

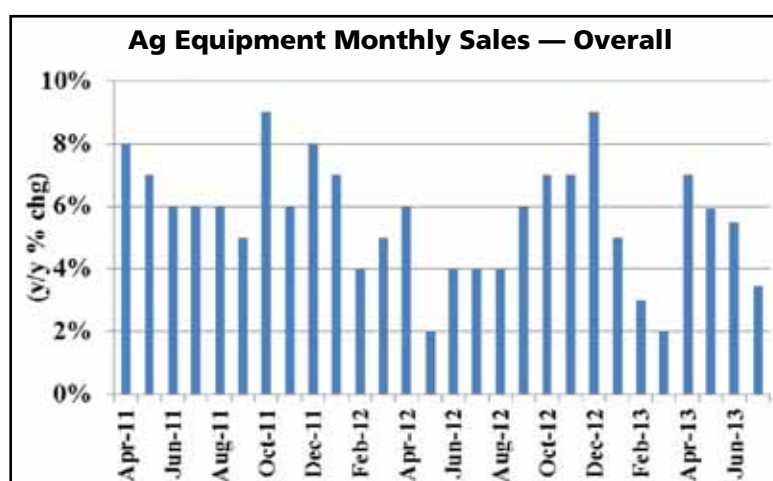
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Decelerate to 3% in July, Incoming Orders Remain Flat

- ✓ Ag equipment dealers reported year-over-year sales grew 3% on average in July, down from 5% the prior month.
- ✓ "Other" ag dealers saw the highest growth at 13%, while AGCO was the weakest with sales down 1%.
- ✓ A net 24% of dealers reported better than expected (38% better, 48% inline, 14% worse) results for July. This is the highest positive reading since December 2011. Last month's reading was -4%.
- ✓ A net 53% of dealers reported used combine inventory levels are "too high" (55% too high; 43% about right; 2% too low) up from 45% last month. This is the highest net percentage of dealers reporting high used combine inventory since we started tracking this data point in October of 2011.
- ✓ Eight out of 11 regions showed positive average monthly sales growth in July with the Southern Plains and Mountain regions showing negative growth. On a sequential basis, Appalachia saw the most significant acceleration after showing the most significant deceleration last month.
- ✓ Incoming orders were flat (0%) on average in July, stable from June's reading. Shortlines saw the highest orders growth at 9%, while AGCO saw orders decline 5%.



Results vs. Expectations																								
	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
Better than expected	30%	29%	35%	32%	41%	28%	19%	20%	24%	22%	23%	21%	30%	25%	26%	35%	38%	23%	18%	27%	25%	23%	19%	38%
In line with expected	52%	56%	48%	54%	47%	56%	54%	66%	63%	52%	51%	44%	41%	56%	54%	48%	49%	59%	60%	55%	52%	57%	58%	48%
Worse than expected	18%	15%	17%	13%	12%	16%	26%	14%	14%	25%	26%	35%	29%	19%	20%	17%	13%	18%	22%	18%	24%	20%	23%	14%
Net %	13%	14%	18%	19%	29%	12%	-7%	7%	10%	-3%	-3%	-14%	1%	6%	5%	18%	25%	5%	-4%	9%	1%	3%	-4%	23%

2013 Dealer Outlook Stabilizes

- ✓ For 2013, dealers are forecasting 3% sales growth. This is similar to last month.
- ✓ Shortline dealers are the most optimistic (11%), while the AGCO dealers hold the weakest outlook (-1%).
- ✓ Eight out of 11 regions are projecting a positive full year 2013 sales outlook in July, down from 10 last month. The Delta States are the most optimistic, while the Mountain region is the only region expecting sales to be negative in 2013.

Dealer Outlook																					
(% chg y/y)	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
2012 Outlook											2013 Outlook										
Overall	4%	3%	5%	5%	4%	6%	3%	4%	3%	4%	3%	2%	4%	2%	4%	4%	3%	5%	5%	3%	3%
By Brand	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
AGCO	8%	4%	6%	7%	3%	8%	7%	6%	2%	3%	4%	4%	3%	3%	2%	2%	6%	6%	2%	3%	-4%
John Deere	3%	2%	6%	6%	4%	9%	5%	9%	7%	8%	4%	2%	6%	3%	4%	4%	3%	5%	8%	4%	6%
New Holland	5%	4%	2%	3%	4%	3%	1%	1%	0%	2%	1%	0%	0%	-1%	1%	0%	2%	4%	1%	6%	0%
Case IH	4%	3%	3%	2%	3%	3%	-1%	-1%	-1%	0%	2%	2%	2%	-1%	3%	4%	1%	5%	0%	0%	3%
Kubota	4%	6%	4%	4%	3%	3%	4%	6%	-1%	4%	3%	2%	0%	0%	4%	4%	3%	7%	4%	8%	-3%
Shortlines	2%	2%	2%	3%	6%	4%	7%	5%	2%	3%	5%	0%	2%	0%	4%	4%	2%	3%	3%	2%	12%
Other	4%	7%	5%	3%	4%	3%	5%	-2%	2%	4%	3%	3%	-2%	2%	1%	5%	NA	1%	3%	1%	4%

