From the editors of *Farm Equipment...*

Ag Equipment Intelligence

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News, Information & Analysis for the Ag Equipment Marketer

- CNH Cash Woes
- Crop Reports Positive
- Largest NA Dealers

Consolidation of Dealers Gaining Momentum

The move toward fewer farm equipment dealer-owners that began in earnest earlier in the decade continues to gain momentum as larger dealership groups amass the financial wherewithal and management expertise to expand their sales reach.

Along with acquiring more locations, in some cases these expanding dealer organizations are also adding new locations to service market areas that are underserved or where they see an opportunity to gain market share. These new locations are often devoted exclusively to parts and service only for customer convenience.

"It's not just manufacturer policy aimed at reducing the overall numbers of owner-operators that is driving this movement," says George Russell, executive partner of Currie Management Consultants of Worcester, Mass.

"The trend toward consolidation will continue because of changing dealer economics, especially better use of assets. Many of the larger dealers today have the economic resources to accelerate consolidation. Some are even adding locations to take advantage of areas with low market share within their area of responsibility."

Ag Equipment Intelligence, along with Currie Management Consultants has begun a project to quantify, identify and analyze the longer-term effects of dealer consolidation on the distribution of farm equipment in North America.

Concentrated Ownership. Based on the listing of multi-store dealerships compiled so far (see table on page 2 and 3), 151 dealership groups with 5 or more stores have 1,435 total locations with 1,263 handling primarily ag equipment. This represents slightly over 20% of the estimated 6,500 dealers operating in North America.

Further to the point, 38% of John Deere's 1,567 ag equipment dealerships are owned and operated by dealers that have 5 or more locations. Most are primarily focused on farm machinery, but may also be carrying construction and/or consumer and commercial equipment. Some of these Deere dealers have separate stores devoted to one or more of these customer segments.

Big Implications. The consolidating farm equipment dealer base is presenting multi-faceted challenges for dealers wanting or needing to "cash out," as well as for shortline equipment makers, according to Russell.

"The significance for dealers is one of more choice and more competition at the same time," he says. "Dealers can choose to buy or sell depending on their circumstances. As more and more dealers look to retire or get out of the business, potential buyers have more opportunities for acquisitions. And sellers, if positioned in proximity to interested buyers, may actually have choices of who to sell to."

On the other hand, he points out, fewer dealers mean fewer but stronger competitors for dealerships that aren't part of an expanding organization. As farming operations get larger, they tend toward doing business with larger suppliers.

"Don't forget the attractiveness of larger, better dealers to the larger, better farmers," Russell says. "Successful farmers like doing business with successful dealers."

For ag equipment manufacturers, the implications of dealer consolidations can vary dramatically between the full-line equipment makers and shortliners. This has become increasingly evident as the majors attempt to limit their dealers from carrying product brands other than their own as a condition of contract approval.

"Full-line, multi-national suppliers have more leverage with larger dealers, and the specialty equipment mak-

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Brand Structure of the Largest North American Farm Equipment Dealers

(multiple brands at many stores within an owner group)

Number of Ag Stores	John Deere	AGCO Brands	Case IH	New Holland	Kubota	Owner Groups
>15	3	1	1	1		5
10-15	13	15	3	1		32
7-9	21	9	7	5	3	45
5-6	39	8	19	5	3	68
TOTAL	76	33	30	12	6	151

Preliminary estimates by *AEI* and Currie Management Consultants shows that 151 farm equipment ownership groups operate 5 or more dealership locations in North America. Multiple brands may be carried at different locations within an owner group. AGCO brands include AGCO, Massey Ferguson, Challenger and Fendt tractors as well as Lexion combines. The figures in this table don't necessarily total across as several dealers handle multiple brands of equipment.

Continued from page 1

ers are finding fewer options in terms of distribution. The shortlines may even lose some distribution as majors leverage their ability to approve expansions," says Russell.

"Because of the power to approve additional outlets under a contract, manufacturers often have more leverage — except in local circumstances, where there is no other choice but to approve an existing large dealer to take over a trade area that may be in transition."

Single-Store Dealers. There will still be room for the one or two store farm equipment dealerships, but it will be increasingly challenging to do so if a dealer carries one of the "major"equipment lines.

Many independent operators are thriving as "rainbow" dealers. These retailers carry a wide range of shortline or specialty farm equipment of various colors. Some also handle other, less-widely distributed tractor and/or combine brands.

Independent manufacturers of high-horsepower tractors, like McCormick and Versatile, are aggressively seeking dealers. While they often have to settle for being the "other" tractor on a dealer's lot, their clear preference is to be the equipment retailer's main tractor line.

There has also been speculation that foreign manufacturers, like Combine Factory Rostselmash Ltd., a major producer of combines for the Russian market that acquired 80% of Buhler Industries in 2007, may be looking to introduce its combines to the North American market in the future.

