From the editors of *Farm Equipment...*

Ag Equipment Intelligence

August 15, 2009
Vol. 16, Issue 4

News, Information & Analysis for the Ag Equipment Marketer

- CNH to Repay Fiat
- No-Till Trends
- Sprayer Sales Rise

AGCO Reworks Dealer Network Support to Focus on Product & Business Development

AGCO Corp. is creating a three-tier dealer system that it says will allow its field service people to devote more time to product training and business development. In the "re-engineered" network, its North American dealers are designated as Platinum, Gold and Silver, according to Alistair McLelland, AGCO's vice president of distribution development for North America. The designations reflect how much personalized service the dealer will receive from account managers and product specialists.

In an exclusive interview with *Ag Equipment Intelligence*, McLelland says the objective of the revamped dealer program is to reduce the amount of non-value added administrative tasks that its field organization was performing. "We're re-focusing our field-sales people on working with our dealers to develop their business and to enhance our capability to provide them with business development, product and training support," he says.

"We discovered we had a field sales administration team in place and what we wanted was to have a field sales and business development team.

"We renamed our sales managers as account managers to make it clear that their role is to develop the dealer's business and it's no longer to administer the dealer's business. We expect to train our dealers to do business with us and to be more self-sufficient on the administration side," he says.

At the same time, McLelland says, the company has substantially increased the number of product specialists it has in the field to help dealers with product demonstrations and training.

He says that each product specialist has a primary focus and a secondary product they support. Each is assigned to one of AGCO's seven North American districts and a specified number of dealers that they're required to support. "We've also built in a lot of flexibility to allow our product specialists to move them between districts to wherever they are needed."

Overall, AGCO reduced the number sales/account managers by approximately 40% but increased the number of product specialists by about 50%.

Dealer Designations. The deal-

Continued on page 2

Auto and Ag Equipment Dealers Share the Same Obstacles

A recent conversation with an automobile dealer from northern California indicates car dealers are facing many of the same concerns as farm equipment dealers.

Here's a rundown on similarities that Ag Equipment Intelligence editors found during a discussion with this dealer. He's operated Buick, Pontiac, GMC and Nissan franchises for a number of years with this family-operated dealership.

• **Brand Retrenching.** While General Motors (GM) is dropping the Pontiac brand, it's been one of his best sellers over the years. The dealer would have preferred to lose the Buick line, but says GM is keeping the line due to its "big car" popularity in China.

• **Dealership Consolidation.** Like most states, California has a law preventing vehicle manufacturers from canceling auto or farm equipment dealerships without due cause. But for many auto dealers, that law's teeth went out the window with the recent GM and Chrysler bankruptcy filings.

This dealer believes it's not over yet, as dealers with cancelled contracts are already hiring lawyers to seek higher revocation fees.

• **Brand Purity.** GM doesn't like the fact that this dealer operates a Nissan franchise, a real profit builder due to higher fuel prices.

GM has demanded that he build a separate showroom for the Nissan line. But a still unanswered question is whether he can handle Nissan service work in the same building where GM work is done.

• **Cash for Clunkers.** This has been a good program in recent weeks, especially with the Nissan line of fuel-efficient cars. The dealer has amassed 125 traded-in clunkers so far. While they're eventually destined for the junkyard, they're still sitting on his back lot because he has yet to see any the federal government dollars to finance the "Cash for Clunkers" program, even though new car buyers have received the up to $4,500 federally funded discount.

This has definitely boosted new car sales, but has also dropped new car inventories. This is a major sales concern since manufacturers have cut back on auto production in a

Continued on page 3

Continued from page 1

What One AGCO Dealer Likes About the New Structure

"We're pretty much of a self-reliant dealership," says Cleve Buttars, owner of Agri-Service, one of AGCO's largest dealer groups. "We don't need their help with book-keeping. Dealers like us need technical help and training. That's what I like about the direction they're going."

With 8 retail locations and one independent service center spread across Idaho, Northern Utah and Eastern Oregon, Agri-Service is probably as good an example of what AGCO is looking for in its Platinum dealers.

"It appears that the small-volume dealers will not have personal contact with the field personnel," Buttars says.

For those dealers rated as Platinum or Gold, he believes the new support structure should work well. "As sophisticated as the new equipment is getting, especially with GPS and all of the features being added to the new models, AGCO putting more product specialists in the field for support and training is crucial to our dealership."

He also believes that AGCO will take a much more active role in dealers' succession plans. "It sounds like they'll be more proactive in trying to get dealers to group up because of the advantage of multi-locations. It all makes sense to me," Buttars says.

