



News, Information & Analysis for the Ag Equipment Marketer

September 15, 2005

## Bullish Sprayer Sales Projected to Continue in 2006

During a presentation at the July AEM AgExecutive Forum, one speaker concluded that the brisk sprayer business that dealers and manufacturers enjoyed during 2005 cannot be counted on again in 2006, due in large part because the loudly sounded alarms about Asian rust did not come to fruition. In fact, it was suggested that manufacturers and dealers would be spending time this winter explaining themselves to growers who bought units.

However, *Ag Industry Watch's* review of recent survey data, and its on-site discussions with exhibitors at the Farm Progress Show in Decatur, Ill., turned up a different picture.

Despite the fact that sprayer sales increased 41% from 2004 to 2005, nearly all exhibitors at the show continued to project a bullish outlook for 2006. The consensus continues to say it's not a question of if, but when, rust will hit.

Manufacturers point out that farmers need the sprayer capacity because when rust hits, custom applicators won't be able to even think about taking care of area farmers in the timely fashion that is needed. Another manufacturer believes precision farming has also brought about a

greater awareness of input costs and the favorable impact that spraying at the right time can have on yields.

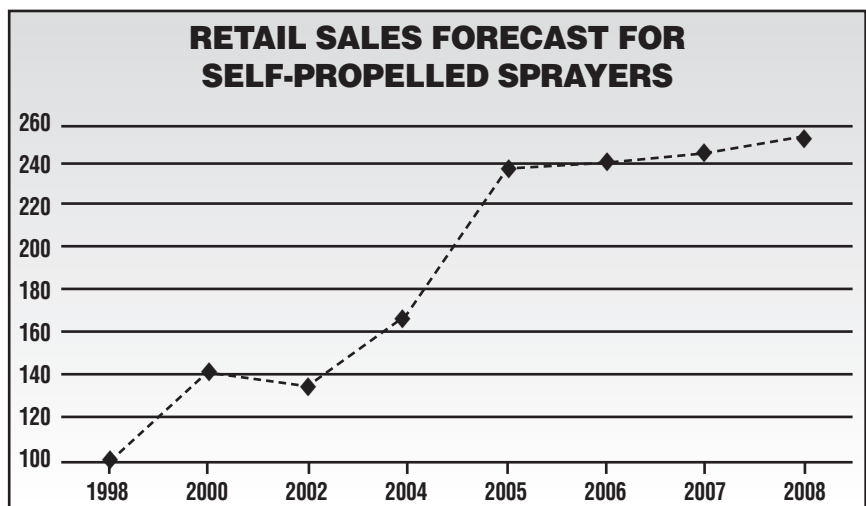
In his comments about the high number of leads gained from the September Farm Progress Show, one sprayer manufacturer executive noted, "Interest is very strong but competition is rough. Everyone is trying to maintain market shares as Deere entered the big sprayer business."

The chart below shows the revised AEM forecast for self-propelled sprayers, which includes modest growth in 2006 followed by increases

of nearly 3% and 2.5% in the years that follow. AEM's analysis of the results concluded that sprayers were definitely a "good place to be."

Meanwhile, the preliminary view of *Ag Industry Watch's* 2006 Dealer Business Trends Survey supported the bullish AEM member forecast. Of responding dealers, 92% expect sprayer sales to remain about the same or increase in 2006, including nearly 24.9% that predict unit sales gains of 2% or higher. (Final results of the 2006 Dealer forecast will be presented in the October 15 issue).

AJW



—Assn. of Equipment Manufacturers

## Stratecasts: 10-Year Outlook for Ag Equipment Remains Solid

As ag equipment dealers and manufacturers remember sales levels in 2004 fondly, 2005 looks as if it will be turning in a pretty solid performance as well with the coming year showing a continuing trend of slow but steady growth.

Projections coming from Stratecasts, the Fort Myers, Fla.-based market

analysis and consulting firm, indicate that the value of farm machinery shipments will show gains for 2005 and continue through '06. While the value of wheel tractors and combines slipped somewhat from 2004 levels, they are expected to bounce back slightly next year, though they won't match the levels achieved in 2004.

In the longer term, the growth of 2WD tractors under 40 HP will begin

*Continued on page 2*

### COMING IN OCTOBER

The October 15 issue of *Ag Industry Watch* will feature the results of our 2006 Dealer Business Trends survey. Watch for it!

