From the editors of *Farm Equipment...*

Ag Equipment Intelligence

August 15, 2007
Vol. 14, Issue 4

News, Information & Analysis for the Ag Equipment Marketer

- Tractor Sales Up Again
- Sprayer Sales on Rise
- Solid Global Outlook

Third-Quarter Earnings Drop, 'Bizarre Bid' Emerges for Control of Buhler

Four days after it reported a third-quarter drop of 4.6% in its earnings and a falloff of nearly 11% for the previous nine-month period, on July 24, Buhler Industries, Winnipeg, Manitoba, received an unsolicited offer for 80% of its outstanding common shares. Raymond James analyst Ben Cherniavsky called the offer that apparently came out of nowhere a "bizarre bid."

The unsolicited offer came from the Russian Combine Factory Rostselmash Ltd. (CFR) to purchase the company's common shares. "The structure of the proposed transaction is highly unusual and not completely refined, which makes a definitive recommendation [for shareholders] difficult for us to formulate," Cherniavsky wrote in a note to investors.

One industry source told *AEI*, "This came out of nowhere. It sounds like they [the Russians] want to ramp up tractor production and start shipping a lot more units over there. It's not clear what will happen with the auger/loader divisions, but the deal is company-wide and includes the ISCO division and all Buhler's steel and property divisions."

Five-Year Purchase Plan. "First of all, CFR is only offering to purchase 80% of Buhler's stock, proposing to leave the remaining 20% in the public market. In addition to raising other questions, we are not entirely sure what happens if 100% of shareholders tender to the offer. We can only assume at this point that the transaction would be pro-rated," says Cherniavsky.

"The offer is also structured such that Buhler shareholders will receive $7.50 in cash for 51% of their shares on September 30, 2007, followed by $7.60 in cash for the remaining 30% of their shares in four equal annual installments between 2009 and 2012. At this point, CFR has not offered any security to Buhler shareholders for

Continued on page 2

Argo to Sell 50% Stake in Italian Harvesting Business to AGCO

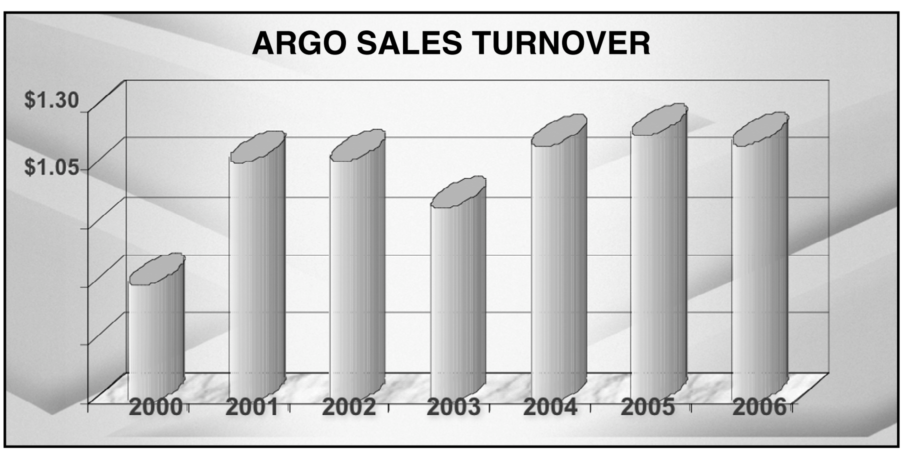
In late June, AGCO Corp., Duluth, Ga., announced it has agreed to acquire 50% of Laverda S.p.A from ARGO group of Italy. In addition to a number of manufacturing, service and distribution companies, ARGO owns and manufactures the McCormick and Landini tractor and equipment brands.

Based in Breganze, in northern Italy, Laverda operates a modern production facility for harvesters in Europe. In addition to producing Laverda-branded combines, the Breganze factory has been manufacturing mid-range combine harvesters for AGCO's Massey Ferguson, Fendt and Challenger brands for distribution in Europe, Africa and the Middle East since 2004. Argo reported Laverda's 2006 sales to be $160 million, including the shipment of 750 combines.

"This investment reinforces AGCO's market positioning and supports our strategic aim of taking a leading position in the European harvesting business," says Martin Richenhagen, chairman, president /CEO of AGCO.

The company says the joint venture will further improve AGCO's product offering of harvesting equip-

Continued on page 3



ARGO reached sales turnover of $1.07 billion in 2006. During the time period shown, employment grew from 1,900 to 3,000.

Continued from page 1

these future payments, but management says that this condition is being negotiated. They also tell us that the deal is structured this way because CFR does not have enough cash to pay for the transaction all up front, which raises some questions about CFR's ability to finance this deal, in our view," adds Cherniavsky.

Previously, Cherniavsky had set a 6-12 month target price of $5.90 per share, so CFR's offer of $6.96 a share "appears reasonable — if not generous — to us," says the analyst.

Struggles Continue. What might be considered interesting about the Buhler-Russian connection is that when the company reported its 2006 second-quarter financials, it revealed that its earnings fell by more than one-half on a drop in revenues of 7.6% due to the "cancellation of a large tractor order to the export market." It was later learned that the lost order was to be shipped to Russia.

