

Ag Equipment Intelligence

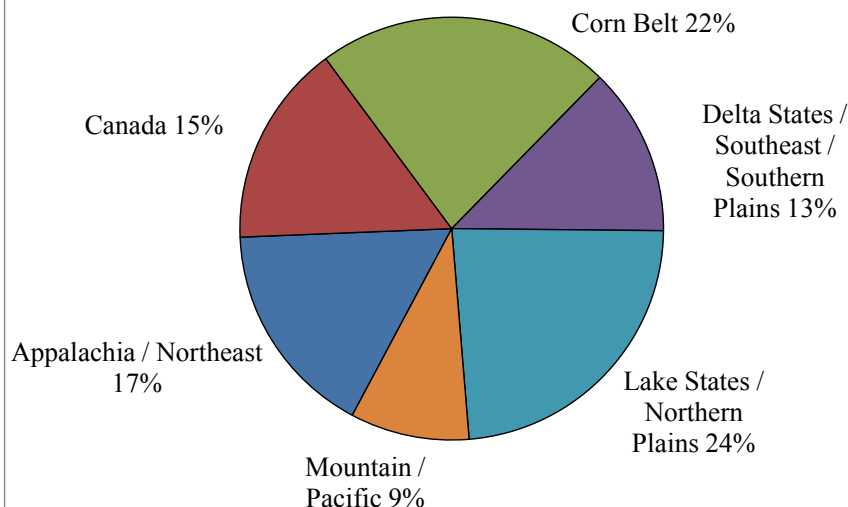
January 2018 Dealer Sentiments &
Business Conditions Update

Monthly Ag Equipment Intelligence North American Dealer Survey

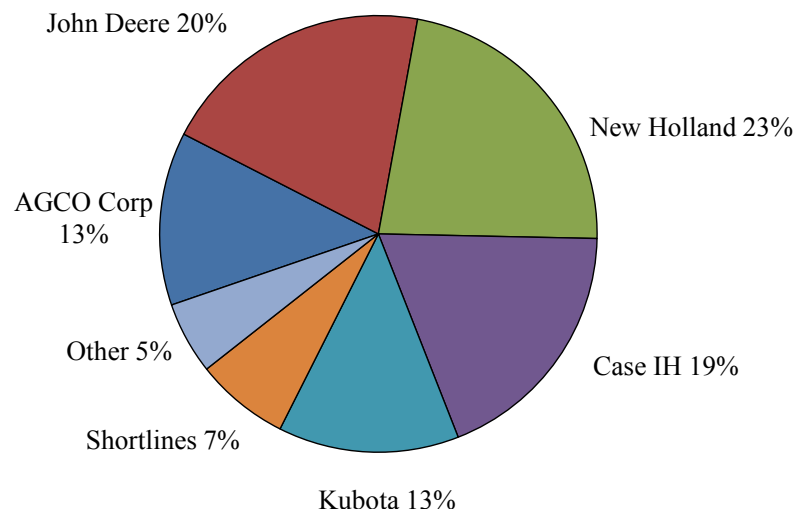
Background:

- We are pleased to announce the results of the December Ag Equipment Intelligence survey conducted in partnership with Cleveland Research Company. We hope this monthly survey will provide valuable and timely insight into industry trends and fundamentals.
- The December survey had ~190 respondents representing combined annual revenues of roughly \$7 billion. Participants represent a broad cross section of geographies and brands are summarized in the charts below.

Survey Participants by Region



Participants by Brand



Appalachia / Northeast – CT, DE, KY, MA, MD, ME, NC, NH, NY, NJ, PA, RI, TI, TN, VA, VT, WV, **Corn Belt** – IL, IN, IA, MO, OH, **Delta States / Southeast / Southern Plains** – AL, AR, FL, GA, LA, MS, OK, SC, TX, **Lake States / Northern Plains** – KS, MI, MN, NE, ND, SD, WI, **Mountain / Pacific** – AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY. Note AGCO represents Massey Ferguson and Challenger brands.

Highlights / Summary Thoughts

- **Sales** – Average dealer sales were reported up 1% y/y in December, better than the flat sales in November and 4Q. A net 1% of dealers missed their sales budgets in December vs the 1% that beat plan last month. Commercial and consumer lawn equipment sales showed strength, while large equipment demand remains weak but saw improvement in 2017.
- **Outlook** –The 2018 forecast is for 2% y/y growth, inline with November, with a net 33% of contacts expecting growth in 4Q, an improvement from the 26% of contacts expecting growth in 3Q.
- **Inventory** – A net 22% of dealers reported new equipment inventories as too high, higher than the 16% in November. Used equipment inventories remained elevated as a net 27% of dealers reported used inventory as too high, worse than the 16% last month. Overall, inventories have come down from 2016 levels.
- **Pricing** – Dealers have reported improvements in pricing over the past few months following two years of relatively flat pricing. Used pricing improved slightly in the month with contacts reporting large tractors down 3% y/y vs down 4% in November. Combine pricing was unchanged from November at down 5% y/y.

Monthly Sales Growth

- Average dealer sales were reported up 1% y/y in December, above the flat sales in November. A net 1% of dealers missed their sales budgets in December, relatively inline with the 1% that beat plan last month.
- A net 9% of dealers reported they are more optimistic vs the net 10% of dealers that were more optimistic in November. Optimism and sales versus expectations have shown sequential improvement over the past six months.

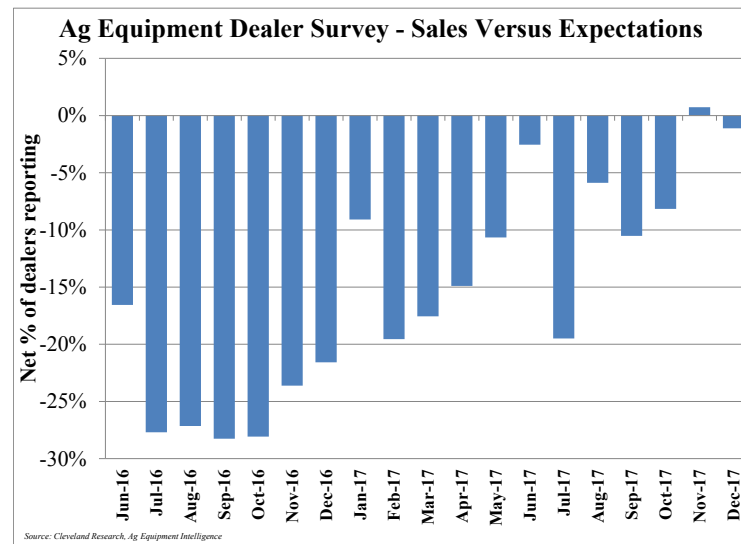
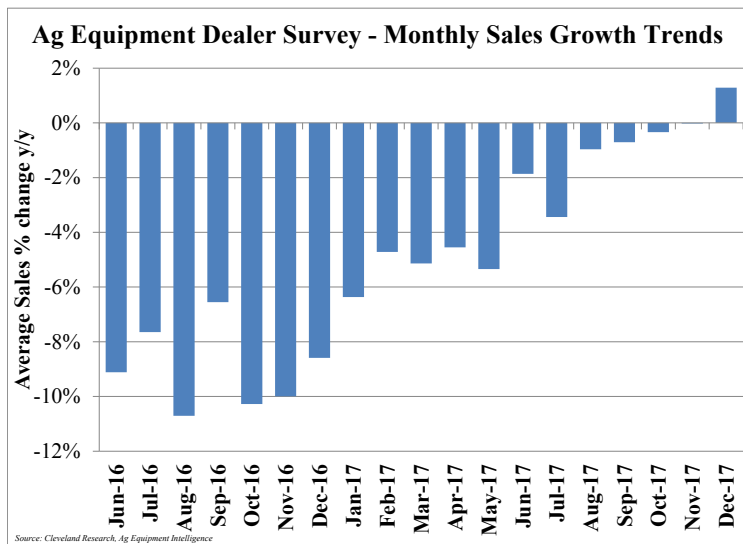
N. American Farm Equipment Dealer Survey - Average Dealer Sales Growth																			
% Change y/y	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
AGCO	-19%	-7%	-22%	-12%	-12%	-12%	-5%	-13%	-4%	-11%	-2%	-13%	-1%	-3%	0%	-5%	2%	0%	4%
John Deere	-8%	-16%	-17%	-4%	-9%	-11%	-6%	-1%	-7%	-1%	-4%	-1%	-1%	-2%	3%	5%	2%	-1%	4%
New Holland	-3%	-8%	-11%	-12%	-14%	-9%	-15%	-7%	2%	-12%	-13%	-4%	-1%	-6%	0%	-4%	-11%	3%	0%
Case IH	-8%	-5%	-11%	-8%	-11%	-11%	-14%	-8%	-4%	-5%	-3%	-16%	-2%	-5%	-2%	-8%	-4%	-7%	-3%
Kubota	2%	8%	1%	4%	1%	-1%	5%	-5%	2%	7%	2%	1%	0%	8%	12%	-4%	14%	10%	10%
Shortlines/Other	-4%	8%	-22%	-22%	-11%	-7%	-14%	-9%	5%	4%	-9%	-1%	-1%	-1%	-1%	3%	0%	-1%	-5%
Total	-9%	-8%	-11%	-7%	-10%	-10%	-9%	-6%	-5%	-5%	-5%	-5%	-2%	-3%	-1%	-1%	0%	0%	1%

Source: Cleveland Research, Ag Equipment Intelligence

N. American Farm Equipment Dealer Survey - Sales Versus Expectations																			
% of Dealers Reporting	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	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Better than expected	22%	15%	14%	14%	16%	8%	11%	16%	11%	12%	16%	19%	16%	16%	21%	21%	18%	21%	18%
In line with expectations	40%	43%	44%	44%	40%	61%	57%	59%	58%	58%	54%	52%	65%	48%	52%	47%	55%	60%	62%
Worse than expected	38%	42%	41%	42%	44%	31%	32%	25%	31%	30%	30%	30%	19%	36%	27%	32%	27%	20%	20%
Net % (Better - Worse)	-17%	-28%	-27%	-28%	-28%	-24%	-22%	-9%	-20%	-18%	-15%	-11%	-3%	-19%	-6%	-11%	-8%	1%	-1%

Source: Cleveland Research, Ag Equipment Intelligence

Monthly Sales Growth Continued



N. American Farm Equipment Dealer Survey - Average Dealer Revenue Growth Trends																			
% of Dealers Reporting	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	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Positive Sales Growth	27%	20%	19%	22%	18%	20%	26%	27%	25%	32%	34%	39%	37%	33%	41%	43%	41%	43%	41%
Flat Sales	23%	21%	19%	22%	15%	23%	17%	22%	31%	23%	19%	18%	32%	19%	21%	22%	20%	21%	22%
Negative Sales Growth	50%	59%	62%	56%	67%	58%	58%	52%	45%	45%	47%	43%	32%	48%	38%	35%	38%	36%	37%
Net % Reporting Growth	-23%	-39%	-43%	-33%	-48%	-38%	-32%	-25%	-20%	-13%	-13%	-4%	5%	-15%	4%	7%	3%	7%	4%
Average % Change y/y	-9%	-8%	-11%	-7%	-10%	-10%	-9%	-6%	-5%	-5%	-5%	-5%	-2%	-3%	-1%	-1%	0%	0%	1%

