

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

- World Sales Rising
- Record Year for Claas
- 2012 Growth at 4%

Why is Kubota Pursuing Kverneland?

When Kubota introduced its 135 horsepower tractor in 2009, its most powerful M-Series tractor to that point, some of its boots on the ground in the U.S. hailed the launch as the company's first step toward becoming a "real farm equipment company."

That rollout was only the first signal that the company was getting serious about farming.

Last month, the company sent its strongest signal yet that it's serious about being a player in worldwide farm equipment markets when it offered to acquire the European ag implement manufacturer Kverneland.

Comments from the company's chairman and CEO in Kubota's 2010-11 annual report confirmed its interest in expanding its agricultural presence.

Yasuo Masumoto says he wanted Kubota to become a truly global manufacturer by designing and building products specifically for the markets in which they will be sold. As a step toward that goal, he says Kubota needed to broaden its farm machinery focus from paddy rice production in Asia to other agricultural crops.

"Kubota has started forging ahead with strategic planning aimed at strengthening our manufacturing with a global perspective," says Masumoto. "Going forward, we will work harder than ever to identify the fields of technological development we need to focus on and to acquire advanced technologies."

Year 'Zero.' In the annual report, Masumoto describes 2011 as "year

zero" in Kubota's reincarnation as a genuinely global company. "We are going to speed up the expansion of our overseas production, the overseas localization of our R&D and other processes," he adds. "Although our overseas revenues ratio has increased dramatically, Kubota is still inclined to transplant its Japanese systems overseas and attempt to apply them to its local operations."

"We must cease to accord Japan special status and start seeing it as one of our principal markets, looking carefully at which systems should only be used in Japan, and which should be implemented overseas," Masumoto continues.

"Our efforts toward building
Continued on page 2

Rural Lifestyle Dealers Look for Another Solid Sales Year in 2012

Nearly half, or 48%, of equipment dealers serving the rural lifestyle, lawn and landscape markets expect business levels to continue improving in 2012 compared with 2011. Combined with those who are forecasting that their revenues will come in at least as good as 2011, nearly 84% of these retailers are confident sales of equipment will be solid throughout the year ahead.

Breaking down the responses of more than 130 rural lifestyle-focused dealers responding to the survey conducted by *Rural Lifestyle Dealer*, a sister publication to *Ag Equipment Intelligence*, in December, 11.5% are projecting total revenues will increase by 8% or more in 2012.

Another 36.6% forecast revenues

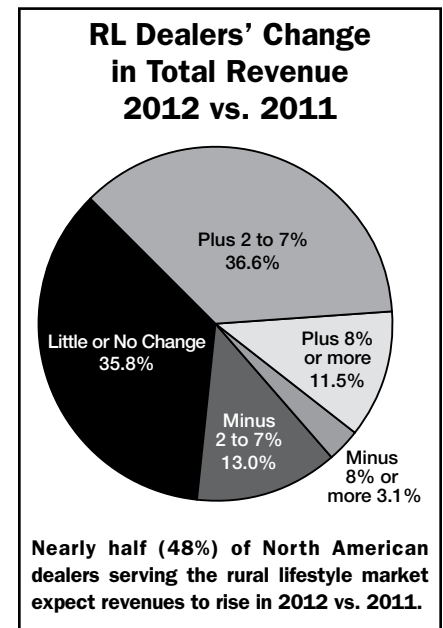
growing by 2-7%. Only 3.1% of dealers anticipate revenues falling by 8% or more, while 13% expect revenues to decline by 2-7%. The remaining 35.8% of dealers are forecasting little or no change going forward compared with 2011 revenue levels.

Overall, a net 32% of dealers believe their revenues in 2012 will increase vs. the previous year as 48.1% expect sales to be 2% or higher compared with 16.1% who anticipate sales will decline by 2% or more.

Equipment dealers are also anticipating increasing revenues from after-market (parts and service) sales.

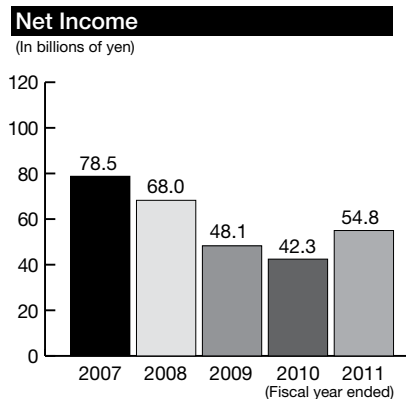
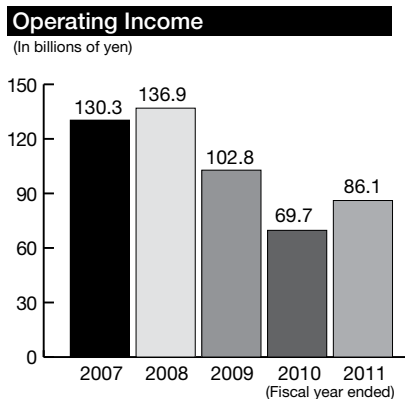
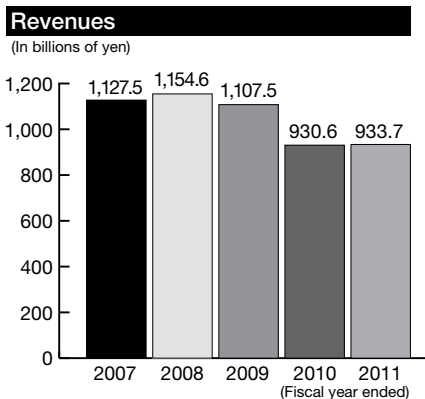
As a group, 47.7% of rural lifestyle equipment dealers see parts and service revenues improving by 2-7%

