From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- CNH Plans for Europe
- Claas' N.A. Potential
- Sales Stay Strong

Rural Lifestyle Dealers' See Steady Revenue Gains for 2013

Maybe it's all the talk about the "fiscal cliff" or a general uncertainty in the overall economy that's causing equipment dealers serving the rural lifestyle and lawn and landscape markets to hold back on their projections for 2013. On the other hand, very few dealers are exhibiting any real signs of pessimism about business levels in 2013, either.

Based on the results of the 2013 Dealer Business Trends & Outlook survey conducted by *Rural Lifestyle Dealer* in late November and December, nearly 90% (89.8%) of dealers serving the rural lifestyle equipment market believe their total revenues will be as good as or better than what they saw in 2012.

Broken out, 45% of dealers in this equipment segment expect revenues to grow in 2013. Another 45% are projecting little or no change in their 2013 revenues compared to the levels they saw in 2012.

Only 10.2% of survey respondents expect revenues to decline in 2013 vs. 2012.

Compared to last year at this time though, slightly fewer equipment dealers serving the rural lifestyle market are looking for significant gains in overall revenues for the full year of 2013 — 48.1% in 2012 vs. 44.9% for 2013. At the same time, fewer dealers are expecting their revenues to decline vs. a year ago — 10.2% for 2013 vs. 16.1% in 2012.

What it boils down to is more

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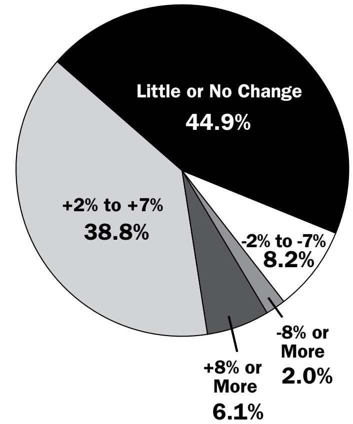
Dealers' Change in Total Revenue — 2013 vs. 2012



Nearly 90% of dealers surveyed expect their sales revenue in 2013 to match (44.9%) or exceed (44.9%) 2012 levels.

Will Dairy Be AGCO's Next Big Move?

AGCO could make a move into the dairy equipment sector as managers look for new revenues and ways of capitalizing on the organization's global sales, distribution and after-sales support resources.

Martin Richenhagen, chairman, president and CEO, revealed the possibility of further diversifying the AGCO product range after informal talks with the chairman of Germany's GEA industrial group regarding its WestfaliaSurge dairy equipment line.

"We won't get into seeds and fertilizers, products that involve chemical processes," Richenhagen emphasizes. "But we could exploit our global distribution strength and our expertise in manufacturing things made from metal to sell agricultural products other than our usual tractors, harvesters and field implements."

Germany's $7 billion industrial conglomerate GEA Group is thought unlikely to offload its Farm Technologies division in AGCO's direction. As the second-biggest player in the dairy equipment sector, it generated sales equivalent to $665 million in 2011.

GEA created the division through a series of acquisitions, starting in 2004 with Westfalia Separator of Germany and WestfaliaSurge in the U.S. Canadian manure handling equipment maker J Houle & Fils Inc. followed in 2007 and further acquisitions since then have added feeding and bedding equipment, as well as dairy chemicals and consumables.

The sector's leading global supplier is Sweden's DeLaval, which is owned by the $15 billion Tetra Pak food packaging and bottling group. Almost 50% of DeLaval's $1.1 billion 2011 revenues came from milking equipment sales. Combined with parts and cooling technology, the "nuts and bolts" proportion of revenues rises to 70% with the rest coming from cow management software and dairy chemical sales.

Other major players in the dairy sector include Lely Group of The Netherlands, which generates a large proportion of its $654 million revenues from sales of robot milking, feeding and cleaning systems, and BouMatic, the only U.S. manufacturer

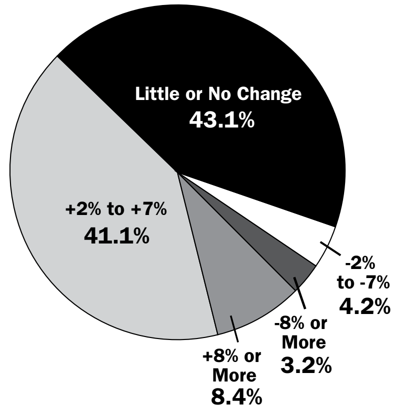
Continued on page 3

dealers (44.9%) are forecasting little or no change, or essentially flat revenues, in 2013 compared with 2012. Since most dealers are reporting they had a pretty good year last year, the outlook for the rural lifestyle market segment in the year ahead is a positive one.

As the residential housing market, which is a strong indicator of the health of the rural lifestyle and lawn and landscape equipment segment, continues to stabilize, most dealers, though cautious, see solid prospects in the year ahead.

