

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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Russian Wheat Crisis Not Likely to Impact Equipment Sales this Year

The impact of the rapid escalation of wheat prices on the sale of farm machinery will not be felt in 2010, according to Robert McCarthy, machinery analyst for RW Baird.

"Although the recent grain export ban in Russia has led to sharp gains in wheat prices, we see few implications for 2010 retail [equipment] activity," he told investors in a August 11 note.

But rising prices for wheat are also expected to help push prices of other grains higher. The cumulative effect of these is seen as bullish for ag equipment sales in the longer term.

Weather Effects. The effect of the Russian drought and subsequent ban on wheat exports through the end of the year is amplified by poor weather conditions in other wheat-producing countries, includ-

ing Ukraine, Kazakhstan and Canada. Together, these produced price-shock waves throughout the world's supply chain, sending major importers scrambling for other sources and driving up the price of wheat. Other commodities were also affected as wheat customers searched for substitute grains.

While some are comparing the current price and production volatility to the 2008 shock that pushed wheat prices to almost \$13 a bushel, analysts say this situation is much different. Currently, overall wheat production is plentiful and U.S. stocks are at a 23-year high.

"This is still going to be the third-largest wheat crop in world history, even with the Russian shortfall," Daniel W. Basse, president of AgResource, an agricultural consul-

tant firm in Chicago, said in a recent report. "The question becomes, will the drought persist, and will there be problems elsewhere in other big producers like Argentina or Australia?"

Most analysts agree that the current scenario could be temporary and most of its impact rides on whether farmers in Russia receive enough moisture in the next weeks to promote planting of winter wheat.

WASDE Report. In its August 12 World Agricultural Supply and Demand Estimates report, USDA lowered Russian wheat production by 8 million tons, estimated production in Kazakhstan by 2.5 million tons and the Ukraine by 3 million tons.

The agency also reduced worldwide exports of wheat by 12 million

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Twin-Row Corn Gathering Momentum in Quest to Increase Yields

Media coverage, burgeoning ethanol demand and the drive by production agriculture to meet a self-imposed goal of 300-bushel-per-acre corn yields by 2030 — to meet the world's projected population growth and growing demands for higher protein diets — is driving increased awareness of twin-row cropping methods.

Equipment dealers and executives attending Great Plains Manufacturing's 2010 National Dealer Meeting told *Ag Equipment Intelligence* they're seeing more interest in twin-row corn planting among their customers. More than 200 equipment dealers from throughout the U.S. participated in the meeting July 12-15 in Kansas City, Mo.

Growing interest in twin-row

cropping will have ramifications down the road for equipment manufacturers in the intensely competitive planter market. One dealer remarked that Deere & Co.'s reluctance to enter the twin-row arena is keeping the enthusiasm from growing more quickly. Nonetheless, momentum and enthusiasm for twin-row planting is gaining momentum as farmers continue to see increasing yields.

"I have one customer who is getting an 8-bushel advantage," with twin-row corn planting, says Dave Shearer from Dean Machinery, a Great Plains dealer in Chillicothe, Ohio. He also handles Challenger and Massey Ferguson equipment.

'I'm Sold on It.' With twin-row planting, instead of planting one row

on a 30-inch center, two staggered rows are planted on 30-inch centers, 8 inches apart. The approach is said to improve both root growth and the plants' utilization of light, which can increase corn yields.

Some studies have also concluded that twin-row methods allow certain genetic families of corn seed to be planted at higher populations, increasing corn yields even further.

Twin-row planting is also being touted for soybeans, milo, cotton and sunflowers.

Delbert Sprecher of McFarlane's in Sauk City, Wis. — a New Holland, Kubota and Massey Ferguson dealer — said one customer in Wisconsin decided to experiment on his 800-

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tons, while at the same time lowering imports by 5.7 million tons as higher prices are expected to reduce demand in a number of countries.

Global ending stocks are projected to come in at 12.3 million tons lower. At 174.8 million tons, world stocks are projected at 49.9 million tons higher than in 2007-08 when prices soared to record levels.

A Big Year? In an August 6 radio interview, Dennis Gartman, economist and editor of the Gartman Letter, said, "You have a situation unlike anything that I've seen in the 35 years I've been trading in the grain markets. This is going to be one of the great years for American agriculture probably in history."

Companies, particularly in U.S. Midwestern states that support the agriculture industry, are also poised to benefit as farmers spend more money on livestock feed, machinery and retail goods, Gartman said.

USDA raised its farm price range for the 2010-11 wheat crop to \$4.70-\$5.50 per bushel, from \$4.20-\$5.00 per bushel. The revised midpoint of the range, \$5.10 per bushel, is \$0.23 per bushel above last year's estimated price of \$4.87 per bushel.

