From the editors of *Farm Equipment...*

# Ag Equipment Intelligence

*News, Information & Analysis for the Ag Equipment Marketer*

June 15, 2011
Vol. 18, Issue 2

- Strong Supply Climate
- Ag Stocks vs. S&P
- New Report from *AEI*

## Dealers Say Equipment Pricing is 'Firming' as Tier 4 Costs Add 7%

Dealers are reporting a "significantly improved environment for new equipment pricing," according to the most recent survey by UBS Investment Research of U.S. farm equipment dealers. The report, which was released to investors on May 26, showed that 68% of farm equipment dealers nationwide reported new equipment prices were "Firming," while 5% saw "Weakening" prices. The remaining respondents report that pricing was "Stable."

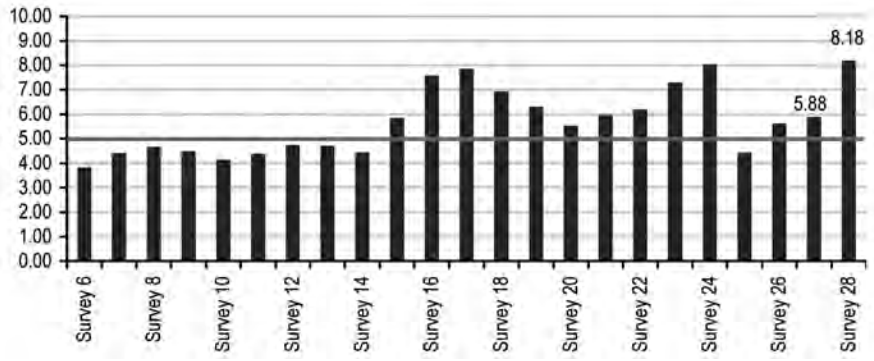
"Dealer responses to this question were the most positive in the 12-year history of asking this question in our survey," says Henry Kirn, machinery analyst for UBS.

On average, dealers report current prices on new equipment are nearly 6% above 2010 levels, and they expect Interim Tier 4 equipment prices to increase about 7%.

From an equipment brand perspective, retailers of Case IH machinery were the most positive with 27% saying that pricing was "Stable" and 73% report prices were "Firming."

*Continued on page 2*

**Historical Responses to Question on New Equipment Pricing**




*Source: UBS Abricultural Dealer Surveys #6-27*

## Titan Machinery Posts 'Blow-Out' Numbers in 1Q, Raises Outlook

It "caught Wall Street by surprise," says an analyst from zacks.com, in comments about the big numbers posted by Titan Machinery in its first quarter FY12 earnings report on June 9. "Clearly, the analysts were not expecting the blow-out numbers."

The West Fargo, N.D.-based dealer of farm and construction equipment surpassed its own expectations as well — by a wide margin. It also maintained its aggressive expansion strategy with 3 acquisitions in the February-to-April period, and then added 2 more purchases after April 30. As the largest distributor of Case IH farm machinery, Titan Machinery now has locations across 8 states.

Watch for big news in the next several months coming from Titan about future expansion.

**Big Numbers.** For the record, Titan Machinery reported revenues of $318 million (vs. consensus $252 million), which was up by 55% compared to the same period of 2011. All three business lines contributed to the increase: equipment sales rose 66%, parts increased 20% and service rose 27%. Same-store revenues increased 36.9%. Ag segment same-store revenues rose 37.6% and construction segment same-store revenues rose 33.1%.

Revenues from ag equipment increased 58% to $287 million from $181.4 million, and pretax profits increased to $12.9 million from $4.8 million. Construction equipment revenues increased 38% to $44.1 million from $32.1 million and construction pretax profits were $0.7 million vs. –$1.9 million a year ago.

Titan's February-April net income rose almost five-fold to $7.3 million vs. $1.6 million a year earlier.

**Good Margins.** According to Rick Nelson, analyst for Stephens Inc., gross margin declined to 16.6% compared to 16.8% a year ago as the revenue mix shifted to lower-margin equipment sales from a higher proportion of service/parts a year ago. "We were encouraged by the margin expansion in equipment to 10.4% vs. 9% due to new Tier 4 sales and continued tight supplies. SG&A as a percentage of gross profit was 74.7%, down from 86.5% last year. We

*Continued on page 3*

**Historical Perspective.** This is the 28th survey for U.S. farm equipment dealers conducted by UBS. This year, the national average response of 8.18 represents a significant improvement from the average response of 5.88 received in the prior survey. The previous high of 8 was recorded in Survey #24, two years ago.

"This is an indication that healthy farmer balance sheets and solid levels of net farm income are allowing dealers to pass through higher prices to end users," Kirn says.

The UBS report shows that, on average, dealers indicated new equipment prices are up 5.6% from 2010 levels, with the strongest average response reported by Deere dealers (7.3% higher), followed by AGCO, Case IH and New Holland dealers with average responses of 5.9%, 5.3% and 4.7%, respectively.

***"Dealers expect a 7% increase in price due to new Tier 4 engines..."***

**Tier 4 Effects.** On average, dealers report that they expect about a 7% price increase as a result of the new Tier 4 interim engines in 2011.

