From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

May 15, 2011
Vol. 17, Issue 13

- Sales Pick Up in April
- Farmers Trade Often
- Titan's Balance Sheet

Why AGCO isn't Happy with Deere in South America

AGCO's Chairman and CEO, Martin Richenhagen, stirred things up in recent weeks when he charged that John Deere was slashing the prices of its tractors in South America in an effort to gain market share. Sales of farm equipment in Brazil last month may be why AGCO's looking over its shoulder.

According to published reports, Richenhagen said, "They're trying to buy market share. They're very aggressive on pricing. This is something we haven't done yet."

Historically, AGCO-branded farm tractors have been strong throughout South America, and for decades have dominated the market in Brazil, easily the country's largest agricultural producer. In 2010, AGCO produced revenues of nearly $1.8 billion from South America vs. $1.5 billion in North America. In recent years, AGCO's share of the Brazilian tractor market reached 60%. AGCO ended last year with a 53.7% share as overall ag equipment sales tailed off throughout South America.

Meanhwhile, Deere & Co. has gone on record to say that it aims to double its revenues to $50 billion by 2018. Currently, as the dominant worldwide player in farm machinery, 65% of the company's revenues come from sales in the U.S. and Canada. With significant investments in Russia, India and China recently, it's clear Deere is looking to rapidly build its presence and increase sales in overseas markets.

South America is vital to Deere

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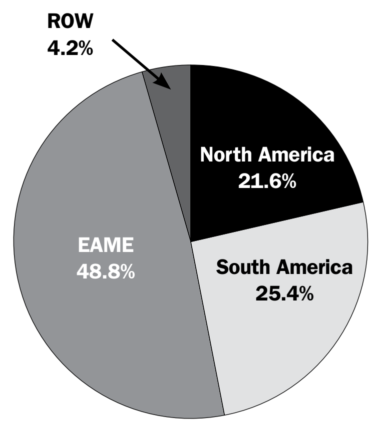
AGCO Regional Revenue Sources — 2010



Last year, AGCO derived more than a quarter of its revenues from South America, where its brands have dominated the farm tractor market for decades.

No-Till Farmers Expect Expenses to Rise 3.2% in 2011

No-till farmers throughout seven agricultural regions in the U.S. anticipate that their operating expenses for the current growing season will increase slightly more than 3% compared with the 2010 growing season. These growers say their biggest rise in prices for 2011 will come in fuel, rent and fertilizer. Operating expenses they expect to decline by the largest percentage include interest on loans, lime/soil conditioners and farm machinery.

These results are based on a 66-question survey conducted in February by *No-Till Farmer*, a sister publication to *Ag Equipment Intelligence*. It includes responses from 502 farmers across 26 states. This is the third consecutive year that the publication has conducted its "No-Till Practices" survey among its paid-subscriber audience.

In addition to pure no-till practices, this group of farmers may also employ strip-till and minimum-till farming practices on their acreage.

On average, no-tillers are expecting to invest $401,145 in operational costs during this cropping season. If this forecast holds true, their overall costs will rise by 3.2% for the year vs. the 2010 cropping season. But it will be down by 6.1% compared to the average spend of $427,404 that no-tillers reported in 2008. Compared to the average of the last three years, costs in 2011 are forecast to be down less than 1%.

Respondents to the most current No-Till Practices survey have also seen a healthy rise in their net incomes over the past two years.

Rising Incomes. According to Darrell Bruggink, executive editor of *No-Till Farmer* and the *Conservation Tillage Guide*, no-tillers reported their net income in 2010 rose by $29,295 per farm, or 7.5%. This compares with a 1.2% drop in net income in 2009.

On a per-acres basis, net income rose an average of $23.17, while operating expenses totaled $307.32 per acre on average.

Rising Costs. Along with the dramatic rise in grain prices producers have seen in the past 2 years, no-tillers responding to this year's

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Overseas Confidence Returning, Equipment Sales Improving

The growing demand for agricultural products and rising prices for grains is spurring increased spending throughout Europe and Australia. Russia is also experiencing an uptick in farm machinery sales.

Russian Unit Shipments of Farm Machinery

Equipment	March 2011	March 2010	March Change	YTD-March 2011	YTD-March 2010	YTD-March Change
2WD Farm Tractors						
<40 HP	789	330	+139.1%	1,526	758	+101.3%
40-100 HP	2,047	701	+192.0%	4,747	1,834	+158.8%
100+ HP	513	685	–25.1%	1,236	1,584	–22.05
Total 2WD Tractors	3,349	1,716	+95.2%	7,509	4,176	+79.8%
4WD Tractors	114	60	+90.0%	230	108	+113.0%
Total Farm Tractors	**3,463**	**1,776**	**+95.0%**	**7,739**	**4,284**	**+80.6%**
SP Combines	**594**	**303**	**+96.0%**	**1,382**	**721**	**+91.7%**

Source: *Rosagromash*

Europe: Growing Optimism

According to the most recent Trendmonitor Europe survey by DLG (German Agricultural Society), optimism among European farmers is at its highest peak since Spring 2008. Conducted by the DLG and agricultural market research institute, the Kleffmann Group, Trendmonitor Europe offers a twice-yearly assessment of the agribusiness outlook in Europe. A total of 3,000 farmers in Germany, France, Great Britain, Poland, the Czech Republic and Hungary were interviewed for the survey.

