From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- Mfrs. Outlook for 2011
- Ag Connect News
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Sentiments Remain Positive for Strong '11 Equipment Sales...

After finishing up an exceptional year for farm equipment sales in 2010, dealers, manufacturers, farmers and industry analysts that *Ag Equipment Intelligence* spoke with at the Ag Connect Expo January 7-11 in Atlanta expect the momentum to continue well into 2011.

Dealers and shortline manufacturers said their December sales were the best year-end numbers they've seen in several years. Some attributed the spike in equipment purchases to farmers needing to offset taxes and a more generous depreciation schedule. Some pre-buying was also noted as producers wanted to get ahead of the new Tier 4 interim engines being introduced this year.

Farmers we visited with during a JP Morgan investors meeting held in Atlanta prior to Ag Connect's opening were bullish on the coming year. They said they would continue to turn their equipment yearly and invest in the new precision ag technologies because it currently makes "economic sense."

Henry Kirn, analyst for UBS, said in a note to inves-

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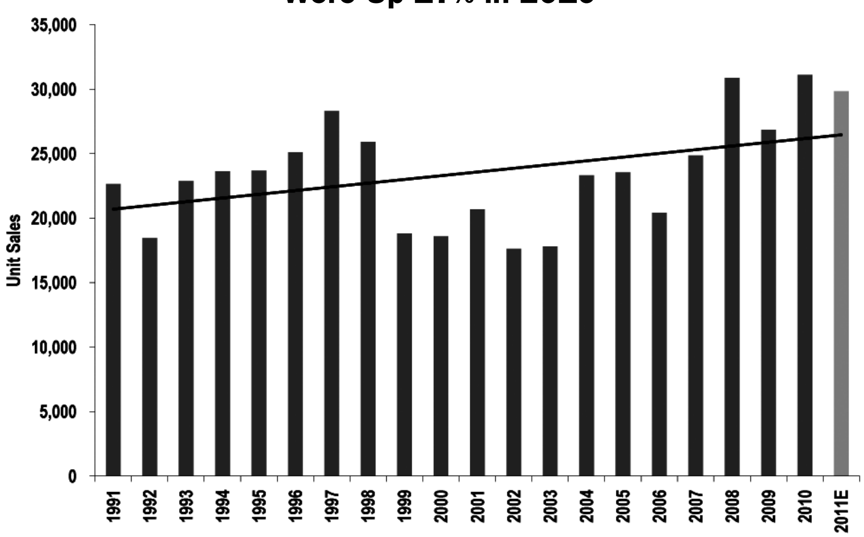
North America >100 HP Tractor Sales Were Up 17% in 2010



Sales of farm tractors over 100 horsepower were up by 18% year-over-year in December and by 17% for all of 2010, capping a big year for ag equipment dealers and manufacturers. Initial forecasts see sales falling slightly in 2011. *Source: AEM, J.P. Morgan*

...But Raw Material, Component Concerns Grow for Manufacturers

As demand for commodities continues to recover, input cost inflation is expected to kick in as the year progresses, and some are suggesting that demand will continue unabated for the next 3-5 years. *Ag Equipment Intelligence* editors heard enough during the Ag Connect Expo in Atlanta last week to support reports that ag machinery prices could rise sharply during the next several months.

More than a few farm equipment manufacturers are concerned with material and component supply, lead-time and pricing issues in 2011.

Farm equipment OEMs are reporting a strong backlog of orders and robust production plans for the coming year. Several suppliers cited the highest order books in recent memory, including outrageous demand in December that bucked conventional buying patterns.

December, which is usually a slower time of year, was the second best month of the year for one steel supplier. Another component manufacturer agreed, noting that his business saw a significant pick-up in the fourth quarter. "The last 3 months of 2010 were even better than the first 3 months of the year — a total reversal from typical patterns in our business," he said. Another supplier reported that a very positive third-quarter continued in the fourth quarter. Even the most cautious of suppliers interviewed see nothing on the horizon that could derail what is now looking to be a peak year for ag equipment.

Steel Demand. A steel supplier shared that two of the major-line ag equipment OEMs increased their original steel forecasts by 30% for 2011, which had originally called for increases in the 5-10% range. "The problem is getting inventory from the mills now — we got a 7% price increase this week," he said, noting that none of his customers batted an eye at the increases. "We just can't keep steel on the ground

