

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

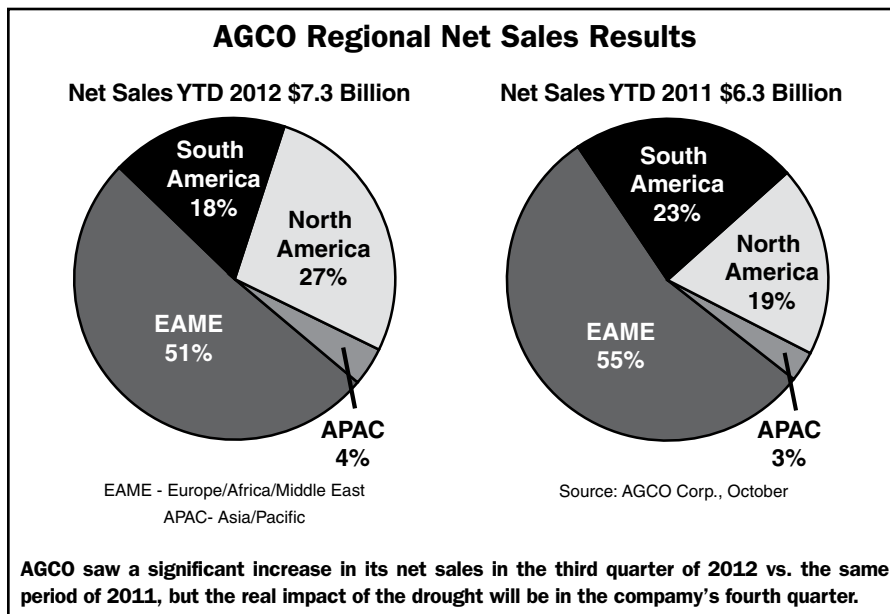
- CVL Revenue Up 26%
- RME Sales Rise 21%
- Zetor Doubles Profits

Solid 3Q Numbers for AGCO and CNH, But 4Q Outlook a Different Story

On a year-over-year basis, both AGCO and CNH reported pretty good numbers in their third-quarter earnings announcements earlier this month. But the two ag equipment manufacturers presented highly divergent outlooks for the fourth quarter and all of 2012.

AGCO, with more of its sales centered on livestock, dairy and poultry producers that were slammed by the drought, scaled back its sales and profit forecasts for the full year, as its third quarter results came in lower than expected. These producers had little or no protection from the rising feed and other costs associated with the 2012 drought. The company is also more exposed to the European market, where sales have been sluggish at best, than its major competitors.

For the quarter, AGCO reported earnings of \$94.5 million, up from a profit of \$84.4 million a year earlier.



Total sales rose 9.3% to \$2.29 billion. This was slightly below analysts' sales expectations of \$2.3 billion. The com-

pany also lowered its overall 2012 revenue outlook to \$9.8-\$10 billion from

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2012 Crop's In, But Fall and Winter Weather Will Tell 2013 Story

For all intent and purposes, the 2012 corn and soybean crop is in the bin and now speculation turns to what it all means for the rest of 2012 and early 2013 ag equipment sales.

As of early November, the 18 states that harvested 94% of last year's corn acreage had harvested 95% of this year's crop, and 93% of the U.S. soybean crop had been harvested. USDA's November 9 crop estimates report may have provided some clues as net farm income is expected to continue rising, but dealers *Ag Equipment Intelligence* has spoken with recently say their concerns lie more with moisture this fall and winter, which will tell much of

their story for 2013.

November WASDE. "Overall, the [World Agricultural Supply and Demand Estimates] report is bearish for corn, soybean and wheat prices," says Ann Duignan, analyst with JP Morgan, which could impact ag equipment sales.

USDA raised its corn production forecast for 2012-13 by 19 million bushels with a 0.3 bushel increase in the corn yield to 122.3 bushels per acre vs. the previous month. Projected corn imports also saw a rise, going up 25 million bushels, reflecting the ag agency's higher shipment expectations. With yields slightly higher than originally anticipated, the USDA's aver-

age price forecast dropped to \$6.95-\$8.25 from \$7.10-\$8.50.

Soybean production was forecast to increase as well to 2.97 billion bushels, up 4% from last month. However, it is down 4% from last year. Yield is projected at 39.3 bushels per acre, up 1.5 bushels compared to the previous forecast. USDA attributes this to late-season rainfall in several states. Soybean ending stocks are projected at 140 million bushels, an increase of 10 million from last month. The U.S. season-average soybean price range is now projected at \$13.90-\$15.90 per bushel, which is down 35 cents on

Continued on page 3

its earlier forecast of \$10.1-\$10.3 billion.