While little else of substance was changed in the most recent WASDE report, U.S. ag fundamentals remain steady, according to UBS analyst Henry Kirn. "Although soybean prices are down from the prior year, corn, soybean and wheat prices remain well above historical averages, and farmers are expected to remain profitable in 2010," he says.

Ann Duignan also saw the report as a positive read for ag machinery. "Our model suggests that cash receipts from major crops will be \$100.5 billion in the 2010-11 crop year, a 5% year-over-year increase from our prior expectation of \$95.8 billion. Given the strong correlation between

15 Largest Wheat Importing Countries

(Marketing year – thousands of metric tons)

Rank	Country	Imports
1	Egypt	8,800
2	EU-27	6,500
3	Brazil	6,500
4	Indonesia	5,500
5	Algeria	5,300
6	Japan	5,300
7	Iran	4,500
8	Iraq	3,800
9	South Korea	3,700
10	Nigeria	3,500
11	United States	3,130
12	Mexico	3,100
13	Philippines	3,000
14	Bangladesh	2,600
15	Turkey	2,500
World		122,570
Top 15 As % of World		55%

Source: USDA

The world's 15 largest importers of wheat purchased more than half of all the grain traded in 2009.

cash receipts and ag equipment sales, we think today's report is a positive read for ag equipment makers." **AEI**

Twin-Row Corn...Continued from page 1

acre farm by planting half the acres with single-row corn in 30-inch rows and half with twin rows.

Using the same combine, 12-row Great Plains Yield-Pro planter and seed population for plots, and several different seed varieties, the farmer logged an 8.5-bushel advantage on the twin-row acres. "I'm sold on it," Sprecher said of twin row.

Another trend that some dealers cited — which could affect adoption of twin-row practices in some states — is conversion of wheat acres to corn as growers take advantage of the growing demand for ethanol. But that trend is bumping up against slow-to-change attitudes of some older, more traditional farmers.

"There are some twin rows in our area, but not a lot of interest yet," said Don Hoover, a salesman at Carrico Implement Co., a 3-store Kansas dealership. "I've seen a couple of fields

with it. The thing people seem to fight the most is change. But there's more corn out there now in our area than I've ever seen before."

An equipment dealer in New York said Great Plains' unveiling of 4-, 6- and 8-row Yield-Pro planters at this year's dealer meeting could help dairy farmers get into twin-row corn.

"Most of the twin-row corn in New York is in dairy," said Tim Call, president of Empire Tractor.

Challenging Geography. Mark DeMoss, Great Plains' territory manager for California, Arizona and Nevada, says he's just beginning to gauge interest in twin-row corn in California, where farming practices are being re-evaluated in some areas because of stricter environmental regulations and water shortages.

Selling twin-row planters to customers in California may be a challenge because many plots are only 80

acres, he said. "With the 8-row, 30-inch twin-row planter there is some interest because you can put it on a trailer," DeMoss said. "It's rare to see a pull-type planter out there."

Great Plains continues to be heavily invested in twin-row cropping. The company has been doing test plots for corn since 1998 and is currently cooperating with Monsanto on twin-row research.

AgriGold, a seed company, is also actively investigating twin rows. A study released in February by the company after its 2009 test plotting cited a 4.9-bushel-per-acre advantage in twin-row corn over conventional single-row corn.

Tom Evans, vice president of sales and marketing at Great Plains, said studies can be done to both prove or disprove the benefits of twin rows, "but the selection of hybrids is very important." **AEI**

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South American Soybean, Corn Exports Challenge U.S. Dominance

By 2012, Brazil will overtake the U.S. in soybean exports and by 2020, the U.S. will fall to third place behind Argentina, according to ag economists from North Dakota State Univ.

As bearish as this may sound for American farmers, this isn't bad news. Both U.S. corn and soybean production will continue to rise throughout the next decade. But as farmers need to feed more mouths — an estimated 80 million more per year well into the future — South American producers with more land to expand their ag operations will provide a larger worldwide share of the expanding need.

As a result, growing food requirements will continue fueling solid levels of North and South American sales of ag equipment throughout the next decade.

Next Decade. In their "2010 Outlook for U.S. and World Corn and Soybean Industries, 2009-2019," issued last month, Richard Taylor and Won Koo say world corn trade will increase 13% over the coming decade, with U.S. exports remaining steady while Brazil and Argentine exports expand rapidly.

Unlike other agricultural crops, world corn and soybean production is concentrated in only a few countries. As a result, any disruption in production produces major global concerns.

