

# Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

- Strip-Till Use Growing
- Turbulent Times for Ag
- Exports Grow in 2007

## Dealers and Supplier Throw Farmtrac Dealers a Lifeline

Equipment dealers and at least one tractor maker are proposing plans that could help minimize the damage resulting from Farmtrac's filing for receivership last month and possibly resolve the dilemma that they tractor maker's dealers are currently confronting.

On January 17, Tarboro, N.C.-based Farmtrac America told its 180 employees that the firm was "temporarily" shutting down operations. (See *"Is Farmtrac the First Casualty of Compact Tractor Wars? Ag Equipment Intelligence, February 2008, p. 1."*)

The dealers were left in a lurch with no service, parts, warranty or financing on February 12 when, according to published reports, Textron Financial Corp. filed suit seek-

ing "not less than \$13,309,056 plus interest plus attorney's fees of \$1,996,358 and additional contingent obligations" from Farmtrac. According

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*"If Farmtrac's inventory were to be liquidated at deeply discounted prices, it would cripple the industry..."*

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to a Claim and Deliver affidavit dated February 12, the actual value of Farmtrac property is approximately \$12 million.

This apparently sealed Farmtrac's fate, and many industry observers

don't expect to see the brand emerge from its current financial woes. "Frankly, the Farmtrac brand is gone," says one industry insider.

**NAEDA Seeks Solution.** In its March 12 newsletter, the North American Equipment Dealers Assn. (NAEDA) reports that many Farmtrac dealers have contacted the organization and its affiliates with concerns about the future of their wholegoods, parts and service business with Farmtrac.

According to NAEDA, legal counsel Jack Selzer has researched options and communicated with many dealers individually. In addition, NAEDA and its affiliates have contacted all known Farmtrac dealers with a list of options to consider as well as a contact point. The association also is try-

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## CIS Countries are Fertile Ground for Equipment Makers

Nurlan Tleubayev farms 1.995 million acres in Kazakhstan, one of the countries that form the Commonwealth of Independent State (CIS), the coalition formed following the collapse of the USSR in 1991.

While it may be amazing that one farmer could control and operate that large a spread anywhere in the world, it's even more astounding that Tleubayev is only the second-largest farming operation in the CIS. The largest is 2.5 million acres that is split between Kazakhstan and Russia.

According to a report in the February 2008 *farministrynews.com*, Karen McMahon reports that Tleubayev maintains a working inventory of farm machinery that includes:

- 51 John Deere Combines

- 72 Case IH Combines
- 298 Russian Combines
- 114 Balzer Grain Carts
- 129 Deere and Case tractors and seeders
- 98 sprayers

As AEI reported in December 2007 (*"English Sprayer Firm Claims Some of Russia's Tech Dollars," p. 6*) it's not only the major, full-line manufacturers getting in on the CIS boom. In this case, Househam Sprayers landed an order worth more than \$2 million for 12 of the English firm's biggest AirRide vehicles. The order came from a company farming 120,000 hectares south of Moscow.

Amity Technologies LLC, the Fargo, N.D.-based manufacturer of sugar beet harvesting equipment, has

had more than \$150 million in sales to Kazakhstan, Russia, Ukraine and Azerbaijan since 1991. Of that, the company has had \$50 million in the last two years to CIS countries, according to a report in *Agweek*.

**Claas Building in Russia.** Claas, the German equipment manufacturer, is expanding its presence in Russia by starting production of its most powerful rigid-frame tractor in the country.

The 280-hp Deutz-powered Claas Atles is no longer sold within European Union countries but is expected to fulfill demand from Russian farmers for a high-performance machine. Claas plans to build 100 units of the tractor by the end of this month.

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ing to determine the interest of these dealers in contributing to a legal defense fund to address this specific issue in court.

The newsletter also reports that NAEDA is cooperating with two Farmtrac dealers who have established a "parts depot and exchange center." Details of these efforts were not immediately available from the association.

**Montana Makes an Offer.** Montana Tractors has also gotten involved in an attempt to help Farmtrac dealers with a proposal to provide parts and service.

In correspondence received on March 10, Ted Wade, Montana Tractors vice-chairman and co-owner, indicated that the company had made an offer to Farmtrac's parent company Escorts to provide parts, service and warranty assistance to Farmtrac dealers. This would allow the 300 Farmtrac dealers to continue selling the tractors.

The Farmtrac dealers that wish to participate in the Montana proposal would also be expected to sign on with the Springdale, Ark.-based tractor maker, which would add valuable distribution points to Montana's currently 250-dealer network.

The Montana proposal would not include distribution of the estimated 3,000-4,000 Farmtrac tractors currently in inventory.

LG produces tractors for both Montana and Farmtrac. Presumably, the Korean manufacturer would need to be involved in any agreement to provide Farmtrac dealers with parts and warranty services.