Continued on page 8



The contents of this report represent our interpretation and analysis of information generally available to the public or released by responsible individuals in the subject companies, but is not guaranteed as to accuracy or completeness. It does not contain material provided to us in confidence by our clients. Individual companies reported on and analyzed by Lessiter Publications Inc., may be clients of this and other Lessiter Publications Inc. services. This information is not furnished in connection with a sale or offer to sell securities or in connection with the solicitation of an offer to buy securities.

Kubota Corp. Financials 2007-2011



Source: Company Website

Kubota saw a slight improvement in total revenues in 2011 as well as solid increases in operating income and net income. Approximately 70% of Kubota's revenues come from its machinery group, which includes its tractors. Within its machinery group, 67% of revenues come from overseas sales and about 33% from domestic sales. Its remaining revenues come from its water segment (21%), infrastructure products (6%) and other (3%).

new businesses that will support the next-generation Kubota are also making steady progress. In the past, our overseas business expansion relied on horizontal rollouts, whereby we adapted existing businesses and products to new overseas markets."

He concludes by saying, "In addition to our existing rice-farming agricultural machinery, Kubota plans to create a broader range of agricultural machinery, aiming to contribute to food production on a global scale as a comprehensive manufacturer of agricultural machinery."

Kverneland's Role. Acquiring Kverneland Group would go a long way toward achieving that last ambition because it has a wide portfolio of both tillage and hay products developed principally for European farming conditions but also suited to dairy farming operations in North America and other markets around the world.

Kubota's interest in Kverneland, which typically generates sales revenues equivalent to \$518 million at current exchange rates, coincides with an enthusiasm on the part of Kverneland's major shareholder to

cash in on its long-term investment.

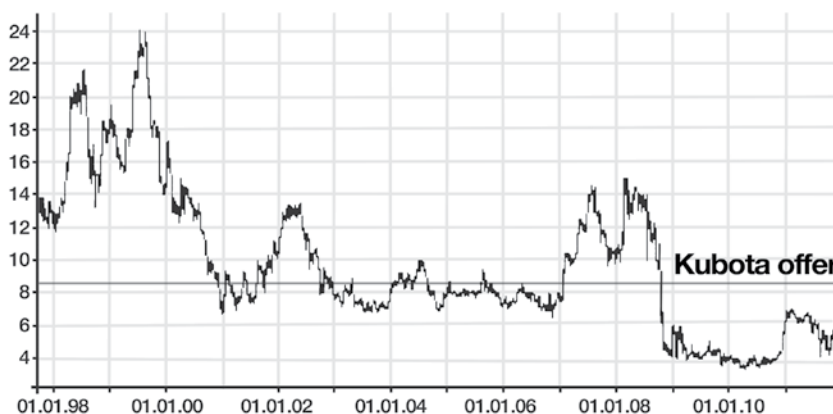
The Norwegian private equity group Umoe, whose CEO is Kverneland's chairman, has made a binding commitment to sell its 30%-plus holding to Kubota for approximately \$86 million. This agreement was reached after CNH Global and Chinese farm and construction machinery maker Chery Heavy

Industries responded to Kubota's initial offer by expressing interest in making counter-bids.

In a January 9 interview with a Wall Street Journal reporter, CNH Global Chairman Sergio Marchionne indicated that it will not continue its bid to acquire Kverneland. "Those discussions are pretty much done," he said.

Kubota's Norwegian subsidiary has

Share Price of Kverneland Group 1997-2011 (in Kroners)



Current Kverneland shareholders include U.S.-based companies Goldman Sachs, First Eagle Investment Management, Bank of New York Mellon, State Street Bank and Morgan Stanley.

AG EQUIPMENT INTELLIGENCE is published monthly for the farm equipment industry by Lessiter Publications Inc., 225 Regency Ct., Suite 100, Brookfield, WI 53008-0624. © 2012 by Lessiter Publications Inc. All rights reserved. Reproduction in any form of this newsletter content is strictly forbidden without the prior written consent of the publisher. Please send any address changes as soon as possible to the address shown above.

U.S., Canada and Mexico print subscriptions are \$349 per year. Save \$50 by receiving *Ag Equipment Intelligence* each month via E-mail Internet access at only \$299 per year. International print subscriptions are \$449 per year. Send subscription orders to: *Ag Equipment Intelligence*, P.O. Box 624, Brookfield, WI 53008-0624. Fax: 262/786-5564. Phone: 262/782-4480 or 866/839-8455 (U.S. only). E-mail: info@lesspub.com.

issued a formal offer to other shareholders, who previously were mainly Norwegian banks, investment firms and pension funds, but which now include Goldman Sachs, First Eagle Investment Management and Bank of New York Mellon — each with more than 5% of the stock — as well as State Street Bank and Morgan Stanley.

