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FARM EQUIPMENT's Ag Industry Watch

News, Information & Analysis for the Ag Equipment Marketer **June 15, 2006**

Dealer Confidence Waning for Improving Sales in '06

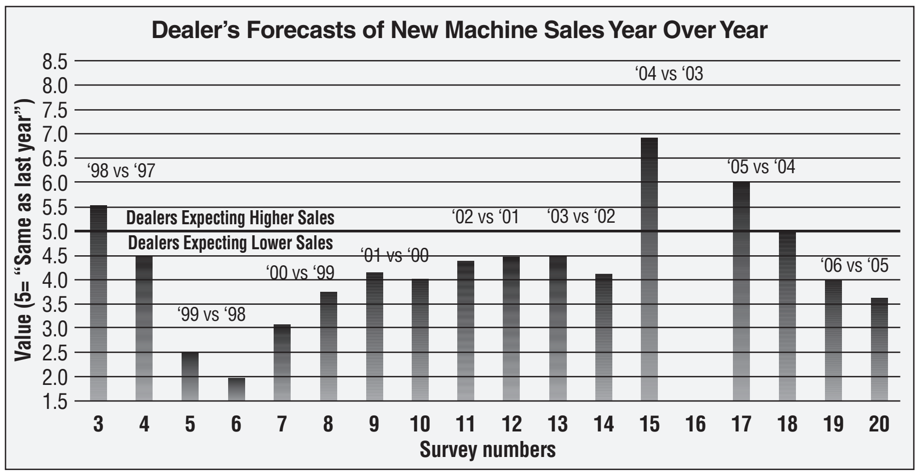
Despite the growing enthusiasm about the prospects for ethanol, uncertainties about rising input costs, higher interest rates, the U.S. farm bill and weakness in certain commodities, farm equipment dealers are less confident about improving equipment sales through the rest of 2006 than they were earlier in the year.

Results of the UBS Investment Research's 20th Agricultural Dealer Survey released on June 7 indicate that farm equipment dealers continue to expect lower farm machinery sales in 2006, with the level of dealer optimism continuing to decline during the last 6 to 12 months.

Of the 400 dealers surveyed, 54% expect sales in 2006 will be either "Down more than 5%" or "Down less than 5%" compared with 25% that say sales are expected to be either "Up less than 5%" or "Up more than 5%." The remaining 21% expect sales to be "Flat."

"We view the increased level of pessimism as somewhat unexpected given the recent strength in some of the key farm commodities (corn and wheat) and the general level of enthusiasm with respect to ethanol driven demand," says UBS analyst David Bleustein.

The drivers behind the weakness in demand in 2006, according to the



Dealer's Forecasts of New Machine Sales Year Over Year

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Former AGCO Exec Walker Replaces Departed Anglin at Case IH

In a June 1 letter to its dealers, Case IH announced that North American Business — Ag Vice President of Marketing Frank Anglin III, who succeeded 40-year veteran Jim Irwin in early 2005, was leaving the firm to "pursue other opportunities." Dealers also learned that Jim Walker, a former AGCO vice president and general manager, was replacing him, effective July 1. AGCO and Walker parted ways in late March after a dealer convention in Mexico.

Ag Industry Watch heard that Walker was present at a Friday-before-Memorial Day meeting that brought all Business Managers (territory managers in Case IH vernacular) to Racine. While stories vary on the language and tone of the meeting and *AIW* could not verify some of the rumors circulating, it was clear that marching orders were given to the business managers prior to being released for the holiday weekend.

Anglin and Mario Ferla, who assumed the presidency of Case IH's global ag business on September 30 of last year, were known to have different management styles. Although the two had worked together previously at both GE and Case IH Credit, there was a history of problems, one dealer told *AIW*. Ferla's presentation to dealers during a dealer business meeting last February (see February 15, 2006 *Ag Industry Watch*) about demands on handling competitive lines appeared in contrast to Anglin's ongoing message about "earning" dealers' business.

Anglin appeared to have a solid rapport with dealers during his short time in the vice president's chair. "He seemed to be on the ball, and was getting the job done," said another dealer, though he shared that Case IH corporate-level execs found themselves out of the habit of making regular field visits to dealerships as in years past.