"The mood among farmers is optimistic," says Dr. Achim Schaffner, DLG's chief economist. German farmers top the list, with those in the U.K. coming in second, its best performance since 2003.

Behind this positive business outlook is an increase in consumer demand for agricultural products as well as higher prices for grains and oilseeds, according to DLG. Farmers are planning to capitalize on these favorable business conditions to modernize their production and increase efficiency. Investment intentions among German farmers have risen by 6%, compared with Autumn 2010, to 55% in the current survey. French farmers recorded an 8% increase over the previous survey.

Farmers in Central and Eastern Europe also showed higher levels of investment intentions. About 57% of Polish farmers surveyed had investment plans, representing a 9% increase over the previous survey. In the Czech Republic, 68% of farmers of farmers intend to increase spending vs. 45% last fall.

In Hungary, 54% of farmers say they plan to spend more, compared with 34% in the previous study. Despite the increased optimism in the U.K., British farmers registered 3% lower investment intentions compared to autumn 2010, which is likely due to exchange rate effects of the pound and euro.

USDA May 11 Outlook

USDA is forecasting that the 2011 crop — 2011 production and 2012 demand — will result in a record 13.5 billion bushels of corn production, and a 23% increase in ending corn inventories, to 900 million bushels. It's also projecting a 6% decline in ending soybean inventories and a 16% decline in ending wheat inventories. USDA's corn forecast assumes above trendline yields of 158.7 bushels per acre, which is 3 bushels per acre below the 1990-2010 trend. It is basing its forecast for a yield dropoff on the slow start to the planting season.

Australia: Strong Currency

The Tractor & Machinery Assn. of Australia is reporting that the country's farmers are poised to take advantage of the growing demand for agricultural products and the country's strong currency to update machinery.

Farm equipment sales are expected to reach $7 billion Australian dollars ($7.68 billion U.S.) in 2011.

"We're expecting an across the board increase in just about all products," said Richard Lewis, executive director of the association. "The second half of this year and next year should be really strong."

The Australian currency that's trading near 29-year highs against the U.S. dollar is helping dampen prices for imported agricultural equipment and machinery. "Our biggest problem at the moment is supply," said Lewis, adding that sales of large combines are expected to reach 950 units during the current year.

Russia: Improving Equipment Sales

The credit crunch that has beset Russia and much of East Europe may finally be abating somewhat, if recent sales trends of farm machinery can be used as an indicator.

According to Rosagromash, March sales of all farm tractors and combines in the Russian Federation nearly doubled compared with March 2010. Year-to-date sales of tractors are up 79.8% and combines by nearly 92%. The table above illustrates a significant shift in ag machinery sales in the past year throughout Russia. AEI

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Titan Machinery Revenues Jump 31% for FY2011

Titan Machinery, Case IH's largest North American dealer network is taking full advantage of these heady times in agriculture. It finished its fiscal year 2011 on a major roll, as total revenues rose nearly 46% in the fourth quarter and up 30.5% for the fiscal year ended January 31.

"Their balance sheet remains solid with $76.1 million in cash and equivalents, just $33.4 million in debt, and $214.6 million in shareholders' equity," Rick Nelson of Stephens Inc. said in a note. "Titan's balance sheet remains a competitive advantage as other dealers incur higher floorplan borrowing costs and a higher overall cost of capital."

Acquisitions remain an integral part of Titan's growth strategy and the company remains committed to 10-15% acquisition growth, according to Nelson.

In its outlook for the new fiscal period, Titan projects revenues between $1.275 billion and $1.35 billion with a net income range of $27.5-29.4 million. The company looks for ag segment same-store sales growth of 3-8% and construction segment same-store sales growth of 8-13%. Equipment margins are expected to be approximately 9.5%. Titan's construction segment is forecast to improve by $3.4 million, which is break even for the year. AEI

