

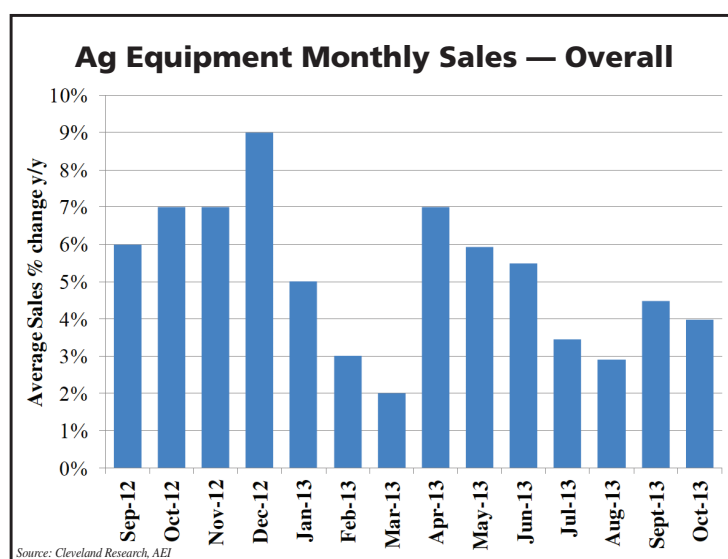
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Growth Holds Steady at 4% in October, Incoming Orders Up 1%

- ✓ Ag equipment dealers reported year-over-year sales grew 4% on average in October, inline with September.
- ✓ Shortline-only dealers once again saw the highest growth at 12%, while AGCO dealers were again the weakest with sales down 1%.
- ✓ A net 15% (32%, 51%, 17%) of dealers reported better than expected results for October. Last month's reading was 8%.
- ✓ A net 8% of dealers categorize their new inventory as "too high" (24% too high; 59% about right; 16% too low) vs. 14% last month. This is the third straight month new equipment inventories among dealers are too high following a period of 12 straight months of new inventory being "comfortable" or "too low."
- ✓ The used combine inventory glut improved slightly with a net 37% of dealers reporting used combine inventory levels were "too high" (43% too high; 51% about right; 6% too low) in October vs. 59% reporting "too high" in August.
- ✓ Incoming orders grew 1% on average in October, similar to the previous month.



Results vs. Expectations																									
	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	Aug-13	Sept-13	Oct-13	
Better than expected	32%	41%	28%	19%	20%	24%	22%	23%	21%	30%	25%	26%	35%	38%	23%	18%	27%	25%	23%	19%	38%	33%	27%	32%	
In line with expected	54%	47%	56%	54%	66%	63%	52%	51%	44%	41%	56%	54%	48%	49%	59%	60%	55%	52%	57%	58%	48%	47%	54%	51%	
Worse than expected	13%	12%	16%	26%	14%	14%	25%	26%	35%	29%	19%	20%	17%	13%	18%	22%	18%	24%	20%	23%	14%	20%	19%	17%	
Net %	19%	29%	17%	-7%	7%	10%	-3%	-3%	-14%	1%	6%	5%	18%	25%	5%	-4%	9%	1%	3%	-4%	23%	13%	8%	16%	

2013 Dealer Outlook Holds Steady

- ✓ For 2013, dealers are forecasting 4% sales growth, unchanged from September.
- ✓ For 2014, dealers are expecting 1% sales growth, up slightly from the 0% outlook reported last month. Deere is forecasting the North American ag equipment industry to be down 5-10% in 2014.
- ✓ Shortline dealers are the most optimistic about next year (6% growth forecast), while AGCO dealers hold the weakest outlook (3% decline).

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

Dealer Optimism Drops Slightly in October

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, saw a decline in October following an improvement in September. A net 10% of dealers reported a less optimistic outlook for the year (15% more optimistic; 60% same; 25% less optimistic). This is compared to a net 9% of dealers in September who reported a less optimistic outlook.

