

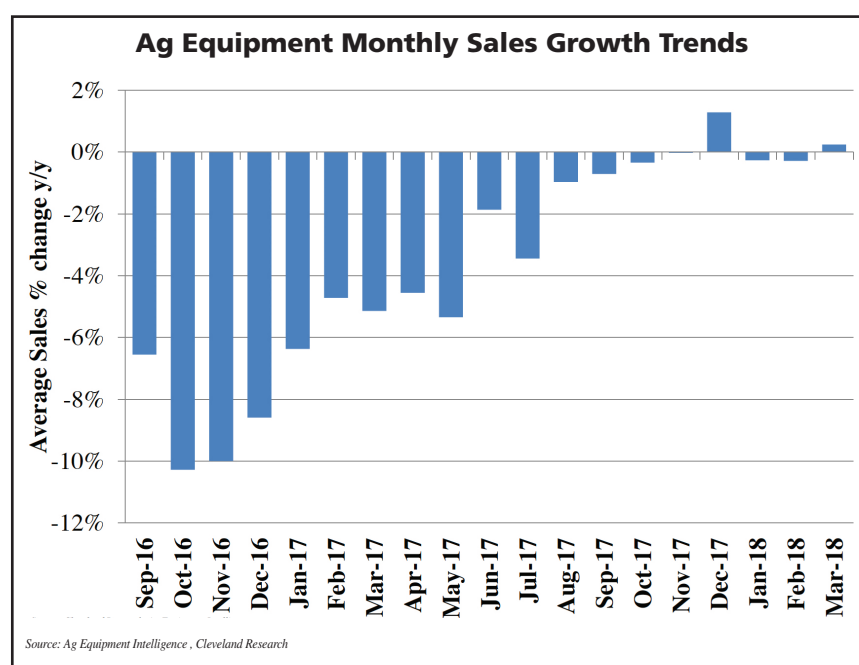
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Flat in March

- ✓ Average dealer sales were reported flat year-over-year in March, in line with February and January.
- ✓ A net 28% of dealers reported their new equipment inventories were "too high," a slight improvement from a net 30% reporting heightened inventory in February.
- ✓ A net 15% of dealers reported their used equipment inventories were "too high," vs. 33% the previous month. Overall, inventories have come down from 2016 levels.
- ✓ Dealers reported new equipment pricing was stable in the month suggesting 1Q price increases have been implemented. Used pricing trends improved in the month with used tractor prices down 2% and combine prices down 3%.



Results vs. Expectations															
	Mar-15	Mar-16	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Better than expected	20%	20%	12%	16%	19%	16%	16%	21%	21%	18%	21%	18%	13%	13%	11%
In line with expectations	50%	52%	58%	54%	52%	65%	48%	52%	47%	55%	60%	62%	65%	61%	60%
Worse than expected	28%	28%	30%	30%	30%	19%	36%	27%	32%	27%	20%	20%	22%	26%	29%
Net % (Better - Worse)	-8%	-8%	-18%	-15%	-11%	-3%	-19%	-6%	-11%	-8%	1%	-1%	-9%	-13%	-18%

2018 Full-Year Outlook: Sales Up 1%

- ✓ The 2018 forecast is for 1% year-over-year growth, in line with February. A net 15% of dealers expect growth, better than the 10% in February and in line with the 16% of dealers expecting growth in 1Q. Nearly 60% of dealers responding to the survey do not believe the U.S. tax bill will have an impact on sales in 2018.
- ✓ John Deere and Shortline/Other dealers are the most optimistic about the year ahead, forecasting sales to be up 3%.

