

# Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

- Dealers Stay Bullish
- AGCO Pursues China
- Upsides in 2009

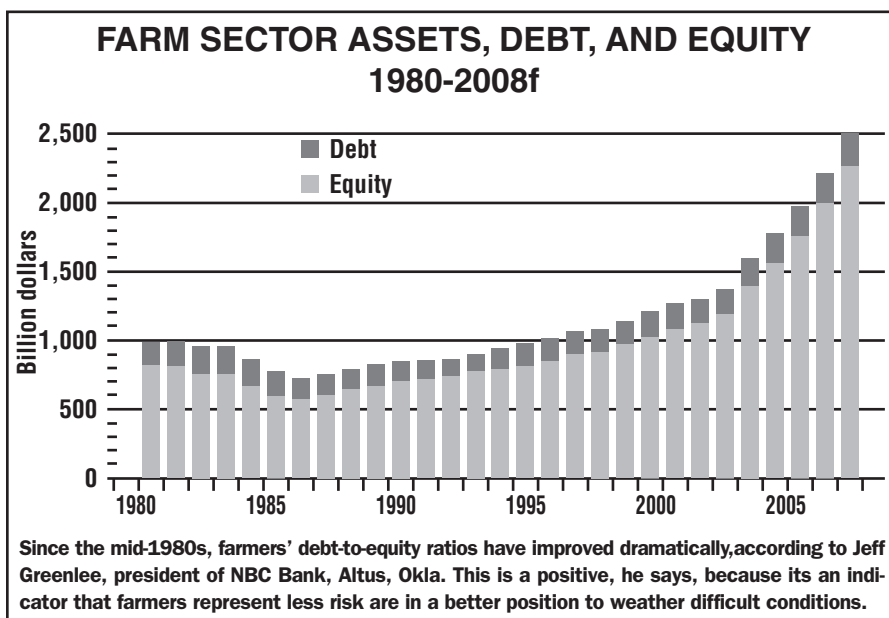
## Cost of Credit Will Hamper Ag Borrowers in the Short Term

While fear continues to drive worldwide financial markets, there remains plenty of credit accessible for those in the ag industry with strong balance sheets who are willing to pay the higher cost of the money that's available.

This was the consensus of a panel of financial experts who addressed the impact of the credit crunch on agriculture during an hour-long webinar hosted by *AgriMarketing* magazine on October 10.

Dr. Michael Swanson, vice president & senior economist of Wells Fargo Bank, the largest agricultural lender in the U.S., says the answer to the question, "Is there money to lend agricultural businesses? is unequivocally, yes. But the real question is do farmers and other ag enterprises want to pay the price of borrowing money in the current market?"

The Wells Fargo executive says that the leveraging of assets for borrowing purposes has diminished for everyone



and lenders are requiring more equity and working capital based on the amount of business that would-be borrowers are doing then they did before

the current economic crisis.

"The price of money has changed. One of the consequences of delever-

*Continued on page 2*

## AEI Survey: Ag Products to Watch in '09

When it comes to the hot farm equipment products for 2009, dealers are projecting some significant shifts in farmers' shopping lists in the next year compared to the past few years. Precision ag products remain at the top of the list for "best bets" for improving sales next year but tillage tools appear to be making a major comeback.

It should come as no surprise that GPS and other precision ag instruments and systems head the "best bets" list again this year as they have for the last two. Discussions with the marketing managers of some of the

top GPS system providers for farm applications at the Farm Progress Show in late August suggest that the sale of products tied to precision agriculture are just beginning to hit their stride in terms of market penetration.

Some estimate that they barely captured one-third of the market for precision farming products. They see strong growth trends for these products during the next several years as pricing drops, equipment becomes more user-friendly and new products covering a wider range of ag applications are introduced.

Second on the dealers' "best bets"

list of products in '09 is rectangular balers, which moved up from the 14th slot last year. Round balers fell from number 12 in 2008 to 17th for 2009.

The most surprising product on the list this year is field cultivators, which moved all the way up from dead last (20th place) on the list last year to number three for 2009. This is significant because, for the last 3 years, tillage tools were ranked at or near the bottom of equipment retailers' choices of hot selling products.

Dealers are also seeing improved prospects for chisel plows, which rose

*Continued on page 3*

aging is with the cost of financing going up and the amount of leveraging coming down, it's putting asset values under a lot of stress," says Swanson.

The problem for bank financing is the cost of money, he says. "Whether you're a great loan risk or not a great loan risk, the cost of money is the cost of money."

Swanson says that the spread between the base costs — the price the Federal Reserve sets and 3-month Libor notes (London interbank overnight rates), the rate that banks charge each other — grew to nearly 425 basis points in early October from 100 in the June through August period. This spread represents the perceived risk that lenders see, and as it grows larger, the cost of money rises.

