From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- AGCO Profits Rise
- Tough 2009 For CNH
- McCormick Changes

Good & Bad Ag News from South America

Depending on which side of the table you're sitting, the agricultural situation in South America — severe drought and credit crisis — presents either an upside or a downside. Hot, dry weather conditions in both Brazil and Argentina appear to be taking a toll on soybean and corn production and yields, while the world financial crisis looks as it will severely reduce new equipment purchases.

From the U.S. grower's perspective, Barry Bannister, analyst for Stifel Nicolaus, puts it this way: "If there is going to be a drought that boosts pricing power for [U.S.] farmers, it is better if it happens to someone else's crop, and moreover it is better if it happens to a major export competitor's crop."

But for equipment-maker AGCO, the decrease in planted area and tight credit environment points to a dropoff in sales in a market that brought 19% of its sales revenues in 2008. AGCO expects total retail sales of tractors and combines in Brazil and Argentina to decline 15-20% in 2009.

Expected Production Decline. On January 8, the Brazil Agriculture Ministry reduced the corn crop estimate due to drought to 52.3 million metric tons from its 54.4 million ton estimate made a month earlier.

Estimates for Brazil's soybean crop were also reduced to 57.8 million vs. the December estimate of 58.8 million tons.

Reduced production of soybeans in Argentina could be even more dramatic, with one source suggesting that it could fall from the 49.5 million metric ton estimate in January to about 42 million tons by the harvest season.

These scenarios point to increased pricing leverage for North American producers. And when farmers have money, they buy new equipment.

Equipment Purchases Slow. The anticipated decline in corn and soybean production is beginning to show up in slowing sales of ag equipment in Brazil and Argentina. In late January, Deere & Co. laid off 502 employees at its factory in Horizontina, Brazil. The company had reduced its workforce by 200 workers at the same factory in October after Argentine clients canceled orders to buy combines.

"The decision was necessary to readjust the production level of grain harvesters and planters at the factory

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Ag Census: Small Operations Lead Farm Growth

Rural lifestyle farms are proliferating in the U.S., according to the 2007 Census of Agriculture, signaling a growing market for ag equipment manufacturers. Compiled every 5 years by the USDA's National Agricultural Statistics Service (NASS), the 2007 census showed 2.2 million farms operated in the U.S. in 2007, up 4% from 2002 — a net increase of 75,810 farms.

The census determined that more than 36% of all farms are classified as "rural lifestyle farms" with sales of less than $250,000 and operators with a primary occupation other than farming. Another 21% are retirement farms, which have sales of less than $250,000 and operators who reported

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U.S. Farms by Category — 2007

More than 35% of all farming operations in the U.S. in 2007 were categorized as "rural lifestyle."

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to the market demand in the face of the retraction caused by the world financial crisis and the drought in Argentina and Paraguay," Deere said in a statement.

Argentina's current soybean crop could fall 17-25% from the previous season due to a severe drought, according to the country's grain exchange. Deere said in November that it expected a drop of 10-20% in sales in South America for the 2009 fiscal year. Argentina is Deere's main external market for its Brazilian-made harvesters, accounting for about 50% of the company's exports in 2007.

December Ag Sales Data. According to December sales data from Associação Nacional dos Fabricantes de Veículos Automotores (ANFAVEA) in Brazil, total farm tractor sales were 2,895 units, up 47% year-over year, while combine sales were down 4% year-over-year at 426 units.

"Although 2008 sales were strong, the 2009 outlook is much weaker," notes Ann Duignan, analyst with JP Morgan. Tractor sales for the full-year 2008 were up 39% year-over-year at 43,417 units. 2008 combine sales were up 88% year-over-year with 4,458 units, below 2004 peak levels of 5,598 units.

"Brazilian soybean production in 2009 appears to have material downside risk given poor weather conditions during the early stages of the growing season," Duignan reports. "Lower production and poor farmer economics represent risks to tractor and combine sales this year. This may be partially offset by expanding sugarcane production, though this could potentially come under pressure as well. As a result, we expect a significant slowdown in combine sales and a decline in tractor sales, which should be less severe than combines." **AEI**

Latin American Commodity Production — 2006 – 2011 (Thousands of Metric Tons)

	2006	2007	2008	2009	2010	2011
Corn Production	86,830	92,734	88,093	89,493	92,186	97,270
Wheat Production	20,073	22,725	21,401	22,100	21,901	22,979
Soybean Production	107,800	107,500	112,708	117,635	120,544	125,348
Cotton Production	1,874	1,916	1,846	1,894	2,064	2,137
Livestock Production	25,510	27,178	27,780	28,761	29,374	29,766

