
A Special Management Report From

*Ag Equipment
Intelligence*

**BUSINESS
OUTLOOK & TRENDS**

FARM EQUIPMENT FORECAST — 2007

An Ag Equipment Intelligence Staff Report



TABLE OF CONTENTS

PART I – BUSINESS OUTLOOK & TRENDS

Dealers' 2007 Forecast Reflects 'Cautious' Outlook.....	4
---	---

CHARTS

Best Bets for Improving Unit Sales in 2007	4
North American Dealers' Projections for New Equipment Unit Sales — 2007	5
North American Dealers' Projections for Used Equipment Unit Sales — 2007.....	5
North American Unit Retail Tractor Sales — 2002-06	7
North American Combine Sales — 2002-06.....	8

TABLES

North American Farm Equipment Total Unit Sales Expectations For 2007	6
North American Unit Sales Projections for Tractors & Combines in 2007.....	6
Projected North American Unit Sales of Other Equipment For 2007	6
Dealer Hiring Plans — 2002-06.....	9
Dealer Borrowing Plans for 2007.....	10
Dealer Spending Plans for 2007	10
Dealer Issues and Concerns for 2007.....	10
Dealer Projections for New Equipment Sales by Major Line Carried for 2007	10

PART II – U.S. OUTLOOK

U.S. Dealers Split on 2007 Outlook.....	11
Outlook for U.S. Dealers Varies Widely on a Regional Basis	12
Northeast, Appalachia, Southeast, Delta States, Lake States	12
Northern Plains, Southern Plains, Mountain. Pacific	13
State-by-State Breakdown	14

CHARTS

Best Bets for Improving Unit Sales in 2007 — U.S.	11
U.S. Regional Expectations for Unit Sales in 2007.....	13
U.S. Unit Retail Tractor Sales — 2002-06.....	15

TABLES

Projected U.S. Unit Sales of Tractors & Combines — 2007	11
Where U.S. Dealers Will Invest in 2007	14
U.S. Dealers' Hiring Plans — 2007	14
U.S. Dealers' Issues and Concerns — 2007	14
U.S. Dealers' Spending Plans — 2007	14
U.S. Dealers' Borrowing Plans — 2007	14
Projected U.S. Unit Sales of Other Equipment — 2007	15

PART III – CANADIAN OUTLOOK

60% of Canadian Dealers See Sales Growth in '07	20
Coast to Coast, Canada's Dealers Project Divergent Opinions for 2007.....	23
Eastern Canada, Central Canada, Western Canada.....	23
Breakdown by Province	24

CHARTS

Best Bets for Improving Unit Sales in 2007 — Canada	20
Canadian Dealers' Projections for Unit Sales 2007 — New Equipment	21
Canadian Unit Retail Tractor Sales — 2002-06.....	22
Canadian Regional Expectations for Unit Sales in 2007	23

TABLES

Projected Canadian Unit Sales of Tractors & Combines – 2007	20
Projected Canadian Unit Sales of Other Equipment – 2007	21
Where Canadian Dealers' Will Invest in 2006 vs. 2007	21
Canadian Dealers' Hiring Plans – 2006 vs. 2007	21
Canadian Dealers' Spending Plans – 2006 vs. 2007	21
Canadian Dealers' Borrowing Plans – 2006 vs. 2007.....	21
Canadian Dealers' Issues and Concerns – 2007	22

PART IV – BREAKOUT BY MAINLINE SUPPLIERS

Outlook for '07 Highly Dependent on Equipment Manufacturer	25
AGCO Dealers: Working on Their Identity	26
Case IH Dealers: Confusion at the Top.....	28
John Deere Dealers: The Pressure is On.....	30
Kubota Dealers Ready to Get on with '07.....	32
New Holland Dealers: The Middle-of-the-Road Gang.....	34
Independent Dealers: Most Looking for a Good Year.....	35

CHARTS

Most Optimistic Equipment Dealers for 2007	25
Most Pessimistic Equipment Dealers for 2007	25
AGCO Dealers' Projections for Unit Sales 2007 — New Equipment	26
AGCO Dealers' Projections for Unit Sales 2007 — Used Equipment.....	26
Best Bets for Improving Sales in 2007 — AGCO Dealers	27
Case IH Dealers' Projections for Unit Sales 2007 — New Equipment	28
Case IH Dealers' Projections for Unit Sales 2007 — Used Equipment	28
Best Bets for Improving Sales in 2007 — Case IH Dealers.....	29

AG EQUIPMENT INTELLIGENCE is published monthly for the farm equipment industry by Lessiter Publications Inc., P.O. Box 624, Brookfield, WI 53008-0624. © 2006 by Lessiter Publications Inc. All rights reserved. Reproduction in any form of this newsletter content is strictly forbidden without the prior written consent of the publisher. Please send any address changes as soon as possible to the address shown above.

U.S., Canada and Mexico print subscriptions are \$349 per year. Save \$50 by receiving *Ag Equipment Intelligence* each month via E-mail Internet access at only \$299 per year. International print subscriptions are \$449 per year. Send subscriptions to: *Ag Equipment Intelligence*, P.O. Box 624, Brookfield, WI 53008-0624. Fax: 262/782-1252. Phone: 262/782-4480 or 800/645-8455 (U.S. only). E-mail: info@lesspub.com.

John Deere Dealers' Projections for Unit Sales 2007	
— New Equipment	30
John Deere Dealers' Projections for Unit Sales 2007	
— Used Equipment	30
Best Bets for Improving Sales in 2007 — John Deere Dealers	31
Kubota Dealers' Projections for Unit Sales 2007	
— New Equipment	32
Kubota Dealers' Projections for Unit Sales 2007	
— Used Equipment	32
Best Bets for Improving Sales in 2007 — Kubota Dealers	33
New Holland Dealers' Projections for Unit Sales 2007	
— New Equipment	34
New Holland Dealers' Projections for Unit Sales 2007	
— Used Equipment	34
Best Bets for Improving Sales in 2007 — New Holland Dealers	35
Independent Dealers' Projections for Unit Sales 2007	
— New Equipment	36
Independent Dealers' Projections for Unit Sales 2007	
— Used Equipment	36
Best Bets for Improving Sales in 2007 — Independent Dealers	37

TABLES

AGCO Dealers' Projected Unit Sales of Tractors and Combines — 2007	26
AGCO Dealers' Projected Unit Sales of Other Equipment — 2007	26
AGCO Dealers' Projected Unit Sales of New Equipment	27
AGCO Dealers' Spending Plans — 2007	27
AGCO Dealers' Borrowing Plans — 2007	27
AGCO Dealers' Hiring Plans — 2007	27
Where AGCO Dealers Will Invest in 2007	27
AGCO Dealers' Issues and Concerns — 2007	27
Case IH Dealers' Projected Unit Sales of Tractors and Combines — 2007	28
Case IH Dealers' Projected Unit Sales of Other Equipment — 2007	28
Case IH Dealers' Projected Unit Sales of New & Used Equipment	29
Case IH Dealers' Spending Plans — 2007	29
Case IH Dealers' Borrowing Plans — 2007	29
Case IH Dealers' Hiring Plans — 2007	29
Where Case IH Dealers Will Invest in 2007	29
Case IH Dealers' Issues and Concerns — 2007	29
John Deere Dealers' Projected Unit Sales of Tractors and Combines — 2007	30
John Deere Dealers' Projected Unit Sales of Other Equipment — 2007	30
John Deere Dealers' Projected Unit Sales of New & Used Equipment	31
John Deere Dealers' Spending Plans — 2007	31
John Deere Dealers' Borrowing Plans — 2007	31
John Deere Dealers' Hiring Plans — 2007	31
Where John Deere Dealers Will Invest in 2007	31
John Deere Dealers' Issues and Concerns — 2007	31
Kubota Dealers' Projected Unit Sales of Tractors and Combines — 2007	32
Kubota Dealers' Projected Unit Sales of Other Equipment — 2007	32
Kubota Dealers' Projected Unit Sales of New & Used Equipment	33
Kubota Dealers' Spending Plans — 2007	33
Kubota Dealers' Borrowing Plans — 2007	33
Kubota Dealers' Hiring Plans — 2007	33