The bottom line is that far more dealers expect 2013 business levels to improve or stay at about the same levels they saw in the past year than are expecting business to decline — and that's always a positive sign.

Dealers' Change in Aftermarket Revenue 2013 vs. 2012



Nearly half of dealers polled expect aftermarket revenues to rise by 2% or more in 2013. Only 7.4% see it declining.

An Uptick in Confidence

An analysis of the overall numbers indicates that dealers serving the rural lifestyle customer base are generally feeling pretty good about their prospects in 2013.

A year ago, 48.1% of equipment dealers responding to *Rural Lifestyle Dealer's* annual business trends survey expected their revenues to improve by 2% or more during 2012 and 16.1% projected a decrease in overall revenues for the year.

This year, the percentage of dealers forecasting improved sales revenues for 2013 slipped slightly to 45.4%, but fewer dealers (10.2%) are projecting decreasing revenues in 2013 compared to the previous year.

Broken down further, 6.1% of dealers are anticipating revenue gains of 8% or more during the year ahead vs. 11.5% who forecast increasing revenue by 8% or more last year. Slightly more dealers, 38.8%, expect increases in the range of 2-7% for 2013 compared with 36.6% who forecast this level of improvement last year.

The biggest shift in dealer sentiments came in the category of "little or no change." Last year, 35.8% of dealers anticipated generally "flat" revenues compared with 2011. This year, 44.9% of dealers are projecting flat revenues going into 2013.

Overall, 8.2% of those responding to the most recent survey are forecasting a falloff of 2-7%, while only 2% anticipate a decrease in revenues for 2013 of 8% or more.

Solid Aftermarket Revenues

Rural lifestyle dealers are also expressing a similar, but even more optimistic, outlook for aftermarket revenues in 2013.

Increasing aftermarket revenues is also a positive sign that dealers' confidence is improving. The growing sale of their parts and service business is a good indicator that rural lifestylers are willing to invest in maintaining their existing equipment, which many will put off in a difficult economy. It also provides dealers with another touchpoint with customers and an opportunity to assess their needs and pursue sales of newer or upgraded equipment.

Overall, 92.6% of dealers surveyed say they expect their aftermarket revenues to be at least as good as or better in the year ahead than that of the previous year. Only 7.4% are forecasting a decrease in aftermarket revenues in 2013.

Nearly half (49.5%) of dealers see sales of parts and service increasing by 2% or more in the year ahead: 41.1% by 2-7% and 8.4% by 8% or more. This compares with 52.4% of dealers who last year projected aftermarket sales growing by 2% or more: 47.7% by 2-7% and 4.7% by 8% or more.

In terms of declining aftermarket revenue, only 7.4% of responding dealers are pojecting a falloff of sales in parts and service, with 4.2% expecting a drop of between 2-7% and 3.2% projecting sales to decline by 8% or more. Last year at this time, nearly 12% of dealers were anticipating a decline in aftermarket revenues: 7.8% by 2-7% and 3.9% by 8% or more.

Top Performers for 2013

In ranking the product lines where they see the best opportunity to improve revenues in the year ahead, a higher percentage of dealers see solid potential for several product lines than they did last year.

For example, in the 2012 survey, 50% of dealers who responded saw the potential for compact tractors (<40 horsepower) to increase revenues by 2% to 8% or more.

This year, 59.5% of dealers see the same possibilities. In the case of zero-turn mowers, last year 49.6% of dealers expected revenues from sales to increase by 2% to more than 8%. For 2013, 58.3% are projecting that level of increase.

Other lines offering solid potential for growth include rotary cutters (47.1%), utility vehicles (43.8%), utilility tractors in the 40-100 horsepower range (39.8%). AEI

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of milking equipment with a global presence.

BouMatic's export sales have grown significantly in the past four years, with more than half of revenues now generated in Western Europe, South America, China and India. The Madison, Wis.-based business expanded into Europe with the 2004 acquisition of Gascoigne-Melotte. It added a Danish milking machine manufacturer three years later.

AGCO's global reach and often close relationship with end users could help develop new markets for an existing dairy equipment business, especially in developing countries.

The same rationale applies to the $940 million acquisition of GSI a little over 12 months ago, which marked AGCO's first move toward becoming a "total solutions" supplier. The Illinois-based manufacturer of crop storage equipment and protein production systems will have added more than $600 million to AGCO's revenues last year, mostly in North America.

Richenhagen believes AGCO's global presence will provide new opportunities for GSI to grow export markets.

"GSI will also have an important role in helping improve food production in places such as Africa and India where a lack of storage infrastructure results in a large proportion of food crops perishing after harvest," Richenhagen adds.

AGCO is investing $100 million over the coming years to bring improvements in agricultural production to African nations through local production of machinery, improved distribution, training and finance solutions. **AEI**

What's Surprising Dealers?

