From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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Cervus Equipment Diversifies Product Line with Purchase of Truck Dealerships

One of John Deere's largest dealer networks in Canada is spreading its wings with the signing of a letter of intent (LOI) to acquire certain assets of Frontier Peterbilt Sales Ltd., a group of truck dealerships in Western Canada. Cervus Equipment announced the move on December 6.

"The signing of this LOI represents an opportunity for Cervus to enter into the transportation sector, further diversify its products and service offerings, and expand its regional presence," says Peter Lacey, president and CEO of Cervus.

The company, which is publicly traded on the Toronto Stock Exchange under the symbol "CVL," currently operates 30 dealership locations in Alberta, Saskatchewan and Manitoba selling Deere ag equipment, Bobcat and JCB construction equipment, as well as several brands of material handling machinery. It also holds an approximate 60% equity interest in Agriturf Ltd., a New Zealand-based dealer of John Deere equipment.

Evolving Strategy. In a telephone interview with *Ag Equipment Intelligence*, Lacey said that the ongoing challenge of dealer succession in the industry has been the basis of Cervus' growth and expansion strategy since the company went public in 2000. Acquiring the truck dealerships is another step in this evolving strategy.

"We look at this as a solution to the problem of dealer succession, so it applies to basically any kind of dealership. A few analysts have asked, 'Does this mean you can't consolidate any more John Deere stores?' No, it doesn't," Lacey says.

"At the same time, manufacturers have a concern about dealers getting too big, too quickly. We respect our OEMs; we're not going to go against their wishes. This allows us to actually take some pressure off because one of the challenges we've had as a public company is the OEMs saying, 'We're not sure we can feed your growth requirements as a public company.'"

With that, Lacey says Cervus looked at the opportunity for facilitating dealer succession in a lot of industries. "We asked ourselves, 'Why don't we look at being an equipment consolidator of a multitude of top brands?' This way we're not putting pressure on any one of our OEMs for our future growth or limiting our

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Dealers See Upside, Downside to Depreciation Bonus

To encourage equipment purchasing, on December 17, 2010 President Barack Obama signed the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. The TRJA extended the depreciation bonus for 2011 and 2012 and extended Sec. 179 expensing limits through the end of 2012.

Companies that buy new equipment can depreciate 100% of the cost in the first year. For new equipment purchased in 2012, the bill provides for a 50% deprecation bonus, plus the percentage of the remaining basis in the equipment that would ordinarily be depreciable under the Modified Accelerated Cost Recovery System.

To get the pulse of how farm equipment dealers see bonus depreciation impacting their business, *Ag Equipment Intelligence* took a poll of a small sampling of dealers during the second week of December.

The dealers were asked, "What percentage of your total wholegoods sales growth in 2011 do you estimate was or will be driven by the Section 179 equipment depreciation bonus and extended expensing limits? (e.g., sales growth YTD in 2011 = 15%; estimated 10% of growth driven by Sec. 179 tax incentive = 1.5%)

We also asked them how the faster depreciation would affect their sales in 2012.

Overall, dealers are seeing a significant, positive impact in 2011 and somewhat of a negative impact for 2012. Of all the dealers responding, 34% expect their 2011 sales to increase by 10% or less as a result of the current depreciation schedule. Another 25% are seeing improved sales levels of 11-20%. The remaining 41% see their sales growing by 20% or more this year due to the beneficial depreciation.

In 2012, it's a different story. Half of the dealers responding (50%) anticipate that a combination of the

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Cervus Equipment Continued from page 1

growth by being dependent on only one brand," he says.

"It's really a diversification of products, but the business model of running dealerships is essentially the same," Lacey explains. "You sell equipment on behalf of an OEM, you take in trade-ins, you do the reconditioning and repair work for your customers, you sell parts, you do some rentals. Essentially the business model is identical, you just have different products and different customers."

Not a New Trend. Cervus isn't the first ag and construction dealership to move into the world of retail trucking. According to Ben Cherniavsky, analyst for Raymond James, a Caterpillar equipment dealer group did it between 2002 and 2005, before a conflict with Cat — which at the time was still selling its engines direct to truck manufactures — forced it to jettison the idea.

"Privately-held Redhead Equipment in Saskatchewan is another example of a dealer business structured under this model. Specifically, it sells and services Mack trucks in the province alongside its broad suite of agriculture and construction equipment (Case, Volvo, Terex). Following a restructuring of Caterpillar's engines business, both Finning and Toromont, along with other Cat dealers across North America, will be introducing the new CT660 Class 8 truck to the market next year," Cherniavsky said in a note to investors.

