From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

November 15, 2011
Vol. 17, Issue 17

- **Deere's New Trans**
- **$123B in Global Sales**
- **Big Tractor Sales +4%**

Dealer Sentiments Remain Positive for 2012 Sales Levels

The most recent UBS Investment Research survey of North American farm equipment dealers confirms *Ag Equipment Intelligence*'s earlier survey — dealers' sentiments about 2012 sales remain strongly optimistic.

"Aggregate responses to our question on 2012 demand remained largely positive as 57% of dealers expect 2012 sales to improve year-over-year, while only 21% expect declines," says Henry Kirn, machinery analyst for UBS. "Additionally, accelerated depreciation is likely to be a positive fourth-quarter catalyst as 80% of dealers responded that tax incentives would have a positive impact on 2011 ag equipment sales, while only about 2% foresaw a negative impact."

Along the same lines, results of *Ag Equipment Intelligence*'s 2012 survey, which was conducted during the last week of August and first week of September 2011, overall 55.3% of dealers expect higher revenues from sales of new equipment in 2012 and only about 12% anticipate lower revenues.

New & Used Pricing. The UBS survey also showed that dealers see new and used equipment pricing currently firming as they head into the new selling season. Overall, 55% of farm equipment dealers in the UBS study reported new equipment prices were "Firming," while 4% saw "Weakening" prices. Dealers also noted solid used equipment prices, as 32% indicated "Firming" prices, while 13% saw "Weakening."

Used equipment inventories, especially combines, continue to be somewhat concerning to dealers, according to the UBS survey, but overall they still see the situation as "manageable."

According to Kirn, about 65% of dealers reported concern that used combine inventories would negatively impact 2012 new combine demand, as

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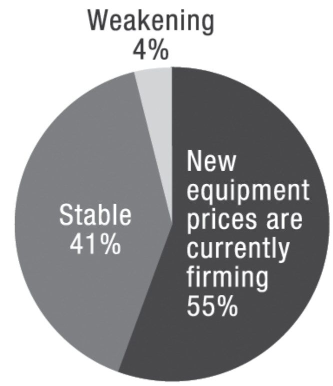
Dealers' Indication of New Ag Equipment Pricing



Some 55% of farm equipment dealers surveyed nationwide by UBS reported new equipment prices were "Firming," while only 4% saw "Weakening" prices.

JCB Drops Cummins in Favor of AGCO's Sisu Engines; ARGO Tractors Take SCR Route

With the requirement to meet stricter air emissions standards, the engines in high horsepower farm tractors continue to undergo one of the most significant transformations in the history of ag equipment.

While the major U.S. manufacturers have made their intentions clear about how they'll meet the new regulations, some of the European tractor makers are just now announcing their intentions. JCB, manufacturer of Fastrac tractors will change its engine supplier, and ARGO, maker of McCormick and Landini equipment, says it will pursue selected catalytic reduction (SCR) technology and reduce the range of tractors it offers.

Cummins engines will continue to power some of JCB's construction products but the British manufacturer's agricultural division is ending a long-standing association with the U.S. engine maker by turning to AGCO Sisu Power for engines to drive its Fastrac high speed tractors.

Although the engine deal is believed to have helped JCB win continued use of AGCO's CVT transmission in top Fastrac models — a power ceiling was imposed in the original agreement — JCB managers insist the Finnish engine maker won the business on technical merit.

"Sisu engines utilizing fuel efficient emissions technology provide the right solution for the Fastrac range," says JCB agriculture managing director, Richard Fox-Marrs. "Stricter engine legislation does not have to result in compromised performance; the key is choosing the right Tier 4i (interim) solution to suit the product."

First to get the Tier 4i engines

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Titan Int'l Will Expand Each of Its Plants in 2012

"Titan's growth this year will be over 50% from last year and we will have an opportunity to match that growth next year. Titan has and will be expanding every factory we own today over the next eight months," says Maurice Taylor, CEO and chairman of Titan International, the supplier of agricultural and other off-highway wheels and tires.

Taylor's comments came during the company's third-quarter 2011 earnings report on October 26. Highlights of the report included:

- Sales for third quarter 2011 set a record at $398.8 million, up 79% vs. $222.8 million in the third quarter of 2010.
- Gross profit for third quarter 2011 was $53 million, up 90% compared to $27.9 million in 2010.
- Third quarter income from operations was a record $41.4 million up 231%, compared to $12.5 million last year.
- For the first nine months of the year through September 30, 2011 sales were $1,084.1 million, compared to $648.9 million in 2010.
- September 2011 year-to-date gross profit was $173.6 million, compared to $87.9 million in 2010.
- Income from operations more than doubled for the first nine months of 2011 to $112.7 million, compared to $40.1 million in 2010.

