From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- AGCO, CNH Soaring
- Too Many Dealers?
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Russians Close Buhler Deal for $145 Million

Russian combine maker Rostselmash Ltd. completed its acquisition of Canada's largest farm equipment maker, Buhler Industries of Winnipeg, Manitoba, on October 30. According to John Buhler, who along with his family controlled 78% of Buhler stock, Rostselmash paid $145 million cash for 80% of the corporation's common shares.

Rostselmash is a major combine manufacturer located in Rostov-on-Don, Russia, and reportedly produces over 17% of the total world production of combines for agriculture.

On July 24, the Canadian equipment maker reported that Rostselmash, in an unsolicited offer, proposed to acquire 51% of Buhler's outstanding shares at $7.50 (Canadian) per share. From 2009-2012, the Russian firm would then purchase 7.25% of Buhler Industries' remaining common shares at $7.60 per share by September 30 of each year.

Following further negotiations, it was disclosed on September 13 that Rostselmash offered to purchase 80% of Buhler's outstanding stock for $7.25 per share in cash and to complete the acquisition by October 31 instead of over a 5-year period.

Russians Wanted Tractors. Speaking at the Far West Equipment Dealers' Assn. annual meeting in Monterey, Calif., on November 7, John Buhler indicated that owning a "tractor factory" had been his lifelong dream. He purchased the operation that made Versatile tractors from Ford Motor Co. in 2000. "We operated it 11 weeks when auto workers union went on strike," he said. The strike lasted for 9-1/2 months. "It was the toughest time of my life and really knocked the wind out of my sales. We had 150 employees and we ended up giving the union $17 million in cash [to go away]. During that time we hired people off the street without advertising." Essentially, the company started over.

The past few years haven't been particularly good ones for Buhler's tractor-making operations. "Overall, we still made money in our operations, but in the last 3 years, we lost about $11 million with the tractors," said Buhler. "In fact, we had 39 consecutive years of profit. I like to make a profit, but I hated losing money in one division."

According to Buhler, 3 months ago he received a call from someone in Russia who wanted to visit the factory. When they left, they expressed an interest in buying the operation, but he says he didn't take them seriously. "I went to Russia and they made an offer and I said, 'OK.'"

Rostselmash has 75% of the combine market in Russia, according to Buhler. "They needed a tractor for their 200 dealerships in Russia. They wanted the higher technology equipment and they wanted to control it."

Buhler says that 90% of the share-

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Continuing Turnover at the Top Disconcerting to New Holland Dealers

In less than 2 years, New Holland ag equipment group has replaced its top guy in North America five times and today no one's quite sure who's running the show there.

With the continuing disarray, more than a few of the brand's dealers are becoming frustrated with the revolving door of top managers and lack of communication from parent company CNH Global. It's leading to speculation about the fate of the firm. "If they're planning to spin this thing off, they're not doing themselves any favors with all these changes," one New Holland dealer told *AEI*.

Another says, considering the instability at top of New Holland, the best he can do is to insulate his customers from the goings on at Fiat, which controls between 80-85% of CNH Global's stock.

On September 18, in a brief press release, CNH Global announced that Lorenzo Sistino, who was named president of New Holland worldwide in March 2007, was returning to Italy as CEO of Fiat Automobiles and that Harold Boyanovsky, CEO of CNH Global, would expand his role by taking the lead at New Holland Agricultural Equipment. Taking over for Sistino means Boyanovsky is essentially doubling his work load.

The New Holland Turnstile. The latest round of the top-level turnover at New Holland began in January 2006 when Bob Crain, vice president of North American agriculture business, unexpectedly left to head up AGCO's North American operations. Crain had been with New Holland for more than 20 years.

New Holland veteran Dennis Recker succeeded him and held the position for only 8 months when David Clarke replaced him in September 2006. Clarke had only

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holders tendered their shares and the details of the transaction were concluded on November 7. "I still have about 17% of the company," he says.

Buhler Name Remains. Buhler says that the Russian firm plans to continue to market the equipment under the name Buhler. "Part of the deal is they will keep the name Buhler. In exchange, they will have the use of the web address 'buhler.com,' which I was planning to keep for myself," says Buhler.

"The brand 'Versatile' may not be as prominent as Buhler. In Russia and Kazakhstan we've sold over 1,000 tractors and they couldn't understand the word Versatile." As a result, he said, the equipment was marketed as Buhler.

At 74 years old, Buhler says he is retiring. On November 8, he resigned as CEO and chairman from Buhler Industries, as did Ossama AbouZeid as president, secretary-treasurer and CFO.

