

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- Strong Year for Titan
- Good Signals for '09
- AGCO, CNH Tough 1Q

Sales in Second Half of 2009: Not as Good as '08, But Good

Compared to 3 months ago, slightly fewer North American farm equipment dealers see their prospects improving for increased new machinery sales revenue in 2009 compared to the previous year. At the same time, they point out that it would be difficult at best to match the sales levels they saw in 2008, a period many of them call a "generational year."

AEI conducted a survey of North American farm equipment dealers

during the last week of April to gauge their outlook for the rest of 2009 vs. 2008. This was a follow-up to a poll taken in January.

Overall, 6% fewer dealers expect 2009 sales levels to be as good as or better than those they saw in 2008. In the January survey, 48% expected revenues to match or surpass levels reached last year. This slipped to 42% in the April survey.

Surprisingly, a bigger percentage of dealers see sales rising 8% or more in the April survey (8.4%) compared with the January survey (6%). On the other side of the expectations range, 7.7% of dealers see business declining by 8% or more now (36.7%) than saw it falling that much in January (29%).

These swings in dealer sentiment can be attributed to the "anticipation" of January vs. the "actuality" of April when the busy planting season arrives. In January, many equipment

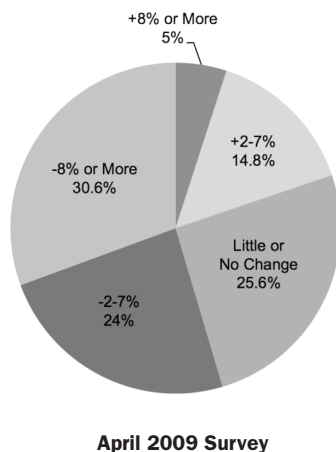
retailers were feeling the glow of a very strong pre-selling season. It would appear that the dealers have a clearer picture now of what to expect for the remainder of the year.

1st vs. 2nd Half. What might appear to be an anomaly in the results of the April survey is that, on the whole, more dealers see revenues for second half of this year surpassing those for all of 2009, especially with pre-sales from late 2008 being realized in early '09. Overall, 45.4% of dealers expect new equipment sales to be as good as or better in the last 6 months of the year compared with 42.5% who say they expected the entire year to be as good as or better than 2008.

This apparent discrepancy is the result of the survey questions themselves. In the first question, forecasted revenue for 2009 is compared to actual revenues for 2008. The comparison

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**Ag Equipment Dealers' Projections for Sales Revenue
1st Half vs. 2nd Half 2009**



2009 Outlook by Equipment Type — AEI April Survey

	Combines	Tractors	
		<100 HP	>100 HP
Much better than last year	8.9%	2.6%	3.0%
Slightly better than last year	16.5%	14.1%	15.2%
About the same as last year	41.7%	29.8%	42.4%
Slightly worse than last year	21.5%	37.7%	32.3%
Much worse than last year	11.4%	15.8%	7.1%

Ethanol Production: Government Sends a Mixed Message

Two years ago, the U.S. Congress mandated a huge increase in ethanol use that took corn production to new highs and provided enormous incentives to invest in ethanol production. At the same time, lawmakers directed the EPA to show that ethanol would produce less pollution linked to glob-

al warming than would gasoline.

In the last month, the government sent the ethanol producers a mixed message that could turn the industry on its ear.

On May 5, the administration moved to provide loan guarantees and other financial help to struggling

ethanol producers. At the same time, the EPA proposed a more comprehensive way of measuring the carbon impact of ethanol that could potentially turn the tables on efforts to reach the longer-term goal of reducing the country's reliance on fossil

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fuels, especially foreign oil. This transition is a priority of the Obama White House.

Mixed Message. On the one hand, Obama said that nearly \$790 million from the stimulus bill would accelerate advanced biofuels research and development.

On the other hand, the draft rule proposed by EPA mandates greenhouse gas cuts for alternative fuels. It measures any carbon dioxide emissions from "indirect land use change" or ILUC. Those include any global warming pollution given off when U.S. production of crops like corn for biofuels displaces other crops, pushing farmers around the world to burn down forests and grasslands to grow them.

According to Lisa Jackson, the EPA administrator, the ethanol industry currently produces 16% fewer emissions than gasoline — short of a requirement of 20%. This 16% factors in indirect land use, in accordance

with the 2007 Energy Independence and Security Act. Without the ILUC stipulation, ethanol meets the "20% fewer emissions" requirement.

An Analyst's View. In a note to investors, Ann Duignan, analyst for JP Morgan, wrote: "In our view, this could potentially have a devastating impact on the ethanol industry. What is unusual about the regulation is that it requires biofuels — and only biofuels — to meet declining carbon intensity standards while also meeting ILUC to determine the carbon intensity of ethanol's potential indirect effects, such as deforestation. Not surprisingly, using this analysis, corn-based ethanol from the Midwest is more carbon intensive than gasoline."