Percent Change Year-Over-Year

	2006	2007	2008	2009	2010	2011	CAGR 2009-11
Corn Production	25.7%	6.8%	-5.0%	1.6%	3.0%	5.5%	3.4%
Wheat Production	-10.5%	13.2%	-5.8%	3.3%	-0.9%	4.9%	2.4%
Soybean Production	10.6%	-0.3%	4.8%	4.4%	2.5%	4.0%	3.6%
Cotton Production	38.2%	2.3%	-3.7%	2.6%	9.0%	3.5%	5.0%
Livestock Production	2.5%	6.5%	2.2%	3.5%	2.1%	1.3%	2.3%

Source: IHS Global Insight

Soybeans and corn are easily the largest agricultural commodities produced by South American farmers. IHS Global Insight notes that a "lack of corn price transparency combined with high input costs allows soybeans to capture much of the expansion acreage." Between 2009-2011, soybean production will increase at a compound annual growth rate (CAGR) of 3.6%. Two other important notes from IHS include the fact that Argentina has positioned itself as a world supplier of soybean oil and consumes very little of what it produces. And, both Argentina and Brazil's corn yields remain significantly lower than U.S. yields, which favors soybean acreage expansion in both countries.

Claas Reports 47.5% Profit Boost in 2008

Claas AG, the farm equipment maker based in Harsewinkel, Germany, reports that profits in 2008 rose 47.5%. The company's full-year net income totaled $219.2 million and sales rose 27.7% to $4.2 billion.

Claas said 77.6% of its sales during the fiscal year were based on exports outside of Germany vs. 76.3% during the previous-year period.

Claas officials saw a sizeable increase in demand worldwide from its markets in Europe, Asia, South America and North America. While a global recessionary environment could impact its profits and sales for the current fiscal year, it is optimistic about the health of the farm machinery business.

"A potential worldwide recession would have an adverse impact on this fundamentally positive trend. However, due to the [global trends of falling grain prices] Claas believes that investment incentives for buyers of agricultural machinery will remain strong in the future," Claas said.

"This is why we currently expect business to remain balanced on the whole although it will fluctuate in individual markets. Claas anticipates stable sales and earnings trends for fiscal year 2009 overall." **AEI**

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AGCO Posts Strong Fourth-Quarter Profit Rise

On February 9, AGCO, Duluth, Ga., reported that strong retail sales and improved margins helped push fourth quarter profit up nearly 26%, beating Wall Street expectations even as sales slipped.

But the company expects sharp declines in both earnings and sales in 2009 as a result of "significant uncertainty and softening demand in all major farm equipment markets."

AGCO earned $102 million in the 3 months ended Dec. 31, up from $81.1 million a year earlier. Revenue slipped to $2.16 billion from $2.17 billion a year ago, hurt by the strong dollar.

Chairman Martin Richenhagen cited strong industry retail sales and improved operating margins for the fourth quarter compared with the same period a year earlier. AGCO's North American segment showed significant improvement, particularly increased profitability in the sprayer business, he said.

For all of 2008, net income was $400 million up from $246.3 million for 2007. Annual revenue rose 23% to $8.42 billion from $6.83 billion. **AEI**

What the Analysts Say…

Ann Duignan, JP Morgan: "AGCO delivered an 8.2% operating margin and reported a profit of $18 million in North America. Last quarter, management noted that it expected to maintain profitability in North America through cost reductions and new product introductions."

Henry Kirn, UBS: "While we view AGCO's strategic initiatives favorably, and believe the return to profitability in North America is a positive, we remain concerned that consensus expectations may remain too high as relatively outsized exposures to weaker geographies and negative impact of currency are likely to negatively impact 2009 results."

Barry Bannister, Stifel, Nicolaus & Company, Inc.: "The fourth-quarter operating profit margin (OPM) was 6.5% vs. 5.9%, positively surprising in North America where OPM was 3.5% vs. (0.6)% in the fourth quarter of 2007. Elsewhere, OPM in EAME held fast at 10.5% vs. 10.4%, South America was satisfactory despite weak credit and weather conditions at 6.8% vs. 5.9%, and the small Oceania geography fell sharply to 5.8% versus 13.2% on lower sales." Stifel, Nicholas & Co. is further lowering EPS estimates, believing that the machinery cycle is pausing until global GDP and energy markets — the primary drivers of ag commodity prices — firm.

