From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- **Soft Sales in 2010**
- **What Execs are Paid**
- **AGCO's New Strategy**

West Canada Dealers Continue to Consolidate Distribution Network

Two of Canada's largest dealer groups — Rocky Mountain Dealerships and Cervus Equipment Corp. — are giving every indication that they're ready for major expansions in the near future. The goal is to consolidate farm equipment retailers in Canada's western provinces, the country's largest and most fertile growing region.

Both companies are publicly traded on the Toronto Stock Exchange (TSX) and headquartered in Calgary, Alberta. Rocky Mountain, which handles Case IH equipment, is listed under "RME," and Cervus, a John Deere dealer group, is shown under the symbol "CVL."

Strategic Growth. With the acquisition of Enns Agri, an agriculture dealership in Winkler, Manitoba, and Mayor Equipment, an ag retailer in Neepawa, Manitoba, in the last month, Rocky Mountain currently owns and operates 24 dealer branches throughout Alberta, Saskatchewan and Manitoba.

In its most recent fiscal year, Enns reported revenues of $13 million. Mayor reported revenues of $15 million. The company calls these acquisitions "strategic" as they complete the Case IH consolidation in western Manitoba and solidify Rocky Mountain's footprint. Enns and Mayor represent the 11th and 12th locations added to Rocky Mountain since its initial public offering in December 2007.

On November 10, Rocky Mountain reported record sales during its third quarter as revenue increased 56% year-over-year to $145.8 million, compared to net sales of $93.2 million for the same period in 2008. Net earnings for the period rose by 98% to $4.9 million.

New equipment sales rose to $69.4 million in the third quarter compared to $46.5 million in the prior year. Used equipment sales rose 119% to $46.1 million compared with $21.1 million in the fiscal third quarter of 2008. Revenue generated from product support increased to $29.1 million in the third quarter vs. $23.2 million in the third quarter of '08.

Gross profit for the fiscal 2009 third quarter increased 22% to $22.3 million, compared to $18.2 million in the third quarter of '08. The company's gross profit margin was 15.3% in the fiscal 2009 third quarter, up from 14% in the previous quarter

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Woods Eliminates CEO Position, Management Team to Oversee Operations

In a move that caught industry observers off guard, Woods Equipment Co., eliminated its top management position and announced that a senior management team will run the day-to-day operations of the business.

Since 1946, Woods, headquartered in Oregon, Ill., has manufactured attachments and replacement parts for the agricultural, landscape and light construction markets. It's best known in the ag industry for its pull-behind mowers and other implements.

While it wasn't distributed to the press, the company posted the announcement on its web site on November 6. In part, it read, "As part of continuing efforts to streamline the Woods Equipment Co. organization and invest in the growth of the business, we have eliminated the Chief Executive Officer position. Effective immediately, Fred Korndorf will step down as chairman and CEO but continue to advise the company as a member of the board of directors. Going forward, Woods' senior management team will continue to run the day-to-day operations of the business and will report to an executive committee of the board.

"We are grateful to Fred for his service and contributions to the company over the last 5 years as CEO. We remain confident in the long-term future of the business."

After hearing of the announcement, one industry insider, who asked not to be identified, said, "Knowing Korndorf as I do, this was not voluntary."

Competitive Pressures. While it hasn't been officially announced, many industry observers say that Woods has been looking for a buyer for some time. Growing competition from a host of equipment makers, including the major farm equipment manufacturers, has increased market and profit pressures on the Woods and other established brands.

Reportedly, Woods was a finalist in the bidding for Bush Hog, one of its main competitors in recent months. Alamo, another competitor, won out and acquired Bush Hog last month. According to *AEI* sources, Woods offered more cash to acquire

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reflecting the improved margins of the acquisitions.

Net income for the third quarter of fiscal 2009 was $4.9 million, or $0.34 per share, compared to net income of $2.5 million, or $0.19 per basic share, for the same period of fiscal 2008 — an increase of nearly 79%.

A Business in Transition. Cervus Equipment Corp. currently operates 22 dealer stores in 19 locations across Alberta, Saskatchewan and Western Manitoba.

These include 17 John Deere dealerships in British Columbia, Alberta, Saskatchewan and Manitoba, and 5 construction equipment dealerships in Alberta that sell Bobcat, JCB and JLG equipment.

On October 22, the company transitioned from a limited partnership to a corporation, referred to as the "New Cervus," with unitholders of the LP becoming common shareholders of New Cervus.

On September 30, 2009, New Cervus purchased a 33.33% interest in a New Zealand company, Agriturf Ltd., whose chief purpose is to consolidate John Deere dealerships on the north island of New Zealand.

