

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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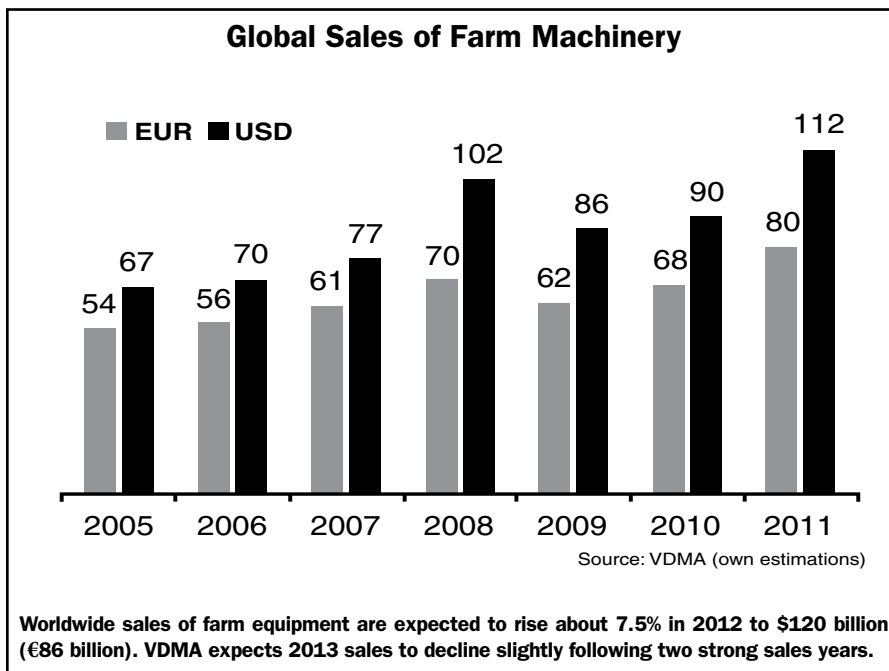
- CNH-Fiat Merger
- Monsanto & Ag Equip
- Kubota Sales +10%

VDMA Estimates 2012 Global Ag Machinery Production at \$120 Billion

Following an 18% growth last year, to €80 billion (\$112 billion), Dr. Bernd Scherer, managing director of VDMA, the German Agricultural Machinery Assn., estimates global production of agricultural machinery and tractors for 2012 will reach €86 billion, or an equivalent of about \$120 billion.

According to the association, sales were approximately 25% higher than the average for the preceding five years. VDMA attributes the upswing largely to two factors. The first is a considerable increase in agricultural investments in the traditional sales markets of Europe and North America following the 2009-10 recession. At the same time, new production capacity is being established in the newly industrialized countries to cover the

Continued on page 3



AGCO Urging 'Heartland' Dealers to Get Bigger

AGCO says it's "late to the party," but like the other major ag equipment makers, it's urging its North American dealers to grow their network of stores.

In an interview with *Ag Equipment Intelligence* on June 7 during the grand opening of its newly expanded tractor plant in Jackson, Minn., Martin Richenhagen, chairman and CEO, and Bob Crain, senior vice president and general manager, AGCO North America, said they have begun pushing dealers to grow their operations by becoming multi-store organizations.

Referring to the efforts by competitors Case IH and John Deere to consolidate their dealer network to fewer owners, not necessarily fewer locations, Crain says, "As a rule of

thumb, it's happening and we're pushing it. It's the way the North American industry is headed. I'll have to say that we're late to the party. Some of our competitors started this 15 or 20 years ago. We started really having intense discussions with our dealers about a year and a half ago. By intense I mean these have been difficult, emotional discussions, as you can well imagine. I truly believe, especially here in the heartland, from a long term perspective, dealers will need be multi-store operators to not only survive, but to survive and prosper.

"I believe some single-store operations are sustainable. I know first hand in the southeast and some other areas single stores can succeed. But

in pure play agricultural markets, like the Midwest and western Canada, it's a fact; our dealers need to step it up," Crain says.

Richenhagen explains that when Crain joined AGCO from New Holland five years ago the equipment manufacturer had between 1,600 and 2,000 dealers. "Our strategy back then was to add 200 new dealers to our network each year because we believed it would create some initial business. What we did by that was to inflate our franchise value. One of the most important initiatives we handed Bob was to reorganize and develop stronger dealers," says Richenhagen.

"Today, we have about 800 deal-

Continued on page 2

er-principals, and we reduced the total without any noise or major legal issues, which is different from some of our competitors who went to court in almost every case."