**A Soft Market.** Small tractor sales often reflect the state of the housing market in the U.S. With the slump in the construction and sales of new homes, the sale of compact and utility tractors has also weakened during the last 12-18 months.

If the current inventory of Farmtrac units were to be liquidated by its creditors at deeply discounted prices, it would severely cripple the industry in the short term. Montana's proposal to provide warranties, as well as parts and service through its network, could help to avoid dumping the Farmtrac units into the market for pennies on the dollar.

**A Welcome Move.** One industry insider, who asked not be identified, says he's glad someone is trying to step in. "We didn't expect anyone to come in and buy Farmtrac as an operating entity because of the debt structure. We were expecting Textron to liquidate the whole thing," he says.

"To try to continue that brand and resolve the debt with Textron would take a big player. It's good to see someone step up. Nobody wants the market to be flooded with half-priced tractors. That'll just kill it." **AEI**

## English Tractor Exports Rise 5%, U.S. Remains Top Destination

Despite the strength of the UK's Sterling currency, agricultural tractor and machinery firms based in the United Kingdom increased the value of their export sales by almost 6% last year to \$2.64 billion at current exchange rates.

Buoyant demand for tractors in European markets helped lift shipments across the English Channel by 11% to \$1.49 billion but machinery makers did even better, continuing the upward export trend of recent years by selling \$555 million-worth of equipment outside the UK, an increase of

more than 14% vs. the year prior.

Figures analyzed by the trade organization Agricultural Engineers Assn. show that while Europe as a whole is the UK's biggest marketplace, it's the U.S. market that continues to be its biggest individual market for the UK equipment makers.

U.S. farm purchases of machinery assembled in England by CNH Global (New Holland and Case IH), Argo Group (McCormick) and JCB (Fastrac tractors and Loadall telescopic handlers) amounted to 21.5% or \$327 million-worth of the total — a 16%

increase over 2006.

Equipment sales, on the other hand, remained static at \$46 million, representing about 6% of exports in this category.

However, imported equipment purchases by British farmers are growing at a faster pace. This is due to farms consolidating and requiring higher-capacity machinery, including 200-hp or larger tractors built in the U.S. by CNH and Deere, and large-capacity Case IH and Deere combine harvesters.

In 2007, import spending grew by 17% \$2.21 billion, leaving a slim positive margin of just \$433 million in Britain's import-export trade balance in agricultural equipment.

With the Argo Group transferring McCormick tractor production to Italy and with CNH moving some tractor assembly to Austria, that margin is likely to get slimmer — and may tip into deficit for the first time — in 2008. **AEI**

### CNH Helps Restart Iraq Tractor Production

Tractor assembly has restarted in Iraq following the purchase by the U.S. defense department's business and stability improvement task force of 200 tractor kits. The New Holland tractors are being assembled by Iraq's State Company for Mechanical Industries, an agricultural machinery manufacturing organization. The tractors chosen reflect New Holland's market leadership in Iraq. The purchase was made through CNH International. **AEI**

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# Farm Analyst: Ethanol Contributing to Turbulent Times Ahead for Ag

Living among the farms of east-central Indiana, Charlie Rentschler, ag machinery analyst for Wall Street Access, brings a unique perspective to his trade as an industry prognosticator. In his March 10 report to investors, Rentschler reports, "While we regard U.S. agriculture's outlook as very bright long term, we can envision some real turbulence in the next year or so — which may create investment opportunities."

Rentschler says he's never seen "such optimism among our farm neighbors." Despite the cost of everything sky-rocketing, "like the prices of their crops, they report their absolute margins are better — or they feel they're better." And they're spending money on equipment.

**Corn Ethanol Producing Mixed Results.** Rentschler, who has let it be known that he's no fan of using corn for ethanol, says he sees this as the major underlying cause for the worldwide boom in agriculture, but also the major factor in some very erratic swings in demand and prices, not just for corn, but other crops as well.

"As this hair-brained, government-sponsored industry abruptly gets built out and starts to contract, these turbulent times could create opportunities for investors.

"However, we remain very bullish long-term for world-wide farming as the industry transitions from a supply-driven to a demand-driven model,

courtesy of the new meat diets of several hundred million emerging middle-class Asians, as well as the cheap U.S. dollar which helps lower their cost," he says.

**Fly in the Ointment.** The way Rentschler sees it, the fly in the ointment is corn ethanol. "An unnatural phenomenon, it is based on governmental subsidy — principally, a \$0.51/gallon credit to the blender that mixes the stuff with gasoline to get, say E10 or 10% 'white-lightning' — but has grown to be such a monster customer for the American farmer that it will consume some 30% of this year's corn crop. This is approximately 4 billion bushels of the expected 13 billion raised. Sharply higher prices for corn have caused farmers to shift out of other crops — primarily, wheat and soybeans — raising their prices by significant amounts, too," he says.

