From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- Impact of Prebuys
- How Majors Stack Up
- New Ag Tire Maker

Dealers' Sentiments Turn Strongly Positive for 2011

How North American farm equipment dealers' view their prospects for increasing sales in the coming year is in stark contrast to what they saw ahead just a year ago.

Last year at this time, more than 40% of the equipment retailers surveyed for *Ag Equipment Intelligence's* "2010 Dealer Business Trends & Outlook" report expected sales revenues to decline by 2% or more. Only a quarter, or 24.4%, of those polled saw business levels improving by 2% or more for 2010.

Now, as they look ahead to 2011, nearly half of farm equipment dealers see sales revenues for new machinery improving by at least 2%. Add in those who are projecting sales to be about the same as they were in 2010, and that number rises to more than 80% of dealers who believe their sales revenue will come in at least as good or better than what they experienced in the past year.

That's nearly a 180-degree turnaround from dealers' sentiments a year ago at this time.

Then vs. Now. Overall, dealers forecast equipment revenues for 2010 to be basically flat or down slightly. Last year, 42.6% of dealers participating in the 2010 survey expected revenues from new equipment sales to drop 2% or more compared with 2009. The weighted average of last year's forecast was –1.46%.

An examination of tractor and combine sales through August of this year vs. the same period in 2009, shows the dealers were pretty much on the mark in their outlook. According to the Assn. of Equipment Manufacturers, U.S. unit sales for all farm tractors through the first 8 months of this year are up 2.5% compared with the same period of 2009. Unit sales of tractors in Canada rose only 0.1% through August vs. the same 8 months of the previous year.

Unit sales of combines in the U.S. through August '10 have increased by less than 2% vs. 2009. Canadian combine sales are up 2.5% in August compared to the first 8 months of last year.

This year, only 19% of the nearly 300 dealers participating in the 2011 dealer survey are projecting lower sales revenues for 2011 vs. 44.6% in 2010. That's a swing of 25.6% to the positive side of the ledger.

Continued on page 2

Farmers Leery of Tier IV Technology

While a large majority of North American farm machinery dealers believe 2011 will produce solid sales numbers, most are expressing concerns about how their customers perceive the new Tier IV diesel engines that are being rolled out for the new selling season.

All diesel off-road engines of 174 horsepower and higher are required by regulatory agencies in both the U.S. and Canada to meet stringent air emission standards for controlling NOx and soot. To meet the new air standards, equipment makers have invested heavily in developing new engine technologies, and farmers will see additional costs for those changes on 2011 tractor invoices. Estimates

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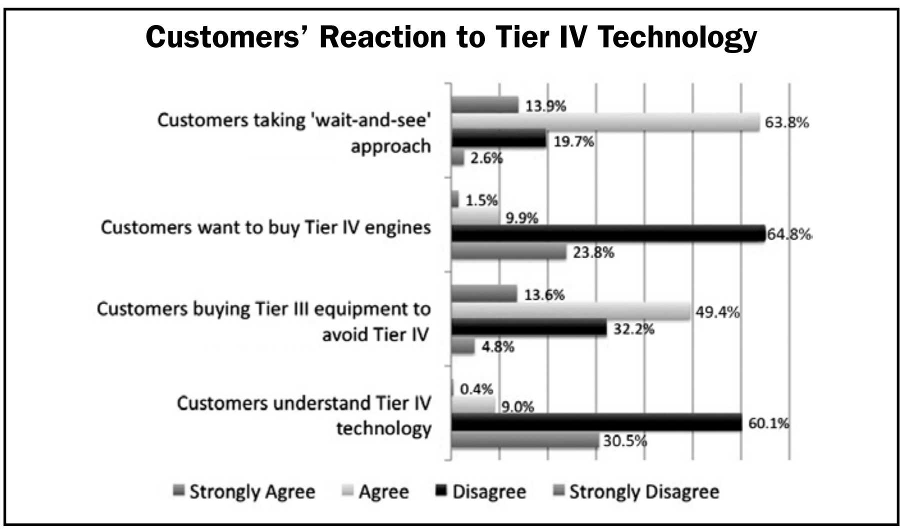

Equipment dealers see farmers' resistance to the higher price tags of Tier IV equipment as their biggest challenge in selling machinery with the new engines in 2011. They say customers are also concerned with equipment reliability, maintenance and additional operating costs.

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The percentage of dealers who are forecasting improved sales revenues of at least 2% for 2011 essentially doubled, from 24.4% last year to 47.9% for the coming year.

In total, last year 57.4% of the equipment dealers surveyed expected sales to be as good or better than the previous year. This year's survey saw that percentage grow to 81% of dealers who believe 2011 revenues will equal or surpass those seen during the past year.

Strong Used Market. Dealers are also optimistic about their prospects for increasing revenues from sales of used equipment.

