From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- CNH Net Income Up
- $5 Corn in the Offing?
- AGCO Profits Drop

Dealer Optimism Signals Faster Recovery for Equipment Sales

The level of farm equipment dealer optimism for improving sales in 2007 is rising almost as fast as the price of corn. While many industry observers expected ag machinery sales to improve later in the year, it looks as if a pick up in sales may come sooner than originally forecast.

The up tick in dealer confidence is reflected in the results of UBS Investment Research's latest survey of ag equipment dealers. According to UBS analyst David Bleustein the level of dealer optimism rose for the first time since the April-May 2004 period,

"Comments in the current survey were more upbeat than in our prior surveys when dealers focused on ethanol and higher grain prices," says Bleustein. "In our previous surveys, dealers overwhelmingly pointed to elevated input costs as dampening farmer profits and equipment demand."

As a result of the dealers' newfound enthusiasm, the analyst believes

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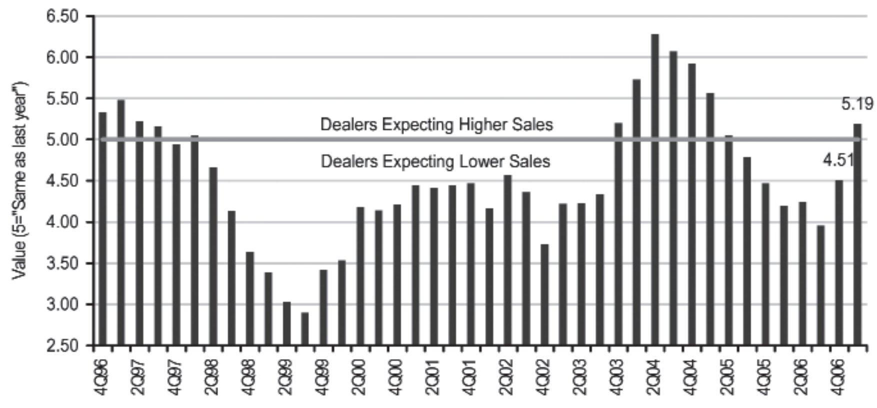
DEALERS' FORECASTS OF NEW MACHINE SALES OVER 42 QUARTERS



Source: UBS Agricultural Dealer Surveys #1-21

Ag Secretary Proposes New Farm Bill for 2007

On January 31 Agriculture Secretary Mike Johanns unveiled the U.S. Department of Agriculture's 2007 farm bill proposals. The more than 65 proposals correspond to the 2002 farm bill titles with additional special focus areas, including specialty crops, beginning farmers and ranchers, and socially disadvantaged producers.

The Administration's 2007 farm bill proposals would require approximately $10 billion less than the 2002 farm bill spent over the past 5 years excluding ad-hoc disaster assistance. These proposals would provide approximately $5 billion more than the projected spending if the 2002 farm bill were extended.

Among the proposals are:

✔ Increase conservation funding by $7.8 billion

✔ Provide $1.6 billion in new funding for renewable energy research, development and production, targeted for cellulosic ethanol.

✔ Target nearly $5 billion in funding to support specialty crop producers.

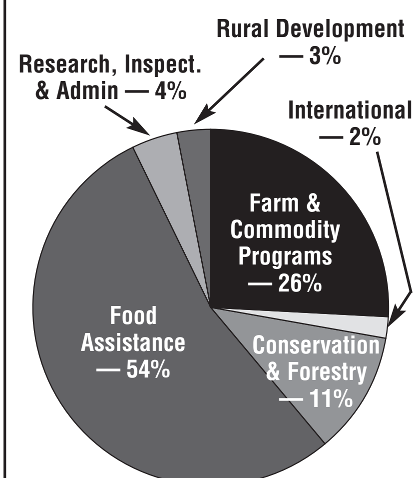
✔ Provide $250 million to increase direct payments for beginning farmers and ranchers.

✔ Strengthen disaster relief by establishing a revenue-based counter-cyclical program, providing gap coverage in crop insurance.

✔ Dedicate nearly $400 million to trade efforts to expand exports, fight trade barriers and increase involvement in world trade standard-setting bodies

✔ Simplify, modernize and rename the Food Stamp Program to improve access for the working poor. AEI

USDA BUDGET FY 2006 BUDGET OUTLAYS



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the turn around in equipment sales will come about sooner than expected, perhaps as early as March. At the same time, he cautions that the dealers' optimism, based on ethanol and elevated grain prices, should be tempered somewhat by weakness in dairy and cattle markets, continued high input costs and drought conditions in some regions.

