From the editors of *Farm Equipment...*

Ag Equipment Intelligence

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News, Information & Analysis for the Ag Equipment Marketer

- Acquisitions Ramp Up
- WASDE is Solid
- A 'Fragile' Market

Farm Equipment Attracting Investment, Especially for International Expansion

Evidence continues to mount that ag is an attractive place to invest these days. News during the past few weeks has reinforced the trend of international investments in agriculture — especially in farm equipment.

While many of the deals are coming from within the industry, a high level of interest is coming from financial investment firms that see agriculture as a good place to put their money.

Here's a quick rundown of activity that's taken place in just the past few weeks:

- Oxbo International Corp. in the U.S. and Ploeger Agro B.V. of the Netherlands merged to create the world's largest specialty harvesting equipment company.
- CNH struck a strategic alliance with Brazilian company Semeato to provide planters and drills for the South American market.
- AGCO purchased GSI Holdings Corp. from affiliates of Centerbridge Partners, L.P. GSI manufactures grain storage and protein production systems. AGCO cited international expansion as well as synergies in North America as reasons for the acquisition.
- Both Deere and AGCO announced expansion plans in South America. AGCO is also negotiating to acquire a sugarcane harvester manufacturer.

Also, during the past year, a wide range of other transactions have also taken place, including:

- Tarter Farm and Ranch Equipment signed a cooperative agreement with Feraboli Equipment of Italy.
- International Equipment Solutions of KPS Capital Partners purchased Paladin Brands.
- Gregoire Bresson of France purchased tillage toolmaker Rabe Agri of Germany. *(Full story on p. 6.)*
- Kuhn of France acquired Kansas tillage and seeding company Krause Corp.
- Great Plains bought UK tillage and seeding company SIMBA.
- Amity International's formed a joint venture with AGCO for inter-

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Used Equipment Pricing Stable, Inventories Still on the High Side

Dealers responding to the September *Dealer Trends & Business Outlook Survey* report that used equipment prices remained consistent in August compared to July. By category, tractors over 100 horsepower were up 3.1% year-over-year on average in August vs. 2.8% in July. Pricing for used tractors under 100 horsepower were up 2.1% in August, which was consistent with July. Used combine values came in slightly higher year-over-year, up 0.2% in August from a flat reading in July.

Ag Equipment Intelligence and Cleveland Research Co. conduct the survey monthly. The September version ran during the last two weeks of the month and included responses

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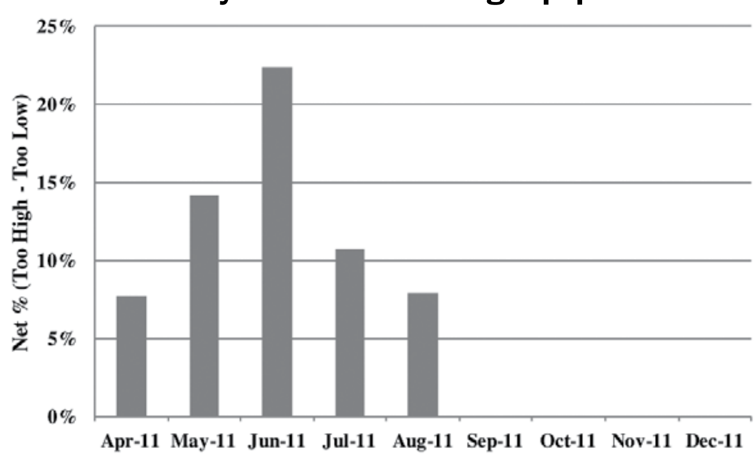
Inventory Levels — Used Ag Equipment



A net 8% of dealers categorize their used inventory levels as "too high" (27% too high; 53% about right; 19% too low) compared to a net 11% in the previous month.

Farm Equipment Attracting Investment...Continued from page 1

national expansion prospects.

- Kuhn of France and John Deere signed a cooperative agreement to produce a large square baler.
- German tillage and seeding equipment manufacturer, Horsch, entered into a second joint venture in the U.S. that will allow it to focus specifically on the corn market. *(See full story below.)*
- Hay tool manufacturer Sitrex SpA of Italy acquired a range of trailed and self-propelled mixer-feeders from Unifast Brand & Engineering.

"More and more, our clients outside North America want to understand the investment opportunities here," says

"Access to growth capital is not a problem..."

George Russell, executive partner, Currie Management Consultants of Worcester, Mass.

"To complement that, our regional North American clients want to understand the investment opportunities internationally. We're also hearing from private equity companies who see opportunities in agriculture want to understand the investment opportunities in agriculture globally."

