Vol. 11, Issue 10

FARM EQUIPMENT's Ag Industry Watch

News, Information & Analysis for the Ag Equipment Marketer February 15, 2005

What Farm Equipment Dealers Think About Sales in 2005

UBS Investment Research, in conducting its 17th Semiannual Agricultural Dealer Survey, asked 3,000 AGCO, Case IH, Deere and New Holland ag equipment dealers for their thoughts about ag equipment sales in 2005. With more than 630 responses to date, here's what U.S. dealers are saying.

Dealers were asked, "What is your projection for machinery sales for the full year 2005, versus the full year 2004?" Dealers could circle the appropriate answer, either "down more than 5%," "down less than 5%," "flat," "up less than 5%," or "up more than 5%."

A numeric value was assigned to each response, with "down more than 5%" assigned a value of 0, "down less than 5%" assigned a value of 2.5, "flat" assigned a value of 5, "up less than 5%" assigned a value of 7.5 and "up more than 5%" assigned a value of 10.

TABLE 1: 2005 SALES FORECASTS

As is evident in Table 1, the AGCO dealer network had the most positive response with 6.24, while the Deere dealers were the least positive (5.87) relative to the national average response of 6.00.

Regionally, dealers in the Mountain region (6.52 — potentially due to livestock exposure) and Corn Belt region (6.46) were the most optimistic, whereas dealers in the Delta states (4.79 — soybeans) were the least positive.

FIG. 1: HISTORICAL SALES FORECASTS

Fig. 1 compares dealer responses from the past 15 semiannual surveys (7.5 years) to the question, "What is your projection for machinery sales for the current full year, versus last year?"

As you can see, dealers expect sales growth in 2005, but they are less optimistic about 2005 than they were 6 and 12 months ago regarding 2004.

Says UBS analyst David Bleustein, "We believe the survey data supports our expectation of 0%-5% growth in farm machinery sales in the U. S. in 2005, as generally lower farm commodity prices are more than offset by record profitability in the livestock sector, strong farmer balance sheets, low interest rates, a countercyclical farm program and multiple years of weak demand."

FIG. 2: HISTORICAL FORECASTS, QUARTERLY

The survey asked dealers, "For the January 2005-March 2005 period, you

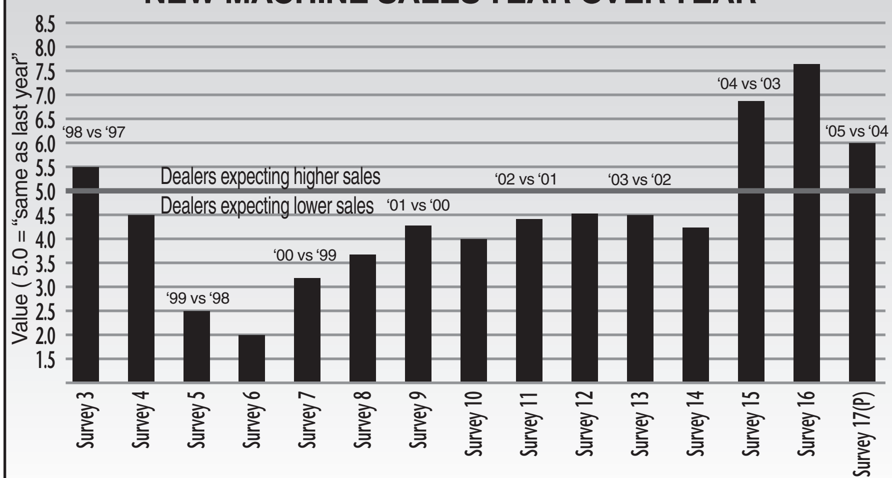
Continued on page 2

TABLE 1: DEALERS' EXPECTATIONS FOR EQUIPMENT SALES IN 2005 VERSUS 2004 BY REGION

Region	AGCO	Case IH	Deere	New Holland	Total
Appalachian	6.25	5.18	5.29	5.52	5.54
Corn Belt	5.91	6.25	6.75	6.70	6.46
Delta States	n/a	3.93	5.21	5.83	4.79
Lake States	5.36	5.86	4.89	6.16	5.73
Mountain	7.19	6.59	6.54	6.07	6.52
Northeast	6.39	6.25	5.50	5.38	5.78
Northern Plains	6.94	6.39	6.00	3.75	5.79
Pacific	7.00	5.00	7.00	6.35	6.37
Southeast	5.00	5.28	5.00	7.50	5.90
Southern Plains	7.50	6.15	6.50	6.25	6.32
Total U. S.	6.24	5.89	5.87	6.07	6.00