A little over 85% of the equipment sellers surveyed anticipate that sales of used machinery in 2011 will be at least as good as in 2010. Slightly over half of those (51.7%) say they expect sales to improve by 2% to more than 8% for the year. Only 19% expect lower revenues from used equipment sales during the next selling year.

This compares to more than 30% of dealers, who a year ago expected lower revenues from sales of used equipment.

Last year at this time, only 28.5% were forecasting improved revenues from the sale of previously owned farm machinery. AEI

Editors note: The complete 48-page 2011 Dealer Business Trends & Outlook is available only to AEI subscribers and will be mailed in early October.

Dealer Outlook — 2011 vs. 2010
(% of survey respondents)

New Equipment Sales Outlook	2011	2010
+8% or More	8.6%	4.1%
+2-7%	39.3%	20.3%
Little or No Change	33.1%	33.0%
–2-7%	11.1%	20.3%
–8% or More	7.9%	22.3%
Weighted Avg.	+1.33%	–1.46%
Used Equipment Sales Outlook	**2011**	**2010**
+8% or More	13.5%	6.9%
+2-7%	38.2%	21.6%
Little or No Change	33.7%	39.4%
– 2-7%	9.4%	14.3%
– 8% or More	5.2%	17.8%
Weighted Avg.	+1.96%	– 0.54%

Claas Sees Global Sales of Ag Machinery Recovering

As Claas continues to invest in new central and eastern European markets, it says it is becoming more optimistic that global demand for agricultural machinery is recovering.

Speaking at the launch of a third-generation Lexion combine, Lothar Kriszun, the group's executive vice president for sales, said stronger farm commodity prices and an improving general economic outlook are giving farmers confidence to renew investment spending in agricultural machinery.

"I believe we will have a continuous, but not too dramatic, upward trend in machinery sales," he said. "The market will develop positively but slowly."

While Kriszun forecast North American combine sales staying flat to gaining 5% in a world market currently at 2009 levels, he predicts 10-20% gains in Eastern Europe this year and a 20% and 30% recovery across Central and Western Europe.

Having reduced its cost base by $130 million in response to the market downturn, Claas says it will maintain its own investment spending, especially in emerging markets.

In Russia, the company is preparing to expand its combine and tractor assembly plant by adding a component manufacturing facility. The Krasnodar plant has built 2,000 machines since it opened in 2005 — mainly combines but also some high-horsepower tractors — chiefly using components and assemblies supplied by the parent factory plus some locally-produced content.

A new assembly plant start-up in Tashkent, the capital of Uzbekistan, has produced 170 combines so far and will add conventional balers to its portfolio. Kriszun adds that several hundred tractors from the Claas factory in France are on their way to the plant in kit form, ready for final assembly.

The plant operating company, UZ Claas Agro, is a joint venture between Claas Central Asia Investment GmbH and the Tashkent Tractor Factory.

"Claas has supplied Uzbekistan with more than 1,000 combines in recent years as the proportion of cotton grown has declined," says Dieter Düringer, general manager of the Claas investment vehicle. "Until recently, cotton accounted for 80% of the country's 18,000 square miles of productive agricultural land but that is reducing in favor of grain production." AEI

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Dealers Expect 2010 'Prebuys' to Impact 2011 Sales

Farm equipment dealers believe farmers will purchase extra equipment this year to delay buying interim Tier IV equipment, and this will likely come at the expense of 2011 sales, according to the most recent dealer survey conducted by UBS Global Equity Research.

"We asked dealers whether farmers will purchase extra equipment in 2010 to delay purchasing Interim Tier IV emissions standard equipment at a higher price," says Henry Kirn, UBS heavy machinery analyst. "Nearly twice as many dealers (39%) expect a prebuy as believe there will not be one (20%). By network, Deere and CNH dealers see a prebuy, while AGCO dealers were more cautious."

The survey, which was conducted in July, also revealed that nearly half (47%) of the dealers polled expect that prebuying in the second half of '10 will negatively impact 2011 demand for new machinery. Only 17% of the dealers don't anticipate a negative impact.

Remainder of '10. Overall, 40% of farm equipment dealers nationwide expect 2010 sales to decline from 2009 levels, while 35% expect higher sales.

By brand, Deere's dealer network expected 2010 sales to be above 2009 levels, while AGCO and CNH dealers expect declines. "That said, while responses were generally cautious, we note a moderation in cautious sentiment compared with our March survey," Kirn says.

Dealer Commentary. Comments coming from equipment dealers on Tier IV demonstrates that they believe that farmers are being highly cautious when considering the purchase of the machinery with the new engines. They're also forecasting its effect on 2011 equipment sales. Here's a sampling of dealer comments.

"Yes, the additional buying in 2010, along with the price increase on Tier IV equipment, will reduce new sales in 2011," said one dealer.

Another offered, "Most who have definite plans to purchase equipment want Tier III equipment."

