

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- AGCO Investing in NA
- German Sales Rising
- Kuhn Expands in NA

CNH, ARGO Revamp Compact Tractor Sourcing

The North American compact tractor market is set to experience a few more ripples as two suppliers change sourcing arrangements.

The bigger of the two new OEM agreements will see CNH Global buying compacts from South Korea's LS Mtron for the New Holland and Case IH product lines. Earlier this month, CNH announced the closure of its own compact tractor production facility in Dublin, Ga.

Under the second agreement, the Italian ARGO Tractors concern, whose Landini and McCormick products are distributed by McCormick International USA, Duluth, Ga., will source compacts from Daedong Industrial Co., also of South Korea. Daedong's tractors are best known by the Kioti brand distributed in the U.S.

by the Kioti Tractors unit of Daedong-USA, Wendell, N.C.

Both formal supply agreements have come about following regional initiatives. For the past 5 years, ARGO Tractors distribution affiliates in Canada, the U.S., South Africa, and more recently in Great Britain and Spain, have been selling Landini- and McCormick-branded LS tractors.

Case IH in Australia forged a similar arrangement to sell what it calls the Maxxfarm range in its domestic and selected Southeast Asia markets. That appears to have been the catalyst for CNH's full-scale agreement — and for ARGO Tractors to seek a concrete relationship with Daedong.

CNH & Mtron. CNH has been coy about releasing details of its LS Mtron deal, perhaps because of the

sensitivities relating to the unexpected closure of the Dublin plant where it assembles compacts as part of a long-term relationship with IHI Shibaura Machinery of Japan.

In contrast, LS Mtron has trumpeted the deal, which it says is for 20,000 units of 28-47 horsepower tractors to be delivered over the next 3 years. The deal is valued at \$200 million.

"It represents the largest agricultural machinery exports sale in Korea's history," says Jae-seol Shim, president of LS Mtron. "By cementing such a strategic partnership, both parties have laid a cornerstone for creating synergies for global marketing efforts."

ARGO & Daedong. Daedong's agreement with ARGO Tractors will

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2010 Finishes on High Note, But Majors Cautious About 2011

Despite increasing farm commodity prices, particularly grain and dairy, the major farm equipment makers — AGCO, CNH and John Deere — are forecasting flat to moderately rising sales of ag equipment in 2011 compared with last year. Of course, 2010 turned out to be outstanding sales year, especially for big equipment. So looking for flat or moderately rising sales would appear to signal that they're expecting another stellar year all around.

At the same time, farmers and dealers will see the prices of new ag machinery climb, possibly throughout the year. Equipment makers say the rising costs of materials, notably rubber and steel, will add to the

already higher prices resulting from the switch to Tier 4 interim engines.

AGCO Expects Rising Costs to Increase Equipment Prices

North American sales of AGCO products swelled by 49% in the last quarter of 2010. For all of 2010, AGCO's net income rose 62.4% from 2009 to \$220.5 million. Overall sales increased 5.8% to \$6.9 billion.

According to Ann Duignan, analyst for JP Morgan, perhaps the biggest surprise was that AGCO "delivered an operating margin of 7.5% vs. our estimate of 4.8%. Increases in sales of sprayers, combines, and parts were offset by declines in hay and foraging equipment and utility trac-

tors," she said in a note.

The company forecasts revenue of \$7.6-7.9 billion and expects flat worldwide industry demand for its products. The consensus of analysts following AGCO calls for \$7.48 billion in revenue for 2011.

At the same time, AGCO also warned that higher expenses for materials and a new emissions system for its engines would weigh on profits in 2011.

The company predicted its engineering expenses will rise 10-15% this year to comply with stricter U.S. standards for engine exhaust. It also projected that it may need to raise equipment prices above the 2.5%

Continued on page 8

provide the Italian concern with a larger range of compact and utility tractors extending further up the horsepower scale. The initial line-up selected from the Daedong product range covers outputs from 22-91 horsepower and will be complementary to the ARGO Tractors product lines built in Italy.

"We have finalized this OEM agreement with Daedong recognizing the quality and capability of our Korean partner to offer product suitable to fill gaps in our current offering," says Valerio Morra, ARGO Tractors president. "We look forward to exploring other opportunities for cooperation with Daedong as the

company has shown great willingness to develop future commercial and industrial synergies."