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### FIVE-YEAR TREND IN VALUE OF SHIPMENTS OF U.S. MACHINERY \* (IN MILLIONS OF DOLLARS)

Product	2006	2005	2004	2003	2002
Wheel tractors and other farm machinery	4,790	4,700	4,950	4,500	4,200
Planting, seeding and fertilizing machinery	1,020	1,000	989	898	851
Harvesting machinery	1,730	1,700	1,775	1,614	1,625
Plows, listers, cultivators, weeders, harrows, rollers, pulverizers	460	450	443	403	426
Dairy machines, sprayers, elevators, farm blowers	840	825	809	735	742
Commercial turf and grounds care equipment	2,100	2,110	2,020	1,836	1,678
Lawn and garden equipment	7,670	7,520	7,370	6,700	5,710

\* U.S. Department of Commerce value, with estimates based on manufacturer's preliminary sales estimates.

\*\* Actual figures for 2002 and 2003; estimates given for 2004, 2005 and 2006.

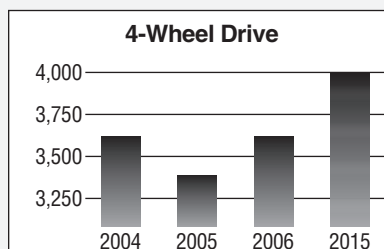
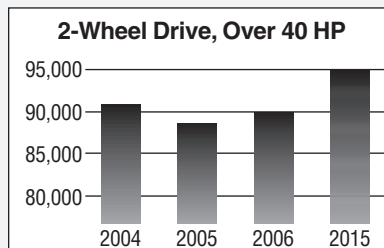
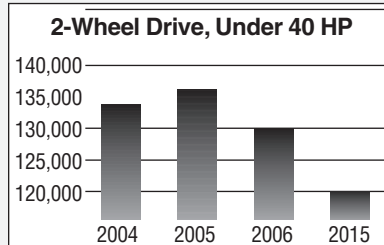
to cool from the levels seen in '05 and fall back to 2003 levels during the next 10 years. Sales of 2WD utility tractors over 40 HP, meanwhile, are projected to remain at 2004 levels through '06, and to grow steadily through 2015. Sales of larger, 4WD equipment are estimated to increase as well through the next 10-year period.

Stratecasts expects overall produc-

tion of U.S. farm machinery to improve only about 0.1% during the 2005-06 period, but show about a 1% annual growth rate through 2015.

Stratecasts, Inc. provides an annual demand and supply forecast for metal components consumption in agricultural machinery and other related industries. For information, contact Stratecasts at 239-947-5999. *AIW*

### CURRENT AND PROJECTED U.S. FARM TRACTOR SALES (INCLUDES IMPORTS)



## Art's Way Returns Focus to Core Products, Eyes Overseas Markets

With 5 years of stable financial performance behind it, Art's Way Manufacturing of Armstrong, Iowa, has set its sights on growing its core farm equipment business and through acquisitions that may move it beyond the ag equipment industry. Sales through the first part of 2005 were up 15% compared with the same period a year earlier.

With annual sales of about \$15 million through 340 dealers, Art's Way is among the smallest 5% of publicly traded companies in the country, with only 800 shareholders owning 1,956,176 shares. During a 5-

year period prior to bringing on a new management team, the company sustained losses amounting to \$5.4 million.

"Acquisitions were made that were never fully integrated into the company's core manufacturing capabilities," John Breitung, Art's Way president told *Ag Industry Watch* during an onsite plant visit. "Unfortunately, the day before I walked in there were 189 employees here. The next day there were 98. It was hard on a community like Armstrong, but it has allowed us to move forward."

Divesting itself of many of the

previous acquisitions is allowing Art's Way to use its resources to grow and diversify in a way that utilizes its inherent manufacturing strengths.

At the heart of the growth strategy of the 49-year old manufacturer of specialty ag equipment, which includes mixer-grinders, sugar beet harvesters and other farming implements, are plans to fill out its existing product lines and to develop equipment for export to Europe and other areas.

Breitung explains that the company is already in a strong position as one of the two largest manufac-

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turers of sugar beet harvesting equipment in the U.S. "There are about 1.4 million acres of sugar beets grown in the U.S. But the Ukraine alone grows 6.5 million acres of beets a year. Put this together with Russia's 6 million acres, and you've got a market that's more than 10 times the size of ours here."