"That's a spread of 325 basis points in only a couple of months. That's because banks don't want to lend to other banks because of the unknown risks in today's economy. This spread is a major burden particularly if you need to borrow money," says Swanson.

**Problems in 2009.** While the fundamentals of the ag industry remain strong despite the turmoil, Richard Brock of Brock & Associates, says in the near term the fundamentals of the grain market don't matter. At the current market prices for corn and soybeans, he says that he's advising buyers to lock in their purchases now for the first quarter of 2009.

"We don't think this down movement is over with, but demand remains high and it's going to be like a rubber band and prices could bounce back pretty quickly," he says.

Brock says he doesn't anticipate problems with farm incomes this year, but believes the residual effects of the current economy will show up in full force in 2009.

Overall, he says that farm income will be solid for 2008, with the reminder that a lot of producers

### Credit Not the Only Concern

In a panel discussion at the October 9 Assn. of Equipment Manufacturers Ag Executive Forum that included addresses from the soybean, corn and wheat-growing associations, Steve Censky, CEO of the American Soybean Assn., raised four areas of concern about the impact of the financial crisis.

**Global Demand Takes Hit.** "Global demand is being hit hard by lower meat and poultry consumption as a result of the financial crisis" he says, noting that domestic demand was also weak, citing Tyson and Pilgrim's Pride data.

**Farmer's Financing Challenges.** "Farmers are seeing a 30-35% increase in variable costs against prices that plummeted significantly over the last two months," he said.

**Elevators Caught in a Bind.** The question, he says, is whether elevators will offer deferred 2009 crop price bids to farmers in the face of uncertain financing and risks of large margin calls.

**Land Prices.** "Are land prices set to decline as investors sell to raise cash and avoid potential higher capital gains tax rates in the years ahead?"

have crop insurance that cover revenue shortfalls due to falling commodity prices.

At the same time, he adds, "I think '09 is going to be a train wreck for a lot of producers because they did the opposite of what they should have. They've already locked in a lot of input prices for next spring but didn't lock in grain prices. Many are also paying extremely high cash rents. This, together with buying inputs and not selling grain in a falling market, is going to make 2009 a pretty dramatic experience for a lot of them."

**Equipment Sales Shaky.** On the equipment side, Brock believes that 2009 could be a rocky year for farm equipment makers and dealers. "I think we're going to see some major equipment purchases cancelled that are on the books right now and a year from now we're going to see a surplus of farm equipment, not a shortage. I think the pendulum is going to swing quickly and not in favor of the equipment industry."

He says that farmers were overly enthusiastic this summer when the market was riding high and ordered new equipment. "Many of these producers are already paying high cash rents. In the next couple of months, they're going to sit down and say, 'Do I really need that new combine or that

new tractor?' I think we're going to see a shift in equipment purchases."

On the other hand, in an October 13 note to investors, Robert McCarthy, machinery analyst for R.W. Baird said, "Deere reported that it has not seen any meaningful fiscal '09 order cancellations, suggesting the current economic turmoil and recent crop price softening have yet to impact demand for large agricultural equipment."

**Credit Not the Issue.** From another perspective, in her October 10 note to investors, Ann Duignan, machinery analyst for J.P. Morgan, reports that she spent time in the Midwest visiting with farmers and found that working capital, not access to credit, was the issue they were most concerned with.

"Overall, sentiment in farmland has deteriorated a little, and while farmers are not concerned about credit availability, they are growing concerned about next year's profitability," she says.

Duignan also notes that the Iowa farmers she met with report that financing by suppliers, such as seed dealers, is not as simple a proposition as it was prior to the credit crunch.

"Traditionally, their dealers would wait until post-harvest to receive payment for seeds planted in the spring.

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Today, however, they are asking for payment up front. This phenomenon is driving up farmers' working capital requirements. Having said that, farm balance sheets are very healthy and debt-to-total capital is ~10%," says Duignan.

She adds, "Two of the three farmers we met with noted that they have already decided to trade equipment next year as the incentives being offered by dealers remain very attractive. However, one farmer noted that when the agricultural market does turn down, he'll stay out of the equipment market for a few years."

**Ag's in Good Shape.** Speaking at the Assn. of Equipment Manufacturers Ag Executive Forum on October 9 in St. Louis, USDA Secretary Ed Schafer said there was cause for concern over the recent financial crisis, but believes ag is in a good place. Discussing the actions by the fed, he said, "It's like reining in a team of runaway horses. You pull hard for a long time before you start to see the result."

Ag faced the credit crunch following a three-year position of strength, Schafer said. "We had strong commodity prices until recently, farm-

ers were paying down their debt, balance sheets have been in good shape and we had a currency situation that resulted in an outstanding export market. In the ag sector specifically, we see strength we don't see in other sectors. We're holding together a credit arena that's strong enough to get through this period of time."