LS Cable to Enter U.S. Market with Its Own Tractor Brand

South Korean conglomerate LS Cable is directly entering the American market with its own brand and has already started signing up dealers on a limited basis. Until now, LS' presence in America was solely as a supplier, providing compact and utility tractors to Montana, McCormick and others

In late November, LS Cable lost its bid to acquire the defunct Farmtrac North America in Tarboro, N.C., when Montana Tractors made a late $14.1 million offer that surprised many in the industry — particularly after LS' lengthy due diligence and intentions to enter the U.S. market with a branded tractor of its own.

"We're putting things together," says Ron Grabowski, a tractor veteran with experience at Mahindra, TAFE, Montana and McCormick. Grabowski is one of four managers helping launch the LS Tractors brand in America. "An advantage we have over distributors is that LS owns the factory," says Grabowski. "That direct line to the factory provides the best communication for parts, service and warranty issues."

Despite the downturn in small tractor sales, Grabowski believes the market is near its floor, and that the timing is good as sales start to improve. "We're setting up a company that will provide good support for dealers and their customers," he says.

The company, which intends to hold dealer meetings starting in March, will be located in Tarboro, N.C. **AEI**

FARM MACHINERY TICKER (AS OF 2/10/2009)

Mfr.	Symbol	2/10/09 Price	1/12/09 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	$22.08	$22.43	$71.19	$17.74	5.93	2.52 M	2.08 B
Alamo	ALG	$13.10	$15.15	$26.46	$10.63	8.18	57,057	131.50 M
Art's Way	ARTW	$4.80	$3.45	$19.52	$2.90	8.24	9,606	18.64 M
Caterpillar	CAT	$30.92	$41.19	$85.96	$29.60	5.55	13.2 M	18.94 B
CNH	CNH	$9.08	$16.25	$58.00	$7.08	2.76	517,133	2.22 B
Deere	DE	$38.40	$41.56	$94.89	$28.50	8.28	5.88 M	16.45 B
Kubota	KUB	$27.45	$31.58	$43.41	$17.72	10.39	73,887	6.87 B
Titan Machinery	TITN	$11.84	$12.75	$34.49	$7.75	11.84	268,384	210 M

Robust Ag Tire Demand Continues into 2009

Following the steep falloff in car and truck sales in 2008 and into '09, the demand for consumer tires continues to soften. At the same time, tiremakers report that they're having a difficult time keeping up with the growing requirements for farm equipment tires — both from OEMs and replacements, according to *Modern Tire Dealer*.

Shipments of farm tires for every category of ag tires the magazine tracks rose last year compared to 2007 levels. Small farm replacement tires saw the biggest increase, jumping 130,000 units between 2007 and 2008. Demand for radial rear OE and small farm OE both rose by 70,000 units last year.

Bias rear replacements grew by 65,000 units and bias rear replacement shipments rose by 55,000. Radial rear replacement tires rose by 25,000 vs. 2007.

The following tables were developed by the magazine and show the market share of the major tire suppliers in each category. **AEI**

Radial Rear OE
2008 Shipments: 340,000

Goodyear	46.0%
Firestone	42.0%
Michelin	9.0%
Titan	3.0%

Radial Rear Replacement
2008 Shipments: 215,000

Firestone	36.5%
Goodyear	32.0%
Titan	11.0%
Michelin	9.0%
Co-op	7.0%
Trelleborg	2.0%
BF Goodrich	1.5%
Alliance	0.5%
Others	0.5%

Bias Rear OE
2008 Shipments: 465,000

Firestone	48.0%
Goodyear	26.0%
Titan	23.5%
Trelleborg	2.0%
Others	0.5

Bias Rear Replacement
2008 Shipments: 550,000

Firestone	45.0%
Goodyear	19.5%
Titan1	8.0%
Co-op	5.0%
Akuret	3.0%
TBC	2.5%
Trelleborg	2.5%
Alliance	1.5%
Galaxy	1.0%
Denman	0.5%
Others	1.5%

Small Farm OE
2008 Shipments: 420,000

Firestone	38.0%
Goodyear	36.5%
Titan	22.5%
Trelleborg	2.0%
American Farmer	0.5%
Galaxy	0.5%

Small Farm Replacement
2008 Shipments: 1.4 million

Firestone	40.0%
Goodyear	19.5%
Titan1	6.5%
American Farmer	7.0%
Co-op	6.5%
TBC	3.5%
Denman	1.5%
Trelleborg	1.5%
Carlisle	0.5%
Galaxy	0.5%
Others	3.0%

Source: Modern Tire Dealer

U.K. Tractor Sales Highest in 12 Years; Units Got Bigger, More Costly

Unit sales of tractors in the U.K. last year rose 10.1% over 2007, according to the Agricultural Engineers Assn. (AEA), making it the industry's best year since 1996. On average, the horsepower of the tractors has also risen significantly during the same period, as has their costs.