"There's a lot of investment capital looking for opportunities in farming," Russell adds. "Growth companies see the current economic environment as the right time to leverage their investments for long-term growth in ag. Access to growth capital is not a problem." AEI

Horsch Enters into Second U.S. Joint Venture

One of Germany's leading tillage and seeding equipment manufacturers, Horsch, has entered a second joint venture in the U.S. that will allow the company to focus specifically on the corn market.

Horsch and Tim Penner of Harper Industries, a Kansas-based supplier of turf and other non-ag equipment, jointly own Horsch North America. The new venture will be based at Harper Industries' facilities initially but a dedicated facility is part of the longer-term plans.

Corn Belt Focus. Horsch export managing director Trauggot Horsch explains the rationale for setting up the new business. "At present we operate in the United States and Canada through Horsch Anderson, a joint venture based in South Dakota that we established for the development, production and distribution of tine air seeders.

"It's a successful venture with a premium product that competes on performance for sales to professional growers in the northern wheat belt. For our entry into the central corn belt, we decided a separate venture would maintain clear focus on these two different sectors."

Horsch says he recognizes that one of the biggest challenges will be to sign dealers to handle the new product line, which enters a very competitive sector already served by other shortliners and multi-national manufacturers. But he believes Harper's proven marketing and service track record and the advanced technology in the new Maestro single-seed drill will prove attractive to growers and dealers alike.

"We're aiming for top-level growers in high-yielding areas interested in adopting the latest technology," says Philipp Horsch, product development director. "The Maestro, with its unique electrically-driven seeding units, offers greater precision of in-row spacing and single-seed selection, allowing it to work at up to twice the speed of existing planters.

"Electronic monitoring of singulation and seed spacing on every row will help the operator determine the optimum working speed for prevailing conditions," he adds. "We'll also have a version that utilizes John Deere's tractor-implement control to automatically regulate forward speed."

Americanized Products. Horsch is also introducing a number of other products from its European line through both U.S. ventures, but they will be 'Americanized' in recognition of local requirements.

The Joker short disc and tine cultivator, the heavy-tine Tiger and the Pronto disc cultivator-based seeder, which is a best-seller in Europe, will be joined by tine and disc coulter no-till seeders currently in the final stages of development.

"We recognize that U.S. growers have different requirements and expectations compared with their counterparts in Europe," says Philipp Horsch. "We're taking successful European concepts with proven working depth precision and incorporating them into implements with a North American format and dimensions."

Initially, the implements will be built in Europe at one of Horsch's two assembly plants in Germany. But as volumes grow, says Traugott Horsch, they will be manufactured and assembled in a new U.S. plant.

"We don't plan to impose our European products on U.S. growers," he says. "Our goal is to produce American implements that exploit our European technology." AEI

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Used Equipment Pricing Stable...Continued from page 1

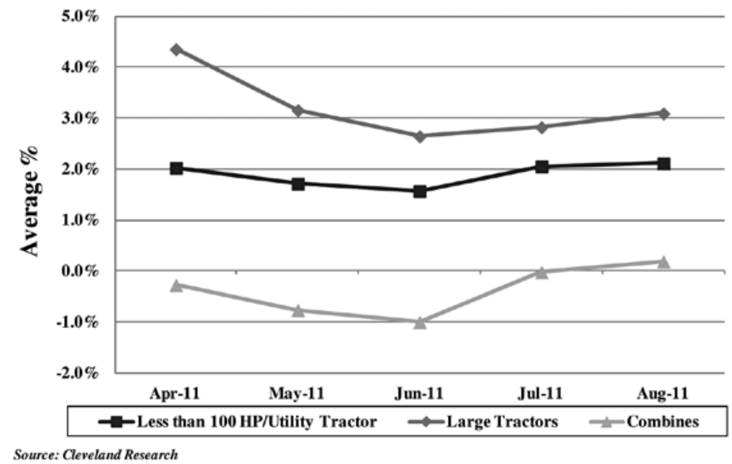
from 345 U.S. and Canadian dealers that represented combined annual revenues of roughly $13.2 billion.

According to Curt Siegmeyer of Cleveland Research, sequentially, a net 6% of dealers reported higher values for under 100 horsepower utility tractors (11% higher; 85% same; 5% lower), up from July's finding of a net 1% reporting lower values.

