From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

January 15, 2008
Vol. 14, Issue 9

- Low-Cost Thai Tractors
- Brazil Ag Sales Rising
- Titan Adds 6 More

Anticipating a 'Wave of Consolidation,' Titan Machinery Goes Public

Titan Machinery, a Fargo, N.D.-based farm equipment dealer, took the plunge into the world of becoming a publicly traded company on December 6 when it made about 6 million of its shares available for sale. Though not entirely unheard of, it's rare that a retailer of farm equipment has gone public.

The firm, which will trade under the NASDAQ Global Market symbol of TITN, says it plans to use the nearly $40 million from the IPO to fund potential acquisitions of Case IH, Case and New Holland farm and construction machinery dealerships, for general corporate purposes and to repay debt.

In an interview with *AEI*, David Meyer, Titan's chairman and CEO, said, "This is something we've contemplated for quite a few years and our company is now of the size where it was feasible to do this now. We were sitting in great financial shape, but wanted to position the company for long-term growth.

"We are witnessing a major demand shift in agricultural commodity pricing. At the same time, we're on the front end of major wave of dealer-

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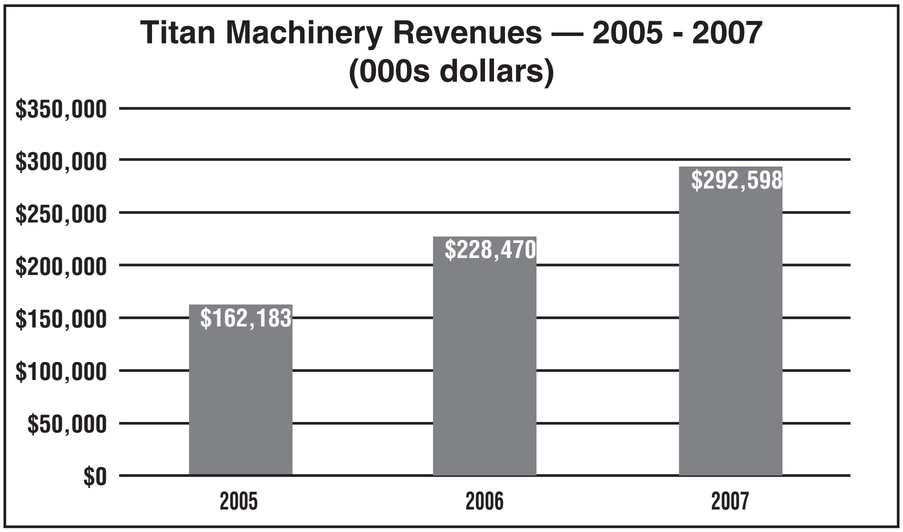

Case's Largest Canadian Dealer Goes 'Public,' Too

Two weeks after Titan Machinery, the largest worldwide dealer of Case IH ag equipment, launched its initial public offering, Case's largest equipment retailer in Canada went public on the Toronto Stock Exchange as well. Based in Calgary, Rocky Mountain Dealerships began trading on December 20 under the symbol "RME.TO"

The company went on the market with an offering of 6.5 million shares at $10 (Canadian) per share.

According to *Canada NewsWire* reports, the net proceeds of the offering were used by the Rocky Mountain, in part, to acquire all of the issued and outstanding shares of Hammer Equipment Sales Ltd., the largest Case construction equipment dealer network, and Hi-Way Service Inc., the largest retailer of Case IH ag equipment.

Through the combination of the two businesses, Rocky Mountain represents one of Alberta's largest agriculture and construction equipment dealerships with 13 locations, revenues of $290 million, and 400 employees located throughout Alberta.

Diversified Markets

According to Rocky Mountain, the acquisition of Hammer Equipment makes the company the largest independent dealer of Case construction equipment and Case IH agriculture equipment in Canada and one of Alberta's largest multi-branch, full-service equipment dealers. As the dealer's flagship brand, Case generates 65% of Rocky Mountain's new equipment sales.

Hammer Equipment was formed in 1993 in Calgary and, through continued expansion of its business, has grown to become the largest dealer in Canada of Case construction equipment and the largest dealer in North America of Terex and Dynapac construction equipment.

While Hammer Equipment mainly retails construction equipment, the Hi-Way Service business (established in 1949) is among the longest standing agricultural dealers in Alberta. It is also the largest ag machinery dealer in Canada and is one of the three

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ship consolidation that's going to take place.