During the past year, the firm introduced its new 6812 harvester that has the capability to be fitted with a 6- or 8-row lifting head or the market's first commercially available 12-row lifting head. Currently on the drawing board are smaller 4- and 6-row trail-behind beet harvesters suited to over-

seas shipping and European farming practices. The company also has a newer generation of beet defoliating equipment under development.

After struggling to define what it wanted to be, Art's Way now plans to more fully utilize its long-honed metal manufacturing talents. "We can do anything to a piece of metal," says Breitung, "From bending, to flame hardening, heat treating and laser cutting. Any future acquisitions will involve utilizing this inherent manufacturing advantage."

While Art's Way currently does some contract manufacturing under

license and other agreements (H&S forage blowers and CNH moldboard plows), future growth in this area will be designed to diversify the company's manufacturing base and will, in all likelihood, be into non-ag markets.

"At least half of our business will be in ag equipment," says Breitung. "It has made us what we are today. But regardless of our sales mix, we are structured today to be profitable."

Breitung adds that the company will continue to "modestly" fill in gaps in existing product lines, including its mixer-grinders and land management equipment. *AJW*

## Despite Overall Tractor Sales Optimism for 2006, Manufacturers Show Concern Over Small Tractor Sales

The AEM retail sales forecast shows a bullish outlook for tractors over the next 3 years. From 2005-2008, annual growth is expected in under-40 hp, 40-100 hp with flat sales in the 4WD category. Only 100-plus hp tractors are expected to see a loss over this period. A preliminary view of *Ag Industry Watch's* Dealer Business Trends Survey Results (to be examined in detail in next month's issue) appears to support the bullish outlook, as 85% or more of dealers expect to see the same unit sales or greater in each of the tractor categories for 2006. On average, about

one-third of dealers expect growth of 2% or more.

An executive at one of the independent tractor manufacturers exhibited more caution while sharing his projections for 2006 with *Ag Industry Watch*. "While I personally don't see 2006 as a growth year, I don't see a big downturn, either. I am forecasting 2006 to be basically flat, somewhere in +/-2%.

At some point, the small tractor (under 40 hp) could reverse its trend and shrink, as so much of that type of purchase is tied to disposable income. So as the economy (may) gets tighter,

sales going to leisure and recreational buyers and not into 'production ag' may well be the first to feel the impact." Incidentally, the AEM forecast calls for a 1.3% gain in under-40-hp tractors in 2006.

"In addition, rising interest rates will impact manufacturers' program costs as well as inventory carrying expense, etc., and the really attractive retail promotions could reflect those impacts," says the manufacturer. "That said, the small tractor market has really been dynamic over the past few years, and the total unit volumes continue to be pretty strong." *AJW*

### FARM MACHINERY TICKER (AS OF 9/14/2005)

Mfr.	Symbol	9/14/05 Price	8/11/05 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	\$19.84	\$20.78	\$23.13	\$16.50	12.56	796,900	1.80 B
Alamo	ALG	\$19.13	\$19.85	\$29.23	\$17.18	14.49	12,400	186.46 M
Art's Way	ARTW	\$5.75	\$6.00	\$11.50	\$4.25	7.19	11,400	11.26 M
Caterpillar*	CAT	\$58.30	\$55.02	\$59.88	\$37.01	17.25	4.75 M	39.46 B
CNH	CNH	\$22.00	\$20.96	\$22.38	\$16.18	34.38	72,900	2.94 B
Deere	DE	\$63.48	\$72.57	\$74.73	\$56.72	10.06	2.08 M	15.31 B
Gehl*	GEHL	\$28.53	\$50.47	\$34.53	\$11.97	17.19	84,000	292.12 M
Kubota	KUB	\$33.84	\$32.53	\$34.35	\$22.10	82.54	6,400	8.81 B

\*Caterpillar implemented a 2-for-1 stock split on July 13, 2005.

\*Gehl implemented a 3-for-2 stock split effective to August 10, 2005.



## Out In The Trenches, Here's What We're Hearing...

During visits with manufacturers, distributors, dealers and farmers at late summer farm equipment shows, *Ag Industry Watch* editors picked up a number of critical observations and developing trends relating to the impact of drought, fuel prices, foreign markets, environmental pressures and numerous other items that will likely impact machinery purchases.

Despite the difficulties, equipment manufacturers and dealers see many new encouraging trends and opportunities on the horizon. It starts with the farmers' willingness to continue buying needed equipment equipped with advanced technologies in order to become more efficient and to expand.

