From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- RME to Slow Buys
- Ag Day in New York
- CVL Sets $1B Target

Equipment Dealers' Optimism for 2011 Sales Gaining Momentum

When *Ag Equipment Intelligence* conducted its "2001 Dealer Business Outlook & Trends" survey last September, it was apparent that U.S. farm equipment dealers were optimistic about increasing sales in the year ahead.

At that time, 48.2% were projecting revenue from wholegood sales would increase by 2% or more. Combining those who expect growth with those who see with sales being at least as good as levels seen in 2010, which was a strong year for dealers, 98% expected their overall revenues to be solid in 2011.

What's happened since has done nothing but bolster the dealers' outlook for what could be an outstanding year for farm machinery sales — if they can get enough equipment to meet farmer demands (Table 1).

During the last week of February, UBS Investment Research followed up a survey of U.S. ag equipment retailers that it conducted last November. Results from the February research further reinforced what *Ag Equipment Intelligence* found last fall: dealers are growing more bullish about equipment sales prospects for the rest of 2011.

Only 2% of the dealers surveyed by UBS see sales levels falling below what they were last year, while 88% expect sales to increase and 10% are looking at sales coming in at about the same as 2010 (flat) for the year.

This compares with 70% of dealers who last November projected sales would increase in 2011 over levels experienced in the previous year. Another 25% expected sales to remain flat in the year ahead, while 5% anticipated sales would fall vs. the year prior (Figure 1).

Segmented by equipment brand, each of the major dealer networks — AGCO, Case IH, John Deere, New Holland — were nearly equally confident about boosting sales throughout 2011, but Deere dealers held a small edge as 92% expect overall sales levels to increase (Table 2).

To add further credence to his findings, UBS machinery analyst Henry Kirn also visited 10 dealers in Iowa to get a comprehensive view of Figure 1 the issues impacting demand for farm equipment in the heart of the Corn Belt.

"While we recognize that this is a small sample, we drove roughly 500 miles over 2 days in order to cover as large a region as possible and avoid any location-specific issues," Kirn said in a note.

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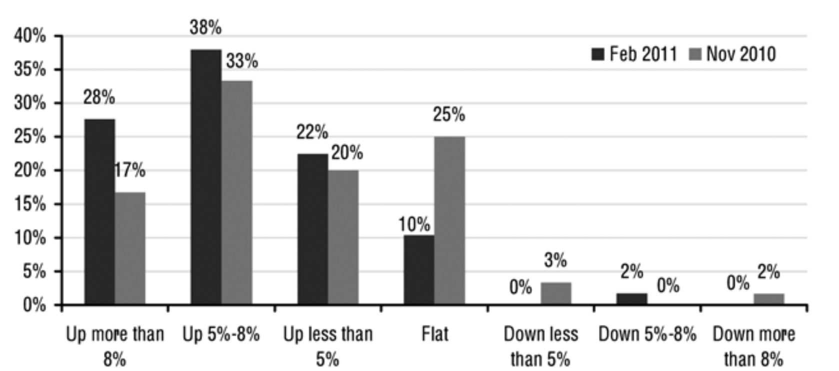
Table 1. Dealer Sales Projections 2011 vs. 2010

	UBS Survey Feb. '11	UBS Survey Nov. '10	AEI Survey Sept. '10	
+8% or More	28%	17%	+8% or More	8.4%
+5-8%	38%	33%	+2-7%	39.8%
+5% or Less	22%	20%	Little or No Change	32.2%
Flat	10%	25%	–2-7%	12.4%
–5%	0%	3%	–8% or More	7.2%
–5-8%	2%	0%		
–8% or More	0%	2%		

Sources: UBS Agricultural Dealer Surveys — Feb. 2011, Nov. 2010 and Ag Equipment Intelligence U.S. Dealer Survey — Sept. 2010

Fig. 1. Dealer Projection for 2011 vs. 2010 Sales



U.S. farm equipment dealer confidence was high last fall for improving sales during 2011. Recent surveys show that Their outlook continued to improve into the spring as commodity prices remain high.

Source: UBS Agricultural Dealer Surveys - Feb 2011, Nov2 010

Equipment Dealers' Optimism...Continued from page 1

Through his face-to-face visits, he found the positive sentiments of these dealers "largely echoed the positive sentiment of the dealers who responded to our nationwide survey. All dealers we met reported higher order books. Dealers generally reported that the spike in commodity prices in the back of 2010 led to not only a rush of tax buying at the end of the year, but also increased orders for 2011 as farmers have been conditioned by early order programs to become more 'planful' in their orders," says Kirn.