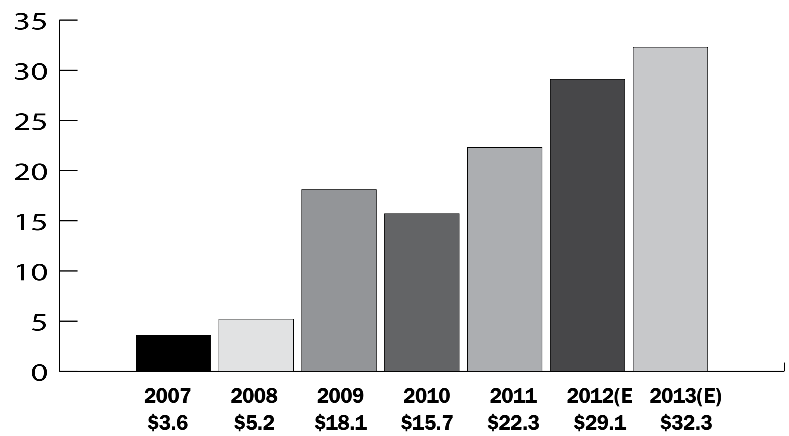
Titan Machinery Full-Year Revenue Analysis — 2011

(Year Ended January 31, 2011; in millions of dollars)

	FY2011	FY2010	Change
Total Revenue	**$1,094.5**	**$838.8**	**+30.5%**
Equipment	$ 855.4	$643.2	+33.0%
Parts	$ 141.0	$119.5	+18.0%
Service	$ 74.5	$ 59.0	+26.3%
Gross Profit	$ 174.6	$141.0	+23.7%
GP Margin	15.9%	16.8%	–90 bps
Operating Expenses	11.9%	13.0%	–110 bps
Pre-Tax Margins	3.4%	3.2%	+20 bps
Segment Revenue			
Agriculture	$979.0	$751.3	+30.3%
Construction	$152.6	$116.4	+31.0%
Pre-Tax Income/(Loss)	$ 37.2	$ 27.0	+37.8%
Agriculture	$ 44.1	$ 36.1	+22.2%
Construction	$ (3.45)	$ (6.84)	+100.0%

Titan Machinery — Net Income 2007 – 2013

(millions of dollars; 2012 & 2013 estimated)



FARM MACHINERY TICKER (AS OF 5/11/2011)

Equipment Mfr.	Symbol	5/11/11 Price	4/12/11 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$54.29	$50.88	$59.81	$25.48	18.10	1.41 M	5.15 B
Alamo	ALG	$26.97	$26.33	$29.27	$18.68	15.15	28,711	319.08 M
Art's Way	ARTW	$8.75	$7.98	$15.95	$4.76	67.31	20,542	35.14 M
Caterpillar	CAT	$109.98	$106.57	$116.55	$54.89	19.54	6.86 M	70.54 B
CNH	CNH	$45.02	$45.06	$54.45	$21.58	18.38	390,100	10.76 B
Deere	DE	$91.29	$93.45	$99.80	$53.20	18.34	4.45 M	38.44 B
Kubota	KUB	$46.98	$44.97	$55.50	$37.35	17.30	96,502	11.95 B
Dealer Groups								
Cervus Equipment	CVL	$17.67	$17.15	$18.40	$15.10	N/A	28,138	N/A
Rocky Mtn Dealerships	RME	$10.06	$10.00	$11.00	$7.50	12.11	36,640	185.38 M
Titan Machinery	TITN	$28.60	$26.77	$32.03	$11.93	23.25	285,085	507.56 M

reaching its goal.

Agricultural economists Richard Taylor and Won Koo of North Dakota State Univ. say world corn trade will increase 13% over the coming decade, with U.S. exports remaining steady while Brazil and Argentine exports expand rapidly.

They also forecast that by 2012, Brazil will overtake the U.S. in soybean exports and the U.S. will shift to third place behind Argentina sometime shortly after 2020.

April Sales. Throughout the early part of this year, Deere has outperformed in the Brazilian market, including last month, according to data from Brazil's National Association of Motor Vehicle Manufacturers (ANFAVEA).

Overall, total unit sales of tractors in April decreased 8% year-over-year. At the same time, Deere's shipments rose 31% year-over-year. CNH sales of tractors in the country slipped by 11% and AGCO shipments fell by 17%. AGCO's share of the tractor market was 52.2% in April vs. 52.7% in March and 60% at the peak of the cycle.

For the industry, combine unit shipments were up 63% year-over-year in April. CNH combine shipments declined by 11% and its market share for April was 44.5% vs. 46.1% in March. Deere's combine shipments were 214 units, up 240% with market share of 38% for April vs. 35.7% in March. AGCO's combine unit shipments were down 16% while its market share decreased to 17.5% for April vs. 18.2% in March.