Since then, the company has struggled to maintain its financial equilibrium. Its 2006 third-quarter revenues fell by 26.4%. Its second-quarter 2007 revenues dropped again by 38.8% on a 4.1% fall off in equipment sales.

In reporting its second-quarter results in July, Buhler indicated that revenues dropped to $40.9 million compared with $42.9 million last year. Revenue for nine months of its current fiscal period was down by 10.9% to $126 million compared with $141.4 million last year.

Despite this, Buhler did show some signs of regaining its footing. During the second quarter the company's inventory turns recovered, cash flow was strong, and debt was significantly reduced. Over the past 12 months, more than $50 million of debt was repaid from internally generated cash, putting Buhler on firm ground for the industry recovery that is expected to begin next year, according to Cherniavsky.

Buhler Still Looking. Rumors around the farm shows this summer were that Buhler was about to consummate a deal for a North American tillage tool manufacturer when the Rostelmash announcement hit the street. According to AEI sources, Buhler's examination of the Rostelmash deal will not interfere with the other planned acquisition, though additional legal study may delay it several months. A similar rumor was floated last summer as well involving a different U.S. tillage tool manufacturer.

Said one source about the Buhler-Rostelmash agreement: "In Russia, there is an interest-rate advantage for buyers who choose Russian-manufactured equipment. This affiliation is a great advantage for Buhler's entire equipment line. The market for much of the farm equipment advances is worldwide, but distribution is another issue. This arrangement gives Buhler great access to this market."

In spite of the turmoil currently surrounding the Canadian farm machinery maker, it says it still plans to debut a new 2000 Series (300-400 hp) 4WD tractors in the spring of 2008. AEI

IF BUHLER'S IN PLAY, IS A BETTER OFFER POSSIBLE?

During the past several months, Cherniavsky, analyst for Raymond James, has expressed optimism about the outlook for the ag cycle over the next few years and Buhler's ability to leverage those trends into much improved results. In this context, he says, "The corollary might be that shareholders are selling this company too soon for too little by accepting CFR's offer. This will likely prove to be a moot point since John Buhler, who still owns 60% of the stock, tells us that he likes this deal and plans to accept it — notably, without the use of an independent fairness opinion. But it does raise the question of whether a better — or at least a cleaner offer — will emerge now that Buhler is 'in play.'

"In our view, there is a reasonable chance that such an outcome could transpire when today's liquidity-drenched market is combined with growing excitement around the agricultural investment theme," says Cherniavsky.

"Management thinks that a better bid is also probable, although they are not going to actively solicit one and they have agreed to a $5 million break-fee with CFR."

For nervous investors, the Raymond James analyst suggests that they should consider selling their Buhler holdings. "We believe that Buhler's well-regarded niche product line, which has struggled recently with inadequate distribution and financing support, could be particularly attractive to another OEM. This, however, remains open to pure speculation. As a result, we would advise risk-adverse investors to sell all their shares into the market at the current trading price of $7.01, rather than wait 5 years to get rid of 80% of them. Conversely, those with a riskier appetite may want to hang on to the stock to see if a rival bid emerges, although we wouldn't bet the farm on it."

Brazil Farm Equipment Sales Remain Strong in July

Brazil farm equipment sales remained strong in July, according to preliminary farm equipment sales data released on August 6 by National Association of Vehicle Manufacturers (ANFAVEA). The Bank of America indicated the data showed acceleration from already strong results over the past several months.

Total wheel tractor sales grew 63% year-to-year vs. 57% in June, and combines were up 292% vs. 261% in June. Wheel tractor sales are up 46% year to date, while combines are up 108% for the same period.

Both John Deere and AGCO sales accelerated in June. Deere tractor sales grew 210% on a year-to-year basis compared with 40% in June, while combines increased 270% vs. 211% in June. AGCO tractors sales were up 69% year to year from 54% in June, with combines up 200% vs. 40% in June. AEI

AG EQUIPMENT INTELLIGENCE (ISSN: 1934-3272) is published monthly for the farm equipment industry by Lessiter Publications Inc., P.O. Box 624, 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 subscriptions to: *Ag Equipment Intelligence*, P.O. Box 624, Brookfield, WI 53008-0624. Fax: 262/782-1252. Phone: 262/782-4480 or 800/645-8455 (U.S. only). E-mail: info@lesspub.com.

Continued from page 1

ment and is expected to provide a foundation for long-term product development.