In all, the top 20 shareholders after Umoe collectively control more than 48% of the stock, but Kubota still hopes to secure Kverneland as a wholly owned subsidiary.

If it does, Kubota will pay a little over \$270 million for a business that employs 2,000 people and has factories in Norway, Denmark, Germany, France, The Netherlands, Italy, China and Russia.

It also runs 19 sales companies around the world, while distributing

through independents in another 60 countries.

On the Cheap. At that price, it looks like a bargain alongside the \$149 million paid two years ago by Kuhn's Swiss parent, Bucher Industries, for Kverneland's hay baler product line and factory in The Netherlands.

Kverneland itself has plenty of experience in the field of acquisitions, having been transformed from a moldboard plow specialist to one of the few manufacturers on the world stage with both tillage and hay product lines — a process it achieved through a series of business and product line acquisitions in the 1990s.

More recently it secured a near-40% stake in Italian hay baler manufacturer Gallignani and acquired the self-loading hay trailer line from a Dutch manufacturer.

Kubota says it has no plans to change Kverneland's structure or the way it does business, but that it would have the opportunity to develop and manufacture implements for Kubota tractors and tap into Kubota's extensive distribution channels, especially in Asia.

Other Agreements. It remains to be seen if any deal affects Kverneland's agreement signed with CNH in October to supply U.S. New Holland dealers with hay equipment, or the agreement with AGCO in Europe to supply Massey Ferguson-branded round baling machinery.

Kubota simply notes that a successfully completed acquisition of Kverneland would be a milestone in establishing the company's significant presence in the agricultural machinery market for non-paddy crop production. **AEI**

FARM MACHINERY TICKER (AS OF 01/11/12)*

Manufacturers	Symbol	01/11/12 Price	12/12/11 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	\$36.70	N/A	\$54.95	\$28.11	17.47	68,138	455.48M
AGCO	AGCO	\$50.00	\$42.98	\$59.81	\$30.11	12.77	1,730,610	4.86B
Alamo	ALG	\$27.99	\$26.91	\$29.27	\$19.71	11.61	32,918	333.42M
Art's Way Mfg.	ARTW	\$8.48	\$5.68	\$15.95	\$4.80	35.33	7,498	34.12M
Blount Int'l	BLT	\$15.59	N/A	\$18.62	\$12.46	14.71	224,317	760.22M
Buhler Industries	BUI	\$5.49	N/A	\$6.50	\$5.20	17.88	10,205	137.25M
Caterpillar	CAT	\$99.64	\$90.98	\$116.55	\$67.54	15.23	8,503,200	64.43B
CNH Global	CNH	\$42.17	\$38.13	\$54.45	\$22.19	10.63	448,657	10.12B
Deere & Co.	DE	\$84.50	\$75.22	\$99.80	\$59.92	12.75	4,374,600	34.15B
Hemisphere GPS	HEM	\$0.74	N/A	\$1.68	\$0.58	N/A	206,403	45.01M
Kubota	KUB	\$41.87	\$41.20	\$55.50	\$36.81	73.71	40,468	52.59B
Lindsay	LNN	\$56.77	N/A	\$85.87	\$46.03	20.38	156,076	720.92M
Titan Int'l	TWI	\$21.15	N/A	\$31.42	\$12.97	26.44	781,414	892.57M
Trimble Navigation	TRMB	\$43.07	N/A	\$52.30	\$31.88	34.18	545,551	5.31B
Valmont Industries	VMI	\$97.16	N/A	\$116.02	\$73.00	17.35	140,586	2.57B
Retailers								
Cervus Equipment	CVL	\$15.61	\$15.00	\$18.40	\$13.60	N/A	10,994	N/A
Rocky Mountain Dealerships	RME	\$9.05	\$8.65	\$11.00	\$8.35	8.69	15,576	169.85M
Titan Machinery	TTN	\$23.58	\$21.37	\$32.03	\$15.58	12.62	231,181	485.09M
Tractor Supply	TSCO	\$72.93	N/A	\$78.22	\$45.99	26.82	725,138	5.18B

*With this issue we're expanding our coverage of ag-related stocks to include: Ag Growth International (grain handling, storage, conditioning equipment), Blount International (outdoor products, lawnmowers), Buhler Industries (tractors, ag sprayers and implements), Hemisphere GPS (precision farming), Lindsay Corp. (irrigation), Titan International (agricultural tires), Trimble Navigation (precision farming), Valmont Industries (irrigation) and Tractor Supply Co. (retailing).

European Implement Production Heads to China

European agricultural implement manufacturers are following the industry's leading tractor makers by setting up shop in China. Their aim is to establish a firm foothold in a market where demand for modern farming technology continues to grow.

Germany's Lemken, a family-owned producer of moldboard plows, cultivation tools, seeders and crop sprayers, is the latest to upgrade its presence from importer to local producer. The company is preparing an assembly facility in Qingdao, east China, where the Maschio Gaspardo group of Italy has long had a major presence.

"We have altered our strategy for China in that while continuing our co-operation with Foton-Lovol, one of China's major tractor manufacturers, we also want to ship directly to large-scale Chinese farming businesses," says Lemken general manager Dr. Franz-Georg von Busse. "It's important to supply equipment 'Made in China' because farmers can only benefit from the significant subsidies available for such purchases by choosing locally-built implements."