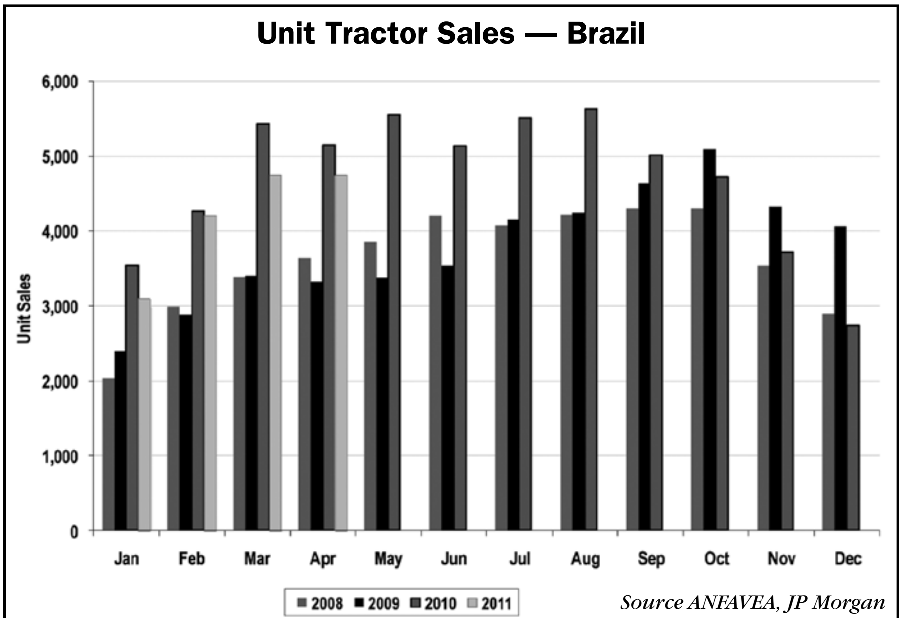
Industry Revenues. Compared to the last two years, overall ag machinery revenues in Brazil have slipped, according to Ann Duignan, analyst for JP Morgan. She estimates that total revenues are down 5% for Deere's fiscal second quarter, though Deere's sales were up significantly.

"According to our proprietary revenue model, industry revenues are down 5% with Deere sales up 30%," Duignan said in a note to investors. "We're forecasting revenue up 5% year-over-year for Deere's Latin America segment for its second quarter of fiscal 2011."

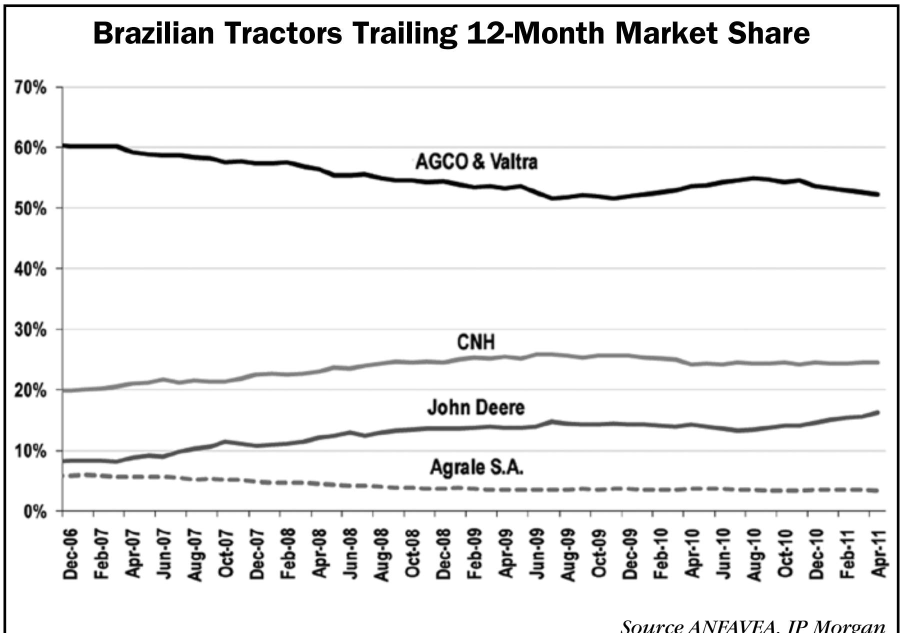
Meanwhile, industry revenues are up 1% for the second year of the calendar compared with the same period in 2010. For the period, AGCO revenues dropped by 16% and CNH by 11%. "In our earnings models, we are forecasting for the second quarter of the calendar year South American revenues will be down 3% for AGCO and down 8% for CNH when compared to second quarter of 2010," says Duignan.

When AGCO released its first-quarter 2011 earnings report on April 26, the company reported that its sales in South America were "relatively flat."

"Sales increases in Argentina and other South American markets were offset by lower sales in Brazil. Income from operations decreased by $9.4 million in the first quarter of 2011 compared to the same period in 2010, due primarily to a less favorable geographic sales mix and higher engineering and product introduction expenses," AGCO said. AEI



Brazilian tractor sales were down 8% year-over-year In April, which also saw AGCO sales dip by 17% while John Deere sales rose by 31% during the month.



On a trailing 12-month basis, AGCO's tractor share fell by 136 basis points year-to-date in April. At the same time, CNH's trend held steady while John Deere's improved somewhat.

