From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- Kuhn's Slower Growth
- Titan Int'l & GKN?
- A Wheat Surprise?

'Big Dealer' Ranks Grow to Nearly 200

There are at least 16 more farm equipment ownership groups in *Ag Equipment Intelligence*'s "Big Dealers" club than at this time last year. This signals an uptick in the pace of consolidation of North American farm equipment dealerships.

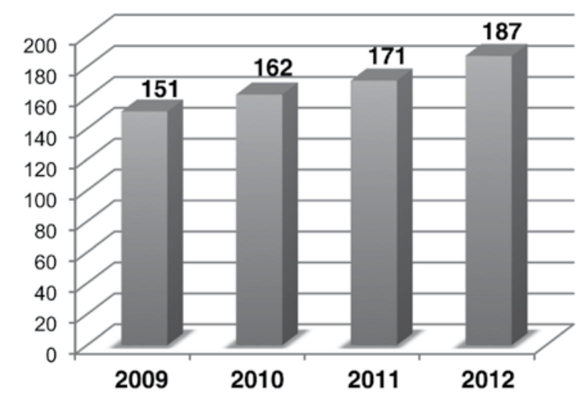
Ag Equipment Intelligence and Currie Management Consultants have been tracking dealer consolidation since 2009. "Big Dealers" are defined as those ownership groups that own and operate five or more retail locations selling farm equipment.

In 2009, we estimated there were 151 of these dealerships in the U.S. and Canada. This number grew to 162 in 2010, or 6.8%. By 2011, the numbers of Big Dealers rose to 171 groups, an increase of 5.3%. During the past year, 16 additional owner groups joined the ranks of "Big Dealers," a growth rate of nearly 9% vs. the previous year, bringing the total to 187 owner groups.

Since 2009, the number of farm equipment ownership groups operating five or more stores has grown by 19.3%.

"The accelerating trend of dealer consolidation is driven by two things," says George Russell, executive partner of Currie Management Consultants. "First by the manufac-

'Big' North American Farm Equipment Dealers



Since 2009, the number of North American farm equipment dealerships that own five or more dealer locations that sell farm equipment has grown be nearly 20%.

Source: Ag Equipment Intelligence, Currie Management Consultants

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Strong Dealer Earnings Reflects Continued Healthy Ag Equipment Market

Robust dealership earnings announced in recent weeks continue to suggest there is little let up in the strong sales of farm machinery the industry has seen in the past three years. Both Titan Machinery (TITN) and Rocky Mountain Dealerships (RME) reported robust earnings for their most recent reporting periods.

On April 11, Titan reported a 64.9% increase in revenues for the fourth quarter of fiscal 2012 vs. the same period in 2011. Its fiscal year ended January 31. Rocky Mountain announced on March 19 its revenues improved by 27.3% in its fourth quarter, ended December 31, 2011, compared with the fourth quarter of 2010.

Titan Analysis. For the full fiscal year ended January 31, 2012, revenue increased 51.6% to $1.66 billion from $1.09 billion for fiscal 2011. Gross margin was 16.6%, compared to 15.9% in fiscal 2011.

The dealer group, which is far and away Case IH's largest retailer of ag machinery, now owns 96 North American dealerships throughout the Upper Midwest and 10 European dealerships in Romania and Bulgaria.

"Top-line revenues rose 65% to $607 million and beat our estimate of $438 million and the consensus of $433 million," Rick Nelson of Stephens Inc., wrote in a note to investors.

"All business lines contributed to the increase: equipment sales rose 66.3%, parts increased 52.7%, service rose 39% and rental and other rose 121.6%. Ag segment same-store revenues rose 38.1% and construction segment same-store revenues rose 61.1%," Nelson says.

He added, "Gross margin was 15.3% vs. 15.2% a year ago, reflecting the mix shift to parts, service and the rental business. SG&A as a percentage of gross profit was 65%, down from 69% last year and better than our 69% estimate. Floor-plan interest expense rose to $3.2 million from $1.4 million on higher inventory to support sales. Pretax margins were 4.9% vs. 4.7% a

Continued on page 2

Titan Machinery 4Q & Full-Year Summary — FY12 vs. FY11 (in millions of dollars)						
	4QFY12	**4QFY11**	**Change**	**FY2012**	**FY2011**	**Change**
Revenue	$607.0	$368.1	+ 64.9%	$1,659.0	$1,094.5	+ 51.6%
– Agriculture	$526.4	$333.7	+ 57.7%	$1,441.3	$979.0	+ 47.2%
– Construction	$97.8	$44.5	+ 119.6%	$279.2	$152.6	+ 82.9%
Pre-Tax Income/(Loss)	$29.6	$17.2	+ 72.4%	$73.6	$37.2	+ 97.6%
– Agriculture	$30.4	$18.6	+ 63.5%	$74.4	$44.1	+ 68.8%
– Construction	$1.0	$(0.5)	+ 290.1%	$5.5	$(3.5)	+ 258.2%

Source: Titan Machinery Inc.