Cervus Continues to See Improving Sales from Ag & CE

Cervus Equipment Selected Quarterly Information

% Change	$ Canadian thousands	3 Mos. Ended Sept. 30, 2011	3 Mos. Ended Sept. 30, 2010	% Change	9 Mos. Ended Sept. 30, 2011	9 Mos. Ended Sept. 30, 2010
Revenues	186,878	164,461	13.6	418,242	359,589	16.3
Gross Profit	32,286	28,687	12.5	78,188	66,149	18.2
Gross Margin	17.3%	17.4%	(0.6)	18.7%	18.4%	1.6
Net Profit	8,025	6,773	18.5	13,601	9,414	44.5
EBITDA	13,365	13,382	(0.1)	26,189	22,160	18.2
EBITDA Margin	7.2%	8.1%	(11.1)	6.3%	6.2%	1.6

Source: Cervus Equipment Corp.

On November 8, Cervus Equipment Corp. reported that its third-quarter revenues grew by 13.6% year-over-year to $186.9 million, slightly above analysts' forecast of $185.6 million. Of the $22.5 million rise in revenues, $12.3 million came from the ag equipment segment and $10.2 million from the construction and industrial equipment segment.

Gross revenue increased by $22.5 million, or 14%, to $186.9 million for the period vs. $164.4 million reported in the third quarter of 2010. Same-store sales accounted for the entire increase. Same-store revenues from the agricultural equipment segment and the construction and industrial equipment segment increased $12.4 million or 9.6% and $10.2 million or 37.2%, respectively, when compared with the same period in 2010.

Net profit for the period increased by $1.3 million, or 19%, to $8 million from $6.7 million reported in the third quarter of 2010. The company reported gross margins of 17.3%, down from 18.7% last year.

Gross margins decreased slightly to 17.3% from 17.4% vs. the same period of 2010.

Based in Calgary, Alberta, Cervus is one of John Deere's largest dealer networks in Canada, operating 30 dealership locations in Alberta, Saskatchewan and Manitoba.

A Positive View. While barely exceeding projections, Ben Cherniavsky, analyst for Raymond James, says he still holds "a very positive view of Cervus and on the merits of investing in the company."

He says his view is based on a number of considerations including: the attractive economics of the equipment dealership business; management's exceptional track record of generating long-term growth and shareholder value; the healthy market conditions that prevail for both the ag and construction markets in Western Canada; and the company's strong balance sheet that should facilitate future acquisitions.

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are two newcomers at the top of the tractor range that will replace the current 250 horsepower 8250 Fastrac V-Tronic. The new 8280 engines have pretty much the same peak power as the outgoing model from its 8.4-liter diesel, but the 8310 takes Fastrac through the 300 horsepower barrier for the first time.

Apart from gaining improved fuel consumption and lower noise levels, the tractors utilize the engine's electronic fuel management system for a unique traction aid that eases off the power when the tires begin to lose traction.

Next up, the 3200 and 3230 Xtra models get a 7.4-liter version of the AGCO Sisu engine, which, at some point, will likely go into the 7000 and 2000 series tractors.

While making much of the compact cooling package and SCR system of the Sisu engines, JCB is understandably making much of its own four-cylinder Tier 4i diesel.

The Ecomax T4, which is being built by JCB Power Systems following a $127 million R&D program, meets the next level of the standard without any sort of exhaust after-treatment or particulates filtration. Its improved fuel-burn efficiency reportedly also reduces fuel consumption.

The new engine will be introduced across the JCB materials handling product range through 2012 with power ratings covering a wider range than before — from 55kW to 129kW (74-173 horsepower).

ARGO Goes with SCR. In contrast to JCB Agriculture's move, Italy's ARGO Tractors will stay with current suppliers Yanmar, Perkins and FPT (Fiat Powertrain Technologies) Industrial for its Tier 4i emissions-compliant engines for its Landini and McCormick products.

But owners and farmhands who like the beat of a six-cylinder diesel in their tractors will be disappointed by the news that engines of this size are going to be rare below 150 horsepower.

"ARGO Tractors will progressively cease fitting six-cylinder engines in the power bracket below 150 horsepower," says Ruggero Cavatorta, marketing director. "In the 110-150 horsepower range, the emissions solution is complicated but we will start bringing into production four-cylinder engines with SCR exhaust treatment."