The company followed these moves up on November 3 when it announced it was acquiring a 20% stake in Maple Farm Equipment, a John Deere dealer with 5 locations throughout Saskatchewan.

According to Cervus, it intends to combine the operations of its Moosomin, Saskatchewan and Russell, Canada, Manitoba dealerships with Maple Farm. The transaction is expected to close by December 31, 2009.

During the 3-month period ended September 30, 2009, Cervus' consolidated revenue increased by $13.6 million to $121.2 million compared with $107.6 million for the same period of 2008, an increase of 12.6%. The company attributes the increase in gross revenue to a combination of same-store ag dealerships which increased by $13.5 million, as well as to an increase in gross revenue with the addition of an ag dealership in September 2008, which accounted for $9.5 million.

Revenue for ag equipment increased by $23 million for the 3-month period ended September 30, 2009 and $47.2 million year to date when compared to the same period of 2008.

Same store sales, which excludes the John Deere dealership purchased in 2008, increased by $13.4 million for the 3-month period and $11.7 million through the first 9 months compared to the same period of 2008.

New and other equipment sales increased by $12.9 million (same store sales increased by $9.5 million) during the third quarter of '09 and increased $19.7 million (same store increased $1.1 million) for the first 9 months of 2009 when compared to the same period of 2008. Used equipment sales increased by $6.9 million (same store increased by $3.2 million) for the 3-month period ending in September and $18.2 million year to date (same store increased $1.7 million).

Sales of consumer products declined by $1.1 million and $3.1 million for the 3- and 9-month period ended September 30. Parts and service revenue grew by $3.1 million (same store $710 thousand) and $9.2 million (same store $3.0 million) respectively. AEI

Rocky Mountain Dealerships Income Statements (unaudited)

($ thousands, except per unit amounts)

	3 Months Ended 9/30/09	3 Months Ended 9/30/08	9 Months Ended 9/30/09	9 Months Ended 9/30/08
Sales				
New Units	$69,353	$46,535	$207,461	$149,851
Used Units	46,144	21,110	124,122	47,150
Product Support	29,068	23,213	72,545	53,713
Finance & Insurance	527	786	1,403	1,972
Rental & Leases	713	1,598	2,551	4,521
Total	145,805	93,242	408,082	257,207
Gross Profit	22,268	18,189	60,165	46,964
Earnings Before Income Taxes	7,243	3,829	14,304	8,605
Earnings Per Share Basic	$0.34	$0.19	$0.69	$0.46

New Cervus Selected Quarterly Information

($ thousands, except per unit amounts)

	3 Months Ended			9 Months Ended		
	Sept. 30 2009	Sept. 30 2008	% Change	Sept. 30 2009	Sept. 30 2008	% Change
Revenues	$121,195	$107,595	12.6	$293,237	$278,885	5.1
Gross Profit	23,264	20,839	11.6	56,449	51,927	8.7
Gross Margin	19.2%	19.4%	0.1	19.3%	18.6%	3.8
Net Earnings	8,744	8,888	(1.6)	17,749	19,573	(9.3)
Per unit – Basic	0.62	0.64	(3.1)	1.26	1.53	(17.6)
Per unit – Diluted	0.61	0.63	(3.2)	1.24	1.52	(18.4)

These financial measures are identified and defined under the section "Non-GAAP Financial Measures."

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the company whose brand has become synonymous with rotary cutters and agricultural mowers, but Alamo's offer of 1.7 million shares of Alamo Group common stock, which represents 14-15% of the company's outstanding shares, was more attractive to CC Industries, former owners of Bush Hog.

The agreement also allows CC Industries the right to nominate a director to Alamo's board. The company had owned Bush Hog since 2000.

Alamo Group's Net Sales Fall 26% in 3Q

On November 9, the Alamo Group reported a falloff in net sales for the third quarter of 2009 of 25.8%.

Overall, net sales were down for the period by $38.4 million, to $110,318,000 compared to $148,707,000 for the third quarter of 2008. Based in Seguin, Texas, Alamo manufactures tractor-mounted mowing and grounds maintenance equipment and replacement parts.

For the period, the company's net income after tax was $4,583,000 compared to $4,453,000 for the third quarter of 2008.

For the first 9 months of 2009, Alamo's after-tax net income fell $3.73 million to $9,118,000 compared with $12,850,000 for the same period of 2008.

Dealers Informed About New AGCO Brand Strategy

The North American Equipment Dealers Assn. (NAEDA) announced on November 13 that it was alerted about major brand changes within the AGCO Corp.