While he wouldn't promise "no bumps in the road," he noted there was concern over the stability of the elevators, but said farm credit organizations remain in reasonably good shape. **AEI**

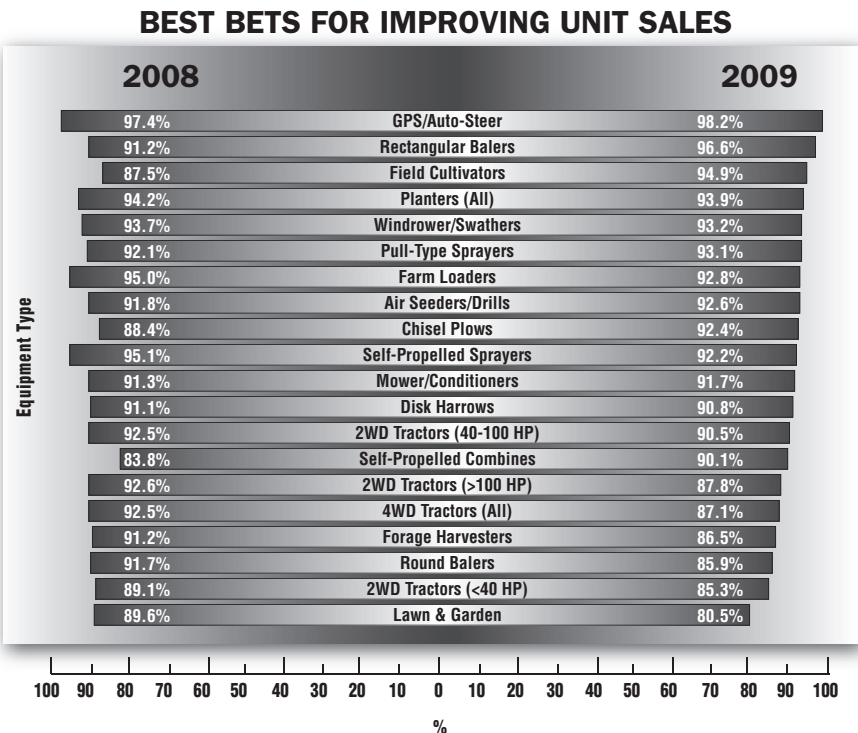
AEI Survey: Continued from page 1

from a number 19 ranking in 2008 to ninth for the coming year. Disc harrows also moved up on the list, from the 12th spot to number nine for 2009.

As a group, all classes of tractors slipped on the dealers' list of best bets for 2009. Compact tractors fell to the 19th spot, while lawn and garden equipment finished in last place.

The complete 48-page 2009 Business Outlook & Trends Farm Equipment Forecast is available now to AEI subscribers only. **AEI**

**GPS products remained at the top of the list of "best bets" for increasing sales for 2009. Dealers also moved tillage equipment — including field cultivators and chisel plows — up on their list for the coming year.**



FARM MACHINERY TICKER (AS OF 10/13/2008)								
Mfr.	Symbol	10/13/08 Price	9/11/08 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	\$37.61	\$49.97	\$71.95	\$28.30	10.48	1.94 M	3.45 B
Alamo	ALG	\$16.44	\$18.60	\$26.46	\$11.50	10.29	48,200	161.87 M
Art's Way	ARTW	\$3.70	\$10.50	\$19.88	\$2.92	6.50	41,426	14.70 M
Caterpillar	CAT	\$49.48	\$64.81	\$85.96	\$37.07	8.13	8.53 M	30.12 B
CNH	CNH	\$19.14	\$29.06	\$70.00	\$13.25	6.53	444,015 M	4.54 B
Deere	DE	\$42.45*	\$61.58*	\$94.89	\$34.00	8.80	6.72 M	18.13 B
Kubota	KUB	\$23.15	\$30.84	\$43.41	\$23.15	9.30	46,753	5.92 B
Titan Mach.**	TTTN	\$15.99	\$24.09	\$34.49	\$11.15	20.34	540,115	282.05 M

\*On November 14, 2007, Deere & Co. shareholders approved a two-for-one stock split in the form of a 100% dividend.

\*\* Titan Machinery undertook its IPO with approximately 6 million shares on December 6, 2007 at \$8.50/share.

## European Tractor Loader Manufacturers Cancel Merger Plans

The planned merger of Alo and MX, two leading manufacturers of tractor loaders, has been called off. The current worldwide economic situation has been cited as being partly to blame for the break off in talks between the two firms.

It's the ag machinery industry's second merger deal to be cancelled in recent weeks. In September, off-highway tire and wheel manufacturer Titan International ended acquisition negotiations with its former subsidiary Titan Europe.

Alo of Sweden, the world's largest supplier of tractor loaders with the Quicke, Trima and Veto brands, said in January it had an agreement with the Mailleux family of France to acquire all shares in MX, its leading European tractor-loader rival.

Combining the two operations would have created a business with more than 1,100 employees, an output of around 40,000 loaders and sales worth more than \$400 million.

