From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- CNH in Russia
- Profits Return in 2010
- S. American Politics

GPS, Big Balers Remain Atop Dealers 'Best Bets' List for 2010

While North American farm equipment dealers aren't expecting to break any records in 2010, they do see good potential from several product groups for growing unit sales during the next year.

Responses to *Ag Equipment Intelligence's 2010 Business Trends & Outlook — Farm Equipment Forecast* survey indicate that farm machinery retailers expect precision ag products along with rectangular hay balers and self-propelled sprayers to be their best bets for growing business in the coming year.

Both GPS/auto-steer gear and rectangular balers topped the dealers' list of best bets, placing one and two respectively in both 2009 and 2010. Self-propelled sprayers, which dealers ranked as their tenth best prospect in 2009, moved up to third on the list for next year.

Market Penetration. Based on current usage, all three of these product categories have plenty of potential to grow in both the short and long term.

Manufacturers of GPS/auto-steer and other precision agriculture equipment that *Ag Equipment Intelligence* spoke with estimate that this type of gear has penetrated only 30-35% of the market, and this is based on current farm applications. New and wide-ranging uses for these systems continue to expand.

The most frequent uses for this constantly emerging technology include auto-guidance of row-crop tractors and increasingly for combines. Precision spraying equipment and systems also continue to multiply rapidly, largely because of their capability to reduce costly inputs — including fertilizers, pesticides and other chemicals — by precise placement of the materials as well as eliminating overlap, thus reducing overall usage.

The technology is also being adapted to implement steering as well as for hay and forage applications. In addition to the growing number of uses where improvements in cost and labor savings can be demonstrated, increasing use of these precision tools is also being attributed to younger farmers getting into the business who are not intimidated by new technologies.

Export Markets. While round balers continue to dominate the hay

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Mood Upbeat at Dairy Expo Despite Difficult Market

Attendance was down, but the atmosphere seemed resolute at the 2009 World Dairy Expo in Madison, Wis., where 752 commercial exhibitors from 24 countries displayed equipment innovations for the world's dairy market.

Hammered by low milk prices, dairy farmers have held back on investing in new equipment this year, but exhibitors told *Ag Equipment Intelligence* that the mood among farmers was better than might be expected. In addition to specialized milking equipment, the health of the dairy industry is also linked to sales of utility tractors, hay and forage equipment, feed mixers and a variety of other ag machinery.

Several manufacturers foresee a slow recovery for the market in 2010. Dairy prices over the next several months will be key, as well as the time it takes for dairy farmers to get back on their feet once the recovery begins. International equipment manufacturers say Russian dairy markets have been fairly stable, while sales in North America and Eastern Europe remain soft.

Dairymen Planning. Stefan Schulte, product manager for Holland-based Triolet, said sales of its livestock feeding equipment were down in 2009, but he's more hopeful for 2010, especially with free-market milk prices in Europe going up again. "Farmers do need to use these machines every day, and more than one time," Schulte said.

Joel Huberdeau, offshore manager for Canada-based Supreme International, says there's been "tons of talk and chatter and some planning taking place" among dairy farmers who visited the Expo. The company makes vertical feed and waste processors.

"They're just not spending the dollars right now," Huberdeau said. "We're focusing on parts and service, while the farmers are just trying to keep their operations up and running. More of them are fixing their equipment than buying."

Prices Falling. At the start of 2008, U.S. dairy farmers were getting as much as $20 per hundredweight for milk. But prices for dairy products have plummeted and overseas demand also fell.

The National Milk Producers Federation estimated recently that U.S. farmers would see a $12 billion rev-

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market, unit sales of rectangular baling equipment have grown from 5.5% in 2003 to about 8% of the total market in 2008. Unit sales have grown from about 1,000 sold in the U.S. in 2003 to 1,500 in 2008. It's expected that this rate of growth will persist as commercial hay producers focus on export markets. Large, dense bales, which can be containerized for overseas shipping, reduce shipping costs, according to producers that *AEI* has interviewed.

As one dealer from the northwest U.S. pointed out, exports to Japan and other overseas destinations are critical to hay producers in the region. "Exports swing the pick on the hay market in the Northwest," he says.

Midwest dealers are also seeing a changing preference toward bigger bales as well. Ag equipment sellers in the Southeast say that hay producers there also show interest in the bigger bales that are more efficient to ship.

Bigger Farms. Farm consolidation is a driving force for the expanding sales of self-propelled sprayers, according to Tim Criddle, director of marketing for Miller-St. Nazianz, a manufacturer of self-propelled sprayers. Much of the early growth in use of the equipment has taken place in the large-acreage farming operations of Western Canada.