Achieving cost-effective emissions control on a relatively low-powered six-cylinder engine is difficult, it seems. Hence the recent appearance of tractors using high power density four-cylinder engines — such as Massey Ferguson's 155 horsepower 5480 Dyna-4 and the Valtra N142 capable of generating up to 160 horsepower.

Big Advantages. An advantage of this approach, notes Cavatorta, is that operators get a highly maneuverable shorter wheelbase machine with high power-to-weight ratio.

At present, 7.6-liter six-cylinder engines serve the ARGO Tractors lineup from FPT Industrial (the former 'Iveco' unit now part of the Fiat Industrial business that encompasses CNH Global), and 4.4-liter four-cylinder engines from Perkins. Yanmar supplies some compact four-cylinder engines for ARGO.

This multi-sourcing policy will remain, says Cavatorta, because it allows ARGO Tractors to take whatever it sees as the best solution for its products. In the 110-150 horsepower middle ground, he adds, the solutions are likely to be mixed in terms of both supplier and emissions solution.

Below 110 horsepower and above 150 horsepower things are clear cut.

While big-ticket six-cylinder tractors can carry the cost and physical installation of an exhaust treatment system, smaller, lower-priced tractors cannot. For them, most manufacturers agree, exhaust gas recirculation (EGR) to control NOx and filtration to capture the resulting particulates will remain the practical, cost-effective solution.

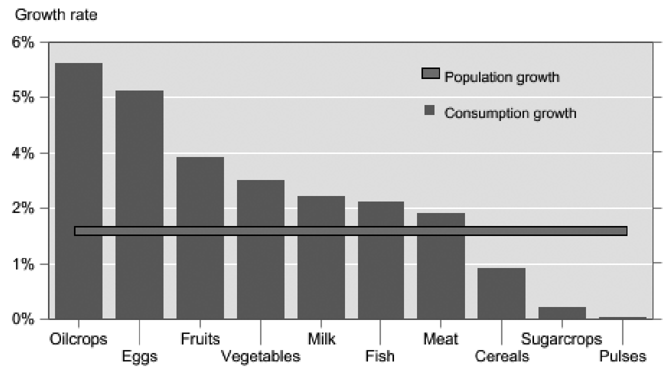
Between those power outputs, though, expect to see manufacturers competing with both types of technology on high-performance four-cylinder engines. AEI

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

Equipment Mfr.	Symbol	11/11/11 Price	10/12/11 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$46.41	$38.47	$59.81	$30.11	11.86	1,957,000	4.51B
Alamo	ALG	$25.84	$22.95	$29.27	$19.71	10.69	34,799	307.73M
Art's Way	ARTW	$6.10	$6.03	$15.95	$4.80	25.42	6,854	24.54M
Caterpillar	CAT	$96.13	$81.70	$116.55	$67.54	14.69	10,967,900	62.16B
CNH Global	CNH	$39.45	$30.78	$54.45	$22.19	9.95	550,872	9.47B
Deere	DE	$75.79	$71.05	$99.80	$59.92	12.47	5,605,020	31.37B
Kubota	KUB	$42.26	$39.75	$55.50	$36.81	15.07	48,517	10.62B
Dealer Groups								
Cervus Equipment	CVL	$15.65	$14.70	$18.40	$13.60	N/A	18,194	N/A
Rocky Mtn Dealerships	RME	$9.01	$9.35	$11.00	$8.27	9.87	13,130	169.14M
Titan Machinery	TITN	$22.79	$20.65	$32.03	$15.58	13.68	345,732	461.18M

Worldwide Ag Equipment Market to Reach $123 Billion by 2017 Says New Report

Consumption Growth by Food Groups in India



1/ End points based on 3-year averages centered on year indicated.
Source: Food and Agriculture Organization, FAOSTAT database.

With rising incomes diversifying food demand, nonstaple foods — including fruits, vegetables, dairy products, eggs, and meats — are now experiencing the fastest growth in production and consumption in countries such as India. Combined with rising populations, countries throughout the Asia-Pacific region will require substantial investment in advanced technological agricultural equipment to keep up with the rising demand for the changing diets in these areas.

The Asia-Pacific region represents the largest and fastest growing agricultural market worldwide and is expected to achieve a compound annual growth rate (CAGR) of 7.9% during the next six years, according to a new report from Global Industry Analysts (GIA), a California-based market research firm.