Buhler's new officers from Rostselmash include Dmitry Lyubimov as president and CFO; Yury Ryazanov, CEO and secretary treasurer; and Dmitry Udras, chairman of the company's board of directors. Lyubimov arrived in Winnipeg about a month ago.

Rostselmash owner Konstantin Babkin said in an interview while the new owners have no near-term plans to spin off or sell any of Buhler's existing divisions, which include Farm King, Inland, Allied and Versatile. Nor does Rostselmash have plans to to buy more companies, he said.

Dealer Network. Buhler's existing dealer network will remain largely unchanged, but Rostselmash's network of over 200 dealers in Russia, Ukraine and Kazakhstan will now carry Buhler tractors.

Buhler says Rostselmash plans to expand production of tractors by as much as 50% in order to continue serving the North American market while exporting tractors to Russia. AEI

Dealers, Manufacturers Share Positive Outlook for 2008

Although both farm equipment dealers and machinery manufacturers see strong potential for improved sales for most equipment categories in 2008, the two groups are diverge somewhat where the increased revenues will originate.

The results of *Ag Equipment Intelligence's 2008 Business Outlook & Trends* survey of farm equipment dealers show that the machinery retailers see robust sales in nearly every major equipment category during the coming year.

They are projecting particularly solid outcomes from the sale of 2WD tractors, 40-100 hp (+1.89%), self-propelled sprayers (+1.89%), GPS-autosteer systems (+1.89%) and 4WD tractors (+1.79%).

At the same time, farm machinery manufacturers are clearly placing their bets for increasing sales on big-ticket items, particularly tractors and combines, according to the yearly agricultural equipment outlook report from the Assn. of Equipment Manufacturers.

AEM's survey shows that the manufacturers believe 4WD tractors (+6.5%), planters (+6.5%), chisel plows (+5.3%), combines (+3.8%), self-propelled sprayers (+3.5%) and 2WD tractors >100 hp (+3.4%) have the best potential for growing sales in 2008 compared to 2007. AEI

AEM AND *AG EQUIPMENT INTELLIGENCE* FARM EQUIPMENT OUTLOOK – 2007 RETAIL SALES FORECAST

(IN UNITS VS. 2006)

Equipment	AEM Mfrs.' Survey U.S. Percent	AEM Mfrs.' Survey Canada Percent	NA Wt. Avg.	*AEI* Dealers' Survey U.S. Wt. Avg.	*AEI* Dealers' Survey Canada Wt. Avg.
2WD Tractors (<40 hp)	- 0.7	+ 4.0	+1.47%	1.28%	3.01%
2WD Tractors (40-100 hp)	+ 0.7	+ 0.7	+1.89%	1.79%	2.59%
2WD Tractors (>100 hp)	+ 3.4	+ 2.4	+1.57%	1.45%	2.55%
4WD Tractors (All)	+ 6.5	+ 4.2	+1.79%	1.76%	2.02%
Combines	+ 3.8	+ 3.6	+1.31%	1.26%	1.73%
Rectangular Balers	- 1.8	- 1.0	+0.53%	0.94%	0.63%
Round Balers	- 0.5	- 0.8	+1.34%	1.36%	1.32%
Box Scrapers	- 1.8	0.0	na	na	na
Chisel Plows	+ 5.3	+ 2.0	+1.89%	1.89%	1.89%
Disc Harrows	+ 2.8	0.0	+1.57%	1.57%	1.57%
Farm Loaders	+ 1.2	+ 1.7	+1.47%	1.47%	1.47%
Field Cultivators	+ 4.4	+ 1.0	+0.14%	0.20%	-0.33%
Forage Harvesters	- 4.5	- 5.0	+0.20%	0.21%	0.10%
Mower/Conditioners	- 0.6	+ 0.8	+1.48%	1.36%	2.38%
Planters	+ 6.5	+ 2.5	+1.81%	1.79%	2.06%
Self-Propelled Sprayers	+ 3.5	+ 7.0	+1.89%	1.89%	1.89%
Windrowers/Swathers	- 2.0	- 2.0	+0.86%	0.69%	2.12%
Air Seeders/Drills	na	na	+1.47%	1.47%	1.47%
Lawn & Garden Equipment	na	na	+1.47%	1.47%	1.47%
GPS-Auto-steer	na	na	+1.89%	1.89%	1.89%
Pull-Type Sprayers	na	na	+1.57%	1.57%	1.57%

The AEI survey of dealers' results reflect a weighted average of the responses from more than 500 U.S. and Canadian dealers and demonstrates their relative confidence for improving sales in each of the major equipment categories. The AEM outlook results represent the average of responses from companies in each product line and industry-wide expectations rather than individual company performance. AEM notes that projections are for unit sales and not company profitability.

