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A Special Management Report From

*Ag Equipment  
Intelligence*

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**BUSINESS  
OUTLOOK & TRENDS**  
**FARM EQUIPMENT FORECAST — 2008**

*An Ag Equipment Intelligence Staff Report*



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# PART I — BUSINESS OUTLOOK & TRENDS

## Dealers See Big Things for 2008

North American dealers are as optimistic as they have been in years for improved equipment sales in the coming year.

The “guarded view” that North American dealers expressed last year at this time about their expectations for 2007 (which was ahead of the first symptoms of corn fever) never panned out. Despite a sluggish start, 2007 looks like it will end on a high note as sales of high-horsepower tractors and combines gained momentum in the spring and kept rolling.

Nearly all classes of tractors posted higher sales numbers through August compared to the same period of 2006. Only the sales of compact tractors are down on a year-to-year basis.

The surprisingly good retail sales results through the first three quarters of '07 are laying the groundwork for another solid year in 2008 and dealers' confidence is showing. It doesn't matter if it's new or used equipment or the type of ag machinery, dealers see “big things” ahead for the coming year.

### New or Used, No Difference

Nearly 90% of the dealers responding to *Farm Equipment's 2008 Dealers Business Trends Survey* expect new equipment unit sales levels to be as good or better than those in 2007. Overall, the dealers are projecting sales to improve 2.63% during the coming year. This compares with 70.6% who forecast sales increases in 2007, but at a near-flat increase of 0.017% in sales.

Only 8% of the dealers participating in the 2008 survey see unit sales of used equipment falling below 2007 levels. Of the 92% that project sales of previously owned equipment will be as good or better than in '07, 53.3% see it growing by more than 2%.

Unit sales of used equipment in both the U.S. and Canada are expected to increase by 2.48%.

As the momentum started building last spring rolls into '08, the industry expects its fifth consecutive year of solid sales. As one industry insider said recently, if an equipment dealer

hasn't made money the past few years, he probably never will.

### It's Called Ethanol

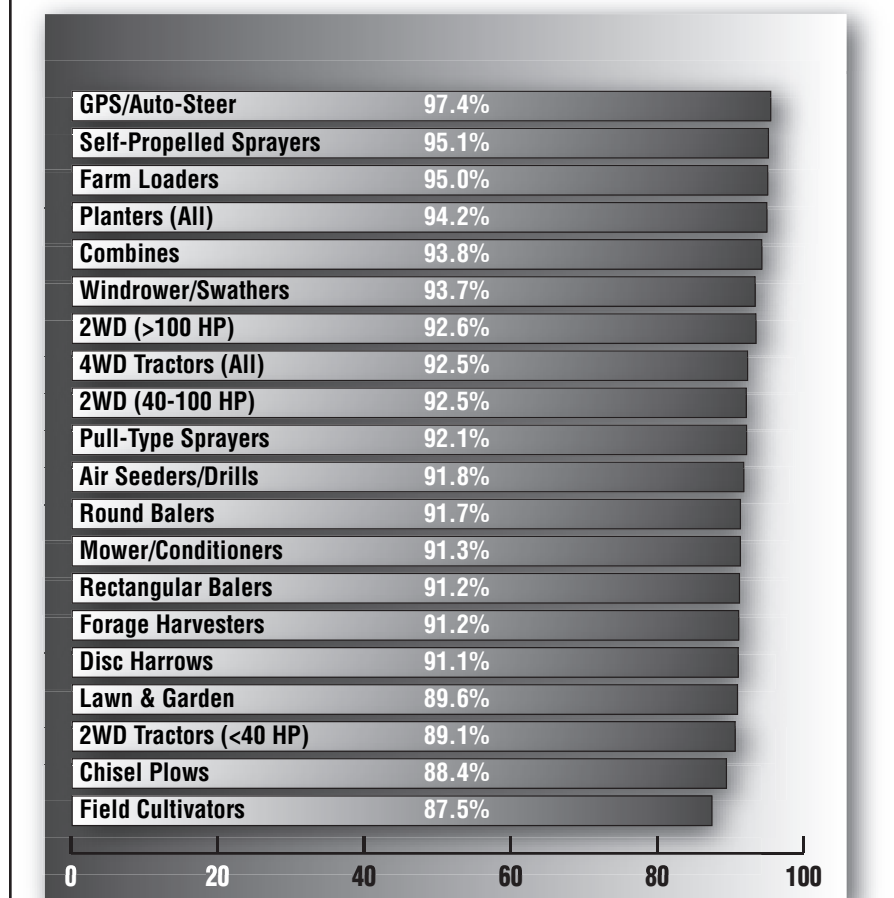
There's little doubt that the “ethanol push” changed the ag equipment equation dramatically in '07 and will continue to do so through 2008. A series of events surrounding ethanol's growing demand for corn early in the year contributed to months of pricing turmoil for nearly all farm commodities.

First it was President Bush's challenge to “move beyond a petroleum-based economy” in his 2006 State-of-the-Union address. This was followed by the congressional edict to increase

annual ethanol output to at least 36 billion gallons by 2022. Then the USDA plantings report projected farmers would plant more than 94 million acres of corn, the highest since World War II.

The residual effect is that all commodities are benefiting and the improved level of farm machinery sales followed. When the price of their product is up, growers pay down debt and buy equipment. The good news for farmers, equipment makers and dealers is that it looks as if the continued strong demand for ethanol and biodiesel fuels will continue well into 2008 and beyond. (See sidebar on p. 10.)

### Best Bets for Improving Unit Sales in 2008

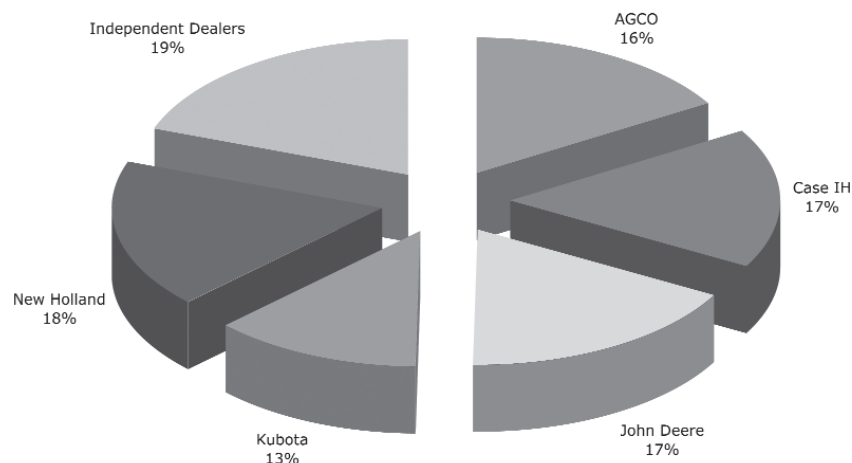


More than 500 dealers ranked 20 equipment categories as “best bets” for improving sales in '08. Dealers see better potential for increased volume in each category vs. '07.



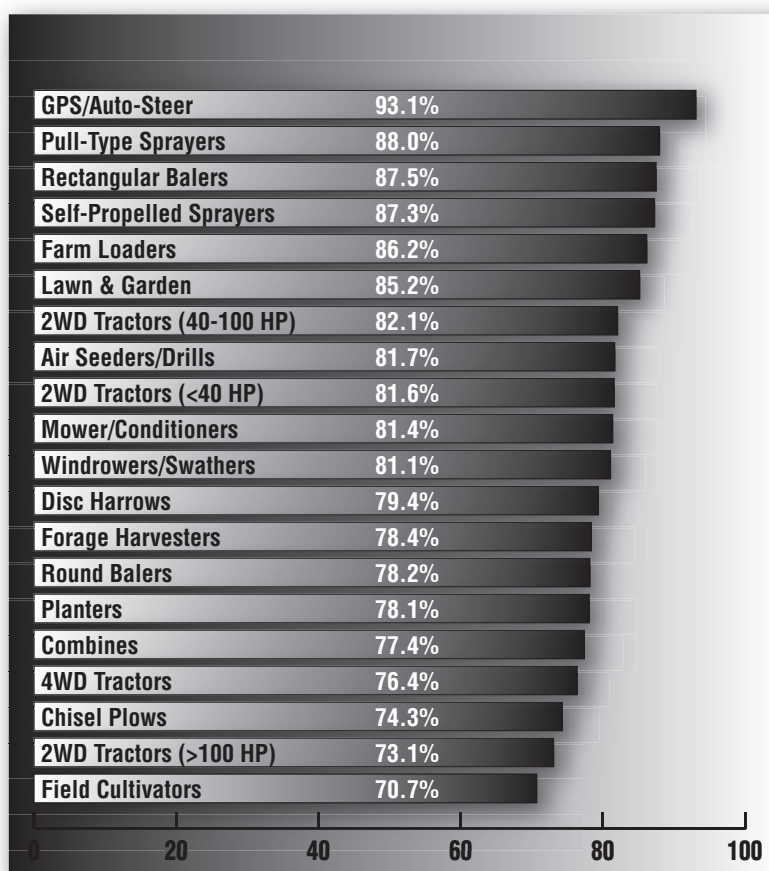
## PROFILE OF RESPONDENTS TO AEI'S DEALER BUSINESS TRENDS SURVEY — 2008

### Breakdown of Survey Respondents by Mainline Supplier



More than 500 North American dealers participated in *Farm Equipment's 2008 Dealer Business Trend Survey*. On average, the dealerships that participated have 26.8 employees and operate 2.09 stores.

### Best Bets for Improving Unit Sales in 2007



This chart from 2007 provides a comparison of how dealers viewed the potential of 20 equipment categories vs. results from AEI's 2008 survey on the previous page.

### Sales Up Across the Board

Not only do U.S. and Canadian dealers see overall conditions improving in 2008, but dealers also see far more potential in each of the 18 major product categories. Last year, only one product group — GPS/auto-steer — cracked the 90% “as good as or better than” level when the equipment retailers projected which products offered the best potential for growth.

In this most recent survey, only four product categories didn't reach the 90% level on the “best bets for improving unit sales” list for 2008.

Topping the list again this year for offering the most potential for improving unit sales is GPS/auto-steering systems, as 97.4% of dealers (vs. 93.1% in '07) see such systems holding the most potential for increasing revenues. More than 60% are projecting unit sales of this gear will increase by more than 2% this year.

After GPS' control of the top spot again, there was considerable shifting among the other product groupings when it came to what the best bets are for 2008 growth.

The second slot this year is occupied by self-propelled sprayers, with 95.1% of dealers expecting unit sales to be “as good or better” in 2008 than in '07 (ranked fourth at 87.3% last year). Dealers say a major reason for confidence in improving sprayer sales is because more growers are buying their own sprayers as they seek more control over input costs as well as reducing reliance on custom sprayers.

Meanwhile, planters — ranked 15th in '07 with 78.1% of the dealers seeing it as having potential for growth — moved up to the fourth spot in 2008 as 94.2% of survey respondents believe planters have a strong probability for increasing sales.

Combines also moved up significantly, occupying the fourth slot this year (vs. 16 last year). Nearly 94% of dealers indicate combine sales should improve during the coming year.

Moving up from 19th place on the “bet bets” list in 2007 into fifth place are 2WD tractors of more than 100 hp, as 92.6% of dealers see unit sales being as good or better than last year.

Perhaps the best illustration of

how “differently” dealers are looking at 2008 can be seen in two equipment categories that were near the top of the “Best Bets” list last year, and are near the bottom of the rankings this year.

Both rectangular balers and lawn and garden equipment fell 11 spots compared to the potential that dealers saw in 2007.

Here’s the irony: A larger percentage of dealers see “better” potential for both rectangular balers and lawn and garden equipment (91.2% and 89.6%, respectively) than they did last

year (87.5% and 85.2%, respectively). Yet, both slipped down the list. This is because dealers’ confidence is far higher in every product grouping than last year.

Even tillage equipment, such as chisel plows and field cultivators, received more of a confidence vote this year (88.4% and 87.5%) than last year (74.3% and 70.7%). But both are at the bottom of the dealers’ list for “best bets” to improve unit sales in 2008 as they were in ‘07.

In other words, dealers are more confident in improving sales going

into 2008 than they have been in years — regardless of the equipment category.

## Comeback for Big Equipment

Dealers are as assured about what they’ll be able to do with the big equipment — tractors and combines — as they are with other product groups. According to the Assn. of Equipment Manufacturers, retail sales of all big equipment have increased from January through August 2007 compared to 2006, with two exceptions: compact and utility tractors in the U.S. and combines in Canada.

The falloff in compact tractor sales shouldn’t come as a big surprise, since industry observers had earlier forecast a slowdown in the sale of the smaller units. After growing at an annual rate of 10.5% between 1996 and 2006 — from slightly over 50,000 units to 141,000 — it was time for this segment to take a breather.

And with all of the new brands of compact tractors entering the market during the last 5 years, observers also warn that at some point, a shake-out is a near certainty.

What the stronger sales numbers going into the last quarter of the year have done is give the entire industry more momentum going into 2008.

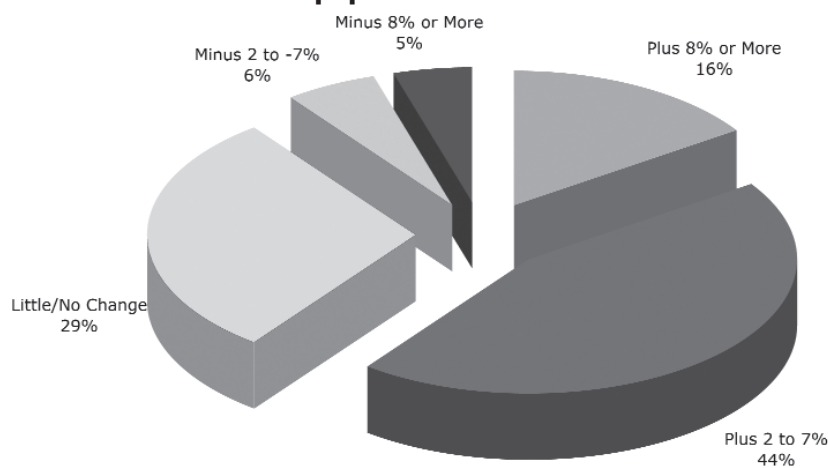
And regardless of the 2007 numbers, dealers participating in the 2008 survey believe the outlook for compact tractors is solid, as 40.6% project unit sales will improve by 2% or more and 89.1% are expecting sales to be as good as or better than 2007.

Of all the tractor classes, only row-crop tractors (>100 hp) are expected to show less improvement, with 37.5% of dealers forecasting unit growth of 2% or more, and 92.5% feeling sales will be as good as or better than last year. Sales of utility tractors (40-100 hp) are projected to increase 2% or more by 44.5% of the dealers, while 92.5% expect sales to remain the same or grow compared with ‘07.

Sales of 4WD units are forecast to improve 2% or more by 43.5% of North American dealers, while 92.5% feel they will improve or stay at the same level of 2007.

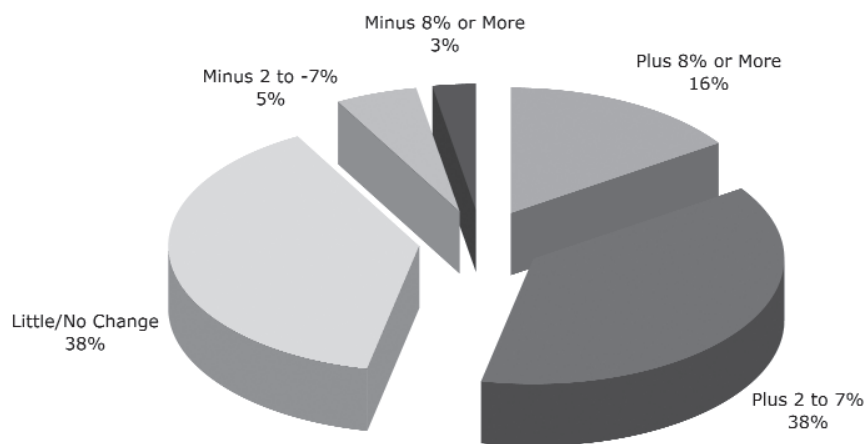
North American dealers also see the sales of combines making a come-

### North American Dealers’ Projections for New Equipment Unit Sales — 2008



Compared to last year when 66.9% of North American dealers projected sales levels would be as good or better than ‘06, this year nearly 89% of dealers see sales as good or better than in ‘07.

### North American Dealers’ Projections for Used Equipment Unit Sales — 2008



If dealers can find “good” used equipment to sell, 92% of them feel sales levels for ‘08 will be as good as or better than ‘07 compared with 82% that projected increased sales last year.

back as well. Among the nearly 94% that see combines unit sales as good or better than in 2007, nearly one-third see volumes growing 2% or more during the coming year.

### Regardless of Color

When it comes to dealers with the most confidence about business prospects for 2008, there's little difference in their forecasts regardless of the colors they sell. With the exception of AGCO dealers, only 85% of whom project business levels to be as good as or better than '07, which ranked lowest in this grouping, the difference between the rest of the dealers broken out by mainline supplier was negligible.

In terms of confidence levels for 2008 — that business will be as good as or better than 2007 — the dealers ranked by brand are as follows: Case IH 92.6%; independents 92.4%; Kubota 92.3%; New Holland 91.6%; John Deere 91.3%; AGCO 85%.

More than 71% of Case IH dealers see business levels increasing 2% or more for the year. John Deere retailers rank second in this category as 68.5% of them see sales rising 2% or more. They were followed by New Holland (65.3%), AGCO (60.9%), Kubota (53.8%) and the independent dealers (46.2%).

Those dealers expecting the biggest increases in sales in 2008 — +8% or more — are those handling John Deere machinery (19.6%) followed by Case IH (16%), AGCO dealers (14.9%), independents (15.4%), New Holland (13.7%) and Kubota (12.3%).

### Rising Costs, Top Concerns

With all of the optimism surrounding prospects for 2008, North American farm equipment dealers are realistic enough to know that the industry and overall economy has serious issues with which it will need to come to grips.

Among the major concerns causing dealers to lose sleep are the rising costs of health care, energy and fuels, new equipment and interest rates. As usual, the availability of service technicians and the shrinking farm customer base continues to weigh upon

(Continued on page 9)

### North American Unit Sales of Tractors and Combines in 2007\*

	U.S.	Canada
2WD Tractors (<40 hp)	-4.1%	+18.9%
2WD Tractors (40-100 hp)	+4.9%	-1.0%
2WD Tractors (>100 hp)	+15.5%	+0.3%
4WD Tractors (All)	+8.6%	+8.8%
Total Tractors	+0.5%	+9.1%
Combines	+14.2%	-7.9%

\*Year to date through September

Source: AEM

### North American Unit Sales Projections for New & Used Equipment for 2008

2008 vs. 2007	New Equipment		Used Equipment	
	U.S.	Canada	U.S.	Canada
+8% or More	14.8%	22.0%	15.0%	20.0%
+2-7%	44.3%	48.0%	37.0%	44.4%
Little or No Change	29.8%	28.0%	39.6%	31.2%
-2-7%	6.0%	2.0%	5.5%	2.2%
-8% or More	5.1%	0.0%	2.9%	2.2%

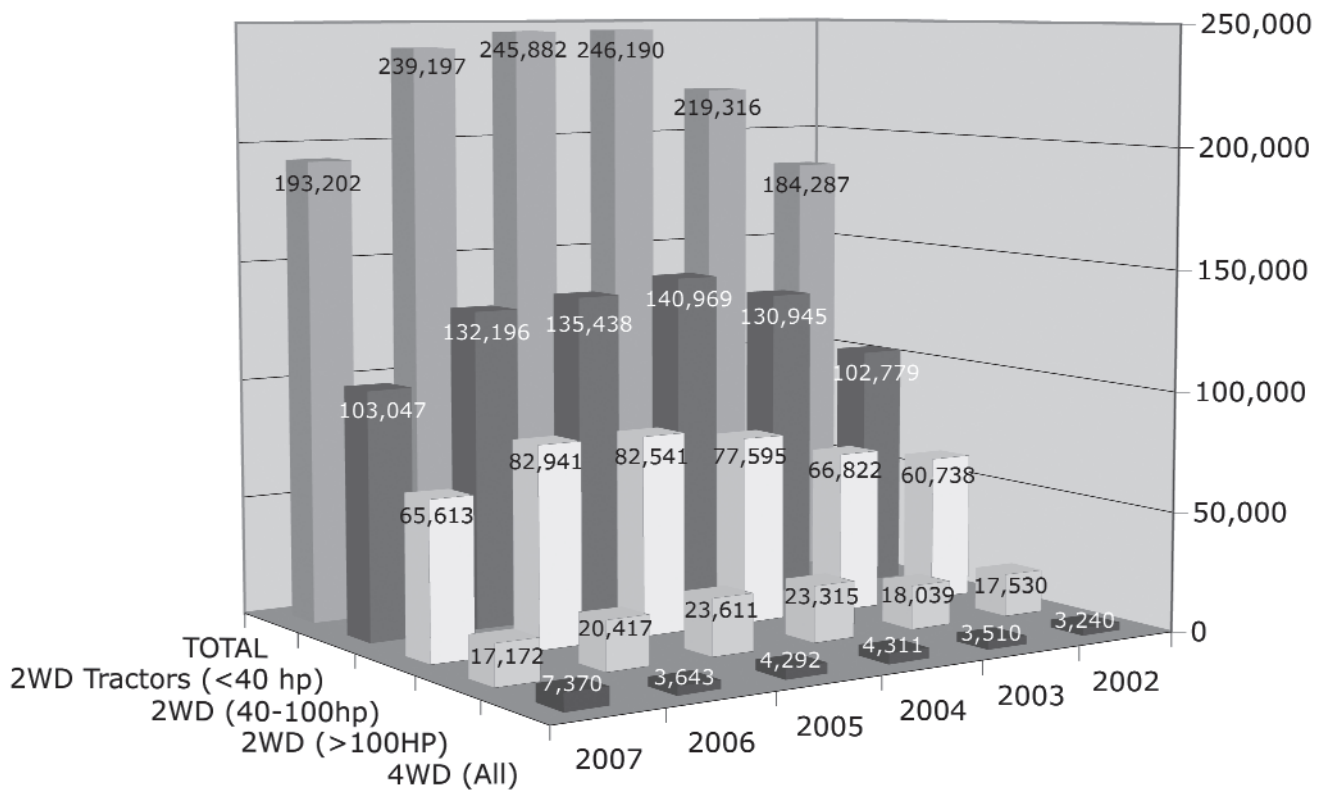
### North American Unit Sales Projections for Tractors & Combines in 2008

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
2WD (<40 hp)	7.4%	33.2%	48.6%	7.0%	3.8%
2WD (40-100hp)	8.4%	36.1%	48.0%	5.2%	2.3%
2WD (>100HP)	9.7%	27.7%	55.1%	4.1%	3.4%
4WD (All)	7.8%	35.7%	49.1%	4.6%	2.9%
Combines	6.2%	26.8%	60.9%	2.9%	3.2%

### North American Unit Sales Projections for Other Equipment in 2008

Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Chisel Plows	1.4%	11.0%	76.0%	7.1%	4.5%
Field Cultivators	2.2%	14.8%	70.5%	8.6%	3.9%
Rectangular Balers	2.7%	19.1%	69.4%	4.5%	4.3%
Forage Harvesters	2.9%	10.5%	77.9%	5.5%	3.2%
Air Seeders/Drills	3.0%	15.7%	73.2%	4.8%	3.3%
Pull-Type Sprayers	3.7%	16.8%	71.6%	4.5%	3.4%
Windrower/Swathers	4.1%	19.5%	70.2%	4.4%	1.8%
Disc Harrows	4.4%	21.0%	65.8%	5.2%	3.6%
Round Balers	4.8%	32.2%	54.7%	5.0%	3.3%
Mower Conditioners	5.9%	33.2%	52.3%	5.9%	2.7%
Self Propelled Sprayers	6.4%	16.8%	71.9%	2.1%	2.8%
Farm Loaders	7.3%	37.6%	50.1%	3.8%	1.2%
Planters (All)	9.7%	29.8%	54.8%	4.3%	1.4%
Lawn/Garden	12.2%	38.8%	38.7%	7.5%	2.8%
GPS	20.5%	26.8%	50.1%	0.9%	1.7%

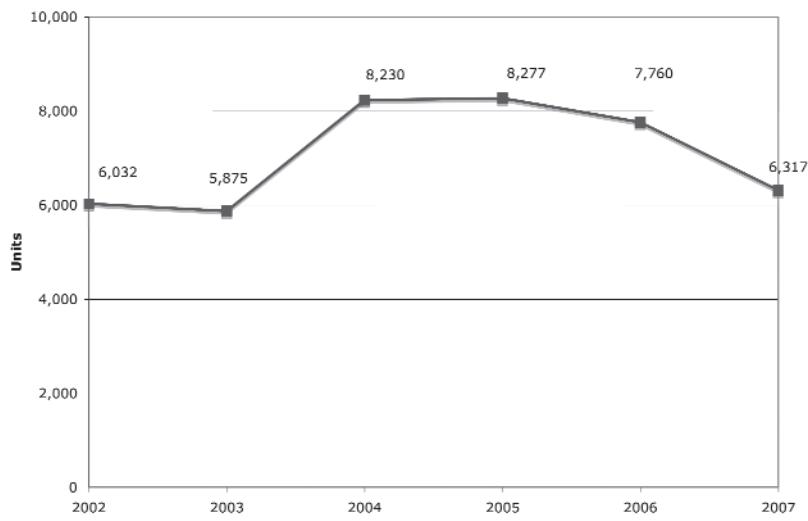
### North American Unit Retail Tractor Sales — 2002-07 (\*through September 2007)



Source: AEM \*Year to date through September

Total North American unit sales of tractors through September '07 stood at 188,738 units, almost 1% higher than sales during the same period of 2006. The only category that showed slower growth was the under-40 hp tractors in the U.S., which had slipped by 4.8% through September.

### North American Combine Sales — 2002-07 (\*through September 2007)



Source: AEM \*Year to date through September

North American combine sales through September 2007 reached 6,317 units compared with 5,687 units sold during the same period of 2006.



### Dealer Hiring Plans — 2008 vs. 2007

	2008			2007		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	27.0%	70.7%	2.3%	28.5%	68.4%	3.1%
Service Technicians	57.0%	42.4%	0.6%	61.5%	38.0%	0.5%
Wholegood Sales	28.0%	70.3%	1.7%	26.4%	70.2%	3.4%
Administration	5.5%	90.5%	4.0%	8.8%	85.6%	5.6%

dealership managers, as well.

While affordable health care was rated as the biggest issue with which most dealers are concerned, when ranking their concerns by “most concerned” and “concerned,” fuel costs aren’t far behind. There’s a reason the U.S. Congress mandated the increasing use of ethanol and raised the requirements for average fuel economy for cars, SUVs and pickup trucks by 40% to 35 mpg by 2020.

Nearly 97% of dealers responding to the most recent survey were “most concerned” or “concerned” with rising energy and fuel costs. Last year, 98.1% of equipment retailers listed this as one of their most pressing issues. Despite the push for corn ethanol, this a problem that’s not expected to go away anytime soon.

Health care costs continue to be high on the dealers’ list of challenges and, like energy costs, present no simple answers. As the 2008 presidential race heats up, we can expect to hear all sorts of solutions, but the best that dealers can hope for is to try to keep a lid on costs while providing employees with adequate insurance coverage.

Ranked third by U.S. dealers and first by those in Canada, the availability of talented service technicians continues to be a major headache for equipment dealers, especially as they push to increase service absorption rates.

New entries on the dealers’ list of concerns for ‘08 include interest rates, with 89.1% of dealers listing it as an issue they’re “most concerned” or “concerned” with, and commodity/crop prices with 83.8% saying this a pressing issue.