Cervus Posts Revenue Gains, Profitability Improves Somewhat

Cervus Equipment Corp., John Deere's largest ag machinery dealer network in western Canada reported earnings results on May 10 for the first quarter ended March 31, 2011.

For the quarter, the company revenues increased by $17.1 million to $84.3 million from $67.2 million for the same period in 2010, an increase of 25%. Same store sales increased by $11.7 million or 17%. Net loss decreased by $458,000 to $155,000 from $613,000. EBITDA increased to $2.1 million compared to $1.2 million for same period in 2010. Net cash from operating activities increased by $3.5 million to $525,000 from a use of cash of $3 million in the same period of 2010.

Ag Revenue. Revenue for the company's agricultural equipment segment increased by $10.8 million (same store increased $5.4 million or 12.1%) for the 3-month period ended March 31, 2011 compared to the same period of 2010. Same store sales exclude the acquisition of Agriturf in July 2010.

Rising Sales. New equipment sales increased by $5.1 million (same store $2.6 million or 12.7%) compared to the same period of 2010. Used equipment sales also increased by $2.1 million (same store increased $1.7 million or 13.0%).

According to the company, the increase in new equipment sales is primarily related to the timing of the arrival of the new equipment and eventual delivery to its customers. Used equipment sales increased as a result of the additions to inventories from trade-ins on new equipment sales as well as management's continuing effort to reduce and keep used equipment inventories at manageable levels.

Gross profit dollars have increased by $1.3 million (same store increased slightly by $93,000) during the first quarter of the year. However, gross profit margin decreased 1.1 basis points overall to 17.7% in 2011 from 18.8% in 2010.

Currency Issues. "The most significant factor affecting the combined gross profit margin has been from the segment's equipment sales," according to the company. "These have been affected by a combination of equipment pricing fluctuations caused by foreign exchange changes, continued aggressive efforts to reduce overall used equipment inventories and from competition being experienced in the new equipment market."

The company reported that the Canadian dollar had appreciated with an average foreign exchange rate that has increased by approximately 5.3% when comparing January to March 2011 to the same period of 2010.

"This strengthening Canadian dollar has resulted in pressure on selling prices of equipment, which has decreased overall margins being realized, especially from used equipment inventories that were purchased when the Canadian dollar was weaker."

Analysis. Part margins and service margins have increased primarily as a result of a change in sales mix of parts from our original equipment manufacturers and outside suppliers, the company said.

"We are not in any way concerned that Cervus' bottom line fell a few cents shy of our forecast. There was nothing of consequence in the release that would cause us to change our prevailing investment thesis and outlook for Cervus," Ben Cherniavsky, analyst for Raymond James, said in a note.

"We remain bullish on the outlook for equipment demand — especially in Alberta's construction markets — and continue to view Cervus as a 'best-in-class operator' with a track record of profitable growth, respectable ROIC and hefty free cash flow," the analyst said. AEI

Cervus Equipment Corp. — 1Q 2011 Income Summary

(in thousands of Canadian dollars)

	3 Months Ended March 31		
	2011	2010	Change
Segment Revenue:			
Equipment	$41,174	$33,918	+21.4%
New Equipment	$26,010	$20,899	+24.5%
Used Equipment	$15,164	$13,029	+16.4%
Parts	$ 8,015	$ 6,305	+27.1%
Service	$ 5,299	$ 4,029	+31.5%
Rental & Other	$ 603	$ 60	+90.5%
Agriculture:	**$55,091**	**$44,312**	**24.3%**
Equipment	$16,113	$12,176	+32.3%
New Equipment	$13,706	$ 9,868	+38.9%
Used Equipment	$ 2,407	$ 2,308	+4.2%
Parts	$ 6,615	$ 5,209	+27.0%
Service	$ 4,620	$ 3,858	+19.8%
Rental & Other	$ 1,834	$ 1,646	+11.4%
Construction & Industrial	**$29,182**	**$22,889**	**+27.5%**
Total Revenue	**$84,273**	**$67,201**	**+25.4%**
COGS	$66,179	$51,929	+27.4%
Gross Profit ($)	$18,094	$15,272	+18.5%
Gross Profit (%)			
Agriculture	17.7%	18.8%	–1.1%
Const. & Ind.	28.6%	30.3%	–1.7%
Net Earnings (Loss)	$(117)	$(613)	+80.9%

Rocky Mountain's 1Q Profits Rise 52%; CEO Resigns

On May 10, Rocky Mountain Dealerships reported that its revenues for the 3 months ended March 31, 2011 grew by 31% and profits by 52%. At the same time, the company announced that its CEO, Brian Taschuk, has left the company for personal reasons.

The company also restated its strategy to slow acquisitions and focus on integrating acquisitions with the intent of increasing gross margin and bringing down SG&A to effectively "harvest returns for shareholders."

"The company is also focused on improving its free cash flow through higher inventory turns and has announced an $80 million credit facility which will help alleviate some of the costs associated with floorplan financing," says Ben Cherniavsky, analyst for Raymond James.

