

# Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

- Sprayer Sales Strong
- Early Orders Down
- Dealer Optimism Up

## Uncertainty Clouds Dealers 2013 Outlook

Immediately following the release of USDA's October 11 World Agricultural Supply and Demand Estimates report, in a note to investors, Ann Duignan, analyst for JP Morgan wrote: "Our model suggests that major-crop cash receipts for 2012-13 will be \$151 billion, up 11% year-over-year. It remains to be seen whether typical late-year spending on equipment materializes given empty grain bins and an uncertain outlook."

The results of *Ag Equipment Intelligence's* 2013 Dealer Business Outlook & Trends survey would appear to support the analyst's view.

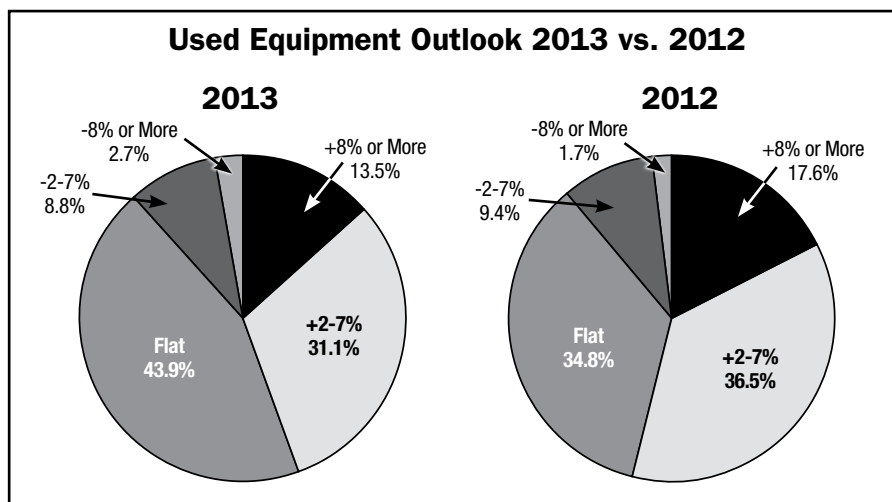
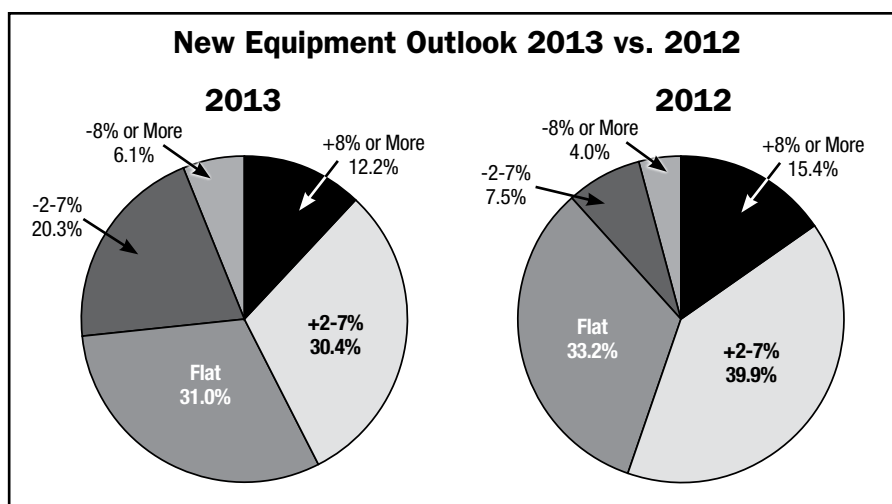
In the year ahead, North American ag equipment dealers are confronting more than the usual ambiguities associated with working in agriculture. It's the unanswered questions, largely the result of the widespread drought of 2012, that are leaving dealers less confident going into 2013 as they were a year earlier.

### Then vs. Now

Last year at this time, two-thirds (66.7%) of the dealers surveyed expected their 2012 new equipment sales revenue to increase by 2% to more than 8%. That number has dropped to slightly less than one-third (32.6%) of dealers who believe their 2013 revenues will improve by more than 2%.

A year ago, 29.6% of dealers forecasted flat sales for the year ahead. This year, about that same percentage (31.1%), is looking at a flat sales year in 2013.

In the 2012 dealer survey, only 3.7% of dealers projected new equipment revenues would decline by 2-7% and none (0.0%) predicted a sales



drop of more than 8%.

In their forecast for 2013, 20.3% of dealers expect sales to fall by 2-7% and another 6.1% see a revenue decline of more than 8%. A total of 26.4% see overall new equipment revenues declining in 2013 vs. only 3.7% a year earlier.