### Dealers Increasing Spending

Dealers are planning to invest significantly more dollars in their stores during 2008. Last year, just over half

### Dealer Spending Plans for 2008

No Change	31.6%
1-5%	51.4%
6-10%	11.6%
+11% or more	5.4%

### Where Dealers Will Invest in 2008

Shop & Service Modernize	Retail Modernize	Bus. Info. Systems
63.6%	48.5%	48.7%

### Dealer Issues and Concerns for 2008

Greatest Concerns	Most Concerned	Concerned	Not Concerned	2006 Ranking
Health Care Affordability	57.9%	33.5%	8.6%	2
Energy/Fuel costs	55.8%	40.9%	3.3%	1
Technician Availability	49.3%	37.4%	13.3%	4
Increasing Cost of New Equipment	43.3%	49.8%	6.9%	3
Shrinking Farm Customer Base	38.1%	48.4%	13.5%	5
Interest Rates	32.7%	56.4%	10.9%	N/A
Manufacturer Purity Efforts	30.6%	43.8%	25.6%	6
Product Reliability	30.2%	49.9%	19.9%	8
Commodity Prices	27.7%	56.1%	16.2%	N/A
Industry Consolidation	26.1%	51.4%	22.5%	9
Steel Prices/Supplies	23.1%	60.5%	16.4%	7
Next Farm Bill	18.1%	54.9%	27.0%	10
Impact of Competing Box Stores	15.2%	47.0%	37.8%	11
Succession Policies	12.2%	48.1%	39.7%	12
Internet Sales	9.7%	47.8%	42.5%	13

### 2008 Dealer Projections for New Equipment Sales by Major Line

Mainline	Up 8% or More	Up 2-7%	Little or No Change	Down 2-7%	Down 8% or More
AGCO	14.9%	46.0%	24.2%	5.7%	9.2%
Case IH	16.0%	55.3%	21.2%	6.4%	1.1%
John Deere	19.6%	48.9%	22.9%	4.3%	4.3%
Kubota	12.3%	41.5%	38.5%	4.6%	3.1%
New Holland	13.7%	51.6%	26.3%	8.4%	0.0%
Independent	15.4%	30.8%	46.1%	2.9%	4.8%

## Equipment Sales Will Ride the Corn-Ethanol Wave into 2008

While some industry watchers say the ethanol bubble that fueled the increased sales of farm equipment in 2007 will burst sometime soon, Seth Weber, machinery analyst for the Bank of America sees an ethanol wave taking machinery makers and dealers to a banner year in 2008.

In his forecast for ag equipment sales for 2008, Weber contends the demand for ethanol will continue to push corn prices upwards, while dragging prices for other farm commodities along with it.

"Our ethanol supply/demand model forecasts run-rate annual ethanol capacity of more than 13 billion gallons by the end of 2009 from 6.9 billion gallons currently, implying a large increase in corn demand," says Weber.

"Given current commodity prices — lower corn prices, higher soybean and wheat prices — acreage will likely be bid away from corn, limiting its supply. Based on higher demand from ethanol and a rotation of crop acreage, we are forecasting corn prices of \$3.48 per bushel in 2008-09 up from \$3 per bushel in 2007-08," says Weber.

**Corn Projections** — In his analysis of corn production for the coming year, Weber points out that the USDA left its 2007-08 average farm price projection unchanged at \$2.80-\$3.40 per bushel (vs. \$3.03 in 2006-07), supported by strong soybean and wheat prices. Ending stocks are now projected at 1,675 million bushels (from 1,516 in August) due to higher production, offset partly by higher use.

Yield estimates increased to 155.8 bushels per acre (from 152.8). Corn use is projected at 100 million bushels higher due to increased feed and residual use and greater export demand, offset by lower ethanol use. Global corn production estimates for 2007-08 increased 2.6 million tons to 774.1 million tons, reflecting an increase in the U.S. that will be offset by rest-of-world declines. Global-use estimates were roughly unchanged at 769.6 million tons. Ending stocks are projected at 105.4 million tons, up from 102.2 million tons.

**Wheat Projections** — The USDA projects wheat ending stocks for 2007-08 at 362 million bushels, down from 404 million bushels a year ago due to lower imports and higher exports. This would represent the lowest level of carryout since 1973-74. Yield estimates remain at 40.6 bushels per acre. The 2007-08 price estimates were raised to \$5.50-\$6.10 per bushel (vs. \$5.10-\$5.70 in August).

Global wheat production forecast for 2007-08 has been lowered by 4.2 million tons to 606.2 million tons, mainly reflecting reduced production in the EU, Australia and Canada, which more than offset higher production in the former Soviet Union. Global use estimates moves down to 619.0 million tons (from 620.5), with ending stocks at 112.4 million tons (vs. 114.8).

**Soybean Projections** — The USDA increased its average price projection for soybeans by \$0.10 per bushel to \$7.35-\$8.35 (vs. \$6.40 in 2006-07). Beginning stocks are now estimated at 555 million bushels (vs. 575 in August) and production is slightly lower (41.4 bushels per acre vs. previous 41.5), which is offset by lower export demand. Ending stocks are now estimated at 215 million bushels (from 220 in August). Global soybean production is projected at 221.3 million tons (vs. 221.6 in August) and ending stocks are projected at 50.4 million tons vs. 51.6 in August.

"We believe the fundamentals are in place for a sustained global agriculture cycle," says Weber. "This will ultimately drive sales of tractors, combines and related machinery, as higher corn prices should translate to higher farm cash receipts. Machinery demand typically reacts to cash receipts and farm income, which reflect commodity prices, acreage planted, crop yields and government payments. Further, high corn prices have stimulated more corn planting, and we note that corn requires more intensive and advanced machinery for harvest compared to other crops."

(52.7%) were planning to increase capital spending. This has risen to 68.4% for 2008.

At the same time, 63% of dealers say they will increase their spending for shop and facilities improvement or modernization from 1-10%. Last year, only 49.8% indicated they would increase their spending in that same range.

The percentage of dealers planning to raise capital spending by 11% or more in 2008 nearly doubled the number planning to increase it by that much last year (5.6% vs. 2.9%). Slightly over half (51.4%) expect to increase shop and facilities spending by 1-5%, while 11.6% indicate spending will increase 6-10%. In 2007, only 40% planned to increase capital spending on their dealerships by 1-5% and 9.8% by 6-10%.

Shop and service modernization and improvement will get the bulk of

dollars that dealers plan to invest in facilities. Again, they plan to spend more heavily in '08 than they did in 2007.

More than 63.6% of dealers this year will invest in shop and service improvements, 48.5% intend to modernize the retail environment of their stores and 48.7% intend to upgrade business information systems.

### Staffing Stays Static

When it comes to adding staff, dealers are revealing their cautious natures. Comparing hiring plans for the next year to their intentions last year at this time shows no significant difference.

If they intend to hire, they'll be looking for service technicians — if they can find them — before adding sales, parts or administrative personnel. Last year 61.5% of dealers planned to add service techs while this slipped to 57% for 2008.

### Projected Revenue Increase by Equipment Category for 2008 (weighted averages)

2WD Tractors (40-100 hp)	1.89%
Self-Propelled Sprayers	1.89%
GPS	1.89%
Chisel Plows	1.89%
Planters (All)	1.81%
4WD Tractors (All)	1.79%
2WD Tractors (>100 hp)	1.57%
Disc Harrows	1.57%
Pull-Type Sprayers	1.57%
Mower/Conditioners	1.48%
2WD Tractors (<40 hp)	1.47%
Farm Loaders	1.47%
Air Seeders/Drills	1.47%
Lawn/Garden Equipment	1.47%
Round Balers	1.34%
Combines	1.31%
Windrower/Swathers	0.86%
Rectangular Balers	0.53%
Forage Harvesters	0.20%
Field Cultivators	0.14%

## PART II — U.S. OUTLOOK

### U.S. Dealers Reverse ‘So-So’ 2007 Outlook for ‘08

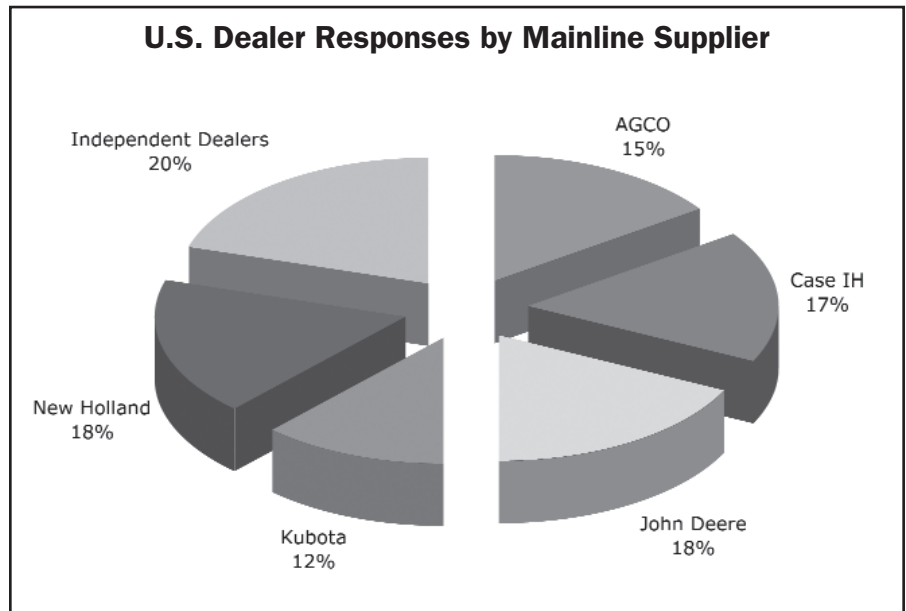
Compared to the number of U.S. dealers last year who felt downright pessimistic about prospects for 2007, nearly double that number are forecasting far better results for new equipment sales in the year ahead.

More than 34% of U.S. dealers that participated in *AEI's Business Trends Survey* last year projected unit sales of new equipment during 2007 would fall 2% or more, while 27.5% forecast little or no change in overall revenues. This left less than 40% who believed sales would improve by more than 2%.

Results of the 2008 survey reversed those sentiments. Over 59% of U.S. dealers believe business will improve by 2% or more this coming year. Combined with the 29.8% that see little or no change in overall unit sales, 88.9% see retail sales of new equipment being as good or better in 2008 than last year.

An even larger percentage of U.S. dealers — 92.2% — believe sales of used equipment will surpass the unit levels they achieved in 2007. Only 8.4% expect 2008 sales of used equipment to fall below last year's levels.

The biggest problem dealers may have in living up to their forecast for used machinery is finding “good” machines. An Iowa dealer remarked



Of the more than 500 survey responses this year, 85% came from U.S. dealers. How they break out by mainline supplier is showed here.

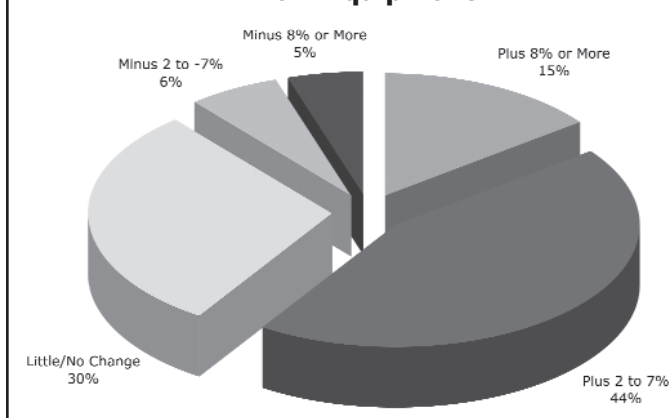
<b>Average Employment of Participating U.S. Dealerships:</b>	27.23
<b>Average Number of Stores Operated by U.S. Dealerships:</b>	2.09

in July that he would have had a tremendous year if he had any equipment to sell. After looking for 3 weeks for good used tractors, he gave up, explaining that even the “junk” was selling at premium prices.

#### Best Bets for 2008

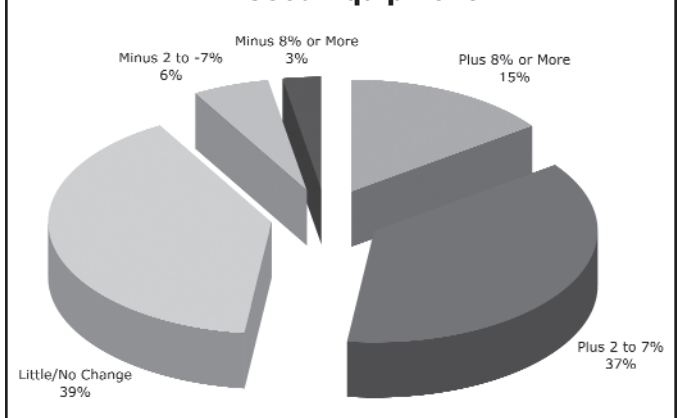
Of the 20 categories of equipment ranked, as they did last year, U.S. dealers again rated GPS/auto-steer systems as the best bet for improving unit sales in '08. As the price of these

#### U.S. Dealers' Projections for Unit Sales 2008 — New Equipment



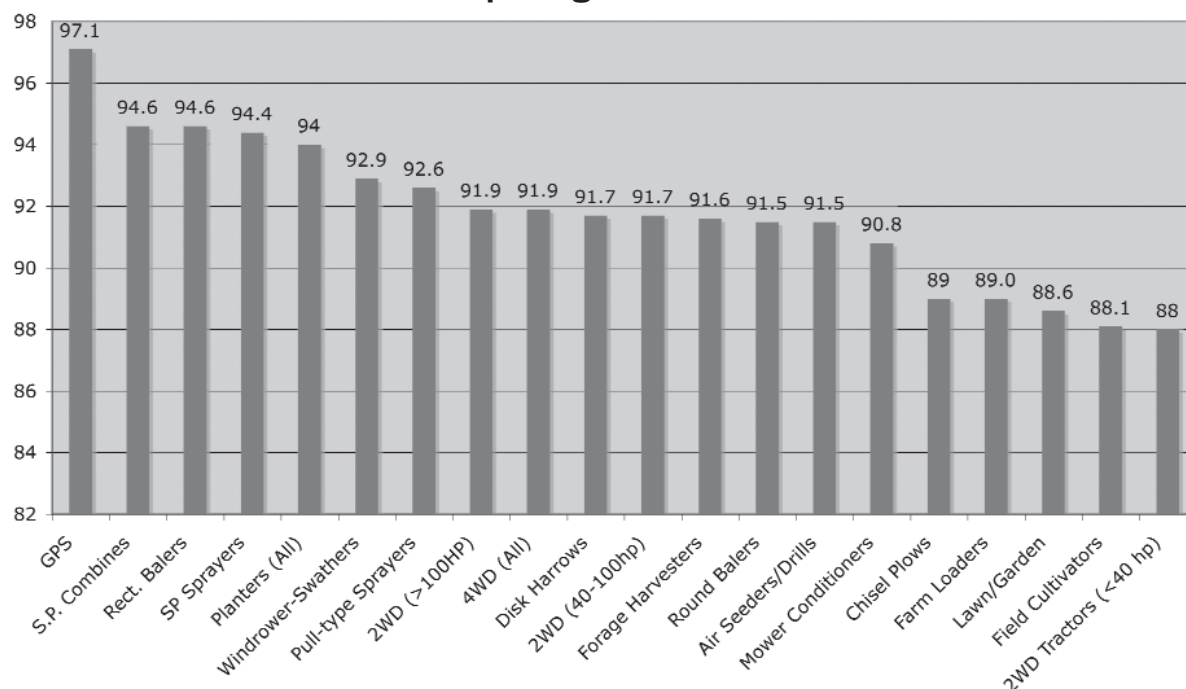
Nearly 90% of U.S. dealers believe new equipment sales in 2008 will be as good or better than 2007. This compares with only 65% that projected similar results last year at this time.

#### U.S. Dealers' Projections for Unit Sales 2008 — Used Equipment



Compared to last year when 82% of U.S. dealers forecast used equipment sales would be as good or better than those in '06, this year 91% of dealers are looking for increased sales levels.

### Best Bets for Improving Unit Sales in 2008 — U.S.



Compared to AEI's 2007 survey when only one equipment group —GPS-auto-steer —cracked the 90% level in dealer responses, only 5 equipment categories didn't make the 90% level of dealers that believe sales will be as good or better than 2007 with this year's survey.

### U.S. Unit Sales Projections for Other Equipment in 2008

Equipment	Up 8% or More	Up 2-7%	Little or No Change	Down 2-7%	Down 8% or More
Rectangular Balers	2.8%	21.3%	70.6%	5.3%	0.0%
Round Balers	4.9%	32.6%	54.0%	5.1%	3.4%
Forage Harvesters	3.0%	10.3%	78.4%	5.0%	3.3%
Planters (All)	10.2%	28.9%	54.9%	4.4%	1.6%
Mower/Conditioners	5.4%	32.4%	52.9%	6.2%	3.1%
Windrower/Swathers	3.7%	17.5%	71.7%	5.1%	2.0%
Field Cultivators	2.5%	15.0%	70.6%	7.8%	4.1%
Farm Loaders	6.8%	36.8%	51.2%	3.9%	1.3%
Chisel Plows	1.6%	10.8%	76.6%	6.6%	4.4%
Disc Harrows	4.9%	20.5%	66.3%	4.3%	4.0%
Air Seeders/Drills	2.1%	13.0%	76.3%	4.8%	3.8%
Self Propelled Sprayer	5.6%	16.2%	72.9%	2.4%	3.1%
Pull Type Sprayers	2.9%	17.6%	72.2%	3.5%	3.8%
Lawn/Garden Equipment	11.9%	38.5%	38.2%	8.2%	3.2%
GPS/Auto Steer	20.9%	25.4%	50.8%	2.0%	0.9%

systems has dropped, dealers indicate that interest has grown rapidly, largely the result of the advantages they offer for reducing input costs and improving grower productivity.

What may be the biggest surprise is what dealers see in the year ahead for combines. Last year at this time, only 76% of equipment sellers saw combines as having potential to improve unit sales in 2007. This time around, nearly 97% see combine sales as having potential for improving sales revenues in the year ahead. It appears that the momentum that "big" equipment gained mid-way through 2007 will carry over into the new year.

Another equipment category that is expected to perform at vastly improved levels in '08 compared with expectations last year is planters. Placing 13th on the dealers' list of best bets in '07 with a 76.5% response rate, this year, 94% of dealers see planters as having solid potential for improved sales, putting it fourth on their list.

Like 2007, equipment retailers again placed self-propelled sprayers third on their list in '08, as 94.4% say

### Projected U.S. Unit Retail Tractor & Combine Sales — 2008

Tractor Type (size)	Up 8% or More	Up 2-7%	Little or No Change	Down 2-7%	Down 8% or More
2WD (<40 hp)	7.3%	30.6%	50.2%	7.6%	4.3%
2WD (40-100 hp)	8.4%	35.0%	48.4%	5.6%	2.6%
2WD (>100HP)	8.9%	27.4%	55.6%	4.3%	3.8%
4WD (All)	7.3%	36.8%	47.8%	4.9%	3.2%
Combines	5.6%	26.1%	62.7%	2.3%	3.3%



they see strong promise for this group.

Though still seen as likely to improve unit sales in '08 by at least 88% of dealers, farm loaders and lawn and garden equipment fell the most of any equipment categories for 2008 compared with the year earlier. Farm loaders were fourth on the dealers' list last year and lawn and garden fifth, but are ranked 12th and 13th, respectively, for the coming year.

The fall off for farm loaders follows a couple of strong years and sales may coincide with what dealers believe will be a slowdown in sales of compact and utility tractors. Under 40-hp tractors fell from a ninth-place ranking in 2007 to 15th this year.

Dealers also expect to see an overall slowdown in sales of lawn and garden equipment during the year ahead. Some say this segment has become extremely competitive as dealers not only vie with box stores, but also with other equipment retailers that are staking claims in this market segment. The drop in lawn and garden sales, in all likelihood, corresponds with the plunge in housing sales during the past year which is expected to carry over into 2008.

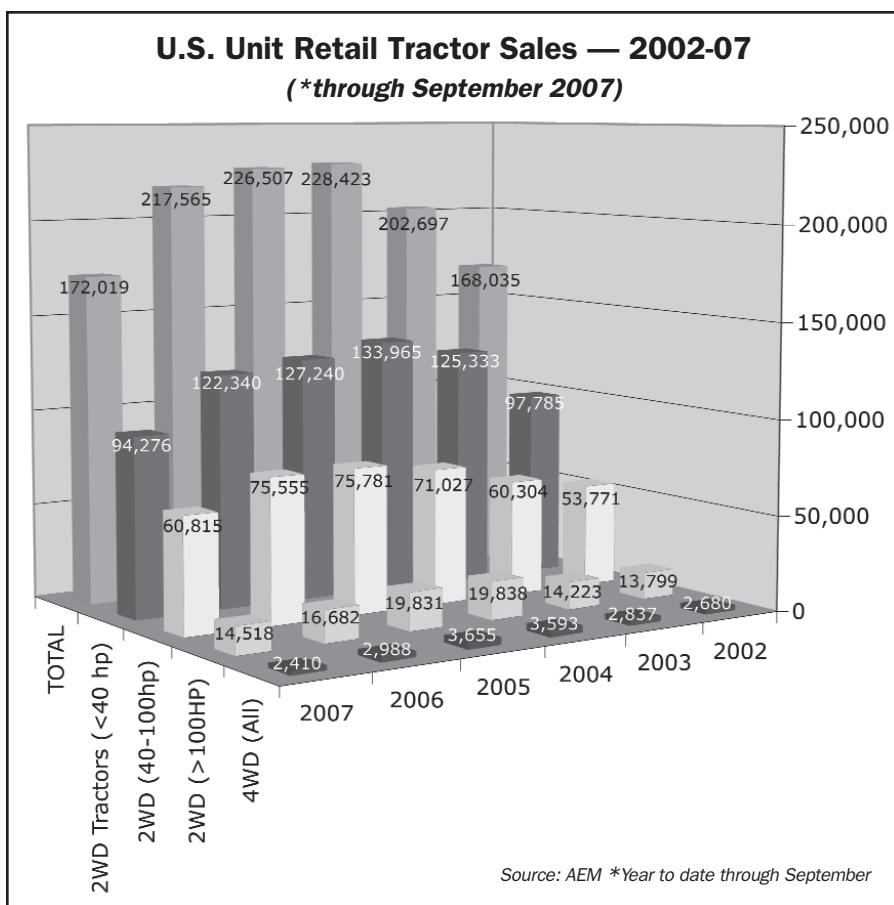
Overall, in addition to combines and self-propelled sprayers, sales of big-ticket equipment is projected to improve substantially in 2008. Both 2WD tractors (>100 hp) and 4WD units moved up on the dealer list this year with a tie for seventh place from 16th and 17th last year at this time.

## U.S. FORECAST BY REGION

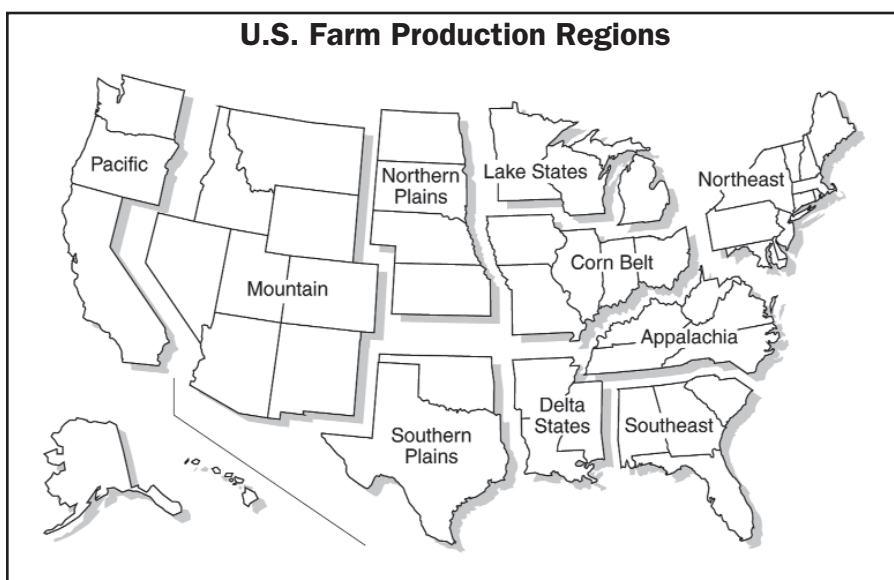
### Delta and Plains States Anticipate Strong Gains

On a regional basis, dealers located in the Delta States (Arkansas, Louisiana, Mississippi,) and Southern (Oklahoma, Texas) and Northern Plains (Kansas, Nebraska, N. Dakota, S. Dakota) are easily the most optimistic about unit sale increases in 2008.

On a differential basis (% dealers expecting revenue increases vs. % of dealers expecting revenue losses),



U.S. sales of every category of tractor except compacts (<40 hp) are up by 0.4% through September of 2007 compared to the same period last year. 2WD units over 100 hp are up 20.3%.



For statistical breakout purposes, the agriculture regions of the U.S. in this report follows that of the USDA. The agency breaks out agriculture by 10 major farm producing regions based on differences in soil, slope of land, climate, distance to market and storage and marketing facilities. The regional data from the AEI Business Outlook & Trends survey are presented on the next several pages of this report. It is followed by state-by-state data.

### Dealers Expecting Revenue Gains vs. Losses — 2008 vs. 2007

	Differential For 2008	Differential For 2007
1. Delta States	+73.7%	+6.2%
2. Southern Plains	+73.4%	+32.3%
3. Northern Plains	+72.0%	-38.8%
4. Mountain	+51.0%	+27.3%
5. Pacific	+50.0%	+61.5%
6. Lake States	+48.8%	-8.9 %
7. Corn Belt	+43.5%	-6.8%
8. Northeast	+38.5%	+25.0%
9. Appalachia	+21.6%	-10.7%
10. Southeast	+11.1%	+32.5%

### U.S. Regional Expectations for Sales Revenue Gains vs. Losses in 2008

Region	Expecting Gains	Expecting Losses	Little or No Change
Northeast	51.1%	12.8%	36.1%
Appalachia	45.3%	23.7%	31.0%
Southeast	27.8%	16.7%	55.5%
Delta States	79.0%	5.3%	15.7%
Lake States	60.1%	11.3%	28.6%
Corn Belt	56.5%	13.0%	30.5%
Northern Plains	76.0%	4.0%	20.0%
Southern Plains	76.7%	3.3%	20.0%
Mountain	55.5%	3.7%	40.8%
Pacific	60.7%	10.7%	28.6%

### Dealer Issues & Concerns for 2008

Greatest Concerns	Most Concerned	Concerned	Not Concerned
Health Care Affordability	63.7%	32.9%	3.4%
Energy/Fuel Costs	57.2%	39.9%	2.9%
Technician Availability	47.4%	38.1%	14.5%
Rising Cost of New Equipment	45.8%	48.7%	5.5%
Shrinking Farm Customer Base	38.0%	48.3%	13.7%
Interest Rates (na)	34.3%	55.6%	10.1%
Mfr. Purity Efforts	32.7%	43.9%	23.4%
Product Reliability	30.7%	49.2%	20.1%
Industry Consolidation	27.0%	51.2%	21.8%
Commodity Prices (na)	26.1%	56.7%	17.2%
Steel Prices/Supplies	24.4%	61.1%	14.5%
Impact of Box Stores	16.3%	47.4%	36.3%
Succession Policies	11.0%	50.1%	38.9%
Internet Sales	10.3%	47.9%	41.8%

equipment sellers in the Delta region of the U.S. came in first this year with a differential of 73.7%. This is a major turn around when you consider its differential last year was only 6.2%. Last year dealers in these three states

were anticipating a significant loss of cotton acres to corn (ethanol again), but perhaps it's the expected return of cotton acres and the anticipated improving price of cotton that has these dealers looking toward the com-

ing year with a favorable attitude.