"In the past 5-10 years, we've seen a dramatic decrease in the number of farms and dramatic increase in the size of farms in Canada due to consolidation. These changes have shifted the self-propelled sprayer market away from commercial applicator sales to the larger market of farmgate sales.

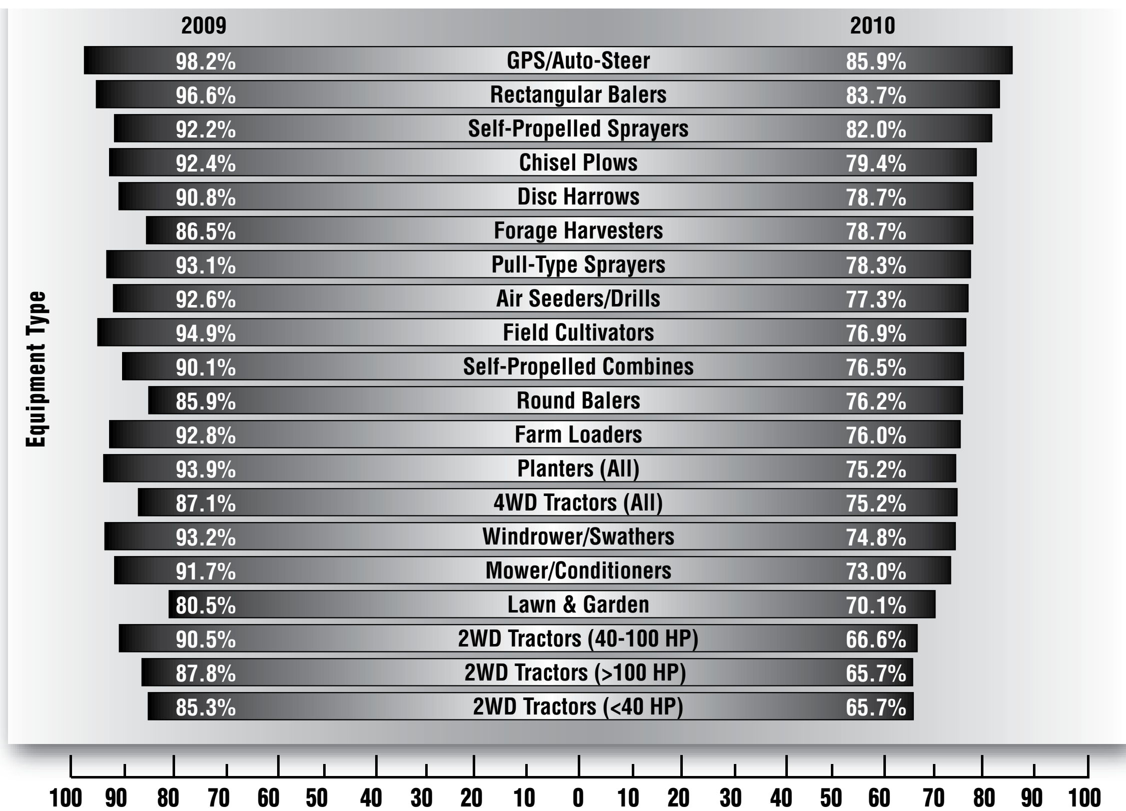
"Once farms reach 5,000 acres or so, producers find they don't have the luxury of waiting for a commercial operator to spray their crops," he says.

He estimates that the consolidation process in the U.S. is lagging about 3-5 years behind Canada. As a result, strong sprayer sales are expected to continue in both the U.S and Canada for the foreseeable future.

Other Possibilities. Possibly the biggest surprise coming from the dealers' list of best bet products for 2010 is the steep rise of forage harvesters. Last year, this equipment ranked 17th among 20 products on the list. This year, it's moved all the way up into a tie for number 5.

In all likelihood, interest in and sales of these huge, fast and pricey

Best Bets for Improving Unit Sales
(Percent of Dealers Forecasting Sales 'As Good or Better')



As they were last year, GPS/auto-steer equipment and rectangular hay balers remained atop dealers' lists for the best prospects to improve unit sales in 2010. Self-propelled sprayers moved up from the tenth spot last year to third for the coming year.

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pieces of equipment is growing as haying operations are getting larger and custom operators take a bigger role in hay harvesting. In August, John Deere rolled out its biggest forage harvester, an 800-horsepower unit.

Ironically, the biggest falloff in the dealers' list for 2010 vs. 2009 also came in haying equipment as windrowers/swathers dropped from fifth on the list last year to 15 this year.

Tractors Bottom Out. Except for 4WD tractors, which ranked 14 this year vs. 16 last year, the bottom three spots on the dealers' list of prospects for '10 are 2WD tractors. Under 40-horsepower, over 100-horsepower and 40-100 horsepower equipment were rated 20, 19 and 18 respectively.