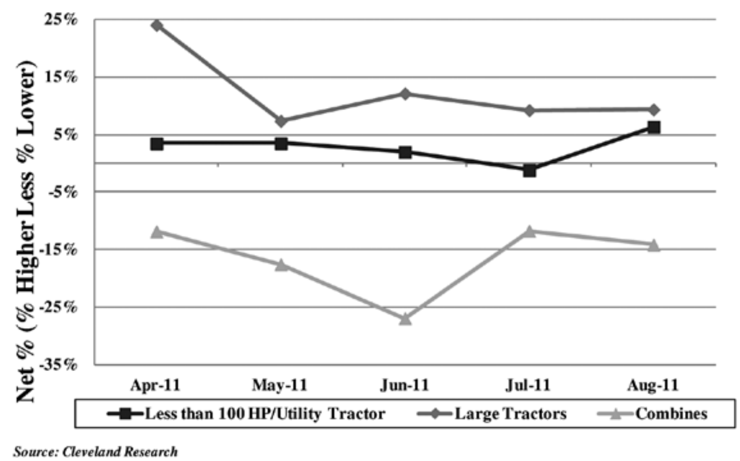
For over 100 horsepower tractors, a net 9% of dealers report higher values vs. last month (16%/77%/7%), consistent with July. A negative net 14% reported used combine values were lower in August vs. the previous month (12%/63%/26%), down from a negative net 12% in July.

High Inventories. While pricing for used machinery has remained relatively stable, a net 8% of dealers categorize their used inventory levels as "too high" (27%/53%/19%) compared to a net 11% in July. "While still high, it's encouraging to see more dealers feeling more comfortable with used equipment, as strong seasonal sales appear to be contributing to the improvement," says Siegmeyer.

At the same time, a net 27% of dealers reported used combine inventory levels declined compared to last month (10%/53%/37%). Commentary on combine inventory suggests that, while there was sequential improvement, a significant overhang still exists, but it appears manageable. AEI



Values for used tractors under a 100 horsepower are running at about the same level as a year earlier, while prices for larger units are lower. Combine prices are above year-ago levels.



Dealers in September reported roughly consistent used prices in August compared to what they saw when the AEI-CRC conducted its July survey.

FARM MACHINERY TICKER (AS OF 10/12/2011)

Equipment Mfr.	Symbol	10/12/11 Price	9/11/11 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$38.47	$39.71	$59.81	$30.11	10.39	2,088,280	3.71B
Alamo	ALG	$22.95	$21.49	$29.27	$19.71	10.20	41,688	273.31M
Art's Way	ARTW	$6.03	$6.21	$15.95	$4.80	33.50	7,465	24.22M
Caterpillar	CAT	$81.70	$83.85	$116.55	$67.54	13.51	11,775,300	52.78B
CNH Global	CNH	$30.78	$29.48	$54.45	$22.19	9.68	575,191	7.39B
Deere	DE	$71.05	$75.04	$99.80	$59.92	11.69	5,965,720	29.41B
Kubota	KUB	$39.75	$38.94	$55.50	$36.81	67.15	52,012	50.55B
Dealer Groups								
Cervus Equipment	CVL	$14.70	$14.90	$18.40	$13.60	N/A	18,408	N/A
Rocky Mtn Dealerships	RME	$9.35	$9.24	$11.00	$7.81	10.24	22,316	175.53M
Titan Machinery	TITN	$20.65	$21.28	$32.03	$15.58	12.39	415,495	417.87M

Small Tractor Market Still 'Fragile' Says Mahindra Execs

The rapid rise and fall of compact tractor sales in North America during the past decade mirrors the surging and slowing of the rural lifestyle phenomena in the U.S. But according to the Mahindra USA executives interviewed by *Ag Equipment Intelligence*, the declining sales of small tractors appear to have finally plateaued. Slow growth during the next year or two is the likely scenario.

Slow Road Back. In 1998, 62,513 compact tractors (<40 horsepower) were sold in North America according to the Assn. of Equipment Manufacturers. By 2004, unit sales of compact tractors more than doubled, surpassing 140,000 units, but the crash of the U.S. housing market brought the unprecedented growth to a halt. In 2009, total sales of these tractors had fallen to 90,000 units. An uptick in sales of about 5% to 94,600 compact tractors was seen in 2010.

Executives from Mahindra USA, the Mumbai, India-based tractor maker that entered the U.S. market in 1994, say they don't expect to see the kind of numbers that manufacturers and dealers saw six or seven years ago anytime soon.

"The market is still fragile and it's subject to a variety of economic influences," says Mani Iyer, president of Mahindra USA.

He says the main influencers on the sales of compact tractors include the employment rate, housing sales and credit availability for small business and consumer purchases. "These will need to be addressed before this market can really get back to previous sales levels," Iyer says.

Mahindra reports that it is the biggest selling tractor company in the world based on unit volume. Its current line includes compact and utility tractors ranging from 18-83 horsepower.