Corporate business director Simeone Morra added, "We have been requested by our customers to expand our product offering in this market and by our distributor network to expand territorial coverage. We have been working over the past year to make sure we now present a competitive product range with significant benefits over the previous offer."

The current agreement is limited to ARGO Tractors distribution affiliates in the previously noted countries as well as in France, Germany and Mexico. **AEI**

LS Mtron has 'Big' Ambitions

LS Mtron and its LS Tractors operation is part of the \$16 billion LS Corp. industrial conglomerate and two of three businesses spun out of LS Cable 3 years ago. The tractor division can trace its roots to the mid-1970s when a Korean tractor business was founded with technical assistance and licensed designs from Fiat — today's majority shareholder in CNH Global.

Sales revenues from tractor operations have grown from \$14 million in the mid-1980s to \$177 million in 2008. Gwang-won Lee, managing director of LS Tractors, says the CNH contract will go far in reaching the company's 15% global market share target by 2015 and a revenues target approaching \$890 million.

He also wants LS Tractors to achieve top-5 brand status in the North American market by 2012 and to have 50,000 units capacity by then.

The company is already close to realizing the latter goal: LS moved into a new 20,000 unit Korean factory 4 years ago and is completing a plant of similar output potential in China. Gwang-won Lee says products from this \$4.5 million investment will be positioned to avoid the generally smaller, low-tech machines built by domestic manufacturers while slotting between the sub-35 horsepower tractors produced by most Japanese companies and the 100 horsepower-plus models favored by Western firms.

Daedong Industrial Co. also established its tractor-making credentials with Western help, securing a technical agreement with Ford Tractor Operations (New Holland's predecessor) in the late 1960s.

It first started exporting tractors to the U.S. in the mid-1980s and founded the Daedong-USA and Kioti Tractor operations, both based in Wendell, N.C., since 2004, in 1993.

Daedong also produces the Mechron gas and diesel engine all-terrain utility vehicle.

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Why CNH is Closing Its Georgia Tractor Plant

In a surprising move, CNH Global has revealed plans to close the assembly plant in Dublin, Ga., established by New Holland in mid-1970s to bring compact tractor production to the U.S.

In a statement, CNH says the closure will optimize its manufacturing footprint and reduce fixed costs. Some have also speculated the move will help improve sales margins on both New Holland and Case IH compact tractors.

"Closing the Dublin plant will allow us to adjust our operations to meet market demand and, at the same time, continue providing our customers with the highest level of quality, value, service and support," says Bret Lieberman, vice president, North American Agricultural Manufacturing. "This action is consistent with our long-term strategy to achieve a lean, highly flexible industrial operation — and continue building a stronger, more competitive company going forward."

New Holland made much of the Dublin plant's opening in 1997 when the first "Boomer" tractors replaced mid-size compact models built by Ishikawajima Shibaura Machinery (ISM) in Japan. ISM continued to supply the complete drivetrain but New Holland took the lead role in designing and manufacturing the tractors.

Two years ago, the design team produced the retro-look Boomer 8N, a modern hydro-drive compact styled to awaken memories of the popular Ford 8N of the late 1940s and early 1950s.

Lieberman declined to say where the Boomer tractors and their Case IH Farmall counterparts fit into CNH's future product plans and production resources, saying only that they are "part of a diverse product strategy."

He did add, however, that the impending closure during the first quarter of 2011 was not a reflection on the performance of its employees.

"After reviewing all options, the action being taken will best meet the company's current and future business needs," he says.

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AGCO Moving Production of Rigid-Frame Tractors to North America

AGCO is planning to build its rigid-frame wheeled tractors in North America for the first time since it decided some years ago to assemble certain Massey Ferguson and Challenger row-crop models at its Jackson, Minn., facility.

The 270-370 horsepower MF 8600 Series and Challenger MT600C tractors are currently sourced from AGCO's Beauvais plant in France. By the end of this year, tractors destined for U.S. farms will roll off an extended Jackson assembly line already building Challenger MT700C and MT800C rubber traction belt tractors.

"The expansion of high horsepower tractor production will involve investments in an extension of the assembly line and in advanced material handling systems to efficiently deliver parts and material to the assembly line," says Bob Crain, senior vice president and general manager, AGCO North America.

"In addition, we will build a state-of-the-art visitor center in Jackson to significantly enhance the experience for our customers and dealers."

