

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

- Yields Rise/Price Falls
- Revenues Slip 15%
- Europe Mixed on U.S.

Equipment Pricing Concerns Dealers, But Most Expect Solid Year in 2010

Despite the current volatility in grain prices and still weak dairy sector, more farm equipment dealers than not anticipate that their 2010 sales revenues will be as good as or better than the levels achieved in 2009 — though clearly they're not as confident as they were last year at this time.

At the same time, North American dealers are demonstrating far more confidence going into the new sales year than they did last spring. And as North American dealers closely watch commodity prices — it ranked second on their list of major concerns — nearly all of them — 98.2% — are very apprehensive about the escalating cost of new equipment going into the new sales year.

Preliminary results of *Ag*

Equipment Intelligence's 2010 Dealer Business Trends & Outlook survey indicate that more than 57% of ag machinery retailers responding to this year's survey see sales revenues for 2010 being as good or better than what they experienced during the past year.

The final tabulation is still underway, and the complete 48-page *2010 Dealer Business Trends & Outlook* report will be sent to all AEI subscribers in mid-October.

Now vs. Then

One year ago, 81.7% of dealers forecast that sales revenues would be as good or better going into 2009 than they were in 2008. The timing of last year's survey, which was conducted in late August, coincided with the peak of dealer confidence. At the time,

the industry was still in the midst of a "generational" year for equipment

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Bush Hog, Alamo Alliance Makes Sense, But Will It Make Money?

After months of uncertainty about Bush Hog's future, Alamo Group is purchasing the longtime Selma, Ala.-based implement maker and plans to continue making and selling Bush Hog's products. On the surface, it's a deal that seems to make sense, but with growing competition in the market segment both serve, will it be profitable?

Officials from Alamo, which makes the Rhino equipment brand, and Bush Hog believe both companies will benefit from the purchase, that was announced on September 4. Bush Hog will become part of Alamo's North American Agricultural Division.

Too Much Competition. An industry veteran familiar with this

segment of the ag equipment business says the alliance could face tough times because both shortline companies make similar products. Both cater to the rural lifestyle population, a market that has struggled for the past year due to the financial crisis in the U.S. And, like all shortliners, they will continue to find it challenging to find space on dealer lots due to growing competition in this market segment.

In addition to other shortline manufacturers making similar equipment like Woods, growing competition is coming from mainline competitors like John Deere with its Frontier line, and Case IH with its Work EZ line. Kubota's alliance with Land Pride has also limited opportunities for shortlin-

ers at many dealerships. AGCO also entered the mower market with the introduction of its own line at the Farm Progress Show.

The industry veteran tells *Ag Equipment Intelligence* that Alamo personnel, as well as some Rhino and Bush Hog dealers, have raised serious questions about the purchase.

One major concern has to do with parts and product delivery. "Rhino had been rather slow in providing replacement parts and in delivering early-order product on schedule.

"Bush Hog had no pre-season program in effect for this next year, so Rhino will have to work hard to develop a program that will allow them to catch up quickly," says the

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sales. Within weeks, it was clear that the banking and housing markets were in a crisis and the overall U.S. economy began to deteriorate.

By late in the year, despite maintaining high sales levels in big farm machinery, dealer confidence in sales for 2009 had declined precipitously.

With this latest survey, equipment dealers are exhibiting a significant improvement in their confidence levels compared to just 5 months ago.

With the rapid deterioration of the U.S. economy late last year, it was evident that dealers' confidence was diminishing. *AEI* conducted a follow-up survey in early January to gauge, if and by how much, dealer sentiments had changed since September. Results of that poll showed that less than half of dealers — 47.4% — believed that '09 sales would be as good as or better than those of the year prior. This was down more than 34% from just 4 months earlier.

Further deterioration was seen in the annual mid-year dealer survey conducted in April as only 42.5% of

dealers saw business being as good or better in 2009 than 2008.

No Sales Records. While most dealers are anticipating a solid year in 2010, it's evident that they're not expecting to set any sales records. While 57% of dealers anticipate improved sales revenues next year, only 4% are forecasting an improve-

"The biggest issue that equipment sellers expect to confront during the next selling season is the rising cost of new equipment..."

ment of 8% or more. Another 20.1% see new equipment revenues increasing between 2-7%. One-third see sales coming in at about the same level as 2009.