No Strong-Arming. Crain says AGCO decided not to take a strong-arm approach in its dealer consolidation efforts. "I truly believe in having very direct, transparent discussions — big boy, big girl discussions — with our dealers on why we need to have a much larger network of multi-store operators, a higher level of professionalism and better capitalized dealers than we've had in the past."

Five years ago, Crain says, AGCO had 1,600 North American dealers producing \$1.2 billion in sales. In 2012, the company is expecting to bring in \$2.1 billion with 800 dealers.

"Do the math," says Crain. "We're trying to help our dealers to be much stronger, professional and profitable than what they were in the past." He clarified that while AGCO's current footprint includes 800 dealer-owners, they operate far more stores.

Crain says AGCO has initiated discussions with dealers in regard to consolidation. Among the criteria for determining the best fits, he says, is market density, AGCO's coverage in individual states and sales territories, dealer capitalization, market share and succession plans.

At the same time, he says, dealers have approached AGCO communicating their desire to grow their networks. "They're being proactive and saying, 'Help me grow AGCO.' So we're approaching neighboring dealers for them and with them to facilitate initial discussions. And we're part of those discussions. At the end of the day, it's the dealers who have to put the deal together. But again, we are absolutely not strong arming them into doing anything."

Optimal Dealer Size? Crain says questions about what's optimal for

AGCO's Next Step: Build Small Tractors in U.S.

With the 75,000-foot expansion to its Jackson, Minn., manufacturing plant, AGCO is moving production of its Challenger and Massey Ferguson high horsepower row-crop tractors from France to North America. This fulfills part of the company's plan to completely localize tractor production. In addition to being able to promote its "Made in America" program, "We want to become independent from exchange rates, so the more American parts we can put in the better," said Martin Richenhagen, AGCO's chairman and CEO.

Their next step, he says, is to begin building smaller tractors, up to 135 horsepower (100 kW), in North America. "This is a project that is in the pipeline already and the tractor will be also assembled here in America."

In the long term, Richenhagen says, the idea is to become completely independent from other countries here in the U.S. "That means we would like to have everything we sell in America be produced in America, and we are getting there. This is an important first step into that direction."

At the same time, Richenhagen says AGCO still wants to increase its exports from America. "We do quite a lot of exports from our Hesston factory, mainly the balers are very successful, but the demand to export our sprayers which is also growing."

In addition to neutralizing the effect of exchange rates, AGCO estimates they'll be saving 30-45 days shipping time by producing tractors at the Jackson plant.

dealerships, in terms of number of locations, is impossible to answer. But in terms of annual revenues, he says, to be sustainable going forward, the

"To be viable, dealers need to be at \$25-30 million in annual revenues per store. But we're looking at \$50 million per store in the next 3-5 years..."

minimum for dealerships to be viable, dealers will need to reach \$25-30 million per store. "Our dealers are getting close to this, but in the medium term, we'll be looking at \$50 million per store in the next 3-5 years."

Unit Growth. When it comes to the kind of market share numbers the red and green guys are pushing, Crain says AGCO is not in a dominant position. "It's not negotiable, we have to grow, but we're not necessarily pushing market share."

"We're not the number one or

number two player in the North American market, but we have to grow and to do that is a simple thing called market share. But we're not stressing market share per se. It's about growing the business. If that equates to market share, that's great. But how we've been successful the past few years is we sold 10 of these units last year, we're going to sell 15 this year, and than 20 the next year," says Crain. "It's not that our market share on that unit is 10% and we're going to grow it to 12%. This isn't the way we're approaching it." **AEI**

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increasing need for agricultural investment that exists in those emerging countries.

Ag Income & Demand. Exceptionally high investments made by farmers and contractors in most regions of the world in the recent past are based on greater purchasing power, according to most recent report from VDMA.

"Agricultural incomes have risen due to good prices and also as a result of increased production of grain, oil seeds, milk and meat." As a result, agribusiness has become attractive again to many investors from outside the industry, and this is being seen particularly in emerging markets."

VDMA expects a slight decline in recent pricing levels but still anticipates a relatively tight supply situation for most agricultural products, which will continue to support the market.

Following a two-year boom, VDMA says diminishing growth is to be expected. "In the European industry, this is presently already being felt in incoming orders. However, with existing orders the utilization of production capacity is assured for a comparatively long period. In Western Europe, the order backlog is currently at three months. For the coming year, the industry can rely on a continuing strong need for investment, particularly in Central and Eastern Europe and also in Asia," says VDMA. **AEI**

Russia and the WTO

VDMA, the German Agricultural Machinery Assn., says that with Russia's "imminent membership" in the World Trade Organization, the country will need to eliminate or reduce import tariffs on farm equipment and implement other measures to open its markets to agricultural goods and services.