Dealer Outlook — 2018													
(% chg y/y)	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
AGCO	-5%	-3%	-6%	-4%	-6%	-8%	-7%	-7%	3%	-1%	-4%	4%	0%
John Deere	-3%	0%	0%	3%	-4%	3%	1%	0%	4%	2%	4%	1%	3%
New Holland	-5%	-11%	-4%	0%	-2%	-4%	-8%	-14%	2%	-2%	1%	0%	0%
Case IH	-6%	-4%	-3%	-6%	-6%	-3%	-8%	-1%	3%	4%	0%	-4%	-5%
Kubota	4%	1%	1%	3%	11%	3%	-3%	-1%	1%	2%	1%	-1%	2%
Shortlines/Other	-6%	-10%	2%	0%	-3%	-1%	2%	-1%	-5%	4%	1%	-3%	3%
Overall	-4%	-4%	-2%	0%	-3%	-1%	-3%	-2%	2%	2%	2%	1%	1%

Dealer Optimism Drops Slightly

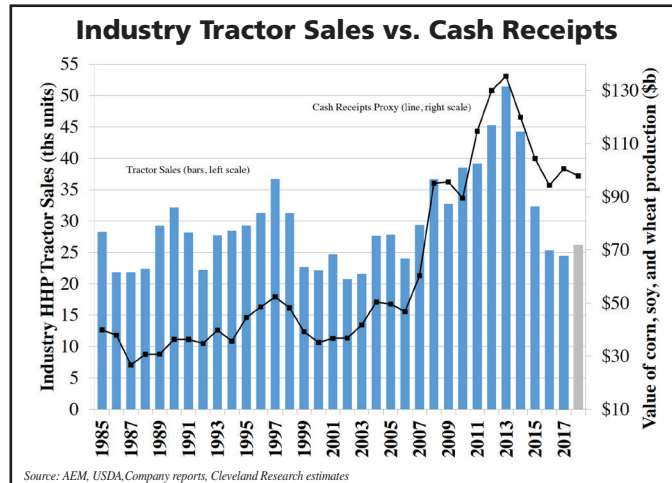
Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, dropped to -1% in March following two months of neutral readings. Overall dealer optimism has improved over the last several months, and this is the lowest reading since September 2017.

Optimism/Sentiment vs. Last Month													
	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
More Optimistic	26%	17%	19%	23%	21%	23%	23%	22%	24%	28%	21%	21%	24%
Same	47%	53%	61%	58%	47%	52%	51%	56%	63%	53%	58%	58%	51%
Less Optimistic	27%	30%	20%	19%	32%	26%	26%	22%	14%	19%	21%	21%	25%
Net % Dealer Optimism	-1%	-13%	-2%	4%	-11%	-3%	-3%	0%	10%	9%	0%	0%	-1%

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 April crop report was unchanged from March with cash receipts proxy forecast down 3% year-over-year in 2017-18. Corn cash receipt forecasts are for 4% declines, wheat forecasts are down 10%, and soybean forecasts are flat year-over-year.



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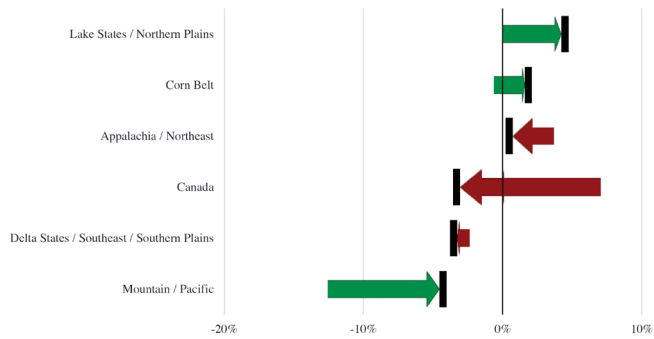
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NEW EQUIPMENT TRENDS

Average Sales Growth by Region

Average Sales Growth by Region - March 2018

Net % Reporting Strength/Weakness in March 2018; Arrows show change vs. February 2018



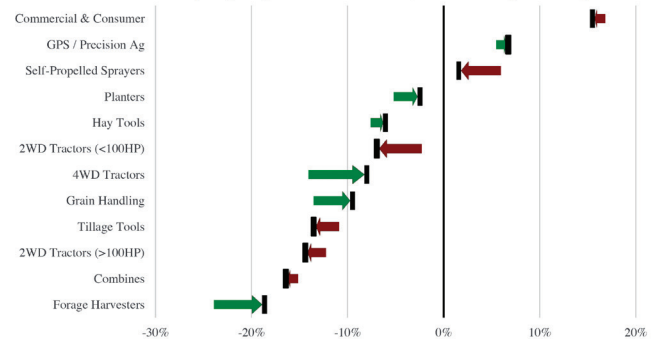
Source: Ag Equipment Intelligence

Sales trends by region declined in 5 of the 6 regions in 1Q v. improvement in 5 of the 6 regions in 4Q. The Lake States/ Northern Plains region was the strongest region in March, while the Mountain/Pacific region saw the greatest improvement from February. Canada saw a sequential deterioration in March and was the weakest region in 1Q.