The problem, the analyst explains, is soybeans have become so

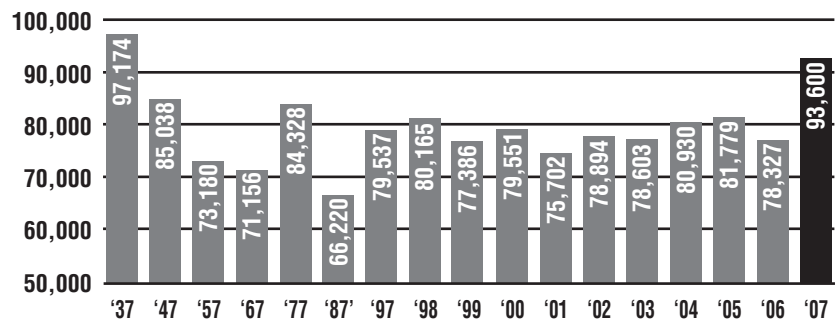
attractive relative to corn (exceeding the long-held rule-of-thumb of 2.5:1) that there is likely to be a switch this spring back to beans. He expects land planted to corn this season to slip to 84-85 million acres from last year's 92 million.

"A cold, wet spring that many meteorologists are predicting could drive corn planting below 84-85 million acres. As a result, some economists are guessing corn could go to \$10 this summer," Rentschler says.

"These never-seen-before prices for corn will devastate the ethanol refiners, certainly the marginal ones that are under-hedged and over-leveraged. As the consolidation of the corn-ethanol producers plays out, farm-ground planted to corn in the spring of 2009, accordingly, could exceed 93 million acres," Rentschler says.

For more of Rentschler's observations on ag equipment, visit [www.farm-equipment.com](http://www.farm-equipment.com). **AEI**

**U.S. CORN ACRES PLANTED — 1937-2007**



Source: USDA, NASS, Crop Production 2007 Summary, January 2008.

**FARM MACHINERY TICKER (AS OF 3/12/2008)**

Mfr.	Symbol	3/12/08 Price	2/12/08 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	\$60.03	\$63.13	\$71.95	\$35.30	23.54	2.77 M	5.50 B
Alamo	ALG	\$19.88	\$18.41	\$28.37	\$16.77	16.01	22,590	194.74 M
Art's Way	ARTW	\$17.90	\$26.77	\$39.75	\$7.02	15.90	42,008	35.53 M
Caterpillar	CAT	\$75.25	\$70.00	\$87.00	\$59.60	14.02	6.94 M	46.95 B
CNH	CNH	\$51.88	\$47.03	\$70.00	\$35.40	22.01	1.06 M	12.31 B
Deere	DE	\$83.98*	\$86.46*	\$94.77	\$51.59	19.41	5.48 M	36.62 B
Kubota	KUB	\$31.29	\$31.27	\$49.25	\$28.34	11.30	92,733	8.06 B
Titan Mach.**	TTTN	\$17.10	\$16.58	\$21.42	\$11.50	18.47	366,747	228.52 M

\*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 approximately 6 million shares on December 6, 2007 at \$8.50/share.

## 3.6 Million Acres of Corn Strip-Tilled in 2007

It's clear from introductions at farm shows over the last few years that strip-till is a growing trend. This conservation tillage practice (which tills the soil only in narrow strips that provides a faster warm-up of the soil in the spring) offers growers a reduced-pass tillage system that also can handle corn residue where no-till causes concern. Plus, it addresses the psychological impact that some growers have about making the switch from conventional tillage to conservation tillage practices like no-till.

About a dozen strip-till manufacturers have units on the market today, including the likes of Case IH (DMI),

Twin Diamond, Dawn Mfg., Blu-Jet, Environmental Tillage, Hiniker, Progressive Farm Products, Orthman, Brillion, Unverferth, Remlinger, Yetter and Wil-Rich (marketers of Redball's unit). Deere unveiled its first strip-till unit late in 2007, and word on the street is that the segment will see even more entrants in 2009, including AGCO as well as shortline companies generally associated with primary tillage.

There's general agreement that strip-till is gaining adopters from conventional, minimum and no-tillers alike. But because federally funded acreage studies are no longer conducted, it's difficult to get one's hands

around the current acreage, where it's coming from and its potential growth.

*Ag Equipment Intelligence* and *No-Till Farmer* recently conducted primary research of state agronomists on 2007 strip-till acreage estimations. From this survey data and the subsequent data analysis conducted by Ag Conservation Solutions (ACS), Lafayette, Ind., it was concluded that 3.6 million corn acres were strip-tilled in 2007, or roughly 19% of the nation's no-till corn acreage.