"Right now, the fundamentals of the industry are really good, but we're getting to the point where the average age of the dealer-principal is getting up there. Take a look at the average age of a lot of dealer-principals today."

The lack of succession planning with many dealership owners presents an opportunity for Titan. Meyer adds that dealers ready to retire have initiated many of the firm's acquisitions.

Continuing Consolidation

"As you look at the industry, it's obvious that it's a fragmented industry and ready for consolidation," says Meyer. "Deere has also been very visible with its consolidation efforts. The major equipment manufacturers are driving consolidation and at the same time we, as a company, want to be a consolidator, so we've got some aligned interests here."

According to CNH, Titan is the world's largest retail dealer of Case IH Agriculture equipment.

As an early adopter of the large-multiple store model in the ag equipment industry, Meyer says that Titan was in a better position to become a publicly traded company.

"A company needs a certain level of revenue to make it worthwhile. There aren't too many dealerships that have revenues over $200 million. We're probably considered a small- or micro-cap stock. But when you look at it closely, we're really a growth stock. There aren't too many [farm equipment retailers] of our size that are capable of making this kind of move."

But he points to other industries where consolidation is taking place and bigger retailers have gone public. "There are some public companies on the construction equipment side and there have been successful consolidators in the auto and truck industry. We've also seen both banking and salvage industries successfully consolidate."

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Titan's Revenues Rise 67% in Third Quarter

In its third quarter conference call on January 11, Titan Machinery announced that its revenue for the period ending October 31, increased 67% to $132 million from revenue of $79 million. All three of the company's main revenue sources — equipment, parts and services — contributed to this period-over-period revenue growth.

Equipment sales were $103 million, up 78% from $58 million in the same period last year. Parts sales increased 42% to $18 million for third quarter, from $13 million in the prior-year period. Revenue generated from services was $8 million in the quarter compared to $6 million in the third quarter of last year.

Gross profit for the fiscal third quarter increased 54% to $20 million, compared to $13 million in the third quarter of the prior year. The company's gross profit margin was 15.4% in the fiscal third quarter vs. 16.7% in the third quarter of the prior year. This expected decrease in gross margin was the result of a higher percentage of revenue being generated from equipment sales compared to the higher margin parts and service business.

Nine Month Results. For the 9 months ended October 31, 2007, revenue increased $89.2 million, or 42.8%, to $297.8 million from revenue of $208.6 million in the same period last year. Net income was $4.9 million compared to net income of $2.3 million in the same period last year.

Titan Not the First Publicly Held Dealership

While Titan's move to become a publicly held entity is rare, it's not the first dealership group to offer its stock for public ownership.

RDO, another Fargo, N.D.-based dealership network and John Deere's largest equipment retailer of ag and CE equipment made the move in 1997. In an interview in *Farm Equipment* (April/May 2007), Ron Offutt, RDO's CEO, called the time between 1997 and 2003 the "most difficult" of his career.

Despite having Deere's initial blessing to become a publicly held corporation, RDO found that it remained at the whim of its principal equipment supplier. "John Deere corporate became fearful thinking they had created a monster," said Offutt. "So, they shut the gate and wouldn't let us buy anything."

With its growth model heavily dependent on acquisitions and unable to make any, RDO's stock fell from a high of $29.50 per share to between $2-3 before Offutt took the company back into the private sector.

David Meyer, Titan's chairman and CEO, says that the company worked closely with its supplier, CNH, prior to making the decision to go public and intends to work openly with the them to assure future expansion opportunities. "This is a mutually beneficial relationship for both," says Meyer.

Titan Machinery's Growing Revenues

	Year ended January 31		
	2005 (As Restated)	2006 (As Restated) *(in 000s dollars)*	2007 (As Restated)
Statement of Operations Data:			
Revenue			
Equipment	$ 119,850	$ 175,549	$ 220,958
Parts	25,058	31,099	42,619
Service	13,141	16,572	21,965
Other	4,134	5,250	7,056
	162,183	**228,470**	**292,598**