Growing Enthusiasm. Asked for their projection for equipment sales for the full year 2007 vs. the full year 2006, 51% of the more than 500 dealers responding to the UBS survey expect sales to be either "Up less than 5%" or "Up more than 5%." This compares with 23% that responded that sales are expected to be either "Down more than 5%" or "Down less than 5%." The remaining 27% expect sales to be "Flat."

Broken out by brand (Table 1), Case IH dealers demonstrate the highest level of optimism among the four major, full-line equipment manufacturers as 65% of those responding see sales increasing in '07. Ironically, Case's counterparts under the CNH umbrella, New Holland dealers, are the least optimistic as only 40% project improved business levels.

Dealers located in the Corn Belt, Northern Plains and Lakes States regions were easily the most optimistic looking at the full calendar year ahead (Table 2). This isn't surprising as these regions are heavily invested in row crops, particularly corn and beans.

On a national basis, dealer optimism rose to a level of 5.85, which indicates they expect higher sales during 2007. This compares with an average of 3.61 from the UBS survey taken back in April-May 2006.

Pick Up Accelerating. While many analysts originally projected that equipment sales would pick up later in the year, nearer harvest time, Bleustein now sees a turnaround starting as early as March, which will coincide with growers preparing for the planting season.

"Although we continue to expect farm machinery sales to remain soft in the first few months of 2007, we now expect a recovery to begin around the time of corn and soybean planting (April-May)," he says. "The change in our opinion is driven by the sharper than expected rise in farm commodity prices and the results of the dealer survey."

As shown in the opening figure (page1), the 4.51 and 5.19 average responses for the fourth quarter of 2006 and first quarter of 2007, respectively, indicate that dealers believe farm machinery sales will start to improve in the March 2007 quarter.

Rising Commodity Prices. Rising commodity prices is overwhelmingly given as the major driver for dealers' favorable outlook for improved equipment sales in the first half of 2007 (Table 3).

Some 73% of dealers believe the current level of commodity prices will have a major or minor positive impact on sales during the first 6 months of '07. AEI

TABLE 1. DEALERS' EXPECTATIONS FOR EQUIPMENT SALES IN 2007 VS. 2006

Company	Down More Than 5%	Down Less Than 5%	Flat	Up Less Than 5%	Up More Than 5%
AGCO Corp.	17%	15%	21%	34%	13%
Case IH Corp.	4%	6%	25%	39%	26%
Deere & Co.	17%	6%	27%	30%	21%
New Holland	15%	15%	31%	26%	14%
Total	**13%**	**10%**	**27%**	**32%**	**19%**

TABLE 2: DEALERS' EXPECTATIONS FOR EQUIPMENT SALES IN 2007 VS. 2006 BY BRAND AND REGION

Region	AGCO Corp.	CNH Global Case IH Div.	Deere & Company	CNH Global NH Div.	Total
Appalachian	4.77	6.94	6.00	4.09	5.10
Corn Belt	6.88	7.99	7.28	5.40	6.79
Delta States	3.75	6.50	7.08	4.17	5.94
Lake States	6.56	6.94	5.54	5.28	6.09
Mountain	5.00	5.42	7.50	4.75	5.43
Northeast	3.75	6.79	4.81	4.71	5.09
Northern Plains	6.25	7.29	6.07	6.75	6.74
Pacific	5.42	3.21	5.50	5.63	5.07
Southeast	4.04	6.25	3.75	4.72	4.47
Southern Plains	6.25	6.15	4.75	7.50	5.98
Total United States	**5.30**	**6.89**	**5.83**	**5.20**	**5.85**

TABLE 3: DEALER INDICATIONS OF COMMODITY PRICE IMPACT ON DEMAND IN FIRST HALF 2007

Company	Major Positive Impact	Minor Positive Impact	No Impact	Minor Negative Impact	Major Negative Impact
AGCO Corp.	22%	41%	22%	13%	3%
Case IH Corp.	40%	42%	11%	6%	1%
Deere & Co.	28%	49%	10%	10%	4%
New Holland	20%	48%	16%	10%	5%
Total	**28%**	**45%**	**14%**	**9%**	**3%**

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Buhler's First Quarter Falls 'Well Below Expectations,' CEO Resigns

Following the resignation of its president on January 17, Buhler Industries, the Canadian manufacturer and marketer of high-horsepower farm tractors, reported on January 22 that its consolidated revenue plummeted 28% on a year-to-year basis to $28 million (Canadian) from $39.4 million last year. The firm's first-quarter 2007 results "were well below our expectations," says Ben Cherniavsky, analyst for Raymond James. The analyst had projected revenues to come in at $42 million.

Gross profit for the first quarter dropped to $5.9 million compared with last year's $9.4 million. Income from operations decreased to $2.2 million or 7.9% of revenue compared with $4.9 million or 12.5% of revenue last year.