The global market for agricultural implements and machinery is projected to reach $122.9 billion by 2017.

The market is forecast to witness modest growth with developing economies offsetting the impact of sluggish progress in the developed world. According to the report, factors driving growth include increasing demand for agricultural produce due to a rapidly expanding global population, and the advent of sophisticated and technologically advanced machinery.

"In 1966, world population stood at 3.5 billion people. Last month it surpassed 7 billion ..."

"The market would be driven by greater farm mechanization in highly populous markets of India and China, which hold enormous potential due to the relatively lower levels of mechanization and inefficient farm equipment," say the authors of the report.

Growing incomes and mechanization of agricultural sectors across developing economies are expected to provide significant growth and profits for the agricultural implements and machinery industry in the near future. In addition, countries such as Indonesia, Thailand, Brazil and Russia are expected to post robust growth due to increased use of machinery. Further, governments in these countries are increasingly placing greater emphasis on enhancing productivity through automation or mechanizing traditional processes.

Product-wise, farm tractors represent the largest segment in the global agricultural implements and machinery market. Advanced tractor technologies coupled with adoption of GPS have led to the development of highly efficient and productive machinery that can perform multiple tasks. Plowing and cultivation machinery is expected to register the fastest CAGR of 6.6% over the analysis period. **AEI**

Potato Equipment Specialist to Diversify into Sugar Beets

Blackfoot, Idaho-based potato equipment specialist Spudnik may diversify into sugar beets now that a suitable harvester is available from parent company Grimme in Germany.

It would mirror Grimme's approach in Europe, where its market-leading potato harvester expertise is building a foothold in sales of high-ticket beet lifters. Built initially on a technically-advanced but costly tracked self-propelled harvester, the program is being accelerated with a more conventional wheeled machine of a type that custom operators use to harvest around 80% of the northern European crop.

Different growing systems mean European manufacturers rarely enter North America, but the Grimme Rootster trailed lifter is easily adapted to working eight rows on 22 inch spacing, says Nicolas Kosmehl of the German company. "It will suit markets in China and eastern Europe, as well as North America," he adds.

As the leading European potato equipment player, Grimme is anxious to exploit its expertise in another sector to sustain the company's growth. Sales revenues equivalent to $45 million in 1987 grew to $336 million last year.

Spudnik, which was a joint venture in 2001 and became a wholly owned subsidiary of Grimme in 2003, may do the same, even though it's doing well in potatoes. "We've seen an increase in market share for Spudnik following two very successful years," reports company chief Franz Grimme. "In the first five years with Spudnik, we brought in some changes and learned some lessons — but the company is now performing very well. It was worth persisting with." **AEI**

Same Deutz-Fahr Abandons Stand-Alone Factory in China for Joint Venture

Plans to open a new stand-alone Same Deutz-Fahr (SDF) tractor factory in China have been halted at a late stage in favor of a joint venture with domestic manufacturer Shandong Changlin Agricultural Equipment Co. The joint venture will also involve building a new plant.

The change in strategy will see the SDF Group becoming a 50% partner in Shandong Changlin Deutz-Fahr Machinery Co. with an initial capital investment equivalent to $27 million at current exchange rates.Total investment will amount to $82 million.

"This joint venture has strategic value in the development and growth plans of our group because it will allow us to effectively penetrate the important and competitive Chinese market," says Lodovico Bussolati, SDF Group chief executive officer.

"The agricultural sector in China is displaying strong growth, with high demand for mechanization based on innovative technologies that will make it possible to sustain the industrial development of the country's agricultural sector."

SDF started building its own China tractor plant in 2007 under plans hatched by previous group CEO Massimo Bordi.

Located in the northeast port city of Dalian, close to a new Deutz diesel engine plant, it was originally intended to build 85-110 horsepower tractors with a capacity of 6,000 units a year. In its 2010 annual report, SDF said the plant would build tractors above 130 horsepower for export markets, starting this year.

The new strategy, developed after Bussolati's appointment last summer, has the important element of opening access to Shandong Changlin's network of 490 dealerships located throughout the Chinese territories.

They will sell Shandong-derived tractors from 25-110 horsepower carrying the SH Deutz-Fahr brand and SDF design along with 110-300 horsepower units with Deutz-Fahr branding.

"The objective is to sell over 30,000 units in the Chinese market in 2015," says Bussolati. "All the tractors will be manufactured in a new factory that will have a capacity of 50,000 units per year."