Despite the drought, farmers attending recent ag shows weren't singing the blues as one might have expected in the past. In fact, several farm equipment exhibitors noted that you didn't hear about the drought unless you asked. Instead, attendees were intent on finding solutions to their concerns.

Here are a few of the trends the editors spotted from visits with industry leaders at these shows that will have the most impact on farm equipment sales.

### Steel's Impact on Equipment Pricing No Joke

At the 2005 Kuhn and Kuhn Knight Dealer Convention in Madison, Wis. in August, Mike Shuda, Kuhn North America's director of finance, explained the impact that steel prices have had on the firm's equipment production.

Stating that the worst appears to be over in steel, he cited remaining concerns with energy and rubber and plastic. "We're extremely fortunate that these cost issues coincided with one of the best years on record for agriculture."

Shuda estimated that the jump in steel prices increased manufacturing cost of a variety of Kuhn products: Manure Slingers +23%, Reel Mixers +17%, Box Spreaders +15%, Vertical Mixers +19%.

### Equipment Buying Intentions

- 1** If it will save dollars, help farmers become more efficient or save labor, farmers are still continuing to spend. They're being careful, and studying a little bit more, but they're still willing to buy equipment.
- 2** Despite some of the less-than-stellar things that are happening in ag, farmers' outlook is very good.
- 3** Because of the drought and high fuel prices, some farmers aren't yet ready to commit to late 2005 or early 2006 machinery purchases. There are still some tax incentives in place, but not as many as a year ago.
- 4** Farmers are cautious and looking at new tractors, but they are not making a commitment.

### Dealer Strategies

- 5** More multi-store dealerships will emerge because they offer an economy of scale that can't be matched by small dealerships. Larger dealers can more readily meet increasing service demands from farmers.
- 6** Farm size will continue to increase, leading to fewer farm equipment dealers.

### Changing Equipment Trends

- 7** Strip-tilling is gaining momentum as farmers look at their bottom line in an effort to trim equipment costs, make fewer field passes and deep-band nutrients.
- 8** Vertical tillage is coming on strong in an effort to help avoid serious soil smearing problems often seen with field cultivator systems. This will be followed with conservation tillage in the spring.
- 9** No-tilling soybeans is an easy decision, but it's tougher to decide to no-till corn.
- 10** In a repeat of what happened in the 1980s, high fuel costs, high fertilizer prices and low grain prices will drive the expansion of no-till and strip-till.

### Sundowners, Part-Timers

- 11** Sales of lower-cost compact tractors are increasing to buyers with

5- to 15-acre mini-farms. Hobby farmers will represent a stronger portion of overall sales for many dealers.

- 12** More lower horsepower tractors are selling with cabs since buyers want convenience without heat or dust. It doesn't matter what the cab costs, what's the impact on monthly payments?
- 13** With the use of more efficient and easier-to-use, labor-saving equipment, retired farmers will be willing to work part time, playing an even more critical role in ag's labor pool.

### Advancing Technologies

- 14** Global positioning systems and field mapping technologies are being married with nutrient management issues.
- 15** New technology is making products more efficient, cleaner and more reliable, either by choice or by government mandate.
- 16** More safety considerations are being built into farm equipment, a good thing, even if it has largely been driven by lawsuits.
- 17** As farmers continue to expand, investing in an auto-steer system is going to be critical to getting work done efficiently, accurately and on time.

### Growing Energy Concerns

- 18** With skyrocketing fuel prices, farmers are finally becoming interested in reducing the number of passes across the field.
- 19** For the first time, farmers are asking about fuel economy when it comes to looking at new tractor purchases. Will this new tractor burn 8 or 11 gallons of diesel fuel per hour?
- 20** Higher fuel prices are going to lead to quicker development of the grain-based fuels market.

### Changing Farming Trends

- 21** Farmers will have an extremely tough time trimming 2006 crop production costs.
- 22** Land rents are going to have to come down somewhat in 2006 since farmers can't pay big dollars for land and inputs and still make any money.

**23** While some farmers have suffered from a serious drought this year, Mother Nature eventually will start treating everybody right and it will all turn around.

### Nutrient Management

**23** With higher fertilizer prices, manure is being recognized as a much more important nutrient source, which will lead to purchases of bigger-scale manure application machines.

**25** Root zone banding will become more important to trim fertilizer and energy costs.

**26** Farmers who haven't been sold on no-till and strip-till in the past are now taking another look to reduce field trips and rely on

root zone banding to reduce fertilizer costs.