The AEA reports that total units sales in 2008 were 17,104 tractors. Twelve years earlier, industry sales of all tractors were 18,395 units. According to *Farmers Weekly*, that peak was followed by a dramatic drop in sales during the following 2 years, leaving some to speculate that U.K. unit sales may be facing a similar scenario in 2009.

Following peak sales in 1996, tractor turnover fell to 15,104 units in '96 and 9,468 units in 1998.

Bigger, More Expensive. In addition to overall strong tractor sales in 2008, the magazine also reports that, on average, horsepower of new tractors in the U.K. also grew, as did their prices.

On average, tractors sold in 2007 were 134 horsepower. This was expected to rise to 138 horsepower in 2008, up dramatically compared to 1996, when 106 horsepower was the average.

The January 16 issue of *Farmers Weekly* also reports that tractors brought in from CNH plants in Europe cost 28% more than a year earlier. The weakness of the British pound and the higher costs of materials in 2008 were cited as the main reasons for the price increases. **AEI**

Mahindra Tractor Sales Slip in January

The Farm Equipment Sector of Mahindra & Mahindra, the Mumbai, India-based manufacturer of tractors, reported on February 2 that domestic and export sales of its equipment fell significantly during the 10-month period of April-to-January by 1,466 units.

Cumulatively, during the current fiscal period, total sales were 82,323 compared to 83,789 for the corresponding April-to-January period from last year.

Cumulative tractor sales in the domestic market in fiscal 2009 were 76,282 compared with 77,016 last year.

Domestic sales of Mahindra tractors slipped to 6,666 in January vs. 7,174 for the same month last year. Exports during the month were 265 units compared to 879 in 2008. Total domestic and export sales for the month was 6,931 tractors vs. 8,053 in January a year ago. **AEI**

CNH Looks for a 'Turbulent' 2009

Even if Case IH and New Holland ag equipment sales were to maintain their record-setting 2008 levels going into 2009, most industry observers believe it won't be nearly enough to offset the forecasted weakness in its construction equipment revenues.

When CNH announced its fourth-quarter financial performance in late January, all eyes were on the outlook for a "turbulent" 2009. Fears were also raised about its parent company's ability to raise cash.

Good Quarter for Ag. The fact that net sales from CNH's ag equipment division rose by 8% in the fourth quarter vs. a year earlier didn't quell fears that the continued deterioration of the firm's construction equipment business would drag the entire company down with it.

For the fourth quarter of '08, CNH reported a net profit of $114 million. Net sales of equipment fell 10.2% to $3.66 billion. Ag equipment sales were up over 8% to about $3 billion, but construction equipment sales were down about 48% at $695 million.

For the full year, net sales of farm equipment were up by 30% over 2007.

The company is predicting that 2009 worldwide retail unit sales of larger horsepower tractors may decline 10-15% and industry retail unit sales of combines will be down 20-25%.

Bigger Problem? CNH's outlook for the year and an unwillingness to forecast near-term profits "highlights the uncertainty for 2009," says Ann Duignan, machinery analyst for JP Morgan.

Robert McCarthy, analyst for RW Baird, termed CNH's outlook "abysmal."

But beyond the difficult market conditions, some observers say the bigger challenge for CNH could be its ability to raise cash to maintain its liquidity position throughout 2009.

According to a Reuters report, CNH, which is controlled by Italian automaker Fiat, also warned that "financial market volatility and illiquidity in the asset-backed security market" were taking a toll on its finance business.

It said that Fiat — which is looking to acquire a stake in Chrysler LLC — was providing $5.2 billion in financing to the company at year's end, but "in light of continuing volatility in the financial markets, CNH has no assurance that funding at such levels will continue."

Fiat is looking to get financial aid from both the U.S. and Italian governments. As its parent company looks to obtain outside sources of funding, CNH said the availability of its in-house financial services would be "significantly limited."

This has led some to speculate that the need to raise cash may push Fiat into considering a sell off of one of its equipment brands. If this were the case, the most likely candidate could be New Holland, which appears to be lagging behind Case IH in both performance and perception. AEI

Titan Machinery's Newest Stores Stretches Market, Geographic Diversity

On January 23, Fargo, N.D.-based Titan Machinery announced that it had closed on its previously announced acquisition of Western Plains Machinery Co. and WP Rentals. Not only did Titan's purchase add 9 additional locations, but it stretched the Case-New Holland equipment dealer's boundaries west into Montana and Wyoming, and also gave the company and even stronger position in the construction equipment industry.