Currently, the U.S. produces 41% of the world's corn and 28% of the world's soybeans. China is the next largest corn producer followed by

"By 2019, China will be importing 1.1 billion bushels of corn and 2.2 billion bushels of soybeans..."

Brazil and the European Union. These four countries alone produce over 60% of the world's corn. The top 15-corn-

producing countries account for 77% of all the corn produced.

Brazil produces 21% and Argentina produces 18% of the world's soybeans, about 4.2 billion bushels in 2009. The U.S., on the other hand, accounted for 28% of global production, which amounted to about 3.1 billion bushels. The top 15 soybean producers are responsible for 98% of global production.

Grain Trade Growing. The NDSU economists project that during the next decade, world corn production will grow from 48 billion bushels

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Ethanol & China Will Drive Corn, Soybean Production in Next Decade

The major influence in the corn market will be U.S. corn-based ethanol production. If the production of corn-based ethanol remains strong, corn prices will likely remain strong. However, if the U.S. Federal government subsidies or mandates change, the world corn market could be negatively impacted. Under the current assumptions in the model, corn price is expected to remain in a range between \$3.70 and \$4.10 per bushel.

The level of Chinese soybean imports is the leading factor in the world soybean market. Soybean consumption in China is the main reason for increased world soybean production. In 1995, China consumed 517 million bushels of soybeans and produced 640 million bushels. By 2009, China consumed 2 billion bushels and produced 631 million bushels. In 2009, China imported 60% of the world soybean exports. China currently imports 60% of the available soybeans, and that is expected to increase to about 65% by 2019.

Major exporters will continue to be the U.S., Brazil and Argentina. However, both Brazil and Argentina should increase exports while U.S. exports will remain at the current level. Soybean prices are expected to fluctuate, but remain in the \$9.70 per bushel range throughout the forecast period.

— R. Taylor, W. Koo, North Dakota State Univ.

FARM MACHINERY TICKER (AS OF 8/12/2010)

Equipment Mfr.	Symbol	8/12/10 Price	7/13/10 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	\$25.51	\$30.47	\$40.29	\$24.61	NA	NA	NA
Alamo	ALG	\$20.71	\$23.61	\$27.05	\$13.04	10.93	92,900	243.30 M
Art's Way	ARTW	\$5.24	\$5.15	\$7.12	\$3.42	26.87	600	20.92 M
Caterpillar	CAT	\$67.47	\$66.79	\$72.83	\$43.19	27.477	9.49 M	42.54 B
CNH	CNH	\$29.05	\$26.97	\$33.45	\$14.34	42.41	394,177	6.91 B
Deere	DE	\$65.53	\$59.37	\$69.47	\$40.28	28.31	4.90 M	27.84 B
Kubota	KUB	\$41.54	\$39.71	\$51.08	\$37.35	18.97	21,392	10.57B
Dealer Groups								
Cervus Equipment	CVL	\$10.35	\$10.35	\$18.00	\$10.10	NA	11,765	NA
Rocky Mtn Dealerships	RME	\$8.10	\$7.53	\$10.83	\$5.24	NA	15.100	NA
Titan Machinery	TTTN	\$14.99	\$14.00	\$15.84	\$9.81	17.41	243,540	266.55M

Canadian Dealers Produced Mixed Results in 2Q

Two of Canada's largest farm equipment dealer groups reported mixed results during the second quarter of 2010. Cervus Equipment Corp., the largest owner of John Deere ag equipment franchises with 17 locations in Western Canada, as well as 5 construction equipment locations, reported total revenues improved by 21% compared with the same period a year ago.

On the other hand, Rocky Mountain Dealerships says it was negatively impacted by Canada's exceptionally wet spring, and reported overall revenues fell by nearly 6% during the second quarter vs. the same 3-month period in 2009. Rocky Mountain is the largest independent dealer of Case Construction and Case IH agriculture equipment in Canada.

Acquisition Buys Cervus. Cervus reported strong consolidated

revenues of \$128 million compared to \$106 million during the second quarter last year. "Gross margin, however, came in at 17.3% vs. our forecasted 21.2%," Ben Cherniavsky, analyst for Canadian investment dealer Raymond James Ltd., said in a note to investors.

The analyst also noted that used equipment, parts and service, and rental sales dropped on weak end-market demand, while new equipment sales increased at the expense of gross margin.

According to Cherniavsky, ag revenues for Cervus grew \$9.1 million, despite inclement June weather, due to acquisitions (~\$6 million), the inclusion of sprayer sales (~\$2 million), and used equipment sales via auction (~\$3.1 million). "Ag segment margin came in at 14.8% vs. 18.3% last year due to sales mix, currency translation, and a hit (~1%) on the auction sale."