The mandate for corn-based ethanol calls for 15 billion gallons of production per year. At current corn yields and a conversion ratio of 2.7 gallons of ethanol from 1 bushel of corn, Duignan suggests that about 35 million acres of land will need to be

shifted from food/feed production to fuel production. "The ILUC argument is that the loss of these acres will drive crop prices up and eventually lead to crop expansion in areas of the world where forest or grassland can be converted to cropland, which ultimately increases GHG. It sounds logical, but it is hard to measure. If the EPA chooses to include ILUC in its calculation, then no new capacity is likely to be built, and the mandate likely will not be met."

Positives Noted. Duignan points out, "While some in the industry had hoped for the EPA to only factor the domestic impact of ILUCs, the blow has been softened with EPA's 60-day peer-review period, providing industry constituents an opportunity to shape the final rules. Additionally, we view the acceleration of the investments under the 2008 Farm Bill as a positive, as a total of \$1.1 billion in funds could soon be available." **AEI**

2009-10 Corn Carryover Lower than Expected

On May 12, USDA released its first official balance sheets for the 2009-10 crop year and its forecast showed corn ending inventories are now lower than expected at 1.15 billion bushels vs. expectations of 1.38 billion. This presents a "mixed outlook" for ag machinery sales, according to analysts.

Corn Carryover. USDA is forecasting 2008-09 corn carryover at 1.6 billion bushels vs. expectations of 1.71 billion, and 2009-10 carryover at 1.15 billion, lower than the trade outlook. This results in a 2008-09 stocks-to-use ratio of 13% and a 2009-10 stocks-to-use ratio of 9%.

"We expect this to be slightly bullish for near-term futures, and bullish for new crop futures given the

low expected ending stocks," Ann Duignan, machinery analyst for JP Morgan.

Soybeans Neutral. USDA is forecasting 2008-09 soybean carryover at 130 million bushels, in line with trade expectations. It also expects 2009-10 carryover at 230 million bushels compared with expectations of 239 million bushels. This results in a 2008-09 stocks-to-use ratio of 4% and a 2009-10 stocks-to-use ratio of 7%. "We expect this to be neutral for near-term and new-crop futures," says Duignan.

Mixed for Machinery. "Our model suggests cash receipts from major crops will be \$103 billion in 2008-09, +2% year-over-year vs. our prior expectation of \$102 billion, and \$96 billion in the 2009-10 crop year,

-7% year-over-year," Duignan says.

"In our view, this is slightly positive in the near term, as 2008-09 receipts are now expected to be higher. While our 2009-10 receipts forecast is down 7% year-over-year."

Too Conservative. "This is a positive for new crop corn futures. However, the USDA forecasts 2009-10 corn prices to be \$4.10 vs. this year at \$4.20," she says. "It also has a lower price outlook for soybeans and wheat."

"Given the strong correlation between cash receipts and equipment sales, this outlook suggests downward pressure on equipment demand. In our view, the USDA price expectations are likely too conservative," Duignan says. **AEI**

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AGCO's 1Q Net Sales Slip to \$1.6 Billion

On April 28, AGCO Corp. reported net sales of \$1,579 million for the first quarter of 2009, compared to \$1,786.6 million for the first quarter of 2008. AGCO's North American sales grew by 12.7% in the period compared to the first quarter of 2008, excluding unfavorable currency translation impacts of 5.8%. In the North American region, stronger sales of balers and tillage equipment produced much of the improvement.

According to the company, the North American region also benefited from sales growth, expense control initiatives and improvement in the profitability of AGCO's sprayer operations. In the first quarter of 2009, income from operations grew \$18.2 million compared to the same period in 2008.

Unit production of tractors and combines for the first quarter of 2009 was down 5% compared to 2008 levels.

Worldwide Sales. Net sales in the first quarter of 2009 in the Europe/Africa/Middle East (EAME) region increased 8.7% when com-

pared to the first quarter of 2008, excluding unfavorable currency translation impacts of 16.3%. Growth in Germany, France and the UK was partially offset by lower sales in Scandinavia, Spain, Eastern Europe and Russia.

Weaker market conditions in Brazil and Argentina during the first quarter of 2009 drove a net sales decrease of 26.6% in the South American region, excluding unfavorable currency translation impacts of 17.6%, compared to the same period in 2008.

Net sales in AGCO's Asia/Pacific region decreased 1.8% during the first quarter of 2009 compared to the same period in 2008, excluding unfavorable currency translation impacts of 20.8%.

Headwinds in 2009. Henry Kirn, analyst for UBS Global Equity Research, in a note to investors says, "While we view AGCO's longer-term strategic initiatives favorably, we remain cautious on shares given relatively outsized exposures to weaker geographies and currency headwinds that are likely to negatively impact

2009 results.