"Import duties on agricultural machinery will be gradually reduced between 2013 and 2016, and will likely range between 0% and a maximum of 7%. This is a particularly welcome development for tractors and self-propelled harvesting machinery, which are still subject to import duties ranging from 15-25%."

Current efforts by the Russian government to introduce upper limits for interest-subsidized loans are causing some concern, according to VDMA. This regulation would mainly affect high performance modern tractors and self-propelled harvesters. This suggestion was published on the official website of the Russian agriculture ministry.

"In the case of a price cap introduction, Russian farmers would be more or less forced to buy cheap and technologically outdated and low quality machinery," says VDMA. "This regulation would run counter to the desired expansion in the production of tractors and combine harvesters in Russia."

"Manufacturers would be forced to remain within the defined price range. In this context it has to be pointed out that Russia is already considered to be a rather expensive production location due to an inadequate supplier structure."

More Protectionism? VDMA goes on to say that many countries are relying increasingly on protective mechanisms. In 2011, three times as many measures to protect markets were set in motion compared to measures implemented to liberalize markets. The most extreme examples worldwide, according to Global Trade Alert, was Argentina with 191 protectionist measures, followed by Russia with 172 decrees.

FARM MACHINERY TICKER (AS OF 6/11/12)

Manufacturers	Symbol	6/11/12 Price	5/11/12 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l	AFN	\$33.93	\$39.04	\$48.60	\$28.11	16.15	32,102	421.11M
AGCO	AGCO	\$41.32	\$43.85	\$54.00	\$30.11	6.51	1,501,520	4.02B
Alamo	ALG	\$31.37	\$31.76	\$34.23	\$19.71	11.32	37,025	373.96M
Art's Way Mfg.	ARTW	\$6.95	\$7.25	\$9.69	\$4.80	14.54	6,894	28.00M
Blount Int'l	BLT	\$13.92	\$13.70	\$18.62	\$12.46	17.02	304,678	681.30M
Buhler Industries	BUI	\$5.55	\$5.49	\$5.90	\$5.04	18.08	764	138.75M
Caterpillar	CAT	\$87.05	\$95.50	\$116.95	\$67.54	10.97	6,920,770	56.79B
CNH Global	CNH	\$37.51	\$44.01	\$47.74	\$22.19	8.54	513,619	9.00B
Deere & Co.	DE	\$74.06	\$79.07	\$89.70	\$59.92	10.27	3,777,680	29.46B
Hemisphere GPS	HEM	\$0.73	\$0.72	\$1.18	\$0.56	N/A	50,509	44.40M
Kubota	KUB	\$43.22	\$45.07	\$51.97	\$36.81	14.10	19,613	10.86B
Lindsay	LNN	\$57.35	\$62.12	\$73.03	\$46.03	19.79	144,266	728.92M
Titan Int'l	TWI	\$21.15	\$26.56	\$29.95	\$12.97	11.69	869,633	893.42M
Trimble Navigation	TRMB	\$46.34	\$50.72	\$55.95	\$31.88	36.17	990,978	5.80B
Valmont Industries	VMI	\$111.43	\$117.62	\$128.40	\$73.00	11.62	186,628	2.96B

Retailers

Cervus Equipment	CVL	\$17.70	\$18.36	\$19.25	\$13.60	N/A	11,264	N/A
Rocky Mountain Dealerships	RME	\$11.15	\$11.90	\$12.13	\$8.35	10.71	32,572	209.26M
Titan Machinery	TTTN	\$26.94	\$33.00	\$36.92	\$15.58	12.71	569,500	558.25M
Tractor Supply	TSCO	\$87.92	\$98.64	\$101.20	\$49.02	26.40	1,066,440	6.33B

Monsanto Steps into Ag Equipment Arena

During a speech to investors at the Goldman Sachs Basic Materials Conference 2012 on May 23, Monsanto's Chief Technology Officer, Robb Fraley, announced that the company is getting into the farm equipment business.

Fraley said Monsanto, which is best known for developing advanced seed genetics, would acquire Precision Planting, a developer and marketer of seed meters, monitoring and precision farming technology. He said the acquisition is an integral part of Monsanto's planned Integrated Farming Systems portfolio that will offer "science-based agronomic seed prescriptions with next-generation precision equipment to help farmers increase yield potential and reduce risk."

In listing its reasons for the acquisition, Monsanto said:

• Precision Planting offers after-market technology that easily works with existing original equipment manufacturers (OEMs)

• Creates potential for developing collaboration opportunities with OEMs

• Puts in place the technologies to deliver future yield enhancements to the farm

According to published reports, Monsanto will pay \$210 million for Precision Planting, which was founded by Gregg and Cindy Sauder in 1993.