Source: UBS Agricultural Dealer Survey #17

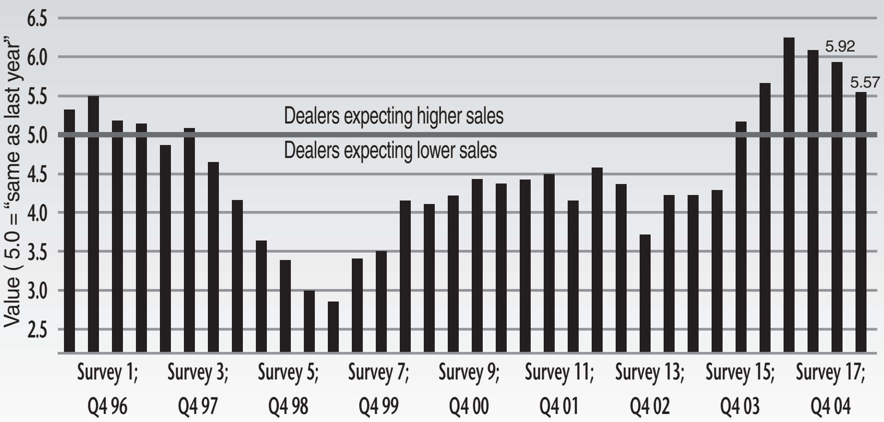
FIG. 1: ALL DEALERS' FORECASTS OF NEW MACHINE SALES YEAR OVER YEAR



Source: UBS Agricultural Dealer Survey #3-17

Continued from page 1

FIG. 2: ALL DEALERS' FORECASTS OF NEW MACHINE SALES – 34-QUARTER HISTORY



Source: UBS Agricultural Dealer Survey #1-17

TABLE 2: DEALERS' VIEWS ON THE IMPACT OF ENERGY PRICES ON 2005 EQUIPMENT PURCHASES

	Very Positive	Somewhat Positive	No Impact	Somewhat Negative	Very Negative
Company					
AGCO Corporation	0%	5%	24%	63%	8%
Case IH Corporation	2%	3%	18%	66%	10%
Deere & Company	1%	5%	23%	63%	8%
New Holland N.V.	1%	5%	22%	62%	9%
Total	1%	4%	22%	63%	9%

Source: UBS Agricultural Dealer Survey #17

TABLE 3: DEALERS' VIEWS ON THE IMPACT OF ENERGY PRICES ON 2005 EQUIPMENT PURCHASES BY REGION

	AGCO	Case IH	Deere	New Holland	Total
Region					
Appalachian	2.88	3.57	2.94	3.33	3.21
Corn Belt	2.73	3.29	3.25	3.45	3.25
Delta States	n/a	2.86	3.33	2.50	3.13
Lake States	3.21	3.29	3.70	2.68	3.14
Mountain	3.75	2.50	2.88	3.04	2.99
Northeast	3.06	3.39	3.17	3.75	3.39
Northern Plains	2.78	2.64	2.67	2.50	2.64
Pacific	3.50	2.50	4.25	2.69	3.20
Southeast	4.50	2.22	2.50	3.96	3.19
Southern Plains	2.50	2.69	3.00	3.57	3.09
Total United States	3.14	3.03	3.19	3.20	3.14

Source: UBS Agricultural Dealer Survey #17

expect new machine sales to be…" Dealers circled the appropriate answer, either "the best ever," "higher than last year," "same as last year," "worse than last year," or "poor."

On a 10-point scale, with 0 being "poor" and 10 being "best," the surveyers computed the average response to the question. As is evident in Fig. 2, the 5.92 and 5.57 average responses for the fourth quarter of 2004 and first quarter of 2005, respectively, indicate that dealers believe that agricultural machinery sales are expected to continue improving at least through the first quarter of 2005, albeit with a slightly slower rate of improvement in this quarter than in recent quarters.

"We note that the growth expectations for the first quarter of 2005 are lower than for any quarter in 2004, but still higher than for any other quarter since the inception of the survey in 1996," says Bleustein.

TABLE 2: ENERGY PRICES

In a question regarding energy prices, dealers were asked, "What impact do you believe energy prices will have on equipment purchases in 2005?" Dealers circled the appropriate answer, either "very positive," "somewhat positive," "no impact," "somewhat negative," or "very negative."

Of the 632 dealer responses to this question (Table 2), roughly 72% of dealers expect the impact of energy prices to be "somewhat negative" or "very negative." Another 22% responded that they expect "no impact" and the remaining 5% responded that the impact on sales is expected to be "somewhat positive" or "very positive."

