From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- Robust Sprayer Sales
- Yields Take a Beating
- Summer Sales Slump

Tier 4 Equipment Pricing Remains an Obstacle for Dealers

As farmers begin to move past some of the early concerns posed by the introduction of Tier 4 Interim engines, pricing on the new machines remains an obstacle for getting more of the equipment into farm fields.

In a follow-up to a survey on Tier 4 concerns *Ag Equipment Intelligence* did a year ago, we again polled dealers in the last week of July to gauge reactions to the new equipment.

Nearly 54% of the dealers responding to the survey say their customers are taking a "wait-and-see" approach to buying equipment with the new engines. This compares with 77.7% who last year "agreed" or "strongly agreed" that their customers are waiting to purchase new equipment utilizing the newly designed engines.

Their biggest hurdle, dealers say, is the pricing of new equipment, which is estimated to have increased by 7% or more. But they also note that, with no history to fall back on, farmers are still uncertain about added maintenance costs and the overall reliability of the new machines.

Customer Reactions. Asked to respond to the statement, "Customers are concerned about the higher pricing" of the Tier 4 Interim equipment rolled out in the past year, 41.4% of the dealers said they "agreed" and 52.3% said they "strongly agreed" with the comment. This is in line with their sentiments from a year ago, when 98.2% indicated they were "concerned" or "very concerned" about the higher prices of the Tier 4 machinery.

One dealer offered, "The biggest concern we have heard is about the pricing of the new equipment. I think the manufacturers of the new Tier 4 equipment are lucky so far that commodity prices are so high at this time. Otherwise, I think it would be much harder to sell this technology."

In terms of customer reaction to the technology, in the most recent survey, 63.3% of dealers said farmers are expressing concerns about the emissions control systems of Tier 4 engines. This is down from the 82.5% who last year indicated they were "concerned" or "very concerned" with the changes in engine technology.

Asked if customers bought 2010 equipment to avoid Tier 4 machines, 39.8% of dealers "agreed" and 18% "strongly agreed" that this was the case. This compares with 63% of deal-

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Rising Input Costs Expected to Reduce Farm Net Income into 2012

After declining by 6.4% in 2009 — the first dropoff since 1986 — farm expenses rose by 0.6% in 2010, according to USDA. But rising oil prices will drive up the cost of production of corn, soybeans, wheat, rice and cotton even more in 2011, according to Matt Erickson, economist with the American Farm Bureau Federation (AFBF).

Higher fertilizer prices are also expected to eat into net farm income, which is a major driver for spending on new ag machinery.

2010 Spending. Overall, farm spending rose to $289 billion from $287.4 billion in 2009, USDA said in an annual report. Fuel costs increased 4% to $12.9 billion. Feed, the largest single

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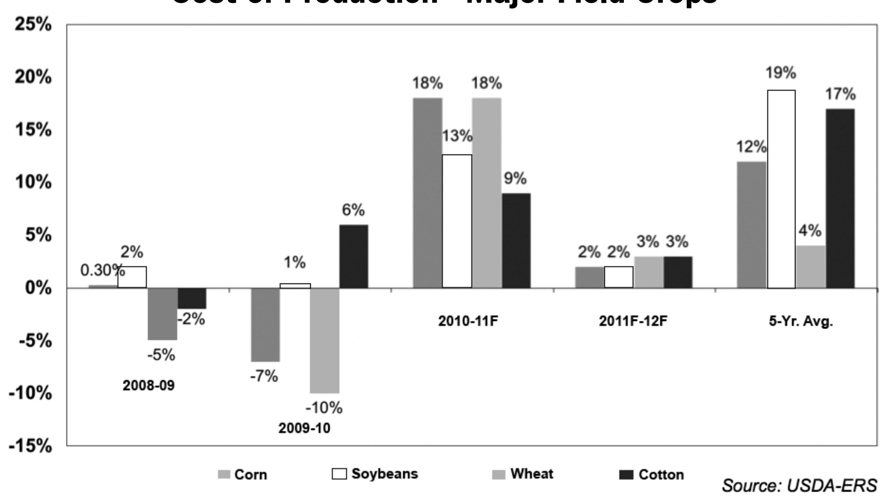
Cost of Production - Major Field Crops



Source: USDA-ERS

USDA-ERS data illustrates percentage changes for cost of production values for U.S. major field crops on a yearly basis and a 5 year average from 2008-12.

ers who "agreed" or "strongly agreed" that their customers would buy 2010 equipment to avoid 2011 machines.