Other comments included: "Emissions will have an impact … should help with used sales of tractors." "No one is excited about Tier IV emissions." "Fear of the new technology will be offset if the Nebraska test supports better fuel efficiency." "Farmers that have several tractors don't seem to want two systems." AEI

Dealers' Expectations for Prebuying in 2010

Company	Yes will prebuy	Undecided	No will not
AGCO	21%	52%	26%
Case IH	45%	41%	14%
Deere & Co.	56%	28%	16%
New Holland	33%	44%	23%
Total	**39%**	**41%**	**20%**

Source: UBS Agricultural Dealer Survey #27

Dealers' Expectations for Equipment Sales 2010 vs. 2009

Company	Down more than 5%	Down less than 5%	Flat	Up less than 5%	Up more than 5%
AGCO	34%	10%	16%	21%	18%
Case IH	22%	26%	24%	16%	12%
Deere & Co.	16%	15%	29%	25%	14%
New Holland	28%	9%	26%	20%	16%
Total	**25%**	**15%**	**25%**	**20%**	**15%**

Source: UBS Agricultural Dealer Survey #27

FARM MACHINERY TICKER (AS OF 9/10/2010)

Equipment Mfr.	Symbol	9/10/10 Price	8/12/10 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$38.13	$25.51	$40.29	$25.48	31.03	1.73 M	3.55 B
Alamo	ALG	$20.85	$20.71	$27.05	$13.04	11.00	78,380	246.11 M
Art's Way	ARTW	$6.00	$5.24	$7.12	$3.42	30.77	4,502	23.95 M
Caterpillar	CAT	$71.26	$67.47	$72.83	$47.50	29.01	8.25 M	44.93 B
CNH	CNH	$33.67	$29.05	$33.76	$15.70	49.15	370,183	8.01 B
Deere	DE	$67.81	$65.53	$69.47	$40.28	24.48	4.55 M	28.74 B
Kubota	KUB	$44.19	$41.54	$51.08	$37.35	19.82	23,755	11.24 B
Dealer Groups								
Cervus Equipment	CVL	$11.25	$10.35	$18.00	$10.10	NA	5,135	NA
Rocky Mtn Dealerships	RME	$8.90	$8.10	$10.83	$5.51	NA	15,691	NA
Titan Machinery	TITN	$14.84	$14.99	$17.39	$9.81	17.24	173,243	263.88 M

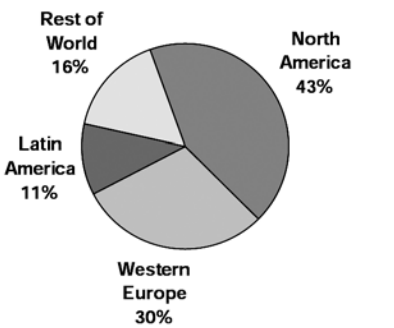
Competitive Positioning: How the Major Ag Equipment Makers Stack Up

While John Deere is the undisputed leader when it comes to total sales of farm machinery worldwide, it doesn't dominate the other regions of the world like it does North America.

In a September 9 report to investors, JP Morgan's Europe Equity Research group compiled data on the impact of the Fiat demerger that's currently underway. In the report, the researchers break out unit sales and market share data that isn't normally shared by the major ag equipment manufacturers. The following charts and commentary are excerpted from that report. AEI

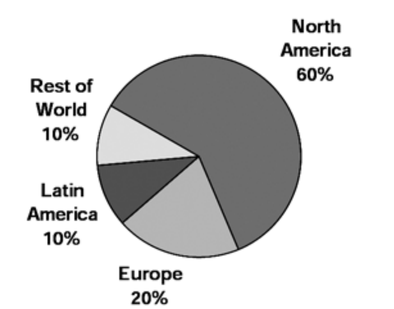
Agricultural Revenue Mix 2009

CNH Agriculture Geography Mix 2009



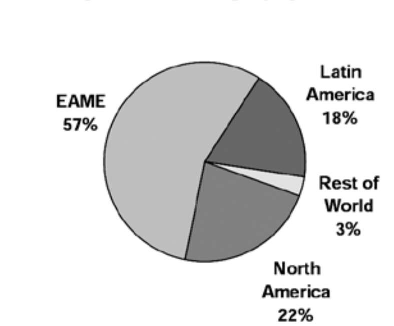
CNH is the number-two farm machinery seller worldwide with $9.8 billion in revenues during 2009 — 43% of sales to North America, 30% to Western Europe and 11% to Latin America. CNH's ag revenue is split by tractors (21%), combines (44%) and other ag equipment (35%).