Where Kubota Dealers Will Invest in 2007	33
Kubota Dealers' Issues and Concerns — 2007	33
New Holland Dealers' Projected Unit Sales of Tractors and Combines — 2007	34
New Holland Dealers' Projected Unit Sales of Other Equipment — 2007	34
New Holland Dealers' Projected Unit Sales of New & Used Equipment	35
New Holland Dealers' Spending Plans — 2007	35
New Holland Dealers' Borrowing Plans — 2007	35
New Holland Dealers' Hiring Plans — 2007	35
Where New Holland Dealers Will Invest in 2007	35
New Holland Dealers' Issues and Concerns — 2007	35
Independent Dealers' Projected Unit Sales of Tractors and Combines — 2007	36
Independent Dealers' Projected Unit Sales of Other Equipment — 2007	36
Independent Dealers' Projected Unit Sales of New & Used Equipment	37
Independent Dealers' Spending Plans — 2007	37
Independent Dealers' Borrowing Plans — 2007	37
Independent Dealers' Hiring Plans — 2007	37
Where Independent Dealers Will Invest in 2007	37
Independent Dealers' Issues and Concerns — 2007	37

PART IV — EMPLOYMENT SIZE BREAKDOWN

Employee Size: Does Size Matter?	38
--	----

CHARTS

Best Bets for Unit Sales Increases in 2007	
— Dealers with 1-20 Employees	38
Best Bets for Unit Sales Increases in 2007	
— Dealers with 21-40 Employees	38
Best Bets for Unit Sales Increases in 2007	
— Dealers with 41-60 Employees	40
Best Bets for Unit Sales Increases in 2007	
— Dealers with 60+ Employees	40

TABLES

Unit Sales Projections Tractors and Combines by Employee Size — 2007	39
Unit Sales Projections for New Equipment by Employee Size — 2007	39
Unit Sales Projections for Used Equipment by Employee Size — 2007	40
Hiring Plans for 2007 by Employee Size	41
Borrowing Plans by Employee Size — 2007	41
Capital Investment Plans by Employee Size — 2007	41
Where Dealers Plan to Invest by Employee Size — 2007	41

PART V — FARMING IN THE FUTURE

Who Will Be Farming in 2017?	42
------------------------------------	----

CHARTS

Generational Changes of Farmers 1974 vs. 1992	42
Number of Young Farmers 1992 vs. 2002	42
Women Operating a Larger Share of U.S. Farms	43
Farms with Two Operators: 2002	44
Farmers Earning Half of Their Incomes or More from Farming: 2002	44

PART I — BUSINESS OUTLOOK & TRENDS

Dealers' 2007 Forecast Reflects 'Cautious' Outlook

After 2 'generational' years in 2004 and '05 and a still solid one in '06, farm equipment dealers project a somewhat guarded view for 2007.

*By Dave Kanicki
Managing Editor*

Compared to last year at this time, farm equipment dealers aren't quite as optimistic when it comes to their outlook for new equipment sales for the coming year. Of course, coming off the two record-breaking years for ag wholegood sales of 2004 and '05, and with decent results during this past year, reality has to set in at some point.

Nonetheless, as a whole, North American dealers continue to see 2007 offering solid prospects, though they acknowledge it will require hard

work and closer attention to customer wants and needs.

Overall, the 408 dealers from the U.S. and Canada that responded to the 2007 *Ag Equipment Intelligence* Outlook & Trends Survey are looking at a flat year — a 0.017% gain across the board — when it comes to new equipment unit sales.

Their major concerns center on the higher cost of doing business for both themselves and their customers. Energy and fuel costs are chief factors along with the increasing cost of new equipment. These direct expenses combined with the roller-coaster ride of commodity prices for nearly all farm

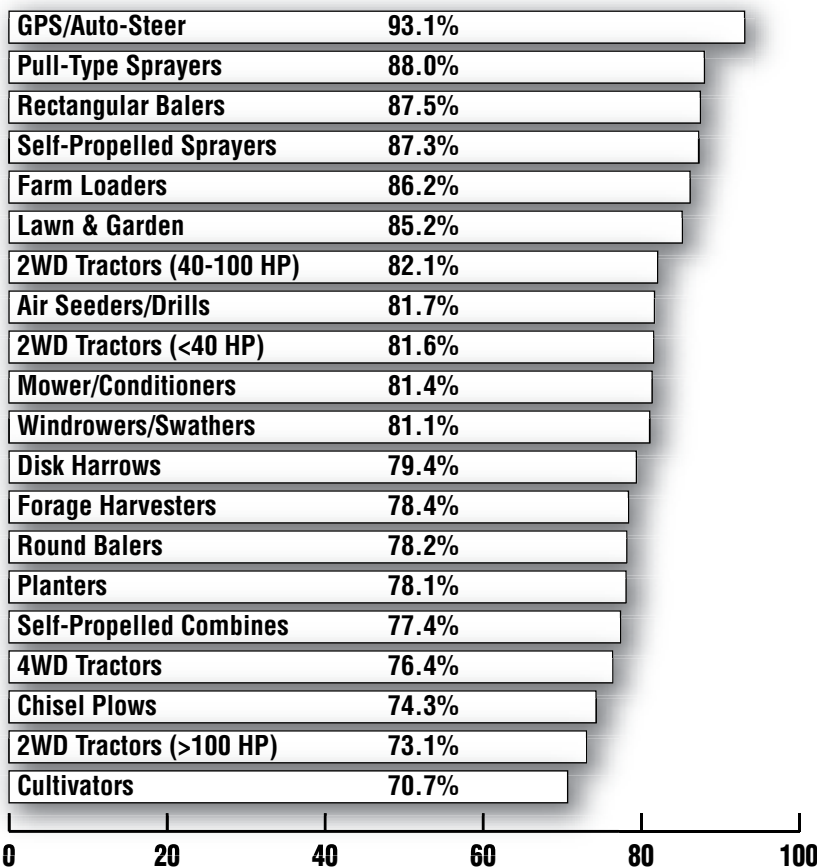
products — dairy, livestock and grains — are leaving dealers somewhat anxious for their customers as well as their own businesses.

A 3-Year Run

Many dealers refer to 2004 and '05 as "generational" years. From a historical perspective, many will remember these years as the "good ones." Actually, you can throw 2003 into the mix as well, since it ushered in the boom in farm machinery sales.