Rocky Mountain Dealerships 4Q & Full-Year Summary 2011 vs. 2010						
	4Q11	**4Q10**	**Change**	**2011**	**2010**	**Change**
Sales						
New Units	132,713	121,302	9%	423,933	333,603	27%
Used Units	82,318	45,553	81%	269,809	189,315	43%
Parts	16,155	14,871	9%	75,531	54,053	40%
Service	7,459	6,304	18%	28,028	21,871	28%
Other	1,945	973	100%	5,462	3,869	41%
Total Sales	240,590	189,003	27%	802,763	602,711	33%
Reported Cost of Sales	203,620	159,238	28%	677,571	509,587	33%
Gross Profit	36,969	29,765	24%	125,192	93,124	34%
Net Income (loss)	8,962	6,345	41%	23,209	14,899	56%

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

year ago and our estimate of 4.2%."

Ag revenues increased 57.7% from $333.7 million to $526.4 million and pretax profits increased 63.5% from $18.6 million to $30.4 million. CE revenues increased 119.6% from $44.5 million to $97.8 million and construction pretax profits were $1 million vs. ($0.5) million a year ago.

Titan sees a number of factors that it believes will support continued strength in the ag industry. Among these are the mild weather that has created favorable planting conditions, and USDA's larger corn acreage forecast for the states in Titan's footprint.

"The accelerated depreciation schedules of $139,000 from Section 179 and 50% bonus depreciation continue to provide tax shield incentives to farmers with high incomes (net farm income is projected to be down 6% this year, but is still at elevated levels relative to history)," says Nelson. "Management stressed that many customers have very little basis left in their existing fleet, and that the purchasing cycle can benefit from the potential move back to seven-year depreciation accounting."

In its forecast for FY 2013, Titan expects its revenue to rise by $1.95-2.1 billion with net income increasing from $53.8 to $58 million. The company is projecting agriculture same-store growth between 3-8%, construction same-store growth of 18-23%, and equipment margins to come in around 10.4%.

Rocky Analysis. In a note to investors, Ben Cherniavsky, analyst for Raymond James, wrote, "Rocky reported revenues of $241 million, above our $236 million estimate and 27% higher year-over-year. Organic growth accounted for roughly half of the year-over-year increase driven by strong used ag equipment sales.

"Poor crop conditions in the Eastern prairies — which shifted buyer preferences toward used vs. new equipment purchases — combined with Rocky's efforts to reduce used inventory levels and increase turnover rates fuelled the strong used ag equipment sales." According to Cherniavsky, as a result, gross margin fell to 15.4%. SG&A came in at 9.1% of sales, a 50 basis point year-over-year improvement, which more than offset any gross margin shortfall.

"EBIT and EBIT margin of $13 million and 5.4% topped our forecasts of $12.2 million and 5.2%, respectively," says the Raymond James analyst.

"We continue to believe the company's results reflect management's decision to focus on the integration and margin optimization of recently acquired stores before pursuing further acquisitions. While we believe Rocky will get back on the consolidation train in 2012, we will continue to look for further operational improvements — excluding the financial impact of a rebranding initiative aimed at increasing customer and brand awareness," says Cherniavsky.

One issue that management highlighted as a headwind in 2012 is tightness in the equipment and labor markets in Western Canada. "We have heard similar commentary from Rocky's competitors. In the meantime, we believe Rocky will continue to benefit from sustained strength in Western Canada's ag and construction markets. **AEI**

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SDF's Diversification Strategy Begins to Pay Off

Getting into the grape and olive harvesting business by acquiring the French specialist manufacturer Gregoire gave the Same Deutz-Fahr Group a $54 million lift in sales revenues in 2011.

The acquisition, which was completed toward the end of last year, was part of a diversification strategy for the Italy-based group, which wants to increase its full-line credentials.

SDF has its own Deutz-Fahr combine business in Europe and distributes Deutz-Fahr brand agricultural telescopic handlers sourced from JLG's European operations.

Adding Gregoire, whose harvesters are distributed from Blueline Equipment Co. locations in Washington and California, has brought another dimension to the group's full-line sector, which reported a 61% increase in sales for the 2011 financial over 2010. Parts sales generated the equivalent of $248.8 million, up 15.2%.

