From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- AGCO Pushes Sisu
- January Sales Soften
- Euro Sales Heating Up

Majors Finish Strong in '11; Little Increase Seen in '12

Each of the major farm equipment makers — AGCO, CNH Global, John Deere — reported robust earnings in their respective fourth quarters of 2011 and for the full year, but they aren't looking for significant increases in sales and earnings for 2012.

Overall, total sales for each tractor category rose in 2011 compared to the previous year, but sales of combines fell following four stellar years, according to the Assn. of Equipment Manufacturers. A summary of sales results from last year shows:

- 2WD tractors less than 40 horsepower rose by 1.7% to 96,366 units, following a 4.7% rise in 2010;
- 2WD tractors 40-100 horsepower grew by 3.8% to 58,924 units after a falloff of 1.3% in the previous year;
- 2WD tractors over 100 horsepower increased 1.9% to 31,786 units, following a 16.2% increase in 2010;
- Total 4WD tractors were up 3.1% to 7,349 units, after a 25.1% rise in 2010;
- Total combines dropped 4.3% to 12,808 units, following a 9.1% increase in 2010, a 15% rise in 2009 and a 21.7% improvement in 2008.

Looking ahead, the majors aren't anticipating equipment sales will see substantial growth during 2012. Of course, in most cases, because of the strong sales last year, comparisons will be difficult.

Majors' Regional Sales Outlook — 2012 vs. 2011

	AGCO (2/7/12)	CNH (1/31/12)	Deere & Co.* (11/23/11)
North America	Up 0-5%	Flat	Up 5-10%
South America	Flat to Down 5%	Down 5-10%	Flat
Western Europe**	Flat	Flat	Flat

**Deere is reporting FY 1Q earnings on February 15, and will issue an updated outlook*
***CNH includes EAME and CIS in outlook for Western Europe*

AGCO Aims for $10-10.2 Billion in 2012

After finishing 2011 with full-year net sales of nearly $8.8 billion, up 27.2% from the previous year, AGCO says it's shooting to surpass $10 billion in net sales in the year ahead.

"Segment operating margins improved to 9.1%, as operating income of $230 million came in ahead of our estimates, largely on better than expected results in North America," says Henry Kirn, analyst for UBS Investment Research.

"AGCO's North American seg-

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Kubota Raising Its Stake in U.S.; Reports Solid 3Q Results

Kubota is expanding its U.S. manufacturing presence by spending a little over $73 million on a new plant designed to assemble 30-50 horsepower compact tractors. The facility will be located on an existing site in Jefferson, Ga., where Kubota Industrial Equipment Corp. builds tractor implements.

The new 22,000 unit a year facility will create around 200 jobs, adding to the 500 currently employed at the site. It will complement the sub-compact, riding mower and utility vehicle operation of Kubota Manufacturing of America at Gainesville, Ga., where there are some 950 employees.

In a statement, Kubota Corp. notes that the North American market is one of the largest sales areas for Kubota compact tractors and further business growth is expected, mainly in the hobby farming and landscaping sectors. While meeting Kubota's globalization objectives, establishing a local production base will also reduce currency exchange risks.

Kubota reached a big milestone last July when its U.S. tractor retail sales reached 1.5 million units over the 40 years it has been engaged in the U.S. market.

F&I Sales Up. Aggressive sales promotion activities helped increase North American tractor sales during the first 9 months of the 2011 financial year, contributing to a 13% improvement in revenues from Kubota's export markets despite a strengthening yen.

In its third-quarter results statement, the corporation also reports that the Farm & Industrial Machinery (F&IM) unit achieved a 9.6% increase in revenues to $6.7 billion for the period.

Tractor, farm equipment and diesel engine sales accounted for 86%

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JCB Accelerates Investment in New Engines; Setting Up North American Distribution Network

JCB has announced a $48 million development project to produce the next-generation diesel engine, slated for production in 2016. At the same time, JCB Power Systems, the engine-making arm of the JCB farm and construction machinery group, is preparing to establish a distribution network as part of an OEM sales drive in North America.

"Since we began production in 2004, JCB has led the way in off-highway engine development with a range of fuel saving, clean and highly efficient engines," says Alan Blake, CEO of JCB. "Our next investment is an important step in building on the success we have enjoyed so far and will take the efficiency, productivity and environmental performance of our engines to new levels."