DE Agriculture Geography Mix F2009



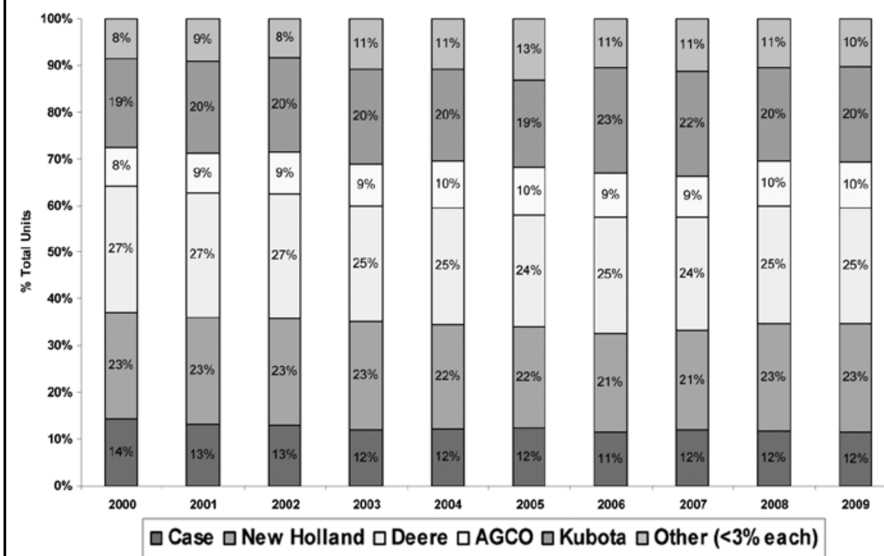
From a competitive positioning standpoint, John Deere is the ag equipment leader with $16.5 billion in sales for 2009 — 60% from North America, 20% Europe and 10% Latin America.

AGCO Agriculture Geography Mix 2009



AGCO is the only "pure play" in ag equipment in that it doesn't manufacture or market construction equipment as do Deere and CNH. The company ranks as the third largest manufacturer and retailer of farm machinery with 2009 revenues of $5.9 billion — 57% of sales comes from Europe, Asia and the Middle East (EAME), 22% from North America and 18% from Latin America.

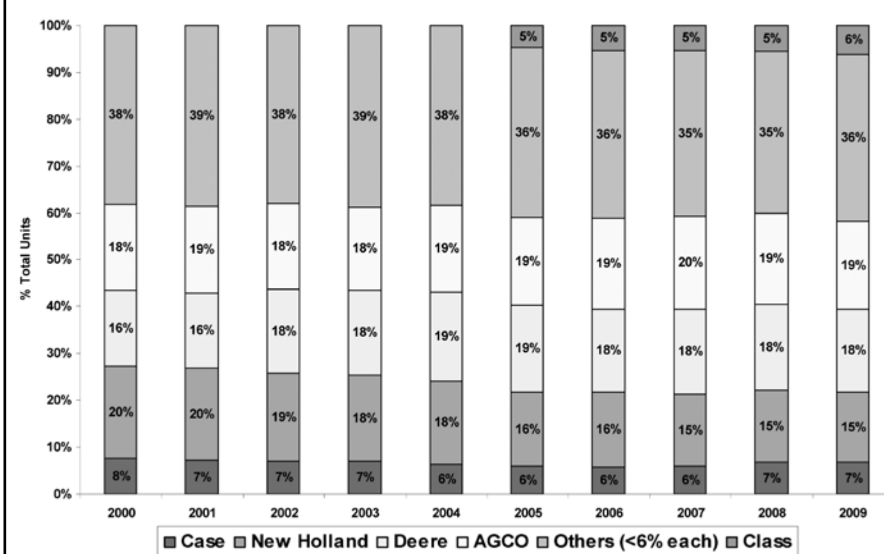
North America >40-Horsepower Tractor Unit Sales Market Share



Source: Off-Highway Research, J.P. Morgan

Combined, Case IH and New Holland is the North American leader in tractor sales with a 35% share in 2009. John Deere claimed 25% of this market. Following the 1999 merger, CNH had a 37% share of the market — Case IH 14% and New Holland 23%.

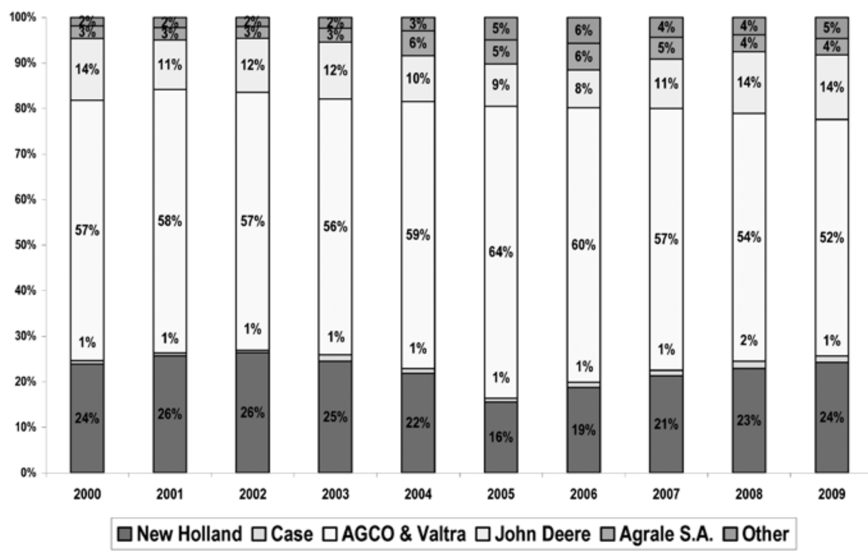
Western Europe Tractor Unit Sales Market Share