The table below lists the breakdown for all states and regions in which data was available either through the agronomists or ACS. The

*Continued on page 5*

### NO-TILL & STRIP-TILL ESTIMATES FOR 2007

	No-Till Corn	Strip-Till Corn	% Strip Till		No-Till Corn	Strip-Till Corn	% Strip Till
<b>Northeast</b>				<b>North Plains</b>			
CT	NA	NA		KS	1,700,000	185,000	11%
ME	NA	NA		NE	3,000,000	600,000	20%
MD	600,000	60,000	10%	ND	468,000	20,000	4%
NH	NA	NA		SD	1,855,000	18,500	1%
NJ	130,000	26,000	20%	<b>North Plains Totals</b>	<b>7,023,000</b>	<b>823,500</b>	<b>12%</b>
NY	NA	NA		<b>Lake States</b>			
PA	480,000	96,000	20%	MI	39,200	9,800	25%
PA	NA	NA		MN	280,000	168,000	60%
VT	NA	NA		WI	63,000	10,000	16%
DE	NA	NA		<b>Lake States Totals</b>	<b>382,200</b>	<b>187,800</b>	<b>49%</b>
MA	NA	NA		<b>Corn Belt</b>			
RI	NA	NA		IL	1,848,000	480,480	26%
<b>Northeast Totals</b>	<b>1,210,000</b>	<b>182,000</b>	<b>15%</b>	IN	1,720,000	310,000	18%
<b>Appalachia</b>				IA	2,115,000	530,000	25%
KY	840,000	6,800	1%	MO	680,000	170,000	25%
NC	462,000	46,000	10%	OH	900,000	270,000	30%
TN	507,000	50,800	10%	<b>Corn Belt Totals</b>	<b>7,263,000</b>	<b>1,760,480</b>	<b>24%</b>
VA	334,000	28,000	8%	<b>Mountain</b>			
WV	29,000	0	0%	AZ	NA	NA	
<b>Appalachia Totals</b>	<b>2,172,000</b>	<b>131,600</b>	<b>6%</b>	CO	448,000	224,000	50%
<b>Southeast</b>				ID	NA	NA	
AL	180,000	36,000	20%	NM	NA	NA	
FL	175,000	105,000	60%	UT	NA	NA	
GA	226,000	34,000	15%	MT	NA	NA	
SC	NA	NA		NV	NA	NA	
<b>Southeast Totals</b>	<b>581,000</b>	<b>175,000</b>	<b>30%</b>	WY	NA	NA	
<b>Delta</b>				<b>Mountain Totals</b>	<b>448,000</b>	<b>224,000</b>	<b>50%</b>
AR	36,000	5,500	15%	<b>Pacific</b>			
MS	304,000	32,000	11%	AK	NA	NA	
LA	16,000	2,600	16%	CA	NA	NA	
<b>Delta Totals</b>	<b>356,000</b>	<b>40,100</b>	<b>11%</b>	HI	NA	NA	
<b>South Plains</b>				PB	NA	NA	
OK	42,000	6,300	15%	OR	NA	NA	
TX	189,000	113,500	60%	WA	NA	NA	
<b>South Plains Totals</b>	<b>231,000</b>	<b>119,800</b>	<b>52%</b>	<b>Pacific Totals</b>	<b>NA</b>	<b>NA</b>	
				<b>Totals</b>	<b>19,666,200</b>	<b>3,644,280</b>	<b>19%</b>

Source: Ag Equipment Intelligence Survey of State Agronomists, Subsequent Analysis by Ag Conservation Solutions



Continued from page 4

biggest concentration of strip-till is in the Corn Belt (1.76 million acres), followed by the Northern Plains (823,500 acres). Currently, the top 5 strip-till states for corn acreage are: Nebraska (600,000 acres), Iowa (530,000 acres), Illinois (480,000 acres), Indiana (310,000 acres) and Ohio (270,000 acres).

### COST OF FERTILIZER PUSHES GROWERS TO ADOPT STRIP-TILL

One strip-till manufacturer told *AEI* that the rising cost of fertilizer is what will push strip-till adoption. "People are saying that strip-till farmers are able to reduce fertilizer costs by 30-40% by moving to a strip-till system. With some farmers spending \$180 per acre this year just to get corn seed in the ground, the ability to save on fertilizer by moving to strip-till will continue to get attention among corn growers," said the source.

On a percentage penetration basis, adoption among corn growers is most prevalent in southern states such as Alabama, Texas, South Carolina and Virginia.