Tractors remain SDF's biggest earners, though, with net sales of SAME, Lamborghini, Hürlimann and Deutz-Fahr brand tractors totalling $1.12 billion, a 30% gain over a difficult prior year and representing 75% of group revenues.

"Overall, 2011 was a satisfactory year in which the group achieved good results," says Lodovico Bussolati, CEO, one of several young managers appointed to help revive the group's fortunes. "For SDF, 2012 is an important year to verify its management skills. We are committed to maintaining a lean, efficient company capable of taking the best advantage of significant investments being made in new markets."

Among those is China, where the SDF Group recently secured tractor manufacturing and distribution joint ventures (*Ag Equipment Intelligence* November 2011), and India, where SDF produced more than 6,480 tractors (up 15.7%) and 15,000 engines last year, up more than 85%.

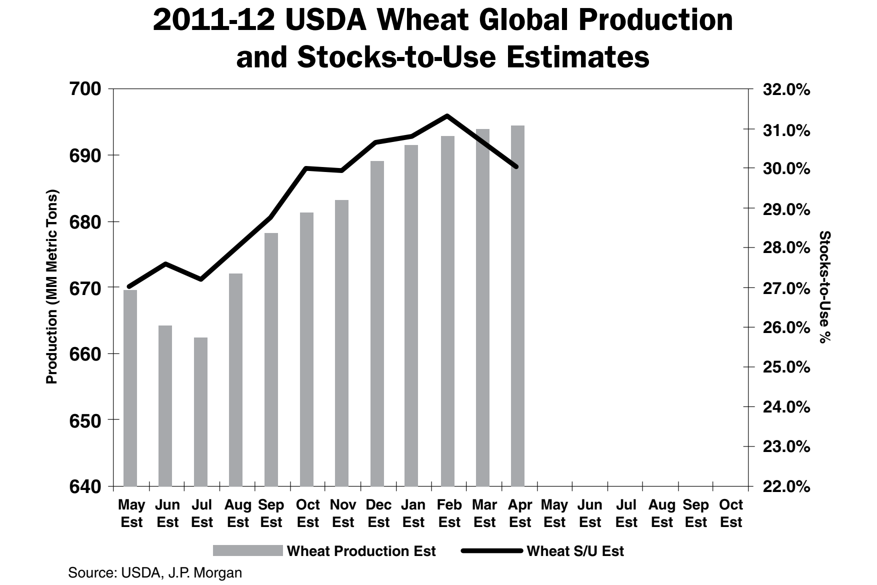
The management team will focus strongly on margins and fixed operating costs to consolidate the results achieved in 2011, Bussolati says. Group sales recovered to the equivalent of $1.46 billion, up 30.5% in 2010, and operating profit expressed as EBIT came in at $81.1 million, representing 5.6% of net sales vs. 2.4% in 2010. Consolidated net profit amounted to $39.7 million.

"Despite a general situation of prolonged economic crisis and great uncertainty, the prospects for the agricultural sector are positive," Bussolati adds. "Our budget foresees an increase in sales of 6%. The data on new orders and turnover in the early months of this year are in line with this forecast." **AEI**

FARM MACHINERY TICKER (AS OF 04/11/12)

Manufacturers	Symbol	04/11/12 Price	3/13/12 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$40.62	$34.45	$49.52	$28.11	19.33	33,003	504.13M
AGCO	AGCO	$43.78	$50.98	$59.81	$30.11	7.35	1,338,630	4.25B
Alamo	ALG	$30.01	$27.86	$30.93	$19.71	11.22	22,482	358.23M
Art's Way Mfg.	ARTW	$7.04	$7.90	$9.69	$4.80	22.71	10,044	28.36M
Blount Int'l	BLT	$16.22	$16.94	$18.62	$12.46	16.06	264,887	793.76M
Buhler Industries	BUI	$5.40	$5.54	$6.12	$5.20	17.59	2,437	135.00M
Caterpillar	CAT	$101.70	$113.30	$116.95	$67.54	13.74	6,960,300	65.85B
CNH Global	CNH	$39.52	$41.33	$48.50	$22.19	10.11	402,602	9.47B
Deere & Co.	DE	$77.55	$81.66	$98.30	$59.92	11.49	3,993,900	31.16B
Hemisphere GPS	HEM	$0.83	$0.81	$1.44	$0.56	N/A	85,679	50.48M
Kubota	KUB	$47.72	$48.63	$51.97	$36.81	18.39	33,521	11.99B
Lindsay	LNN	$62.58	$62.64	$74.99	$46.03	21.59	133,529	795.39M
Titan Int'l	TWI	$22.48	$24.71	$31.42	$12.97	19.08	638,340	948.85B
Trimble Navigation	TRMB	$52.88	$53.03	$55.57	$31.88	44.07	610,255	6.58B
Valmont Industries	VMI	$117.15	$117.04	$118.99	$73.00	13.62	152,502	3.10B
Retailers								
Cervus Equipment	CVL	$18.71	$17.75	$19.25	$13.60	N/A	11,959	N/A
Rocky Mountain Dealerships	RME	$11.50	$10.84	$12.13	$8.35	11.05	31,146	215.83M
Titan Machinery	TITN	$32.05	$25.49	$32.03	$15.58	17.16	198,852	659.33M
Tractor Supply	TSCO	$92.30	$88.29	$93.50	$49.02	30.66	708,798	6.58B