Change at Top. The resignation of Taschuk caught many company observers off guard. "We were surprised to learn that Brian Taschuk, former CEO, has left the company for personal reasons," Cherniavsky said. "Although we view his departure as a loss, we expect a smooth transition back to co-founder Matt Campbell, who will resume his position as the chief executive of the company."

Campbell also announced that Garrett Ganden, Rocky's CFO, has been appointed COO and will retain his CFO responsibilities until his successor has been announced. Derek Stimson remains as president and a director of the company.

Quarter Highlights. Among the highlights of Rocky Mountain's first quarter, the company points to the addition of three stores that will expand its presence in Central Alberta. Revenues increased to $157.6 million for $120.5 million in the same period of 2010.

EPITDA grew during the period by 44% to $7.1 million. Net earnings rose by 52% from $1.8 million in the first quarter 2010 to $2.7 million. Same-store revenue improved by $5.1 million while acquired growth rose by $31.9 million. AEI

Rocky Mountain Dealerships — 1Q 2011 Income Summary

(in thousands of Canadian dollars)

	3 Months Ended March 31			
	2011	(% of total)	2010	(% of total)
Revenue:				
New Equipment	$ 84,724	53.8%	$ 61,938	51.4%
Used Equipment	$ 46,542	29.5%	$ 38,087	31.6%
Parts	$ 14,693	9.3%	$ 10,738	8.9%
Service	$ 10,614	6.7%	$ 9,129	7.6%
Other	$ 1,006	0.7%	$ 583	0.5%
Total Revenue	$157,579	100.0%	$120,475	100.0%
Cost of Sales	$131,878	83.7%	$101,244	84.0%
Gross Profit	$ 25,701	16.3%	$ 19,231	16.0%
Net Earnings	$ 2,663	1.6%	$ 1,756	1.5%
Overhead Absorption	64%	70%		

Depreciation, Crop Prices Encourages Farmers to Trade Equipment

JP Morgan analyst Ann Duignan says that investors are wrestling with whether 2011 represents the peak of the ag equipment cycle, given that cash receipts could be at peak levels and farmers can take advantage of 100% accelerated depreciation.

During a visit to Iowa earlier this month, farmers explained that the cost to trade equipment annually, when calculated on a per bushel basis, is ~$0.05-0.10 a bushel, and with corn at $7 a bushel, it makes sense to continue to trade annually, with or without tax incentives.

"In our view, the comparables are going to be very tough in 2012 and there is certainly some 'pull forward' this year," she says in a May 5 note. "However, equipment manufacturers are doing a good job of managing supply, ensuring that demand should be at least decent in 2012."

She also visited with a couple dealers while in Iowa. She reports that both dealers were upbeat and said that demand is up year-over-year. Additionally, both noted that while 100% depreciation is supporting demand this year, farmers will continue to purchase equipment in 2012 as a method of reducing taxes.

"Lack of supply of new equipment is keeping used equipment prices high …"

"Both dealers also noted that the lack of supply of new equipment is keeping used equipment prices higher in this cycle — a net positive, though they would both like to have more new equipment in inventory."

She says a Deere dealer noted that business is up year-over-year and that the average trade cycle for row-crop equipment has declined in his territory from 4-5 years to 2-3 years.

The sale of a new tractor results in about 3 trades until finally there is nobody to buy the last trade. This dealer does not believe that we are at that point yet.

The dealer also said that a number of customers are currently rolling equipment annually as there remains significant demand for good, used late-model machinery.

"This dealer noted that sales of new equipment such as sprayers, compact tractors as well as a growing parts business from a higher population of equipment has resulted in sales growth every year for the past decade," says Duignan.

The dealers added that about 85% of new tractors and only 33% of new combines have GPS systems installed going out the door. AEI

Row-Crop Tractor Sales Bounce Back in April

The Assn. of Equipment Manufacturers is reporting that North American sales of high-horsepower tractors got back some of its lost traction in April.

"Prior-year comparisons generally ease across most equipment categories over the coming 3 months (though July)," Robert McCarthy said in a note. But the RW Baird analyst sees growth rates becoming "progressively more difficult to sustain in the second half of 2011 as the industry anniversaries some of the strongest unit sales totals in decades."