Ongoing Project. *AEI* and Currie Management Consultants will continue to track the trends in farm dealer consolidation. *AEI* subscribers are welcome to contribute to the project with additional information or corrections to the listing of North America's largest farm equipment dealers shown below by contacting Dave Kanicki at dkanicki@lesspub.com. **AEI**

Dealer Group	Total Stores	Ag Stores	Main Ag Brands	State/ Province
1 Titan Machinery	63	39	CIH, NH	ND, SD, IA, MN
2 RDO	54	24	JD	AZ, CA, MN, MT, ND, OR, SD, TX, WA
3 Trigreen	20	18	JD	AL, TN
4 Ziegler Cat	19	18	Challenger	IA, MN, WI
5 C&B	16	16	JD	SD, MN, WY, ID, MT
6 Hewitt Equipment/ Atlantic Tractor	15	15	Challenger, MF, F	QC, NA, NB, PE
7 Petersen Holding	15	15	Challenger, MF	CA, OR
8 Ring Power Cat	15	15	Challenger	FL
9 Rocky Mountain Dealerships	21	15	CIH, Kubota	AB, MB, SK
10 Sloans	15	15	JD	IL, WI
11 SunSouth	16	15	JD	AL, GA
12 Warren Cat	15	15	Challenger, Fendt	TX, OK, NM
13 Greensouth	14	14	JD	FL, GA, SC
14 HGI (NC Mach, Tractor & Equipment)	24	14	Challenger	MT, ND, WY, WA
15 Maple Mt Equipment	14	14	JD, NH	PA, NY, MD
16 Pioneer Equipment	14	14	CIH, NH, Kub	CA, ID, TX
17 Wagner Equipment	14	14	Challenger	TX, CO, NM
18 Whayne Cat	20	14	Challenger, MF	KY
19 Arizona Machinery Group	13	13	JD	CA, NV, UT, AZ
20 Cervus	17	13	JD	AB, MB, SK
21 Holt of Texas Cat	19	13	Challenger	TX
22 Mazer Group	13	13	NH, CIH	MB
23 Agritex	12	12	JD	PQ
24 Atlantic Tractor	12	12	JD, Kub	MD, PA, DE
25 East Coast Equipment	12	12	JD	NC, VA
26 Birkeys Farm Store	13	11	CIH, NH	IL
27 Butler Machinery	11	11	Challenger, AG, MF	ND, SD
28 Greenway	11	11	JD	AR
29 James River Equipment	21	11	JD	VA, NC, SC
30 Milton Cat	11	11	Challenger	NY, NE
31 Quinn Cat	12	11	Challenger, MF	CA, AZ
32 Western States Cat	11	11	Challenger	MT, ID, OR
33 Wheeler Machinery Co.	12	11	Challenger, MF	UT, NV
34 Altorfer	10	10	Challenger	IA, IL, MO
35 South Texas Implement/Tractor City	10	10	JD	TX
36 Thompson Machinery	10	10	Challenger	TN, MS
37 Western Equipment	10	10	JD	OK, TX
38 Baker Implement	9	9	CIH	AR, MO
39 Fabrick Cat	9	9	Challenger	MO, IL
40 Fisher Farm & Lawn	11	9	JD	OR
41 Huron Tractor	9	9	JD	ON
42 Jay Dee/Green Acres/ Humbolt/Greenstar	9	9	JD	SK
43 Koenig Equipment	11	9	JD, CIH	OH, IN
44 Nebraska Machinery	9	9	Challenger	NE, IA
45 P&K Equipment	9	9	JD	OK
46 Quality Equipment	9	9	JD	NC
47 Riggs Cat	9	9	Challenger	AR
48 Scott Tractor	37	9	CIH, NH	AR, LA
49 Sydenstricker	9	9	JD	MO
50 Vetter Equipment	9	9	CIH	IA
51 Yancey Cat	20	9	Challenger	GA
52 Agri-Service	8	8	AGCO	ID, OR, UT
53 Ahern Rental	8	8	Kub	CA, NV, UT
54 Bingham	11	8	NH, Kub, AGCO	AZ
55 Brim Tractor	8	8	NH	WA, OR
56 Cazenovia Equipment	8	8	JD	NY
57 Finning International	8	8	Challenger Scrapers	AB
58 Goldman Equipment	8	8	JD	LA
59 Gooseneck Implement	8	8	JD	ND, SD
60 Green Diamond Equipment	8	8	JD	NB, NS, PE
61 Green Line Equipment	8	8	JD	NE
62 Highland Tractor	8	8	JD	FL
63 Kan Equipment	8	8	CIH, NH, Kub	KS
64 Kayton Int'l/ Horizon West	8	8	CIH, NH	NE, MN, WY
65 MacAllister Machinery	8	8	Chlgr, Kub, AG, MF	IN