Trying Times For Company. "This has been the most trying quarter in the company's history and we expect the next two quarters to be equally difficult," says John Buhler, chairman and CEO. "Fortunately, we were still able to generate a small profit."

Buhler's quarterly report pointed out that the company has recorded 38 consecutive years and 137 consecutive quarters of profit. The company has also paid dividends for 13 consecutive years. An annual dividend of $0.15 per share was paid on January 16th to shareholders of record on December 4th, 2006.

Cost Reductions. Compounding the revenue shortfall was a 300 bps contraction in gross margin to 20.9% vs. 23.9% in the first quarter a year ago, according to Cherniavsky.

"Reductions in SG&A (down 18%), interest (down 15%), amortization (down 18%) and R&D (down 45%) were only modestly helpful in offsetting the top line miss," says the Raymond James analyst.

With North American tractor sales down 13.5% in 2006, end-market demand continues to be Buhler's number one challenge.

"Add the still lingering effects of mad cow, high steel prices and a Canadian dollar that is only now beginning to show signs of retreating, and the root causes of Buhler's lackluster performance become even more evident," says Cherniavsky.

"Nevertheless, management indicates they can see light at the end of tunnel and believe results will start to 'normalize' in the back half of this year. We, however, do not expect significant financial improvement until F2008."

Based on the Buhler quarterly report, the analyst is forecasting 2007 revenue of $147 million, down from earlier projections of $184 million. "Our new top-line estimate for F2008 is now coming in at $168 million, down from $197 million," said Cherniavsky.

"While it has been some time now since we have been encouraged by Buhler's quarterly results, we still believe the longer-term prospects for the company remain favorable," says the Raymond James analyst.

"Restructuring efforts have been undertaken (including payroll reductions) and the company's 'value-priced' product should be on the leading edge when tractor sales start to recover."

President Resigns. Prior to the release of its quarterly results, Buhler announced that Craig Engel had resigned as president of the firm to pursue other opportunities.

Dr. Ossama A. AbouZeid, CFO since 2004 and a director of the corporation, immediately assumed the president's position.

"We held Mr. Engel in extremely high regard and, in light of Buhler's recent struggles, we are not all that surprised to see him 'pursue other opportunities,'" Cherniavsky remarked after the announcement. AEI

Kubota Adds Capacity for RTV Production

Kubota Corp. is expanding its Kubota Manufacturing of America (KMA) plant in Gainesville, Ga., and officially opens an additional line for production of Kubota's RTV utility vehicles. KMA recently invested $20 million to re-engineer the 212,000-square-foot plant, after moving part of the production work to its Kubota Industrial Equipment plant in Jackson County, Ga.

In addition to the new production line, KMA continues to manufacture and assemble Kubota lawn tractors and related products in the facility. As a result of Kubota's commitment to the Japanese concept of "kaizen," Kubota officials say the company is constantly seeking new ways to maximize efficiency while creating top quality products. AEI

FARM MACHINERY TICKER (AS OF 2/12/2007)

Mfr.	Symbol	2/12/07 Price	1/12/07 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	$35.16	$31.78	$36.60	$17.34	31.81	1.80 M	3.25 B
Alamo	ALG	$23.54	$24.61	$26.00	$19.25	22.34	6,400	229.02 M
Art's Way	ARTW	$7.14	$7.10	$9.19	$4.87	16.67	3,800	14.14 M
Caterpillar	CAT	$64.75	$59.74	$82.03	$57.98	12.50	5.94 M	42.02 B
CNH	CNH	$34.03	$28.17	$35.95	$18.76	32.13	267,600	8.20 B
Deere	DE	$102.91	$99.33	$105.13	$66.90	16.76	1.94 M	23.39 B
Kubota	KUB	$48.09	$46.10	$60.60	$38.51	18.17	22,100	12.38 B

CNH Full-Year Net Income Up 79% in 2006 vs. '05

On January 24, CNH, the parent company of farm machinery brands Case IH and New Holland, reported its net income for the full year of 2006 was up 79% from 2005. For the year, the company registered total net income of $292 million compared to net income of $163 million in 2005.

Results include restructuring charges, net of tax, of $71 million in 2006, and $60 million in 2005. Net income excluding restructuring charges, net of tax, was $363 million, up 63% from $223 million in 2005.

Net income during the fourth quarter 2006 came in at $35 million, compared to a net income of $7 million in the fourth quarter of 2005. Results include restructuring charges, net of tax, of $58 million in the fourth quarter of 2006, and $36 million in 2005. Net income excluding restructuring charges, net of tax, was $93 million, up substantially compared to $43 million in the prior year.