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DEALERS' EXPECTATIONS FOR EQUIPMENT SALES IN 2006 VS. 2005

Company	Down More Than 5%	Down Less Than 5%	Flat	Up Less Than 5%	Up More Than 5%
AGCO	27%	27%	18%	9%	18%
Case IH	36%	22%	21%	16%	6%
John Deere	37%	16%	22%	12%	12%
New Holland	31%	20%	20%	23%	6%
Total	**34%**	**20%**	**21%**	**17%**	**8%**

DEALERS' EQUIPMENT OUTLOOK

Company	Great	Better Than Average	Average	Worse Than Average	Poor
AGCO	0%	9%	9%	73%	9%
Case IH	0%	6%	30%	56%	8%
John Deere	0%	6%	39%	48%	6%
New Holland	0%	7%	40%	48%	5%
Total	**0%**	**7%**	**35%**	**52%**	**7%**

dealers, include higher input costs (notably energy), rising interest rates and weakness in certain commodities (rice and dairy). As expected, dealers highlighted ethanol prospects as a bright spot.

"Given the reduced level of optimism in the dealer survey, we now believe the negative impact of these factors along with difficult machinery comparisons and uncertainty created by potential changes in farm-support programs, may more than offset the recent strength in farm commodity prices and the optimism created by increased demand for ethanol," says Bleustein.

Using the UBS index, the national average for dealer response from November/December was 4.00. This compares with an index of 3.63 for the most recent survey (April/May), indicating dealers expect lower retail sails in 2006.

Less than Rosy Outlook

The dealers were also asked to describe their customers' view of current agricultural conditions. Nearly 60% of the dealers believe farmers view ag business conditions as "worse than average" or "poor." Only 7% indicated that their customers consider conditions "better than average" and no dealers believe that their farm customers think that business conditions are "great."

While the dealers cited several factors for the gloomy outlook, including higher interest rates, farm bill negotiations and declining price for some commodities, dealers overwhelmingly pointed toward the escalating cost of energy as the primary reason for their less than rosy outlook for the coming year.

Comments from the UBS survey included: "They read the papers and pay the energy costs; you don't hide much from these farmers," "Higher fuel prices, higher fertilizer costs. Inputs increased as much as 40% over 2004," "This is the worst outlook we've seen in years. Farmers are not buying anything, because they really are broke," "Fuel prices create a wild card. If fuel gets worse, sales will get worse."

At the same time, the dealers report that growers are working hard to manage their costs and are also willing to look into almost anything that will help them reduce fuel use." "Cost of fuel and fertilizer is causing farming practices to change," "Strip tillage is being looked at strong because of fuel costs," "No-till farming is getting greater consideration and being used," "Strip tillage will impact tillage sales especially with the higher fuel costs; every customer expressing intent to cut fuel costs," "The fuel price impact is pushing sales to smaller units" and "Farmers are looking for ways to reduce energy costs and seem willing to invest to do that in more efficient machines."

Impact of Farm Bill

Because of the uncertainty that continues to surround the 2007 farm bill, most of the dealers responding to the UBS survey believe this has many producers sitting on pins and needles, causing them to hold back on equipment purchases. As one dealer remarked, "Uncertainty breeds indecision."

In total, 49% of the dealers believe that farm bill negotiations are creating a negative impact on equipment demand in '06. Only 10% think it is having a "positive" impact and the remaining 41% feel that it isn't having any effect.

Not All Gloom and Doom

Not all dealers are sharing in the gloomy forecast, particularly in light of the booming ethanol market. The more optimistic dealers offered the following comments: "First quarter higher than expected," "March sales were $800,000 better than 2005," "My sales area is having a growth period," "Some late-spring buying is freeing up."

Many dealers are obviously enthusiastic about the potential for ethanol. Comments included: "Ethanol and soy diesel potential are helping attitudes," "Ethanol plants are springing up all over central Indiana — could have positive impact in years to come," "Ethanol production could make a big change in the next 2-3 years — one plant running very well, one just started, two in the planning phase — competition for corn will be good — lower transportation costs for farmers are good" and "ethanol plants are helping with surplus." AIW

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This dealer told *AIW* that he believed the change in personnel was likely a numbers and market share issue. This dealer, who remains angered by corporate edicts regarding competitive lines, added, "Racine can't have all the dealers in the country ticked off at them and expect prosperous results."

Prior to joining AGCO in 2004, the newly appointed Walker had been a sales and marketing executive at Claas for 16 years. Before that, he spent 17 years at John Deere. Charles Rentschler, ag machinery analyst, Foresight Research Solutions, finds it interesting that "two big ag machinery companies swapped executives," referring to New Holland vice president Bob Crain leaving CNH for AGCO at the first of the year. "Certainly, each can bring to the new company an awful lot of information about the competition," he says.