"The market has been on a roller coaster ride with a lot of ups and downs in the past six or seven years," Iyer says. "Overall, we feel the market will stabilize and be flat for 2011. Next year is uncertain, but we feel it will recover slightly and end the year up about 3% vs. 2011."

Between 2013 and 2015, he says the market will show signs of recovery and sales will increase by 3-5% each year vs. the previous year.

Longer Term. It will probably take until the end of the decade for this segment to approach its sales peaks of 2003 through 2006. "If what we believe is correct, we could see numbers close to 125,000 or 130,000 units by the end of this decade," says Iyer. "The market will eventually recover, but with higher consumer prices seeming to be the norm, we don't believe that we will reach the peak unit figures we saw in 2004."

With the market downturn, it's also expected that some further consolidation of tractor makers will take place. In recent years, Farmtrac and Montana tractor brands have disappeared.

"We see the overall number of small tractor manufacturers stabilizing and possibly decreasing in the next three years," says Cleo Franklin, vice president, marketing and strategic planning for Mahindra USA.

"However, the North American market remains attractive for new market entrants. In this price-sensitive period, tractor manufacturer's challenges will be balancing cost while still meeting the market requirements for value-priced products that customers demand," says Franklin.

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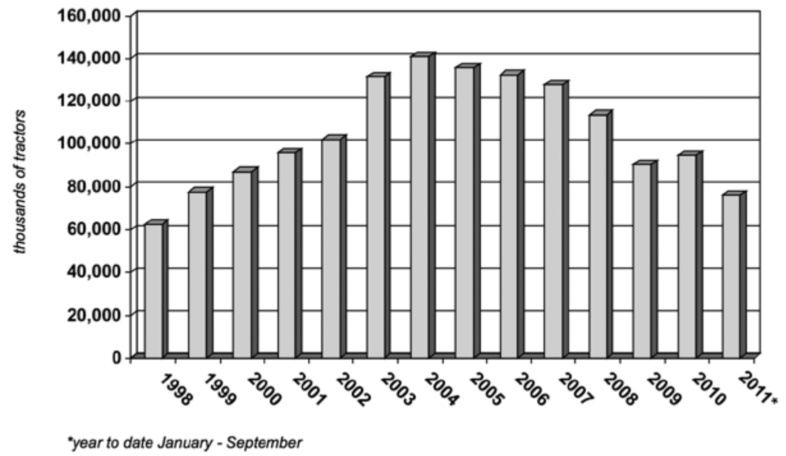
North American Compact Tractor Sales — 1998-2011



Between 1998 and 2004, North American sales of compact tractors (<40 horsepower) more than doubled to 141,000 units. By 2009, unit sales fell by more than 50,000 tractors to around 90,000, according to the Assn. of Equipment Manufacturers.

Dealers See Little Change for 2012 Sales of Compact Tractors

North American dealers don't expect a significant improvement in their revenues from the sale of compact tractors in the next year, according to *Ag Equipment Intelligence's 2012 Dealer Business Outlook & Trends survey.*

Overall, 28.2% of the dealers surveyed in early September projected their sales of tractors below 40 horsepower would improve in the year ahead. This compares with nearly the same number of dealers — 27.8% — who projected revenue growth from this tractor category a year ago.

Most dealers, 59.9%, are forecasting little or no change in revenues from small tractor sales in 2012. This compares with a nearly identical 60.4% of dealers last year who expected little or no change for 2011.

2012 Revenue Growth from Compact Tractor Sales

(% of dealers)	2011	2012
+8% or More	8.6%	8.4%
+2-7%	19.2%	19.8%
Little/No Change	60.4%	59.9%
–2-7%	8.6%	8.4%
–8% or More	3.2%	3.4%

Small Tractor Market...Continued from page 4

"Without the necessary scale required to compete in the industry, small tractor manufacturers will face a tough challenge."

Last month, Mahindra USA opened its new 135,000 square-foot headquarters in Houston, Texas. Besides providing more space as the company grows its business, the company says the new facility also signifies its commitment to the North American market.

Franklin adds that despite the sluggish North American market for small tractors, the company plans to introduce several new 20-30 horsepower mid-compact tractors during its dealer meeting in Galveston, Texas, in January 2012.

Worldwide Growth. While North America and Europe continue to contend with ongoing economic challenges, Franklin says that Mahindra's most rapid growth will come from India, the world's largest tractor market, and China, the second largest tractor market worldwide. AEI

DLG Kongskilde Saves Hay Tool Maker JF-Stoll from Bankruptcy

One of Denmark's largest farmer owned co-operatives has rescued the manufacturing operations of leading hay equipment maker JF Fabriken and two of its sales subsidiaries from bankruptcy.