Dealer Optimism Drops in July

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, continued to fall with another drop in July. A net 0% of dealers reported a more optimistic outlook for the year (21% more optimistic; 58% same; 21% less optimistic). This is compared to a net 2% of dealers in June who reported a more optimistic outlook.

Optimism/Sentiment vs. Last Month																									
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
More Optimistic	32%	30%	25%	36%	33%	30%	38%	29%	25%	22%	15%	14%	18%	28%	31%	27%	28%	28%	34%	34%	21%	27%	27%	26%	21%
Same	49%	55%	58%	55%	55%	54%	53%	57%	59%	62%	61%	49%	44%	54%	54%	54%	52%	55%	51%	50%	54%	58%	52%	50%	58%
Less Optimistic	20%	15%	17%	9%	12%	16%	10%	14%	17%	17%	24%	37%	38%	18%	15%	20%	20%	18%	15%	16%	26%	15%	21%	24%	21%
Net %	12%	15%	8%	26%	21%	14%	29%	15%	8%	5%	-9%	-23%	-19%	10%	15%	7%	8%	10%	19%	18%	-5%	13%	6%	2%	0%

COMMENTARY

USDA Forecast Holds Steady at 12% Decline in 2013-14 Cash Receipts

The updated August USDA cash receipts outlook for 2013 is up slightly on a total dollar basis, but remains at a (12%) decline, similar to last month. If historical trends hold, this would imply that 2014 could be a challenging year for equipment demand vs. 2013, as the correlation between equipment sales and cash receipts has provided a good proxy for future equipment demand.

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NEW EQUIPMENT TRENDS

Current Manufacturer Incentive Programs vs. Last Month



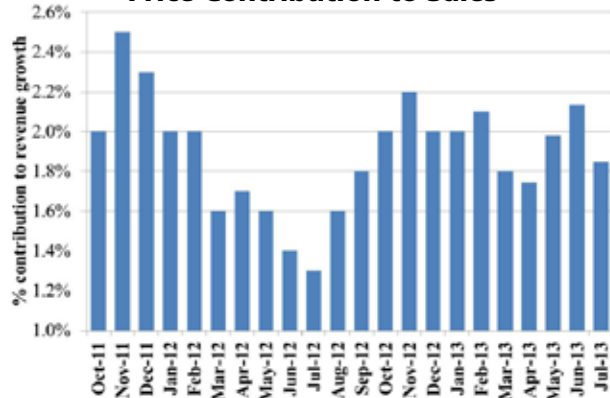
A net 12% of dealers report that manufacturers are less aggressive with incentives in July (11% more aggressive; 66% same; 23% less aggressive) compared to an unchanged level of aggressiveness in June.

Factory Production vs. Last Month Net % Increasing vs. Decreasing Production



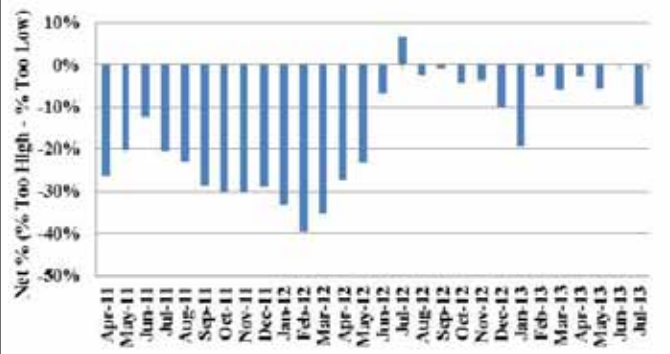
Dealers reported factory production was down in July compared to June, as a net 6% of dealers say production levels decreased (8% increasing production; 78% no change in production; 14% decreasing production). This compares to a net 8% reporting production decreases last month.