TABLE 3: REGIONAL ENERGY PRICES

A numeric value was assigned to every response, with "very negative" assigned a value of 0, "somewhat negative" assigned a value of 2.5, "no impact" assigned a value of 5, "somewhat positive" assigned a value of 7.5 and "very positive" assigned a value of 10. Average responses by region are shown in Table 3. The national average response was 3.14, indicating that dealers expect energy prices to have a negative impact on sales. AIW

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Dealers Report Significant Market Share Changes

In UBS's Dealer Survey, dealers were asked about changes in market share. Dealers indicated that Kubota and Deere gained market share over the last 12 months while AGCO, Case IH and New Holland lost share. Roughly 51% indicated significant change in market share in their region. The 51% is higher than the 45% who responded that there had been significant market share changes in the last survey conducted 6 months earlier.

FIG. 1: MARKET SHARE GAINERS

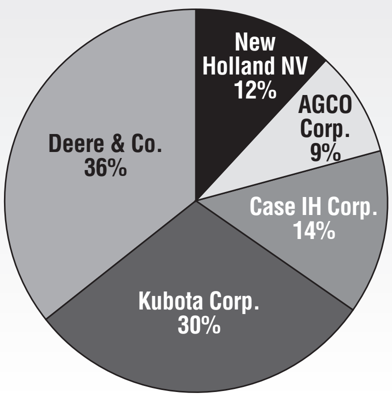
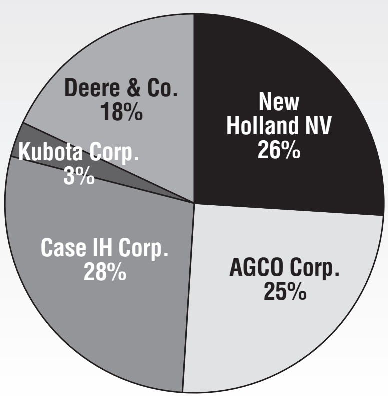


FIG. 2: MARKET SHARE LOSERS



Dealers Believe Deere and Kubota are Gaining Share

Dealers were asked, "Who has been gaining market share?" Dealers were asked to circle "AGCO," "Case," "Kubota," "Deere" or "New Holland."

As seen in Fig. 1, 36% of dealer responses indicated that Deere was gaining market share, versus 30% for Kubota, 14% for Case, 12% for New Holland and 9% for AGCO. Deere's average response of 36% is slightly below the 37% response from the previous survey, and well below the 57% and 71% average responses in the harvest 2001 and harvest 2000 surveys, respectively.

Dealers Believe Case IH, New Holland and AGCO are Losing Share

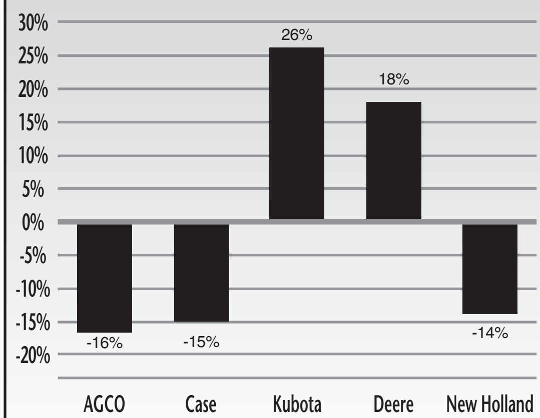
Dealers were asked, "Who has been losing market share?" In Fig. 2, 28% of dealers responded that Case IH had lost market share (unchanged from the last survey), 26% said New Holland had lost market share (down from 27% last survey), and 25% said AGCO had lost market share (down from 26% last survey), versus 18% for Deere (up from 16% last survey) and 3% for Kubota (down from 4% last survey).

Dispersion Analysis shows Deere and Kubota Gaining Market Share

To combine the results of Figs. 1-2, UBS analysts subtracted the percentage of dealers responding that a company lost share from the percentage of dealers responding that a company gained share. Mathematically, any company that has been gaining share, according to this survey, would have a positive number for this dispersion calculation in Fig. 3.

Deere and Kubota had dispersions of +18 and +26, respectively, indicating that dealers believe Deere and Kubota gained market share over the last 12 months. AGCO, Case and New Holland had dispersions of -16, -15 and -14, respectively, indicating dealers believe these firms lost market share.