"We believe that in 2009, the geographic mix of business will be less favorable for AGCO than key competitor Deere."

Kirn also noted that the regions where AGCO's market positions are strongest, with the highest margins, are the most challenging regions for agricultural demand. South America and Europe are already showing signs of weakness while North American large ag equipment demand — "where AGCO is continuing to develop its brand presence" — is expected to remain more stable in 2009.

Low NA Profitability. Noting that AGCO imports a higher percentage of its products into the North American market compared to Deere and CNH, Kirn says that the recent strengthening of the U.S. dollar "has helped margins here over the last few quarters.

"That said, we note that AGCO has a weaker market position in North America, and thus inherently lower margins than its competitors in this region.

"To improve its competitive position, the company continues to rationalize its dealer network for its legacy brands and develop its Challenger brand, but we believe the upside from these actions will take several more years to come to fruition," says Kirn. **AEI**

AGCO Corp. First-Quarter 2009 Financial Summary

	1Q 2009	1Q 2008	1Q 09 vs. 1Q 08
Net Sales	\$1.579	\$1.786	(11.6%)
Gross Profit	\$272.3	\$315.2	(13.6%)
Operating Income	\$ 58.6	\$ 94.2	(36.8%)
Operating Margin	3.7%	5.3%	(1.6%)

FARM MACHINERY TICKER (AS OF 5/11/2009)

Mfr.	Symbol	5/11/09 Price	4/12/09 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	\$24.74	\$23.30	\$63.14	\$14.62	6.32	2.20 M	2.27 B
Alamo	ALG	\$11.45	\$13.02	\$26.46	\$9.22	10.36	19,551	113.94 M
Art's Way	ARTW	\$4.97	\$3.80	\$19.52	\$2.90	14.62	12,380	19.81 M
Caterpillar	CAT	\$38.43	\$32.52	\$85.96	\$21.71	9.43	16.3 M	23.12 B
CNH	CNH	\$16.61	\$13.45	\$47.43	\$5.69	6.72	532,139	3.94 B
Deere	DE	\$43.82	\$37.47	\$90.73	\$24.51	10.01	6.67 M	18.52 B
Kubota	KUB	\$31.36	\$30.00	\$43.41	\$17.72	14.45	59,950	7.98 B
Titan Machinery	TITN	\$12.28	\$11.01	\$34.49	\$7.50	11.40	250,595	217.21 M

Titan Machinery Finishes Strong, Sees Positive Signs for Rest of '09

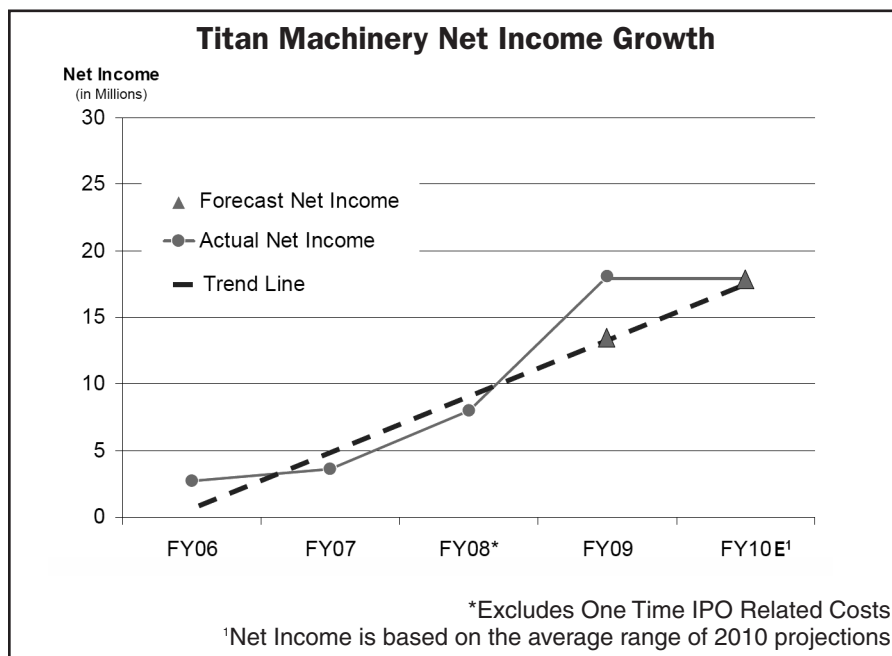
Fargo, N.D.-based Titan Machinery, one of the largest farm equipment dealer groups in North America, reported significant increases in revenues, net income and gross profit for fiscal 2009, and the company sees more of the same for the remainder of the calendar year. The company, with 63 dealership locations, reported its fourth-quarter and fiscal year financial results on April 16.