Improving Yields. Michael Picken, analyst for Cleveland Research Co., told *Ag Equipment Intelligence* he spoke with Monsanto shortly after the acquisition. "They view the acquisition of Precision Planting as

an important step in growing its IFS — Integrated Farming System — platform. Monsanto believes it can create an increase of 5-10 bushels per acre of incremental value to the farmer by improving its agronomic practices. The also believe they can do a better job than an independent crop consultant because they know the genetics in each individual area better than anyone else," says Picken.

He adds that Monsanto is still trying to figure out their go-to-market approach with this platform, but distributors are likely to manage the data.

"The major concerns I've heard from some growers is that they are nervous about sharing their yield data with Monsanto — or any seed company," says Picken. "It should be interesting to see how this platform grows." **AEI**

Titan Machinery On Track for Another Record Year

On June 7, Titan Machinery Inc. released its first quarter fiscal year 2013 earnings report, which pointed to a 32.5% increase in revenue to \$431.7 million, compared to \$318.2 million in the first quarter last year.

Robert McCarthy, an analyst from Baird Equity Research said in a note to investors, "The Titan growth story remains unchanged, supported by robust farm income in key markets and significant potential for accretive mergers and acquisitions. Short-term headline risks from shifting seasonality could persist, but in intermediate-term, we believe the shares are very attractive at current levels."

Despite first quarter revenue growth, Titan stock fell nearly 22%, according to Rick Nelson, an analyst with Stephens Inc. He said in a note, "We think investors expectations became too aggressive and momentum quickly came out of the stock. Results were held back by margin pressures in equipment, seasonality challenges, investment spending in the rental business and in Eastern Europe."

Titan has its eyes set on another record year, and right now the numbers indicate the company is on track

to achieve that. "During the first quarter, we generated strong organic and acquired revenue growth in both our agriculture and construction segments as our business continues to benefit from a favorable operating environment, including a healthy agriculture economy and steady improvements in the construction market in our footprint," says David Meyer, Titan Machinery's chairman and CEO. "We are reiterating our annual revenue and net income guidance and remain on track to deliver another record year in fiscal 2013."

The Numbers. Equipment sales were \$322.5 million for the first quarter of fiscal 2013, compared to \$249.2 million in the first quarter last year. Parts sales were \$58.8 million vs. \$41.9 million. Revenue from service was \$29.8 million compared to \$21 million. Rental and other service revenues increased to \$10.6 million from \$6.1 million.

Gross profit for the first quarter of fiscal 2013 was \$70.4 million, compared to \$52.8 million in the first quarter last year. The company's gross profit margin was 16.7% vs. 16.6% in the first quarter last year. Gross profit from parts, service and rental and other for

the first quarter of fiscal 2013 was 57% of overall gross profit and increased to \$40 million from \$26.9 million in the first quarter of last year.

Looking Ahead. Titan continues to execute on its agriculture acquisitions and strengthen its contiguous network of dealerships in the upper Midwest. To date in fiscal 2013, Titan has completed five acquisitions, including three U.S. ag equipment dealerships, one independent rental yard, seven ag equipment dealerships in Europe and three construction equipment dealership locations in the U.S. In addition, the company also opened one new ag equipment dealership in Europe.

McCarthy concludes, "As CNH's largest global dealer looking to further consolidate the market, Titan is in a position to be able to provide an 'exit' strategy for retiring small and medium dealership owners."

From a timing perspective, McCarthy believes 2012 is a year likely to continue seeing significant levels of activity given robust recent ag equipment demand as well as uncertainty regarding the tax rate on capital gains in 2013 and beyond, which he says would impact virtually all sellers. **AEI**

Kubota Reports 10% Gain in Revenues to \$9 Billion

Having spent less than a month under its new owner's wing, Kubota's wholly owned farm implement subsidiary, Kverneland Group, made little contribution to the Japanese manufacturer's financial results for the year ended March 2012.

But its Farm & Industrial Machinery (F&IM) division, which makes tractors, rice machinery, light construction equipment and diesel engines, nonetheless recorded a near-10% gain in revenues last year to the equivalent of \$8.97 billion.

The F&IM division, which accounts for 70% of the group's \$12.6 billion revenues, also saw increased operating income — up 13% to \$1.23 billion — thanks mainly to higher export market revenues and cost reductions.

In Japan, sales of agricultural equipment ended flat as a result of reduced demand in the eastern region hit by last year's earthquake and tsunami, offset-

ting an otherwise positive market.

Strong sales and increased market share in North America were therefore especially welcome as they contributed to the group's 12.6% increase in revenues from outside Japan.