On the other hand, CNH's customer base is largely row-crop farmers, most of whom were afforded pricing protection through crop insurance.

CNH reported a third-quarter profit of \$323 million compared with \$274 million a year earlier. Net sales climbed 4.8% to \$4.83 billion. Farm equipment sales rose 12% to \$4 billion, while sales of CNH's construction machinery dropped 21% to \$830 million. Analysts expected revenues of \$4.57 billion.

CNH also maintained its forecast calling for 5% revenue growth for 2012.

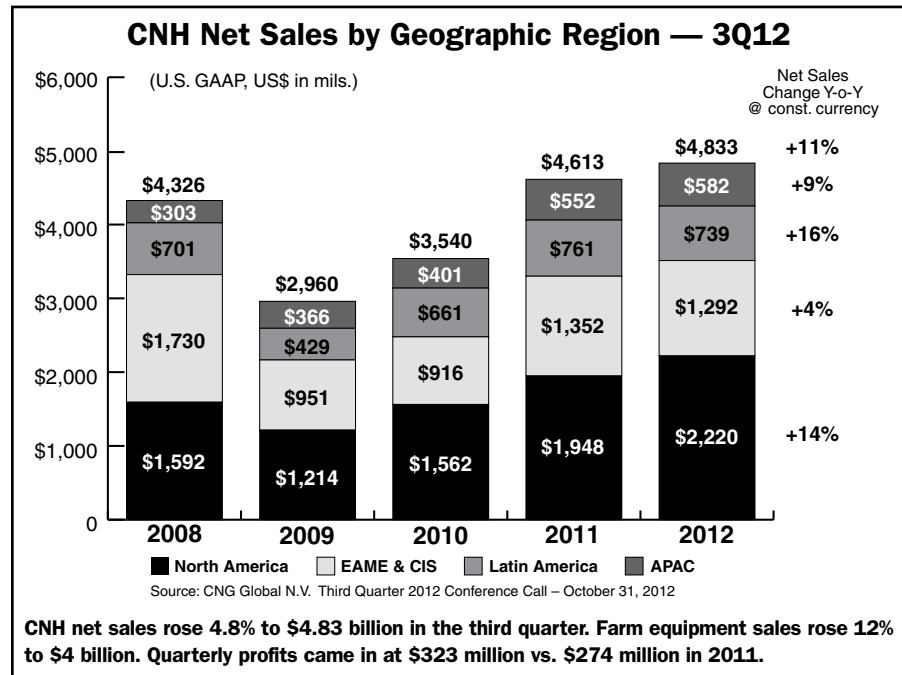
AGCO Analysis. Several analysts commented that AGCO's GSI subsidiary was one reason the company didn't meet expectations, and probably led to the company lowering its revenue guidance for the remainder of the year.

AGCO acquired GSI last year for \$930 million to expand the company's ag business into grain storage and other equipment for livestock and poultry production.

In a conference call with analysts, Andrew Beck, AGCO's chief financial officer, says "The higher prices are obviously affecting protein producers at this time. So, as we look at the balance of the year, we see it is relatively weak."

As for its performance so far this year, it's believed the rising commodity prices actually held back sales of grain storage equipment, which makes up nearly two-thirds of GSI's sales, as farmers chose to sell their crops rather than store them.

Ann Duignan, machinery analyst for JP Morgan, notes another headwind for AGCO is the falloff in European business. "For AGCO, order boards at quarter-end were down 30% in the EU (2011 was at a record level), more modestly in North America (for high horsepower tractors and combines) and flat in South America. The fourth-quarter outlook includes flattish production but



weaker margins in North America due to GSI."

UBS analyst Eric Crawford says in a note that slower than expected start up of new Fendt tractor facilities in Germany will also play a role in AGCO performance this year and next. "The guidance reduction was disappointing, and the lower orders and GSI impact may be a headwind into 2013 earnings. However, the impact of the slower Fendt ramp up may become a 2013 tailwind, and cash flow is expected to be strong in the fourth quarter (\$400m+). Bottom line, we still think earnings could grow next year, assuming solid North American farm income trends, Fendt ramp up, and other operational improvements."

CNH Analysis. In addition to maintaining its guidance calling for a 5% growth in 2012 revenues, CNH sees 2012 operating margins "in excess of" 8.6%. "With year-to-date sales of +9.1% year-over-year and continued strength in ag equipment results, we suspect CNH guidance may be conservative," says Crawford.