FIG. 3: DISPERSION GAINING OVER LOSING MARKET SHARE



Source: UBS Agricultural Dealer Survey #17

FARM MACHINERY TICKER (AS OF 2/11/2005)

Mfr.	Symbol	2/11/05 Price	1/11/05 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	$19.44	$20.24	$23.13	$17.28	11.71	964,300	1.76 B
Alamo	ALG	$25.14	$26.51	$29.23	$14.40	19.37	35,100	245.20 M
Art's Way	ARTW	$7.09	$7.45	$8.79	$3.98	7.71	11,000	13.74 M
Caterpillar	CAT	$92.30	$92.30	$98.72	$68.50	15.94	2.60 M	31.28 B
CNH	CNH	$16.95	$18.55	$21.90	$16.18	20.30	76,900	2.24 B
Deere	DE	$68.30	$69.69	$74.93	$56.72	12.33	1.64 M	16.99 B
Gehl	GEHL	$26.02	$23.33	$28.50	$14.60	13.31	30,800	171.87 M
Kubota	KUB	$26.95	$25.60	$27.90	$19.05	66.02	6,600	7.26 B

Dealers' Views on 2005 New Equipment Pricing Changes From Manufacturers, Used Equipment Pricing

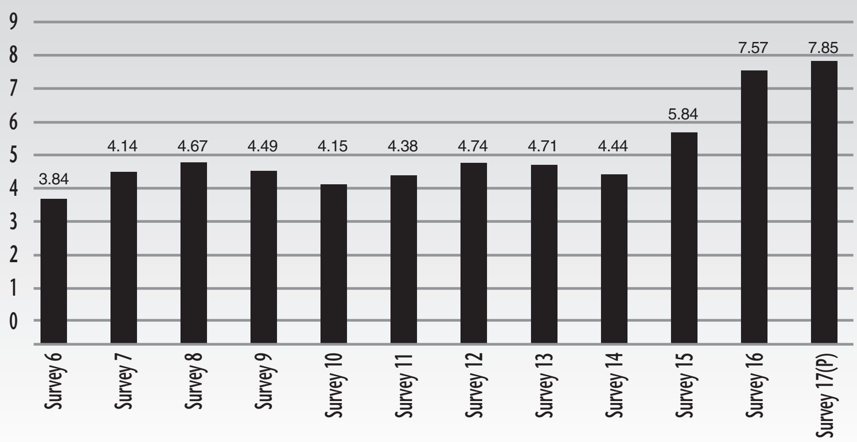
In responding to a statement in the latest UBS Investment Research Survey — "New equipment prices are currently…" — dealers were asked to circle either "weakening," "stable" or "firming." The majority of dealers, 63%, responded "firming," indicating they believe price increases are widespread. Only 6% responded that prices were "weakening." The remaining 31% of dealer indicated that prices were "stable."

A numeric value was assigned to each response, with "weakening" assigned a value of 0, "stable" assigned a value of 5 and "firming" assigned a value of 10.

The national average response of 7.85 indicates that dealers were seeing significant strengthening in new equipment pricing (see Fig. 1).

Says David Bleustein, "We note that the 7.85 aggregate response was the highest numeric value we have received since we initially asked the question on new equipment pricing in Survey 6 (spring 1999).

FIG. 1: SEMIANNUAL RESPONSES TO QUESTION ON CURRENT NEW EQUIPMENT PRICING FROM SURVEY 6 (September 1999) TO SURVEY 17 (Current/Preliminary)



Source: UBS Agricultural Dealer Survey #6-17

TABLE 1: DEALERS' VIEWS ON PERCENTAGE OF PRICE INCREASES MANUFACTURERS ARE IMPLEMENTING ON NEW EQUIPMENT IN 2005

	0% - 1%	1% - 2%	2% - 3%	3% - 4%	4% +
Company					
AGCO Corporation	2%	3%	17%	24%	52%
Case IH Corporation	1%	2%	16%	28%	52%
Deere & Company	1%	0%	6%	27%	67%
New Holland N.V.	0%	2%	18%	31%	48%
Total	1%	2%	14%	28%	55%

Source: UBS Agricultural Dealer Survey #17

TABLE 2: DEALERS' VIEWS ON USED EQUIPMENT PRICES

	Weakening	Stable	Firming
Company			
AGCO Corporation	14%	63%	23%
Case IH Corporation	8%	53%	40%
Deere & Company	8%	50%	42%
New Holland N.V.	18%	59%	22%
Total	12%	56%	32%

Source: UBS Agricultural Dealer Survey #17

Dealers Believe Manufacturers are Increasing Prices by More Than 4% in 2005

Dealers were asked, "What percentage change in pricing are the manufacturers implementing on new equipment for 2005?" Dealers were asked to circle either "0%-1%," "1%-2%," "2%-3%," "3%-4%" or "4%+."

Roughly 83% of dealers said that manufacturers are implementing price increases of 3% or more, 14% circled 2%-3%, while only 3% said that manufacturers are implementing price increases of 2% or less (see Table 1).

