From the editors of *Farm Equipment*...

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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Vol. 16, Issue 9

- Claas Sales Spike
- Alo Moving Production
- Exel in Buying Mood

Dealers See Prospects Improving for Hobby Farm and Landscape Markets in 2010

Compared with last year at this time, equipment dealers catering to hobby farmers, large-property owners and lawn and landscape contractors are seeing many more reasons to be optimistic about their sales prospects going into 2010.

Despite the ongoing malaise of the housing and other key end-use markets for compact farm machinery and lawn and equipment, 49% of equipment dealers surveyed by *Rural Lifestyle Dealer* magazine in December expect sales revenues to increase by 2% or more this year. This compares with only 19% of rural lifestyle focused dealers that anticipated sales growth in the 2009 survey.

Rural Lifestyle Dealer (RLD) is the sister publication of *Ag Equipment Intelligence* and *Farm Equipment* published by Lessiter Publications. *Rural Lifestyle Dealer's Business Trends & Outlook for 2010* is the third annual business survey that RLD has conducted. More than 250 North American equipment dealers participated in this most recent poll.

'Big' Leap. The size of the spread — 30% — between dealer confidence levels for 2010 vs. 2009 indicate that equipment retailers are already experiencing an upturn in sales or, at least, see solid signs for recovery in 2010. As one dealer put it, "More hobby farmers are shopping for tractors and

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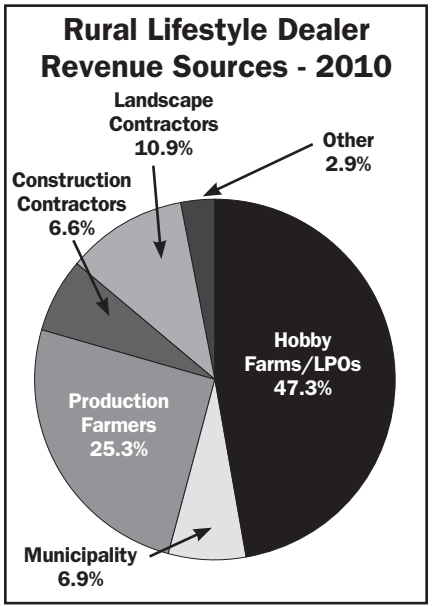


Publicly Held Ag Equipment Dealers Performing for Shareholders

In his coverage of Deere & Co.'s fourth-quarter financials, Ben Cherniavsky, machinery analyst for Raymond James, includes the impact of Deere's performance on its two publicly traded dealer groups. He says that as an industry bellwether and one of the largest global OEM's, he believes the company's performance and commentary on equipment markets serve as a relevant barometer for Raymond James' coverage of publicly listed equipment dealers.

"On the agricultural side, Deere's performance is particularly relevant to its largest ag dealer in Canada, Cervus Equipment Corp.," says Cherniavsky. "It

Continued on page 3

Ag Equipment Dealer Peer Group Valuation

Company Name	Ticker	Fx	FY END	Market Price	Share O/S (mln)	Market Cap (mln)	Net Debt (mln)	Ent. Value (min)	P/E 2008A	P/E 2009E	P/E 2010E	EV/EBITDA 2008A	EV/EBITDA 2009E	EV/EBITDA 2010E	Net/ Debt Cap (%)	Price/ Book (x)	Div. Yield (%)
Cervus Corp.	CVL.CA	CAD	DEC	$12.26	14.4	$176	$31	$207	10.7	13.1	9.9	8.7	9.0	7.2	14.8	1.7	5.9
Rocky Mountain Dealerships	RME.CA	CAD	DEC	$8.50	14.5	$123	$11	$135	10.7	8.0	6.8	5.1	4.5	3.3	8.4	1.5	2.1
Titan Machinery Inc.	TITN.US	USD	JAN	$11.40	17.8	$202	$211	$414	10.6	11.9	10.6	11.0	11.0	10.5	5	1.1	n.m.

Sources: Raymond James Ltd., Thomson One

As 2009 came to a close, the three publicly traded North American farm equipment dealerships move into 2010 in strong positions to continue acquisitions. (Closing prices as of 11/25/09. All figures in C$, unless otherwise noted.)

attachments than ever before."

Another dealer adds, "The outlook is good as it seems our customers are starting to get their confidence back like the rest of the economy. We don't expect to see 2008 sales levels this year, but we should see 3-10% growth with the prospect of gaining back margin and getting inventories back in check."

The percentage of dealers that anticipate sales will grow by 8% or more in 2010 more than quadrupled compared to last year — 8.6% vs. 2%. Equipment dealers projecting sales growth will increase by 2-7% range more than doubled — 40.4% vs. 17%.