AGCO acquired the factory and rights to the Challenger tracked tractor range from Caterpillar. It then transferred production of the former AgChem TerraGator and RoGator applicators and SpraCoupe self-pro-

pelled sprayers to the plant, which also builds the MT900C articulated four-wheel drive tractors.

Apart from the logistical and currency exchange advantages of assembling the wheeled tractors locally, AGCO believes it can better serve its North American customers — and perhaps appeal to their sense of nationalism.

"We see continued strong demand in the high horsepower tractor market sector driven by improving economics for the professional

"We intend to make substantial investments in our North American plants during the next few years..."

farmer," says Crain. "The production of these tractors in Jackson will allow us to be more responsive to market demands and customer needs."

Martin Richenhagen, AGCO chairman, president and CEO, emphasizes that the Jackson initiative is one of several investment projects planned in the U.S.

"We are continuing to increase our manufacturing presence in North

America, particularly with investments in our Hesston and Jackson facilities," he says. "We intend to make substantial investments in our North American manufacturing plants during the next few years."

In France, AGCO employees have been celebrating 50 years of Massey Ferguson production at the Beauvais plant. The 62-acre site is the biggest of three AGCO tractor plants in Europe, with production currently running at some 82 units a day — or one tractor every five minutes.

More than 820,000 Massey Ferguson tractors have been built at the plant since it opened in November 1960 and today it ships 85% of production to over 140 countries. MF is AGCO's global brand, accounting for more than 33% of total sales revenues.

At current exchange rates, Beauvais has received the equivalent of \$89.5 million investment over the past 5 years and further substantial sums have been earmarked in preparation for production start-up of new mid-range models.

These are thought likely to be unveiled at the SIMA international farm machinery show in Paris later this month (see 'Global Platforms,' *Ag Equipment Intelligence*, January 2011).

AEI

FARM MACHINERY TICKER (AS OF 2/11/2011)

Equipment Mfr.	Symbol	2/11/11 Price	1/13/11 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	\$54.00	\$55.38	\$56.18	\$25.48	30.68	1.49 M	5.02 B
Alamo	ALG	\$27.60	\$28.09	\$28.24	\$17.18	13.00	24,239	325.96 M
Art's Way	ARTW	\$13.35	\$12.20	\$14.63	\$3.98	37.08	21,241	53.29 M
Caterpillar	CAT	\$103.54	\$94.14	\$103.55	\$54.21	24.95	5.73 M	65.95 B
CNH	CNH	\$51.10	\$53.00	\$53.87	\$21.58	27.04	341,305	12.16 B
Deere	DE	\$95.42	\$89.47	\$95.50	\$51.11	21.94	3.64 M	40.34B
Kubota	KUB	\$54.31	\$49.01	\$54.83	\$37.35	23.21	20,648	13.81 B
Dealer Groups								
Cervus Equipment	CVL	\$15.55	\$15.33	\$16.10	\$15.10	NA	13,533	NA
Rocky Mtn Dealerships	RME	\$10.60	\$9.30	\$10.83	\$7.50	13.40	37,122	194.32
Titan Machinery	TTTN	\$26.65	\$21.84	\$27.28	\$11.60	31.35	214,228	477.04 M

Deere Tractors Top Sellers in Germany and France, But New Holland Closes Gap in U.K

The world's largest farm equipment maker continues to maintain its leading market share in tractors in two of Europe's largest markets, but competition is beginning to squeeze John Deere in the U.K., according to various published reports.

Despite a 22.2% decline in the overall tractor market in France to an estimated 23,875 units, Deere moved beyond the 20% market share level for 2010.

With 20.8% of all farm tractors sold, this was the first time in the company's 50-year history in France that it eclipsed the 20% mark. This is up from 19.7% market share in 2009, according to the trade publication *Materiel Agricole*.*

Last year, Deere marked the 11th consecutive year that it held the market share lead in Germany, as well.

While the overall German market for farm tractors declined by 3% in 2010 to 28,587 units, Deere increased its market share in the country by 0.4% to 19.7%.