Higher Order Books. More than 72% of the dealers surveyed reported that current orders for new equipment are higher than they were 1 year ago, and only 5% said they were lower. For the remaining 22% of dealers, their current order books are unchanged from last year.

These findings were significantly better than the already positive sentiments the dealers expressed in November. In that survey, 40% indicated that current order books were better than last year, while 12% indicated current order books were worse. The remaining 48% reported that current order books were unchanged from last year.

In a breakdown of responses by equipment brand, a larger percentage of John Deere dealers reported their order books were better than last year than the other major brand dealers. But regardless of brand or equipment color, all of the dealers surveyed reported significantly higher levels of orders compared with last year. (Table 3).

Higher Pricing. The largest percentage of dealers surveyed by UBS — 74% — expect pricing for new equipment in 2011 to increase 3-5%, while 19% of dealers see prices increasing more than 5%. The remainder, 7% projected prices would rise less than 3%.

On average, all dealers expected the price of new machinery in the next year would jump by 4.9%. Case IH dealers expected the largest increases (5.7%) and AGCO dealers anticipated the lowest price increases (4.3%) (Figure. 2).

In the previous survey, dealers expected an average 4% increase in pricing for new equipment in 2011. 80% of dealer responses fell within "Up 3%-5%," 13% of dealer responses fell within "Up more than 5%" and the remaining 7% of responses fell within "Up less than 3%." AEI

Table 2. Dealer Sales Expectations 2011 vs. 2010 by Equipment Brand

Brand	Up More Than 8%	Up 5-8%	Up Less Than 5%	Flat	Down Less Than 5%	Down 5-8%	Down More Than 8%
AGCO	22%	22%	44%	11%	0%	0%	0%
Case IH	10%	40%	30%	20%	0%	0%	0%
John Deere	31%	46%	15%	8%	0%	0%	0%
New Holland	32%	40%	16%	8%	0%	4%	0%
Total	28%	38%	22%	10%	0%	2%	0%

Source: UBS Agricultural Dealer Survey – February 2011

Fig. 2. Expectations for New Equipment Price Increases in 2011 by Dealer Network

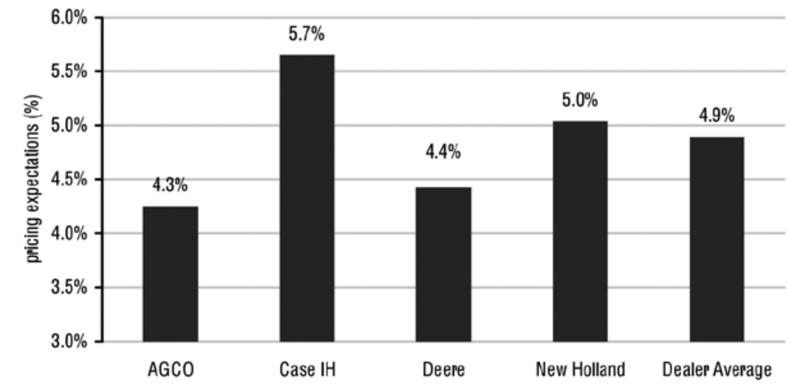


Figure 2. Dealers' views on new equipment price increases for 2011 range from a high of 5.7% estimated by Case IH dealers to 4.3% from AGCO retailers on the low end. These increases do not include price hikes instituted last year in anticipation of new Tier 4 engines.

Source: UBS Agricultural Dealer Surveys - Feb 2011

Table 3. Dealer Order Books 2011 vs. 2010 by Equipment Brand

Brand	Better Than Last Year	Same As Last Year	Worse Than Last Year
AGCO	78%	22%	0%
Case IH	70%	20%	10%
John Deere	92%	0%	8%
New Holland	62%	35%	4%

Source: UBS Agricultural Dealer Survey – February 2011

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China's YTO Acquires Former ARGO Plant in France to Gain Foothold in Western Europe

A regional commercial court in France has secured the future of the ARGO Group's St. Dizier transmission manufacturing and assembly plant by accepting a plan that moves it out of "administration" and back into private ownership.

The successful proposals from YTO Group of China will not only see transmissions assembly continue at the plant but also the re-introduction of tractor assembly. International Harvester last built tractors in the factory in the late 1980s.