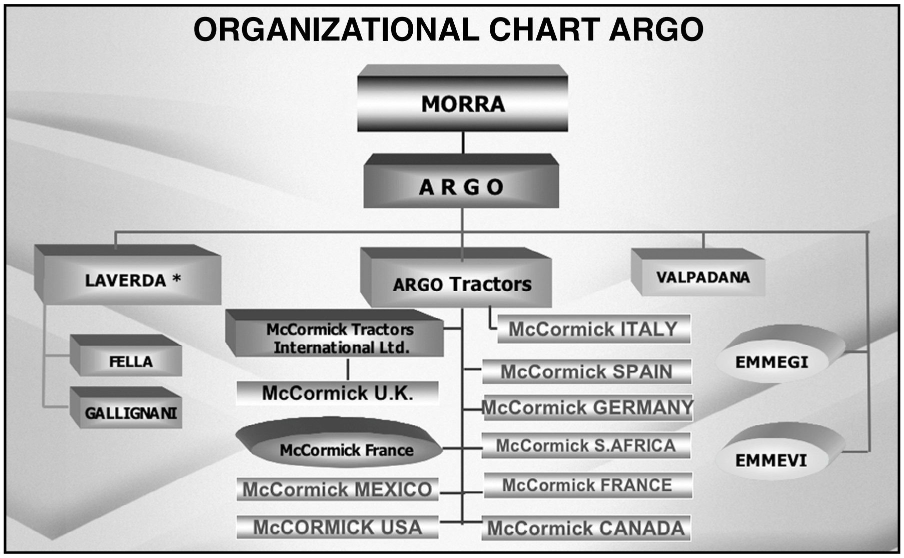
"AGCO is committed to growth in the harvesting markets. With the combined sales volumes of the Laverda brand and our AGCO brands, we will be well positioned in the competitive marketplace," said Gary Collar, senior vice president and GM, Europe, Africa and Middle East (EAME).

Includes Fella and Gallignani. The joint venture also includes Laverda's ownership in Fella-Werke GMBH, a German manufacturer of hay and forage machinery, and its 50% stake in Gallignani S.p.A, an Italian manufacturer of balers. The addition of the Fella and Gallignani product lines enables AGCO to provide a comprehensive harvesting line to its customers.

"Overall, the integration of harvesting development activities for Europe will significantly improve AGCO's base of resources committed to the harvesting business," says Collar.

"Our success in selling Massey Ferguson, Fendt and Challenger combines manufactured in Breganze over the past few years has given us confidence in a broader agreement," adds Richenhagen. "Both AGCO and Argo will benefit from this strategic partnership by combining the strengths of both companies' product development, distribution and manufacturing resources in the harvesting sector."

Impact for ARGO. During McCormick International USA's Red Power dealer convention in Iowa in late July, *AEI* discussed the announcement with Simeone Morra, president, McCormick International USA and the third-generation of the Morra family, which owns Argo. For Argo, Morra says that the joint venture not only ensures the continuation of a sizeable contract production volume for the Breganze plant, but also "allows us access to a much bigger size of combine for better growth of the entire business, particularly in Russia."



This chart shows the organization of ARGO. AGCO's 50% stake applies only to the Laverda operation, which also includes the Fella and Gallignani lines. The Valpadana, Emmegi and Emmevi divisions shown at far right represent small ag tractors (not imported), a cab manufacturer and engineering company, respectively.

Responding to the question of whether this could be a first step toward a sale to AGCO (Richenhagen expressed interest publicly in acquiring CNH last year), Morra said while there may be talk, there's no truth to it. "We will remain a family-owned company and are very committed to the future. This is evident in the reorganizations we've put into place."

Coming to America? An AGCO spokesperson, commenting on whether the equipment from Laverda will make its way to the North American market, says, "I don't think this will have great impact on product offerings in the U.S. and Canada — at least not in the immediate future. An exception might be hay tools for front 3-point and PTO mounting and for reverse-station tractors, if there are any such tools in this company's product lines. In the longer-term, more and more tractors from AGCO will have reverse-station option in addition to the Fendt and Valtra tractors that now have that option," they added.

At the dealer event in Iowa, however, Fella equipment was being displayed for dealers' evaluation. According to newly appointed vice president Rodney Miller, the intent was to gauge dealers' interest in the products for future import to North America. Feedback from dealers was favorable and would be evaluated in the coming months, he says. **AEI**

FARM MACHINERY TICKER (AS OF 8/13/2007)

Mfr.	Symbol	8/13/07 Price	7/10/07 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	$41.69	$44.65	$44.65	$26.11	NA	1.46M	3.81 B
Alamo	ALG	$24.86	$25.28	$25.58	$20.95	27.23	29,044	242.8 M
Art's Way	ARTW	$14.13	$11.32	$11.32	$5.30	19.33	29,357	27.95 M
Caterpillar	CAT	$77.90	$81.22	$81.22	$57.98	15.84	6.87 M	49.79 B
CNH	CNH	$51.74	$52.57	$52.57	$25.55	28.94	416,028	12.25 B
Deere	DE	$118.65	$123.88	$133.96	$66.90	17.42	2.79 M	26.69 B
Kubota	KUB	$41.28	$43.24	$43.24	$37.80	16.51	56,425	10.66 B

Entry into Compact Tractors Headline McCormick's Dealer Events

In late July, *AEI* attended McCormick's Dealer Convention in Iowa, one of 8 dealer sessions being conducted throughout the country this summer for its 200 dealers and their key customers. Management indicated that "going to the dealers" was important due to the amount of change over the last 18 months — moving headquarters from Pella, Iowa, to Norcross, Ga., the merging of the Landini and McCormick operations into one entity, the consolidation of production facilities and changes in personnel.