Part of CNH's conservative approach is based on its planned production cutbacks of farm machinery in the fourth quarter to below retail sales volumes to reduce inventories.

In a note to investors, Duignan says, "Dealer inventories in ag equipment have risen above where management would like, and as a result the company intends to under-produce retail sales in the fourth quarter. CNH is likely to deliver sales below industry growth rates.

"That said, the company is outperforming competitors in global combine sales. With lower production, we anticipate under-absorption and thus weaker operating margins; management agreed that lower production would result in margin compression," says Duignan.

"Management also noted that it is difficult to predict 2013 North American ag equipment demand as 2012 was such an unusual year. We believe that with less grain to sell the first half of 2013, farmers will likely be hesitant. Demand may accelerate in the second half, should yields revert to trend." **AEI**

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both ends of the range.

While corn and soybean price estimates were down, USDA maintained its \$8.10 per bushel wheat estimate. Projected U.S. wheat ending stocks for 2012-13 were raised 50 million bushels this month. However, exports are projected 50 million bushels lower due to the slow pace of sales and shipments, and an outlook for increased foreign competition.

"Corn, soybean and wheat prices remain well above historical averages and USDA forecasts record farm cash net income in 2012, up 3.4% year over year," says Eric Crawford, an analyst with UBS.

Weather Concerns. While commodity prices remain strong, dealers remain concerned about the drought's impact and how the continuing lack of moisture will play with farmers' equipment buying decisions. But Crawford expects North American farm equipment sales to grow next year. "We see strong income as likely to lead to increased equipment demand in 2013,

Corn Belt States Moisture Levels in Early November		
State	Top Soil	Subsoil
Illinois	22% short-very short	64% short-very short
Indiana	12% short-very short	39% short-very short
Iowa	69% short-very short	93% short-very short
Missouri	54% short-very short	79% short-very short
Ohio	88% short-very short	94% short-very short
Source: USDA Weekly Weather and Crop Bulletin		

The USDA reported in early November that despite some rainfall throughout the fall, moisture levels were still very low throughout the Corn Belt, particularly in Ohio and Iowa.

despite caution due to drought, consistent with our channel checks," he says in a note to investors.

Conversely, Duignan remains cautious on the outlook for machinery sales in 2013. "Overall, we believe drought conditions have contributed to a broad downshift in farmer sentiment that could affect equipment purchases near term," she says in a note. "It remains to be seen whether typical late-year spending on equipment materializes given empty grain bins and uncertain outlook."

Looking at moisture levels so far

this fall, dealers' concerns could be well founded. According to USDA's Weekly Weather and Crop Bulletin for October 28-November 3 statewide rainfall totals in Illinois averaged only 0.05 inches, and 64% of subsoil moisture was either short or very short. That same week in Iowa, subsoil moisture declined slightly and 93% was rated either very short or short. These are the two largest corn- and soybean-producing states. Rainfall in the other areas of the Corn Belt are reported to be even lower.

AEI

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

Manufacturers	Symbol	11/11/12 Price	10/11/12 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	\$28.36	\$31.65	\$41.95	\$27.80	16.21	53,290	353.68M
AGCO	AGCO	\$44.83	\$46.90	\$54.00	\$38.09	6.27	1,112,390	4.35B
Alamo	ALG	\$29.91	\$33.26	\$34.63	\$25.06	11.20	19,582	357.16M
Art's Way Mfg.	ARTW	\$5.65	\$6.49	\$9.69	\$5.06	9.00	4,869	22.80M
Blount Int'l	BLT	\$13.39	\$13.59	\$17.62	\$12.46	16.53	297,405	657.22M
Buhler Ind. (as of 11/9)	BUI	\$5.45	\$5.60	\$5.75	\$5.04	6.90	3,845	136.25M
Caterpillar	CAT	\$85.18	\$82.85	\$116.95	\$78.25	8.73	6,997,190	55.70B
CNH Global	CNH	\$43.84	\$39.46	\$47.74	\$34.36	9.26	303,121	10.52B
Deere & Co.	DE	\$85.68	\$82.37	\$89.70	\$69.51	11.43	3,798,810	33.56B
Hemisphere GPS	HEM	\$0.71	\$0.70	\$1.14	\$0.56	N/A	50,916	47.06M
Kubota	KUB	\$50.18	\$50.11	\$52.73	\$39.14	15.07	24,384	12.60B
Lindsay	LNN	\$75.48	\$72.19	\$79.50	\$49.17	22.33	153,711	960.26M
Titan Int'l	TWI	\$19.35	\$18.19	\$29.95	\$16.86	8.76	787,616	923.79M
Trimble Navigation	TRMB	\$52.54	\$47.43	\$55.95	\$38.33	35.69	688,359	6.63B
Valmont Industries	VMI	\$130.66	\$125.97	\$139.21	\$76.57	12.29	116,287	3.48B