Net sales of equipment, comprising the company's agricultural and construction equipment businesses were $3 billion for 2006, compared to $2.8 billion for the same period in 2005. Net of currency variations, net sales increased 2%. Equipment operating margin improved to 5.5%, from 4.5% in the fourth quarter of 2005. Ag equipment accounted for $1.9 billion of total net sales for the year.

Net sales of its farm machinery, excluding currency variations, were up 48% in Latin America, 20% in rest of world markets and 7% in Western Europe, but down 14% in North America.

Agricultural equipment net sales of $7.8 billion were essentially the same as in 2005. Excluding currency variations, net sales were down 1%. Net sales, excluding currency variations, were up 10% in rest of world markets, 14% in Latin America and 1% in Western Europe, but down 10% in North America.

Margins Improve in '06. "Our equipment operations gross margin improvement continued into the fourth quarter, up 1.9% compared with last year and up 2.1% for the full year compared with last year. By refocusing our efforts on our dealers and customers, we have set the stage for continued future improvements," said Harold Boyanovsky, CNH president and CEO. "While we are pleased with the progress made in 2006, we have set even more aggressive targets to continue improving results in 2007."

Modest Growth in '07. U.S. farm income will improve 5% in 2007. U.S. farm cash receipts are expected to increase modestly due to higher commodity prices.

Outside of North America, the European agricultural markets are expected to remain at 2006 levels. Latin American markets will continue to improve driven by higher commodity prices for sugar and cash grains.

"On this basis, we expect the agricultural equipment market to be modestly up in 2007," CNH says. AEI

CNH GLOBAL REVENUES AND NET SALES — 2006 VS. 2005

	Three Months Ended December 31			Year Ended December 31		
	2006	2005	%Change	2006	2005	%Change
Revenues Net Sales						
Ag Equipment	$1,904	$1,793	6%	$7,809	$7,843	--
Construction Equipment	1,085	1,028	6%	4,306	3,963	9%
Total Net Sales	**2,989**	**2,821**	**6%**	**12,115**	**11,806**	**3%**
Net Sales						
North America	$1,157	$1,343	(14%)	$5,354	$5,699	(6%)
Western Europe	1,045	892	17%	3,843	3,643	5%
Latin America	286	197	45%	1,001	766	31%
Rest of World	501	389	29%	1,917	1,698	13%
Total Net Sales	**$2,989**	**$2,821**	**6%**	**$12,115**	**$11,806**	**3%**

CNH GLOBAL — FULL YEAR 2007 UNIT SALES 2007 VS. 2006 ESTIMATED ACTUAL (EXCLUDES INDIA)

	Worldwide	North America	Western Europe	Latin America	Rest of World
Tractors	0-2%	Flat	Flat	0-3%	5-10%
Combines	(0-2%)	(2-5%)	Flat	5-10%	(0-5%)

FIAT TO PAY FIRST DIVIDEND IN 5 YEARS

Fiat S.p.A., Turin, Italy, a financially troubled maker of cars, trucks, farm machinery and construction equipment, with its 2005 one-time payment from GM and other "exceptional gains" in hand, announced on January 25 that it would propose to pay an aggregate dividend to its shareholders at a meeting set for later this year.

Fiat said in 2007 it will continue to seek cut costs and improve profits through operational efficiency improvements and third-party alliances.

"To reach our targets, we will continue to push group-wide purchasing synergies, increasing and accelerating development of best-cost-country spending, strengthening strategic partnerships with suppliers through long-term contracts and focusing on the implementation of our world-class manufacturing initiative," Fiat said.

Titan Launches New Goodyear Farm Tire Lines

Titan Tire Corp., a subsidiary of Titan International, Inc. Quincy, Ill., this month launched three new Goodyear branded tire lines specifically for agricultural and skid steer equipment.

The new Goodyear branded lines include large radial terra tires for use in high flotation and load applications in farming.

The Goodyear Ultra Sprayer line is specifically designed for high-load sprayer applications.

A Goodyear branded premium skid steer tire is also being introduced with the Goodyear HD 2000 III. AEI

Could Dry Weather Bring $5 Corn?

With the already strong demand for corn due to ethanol production, growing export markets and feed needs, ever-changing weather conditions could also send prices skyrocketing further.

In early January, *Ag Equipment Intelligence* editors listened to an in-depth presentation by Elwynn Taylor, climatologist at Iowa State Univ. Based on more than 100 years of weather data, Taylor says a serious drought tends to follow a 19-year cycle. The last major U.S. drought occurred exactly 19 years ago in 1988, which slashed yields by 30% over much of the central and eastern portion of the Corn Belt.

"Unfortunately, the next 4 years fall into the higher risk portion of this cycle," says Taylor. "Tree-ring studies indicate that the longest drought-free period of the past 800 years in central and eastern North America was 23 years. Since the last serious Midwest drought occurred in 1988, the overall risk of widespread Corn Belt drought in the high-risk years is 34%."