After it went public in 1997, RDO Equipment, one of Deere's largest equipment dealer networks, also added trucks to its product line up. Today, it continues to operate three RDO Truck Centers in North Dakota selling Mack and Volvo heavy duty trucks, Isuzu medium duty trucks and UD trucks.

"Reportedly, Frontier's revenues are currently in the $80 million range with margins that closely resemble Cervus' existing business," says Cherniavsky. "We see the potential for management to enhance these profit ratios over time as they implement their systems and best practices into the acquired operations.

"Unsurprisingly, Frontier's business is growing at a healthy clip right now, spurred by high levels of replacement demand, (akin to the construction market, owners of truck fleets deferred capex during the downturn) and robust activity in Saskatchewan's resource markets. Frontier's sales are heavily skewed toward vocational truck applications." **AEI**

Mitas Tires to Phase Out Continental Ag Tire Brand in U.S.

Czech ag tire maker Mitas will begin phasing out the Continental brand in North America when its first manufacturing plant in the U.S. becomes operational early next year.

The move was signalled at the Farm Progress Show when a Case IH Magnum row-crop tractor was displayed on "Mitas AC" radial traction tires. Custom built in one of the company's three European plants, the tires are based on the AC design acquired with Continental's ag tire business in 2004.

"Mitas ACs are radial tires based on the existing, proven Conti AC 85 series," says Neil Rayson of the company's U.S. subsidiary. "As with the Conti AC 85, the Mitas AC 85 will become the primary tire for the North American market."

The Conti brand has been available under license to the CGS industrial group and its Mitas off-highway tire division for the past seven years. Now, the spotlight is falling more decisively on the Mitas name, with other product lines progressively making the switch to the in-house brand or being so named when replacements are developed.

All sales subsidiaries in Europe, currently identified with CGS, are being re-named to identify them with the Mitas brand.

"Now is a good time for the Mitas division to step into the limelight and be recognized as a major player in the agricultural tire sector," says Jon Ward, managing director of the U.K. sales operation. "It may come as a surprise to some people to learn that Mitas is the world's fourth largest producer of agricultural tires, which account for just over 70% of the division's $430 million revenues."

Mitas claims 28% of all OEM ag tire sales in Europe and a 19% share of the replacement market.

"We equip around 25% of the tractors built by John Deere in Germany, 26% of CNH production and 36% of Claas output," Ward says. "More than 50% of ARGO's Landini and McCormick tractors leave the factory on our tires, and at SDF Group, the figure is around 70%. This puts our market presence into perspective."

In North America, confidence in the market is such that investment at the former Winnebago motor home plant in Charles City, Iowa, which is being converted into a modern ag tire factory, is being accelerated. Construction work began in April this year as part of an initial spend of $43.8 million. That amount is being increased by 18% to $51 million as phased capacity increases are brought forward.

"Mitas has decided to shorten all phases of construction from five to three years, with the additional funds being directed toward tire building machines and curing presses," says project director Vladimir Dusanek. "By late 2013, factory capacity should reach 12,000 metric tons of tires annually." **AEI**

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enhanced depreciation schedule for 2011 and lower depreciation levels in 2012 will decrease their forecasted sales by 1-10%. Another 33% believe it will drop their sales next year by more than 10%.

Only 8% expect their sales to increase by more than 20% as a result of the beneficial depreciation schedule in 2012. The remaining 9% don't expect the changes in the depreciation allowances to significantly impact sales one way or another.

One Midwest dealer explains the equipment sales expansion by saying, "Our customers are spending their profits because of the tax laws, not because they need more iron."

Another adds, "Section 179 is HUGE!!"

One dealer explains the dichotomy this way: "We would estimate 20% or more of our growth is driven by the current limits. We see a possible 6-10% drop related to this in 2012. We still go into 2012 optimistic, regardless."

A Connecticut equipment dealer doesn't believe that the more generous depreciation schedule has helped his business much at all in 2011. "Since the economy is so horrible, many small businesses are not in a taxable position and/or have very low cash flow. This does increase business, but it is not as significant as it could be. Coupled with the operating environment within the state of Connecticut, it will have very little impact for 2011. We think it will have a greater impact for 2012 and future years."