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been with New Holland since 2005. When he decided to retire at the end of 2006, Recker had been with New Holland for 32 years.

Clarke only lasted until March 2007 when Sistino moved from the parent company in Italy to assume Clarke's responsibilities as well as overseeing all of New Holland with the title of worldwide president.

At the same time, Troy Price was named to the newly created position of vice president of sales to oversee New Holland's North American sales organization. Price was previously vice president of North American sales and marketing for CNH Capital agricultural sales and marketing finance operations.

Shortly after Sistino left in September to take over the top spot at Fiat's automotive group in Italy, Price also left the organization to pursue other opportunities. No public announcement was made regarding Price's departure or who would replace him.

The Next Group. Again, without public announcement, Gary Morgan was appointed senior director of North American sales on October 5. According to a New Holland dealer who asked to remain anonymous, dealers received word about the changes via an internal memo.

"Morgan came up through the credit side, but he had been there maybe 2 years at the most. I think he has a background in auto and his selection shocked me," says the dealer.

"It's going to be interesting, given what's happened with the constantly revolving chair at the top and the incredible pressure. I was shocked that Troy left because he was pretty good in his dealings with people. I don't know about Gary. I'll be curious to see if that senior team will gel under him. I don't know if he can bring all those guys together."

Morale Issues? The New Holland dealer says he expects that there are some very serious morale issues at New Holland's headquarters.

"It seems unusual to me that they've not brought in one of the senior New Holland guys. I think they've sent them a message that they're not going anywhere. I don't know where morale is right now, but I've got to believe that it's pretty low. Internally, it's driving some of their most highly qualified people out. It's a real concern to see what's going on."

"If they're planning to spin this thing off, they're not doing themselves any favors with all these changes. . ."

He says the instability at New Holland is filtering down to the dealers as well as long-time New Holland customers.

"As a dealer sitting out here, you get really concerned when your major player keeps changing at the top. Each time they change, the programs change. They way you do business changes. Each guy wants to make the company in his mold. Each guy has a new answer to how they're going to improve something and it becomes very difficult to put together a long-term business plan. We feel like we're losing some of our competitive edge."

In terms of customer reaction to the management turnover, one dealer added, "This especially hurts when you're talking big equipment. Customers want to know what's the long-term plan for a particular platform and if they can count on us for long-term support.

"They've got some great initiatives going, like the 24/7 Top Service program. There's some really good product coming down the pike, but there's tremendous concern with a lot of us dealers as far as what their long-term direction is."

A Brain Drain. The New Holland dealers *AEI* spoke with say it's the long-term effects of the management instability that has them concerned, particularly the "continuing brain drain" of some highly qualified people, as one dealer put it.

"Between AGCO and Kubota, they seem to be doing a pretty good job of pulling some good guys with institutional knowledge away from us. Even Case IH is benefiting.

"You're not going to find many people stand up and promote anything that's new and innovative right now because if it doesn't go well, they're going get their heads lopped off," he says.

As far as the dealers go, one offered that he's "not real happy sitting out here in the field. I used to focus on trying to support the whole company and looking at what we could do to help the industry, but right now I'm just focused on making sure my local guys survive because we have a good relationship with them. I don't even know a lot of the senior leaders any more." **AEI**

FARM MACHINERY TICKER (AS OF 11/13/2007)

Mfr.	Symbol	11/13/07 Price	10/11/07 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	$58.65	$52.45	$67.16	$28.67	150.00	1.54 M	5.37 B
Alamo	ALG	$19.09	$24.24	$28.37	$18.80	18.59	19,306	187.01 M
Art's Way	ARTW	$20.50	$24.54	$26.78	$5.30	18.50	30,758	40.55 M
Caterpillar	CAT	$71.07	$79.44	$87.00	$57.98	13.70	6.12 M	45.20 B
CNH	CNH	$56.02	$59.95	$66.86	$25.80	27.79	392,831	13.28 B
Deere	DE	$145.87	$152.78	$160.49	$86.52	19.93	2.62 M	32.37 B
Kubota	KUB	$38.64	$41.41	$53.83	$35.32	14.21	50,218	9.98 B

Whether Autos or Tractors, There May Be Too Many Dealers

Whether you're talking about farm machinery dealers or automobile dealers, there's talk about the need to reduce retail dealer numbers. With a shrinking market share in recent years, Detroit's Big 3 automakers believe they have far more dealers than they need.

As the accompanying tables indicate, it takes many more auto dealers to equal a 1% market share than with farm machinery dealers, even though this doesn't look at annual income per dealer.

Last summer, the *Wall Street Journal* reported that Ford is aiming to trim about 200 auto dealers from its U.S. dealer network in 2007 and a similar number annually over the next several years. The new owners of Chrysler Group want to eventually cut their dealer numbers from 3,700 to 3,200 dealers by combining Dodge, Chrysler and Jeep locations into three-brand dealerships.