In the construction and industrial (C&I) segment, revenues increased by \$12 million due primarily to the AR Williams' acquisition.

Overall, the impact of inclement weather on Cervus' results was relatively minimal, reducing revenues by ~10% in the quarter, according to the analyst. "Any losses experienced are expected to be recovered at most of its dealerships with the exception of the Saskatchewan-based Maple Farms partnership in which Cervus holds a 20% stake," the company said.

Solid Outlook. While Cervus did not issue an outlook for the second half of 2010, in Cherniavsky's view, along with strong commodity prices on the ag side, modest gains from a slowly improving C&I segment, and less fluctuation in Canadian currency all bode well for Cervus' outlook.

"We expect incremental reve-

Quarterly Income Summaries (000s Canadian \$)

Cervus Equipment Corp. (CVL.CA)

	Forecast Variance			Year-Over-Year Variance			Year-to-Date Results		
	2Q10E	2Q10	2Q09	YoY%	Delta (\$)	Delta (%)	6M10	6M09	YoY%
Revenue									
Equipment Sales	80,300	100,797	84,703	19.0	20,497	25.5%	146,891	135,931	8.1
Parts	15,400	14,402	12,497	15.2	-998	-6.5%	25,916	21,296	21.7
Service	9,800	10,421	7,232	44.1	621	6.3%	18,308	12,614	45.1
Rentals	1,950	2,307	1,269	81.8	357	18.3%	4,013	2,201	82.3
Total Revenue	107,450	127,927	105,701	21.0	20,477	19.1%	195,128	172,041	13.4
COGS	84,671	105,737	85,646	23.5	21,067	24.9%	157,666	138,856	13.5
Gross profit	22,779	22,190	20,055	10.6	-589	-2.6%	37,462	33,185	12.9
Net Earnings (Loss)	5,461	5,062	7,330	(30.9)	-398	-7.3%	4,235	9,005	(53.0)
EBITDA (\$)	8,129	7,777	7,692	1.1	-352	-4.3%	6,268	9,880	(36.6)
EBITDA (%)	7.6	6.1	7.3				3.2	5.7	

Rocky Mountain Dealerships (RME.CA)

	Forecast Variance			Year-Over-Year (%)			Year-to-Date Results		
	2Q10E	2Q10	Delta (\$)	Delta (%)	2Q09	YoY%	6M10	6M09	YoY%
Sales									
New Units	88,000	82,065	(5,935)	-6.7	90,624	-9.4	144,003	138,108	4.3
Used Units	40,000	36,981	(3,019)	-7.5	38,756	-4.6	75,068	77,978	-3.7
Product Support	23,000	25,948	2,948	12.8	24,424	6.2	45,815	43,477	5.4
Finance & Insurance	750	896	146	19.5	580	54.5	1,307	876	49.2
Rental & Leases	150	279	129	86.0	743	-62.4	451	1,838	-75.5
Total Sales	151,900	146,169	(5,731)	-3.8	155,127	-5.8	266,644	262,277	1.7
Reported Cost of Sales	129,115	123,213	(5,902)	-4.6	133,352	-7.6	224,457	224,380	0.0
Gross Profit	22,785	22,956	171	0.8	21,774	5.4	42,187	37,896	11.3
Net Income (loss)	3,652	3,108	(544)	-14.9	3,829	55.6	4,919	4,557	7.9
EBITDA (\$)	6,671	5,769	(902)	(14)	7,169	-19.5	9,691	9,810	-1.2
EBITDA (%)	4.4%	3.9%			4.6%		3.6%	3.7%	

Source: Thomson One, Raymond James Ltd.

nues to accrue from Cervus' recently increased equity stake (to 60% vs. 33% previously) in its Agriturf subsidiary based in New Zealand.

"With a relatively 'in-line' quarter, little has changed our view. The company continues to exhibit growth via acquisitions and partnerships, the balance sheet remains well capitalized, and management continues to exercise discipline," Cherniavsky says.

Rain Slows Sales. Rocky Mountain's sales took a bigger hit than that of Cervus Equipment as a result of the rainy Canadian weather. The dealer group's overall revenues for the quarter declined to \$146 million vs. \$155 million for the same period in 2009.

Acquisitions contributed ~\$19

million, helping to offset negative organic growth of ~\$25 million. "Despite lower volumes and a rising Canadian dollar, gross margins were stronger than expected reflecting the benefits of integrating past acquisitions," Cherniavsky says.