According to AGCO, the changes involve a new strategy that will result in the reduction of many of the company's brands. In a letter to dealers, AGCO announced it will phase out the AGCO brand name over the next couple of years and focus its marketing on comparable Massey Ferguson- and Challenger-branded products.

The overall effect of the changes is unknown, but dealers will have several options to consider in continuing their relationship with AGCO.

When questioned by AEI on November 12 about rumors of the new brand strategy, Doug Griffin, vice president marketing, North America replied, "You are correct that there has been some discussion recently regarding AGCO's future branding strategy. AGCO will be clarifying this with dealers shortly and we are not prepared to discuss this until after this important communication with our North American dealers has taken place. We expect to also address this during our upcoming dealer meetings."

Despite Sales Falloff, Kubota Raises Profit Forecast

Kubota Corp., Asia's largest tractor maker based in Osaka, Japan, said on November 6 that first-half profit fell on weaker demand for construction machinery and the yen's strength against the dollar. Nonetheless, the company raised its annual profit forecast to $462 million from $445 million. It posted a $535 million profit a year earlier.

Net income fell 46% to $213 million for the 6-months ended on September 30 the company said on November 6. Sales fell 22% to $496 million.

Revenue from tractors, Kubota's main business, fell 32% to $149 million. Kubota President Yasuo Masumoto said U.S. tractor sales may have stopped declining.

"Still, I don't think sales will recover very soon to the level that we had a few years ago," he said.

Kubota, which gets about half of its revenue from outside Japan, is seeing a recovery in sales of construction machinery in the U.S. and Europe, said Masumoto.

According to Anthony Dayrit, analyst for Morningstar, operating margins fell to 9.2% from 10.8%, as lower raw-material costs helped to partially offset the decline in revenue.

The company lowered its sales forecast for fiscal 2010 by around 7% and now expects year-end revenue to fall to around 14% from 2009 levels.

FARM MACHINERY TICKER (AS OF 11/12/2009)

Mfr.	Symbol	11/12/09 Price	10/12/09 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$29.03	$26.92	$33.83	$14.62	12.65	1.56 M	2.68 B
Alamo	ALG	$15.11	$16.05	$18.04	$9.22	21.10	21,272	151.80 M
Art's Way	ARTW	$3.71	$4.29	$6.35	$2.90	137.41	10,027	14.80 M
Caterpillar	CAT	$58.57	$53.05	$61.28	$21.71	27.36	10,420 M	32.96 B
CNH	CNH	$21.89	$17.00	$23.51	$5.69	NA	326,497	5.20 B
Deere	DE	$47.41	$42.61	$49.88	$24.51	13.97	5.58 M	20.05 B
Kubota	KUB	$43.10	$40.86	$46.25	$22.51	29.32	33,704	10.96 B
Titan Machinery	TITN	$10.52	$12.02	$17.00	$7.50	10.52	207,792	186.85 M

How Much Dough Do the Big Guys Take Home?

With the federal government concerned about how much top executives are making in firms funded with bailout dollars, *AEI* editors thought it was a good time to analyze how much the top brass at the biggest ag equipment firms are taking home.

Much of the information was gathered from reports filed with the Securities and Exchange Commission (SEC). Here's what we learned about salaries, stock awards, stock options, pension value, nonqualified deferred compensation and other forms of incentive plan compensation.

Deere & Co. For fiscal year 2008, Robert Lane took home $22,043,602 in compensation. Having retired last summer as chairman, president and CEO at Deere, this was $1,540,180 more than in 2007.

The 2008 fiscal year breakdown for Lane shows $1,435,545 in salary, $3,933,231 in stock awards, $3,676,338 in stock option awards, $6,930,421 in non-equity incentive plan compensation, a $5,625,577 increase in pension value and nonqualified deferred compensation earnings and $442,490 in other compensation.

AGCO. For fiscal year, 2008, Martin Richenhagen earned $10,571,483. This compensation for the chairman, president and CEO was $1,342,868 higher than for 2008 and $7,321,192 higher than in 2006.

The 2008 breakdown for Richenhagen shows $1,024,833 in salary, $7,222,839 in stock awards, $408,318 in Stock-Settled Appreciation Rights (SSAR) awards, $1,124,447 in non-equity incentive plan compensation, a $659,910 favorable change in pension value and nonqualified deferred earnings and $134,136 in other compensation.