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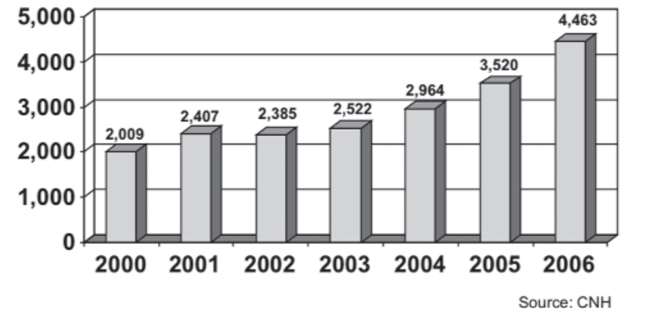
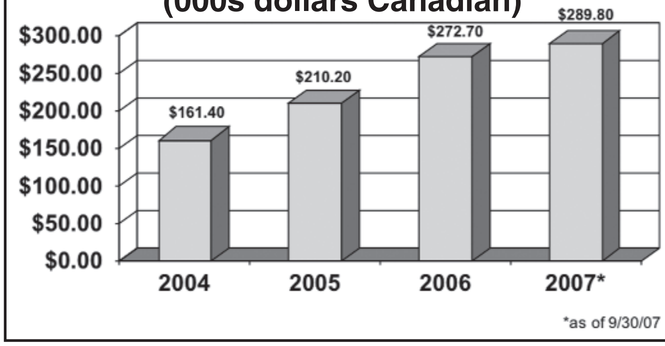
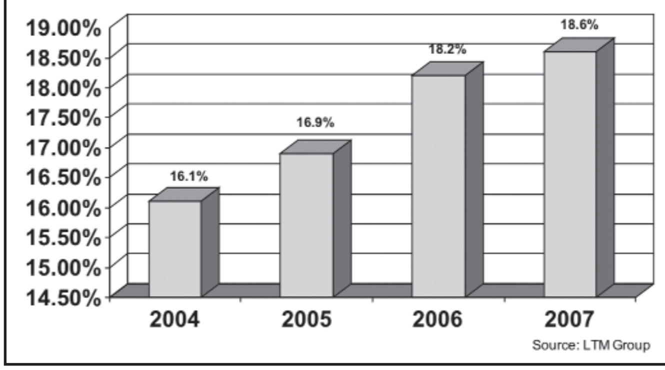
Alberta Tractors & Combines Deliveries (Units)



Rocky Mountain Dealerships Revenue (000s dollars Canadian)



Rocky Mountain Dealerships Gross margins



largest dealers in North America for Case IH ag equipment. It is the sole distributor for Case Construction equipment in southern Alberta.

Rocky Mountain says it serves over 8,000 customers in diverse end-markets with its largest customer accounting for less than 2% of sales.

Attractive Fundamentals

Rocky Mountain executives cite attractive market fundamentals in both farm and construction industries in the near- and mid-term and say the firm intends to focus its efforts on Alberta and the Rocky Mountain corridor.

On its web site, the company says, "We expect the Case Construction and Case IH Agriculture dealership network to experience consolidation similar to the consolidation of Caterpillar, Komatsu and Deere dealerships that began in the 1980s. The automotive industry has also experienced a consolidation trend with a large number of consolidated dealership groups, including a number of publicly traded entities. We believe that consolidation within the CNH dealer network has been less rapid due, in part, to Case Construction equipment dealerships in Alberta having been corporately owned until 1993.

"We believe that consolidation is a natural and logical outcome within the CNH dealer network. Some of the factors that will drive consolidation include: exit strategies for dealership owners; the need for increased operating efficiencies in an increasingly competitive market; and larger scale and cost of equipment and the impact on inventory management."

Matt Campbell, Rocky Mountain's CEO says, "The combination of Hammer Equipment and Hi-Way Service provides a comprehensive footprint in the ag and construction sectors that will enable us to deliver better service to all of our customers." **AEI**

FARM MACHINERY TICKER (AS OF 1/11/2008)

Mfr.	Symbol	1/11/08 Price	12/12/07 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	$63.80	$67.48	$71.95	$29.37	N/A	1.67 M	5.84 B
Alamo	ALG	$18.50	$19.65	$28.37	$16.77	18.01	19,400	181.23 M
Art's Way	ARTW	$29.06	$38.00	$39.75	$6.19	26.23	16,361	57.48 M
Caterpillar	CAT	$66.01	$73.82	$87.00	$57.98	12.72	9.07 M	41.98 B
CNH	CNH	$58.80	$63.48	$67.82	$25.80	31.49	420,788	15.04 B
Deere	DE	$89.26*	$87.90	$94.39	$46.30	22.29	5.12 M	39.10 B
Kubota	KUB	$30.60	$36.92	$53.83	$31.00	11.50	49,500	7.89 B
Titan Mach.**	TITN	$17.00	N/A	$17.00	$14.50	24.96	990,339	73.88

**On November 14, Deere & Co. shareholders approved a two-for-one stock split in the form of a 100% dividend.*
*** Titan Machinery undertook its IPO with approx. 6 million shares on December 6, 2007 at $8.50/share.*

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Continuous Expansion

In its 27-year operating history, the Titan network has grown primarily through the acquisition of existing dealerships throughout North Dakota, South Dakota, Minnesota and Iowa.