Following inclement weather in June, many farmers have been able to return to their fields and seeding progress has been respectable. Moisture actually benefited many areas in Alberta and Manitoba that were experiencing drought, and seeding is reportedly 95% and 85% complete in these two provinces, respectively. Saskatchewan was harder hit (60-70%), which the company says will impact their newly acquired Wardale locations.

Positive Signs. Overall, Rocky

Mountain says the outlook is positive. "The recent improvement in grain prices, coupled with very high potential yields in much of our market area, gives us optimism for a favorable second half," Matt Campbell, chairman and CEO, said.

According to Cherniavsky, a sharp spike in wheat prices and strong canola prices have given farmers incentive to invest in new equipment, and sales had reportedly increased so far in the third quarter.

"Furthermore, with an abundance of independent ag dealers in Western Canada (22 Case and now 38 New Holland dealers as potential targets), our positive view on the company's consolidation opportunities remains intact." **AEI**

Czech Manufacturer to Produce Farm Tires in U.S.

Czech tire maker CGS plans to start making farm tires in the U.S. for the first time and hopes to announce a location at the Farm Progress Show later this month.

The company revealed it has been in discussions with state and local development agencies over funding support and other issues, and appears confident that a successful conclusion will lead to a plant being opened in Charles City, Iowa.

"Iowa is central to our North

American strategy," says Jaroslav Cechura, CEO of the Mitas unit of CGS Tyres. "We are expanding our production capacity, and we will provide U.S. farmers with U.S.-made Mitas and Continental tires."

He added that CGS is looking to start production in January 2012.

CGS Tyres employs more than 2,800 people and operates 4 production facilities in Europe, making industrial, motorcycle, snowmobile, earthmover and construction equip-

ment tires, in addition to the Mitas and Continental-branded farm products.

The group acquired Continental's global agricultural business in 2004 and with it a premium tire range that recently gained OEM supplier approval from John Deere for high-horsepower tractors.

Wholesale operations in North America are handled by CGS Tyres U.S. Inc. based in Charlotte, N.C., under the direction of Neil Rayson. **AEI**

Ag Growth Overcomes Weather, Currency Issues to Post Solid Earnings

Despite the strong Canadian dollar and incessant rains that delayed, and, in some cases, canceled planting in Western Canada, Ag Growth International Inc. (TSX:AFN) reported earnings on par with highs achieved during the previous year.

The Winnipeg-based manufacturer of portable and stationary grain handling, storage and conditioning equipment reported on August 11 that sales and EBITDA for the 3- and 6-month periods ended June 30 approximated the record levels established in 2009 despite the headwinds. Sales for those periods were \$69 million and \$120.6 million, respectively. Three- and 6-month sales for 2009 were \$66.8

million and \$122.1 million.

"Positive agricultural fundamentals in the U.S. have resulted in strong demand for portable grain-handling equipment and a significant increase in sales of commercial equipment," the company said.

"Demand for commercial grain handling equipment has increased significantly in both the domestic and international markets largely due to an improvement in macroeconomic conditions. Sales in Canada have decreased compared to the prior year, largely due to poor crop conditions that resulted from excessive moisture during the seeding period."

Gross margin as a percentage of

sales for the second quarter and first 6 months of the year was 40% in both periods. For the same periods in 2009, gross margin came in at 42%.

In the company's outlook for the remainder of 2010, Rob Stenson, Ag Growth's CEO, said, "Current conditions suggest we may benefit from another huge crop in the U.S., which should be supportive of demand for our portable equipment. Backorders for commercial equipment is significantly higher than at this time last year."

Ag Growth also announced cash dividends of \$0.17 per common share for the months of August 2010, September 2010 and October 2010. **AEI**

Russian Farmers to Receive \$16,500 Incentive to Purchase New Combines

Financial incentives to encourage farmers in Russia to buy new combines and tractors have been agreed to by provincial authorities and two domestic manufacturers.

Farmers who replace an old combine with a new Rostselmash combine get the equivalent of \$16,500 — half from Russia's biggest harvest machinery maker and half from local government.

Similar agreements are being negotiated in other regions, reports the Moscow-based analysis and information database service RosBusinessConsulting. There is also speculation that a national "combine clunkers" program is being considered, similar to the U.S. "cash for clunkers" program of 2009.

Rostselmash, which owns Buhler Industries in Winnipeg, Canada, will be keen to see a revival of the Russian combine harvester market, which col-

lapsed after credit lines for such purchases evaporated during the global economic crisis.

The company, based in Rostov-on-Don, 620 miles southeast of Moscow, implemented an ambitious project to modernize production facilities at its

main factory.