Likewise, Deere maintained its market share lead in the U.K. for the 11th year in a row, but it lost some of its lead to New Holland in 2009.*

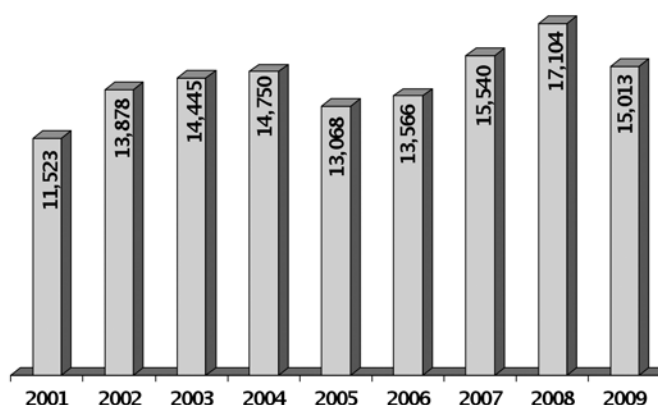
According to a report by David Cousins of *Farmers Weekly*, the overall tractor market in the U.K. was down more than 12% in 2009 vs. units sold in 2008.

In that period, Deere sales slipped from 5,613 tractors in 2008 to 4,727 units in 2009. The company's market share also fell somewhat from 30.2% to 29%.

With 3,218 tractors sold in 2009 vs. 3,339 in 2008, New Holland placed second on the U.K.'s top seller list. The company also increased its share of the market in '09 to 19.7% from 18% in 2008.

Massey Ferguson figured in at number three in unit sales in 2009, but both its volume and market share slipped from 2,911 tractors sold in 2008 to 1,992 during the following year. Massey's share also fell to 12.2% in 2009 from 15.7% in '08. **AEI**

U.K. Unit Sales of Farm Tractors



Overall sales of tractors in U.K. fell by 12% in 2009 compared with 2008. As it has for 11 consecutive years, Deere kept it top ranking. *Source: Agricultural Engineers Assn*

U.K. Unit Sales of Farm Tractors (>50 hp)

Manufacturer	2009 Market Share		2008 Market Share	
	Units	(%)	Units	(%)
John Deere	4,727	29.0%	5,613	30.2%
New Holland	3,218	19.7%	3,339	18.0%
Massey Ferguson	1,992	12.2%	2,911	15.7%
Case IH	1,279	7.0%	1,299	7.8%
Claas	982	6.0%	941	5.1%
Same Deutz-Fahr	796	4.9%	881	4.7%
Kubota	750	4.6%	605	3.3%
Fendt	625	4.0%	477	2.7%
Valtra	533	3.4%	601	3.4%
McCormick	431	2.7%	605	3.3%
JCB	210	1.3%	226	1.2%
Landini	165	1.1%	238	1.3%
TOTAL	15,708		17,736	

Source: Agricultural Engineers Assn.

*Due to European Union legislation, the numbers reported by *Materiel Agricole* are not final or official, but are considered to be "pretty accurate." According to David Cousins of *Farmers Weekly*, 2009 are the most recent share figures available from the Agricultural Engineers Assn. (AEA) EU competition rules state that the AEA is only allowed to issue individual makers' sales figures after a year's delay.

Farmers Face Rising Input Costs

If farmers are becoming a little more reticent in making a commitment to purchase new equipment, it might be because their crop input prices are rising quickly. The table below is from a recent biweekly Illinois Crop Production report that shows how much fertilizer prices have increased in the past 10 months. **AEI**

	Current	10-Apr	% Change
Anhydrous Ammonia	780.06	531.75	46.70%
Urea	491.3	434.55	13.06%
Liquid Nitrogen	338	262.78	28.62%
DAP	669.81	500.29	33.88%
Potash	566.61	492.88	14.96%

January 20th: Illinois Production Report

German Ag Equipment Makers Gear Up for 10% Growth in 2011

After a modest turnaround in 2010, German farm equipment manufacturers are looking for a more significant jump in machinery sales in 2011, according to the Frankfurt-based VDMA Agricultural Machinery Assn.

The industry saw its sales rise by 2% last year to \$7.8 billion (€5.77) billion. "The long-term, positive underlying factors influencing the industry are reasserting themselves," says Dr. Bernd Scherer, managing director of the VDMA. With a steady increase in order backlogs — currently 40% higher than a year ago — and rising farm incomes, VDMA expects machinery sales to grow by 10% to \$8.7 billion (€6.4) in the year ahead. This remains 15% below the record level of the boom year 2008.