In a note to investors, Rick Nelson, analyst for Stephens Inc., said he sees an overall positive impact from the more advantageous depreciation allowance in the year ahead.

"While we recognize the section 179 and bonus depreciation deductions will be reduced in 2012, we think farmers will continue to look to offset income and take advantage of these deductions for equipment purchases. A large proportion of farmers will have fully depreciated equipment in their existing fleet." **AEI**

Claas Demonstrates ROI With World Record for Harvesting Wheat

Having a Guinness World Record to your name can only be helpful to a marketing campaign, so expect Claas to get as much mileage as possible out of the new combine harvesting record it set in Britain this year.

What's particularly intriguing about the exercise is that the top-of-the-range Lexion 770 TT would have harvested its own value in grain in less than 34 hours. That gives salespeople handling Claas combines something to talk about.

A Claas Lexion 770 Terra Trac smashed the existing record for harvesting wheat over an eight hour period by chomping high yielding crops at an average rate of 85.5 metric tons per hour. In total, the machine gathered up and threshed 675.84 metric tons surpassing the existing record by more than 22%.

The successful record bid, which was overseen by a Guinness World Records adjudicator and an independent farm mechanization consultant, was achieved by two of the company's top demonstrators — previous records were set by regular drivers.

Some more remarkable figures emerged from the 20 hour endurance test that the Lexion was undertaking when it set the new record. It harvested more than 1,400 metric tons of wheat during that period, from crops averaging 3.9 tons per acre and peaking at 5.26 tons per acre.

Peak output during the eight hour record qualifying period hit more than 100 tons/hour, the combine cleared 172 acres and used 4.5 liters of fuel per acre or 0.46 liters per metric ton. That was 25% less than the Lexion 580 Terra Trac used to briefly set its own record in 2008 and 10.8% less than the previous record-holding machine. **AEI**

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

Equipment Mfr.	Symbol	12/12/11 Price	11/11/11 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AGCO	$42.98	$46.41	$59.81	$30.11	10.98	1,884,240	4.18B
Alamo	ALG	$26.91	$25.84	$29.27	$19.71	11.16	37,675	320.55M
Art's Way	ARTW	$5.68	$6.10	$15.95	$4.80	23.67	6,900	22.85M
Caterpillar	CAT	$90.98	$96.13	$116.55	$67.54	13.90	9,975,250	58.83B
CNH Global	CNH	$38.13	$39.45	$54.45	$22.19	9.61	495,639	9.15B
Deere	DE	$75.22	$75.79	$99.80	$59.92	11.35	5,036,810	30.55B
Kubota	KUB	$41.20	$42.26	$55.50	$36.81	73.31	42,563	51.74B
Dealer Groups								
Cervus Equipment	CVL	$15.00	$15.65	$18.40	$13.60	N/A	11,508	N/A
Rocky Mtn Dealerships	RME	$8.65	$9.01	$11.00	$8.39	8.31	12,908	162.34M
Titan Machinery	TITN	$21.37	$22.79	$32.03	$15.58	11.44	278,991	439.62M

Catching Its Breath, Buhler Puts a Hold on New Acquisitions

After four years of acquiring several farm equipment brands to fill out its product line, Buhler Industries says it's going to take some time to catch its breath, but will continue to pursue its goal of becoming a full-line ag machinery supplier.

In an interview with *Ag Equipment Intelligence*, the president of Buhler Industries says the company is looking to capitalize on what it's acquired so far before considering other significant ag equipment acquisitions. Buhler's most recognized brand is Versatile.

"We want to concentrate on what we have and bring our newer acquisitions up to the level of where our Versatile tractors are in terms of service, parts business and sales volume," Dmitry Lyubimov, Buhler's president says.

"I don't think we need to take on more right now just because we can handle it. So, in terms of another major acquisition, we're pretty much done," says Lyubimov.

Growth Pattern. In 2007, Combine Factory Rostselmash Ltd., a major combine manufacturer located in Rostov-on-Don, Russia, acquired 80% of the common shares of Buhler Industries. Since then, the company has acquired several equipment lines including self-propelled and pull-type sprayers and applicators, augers, seeding and tillage equipment and compact implements.The company's other brands include Farm King and Allied.

The company, which is headquartered in Winnipeg, Manitoba, operates manufacturing plants and distribution centers in Winnipeg and Morden, Manitoba, Vegreville, Alberta, Fargo, N.D., Salem, S.D., and Willmar, Minn.