Dealers Indicate That Used Equipment Prices Also Trending Higher

In response to the statement, "Used equipment prices are currently…" dealers were asked to circle either "weakening," "stable" or "firming." In Table 2, roughly 32% of dealers responded that used equipment prices are "firming" and 56% of dealers responded that used equipment prices are "stable." Only 12% responded that prices are "weakening," indicating that used equipment prices continue to

China's New Farm Subsidies

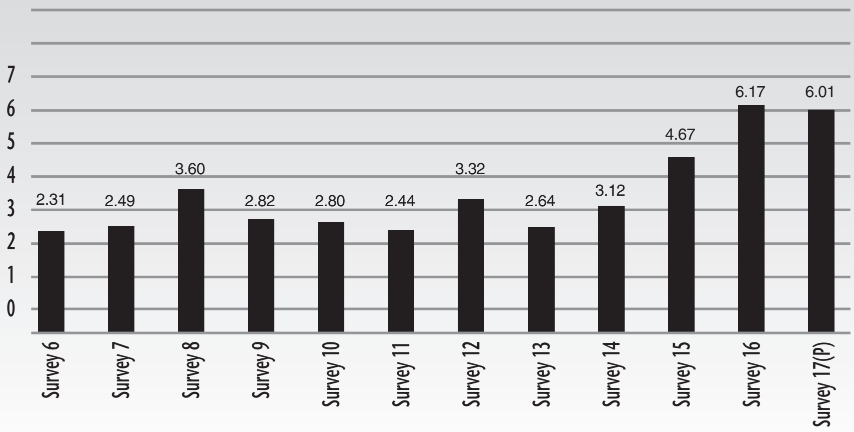
In 2004, China entered a new era in its approach to agricultural policy, as it began to subsidize rather than tax agriculture, according to the U.S. Dept. of Agriculture. China introduced direct subsidies to farmers, began to phase out its centuries-old agricultural tax, subsidized seed and machinery purchases and increased spending on rural infrastructure. The new policies reflect China's new view of agriculture as a sector needing a helping hand. The subsidies are targeted at grain producers, but they do not provide strong incentives to increase grain production. AIW trend higher.

A numeric value was assigned to each response, with "weakening" assigned a value of 0, "stable" assigned a value of 5, and "firming" assigned a value of 10.

The average response was then computed using the values assigned to each response. For used equipment pricing, the national average response was 6.01, indicating that dealers were experiencing firming in used equipment pricing (see Fig. 2).

Although dealers believe that used equipment prices are continuing to trend upward, the dealer's level of conviction is slightly below that observed in a prior survey 6 months ago, but still the second highest observed over the course of the last 11 semiannual farm equipment dealer surveys.

FIG. 2: SEMIANNUAL RESPONSES TO QUESTION ON USED EQUIPMENT PRICING FROM SURVEY 6 (September 1999) TO SURVEY 17 (Current/Preliminary)



Source: UBS Agricultural Dealer Survey #6-17

Fiat, CNH's Parent Company, Appears to be in Dire Straights

Over the past few weeks, *The Wall Street Journal* has had much to say about CNH's parent company, Fiat SpA. The debt-ridden Italian car maker is attempting to force General Motors (GM) to cough up a couple billion dollars, or flat-out buy the Italian auto maker, to try to save it. Confused? We'll try to sort it out for you. Here's what we know.

Five years ago, in an attempt to achieve some economies of scale in key markets, GM and Fiat formed an alliance. As part of that 2000 agreement, GM acquired 20% of the Italian conglomerate's auto unit for $2.4 billion. Fiat reciprocated by purchasing a 5.1% stake in GM.

Somewhere in the fine print of the contract, Fiat had insisted on a "put" clause, a line item that supposedly gives Fiat the right to force GM to buy out all of the Italian company's car unit should the alliance go awry.

What has gone awry is Fiat SpA's finances. Since the agreement was signed, and perhaps before then, all has not been well at Fiat Auto. According to *The Wall Street Journal*, GM had done "a classic due diligence, when in reality, the situation was much more complicated." GM won't comment on its diligence, but it plainly must have understood some things about Fiat.

For example, Fiat needed to play catch-up in manufacturing technologies and overhauling its sales organization. GM might not have known that Fiat Auto was shackled by slow product rollouts, high costs and slow decision making. Mario Rosso, a former Fiat executive quoted by *The Wall Street Journal*, says, "these issues hadn't fully expressed themselves on the books yet."

More bad decisions by Fiat to create a world car, expand global production and put all of its hopes into a single model that ultimately flopped, created a crisis that came to a head over the past few years. With the global auto industry now grappling with vast overcapacity, Fiat Auto is out of cash and draining the coffers of the group's Iveco truck and CNH tractor units.

Fiat Auto losses for 2004 are expected to total around $1.3 billion, and sources suggest the company needs a minimum of $2 billion in order to buy some time in bringing new car models to market. Even then, industry analysts are not certain Fiat Auto can survive because of pressure from global competitors with cheaper cars and stronger sales networks.