A similar trend is evident for used equipment sales, but not as nearly pronounced.

Last year, 52% of dealers surveyed projected used equipment sales would rise by either 2-7% (20%) or 8% or more (32%). In their outlook for 2013, 44.6% of dealers see revenues from the sale of used equipment rising vs. a year earlier (13.5% up 2-7% and 31.1% up 8% or more).

At the same time, for 2013 29.4% of dealers are expecting used equip-

*Continued on page 2*

ment revenues to decline (8.8% down 2-7% and 2.7% down 8% or more). This compares with a total of only 8% of dealers who expected revenues from used equipment sales would be lower than the previous year.

### Rising Cost Concerns

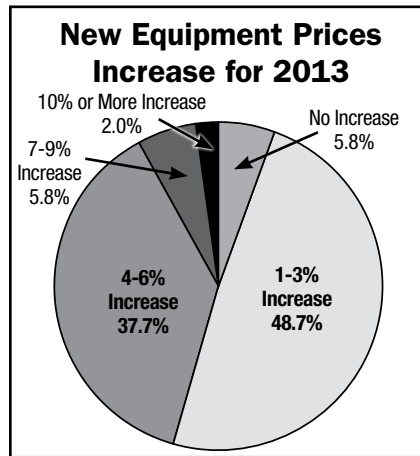
Beyond this year's drought, cost issues are at the top of dealers' list of most pressing concerns going into the 2013 selling season.

According to the *Ag Equipment Intelligence* survey, the rising cost of new machinery coming into the market is dealers' number one concern with 93.5% of dealers checking "most concerned" or "concerned" when asked to rank the biggest issues they're facing in the year ahead.

Only 5.8% of all dealers said they did not expect to see a price increase for new equipment from their main-line supplier in 2013. The remaining 94.2% indicated they have already been told or are anticipating prices to rise from 1-3% to more than 10%. Nearly half (48.7%) of responding dealers are expecting new equipment price hikes of 1-3%, another 37.7% reported an expected price increase of 4-6%. These are on top of major price increases — ranging from 7-11% — last year with the roll out of the Tier 4i engines.

Following on the heels of price hikes for new machinery, dealers ranked farm input costs as number two on their list of pressing concerns as rising prices for seed, fertilizer and other consumables compete with farmers' investment in updated machinery. Some dealers indicated they're also factoring into their projections rapidly rising land rents that many farmers are coping with. Slightly over 93% of respondents said rising input costs was the second most important issue where they were "most concerned" or "concerned."

Not surprisingly, energy and fuel



**A large majority (94.2%) of North American farm equipment dealers are expecting a price hike ranging from 1% to more than 10% for 2013 new machinery orders.**

costs rated number three on the dealers' ranking of biggest concerns for 2013, with 91.3% of dealers checking "most concerned" or "concerned."

One of the major issues of the 2012 presidential election is health care and it's a big one for dealers, as well, with 87% rating it as "most concerning" or "concerning."

The only issue not relating directly to rising costs/prices was the availability of service technicians; also with 87% of dealers saying they were "most concerned" or "concerned" about the shortage talent with mechanical and electronic experience and training.

While the need for qualified techs is a recurring challenge for farm equipment dealers, the need is being compounded with the rapid emergence of precision farming technologies. The talents required to service the new GPS and other precision systems is putting additional pressure on dealers to find, develop and retain the talent demanded by farmers who are adopting these advanced technologies.

This pressure shows up in dealers hiring targets for 2013. Last year, slightly under 20% of dealers said they were looking to add precision farming specialists. That number rose

to 28% for the year ahead.

### Best Bets to Grow Sales

Despite the many unknowns confronting dealers during the upcoming sales season, they still see many product categories as having potential to improve unit sales in 2013.

Chief among these are GPS and precision farming equipment, followed by lawn and garden products. On a weighted average basis, the dealers ranked their best prospects for

### Census Bureau Reports Declining Ag Equipment Shipments

At the same time the Assn. of Equipment Manufacturers was reporting continuing strong retail sales of farm machinery in September, U.S. Census Bureau data showed year-over-year sales slipped for four months in a row through August.

According to a note from JP Morgan analyst, Ann Duignan, from the OEM perspective sales have been slipping.

"We believe some sales were pulled forward from the fourth quarter given an early harvest this year; corn harvest was 54% complete by October 1, which is 2.7x the five-year average. From an OEM shipments perspective, however, sales are down year-over-year for four consecutive months through August, the latest month available, with the declines accelerating each month, according to the U.S. Census Bureau, whose data includes exports."

