

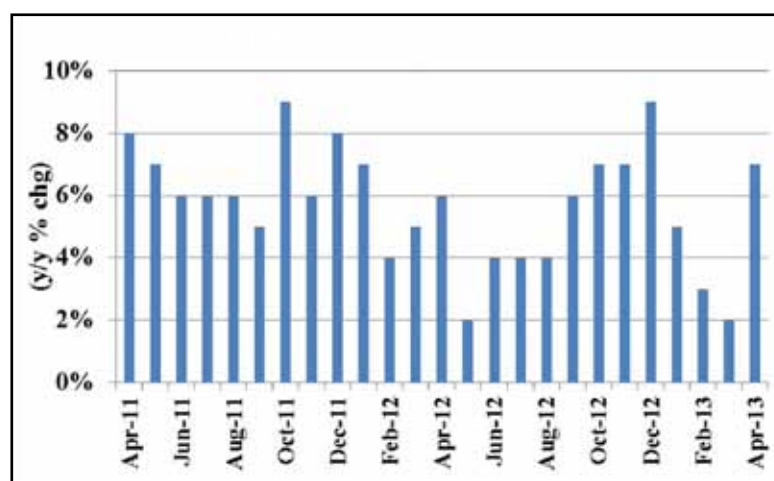
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Accelerate 7% in April; Incoming Orders Grew 2%

- ✓ Ag equipment dealers reported year-over-year sales grew 7% on average in April, up from 2% the prior month.
- ✓ Kubota saw the highest growth at 13%, while at 3%, Shortline dealers reported the lowest sales levels. We are seeing strength in the small tractor market, which appears to be supporting the strength in Kubota's sales.
- ✓ A net 1% of survey participants categorized April sales results as "better than expected" (25% better than expected; 52% in line with expectations; 24% worse than expected). This is down from a net 9% of dealers in March who said sales were "better than expected."
- ✓ Ten out of 11 regions showed positive average monthly sales growth in April with the Northeast dealers, who reported "flat" sales, were the only region not showing positive growth in April. On a sequential basis, the Southern Plains saw the most significant acceleration, while dealers in the Northeast reported "flat" sales.
- ✓ Incoming orders grew 2% on average in April, up from 1% in March. Case IH and AGCO saw the highest orders growth at 3%, while New Holland reported their orders during the month were flat. A net 8% of dealers believe they will order more combines in 2013 compared to last year. This is up from -7% of dealers last month. This is notable as it points to growing dealer confidence levels for next year.



Results vs. Expectations																									
	Apr-11	May-11	Jun-11	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
Better than exp	28%	26%	27%	27%	30%	29%	35%	32%	41%	28%	19%	20%	24%	22%	23%	21%	30%	25%	26%	35%	38%	23%	18%	27%	25%
In line with exp	51%	44%	48%	54%	52%	56%	48%	54%	47%	56%	54%	66%	63%	52%	51%	44%	41%	56%	54%	48%	49%	59%	60%	55%	52%
Worse than exp	21%	30%	25%	19%	18%	15%	17%	13%	12%	16%	26%	14%	14%	25%	26%	35%	29%	19%	20%	17%	13%	18%	22%	18%	24%
Net % (Better -	7%	-4%	1%	8%	13%	14%	18%	19%	29%	12%	-7%	7%	10%	-3%	-3%	-14%	1%	6%	5%	18%	25%	5%	-4%	9%	1%

2013 Dealer Outlook Rises to 5%

- ✓ The overall 2013 industry outlook improved this month to 5%, up from 3% forecast last month.
- ✓ Of the major manufacturers, Kubota dealers have the most optimistic (7%) outlook for 2013, and New Holland dealers are the least optimistic (4%), though all dealers regardless of brand appear to have a positive view for sales for the remainder of this year.
- ✓ Nine of 11 regions are projecting a positive full year 2013 sales outlook in April, up from 8 regions last month. Appalachia is the most optimistic, while the Delta States is the only region expecting sales to decline in 2013.