Tractor Exports. Increasing sales of tractors beginning in the second quarter of 2010 signaled a turnaround in business levels for equipment makers. Overall for the year,

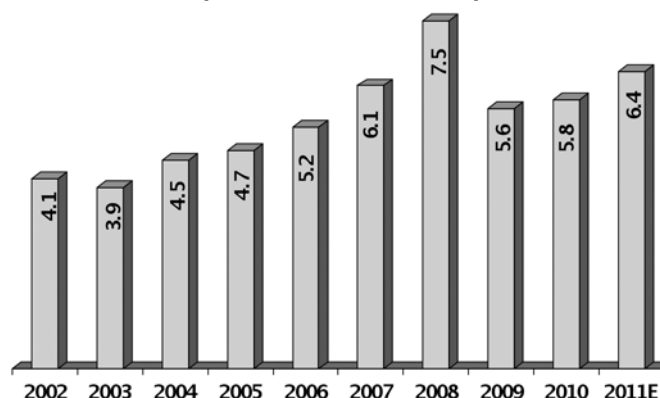
"VDMA estimates that the market for German farm machinery in 2010 at \$5.4 billion (€3.95), which was about the same as the previous year ..."

53,450 tractors came off the assembly lines in Germany, which represented an increase of 15% vs. 2009 production. VDMA reports that four out of five tractors produced in Germany last year were sold for export.

VDMA estimates that the market for German farm machinery in 2010 at \$5.4 billion (€3.95), which was about the same as the previous year. Sales of tractors rose 6% for the year, but sales of other ag machinery were 4% lower. The association notes that stronger sales in the last quarter of the year signaled a healthy start to the 2011 selling season.

Exports Improving. The export ratio for German's farm machinery manufacturers was 70% in 2010.

**Sales of German Ag Equipment
(in billions of euros)**



Sales of German farm equipment reached \$5.4 billion in 2010 and is expected to grow to more than \$6 billion in 2011 on rising levels of exports. *Source: VDMA*

German Tractor Sales by Brand – 2010 vs. 2009

Brand	2010 Market		2009 Market	
	Units	Share	Units	Share
John Deere	5,624	19.7%	5,674	19.3%
Fendt	4,728	16.5%	5,076	17.2%
Deutz-Fahr	3,085	10.8%	3,109	10.6%
Case IH/Steyr	2,614	9.1%	2,843	9.6%
Claas	2,087	7.3%	2,305	7.8%
New Holland	1,907	6.7%	1,695	5.8%
Kubota	1,284	4.5%	975	3.3%
Massey Ferguson	1,060	3.7%	1,191	4.0%
Iseki	1,015	3.6%	768	2.6%
S+L+H	722	2.5%	898	3.0%
Mercedes Benz	433	1.5%	513	1.7%
Valtra	423	1.5%	537	1.8%
Kioti	265	0.9%	117	0.4%
McCormick	234	0.8%	230	0.8%
Lindner	214	0.7%	208	0.7%
Landini	214	0.7%	246	0.8%
Belarus	211	0.7%	212	0.7%
Carraro	165	0.6%	143	0.5%
Holder	164	0.6%	136	0.5%
Kukje	155	0.5%	61	0.2%
Hako	149	0.5%	83	0.3%
Egholm	143	0.5%	95	0.3%
Shibaura	104	0.4%	43	0.1%
Zetor	94	0.3%	139	0.5%
Foton	76	0.3%	63	0.2%
Other	1,417	5.0%	2,104	7.1%
Total	28,587	(-3% vs. '09)	29,464	(-5.7% vs. '08)

Source: Eilbote

Exports to France, the industry's most important market outside of the country, were down by 15% compared with 2009, but the last 3 months of last year showed significant improvement over the first 9 months of the year. Most Central and Eastern European markets have

also begun to recover, and Russia has moved up to fourth place among the export markets. At the same time, the import barriers of the Russian government continue to be a significant hindrance to sales of the Western European agricultural machinery industry, according to VDMA. **AEI**

WASDE Report Leads to Stronger Grain Pricing; USDA to Revise Farmer Survey Methods

USDA's February 9 World Ag Supply & Demand Estimates report (WASDE) for the 2010-11 crop year revised downward its forecast for corn yield as well as its soybean inventory outlook. These and other factors resulted in the farm agency revising its pricing upward for these commodities as well as wheat, all of which is bullish for farmers' pocketbooks and ag equipment sales.

Also, according to a February 12 report in the *Wall Street Journal*, USDA will change how it surveys farmers about their grain stockpiles, following complaints that last year's estimates for corn supplies were misleading.