CNH Global N.V. The information for CNH chief executive Harold Boyanovsky was not as clear since data on much of his total compensation is not readily available. Since the privately held Italian firm Fiat owns a large majority of the shares in the company that produces the Case IH and New Holland brands, detailed executive earnings don't have to be provided to the SEC in the same form as for U.S. based firms.The company was created in 1999 through the merger of New Holland N.V. and the Case Corp.

Boyanovsky's salary for the latest fiscal year was $860,544 and was only available due to a listing of CNH director salaries. The CNH communications staff also told *AEI* editors that additional compensation information would not be provided.

However, a CNH report filed from overseas with the SEC indicated that his total compensation for 2008 was $1,330,980. Besides his salary, this included $75,646 in future pension plan remuneration, a cash bonus of $149,004 and $145,786 in performance share unit vesting. The report indicated that Boyanovsky held 124,416 shares of CNH stock at the end of 2008 that would have a value of $2,737,152 based on recent $22 per share CNH stock prices on the New York Stock Exchange.

However, it's likely Boyanovsky is also compensated in other ways through the parent company.

While CNH Global N.V. stock is traded on the New York Stock Exchange, the firm is a majority-owned subsidiary of Fiat S.p.A. This is the parent company of the Fiat Group, a public company whose capital stock is listed on the Milan Stock Exchange in Italy. AEI

AGCO Cancels January Dealer Meeting

It was big news when AGCO announced on October 13 that it would hold its Dealer Business Meeting at the AgConnect Expo, the new farm equipment exhibition organized by the Assn. of Equipment Manufacturers, (AEM) January 13-15 in Orlando, Fla.

On November 5, the company announced that it would be canceling the meeting.

In a November 12 statement to AEI, Doug Griffin, AGCO's vice president of marketing for North America, said, "As you are aware, many segments of the agriculture marketplace continue to be under downward economic pressure. Compact and utility tractors have been down significantly for many months, the dairy and livestock segments continue to suffer losses, and the cash crop segment is seeing downward pressure on commodity prices and experiencing a very difficult harvest.

"Due to all of this, many dealers are carefully managing their expectations for 2010 and carefully watching expenses. Therefore, AGCO has decided to cancel the annual dealer business meeting. Instead, we have decided to bring the management team to the dealers where possible."

> ***"Initial dealer and customer response to AgConnect is better than we expected..."***

Griffin says that starting with a limited number of meetings in Western Canada and the Midwestern U.S. in December, and followed by additional meetings in spring 2010, the company expects to meet with many of its dealers on a regional basis.

Regarding AgConnect, Griffin says AGCO is optimistic about the new show and continues to invest in it.

"We expect to have many key dealers participate in this event and bring their VIP customers to attend and experience the first-ever AgConnect show with us. In fact, we are offering some very attractive incentives for dealers and customers to make the trip to Orlando and see us at AgConnect. We just opened our dealer and customer registration and the initial response is even better than we expected. We believe AgConnect will be a big success for us and customers will like what they see." AEI

European Equipment Makers Target U.S. for Expansion

European farm equipment manufacturers say they're seeing an opportunity to establish dealer-distributor networks as well as to expand their product lines in the U.S. in the very near future. Along with a weak dollar, sales of farm machinery throughout the continent have literally fallen off the table, making the Europeans especially anxious to grow new markets abroad.

Grimme Eyes Niche Markets. Blackfoot, Idaho-based potato equipment specialist Spudnik is looking to diversify into sugar beets now that a suitable harvester is available from parent company Grimme of Germany. With that, it appears the company is preparing to take on North American manufacturers like Amity Technologies and Art's Way Manufacturing.

Grimme's strategy in North America would mirror its approach in Europe, where market-leading potato harvester expertise is building a foothold in sales of high-ticket beet lifters.

Built initially on an advanced, but also costly tracked self-propelled harvester, the program is being accelerated with a more conventional wheeled machine of a type that custom operators use to harvest nearly 80% of the northern European crop.

Different growing systems mean European manufacturers rarely enter North America but the Grimme Rootster trailed potato lifter is easily adapted to working 8 rows on 22-inch spacing, says Nicolas Kosmehl of the German company.

"It will suit markets in China and eastern Europe, as well as North America," he adds.

As the leading European potato equipment player, Grimme is keen to exploit its expertise in another sector to sustain growth. Sales revenues equivalent to $45 million in 1987 grew to $336 million last year.

Spudnik, which was a joint venture in 2001 and became a wholly owned subsidiary in 2003, may do the same, even though it is doing well in potatoes.

"We've seen an increase in market share for Spudnik following 2 very successful years," reports company chief Franz Grimme. "In the first 5 years with Spudnik, we brought in some changes and learned some lessons — but the company is now performing very well; it was worth persisting with."