Source:Off-Highway Research, J.P. Morgan

CNH's total tractor market share was a market-leading 28% after the first full year of post-merger in 2000 (20% from New Holland products). However, the combined company lost share, falling to a low of 22% in 2005. CNH year-over-year sales also dropped 6% that year.

Brazilian Tractor Unit Sales Market Share



Source: ANFAVEA, J.P. Morgan

AGCO clearly dominates the Brazilian market for farm tractors. CNH's total market share was 25% after the first full year of post-merger in 2000, with a majority being New Holland products. In 2009, CNH returned to its 2000 market share of 25%.

Titan Machinery's Revenue Rises, But Profits Fall 44%

While its second quarter 2011 revenues rose 8.5% to $209.7 million compared with the second quarter of fiscal 2010, Titan Machinery's profits slipped 44% to $2.7 million during the period from $4.9 million for the same 3 months of last year.

Titan operates a network of 71 dealerships in 7 states and primarily represents the Case and New Holland brands of farm and construction equipment.

The company's gross margins fell to 17.2% from 18.6% on its equipment sales. It bottom line was also affected by floor-plan interest expenses, which more than doubled during the period.

Ag segment revenues rose 6.5%, but pretax earnings declined 38%. Titan's construction equipment revenues increased by 19%, but segment profits slipped 8.5%. **AEI**

Titan Machinery — Consolidated Statement of Operations (000s of dollars)

	3 Months Ended July 31, 2010	3 Months Ended July 31, 2009
Revenue		
Equipment	153,131	141,142
Parts	33,947	32,454
Service	17,502	15,640
Other	5,086	3,956
Total Revenue	**209,666**	**193,192**
Cost of Revenue		
Equipment	138,342	125,452
Parts	24,184	22,939
Service	6,970	5,586
Other	4,122	3,207
Total Cost of Revenue	**173,618**	**157,184**
Gross Profit	36,048	36,008
Operating Expenses	29,212	26,662
Income from Operations	6,836	9,346
Other Income	(Exp.)	
Interest & Other Inc.	34	140
Floorplan Interest Exp.	(1,911)	(932)
Interest Exp. Other	(358)	(328)
Income Before Inc. Taxes	4,601	8,226
Provision for Inc. Taxes	(1,887)	(3,375)
Net Income	**$2,714**	**$4,851**

German Tractor-Loader Maker Set to Start Global Sales Drive

The new CEO of German tractor-loader manufacturer Stoll is kicking off a program of production improvements aimed at raising efficiency and output levels in preparation for a global sales drive.

Karsten Rewitz, who took charge of the business at the end of 2008 while remaining head of the investment firm that owns the company, plans to buck the market trend by increasing production to 10,000 loaders this year with a view to gaining market share.

Stoll has revamped much of its range in the past 12 months, entered the compact tractor loader sector for the first time and spent the equivalent of more than $5 million on its headquarters factory.

"Last year we reorganized production processes and improved staff training at our headquarters factory in Lengede," says Rewitz. "We are investing in IT to make it easier for our distributors to configure and order products, and have turned our attention to our loader implements factory."

Production capacity at the Slupsk plant in Poland has doubled as a result of optimizing work processes and installing new sandblasting and paintwork facilities, he explains. The $1.32 million investment also contributes to improved finish quality.

"The extension of our capacity for loader tools was an urgent necessity as we continued to experience growing demand for our products," says Rewitz.

Stoll, which is part of the JF-Stoll Group owned by Freudendahl Invest A/S of Denmark, now produces loaders in 3 categories: The ProfessionalLine of full-feature implements for 70-300 horsepower tractors; the EcoLine for 45-110 horsepower tractors; and the CompactLine spanning 15-50 horsepower.

JF-Stoll North America Inc. of Buffalo, N.Y, distributes the implements in the U.S. **AEI**

CGS Tyres Eager to Acquire OEM Business, Compete in NA Market

After growing through acquisition and increasing market share in Europe, CGS Tyres is building a plant in the U.S. and plans to make a serious run at agricultural OEM business, executives told *Ag Equipment Intelligence* during the 2010 Farm Progress Show in Boone, Iowa.