This is a trend Kubota's President, Chairman & CEO, Yasuo Masumoto, is anxious to see continue as he seeks to extend the corporation's international reach and further reduce its reliance on the domestic market.

"The expansion of overseas business is indispensable for the company's further development," he says. "The expansion of business in the emerging markets is one of the highest priority issues, but we will also continue to expand overseas production in established markets to suit local requirements."

Kubota is in the midst of building a new compact tractor plant in Jefferson, Ga., (*Ag Equipment Intelligence*,

February 2012) and Masumoto is on the lookout for additional acquisitions or partners especially to manufacture tractors beyond its current 135 horsepower limit.

Reported references earlier this year to an acquisition deal-in-the-making worth up to \$2.6 billion have since been toned down to a scenario in which Kubota finds a strategic partner to enter higher horsepower sectors.

In the meantime, its focus remains on compact and farm utility tractors for North America and Western Europe and specialized paddy rice growing machinery for Asia, where Kubota is adding an engine manufacturing facility to its existing compact tractor plant in Thailand.

The outlook for the current financial year is positive: Masumoto anticipates a 14% increase in group revenues to more than \$14 billion but with a slight decline in operating income. **AEI**

Krone 'Confidently Predicts' 15% Sales Rise in Current Fiscal

As Krone embarks on an ambitious program of new and improved product introductions to enhance its already comprehensive range of grass harvesting equipment, managers are looking to expand the company's global reach while maintaining service standards to existing customers.

China and Brazil are new territories where the German grassland equipment specialist plans to make inroads. But it's not about to ignore its existing — and growing — customer base in Europe and North America.

According to Bernard Krone, Jr., who heads the family-owned firm since taking over from his father two years ago, focus on customer service has been instrumental in gaining increased sales and market share.

"That is especially the case among large farms and custom operators who use our 'commercial' machines — forage harvesters, self-propelled mowers and square balers," he says. "They are very pleased with the after-sales service and the improved reputation this has brought, together with our strengthened dis-

tribution network, has increased our market share in this segment, as well as for our 'core' farmer products."

A growing presence in Eastern Europe, a strong performance in North America, and increasingly buoyant sales in Western Europe are pushing Krone toward record sales revenues.

"With our fiscal year ending July, we confidently predict an increase of about 15% in revenues to around \$600 million for the agricultural equipment division," says Krone.

He hopes to maintain that trend by introducing new or improved products in just about every one of its grass product categories, including the world's first non-stop round baler/wrapper combination for hay and silage.

There is also greater emphasis on the use of electronics and online technologies to operate and manage both individual machines and different aspects of the harvesting process.

The company is also investing in its logistics resources. For example, the parts department now has a security status that permits air freight shipments direct to export markets with-

out the delay of additional inspections.

Also, a new wholegoods dispatch facility has been built a short distance away from the factory complex in northern Germany to ease congestion.

"The new drive-through dispatch hall is equipped to dispatch 150-200 machines a day," points out Hartwig Janssen, sales manager for the North American market. **AEI**

RME Back on the Acquisition Trail

After taking more than a year off from acquiring additional dealerships, Rocky Mountain Dealerships announced on June 4 that it had agreed to acquire Camrose Farm Equipment Ltd.

Rocky is one of Case IH and Canada's largest agriculture and construction equipment dealerships with 36 locations throughout Alberta, Saskatchewan and Manitoba.

Camrose operates two Case IH and New Holland ag equipment dealerships in Camrose and Killam, Alberta. For the most recent fiscal year ended March 31, 2012, CFE had agriculture-related revenues of approximately \$54 million.

Australian Tractor Sales Best Since 1989

The end of the Australian drought is fuelling a "tractor-selling bonanza across Australia," according to the Tractor and Machinery Assn. (TMA) of Australia. Machinery dealers say deliveries are at record levels, worth about \$110 million for the first three months of the year. Reportedly, Australian dealers are selling tractors at a rate they haven't seen in more than two decades.

According to the association, tractor and machinery dealers are on track to sell an unprecedented \$3 billion of new equipment this year, mainly tractors, headers and baling equipment. "While grain prices were poor, two massive harvests gave broad acre farmers enough confidence to invest heavily in the future," the association reports.

"They have to update at some time, and it looks like this year is it," TMA executive director Richard Lewis said.

Data released by TMA of Australia shows a hefty increase in sales of tractors over 200 horsepower in April and a surge in demand from farmers in Western Australia gearing up for the tillage and seeding season.

With 864 tractors delivered, the overall market was up 20% compared to April 2011.

Agriview industry analyst Alan Kirsten said, the seasonal push from the broadacre sector was the key to the month's results.