Now, that prospect has folded with a decision described as unanimous to suspend the planned merger.

"The acquisition would have strengthened Alo's position as the

leading front loader manufacturer in the world market," said Alo president and CEO Olle Pehrsson. "It is sad that the deal will not be done but, at the same time, it means we can calmly continue to focus on our respective core businesses."

In a media release, Alo referred to the current financial situation across the world as being a factor in the decision but also that "the merger project has become a long process."

One factor not directly mentioned is that in June of this year, the European Commission announced an in-depth investigation of the merger plans.

It said an initial review had found the proposed acquisition "raised serious doubts as to its compatibility with the Single Market as regards front loaders for tractors."

Alo claimed 20% of the world tractor loader market and a 40% share in Europe, which would have increased with the acquisition of MX.

The EU's competition commissioner said at the time: "We must ensure that farmers, and ultimately all consumers of farm products, are not harmed by higher prices and less choice as a result of

the proposed merger."

The investigation was suspended the following month because the information requested had not been supplied, says the EU Commission.

In its media release, Alo says: "The two companies, who have always maintained a healthy respect for each other, will continue to compete in the market with their products and services, underpinned with good business ethics."

Alo anticipates a record year for 2008, seeing sales revenues rising from the equivalent of \$237 million to around \$265 million, and forecasts rising demand continuing into next year.

**Titan Ends Talks.** Titan International has also pulled out of the acquisition trail.

In April, it announced preliminary talks regarding a potential share exchange offer for all or part of 51% or more of Titan Europe's outstanding ordinary shares.

The U.S. company planned to seek shareholder approval for issuing 9 million new shares for the acquisition but, in early September, announced that discussions with Titan Europe had ended. No reason was given for the decision. **AEI**

## Poettinger Targets U.S. for Continued Sales Growth

After a summer show and field day program that enabled Poettinger to put new forage harvesting technology in front of farmers and custom operators, the Austrian manufacturer is confident of growing sales in the U.S.

At Farm Technology Days 2008 in Brown County, Wis., Poettinger says it had a positive response to the new Combi Profiline, a self-loading silage chopping trailer that can work on its own or as a support trailer working alongside a trailed or self-propelled forage harvester.

"Spectators stormed the Combiline to get a closer look at the machine and find out more about how it works," says Roland Hauzinger of Poettinger. "The loader wagon is an innovative system in North America — in contrast to its long history in Europe. The response shows the

potential of the American market."

North America is among the company's sales-growth targets right now, with wide-working hay mowers and disc cultivators among the implements it hopes to sell in growing numbers.

To underpin that ambition, the Poettinger U.S. subsidiary, based in Michigan City, Ind., was opened earlier this year, primarily as a parts distribution center supporting the Canada-based sales operation.

"Parts can be shipped by truck in one day to around half the dealers in our sales area around the Great Lakes, with 90% of customers able to get deliveries within 2 days," noted joint managing director Heinz Poettinger.

Growth in North American sales will be a welcome addition to Poettinger's rising stock, which has seen the firm double its sales in 5 years.

In its 2007-08 fiscal year, sales climbed 20.7% on buoyant western and central/eastern Europe markets from the equivalent of \$273 million at today's exchange rates to \$329 million.

Shifting the balance of the company's dual-line product offering should also help growth performance; hay equipment accounts for 70% of sales and climbed 16% in 2007-08. But sales of the tillage lineup — moldboard plows, tine and disc cultivators and drills — grew 45% to account for 21% of the total.

The European markets in Germany, Austria, France, Switzerland and Czech Republic still account for the lion's share (66%) of sales, with Russia and Ukraine becoming more significant; they were among the biggest growth markets for Poettinger last year. **AEI**



## AGCO Continues to Pursue China Deal as Mahindra Inks Second Pact

Undaunted by what appeared to be insurmountable hurdles, AGCO has not given up on prospects of forming a joint venture with First Tractor Co. Ltd, one of China's leading tractor firms.

Last fall, negotiations appeared to have reached an impasse over who would hold the controlling interest in any joint business.

"The Chinese say any joint venture would have to be at least 50:50 but they want 51:49 in their favor to consolidate the business," explains Gary Collar, AGCO vice president for Europe, Africa and Middle East. "But we have to protect our shareholders' interests as a matter of principle and such an arrangement would not be compatible with that responsibility."

On the assumption that the corporation will have some form of presence in the country, AGCO already has a team scouting local manufacturers for components that could be used in products assembled back in the West or used in any local venture.

"We're looking at everything from metal components to tires," says Collar. "The companies we're looking at cover a range of capabilities — from those we could work with right away to those that would take some time to get up to our standards."

**Deutz in China.** Sourcing local components is also a priority for Deutz (Dalian) Engine Co., the joint venture established by Deutz and FAW Jiefang that started trading just over a year ago. A visit to the new China facility left Collar impressed.