According to French media, YTO Group increased its original bid, worth the equivalent of $3.45 million, to $11 million in order to fend off a competing bid from fellow Chinese tractor maker Foton. In addition to the more attractive cash bid, the judge was reportedly swayed by YTO's industrial plan and a pledge to retain the 226 employees for at least 5 years.

The trade newsletter *Decisions Machinisme* reports that YTO is committed to completing a major order from ARGO Tractors, the plant's former owner, for transmissions to be delivered through 2011. It adds that the leasehold has been extended to ARGO France, the sales and marketing company that distributes Landini and McCormick products in the French market, and also to the ARGO parts distribution center based on the site.

ARGO Tractors placed the St. Dizier plant's operating company, McCormick France SAS, in administration at the end of last year. *(See Ag Equipment Intelligence, January 2011.)* It has continued to operate under a court-appointed administrator, producing complete transaxles and service parts.

> ***"YTO raised its bid from $3.45 million to $11 million to fend off a bid from fellow Chinese tractor maker Foton …"***

Ownership of the McCormick brand is unaffected by the agreement between the court and YTO, according to ARGO Tractors. Moreover, since employees have welcomed the deal, managers see no reason for any interruption of supplies to the Fabbrico plant in Italy where ARGO builds other transmissions alongside its Landini and McCormick tractors.

The acquisition by YTO Group indicates that Chinese manufacturers want to gain a foothold in Western Europe by tapping into local skills and technology. According to the reports in France, YTO says it will invest in tooling upgrades at the St. Dizier plant this year. It has an ultimate goal of producing 11,000 transmissions and 5,000 YTO-branded tractors a year.

YTO Group produces construction and industrial equipment in addition to agricultural vehicles. It's a subsidiary of China's part public, part state-owned First Tractor Co. Ltd., the engineering group that AGCO hoped to secure as a local partner for its entry into China before opting to go it alone.

FARM MACHINERY TICKER (AS OF 3/11/2011)

Equipment Mfr.	Symbol	3/11/11 Price	2/11/11 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$51.26	$54.00	$57.20	$25.48	22.38	1.51 M	4.84 B
Alamo	ALG	$27.01	$27.60	$29.27	$17.18	12.72	25,469	318.99 M
Art's Way	ARTW	$10.41	$13.35	$15.95	$4.76	40.04	27,692	41.74 M
Caterpillar	CAT	$100.02	$103.54	$105.86	$54.89	24.10	5.63 M	63.89 B
CNH	CNH	$45.37	$51.10	$54.45	$21.58	24.01	323,994	10.82 B
Deere	DE	$87.79	$95.42	$97.36	$52.73	17.64	3.97 M	36.96 B
Kubota	KUB	$48.42	$54.31	$55.50	$37.35	18.41	26,711	12.32 B
Dealer Groups								
Cervus Equipment	CVL	$15.97	$15.55	$17.00	$15.10	16.30	16,741	226.63 M
Rocky Mtn Dealerships	RME	$10.39	$10.60	$11.00	$7.50	00.01	38,862	192.05 M
Titan Machinery	TITN	$26.53	$26.65	$28.48	$11.93	31.21	194,550	474.89 M

Good 4Q Revenues, But Rocky Mountain to Slow Its Acquisitions

Despite a strong showing in the final quarter (October – December) of 2010 and for the full year, Rocky Mountain Dealerships (RME) plans to scale back on buying any new dealers in the near term.

CEO Brian Taschuk said in the company's March 8 release that RME had acquired 12 new locations in the past year and "we expect to slow down on acquisitions this year to ensure they are properly integrated and performing to our expectations."

Since late September, RME has bought J+B Equipment of Kindersley, Saskatchewan, Alberta Case IH dealer Agritrac Equipment and Alberta New Holland dealer K+M Farm Equipment. Based in Calgary, Alberta. It currently operates 37 stores that primarily handle Case IH ag and Case Construction machinery in Western Canada.

Beat Estimates. For the fourth quarter, RME surpassed analyst expectations for both revenues and earnings per share. "Fourth quarter revenues and margins both exceeded our forecasts, effecting EBIT of $11.6 million ahead of our $10 million estimate and last year's EBIT of $9.7 million," says Ben Cherniavsky, analyst for Raymond James Ltd.

Top line growth was split about 50/50 between acquired and organic sources.

For the October-December period, the company posted net income of C$6.7 million (U.S.$6.9 million) and 34 cents EPS vs. $5.7 million, or 35 cents EPS a year ago. Consensus of analysts following RME was $181.9 million and 30 cents EPS.