Despite some rocky periods coinciding with recent agriculture cycles and the flurry surrounding its acquisitions, the company has remained profitable.And despite the rapid consolidation of equipment dealers in North America, Buhler says it will continue pushing to expand its dealer network.

Russian Roots. While the North American market has historically provided Buhler with the bulk of its sales, Rostselmash's Russian roots also gives it access to the potentially huge market for farm equipment in Eastern Europe. According to the company, its "dealer network in North America remains steady, but the Rostselmash network has added more than 200 dealers in Russia, Ukraine and Kazakhstan that provides for additional sales growth in the future."

Lyubimov says that while Buhler continues to see growing demand for its tractors, sprayers and tillage tools in North America, it is also seeing improvements in Russia, Kazakhstan and Ukraine in the past year.

"The farmers there have had a very good year, so we've had a very big demand from Russia and Kazakhstan for tractors and sprayers. We're building them now for the next season because we realize it's better to start shipping them now and pay a little bit of interest to the bank. In Russia, we need to be done by the end of March to ship all the tractors that they need. Next year looks very promising for us."

"Nearly 40% of Buhler's production in the past year has been exported to Russia, and Kazakhstan, where they've added 200 dealers...."

He estimates that close to 40% of Buhler's production in the past year has been exported. "It's been mostly tractors and sprayers, so far," says Lyubimov. "But we just started to make our tillage equipment and seeders available there. It will take the Russian dealers a year or so to get to know those product lines."

An Unstable Market. Lyubimov says despite the growing demand for advanced farm equipment, the Russian market is "not very stable" in terms of national politics and credit availability.

Current interest rates of 12 or 14% make it difficult for farmers to borrow to purchase new machinery. "They're subsidizing farm equipment loans so they're paying only 3 or 4%, which is affordable," he says.

Referring to Russia's ban on grain exports in 2010 when drought led to a poor harvest, Lyubimov says, the country hurt itself "a little bit." But he adds, "In Russia, bread is a big deal, so when the price goes up, you have a lot of unhappy people. So the politicians need to think about their own country first. Economically, it might not have been logical, but politically it was the right decision."

More Products & Dealers. Until it acquired Buhler, Rostselmash specialized in building combines. With its North American base firmly established it's not surprising that the Russian company would bring its harvesting equipment to the U.S. and Canada. For more than a year, the company has been testing its combines in North America. It says the probability that it will introduce its combines to the U.S. and Canada in the next year or so is very high.

Lyubimov says with the improved crop this year, Russian farms are investing in grain storage. This plays well into Buhler's strategic alliance with Westeel, one of Canada's largest manufacturers of steel storage products, which was announced in October 2010.

Along with its expanded product line, Buhler is looking to grow its dealer network. With just under 300 Versatile dealers in the U.S. and Canada, Darrell Steiner, director of sales, says the company would like to add another 65 retailers.

Currently, about 15% of its dealers carry Versatile tractors exclusively and the remainder are dual branded, according to Steiner.With the consolidation within the ranks of farm equipment dealers, he senses an opportunity to increase its dealer numbers.

"Some of our competitors are changing the way they're marketing through their retail organization, and there seems to be growing dealer unrest. We're seeing some dealers looking to take on other lines and that seems to help us quite a bit."

Since 2008, Buhler has offered floorplan and retail financing through Agricredit, which Steiner says has helped the company recruit the kind of dealers the company needs. AEI

Alternative Fuel Tractors Enter Next Phase of Development

Judging by the rollouts at last month's Agritechnica show in Germany, investigating alternative energy sources as a supplement or replacement for traditional diesel is high on the agenda of tractor manufacturers' R&D schedules.

AGCO's Valtra unit, for example, showed a second Dual Fuel prototype. This time it was a T Series 6-cylinder tractor with SCR exhaust after-treatment that's capable of running on a mixture of biogas and diesel. New Holland unveiled its second generation hydrogen-fuelled tractor, which will undergo extensive field trials next year.

The Valtra T133 Dual Fuel aims to capitalize on the increasing amount of biogas produced on farms by providing a storage and delivery system to feed a Sisu 6-cylinder engine. In "biogas" mode, 83% of power is derived from burning the gas and 17% from either conventional diesel or biodiesel — either of these must be included to ensure combustion.

Power and torque performance is said to be no different from running the engine on diesel alone, but fuel cost is approximately 10-40% lower. When fuelled by a biodiesel/biogas combination, the Dual Fuel tractor is run entirely using renewable energy sources.