Some analysts believe 2008 will see a major uptick in cotton pricing, which has been one of the cheapest commodities around. According to a report on bloomberg.net, Roland Jansen of the Mother Earth Resources fund in Liechtenstein believes cotton may gain 66% to \$1 a pound in 2008 from its current 60.3 cents. This would be the commodity's biggest increase since 2003.

Dealers in both the Southern (73.4% differential) and Northern Plains (72%) are also projecting higher sales revenues in 2008 vs. '07. With the large farms, which characterize these regions, and the comeback of big equipment sales, a large percentage of these dealers are expecting a solid sales year.

These are significant comebacks in terms of forecasting compared with last year, particularly in the case of dealers in the Northern Plains. For 2007, dealers in the northern region had a differential of -38.8% (55.5% projected revenue losses vs. 16.7% predicting gains).

On the other end of the spectrum, there's only a 11.1% differential for dealers in the Southeast as only 27.8% are projecting revenue gains and 16.7% are forecasting losses.

*A region-by-region breakdown appears on p. 15-16 in this report. With the regional breakout this year is the average number of stores operated by dealer organizations. This is followed by a state-by-state breakout on p. 17-19.*

### Rising Costs Biggest Dealer Concerns

Of the top 6 concerns on U.S. dealers' mind for the coming year, rising costs for both the retailers and their customers, as well as finding service technicians, dominate the list. Add the continued shrinkage of the farm-customer base and it becomes clear dealers have short- and long-range challenges with which to deal.

The ongoing battle to provide employees with affordable health care jumped ahead of escalating costs of energy and fuel this year as the dealers' top concern going into 2008.

### U.S. Dealer Spending Plans for 2008

No Increase	32.3%
0 to +5%	51.4%
6 to 10%	11.0%
+11%o	5.3%

Likewise, longer-term challenges of finding and keeping talented service technicians, the rising cost of new equipment and concerns about the shrinking base of professional farm operators, rounded out the dealers' top 5 list of concerns.

Added to the roster of worries this year is anxiety about interest rates, which adds to dealer opportunities for improving sales. The recent cuts in lending rates, may ease this concern somewhat.

### Spending Plans Up, Hiring Static

Like their customers, when sales and revenues increase, dealers increase the investment in their operations. Plans to augment spending in 2008 doesn't necessarily include adding staff, though.

Two-thirds (76.7%) of U.S. dealers are planning to hike their investment in operations compared to slightly over half (52.6%) last year. The bulk of the increased spending this year will go toward modernizing and improving shop operations (63.1%), upgrading business systems (49.5%)

and enhancing retail elements (48.5%) of the dealership

Generally, U.S. dealers don't plan to increase staffing levels. While more than half (55%) say they would add service techs, last year nearly 60% planned to increase their employment levels in service. Otherwise, it appears that no significant plans are underway to increase employment numbers at most dealerships.

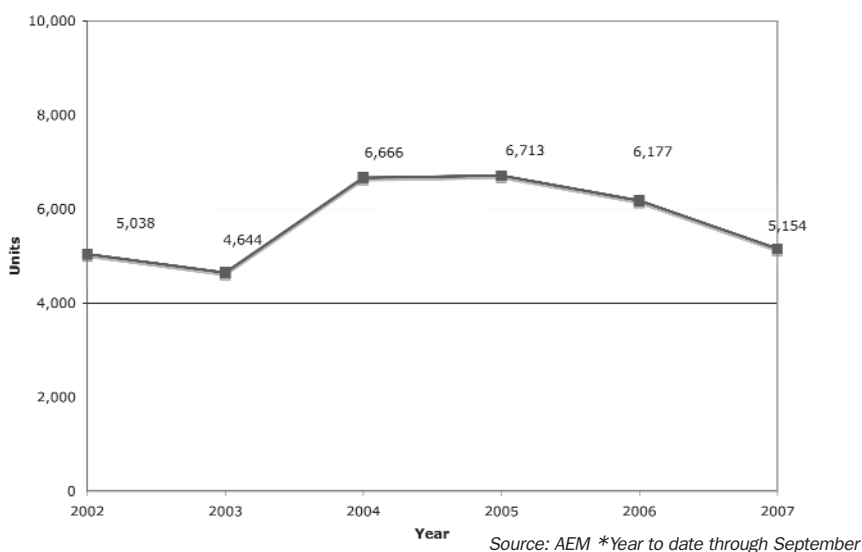
### Where U.S. Dealers Will Invest in 2008

Shop & Service Modernize	Retail Modernize	Bus. Info. Systems
63.1%	48.5%	49.5%

### U.S. Dealers' Hiring Plans 2008

	Add Staff 2008	Add Staff 2007
Parts Department	26.3%	27.9%
Service Technicians	55.0%	59.7%
Wholegood Sales	27.0%	24.6%
Administration	5.4%	8.5%

### U.S. Combine Sales — 2002-07 (\*through September 2007)



For the period of January through September 2007, U.S. sales of combines are up 15.3% compared to the same period in 2006.

## U.S. Regional Breakdown of Dealers' Outlook for 2008

In AET's regional breakdown, the number following "expecting revenue gains," "expecting revenue losses" and "increasing capital spending" represent the percentage of dealers. Only the "Top 5" most promising opportunities (+2% or more growth) and major concerns are shown for each region.

#### Northeast

**Coverage:** Connecticut, Maine, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, Vermont, Delaware, Massachusetts & Rhode Island

**Average Employment:** 31.88

**Average Dealership Stores:** 1.71

**Expecting Revenue Gains:** 51.1%

**Expecting Revenue Losses:** 12.8%

**Weighted Average Gains or (Losses):** 1.95%

**Increasing Capital Spending:** 68.8%

**Most Promising Opportunities:** 4WD Tractors, Lawn & Garden, Farm Loaders, 2WD Tractors (40-100 hp), Mowers/Conditioners

**Major Concerns:** Health Care, Energy Costs, Tech Availability, Cost of New Equipment, Shrinking Farm Base

#### Appalachia

**Coverage:** Kentucky, North Carolina, Tennessee, Virginia, West Virginia

**Average Employment:** 15.58

**Average Dealership Stores:** 1.46

**Expecting Revenue Gains:** 45.3%  
**Expecting Revenue Losses:** 23.8%  
**Weighted Average Gains (Losses):** 0.64%  
**Increasing Capital Spending:** 55.50%  
**Most Promising Opportunities:** Lawn & Garden, GPS, Farm Loaders, Rectangular Balers, 4WD Tractors  
**Major Concerns:** Energy Costs, Health Care, Farm Base, Cost of New Equipment, Interest Rates

#### **Southeast**

**Coverage:** Alabama, Florida, Georgia, South Carolina  
**Average Employment:** 12.44  
**Average Dealership Stores:** 1.35  
**Expecting Revenue Gains:** 27.8%  
**Expecting Revenue Losses:** 16.7%  
**Weighted Average Gains (Losses):** 0.5%  
**Increasing Capital Spending:** 62.6%  
**Most Promising Opportunities:** 2WD Tractors (<40 hp), Farm Loaders, 2WD Tractors (40-100 hp), Round Balers, 4WD Tractors  
**Major Concerns:** Energy Costs, Box Stores, Industry Consolidation, Purity Efforts, Cost of New Equipment

#### **Delta States**

**Coverage:** Arkansas, Mississippi, Louisiana  
**Average Employment:** 22.32  
**Average Dealership Stores:** 2.26  
**Expecting Revenue Gains:** 79.0%  
**Expecting Revenue Losses:** 5.3%  
**Weighted Average Gains (Losses):** 3.87%  
**Increasing Capital Spending:** 72.2%  
**Most Promising Opportunities:** Farm Loaders, Lawn & Garden, 4WD Tractors, Round Balers, Disc Harrows  
**Major Concerns:** Tech Availability, Cost of New Equipment, Purity Efforts, Health Care, Farm Bill

#### **Southern Plains**

**Coverage:** Oklahoma, Texas  
**Average Employment:** 20.39  
**Average Dealership Stores:** 1.9  
**Expecting Revenue Gains:** 76.7%  
**Expecting Revenue Losses:** 3.3%  
**Weighted Average Gains (Losses):** 3.89%  
**Increasing Capital Spending:** 74.2%  
**Most Promising Opportunities:** Farm Loaders, Lawn & Garden, 2WD Tractors (40-100 hp), Mower/Conditioners, 4WD Tractors,  
**Major Concerns:** Tech Availability, Health Care, Purity Efforts, Interest Rates, Cost of New Equipment

#### **Northern Plains**

**Coverage:** Kansas, Nebraska, North Dakota, South Dakota  
**Average Employment:** 23.23  
**Average Dealership Stores:** 1.78  
**Expecting Revenue Gains:** 76.0%  
**Expecting Revenue Losses:** 4.0%  
**Weighted Average Gains (Losses):** 4.08%  
**Increasing Capital Spending:** 77.5%

**Most Promising Opportunities:** GPS, Planters, Round Balers, Farm Loaders, 2WD Tractors (>100 hp)  
**Major Concerns:** Health Care, Tech Availability, Purity Efforts, Cost of New Equipment, Farm Base

#### **Lake States**

**Coverage:** Michigan, Minnesota, Wisconsin  
**Average Employment:** 20.41  
**Average Dealership Stores:** 2.04  
**Expecting Revenue Gains:** 60.1%  
**Expecting Revenue Losses:** 11.3%  
**Weighted Average Gains (Losses):** 2.33%  
**Increasing Capital Spending:** 63.4%  
**Most Promising Opportunities:** Lawn & Garden, Round Balers, 4WD Tractors, Planters, 2WD Tractors (40-100 hp)  
**Major Concerns:** Health Care, Energy Costs, Farm Base, Cost of New Equipment, Purity Efforts

#### **Corn Belt**

**Coverage:** Illinois, Indiana, Iowa, Missouri, Ohio  
**Average Employment:** 25.22  
**Average Dealership Stores:** 2.24  
**Expecting Revenue Gains:** 56.5%  
**Expecting Revenue Losses:** 13.0%  
**Weighted Average Gains (Losses):** 2.34%  
**Increasing Capital Spending:** 65.7%  
**Most Promising Opportunities:** Planters, GPS, Lawn & Garden, 2WD Tractors (>100 hp), 4WD Tractors  
**Major Concerns:** Health Care, Energy Costs, Cost of New Equipment, Tech Availability, Interest Rates

#### **Mountain**

**Coverage:** Arizona, Colorado, Idaho, New Mexico, Utah, Wyoming, Montana, Nevada  
**Average Employment:** 29.67  
**Average Dealership Stores:** 3.3  
**Expecting Revenue Gains:** 55.5%  
**Expecting Revenue Losses:** 3.7%  
**Weighted Average Gains (Losses):** 2.27%  
**Increasing Capital Spending:** 76.9%  
**Most Promising Opportunities:** Rectangular Balers, GPS, Windrowers/Swathers, Farm Loaders, 2WD Tractors (>100 hp)  
**Major Concerns:** Tech Availability, Purity Efforts, Cost of New Equipment, Health Care, Product Reliability

#### **Pacific**

**Coverage:** Alaska, California, Hawaii, Oregon, Washington  
**Average Employment:** 84.2  
**Average Dealership Stores:** 3.33  
**Expecting Revenue Gains:** 60.7%  
**Expecting Revenue Losses:** 10.7%  
**Weighted Average Gains (Losses):** 2.88%  
**Increasing Capital Spending:** 70.0%  
**Most Promising Opportunities:** 4WD Tractors, 2WD Tractors (40-100 hp), Lawn & Garden, 2WD Tractors (>100 hp), Farm Loaders  
**Major Concerns:** Tech Availability, Health Care, Energy Costs, Cost of New Equipment, Interest Rates



## State-by-State Breakout of Dealers' Forecast for 2008

In the following table, the states are ranked by "weighted average," which, in this case, is a measure of revenue increase vs. decrease that dealers are expecting in sales for 2008.

Sales Outlook 2008					
State	Weighted Average	US Rank	State	Weighted Average	US Rank
Utah (UT)	6.25%	1	Missouri (MO)	1.87%	23
Wyoming (WY)	6.25%	1	Virginia (VA)	1.81%	24
South Dakota (SD)	5.90%	2	Kentucky (KY)	1.75%	25
Washington (WA)	5.50%	3	Illinois (IL)	1.56%	26
Oklahoma (OK)	4.91%	4	Alabama (AL)	1.50%	27
Nebraska (NE)	4.73%	5	California (CA)	1.44%	28
Louisiana (LA)	4.50%	6	Ohio (OH)	1.22%	29
New Mexico (NM)	4.00%	7	Pennsylvania (PA)	1.07%	30
Arkansas (AR)	3.91%	8	Idaho (ID)	0.90%	31
Iowa (IA)	3.91%	8	Michigan (MI)	0.86%	32
Oregon (OR)	3.71%	9	Alaska (AK)	N/A	33
Texas (TX)	3.62%	10	Connecticut (CT)	0.00%	33
New York (NY)	3.50%	11	Delaware (DE)	N/A	33
Mississippi (MS)	3.40%	12	Florida (FL)	0.00%	33
Wisconsin (WI)	3.31%	13	Georgia (GA)	0.00%	33
Colorado (CO)	3.05%	14	Hawaii (HI)	N/A	33
Indiana (IN)	2.91%	15	Maine (ME)	0.00%	33
Kansas (KS)	2.83%	16	Montana (MT)	0.00%	33
Vermont (VT)	2.70%	17	New Hampshire (NH)	0.00%	33
Arizona (AZ)	2.66%	18	New Jersey (NJ)	0.00%	33
North Dakota (ND)	2.60%	19	Rhode Island (RI)	N/A	33
Minnesota (MN)	2.34%	20	South Carolina (SC)	0.00%	33
Massachusetts (MA)	2.25%	21	Tennessee (TN)	0.00%	33
Nevada (NV)	2.25%	21	North Carolina (NC)	-1.64%	34
Maryland (MD)	2.00%	22	West Virginia (WV)	-4.50%	35

The following table provides a state-by-state breakdown of the responses to *Ag Equipment Intelligence's* 2008 Business Outlook & Trends survey. The "Average Employment" column shows a simple calculation of total employment reported divided by the number of responses from dealers in each state. The "Average Stores" column includes the number of locations operated per respondent. The figures under the "New Equipment" and "Used Equipment" headings indicate the percentage of dealerships that report they are expecting gains in unit sales and (losses) in unit sales for the year. The "Weighted Average" shows the percentage of increase (decrease) the dealers in that state are expecting for the year. The figures shown under "Capital Spending" represent the percentage of dealers that intend to increase capital investments during the year. The "Gainers" listing indicates the "Top 5" product categories that dealers of each state believe has the best potential for increasing equipment sales for the year.

State	Average Employment	Average Stores	New Equipment Gains (Losses)	Used Equipment Gains (Losses)	Weighted Average	Capital Spending
<b>Alabama</b>	12.8	1.33	50% (16.7%)	25% (25%)	1.5	80%
<b>Gainers:</b> 2WD Tractors, (<40 hp), 4WD Tractors, Planters, SP, Sprayers, Field Cultivators						
<b>Arizona</b>	45.67	7.33	66.6% (33.3%)	33.3% (33.3%)	2.66	100%
<b>Gainers:</b> 2WD (40-100 hp), SP Sprayers, 2WD Tractors (<40 hp), Rect. Balers, Combines						
<b>Arkansas</b>	23.09	2.45	81.8% (9.1%)	44.4% (11.1%)	3.91	70%
<b>Gainers:</b> Farm Loaders, Lawn & Garden, Disc Harrows, Combines, 4WD Tractors						
<b>California</b>	35	3.75	46.7% (20.0%)	28.6% (21.4%)	1.44	47%
<b>Gainers:</b> 4WD Tractors, SP Sprayers, 2WD Tractors (>100 hp), 2WD Tractors (40-100 hp), Mowers/Conditioners						

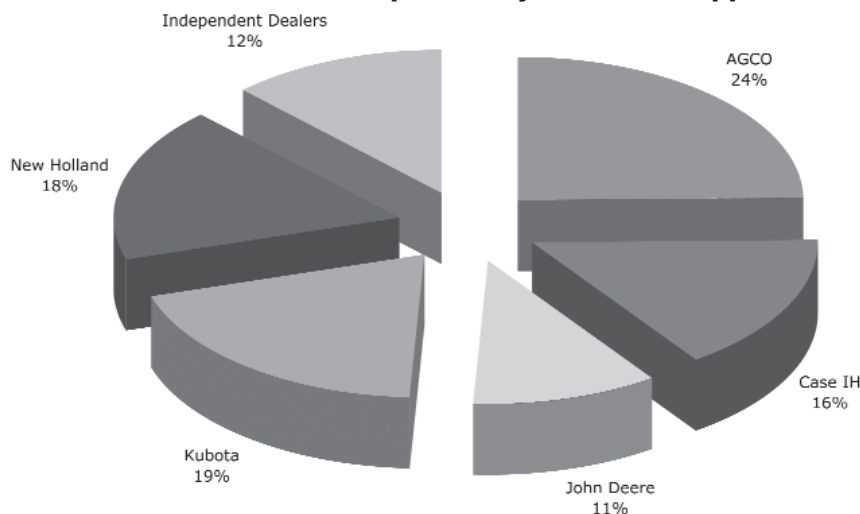
State	Average Employment	Average Stores	New Equipment Gains (Losses)	Used Equipment Gains (Losses)	Weighted Average	Capital Spending
<b>Colorado</b>	50.3	3	60% (0)	55.5% (0)	3.05	80%
<b>Gainers:</b> Windrowers/Swathers, 2WD Tractors (<40 hp), Farm Loaders, Round Balers, Mower/Conditioners						
<b>Connecticut</b>	14	1	0 (0)	0 (0)	0	100%
<b>Gainers:</b>						
<b>Florida</b>	22	1.5	0 (0)	0% (0)	0	50%
<b>Gainers:</b> 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 4WD Tractors, Round Balers, Mower/Conditioners						
<b>Georgia</b>	10.43	1.43	28.6% (28.6%)	28.6% (28.6%)	0	50%
<b>Gainers:</b> Farm Loaders, 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Lawn & Garden, 4WD Tractors						
<b>Idaho</b>	12.6	4.2	20% (0)	25% (0)	0.9	60%
<b>Gainers:</b> Windrowers/Swathers, Farm Loaders, 2WD Tractors (>100 hp), PT Sprayers, Lawn & Garden						
<b>Illinois</b>	27.97	2.47	48.4% (16.2%)	52% (4.0%)	1.56	62.5%
<b>Gainers:</b> Planters, 4WD Tractors, 2WD Tractors (<40 hp), 2WD Tractors (>100 hp), Lawn & Garden						
<b>Indiana</b>	24.36	1.67	66.6% (8.3%)	45.5% (0)	2.91	41.6%
<b>Gainers:</b> 2WD Tractors (<40 hp), Round Balers, Lawn & Garden, GPS, Planters, Mower/Conditioners						
<b>Iowa</b>	25.52	3.13	75% (4.2%)	73.9% (0)	3.91	77.8%
<b>Gainers:</b> GPS, 2WD Tractors (>100 hp), Planters, 4WD Tractors, Combines						
<b>Kansas</b>	26.69	1.92	66.7% (16.7%)	75% (25%)	2.83	100%
<b>Gainers:</b> GPS, Round Balers, Mower/Conditioners, Farm Loaders, 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp)						
<b>Kentucky</b>	14.19	1.5	50% (6.3%)	53.9% (7.7%)	1.75	73.3%
<b>Gainers:</b> Lawn & Garden, Round Balers, Forage Harvesters, Farm Loaders, 2WD Tractors (40-100 hp)						
<b>Louisiana</b>	33.75	2.75	100% (0)	50% (25)	4.5	100%
<b>Gainers:</b> 2WD Tractors (>100 hp), Lawn & Garden, 2WD Tractors (40-100 hp), Combines, Round Balers						
<b>Maine</b>	13	1	0 (0)	100% (0)	0	100%
<b>Gainers:</b> 4WD Tractors, Farm Loaders, Lawn & Garden						
<b>Maryland</b>	59.56	2.44	55.5% (11.1%)	57.2% (0)	2.0	66.7%
<b>Gainers:</b> 2WD Tractors (40-100 hp), 2WD Tractors (<40 hp), Farm Loaders, Mowers/Conditioners, Rectangular Balers,						
<b>Massachusetts</b>	9	1.5	50% (0)	0 (0)	2.25	50%
<b>Gainers:</b> 4WD Tractors, Rectangular Balers, Farm Loaders, Lawn & Garden						
<b>Michigan</b>	16.83	1.33	55.5% (27.8%)	53.3% (26.7%)	0.86	50%
<b>Gainers:</b> Mowers/Conditioners, Farm Loaders, Lawn & Garden, 2WD Tractors (40-100 hp), Round Balers,						
<b>Minnesota</b>	22.57	2.56	58.3% (8.4%)	70% (0)	2.34	66.7%
<b>Gainers:</b> GPS, 4WD Tractors, Planters, 2WD Tractors (>100 hp), Field Cultivators						
<b>Mississippi</b>	8.75	1.25	60% (0)	66.6% (0)	3.4	60%
<b>Gainers:</b> 4WD Tractors, Combines, Rectangular Balers, Planters, SP Sprayers, GPS						
<b>Missouri</b>	23	1.42	54.6% (27.3%)	45.5% (18.2%)	1.87	81.8%
<b>Gainers:</b> Round Balers, Lawn & Garden, 2WD Tractors (40-100 hp), PT Sprayers						
<b>Montana</b>	3	1	0 (0)	0 (0)	0	100%
<b>Gainers:</b> PT Sprayers, Lawn & Garden, GPS						
<b>Nebraska</b>	26.72	1.94	83.4% (0)	71.4% (0)	4.73	76.4%
<b>Gainers:</b> Combines, GPS, Lawn & Garden, 2WD Tractors (40-100 hp), Planters						
<b>Nevada</b>	10.5	1.5	50% (0)	0 (50%)	2.25	100%
<b>Gainers:</b> Lawn & Garden, GPS, Rectangular Balers, Chisel Plows, Field Cultivators						

State	Average Employment	Average Stores	New Equipment Gains (Losses)	Used Equipment Gains (Losses)	Weighted Average	Capital Spending
<b>New Hampshire</b>	22	1	0 (0)	100% (0)	0	100%
<b>Gainers:</b> 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Round Balers, Rectangular Balers, Farm Loaders, Lawn & Garden						
<b>New Jersey</b>	10	1	0 (0)	0 (0)	0	100%
<b>Gainers:</b>						
<b>New Mexico</b>	14.55	3	50% (0)	50% (50%)	4	100%
<b>Gainers:</b> 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), Farm Loaders, Lawn & Garden						
<b>New York</b>	31.73	2.09	72.7% (9.1%)	50% (0)	3.5	72.7%
<b>Gainers:</b> Combines, 4WD Tractors, GPS, Round Balers, Farm Loaders						
<b>North Carolina</b>	25.14	1.57	28.6% (42.9%)	50% (25%)	-1.64	28.6%
<b>Gainers:</b> Rectangular Balers, Farm Loaders, Round Balers, Mower/Conditioners, Lawn & Garden						
<b>North Dakota</b>	11	1.7	50% (0)	44.4% (0)	2.6	55.5%
<b>Gainers:</b> Air Seeders/Drills, Planters, PT Sprayers, 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp)						
<b>Ohio</b>	21.47	1.47	35.7% (14.2%)	46.2% (7.7%)	1.22	57.1%
<b>Gainers:</b> Planters, 2WD Tractors (<40 hp), Lawn & Garden, GPS, Farm Loaders						
<b>Oklahoma</b>	12.33	1.17	83.3% (0)	50% (0)	4.91	100%
<b>Gainers:</b> Farm Loaders, Lawn & Garden, 2WD Tractors (40-100 hp), 4WD Tractors, Round Balers						
<b>Oregon</b>	50.25	3.75	71.4% (0)	33.3% (16.7%)	3.71	100%
<b>Gainers:</b> 2WD Tractors (40-100 hp), Lawn & Garden, Windrowers/Swathers, GPS, 4WD Tractors						
<b>Pennsylvania</b>	29.94	1.5	43.8% (25%)	26.6% (20%)	1.07	62.6%
<b>Gainers:</b> 4WD Tractors, Lawn & Garden, GPS, 2WD Tractors (40-100 hp), SP Sprayers						
<b>South Carolina</b>	9	1	0 (0)	0 (0)	0	66.7%
<b>Gainers:</b> PT Sprayers, Round Balers, Combines, Farm Loaders, Disc Harrows, 2WD Tractors (<40 hp), 2WD Tractors (40-100 "hp)						
<b>South Dakota</b>	25	1.4	100% (0)	90% (0)	5.9	70%
<b>Gainers:</b> Round Balers, Farm Loaders, Mower/Conditioners, Planters,GPS						
<b>Tennessee</b>	12	1.36	40% (40%)	66.7% (11.1%)	0	25%
<b>Gainers:</b> Lawn & Garden, Farm Loaders, Rectangular Balers, GPS, 2WD Tractors (<40 hp)						
<b>Texas</b>	22.32	2.08	75% (4.2%)	40% (0)	3.62	68%
<b>Gainers:</b> Farm Loaders, Lawn & Garden, Mower/Conditioners, Disc Harrows, 4WD Tractors						
<b>Utah</b>	10.5	1	100% (0)	100% (0)	6.25	50%
<b>Gainers:</b> 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), Planters, Farm Loaders						
<b>Vermont</b>	14.83	1	60% (0)	40% (0)	2.7	66.7%
<b>Gainers:</b> Round Balers, Mower/Conditioners, Farm Loaders, 2WD Tractors (>100 hp), 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp)						
<b>Virginia</b>	16.1	1.4	62.5% (12.5%	28.6% (14.3%)	1.81	88.9%
<b>Gainers:</b> GPS, Farm Loaders, Mower/Conditioners, Lawn & Garden, Planters, Field Cultivators						
<b>Washington</b>	20.67	1.67	83.3% (0)	50% (0)	5.5	100%
<b>Gainers:</b> Lawn & Garden, 4WD Tractors, Disc Harrows, 2WD Tractors (40-100 hp), 2WD Tractors (<40 hp), Farm Loaders						
<b>West Virginia</b>	5	1.5	0 (100%)	100% (0)	-4.5	50%
<b>Gainers:</b> Farm Loaders, 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 4WD Tractors, Mower/Conditioners						
<b>Wisconsin</b>	19.88	1.81	65.4% (3.8%)	58.4% (8.3%)	3.31	68%
<b>Gainers:</b> 4WD Tractors, Mower/Conditioners, 2WD Tractors (40-100 hp), Lawn & Garden, Round Balers						
<b>Wyoming</b>	12	2	100% (0)	100% (0)	6.25	50%
<b>Gainers:</b> 4WD Tractors, Round Balers, Mower/Conditioners, Windrowers/Swathers, Farm Loaders						

## PART III — CANADIAN OUTLOOK

### Canada's Dealers See No Slowdown in 2008

#### Canada Dealers' Responses by Mainline Supplier



Nearly 15% of the total responses to AEI's 2008 Business Outlook & Trends survey came from Canadian dealers. How they break out by mainline supplier is shown here.

Average Employment of Participating Dealerships:	23.47
Average Number of Stores Operated by Participating Dealerships:	2.02

#### Projected Canadian Unit Sales of Tractors & Combines — 2008

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40 hp)	8.3%	54.2%	35.4%	2.1%	0.0%	62.5%	2.1%
2WD (40-100 hp)	8.2%	44.9%	44.9%	2.0%	0.0%	53.1%	2.0%
2WD (>100 hp)	15.6%	31.1%	51.1%	2.2%	0.0%	46.7%	2.2%
4WD (All)	11.9%	26.2%	59.5%	2.4%	0.0%	38.1%	2.4%
Combines	10.0%	32.5%	47.5%	7.5%	2.5%	42.5%	10.0%

If U.S. ag equipment dealers seem to come across as being optimistic about 2008, then Canadian dealers are downright giddy. Results from this year's survey show only 2% of Canadian dealers are expecting 2008 new equipment unit sales will fall below '07 levels.