Corn Gets the Headlines, But Keep an Eye on Wheat in 2012



Wheat feed projections were raised slightly in USDA's April 10 WASDE report. Wheat stocks-to-use is estimated to be 30% from 30.6% in March.

As usual, corn was in the spotlight when USDA issued its World Agricultural Supply and Demand Estimates (WASDE) on April 10. But if what we're hearing from abroad proves out, North American wheat production could be a bigger factor in commodity prices in the marketing year ahead.

The USDA maintained its 2011-12 production outlook for corn of 865 million metric tons, but lowered its beginning-stocks projections. As a result, global corn stocks-to-use is now estimated at 14.1% compared to 14.3% last month.

Global stocks-to-use for soybeans is projected to be 21.9% from 22.3% last month based on lower production forecast for South America. Wheat stocks-to-use is projected to be down 30% from 30.6% in March.

Wheat Shortfall? It's very possible that wheat production could fall well below USDA's current outlook, as two major wheat-producing countries may not reach the low levels of 2011.

According to British publisher agrimoney.com, several factors besides Russian weather will impact its production of wheat in 2012. Meanwhile, rising prices for canola have Australian farmers looking to replace wheat acres and add to their bottom line.

Challenges from poor seed to an ageing harvester fleet mean Russia's grains harvest this year may struggle to meet "optimistic" expectations, paving the way for a slip in exports.

Analysts have forecast the 2012 Russian grain crop at up to 97 million metric tons, with Prime Minister Vladimir Putin pegging the crop at last year's levels of 94 million tons.

USDA's Moscow bureau is reporting that 88 million metric tons is a more likely scenario.

The report also notes that "farm efficiency is being compromised by tight purse strings among growers who looked unlikely to significantly increase investments for the improvement of yields in 2012-13."

Russia's fleet of grain harvesters has reportedly shrunk by nearly 5,000 units, to 131,313 vehicles, over the past four years. The age of most harvesters in Russia exceeds the usual service age, which is 10-12 years, by 2-2.5 times.

Grain farmers' indebtedness also continues to limit their ability to purchase new tractors and harvesters.

Russia's grain exports will fall to 19 million metric tons, down by more than one-quarter from the record 26 million tons expected for 2011-12.

Australian Canola. According to agrimoney.com, growers in New South Wales, Australia's second-ranked crop producing state after Western Australia, will plant a record 548,350 hectares of canola for harvest late this year.

The rise in canola plantings is even stronger than national rates forecast by Rabobank and by Commonwealth Bank of Australia, which sees canola seedings rising Australia-wide by 30%.

Wheat, planting were seen falling 4% to 3.05 million hectares, a decline largely driven by the current low forecast cereal grain prices compared to alternative broadleaf crops, such as canola in the south and chickpeas in the north. AEI

Art's Way Net Sales Rise 35.3% in 1Q

Art's Way Manufacturing, a producer of a wide range of niche agricultural machinery, reported on April 11 its net sales increased by more than 35% year-over-year in the first quarter of 2012, ended February 29.

The company's net sales totaled $6.3 million for the period vs. $4.7 million for the first quarter of 2011. Operating income for the three-months increased to $362,000 from an operating loss of $659,000 during the same quarter last year. Art's Way reported net income for the quarter rose to $193,000 from a net loss of $485,000 during the same quarter in 2011. The numbers represent consolidated results and include sale of equipment from the company's two wholly owned subsidiaries. Art's Way Vessels and Art's Way Scientific.

The company's agricultural products segment produced sales for the first fiscal quarter of $3,988,000, compared to $3,656,000 during the same period in 2011, an increase of $332,000, or 9.1%. Gross margin for the quarter ended February 29, 2012 was 26.3% compared to 16.3% for the same period in 2011. AEI

After Dropping Bid for Goodyear's French Tire Operations, Titan Int'l Maybe Looking a GKN

Titan International chairman and CEO, Maurice Taylor, forecasts an upbeat double-digit growth for the Quincy, Ill.-based corporation's farm wheel and tire business this year. But a contribution from Goodyear's European ag tire business looks unlikely.