***Note:** Both Anglin's and Walker's approach to dealer networks was profileded in the Special Report:"How the 'Big Four' are Dealing with Dealer Issues," p. 35-52, January 2006, Farm Equipment SHOWCASE.* AIW

Russian Joint Venture Further Extends AGCO's Market Reach

With an already strong presence throughout Europe, AGCO Corp., Duluth, Ga., has made another move that further extends its influence to the east. On May 26, the company announced the creation of a new joint-venture company in Russia, AGCO SM Group, which is comprised of a partnership between AGCO and the SM Group. AGCO SM Group will be responsible for the distribution of Fendt- and Valtra-branded equipment throughout Russia and Kazakhstan. AGCO will have a 51% ownership in the joint venture.

"This joint venture represents the completion of another very important step in the growth strategy of our company," said Martin Richenhagen, president and CEO of AGCO.

With a 10-year history of establishing distribution channels and retail financing for local Russian agricultural machinery, SM Group is considered an expert within the Russian market. SM Group's past experience in Russia includes ownership of the Yenisey combine factory in Krasnoyarsk, the number two combine manufacturer in Russia, and a partnership interest in Agromash Agricultural Machinery.

Oleg Kirillov, president of SM Group said, "The establishment of this group provides an ideal formula for the development of Fendt and Valtra sales and service in Russia and Kazakhstan. It is a combination of AGCO Corp.'s global agricultural machinery expertise and resources with the local market experience and resources provided by SM Group. The new AGCO SM team has ambitious plans and we are looking forward to making a strong contribution to AGCO's strategic development in the region."

AGCO SM Group will focus on distributing Fendt and Valtra tractors above 150 hp, Fendt combines and associated AGCO tillage and planting equipment to areas with the largest growth potential.

"This is a significant step in AGCO's investment into one of the world's fastest growing regions," says Gary Collar, senior vice president and general manager of AGCO's Europe-Africa-Middle East region. "We have seen the market for Western agricultural machinery increase 150-200% in the last 2 years. The joint venture will strengthen Fendt and Valtra distribution operations and will provide a valuable source of local market expertise in both Russia and Kazakhstan.

"AGCO already has strong distribution partners for its Challenger and Massey Ferguson brands in the region," says Collar, "which we will continue to develop alongside AGCO SM Group's Fendt and Valtra operations. This fits AGCO's multi-brand strategy and allows us to develop strong product differentiation and individual brand presence in the region." AIW

FARM MACHINERY TICKER (AS OF 6/12/2006)

Mfr.	Symbol	6/12/06 Price	5/11/06 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	$21.43	$27.06	$28.69	$14.60	69.13	2.15 M	1.94 B
Alamo	ALG	$21.00	$21.60	$24.85	$18.04	19.44	12,900	204.77 M
Art's Way	ARTW	$6.20	$8.45	$9.19	$4.50	13.19	29,600	12.23 M
Caterpillar	CAT	$66.32	$79.62	$98.72	$47.43	14.97	5.46 M	44.17 B
CNH	CNH	$21.20	$29.49	$30.50	$15.79	25.85	188,500	4.99 B
Deere	DE	$77.30	$88.62	$91.98	$56.99	13.51	2.40 M	18.19 B
Gehl	GEHL	$22.24	$33.30	$40.73	$20.58	11.06	208,100	267.81 M
Kubota	KUB	$42.50	$57.63	$60.60	$27.31	10.47	32,600	11.05 B

World Ag News

Finland's grain harvester, forestry machine and hydraulic drives manufacturing group, Sampo-Rosenlew, reports consolidated sales of the equivalent of $84 million for 2005, up 9.5% compared with the previous year. The net profit of $2.9 million, says managing director Timo Prihti, "cannot be considered satisfactory."

The harvesting equipment business maintained sales of combines in the face of a fall in market demand. Prihti expects the Western Europe market to remain sluggish but anticipates increased sales to Russia, Ukraine, Turkey and countries with ambitions to join the European Union.

Forestry machine sales rose as the market "improved considerably," which contributed to the division's 4.25% sales growth to $60 million, while the Sampo Hydraulics division, making agricultural vehicle wheel motors and components, continued to make progress with net sales of $24 million.

Prihti expressed confidence that the group will see steady growth this year, forecasting net sales of $88 million.

Preliminary results from diesel engines manufacturer Deutz show a 13% increase in unit sales last year and a 12% increase in like-for-like net sales.

Deutz, one of the leading farm tractor and harvest machine engine suppliers, says it sold more than 195,800 engines of all types in 2005, generating the equivalent of $1.6 billion in sales revenues.

Excluding the sale of the company's marine engine service business, earnings before income tax (EBIT) were up 17% at $76 million.

Demand for new crop sprayers from wheat producers reinforcing defenses against Asian Rust last year lifted Hardi sales revenues by more than $8 million in North America in 2005. But a fall-off in revenues of the same magnitude from the more lucrative Australian market, together with mixed results in Europe, led to a decline in profits.