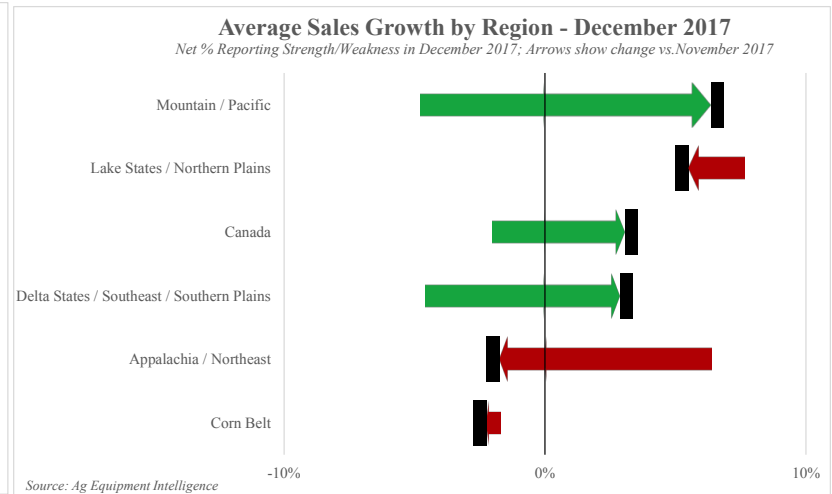
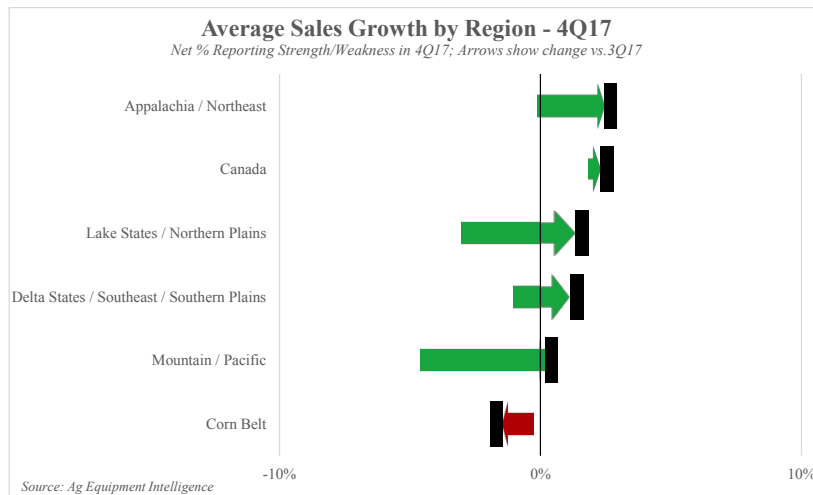
Source: Cleveland Research

Optimism/Sentiment vs. Last Month																			
% of Dealers Reporting	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	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
More Optimistic	11%	16%	11%	14%	13%	15%	17%	31%	21%	26%	17%	19%	23%	21%	23%	23%	22%	24%	28%
Same	60%	44%	52%	49%	53%	60%	58%	48%	60%	47%	53%	61%	58%	47%	52%	51%	56%	63%	53%
Less Optimistic	30%	40%	36%	38%	34%	25%	26%	20%	19%	27%	30%	20%	19%	32%	26%	26%	22%	14%	19%
Net % Dealer Optimism	-19%	-24%	-25%	-24%	-21%	-10%	-9%	11%	1%	-1%	-13%	-2%	4%	-11%	-3%	-4%	1%	10%	9%

Source: Cleveland Research

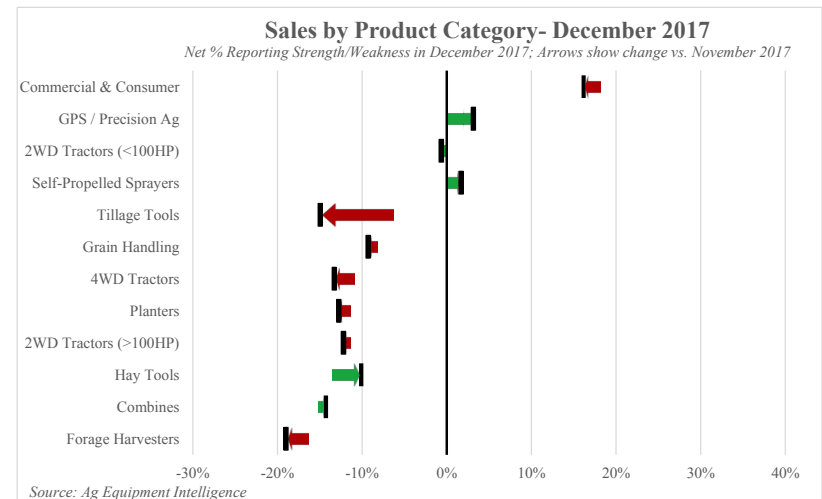
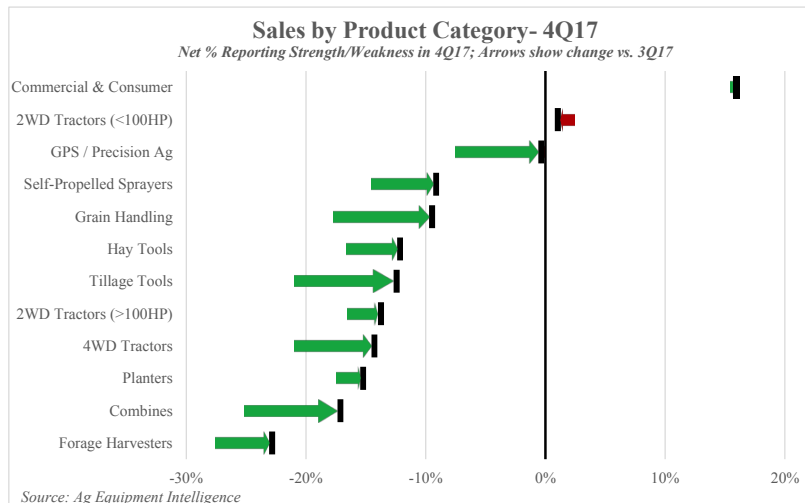
Monthly Sales Growth by Region

- Sales trends by region improved sequentially in half of the regions in December and 5 of the 6 regions in 4Q from 3Q. The Mountain / Pacific region was the strongest region in the month and saw the greatest improvement from November. Trends in the Corn Belt region saw sequential softening in both December and 4Q, but growth rates remain well above prior trend.

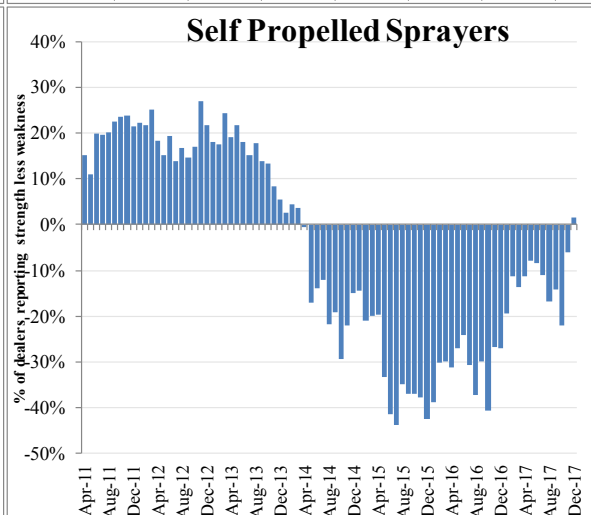
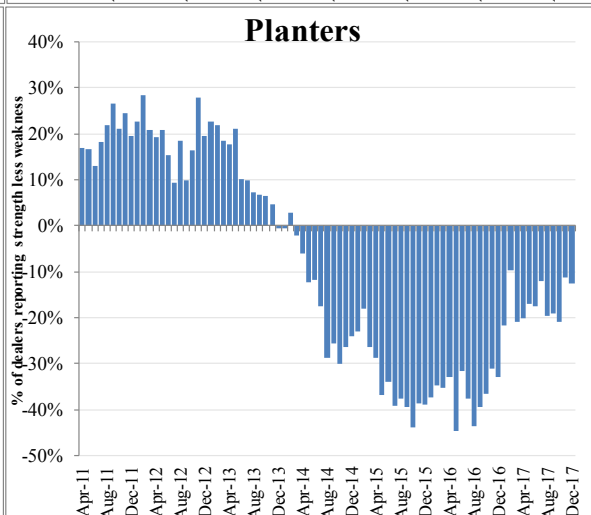
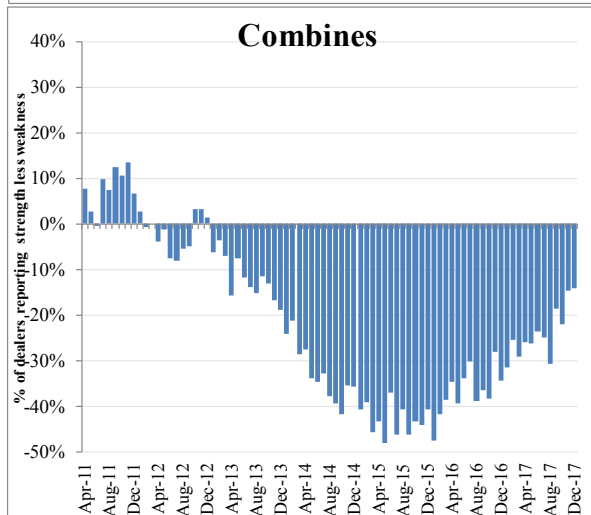
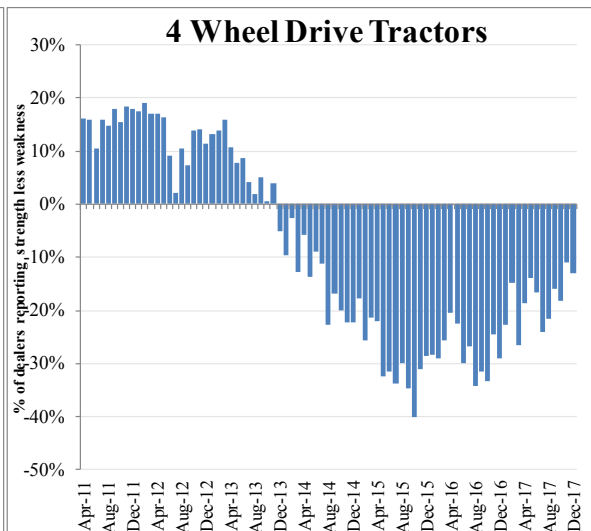
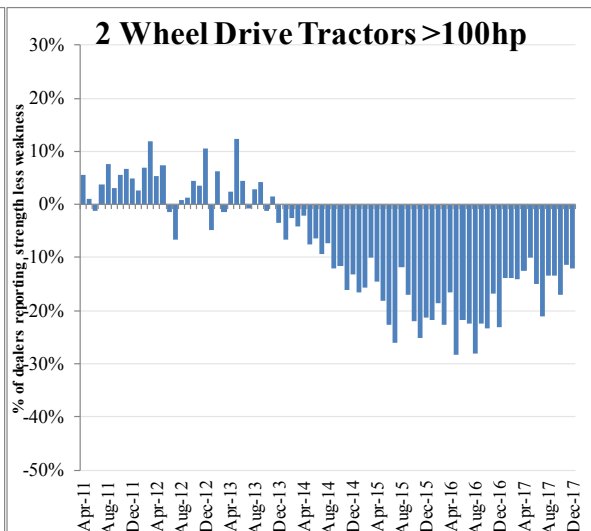
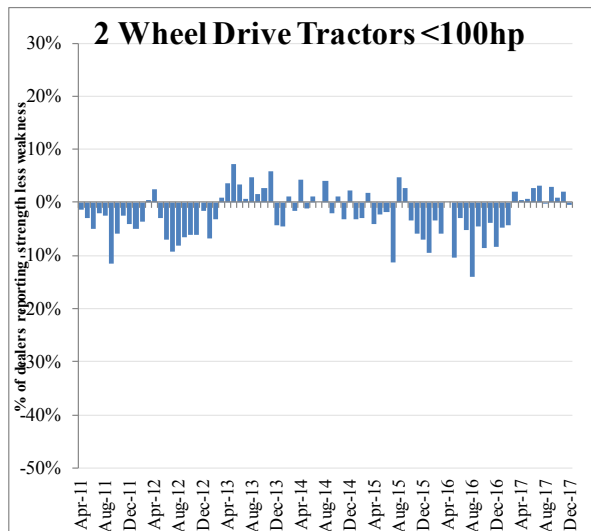