**AGCO —** Based on 49 responses, AGCO dealers on average expect pricing on Interim Tier 4 equipment to increase 7.5%.

**Case IH —** Based on 66 responses, Case IH dealers on average expect pricing on Interim Tier 4 equipment to increase 6.5%.

**John Deere —** Based on 64 responses, Deere dealers on average expect pricing on Interim Tier 4 equipment to increase 7.1%.

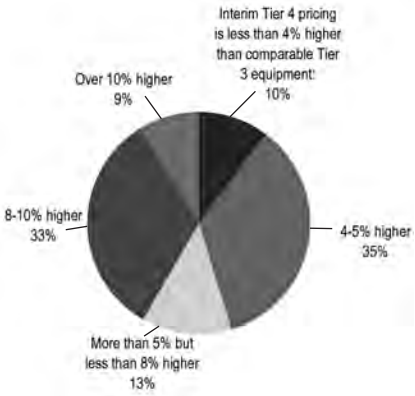
**New Holland —** Based on 102 responses, New Holland dealers on average expect pricing on Interim Tier 4 equipment to increase 7.3%.

"In our previous survey, dealers on average expected a price increase of 6.9% for Interim Tier 4 equipment," Kirn says. The responses to this question were largely in line with responses received when the question was last asked in Survey 27.

**Tier 4 Acceptance.** UBS went on to ask farm equipment dealers how customers are accepting the new Tier 4 engines. Of the more than 300 responses, 27% of dealers reported a negative customer reception, while 17% say customers were positive to the new equipment. The remaining 56% reported that customers were "Neutral."

By equipment brand, the dealer network that reported the highest level of "Positive" customer reaction to Tier 4 machinery came from Case IH dealers (25%). AGCO dealers reported the highest percentage of "Negative" customer reaction to Tier 4 equipment (39%). AEI

**Dealer Expectations for Interim Tier 4 Pricing**




*Source: UBS Abricultural Dealer Survey #28*

**Dealers' Indication of Customer Reception of Tier 4 Pricing**


*Source: UBS Abricultural Dealer Survey #28*

**Dealers' Indication of New Equipment Pricing**

| Company | Weakening | Stable | Firming |
|---|---|---|---|
| AGCO | 8% | 23% | 69% |
| Case IH | 0% | 27% | 73% |
| John Deere | 1% | 31% | 67% |
| New Holland | 7% | 29% | 64% |
| **Total** | **5%** | **28%** | **68%** |

*Source: UBS Agricultural Dealer Survey #28*

**Customer Reception of New Tier 4 Equipment, by Dealer Brand**

| Company | Positive | Neutral | Negative |
|---|---|---|---|
| AGCO | 12% | 49% | 39% |
| Case IH | 25% | 62% | 13% |
| John Deere | 14% | 66% | 20% |
| New Holland | 15% | 50% | 35% |
| **Total** | **17%** | **56%** | **27%** |

*Source: UBS Agricultural Dealer Survey #28*

AG EQUIPMENT INTELLIGENCE is published monthly for the farm equipment industry by Lessiter Publications Inc., 225 Regency Ct., Suite 100, Brookfield, WI 53008-0624.  Please send any address changes as soon as possible to the address shown above.

U.S., Canada and Mexico print subscriptions are $349 per year. Save $50 by receiving *Ag Equipment Intelligence* each month via E-mail Internet access at only $299 per year. International print subscriptions are $449 per year. Send subscription orders to: *Ag Equipment Intelligence*, P.O. Box 624, Brookfield, WI 53008-0624. Fax: 262/786-5564. Phone: 262/782-4480 or 866/839-8455 (U.S. only). E-mail: info@lesspub.com.

had modeled 80%. Floorplan interest expense fell to $1.2 million from $1.8 million due to lower cost floor plan lines," Nelson said in a note.

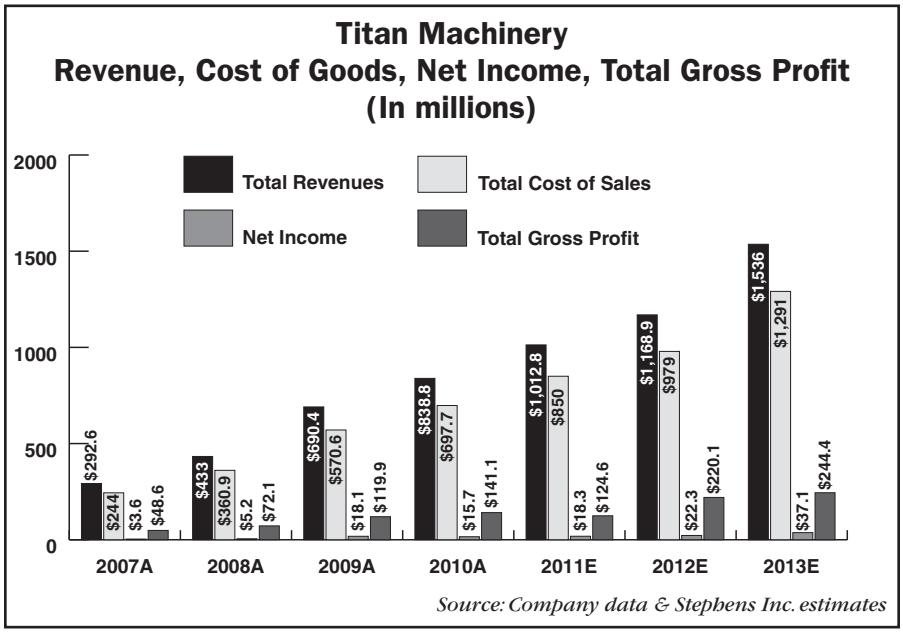
**What's Ahead?** Continued strength of equipment sales is expected to drive demand into the second quarter of Titan's fiscal year, but many industry watchers see the second half of the year to be more difficult.