Key at the event was the introduction of the CT series compact tractors (28-47 hp), CL series lighter utility tractors (60-80 hp) and XTX high horsepower tractors (145-165 hp), each of which filled voids in the firm's product offering.

"We should even be more attractive to dealers by adding products to a range we were not covering earlier," says Simeone Morra, president, McCormick International USA. The CT and CL series, in particular, will give dealers a greater opportunity to participate in the high-volume markets, he says.

Compact Tractors. Compact tractors dominated much of the discussion at the event. These units are being supplied by Korea's LS Group, the same manufacturer of many other brands of compact tractors in the U.S. Asked about the competitive landscape and the fact that the tractors are produced at the same place, management indicated it has a price advantage over the other firms, as overhead was absorbed by a larger product line serving the full tractor spectrum, not just the compact market.

From *AEI's* perspective, it will remain interesting to see how yet another company competes with essentially the same unit, painted a different color.

"This appears kind of like a Ford and Chevy dealer in town both selling the same car produced at the same factory," said one attendee. "I'd be worried about what a very aggressive Montana dealer in town could be doing to the market."

Dealer Growth Ahead. Currently at 225 dealers, McCormick has aggressive plans for growing its retail outlets. Newly appointed vice president Rodney Miller will be in familiar territory with the firm, having built a dealer network virtually from scratch at Montana Tractors, from which he resigned as CEO earlier this year.

Morra says, the compact tractor presents another big opportunity for dealer appointments. Our dealer network should grow significantly. We're at the next phase in the dealer development curve." **AEI**

Apache Self-Propelled Sprayer Market Growing, Options Adding to Dealer Invoice

At the early August dealer convention for Equipment Technologies, Mooresville, Ind., CEO Matt Hays said that while overall self-propelled unit sales were down due to the softness in the market in the last half of 2006, higher sales to Canada have offset that softness.

While the firm's first 6 months of 2007 had showed a 5% growth in unit sales, he said sales of Apache self-propelled sprayers notched an unprecedented 41% climb in the second quarter of the year. Hays shared that his top 10 dealers registered a 29% climb in market share penetration over the last 12 months.

For dealers, the take rates on options are significantly increasing the average dollars per invoice for the dealer. The top five options and their respective take rates are controllers (80%), Rotaflush (70%), fenders (60%), autoboom (50%) and foam markers (45%).

Equipment Technologies has signed on 11 new dealers over the last year for a total of 32 in North America. **AEI**

Corn Production Expected to Rise 24%

In releasing its most recent estimates for U.S. corn production on August 10, the USDA projected that the crop will be 24% larger than last year, while its pricing forecast remained relatively unchanged at $2.80-3.40 per bushel compared with $3.00 per bushel in 2006.

The agency expects U.S. farmers to harvest a record 13.054 billion bushels, up from 10.535 billion bushels last year. The harvest is also now expected to be 1.7% larger than the 12.84 billion bushels forecast last month. The average estimate of 14 analysts questioned by Bloomberg News was for 12.866 billion bushels.

Yield per acre will be 152.8 bushels, on average, up from 149.1 bushels last year and up from 150.3 bushels estimated in July, the USDA said. Traders surveyed by Bloomberg had expected 150.7 bushels, on average.

World corn production in the crop year that begins October 1 is expected to be 771.5 million metric tons (30.3 billion bushels), up 9.9 % from 702.2 million metric tons produced last year. The new estimate is down 7.2 % from 777.1 million tons forecast a month ago.

Worldwide consumption is forecast to rise to a record 769 million tons, compared with 725 million this year and 770 million tons projected in July. Global inventories next year are expected to be 102 million tons, up from the 100.2 million expected this year and down 5.7 % from 108 million tons predicted a month ago. **AEI**

South American Sales Drive AGCO's Profits Up 56% in Second Quarter

Driven by a huge jump in overseas sales, primarily in South America, AGCO profits soared 55.9% during the second quarter. The company said profits improved by 18% during the period in its July 31 financial report.

The Duluth, Ga.-based manufacturer earned a higher $63.8 million during April-June 2007, on sales of $1.71 billion. One year earlier, it gained a lower $40.9 million, from revenue of $1.45 billion. During the first half of the year, the company netted $88.3 million on a turnover of $3.04 billion. That compares to a year-ago profit of $58.2 million on sales of $2.62 billion.

Beat the Street. AGCO reported second quarter earnings of $0.67 per share, compared to the Street consensus estimate of $0.52 per share, according to UBS analyst David Bleustein. Sales improved 18% in the quarter and were up 11% excluding currency on an 18% increase in unit builds. The sales improvement was driven primarily by strength in South America (up 61% — 48% exduding currency), the EAME region (up 18% — 10% excluding currency) and the Asia Pacific region (up 8%, but down 2% excluding currency), while North America remained roughly flat (down 1%, as retail inventory reduction efforts continued).

Margins Remain Difficult. "We calculate that incremental margins were 11%, which we believe could cause investors to question AGCO's earnings power in both 2008 and 2009," says Bleustein in a note to investors.