**27** With higher-priced fertilizers, farmers will need to do a much better job of placing nutrients and not over-fertilizing.

**28** Because of the New Orleans floods holding up barge traffic for both exported grain and imported fertilizer, some fall fertilizing may not get done this year.

### Chemical Application

**29** Sprayer sales, both pull-type and self-propelled, remain a bright spot in the equipment picture due to the expanded use of Roundup Ready crops and the fear of Asian soybean rust. Experts say a sprayer

returns more on a farmer's investment than any other piece of machinery.

**30** Look for more farmers to switch to multiple-chemical applications in the Midwest to boost yields, which will expand spray sales.

**31** More farmers are recognizing that they must apply their own chemicals to be timely.

### Summing Up

There are plenty of challenges to go around these days, and while farmers, equipment dealers and manufacturers are finding their plates full as always, the industry appears to be in good shape to continue to help feed the rest of the world. *AJW*

## No Relief Seen with Ag Tire Shortage as Prices Rise 5-8%

As steel prices eased somewhat this summer, ag equipment makers are still grappling with the continuing shortage of big tires. With no relief in sight and fuel costs continuing to rise, farm machinery manufacturers are expecting significant price hikes and slow delivery of tires this fall.

Despite his pronouncement early last month that his firm had been "successful in offsetting the impact of record-high raw material costs through strategic pricing actions," Robert Keegan, Goodyear Tire & Rubber Co. chairman and CEO, conceded that price hikes were probably a foregone conclusion. Raw material costs increased by approximately \$133 million during the quarter, compared to a year ago. The company said it expects raw material costs to grow by

about 10% for the full 2005 compared with 2004.

So it came as no surprise when Goodyear and other major tiremakers recently announced price increases for this fall. Goodyear has announced three price boosts this year alone as oil nears \$70 a barrel with the price of natural rubber also rising. The latest Goodyear increases ranged from 5% to 8% depending on the tire model.

"Look for tire prices to go up 8% by October 1," says Don Goss, sales manager, Galaxy Tire & Wheel, Inc., Malden, Mass.

A Michelin spokesman offered that "Market growth has simply outpaced all expectations." Between 2003 and 2004, demand for large tires grew 20%. For some sizes demand was up 30%.

The strong ag market in 2004 depleted inventories. With manufacturing plants already operating at full capacity, low inventories will continue through 2006 and some say well into 2007.

There's no word yet on where Titan Tire's \$100 million offer to acquire Goodyear's Freeport, Iowa, plant is heading. The manufacturing facility specializes in agricultural and other specialty tires. If the purchase goes through, Titan plans to invest millions to modernize the Freeport plant, ultimately increasing its capacity. If the deal falls through, the possibility remains that Goodyear will shut down its production there. Titan is looking for concessions from Freeport's union before moving ahead with the purchase. *AJW*

## Farm Equipment Industry Newsmakers

The board of directors of **CNH Global NV** has elected **Harold Boyanovsky** permanent president and CEO of **CNH**. Boyanovsky has served as president of **CNH's Construction Equipment Business** since September 2002 and will retain that position for the immediate future.

**Agco**, Duluth, Ga., has added **Hubertus Muhlhauser** to its senior management team as senior vice president of Strategy & Integration, an entirely new position for the ag equipment manufacturer.

**The GSI Group**, Assumption, Ill., manufacturer and

supplier of ag equipment, has appointed **Richard M. Christman** as chief executive officer.

**Bill Morgan** has been named national sales manager for **Feterl Manufacturing** of Salem, S.D. In addition to overseeing Feterl's day-to-day nationwide sales, he will also be responsible for its Ag and CATV divisions.

**CSI's Hemisphere GPS**, a designer and manufacturer of GPS products, has signed an agreement to supply GPS receivers and autosteer systems to **Claas** for its tractors and other ag equipment. *AJW*

## Drought Reduces Farm Income, Could Affect Equipment Sales

The Midwest drought is expected to reduce net farm income in 2005. It is already showing up in slowing equipment sales, as evidenced by John Deere's report of lower third-quarter earnings and reduction in their fourth-quarter forecast.

Deere's less-than optimistic

outlook for the last quarter of the year may reflect what other ag equipment makers are feeling as well.

