From the editors of *Farm Equipment...*

Ag Equipment Intelligence

July 15, 2007
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News, Information & Analysis for the Ag Equipment Marketer

- Tight Used Market
- JCB Expands in U.S.
- Dealer Optimism

Ag Equipment Dealer Optimism About Improved Sales Highest Since 2004

North American farm equipment dealers are more optimistic than they were 6 months ago about expected improvement in farm machinery sales in 2007. In fact, it's the most optimistic they've been since 2004.

Commenting on the results of the latest UBS Semi-Annual Agricultural Dealer Survey, David Bleustein, UBS analyst said, "The current responses mark the greatest level of dealer optimism regarding expected full year sales since survey 16 (conducted in April/May 2004). While we view the

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Table 1: Dealers' Expectations for Equipment Sales in 2007 vs. 2006

Company	Down More Than 5%	Down Less Than 5%	Flat	Up Less Than 5%	Up More Than 5%
AGCO	16%	2%	16%	40%	27%
Case IH	10%	9%	11%	32%	38%
Deere & Co.	12%	5%	8%	35%	41%
New Holland	17%	10%	10%	40%	23%
Total	**13%**	**7%**	**11%**	**36%**	**34%**

Source: UBS Agricultural Dealer Survey #22
Note: Totals may not sum to 100% due to rounding.

Art's-Way to Purchase Miller's Forage Line

Art's-Way Manufacturing Co. of Armstrong, Iowa, and Miller-St. Nazianz of St. Nazianz, Wis., announced on June 26, that they have signed a letter of intent for the sale of Miller's Pro product line. The sale includes all inventories, tooling and other proprietary rights for the hay and forage lines..

Closing is scheduled to take place before the next selling season gets underway in September.

Doubles Art's-Way's Business. Art's-Way, which is publicly traded under the stock symbol ARTW, manufactures and distributes farm machinery niche products including animal feed processing equipment, sugar beet harvesting equipment, plows, land maintenance equipment, crop shredding equipment and seeding equipment. The company also produces forage machinery for original equipment manufacturers (OEM's).

The acquisition of the Miller-St. Nazianz hay and forage equipment lines essentially doubles the current size of Art's-Way's business.

The company also has two wholly owned subsidiaries, Art's-Way Vessels, Inc. and Art's-Way Scientific, Inc. Art's-Way Vessels manufactures pressurized tanks and vessels. Art's-Way Scientific manufactures modular animal confinement buildings and modular laboratories.

Shares of Art's-Way increased by 23 cents, or 2.5%, to $9.38 in aftermarket activity after gaining 12 cents to close the regular trading session at $9.15 following the announcement on June 26.

Focus on Sprayers. For Miller-St. Nazianz, the decision to sell Miller Pro was a tough one, according to John W. Miller, vice president of the Wisconsin firm. Miller says the company made the strategic decision to concentrate on self-propelled sprayer lines.

In 1998, the company established its Miller Application Technologies group and began to manufacture its first self-propelled machine, the Nitro high-clearance spray with a front-mounted boom system.

The following year, it purchased the Silver Wheels brand of floater truck applicators. The company acquired the Raptor brand of mechanical-drive sprayers in 2006 and Spray-Air Technologies earlier this year.

According to Miller, the forage box business was not a bad place to be, but the company did not have the big units to compete in the market.

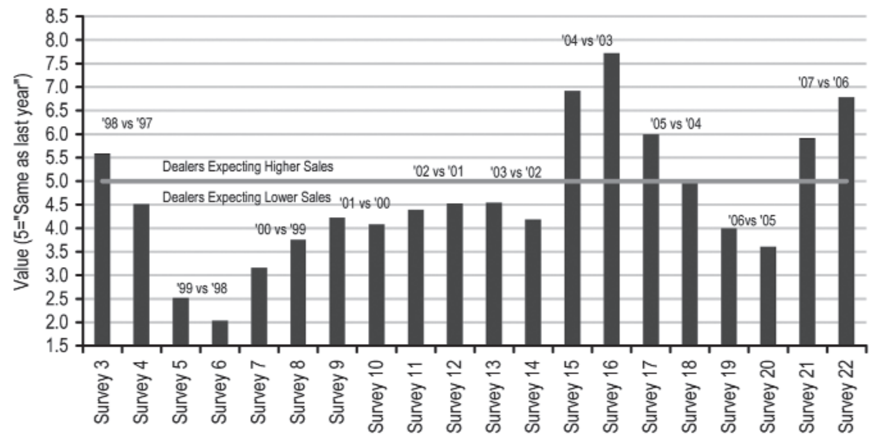
The sale will not include the AgBag line of silage bagging equipment, bags and inoculants. "It's a higher-tech side of the business that we will keep," Miller told *AEI*.