"It's the smartest, cleanest engine plant I've seen," he says. "It just shows what you can do with a green field start-up."

In its first 5 months, the venture

built more than 42,000 engines and the target for this year, according to the Deutz annual report, is between 100,000 and 120,000 diesels, with up to 20% of them using Deutz technology. The goal is to double next year and climb to 100,000 units in 2010.

**AGCO in Russia.** AGCO's investment in new engine production facilities is focused on Russia, where a

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***"Mahindra will control assets valued at \$50 million for an outlay of \$26 million. . ."***

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joint venture with Concern Tractor Plants, a leading Russian machinery builder, will build Sisu diesels.

The new venture, on which AGCO plans to spend \$9 million over the next 3 years, is owned 50/50 by the two partners and will be based in an existing CTP plant near Moscow. Initial capacity is up to 20,000 engines per year.

The engines will be used by all major CTP plants producing industrial and ag machinery between 50 and 350 horsepower. In addition, the new business will distribute the full range of AGCO Sisu Power engines throughout Russia and the Commonwealth of Independent States.

Back in China, Collar is convinced AGCO has not missed the boat on establishing local tractor production.

"Chinese companies are developing fast but there's still time for Western manufacturers to get involved," he says. "We're just looking for the right partner with the right

attributes to give us a strong presence in the market."

**Mahindra Signs JV.** India's Mahindra & Mahindra has already achieved that goal; in August, the conglomerate signed its second joint-venture deal in China.

Subject to receiving the necessary approvals, Mahindra will hold 51% of a new business comprising the tractor-related assets and current liabilities of Yancheng Tractors, including the Jinma brand, which reportedly was the third best-selling tractor in China last year.

As a result, Mahindra will have management control of assets valued at \$50 million for an outlay of around \$26 million.

"I have always believed that India and China have unique and complementary strengths," said Anand Mahindra, vice chairman and managing director of the Mahindra group. "We already have a successful joint venture with Jiangling Tractor Co.; the JV with Yancheng Tractor will further combine Indian entrepreneurial and managerial skills with Chinese competitiveness and efficiency."

The president of Mahindra's farm equipment business, Anjanikumar Choudhari, sees the new venture developing in both China and international markets.

"The Jinma brand is strong in the domestic market and the company is one of China's biggest exporters of tractors. Along with our current operation at Nanchang, we will have a much larger scale to build up our business in China with a product range going up to 125 horsepower and a large manufacturing base for the domestic market and for low-cost manufacture for exports." **AEI**

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## Art's-Way Revenues Climb 15% in Third Quarter

Art's-Way Manufacturing, Armstrong, Iowa, reported that its revenues jumped 15% during the third quarter, which ended August 31, and 24.5% through the first 9 months of 2008.

According to J. Ward McConnell, Jr., executive chairman of Art's-Way's board, the company's total revenue

increased 15%, from \$8.2 million to \$9.4 million for the quarter. It also increased 24.5%, from \$19.2 million to \$23.9 million for the first 9 months of 2008.

Art's Way Scientific increased its 9-month revenues by 66%, while Art's-Way Manufacturing Co., increased its

revenues by 45.3% during the same period. These increases were offset by a 93.6% decrease in the revenues of Art's Way Vessels.

As of September 2008, the company's order backlog had increased to \$17 million compared to \$12.5 million in September 2007. **AEI**

## Dealers Still Bullish on Sales for 2009

Despite the economic turmoil that has enveloped the U.S. economy in the last month, a large majority — 81.7% — of North American farm equipment dealers see their prospects for new equipment sales in 2009 being as good or better than they were in 2008 — which for many dealers is turning out to be an outstanding year.

More than half of the dealers surveyed — 53.6% — believe that unit sales of new equipment will improve more than 2% in 2009, with 17.2% of those forecasting increases of 8% or more. And more than half of the dealers — 51.3% — see sales of good used machinery increasing by at least 2% in the coming year.

On average, ag equipment retailers surveyed by *Ag Equipment*

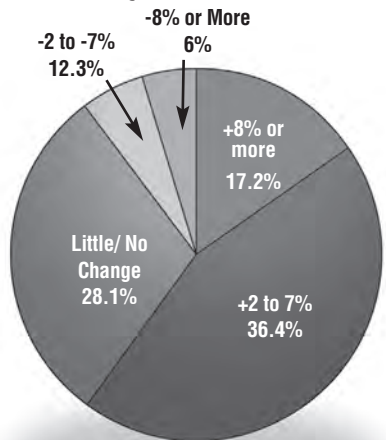
*Intelligence* see overall new unit sales increasing by nearly 2% in 2009 vs. 2008, while projecting sales of used machinery will grow by 2.12% compared with the previous year. For comparison purposes, last year dealers projected overall sales of new equipment would grow by 2.63% and used equipment by 2.48%.