At the same time, he says he's hearing concerns from other dealers.

"I've talked with several dealers that had great personal relationships with AGCO's field people. Previously, there seemed to be a reluctance to change out long-time field personnel. Now it's totally different."

ership Platinum, Gold and Silver ranking is based on a "volume and strategic fit matrix that we use," says McLelland, while stressing it is not based solely on sales volume.

"We may have a high-volume dealer that sells one of our product lines, but his primary supplier is another one of the majors. In this case, what the dealer is looking for from AGCO is efficient administration of his business, not business development. For this reason we will not assign an account manager to the dealer but we will improve the efficiency of how we administer the business by using the inside sales team," he says.

On the other hand, McLelland adds, if a low-volume dealer handling AGCO or Massey Ferguson compact utility equipment has only been a dealer for a short time with no real history, the company would classify him at least as a Gold dealer. "We want to assure that an account manager is calling on the new dealers."

McLelland explains that, "When we segmented the dealers into Platinum, Gold and Silver, we also assigned account managers to them with a very prescriptive process of what we expect them to do. The Platinum dealer will get more time than a Gold dealer, simply because of the size and scope of their business.

"They also get priority access to product specialists. These dealers will see more of account managers. They won't be there to just check out inventory. He'll be there to look at where the dealer's going with his business, expansion opportunities, succession planning. His responsibility is to be proactive to make sure we're engaging in the correct amount of training, open houses, field demos and other activities that we expect from our Platinum dealerships," McLelland says. "With that knowledge, the account manager can coordinate company resources to support these dealers in those efforts."

Silver Dealer Services. As important as it was to revamp its dealer support efforts, McLelland says the company was also looking for ways to administer and improve service to smaller dealers by giving them on-demand access for administrative support. To do this, AGCO created an inside sales team based at its headquarters in Duluth, Ga.

"The Silver designation generally applies to lower-volume dealers that maybe sells one or two tractors a year and every time he does, he needs to revisit the process of placing an order with AGCO," McLelland says.

He adds that in the past, it was often a time-consuming and cumbersome process. "Now we have dedicated team internally. When these dealers want to place an order, they have an 800 number any time during business hours. We're already seeing that we're handling the needs of those dealers much more efficiently than we did in the past."

McLelland emphasizes that "when AGCO created the inside sales team it wasn't because we didn't want the business from our smaller dealers. It was developed to improve our service levels to those dealers. We will still support them on a request basis. If they need a product specialist to visit, a training session, a field demo, we can still provide that support, but we will no longer administer them from our field organization."

He also adds, that it was never the company's intention to dump its smaller dealers nor was it cost pressures that drove the restructuring of AGCO's dealer support services.

"The organization change was not a reaction to softening business in mid-2009. We have been working on the re-engineering of the network since the end of the third quarter of last year, which was in the boom times. The changes were designed to improve the service and support we provide to all types of dealers and to focus our resources on truly value-added activities," McLelland says. AEI

AG EQUIPMENT INTELLIGENCE is published monthly for the farm equipment industry by Lessiter Publications Inc., P.O. Box 624, Brookfield, WI 53008-0624. Please send any address changes as soon as possible to the address shown above.

U.S., Canada and Mexico print subscriptions are $349 per year. Save $50 by receiving *Ag Equipment Intelligence* each month via E-mail Internet access at only $299 per year. International print subscriptions are $449 per year. Send subscriptions to: *Ag Equipment Intelligence*, P.O. Box 624, Brookfield, WI 53008-0624. Fax: 262/782-1252. Phone: 262/782-4480 or 800/645-8455 (U.S. only). E-mail: info@lesspub.com.

Continued from page 1

period of strong demand.

• **Dealership Transfer.** Like some major farm equipment manufacturers, GM is not automatically letting this dealer transfer the operation to his two sons. While he's gifting stock, there's no guarantee of an allowable family dealership transfer.

• **Same-Town Dealerships.** The dealer says GM only wants Cadillac dealers in towns and cities where there is a competing Lexus dealer. This means a prospective Cadillac customer located along the 470-mile corridor between Sacramento and Portland may have to visit these cities to buy their favorite luxury car. The key question is where do the folks in small towns go for Cadillac service?

• **New Technology.** With the sale of the Saturn brand, GM is transferring that line's gas and electric technology to Buick. Since Buick is known for manufacturing big cars, the hybrid car concept doesn't quite fit this line.