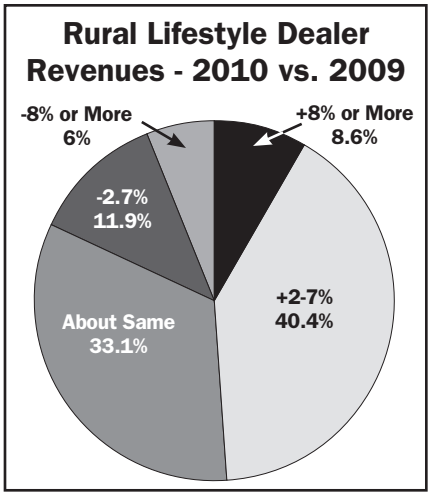
Overall, 82.1% of dealers expect sales revenues to be as good as or better than what they saw throughout 2009. A year ago, only half saw their revenues at the same or better than levels than those they experienced in 2008.

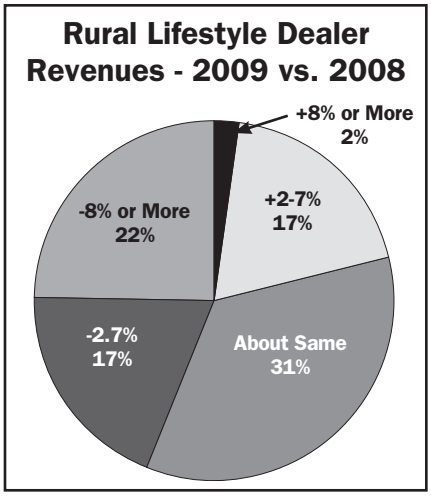
Another sign that dealers are anticipating a better sales year in 2010 is that few plan to reduce spending on their facilities and operations in the coming year.

Some 55.7% plan to increase investments in their shop and service areas, with 43.6% intending to up spending by 2-7%. Only 4.1% indicate they'll reduce spending in their backroom operations.

Slightly less than 46% of the dealers will increase the investment in their retail facilities and operations in '10, while only 3.4% plan to cut spending in these areas. Business information systems will see added investments by 35% of dealers in the coming year. Less than 7% plan to cut spending for computers and software.

Interest & Inventory. Despite dealers' general optimism for improving business conditions in the year ahead, many continue to express a high level of concern about interest rates — both for consumer loans and floorplan financing. Equipment inventory for both leftover equipment from '09 and availability of new products in '10 are also major concerns.





Most dealers say being able to offer attractive financing terms has become even more critical in the current environment. Nearly 74% of rural lifestyle focused dealers report that customers request financing on at least half of their purchases. Some 36.4% of the dealers say customers require financing on 51-75% of their equipment buys. Another 37% report that buyers request terms on 76-100% of purchases.

Nearly half of the dealers participating in this year's survey say their biggest challenge coming into 2010 will be customer credit availability for their customers and working business capital. Not only have lenders tightened up requirements for borrowers, but dealers fear rising interest rates will stunt any expected sales growth as already cautious buyers may continue to put off planned purchases.

"Customers being able to get credit for financing because of the economy," and "Getting customer financing approved," are typical comments offered when the dealers were asked what their biggest 2010 challenges would be.

One dealer went so far as to say that rising interest rates could be the last straw for his dealership. "If interest [rates] stay low or affordable, I'm expecting a slight upturn. If interest hits double digits, we're done."

Left over equipment inventory also remains a significant concern for dealers. "Inventory has stacked up and needs to be moved," says one dealer. "Incoming inventory is at the same or lower price than our aged inventory. Because we didn't move it last year, we'll take a bigger hit than normal to move it now. After what's happened this past year, we'll be changing how we handle aged inventory."

Adds another dealer, "Everybody has leftover equipment and we'll all be giving it away to get out from underneath it."

At the other end of their inventory worries, several dealers expressed fear that in the event that economy turns around quicker than anticipated, they'll be unable to get the equipment they need when they need it.

"Our supplier's current inventory levels and production schedule are scaled back to very low levels. If there's an unexpected increase in demand for the spring season, we'll be unable to respond," says one dealer.

Yet, another dealer expects problems on both ends of the inventory dilemma. "While we have excess inventory in some segments, we'll have inventory shortages in some ranges of tractors and tillage equipment due to

Continued on page 3

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Dealers See Prospects Improving...*Continued from page 2*

fall and winter factory shutdowns and a backlog of dealer orders."

Only 13.9% of dealers plan to increase inventories over what they stocked last year. Some 53% say they'll hold inventory levels at about the same levels as they have in recent years. Some 33.1% will carry less inventory than in 2009.

Challenging Year. After one of the most trying times that rural lifestyle focused dealers have seen in a decade, most have high expectations for 2010, but it won't come easy.

"The challenge will be surviving the first quarter," says one dealer.

Others are setting themselves up for a turnaround, whether or not it comes in 2010. A Canadian Kubota dealer says he's going to take it from the beginning.

"Moving forward for 2010, we're going back to the basics on the sales side. We're developing some call-tracking telephone and e-mail presentations that we know our farm dealer competitors are not using. We're also beginning to better manage our costs per call per close ratio."

Another dealer adds, "There's always an upside to a down market — as long as it doesn't stay down too long and the dealer has some cash reserves.