Following the Lead. Lemken joins Norway's Kverneland Group and Sweden's Quicke loader maker Alö in establishing a local presence in China.

Kverneland's facility in Daqing became fully operational early last

year, building stubble cultivators, precision seeders and flail choppers with a view to adding other products from the Kverneland and Vicon product lines as the market develops.

For Alö, the move into China has greater significance because it's now the group's sole manufacturing location for loader implements — buckets, forks and the like — at the expense of two European factories.

"In the short term, moving production to Ningbo in southeast China improves our competitiveness and profitability through more cost effective manufacture of implements," says Urban Hadarsson, sales director. "But also, China will become a market for us in the not too distant future and by setting up there now, we'll be in a position to meet demand when it picks up."

Western Designs. Hadarsson is referring to the growing use of high performance tractors that can use Western manufacturers' existing designs.

"That contrasts with some developing markets, such as India, where basic, low horsepower tractors continue to be used," says Lemken's von Busse. "They need implements different from the ones we now manufacture in our European plants, which is why we set up a plant in India."

For its step-by-step entry into China, Lemken worked with an agency

before setting up a subsidiary company to develop a distribution network. Also, to help present Western agricultural methods to farmers in northeast China, the company ran a demonstration farm in partnership with Claas (grain harvesters), Grimme (potato harvesters), Rauch (fertilizer broadcasters) and Monosem (precision seeders). **AEI**

Alö Pushes to Become 'Global' Engineering Firm

Altor Equity Partners, the new owners of Alö, will use their experience in developing global engineering companies and in entering emerging markets, such as China, to help Alö in its next phase of growth, says Bengt Maunsbach.

The Swedish private equity fund manager acquired the business last year from U.K. investment firm 3i and the Baltic Group. It has no other agriculture-related businesses but claims "extensive experience in developing a European company with leading technology into a true world leader, including within the BRIC countries."

Alö's 600 employees produce tractor loaders under the Quicke and Trima brands, and also supplies loaders that are branded by a number of tractor manufacturer's at sites in Sweden, France and China, and also in the U.S. following its acquisition of Bush Hog's front loader business in 2009.

Dealers See 4% Growth for 2012; AGCO Retailers Most Optimistic

North American farm machinery dealers are maintaining their outlook for continuing strong sales into 2012, according to the results of *Ag Equipment Intelligence's* December 2011 "Dealers Trends & Business Outlook" survey.

"Looking out to 2012, dealers maintained their forecast and expect 4% sales growth for the full year, consistent with October," says Curt Siegmeyer, analyst with Cleveland Research Co., who partners with *Ag Equipment Intelligence* to conduct the monthly survey of dealers.

"Consistent with the above average order growth, it's not surprising that AGCO dealers are still the most optimistic, reporting the highest full year

	Aug. '11	Sept. '11	Oct. '11	Nov. '11
Overall	5%	2%	4%	4%
AGCO	9%	8%	9%	8%
Case IH	4%	3%	5%	4%
John Deere	4%	1%	2%	3%
Kubota	5%	7%	4%	4%
New Holland	5%	5%	5%	5%
Shortlines	3%	2%	1%	2%

growth outlook at 8%, while shortline dealers report the least optimistic outlook at 2% on average," says Siegmeyer.

Dealers in the Mountain, Pacific

and Canada regions are the most optimistic, while ag equipment retailers in the Northeast region are forecasting sales to be flat in 2012. **AEI**

Claas Reverses Revenues Slide to Reach New Record

Harvester and tractor maker Claas managed to reverse a two year slide in sales revenues in its financial year ending September 30, 2011 by hitting a new record and boosting profit margin.

Group sales, which include approximately 6% contributed by the components division and the production engineering arm serving the automotive and aircraft manufacturing industries, amounted to the equivalent of \$4.2 billion at current exchange rates.

“This represents a rise of 33.5% on the previous year’s figures and outperforms expectations,” says Dr. Theo Freye, board spokesman. “Furthermore, income before taxes has more than tripled on the previous year’s value and the quality of the financial result has once again taken a leap, with the gross margin rising to 24.9%.”

Following a record year for the agricultural machinery industry as a whole in 2008, the relentless rise in Claas sales revenues stalled as the global financial crisis hit sources of credit and farmers’ willingness to invest.

Group sales in the financial year ending in September 2009 declined by 10% to \$3.76 billion and dropped more than 14% the following year to

Claas Sales by Region — FY2011		
	Sales Revenues*	Change vs. FY2010
Germany	\$1,108.5	+31.3%
France	\$837.6	+23.6%
Rest of Western Europe	\$832.0	+18.5%
Countries Outside Europe	\$704.0	+41.5%
Central & Eastern Europe	\$707.6	+69.7%
Total Worldwide	\$4,189.7	+33.5%
*U.S. dollars at current exchange rates		

\$3.2 billion.

But Claas management, optimistic that markets would recover relatively quickly, increased investment in new product programs while at the same time, tackling costs.

Alongside a general recovery in agricultural markets worldwide, new product introductions gave Claas agricultural equipment sales added impetus to recover by more than 30% from 2010 levels to more than \$4 billion — and help the family-owned concern achieve its best-ever sales figure.