Ahead of reporting an extraordinary 69% growth in sales from $881.6 million in 2010 to $1.48 billion in 2011 — the company's highest ever — Taylor issued a spiky statement complaining that labor union intransigence had killed plans to add Goodyear's Europe operations to those in North and Latin America acquired earlier.

"It shows how screwed up things are in France when a company tries to save jobs," he declared. "Titan spent a lot of money trying to get Goodyear's social plan approved but only a non-business person would understand French labor rules."

Goodyear Tire & Rubber had agreed to sell its European farm tire business, including a factory at Amiens in France, in December 2010. The deal hinged on securing a social plan for closing the passenger tire operations in the plant so Titan could take on the 540 personnel involved in farm tire production.

Goodyear's "put" option on the deal has since expired and an exasperated Taylor says Titan is now pursuing other acquisitions that were on hold while the option was still live.

"The French workers are very good at what they do when they work but, as I told the union personnel, you cannot get paid seven hours for three hours of work," he said.

One potential deal on the horizon is GKN's off-highway wheels business, rumored to be for sale as the UK-based engineering group looks to future growth from more sophisticated product lines.

According to UK national press reports, GKN plc, whose Land Systems division encompasses driveline and power transmission products for agricultural applications, has raised prospects of a sale with interested parties.

> ***"I told the union personnel, you cannot get paid seven hours for three hours of work ..."***

The GKN Wheels business unit claims to be the world's leader in off-highway rims and has manufacturing operations in Woodridge, Ill., where the North American technical center is located, and in Wichita, Kan., and Armstrong, Ill., as well as in the UK-based headquarters plant, China, Italy and Denmark.

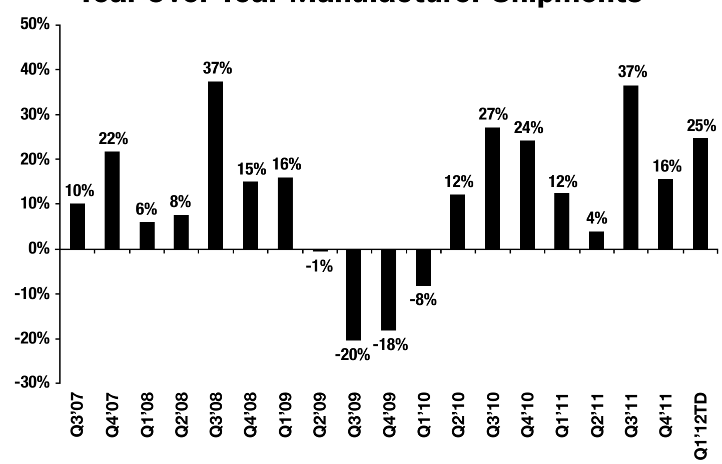
If it is for sale, it would surely be of interest to Titan, which claims to be the North American market leader with more than 40% of ag tire sales and 75% in the case of wheels, according to company figures. It also sells into mining and other industrial sectors where triple-digit growth is anticipated this year, but at present agriculture generates 64% of revenues.

"Projections for our farm tire and wheel business are double-digit growth, coming from our current product offering and newly designed tires and wheels," says Taylor. "We will spend approximately $55 million in 2012 on new equipment, molds and dies at our current facilities to achieve these goals."

Taylor added that the business is actively seeking acquisitions to further add to the growth impetus, while also pursuing improved margins through manufacturing efficiencies.

In 2011, gross profit came in at $232.1 million or 15.6% of net sales, compared with $104.1 million, or 11.8% of net sales in 2010. Net income for the year was $58.2 million vs. a net loss of $5.9 million in 2010. **AEI**

U.S. Farm Machinery Year-Over-Year Manufacturer Shipments



Source: U.S. Census Bureau, J.P. Morgan

Though unit shipments have increased for tractors and declined for combines year to date, according to Assn. of Equipment Manufacturers, growth in horsepower, pricing, features and exports continue to aid revenue growth for OEMs, in our view. In February, (the latest month available), non-seasonally adjusted industry shipments released by the U.S. Census Bureau were up 19% year-over-year in dollars, and up 25% year to date (data includes exports). February's growth, along with January's growth of 33% year-over-year, indicates that first quarter 2012 was off to a strong start, driven by exports as well as higher average selling prices.

— Ann Duignan, Machinery Analyst, JP Morgan

AVR of Belgium Acquires Potato Planter Technology

A Belgian potato equipment specialist has acquired manufacturing and distribution rights to Underhaug potato planters that are distributed in the U.S. by T.I.P. Inc. of Custer, Wis. Terms have not been disclosed.