TOO MANY DEALERS?

Auto Company	Number of U.S. Dealers	2006 U.S. Market Share	Number of Dealers Per 1% of Market Share
GM	7,000	24.6%	285
Ford	4,200	16.4%	256
Chrysler	3,700	13.0%	285
Toyota	1,400	13.4%	104
Others	—	32.6%	—

16,300 total U.S. Big 3 dealers, an average of 4,075 per manufacturer. Total market share for the four firms is 67.4%
Source: Wall Street Journal

Tractor Company	Number of U.S. Dealers	2005 U.S. Market Share	Number of Dealers Per 1% of Market Share
Agco	1,679	14%	120
Case IH	834	13%	64
John Deere	1,359	26%	52
New Holland	975	8%	122
Others*	—	39%	—

** Including shortliners.*
There are 4,847 total U.S. dealers for the four majors, an average of 1,212 U.S. dealers per manufacturer. Total market share for the four major firms is 61%.
Source: Ag Equipment Intelligence

Trimming Dealers. With 6,945 dealers for its eight brands, General Motors has trimmed dealer numbers by 700 in the past 5 years by urging separate Buick, Pontiac and GMC dealers to combine operations. Toyota, with 1,400 dealers and 13.4% of the U.S. market and as many as 63.5% fewer dealers needed to capture 1% of the market, hasn't shown much interest in reducing dealer numbers.

In major metropolitan areas, where import autos sell well, the Detroit brands tend to limp along. These areas often have a few strong dealers along with many others that are losing money and can't afford to advertise enough, hire and keep top-notch sales people or find the dollars to modernize their showrooms.

Michael Jackson, chief executive of the dealership chain AutoNation, estimates a "lack of retail muscle" reduces Detroit's sales to individual customers by a minimum of 15%. He maintains the Big 3 have no idea of the tremendous amount of dollars that they are leaving on the table by carrying inefficient dealerships.

Not a Simple Matter. But as is the case in the farm machinery field, automakers simply can't close down dealers due to a lack of sales. Besides fighting state franchise laws written to protect local businesses, buying out small auto dealerships can be expensive since small stores are often valued at over $1 million.

When 75% of U.S. auto purchases came from the Big 3, it made sense for Ford, GM and Chrysler to have a dealer on nearly every corner. But after years of losing market share, all three manufacturers have more showrooms than they need. As an example, Ford has 11 dealers located within 10 miles of each other in an area west of Los Angeles. Reducing dealer numbers is a slow process, as many smaller dealers simply don't want to go out of business.

This is one area where farm equipment manufacturers are probably out in front of auto manufacturers. The distance between farm machinery dealership has already been stretched out in many areas of the country. AEI

Hardi Sales Rebound, But Sprayer Group Remains on Block

Efforts to sell Hardi, one of the world's largest crop sprayer manufacturers, are going ahead as planned, according to the new chairman of the company's parent group, Auriga Industries.

Ole Steen Andersen declines to identify likely buyers, but having successfully sold the group's insulation and fire-protection materials division earlier this year, he is confident of divesting the larger Hardi International business by the year end.

Ironically, the Danish concern, which is now headed by former sales and marketing vice president Sten Kjelstrup following the retirement of former chairman & CEO Niels-Jørn Rahbek, made a strong recovery in the first half of this year.

Challenging conditions in several key markets in 2006 pushed EBIT into the red to the tune of $5.4 million, but revenues in the first 6 months of this year were $106 million compared with $98 million in 2006, with operating profit coming in at $10.3 million vs. $2.3 million. A healthier 10% EBIT margin contrasts with the 2% achieved in the same period last year.

Market recovery in Europe has been a big help, thanks to much-improved farm commodity prices, but Hardi has also seen gains in Eastern Europe (in the CIS area, particularly) and in Australia, which is an important market for the business. Company managers are forecasting a 12.5% revenue improvement for 2007 compared with 2006. AEI

Robust Sales Boosts AGCO's Third-Quarter Profits to $71.5 Million

With global sales for its farm equipment increasing by 36.4% during the third quarter, AGCO Corp., Duluth, Ga., reported its profits rose markedly by $71.5 million during the period.

The company earned a significantly higher $76.9 million during July-September 2007 on sales of $1.61 billion. That compares to a year-ago gain of $5.4 million from revenue of $1.18 billion. Since the year started, AGCO has netted a higher $165.2 million on sales of $4.65 billion. Its profit was $63.6 million in the same period last year on sales of $3.8 billion.