In its filing with the Securities and Exchange Commission, the company said, "we have built an extensive, geographically contiguous network of 35 full service stores and two outlet stores located in the upper Midwest. We have a successful history of growth through acquisitions, including 14 acquisitions consisting of 30 stores since January 1, 2003.

"We believe we have a well-established track record of successfully integrating acquired stores, based on our historical growth from acquisitions and our ability to retain key acquired-store employees and acquired-store customer relationships."

In its filing with the SEC, Titan reported revenues of $292.5 million during fiscal 2007, up 28% from $228.4 million in fiscal 2006. Its gross profit margins were 16.7% in 2007 compared to 15.2% in the previous year. Titan employs more than 600 full-time employees.

Room to Grow

Meyer leaves little doubt regarding Titan's ambitions to grow even larger, and the access to capital markets through public ownership entity will ensure continuing growth. "The most important component to our future growth will be financial performance and the ability to execute in our existing markets," Meyer says.

And they've wasted little time, already adding new locations in Iowa, Minnesota and North Dakota since the IPO (see sidebar above).

"Private and public equity capital have allowed us to grow at a faster rate," he says. "This has put us in the position to take advantage of the consolidation opportunities out there."

At the same time, Meyer says that, while he doesn't expect to see many multi-store farm machinery dealers rushing to go public, "I think there are a lot of industry people and dealers who are watching what we're doing right now." AEI

Titan Machinery Acquires More Stores

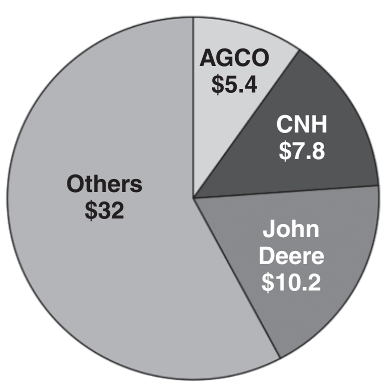
Titan Machinery, the Fargo, N.D.-based dealer of CNH farm and construction machinery, wasted little time in adding to its already sizable network of 32 store locations throughout a four state area in the upper Midwest.

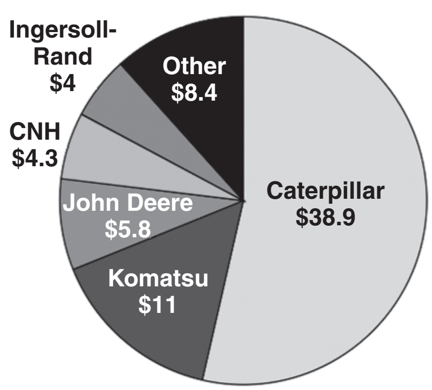
During the fiscal third quarter ended October 31, 2007, the company acquired Red Power International with 2 dealerships in Minnesota, bringing its total number of dealerships at the end of the third quarter to 34.

Since the end of the third quarter, Titan acquired 4 additional dealerships — Twin City Implement, Mandan, N.D., Reiten & Young International, a Case IH and New Holland farm equipment dealership in Grand Forks, N.D., Avoca Implement and Greenfield Implement, Case IH dealerships in Southwest Iowa.

Reiten & Young was founded in 1977 by Vic Reiten and Dennis Young. With its 21 employees, the retailer had $10 million in revenue in its fiscal year 2007. The Avoca dealership was founded by the Mez family more than 60 years ago and purchased the Greenfield dealership in 1993. Together, the two dealerships have 43 full-time employees and achieved approximately $34 million in combined revenue for their most recent fiscal years.

Sales of Ag and Construction Equipment Expected to See Strong Growth Through 2012





According to IBISWorld data, U.S. farm equipment in 2006 amounted to $55.4 billion with John Deere accounting for 18.2%, CNH for 14.1% and AGCO for 9.7%. Sales are expected to rise to $58.2 billion by 2012. U.S. sales of construction equipment in 2006 reached $72.4 billion with Caterpillar's market share reaching 53.7%, Komatsu 15.2%, John Deere 8%, CNH 5.9% and Ingersoll-Rand 5.5%. Projections call for revenues, adjusted for inflation, to increase to $78.3 billion by 2012. AEI

Soybean Acreage Not Keeping Up With Demand

Despite soybean futures approaching $13 a bushel — $12.91 for July 2008 — it doesn't appear that soybean acreage will increase enough to match skyrocketing demand, according to Darrel Good, Univ. of Illinois Extension marketing specialist.