The same holds true for used equipment, as only 2.2% of dealers see revenue from used equipment falling below last year's levels.

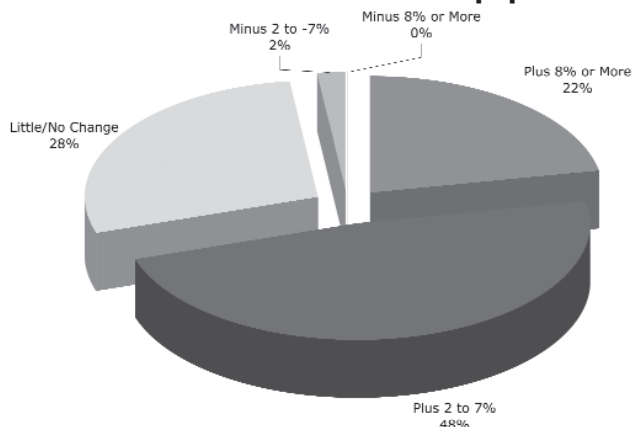
Some 70% of Canadian dealers see business picking up 2% or more during the year and 28% project their sales revenue to stay about the same as in '07.

Last year, 24.5% of Canada's dealers forecast lower new equipment sales compared with 2006, while 51.5% expected sales revenue to improve somewhat over the previous year.

They're feeling just about the same level of confidence for sales of used equipment. More than two-thirds of Canadian dealers believe unit sales of previously owned machinery will improve by 2% or more, while more than 31% say sales levels will remain about the same. Only 4.4% project lower sales levels for the year.

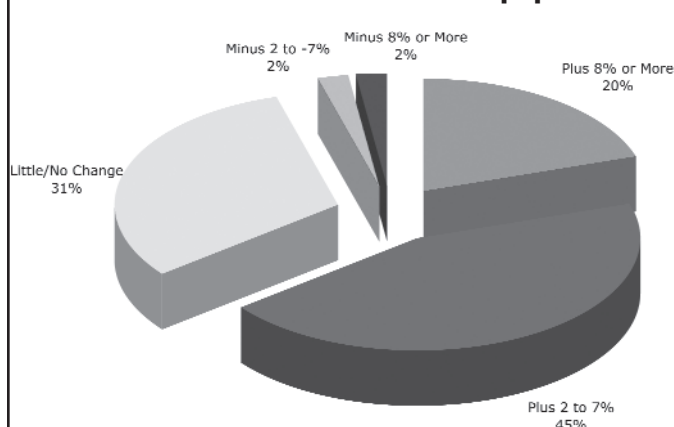
None of the dealers from the eastern or western provinces expect sales

#### Canada Dealers' Projections for Unit Sales 2008 — New Equipment



Last year at this time, 75% of Canada's ag equipment dealers projected that overall new equipment sales would increase compared to the previous year. For 2008, 98% of dealers believe this will be the case.

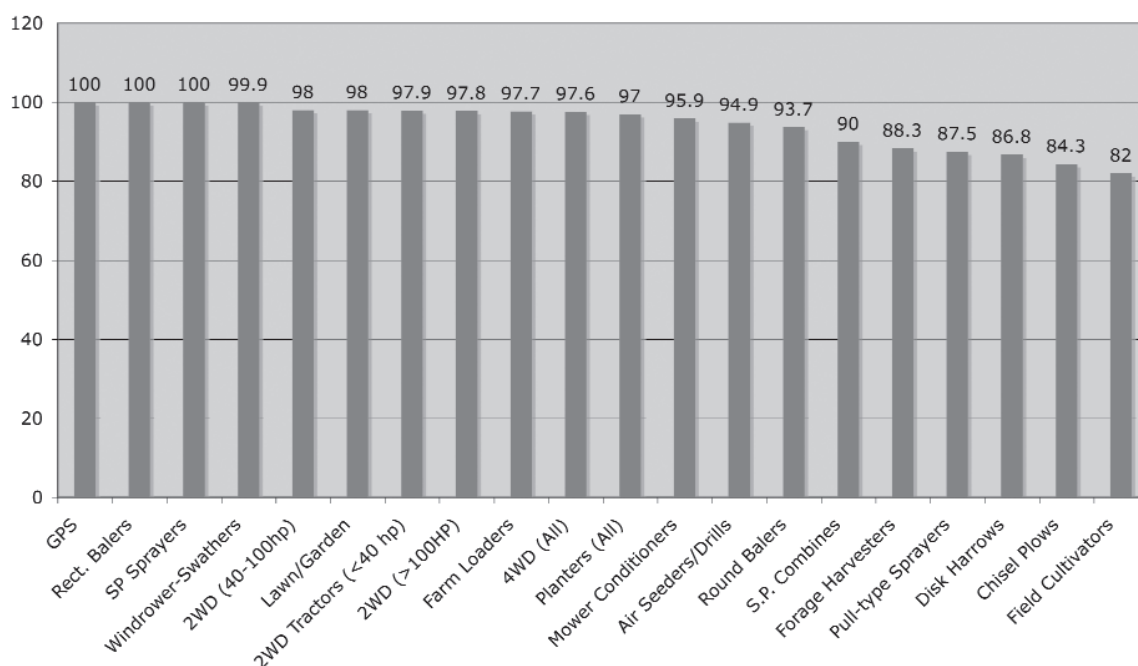
#### Canada Dealers' Projections for Unit Sales 2008 — Used Equipment



Only 4% of Canada's dealers are forecasting that the sale of used equipment will fall from 2007 levels. This compares with 18% last year that saw used equipment sales slipping.



### Best Bets for Improving Unit Sales in 2008 — Canada



With Canada's ag economy finally back on track, equipment dealers see potential for improved sales in nearly every major product category. And, as in the U.S., tillage tools are expected to continue to lag the rest of the field in Canada.

revenue to come in below 2007 levels. Only 5.3% in the central provinces believe sales will drop in 2008 compared to 2007.

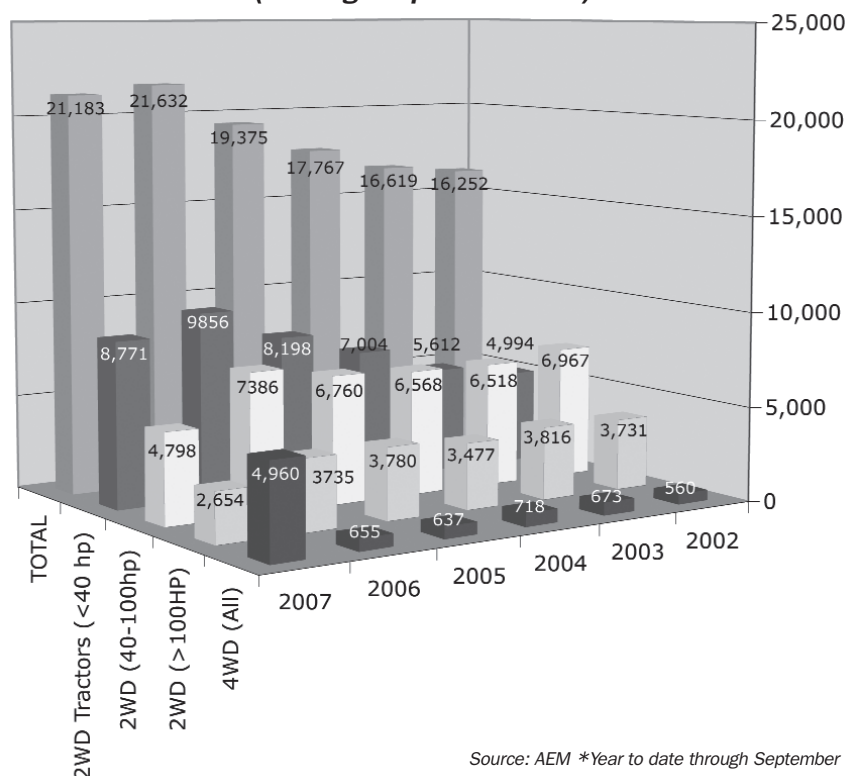
### Canada Best Bets in 2008

Based on Canadian dealer responses, it's difficult to single out a few "best bets" for improving unit sales during the coming year. All of the equipment sellers — 100% — see GPS-auto-steer, rectangular balers and windrowers/swathers selling as well or better than they did in 2007. GPS-auto-steer equipment is projected to grow 2% or more by 55% of the dealers.

The next group of best bets for 2008 all fall in the 90% range of dealers that believe they will sell at the same volume levels as '07 or improve. This grouping includes all categories of tractors as well as combines. In fact, nearly two-thirds (62.5%) expect sales of compact tractors (<40 hp) to grow 2% or more. Ninety percent of dealers believe that combine sales will be as good or better than levels achieved during 2007.

Overall, dealers also believe that

### Canadian Unit Retail Tractor Sales — 2002-07 (\*through September 2007)



Source: AEM \*Year to date through September

Through the first 9 months of 2007, Canadian retail sales of all farm tractors were up 8.8% compared to the same period in 2006.

## Projected Canadian Unit Sales of Other Equipment — 2008

Equipment	Up 8% or More	Up 2-7%	Little or No Change	Down 2-7%	Down 8% or More
Rect. Balers	2.4%	9.8%	87.8%	0.0%	0.0%
Round Balers	4.3%	29.8%	59.6%	4.3%	2.1%
Forage Harvesters	2.3%	11.6%	74.4%	9.3%	2.3%
Planters (All)	5.9%	38.2%	52.9%	2.9%	0.0%
Mower Conditioners	10.2%	38.8%	46.9%	4.1%	0.0%
Windrower-Swathers	7.3%	34.1%	58.5%	0.0%	0.0%
Field Cultivators	0.0%	12.8%	69.2%	15.4%	2.6%
Farm Loaders	11.1%	44.4%	42.2%	2.2%	0.0%
Chisel Plows	0.0%	13.2%	71.1%	10.5%	5.3%
Disk Harrows	0.0%	26.3%	60.5%	13.2%	0.0%
Air Seeders/Drills	10.3%	35.9%	48.7%	5.1%	0.0%
SP Sprayer	13.9%	22.2%	63.9%	0.0%	0.0%
Pull-type Sprayers	10.0%	10.0%	67.5%	12.5%	0.0%
Lawn/Garden	14.6%	41.7%	41.7%	2.1%	0.0%
GPS	17.5%	37.5%	45.0%	0.0%	0.0%

## Canada Dealers' Spending Plans for 2008

No Increase	25.0%
0 to +5%	51.9%
6 to 10%	17.3%
10% plus	5.8%

combine sales will improve during 2008. More than 42% see combine sales will grow 2% or more for the year, while only 10% see them falling below '07 levels.

The only equipment categories that fall out of the 90% range of dealers that feel they will come in at the same sales volume or better in '08 are forage harvesters (88.3%) and pull-type sprayers (87.5%). As has been the case in recent years, tillage tools — disc harrows, chisel plows and field cultivators — find themselves at the bottom of the dealer list in terms of potential for increased sales in the coming year.

## All Eastern Region Dealers Looking Forward to '08

The equipment dealers from the eastern provinces, which is dominated by Quebec, are the most optimistic in looking ahead to the new year. Regionally, 100% of the eastern province dealers have high expectations for 2008.

Dealers in the west aren't far behind at 79.3% with 79.3% projecting sales to be 2% or better during the coming year.

Slightly more than half of the dealers in the central provinces are forecasting improving business conditions during '08. More than 42% expect little or no change compared to 2007.

On a "weighted average" basis of calculating sales gains vs. sales losses, British Columbia came out on top of all the provinces participating in the survey with an average of +6.83%. Dealers in Saskatchewan, Quebec, Alberta and Manitoba followed with 5%, 4.5%, 4.3% and 4.3%, respectively.

Overall, Canada's dealers are projecting a strong year for equipment sales in 2008. A nice follow up to 2007 after several very lean years.

## Canada Dealers' Hiring Plans 2008 vs. 2007

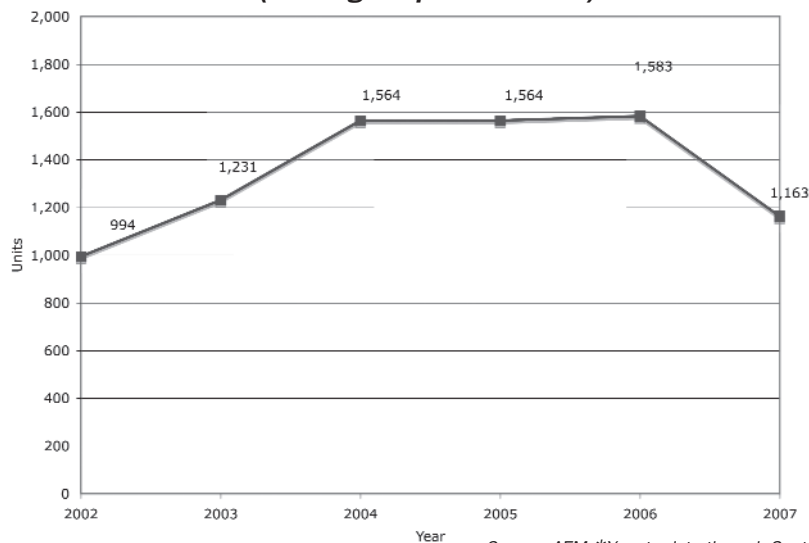
	2008			2007		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	34.0%	66.0%	0%	63.0%	64.0%	4.0%
Service Technicians	73.0%	28.0%	0%	66.0%	34.0%	0.0%
Wholegood Sales	43.0%	57.0%	0%	40.0%	58.0%	2.1%
Administration	6.1%	91.8%	2%	10.4%	83.3%	6.3%

## Where Canada. Dealers Will Invest in 2008

Shop & Service Modernize	Retail Modernize	Bus. Info. Systems
68.0%	48.9%	41.3%

## Canada Combine Sales — 2002-07

(\*through September 2007)



Retail sales of combines January through September 2007 reached 1,163 units, 4.5% off from sales during the same period of '06.

## Dealers in East and West Hold High Expectations for '08

All told, 8 agricultural-producing provinces are represented in *Ag Equipment Intelligence's* 2008 Dealer Business Trends Survey. For analysis purposes, these have been broken down into three regions. The eastern region is represented by Nova Scotia, Prince Edward Island and Quebec. The central region covers Ontario. The western region includes the provinces of Alberta, British Columbia, Manitoba and Saskatchewan.



### Sales Outlook 2008

State	Weighted Average	Rank
Alberta (AB)	4.30%	4
British Columbia (BC)	6.83%	1
Manitoba (MB)	4.30%	4
New Brunswick (NB)	N/A	
Newfoundland and Labrador (NL)	N/A	
Northwest Territories (NT)	N/A	
Nova Scotia (NS)	4.50%	3
Nunavut (NU)	N/A	
Ontario (ON)	2.50%	5
Prince Edward Island (PE)	N/A	
Quebec (QC)	4.50%	3
Saskatchewan (SK)	5.00%	2
Yukon (YT)	N/A	

Regionally, dealers in the eastern provinces are showing the most optimism, while western dealers are also expecting a very solid year in '08.

hp), Mower/Conditioners, GPS

**Major Concerns:** Tech Availability, Energy Costs, Farm Base, Interest Rates, Commodity Prices

### WESTERN CANADA

**Average Employment:** 27.21

**Average Dealership Stores:** 2

**Expecting Revenue Gains:** 79.3

**Expecting Revenue Losses:** 0

**Weighted Average Gains (Losses):** 4.65

**Increasing Capital Spending:** 85.7

**Most Promising Opportunities:** 2WD Tractors (<40 hp), Farm Loaders, GPS, Lawn & Garden, SP sprayers

**Major Concerns:**

### EASTERN CANADA

**Coverage:** Nova Scotia, Prince Edward Island, Quebec

**Average Employment:** 16

**Average Dealership Stores:** 4.33

**Expecting Revenue Gains:** 100%

**Expecting Revenue Losses:** 0.0%

**Weighted Average Gains (Losses):** 4.5

**Increasing Capital Spending:** 100%

**Most Promising Opportunities:** 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), Round Balers, 2WD Tractors (<40 hp), Lawn & Garden

**Major Concerns:** Tech Availability, Product Reliability, Industry Consolidation, Farm Base

### CENTRAL CANADA

**Coverage:** Ontario

**Average Employment:** 18.95

**Average Dealership Stores:** 1.68

**Expecting Revenue Gains:** 52.6%

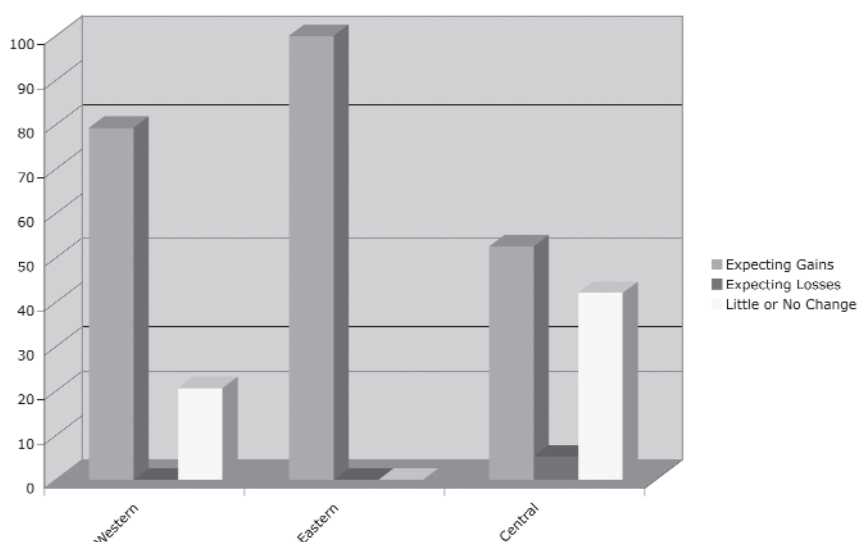
**Expecting Revenue Losses:** 5.3%

**Weighted Average Gains (Losses):** 2.5

**Increasing Capital Spending:** 57.1%

**Most Promising Opportunities:** Planters, Lawn & Garden, 2WD Tractors (40-100

### Canadian Regional Expectations for Unit Sales in 2008



As dealers in eastern and western provinces see very little downside to the ag business in 2008, those in the central part of the country are more reserved about prospects for next year.

### Canadian Dealer Issues and Concerns – 2008

Issue	Most Concerned	Concerned	Not Concerned
Technician Availability	65.4%	30.8%	3.8%
Energy/Fuel Costs	44.0%	50.0%	6.0%
Commodity Prices	41.2%	51.0%	7.8%
Shrinking Farm Customer Base	39.2%	49.0%	11.8%
Product Reliability	26.0%	56.0%	18.0%
Succession Policies	22.4%	30.6%	46.9%
Increasing Cost of New Equip.	21.6%	58.8%	19.6%
Industry Consolidation	18.4%	53.1%	28.6%
Interest Rates	18.4%	63.3%	18.4%
Dealer Purity Efforts	12.2%	42.9%	44.9%
Steel Prices/Supplies	12.2%	55.1%	32.7%
Impact of Competing Box Stores	6.1%	42.9%	51.0%
Internet Sales	4.3%	46.8%	48.9%
Health Care Affordability	4.2%	39.6%	56.3%
Next Farm Bill	2.2%	37.0%	60.9%

### Breakdown by Canadian Province

The following table provides a province-by-province breakdown of the responses to Ag Equipment Intelligence's 2008 Business Outlook & Trends survey. The "Average Employment" column shows a simple calculation of total employment reported divided by the number of responses from dealers in each province. The "Average Stores" column includes the number of locations operated per respondent. The figures under the "New Equipment" and "Used Equipment" headings indicate the percentage of dealerships that report they are expecting gains in unit sales and (losses) in unit sales for the year. The "Weighted Average" shows the percentage of increase (decrease) the dealers in that province are expecting for the year. The figures shown under "Capital Spending" represent the percentage of dealers that intend to increase capital investments during the year. The "Gainers" listing indicates the "Top 5" product categories that dealers of each province believe has the best potential for increasing equipment sales for the year.

State	Average Employment	Average Stores	New Equipment Gains (Losses)	Used Equipment Gains (Losses)	Weighted Average	Capital Spending
<b>Alberta</b>	16.3	1.56	80 (20)	62.5 (12.5)	4.3	80
<b>Gainers:</b> Farm Loaders, 2WD Tractors (<40 hp), mowers/conditioners, windrowers/swathers, 2WD Tractors (40-100 hp)						
<b>British Columbia</b>	15.33	2.33	100 (0)	100 (0)	6.83	66.6
<b>Gainers:</b> 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Forage Harvesters, 4WD Tractors, Farm Loaders						
<b>Manitoba</b>	17.2	1.4	80 (0)	40 (0)	4.3	100
<b>Gainers:</b> Air Seeders/Drills, 2WD Tractors (>100 hp), 4WD Tractors, Combine, Farm Loaders						
<b>New Brunswick</b>	35	2	0 (0)	0 (0)	0	100
<b>Gainers:</b> Mower/Conditioners, 2WD Tractors (<40 hp), 4WD Tractors, Round Balers, Forage Harvester, Lawn & Garden						
<b>Nova Scotia</b>	10	1	100 (0)	n/a	4.5	100
<b>Gainers:</b> 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), Round Balers, Mower Conditioners						
<b>Ontario</b>	18.95	1.68	52.6 (5.3)	64.7 (5.9)	2.5	57.1
<b>Gainers:</b> Planters, Lawn & Garden, 2WD Tractors (40-100 hp), GPS, Mower Conditioners						
<b>Quebec</b>	19	6	100 (0)	50 (0)	4.5	100
<b>Gainers:</b> 2WD Tractors (>100 hp), Mower/Conditioners, 2WD Tractors (40-100 hp), 2WD Tractors (<40 hp)						
<b>Saskatchewan</b>	45.9	2.6	80 (0)	80 (0)	5	90
<b>Gainers:</b> GPS, Lawn & Garden, Self-Propelled Sprayers, 2WD Tractors (<40 hp), Combines						



## PART IV — BREAKOUT BY MAINLINE SUPPLIERS

As in the previous *Dealer Business Outlook & Trends* surveys, this part of the report breaks out dealer responses by their major equipment supplier. Dealers that do not handle any of the major tractor lines, are labeled as “independent.”

At this time last year, Kubota dealers were easily the most optimistic as they looked ahead to 2007 with 58.2% projecting that sales would improve by 2% or more. This time around, 53.8% of the retailers of the bright orange tractors still see a solid year coming in '08.

The independent dealers placed second last year in terms of optimism with nearly half (47.8%) projecting sales increases of 2% or more. It's not much different this year as 46.2% of the independents are forecasting increased business levels vs. 2007.

What's different this year is Kubota dealers placed fifth or second to last on the “optimism” scale and the independents came in last place despite both groups displaying similar levels of confidence for improving sales for 2008 as they did for 2007.

It's the dealers representing the major line manufacturers that are the most confident as they look toward the coming year. In fact, the retailers handling the red, green, blue and orange equipment of the “majors” are feeling sanguine about their near-term prospects.

With the pick up in large equipment sales that began mid-way into 2007 and continuing in the fall, the dealers handling big tractors, combines and self-propelled sprayers may have good reason for their positive disposition these days.

The sellers of Case IH equipment are exhibiting the best outlook for 2008, with more than 70% of them seeing sales levels increasing 2%. This compares with only 40.5% that saw a bright outlook last year at this time.

Retailers of John Deere equipment also nearly doubled their confidence level this year going into '08 (68.5%) compared with a year ago when only 36.2% forecast better days in 2007. Whereas 39% of New Holland dealers pro-

jected improved sale during the last year, this time 65.3% of the sellers of the blue tractors are optimistic about what lies ahead in 2008.

While they're bringing up the rear as far as being confident in improved sales for the coming year, it's the AGCO dealers that are showing the most improvement in the outlook compared to a year ago. Last year at this time only 27.1% of AGCO retailers were looking at sales improving 2% or more during 2007. The latest survey reveals that nearly 61% of them see their prospects as having far more potential in 2008.

### AGCO — % of Total Responses 16.3%

Avg. Employment of Participating Dealerships: 33.8  
Avg. Number of Stores of Participating Dealerships: 1.78

### Case IH — % of Total Responses 16.8%

Avg. Employment of Participating Dealerships: 34.26  
Avg. Number of Stores of Participating Dealerships: 3.05

### John Deere — % of Total Responses 17.1%

Avg. Employment of Participating Dealerships: 53.15  
Avg. Number of Stores of Participating Dealerships: 3.06

### Kubota — % of Total Responses 12.5%

Avg. Employment of Participating Dealerships: 20.75  
Avg. Number of Stores of Participating Dealerships: 1.7

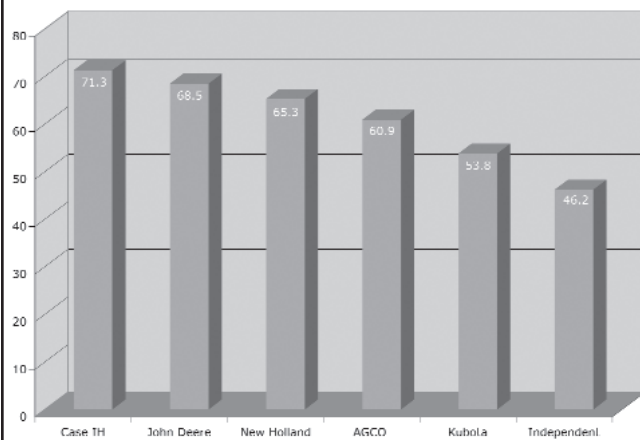
### New Holland — % of Total Responses 17.8%

Avg. Employment of Participating Dealerships: 21.44  
Avg. Number of Stores of Participating Dealerships: 1.97

### Independent Dealers — % of Total Responses 19.5%

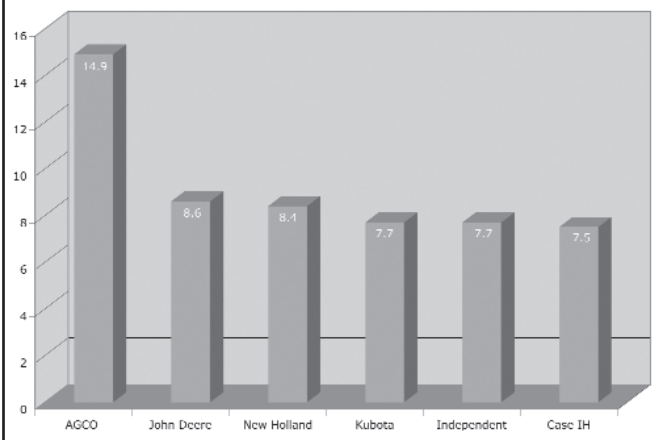
Avg. Employment of Participating Dealerships: 5.64  
Avg. Number of Stores of Participating Dealerships: 1.4

**Most Optimistic Equipment Dealers for 2008  
(percentage expecting gains)**



Case IH dealers did a turnaround as 71.3% believe that sales levels will improve 2% or more in '08 compared to their 40.5% projections last year.

**Least Optimistic Equipment Dealers for 2008  
(percentage expecting losses)**



AGCO dealers are demonstrating the least amount of optimism going into 2008 with 14.9% seeing sales volume dropping below 2007 levels.



