From the editors of *Farm Equipment...*

Ag Equipment Intelligence

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News, Information & Analysis for the Ag Equipment Marketer

- Titan's Revenues Rise
- Rising Protectionism?
- CNH, Deere in Russia

Claas Invests Heavily in Tractors, But No Plans for North American Launch — Yet

Hay and grain harvest specialist Claas continues to invest in the tractor business it acquired from Renault in 2003 as it seeks to gain efficiencies and grow market share. While Claas hasn't yet announced its schedule to introduce its tractor line to the North American market, preparations are underway.

The opening of a $12 million high-tech paint plant at the Le Mans factory in France is the latest phase of investment aimed at improving efficiency and increasing capacity.

"The increase in the weight and size of tractors, changes in the regulatory standards and the need to bring the quality of tractor paintwork in line with that of the rest of the Claas group required changes to production methods," says Ulrich Jochem, head of the Claas tractor business unit.

Current capacity is 75 tractors per shift but adjustments could raise that to 100 tractors per shift.

Two years ago, Claas spent the equivalent of $5.5 million on a new cab assembly line and has committed to an $11 million investment in a new tractor testing and validation center close to the Le Mans factory.

"Difficulty in establishing a distribution network is keeping Claas tractors out of North America for the time being…"

European sales growth, principally in Germany and France, is soaking up current capacity growth. That, together with the difficulty of establishing a distribution network, is thought to be keeping mainstream Claas tractors out of North America for the time being.

Preparations are underway, however, for production of new high-horsepower tractors destined for the U.S.

With engine outputs of 483 horsepower and 524 horsepower from 6-cylinder Caterpillar diesels, the Xerion 4500 and 5000 rigid chassis four-wheel drive/steer tractors will be the only ones in this sector with CVT stepless drive.

The tractors will be built alongside the 3300 (340 horsepower) and 3800 (388 horsepower) models at the Claas headquarters plant in Harsewinkel, Germany, where the 1,000th Xerion was produced earlier this year. AEI

Component Suppliers Report Good 6 Months, Unsure About Rest of '10

After speaking with a cross-section of industry suppliers in early June, *Ag Equipment Intelligence* learned that the first half of 2010 showed better-than-expected demand for steel and components used in farm equipment.

After outstanding months in March and April that showed a big buying rush as equipment manufacturers depleted inventories of wholegoods, late May brought question marks for later in the year as several suppliers reported orders suddenly coming to a halt. Others say that while optimism still exists, wholegoods manufacturers are still showing a reluctance to commit to larger-scale purchases.

Rising Production. In its June 1 edition, *The Wall Street Journal* reported that steel mills in China cranked up production by 20% in April from a year earlier. Mills in the Middle East increased steel output by 13% and South Korean steel makers pushed production up by 4.1%. With the increased output, steel prices, which had been on the rise for several months, could fall by as much as 5%, according to analysts that follow the market.

Based on April's level of production, worldwide steel output could climb to 1.5 billion metric tons from about 1.25 billion metric tons in 2009. At this rate, output could easily surpass consumption forecasts of 1.3 billion metric tons.

Rising Lead Times. Chinese reliability in supplying product is becoming a concern that several suppliers, including those sourcing product there, advise paying close attention to in the months ahead. Some manufacturers faced shipment delays on crucial parts this year.

"Lead-times for manufactured goods — and their prices — are both growing substantially," said one execu-

Continued on page 2

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Continued from page 1

tive, who is "very concerned" about lead-times in the fourth quarter of 2010 for the components he markets to North American manufacturers. Another exec says that the Chinese government is now employing incentives that are, in effect, relocating factory workers to farms in order to advance the nation's food needs. This initiative, he says, is causing previously hard-to-fathom labor shortages in China that are impeding the promised productivity of many Chinese factories.

Rising Prices. Manufacturers that are sourcing products and materials from China, in all likelihood, will see increasing prices. To settle a strike at its plant in China, last month Honda Motor Co. gave workers a 24% pay increase. That raised their total compensation to about $340 a month. The Chinese workers were seeking a 53% pay hike. AEI

Titan Machinery's Revenues Rise 23.5%, But Net Income Slips 13%

Titan Machinery, Case IH's largest dealer of farm machinery, reported on June 9 that overall revenue soared in its fiscal first quarter of 2011, but net income edged lower on higher costs and interest expenses.

Titan, which recently moved its headquarters to West Fargo, N.D., from Fargo, reported total revenues of $205.5 million for the period ended April 30, 2010. This compares with $166.3 million during the same period one year ago.

Net income fell slightly in the quarter to $1.6 million (9 cents per share) from $1.8 million (10 cents per share) a year ago.