Fourth quarter revenue grew by 33% to $196.3 million. Revenue from new equipment sales rose 30% to $121.3 million.

For the full 12 months of 2010, revenue from sales of new equipment came in at $333.6 million and $189.3 million from sales of used machinery. This compares with $300.9 million in sales of new equipment in 2009, and $156.6 million for used machinery.

2011 Outlook. "We view fourth quarter '10 results positively, especially in light of the disappointments reported in the previous three quarters. More importantly, we expect to see increasingly positive results through 2011," Cherniavsky said in a note.

The analyst says with soaring wheat prices and weather hopefully normal, ag markets are expected to perform better and produce a "reasonably robust 2011 organic growth rate of ~7%. We have assumed that acquired revenue growth will decelerate this year, per management's explicitly stated goal. This very deliberate decision to turn inwards temporarily and 'harvest' the full upside potential of past acquisitions is a critical development, in our view," Cherniavsky says. AEI

Rocky Mountain Dealerships Income Summary — 2010 vs. 2009

(Year Ended December 31 — 000s Canadian $)

	2010	2009
Total Sales	$633,419	$555,755
Reported Cost of Sales	$533,861	$471,067
Gross Profit	$ 99,558	$ 84,688
Net Income	$ 15,457	$ 15,222
Gross Margin	15.7%	15.2%

Cover Crops, Seed Technology are Solid Investments for Farmers

Grain farmers say that purchasing the best seed available and utilizing the inherent advantages of cover crops are the some of the best investments they can make to improve crop yields and profitability.

Speaking at the "Ag Day in New York City" conference, sponsored by *Ag Equipment Intelligence* and the investment banking firm of Boenning & Scattergood, top growers from Indiana and Pennsylvania spoke to nearly 50 analysts and fund managers on March 9.

Invest in Technology. Thanks to 25 years of no-tilling, Ray McCormick spends less dollars today on diesel fuel for planting corn, soybeans and wheat than he does all year long for his pickup truck.

"I don't buy new equipment, but instead invest in the newest technology," says the Vincennes, Ind., grower. "For instance, we go with the most expensive seed that has all of the latest traits to get the latest technology with the goal of harvesting the very highest yields, especially when there aren't major price differences between seed traits."

Over the past 2 years, he's also invested in more grain storage to improve his marketing strategies rather than buying new equipment.

He says the cost of nitrogen is the most critical factor in all of agriculture today. "It's way too high priced and can be produced cheaply from natural gas," he says.

This has led him to grow much of his own nitrogen needs in the form of cover crops.

Cover Crops Profitable. Steve Groff of Holtwood, Pa., has been a

Continued on page 5

Still Plenty of Opportunities for Using Technology

- Only 2% of U.S. acres currently benefit from cover crops.
- Only 5% of cropland is managed in precision management zones.
- Only 5% of cropland is variable-rate planted.
- Only 25% of the acres utilize prescription fertility plans.
- Only 30% of fields are soil sampled regularly.
- Only 50% of acres replace the amount of phosphorus and potassium that is removed each year by a growing crop.
- Only 36% of acres are no-tilled.
- 55% of the U.S. acreage is not carbon sustainable.

— Ken Rulon, Attica, Ind.

Cover Crops...Continued from page 4

leader in the cover crop movement and says they contribute to profitability. "But effectively managing cover crops means reorganizing a cropping system to make it work," he says.

While he's been a big promoter of using tillage radishes, Groff evaluates 20-25 cover crop mixtures each year to see how each can provide cheap nitrogen for growing corn.

"Some 37% of the acres in Sweden and Denmark are seeded each year to cover crops," he says, "because those governments mandate that farmers protect their land with cover crops."

"Cover crops are not a fad, but a trend," he says. "Nitrogen prices will be a key to the success with cover crops. If nitrogen rates keep going up, the use of cover crops that can replace 25 to 40 pounds per acre of purchased nitrogen will increase dramatically."

Ethanol Here to Stay. Charlie Rentschler, the senior research analyst for machinery and agriculture at Boenning & Scattergood says only 7% of the 2003 corn crop was used for ethanol production. Last year, 40% of the U.S. corn crop was marketed through ethanol.