Nelson adds, "We look for continued strength in the ag sector into second quarter before meeting more difficult compares in the second half of the year.

"The construction segment is now expected to be slightly profitable for the year. Our new fiscal 2012 EPS estimate calls for 9% same-store-revenue growth in ag, 15% same-store growth in construction, and flat gross margins year-over-year.

"We expect expense ratios to narrow slightly on higher sales. Our fiscal 2013 estimate calls for 8% same-store growth in ag, 15% in construction, flat gross margins and continued SG&A leverage. We view our estimates as conservative and beatable," Nelson says.

Titan Machinery's management sees 7-10% same-store revenue growth — ag +5-10%, construction +12-18% — up from 5-7% growth previously. Top-line revenues are now pegged at $1.31-1.385 billion vs. prior guidance of $1.275-1.350 billion. AEI




## The 'Street' Taking Notice of Titan Machinery

Following Titan Machinery's earnings report on June 9, Kevin Cook, senior stock strategist for zacks.com, posed the question, "How did the Street miss this story?"

Apparently, that isn't the case any more.

Jim Cramer, host of CNBC's Mad Money program, not only featured Titan Machinery on his show on June 9, but he also interviewed David Meyer, Titan's chairman & CEO. He then followed up by writing about the company in his "RealMoney" blog.

In his June 10 blog he wrote, "Let's see, a seller of construction and agricultural equipment in farm and oil boom towns — it doesn't get better than that.

"Not only that, but Titan's got a great balance sheet, a price-to-earnings ratio that's lower than its growth rate, margin expansion and currency it can use to buy other dealerships to expand in the areas that are strongest.

"What Titan did for me psychologically, though, was to remind me that it isn't that the market's so tough — it's that there are so few stories like Titan, stories that have multiple moving parts all falling into place at the same time with many years ahead of growth and possible margin expansion as each time they buy a dealership they can rationalize it and give the store more clout."

## FARM MACHINERY TICKER (AS OF 6/13/2011)

| Equipment Mfr. | Symbol | 6/13/11 Price | 5/11/11 Price | 1-Year High | 1-Year Low | P/E Ratio | Avg. Volume | Market Cap. |
|---|---|---|---|---|---|---|---|---|
| **AGCO** | AGCO | $46.81 | $54.29 | $59.81 | $26.24 | 15.60 | 1.39 M | 4.44 B |
| **Alamo** | ALG | $21.78 | $26.97 | $29.27 | $18.68 | 11.41 | 31,626 | 258.75 M |
| **Art's Way** | ARTW | $8.64 | $8.75 | $15.95 | $4.76 | 66.46 | 12,163 | 34.70 M |
| **Caterpillar** | CAT | $95.35 | $109.98 | $116.55 | $58.06 | 16.94 | 7.77 M | 61.45 B |
| **CNH** | CNH | $36.90 | $45.02 | $54.45 | $21.58 | 15.07 | 383,931 | 8.82 B |
| **Deere** | DE | $80.22 | $91.29 | $99.80 | $53.69 | 13.79 | 4.68 M | 33.67 B |
| **Kubota** | KUB | $42.02 | $46.98 | $55.50 | $37.35 | 15.65 | 102,608 | 10.69 B |
| **Dealer Groups** | | | | | | | | |
| **Cervus Equipment** | CVL | $15.80 | $17.67 | $18.40 | $15.10 | N/A | 27,194 | N/A |
| **Rocky Mtn Dealerships** | RME | $9.50 | $10.06 | $11.00 | $7.50 | 10.98 | 42,239 | 1770.73 M |
| **Titan Machinery** | TITN | $29.37 | $28.60 | $32.03 | $12.17 | 19.10 | 383,000 | 521.41 M |

# ‘Heady Times’ for Suppliers to Farm Equipment Manufacturers

In early June, *Ag Equipment Intelligence* spoke with several raw material and component suppliers to farm equipment manufacturers about what they’re seeing in the market. A summary of the editors’ conversations follow.

**Red-Hot Business.** Several suppliers cited record sales months this spring, adding that it could have been considerably better had they had the material and inventory to ship more product.

Inventories are at record lows, and lead times are growing across the board. There was a shared sentiment that demand could be leveling off for the balance of the year, which they say is not a bad thing as hard as they’ve been pressing.

**‘Buying’ Capacity, Not Price.** With other markets rebounding at the same time as ag equipment’s boom, production capacity is tight. Several conversations centered around how farm equipment manufacturers admit they didn’t forecast properly, and are now asking their suppliers what it’ll take to “buy the capacity” at suppliers’ plants. Negotiations, say suppliers, have less to do with price than with the need for guaranteed capacity.

