From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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Vol. 17, Issue 12

- Deere Alone with EGR
- Bull Run for Ag?
- Casting Prices Rising

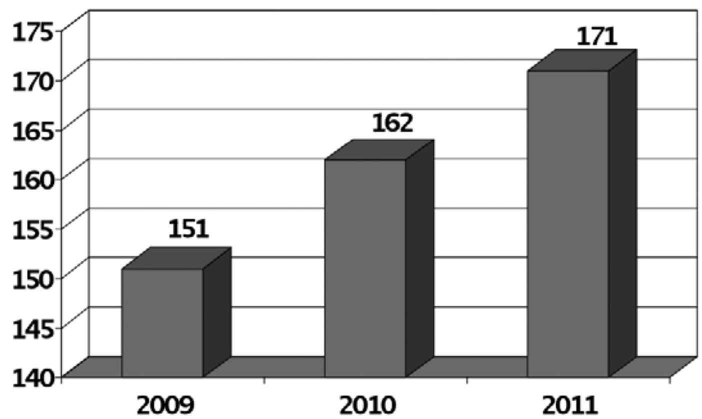
Dealer Consolidation Continues Its Steady Pace

If farm equipment dealers need proof that their ranks are steadily shrinking, in terms of owners-principals, they need only to look at the numbers.

In 2009, the first year that *Ag Equipment Intelligence* and Currie Management Consultants began tracking consolidation trends, 12 North American farm equipment dealership groups operated 15 or more store locations. This number rose to 16 dealer groups in 2010. But with the realignment of some Caterpillar dealerships that carried AGCO's Challenger brand, the total number of dealer groups operating 15 or more stores fell back to 13 in 2011.

In no way, shape or form was this a sign that dealer consolidation was slowing. During these years, the average number of ag equipment stores operated by these "big" dealers rose from 18.3 per dealership group in 2009 to 20.6 stores in 2010 and 23.9 locations in 2011.

'Big' North American Farm Equipment Dealers



Since 2009, the number of North American farm equipment dealerships that own five or more dealer locations has grown by nearly 12%, with John Deere retailers heading the pack.
Source:Ag Equipment Intelligence, Currie Management Consultants

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AGCO Extends Deal with Rural King, Dealers Not Surprised

On April 8, AGCO announced that it's expanding its retail agreement with the Rural King store chain to include Massey Ferguson sub-compact, compact and utility tractors.

Most Massey Ferguson dealers that *Ag Equipment Intelligence* surveyed said they weren't surprised by the announcement. While some believe it's good move to expand the brand's exposure, others say AGCO has taken a product with value and turned it into a commodity.

Last June, AGCO revealed that it would begin offering a variety of Massey Ferguson-brand products that included zero-turn mowers, oil, filters, belts and other maintenance products, collectable toys and branded apparel through Rural. The lawn tractors are built by Briggs & Stratton. Recently, the rural retailer sold rebranded Foton-built compact tractors.

Beginning this month, eight Rural King stores will add "a line of select sub-compact, compact and light utility tractors to their retail product offering," according to AGCO. With this move, Massey Ferguson becomes the chain's sole tractor provider.

Regional Coverage. Rural King operates 49 stores throughout Indiana, Illinois, Ohio, Michigan, Missouri, Kentucky and Tennessee. The eight stores to first offer the expanded lineup are in Mattoon and Marion, Ill., Evansville, Jasper and Martinsville, Ind., Owensboro, Ky., Wooster, Ohio and Clarksville, Tenn.

"In regions with Rural King stores, we have a great opportunity to build the Massey Ferguson brand, Rajesh Joshi, director of marketing at Massey Ferguson, told *Ag Equipment Intelligence.* "Rural King sends out 2.2 million fliers to its loyal customers every week. That's going to provide a lot of brand recognition for the Massey Ferguson in its geography."

Joshi says Rural King customers are loyal, and that 70% of them would be first-time Massey Ferguson customers.

"There is an evolving dynamic in the marketplace as buying habits and needs of consumers continue to change," says Joshi. "In response, our approach conveniently puts the products consumers want in the out-

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lets where they're accustomed to shopping, plus brings consumers the benefit of long-term support."

Sales Only. Massey Ferguson has trained Rural King employees at each store to discuss warranty, AGCO financing and other aspects of the purchase.

Rural King does not have specialized salesmen, however. The stores will feature a 250 square-foot Massey Ferguson-branded retail island with a touch-screen kiosk. The interactive, Internet-based program guides prospective buyers through a series of questions about options and choices of equipment suited to their needs.