Revenue from of Titan's major segments showed healthy increases. Sales generated from farm equipment jumped 22% to $181.4 million compared with $148.3 million during the same period of fiscal 2010. Same-store sales for its agricultural operations were up 12.7%.

Titan also saw a comeback in its construction equipment segment with revenues rising 30% from $24.7 million for the first quarter last year to $32.1 million for the most recent reporting period. Same-store sales for CE rose by 21.5%

The company's gross margin narrowed to 16.8% from 17.1%, while operating expenses jumped 21% as the company reported a doubling of interest costs. Analysts queried Titan management about costs being incurred to implement company-wide Enterprise Resource Planning (ERP) aimed at integrating the firm's various business operations.

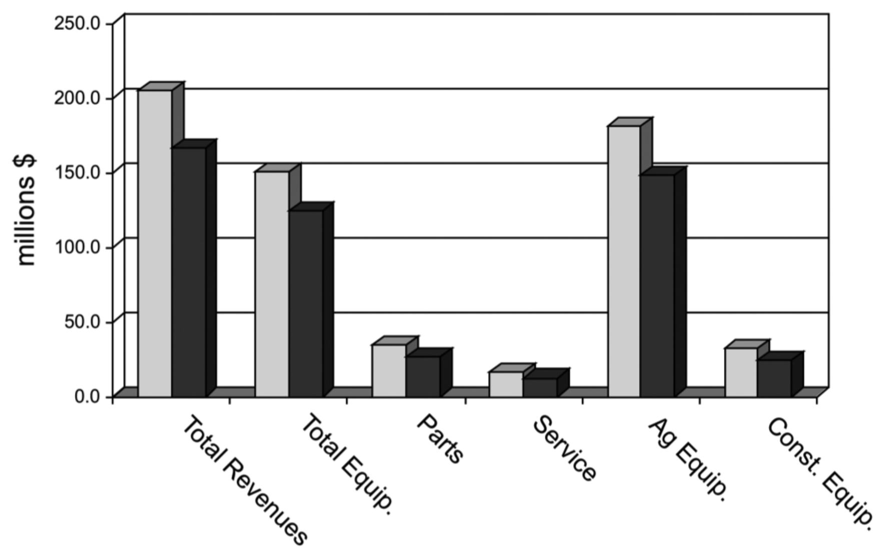
Healthy Outlook. Titan management expects strong sales of ag equipment through the remainder of the year, and projects construction machinery sales to continue improving.

Titan forecasts net income for the fiscal year of $16.7 million to $18.5 million (or 92 cents to $1.02 per share) on revenue of $920 to $980 million.

In a conference call with analysts, David Meyer, Titan's chairman and CEO, said that he expects the second half of the current calendar year to be an interesting one. He says the move to Tier IV engines of 170 horsepower and higher that is required by EPA regulations in January 2011 will fuel the demand for the remaining inventory of equipment with Tier III engines.

At the same time, he believes the operating efficiencies offered by the new Tier IV engines will create strong pre-sell activity in the last quarter of the year. "The end of the year could be a very active time for equipment dealers," Meyer says. He also point to the extension of the $250,000 Section

Titan Machinery Revenues
1Q '11 vs. 1Q '10



Source: Company reports

All three of the company's main revenue sources contributed to this period-over-period revenue growth. Equipment sales were $150.4 million (vs. $124.9 1Q 2010), parts sales were $35.1 million (vs. $26.4 million), service revenues were $16.6 million (vs. $12.5 million).

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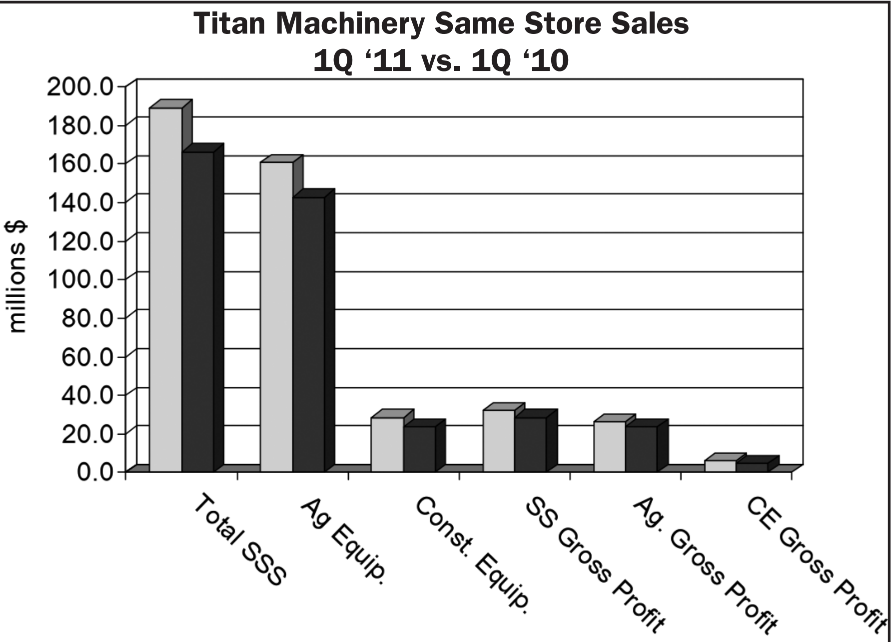
179 depreciation tax incentive through December 31, 2010.