"However, the ethanol industry is not going to go away and we can upgrade our corn production efforts to meet their needs," says Dorr. **AEI**

Cervus Equipment's Revenues Rise 24%, Sets $1 Billion Revenue Target

Acquisitions fueled solid revenue growth in 2010 for John Deere's largest Canadian dealer of ag equipment, Calgary, Alberta-based Cervus Equipment (CVL). On March 8, the firm reported that its 2010 revenue grew by C$91.7 million to $469.1 million compared to $377.5 million in 2009, an increase of 24%.

According to CVL, the primary reason for the increase in gross revenue was due to the January 2010 acquisition of A.R. Williams materials handling Ltd., the September 2009 purchase of Ranchers Supply Inc. and the July 2010 purchase of its foreign subsidiary, Agriturf Ltd.

In addition, the company says that it intends to reach $1 billion in revenues by 2018.

Revenue Streams. As expected, the largest increase in CVL's 2010 revenues resulted from growing farm machinery sales. The company's ag equipment segment consists primarily of 21 John Deere dealerships with 15 in Alberta, Saskatchewan and British Columbia and 6 in New Zealand. The construction and industrial equipment segment consists primarily of 15 dealerships, 5 Bobcat and JCB dealerships operating in Alberta and 10 Clark, Sellick, Nissan and Doosan material handling equipment dealerships operating in Alberta, Saskatchewan and Manitoba.

Revenue from ag equipment increased by $38.2 million for the year compared to 2009, with all revenue streams showing healthy growth.

Sales of new equipment grew by $20.5 million (same store $13.7 million) during 2010; used equipment sales were up by $11.2 million (same store $16.7 million). Used equipment sales were supported by limited availability of new ag equipment last year.

Parts revenue rose by $2.7 million (same store $942,000 or 3% internal growth) in 2010. Service revenue saw an increase of $2.2 million (same store $859,000 or 4.8% internal growth). Rental and other revenue increased $1.7 million (same store increased by $1.1 million or 211% internal growth). Long-term lease agreements for 10 combines were a major contributor to growth in rental revenue.

Cervus Equipment Income Summary 2010 vs. 2009

(Year Ended December 31 — 000s Canadian $)

	2010	2009
Total Revenue	$469,131	$377,475
Equipment	$355,557	$295,885
Parts	$ 63,017	$ 49,327
Service	$ 40,572	$ 27,294
Rentals	$ 9,985	$ 4,969
Cost of Goods Sold	$533,861	$471,067
Gross Profit	$ 88,729	$ 71,955
Net Earnings	$ 18,130	$ 17,177
Gross Margin		
Ag	16.1%	18.5%
CE	27.8%	21.8%
Total	18.9%	19.1%

Gross Margins Slip. For the year ended December 31, 2010, gross margin decreased by 0.2% to 18.9% when compared to 19.1% for the same period of 2009. The decrease in overall gross margin reflected a decrease in the farm machinery segment that slipped to 16.1% for the year compared to 18.5% for the same period of 2009.

Net earnings increased by $1 million in 2010 to $18.2 million vs. $17.2 million for 2009. Sale of ag equipment segment contributed $14.8 million, a falloff of $3.2 million from 2009 results. Construction and industrial equipment segment contributed $3.6 million, an increase of $4.4 million from the loss of $831,000 reported in 2009.

Strong Finish. CVL finished off the past year in robust fashion. The top line for the fourth quarter increased 30% year-over-year, as overall same-store sale growth rose by 9% for ag and 22% for construction.

"We were pleased to see the company report a strong finish to 2010, and remain bullish on the outlook for equipment demand," Ben Cherniavsky, analyst for Raymond James, said in a note. "Dealer inventory levels reportedly remain low across the industry, while activity levels in most segments of the market are either stable or accelerating. We expect this year to be defined by more growth for Cervus, from both organic, 7% and acquired sources, ~$25 million.

"We continue to view this company as a 'best in class operator' with an impressive track record of profitable growth, respectable ROIC, and hefty free cash flow generation," Cherniavsky says. **AEI**

How Will Deere Double Sales by 2018?

Late last month, Samuel Allen, chairman and CEO of Deere and Co., told shareholders that he wants the company to deliver three times as much profit at normal operating volumes as part of his John Deere Strategy. His plan is for the company to nearly double its annual sales to $50 billion by 2018.

Of course, that had tongues wagging and *Ag Equipment Intelligence* heard from some North American Deere customers that the company would double sales by raising prices on its new machinery.

While farmers can expect higher prices for ag equipment of all colors in the next several years, it's doubtful Deere can double its sales through price increases, especially if it hopes to retain its position as the world's largest farm machinery maker.