Rural King stores do not have a service department, and will stock minimal spare parts. Massey Ferguson will connect the buyer to a local dealer after the purchase.

"Once the customer purchases a tractor," says Joshi, "we make a connection with a local Massey Ferguson dealer and the customer."

The tractor buyer will receive a letter from the local dealer welcoming them to the brand It will indicate that the dealer is responsible for the service of those products and for the sale of accessories.

"Our goal is to turn the Rural King customer into lifetime customers for the Massey Ferguson dealer," says Joshi, "so if our dealers do a good job, they would come back and buy from them."

Joshi says that the product line chosen for Rural King stores are the most popular items for rural lifestyle customers, and totals seven different configurations under 50 horsepower. Massey Ferguson dealers offer more than 70 different configurations of tractors under 100 horsepower.

Dealers Split. While all of the dealers that were polled by *Ag Equipment Intelligence* said it will increase competition and probably lower profit margins, some believe it could lead to increased dealer sales.

Mitch Merz of Merz Farm Equipment says, "It'll be tough to compete with a retail box store. A dealer simply won't have the volume that a retail box store has the potential to have.

"However, other major manufacturer's are selling their products at retail box stores and they're still making sales, staying competitive. With the Internet and all the other tools available to potential buyers margins are tough anyway," says Merz.

"This venture will increase the exposure of the brand, which should lead to more overall sales for the traditional equipment dealers. The retail box store will bring in new customers that may or may not have been exposed to the Massey Ferguson brand previously."

On the other hand, Doug Rathbone of Rathbone Sales, was somewhat surprised by AGCO's announcement.

"In the last few years, AGCO has heavily promoted their 'Five Star' program for dealer excellence. Grading in this program is primarily based on a dealer's level of service, replacement parts and sales.

"This sales agreement with Rural King is counterintuitive to what AGCO is trying to accomplish in developing a stronger dealer network," says Rathbone.

"There are no sales professionals at these types of stores. AGCO has taken a product that has value and turned it into just another commodity."

Rathbone says his dealership also handles Honda Power Equipment, which has taken the same route by offering its line through Mid-States Distributing of Minnesota.

Diminshed Brands? "I guess I get frustrated with both AGCO and Honda Power Equipment," he says. In an effort to sell more product, they're diminishing their brand names by selling through less qualified retail chains stores.

"This seems contrary to their goal of having larger well-capitalized dealers and eliminating as much in-line competition as possible," says Kevin Vivian, manager of agricultural sales for Quinn Co.,

"Luckily I do not have a Rural King store in my region, so it does not affect my current marketing efforts.," says Vivian. "I do worry that this may be a sign of things to come, and one day I'll be competing against a local box store." AEI

Economist: Ag Positioned for Long-Term Bull Run

Dr. Ernie Goss, professor of economics, Creighton Univ., told executives attending the April 1 Farm Equipment Manufacturers Assn. Spring Clinic in Tampa, Fla., that agriculture is "positioned for perfection."

Goss, who monitors ag markets closely as part of the Rural Mainstreet Index, gives three main reasons why he remains bullish on the long-term prospects of agriculture:

1. *Fast growth for emerging economies (including China and India)* —"Food demand income is elastic," he says, noting that when income is up 8%, food demand may increase by 12%.
2. *Cheap dollar* — "A weak dollar makes U.S. food more competitive abroad." He says that for every 10% decrease in the value of the U.S. dollar, beef prices rise 9-12%.
3. *Biofuels and alternative fuel production* — Wind farms and ethanol will keep opportunities strong in ag, he says.

Goss' Rural Mainstreet Index is published monthly by Creighton Univ. and tracks bankers' sentiments throughout the Midwest. AEI

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Art's Way Sees Revenues Fall 16% in 1Q

Art's Way First-Quarter 2011 Financial Results

	3 Mos. Ended 2/28/11	3 Mos. Ended 2/28/10
Revenue	$4,664,000	$5,580,000
Operating Income	($659,000)	$ 123,000
Net Income (Loss)	($485,000)	$ 34,000

First-quarter 2010 revenues for Art's Way Manufacturing fell appreciably to $4.66 million from $5.58 million during first quarter of 2010. The Armstrong, Iowa-based manufacturer of niche farm machinery, also produces pressurized tanks and vessels through Art's Way Vessels, and modular animal confinement buildings and laboratories through another subsidiary, Art's Way Scientific.