Using total tractor sales as the performance gauge, tractors in '03 outpaced those in 2002 by nearly 21%. This was followed by another 12.5%

Best Bets for Improving Unit Sales in 2007



More than 90% of North American dealers surveyed expect GPS/Auto-Steer systems to present the best prospects for improving unit sales in 2007. Tillage tools appear to hold the least promise.

gain in '04. Total sales of tractors fell back by less than 1% from 2004 levels in '05. Through August of 2006, sales of all tractors slipped by 10.5% compared with the same 8-month period during the previous year. Between 2002 and 2005, total U.S. tractors sales grew by a solid 35%.

With 3 solid years of equipment sales behind them that cleaned out much of the equipment that needed replacing, and considering the growing cost pressures on U.S. farmers, it's not surprising that the market may

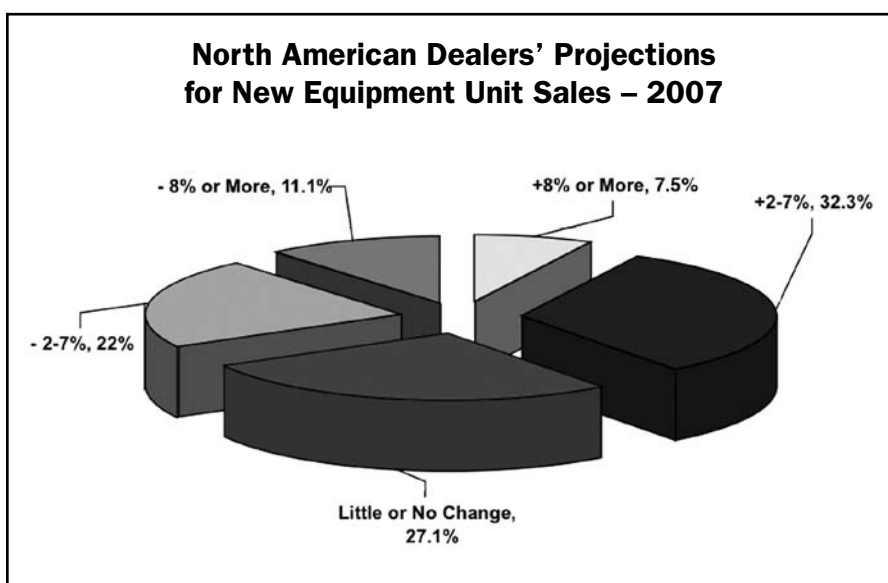
begin to soften. This is reflected in the sentiments of the dealers responding to this year's *Ag Equipment Intelligence* survey as they look ahead to the possibilities for 2007.

Still a Solid Outlook

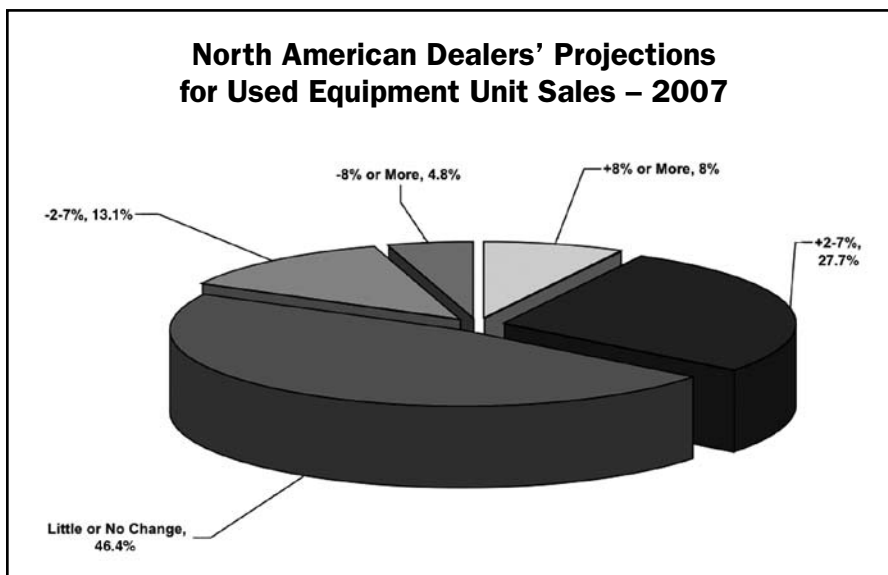
With much of the uncertainty reflected in the 2006 survey remaining intact throughout this year and into the next, but with added emphasis given to the volatility of fuel and energy prices, dealers are casting a cautious, yet upbeat eye toward the new

year. As seen by the modest gain they are projecting for the year, few believe that things will fall apart in 2007. At the same time, they understand that the slowing market will require that they adapt.

Of the more than 400 dealers that responded to the 2007 survey, nearly 40% expect their new equipment business to improve 2% or more next year compared with '06 business levels. If you include those who see little or no change, clearly two-thirds of dealers believe it will stay about the same or



Despite the challenges facing agriculture in 2007, two-thirds of equipment dealers are forecasting unit sales levels for new equipment to remain about the same or will be better during the year.



Equipment dealers see a strong year for used equipment sales in '07 as more than 80% project that sales of previously owned equipment will stay about the same or improve over levels seen in 2006.

improve in '07, which is a good sign.

That leaves the other third of respondents that see business conditions deteriorating in '07. One-third of these say they expect sales of new equipment to fall 2-7% during the year.

When it comes to selling used equipment, dealers see a very strong year ahead. Nearly 42% project that sales of used equipment will improve in 2007 by 2% or more and 76% say their sales of previously owned machinery will stay the same or increase during the year. Only 24% are projecting business for used farm equipment will fall off during '07.

It shouldn't come as a surprise that Canadian dealers are more enthusiastic when looking ahead to the new year than their counterparts to the south, considering that they are in the midst of one of their best years in some time. Several factors are playing a role in the rebound of the Canadian ag economy including a more favorable exchange rate and the discontinued embargo of Canada-raised beef into the U.S.

Some 51% of Canada's ag equipment dealers project that new equipment sales will improve 2% or more in '07, with 12.2% seeing growth of more than 8%. This is more than double the number who are expecting sales for the year ahead to fall 2% or more from '06 levels. About a quarter of the Canadian dealers see sales of new equipment staying in the same range in 2007 as 2006.

This compares with 38.1% of U.S. dealers that are projecting improved business conditions for new equipment in the year ahead. Nearly two-thirds of these expect sales gains to rise 2-7%. A slightly lower number — 34.4% — are looking at the other side of the coin and are forecasting sales to drop off from '06 levels. Nearly 11% are projecting sales revenues to slip more than 8%.

When it comes to used-equipment sales, dealers in Canada are far more optimistic than those in the U.S.

Nearly 55% of dealers in the provinces believe that used equipment sales during the coming year will surpass the levels seen in '06, while less

than 40% of their stateside counterparts agree. In fact, more than 43% of the Canadian dealers that expect improved sales in '07 expect increases of 2-7%. Comparatively, 32% of U.S. dealers expect to see the same level of improvement.

Tracking Tractor Sales

The sale of tractors, particularly row-crop units, is the benchmark most industry analysts use to gauge the health of the ag equipment business. However, the enormous growth of compact (less than 40 hp) and utility

equipment (40-100 hp) during the past decade is altering how both dealers and manufacturers view overall sales.