On top of these woes, the company has run through five CEOs in less than 2 years. Fiat's current chief executive, Sergio Marchionne, upon taking the reins quickly seized on the "put" option as the best solution for saving the auto unit.

For its part, GM has mobilized an army of lawyers that contends certain financial moves by Fiat have rendered the put option invalid. GM has no intention of throwing good money after bad, so the American auto giant has settled on a strategy of a prolonged legal dispute. With Fiat running out of time, such a strategy favors GM.

As the two sides thrust and parry in negotiations, one ag industry analyst told us what it might mean for CNH. Says Langenberg's Charlie Rentschler, "It seems that CNH Global is in a straight-jacket. CNH may be too profitable for Fiat to let it go, yet CNH may not be profitable enough to be sold to some other company or via a public offering.

"These types of situations don't last forever. It seems to me that something has to give at Fiat at some point. Hopefully, sooner rather than later."

Case IH and New Holland dealers are no doubt saying "amen" to that.

Deere Outpacing Industry

Based on Deere's comments to Merrill Lynch's Andrew Obin, Deere's sales of large farm equipment outperformed the industry in December. Deere's sales of 100-plus-hp 2WD tractors increased more than the industry's 32% unit sales growth.

Deere's sales of 4WD tractors increased more than the industry's 39% unit sales growth. Deere continued to outpace industry unit sales in the combine segment, increasing more than the industry's 14% advance.

CNH Reports Fourth Quarter Income of $26 Million; $125 Million for 2004 Before Restructuring Charges

CNH Global N.V. reported a fourth quarter 2004 net income of $26 million, compared to a fourth quarter 2003 net loss of $111 million. These results include restructuring charges of $22 million and $140 million, respectively, in the two periods. Fourth quarter 2004 basic earnings per share were $0.19, compared to a net loss of $0.84 per share in the fourth quarter of 2003.

For the full year, CNH's net income of $125 million in 2004 compares to a net loss of $157 million in 2003. These results include restructuring charges of $68 million and $187 million, respectively, in the two periods. Basic earnings per share for the year were $0.94, compared to a net loss of $1.19 per share in 2003.

Excluding restructuring charges, CNH reported net income of $193 million in 2004, compared to net income of $30 million in 2003. This $163 million year-over-year improvement exceeded the company's expectations. The improvement was achieved despite lower fourth-quarter sales of agricultural equipment, primarily due to overall destocking of dealer and company inventories, mainly of combines in North America following the closure of the East Moline assembly plant.

"The people of CNH can be proud of their accomplishments in 2004," says Paolo Monferino, president and chief executive officer. "The year brought our merger-related initiatives to a successful close. While we see new challenges on the horizon, largely from the escalation of some material costs, especially steel, and the softening of some of our major markets, we now face these challenges from a stronger position, and we expect continued growth in revenue and net income in 2005."

Net sales of agricultural equipment of $1.9 billion for the quarter were at about the same level as in the fourth quarter of 2003, but down about 5% excluding currency variations.

Industry unit sales of agricultural equipment worldwide increased in the 4th quarter, year-over-year, by 10%. Retail unit sales of CNH agricultural equipment increased in the quarter, in line with the global market. Increases in CNH's retail unit sales in the Americas and rest-of-world markets were offset by declines in Western Europe. CNH under-produced its retail unit sales of agricultural equipment by 20% in the quarter, reducing worldwide dealer and company inventories of tractors and combines (destocking) by 15%.

Net sales of construction equipment were $962 million for the quarter, up $164 million or 21% from the fourth quarter 2003. Excluding currency variations, sales were up 16% from the fourth quarter last year.

Equipment Operations

Fourth-quarter net sales of equipment (construction and ag combined) were $2.8 billion, compared to $2.7 billion for the same period in 2003. Net of currency variations, sales increased 1% compared to the same period last year. The company's destocking, primarily of agricultural equipment, partially offset the impact of improved price realization.

Full year 2004 net sales of equipment increased to $11.5 billion, up 15% compared to $10.1 billion for the same period in 2003. Net of currency variations, sales increased by 9%. By region, net of currency, sales increased by 24% in the Americas and 2% in rest-of-world markets, while sales in Western Europe declined by 6%. Worldwide, in addition to the currency impact, sales increased primarily from improved volume and mix, improved price realization and new products.

Equipment operations' full year gross margin increased year-over-year to $1.76 billion, or 15.3% of net sales, from $1.48 billion, or 14.7% of net sales, primarily on the strength of the company's agricultural and construction equipment businesses in the Americas.

The company's agricultural equipment business gross margin increased in dollars but remained flat as a percent of net sales compared with 2003. Higher pricing, favorable currency and higher volume and mix offset unfavorable economics, particularly higher steel costs.