Price Contribution to Sales



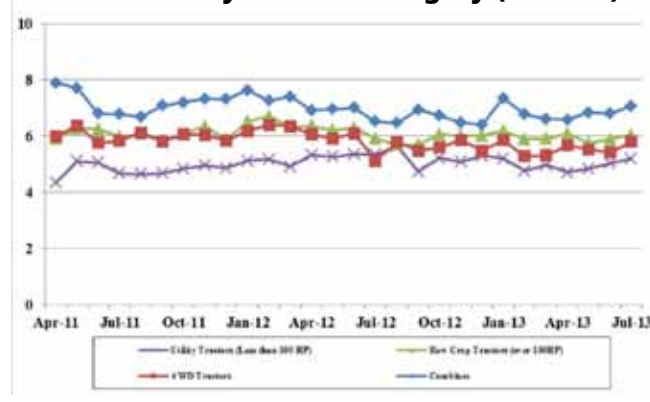
Dealers report price contributed roughly 1.8% to total July revenue, down slightly from 2.1% the prior month. We would expect this trend to move higher in the coming months as new Model Year price increase announcements are made, as well Final Tier 4 price increases.

Industry Inventory Levels New Equipment



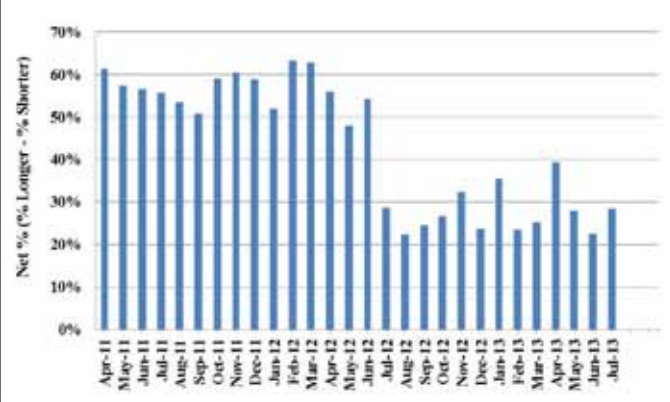
A net 10% of dealers categorize their new inventory as "too low" (19% too high; 52% about right; 29% too low), vs. 0% of dealers last month who categorized their new inventory as "too low".

Lead Times by Product Category (Months)



Overall, a net 29% of dealers report longer factory lead-times compared to last month (37% longer; 55% same; 8% shorter), up from a net 23% last month.

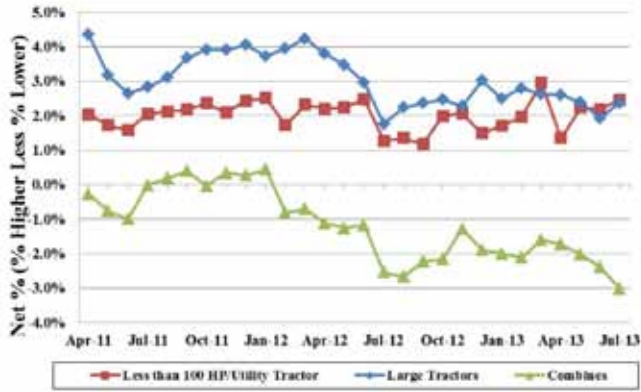
Lead Times vs. Prior Month



Lead times for all categories were reported as longer this month. On average combine lead times are 7.1 months; 4WD are 5.8 months; row-crop tractor lead times are 6 months; and smaller tractor (<100 HP) lead times are 5.2 months.