The acquisition will not affect the Badger line of conveyors and feeders, dump boxes, forage blowers, barn cleaners and silo unloaders, though Miller is also reportedly looking for a buyer for the part of the overall business.

The sale is expected to affect about 20 Miller-St. Nazianz employees in production and sales. The firm currently employs about 180 people. AEI

Continued from page 1

Fig. 1. All Dealers' Forecasts of New Machine Sales



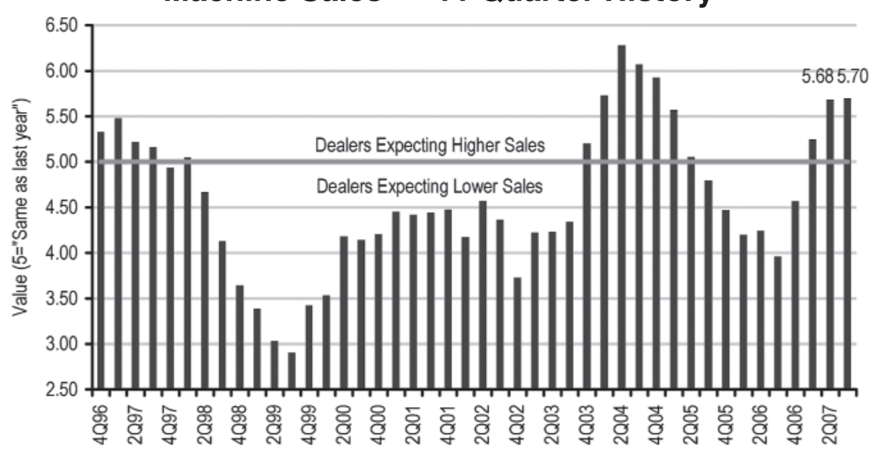
Source: UBS Agricultural Dealer Surveys #3-22

Table 2. Dealer's Expectations for Equipment Sales in 2007 vs. 2006 by Region

Region	AGCO Corporation NYSE: AG	CNH Global Case IH Division NYSE: CNH	Deere & Company NYSE: DE	CNH Global NH Division NYSE: CNH	Total
Appalachian	6.25	10.00	6.94	3.75	6.41
Corn Belt	8.57	8.02	8.59	6.25	7.94
Delta States	0.00	3.75	6.88	7.50	5.23
Lake States	7.86	6.84	8.59	6.94	7.55
Mountain	3.75	4.58	4.50	5.00	4.61
Northeast	5.00	8.25	5.50	6.25	6.80
Northern Plains	7.08	9.58	8.75	6.88	8.23
Pacific	5.00	6.07	4.58	6.67	5.68
Southeast	4.00	1.88	5.42	2.00	3.50
Southern Plains	8.13	6.94	5.83	8.75	7.50
Total United States	6.50	7.01	7.21	6.08	6.78

Source: UBS Agricultural Dealer Survey #22

Fig. 2. All Dealers' Forecast of New Machine Sales — 44-Quarter History



Source: UBS Agricultural Dealer Surveys #1-22

survey results as quite upbeat and the dealer focus was squarely on the beneficial impact of farm commodity prices, dealers are more focused on weather-related issues and the negative impact of higher input costs.

Interestingly, there was notably less mention of ethanol than in last winter's survey. Dealers also see a positive reversal in dairy prospects compared with last winter's survey.

Continued Sales Improvement. Based on the results of the survey along with a solid demand outlook, Bleustein sees equipment sales trending upward through the remainder of the year. "We continue to expect the recent improvement in farm machinery sales and demand that coincided with the timing of corn and soybean plantings to continue," he says.

"Our outlook is supported by the currently elevated levels of farm commodity prices and the upbeat results from our 21st and 22nd semiannual agricultural dealer surveys."

Based on the UBS index used to calculate the overall average dealer sentiment about equipment sales levels for the remainder of 2007, the index came in at 6.78. This indicates that dealers continue to expect higher retail sales through the remainder of the year. This compares with a 5.92 index back in November/December.

As shown in Fig. 1, dealers' aggregate response regarding 2007 sales marks the highest level of dealer optimism since survey 16 (conducted in April/May 2004, regarding 2004 expected sales). "We also note that it is the first time in 3 years that we have seen two consecutive upticks in dealer optimism," says Bleustein.

Regionally, dealers in the Corn Belt, Lake States and Southern Plains were the most confident about sales for the remainder of 2007 compared with 2006. Retailers in the Southeast and Mountain regions were the least confident for improved sales this year.

Confidence in Last Half. Looking ahead to the remainder of 2007, most dealers see more of the

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same for the last half of this year — increased sales. Among the nearly 300 dealers surveyed, 49% believe sales during the second quarter were running higher than last year and only 22% say sales were running lower.