Among the investments, which amount to the equivalent of \$6.7 million, is a flexible semi-robotic welding line for sub-assemblies and cabs, together with new facilities for component and final machine painting. **AEI**

Russian Unit Shipments of Tractors & Combines June 2010

	2010	June 2009	%Change	2010	Year-to-Date 2009	%Change
2WD Tractors						
<40 HP	594	383	55%	2,085	1,994	5%
40-100 HP	917	881	4%	4,613	5,628	-18%
100+ HP	178	211	-16%	2,415	1,785	35%
Total 2WD Tractors	1,689	1,475	15%	9,113	9,407	-3%
4WD Tractors	20	41	-51%	231	336	-31%
TOTAL TRACTORS	1,709	1,516	13%	9,344	9,743	-4%
Combines	821	1,345	-39%	2,551	4,061	-37%

Source: Rosagromach

Note: Shipments of tractors and combines by Russian and foreign manufacturers for the domestic market of the Russian Federation.

Buhler Maintains Profits Despite Lower Sales to Eastern Europe

While overall revenue for the third quarter ended June 30 dropped to \$55.9 million from \$76.7 for the same period a year ago, Buhler Industries reported on August 6 that equipment sales improved by \$2.1 million compared with the second quarter of 2010.

The Winnipeg-based manufacturer of Versatile tractors and a range of other farm equipment also reported that sales through the first 9 months of the current fiscal year also fell to \$152.4 million vs. \$227.1 million for the first 9 months of 2009.

The company also reported that sales of \$152.4 million for the first 9 months are above average, but down from last year's record \$227.1 million

for the same period. The company attributed the sales falloff to a major decrease in overseas shipments arising from the credit crisis in Russia, Kazakhstan and Ukraine. The stronger Canadian dollar during the past year also impacted sales revenues, according to Buhler's management.

Net earnings for the third quarter were \$4 million, up from \$1.2 million in the third quarter of 2009. Earning per share came in at \$0.16 compared to \$0.05 in the prior third quarter. For the first 9 months, earnings were \$6.1 million, compared to \$10.3 million during the previous year. For the 9-month period, earnings per share slipped to \$0.24 compared

with \$0.41 last year. Some of the lost earnings were offset by gains on sales of surplus assets.

Gross profit for the quarter was \$11.5 million, up \$0.4 million from the same period of 2009. EBITDA for the quarter was \$6.1 million, an increase of \$2.7 million last year.

Buhler anticipates strong sales for all of 2010, surpassing average annual sales levels of recent years, but short of 2009's record sales. Sales of shortline equipment are expected to remain at high levels for the remainder of the fiscal period. But continuing slow overseas tractor sales, particularly in Eastern Europe, is expected to offset these gains. **AEI**

Buhler Industries Quarterly Sales 2006-10

	2006	2007	2008	2009	2010
1Q	\$ 1,707	\$ 149	\$ 1,203	\$ 4,429	\$ 1,364
2Q	1,875	1,132	3,223	4,586	691
3Q	701	1,104	4,374	1,238	4,022
4Q	123	5,627	2,870	4,135	—
Total	\$ 4,406	\$ 8,012	\$ 11,670	\$ 14,388	\$ 6,077

Buhler Industries 3Q 2010 Revenues & Profit

(000s of Canadian dollars)

	3rd quarter ending June 30	1 year ago	9 months ending June 30	1 year ago
Revenue	\$55.9	\$76.7	\$152.4	\$227.1
Net profit	\$4.0	\$1.2	\$6.1	\$10.3

Source: Buhler Industries company reports

Ag Machinery Sales Continue Slowdown in July

North American sales of large farm equipment softened in July.

"Combine sales declined for the second consecutive month of the primary selling season, while large tractor comparisons turned negative in July," RW Baird analyst Robert McCarthy said in a note to investors.

- U.S. & Canada combine retail sales comparisons remain negative, as sales declined 6.8% year-over-year in July, which typically represents ~60% of annual sales. Sales had already declined 10.3% year-over-year in June, after a 1.3% increase in May. Combine inventory levels declined 1.7% below June 2009 levels, and fell slightly on a days-sales basis to 57 days from 60 last year.

- North American row-crop tractor sales comparisons deteriorated in July, declining 10.4% year-over-year, decelerating further from roughly 1% declines in both May and June. Row-crop inventories fell sharply in June to 29.9% below June 2009 levels, and are currently at 96 days-sales, down from 128 days-sales last year at this time.