It's believed that compact tractor sales won't see a significant pickup until the housing industry turns around, and then they will probably lag by 3 to 6 months.

This past year proved pretty strong for row-crop equipment sales (>100 HP), so it's assumed that little pent-up demand currently exists for this tractor category.

With their dependence on the dairy and livestock markets, utility tractors have experienced low volume sales during the past 18 months. But as prospects for these business segments appear to be improving, look for a pick up in sales for 2010, more so than other tractor categories. AEI

Growers to Return to Profitability in '10

Higher inputs and lower prices for corn and soybeans will likely strain farm profitability in 2009, according to Univ. of Illinois economist Gary Schnitkey. "It's likely that the high returns period experienced during 2007 and 2008 is over and crop farming now faces agricultural returns closer to historical averages," he says.

He projects net farm operator returns for 2009 at minus $8 per acre for corn and minus $15 per acre for soybeans, the first negative returns for the decades of the 1990s and 2000.

At the same time, Schnitkey expects net operator returns for 2010 will rise from 2009 levels to $94 per acre for corn and $84 per acre for soybeans. "The higher 2010 returns are based on lower non-land costs. Non-land costs for corn are projected at $440 per acre in 2010, down by $77 per acre from 2009 non-land costs of $517 per acre.

"Lower 2009 returns are caused by higher input costs and declining commodity prices. In 2009, non-land costs for corn are projected at $517 per acre, $89 higher than the 2008 non-land costs of $428 per acre. On the commodity price side, farmers received an average of $4.05 per bushel for corn in 2008. It's expected that they will receive $3.25 per bushel for corn in 2009," says Schnitkey.

"Fertilizer prices used for 2010 projections are $400 per ton for anhydrous ammonia, $400 per ton for DAP and $600 per ton for potash. By way of comparison, anhydrous ammonia prices were above $1,000 per ton during the summer of 2008," Schnitkey said.

Budgets for 2010 contain an estimate of $3.75 corn and $10 soybeans. In late September, these prices were above bids available on futures markets.

Based on estimates released by the National Agricultural Statistical Service, 2009 Illinois yields are projected at 200 bushels per acre for corn and 51 bushels for soybeans. These estimates are slightly above 2008 yields of 199 bushels for corn and 50 bushels for soybeans. The 200 bushels expected 2009 yields is above the 5-year average yield of 188 bushels per acre. The 51 bushels expected 2009 yield for soybeans is below the 5-year average of 54 bushels per acre.

Farm Business Farm Management System records show that cash rent in central Illinois averaged $197 per acre in '08 for high-productivity farmland. It is projected at $210 in '09.

"These 2009 returns indicate that farms will likely face financial stress. However, returns in 2007 and 2008 were above average and many farmers built financial reserves that will carry them through the low income year of 2009. I don't expect widespread financial difficulties across grain farms in the Corn Belt," says Schnitkey. AEI

FARM MACHINERY TICKER (AS OF 10/12/2009)

Mfr.	Symbol	10/12/09 Price	9/11/09 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$26.92	$31.63	$38.86	$14.62	8.41	1.44 M	2.49 B
Alamo	ALG	$16.05	$15.64	$18.04	$9.22	22.42	20,400	161.24 M
Art's Way	ARTW	$4.29	$5.00	$6.35	$2.90	29.59	5,268	17.12 M
Caterpillar	CAT	$53.05	$48.53	$54.71	$21.71	18.29	12.35 M	32.96 B
CNH	CNH	$17.00	$17.69	$20.93	$5.69	23.32	146,688	4.04 B
Deere	DE	$42.61	$43.00	$47.98	$24.51	12.56	5.02 M	18.02 B
Kubota	KUB	$40.86	$41.03	$46.25	$17.72	27.99	28,769	10.39 B
Titan Machinery	TITN	$12.02	$13.24	$17.21	$7.50	12.02	229,041	213.49M

CNH Joins AGCO and Deere in Expansion Plans for Russia

Despite the collapse of Russia's economy last year, which took its booming ag industry with it, farm equipment manufacturers are hustling to stake their claim in this enormous, and largely behind-the-times, market.

CNH Global, parent company of Case IH and New Holland farm and construction machinery, is the latest ag machinery maker to announce plans to gains a foothold in the Confederation of Independent States (CIS). In the past year, farm equipment makers AGCO and Deere & Co. announced plans to expand their presence in the Russian Federation.

On October 7, CNH agreed to a pact with Kamaz, Russia's largest producer of trucks and diesel engines. The deal calls for the two industrial giants to form an industrial and commercial alliance to produce and sell CNH's branded combines, tractors, implements and specific construction equipment in Russia.