Research and development for the new engine family, which will go into JCB's own products and be sold to third-party OEM customers, gets underway at JCB Power Systems in England, where up to 50 advanced engineering jobs are to be filled. Another 300 jobs will be created when the engine goes into production, such is the anticipated demand.

"The new JCB engine will give our products and those of our OEM customers a huge competitive edge across global markets, which we anticipate will lead to substantially increased sales between 2016 and 2021," says Blake.

JCB says it has seen a surge in demand from OEMs for the Ecomax Tier 4 compliant engine.

At $127 million, the amount spent on developing the Ecomax 4.4-liter and 4.8-liter diesel family was one of JCB's biggest investments in its 60-year history.

NA Network. To expand its distribution of the new engines in North America, JCB Power Systems is looking for companies with good engineering capabilities and has laid the groundwork needed to set up a network with a view to signing contracts in the first quarter of 2012.

"We train our distributors to the highest standards of application and installation engineering to ensure they have the level of knowledge and capability needed to get installations right first time," says Robert Payne, OEM Worldwide sales and applications manager at JCB Power Systems in England. "It's the best way to avoid issues in the field."

With low noise and vibration characteristics, good fuel economy and a product that's been fully tested to tropical and arctic conditions, Payne believes the JCB engine is an ideal product for distributors to sell anywhere in the world.

> ***"Principal markets will include irrigation pumps and harvest and mulching equipment OEMs..."***

In the North American agricultural market, principal OEM targets will include irrigation pump set manufacturers, as well as harvest and mulching equipment makers, that could be attracted to the high power density four-cylinder engine range as a cost-efficient alternative to the six-cylinder power units commonly used.

"The irrigation sector is a good reference point in any market since it involves a high-volume product used by discerning customers," says Payne. "It's a sector we've been strong in since the inception of OEM sales, with a number of well-known manufacturers in Europe and Australia using the JCB Dieselmax engine to good effect for more than six years.

"They like its reliability and performance, its compact dimensions, which result in lower packaging costs, and its favorable whole-life running costs," he points out. "There's also something that's often overlooked — the fact that manufacturers can talk directly to their engine supplier about what they need from future products."

JCB's Tier 4 Interim product, the Ecomax, comes in 4.4 and 4.8-liter sizes with electronic fuel management and six standard ratings from 74-173 horsepower. It shares the same footprint, much the same geometry and a lot of common parts with the Tier 2 and Tier 3 Dieselmax, as will the Tier 4 Final version.

"That makes it easier for OEMs to move from one level of compliance to another," says Payne. "The emissions solution chosen by our engineers will also be a big attraction.

"By focusing on combustion efficiency, the Ecomax requires minimal exhaust after-treatment," he points out. "In fact, even at Tier 4 Final, the Ecomax T4 74 horsepower tune needs no add-on equipment to meet NOx and particulate emissions."

An added facility for vehicle OEMs is so JCB Power Systems can tap into the wider group's powertrain expertise, which comes from producing transmissions and axles, as well as engines, for an extensive range of agricultural and construction equipment.

"As one of the world's biggest manufacturers of this type of equipment, JCB has a lot of expertise integrating engines into different types of machine," says Payne. "That expertise provides us with a unique platform to provide other OEMs with whole powertrain solutions." AEI

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of the division's revenues; the rest came from construction equipment. Operating income increased 11.3% to a fraction under $1 billion thanks to a successful cost reduction program and the revenues increase.

For the full 12 months to the end of March 2012, Kubota now forecasts revenues of more than $8.75 billion for the division, which would represent 70% of total group revenues.

Kubota clearly hopes to improve on the North American contribution to those figures in subsequent years once the new Jefferson plant is up-and-running in a year's time. At 500,000 square feet, it will be 14% bigger than its implements manufacturing facility.

Key components will continue to be sourced from Japan as well as from Kubota's manufacturing facilities in Thailand where it also started building compact tractors in 2009 in a factory with the capacity to manufacture 50,00 units. AEI

Kubota Takes Control of Kverneland

With investors holding more than 78% of Kverneland shares agreeing to sell their holdings to Kubota, the Japanese tractor manufacturer has all but secured control of one of the World's largest farm implement concerns.

A number of formalities remain, but it's now pretty much certain that Kverneland Group's numerous factories, sales subsidiaries and more than 2,000 employees will join Kubota's Farm & Industrial Machinery(F&IM) division, which makes tractors, small diesel engines, grounds care equipment, light construction machinery and paddy rice transplanters and harvesters.