In the under 40 horsepower sector, the market was up 5%, in the 40-100 horsepower category, sales

rose by 11% and in the 100-200 horsepower range, sales grew by 17%. But it was the 200 and over horsepower class where sales saw their largest jump, rising by 74%, according to Kirsten. "That's the driver for the month in terms of growth," he said.

In the previous month, it was the lifestyle, or hobby, farm segment that fuelled the market. This group dominates the up to 70 hectare segment of farming in Australia and have also emerged as major players in the new tractor market. They dominate the compact market, up to 60 hectares.

1Q Results. The TMA reports 2,238 tractors were delivered during the first three months of 2012, the highest since records began in 1989. The excellent harvests of the past two years also brought record sales of combines, which machinery dealers do not expect to continue.

January sales were extremely strong, up 60% on the previous year, while February sales rose 35% and March dropped back to more "normal" levels.

Kirsten said the sales figures through the first part of the year showed a general push right through the range, but "The lifestyle market has been particularly strong," he says.

"Compact tractors up to about 60 horsepower continue to be very popular and have for the past two or three years. It's a similar story with out-front mowers, again showing very strong demand in the lifestyle market.

At the top end, the 200 horsepower-plus market has also been strong, but at a more subdued level, with investment levels remaining solid."

Rest of 2012. "I'd expect that market to slow over the next couple of months, but then to rebound," Kirsten said.

"In the middle ground, it's a pretty reasonable result, but that result in the over-200 horsepower was very welcome. The numbers, I'd suggest, are not surprising, though I am a little surprised at the strength in Western Australia given they have been in drought."

While the sales picture for tractors was looking bright, demand for other lines was fairly flat.

"You'd have to say demand is pretty subdued at the moment for most other product lines — in the combines, balers, even the tillage and seeding equipment, demand has been very slow," he said.

"I was expecting that situation to be a little better than it is, particularly for the combines, but the numbers are very small as it's well out of season. However, the forward orders the industry would have expected haven't been there. I think the current high wheat price, the high stocks on-farm and high world stocks are depressing demand for new combine harvesters," he says.

"The baler market is subdued and at a low level and demand for early orders is low. That continues a pretty depressed hay tools market for the past two or three years." **AEI**

CNH-Fiat Merger Could Lead to 'Greater Liquidity' of Shares; Other Acquisitions Ahead?

On May 30, Fiat Industrial SpA (FI), the truck and tractor manufacturer that carmaker Fiat SpA (F) spun off in 2011, announced plans to merge with its CNH Global NV (CNH) unit and move its primary listing to New York to lure more investors worldwide. Fiat Industrial S.p.A. currently owns about 88% of CNH shares.

According to UBS machinery analyst, Henry Kirn, the proposed new company would be based in the Netherlands and listed in NYSE with a secondary European listing.

"While CNH's restructuring activities and strengthening markets are leading to improved financial results, we believe investors have looked to other stocks for exposure given CNH's low liquidity due to FI ownership structure. While this transaction would dilute direct exposure to ag and construction, it would likely lead to greater liquidity for shares," Kirn said in a note. "We see an operational upside as CNH benefits from improving end markets in both segments and expect strong farm commodity prices

to be a positive catalyst for shares," he said.

A June 12 Reuters report suggests that Italy's Agnelli family, that already controls Fiat Industrial, may be "positioning itself for a further deal to cement its position in the global industrial machinery sector."

According to the report, the Agnelli's holding company, Exor, will probably emerge from the FI-CNH deal with a 45% stake in the merged group, and speculates that the company may be "maneuvering to increase its holding to 50% or more to put itself in an even stronger position to dictate further acquisitions."

Fiat Industrial Chairman Sergio Marchionne was asked by reporters what target could be next after the CNH deal. "We are interested in building our presence in the U.S. truck market," he said.

Speculation is he is interested in bidding for truckmaker Navistar International Corp. **AEI**

Total Tractor Sales Improve in May

North American large tractor and combine retail sales showed improvement in May, with an increase of 11% year-over-year following April's decline of 3%, according to the latest figures from the Assn. of Equipment Manufacturers. While combine sales remained weak, falling 15%, this was offset by improving row-crop, mid-range and 4WD tractor comparisons.

Increasing inventory levels across all equipment types merit some attention, but are supported by healthy sales trends in all categories except combines. "U.S. combine inventories were essentially flat year-over-year in absolute terms in April vs. a 9% decrease last month," Robert McCarthy, an analyst with RW Baird, said in a note.