"The shift in revenue from the Australian high-price market to the U.S. low-price market in 2005 resulted in a drop in our gross margins," explains Hardi International president, Niels-Jorn Rahbek. "Australia is normally our second largest market but a bad harvest in 2004-05 left farmers with low earnings and less inclination to invest in machinery."

Hardi International, the plant protection arm of Denmark's Auriga Industries, had revenues of $169.2 million in 2005, up less than 3% compared with the year prior. That was largely due to a record year in France, the company's biggest market, where the Evrard operation produces self-propelled sprayers to complement the mounted and trailed models made in Denmark.

Sales to Eastern Europe, including the 10 newest members of the European Unon, continued the positive trend of the year before, says Hardi, with significant increases in the Czech Republic.

European sales were buoyed by a new version of the Commander trailed sprayer, a high-tech unit in 3,200 to 6,600-litre sizes that will be launched in North America and Australia later this year.

For 2006 as a whole, Hardi says it expects revenues of $170 million and pre-tax profits just short of $5 million compared with the $2.6 million earned last year and the $3.9 million figure achieved in 2004.

The plant protection arm of French spraying specialist Exel Industries Group saw an increase in margins last year that contributed to an 18.8% increase in group operating profits to the equivalent of $27.2 million on sales of $329.2 million.

With the exception of the Herriau sugar beet harvester business — something of an anomaly in the spraying equipment group — which is expected to break-even this year, all the plant protection division's operating companies saw positive results, with consolidated sales revenues amounting to $183 million.

The outlook for this division, which makes Berthoud, Tecnoma, Caruelle, Matrot and Seguip field sprayers, is very favorable, particularly in Eastern Europe, says President & CEO Patrick Ballu.

"These countries have a low level of mechanization, so their agriculture has enormous potential for development," he points out. "For this reason, we have decided to establish a production facility near Bucharest in Romania, for lower cost production and geographical proximity to future customers."

Zetor, the Czech Republic's domestic tractor maker that has been brought back from the brink by Slovenian industrial conglomerate HTC Holding, has reported a 118% increase in net profit for 2005 equivalent to $5.35 million on sales of more than 5,700 tractors (up 6% vs. 2004) worth $145.5 million.

It's the result of the "Zetor New" project that downscaled and restructured the former state-owned business to cut costs and improve efficiency.

"In 2006, we are assuming the sale of up to 6,000 tractors and an increase in yields getting close to the $170 million," says Chairman & Executive Director Vojtech Panik.

Investment plans show a further increase in capital spending to $9.14 million this year, mostly through improving technology and the purchase of new equipment for manufacturing and assembly processes.

McCormick has sold off its Doncaster factory to Commercial Estates Group, a property management firm. The move will raise nearly $28 million.

The deal does not hail an end to tractor production at the site, according to *FarmersWeekly*. McCormick has negotiated a long-term lease and says that it has no plans to shift manufacturing.

Last year McCormick reduced staffing at Doncaster and the firm's transmission plant at St. Dizier, France. The company says the Doncaster plant sale has been planned to pay of the loan that Italian parent company Argo had to take out for its purchase in 2001. It says that the $28 million should help in avoiding any further job reductions.

The Bryce Suma Post Driver and CHK's Spread-a-bale have earned the prestigious Royal Agricultural Society of England's (RASE) 2006 Gold Medals.

NAEDA, FEMA Survey Profiles the Role of Shortliners for Ag Dealers

Some 44% of ag equipment dealers carry more than 6 lines of specialty equipment and 65% of them derive more than 10% of their total revenue from the sale of shortline brands, according to a recently completed survey of more than a 1,000 dealers by the Northa American Equipment Dealers Assn. and Farm Equipment Manufacturers Assn.

The main reasons dealers carry shortlines, according to the poll, are those products are not available from their major supplier (42.4%), because of customer demands (25.7%) and the increased profitability they offer (24.6%).

In terms of total lines carried, 83% of AGCO dealers say they carry 1-10 shortlines, but nearly 19% of Case IH dealers report that they handle 11 or more different specialty lines of equipment.

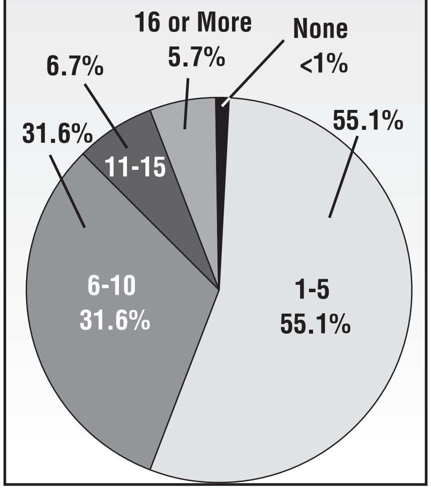
While 92% of John Deere stores report carrying 1-10 shortline products, only 7.7% carry more than 10 different lines.