Meyer added that favorable spring planting conditions have created the potential for large yields in the calendar year 2010 production cycle. He also noted that growers' input prices are lower going into the growing season, particularly for Roundup herbicide, fertilizer and diesel fuel.

Acquisition Pipeline. During the first quarter of its fiscal year, Titan closed on the acquisition of Hubbard Implement in Iowa Falls, Iowa. In its most recently reported fiscal year, Hubbard Implement generated revenues of approximately $7.9 million.

Meyer indicated that Titan is currently in discussion with a number of single-store and multi-location dealerships. He expects the company to remain very active in adding to the group's current 72-dealership complex. "There remains a healthy pipeline of potential acquisition candidates in ag and construction in the upper Midwest," he told analysts. AEI



Source: Company reports

On a same-store basis, Titan's overall revenue rose by 13.9%, agriculture segment sales increased 12.7%, and construction equipment revenues grew by 21.5%. Same-store gross profits grew by 12.3%, ag segment gross rose by 10.3%, and CE gross profit improved by 24.8%.

AEI Expands Coverage of Dealer Groups

As dealer groups have grown in size and scope, shares in at least 3 North American dealership networks can be bought and sold through U.S. or Canadian stock exchanges. For this reason, *Ag Equipment Intelligence* is expanding its coverage of Cervus Equipment Co. (CVL), based in Calgary, one of John Deere's largest dealers, and Rocky Mountain Dealerships (RME), based in Calgary, and is the largest dealer for Case IH equipment in Canada.

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FARM MACHINERY TICKER (AS OF 6/10/2010)

Equipment Mfr.	Symbol	6/10/10 Price	5/11/10 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$28.15	$33.86	$40.29	$24.61	23.88	1.52 M	2.62 B
Alamo	ALG	$22.54	$24.69	$27.05	$9.77	12.49	81,295	264.80 M
Art's Way	ARTW	$5.90	$5.79	$7.12	$3.42	29.65	7,852	23.54 M
Caterpillar	CAT	$59.95	$66.07	$72.83	$30.01	30.76	9.75 M	37.63 B
CNH	CNH	$24.31	$29.43	$33.45	$11.51	NA	362,094	5.78 B
Deere	DE	$57.87	$59.46	$63.68	$34.90	25.00	4.82 M	24.59 B
Kubota	KUB	$40.84	$41.99	$51.08	$36.36	22.56	25,848	10.39B
Dealer Groups								
Cervus Equipment	CVL	$11.65	NA	$11.65	$11.52	NA	12,223	NA
Rocky Mtn Dealerships	RME	$8.70	NA	$10.83	$3.40	NA	6,300	NA
Titan Machinery	TITN	$13.10	$14.00	$15.44	$9.81	14.95	226,441	232.97M

CNH & John Deere Reinforce Foothold in Russian Ag Equipment Market

The world's two largest farm equipment manufacturers are raising the ante in their efforts to establish a foothold in the enormous Russian market for ag machinery. To do so, both CNH Global and John Deere are expanding their Russian manufacturing and distribution operations.

The pent-up demand for large and technologically advanced ag equipment throughout the Former Soviet Union continues to be held back by a lack of credit availability. But the two giants of farm machinery are betting that this market is making a comeback and will soon flourish.

CNH & Kamaz. CNH is set to play a bigger role in a recovering Russian farm equipment market by finalizing a commercial venture with local manufacturer Kamaz to distribute and service New Holland agricultural and construction equipment.

CNH-Kamaz Commercial BV —51% of which is held by CNH — will handle New Holland equipment sales and service in the Russian Federation, whether imported or produced by the related industrial partnership agreed to in March.

"This is a significant day, not only for our companies but for the agricultural and construction equipment industry in Russia," says Franco Fusigani, CEO of CNH's International division.

"The alliance with a partner as important as Kamaz, a leading manufacturer in Russia, strengthens our strategy to establish a direct presence in a market that has enormous potential for growth."

The industrial joint venture that will supply some products is based at Kamaz headquarters in the Republic of Tartarstan. The 50,000-square meter operation, which received an initial investment of $70 million, can build 4,000 tractor, combine and backhoe-loader units annually.

The plant is already assembling New Holland T8050 row-crop and T9040/T9050 four-wheel drive tractors, along with two models of CSX straw walker combines.