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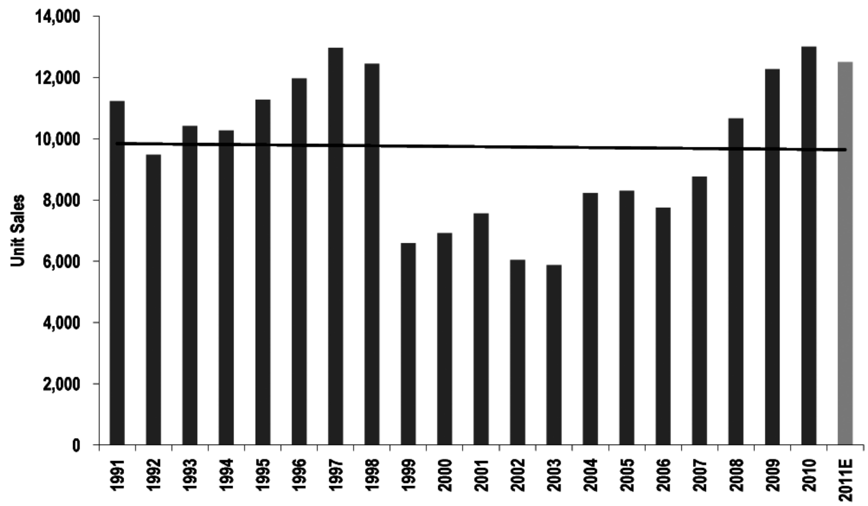
tors, "The tone [at Ag Connect] was clearly positive, as participants generally noted strong 2011 order books. While Deere currently forecasts flat volumes for North American ag industry, suppliers generally expected unit volume to be up 5-7%, with risk to the upside if commodity prices remain at current elevated levels."

"Deere and AGCO both reiterated their expectations for the North American equipment markets to be flat, with Western Europe up 5-10%, but we came away from the show feeling more optimistic about these two key regions," Curt Siegmeyer, analyst for Cleveland Research Co., said in a note.

"Farmer cash receipts are the best leading indicator of future equipment demand, and commodity prices rose sharply in 2010 driving a notable year-over-year increase in our simplified farm cash receipts proxy — up 26%.

"Given that the ag equipment names have not outperformed our other capital goods/machinery coverage during either the month or year-to-date, it suggests there is still upside to share prices and earnings estimates as the impact of the commodity rally translates into higher farm income expectations and improved farmer buying psychology," Siegmeyer says.

North American Combine Sales Increased by 9% in 2010



It was a "big" year for North American combine sales as year-over-year December units sales rose by 33%. For all of 2010, combine sales were up by 9%, which marked 4 consecutive years of growth. Retail sales in '11 are expected to decline slightly. *Source: AEM, J.P. Morgan*

December Revenues. Industry revenues last month were up 26%, while fourth quarter 2010 revenues rose 29%, according to JP Morgan's proprietary revenue model, Ann Duignan said in an investor note. Tractor revenue was up 22% and combine revenue up 33%.

Generally, crop farmers are bullish, but those in the protein sector (dairy and livestock) "hope to survive the next year with input costs rising and, in some cases, financing is difficult to access," she said.

"Most participants agreed that the planting season in 2011 is going to be one of the most important in recent years."

At the same time, it looks like rising butter prices, up more than 35% since December 1, and nonfat dry milk future prices, up 12% this month so far, may ease some of the pressure dairy producers are experiencing from the rising cost of inputs.

Emerging Technologies. While several new tillage tools were spotted at this year's Ag Connect, it's clear that precision ag technologies captured a lion's share of the attention. Several suppliers exhibited new global satellite navigation systems along with equipment for variable rate planting and fertilizing, field mapping, yield monitoring, imagery, remote sensing and telemetry.

One farmer *AEI* spent time with reports that his operation is beginning to utilize telematics.

With this technology, the newest equipment, including tractors, have the capability to communicate directly with the farmer, equipment dealer and manufacturer about how the machinery is operating. The equipment warns the operator and dealer when a component failure is imminent or is able to quickly diagnose service problems.

Siegmeyer noted that AGCO estimates 30% of its equipment ships with this technology, but the percentage of farmers who use precision ag in the over 180-horsepower category is roughly 80%. AEI

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But Raw Material… Continued from page 1

right now."

Another supplier who sources out of China expects lead-times to stretch well into 2011, particularly as the Chinese shut down plants in February. "If we had more supply, we'd be placing orders for another 50%," he said.

Based on his meeting with AGCO in Atlanta, Curt Siegmeyer, analyst for Cleveland Research, noted that input costs for steel and rubber might be more of a risk than original guidance suggested.

"AGCO is the first to call this out as a bigger threat than previously thought just over a month ago when it had its analyst day. Its prior expectation was for price/cost to be neutral in 2010, so this would imply the possibility for margin pressure for the manufacturers going forward, absent more sizable price increases than what was originally expected. AGCO pointed to 2008 when a similar situation arose, and was able to put through price increases in a strong market to largely offset raw material costs," Siegmeyer says.

What's it Mean? With raw materials and metal commodities demand improving among many OEM segments, prices are dramatically rising. A January 4 article in the *Milwaukee Journal-Sentinel* summarized the issue for OEMs. "Steel price increases have been coming at the most rapid rate we can remember in decades," said Charles Bradford, an analyst at Affiliated Research Group. "There are producers that have been raising prices every week."