The gas storage tanks have capacity for three to five hours running, hence the ability to run on diesel alone or with biogas. Adding further capacity would obviously increase dual fuel running time.

New Holland's second NH2 hydrogen-fueled tractor has twice as much power as the first one and will be used to further explore the concept in genuine farming conditions in Italy.

Based on a heavily modified T6.140, the vehicle's triple-stack fuel cells generate 100 kW of power, which can be channelled through one electric motor for propulsion and another to drive the PTO shaft. Its hydrogen tank can hold more than three times as much fuel as the first prototype.

In addition, the conventional gearbox has been swapped for a continuously variable transmission, giving the machine a top speed of 50 kph and pulling power comparable with a conventional 120 horsepower tractor.

The second-generation NH2 will be put to work next year on the first "energy independent" farm, where different methods of producing hydrogen using "green" resources will be evaluated. AEI

Commodities vs. Equities: Precision Farming is Transforming Agriculture

The value of precision farming technology has grown beyond monitoring yields and reducing grower fatigue. As the physical and digital farm become one, the technology and data generated will impact virtually every business that's even remotely involved with the production of food, fiber and fuel.

"In agriculture, we've moved from talking about commodities to talking about equities," says Jeff Thurston, cofounder and editor for Germany's Vector 1 Media. "We see agriculture as an investment not just for food production, but for all the downstream businesses that stem from farming. With this new view on farming, digital records will become increasingly important."

Precision farming technology makes it all possible. The integration of machine, electronics and agronomy underpinned Agri-Trend's 2011 Farm Forum event, held November 29-December 1 in Saskatoon, Sask. Nearly 1,000 growers and farm equipment dealers attended.

Farmers have adopted precision farming technology quickly. In 1999, it's estimated that 6% of U.S. farmers used yield monitors, a number that's closer to 50% now. However, emerging countries are beginning to move ahead of the legacy data that exists in mature economies.

When the Berlin Wall fell, says Thurston, "farms in the former East Germany were in a poor state. Now farmers in West Germany look at the east with envy. They have taken the latest technology and incorporated it. They have iPads in their tractors and are looking at how to apply technology and share data. Their level of production has skyrocketed."

Much of this involves better use of available data. For example, "Yield monitors are a field's report card. It tells everything about that field," said Ag Leader's James Luke during one of the event's technical sessions. While the data can help operators make decisions around the farm, it's also important to other business groups from insurance companies to banks.

"When we combine technology for equipment optimization and information management we have the digital farm," says Robert Saik, CEO of the Agri-Trend Group based in Red Deer, Alberta. "Farmers can easily share farm data with the businesses that need it." For example, with the right data in the system, farmers can simply push a button to prepare a crop insurance report.

As people worldwide become more concerned about food safety, digital records may make or break a crop sale. Using data generated by yield monitors, application equipment and other systems, farmers can produce digital maps showing exactly where in the field something happened.

"Farmer's who are not map-based in a digital form are not going to be able to compete," says Thurston. AEI

Titan Machinery Posts 3Q Revenue Gains of 36%

Driven by stronger-than-expected construction results and strong parts and service demand, Titan Machinery, the largest Case IH dealer in North America with 91 locations, easily surpassed analysts' estimates in its fiscal third quarter of 2012.

Titan's overall revenue increased by 35.9% to $423 million from $311.3 million for the same period a year ago. Each of the company's main sources of revenue — equipment, parts and service — continued to demonstrate robust sales levels, with parts and service revenues leading the way.

Titan Machinery 3Q Financials & Revenue Analysis			
(in millions of dollars)	**3Q FY 2012**	**3Q FY2011**	**Change**
Revenue	$423.0	$311.3	+35.9%
– Agriculture	$361.6	$282.4	+28.1%
– Construction	$77.4	$39.8	
Pre-Tax Income/(Loss)	$21.3	$12.8	
– Agriculture	$20.1	$14.4	
– Construction	$3.3	$(0.2)	
Equipment	$312.3	$241.1	+29.5%
Parts	$64.5	$42.0	+53.4%
Service	$29.8	$20.8	+43.3%
Rental & Other	$16.3	$7.4	+122.4%
Gross Profit	$74.0	$48.0	+52.4%
Gross Profit Margin	17.5%	15.4%	210 bps

Equipment sales were $312.3 million for the third quarter, compared to $241.1 million in the third quarter of FY2010. Parts sales were $64.5 million for the period vs. $42 million in the previous year. Revenue generated from service was $29.8 million compared to $20.8 million in the same period last year.

