

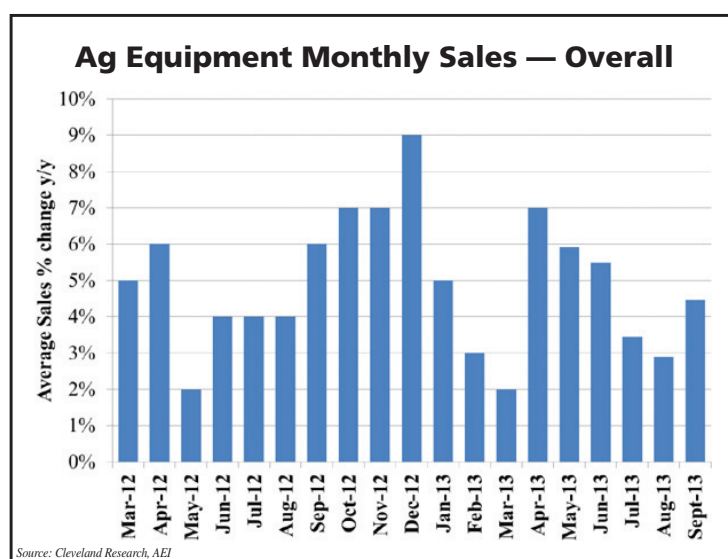
Dealer Sentiment & Business Conditions Update

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

EXECUTIVE SUMMARY

Industry Sales Grow 4% in September, Incoming Orders Up

- ✓ Ag equipment dealers reported year-over-year sales grew 4% on average in September, up from 3% in August.
- ✓ Shortline-only dealers saw the highest growth at 11%, while AGCO dealers were the weakest with sales down 3%.
- ✓ A net 8% (27% better, 54% inline, 19% worse) of dealers reported better than expected results for September. Last month's reading was 13%.
- ✓ A net 15% of dealers categorize their new inventory as "too high" (29% too high; 57% about right; 14% too low), vs. 7% of dealers last month. This is the highest reading since July 2012.
- ✓ A net 26% of dealers categorize their used inventory levels as "too high" (38% too high; 50% about right; 12% too low), up from 19% reported last month.
- ✓ Incoming orders grew 1% on average in September, down from August's reading of 2% order growth year-over-year.



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

2013 Dealer Outlook Flat

- ✓ For 2013, dealers are forecasting 0% sales growth, down from the 3% growth forecasted in August.
- ✓ For 2014, dealers indicate outlook is also for sales to be flat vs. 2013, up slightly from the -1% outlook reported last month.
- ✓ Shortline dealers are the most optimistic (4%), while Case IH dealers hold the weakest outlook (-3%).

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

Dealer Optimism Sees Improvement in September

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, saw an improvement in September following a steep drop in August. A net 9% of dealers reported a less optimistic outlook for the year (14% more optimistic; 62% same; 23% less optimistic). This is compared to a net 12% of dealers in August who reported a less optimistic outlook.

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

COMMENTARY

USDA Forecast Holds at 11% Decline for 2013-14 Cash Receipts

Due to the government shutdown in October, USDA did not release an updated cash receipts outlook for 2013 for September. In August, the outlook was up slightly to down 11% over 2012, which was slightly better than the down 12% reported the previous month.

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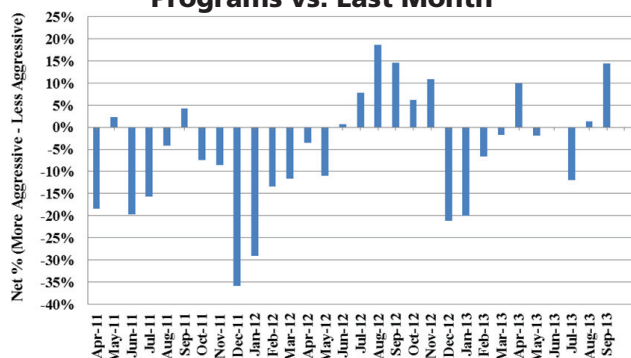
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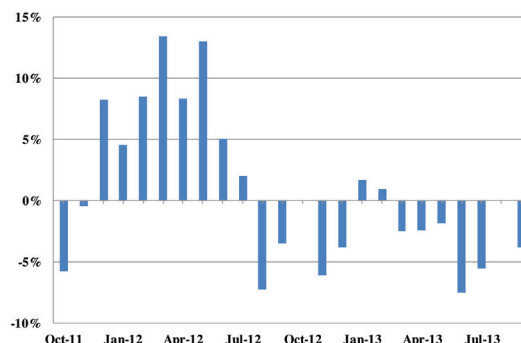
NEW EQUIPMENT TRENDS

Current Manufacturer Incentive Programs vs. Last Month



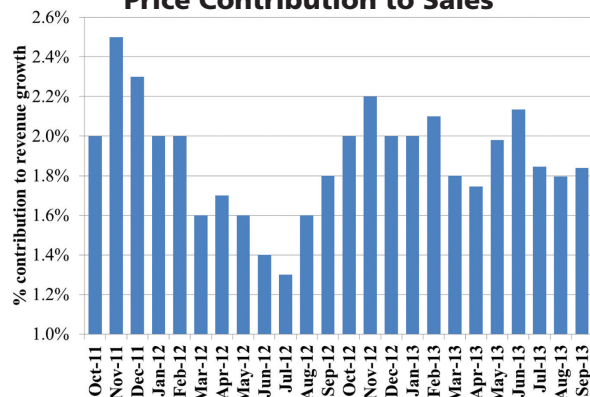
A net 15% of dealers report that manufacturers were more aggressive with incentives in September (24% more aggressive; 67% same; 9% less aggressive) compared to 1% reporting more aggressive incentives in August.