Grain harvesters continued to account for the biggest share of revenues, and Freye says there was an “emphatic rise” in the company’s mar-

ket position. Claas tractors, which have yet to make it into North America, account for the next biggest contribution, with a 20% sales increase in Western Europe outstripping the market recovery by some 13%.

In the year that Claas production of self-propelled forage harvesters hit the 30,000 mark, sJaguar sales reached record levels, with baler and forage wagons also performing strongly in 2011.

At more than \$193 million, R&D investment for the year was also at a record level while efficiency improvements and cost-cutting measures helped raise margins and contribute to pre-tax profits that tripled from the year before to more than \$320 million. **AEI**

USDA Lowers Price Forecast for Corn, Wheat

With its January 12 World Ag Supply and Demand Estimate report, USDA dropped its average price forecast for corn and wheat for the 2011-12 crop-marketing year, but maintained its price levels for soybeans.

The ag agency said, “Prices received by producers to date have remained well below prevailing cash bids limiting the upward potential for the season-average farm price.”

At the same time, the agency lowered its corn ending stocks by 2 million bushels to 846 million bushels, which was well above industry consensus of 758 million.

USDA lowered its price range for the 2011-12 crop by \$0.20 on both ends to \$5.70-\$6.70 per bushel. While lower than the previous forecast, the midpoint of \$6.20 per bushel is \$1.02 per bushel above last year’s estimated

price of \$5.18 per bushel.

USDA narrowed its price range for soybeans to \$10.95-\$12.45 per bushel, from \$10.70-\$12.70 per bushel. Its midpoint of \$11.70 per bushel remains \$0.40 above last year’s estimated price of \$11.30 per bushel.

The agency lowered its price range for the 2011-12 crop to \$6.95-\$7.45 per bushel, from \$7.05-\$7.55 per bushel per bushel. The midpoint of \$7.20 is \$1.50 per bushel above last year’s unrevised estimated price of \$5.70.

“Our model suggests that cash receipts from major crops will be \$135.8 billion in the 2011-12 crop year, up 10% year-over-year on top of \$120.8 billion for 2010-11, up 26% year-over-year,” says Ann Duignan of JP Morgan.

“While the 2011-12 growth pro-

jection of 10%-plus is down from 12% last month, major crop receipts are projected to remain very strong into 2012, supporting farm equipment purchases. We would not be surprised to see increased corn planting given continued low inventories and high prices vs. historical standards.” **AEI**

AEI Copyright Notice

Ag Equipment Intelligence is a copyrighted publication of Lessiter Publications. Copying an entire issue to share with others, by any means, is illegal. Duplicating of individual items for internal use is permitted only with permission of the publisher. Licensing agreements that allow distribution of *Ag Equipment Intelligence* to a specified number of readers are available by contacting Lessiter Publications at 262-782-4480, ext. 408.

Worldwide Ag Machinery Markets Maintain Strength Going into 2012

The largest markets in the world for farm equipment — U.S., EU, CIS and Brazil — all experienced solid sales results in 2011. Signs point toward another strong year in 2012.

In a January 11 report to investors, Ann Duignan, machinery analyst for JP Morgan, summarized the factors that will have the most significant impact on the industry in the year ahead. “With adequate global supplies of most crops, the fundamentals in 2012 are likely to be driven by weather events rather than material changes to demand.

“Wheat supplies in the Ukraine and corn and soybean supplies in South America are already being negatively impacted by inclement weather. As a result, U.S. crop prices are likely past their seasonal trough, at least through planting season,” she says.

North America. “After five years of growing demand in North America, it is hard to imagine how 2012 could be any better than 2011,” says Duignan,

Healthy crop prices in 2011 supported solid sales throughout the year are expected to continue into 2012. “Given the continued favorable global fundamentals, we do not foresee a significant decline in demand especially with the recovery in protein sector profits. We currently forecast modest 5% unit growth for 40 horsepower and higher tractors, and a 1% decline in combine unit sales in 2012.”

Europe & CIS. These markets remain healthy despite larger economic concerns. Overall, ag equipment sales are estimated to have increased 16% in 2011, following a 22% increase in farm income estimated by Eurostat in 2010.

In Germany, sales of farm machinery reached an estimated \$6.3 billion in 2011, a new record, according to VDMA, Germany’s Agricultural Machinery Assn. That represents a 25% improvement over 2010 sales.

“We expect a strong start to 2012,” says Duignan. “However, we do not anticipate a significant increase in demand from current levels, given the tough comparables.”