Dealer Outlook																					
(% chg y/y)	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
2012 Outlook											2013										
Overall	5%	2%	4%	4%	3%	5%	5%	4%	6%	3%	4%	3%	4%	3%	2%	4%	2%	4%	4%	3%	5%
By Brand	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
AGCO	9%	8%	9%	8%	4%	6%	7%	3%	8%	7%	6%	2%	3%	4%	4%	3%	3%	2%	2%	6%	6%
John Deere	4%	1%	2%	3%	2%	6%	6%	4%	9%	5%	9%	7%	8%	4%	2%	6%	3%	4%	4%	3%	5%
New Holland	5%	5%	5%	5%	4%	2%	3%	4%	3%	1%	1%	0%	2%	1%	0%	0%	-1%	1%	0%	2%	4%
Case IH	4%	3%	5%	4%	3%	3%	2%	3%	3%	-1%	-1%	-1%	0%	2%	2%	2%	-1%	3%	4%	1%	5%
Kubota	5%	7%	4%	4%	6%	4%	4%	3%	3%	4%	6%	-1%	4%	3%	2%	0%	0%	4%	4%	3%	7%
Shortlines	3%	2%	1%	2%	2%	2%	3%	6%	4%	7%	5%	2%	3%	5%	0%	2%	0%	4%	4%	2%	3%
Other	3%	4%	6%	4%	7%	5%	3%	4%	3%	5%	-2%	2%	4%	3%	3%	-2%	2%	1%	5%	NA	1%

Dealer Optimism Sees a Big Boost in April

Our Dealer Optimism Index, a measure of sentiment among dealers compared to the prior month, skyrocketed in April as net 12% of dealers reported a more optimistic outlook for the year (27% more optimistic; 58% same; 15% less optimistic). This compares to a net 5% in March who reported a less optimistic outlook.

Optimism/Sentiment vs. Last Month																									
	Apr-11	May-11	Jun-11	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
More Optimistic	33%	25%	31%	32%	30%	25%	36%	33%	30%	38%	29%	25%	22%	15%	14%	18%	28%	31%	27%	28%	28%	34%	34%	21%	27%
Same	54%	54%	44%	49%	55%	58%	55%	55%	54%	53%	57%	59%	62%	61%	49%	44%	54%	54%	54%	52%	55%	51%	50%	54%	58%
Less Optimistic	13%	21%	25%	20%	15%	17%	9%	12%	16%	10%	14%	17%	17%	24%	37%	38%	18%	15%	20%	20%	18%	15%	16%	26%	15%
Net % (More-L	21%	3%	6%	12%	15%	8%	26%	21%	14%	29%	15%	8%	5%	-9%	-23%	-19%	10%	15%	7%	8%	10%	19%	18%	-5%	13%

COMMENTARY

USDA Forecast Calls for 14% Drop in 2013-14 Cash Receipts

The initial USDA cash receipts outlook is for a decline of 14%, which compares to 6% forecasted growth for the 2012-13 crop year. 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



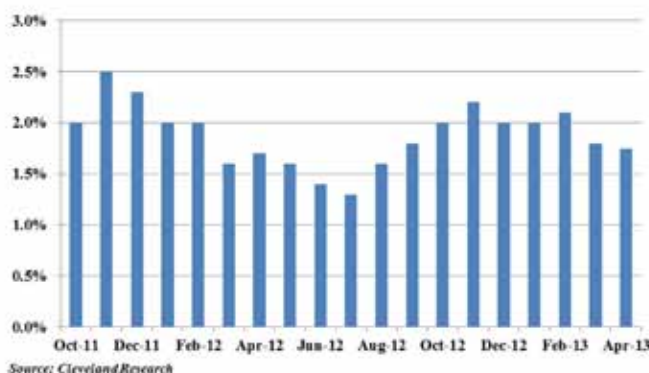
A net 10% of dealers report that manufacturers are more aggressive with incentives in April (18% more aggressive; 74% same; 8% less aggressive) compared to a net 2% who reported manufacturers were less aggressive in March.

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



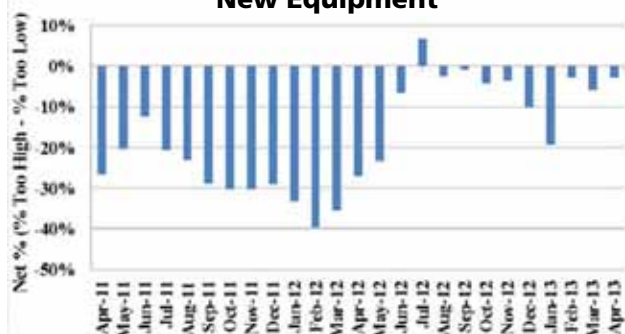
Dealers report that factory production declined slightly, as a net 2% of dealers are reporting decreasing production levels (5% increasing production; 88% no change in production; 7% decreasing production) compared to a net 3% decreasing production last month.