Strong Worldwide Sales. "AGCO delivered an upside third quarter with better than expected revenue and margins, demonstrating the strength of the global ag cycle and the company's improved execution," Seth Weber, Bank of America (BofA) analyst, reported in his report to investors.

"Revenue of $1.61 billion (+36.6% year-to-year, +27.5% excluding currency) compared with our/consensus forecasts of $1.35 billion/$1.37 billion."

AGCO CORP. BANK OF AMERICA SEGMENT MODEL - $ IN MILLIONS

	2005	2006	2007E	2008E	2009E
Segment Sales					
North America	1,607.8	1,283.8	1,441.3	1,700.7	1,819.7
South America	2,988.7	3,334.4	3,899.2	4,230.7	4,526.8
Asia/Pacific	204.7	159.6	177.6	190.0	203.3
Total	5,449.7	5,435.0	6,544.9	7,353.5	7,880.6

Profit from the firm's South American region increased nearly $18.6 million in the quarter when compared to the same period in 2006. Sales expanded in South America by 60% during the period.

AGCO's profit in North America improved nearly $8.6 million in the third quarter due to net sales growth and cost reductions. Improved market conditions and higher combine and hay equipment sales from new products contributed to North American sales growth of 34%, according to the company.

AGCO said its orders are 25% higher than a year ago. "The supply chain remains a challenge, but manageable at this time," says Weber.

The BofA analyst also indicates that the company's consolidated operating profit of $110.4 million "was above our $60.3 million forecast." Pricing was up roughly 1.5%, with strength in Europe and parts of South America offset by tight markets in Brazil and North America. Incremental margins improved to 19% from 11% in second quarter of 2007.

Acquisitions Complete. During the quarter, AGCO completed the acquisition of a 50% interest in Laverda from Italy-based Laverda-S.p.A unit of Argo, strengthening company's position in the European harvesting market.

The purchase of Sfil Industria Agricola Fortaleza Limitada, a Brazilian manufacturer of farm implements, was also finalized in the third quarter. AEI

CNH Profits Soar 82% in Third Quarter

CNH Global, Lake Forest, Ill., reported on October 23 that it third-quarter earnings rose by 82% despite the continuing decline of construction machinery in North America. The falloff in construction equipment was more than offset by soaring sales in its farm machinery business.

The company said that ag equipment sales increased to $2.3 billion during the third quarter, an increase of 36% compared to the same period last year. Farm machinery sales were led by a 98% increase in Latin America and a 38% increase in North America.

"Our equipment operations gross margin rose 1.9% to 19.4% compared with the third quarter last year — our ninth consecutive quarter of year-over-year gross margin improvement," CNH Global said.

CNH GLOBAL NET SALES — SEPTEMBER 30, 2007

	Three Months Ended September 30			Nine Months Ended September 30		
	2007	2006	Change (%)	2007	2006	Change (%)
Net Sales						
Agricultural Equipment	$2,299	$1,695	36%	$ 7,205	$ 5,905	22%
Construction Equipment	1,258	984	28%	3,689	3,221	15%
Total Net Sales	3,557	2,679	33%	10,894	9,126	19%

CNH earned $122 million during July-September 2007 on sales of $3.83 billion. That compares to a year-ago gain of $67 million from revenue of $2.92 billion. Since this year started, the firm netted a much higher $445 million on a sales turnover of $11.63 billion. One year earlier, its profit stood at $257 million on sales of $9.78 billion.

High-HP Tractors Sales Rise. CNH predicted that sales of farm tractors for all of 2007 would be up compared to year-ago results, including sales of over-40 hp tractors, which are expected to be up 5-10%, and sales of over-140 hp tractors up nearly 15%. It sees unit sales of self-propelled combines in North America up 5-10% compared with 2006.

Outside of North America, for the full-year, the firm expects unit sales of farm tractors to be unchanged to up slightly, with strong performance in the Latin American market, which the firm now expects to be up 35-40%. The CNH forecast calls for worldwide farm tractor unit sales this year to be up slightly compared with 2006. Combine sales could rise by nearly 15% compared with 2006, an improvement from its previous outlook. AEI

Art's-Way Completes Miller Pro Acquisition, 'On the Prowl' for Others

When Ward McConnell, chairman of Art's-Way Manufacturing, announced the company had completed its purchase of the Miller Pro line of hay and forage equipment, he also let it be known that it wouldn't be the firm's last acquisition when it comes to farm equipment. "We're still looking for more," McConnell said in an interview with *AEI*.

Tucked away in the north-central town of Armstrong, Iowa, Art's-Way Manufacturing considers itself a manufacturer of "niche" products for the farming industry. Its lines include equipment for animal feed processing, sugar beet harvesting, plows, land maintenance, crop shredding and seed planting.