Summing Up. Regardless of location and brand, dealers are facing extensive pressure from manufacturers. Many of the same unanswered questions and major problems facing farm equipment dealers are also rearing their ugly heads in automobile dealerships. AEI

CNH Planning to Repay Fiat with Sale of $1 Billion High-Yield Bonds

With Fiat not so patiently waiting for the loans it made to its CNH Global subsidiary to be paid back, the ag and construction equipment maker is preparing to sell $1 billion in bonds, according to published reports. The proceeds will be used by CNH to repay its parent company, which needs the money to offset the costs for its takeover of carmaker Chrysler Group LLC.

Analysts say the bond sale by CNH will likely ease its financial dependence on Fiat, which has a nearly 90% equity stake in the world's second-largest manufacturer of ag equipment.

"CNH has been leaning on Fiat's balance sheet for financial support, and that has weighed on Fiat's credit risk profile," said Brian Studioso, an analyst at CreditSights.

"A move by CNH to access the capital markets and reduce its dependence on Fiat would be a credit positive for Fiat."

CNH Global and other equipment subsidiaries will guarantee sale of senior notes that are due to mature in 2013.

Under Pressure. As reported in the April 2009 issue of *Ag Equipment Intelligence*, Fiat has been putting pressure on CNH to repay a $5.2 billion loan it took from its parent company last year. CNH took the loan from Fiat because of declining business volumes for its products when the U.S. economy slumped.

Credit rating agency Standard & Poor's assigned a BB+ rating to the proposed new issue.

As credit market conditions have improved, CNH has resumed access to the asset-backed securities markets as well as the U.S. government TALF program.

"CNH is now looking to take advantage of the receptiveness in the bond market as well," said Studioso.

Difficult Outlook. In the meantime, CNH isn't expecting its equipment sales to pick up any time soon. Its second-quarter equipment revenues declined 33% year-over year — -22% in ag and -62% in CE — to about $3.6 billion. The company also expects to record a loss for the year, and lowered its equipment revenue guidance to $12.2-13 billion vs. its prior guidance of $13.9 billion for 2009. AEI

FARM MACHINERY TICKER (AS OF 8/12/2009)

Mfr.	Symbol	8/12/09 Price	7/13/09 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$31.92	$26.21	$62.49	$14.62	9.97	1.26 M	2.95 B
Alamo	ALG	$14.11	$10.91	$21.65	$9.22	19.71	17,395	140.73 M
Art's Way	ARTW	$4.75	$4.16	$19.52	$2.90	32.76	8,480	18.95 M
Caterpillar	CAT	$47.58	$31.80	$74.50	$21.71	16.40	13.93 M	29.56 B
CNH	CNH	$19.02	$12.22	$38.59	$5.69	26.09	344,700	4.52 B
Deere	DE	$45.80	$36.59	$71.44	$24.51	12.26	5.11 M	19.36 B
Kubota	KUB	$41.21	$39.36	$46.234	$17.72	21.24	41,093	10.48 B
Titan Machinery	TITN	$12.05	$11.16	$26.28	$7.50	13.00	323,465	213.63M

Growers See Continuing Trend Toward Conservation Tillage

Farmers that already employ some form of conservation tillage — no-till, strip-till or one-pass tillage — expect these practices to gain momentum during the next 4 years, according to a benchmark study conducted by *No-Till Farmer*, earlier this year.

The newsletter published by Lessiter Publications, polled farmers in 22 states and 7 agricultural regions about their use of conservation tillage in the first-ever survey of its kind. Of the 549 respondents to the No-Till Practices Survey, more than 93% practice no-till on their farms.

Some type of one-pass tillage is practiced by more than 30% of respondents, while another 13% practice strip-till, which is predominantly used only on corn acreage. Fewer than 4% say they employ moldboard plowing.

When asked to estimate the percentage of no-till growth in their area during the next 4 years, only 15% said they did not expect any further growth.

However, 37% said they expect up to 10% acreage increase with another 21% anticipate an increase of no-till acres ranging between 11% and 20%.

Strip-till appears to be gaining momentum with 17% of both Southern Plains and Great Lakes growers and 16% of Eastern Corn Belt growers currently using the practice.

What Percentage Gain in No-Till Acreage Do You Expect to See in Your Area by 2012?

	None	1-10%	11-20%	21-40%	More Than 40%
All	15%	31 %	26%	14%	14%
ECB	10%	35%	28%	14%	13%
WCB	20%	33%	22%	13%	12%
GL	16%	37%	21%	13%	13%
NP	12%	42%	21%	4%	21%
SP	14%	25%	27%	18%	16%
NE	12%	21%	37%	19%	11%
AP	19%	44%	6%	19%	12%

Nearly all growers — both nationally and by region — expect acres devoted to no-till farming to continue growing during the next several years.