- 4WD tractor sales declined 2.2% year-over-year in July, following June's 31.3% jump. Slowing retail activity is more obvious when considering trailing 3-month comparisons, up only 5.3% year-over-year in July after increasing 21.2% in the second quarter and 24.8% in the first quarter. 4WD inventories also fell sharply, down 24.5% year-over-year on an absolute basis and dropping to 61 days-sales from 89 last June.

- Mid-range tractor sales increased in July. The July mid-range sales comparison was positive (+3.4%) for the second month in the last 3 and for only the eighth month of the last 36. Mid-range inventories remained well below last year's levels, and were 20.6% lower year-over-year.

For the remainder of the year, McCarthy sees possible pre-buying in advance of the new diesel emissions standards as a continuing source of uncertainty for the industry. **AEI**

JULY U.S. UNIT RETAIL SALES



Equipment	July 2010	July 2009	Percent Change	YTD 2010	YTD 2009	Percent Change	July 2010 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	7,465	7,892	-5.4	54,614	52,277	4.5	39,718
40-100 HP	4,651	4,510	3.1	28,772	30,780	-6.5	22,815
100 HP Plus	1,665	1,876	-11.2	14,900	14,167	5.2	6,251
Total-2WD	13,781	14,278	-3.5	98,286	97,224	1.1	68,784
Total-4WD	398	405	-1.7	2,952	2,474	19.3	837
Total Tractors	14,179	14,683	-3.4	101,238	99,698	1.5	69,621
SP Combines	1,189	1,142	4.1	5,009	5,011	0.0	1,510

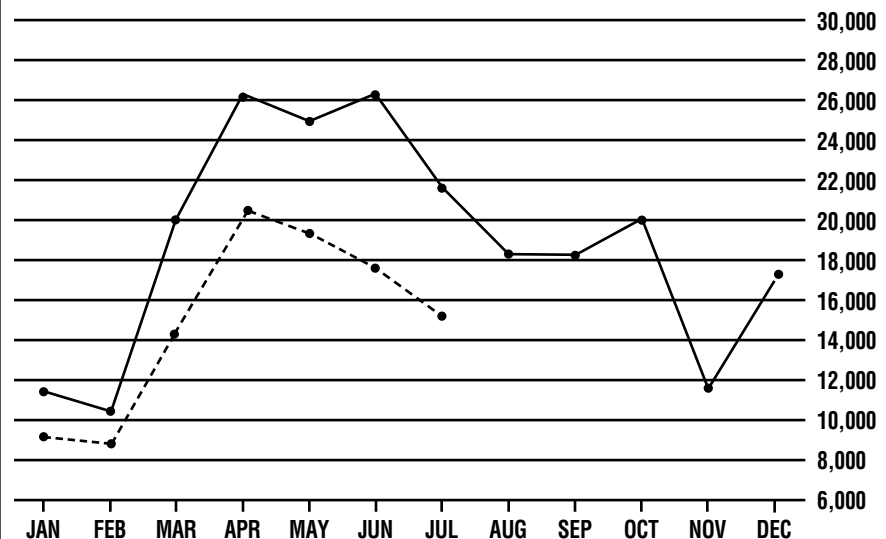
JULY CANADIAN UNIT RETAIL SALES



Equipment	July 2010	July 2009	Percent Change	YTD 2010	YTD 2009	Percent Change	July 2010 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,043	998	4.5	6,559	6,463	1.5	6,699
40-100 HP	511	482	6.0	3,548	3,724	-4.7	3,660
100 HP Plus	238	248	-4.0	2,367	2,284	3.6	1,617
Total-2WD	1,792	1,728	3.7	12,474	12,471	0.0	11,976
Total-4WD	40	43	-7.0	858	723	18.7	257
Total Tractors	1,832	1,771	3.4	13,332	13,194	1.0	12,233
SP Combines	390	552	-29.3	1,379	1,466	-5.9	692

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

---- 2010
— 5 year average



—Assn. of Equipment Manufacturers

Continued from page 3

to 53 billion. They expect U.S. production will rise by 12% and Argentina will increase its corn output by 10%.

While Chinese corn production is expected to grow 9% to 6.1 billion bushels by 2019, it will not be enough to satisfy the country's needs.

Taylor and Koo also forecast that in the U.S., corn production would decline slightly through 2014, and then resume its upward climb. By 2019, U.S. corn production will be just over 14 billion bushels. U.S. soybean production will be 3.4 billion bushels.

At the same time, world soybean trade will increase 66% with China buying increasingly larger amounts.

"By 2019, Brazilian corn exports will expand by 62% and Argentine exports by 40%..."

U.S. bean exports will remain flat, while the larger demand will be supplied from South America.