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Dealer Group		Total Stores	Ag Stores	Main Ag Brands	State/ Province
66	Monroe Tractor	11	8	CIH	NY
67	Quality Implement	8	8	JD	TX
68	Riesterer & Schnell	8	8	JD, NH	WI
69	Ag Pro	7	7	JD	AR
70	Ag-Power	7	7	JD	TX
71	Albany Tractor/ Flint Equipment	17	7	JD	GA, NC, SC, AL
72	Ayres-Delta / Planters Equipment	7	7	CIH, NH, Kub	MS
73	Boettcher Hlavinka	7	7	CIH	TX
74	Finch Services	7	7	JD	MD, PA
75	Horizon Equipment	7	7	JD	IA
76	Jacobi Sales	7	7	CIH, Kub	IN, KY
77	Kramer Cat	7	7	Challenger	SK
78	Moody's Equipment	7	7	NH	SK
79	Ohio Cat	7	7	Challenger	OH
80	Service Motor	7	7	CIH, NH, Kub	WI
81	South Country Equipment	7	7	JD	SK
82	Stanley / West Plains	7	7	CIH	ND
83	Wade	7	7	JD	MS
84	21st Century Equipment	6	6	JD	NE
85	A&M Greenpower	6	6	JD	IA
86	Agraturf	6	6	JD	ON
87	Agro Equipment	6	6	JD	AB
88	Allied Equipment	6	6	CIH	HI
89	Arizona Prod. Mach/ Iron City Equipment	6	6	AGCO, CIH	AZ, NM, TX
90	Bancroft / Red Power	6	6	CIH	IA
91	Bane Equipment	6	6	CIH	IN
92	Barker Implement	6	6	JD	IA
93	BE Implement	6	6	JD	TX
94	Bodensteiner Implement	6	6	JD	IA
95	Dean Machinery	6	6	Chlgr, AG, MF	MO, KS
96	Empire Tractor	6	6	CIH, NH, Kub	NY
97	Enns Brothers	7	6	JD	MB
98	Everglades Farm Equipment	6	6	JD	FL
99	Fairbanks International	6	6	CIH, NH, AGCO	NE
100	Garton Tractor	6	6	NH	CA
101	H&R Agri-Power	6	6	CIH, NH, Kub	KY, IL
102	Hogan Walker	6	6	JD	IL
103	Holt of California Cat	6	6	Challenger, MF	CA
104	JD Equipment	6	6	JD	OH
105	LandMark Equipment	6	6	JD	NE, KS
106	Limestone Farm Lawn Worksite	6	6	JD	KY
107	Martin Equipment	6	6	JD	AB
108	Mid-State Equipment	6	6	JD, Kub	WI
109	Plains Power & Equipment	6	6	JD	NE
110	Producers Tractors	6	6	JD	AR
111	Ray Lee Equipment	6	6	JD	TX, NM
112	SEMA	6	6	JD	MN
113	SS Equipment	7	6	NH	WA, OR
114	Straub International	6	6	CIH	KS
115	Swiderski Equipment	6	6	NH, AGCO	WI
116	Tennessee Tractor	6	6	JD	TN
117	Torgerson's LLC	6	6	CIH, NH	MT
118	Unicoop Coop Agricole	6	6	NH	PQ
119	Western Sales	6	6	JD	SK
120	Ag West Supply	5	5	CIH, AG, MF	OR
121	Arnold's	5	5	CIH	MN
122	Bader & Sons	5	5	JD	MI
123	Barker's Inc.	5	5	JD	IA
124	Blanchard Equipment	5	5	JD	GA
125	Bruna Implement Co.	5	5	CIH	KS
126	Campbell Tractor & Imp	5	5	JD	ID
127	Centre Agricole Nicolet	5	5	CIH	PQ
128	Crown Power & Equipment	5	5	CIH, NH	MO
129	Elder Implement	5	5	JD	IA
130	Elmira Farm Service	5	5	JD	ON
131	Empire Cat	5	5	Challenger	AZ, CA
132	Farm Pride	5	5	CIH, NH	IL
133	Foley Equipment	5	5	Chlgr, AG, MF	KS
134	Hurst Farm Supply	5	5	JD	TX
135	Hutson	5	5	JD	KY
136	Johnson Cat	5	5	Challenger	CA
137	Kay Jay Inc.	5	5	JD	CO, KS
138	Kelly Tractor	5	5	AG, Chlngr	FL
139	Kibble Equipment	5	5	JD	MN
140	Lang Diesel	5	5	AG, MF	KS
141	Maple Farm Equipment	5	5	JD	SK
142	Nelson Motors	5	5	JD	SK
143	Progressive Tractor	5	5	CIH	LA
144	Shoppa's Farm Supply	5	5	JD	TX
145	South Plains Implement	5	5	JD	TX
146	St. John Hardware	5	5	CIH	WA, ID
147	Stoller International	5	5	CIH	IL
148	Sunshine Equipment	5	5	JD	LA
149	Valley Truck & Tractor	5	5	JD	CA
150	Van Wall Group	12	5	JD	IA, KS, NE
151	Youngs Equipment	5	5	CIH	SK
		1,435	1,263		

Data for this study was collected from Internet websites and some of it was verified with appropriate manufacturers. Also this is ongoing work. As dealer acquisitions, mergers and sales occur this will dynamically change. Anyone wishing to contribute to this project should contact Dave Kanicki at dkanicki@lesspub.com.