February 9 Report. From its most recent survey, USDA lowered its forecast of 2010-11 corn production to 12.4 billion bushels from 12.5 billion and lowered its forecast of ending corn stocks to 745 million bushels from 832 million. This puts ending stocks 5% below the consensus forecast of 782 million. USDA also lowered its soybean ending stocks forecast by 15% to 140 million bushels, and its wheat ending stocks forecast by 5% to 818 million bushels.

The agency also raised the midpoints of its corn, soybean and

wheat price forecasts to \$5.30/bushel, \$11.70/bushel and \$5.65/bushel, from \$5.20/bushel, \$11.45/bushel and \$5.50/bushel, respectively.

Standardized Surveys. The USDA's statistics service said it's making changes to its surveys to standardize farmer surveys nationwide. The agency had traditionally asked farmers in southern states, but not northern states, to separate crops harvested in

"USDA will ask farmers and operators of grain elevators in all states to file two storage numbers, one for crops in storage from past harvests and one for crops currently coming out of the fields..."

past years from crops in the process of being harvested because activity starts earlier in southern states.

According to the *WSJ* report, traders suspected the government had mistakenly counted corn from the

2010 harvest because the crop started coming in from the fields earlier than usual due to favorable weather.

Futures surged through the summer as the USDA's June estimates showed dwindling supplies of the grain. Then, September's report put corn supplies at 1.71 billion bushels — about 20% higher than the average analyst's forecast. Corn futures fell sharply on the higher estimates.

USDA will ask farmers and operators of grain elevators in all states to file two storage numbers, one for crops in storage from past harvests and one for crops currently coming out of the fields. The USDA traditionally reports just crops being stored from past harvests.

Some analysts said requiring farmers to report two separate numbers would add more clarity to the government's data. The information would be useful when supplies of grain are tight and traders want to know how much of the new crop has been gathered early in the harvest.

Others doubt that it will make much difference because it's almost impossible for farmers to know which grain in their storage bins is from the current harvest and which grain is from a previous harvest. **AEI**

Kuhn Aims to Expand Product Line in North America

Plans to expand sales of Kuhn brand fertilizer broadcasters and seed drills in North America have been underpinned by significant investment in the company that manufactures these products.

Swiss engineering group Bucher Industries, which owns Kuhn Group, has acquired a 24% minority stake in the Rauch agricultural equipment company in Germany.

Bucher says the new capital, which has not been quantified, will further strengthen the established collaboration between Kuhn and Rauch in Europe. It will also lay the foundation for successful expansion into countries further afield, particu-

larly in North and South America.

Rauch, which celebrates its 90th year in 2011, specializes in pneumatic seed drills and spreaders for fertilizer and winter road maintenance materials. The business, which employs 300 staff, generated sales revenues approaching the equivalent of \$58 million in its 2009-10 financial year.

"By concentrating on its core 'metering and spreading' technologies, continuously investing in the business and focusing strongly on the needs of farmers and custom operators, Rauch became a European leader in fertilizer spreaders," notes Bucher CEO, Philip Mosimann. "Together with Kuhn, Rauch then entered the market for

seeding machinery and has continuously expanded this product line."

Last year, Rauch consolidated several production facilities into a new state-of-the-art factory. Managing director Norbert Rauch says the \$27.5 million investment was imperative in light of continued strong business growth, the increased demands of the market, and to remain cost-competitive.

Kuhn North America Inc. sells Rauch-built products in the U.S. market through 5 distribution centers — Ridgefield, Wash., Greeley, Colo., Vernon, N.Y., Columbia, Tenn., and Brodhead, Wis., where it also manufactures and assembles equipment. **AEI**

Row-Crop Tractor Sales Slow in January

January saw a slowdown in sales of row-crop tractors, but 4WD equipment and combines continued on an upward path, according to the latest figures from the Assn. of Equipment Manufacturers (AEM).

Of particular note is the inventories of row-crop tractors are 19% below year-ago levels, while inventories of 4WD tractors, combines and small tractors are above year-ago levels.

Sales of row-crop tractors (>100 horsepower) declined by 12% in January compared with January 2010. This followed growth of 18% year-over-year in December and a 40% rise in November.

Compared to the same period in 2010, January 2011 North American sales of 4WD tractors rose 55% after rising 39% in December and 25% in November. Sales of combines increased 48% following increases of 33% in December and 38% in November. This follows a particularly strong second half of 2010 and combine unit sales have surpassed 1,000 in 6 of the past 8 months.