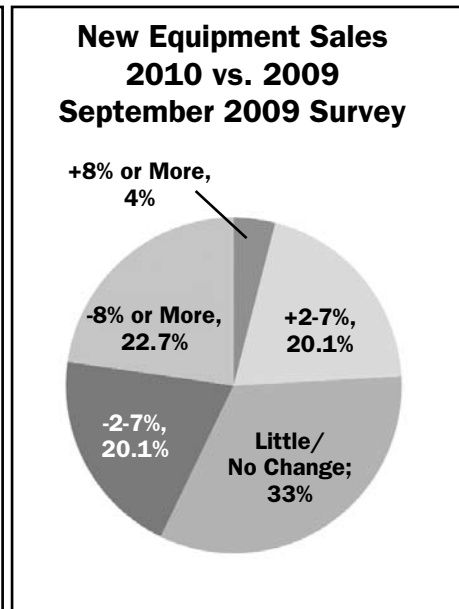
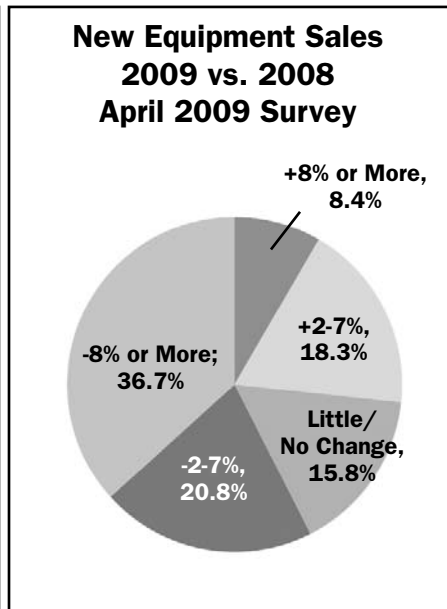
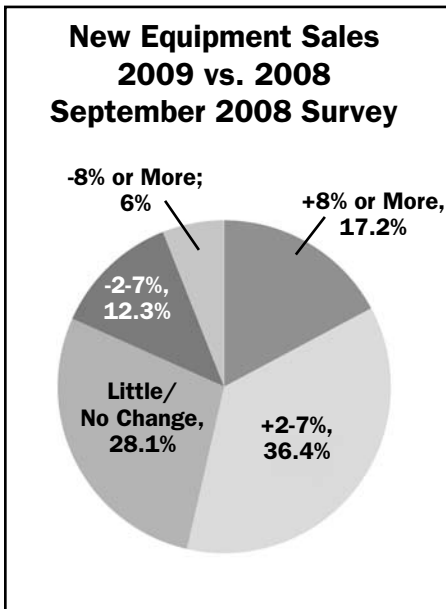
Rising Equipment Costs. The biggest issue that equipment sell-

ers expect to confront during the next selling season is the rising cost of new equipment. This is up from a fourth-place ranking in 2008 and third place in 2009. *AEI* editors have heard planned price increases for 2010 ranging from 5.5-10%. In most cases, these price hikes don't reflect the expected hefty costs associated with meeting Tier IV engine emission standards that will show up with the 2011 equipment models.

With grain prices falling dramatically from all-time highs in 2009 and dairy and livestock producers continuing to struggle with lower than break-even pricing, it comes as no surprise that 94.3% of dealers are "concerned" or "most concerned" about commodity prices, making it their second biggest concern, going into 2010.

Overall, revenue from new equipment sales is expected to fall by 1.5% in 2010.

*(The full 48-page 2010 Dealer Business Trends & Outlook is available only to *AEI* subscribers.)* **AEI**



Dealer sentiments about growing sales revenues shifted dramatically between September 2008 and April 2009 as expectations for improving sales fell along with the deteriorating U.S. economy. With *AEI's* 2010 Dealer Business Trends Outlook Survey, confidence that sales would improve next year is again evident as slightly more than 57% of dealers expect revenues to be as good or better compared with 2009.

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industry insider. "Consolidation within the industry is not finished.

"There is simply not enough room for Rhino, Bush Hog and Woods, plus the other smaller competitors in their market segment. Not only are dealer numbers declining, but the number of retail customers is also declining. All three of these companies are focused on that segment of the market and they're feeling the crunch."

Complementary or Competitive? It's difficult to tell whether the acquisition of Bush Hog will compliment or compete with Alamo's product line.

Bush Hog, which had fiscal 2008 revenue of \$160 million, mostly sells its products across North America through a network of independent

dealers and distributors. Their product line includes rotary cutters, finishing mowers, zero turn mowers, front-end loaders, backhoes, landscape equipment and a variety of other implements.

Alamo makes equipment for right-of-way maintenance and agriculture, including truck- and tractor-mounted mowing equipment and agricultural implements. The company operates 17 plants in North America and Europe, with its corporate office in Seguin, Texas.

Alamo's agreement to purchase Bush Hog involved 1.7 million shares of Alamo Group common stock that was to represent approximately 14.5% of Alamo's outstanding common stock.