For the third quarter, 46% of dealers anticipate that sales will be running higher compared to the same period in 2006. Only 19% expect lower sales, while the remaining 35% say they're running flat.

As illustrated in Fig. 2, responses for the second and third quarters of 2007 indicate that dealers believe sales of ag equipment will improve in both the current and upcoming quarters.

Attitudes Improving. Nearly 60% of the dealers surveyed say that farmers' views on ag business conditions have improved during the last 6 months. Only 15% of the dealers believe that customer attitudes have deteriorated. AEI

Table 3: Dealer Indications of Farmers' Views of Agricultural Business Conditions

Company	Improved	Not Changed	Deteriorated
AGCO	64%	18%	18%
Case IH	60%	30%	10%
Deere & Co.	57%	25%	18%
New Holland	55%	30%	15%
Total	**59%**	**26%**	**15%**

Source: UBS Agricultural Dealer Survey #22

Analyst Expects Corn Prices to Decline with Bigger Inventories

"Despite the solid demand outlook, we continue to expect corn prices to decline over the summer months. We believe a key risk is that the stocks will track corn prices lower," says UBS analyst David Bleustein.

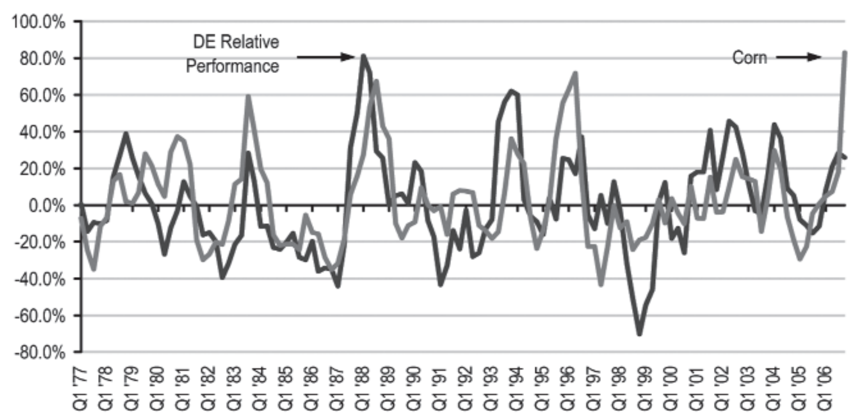
"We continue to expect a 2007 corn yield of 160 bushels per acre and ending stocks of 1.5 billion bushels, well above the USDA's corn yield forecast of 150 bushels per acre and ending stocks forecast of 0.9 billion bushels. We believe our forecasts, if realized, could result in lower corn prices over the summer," he says.

Bleustein also says that incremental yields from GMO seeds support corn crop yields that are 8-10 bushels higher than the USDA trend line.

"Changes in corn prices have been a reliable coincident indicator of agricultural machinery stock price relative performance since the mid-1970s. We analyzed the relative performance of Deere's stock since the mid-1970s, for each 12-month period, beginning with each successive quarter (i.e., March 1977-March 1978, June 1977-June 1978).

"We compared Deere's relative performance with the year-over-year change in the price of corn — using the nearest expiring futures price. We believe there is a very compelling case that corn prices are a strong coincident indicator of relative performance," he says. AEI

DEERE STOCK PRICE VERSUS CORN PRICES



According to UBS, corn prices and Deere's relative performance have moved in the same direction 73% of the time. In the 54 periods in which the price of corn rose, Deere outperformed the market 70% of the time. In the 57 periods in which the price of corn fell, Deere underperformed the market 75% of the time.

"Given our forecast of higher levels of ending corn inventories for the 2007 crop and the risk of lower corn prices, we believe investors will respond by challenging the current earnings multiples of the farm equipment manufacturers, even in a period of rising sales and earnings," says David Bleustein.

FARM MACHINERY TICKER (AS OF 7/10/2007)

Mfr.	Symbol	7/10/07 Price	6/11/07 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	$44.65	$43.03	$46.47	$22.47	NA	1.47M	4.09 B
Alamo	ALG	$25.28	$25.07	$28.37	$20.95	24.19	13,000	246.9 M
Art's Way	ARTW	$11.32	$9.10	$12.50	$5.01	21.51	12,657	22.38 M
Caterpillar	CAT	$81.22	$78.75	$82.89	$57.98	15.61	5.59 M	52.01 B
CNH	CNH	$52.57	$46.93	$54.65	$20.72	36.26	190.100	12.44 B
Deere	DE	$123.88	$116.55	$125.22	$123.69	18.19	2.57 M	27.87 B
Kubota	KUB	$43.24	$42.47	$53.83	$43.08	18.09	49,985	11.17 B

SAME Deutz-Fahr Extends Presence in Russia

Two independent distributors have been appointed to handle SAME and Deutz-Fahr products for the burgeoning farm equipment market in Russia. In addition, the Italian group may also establish its own subsidiary to provide close support for service, technical and product training.