Kubota chairman and CEO Yasuo Masumoto targeted the Norway-based manufacturer to broaden the portfolio of field equipment that Kubota company offers. He wants Kubota to get into "dry field" grass and arable farming equipment as part of a globalization plan that should see Kubota doing more to serve local markets with products designed for those markets and not transplanted from Japan.

Acquiring Kverneland will not only add the equivalent of around $518 million in sales revenues to the $8.5 billion turnover generated by Kubota's F&IM division, it will mark a significant step toward the further internationalization of the company.

In its bid document, Kubota says it plans to leave Kverneland alone but explore potential synergies. These might include producing implements for Kubota tractors and exploiting the parent company's distribution network, particularly in Asia, to help expand sales.

FARM MACHINERY TICKER (AS OF 02/13/12)*

Manufacturers	Symbol	02/13/12 Price	1/11/12 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$34.19	$36.70	$54.95	$28.11	16.27	60,702	424.33M
AGCO	AGCO	$52.81	$50.00	$59.81	$30.11	8.87	1,610,310	5.13B
Alamo	ALG	$28.72	$27.99	$30.37	$19.71	11.91	30,486	342.11M
Art's Way Mfg.	ARTW	$9.25	$8.48	$15.95	$4.80	38.54	9,903	37.21M
Blount Int'l	BLT	$16.90	$15.59	$18.62	$12.46	15.94	213,211	824.09M
Buhler Industries	BUI	$5.35	$5.49	$6.20	$5.20	17.43	11,424	133.75M
Caterpillar	CAT	$113.70	$99.64	$116.55	$67.54	15.36	7,561,350	73.58B
CNH Global	CNH	$43.53	$42.17	$54.45	$22.19	11.13	408,235	10.45B
Deere & Co.	DE	$88.68	$84.50	$99.80	$59.92	13.38	3,837,060	35.84B
Hemisphere GPS	HEM	$0.90	$0.74	$1.53	$0.58	N/A	168,644	54.74M
Kubota	KUB	$48.67	$41.87	$55.50	$36.81	17.86	36,077	12.23B
Lindsay	LNN	$63.36	$56.77	$85.87	$46.03	22.74	140,937	804.61M
Titan Int'l	TWI	$25.01	$21.15	$31.42	$12.97	38.90	640,058	1.06B
Trimble Navigation	TRMB	$51.64	$43.07	$52.50	$31.88	43.03	641,897	6.37B
Valmont Industries	VMI	$110.13	$97.16	$116.02	$73.00	19.67	115,369	2.91B
Retailers								
Cervus Equipment	CVL	$17.00	$15.61	$18.40	$13.60	N/A	10,994	N/A
Rocky Mountain Dealerships	RME	$10.00	$9.05	$11.00	$8.35	9.61	16,597	187.68M
Titan Machinery	TITN	$28.17	$23.58	$32.03	$15.58	15.08	231,124	579.51M
Tractor Supply	TSCO	$84.65	$72.93	$87.13	$49.02	28.12	735,597	6.03B

***As of last month, we expanded 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).**

German Equipment Sales Upswing Surpasses Projections

Production and sales of German ag machinery is in "high gear" as increasing demand continues as measured by current incoming orders, according to VDMA, the German Agricultural Machinery Assn. Overall sales of farm equipment in 2011 rose by 27% to $9.2 billion, which approached the all-time highs seen in 2008.

"The speed with which orders received by agricultural machinery manufacturers climbed again surprised us. A year ago we did not anticipate such a significant upswing," said Dr. Bernd Scherer, VDMA's managing director.

With sales of $4.5 billion, tractors represented 49% of German manufacturers' production volume. A total of 60,600 tractors rolled off German assembly lines, 19% more than in the previous year. A quarter of the tractors were rated at 150 horsepower or higher. Sales of new combines manufactured in Germany grew to $1.27 billion vs. the record of $1.4 billion set in 2008.

Sales records were also set for forage harvesting machinery. With the help of higher exports, sales of tillage equipment, seed drills, fertilizing and application machinery also saw "noticeable growth" in 2011.

Exports Rebound. Overall, 72% of all ag machinery produced in Germany in 2011 was exported, which is about the same ratio as in recent years. France remains Germany's most important export market and increased its purchases by 40%. Last year, France accounted for one-sixth of the total export earnings of German manufacturers. Russia was second on the list of largest trade partners.