Better known through its JF-Stoll brand, the business has been acquired by DLG Group, a $7 billion co-op that already owns a majority holding in Kongskilde Industries, another Danish ag equipment manufacturer.

It took just three days from the bankruptcy declaration by JF Fabriken directors to DLG completing its acquisition. Speed was essential, says chief executive officer, Asbjørn Børsting. "The situation of the company required a fast settlement in order to ensure its future operation. For DLG, taking over JF-Stoll was a very interesting possibility because it will further strengthen Kongskilde's position in the market for agricultural implements."

A Good Fit. The equipment offering of the two businesses appear to be a good fit, while expanding the overall product line. Kongskilde operates in the arable sector producing field and crop storage equipment, while JF-Stoll's activities are focused on hay machinery and mobile livestock feeders.

Bringing them together — JF-Stoll will operate as a subsidiary of Kongskilde — has strategic value, says Børsting, in attracting distributors and dealers wanting a balanced package of both hay tools and tillage products.

"There will also be production processes that are very much alike so it will be possible to optimize production flow with the two different product lines," he adds. "There should also be opportunities to cut costs through rationalized purchasing, IT, sales and marketing activities."

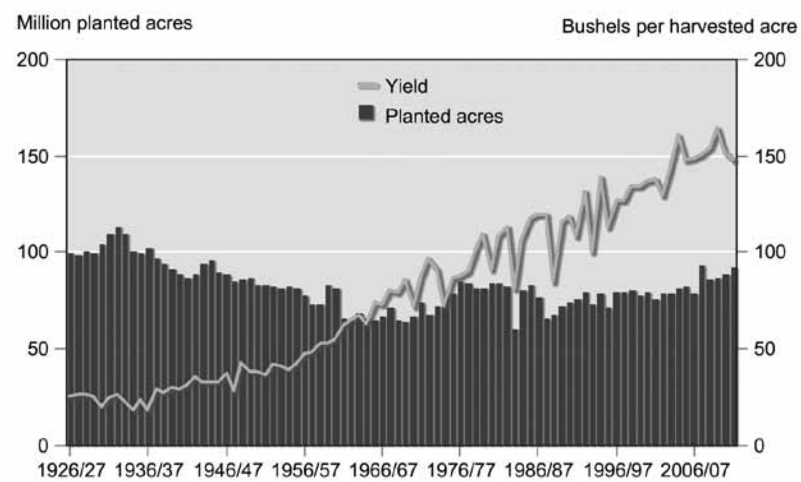
JF Fabriken, which was owned by Freudendahl Invest, a holding company established by the founding family, is a 60-year old business with 230 employees and annual turnover equivalent to $40 million. Its core product line comprises mowers, tedders, rakes and trailed forage harvesters; trailed mixer-feeders were added to the product portfolio in recent years.

U.S. Unaffected. In addition to the manufacturing business, DLG has acquired JF-Stoll's sales companies in Norway and Russia. Sister company Wilhelm Stoll, which manufacturers tractor loaders, and its Stoll North America subsidiary, will not be affected and will remain companies of Freudendahl Invest.

Kongskilde Industries is a significantly larger business. It generated net turnover equivalent to $291 million last year, producing tillage equipment and seed drills in Europe and the U.S., as well as grain handling and storage systems.

In recent months, Kongskilde's U.S. and Canadian operations were consolidated and moved to Hudson, Ill., at the facilities of seeding equipment manufacturer Progressive Farm Products, which was acquired by the Danish company in June of this year. AEI

Corn Yield Down, Production Slips in September Forecast



Source: USDA, World Agricultural Outlook Board, World Agricultural Supply and Demand Estimates.

As of September 2011, U.S. corn production in 2011-12 is forecast at 12.5 billion bushels, down 417 million from last month and only 50 million bushels above 2010-11, despite a 4.6% increase in planted area. Based on September 1 conditions, the national average corn yield is forecast at 148.1 bushels per acre, down 4.9 bushels from the August forecast and 4.7 bushels per acre below the 2010-11 yield. The current yield forecast for 2011-12 is 16.6 bushels below the 2009-10 record and would be the lowest yield since 2005-06. Despite this lower yield, production is forecast to be the third highest ever, with the second highest planted area since 1944. AEI

Acquisitions Ramp Up as Recession Takes a Toll on European Equipment Makers

As a recent round of acquisitions illustrates, recovery in farm machinery markets has not come soon enough for some manufacturers — although their financial difficulties have presented useful expansion opportunities for businesses with healthier balance sheets.