Duignan points out that monthly shipments had declined year-over-year only two times in the prior two years, and the August decline (-57% year-over-year) "was the largest in our database going back to 1996."

"Shipments of \$1.5 billion were the lowest since November 2009. Part of the large August decline may be due to Deere's combine order cancellation program, which, while successful, significantly impacted shipments for the month. It is unclear if shipments will re-accelerate through the end of the calendar year," she said.

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improving new wholegoods unit sales in 2013 as follows:

- GPS/Precision Ag .....+2.93%
- Lawn & Garden .....+2.05%
- 4WD Tractors .....+2.02%
- Farm Loaders .....+1.48%
- Planters .....+1.30%
- Disc Harrows .....+1.28%
- 2WD Tractors (40-100HP) +1.22%
- Self-Propelled Sprayers .....+1.16%
- 2WD Tractors (>100HP) ...+0.94%
- Field Cultivators .....+0.92%
- 2WD Tractors (<40HP) .....+0.75%
- Mower/Conditioners .....+0.75%
- Air Seeders/Drills .....+0.62%
- Rectangular Balers .....+0.41%
- Round Balers .....+0.35%
- Windrowers/Swathers .....+0.31%
- Chisel Plows .....+0.25%
- Pull-Type Sprayers ..... -0.22%
- Combines ..... -0.36%
- Forage Harvesters ..... -0.38%

### Up in the Air

Many industry analysts remain split on the impact the drought will

ultimately have on farm machinery sales through 2013.

Following a tour through the Corn Belt in early August, Timothy Thein, machinery analyst for Citi Research, told investors, "Based on the level of coverage and mix of insurance acquired, we think the majority of crop farmers are relatively well protected from the drought. The findings of our analysis are consistent with the comments we heard during our recent trip to the Corn Belt. Based on our conversations, we think the drought's impact on farmer psychology may be more impactful than the actual impact on revenue."

Meanwhile, Henry Kirn, analyst for UBS Global Equity Research, said in an October 11 note: "While investors are concerned lower yields could have negative impact on equipment demand, 1988 experience would suggest shares can outperform even when yields are drought impaired. For reference, Deere outperformed S&P by 26% in 1988 (corn rallied

48%), while U.S. row-crop tractor industry unit sales grew 1% in 1988 and 28% in 1989."

But limited visibility into the fourth quarter and early 2013 has left Duignan of JP Morgan with significant concerns about farmer sentiment that could result in delayed purchase decisions.

In an October 9 note, she told investors, "The typical year-end rush to purchase equipment may be diminished this year, despite high crop prices and income protection from crop insurance, as farmers have the option of receiving insurance payouts in 2013, replacing equipment purchases as a means of tax avoidance. At the very least, many farmers have empty grain bins, used their equipment lightly in 2012 and are uncertain about planting intentions for 2013. These factors will weigh on farmer sentiment at least until the spring, in our view," said Duignan. "For the full-year 2013, we expect a 10% decline in both tractor and combine demand." **AEI**

### FARM MACHINERY TICKER (AS OF 10/11/12)

Manufacturers	Symbol	10/11/12 Price	9/12/12 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	\$31.65	\$33.79	\$41.95	\$28.11	18.09	49,179	394.71M
AGCO	AGCO	\$46.90	\$44.80	\$54.00	\$36.41	6.63	1,186,520	4.56B
Alamo	ALG	\$33.26	\$31.29	\$34.23	\$20.79	11.88	23,165	397.16M
Art's Way Mfg.	ARTW	\$6.49	\$6.22	\$9.69	\$5.06	10.19	6,666	26.19M
Blount Int'l	BLT	\$13.59	\$13.91	\$17.62	\$12.46	17.20	242,034	666.47M
Buhler Ind. (as of 10/10)	BUI	\$5.60	\$5.55	\$5.75	\$5.04	7.09	4,317	140.0M
Caterpillar	CAT	\$82.85	\$89.12	\$116.95	\$78.25	9.27	7,471,770	54.12B
CNH Global	CNH	\$39.46	\$42.07	\$47.74	\$28.81	8.71	364,700	9.51B
Deere & Co.	DE	\$82.37	\$78.79	\$89.70	\$67.78	10.99	4,255,260	32.26B
Hemisphere GPS	HEM	\$0.70	\$0.73	\$1.14	\$0.56	N/A	58,556	46.40M
Kubota	KUB	\$50.11	\$50.19	\$52.73	\$38.77	16.24	16,945	12.59B
Lindsay	LNN	\$72.19	\$69.70	\$74.62	\$49.17	22.82	156,911	917.90M
Titan Int'l	TWI	\$18.19	\$19.95	\$29.95	\$16.86	8.11	855,574	769.33M
Trimble Navigation	TRMB	\$47.43	\$51.47	\$55.95	\$35.43	36.97	787,326	5.96B
Valmont Industries	VMI	\$125.97	\$132.31	\$136.11	\$76.57	12.46	139,772	3.35B

