimism/Sentiment vs. Last Month																	
	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
More Optimistic	8%	10%	8%	11%	13%	17%	15%	22%	11%	16%	11%	14%	13%	15%	17%	31%	21%
Same	60%	52%	48%	46%	51%	55%	59%	51%	60%	44%	52%	49%	53%	60%	58%	48%	60%
Less Optimistic	33%	38%	44%	43%	36%	28%	26%	27%	30%	40%	36%	38%	34%	25%	26%	20%	19%
Net % Dealer Optimism	-25%	-28%	-35%	-31%	-24%	-11%	-11%	-4%	-19%	-24%	-25%	-24%	-21%	-10%	-9%	11%	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 March crop report showed improvement from February, with cash receipts proxy forecast up 8% year-over-year in 2016-17. Soybean pricing estimates were raised 1% from last month.



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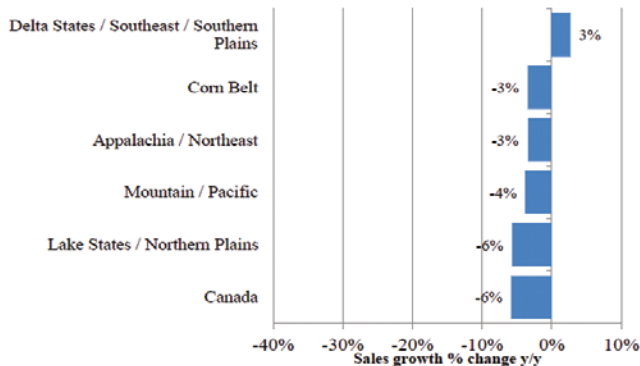
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NEW EQUIPMENT TRENDS

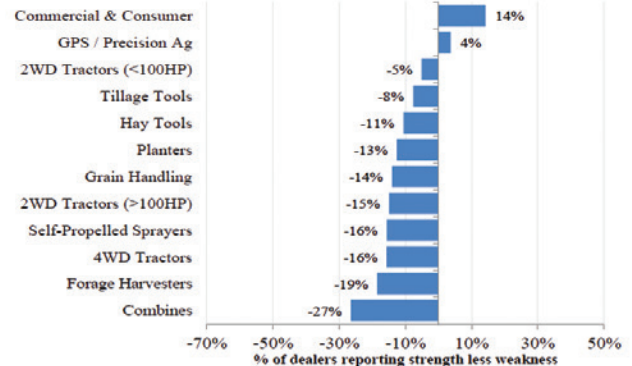
Average Sales Growth by Region



Source: Ag Equipment Intelligence

Sales trends by region were mixed for the month. Canada improved from January. The Delta States/Southeast/Southern Plains region grew for the first time in a year. The Mountain/Pacific region saw some weakness from the prior trend.

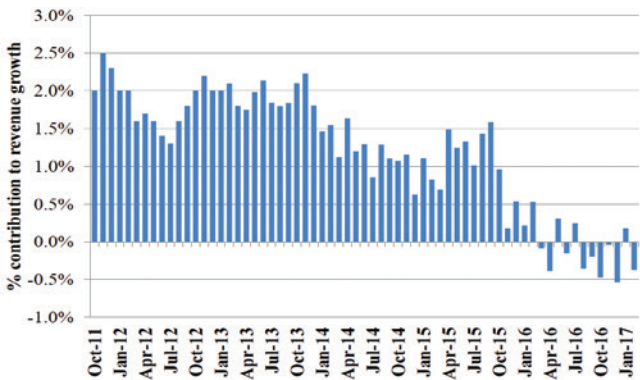
Equipment Category Sales Trends



Source: Ag Equipment Intelligence

All product categories improved vs. the previous month except 2WD Tractors (<100 HP), which stayed the same. Commercial & consumer lawn equipment continues to show strength. Forage and Harvester saw the biggest improvement, from -28% in January to -19% in February.

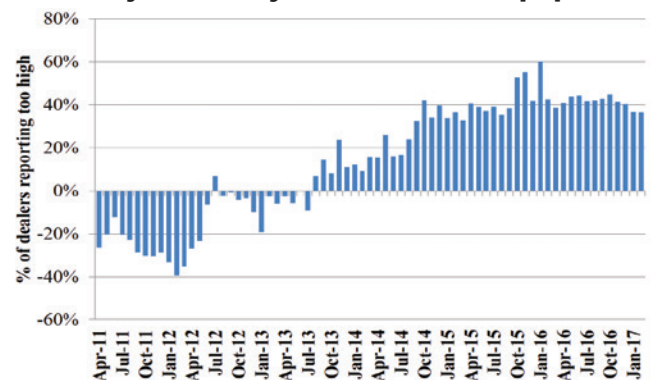
Price Contribution to Sales



Source: Ag Equipment Intelligence, Cleveland Research

Dealers reported relatively flat pricing over the last few months as incentive programs have more than offset list price increases. Commentary in the month suggests that OEMs are pulling back on incentive programs.