Each month when *Ag Equipment Intelligence* surveys North American farm equipment dealers, we ask them, what surprised them most. Here are dealer responses from the last survey.

- ✔ *"We had good harvest — some better than expected —and commodity prices good, so I thought there would be buying at end of year and have not seen that happening yet."*
- ✔ *"Excavator sales were up."*
- ✔ *"More pricing than expected."*
- ✔ *"The comeback of equipment pricing was a surprise as we still are really in a drought if you look at average rainfall."*
- ✔ *"Better crop returns and good harvest conditions putting a smile on customer faces."*
- ✔ *"Surprised the market is holding strong."*
- ✔ *"Sales volume up substantially."*
- ✔ *"Pre-sells were really strong."*
- ✔ *"Many farmers still seem to be waiting to make buying decisions on larger equipment even with strong commodity pricing and manufacturer's programs."*
- ✔ *"Lack of agricultural year-end business."*
- ✔ *"River being that low and a chance it will shut down."*
- ✔ *"I was expecting to see the El Nino replace the La Nina and the drought winding down."* **AEI**

FARM MACHINERY TICKER (AS OF 01/10/13)

Manufacturers	Symbol	01/10/13 Price	12/13/12 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$32.92	$30.73	$41.95	$27.80	17.24	44,559	413.08M
AGCO	AGCO	$50.99	$48.89	$54.00	$38.09	7.13	1,059,990	4.95B
Alamo	ALG	$34.38	$31.72	$34.90	$25.51	12.88	23,536	411.36M
Art's Way Mfg.	ARTW	$6.90	$5.67	$9.69	$5.23	10.99	6,333	27.84M
Blount Int'l	BLT	$15.69	$14.36	$17.62	$12.46	19.37	317,846	770.11M
Buhler Ind.	BUI	$5.31	$5.36	$5.83	$5.04	8.17	3,019	132.75M
Caterpillar	CAT	$95.08	$88.36	$116.95	$78.25	9.74	6,538,820	62.18B
CNH Global	CNH	$44.38	$48.29	$49.99	$34.36	9.38	622,128	10.65B
Deere & Co.	DE	$89.91	$85.55	$89.93	$69.51	11.78	2,871,870	34.87B
Hemisphere GPS	HEM	$0.76	$0.73	$1.14	$0.56	N/A	60,243	50.46M
Kubota	KUB	$57.92	$53.45	$59.50	$40.61	17.39	29,248	14.55B
Lindsay	LNN	$90.67	$75.47	$91.10	$52.68	21.10	138,652	1.16B
Raven Industries*	RAVN	$26.86	N/A	$37.73	$23.01	18.85	119,597	975.56M
Titan Int'l	TWI	$23.42	$20.96	$29.95	$16.86	10.60	659,126	1.12B
Trimble Navigation	TRMB	$62.04	$58.29	$63.32	$40.02	42.15	664,193	7.83B
Valmont Industries	VMI	$142.49	$134.94	$143.75	$95.77	13.40	133,764	3.79B
Retailers								
Cervus Equipment	CVL	$19.60	$17.46	$21.39	$15.03	13.24	13,222	291.98M
Rocky Mountain Dealerships	RME	$12.40	$11.55	$12.53	$8.65	10.97	27,513	235.51M
Titan Machinery	TITN	$27.79	$23.32	$36.92	$19.07	13.09	430,518	578.39M
Tractor Supply	TSCO	$93.04	$85.33	$103.74	$75.46	25.47	720,164	6.55B

** Raven Industries was added to the ticker this month so prices for December are not available.*

Case IH Aiming for Big Growth in Europe

Ambitious plans by Case IH managers in Europe to increase sales by 50% over the next three years are being supported in developing markets by one of North America's largest retail dealer groups.

With Case IH managers' enthusiastic backing, Titan Machinery, headquartered in West Fargo, N.D., has acquired or started a number of dealerships in four countries in Eastern Europe, to bring investment in resources and improve the service and management culture of the businesses.

"At the beginning of last year, Case IH launched a marketing collaboration in Romania, Bulgaria and Serbia with Titan Machinery, one of the leading Case IH dealers in the U.S.," explains Matthew Foster, Case IH vice president for Europe. "Our clear objective in Europe is to build on and continue the rapid market development we have enjoyed in recent years, and this venture with Titan Machinery is coming on splendidly."

Andreas Klauser, president and CEO of global operations, wants to see Europe contributing another $50 million to Case IH Agriculture's portion of CNH revenues, which will involve lifting sales from around $1 billion today to $1.5 billion in 2015.

"I am convinced that the development we are going through in Europe in every way rivals the growth experienced in the U.S.," says Klauser. "We have innovative products backed by motivated employees and dealers offering first-rate service."

Managers have worked tirelessly to rebuild the Case IH brand in Europe after it bombed in the wake of the merger with New Holland in 2000. The decision by former CNH CEO Harold Boyanovsky to revert to management and operational structures by brand was a key turning point that gave Case IH its individual identity once more.