On a "value" basis, the 100 hp tractors remain the backbone of farm machinery sales. But the numbers are with the compact and utility tractors. More importantly, the growth in this part-time segment of the business has introduced an entirely new customer base for the farm equipment dealer to sell wholegoods, parts and service to. This segment is becoming a force in the market. According to USDA numbers, there are more than 1 million of

North American Farm Equipment Total Unit Sales Expectations for 2007

2007 vs. 2006	New Equipment		Used Equipment	
	U.S.	Canada	U.S.	Canada
+8% or More	6.9%	12.2%	7.6%	11.4%
+2-7%	31.2%	38.8%	32.1%	43.2%
Little or No Change	27.5%	24.5%	35.7%	27.3%
-2-7%	23.7%	10.2%	14.1%	11.4%
-8% or More	10.7%	14.3%	10.5%	6.7%

North American Unit Sales Projections for Tractors & Combines in 2007

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
2WD (<40 hp)	10.9%	25.6%	45.1%	13.9%	4.5%
2WD (40-100 hp)	4.6%	28.7%	48.8%	13.1%	4.8%
2WD (>100 hp)	3.1%	18.2%	51.8%	19.6%	7.3%
4WD (All)	6.6%	20.2%	49.6%	17.0%	6.6%
SP Combines	2.1%	9.9%	65.4%	13.0%	9.6%

Projected North American Unit Sales of Other Equipment for 2007

Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rect. Balers	1.0%	15.3%	71.2%	12.5%	0.0%
Round Balers	3.6%	26.7%	47.8%	15.8%	6.1%
Forage Harvesters	1.4%	5.6%	71.4%	13.2%	8.4%
Planters	2.3%	19.9%	55.9%	15.4%	6.5%
Mowers/Cond.	2.7%	23.7%	55.0%	13.7%	4.9%
Windrowers	2.1%	10.2%	68.8%	12.6%	6.3%
Cultivators	0.6%	11.1%	59.0%	18.5%	10.8%
Farm Loaders	6.4%	33.6%	46.3%	9.2%	4.5%
Chisel Plows	1.6%	5.9%	66.8%	16.4%	9.3%
Disk Harrows	1.6%	13.0%	64.7%	13.7%	7.0%
Air Seeders/Drills	2.1%	12.6%	67.1%	11.2%	7.0%
SP Sprayers	1.8%	13.7%	71.8%	7.3%	5.4%
PT Sprayers	3.3%	14.7%	70.0%	7.0%	5.0%
Lawn/Garden	11.8%	34.2%	39.2%	9.3%	5.5%
GPS/Auto-Steer	19.6%	29.6%	43.8%	3.3%	3.7%

these type of tractor users now scattered throughout the country.

Professional farmers are also finding a wide range of uses for smaller tractors rather than firing up their larger tractors to perform tasks that don't require the horsepower. Construction crews, landscapers, municipalities and others have also found that compact and utility-sized tractors fulfill the requirements for many of their tasks.

Another aspect of the small tractor phenomena is that it has introduced another dimension of international competition that the majors had not previously experienced. Tractor brands from Western Europe, Eastern Europe and Asia are proving to be formidable foes in markets that had been until recently the sole domain of the red, blue and green giants of the ag

equipment world.

Between 2002-04, which represents the peak of small tractor sales, compact tractors grew from 97,785 units to 133,965 units or 37%, according to the Assn. of Equipment Manufacturers. During the period of 2002-05, sales of utility tractors rose by 41%. In total, 2WD tractors during these same years increased at a rate of 42%.

The sale of 4WD tractors between 2002 and 2005 grew by 36.3%, though the peak volume was only 3,655 units.

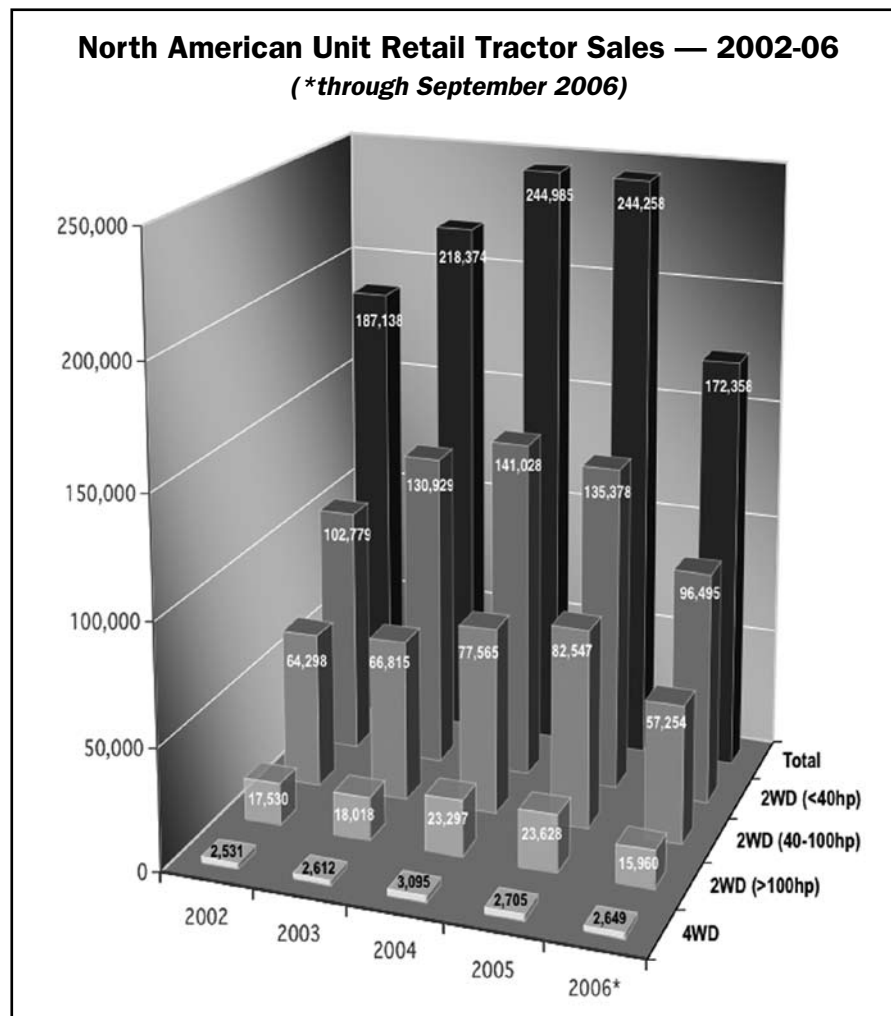
By August of 2006, the sale of all 2WD tractors had fallen off by 2.5% compared with the same 8-month period of 2005. Many industry observers took this as a signal that sizzling tractor sales are finally cooling off.

Nonetheless, dealers responding to *Ag Equipment Intelligence's* 2007

survey remain optimistic about the potential for tractor sales during the coming year. As the 5-year trend indicates, dealers see compact and utility units as the best bet for growth when it comes to tractor sales in 2007.

While half of the dealers in the survey expect little or no change in sales levels for both categories of tractors during the year, 36.5% of dealers are looking for sales in the less than 40-hp range to improve over 2006 levels. Another 33.3% say sales will improve for utility tractors in the 40-100-hp category. In both cases, 18% of respondents believe unit sales will fall for tractors under 100 hp.