Equipment Category Sales Trends

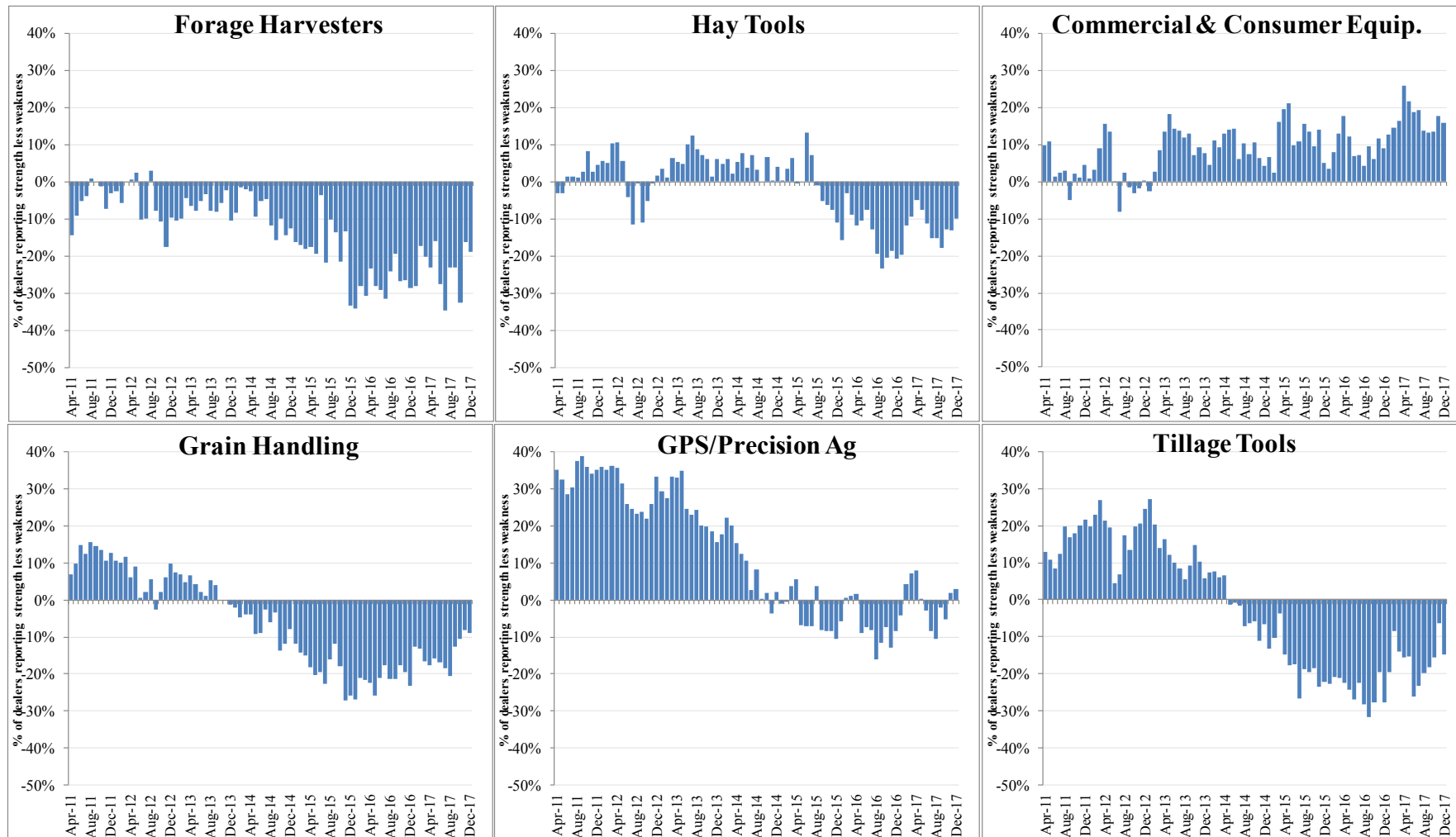
- Sales by product category was relatively unchanged from prior month, while nearly all product categories saw sequential improvement from 3Q to 4Q. Commercial & consumer saw continued strength, while large equipment remains weak but saw notable improvement in 2017.
- Commentary suggests large equipment demand improved in December and dealers are optimistic that this trend will continue into 2018.



Equipment Category Sales Trends



Equipment Category Sales Trends (Continued)



Average Dealer Sales Outlook

- The 2018 forecast is for 2% y/y growth, inline with November, with a net 33% of contacts expecting growth in 4Q vs the 26% of contacts expecting growth in 3Q. Dealers commentary suggests more conviction on sales growth in 2018 due to increased customer spending as a result of tax reform.
- John Deere forecasts NAFTA ag equipment sales up 5-10% in 2018. The company projects its Ag & Turf segment sales to be at 90% of mid-cycle in FY18, while large ag products in N. America are expected to be at only 75% of forecast mid-cycle levels.

N. American Farm Equipment Dealer Survey - 2018 Sales Forecast						
% change y/y	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
AGCO	0%	2%	1%	0%	3%	-1%
John Deere	1%	7%	4%	5%	4%	2%
New Holland	2%	-4%	-1%	-3%	2%	-2%
Case IH	0%	1%	1%	4%	3%	4%
Kubota	0%	1%	-1%	-2%	1%	2%
Shortlines/Other	-3%	0%	0%	3%	-5%	4%
Overall	-3%	0%	1%	0%	2%	2%

Source: Cleveland Research, Ag Equipment Intelligence

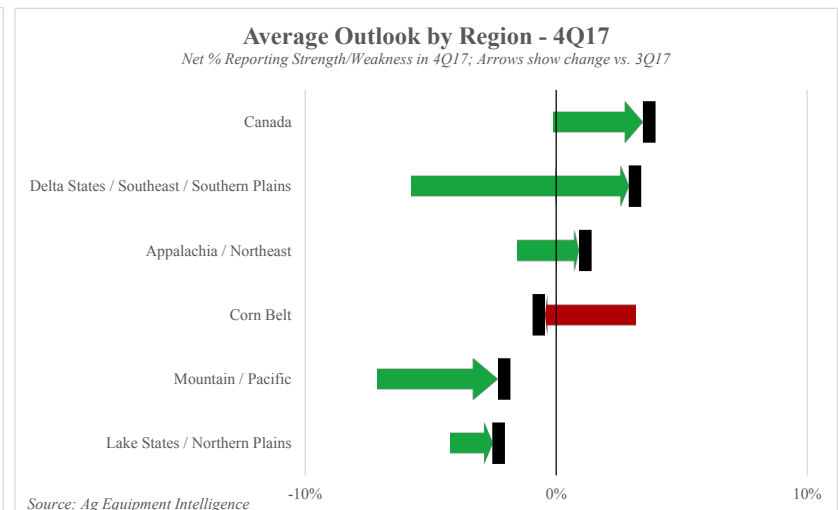
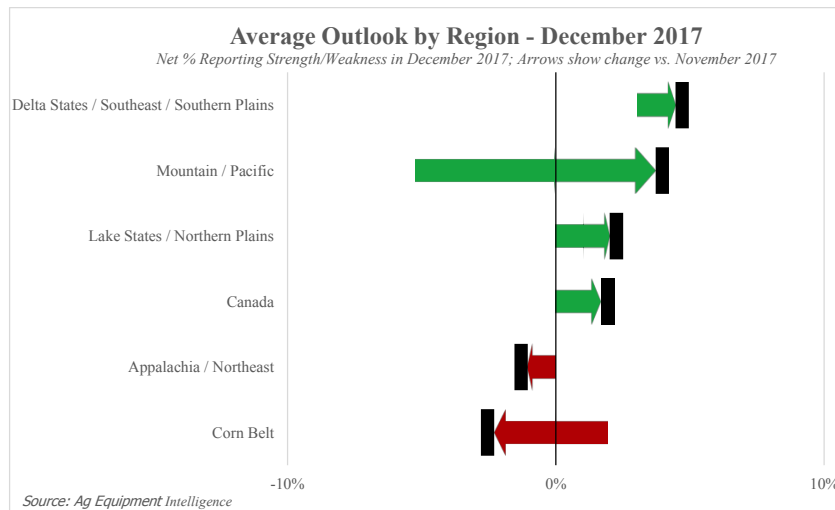
Most Interesting Commentary - Monthly Sales and Outlook

- *Our sales of 4WD tractors were slightly better in December as our manufacturer had aggressive programming to end the year.*
- *We are seeing a ton of 'tax shopping' - we saw a huge increase in customer quotes in December.*
- *The strong sales performance in December was somewhat of a surprise as farmers are buying despite low commodity prices. We hope this will continue into 2018.*
- *The year-end sales in December were below our expectations while presales for 2018 were well above our expectations.*
- *Hay equipment and utility tractor sales were very weak in the month.*
- *Our compact utility tractors, turf equipment, and small consumer ag equipment sales were very strong.*
- *We felt that we were too optimistic going into the month. We had expectations for strong year end tax-driven buys but believe this has been pushed out until later in 2018 given the new tax reform.*
- *December ended up being stronger than we were anticipating. The new tax bill may have driven this spike in sales at year's end.*
- *Our used equipment inventory is inline to end the year, but very low on the less than 100hp tractors, inline with the trend all year.*
- *Our manufacturer is focused on clearing out some of the high used and new equipment inventory via incentives and programs.*
- *Our manufacturer is raising prices 3% effective January 1st.*
- *Ag equipment sales continue to be dictated by commodity prices. High corn yields helped mitigate some of the cost influx but pricing needs to improve. Our customers have told us a \$0.30 improvement in corn pricing would make all of the difference.*
- *We are more optimistic on 2018 given the new tax plan, lower unemployment, and overall improvement in consumer sentiment.*
- *We have more confidence on 2018 as we saw strong late December orders for spring 2018 delivery.*