The article also shared that some steel costs at Nucor Cold Finish Plant in Oak Creek, Wis. (whose customers include ag manufacturers) are up nearly 25% vs. a year ago, with most of the increases occurring in the past couple of months.

"Component supplies were on everyone's mind at Ag Connect ... Several OEMs specifically called out wheels and tires as their biggest concern..."

According to a December 28 *Wall Street Journal* article that quoted ArcelorMittal, global steel demand is expected to rise 6% in 2011, following a 10% rise in 2010.

According to C. Schon Williams, industrial equipment and machinery analyst for BB&T Capital Markets, who follows ag irrigation manufacturers Valmont Industries and Lindsay Corp., steel is the largest single material cost for most machinery manufacturers. For example, he says it's 33% of COGS (cost of goods sold) for Lindsay Corp.

"Most are already seeing increases of 20-30% year-over-year in hot-rolled steel sheet. Nucor just announced their sixth increase since mid-November (second in the last two weeks) that could push sheet prices to +45% year-over-year very shortly."

In addition to the impact on the manufacturing side, this news will be a concern for farm equipment retailers, who *Ag Equipment Intelligence's* dealer outlook survey last September noted that the "rising cost of new equipment" was their number-one concern for 2011. The potential for steep increases in 2011 have become much more real in the months since the survey was taken.

Component Shortages. Along with the rising steel prices, adequate component supplies were on everyone's mind at Ag Connect, according to Williams. "Several OEMs specifically called out wheels and tires as their biggest concern. We believe the large U.S. tire manufacturers — Firestone and Titan International — are better prepared to respond to increased demand in 2011 vs. prior to the downturn. But based on our conversations, this could become a bottleneck somewhere down the road." **AEI**

FARM MACHINERY TICKER (AS OF 1/13/2011)

Equipment Mfr.	Symbol	1/13/11 Price	12/10/10 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$55.38	$47.19	$56.18	$25.48	31.47	1.48 M	5.15 B
Alamo	ALG	$28.09	$26.74	$28.24	$17.13	13.23	27,757	331.74 M
Art's Way	ARTW	$12.20	$9.90	$12.25	$3.54	33.89	40,269	48.70 M
Caterpillar	CAT	$94.14	$89.94	$94.89	$50.50	30.94	6.16 M	59.75 B
CNH	CNH	$53.00	$46.22	$53.67	$21.56	46.45	303,045	12.61 B
Deere	DE	$89.47	$82.14	$89.97	$48.33	20.57	6.09 M	37.82 B
Kubota	KUB	$49.01	$47.00	$51.04	$37.35	21.26	20,180	12.47 B
Dealer Groups								
Cervus Equipment	CVL	$15.33	$11.67	$15.40	$10.10	15.53	15,609	217.53 M
Rocky Mtn Dealerships	RME	$9.30	$8.65	$10.83	$7.50	11.67	24,923	170.49
Titan Machinery	TITN	$21.84	$19.99	$22.16	$10.56	25.69	221,760	390.94 M

OTHER NEWS & VIEWS FROM AG CONNECT…

Besides new equipment displays, AEM's Ag Connect Expo was a hotbed of ag machinery news, speculation and, in some cases, rumors. Here's some of what *Ag Equipment Intelligence* editors heard in Atlanta.

AGCO Clarifies CNH Comments

According to Curt Siegmeyer, analyst for Cleveland Research Co., AGCO provided some clarification on its comments regarding an acquisition of CNH that have surfaced in recent weeks.

The company reiterated that it does not believe CNH will become available as Fiat considers it a core part of its portfolio. At the same time, AGCO would have an interest should this change.

The company also said it would have an interest in Claas, the German combine and implement maker, but also does not foresee that opportunity arising either. "An acquisition of Claas would help strengthen AGCO's position in the European combine market, would slightly improve North America, but would do little in Latin America," Siegmeyer says.

Tier 4 Reports

"Tier 4 price increases are holding firm and should be meaningful tailwind for 2011," Henry Kirn, analyst for UBS wrote in a note following meetings with the major equipment makers at Ag Connect.

"OEMs generally expected mid-single digit price increases for Tier 4 interim equipment. Price increases are being phased in over 3 price increases — mid-2010, January 2011 and mid-2011. Industry participants nearly unanimously expected price increases to hold firm," he says.

Siegmeyer confirmed that AGCO's final phase of Tier 4 price increases will come in mid 2011 and will complete the 3-7.5% total increase. CNH final 2011 price increase was 5-6%, following an interim increase earlier in 2010, to make the all-in increase about 10%.

A battle is raging on which new engine technology — Deere's EGR or CNH and AGCO's SCR — is producing the best fuel economy. Nebraska Test results should be completed by summer, and Deere said it's hoping to "maintain our leading fuel economy with EGR technology."