Asked for their reaction to the statement "Customers like the idea of the new Tier 4 engines and bought 2011 models," 24.2% "agreed" and "3.9%" strongly agreed that this was the case. Last year, only 9.9% "agreed" and 1.5% "strongly agreed" that customers embraced the new machines.

More Education. Asked what manufacturers could do to help ease farmer concerns about Tier 4 equipment, dealers most often responded that more education, advertising and promotion is needed to reinforce the benefits of the new engines.

"The manufacturers could publish an estimated cost difference for operating previous and current machinery," says one dealer. "This would take away some of the confusion and answer many after-sales questions we're getting."

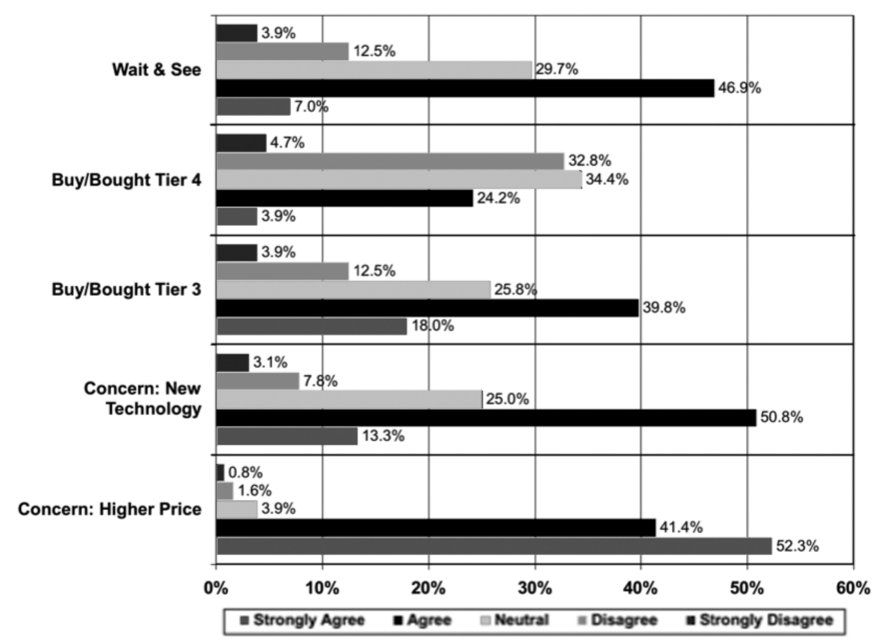
At the same time, dealers are frustrated with conflicting claims from competing manufacturers. This, they say, is adding to customer confusion.

As one dealer put it, "Manufacturers need to stop saying the SCR is better than EGR and that EGR is better than SCR. The manufacturers currently using SCR technology used EGR at the Tier 3 stage to comply, so now they're talking down their own products.

"The manufacturers currently using EGR for Interim Tier 4 will have to use SCR when Tier 4 Final is in place. They're both effective ways of reaching the same outcome."

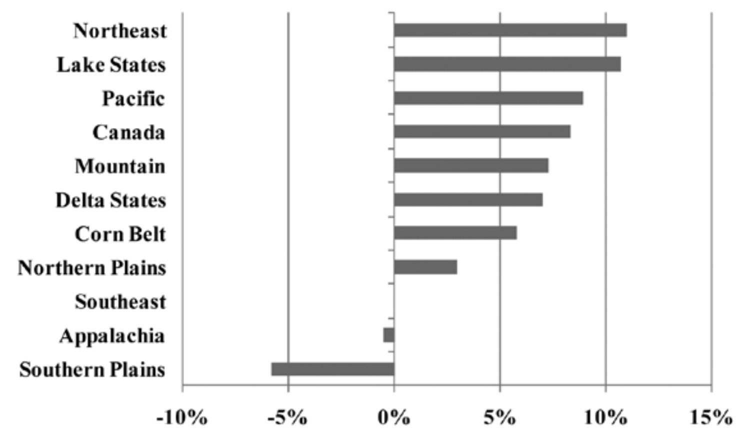
"We need to get more information out to the farmers," says another dealer. "They don't completely understand and they're hearing different stories from different OEMs. We need unbiased info going out to the farmers, either from the universities or from the major ag publications." AEI