Manufacturing operations will be located in Naberezhnye Chelny, Tatarstan, the historical headquarters of Kamaz and are planned to start up in 2010.

In addition to the manufacturing agreement, CNH and KAMAZ will integrate their networks in order to distribute in the Russian Federation both local and imported agricultural and construction equipment.

According to press reports, the commercial joint venture will benefit from Kamaz's dealer network in Russia and from CNH's strong product, brand recognition and distribution presence in the Russian market, leveraging its global resources and organization.

In addition to the international heads of CNH and Kamaz, also on hand during the formal signing of the agreement were Sergio Marchionne, CEO of the Fiat Group, parent company of CNH Global, and Vladimir Putin, prime minister of the Russian Federation, who is regarded as its most powerful politician.

"The majors are hustling to stake their claims in the Russian ag equipment market…

AGCO & CTP. Last October, AGCO, the world's third largest manufacturer of farm equipment, signed a joint venture with Concern Tractor Plants (CTP), a leading Russian industrial machinery builder, to assemble diesel engines in Russia.

"This joint venture agreement is another very significant step in the growth strategy of our global engine business," Martin Richenhagen, AGCO chairman, president and CEO, said while announcing the company would invest $9 million in the joint venture over the next 3 years.

AGCO and CTP both have a 50% ownership in the joint venture, which would assemble and distribute the full range of AGCO SISU Power engines throughout Russia and CIS. The joint venture will become the key engine supplier for all major CTP plants manufacturing both industrial and agricultural machinery between 50- and 350-horsepower, while also selling engines to third party customers mainly in the CIS countries.

Deere on Its Own. As usual, Deere & Co. will go it alone in expanding its Russian presence. In August, the company's board of directors approved an investment plan to establish a manufacturing and parts center in Russia. The project is to be located near Moscow, in close proximity to the Domodedovo International Airport.

Deere reported that the new site would have the capability to manufacture a broad range of John Deere products, including tractors and harvesting equipment, as well as construction and forestry products. At the same time, Deere will consolidate several depots into one site to improve parts and after-sales service to customers.

"Our strategic investments reflect Deere's confidence in the potential of the Russian market. Russia will be a major contributor to meeting the world's future needs for food and forestry products," said Samuel R. Allen, president and chief executive officer.

Allen said the announcement is the first step to achieve the vision for Russia that Deere announced in July 2009 at the U.S.-Russia Business Summit. It indicated the company's intention to significantly expand its presence in the country, which Deere views as an important growth market for agriculture, forestry and construction equipment. AEI

Is Fiat in It for the Cars?

With its acquisition of U.S. carmaker Chrysler earlier this year, some industry observers believe Fiat's main interest in signing the deal with Kamaz on October 7 to produce Russian-made, CNH-branded ag and construction agreement is because it allows the Italian car maker expand its presence into the Russian automobile market.

During the signing of the CNH-Kamaz deal, Sergio Marchionne, CEO of Fiat, said, "Our dream is to make a jeep in Russia."

Chrysler's product line, of course, includes the Jeep Grand Cherokee SUV.

Prime Minister Vladimir Putin, Russia's most influential politician, has repeatedly called Italy one of Russia's most important trade partners. He told Marchionne making an SUV in Russia would be a good move.

"SUVs are in very big demand in Russia, given that we have yet to build a big number of roads," said Putin, referring to Russia's often-disastrous state of roads, seen as one of its key economic problems.

During the past year, Marchionne has continuously repeated his belief that when the dust settles on the world's economic problems, there will be only five or six major carmakers worldwide. This has left many in agriculture to believe that with its growing interest in producing automobiles, Fiat will lose interest in the ag and construction equipment business. A spinoff of CNH is a likely scenario.

Reportedly, Fiat would further develop its partnership with mid-sized Russian carmaker Sollers, with whom it already plans to produce small- and medium-sized Fiat automobiles.

South America in Perspective: Farm Politics Trumps Profits

While September sales of farm equipment saw its first positive sign in nearly a year, South American politics could put a crimp in its farmers' profitability, while at the same time improving U.S. growers' outlook for 2010.

U.S.-based AGCO Corp., the leading supplier of ag machinery to the region, reported earlier this month that its sales of equipment improved in September after steep declines earlier in the year.

According to a Reuters report, governmental measures and a serious drought contributed to the fall in sales to Argentina. Regional exports of the company's Brazilian plants were also worsened by the appreciation of the Brazilian currency against the dollar as well.

In Brazil, Latin America's number one market for farm equipment, unit sales of tractors were down nearly 8% this year through September from a year earlier. Combine sales were down 35% in the same period. In Argentina, the second biggest market in the region, sales of tractors and combines have fallen 65% and nearly 80% respectively.