Equipment Category Sales Trends

Sales by Product Category- March 2018

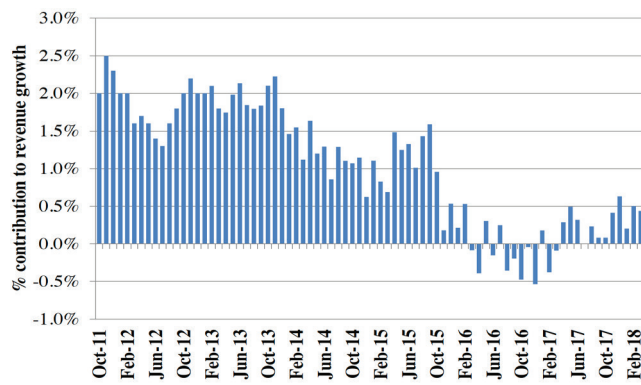
Net % Reporting Strength/Weakness in March 2018; Arrows show change vs. February 2018



Source: Ag Equipment Intelligence

Sales by product category were mixed in March, while nearly all product categories saw improvement from 4Q to 1Q. Commercial & consumer equipment saw continued strength, large equipment has shown improvement and small tractors (<100 hp) saw softening from 4Q.

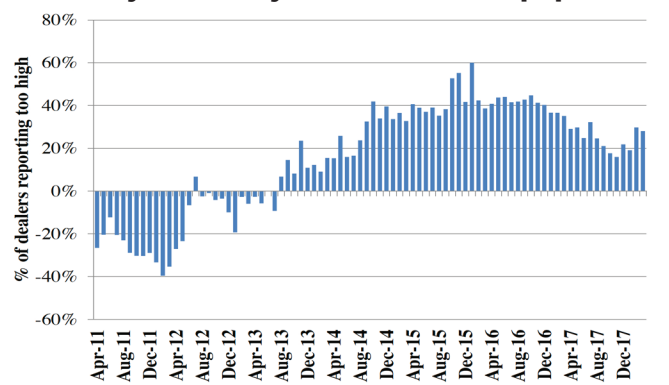
Price Contribution to Sales



Source: Ag Equipment Intelligence, Cleveland Research

Pricing trends were stable in the month suggesting 1Q price increases have been implemented. Commentary suggests dealers have seen surcharges on steel of anywhere from 5-8% as a result of the recently announced tariffs.

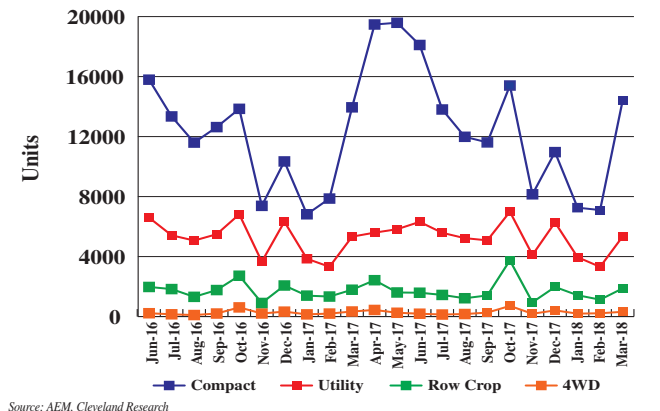
Industry Inventory Levels — New Equipment



Source: Ag Equipment Intelligence

A net 28% of dealers reported new equipment inventories were "too high" (37% too high, 54% about right, 9% too low), in line with February. Commentary suggests slow combine sales have been weighing on inventories, both used and new.