Three-month revenues for Art's Way Manufacturing and its vessels subsidiary increased by 2% and 114% respectively. These were offset by a 74% decrease in revenue for Art's Way Scientific during this same time period.

The company attributed the decline in revenues to expenses associated with preparing its West Union, Iowa, facility for production and longer than expected approvals for its scientific products. "Many of Scientific's customers are government entities and universities. These organizations are struggling not only with funding, but many are facing budget cuts," the company says.

The gross profit margin of Art's Way Manufacturing decreased from 29% in the first fiscal quarter of 2010 to 17% in the 3-month period ending February 28, 2011.

The company incurred an operating loss of $659,000 for the first fiscal quarter of 2011, compared to operating income of $123,000 for the same period in 2010. Net loss for the first fiscal quarter of 2011 was $485,000 compared to net income of $34,000 for the same period in 2010.

Consolidated gross profit margin for the first fiscal quarter of 2011 was 10%, compared to 24% for the same period 1 year ago. Each of our segments saw a decrease in gross profit margin, except Art's Way Vessels when compared to the same period in 2010. AEI

All Lights 'Green' for Irrigation Machinery

Citing a "large boost" in Lindsay Corp.'s irrigation equipment backlog as well as a 62% year-over-year growth in the fourth quarter for industry rival, Valmont, C. Schon Williams, analyst for BB&T Capital Markets, said in a note that the major players in irrigation systems are looking at "significant revenue growth for the rest of the year."

"We had the opportunity to visit with a major component supplier to the center-pivot industry recently. They confirmed that trends were good in December with January and February showing a significant pickup," Williams says.

"One manager indicated they are already planning on demand levels in excess of 2008 levels in the near-term." Everything's a go for irrigation equipment in 2011. AEI

FARM MACHINERY TICKER (AS OF 4/12/2011)

Equipment Mfr.	Symbol	4/12/11 Price	3/11/11 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$50.88	$51.26	$57.20	$25.48	22.22	1.48 M	4.80 B
Alamo	ALG	$26.33	$27.01	$29.27	$18.68	14.79	28,413	311.51 M
Art's Way	ARTW	$7.98	$10.41	$15.95	$4.76	30.70	22,329	32.01 M
Caterpillar	CAT	$106.57	$100.02	$113.93	$54.89	25.68	6.63 M	68.08 B
CNH	CNH	$45.06	$45.37	$54.45	$21.58	23.84	408,503	10.74 B
Deere	DE	$93.45	$87.79	$99.80	$52.73	18.77	4.44 M	39.35 B
Kubota	KUB	$44.97	$48.42	$55.50	$37.35	17.46	66,507	11.44 B
Dealer Groups								
Cervus Equipment	CVL	$17.15	$15.97	$18.40	$15.10	N/A	28,410	N/A
Rocky Mtn Dealerships	RME	$10.00	$10.39	$11.00	$7.50	12.03	40,286	184.27 M
Titan Machinery	TITN	$26.77	$26.53	$28.48	$11.93	31.49	192,384	479.18 M

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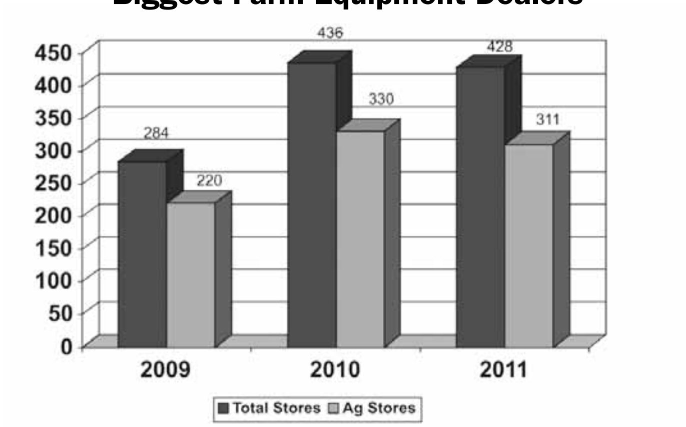
Total Locations & Ag Stores Owned by Biggest Farm Equipment Dealers



Dealership groups that own 15 or more store locations have spearheaded consolidation efforts among ag equipment retailers. In 2009, the largest 12 dealer groups operated 284 total locations, 220 farm equipment stores and, on average, oversaw 18.3 individual dealerships. In 2010, this group of dealers grew to 16, operating 436 total store locations, 330 dedicated to ag machinery and an average of 20.6 farm equipment outlets. As some Caterpillar dealers moved away from the farm machinery business, the total owner groups operating 15 or more stores slipped to 13 that operated 428 total locations, 311 of which were primarily ag oriented. On average, these 13 dealer networks owned 23.9 stores each.