"CNH is advertising a 10% increase in fuel economy," says Siegmeyer. "Deere believes it is currently about 9% ahead of CNH in fuel economy, so no further improvement at Deere would essentially allow CNH to 'catch up' to Deere's level."

As *Ag Equipment Intelligence* reported some months ago, speculation continues that Deere will end up going to a SCR solution for final Tier 4 engines in 2014.

AGCO's New Dealer Program

Siegmeyer also reports that AGCO has changed incentives for its North American Massey Ferguson dealers to focus on market share. He reports, "These new market share targets differ for each dealer, and have replaced a strictly 'volume incentive' to now reward dealers who reach both volume and share targets based on a formula such as 85% volume and 15% share gains. This further incentivizes dealers who have already met their full volume target."

AGCO also added that delivery lead times are 3-6 months globally, with standard products at the short end of the range.

Deere to Reduce Its Presence at Shows?

Ag Equipment Intelligence first heard the rumor at Ag Connect that John Deere may be significantly cutting back its participation at the National Farm Machinery Show in Louisville next month. The belief is that the world's largest ag equipment maker would bring in some of its dealers to oversee its exhibit.

At least one shortline equipment manufacturer believes there's a correlation with Deere's dealer purity efforts and their cutting back its exhibits at regional shows. He thinks it could be part of a larger strategy to limit shortline manufacturers from getting in front of farmers.

"Regional shows are the lifeblood of shortline equipment companies," he says. "When the majors pull out of regional shows, or only have a presence through a local dealer, the regional shows are threatened, since they don't have as much drawing power without the big names present for the farmers. This weakens the regional equipment shows and the shortliner's ability to get in front of farmers."

As far-fetched as it may sound, this may be worth keeping an eye on. AEI

ARGO to Liquidate McCormick France Operations

The remaining operations of a factory that was once a major International Harvester component manufacturing and tractor assembly plant could close as a result of the ARGO Group's decision to liquidate the operating company, McCormick France, which is now being managed by a court-appointed administrator.

According to a statement from the ARGO Tractors division of the Italian group, the closure was necessary to realign industrial resources in accordance with the decline in tractor sales over the past few years.

"ARGO Tractors has put in place a wide range of actions designed to deliver a competitive edge, including investment in processes, innovation and ongoing commercial activities," says a spokesman. "Underpinning this investment program have been key focused strategies to strengthen quality, product development and business organization as a whole. Despite these actions being pursued, McCormick France, based in St. Dizier, France, now faces the necessity of being liquidated."

ARGO SpA acquired the plant from CNH Global in 2002, a year after it gained ownership of the Doncaster tractor factory and its products in England as part of an anti-trust agreement that allowed the merger of Case Corp. and New Holland.

St. Dizier produces transmission and transaxle assemblies for the former Doncaster products now built at the ARGO Tractors plant in Fabbrico, Italy. This industrial complex and its associated plants also produce transmissions for ARGO's Landini and McCormick products.

Distribution of these tractors in France, along with operations at the world parts center on the St. Dizier site, are unaffected by the decision as they are handled by a separate affiliate, ARGO France.

ARGO continues pushing to gain a foothold in the North American market with its McCormick USA tractor business. AEI

AGCO, CNH Pursue 'Global Platforms' to Reduce Costs, Improve Margins on Mid-Range Tractors

A "global platform" concept that will reduce costs and improve margins through economies of scale is being pursued separately by AGCO and CNH Global to revitalize their mid-range tractors.

Both have chosen a modular approach, using a mix of new components and assemblies that will deliver improved performance over current machines and a choice of specifications to suit different users.

CNH 55-115hp. CNH's mid-range tractor project will replace 4 current product platforms spanning 55-115 horsepower. Component variations will cater to different power groups within that spread as well as different specification levels.

Replacing individual product ranges built in Italy, Austria and Turkey, the new family is expected to yield 20% savings in production and procurement costs while also bringing new features to this power sector, notes CNH Chairman and CEO, Harold Boyanovsky.

The new family scheduled for release over the next 3 years will feature a stepless transmission option for the first time, higher capacity hydraulics, new engines with better power and torque outputs, and a common cab structure with improved features and interior design.

AGCO 50-130hp. AGCO's Centurion project will produce a common family of tractors spanning 50-130 horsepower to replace a diverse selection of products arising mainly from Massey Ferguson heritage and other acquisitions.

"The new family will consolidate 5 different platforms into one family using new engines, transmissions, rear axles and cabs," says AGCO Chairman and CEO, Martin Richenhagen. "It addresses $1 billion-worth of AGCO sales worldwide and will produce significant margin improvements."

The mid-range tractor project is just one of several new initiatives designed to remove a chunk of costs from AGCO's global operations. Improved factory efficiency should yield $15 million of annual savings by 2014, while regional rather than factory-based purchasing of commodities such as tires, fabricated components and axles should provide $40 million of annual savings out of an $800 million annual spend by 2013.