"With Eurotractor, which is distributing SAME products, and EuroAgroPostavka, which handles the Deutz-Fahr range, we are sure to develop an efficient sales network to cover the whole territory of the Russian Federation," says Same Deutz-Fahr Group CEO, Massimo Bordi.

"These appointments are important steps in reinforcing our position as a global competitor in tractors, ag machinery and diesel engines."

Bordi describes Russia as one of the most promising of the so-called emerging markets, featuring 477 million acres of farmland and a tractor population estimated at 561,000 units, with nearly 400,000 at least 10 years old.

Apart from the need to replace these dying tractors, he adds, there is growing need for high-tech, high-horsepower tractors to capitalize on increasing investment in the growth and development of Russia's agricultural industry.

SDF is looking to develop sales of Deutz-Fahr combines in Russia as well as Eastern Europe in general. Sales director Andrea Bedosti believes this market has more potential beyond tractors, both in terms of the number of units and potential demand, because of the poor condition of the combine fleet in eastern European countries.

With its combine production facility in Croatia now up and running and a product range that includes relatively simple mid-capacity straw walker combines, Bedosti says SDF is well-placed to tap into this market, both geographically and with regard to product specification and cost. AEI

Danish Farmer Co-Op Takes Over Kongskilde

Farmers in Denmark now have more than a passing interest in one of the country's biggest ag machinery producers — because they own the company.

Dansk Landbrugs Grovvareselskab (DLG), Denmark's largest farm supply co-operative, has nearly 25,000 members, 160 retail outlets and claims almost 50% of the country's animal feed business.

It is now the majority shareholder in Kongskilde Industries, a globally-active manufacturer with sales companies across Europe and in North America — Kongskilde Industries, Inc. and Howard USA, Inc. in Bloomington, Ill., and Kongskilde Canada near Ontario.

Production facilities in Denmark, Finland, Sweden and Poland manufacture Nordsten seed drills, Howard power cultivators, Overum moldboard plows, TIM and Juko sugar beet equipment and Kongskilde-branded seeders, fertilizer spreaders, cultivators, plus grain handling, drying and storage systems.

A Controlling Stake. DLG has been an influential but minority shareholder for some time. Following a refinancing deal approved by all shareholders, it has now acquired a controlling 60% stake alongside Danske Bank (approximately 20%), pension fund investors and Kongskilde's managers.

"Kongskilde has proven that it has good earning potential," says DLG chairman Asbjørn Børsting, who also chairs the Kongskilde board. "We are convinced that we will get a very strong company by using a number of synergies on both purchasing and selling at home and abroad."

The move is seen as a vote of confidence in Kongskilde's turnaround plan, which has involved some production facility rationalizations and financial restructuring following a period of bleak financial results.

"Based upon good development of the operations during the past years and the company's potential with a reasonable financial structure, DLG chose to take over the owner responsibility so that Kongskilde Industries is able to continue its positive development in the years to come," says Børsting.

> ***"DLG chose to take over owner responsibilities so Kongskilde can continue its positive development..."***

Falling Profits. Difficult market conditions were partly to blame for sales revenues sliding by 30% from the equivalent of almost $161 million to $116 million from 2002 to 2005 at current exchange rates.

Poor cost-efficiency within the group, which grew rapidly during the 1990s through a series of acquisitions, is credited with a dive in operating profit, which showed losses of almost $15 million in 2003.

Closing the former Howard Rotavator factory in Germany and transferring power cultivator assembly from Spain to the group's Polish plant have helped improve the operating situation, which over the past 3 years has recovered to a positive $8.2 million in 2006.

"Operationally, Kongskilde is on target and orders at the beginning of 2007 were up 26% compared with the prior year," says CEO Anette Ilsøe. "But during past years, the company has had very tight liquidity. Large bank debt combined with increasing interest level has resulted in the bottom line still not being satisfactory."

Losses Peaked in 2003. Kongskilde's 2006 annual report shows that losses after depreciation and tax peaked at more than $27 million in 2003 but is being whittled down. Last year's loss was the equivalent of $3.6 million.

Ilsøe commented, "A strengthened liquidity makes it possible to further optimize operations, especially in terms of improved production flow, and we expect savings on payments to suppliers and through improved purchasing power, as well as increased sales with more timely delivery." AEI

Italy's Carraro Group Aims to Boost Worldwide Sales by 40%

Italy's Carraro Group, one of the world's leading manufacturers of off-highway driveline components and specialized tractors, has mapped out an ambitious 3-year plan aimed at lifting its world-wide sales by 40%.