Retailers

Cervus Equipment	CVL	\$19.55	\$19.92	\$21.39	\$14.15	13.30	34,590	N/A
Rocky Mountain Dealerships	RME	\$11.06	\$10.74	\$12.13	\$8.35	10.43	22,621	207.71M
Titan Machinery	TTTN	\$21.75	\$20.53	\$36.92	\$18.50	10.56	742,290	451.99M
Tractor Supply	TSCO	\$91.33	\$97.43	\$103.74	\$67.60	25.00	536,207	6.43B

Cervus Equipment Pushes Revenue Up by 26% in 3Q

Cervus Equipment Corp., (CVL) with 24 John Deere ag equipment dealer locations in western Canada, increased its third-quarter revenues by \$47.8 million or 25.6% to \$234.7 million when compared to the same quarter of 2011. According to the company's November 7 release, same-store sales increased \$17.6 million or 9.4%. Both of the company's operating segments reported increases in revenues with the ag equipment segment increasing by 14.1% to \$170.6 million and the commercial and industrial equipment segment increasing by 71.2% to \$64.1 million.

The company reported for the quarter ended September 30, 2012, overall gross margin increased to 18% from 17.3% reported in the same period of 2011. The increase was primarily a result of a change in sales mix as well as an increase in overall equipment margins, Cervus'. Net profit increased by 10.1% to \$8.8 million in the third quarter of 2012 from \$8 million in 2011.

In his analysis of Cervus' most recent earnings report, Ben Cherniavsky of Raymond James Canada Research, called the results "bang on with our forecast."

Cherniavsky added, "Gross margin of 18% topped our 17.3% estimate and increased 70 bps year-over-year. This was offset by SG&A of 12.7% of sales, which was higher than our 12.3%. The net effect was EBIT and EBIT margin of \$14.4 million and 6.2% respectively, which were in-line with our forecasts."

Cherniavsky presented a solid

Cervus Equipment Corp. Selected Financial Data						
Year end December 31 C\$ millions	3Q12	3Q11	YoY%	9M12	9M11	YoY%
Revenue						
Equipment Sales	180,295	147,923	21.9%	409,860	319,807	28.2%
Parts	33,276	23,336	42.6%	77,087	56,138	37.3%
Service	17,032	12,689	34.2%	44,697	34,229	30.6%
Rentals & Other	4,077	2,930	39.1%	9,473	8,068	17.4%
Total Revenue	234,680	186,878	25.6%	541,117	418,242	29.4%
COGS	192,343	154,592	24.4%	438,114	340,054	28.8%
Gross Profit	42,337	32,286	31.1%	103,003	78,188	31.7%
Net Earnings (Loss)	8,836	8,025	10.1%	17,671	13,600	29.9%
Segment Analysis						
Revenues						
Agriculture	170,569	149,433	14.1%	365,441	315,134	16.0%
Construction	64,111	37,445	71.2%	175,676	103,108	70.4%
Gross Profit (%)						
Agriculture	16.5	15.2		16.8	16.1	
Construction	22.1	25.6		23.7	26.6	
Source: Cervus Corp., Raymond James Ltd.						

outlook for Cervus in the near term. "While the outlook for construction markets in Alberta is mixed, we believe that the healthy ag markets in Western Canada (~75% of sales) and the relatively resilient truck market in Saskatchewan (~12% sales) bode well for the company going forward. As well, we believe there continues to be plenty of consolidation opportunities in both the ag and commercial and industrial segments."

Cervus also actively pursued expansion opportunities during the quarter. "Cervus met several strategic

milestones this quarter, including the acquisition of five John Deere dealerships in New Zealand and 30% interest in four John Deere dealerships in Australia, as well as the closing of a \$34.5 million public offering of convertible debentures to support these and future acquisitions," says Graham Drake, president and CEO of Cervus, "These acquisitions demonstrate Cervus' growth strategy of consolidating dealerships where we have already established operations, while pursuing opportunities in new markets with the potential for expansion." **AEI**

Kverneland Group Acquires Full Control of Gallignani

Two years after taking a strategic stake in an Italian baler and bale wrapper manufacturer, Kverneland Group has agreed to buy all remaining shares in the business.

The Norway-based hay and tillage equipment manufacturer, which became a subsidiary of Kubota earlier this year, needed a strategic partner after selling off its Dutch factory making round and square balers, bale wrappers and select mowers to Kuhn of France.