With the current tremendous demand for corn leading to higher prices, consider what a serious drought and a significant reduction in crop production could do to corn prices over the next several years. AEI

2007 Drop-Off Seen for Tractor Sales in South Africa

Despite a dramatic 22% recovery in South Africa tractor sales last year, industry sources remain cautious about prospects for the 2007 market, predicting a 10% drop on the 5,724 units sold in 2006 to around 5,000 units.

"Agricultural machinery industry predictions at the beginning of the year are inevitably conservative, given the uncertainty of summer crop prospects at this time," says Charles van Niekerk, chairman of the South African Agricultural Machinery Association (SAAMA). "These initial predictions may well change as the year proceeds, dependent upon weather conditions."

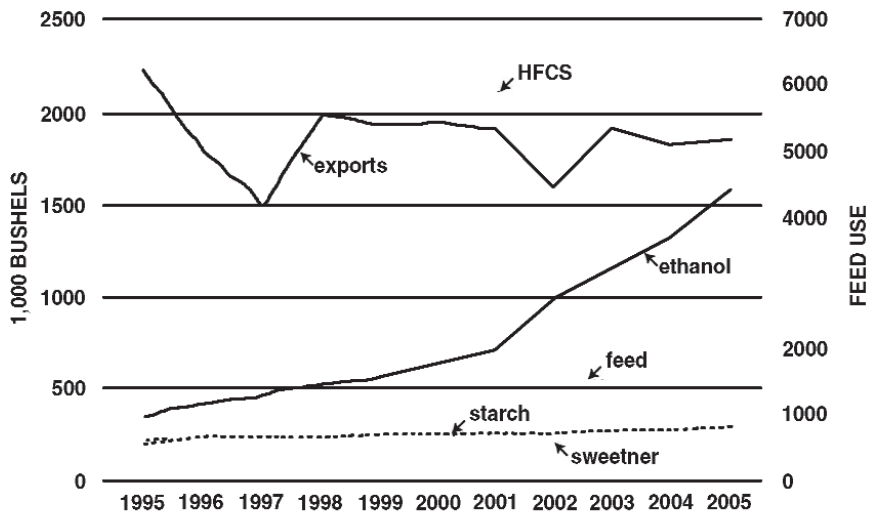
December 2006 tractor sales finished almost 13% as in the same period 12 months earlier while the full-year figure is the highest since 1996 when just over 6,000 units were sold.

Combine sales were also buoyant for the year, reports SAAMA, finishing almost 6% up on 190 units from the previous year. New baler purchases rose to 518 units vs. 417 in 2005, an increase of 24%.

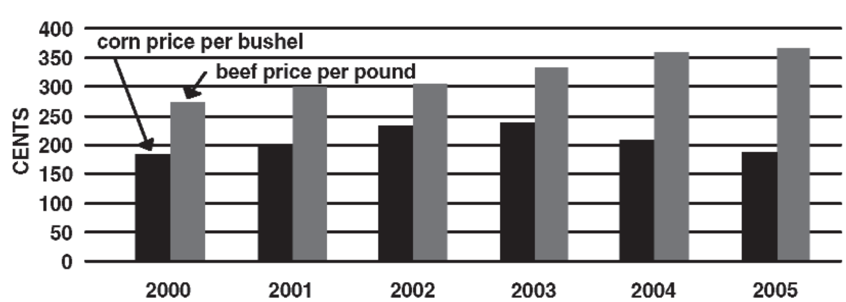
"The continued high level of tractor and combine sales result from the expected 70% increase in maize plantings this season and good crop prices," says van Niekerk. "General optimism in the industry and some recent export sales of both tractors and combines also helped.

"But," he cautions, "while the general optimism within the industry continues, follow-up rains in all areas are still required to ensure good summer crops." AEI

THE IMPACT OF ETHANOL



The use of corn for ethanol is clearly putting the squeeze on the other traditional markets for corn as demonstrated in this graph. With the exception of ethanol, markets for corn have not seen significant growth in the past 10 years. Livestock feeding has been growing only marginally, while other markets appear to have stabilized or shrunken slightly. It is likely that without the increasing market for ethanol, corn prices would have decreased and acres would have transitioned into other crops or taken out of crop production entirely.



Most of the corn that enters into the human food chain does so as animal feed. This has led to concerns that as ethanol production ramps up, corn costs will rise and result in an increase in the cost of meat. While this seems like a common sense relationship between corn and meat prices, in reality the association between the two appears to be driven by other parameters than price of corn alone as shown in this bar chart. AEI

Source: National Corn Growers Assn.