"We're excited about 2010. The slowdown in 2008-09 allowed us to train our personnel and to purchase shop tools and equipment at low prices. We've also upgraded our delivery trucks at bargain prices." AEI

Rural Lifestyle Dealers' Top 10 Products for 2010

	+2% or More Sales Growth	About Same As 2009	–2% or More Sales Decrease
1. Zero-Turn Mowers	60.1%	32.5%	7.4%
2. Rotary Cutters	47.4%	47.2%	5.4%
3. Tractors (<40 HP)	45.4%	41.2%	13.4%
4. Utility Vehicles	44.4%	41.6%	14.0%
5. Tractors (40-100 HP)	43.1%	45.6%	11.3%
6. Lawn Tractors	41.4%	42.8%	15.8%
7. Chainsaws	41.4%	47.2%	11.4%
8. Front-End Loaders	36.3%	55.1%	8.6%
9. Hay Tools/Balers	34.2%	48.3%	17.5%
10. Finishing Mowers	30.6%	54.5%	14.9%

Source: Rural Lifestyle Dealer Survey

Publicly Held Ag Equipment Dealers...*Continued from page 1*

also provides an important read of end-market conditions for Rocky Mountain Dealerships, Case's largest Canadian dealer and Cervus' main competitor."

One of the highlights from Deere's fiscal fourth-quarter '09 results was strong "price realization," which is generally positive for the industry. "Beyond that, the news was more a reflection of today's global economic challenges. Specifically, for Deere's fourth quarter and for fiscal 2009 respectively, worldwide equipment sales declined 30% and 20%; North American equipment sales decreased 26% and 14%."

According to the analyst, Deere expects its worldwide sales and North American markets to deteriorate by 4% and 10%, respectively, but he expects Cervus to perform slightly better than its major equipment supplier.

Deere's forecast "contrasts with our 3% organic growth assumption for Cervus' new ag tractor sales in 2010," he says. "The discrepancy between our outlook and Deere's relates to the small weight that the relatively resilient Western Canadian markets carry in the OEM's overall North American business. More importantly, our growth forecasts for Cervus next year and beyond are much more a function of acquisition opportunities than same store sales. The same holds true for highly acquisitive Rocky Mountain."

Cherniavsky believes Cervus and Rocky both exhibit strong balance sheets, experienced management teams and were trading late in 2009 at attractive levels. "In our view, these two stocks remain the 'best picks' in our dealership sub sector right now." AEI

FARM MACHINERY TICKER (AS OF 1/12/2010)

Mfr.	Symbol	1/12/10 Price	12/10/09 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$35.24	$30.19	$37.41	$14.62	15.36	1.39 M	3.26 B
Alamo	ALG	$17.30	$15.09	$18.12	$9.22	23.80	38,028	203.21 M
Art's Way	ARTW	$4.30	$3.91	$6.35	$2.90	159.26	9,528	17.16 M
Caterpillar	CAT	$62.24	$56.94	$64.42	$21.71	29.07	8.26 M	38.76 B
CNH	CNH	$27.18	$23.95	$29.11	$5.69	NA	325,778	6.45 B
Deere	DE	$57.39	$52.40	$60.16	$24.51	27.89	5.38 M	24.26 B
Kubota	KUB	$50.53	$47.50	$51.08	$22.51	37.71	35,666	12.85 B
Titan Machinery	TITN	$13.05	$11.51	$17.00	$7.50	15.09	217,751	231.94 M

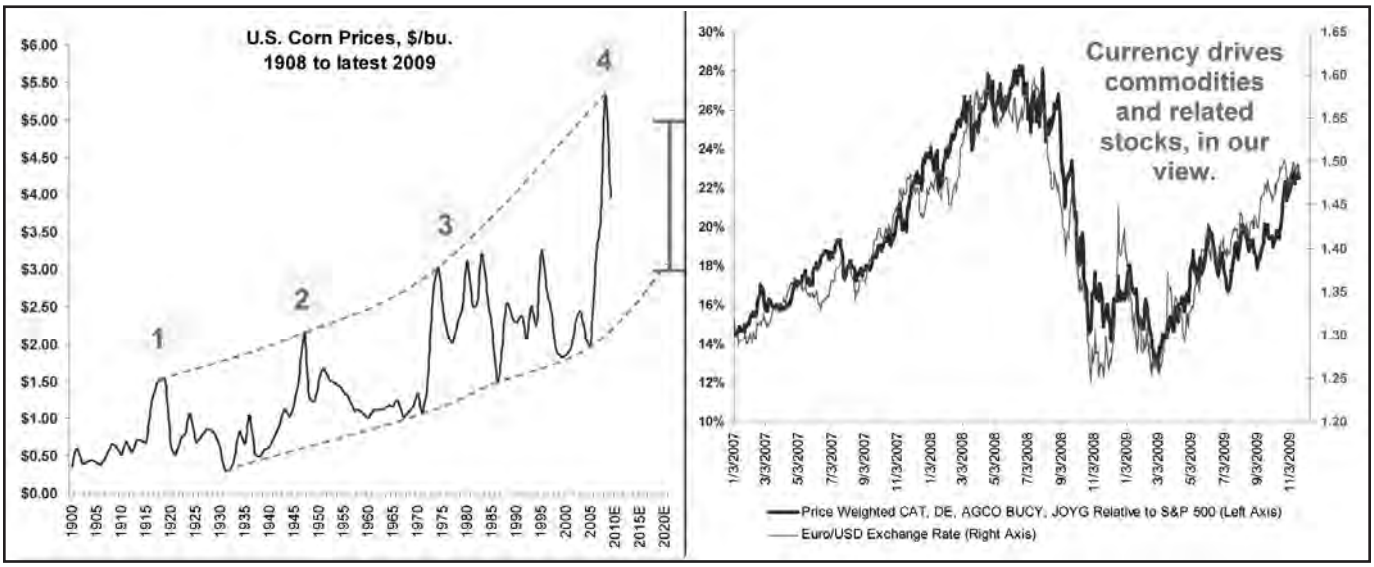
History Shows Grain Prices Drive Ag Equipment Sales