For the longer term, suppliers must weigh the decision of adding production capacity. Describing the long tail involved with capital expansions, one executive said, “We all have learned that high demand can be over with before a new expansion can capitalize on it.”

Another supplier said his company was approached by a major ag equipment company with an offer to co-invest in production machinery to ensure the regular supply of its components. “This is the first time we’ve seen this,” he says, adding it could also be a sign of things to come.

**Rising Prices from China.** Several manufacturers who source from China said the supply side situation there is dire. “You can’t rely on pricing anymore — prices have gone up more in the last 7 months than in the past 3.5 years.”

**Weak Dollar Helping.** Current exchange rates have been favorable to domestic suppliers (“it’s pummeling the offshore producers,” said one executive).

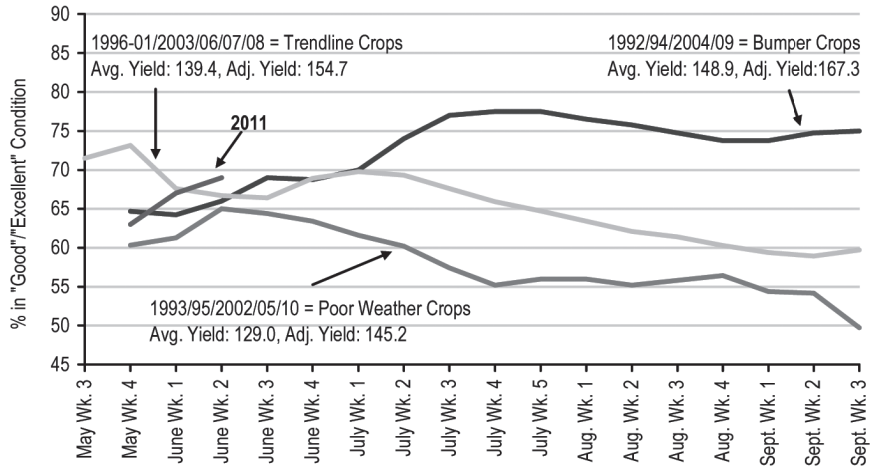
Suppliers’ customers, the wholegoods manufacturers, are also finding it more advantageous to produce in the U.S. and export it. Another executive added that the exchange rate has brought renewed interest by European-based corporations to acquire wholegoods manufacturers in the U.S. AEI

# Corn Crop Conditions: Too Early to Draw Any Conclusions

The U.S. corn crop, at 91% emerged, is off to a start that remains behind last year’s crop (97%) and the average pace over the last five years (96%), according to the June 13 report coming from the USDA.

The ag agency also reported that 69% of the corn crop is in “good” or “excellent” condition, which is an improvement over last week’s 67%, but below last year’s 77%. UBS analyst Henry Kirn says in an investor note, “We caution that it is still early in the growing season to determine how the 2011 corn crop will likely develop.”

Meanwhile, corn prices increased 7% last week and are 121% above year-ago levels. Using nearest expiring futures prices, corn closed at $7.83 per bushel. Soybean prices declined less than 1% last week but are up 45% year-over-year. At this writing, soybeans closed at $13.83 per bushel. Wheat closed at $7.43 per bushel, down less than 1% from last week, but up 65% from last year. AEI




*Source: U.S. Department of Agriculture, UBS estimates*

**In June 1998, UBS Investment Research introduced a “Corn Crop Condition” tracking chart, which compares the current year’s corn crop conditions to the conditions of the following periods: 1996 to 2001 and 2003, 2006, 2007and 2008 crop years, which produced relatively normal yields; the 1993, 1995, 2002, 2005 and 2010 crop ping seasons when worse than normal yields were experienced; and the 1992, 1994, 2004 and 2009 years when the industry saw better than normal corn yields. The first 3 weeks of the 2011 corn crop conditions are also included in the chart.**

# Farm Equipment Market Not Close to 'Saturation'

Responding to questions about where the farm equipment industry is in terms of the machinery replacement cycle, Ann Duignan, machinery analyst for JP Morgan, revisited the USDA Census data from 2007. In a note, she concluded that, "Based on our analysis of the data, we do not believe that we are close to 'saturation' and other factors will likely weigh heavier on the strength of the cycle from here."

According to the research, including all categories of farm tractors — from less than 40 horsepower to over 100 horsepower — there were 4.4 million tractors in the U.S. in 2007. This was down 5% from 2002. Of the 4.4 million, 1.1 million were units over 100 horsepower.

"New sales between 2002 and 2010, cumulatively, imply that farmers have only replaced 16% of the fleet, respectively," Duignan says. "Stated another way, farmers are replacing about 2.3% of the over 100 horsepower tractor population per year."

She says this suggests that in 2007 there were 3.9 million tractors in use that were more than 5 years old. Total annual sales of tractors have averaged about 194,000 units in recent years, which means the annual replacement rate is about 4.4%. Between 2007 and 2010, total new tractors sales in the U.S. were 503,000 in total. This indicates that only 11% of the total fleet has been replaced since 2007. Since 2002, the industry sold 1.7 million tractors cumulatively, suggesting 40% replacement, at best, according to the analyst.

**Large Tractor Trends.** Of the 1.1 million 100 horsepower-plus tractors in use, their fleet age was in line with the overall population with 12% produced in the 2002-2007 timeframe, according to Duignan.