While most manufacturers believe significant growth in strip-till acreage may still be a couple of years away (they told *AEI* that the escalated commodity prices have kept some growers from making changes in their operation), several agronomists from the major strip-till states are projecting significant growth for 2008. These

include: Indiana (+40%), Texas (+25%), Iowa (+13%), Kansas (+5%) and Missouri (+3%). **AEI**

### DEALERS' FORECAST FOR STRIP-TILL ADOPTION: 2008-2010

No Change: .....	29%
1-10% .....	34%
11-20% .....	25%
21-plus .....	12%

Source: Farm Equipment  
February 2008 Dealer Poll

### WHAT'S DRIVING FARMERS' ADOPTION OF STRIP-TILL?

- Need for Warmer & Drier Seedbeds for Earlier Planting
- Better Soil Quality (Improved Soil Structure, More Water Infiltration & Moisture Availability Later in the Season)
- Rising Fuel Costs & One-Pass Efficiency
- Direct Fertilizer Placement, Less Phosphorous & Potassium Required
- Enhanced Accuracy & Equipment Flexibility Due to GPS Improvements
- Shortage of Farm Labor
- Continuous Corn & Residue Concerns from No-Tillers
- New Corn Hybrids & Chemicals Help Strip-Till Match Conventionally-Tilled Corn Performance

## U.S. Farm Equipment Exports Grew by 13% Last Year

U.S. exports of agricultural-related machinery totaled more than \$8.2 billion dollars in 2007, an increase of more than 13% compared to the previous year, according to the Assn. of Equipment Manufacturers (AEM).

South America recorded the largest gains, followed by Africa and Europe. Farm equipment exports dropped to

Australia/Oceania and exports to Central America were flat.

North American trading partners Canada and Mexico remained the biggest customers for U.S.-made farm equipment. **AEI**

### TOP REGIONAL MARKETS FOR U.S.-MADE FARM MACHINERY — 2007

Export Market	2007 Purchases	Difference vs. 2006
South America	\$689 million	+46%
Africa	\$247million	+28%
Europe	\$3.3 billion	+24%
Canada	\$2.1 billion	+6%
Asia	\$710 million	+4%
Central America	\$722 million	flat
Australia/Oceania	\$501 million	-15%

### TOP 10 MARKETS FOR U.S.-MADE FARM MACHINERY — 2007

Export Market	2007 Purchases	Difference vs. 2006
1. Canada	\$2.1 billion	+6%
2. Mexico	\$536 million	-4%
3. Germany	\$437 million	+6%
4. Australia	\$430 million	+19%
5. Russia	\$388 million	+122%
6. France	\$366 million	+2%
7. Belgium	\$349 million	+38%
8. United Kingdom	\$287 million	+6%
9. Brazil	\$244 million	+66%
10. Ukraine	\$244 million	+118%

## CNH: Differentiating 'Big Red' from 'Little Blue'

It hasn't always been clear what CNH hoped to accomplish in the recent reorganization of its Case and New Holland farm and construction equipment brands into separate and distinct divisions.

But in a January 31 report in *Investor's Business Daily*, CNH CFO Rubin McDougal clarifies the move, referring to Case IH as a "high-end" brand and New Holland as a "value"

brand, thus differentiating the two brands from each other.

According to the chief financial officer, CNH went from a regional structure where regional managers oversaw both the Case IH and New Holland brands to a structure where a separate global head for each of the brands oversees that brand worldwide.

Under the new structure, the two brands are well differentiated. "Case

IH is a high-end brand in terms of performance and features, while New Holland is a value brand."

Under the regional structure, the two brands were often homogenized and weren't adequately differentiated, he said.

The reorganization, which took effect in 2007, allows CNH to better target customers with product within the segment in which they deal. **AEI**

## New Deutz Tractor Engine Runs on Unprocessed Rapeseed Oil

As farmers get used to running their farm equipment on biodiesel, engine maker Deutz has come up with a system that allows a diesel engine to run on crude rapeseed oil.

The cost advantages and "green" credentials of such a system are said to be superior to the much-trumpeted advantages of straight biodiesel or biodiesel/mineral diesel cocktails. The oil can be produced on-farm, with no energy consumed in refining it or transporting the seed to a crusher, the oil to a refinery and the biodiesel to distribution outlets.

Nor is this pie-in-the-sky technology; Fendt has unveiled its 820 Vario "greentec" tractor with 205 hp at the crankshaft and Deutz-Fahr's Agrotion 'M' Series includes models with the NaturalPower engines and outputs from 131-184 hp.

Deutz has previously taken a leading position in the use of biofuels for agricultural diesel engines, having developed control electronics to suit the particular power characteristics of "green" fuels and common rail fuel distribution and injection technologies to cope with its physical characteristics.

It currently approves 100% (B100) biodiesel use in the 2012 Series and 2013 Series four- and six-cylinder engines used in a number of tractors and other farm vehicles, as long as certain fuel storage and increased engine servicing frequency are observed.

Key features of the new Natural Fuel Engine, as Deutz calls it, tackle two issues: vegetable oil is not as viscous as bio- or mineral diesel at low temperatures and it has a lower flash point.