Strong Domestic Sales. German farmers also upped their purchases last year, buying nearly 36,000 tractors. That is the highest volume of tractors sold in the country for the past 28 years, according to VDMA.

In terms of value, the market volume achieved a new record as well, with a preliminary estimate of $6.47 billion. Orders for German farm equipment are also up. From October to December 2011, the value of new orders was 26% higher vs. the same period last year.

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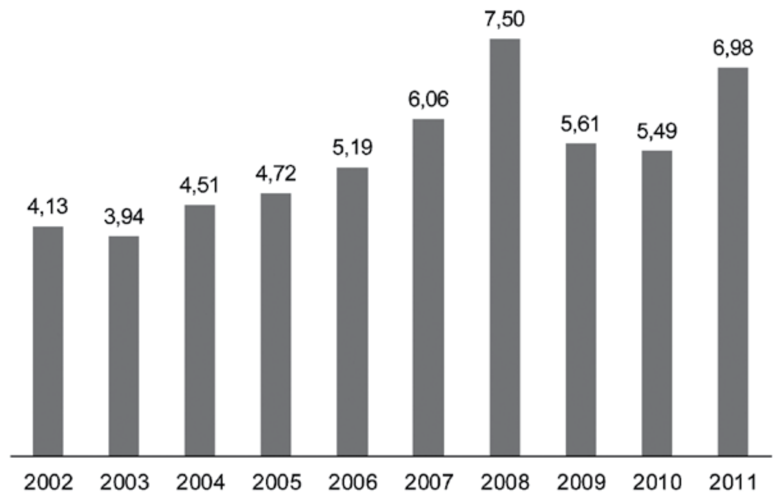
Sales of German Ag Machinery 2009-11

	2009	2010	2011	2011-10 Change
Total Sales				
Ag Machinery	3,015.2	2,719.9	3,573.0	+31.4%
Tractors	2,598.9	2,765.0	3,410.2	+23.3%
Total	5,614.2	5,485.0	6,983.8	+27.3%
Domestic Sales				
Ag Machinery	1,041.7	891.3	1,107.8	+24.3%
Tractors	656.9	681.2	877.0	+28.7%
Total	1,698.6	1,572.5	1,984.8	+26.2%
Export Sales				
Ag Machinery	1,973.5	1,828.7	2,465.8	+34.8%
Tractors	1,942.0	2,083.8	2,533.2	+21.6%
Total	3,915.6	3,912.5	4,999.0	+27.8%

Value in millions of Euro, Source: VDMA Agricultural Machinery Assn.

Sales of the German Farm Machinery

(in billions of Euros)



Source: VDMA Agricultural Machinery Association

USDA Estimates 2012 Farm Income to Fall by 6.5%

USDA has issued its initial forecast for 2012 U.S. net farm income and expects it to come in at $91.7 billion, a drop of 6.5% from its revised 2011 forecast of $98.1 billion. It was $100.9 billion earlier.

"While down year-over-year, farm income is forecast to remain 28% above the prior 10 year average of $71.5 billion," says Henry Kirn, analyst for UBS. "Although gross farm income is forecast to rise by $6.2 billion in 2012 to $425.5 billion (+1.5%), USDA noted "total production expenses are forecast to rise $12.5 billion (3.9%) in 2012 to $333.8 billion."

USDA's 2012 forecast of cash receipts of $364.1 billion is up 0.3% from revised 2011 levels, on higher crop receipts (+0.7% to $198.3B), partially offset by a slight 0.1% decline in livestock receipts (to $165.8 billion), according to Kirn. USDA noted seed, fertilizer and pesticide expense "are projected to increase moderately (around 1%) as a group."

AEI

Ag Machine Sales Throughout Europe Regaining Momentum

Having ridden out the recession more or less intact, the European farm machinery manufacturing industry looks to be gaining its pre-recession momentum with increasing sales and record revenues.

Amazone. Tillage, seeding and application specialist Amazone recorded 2011 sales revenues equivalent to more than $517 million at current exchange rates, up 35% from the 2010 level of $380 million and comfortably ahead of its previous best — the $497 million sales achieved in 2008.

Bucher/Kuhn. Swiss engineering group Bucher Industries says its Kuhn division saw net sales increase 20.6% (36.3% when adjusted for currency) to more than $1 billion from $927 million. It credits favorable conditions in European markets, as well as in the U.S. and Brazil. The acquisition of Kansas-based Krause Corp. also contributed significantly to the gain.