Source:Ag Equipment Intelligence, Currie Management Consultants

Overall, the number of dealership groups operating five or more stores has also grown from 151 in 2009 to 171 in the current calendar year. On average, dealer-principals that own at least five locations operate 8.6 stores.

Deere Most Aggressive. By far, John Deere has been the most aggressive among the major farm equipment makers in consolidating its dealers. According to George Russell, executive partner with Currie Management Consultants, in the last year, Deere dealer groups were involved with nine mergers involving 49 locations. During the past year, 18 Deere dealer-principals acquired other dealerships that included 46 locations. Several other dealers built new facilities and/or headquarter locations.

Overall, dealer groups that operate five or more stores own an estimated 54% of John Deere dealer locations.

"Based on Deere & Co. corporate reports, Deere has 1,551 farm equipment locations, which is only six fewer that a year ago," says Russell. "More significantly, there are 47 fewer Commercial & Consumer Equipment dealer locations than there were a year ago. Deere has reduced the number of C&CE stores by nearly 50% in the past 10 years."

In terms of dealership organization, Russell also reports that the consolidating Deere dealers most often operate with a corporate structure that starts with a CEO who typically works from a separate headquarters or administrative offices. These groups typically manage centrally with corporate parts and service (or after sales) managers and with a location manager at each store. Generally, they're not referred to as store managers.

AGCO Continues Paring. Just a few years ago, AGCO Corp., the third largest manufacturer of farm machinery worldwide, had an unwieldy network of dealers it had acquired through the various acquisitions it made since its founding in 1990.

It's estimated that up until 4 years ago, the company's dealers operated well over 1,500 stores. Within the last 18 months, a high-ranking AGCO official told *Ag Equipment Intelligence* that the company's dealer network consisted of "less than 1,000 locations." Our best estimate is 975 stores today sell AGCO-branded equipment.

In the last year, the company took another major step toward consolidating its dealer network when it dropped its orange AGCO tractors in favor of red Massey Ferguson and yellow Challenger equipment. AGCO dealers were required to choose one of the two brands. Increasingly, dealers carry both. According to Russell, during the past year, three large AGCO dealer groups were formed or grew bigger through mergers and acquisitions:

- Lang Diesel in Kansas, which sells both Massey Ferguson and Challenger brands opened its tenth location after taking over the state of Kansas from two Cat dealers;
- Connect Equipment in Ontario was formed as an entity through the merger of five previous dealers with nine locations;
- Agri-Service of Idaho purchased two locations from Wheeler Cat in Utah that decided to drop the Challenger brand.

"Among Cat dealers who offered Challenger equipment, two clear paths emerged. They either dropped the Challenger brand and moved out of the ag equipment business altogether, or they're growing their ag outlets and increased their ag activity," Russell says.

Dealers that dropped Challenger in 2010 included Wheeler Cat in Utah, Milton Cat in New England and Fabrick Cat in Missouri. These are in addition to others that dropped Challenger in 2009, including Yancy in the Southeast, and Foley and Martin in Kansas.

Cat dealers with Challenger who added ag-only locations include Kramer Cat in Saskatchewan, Ziegler Cat in Iowa, Altorfer Cat in Illinois, Butler Cat in North Dakota and Empire Cat in Arizona. NMC Cat adjusted its ag model to also sell through two former AGCO dealers in Nebraska and changed one location to only service Lexion combines.

On average, AGCO's "big dealers" operate 11.4 stores locations each

Co-Locations No More? They may share the same parent, but it appears that Case IH and New Holland would prefer that their dealers go their separate ways.

"Based on the 2010 activities of Case IH and New Holland dealers,

North American Big Farm Equipment Dealer Groups by Brand — 2011

('Big' dealers are defined as those that operate five or more store locations. Individual ownership groups may carry a range of brands.)