What Percentage Gain in Strip-Till Acreage Do You Expect to See in Your Area by 2012?

	None	1-10%	11-20%	21-40%	More Than 40 %
All	42%	32%	19%	5%	2%
ECB	39%	35%	18%	6%	2%
WCB	41%	31%	22%	6%	0%
GL	33%	35%	23%	4%	5%
NP	41%	41%	18%	0%	0%
SP	33%	30%	21%	7%	9%
NE	57%	29%	8%	4%	2%
AP	70%	15%	15%	0%	0%

While acres devoted to strip-till — which is used almost exclusively for corn — will continue to increase, growers don't see it keeping up with no-till acres.

Legend: ECB - Eastern Cornbelt; WCB - Western Cornbelt; GL - Great Lakes; NP - Northern Plains; SP - Southern Plains; NE - Northeast; AP - Appalachia

While 42% said they did not expect any growth in strip-till in their area, there were some similarities on growth potential between strip-till and no-till.

Some 35% of respondents expect up to 10% acreage growth in strip-till during the next 4 years and 23% anticipate 11-20% increase in strip-till acreage. **AEI**

Argo Sales Improved 12% in 2008

Italy's Argo SpA, the holding company whose subsidiaries manufacture Landini and McCormick tractors, and, in partnership with AGCO Corp., Laverda combines, has reported a 12% increase in sales for its 2008 financial year compared with the same period in 2007.

Group turnover amounted to the equivalent of $1.07 billion at the current rate of exchange, with EBIT just shy of $64 million and pre-tax profit almost $20 million.

"Despite the deep downturn that the general economy has experienced since the last quarter of 2008, Argo has been able to embark upon initiatives that re-organized corporate processes while keeping running costs down," says Argo chairman Valerio Morra. "This has attenuated the effects of the drop in demand without compromising the group's medium- to long-term development potential."

To achieve satisfactory goals this year, he adds, Argo and its production and distribution subsidiaries worldwide have concentrated investments in the development of new products, strengthening its dealer network and improving the level of customer service.

Output from Argo's network of component manufacturing and tractor assembly factories in Italy was up 10% from 2007 to 2008, with 23,500 tractors shipped. The agricultural machinery division produced more than 9,500 units, including 1,040 combines.

While tractor operations remain a wholly-owned element of the Argo business, the farm equipment side is owned 50:50 with AGCO.

In addition to Laverda, this operation includes Fella, a manufacturer of hay equipment based in Germany, and Gallignani, producing round balers and bale wrappers, in which the partners have a minority holding. **AEI**

Brazilian Market Remains Mixed for Ag Sales in July

While total tractor unit sales in Brazil rose 2% last month compared to July 2008, combine sales fell 47% year-over-year as Brazilian farmers continue to face a difficult macro environment, tight credit and unfavorable currency.

The July sales figures from the Associação Nacional dos Fabricantes de Veículos Automotores (ANFAVEA) show that total tractor unit sales in Brazil were 4,148 units, up 2% year-over-year vs. down 16% in June '09 and down 12% in May, reversing the weak trend. For the month, tractor production was down 20% year-over-year. Brazilian combine sales were 163 units, down 47% year-over-year vs. down 56% in June and 39% in May.

"The increase in tractor sales clearly reflects the fact that small farmers are benefiting from government support," says Ann Duignan of JP Morgan in a note to investors.

She also notes that weak combine sales reflect weaker soybean crop income. Of note, combine production was down 63% year-over-year during the month.

In her analysis of Brazilian equipment sales for July, Duignan points out that John Deere significantly outperformed the industry in tractors while CNH modestly outperformed in combines. Total tractor unit sales were up 2% year-over-year in July. Deere outperformed with unit sales up 80% year-over-year vs. a 2% increase for CNH and a 16% decrease for AGCO.

Combine industry unit sales were down 47% year-over-year. CNH's combine unit sales were down 45%, Deere was down 48% and AGCO was down 53%.

Using JP Morgan's proprietary revenue model, Duignan estimates that Deere's revenues were flat year-over-year in Brazil, while CNH's revenues declined 20% and AGCO's revenues declined 22% in the same period. AEI

With Exports Falling, German Ag Equipment Sales Drop 27% in 2Q

"The recession has now fully reached the industry," is how VDMA, Germany's Agricultural Machinery Assn., describes a 27% falloff in sales during the second quarter of the year compared with the same period in 2008. .