Titan, the largest retailer of Case IH and New Holland ag machinery in North America, also handles Case, New Holland and Kobelco construction equipment.

The company reported fourth-quarter revenues were up 40% to \$189 million from \$135.2 million for the same period a year ago. All three of the company's main revenue sources — equipment, parts and service — contributed to this period-over-period revenue growth. Equipment sales were \$153.6 million, compared to \$112.5 million in the same period last year. Parts sales were \$20.1 mil-

lion in the fourth quarter, up from \$13.2 million in the prior-year period. Revenue generated from service improved to \$11.6 million in the quarter, compared to \$6.4 million in the

fourth quarter of last year. Net income for the fiscal fourth quarter of 2009 was \$3.2 million, compared to net income of \$0.3 million in the fourth quarter last year.



Titan CEO: Difficult to Compare 2009 to '08

David Meyer, chairman and CEO of Titan Machinery, headquartered in Fargo, N.D., participated in a May 6 conference call hosted by JP Morgan North America Equity Research to review the latest outlook for agriculture. With 63 dealer locations, Titan is one of the few publicly held and largest farm equipment dealership groups in North America. *Ag Equipment Intelligence* also participated in the call as a presenter.

Following are excerpts from Meyer's presentation.

"What everyone needs to remember is that 2008 was an exceptional year, and a blip that we're not going to see on a consistent basis. But if you look at the projected revenue for growers, it's well above a 5-year trend line. While uncertainty still persists, growers are pretty optimistic right now.

"I spoke to one farmer the other day and he said, 'I've been farming for 30 years and I've sold corn for over \$4 only 3 times my entire life.' So right now, farmers are generally happy with the state of the commodity markets, where their cost structures are and their ability to make money in the current environment.

"Customer balance sheets are in the best shape they've ever been, and growers are paying down debt. They still remember the '80s, and they've focused on getting their financial house in order. Interest rates are as low as they've ever been right now and credit is available to farmers. The local banks, the regional banks, the farm credit service groups are competing for the farmer's business. Agriculture is probably the strongest sector in the economy from a lending standpoint.

"Section 179, which makes \$250,000 depreciation available to farmers — as well as the 50% bonus depreciation under the American Recovery and Investment Act of 2009 — will drive business this year because there was a lot of grain sales that were deferred into 2009, and farmers will be looking for the tax breaks. Another thing that we think will drive sales

this year is the change in the depreciation cycle from 7 to 5 years on certain ag equipment.

"If you look at the industry sales for the last 4 months, it's been strong in four-wheel drive and 100-plus horsepower tractors, and combines. We believe these products will remain strong. We're also seeing some aggressiveness from the manufacturers, so we could also see some pricing advantages that growers didn't see last year.

"Last year, farm equipment dealers were turning down business because of lack of new equipment. This doesn't look to be the situation this year as a significant amount of equipment production will come back to North America from South America and the former Soviet Union countries. This could create a scenario in North America in which equipment manufacturers will compete harder for market share.

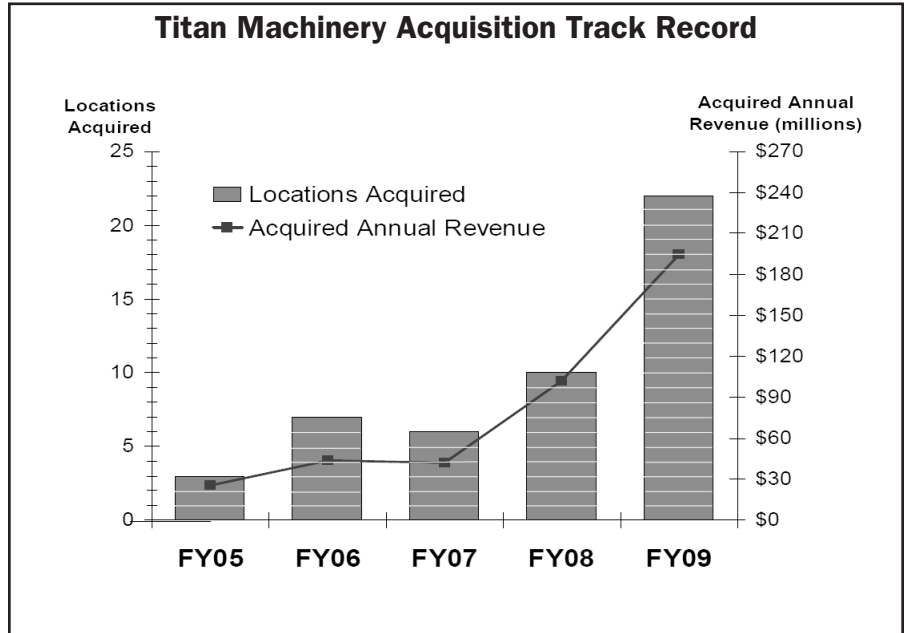
"Some growers, that may have checked out of the market last year because of equipment availability issues, are going to be back in 2009. Coupled with dropping steel prices that may lower equipment cost and generally lower input costs for farmers, we think we could see a strong finish to the year.