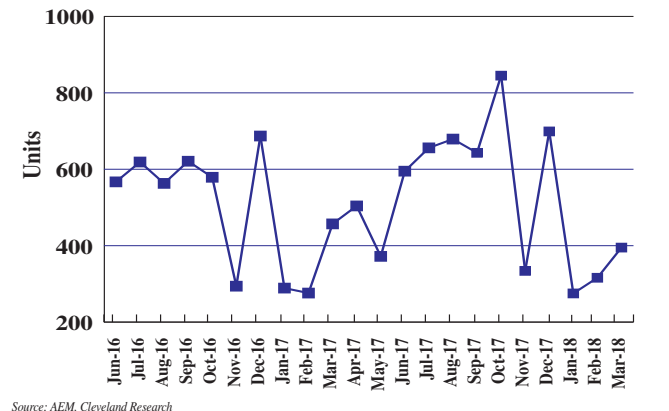
North American Tractor Sales



Source: AEM, Cleveland Research

Total North American tractor sales were up 4% year-over-year in March, with <40 horsepower and row-crop tractor unit sales both up 5% year-over-year. Utility tractor sales were flat for the month and 4WD tractors were down 6%.

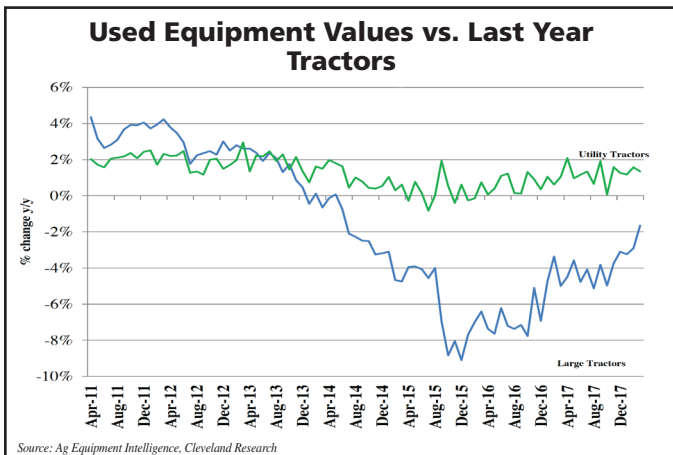
North American Combine Sales



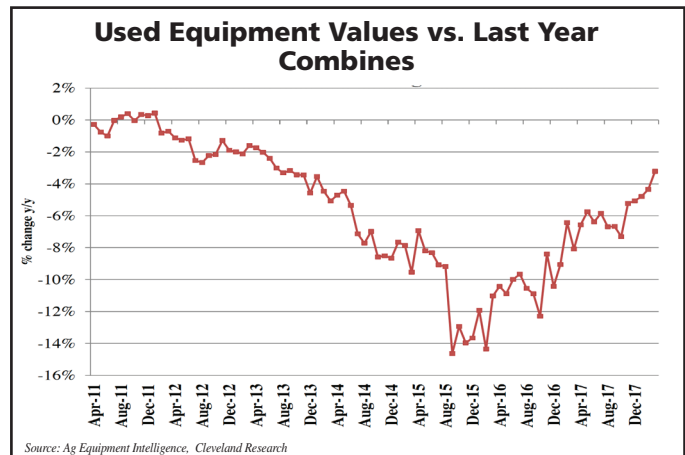
Source: AEM, Cleveland Research

Total North American combine sales were down 3% in March, relatively in line with the down 4% reported in February.