Dealer optimism for 2009 is down somewhat from where it was last year when *AEI* conducted its 2008 Business Outlook & Trends survey. At that time, 89.8% of those surveyed (vs. 81.7% for '09) forecast sales levels to be as good or better in 2008 compared to 2007.

*The complete 48-page 2009 Business Outlook & Trends Farm Equipment Forecast is available now to AEI subscribers only.*

**AEI**

### DEALERS' OUTLOOK FOR NEW EQUIPMENT SALES



Nearly 82% of dealers surveyed see sales of new equipment in 2009 as good or better than they were in 2008.

## Cub Cadet Yanmar Continues Its 'Measured Approach' to Small Tractor Market

Despite the downturn in the sales of compact tractors in the U.S., Cub Cadet Yanmar (CCY) believes its decision to enter the market was on target and plans to continue expanding its presence.

*Ag Equipment Intelligence* attended an October 9 meeting at the Cub Cadet Yanmar plant in Adairsville, Ga., that reviewed the progress of the Cub Cadet and Yanmar partnership that was formed in February 2007.

CCY shipped its first product in August 2007 and has since edged into the compact market with three tractor models ranging from 24-32 horsepower. The company plans to release a 45-horsepower model in February 2009. While the product line is far from comprehensive, CCY has taken a measured approach to the market that President and CEO Masashi Shimo believes will prove to be the right decision for the company.

Since both Cub Cadet and Yanmar are family-owned companies, CCY does not to make its sales numbers public, but the company maintains that the CCY brand has been doing well in spite of a slowing economy that has impacted small tractor sales.

When pressed, national marketing and sales manager Ken Paul said only that both the Ex Series and Sc 2400 are "retailing at a steady pace."

**Evaluating Dealers.** CCY has just over 400 dealers nationwide but is looking to expand the network, particularly on the West Coast where the company perceives a high potential for sales of compact tractors.

CCY says it approaches dealer selection as methodically as it has approached the market. When selecting a dealer, CCY examines the dealership's sales history and asks a series of questions designed to determine the dealer's market knowledge for compact tractors.

Paul is adamant that when seeking out dealers, CCY doesn't look to compete with a dealer's existing lines, but instead looks for dealerships with product gaps that the CCY line can comfortably fill.

**Expanding Production.** CCY signified their consolidation through the construction of the CCY plant in Adairsville, Ga. The plant serves as the sole output facility for the CCY product line and was upgraded last year

with a 200,000 square-foot addition devoted to compact tractors. In the plant's peak season, each line can produce between 25 and 40 units per day, but CCY is working to push that top number to 60 within the year.

In the future, CCY intends to move the entire production process to the Georgia plant, including the manufacture of a small line of attachments. The company says that consolidating production will allow for a faster turn around on unforeseen equipment demand.

**Next 20 Months.** Consolidation of production will require further expansion of the Georgia facility, but CCY says the coming months will be spent developing products to fill gaps in its line.

In terms of introducing new tractors in the current economy, Paul says, "It's a volatile time right now. The economy is making it tougher for our customers to get credit. We're as anxious to see the 2009 outlook as anyone, but we have a good business plan. Our sales have exceeded expectations so far. We're confident our company is taking the right steps."

**AEI**

## Large Equipment Sales Continue to Climb

Retail sales of large tractors were "robust" in September, according to Robert McCarthy, analyst for R.W. Baird. Row-crop tractor sales increased 60% year-to-year, while 4WD sales increased 102%, according to the latest figures from the Assn. of Equipment Manufacturers. At the same time, combine retail sales surged 58% year-over-year in September, the seasonally most important month for combine sales.

- The 60% increase in North American sales of row-crop tractors, followed a 65% increase in July and were up 55% in the third quarter. "September is a below-average month seasonally for row-crop tractor sales, contributing only 6% of annual sales on average," says McCarthy.

- Combine sales during the third quarter were up 36% year-over-year. On average, September sales have contributed an average of 13% of annual sales over the past 5 years.

- Retail sales of 4WD tractors more than doubled year-over-year in September vs. a 14% increase in August. Sales were up 95% for the quarter.

- Dealer inventories of large tractors and combines declined in August. Row-crop tractor inventories fell 1% year-to-year on an absolute basis and to 82 days-sales vs. 111 days-sales in the prior year. 4WD inventories fell 16% year-to-year on an absolute basis and to 62 days-sales vs. 98 in August 2007. Combine inventories declined 11% year-to-year, to 72 days-sales from 92 in the prior year.

- Compact (<40 hp) tractor sales in the U.S. slid 3% in September compared to September 2007. In Canada, sales of compacts rose by 59.8%. Compared to September 2007, Canadian sales are up 24.8% for the period of January to September.

- U.S. sales of utility tractors (40-100 hp) fell 0.5% last month. For the first 9 months of the year, sales are off 11.5%. Canadian sales of mid-range tractors in September were up 56.2%, and 25.4% through September of 2008.