"It still won't be like 2008, but we believe we'll see the return to a more traditional, normal cycle in 2009 than we've experienced recently. With all of the bad press and financial uncertainty, we expect to see a lot of the growers wait until their crop starts coming up to see what the markets are and where commodity prices stand.

"With these factors in mind, equipment sales in the third and fourth quarter could be much stronger than the first and second quarter of the year. Used equipment values are pretty much at the levels we had last year and we don't see any major shifts, especially on the bigger equipment. Our store managers and sales force are expressing a lot of optimism for the rest of 2009."

Gross profit for the fiscal fourth quarter increased 38.2% to \$32.5 million, compared to \$23.5 million in the fourth quarter of the prior year. The company's gross profit margin was 17.2% in the fiscal fourth quarter, compared to 17.4% in the fourth quarter of fiscal 2008. Gross profit from parts and service revenue contributed 40% of overall gross profit for fiscal fourth quarter 2009 compared to 35% in the fourth quarter last year.

Full-Year 2009. For the full year ended January 31, revenue increased 59% to \$690.4 million from \$433 million for the same period last year. Of the \$257 million increase in revenue, \$176 million was from acquired business unit growth and the remaining \$81 million increase was from organic growth. Gross margin for fiscal 2009 increased to 17.4% compared to 16.6% in the previous year. Pre-tax income for the full year of fiscal 2009 increased to \$30.5 million, for a pre-tax margin of 4.4%, compared to \$9.3 million or a pre-tax margin of 2.2% for the comparable period last year.



Net income for the full year of fiscal 2009 was \$18.1 million.

Outlook 2009-10. David Meyer, Titan's chairman and CEO, says despite a difficult economy, continued strong economic and financial fundamentals are positioning U.S. agricul-

ture to have a solid second half of the year. Titan is anticipating achieving increased revenue for the full year ending January 31, 2010 in a range of \$750 million to \$790 million. Net income is expected to be in the range of \$16.6 million to \$18.7 million. **AEI**

Art's Way's 1Q Revenues Slip 1%, Gets Investor Perspective

On April 15, Art's Way Manufacturing Co., Armstrong, Iowa, a manufacturer and distributor of agricultural machinery, equipment and services, reported its first-quarter financial results for the 3 months ended February 28.

In addition, an investor, LSGI Advisors Inc. of Duncanville, Texas, which holds 3.2% of the company, attended its first shareholders' meeting in a decade.

J. Ward McConnell, Jr., executive chairman of the board of directors of Art's Way, said total revenue decreased 0.9% from \$6.75 million to \$6.69 million during the first quarter of 2009. Art's Way Vessels Inc. increased their 3-month revenue by 31.5%, while Art's Way Manufacturing Co. increased revenue by 14.1% during the same period. These increases were offset by the decrease in the revenue of Art's Way Scientific by 26.9%

Operating income decreased 88% from \$814,000 to \$98,000 for the period compared to the same period in 2008, while net income decreased 99.3%, from \$477,000 to \$3,600. The

most significant reason for these reductions in income is due to reduced gross profit margins.

Consolidated gross profit margin for the first quarter of 2009 was 19.7% compared to 32.2% for the same period 1 year ago, primarily due to decreases in gross profit margin at Art's Way Manufacturing and Art's Way Scientific. The gross profit margin of Art's Way Manufacturing decreased from 38.4% in the first quarter of 2008 to 21.5% for the same period in 2009.

Miller Pro Purchase. According to the company, "After the purchase of the Miller Pro product line, we had many orders we were unable to produce in a timely fashion. In order to satisfy our customers, we agreed to sell these goods at the lower prices quoted in 2007. As a result of our production delays, we shipped goods in the first quarter that were priced at the end of 2007 and manufactured with materials purchased at higher prices of 2008. We expect to complete our commit-

ments on the 2007 pricing during the second quarter of 2009, and do not anticipate additional production delays after that time."

Investor's Perspective. In its May newsletter, LSGI Advisors fund manager Joe Dancy offered his perspective after attending the shareholder meeting.

- Management appears to be relatively confident that the company will grow revenues this year. The Auger division shipped its first product last week — a month ahead of schedule. Orders and interest in the auger product continue to grow.