AGCO dealers derive more income from selling shortline products as 62% report that more than 15% of their total sales revenue stems from specialty machinery lines.

Deere dealers, on the other hand, are far less reliant on equipment not produced by their major with only 14% saying they derive 15% or more of the revenue from sales of shortline equipment.

In the aggregate, 60.2% of all dealers polled believe they will increase their sales of shortlines during the next 5 years, 11.9% see their sales decreasing and the remaining 27.4% believe their sales of specialty equipment will stay the same between now and the end of the decade.

NUMBER OF SHORTLINE MANUFACTURERS REPRESENTED BY INDIVIDUAL DEALERS



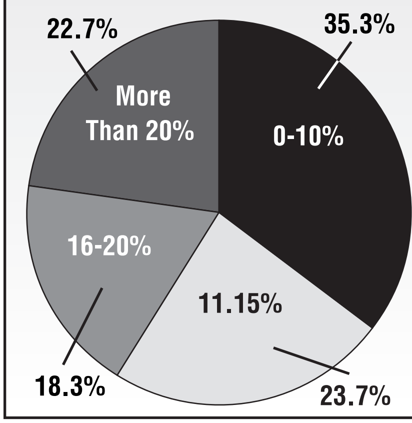
Following is the percentage of dealers expecting an increase in shortline products over the next 5 years:

- AGCO — 71.1%
- New Holland — 66.7%
- Kubota — 66.4%
- Case IH — 63.2%
- John Deere — 49.7%

In total, 69% of the dealers that say they will increase shortline suppliers are doing so because competitive products are not available in their major line.

At the same time, 55% of those

PERCENTAGE OF REVENUE DERIVED THROUGH SHORTLINE SALES



planning to reduce the number of specialty lines they carry cite that there are too many suppliers and/or want to eliminate duplicate products.

The four factors that dealers say would make it easier to do business with a shortline manufacturer included more competitive terms (36.1%), better warranty support (27.6%), more retail financing (15.5%) and better technical support (11.8%). AIW

GOT NEWS?

Do you have news that should be covered in *Ag Industry Watch* or a story lead that you want us to follow up? Contact Dave Kanicki, managing editor at 800-645-8455 ext. 414 or at dkanicki@lesspub.com.

Alo AB and CNH in Supply Agreement

Front-loader specialist Alo AB and CNH entered into an agreement for the supply of agricultural tractor loaders for the North American market. Alo AB will be the principal supplier of front loaders for CNH's agricultural tractor chassis. The supply of loaders into the marketplace will commence later this year.

The Alo Group develops and manages three independent brands, Quicke, Trima and Veto. It has five factories in three countries with a capacity to build 33,000 loaders and nine sales companies in nine countries. Sales for 2005 included approximately 24,000 front loaders and 36,000 implements. AIW

More Money Coming for Canadian Farmers

The Canadian government will provide nearly $1 billion in new support for farmers under the Canadian Agricultural Income Stabilization (CAIS) program. In making the announcement in late May, Agricultural Minister Chuck Strahl says "practical changes" are in the works to provide $600 million a year in cash advances to producers.

Minister Strahl said Ottawa would expand the eligibility criteria for negative margin coverage under the CAIS program retroactively for 2003, 2004 and 2005.

The minister also has introduced amendments to the Agricultural Marketing Programs Act to expand coverage to include livestock and more crops and increase the overall limit on advances to $400,000 from $250,000. AIW

Deere to Halt Production of Telehandlers

John Deere will stop all production of its telehandler products worldwide later this year, according to published reports. While Deere has yet to formally make the announcement in the U.S., an email from a Deere source on June 7 confirmed that the company has made the decision to no longer produce telescopic handlers.

Deere says the decision to withdraw from the telehandler segment followed a detailed assessment of the world market. Deere says it does not plan to sell the telehandler design rights to another manufacturer. The company says that it will continue to provide customers with parts and product support for all models.

One executive at a rival telehandler manufacturer notes that competing firms may find a new dealer network opportunity that was previously closed out to them. He says, "Every other telehandler OEM will be courting Deere dealers as well, so we are trying to be the first 'hog to the trough.'" AIW

Is Art's-Way Looking for New President or a Buyer?, Tillage Unit Next?

After disclosing his plans for retirement from Art's-Way some time ago, John Breitung announced on May 10 that his retirement as president and CEO would take effect at the end of May. Carrie Majeski, chief financial officer, was appointed interim president of the farm machinery manufacturer based in Armstrong, Iowa.