Last year's bumper crops, high beef prices and enhanced federal subsidies, produced a record-high net farm income of \$73.6 billion. A cooling farm economy in '05 along with the 5-month

drought is expected to drop net farm income to about \$61 billion in '06.

Baird Analyst Robert McCarthy says that other, longer-term issues like of uncertainty about the new U.S. farm bill, and the forecasted decline in farm cash receipts could slow investment in new farm equipment next year. *AIW*

## Claas Ends Telehandler Agreement with Caterpillar, Forms Alliance with Kramer

An OEM supply agreement through which Claas has sourced its agricultural telescopic handlers from a Caterpillar plant in England for the past 5 years has ended. The German manufacturer has announced that it is switching to a collaborative venture with fellow German company Kramer Werke.

A new range of telescopic handlers is being developed jointly by the German partners. Under the agreement, Kramer will sell the machines to the construction/industrial market while Claas will market them to agricultural users. To cement the relationship, Claas has taken a minority holding in Kramer Werke.

In a thinly disguised criticism of Cat's telehandler production in England, Lothar Kriszun, Claas manager of marketing and after-sales, said, "In Kramer, we have found a well

respected and an above-all competent partner in the industry. Kramer's wheeled loaders are at the cutting edge of technology; the trump card to be gained here is reliability."

Claas entered the materials handling market in the 1990s by purchasing the British firm Sanderson Teleporters, founded by a former hog farmer who pioneered the telescopic handler concept. In 2000, it sold all intellectual and manufacturing rights for the handlers to Caterpillar and negotiated an OEM supply deal for vehicles to be sold in Europe through the Claas distribution network.

The package included a new range of side-engine, hydrostatic drive compact handlers that Claas had on the drawing board, which met Caterpillar's ambitions to develop a full line of compact construction machinery.

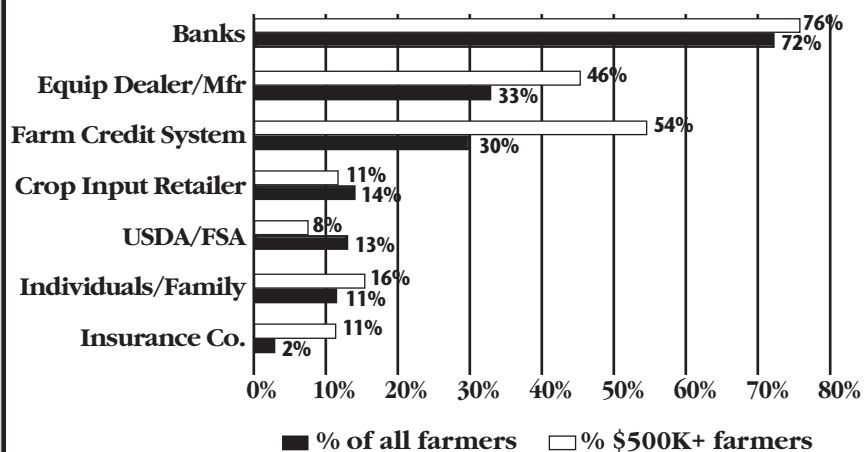
They are assembled in Caterpillar's assembly facility in Leicester, England, right alongside Cat's full-size telehandlers.

Kramer is a subsidiary of Neuson Kramer Baumaschinen, an Austrian engineering company with 600 employees and sales last year of \$226 million. The group distributes its products in North and South America through Gehl, the West Bend, Wis. manufacturer of agricultural and construction machinery.

The Neuson side of the business produces a line of compact 360-degree hydraulic excavators, while Kramer produces a range of compact four-wheel steer loading shovels, two of which are available with a telescopic boom in place of conventional loader arms.

The collaboration with Claas marks the company's first venture into mainstream telescopic handler designs. Kramer joint managing directors, Karl Friedrich Hauri and Martin Buyle, expect the new agreement to double production output and represent 40% of the division's sales turnover within a few years. *AIW*

### WHERE FARMS GET THEIR FINANCING



Shown here are the major sources of financing and loans for all sizes of farming operations. Equipment dealers and manufacturers represent the second largest source for all farms (33%), but nearly half of the \$500,000+ operations look to them as a major source for financing.

### Caterpillar Will Raise Equipment Prices in 2006

Peoria, Ill.-based Caterpillar, Inc. announced that it will raise prices for its machinery and engines by 1-5% starting in January 2006. The manufacturer of construction and machinery equipment said in a regulatory filing that the price increase is "in line with expected general economic conditions and industry factors."