### Retailers

Cervus Equipment	CVL	\$19.92	\$20.20	\$20.90	\$14.50	13.55	27,683	N/A
Rocky Mountain Dealerships	RME	\$10.74	\$11.05	\$12.13	\$8.35	10.13	19,154	201.74M
Titan Machinery	TTTN	\$20.53	\$19.37	\$36.92	\$18.50	9.97	680,805	426.63M
Tractor Supply	TSCO	\$97.43	\$98.50	\$103.74	\$65.11	27.51	758,786	6.91B

## Germany's ROPA to Exploit Potato, Sugar Beet Harvester Technologies

Complementary technology for harvesting sugar beet and potatoes will be exploited by German beet equipment specialist ROPA through its acquisition of the country's second biggest potato machinery manufacturer.

WM-Kartoffeltechnik produces field cultivators and planters, as well as single-row bunker and two-row cart elevator harvesters. Aimed mainly at smaller growers and specialists, WM lists Bles Seed Potatoes in Millet, Alberta, as its distributor for North America.

ROPA CEO Hermann Paintner has been keen to move into the potato sector for some time and welcomes the opportunity to acquire the WM product range.

"In the future, field-proven components and solutions of WM-Kartoffeltechnik will be combined with the latest technical inno-

vations from ROPA," says Paintner. "ROPA potato equipment customers will benefit from the service network of the world market leader in the manufacture and sale of self-propelled sugar beet harvesting, cleaning and loading equipment."

Paintner adds that ROPA potato harvesters will be aimed at the top-end of the market (which implies a self-propelled product). The first unit is scheduled for Fall 2013.

ROPA's high-capacity self-propelled beet lifters are used by custom operators across Western and Eastern Europe and more recently have entered beet fields in the U.S. and Canada through the company's independent distributor, ROPA North America, and central U.S. dealer 21st Century Equipment Inc. in Bridgeport, Neb.

ROPA North America makes the Big Bear tracked beet cart at its Wyoming, Ontario facility to complement the six-row Euro Tiger harvesters and Euro Maus self-propelled beet cleaner loader.

The latter machine is also at the heart of an alternative field-to-silo logistics approach to harvesting bio-energy maize. This employs two or three tractors and trailers ferrying maize to a field pile where a suitably adapted Euro Maus can fill road trailers at a rate of 10-15 cubic meters per minute.

Road trailers provide more efficient road transportation but are best kept off the harvest field to preserve soil structure, says ROPA. Also, the company suggests that being able to schedule deliveries to the silo over a longer period than the chopper's daily hours permits more time for ensiling and consolidation. **AEI**

## Miller-St. Nazianz Expects 26% Jump in Sprayer Sales

Miller-St. Nazianz, a major manufacturer of agricultural sprayers, is seeing a significant sales increase for the second year in a row. According to the company, last year its sales were up 60% over 2010, and this year the company says sales will be up another 26%.

The St. Nazianz, Wisconsin-based company has 265 employees, which is up nearly one-third since 2010.

The company says much of the strong growth in self-propelled sprayers sales can be attributed to exports,

particularly to Eastern Europe where sales had plummeted during the recession. However, today exports to the area have bounced back to above pre-recession numbers.

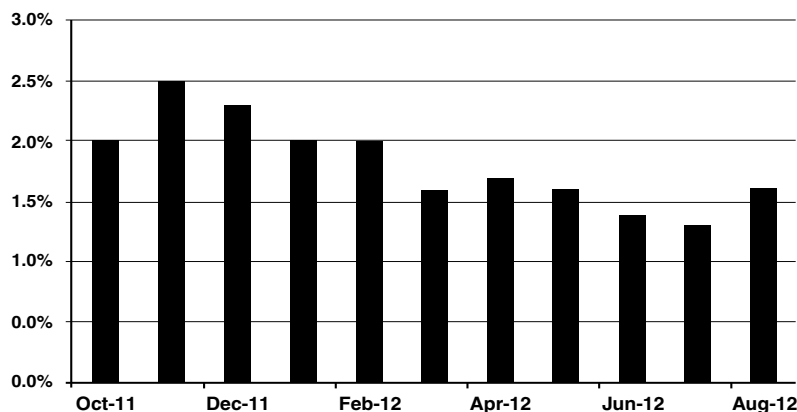
"One of our bigger markets is Ukraine, where we went from selling 20 machines a year down to zero and now back to 30. During the recession, buyers there had no access to credit because [loans] through local banks evaporated and Western banks weren't comfortable doing business there,"

Miller-St. Nazianz President John Miller told the *Milwaukee Journal-Sentinel*.