For the first six months of 2009, sales were down 15% compared with the January-through-June period of '08.

Sales of German-made tractors have been particularly hard hit, dropping by 37% in the second quarter. Through the first six months of the year, tractor sales are down 21%. January through June, German manufacturers shipped 27,100 units, the lowest production since 2003.

While sales of ag equipment in its domestic market have held up surprisingly well, VDMA attributes the falloff in production and sales to the dramatic drop in exports, particularly to Central and Eastern Europe. Shipments to France, Germany's most important export market, grew steadily early in the year, but those sales dropped markedly in recent months.

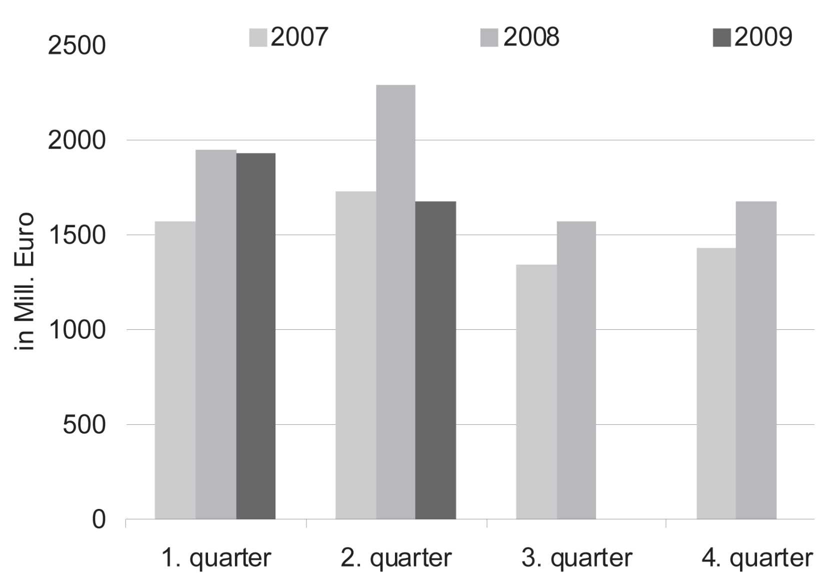
In 2008, the Russian agricultural market ranked as Germany's second largest export market. But since last fall and through April '09, sales to Russian farmers have declined by 59%. VDMA reports that similar results have been experienced in shipments to the Ukraine and Balkan countries. AEI

Sales of German Ag Equipment – January-June 2009 (millions of dollars – converted from euros)

Total	2008	2009	2009-08 Change
Ag Machinery	3,310.5	2,974.1	-10.2%
Tractors	2,695.1	2,128.5	-21.0%
Total	6,005.4	5,102.5	-15.0%
Germany			
Ag Machinery	920.8	1,027.1	+11.6%
Tractors	547.4	561.3	+2.5%
Total	1,468.1	1,588.3	+8.2%
Exports			
Ag Machinery	2,389.5	1,946.6	-18.5%
Tractors	2,147.3	1,567.1	-27.0%
Total	4,536.8	3,513.6	-22.6%

Source: VDMA

Turnover In The Course Of The Year



Source: VDMA

Apache Sprayer Sales Continue to Rise, Expect Solid Year in '09

Between July 2008 and June 2009, unit sales of Apache sprayers are up nearly 7.5% compared with the same period a year ago, according to Matt Hays, CEO of Equipment Technologies, the Mooresville, Ind., manufacturer of self-propelled sprayers for agricultural application.

Speaking at the company's annual dealers' meeting in late July, Hays reported more than half of Equipment Technologies North American dealers saw increases in unit sales during that period, despite a softening market for big-ticket equipment.

The company also told its dealers that the inflationary pressures that forced significant price hikes for Apache sprayers in 2008 have settled down somewhat. Equipment Technologies is expecting to hold list prices for its machinery to about 5.5%, about one-half of what they saw in 2008.

Depreciation Options. Hays also urged the dealers to take advantage of the depreciation options now available for big-ticket equipment purchased for agricultural use. These include the Section 179 expensing option that covers $250,000 for assets placed in service during 2008 and 2009. A bonus depreciation of 50% of the cost of new equipment is also available.