#Ag Stores in Owner Group	Total Big Dealer Owner Groups	AGCO Corp.*	Case IH	John Deere	New Holland	Kubota
>15	13	2	2	9	1	—
10-15	30	11	2	15	1	—
7-9	50	6	9	29	3	3
5-6	78	6	22	47	10	8
TOTAL	**171**	**25**	**32**	**100**	**15**	**11**
Stores in Large Groups						
— Ag Stores*	1,479	284	300	833	154	99
— Total Locations	1,803					
Average Number of Ag Stores in Group		11.0	9.4	8.3	10.3	8.5
Total Stores by Brand*		975	1,000	1,557	1,107	1,100
% Stores in Large Groups		30%	30%	55%	14%	9%

**AGCO Corp. includes only dealers who carry an AGCO tractor brand.*

**Estimated. Does not include OPE, CE or HQ locations*

it appears that new dealers of the two brands will not share the same locations in the future," Russell says. Examples include New Holland only locations in Minnesota, Alberta and Indiana that were built or purchased by groups who also own Case IH locations.

"On the part of Case IH, the bulk of activities resulted from the actions of its two large, publicly held 'consolidators,' Titan Machinery and Rocky Mountain Dealerships," he says.

Among Case IH branded locations, there were 10 consolidation events involving 16 locations, only three of which did not involve Titan or Rocky Mountain. Four Case IH dealerships added locations in the past year and one was closed.

Overall, the big dealer groups handling Case IH farm equipment average 9.4 stores.

Earlier this month Rocky Mountain announced that, with the acquisition of J&B Equipment Ltd. of Kindersley, Saskatchewan, it would be slowing its purchases for the remainder of the year.

Rocky Mountain's CEO, Brian Taschuk, explained, "This acquisition gives Rocky our first exposure in western Saskatchewan, an important agriculture market. We have added four locations in 2011, reaching our target number of acquisitions for the year, continuing the consolidation efforts of CNH dealers in western Canada."

Among New Holland branded locations, in six cases a total of 10 locations were acquired, with all but one exception, separately from Case IH locations. On average, New Holland's big dealers operate 10.4 stores each.

Kubota dealerships saw no significant consolidation activities in 2010. "However, several locations are vulnerable to change because of the overall consolidation trends of the other major brands," says Russell.

Kubota biggest dealer groups, on average operate 8.5 stores. **AEI**

Ag Equipment Demand Growing for Metal Castings, So is Price

The *Metalcasting Forecast & Trends* special report published by the American Foundry Society is predicting bullish component demand by farm implement manufacturers in the next several years. The new study is based on an economic model prepared by the trade association, Product Development & Analysis LLC and the Illinois Institute of Technology Stuart School of Business.

Here is a summary of the U.S. cast metals sales forecast as it pertains to NAICS 33311 (Agricultural Implement Manufacturing):

Gray Iron Castings — 6.7% short-term annual growth rate, growing from $316.4 million in 2010 to $379.8 million in 2013

Ductile Iron Castings — 15.8% short-term annual growth rate, growing from $232.6 million in 2010 to $342.6 million in 2013

Steel Castings — 2.5% short-term annual growth rate, growing from $12 million in 2010 to $12.9 million in 2013

Aluminum Castings — 17.2% short-term annual growth rate, growing from $17.7 million to $26.9 million in 2013

If the forecast holds true, farm equipment manufacturers can expect higher cast metal prices due to higher demand and less available capacity, since the U.S. casting industry now consists of 2,040 facilities, down from 2,336 5 years ago.

Capacity utilization across the industry is forecast at 73% for 2011, up 9% from 2010 and up 13% from 2009.

The Metalcasting Forecast & Trends special report is available from the American Foundry Society ($400) by calling AFS at 800-537-4237. **AEI**

Claas Switches Engine Suppliers, Leaving Deere to Go It Alone in Europe

German farm equipment maker, Claas, says it's moving away from Deere Power Systems as an engine supplier to Fiat Power Train (FPT). This means new Axion 900 series tractor will feature engines that use SCR (Selective Catalytic Reduction) technology to meet Tier 4 emission targets.

As Germany's largest farm equipment manufacturer, a published report from Europe calls the Claas decision "significant."

FPT of Italy supplies the engines for Case IH and New Holland equipment. Both CNH brands and AGCO are committed to SCR engines to meet increasingly stringent emission regulations required of off-road machinery in Europe and North America. The additional fluid required by SCR engines is called Diesel Exhaust Fluid (DEF), and in Europe it's called AdBlue.

According to the published report, "The Italian engine manufacturer has used SCR (AdBlue) as a means of meeting Tier 4 emission regulations instead of the EGR (Exhaust Gas Recirculation) route that Deere has adopted. It means that the new Claas series will have to use AdBlue liquid as a means of emission control. But since Claas does not manufacture engines, its choice of engine and emission system is significant for SCR/AdBlue advocates."