The purchase would be valued

at \$23.6 million based on a stock price of \$13.87 when the deal was announced.

The purchase, expected to close in a few months, includes nearly all of Bush Hog's ongoing business. Bush Hog will continue to make products at its Selma facility, which was included in the deal.

In conjunction with the transaction, Bush Hog's current owner, CC Industries of Chicago, will have the right to nominate a director to Alamo's board.

In June, Bush Hog announced that Alo TN, a division of Alo AB, would take over Bush Hog's Telford, Tenn. plant, where the new owners planned to make a line of compact front-end loaders for the North American market. **AEI**

Trelleborg to Distribute Galaxy Ag Tires in Europe

An agreement between GPX International Tire Corp., Malden, Mass., and Sweden's Trelleborg Wheel Systems will see Galaxy farm, forestry, agri-industrial and OTR tires distributed through much of Europe for the first time.

The agreement, through which Trelleborg becomes exclusive distributor in 25 European countries, follows a pilot distribution program in Spain, Italy and the Nordic countries.

"This partnership will strengthen Trelleborg's market position, giving our customers access to a wider portfolio of high quality products," says Paolo

Pompei, president of the Agricultural & Forestry Tires division of Trelleborg. "Our sales structure, combined with the professional manufacturing platform of GPX, will reinforce Trelleborg's market presence."

GPX International chairman Bryan Ganz adds: "Based on our experience to date, we are convinced that our partnership with Trelleborg represents the best opportunity for GPX to expand penetration of the Galaxy brand in Europe and ensure our customers have the highest levels of service and support."

Trelleborg Wheel Systems man-

ufactures steel rims and produces bias-ply and radial farm and forestry tires in Sweden and Italy. They earlier acquired the farm tire operations of Pirelli.

Another European tire maker, Vredestein Banden of the Netherlands, has been acquired by Indian tire-making group Apollo Tyres following the collapse of its Russian parent.

Apart from high-performance auto tires, Vredestein is best known in North America for the standard and low-profile implement tires it supplies to most of the leading farm implement manufacturers in Europe. **AEI**

FARM MACHINERY TICKER (AS OF 9/11/2009)								
Mfr.	Symbol	9/11/09 Price	8/12/09 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	\$31.63	\$31.92	\$55.99	\$14.62	9.88	1.21 M	2.92 B
Alamo	ALG	\$15.64	\$14.11	\$18.79	\$9.22	21.84	23,450	157.12 M
Art's Way	ARTW	\$5.00	\$4.75	\$10.60	\$2.90	34.48	5,607	19.95 M
Caterpillar	CAT	\$48.53	\$47.58	\$74.50	\$21.71	16.73	12.91 M	30.15 B
CNH	CNH	\$17.69	\$19.02	\$31.65	\$5.69	24.27	280,085	4.20 B
Deere	DE	\$43.00	\$45.80	\$65.54	\$24.51	12.67	4.93 M	18.19 B
Kubota	KUB	\$41.03	\$41.21	\$46.25	\$17.72	28.30	36,406	10.44 B
Titan Machinery	TTTN	\$13.24	\$12.05	\$24.66	\$7.50	14.28	261,723	234.73M

Europeans Mixed on Exports to U.S. Market

The U.S. will continue to be a vitally important export market for overseas farm equipment manufacturers, but the potential for growth will be mixed in 2010, according to a number of overseas firms that were surveyed by *Ag Equipment Intelligence* in early September.

AEI conducted the survey to determine the outlook for sales and exports in 2010, from the perspective of several overseas farm equipment manufacturers.

Overall, a large majority of respondents — 83.3% — expect their worldwide farm equipment sales will be as good as or better than in 2009. Most of the companies also anticipate that next year's export equipment sales levels will be as good as or better than in 2009.

Here's what some international equipment manufacturers had to say

about their global growth prospects in 2010.

Agrism International, a French manufacturer of seeding, planting and tillage equipment, predicts sales and exports will grow by more than 8% in 2010. The firm sees the greatest opportunities for growth in eastern Europe, Russia, Ukraine and Central Asia, followed by western Europe.

Tonutti Group, an Italian manufacturer of hay tools, expects sales and exports will grow by 2-7% next year, with the best growth opportunities coming from western Europe, the Americas, South Africa, Japan and South Korea. Asked about growth prospects in the U.S., export manager Thomas Reissig was confident.

"The exchange rate disturbs us, and there will be a lot of stock around, but we're prepared," he says. "Government aid for dairy farmers will

help. If during the hay season stock can be moved, then we are very confident about the second half of 2010."

Bellota Agrisolutions, a Spanish manufacturer of hand tools and spare parts for farm machinery, predicts overall sales will be flat in 2010 but believes exports will grow 2-7%, with the best opportunities coming from Europe, Russia, Ukraine, Central Asia and the Americas.