U.S. is Next. German seeding and soil cultivation specialist Lemken says its dealer network in Canada is growing, and a move into the U.S. market is a strong possibility in the near future.

In an interview with *AEI* editors at Agritechnica, the huge farm equipment show held last week in Hanover, Germany, Lemken export manager Christian Jungmann said Lemken has established 4 sales agencies to work with 9 dealerships in eastern Canada.

> ***"Sales of farm machinery throughout the European continent have literally fallen off the table..."***

In fact, Lemken is looking for more dealers in Canada — especially those who can offer a high level of product knowledge, service and availability of spare parts to customers. The ability to host equipment demonstrations is also important, Jungmann says.

Among the products getting a response in Canada is the Rubin compact rotary cultivator, which can be used for shallow, fast and intensive one-pass work turning a harvested field into a seedbed, Jungmann said.

Lemken was among several overseas manufacturers exhibiting at Agritechnica who told *AEI* of their growing interest in the North American market, including European makers of tillage, spraying and hay and forage equipment.

There is a difference, Jungmann said, in how land is tilled in the U.S. and Canada and this is playing a role in how the Canadian market is developing. Canadian farmers are often more open to spending the money for and using one-pass tillage systems, while U.S. farmers tend to use more than one pass and are more price conscious when it comes to equipment.

Despite this, Jungmann is optimistic about the U.S. market. He believes there will be a shift in mindset among farmers to saving labor costs and reducing fuel consumption. "But they must accept that it may be at a higher price" in terms of the equipment.

He also sees more younger farmers wanting to reduce their time working in the field so there's spare time for other tasks, increasing the desire for more efficient tillage tools.

Lemken — a 200-year-old wide-line manufacturer — is aiming to establish a distribution and dealer network together some time in 2010, focusing on areas like South Dakota, North Dakota, Minnesota, Iowa, Ohio, Wisconsin and Michigan.

"We will have agents to support these dealers," Jungmann said. **AEI**

European Recovery 'Not Likely Soon'

The market for farm machinery throughout the European continent and beyond has fallen faster and far more than most analysts would have guessed 18 months ago. But the really bad news is no one sees a recovery for at least the next year.

Reporting from Hanover, Germany, and Agritechnica, Europe's largest ag machinery show, Ann Duignan, machinery analyst for JP Morgan say, "No one is bullish on Europe for 2010, other than to say that perhaps it cannot get much worse. Central and Eastern European sales have disappeared and, as a result, demand for used equipment has fallen significantly. Dealers have excess used inventory, which has reduced trade-ins."

She says that making the situation worse is the fleet of equipment is very young in Europe, which may cause farmers to stay out of the market for a few years. "Frankly, no one seems to know when the agriculture equipment market will recover, except that it is not likely soon," she says

Eastern Europe, which has been a big customer for used equipment, is short on financing, and the fundamentals for crops like wheat and barley are not bullish.

On a positive note, Duignan adds, "There are 300,000-plus people registered for the trade show, about in line with 2 years ago. Our take is that farmers would still like to buy equipment, if they could."

Soft Ag Equipment Sales Seen for Early 2010

While USDA's November 10 report on the World Ag Supply & Demand Estimates (WASDE), which revised corn yields down and prices up, may have sounded a positive note for improved farm equipment retail sales going into the new selling season, most analysts believe sales will remain sluggish for at least the next few months.

The Assn. of Equipment Manufacturers' most recent report showed that total North American tractor sales were off by 22.6% through the first 10 months of 2009 vs. the same period in '08.

"We expect North American ag equipment sales to remain weak over the next few months, particularly in the higher horsepower segment, as the farm cash receipt outlook remains weak, and year-over-year comparables remain tough," says Ann Duignan, analyst for JP Morgan.

"We also expect Deere to provide a weaker 2010 outlook for North American ag equipment sales when it reports its fourth-quarter results on November 25. According to our proprietary revenue model, industry revenues in Deere's fourth quarter were down 16% vs. our forecast."

UBS analyst Henry Kirn notes that inventories of row-crop tractors, 4WD tractors and combines are above year-ago levels, while inventories of utility tractors and small tractors are below year-ago levels. "Given lower cash net income in 2009 — USDA expects a 30% year-over-year decline — and robust demand over the last few years, we expect U.S. farm equipment demand to decline in 2010 while rest-of-world demand could remain stable but at low levels," he says.

WASDE Report. The late harvest this year could significantly change the overall picture for crop yields and prices, because the longer crops sit in the field, the greater the risk for lower yields and crop quality.