Hay Tools. In Italy, hay tools manufacturer Sitrex SpA has acquired a range of trailed and self-propelled mixer-feeders with the purchase from administrators of all intellectual property rights to these machines and, separately, the company Unifast Brand & Engineering, which holds the AGM logo that the machines carry.

Sitrex founder and president, Giovanni Signorelli, says the feeder products, which are already distributed in North America, will complement the mowers, tedders, windrow turners and rakes that Sitrex USA Inc. distributes through locations in Houston, Texas, and Omaha, Neb.

The U.S. operation accounts for a large proportion of company exports — currently more than 90% of production — from the three plants in Italy where the hay tools are manufactured and assembled.

Acquiring Unifast AGM adds another plant and 30 employees to the company's head-count of 90.

Tillage Equipment. Rabe Agri of Germany, a manufacturer of moldboard plows, cultivators and seeders, is said to have attracted a number of potential buyers when it applied for insolvency proceedings earlier this year. Grégoire Besson of France has acquired the business, creating a group with a combined turnover equivalent to $120 million.

Despite the two company's product lines having a lot of similarities, Grégoire Besson's president, Patrick Besson, says there is strategic value in the deal.

"We will gain production capacity, a powerful sales network particularly well established in Germany and a broader product line that includes mechanical and air seed drills," he points out. "For Rabe, we can offer new markets accessible through the Grégoire Besson distribution network."

The French company operates six production facilities in France and Italy, and is double the size of its newly acquired business with turnover equivalent to $80 million in 2010 and 380 employees. It has subsidiary sales companies in Britain, Poland, Russia and Canada, but is not active in the U.S.

Although the acquisition brings some benefits, it also presents some challenges, not least resolving Rabe's precarious financial position. The company previously entered administration (bankruptcy) in 2006 and its then new owners were confident of putting the business on a sound footing. AEI

WASDE Report Solid, But 'Found' Corn Sends Confusing Signals

USDA issued its monthly World Ag Supply & Demand Estimates (WASDE) crop production report on October 12. In its report, U.S. stocks-to-use projections for 2011-12 were raised for corn, lowered somewhat for soybeans and raised for wheat.

"The U.S. carryover for corn was raised, as expected, and prices were lowered $0.50 per bushel at the midpoint," Ann Duignan, analyst for JP Morgan said in a note to investors. "Importantly, corn yield expectations were kept constant vs. last month's report, aiding farmer sentiment.

'The report has the effect of lowering our 2011-12 estimate for cash receipts. However, our new estimate for a year-over-year increase of 20% is a solid growth rate and is on top of the ~26% increase projected for 2010-11."

Found Corn? On the other hand, Brent Rystrom of Fetl and Company was perplexed by the adjustments in the corn numbers. "The WASDE report essentially reflected the impact of the corn USDA 'found' in its recent Grain Stocks report," he said.

"We believe these reports are starting to strain credibility for several reasons," he says. "For instance, when corn prices go up USDA almost always reduces feed demand in the U.S. In the last month, corn prices have dropped roughly $1 a bushel or about 13%. Why didn't the USDA increase corn demand for feed from these lower prices? Or what about the USDA theme that feed demand for wheat was going to mushroom as a substitute for corn?

"USDA dropped its estimates for domestic feed wheat demand by 80 million bushels," says Rystrom. "Just what will livestock eat next year?"

Soybeans Lower. USDA's 2011-12 ending inventories estimate for beans came in 3% below last month's estimate and 11% below consensus. It dropped ending stocks to 160 million bushels, from 165 million bushels, well below consensus of 180 million.

The midpoint of $13.15 per bushel is $1.85 per bushel above last year's estimated price of $11.30.

USDA's estimate of 2011-12 ending wheat stocks is 10% above last month's estimate and 12% above consensus. The agency raised its forecast of ending stocks for the 2011-12 crop to 837 million bushels, from 761 million bushels previously and above consensus of 748 million bushels.

The midpoint of $7.50 per bushel of wheat is $1.80 above last year's estimated price of $5.70 per bushel.

Record Cash Receipts. "Our model suggests that cash receipts from major crops will be $144.4 billion in the 2011-12 crop year, +20% year-over-year and $120.8 billion for 2010-11, up 26% year-over-year," says Duignan. "While the 2011-12 growth projection of 20% is down from +25% last month, a growth rate of 20% in 2011-12 is still strong in our view, and supports farm equipment purchases." AEI

Ag Equipment Sales Mixed in September

North American sales of high-horsepower tractors were up in September, but combine unit sales declined, presenting a mixed sales picture for the month.