Noticeable Differences. An *Ag Equipment Intelligence* source who attended the SIMA farm equipment show in Paris in late February, reports that there was a noticeable difference in how CNH and AGCO promoted their SCR technology compared with John Deere's efforts to display it EGR engines. The source *AE*I spoke with asked not to be identified.

"Claas' choice of engine and emission system is significant for SCR/ AdBlue advocates…"

He says both CNH and AGCO focused heavily on the fuel economies offered by their SCR engines, which the source says is "a very sensitive subject in Europe."

At the same time, "Deere was surprisingly discreet in its efforts to display its Tier 4 strategies. Except for displaying it 8R IT4 tractor with a front loader, a very unlikely combination in Europe, it appears Deere decided at the last minute not to show its new 7R tractor, which seems to have been developed for the European market. It's totally different from the previous row-crop 7030 series."

Meanwhile, New Holland touted its wide offering of Tier 4-compliant machines, which includes 20 tractors and nine combine models with Ecoblue SCR and fuel-efficient CVT transmission. Models between 170-230 horsepower are achieving up 261 g/kwh.

He also reports that AGCO promoted the fuel efficiency of its new 828 Fendt that is achieving 245 g/kwh.

European Trends. In addition to the emphasis on Tier 4 engines at SIMA, *Ag Equipment Intelligence's* source reports there was a noticeable increase in minimum- and no-till equipment displayed at the show. "Europe is very far behind when it comes to using minimum-tillage and conservation agriculture," he says. "The number of stands displaying this type of equipment showed a strong-trend is developing here."

Kuhn displayed the first strip-till unit by a European manufacturer and sprayers aimed at no-till customers were displayed by AGCO, Kuhn, Lemken and Amazone. AEI

U.S. Needs to Increase Planting of Key Crops in 2011

This year, four major U.S. crops will need to be planted over a record-high number of acres in this country. The expansion is required to rebuild domestic and global supply levels, which are being depleted under surprisingly steady worldwide demand.

Analysis by the Rabobank Food & Agribusiness Research and Advisory (FAR) group reveals that 237 million acres of corn, cotton, soybeans and wheat need to be planted in 2011 to rebuild stocks to comfortable levels. The estimate represents an increase of 7 million over 2010's total planted acres, and an increase of 3 million over 2008's record high of 234 million planted acres.

The findings were covered in Rabobank FAR's recent agribusiness report, "The Battle for Acres: U.S. Field Crops in Competition."

Rabobank FAR reports that while this "magnitude of expansion is unprecedented," the acres exist if profit margins support the expansion. A bidding process is underway to determine which crops will be expanded or rationed among competing sources of demand.

Corn is the driver for 2011, thanks to high prices and historically tight supplies. The report states that between 3-4 million acres of corn will need to be added to the 88.2 million acres planted in 2010.

While profit margins favor corn over soybeans and wheat, the report notes the differential is not strong enough to drive significant substitution — which will mean expanding planting by at least 2-3 million acres onto land not currently producing one of the four major crops.

Co-author Sterling Liddell, vice president, FAR, says U.S. producers should expect high price volatility to continue through the planting season. "Markets will continue to be volatile as they try to sort out how much of each crop should be planted in the U.S. this year," he says. "As 'The Battle for Acres' makes clear, the consequence of the current competition among major crops, other principal crops and land uses, as well as historical precedence, is an intensely volatile environment which could drive prices to historical highs." AEI

Tractor Sales Rise By 7% During March

While North American sales of high-horsepower tractors slowed somewhat inMarch, overall sales of tractors and combines continued at a healthy clip, according to the latest figures released by the Assn. of Equipment Manufacturers.

- U.S. and Canadian sales of row-crop tractors (>100 HP) came in at 2,816 units, down 3% vs. March last year. February year-over-year sales were down 9% and January sales of row-crop tractors fell by 12% year-over-year. Year-to-date (YTD), sales (6,786 units) rose by 6% vs. the same period of 2010.
- At 624 units, North American sales of 4WD tractors were down 11% year-over-year vs. up 1% in February and up 55% in January. YTD sales (1,593 units) rose 7% compared with the first quarter of last year.
- Sales of 40-100 horsepower 2WD tractors increased by 17% to 4,973 units compared with March '10.This compares with February year-over-year that were up 15% year-over-year and up 10% in January. YTD sales in this tractor category rose 14% (11,540 units) compared with the first 3 months of 2010.
- Under 40 horsepower unit sales were up 8% in March (8,894 units) vs. up 10% in February and up 1% in January. YTD sales for the month (17,047 units) were up 7% vs. the same period last year.
- North American sales of combines were up 31% year-over-year (973 units) vs. up 34% in February and up 48% in January. Ann Duignan, analyst for JP Morgan notes, that sales of combines in March is the highest on record and "continues a trend of double-digit year-over-year growth of eight consecutive months."