Farmer Concerns, Reactions to Tier 4 Interim Equipment



Dealer Trends & Business Outlook

Avg. Monthly Sales Outlook by Region — June 2011



The *Ag Equipment Intelligence*-Cleveland Research Co. Dealer Trends & Business Outlook survey conducted in July showed eight out of 11 North American agricultural regions, including Canada, projected a positive full-year sales outlook in June. This is down from 10 regions that were positive in May. Dealers in the Northeast (CT, DE, ME, MD, MA, NH, NY, PA, RI, VT), Lake States (MI, MN, WI) and Pacific regions (CA, OR, WA, AK, HI) were the most optimistic. Dealers in the Southern Plains (OK, TX) and Appalachia (KY, NC, TN, VA, WV) were forecasting sales to decline in 2011. On a sequential basis, Delta States (AR, MO, LA) and Canada are projecting slightly more optimistic full-year sales growth compared to May, while dealers in the Southeast (AL, FL, GA, SC) lowered their outlook modestly. Sales outlook in this chart represents the responses from 189 dealers during the last 2 weeks of July. AEI

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component of farm expenses tracked by USDA, rose 0.1% to $45.4 billion. Spending on farm machinery and tractors increased 17% to $10.9 billion.

Fertilizer costs grew 4.5% to $21 billion, and farmers spent $35.7 billion on services such as marketing and insurance, 1.9% less than the previous year. Other than feed, expenses for livestock and poultry, including the cost of purchases, totaled $24.4 billion, a 5.8% decline, according to USDA.

Spending on rent increased 15% to $25.9 billion. The amount spent on plants and seeds rose 5.2% to $16.3 billion. Labor costs totaled $27.4 billion, down 4.9%, the USDA said.

Longer Term Spending. For 2011, USDA is forecasting total operating costs to climb 18% for corn, 13% for soybeans, 18% for wheat, 15% for rice and 9% for cotton, compared to last year. Erickson said the major factors impacting production costs are higher energy and fertilizer prices.

USDA expects the 5-year average (2008-12) for farm expenses to rise 12% for corn, 19% for soybeans, 4% for wheat, 9% for rice and 17% for cotton.

The net effect, says Erickson, is these higher costs will reduce the record net farm income for the agricultural sector that is projected by USDA-ERS for 2011 and most likely in 2012. AEI

U.S. Operating Costs/Planted Acre 2008–2012 (U.S.$)

Corn	**2008**	**2009**	**2010**	**2011F**	**2012F**
Seed	60.02	78.92	83.23	94.72	95.65
Fertilizer	139.18	132.72	100.30	127.00	130.36
Chemicals	25.19	27.68	27.39	27.08	27.19
Fuel, Lube, Electricity	42.64	29.00	35.73	46.65	48.45
Other Variable Expenses	28.66	28.24	28.60	29.51	30.23
Total Operating Costs	**295.69**	**296.56**	**275.25**	**324.96**	**331.88**
Soybeans	**2008**	**2009**	**2010**	**2011F**	**2012F**
Seed	44.35	55.26	59.20	67.37	68.03
Fertilizer	25.12	23.65	17.87	22.63	23.23
Chemicals	15.73	17.38	17.04	16.85	16.92
Fuel, Lube, Electricity	20.20	13.48	16.75	21.87	22.71
Other Variable Expenses	22.39	20.72	21.43	20.90	21.44
Total Operating Costs	**127.79**	**130.49**	**132.29**	**149.62**	**152.33**
Wheat	**2008**	**2009**	**2010**	**2011F**	**2012F**
Seed	16.02	15.82	11.76	13.38	13.51
Fertilizer	52.51	53.45	41.23	52.50	53.59
Chemicals	9.32	10.25	10.37	10.25	10.30
Fuel, Lube, Electricity	25.25	17.13	21.57	28.16	29.25
Other Variable Expenses	22.58	22.17	22.49	23.10	23.71
Total Operating Costs	**125.68**	**118.82**	**107.42**	**127.16**	**130.36**
Cotton	**2008**	**2009**	**2010**	**2011F**	**2012F**
Seed	64.78	73.52	81.38	92.62	93.52
Fertilizer	98.25	92.29	73.54	93.11	95.58
Chemicals	62.68	67.97	68.35	67.59	67.86
Fuel, Lube, Electricity	61.28	40.15	50.81	66.34	68.90
Other Variable Expenses	156.64	160.98	188.41	184.99	193.83
Total Operating Costs	**443.63**	**434.91**	**462.49**	**504.65**	**519.69**

Source: USDA ERS

FARM MACHINERY TICKER (AS OF 8/11/2011)