Equipment Sales. "We view combine sales as a better reflection of the health of the crop farmer," says Ann Duignan, machinery analyst for JP Morgan in a note to investors. "Tractor sales in Brazil clearly reflects that small farmers are benefiting from the government support. Of note, tractor production was down 17% year-over-year and combine production was down 55% in September."

AGCO outperformed the industry in both tractors and combines last month with unit sales up 15% year-over-year vs. down 7% for CNH and down 9% for Deere. AGCO's combine unit sales were down 21%, CNH's down 22%, and Deere's down 40%.

"AGCO's mix is more heavily weighted toward smaller equipment, and as such, it is benefiting from the recovering trend in tractor sales," says Duignan.

According to JP Morgan's revenue model, industry revenues were down 5% year-over-year in the third quarter. "We estimate that AGCO's revenues were down 3% in Brazil, while Deere's revenues declined 7% and CNH's revenues were down 12%, in the same period," says Duignan.

South America — not just Brazil — represents 10% of Deere's earnings, 11% of CNH's and 13% of AGCO's earnings.

Crop Politics. The wild card in this year's pricing equation and equipment sales could be South American politics.

When it comes to grain, South America is the United States' biggest rival. With the high yields and lower prices projected for this year's U.S. corn and soybean crops, Brazil and Argentine government policies could change the equation for American producers.

In a recent report from Bloomberg, Argentina, which is the world's second-largest corn exporter, may plant the smallest crop in two decades as the government delays plans to lift a ban on exports.

Since 2006, the government has limited exports of beef, corn and wheat to provide cheaper foodstuffs in the Argentine market.

While President Cristina Fernandez de Kirchner vowed to allow overseas shipments of corn last month, she has yet to make good on her pledge.

This has prompted farmers to plant more soybeans as the government doesn't restrict soybean exports and they're also cheaper to plant.

Argentina will sow 4.63 million acres of corn this year, according to the Buenos Aires Cereals Exchange. That's the least since 1989, and the country is set to fall behind Brazil, becoming the world's third-largest corn exporter amid rising global demand.

"Until recently we saw Argentina and South America becoming the next growth market," Shawn McCambridge, a senior grain analyst for Prudential Bache Commodities LLC in Chicago, told Bloomberg. "With Argentine production dropping, there could be an impact in the following years."

At the same time, Argentina may produce a record soybean harvest of more than 50 million metric tons next year as farmers switch away from corn. Brazil, the world's biggest soybean producer after the U.S., may also harvest a record crop next year of as much as 64 million metric tons. Argentina is the number three producer. AEI

Deere, UAW Pact Bars Factory Closures

The recently ratified labor pact between Deere & Co. and United Auto Workers could set the tone for negotiations with other ag equipment manufacturers and forbid the closure of facilities that produce farm machinery.

Deere reported on October 4 that members of the UAW ratified a new 6-year contract covering about 9,500 workers and 17,000 retirees. As part of the agreement, Deere agreed not to close any plants for the duration of the deal, which expires October 1, 2015. Workers will also receive a $3,500 ratification bonus.

The company announced last year that it would be closing its Welland, Ontario, factory that produced utility vehicles and attachments for its commercial, consumer and agricultural lines of equipment. The production was moved to Deere plants in Wisconsin and Mexico, and idled 800 Canadian workers. AEI

Newest USDA Report 'Slightly Negative' for Equipment Sales

Along with raising its projected corn yields, USDA's October 9 supply and demand estimates lowered overall cash receipts for corn and soybeans for the 2009-10 crop year. Analysts believe this is a negative for future equipment sales.

According to the agency's most recent report, final grain production for the 2008-09 crop year was mostly in line with trade expectations, but it revised 2009-10 corn yields up to 164.2 bushels per acre vs. its prior forecast of 161.9 bushels. At the same time, it lowered acreage to 86.4 million acres vs. prior forecast of 87 million acres, resulting in 2009-10 ending corn inventory of 1.672 billion bushels vs. prior forecast of 1.635 billion.

USDA left the 2009-10 soybean acreage and yields mostly unchanged. It expects ending soybean inventory to be 230 million bushels vs. prior forecast of 220 million bushels.

"As a result of this latest forecast, we now expect total major crop receipts, including corn, wheat and soybeans, for 2009-10 to be down 12% year-over-year to $89.9 billion," says Ann Duignan, machinery analyst for JP Morgan. "Consistent with our thesis, we view today's report to be slightly negative for 2010 ag equipment sales."