Kverneland Group became the

international distributor of Gallignani round balers and wrappers under the Kverneland and Vicon brand names, and significant investment in the Ravenna factory near Bologna raised production capacity.

Terms have now been agreed with Ig Srl, the Gallignani family's holding company, for Kverneland to acquire the rest of the business for an undisclosed sum. Two years ago, the group bought a 39% stake for the equivalent of \$5.2 million at today's exchange rates.

Kverneland CEO Ingvald Loyning says taking full control of the Ravenna facility will allow synergies to be exploited in operation, quality management and R&D, and that it underpins plans to further invest in the strategically important round baler and wrapper range.

The Gallignani brand name will be owned jointly and the deal does not include small square hay balers manufactured in Turkey, nor Sigma-4, the group's tractor loader maker located next to the baler factory. **AEI**

Rocky Mountain Reports 21% Revenue Rise, But Net Income Slips

On November 5, Rocky Mountain Dealerships (RME) reported a 20.8% rise in its third-quarter revenues, which beat the industry's estimates. But through the first nine months of the year, net income was off 14% compared to the same period in 2011.

Headquartered in Calgary, Alberta, Rocky operates 35 dealer locations with Case IH ag equipment as its primary brand.

Overall, Rocky's revenues rose to \$247.5 million for the quarter. Gross profit increased by 19.2% to \$39.7 million (16% of sales). For the nine months ended September 30, 2012, the dealer group increased revenues by 18.3% to \$665.3 million (15.7% on a same store basis). Gross profit grew by 15.2% to \$101.6 million (15.3% of sales).

In a report to investors, Raymond James analyst Ben Cherniavsky says, "Rocky's third-quarter earnings 'beat' can be isolated to robust revenues, which were up 21% year-over-year (15% organically). This is unsurprising in light of the healthy crop conditions that western Canadian farmers experienced this year.

"Equally unsurprising was another quarter of very active used equipment sales, which largely reflects management's on-going efforts to flush out excess machines taken on trade. Notably, however, while used equipment was being liquidated, new machine inventories piled up, increasing \$91 million since the fourth quarter 2011. As a result, debt levels have also risen both year-over-year and quarter-over-quarter."

Cherniavsky adds this trend has been noted across the entire dealer channel.

"In Rocky's case, we have also been very focused on margins, free cash flow, and ROIC trends, all of which fell short of our expectations in the third quarter as gross margins declined year-over-year, free cash flow was negative, and ROIC has deteriorated. We don't want to rain on Rocky's parade — a 'beat' is a 'beat' after all — but we believe that these metrics should be trending up, not down, at this stage of the game.

"Indeed, it has been over 18 months since management explicitly turned their focus toward internal integration and optimization efforts. Investors have been waiting patiently for the company to harvest the related benefits, but it looks like they are going to have to wait a little while longer," says the Raymond James analyst.

AEI

Rocky Mountain Dealerships Inc. Selected Financial Data

Year End December 31 C\$ millions	3Q12	3Q11	YoY%	9M12	9M11	YoY%
Sales						
New Units	109,636	90,523	21%	353,223	291,220	21%
Used Units	96,653	78,468	23%	217,767	187,491	16%
Parts	31,377	26,757	17%	68,284	59,376	15%
Service	8,465	8,034	5%	22,526	20,569	10%
Other	1,403	1,073	31%	3,526	3,517	0%
Total Sales	247,534	204,855	21%	665,326	562,173	18%
Reported Cost of Sales	207,836	171,556	21%	563,682	47,395	19%
Gross Profit	39,698	33,299	19%	101,644	88,222	15%
Net Income (Loss)	8,451	7,121	19%	12,205	14,247	-14%

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

No-Till Acreage Forecast to Grow 1.5% Annually Through '25

Projected No-Till Acreage Increase

Year	Acres	Increase 1.5%
2009	88,000,000	
2010	89,320,000	1,320,000
2011	90,659,800	1,339,800
2012	92,019,697	1,359,897
2013	93,399,992	1,380,295
2014	94,800,992	1,401,000
2015	96,223,007	1,422,015
2016	97,666,352	1,443,345
2017	99,131,348	1,464,995
2018	100,618,318	1,486,970
2019	102,127,593	1,509,275
2020	103,659,506	1,531,914
2021	105,214,399	1,554,893
2022	106,792,615	1,578,216
2023	108,394,504	1,601,889
2024	110,020,422	1,625,918
2025	111,670,728	1,650,306

In 1972, 3.3 million acres of U.S. cropland were worked utilizing no-till farming practices. By 2009 — the latest figures available — about 25.2% of U.S. cropland, or 88 million acres, had no-tillage operations, according to USDA. During that 37-year span, the average yearly increase was about 2.3 million acres. Today, John Horowitz, an economist with the USDA's Resource and Rural Economics Division, estimates the practice is growing by 1.5%, or 1.4 million acres a year. Using the 2009 figures of 88 million acres of no-till and an annual 1.5% increase, the U.S. should reach 111.7 million acres of no-till by 2025, which would account for 32% of all U.S. cropland.