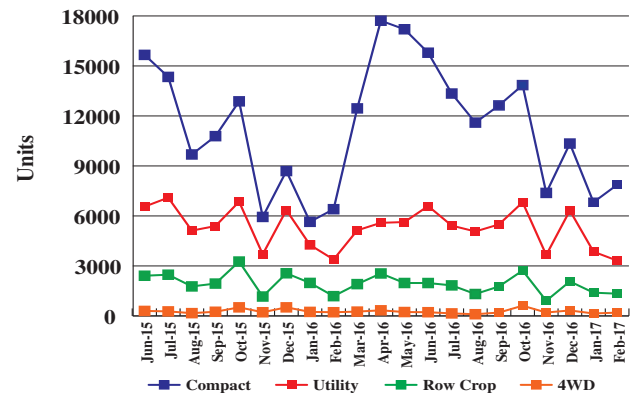
Industry Inventory Levels — New Equipment



Source: Ag Equipment Intelligence

A net 37% of dealers reported new equipment inventories are "too high" (40% too high, 57% about right, 3% too low) in line with January. New inventory levels have been elevated for over 3 years.

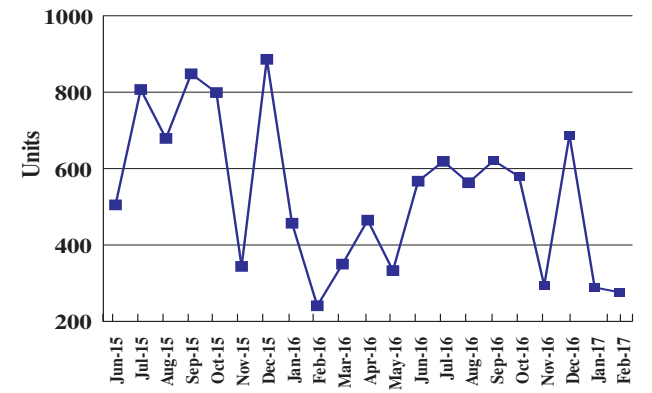
North American Tractor Sales



Source: AEM, Cleveland Research

Total North American tractor sales were up 13% year-over-year in February on the strength of compact tractor sales, which saw sales increase 22% year-over-year.

North American Combine Sales

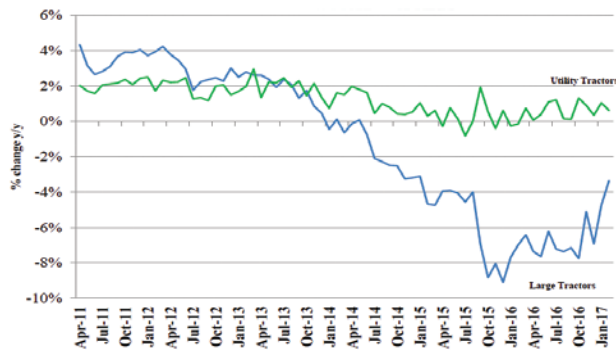


Source: AEM, Cleveland Research

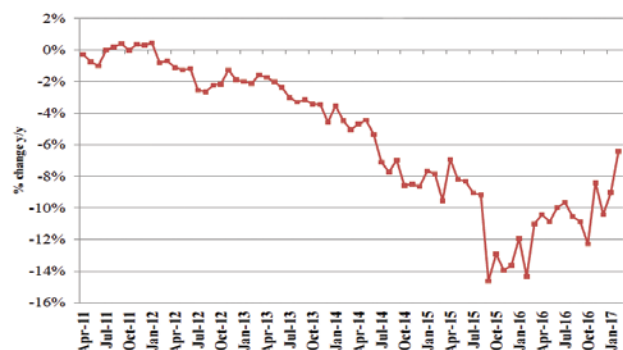
Total North American combine sales increased 15% in February vs. February of the previous year.