Excel/Hardi. In France, Exel Industries saw demand for its Hardi, Berthoud and Tecnoma crop sprayers bounce back after a weak first half to beat 2010 revenues by 6.7% at $399 million. The group says it was successful in building on its positive momentum and brand recognition in international markets, particularly in the former Soviet states, where sales in Russia — helped by improved credit fluidity — grew three-fold.

Lemken. Germany's Lemken also fared well in Russia, where sales returned to the record levels of 2008 and contributed to a 31% increase in sales, approaching $351 million after two years of a slight downturn. It shows that agricultural engineering is largely decoupled from the effects of euro currency stability concerns, says the company.

Pöttinger. Pöttinger of Austria did not quite make it back to the level of 2008 sales but recorded a strong recovery, nonetheless, with a $71 million, or a nearly 30% increase in revenues over the $311 million recorded in 2010.

Einböck. Smaller businesses, such as Austria's Einböck, have also done well. This company, which focuses on specialty implements for organic crop weeding and pasture management, reports a new record year with sales up more than 30% at $18.4 million. The family-owned business has appointed Guy Farm Machinery of Woodstock, Ill., as its new U.S. distributor.

Horsch. In Germany, tillage and seeding specialist Horsch scored a remarkable turnaround in 2011 with a 60% increase in sales to $217.5 million, achieving its best-ever sales revenues. The company has set its target for 2012 at $270 million.

Reinvesting Profits. With the aim of feeding the 2011 momentum, several of the machine makers are planning major investments in productivity and capacity enhancements.

Horsch is building a new research and development center at its headquarters and intends to double production capacity of its largest seed drills and cultivators. Investments to lift output of operations in Russia and the U.S. are also planned, as well as in a newly-acquired crop sprayer business in Germany.

Amazone spent more than $15.5 million on its fixed assets last year, including $13 million on extending the company's production facilities in Germany.

Kuhn may also be reviewing production capacity; although its plants coped with the strong rise in volume demand thanks to operational flexibility, factories in Western Europe reportedly operated at high levels of capacity utilization, while those in North America were stretched beyond their limits, say Kuhn managers. AEI

Dealers See Sales Bump in 4Q Sales from Bonus Depreciation; No Impact on '12 Sales

U.S. farm equipment dealers estimate that 11% of fourth quarter sales of wholegoods were a direct result of end-of-year tax buying due to expiring bonus/accelerated depreciation at the end of 2011, according to the January 2012 "Dealer Trends & Business Outlook" report published by *Ag Equipment Intelligence*.

Ag Equipment Intelligence and Cleveland Research Co. compiles the report monthly. Nearly 300 dealers participated in the survey, which was conducted in late December.

Est. % 4Q11 Sales from Bonus/Accelerated Depreciation Reduction

% 4Q11 Sales	% of Dealers
Over 25%	15%
20-25%	8%
15-20%	6%
10-15%	14%
5-10%	13%
0-5%	17%
No noticeable impact	26%
Wtd. Avg. Increase in Sales Due to Expiration of Bonus/Accelerated Dep.	**11%**

Source: AEI/CRC Survey

In the survey, dealers were asked about the impact the expected reduction in bonus/accelerated depreciation had on fourth quarter 2011 sales. "Our survey suggests dealers estimate that roughly 11% of the quarter's sales were a direct result of the expected changes (reductions) in the benefits from the tax law," says Curt Siegmeyer, analyst for Cleveland Research.

With these laws expected to be less favorable in 2012, the survey was intended to gauge the extent of end-of-year buying for tax purposes, which would imply a possible lull in demand to start 2012. The adjacent table summarizes what percent of total sales in fourth quarter dealers attributed to the expiring tax law. "Interestingly, the weighted average increase in sales due to the law is estimated to be just 11%, with the largest proportion of dealers, 26%, estimating the law had 'no noticeable impact' on their sales in the quarter," says Siegmeyer. "This would suggest the start of 2012 is not likely to see a major drop-off in demand, even if we assumed the full 11% was at the expense of the first quarter of 2012." AEI

AGCO Upping Tractor Capacity; Looking to Sisu for More Engine Independence

Projects to increase AGCO Corp.'s tractor-making capacity at existing facilities in North America and Europe are reportedly on track to start assembling products this year. With the development of more powerful Sisu engineers, greater independence from outside power unit suppliers is clearly the goal of the company's latest engine developments.