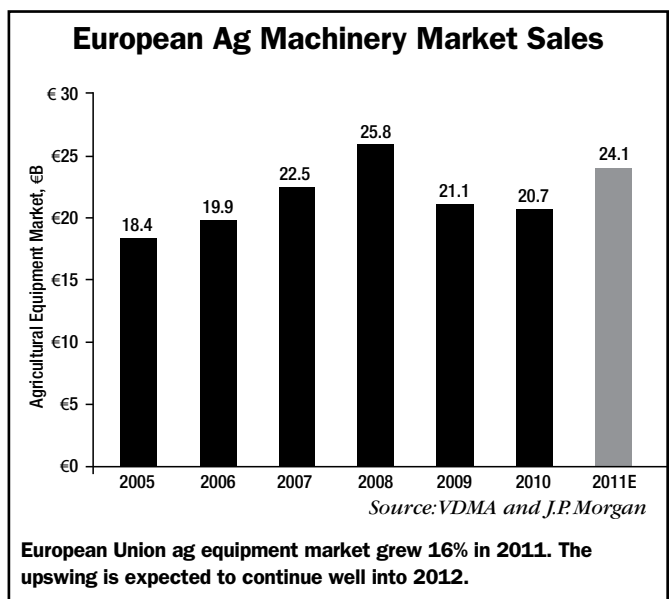
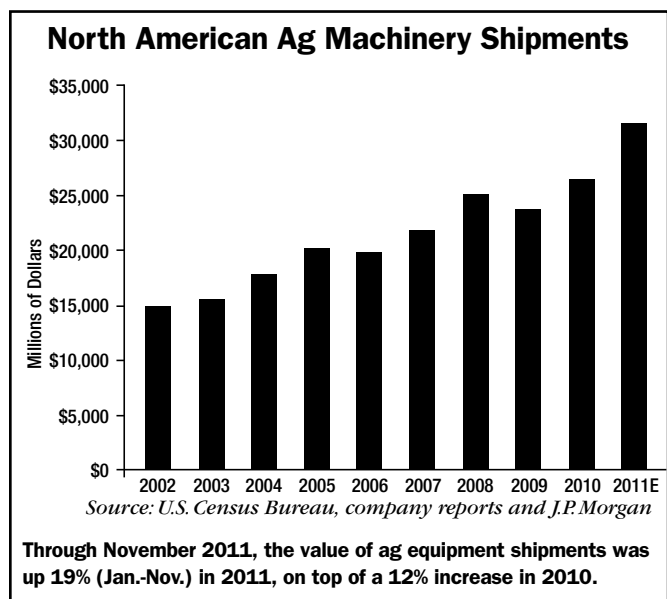
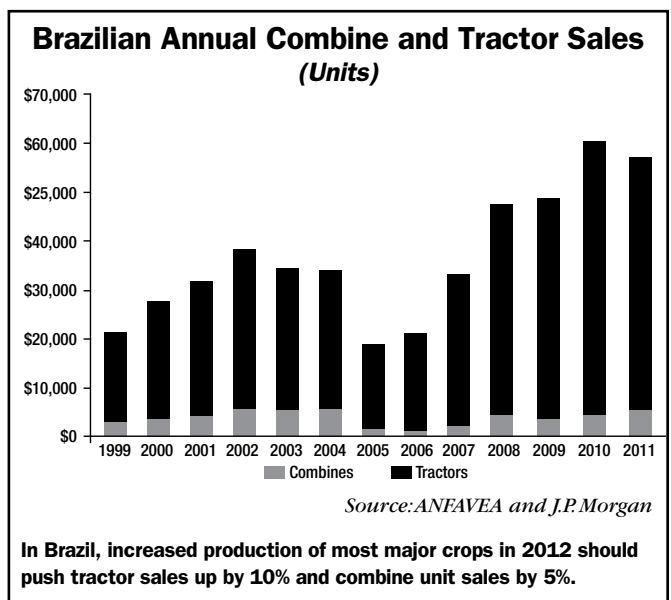
In France, a \$5.6 billion market, the dairy and grain sectors are key, and the market was up 20%-plus in 2011. “Since demand in France only started to recover in late 2010, there is an expectation for additional growth into 2012,” Duignan says.

Russia’s market for farm machinery is estimated to have reached \$2.92 billion, well below the peaks of recent years as import tariffs slow growth. “Pent-up demand is considerable for equipment in Russia,” says Duignan, “Overall, we’re forecasting a 5% increase in unit sales next year, on top of 12% in 2011.”

Brazil. Planting and production continues to expand in Brazil. This, along with equipment modernization, will continue to stoke demand for new ag machinery.

“Ongoing depreciation in the Brazilian real supports farmer income, as producer costs are in real but payment is in U.S. dollars. We currently forecast tractor and combine unit sales to increase by 10% and 5% in 2012, respectively,” says Duignan.

“While consultants forecast South American soybean production to be flat year-over-year given adverse weather conditions,” says Duignan, “Brazilian corn production is projected up 6.3% and Brazilian planted acreage is projected to increase by 9.1%. Sugar remains challenged due to reduced investment in 2008-09. However, legislation will support mechanization in the near term.” **AEI**



Pace of Equipment Sales Slow But Steady in December

The latest report on North American tractor and combine sales from the Assn. of Equipment Manufacturers shows December retail output moderated compared to the previous month.

“U.S. and Canada large tractor and combine retail sales weakened somewhat in December, falling 4% year-over-year after 14% growth in November, as a result of more difficult prior-year comparisons and the reset of 2011 bonus depreciation rules,” says Robert McCarthy, analyst for RW Baird.

“Overall, 4WD tractor and combine comparisons were particularly weak, falling 12% and 28%, respectively, while row-crop tractor sales were stronger with 9% year-over-year growth,” he says.

- Combine retail sales fell significantly in December as sales decreased 27.5% year-over-year following November’s 5.8% increase. U.S. combine inventories decreased 16% year-over-year in absolute terms in November vs. a 19% increase last month. December is a historically important month for combine sales, accounting for 11% of annual sales over the last five years.