The former Steyr tractor plant in Austria has become a very visible Case IH headquarters in Europe and tractor sales have steadily improved, rising 5% in the past year, reports Foster. The Case IH range will be bolstered this year by the rollout of four ranges of general purpose tractors below 115 horsepower carrying the familiar Farmall brand.

Sales of U.S.-built Axial-Flow combines are also gathering pace as a result of overall performance gains and more specifically through the introduction of tracks, wider cutting tables and more effective residue management.

Titan Machinery's role is to help unlock the potential for growth in developing Eastern and Central European states, where it has acquired two Case IH agricultural equipment dealerships in Romania and added a third branch, and bought a seven-dealer business in Bulgaria and one in Serbia, with combined revenues of $59.5 million.

In addition, Titan is expanding an established exports business in Ukraine by setting up a Case IH distribution company for selected regions.

As a result of these and a raft of dealership acquisitions in the U.S., the company has raised its guidance on full-year revenues to the end of January to between $2 billion and $2.15 billion. AEI

Italy's Maschio Gaspardo Continues to Expand Product Lineup with Sprayers

Italian tillage equipment specialist Maschio Gaspardo is looking to record a big increase in revenues this year following the acquisition of two spraying equipment companies toward the end of 2012.

The strategic move into sprayers, which includes a 20% stake in another Italian spraying equipment company, Del Degan, will bolster the tillage farming product line, which in recent years has expanded to include a wider range of seed drills.

While the group's core product remains the tractor-driven tillers and power harrows distributed through Maschio Gaspardo North America Inc. in Eldridge, Iowa, managers want to broaden the product line with complementary equipment

Heavy tine and disc tillage tools are now part of the portfolio, along with an expanding range of conventional and conservation-tillage grain drills and precision planters.

The group is growing internationally, too. In addition to the other established distribution companies in France, Germany, Spain, Poland, Turkey, Ukraine and Korea, Maschio Gaspardo operates a tiller production plant in China and a cultivator assembly plant in Romania, where the equivalent of $6.5 million was spent on upgrades in 2011.

The spraying equipment companies added to the group are located in Italy: Unigreen makes medium-size field and specialized orchard sprayers; Finotto builds high-clearance self-propelled sprayers with regular, low volume and electrostatic nozzle technologies for corn, tobacco, asparagus and vegetable crops.

Group revenues rose from $118 million in 2004 to $243 million in 2011. Organic growth and the sprayer acquisitions are expected to see that rise to $326 million in 2013. AEI

Claas Sees Continued Solid Potential in North American Market After Another Record Year

Targeted development of business activities in North America remains a focus for Claas as it celebrates a new record for revenues and the start of its centenary year.

"Sales generated outside Europe made up 17% of total agricultural equipment sales last year, with growth varied from one country to the next but positive overall," says board spokesman Dr. Theo Freye. "The most important region here was North America and our expectations for this market remain positive.

"Despite the extreme drought that hit many parts of the United States, the USDA expects agricultural incomes to hit a new record high," he adds. "In combination with continued low interest rates, it can be assumed that investor activity will pick up and markets will remain stable."

Claas set a new record of its own in the 12 months of its financial year ending September 2012, by generating revenues equivalent to $4.5 billion, up from $4.33 billion in the previous year.

Sales of agricultural equipment increased by around 10%, more than compensating for the disposal of the car and aircraft production technology division, which contributed 6% or more than $250 million to 2010-11 total revenues.

At $413.5 million, income in the latest financial year before taxes was up almost 24% from the 2011 peak of $334.5 million, with an impressive return on sales of 9.2%. At the same time, earnings quality again increased considerably, with the gross profit margin rising to 26.4%.

Claas spent $166 million expanding and modernizing production sites and another $232 million on product research and development, up $37 million or 19% from the $195 million spent in the previous year.

One outcome of this investment is the first fully automatic combine: the Lexion 770 with CEBIS Automatic installed, not only uses laser or satellite steering to keep on track but also monitors crop loading and losses at key points. The system then adjusts forward speed as necessary, as well as sieve opening, wind speed, separation rotor speed and the position of adjustable cover plates on the front two concave sections of the rotor housing.

"This is surely one of the most significant developments in crop harvesting," says Freye. "With CEMOS Automatic, the combine will always operate at peak performance, so owners are guaranteed the optimum return on their investment regardless of the skill of the operator."

The driver does get to choose a harvesting strategy — maximum output when deteriorating weather threatens, for example — and a grain-loss target. He can also experiment with drum speed and concave spacing — but only because there are no sensors at present for consistently detecting cracked grains or unthreshed ears.

"Operators tend to make only small and infrequent setting changes out of fear of making a mistake," adds Freye. "CEMOS Automatic reacts faster and will make adjustments as often as necessary. Even the skill of a good operator can be improved by watching the display monitor for changes and their effects."