**AEI**

### SEPTEMBER U.S. UNIT RETAIL SALES



Equipment	September 2008	September 2007	Percent Change	YTD 2008	YTD 2007	Percent Change	Sept. 2008 Field Inventory
<b>Farm Wheel Tractors-2WD</b>							
Under 40 HP	8,235	8,490	-3.0	82,309	94,460	-12.9	57,731
40-100 HP	5,922	5,953	-0.5	53,775	60,784	-11.5	34,624
100 HP Plus	2,525	1,536	+64.4	19,339	14,515	+33.2	5,542
<b>Total-2WD</b>	<b>16,682</b>	<b>15,979</b>	<b>+4.4</b>	<b>155,423</b>	<b>169,579</b>	<b>-8.4</b>	<b>97,897</b>
<b>Total-4WD</b>	<b>508</b>	<b>273</b>	<b>+86.1</b>	<b>3,135</b>	<b>2,412</b>	<b>+30.0</b>	<b>709</b>
<b>Total Tractors</b>	<b>17,190</b>	<b>16,252</b>	<b>+5.8</b>	<b>158,558</b>	<b>172,171</b>	<b>-7.9</b>	<b>98,606</b>
<b>SP Combines</b>	<b>1,481</b>	<b>973</b>	<b>+52.2</b>	<b>6,123</b>	<b>5,147</b>	<b>+19.0</b>	<b>1,499</b>

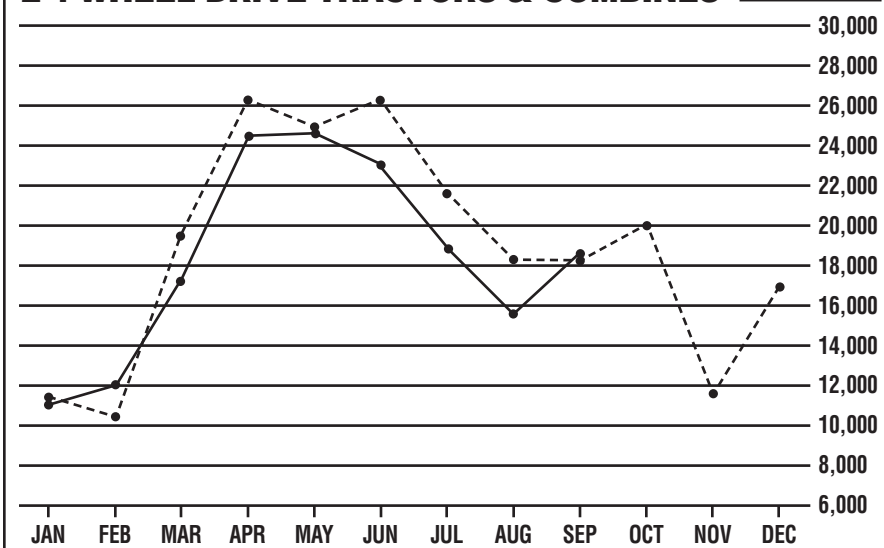
### SEPTEMBER CANADIAN UNIT RETAIL SALES



Equipment	September 2008	September 2007	Percent Change	YTD 2008	YTD 2007	Percent Change	Aug. 2008 Field Inventory
<b>Farm Wheel Tractors-2WD</b>							
Under 40 HP	1,256	786	+59.8	10,951	8,777	+24.8	6,339
40-100 HP	692	443	+56.2	6,019	4,798	+25.4	3,602
100 HP Plus	358	267	+34.1	3,314	2,660	+24.6	1,344
<b>Total-2WD</b>	<b>2,306</b>	<b>1,496</b>	<b>+54.1</b>	<b>20,284</b>	<b>16,235</b>	<b>+24.9</b>	<b>11,285</b>
<b>Total-4WD</b>	<b>39</b>	<b>28</b>	<b>+39.3</b>	<b>877</b>	<b>496</b>	<b>+76.8</b>	<b>101</b>
<b>Total Tractors</b>	<b>2,345</b>	<b>1,524</b>	<b>+53.9</b>	<b>21,161</b>	<b>16,731</b>	<b>+26.5</b>	<b>11,386</b>
<b>SP Combines</b>	<b>168</b>	<b>154</b>	<b>+9.1</b>	<b>1,754</b>	<b>1,164</b>	<b>+50.7</b>	<b>304</b>

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

— 2008  
--- 5 year average



—Assn. of Equipment Manufacturers

## Dealers View Commodity Pricing as a 'Bubble,' But See an Upside in Accelerated Depreciation

Nearly 80% of respondents to the UBS 24th Agricultural Dealer Survey believe farm commodity prices are in a "bubble." But Henry Kirn, UBS analyst, notes that since the survey was conducted, the futures price of corn has declined 38%, with soybeans and wheat down 35% and 31%, respectively.