USDA also indicated that it expects exports of corn and wheat to be lower than previously anticipated. The ag agency noted that both commodities would face greater competition from other countries and crops. Additionally, it lowered its wheat for feed forecast on lower demand from the domestic protein sector. This is consistent with our thesis on the decline in "grain consuming animal units" going into 2010. AEI

Art's-Way Revenue Falls 41% in 3Q

Art's-Way, a manufacturer of a wide range of niche farm equipment, pressurized vessels and modular animal confinement buildings reported on October 12 that its third-quarter consolidated revenues declined by 40.6%.

It's consolidated net sales for the 9-month period ended August 31, 2009 were $19,407,000 compared to $23,856,000 for the same period in fiscal 2008. Consolidated net sales for the third quarter were $5,600,000 compared to $9,421,000 for the same period in fiscal 2008.

The company's agricultural products segment had net sales of $4,993,000 and $15,868,000 for the 3- and 9-month periods respectively, compared to $6,685,000 and $15,878,000 for the same periods in fiscal 2008. This represents a decrease of 25.3% and 0.1%, respectively.

The company attributes the falloff in sales to decreased sales of sugar beet harvesters and grinder mixers. This decrease, however, was partially offset by the sales from the Miller Pro products, and also the sales of augers, which the company started producing earlier this year.

J. Ward McConnell Jr., Art's-Way's executive chairman says, "This has been a mixed quarter and 9 months. We had improvements with vessels and augers but government grants have not come through as yet, to stimulate new orders for Scientific. The broad-based economic downturn has had a serious impact on our top and bottom lines.

"Additionally, since any improvements appear to be slow and uncertain, we expect the economic conditions to continue to adversely affect earnings throughout our fiscal year."

He adds, "As we look ahead, while the recovery may be slow and uneven, our continued focus will be on driving revenue, controlling costs and strengthening our balance sheet that will position us to take advantage of the coming economic recovery." AEI

Mahindra Tractor Sales Rise 56% in September

Mahindra & Mahindra's Farm Equipment Sector (FES), a part of the $6.3 billion Mahindra Group, based in India, reports that its total tractor sales — domestic and exports — in September reached 16,986 units. This compares with 10,868 units for the same period in 2008, an increase of 56%.

Domestic sales in September registered a record 59% increase at 16,359 units, as compared to 10,307 units for the same period last year.

Year-to-date domestic sales rose 48% to 80,610 units vs. 54,543 units for the same period last year. The company's total year-to-date sales increased 42% increase to 83,865 units, compared to 58,893 units for the same 9-month period of 2008. AEI

U.S. Stands Alone in Crop Yields

Even its strongest competitors are having a tough time keeping up with U.S. growers when it comes to crop yields. With its advanced use of biotech seed, fertilizers and agronomic and equipment know-how, U.S. farmers are maintaining a huge lead in per-acre production of grain.

In a yield contest last year, several American farmers grew 290-350 bushels of corn per acre without using irrigation.

Such large yields — twice the 160-bushel U.S. average — dwarf other worldwide producers. In comparison, corn yields in China average 85 bushels per acre, the Ukraine 65, Brazil 60 and Mexico 50. AEI

Combine Demand Down in September

After more than holding its own through the first 3 quarters of 2009, it appears that demand for combines weakened in September, as sales fell 7% year-over-year after a 17% increase in August in the seasonally most important month of the year, according to the latest sales figures from the Assn. of Equipment Manufacturers.

"Large tractor demand remained weak, with row-crop tractor sales falling by 35% and 4WD tractor sales up only slightly. While inventories of large tractors appeared to stabilize, combine inventories increased, bucking the normal seasonal trend, and increasing the risk of future production cuts," says Robert McCarthy, analyst for RW Baird.