Remapped electronic engine

management software helps the engine develop required power output while meeting Tier 3 exhaust emissions. A heat exchanger is plumbed into the engine's coolant system to increase the oil's temperature and change its viscosity close to that of biodiesel.

The oil then passes through the fine-tolerance common rail distribution and injection system unhindered.

Diesel must be used to start the engine, however, so the oil-fueled tractors have two tanks. Sophisticated valves prevent cross-contamination and offer a flushing mechanism.

The engine will automatically switch back to ordinary diesel during prolonged idling, but the operator must switch back to diesel before shutting it off so the engine's fuel system is set for the next start. **AEI**

## German Firms Look to Eastern Europe to Grow Sales

As farming operations in Central and Eastern Europe find the means to invest in bigger and more advanced machinery, equipment manufacturers in Western Europe producing cultivators and seeders are recording unprecedented levels of growth, prompting a scramble to increase production capacity.

German manufacturers, with the easiest access to the east, are leading the way. Lemken has doubled its sales volume over the past four years. Horsch, which has an affiliate in the U.S., will have grown its business 2.5 times over 3 years if its 2008 forecast comes holds true. Amazone last year recorded 4 times the sales turnover it achieved in 1993.

### Lemken to Increase Capacity.

"As in previous years, the most spectacular growth came from Russia and other countries within Central and Eastern Europe," says Lemken's managing director, Dr. Franz-Georg von Busse. "We are enhancing our presence in the region, where further market growth is expected."

With sales worth the equivalent of \$279 million at current exchange rates, Lemken lifted its sales performance last year by more than 31% and

increased sales outside Germany, its domestic market, to 70% of output.

Production capacity is being increased by 50% at its headquarters manufacturing plant and has plans to start assembling implements in Russia.

### Amazone's Sees 20% Growth.

Amazone's \$422 million-worth of sales last year represented 20% growth on the prior year, with exports reaching 80% of output on the back of strong demand from key markets in Western Europe — most notably France, Great Britain and the Scandinavian region — in addition to Eastern Europe.

The family-owned concern forecasts sales of more than \$437 million for the current year and is pumping more than 5% of sales revenues into R&D as it places growing emphasis on high-tech electronics and GPS systems to regulate fertilizer and crop protection product applications.

Last year, the company opened a \$2.18 million production facility for final assembly of its trailed sprayers, and this year plans to spend more than \$14.5 million on new and upgraded manufacturing facilities.

In Russia, Amazone has acquired a majority holding in its manufacturing

joint venture to better control pre-fabrication of bulky components used in the seeders and cultivators it sells there.

**Horsch Sale Rise 46%.** Excluding sales at its Horsch Anderson joint venture in South Dakota and a similar operation in Ukraine, Germany's Horsch recorded sales of more than \$159 million last year, up 46% or \$51 million on the year prior. In 2005, the company had sales of \$88 million.

There was strong demand from France and Great Britain as well as the company's domestic market, but East European states — Czech Republic, Slovakia, Poland, Hungary, Bulgaria, Romania, Russia and Ukraine — also made major contributions to growth.

"Ukraine in particular is a growing market with great potential," says managing director Michael Horsch. "The change in the agricultural sector is very extensive and progressive."

With its second manufacturing plant fully operational, Horsch is aiming for \$230 million in 2008 sales.

"Conservation tillage and mulch seeding, which are our specialities, will continue to prevail for economic and political reasons, even with the high prices achieved for commodity crops," says Horsch. **AEI**

## Row-Crop and 4WD Tractor Sales Continue to Surge

Overall retail sales of farm equipment in North America continued to expand in February, continuing the strong upward trend that started mid-way through 2007. This is particularly impressive, according to Robert McCarthy, analyst for RW Baird and Co., because February is a seasonally weak month for ag machinery sales. Along with dealer inventory levels continuing to decline on a days' sales basis and remaining below historical levels, the current trend in sales continues to support a favorable 2008 production outlook, says McCarthy.

According to figures released by the Assn. of Equipment Manufacturers, U.S. sales of compact (<40 hp) and utility (40-100 hp) tractors continue to be soft (-0.2% and +2.5% respectively), while Canadian sales of these tractor categories gained momentum (+50.6% and +86.9% respectively). Otherwise, row-crop and 4WD tractors in both countries continue to surge.

- North American retail sales of row-crop tractors increased 67% year-to-year in February after a 23% increase in January and are up 41% in the last 3-month period.
- Retail sales of combines increased 12% year-to-year in February after a 13% increase during the previous month and are up 15% in the last 3-month period. February is the seasonally weakest month of the year for combine sales.
- Overall 4WD tractor sales also remained strong in February, increasing 53% year-to-year after a 19% increase in January. In the past three months sales of these units have gained 34%.
- Dealer inventories of combines declined 4% in January compared to the same period in 2007 and reached 46 days' sales, 15% below the 10-year January average, according to McCarthy.
- Absolute inventories of row-crop and 4WD tractors increased 7% and 10%, respectively. Row-crop inventories declined from 124 to 102 days' sales in January and 4WD inventories reached 80 days' sales compared to 91 last year.