Ongoing efforts to source more components and materials from lower-cost countries such as China and India without compromising quality should accumulate savings approaching $200 million over the same period.

Modular Design. AGCO's new factory in ChangZhou, China, will be an important production center for the new mid-range tractors, as well as a source of components for assembly in AGCO's South American facility and by licensees in India and Turkey.

"The modular design allows for modern, cost-efficient tractors from a simple 3-cylinder, 55 horsepower, 8-speed, light-weight machine for African markets to a 4-cylinder, Tier 4-compliant, 130 horsepower shuttle tractor with air conditioned cab for Europe or North America," says Richenhagen. "It also allows for brand differentiation and for local assembly in important markets, providing a natural hedge against currency variation, while leveraging critical component and manufacturing volumes in low-cost environments." AEI

Comparing Notes Between Equipment Dealer & Manufacturer 2011 Projections

2011 Ag Machinery Outlook

Equipment Type	AEI Machinery Dealers U.S.	AEI Machinery Dealers Canada	AEM Manufacturers U.S.	AEM Manufacturers Canada
Overall Outlook	**+1.33%**	**+1.34%**	**+3.7%**	**-0.5%**
2WD Tractors <40hp	+0.79%	+1.96%	+3.2%	-1.4%
2WD Tractors 40-100hp	+1.10%	+2.05%	+5.6%	+0.4%
2WD Tractors 100hp+	+0.77%	+1.63%	-0.5%	-1.1%
4WD Tractors (all)	+1.82%	+1.08%	-4.7%	-4.5%
Combines	0.00%	+0.40%	-8.0%	-8.0%
Rectangular Balers	+0.47%	+0.45%	+7.6%	+1.4%
Round Balers	+0.66%	+2.37%	+6.4%	+3.7%
Forage Harvesters	-0.18%	+0.93%	+6.3%	-8.5%
Planters	+0.67%	+0.56%	+0.4%	-0.4%
Mower/Conditioners	+0.20%	+1.53%	+3.0%	+5.8%
Windrowers/Swathers	+0.20%	+0.59%	+8.0%	+0.2%
Field Cultivators	+0.41%	+1.26%	-3.6%	NA
Farm Loaders	+0.65%	+1.92%	+4.0%	-0.1%
Chisel Plows	-0.01%	+0.81%	-3.8%	-6.3%
Disc Harrows	+0.55%	+1.13%	+0.4%	-2.9%
Air Seeders/Drills	+0.14%	+0.96%	NA	NA
Self-Propelled Sprayers	+0.68%	+1.96%	+2.9%	+1.4%
Pull-Type Sprayers	-0.52%	-0.92%	NA	NA
Lawn & Garden	+1.86%	+2.68%	NA	NA
GPS	+3.04%	+2.79%	NA	NA
Rotary Cutters	NA	NA	+6.5%	+3.7%

Surveys conducted with farm equipment dealers by Ag Equipment Intelligence (AEI), which measures equipment dealers' sentiments for the coming year, and the Assn. of Equipment Manufacturers (AEM) that annually polls equipment manufacturers about their expectations for overall unit sales, reflect similar views on the industry's direction for 2011. This table compares how dealers and manufacturers view sales prospects for several different categories of farm machinery during the coming year. Results of the AEI survey of dealers are shown as "weighted averages." AEM notes that its projections are for unit sales and not company profitability. Because they are measured differently, it isn't possible to draw a direct correlation between the two studies, but the trends are apparent. AEI

Despite Revenue Decline, Buhler Has Big Plans for North America

Managers at one of Canada's biggest farm equipment manufacturers, Buhler Industries, are confident they have measures in place to secure a bigger share of both domestic and export markets through 2011.

In reporting a 26% reduction in revenues and a 43% downturn in net profit for the fiscal year ended September 30, 2010, Buhler President Dmitry Lyubimov and CEO Yuri Ryazanov highlight strategic acquisitions and partnerships, continued high level R&D spending and improving customer relationships as foundations for future growth.

Plans include an expanded Versatile tractor line diversified with the acquisition of self-propelled sprayers; a Farm King range expanded with the Fetrl grain handling products and manufacturing facility acquisition; and the reciprocal marketing agreement for grain handling and storage equipment forged with fellow-Canadian manufacturer Westeel.

Global Presence. "With the recent acquisitions in the U.S. and expansion of the assembly facility at Rostselmash in Russia, Buhler Industries has significantly increased its global presence," says Ryazanov. "This will provide the company with additional stability in its worldwide sales by gaining benefits from macroeconomic changes such as exchange rates, government support and investment climate."

Despite the painful-looking figures, 2009-10 was still a good year for Buhler — at $209.6 million (Canadian), revenues were the fifth best in the company's history and it remained profitable with net earnings of $8.2 million.