FARM MACHINERY TICKER (AS OF 4/12/2009)

Mfr.	Symbol	4/12/09 Price	3/10/09 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	$23.30	$16.58	$71.19	$14.62	5.69	2.49 M	2.14 B
Alamo	ALG	$13.02	$10.40	$26.46	$9.22	11.78	22,739	129.56 M
Art's Way	ARTW	$3.80	$3.75	$19.52	$2.90	8.30	11,761	15.15 M
Caterpillar	CAT	$32.52	$26.51	$85.96	$21.71	5.74	16.8 M	19.56 B
CNH	CNH	$13.45	$8.01	$58.00	$5.69	3.87	550,897	3.19 B
Deere	DE	$37.47	$27.84	$94.89	$24.51	8.56	6.83 M	15.84 B
Kubota	KUB	$30.00	$25.22	$43.41	$17.72	14.15	25,595	7.63 B
Titan Machinery	TITN	$11.01	$8.41	$34.49	$7.50	10.92	293,430	194.28 M

CNH Under Pressure to Pay Back Loans Owed to Fiat

Strapped with $6.43 billion of debt that will come due this year, Italian automaker Fiat is putting pressure on its agricultural equipment unit, CNH Global, to repay a $5.2 billion loan it took from its parent company last year. CNH took the loan from Fiat because of declining business volumes for its products when the U.S. economy slumped.

"We hope that within the next 12 months the cash that Fiat loaned CNH will come back to Italy," Chief Executive Sergio Marchionne told shareholders at their annual meeting on March 27. Fiat owns more than 80% of CNH's outstanding shares.

According to various published reports, that loan is weighing heavy on Fiat's finances and is raising concerns about the company's ability to pay off its own debt at a time when it's working on a partnership with troubled U.S. carmaker Chrysler LLC. Marchionne also reiterated Fiat's readiness to play a role in what he expected to be a consolidation of the car industry in the next 24 months.

Concerns About Ag. How CNH, which manufacturers Case IH and New Holland farm equipment, as well as Case and New Holland construction machinery will pay off the loan to its parent is leading to concerns about what the company may do in its attempts to draw down its debt. Because most industry analysts have already written off the construction end of the business in 2009 due to the continuing worldwide financial crisis, it's believed that much of the pressure will fall on the ag equipment unit.

CNH reported fourth-quarter 2008 sales of farm machinery were up 8% at about $3 billion, while construction equipment sales were off 48%. For all of 2008, CNH's farm equipment sales were up 30% over 2007.

That's not expected to hold up in 2009 as the financial crisis appears to be finally trickling down to agriculture, which had been relatively insulated from much of the difficulties other industries were dealing with throughout 2008.

In its year-end report, CNH projected that sales of high-horsepower tractors could slip as much as 10-15% and combines 20-25% this year.

Some ag industry observers are speculating that CNH could resort to discounting the price of its farm machinery in order to pump up sales. The company may feel that it has some breathing room as its operating margins during '09 (12.46%) were higher than that of its chief rivals Deere & Co. (10.1%) and AGCO (6.71%). This could pressure others to do likewise — including shortline equipment makers — to maintain their own sales levels in what could be a tougher year for the industry.

"I hope that within the year we will obtain the sources of financing that will allow us to go ahead in the coming years without difficulty and the cash that Fiat loaned CNH will come back to Italy …"

CNH announced on March 27 that it had issued the first portion of an asset-backed security (ABS), the proceeds of which will help it pay back a loan to the group, Fiat's chief executive said on Friday. "The first ABS tranche in the U.S. cost more than normal but the market is opening up," Marchionne said during Fiat's annual meeting.

Fiat's U.S. unit, farming equipment maker CNH, had issued an asset-backed security (ABS), the proceeds of which will help it pay back a loan to Fiat, he said. The security was worth $500 million and did not use the U.S. Term Asset-Backed Securities Loan Facility (TALF).

It didn't help when, on March 31, Standard & Poor's Ratings Services cut its long- and short-term ratings on Fiat into junk. S&P said Fiat's liquidity position is weak in light of looming debt maturities and added that its long-term rating remains on watch for further downgrades within the next 90 days, but the short-term rating was taken off CreditWatch.

Back to the U.S. Many industry observers also believe that what's driving Fiat to pressure CNH to pay its loan quickly is the company's determination to re-establish itself as a significant player in the U.S. automotive market after a 25-year hiatus.

According to published reports, Fiat engaged in discussions last year with Volkswagen, BMW, Nissan, Ford and others to find a partner to help the company build and sell its cars in the U.S. Chrysler would provide Fiat with the cheapest and fastest route to get back into the North American market.

The proposed deal would give Fiat a 20% stake in Chrysler in exchange for small-car technology. And if the two sides get a deal, the company will have $6 billion in federal money to spend on restructuring. Fiat could also utilize Chrysler's dealer network to sell Fiats within a year or two. Chrysler "could be the least expensive way into the U.S. for Fiat," says former Chrysler President Thomas Stallkamp.

Some have also suggested that Fiat could skip Chrysler and get Saturn on the cheap from GM or hire Ford to make vehicles in underutilized plants. The two already build cars together in Poland.

At the same time, partnering with Chrysler would probably establish Fiat in the U.S. market faster. It would give them U.S. distribution and access to Chrysler know-how to adapt its cars to the U.S. market. Marchionne has repeatedly predicted that consolidation will leave only a half-dozen major automakers worldwide within 2 years. As the industry's number nine player, Fiat sold just 2.1 million vehicles last year, less than half the 5.5 million Marchionne says is needed for sustained profitability. One published report surmised, "The question is whether Chrysler can survive long enough to get the Chrysler-Fiat models into U.S. showrooms."