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North American Market to Benefit from DFG's Huge Investment

The Same Deutz-Fahr Group has pledged to spend the equivalent of \$255 million on capital projects and product development over the next three years, with more than half that sum — \$155 million — being spent on new products.

The group's Deutz-Fahr tractor line, handled in the U.S. by Deutz-Fahr North America Inc., Norcross, Ga., will particularly benefit from this investment.

According to Rainer Morgenstern, managing director of Same Deutz-Fahr operations in Germany, about \$66 million will be spent over the next three years on new test facilities and more engineers to upscale product development at the Lauingen factory where most Deutz-Fahr tractors are built.

The plant has already benefitted from cost rationalization and process reorganization, says Morgenstern, resulting in a "lighter" and more efficient facility able to respond faster to

market demand fluctuations.

Production output reportedly doubled at the plant last year and the integration of the assembly lines with those of SDF Group's Treviglio headquarters plant in Italy now allows certain models of tractor to be built at both plants to meet high market demand.

The group's multi-brand strategy is being modified to some extent. Deutz-Fahr will remain the high-tech, medium-to-high horsepower international line, while Same is being more clearly positioned as the low-to-medium horsepower "value" brand for field tractors and the orchard/vineyard specialist.

Leading automotive design and styling house Italdesign Giugiaro has been commissioned to help differentiate the two lines more clearly in future and more models unique to Same are promised.

The focus on Deutz-Fahr (to the

exclusion of Same in some markets) means it now accounts for 56% of group tractor sales, which last year grew by 22% to 28,000 units. The brand's top-end credentials will be bolstered by an ambitious new tractor platform that will go to 440 horsepower — significantly beyond the current 275 horsepower ceiling.

In an unusual move for the company, engineers launched a web-based project to encourage customers and other interested parties to contribute comments, suggestions and ideas during the study phase of the project.

Tractors remain the group's core product, accounting for 76% of 2011 revenues equivalent to \$1.4 billion. Despite one-off charges, such as the \$4 million it cost to terminate a rotary combine joint venture, the SDF Group last year turned a 2010 net loss equivalent to \$15 million into a net profit of more than \$38 million. **AEI**

AGCO Completes Big Budget Upgrade of Fendt Facilities to Grow Production of Its Premium Brand

Senior AGCO managers joined suppliers and other guests for the fanfare opening of a more efficient, higher capacity Fendt tractor factory in southern Germany.

Confidently described as the world's most modern tractor assembly plant, it has new production and assembly halls housing a 1 km-long production line, more efficient manufacturing processes, upgraded IT systems and new production technology.

Together with improvements to the cab plant nearby, where cabs are built in concert with the tractor production schedule to minimize inventory, the project cost AGCO \$300 million.

The Fendt Ahead2 project was put on hold when the world financial crisis of 2007-08 caught up with the agricultural sector and was only resumed early last year — but with a more ambitious program than originally planned. Hubertus Köhne, vice president of manufacturing at Fendt, says the final assembly facility was erected on a greenfield site at the expanded Marktoberdorf

premises in just 13 months.

Apart from improving working conditions and efficiency — most components and sub-assemblies are now delivered straight to the main assembly line rather than to an intermediate stocking area — the new plant significantly raises the ceiling on Fendt production capacity.

Peter-Josef Paffen, vice president brand director at Fendt, notes that if sales hit his 2012 prediction of 17,500 units, output will have increased by more than 60% in the past 10 years.

The plan for 2013 is a more modest 3% growth, which would take sales to the 18,000 mark, moving toward 20,000 units in the following years. Paffen is confident that Fendt can double even that impressive figure within the next dozen years; bear in mind this a tractor line that boasts advanced technology, durability and high-end specifications — and sells at a premium.

Fendt managers clearly have no intention of easing up on technical progress. R&D investment at

Marktoberdorf has tripled over the past 10 years, climbing to the equivalent of \$62 million last year, and it will top \$66 million this year, approximately 4% of revenues out of a total investment budget of \$123 million.