AVR says it plans to utilize its own and existing Underhaug distribution channels for the planters, which are due to be introduced under its own brand name early next year once production has been transferred from Norway-based TKS Mekaniske.

"The acquisition of this division fits perfectly within AVRs strategy to become a full-line supplier for potato field machinery," says managing director, Stefan Top. "We are responding to the market trend toward manufacturers with cultivation and planting capability, and it supports our existing range of early-season machines."

AVR produces powered and non-powered land preparation implements for potato crops, haulm toppers, used to pulverize the tops of potato plants, and both trailed and self-propelled harvesters at its base in Roeselare, Belgium.

The Underhaug range has changed hands a number of times over the years. It was part of the Kverneland product family for a while before being transferred to a joint venture business that eased the Norwegian group out of the potato sector.

It was acquired by TKS Mekaniske, which made the planters and Underhaug potato harvesters under contract for Kverneland.

"The strong position of the Norwegian crown against other currencies has made the production of potato machinery no longer a profitable activity for TKS," says Tonnes Kverneland, general manager of the Underhaug division. "We are pleased to have found in AVR a suitable partner for the acquisition of the planter business. The combined know-how of the two companies will contribute toward the further development of this product line."

AVR plans to manufacture all models in the current range of two- to eight-row mounted and trailed machines apart from the four-row tractor-mounted model. It took over an existing building at its premises last year to provide an additional 5,000 square meters of production area, where the planters will be assembled alongside the company's cultivation equipment and haulm toppers.

"After a successful year in 2011, we hope this acquisition will help AVR persevere with its steady growth as we continue to focus on product quality," says Stefan Top.

AVR will make full use of the existing sales channels of AVR and Underhaug. **AEI**

Coming Off a Strong 2011, Kuhn Sees Slower Growth in 2012

Global economic problems and stricter controls on financial markets make it increasingly difficult to produce a reliable forecast for agribusiness but management of the Kuhn Group is nonetheless confident of securing a further improvement in sales and profitability this year.

The cautionary note that a lower rate of growth is expected than in 2011 tempers the positive prognosis, published in the annual report of parent Bucher Industries. This comes as no big surprise after a year in which the Kuhn Group saw revenues rise 36%, operating profit as EBIT gained 48% and the order book increased by 60%.

As reported in *Ag Equipment Intelligence* in February, Kuhn sales revenues surpassed the equivalent of $1 billion last year to reverse a downward trend and come close to matching the record established in 2008.

The group also managed to improve operating profit expressed in EBIT as a percentage of net sales increasing from 9.2% to 11.3%.

Managers acknowledge the important strategic role of Kuhn Krause, which the group acquired last year for approximately $30 million, with an estimated $4 million due to former shareholders over the next three years in payments based on revenues.

Kuhn Krause, which is now a wholly owned Kuhn North America company, contributed around $59 million in revenues and $5 million to net profit under Kuhn ownership, but generated more than $80 million and $5.3 million, respectively, over the full year.

More importantly, Kuhn managers note that the acquisition took the group into the North American grain farming market with equipment that also suits large-scale farms and agri-holdings in Eastern Europe. As such, its product range complements Kuhn's tillage equipment portfolio.

As for 2012 prospects, the positive long-term outlook for the agricultural sector remains unchanged, says Kuhn managers, with visible short-term trends favorable and dealer inventories at normal levels. The extreme drought in the southern U.S. and in parts of Brazil, and the diverse climatic conditions experiences elsewhere, could lead to lower crop yields and a negative impact on farm revenues.

But with stable currency rates, a further improvement in Kuhn's sales and operating profit is anticipated by the end of the year. **AEI**

AutoZone Stores to Carry Ag Parts

AutoZone, the automobile parts and equipment chain, will begin carrying farm equipment products and supplies at 58 of its 4,900 outlets.

According to published reports, the car parts chain will offer air and oil filters, belts, electronic ignition parts, calipers, brakes, rotors and radiators for farm tractors, heavy trucks and semis.

"They're OEM products, so they will be original equipment match-ups," says Larry Blair, store manager for AutoZone's Pontiac, Ill., location.

He says this store was chosen to be one of the first AutoZones to start this program because of its rural location and increased use of heavy-duty equipment in the area. "It's a better service for our community. Farmers and agricultural businesses can sign up for accounts. We will offer delivery for a 35-mile radius."

Equipment Sales Remain Soft in March

North American retail sales of large tractors weakened again in March, falling 5% year-over-year following a 3% year-over-year decrease in February, according to the latest figures released by the Assn. of Equipment Manufacturers. Combine sales also remained weak in March.