Because no successor was named for an executive that the board knew for several months would be retiring, some observers are wondering whether the firm might be a prime candidate for a buyout, causing commentary of "strong buy" to be found on finance message boards following Breitung's announcement.

The firm serves farm equipment niche areas such as animal feed processing, sugar beet and potato harvesting, land maintenance, crop shredding and seed planting. It also produces machinery for several OEMs, including moldboard plows under its own label with a license agreement with CNH.

J. Ward McConnell is the firm's chairman and holds significant equity in the publicly held firm. AIW

PMF Harvest Unit Sold to MacDon

Loren Katzenberger, founder of Precision Metal Products (PMF), Ltd., Saskatoon, Saskatchewan, has sold the PMF harvest line of equipment to MacDon of Winnipeg, Manitoba, and will be closing the PMF plant in Saskatoon. PMF's line of tillage products is reportedly on the market as well.

While MacDon has yet to comment publicly on the acquisition, its vice president, Stephen Ward, confirmed in an e-mail to Canadian media that MacDon "has signed a letter of intent to purchase the harvest division of Precision."

MacDon Industries, Ltd. is a family-owned manufacturer of harvesting equipment specializing in the production of pull-type and self-propelled windrowers and specialty headers for combines.

Katzenberger, who is retiring, is also looking to complete the sale of a separate line of PMF tillage equipment that includes Phillips rotary harrows and Smart-Till cultivators. Word on the street is Brandt Industries of Regina, Saskatchewan, and KMC, a Georgia company, are in negotiations to purchase the tillage equipment line. AIW

Farm Equipment Industry Notes & Newsmakers

McCormick International USA, Inc., has hired Ray Spinks as vice president of sales for their McCormick and Landini tractor brands in the U.S. When ARGO purchased McCormick in 2001, Spinks was hired as sales director with the task of developing worldwide distribution.

JCB Inc., Rocester Staffordshire, Britain, reported that it has received an order of undisclosed value for 1,000 units of telescopic handlers and backhoe loaders from British plant hire firm Fork Rent. JCB said the machines would be manufactured at an assembly plant in England at an undisclosed time. It said the order is the firm's largest order for Loadall-branded vehicles.

Deere & Co., Moline, Ill., announced on May 15 that it would enter a new segment after launching production of newly branded sugar cane harvesters this year at two assembly plants in Brazil and Louisiana. Deere said it would place its own name on the self-propelled combines that are currently manufactured by its unit, Cameco Industries, Inc. Deere also said it would rename the subsidiary John Deere Thibodaux, Inc.

Mahindra and Mahindra, Ltd., Mumbai, India, repored on June 2 that its net profit for the fourth quarter ended March 31 rose 110% compared with the same period a year earlier. The company said that the improvement in profits was due to strong sales performance especially by the company's farm equipment. M&M's sales of tractors grew 30% from 65,390 tractors sold last year to 85,029 during the current year. The company's full year domestic market share grew to 29.7% from 26.5% last year. The company's tractor exports during the year grew 29.6% to 6,981 from 5,385 units exported last year.

Gehl Co., West Bend, Wis., has launched production of new skid loaders, the new 7810E-model, at an assembly plant in Madison, S.D. The vehicles will be powered by Cummins turbo-charged diesel engines that generate 99 hp and 305 ft.-lb. of torque.

U.S., Canadian Equipment Sales Rise in May

Both U.S. and Canadian sales of tractors and combines expanded in May ending a one-month decline. Total tractor sales in the U.S. rose by 6.1% and in Canada by 22.3%.

Total sales in the U.S. since the beginning of '06 have grown 1.6% and 13.7% in Canada.

Nonetheless, analysts still see sales as disappointing because of the drop in larger row-crop (over 100 hp and 4WD) tractors.

"May year-to-year declines in North American sales of row-crop and 4WD tractor sales were generally consistent with pervasive industry expectations for 5-10% declines in 2006 farm equipment sales," says Robert McCarthy, analyst for Baird U.S. Equity research. "Nearly half of the historical annual row-crop and 4WD tractor sales occur by the end of May."

Retail sales of row-crop (2WD and 100 hp and higher) tractors in North America fell 1% during the past month and are now 8% below 2005 levels.

"May is of average seasonal importance, contributing 9% of annual sales over the past 5 years," says McCarthy. "Historically, 48% of annual row crop tractors are sold from January through May."

North American retail sales of 4WD tractors dropped 13% compared with May '05, following a 41% decline in April. On a year-to-date basis, 4WD tractor sales are down 13%.