Based on the huge investments in its overseas and emerging farm markets, it's a better bet that the company is looking toward these markets to grow sales of both its farm and construction equipment.

India. In January 2011, Deere announced the construction of a new factory and expansion of existing facility in India — a $100 million investment — that increases capacity to build agricultural tractors in India for domestic and export markets. Production is expected in late 2012.

China. The company announced last December that it plans to invest $50 million to construct a new factory to manufacture four-wheel-drive loaders and excavators for domestic and export markets. It expects production to begin late 2012.

Russia. Deere will invest in Russia by doubling the manufacturing space at its Domodedovo production facility near Moscow. The company also intends to establish its own leasing facility in Russia for the sale of agricultural, construction and forestry machinery. Investment at the Domodedovo facility will enable Deere to expand its product line in Russia by adding new equipment such as log forwarders, which are extensively used in the Russian forestry industry. AEI

Same Deutz-Fahr Trims Stake in Deutz, But Commits to Using Its Small Engines

Italian tractor maker Same Deutz-Fahr Group (SDF) cashed in a large portion of its stockholding in German diesel engine supplier Deutz when it sold 24 million shares. The transaction reduced SDF's holding in the diesel engine business by almost 20%.

Earlier, Deutz secured a memorandum of understanding from SDF, its biggest shareholder, which committed the Italian tractor manufacturer to use a new range of sub-4 liter engines. The includes the Deutz TCD 2.9 L4 and TCD 3.6 L4 tractor engines, and marks its entry into this engine category.

Stock Sell Off. "The speed and ease with which it was possible to place a total package of 24 million Deutz shares with institutional investors illustrates just how attractive our company is to investors," says Dr. Margarete Haase, Deutz CFO. "We expect to see further benefits in the future from the substantial increase in the number of shares in free float."

SDF began acquiring Deutz stock to cement strategic partnerships between the two concerns that also secured influence in the development and commercial exploitation of advanced off-highway diesel engines. Deutz power has displaced SDF's own engines across most product ranges sold into emissions-regulated markets.

The stock disposal, potentially worth $180 million, has reduced SDF's position in Deutz from around 45% to a little over 25%. However, with construction machinery group AB Volvo being the next biggest shareholder with 6.7% of the shares, SDF Group remains the largest shareholder in the company.

Non-Tractor Growth. Separately, the SDF Group has reinforced ambitions to strengthen sales of non-tractor products by appointing a new executive vice president to oversee a new Full Line division.

Mario Scapin, a former R&D manager at SDF, returns to the group from combine maker Laverda, where he was managing director. Laverda will become a wholly owned subsidiary with its acquisition of AGCO.

SDF manufactures grain harvesters in Croatia, sells Deutz-Fahr branded hay tools built by Kuhn and Kverneland in selected European markets and has worldwide distribution rights to JLG telescopic handlers for agricultural markets.

SDF's new CEO, Lodovico Bussolati says, "Same Deutz-Fahr is betting a great deal on the Full Line; so much, in fact, that we have set up a new department with the specific intention of making a name for SDF as a market leader in this respect."

Expanding Its Range. On its new supply deal with SDF, Dr. Helmut Leube, chairman of the Deutz management board, says, "We can already look back on a long-standing and successful collaboration with Same Deutz-Fahr in our larger tractor and harvester engines. This memorandum of understanding on the supply of our newly developed small engines represents a further step toward our future."

According to the agreement, Deutz will start supplying the new power units in 2013. Total engine sales to the group will climb to 14,000 units annually as a result.

At present, Same Deutz-Fahr builds 6,000-8,000 engines at its Treviglio headquarters plant. This includes 3- and 4-cylinder liquid-cooled 1000 Series engines for its fruit and compact tractors.

These appear likely to be replaced — at least in emissions-regulated markets — by the new engines in the same way that larger Deutz engines have already displaced SDF's 6-cylinder 1000 Series engines, which don't meet emission requirements. AEI

Row-Crop Tractor Sales Slip in February

North American sales of combines continued its torrid pace in February, but sales of row-crop tractors (>100 HP) appears to be cooling, according to the latest figures released by the Assn. of Equipment Manufacturers.

Overall, sales of combines rose by 34%, utility tractors (40-100 HP) were up by 15%, compact tractors (<40 HP) increased by 10% and 4WD tractors sales grew by a modest 1% last month.

Row-crop tractor sales declined by 9% year-over-year following a drop of 12% in January.