CGS Tyres Sales — 2007-10

	2007	2008	2009	2010
U.S. Sales	$7.3 million	$10.5 million	$10.9 million	$9.3 million
Consolidated Sales	$430 million	$435 million	$357 million	*$217 million

** January-June 2010* *Source: CGS Tyres*

CGS owners and Iowa economic development officials attended the show to sign a development agreement calling for CGS to build a $43 million tire production plant in Charles City, Iowa. Production at the plant is scheduled to begin January 1, 2012.

The factory, to be built in 3 stages, will produce Mitas and Continental brands of farm radial tires for tractors and harvesters in the North American market. Over time, production capacity is expected to reach a maximum of 12,200 metric tons of tires per year.

NA Presence. CGS Tyres has been present in the North American tire replacement market for the past decade, but the company decided in the last 18 months to increase its global reach and expand its presence in the U.S. and Canada, says Andrew Mabin, vice chairman of the board and marketing and sales director for Mitas.

CGS is currently working with STC to distribute tires in North America and that relationship is expected to continue after the Iowa plant comes online.

CGS has only 5% market share in the U.S., compared to 25% in Europe, "but there's still a 95% share to have a crack at," Mabin says. "We can supply our tires from across the pond, and we have been. But we got to a point where to really go global, we have to be here in the U.S. and put a plant here."

CGS Tyres is the tire-producing division of CGS Holding and had total sales of $357 million in 2009 — down from $430 million in 2008 because of the global economic crisis, the company says. CGS had an EBITDA in 2009 of $44.5 million, and sales for the first 6 months of 2010 reached $217 million.

Overseas Production. With 3 production plants in the Czech Republic and one in Serbia, CGS is among the top 3 tire manufacturers in Europe and the 27th largest tire maker in the world. The company makes and sells tires under its own Mitas and Cultor brands, and the Continental brand through license. CGS also makes a wide range of Mitas-branded industrial and motorcycle tires.

In 2004, CGS acquired the agricultural tire business unit from Continental AG and obtained the exclusive license for the use of the Continental brand name for ag tires. The Serbian plant was acquired in 2008.

The company acknowledges the serious competition offered in North America by Michelin, Goodyear and other brands, but Mabin believes CGS' differentiator is its complete focus on off-road tires. Agricultural tires are about 70% of CGS' sales revenues, and the company has spent the past year developing a full range of tire sizes to fit the North American market.

CGS has introduced the "Silent Speed Tire" for tractors that halves the perceived tractor cabin sound pressure level at speeds of 31 mph while driving on asphalt roads. The "Super Volume Tire" range for tractors and harvesters has a reference speed of 40 mph and can carry up to 12% more load than competitive products, according to CGS news releases.

Mabin says the bead and sidewall technology on CGS-made tires allows farmers to carry high loads at high speeds.

Focus on OEMS. "We've had a lot of discussions with the OEMs in the last 3-4 years in developing business here, as we have in Europe with Case IH and John Deere," Mabin says.

"The guys that have the influence here are the same guys that have influence in Europe. It's just that the American market is the American market and we must have respect for that — and we do, of course. It's a slow process, but we have our sights firmly fixed on developing business here with the OEMs." AEI

Young Execs Taking Over at Same Deutz-Fahr

Same Deutz-Fahr Group has appointed two new executives to lead the Italian tractor and combine manufacturer.

The appointments follow the resignation of Massimo Bordi, who oversaw the expansion and further internationalization of the group as its CEO over the past 10 years, including the acquisition of the biggest shareholding in diesel engine maker Deutz.

Although Bordi has relinquished all responsibilities at SDF he continues to cooperate with the group as a member of the Deutz supervisory council.

The new managing director and general manager at SDF is Dr. Lodovico Bussolati, a 44-year old economics graduate with extensive managerial experience in Italy and Germany. He joined SDF Group early last year as director of purchasing.

One of his first tasks has been to appoint Franco Artoni to the position of executive vice president for worldwide sales, marketing and after-sales. He takes over from Andrea Bedosti, who will leave the group at the end of a hand-over period, having spent 7 years in this role with SDF. He previously worked for the Argo Group.

Franco Artoni, 46, has more than 25 years of experience in the agricultural mechanization sector, including 12 years with SDF in its parts sales division. AEI

Big Tractor Sales Rise 45% in August

August represented the highest month of "August" sales this cycle, even higher than the 2008 peak, according to Ann Duignan, JP Morgan analyst in her report on the latest sales figures of North American farm equipment sales from the Assn. of Equipment Manufacturers. August is a seasonally weaker month for tractors while seasonally stronger for combines.

• North American sales of row-crop tractors (100 HP+) were up 45% year-over-year vs. down 10% in July and down 1% in June, and 4WD unit tractor sales were up 3% year-over-year vs. down 2% in July and up 31% in June.