Improvements in North America were offset by declines in Europe, where the competitive conditions did not allow for sufficient price increases to recover increased steel costs and other economics. Production of agricultural equipment, for the full year, was just slightly below the level of retail unit sales.

Construction equipment's results improved significantly in 2004, as gross margin increased both in dollars and as a percent of sales. Improved price realization, volume and mix, and impacts of the company's manufacturing rationalization actions more than offset higher steel costs and other economics.

Agricultural Equipment Market Outlook For 2005

CNH expects full-year 2005 worldwide industry unit sales to be flat with 2004 levels. In North America, total industry unit sales are expected to increase 5%, with a possible slowdown in unit sales in the second half. Overall industry unit sales in Europe will be flat to slightly down. In Latin America, after a very strong 2004, industry unit sales of agricultural equipment should decline by about 20%.

In North America, first quarter industry sales of tractors and combines are estimated to remain strong. In Western Europe, implementation of the new agricultural system, which decouples payments to farmers from production, is expected to create uncertainty in those markets, with tractor and combine volumes expected to decline by up to 5%.

In Latin America, CNH estimates industry sales of tractors to be down by 10% in the quarter, while industry sales of combines are expected to decline by 30% from the high level of 2004.

The Brazilian combine market in the first quarter last year was up 70% from the first quarter of 2003 as higher crop prices to Brazilian farmers bolstered farm incomes. Following declines in commodity prices and changes in exchange rates since that time, CNH anticipates that combine industry unit sales in the first quarter of 2005 will return to about the same level as in the first quarter of 2003.

Construction Equipment Market Outlook for 2005

CNH expects full year 2005 worldwide industry unit sales of light construction equipment to be up as much as 5%, with North American sales up about 5%. Gains of up to 5%, are anticipated in the Western European and Latin American markets. Industry unit sales in rest-of-world markets are estimated to decline.

Industry unit sales of heavy equipment in the first quarter 2005, for the Americas and Western Europe, also are expected to be stronger than the full-year outlook would indicate.

Industry unit sales should be up about 15% in North America, 20% in Latin America, and flat in Western Europe. Industry unit sales in rest-of-world markets, however, are estimated to be down about 30% as the market in China is not expected to repeat its performance of last year.

In January 2005, CNH began the consolidation of its New Holland construction equipment family brands in Europe and Latin America into one New Holland brand. The company is focusing on two major construction brands globally — Case and New Holland. Long term, CNH expects this consolidation will generate additional incremental revenue, allow CNH to provide better support to its dealers, strengthen its dealer network, and result in the availability of a greater range of products. In the near-term, this action may result in some network and product line adjustments and increased support costs.

CNH Outlook For 2005

For the full year 2005, CNH expects net sales of equipment to increase by about 5%. However, the company believes it will continue to face higher material costs, availability issues for some components and commodities, and, in general, higher volatility of market conditions.

CNH remains committed to its goal of generating $500 million of efficiencies in the 2005 to 2007 period. Because of the distribution of CNH's worldwide manufacturing operations and its global sourcing patterns, the company believes its net results are not unduly exposed to currency-rate variations.

Considering all of these factors, the company expects a year-over-year profit improvement of about 15%, depending upon market conditions and commodity cost evolution.

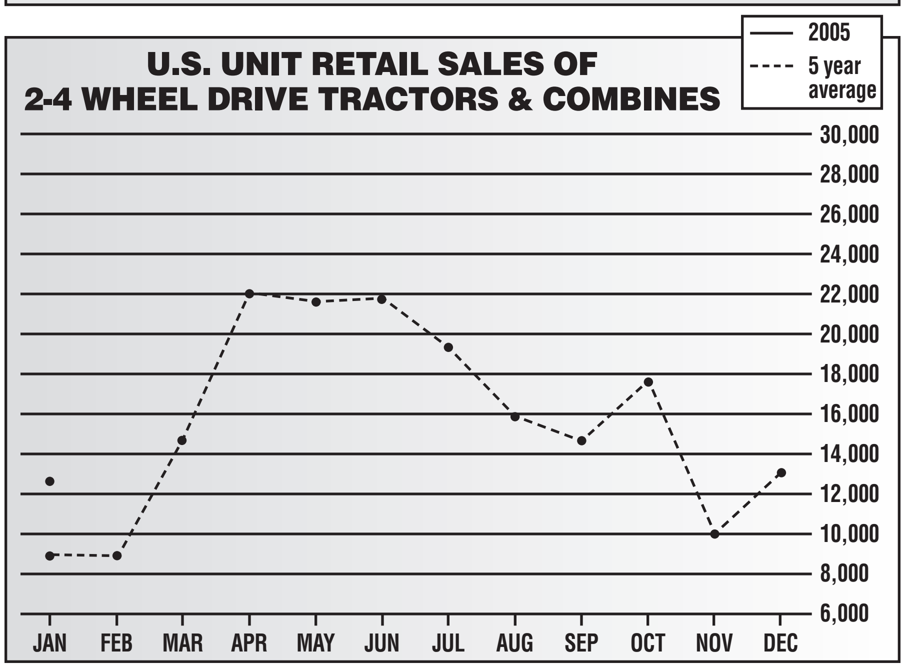
For the first quarter of 2005, however, the company believes its net income before restructuring costs should be approximately at the same level as last year in spite of the recent steel cost increases and a planned smaller seasonal inventory build, mainly for combines in the Americas. AIW