Zong Mo, CEO of Changlin Group and chairman of the joint venture, welcomes the opportunity to introduce new technologies to the Chinese market.

"Through the cooperation with Same Deutz-Fahr, the joint venture will introduce the patented technologies of the 100-300 horsepower large tractors and the CVT transmission," he says. "The project will fill the gap for high-end tractor production in China, and will take our country a step closer to reaching the advanced international standards of high horsepower tractor technology."

Located 260 miles south of Dalian at the coastal city of Qindao, SDF's new partner currently manufactures six lines of 25-100 horsepower tractors.Wheeled loaders and tracked excavators also contribute to sales of $550 million last year.

SDF Group's tractor operations in Italy, Germany and India generated the bulk of its $1.16 billion turnover in 2010. **AEI**

Heard in the Field …

Ag Equipment Intelligence has not been able to definitively substantiate the news, but word from the field is that Same Deutz-Fahr has or is considering stopping distribution of its equipment in the U.S. "They'll be here for another two years to service parts and warranty," according to a source who asked not to be identified.

It's also rumored that one individual is attempting to put together a distributorship for SDF products in the U.S.

Simba Int'l to Adopt Great Plains' Colors for Exported Equipment

The first product jointly designed and engineered by Great Plains and its British subsidiary Simba International will adopt the U.S. manufacturer's green colors for all markets outside the U.K., as will all Simba products.

The Centurion, a trailed cultivator drill, which makes its European debut at the Agritechnica show in Germany this week, follows a popular pattern but with a number of innovations, including nylon instead of metal bearings to reduce maintenance requirements.

Two rows of discs to produce a tilth on plowed land are followed by a row of large soil-consolidating tires positioned ahead of a staggered bank of Great Plains disc openers.The seed hopper located on the main frame can be mounted on weigh cells to help adjust the hydraulic weight compensation system designed to maintain even pressure across the machine.

Prototypes worked in Britain this fall and will be in action again next spring to get ready for a pre-production release for the winter wheat planting season in September.

Great Plains acquired Simba International last May and is expanding its production and assembly facilities to accommodate the new seed drill, as well as providing a training center for employees and customers.

The company's orange colors will continue to be used for domestic sales and all original Simba implements will be identified as "Simba Great Plains."

"Great Plains is a strong brand in all major arable farming markets," says export director Simon Revell. "While Simba has a strong presence and healthy sales in certain markets, the identity change will establish its products more effectively."

Some implements heading to Europe have already appeared with the new insignia, including a batch shipped to the Ukraine that was sold through Great Plains' subsidiary and dealer network there. **AEI**

Focus on the Integration & Optimizing Margins Pays Off for Rocky Mountain

Earlier this year, Rocky Mountain Dealerships said that it would not pursue any further acquisitions until it maximized the performance of its existing locations. That decision to focus on internal integration and margin optimization produced consolidated revenue growth of 25.5% to $214 million (Canadian) in the third quarter — a record high for Case IH's largest Canadian dealer network with 37 locations.

Based in Calgary, Alberta, on November 10, Rocky Mountain also reported organic revenue growth of 13%, a 120 basis point improvement in gross margins as a percent of sales — to 16.5% from 15.3% in 2010 — and EBIT and EBITDA growth of 68% and 58%, respectively.

Cash flow from net earnings of $12 million was up from $5.9 million in 2010.

"Favorable commodity prices and harvesting conditions in Western Canada coupled with growth from our [previous] acquisitions helped drive stronger sales, which, in turn, improved our earnings over the prior year," says Rocky CEO Matt Campbell.

"Our focus during the quarter continued to be driving company efficiency and consistency throughout our large network. Stronger sales performance from our legacy stores combined with our deliberate pause in acquisitions, added strength to our balance sheet, including the net addition of $9.2 million of cash in the quarter.

"We believe Rocky's strong results partly reflect management's earlier decision to focus on the internal integration and margin optimization of recently acquired stores before pursuing any further consolidation," says Ben Cherniavsky, analyst for Raymond James in a note to investors.

No Acquisitions. In fact, the third quarter of 2011 was the first quarter since third quarter of 2009 that Rocky Mountain Dealerships did not make an acquisition.