In response to customer feedback, the new system must be actively disengaged rather than selected — combine owners in North America running the CEMOS advisory software that preceded the fully automatic version found some operators preferred to ignore it. On Lexion combines equipped with Claas Telematics, disengaging the auto system will show up on the remote monitoring display. AEI

Carraro Secures $470M CNH Contract for Axles, Transmissions

Power transmission specialist Carraro SpA has secured contracts with CNH Global worth $471 million over the next four years.

The revenues will help underpin operations at the Carraro Drive Tech and Gear World business units, which are to be merged this year to streamline management and reduce overhead costs.

The latest agreement between Carraro and CNH renews an existing supply contract for front drive axles and transmissions for backhoe-loaders. It also adds new contracts for the supply of transmission systems for agricultural tractors, telescopic handlers, cotton pickers, wheel loaders and bulldozers.

"As a result, Carraro Drive Tech remains the main supplier of transmission systems to CNH worldwide," notes Enrico Carraro, group chairman. "Our industrial platform enables us to provide transmission systems from every continent, depending on the type of product and application."

He adds that the new agreement consolidates a strong relationship between the two companies in both Europe and North America, where the company maintains a sales office in Virginia Beach, Va., and a parts and logistics center in Rockford, Ill.

"We also maintain a good relationship [with CNH] in India and Brazil," adds Carraro.

"In the near future we see interesting opportunities in South America as a result of local incentive policies, which are stimulating investments in many industrial companies."

The renewed and new contracts will contribute $117 million a year to Carraro group revenues, which in 2011 amounted to the equivalent of $1.2 billion at current exchange rates. North America accounted for 10% of total revenues that year, up more than 40% compared to the previous 12 month period. AEI

Dealers Say Used Equipment Inventory Remains 'Too High'

A significant, but unexpected uptick in North American tractor and combine sales in October is creating concerns with dealers about a build-up of used equipment taken in trade. In October, combine, row-crop, 4WD, mid-range and compact tractor unit sales increased 40.5%, 27.9%, 32.7%, 16.8% and 25.1% year-over-year, respectively, and strong sales trends continued into November and December.

On the upsurge in new equipment sales and its impact on trades, one dealer explained, "Even though I didn't want to, I took in some older used combines to move some new equipment that was coming due."

Despite expanding inventories, dealers are reporting used tractor pricing is holding relatively firm, but some downward pressure is being seen with combines. In his commentary, one dealer said the buildup of used machines is starting to affect pricing. "The surplus supply [of used] is putting downward pressure on resale pricing."

Results from the latest "Dealer Sentiments" survey conducted by *Ag Equipment Intelligence* and Cleveland Research Co. indicate that 32% of dealers believe their inventory of used equipment is "too high." Overall, a net 21% of dealers characterized their used inventory levels as too high — 32% too high; 56% about right; 11% too low.

That percentage jumps when it comes to combines, as 42% of North American farm equipment dealers say their inventories of used harvesters are "too high." All told, a net 36% of equipment dealers says their backlog of combines are higher than they would like — 42% too high; 51% about right; 6% too low.

One dealer offered this commentary on his used equipment situation: "No doubt, used 4WD inventory is beginning to build and has us worried that the same thing is starting to happen with them as with what happened to combines.

"This is especially the case with the largest sizes IE 9630/9560R and 9870 STS combines. Lead time is about the same for 4WD as with row-crop tractors due to the high quantities we order. I left out combines [in my report] as we currently cannot order any and our 2013 allocation has been filled — and then some."

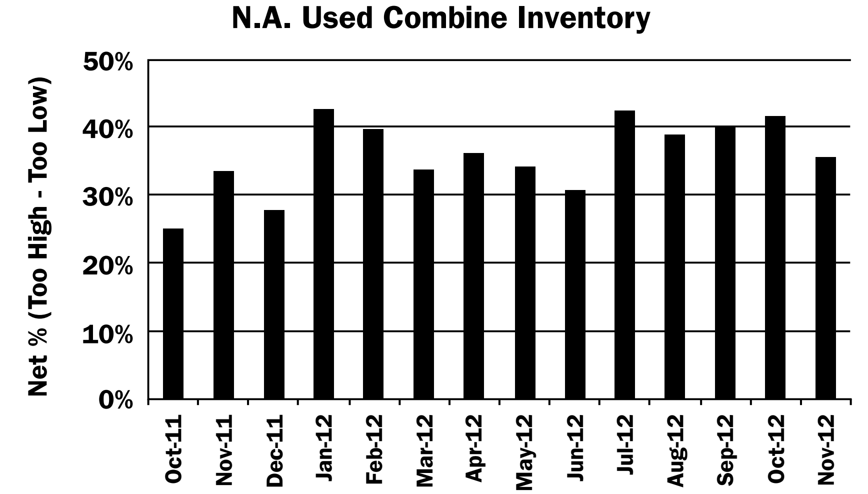
Other commentary included, "Used combines and planters continue to be a concern" … "Hay machinery market is flat" … "We currently have way more used combine inventory than we would like" … "Inventory is too high in just a few categories. These include four-wheel drive tractors, combines and self-propelled sprayers."