On a brighter note, sales of under 40-hp tractors were up 4% and 40-hp to 100-hp equipment were up 8% compared with May a year earlier. On a year-to-date basis, sales of under 40-hp units are up 2.8% and 40-100-hp tractors grew 4.6%.

Comparatively, combine sales are up slightly year-to-year, but the bulk of seasonal unit sales volume still lies ahead, says McCarthy.

May combine retail sales increased 8% compared with May of last year and are up 3% year-to-date. May is one of the seasonally least important months for combine sales, accounting for only 6% of average annual sales. Typically, 73% of combine sales occur in the final 7 months of the year. AIW

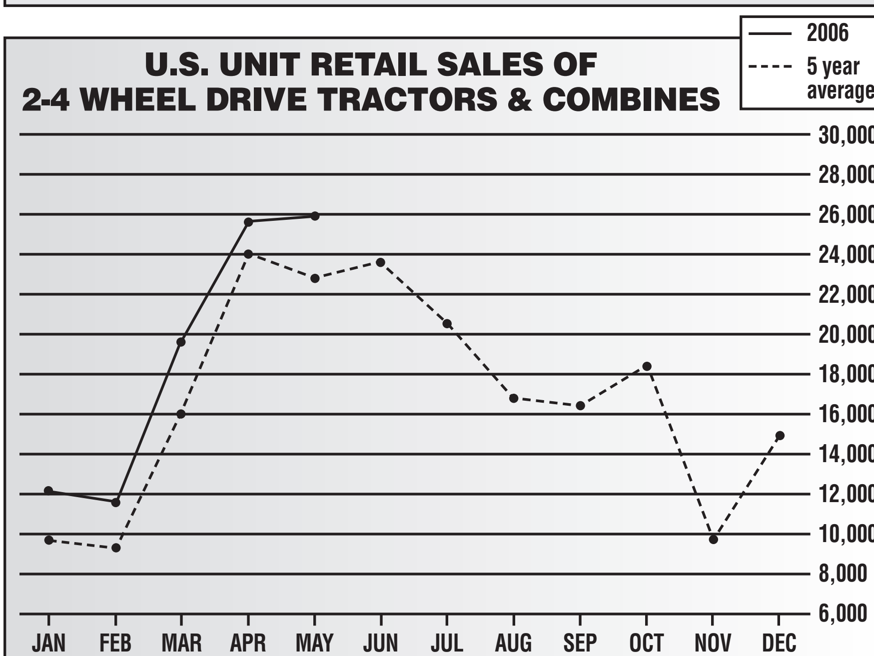
MAY U.S. UNIT RETAIL SALES

Equipment	May 2006	May 2005	Percent Change	YTD 2006	YTD 2005	Percent Change	April 2006 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	16,005	15,391	+4.0	53,552	52,112	+2.8	72,698
40-100 HP	7,943	7,358	+8.0	30,895	29,534	+4.7	35,222
100 HP Plus	1,368	1,423	–3.9	8,348	9,370	–10.9	5,998
Total-2WD	25,316	24,172	+4.7	92,795	91,016	+2.0	113,909
Total-4WD	247	269	– 8.2	1,429	1,682	–15.0	881
Total Tractors	25,563	24,441	+4.6	94,224	92,698	+1.6	114,790
SP Combines	424	402	+5.5	1,843	1,779	+3.6	1,446

MAY CANADIAN UNIT RETAIL SALES

Equipment	May 2006	May 2005	Percent Change	YTD 2006	YTD 2005	Percent Change	April 2006 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,595	1,144	+39.4	3,586	2,903	+23.5	4,462
40-100 HP	720	687	+4.8	2,645	2,432	+8.8	3,083
100 HP Plus	429	384	+11.7	1,631	1,483	+10.0	1,623
Total-2WD	2,744	2,215	+23.9	7,862	6,818	+15.3	10,475
Total-4WD	59	82	–28.0	333	346	–3.8	215
Total Tractors	2,803	2,297	+22.0	8,195	7,164	+14.4	10,690
SP Combines	92	70	+31.4	357	351	+1.7	583

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



—Assn. of Equipment Manufacturers

Tractor Makers Continue to Battle for European Market Share

Europe's farm tractor markets saw mixed fortunes last year as economic and weather-related factors lifted and depressed individual markets in equal measure.

Severe drought in the prior year was largely to blame for the significant downturn in tractor investment in Spain and Portugal (down 18.4% and 13.9%, respectively), while economic factors related to farm support that affected farmers' confidence in their business saw slumps in tractor sales in France, Europe's second-biggest market, and the U.K. (down 10.8% and 11.1%, respectively).

Within markets, it is clear the big five manufacturers — AGCO, Argo Group, CNH, Deere and Same Deutz-Fahr (SDF) Group, have maintained a firm grip, whether by single brand (John Deere) or the multi-brand strategies employed by most of the rest.