Utility tractor (40-100 horsepower) sales grew by 10% in January after a 21% year-over-year increase in December and a 13% rise in November. Unit sales of compact tractors (<40 horsepower) were up 1% in January, following a 17% increase in December and 12% in November.

In a note to investors, Ann Duignan reports that John Deere's first quarter of fiscal 2011, unit sales of tractors over 100 horsepower were up by 11% and combines sales rose by 38%. "Deere has more exposure to the higher margin, high-horsepower sector. Our proprietary industry revenue model suggests that total revenues were up 23% year-over-year vs. our forecast of up 12%.

"The revenue model suggests that January industry dollar revenues were up 12% year-over-year, with tractor revenue up 2% and combine revenue up 48% vs. our forecast of up 12% for CNH and up 15% for AGCO," Duignan says.



JANUARY U.S. UNIT RETAIL SALES



Equipment	January 2011	January 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	January 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	3,297	3,263	1.0	3,297	3,263	1.0	52,721
40-100 HP	3,213	2,801	14.7	3,213	2,801	14.7	21,756
100 HP Plus	2,105	2,366	-11.0	2,105	2,366	-11.0	6,452
Total-2WD	8,615	8,430	2.2	8,615	8,430	2.2	80,929
Total-4WD	449	260	72.7	449	260	72.7	978
Total Tractors	9,064	8,690	4.3	9,064	8,690	4.3	81,907
SP Combines	891	580	53.6	891	580	53.6	1,527

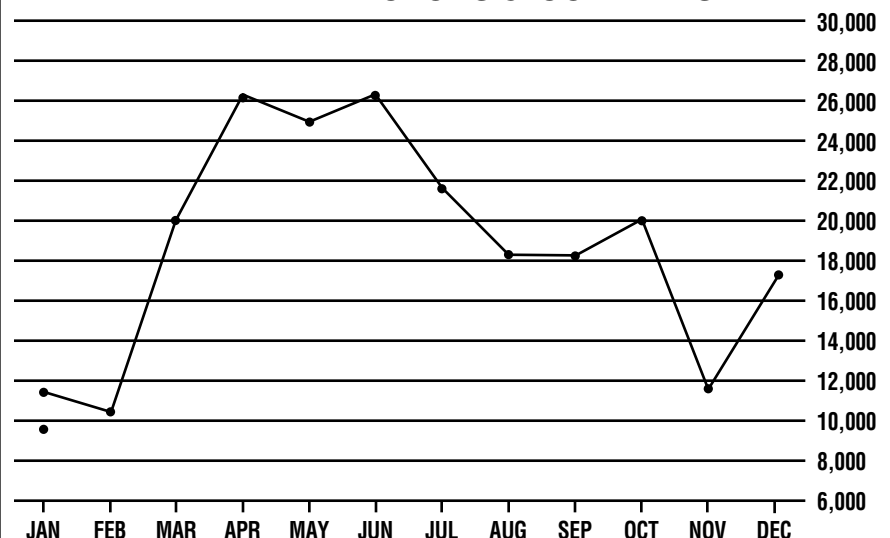
JANUARY CANADIAN UNIT RETAIL SALES



Equipment	January 2011	January 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	January 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	408	473	-13.7	408	473	-13.7	5,987
40-100 HP	280	375	-25.3	280	375	-25.3	3,044
100 HP Plus	191	231	-17.3	191	231	-17.3	1,380
Total-2WD	879	1,079	-18.5	879	1,079	-18.5	10,411
Total-4WD	58	67	-13.4	58	67	-13.4	225
Total Tractors	937	1,146	-18.2	937	1,146	-18.2	10,636
SP Combines	44	52	-15.4	44	52	-15.4	283

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

---- 2011
— 5 year average



—Assn. of Equipment Manufacturers

increase anticipated at the start of the year to recover recent jumps in costs for steel, rubber and other materials.

"We expect most of the earnings improvement in the first half of the year and then level out to some extent," says Andy Beck, AGCO's CFO, during a conference call with financial analysts.

"The thing that could be a question is the additional engineering expenses we expect in the second half of the year.

"We're evaluating our prices and we expect to increase prices in the second quarter to offset" the higher material expenses, Beck said.

According to Henry Kirn, analyst for UBS, AGCO noted it expects to gain share in 2011 in North America and Western Europe, but maintain share in South America.

After Solid 4Q, CNH Expects Uptick in 2011 Sales

CNH's fourth-quarter equipment sales rose 17% year-over-year (+14% in Ag, +32% in CE) to \$3.8 billion. Equipment operating profit increased 138% to \$889 million.