## AGCO Dealers' View of '08 Easily Surpasses '07 Outlook

With its "Cornerstone Brand" strategy beginning to take hold — AGCO (orange), Massey Ferguson (red) and Challenger (yellow) — dealers handling the various AGCO brands would appear to be more closely associating themselves with their mainline supplier. This may be reflected in these dealers having a far more positive take on the upcoming year than they did just a year ago. Of course, it might just be that the market for nearly all ag equipment is experiencing a solid upward trend, as well.

Pretty much across the board, AGCO dealers are projecting a far more positive view of their prospect than they did last year at this time. For example, last year not even 5% of the dealers were looking for growth in combine sales. This year, more than 32% of them are forecasting a pick up in combine sales of 2% or more.

With the 2008 AEI survey, 14.9% of AGCO dealers say that they expect their sales levels to slip below those of 2007 compared to 37% who forecasted a drop off in sales last year.

This year, the cornerstone brand dealers see rectangular balers, GPS electronic systems, combines and round balers and their best bets to improve sales revenues, but generally

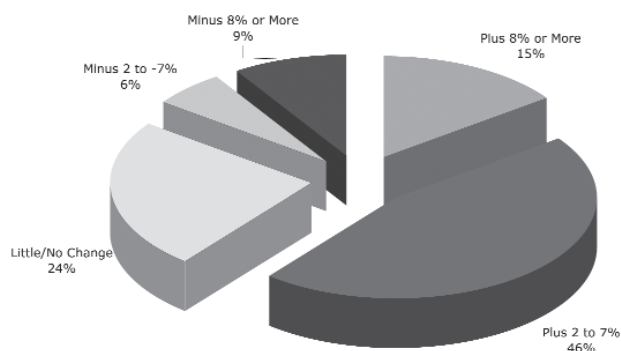
### AGCO Dealers' Projected Unit Sales of Tractors and Combines – 2008

Tractor Type (size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40 hp)	6.0%	31.3%	45.8%	12.0%	4.8%	37.3%	16.8%
2WD (40-100 hp)	8.6%	30.9%	43.2%	13.6%	3.7%	39.5%	17.3%
2WD (>100 hp)	8.1%	29.7%	47.3%	6.8%	8.1%	37.8%	14.9%
4WD (All)	6.8%	39.7%	38.4%	9.6%	5.5%	46.5%	15.1%
Combines	6.2%	26.2%	58.5%	4.6%	4.6%	32.4%	9.2%

### AGCO Dealers' Unit Sales Projections for Other Equipment in 2008

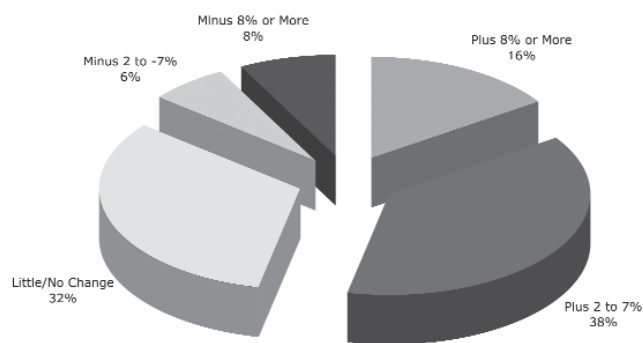
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	2.8%	32.4%	60.6%	4.2%	0.0%
Round Balers	3.9%	33.8%	51.9%	5.2%	5.2%
Forage Harvesters	1.5%	9.1%	68.2%	13.6%	7.6%
Planters (All)	12.5%	27.8%	48.6%	5.6%	5.6%
Mower/Conditioners	3.8%	48.7%	32.1%	10.3%	5.1%
Windrower/Swathers	4.7%	29.7%	54.7%	4.7%	6.3%
Field Cultivators	4.2%	13.9%	59.7%	15.3%	6.9%
Farm Loaders	2.4%	32.9%	55.3%	7.1%	2.4%
Chisel Plows	4.2%	11.1%	66.7%	9.7%	8.3%
Disc Harrows	6.6%	28.9%	53.9%	5.3%	5.3%
Air Seeders/Drills	1.6%	16.1%	67.7%	6.5%	8.1%
Self-Propelled Sprayers	6.8%	13.6%	66.1%	5.1%	8.5%
Pull-Type Sprayers	4.5%	22.7%	56.1%	6.1%	10.6%
Lawn/Garden Equipment	11.4%	39.2%	35.4%	10.1%	3.8%
GPS	13.6%	25.8%	51.5%	3.0%	6.1%

### AGCO Dealers' Projections for Unit Sales 2008 — New Equipment



More than 60% of AGCO dealers see their prospects for increasing new equipment sales in 2008 while about 15% expect a fall off in business.

### AGCO Dealers' Projections for Unit Sales 2008 — Used Equipment



Sales of used equipment in 2008 is expected to improve by 2% or more by over half (54%) of AGCO dealers.

they expect every equipment category to show improvement over 2007 levels.

In addition to its continuing efforts to streamline its distribution network, during the past year, the company launched a concerted effort to further establish itself in the rural lifestyle/hobby farm market. Labeling this equipment segment as CUE — compact and utility equipment — AGCO appears to be pushing its move into these segments the hardest with the initiation of a new, more focused distribution strategy. The firm is actively pursuing dealers for the CUE contract. In July, the company also introduced three new Massey Ferguson models. The new Model 2605 (3-cylinder engine) is rated at 38-engine hp; the Model 2615 (3-cylinder engine) is rated at 49-engine hp; the Model 2625 (4-cylinder engine) is rated at 63 engine hp.

AGCO also announced in May that it plans to launch 116 new products in 2008 to improve its worldwide market share in tractors, hay tools, planters and sprayers. After 43 equipment introductions in 2006 and 60 in 2007, this will be the company's largest single-year launch in its history. This is something to watch for.

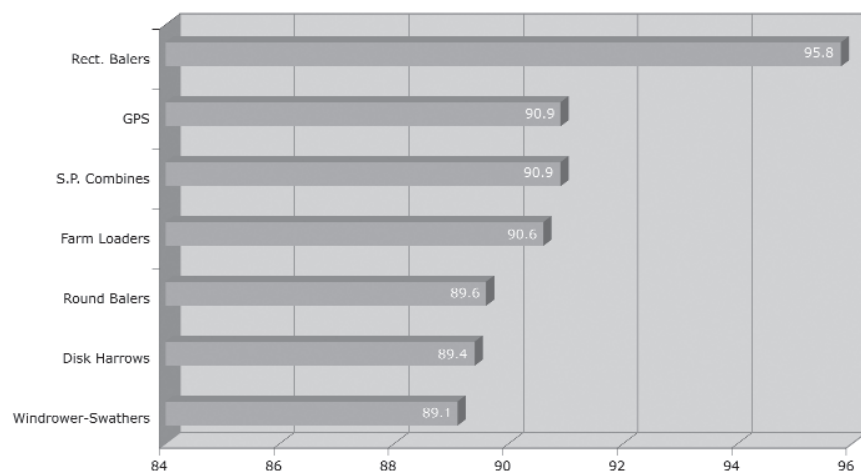
#### AGCO Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2008

	New Equipment	Used Equipment
+8%	14.9%	15.6%
+2-7%	46.0%	37.7%
Little or No Change	24.1%	32.5%
-2-7%	5.7%	6.5%
-8%	9.2%	7.8%

#### AGCO Dealer Spending Plans for 2008

No Increase	38.3%
0 to +5%	49.4%
+6 to 10%	10.1%
+10%	2.2%

#### Best Bets for Improving Sales in 2008 AGCO Dealers



AGCO dealers see the most potential in growing sales in 2008 in rectangular balers, GPS-auto-steer systems, combines and farm loaders. Hay tools and some tillage equipment also made the list.

#### AGCO Dealers' Hiring Plans 2008 vs. 2007

	2008			2007		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	24.7%	75.3%	0.0%	28.3%	70.0%	1.7%
Service Technicians	57.3%	42.7%	0.0%	47.5%	52.5%	0.0%
Wholegood Sales	32.9%	65.9%	1.2%	28.3%	70.0%	1.7%
Administration	8.3%	89.3%	2.4%	5.2%	93.1%	1.7%

#### Where AGCO Dealers Will Invest in 2008

Modernize Shop & Service	Modernize Retail	Bus. Info. Systems
62.2%	41.3%	42.9%

#### AGCO Dealers' Issues and Concerns – 2008

Issue	Most Concerned	Concerned	Not Concerned
Health Care Affordability	63.6%	26.1%	10.2%
Energy/Fuel Costs	56.8%	36.4%	6.8%
Technician Availability	53.4%	38.6%	8.0%
Increasing Cost of New Equipment	44.3%	51.1%	4.5%
Shrinking Farm Customer Base	40.9%	47.7%	11.4%
Product Reliability	40.0%	47.1%	12.9%
Mfr. Purity Efforts	38.4%	40.7%	20.9%
Interest Rates	35.6%	57.5%	6.9%
Industry Consolidation	33.7%	53.5%	12.8%
Commodity Prices	28.7%	60.9%	10.3%
Steel Prices/Supplies	27.1%	62.4%	10.6%
Impact of Competing Box Stores	15.1%	38.4%	46.5%
Succession Policies	9.0%	6.5%	44.2%
Internet Sales	8.2%	49.4%	42.4%

## Stability at the Top has Case IH Dealers Poised for a Solid 2008

**CASE IH** Case IH dealers leap frogged all of the other farm machinery makers this year when it comes to an optimistic outlook for 2008. After unsteady times for its top management during the past several years left many of its dealers wary about the future the brand, it appears that the company is ready to move forward.

As vice president of Case IH agriculture for North America, Jim Walker, told *AEI* in August, "We've rebuilt a lot of bridges with our dealers during the past year." These management efforts appear to be setting in.

Last year at this time, only about 40% of Case IH dealers were looking at increasing their sales levels throughout 2007. This time around, more than 70% of them see their sales improving by 2% or more in '08 and only 8% expect sales during the coming year to drop lower than what they saw last year. When it comes to used equipment sales, nearly 70% also see sales increasing by 2% or more.

It appears Case IH equipment sellers have had an "attitude adjustment."

This group of dealers see their best bets to improve sales coming from GPS-auto-steer systems, 2WD tractors row-crop tractors (>100 hp),

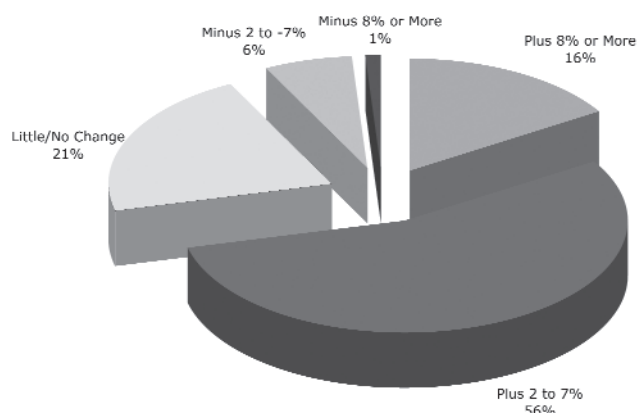
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2WD (<40 hp)	6.5%	25.0%	55.4%	7.6%	5.4%	31.5%	13.0%
2WD (40-100 hp)	10.6%	42.6%	40.4%	5.3%	1.1%	53.2%	6.4%
2WD (>100 hp)	9.2%	39.1%	50.6%	1.1%	0.0%	48.3%	1.1%
4WD (All)	5.0%	45.0%	46.3%	3.8%	0.0%	50.0%	3.8%
Combines	7.6%	41.8%	48.1%	2.5%	0.0%	49.4%	2.5%

### Case IH Dealers' Unit Sales Projections for Other Equipment in 2008

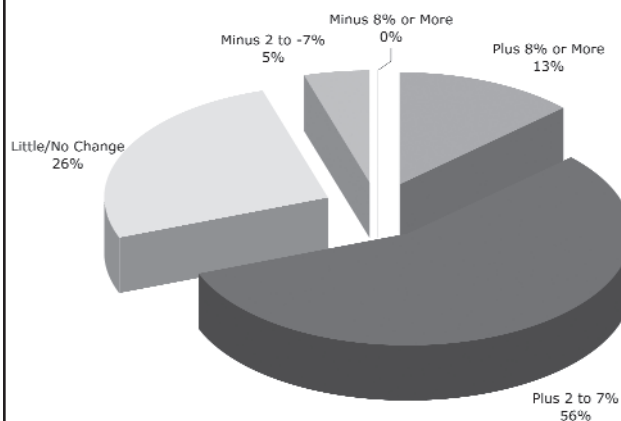
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	2.6%	15.4%	76.9%	5.1%	0.0%
Round Balers	0.0%	27.9%	62.8%	5.8%	3.5%
Forage Harvesters	6.9%	13.9%	72.2%	4.2%	2.8%
Planters (All)	8.9%	40.5%	46.8%	3.8%	0.0%
Mower/Conditioners	4.7%	22.1%	66.3%	3.5%	3.5%
Windrower/Swathers	0.0%	24.7%	69.9%	2.7%	2.7%
Field Cultivators	2.6%	23.1%	61.5%	11.5%	1.3%
Farm Loaders	5.9%	37.6%	52.9%	3.5%	0.0%
Chisel Plows	1.4%	12.2%	73.0%	12.2%	1.4%
Disc Harrows	4.9%	21.0%	65.4%	7.4%	1.2%
Air Seeders/Drills	2.7%	15.1%	72.6%	6.8%	2.7%
Self-Propelled Sprayers	3.0%	21.2%	72.7%	1.5%	1.5%
Pull-Type Sprayers	0.0%	19.2%	74.0%	4.1%	2.7%
Lawn/Garden Equipment	6.0%	33.3%	50.0%	8.3%	2.4%
GPS	21.3%	40.0%	38.8%	0.0%	0.0%

### Case IH Dealers' Projections for Unit Sales 2008 — New Equipment



More than half of Case IH dealers are looking for gains of between 2-7% in new equipment sales during '08.

### Case IH Dealers' Projections for Unit Sales 2008 — Used Equipment



Only 5% of Case IH dealers see the sale of used equipment dropping below 2007 levels, and 69% expect it to grow by 2% or more.



combines, self-propelled sprayers, farm loaders and 4WD tractors. Potential also exists for planters, round balers, mower/conditioners and lawn and garden equipment.

Despite their stand not to strongly pursue the small tractor market and stating, "We're a farm equipment maker," Case IH made some moves they hope will allay some of the criticism they've received from the dealers for not offering compacts for the hobby farm and rural lifestyle markets.

This summer, the company reported that it is rebranding its long-established Farmall nameplate. While it still maintains it will discontinue production of 20-hp or smaller tractors, Case IH announced in August that it is making a concerted effort to re-establish its Farmall line, specifically with subcompact, compact and utility tractors.

What else might dealers expect in the coming year from their main-line supplier? Following the lead of Deere and other heavy equipment makers, look for the manufacturer to push early-order programs and tighter inventory management by its dealers much harder than it has in the past. Whether the dealers can do the same with customers is the real question.

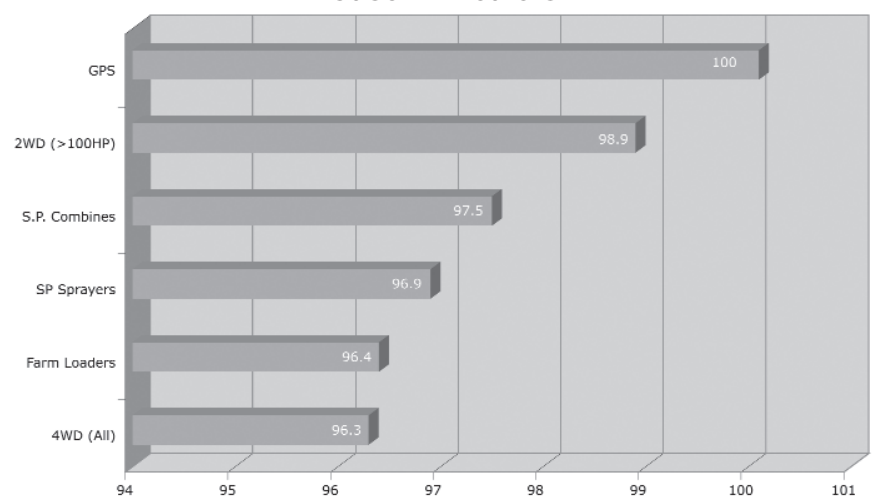
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	New Equipment	Used Equipment
+8%	16.0%	13.1%
+2-7%	55.3%	56.0%
Little or No Change	21.3%	26.2%
-2-7%	6.4%	4.8%
-8%	1.1%	0.0%

#### Case IH Dealer Spending Plans for 2008

No Increase	23.9%
0 to +5%	62.5%
+6 to 10%	8.0%
+10%	5.7%

#### Best Bets for Improving Sales in 2008 Case IH Dealers



By and large, in addition to GPS-auto-steer, it's large equipment — tractors, combines, self-propelled sprayers — that head Case IH dealers' list of best sales prospects for 2008.

#### Case IH Dealers' Hiring Plans 2008 vs. 2007

	2008			2007		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	32.2%	64.4%	3.3%	31.6%	68.4%	0.0%
Service Technicians	70.8%	29.2%	0.0%	58.5%	40.2%	1.3%
Wholegood Sales	34.4%	63.3%	2.2%	32.5%	63.7%	3.8%
Administration	5.6%	91.0%	3.4%	5.1%	92.3%	2.6%

#### Where Case IH Dealers Will Invest in 2008

Modernize Shop & Service	Modernize Retail	Bus. Info. Systems
63.3%	43.5%	41.9%

#### Case IH Dealers' Issues and Concerns – 2008

Issue	Most Concerned	Concerned	Not Concerned
Health Care Affordability	61.4%	28.4%	10.2%
Technician Availability	60.2%	30.7%	9.1%
Energy/Fuel Costs	47.7%	47.7%	4.5%
Increasing Cost of New Equipment	47.1%	46.0%	6.9%
Shrinking Farm Customer Base	42.5%	48.3%	9.2%
Mfr. Purity Efforts	37.9%	43.7%	18.4%
Product Reliability	32.2%	52.9%	14.9%
Commodity Prices	28.7%	55.2%	16.1%
Interest Rates	25.9%	62.4%	11.8%
Industry Consolidation	23.3%	54.7%	22.1%
Next Farm Bill	16.7%	56.0%	27.4%
Steel Prices/Supplies	15.9%	63.4%	20.7%
Impact of Competing Box Stores	10.7%	35.7%	53.6%
Succession Policies	8.2%	45.9%	45.9%
Internet Sales	6.9%	48.3%	44.8%

## Deere Dealers Expect the Biggest Revenue Improvements



**JOHN DEERE** Overall, dealers handling John

Deere farm machinery placed only slightly behind Case IH retailers when it comes to optimism for 2008 as 71.3% of those handling new red equipment see business revenues picking up 2% or more vs. 69% of green equipment dealers. But it's the Deere dealers that are looking for the "biggest" gains.

In August, Deere rolled out what it called its biggest line-up of new equipment in 25 years. From a revolutionary cotton picker, to a host of new tractor models covering the entire gamut of power ranges, to tillage and conservation-till equipment, Deere continues its mission of being everything to everyone in agriculture.

Beyond rapid product development, Deere & Co. will continue to press its dealers in the direction of early-ordering and disciplined inventory management. Ken Golden, director, strategic public relations for Deere & Co., told *AEI* in May, "Deere has made significant changes and has been successful in moving from a build-to-forecast business model to one that is based on build-to-demand concepts. With significant investments, we have adopted lean manufacturing and created flexibility in building products, allowing the com-

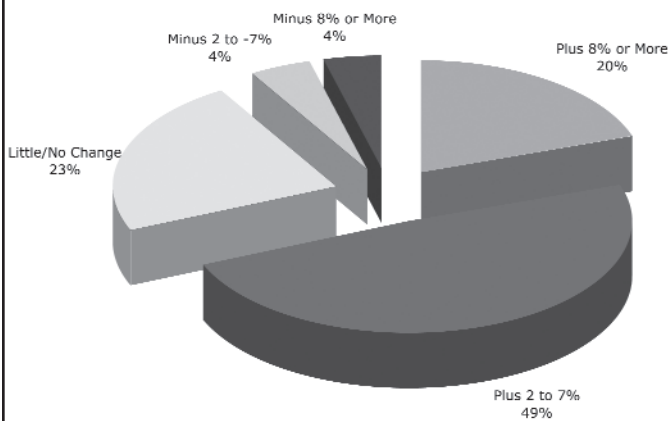
### John Deere Dealers' Projected Unit Sales of Tractors and Combines – 2008

Tractor Type (size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40 hp)	10.9%	50.0%	34.8%	3.3%	1.1%	60.9%	4.4%
2WD (40-100 hp)	11.7%	42.6%	41.5%	2.1%	2.1%	54.3%	4.2%
2WD (>100 hp)	17.4%	35.9%	39.1%	4.3%	3.3%	53.3%	7.6%
4WD (All)	7.9%	36.0%	50.6%	3.4%	2.2%	43.9%	5.6%
Combines	9.4%	38.8%	47.1%	2.4%	2.4%	48.2%	4.8%

### John Deere Dealers' Unit Sales Projections for Other Equipment in 2008

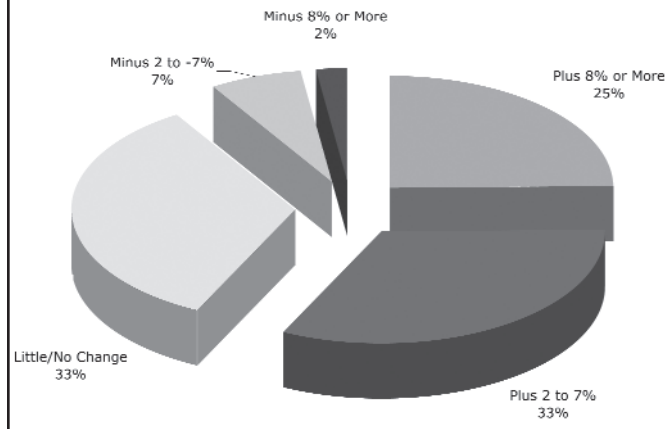
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	3.6%	14.5%	79.5%	2.4%	0.0%
Round Balers	8.9%	41.1%	43.3%	4.4%	2.2%
Forage Harvesters	1.3%	10.3%	85.9%	2.6%	0.0%
Planters (All)	14.0%	45.3%	34.9%	4.7%	1.2%
Mower/Conditioners	4.5%	39.8%	51.1%	2.3%	2.3%
Windrower/Swathers	5.1%	20.5%	70.5%	3.8%	0.0%
Field Cultivators	2.4%	18.8%	70.6%	7.1%	1.2%
Farm Loaders	11.1%	38.9%	46.7%	2.2%	1.1%
Chisel Plows	1.2%	15.9%	78.0%	4.9%	0.0%
Disc Harrows	4.7%	24.4%	66.3%	3.5%	1.2%
Air Seeders/Drills	3.8%	25.3%	65.8%	3.8%	1.3%
Self-Propelled Sprayers	13.4%	29.3%	54.9%	1.2%	1.2%
Pull-Type Sprayers	5.0%	13.8%	73.8%	5.0%	2.5%
Lawn/Garden Equipment	16.3%	57.6%	21.7%	4.3%	0.0%
GPS	41.7%	35.7%	22.6%	0.0%	0.0%

### John Deere Dealers' Projections for Unit Sales 2008 — New Equipment



Nearly 70% of John Deere dealers are projecting sales increases in new equipment of 2% or more in 2008.

### John Deere Dealers' Projections for Unit Sales 2008 — Used Equipment



Used equipment is also expected to move in the coming year, as nearly 60% of dealers project good revenue gains from previously owned gear.

pany to meet the market demand for equipment, but not exceed it.”

Comparing all of the dealers for the major equipment manufacturers, as well as the independent dealers, more of those handling Deere equipment expect sales revenue to improve 8% or more during the coming year. In fact, no one came very close for the biggest revenue gains with either new or used equipment sales. For comparison purposes here's how they stack up:

#### Percent of Dealers Expecting +8% or More Increase in New Equipment Sales in 2008:

1. John Deere	+20%
2. Case IH	+16%
3. AGCO	+15%
4. Independents	+15%
5. New Holland	+14%
6. Kubota	+12%

#### Percent of Dealers Expecting +8% or More Increase in Used Equipment Sales for 2008:

1. John Deere	+25%
2. AGCO	+16%
3. Independents	+15%
4. Case IH	+13%
5. New Holland	+12%
6. Kubota	+11%

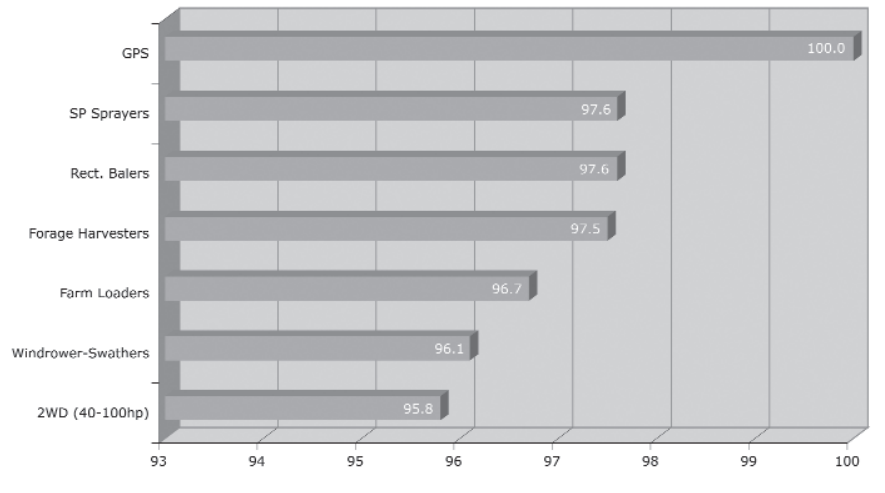
#### John Deere Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2008

	New Equipment	Used Equipment
+8%	19.6%	24.7%
+2-7%	48.9%	32.6%
Little or No Change	22.8%	33.7%
-2-7%	4.3%	6.7%
-8%	4.3%	2.2%

#### John Deere Dealer Spending Plans for 2008

No Increase	23.4%
0 to +5%	53.2%
+6% to 10%	19.1%
+10%	4.3%

#### Best Bets for Improving Sales in 2008 John Deere Dealers



Headed up by GPS equipment, self-propelled sprayers and rectangular balers and a variety of other equipment, Deere dealers are looking for significant revenue gains in 2008.

#### John Deere Dealers' Hiring Plans 2008 vs. 2007

	2008			2007		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	34.4%	61.3%	4.3%	26.2%	70.1%	3.7%
Service Technicians	66.0%	33.0%	1.1%	74.1%	25.9%	0.0%
Wholegood Sales	35.5%	62.4%	2.2%	26.9%	66.4%	6.7%
Administration	4.5%	88.6%	6.8%	16.2%	73.3%	10.5%

#### Where John Deere Dealers Will Invest in 2008

Modernize Shop & Service	Modernize Retail	Bus. Info. Systems
62.2%	49.4%	61.4%

#### John Deere Dealers' Issues and Concerns – 2008

Issue	Most Concerned	Concerned	Not Concerned
Health Care Affordability	58.5%	39.4%	2.1%
Energy/Fuel Costs	55.3%	41.5%	3.2%
Technician Availability	49.5%	39.8%	10.8%
Manufacturer Purity Efforts	42.1%	38.9%	18.9%
Commodity Prices	35.9%	45.7%	18.5%
Industry Consolidation	35.1%	43.6%	21.3%
Increasing Cost of New Equip.	34.0%	58.5%	7.4%
Shrinking Farm Customer Base	33.0%	54.3%	12.8%
Product Reliability	28.0%	45.2%	26.9%
Interest Rates	26.9%	63.4%	9.7%
Next Farm Bill	22.6%	66.7%	10.8%
Succession Policies	19.6%	41.3%	39.1%
Steel Prices/Supplies	17.2%	58.1%	24.7%
Impact of Competing Box Stores	16.0%	54.3%	29.8%
Internet Sales	7.9%	50.6%	41.6%

## Kubota Retailers Project Another Solid Sales Year

**Kubota** While the compact tractor market saw its first significant slowdown in nearly a decade, Kubota continues leading the pack when it comes to market segments beyond production farming.