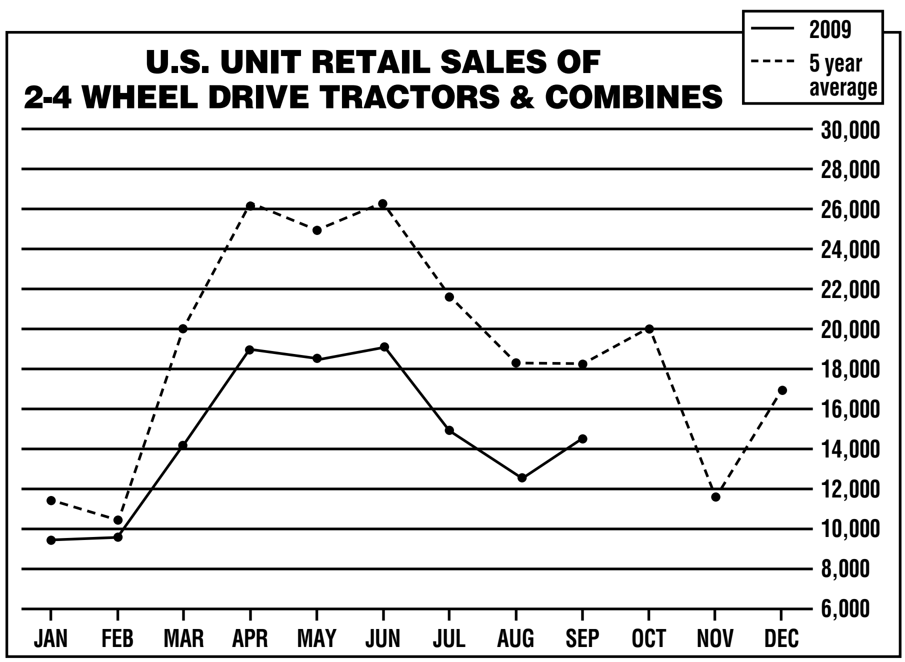
- North American row-crop tractor sales fell 35% year-over-year in September, a slight improvement from August's 39% decline. Sales were down 24% year-over-year in the last 3-month period.
- 4WD tractor sales increased 3% in September, up from a -3% comparison posted in August; trailing three-month sales were up 8% year-over-year.
- September is a below-average month seasonally for row-crop and 4WD tractor sales, contributing 6.7% and 7% of annual sales on average, respectively.
- U.S. dealers' large tractor inventories remain high. Row-crop and 4WD tractor unit inventories increased 47% and 51% year-over-year on an absolute basis, while days-sales of inventory increased 46% and 35% year-over-year, respectively.
- For combine sales, September marks the first negative comparison since a 2% decline in November '08, and only the second negative comparison since April 2007. September is typically the most important month of the year for combine sales, averaging nearly 14.5% of annual sales over the past 5 years.
- U.S. dealer inventories of combines increased 27% year-over-year and 14% sequentially, bucking the normal seasonal trend for inventory decline in August. On a days-sales basis, inventory increased 11% to 70 days-sales. AEI

SEPTEMBER U.S. UNIT RETAIL SALES

Equipment	September 2009	September 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	September 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	6,766	8,443	-19.9	65,182	82,657	-21.1	42,599
40-100 HP	4,253	5,850	-27.3	38,471	53,621	-28.3	26,853
100 HP Plus	1,578	2,503	-37.0	16,877	19,299	-12.5	8,165
Total-2WD	12,597	16,796	-25.0	120,530	155,577	-22.5	77,617
Total-4WD	493	506	-2.6	3,317	2,625	5.9	1,070
Total Tractors	13,090	17,302	-24.3	123,847	158,708	-22.0	78,687
SP Combines	1,357	1,483	-8.5	7,465	6,122	21.9	1,904

SEPTEMBER CANADIAN UNIT RETAIL SALES

Equipment	September 2009	September 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	September 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	524	1,278	-59.0	7,796	10,974	-29.0	7,110
40-100 HP	533	682	-26..1	2,737	3,308	-22.2	4,239
100 HP Plus	263	356	37.2	2,474	2,952	-17.3	1,972
Total-2WD	1,320	2,316	-43.0	15,202	20,287	-25.1	13,321
Total-4WD	68	39	74.4	842	873	-3.6	204
Total Tractors	1,388	2,355	-41.1	16,044	21,160	-24.2	13,525
SP Combines	184	171	7.6	1,930	1,755	10.0	527



—Assn. of Equipment Manufacturers

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enue drop in 2009. In Europe, dairy farmers will lose about $20 billion, a European farm association reports.

"It's just one day at a time," says Jerry Carmack of LuckNow Products, a Canadian company that makes feed mixers, snowthrowers, grain carts, bio-compost mixers and material handlers. "You haven't got anything left to spend with $9 milk when it costs you $11 or $12 to make it."

Hoping for Recovery. Patz Corp., a Wisconsin company that makes feed mixers, silo unloaders and other equipment, says there's "a light at the end of the tunnel" in the milk pricing nightmare. "If the price of milk can come back, that's good for us because that's a dairy farmer's cash and their buying power," said Darrell Patz, the company's president.

Most companies serving dairy farmers have seen sales decline, but business could improve next year, said Calvin Mazurenko, managing director AT Films, a Canadian firm that makes polythene films. "I think people have outlived the scare out there.

"I'm impressed with the optimism with some of the dairy farmers. I thought there would be a lot more doom and gloom."

"With feed mixers it's about time for some of them to be replaced. I think next year we'll get back to where we were 2 years ago," said Brian Van Bruggen of Sioux Automation Center in Iowa, which makes feed mixers, silage bagging and manure handling equipment.