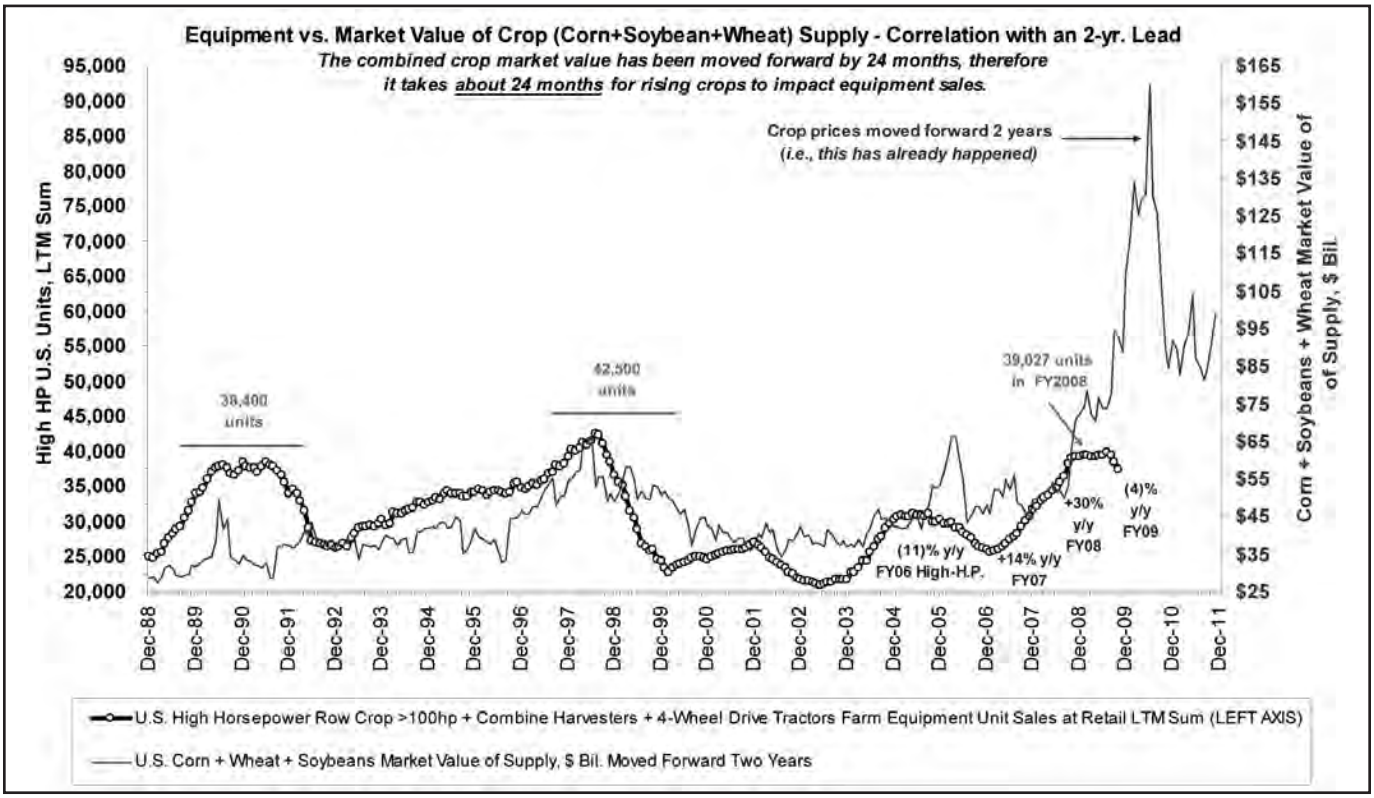
Perhaps the most reliable tool for industry forecasters to base their prognostications on trends in the sale of farm equipment sales is the situation in grain pricing. This is borne out by research developed by Barry Bannister, analyst for Stifels Nicolaus. In the three charts shown here, Bannister demonstrates that overall commodity grain prices, often led by corn, are a dependable predictor of sales of high-horsepowered equipment.

Bannister says the chart at top left shows that corn prices in the 20th Century to the present have experienced four "supercycles" that segue to trading ranges.