A bigger question for the ag industry is what Fiat's push to maintain and grow its automotive brand will do to its efforts in the farm equipment business. AEI

Illinois Supreme Court Overrules Lower Courts in Kubota-Dealer Dispute

The Illinois Supreme Court recently reversed two court judgments that held a dealership is not allowed to sue a tractor company on the basis of "promissory estoppel," according to published reports in the Madison-St. Clair Record.

Justices unanimously sided with Newton Tractor Sales, an ag equipment dealership in Newton, Ill., and remanded the case back to a lower court.

A promissory estoppel prevents a party from arguing that its promise should not be upheld.

Newton began negotiations in 2002 to buy Vandalia Tractor and Equipment in Vandalia, Ill. Vandalia Tractor, owned by brothers Tim and Ron Emerick, already sold Kubota tractors.

After negotiations, Newton signed a purchase agreement in 2003 that, in part, allowed the company to back out if it couldn't get permission to sell New Holland, AGCO or Kubota products.

To sell Kubota products, Newton was required to submit an application to Kubota's local representative, Michael Jacobson.

Following submission of the application, Newton officers met with Tim Emerick, and with Jacobson in 2003 and Jacobson informed Newton that he could not approve the sale of Kubota products unless the Emericks terminated their agreement with the company.

Tim Emerick agreed to sign the termination agreement — but only if Newton became an authorized dealer, according to court records.

"Newton alleges Jacobson responded by saying, 'They (Newton) will be the dealer', "the opinion authored by Justice Rita Garman states. Although Newton's application was approved at Kubota's division level a few weeks later, it was denied by Kubota's corporate office.

Newton sued Kubota and Jacobson in Fayette County Circuit Court, and later in appellate court, claiming Kubota had reneged on their promise to make Newton an authorized dealer. Newton lost both court decisions.

But the Illinois Supreme Court reversed both rulings, saying a promissory estoppel is an affirmative cause of action in Illinois, not just a defense. The Supreme Court refused to rule on whether Newton established a promissory estoppel claim and remanded the issue back to circuit court. AEI

Brazilian Equipment Sales Slowing More Than Anticipated

Sales of farm machinery in Brazil are slowing more quickly than expected with all of the major U.S. manufacturers experiencing a dropoff in March, according to the latest figures from Associação Nacional dos Fabricantes de Veículos Automotores (ANFAVEA).

According to Ann Duignan, machinery analyst for JP Morgan, it appears that CNH took the biggest hit.

In March, total farm tractor unit sales in Brazil were 3,408 units, up 1% year-over-year vs. down 3% in February '09 and up 18% in January '09. Brazilian combine sales totaled 288 units, down 28% year-over-year vs. down 37% in February and down 27% year-over-year in January.

"In line with our thesis, tractor sales are likely being supported by sugarcane expansion and government subsidies for small equipment are decelerating less quickly than combine sales, which are dependent on crop production," Duignan said in a note to investors.

Overall, John Deere outperformed the industry in sales of both tractors and combines.

Deere's year-over-year tractor sales were up 12% vs. 3% for AGCO and –10% for CNH for March. While industry unit sales of combines were down 28% compared to March 2008, Deere's sales rose by 11%, AGCO's slipped by 4% and CNH sales were down a dramatic 58%.

For the first quarter of 2009, total Brazilian unit tractor sales were up 3%, while AGCO's sales were down 4%. Deere's tractor sales rose by 16%; and CNH was up 17%. "Although AGCO remains the market leader in the tractor sector, its share has eroded to about 54% vs. 60% peak in February 2007," says Duignan.

Also in the first quarter, combine sales were down 31% while AGCO's combine sales were down 29%, Deere was down 20%, and CNH dropped by 40%.

"Our proprietary revenue model suggests industry revenues were down 9% in the first quarter of '09," says Duignan. "We estimate that CNH's revenues were down 13% in Brazil, AGCO's revenues were down 8% and Deere's revenues were down 6%. South America — not just Brazil — represents about 16% of AGCO's agricultural equipment earnings, about 11% of CNH's earnings and 10% of Deere's earnings.

"We view this data as marginally negative for the group going into the first-quarter earnings as we had anticipated sales slowing through the year. It now appears that sales are slowing even more rapidly than we anticipated." AEI

New GHG Rule Will Affect Ag Engine Makers

In March, EPA Administrator, Lisa Jackson, signed the proposed greenhouse gas (GHG) emissions reporting rule that will apply to manufacturers of motor vehicles and engines as well as facilities that directly emit 25,000 metric tons or more of GHGs each year.