"One issue that we continue to monitor is the availability of equipment and labor in Western Canada," Cherniavsky says. "With activity heating up in the oil patch, reports from various companies in our I&C coverage universe suggest that extended equipment lead times and a limited supply of skilled technicians present near term headwinds. However, these are arguably good problems to have." **AEI**

Rocky Mountain Dealerships
Quarterly Income Statement Summary

Sales	3Q 2011	3Q 2010	9 mos. 2011	9 mos. 2010
New Units	90,523	68,298	291,220	212,301
Used Units	78,468	68,694	187,491	143,762
Parts	30,003	21,164	69,761	47,665
Service	13,807	11,184	37,382	30,498
Other	1,073	1,138	3,517	2,896
Total Sales	213,874	170,478	589,371	437,122
Reported Cost of Sales	178,546	144,434	495,122	368,891
Gross Profit	35,328	26,044	94,250	68,231
Earnings Before Tax	9,415	5,447	19,232	12,317
Net Income (loss)	7,121	3,705	14,248	8,557
Gross Margin	16.5%	15.3%	16.0%	15.6%

Source: Rocky Mountain Dealerships, Inc., Raymond James Ltd.

Deere to Launch Mechanical Transmission to Challenge CVTs

John Deere will be launching a new transmission option as well as unveiling its smaller 6R tractors at the Agritechnica exposition this week in Germany. According to a published report in the U.K.-based publication Profi International, the new transmission option for Deere's 6R Series tractors "combines the power efficiency of a mechanical transmission, with the handling comfort of a continuously variable transmission (CVT)."

A CVT is a transmission that can shift steplessly through an infinite number of gear ratios. This contrasts with mechanical transmissions that offer a fixed number of gear ratios. The flexibility of a CVT allows the drive shaft to maintain a constant speed over a range of output velocities. This can provide better fuel economy than other transmissions by enabling the engine to run at its most efficient revolutions per minute for a range of vehicle speeds.

Deere is calling its new transmission DirectDrive. According to the Profi report, the 24-speed transmission uses dual or double clutch technology something that is already established in the prestige car industry. It uses an inner and outer clutch to control an inner and outer drive shaft so there is always a gear engaged and a smooth transition of power when increasing or decreasing speed.

The tractor maker is billing its new transmission as a cost-efficient alternative to existing CVTs and is aimed at larger arable farms and custom operators. The gearbox is designed for specific tasks and load conditions that require continuous power flow, such as plowing, hauling, PTO work and road transport. Deere says that savings of up to 10 gallons/kWh are possible when compared to a CVT.

DirectDrive uses a fully mechanical power flow. According to Deere, this results in a power efficiency improvement of approximately 4%, without compromising operator comfort and productivity. The new transmission will be an option on six-cylinder 6R Series tractors from 140-210 horsepower next summer. **AEI**

Large Tractor Sales Rise 4% in October

North American retail sales of farm tractors over 100 horsepower rose by 4% year-over-year in October, according to the latest report from the Assn. of Equipment Manufacturers. Combine sales for the month also rose by 15% compared to October 2010.

Unit sales of high horsepower tractors came in at 4,249 units, which follows on a 4% increase in September and a 15% rise in August. Sales of 4WD tractors were up 1% year-over-year after an 8% rise in September and 15% rise in August.

"Year-over-year comparisons were very difficult in both categories," says Ann Duignan, machinery analyst for JP Morgan. "Last October saw the highest over-100 horsepower unit sales going back to 1990 and 1997 for 4WD.

"Overall, tractor sales (over 40 horsepower) were up 10% year-over-year vs. up 6% in September and up 7% in August due to stronger performance in the 100 horsepower and-under categories," says Duignan.

Unit sales for 40-100 horsepower tractors were up 13% year-over-year vs. up 6% in September and up 2% in August. The under 40 horsepower unit sales were up 12% vs. up 3% in September and up 2% in August.

Unit sales of combines were up by 15% year-over-year, which was the highest sales level in over a year. At 1,673 units, October was the third-best month for combine sales since 1998, and it was the best October since 1997.

"We note increased efforts by the OEMs to move used combines off lots through low financing offers, and Deere has been quite careful with dealer allocations. That said, these numbers reflect strong North American agricultural fundamentals," she added.