In 2005, group sales amounted to almost $818 million at current exchange rates, and the company is said to be on target to hit sales revenues of $886 million for 2006. The target for 2009 is $1.15 billion, says group president, Mario Carraro.

In addition to this impressive sales growth, Carraro intends to continue improving its profitability — EBITDA by 17% to $105 million and EBIT by 26% to $70 million.

"Our financial results to date confirm the steady economic recovery of our industrial activities all over the world," says Carraro. "Together with the introduction and development of innovative products, this will grant our improved profitability and further strengthening of the Group's competitiveness."

The Carraro Group has production units in Argentina, China, Germany, India, Italy, Poland and the U.S. Its Agritalia specialized vehicles division manufactures tractors under 100 hp for farm, orchard and vineyard operations.

Worldwide Activities. Almost a quarter of consolidated group revenues are generated in North America, where Carraro has a steering drive axle production unit and commercial offices in Calhoun, Ga.

Italy and Germany account for approximately 16% each, while OEMs in France and the U.K. account for a little over 11% each of total sales.

As part of the 3-year plan presented to investment analysts, Carraro aims to cut $41 million in costs through plant improvements aimed at improving efficiency, reorganized supply chains to reduce inventory and global sourcing of components.

It also aims to increase sales in the core drivelines (+9%) and drives (+34%) business units, partly by expanding its product ranges and introducing more "complete solutions" that integrate the group's technical, mechanical and electronic competencies. Other goals include increasing component sales by more than 150% and parts by more than 40%.

India and China are identified with Eastern Europe and the Middle East as key development areas. According to Carraro's forecasts, they will contribute approximately 20% of revenues in 2009. Currently, India accounts for 4%, Poland 3% and China 1% of group revenues.

India, China Expansion. Carraro is already well established in India, where Carraro believes "a dynamic agricultural market" will see demand for tractors rising to around 370,000 units by 2009.

Last year, the company bought-out its Indian joint-venture partner, Escorts Group, to take 100% ownership of a drivelines manufacturing facility. It also set up an associated operation producing gears and shafts and established a technologies company dedicated to the research and design of new products.

Sales from these enterprises are expected to grow from the $61 million forecast for 2006 to more than $132 million over the next 3 years.

Where Carraro MARKETS ITS PRODUCTS

Sales revenues – 2005	
North America	23.5%
Italy	16.0%
Germany	15.9%
France	11.6%
United Kingdom	11.1%
Other European Union (EU) states	6.7%
South America	4.4%
India	4.0%
Poland	3.0%
Other non-EU states	2.9%
China	1.0%

What Carraro Group Manufactures

Sales revenues – 2005	
Traditional axles	51.8%
Tractors	10.5%
Replacement parts	5.6%
Power Shuttle drivelines	5.3%
Light axles	5.2%
Gears	4.4%
Ag vehicle drivelines	4.3%
Other	12.9%

In China, Carraro plans to spend $20 million this year by doubling production capacity of the transmissions plant it set up in 2005, to meet growing demand from local OEMs making agricultural, construction and other industrial vehicles.

This will be part of a $128 million, 3-year investment plan that also covers the group's other production facilities and the research and introduction of new products. AEI

Exports to Eastern Europe Improve Amazone's Sales by 15%

An increase in export sales to more than 70% of turnover helped Amazone equipment manufacturer H Dreyer GmbH & Co., rack up record sales equivalent to more than $326 million last year — up 15% from 2005.

Like other German ag machinery firms, the world's fourth largest farm equipment company — which makes tillage equipment, drills, fertilizer spreaders and crop sprayers — found rich pickings in Eastern Europe 100 years after selling its first machine outside Germany.

Sales Grow 90%. The company recorded a 90% increase in sales to Russia, Belarus and Ukraine in 2006, when it also acquired a majority holding in GAG Eurotechnik in the Russian city of Samara. It uses this facility for local manufacture of bulky components, which are assembled into complete implements using precision-engineered parts sourced from established plants in Germany and France.

"This way, we can offer market-specific technology at competitive prices," say Christian and Justus Dreyer, joint managing directors. "It also underlines our determination to remain independent within the agricultural engineering industry." AEI

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European News Continued from Page 5

JCB Expansion in Georgia Relieves U.K. Capacity Problems

A $1 million investment to manufacture components for telescopic handlers and assemble complete machines at JCB's construction machinery plant in Savannah, Ga., has boosted capacity for agricultural and industrial telehandlers at the JCB Group's world headquarters plant in England.

The main purpose of the U.S. project is to meet growing demand from North American rental companies for high-capacity, high-lift machines like JCB's 506 and 508 Loadall handlers. But it has also helped relieve production needs at the Rocester, England, plant, where JCB last fall, invested $15 million in expanded manufacturing and assembly facilities for the Loadall range.