- Combine sales were down in May, as sales decreased 15.1% year-over-year following April's 24.7% decline. Last three months sales remained negative on a year-over-year basis, the twelfth straight month of negative comparisons, McCarthy points out. May is a seasonally unimportant month for combine sales and accounts for only 6.8% of annual sales over the last five years.

- Row-crop tractor sales saw a big jump in May, up 21.3% vs. a 1.9% year-over-year increase in April. U.S. row crop tractor inventories increased 6% year-over-year in April vs. a 1% increase in March. May is an average month for tractor sales seasonally, typically accounting for 8.9% of annual sales.

- 4WD tractor sales increased 3.9% year-over-year in May, improving from a 0.6% increase in April, despite a more difficult prior-year comparison. U.S. dealer inventories of 4WD tractors increased 38.6% year-over-year in April, while days-sales of inventory also increased year-over-year to 66 days from 47 in April 2011.

- Mid-range tractor sales comparisons improved in May, increasing 17.2% year-over-year after an 11.9% increase last month, though against a slightly easier prior-year comparison. Utility tractor sales were up 7.3% year-over-year.



MAY U.S. UNIT RETAIL SALES



Equipment	May 2012	May 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	May 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	11,647	10,862	7.2	39,219	36,711	6.8	57,187
40-100 HP	5,381	4,486	20.0	21,411	19,643	9.0	25,052
100 HP Plus	2,429	1,897	28.0	11,389	10,866	4.8	6,409
Total-2WD	19,457	17,245	12.8	72,019	67,220	7.1	88,648
Total-4WD	430	408	5.4	2,368	2,389	-0.9	1,077
Total Tractors	19,887	17,653	12.7	74,387	69,609	6.9	89,725
SP Combines	523	534	-2.1	2,421	3,618	-33.1	1,317

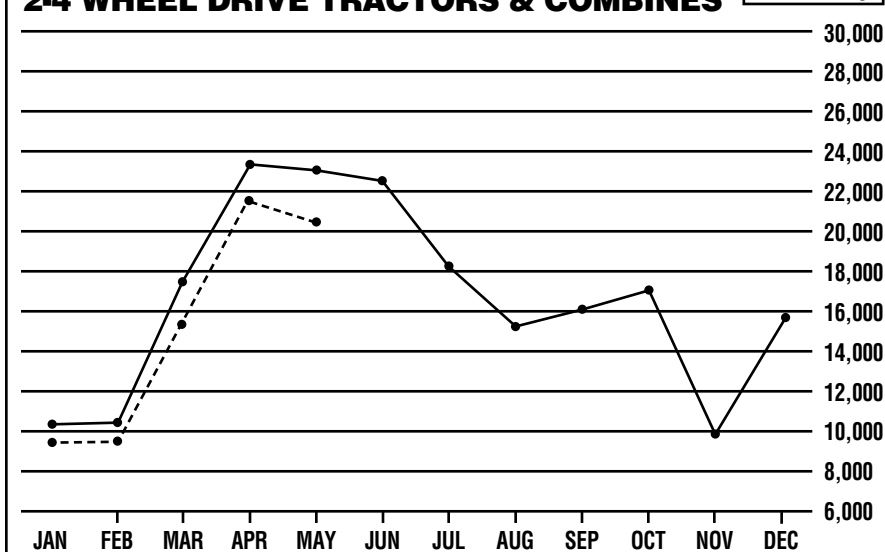
MAY CANADIAN UNIT RETAIL SALES



Equipment	May 2012	May 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	May 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,915	1,774	7.9	4,617	4,431	4.2	9,375
40-100 HP	603	621	-2.9	2,436	2,339	4.1	3,691
100 HP Plus	482	502	-4.0	1,966	1,714	14.7	1,832
Total-2WD	3,000	2,897	3.6	9,019	8,484	6.3	14,898
Total-4WD	181	180	0.6	718	672	6.8	395
Total Tractors	3,181	3,077	3.4	9,737	9,156	6.3	15,293
SP Combines	168	280	-40.0	588	814	-27.8	644

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

--- 2012
— 5 year average



—Assn. of Equipment Manufacturers

Buhler's Combines Coming to North America in 2012

Canada's Buhler Industries will start rolling out products that are manufactured by its main shareholder, Rostselmash, for the first time this year when it launches combines to complement the existing Versatile tractor and Farm King equipment lines.

The move will bolster the company's full-line ambitions, has the potential to give it strategic leverage with dealers and should boost sales revenues that are already setting new records for the business.

"With our current product offering of four-wheel drive and row-crop tractors, sprayers and seeding and tillage equipment we are able to offer dealers almost everything needed in large equipment," says Yury Ryazanov, Buhler CEO. "The last piece of the puzzle in becoming a full-line manufacturer is combines, and they will be offered in 2012."