Source: Ag Equipment Intelligence

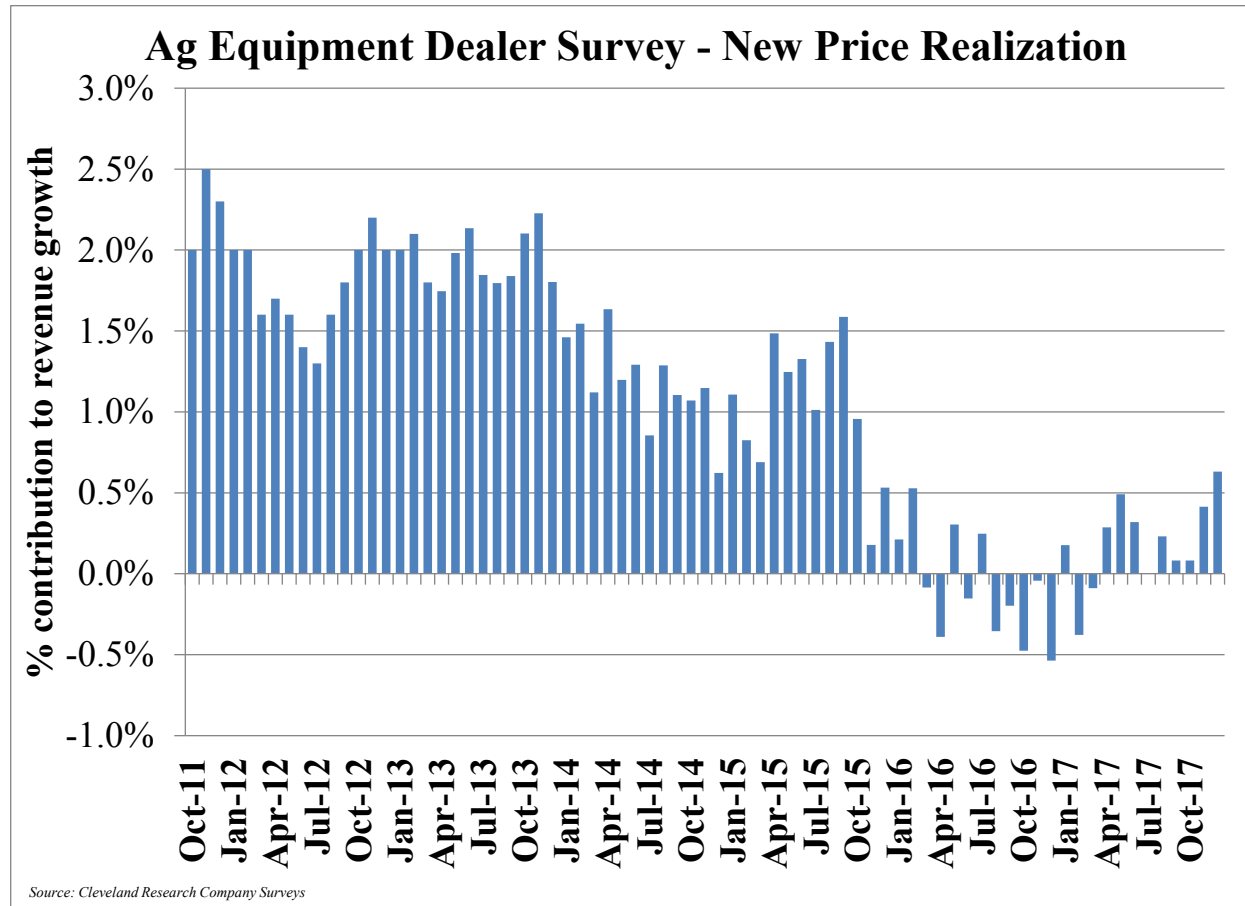
2018 Sales Outlook

- The 2018 outlook in December saw sequential improvement in 4 of 6 regions, while the outlook improved in all regions except the Corn Belt in 4Q. The Delta States / Southeast / Southern Plains region posted the highest outlook in the month and the Mountain / Pacific region saw the greatest sequential improvement from November.
- The 2018 outlook in December for 2% growth is above the flat average forecasts collected from July to December. Dealers are optimistic about 2018 following the better than expected sales performance in 4Q and as a result of tax reform.



Pricing Trends

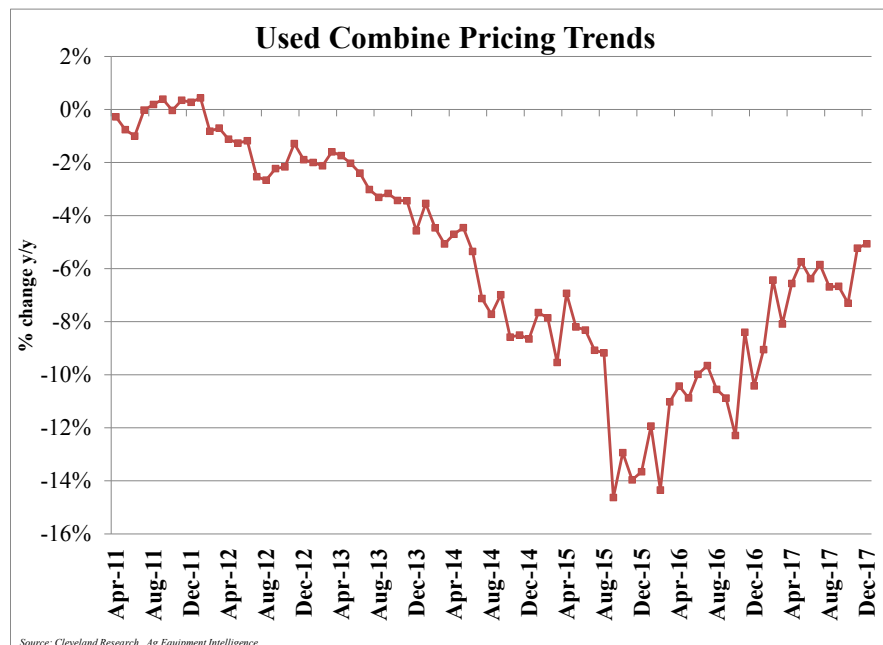
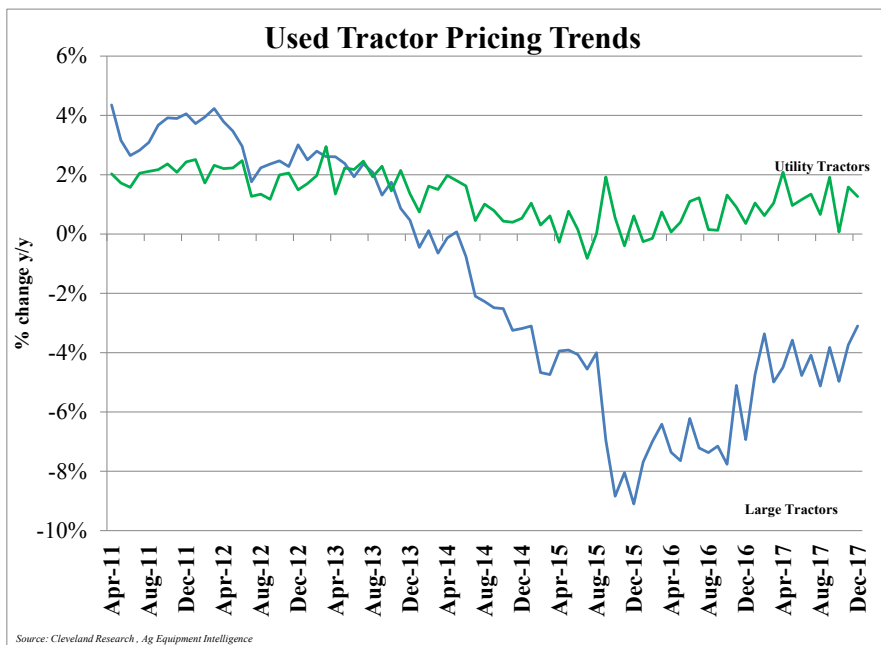
- Our survey has seen pricing tick up over the last few months following over two years of relatively flat pricing. Commentary suggests some manufacturer list price increases in the 2-3% range.



Used Equipment Pricing

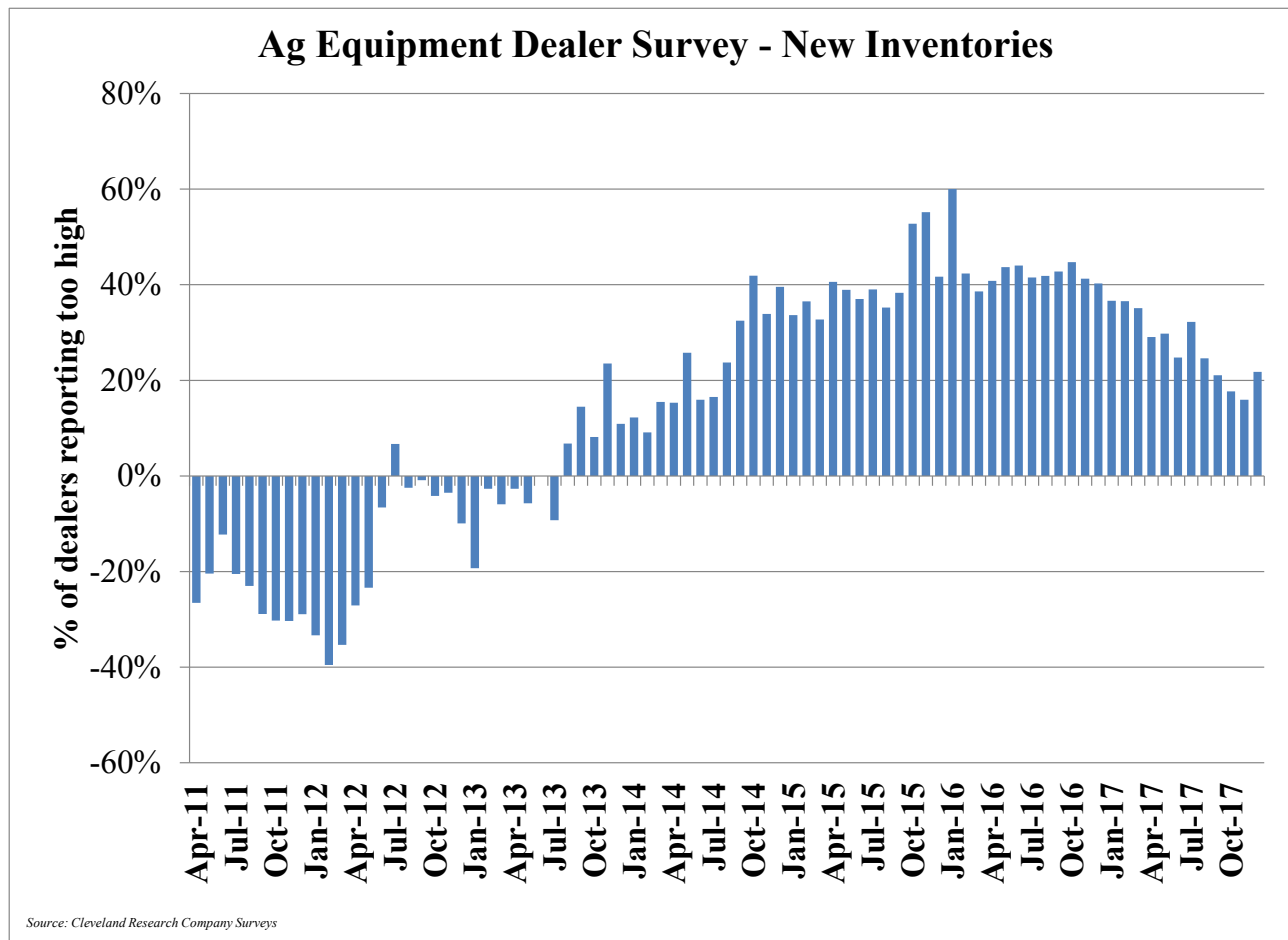
- Pricing trends improved in the month. Large tractors were reported down 3% y/y, an improvement from the 4% declines in November. Combine pricing was unchanged from last month at down 5%.