Duignan said in a note, "We expect continued strong demand as high crop prices bolster farmer cash receipts. With stocks-to-use at low levels, and crop prices strong globally, farmers are planting major crops on an additional 3.5% acres this year, indicating another strong year for farmer cash receipts." AEI

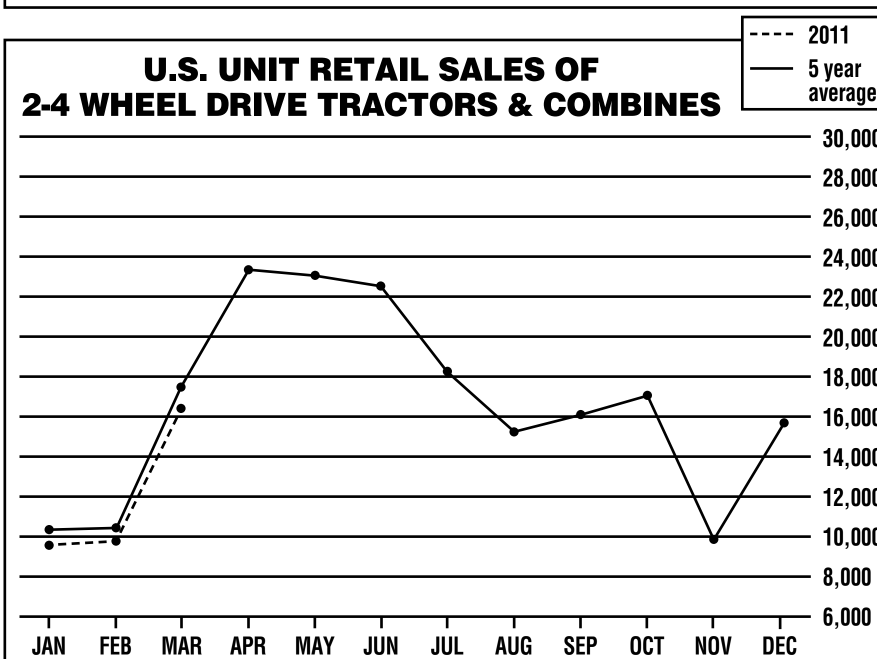
MARCH U.S. UNIT RETAIL SALES

Equipment	March 2011	March 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	March 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	8,144	7,667	6.2	15,516	14,677	5.7	56,851
40-100 HP	4,427	3,849	15.0	10,417	9,025	15.4	23,258
100 HP Plus	2,422	2,554	-5.2	6,105	6,657	-8.3	5,706
Total-2WD	14,993	14,070	6.6	32,038	30,359	5.5	85,815
Total-4WD	508	557	-8.8	1,334	1,190	12.1	954
Total Tractors	15,501	14,627	6.0	33,372	31,549	5.8	86,769
SP Combines	761	622	22.3	2,325	1,675	38.8	1,555

MARCH CANADIAN UNIT RETAIL SALES

Equipment	March 2011	March 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	March 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	750	598	25.4	1,558	1,374	13.4	6,959
40-100 HP	546	417	30.9	1,129	1,085	4.1	3,237
100 HP Plus	394	357	10.4	775	792	-2.1	1,494
Total-2WD	1,690	1,372	23.2	3,462	3,251	6.5	11,690
Total-4WD	116	148	-21.6	258	298	-13.4	267
Total Tractors	1,806	1,520	18.8	3,720	3,549	4.8	11,957
SP Combines	212	123	72.4	360	284	26.8	528