Looking ahead to 2008, more than one-half (53%) of the sellers of the bright orange tractors see new equipment sales rising 2% or more during 2008. Only 8% expect sales to fall below 2007 levels.

Kubota dealers also expect used equipment sales to healthy in the new year with nearly 40% projecting sales to increase 2% or more.

In terms of tractors, 15% of dealers see a slowing of units of 40 hp, but expect all other categories to produce solid sales numbers in '08.

The company's marketing pact with Land Pride, which gives their dealers the opportunity to handle a wider range of "matched" implements, may give them a boost as well.

Despite being most closely identified with orange tractors, Kubota dealers also handle a wide range of other farm machinery. And, for the most part, this is where they see their best chances of increasing revenues during '08.

This group lists GPS-auto-steer equipment, self-propelled sprayers, rectangular balers, forage harvesters,

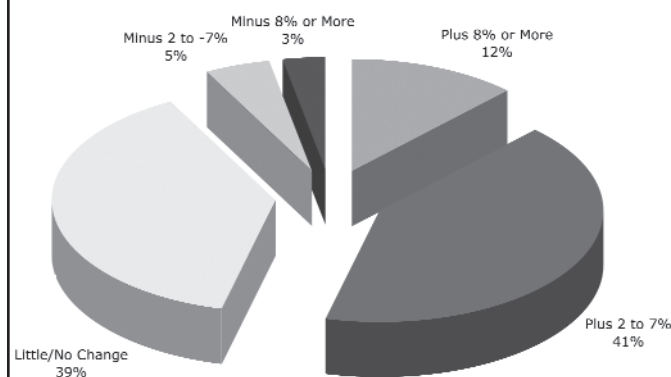
### Kubota Dealers' Projected Unit Sales of Tractors and Combines – 2008

Tractor Type (size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40 hp)	9.4%	31.3%	45.3%	7.8%	6.3%	40.7%	14.1%
2WD (40-100 hp)	9.4%	35.9%	51.6%	0.0%	3.1%	45.3%	3.1%
2WD (>100 hp)	7.1%	21.4%	66.1%	0.0%	5.4%	28.5%	5.4%
4WD (All)	7.3%	29.1%	56.4%	1.8%	5.5%	36.4%	7.3%
Combines	0.0%	22.0%	68.3%	4.9%	4.9%	22.0%	9.8%

### Kubota Dealers' Unit Sales Projections for Other Equipment in 2008

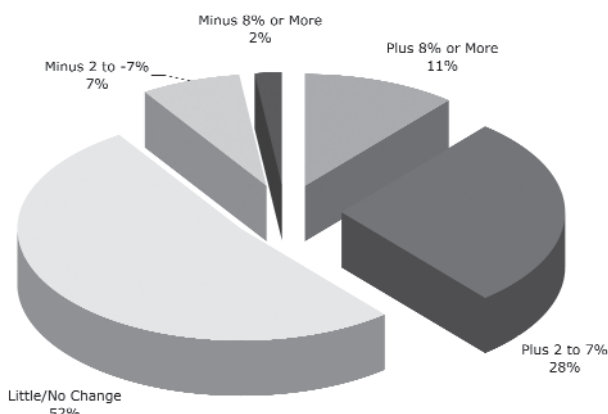
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	2.3%	23.3%	72.1%	2.3%	0.0%
Round Balers	2.1%	21.3%	72.3%	0.0%	4.3%
Forage Harvesters	5.1%	7.7%	84.6%	2.6%	0.0%
Planters (All)	2.6%	17.9%	74.4%	5.1%	0.0%
Mower/Conditioners	4.2%	25.0%	62.5%	4.2%	4.2%
Windrower/Swathers	0.0%	15.0%	77.5%	5.0%	2.5%
Field Cultivators	2.3%	11.6%	79.1%	2.3%	4.7%
Farm Loaders	5.4%	42.9%	46.4%	3.6%	1.8%
Chisel Plows	2.4%	7.3%	85.4%	2.4%	2.4%
Disc Harrows	3.9%	21.6%	66.7%	3.9%	3.9%
Air Seeders/Drills	0.0%	7.9%	86.8%	5.3%	0.0%
Self-Propelled Sprayers	0.0%	16.7%	83.3%	0.0%	0.0%
Pull-Type Sprayers	2.4%	12.2%	78.0%	7.3%	0.0%
Lawn/Garden Equipment	10.9%	40.6%	37.5%	7.8%	3.1%
GPS	9.8%	14.6%	75.6%	0.0%	0.0%

### Kubota Dealers' Projections for Unit Sales 2008 — New Equipment



More than 90% of Kubota retailers anticipate new equipment sales in 2008 to be as good or better than 2007.

### Kubota Dealers' Projections for Unit Sales 2008 — Used Equipment



Nearly 40% of Kubota retailers say used equipment sales in '08 will increase by 2% or more, while 52% anticipate little if any change.



2WD tractors (40-100 hp) and round balers as their best bets for growing sales revenues in the next 12 months. Strong potential also exists increasing sales revenues through lawn and garden equipment, farm loaders and even disc harrows in 2008.

With a full-range of tractors up to 120 hp, no other tractor maker has been better positioned to take advantage of the rural lifestyle/hobby farmer phenomena as well as other market segments that are emerging for farm equipment dealers.

While less than 40% of their revenues come from production farming, a breakout of Kubota dealerships by other market segment shows, as a percentage of total dealership sales, the Japanese tractor maker leads in 5 of the 6 largest markets served by ag equipment dealers.

#### Segment % of Kubota Dealers Business

Hobby Farms	29.9%
Turf/Lawn	13.9%
Construction	8.3%
Municipalities	7.6%
Utilities	3.2%

*(See Part VI of this report, "Market Segments Served by Farm Equipment Dealers," starting on p. 43 for additional analysis.)*

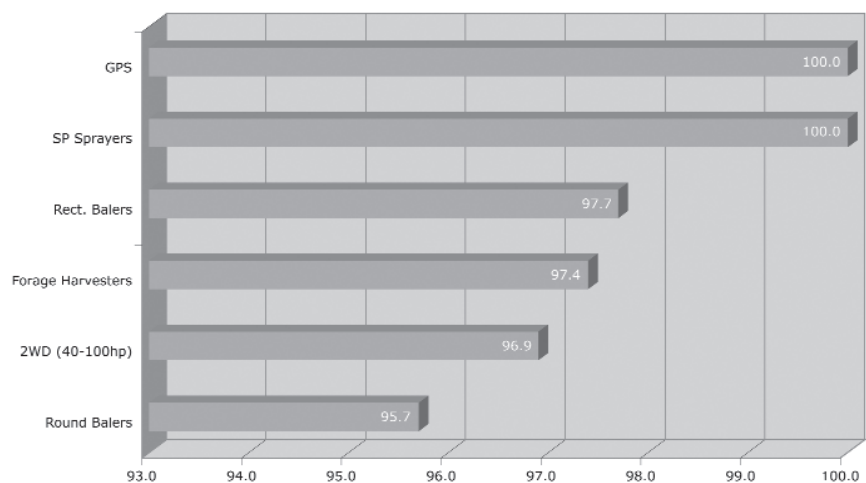
#### Kubota Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2008

	New Equipment	Used Equipment
+8%	12.3%	11.1%
+2-7%	41.5%	27.8%
Little or No Change	38.5%	51.9%
-2-7%	4.6%	7.4%
-8%	3.1%	1.9%

#### Kubota Dealer Spending Plans for 2008

No Increase	34.8%
0 to +5%	56.1%
+6% to 10%	6.1%
+10%	3.0%

#### Best Bets for Improving Sales in 2008 Kubota Dealers



All Kubota dealers are on the same page as the forecast that GPS-auto-steer systems and self-propelled sprayer will offer the best opportunity to improve sales in the coming year.

#### Kubota Dealers' Hiring Plans 2008 vs. 2007

	2008			2007		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	29.2%	69.2%	1.5%	26.2%	64.3%	9.5%
Service Technicians	57.6%	40.9%	1.5%	62.8%	37.2%	0.0%
Wholegood Sales	39.1%	59.4%	1.6%	31.7%	61.0%	7.3%
Administration	4.8%	88.9%	6.3%	7.5%	80.0%	12.5%

#### Where Kubota Dealers Will Invest in 2008

Modernize Shop & Service	Modernize Retail	Bus. Info. Systems
66.7%	45.0%	45.9%

#### Kubota Dealers' Issues and Concerns – 2008

Issue	Most Concerned	Concerned	Not Concerned
Health Care Affordability	56.1%	33.3%	10.6%
Energy/Fuel Costs	53.8%	43.1%	3.1%
Technician Availability	49.3%	38.8%	11.9%
Interest Rates	32.8%	56.3%	10.9%
Increasing Cost of New Equipment	29.9%	59.7%	10.4%
Mfr. Purity Efforts	26.2%	47.7%	26.2%
Shrinking Farm Customer Base	25.8%	48.5%	25.8%
Product Reliability	23.1%	58.5%	18.5%
Commodity Prices	15.4%	69.2%	15.4%
Internet Sales	15.4%	55.4%	29.2%
Steel Prices/Supplies	14.3%	65.1%	20.6%
Succession Policies	10.9%	50.0%	39.1%
Next Farm Bill	10.9%	50.0%	39.1%
Industry Consolidation	10.8%	58.5%	30.8%
Impact of Competing Box Stores	10.8%	53.8%	35.4%

## New Holland Dealers See Little Chance of a Sales Drop in the New Year



**NEW HOLLAND**

New Holland dealers do not see any significant fall off of sales of either new or used equipment in 2008.

Dealerships handling blue tractors — at least 66% of them — expect sales of new equipment growing 2% or more throughout the coming year, while 26% see little or no change from the sales levels of 2007.

More than a third of New Holland dealers expect sales revenues generated from previously owned equipment to come in at about the same level as the previous year, 60% see sales increasing in this area. None are forecasting sales of used machinery to drop off more than 8%.

This group is projecting those sales of farm loaders, GPS systems, 2WD tractors of 40-100 hp, planters and self-propelled sprayers to produce the best overall sales results in 2008. Others product categories that could hold solid potential in the new year include mower/conditioners, round balers and lawn and garden equipment.

Nearly all other tractors also present good prospects for growth include, according to New Holland dealers. Despite the seeming slowdown with compacts, 47% of these

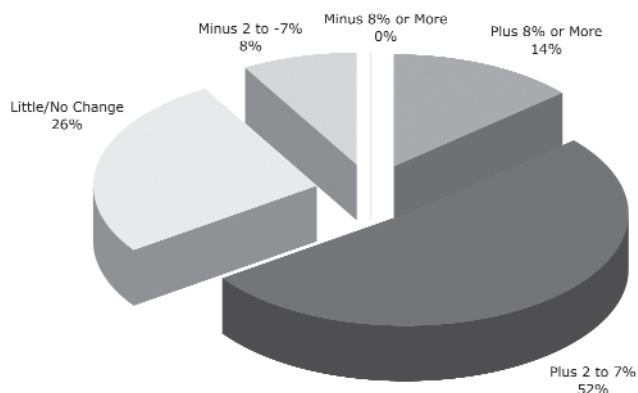
### New Holland Dealers' Projected Unit Sales of Tractors and Combines – 2008

Tractor Type (size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40 hp)	7.2%	40.2%	36.1%	13.4%	3.1%	47.4%	16.5%
2WD (40-100 hp)	7.4%	44.2%	43.2%	5.3%	0.0%	51.6%	5.3%
2WD (>100 hp)	8.4%	27.4%	57.9%	5.3%	1.1%	35.8%	6.4%
4WD Tractors (All)	4.4%	37.8%	52.2%	5.6%	0.0%	42.2%	5.6%
Combines	2.8%	16.9%	73.2%	1.4%	5.6%	19.7%	7.0%

### New Holland Dealers' Unit Sales Projections for Other Equipment in 2008

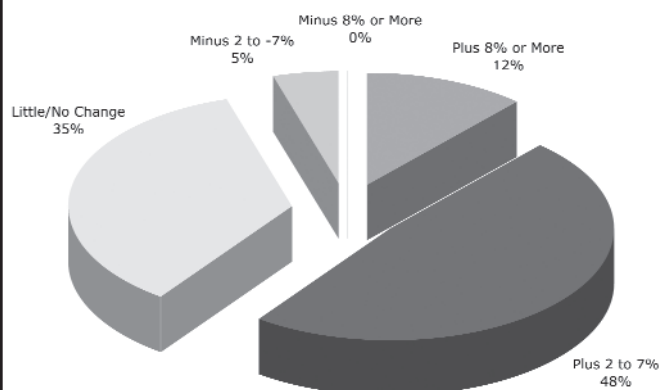
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	2.3%	31.4%	58.1%	8.1%	0.0%
Round Balers	5.2%	39.6%	46.9%	6.3%	2.1%
Forage Harvesters	4.9%	19.8%	64.2%	8.6%	2.5%
Planters (All)	4.3%	22.9%	67.1%	4.3%	1.4%
Mower/Conditioners	10.5%	35.8%	40.0%	12.6%	1.1%
Windrower/Swathers	6.8%	21.9%	63.0%	8.2%	0.0%
Field Cultivators	1.3%	9.3%	77.3%	8.0%	4.0%
Farm Loaders	7.3%	43.8%	49.0%	0.0%	0.0%
Chisel Plows	0.0%	6.5%	81.8%	5.2%	6.5%
Disc Harrows	0.0%	17.9%	71.4%	4.8%	6.0%
Air Seeders/Drills	2.9%	4.3%	84.1%	2.9%	5.8%
Self-Propelled Sprayer	4.5%	11.9%	77.6%	3.0%	3.0%
Pull-Type Sprayers	2.7%	14.7%	74.7%	5.3%	2.7%
Lawn/Garden Equipment	10.6%	22.4%	51.8%	11.8%	3.5%
GPS	12.5%	19.4%	65.3%	0.0%	2.8%

### New Holland Dealers' Projections for Unit Sales 2008 — New Equipment



Only 8% of New Holland dealers see their 2008 new equipment sales levels falling below those of the previous year, while 66% expect growth of 2% or more

### New Holland Dealers' Projections for Unit Sales 2008 — Used Equipment



When it comes to used equipment sales in the coming year, 95% of New Holland dealers project that levels will be as good or better than sales in 2007.

dealers see growth potential of 2% or more for tractors under 40 hp, and 42% expect 4WD units to increase in sales by 2% or more.

Look for New Holland to put strong emphasis on the service aspect of its business during the coming year in an attempt to grab market share. In an interview with *AEI* in August, Lorenzo Sistino, the then-president & CEO of New Holland Agriculture, who has since moved on to head up Fiat's auto group, said that a major objective for the firm was to capture new market share.

"The cash crop segment is the area where we have a very good opportunity to improve market share because we have good products and service is important for this customer. To keep current customers and get new ones, you need: good products, good dealers and good service. We believe we have an excellent, complete line of products. We also know we have great dealers. We need to improve our service. This is where we'll push hardest in 2008."

He said New Holland was planning to roll out its "Top Service" program in the U.S. this fall that will feature 24/7 availability of New Holland service technicians to both its dealers and equipment customers.

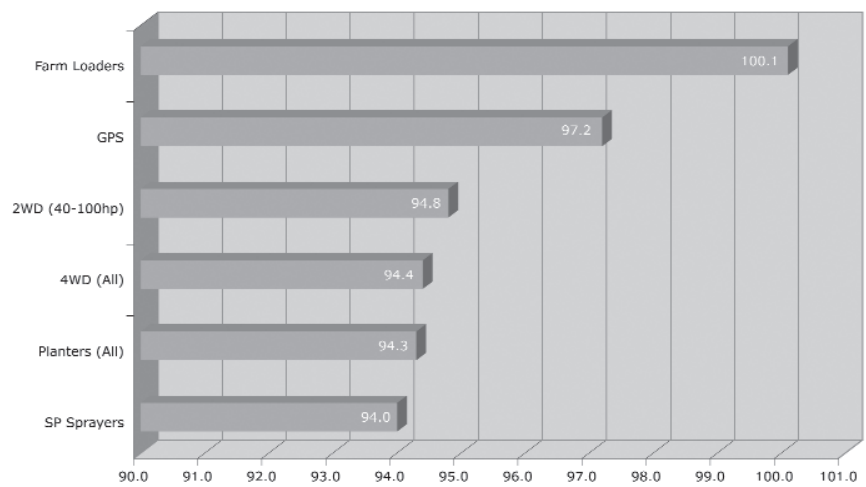
#### New Holland Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2008

	New Equipment	Used Equipment
+8%	13.7%	11.8%
+2-7%	51.6%	48.2%
Little or No Change	26.3%	35.3%
-2-7%	8.4%	4.7%
-8%	0.0%	0.0%

#### New Holland Dealer Spending Plans for 2008

No Increase	32.3%
0 to +5%	49.5%
+6% to 10%	15.2%
+10%	3.0%

#### Best Bets for Improving Sales in 2008 New Holland Dealers



New Holland dealers are counting on a variety of equipment groups, including tractors, planters and sprayers, along with GPS-auto-steer to increase sales in the coming year.

#### New Holland Dealers' Hiring Plans 2008 vs. 2007

	2008			2007		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	21.9%	74.0%	4.2%	38.9%	57.8%	3.3%
Service Technicians	58.6%	41.4%	0.0%	63.0%	35.9%	1.1%
Wholegood Sales	33.7%	65.3%	1.0%	26.1%	70.5%	3.4%
Administration	6.3%	91.7%	2.1%	8.1%	91.9%	0.0%

#### Where New Holland Dealers Will Invest in 2008

Modernize Shop & Service	Modernize Retail	Bus. Info. Systems
70.3%	52.3%	42.5%

#### New Holland Dealers' Issues and Concerns – 2008

Issue	Most Concerned	Concerned	Not Concerned
Health Care Affordability	59.2%	30.6%	10.2%
Technician Availability	55.7%	30.9%	13.4%
Energy/Fuel Costs	51.0%	45.9%	3.1%
Increasing Cost of New Equipment	41.8%	46.9%	11.2%
Shrinking Farm Customer Base	36.8%	50.5%	12.6%
Product Reliability	36.1%	54.6%	9.3%
Interest Rates	31.6%	56.8%	11.6%
Mfr. Purity Efforts	27.8%	47.4%	24.7%
Industry Consolidation	25.8%	51.5%	22.7%
Commodity Prices	21.5%	59.1%	19.4%
Steel Prices/Supplies	20.0%	63.2%	16.8%
Impact of Competing Box Stores	12.5%	50.0%	37.5%
Succession Policies	12.4%	50.5%	37.1%
Internet Sales	11.6%	45.3%	43.2%
Next Farm Bill	11.5%	51.0%	37.5%

## Independents Looking at an Overall 'Flat' Year

For the most part, most independent ag equipment dealers, those that don't handle machinery from the major manufacturers, are looking at 2008 as a fairly ho-hum year as far as producing significantly improved sales.

Nearly half of them (46%) see new equipment sales in the coming year staying at about the levels as they were in 2007. About the same number (45%) expect some growth, with 31% of the independents forecasting 2-7% sales improvements and 15% projecting increases of 8% or more. Only 13% see sales falling below '07 levels.

At this time last year, 46.2% of the independent dealers were projecting sales increases of 2% or more for new equipment, with 92.4% overall forecasting business would be as good or better than in 2006.

It's pretty much more of the same for the independents when it comes to used machinery.

More than half of them (53%) see sales of previously owned equipment remaining at 2007 levels. Only 41% project improved sales, with 28% projecting sales growth of between 2 to 7%.

About the same percentage, 40.7%, predicted last year that sales of used equipment would improve by 2% or more and only 5.8% speculated

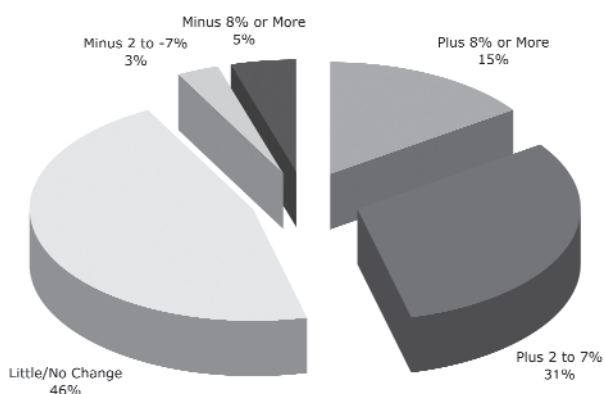
### Independent Dealers' Projected Unit Sales of Tractors and Combines – 2008

Tractor Type (size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40 hp)	5.9%	22.1%	66.2%	15.0%	4.4%	28.0%	19.4%
2WD (40-100hp)	4.7%	20.3%	70.3%	3.1%	1.6%	25.0%	4.7%
2WD (>100HP)	3.4%	10.3%	79.3%	3.4%	3.4%	13.7%	6.8%
4WD (All)	11.3%	26.8%	54.9%	4.2%	2.8%	38.1%	7.0%
S.P. Combines	2.0%	6.0%	86.0%	4.0%	2.0%	8.0%	6.0%

### Independent Dealers' Unit Sales Projections for Other Equipment in 2008

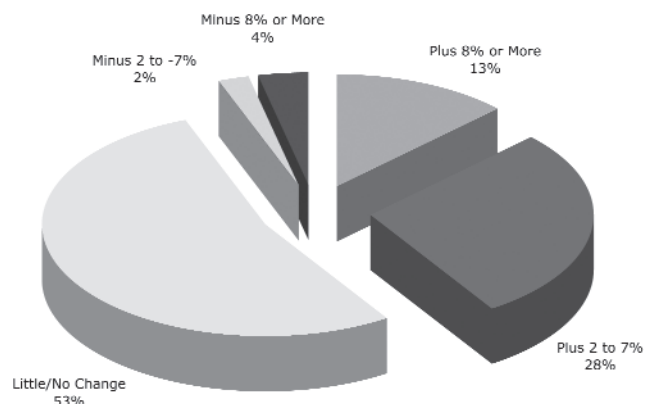
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rect. Balers	2.0%	12.0%	84.0%	2.0%	0.0%
Round Balers	5.3%	22.8%	66.7%	3.5%	1.8%
Forage Harvesters	0.0%	3.8%	92.3%	0.0%	3.8%
Planters (All)	6.1%	4.1%	87.8%	2.0%	0.0%
Mower Conditioners	6.3%	26.6%	62.5%	4.7%	0.0%
Windrower-Swathers	3.6%	7.3%	81.8%	7.3%	0.0%
Field Cultivators	1.8%	7.3%	81.8%	1.8%	7.3%
Farm Loaders	11.8%	27.9%	55.9%	4.4%	0.0%
Chisel Plows	0.0%	10.7%	80.4%	3.6%	5.4%
Disk Harrows	6.7%	15.0%	70.0%	3.3%	5.0%
Air Seeders/Drills	3.9%	13.7%	76.5%	3.9%	2.0%
SP Sprayer	1.8%	5.4%	89.3%	1.8%	1.8%
Pull-type Sprayers	6.2%	15.4%	75.4%	1.5%	1.5%
Lawn/Garden	12.9%	30.0%	50.0%	5.7%	1.4%
GPS	11.1%	11.1%	74.1%	1.9%	1.9%

### Independent Dealers' Projections for Unit Sales 2008 — New Equipment



The same percentage (46%) of independent dealers see sales growth of 2% or more in 2008 as see little or no change in sales of new equipment in the coming year.

### Independent Dealers' Projections for Unit Sales 2008 — Used Equipment



Over half of independent farm equipment dealers see little change in the sale of used equipment in the coming year, while 41% expect improved sales levels.



that it would drop below 2006 levels.

A look at what equipment categories hold the best promise for increase retail levels in '08, the independent dealers point toward planters, rectangular balers, pull-type and self-propelled sprayers, GPS and forage harvesters. The only tractor category that approached the 50% level in terms of growth potential, as 38% of dealers expect an increase in sales, is with 4WD equipment.

With 28.3% of their sales going to the hobby farm/rural lifestyle market, independent dealers rank second, behind only Kubota, in serving this growing market for farm equipment.

With 47.5% of their sales going to traditional farm customers, where they rank fifth among dealer groups, the independent dealers find themselves in the middle of the pack when it comes to the other market segments served by ag equipment dealers. More than 10% of their sales go to landscape contractors, 5.5% to the construction market, 4.5% to municipalities and parks departments and 1.7% to utility contractors.

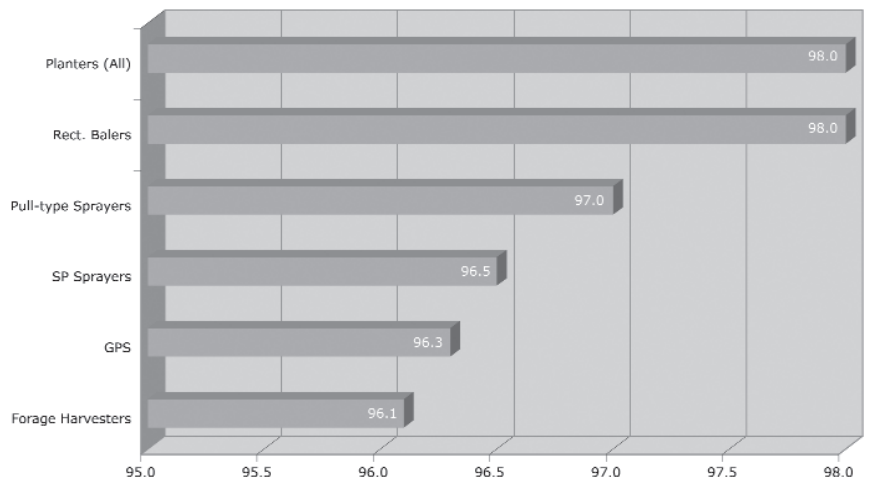
#### Independent Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2008

	New Equipment	Used Equipment
+8%	15.4%	12.8%
+2-7%	30.8%	27.9%
Little or No Change	46.2%	53.5%
-2-7%	2.9%	2.3%
-8%	4.8%	3.5%

#### Independent Dealer Spending Plans for 2008

No Increase	37.9%
0 to +5%	40.8%
6 to 10%	9.7%
10 plus	11.7%

#### Best Bets for Improving Sales in 2008 Independent Dealers



Independent dealers project that planters, rectangular balers, spraying equipment, GPS and forage harvesters have the most potential for growing their sales in 2008.