Equipment Mfr.	Symbol	8/11/11 Price	7/13/11 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$36.16	$50.12	$59.81	$32.36	9.77	1.71 M	3.49 B
Alamo	ALG	$21.41	$22.75	$29.27	$18.68	9.52	45,980	254.35 M
Art's Way	ARTW	$6.05	$9.09	$15.95	$4.80	33.61	16,048	24.30 M
Caterpillar	CAT	$83.51	$108.64	$116.55	$63.34	13.81	9.63 M	53.95 B
CNH	CNH	$28.98	$36.82	$54.45	$27.01	9.11	477,648	6.96 B
Deere	DE	$67.99	$81.89	$99.80	$60.45	11.69	5.56 M	28.54 B
Kubota	KUB	$40.00	$46.40	$55.50	$39.66	13.72	51,255	10.17 B
Dealer Groups								
Cervus Equipment	CVL	$16.00	$17.50	$18.40	$14.20	N/A	13,313	N/A
Rocky Mtn Dealerships	RME	$8.71	$10.06	$11.00	$7.50	N/A	36,430	162.95 M
Titan Machinery	TITN	$20.82	$26.78	$32.03	$14.03	13.54	445,322	369.62 M

Cervus Equipment Revenues Jump 15% in 2Q

Canadian dealer group Cervus Equipment Corp. reported an increase in second quarter revenues of $19.2 million, or 15%, to $147.1 million for the second quarter of 2011, compared with $127.9 million reported for the second quarter of 2010.

Same store sales accounted for $13.5 million of the increase, and the company's agricultural equipment sector recorded a rise in gross revenues of $11.6 million. Ag same store revenues grew by $6 million, or 5.7%.

Based in Calgary, Alberta, Cervus operates 21 John Deere dealerships and 15 construction and industrial locations throughout Western Canada.

Net profit for the period rose by $2.4 million, or 76%, to $5.7 million for the second quarter from $3.3 million reported in the second quarter of 2010.

Overall gross margin for the 3-month period ended June 30 increased to 18.9% from 17.3% for the second quarter of last year.

The company also reported, "The increase in our gross margin was primarily led by an increase in our gross profit margin being experienced on our used equipment sales. Used equipment margins were lower in 2010 due to used equipment sent to auction.

"The increase in our sales, combined with an overall increase in our gross profit margins, resulted in an increase in our net profit."

In a note to investors, Ben Cherniavsky, analyst for Raymond James, added, "Cervus boasts a net debt-to-equity ratio, including a portion of floorplan financing of 0.1x, which positions it extremely well for future acquisitions. The presence of ample consolidation opportunities remains a key component of our investment thesis on this particular company and the equipment dealer sector in general." **AEI**

Cervus Equipment Corp. Earnings Summary — 2Q 2011

	3 Months Ended			6 Months Ended		
Thousand Canadian$	**June 30, 2011**	**June 30, 2010**	**% Change**	**June 30, 2011**	**June 30, 2010**	**% change**
Revenue by segments:						
Ag Equipment	91,406	83,815	9.9	133,882	117,733	13.7
New	58,980	57,694	2.2	84,991	78,582	8.2
Used	32,426	26,121	24.1	47,589	39,151	21.6
Parts	11,653	8,937	30.4	19,667	15,242	29.0
Service	6,852	5,890	16.3	12,151	9,919	22.5
Rental and other	699	335	108.7	1,302	395	229.6
Agricultural equipment	110,610	98,977	11.7	165,700	143,289	15.6
Const. Equipment	23,191	16,982	36.6	39,304	29,158	34.8
New	20,587	14,961	37.6	34,293	24,829	38.1
Used	2,604	2,021	28.8	5,011	4,329	15.8
Parts	6,519	5,465	19.3	13,134	10,674	23.0
Service	4,769	4,531	5.3	9,390	8,389	11.9
Rental and other	2,002	1,972	1.5	3,836	3,618	6.0
Construction and industrial equipment	36,481	28,950	26.0	65,664	51,839	26.7
Total	147,091	127,927	15.0	231,364	195,128	18.6
Net earnings by segment						
Agricultural equipment	4,608	3,423	1,185	3,817	2,418	1,399
Construction and industrial equipment	1,122	(169)	1,291	1,759	223	1,536
Total	5,730	3,254	$2,476	5,576	2,641	$2,935

Experts Say Weather Issues Will Hinder Crop Yields, Not Pricing

Regional drought and/or excessive heat is expected to damage corn yields, which last month USDA projected to reach 158.7 bushels per acre in 2011. Last year, corn yields came in at 152.8 bushels following the agency's forecast of 165 bushels.

USDA's World Agricultural Supply Demand Estimates report was issued on August 11 and the agency dropped its yield projections while raising pricing for corn, soybeans and wheat.