When asked about the firm's prospects for export sales to the U.S., Eduardo Urrestarazu, who oversees marketing, says 2010 will be "a very challenging year, but with a lot of opportunities to grow." He added, however, that several key issues could affect the firm's ability to grow sales within the U.S. — specifically exchange rates, the biofuels industry and commodity prices.

Lemken GmbH & Co. KG, a German manufacturer of soil preparation and seed drilling equipment, is planning for sales and exports to drop by more than 8% next year. However, North America is seen as the top region in terms of this firm's growth opportunities, and the company is looking to expand export sales to the U.S. next year. "We see great possibilities for our new cultivator line with tines and discs, especially in the regions that grow corn," said Christian Jungmann, the firm's export manager.

Teagle Machinery Ltd., a U.K. manufacturer of hay, forage and fertilizing equipment, says 2010 sales and exports will grow by more than 8%. The company's best growth prospects will likely be in Russia, Ukraine and Central Asia, followed by North America.

"We are very optimistic, due to new products becoming available that are suitable for the North American market," said John Teagle, the company's export director. "The exchange rates against the British pound also help."

Kongskilde Ltd., a Danish manufacturer of grain handling and harvesting equipment, expects sales will grow by 2-7%, with exports flat. North America, however, topped the list of export market opportunities for this company in 2010. **AEI**

U.S. Farm Equipment Exports Fall Sharply

U.S. farm equipment exports declined by 20% during the first half of 2009 compared with the same period in 2008, according to the Assn. of Equipment Manufacturers (AEM). The association estimates that U.S. farm machinery exports totaled \$4.7 billion during the first half of 2009, down from \$5.8 billion a year earlier.

Export sales to Europe declined the most, dropping 35% in the first half when compared with 2008. Similarly, export sales for the period dropped by 22% in South America, followed by 19% in Central America and 17% in Asia. The industry also recorded modest export sales declines of 6% in Africa, and 1% in Canada.

The only gain in export sales for U.S. farm equipment makers was in the Australia/Oceania region, which recorded an increase of 6%.

"Farm machinery exports continue to deteriorate as the global recession adversely affects most world regions, with some areas extremely hard hit by the turmoil in financial markets," noted Charlie O'Brien, AEM vice president of agricultural services. O'Brien cited Russia as an example of countries that had been devoting substantial resources to upgrading their agriculture sectors but are now at a standstill.

Top Buyers of U.S.-Made Farm Machinery — First Half 2009

Country	Total Sales	2008 Comparison
1. Canada	\$1.5 billion	- 1%
2. Australia	\$344 million	+ 13%
3. Mexico	\$271 million	- 12%
4. Germany	\$232 million	- 30%
5. France	\$226 million	- 8%
6. United Kingdom	\$165 million	- 29%
7. Belgium	\$136 million	- 24%
8. China	\$120 million	+ 41%
9. Russia	\$111 million	- 76%
10. Kazakhstan	\$102 million	- 35%
11. Brazil	\$93 million	- 36%
12. South Africa	\$88 million	+ 21%
13. Ukraine	\$75 million	- 69%

Source: AEM

Commodity Pricing Keeps Shortline Manufacturers Cautious, But Upbeat About '10

Maybe they're basing their outlook on ag equipment's solid performance in the past year. Or perhaps they're taking comfort in the fact that the farm machinery business wasn't hit anywhere near as badly in the 2008-09 economic meltdown that their counterparts in automotive and construction equipment industries. But shortline manufacturers exhibiting at the Farm Progress Show earlier this month remain upbeat, though guarded, about their prospects for the new sales year. Commodity prices, they say, will be a big part of the 2010 story.

While few if any expect another sales year like they had in 2008 — probably more like 2007 — most told *Ag Equipment Intelligence* that they believe sales in 2010 will be fairly typical for the cyclical ag industry.

In addition to scouring this year's Farm Progress Show for the newest equipment and technology, *AEI* editors also surveyed equipment makers for their views on the prospects for the new year. The consensus is that equipment makers are expressing pretty much the same level of confidence going into the fall of 2009 as they did a year ago — confident but cautious.

Pat Maney, business manager of TeeJet, a manufacturer of spray nozzles, says the OEMs he has spoken with "seem to be reasonably upbeat, but cautious. I know that most of them are having a fairly good year."

He says that TeeJet, which has both an industrial and an ag division, saw a marked difference in the performance of the two this past year. "Our ag division has not had the downturn that the industrial business has seen. Compared to other manufacturing markets, like automotive, ag markets have been fairly robust."