The 34% increase in combine sales comes on the heels of a 48% jump in January and a 33% rise in December. Strength in combine sales continues a trend of double-digit year-over-year growth for the seventh straight month.

In a note on the February sales numbers, Ann Duignan, analyst for JP Morgan, said that the JPM revenue model suggests that February industry dollar revenues were up 7% year-over-year, with tractor revenue down 3% and combine revenue up 34%.

"First quarter to-date revenues were up 10% vs. our forecast of up 12% for CNH and up 15% for AGCO," Duignan says. "AGCO is more leveraged to the 40-100 HP segment, which was up 15% year-over-year in February and up 12% through the first quarter. Deere has more exposure to the higher margin, high horsepower sector.

"In Deere's first month of its fiscal second quarter, our proprietary industry revenue model suggests that total revenues were up 7% year-over-year vs. our forecast of up 15%."

"Looking ahead, we expect continued strong demand as high crop prices bolster farmer cash receipts. With stocks-to-use at low levels, again reflected in the most recent WASDE report from USDA and crop prices strong globally, the next few months will be critical as farmers make pivotal planting decisions as the 'battle for acres' unfolds." **AEI**

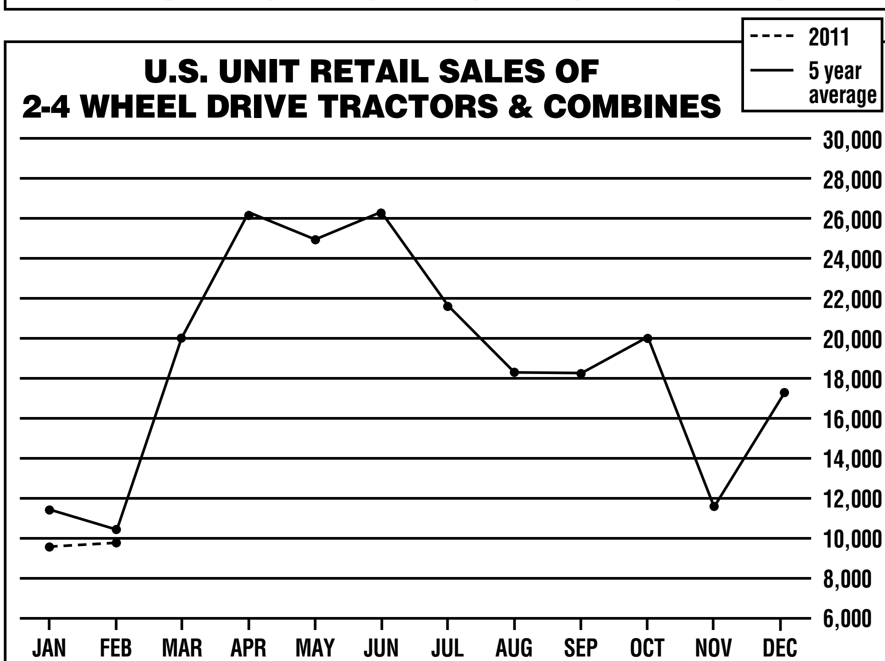
FEBRUARY U.S. UNIT RETAIL SALES

Equipment	February 2011	February 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	February 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	4,051	3,747	8.1	7,320	7,010	4.4	54,037
40-100 HP	2,773	2,375	16.8	5,983	5,176	15.6	22,272
100 HP Plus	1,575	1,737	-9.3	3,680	4,103	-10.3	5,767
Total-2WD	8,399	7,859	6.9	16,983	16,289	4.3	82,076
Total-4WD	377	373	1.1	826	633	30.5	878
Total Tractors	8,776	8,232	6.6	17,809	16,922	5.2	82,954
SP Combines	673	473	42.3	1,564	1,053	48.5	1,372

FEBRUARY CANADIAN UNIT RETAIL SALES

Equipment	February 2011	February 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	February 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	397	303	31.0	804	776	3.6	6,320
40-100 HP	301	293	2.7	581	668	-13.0	3,179
100 HP Plus	189	204	-7.4	381	435	-12.4	1,452
Total-2WD	887	800	10.9	1,766	1,879	-6.0	10,951
Total-4WD	85	83	2.4	144	150	-4.0	247
Total Tractors	972	883	10.1	1,910	2,029	-5.9	11,198
SP Combines	104	109	-4.6	148	161	-8.1	363

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



—Assn. of Equipment Manufacturers

Wall Street Hears Why Ag Among Brightest Investment Opportunities

With the new profit opportunities Wall Street investment fund managers are seeing in both farmland prices and economic returns from agricultural companies, they're showing more interest in food and fiber production than has been the case for many years.