Richard Fox-Marrs, director and general manager of JCB's Loadall division, recently explained the investment background to *AEI* editors.

Growing Demand. "Demand for our telescopic handlers has steadily increased and there are new market sectors and new geographic markets opening up," he said. "Last year, we produced 10,000 units for a worldwide market that grew by 15% in just 12 months to an estimated 50,000 machines."

Installation of a second assembly line and additional component manufacturing resources has doubled the plant's capacity.

Agricultural models account for nearly 30% of production, mainly to supply the 2,500 to 3,000 unit U.K. farm handler market.The rest go to the division's most buoyant export markets — France, Germany and Australia — and destinations where the market is opening up for this type of machine.

"We're seeing increased demand from central and eastern Europe as farming practices there are modernized," says Fox-Marrs. "We have a team working in the U.S. beginning to get some positive responses from the agricultural market, where big tractors and loaders are still the favored material handling tool."

Largest Telehandler Brand. Completion of the Rocester expansion project coincided with significant production and sales landmarks: JCB produced its 100,000th Loadall and became the biggest worldwide brand.

"More people bought telehandlers carrying the JCB name last year than any other," says Fox-Marrs. "We're now the world's biggest single telehandler brand."

JCB can not claim to be the world's biggest telescopic handler manufacturer overall, however, because Manitou of France and JLG Industries in the U.S. produce more machines, largely thanks to OEM supply agreements involving several brand names. AEI

Kverneland Re-Organizes to Stem Losses

Radical steps planned by the Kverneland Group to improve the performance of its money-losing Vineyard division include closing harvester manufacturing operations in Australia and creating a separate business outside the group.

"The main objective of separating the vineyard business is to focus on our core grass and arable sectors," says Kverneland CEO, Ingvald Loyning.

"But it is also a positive development for the vineyard business, which operates in a sector different from agriculture, with few synergies between the two activities. Independence will create a lean and cost-effective organization operating at a lower cost base."

Kverneland's Vineyard division is one of the major worldwide players, with approximately 30% share of a market dominated by France, Spain, Australia and U.S. firms.

Continuing Losses. Operating revenues last year amounted to $64 million at current exchange rates — a little over $5.4 million down compared with the prior year. EBITDA margins were -1% in 2005 and -9% in 2006.

"In addition to generally weak markets, the reduction in earnings was a result of heavy stock write-down in Australia, as well as costs related to an improvement project at our plant in Cognac, France," says Loyning.

"Future prospects for the sector are promising. Machines sold in the late 1990s and early 2000 will need to be replaced and new plantings suitable for mechanical harvesting will increase the mechanized area as increased labor cost and availability make hand-picking more difficult."

> ***"This is a positive development for the vineyard business...:***

Kverneland's first action was to close the UR Machinery (Vinestar) grape harvester manufacturing operation in Australia and transfer production to the Kverneland Gregoire plant in France that was acquired in 2000.

"This plant has gone through an improvement program during the past year and is producing the biggest quantity of machines," explains Loyning. "It was considered rational to increase production efficiency by consolidating grape harvester production in the one plant."

The decision is also a reflection of the market situation in Australia. "It has gone through a significant drop during the past 5 years and the low market demand is not expected to improve in the near future," says Loyning.

Although the plant closure will cost around $1.35 million, yearly savings fully effective next year are estimated at $800,000.

Brand New Company. The Kverneland board has also decided to separate the Vineyard division from the group by creating a new company — Gregoire ASA — with stock distributed on an equivalent basis to shareholders in the group holding company, Kverneland ASA. The company will apply for listing on the new Axess market of the Oslo stock exchange.

"This separation will reduce the complexity of Kverneland Group and reduce the net interest-bearing debt by approximately $11.5 million," says Loyning. AEI

June Ag Equipment Sales Remain Healthy

North American retail tractor sales comparisons remained strong in June (a seasonally neutral month for sales), amid strengthening soybean prices but moderating corn prices, according to Robert McCarthy, analyst, Robert Baird & Co., in his July 11 research notes.

"Row-crop tractor (2WD; >100 hp) and combine sales were both up year-to-year by double-digit percentages in June," he says, although row-crop tractors faced a significantly easier comparison. Meanwhile, the more economically-sensitive mid-range tractor sales continued to be flat year-to-year.

"Inventories continued to decline year-to-year, supporting a positive outlook for machinery production schedules," notes McCarthy.

In his review of the June ag machinery retail sales figures, he notes:

✘ After improving 13% in May, North American retail sales of row-crop tractors jumped 44% year-to-year in June, and lifted the second quarter by 21%.