Forget 2008. Another message that the editors heard consistently during the show was, "forget what happened in 2008" as shortline manufacturers recognized that hoping for sales levels experienced that year is futile.

"We've got to throw 2008 out as a comparison year," said Paul Welbig, director of marketing and business development, applied technology divi-

sion, Raven Industries. "We continue to see growth and we're cautiously optimistic about the market. We've seen a lot of interest at the show and there's real money being spent. But the commodity prices must come through so the farmers can continue investing in technology.

"The best thing that's happened in the last 3 years is growing sales have provided validity to precision ag. We've removed a lot of doubt that

"Compared to other manufacturing, ag markets have been fairly robust..."

it works and provides returns. We've gotten people to think about their margins, and technology is one way to do that."

Jim Williams of Hagie is also seeing a high interest level in spraying equipment despite the downturn in commodity prices.

"Even though commodity prices aren't where the farmers would like them to be, they're are still comfortable in looking at equipment. It's not the type of response we've had the past couple of years, and we realize that we may never see anything like that again," says Williams.

"We are still anticipating an increase in our production and sales through for the rest of '09. Overall, we're expecting a 9% increase in sprayer sales. As long as the weather holds and we get the crops out of the fields before frost, then I can see those pretty good trends moving into 2010."

Uncertainty Remains. According to most equipment manufacturers *AEI* interviewed at Farm Progress, it's the uncertainty about commodity prices that may keep cautious farmers from making big decisions on purchases.

Despite having a pretty good year so far, Rich Follmer of Progressive Farm Products, a manufacturer of strip-till equipment and toolbars, says

volatility of pricing is keeping his farm customers on edge.

"The first half of the year produced two of the best sales months we've ever had in the history of our company. But July was the worst July ever in our history as corn prices fell into the \$3 range and farmers quit buying. By the beginning of September we've seen them starting to come back and talk again, even though the grain prices are low.

"Growers don't seem to have a clue right now how this year will look because the crop has been delayed a month by weather. That, along with uncertainty about grain prices, has created some apprehension. But they've started pricing equipment again and that's encouraging. That means they are thinking," says Follmer.

A Normal Year. Equipment manufacturers are looking at the remainder of 2009 and 2010 as being more normal than what the industry has seen the past few years.

"Sales levels this year are closer to average," says Gordon Nyquist, sales manager for Wil-Rich. "It's certainly not down, but it's not skyrocketing either. Of course, what we were hoping for is \$5 corn. As a result of the lower prices there is some hesitation and customers are being selective in what they buy. At the same time, there's a lot of shopping going on."

Jarrold Steck, district sales manager for Bobcat says the company is planning for a solid year. "We're looking for a stabilizing of the market and a slow recovery in the spring. It's just a matter of riding the waves. We've gained market share. We're introducing new products now so we can match our customer demand next year."

But it will come down to the harvest, according to Wayne Kalthoff, USA and Canada territory manager for Schulte.

"A lot will be determined by how the cotton and corn harvest comes off. They're a month behind, so the harvest is really, really critical. But we're still seeing a lot of interest, people from all over have stopped by the booth."

AEI

Lely Expands Hay Line with Distribution Rights to Mengele Equipment

Dutch farm machinery group Lely is filling a significant gap in its hay product line by securing worldwide distribution rights to Mengele equipment built in Germany.

In the deal, Lely acquired a stake in Mengele Agrartechnik which will also help the company drive R&D programs. Its chairman, Alexander van der Lely, will also have a seat on the

company's board.

Mengele products will be distributed by Lely in all markets except Germany, Austria and Switzerland, where Mengele Agrartechnik has retained the distribution rights because of its strong and established market presence.

The most significant product line for Lely is the Rotobull range of self-loading forage wagons.

This type of machine is increasingly being used by custom operators and milk producers as a lower-cost alternative to precision chop forage harvesting.

It has strategic value in supplying a full hay line to dealers as well as boosting Lely sales revenues, which last year amounted to the equivalent of \$548 million at current exchange rates.

"We can now offer our customers an efficient solution for making bunker silage as well as baled silage and hay," says Niels Havermans, managing director of Lely International.

"The Mengele loader wagons stand out because of their quality and sustainability. They will come in the red Lely color and will be marketed under the Lely brand name."

Lely produces its own grass mowers, tedders and rakes, and markets fixed and variable chamber round balers built by Germany's Welger, which Lely and Vermeer jointly acquired last year.

Once the forage wagon line has been integrated into Lely's portfolio, managers at Lely International, the group's global sales, marketing and distribution arm, plan to explore opportunities for distributing Mengele's other products. These include trailed precision chop forage harvesters, manure spreaders and tipping trailers.