According to the new rule, these facilities will be required to submit GHG emissions reports to EPA in 2011 for calendar year 2010. Vehicle and engine manufacturers would have an additional year and would submit reports for calendar year 2011. AEI

Crop Reports Slightly Positive for Prices & Acres

USDA WASDE Report — April 9, 2009

	Beginning Stocks 2008-09	Ending Stocks 2008-09	Est. Planted Acres	Est. Harvested Acres	Est. Production	Yield/Acre	Prices (per bu.)
Corn	1.624 B bu.	1.7 B bu.	86 M	78.6 M	12.1 M bu.	153.9 bu.	$4.00-4.40
Soybeans	205 M bu.	165 M bu.	75.7 M	74.6 M	2.959 M bu.	39.6 bu.	$9.25-10.05
Wheat	306 M bu.	696 M bu.	63.1 M	55.7 M	1.254 B bu.	44.9 bu	$6.80-6.90

***Corn Prices:** mid-point ($4.20/bu.) is same as last year (est. $4.20/bu.)*
***Soybean Prices:** mid-point ($9.65/bu.) is $0.45 below last year (est. $10.10/bu.).*
***Wheat Prices:** mid-point ($6.85/bu.) is $0.37 above last year (est. $6.48/bu.).*

In the past 2 weeks, USDA issued two major crop reports that indicate that farmers will be planting slightly fewer overall acres this year than in 2008 and that prices for major crop commodities are at above last year's prices.

If these forecasts hold up, farm equipment sales may hold up better than many industry observers have been suggesting during the past few months.

Plantings Report. On March 31, USDA released its annual Prospective Plantings report for the 2009-10 crop year and forecast that total acreage for corn, soybeans and wheat are expected to be down 2.3% from 2008-09. Ann Duignan, analyst for JP Morgan, called the report "relatively neutral for equipment manufacturers."

• **Corn Acres.** The USDA projected corn planted acreage will come in around 85 million acres vs. market expectations of 84.5 million acres and 86 million acres last year. This dropped the 2009-10 estimated ending inventories to 1.523 billion bushels compared with the prior estimate of 1.67 billion bushels.

• **Soybean Acres.** The current forecast for soybean planted acreage is 76 million acres vs. market expectations of 79.3 million acres and 75.7 million acres a year ago. Ending inventories are also expected to fall to 312 million bushels vs. the prior estimate of 355 million bushels.

• **Wheat Acres.** Prospective plantings for wheat were reported at 58.6 million acres, slightly below the average trade estimate of 58.9 million acres.The current year's planting estimate is 7% below last year's planted acreage of 63.1 million acres.

• **Cash Receipts.** "Our current cash receipts forecast for major crops is $87.3 billion based on the USDA Outlook Forum vs. $100 billion a year ago," says Duignan.

• **Grain Stocks.** The USDA also released its quarterly grain stocks report as of March 1 and estimated corn stocks at 6.958 billion bushels, down 0.6% vs. expectations and up 1.4% vs. a year ago. Estimates for soybean stocks are1.302 billion bushels, down 1.5% vs. expectations and down 9.2% compared with last year.

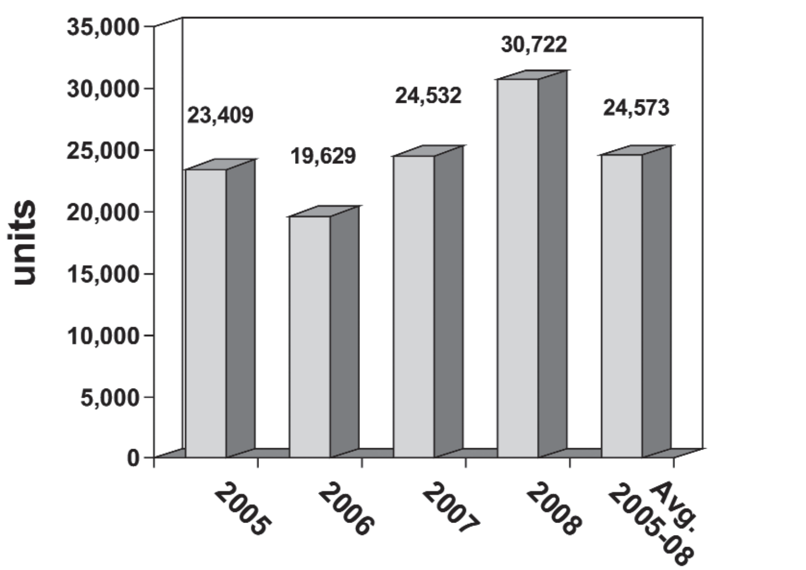
WASDE Report. On April 9, USDA issued its World Agricultural Supply & Demand Estimates report, and lowered its forecast of 2008-09 ending corn stocks by 2%, largely driven by higher feed and residual use, which was partially offset by reduced food, seed and industrial use as production estimates were unchanged," according to Henry Kirn, machinery analyst for UBS Investment Research.

Soybean ending stocks are now projected to be 11% lower than previous estimates (following a 12% reduction last month) at 165 million bushels (down 20% year-over-year). It also dropped its wheat ending stocks forecast by 2% to 696 million bushels.

In its forecast, the ag agency also increased the midpoints of its corn price forecast to $4.20 per bushel, from $4.10, its soybean price forecast to $9.65/bushel, from $9.35 and its wheat price forecast to $6.85/bushel, from $6.80.