- Row-crop tractor sales increased 8.9% in December, down from a 15.4% year-over-year increase in November. U.S. row-crop tractor inventories increased 2% year-over-year in November, comparable with a 2% increase in October. December is a historically important month seasonally for tractor sales as a result of year-end tax buying, typically accounting for 10.8% of annual sales, with similar bonus depreciation dynamics as combines.

- 4WD tractor sales fell 12.1% year-over-year in December, down from a 22.6% increase in November. U.S. dealer inventories of 4WD tractors decreased 14% year-over-year, while days-sales fell to 56 from 62 in November 2010.

- Mid-range tractor sales comparisons improved in December, increasing 11.2% year-over-year after 2.4% growth last month. Utility tractor sales increased 8.4% year-over-year. **AEI**



DECEMBER U.S. UNIT RETAIL SALES

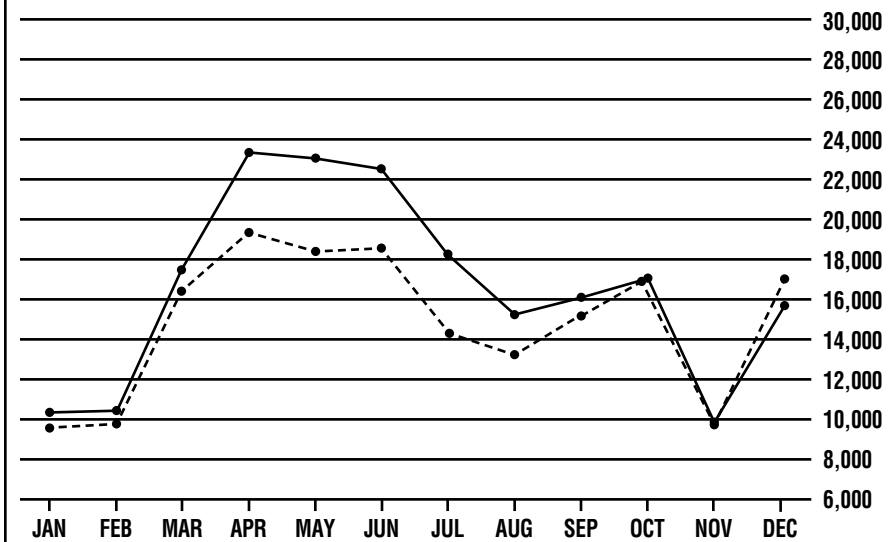
Equipment	December 2011	December 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	December 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	6,572	5,906	11.3	84,711	83,999	0.8	51,238
40-100 HP	5,651	4,967	13.8	50,163	48,318	3.8	24,603
100 HP Plus	3,317	2,943	12.7	27,465	26,971	1.8	7,013
Total-2WD	15,540	13,816	12.5	162,339	159,288	1.9	82,854
Total-4WD	533	628	-15.1	5,985	5,784	3.5	936
Total Tractors	16,073	14,444	11.3	168,324	165,072	2.0	83,790
SP Combines	937	1,327	-29.4	9,909	10,678	-7.2	1,169



DECEMBER CANADIAN UNIT RETAIL SALES

Equipment	December 2011	December 2010	Percent Change	YTD 2011	YTD 2010	Percent Change	December 2011 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	701	801	-12.5	11,655	10,753	8.4	6,721
40-100 HP	505	570	-11.4	6,761	6,513	3.8	2,827
100 HP Plus	380	453	-16.1	4,321	4,226	2.2	1,453
Total-2WD	1,586	1,824	-13.0	22,737	21,492	5.8	11,001
Total-4WD	129	125	3.2	1,364	1,342	1.6	305
Total Tractors	1,715	1,949	-12.0	24,101	22,834	5.5	11,306
SP Combines	164	191	-14.1	2,899	2,701	7.3	376

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



—Assn. of Equipment Manufacturers

in 2012, with another 4.7% expecting aftermarket revenues to increase by 8% or more.

Few dealers (11.7%) are anticipating decreased parts and service sales compared to last year. Less than 4% see revenues from these sources falling by 8% or more, with another 7.8% expecting a drop of 2-7% in the year ahead. The remainder, or 35.9%, sees little or no change in the level of aftermarket revenues in 2012 vs. 2011.

Growth Drivers. Dealers in the survey identified at least 10 products they expect will drive improving revenues in the year ahead.

Chief among these are utility vehicles, as 53.4% of equipment retailers are forecasting higher sales of 2-7% (46.7% of dealers) to increased revenues of 8% or more (6.7% of dealers).

Number two on their list of best prospects for increasing revenues in 2012 are under 40 horsepower tractors with 44.2% of dealers anticipating growth of 2-7% and another 5.8% forecasting increased revenue of 8% or more.

Zero-turn mowers was number three on the list with 42.9% of dealers anticipating rising revenues of 2-7% and 6.7% projecting an 8% or more growth in revenues.