JANUARY U.S. UNIT RETAIL SALES

Equipment	January 2005	January 2004	Percent Change	YTD 2005	YTD 2004	Percent Change	December 2004 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	5,272	4,851	8.7	5,272	4,851	8.7	52,358
40-100 HP	4,577	3,793	20.7	4,577	3,793	20.7	27,441
100 HP Plus	2,110	1,810	16.6	2,110	1,810	16.6	6,408
Total-2WD	11,959	10,454	14.4	11,959	10,454	14.4	86,207
Total-4WD	267	221	20.8	267	221	20.8	982
Total Tractors	12,226	10,675	14.5	12,226	10,675	14.5	87,189
SP Combines	356	253	40.7	356	253	40.7	1,069

JANUARY CANADIAN UNIT RETAIL SALES

Equipment	January 2005	January 2004	Percent Change	YTD 2005	YTD 2004	Percent Change	December 2004 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	237	212	11.8	237	212	11.8	2,494
40-100 HP	298	323	-7.7	298	323	-7.7	2.409
100 HP Plus	150	133	12.8	150	133	12.8	1,486
Total-2WD	685	668	2.5	685	668	2.5	6,389
Total-4WD	26	34	-23.5	26	34	-23.5	169
Total Tractors	711	702	1.3	711	702	1.3	6,558
SP Combines	62	50	24.0	62	50	24.0	350



—Assn. of Equipment Manufacturers

Used Equipment Values Going Higher

A number of factors are causing used equipment values to soar, most notably the price of steel. Rising steel prices in 2004 caused manufacturers to raise prices by 15% in the spring, then raise prices again by a similar amount in the fall, finally applying a steel surcharge.

A new piece of equipment purchased in December 2003 for $160,000, now costs $211,600, even before surcharges are added, which puts new equipment well out of reach for many prospective buyers. For them, good quality used equipment suddenly looks pretty good.

What kind of percentage increases on used equipment are we seeing? Last month, *Successful Farmer* magazine cited the following sampling.

A 1990 John Deere 4455 mechanical front-wheel-drive tractor with 2,668 hours sold for $55,000 at a farm sale in Minnesota. A year earlier, mid-$40,000s would have been pushing it for that tractor.

A New Holland 570 square baler brought $9,500 on sale in southwest Wisconsin. New Holland 570s had been selling for $7,500-ish the past few years. That's a 26.7% jump.

In north central Iowa, a 1996 Deere 9600 combine with 1,256 engine hours sold at auction for $71,000. Just a year earlier in the same area, a similar combine with 1,319 engine hours sold for $51,750. That represents a 37.2% increase in just a single year. A larger sampling of used combine value gains showed a 14% rise across the board. AIW

Deere Opens Agricultural Equipment Assembly Operation in Russia

Deere has opened an assembly facility in Orenburg, Russia to provide seeding carts and air seeding tools to customers in Russia.

"The decision to open this facility is consistent with our strategy to build a manufacturing presence in Russia while at the same time reaching a broader customer base," says David C. Everitt, president of Deere's agricultural division for Europe, Africa and South America. "John Deere intends to become a significant player in this important agricultural equipment market," Everitt said. "We aspire to grow our business in the region and provide sustainable results."

Establishing the assembly operation in Russia allows Deere to lower its logistics cost and improve order fulfillment for customers in the region.

In December, John Deere announced that Deere Credit, Inc. and Rosagroleasing of the Russian Federation had agreed to a Credit Facility Agreement guaranteed by the Export-Import Bank of the U. S. This agreement provides up to $25 million for Russian customers to lease U.S.-built John Deere agricultural equipment. AIW

Japan's Yanmar Boosting Southeast Asian Farm Equipment Sales

Yanmar Co. is expanding sales of farm machinery in Southeast Asia, and has established a sales company in Thailand as a joint venture with a local trading firm. The newly created company has already launched sales activities, organizing a network of some 100 distributors. Demand for mechanizing the farm industry is growing in Thailand. AIW