Year-Over-Year Pricing. While concerned about growing inventories of used, generally dealers say that pricing for most tractors is holding firm. By category, tractors over 100 horsepower were up by 2.3% year-over-year on average in November, but down from 2.5% during the previous month. Prices for used tractors under 100 horsepower were up 2.1% in November, which was up slightly from 2% in October.

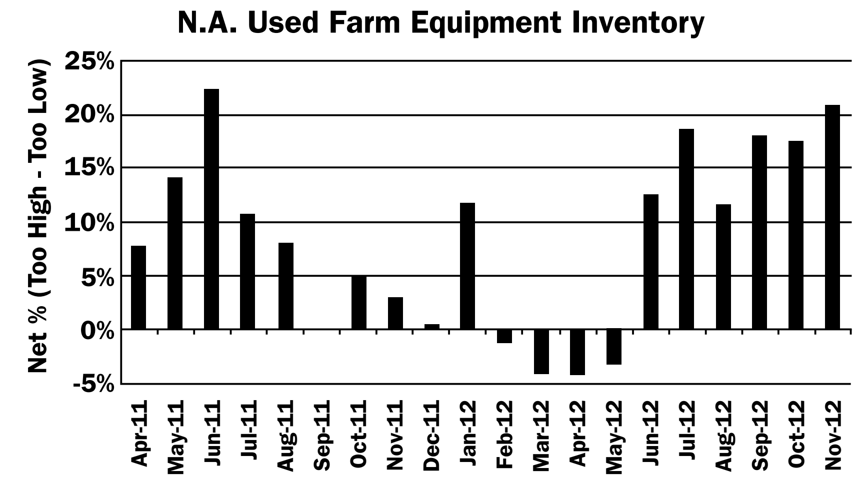
On the other hand, on a year-over-year basis, used combine values were down 1.3% vs. down 2.2% the previous month.

November vs. October. Relative to October, a net 6% of dealers report higher values for under 100 horsepower/utility tractors. For over 100 horsepower tractors, a net 23% of dealers report higher values vs. last month.

At the same time, a net 25% of dealers report used combine values were lower in November compared with October. AEI



The inventory of used combines continues to be problematic for many dealers. Through November, 42% of all dealers (net 36%) reported their combine inventory was "too high."



A "net" 21% of dealers say their used equipment levels are "too high." Overall, 32% of dealers rate their used machinery backlog as "too high."

Sales Continue to Surge in December

North American ag equipment retail sales grew across all categories in December. Year-over-year comparisons were positive for all equipment categories. "Retail sales were likely helped by the expected expiration of bonus depreciation incentives at the end of 2012. Importantly, bonus depreciation was extended through 2013 as a part of the American Taxpayer Relief Act," notes RW Baird analyst Mircea (Mig) Dobre.

Year-over-year, row-crop, 4WD, mid-range and compact tractor sales increased 18.6%, 37.1%, 4.2%, and 13.5%, respectively. Combine sales increased slightly (up 3.5%), up from the 1.5% year-over-year decline observed last month. U.S. and Canada large tractor and combine retail sales increased 18% compared to the same period last year, accelerating from the 11% increase in November. Year-over-year, U.S. sales increased 17% and Canadian sales increased 21%.

- Combine retail sales grew slightly, posting a 3.5% year-over-year increase in December following a 1.5% decline in November. Last three month (L3M) sales increased 20% vs. last year, following a 25.6% increase last month. December is an important month for combine sales, accounting for 10.3% of annual sales over the last five years.
- Row-crop tractor sales grew 18.6% year-over-year, accelerating from the 10.3% increase observed in November. L3M sales increased 20.8%. U.S. row-crop tractor inventories increased 29.6% year-over-year in November. December has been an important month for row-crop tractor sales over the last five years, typically accounting for 11% of annual sales.
- 4WD tractor sales rose 37.1% year-over-year in December, up from a 31.4% increase in November. U.S. dealer inventories increased 74.4% year-over-year in November.
- Mid-range tractor sales saw a 4.2% year-over-year increase in December after a 14.4% rise last month. Compact tractor sales were up 13.5% year-over-year, up from the 4.7% growth last month. AEI