While its biggest market may be overseas, Miller boasts that the company manufactures all of its custom-built sprayers in Wisconsin, with a majority of the components also being American made. He says that the company manufactures approximately 600 machines a year at the St. Nazianz plant.

This year Miller-St. Nazianz was named to the Wisconsin 75, an annual ranking of the largest privately held companies in the state. The company was ranked 67th this year, up from 75th in 2011. **AEI**

### Price Contribution to Ag Equipment Sales



Dealers report price contributed roughly ~1.6% to total August revenue, up slightly from 1.3% in July after declining three consecutive months. (Source: AEI-CRC Dealer Sentiment & Business Conditions Update, September 2012) **AEI**

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## Irish Firm Secures 3-Year Deal for AGCO Tractor Hitches

Ireland's Dromone Engineering has secured a three-year contract to supply tractor pick-up hitches to AGCO's Beauvais tractor plant in France, which produces Massey Ferguson and Challenger wheeled models from 80-370 horsepower.

The agreement, worth the equivalent of \$12 million at current exchange rates, was announced during an Enterprise Ireland trade mission to France led by the country's jobs minister.

Dromone specializes in tractor pick-up hitches, excavator implement couplers and soil screening equip-

ment and maintains a North American sales operation in West Roxbury, Mass.

Managing director William Egenton told *Irish Farmers Journal* that the contract is particularly welcome after a couple of tough years for the business.

"We are particularly happy about the three-year deal with AGCO because it provides a steady stream of orders," he says.

"In the past, we've had one-year contracts from various tractor brands, but our new strategy is to negotiate longer term contracts because they give stability and allow us to plan

further ahead."

Dromone Engineering manufactures a range of pick-up hitches for OEM and after-market sales. They allow a driver to couple a trailer or other towed equipment without leaving the tractor.

The company's new Linkless Hydraulic Push Back hitch is simpler and has more ground clearance than a conventional design. It uses a single horizontal hydraulic cylinder and chains to lower and extend/lift and retract the interchangeable vertical pin, hook, and ball and spoon couplings. **AEI**

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## Growth in U.S. Sparks Teagle Bale Processor Expansion

British farm equipment firm Teagle Machinery aims to expand production thanks to burgeoning demand for its bale processors, particularly in North America, where the appointment of a full-time sales manager is paying dividends.

"We're bursting at the seams," says director, Tom Teagle. "Two years ago, we spent the equivalent of more than \$1.5 million on a new powder coated paint system, which has improved finish quality; now we're seeking permission to expand our production facilities."

The family owned business located in the rural southwest of England manufactures 85% of the products it sells on the domestic market and is best known for the Tomahawk range of bale processors. These account for around 65% of total revenues, which last year reached more than \$18.8 million.

"We've been through a period of steady but significant growth, with revenues from domestic and export sales doubling over the past six years and quadrupling since 2000," Teagle says. "Export sales have grown at an average 30-35% a year and now account for around 50% of our business."

A year ago, Andrew Robson, a U.S. domiciled Englishman who worked with Lely in North America for 15 years, was appointed sales manager to further develop Teagle's presence

in the market.

"My role is to support our distributors and relay their needs, wants and expectations back to the factory," says Robson. "The U.S. market operates very differently to the way it does in Great Britain and we've introduced changes to account for that, such as incentive programs to encourage salesmen to keep focus on Teagle products."

The company, which employs around 10% of its 140 employees in R&D, has also developed new Tomahawk models to suit the five foot wide round bales used in Midwest dairy and beef operations, but rarely seen in Europe. The large capacity Tomahawk 1010 introduced last year will be joined by two compact models, the 8500 and 8550 Dual Chop, at the World Dairy Expo in Madison, Wis., in early October.

Robson says the Dual Chop system, which introduces an adjustable set of static knives to produce a finer chop, caters for an evolving market among dairy producers feeding straw.

"There's growing evidence that short lengths of straw with clean-cut rather than hammered over ends stimulate the cow's digestive system and encourage greater dry matter intake," he points out.

"With Dual Chop, you can feed straw like that and bed pens using the

same machine."