In his current analysis, Kirn told investors that UBS continues to expect U.S. farm machinery sales to remain relatively solid, driven by still healthy farm commodity prices, solid farmer balance sheets, and expected solid levels of farm income. AEI

U.S. Unit Sales of 100-HP & 4WD Tractors - 2005-08



At nearly 31,000 units, sales of high-horsepower tractors in 2008 were exceptional. Between 2005-08, the average U.S. unit sales of large tractors — 100 horsepower and 4WD — was higher than the total sales of these units in 2005, 2006 and 2007. Total sales in 2008 surpassed the 5-year average by more than 6,100 units. (Source: AEM) AEI

March Sales: Tractors Slow, Combines Strong

North American tractor sales made a relatively slow start prior to the spring selling season, while combine sales remained strong, according to the latest sales figures released by the Assn. of Equipment Manufacturers on April 10.

"Row-crop tractor sales declined 7% year-over-year while 4WD sales fell 14% in seasonally important March," RW Baird analyst Robert McCarthy says in his summary to investors. "Combine sales remained strong — up 39% — though March is seasonally less important for combine demand. Inventories generally remained tight for combines and 4WD tractors, while row-crop tractor inventories continued to increase. Risk to manufacturers' production schedules appears to be growing."

March is the first of two seasonally important months for row-crop and 4WD tractor sales, and accounted for 11% of annual sales for each over the past 5 years.

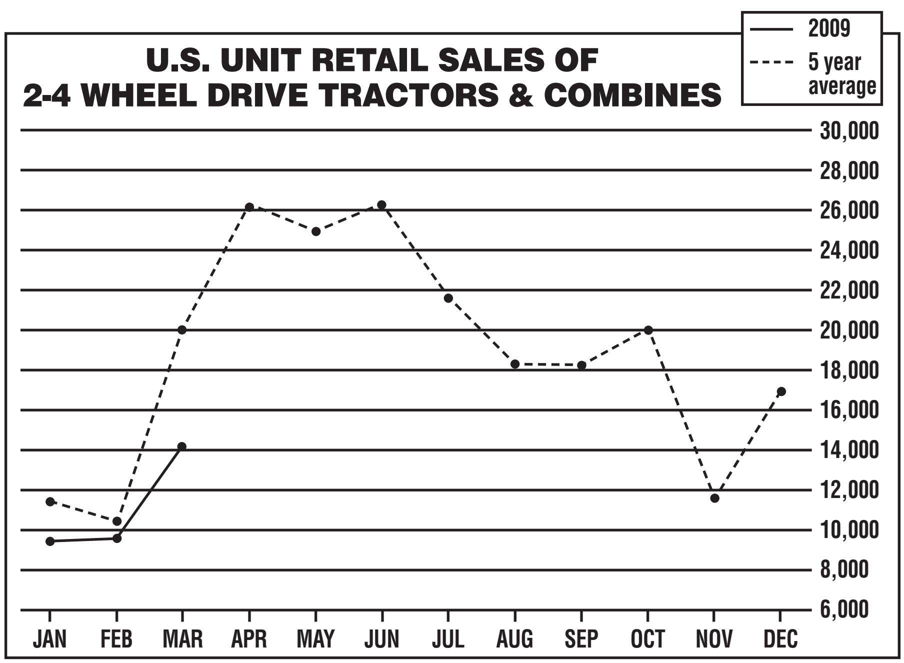
- Row-crop tractor sales fell 7% in March compared with a 14% decline in February.
- 4WD sales declined 14% in March, a sharp reversal from the double-digit increases over the past 4 months. Sales are still up 5% in the last 3-month period.
- Combine sales increased 39% year-over-year compared with the 46% increase in February. Unit sales are up 33% in the last 3-month period. Combine sales are typically seasonally weak through June, and March typically represents less than 6% of annual sales.
- Comparisons for compact and mid-range tractors remained extremely weak, falling 25% and 24% year-over-year, respectively.
- Inventories for 4WD tractors and combines declined 22% and 13% on a days-sales basis, and absolute inventory levels were down 7% and up 5% year-over-year. Row-crop tractor inventories increased 28% year-over-year, which was their fourth consecutive year-over-year increase. **AEI**

MARCH U.S. UNIT RETAIL SALES

Equipment	March 2009	March 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	March 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	6,386	8,422	-24.2	13,476	17,515	-23.1	58,241
40-100 HP	4,236	5,665	-25.2	10,190	13,548	-24.8	32,700
100 HP Plus	2,444	2,565	-4.7	5,840	6,109	-4.4	7,495
Total-2WD	13,066	16,652	-21.5	29,505	37,172	-20.6	98,436
Total-4WD	381	462	-17.5	904	948	-4.6	783
Total Tractors	13,447	17,114	-21.4	30,409	38,120	-20.2	99,219
SP Combines	585	441	32.7	1,630	1,272	28.1	1,014

MARCH CANADIAN UNIT RETAIL SALES

Equipment	March 2009	March 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	March 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	584	863	-32.3	1,455	1,892	-23.1	7,451
40-100 HP	557	644	-13.5	1,316	1,509	-12.8	3,923
100 HP Plus	348	440	-20.9	736	850	-13.4	1,477
Total-2WD	1,489	1,947	-23.5	3,507	4,251	-17.5	12,851
Total-4WD	119	119	0.0	292	191	52.9	255
Total Tractors	1,608	2,066	-22.2	3,799	4,442	-14.5	13,106
SP Combines	178	107	66.4	324	202	60.4	290



—Assn. of Equipment Manufacturers

Kubota: U.S. Tractor Market to Contract

Kubota Corp., Asia's largest tractor maker, said on March 25 that it expects the U.S. market for the machinery will shrink 15% in 2009 as a recession saps demand.