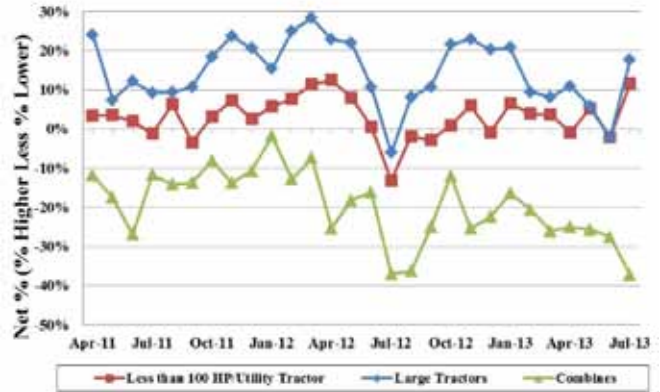
USED EQUIPMENT TRENDS

Used Equipment Values vs. Last Year



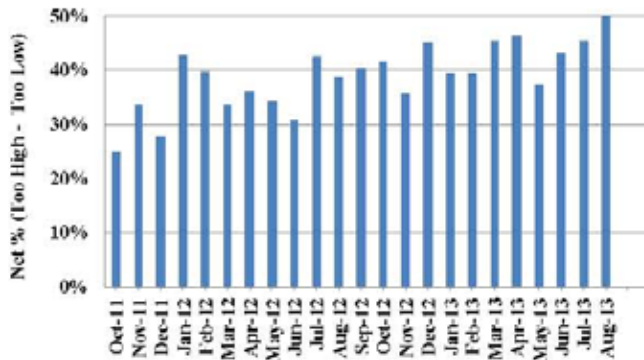
By category, used prices for tractors over 100 HP are up 2.4% year-over-year on average, up from 1.9% reported last month. Prices for used tractors under 100 HP rose by 2.5%, up from 2.2% the prior month. Used combine values fell -3%, down from -2.4% last month.

Used Equipment Values vs. Last Month



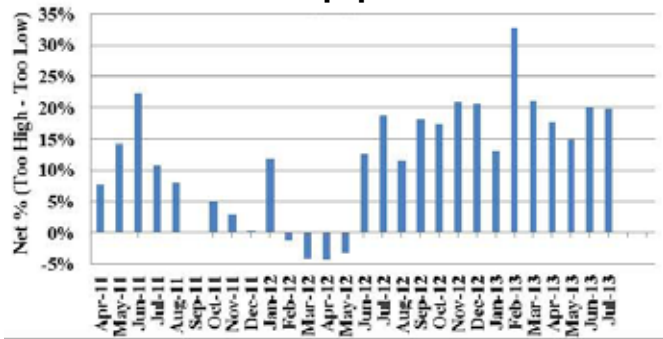
Relative to last month, a net 12% of dealers report higher values for under 100 HP/utility tractors. For over 100 HP tractors, a net 18% of dealers report higher values vs. last month. A net 37% of dealers say used combine values are lower than last month.

Used Combine Inventory vs. Last Month



A net 54% of dealers reported used combine inventory levels are "too high." This is the highest net percentage of dealers reporting high used combine inventory since we started tracking this data point in October of 2011.

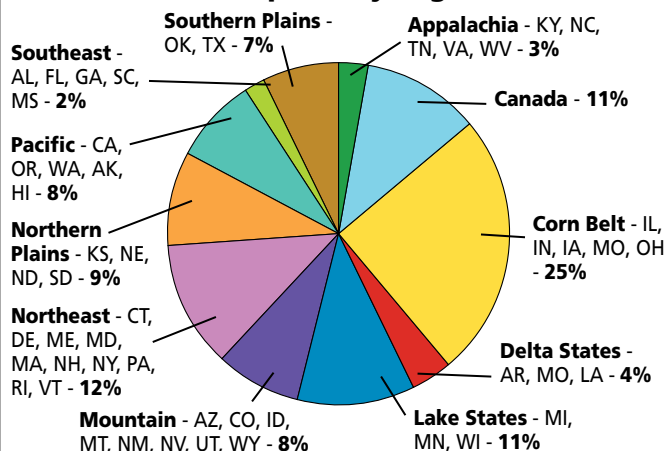
Industry Inventory Levels Used Equipment



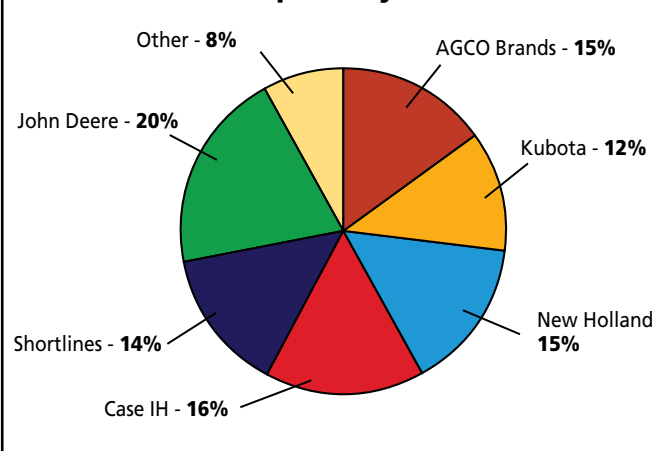
Used equipment inventory remains high as a net 20% of dealers categorize their used inventory levels as "too high" (35% too high; 50% about right; 15% too low), about the same compared last month.

AUGUST 2013 SURVEY RESPONDENTS

Participants by Region



Participants by Brand



The August survey had 127 respondents representing combined annual revenues of roughly \$4.46 billion, covering a broad cross section of geographies and brands.