Construction work worth around $6 million was completed at AGCO's Challenger facility in Jackson, Minn., in November and final preparations are now being made to re-introduce series production of Massey Ferguson row-crop tractors to North America.

MF 8600 Dyna-VT tractors from 270-370 horsepower and their Challenger MT600C counterparts, will share an extended and re-organized assembly line with Challenger tracked machines. Extended by some 16,000 square feet, the revamped facility also has a 42,000 square feet extension that provides an advanced kitting center for delivering parts and material to the assembly line.

When the investment was announced just over a year ago, Doug Griffin, AGCO vice president of marketing, said the project was in response to customers and dealers asking for a product built closer to them. At present, the tractors are sourced from AGCO's Beauvais plant in France.

"Also, we've seen demand picking up for this size of tractor and AGCO's share of sales in this segment has increased, so it makes sense to start producing these machines in North America," he said.

An associated project will create an all-new visitor center at the Jackson plant. The "Intivity Center" will showcase the innovation and productivity characteristics of the plant's products, which also include the Challenger application vehicles.

A bigger project, worth more than $220 million, is making progress at the Fendt operation in southern Germany and is scheduled to be completed around September.

The Marktoberdorf plant produces tractors from 70-370 horsepower and the Vario stepless transmissions used in a number of AGCO vehicles. Capacity will be increased to 20,000 units a year — a 30% increase on the current limit of just over 15,000 units, which the plant hit in 2008. It will also provide more modern and efficient assembly and final testing facilities.

"Greater independence from outside power unit suppliers is clearly the company's goal..."

Fendt Ahead*2* is an expanded version of a plan started in 2009, but was put on hold later in the year as the downturn hit agricultural markets.

It includes a new assembly hall for building cabs at a separate location and a new design and engineering center at Marktoberdorf alongside new tractor assembly halls and other facilities.

Engine Independence. More use of its own engines and less dependence on outside suppliers is clearly the aim of AGCO's most recent development work.

The corporation's tractor and harvester brands have progressively increased their use of Sisu engines after the operations in Finland and Brazil were acquired with Valtra in 2004. AGCO has since invested in what is now called AGCO Sisu Power to improve capabilities, increase production capacity and extend the product line.

Now, as Sisu's unique 9.8-liter seven-cylinder diesel makes its on-farm debut in the latest-generation Massey Ferguson combines, R&D engineers are working on an eighth engine line — this time a V12 of 16.8-liters capacity.

The official word is that no decision has been taken as to the AGCO products that this engine will power. But with outputs rated at up to 700 horsepower, it's clear the advanced V12 is destined for the biggest and most powerful products in AGCO's portfolio.

Four years after acquiring Sisu, AGCO announced a bold three year investment program that would lift volume potential from just over 42,000 to 50,000 units by 2012.

Deutz remains the principle supplier to Fendt, and Perkins continues to supply three- and four-cylinder engines for MF and Challenger wheeled tractor lines. But the in-house engines are finding their way into a growing number of products. They've already displaced Cummins engine used in some tractors and Caterpillar engines used in AGCO combines; they also now power Challenger application vehicles.

The novel in-line seven-cylinder engine, which raises Sisu's power ceiling from 420-500 horsepower, is now seeing service in Europe in the new MF 9280 (470-500 horsepower) hybrid rotary combine and its Fendt counterpart. Similarly, in North America, it's showing up in the new Hesston, Kan.-built MF 9540 (370-426 horsepower) and MF 9560 (460-477 horsepower) rotary combines, which replace MF 9005 Series machine powered by 8.4-liter Sisu and Cat C13 (425-459 horsepower) engines.

All use AGCO Sisu Power's third-generation SCR system to tackle exhaust emissions to Tier 4 Interim standard; the new V12 will use similar technology but to Tier 4 Final level when it enters production.

With Challenger tracked tractors spanning 290-609 horsepower using Caterpillar six-cylinder engines, it's easy to speculate where the new V12 may end up. AGCO is anxious to get as much mileage out of its engine unit investment and the considerable sums spent on emissions technology. AEI

Equipment Sales Soften in January

"U.S. and Canada large tractor and combine retail sales comparisons weakened again in January, falling 14% year-over-year, after a 4% decline in December, reflecting a combination of more difficult prior-year comparisons, emissions standard changes and reduction of 100% bonus depreciation tax incentives to 50%," says Robert McCarthy, analyst for RW Baird. "Four wheel drive tractor and combine year-over-year comparisons were particularly weak, falling 29% and 44%, respectively, but dealer inventories appear tight.