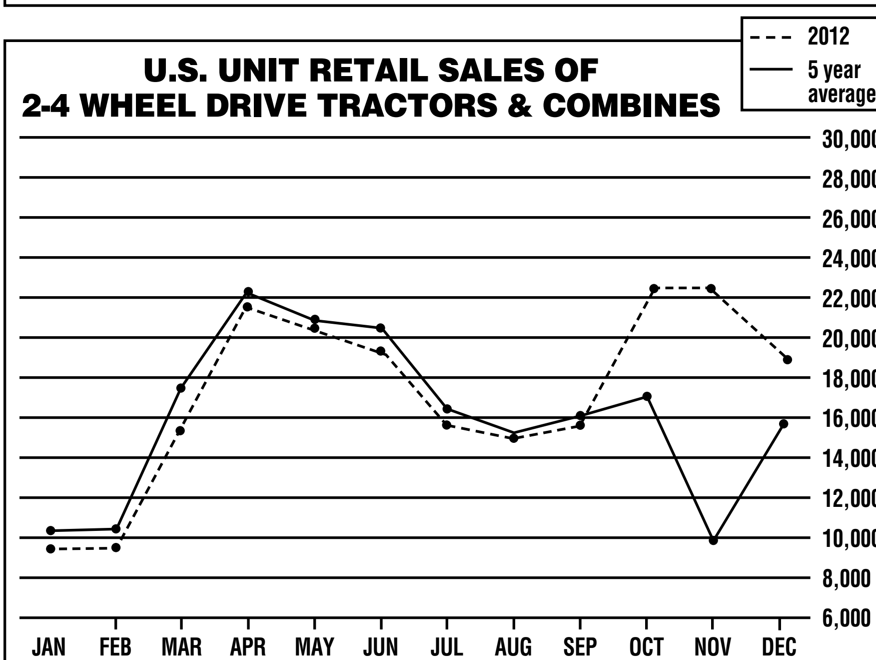
DECEMBER U.S. UNIT RETAIL SALES

Equipment	December 2012	December 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	December 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	7,388	6,539	13.0	92,207	84,594	9.0	57,945
40-100 HP	5,792	5,571	2.8	54,276	50,036	8.5	26,553
100 HP Plus	3,889	3,290	18.2	31,732	27,427	15.7	9,089
Total-2WD	17,006	15,400	10.4	178,215	162,057	10.0	93,587
Total-4WD	768	529	45.2	6,935	5,977	16.0	1,632
Total Tractors	17,774	15,929	11.6	185,150	168,034	10.2	95,219
SP Combines	925	937	-1.3	9,820	9,898	-0.8	1,031

DECEMBER CANADIAN UNIT RETAIL SALES

Equipment	December 2012	December 2011	Percent Change	YTD 2012	YTD 2011	Percent Change	December 2012 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	851	717	18.7	12,000	11,682	2.7	7,928
40-100 HP	604	509	18.7	6,671	6,760	-1.3	3,282
100 HP Plus	461	377	22.3	4,977	4,311	15.4	2,143
Total-2WD	1,916	1,603	19.5	23,648	22,753	3.9	13,353
Total-4WD	134	129	3.9	1,590	1,364	16.6	447
Total Tractors	2,050	1,732	18.4	25,238	24,117	4.6	13,800
SP Combines	212	162	30.9	2,911	2,880	1.1	489

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



—Assn. of Equipment Manufacturers

Ag Equipment Sales Remain Highly Cyclical; More of the Same in 2013

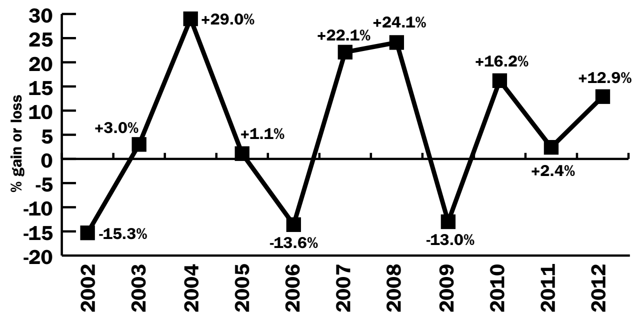
The strength of North American tractor sales during the last three years might lead one to believe that it's always been this way, but dealers and others who have been around the business for more than a few years know better. Charting unit sales over just the past decade illustrates how dramtically business levels can shift in a relatively short period of time. These should remind everyone that this industry remains highly cyclical.

Looking ahead to 2013, forecasts from the major equipment makers imply more of the same of what the industry saw in 2012. Machinery analysts following ag machinery are split on their outlook for equipment sales in 2013.

Eric Crawford of UBS says, "USDA forecasts elevated farm cash net income in 2012, though down 1.4% year-over-year. We see elevated income as likely to lead to strong equipment demand in 2013."