## Large Tractor Sales Rebound In August

Following a slow down in sales during June and July, retail sales of row-crop tractors rose 4% on a year-to-year basis in August. Despite this, overall sales were still down 3% during the last 3 months, according to Robert McCarthy, analyst for Baird, U.S. Equity Research, August typically represents the weakest month of the year.

In addition to the jump in sales for row-crop tractors, the Assn. of Equipment Manufacturers also reports that retail sales of 4WD tractors surged 43% year-to-year and are now up 5% during the last 3 months.

Retail sales of mid-range tractors (40-100 hp) increased a modest 1% compared with August '04, which was in line with the growth rates of recent months. Mid-range tractor sales are up 9% year-to-date, which is the fastest rate of growth of all product classes.

On the other hand, sales of utility tractors slipped 4% for the month. This represented a considerable improvement over July's 25% year-to-year decline and the slowest monthly decline since January.

August combine retail sales fell 26% compared with the same period last year, and are now down 3% during the last 3 months. According to McCarthy, "August is an above-average sales month for combines, on average contributing around 12% to annual sales. Comparisons remain particularly challenging over the next 2 months."

He also reports that tractor inventories in July appear to be sufficient to meet demand in the near term. U.S. combine inventories are relatively tight at 102 days of sales, which was down considerably from 154 days at the same point last year.

The effects of Hurricane Katrina are expected to have a temporary impact on agricultural trade while ports return to full capacity, says McCarthy. "With approximately half of all U.S. crop exports moving through New Orleans, we expect logistical problems associated with Hurricane Katrina to distract some farmer attention from equipment purchases in the near term." *AJW*

### AUGUST U.S. UNIT RETAIL SALES



Equipment	August 2005	August 2004	Percent Change	YTD 2005	YTD 2004	Percent Change	July 2005 Field Inventory
<b>Farm Wheel Tractors-2WD</b>							
Under 40 HP	10,811	11,343	-4.7	90,653	99,732	-9.1	60,161
40-100 HP	6,221	6,196	+0.4	52,046	47,557	+9.4	32,336
100 HP Plus	1,016	1,048	-3.1	13,372	13,210	+1.2	7,108
<b>Total-2WD</b>	<b>18,048</b>	<b>18,587</b>	<b>-2.9</b>	<b>156,071</b>	<b>160,499</b>	<b>-2.8</b>	<b>99,605</b>
<b>Total-4WD</b>	<b>216</b>	<b>154</b>	<b>+40.3</b>	<b>2,397</b>	<b>2,181</b>	<b>+9.9</b>	<b>1,082</b>
<b>Total Tractors</b>	<b>18,264</b>	<b>18,741</b>	<b>-2.5</b>	<b>158,468</b>	<b>162,680</b>	<b>-2.6</b>	<b>100,687</b>
<b>SP Combines</b>	<b>680</b>	<b>926</b>	<b>-26.6</b>	<b>3,846</b>	<b>3,684</b>	<b>+4.4</b>	<b>1,992</b>