In addition to a wider body, the newcomers feature a larger diameter fan for increased throw and output, and a fan housing built from more wear-resistant Hardox steel so it can cope with high usage rates and the stones and other debris found in corn stover bales.

"A number of other design refinements, collectively identified as Flow+, have been introduced across a new generation of Tomahawk feeder-bidders," adds Teagle. "These result from studying and refining the transition of material across the shredding rotor, through the fan housing and into the discharge chute to produce a more even flow of material and improve output."

All being well, the factory expansion will be in place next year when the company celebrates its 75th birthday and 30 years of manufacturing Tomahawk equipment; the year after, total production of these machines is expected to reach the 15,000 mark.

In the meantime, Robson is on the lookout for stocking distributors in certain areas. "We're already well served in Eastern and Midwest areas," he says. "We'd like distributors in southern and southeastern states, the Pacific states and Western Canada to join us in what is a very exciting time for Teagle." **AEI**



# WASDE: Soybean Production Surprises, Corn Yield Lowered Further

In its report immediately following the release of the USDA's October 11 World Agricultural Supply and Demand Estimates (WASDE), the UK-based *Agrimoney.com* reported, "For the second time in two weeks, important U.S. crop data caught investors leaning the wrong way."

According to *Agrimoney*, funds had prepared for the USDA's monthly crop report by reducing hefty net long positions in corn and soybeans (and to a lesser extent wheat), depressing prices of the row crops well below summer record highs. This is not expected to hold.

But the corn ending stocks forecast came in below industry consensus, and soybean production was 9% higher than the agency estimated in September, which was probably

the biggest surprise coming from the monthly report.

Offsetting the higher soybean production was USDA raised its estimate for consumption sharply, as well.

"Changes to the soybean balance sheet were bullish but were offset by higher demand expectations," Rabobank said. "While we do not expect this report to push Chicago soybean price to new highs, we do view it as confirmation of a still very tight supply situation."

USDA raised its yield forecast for soybeans to 37.8 bushel per acre, from 35.3 bushels an acre. According to Henry Kirn of UBS Equity Research, the higher production was partially offset by an increase in forecasted exports.

USDA lowered the midpoint of

its 2012 soybean price forecast to \$15.25 per bushel, with a new range of \$14.25–16.25. It was \$15.00–17.00.

USDA lowered its forecast of 2012-13 corn yields to 122 bushels per acre, down from 122.8 bushels per acre from September.

The ag agency also lowered the midpoint of its 2012 corn price estimate to \$7.80/bushel with a new range of \$7.10–8.50 from \$7.20–8.60 in its September estimates.

Wheat ending stocks forecast was lowered to 654 million bushels from 698 million bushels, consensus called for 628 million bushels.

Despite lowering the ending stocks estimate, USDA maintained the midpoint of its wheat price forecast at \$8.10, narrowing the range to \$7.65–8.55 from \$7.50–8.70. **AEI**

## Dealer Optimism Shows 'Meaningful' Improvement

Results from the most recent *Dealer Sentiment & Business Conditions Update* survey shows that North American farm equipment dealers are feeling a bit better about their business prospects these days. At the same time, commentary from the survey indicates that dealers are still gun shy about making big plans for 2013.

The survey conducted by *Ag Equipment Intelligence* and Cleveland Research Co. (previously called *Dealer Trends & Business Outlook*) revealed a significant jump in the Dealer Optimism Index (DOI) after three months of negative scores.

The DOI, a measure of sentiment among dealers compared to the prior month, showed strong improvement to a net 10% of dealers reporting they have a more optimistic outlook now vs. a net 19% last month reporting they were less optimistic about the next year. The latest DOI scored out as 28% are more optimistic; 54% same; 18% are less optimistic.

Ag equipment dealers also reported year-over-year sales grew 4% on average in August, flat from 4% in July. "Other" and Kubota dealers saw sequential growth of 8% and 6% respectively, while Shortline and New Holland dealers say business declined 3% sequentially.

For 2012, dealers slightly increased their sales forecast and expect 4% sales growth for the full year vs. 3% in July. John Deere, Kubota and "Other" dealers are the most optimistic this month while New Holland and Case IH dealers report the least optimistic outlook.

Another encouraging note from the survey is, after several months of slightly softer used values, tractor values in August moved higher in both under 100 horsepower tractors and tractors over 100 horsepower as drought concerns appear to have abated to some degree.

Dealer comments on the positive side included:

- Prices are up and harvested yields are good.
- Farmer demand is holding steady because of yields and sect 179 status.
- Decent rain in our area and hay equipment sales went up significantly.