The addition of the Miller Pro machinery extends the firm's forage equipment offerings and adds haying equipment, which it did not have previously. The Miller Pro product lines have historically had annual sales of approximately $8 million, including spare parts. Manufacturing of the product lines has already been moved to Art's-Way headquarters in Armstrong, Iowa.

Publicly Held Advantages. Despite its relatively small size, Art's-Way has been a publicly owned corporation since the 1970s, and this has provided the firm with the leverage that is allowing it to expand.

"It's a good vehicle for us and we've made use of it. It has the advantages of allowing us to use stock or cash for acquisitions," says McConnell. "We're doing well enough where we can use either one and our intent is to grow considerably. We're really on the acquisition prowl."

In 2002, he purchased 40% of Art's-Way and became its chairman. Since then, the company has made 3 acquisitions, which included Art's-Way Vessels — manufacturers of pressurized tanks and vessels — and Art's-Way Scientific, which makes modular animal confinement buildings and modular laboratories. The Miller purchase was the third.

Prior to this, McConnell started in the farm equipment business in 1956 as an Oliver dealer in upper New York. In his last year as a dealer, he added John Deere to his product line. In 1961, he liquidated the dealership and started a company to manufacture potato planters which he marketed nationwide. "We kept the potato planter going until 2005 when we liquidated that business," he says.

In 1986, McConnell bought the Massey Ferguson 4WD tractor, which was in receivership in Canada, moved it to North Carolina and began producing the MF 5200.

"We weren't with it very long when AGCO came to see us and we ended up selling the company to them in 1993. We did well with that," says the Art's-Way chairman.

"We're doing well enough where we can use cash or stock. Our intent is to grow considerably. We're really on the acquisition prowl. . ."

Strategic Acquistion. The purchase of the Miller Pro line is as much a strategic move for Art's-Way as it is a means to expand the company's product offerings. While the haying machinery moved them into a new customer base, it was expanding the customer base that McConnell believes will be equally important.

"The synergy of it for us is that Art's-Way sales have historically been weak in New York, Pennsylvania and Wisconsin. Miller had never done very well in other areas where we are strong, like Illinois, Indiana, Iowa and Nebraska. The acquisition gives us distribution through their strong geographic area for our grinder-mixers, and we'll give the Miller product line distribution in our strong distribution areas," says McConnell.

"We had no hay equipment and it gives us a whole new set of dealers. We think the synergies are just terrific for growing these lines together."

In addition, the company won't have to add any bricks and mortar to bring the product line in. "It'll increase our average gross margins overall because we get more utilization of our overhead, but its expanded geography and increased distribution is where we expect to see our growth."

Growing Exports. Along with expansion through acquisition, Art's-Way made it first serious move into exporting last year when it hired an export manager and began selling equipment overseas. So far, McConnell believes the company has made significant headway in a very short time, pointing out that it sold 36 grinders in England during the past year. "This was the first time in our history that we shipped over there," he says.

"We're targeting Europe with our grinders. Our export manager just got back from a show in China and we displayed sugar beet harvesters there. We shipped harvesters to Russia and China last year and we have promising reports from China. They haven't been as promising from Russia or the Ukraine."

Future Buys. While the Miller product line didn't fit his typical acquisition strategy, McConnell says that he's generally looked at companies that were in financial difficulty and lacking the capital needed to invest in R&D. "I've found some good value in many of these companies. They have good products but are constrained in being able to invest in keeping them updated."

He says in the future he may look to broaden the hay line with a hay baler or something else that would fit. He says Art's-Way is currently looking at adding a manure spreader. AEI

ART'S-WAY APPOINTS MAJESKI NEW PRESIDENT

On October 24, the board of directors of Art's-Way Manufacturing Co. announced the appointment of Carrie Majeski as president and CEO. Majeski has been with Art's-Way since April 2004, serving as CFO since July 2004. She has been instrumental in the continued growth of Art's-Way though the acquisition of two subsidiaries and the Miller Pro product line, according to Ward McConnell, chairman.

E.W. "Swede" Muehlhausen, acting president since November 2006, will be staying on in an advisory capacity and will continue to work on special projects.

Equipment Sales Remain Robust in October

North American retail sales of agricultural equipment remained strong in October, which is particularly significant as this is one of the most important months of the year for large tractor and combine sales, according to Baird analyst Robert McCarthy in his analysis of the latest sales figures released by the Assn. of Equipment Manufacturers.

Year-to-year 4WD tractor sales growth accelerated to 59% in October (from 26% in September) and row-crop tractor sales jumped 24%. Combine sales increased 8% year-to-year in October and were up 15% year-to-year during the June-October selling season. The production schedule outlook remains positive.