**AEI**

### FEBRUARY U.S. UNIT RETAIL SALES



Equipment	February 2008	February 2007	Percent Change	YTD 2008	YTD 2007	Percent Change	Feb. 2008 Field Inventory
<b>Farm Wheel Tractors-2WD</b>							
Under 40 HP	5,211	5,221	-0.2	9,114	10,177	-10.4	56,687
40-100 HP	4,311	4,205	+2.5	7,979	8,837	-9.7	33,178
100 HP Plus	1,862	1,134	+64.2	3,555	2,489	+42.8	5,930
<b>Total-2WD</b>	<b>11,384</b>	<b>10,560</b>	<b>+7.8</b>	<b>20,648</b>	<b>21,503</b>	<b>-4.0</b>	<b>97,795</b>
<b>Total-4WD</b>	<b>240</b>	<b>166</b>	<b>+44.6</b>	<b>489</b>	<b>368</b>	<b>+32.9</b>	<b>810</b>
<b>Total Tractors</b>	<b>11,624</b>	<b>10,726</b>	<b>+8.4</b>	<b>21,137</b>	<b>21,871</b>	<b>+8.4</b>	<b>98,605</b>
<b>SP Combines</b>	<b>381</b>	<b>338</b>	<b>+12.7</b>	<b>832</b>	<b>741</b>	<b>+12.3</b>	<b>907</b>

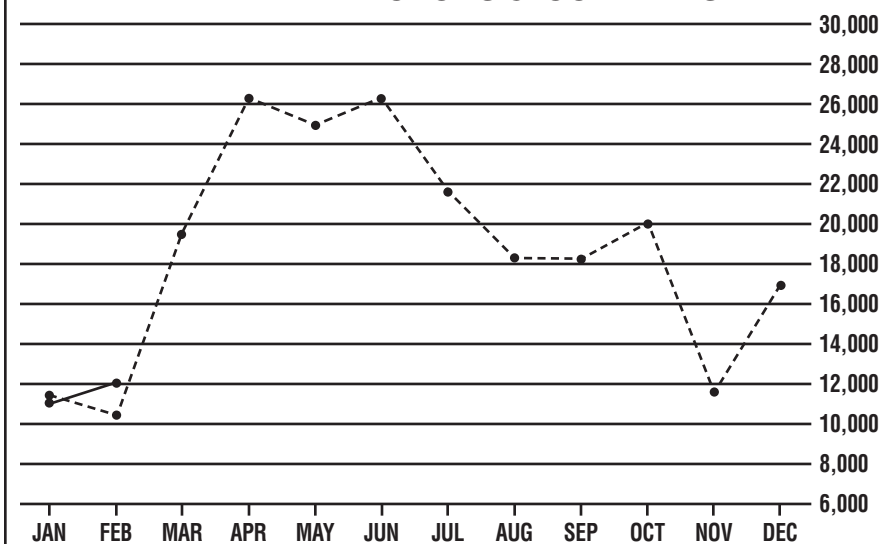
### FEBRUARY CANADIAN UNIT RETAIL SALES



Equipment	February 2008	February 2007	Percent Change	YTD 2008	YTD 2007	Percent Change	Feb. 2008 Field Inventory
<b>Farm Wheel Tractors-2WD</b>							
Under 40 HP	476	316	+50.6	1,014	636	+59.4	5,370
40-100 HP	458	245	+86.9	875	556	+57.4	2,822
100 HP Plus	235	125	+88.0	413	294	+40.5	1,544
<b>Total-2WD</b>	<b>1,169</b>	<b>686</b>	<b>+70.4</b>	<b>2,302</b>	<b>1,486</b>	<b>+54.9</b>	<b>9,736</b>
<b>Total-4WD</b>	<b>47</b>	<b>22</b>	<b>+113.6</b>	<b>72</b>	<b>50</b>	<b>+44.0</b>	<b>152</b>
<b>Total Tractors</b>	<b>1,216</b>	<b>708</b>	<b>+71.8</b>	<b>2,374</b>	<b>1,536</b>	<b>+71.8</b>	<b>9,888</b>
<b>SP Combines</b>	<b>53</b>	<b>51</b>	<b>+3.9</b>	<b>96</b>	<b>86</b>	<b>+11.6</b>	<b>240</b>

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

— 2008  
--- 5 year average



—Assn. of Equipment Manufacturers

"Our activities in Russia are of far-reaching strategic importance because Russian agriculture is growing at a rapid pace and is more professional than is generally assumed," says Dr. Theo Freye, Claas executive board spokesman. "With more than 85 million hectares of farmland in the region — more than in the entire European Union — the potential for sales of modern harvest machinery and tractors is considerable."