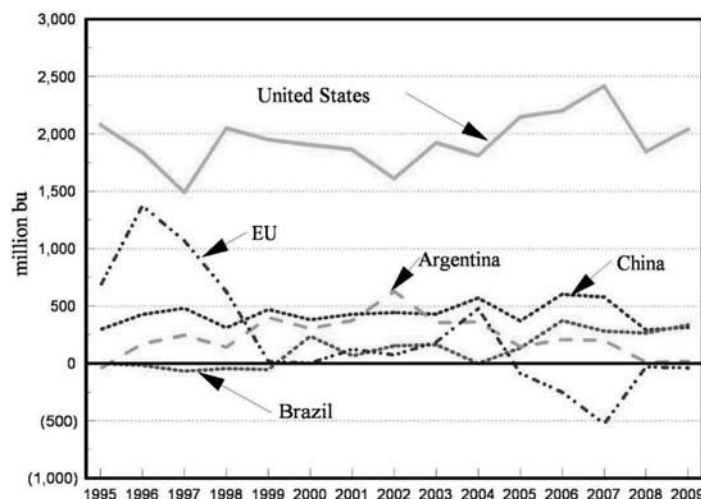
U.S. corn and soybean exports will only increase about 1.5% each, while Argentina will expand soybean exports by over 300% and Brazil by 83%, according to the ag economists.

Brazilian corn exports will expand by 62% and Argentine exports by 40%. By 2019, China will be importing 1.1 billion bushels of corn and 2.2 billion bushels of soybeans.

While Argentina will increase its soybean production by nearly 60% in the coming decade, it will still only be about 70% of what the U.S. will produce. During the same period, Brazilian production of soybeans will remain about 90% of that of U.S. producers, say Taylor and Koo. **AEI**

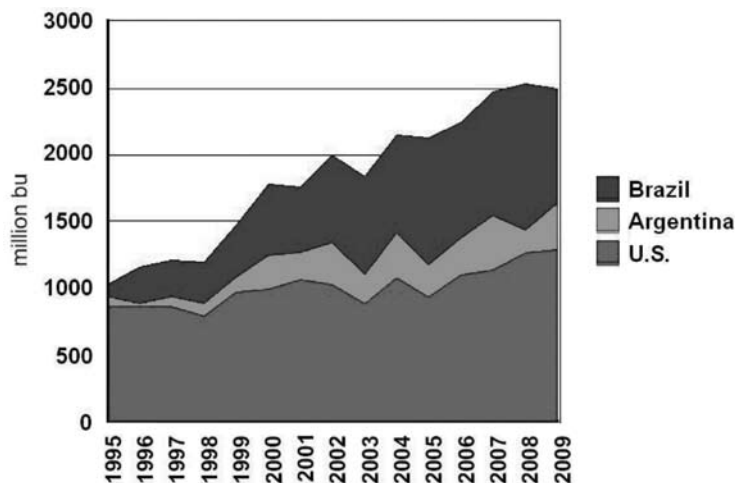
AEI's newest special report, "The Market for Ag Equipment in South America," will be sent to AEI subscribers in September.

World Corn Industry



U.S. corn production increased by 55% between 1995 and 2009 with harvested acres growing by 15%. China's corn production increased 24% while Brazil and the EU increased production 60% and 18%, respectively. World corn trade is projected to increase 13% between 2009 and 2019. U.S. exports are expected to remain at current levels as domestic ethanol use will require increasing amounts of corn. Both Argentina and Brazil would increase exports while China is expected to become a net importer of corn by 2019. Corn prices are expected to increase slightly to \$3.80 per bushel in 2010 and continue to increase to \$4.08 by 2013 and 2014 before slowly decreasing to \$3.40 per bushel by 2019.

World Soybean Industry



World soybean production increased 106% from 4.5 billion bushels in 1995 to 9.3 billion bushels in 2009. Argentina and Brazil increased soybean production 320% and 150%, respectively, during the same time period. The U.S. increased soybean production 43% between 1995 and 2009. Soybean production increased 299% in the ROW region. Most of that increase took place in other South American countries. World soybean trade will increase 66% between 2009 and 2019 as China is expected to increase imports by 55% in 2019 from the 2008-2009 average. U.S. soybean exports are expected to remain flat as cultivated acres are limited in the U.S. Since 2007, Argentina has been increasing soybean production rapidly due to restrictions on the exportation of beef. Brazil will continue to increase soybean exports to satisfy Chinese soybean demand. Soybean prices are expected to increase slightly in 2010 to \$9.70 per bushel, rising to \$9.90 per bushel in 2013. After 2013, soybean price is projected to vary between \$9.60 per bushel to \$9.80 per bushel throughout the forecast period.

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