Kubota, headquartered in Osaka, Japan, entered the U.S. market in the early 1970s, specializing in marketing and manufacturing compact and utility tractors but in recent years has also begun to offer tractors in the 100-plus horsepower range.

The tractor market "may deteriorate further" unless a slump in sales stabilizes in the second half of the year, Managing Director Tetsuji Tomita said in an interview with Bloomberg News. A 50% drop in demand for mini-excavators in the U.S. and Europe may continue for the next 6 months, he said.

Farmers and consumers in the U.S., Kubota's largest overseas market, have delayed buying tractors used in agricultural production and to mow lawns. The company is reducing product lines, freezing hiring and shifting its focus to China and other emerging markets as the deepening recession reduces sales in North America and Europe, Tomita said.

"We're being hurt by both declines in demand and the increased value of the yen," Tomita, in charge of the farm and industrial machinery division, said.

Kubota plans to cut output of tractors at a rate of 6-9% in 2009, compared with last year, less than the drop in overall demand, as it gains market share, Tomita said. The company and Moline, Illinois-based Deere & Co. are tied as the top sellers of tractors of less than 110-horsepower in the U.S., Tomita said. Kubota sold about 102,000 tractors in the U.S., about 34% of the market in 2008.

"We're being hurt by both declines in demand and increased value of the yen ..."

Profits at Kubota's farm and industrial machinery division will be "severely affected" in the year, which started April 1, though the business won't incur a loss, Tomita said. Kubota forecast last month overall net income will fall 27% to $511 million for the year ending this month.

Kubota holds the top market share for mini excavators weighing less than seven tons. "Demand for mini construction machinery has collapsed" except in China, Tomita said.

The U.S. economy shrank 6.2% last quarter, the most since 1982. Economists surveyed by Bloomberg News this month forecast gross domestic product will contract at a 5.25% pace from January through March.

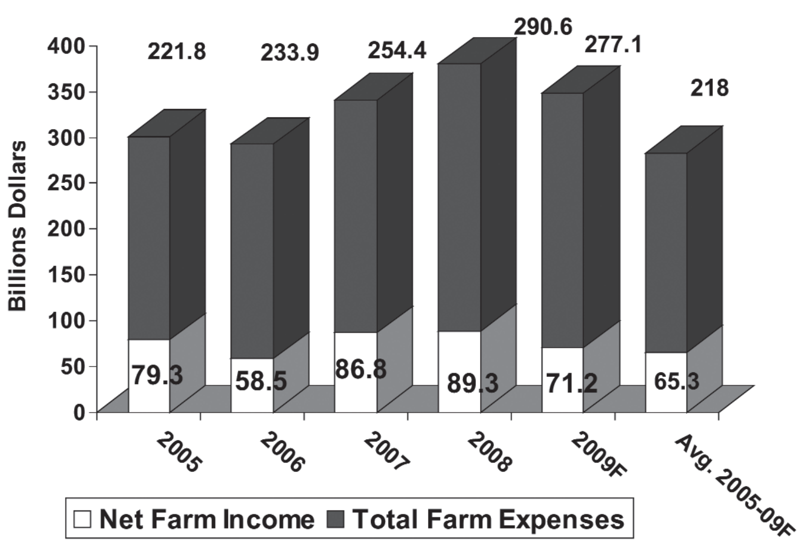
Emerging Asian markets are less vulnerable to the deepening financial crisis with sustained growth in sales volumes of farm tractors and construction equipment, Tomita said. Kubota plans to triple annual sales from machinery in Asia outside Japan to 300 billion yen by March 2014.

The company forecasts unit sales of tractors will exceed 40,000 this year in Thailand, the world's largest rice exporter. Kubota, which dominates the rice-growing machinery market in Thailand, sold 37,000 tractors last year, surpassing its home market for the first time.

"We expect long-term growth in the Asian region," Tomita said. "The business opportunity there is quite huge."

In China, Kubota is searching for land to start assembling mini-excavators in the second half of 2009 and plans to double unit sales in the country this year, Tomita said, without specifying the target.

Total Farm Expenses vs. Net Farm Income – 2005-2009F



The value of U.S. crop production is expected to decline $20.7 billion in 2009, but still remain $10.6 billion above the value of crop production in 2007. The value of livestock production is expected to decline $11 billion, due to a $12-billion drop in dairy production. With farm production costs (most notably feed, fertilizer and fuel) also projected down in 2009, net value added is forecast to be down $17.3 billion or 12.6%. Between 2005 and 2008, total farm expenses on average made up 76.9% of total gross farm income. In 2009, farm expenses are expected to be 79.5% of gross farm income. (Source: USDA ERS)