Net income for the third quarter was $12.8 million, compared to net income of $7.7 million for the same period last year. Gross profit for the quarter was $74 million, compared to $48 million. The company's third-quarter gross profit margin increased to 17.5% vs. 15.4% last year.

Titan attributes the margin improvement to "increased margins across all revenue streams and a change in sales mix to a larger percentage of revenue coming from higher margin parts, service and rental business. Gross profit from parts and service revenue for the third quarter of fiscal 2012 was 54% of overall gross profit and increased to $39.6 million from $26.1 million in the previous year.

Healthy 4Q. In his assessment, Rick Nelson, analyst for Stephens Inc., sees little impediments for Titan's continued growth well into 2012.

"Ag industry growth drivers remain healthy, particularly in Titan's footprint. There are tight global crop supplies, growing farm incomes, favorable harvest conditions in Titan markets, and continuing depreciation tax incentives to motivate purchases. We think [Titan's] recent inventory build was done to meet anticipated demand and sales. The inventory build will work through the seasonally large fourth quarter and into 2012," says Nelson.

Looking ahead, Robert McCarthy, analyst for RW Baird, said in a note, "We now forecast organic growth of roughly 17% (up from 13%); total revenue grows 36% to $1,483 million vs. management's $1,425-1,500 million forecast. We project a 90 bps expansion in adjusted operating margins, largely reflecting the full-year impact of lower borrowing costs as a result of a new floorplan credit agreement." AEI

Ploeger-Oxbo Merger Continues Globalization Trend

As the agricultural machinery business becomes increasingly global and manufacturers seek a presence in all the world's major markets, transatlantic partnerships continue to arise.

The latest is in the specialty crop harvesting sector where Dutch firm Ploeger Agro and Oxbo International Corp. of Byron, N.Y., have merged. The new group is thought to be the industry's largest manufacturers of harvesters and related equipment for potatoes, peas, beans and top fruit.

The merger follows almost 20 years of cooperation between the two companies as distribution agents. In part, the meger will allow the new company to pursue opportunities in new markets such as Brazil, China and countries in Eastern Europe.

"Working together, we can accomplish things that we just could not do individually," says Gary Stich, president of Oxbo. "For example, we could sell more of our olive harvesters in Europe, and more easily offer Ploeger potato and fine bean harvesters in North America."

Ad Ploeger, general manager of Ploeger Agro, says the new group will build on the individual companies' strengths. "It allows us to freely exchange technology and product information, and cooperate in offering our products in new countries," he says. Ploeger Oxbo Group, headquartered in The Netherlands, is owned by five groups, including executives from the merged firms, Dutch manufacturing company VDL and two Dutch investment firms. The four member board of directors comprises Ad Ploeger and Cees Van Beek, technical director, from the Dutch company, and Gary Stich and Andy Talbott, vice president of sales at Oxbo.

The combined business has 140 employees in Europe at two plants in The Netherlands and in a former FMC Technologies plant in England.

Oxbo has more than 400 employees in three manufacturing facilities in Byron, N.Y., Clear Lake, Wis. and Lynden, Wash. AEI

Dealers Post Strong November Sales

While overall North American retail sales of farm machinery are traditionally weak in November, the Assn. of Equipment Manufacturers (AEM) is reporting that the market continued to gain strength last month.

AEM reported that North American ag machinery sales increased for row-crop tractors, +15%, 4WD tractors, +23%, combines +6%, and utility tractors +2%. Sales of small tractors (<40 horsepower) were essentially flat, down less than 1%.

The double-digit increase in sales of row-crop equipment in November comes on the heels of a 6% rise in the previous month.

"Row-crop and 4WD tractor comparisons strengthened moderately, increasing 15% and 23% year-over-year, respectively, while combine sales growth moderated to 6%," says Robert McCarthy of RW Baird.

"Beginning-of-month inventory levels increased year-over-year across all equipment types. Seasonally stronger December provides a more important read on demand trends," he says.

• Combine retail sales growth moderated in October, as sales increased 5.8% year-over-year following October's 14.7% increase. U.S. combine inventories increased 19% year-over-year in absolute terms in October vs. a 24% increase last month. Days-sales (43) also increased year-over-year from 36 last year.