Titan, which was principally an ag equipment company when CEO David Meyer and President Peter Christianson merged their dealerships in 2002 to form a 13-location footprint through the Dakotas and Minnesota, is clearly diversifying its operations — in both its markets and geography — with the 9 new construction equipment stores.

The company now operates 61 ag and construction dealerships that now stretch south to Iowa and Nebraska and as far west as Wyoming and Montana. Today, Titan is the largest volume Case IH-New Holland dealership group in the world.

Bigger Construction Presence. Founded in 1940, Western Plains Machinery has Case Construction locations in Billings, Great Falls, Missoula and Kalispell, Montana, as well as in Casper and Gillette, Wyoming. WP Rentals has locations in Billings and Belgrade, Mont. and Cheyenne, Wyo. These 9 locations are contiguous to Titan Machinery's existing construction stores and, according to the company, are expected to continue producing solid financial results by focusing on energy, mining, residential, commercial and infrastructure projects on the local, state and federal levels.

In its most recently reported fiscal year ended December 31, 2007, Western Plains Machinery and WP Rental generated revenues of $48.9 million

Growth Mode. With the acquisitions, Titan could double its annual revenues in 2009 compared to the previous year. The company reported total revenues of $501.4 million through the first 9 months of fiscal 2009, which concluded October 31. This compares to $297.8 million during the same period a year earlier.

Through 9 months, Titan's net income rose from $4.9 million in 2008 to $14.9 million in fiscal 2009.

Titan, which went public in December 2007, is the only publicly-traded farm equipment dealership based in North Dakota.

Interviewed for the February 6 edition of *Prairie Business Magazine*, Meyer says Titan continues to look for new dealerships in strong markets to add to its growing network in the upper Midwest. He said the company is expecting 10-15% of the company's annual revenue growth to come from acquisitions. AEI

McCormick's Map for Improvement Includes Moving to New Facility

McCormick International USA CEO Rodney Miller is determined to right the wrongs that its dealers saw since the move from Iowa 3 years ago.

Much of the firm's dealer convention in late January in Duluth, Ga., was spent acknowledging recent problems (ranging from parts and wholegoods availability, warranty issues, technical support and dealer-manufacturer communications to name a few), and what the company is doing to respond and gain the confidence of its dealers once again.

Underscoring the troubles of the tractor manufacturer was the poor showing in the 2007 NAEDA Dealer-Manufacturer Relations Survey, which Miller referred to often. The organization is determined to earn a better dealer ranking in the 2010 survey.

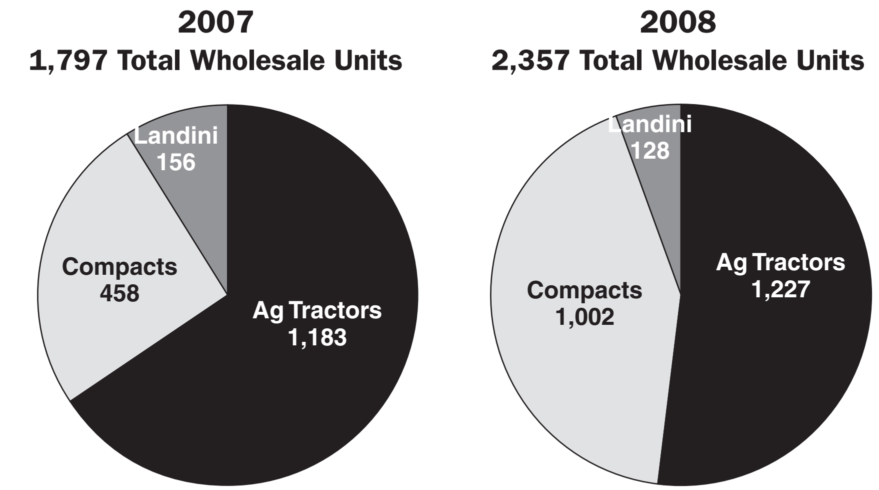
In addition to reinforcing the commitment to its 280 dealers, Miller and his team had much to update dealers on. But the biggest news was the announcement during the meeting that a new facility is in the offing for the second time in 3 years. The last such move 3 years ago (when McCormick moved from Iowa to the Atlanta area) ended up costing the firm a number of dealers and caused a slew of confidence problems it is still addressing.