Kamaz is Russia's leading truck maker but has had limited involvement in the agricultural sector. It briefly assembled Kamaz-branded McCormick tractors on assembly line assets it acquired from the ARGO Group's former Case tractor factory in Doncaster, England, which closed in early 2008.

Deere Opens New Plant. Just 9 months after announcing its plans, Deere & Co. has opened a new manufacturing and parts distribution facility south of Moscow. The Domodedovo facility represents Deere's largest single investment in Russia.

The facility will manufacture agricultural, construction and forestry machinery, including large tractors and combines. It also houses the EurAsia Parts Distribution Centre, serving customers in Russia, other countries in the Commonwealth of Independent States (CIS) and in nearby markets.

"Deere first sold products in Russia 100 years ago," emphasized chairman and CEO, Samuel Allen, at the opening ceremony. "Now, in addition to the new Domodedovo location, John Deere has a manufacturing site in Orenburg, offices in St Petersburg and Moscow, and over 70 sales and service locations in Russia."

He added that the company's future plans in the country are supportive of the Russian government's objectives to boost the output of grains and other renewable resources, and to make the farm and forestry sectors more commercially vibrant.

Meanwhile, in Europe, Deere is spending $60 million to expand its European Parts Distribution Centre at Bruchsal in Germany and establish a new regional distribution center near Stockholm, Sweden. AEI

Dutch Equipment Maker Adds to Growing Hay & Forage Line

After 12 months as a minority shareholder, the Lely Group has bought German hay equipment maker Mengele Agrartechnik outright.

"We are delighted to have the opportunity to acquire such a strong line of products to help further strengthen Lely's position," says Niels Havermans, managing director of Lely International. "It underscores our commitment to become one of the top players in forage harvesting solutions."

In May 2009, Lely Holding took a minority stake of undisclosed value in Mengele. This financed a marketing agreement, which gave the Dutch company worldwide distribution rights to the Mengele self-loading forage wagon range, with the exception of German-speaking markets. Lely relaunched the range as the Tigo line.

"It was a good decision; we successfully began selling the loader wagons in our key markets and exceeding our expectations in challenging market circumstances," says Havermans. "The product also helped strengthen our dealer presence in some key markets."

It is the second time that Lely has acquired one of its major suppliers. Two years ago, Lely bought 75% of German baler manufacturer Welger in partnership with Vermeer, which purchased a 25% stake. Vermeer sells selected Lely and Welger hay products under its own name in North America.

Mengele's 65 employees are continuing with the existing product range, which in addition to the forage wagons, includes manure spreaders, tractor-powered forage harvesters and trailers.

"Becoming part of such an internationally focused company with clear ambitions and objectives is of benefit to our employees and customers," says Karsten Schulz, Mengele Agrartechnik CEO. "It will improve market coverage for our products and allow us to continue to offer quality products well into the future."

Lely had group sales from hay products and automated milking systems worth the equivalent of $405 million last year, down 13% on a figure of $466 million in 2008. AEI

Rocky Mountain Dealerships Acquire Another Dealer, Sign Two Distribution Agreements

Rocky Mountain Dealerships (RME) is pursuing a combination of organic growth by adding new product lines, and a continuing acquisition strategy to fuel its growth. And June may have been RME's busiest month since it went public 2.5 years ago.

Since the beginning of this month, RME, which is based in Calgary, has acquired a 3-location Case IH dealership and signed distribution agreements with Doosan Infrastructure Construction Equipment America and Metso Minerals Canada. RME is Canada's largest Case dealer group.

With the purchase of certain assets from Wardale Equipment (1998) Ltd., a Case IH agriculture dealership with locations in Yorkton, Langenburg and Preeceville, Saskatchewan, RME has made 16 acquisitions since its initial public offering in December 2007. This brings the company's total number of branch locations to 29.

Wardale completed its most recent fiscal year ended November 30, 2009, with top-line revenues of $39 million.

In a note, Ben Cherniavsky, stock analyst for Raymond James Ltd., sees the acquisition as a major step forward in the expansion of RME in Canada's farm equipment market.

"We view this pending acquisition positively for a few reasons," he says. "First and most importantly, it cracks the Saskatchewan nut and allows the company to start establishing a more meaningful presence in this important market, where it currently only has one location.

"Second, the new dealer branches are well-located on the border of southeastern Manitoba, close to its established Miller network, acquired in August 2008. Lastly, we view the acquisition of a Case IH dealer as a relatively straight-forward and safe transaction as it fits in with Rocky Mountain's product offering."

Construction Growth. RME further solidified itself as a major player in Canada's construction equipment industry with new distribution pacts with Doosan and Metso Minerals.