In a recent report, Good says that while South American farmers tend to fill the gap, many industry observers expect South American growers to increase soybean acreage by only about 6%.

"It looks like South American will not step up and fill the void left by our small crop in 2007," he says. ". We've already significantly cut soybean acres here in the Midwest. If demand is as strong as we think it is, we believe the acreage will need to go back up in the U.S. in 2008 if we're going to keep supplies at some kind of adequate level for all users."g to China. AEI

Vermeer and Lely to Acquire Welger, Creating 'Premier Brand' of Haying Equipment

Vermeer Manufacturing Co. of Pella, Iowa, and the Dutch-based Lely Group have announced on December 17 plans to jointly acquire 100% of the assets of German agricultural hay baler and bale-wrapper manufacturer Welger Maschinenfabrik GmbH.

The partners say the new Vermeer-Lely alliance will create a "premier brand" of hay and forage equipment and "huge benefits" for all three high-profile brands — Vermeer, Lely, Welger — and a much larger global presence in grassland machinery and baling equipment.

Welger was formerly owned by Lely, but was then sold through a management buyout 3 years ago in a deal involving Andlinger, a private investment partnership. Throughout this, Lely has continued to be Welger's distributor.

Lely has provided cutterbars for Vermeer mowers since 1989. In 2003, both companies formed a strategic alliance that allows Vermeer to market and service Lely hay and forage equipment in the U.S. under the Vermeer brand.

Lely currently accounts for approximately 50% of Welger revenues.

"Lely and Vermeer have already cultivated a strong working relationship; in fact we've been collaborating together for nearly two decades," says Vermeer Co-CEO and Chairman Robert Vermeer. "This new alliance now combines the strengths of three premier brands, plus the resources and expertise of three highly skilled and motivated R&D departments and manufacturing enterprises. As we look to the future, the potential gain in new product development and manufacturing efficiencies is enormous," Vermeer added.

Welger employs 375 employees and recently reported sales revenues of $95.6 million. Andlinger, a private investment partnership, currently holds majority ownership in Welger Maschinenfabriek GmbH. Because Welger utilizes Lely's distribution network, Lely currently accounts for approximately 50% of Welger's overall revenues. **AEI**

News in Brief

Kidd Farm Machinery, a division of Omitec Ltd., Wilshire, U.K., has reached an agreement with **Kverneland Group North America** and **Kverneland Group U.S.A.** to distribute Kidd's line of bale choppers in the U.S. and Canada.

Ingersoll Tillage Group is the new name for manufacturer of agricultural disc blades and other tillage tools in North America. Previously, the company's 3 different product lines were managed with different names and organizations depending on the production sources. **Gary W. Butcher** has been appointed as group president and CEO and **George L. Russell** as vice president of strategy and business development. **AEI**

Brazilian Ag Equipment Sales Close Strong in December

Sales of tractor and combine sales in December and in 2007 showed strong numbers as the year ended, according to a December 5 report from Associação Nacional dos Fabricantes de Veículos Automotores (ANFAVEA) in Brazil. In December, total farm tractor unit sales were 1,973, up 57% compared with the same period in '06, while combine sales came in at 443, or up 105%. For 2007, tractor unit sales were up 52% and combine unit sales rose 130%.·

Despite the strong finish, Ann Duignan, analyst for Bear Stearns, reports that since the beginning of the year, the ag machinery stocks for the sector performed poorly for the year — CNH (-10%), AGCO (-9%), and Deere (-6%).·

Nonetheless, the analyst says she expects farm machinery to outperform in South America (Brazil) in the fourth quarter and throughout 2008.

In her report, Duignan noted, "We believe there is upside to the fourth quarter '07 EPS estimates — especially for AGCO and CNH who are more levered to South America. South America, not just Brazil, represents about 25% of AGCO's projected 2007 agricultural equipment earnings, most of which are from Brazil; 6% of Deere's earnings; and 8% of CNH's earnings." **AEI**

More CRP Acres Going Back into Production

According to the *Argus Leader*, the first big wave of idled South Dakota farmland is being returned to production. About 300,000 acres that had been dedicated to growing native vegetation through the federal Conservation Reserve Program are coming out of the program and probably will be replanted to traditional row crops.