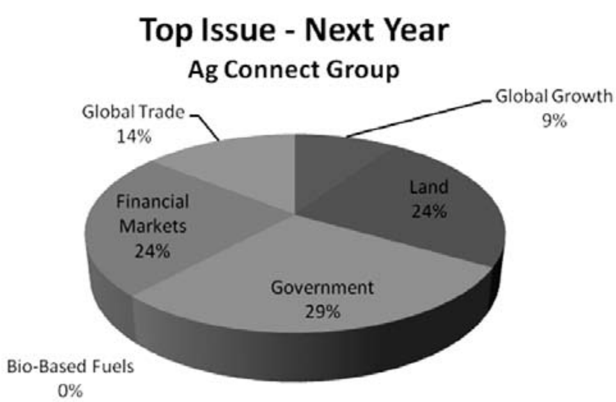
Increased Farm King equipment sales helped revenues from U.S. customers climb 12.5% to $138.8 million last year as Buhler developed existing dealerships, added new products, and improved the parts business. But domestic sales declined 34.5% to $56.2 million and sales to the temporarily stagnant markets of the CIS states — principally Russia, Ukraine and Kazakhstan — plummeted 95% to just $2.77 million.

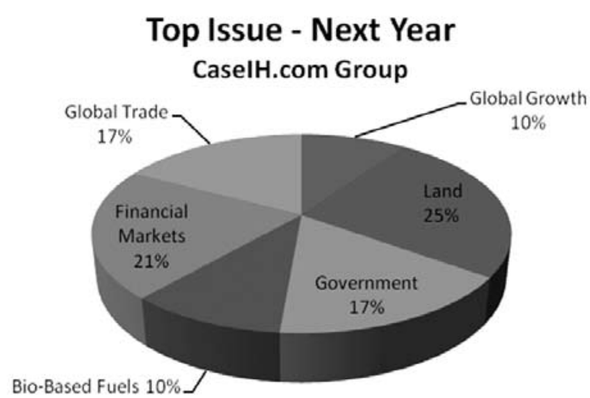
In the previous year, they represented a healthy 20% of revenues and net earnings as Versatile tractors gained acceptance among the network of 200 dealers supplied by Buhler's majority shareholder Rostselmash. In preparation for a return to a more buoyant market once credit lines ease, the tractor assembly facility in Russia has been expanded and the self-propelled sprayer added to local production.

Assembly in Russia. "In addition, we are currently reviewing the Farm King products to see what can be assembled and distributed in Russia," says Ryazanov.

Back in the U.S. and Canada, Lyubimov promises continued increases in production capacity to support the Farm King line and generous investment in R&D. "In 2010, the company spent $7.5 million on research and product development and while lower than the previous year, it was still the second highest investment in R&D on record." AEI

What's Keeping Your Customers Up at Night?





It's always good to know what your customers are thinking. Farm equipment maker Case IH thought so too, so it conducted a survey with a group of farmers attending the 2011 Ag Connect Expo in Atlanta, as well as those visiting their website CaseIH.com. Farmers were asked to rank the top issues that would impact their business in the next year as well as 5 years out.

Of the farmers who participated at Ag Connect, 29% said the number one issue over the next year is new government mandates and regulations. Availability and price of land for expansion as well as stability, development and fluctuations in global financial markets tied, with 24% ranking them second.

Of the group at Ag Connect who took the survey, 65% reported farming more than 5,000 acres and all have a minimum of 1,000 tillable acres. Those who participated online at CaseIH.com tended to be mid-size and smaller-acreage farmers. More than 70% of online respondents identified themselves as "predominantly cash grain producers." Nearly 54% of this group work 1,000 acres or less, and more than 41% farm between 1,000 and 5,000 acres.

As for their most pressing concerns, 25% of CaseIH.com online respondents rank availability and price of land for expansion as having the biggest impact in the next year, followed by fluctuations in global financial markets (21%).

But in the next 5 years online survey respondents ranked availability and price of land for expansion (26%) and government regulations (21%) as the top issues that will impact business.

Almost 82% of the online participants anticipate growing their operations in the next 5 years, compared to 89% among the expo participants. AEI

Good December Sales Marks End to Strong Year

Solid sales in December were a fitting end to an exceptional year for farm equipment manufacturers and dealers. "Large farm equipment retail sales comparisons moderated somewhat in December, though sales still jumped 24% year-over-year," says RW Baird analyst Robert McCarthy in his report on the latest numbers coming from the Assn. of Equipment Manufacturers. "On the back of strong fundamentals and pre-buying ahead of 2011 emissions standards, 2010 sales surged 16% year-over-year to their highest absolute level in 2-plus decades.

"While fundamentals remain robust (USDA further lowered crop-ending stock estimates last week), the U.S. agricultural machinery market is fundamentally about replacement, and we see falling volume in 2011," McCarthy says.

• U.S. and Canada large tractor and combine retail sales comparisons moderated in December, though still increased an impressive 24.3% year-over-year. Tougher prior-year comparisons likely explain some of the moderation. "We note comparisons get even tougher in 2011, especially in the second half," McCarthy says. Large ag equipment sales have now increased in 6 of the last 8 years and reached their highest level in more than 2 decades in 2010.