On June 2, RME announced that it would become the exclusive distributor of Doosan excavators and wheel loaders in Edmonton, Alberta, through its Hammer Equipment Ltd. location.

The company quickly followed up that announcement on June 7 when it reported that it will become the exclusive distributor of Metso crushing and screening products in Alberta, Saskatchewan and the Northwest Territories. Metso is a global supplier of technology and services for mining, construction, power generation, automation, recycling and the pulp and paper industries.

Strong Quarter. Through the first 3 months of 2010, RME's net sales were $120.5 million compared to $107.2 million for the same period of 2009. New equipment sales were $61.9 million for the 3-month period compared with $47.5 million in the same period last year. Used equipment sales were $38.1 million (vs. $39.2 million in '09). Revenue generated from product support was $19.9 million in the first quarter (vs. $19.1 million). AEI

Kuhn & Kverneland See Rebound in NA Equipment Sales, While Europe Remains Flat

The world's biggest farm implement manufacturers, Kuhn and Kverneland, are cautiously optimistic about a renewal in agricultural machinery markets after receiving stronger first-quarter orders.

"Demand for Kuhn Group products varied from region to region during the first quarter of 2010, with farmers in North America expecting their income to increase, while those in Europe anticipate another decline," says Philip Mosimann, CEO at Kuhn's Swiss parent group, Bucher Industries. "As a result, capital spending by milk and meat producers in the U.S. improved, whereas market conditions remained difficult in Europe."

While sales for the quarter were down 30% in comparison with the same period last year, order intake was 60% higher.

"This strong growth was due not only to the positive market situation in North America but also to the very low level in sales in the year-ago period," Mosimann cautioned. "Nonetheless, given the quarterly figures posted, Kuhn Group confirms its ambitious target of matching last year's sales level in 2010."

At Kverneland, orders were up 52% in the first quarter compared with 2009. The company reported a 1.5% improvement in margins and 16% reduction in cost base, adding to a promising outlook from CEO Ingvald Loyning, despite first-quarter sales being down 23%.

"Apart from a long, hard winter, which delayed pre-season order intake, we also experienced a substantial decrease in the bale business, which alone accounts for half of the drop," he points out. "Looking ahead, the agricultural industry is showing the first signs of recovery from the big drop in farm investment and demand for machinery. The significantly stronger order intake is a positive indicator, but it is too early to confirm how sustainable and how strong the recovery is likely to be."

Loyning adds that having shown the ability to adjust production and organization to tackle significant reductions in net sales, Kverneland will continue to steer production according to actual customer orders instead of uncertain forecasts. That way, it will retain the flexibility he believes will be necessary in a more volatile market for farm machinery. AEI

Worldwide Ag Equipment Sales Fell by 16% in 2009; Growing Protectionism Seen as a Major Hurdle

Falling demand for ag machinery in Russia and throughout much of Central and Eastern Europe during the past 2 years has left farm equipment makers worldwide watch as sales plummeted from previous record-high levels.

VDMA, the Agricultural Machinery Assn. based in Frankfurt, Germany, estimates that worldwide sales of ag machinery declined by 16% last year. In its "Economic Report 2010 — Agricultural Machinery," the association says that sales fell to $69.6 billion (57.5 billion euro) from nearly $83 billion in 2008.

Equipment manufacturers in the EU felt the brunt of the decline, as their market volume dropped by 19% last year, to $25.3 billion (20.9 billion euro).

"Over the past few months, economic disparities have intensified further," said Dr. Bernd Scherer, managing director of VDMA. "While market growth has been recorded in some regions — such as Brazil and the U.S. — the overall investment mood in Western Europe remains subdued."

VDMA reports that, based on sales so far in 2010, shipments of farm machinery from EU manufacturers could slip another 8%, to $24.4 billion (19.3 billion euro) this year.

"While clear improvement can be felt in some Central European markets, the demand for new machinery in France and Spain remains subdued," Scherer says.