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



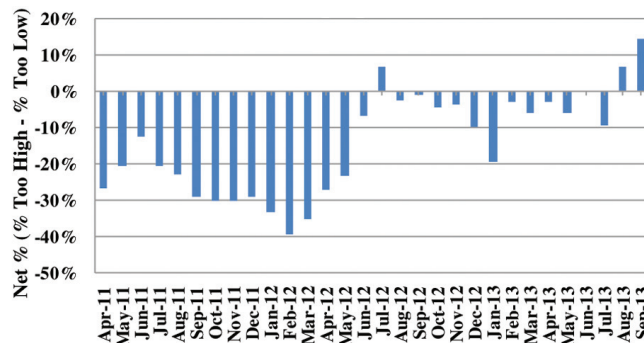
A net 3% of dealers report factory production was down compared to last month (3% increasing production; 91% no change in production; 6% decreasing production).

Price Contribution to Sales



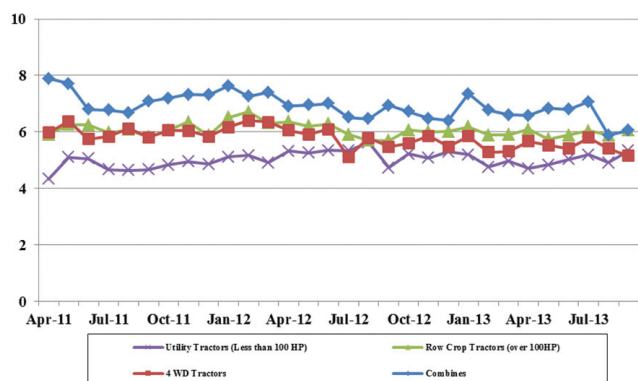
Dealers report price contributed roughly 1.8% to total September revenue growth, similar to the prior 2 months. We would expect it to move higher in coming months as new model year price increase announcements are made and Tier 4 Final price increases take effect.

Industry Inventory Levels New Equipment



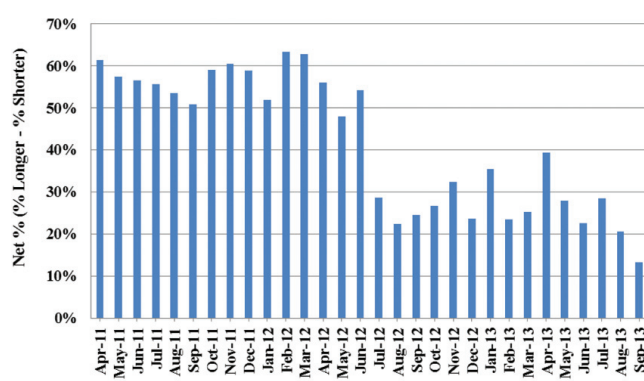
A net 15% of dealers categorize their new inventory as "too high" (29% too high; 57% about right; 14% too low), vs. 7% of dealers last month who categorized their new inventory as "too high." This is the highest reading since July 2012.

Lead Times By Product Category (Months)



Overall, a net 13% of dealers report longer factory lead-times compared to last month (28% longer; 57% same; 15% shorter), down from a net 21% last month.

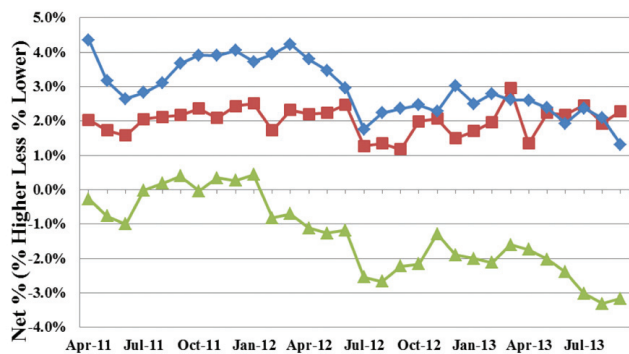
Lead Times vs. Prior Month



Lead times for all categories except 4WD tractors were reported to be slightly longer this month. On average, combine lead times are 6 months; 4WD are 5.2 months; row-crop tractor lead times are 6 months; and smaller tractors (<100HP) lead times are 5.3 months.