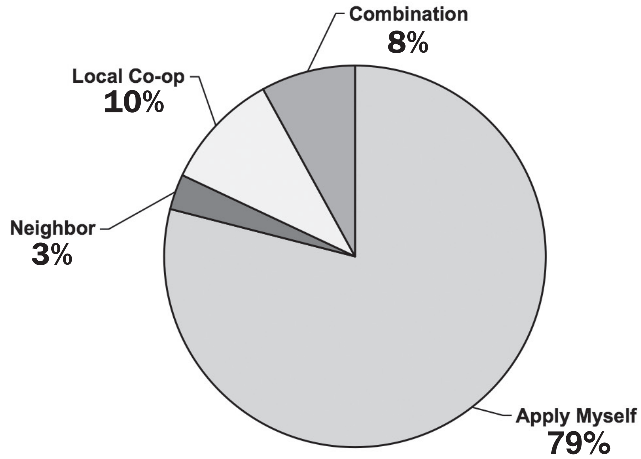
Either the Section 179 or the bonus depreciation can be used to the farmer's advantage, but not both.

New legislation passed in 2008, allows for faster depreciation of farm equipment placed in service in 2009. The new schedule allows new equipment to be depreciated over a 5-year period compared with previous regulations that utilized a 7-year schedule. It is a declining balance using a half-year convention. (*See table at right.*)

2009 Outlook. Looking ahead for the remainder of 2009, Hayes says he's seeing some "guarded optimism" among dealers and customers. "At this time last year, it was easier to get orders because customers were concerned about equipment shortages. Now, they assume they can wait until the crop is in the bin before making purchasing commitments, which, unfortunately, is apt to leave them without an Apache since our capacity is so limited.

"As long as there isn't an early frost in the Canadian plains, it should be another very good year for us." **AEI**

Who Applies Crop-Protection Products?



In July, the *No-Till Farmer* newsletter asked its readers, "Who applies crop protection products like herbicides to your crops?" Results of the online poll showed that a great majority of farmers have their own sprayers and prefer to apply crop-protection products themselves. Their choices were: I handle it myself with my own sprayer; The local co-op handles applications; I have a neighbor who custom applies to my fields; and I use a combination of the above resources.

2009 Equipment Depreciation Schedule

Year	%
1	15.0%
2	25.5%
3	17.85%
4	16.67%
5	16.67%
6	8.33%

Corn & Soybean Reports Seen as Bearish for Ag Equipment Sales

USDA expects corn supplies to reach its second highest total ever beginning with the market year starting September 1. Meanwhile, corn prices are expected head lower.

The agency's forecast for soybean supplies, on the other hand, are projected to go lower, while prices are expected to head higher.

On August 12, USDA issued its monthly update to the supply and demand outlook for the 2009-10-crop year and also released its monthly crop production report.

USDA left planted acreage unchanged at 87 million acres, but revised corn yield up to 159.5 bushels per acre vs. prior forecast of 153.4 bushels an acre. Ending corn inventories are forecast to come in at 1.62 billion bushels compared with the agency's earlier projections of 1.55 billion bushels.

The ag agency lowered its soybean inventory outlook, and now expects 2009-10-ending inventory to be 210 million bushels vs. 250 million bushels from its earlier projection.

Along with raising its outlook for corn production, USDA revised its price outlook for corn lower and soybeans slightly higher. This year's soybean crop is forecast to sell for an average $9.40 a bushel, while corn will average $3.50 a bushel.

Ann Duignan, machinery analyst for JP Morgan sees the new report, which is considered to be the most important of the new crop year, as bearish for cash receipts, which also carries over to farm equipment sales.

"We view today's report to be bearish for 2009-10 cash receipts, as we now expect the total major crop receipts (corn, wheat and soybeans) for the year to be down 9% year-over-year to $92.2 billion."

This would be down from $101.5 billion in 2008-09,

"Given the strong correlation between cash receipts and ag equipment sales, we think today's report is a negative for AGCO, CNH and Deere," says Duignan. **AEI**

Row-Crop Tractor Sales Improve in July

North American sales of large tractors showed some improvement in July after a relatively flat June, according to the latest figures released by the Assn. of Equipment Manufacturers.

In his analysis of the most recent ag equipment sales numbers, Robert McCarthy, analyst for RW Baird, noted that, "Large tractor retail sales comparisons improved in July, as the U.S. and Canada row-crop tractor sales comparison was positive after 5 down months and the 4WD tractor comparison improved sequentially. But August/September comparisons appear significantly more difficult, and absolute inventories of large tractors continued to climb in June."