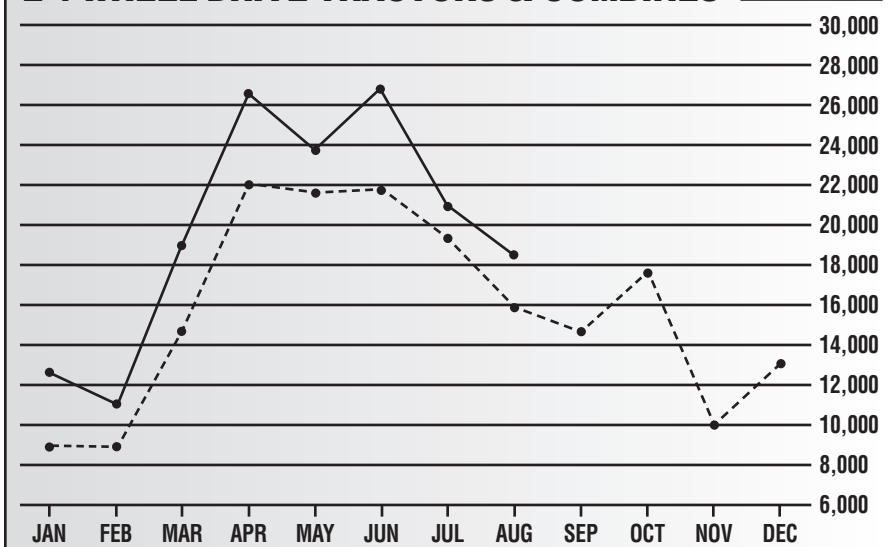
### AUGUST CANADIAN UNIT RETAIL SALES



Equipment	August 2005	August 2004	Percent Change	YTD 2005	YTD 2004	Percent Change	July 2005 Field Inventory
<b>Farm Wheel Tractors-2WD</b>							
Under 40 HP	510	443	+15.1	5,343	4,728	+13.0	4,090
40-100 HP	360	344	+4.7	4,033	3,739	+7.9	3,118
100 HP Plus	245	166	+47.6	2,354	2,198	+7.1	1,667
<b>Total-2WD</b>	<b>1,115</b>	<b>953</b>	<b>+17.0</b>	<b>11,730</b>	<b>10,665</b>	<b>+10.0</b>	<b>8,875</b>
<b>Total-4WD</b>	<b>29</b>	<b>17</b>	<b>+70.6</b>	<b>421</b>	<b>481</b>	<b>-12.5</b>	<b>236</b>
<b>Total Tractors</b>	<b>1,114</b>	<b>970</b>	<b>+17.9</b>	<b>12,151</b>	<b>11,146</b>	<b>+9.0</b>	<b>9,111</b>
<b>SP Combines</b>	<b>226</b>	<b>291</b>	<b>-22.3</b>	<b>1,011</b>	<b>963</b>	<b>+5.0</b>	<b>638</b>

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

— 2005  
--- 5 year average



—Assn. of Equipment Manufacturers

## Ag Growth Income Fund Acquires Edwards Group, Increases Distributions

Ag Growth Income Fund, in releasing its 6-month results in late August, announced that it has increased distribution in excess of 8%. The increase in distributions is based on the continued strong financial performance of the fund as well as the recent acquisition of the Edwards Group of companies.

Ag Growth, based in Rosenort, Manitoba, manufactures portable grain handling equipment, including

augers, belt conveyors and other grain handling accessories.

In the 6-month period that ended June 30, the fund reported revenue of \$40.4 million and earnings before interest, taxes, depreciation and amortization of \$12 million.

The fund recorded positive results in both the 3- and 6-month periods. Strong sales, buoyed by the momentum of the record U.S. harvest in 2004, solid gross margins and the

acquisition of the Edwards Group all contributed to the favorable performance for the period.

"We are very pleased with our June 30, 2005 results," said Bob Stenson, president/CEO of Ag Growth Income Fund. "Sales and EBITDA were strong in all divisions. We were also very pleased with the performance of our latest acquisition, the Edwards Group. The order backlog at all divisions remains solid."

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## Ag Equipment Exports Jump 22% in First Half of '05

U.S. exports of agricultural-related machinery in 2005 topped \$3.7 billion for the first half of the year, a 22% gain compared to January-June 2004, according to the AEM's quarterly "global markets report" for farm machinery, consolidating U.S. Commerce Dept. data, issued on August 31.

Looking at quarterly totals, farm equipment worth \$1.77 billion went to international markets during the first quarter of 2005, and second-quarter 2005 exports grew 12% over the first quarter to total \$1.97 billion.

Exports of U.S.-made farm equipment to South America totaled \$187

million for the first half of 2005, a 14% increase compared to the same period last year. U.S. agricultural machinery exports to Asia declined almost 4%, totaling \$247 million.

Central America and Australia/Oceania each increased their 2005 purchases of American-made ag equipment by 7% from January-June 2005. Central American purchases totaled \$327 million and Australia/Oceania bought \$345 million of ag machinery. Exports to Africa grew 9% to \$90 million.

Equipment exports to Europe rose 42% to total \$1.45 billion. Canada took delivery of \$1.1 billion worth of

U.S.-made ag machinery, a 21% increase over its 2004 first-half purchases.

The top 10 buyers of American-made farm equipment during the first half of 2005 were:

1. Canada — \$1.1 billion (+21%)
2. Australia — \$317 million (+6%)
3. Mexico — \$255 million (+4%)
4. Germany — \$217 million (+38%)
5. France — \$189 million (+13%)
6. U.K. — \$160 million (+15%)
7. Russia — \$115 million (+127%)
8. Turkmenistan — \$96 million (+146%)
9. Belgium — \$88 million (-4%)
10. Brazil — \$78 million (-8%)

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