The view from Ann Duignan of JP Morgan is more cautious. "We believe farmers may exercise caution in early 2013 after a tax-fueled fourth quarter, given that soil conditions are less-favorable than a year ago for fall prep work and there remains low visibility on planting intentions for next spring. OEMs may be reducing wholesale shipments and inventory near-term in preparation for what may be a flat year in 2013." AEI

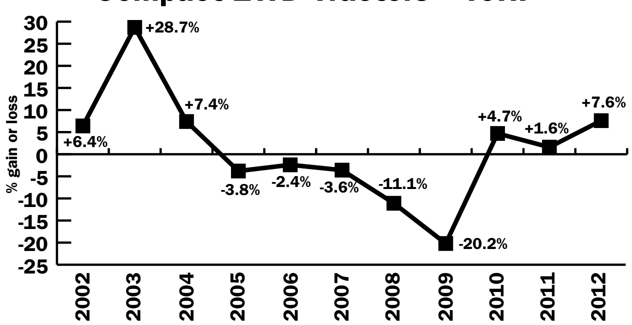
Row-Crop 2WD Tractors >100HP



SOURCE: ASSN. OF EQUIPMENT MANUFACTURERS

Row crop tractor unit sales have remained fairly constant, with only three years of decline over the last 10. While the decade started with a year-over-year decline in 2002 with just 17,542 units sold, 2004 saw the largest growth over the previous year coming in at 23,302 units. However, because there was steady growth over the decade, 2012 unit sales were the highest for the decade at 36,709.

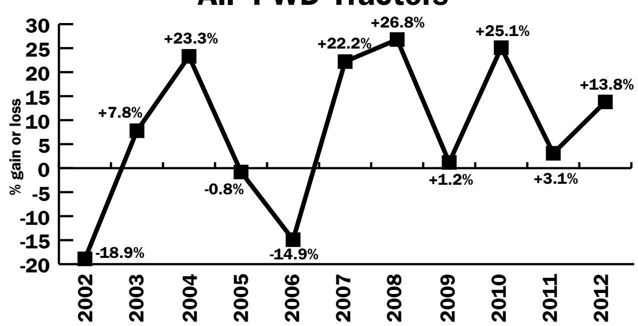
Compact 2WD Tractors <40HP



SOURCE: ASSN. OF EQUIPMENT MANUFACTURERS

Over the last 10 years, compact 2WD tractors peaked in 2003, with 131,344 units sold. After about five years of growth, sales began to decline starting in 2005, seeing the largest fall in 2009 with only 90,499 units sold. Sales began to grow again in 2010, and 2012 saw the largest rise since the decline with 104,207 tractors sold.

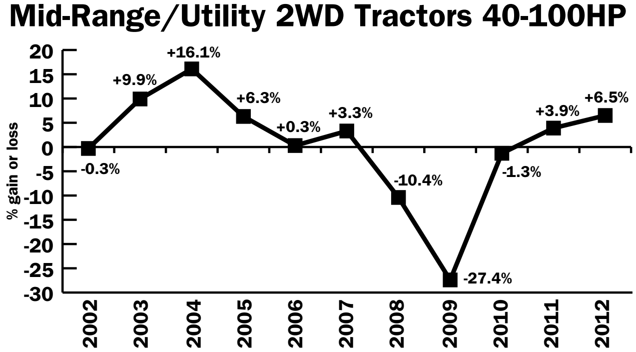
All 4-WD Tractors



SOURCE: ASSN. OF EQUIPMENT MANUFACTURERS

Unit sales for all 4-WD tractors have seen steady year-over-year growth during the last decade, despite a decline 2006 with just 3,636 units sold. Sales bounced back in 2007 and since then have seen significant growth. Sales peaked in 2012 with 8,525 units sold.

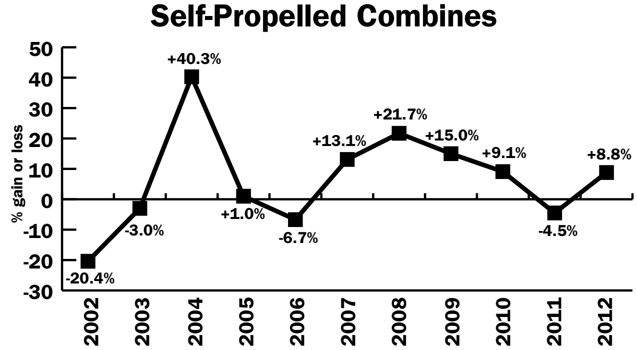
Mid-Range/Utility 2WD Tractors 40-100HP



SOURCE: ASSN. OF EQUIPMENT MANUFACTURERS

During the last decade, mid-range 2WD tractor unit sales peaked in 2004 at 77,586. While sales have remained more or less stable over the 10-year span, 2008-10 saw three years of decline. The greatest decline in sales came in 2009 with just 55,566 units sold.

Self-Propelled Combines



SOURCE: ASSN. OF EQUIPMENT MANUFACTURERS

Despite beginning the 10-year range of 2002-12 with a significant decline in sales, overall combine sales have grown over the decade. 2003 saw the lowest unit sales during the 10-year period with 5,862 units sold. However, that decline was followed by 40.3% year-over-year growth in 2004. Unit sales peaked in 2010 with 13,381 units.