On the other hand, oil futures declined by 33%. "However, despite the recent pullback, corn futures prices are still 28% higher than year-ago levels, while oil prices are up 10% over the same time frame."

At the same time, Kirn points out in an October 10 report to investors that dealers indicated that the accelerated depreciation bonus and farm bill "will likely have positive impacts on equipment sales in 2008 and 2009, providing more potential catalysts for continued strength in U.S. farm machinery demand.

"We expect U.S. farm machinery sales to continue to improve, driven by still elevated farm commodity prices, healthy farmer balance sheets and expected record levels of farm income," says Kirn.

**In a Bubble?** A great majority of the dealers surveyed — 79% — believe farm commodities are currently in a bubble, while 21% do not.

### REGIONAL RESULTS — IMPACT OF ACCELERATED DEPRECIATION ON 2009 EQUIPMENT SALES

Region	AGCO	Case IH	Deere	New Holland	Total
Appalachian	6.39	7.14	7.50	6.46	6.74
Corn Belt	7.29	8.04	8.59	7.07	7.65
Delta States	n/a	7.50	5.83	6.25	6.59
Lake States	7.50	7.38	7.50	6.58	7.07
Mountain	7.00	7.50	6.50	7.00	6.96
Northeast	6.67	7.25	7.78	6.79	7.08
Northern Plains	7.92	7.25	7.50	7.73	7.57
Pacific	6.00	6.25	6.67	6.46	6.38
Southeast	5.42	5.83	8.00	6.88	6.43
Southern Plains	7.50	8.00	6.00	5.00	6.67

**Total U.S.** 6.85 7.40 7.50 6.74 7.08

Source: UBS Agricultural Dealer Survey #24

"While farm commodity prices have pulled back over the last few months, we believe they remain at elevated levels relative to historical norms," says the UBS analyst.

"We attribute the elevated prices to various factors, including rising global demand for biofuels and rising global consumer affluence. USDA is currently projecting the global 2008-09 corn crop to be the second largest in history in terms of production, yet forecasts stocks-to-use levels to be near all-time lows, partially driven by historically high consumption rates."

**Depreciation Upside.** While the dealers are wary of the volatility of

commodity pricing, they're also seeing a strong positive impact from the accelerated depreciation schedules available to growers this year and into 2009.

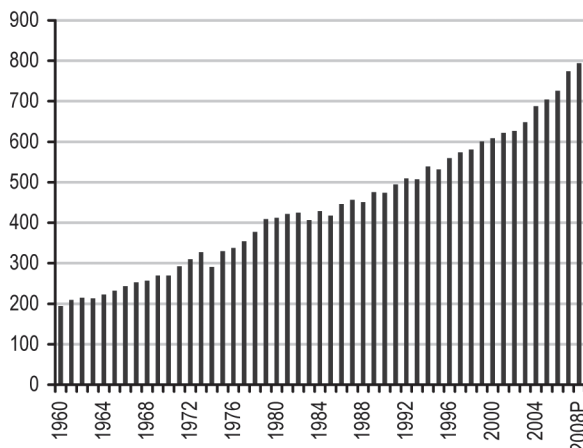
Of the more than 400 dealers participating in the survey, 76% expect a "very positive" or "somewhat positive" impact from favorable depreciation schedules for farm machinery.

With a numerical rating of "5" representing "No Impact," for 2009, the national average was slightly less at 7.08, but demonstrates that overall dealers believe that the new depreciation schedules will have a positive impact next year.

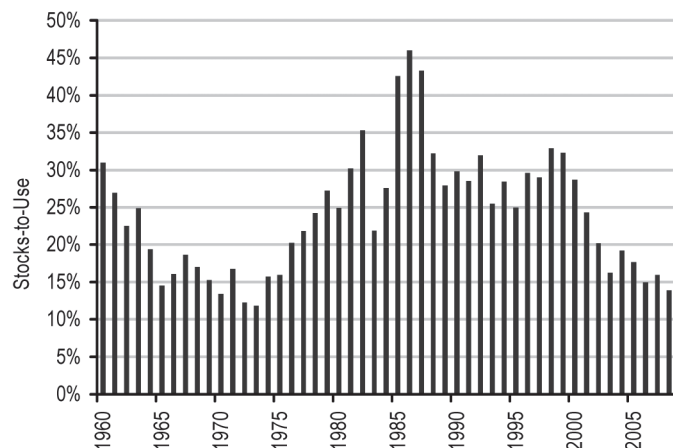
**AEI**

### GLOBAL CORN CONSUMPTION

Historical Global Corn Consumption



Global Corn Stocks-to-Use



Source: USDA and UBS estimates

While farm commodity prices have pulled back over the last few months, UBS believes they remain at elevated levels relative to historical norms. USDA is currently projecting the global 2008-09 corn production to be the second largest in history, yet forecasts stocks-to-use levels to be near all-time lows, partially driven by historically high consumption rates.