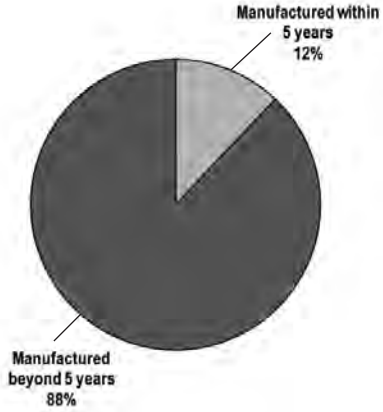
Between 2008-2010, U.S. sales of over 100 horsepower units were 76,000 cumulatively and between 2002-2010 sales of these tractors were 181,000. "This implies that only 16% of the fleet has been replaced between 2002 and 2010," Duignan says. "Also of note, crop farmers had 750,000 of the 100 horsepower-plus tractors, up from 729,000 in 2002. This was one of the few growth sectors between 2002 and 2007. Assuming they were the only group to replenish equipment, only 24% of the crop farmers' equipment has been replaced."

**More Detail.** A further breakdown of tractor unit sales shows that of the 4.4 million tractors in use in 2007, 29% were less than 40 horsepower, 46% were 40-99 horsepower, and 25% were over 100 horsepower.

In 2007, there were about 2.2 million farms, and an average of about 2 tractors per farm. Within the total farms, 986,000 were crop farms and these farms owned 2.4 million tractors. These farmers use higher horsepower units and 31% of their tractors were over 100 horsepower.

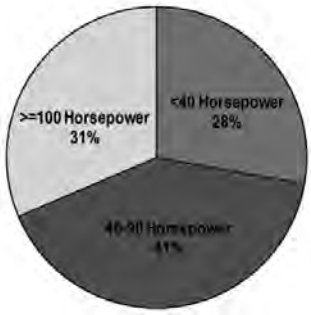
In 2007, 964,000 livestock producers owned 2 million tractors, 82% of which were less than 100 horsepower. AEI

**Tractors on Farms — 2007**
**4.4 Million Units**



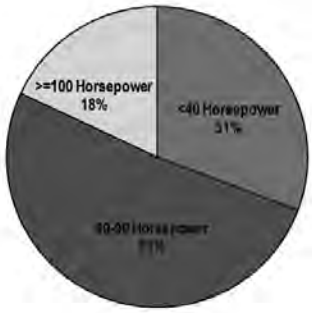

*Source: USDA, J.P. Morgan*

**Tractor Sizes Used by Crop Producers**
**2.4 Million Tractors**



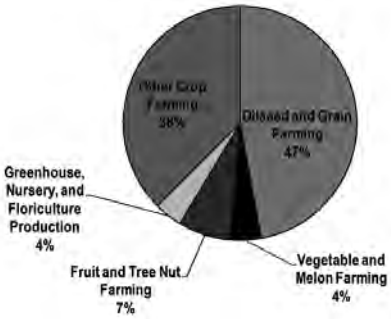

*Source: USDA, J.P. Morgan*

**Tractor Sizes Used by Livestock Industry**
**2 Million Tractors**



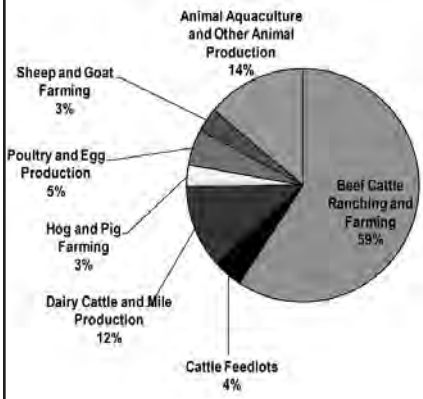

*Source: USDA, J.P. Morgan*

**Tractors Used in Crop Production**
**2.4 Million Tractors**




*Source: USDA, J.P. Morgan*

**Tractors Used in Livestock Industry**
**2 Million Tractors**




*Source: USDA, J.P. Morgan*

# Deere Gains Ground in Brazil Equipment Market

Deere & Co. continued to make headway in May in its effort to capture market share in Brazil, South America's leading agricultural nation. Total tractor sales for the month were down 7% year-over-year, and combine sales were up by 55% in May compared with the same period of 2010.

For the month, Deere's farm tractor sales rose by 35%, while equipment sales by its competitors declined. AGCO's tractor sales fell 24% and CNH sales declined by 9%. Broken out by brand, Case IH tractor sales rose by 21%, but New Holland unit sales fell by 12%.

AGCO continues to be the market leader in total unit tractor sales.

Total Brazilian sales for the month were down by 7%, with total sales of 5,143 tractors vs. 5,549 units in May 2010.

In May, Deere recorded sales of 891 units vs. 661 in May 2010. AGCO posted sales of 1,330 tractors compared with 1,756 units during the same month a year ago. When combined with the sales of its Valtra brand, AGCO tractor sales in May equaled 2,532 units compared with 2,965 in May of last year.

In combine sales, Deere posted a 1,800% increase during the month (38 units vs. 2 in May 2010). AGCO and Valtra combine sales were up 126% (34 vs. 77 units in May 2010). Case IH combine sales were also up by 18% during the month.