In summarizing sales activities in July, McCarthy noted the following trends:

- U.S. and Canada row-crop tractor sales increased 8% year-over-year in July, better than the 7% decline in June, but still down 4% for the trailing 3 months.
- 4WD sales increased 29% in July, an improvement over the flat June comparison. Sales were up 8% for the last 3 months.
- U.S. dealers' large tractor dealer inventories exceeded 10,000 units in June for the first time since the 1998-99 cyclical downturn. Row-crop and 4WD tractor unit inventories increased 90% and 71% year-over-year to 128 and 89 days-sales, respectively.
- Combine comparison remains strong as the retail selling season gains momentum. Combine sales increased 25% year-over-year in July after a 19% increase in June. The last 3-month sales were up 29%. July has averaged 12% of annual sales over the past 5 years and is the second of 5 consecutive, seasonally important months through October for combine sales.
- U.S. dealer inventories of combines continued to grow seasonally, but remained apparently moderate at just 60 days-sales, or +14% year-over-year.
- Sales comparisons for compact and mid-range tractors remained weak, falling 18% and 29% year-over-year, respectively, after 20% and 22% declines in June. AEI

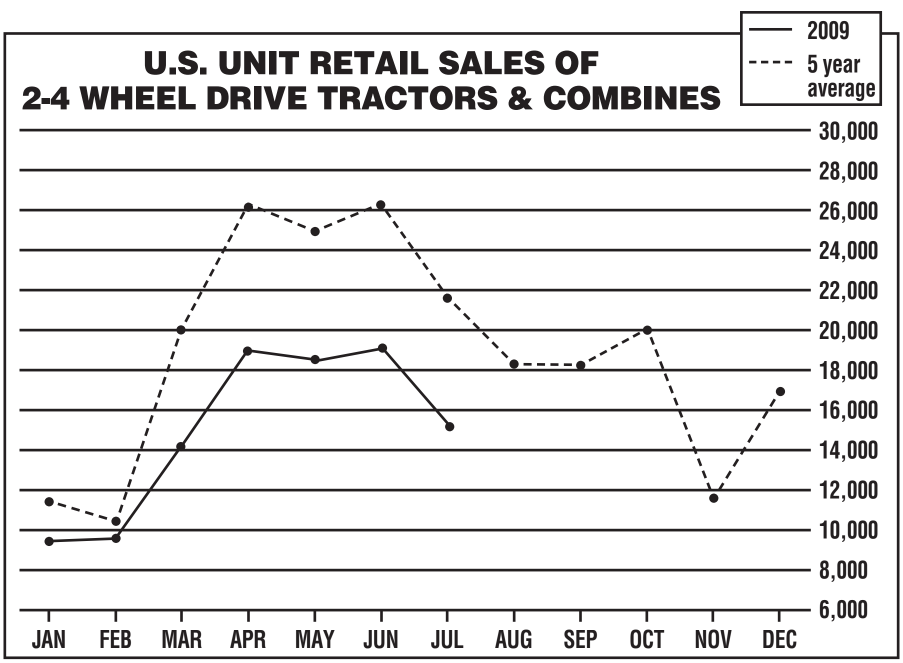
JULY U.S. UNIT RETAIL SALES

Equipment	July 2009	July 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	July 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	7,794	9,304	-16.2	52,141	66,718	-21.8	46,495
40-100 HP	4,522	6,455	-29.9	30,859	42,368	-27.2	28,722
100 HP Plus	1,887	1,730	+9.1	14,193	14,959	-5.1	8,912
Total-2WD	14,203	17,489	-18.8	97,193	124,045	-21.6	84,129
Total-4WD	405	293	38.2	2,475	2,251	10.0	1,109
Total Tractors	14,608	17,782	-17.8	99,668	126,296	-21.1	85,238
SP Combines	1,143	855	33.7	5,015	3,847	30.4	1,536

JULY CANADIAN UNIT RETAIL SALES

Equipment	July 2009	July 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	July 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	975	1,437	-32.2	6,429	8,687	-26.0	7,261
40-100 HP	489	615	-20.56	3,740	4,682	-20.1	4,152
100 HP Plus	249	239	4.2	2,286	2,651	-13.8	1,845
Total-2WD	1,713	2,291	-25.2	12,455	16,020	-22.3	13,258
Total-4WD	43	54	-20.4	724	796	-9.0	177
Total Tractors	1,756	2,345	-25.1	13,179	16,816	-21.6	13,435
SP Combines	554	499	11.0	1,469	1,206	21.8	896

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



—*Assn. of Equipment Manufacturers*

Improving Corn Yields: Farm Equipment Trends to Watch

The ultimate goal of any corn grower is to squeeze more out of every acre he works. In other words, he's looking to improve his yield. While improving seed genetics is crucial, the role of ag equipment will be just as critical. Here are some of the farm equipment and technology trends that *Ag Equipment Intelligence* editors are watching and what every dealer, manufacturer and grower needs to keep an eye on.