"Underperformance was primarily driven by combines (again) and row-crop sales turning negative year-over-year for the first time in nine months," says Robert McCarthy, machinery analyst for RW Baird.

"However, 4WD tractors posted higher sequential growth of 19%, though against a considerably easier year-over-year comparison."

- Combine retail sales saw another double-digit decline in March. Sales decreased 25.8% year-over-year, an improvement from February's 52.7% decline. The last three month sales remained negative on a year-over-year basis, for the tenth straight month. U.S. combine inventories decreased 24% year-over-year in absolute terms in February vs. a 32% decrease in the previous month.

March is a historically unimportant month for combine sales, accounting for only 6.4% of annual sales over the last five years.

- Row-crop tractor sales decreased 2.9% in March, down from a 16.1% year-over-year increase in February. The last three months sales increased 3.5%. U.S. row-crop tractor inventories increased 4% year-over-year in February vs. a 2% decrease in January.

February is a historically important month seasonally for tractor sales, typically accounting for 10.6% of annual sales.

- 4WD tractor sales increased 19.4% year-over-year in March and improved from a 5.9% increase in February. U.S. dealer inventories of 4WD tractors increased 6% year-over-year in February.

- Mid-range tractor sales comparisons worsened in March, falling 7.3% year-over-year after 16.1% growth last month. Utility tractor sales decreased 4% year-over-year. AEI

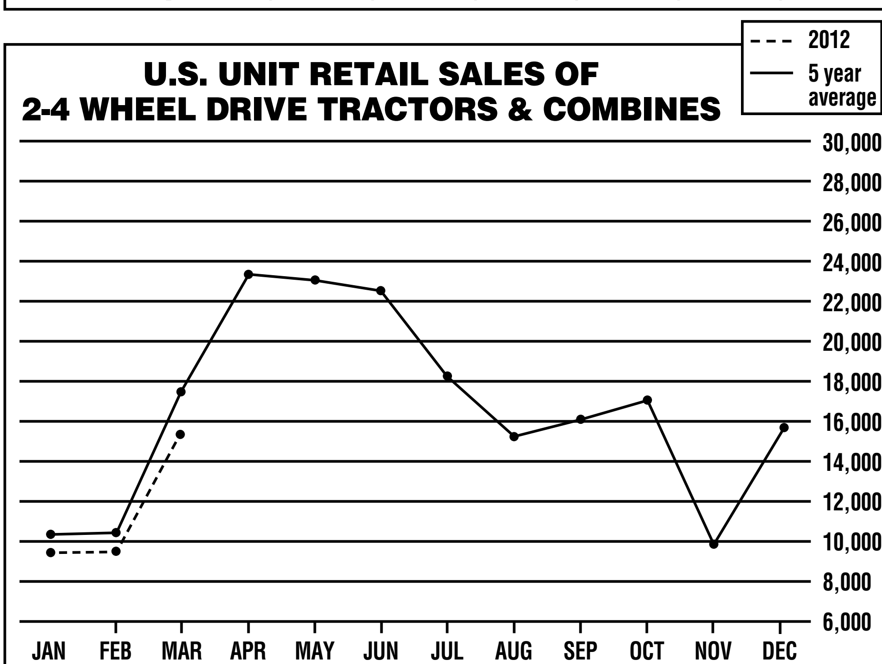
MARCH U.S. UNIT RETAIL SALES

Equipment	March 2012	March 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	March 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	7,942	8,185	-3.0	15,450	15,521	-0.5	57,661
40-100 HP	4,146	4,401	-5.8	10,637	10,339	2.9	25,278
100 HP Plus	2,308	2,410	-4.2	6,222	6,091	2.2	5,954
Total-2WD	14,396	14,996	-4.0	32,309	31,951	1.1	88,893
Total-4WD	586	508	15.4	1,321	1,333	-0.9	1,011
Total Tractors	14,982	15,504	-3.4	33,630	33,284	1.0	89,904
SP Combines	563	759	-25.8	1,319	2,321	-43.2	1,186

MARCH CANADIAN UNIT RETAIL SALES

Equipment	March 2012	March 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	March 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	645	762	-15.4	1,405	1,576	-10.9	8,066
40-100 HP	440	547	-19.6	1,181	1,127	4.8	3,411
100 HP Plus	414	392	5.6	878	770	14.0	1,809
Total-2WD	1,499	1,701	-11.9	3,464	3,473	-0.3	13,286
Total-4WD	159	116	37.1	271	258	5.0	349
Total Tractors	1,658	1,817	-8.8	3,735	3,731	0.1	13,635
SP Combines	157	211	-25.6	295	359	-17.8	490

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



—Assn. of Equipment Manufacturers

turers who desire increased market share and competitiveness. Second by the ambitions and fears of dealer owners and executives.