USED EQUIPMENT TRENDS

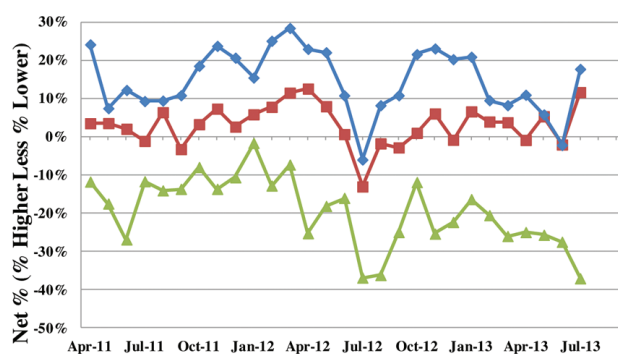
Used Equipment Values vs. Last Year



Source: Cleveland Research

By category, used prices for tractors over 100HP are up 1.3% year-over-year on average, down from 2.1% reported last month. Prices for used tractors under 100HP are up 2.3%, up from 1.9% the prior month. Used combine values are down 3.2% year-over-year, compared to down 3.3% last month.

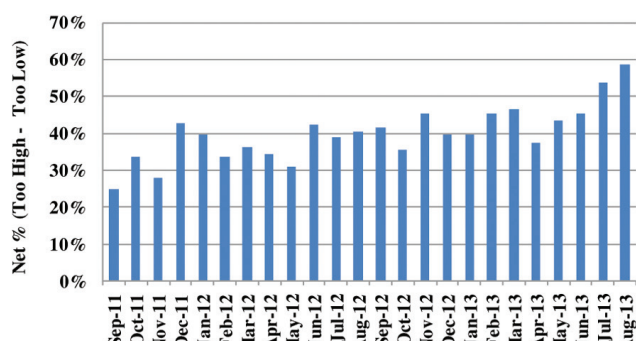
Used Equipment Values vs. Last Month



Source: Cleveland Research

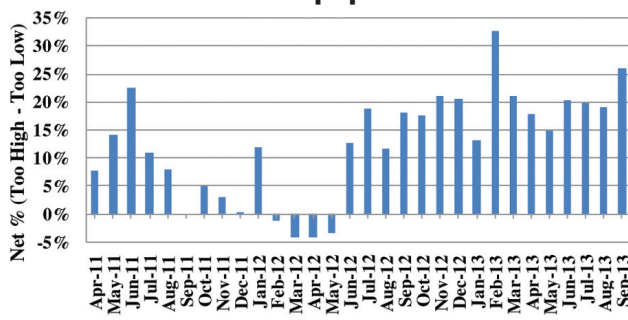
The used equipment values vs. last month chart does not include August or September, due to a survey error resulting in inaccurate data. It will be included going forward starting next month with October data.

Used Combine Inventory



Used combine inventory has been rising steadily over the last several months. Due to a survey error, the data does not reflect September inventory levels. Updated used combine inventory data will be included in the next report.

Industry Inventory Levels Used Equipment

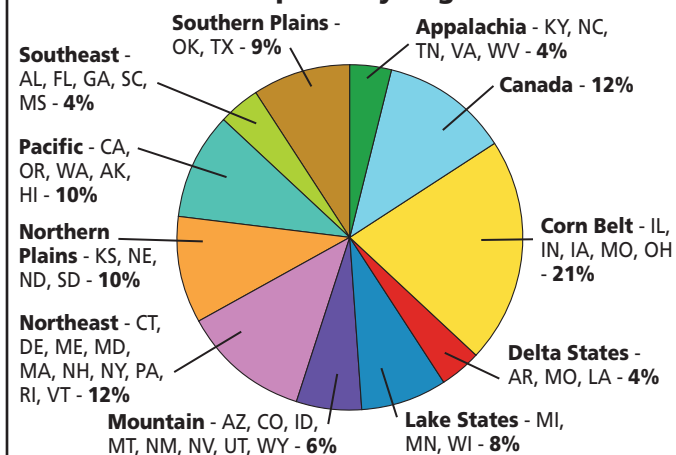


Source: Cleveland Research

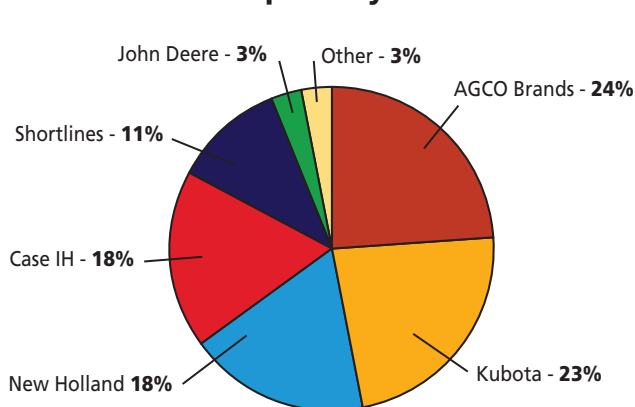
Used equipment inventory remains high as a net 26% of dealers categorize their used inventory levels as "too high" (38% too high; 50% about right; 12% too low), up from 19% reported last month.

OCTOBER 2013 SURVEY RESPONDENTS

Participants by Region



Participants by Brand



The October survey had approximately 102 respondents representing combined annual revenues of roughly \$3.64 billion, covering a broad section of geographies and brands.