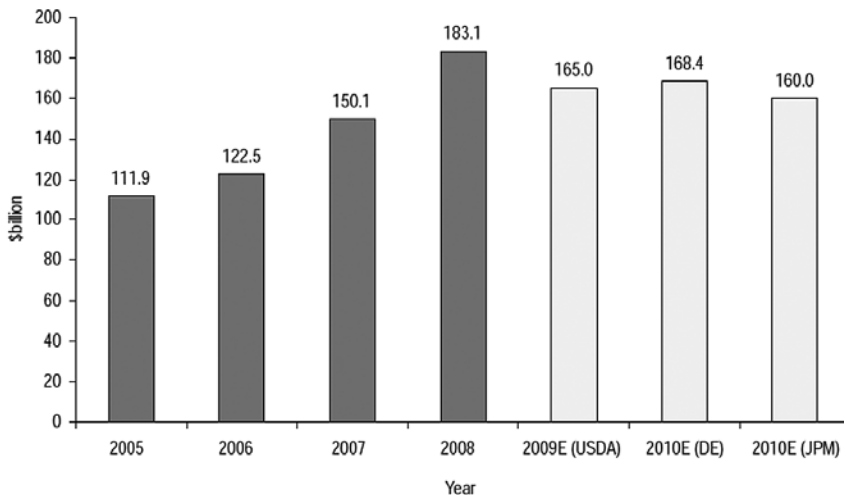
Thomas Pfalzgraf, CEO of Mengele Agrartechnik, says the new strategic alliance will give the company much greater retail distribution exposure and strong prospects for increasing production volumes.

He says it is an ideal platform for the ongoing profitable growth of the two partners.

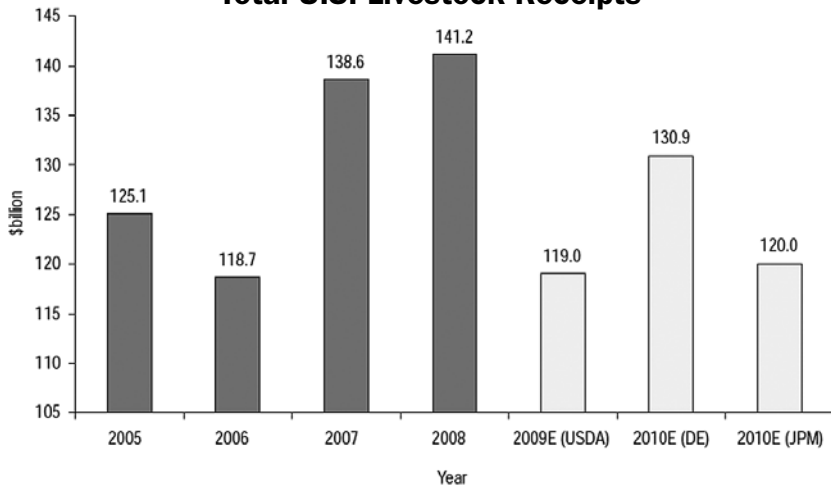


CROP RECEIPTS TO STABILIZE IN '10, BUT LIVESTOCK TO FALL FURTHER

Total U.S. Crop Receipts



Total U.S. Livestock Receipts



Source: USDA, company reports and J.P. Morgan estimates.

Not including government payments, total farm cash receipts are expected to decline to about \$284 billion, or by 12.4%, in 2009. Despite the falloff, cash receipts are expected to remain at the third highest level on record. Deere & Co. is forecasting a recovery in cash receipts in 2010 to \$299 billion — up 4.6% not including government payments. But JP Morgan's Ann Duignan believes weakness in the protein sector will continue to pressure crop demand and is forecasting a slight decline in cash receipts to \$280 billion, or down 1.4% in 2010, not including government receipts. While crop receipts are expected to pretty much hold their own in 2010, receipts from livestock are anticipated to drop dramatically for full-year 2009, but improve somewhat next year. Deere is forecasting livestock receipts to improve to \$130.9 billion next year. JP Morgan's estimates, on the other hand, call for only \$120 billion in 2010, far from the highs of 2008.

Large Tractor Sales Weaken in August

Overall farm equipment sales showed further signs of weakening in August, according to the latest figures released by the Assn. of Equipment Manufacturers. Regarding the falling sales numbers, Robert McCarthy, analyst for RW Baird, says that the “retail demand environment appears to be growing more difficult.”

He reports that large tractor retail sales comparisons weakened sharply in August, “albeit in a seasonally weak month and against a sequentially tougher prior-year comparison.” U.S. and Canada row-crop tractor sales fell nearly 40%, after a positive comparison in July, while 4WD tractor sales declined year-over-year for the first time since April. August is the seasonally weakest month for row-crop and 4WD tractor sales, contributing only 5.7% and 5% of annual sales on average.