Used Tractor and Combine Values (Y/Y)																			
	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	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Compact (<40HP)	2%	2%	1%	1%	2%	2%	1%	1%	1%	1%	2%	2%	2%	1%	1%	2%	0%	2%	1%
Utility (40-100HP)	1%	1%	(0%)	(0%)	1%	0%	0%	1%	0%	1%	2%	0%	0%	1%	0%	1%	0%	1%	1%
Row Crop (100HP+)	(5%)	(6%)	(6%)	(6%)	(6%)	(4%)	(5%)	(3%)	(2%)	(3%)	(4%)	(3%)	(4%)	(3%)	(4%)	(2%)	(4%)	(3%)	(2%)
4WD Tractors	(8%)	(8%)	(9%)	(8%)	(10%)	(7%)	(9%)	(6%)	(4%)	(7%)	(5%)	(4%)	(6%)	(5%)	(6%)	(5%)	(6%)	(5%)	(4%)
Combines	(10%)	(10%)	(11%)	(11%)	(12%)	(8%)	(10%)	(9%)	(6%)	(8%)	(7%)	(6%)	(6%)	(6%)	(7%)	(7%)	(7%)	(5%)	(5%)



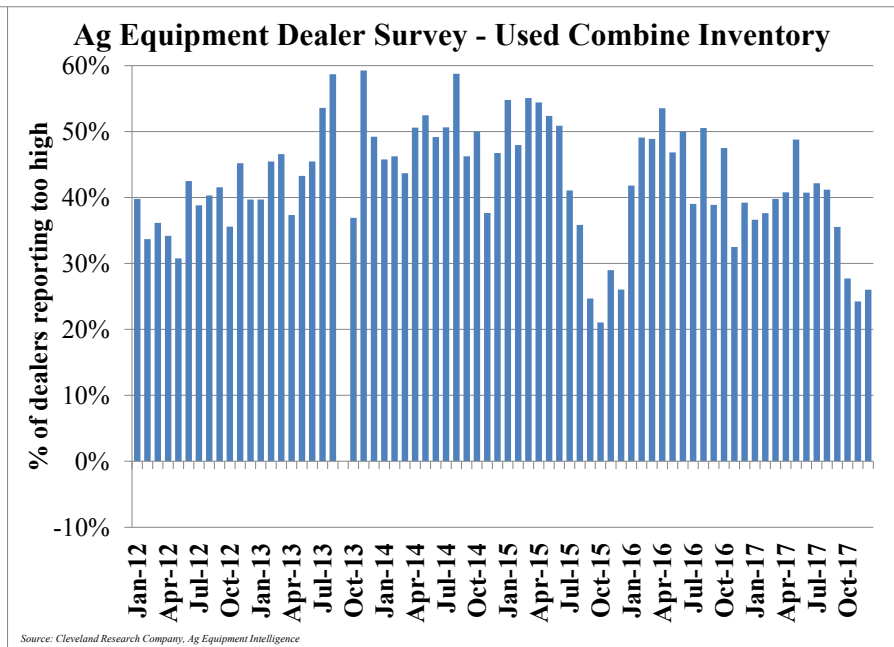
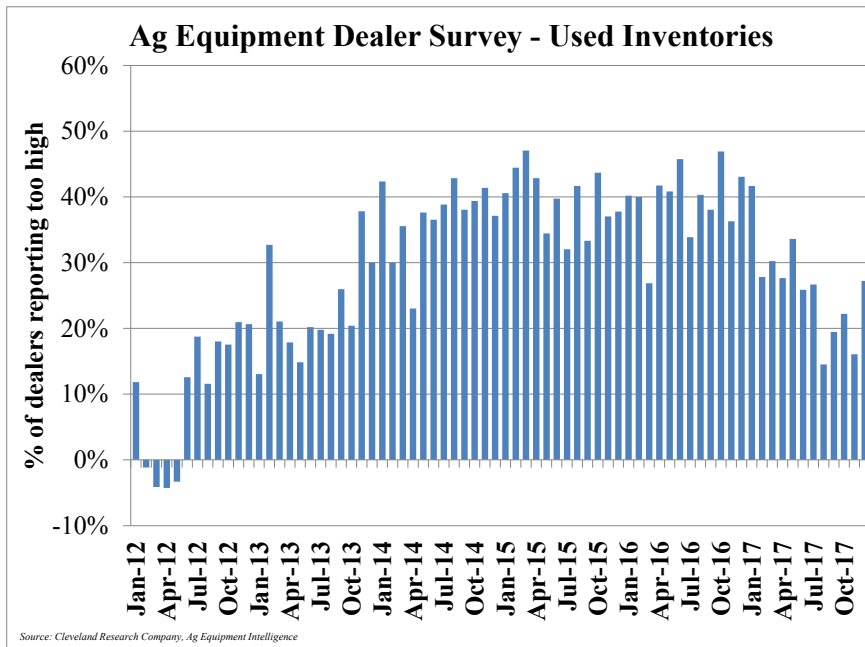
New Equipment Inventory Levels

- A net 22% of dealers reported new equipment inventories too high (32% too high, 57% about right, 11% too low), higher than the 16% in November. New inventory levels have been elevated for over 3 years, but have come down over the past year.



Used Equipment Inventory Levels

- A net 27% of dealers reported used equipment inventory as too high (34% too high, 60% about right, 7% too low), higher than the 16% reporting heightened inventory in November and inline with the 26% average in 2017. Used combine inventory levels were reported as too high by a net 26% of dealers in December, relatively inline with November, but better than the 37% average in 2017.



North American Farm Equipment Industry Retail Sales

NORTH AMERICAN FARM EQUIPMENT RETAIL SALES														
	Units							% change year-over-year						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Row Crop & 4WD	Combines	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Row Crop & 4WD	Combines
Jan-15	5,382	4,506	3,124	220	13,232	3,344	384	13%	9%	-5%	-65%	3%	-15%	-53%
Feb-15	5,305	3,250	1,955	348	10,858	2,303	399	0%	-13%	-19%	-39%	-10%	-23%	-24%
Mar-15	9,702	4,799	2,539	499	17,539	3,038	470	-4%	-6%	-20%	-24%	-8%	-20%	-48%
Apr-15	16,624	6,461	3,131	430	26,646	3,561	664	17%	8%	-17%	-42%	8%	-21%	-33%
May-15	16,028	5,643	1,994	260	23,925	2,254	549	-5%	-14%	-32%	-45%	-11%	-34%	-18%
Jun-15	15,679	6,526	2,409	300	24,914	2,709	502	3%	1%	-12%	-26%	0%	-14%	-40%
Jul-15	14,372	7,039	2,469	268	24,148	2,737	806	28%	19%	-23%	-31%	16%	-24%	-22%
Aug-15	9,800	5,087	1,768	167	16,822	1,935	679	1%	-7%	-31%	-55%	-7%	-34%	-28%
Sep-15	10,917	5,348	1,934	249	18,448	2,183	845	-4%	-14%	-41%	-49%	-13%	-42%	-26%
Oct-15	12,897	6,792	3,266	515	23,470	3,781	796	18%	-4%	-34%	-30%	-1%	-33%	-19%
Nov-15	6,112	3,728	1,159	222	11,221	1,381	343	4%	-11%	-39%	-37%	-9%	-38%	-24%
Dec-15	8,755	6,376	2,567	516	18,214	3,083	883	8%	-15%	-31%	1%	-8%	-27%	-4%
Jan-16	5,946	4,250	1,981	243	12,420	2,224	455	10%	-6%	-37%	10%	-6%	-33%	18%
Feb-16	6,429	3,372	1,185	222	11,208	1,407	241	21%	4%	-39%	-36%	3%	-39%	-40%
Mar-16	12,453	5,110	1,905	258	19,726	2,163	346	28%	6%	-25%	-48%	12%	-29%	-26%
Apr-16	17,726	5,578	2,539	336	26,179	2,875	464	7%	-14%	-19%	-22%	-2%	-19%	-30%
May-16	17,191	5,617	1,969	234	25,011	2,203	332	7%	0%	-1%	-10%	5%	-2%	-40%
Jun-16	16,094	6,273	1,966	247	24,580	2,213	565	3%	-4%	-18%	-18%	-1%	-18%	13%
Jul-16	13,342	5,494	1,875	152	20,863	2,027	619	-7%	-22%	-24%	-43%	-14%	-26%	-23%
Aug-16	11,600	5,049	1,314	102	18,065	1,416	562	18%	-1%	-26%	-39%	7%	-27%	-17%
Sep-16	12,664	5,449	1,759	200	20,072	1,959	620	16%	2%	-9%	-20%	9%	-10%	-27%
Oct-16	13,816	6,799	2,716	610	23,941	3,326	579	7%	0%	-17%	18%	2%	-12%	-27%
Nov-16	7,416	3,651	903	205	12,175	1,108	293	21%	-2%	-22%	-8%	9%	-20%	-15%
Dec-16	10,384	6,301	2,064	325	19,074	2,389	688	19%	-1%	-20%	-37%	5%	-23%	-22%
Jan-17	6,821	3,854	1,396	147	12,218	1,543	289	15%	-9%	-30%	-40%	-2%	-31%	-36%
Feb-17	7,868	3,319	1,335	199	12,721	1,534	276	22%	-2%	13%	-10%	13%	9%	15%
Mar-17	13,950	5,328	1,790	338	21,406	2,128	457	12%	4%	-6%	31%	9%	-2%	32%
Apr-17	19,473	5,595	2,425	441	27,934	2,866	504	10%	0%	-4%	31%	7%	0%	9%
May-17	19,588	5,825	1,606	254	27,273	1,860	372	14%	4%	-18%	9%	9%	-16%	12%
Jun-17	18,107	6,313	1,590	191	26,201	1,781	595	13%	1%	-19%	-23%	7%	-20%	5%
Jul-17	13,806	5,583	1,443	136	20,968	1,579	656	3%	2%	-23%	-11%	1%	-22%	6%
Aug-17	11,985	5,229	1,222	170	18,606	1,392	679	3%	4%	-7%	67%	3%	-2%	21%
Sep-17	11,613	5,082	1,409	266	18,370	1,675	643	-8%	-7%	-20%	33%	-8%	-14%	4%
Oct-17	15,404	6,991	3,748	709	26,852	4,457	845	11%	3%	38%	16%	12%	34%	46%
Nov-17	8,152	4,109	952	187	13,400	1,139	334	10%	13%	5%	-9%	10%	3%	14%
Dec-17	10,964	6,276	1,974	413	19,627	2,387	699	6%	0%	-4%	27%	3%	0%	2%