Price Contribution to Sales



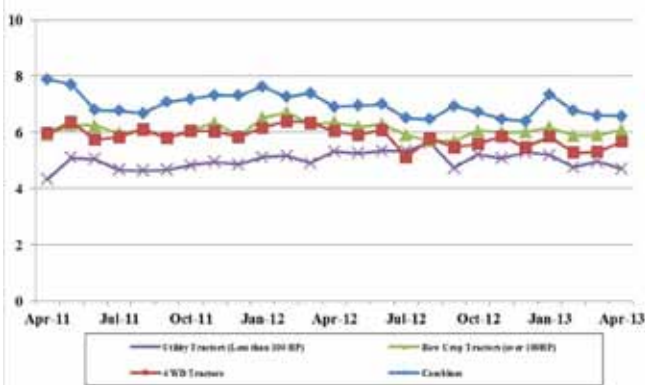
Dealers report price contributed roughly 1.7% to total April revenue, down slightly from the prior month.

Industry Inventory Levels New Equipment



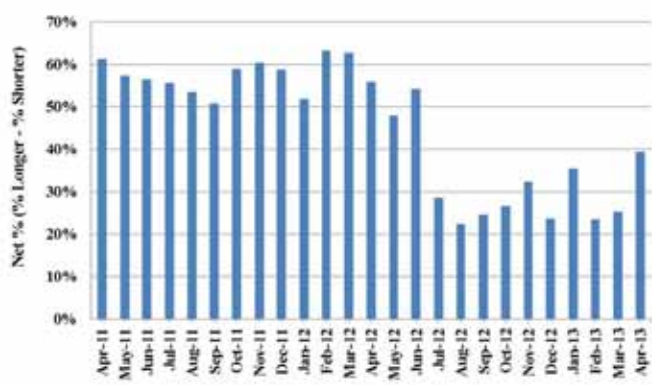
A net 3% of dealers categorize their new inventory as "too low" (16% too high; 65% about right; 19% too low) vs. 6% last month.

Lead Times by Product Category (Months)



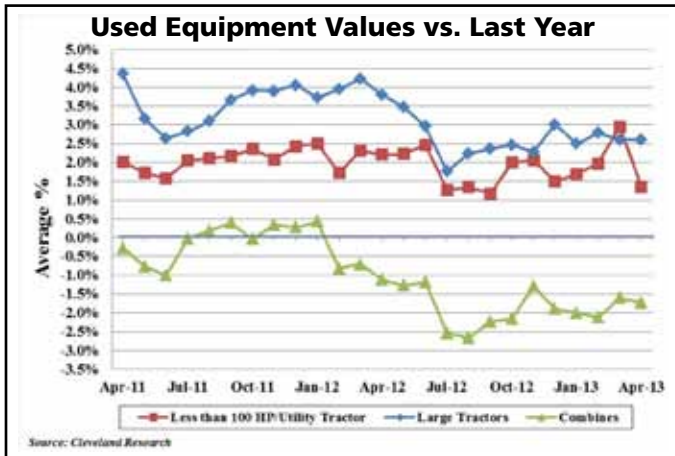
Overall, a net 39% of dealers report longer factory lead-times compared to last month (43% longer; 52% same; 4% shorter), up from a net 25% last month.

Lead Times vs. Prior Month

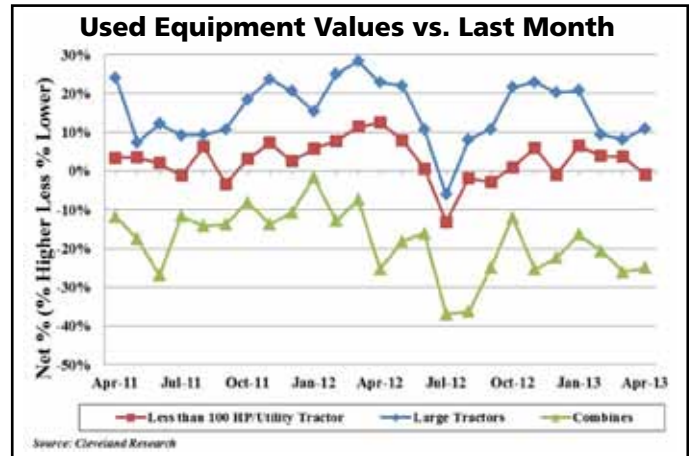


Trends in lead times were mixed this month. On average combine lead times are 6.6 months; 4WD are 5.7 months; row-crop tractor lead times are 6.1 months; and smaller tractors (<100 HP) lead times are 4.7 months.