The difference this time is that the move is only a few short miles away from its current home in Norcross, Ga. And unlike the last move, all employees will be coming along.

New Facility. The 120,000-foot facility is 2.5 times larger than its current location in Norcross. As part of the expansion, the firm will consolidate its Kiel, Wis., and Baltimore, Md. operations into the new facility.

Miller says the company will see considerable cost savings in logistics and freight as well as greater quality control. "We'll cut down on our dependency upon the ports, and will be better able to control quality much better from here," he says. "We'll be able to see things before they hit the truck."

When completed, the vacant facility (previously used by a computer manufacturer) will include offices, warehousing operations, 12 assembly area work bays and a large, well-equipped training center.



These charts show how 2007 (left) compared with 2008, which saw an increase of 660 wholesale sales and 305 retail sales. The firm made a profit for the first time in 2008.

McCormick intends to begin the move to the new facility in the third week of March, and be in the new facility entirely by the time its current lease expires on March 31.

Miller believes that the new facility will provide the company with a $350,000 net savings in the first year, followed by $500,000 in the second year.

2008 Performance. McCormick International USA broke a 6-year streak of company losses in 2008. The firm increased its retail sales from 1,275 units in 2007 to 1,580 in 2008.. While reversing the streak of losses was critical, availability problems and the further softening of the compact tractor market didn't make it easy.

After entering the compact tractor market in mid-2007, the firm saw the market continue to suffer. "We had a plan for 1,300 compact tractor units last year and shipped 1,002," says Thurman Kirkland, vice president.

"Now, the plan for 2009 is 800. We're going to change horses and concentrate on increasing the plan for ag tractors by 500 units."

Parts/Service/Warranty. Miller says the firm made tremendous strides in the parts department, a source of pain for dealers over the past several years. With new personnel and a number of improvements, parts fill rates are now consistently at 94-95%, a level that Miller says makes McCormick as good as any tractor manufacturer. Service and warranty areas also saw an efficiency restructuring.

New Programs. Miller says McCormick's 2009 programs are among the most aggressive in the tractor industry. The firm was among the first to offer 0% financing for 60 months. More recently, the firm implemented an attractive cash-in-lieu program and a new a "floor plan bank" on every tractor (not just compacts).

With this program, says Miller, a dealer who retails a tractor early gets to "bank" the unused floorplan terms to finance more units. "We're spending more per revenue sale on the retail end than ever before," he says.

New Products. In what Miller said was the largest rollout of tractors in some time, dealers are seeing major innovations in 2009 for the CX, MX, TTX, CTU, CTV and XTX model lines. "It could be years before we see this many product innovations again," he says.

Among other changes highlighted at the meeting were a major web site overhaul (completed in early February), a live body now answering the phone, the reinstitution of the dormant dealer council, the restructuring of personnel in many disciplines, the first parts fair that was held in December, plans for more service training and creation of new departments (such as product management). "We're working very hard to make McCormick a company that is easy to do business with," says Kirkland. AEI

Sales Improve in January, USDA Reports Temper 2009

North American farm equipment retail sales comparisons generally improved in January from soft December levels, according to the February 12 research notes by Baird analyst Robert McCarthy. Inventories also remained tight for large equipment but continued to increase on a days-sales basis for smaller tractors.

Among McCarthy's observations on January sales are:

- North American row-crop tractor sales increased 7% in January, an improvement from the 2% drop in December. Over the last 3-month period, sales were up 2%.
- 4WD sales increased 15% in January, and are up 22% in the last 3-month period.
- Combine sales were up 13% after 2 months of flat comparisons. "January is one of the weakest months of the year for combine sales," McCarthy said, noting that the month represents less than 5% of annual sales.
- Comparisons for utility and mid-range tractors remained weak, falling 17% and 15% respectively.
- Inventories for large equipment remain lean. Inventories for 4WD tractors and combines fell 40% on a days-sales basis, with absolute inventories down about 30% year-to-year. Row-crop tractor inventories were up 10% year-to-year.

McCarthy noted that the recent net farm income and crop receipts reports were negative indicators for equipment demand and manufacturers' production schedules. Net farm income is forecast at $71 billion, down 20% from record 2008 levels and 11% below the 5-year average.Net cash income is projected to drop 17%, which is 7% below the 5-year average.