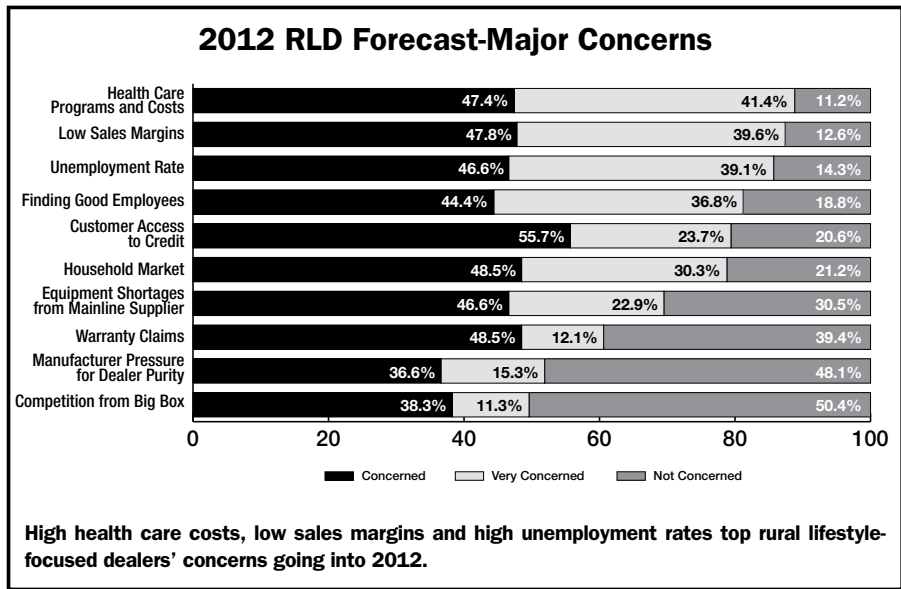
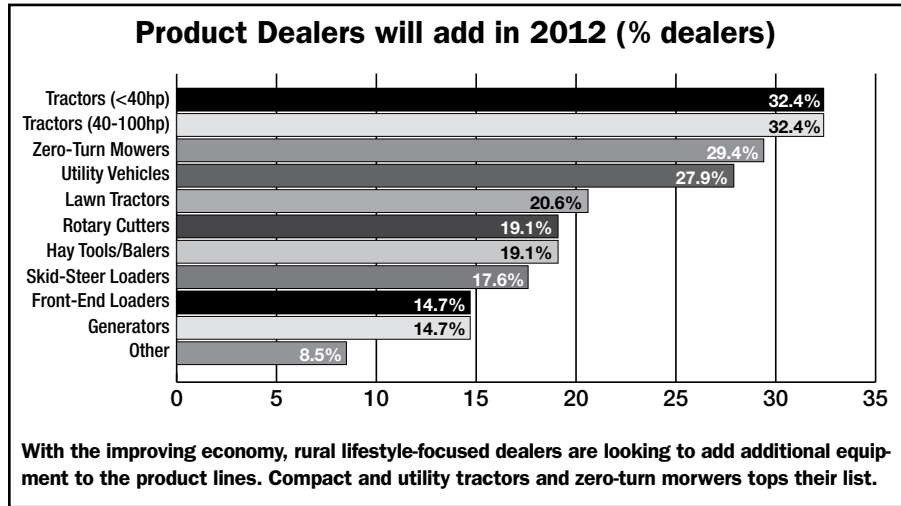
Expanded Lineups. To improve revenue growth in the coming year, dealers are also looking to add new products to their current line up. Nearly one-third of dealers (32.4%) say they're currently looking to expand their product offerings in 2012 by adding both under-40 horsepower and 40-100 horsepower tractors.

Following compact and utility tractors, zero-turn mowers are next on dealers' lists (29.4%) as additional products they want to carry in the year ahead. Next are utility vehicles (27.9%) and lawn tractors (20.6%).

Dealer Concerns. While most rural lifestyle-focused dealers expect solid footing in terms of improving revenue levels going into 2012, they also have major concerns for the year ahead. Chief among these are rising health care costs for employees.

Nearly 89% of dealers (47.4% concerned and 41.4% very concerned) indicated that this is their major issue going into 2012. It was followed by low sales margins, as 87.4% say they are concerned or very concerned with customer's growing fixation on low prices that are leading to much lower margins than dealers were seeing in past years.

Next on the list is the unemployment rate of which 85.7% of dealers say they're concerned or very concerned. Finding good employees ranked fourth on the dealers' roster of worries for the year ahead, with 81.2% of dealers indicating



Dealers' Top 10 Products for Increased Revenues in 2012 (% of dealers)

Rank	Product	Increase +8% or More	Increase +2-7%	About the Same as 2011
1.	Utility Vehicles	6.7%	46.7%	37.1%
2.	Tractors (<40 HP)	5.8%	44.2%	35.0%
3.	Zero-Turn Mowers	6.7%	42.9%	41.2%
4.	Rotary Cutters	3.3%	42.5%	45.0%
5.	Tractors (40-100 HP)	5.1%	33.9%	46.6%
6.	Front-End Loaders	4.2%	38.1%	49.2%
7.	Tillers	4.3%	35.9%	50.4%
8.	Hay Tools/Balers	4.5%	32.4%	52.3%
9.	Chain Saws	7.5%	27.4%	53.8%
10.	Finishing Mowers	2.5%	30.3%	56.3%

they're concerned or very concerned about this issue.

Nearly 80% of dealers listed customer access to credit as the number five issue they'll need to contend with in 2012, with 79.4% of dealers saying they're concerned or very concerned with it going into the new selling season. **AEI**