In France, AGCO is spending \$20 million on a new cab assembly facility for the Beauvais plant that produces Massey Ferguson and equivalent Challenger wheeled tractors. It's the largest industrial investment at the plant since the mid-1980s, points out managing director Richard Markwell.

Moving cab production from the main site, where AGCO has a joint venture with Claas manufacturing transmissions alongside the assembly plant for Massey Ferguson 5400 to 8600 Series tractors and their Challenger counterparts, will allow further refinement of a lean manufacturing program by improving logistics flows.

Assembly of MF8600 Dyna-VT and Challenger MT600C tractors for the U.S. market was moved to AGCO's Jackson, Minn., plant earlier this year. **AEI**

Industry Posts Strong Sales in October

North American dealer sales of farm machinery posted strong results for all tractor categories as well as combines in October. RW Baird analyst Robert McCarthy says simply, "Year-over-year comparisons were positive and accelerated for all equipment categories."

Combine, row-crop, 4WD, mid-range, and compact tractor sales in the U.S. and Canada increased 40.5%, 27.9%, 32.7%, 16.8% and 25.1% year-over-year, respectively. U.S. sales (+36% year-over-year) outpaced sales in Canada (+15%). Inventory levels continue to rise, supported by strong retail sales. Sales of large tractor and combines increased 32% year-over-year in October, accelerating from the 17% increase in September.

- Combine retail sales sped up, posting a 40.5% year-over-year jump in October following a 22.2% increase in September. Last three month (L3M) sales increased 21.1% on a year-over-year basis following 11.2% increase last month. U.S. combine inventories were 1.8% higher year-over-year in absolute terms in September vs. up 7.6% last month. October is an important month for combine sales, accounting for 11.1% of annual sales over the last five years.

- Row-crop tractor sales continued their growth with a 27.9% year-over-year increase up from the 15.2% in September; L3M sales increased 21.7%. Inventory of U.S. row-crop tractors increased 23.5% year-over-year in September vs. a 24.6% increase in August. October has been the most important month for row-crop tractor sales over the last five years, accounting for 12.8% of annual sales.

- 4WD tractor sales rose 32.7% year-over-year in October, up from an 11.3% in September. U.S. dealer inventories of 4WD tractors increased 28% year-over-year in September.

- Mid-range tractor sales increased 16.8% year-over-year in October after a 0.5% decrease last month. Compact tractor sales were up 25.1% year-over-year in October, up from the 0.9% growth in September.



OCTOBER U.S. UNIT RETAIL SALES



Equipment	October 2012	October 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	October 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	8,532	6,483	31.6	80,485	73,848	9.0	59,941
40-100 HP	5,735	4,687	22.4	45,151	41,626	8.5	25,632
100 HP Plus	4,820	3,585	34.4	25,744	22,191	16.0	9,306
Total-2WD	19,087	14,755	29.4	151,380	137,665	10.0	88,879
Total-4WD	1,182	918	28.8	5,678	5,069	12.0	1,854
Total Tractors	20,269	15,673	29.3	157,058	142,734	10.0	90,733
SP Combines	1,768	1,218	45.2	8,383	8,438	-0.7	2,088