"In the top, right chart we show that the U.S. dollar is now the primary driver of commodities and commodity related equities, in our view," says the analyst. "As a result, if history is any guide, a trading range for corn of ~$3 to ~$5 per bushel — expressed as season averages — may ensue," which is shown by the range bar in the chart at top left.

As shown in the chart below, the value of U.S. crop production, which is lagged 2 years, aligns with past peaks for high-horsepower U.S. farm equipment unit sales. But Bannister adds, "We would not expect the bubble peak of 2007-08, which shows up in the chart as 2009-2010, lagged 2 years, to drive equipment sales much past the past 2 cycle peaks in 1990 and 1998."





Food, Biofuel Demands Keep Pressure on Corn

With farm machinery sales highly dependent on grain commodity pricing, the increasing demand for corn may provide a steady influence on the North American demand for row-crop tractors and combines during the next few years.

In the JP Morgan *Global Commodity Strategy Commodities Outlook: 2010 & the Medium Term* report issued in December, Lewis Hagedorn, commodity analyst, expects the demand for corn to increase over the next 5 years as two "bullish storylines intersect." These include the diversion of increasingly large supplies to biofuel production in the U.S. and the continued growth of protein — food — demand in many emerging markets. As a result the corn market has enjoyed one of the strongest demand stories of the agricultural complex in recent years, says Hagedorn.

He also points out that ethanol mandates will continue to increase over the next few years. "This steady and presumably largely-inflexible source of demand appears likely to keep corn supplies at a relatively low level for the foreseeable future," he says.

Despite the continuing pressure to increase production, Hagedorn adds that a gradual decline in inventories toward threshold or "comfort" levels. This means prices are likely to rise in the medium term.

Downside of Better Yields. "Improved corn revenues — and more acreage — can come either through higher prices or yield gains. How readily a dramatic increase in yields can be achieved is a matter of continuous debate within the industry," says Hagedorn.

"Given repeated assertions within the industry that this rate of growth can be further improved, it is worth noting that one of the downside risks to our long-term view for corn prices is the possibility of significantly better than expected yield growth as technological gains accrue," he adds. AEI

U.S. Corn Balance Sheet

			J.P. Morgan Forecast						
	2008-09*	2009-10*	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Beginning Stocks (mil. bu)	1,624	1,674	1,672	1,489	1,268	1,118	1,074	1,107	1,122
Planted Acreage (mil. acres)	86.00	86.40	86.40	87.50	89.00	90.00	91.00	91.00	91.00
Harvested Acreage (mil. acres)	78.60	79.30	79.30	80.50	81.88	82.80	83.72	83.72	83.72
x Yield (bu/acre)	153.90	164.20	159.60	160.50	162.18	164.53	166.89	169.24	171.60
Production	12,101	13,018	12,656	12,920	13,279	13,623	13,972	14,169	14,366
+ Imports	14.00	10.00	12.00	10.00	10.00	10.00	10.00	10.00	10.00
Total Supply (mil. bu)	**13,739**	**14,702**	**14,340**	**14,419**	**14,557**	**14,752**	**15,056**	**15,286**	**15,498**
Total Use (mil. bu)	**12,065**	**13,030**	**12,852**	**13,152**	**13,439**	**13,678**	**13,949**	**14,164**	**14,258**
Ending Stocks	1,674	1,672	1,489	1,268	1,118	1,074	1,107	1,122	1,240
Stocks/Use	2.0%	12.8%	11.6%	9.6%	8.3%	7.9%	7.9%	7.9%	8.7%

*Historical totals may not add due to rounding. *November 2009 USDA revision Source: JPMorgan Soft Commodity Strategy, USDA/NASS*

Exports & Competition Will Determine Soybean Pricing

Increasing export demand and low inventory carryover provided soybean growers with fairly healthy returns in the last year. But the growing competition from South America will be a major factor in how they fare in the future. In the short term, Lewis Hagedorn, commodity analyst for JP Morgan continues to view 2010 price prospects "as largely neutral amid a rebuilding of U.S. and global inventories.

"Looking beyond the next crop year, the increasingly strong pull on U.S. acreage exerted by corn in coming years suggests a commensurate decline in soybean production. The extent to which this outcome either

Continued on page 6

U.S. Soybean Balance Sheet

			J.P. Morgan Forecast						
	2008-09*	2009-10*	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Beginning Stocks (M bu)	205.0	138.0	138.0	214.7	323.7	362.1	368.8	350.8	325.7
Planted Acreage (M. acres)	75.7	77.5	77.5	76.0	74.0	73.0	72.5	72.0	72.0
Harvested Acreage (M. acres)	74.7	76.6	76.4	75.2	73.2	72.2	71.7	71.2	71.2
x Yield (bu/acre)	39.7	43.3	42.3	42.8	43.3	43.8	44.2	44.7	45.2
Production	2,967.0	3,319.0	3,231.7	3,217.0	3,166.4	3,158.7	3,172.0	3,184.8	3,219.5
+ Imports	13.0	8.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Total Supply (M bu)	**3,185.0**	**3,465.0**	**3,379.7**	**3,441.7**	**3,500.1**	**3,530.8**	**3,550.8**	**3,545.7**	**3,555.1**
Total Use (M bu)	**3,047.0**	**3,195.0**	**3,165.0**	**3,118.0**	**3,138.0**	**3,162.0**	**3,200.0**	**3,220.0**	**3,240.0**
Ending Stocks	138.0	270.0	214.7	323.7	362.1	368.8	350.8	325.7	315.1
Stocks/Use	4.5%	8.5%	6.8%	10.4%	11.5%	11.7%	11.0%	10.1%	9.7%

*Historical totals may not add due to rounding. *November 2009 USDA revision Source: JPMorgan Soft Commodity Strategy, USDA/NASS*

Continued from page 5

supports or leads to higher prices will hinge on three factors with soybeans," he says.