- Row-crop tractor sales increased 1.5% in April after a 3.3% year-over-year decline in March. April represents the heart of the key spring selling season, which is March-June, and typically generates 40% of annual tractor sales. April itself typically accounts for 12-13% of annual sales. U.S. row-crop tractor inventories continued to decline in March, falling 5% year-over-year as Tier 3 tractor inventories disappear. On a days-sales basis, inventories fell to 86 days-sales from 101 in March 2010.
- 4WD tractor comparisons improved in April, as sales increased 3.8% year-over-year after an 11.5% sales decline in March. U.S. dealer inventories of 4WD tractors rose 21% year-over-year in March, though days-sales of inventory fell slightly to 54 days from 56 last year.
- Combine retail sales growth moderated in April, increasing 19% after a 31% jump in March, though against a more difficult prior-year comparison. U.S. inventories of combines were up 52% year-over-year in absolute terms, while days-sales rose to 49, which is up moderately from 38 last year. April is historically an unimportant month seasonally for combine sales, representing only 5.9% of annual sales.
- Mid-range tractor sales unexpectedly lost momentum, falling 5% year-over-year in April after 6 straight months of double-digit sales growth. Utility tractor sales also declined year-over-year. AEI

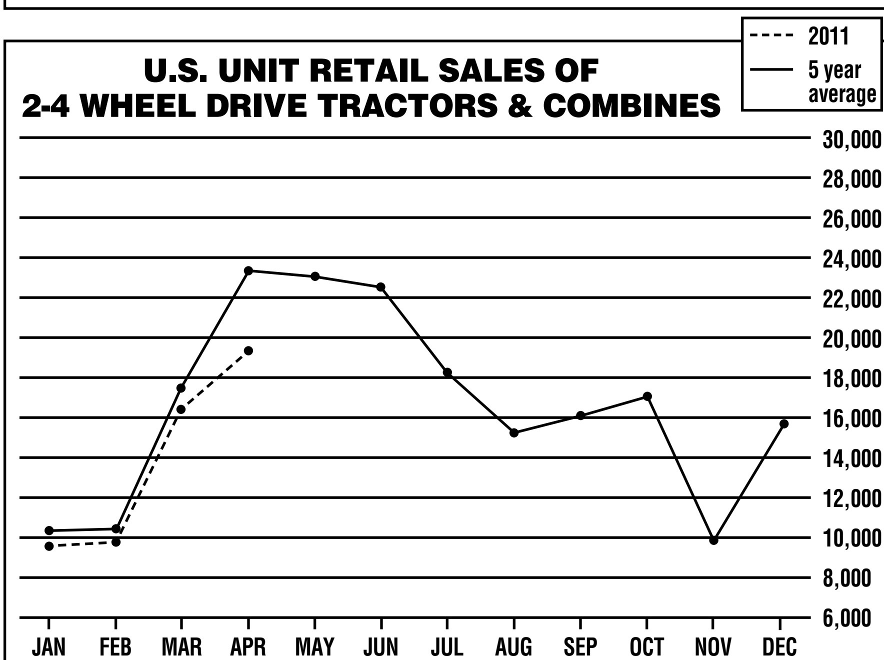
APRIL U.S. UNIT RETAIL SALES

Equipment	April 2011	April 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	April 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	10,320	11,523	-10.4	25,820	26,200	-1.5	57,809
40-100 HP	4,824	4,966	-2.9	15,174	13,991	8.5	24,050
100 HP Plus	2,881	2,655	8.5	8,983	9,312	-3.5	6,221
Total-2WD	18,025	19,144	-5.8	49,977	49,503	1.0	88,080
Total-4WD	651	524	24.2	1,984	1,714	15.8	886
Total Tractors	18,676	19,668	-5.0	51,961	51,217	1.5	88,966
SP Combines	764	632	20.9	3,088	2,307	33.9	1,527

APRIL CANADIAN UNIT RETAIL SALES

Equipment	April 2011	April 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	April 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,092	1,197	-8.8	2,649	2,571	3.0	7,458
40-100 HP	589	726	-18.9	1,721	1,811	-5.0	3,385
100 HP Plus	444	621	-28.5	1,216	1,413	-13.9	1,495
Total-2WD	2,125	2,544	-16.5	5,586	5,795	-3.6	12,338
Total-4WD	234	329	-28.9	492	627	-21.5	327
Total Tractors	2,359	2,873	-17.9	6,078	6,422	-5.4	12,665
SP Combines	177	162	9.3	537	446	20.4	601

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



—*Assn. of Equipment Manufacturers*

survey are also expecting to see hefty increases in many of the inputs and other usual costs all farmers incur.

The largest increases are expected to come in fuel (13.1%), fertilizers (11%) and in land rents (10.3%). Farm labor is also anticipated to rise by more than 8% in the year ahead.

At the same time, some increases will be offset as no-till farmers project that interest costs will drop significantly in 2011 (–20.2%) compared with what this group paid out in 2010. These growers also say their overall costs for lime and other soil conditioners will also fall (– 12.8%). They also expect spending cuts for farm machinery (–11% vs. 2010).

It's not clear if the no-till dropoff in machinery investments will come as a result of cutting back in anticipation of higher input costs or because many farmers have already invested in upgrading their equipment in the past few years.