For the year, net sales increased 13% to \$14.5 billion, resulting in an equipment operating profit of \$889. Net income before restructuring and exceptional items for the period was \$496 million.

CNH's net sales in the agricultural equipment sector increased 8% for the year (6% on a constant currency basis). Operating margin increased 22% to 8.2%.

In a note to investors, JP Morgan analyst Ann Duignan said, "Most interesting, net price/cost was a negative \$31 million in the fourth quarter (+\$65 million pricing offset by -\$96 million in input costs).

Management expects net pricing to be a \$120 million headwind in 2011. This is in contrast with most other companies that have reported and anticipate at least a flat net price/cost environment and begs the question of whether CNH is using pricing to out perform the market."

In its outlook for 2011, CNH forecasts global ag tractor markets to be flat to up 5%, combines up 5%-10%.

"For 2011, CNH expects revenues

AGCO Corp. (Calendar Year Jan./Dec. — Equipment Revenues Only)

	2008	2009	2010	2011E	2012E
Equipment Revenues	\$8,425	\$6,516	\$6,897	\$7,697	\$8,424
Net Income	\$ 400	\$ 146	\$ 220	\$ 265	\$ 367
Operating Margin	8.2%	5.1%	6.3%	6.9%	8.0%
% of Sales	4.7%	2.1%	3.2%	3.4%	4.4%

Source: Company reports, JP Morgan estimates

CNH Global (Calendar Year Jan./Dec. — Equipment Revenues Only)

	2008	2009	2010	2011E	2012E
Equipment Revenues					
- Ag	\$12,901	\$10,663	\$11,528	\$12,504	\$13,464
- CE	\$ 4,465	\$ 2,120	\$ 2,946	\$ 3,541	\$ 3,805
TOTAL	\$17,366	\$12,783	\$14,474	\$16,046	\$17,268
Net Income	\$ 825	\$ (109)	\$ 452	\$ 601	\$ 835
Operating Margin					
- Ag	10.6%	6.7%	8.2%	8.7%	9.1%
- CE	2.6%	-16.0%	-1.8%	2.8%	5.1%
Net Margin (Equipment)	4.8%	-1.5%	3.1%	3.7%	4.8%

Source: Company reports, JP Morgan estimates

Deere & Co. (Fiscal Year Oct./Sept. — Equipment Revenues Only)

	2008	2009	2010	2011E	2012E
Equipment Revenues					
- Ag	\$16,572	\$18,122	\$19,867	\$26,134	\$23,005
- CE	\$ 4,413	\$ 2,634	\$ 3,706	\$ 4,822	\$ 5,739
TOTAL	\$20,985	\$20,756	\$23,573	\$26,134	\$28,744
Net Income		\$ 1,205	\$ 1,995	\$ 2,552	\$ 2,734
Operating Margin		8.3%	12.3%	12.0%	12.9%
- Ag	NA	10.0%	14.0%	12.9%	13.6%
- CE	NA	-3.2%	3.2%	7.9%	10.2%
Net Margin (Equipment)	NA	4.8%	6.9%	6.75	7.3%

Source: Company reports, JP Morgan estimates

to be 'up by as much as 10%' on a constant currency basis, implying revenues of up to \$15.9 billion," Henry Kirn, analyst for UBS, wrote in a note. CNH sees 2011 operating margins of 7.1-7.9%.

Deere Sees Solid But 'Flat' Sales for Year

Deere & Co. will post its first-quarter fiscal year 2011 earnings on February 16, but like the other full-line ag equipment makers, the company saw stellar sales levels throughout 2010. And like the others, Deere issued a mixed outlook for the fiscal year ahead.

In the fourth quarter, Deere's sales of ag and turf equipment came

in at \$5.4 billion, up 33% year-over-year. Operating margins were 12.2%.

For the year, Deere reported net income last year of \$1.865 billion, a 113% increase from 2009. This fell short of its 2008 net income of \$2.053 billion.

In its fiscal year 2011 projections, Deere expects revenue to rise 10-12% year-over-year, which would bring revenue in at about \$28.8 billion and net income of \$2.1 billion.

Nonetheless, the company expects North American equipment sales to be flat compared with fiscal year 2010. And like the other major farm equipment manufacturers, Deere is expecting as much as \$250 million in added costs for raw materials. **A/E**