- Rate of yield growth in the U.S.
- Expansion in productive area and crop sizes in South America
- Magnitude of future Chinese demand growth.

South American Factor. "Our 5-year baseline suggests that the soybean market can plausibly remain adequately supplied while simultaneously satisfying continued demand growth," Hagedorn says. "In such a scenario, prices remain above historical norms but relatively flat throughout the period and well below recent record highs."

The analyst says that the events of 2009 probably won't have a long-term impact.

This is due to one of the strongest fundamental trends of the past decade — the rise of Brazilian and Argentine soybean production and gradual eclipse of the U.S. in export market dominance.

"The ability to comfortably accommodate increasing demand for corn and soybean products in the U.S. increasingly depends upon an easing of the present soybean export burden," Hagedorn says.

These factors will play a major role in the sales of ag equipment over the next 5 years or longer. AEI

Robust North American Market Helps Claas Reach Near-Record Sales in '09

Despite a 10% falloff in farm equipment sales during its 2009 fiscal year, which ended in September, Germany's Claas achieved its second highest sales figure ever, beating 2007 results with an increase of 13% or the equivalent of almost $350 million.

At $3.9 billion, sales of harvesters, tractors and hay equipment accounted for 94% of group revenues that totaled $4.17 billion at current exchange rates. This is down 10.4% compared to the previous year. Pretax profits were hit hard compared with 2008 and came in at $161.6 million, down almost 55%.

Nonetheless, the Claas board regards this as nothing extraordinary given the nature of the farm machinery supply business.

"Claas once again demonstrated its capacity to successfully navigate a course in the highly cyclical agricultural engineering business," says board spokesman, Dr. Theo Freye. "Our many years of experience with all the relevant processes in this business enabled us to quickly adapt our assembly programs to changing market requirements."

At the root of the turnaround in the upward swing in Claas sales are several familiar factors: a major slump in demand — as much as 70% in some cases — in Central and Eastern European farm businesses as credit lines dried up. Similar trends were also experienced in South American markets.

A "significant increase" in Claas sales in a largely stable North American market — the company's biggest outside Europe — and sustained sales in a weakening Western Europe sector were insufficient to offset the impact of the big declines experienced elsewhere.

"While the North American market was robust, the agricultural sector in South America faced regulatory interventions and extreme droughts," noted Freye. "Because of these factors, the South American business did not contribute to Claas earnings in 2009."

Despite the difficult environment, Claas continued to step up investment in research and development, allocating an additional $11.5 million to lift the total R&D budget to almost $180 million. That figure represents 4.3% of sales vs. 3.5% in the year before.

"This emphasizes the high value we place on investment in the future, even in tough economic times," says Freye.

His outlook for this year is not optimistic: "The negative market trends of 2009 will not come to an end in 2010, although there are initial signs of stabilization," Freye says. "We have prepared ourselves with cautious production and sales plans and a comprehensive program of cost reduction and efficiency improvements." AEI

Largest Producer of Tractor Loaders Shifting Production to China

Quicke and Trima tractor loader manufacturer Alo of Sweden has announced plans to ditch attachment production in Scandinavia and transfer manufacturing to China.

"There are a number of advantages to establishing a production facility in Asia," says Olle Pehrsson, Alo's managing director and CEO. "It will strengthen our competiveness and give us a solid platform from which to expand. Also, it will locate us closer to the markets that we believe will grow significantly over the next 10 years."

Alo is the world's largest maker of tractor loaders. In 2008, it produced 34,000 units for sale under the Quicke and Trima brand names, as well as units branded by several tractor manufacturers.

Sales of some 55,000 loaders contributed significantly to the firm's net turnover, equivalent to $266 million at current exchange rates.

The major consequence of the shift in manufacturing location is that two European plants will likely close — one this year in Sweden, another in Denmark next year.

Last year, Alo acquired Bush Hog's front-loader operation, including a 6-year-old production facility in Tennessee where it continues to build loaders for the North American market.

At the time, Pehrsson noted, "The market segment for smaller and cheaper loaders will most likely grow significantly over the coming years and North America is where this market is largest and likely to grow fastest." AEI

Tractor Sales Weak; Combines Up

The Assoc. of EquipmentManufacturers (AEM) released industry unit sales for agricultural equipment in North America on Dec. 8.