• Overall sales of tractors over 40 HP were up 16% year-over-year vs. down 1% in July and down 7% in June.

• Unit sales of mid-range tractors (40-100 HP) were up 8% year-over-year vs. up 3% in July and down 12% in June.

• Compact tractor (under 40 HP) unit sales were up 2% year-over-year in August vs. down 4% in July and down 9% in June.

• Combine sales rebounded, up 18% year-over-year vs. down 7% in July and down 10% in June.

"Our revenue model suggests that August '10 industry dollar revenues were up 20% year-over-year with tractor revenue up 25% and combine revenue up 18%," Duignan says.

"However, a weaker July has the overall third quarter 2010 industry revenue up just 5% year-over-year vs. our forecast of up 15% for CNH and up 10% for AGCO. AGCO is more leveraged to the 40-100-HP segment which was up 8% year-over-year in August and up 5% in the second quarter. That said, we expect shipments to continue to accelerate into year-end on tax spending and pre-buying," Duignan says.

She adds that looking ahead, a modest prebuy in 2010, ahead of the 2011 emission standard changes is expected. This along with a bullish September 10 USDA crop report add up to robust sales into year-end. AEI

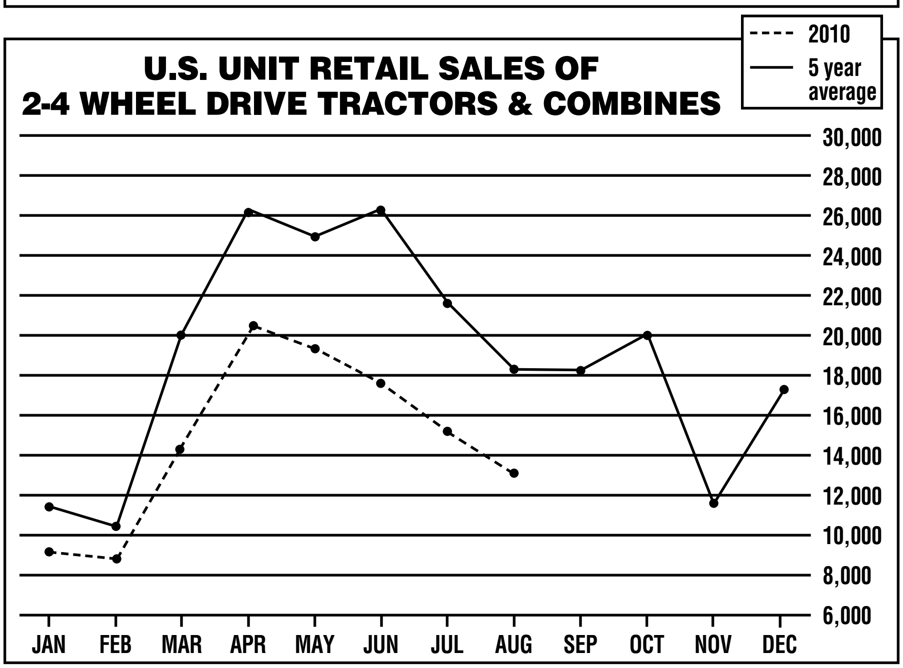
AUGUST U.S. UNIT RETAIL SALES

Equipment	August 2010	August 2009	Percent Change	YTD 2010	YTD 2009	Percent Change	August 2010 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	6,452	6,193	4.2	61,032	58,469	4.4	40,031
40-100 HP	3,760	3,399	10.6	32,582	34,179	-4.7	22,857
100 HP Plus	1,653	1,111	48.8	16,549	15,278	8.3	6,569
Total-2WD	11,865	10,703	10.9	110,163	107,926	2.1	69,457
Total-4WD	382	349	9.5	3,333	2,823	18.1	1,117
Total Tractors	12,247	11,052	10.8	113,496	110,749	2,5	70,574
SP Combines	1,193	1,086	9.9	6,201	6,097	1.7	1,773

AUGUST CANADIAN UNIT RETAIL SALES

Equipment	August 2010	August 2009	Percent Change	YTD 2010	YTD 2009	Percent Change	August 2010 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	698	812	-14.0	7,275	7,275	0.0	6,587
40-100 HP	351	406	-13.5	3,906	4,130	-5.4	3,681
100 HP Plus	234	189	23.8	2,599	2,473	5.1	1,792
Total-2WD	1,283	1,407	-8.8	13,780	13,878	-0.7	12,060
Total-4WD	30	50	-40.0	888	773	14.9	290
Total Tractors	1,313	1,457	-9.9	14,668	14,651	0.1	12,350
SP Combines	405	274	47.8	1,783	1,740	2.5	773

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



—Assn. of Equipment Manufacturers

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range from 4-9% price increases for equipment with Tier IV engines.