✘ North American retail sales of 4WD tractors were down 2% year-to-year in June after the sharp 32% increase in May. Still, 4WD tractor sales increased 27% year-to-year in the second quarter.

✘ Retail sales of combines increased 13% year-to-year in June after rising 6% year-to-year in May. June begins the seasonally more important months for combine sales, says McCarthy, contributing an average 9% of annual combine sales.

✘ Dealer inventories of row-crop tractors, 4WD tractors and combines were all down on a year-to-year basis in May, falling 4%, 10%, and 25%, respectively. On a days-sales basis, inventories of row crop tractors (115 days-sales) and 4WD tractors (90 days-sales) were essentially unchanged year-to-year, while combine inventories continued to be down significantly (74 days-sales vs. 92).

As a benchmark, McCarthy notes that Deere's combine sales were up "single-digits" while industry combine sales were up 13%, but its 4WD tractor and row-crop tractor comparisons both beat the industry comparisons (2% decrease and 44% increase, respectively). **AEI**

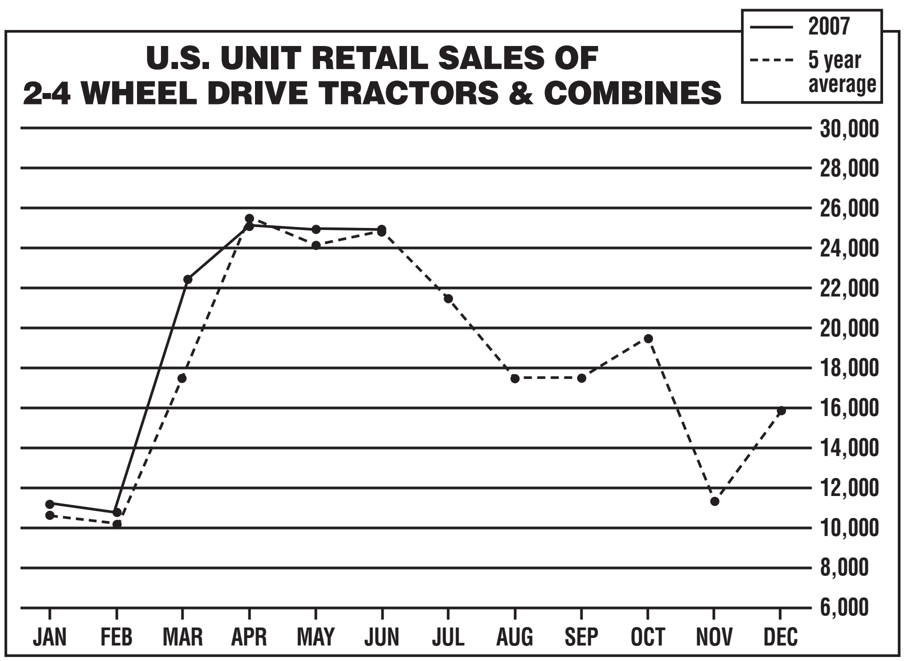
JUNE U.S. UNIT RETAIL SALES

Equipment	June 2007	June 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	May 2007 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	13,936	14,289	–2.5	65,435	68,158	-4.0	59,965
40-100 HP	8,287	8,341	–0.6	41,009	39,068	+5.0	36,831
100 HP Plus	1,749	1,159	+50.9	10,723	9,461	+13.3	5,477
Total-2WD	23,972	23,789	+0.8	117,167	116,687	+0.4	102,273
Total-4WD	237	221	+7.2	1,790	1,637	+9.3	776
Total Tractors	24,209	24,010	+0.8	118,957	118,324	+0.5	103,049
SP Combines	732	635	+15.3	2,659	2,472	+7.6	1,278

JUNE CANADIAN UNIT RETAIL SALES

Equipment	June 2007	June 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	May 2007 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,597	1,405	+13.7	6,047	5,030	+20.2	5,439
40-100 HP	739	725	+1.9	3,396	3,371	+ 0.7	3,210
100 HP Plus	409	338	+21.0	1,916	1,963	–2.4	1,461
Total-2WD	2,745	2,468	+11.2	11,359	10,364	+9.6	10,110
Total-4WD	32	53	-39.6	421	385	+9.4	153
Total Tractors	2,777	2,521	+10.2	11,780	10,749	+9.6	10,263
SP Combines	166	157	+5.7	483	506	–4.5	630

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



—*Assn. of Equipment Manufacturers*

Tight Market Puts Pressure on Used Equipment Prices

"We'd be having a good year if we had anything to sell," Dean Deike, general manager of Deike Implement, Waverly, Iowa, told *AEI* during a conversation at the 2007 Hay Expo in late June.

Deike said he was caught off guard by the surge in sales this past spring, as even good used equipment has become almost impossible to find.

"You can get it depending upon how much of a premium you want to pay the other dealers," he says.