"Larger dealers who have developed a core competency in mergers and acquisitions have the ambition and skill to increase shareholder value by acquiring under-performing businesses and quickly improving their operations — they're able to leverage their human and capital resources through scale," says Russell. "Mid-sized dealers, often with a desire to provide opportunity and security for the next generation, are reacting to the competitive market and the 'good times' by buying out their neighbors in order to match the scale and resources of their competitors."

North American Big Farm Equipment Dealer Groups by Brand — 2011

(Big dealers are defined as those that operate five or more locations that sell farm equipment. Individual ownership groups may carry a range of brands.)

Number of Ag Stores in Owner Group	Owner Groups	John Deere	Case IH	AGCO Corp.	New Holland	Kubota
>15	15	11	2	2	1	
10-15	31	19	2	9	1	
7-9	68	38	13	6	3	2
5-6	73	36	25	6	10	12
TOTAL	**187**	**104**	**42**	**23**	**15**	**14**

**AGCO Corp. includes only dealers who carry an AGCO tractor brand.*

Stores in Large Groups	Total Industry					
Ag Stores*	1,632	915	353	235	157	99
Total Locations	2,067					
Total Stores by Brand*	7,100	1,557	950	975	1,100	1,100
% Stores in Large Groups	23%	59%	37%	24%	14%	9%

**Estimated. Does not include OPE, CE or HQ locations.*

Leading the Way. Either through mergers or acquisitions, as in past years, John Deere and Case IH are setting the tempo for dealer consolidation in North America.

Four Deere dealerships joined the Big Dealer group since April 2011. In total, that amounts to 104 John Deere dealer groups that operate five or more retail locations.

Ten Case IH dealerships also became "Big Dealers" in the past year. This increases the Case IH total to 42 groups that own five or more stores.

AGCO went in the opposite direction as two Caterpillar dealerships dropped AGCO's Challenger line of ag products. At this time last year, 25 AGCO dealer groups operated five or more locations that carried either Massey Ferguson or Challenger branded equipment. This fell to 23 dealerships during the past year.

Three more Kubota dealers joined the ranks of Big Dealers in the past year, takings its total to 14 dealerships operating five or more stores.

Percentage Gains. Based on research by *Ag Equipment Intelligence* and Currie Management Consultants, 59% of John Deere's farm equipment dealer locations, or 915 stores, are operated by its Big Dealer groups. This is up from about 50% a year ago.

Case IH also saw significant growth in the percentage of its dealer locations that are now operated by groups with five or more stores. Last year at this time, we estimated its Big Dealers owned 30% of all Case IH retail locations. This increased to 37% during the past 12 months.

AGCO saw the percentage of its dealer locations operated by Big Dealers slip from 30% last year to about 24% this year as some Caterpillar dealerships shed their Challenger ag machinery lines.

Other Developments. In addition to the ongoing consolidation of North American ag equipment dealerships, other notable trends emerged during the past year. Among these are big dealers acquiring or merging with other big dealers, and mega dealers expanding their reach internationally.

In the case of big dealers getting together with other big dealers, at least four significant moves by John Deere dealers in this direction were noted in the past 12 months.

On May 1, 2011, 21st Century Equipment (7 locations) headquartered in Bridgeport, Neb., merged with Kay Jan (4 stores) based in Fort Morgan, Colo. In August 2011, Arizona Machinery (14 stores) acquired Central Implements' seven locations in Arizona, New Mexico and Colorado. Pape, a large John Deere and Hitachi equipment group headquartered in Eugene, Ore., acquired the five locations of Columbia Tractor in Idaho and Washington. AgraTurf Equipment Services Inc. and Elmira Farm Service Ltd., two John Deere dealers in southern Ontario, merged to form the 10-store group now called Premier Equipment Ltd.

International Growth. Titan Machinery, Case IH's mega dealer group with 96 North American dealer locations, this year added 10 European dealerships in Romania and Bulgaria. They follow RDO Equipment, one of Deere's biggest dealership networks in the U.S. that has operated in Russia for several years. Cervus Equipment, Deere's largest dealer group in western Canada, also spread its wings in recent years to help streamline Deere's dealership network in New Zealand.

More international expansion by North American dealers can be expected. OEMs are feeling pressure from their other North American dealers who are concerned about these mega dealers infringing on their areas of responsibilities.

The OEMs see expansion of their successful dealership groups overseas as a route to consolidate retail locations on other continents and to use the dealers' merger expertise to rapidly raise the quality and competitiveness of their foreign retailers. **AEI**