"Robust USDA 2012 farm income outlook issued on February 13 was generally in line with our expectations," he says.

• U.S. and Canada large tractor and combine retail sales fell 14% year-over-year in January, reflecting much weaker comparisons for both combines and 4WD tractors. U.S. sales decreased 16% year-over-year, but Canadian sales increased 17%.

• Combine sales fell sharply in January, though against a difficult prior year comparison, as sales were off 44% year-over-year vs. 27% in December. Last 3-month comparison was negative for the eighth straight month. U.S. combine inventories declined 23% sequentially in December, and were down 41% year-over-year.

• 4WD tractor sales fell 29% year-over-year in January, accelerating from a 12% decrease in December, also reflecting difficult prior-year comparisons. U.S. dealer inventories of 4WD tractors fell 19% sequentially, and were down 22% year-over-year in December.

• Row-crop tractor sales increased 2% in January, down from a 9% year-over-year increase in December. Last 3-month sales are up 8%. U.S. row-crop tractor inventories fell 13% sequentially, and were down 5% year-over-year. December inventories of row-crop tractors were also the lowest in at least 15 years. January is a historically normal month seasonally for tractor sales (7.7% of annual sales). AEI

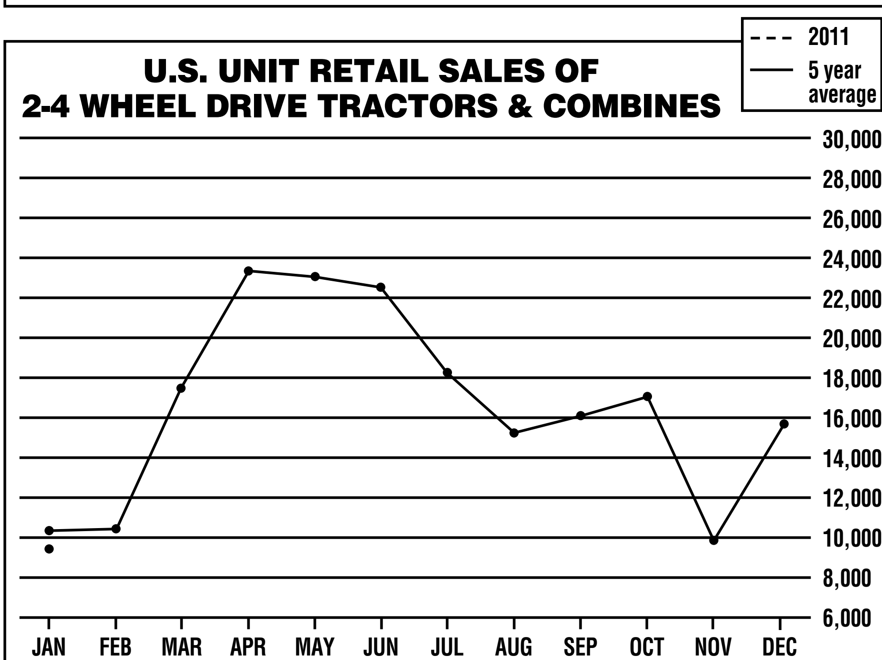
JANUARY U.S. UNIT RETAIL SALES

Equipment	January 2012	January 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	January 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	3,530	3,271	7.9	3,530	3,271	7.9	52,789
40-100 HP	3,354	3,183	5.4	3,354	3,183	5.4	23,720
100 HP Plus	2,120	2,104	0.8	2,120	2,104	0.8	6,102
Total-2WD	9,004	8,558	5.2	9,004	8,558	5.2	82,611
Total-4WD	314	449	-30.1	314	449	-30.1	762
Total Tractors	9,318	9,007	3.5	9,318	9,007	3.5	83,373
SP Combines	445	890	-50.0	445	890	-50.0	899

JANUARY CANADIAN UNIT RETAIL SALES

Equipment	January 2012	January 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	January 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	371	417	-11.0	371	417	-11.0	6,957
40-100 HP	344	279	23.3	344	279	23.3	2,831
100 HP Plus	215	192	12.0	215	192	12.0	1,564
Total-2WD	930	888	4.7	930	888	4.7	11,352
Total-4WD	45	57	-21.1	45	57	-21.1	273
Total Tractors	975	945	3.2	975	945	3.2	11,625
SP Combines	83	44	88.6	83	44	88.6	351

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



—Assn. of Equipment Manufacturers

ment, historically a lower margin business, improved its operating margins for the full year of 2011 to 5.1%. While we believe limited [equipment] availability at key competitors helped AGCO's North American volumes and margins remain below AGCO's other regions, we are encouraged by the positive momentum in North America as AGCO continues to make internal improvements in this business," Kirn says.