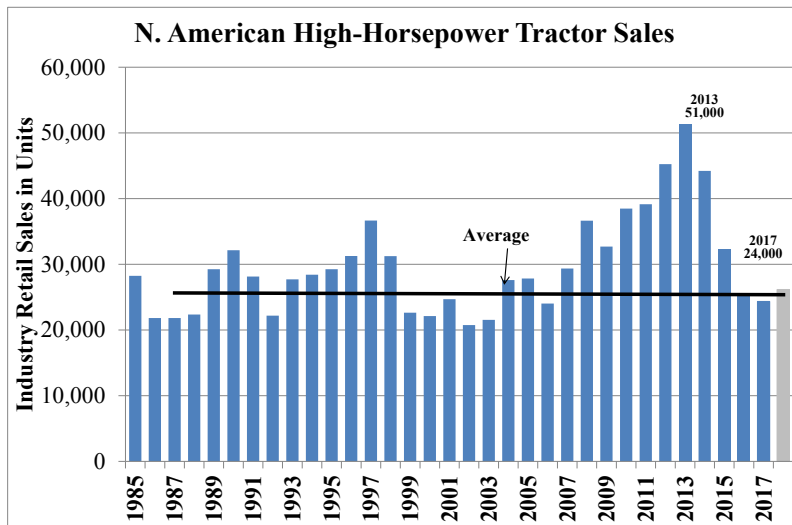
Source: AEM; Cleveland Research Company estimates. High hp tractors are row crop & 4-wheel drive.

North American Farm Equipment Industry Inventory

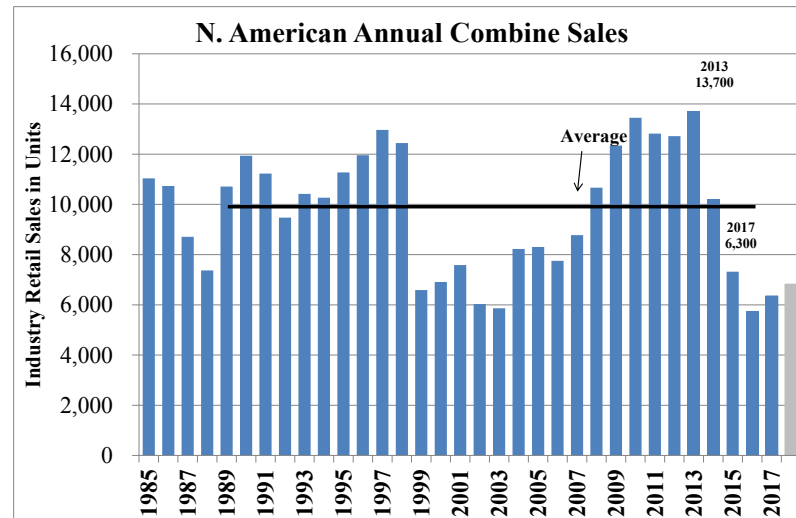
NORTH AMERICAN FARM EQUIPMENT INVENTORY														
	Inventory (Units)							Inventory to 12-mo. Sales						
	< 40 HP	Utility	Row Crop	4-Wheel	Total Tractor	Row Crop & 4WD	Combines	<40HP	Util	RC	4-WD	Total Tractor	Row Crop & 4WD	Comb
Dec-14	69,876	35,550	14,638	1,426	121,490	16,064	1,674	57%	52%	39%	22%	51%	36%	16%
Jan-15	73,716	35,405	13,934	1,439	124,494	15,373	1,713	59%	51%	37%	24%	53%	35%	18%
Feb-15	78,177	36,676	13,981	1,436	130,270	15,417	1,820	63%	54%	38%	25%	55%	36%	19%
Mar-15	81,662	37,881	14,179	1,346	135,068	15,525	2,040	66%	56%	39%	24%	58%	37%	22%
Apr-15	80,348	37,047	13,193	1,353	131,941	14,546	2,116	64%	54%	37%	26%	56%	35%	24%
May-15	78,880	37,037	13,177	1,400	130,494	14,577	2,058	63%	55%	38%	28%	56%	36%	23%
Jun-15	76,286	36,584	13,006	1,416	127,292	14,422	2,276	61%	54%	37%	29%	55%	36%	27%
Jul-15	72,876	35,232	12,507	1,354	121,969	13,861	2,218	56%	51%	37%	28%	52%	36%	27%
Aug-15	74,247	36,442	12,555	1,343	124,587	13,898	2,232	58%	53%	38%	29%	53%	37%	28%
Sep-15	65,844	37,545	12,551	1,374	117,314	13,925	2,001	51%	56%	39%	32%	51%	38%	26%
Oct-15	75,042	37,885	11,906	1,266	126,099	13,172	1,504	57%	56%	39%	31%	54%	38%	20%
Nov-15	79,228	39,911	12,983	1,317	133,439	14,300	1,492	61%	60%	44%	33%	58%	43%	20%
Dec-15	82,737	41,363	13,140	1,189	138,429	14,329	1,277	63%	63%	46%	30%	60%	44%	17%
Jan-16	86,618	42,352	12,727	1,129	142,826	13,856	1,169	66%	65%	47%	28%	62%	44%	16%
Feb-16	92,071	44,704	13,298	1,097	151,170	14,395	1,281	69%	68%	50%	28%	66%	48%	18%
Mar-16	93,703	45,127	13,327	1,131	153,288	14,458	1,281	69%	69%	52%	31%	66%	49%	18%
Apr-16	90,381	44,499	13,136	1,115	149,131	14,251	1,312	66%	69%	52%	31%	65%	50%	19%
May-16	86,451	43,931	13,015	1,152	144,549	14,167	1,492	63%	68%	52%	33%	62%	49%	22%
Jun-16	82,264	42,688	12,928	1,005	138,885	13,933	1,593	59%	66%	52%	29%	60%	49%	24%
Jul-16	81,046	41,621	12,765	920	136,352	13,685	1,580	59%	66%	53%	27%	60%	50%	24%
Aug-16	79,823	41,683	12,962	998	135,466	13,960	1,671	57%	66%	55%	30%	59%	52%	26%
Sep-16	78,438	41,007	12,671	1,103	133,219	13,774	1,428	56%	65%	54%	34%	58%	52%	23%
Oct-16	77,609	39,058	11,417	1,013	129,097	12,430	1,118	55%	62%	50%	30%	56%	47%	19%
Nov-16	80,250	39,972	12,075	1,059	133,356	13,134	1,105	56%	63%	53%	32%	57%	51%	19%
Dec-16	81,456	39,339	11,955	985	133,735	12,940	1,082	56%	62%	54%	31%	57%	51%	19%
Jan-17	83,153	39,248	11,838	1,024	135,263	12,862	1,099	57%	63%	55%	34%	58%	52%	20%
Feb-17	84,464	39,659	11,692	1,105	136,920	12,797	1,345	57%	63%	54%	37%	58%	52%	24%
Mar-17	83,854	41,907	11,428	1,072	138,261	12,500	1,432	56%	67%	53%	35%	59%	51%	25%
Apr-17	80,239	38,000	10,705	980	129,924	11,685	1,427	53%	61%	50%	31%	55%	47%	25%
May-17	79,064	37,377	10,363	985	127,789	11,348	1,604	52%	59%	49%	31%	53%	47%	28%
Jun-17	77,022	36,209	10,372	924	124,527	11,296	1,731	50%	57%	50%	29%	51%	47%	30%
Jul-17	77,490	36,223	10,210	1,001	124,924	11,211	1,604	50%	57%	50%	32%	52%	48%	27%
Aug-17	76,934	36,868	10,541	1,045	125,388	11,586	1,615	49%	58%	52%	32%	52%	49%	27%
Sep-17	75,112	36,376	11,022	1,104	123,614	12,126	1,483	49%	58%	55%	34%	51%	52%	25%
Oct-17	78,973	34,502	9,554	862	123,891	10,416	1,052	50%	55%	46%	25%	51%	43%	17%
Nov-17	84,909	35,100	10,194	977	131,180	11,171	974	54%	55%	49%	29%	54%	46%	15%

Source: AEM; Cleveland Research Company estimates

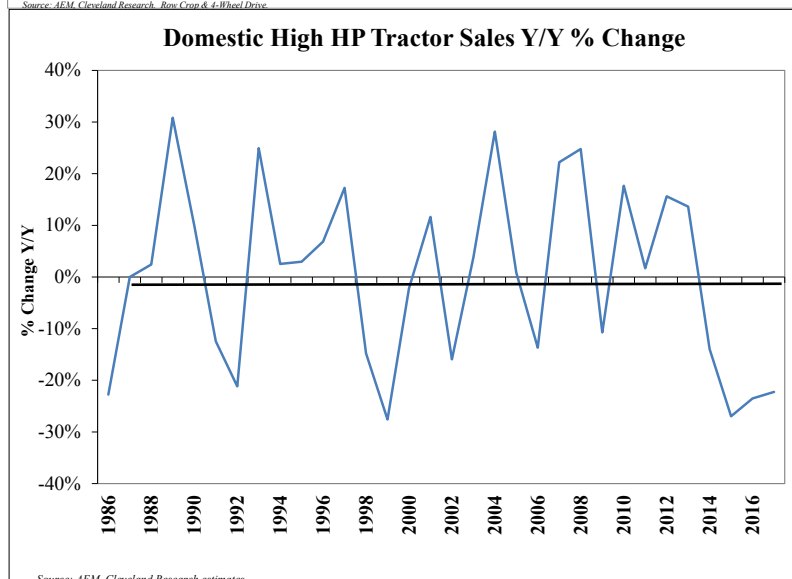
Annual Agricultural Equipment Industry Sales (1985 - 2017)