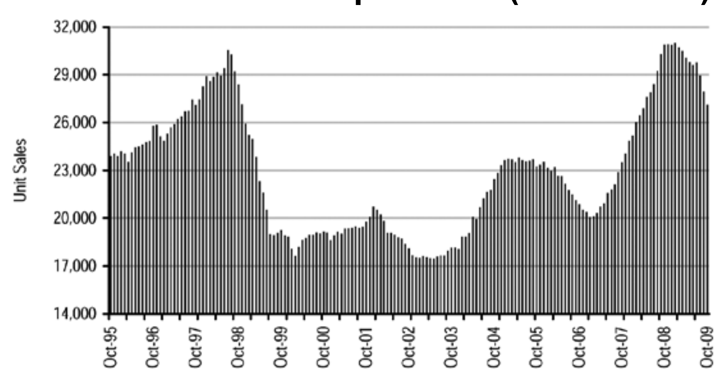
In its latest WASDE report, USDA revised 2009-10 corn yields down to 162.9 bushel/acre vs. its prior forecast of 164.2 bushels/acre. At the same time, it raised the midpoint of its corn price forecast to $3.55 per bushel from $3.35. Kirn notes that even this higher estimate remains $0.51 below last year's $4.06.

With soybeans, the agency revised yields up to 43.3 bushels/acre from 42.4, and raised its average soybean price forecast to $9.20 per bushel from $9.00, and maintained its average wheat price forecast at $4.85 per bushel.

Duignan adds that she expects total major crop receipts (corn, wheat, and soybeans) for 2009-10 to be down 8% year-over-year, to $93.4 billion vs. prior expectations for $89.9 billion, down 12%.

"USDA's report was slightly positive for crop receipts, but well anticipated and the market may have expected lower than reported yields," Duignan says.

U.S. and Canadian Rolling 12 Months' Retail Sales of Row-Crop Tractors (over 100 HP)



Source: AEM and UBS estimates

Ag Leader, AutoFarm Alliance Changes the Precision Ag Landscape

Two of the biggest names in precision agriculture — Ag Leader of Ames, Iowa, and AutoFarm of Fremont, Calif. — are joining forces to collaborate in the development and marketing of new products, technology and equipment for farming.

According to a November posting by Paul Schrimpf, editor of PrecisionAg.com, months of rumors about an impending alliance between the two firms finally came to fruition. The two companies announced the release of several new products in addition to the new business relationship, swinging Ag Leader in a new direction and away from its previous relationship with Trimble.

Schrimpf reports that "The move is just the latest in a busy 12 months for both Ag Leader and Trimble, as each company has engaged extensively in business-building acquisitions and alliances that have increased the competitive heat between the precision manufacturing rivals."

Trimble acquisitions included controller manufacturer Rawson Controls, planter clutch manufacturer Tru Count, sensor manufacturer NTech Industries, and software manufacturer Farm Works Software. Ag Leader struck an alliance with sensor manufacturer Holland Scientific, recently broke ground on a new training facility near its Ames, Iowa, headquarters, and now is allied with the California-based AutoFarm.

According to Schrimpf, "The alliance will have far-reaching impact in precision ag, however it does not affect the existing AutoFarm alliance with Raven Industries."

Paul Welbig, Raven marketing director, told PrecisionAg, "They are a good partner. In the final analysis the alliance will be good for precision agriculture overall."

Tractor Sales Remain Sluggish in October

The Assn. of Equipment Manufacturers reported on November 10 that North American retail sales of farm tractors fell by 22.6% in October, with U.S. sales declining 22.8% and Canadian sales dropping 20.7%.

RW Baird analyst Robert McCarthy considers the newest sales figures as modest improvement compared with April. "Given challenging fundamentals, ag equipment demand appears likely to remain weak into 2010," McCarthy says in a note to investors.

- October is an important month for row-crop and 4WD tractor sales, contributing 12.9% and 15.7% of annual sales on average, respectively.
- U.S. and Canadian row-crop tractor sales fell 22% year-over-year in October, which is an improvement from September's 35% decline. Sales were down 31% in the last 3-month period.
- 4WD tractor sales fell 6% in October, down from a +3% comparison posted in September. Canadian sales of 4WD units more than doubled last month vs. October of '08, while U.S. sales declined 23%. The trailing 3-month sales were down 2% year-over-year.
- U.S. dealers' large tractor inventories remain elevated. Row-crop and 4WD tractor unit inventories increased 53% and 30% year-over-year on an absolute basis, while days-sales of inventory increased 64% and 23% year-over-year.
- Combine sales increased 6% year-over-year in October vs. a 7% decline in September, as a 68% increase in Canadian combine sales offset a 7% decline in U.S. sales. Combine sales increased 4% on a last 3-month basis.
- October marks the end of the late-summer/early-fall combine-selling season. Over the past 5 years, October sales of combines, on average, have accounted for 11.2% of annual sales.
- U.S. dealer inventories of combines increased 4% year-over-year and declined 24% sequentially, returning to a normal seasonal pattern after unusually high inventory levels in August.
- Compact and mid-range tractor sales weakened further, falling 25% and 35% respectively, after 21% and 25% declines in September. AEI