For the calendar year 2010, AGCO tractor sales are down 21%, Case sales are up 33%, Deere's sales have increased by 32% and New Holland sales volume is down by 14%.

Total combine sales in Brazil through the first 5 months of the year are up by 55% compared with the same period last year.

AGCO and Valtra combine sales have increased by 46%, Case IH has seen its combine sales rise by 10%, Deere's are up by 288% and New Holland combine sales have fallen by 17% year-over-year through May of this year. AEI

# Ag Stocks Have Outperformed S&P Since 2007

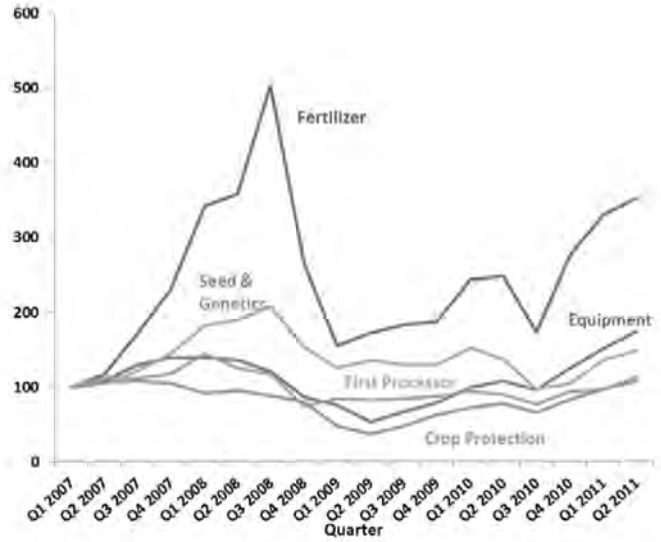
Ag economists from the Univ. of Illinois have demonstrated that the stock prices of 20 publicly traded companies that derive most of their revenues from agriculture have generally outperformed the S&P 500.

Clay Kramer and Gary Schnitkey of the Dept. of Agricultural and Consumer Economics, Univ. of Illinois, constructed an "AgIndex" representing the market value of "agricultural" companies representing producers of fertilizers (Agrium, CF Industries, Intrepid Potash, Mosaic Co. and Potash Corp.), equipment (AGCO, Art's Way Mfg., Caterpillar, CNH Global, Deere, Kubota and Lindsay Corp.), seed and genetics products (Monsanto, Syngenta), crop protection (Dow Chemical, DuPont and FMC) and those considered "first processors" (Andersons, Archer Daniels Midland, Bunge, Corn Products Int'l).

The AgIndex was then compared to the S&P 500, an index that tracks the market values of 500 large companies in the U.S. The AgIndex experienced a decline in value in 2008 larger than the S&P 500. Since 2008, stock prices of companies in the AgIndex rose more than the S&P 500. Overall, the AgIndex increased more since 2007 than did the S&P 500. Like crop farms, many agricultural firms have performed well in the period of higher commodity prices

The AgIndex and S&P 500 are based only on market values and do not include dividends in the calculations. As a result, the index reflects returns only from changes in market values. Index values understate total returns AEI

**Index Values for Sectors Within the Agindex**




**Market value changes of sectors within the AgIndex vary considerably. The sector with the highest increase from 2007 through 2010 was the fertilizer sector, more than doubling market values. Fertilizer demand increases and merger activities likely led to higher market value of firms within the fertilizer sector, according to Univ. of Illinois ag economists. The equipment sector has the second highest increase with a 51% increase followed by seed and genetics with a 37%.**

**Yearly Change in Value in AgIndex and S&P 500***

| Year | AgIndex | S&P 500 |
|---|---|---|
| 2007 | 55.2% | 2.2% |
| 2008 | –48.0% | –35.65 |
| 2009 | 36.7% | 21.6% |
| 2010 | 26.0% | 12.3% |

*Stock prices and S&P 500 index values source: Yahoo Finance. Computation of AgIndex is original.

# North American Tractor Sales Slip 2.8% in May

Total North American sales of farm tractors slipped by 2.8% in May compared with the same period in 2010, according to the latest figures released by the Assn. of Equipment Manufacturers (AEM).

With the planting season off to a slow start this year due to cold, wet weather throughout much of the Midwest and Corn Belt, it's expected that farmers were busy planting crops in May, thus curtailing their spending on equipment.

- May unit sales of tractors over 100 horsepower came in at 2,403, a decrease of 1.4% year-over-year vs. up 1% in April and down 3% year-over-year in March.
- Unit sales of 4-wheel drive tractors were up 28% year-over-year compared with +4% in April and –11% in March.
- Overall sales of tractors over 40 horsepower were down 6% year-over-year vs. down 2% in April and up 7% year-over-year in March.
- Unit sales of tractors in the 40-100 horsepower range were down 10% year-over-year in May compared with –5% in April and +17% year-over-year in March.
- Sales of less than 40 horsepower tractors were down 3% in May. This compares with down 10% in April and up 8% in March.
- Total combine sales were down 10% year-over-year last month vs. up 19% in April and up 31% in March.

"Overall, we are not surprised, particularly with combines, as farmers are out planting in May vs. last year when planting ended early, and expectations were low for the month," says JP Morgan analyst Ann Duignan in a note to investors.