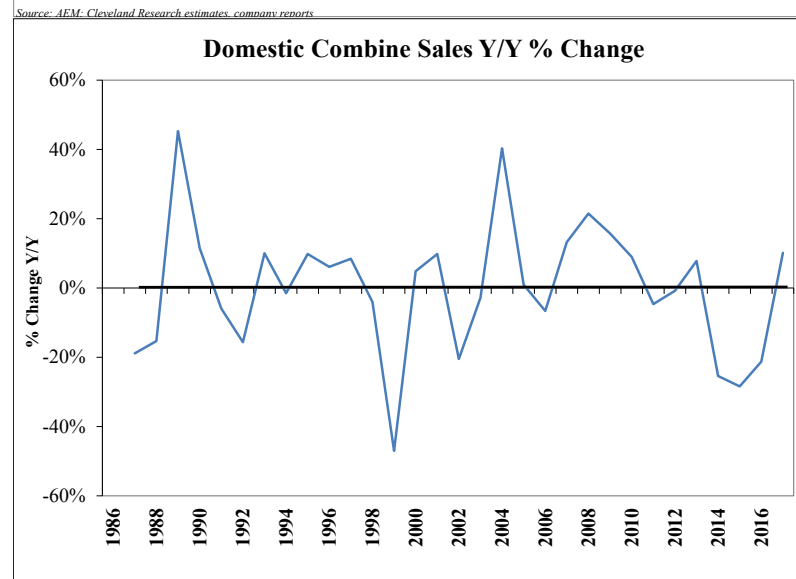
Source: AEM, Cleveland Research, Row Crop & 4-Wheel Drive



Source: AEM, Cleveland Research estimates, company reports

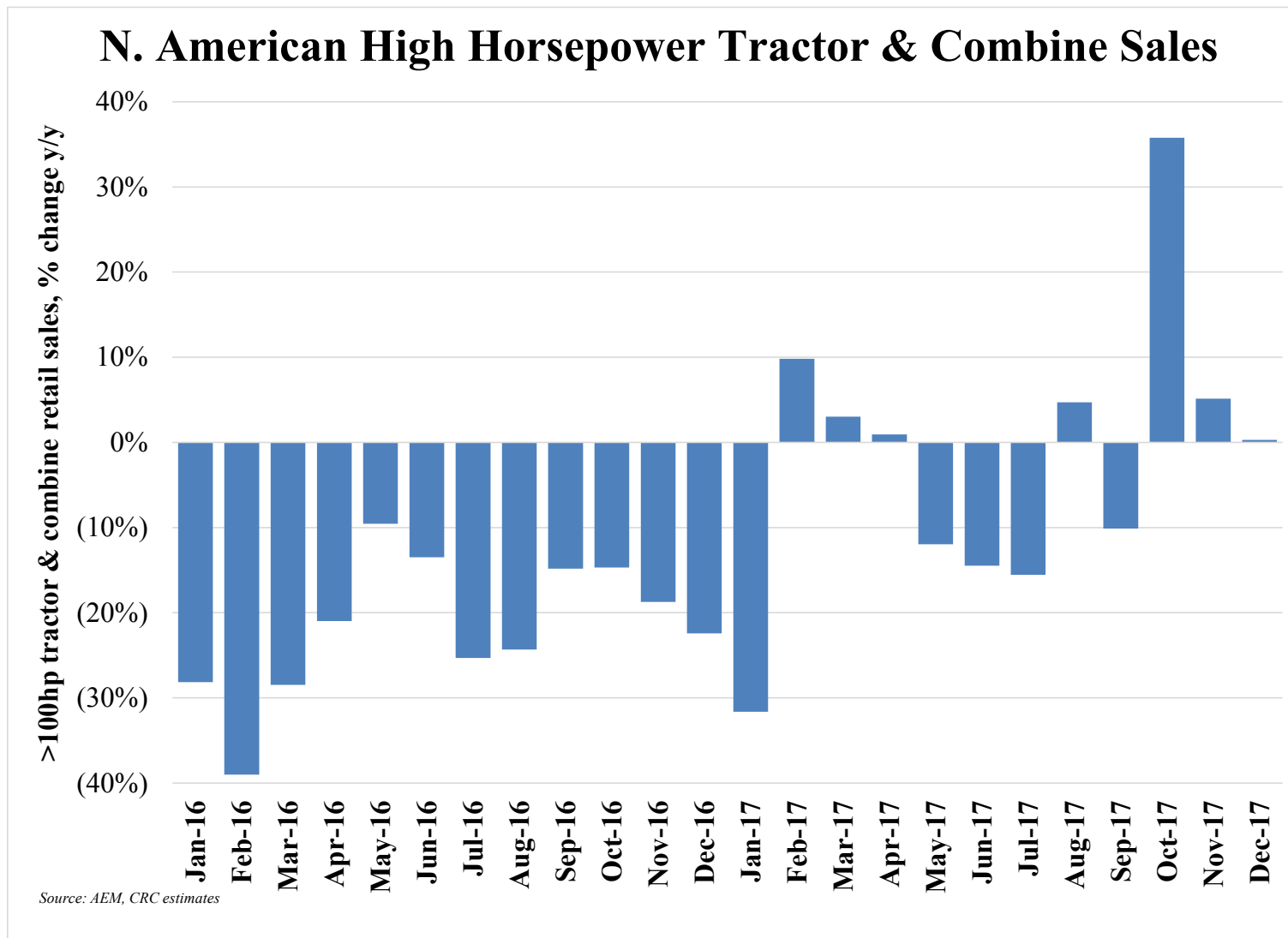


Source: AEM, Cleveland Research estimates



Source: AEM, Cleveland Research estimates

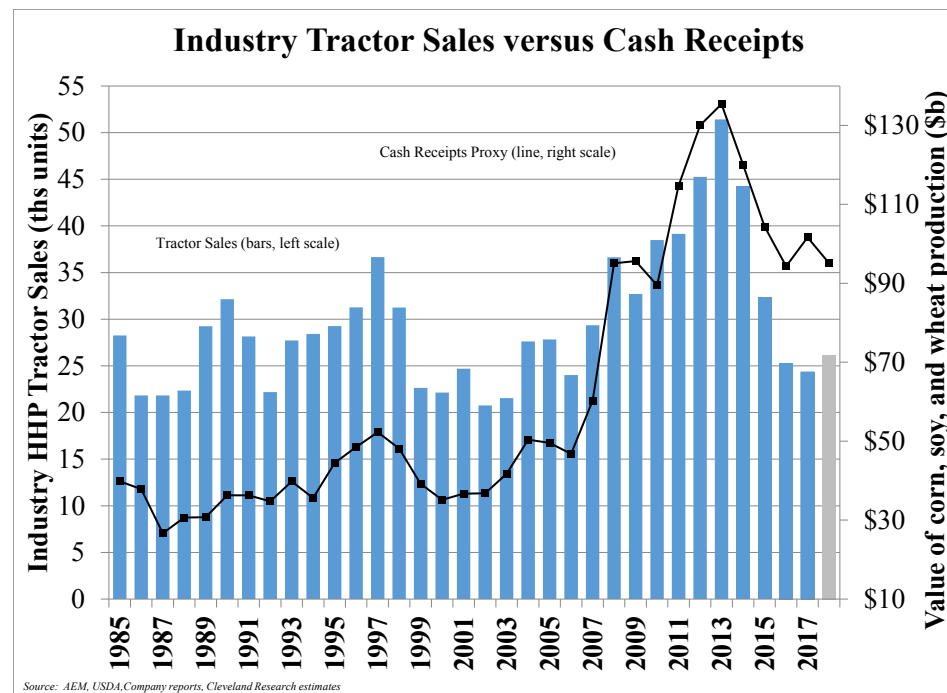
North America Large Ag Equipment Sales



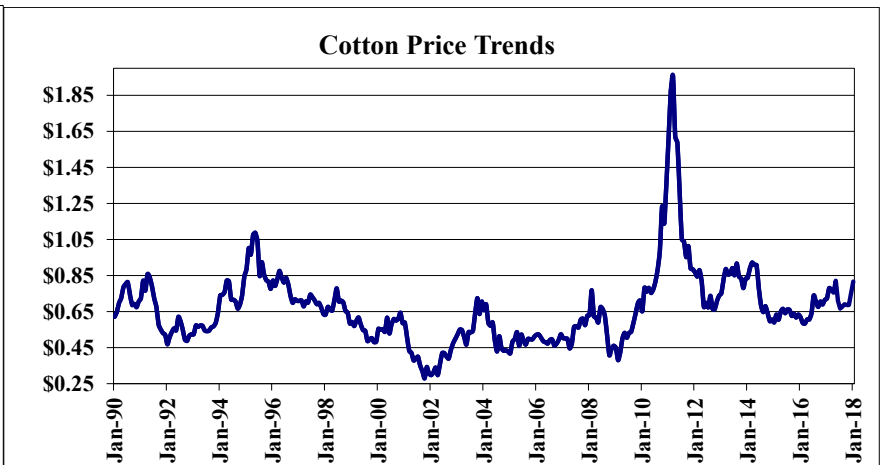
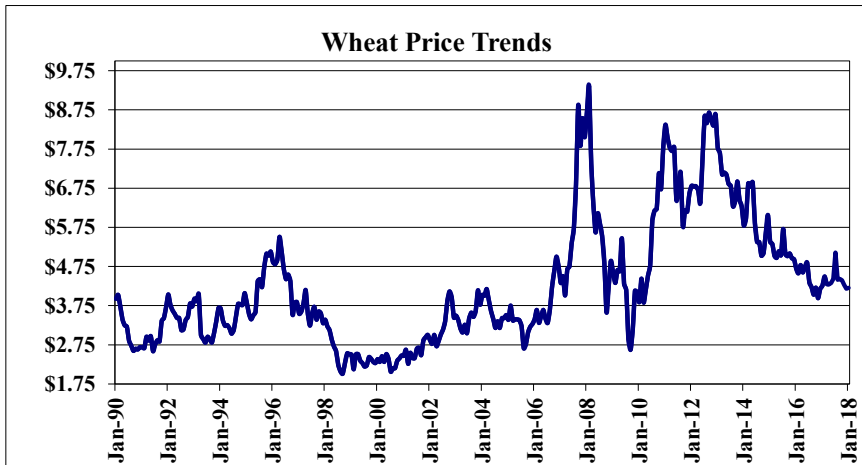
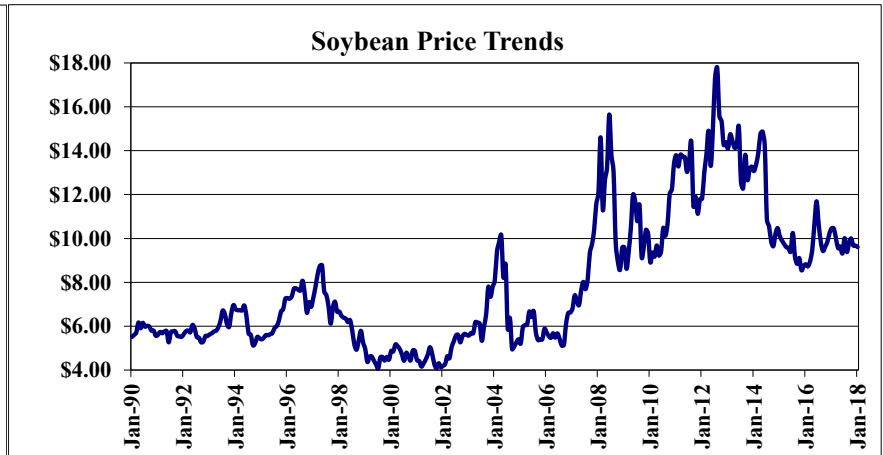
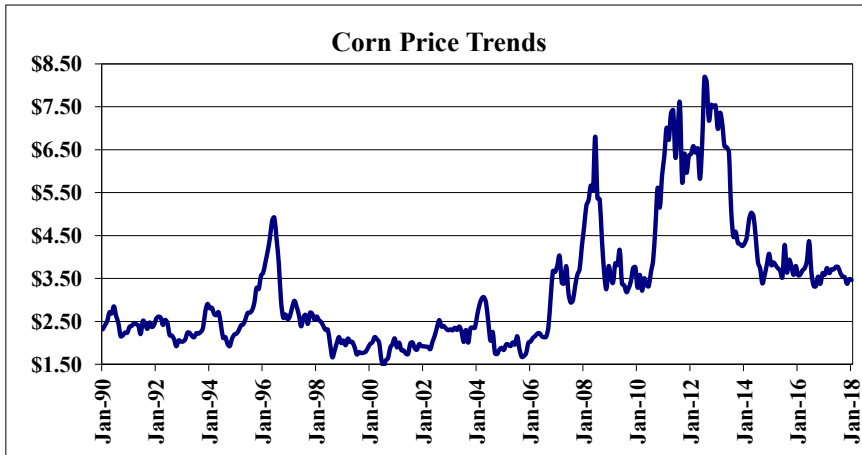
Commodity Prices – Cash Receipts vs. Next Year Equipment Sales

USDA's January WASDE Update Highlights – The following chart illustrates the historical relationship between the value of production of corn, soybeans, and wheat in the U.S. compared to annual industry sales of high horsepower tractors.