• Row-crop tractor sales increased 18% year-over-year to the second-highest absolute sales total of the year in December. U.S. row-crop tractor inventories continued to decline (22.1%) year-over-year as pre-mandate Tier 3 tractor inventories disappear.

• 4WD tractor comparison improved, increasing 39.1% year-over-year. U.S. dealer inventories of 4WD tractors were up 22% year-over-year in November, but fell to 70 days-sales.

• Combine retail sales jumped 33.6% year-over-year in December, the fifth consecutive month of double-digit year-over-year growth. U.S. inventories of combines jumped 46% year-over-year in absolute terms, while days sales increased to 49 from 36. AEI

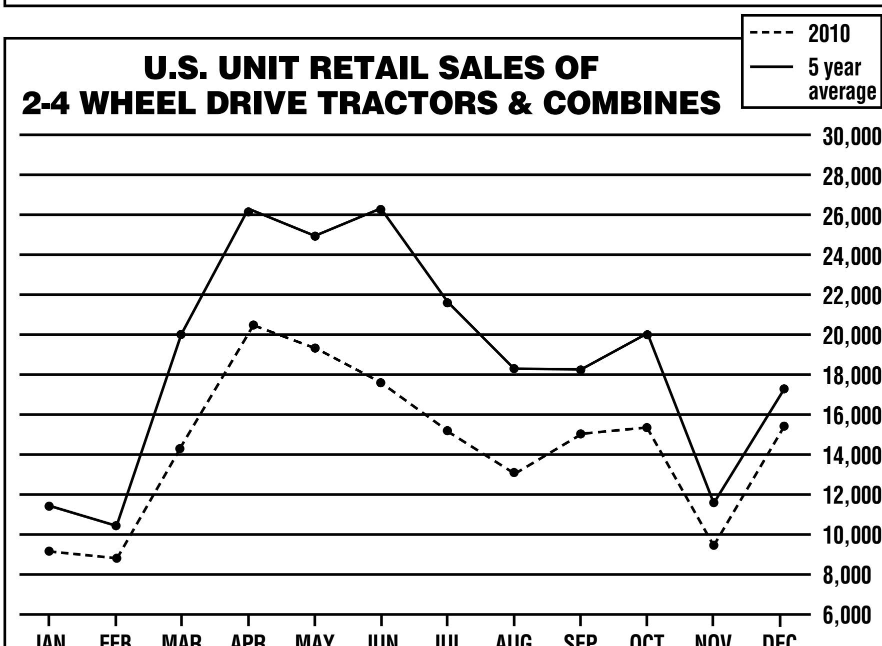
DECEMBER U.S. UNIT RETAIL SALES

Equipment	December 2010	December 2009	Percent Change	YTD 2010	YTD 2009	Percent Change	December 2010 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	5,863	4,866	20.5	83,989	79,659	5.4	49,076
40-100 HP	5,046	4,055	24.4	48,443	48,416	0.1	22,928
100 HP Plus	2,981	2,592	15.0	27,031	22,863	18.2	6,883
Total-2WD	13,890	11,513	20.6	159,463	150,938	5.6	78,887
Total-4WD	629	449	40.1	5,790	4,512	28.3	1,082
Total Tractors	14,519	11,962	21.4	165,253	150,938	6.3	79,969
SP Combines	1,334	971	37.4	10,691	9,690	10.3	1,384

DECEMBER CANADIAN UNIT RETAIL SALES

Equipment	December 2010	December 2009	Percent Change	YTD 2010	YTD 2009	Percent Change	December 2010 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	770	810	-4.9	10,714	10,837	-1.1	6,172
40-100 HP	574	556	3.2	6,523	7,146	-8.7	3,323
100 HP Plus	464	328	41.5	4,241	3,996	6.1	1,537
Total-2WD	1,808	1,694	6.7	21,478	21,979	-2.3	11,032
Total-4WD	125	93	34.4	1,342	1,188	13.0	272
Total Tractors	1,933	1,787	8.2	22,820	23,176	-1.5	11,304
SP Combines	198	176	12.5	2,710	2,575	5.2	330

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



—Assn. of Equipment Manufacturers

Dealers See Improved Revenues for Rural Lifestyle Market in 2011

As the U.S. economy stabilizes, equipment dealers believe that sales to the consumer or "rural lifestyle" segment of their business will continue to improve throughout the year.

More than half — 55% — of equipment dealers surveyed expect revenues from the sale of "rural lifestyle" equipment to increase by at least 2% going into 2011. This compares with 49.4% of dealers who saw sales improving at least 2% a year ago, and only 19% who expected increased sales in 2009.

These projections come from a survey conducted in December by *Ag Equipment Intelligence's* sister publication, *Rural Lifestyle Dealer*.