"Looking ahead, we expect continued strong demand as high crop prices bolster farmer cash receipts.

"With stocks-to-use at low levels, and crop prices strong globally, farmers are planting major crops on an additional 2.6% acres this year, indicating another strong year for farmer cash receipts," she says. AEI

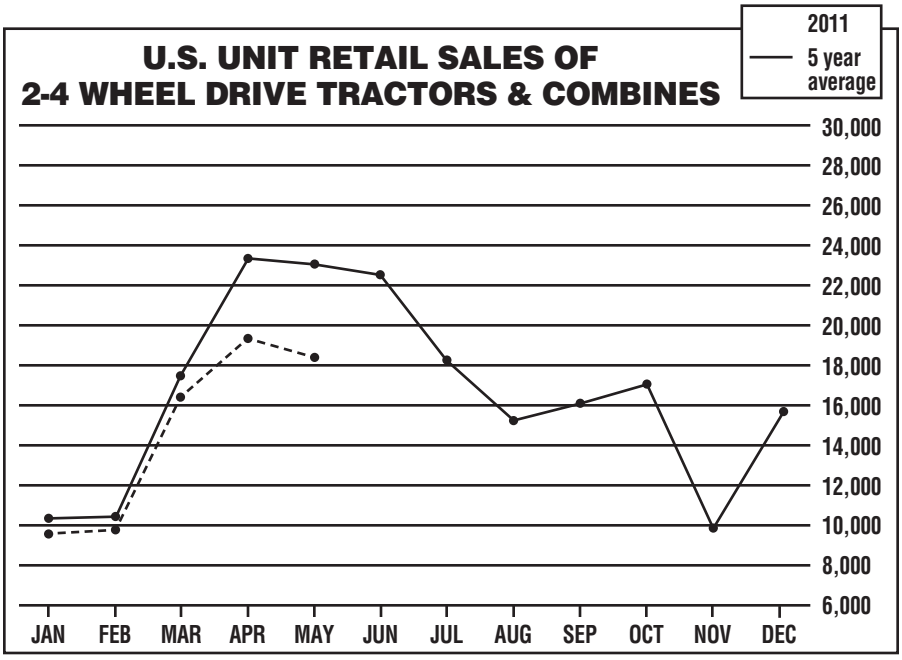
## MAY U.S. UNIT RETAIL SALES

| Equipment | May 2011 | May 2010 | Percent Change | YTD 2011 | YTD 2010 | Percent Change | May 2011 Field Inventory |
|---|---|---|---|---|---|---|---|
| **Farm Wheel Tractors-2WD** | | | | | | | |
| Under 40 HP | 10,836 | 11,486 | -5.7 | 36,707 | 37,685 | -2.6 | 55,622 |
| 40-100 HP | 4,509 | 4,965 | -9.2 | 19,703 | 18,956 | 3.9 | 23,622 |
| 100 HP Plus | 1,901 | 2,003 | -5.1 | 10,882 | 11,315 | -3.8 | 6,025 |
| **Total-2WD** | 17,246 | 18,454 | -6.5 | 67,292 | 67,956 | -1.0 | 85,269 |
| **Total-4WD** | 408 | 345 | 18.3 | 2,392 | 2,059 | 16.2 | 777 |
| **Total Tractors** | 17,654 | 18,799 | -6.1 | 69,684 | 70,015 | -0.5 | 86,046 |
| **SP Combines** | 535 | 601 | -11.0 | 3,623 | 2,908 | 24.6 | 1,312 |

## MAY CANADIAN UNIT RETAIL SALES

| Equipment | May 2011 | May 2010 | Percent Change | YTD 2011 | YTD 2010 | Percent Change | May 2011 Field Inventory |
|---|---|---|---|---|---|---|---|
| **Farm Wheel Tractors-2WD** | | | | | | | |
| Under 40 HP | 1,765 | 1,556 | 13.4 | 4,410 | 4,127 | 6.9 | 7,413 |
| 40-100 HP | 624 | 754 | -17.2 | 2,346 | 2,565 | -8.5 | 3,297 |
| 100 HP Plus | 502 | 433 | 15.9 | 1,717 | 1,846 | -7.0 | 1,474 |
| **Total-2WD** | 2,891 | 2,743 | 5.4 | 8,473 | 8,538 | -0.8 | 12,184 |
| **Total-4WD** | 180 | 115 | 56.5 | 672 | 742 | -9.4 | 276 |
| **Total Tractors** | 3,071 | 2,858 | 7.5 | 9,145 | 9,280 | -1.5 | 12,460 |
| **SP Combines** | 280 | 305 | -8.2 | 819 | 751 | 9.1 | 824 |

## U.S. UNIT RETAIL SALES OF 2-4 WHEEL DRIVE TRACTORS & COMBINES




*—Assn. of Equipment Manufacturers*

# New Monthly *AEI* Report Tracks Farm Equipment Fundamentals

*Ag Equipment Intelligence* readers will notice they received a new report earlier this month. In addition to the monthly *Ag Equipment Intelligence* newsletter that subscribers receive on the 15th of each month, they'll now receive the new "Dealer Trends & Outlook" report that will be e-mailed during the first week of the month, as well. This means subscribers will now be receiving *AEI* 24 times a year.