"We are reducing our 2008 earnings estimate to $2.20 per share, from $2.40 per share, primarily to reflect our reduced incremental margin assumption for 2008 (now 18%, was 25%). Our earnings estimate now assumes a 7% increase (was 9%) in revenues and 18% incremental margins on the increase in revenues. We are introducing our 2009 earnings estimate of $2.45 per share, which assumes 4% revenue growth and 17% incremental margins," says Bleustein.

Production Up. Production of tractors and combines in the second quarter was 18% above the second quarter of 2006, as production rose in South America and Europe to meet higher demand, but AGCO continued to underproduce retail demand in North America. AGCO expects full year 2007 production to be up 10-12% from 2006 levels. AEI

CAN AGCO HANG ON TO SOUTH AMERICAN MARKET SHARE?

"Looking 2-3 years ahead, Brazil appears to be AGCO's main growth initiative. We don't see how the company can do a great deal better in Europe, either in terms of market share or operating margin. In the U.S., AGCO just doesn't seem to be gaining traction — Challenger seems mired down and the strong Euro and Real, along with transportation expenses, hurt imports of wheeled tractors.

"With very bright prospects for sugar cane and soybeans, especially, Brazil seems destined soon to beat the all-time record in tractor production of some 33,000 in 2002 (it's now running at around a 25,000 annual clip), and AGCO has nearly 60% of this business year to date. So AGCO may indeed be a 'Brazilian play.' And we can parse an incremental $1.00-$1.50 in earnings stemming from here, say, 2-3 years out.

"But wait! Can AGCO hold on to that market share, with Deere opening a new tractor plant this summer and CNH seemingly reenergizing itself?"

– Charlie Rentschler, Wall Street Access

Is AGCO Eyeing Hardi Sprayers?

Suffering from difficult trading conditions in its main markets, it was reported in the December 2006 issue of *AEI* that the world's biggest manufacturer of crop sprayers — Hardi International — might be on the market. Its current owner, Denmark's Auriga Industries A/S, which acquired Hardi in 1997, indicated that its sprayer business was a candidate for divestiture as it sought to focus on its core markets.

While AGCO has stressed during the past year or more that it would concentrate on "organic" growth in the future, the most recent rumor has the Duluth, Ga.-based equipment maker taking a hard look at acquiring the sprayer manufacturer.

AGCO Sprayer Brands. AGCO already manufactures the RoGator, TerraGator and Spra-Coupe brands of ag sprayers, which are all self-propelled units. On April 26, the company announced that it was restructuring its RoGator and TerraGator distribution strategy in an effort to improve its sprayer business in North America. Beginning July 1, four Caterpillar dealers that currently distribute AGCO's Challenger product line assumed responsibility for new machinery sales of the two sprayer lines, leaving some AGCO dealers high and dry.

The acquisition of Hardi would provide current AGCO dealers an established line of pull-type sprayers to offer their customers. Sprayer sales are expected to continue to see solid growth into at least 2008. The deal could also strengthen AGCO's significant position in European markets as well. AEI

USDA Confirms Equipment Outlays Fell in 2006

On August 2, the USDA National Agricultural Statistics Service released its Farm Production Expenditures Annual Summary for 2006. Capital outlays fell in 2006 as farmers dealt with production expenditures that were up 5.4%. Within the report, it was stated that expenditures for machinery fell significantly in 2006 from 2005 levels. Specifically, expenditures for machinery trucks/autos, tractors and self-propelled machinery, and other farm machinery fell 15%, 14%, and 7.3%, respectively.

The report also stated that the drop in capital expenditures in 2006 was likely due to up-to-date on-farm machinery inventories and drought in localized areas. AEI

CNH Earnings Rise 55% with Ag Sales Up 23%

With net sales of farm equipment rising 23% during the second quarter, CNH Global, Lake Forest, Ill., reported on July 23 that its overall earnings rose by 55%. The parent company of Case IH and New Holland ag machinery also said its revenues were up 16% as strong demand of farm tractors offset a sharp decline of construction machinery in the North American market.

The firm said its earnings increased to a record $228 million on sales of $4.10 billion. That compares to a year-ago gain of $147 million from revenue of $3.5 billion.

Since the beginning of the year, CNH has netted a much higher $323 million on a turnover of $7.33 billion. It earned $190 million in the same period last year on sales of $6.44 billion.

Farm machinery sales rose by 4% in North America during the second quarter of the year on improved farm tractor and combine volume and mix and new products.

Worldwide Ag Equipment. Sales of $2.8 billion increased 23% from the second quarter of 2006 (up 17% excluding currency).

By region (excluding currency), sales were up 85% in Latin America, up 32% in rest-of-world markets, up 17% in Western Europe and up 4% in North America. Operating margins improved to 11.7%, from 8% in the second quarter of 2006, due to strong performance in all geographic regions (particularly Western Europe and Latin America). CNH cited favorable volume, mix and new products and improved quality costs.

David Bleustein, analyst for UBS investment research, reported to investors that CNH noted that net pricing in agriculture was weak across all geographic regions, with the exception of Europe.

In answering questions on CNH's pricing comments, management noted that although there were clearly pockets of strength in the farm equipment industry (higher horsepower tractors and combines in the U.S.), there were offsetting pockets of weakness including tractors under 60 hp, plus hay and forage equipment in the U.S. Management also noted that Europe was roughly flat and that it is generally off-season in South America.