Overall, 95% of the dealers polled this year expect sales in 2011 to be as good as or better than in 2010, with 6.7% looking for revenues to grow by 8% or more and 48.3% anticipating improvements ranging from 2-7%. Only 5% see revenues falling below 2010 levels.

Top Products. Along with their growing confidence for improving overall revenues, dealers site a rebound in sales of many of the core products that are the mainstays of the consumer equipment market.

Ranked by the percentage of dealers who see the biggest gains for 2011, zero-turn mowers takes the top slot for best bets for growing sales revenues with 58% projecting increases of 2% or more. Combined with those dealers who anticipate little or no change in sales of zero-turn equipment in 2011, 95% are expecting solid results in the year ahead.

Sales of compact tractors, those rated at 40 horsepower or lower, came in second as the dealers' choice for increasing revenues in '11, as 51.6% project increases ranging from 2% to more than 8% for the year.

Slightly over half, 51.5% of survey respondents, anticipate sales for front-end loaders increasing at least 2% to more than 8% during the next 12 months.

Rotary cutters and utility vehicles round out the dealers' top 5 products that will contribute most to boosting revenues in 2011. The top-10 list appears in the adjacent table.

Fragmented Market. Unlike dealerships that cater to production farmers and higher horsepower tractors, the consumer side of the business is far more fragmented. Participants in this year's survey handled 17 different compact and utility tractor brands and 24 brands of zero-turn mowers.

Following are the top 10 compact/utility brands by percentage of dealers responding.

1. Kubota
2. New Holland
3. John Deere
4. Massey Ferguson
5. Case IH
6. Cub Cadet/Yanmar
7. Other
8. Kioti
9. Bobcat
10. Mahindra

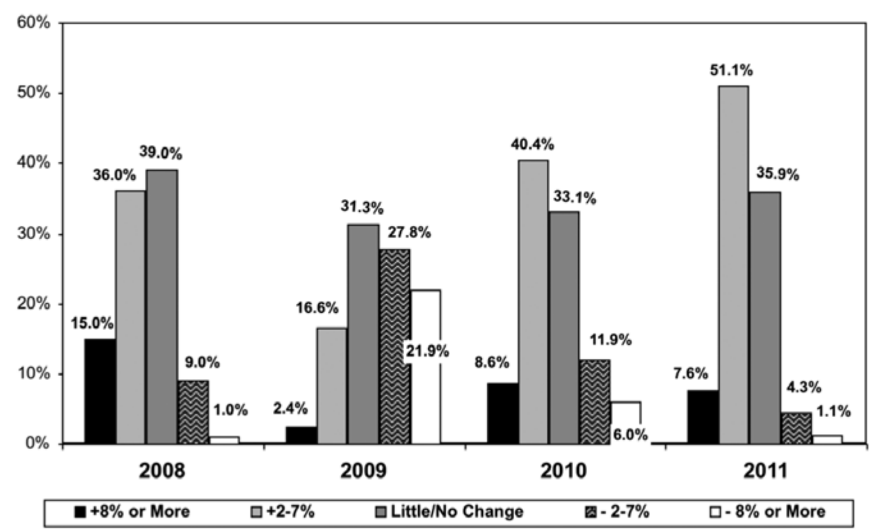
The top 10 brands of zero-turn mowers identified as their primary brand by respondents included:

1. Kubota
2. John Deere
3. Cub Cadet
4. eXmark
5. Ferris
6. New Holland
7. Simplicity
8. Toro, Gravely (tied)
9. Hustler
10. Grasshopper, Land Pride, Walker, Woods (tied)

A detailed report on the survey appears in the 2011 winter edition of *Rural Lifestyle Dealer* that will be sent to subscribers in February. AEI

Product	+8%	+2-7	Little/No Change
1. Zero-Turn Mowers	10.1%	47.9%	37.0%
2. Tractors (<40hp)	10.8%	40.8%	41.7%
3. Front-End Loaders	12.4%	38.1%	40.7%
4. Rotary Cutters	5.9%	43.7%	47.1%
5. Utility Vehicles	8.8%	40.7%	42.5%
6. Tractors (40-100hp)	11.0%	38.1%	43.2%
7. Lawn Tractors	10.7%	35.7%	39.3%
8. Hay Tools/Balers	1.8%	38.7%	44.1%
9. Skid-Steer Loaders	10.8%	27.5%	46.1%
10. Chain Saws	7.4%	29.6%	48.1%

Dealer Projections for Consumer Revenue Growth/Decline — 2008-11



After a major decline in sales in 2009 and a slow comeback in '10, equipment dealers expect the rural lifestyle or "consumer" segments to bounce back in 2011. Nearly 59% of dealers surveyed expect sales to grow by 2% to more than 8%, and nearly 95% see business levels to be as good as or better than in 2010. *Source: Rural Lifestyle Dealer Surveys*