• Row-crop tractor sales increased 15.4% in November, up from a 4.2% year-over-year increase in October. U.S. row-crop tractor inventories increased 2% year-over-year in October vs. a 5% increase in September. On a days-sales basis, inventories fell slightly to 95 days-sales from 96 in October 2010.

• 4WD tractor sales increased 22.6% year-over-year in November, up from a 1.3% increase in October. U.S. dealer inventories of 4WD tractors increased 20% year-over-year.

• Mid-range tractor sales remained positive in November, increasing 2.4% year-over-year after 13.2% growth last month. AEI

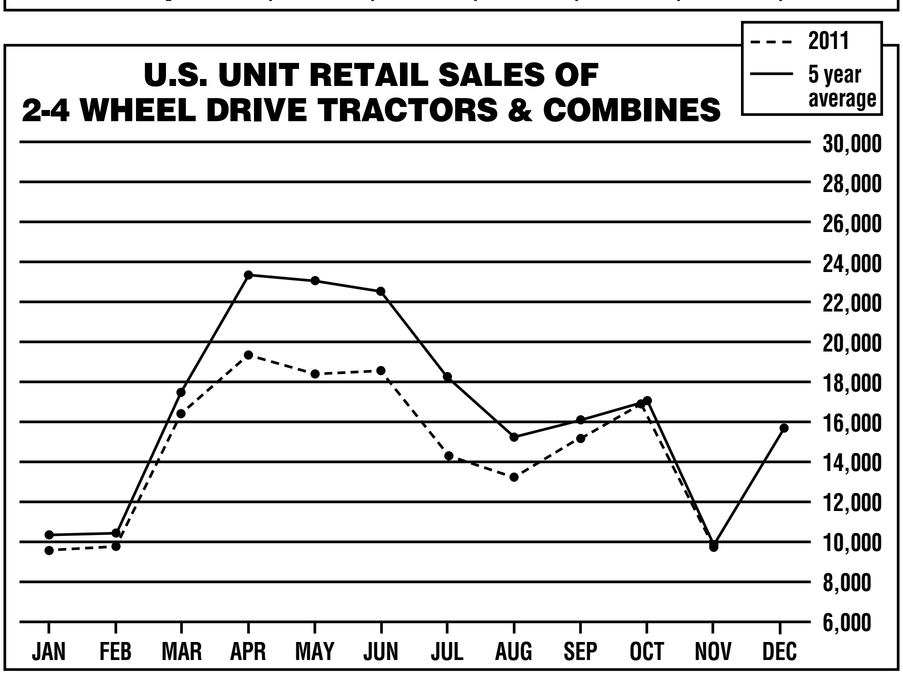
NOVEMBER U.S. UNIT RETAIL SALES

Equipment	November 2011	November 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	November 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	4,249	4,244	0.1	78,188	78,094	0.1	48,609
40-100 HP	2,869	2,802	2.4	44,547	43,352	2.8	23,096
100 HP Plus	1,956	1,685	16.1	24,161	24,029	0.5	6,982
Total-2WD	9,074	8,731	3.9	146,896	145,475	1.0	78,687
Total-4WD	380	316	20.3	5,456	5,158	5.8	1,072
Total Tractors	9,454	9,047	4.5	152,352	150,633	1.1	79,759
SP Combines	532	545	-2.4	8,973	9,351	-4.0	1,203

NOVEMBER CANADIAN UNIT RETAIL SALES

Equipment	November 2011	November 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	November 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	703	718	-2.1	10,950	9,952	10.0	6,390
40-100 HP	561	547	2.6	6,253	5,943	5.2	2,762
100 HP Plus	318	285	11.6	3,941	3,773	4.5	1,317
Total-2WD	1,582	1,550	2.1	21,144	19,668	7.5	10,469
Total-4WD	102	77	32.5	1,235	1,217	1.5	319
Total Tractors	1,684	1,627	3.5	22,379	20,885	7.2	10,788
SP Combines	210	156	34.6	2,738	2,510	9.1	361

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



—Assn. of Equipment Manufacturers

Kubota to Build New U.S. Plant, Enters Consumer Rental Market with Home Depot

It's been a busy month for Kubota Tractor Corp. The company says it will add 200 new jobs when its new Georgia manufacturing plant opens for production in January 2013.

The company also says that through its partnership with Compact Power Equipment Centers (CPEC), it will begin offering compact construction equipment for rent through various locations of The Home Depot Tool Rental.