Below are key takeaways from Ann Duignan and Rahul Chadha at J.P. Morgan:

• December North American over 40-horsepower unit tractor sales are down 10% year over year. North American overall tractor sales (over-40 horsepower) remained weak in December, and combine sales were up modestly on a year-over-year basis.

• Overall, over 40-horsepower tractors were down 10% year over year, (vs. down 17% in November and down 35% in October).

• Forty-100 horsepower unit sales were down 16% year over year (vs. down 22% in November and down 41% in October), and under 40-horsepower unit sales were down 6% year over year (vs. down 5% in November and down 24% in October).

• In the larger-tractor segment, over 100-horsepower unit tractor sales were flat year over year (vs. down 6% in November and down 26% in October), and 4WD unit tractor sales were down 3% year over year (vs. down 3% in November and down 23% in October) in December.

• Combine sales were up 6% year over year in December (vs. down 6% in November and down 7% in October).

Combine sales for full year 2009 were 12,342 units, up 16% year over year, and represented this cycle's peak.

• Full-year 2009 sales were mixed: tractors weak, combines strong. North American tractor sales for full year 2009 were 88,718 units, down 22% year over year, and below the 2007 peak of 114,831 units.

"Given the tough year-over-year comps going forward, we expect North American ag equipment sales to remain weak over the next few months, particularly in the higher-horsepower segment," Duignan says. AEI

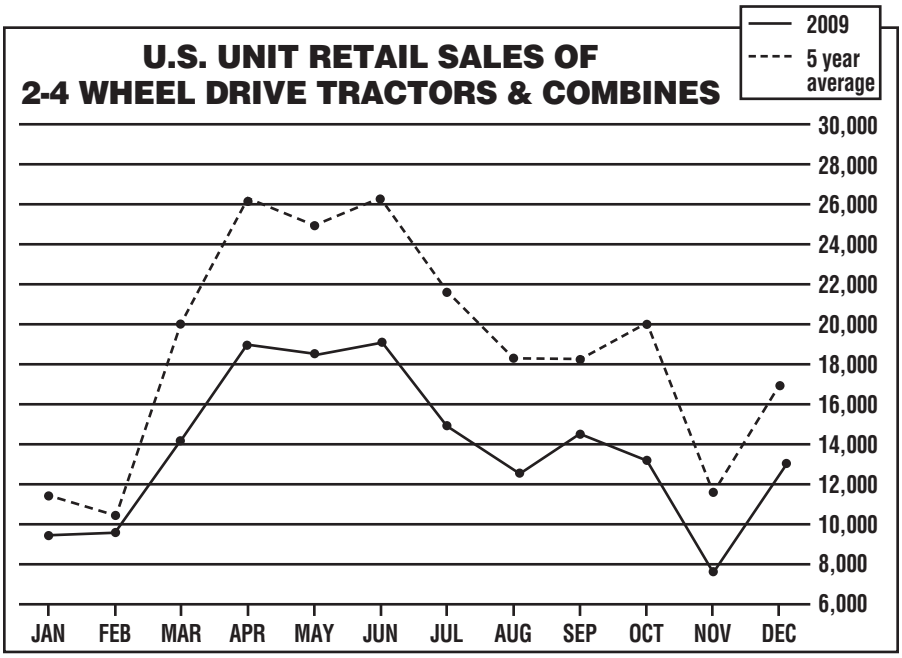
DECEMBER U.S. UNIT RETAIL SALES

Equipment	December 2009	December 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	December 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	4,853	5,169	-6.1	79,658	99,317	-19.8	42,550
40-100 HP	4,075	4,927	-17.3	48,491	67,735	-28.4	25,044
100 HP Plus	2,591	2,637	-1.7	22,878	26,261	-12.9	8,867
Total-2WD	11,519	12,733	-9.5	151,027	193,313	-21.9	76,461
Total-4WD	449	384	16.9	4,514	4,427	2.0	886
Total Tractors	11,968	13,117	-8.8	155,541	197,740	-21.3	77,347
SP Combines	982	950	3.4	9,717	8,464	14.8	950

DECEMBER CANADIAN UNIT RETAIL SALES

Equipment	December 2009	December 2008	Percent Change	YTD 2009	YTD 2008	Percent Change	December 2009 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	799	861	-7.2	10,823	14,163	-23.6	6,261
40-100 HP	579	644	-10.1	7,174	8,750	-18.0	3,017
100 HP Plus	339	294	-15.3	4,012	4,589	-12.6	1,748
Total-2WD	1,717	1,799	-4.6	22,009	27,502	-20.0	11,026
Total-4WD	93	174	-46.6	1,188	1,210	-1.8	195
Total Tractors	1,810	1,973	-8.3	23,197	28,712	-19.2	11,221
SP Combines	178	146	21.9	2,589	2,208	17.3	237

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



—Assn. of Equipment Manufacturers

World's Largest Crop Sprayer Maker Looking for Acquisitions

An upbeat chairman and CEO of the world's biggest crop sprayer manufacturer, France's Exel, is ready with cash in hand to buy businesses that would fit the knapsacks-to-field sprayers group.