Buhler's product line has grown significantly through acquisitions since harvest machinery maker Rostselmash bought an 80% holding in 2007.

In addition to the familiar trac-

Buhler Industries Selected Financial Data 2nd Quarter & 6 Months Ended March 31 <i>(millions of Canadian dollars)</i>				
	2Q	Year Ago	6 Months	Year Ago
Revenue	\$102.5	\$71.2	\$179.0	\$125.1
Net Profit	\$4.2	\$0.4	\$6.5	\$0.9

tors assembled in Winnipeg, the Versatile name is now carried by a self-propelled sprayer and a line of tillage and seeding equipment acquired with the Eeze-On business for C\$14.5 million last year.

The Farm King brand also encompasses the cultivators and seeders, in addition to grain handling and storage products, crop sprayers, hay tools, landscaping equipment and Allied by Farm King loaders and related machinery.

There is no word yet as to whether the combines will carry the Rostselmash or Versatile brand; but either way, Buhler is taking a considered approach to the North American introduction of a product that uses unique rotary technology and must face up to proven harvesters from the ag industry majors.

Preparations began two years ago in Canada when a pair of flagship Rostselmash Torum harvesters operated across a handful of farms to evaluate performance and get grower feedback.

The program was extended to the U.S. last year with upgraded combines powered by Cummins QSX engines to meet North American emission requirements. Four-wheel drive and half-track versions will be available in addition to regular front-drive models.

The Torum has two unique features — a pair of pre-threshing drums in the crop elevator to extract looser grains from the crop; and a contra-rotating screen for the single lengthways separation rotor.

Rostselmash engineers say this design promotes high throughputs with low risk of blockage when conditions are less than ideal.

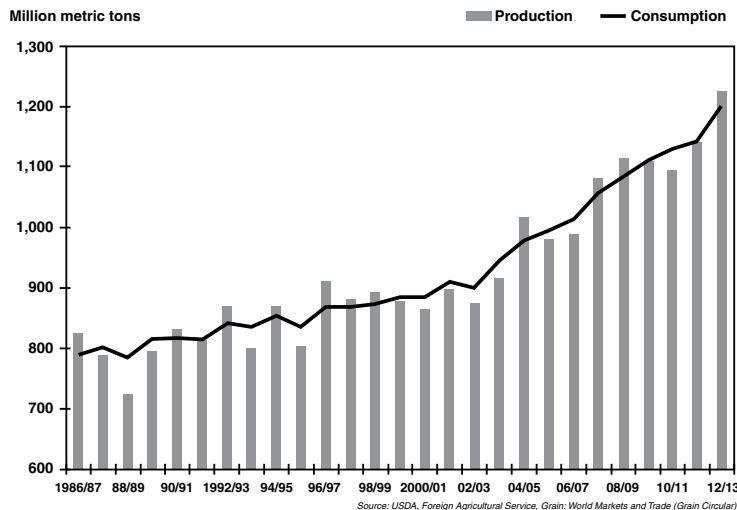
If Canadian and U.S. growers take to the new machines, the combine product line could make a useful contribution to sales revenues that hit a record C\$284 million last year, up almost 36% on the year prior.

Exports to more buoyant markets in the CIS, including Russia, Kazakhstan and Ukraine, made the biggest contribution, with the value of shipments up from just C\$2.7 million in 2009-10 to almost C\$38 million.

But demand for four-wheel drive tractors saw domestic sales rise more than 50% to C\$87 million, while the U.S. market, which accounted for just over half of Buhler group revenues, gained 12% to C\$155.4 million.

Buhler CFO, Willy Janzen reports that the upward trend has continued in the company's current financial year. "For the first six months starting October 2011, revenues are up 43% to C\$179 million, with net earnings increased from C\$0.9 million for the same period to C\$6.5 million." **AEI**

Major Producers Expect Record Corn Crops in 2012-13



World coarse grain production in 2012-13 is forecast to increase more than 7% to a record 1,228 million tons, boosted by record corn crops by the United States and major foreign producers. The U.S. corn harvest outlook is strengthened by the combination of a 75-year high in intended plantings and prospects for above trend yields. Foreign producers, including China, Brazil, Argentina and Ukraine are also expected to respond to the sustained high coarse grain prices of recent years with production of record corn crops. Foreign coarse grain harvested area in 2012-13 is projected up 2% due to higher prices, while forecast yields are based on trends until more information becomes available on weather conditions. Although both U.S. and foreign coarse grain consumption are also projected higher on improving demand and ample supplies, the record harvests enhance chances for lower prices and higher stocks in 2012-13. (Source: Feed Outlook, May 2012.)