- ◆ Sales of row-crop tractors (2WD >100 hp) remained robust in October, increasing 24% year-to-year following the 73% increase in September; retail sales have increased 37% year-to-year during the last 3-month period. October is the second most seasonally important month for row-crop tractor sales, contributing 14% of annual sales on average.
- ◆ Retail sales of 4WD tractors increased 59% year-to-year in October after a 26% increase in September. 4WD tractor sales increased 42% year-to-year in the last 3-month period. October is an important month for 4WD tractor sales too, contributing an average of 15% of annual sales over the previous 5 years.
- ◆ Sales of combines increased 8% year-to-year after rising 21% in September. October is also an important month of the year for combine sales, contributing an average of 12% of annual sales.
- ◆ Dealer inventories of row-crop tractors, 4WD tractors and combines continued to decline on a year-to-year basis in September, falling 5%, 8% and 9%, respectively. On a days-sales basis, inventories of row-crop tractors (112 days-sales vs. 130), 4WD tractors (102 days-sales vs. 113), and combine inventories (74 days-sales vs. 90) also declined significantly year-to-year. **AEI**

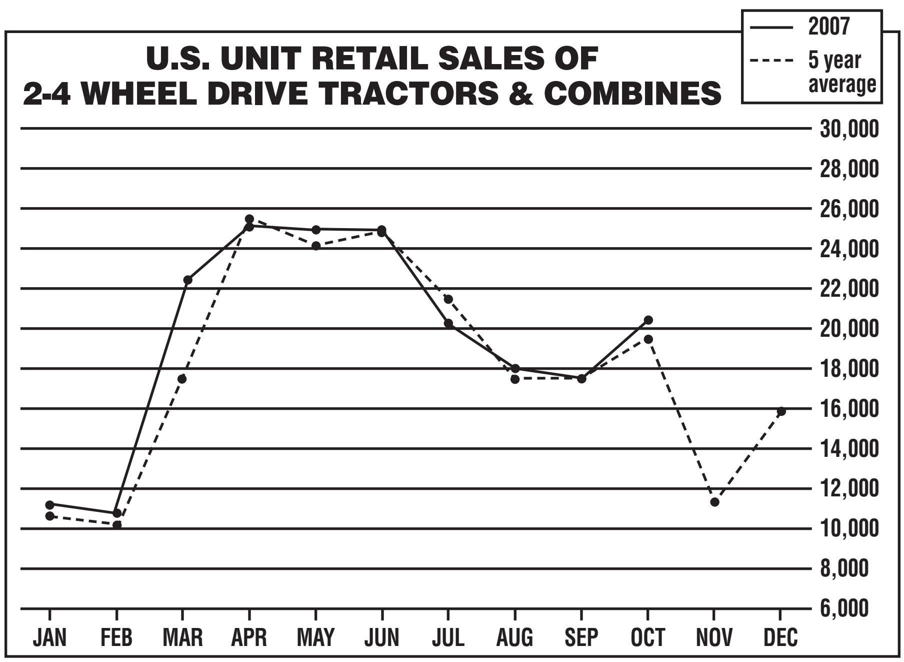
OCTOBER U.S. UNIT RETAIL SALES

Equipment	October 2007	October 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	Sept. 2007 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	9,242	9,727	-5.0	103,664	108,728	-4.7	51,768
40-100 HP	7,126	7,069	+0.8	67,843	65,180	+4.1	31,121
100 HP Plus	2,612	2,081	+25.5	17,129	14,147	+21.1	5.884
Total-2WD	18,980	18,877	+0.5	188,636	188,055	+0.3	88,773
Total-4WD	682	420	+62.4	3,097	2,606	+18.8	898
Total Tractors	19,662	19,297	+1.9	191,733	190,661	+0.6	89,671
SP Combines	672	636	+5.7	5,827	5,105	+14.1	1,388

OCTOBER CANADIAN UNIT RETAIL SALES

Equipment	October 2007	October 2006	Percent Change	YTD 2007	YTD 2006	Percent Change	Sept. 2007 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,248	1,222	+2.1	10,024	8,648	+15.9	5,208
40-100 HP	1,194	1,216	-1.8	5,989	6,107	–1.9	3,472
100 HP Plus	588	491	+19.8	3,243	3,082	+5.2	1,656
Total-2WD	3,030	2,929	+3.4	19,256	17,837	+8.0	10,336
Total-4WD	130	90	+44.4	626	546	+14.7	169
Total Tractors	3,160	3,019	+4.7	19,882	18,383	+8.2	10,505
SP Combines	192	164	+17.1	1,353	1,382	–2.1	416

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



—Assn. of Equipment Manufacturers

Who Will Feed China & India? Analyst Encourages Manufacturers to Gain Foothold in Brazil

In his global economic outlook prepared in October, Urban C. Lehrer, editor-in-chief, *DTN*, evaluated the ag outlook for China and India. In 2008, the IMF concluded that these two nations offer the greatest growth rates, dramatically outpacing the rest of the world. As their middle class grows and consumes more ag products, there is a definite victory for the farm machinery players positioned to serve this growth, Lehner says. But the opportunity for manufacturers, he says, is not going to come not from Asia.