This new report is based on a monthly survey conducted by *AEI* editors in partnership with the Cleveland Research Company. Its aim is to provide readers with valuable and timely insight into industry trends and fundamentals, and provide greater visibility into future expectations of farm equipment dealers.

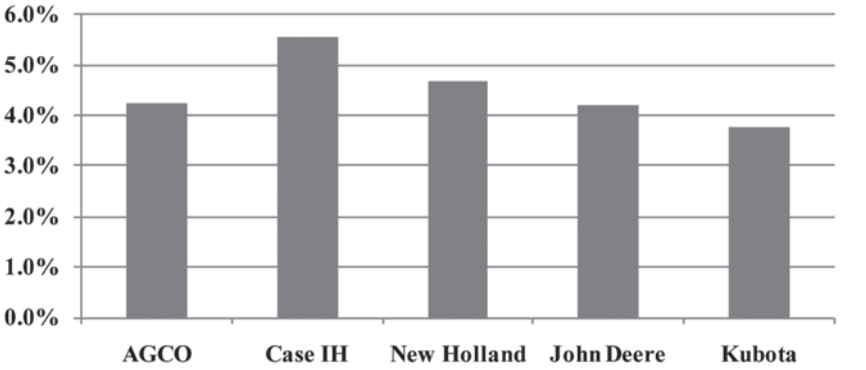
We've already heard from readers who tell us they've already experienced the benefits of the new "Dealer Trends & Outlook" report. One manufacturer said, "As a supplier to OEMs, it's important for our team to know what our customers are doing in the way of passing along price increases and to know the pricing environment in order to stay competitive. This new report does exactly that."

Another reader wrote, "This is very good because it gives us a really good snapshot of what's going on in the farm equipment industry."

The initial survey in May had 283 respondents representing combined annual revenues of approximately $8.5 billion. Participants in the survey represent a broad cross-section of geographies and brands summarized in more than 50 charts and tables showing sales order and outlook trends by region, as well as the current pricing environment and status of manufacturer incentive programs.

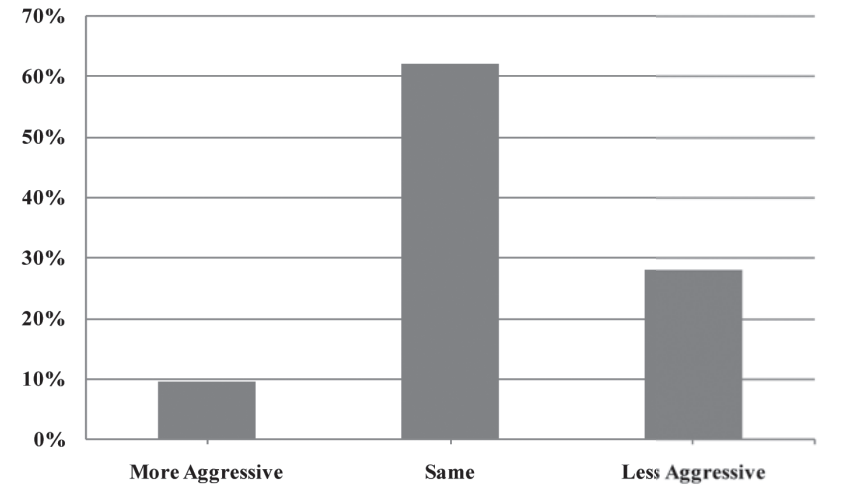
"We're now offering subscribers a complete informational tool for more effective planning and forecasting," says Frank Lessiter, chairman and editorial director of Lessiter Publications, the publisher of *Ag Equipment Intelligence*. "The new Dealer Trends & Outlook report tells you what's happening in the farm equipment business, and *Ag Equipment Intelligence* tells you why it's happening."

Future issues of the report will be available by e-mail only. *AEI* print subscribers can continue receiving the new report by sending an e-mail to dkanicki@lesspub.com or breeg@lesspub.com.




*Source: AEI Dealer Trends and Business Outlook*

**Dealers report prices are up 4.6% on average vs. this same time last year. By brand, Case IH dealers report the highest average price increases at 5.6% followed by New Holland at 4.7%. Deere and AGCO report 4.2% increases, while Kubota prices are up 3.8% for the year.**




*Source: AEI Dealer Trends and Business Outlook*

**Given the strong pricing environment and limited availability, 18% of dealers report that manufacturers are less aggressive with incentive programs this month vs. the prior month (10% More Aggressive; 62% Same vs. last month; 28% Less Aggressive).**

## Dealer Trends & Outlook Monthly Highlights — May 2011

- **Sales Growth is Firmly Positive:** The weighted average sales growth among ag equipment dealer participants for the month of April was 8%.
- **2011 Outlook is for 7% Sales Growth:** On average, participants are currently forecasting 2011 sales growth of 7%. This is slightly below the 8% pace of sales growth in April and ahead of orders that increased by 3%.
- **Equipment Availability Appears to be the Biggest Concern:** Availability of equipment appears to be a significant impediment to growth this year as lead-times are between 4 and 8 months on average.
- **Dealer Optimism Index:** Our "Dealer Optimism Index" is a measure of sentiment amongst dealers compared to the prior month. The initial reading shows a net 21% of dealers as "more optimistic" in April compared to March.