WASDE Outlook. Corn production was lowered to 13.9 billion bushels from 14.4 billion last month, and yield was dropped to 153 bushels per acre, down 5.7 bushels from last month's projection as unusually high temperatures and below average precipitation during July across much of the Corn Belt sharply reduced yield prospects. Corn price expectations were raised to $6.70 per bushel, up from $6.

USDA's forecast for soybean yields were dropped to 41.4 bushels per acre, down 2.1 bushels from last year. Pricing expectations were raised to $13.50 per bushel from $13. Wheat prices were also raised and forecast at $7.60 per bushel from $7.30

Lower Yields. Univ. of Nebraska-Lincoln researchers suggest that high nighttime temperatures are having a harmful effect on corn yields and,

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Experts Say Weather Issues Will Hinder Crop Yields, Not Pricing...Continued from page 4

as of August 1, they projected overall yields to fall below historical levels.

Some observers are projecting corn yields to come in as low as 150 bushels per acre. This is the lowest since 2006's 149.1 bushels per acre.

Brent R. Rystrom, director of research for Feltl and Company, a stock brokerage and investment banking firm based in Minneapolis, Minn., spent the last week in July and first week in August touring 100 counties in six of the states with higher corn condition crop ratings to get a sense of how fields and yields may look.

"Our conclusion is that only two states — Nebraska and Wisconsin — had solid field conditions and yield prospects," he says in a note. "Iowa is seeing drought impact in at least the bottom half of that state, North Dakota was much more mixed than we would have expected (water everywhere), and South Dakota was consistent with our assumptions."

Rystrom says these six states were selected because field conditions and crop quality have deteriorated markedly in Illinois, Indiana, Kansas and Ohio. Any hope for big yields is focused on these six states.

He adds, "Our calculations are presently suggesting average national yields that range between 148-152 bushels, well below the latest WASDE estimate. This is on the low end of or below recent industry estimates of 151-154 bushels per acre. With a little push, we would not be surprised to see yields fall into the 145-bushel range."

Equipment Sales Up. The projected higher price for the major crops is good news, particularly bullish for ag machinery sales.

"Our model suggests that cash receipts from major crops will be $149.6 billion, or up 23% year-over-year from 19% last month," says Ann Duignan, analyst for JP Morgan. "These projections continue to support strong farm income expectations for the year and continued equipment demand." AEI

Rocky Mountain Posts 49% Sales Gain in 2Q

Rocky Mountain Dealerships reported second quarter sales of farm and construction equipment grew to $217.9 million, a $71.8 million year-over-year increase for the period ended June 30. The company's year-over-year increase included $38.9 million in same-store growth and acquired growth of $32.9 million.

Rocky Mountain is one of Canada's largest agriculture and construction equipment dealerships with 37 branches throughout Alberta, Saskatchewan and Manitoba. It has acquired three dealerships that included seven stores since last November.

The Calgary, Alberta-based dealer group said that its normalized net earnings for the period rose by 110% to $6.5 million from $3.1 million a year ago.

"The only disappointment from our perspective was gross margins which, despite an unchanged sales mix, declined fractionally year-over-year and missed our 16% estimate by 80 basis points," Ben Cherniavsky, analyst for Raymond James, said in a note.

Higher Costs. "Management attributed this to an increase in technician training costs as well underperforming acquired stores. They also echoed a commitment made earlier in the year to focus on internal integration and delivering improved profitability in 2011 before getting back on the consolidation train. We expect margins to improve in the second half of 2011 and do not assume any more acquisitions in our model until next year," Cherniavsky says.

New CFO. Rocky also announced that David Ascott was appointed as Rocky's Chief Financial Officer effective August 8, succeeding Garrett Ganden who will now focus his efforts on his role as Chief Operating Officer. Ascott joins the company having most recently served as CFO of a Toronto Stock Exchange listed company based in Eastern Canada. AEI

Rocky Mountain Dealerships Net Earnings & Comprehensive Income — 2Q 2011

	3 Months Ended		6 Months Ended	
Year end December 31; 000's C$	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Sales				
New Units	115,974	82,065	200,697	144,003
Used Units	62,481	36,981	109,023	75,068
Parts	25,065	15,763	39,758	26,501
Service	12,961	10,185	23,575	19,314
Other	1,438	1,175	2,444	1,758
Total Sales	217,919	146,169	375,497	266,644
Cost of Sales	184,698	123,213	316,576	224,457
Gross Profit	33,221	22,956	58,922	42,187
Net Earnings & Comprehensive Income	4,464	3,096	7,127	4,852
Gross Margin	16.0%	15.2%	15.7%	15.8%

Ag Sprayer Manufacturers See Robust Sales On Both Sides of the 'Pond'

Sprayer manufacturers in both the U.S. and France say the demand for crop sprayers is gaining momentum. Equipment Technologies of Mooresville, Ind., and France-based EXEL Industries expect business levels to accelerate in the second-half of this year and into 2012.