- U.S. and Canada row-crop tractor sales fell 39% year-over-year in August, a sharp slowdown from July’s 8% increase. Sales were down 13% year-over-year in the last 3-month period.

- 4WD tractor sales declined 3% in August, down sharply from the +29% comparison posted in July, but also against a more difficult prior-year comparison. Trailing 3-month sales were up 8% year-over-year.

- U.S. dealers’ large tractor dealer inventories declined sequentially, but were still up sharply year-over-year. Row-crop and 4WD tractor unit inventories increased 54% and 22% year-over-year on an absolute basis, respectively. Days-sales of inventory increased 44% and 2% year-over-year, respectively.

- Combine sales continue to show strength midway through the selling season, increasing 17% year-over-year in August after a 25% increase in July. The last 3-month sales were up 21%. August has averaged approximately 12% of annual sales over the past 5 years and marks the midpoint of 5 consecutive seasonally important months — June through October — for combine sales.

- Compact and mid-range tractor sales remained weak, falling 19% and 36% year-over-year, respectively, after 18% and 29% declines in July. **A/E**



AUGUST U.S. UNIT RETAIL SALES

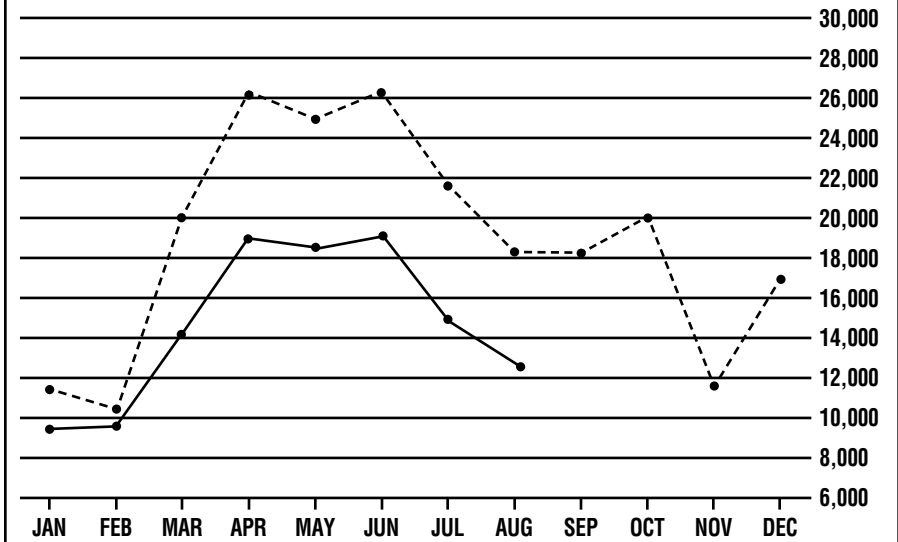
Equipment	August 2009	August 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	August 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	6,128	7,499	-18.3	58,310	74,217	-21.4	44,028
40-100 HP	3,436	5,403	-36.4	34,269	47,771	-28.3	27,277
100 HP Plus	1,124	1,837	-38.8	15,307	16,796	-8.9	8,426
Total-2WD	10,688	14,739	-27.5	107,866	138,784	-22.3	79,731
Total-4WD	350	374	-6.4	2,824	2,625	7.6	1,030
Total Tractors	11,038	15,113	-27.0	110,710	141,409	-21.7	80,761
SP Combines	1,094	792	38.1	6,108	4,639	31.7	1,666



AUGUST CANADIAN UNIT RETAIL SALES

Equipment	August 2009	August 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	August 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	805	1,009	-20.2	7,251	9,696	-25.2	7,190
40-100 HP	406	641	-36.7	4,138	5,323	-22.3	4,091
100 HP Plus	189	301	-37.2	2,474	2,952	-16.2	1,902
Total-2WD	2,516	3,159	-20.4	10,735	13,729	-21.8	13,982
Total-4WD	50	38	31.6	774	834	-7.2	189
Total Tractors	1,450	1,989	-27.1	14,637	18,805	-22.2	13,372
SP Combines	277	378	-26.7	1,746	1,584	10.2	652

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



—Assn. of Equipment Manufacturers

Perkins Engines Partners with Fiat to Produce Mid-Range Engines

Caterpillar's diesel engine company, Perkins Engines, has forged a partnership with Fiat's drive-train division for the first time to source a new engine for light to mid-range agricultural, industrial and construction equipment applications.

The 3.4-liter, 4-cylinder 854 series engine completes the Perkins range for Tier 4 Interim/Euro Stage IIIB


emissions compliance. The in-house developed 1200-series successor to the 1100-series was unveiled earlier this year and the smaller volume 400-series before that.