Metric	China	India
Population	1.3 billion	1.1 billion
2007 Economic Growth	+11.2%	+9.0%
2008 Economic Growth (forecast)	+10.5%	+8.4%
Number of Middle Class People:	150-200 million	50 million
Percent of Population Below $2 Per Day	46.7%	79.9%

Brazil: The Winner to Feed China & India
Total Territory: 2.1 billion acres (roughly the size of the lower 48 U.S. states)
Forest area: around 1.1 billion acres
Pasture: 435 million acres
Agricultural Area: 130 million acres
Non-arable and other acres: 100 million acres
Available savanna land left for development: 335 million acres
Soybeans: 52 million acres (future: 85 million acres)
Corn: 30 million acres (future: 40 million acres)
Cotton: 2.5 million acres (future: 5 million acres)
Sugarcane: 15 million acres (future: 30 million acres)

As shown in the table at right, both nations have high poverty numbers and a small middle class. At the same time, these numbers point to very bullish days ahead for agricultural product consumption, says Lehner, as their economies develop.

He explains that the "percent of population below $2/day," is a key indicator for agricultural product growth, as the $2-10 daily earnings level dramatically boosts the demand for animal protein diets. In China's case, 600 million citizens can afford to purchase animal protein diets already, with a remaining opportunity of 700 million in the years ahead. There's a huge potential as both nations still lag in per-capita income level, which will come as development continues. India's potential is even greater today, and this nation is expected to surpass China in population by 2035, says Lehner.

For the ag industry, Lehner's larger question is who will feed these two nations? The U.S. is out, says Lehner, due to the domestic corn demand for ethanol production. China is also out of the equation because it doesn't have the water (far too little for its immense population and getting worse) nor enough arable land. In fact, row-crop production acres are being taken out (for factories, housing, golf courses) at a rapid rate. "China already has the foreign exchange reserves to buy the food it needs," he says. "And it is gaining the political will to give up on food self-sufficiency."

When Lehner looks at the options to feed the stomach-growling of China and India, it's clear that a new player will be the one who gains the lion's share of the export opportunity. While his study also included Australia, Canada, Argentina, Russia and the Ukraine, Brazil was the clear victor. "Brazil is the 3,000-pound gorilla," he says, noting an excellent climate, good topography and ample room for growth (335 million acres of savanna left for development). "No other nation is even close for its ability to expand its agricultural acres." AEI

Russian Truck Maker to Offer Tractors by Argo and Cummins

Italy's Argo group has secured a deal to supply tractors to one of Russia's largest truck makers. Cummins, the U.S.-based manufacturer of diesel engines, is also participating in the venture.

Kamaz Inc. has toyed with the agricultural market before, but having recognized that it needs a modern design talked to half a dozen European tractor manufacturers before forging a deal with Argo.

The agreement for a tractor based on Argo's 200-hp class McCormick XTX design will involve supplying an initial batch of 200 units from the McCormick plant in Doncaster, England. They will be turned out in the orange color scheme of Kamaz and identified as the Kamaz T-215.

Longer term, the Kamaz factory in the Tartarstan republic plans to source an increasing number of components locally, starting with bodywork and individual fixtures and fittings, before producing a cab and fitting 6-cylinder engines from a new joint venture operation with Cummins.

Cummins-Kama was established last year to assemble Cummins B-series engines for installation in Kamaz trucks and to supply to agricultural equipment manufacturers in Russia, Belarus and Ukraine.

Farms in Tartarstan will be the principal market for the Kamaz-badged tractors, and director general Sergey Kogoghin is aiming for a 10-20% market share, despite starting from scratch. The business plan calls for the production of 2,500 tractors next year and 4,000 in 2009.

Kamaz is the largest vehicle manufacturer in Russia and one of world's top-10 truck makers, producing some 65,000 trucks, 1,000 buses and 75,000 engines annually. Production and sales volumes have reportedly grown 20% a year over the past 3 years, with sales revenues rising to the equivalent of $3 billion last year at current exchange rates.

The company intends listing on the London Stock Exchange next year to supplement its Moscow listing, but will first issue new shares to cut the Russian state's stake from 34% to 25%. AEI