Weak NA Market and Sprayer Unit Charge Increases AGCO's Losses

Profits for AGCO Corp.'s North America region dropped by $8.4 million in the fourth quarter and $54.9 million for the full year of 2006 compared to 2005, the company reported on February 9. The declines were largely due to a reduction in sales of nearly 10% and 21%, respectively, excluding the impact of currency translation, compared to 2005.

The company says its loss during the last quarter of 2006 widened to $128.1 million, which was linked to a goodwill charge and continued weak markets both in North America and Asia/Pacific. The firm's sales rose by 18.1%. AGCO reports its fourth quarter 2006 loss included a $171.4 million non-cash impairment charge related to its sprayer business.

During all of 2006, AGCO lost $64.9 million on sales of $5.43 billion. One year earlier, it gained $31.6 million from revenue of $5.45 billion.

Beating Expectations. Despite its losses, AGCO surpassed market expectations, according to Seth Weber, analyst for Bank of America (BOA).

"The bulk of fourth quarter profit upside came from North America, where the operating loss of $15.4m was roughly half of what we expected, despite a slight revenue miss -—-10% vs. our -8% — as industry retail demand remained weak in the quarter," says the BOA analyst. "The revenue upside came from South America —- +30% vs. our +10% estimate — and EAME, which came in at +32% vs. our +20% estimate, with margins better than expected in South America, but below our forecast in EAME. Asia/Pac was roughly in line."

Weber also notes that AGCO's continued focus on working capital management led to free cash flow of $313 million in the '06 fiscal period, up from $158 million from the previous year. "This enhances the potential for return of cash to shareholders at some point in the future, which should be received positively. Net debt-to-capital now stands at 20.4% from 30.7% a year ago," says Weber.

AGCO GLOBAL REVENUES AND NET SALES – 2006 VS. 2005

	Three Months Ended December 31			Year Ended December 31		
	2006	2005	%Change	2006	2005	%Change
Net Sales	$1,633	$1,385	8.5%	$5,435	$5,450	1%
Income from Operations	95.4	69.6	7.3%	307.1	332.4	(10.8%)
Net Sales						
North America	$360.3	$399.6	(11%)	$1,283.8	$1,607.8	(12.5%)
EAME	1,039.2	787.8	7.6%	3,334.4	2,988.7	9%
South America	186.4	143.0	7.7%	657.2	648.5	9%
Asia/Pacific	47.9	54.5	(11.3%)	159.6	204.7	(22%)

Sprayer Unit Troubles. AGCO's "non-cash impairment charge related to its sprayer business" left some analysts wondering about its commitment to this growing segment of the farm machinery market.

"The 4th quarter charge of $171 million is disconcerting," says Charlie Rentschler analyst for Wall Street Access. "This adjustment reflects the 'total' write-off of goodwill of its sprayer operation, which, essentially consists of Ag-Chem, a fine, profitable company acquired in the late 1990s, that was the leader in the spraying industry at that time.

"It may be that AGCO has let its engineering slip to the point where its products have lost their competitiveness," Rentschler says. "Clearly, AGCO has relinquished the number-one spot in sprayers to Deere, which is unfortunate because this was a 'sweet-spot' for AGCO not long ago."

Increased Overseas Demand. AGCO's overseas operations continue to be a significant driver in the company's growth. Strong demand in its key markets in Germany, Britain, Scandinavia and Central and Eastern Europe accounted for a $25.4 million rise in the fourth-quarter 2006 operating income of its European, African and Middle East (EAME) operations, which totaled a record $90.9 million.

AGCO reports that its EAME fourth quarter sales in 2006 rose to a record $1.04 billion, compared to $787.8 million during the same period last year. The EAME division's 2006 full-year operating income was a record $279.4 million, compared to $242.5 million in 2005.

Income from operations in the Asia/Pacific region decreased by $2.7 million in the fourth quarter and $14.7 million for the full year of 2006 compared to 2005. This is primarily due to lower sales and weaker market conditions in Australia, New Zealand and Asia.

Flat Sales. While AGCO expects net sales in North America to rise modestly in 2007, it believes worldwide industry farm machinery sales will be flat compared to 2006 levels.

The company sees the income of soybean farmers in South America improving this year, however high farmer debt levels are expected to continue to pressure investment in farm equipment. Continued expansion in Eastern Europe is expected to offset a slight reduction in sales in Western Europe.

AGCO predicts it will return to the black during the 2007 full-year with a 3-5% sales increase due to pricing and market share improvement.

The firm expects its profit during the first quarter of this year to be breakeven to a slight loss compared to 2005 when it earned $17.3 million. AEI

Mahindra 3rd Quarter Profit Rises 3.4%

India's Mahindra & Mahindra reported a 3.4% increase in earnings in the 3rd quarter of fiscal 2006-07. Sales increased by 16% during the same period for the major manufacturer of farm and tractors and utility-type vehicles.