- With regard to profitability, the company is still working its way through the high-cost steel purchased last summer. Margins should improve now that the Miller Pro products promised at historical prices have been delivered. Company employee levels have declined slightly from earlier levels. The company is also exploring in-sourcing some products now being purchased elsewhere unless suppliers cut their prices. **AEI**

Weak Markets, Strong Dollar Hurt CNH in 1Q

CNH Global, parent of Case IH and New Holland farm and construction equipment, reported on April 23 that it lost \$126 million in the first quarter of 2009 on a 25.2% drop in sales. The company attributed the falloff to the sluggish U.S. economy, the strong U.S. dollar and weak international markets.

The firm's 2009 first-quarter loss equated to \$0.53 per diluted common share on sales of \$3.05 billion. That compares to a year-ago gain of \$112 million, or \$0.47 per share, from revenue of \$4.1 billion.

The company said its cash on hand from machinery operations fell to \$153 million at the end of last month from \$173 million last December 31. Its inventory valuation was increased to \$4.53 billion vs. \$4.48 billion, while the company's long-term debt was cut to \$3.67 billion compared to \$3.84 billion during the same 3-month period.

CNH Global noted its overall construction machinery sales dropped by 59.1% in the quarter, while worldwide farm machinery revenue declined by

12.1%. In North America, industry-wide unit sales of large four-wheel drive tractors, self-propelled combines, self-propelled sprayers and row-crop planters grew in the first quarter, despite the overall decline.

Ag Sales Fall. In his analysis, Henry Kirn of UBS noted that ag equipment sales of \$2.6 billion declined 12% year-over-year, while operating margins declined to 5.1%, from 8% a year ago. The decline was driven by lower volumes and higher materials costs, partially offset by improvements in mix and pricing. The company noted that its worldwide market share in combines fell, while its worldwide market share in tractors remained flat.

CNH also announced a \$250 million initiative to consolidate and reorganize the company. According to Kirn, "The company gave few specifics on its strategy, as management is still in the process of evaluating alternatives.

"That said, the company expects to review the construction equipment business specifically, as well as reduce

salaried headcount by 10-15%. Management plans on sharing more details when it reports second-quarter results," says Kirn.

Revenue Outlook. The company did not provide earnings guidance, but did provide demand forecasts for the second quarter as well as the full year, according to Kirn.

CNH forecasts 2009 net equipment sales to decline 15-25% year-over-year, as strength in North American high-horsepower tractors and combines in the first half of the year is more than offset by declines in other ag equipment and continued weakness in construction.

CNH expects worldwide industry tractor volumes in 2009 will decline 15-20% and its forecast for combine unit sales to be 25-30% lower than 2008 levels.

The company anticipates 2009 agricultural fundamentals will "remain solid," with cash grain commodity prices above 2007 levels, input cost pressures abating and "near-record levels" of U.S. farm income. **AEI**

1Q Net Sales Rise 54% for Rocky Mountain Dealerships

For the first quarter of fiscal 2009, Rocky Mountain Dealerships Inc. saw its net sales increase by 53.7% to \$107.2 million, compared to \$69.7 million for the first quarter of fiscal 2008. The company attributes the growth in revenue to improved sales from all 3 of its primary revenue sources.

Headquartered in Calgary, Rocky Mountain is one of Canada's largest dealer groups selling Case Construction and Case IH ag equipment with 22 locations throughout Alberta, Saskatchewan and Manitoba. The company reported its first-quarter financial performance on May 12.

New equipment sales were \$47.5 million in the first quarter compared with \$41.6 million in the prior year period. Used equipment sales were \$39.2 million in the first quarter of 2009, up 212% compared to \$12.6 million in the first quarter of fiscal 2008. Revenue generated from product support increased to \$19.1 million in the

first quarter compared to \$13.7 million for the same period last year.

Gross profit for the quarter increased 27.6% to \$16.1 million, compared to \$12.6 million in the prior year. Rocky Mountain's gross profit margin was 15% in the first quarter vs. 18.1% in the first quarter of the prior year. "The decrease in gross profit margin was due primarily to a higher percentage of agriculture sales that requires less product support and a reduction in new construction gross margins as we compete in a market with excess capacity," the company says.

Selling, general and administrative expenses improved to 11.7% of sales, in the fiscal 2009 first quarter vs. 13% of sales in the first quarter of the prior year. This 130 basis point improvement was primarily due to the company's ability to achieve the benefits of economies of scale following acquisitions completed in 2008. This has allowed expenses to be allocated over

a larger group of dealerships and a reduction of expenses incurred as a result of the ongoing consolidation of the acquired companies.

Operating income in the first quarter of fiscal 2009 decreased to \$1.2 million from \$1.7 million in the prior year period due to reductions in gross profit from construction equipment sales, increased short-term interest expense, and increased amortization of property, plant, and equipment resulting from the acquisitions completed in 2008.

For the first quarter of 2009, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) was \$2.6 million compared to \$3.5 million in the first quarter of '08 resulting from lower gross profit and reduction of rental and lease fleet assets.