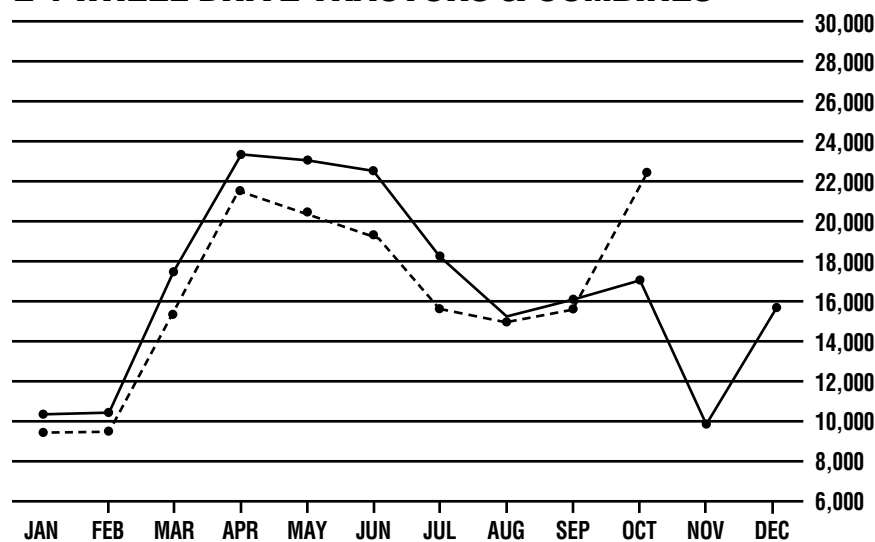
OCTOBER CANADIAN UNIT RETAIL SALES



Equipment	October 2012	October 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	October 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,353	1,421	-4.8	10,334	10,248	0.8	8,378
40-100 HP	1,173	1,229	-4.6	5,512	5,690	-3.1	3,955
100 HP Plus	840	650	29.2	4,159	3,621	14.9	2,274
Total-2WD	3,366	3,300	2.0	20,005	19,559	2.3	14,607
Total-4WD	317	207	53.1	1,318	1,133	16.3	544
Total Tractors	3,683	3,507	5.0	21,323	20,692	3.0	15,151
SP Combines	553	434	27.4	2,496	2,509	-0.5	782

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

--- 2012
— 5 year average



—Assn. of Equipment Manufacturers

Zetor More Than Doubles Profits in First Half 2012

As Zetor North America prepares to move from Harrisburg, Pa., to new premises in Jacksonville, Fla., the parent company in the Czech Republic reports continuing recovery from the 2008-09 global downturn with continuing solid growth in sales, revenues and profitability.

Consolidated profit before tax for the first half of 2012 was equivalent to \$7 million at current exchange rates, a considerable improvement on the year prior figure of \$2.8 million.

"These figures confirm the positive trend forecast at the beginning of the year," says group financial director Petr Veselý. "The biggest influence is the number of tractors sold, which increased 36% in the first half compared with last year and brought revenues of \$25.9 million."

Net margin has doubled to its current 6% over the past 12 months and operating earnings before income tax, depreciation and amortization (EBITDA) for the first half came in at more than \$12 million — about \$5 million more than last year.

Despite pessimistic forecasts for economic developments in the Euro currency zone, Veselý confidently predicts that Zetor will record comparable financial results in the second half.

Last year, Zetor experienced a more modest 5% increase in tractor sales and at just over 3,900 units, the

operation still has a way to go before reaching its 2007 peak of close to 7,000 units. Despite being a minnow in the tractor market, the business remains independent of any other manufacturer and continues to build its own engines and is still able to invest in technical improvements.

Next year, Zetor will reap the benefits of developing the Forterra HSX with five power outputs spanning 96-136 horsepower, a new five-range gearbox with three-speed powershift and power shuttle and Bosch electronic hitch system that automatically balances draft and position control for added traction and performance with soil-engaging implements.

There are plans to build 400 units this year, rising to 900 units in 2013. First examples were shipped to the North American distribution subsidiary, which accounts for about 2.5% of sales, as the HSX was rolled out to dealers and end users in the other main export markets — Poland (which accounts for almost half of all sales), the Slovak republic, Great Britain, Ireland, France and Germany.

Looking farther ahead, Zetor is exploring plans for a lower horsepower range starting at around 45 horsepower and is targeting new export markets in South America and Africa with the low-cost Antar platform tractor, which is already being supplied to

Iraq as part of a 1,500-unit three-year supply contract.

The Czech manufacturer, which is owned by the Slovak engineering group HTC Holding, is also working toward a 2014 introduction for the delayed six-cylinder Maxterra. A 165 horsepower prototype was first shown three years ago, but the financial crisis and demanding emissions requirements has resulted in a revised schedule for its introduction.

It will be a welcome addition for U.S. distributor Zetor North America, which plans to have its Jacksonville facility up and running in the first week of December. The parts warehouse there will continue to stock inventory for current and past Zetor models as well as Zetor-built tractors that carried the Agripower and Long brand names.



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How Ag Majors are Faring So Far in 2012 vs. S&P

Total Shareholder Returns	2007	2008	2009	2010	2011	2012 YTD
S&P						
S&P 500 Index	5.5%	-37.0%	26.5%	15.1%	2.1%	11.6%
S&P 500 Machinery Index	33.9%	-45.9%	40.0%	54.3%	-9.8%	9.6%
Ag Machinery						
AGCO	119.7%	-65.3%	37.1%	56.6%	-15.2%	3.0%
CNH	142.6%	-76.1%	60.1%	91.1%	-24.6%	21.2%
Deere & Co.	98.7%	-58.0%	44.9%	56.3%	-5.0%	9.9%
Ag Machinery — Average	120.3%	-66.5%	47.4%	68.0%	-14.9%	11.4%
Ag Machinery — Median	119.7%	-65.3%	44.9%	56.6%	-15.2%	9.9%

Source: JP Morgan, North America Equity Research, November 12, 2012