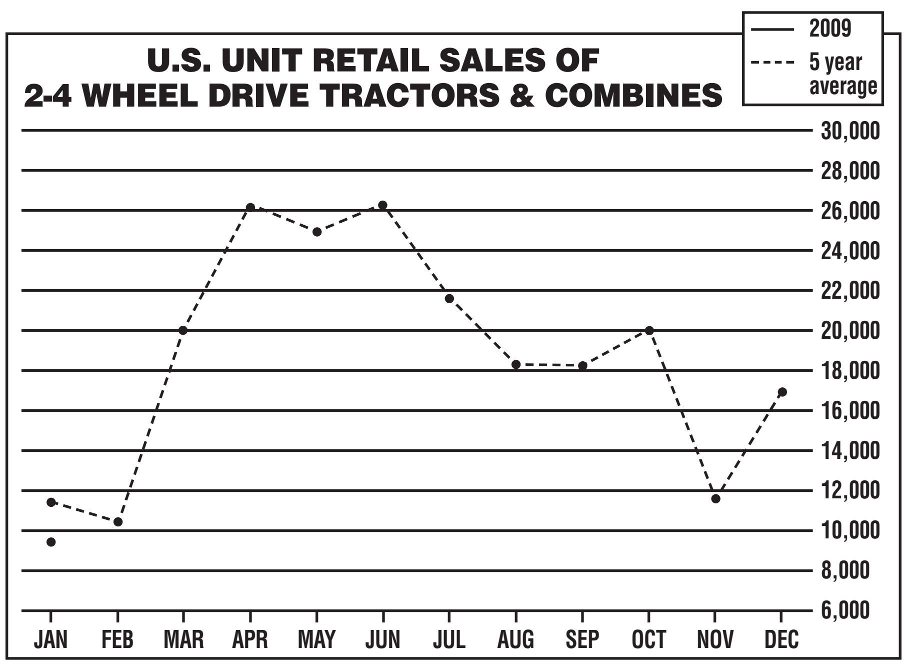
McCarthy noted that the USDA's forecast for $162 billion of crop receipts would represent the first annual decline since 1999, even though it would still be the second highest level on record and 10% higher than 2007. AEI

JANUARY U.S. UNIT RETAIL SALES

Equipment	January 2009	January 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	Jan. 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	3,231	3,940	-18.0	3,231	3,940	-18.0	57,939
40-100 HP	3,101	3,659	-15.3	3,101	3,659	-15.3	32,554
100 HP Plus	1,796	1,687	6.5	1,796	1,687	6.5	6,523
Total-2WD	8,128	9,286	-12.5	8,128	9,286	-12.5	97,016
Total-4WD	240	248	-3.2	240	248	-3.2	623
Total Tractors	8,368	9,534	-12.2	8,368	9,534	-12.2	97,639
SP Combines	509	450	13.1	509	450	13.1	618

JANUARY CANADIAN UNIT RETAIL SALES

Equipment	January 2008	January 2007	Percent Change	YTD 2009	YTD 2008	Percent Change	Jan. 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	477	541	-11.8	477	541	-11.8	6,690
40-100 HP	368	420	-12.4	368	420	-12.4	3,297
100 HP Plus	199	178	11.8	199	178	11.8	1,257
Total-2WD	1,044	1,139	-8.3	1,044	1,139	-8.3	11,244
Total-4WD	75	25	200	75	25	200	171
Total Tractors	1,119	1,164	-3.9	1,119	1,164	-3.9	11,415
SP Combines	48	42	14.3	48	42	14.3	156



—Assn. of Equipment Manufacturers

Farming Defined

Any place from which $1,000 of agricultural products were produced and sold, or normally would have been sold, during the census year. Government payments are included.

Continued from page 1

they are retired.

The most significant growth in U.S. farm numbers between 2002-2007 came from small operations where no specific commodity accounted for more than half of the total value of production, according to the census. Sixty percent of U.S. farms reported less than $10,000 in sales of ag products. The number of farms with sales of less than $1,000 increased by 118,000 in the last 5 years.

Growing Diversity. There is also a "growing ethnic and racial diversity" among farm operators nationwide, with more women and Hispanics as primary operators.

There was a 30% increase in female operators since 2002 (to 306,209 total in 2007). The number of Hispanic farmers rose 10% over the period.

NASS found that white farmers are more likely than non-white farmers to produce grains and oilseeds; Asians and Native Hawaiians have a higher percentage of fruit and tree nut farms, and women farmers are fairly equally split among cattle, calves and feedlots, aquaculture and other livestock operations and other crops. Blacks, Hispanics and American Indians were mostly likely raising cattle and calves.