#### Independent Dealers' Hiring Plans 2008 vs. 2007

	2008			2007		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	19.8%	79.2%	1.0%	14.6%	85.4%	0.0%
Service Technicians	37.5%	62.5%	0.0%	44.4%	55.6%	0.0%
Wholesale Sales	10.1%	86.9%	3.0%	15.0%	85.0%	0.0%
Administration	4.0%	92.0%	4.0%	5.3%	89.5%	5.3%

#### Where Independent Dealers Will Invest in 2008

Modernize Shop & Service	Modernize Retail	Bus. Info. Systems
59.4%	52.7%	51.1%

#### Independent Dealers' Issues and Concerns – 2008

Issue	Most Concerned	Concerned	Not Concerned
Energy/Fuel Costs	64.8%	33.3%	1.9%
Increasing Cost of New Equip.	53.8%	42.3%	3.8%
Health Care Affordability	52.4%	38.8%	8.7%
Shrinking Farm Customer Base	41.6%	43.6%	14.9%
Interest Rates	39.2%	51.5%	9.3%
Steel Prices/Supplies	38.6%	51.5%	9.9%
Technician Availability	32.7%	42.6%	24.8%
Next Farm Bill	25.8%	46.4%	27.8%
Product Reliability	25.0%	43.8%	31.3%
Commodity Prices	24.7%	57.7%	17.5%
Impact of Competing Box Stores	20.2%	49.5%	30.3%
Dealer Purity Efforts	15.6%	45.8%	38.5%
Industry Consolidation	14.4%	56.7%	28.9%
Succession Policies	7.9%	55.1%	37.1%
Internet Sales	7.2%	46.4%	46.4%

# PART V — EMPLOYMENT SIZE BREAKDOWN

## Bigger Dealers Expect the Highest Revenue Gains

When measured by employee size, it's clear that the larger dealerships are expecting largest revenue gains. For example, 33.3% of dealerships employing 61 or more people are forecasting revenue increases of 8% or more in 2008. Of those employing 41-60 employees, 20.7% project sales revenue to surpass 8%. Dealerships with staffs ranging between 21 and

40 people, 15.7% say their sales revenue will be 8% or higher, while 13.8% of dealers with between 1-20 employees come in lowest with only 15.5% forecasting sales growth of 8% or more.

This isn't necessarily the case when it comes to dealers anticipating declining revenue, though. Overall, about 9% of the largest dealers, in

terms or employees, expect revenues to drop below 2007 levels during the coming year, but only 6.8% of those with 41 to 60 people and 8.4% of those employing 21-40 see their sales falling below levels from the year before.

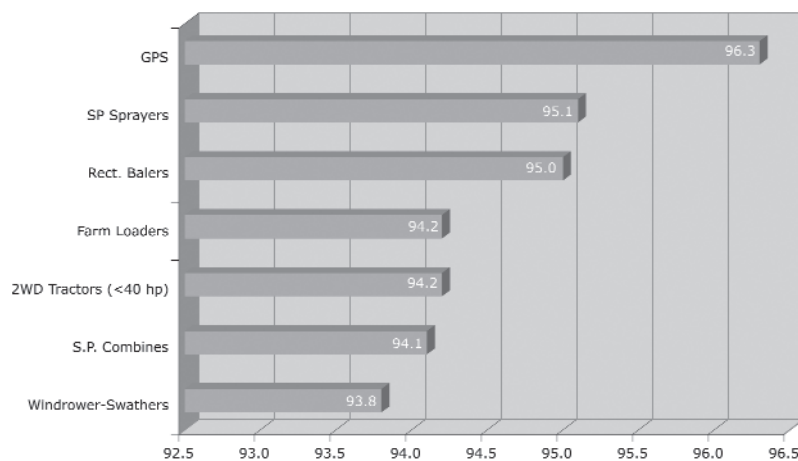
As for used equipment, the same trend generally holds true as is the case, but more dealerships employing 1-20 employees expect to grow sales than dealers with staffs of between 21 and 50 people.

While GPS systems made each employee size group's Top 5 list, when it comes to the other equipment categories that are best bets to improve sales revenues during 2008, the forecasts diverge somewhat, as well, depending upon employee size.

In addition to GPS, the smallest dealers (1-20 employees) look at self-propelled sprayers, rectangular balers, farm loaders and 2WD tractors (<40 hp) as offering the best promise for them to increase sales in '08.

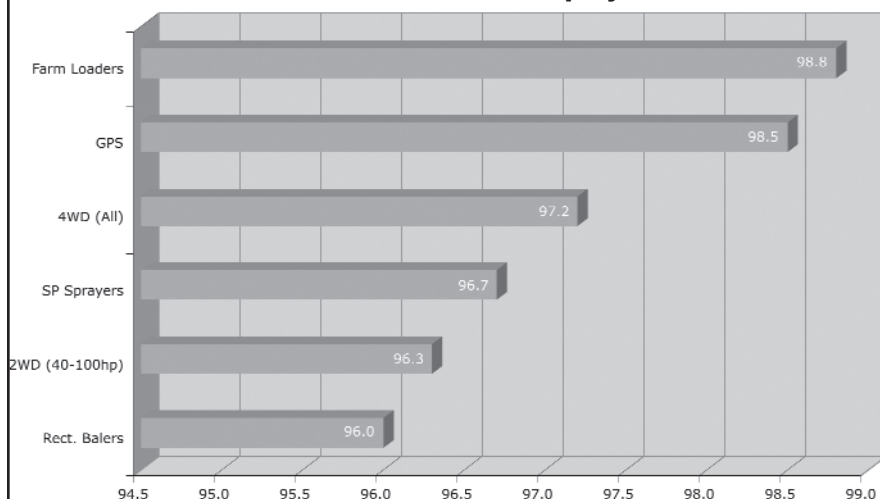
The next group (21-40 employees) see farm loaders as their top choice, followed by GPS, 4WD tractors, self-propelled sprayers and 2WD tractors (40-100 hp) as offering the best opportunity to grow sales.

**Best Bets for Improving Sales in 2008  
Dealers with 1-20 Employees**



Like their larger counterparts, the smallest equipment dealers are looking to GPS to be a big seller in '08, along with self-propelled sprayers and rectangular balers. Combines, too, have potential.

**Best Bets for Improving Sales in 2008  
Dealers with 21-40 Employees**



Beyond farm loaders and GPS, dealerships with 21-40 people expect larger equipment like 4WD and 2WD tractors (40-100 hp) as well as self-propelled sprayers to push sales higher in '08.

### Sales Revenue Increase (Loss) by Employment Size — 2008(weighted avg.)

Employee Size	
1-20	2.39%
21-40	3.11%
41-60	3.09%
61+	(4.50%)

### EMPLOYMENT SIZE BREAKDOWN

Employee Size	Total Responses	Avg. Employees
1-20	69.4%	9.93
21-40	17.3%	27.07
41-60	6.3%	49.13
61+	6.9%	132.68

### Unit Sales Projections for New Equipment by Employee Size — 2008

Employee Size	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Decline
2WD (<40 hp)							
National Average	15.5%	44.7%	29.6%	5.6%	4.6%	60.2%	10.2%
1-20 Employees	13.8%	43.6%	31.9%	5.2%	5.5%	57.4%	10.7%
21-40 Employees	15.7%	50.6%	25.3%	7.2%	1.2%	66.3%	8.4%
41-60 Employees	20.7%	41.4%	31.0%	3.4%	3.4%	62.1%	6.8%
61+ Employees	33.3%	45.5%	12.1%	6.1%	3.0%	78.8%	9.1%

Dealerships with 41-60 people show air seeders/drills, farm loaders, GPS, round balers and rectangular balers as their top choices for increasing retail sales.

The largest dealers (61+) anticipate that GPS, forage harvesters, 4WD tractors, windrower/swathers and rectangular balers as the best hopes for sales in the coming year.

When it comes to adding or reducing staff during the coming year, generally, the smaller the dealer, the less apt they are to add staff, regardless of department. At the same time, the smallest dealers are generally planning fewer reductions as well.

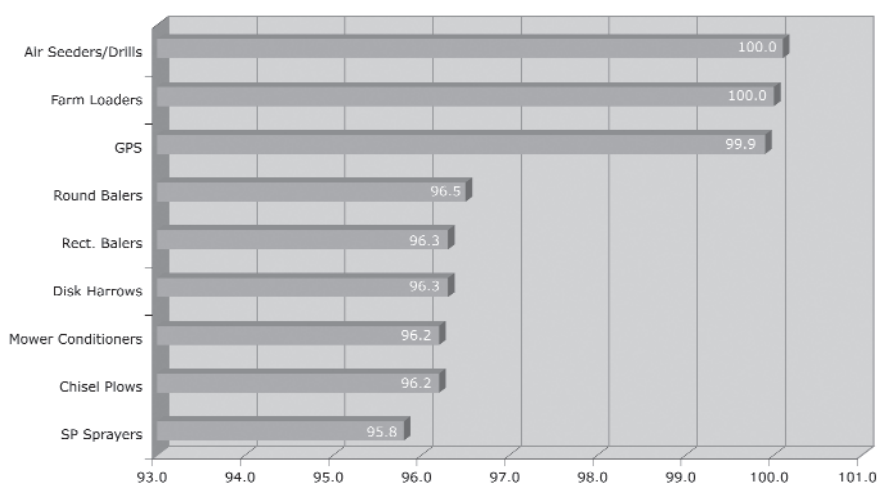
As might be expected, the biggest dealers also have the biggest need for service technicians, with 87.9% of dealerships with 61 or more employees indicating they plan to add techs in the year ahead. But all of the groups say they would like to add techs.

In analyzing market segments served in terms of employee size, the survey this year confirms what many people surmised to be the case. The larger the dealership, the more revenue is derived from the traditional farm base. The smaller the dealer the more revenue comes from various other market segments.

More than 73% of sales revenue comes from the professional farmers for dealerships with 61 or more employee, while only 6.2% of sales are accounted for by hobby farmers.

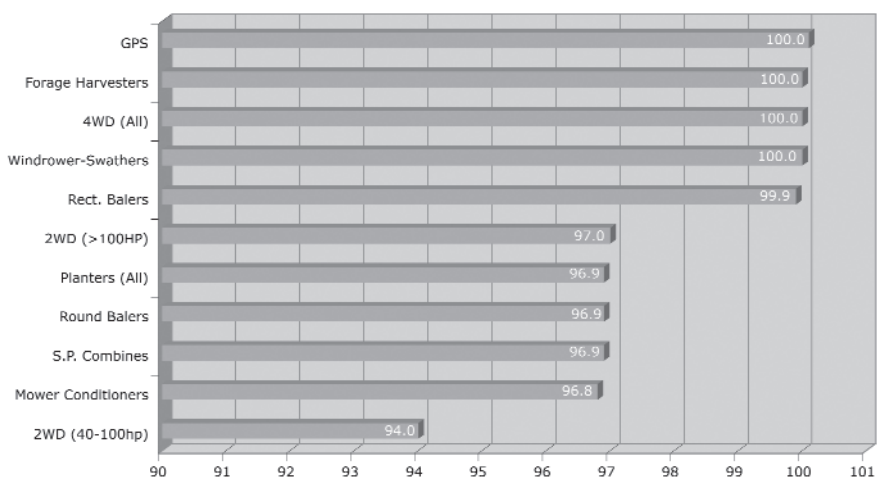
On the other hand, the smallest dealers (1-20 employees) count on hobby farmers for 23.6% of their sales — the highest proportion for any of the employee size groups. Production farmers account for 54% of smallest dealerships sales, which is smallest percentage of any of the groups.

### Best Bets for Improving Sales in 2008 Dealers with 41-60 Employees



Air seeders/drills, farm loaders, GPS and haying tools are projected to produce the largest revenue gains for dealers with between 41 and 60 people on staff.

### Best Bets for Improving Sales in 2008 Dealers with 61+ Employees



The biggest dealers, by employee size, are pinning their hopes for increasing sales in the coming years largely on GPS systems, forage harvesters, 4WD tractors and haying equipment.

### Unit Sales Projections Tractors & Combines by Employee Size — 2008

	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Decline
<b>Tractors</b>							
<b>2WD (&lt;40 hp)</b>							
National Average	7.4%	33.2%	48.5%	7.0%	3.8%	40.6%	10.8%
1-20 Employees	5.9%	22.1%	66.2%	15.0%	4.4%	28.0%	19.4%
21-40 Employees	4.7%	20.3%	70.3%	3.1%	1.6%	25.0%	4.7%
41-60 Employees	3.4%	10.3%	79.3%	3.4%	3.4%	13.7%	6.8%
61+ Employees	11.3%	26.8%	54.9%	4.2%	2.8%	38.1%	7.0%
<b>2WD (40-100 hp)</b>							
National Average	8.4%	36.1%	48.0%	5.2%	2.3%	44.5%	7.5%
1-20 Employees	7.1%	31.7%	52.0%	6.0%	3.2%	38.8%	9.2%
21-40 Employees	8.5%	48.8%	39.0%	3.7%	0.0%	57.3%	3.7%
41-60 Employees	10.0%	33.3%	50.0%	6.7%	0.0%	43.3%	6.7%
61+ Employees	21.2%	45.5%	27.3%	3.0%	3.0%	66.7%	6.0%
<b>2WD (&gt;100 hp)</b>							
National Average	9.7%	27.8%	55.1%	4.1%	3.4%	37.5%	7.5%
1-20 Employees	7.2%	25.0%	59.5%	4.2%	4.2%	32.2%	8.4%
21-40 Employees	6.7%	33.3%	56.0%	4.0%	0.0%	40.0%	4.0%
41-60 Employees	20.7%	31.0%	41.4%	3.4%	3.4%	51.7%	6.8%
61+ Employees	27.3%	36.4%	33.3%	0.0%	3.0%	63.7%	3.0%
<b>4WD (All)</b>							
National Average	7.8%	35.7%	49.0%	4.6%	2.9%	43.5%	7.5%
1-20 Employees	7.2%	35.5%	48.3%	5.7%	3.4%	42.7%	9.1%
21-40 Employees	12.5%	37.5%	47.2%	1.4%	1.4%	50.0%	2.8%
41-60 Employees	0.0%	34.5%	58.6%	6.9%	0.0%	34.5%	6.9%
61+ Employees	12.1%	36.4%	51.5%	0.0%	0.0%	48.5%	0.0%
<b>Combines</b>							
National Average	6.1%	26.8%	60.9%	2.9%	3.2%	32.9%	6.1%
1-20 Employees	3.9%	20.6%	69.6%	2.5%	3.4%	24.5%	5.9%
21-40 Employees	10.4%	29.9%	55.2%	3.0%	1.5%	40.3%	4.5%
41-60 Employees	3.4%	44.8%	44.8%	3.4%	3.4%	48.2%	6.8%
61+ Employees	15.6%	37.5%	43.8%	0.0%	3.1%	53.1%	3.1%

### Dealer Spending Plans for 2008 by Employee Size

	No Increase	0-5%	6-10%	10%
1-20 Employees	35.7%	49.5%	9.2%	5.5%
21-40 Employees	21.7%	56.6%	14.5%	7.2%
41-60 Employees	19.4%	64.5%	16.1%	0.0%
61+ Employees	21.2%	45.5%	30.3%	3%

### Where Dealers Will Invest in 2008 by Employee Size

No. Employees	Facility Improvements	Service Vehicles	Business Info. Systems
1-20 Employees	61.4%	47.4%	44.9%
21-40 Employees	68.4%	50.6%	55.8%
41-60 Employees	66.7%	38.5%	62.1%
61+ Employees	71.0%	64.5%	54.8%



**1-20 Employees Unit Sales Projections  
for Other Equipment in 2008**

<b>Equipment Category</b>	<b>Sales +8%</b>	<b>Sales +2-7%</b>	<b>Little or No Change</b>	<b>Sales -2-7%</b>	<b>Sales -8%</b>
Rectangular Balers	3.7%	22.0%	69.3%	5.0%	0.0%
Round Balers	4.9%	30.9%	55.3%	4.9%	4.1%
Forage Harvesters	1.4%	9.4%	77.9%	7.0%	4.2%
Planters (All)	7.6%	26.1%	59.7%	4.7%	1.9%
Mowers/Conditioners	6.3%	31.6%	52.0%	7.0%	3.1%
Windrower/Swathers	3.8%	17.6%	72.4%	4.3%	1.9%
Field Cultivators	2.2%	12.9%	70.1%	8.9%	5.8%
Farm Loaders	6.9%	39.1%	48.2%	4.4%	1.5%
Chisel Plows	1.8%	10.0%	74.7%	7.2%	6.2%
Disc Harrows	4.5%	18.9%	67.1%	4.9%	4.5%
Air Seeders/Drills	1.5%	15.2%	74.0%	5.4%	3.9%
Self-Propelled Sprayers	3.5%	10.9%	80.7%	1.5%	3.5%
Pull-Type Sprayers	3.6%	18.1%	70.6%	4.1%	3.6%
Lawn/Garden Equipment	11.7%	35.9%	39.5%	9.3%	3.6%
GPS	10.6%	22.7%	63.0%	1.4%	2.3%

**21-40 Employees Unit Sales Projections  
for Other Equipment in 2008**

<b>Equipment Category</b>	<b>Sales +8%</b>	<b>Sales +2-7%</b>	<b>Little or No Change</b>	<b>Sales -2-7%</b>	<b>Sales -8%</b>
Rectangular Balers	1.3%	20.0%	74.7%	4.0%	0.0%
Round Balers	2.5%	35.4%	54.4%	6.3%	1.3%
Forage Harvesters	4.3%	17.4%	72.5%	2.9%	2.9%
Planters (All)	15.9%	30.4%	49.3%	4.3%	0.0%
Mower Conditioners	5.0%	36.3%	52.5%	5.0%	1.3%
Windrowers/Swathers	4.6%	18.5%	69.2%	4.6%	3.1%
Field Cultivators	4.5%	16.4%	73.1%	4.5%	1.5%
Farm Loaders	8.8%	40.0%	50.0%	1.3%	0.0%
Chisel Plows	1.5%	14.7%	76.5%	5.9%	1.5%
Disc Harrows	6.8%	26.0%	60.3%	5.5%	1.4%
Air Seeders/Drills	4.7%	10.9%	78.1%	4.7%	1.6%
Self-Propelled Sprayers	4.9%	18.0%	73.8%	3.3%	0.0%
Pull-Type Sprayers	3.1%	12.3%	76.9%	6.2%	1.5%
Lawn/Garden Equipment	11.8%	40.8%	42.1%	3.9%	1.3%
GPS	28.4%	32.8%	37.3%	0.0%	1.5%

**41-60 Employees Unit Sales Projections  
for Other Equipment in 2008**

<b>Equipment Category</b>	<b>Sales +8%</b>	<b>Sales +2-7%</b>	<b>Little or No Change</b>	<b>Sales -2-7%</b>	<b>Sales -8%</b>
Rectangular Balers	0.0%	11.1%	85.2%	3.7%	0.0%
Round Balers	0.0%	37.9%	58.6%	3.4%	0.0%
Forage Harvesters	4.0%	0.0%	88.0%	8.0%	0.0%
Planters (All)	7.7%	42.3%	42.3%	7.7%	0.0%
Mowers/Conditioners	7.4%	40.7%	48.1%	3.7%	0.0%
Windrowers/Swathers	0.0%	25.0%	66.7%	8.3%	0.0%
Field Cultivators	0.0%	11.1%	74.1%	14.8%	0.0%
Farm Loaders	10.7%	28.6%	60.7%	0.0%	0.0%
Chisel Plows	0.0%	15.4%	80.8%	3.8%	0.0%
Disc Harrows	3.7%	25.9%	66.7%	0.0%	3.7%
Air Seeders/Drills	4.2%	29.2%	66.7%	0.0%	0.0%
Self-Propelled Sprayers	12.5%	37.5%	45.8%	4.2%	0.0%
Pull-Type Sprayers	3.8%	23.1%	65.4%	7.7%	0.0%
Lawn/Garden Equipment	11.1%	59.3%	22.2%	3.7%	3.7%
GPS-Auto Steer	40.7%	40.7%	18.5%	0.0%	0.0%

**61+ Employees Unit Sales Projections  
for Other Equipment in 2008**

<b>Equipment Category</b>	<b>Sales +8%</b>	<b>Sales +2-7%</b>	<b>Little or No Change</b>	<b>Sales -2-7%</b>	<b>Sales -8%</b>
Rectangular Balers	3.3%	13.3%	83.3%	0.0%	0.0%
Round Balers	12.5%	28.1%	56.3%	0.0%	3.1%
Forage Harvesters	10.7%	14.3%	75.0%	0.0%	0.0%
Planters (All)	12.1%	42.4%	42.4%	0.0%	3.0%
Mower/Conditioners	6.5%	29.0%	61.3%	0.0%	3.2%
Windrower/Swathers	9.7%	29.0%	61.3%	0.0%	0.0%
Field Cultivators	0.0%	21.9%	65.6%	12.5%	0.0%
Farm Loaders	6.3%	25.0%	59.4%	6.3%	3.1%
Chisel Plows	0.0%	3.2%	83.9%	9.7%	3.2%
Disc Harrows	0.0%	16.1%	71.0%	9.7%	3.2%
Air Seeders/Drills	10.0%	23.3%	56.7%	3.3%	6.7%
Self-Propelled Sprayers	25.8%	38.7%	29.0%	0.0%	6.5%
Pull-Type Sprayers	0.0%	16.1%	71.0%	3.2%	9.7%
Lawn/Garden Equipment	19.4%	41.9%	32.3%	6.5%	0.0%
GPS	50.0%	31.3%	18.8%	0.0%	0.0%

**Unit Sales Projections for Used Equipment by Employee Size — 2008**

<b>Employee Size</b>	<b>Sales +8%</b>	<b>Sales +2-7%</b>	<b>Little or No Change</b>	<b>Sales -2-7%</b>	<b>Sales -8%</b>	<b>Forecasting Growth</b>	<b>Decline</b>
2WD (<40 hp)							
National Average	15.5%	37.8%	38.7%	5.2%	2.8%	53.3%	8.0%
1-20 Employees	14.6%	34.9%	42.3%	4.6%	3.6%	49.5%	8.2%
21-40 Employees	11.4%	50.6%	31.6%	6.3%	0.0%	62.0%	6.3%
41-60 Employees	18.5%	44.4%	29.6%	7.4%	0.0%	62.9%	7.4%
61+ Employees	34.5%	27.6%	27.6%	6.9%	3.4%	62.1%	10.3%

**Dealers' Hiring Plans 2008 vs. 2007 by Employee Size**

	<b>Add Staff</b>	<b>No Change</b>	<b>Reduce/Relocate Staff</b>	<b>Add Staff</b>	<b>No Change</b>	<b>Reduce/Relocate Staff</b>
<b>Parts Department</b>						
1-20 Employees	24.2%	74.5%	1.2%	26.1%	72.2%	1.7%
21-40 Employees	27.2%	66.7%	6.2%	27.5%	66.3%	5.0%
41-60 Employees	36.7%	56.7%	6.7%	37.5%	62.5%	0.0%
61+ Employees	48.5%	51.5%	0.0%	39.1%	56.5%	4.3%
<b>Service Department</b>						
1-20 Employees	49.1%	50.6%	0.3%	50.4%	49.2%	0.4%
21-40 Employees	67.1%	32.9%	0.0%	70.4%	29.6%	0.0%
41-60 Employees	79.7%	23.3%	0.0%	87.5%	8.3%	4.2%
61+ Employees	87.9%	9.1%	3.0%	82.6%	17.4%	0.0%
<b>Sales Department</b>						
1-20 Employees	23.5%	75.2%	1.3%	21.7%	77.4%	0.9%
21-40 Employees	38.6%	61.4%	0.0%	31.3%	63.8%	5.0%
41-60 Employees	37.9%	55.2%	6.9%	45.5%	45.5%	9.0%
61+ Employees	51.5%	42.4%	6.1%	26.1%	56.5%	17.4%
<b>Administration</b>						
1-20 Employees	5.4%	92.4%	2.2%	5.4%	92.4%	2.2%
21-40 Employees	5.0%	90.0%	5.0%	10.1%	79.7%	10.1%
41-60 Employees	3.6%	85.7%	10.7%	26.1%	65.2%	8.7%
61+ Employees	12.5%	75.0%	12.5%	17.4%	69.6%	13.0%

# PART VI — MARKET SEGMENTS SERVED BY FARM EQUIPMENT DEALERS

New to *Ag Equipment Intelligence's* 2008 Business & Outlook Trends report is a breakdown on markets served by North American farm machinery dealers. It's clear that more and more dealers are generating revenue beyond their traditional, professional farm customer base.

During the last decade or more, dealers have reached out to — or have been reached by — newly emerging customers that utilize many of the same or similar equipment lines they have traditionally carried. In some cases, dealers have begun carrying new product lines like lawn and garden equipment and all-terrain and utility vehicles to expand their base of customers. In many cases, rural lifestyle, hobby farmers and outdoor enthusiasts regularly visit ag equipment dealers to purchase the equipment they seek as well as the service that big box stores and other mass marketers do not offer.

This search for new customers has also opened new doors to new market segments like construction contractors, municipalities and utility companies.

This added section of the 2008 Business & Outlook Trends report breaks out the responses of more than 500 dealers across North America regarding these new market opportunities. It provides market trends by region, state and province for both the U.S. and Canada. It also segments what portion of dealer sales come from these developing markets. Breakdowns are provided by mainline supplier and employment size.

Overall, the professional farm remains the lifeblood of farm equipment dealerships in both the U.S. and Canada.

## U.S. Market Segment Analysis

Nearly 56% of the revenues generated by U.S. dealers come from traditional professional farmers, while hobby farmers and rural lifestyle account for 21% of wholegood sales.

Regionally, dealers in the Northern Plains report that production farming easily accounts for the largest share of their wholegood sales — about 80%. Other regions where the professional farmer still dominates include the Corn Belt (62.5%), the Lake States (60.9%), Mountain region (58%), the Delta States (54.4%) and in the Pacific region (53.1%).

Equipment sellers in the Southeast Region say that rural lifestyle and hobby farmers account for more than one-third, or 37% of their wholegoods sales. Other regions where this market

### U.S. Market Segmentation

Production Farmers	56.60%
Hobby Farmers	20.90%
Turf/Lawn/Landscape	
Contractors	9.70%
Municipalities/Park Depts	4.90%
Construction Contractors	5.30%
Utility Contractors	1.80%

segment accounts for more than one-quarter of sales revenue include the Southern Plains, Appalachia, the Pacific and Delta states.