Farm Equipment Outlook. CNH expects 2007 worldwide industry retail unit sales of tractors to be flat to up 5% vs. 2006 (unchanged).

The company also expects North American (tractors above 40 hp) industry volumes to be flat to up 5% (was flat to up 2%), rest-of-world industry volumes to be flat to up 5% (unchanged), Latin American industry volumes to be up 25-30% (was up 10-15%) and Western European industry volumes to be roughly flat (unchanged). CNH expects worldwide retail unit sales of combines to be up 10-15% (prior forecast was up 10%).

Based on CNH's strong showing during the first half of the year as well as solid sales potential, Bleustein says he is raising his expectations for the share value of the firm's stocks.

"We are raising our 2007 EPS estimate to $2.45 (was $2.25), primarily to reflect stronger than expected second quarter results and higher industry volumes. Our revised 2007 earnings estimate assumes a 12% increase (was a 9% increase) in equipment revenues, driven by a 15% increase (was a 10% increase) in agricultural equipment revenues and a 7% increase (unchanged) in construction equipment revenues."

Bleustein says he is also raising his outlook for share value in 2008 based on an earning estimate of 8% in equipment revenues, driven by a 10% growth in farm machinery sales but only a 3% rise in construction equipment sales.

The UBS analyst says that he remains concerned about corn prices, which could continue to decline over the remainder of the growing season, given higher than expected yields and ending stocks, placing downward pressure on the stock values of all the ag equipment makers. AEI

World Ag News

Kubota Corp., Osaka, Japan, said its earnings during the first quarter of fiscal 2007-08 ended June 30 rose by 7% on a 6.3% sales increase, led by strong demand for its vehicles in the European market. Sales of tractors increased because of substantial sales expansion in Europe and Asia, while sales in the U.S. were almost the same level as the corresponding period in the prior year, says Kubota.

Titan International, the Quincy, Ill.-based manufacturer of wheels and tires used in farm and construction equipment, reported on July 30 that its sales were up 20% for the second quarter. Sales for the first 6 months hit a record of $437 million. Earnings in the latest quarter were lower, falling short of analysts' estimates due to a higher tax rate.

Ingersoll-Rand Co. Hamilton, Bermuda, announced on July 30 that it agreed to sell its **Bobcat** construction machinery-making unit to **Doosan Infracore**, a major construction machinery-maker in Korea, for nearly $4.9 billion cash.

On July 31, **Bobcat Co.**, West Fargo, N.D., in a move intended to expand its number one market position in compact equipment, announced that it has signed a long-term strategic agreement with Korean manufacturer, **Daedong Industrial Co.**, to produce a line of Bobcat-branded compact utility tractors.

Mahindra & Mahindra Ltd., the New Delhi, India-based maker of farm tractors and utility-type vehicles, announced on July 18 that it has named **Anjanikumar Choudhari**, president of the farming machinery segment as chairman of **Punjab Tractors Ltd.**, which is 43.3% owned by Mahindra. **Bishwambhar Mishra** became CEO of Punjab Tractors. He formerly headed Mahindra's operations in China.

Chennai, India-based **Tractors and Farm Equipment (TAFE)**, India's second-largest tractor manufacturer, is eyeing the acquisition of Yugoslavian tractor majors **Industrija Masina Traktora** and **Industrija Motora Rakovica**, one of the largest tractor makers in Serbia.

Sales of Row-Crop Tractors Continues on Solid Course

Retail sales of row-crop tractors rose 20% in July on a year-to-year basis, continuing a healthy 3-month trend that has seen the demand for units of 100 hp and larger grow by 26%.

The sale of combines and 4WD tractors also continued on a solid path as well, but at a more modest 3% and 4% rate respectively.

July is the "first in a series of seasonally important months" for farm machinery sales, particularly combines, according to Robert F. McCarthy, analyst, Robert W. Baird & Co. "Relatively more economically sensitive mid-range tractor sales were roughly flat year-to-year. Inventories posted significant year-to-year declines, suggesting the outlook for machinery production schedules remains positive," he says.

8 After jumping 44% in June, retail sales of row-crop tractors (2WD; >100 hp) increased 20% compared to July 2006. July's retail sales contribute an average 6% of annual sales during the previous 5 years.

8 North American retail sales of 4WD tractors were up 4% in July after a 2% year-to-year decline in June. 4WD tractor sales have increased 13% on year-to-year basis during the last 3-month period. July is a seasonally less important month for 4WD tractor sales, contributing 5% of annual sales.

8 Sales of utility tractors increased 0.7% in July, following a 5.8% decline in July of the prior year.

8 Retail sales of combines increased 3% compared to the same period of '06, after rising 13% in June. July is the first in a series of seasonally important months for combine sales, contributing an average of 11% of annual sales. July through October typically account for nearly 50% of annual combine sales.