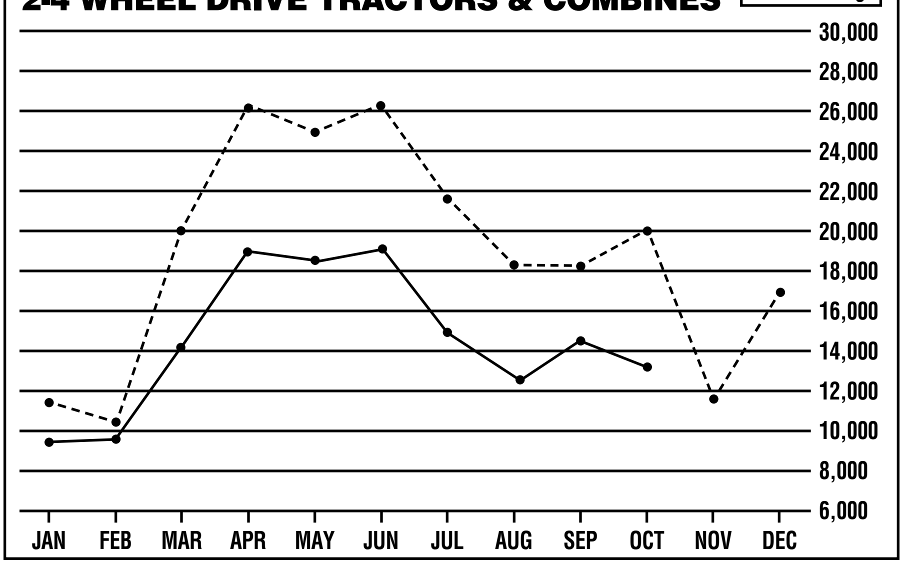
OCTOBER U.S. UNIT RETAIL SALES

Equipment	October 2009	October 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	October 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	5,806	7,619	-23.8	71,009	90,273	-21.3	40,601
40-100 HP	3,597	6,106	-41.1	42,026	59,727	-29.6	26,049
100 HP Plus	2,295	3,112	-26.3	19,158	22,411	-14.5	8,635
Total-2WD	11,698	16,837	-30.5	132,193	172,411	-23.3	75,285
Total-4WD	507	662	-23.4	3,824	3,793	0.8	974
Total Tractors	12,205	17,499	-30.3	136,017	176,204	-22.8	76,259
SP Combines	910	983	-7.4	8,364	7,105	17.7	1,445

OCTOBER CANADIAN UNIT RETAIL SALES

Equipment	October 2009	October 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	October 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,084	1,560	-32.4	9,222	12,534	-26.4	6,868
40-100 HP	1,221	1,340	-8.9	6,014	7,345	-18.1	3,960
100 HP Plus	648	668	-3.0	3,398	3,976	-14.5	1,983
Total-2WD	2,923	3,568	-18.1	18,634	23,855	-21.9	12,811
Total-4WD	181	71	154.9	1,023	944	8.4	251
Total Tractors	3,104	3,639	-14.7	19,657	24,799	-20.7	13,062
SP Combines	342	203	68.5	2,268	1,958	15.8	496

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



—*Assn. of Equipment Manufacturers*

AGCO, CNH Don't Expect Turnaround in 4Q or Early '10

Coming off a less than stellar third-quarter, neither CNH, the world's second largest manufacturer of farm machinery, nor AGCO, the third largest producer of ag equipment, see a rebound in farm equipment sales in the near future, let alone in the last quarter of 2009.

Both reported losses for the third quarter of the year, as CNH reported a 32% drop in sales on October 21, and AGCO a 32.7% falloff for the period on October 26. AGCO also noted that net sales were off 23.8% for the first 9 months of the year.

CNH's ag equipment sales declined 23% and construction equipment sales dropped 56% during the period.

AGCO's year-over year decline in sales was driven by weakness in North America (-32%), EAME (-30%), South America (-21%) and Asia/Pacific (-9%). Segment operating margins declined ~410bp year-over-year to 4.0%.