The current order backlog for Equipment Technologies' 2012 Apache line of mechanical-drive sprayers is already greater than the number of sprayers sold for all of model year 2011.

"That's a nice position to be in from a manufacturing point of view," CEO Matt Hays told dealers of the Apache sprayer during the company's annual sales meeting July 25-27 in Indianapolis. "It gives us visibility into what supplies we'll need to order to build the new sprayers, and help us keep our costs down."

Equipment Technologies has grown rapidly since 2002, the same year Hays took over the company. On a compounded basis, its unit sales growth equates to a doubling in size every 3 years.

Compared to the 2010 model year, the company's retail commitments for model year 2011, ended June 30, are up 44% — the best growth the company has ever seen in a single year, says Hays. Factory orders are up 31% vs. prior model years.

A Bullish Market. "We're bullish on the sprayer market," says Hays. "There are still a lot of farmers who don't own a self-propelled sprayer, so we believe the trend of increased farm ownership will continue.

"As we work to increase farm productivity to feed the world, there is going to be more land conservation, and a continued push to improve the way farmers treat the land. Sprayers play into that trend very well."

The sweet spot for Equipment Technologies' sprayers are farmers with more than 1,000 acres. "It's pretty easy for a farmer to cost-justify a new sprayer if he is in the 1,600-2,000 acre range," says Hays. "They're making more trips across the field and can't afford to wait for a custom applicator. Our strategy is to position ourselves to capitalize on the market expansion as it happens."

New Facilities. Part of that strategy is a 110-acre farm located within sight of Equipment Technologies' headquarters that the company recently acquired. It will break ground this fall on a building that will become the new home of ET Ag Center, the company's brand for its spraying parts business, which offers replacement components for Apache sprayers as well as other machines.

In addition to housing a distribution center for the spare parts business, the new facility will support Equipment Technologies' increased emphasis on dealer training, which includes a dedicated training staff. The research and development department will move to the new building, and a product test track will be constructed.

> ***"Factory orders for Apache sprayers are up 31% vs. prior model years..."***

Recovering Market. An accelerating recovery in the world market for crop sprayers is reported by one of the largest manufacturers in this sector.

France-based EXEL Industries produces spraying equipment through autonomous subsidiaries such as Berthoud, Hardi International and Tecnoma.

Newly-appointed CEO Guerric Ballu comments: "As expected, the second half of the financial year began with a very good third quarter for our plant protection business, which has now experienced growth over the past 9 months.

"This dynamism came mostly from our export markets, which have risen 21% in all geographic areas, and justifies our continuing international development strategy," he adds. "Despite certain difficult foreign exchange situations, the highest growth came from Eastern Europe."

For the first 9 months of fiscal year 2011, revenues from crop sprayers and related equipment were up 7.4% over the same period in 2009-10 at $333.5 million, according to current exchange rates. But revenues in the March to May quarter were up more than 19% from the prior year.

"Order entries remained on the upside, with the exception of regions affected by drought," notes Ballu. "The market has benefitted from the confidence generated by high prices for agricultural products and we anticipate accelerating growth of revenues through the fourth quarter."

Rising Prices. However, he acknowledges that the group still faces challenges of transforming a healthy order book into on-farm deliveries, given some difficulties in procuring components and pressures on purchase prices.

Ballu was elected CEO by EXEL's board after this role was split from that of Group Chairman, a position still held by his father, Patrick Ballu, who recalls that the business started as Tecnoma by his own father in 1952 has grown considerably since then.

Hardi NA. Hardi North America held its first-ever dealer meeting on August 9-10 at its assembly plant in Davenport, Iowa.

Brad Frazier, sales manager for the North American group, says the company expects to double sales as a company in the next 5 years, with most of the growth coming in the North American market.

While Hardi has been a trailer sprayer manufacturer to date, it will introduce the Saritor self-propelled sprayer in 2012. "The trailer sprayer market has not matured, yet," says Frazier. "In fact, we expect to pick up market share in the coming years. But the highest growth market is in the self-propelled sprayer segment, with roughly 4,000 units sold each year in North America." AEI

‘Summer Slump’ Continues in July

The slump in overall North American tractor sales continued in July, but an increase in retail sales of row-crop tractors is an encouraging sign.