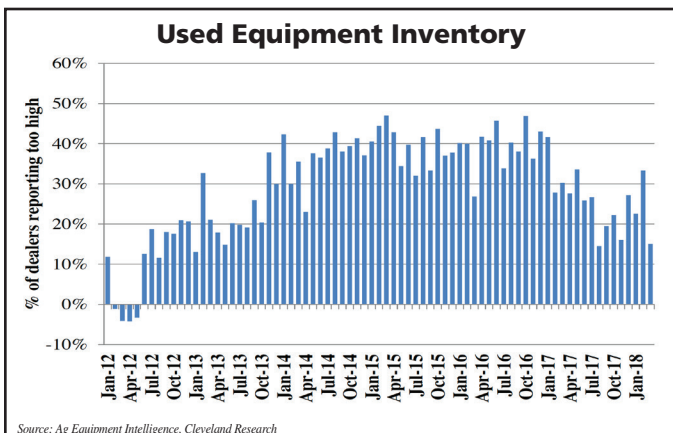
USED EQUIPMENT TRENDS



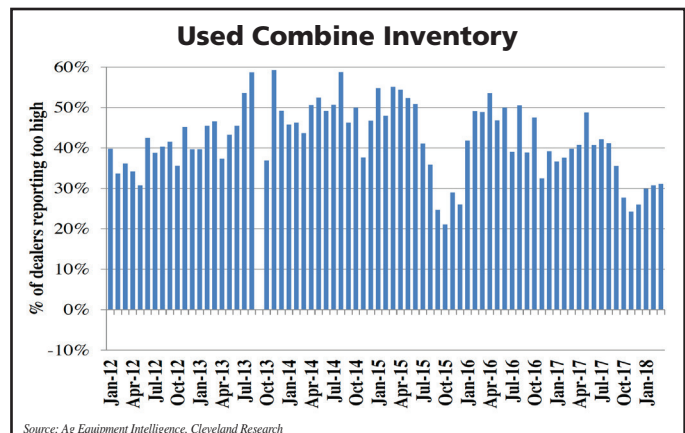
Used equipment pricing trends improved in March, with used tractor prices down 2% in the month.



Used combine pricing improved in March to down 3% after improving to down 4% last month.

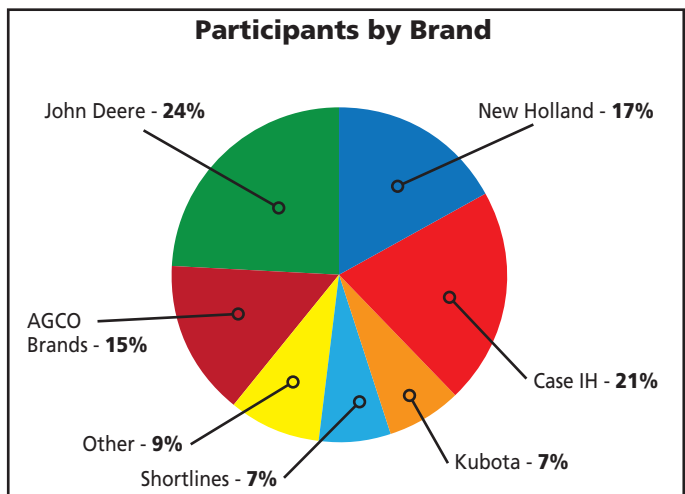
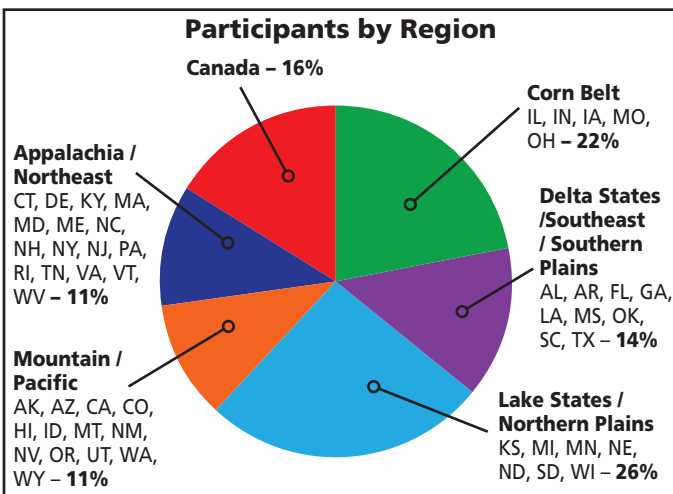


A net 15% of dealers reported used equipment inventory as "too high" (33% too high, 50% about right, 18% too low), an improvement from the 23% reporting heightened inventory in February and the 26% average in 2017.



Used combine inventory levels were reported as "too high" by a net 31% of dealers in March, in line with 1Q, and better than the 37% average in 2017.

APRIL 2018 SURVEY RESPONDENTS



The April survey had about 160 respondents representing combined annual revenues of roughly \$6 billion. By brand, 24% of respondents were John Deere dealers, 21% Case IH, 17% New Holland, 15% AGCO, 7% Kubota and 16% were Shortline/Other dealers.