"We expect a spike in deliveries at the end of 2011 due to the expiration of 100% depreciation provisions. Strong growth in Canada, which was plus-30% year-over-year, contributed to the positive combine reading in October," Duignan says. AEI

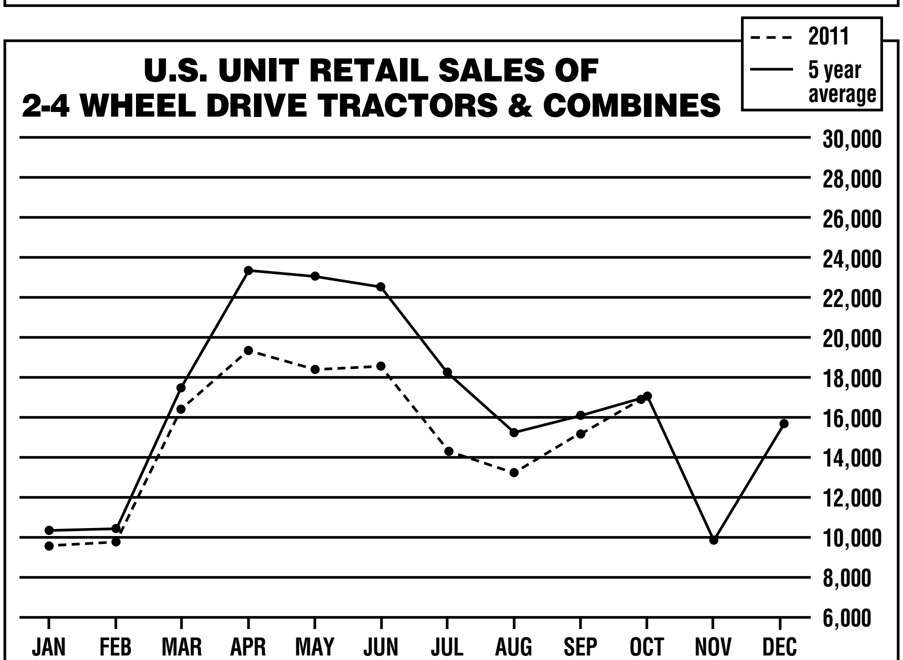
OCTOBER U.S. UNIT RETAIL SALES

Equipment	October 2011	October 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	October 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	6,496	5,956	9.1	73,832	73,853	0.0	47,394
40-100 HP	4,702	4,227	11.2	41,637	40,551	2.7	23,136
100 HP Plus	3,598	3,518	2.3	22,219	22,345	-0.6	7,537
Total-2WD	14,796	13,701	8.0	137,688	136,749	0.7	78,067
Total-4WD	923	924	-0.1	5,090	4,842	5.1	1,448
Total Tractors	15,719	14,625	7.5	142,778	141,591	0.8	79,515
SP Combines	1,221	1,110	10.0	8,443	8,806	-4.1	2,052

OCTOBER CANADIAN UNIT RETAIL SALES

Equipment	October 2011	October 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	October 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,418	1,130	25.5	10,228	9,234	10.8	6,479
40-100 HP	1,230	1,015	21.2	5,695	5,396	5.5	3,312
100 HP Plus	651	561	16.0	3,623	3,488	3.9	1,536
Total-2WD	3,299	2,706	21.9	19,546	18,118	7.9	11,327
Total-4WD	207	192	7.8	1,133	1,140	-0.6	358
Total Tractors	3,506	2,898	21.0	20,679	19,258	7.4	11,685
SP Combines	452	349	29.5	2,530	2,354	7.5	614

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



—Assn. of Equipment Manufacturers

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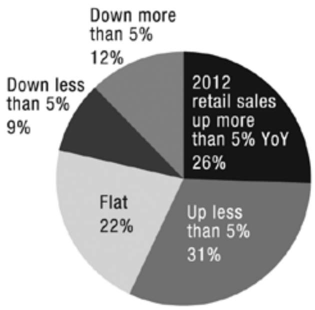
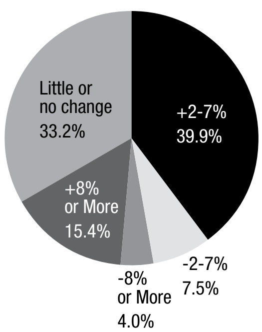
UBS Dealers' Outlook for New Equipment Sales 2012 vs. 2011



In UBS' most recent dealer survey, 57% of North American dealers expect 2012 revenues for new equipment to surpass the levels seen in 2011

AEI Dealers' Outlook for New Equipment Sales 2012 vs. 2011



In *Ag Equipment Intelligence's* 2012 dealer survey, more than 55% of North American dealers expect 2012 revenues for new equipment to surpass the levels seen in the past year.

41% were "somewhat concerned" and 24% were "very concerned."

"Results to this survey depict some additional concern from the prior survey in which 56% of dealers indicated concern over combines, but they're in line with other recent channel checks indicating that dealers see the issue as manageable," Kirn says.