### U.S. Regional Market Segmentation

#### Northeast

Production Farmers	40.10%
Hobby Farmers	24.50%
Turf/Lawn/Landscape	
Contractors	16.10%
Municipalities/Park Depts	7.60%
Construction Contractors	6.60%
Utility Contractors	2.80%

#### Appalachia

Production Farmers	49.00%
Hobby Farmers	27.10%
Turf/Lawn/Landscape	
Contractors	14.00%
Municipalities/Park Depts	4.50%
Construction Contractors	3.70%
Utility Contractors	1.20%

#### Southeast

Production Farmers	24.60%
Hobby Farmers	36.60%
Turf/Lawn/Landscape	
Contractors	13.60%
Municipalities/Park Depts	10.10%
Construction Contractors	12.80%
Utility Contractors	5.00%

#### Delta States

Production Farmers	54.40%
Hobby Farmers	25.10%
Turf/Lawn/Landscape	
Contractors	6.90%
Municipalities/Park Depts	4.50%
Construction Contractors	4.30%
Utility Contractors	1.90%

#### Lake States

Production Farmers	60.90%
Hobby Farmers	18.30%
Turf/Lawn/Landscape	
Contractors	12.10%
Municipalities/Park Depts	4.20%
Construction Contractors	4.30%
Utility Contractors	1.20%

#### Southern Plains

Production Farmers	45.20%
Hobby Farmers	30.00%
Turf/Lawn/Landscape	
Contractors	8.60%
Municipalities/Park Depts	4.60%
Construction Contractors	7.10%
Utility Contractors	2.40%

#### Northern Plains

Production Farmers	80.10%
Hobby Farmers	8.60%
Turf/Lawn/Landscape	
Contractors	3.60%
Municipalities/Park Depts	3.80%
Construction Contractors	3.00%
Utility Contractors	0.70%

#### Corn Belt

Production Farmers	62.50%
Hobby Farmers	16.20%
Turf/Lawn/Landscape	
Contractors	8.50%
Municipalities/Park Depts	4.30%
Construction Contractors	5.20%
Utility Contractors	1.80%

#### Mountain

Production Farmers	58.00%
Hobby Farmers	22.90%
Turf/Lawn/Landscape	
Contractors	5.40%
Municipalities/Park Depts	3.60%
Construction Contractors	5.10%
Utility Contractors	2.00%

#### Pacific

Production Farmers	53.10%
Hobby Farmers	25.90%
Turf/Lawn/Landscape	
Contractors	6.00%
Municipalities/Park Depts	5.30%
Construction Contractors	7.80%
Utility Contractors	1.60%

### Breakout by Market Segment & Region — U.S.

<b>Production Farmers</b>			<b>Turf/Lawn/Landscape Contractors</b>			<b>Construction Contractors</b>		
Northern Plains	80.10%	1	Northeast	16.10%	1	Southeast	12.80%	1
Corn Belt	62.50%	2	Appalachia	14.00%	2	Pacific	7.80%	2
Lake	60.90%	3	Southeast	13.60%	3	Southern Plains	7.10%	3
Mountain	58.00%	4	Lake	12.10%	4	Northeast	6.60%	4
Delta	54.40%	5	Southern Plains	8.60%	5	Corn Belt	5.20%	5
Pacific	53.10%	6	Corn Belt	8.50%	6	Mountain	5.10%	6
Appalachia	49.00%	7	Delta	6.90%	7	Lake	4.30%	7
Southern Plains	45.20%	8	Pacific	6.00%	8	Delta	4.30%	8
Northeast	40.10%	9	Mountain	5.40%	9	Appalachia	3.70%	9
Southeast	24.60%	10	Northern Plains	3.60%	10	Northern Plains	3.00%	10
<b>Hobby Farmers</b>			<b>Utility Contractors</b>			<b>Municipalities/Park Depts</b>		
Southeast	36.60%	1	Southeast	5.00%	1	Southeast	10.10%	1
Southern Plains	30.00%	2	Northeast	2.80%	2	Northeast	7.60%	2
Appalachia	27.10%	3	Southern Plains	2.40%	3	Pacific	5.30%	3
Pacific	25.90%	4	Mountain	2.00%	4	Southern Plains	4.60%	4
Delta	25.10%	5	Delta	1.90%	5	Delta	4.50%	5
Northeast	24.50%	6	Corn Belt	1.80%	6	Appalachia	4.50%	6
Mountain	22.90%	7	Pacific	1.60%	7	Corn Belt	4.30%	7
Lake	18.30%	8	Lake	1.20%	8	Lake	4.20%	8
Corn Belt	16.20%	9	Appalachia	1.20%	9	Northern Plains	3.80%	9
Northern Plains	8.60%	10	Northern Plains	0.70%	10	Mountain	3.60%	10

### State-by-State Ranking by Market Segment

StateUS Rank			StateUS Rank			StateUS Rank		
Production Farmers			Wyoming (WY)	42.00%	31	Virginia (VA)	27.90%	15
South Dakota (SD)	82.10%	1	Oklahoma (OK)	38.30%	32	Texas (TX)	27.80%	16
Kansas (KS)	80.90%	2	Tennessee (TN)	38.20%	33	South Carolina (SC)	27.50%	17
North Dakota (ND)	80.50%	3	Virginia (VA)	36.90%	34	Oregon (OR)	25.80%	18
Montana (MT)	80.00%	4	South Carolina (SC)	35.00%	35	Maine (ME)	25.00%	19
Nevada (NV)	80.00%	4	Georgia (GA)	31.10%	36	New Mexico (NM)	25.00%	19
Nebraska (NE)	78.20%	5	New Hampshire (NH)	30.00%	37	West Virginia (WV)	25.00%	19
Iowa (IA)	74.50%	6	New Mexico (NM)	30.00%	37	Kentucky (KY)	24.80%	20
Minnesota (MN)	70.20%	7	Maryland (MD)	25.60%	38	California (CA)	21.90%	21
Illinois (IL)	69.30%	8	Florida (FL)	25.00%	39	Maryland (MD)	21.70%	22
Arizona (AZ)	65.00%	9	Connecticut (CT)	15.00%	40	Arkansas (AR)	21.50%	23
Colorado (CO)	63.00%	10	Alabama (AL)	13.30%	41	Pennsylvania (PA)	21.20%	24
North Carolina (NC)	61.70%	11	New Jersey (NJ)	0.00%	42	Wisconsin (WI)	20.30%	25
Louisiana (LA)	61.50%	12	Alaska (AK)	0.00%	-	New Hampshire (NH)	20.00%	26
West Virginia (WV)	60.00%	13	Delaware (DE)	0.00%	-	Indiana (IN)	19.50%	27
Wisconsin (WI)	59.20%	14	Hawaii (HI)	0.00%	-	New York (NY)	18.90%	28
California (CA)	57.90%	15	Rhode Island (RI)	0.00%	-	Colorado (CO)	18.40%	29
Kentucky (KY)	57.60%	16				Ohio (OH)	15.90%	30
Arkansas (AR)	55.70%	17	Hobby Farmers			Arizona (AZ)	15.30%	31
Ohio (OH)	54.00%	18	New Jersey (NJ)	70.00%	1	North Carolina (NC)	13.10%	32
Idaho (ID)	53.20%	19	Utah (UT)	50.00%	2	Illinois (IL)	12.70%	33
New York (NY)	51.60%	20	Alabama (AL)	42.50%	3	Iowa (IA)	11.00%	34
Maine (ME)	50.00%	21	Connecticut (CT)	40.00%	4	Minnesota (MN)	10.90%	35
Massachusetts (MA)	47.50%	22	Massachusetts (MA)	40.00%	4	Nebraska (NE)	10.30%	36
Texas (TX)	47.00%	23	Oklahoma (OK)	39.20%	5	Kansas (KS)	10.10%	37
Vermont (VT)	47.00%	23	Idaho (ID)	37.40%	6	Nevada (NV)	7.50%	38
Washington (WA)	46.80%	24	Tennessee (TN)	37.30%	7	South Dakota (SD)	6.70%	39
Oregon (OR)	46.70%	25	Washington (WA)	36.70%	8	North Dakota (ND)	5.60%	40
Indiana (IN)	46.40%	26	Georgia (GA)	36.00%	9	Wyoming (WY)	5.00%	41
Mississippi (MS)	45.80%	27	Missouri (MO)	34.60%	10	Montana (MT)	0.00%	42
Michigan (MI)	44.40%	28	Vermont (VT)	32.20%	11	Alaska (AK)	0.00%	-
Missouri (MO)	43.00%	29	Michigan (MI)	30.60%	12	Delaware (DE)	0.00%	-
Pennsylvania (PA)	42.50%	30	Florida (FL)	30.00%	13	Hawaii (HI)	0.00%	-
Utah (UT)	42.50%	30	Mississippi (MS)	30.00%	13	Rhode Island (RI)	0.00%	-
			Louisiana (LA)	29.00%	14			



## State-by-State Ranking by Market Segment(continued)

Turf/Lawn/Landscape Contractors			Utility Contractors		
State	US Rank	State	US Rank	State	US Rank
New Hampshire (NH)	30.00% 1	Oregon (OR)	7.30% 8	Illinois (IL)	5.40% 15
Maryland (MD)	23.70% 2	Virginia (VA)	7.20% 9	Ohio (OH)	5.10% 16
Virginia (VA)	20.20% 3	Georgia (GA)	7.10% 10	Montana (MT)	5.00% 17
Florida (FL)	20.00% 4	Ohio (OH)	6.20% 11	Louisiana (LA)	4.80% 18
Michigan (MI)	19.30% 5	Oklahoma (OK)	5.80% 12	Missouri (MO)	4.60% 19
South Carolina (SC)	18.00% 6	Arizona (AZ)	5.70% 13	Pennsylvania (PA)	4.60% 19
Alabama (AL)	17.50% 7	North Dakota (ND)	5.60% 14	Tennessee (TN)	4.60% 19
Pennsylvania (PA)	17.40% 8	Missouri (MO)	5.50% 15	Michigan (MI)	4.20% 20
Indiana (IN)	16.50% 9	Michigan (MI)	5.10% 16	North Dakota (ND)	4.20% 20
Tennessee (TN)	15.20% 10	California (CA)	5.00% 17	Indiana (IN)	4.10% 21
Connecticut (CT)	15.00% 11	Connecticut (CT)	5.00% 17	Vermont (VT)	4.00% 22
New Jersey (NJ)	15.00% 11	Maine (ME)	5.00% 17	South Dakota (SD)	3.60% 23
North Carolina (NC)	14.70% 12	New Jersey (NJ)	5.00% 17	South Carolina (SC)	3.50% 24
Ohio (OH)	13.40% 13	Pennsylvania (PA)	5.00% 17	Nebraska (NE)	3.30% 25
New York (NY)	12.80% 14	West Virginia (WV)	5.00% 17	Washington (WA)	3.30% 25
Massachusetts (MA)	12.50% 15	Wyoming (WY)	5.00% 17	Arkansas (AR)	3.20% 26
Missouri (MO)	10.80% 16	Colorado (CO)	4.80% 18	North Carolina (NC)	3.20% 26
Arizona (AZ)	10.70% 17	Indiana (IN)	4.80% 18	Minnesota (MN)	2.70% 27
Minnesota (MN)	10.40% 18	Illinois (IL)	4.60% 19	West Virginia (WV)	2.50% 28
Kentucky (KY)	10.30% 19	North Carolina (NC)	4.50% 20	Arizona (AZ)	2.30% 29
Maine (ME)	10.00% 20	Minnesota (MN)	4.40% 21	Kentucky (KY)	1.80% 30
Wisconsin (WI)	9.60% 21	Texas (TX)	4.30% 22	Nevada (NV)	1.50% 31
Texas (TX)	8.90% 22	Tennessee (TN)	3.70% 23	Idaho (ID)	1.40% 32
Oregon (OR)	8.30% 23	Nebraska (NE)	3.60% 24	Kansas (KS)	1.30% 33
Washington (WA)	8.20% 24	Louisiana (LA)	3.50% 25	Maine (ME)	0.00% 34
Mississippi (MS)	8.00% 25	Arkansas (AR)	3.40% 26	Massachusetts (MA)	0.00% 34
Arkansas (AR)	7.90% 26	Kentucky (KY)	3.40% 26	Utah (UT)	0.00% 34
Oklahoma (OK)	7.50% 27	Kansas (KS)	3.30% 27	Alaska (AK)	0.00% -
Georgia (GA)	7.10% 28	Washington (WA)	3.30% 27	Delaware (DE)	0.00% -
Illinois (IL)	6.50% 29	Wisconsin (WI)	3.20% 28	Hawaii (HI)	0.00% -
Colorado (CO)	6.10% 30	South Dakota (SD)	3.10% 29	Rhode Island (RI)	0.00% -
Vermont (VT)	5.80% 31	New Mexico (NM)	2.50% 30		
Nevada (NV)	5.50% 32	Utah (UT)	2.50% 30		
Utah (UT)	5.00% 33	Iowa (IA)	2.30% 31		
West Virginia (WV)	5.00% 33	Idaho (ID)	1.20% 32		
Wyoming (WY)	5.00% 33	Nevada (NV)	0.50% 33		
Nebraska (NE)	4.40% 34	Massachusetts (MA)	0.00% 34		
California (CA)	4.30% 35	Alaska (AK)	0.00% -		
Iowa (IA)	3.90% 36	Delaware (DE)	0.00% -		
Idaho (ID)	3.40% 37	Hawaii (HI)	0.00% -		
Kansas (KS)	3.40% 37	Rhode Island (RI)	0.00% -		
South Dakota (SD)	3.30% 38				
Louisiana (LA)	2.80% 39				
North Dakota (ND)	2.60% 40				
New Mexico (NM)	2.50% 41				
Montana (MT)	0.00% 42				
Alaska (AK)	0.00% -				
Delaware (DE)	0.00% -				
Hawaii (HI)	0.00% -				
Rhode Island (RI)	0.00% -				

## State-by-State Ranking by Market Segment (continued)

State	US Rank	State	US Rank	State	US Rank
California (CA)	1.00% 21	Colorado (CO)	0.50% 25	New Hampshire (NH)	0.00% 28
Kansas (KS)	1.00% 21	Mississippi (MS)	0.30% 26	New Jersey (NJ)	0.00% 28
Louisiana (LA)	1.00% 21	Vermont (VT)	0.20% 27	Utah (UT)	0.00% 28
Tennessee (TN)	1.00% 21	Connecticut (CT)	0.00% 28	Alaska (AK)	0.00% -
Kentucky (KY)	0.80% 22	Massachusetts (MA)	0.00% 28	Delaware (DE)	0.00% -
Iowa (IA)	0.70% 23	Montana (MT)	0.00% 28	Hawaii (HI)	0.00% -
North Dakota (ND)	0.60% 24	Nebraska (NE)	0.00% 28	Rhode Island (RI)	0.00% -

## Canada Market Segment Analysis

Nearly 70% of Canadian equipment dealer sales revenues are generated through the traditional grower, though the hobby farm segment accounts for 16%. Production farming remains the

dominant customer base throughout the country with 73.4% of sales by dealers in the Western region resulting from purchases by the traditional farmer. This compares with 64.4% in Central Canada and 58.3% in the East.

Dealers from both the Central and Eastern regions report that more than 20% of their wholegood sales come from the hobby farmer/rural lifestyle customer base.

## Segment Analysis by Major Line Supplier

When it comes to wholegood sales to production farmers, it's no surprise that the "majors" dominate. But when it comes to the other market segments, Kubota equipment heads the list in every case.

Both Canadian and U.S. Case IH dealers say that more than 75% of their wholegoods revenue is derived by production farming operations. John Deere follows them where 66.3% of dealer revenue is generated by sales of equipment to the traditional full-time farmer. AGCO dealers report that nearly 61% of sales come from production farming, followed by New Holland where dealers report slightly more than 59% of wholegood sales go to professional farmers.

In all other major market segments served by farm machinery retailers, Kubota is clearly dominant. In fact, Kubota dealers report that less than 40% of their equipment sales are derived from production farm operations, while nearly 44% come from hobby farmers and landscape contractors.

Independent equipment dealers report that nearly half (47.5%) of their wholegood sales come from production farming operations, nearly 40% are derived from hobby farmers and landscape contractors.

## Employment Size

The larger a dealership is in terms of number of employees, the more reliant they are on traditional farming operations for a bulk of the equipment sales. For dealers employing

### Canada Market Segmentation

Production Farmers	68.90%
Hobby Farmers	16.00%
Turf/Lawn/Landscape Contractors	6.10%
Municipalities/Park Depts	3.50%
Construction Contractors	3.70%
Utility Contractors	1.60%

### Market Segment Analysis by Canada Regions

<b>Central Canada</b>	
Production Farmers	64.40%
Hobby Farmers	20.50%
Turf/Lawn/Landscape Contractors	7.30%
Municipalities/Park Depts	2.50%
Construction Contractors	3.40%
Utility Contractors	1.70%
<b>Eastern Canada</b>	
Production Farmers	58.30%
Hobby Farmers	21.70%
Turf/Lawn/Landscape Contractors	10.00%
Municipalities/Park Depts	5.00%
Construction Contractors	5.00%
Utility Contractors	0.00%
<b>Western Canada</b>	
Production Farmers	73.40%
Hobby Farmers	12.00%
Turf/Lawn/Landscape Contractors	4.70%
Municipalities/Park Depts	4.10%
Construction Contractors	3.80%
Utility Contractors	1.80%

### Canada Regional Analysis by Market Segment

<b>Production Farmers</b>		
Western Canada	73.40%	1
Central Canada	64.40%	2
Eastern Canada	58.30%	3
<b>Hobby Farmers</b>		
Eastern Canada	21.70%	1
Central Canada	20.50%	2
Western Canada	12.00%	3
<b>Turf/Lawn/Landscape Contractors</b>		
Eastern Canada	10.00%	1
Central Canada	7.30%	2
Western Canada	4.70%	3
<b>Utility Contractors</b>		
Western Canada	1.80%	1
Central Canada	1.70%	2
Eastern Canada	0.00%	3
<b>Municipalities/Parks Dept</b>		
Eastern Canada	5.00%	1
Western Canada	4.10%	2
Central Canada	2.50%	3
<b>Construction Contractors</b>		
Eastern Canada	5.00%	1
Western Canada	3.80%	2
Central Canada	3.40%	3

## Breakout by Market Segment & Region — Canada

### Production Farmers

Saskatchewan (SK)	85.40%	1
Alberta (AB)	77.30%	2
Quebec (QC)	75.00%	3
Ontario (ON)	64.40%	4
Manitoba (MB)	58.30%	5
British Columbia (BC)	56.70%	6
New Brunswick (NB)	30.00%	7
Nova Scotia (NS)	25.00%	8
Newfoundland/Labrador (NL)	N/A	
Northwest Territories (NT)	N/A	
Nunavut (NU)	N/A	
Prince Edward Island (PE)	N/A	
Yukon (YT)	N/A	

### Hobby Farmers

Nova Scotia (NS)	50.00%	1
New Brunswick (NB)	40.00%	2
Ontario (ON)	20.50%	3
British Columbia (BC)	16.70%	4
Alberta (AB)	12.30%	5
Manitoba (MB)	11.00%	6
Saskatchewan (SK)	8.00%	7
Quebec (QC)	7.50%	8
Newfoundland/Labrador (NL)	N/A	
Northwest Territories (NT)	N/A	
Nunavut (NU)	N/A	
Prince Edward Island (PE)	N/A	
Yukon (YT)	N/A	

### Turf/Lawn/Landscape Contractors

New Brunswick (NB)	30.00%	1
Nova Scotia (NS)	20.00%	2
Manitoba (MB)	10.80%	3
Ontario (ON)	7.30%	4
Quebec (QC)	5.00%	5
Alberta (AB)	3.70%	6
British Columbia (BC)	2.30%	7
Saskatchewan (SK)	1.50%	8
Newfoundland/Labrador (NL)	N/A	
Northwest Territories (NT)	N/A	
Nunavut (NU)	N/A	
Prince Edward Island (PE)	N/A	
Yukon (YT)	N/A	

### Municipalities/Park Dept

British Columbia (BC)	12.70%	1
Manitoba (MB)	5.50%	2
Nova Scotia (NS)	5.00%	3
Quebec (QC)	5.00%	3
Alberta (AB)	2.80%	4
Saskatchewan (SK)	2.60%	5
Ontario (ON)	2.50%	6
New Brunswick (NB)	0.00%	7
Newfoundland/Labrador (NL)	N/A	
Northwest Territories (NT)	N/A	
Nunavut (NU)	N/A	
Prince Edward Island (PE)	N/A	
Yukon (YT)	N/A	

### Construction Contractors

British Columbia (BC)	10.00%	1
Manitoba (MB)	7.50%	2
Quebec (QC)	7.50%	2
Ontario (ON)	3.40%	3
Alberta (AB)	2.80%	4
Saskatchewan (SK)	1.80%	5
New Brunswick (NB)	0.00%	6
Nova Scotia (NS)	0.00%	7
Newfoundland/Labrador (NL)	N/A	
Northwest Territories (NT)	N/A	
Nunavut (NU)	N/A	
Prince Edward Island (PE)	N/A	
Yukon (YT)	N/A	

### Utility Contractors

Manitoba (MB)	6.30%	1
British Columbia (BC)	1.70%	2
Ontario (ON)	1.70%	2
Alberta (AB)	1.10%	3
Saskatchewan (SK)	0.80%	4
Nova Scotia (NS)	0.00%	5
Quebec (QC)	0.00%	5
New Brunswick (NB)	N/A	
Newfoundland/Labrador (NL)	N/A	
Northwest Territories (NT)	N/A	
Nunavut (NU)	N/A	
Prince Edward Island (PE)	N/A	
Yukon (YT)	N/A	

## Major Equipment Supplier Analysis by Market Segment

### AGCO

Production Farmers	60.80%
Hobby Farmers	20.90%
Turf/Lawn/Landscape Contractors	7.30%
Municipalities/Park Depts	4.20%
Construction Contractors	4.90%
Utility Contractors	1.30%

### John Deere

Production Farmers	66.30%
Hobby Farmers	12.30%
Turf/Lawn/Landscape Contractors	10.80%
Municipalities/Park Depts	5.30%
Construction Contractors	3.60%
Utility Contractors	1.20%

### Kubota

Production Farmers	37.30%
Hobby Farmers	29.90%
Turf/Lawn/Landscape Contractors	13.90%
Municipalities/Park Depts	7.60%
Construction Contractors	8.30%
Utility Contractors	3.20%

### Case IH

Production Farmers	75.20%
Hobby Farmers	11.70%
Turf/Lawn/Landscape Contractors	5.40%
Municipalities/Park Depts	2.50%
Construction Contractors	4.00%
Utility Contractors	1.60%

### New Holland

Production Farmers	59.10%
Hobby Farmers	19.30%
Turf/Lawn/Landscape Contractors	7.10%
Municipalities/Park Depts	5.80%
Construction Contractors	6.00%
Utility Contractors	2.00%

### Independent

Production Farmers	47.50%
Hobby Farmers	28.30%
Turf/Lawn/Landscape Contractors	10.50%
Municipalities/Park Depts	4.50%
Construction Contractors	5.50%
Utility Contractors	1.70%

## Segment Analysis by Major Equipment Supplier

### Production Farmers

Case	75.20%	1
John Deere	66.30%	2
AGCO	60.80%	3
New Holland	59.10%	4
Independent	47.50%	5
Kubota	37.30%	6

### Turf/Lawn/Landscape Contractors

Kubota	13.90%	1
John Deere	10.80%	2
Independent	10.50%	3
AGCO	7.30%	4
New Holland	7.10%	5
Case	5.40%	6

### Construction Contractors

Kubota	8.30%	1
New Holland	6.00%	2
Independent	5.50%	3
AGCO	4.90%	4
Case	4.00%	5
John Deere	3.60%	6

### Hobby Farmers

Kubota	29.90%	1
Independent	28.30%	2
AGCO	20.90%	3
New Holland	19.30%	4
John Deere	12.30%	5
Case	11.70%	6

### Municipalities/Parks Dept

Kubota	7.60%	1
New Holland	5.80%	2
John Deere	5.30%	3
Independent	4.50%	4
AGCO	4.20%	5
Case	2.50%	6

### Utility Contractors

Kubota	3.20%	1
New Holland	2.00%	2
Independent	1.70%	3
Case	1.60%	4
AGCO	1.30%	5
John Deere	1.20%	6

## Employee Size Analysis by Market Segment

### 1-20 Employees

Production Farmers	54.10%
Hobby Farmers	23.60%
Turf/Lawn/Landscape Contractors	9.90%
Municipalities/Park Depts	4.90%
Construction Contractors	4.80%
Utility Contractors	1.60%

### 21-40 Employees

Production Farmers	61.60%
Hobby Farmers	15.90%

Turf/Lawn/Landscape Contractors	8.30%
Municipalities/Park Depts	4.90%
Construction Contractors	6.70%
Utility Contractors	2.40%

### 41-60 Employees

Production Farmers	70.80%
Hobby Farmers	11.80%
Turf/Lawn/Landscape Contractors	9.20%
Municipalities/Park Depts	4.30%

Construction Contractors	3.10%
Utility Contractors	1.40%

### 61+ Employees

Production Farmers	73.30%
Hobby Farmers	6.20%
Turf/Lawn/Landscape Contractors	6.90%
Municipalities/Park Depts	4.20%
Construction Contractors	6.40%
Utility Contractors	2.30%

between 1-20 employees, 54% of wholegood sales come from the production farmer, while dealers with 21-40 employees derive nearly 62% of revenues from sales to professional growers.

Dealerships with between 41-60 staffers rely on production farming operations for 71% of equipment sales, more than 73% of sales for the largest dealers result from purchases

of traditional farmers.

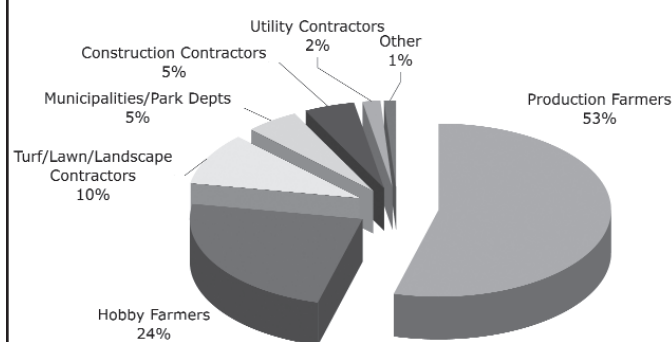
The reverse is true when it comes to sales to hobby farmers: the smaller the dealership, the more dependence it has for equipment sales from the rural lifestyle/hobby farmer.

For example, dealerships employing 20 or less employees derive nearly a quarter (23.6%) of wholegood sales from the hobby farmer or large property owners. At the same time, dealer-

ships with 21-40 staffers rely on hobby farm customers for nearly 16% of equipment sales, while stores with between 41-60 employees report that less than 12% of sales come from this customer base.

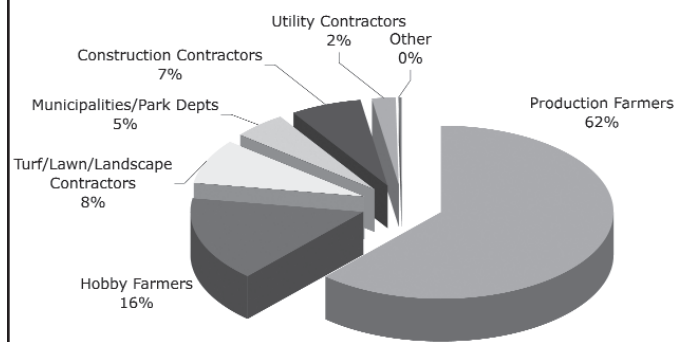
The largest dealerships, those with 61 or more employees derive only about 6% of wholegood sales from those called hobby farmers or rural lifestyle.

### Market Segments - 1-20 Employees



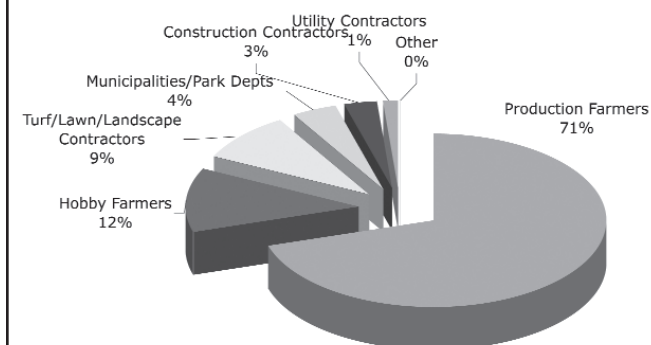
The smallest dealerships derive the least amount of revenue from the production farm customer, but these customers account for more than half of their overall revenue. Hobby farms and landscapers produce 34% of sales.

### Market Segments - 21-40 Employees



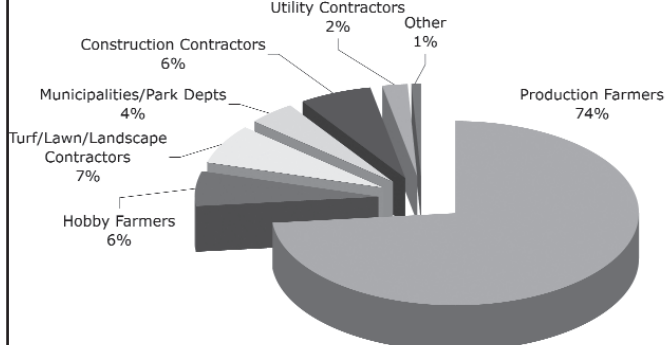
For this group of dealers, hobby farmers and landscape contractors account for 23% of sales revenues and other markets produce 15% of sales dollars. Production farmers make up slightly over half.

### Market Segments - 41-60 Employees



With more than 20% of sales revenues coming from hobby farms and landscape contractors, dealers employing between 41 and 60 people are still heavily reliant on production farming for annual sales revenue.

### Market Segments - 61+ Employees



For the largest dealers, measured by employee size, nearly three-quarters, or 74%, of sales still come from their traditional farm customers. For this group, the landscape contractor is the second most important segment.