The outlook for row-crop tractors is not quite as optimistic. In terms of growth, only 21.3% of dealers see any growth for 2WD-100 hp units and



Sales of tractors of all sizes peaked in 2004 at nearly 245,000 units, including more than 140,000 compact tractors. Sales remained strong in '05, but began to trend downward in 2006.

26.9% believe sales will fall below '06 levels. That leaves 51.8% that see little or no change.

The same pretty much holds true for 4WD equipment. Nearly 27% believe sales will increase over '06 levels, while 23.6% feel sales will diminish in '07. Again, fully one-half (49.6%) of dealers expect little if any change throughout the year.

A big year for self-propelled combines doesn't appear to be in the offing. Of all the respondents to this year's survey, only 11.1% see any hope for improved combine sales. More than double of that (22.6%) see combine sales falling. A larger majority (65.4%) expect no change from levels seen in 2006.

Other Market Potential

Beyond tractors and combines, dealers again still see the most unit sales potential in handling GPS/autosteer systems as well as lawn and garden equipment.

Nearly half (49.2%) of the dealers list GPS systems as holding the most promise of adding unit sales growth. Lawn and garden came in second with 46%.

Other equipment types that dealers see offering increased sales potential include farm loaders, with 40% of respondents forecasting increases of 2% or more in '07. Some 30% say round hay balers will provide addition-

al growth, 26.4% see sales of mower/conditioners continuing to increase, and 22.2% are looking at planters for improved unit sales.

Tillage tools came in at the bottom of the list as only 7.5% of respondents see these offering any growth potential, while 14.6% project growth for disk harrows. On the other hand, 25.6% of dealers believe sales of chisel plows will fall below sales levels in '06 and nearly 21% see a significant dropoff in disk sales.

Capital Spending Slowing

Maybe it's a growing concern about the farm economy or because dealers took advantage of the past 3 good sales years to tackle larger projects. But it appears they will be taking a more conservative approach in their spending plans in '07.

In the current poll, 52.7% of dealers indicate they plan to increase capital spending plans in '07. In the last survey, 55% of dealers planned to increase spending on facility improvements, service vehicles and business systems.

Broken out by investment level, 40% of ag equipment dealers say they will increase outlays during the year by 1-5%, the same as in the '06 survey. Nearly 10% plan to spend 6-10% (9% last year) and only 2.9% will raise capital spending by 11% or more compared to 6% in '06.

As dealers increasingly turn

toward parts and service operations to improve profit margins, it's not surprising that this is where the bulk of capital spending will come. Nearly 47% of respondents plan to increase their investments in service vehicles.

Facility improvements are next on their list, as nearly 37% plan to invest in upgrading their buildings. About the same number (37%) are also planning to improve and/or expand their business information systems.

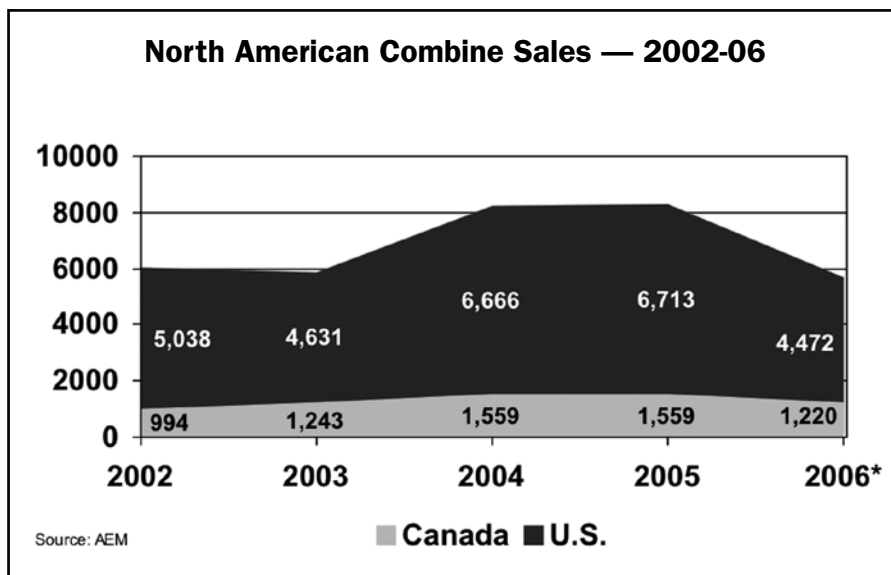
In terms of borrowing plans, 13.7% say they are carrying no debt compared to last year when 19% of the dealers were debt-free. Those who are planning no change in their debt load increased somewhat from 40% in '06 to nearly 44% for the coming year.

Those dealers planning to take on more debt in the next 12 months rose from 11% last year to 13.4% in '07. Nearly one-third (29.5%) of the dealers surveyed intend to reduce debt in the coming year, about the same number (30.4%) who expressed similar sentiments in '06.

Staffing in 2007

A look at dealer responses to the hiring question in the 2007 survey seems to indicate that most are not anxious to add to their current employment rolls in the year ahead. One exception is the service department.

More than 60% of dealers say they are planning to add service techs —



Between 2003 and '04, combine sales grew by more than 30% to 6,666 units in the U.S., while remaining fairly flat in Canada. These numbers are expected to decline somewhat in 2007.

Dealer Hiring Plans — 2007 vs. 2006

	2007			2006		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	28.5%	68.4%	3.1%	29.0%	69.2%	1.8%
Service Technicians	60.5%	39.0%	0.5%	58.4%	40.6%	1.0%
Wholegood Sales	26.4%	70.2%	3.4%	27.4%	71.3%	1.3%
Administration	8.8%	85.6%	5.6%	7.9%	87.5%	4.6%

if they can find them. Last year, the availability of service technicians was ranked third among dealers' most pressing issues. This year it dropped into the fourth slot, edged out by the growing concerns of energy and fuel costs, health care affordability and the increasing cost of new equipment.

Less than 30% of dealers expect to increase hiring in either the parts or sales departments in '07. Staff reductions are most likely to be seen with administrative personnel as only 9% of dealers intend to increase staffing. By and large, except for the service area, dealers are not expected to significantly increase hiring in '07.

Strong '07 for Kubota & Independent Retailers

At the urging of many dealers last year, Kubota was broken out separately for the 2007 survey. Perhaps it was their enthusiasm for their brand that prompted Kubota dealers to push to be segmented this year, because it showed up in the survey results. Only the independent ag equipment dealers challenged Kubota for the top spot when it came to the most optimistic outlook for the coming year.

Nearly half (48.2%) of the Kubota retailers fully expect to close more unit sales in '07. And if those that expect business to stay about the same are added to the equation, only 13.9% think sales will tail off during the year.

The independent retailers came close to challenging Kubota dealers for the top spot as 46.8% see 2007 sales outpacing those in '06. The major difference being that nearly 10% more (23.3%) of the independent dealers feel that business will be worse in the new year than the Kubota sellers.

Case IH finished in third place when it comes to optimism for 2007 as

40.5% of its dealers are looking toward improved sales. Their counterparts at New Holland didn't finish too far behind, as 39.1% are projecting better things ahead.