The new series has been developed within a new partnership with Fiat Powertrain Technologies (FPT), the specialist unit of the Fiat group that develops automotive and indus-

trial engines, as well as light automotive transmissions.

Product lines include the 4.5-liter and 6.7-liter diesels used in Case IH, Landini, McCormick and New Holland tractors and by several construction equipment makers. Last year, FPT dissolved its North American and European joint-venture partnerships with Cummins.

"Our strategic partnership with Fiat ensures that Perkins customers benefit from a class-leading product, delivered through complementary abilities in engine design," says Perkins marketing director Nigel Baseley. "With more power and torque developed from a smaller package, OEMs will have a complete choice of engine solutions, with the 845E covering the 60-115 horsepower sector."


State-of-the-art emissions control include common rail fuel injection, waste-gated turbocharger and after-cooler, all regulated by full electronic controls. 

Industry Revenues Slip 15% in August

Strong U.S. unit sales of combines in August (+38.1%) weren't enough to offset the overall revenue loss caused by the 27% drop in tractor sales, according to JP Morgan's proprietary revenue model. The model suggests that total industry revenue was down 15% year-over-year in August, vs. +7% in July and -3% in June.

According to the model, the weakness in tractor sales more than offset the strength in combines, which have higher average selling prices. In a note to investors, Ann Duignan says, "According to our model, industry revenues in third quarter of the calendar year were down 3% year-over-year. In the same period, total tractor revenues were down 17%; however, combine revenues were up 22%."

Morgan's model also estimates that AGCO's North American revenues ag equipment revenues were down 19% year-over-year, and CNH's ag equipment revenues dropped 10% year-over-year.

The model also suggests that Deere's revenues, calculated on a fiscal-year basis, were down 4% year-over-year, with fiscal fourth-quarter industry revenues down 15% year-over-year. 

Higher Crop Yield Estimates May Be a Negative for Equipment Sales

USDA's revised estimates for higher crop yields and lower prices for corn, soybeans and wheat could put additional pressure on farm machinery sales in 2010. "Given the strong correlation between cash receipts and ag equipment sales, we believe today's report is incrementally negative for AGCO, CNH and Deere," says Ann Duignan, analyst for JP Morgan in a note to investors.

The September 11 World Ag Supply & Demand Estimates report revised corn yields for the 2009-10 crop year to a record 161.9 bushels per acre, up from 159.5 bushels, which would put corn ending

inventories at 1.635 billion bushels vs. 1.612 billion from earlier forecasts.

Likewise, the agency also revised upward its earlier projections for soybeans increasing them to 42.3 bushels per acre from 41.7 bushels, pushing ending inventories to 220 million bushels from 210 million bushels.


Yields for wheat were maintained at 43.3 bushels per acre, and ending stocks for the 2009-10 crop at 743 million bushels. USDA continues to expect an 11% increase from last year's estimated ending stocks.

Farm Prices Drop. The downside of increasing yields and ending stocks is the prices farmers can expect

to receive were revised downward. The forecast for corn prices were dropped to \$3.05-\$3.65 per bushel, from \$3.10-\$3.90 per bushel. The midpoint of the revised range of \$3.35 per bushel is \$0.73 per bushel below last year's midpoint of \$4.08 per bushel.

USDA also lowered its farm price range for the 2009-10 soybean crop to \$8.10-\$10.10 per bushel, from \$8.40-\$10.40 per bushel. The midpoint of the revised range of \$9.10 per bushel is below last year's estimated price of \$10 per bushel.

The agency also narrowed its average price range for 2009-10 crop to \$4.70-\$5.50 per bushel, from \$4.70-\$5.70 per bushel. The midpoint of the revised range, \$5.10 per bushel, is \$1.68 per bushel below last year's estimated price of \$6.78 per bushel.

The falling price estimates could slow farm machinery sales in 2010, according to Duignan. "Our model suggests that cash receipts from major crops will be \$90.3 billion in the 2009-10 crop year, -11% year-over-year vs. prior expectations of \$92.2B, or -9% year-over-year." 

McCormick Adds 51 New Dealers

Dealer consolidation by the mainline equipment manufacturers may be opening dealer's doors for the shortlines. Rodney Miller, executive vice president of sales and marketing for tractor maker McCormick International USA, told *Ag Equipment Intelligence* that he's looking for another "pretty good" year in '10 based on the company's having add 51 new dealers between January and August of this year, giving it more than 330 dealers throughout North America.

He also reports that the company's market share has grown so far in 2009. "Our sales are off from last year, but not nearly as much as Deere, CNH and AGCO are reporting," he said. 