Farm tractor sales increased by 18% while utility-type vehicle sales were up by 12.6% during the third quarter compared to year earlier levels. AEI

North American Sales Weaken in January

After some improvement in December, North American retail sales of farm equipment were generally weaker in January, according to the February 13 report from the Assn. of Equipment Manufacturers. Declines were existent across all tractor categories, notes Seth Weber, analyst, Bank of America.

Unit Sales Report. January North American tractor sales were down 9% year-over-year, though combine sales increased 18%, thanks to a 20.3% gain in the U.S. By tractor type, (>100 hp) tractor unit sales were down 18% year-to-year, with utility tractors -2%, compact tractors -13%, and four-wheel drive -8%. Tractors sold in Canada saw gains of 3% in under-40 hp tractors and 6.3% in units of 100-hp and over.

Inventories. U.S. December inventories were mixed, says Weber. After increasing sequentially in November for the first time in 8 months, Weber notes overall tractor inventories of 101,619 units decreased 3% month-to-month in December, although they grew 8% year-to-year. "The year-to-year increase reflects higher levels for smaller machines, as inventories of larger tractors declined." He adds that combine inventories fell 19% from November, and 22% from the prior year.

Risk Factors. Weber is neutral on the prospects of AGCO and Deere. Among his cited risk factors are changes in government subsidies; rising competition from lower-end manufacturers; farm legislation; lower fuel prices that could lower ethanol demand; crop prices/farmer profits that are stronger/weaker than expected.

While Weber has a positive long-term view for ag equipment (citing ethanol, emerging markets and low stocks to use ratios), his forecast is tempered. "We believe that currently high crop prices won't translate to a significant rise in machinery sales over the intermediate term," he says. "This reflects a typical lag in machinery purchases vs. crop prices, resilient farmer operating costs, and potentially changing government subsidies." AEI

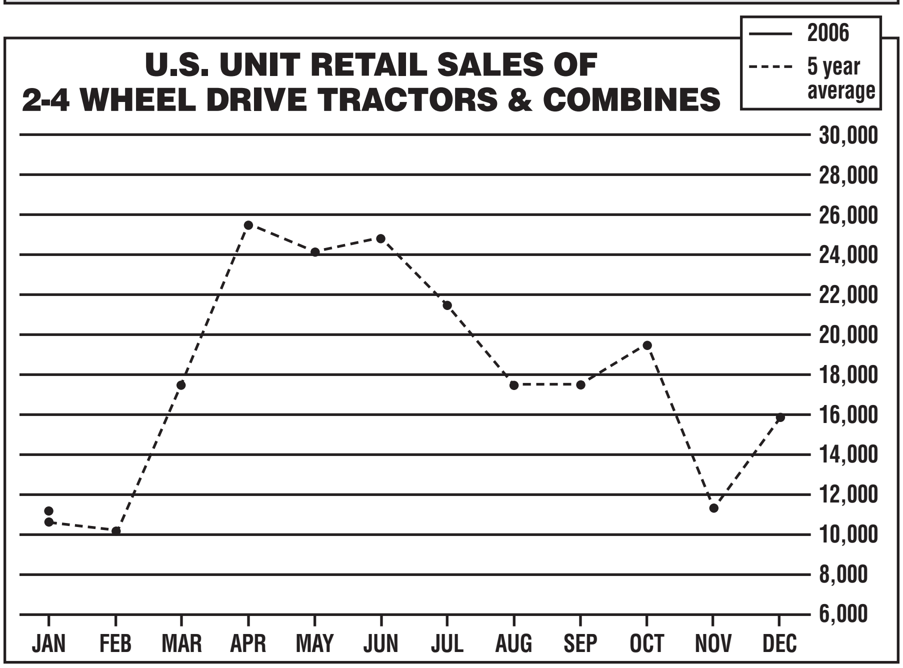
JANUARY U.S. UNIT RETAIL SALES

Equipment	January 2007	January 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	December 2006 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	4,681	5,423	-13.7	4,681	5,423	-13.7	58,477
40-100 HP	4,631	4,638	-0.2	4,631	4,638	-0.2	36,542
100 HP Plus	1,357	1,695	-19.9	1,357	1,695	-19.9	5,818
Total-2WD	10,669	11,756	-9.2	10,669	11,756	-9.2	100,837
Total-4WD	204	222	-8.1	204	222	-8.1	782
Total Tractors	10,873	11,978	-9.2	10,873	11,978	-9.2	101,619
SP Combines	403	335	+20.3	403	335	+20.3	941