At the same time, farm equipment manufacturers are pursuing differing technologies to satisfy the new emission limits — at least on the interim Tier IV engines. It remains to be seen how they'll approach the even stricter standards imposed by the final Tier IV requirements that will take effect in 2014.

John Deere and Buhler's Versatile tractors will utilize Exhaust Gas Recirculation (EGR) on their high-horsepower engines. AGCO, Case IH and New Holland will go with the Selective Catalytic Reduction (SCR) engines.

In addition to going through the learning curve of understanding and working with the new engines, having to choose between these two radically different approaches is also creating significant confusion among potential buyers.

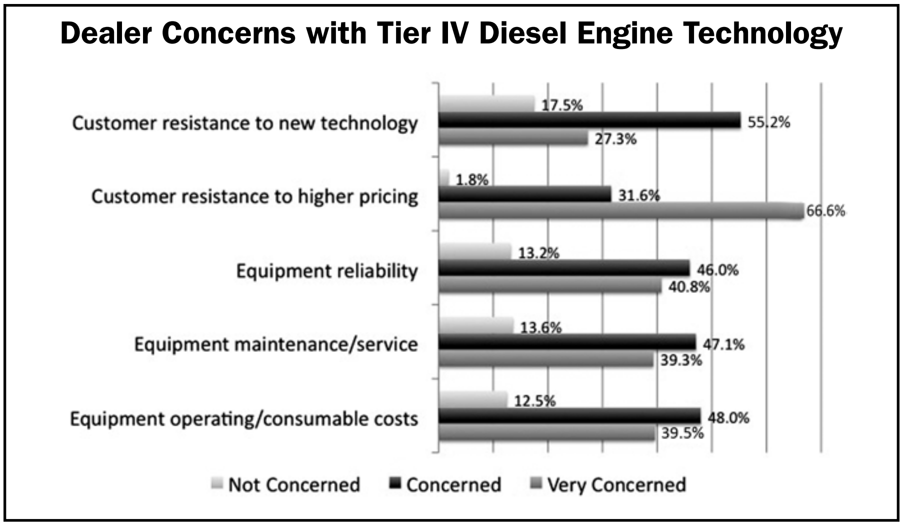
Lack of Knowledge. In its 2011 Dealer Business Trends & Outlook survey, which was conducted in the last week of August, *Ag Equipment Intelligence* asked dealers about their major concerns with the Tier IV engines.

While 56.7% of the dealers "Agree" or "Strongly Agree" that they and their staffs completely understand the new Tier IV engine technology, the remaining 43.3% say they "Disagree" or "Strongly Disagree" that they and their staffs thoroughly understand the technology.

But even more telling is that few dealers — 9.4% — "Agree" or "Strongly Agree" that their customers understand the new Tier IV engine technology. And this lack of knowledge, the dealers say, will hinder sales during the coming year.

Given the statement, "My customers are buying machinery with Tier III engines to avoid Tier IV," nearly two-thirds (63%) of the dealers polled said they agreed or strongly agreed. The remaining 37% said they disagreed or strongly disagreed with the statement.

When given the statement, "My customers want to buy machinery with Tier IV engines," dealer sentiments were even more negative. Only



Few dealers believe that their customers are eager to purchase equipment with Tier IV diesel engines, in large part because they don't fully understand the technology behind the lower-emission machinery.

11.4% said they agreed or strongly agreed with the statement. The rest, or 88.6%, disagreed or strongly disagreed with the statement.

Most farm equipment dealers (77.7%) believe their customers are or will take a "wait-and-see" approach to the equipment with Tier IV engines.

"Most farm equipment dealers believe their customers are taking a 'wait-and-see' approach to Tier IV equipment…"

Pricing Concerns. Dealers says they and their customers share several concerns when it comes to Tier IV equipment. Chief among them is the higher prices for equipment with the new engines.

A California dealer told *Ag Equipment Intelligence*, "We have operational and cost concerns about the new equipment. These will only get worse when Tier IV final products hit the market. There is a lot of trepidation on the part of the consumer regarding the reliability and maintenance costs of this equipment.

"At the same time, the government (State of California) is pushing to adopt this technology faster than the normal machine life cycle would dictate. This could prove to be fatal for growers and ranchers who are already on the edge."

Only 1.8% of dealers say they are "Not Concerned" about customer resistance to the higher pricing of Tier IV machines. Some 31.6% say they are "Concerned" and 66.6% indicate that they're "Very Concerned" about the higher prices of Tier IV engines.

Customer resistance to the new technology itself ranked second on the dealers' list of concerns when it comes to Tier IV diesel engines. Some 27.3% of dealers surveyed say they're very concerned about customer resistance, 55.2% indicated they were concerned, and 17.5% say they're not concerned.

Other major worries presented by the introduction of the Tier IV engines include equipment reliability, maintenance and service, and operating and consumable costs. AEI