AGCO Regional Net Sales — 4Q11 & Full Year 2011

(in millions)

	3 mos. Ended 12/31/11		Year Ended 12/31/11	
	Net Sales	**% Change from 2010**	**Net Sales**	**% Change from 2010**
North America	$598.7	29.3%	$1,770.6	18.9%
South America	448.5	1.9%	1,871.5	6.7%
Europe/Africa/Middle East	1,347.3	13.6%	4,681.7	39.2%
Rest of World	123.3	55.1%	449.4	55.2%
Total	**$2,517.8**	**16.1%**	**$8,773.2**	**27.2%**

CNH 2011 Net Sales Rise 25%

With its Case IH, Case Construction, New Holland Ag and New Holland Construction brands, CNH Global saw its net sales increase by 27% to $4.8 billion in the fourth quarter and by 25% to $18.1 billion for the full year.

Net sales of ag equipment was up 24% in the fourth quarter and 23% for the full year. Equipment operations operating profit of $238 million represented an increase of 35% in the fourth quarter and of $1.5 billion, up 65%, for the full year.

Operating margin increased to 5% compared to 4.7% in the fourth quarter of 2010. Full-year operating margin rose to 8.1% compared to 6.1% in 2010.

CNH reported that its order intake for tractors and combines was up significantly in January 2012 vs. January 2011: tractors up 50% and combine orders up 25%.

In a note to investors, Ann Duignan, analyst for JP Morgan, says, "Fundamentals in agriculture remain robust; 2011 was a record year and 2012 should be OK. Order boards going into 2012 are healthier than last year, but visibility going into the second half of 2012 is causing management to remain cautious.

"Overall, investors were disappointed with CNH's fourth quarter performance, which was hindered by engine stockpiling, production cuts in Brazil and higher variable compensation, and we maintain our Neutral rating given ongoing execution risks," she says.

For 2012, CNH expects revenues to increase by 5% reaching revenues of up to $19 billion. The company also sees 2012 operating margins "in excess of" 8.6%.

CNH Global Net Sales & Net Income

(in millions)

	Quarter Ended 12/31/11	Year Ended 12/31/10	Change	2011	2010	Change
Net Sales-Equipment	$4,768	$3,759	27%	$18,059	$14,474	25%
Equipment Operations Operating Profit	$238	$176	35%	$1,465	$889	65%
Financial Services Net Income	$66	$28	136%	$225	$159	42%
Net Income Before Restructuring & Excptl. Items	$189	$216	(13)%	$918	$496	85%

Analysts See Deere Revenues Up 15-20% in 1QFY12

John Deere reported its fourth quarter earnings for fiscal year 2011 on November 23 and is scheduled to present its first quarter 2012 earnings on February 15.

Deere finished off a strong year with ag and turf equipment sales up by 18% for the fourth quarter and up by 21% for the year "primarily due to higher shipment volumes." Operating profit was $868 million for the quarter and $3.447 billion for the year, compared with $662 million and $2.79 billion in 2010. Results were better for both periods largely due to higher shipment volumes and improved price realization, according to the company.

> ***"2011 was a record year and 2012 should be OK..."***

The company is expected to report strong fiscal first quarter results before markets open Wednesday, as U.S. farmers flush with cash update aging fleets and Deere's products gain greater acceptance in Brazil.

According to a report in the February 13 in the *International Business Times*, Deere is likely to report revenue of $6.49 billion, based on the average estimate of analysts surveyed by Thomson Reuters. In the year earlier period, Deere reported $5.51 billion in revenue.

For the fiscal year, analysts expect Deere will earn revenues of $33.47 billion.

"I think they are going to have a very solid first quarter driven by demand in North America," said Lawrence DeMaria, an analyst with William Blair.

In November, Deere said it expected to record 5-10% growth in agricultural equipment sales in North America in fiscal 2012. Net income attributable to Deere is projected at about $3.2 billion in 2012, breaking the $3 billion mark for the first time in the company's history.

"Deere surprised many investors with its positive fiscal 2012 outlook," DeMaria wrote in a December 13 research note. "Deere is typically conservative with guidance." AEI