From the other side of the table:

- Drought is still on everyone's mind here.
- Continued hot and dry weather are hurting us.
- Concerns with drought and crop quality are at the top. Also growers aren't ready to spend until cash is in hand.

Several dealers mentioned that early orders have taken a beating and equipment delivery continues to be a problem.

- We're seeing fewer pre-sells this month.
- We're seeing a general slowing over last few months.
- I don't have many commitments for next year ... and don't expect many.
- We're having trouble getting product.
- Some European built products have been on order for almost 18 months, several which were converted from stock orders to retail orders seven months ago. **AEI**

## Optimism/Sentiment vs. Last Month

	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12
More Optimistic	33%	25%	31%	32%	30%	25%	36%	33%	30%	38%	29%	25%	22%	15%	14%	18%	28%
Same	54%	54%	44%	49%	55%	58%	55%	55%	54%	53%	57%	59%	62%	61%	49%	44%	54%
Less Optimistic	13%	21%	25%	20%	15%	17%	9%	12%	16%	10%	14%	17%	17%	24%	37%	38%	18%
<b>Net %</b>																	
<b>(More- L)</b>	<b>21%</b>	<b>3%</b>	<b>6%</b>	<b>12%</b>	<b>15%</b>	<b>8%</b>	<b>26%</b>	<b>21%</b>	<b>14%</b>	<b>29%</b>	<b>15%</b>	<b>8%</b>	<b>5%</b>	<b>-9%</b>	<b>-23%</b>	<b>-19%</b>	<b>10%</b>

## Equipment Sales Maintain Brisk Pace in September

September sales figures released by the Assn. of Equipment Manufacturers show that U.S. and Canadian tractor sales remained healthy. According to Robert McCarthy, analyst for RW Baird, combine, row-crop, 4WD and compact tractor sales increased 22%, 15.2%, 11.3% and 0.9% year-over-year, respectively during the month.

"We note that while inventory levels have been increasing on a year-over-year basis, they remain largely consistent with levels observed during 2009-10."

- Combine retail sales posted monthly year-over-year increase following last month's decline, boosted by strong Canadian sales, up 117% year-over-year vs. an 8% increase in the U.S. Combine sales increased 22% year-over-year following the 1.3% decline in August. U.S. combine inventories were 7.6% higher year-over-year in absolute terms in August vs. up 1.3% last month. September is typically the most important month for combine sales, accounting for 13.4% of annual sales over the last five years.

- Row-crop tractor sales continue to grow, posting a 15.2% year-over-year increase down slightly from the 17.2% increase in August; L3M sales increased 21.2%. U.S. row-crop tractor inventories increased 24.6% year-over-year in August vs. a 24% increase in July. On a days-sales basis, inventories were higher year-over-year at 111 days-sales vs. 99 days-sales in August 2011. September is an average month as far as row-crop tractor sales, typically accounting for 8.4% of annual sales.

- 4WD tractor sales increased 11.3% year-over-year in September, decelerating from a 35.5% increase in August. U.S. dealer inventories of 4WD tractors increased 21.7% year-over-year in August.

- Mid-range tractor sales fell slightly in September, dropping 0.5% year-over-year after a 7.9% increase last month. Compact tractor sales were up 0.9% year-over-year, down from the 11.1% growth last month. **AEI**

### SEPTEMBER U.S. UNIT RETAIL SALES



Equipment	September 2012	September 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	September 2012 Field Inventory
<b>Farm Wheel Tractors-2WD</b>							
Under 40 HP	7,021	6,940	1.2	71,944	67,365	6.8	52,687
40-100 HP	4,060	4,035	0.6	39,427	36,940	6.7	24,949
100 HP Plus	2,713	2,443	11.1	20,963	18,606	12.7	9,006
<b>Total-2WD</b>	<b>13,794</b>	<b>13,418</b>	<b>2.8</b>	<b>132,334</b>	<b>122,911</b>	<b>7.7</b>	<b>86,642</b>
<b>Total-4WD</b>	<b>679</b>	<b>647</b>	<b>4.9</b>	<b>4,498</b>	<b>4,151</b>	<b>8.4</b>	<b>1,736</b>
<b>Total Tractors</b>	<b>14,473</b>	<b>14,065</b>	<b>2.9</b>	<b>136,832</b>	<b>127,062</b>	<b>7.7</b>	<b>88,378</b>
<b>SP Combines</b>	<b>1,353</b>	<b>1,254</b>	<b>7.9</b>	<b>6,615</b>	<b>7,220</b>	<b>-8.4</b>	<b>2,094</b>