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



—Assn. of Equipment Manufacturers

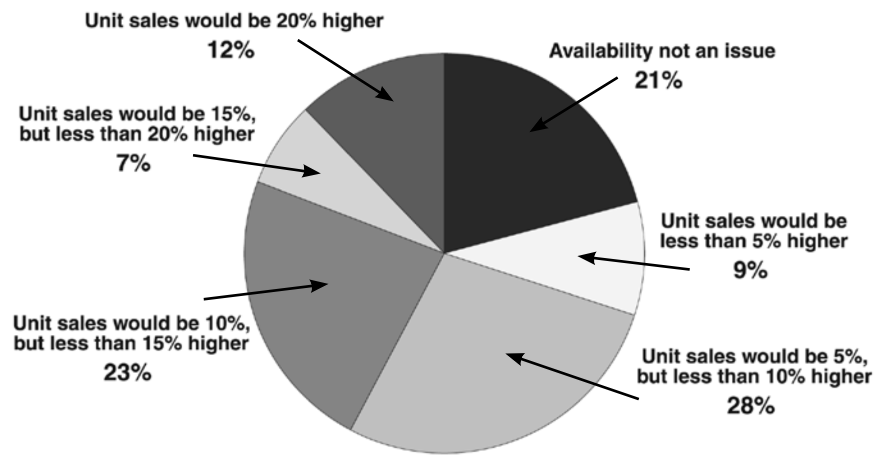
Dealers Expect Equipment Prices to Rise, Cite Machine Availability as Major Concern

Farm equipment dealers say while the price of new ag machinery is rising, getting product on their lots may be the bigger problem.

Nearly three-quarters — 74% — of U.S. ag equipment dealers surveyed recently by UBS Investment Research 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%)

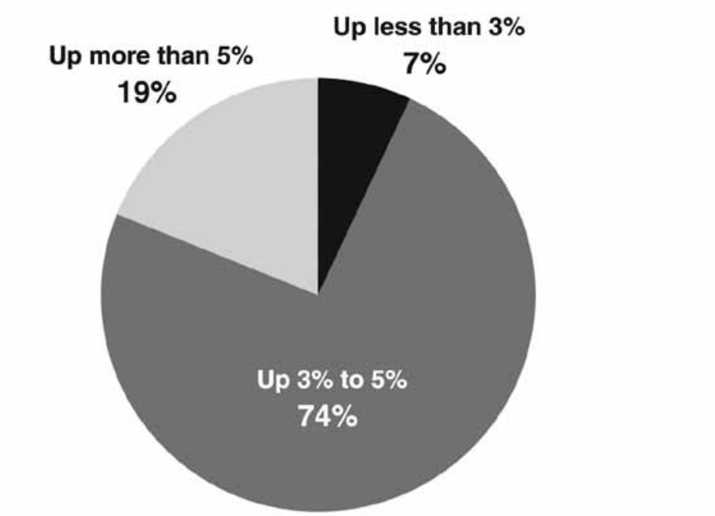
Increased Sales If Equipment is Available



Pie chart illustrates how much higher overall 2011 unit sales would be if availability of equipment were not an issue.

Source: UBS Agricultural Dealer Surveys - 2/2011

Expectations for new equipment pricing in 2011



Most dealers believe equipment will increase in price by no more than 5% in 2011.

Source: UBS Agricultural Dealer Surveys - 2/2011

Equipment Availability. One of the biggest concerns expressed by dealers is their ability to get enough new equipment, particularly row-crop tractors and combines, to meet demand as the year progresses.

Of those in the survey, 79% say that in certain equipment categories, a shortage of new equipment will negatively affect their 2011 sales. The remainder (21%) indicated that their sales were unlikely to be affected by lack of new equipment availability.

If availability of new equipment isn't an issue during the year, dealers estimate that unit sales could be 8% higher than current projections as shown in th chart.

Based on his dealer visits in Iowa, Henry Kirn, machinery analyst for UBS, notes that dealers saw new equipment availability as a "headwind" to unit sales in 2011, and most dealers reported lower-than-normal new equipment inventories. According to the UBS analyst, OEM strategies for dealers to maintain less equipment on their lots appear to be working.

He lists three factors that are contributing to this development:

- OEM dealer floorplan financing terms are for shorter periods.
- As equipment has become more customized, farmers prefer to order equipment to their exact specifications.
- Customers are becoming accustomed to ordering earlier to take advantage of the price discounts and attractive interest rates being offered.

Used Inventory. While dealers in the UBS survey are concerned about excess levels of used equipment, they also indicate that inventories are currently manageable.

Only 10% of those polled said they were "very concerned" that used inventory would negatively impact demand for new equipment, but 43% were "not concerned." The rest — 47% indicated they were "somewhat concerned."

Compared with responses from an earlier UBS survey, very little change in dealer sentiment was noted about the impact of used machinery inventories on new equipment sales. AEI