"U.S. and Canada large tractor and combine retail sales comparisons moderated in September," says Robert McCarthy, machinery analyst for RW Baird. "Sales declined 3% year-over-year as combine comparisons (down 16% year-over-year) deteriorated in the seasonally most important month of the year. Row-crop (+4%) and 4WD (+8%) tractor sales comparisons remained positive, though both moderated from August's growth rates.

"Year-to-date, large ag equipment retail sales are now hovering around 'flat' vs. very strong 2010 levels, though increasing macroeconomic uncertainty continues to add risk to 2012 expectations," says McCarthy.

• Combine retail sales comparisons deteriorated in seasonally important September, decreasing 16.2% year-over-year following August's 4.6% decline. Sales have now fallen for five consecutive months. September is historically the seasonally most important month of the year for combine sales, accounting for 13.6% of annual sales over the last five years. October is also an important month before sales typically moderate in November.

• Row-crop tractor sales increased 3.8% in September, down from a 14.7% year-over-year increase in August. Sales during the third quarter increased 9% year-over-year. September is a roughly average month seasonally for tractor sales (7.6% of annual sales), though sales typically ramp in October, one of the seasonally most important months.

• Sales of 4WD tractors increased 7.5% year-over-year in September, down modestly from a 9% increase in August. Last-three-month comparisons turned positive in September with +7.2% vs. a 5.7% decline in August.

• Mid-range tractor sales comparisons improved, increasing 6.4% year-over-year after 2.5% growth last month. Utility tractor sales also increased year-over-year (+3.2%). AEI

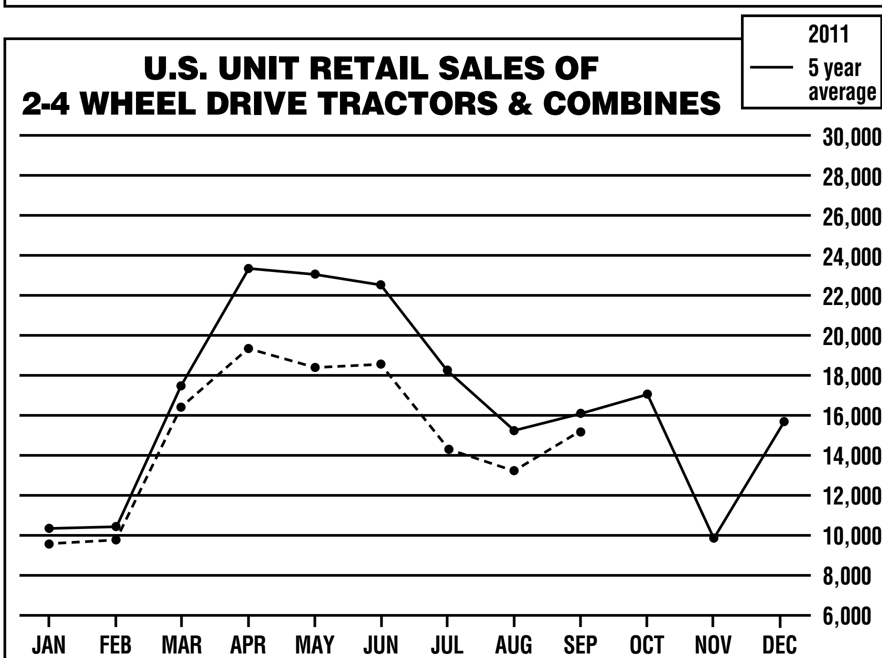
SEPTEMBER U.S. UNIT RETAIL SALES

Equipment	September 2011	September 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	September 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	6,889	6,767	2.0	67,347	67,897	-0.8	48,468
40-100 HP	4,041	3,823	5.7	36,944	36,325	1.7	23,024
100 HP Plus	2,451	2,301	6.5	18,627	18,827	-1.1	7,226
Total-2WD	13,391	12,891	3.9	122,918	123,049	-0.1	78,718
Total-4WD	648	591	9.6	4,169	3,918	6.4	1,427
Total Tractors	14,039	13,482	4.1	127,087	126,967	0.1	78,718
SP Combines	1,256	1,501	-16.3	7,224	7,696	-6.1	1,947

SEPTEMBER CANADIAN UNIT RETAIL SALES

Equipment	September 2011	September 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	September 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	944	831	13.6	8,797	8,105	8.5	6,412
40-100 HP	529	472	12.1	4,466	4,381	1.9	3,296
100 HP Plus	284	334	-15.0	2,977	2,927	1.7	1,358
Total-2WD	1,757	1,637	7.3	16,240	15,413	5.4	11,066
Total-4WD	52	60	-13.3	926	948	-2.3	313
Total Tractors	1,809	1,697	6.6	17,166	16,361	4.9	11,397
SP Combines	190	225	-15.6	2,084	2,005	3.9	660