Optimism/Sentiment vs. Last Month																										
	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	Aug-13	Sep-13	Oct-13	
More Optimistic	36%	33%	30%	38%	29%	25%	22%	15%	14%	18%	28%	31%	27%	28%	28%	34%	34%	21%	27%	27%	26%	21%	19%	14%	15%	
Same	55%	55%	54%	53%	57%	59%	62%	61%	49%	44%	54%	54%	54%	52%	55%	51%	50%	54%	58%	52%	50%	58%	50%	62%	60%	
Less Optimistic	9%	12%	16%	10%	14%	17%	17%	24%	37%	38%	18%	15%	20%	20%	18%	15%	16%	26%	15%	21%	24%	21%	31%	23%	25%	
Net %	26%	21%	14%	29%	15%	8%	5%	-9%	-23%	-19%	10%	15%	7%	8%	10%	19%	18%	-5%	13%	6%	2%	0%	-12%	-9%	-11%	

COMMENTARY

USDA Forecast Points to 13% Decline for 2013-14 Cash Receipts

The updated November USDA cash receipts outlook for 2013 is for down 13% over 2012, slightly worse than the down 12% forecast in September. There was no forecast in October due to the government shutdown. 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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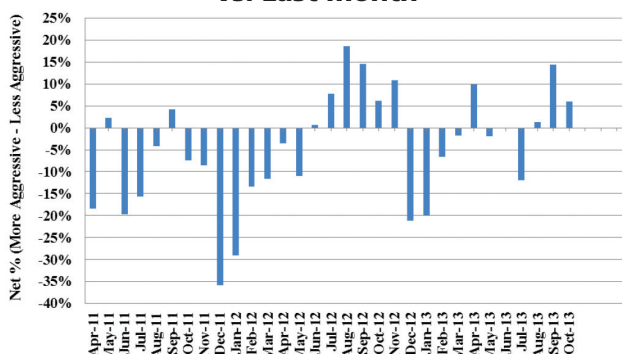
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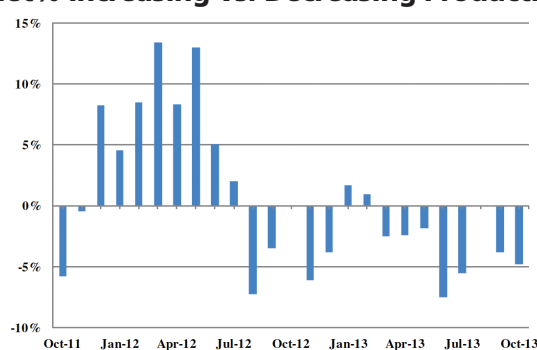
NEW EQUIPMENT TRENDS

Current Manufacturer Incentive Programs vs. Last Month



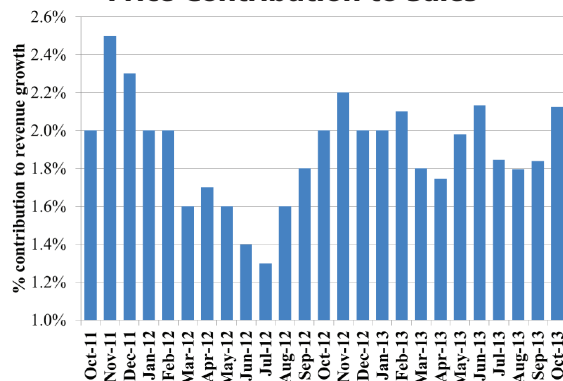
A net 6% of dealers report that manufacturers were more aggressive with incentives in October (17% more aggressive; 72% same; 11% less aggressive) compared to 14% reporting more aggressiveness in September.

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



A net 5% of dealers report that factory production was down compared to last month (6% increasing production; 84% no change in production; 11% decreasing production).

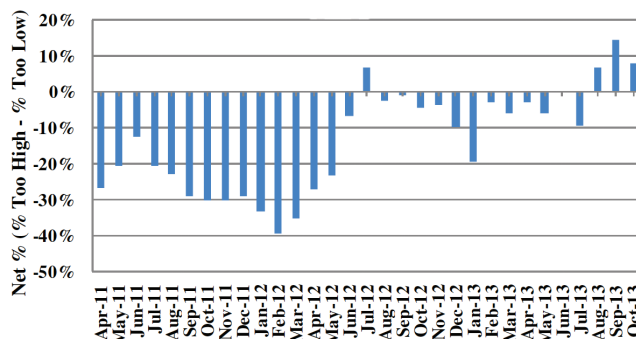
Price Contribution to Sales



Source: Cleveland Research, AEI

Dealers report price contributed roughly 2.1% to total October revenue growth, up from the prior 3 months. This trend is likely to continue to move higher in the coming months as new Model Year price increase announcements are made, as well Final Tier 4 price increases.