Regional Differences. Regionally in 2010, no-tillers in the Northern Plains states (Montana, North Dakota and South Dakota) had the largest outlays in crop operating costs at $658,008. The lowest outlay was by no-tillers in the Northeast at $255,489. This stands to reason, as the average acreage for no-tillers in the Northern Plains states was 2,450, while Northeast growers averaged only 488 acres.

Throughout the entire survey region, no-tillers spent on average $388,464 in crop operating expenses in 2010. The average acreage of all respondents in the 2011 survey was 1,264.

A complete study comparing the three years of no-till data that covers every aspect of no-till land and operating practices will be available later this summer to all Ag Equipment Intelligence subscribers. AEI

U.S. No-Tillers Operating Costs — 2008-2011*

	2010	2009	2008	3-Year Avg.	2011 (E)	2010 vs. 2011
Fuel	$16,872	$20,718	$26,236	$21,275	$19,410	+13.1%
Land rent	$62,600	$58,821	$61,183	$60,868	$69,801	+10.3%
Seed/Seed Treatments	$47,210	$49,439	$46,084	$47,577	$50,116	+5.7%
Pesticides	$29,203	$33,572	$34,095	$32,290	$31,000	+5.7%
Fertilizer	$58,896	$67,964	$75,936	$67,599	$66,183	+11.0%
Lime/Soil Conditioners	$ 8,468	$10,020	$11,752	$10,080	$7,381	–12.8%
Equipment	$65,957	$52,688	$63,693	$60,779	$58,300	–11.6%
Machinery Service	$13,305	$16,088	$18,467	$15,953	$13,571	+2.0%
Machinery Parts	$17,485	$17,318	$16,991	$17,265	$17,811	+1.8%
Precision Equipment	$ 7,980	$ 7,503	$ 7,957	$ 7,813	$8,352	+4.5%
Custom App./Hauling	$11,647	$12,360	$13,440	$12,482	$11,917	+2.3%
Labor	$28,533	$26,035	$29,105	$27,891	$31,173	+8.5%
Interest	$20,308	$22,324	$22,467	$21,699	$16,130	–20.2%
Total	**$388,464**	**$394,848**	**$427,404**	**$403,571**	**$401,145**	**+3.2%**

**Estimated for 2011*

Evaluation of 2010 Net Income & Operating Expenses

	Average Farm Acres	Average Increase In Net Income (Per Farm)	Average Increase In Net Income (Per Acre)	Average Operating Expenses (Per Farm)	Average Operating Expenses (Per Acre)	% Income Increase vs. Expenses
Total	**1,264**	**$29,295**	**$23.17**	**$388,464**	**$307.32**	**7.5%**
W. Corn Belt	1,140	$40,392	$35.43	$427,545	$375.04	9.4%
E. Corn Belt	1,082	$9,348	$8.64	$422,471	$390.45	2.2%
Great Lakes	736	$33,195	$45.10	$330,485	$449.02	10.0%
N. Plains	2,450	$63,998	$26.12	$658,008	$268.57	9.7%
S. Plains	2,332	$41,071	$17.61	$418,822	$179.60	9.8%
Northeast	488	$7,884	$16.16	$255,489	$523.54	3.1%
Appalachia	1,365	$23,243	$17.03	$351,675	$257.63	6.6%

Breakdown of 2010 Crop Operating Expenses by Region

(Average Total Expenses Per Farm Per Expense Category)

	All	WCB	ECB	GL	NP	SP	NE
Fuel	**$16,872**	$17,071	$18,959	$13,926	$33,157	$20,195	$15,717
Land Rent	**$62,600**	$57,512	$86,766	$46,650	$128,482	$40,281	$20,701
Seed/Seed Treatments	**$47,210**	$63,172	$54,873	$35,266	$79,269	$47,306	$25,517
Pesticides	**$29,203**	$29,138	$34,006	$18,748	$75,731	$51,254	$20,517
Fertilizer	**$58,896**	$64,439	$65,050	$56,048	$96,232	$68,715	$35,440
Lime/Soil Conditioners	**$8,468**	$8,524	$8,328	$8,515	———	$13,965	$4,132
Equipment	**$65,957**	$80,013	$46,621	$55,150	$108,308	$76,550	$51,516
Machinery Service	**$13,305**	$15,199	$11,364	$13,839	$21,463	$13,944	$9,264
Machinery Parts	**$17,485**	$20,194	$18,232	$15,753	$29,533	$21,077	$12,533
Precision Equipment	**$7,980**	$8,767	$8,922	$6,723	$9,789	$5,858	$7,060
Custom App./Hauling	**$11,647**	$13,542	$9,002	$8,365	$21,160	$21,423	$7,551
Labor	**$28,533**	$27,850	$41,122	$30,548	$28,554	$17,725	$27,960
Interest	**$20,308**	$30,648	$19,226	$20,954	$26,330	$20,529	$17,581
Totals	**$388,464**	**$427,545**	**$422,471**	**$330,485**	**$658,008**	**$418,822**	**$255,489**