That leaves John Deere and AGCO dealers as the least enthused about unit sales potential in '07. Slightly over one-third of Deere dealers expect sales in the coming year to outdo those in '06. On the other hand, more than 40% of the Deere retailers look for worsening business conditions in 2007.

Whereas less than one-third (27.1%) of the AGCO equipment sellers see improved sales during the year, its dealers are split. Some 35.6% project little difference between '06 and '07, and 37.3% see things slipping.

Energy Costs

The rising costs of fuel and energy maintained its number one ranking again as dealers' most pressing concern. An additional 10% of dealers ranked it as their most pressing concern compared to last year. Some 98.1% were "most concerned" or "concerned" about fuel prices.

Like last year's survey, ag equipment retailers again ranked the affordability of health care as their second biggest concern. However, it fell 10% on dealers' most concerned list, cited by 60% of dealers in the 2007 poll.

The category of "rising cost of new equipment" is new in the 2007 survey and it echoed other major concerns. Slightly more than half of North American dealers placed it ahead of other "manufacturer" issues including "purity efforts" by the equipment makers and "succession planning."

Technician availability, which ranked third last year, slipped to the fourth slot, with 50% of dealers saying it is their "most pressing" concern.

Rounding out the top five issues that worry dealers is the long-term trend of the disappearing family farm. For a different look at this trend, see "Who Will be Farming in 2017" on pages 41-43.

Dealers Will Adapt

The results of *Ag Equipment Intelligence's* 2007 Dealers' Business Trend Survey make it apparent that most dealers see unit sales in the new year coming in at about the same level as 2006.

Their responses indicate that they have already begun preparing to deal with a potential cooling down of the ag equipment market. Whether it's keeping a sharp eye on expenses, increasing advertising, making additional investments in training or planning for expansion, the good dealers will adapt. Those not capable of going through a slower period say that they are ready to get out of the business.

Being the pragmatic group that they are, dealers aren't waiting for the weatherman to tell them which way the wind is blowing. Their methods for succeeding in '07 will encompass a wide range of approaches and many of these know some of the changes can be painful.

Greg Hamilton, HFEC, Okanogan, Wash., says he plans to "Maintain the momentum that we've had through 2006. We plan to keep up to speed in all areas of our business as we must continue to diversify from the traditional ag dealership model. We have a very good staff and through continued communication, planning and training, we aim to maintain our dominant position in the businesses we are in and to continue to grow our parts and service business."

Some dealers are planning to expand in '07 like James Jones,

Steenhoek Implement Co., Knoxville, Iowa. "We must change our current ownership structure and find a way to buy at least one additional store before the end of 2007," he says.

Others' plans don't necessarily include growing. Robert Weagant, Weagant Farm Supplies, Ltd., Winchester, Ontario, says in 2007 his dealership intends to "get better, not bigger."

On the other hand, Mark Foster, Birkey's Farm Store, Inc., Attica, Ind., aware of the challenges confronting his customers in 2007, will be looking for better ways to serve them.

"With the rising costs of inputs, machinery and interest rates, we must find ways to show our customers how to improve their profits through improved productivity."

There's one thing ag equipment dealers know for sure, regardless of the economic trends. Business reality lies in being able to compete and the fate of their businesses isn't always in simply running a good shop.

Terry Jacobson believes that 2007 would be a good time for his suppliers to get tougher with some dealers. Jacobson, of Eugene Beckman & Sons, Inc., Brookings, S.D., says the ongoing challenge of wholegood margins vs. market share will continue to be his major challenge.

"As market share pressure from the majors increase, you can literally see the margins drop. It's too bad we need to ask our good, loyal customers to pay more so we can remain profitable while other dealers will not honor their areas of responsibility. The majors need to quit talking about customer surveys with poor-performing dealers and make them shape up or sell out," he says.

For some, the intensity of competition will lead to dramatic changes. "Consolidation pressure by the majors, changes in discounts and market share will probably force us and other one- or two-store dealers to sell our businesses to larger dealers," says Dean Smothers, Smothers Equipment, Inc., Monticello, Iowa.

Dealer Borrowing Plans for 2007

No Change	43.7%
Take on More Debt	13.4%
Retire Debt	29.5%
Not Carrying Debt	13.4%

Dealer Spending Plans for 2007

No Increase	47.3%
+1 – 5%	40.0%
+6 – 10%	9.8%
+11%	2.9%

Where Dealers Will Invest in 2007

Facility Improvement	Service Vehicles	Information Systems
36.9%	46.5%	36.6%

Dealer Issues and Concerns for 2007

Issue	Most Concerned	Concerned	Not Concerned	2006 Ranking
1. Energy/Fuel Costs	79.2%	18.9%	1.9%	1
2. Health Care Affordability	60.9%	31.0%	8.1%	2
3. Rising Cost of New Equipment	51.0%	45.7%	3.3%	NA
4. Technician Availability	50.0%	35.6%	14.4%	3
5. Shrinking Farm Base	43.1%	44.7%	12.2%	4
6. Dealer "Purity" Efforts	32.0%	44.9%	23.1%	7
7. Steel Prices/Supplies	30.3%	59.7%	10.0%	5
8. Product Reliability	29.6%	47.0%	23.4%	6
9. Industry Consolidation	24.5%	51.2%	24.3%	9
10. Next U.S. Farm Bill	21.1%	49.6%	29.3%	8
11. Impact of Box Stores	18.2%	42.8%	39.0%	10
12. Succession Policies	13.0%	45.3%	41.7%	11
13. Internet Sales	11.7%	50.0%	38.3%	12
14. Shortline Warranty Policies	7.9%	48.5%	43.6%	13

Dealer Projections for New Equipment Sales by Major Line Carried for 2007

Mainline	Up 8% or More	Up 2-7%	Little or No Change	Down 2-7%	Down 8% or More
AGCO	6.8%	20.3%	35.6%	25.4%	11.9%
Case IH	3.6%	36.9%	21.4%	22.6%	15.5%
John Deere	8.6%	27.6%	22.8%	28.6%	12.4%
Kubota	14.0%	44.2%	27.9%	11.6%	2.3%
New Holland	1.1%	38%	31.5%	19.6%	9.8%
Independent	14.9%	31.9%	29.8%	14.9%	8.5%

PART II — U.S. OUTLOOK

U.S. Dealers Split on 2007 Outlook

A breakout of U.S. dealers shows they are clearly split on how they view the potential of new equipment sales in '07. As a group, though, they see a "bit" more promise for used equipment sales next year.

When it comes to the sale of new equipment, 38.1% of U.S. dealers are projecting improved sales of 2% or more during the year, while 34.4% see business declining by 2% or more. Some 27.5% expect little or no change in '07.

U.S. dealers are only slightly more optimistic for the sale of used equipment. Nearly 40% are forecasting improved levels of 2% or more for previously owned machinery in '07, while about a quarter of the respondents expect sales of used equipment will

drop below previous-year levels.

In terms of a breakdown by major supplier, U.S. dealers participating in the 2007 poll broke out as follows:

More farm equipment dealers operating in the U.S. say they will increase their capital (non-retail) spending in 2007 than those who plan no increase. Overall, 52.6% indicate that they intend to increase their investment levels over 2006, with the largest majority (40.4%) planning to up capital spending between 1-5%.