The average age of farmers is still rising, the census said, and they're increasingly relying on off-farm employment as a source of income. The number of farmers 75 years and older grew by 25% from 2002-2007, while the number of operators under 25 years of age dropped 30%.

Farmers are Getting Connected

The 2007 USDA Census found that 57% of all farmers have Internet access, up from 50% in 2002.

For the first time in 2007, the census also looked at high-speed Internet access. Of those producers accessing the Internet, 58% reported having a high-speed connection.

Major Farm Trends. Taken as a whole, U.S. farms are still profitable, selling $297 billion in agricultural products in 2007 while incurring $241 billion in production expenses. Income from sales went up 48% between 2002-2007, while production expenses increased 39%.

Some 840,000 farms received a total of $8 billion in government payments in 2007 and another $10 billion in farm-related income was reported.

Net cash income increased 84% over the 5-year period, according to the census, with producers of grains, seeds, milk, poultry, eggs, fruits, nuts, nurseries and greenhouses showing the highest net income.

Net cash income is the total of ag products sales, government payment and farm-related income after expenses are subtracted.

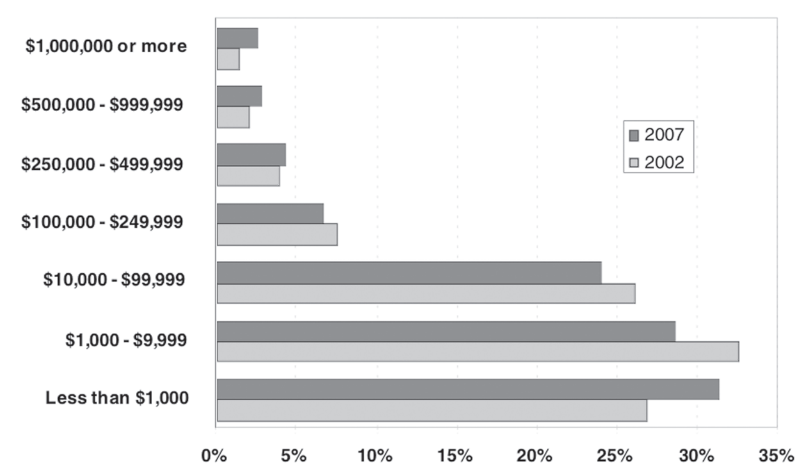
NASS said the value of the nation's agricultural products is concentrated in 9 states: California, Texas, Iowa, Nebraska, Kansas, Illinois, Minnesota, North Carolina and Wisconsin.

Of the 2.2 million farms nationwide, only 1 million showed positive net cash income from the farm operation in 2007, with the rest needing non-farm income to cover farm expenses.

About half of U.S. farm operators reported something other than farming as their primary occupation, and 900,000 operators are working off the farm more than 200 days a year. The share of farmers working off-farm grew from 55% in 2002 to 65% in 2007.

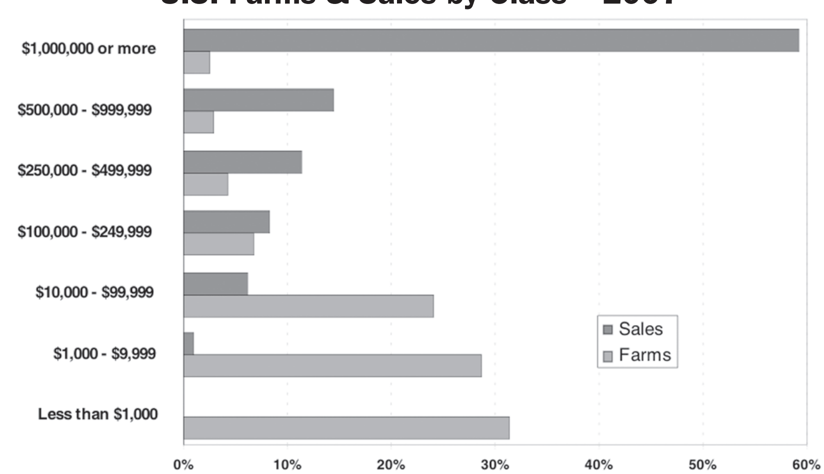
Larger farmers — with sales over $250,000 — tend to be younger and more likely to report farming as their primary occupation. AEI

U.S. Farms by Sales — 2002 & 2007



Some 60% of U.S. farms reported less than $10,000 in sales of ag products, the number of farms with sales of less than $1,000 increased by 118,000 in the last 5 years.

U.S. Farms & Sales by Class – 2007



Nearly 70% of U.S. farms in the U.S. produce $10,000 or less in income from agriculture.