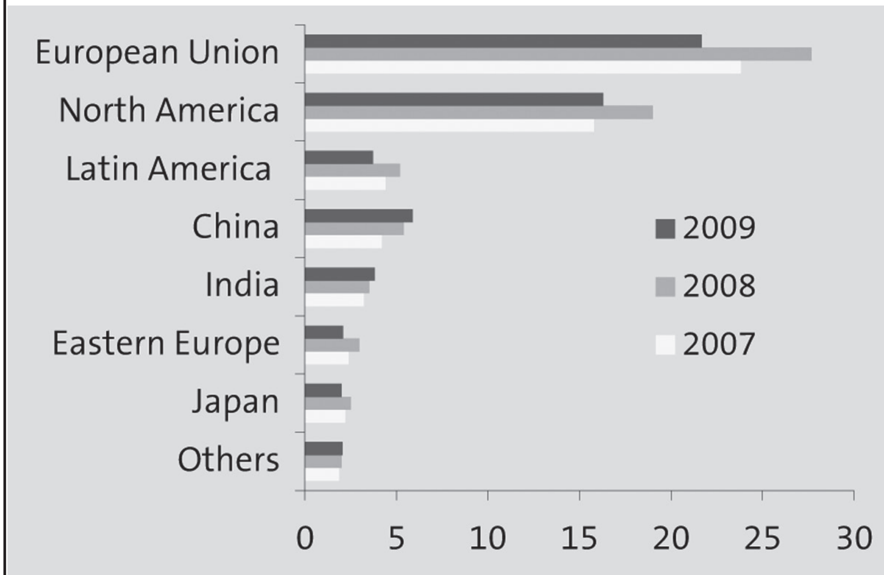
Protectionist Measures. VDMA says that "protectionist endeavors in some markets" are a growing challenge for manufacturers. They refer to such measures as "a drop of bitterness" for equipment makers.

"For instance, at present Russian industry is vigorously promoting the extension of import duties previously applied only to combines and forage harvesters to include other product segments," Scherer says. "At the same time, 50% localization [domestic content] is aimed at as a prerequisite for participating in state aid programs. Similar tendencies are exhibited in the Chinese award policy for public invitations to tender, where the order volume largely goes to domestic agricultural machinery companies."

German exports to Russia have declined by 60%, according to VDMA. Previously, Russia was second-largest customer for German machinery, but has now slipped to sixth.

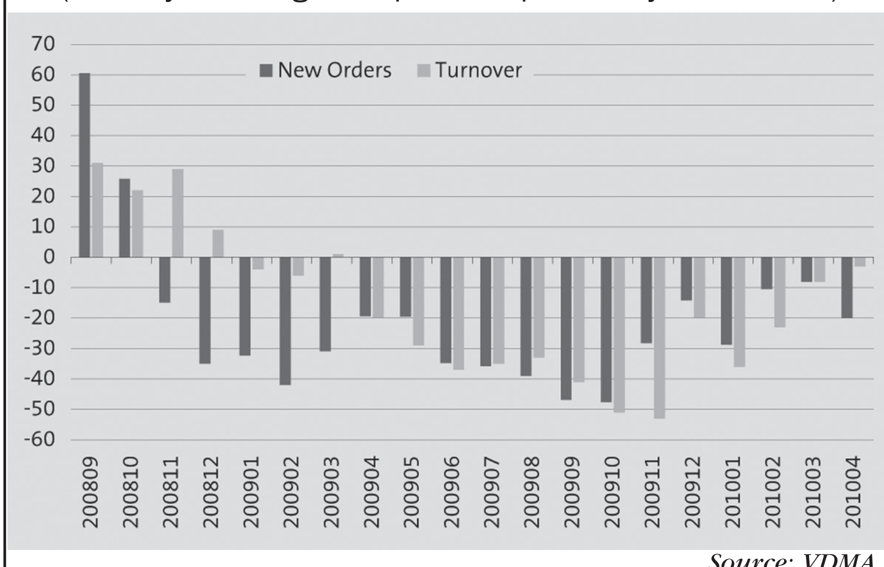
Overall, German exports to Russia have decreased by 31%, and those from the U.S. have fallen to $6.3 billion, or -27%. And according to the association, U.S. tractor exports, which are strongly dependent on Eastern Europe, were 39% under 2008 shipments. Italy, the third largest exporter of agricultural machinery, also registered a decline of 27%, although deliveries to Asia increased. AEI

Worldwide Ag. Machinery Production
(billions euro)



Source: VDMA, own estimations

German Agricultural Machinery Industry
(Monthly % Change compared to previous year's month)



Source: VDMA

Tractor, Combine Inventories Fall 20%

Overall sales of farm tractors and combines slowed somewhat in May compared to prior months. But the most significant shift in the ag equipment market showed up in the declining inventories of large tractors and combines, according to the most recent figures released by AEM.

"Row-crop tractor, 4WD tractor and combine inventories all were down plus 20% year-over-year in April, as U.S. dealers continued to liquidate inventory to satisfy incremental demand in front of the year-end change in diesel engine emission standards," says Robert McCarthy, analyst for RW Baird.

He notes that large tractor sales declined 2% year-over-year in May, a noticeable deceleration from comps in the critical April/May selling season. "Although less important than March and April (~25% of annual large tractor sales), May is still a seasonally above-average month, typically accounting for about 9% of sales," McCarthy says.