“U.S. and Canada large tractor and combine retail sales comparisons improved in July,” says Robert McCarthy, analyst for RW Baird. “While still negative, comparisons strengthened across all large machinery types. Prior-year comparisons become much tougher starting in August and continuing through year-end, suggesting achieving second half 2011 industry unit sales growth could be difficult,” he says.

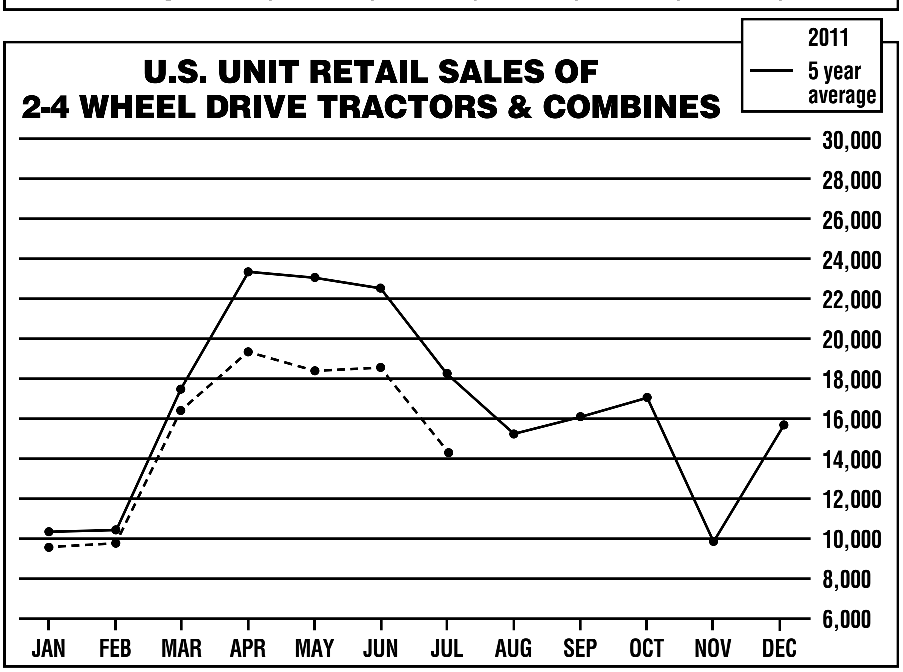
- U.S. and Canada large tractor and combine retail sales comparisons improved in July, declining 4% year-over-year vs. a 17% decline in June. Comparisons improved across all large ag machinery types sequentially; comparisons turned positive for row-crop and 4WD tractors.
- Combine sales declined again in July, though July’s 24.6% decline was a modest improvement from June’s 36.9% fall. Combine sales have now fallen 10% in each of the last 3 months. July is an important month seasonally for combine sales (13.2% of annual sales) as it represents one of the strongest months for unit sales.
- Row-crop tractor sales increased 10.7% in July, rebounding after a 5.1% year-over-year decline in June. July is typically a below-average month seasonally for tractor sales (6.6% of annual sales). U.S. row-crop tractor inventories declined slightly in June, falling only 1% year-over-year, suggesting Tier 4 Interim machinery availability could be beginning to improve.
- 4WD tractor sales increased 5.1% year-over-year in July, up from a 24.6% decline in June. Last 3-month comparisons have been relatively steady around a roughly flat reading for the last 4 months, suggesting relatively stable demand year-over-year.
- Mid-range tractor sales deteriorated, declining 7.7% year-over-year in July after a 4.9% increase last month. Utility tractor sales also declined year-over-year (down 10.8%). **AEI**

JULY U.S. UNIT RETAIL SALES

Equipment	July 2011	July 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	July 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	6,713	7,573	-11.4	53,992	54,639	-1.2	49,179
40-100 HP	4,237	4,604	-8.0	29,245	28,775	1.6	22,588
100 HP Plus	1,828	1,658	10.3	14,411	14,881	-3.2	6,163
Total-2WD	12,778	13,835	-7.6	97,648	98,295	-0.7	77,930
Total-4WD	403	395	2.0	3,159	2,946	7.2	1,003
Total Tractors	13,181	14,230	-7.4	100,807	101,241	-0.4	78,933
SP Combines	856	1,187	-27.9	4,944	5,004	-1.2	1,414

JULY CANADIAN UNIT RETAIL SALES

Equipment	July 2011	July 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	July 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	989	1,062	-6.9	6,977	6,596	5.8	6,178
40-100 HP	491	518	-5.2	3,458	3,557	-2.8	3,103
100 HP Plus	270	238	13.4	2,344	2,363	-0.8	1,209
Total-2WD	1,750	1,818	-3.7	12,779	12,516	2.1	10,490
Total-4WD	54	40	35.0	790	858	-7.9	271
Total Tractors	1,804	1,858	-2.9	13,569	13,374	1.5	10,761
SP Combines	332	389	-14.7	1,406	1,375	2.3	814



—Assn. of Equipment Manufacturers

European Ag Equipment Makers Push for Reducing Emphasis on CO2 Emissions

Ag vehicle manufacturers are preparing to lobby against the possibility of new European rules to drive down carbon output from off-highway diesel engines.