8 Dealer inventories of row-crop tractors, 4WD tractors and combines were all down significantly on a year-to-year basis in June, falling 16%, 12%, and 22%, respectively. On a days-sales basis, inventories of row-crop tractors (104 days-sales vs. 122), 4WD tractors (100 days-sales vs. 109), and combines (76 days-sales vs. 91) also declined significantly year-to-year. AEI

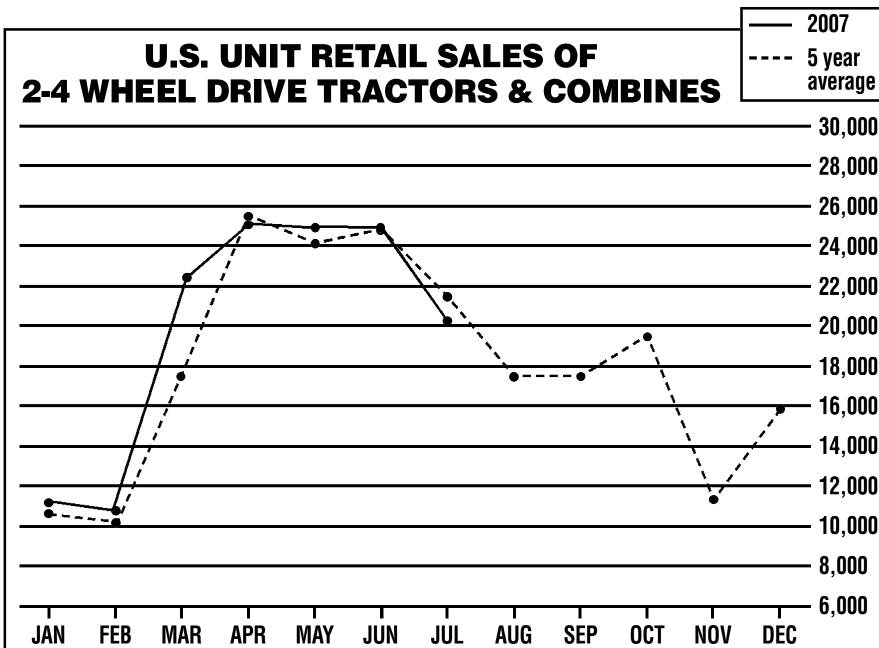
JULY U.S. UNIT RETAIL SALES

Equipment	July 2007	July 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	June 2007 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	10,624	11,326	-6.2	76,202	79,479	-4.1	56,037
40-100 HP	7,261	7,209	+0.7	48,140	46,277	+4.0	34,285
100 HP Plus	1,187	940	+26.3	11,902	10,401	+14.4	5,134
Total-2WD	19,072	19,475	-2.1	136,244	136,157	+0.1	95,456
Total-4WD	209	207	+1.0	1,999	1,844	+8.4	866
Total Tractors	19,281	19,682	-2.0	138,243	138,001	+0.2	96,322
SP Combines	753	661	+13.93	3,410	3,133	+8.8	1,334

JULY CANADIAN UNIT RETAIL SALES

Equipment	July 2007	July 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	June 2007 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,078	952	+13.2	7,137	5,982	+19.3	5,057
40-100 HP	546	576	-5.2	3,934	3,947	- 0.3	3,066
100 HP Plus	270	271	-0.4	2,183	2,234	–2.3	1,369
Total-2WD	1,894	1,799	+5.3	13,254	12,163	+9.0	9,492
Total-4WD	30	22	+36.4	450	407	+10.6	154
Total Tractors	1,924	1,821	+5.7	13,704	12,570	+9.0	9,646
SP Combines	284	348	-18.4	767	854	-10.2	716

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



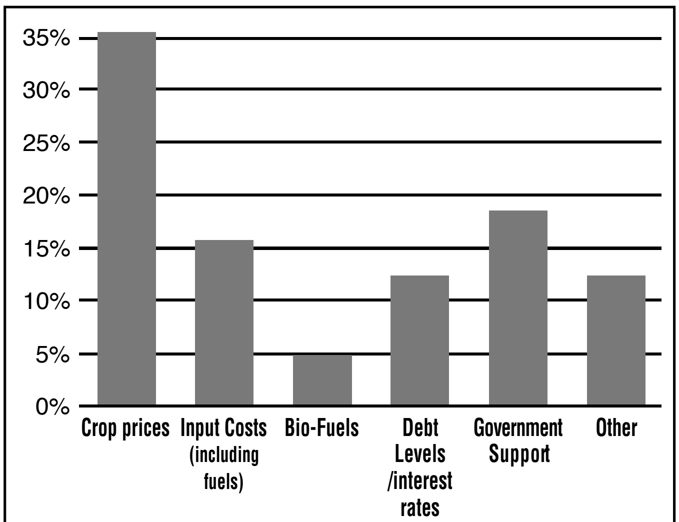
—Assn. of Equipment Manufacturers

Survey of Ag Dealers Shows 'Promising' Global Outlook

The inaugural survey of farm machinery dealers outside of North America indicates that retailers worldwide are seeing a solid pickup in equipment sales. The study was conducted by Bank of America's (BofA) equity research division and results were released on July 27.

According to BofA analyst Seth Weber, the project was conducted to get a view of global agricultural equipment demand and a look into current industry sentiment. The email-based survey of agricultural equipment dealers received responses from a small sample of dealers located across the world, with Italy, Sweden, the UK, Australia, Brazil, and Germany leading the way.