Reporting a 2% increase in revenues from sales of crop protection equipment in Exel's fiscal year ended in September, Patrick Ballu said, "Thanks to our healthy financial situation and our strong cash-flow generation, we are in a position to seize any external growth opportunities that may arise."

Having brought companies like Berthoud and Tecnoma under the French group's banner and encouraging them to seek new opportunities beyond Europe's shores, Ballu scored his biggest acquisition coup when he bought rival Hardi International of Denmark in 2007.

That nearly doubled the size of the group's plant protection group, which generated sales equivalent to $521 million in fiscal 2009, accounting for 80% of the group's near-$650 million sales. The sprayer sales figure equates to a "real world" 2% increase on the prior year when calculated on the basis that Hardi joined the group in September '07.

"This good performance can partly be explained by the shipment of the considerable order book accumulated mainly at the end of the 2007-08 fiscal year," Ballu emphasized. "Order intake in 2008-09 declined around 50% and in view of this we are making significant cuts in fixed costs, particularly at Hardi to assist the company's continued recovery while enabling it to deal with the current slowdown in demand."

He describes farmers in Europe and North America as having adopted a wait-and-see policy with regard to future machinery investments. This is due to a drop in grain prices, largely as a consequence of the better-than-expected 2009 harvest.

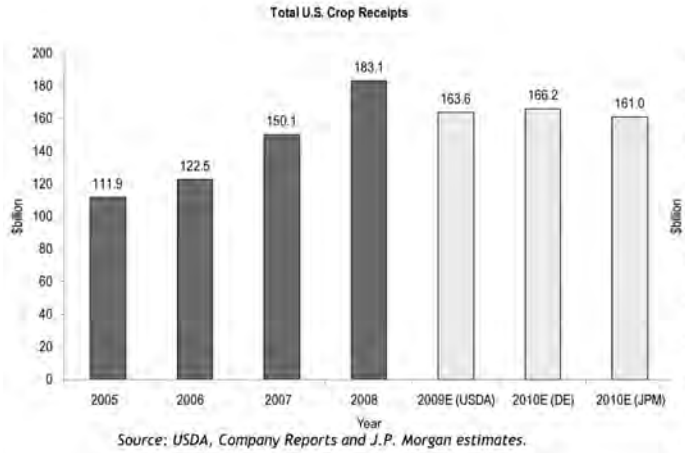
"Under-funding in the Eastern European countries is another factor but long-term growth prospects there remain much higher than in most regions," says Ballu. "We are already preparing for the post-crisis period by maintaining a determined investment policy, particularly in R&D, internationally and in our production plants to make them more competitive. Exel Industries will emerge stronger as soon as the recovery begins." AEI

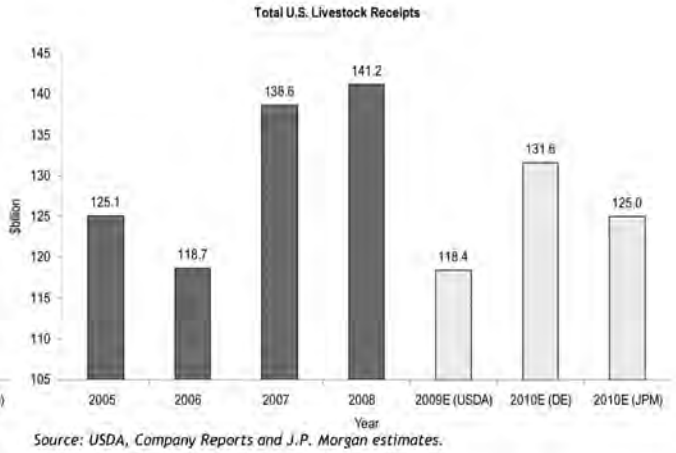
Ag Equipment Makers Outperform S&P in '09

Total Shareholder Returns	2006	2007	2008	2009	2010 YTD
S&P					
S&P 500 Index	15.6%	5.5%	-37.0%	26.5%	1.6%
S&P 500 Machinery Index	18.4%	33.9%	-45.95	40.0%	1.9%
Ag Machinery					
AGCO	86.7%	119.7%	-65.3%	37.1%	2.1%
CNH Global	48.7%	142.6%	-76.1%	60.1%	3.2%
Deere & Co.	42.3%	98.7%	-58.0%	44.9%	3.6%
Ag Machinery Avg.	59.2%	120.3%	-66.5%	47.4%	3.0%

As a group, the major ag equipment makers outperformed the S&P in 2009 when it came to shareholder returns, and are outpacing the Index so far in 2010. With the exception of 2008, AGCO, CNH Global and Deere & Co. have consistently returned strong shareholder value than both the S&P 500 Index and S&P 500 Machinery Index.

Forecasts Vary for 2010 Farm Receipts (in billions of dollars)





USDA, Deere & Co. and JP Morgan analysts are in general agreement that total U.S. crop receipts will be $161-166 billion for 2010. On the other hand, their projections for total U.S. livestock receipts vary dramatically. Deere & Co.'s forecast at $131.6 billion is on the high side with the USDA coming in low at $118.4 billion. AEI