- 4WD tractor sales fell 10% year-over-year, down sharply from 40% positive comparisons in both March and April. U.S. sales declined 13%.
- Row-crop sales declined 1%, following 5-6% increases in March and April. U.S. sales were off 3%.
- All large tractors will be directly affected by the year-end change in diesel engine emission standards, as they exceed the 75-hp threshold. Large tractors include all 2WD tractors with engines rated >100 hp (aka row-crop tractors) and 4WD tractors.
- Combine retail sales were up 1% year--over-year in May, weaker than the 21% April increase and continuing the high monthly volatility seen since entering the slack period of the year for combine deliveries in January. June is the first seasonally significant month for combine sales, beginning a 5-month streak that typically accounts for more than 10% of annual combine sales.
- Mid-range tractor sales increased year-over-year by 5.7% for first time since September 2008. **AEI**

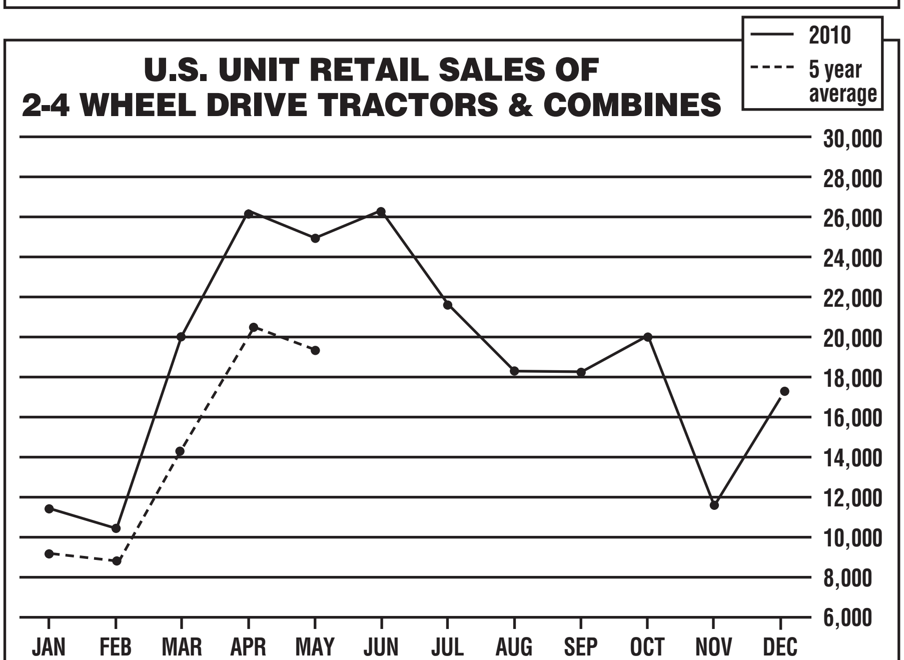
MAY U.S. UNIT RETAIL SALES

Equipment	May 2010	May 2009	Percent Change	YTD 2010	YTD 2009	Percent Change	May 2010 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	11,465	10,492	9.3	37,593	34,042	10.4	43,935
40-100 HP	5,012	4,879	2.7	19,033	20,478	-7.1	24,091
100 HP Plus	2,006	2,040	-1.7	11,335	10,509	7.9	6,344
Total-2WD	18,483	17,411	6.2	67,961	65,029	4.5	74,370
Total-4WD	346	396	-12.6	2,060	1,769	16.4	755
Total Tractors	18,829	17,807	5.7	70,021	66,798	4.8	75,125
SP Combines	604	736	-17.9	2,912	2,924	-0.4	1,044

MAY CANADIAN UNIT RETAIL SALES

Equipment	May 2010	May 2009	Percent Change	YTD 2010	YTD 2009	Percent Change	May 2010 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,554	1,509	3.0	4,105	4,076	0.7	7,624
40-100 HP	757	577	31.2	2,569	2,535	1.3	3,675
100 HP Plus	435	417	4.3	1,851	1,606	15.3	1,783
Total-2WD	2,746	2,503	9.7	8,525	8,217	3.7	13,082
Total-4WD	115	117	-1.7	742	546	35.9	268
Total Tractors	2,861	2,620	9.2	9,267	8,763	5.8	13,350
SP Combines	306	162	88.9	753	581	29.6	463

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



—*Assn. of Equipment Manufacturers*

Former Partner of Dealer Suing Deere Refutes Allegations

Editor's Note: Following the publication of the article, "Oklahoma Dealer Sues Deere for Canceling Agreement," which appeared on p. 2 of the February 2010 Ag Equipment Intelligence, a former partner in the dealership contacted us requesting that we present his side of the story. Following is part of what he told AEI.

A former partner in an Oklahoma John Deere dealership that is now suing Deere for cancelling its contract says the "litigation is baseless and without merit."

Chris Cole of Claremore, Okla., says he invested more than $300,000 in Green County Agricultural and Lawn Equipment (GCAL) of Tulsa, Okla., in 2004, and was one of four partners who owned the dealership during the time that Deere warned of its impending termination. He has filed suit against the other partners seeking redress of his investment.