The survey found that AGCO generated 76% of its sales outside North America in 2006, with roughly 30% of Deere's total equipment sales from outside the continent. CNH generated 58% of 2006 ag machinery revenue outside North America.



Source: Banc of America Securities Ag Equipment Survey

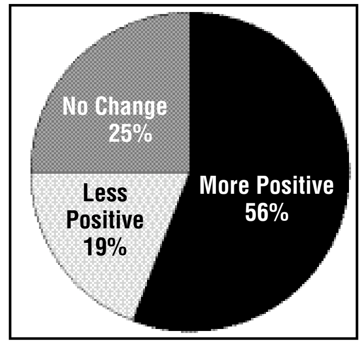
Crop prices were cited as the most significant driver of equipment purchases, coming in at 35%, nearly double the next closest response, government support, at 19%. Input costs accounted for 16% of responses, debt levels/interest rates at 13%, and bio-fuels at 5%. (Two responses were allowed.)

Results of the survey were consistent with promising global ag outlook, according to Weber, likely supporting strong earnings for farm equipment manufacturers.

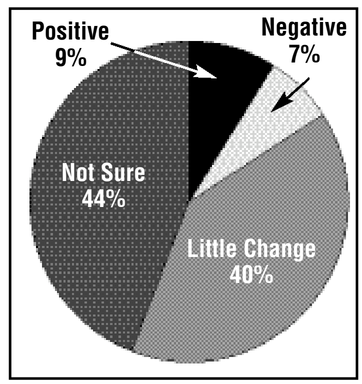
"However, we maintain our neutral rating on Deere and AGCO (CNH not rated)), as our positive longer-term view of the global Ag cycle — including relatively high corn prices, comparably low crop inventories, and improvements in Brazil — and attendant ag machinery opportunity," says Weber.

Spending Up in 2007. Roughly 57% of survey respondents expect sales of larger-than 100-hp tractors to increase in 2007 vs. 2006, with 28% expecting a decline and 15% flat. For less-than 100-hp tractors, 51% of respondents see increases in 2007, with 25% expecting declines and 25% projecting flat.

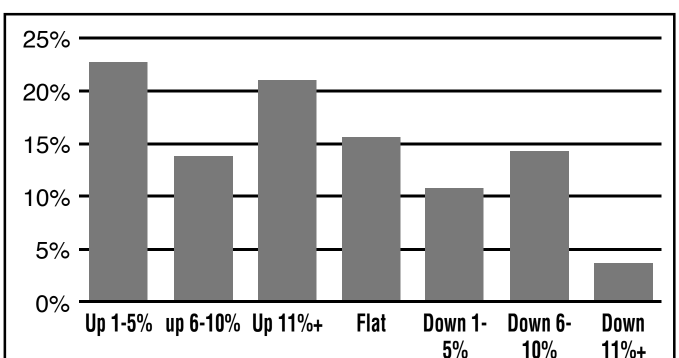
The survey results also showed that sentiment was improving among equipment dealers. A majority of respondents (56%) have become more positive regarding the ag equipment market over the past 6 months, with 19% less positive; 25% of respondents indicated no change. AEI



During the past six months, 56% of respondents have become more positive about the ag equipment market, with 19% less positive and 25% unchanged.

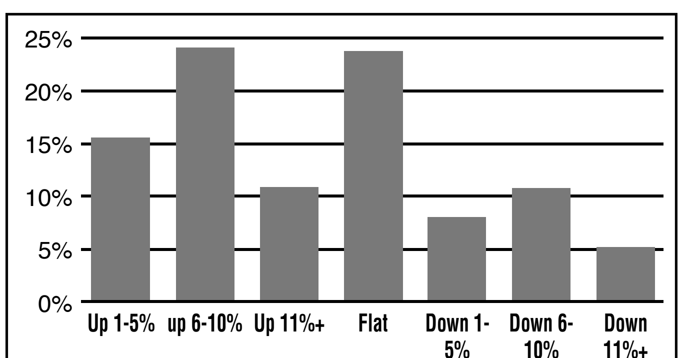


Some 44% of respondents are uncertain about any potential impact from a WTO settlement, with 9% expecting a positive impact, 7% negative, and 40% projecting little change. It remains unclear if or when a settlement will be reached.



Source: Banc of America Securities Ag Equipment Survey

Roughly 57% of respondents expect sales of above 100-hp tractors to increase in 2007 vs. 2006. Among those expecting an increase, 22% see growth +1-5%, 14% at +6-10%, and 21% at 11%+. Some 28% of respondents expect sales to decline, with 10% at -1-5%, 14% at -6-10% and only 3% projecting an 11%+ decline. 15% of respondents expect flat sales.



Source: Banc of America Securities Ag Equipment Survey

For tractors below 100 hp, 51% of respondents expect sales growth in 2007 vs. 2006. The distribution for those that expect increases is 16% at +1-5%, 25% at +6-10%, and 11% at 11%+. Only 25% of respondents expect declines in 2007, with 9% -1-5%, 11% at -6-10%, and 5% at -11%+. Roughly 25% see sales flat in 2007.