Cost Cutting. Both companies are pursuing cost-cutting measures that have included staff reductions and other action. CNH is on track to cut its employment levels by 11-12% by the end of the year. On October 23, CNH said it is cutting one-third of its 900 employees at its Saskatoon plant, calling the layoffs "indefinite."

Nonetheless, cost cutting helped the company record an operating profit for the quarter, before expenses.

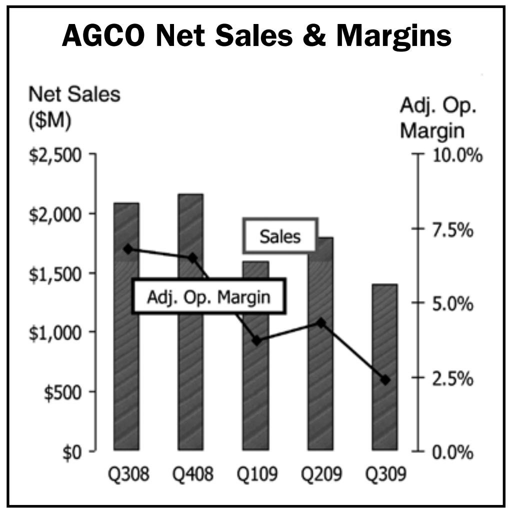
AGCO noted that dealer inventories "were reduced by approximately $165 million from June 30, 2009 levels by cutting production approximately 31% in the third quarter compared to the third quarter of 2008." AGCO also said that it has lowered its workforce by approximately 25% since the beginning of the year.

Rest of Year. CNH expects net sales for the fourth quarter to be down 10%, reflecting the current tough economic and credit market conditions. Its full-year 2009 outlook for worldwide tractors sales is down 10-15% and worldwide combine industry sales to be down 20-25%. For the last quarter of '09 CNH expects worldwide >40 horsepower tractor sales to be down 20-25%, and worldwide combine industry sales to be down 15-20%.

AGCO expects total sales to decline 23-25% year-over-year in 2009, but it raised net sales guidance slightly to $6.4-$6.6 billion from $6.3-$6.5 billion.

On a positive note, for the first 9 months of 2009, North American operating income totaled $27 million, compared with a $10 million loss in 2008.

"I'm pretty optimistic that this is not a short-term improvement, but a long-term adjustment of our North American activities," said Martin Richenhagen, AGCO's chairman and CEO. "We have the right products. We understand the business." AEI



Ag Growth Profits Up 55% in 3Q, Late Harvest May Push Grain Storage Sales Higher in 4Q

Fueled by strong sales of its portable grain storage and other equipment, Ag Growth International reported record third quarter sales that increased profits by 55% to $15.1 million, or $1.17 per share, compared with the same period in 2008. Profits for the July-September period last year amounted to $9.8 million, or 75 cents per share.

The company says that this year's late harvest should keep sales robust well into the last quarter of the year.

Sales for the 3- and 9-month periods ended September 30 were $68.3 million and $190.4 million, respectively, representing increases of 14% and 26% over the same periods in 2008.

Headquartered in Winnipeg, the Canadian manufacturer specializes in grain handling, storage and conditioning equipment, with 1,400 dealers and distributors serving 48 states and 9 provinces. Sales of portable grain handling and aeration equipment historically represent 65% to 75% of Ag Growth's total sales.

Overall, Ag Growth's revenue rose 14% to $68.3 million from $60 million. Gross margin as a percentage of sales for the 3- and 9-month periods were 42.3% (2008 –36.5%) and 42% (2008 –35.6%), respectively. The significant increase in gross margin percentages was largely the result of sales price increases, the impact of foreign exchange, an increase in capacity and efficiency at its Westfield facility and improved results from its Edwards/Twister division.

"Our outlook for the balance of 2009 remains positive," Rob Stenson, Ag Growth's CEO, said in a statement.

"Our primary demand driver is grain volumes, and the USDA is forecasting the second largest corn crop in history and a record soybean crop."

Stenson cautioned, however, that Ag Growth doesn't expect sales of commercial equipment to match the "exceptional levels" recorded in the fourth quarter of 2008 but general demand is expected to approximate last year's levels.

2010 Outlook. "Consistent with the last couple of years, we expect to enter 2010 with low levels of inventory throughout our distribution network which should be supportive of demand in the first half of 2010," Stenson said. "Furthermore, we are cautiously optimistic that credit conditions in developing markets are moderately improving which may result in increased international sales of commercial equipment in 2010." AEI