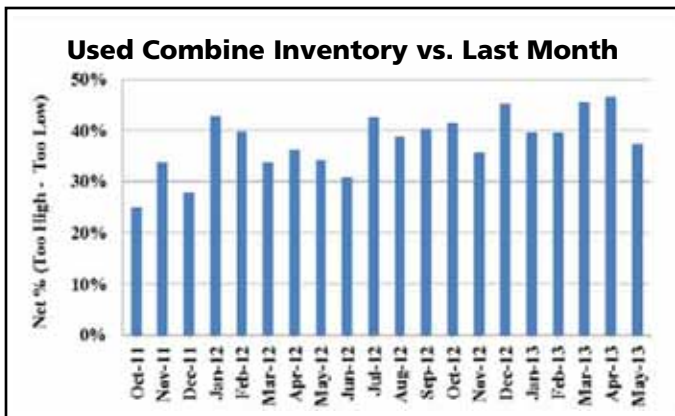
USED EQUIPMENT TRENDS



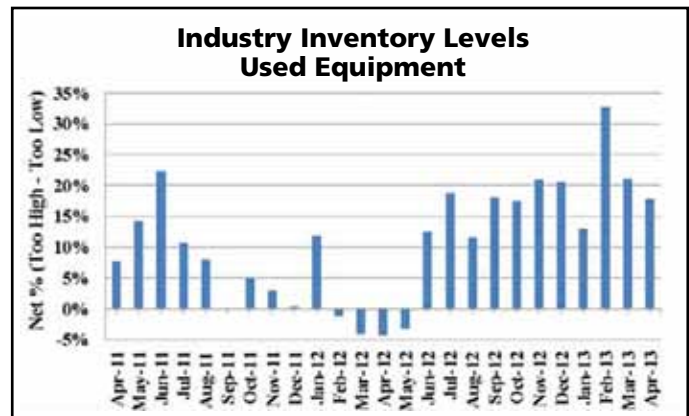
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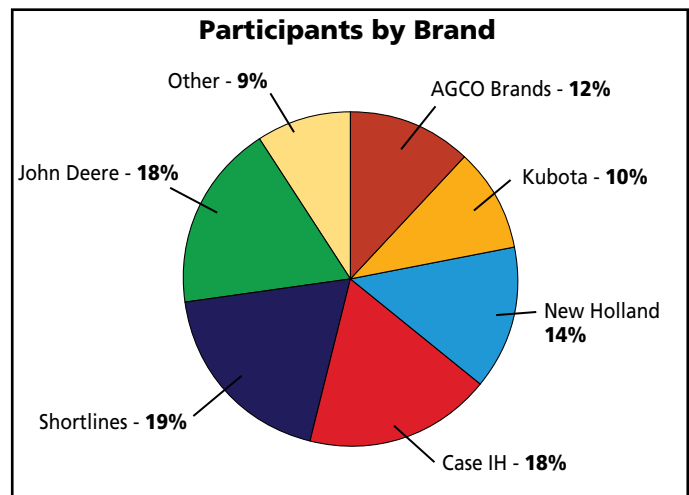
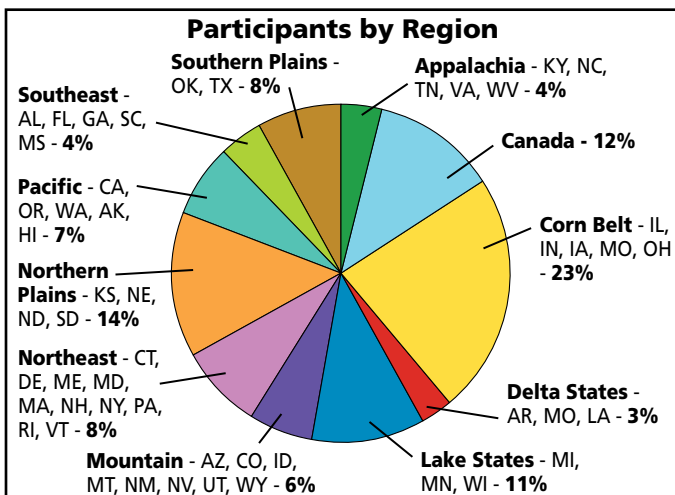


Used equipment inventory remains high as a net 18% of dealers categorize their used inventory levels as "too high" (36% too high; 46% about right; 18% too low), down from 21% the previous month.



Within the used equipment categories, a net 37% of dealers say their used combine inventory levels are still "too high" (45% too high; 47% about right; 8% too low).

MAY 2013 SURVEY RESPONDENTS



The May survey had 152 respondents representing combined annual revenues of roughly \$6.3 billion, representing all major brands and geographies.