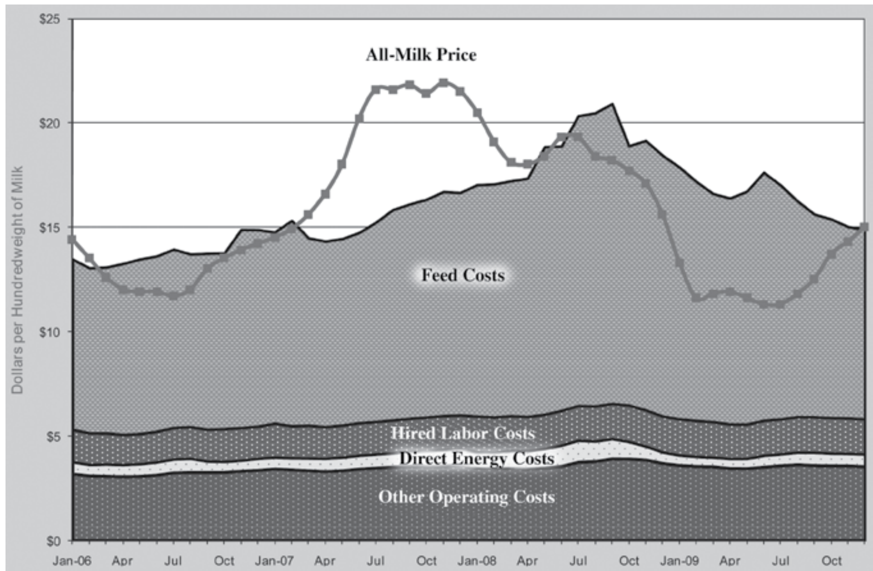
Serious Leads. Bauer North America, which makes irrigation systems, is doing well worldwide, says Robert Hultgren. "We have a lot of machines and spare parts out there in North America and overseas."

Ryan Ford, rough terrain product specialist for Manitou, a French manufacturer of telehandlers, said fewer customers were stopping by this year, but those he spoke with were serious about spending money.

Farmers are holding on to their equipment longer than usual, but if milk prices could increase to $15 or $18 next year it would be a relief, he said. "The lead quality has been good. There's no doubt that we have to work harder right now and be on top of every deal."

Todd Mach, product manager for New Zealand-based Gallagher, which makes fencing, automatic gate openers and animal identification products, said dairy farmers in the Northeast have been hard hit, but dealers in the southeastern U.S. are still ordering and stocking items. "I think 2010 will still be a good year," he said. AEI.

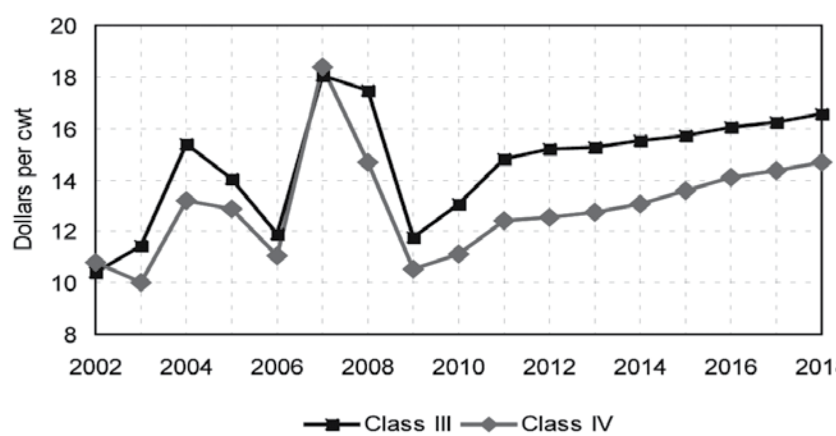
U.S. Milk Prices & Costs of Production — 2006-2009 (f)



Source: USDA/NASS & USDA/ERS

Along with the steep plunge in farm-level milk prices that started last summer, dairy producers were also hit with rising feed costs, which remain elevated. When combined with other costs of running the farm, including energy, labor and related expenses, most dairy farmers will be operating in the red for much of 2009. Average prices in 2008 ran at more than $18 per hundredweight, with peaks over $20. The Food and Agricultural Policy Research Institute (FAPRI) at the Univ. of Missouri–Columbia projects an all-milk average in 2009 at $13, with variations around the average dropping to $11

Class III Prices Remain Above Class IV Prices



Source: FAPRI-MU Report #01-09 — 2009 Baseline Breifing Book

Some model outcomes suggest that the 2009 milk price could be at the lowest level seen this decade, which is expected to average near $13 per cwt. According to the Food and Agricultural Policy Research Institute (FAPRI) at the Univ. of Missouri–Columbia, the volatility in milk prices over the past 10 years is expected to continue. By 2018, the 10th and 90th percentiles indicate that 80% of model outcomes result in an all-milk price somewhere between $14 and $22 per cwt.