Before it reaches a peak in a couple of years, nearly 800,000 acres in South Dakota will be withdrawn from CRP, based on the number of landowners who have not opted to renew their 10- to 15-year contracts. **AEI**

McCormick USA Announces Promotions

McCormick USA announced that Wayne Buchberger has been named vice president of sales and Rodney Miller has been promoted to executive vice president of sales and marketing and will coordinate the overall sales and marketing efforts for McCormick in the U.S. market. Ray Spinks is returning to the United Kingdom to assume the role of sales director for the UK Commercial Branch of McCormick International. Spinks previously served as vice president of sales for the US operation. **AEI**

World Ag News

Kubota to Export Low-Priced Tractors Made in New Thai Plant to U.S.

Kubota plans to export low-priced tractors manufactured at its new plant in Thailand to neighboring countries, the U.S. and Europe, according to President Daisuke Hatakake.

The plant is scheduled to start operation in 2009, according to Tokyo's *Jiji Press*. The company earlier this year announced its entry into the Thai market due to expected demand from the country and neighbors such as Vietnam, where rice cultivation is being rapidly mechanized.

Hatakake said Kubota's tractor sales in Thailand are expected to surpass those in Japan by volume as early as next year.

Hatakake said Asian markets are seen as promising for Kubota due to potential demand for Japanese rice-cropping equipment and large-scale rice fields that are more than three times the size of those in Japan. AEI

English Sprayer Firm Claims Some of Russia's Tech Dollars

It's not just the big, multi-national corporations that are cashing in on the big money being spent on improving farm technology in Russia. Smaller manufacturers are picking up unprecedented levels of business too.

England's Househam Sprayers builds a range of self-propelled crop application vehicles for pesticides spraying and fertilizer spreading. Most go to British farmers and custom operators, although the firm has developed some export sales, notably to intensive salad and vegetable growers in Australia and New Zealand.

But an order worth more than $2 million for 12 of Househam's biggest AirRide vehicles has given the business a welcome boost. The order came from a company farming 120,000 hectares south of Moscow.

A spokesman for the buyer said: "We had many options but chose the Househam vehicles for their quality build and performance. These characteristics are of paramount importance because we have to work our machines across such a large area."

The Househam AR5000 is powered by a 236-hp Iveco turbo diesel engine. It has Poclain hydrostatic 4WD and a bespoke self-levelling pneumatic axle suspension system. AEI

Exports Push Pottinger Sales to Record Levels

Exports pushed Pottinger annual sales to new levels as the Austrian agricultural machinery manufacturer saw its overall revenu increase by 16.2% to nearly $300 million during its 2006-07 fiscal year.

The company attributes its exceptional growth in the past year largely to exports of its products to other EU countries. Total exports amounted to 81% of Pottinger total sales with primary markets being Poland, the Czech Republic and Slovakia, as well as to Germany and France.

Sales of tillage equipment grew by 38.7% to $ 47.9 million. Sales of haying and forage equipment amounted to more than $205 million, up by 11.9% compared to the previous year. Spare parts sales also saw solid growth of 12.9% to $24.4 million.

Within the haying and forage market, Pottinger saw demand for its mowers improve by 16.1% compared to the previous year. Sales of loader wagons were up 13.2% and windrowers 13.8%. In the tillage market, retail sales of stubble cultivators and disc harrows saw an increase of 48.1% and turnover of seed drills rose 41%. Sales of plows also gained 39.6% and power harrows 35.8%. The U.S. accounted for 5% of Pottinger's revenue last year. AEI

Tractor Loader Maker Alo Gets Bigger with Acquistion

The world's biggest manufacturer of tractor hydraulic loaders is about to get bigger by acquiring its main European competitor. Alo of Sweden announced on January 12 it has agreed to purchase 100% of the shares of the French company MX, which currently is owned by the Mailleux family.

Olle Pehrsson, Alo Group managing director and CEO, expects the deal to be wrapped up in the first quarter of the year and says the two companies will be able to optimize their operations while retaining separate identities, product ranges and business interests.

The Swedish enterprise, based in Umea on Sweden's east coast, already claims 20% of the world tractor loader market and 40% of the market in Western Europe.

It currently produces Quicke, Trima and Veto-branded loaders in 5 factories in Sweden, Denmark and France, as well as Massey Ferguson and Valtra-branded loaders for AGCO in Europe, and in North America for Case IH and New Holland.