Wider Equipment. Planter and combine widths continue to expand as growers gear up to seed and harvest more acres in less time.

John Deere officials say today's most popular planter width is a 16-row unit and the trend will quickly move to 24 rows. At the same time, growers are requesting wider harvesting equipment, such as 40-foot headers that Deere will introduce for the 2010 season to harvest 16 rows of 30-inch corn or 24 rows of corn in 20-inch rows.

Changing Row Widths. Deere has also taken a close look at different widths for corn and has pretty much settled on 20-inch rows. They see major benefits with this width compared to 30-, 24- or 15-inch rows, although a 17- or 18-inch row width might make better use of available sunlight, plant spacing and canopy closure.

While some growers and suppliers see great potential in twin rows (two corn rows spaced 6 to 8 inches apart on 30-inch centers), Deere isn't yet convinced and, for now, believes that it's not much more than a fad.

But if the industry is going to increase plant populations by 30% or more to reach the Monsanto's stated goal of achieving an average corn yield of 300 bushels an acre by 2030, twin rows will need to play a role. Some agronomists believe plant populations of over 50,000 plants per acre will be required to obtain 300 bushel corn yields and that the easiest way to get there may be with twin rows,

But as one Illinois grower recently told *AEI*, "Twin rows will catch on once Deere decides to comes out with a twin-row planter."

More Strip-Till. Expanding strip-till acres will be another way to help growers reach the 300-bushel corn goal because it will gives growers a way to deal with heavy residue conditions as yields continue to rise.

The growth in strip-tilled acres will come from growers currently using mulch tillage practices and no-tillers faced with cold and wet soil conditions in the spring that are looking for new ways to get a quicker start with their crops. (See pageX for how current no-tillers and strip-tillers see potential growth of these practices.)

Nutrient Management. With growing environmental concerns and higher fertilizer prices, farmers will be forced to do a better job of applying nutrients. This will lead to more extensive use of precision application tools to place fertilizer at the right time, in the right form, in the right place and at the right rate.

New nutrient management implements from some of the leading shortline manufacturers, as well as Case IH and John Deere are allowing custom applicators and large-acreage growers to apply nutrients at the most ideal time and at high speeds without disturbing crop residue, especially with standing stalks in a continuous corn program.

"Sidedressing anhydrous ammonia continues to make up a larger percentage of our business each year," says Dave Harfst of Crop Production Services in Keithsburg, Ill. "We've worked with the John Deere 2510H nutrient applicator for 3 years and sidedress as much as 100 pounds per acre of nitrogen at up to 14 mph. There has been no ground disturbance and no crop burning.

"Developing a sidedressing business with 10,000 acres of corn this year has created a profitable window of opportunity for us between pre-emergence and post-emergence herbicide spraying."

Role of Precision Ag. While variable rate planting hasn't caught on as quickly as expected, precision application technology to make it work is firmly in place.

Some newer planters are equipped with two or more seed hoppers that can hold different corn varieties. By utilizing soil test and yield map data, growers are able to switch hybrids based on different soil types as they move across the field. They can also change plant populations by 10,000 or more plants per acre to take advantage of different moisture conditions, soil organic matter and hilly vs. level ground.

Another precision breakthrough is the use of swath control devices on planters and sprayers to prevent re-spraying or double planting any part of a field.

"We have this on our sprayers and growers are totally amazed at the 5-15% product savings," says Harfst of Crop Production Services. "I expect swath control to also come soon to toolbars for applying fertilizer. In fact, I'm betting that it will eventually become mandatory for effective nutrient management." **AEI**

An Educated Guess at Deere's Share of the Combine Market

For competitive reasons, most equipment manufacturers don't share details on the equipment production levels or market share. But every once in awhile, a few facts come out that allows an educated guess on production and market share.

A case in point occurred during a recent tour by an *Ag Equipment Intelligence* editor of the John Deere combine plant in East Moline, Ill. During the visit, a tour guide explained how the plant uses 85,000 gallons of green paint per year to spray the 18,500 parts found in a typical combine. He also mentioned that each combine requires 20 gallons of green paint.

Using these numbers, as well as some information about the North American market for combines, we can take an educated guess about Deere's market share.

- Using this amount of green paint, the John Deere plant would turn out 4,250 combines in a year's time.
- Data from the Assn. of Equipment Manufacturers indicates 10,666 combines were sold in North America during 2008.
- Based on these assumptions, Deere's production would represent about 40% of the North American combine market. **AEI**