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



—*Assn. of Equipment Manufacturers*

Commodity Prices Support Canada's Strong Net Farm Income Trends

Canada Net Farm Income — 2006-10

(C$ thousands)

	2006	2007	2008	2009	2010
Canada					
Total cash receipts	**37,070,542**	**40,879,220**	**45,936,842**	**44,545,626**	**44,439,149**
- Operating expenses after rebates	31,184,085	33,773,021	37,121,151	36,052,319	34,523,787
= Net cash income	5,886,457	7,106,199	8,815,691	8,493,307	9,915,362
+ Income in kind	46,593	42,414	42,534	39,266	40,668
- Depreciation charges	4,849,085	5,011,140	5,187,057	5,470,292	5,481,686
= Realized net income	1,083,965	2,137,473	3,671,168	3,062,281	4,474,344
+ Value of inventory change	-800,393	-953,534	3,182,831	-451,783	-1,733,013
= Total net income	**283,572**	**1,183,939**	**6,853,999**	**2,610,498**	**2,741,331**

Canada Farm Cash Receipts — 2006-10

(C$ thousands)

	2006	2007	2008	2009	2010
Total Farm Cash Receipts	**37,070,542**	**40,879,220**	**45,936,842**	**44,545,626**	**44,439,149**
Crops	14,783,887	18,519,751	22,958,768	23,182,031	22,425,940
Livestock	17,752,981	18,266,562	18,845,832	18,074,081	18,879,512
Payments	4,533,674	4,092,907	4,132,242	3,289,514	3,133,697

Sources: Statistics Canada

While the strength of U.S. agriculture is receiving the lion's share of the headlines, Canada's farming economy is also demonstrating strong trends of another good year. The same high commodity prices that are supporting U.S. farmers' equipment purchases are also helping Canadian growers to update their fleets.

According to Statistics Canada, realized net farm income amounted to $4.5 billion in 2010, an increase of $1.4 billion (+46.1%) from 2009 as the decline in operating costs outpaced a slight decrease in receipts. The increase in 2010 followed a 16.6% drop in 2009.

Realized net income (the difference between a farmer's cash receipts and operating expenses, minus depreciation plus income in-kind) increased in every province except Alberta and New Brunswick. In these two provinces, declines in receipts exceeded declines in expenses.

First Half 2011. Farm cash receipts for Canadian farmers totaled $23.3 billion during the first half of 2011, up 9.7% from the same period in 2010. This gain follows an 8.3% decline between the first half of 2009 and 2010.

Farm cash receipts, which include crop and livestock revenues plus program payments, advanced in every province except British Columbia (-3.2%) and Manitoba (-2.0%). Prince Edward Island, Quebec, Alberta and Ontario all recorded double-digit increases.

Market receipts from the sale of crops and livestock amounted to $21.9 billion, up 8.9% from the first half of 2010. Crop receipts rose 12.4% to $12.1 billion, while livestock receipts were up 4.8% to $9.8 billion.

The $1.3 billion increase in crop receipts was primarily a result of higher prices for most major grains and oilseeds. Cash receipts rose for most grains and oilseeds, with the biggest gains in canola (+29.2%), wheat including durum (+25.7%) and corn (+83.7%). Each experienced average price increases of more than 30% between the first half of 2010 and 2011.

On the other hand, producers deferred more grain receipt payments in the first half of 2011 compared with the same period in 2010, dampening the increase in crop receipts. Another factor moderating the increase was a 38.9% drop in lentil receipts as both prices and marketings declined.

British Columbia, Manitoba, Newfoundland and Labrador were the only provinces to record a decline in crop receipts.

Livestock Receipts. On the livestock side, hog receipts increased 9.3% to $1.9 billion as higher prices more than compensated for a drop in marketings. The average price for hogs was 12.2% higher in the first half of 2011 than for the same period in 2010. This is the highest January-to-June average price since 2005.

Cash receipts for cattle and calves declined 0.3% to $3.0 billion. A 21.4% increase in the average price was not enough to offset a 16.9% drop in the number of head sold. The number of cattle and calves sold fell for both domestic slaughter and export markets, as lower on-farm inventories limited the supply of market animals.

Program payments amounted to $1.4 billion in the first half of 2011, up 25.2% from the same period in 2010. This follows a 23.0% decline between the first half of 2009 and 2010, and a 37.2% drop between the first half of 2008 and 2009. Increases in provincial program payments in Quebec and crop insurance payments in Saskatchewan were the main contributors to the rise. AEI