The business has 9 sales companies, including 2 in North America, which the company identifies as its biggest growth market.

Acquiring MX, which is based near Rennes, northern France, will lift annual revenues by the equivalent of $104 million to $402 million and production by around 7,000 units to 40,000 loaders annually. The staff will increase to 1,100 employees.

Alo is majority owned by the 3i, the UK-based private investment company, with the previous owner, Baltic Group, and management holding the balance of the shares. AEI

Equipment Sales End Year on a Strong Note

North American retail agricultural equipment sales ended 2007 on a strong note as December row-crop and 4WD tractor sales were up 30%-plus and combine sales increased 17% year-to-year.

Reporting on the latest AEM sales figures for December, Robert McCarthy, analyst for Baird, noted that for the full year, row-crop and 4WD tractor sales were both up 22%, while combine sales increased 13%.

Dealer inventories remain well below historical averages and prospects for strong 2008 machinery production schedules appear in the last 3-month period. December is a seasonally above-average month for row-crop tractor sales, accounting for about 10% of annual sales over the past 5 years.

◆ Retail sales of combines increased 17% year-to-year in December after rising 54% last month, and are up 20% in the last 3-month period.

December is the least seasonally important month for combine sales (typically about 12% of annual sales) before 3 less important months (January through March), generate only 13% of annual sales combined.

◆ Sales of 4WD tractors remained strong in December, increasing 34% year-to-year after an 84% increase in November; retail sales have increased 54% during the last 3-month period.

◆ Dealer inventories of combines continued to fall in November and were down 3% year-to-year. Absolute inventory levels of 4WD tractors increased 20% and row-crop tractor inventories were up 2%.

On a days' sales basis, inventories of row-crop tractors (115 days' sales vs. 135) and combines (58 days' sales vs. 68) declined significantly year-to-year, while 4WD inventories were flat at 94 days.

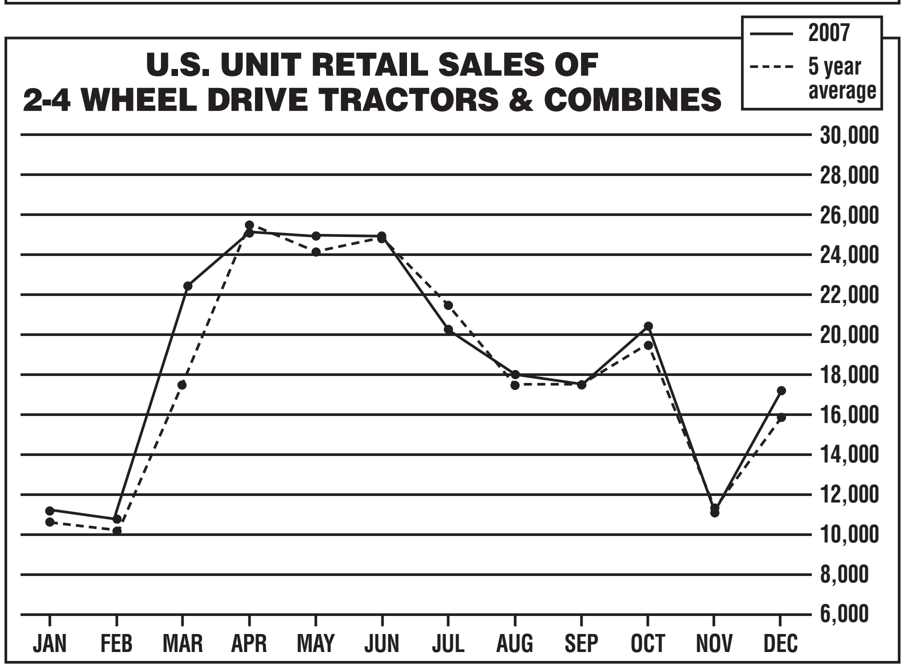
◆ Deere dealers' retail sales were stronger than those of the industry in December as row-crop and 4WD tractor sales were up more than the industry's year-to-year increases of 39% and 34%, respectively. Combine sales were in line with the industry's 17% increase. AEI