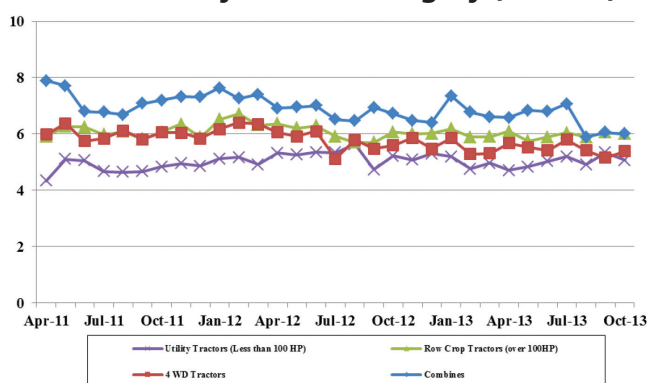
Industry Inventory Levels New Equipment



Source: Farm Equipment Magazine Survey

A net 8% of dealers categorize their new inventory as "too high" (24% too high; 59% about right; 16% too low), vs. 14% of dealers last month that categorized their new inventory as "too high."

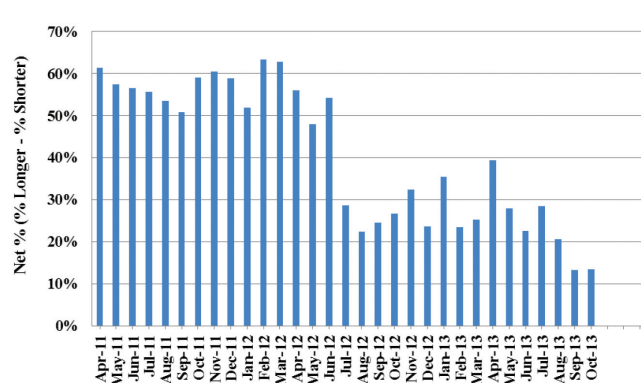
Lead Times By Product Category (Months)



Source: Farm Equipment Magazine Survey

Overall, a net 14% of dealers report longer factory lead-times compared to last month (23% longer; 68% same; 9% shorter), similar to last month.

Lead Times vs. Prior Month

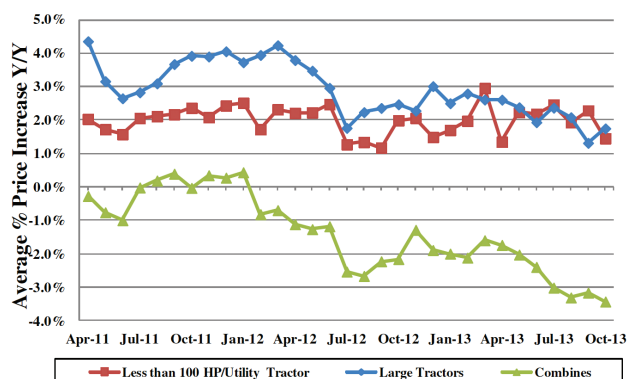


Source: Farm Equipment Magazine Survey

On average, combine lead times are 6 months; 4WD are 5.4 months; row-crop tractor lead times are 6 months; and smaller tractor (<100HP) lead times are 5.1 months.

USED EQUIPMENT TRENDS

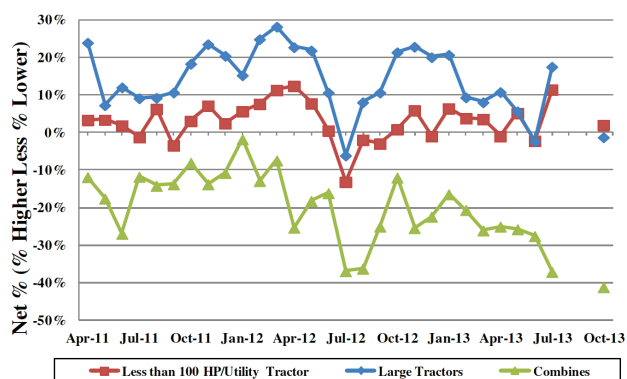
Used Equipment Values vs. Last Year



Source: Cleveland Research

By category, used prices for tractors over 100HP are up 1.8% year-over-year on average, up from 1.3% reported last month. Prices for used tractors under 100HP are up 1.5%, down from 2.3% the prior month. Used combine values fell further to down 3.4% year-over-year compared to down 3.2% last month.