USED EQUIPMENT TRENDS

Used Equipment Values vs. Last Year Tractors



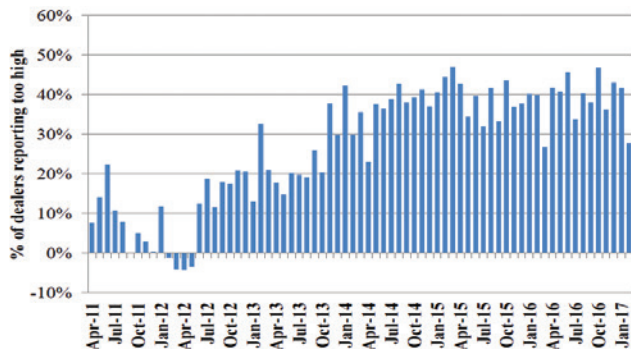
Used Equipment Values vs. Last Year Combines



Pricing trends improved across all categories in the month. Large tractors were reported down approximately 3% year-over-year on average, slightly better than the 5% decline reported in January.

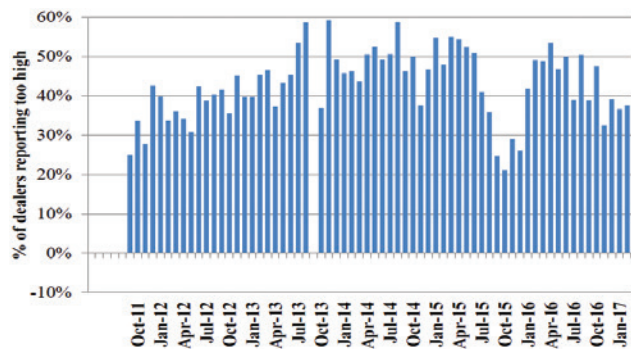
Used combine pricing was down 6% year-over-year in February, a slight improvement from the down 9% reported for January.

Used Equipment Inventory



A net 27% of dealers reported used equipment inventory as "too high" (38% too high, 51% about right, 11% too low), a notable improvement from the 42% reporting heightened inventory in January (52% too high, 38% about right, 10% too low).

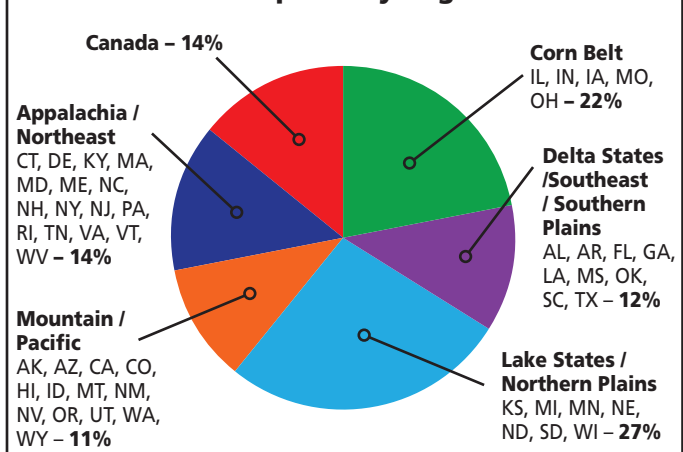
Used Combine Inventory



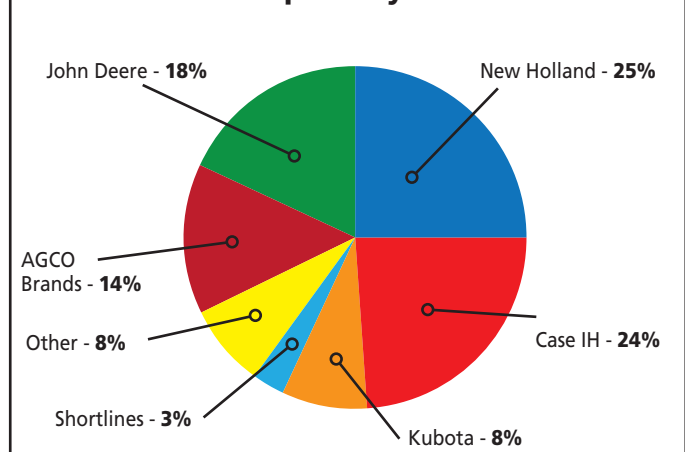
Used combine inventory levels were reported as "too high" by a net 38% of dealers in February, compared to January's reading of 37% and December's reading of 39%.

MARCH 2017 SURVEY RESPONDENTS

Participants by Region



Participants by Brand



The March survey had about 140 respondents representing combined annual revenues of roughly \$5 billion. By brand, 20% of respondents were New Holland dealers, 19% John Deere, 17% Case IH and 13% AGCO dealers.