USDA's January crop report showed an improvement from December with cash receipts proxy forecast down 5% y/y in 2017/18 vs down 6% previously. Corn cash receipt forecasts improved to down 8% vs down 9% previously on better pricing, wheat forecasts were unchanged at down 11% y/y, and soybean forecasts fell to down 1% vs flat previously.



Long Term Commodity Price Trends



Commodity Trends – Long Run Supply and Demand Projections

US Corn, Soy, and Wheat Supply and Demand - Long Term Annual Forecast 2017

US Corn Balance Sheet - USDA Long Term Forecast (Feb 2017)														
Millions of bushels	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/2027
Planted	95	91	88	94	90	90	90	89	88	88	87	87	87	86
Harvested	88	83	81	87	83	82	82	81	80	80	79	79	79	78
Yield (bu/acre)	158	171	168	175	175	173	175	177	179	181	183	185	187	189
Beginning Stocks (MM bu)	821	1,232	1,731	1,737	2,293	2,298	2,213	2,193	2,104	2,033	2,023	1,933	1,923	1,896
Production (MM bu)	13,829	14,216	13,601	15,148	14,604	14,135	14,300	14,285	14,360	14,520	14,495	14,655	14,719	14,784
Imports (MM bu)	36	32	67	55	50	50	50	50	50	50	50	50	50	50
Total Supply (MM bu)	14,686	15,480	15,399	16,940	16,947	16,483	16,563	16,528	16,514	16,603	16,568	16,638	16,692	16,730
Feed & Residual (MM Bu)	5,036	5,315	5,130	5,500	5,550	5,500	5,600	5,625	5,700	5,800	5,850	5,950	6,025	6,075
Food, Seed, & Industrial Total	6,501	6,568	6,635	6,920	6,995	6,795	6,770	6,775	6,730	6,705	6,685	6,640	6,620	6,595
Ethanol & By-Products	5,134	5,209	5,206	5,450	5,525	5,350	5,325	5,325	5,275	5,250	5,225	5,175	5,150	5,125
Domestic Use	11,537	11,883	11,765	12,420	12,545	12,295	12,370	12,400	12,430	12,505	12,535	12,590	12,645	12,670
Exports	1,917	1,864	1,898	2,225	1,925	1,975	2,000	2,025	2,050	2,075	2,100	2,125	2,150	2,175
Total Use	13,454	13,747	13,663	14,645	14,470	14,270	14,370	14,425	14,480	14,580	14,635	14,715	14,795	14,845
Ending Stocks	1,232	1,731	1,738	2,295	2,477	2,213	2,193	2,104	2,033	2,023	1,933	1,923	1,896	1,885
Ending Stocks/Use	9.2%	12.6%	12.7%	15.7%	17.1%	15.5%	15.3%	14.6%	14.0%	13.9%	13.2%	13.1%	12.8%	12.7%
Weeks Carryover	4.8	6.5	6.6	8.1	8.9	8.1	7.9	7.6	7.3	7.2	6.9	6.8	6.7	6.6
Average Farm Price (\$/bu)	\$4.46	\$3.70	\$3.61	\$3.40	\$3.25	\$3.35	\$3.35	\$3.45	\$3.50	\$3.55	\$3.60	\$3.65	\$3.65	\$3.70
Value of Production	\$61,677	\$52,599	\$49,100	\$51,503	\$47,463	\$47,352	\$47,905	\$49,283	\$50,260	\$51,546	\$52,182	\$53,491	\$53,724	\$54,701
% change y/y	-17%	-15%	-7%	5%	-8%	0%	1%	3%	2%	3%	1%	3%	0%	2%

U.S. Soybean Balance Sheet - USDA Long Term Forecast (Feb 2017)														
Millions of bushels	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/2027
Planted	77	83	83	83	90	85	85	85	85	85	85	85	85	85
Harvested	76	83	82	83	90	84	84	84	84	84	84	84	84	84
Yield Per Harvested Acre (Bushels)	44	48	48	52	49	48	49	49	50	50	51	51	52	52
Beginning Stocks	141	92	191	197	302	396	326	306	291	300	309	317	330	338
Production	3,358	3,927	3,926	4,307	4,392	4,070	4,090	4,130	4,195	4,240	4,280	4,325	4,365	4,405
Imports	72	33	24	25	25	30	30	30	30	30	30	30	30	30
Total Supplies	3,571	4,052	4,141	4,528	4,718	4,496	4,446	4,466	4,516	4,570	4,619	4,672	4,725	4,773
Crush	1,734	1,873	1,886	1,925	1,950	1,955	1,970	1,990	2,015	2,040	2,060	2,085	2,105	2,130
Exports	1,647	1,843	1,936	2,050	2,160	2,085	2,040	2,055	2,070	2,090	2,110	2,125	2,150	2,150
Seed & Residual	98	145	121	128	128	129	130	130	131	131	132	132	132	132
Total Use	3,479	3,861	3,943	4,093	4,248	4,169	4,140	4,175	4,216	4,261	4,302	4,342	4,387	4,412
Ending Stocks	92	191	197	435	470	326	306	291	300	309	317	330	338	361
Stocks/Use	2.7%	4.9%	5.0%	10.6%	11.1%	7.8%	7.4%	7.0%	7.1%	7.2%	7.4%	7.6%	7.7%	8.2%
Average Price (\$/bu)	\$13.00	\$10.10	\$8.95	\$9.55	\$9.30	\$9.40	\$9.40	\$9.45	\$9.45	\$9.50	\$9.55	\$9.55	\$9.55	\$9.55
Value of Production	\$43,654	\$39,663	\$35,138	\$41,132	\$40,846	\$38,258	\$38,446	\$39,029	\$39,643	\$40,280	\$40,874	\$41,304	\$41,686	\$42,068
% change y/y	0%	-9%	-11%	17%	-1%	-6%	0%	2%	2%	2%	1%	1%	1%	1%

Commodity Trends – Long Run Supply and Demand Projections (Cont.)

US Corn, Soy, and Wheat Supply and Demand - Long Term Annual Forecast 2017 (continued)

U.S. Wheat Balance Sheet - USDA Long Term Forecast (Feb 2017)

Millions of bushels	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/2027
Planted	56	57	55	50	46	49	50	50	50	50	50	50	50	50
Harvested	45	46	47	44	38	42	42	42	42	42	42	42	42	42
Yield Per Harvested Acre (Bushels)	47	44	44	53	46	48	48	48	49	49	50	50	50	51
Beginning Stocks	718	590	752	976	1,181	993	892	832	784	742	707	679	658	654
Production	2,134	2,026	2,062	2,310	1,741	1,976	2,012	2,029	2,045	2,062	2,079	2,096	2,113	2,129
Imports	169	144	113	115	155	125	125	125	130	135	140	145	150	155
Total Supplies	3,021	2,760	2,927	3,400	3,076	3,094	3,029	2,986	2,959	2,939	2,926	2,920	2,921	2,938
Food	955	960	957	955	950	970	975	980	985	990	995	1,000	1,005	1,010
Seed	77	81	67	61	62	67	67	67	67	67	67	67	67	67
Feed&residual	223	111	152	190	100	190	180	170	170	170	170	170	170	170
Exports	1,176	855	775	1,035	975	975	975	985	995	1,005	1,015	1,025	1,025	1,035
Total Use	2,431	2,007	1,952	2,241	2,087	2,202	2,197	2,202	2,217	2,232	2,247	2,262	2,267	2,282
Ending Stocks	590	753	976	1,159	989	892	832	784	742	707	679	658	654	656
Stocks/Use	24.3%	37.5%	50.0%	51.7%	47.4%	40.5%	37.9%	35.6%	33.5%	31.7%	30.2%	29.1%	28.9%	28.8%
Average Price (\$/bu)	\$6.87	\$5.99	\$4.89	\$3.90	\$4.60	\$4.30	\$4.50	\$4.70	\$4.70	\$4.80	\$4.90	\$5.00	\$5.00	\$5.00
Value of Production	\$14,661	\$12,136	\$10,083	\$9,009	\$8,009	\$8,497	\$9,054	\$9,536	\$9,612	\$9,898	\$10,187	\$10,480	\$10,565	\$10,645
% change y/y	-16%	-17%	-17%	-11%	-11%	6%	7%	5%	1%	3%	3%	3%	1%	1%

Total Acreage and Value of U.S. Corn, Soy and Wheat Production - USDA February 2017 Projection

Total Corn, Soy, Wheat	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/2027
Planted (mm acres)	228	231	226	228	226	224	224	223	223	223	222	222	221	221
Harvested (mm acres)	209	212	210	213	210	208	207	206	206	206	205	205	205	204
Yield (bu/acre)	92	95	93	102	99	97	98	99	100	101	102	103	103	104
Production	19,321	20,169	19,589	21,765	20,737	20,181	20,402	20,444	20,600	20,822	20,854	21,076	21,197	21,318
Average Price (\$/bu)	\$6.21	\$5.18	\$4.81	\$4.67	\$4.64	\$4.66	\$4.68	\$4.79	\$4.83	\$4.89	\$4.95	\$4.99	\$5.00	\$5.04
Value of Production	\$119,992	\$104,398	\$94,320	\$101,644	\$96,317	\$94,107	\$95,405	\$97,848	\$99,514	\$101,724	\$103,243	\$105,275	\$105,975	\$107,414
% change y/y	-11%	-13%	-10%	8%	-5%	-2%	1%	3%	2%	2%	1%	2%	1%	1%

Source: USDA, Cleveland Research estimates

U.S. Acreage Planted Per Crop Year