Also in the last month, Kubota announced an agreement with Vermeer Corp. that offers Vermeer Forage Solutions dealers in Canada the opportunity to sell forage equipment with retail financing provided by Kubota Canada.

New Plant. While the company has not issued a public statement on its plans for the new factory, various published reports say Kubota will invest $73 million to build the facility in Jefferson, Ga., on the same 88 acre site of the company's existing manufacturing facilities, which currently employ 500 people. The new 500,000 square foot plant is about 60 miles northeast of Atlanta, between Athens and Gainesville. Capacity of the new facility is expected to be 22,000, 30-50 horsepower compact tractor models.

Kubota Rentals. Among the rental equipment available through Kubota's agreement with CPEC will be Kubota's K008-3 excavator and BX25 tractor/loader-backhoe.

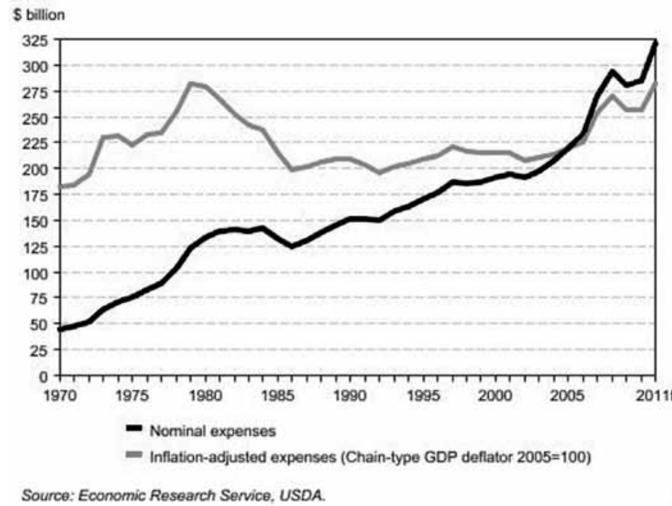
These two products are currently available in about 100 Home Depot locations nationwide including The Home Depot flagship store in Georgia, as well as stores in Tennessee, South Carolina, Texas, Florida and Mississippi. CPEC hopes to place Kubota equipment in each of its 280 current locations, with a 2012 expansion goal of more than 400 additional locations.

"Our partnership with CPEC makes Kubota available to an entirely new customer base of rental users," said Tim Bauer, Kubota National Accounts Manager. "During these uncertain economic times, the rental option serves customers who are hesitant to invest in equipment ownership, conserving their cash flow and lines of credit."

Improving Sales. On November 2, Kubota Corp. issued its earnings report for the period ended September 30. Company's revenues rose by $419 million, or 7.3 %, to about $6.2 billion from the a year ago. Revenues from its Farm & Ind. Machingery increased 9.4 %. **AEI**

Farm Production Expenses to Rise $34 billion in 2011

Farm Production Expenses for U.S. Farms — 1970-2011f



After falling $12 billion, or 4.1%, in 2009 and rebounding a relatively modest $4.5 billion, or 1.6%, in 2010, total farm production expenses are set to rise $34.4 billion, or 12%, in 2011 to a nominal record $320 billion. The 2011 jump resembles the large increases in production expenses recorded in 2007 and 2008. This is the first time that expenses will have exceeded $300 billion. When adjusted for inflation, 2011 expenses also set a record, surpassing the previous peak reached in 1979. **AEI**

Source: USDA Economic Research Service

SDF Clarifies Its U.S. Distribution Activities

Responding to an item that appeared in the November issue of *Ag Equipment Intelligence*, ("Heard in the Field," p. 5) regarding rumors that Same Deutz-Fahr was considering ceasing distribution of its products in the U.S., we received the following release.

"SDF Group, manufacturer of the Deutz-Fahr tractor line, has appointed Bavarian Tractor Works of Kerman, Calif., as the exclusive importer and distributor of the Deutz-Fahr tractor brand for the western United States, effective December 1.

SDF Group manufactures tractors from 39 horsepower to 265 horsepower for all farming applications. Bavarian Tractor Works primarily will focus on specialty tractors, which vary from 62-106 horsepower, and as narrow as 44 inches, and high-horsepower tractors starting at 140 horsepower to a maximum of 265 horsepower. In addition to supplying new Deutz-Fahr tractors, Bavarian Tractor Works will provide parts and technical support for older Deutz, Same, Hurlimann and Lamborghini tractors." **AEI**