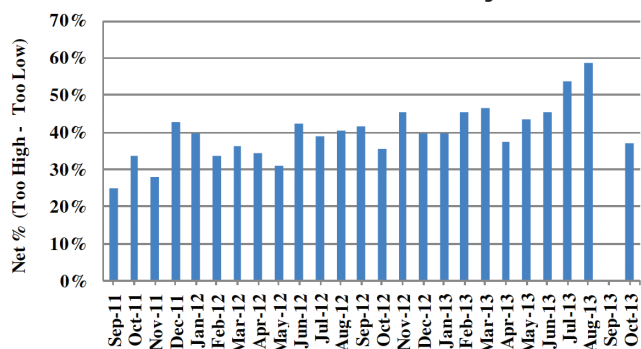
Used Equipment Values vs. Last Month



Source: Cleveland Research

Used equipment values vs. last month were lower in October than in July (August and September were not recorded due to survey error).

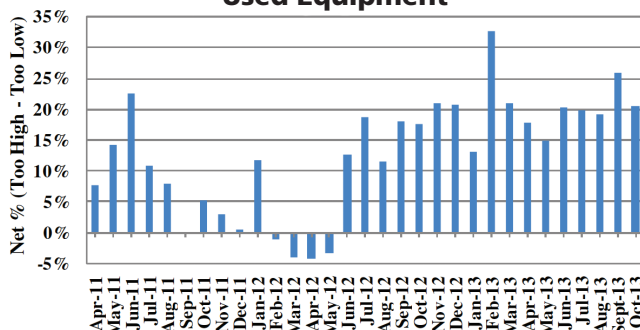
Used Combine Inventory



Source: Farm Equipment Magazine Survey

Used combine inventory fell quite significantly over the last 2 months. A net 37% of dealers reported inventory as "too high" in October vs. a net 59% in August.

Industry Inventory Levels Used Equipment

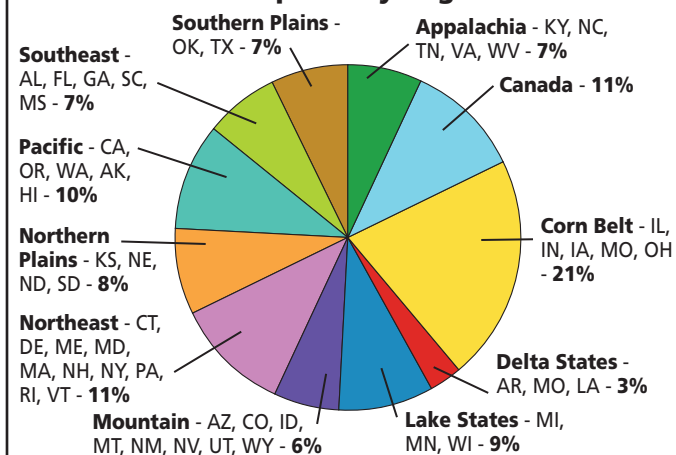


Source: Farm Equipment Magazine Survey

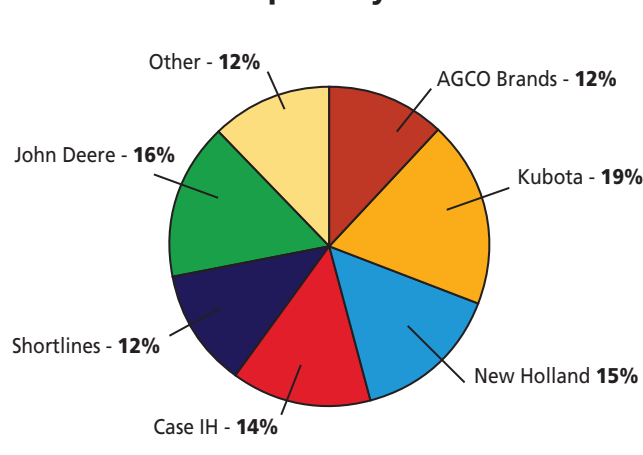
Used equipment inventory remains high as a net 21% of dealers categorize their used inventory levels as "too high" (37% too high; 47% about right; 16% too low), down slightly from 26% reported last month.

NOVEMBER 2013 SURVEY RESPONDENTS

Participants by Region



Participants by Brand



The November survey had approximately 122 respondents representing combined annual revenues of roughly \$4.7 billion, covering a broad cross section of geographies and brands.