On March 9, *Ag Equipment Intelligence*, along with the financial investment firm of Boenning & Scattergood of Conshohocken, Pa., co-sponsored an "Ag Day in New York City." Now in its fourth year,, the event is designed to give investment fund managers and financial analysts a first-hand look at the latest trends in both farm technology and the farm equipment business. This year's event drew nearly 50 managers and financial analysts from numerous investment funds. The program featured growers from Indiana and Pennsylvania along with executives from the farm equipment and grain industries. Here are a few of the key takeaways from the conference.

$15,000 Land Values? With more investment funds looking at the possibilities of investing in agriculture, soaring farmland prices were a hot topic. With numerous farmland sales over $10,000 per acre in parts of the Midwest, Tom Dorr reported there have been land sales as high as $13,000 per acre in parts of Iowa.

"With $6 per bushel corn, you can make a case that farmland is not overpriced at $15,000 per acre," says the president of the U.S. Grains Council in Washington, D.C., and a farmer in northwest Iowa. "While my farmer friends don't like to hear me say this, it's true."

He maintains that dramatic increases over the past 6 months in corn prices are not due to the growing demand for fueling ethanol plants. Instead, he cites several reasons for the increase.

"In 1989, we saw the fall of the Iron Curtain in Eastern Europe," he says. "This placed about 3 million new people into the global market for the first time."

"Over the past 30 years, there's been a 528% economic growth rate in developing countries vs. only 36% in already developed countries.

"The economic growth around the world is the reason behind the increased value of corn. The number of middle income urban consumers will double by 2020, leading to a growing demand for meat and crop production.

"It's not due to the demand for corn with ethanol."

From the 1930s to the present, Dorr says there have been four instances where the price of corn doubled over a 20-year time span. Corn that was selling for 50 cents per bushel in the 1930s now brings over $6.

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But we definitely need more corn. Dorr says USDA economists are predicting that when the 2011 corn harvest gets underway this fall, there will only be a 7-day carryover supply of corn, says Dorr.

300-Bushel Corn? Tom Evans of Great Plains Manufacturing outlined how producers may reach the 300-bushel level with corn by 2030.

He outlined a half dozen ways growers can boost yields that can add up to an 89-bushel-per-acre increase. These included more efficient usage and placement of fertilizer, reduced planting speed, making effective use of planter accessories, selecting proper hybrids, using new techniques, such as vertical tillage, to control residue and adopting twin rows to push up yields. More efficient use of light utilization with new hybrids, narrower row widths and increased emphasis on root growth will also boost yields.

Yet, Evans maintains the biggest increases will come from newer hybrids that will allow growers to push plant populations to 55,000 plants per acre. He credits these developments with offering a possible 105-bushel-per acre increase by 2030.

"By going from 35,000 to 55,000 corn plants per acre, a grower can get a 7-bushel boost for every 1,000 additional ears," he says. "For a Midwestern grower who's harvesting 200-bushel yields, these yield boosts of 89 and 105 bushels could get him to a yield of 394 bushels."

Evans says the key to 300-bushel yields is not allowing the corn plants to have even one bad growing day during the growing season. He also predicts the end of fall fertilization may be coming due to nutrient losses exceeding 20% over the winter months.

Steady Farming Gains. Ken Rulon noted how agriculture has averaged an 8% return on investment over the past 100 years. The Attica, Ind., grower, who farms 7,400 acres with his brother and cousin, says half of this return came from increased land values and half from new developments in crop production.

He's convinced that yields have very little to do with farm profits. Instead, it's the selling price of the crops that really counts.

Rulon says the key to success today is effectively managing all of the risks in farming. As a result, he sees many natural hedges and opportunities today in agriculture:

- Bad weather equals higher prices. "We get normal weather only 20% of the time," says Rulon.
- Higher energy prices lead to higher grain prices.
- A weaker dollar represents increasing land values.
- Higher interest rates mean it's time to consolidate farming operations.
- A farm depression represents an opportunity for innovative and efficient growers to expand.

"But the risks in farming are also growing," says Rulon. "Banks are now requiring farms to cash flow even on land purchases, and payments are due every year. Farming has never had to do this in the past."

Rulon says tiling is one of the keys to earlier planting. Yet only 4-7% of U.S. acres are adequately tiled. Tiling costs $1,200 to $1,500 per acre. AEI