Greg Peterson, publisher of the *F.A.C.T.s Report,* in his June 21 online column, confirmed how tight the used ag equipment market has become and what it's done to pricing of previously owned machinery.

As an example, he points to a 1997 160-hp John Deere 8100 mechanical front-wheel drive tractor with 2,220 hours that sold for $71,750 on June 19. Looking back in his archives of auction price sale data, he found only eight 8100s that sold for more during the last 11 years.

"What's more amazing," he says, "is that most of those eight John Deere 8100s that sold for more money sold long ago and had far fewer hours. Like the 1997 model John Deere 8100 with only 784 hours in excellent condition that sold for $72,500 back on February 6, 1998. So nearly 9-1/2 years later, we see the same model year tractor, not one year old anymore, but now 10 years old with 1,436 more hours sell in close to the same area for only $750 less?"

He says the bottom line is that used tractors are worth more.

Tight Inventories. The UBS 22nd Semiannual Ag Dealer Survey shows how tight equipment has become and the impact on pricing.

Dealers indicated that both new and used equipment inventories have tightened to below "normal levels," from the normal levels indicated in the last UBS survey conducted in November/December 2006.

Deere dealers on average reported the tightest levels of new equipment inventories, while CNH dealers reported the tightest average levels of used equipment inventories.

Dealers reported that manufacturers are implementing price increases of nearly 4% on new equipment for 2007. Broken out by manufacturer, AGCO and New Holland dealers reported the largest average price increases at 4.60% and 4.11%, respectively.

In addition to short supplies, North American ag equipment dealers say they've seen a strong improvement in used equipment pricing. Roughly 33% of dealers say prices are "firming," while 11% responded that used equipment prices are "weakening." The remaining 55% of dealers responded "stable" used equipment prices.

"The survey results indicate that dealers now view used equipment prices as somewhat stronger compared to the results from our prior survey," says David Bleustein, UBS analyst.

Based on the UBS index used to calculate the overall average dealer view for used equipment pricing in 2007 the national average response was 6.11, an improvement from the 5.21 average in the last UBS survey.

The current survey results are the most positive since Survey 16 (conducted in April/May 2004), which generated the most positive response on used equipment pricing trends.

Below Normal Inventories. Of the nearly 400 dealers participating in the survey, 47% responded used equipment inventories are either "much lower than normal" or "lower than normal" and 18% responded either "much higher than normal" or "higher than normal." The remaining 36% responded that used equipment inventory levels are "normal." AEI

Table 1: Dealers' Views on Used Equipment Prices

Company	Weakening	Stable	Firming
AGCO	16%	62%	22%
Case IH	12%	52%	37%
Deere & Co.	13%	47%	40%
New Holland	6%	62%	32%
Total	**11%**	**55%**	**33%**

Source: UBS Agricultural Dealer Survey #22

Fig. 1. Semiannual Dealer Responses to Question on Used Equipment Pricing from Survey 6 (September 1999) to Survey 22

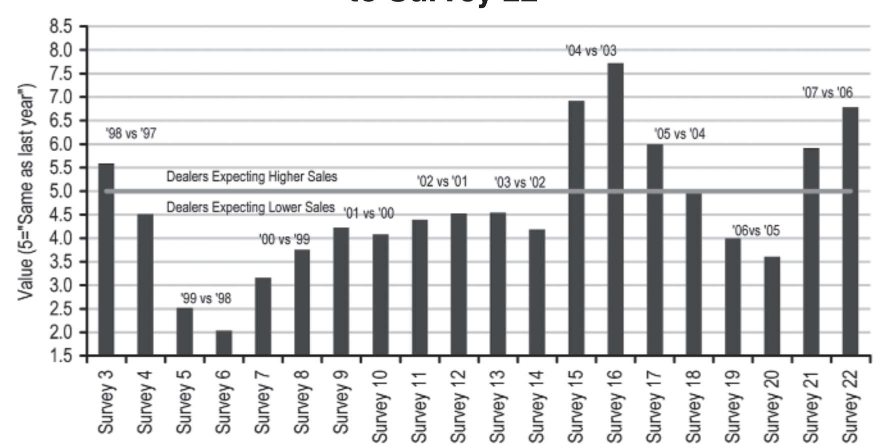


Table 2: Dealers' views on used equipment inventories

Company	Much Lower Than Normal	Lower Than Normal	Normal	Higher Than Normal	Much Higher Than Normal
AGCO	7%	44%	31%	17%	0%
Case IH	7%	41%	37%	14%	1%
Deere & Co.	2%	33%	42%	21%	2%
New Holland	7%	46%	32%	16%	0%
Total	6%	41%	36%	17%	1%

Source: UBS Agricultural Dealer Survey #22