DECEMBER CANADIAN UNIT RETAIL SALES

Equipment	January 2007	January 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	December 2006 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	305	296	+3.0	305	296	+3.0	4,373
40-100 HP	314	396	-20.7	314	396	-20.7	2,785
100 HP Plus	168	158	+6.3	168	158	+6.3	1,512
Total-2WD	787	850	-7.4	787	850	-7.4	8,670
Total-4WD	28	29	-3.4	28	29	-3.4	113
Total Tractors	815	879	-7.3	815	879	-7.3	8,783
SP Combines	33	35	-5.7	33	35	-5.7	371

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



—Assn. of Equipment Manufacturers

AGCO Tractors Show Marked Market Share Gains in U.K. and Ireland

U.K. TRACTOR REGISTRATIONS BY MAKE AND UNITS SOLD

	2005	2004	2003
John Deere	3,858	4,301	3,939
Massey Ferguson *	2,461	2,383	2,299
New Holland**	2,399	3,189	3,335
McCormick ***	1,100	1,241	1,060
Case IH **	818	1,227	1,345
Renault/Claas	579	500	546
Valtra *	553	484	586
Fendt *	317	362	314
JCB	202	303	268
Landini ***	177	—	—
Others	1,542	1,528	1,351
Total	**14,006**	**15,518**	**15,043**

Source: Agricultural Engineers Assn., U.K.

U.K. TRACTOR REGISTRATIONS BY MANUFACTURER AND UNITS SOLD

	2005	2004	2003
Deere	3,858	4,301	3,939
AGCO *	3,331	3,229	3,199
CNH **	3,217	4,416	4,689
ARGO ***	1,277	1,241	1,060
Renault/Claas	579	500	546
JCB	202	303	268

Source: Agricultural Engineers Assn., U.K.

While John Deere remains the market share leader when it comes to farm tractor sales in the U.K. and Ireland, AGCO-branded tractors are making strong moves in both countries to overtake New Holland, the traditional holder of second place in sales turnover. In should be noted, however, unit registrations doesn't necessarily reflect profitability.

Because a test case ruling in Ireland and the U.K., prevents the dissemination of tractor market share figures before they are a year old, the number shown here are from 2005 and reflect the latest statistics available.

MF Gains Traction in the U.K.. U.K. figures for tractors larger than 40 hp registered for use on public highways show significant changes took place in 2005.

First, Massey Ferguson sales overtook those of CNH's New Holland division, which slipped to third place in the rankings behind market-leader Deere.

Second, the 3.5% slip in New Holland sales accompanied by a 2% slide in Case-IH registrations allowed Deere to take the manufacturer's top-spot as well as the brand lead for the first time with an overall market share that remained unchanged at 27.5%.

Third, for AGCO, the net effect of higher Massey Ferguson sales, the addition of Valtra for the first time since its early 2005 acquisition and the New Holland/Case IH sales slump meant a move into second place with a 23.8% share. Little wonder that CNH Global managers have been busy re-organizing their European operations.

Next in line came the Italian ARGO Group, thanks mainly to a sustained McCormick market share, but also a contribution from Landini sales, which were included in the stats for the first time.

New Holland's Irish Slip. In Ireland, equivalent figures revealed more woes for the New Holland brand as it lost market-leading status with a 17.15% market share falling shy of Deere's 18.28%.

CNH held on to its leading manufacturer title, however, with a 24.6% total, followed by AGCO thanks to consistent Massey Ferguson sales that made it the third most popular individual brand with contributions from Valtra (5.4%) and Fendt (2%).

Argo's Landini (5.3%) and McCormick (4%) combination kept the group ahead of rival Same Deutz-Fahr, which recorded a 6.65% share of sales.

The popularity in Ireland of the Czech manufacturer Zetor endures, making it the fourth best-selling tractor in the country now that supplies from the restructured business are fully on stream.

Note: For 2005 market shares in other European countries, see June 2006 edition of *Ag Industry Watch*. AEI

2005 IRELAND TRACTOR REGISTRATIONS BY MAKE, UNITS AND MARKET SHARE

Equipment	Units Sold	Market Share
John Deere	711	17.9%
New Holland **	667	16.8%
Massey Ferguson *	591	14.9%
Zetor	369	9.3%
Case IH **	292	7.3%
Valtra *	213	5.4%
Landini ***	208	5.2%
SAME/Lamborghini ****	174	4.4%
McCormick ***	157	3.9%
Deutz-Fahr ****	85	2.1%
Fendt *	78	2.0%
Renault/Claas	78	2.0%
JCB	39	1.0%
Ursus	39	1.0%
Others	274	6.8%
Total	**3,975**	

2005 UK TRACTOR SALES BY MARKET SHARE