Most (45.9%) are aiming the larg-

est share in the service area of their operations while an equal number plan to increase spending in facility improvements (36.1%) and business information systems (37.4%).

Nearly half of U.S. dealers plan "no change" in current debt load during the coming year. About 3 times (29.5%) as many are aiming to retire at least some debt as those (11.5%) that plan to increase their existing debt level. Nearly 15% of U.S. ag equipment dealers report not carrying any debt in 2006.

(Continued on page 13)

Average Employment of Participating Dealerships:

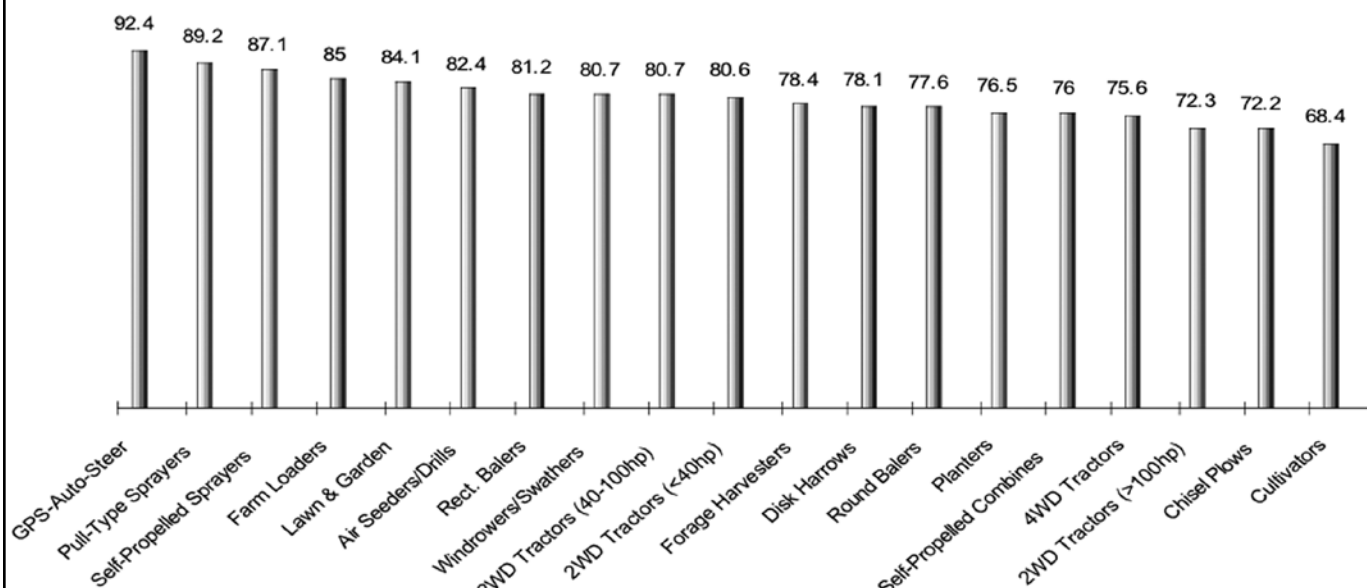
29.4

Projected U.S. Unit Sales of Tractors & Combines – 2007

Type	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40 hp)	10.7%	22.9%	47%	14.3%	5.2%	33.6%	19.5%
2WD (40-100 hp)	4.6%	27.9%	48.2%	13.8%	5.5%	32.5%	19.3%
2WD (>100 hp)	2.6%	17.1%	52.6%	20%	7.7%	19.7%	27.7%
4WD (All)	6.8%	19.8%	49%	17.9%	6.5%	26.6%	24.4%
SP Combines	1.6%	8.3%	66.1%	13.8%	10.2%	9.9%	24%

Mainline	Respondents
John Deere	25.3%
New Holland	20.6%
Case IH	18.8%
AGCO	13.5%
Independents	12.0%
Kubota	9.9%

Best Bets for Improving Unit Sales in 2007 — U.S.

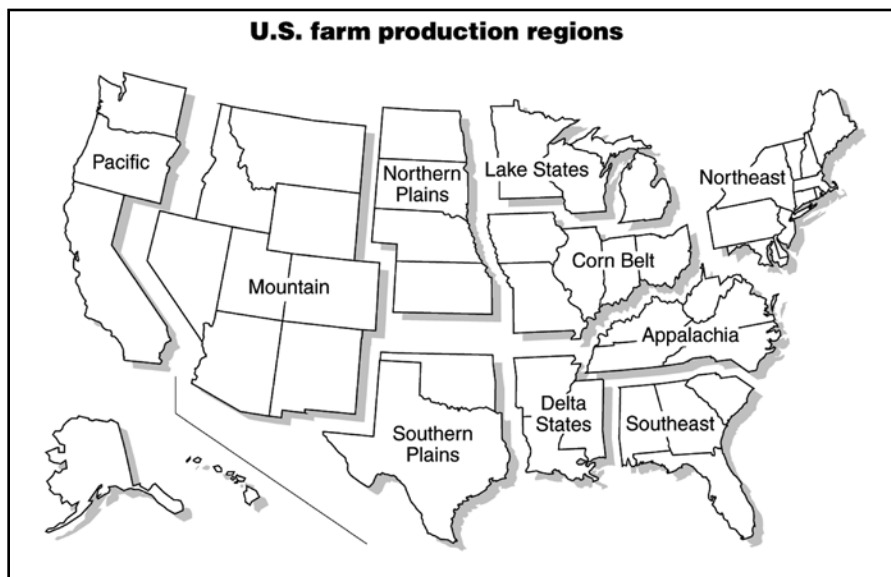


More than 90% of U.S. equipment dealers expect the sales of GPS/auto-steer systems will continue to be strong in '07 and nearly 90% say that the sales of spraying equipment — both self-propelled and pull-type units — hold the most potential for increased unit sales levels during the year.

Outlook for U.S. Dealers Varies Widely on a Regional Basis

With the 2007 survey, *Ag Equipment Intelligence* realigned its regional breakdown of the U.S. and has adopted it to the regions used by the USDA. As a result, comparisons between the 2006 and 2007 survey results are not practical.

The agency breaks out agriculture in the U.S. by 10 major farm production regions based on differences in soil, slope of land, climate, distance to market, and storage and marketing facilities. The following data provides a closer view of the survey results by region.



Ag equipment dealers on the Pacific, Southern Plains and Mountain regions are the most optimistic when it comes to improved retail sales during 2007.