Optimistic Dealers. By equipment brand, the UBS survey indicates that AGCO dealers are the most optimistic going into 2012, as 64% expect overall sales to increase in the year ahead vs. 2011.

They were followed by dealers that handle John Deere equipment where 61% see sales increasing next year compared to the previous year. About 56% of Case IH dealers anticipate higher sales levels in the coming year, while 54% of dealers carrying New Holland farm machinery expect sales in 2012 to be above levels seen in 2011. **AEI**

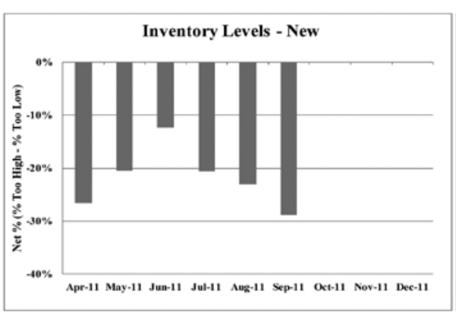
Top 10 Ag Products for Increasing Revenues in 2012

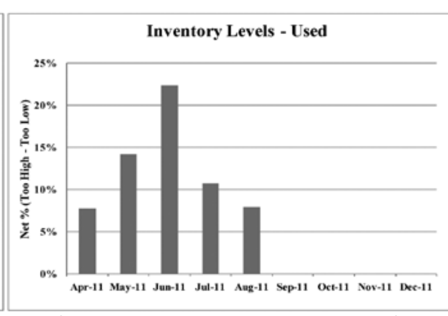
(weighted averages)

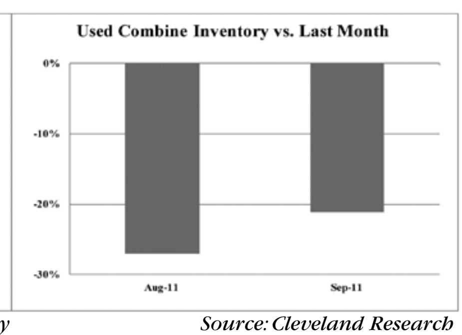
Equipment Type	North American Dealers	U.S. Dealers	Canadian Dealers
GPS/Precision Farming	3.59%	3.60%	3.54%
4WD Tractors (All)	2.17%	2.02%	3.30%
Lawn & Garden	1.82%	1.80%	2.02%
Farm Loaders	1.74%	1.56%	3.08%
Planters (All)	1.66%	1.77%	0.68%
2WD Tractors (>100 hp)	1.63%	1.56%	2.26%
2WD Tractors (40-100 hp)	1.52%	1.35%	2.76%
Mower/Conditioners	1.36%	1.29%	1.94%
Self-Propelled Sprayers	1.31%	1.20%	2.15%
Round Balers	1.27%	1.29%	1.08%

Along with projecting overall business conditions for 2012, the nearly 300 farm equipment dealers who participated in *Ag Equipment Intelligence*'s "2012 Dealer Business Outlook & Trends" survey in September also identified the product categories that they see as having the best potential for improving sales revenues in the year ahead. **AEI**

AEI-CRC Survey: New Equipment Inventory Levels 'Too Low;' Used Remains Manageable







Source: Farm Equipment Magazine Survey *Source: Cleveland Research*

North American dealers are reporting that inventory levels of new farm machinery remains too low, while they're encouraged about the declining supply of used equipment, especially combines. These dealer sentiments are gleaned from the October 2011 "Dealer Trends & Business Outlook" survey conducted monthly by *Ag Equipment Intelligence* and Cleveland Research Co. The October survey had 231 respondents representing combined annual revenues of roughly $8.2 billion. Given the extended lead-times for new equipment, it's no surprise that new equipment inventory is tighter as a net 29% of dealers categorize their new inventory as "too low" (14% too high; 43% about right; 43% too low), which is up from a net 23% last month. By contrast, an improving situation is seen in used farm equipment as a net 0% of dealers now categorize their used inventory levels as "too high" (25% too high; 50% about right; 25% too low) compared to a net 8% last month. It's encouraging to see more dealers feeling more comfortable with used equipment, as strong seasonal sales appear to be contributing to the improvement. Dealers continue to see their used combine inventory shrink, but the pace moderated this month. A net 21% of dealers reported used combine inventory levels were lower compared to last month (17% higher; 45% same; 38% lower) vs. a net 27% in August (10% higher; 53% same; 37% lower). **AEI**