Last year in Italy — Europe's biggest market thanks to a preponderance of compact tractors for vineyard and fruit-growing enterprises — (SDF) regained the market-share lead it previously lost to CNH.

Increased sales of SAME, Lamborghini and Deutz-Fahr models lifted the group's total, in contrast to a dip of 1,000 units in sales of New Holland models in a market that held steady from 2004.

AGCO retained its lead in France, where every brand except Deutz-Fahr lost units, while in Germany, increased sales of all three of its main European brands — Fendt, Massey Ferguson and Valtra — kept AGCO at the top of the chart. Other notable movements in Germany include a 41% increase in Claas tractor sales and a near-17% drop for the Case IH/Steyr product line.

John Deere held its strong market-leading position in Spain, although that may well be seen as cold comfort in the face of a near-22%, 1,386-unit drop in sales from the year prior, even if New Holland fared worse with a 33% slump.

Deutz-Fahr was the only winner in the brand wars in Spain, picking up 15% against the market trend; it performed a similar feat in neighboring Portugal where a 7.6% gain (in contrast to a 23.8% slump in John Deere sales) helped SDF retain its position at the head of the market.

SDF sales also rallied in Austria against the trend in a market that saw CNH retain its strong position with a 36% overall share, and domestic manufacturer Lindner maintained its third-place slot in the face of the agricultural machinery industry's majors.

A look at the tractor markets in Finland and Sweden makes it easier to understand Valtra's appeal to AGCO; the brand continues to dominate with a 43% and 27% share of these markets, respectively. Add MF and Fendt sales to the mix and AGCO enjoys market positions of more than 55% in Finland, 44% in Sweden.

While Valtra sales slipped in both markets in 2005 as in Sweden, John Deere, New Holland and Massey Ferguson products all gained ground and the MF line gained popularity in Finland.

MARKET LEADERS - EUROPEAN TRACTOR SALES

Italy	**33,064 (-0.4%)**
SDF	24.2
CNH	22.3
Argo	14.8
Antonio Carraro	9.5
Deere	8.1

France	**29,996 (-10.8%)**
AGCO	24.3
CNH	22.7
Deere	20.5
Claas	15.5
SDF	10.0

Germany	**23,506 (+6.2%)**
AGCO	23.0
Deere	21.1
CNH	13.9
SDF	13.1
Claas	5.9

Spain	**16,213 (-18.4%)**
Deere	30.7
CNH	21.2
SDF	12.3
AGCO	11.6
Argo	6.2

UK	**13,301 (-11.1%)***
CNH	28.5
Deere	27.7
AGCO	17.7
Argo **	9.0
Renault ***	3.2

**market shares based on 2004 figures*
***Landini contribution estimated*
****now Claas*

Portugal	**6,248 (-13.9%)**
SDF	22.4
CNH	22.4
Deere	12.5
Argo *	11.3
AGCO **	8.7

**based on 2004 figures*
***MF contribution based on 2004 figures*

Austria	**5,961 (-5.0%)**
CNH	36.0
AGCO	18.7
Lindner	13.4
SDF	12.1
Deere	11.7

Finland	**4,507 (-10.7%)**
AGCO	55.4
CNH	17.8
Deere	17.6
SDF	5.7
n/a	n/a

Norway	**4,035 (+4.1%)**
AGCO	32.9
CNH	28.6
Deere	25.2
Argo	4.7
SDF	4.2

Sweden	**4,021 (+3.6%)**
AGCO	44.6
CNH	30.9
Deere	17.9
SDF	4.0
Zetor	1.2

Netherlands	**3,812 (+5.3%)**
no market share info	

Ireland	**3,645 (+26.5%)**
no market share info	

Denmark	**2,640 (+11.0%)**
CNH	32.5
AGCO	28.9
Deere	20.8
SDF	7.9
Claas	2.3

Belgium	**2,305 (-11.8%)**
CNH	36.0
Deere	21.2
AGCO	18.0
SDF	12.2
Claas	6.5

Iceland	**340 (+98.8%)**
CNH	32.3
AGCO	28.2
Argo	18.8
Deere	11.1
n/a	n/a

Luxembourg	**210 (-4.5%)**
AGCO	32.8
Deere	23.8
CNH	21.4
SDF	11.9
Claas	1.4

GROUP BRANDS

AGCO - Challenger, Fendt, Massey Ferguson, Valtra
Argo - Landini, McCormick
Claas - Claas
CNH - Case-IH, New Holland, Steyr
Deere - John Deere
SDF - Deutz-Fahr, Hurlimann, Lamborghini, SAME