They will argue that the European Commission's CO_2 reduction ambitions can be achieved more easily and cheaply by encouraging further improvements in agricultural process efficiency and removing older vehicles from general use.

"As it is, 30-40% of our R&D spend will have to be dedicated to engine and engine compartment changes to meet European Stage 4, U.S. Tier 4 Final rules," says Dr. Hermann Garbers, head of Technology and Quality at Claas, one of Germany's largest manufacturers of farm machinery.

"The European Commission is now talking about a 'Stage 5' with a focus on CO_2 emissions. As an industry, we are enthusiastic about minimizing pollution but believe the EC's goals can be met more effectively through other means."

Manufacturers plan to highlight the efficiency gains already achieved through innovative engineering and which have a significant impact on fuel consumption and CO_2 emissions. Further gains will come as a consequence of manufacturers striving to meet customer demands for lower operating costs and to increase performance from machines that can get no bigger.

"There will be a limit to the physical size and weight of agricultural machinery so we must find ways of improving internal capacity and productivity," says Garbers. "That will mean greater intelligence and systems control with a positive impact on performance relative to fuel consumption."

Leading industry manufacturers will also propose non-engineering measures to make further improvements in fuel use efficiency. This includes better operator performance through training and better management of field processes such as harvesting and grain hauling.

Tackling legacy emissions by offering incentives to farmers to replace aging, more polluting tractors, harvesters and other powered machinery, is also among the proposals.

"It is not enough to focus only on the engine because it represents a small part of the overall picture," Garbers insists. "Putting all the emphasis on the engine means that other opportunities for improving fuel efficiency are overlooked.

"We need to be able to use all the levers available to achieve CO_2 emissions reduction goals. Regulation that takes resources away from innovative R&D is restrictive and causes other opportunities for efficiency gains to be missed." AEI

Extension Granted for Specialty Tractors to Meet Stage 3B Emission Regs

The European Parliament has agreed to a longer time frame for applying new exhaust emission regulations to engines mounted on narrow-track tractors compared to regulations set for standard tractors.

According to UNACOMA (National Union of Agricultural Machinery Constructors), on July 18, the Environment, Public Health and Food Safety Committee of the European Parliament agreed to move back to 2015 the process for narrow-track tractor compliance with Stage 3B. It would also shift Stage 4 requirements to start in 2017. In addition, the technical feasibility of this latter stage will come up for verification no later than the end of the 2014.

The recommendation will be submitted to the European Council in September and come up for a vote in the European Parliament in October. The proposal takes into account the specific technical problems for this type of machine which currently cannot be adapted to the new emission control devices.

New engines equipped with systems for reducing emissions cannot be mounted on these compact narrow-track tractors manufactured specifically for operations in the tight spaces of vineyards and orchards.

UNACOMA President Massimo Goldoni says, "The impact of this delay is considerable if we consider that out of some 160,000 tractors sold every year in Europe, 25,000 of them belong to the narrow-track category." He also noted, "If approved by the European Parliament, the measure will allow industry, especially the Italian industry with a great background in the manufacture of specialist tractors, to plan engine updating and provide the time needed for the development of systems which are specifically designed."

AGCO, CNH Report Big 2Q Earnings

On July 25, CNH reported total equipment revenues of $4.88 for its second quarter from $3.9 billion a year ago. Ag equipment revenues were $3.85 billion, up 22% for the period. The company expects 2011 global ag equipment markets to be up 5-10% worldwide. It projects North American tractor sales to be flat and North American combines up 15% for the remainder of 2011.

On July 28, AGCO reported net sales of $2.4 billion for the second quarter of 2011, an increase of 35.3% compared to net sales of $1.7 billion for the second quarter of 2010. The company raised its 2011 revenue outlook to $8.5-$8.7 billion, from $8.3-$8.5 billion. AGCO expects industry sales North American sales to be up 5-10% year-over-year. AEI