DECEMBER U.S. UNIT RETAIL SALES

Equipment	December 2007	December 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	Dec. 2007 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	6,863	8,027	-14.5	115,849	122,512	-5.4	51,250
40-100 HP	6,535	6,415	+1.9	78,178	75,370	+3.7	33,183
100 HP Plus	2,681	1,793	+49.5	20,916	16,643	+25.7	6,343
Total-2WD	16,079	16,235	-1.0	214,943	214,525	+0.2	91,776
Total-4WD	365	272	+34.2	3,664	2,986	+22.7	921
Total Tractors	16,444	16,507	-0.4	218,607	217,511	+0.5	92,697
SP Combines	916	800	+14.5	7,116	6,168	+15.4	1,117

DECEMBER CANADIAN UNIT RETAIL SALES

Equipment	December 2007	December 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	Nov. 2007 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	881	708	+24.4	11,672	9,889	+18.0	5,075
40-100 HP	699	722	-3.2	7,397	7,369	+0.4	2,783
100 HP Plus	331	372	-11.0	4,003	3,716	+7.7	1,394
Total-2WD	1,911	1,802	+6.0	23,072	20,974	+10.0	9,252
Total-4WD	91	69	+31.9	786	655	+20.0	153
Total Tractors	2,002	1,871	+7.0	23,858	21,629	+10.3	9,405
SP Combines	160	119	+34.5	1,667	1,577	+5.7	215



—Assn. of Equipment Manufacturers

German Ag Group Issues Worldwide Scorecard for Regional Farm Growth Potential & Problems

AEI reported in its November 15 edition that DTN's Urban Lehrer concluded that Brazil is best positioned to feed the world's rapidly growing demand for ag products, spurred primarily by growth in India and China. Recently, the DLG, the German Agricultural Society, also weighed in with its own "scorecard" for which global farming regions offer the capabilities and potential for agriculturual growth. The report covers North America, South America, Northwest Europe, Central and Eastern Europe as well as East Asia.

Among DLG's observations is that in the "medium term," East Asia holds the best potential for increased ag equipment sales as its purchasing power rises "steeply." They also cite the South American market as experiencing "rapid growth of population and purchasing power."

The scorecard also notes the political and cultural instability and risks in the Central and Eastern European, and East Asian markets. In Russia and former CIS countries, the reports indicate significant risks with this market as legal safeguards can be low in non-EU countries where there is corruption, agriculture and in some cases failed harvests du to lack of water. AEI

	North America	South America	Northwest Europe	Central & Eastern Europe	East Asia
Purchasing Power	Highest per capita income in the world. Market is fully developed and processing proportion very high.	Rapid growth of population and purchasing power growing steadily with increasing industrialization. High urban population representing 82% of the total.	Second-highest per capita income in the world. Well-developed market. Food chain value-added and processing proportion is very high, although demand for food is not increasing.	Still very low overall. Markets for high-priced foods developing in urban centers. Proportion of real population relatively high at 30%. Eastern European EU countries' purchasing power is growing faster than production. In other countries, production is growing faster.	In the medium term, the greatest market for agricultural wares. Purchasing power rising steeply in the metro areas. India and China have a very high proportion of rural population (62%).
Production	Can still be substantially increased, but only through higher intensity, as area expansion is limited.	Extremely high in terms of area and intensity and can be mobilized more rapidly as purchasing power increases.	Hardly any reserves remain, neither in the form of land nor output per hectare.		No area reserves except through the clearing of woodland and jungle. Since farming is very intensive, yield reserves exist only in parts of northern China and India.
Capital	No problem for farms and processing plants.	Attracting capital is often a problem for farms.	Available for farms and processing plants.	Availability is poor.	
Farm Structure	Large areas dominant in crop production.	Farms large in livestock feeding and cropping sectors.	Mainly small area.	With the exception of Romania, Poland and Hungary, agricultural units are generally large-scale.	Mainly small-structured farms.
Logistics	Well developed routes to harbors.	Inland routes are often underdeveloped.	Favorable inside the countries. Disadvantages for exporting from harbors.	Problems in communications from inland to export harbors.	
Wages	High.	Low.	Very high.	Low from a starting point but rising sharply.	Very low.
Other	Legal framework is stable and secure, open for visitors.	Open to foreign investment, relatively balanced climate, low environmental requirements. In medium-term, the world's largest exporter of meat, corn, oilseeds and sugar. Largest exporter and well-developed inland market for bioethanol.	Very balanced and temperate climate with highest yield potentials worldwide	Legal safeguards can be low in non-EU countries (Russia and Ukraine). Corruption, even in agriculture. Partly open to foreigners. Black sea countries often have failed harvests because of lack of water.	Environmental problems widespread. State interference widespread in agriculture.