Net income for the first quarter was \$728,000 compared to net income of \$586,000 for the first quarter of 2008. **AEI**

Tractor Sales Remain Soft in April

"Tractor sales appear to have peaked in early 2009 and continued to soften in seasonally important April, combine sales remained relatively healthy," says Robert McCarthy, analyst for RW Baird, in assessing the April 2009 North American ag equipment retail sales from the Assn. of Equipment Manufacturers.

- Sales of row-crop tractors fell 12% in April compared with a 7% decline in March, and are down 11% in the last 3-month period.

- 4WD tractor sales fell slightly in April vs. a 14% year-over-year decline in March.

- Seasonally, April is the most important month of the year for row-crop tractor sales and the second most important month for 4WD tractor sales, contributing 13.8% and 14.9% of annual sales of each, respectively, over the past 5 years.

- Combine sales increased 16% year-over-year compared with a 39% increase in March; sales are up 33% in the last 3-month period. Combine sales are typically seasonally weak through June, with April representing roughly 6% of annual sales.

- Compact and mid-range tractors sales remain extremely weak, falling 25% and 26% year-over-year, respectively.

- Inventories of row-crop tractors jumped 49% year-over-year on an absolute basis and reached 113 days-sales, their highest level since early 2007. 4WD tractor inventories were roughly flat year-over-year on a days-sales basis, while absolute inventory levels were up 13%. Combine inventories were down 19% on a days-sales basis and down slightly on an absolute basis.

AEI

Sales Trend Note

According to Henry Kirn, UBS machinery analyst, the 2,661 row crop tractors sold last month translate to a seasonally adjusted annual rate of roughly 18,500 units, based on monthly sales trends from 2000 to 2007. Over the last 12 months, row-crop tractor sales totaled roughly 25,800 units, up 15% year-over-year.

APRIL U.S. UNIT RETAIL SALES



Equipment	April 2009	April 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	April 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	9,853	13,145	-25.0	23,375	30,659	-23.8	57,585
40-100 HP	5,497	7,455	-26.3	15,654	21,006	-25.5	33,513
100 HP Plus	2,661	2,932	-9.2	8,497	9,043	-6.0	8,102
Total-2WD	18,011	23,532	-23.5	47,526	60,708	-21.7	99,200
Total-4WD	471	365	29.0	1,374	1,316	4.4	830
Total Tractors	18,482	23,897	-22.7	48,900	62,024	-21.2	100,030
SP Combines	562	420	33.8	2,191	1,693	29.4	894

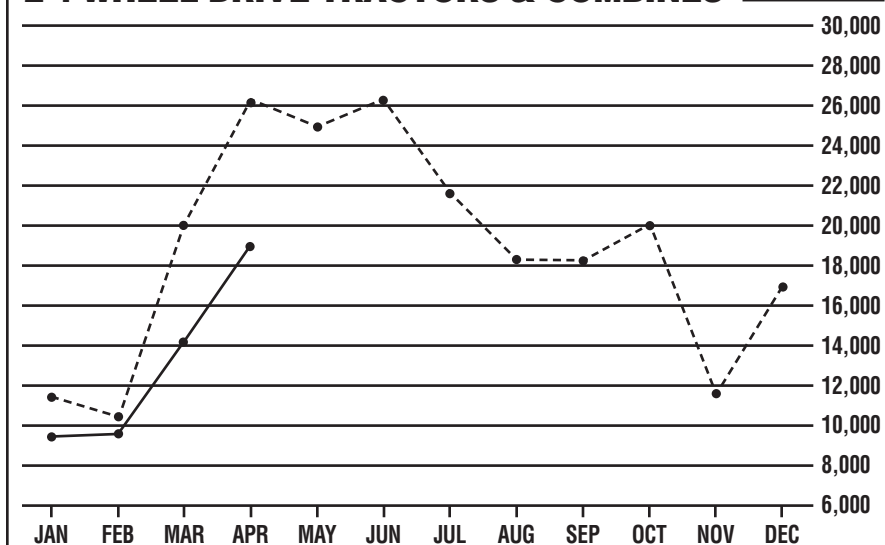
APRIL CANADIAN UNIT RETAIL SALES



Equipment	April 2009	April 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	April 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,090	1,385	-21.3	2,552	3,277	-22.1	8,064
40-100 HP	646	886	-27.1	1,961	2,395	-18.1	4,383
100 HP Plus	454	609	-25.5	1,190	1,459	-18.4	1,698
Total-2WD	2,190	2,880	-24.0	5,703	7,131	-20.0	14,145
Total-4WD	137	245	-44.1	429	437	-1.8	275
Total Tractors	2,327	3,125	-25.5	6,132	7,568	-19.0	14,420
SP Combines	96	145	-33.8	420	347	21.0	320