Claas entered the Russian market in the early 1990s and last year established a full-scale sales organization there to support a dealer network it describes as "fairly well developed." The company's Claas Vostock central parts warehouse near Moscow is in the same location.

The Atles tractor is being assembled at a plant in the southern city of Krasnodar, which started operations in May 2005 assembling entry-level Claas MEGA combines, using major components supplied by the headquarters plant in Harsewinkel, Germany.

Starting this year, it will also assemble the new Tucano mid-range machines, which feature more

advanced harvesting and electronic control technologies, as well as the Atles tractor.

**CNH Gets Major Ukraine Order.** CNH Global is also expanding its presence in the CIS as it ended its 2007 trading year with contracts to supply 255 tractors, combines and self-propelled sprayers to Ukraine.

The machines sold through New Holland and Case IH distributors in Ukraine are mainly for use by large grain producers and contractors in the western, central and southern regions of the country.

"Of Ukraine's total land area of 60 million hectares, 40 million hectares are classified as agricultural land; and of that, 80% is in arable production," points out Paul Duffy, CNH business manager in Ukraine. "For that reason alone, agriculture has the potential to become an important driving force for the Ukrainian economy."

Duffy claims CNH market leadership for tractors and combines in the former Soviet state and expects to further consolidate the group's perform-

## SPECIAL REPORT NEXT MONTH

A special report, "The Ag Equipment Market in the CIS Countries" is coming next month to subscribers to *Ag Equipment Intelligence*.

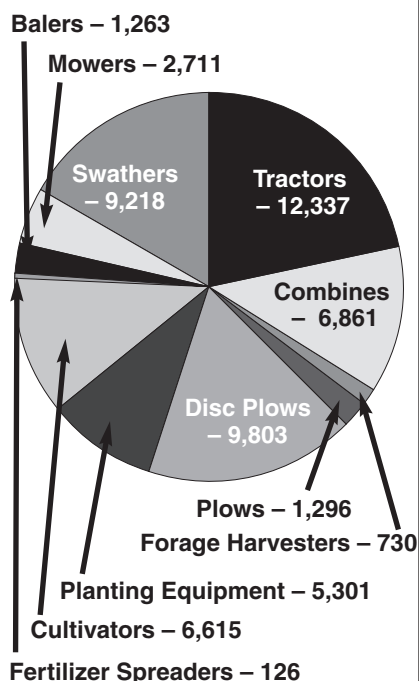
The new report delves into the size, structure and workings of the farm machinery market in the countries that form the Commonwealth of Independent States, the former Soviet Union.

ance this year as the domestic economy continues to grow.

Shipments for the latest contract comprise 90 Case IH MX310 Magnum tractors, 30 Steiger STX 535 Quadtrac tractors, 30 Axial-Flow combines (models 2388 and 8010), and 15 SPX self-propelled sprayers.

The New Holland consignment amounted to 50 T8040 tractors and 40 combines from CNH's European-built range, from the TC5080 straw walker machine to the CX6090 rotary separation model. **AEI**

### RUSSIAN FARM MACHINERY PRODUCTION 2006



**Total 2005: 658 million Euro**

Source: GKN Walterscheid Germany

### RUSSIAN MANUFACTURERS NOT MEETING DOMESTIC DEMAND

While the Russian demand for farm machinery has escalated rapidly, its manufacturing capabilities has deteriorated in recent years and currently is only capable of meeting the domestic needs in combines.

According to Peter Rottgen, managing director of GKN Walterscheid Germany, makers of axles, drive line systems, wheels and tractor attachments, the agricultural machinery industry in Russian collapsed in recent years and of 700 manufacturers previous producing farm equipment, only 100 have survived.

"Imports of agricultural machinery has grown substantially, supporting mostly the need for high-end, high-horsepower equipment," says Rottgen. "Ninety percent of imported tractors are over 200 hp."

Rottgen says that there's a growing recognition in CIS countries of the "benefits of Western machinery."

For this reason and the weakened manufacturing base, he believes that imports will grow by double digits during the next several years. At the same time, Western suppliers will be pressured to localize equipment production over time.

### RUSSIAN FARM MACHINERY MARKET

	Domestic Production	Domestic Market	Domestic Capability
Tractors	12,337	38,706	31.9%
Combines	6,861	6,345	108.1%
Forage Harvesters	730	1,007	72.5%
Plows/Disc Plows	11,099	13,813	80.4%
Planting/Seeding	5,301	12,306	43%
Fertilizer Spreaders	126	7,417	1.7%
Hay Tools	12,049	16,402	73.5%
Balers	1,263	1,711	73.8%

Source: GKN Walterscheid Germany