"After spending over 4 years and countless dollars in my own litigation to have my investment returned, I am completely out of the business and only seek to have the truth told relative to this situation," Cole says.

Cole is not party to a pending suit where the other partners are suing Deere & Co. *Ag Equipment Intelligence* reported on the suit in its February 2010 issue.

According to court records, Green Country Agricultural and Lawn Equipment Co. of Tulsa, Okla., filed suit on December 28, 2009, against John Deere Co. and P&K Equipment (another John Deere dealer) for "Tortious Interference Contract" in Rogers County, Okla.

In a telephone interview with *AEI* in February, Lester Gagan, one of the owners of Green Country Ag and Lawn, said that John Deere cancelled its dealership agreement in April 2008.

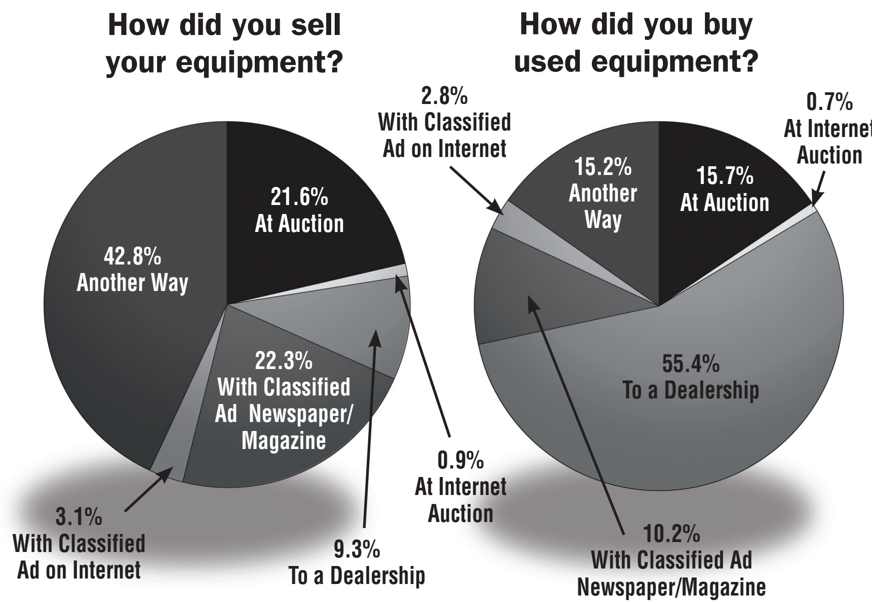
The cancellation "wasn't about market share," Gagan said at the time. "If it had only been market share, I could have handled it, but it was all of the other things they threw at us."

The Other Side. But according to Cole, the termination came on the heels of poor market share and Deere's concerns about the dealership's low equity levels. "GCAL was on its final year of Deere's 3-year Low-Performing Dealer program for not meeting market share goals," he says.

"When I first invested in the dealership in September 2004, market share was at an all-time high of around 40%. It never saw that level again," Cole told *AEI*. "All four of the owners received at least three registered letters from the Dallas branch manager of John Deere, which outlined the process of the Low-Performing Dealer section of the dealership agreement. The cancellation was primarily about low-market share and concurrently, the dealership's equity level."

Cole also asserts that Deere expressed reservations about GCAL's low net income compared to dealerships in its peer review group. **AEI**

How Farmers Buy & Sell Used Equipment



In the past 5 years, nearly 70% of U.S. farmers have purchased at least one piece of used equipment, while 40% have sold used machinery. This is according to a survey of 5,200 U.S. farmers conducted by the Dept. of Agricultural, Environmental and Development Economics at Ohio State Univ.

According to the authors of the report, "U.S. Farmers' Attitudes and Opinions about Sales via Auction, Dealer, Classified Ad and the Internet" released earlier this month, most buyers of used farm machinery and equipment (FME) bought from dealerships (55%), while other popular purchasing venues included auctions (16%) and classified ads (10%). Less than 5% bought from auctions or ads over the Internet.

Most buyers (83%) felt they paid fair market value and (94%) felt certain about the quality of the item before they took possession. Internet buyers were less likely to say they got a fair deal but were similarly certain of the quality of items.

The largest percentage of sellers of used FME relied upon personal contacts or simple for-sale signs to sell their equipment (43%), with auctions (22%) and classified ads (22%) being the next most popular mode of sale. Less than 5% of these non-traded used FME items were sold via the Internet. Most sellers (87%) also felt they received fair market value for their items, including those who sold via the Internet. Furthermore, when asked about the degree of satisfaction they had with all components of the selling process, those who had sold via Internet classified ads reported the greatest satisfaction. **AEI**