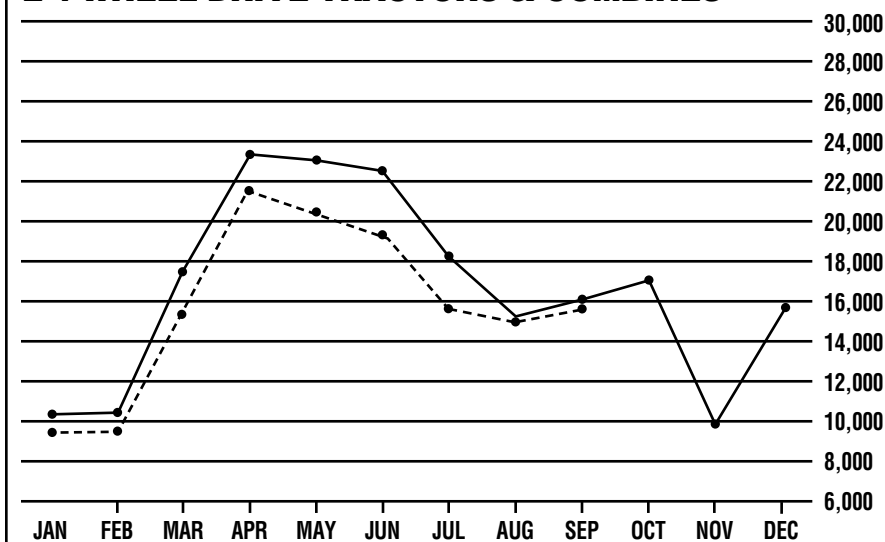
### SEPTEMBER CANADIAN UNIT RETAIL SALES



Equipment	September 2012	September 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	September 2012 Field Inventory
<b>Farm Wheel Tractors-2WD</b>							
Under 40 HP	954	963	-0.9	8,994	8,827	1.9	8,421
40-100 HP	481	527	-8.7	4,346	4,461	-2.6	3,943
100 HP Plus	428	284	50.7	3,319	2,971	11.7	2,301
<b>Total-2WD</b>	<b>1,863</b>	<b>1,774</b>	<b>5.0</b>	<b>16,659</b>	<b>16,259</b>	<b>2.5</b>	<b>14,665</b>
<b>Total-4WD</b>	<b>99</b>	<b>52</b>	<b>90.4</b>	<b>1,003</b>	<b>926</b>	<b>8.4</b>	<b>512</b>
<b>Total Tractors</b>	<b>1,962</b>	<b>1,826</b>	<b>7.4</b>	<b>17,662</b>	<b>17,185</b>	<b>2.8</b>	<b>15,177</b>
<b>SP Combines</b>	<b>411</b>	<b>189</b>	<b>117.5</b>	<b>1,951</b>	<b>2,075</b>	<b>-6.0</b>	<b>914</b>

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

--- 2012  
— 5 year average



# Delivery Times Continue to Stretch, While Dealers See Early Orders Decline

Dealers report that the time between when large equipment is ordered and when it's delivered continued to expand in 2012. At the same time, it's probable that the drought this past year also served to reduce early orders placed for 2013, but cancelled orders don't appear any higher than a year ago.

**Equipment Deliveries.** For tractors over 100 horsepower, slightly over half (51.9%) of the dealers report that it's taking between 4-6 months to receive delivery from the time the order was placed. Another 23.7% report taking 7-9 months to receive orders for high horsepower tractors. Slightly over 19% say the lag is running between 1-3 months, while the remaining 5.2% say it takes 10 months or more.

Combine deliveries were even longer: 2.9% say it's taking 1-3 months; 25.8% report 7-9 month lead times; 56.1% say it take 4-6 months for a new combine; and 15.2% say it's running 10-plus months.

**Early Orders.** While nearly 40% of dealers say their level of early order equipment was about the same as last year, 34.9%, their pre-sells fell below last year's levels (21.2% down 1-5%; 13.7% down 6-10%). The remaining 25.3% of dealers reported their early orders were up compared with the previous year (17.1% up 1-5%; 8.2% up 6-10%).

**Cancelled Orders.** While equipment delivery times continue to stretch and early orders appear to be down vs. 2012, overall, dealers say they haven't seen a significant trend toward cancelled orders.

**Used Equipment Inventory.** While many North American farm equipment dealers expressed concern throughout the past year about high inventory levels of used machinery, in *Ag Equipment Intelligence's* 2013 Dealer Business Outlook & Trends survey nearly half of respondents say their backlog of used is about where they expected. Less than 35% rated their inventories as "Way Too High" or "Too High." Surprisingly, nearly 19% said they need more good used equipment. **AEI**