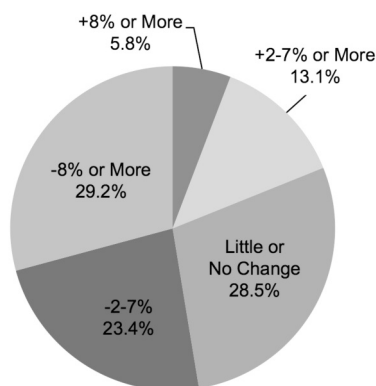
U.S. UNIT RETAIL SALES OF 2-4 WHEEL DRIVE TRACTORS & COMBINES

— 2009
--- 5 year average



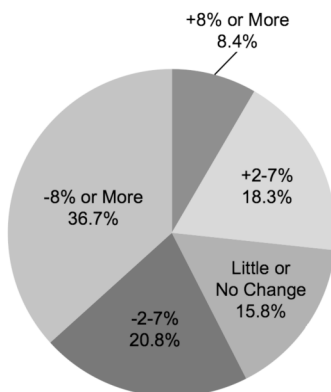
—Assn. of Equipment Manufacturers

Ag Equipment Dealers' Projections for Sales Revenue New Equipment – 2009 vs. 2008



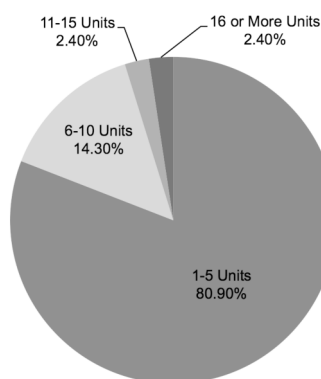
January 2009 Survey

Ag Equipment Dealers' Projections for Sales Revenue New Equipment – 2009 vs. 2008



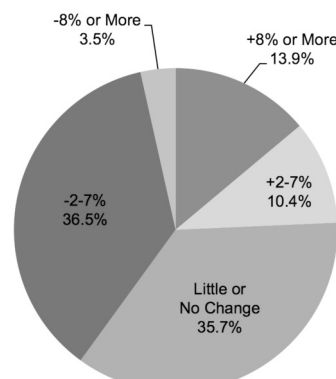
April 2009 Survey

Average Unit Orders Cancelled



April 2009 Survey - % of Dealers

Ag Equipment Dealers' Projections for Sales Revenue Used Equipment – 2009 vs. 2008



January 2009 Survey

is difficult because 2008 was such an exceptional year for farm equipment sales. Almost anything in comparison will appear much weaker.

The second question involves projections for the first half of 2009 vs. the second half of the year. The first 6 months of this year was marked with the persistent uncertainty about the overall economy and lingering effects of the much higher input costs farmers experienced in 2008.

With the exception of some fertilizers and seed prices, generally input costs have fallen significantly from last year. Also, grain prices, while

not approaching the record highs seen last summer, remain above the average in almost all categories, giving farmers and equipment dealers confidence that the year will produce solid results.

Low Cancellations. While concerns cropped up about the possibility of farmers backing away from equipment ordered in '08, dealers haven't seen a trend develop.

On the whole, only 18.1% of dealers say they've experienced cancelled orders to a significant degree, which is defined as 5% or more orders placed. This compares with 13.6% in the

January survey. A full 26% of respondents noted that they did not lose any orders to cancellation through the first 4 months of the year.

Of those that have experienced customers withdrawing machinery orders, 81% report they've lost between 1-5 unit sales, while 4.8% have seen 11 or more sales lost.

Solid Used Sales. Compared to 2008, sales of used machinery have stayed strong through the first 4 months of this year. Sixty percent of dealers report that revenues from sales of used equipment have been as good as or better than that of 2008. Only 3.5% of survey respondents reported used equipment revenue was more than 8% below what they saw last year.

One potential concern that emerged from the survey is the gradual build-up of used combines. Several dealers noted that "controlling used equipment inventories" was their biggest concern going into the second half of the year.

Specifically, one Midwest dealer noted that retailing used combines could become a problem. "We have too many. This will affect fall sales if not handled."

Dealer Commentary. Several dealers offered comments on challenges and concerns going into the 2009 growing season.

"Low income for dairy farms. Hay farmers are getting \$80 per ton less than last year."

"The major concern I have is the cost of new equipment and its affordability for customers with today's margins in farming. There's not enough customers for big equipment at these prices."

"2008 was such an exceptional year; it was expected that we would have a dropoff this year."

"Historically, we have purchased several tractors for resale each year to meet demand. We have done much less of it in the past 6 months because new equipment wasn't available, resulting in decreased used equipment sales. But our used inventory is in good shape and fairly valued. Our order bank is still large enough that 2009 will be a good year. Not like 2008, but again we didn't expect it to be!"

AEI