NORTHEAST

Coverage: Connecticut, Maine, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, Vermont (no responses were received from Delaware, Massachusetts or Rhode Island dealers)

Average Employment: 21

Expecting Revenue Gains: 50%

Expecting Revenue Losses: 25%

Weighted Average Gains (Losses): 1.3%

Increasing Capital Spending: 58.8%

Most Promising Opportunities: Mowers/Conditioners, Farm Loaders, Lawn and Garden, Round and Rectangular Balers, GPS

Major Concerns: Energy/Fuel Costs, Affordable Health Care, Increasing Cost of New Equipment, Technician Availability

APPALACHIA

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

Average Employment: 15.9

Expecting Revenue Gains: 28.6%

Expecting Revenue Losses: 39.3%

Weighted Average Gains (Losses): (0.86%)

Increasing Capital Spending: 46.7%

Most Promising Opportunities: Farm Loaders, Lawn & Garden, GPS, 4WD Tractors, SP Combines, 2WD (<40 hp), Planters, SP Sprayers

Major Concerns: Energy/Fuel Costs, Affordable Health Care, Increasing Cost of New Equipment, Steel Prices/Supplies, Product Reliability

SOUTHEAST

Coverage: Alabama, Florida, Georgia, South Carolina

Average Employment: 12.4

Expecting Revenue Gains: 45%

Expecting Revenue Losses: 12.5%

Weighted Average Gains (Losses): 0.95%

Increasing Capital Spending: 36.7 %

Most Promising Opportunities: Farm Loaders, Lawn &

Garden, Round Balers, 2WD Tractors (40-100 hp)

Major Concerns: Energy/Fuel Costs, Affordable Health Care, Manufacturer "Purity" Efforts, Technician Availability, Industry Consolidation

DELTA STATES

Coverage: Arkansas, Mississippi (no responses received from Louisiana dealers)

Average Employment: 22.6

Expecting Revenue Gains: 50%

Expecting Revenue Losses: 43.8%

Weighted Average Gains (Losses): (0.38%)

Increasing Capital Spending: 47.1%

Most Promising Opportunities: 2WD Tractors (40-100 hp), 2WD Tractors (<40 hp), Lawn & Garden, GPS, Round Balers, 4WD Tractors, Farm Loaders, Rectangular Balers, Pull-Type Sprayers, 2WD Tractors (>100 hp), Mower/Conditioners

Major Concerns: Energy/Fuel Costs, Affordable Health Care, Technician Availability, Increasing Cost of New Equipment, Steel Prices/Supplies

LAKE STATES

Coverage: Michigan, Minnesota, Wisconsin

Average Employment: 23.9

Expecting Revenue Gains: 28.6%

Expecting Revenue Losses: 37.5%

Weighted Average Gains (Losses): (0.52%)

Increasing Capital Spending: 48.2%

Most Promising Opportunities: GPS, 2WD Tractors (<40 hp), Lawn & Garden, 2WD Tractors (40-100 hp), Mower/Conditioners, Farm Loaders, Round Balers, Chisel Plows, Pull-Type Sprayers, Planters

Major Concerns: Energy/Fuel Costs, Affordable Health Care, Increasing Cost of New Equipment, Technician Availability,

Shrinking Farm Customer Base

NORTHERN PLAINS

Coverage: Kansas, Nebraska, North Dakota, South Dakota

Average Employment: 26.49

Expecting Revenue Gains: 16.7%

Expecting Revenue Losses: 55.5%

Weighted Average Gains (Losses): (2.33%)

Increasing Capital Spending: 51.5%

Most Promising Opportunities: GPS, Round Balers, Planters, Air Seeders/Drills, Pull-Type Sprayers, 2WD (>100 hp), SP Sprayers, Lawn & Garden, 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Disk Harrows

Major Concerns: Energy/Fuel Costs, Affordable Health Care, Increasing Cost of New Equipment, Shrinking Farm Customer Base, Manufacturer "Purity" Efforts

SOUTHERN PLAINS

Coverage: Oklahoma, Texas

Average Employment: 63.7

Expecting Revenue Gains: 60.8%

Expecting Revenue Losses: 28.5%

Weighted Average Gains (Losses): 1.33%

Increasing Capital Spending: 53.6%

Most Promising Opportunities: 2WD Tractors (40-100 hp), Farm Loaders, 2WD Tractors (<40 hp), Lawn & Garden, 4WD Tractors, Round Balers, GPS

Major Concerns: Energy/Fuel Costs, Technician Availability, Affordable Health Care, Increasing Cost of New Equipment, Steel Prices/Supplies

MOUNTAIN

Coverage: Arizona, Colorado, Idaho, New Mexico, Utah,

Wyoming (no responses received from Montana or Nevada dealers)

Average Employment: 29

Expecting Revenue Gains: 54.6%

Expecting Revenue Losses: 27.3%

Weighted Average Gains (Losses): 1.55%

Increasing Capital Spending: 27.3%

Most Promising Opportunities: GPS, Farm Loaders, Rectangular Balers, Windrowers/Swathers, Planters, 4WD Tractors, 2WD Tractors (40-100 hp), 2WD Tractors (<40 hp), Lawn & Garden, Round Balers, Forage Harvesters, Mower/Conditioners, 2WD (>100 hp)

Major Concerns: Energy/Fuel Costs, Technician Availability, Product Reliability, Manufacturer "Purity" Efforts, Affordable Health Care, Industry Consolidation, Shrinking Farm Customer Base

PACIFIC

Coverage: Alaska, California, Hawaii, Oregon, Washington

Average Employment: 71

Expecting Revenue Gains: 69.2%

Expecting Revenue Losses: 7.7%

Weighted Average Gains (Losses): 3.98%

Increasing Capital Spending: 78.6%

Most Promising Opportunities: 4WD Tractors, Farm Loaders, 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Lawn & Garden, 2WD (>100 hp), GPS, Windrowers/Swathers, Mower/Conditioners, Rectangular Balers, Round Balers,

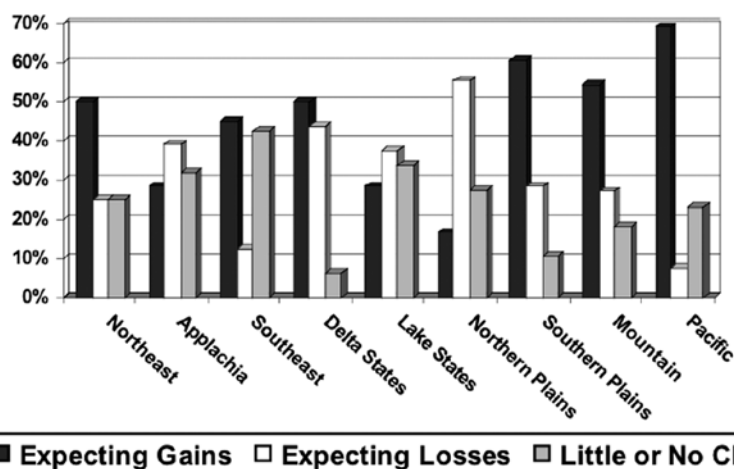
Major Concerns: Energy/Fuel Costs, Affordable Health Care, Technician Availability, Increasing Cost of New Equipment, Product Reliability

About 60% of the dealers participating in the 2007 survey say that they intend to add service staff during the coming year — if they can find them. That's more than double that say will add employees to either their parts department or wholegood sales. Less than 10% of dealers intend to add any administrative or office staff this year. Few, if any, staffing cuts are planned at this time.

Fuel Prices Worrisome

The only significant changes that sets apart dealer concerns in 2006 from those of 2007 is that they feel even more intensely about the yo-yo effects of fuel and energy costs as the they look ahead toward the next calendar year. Whether or not oil prices decline in the near term, a new, higher baseline has been set and the consternation about the stability of energy

U.S. Regional Expectations for Unit Sales in 2007



Of the 9 U.S. agricultural regions, 6 are expected to see improved unit sales of farm machinery in 2007, while dealers in the remaining 3 regions say they are preparing for a slowdown.

Where U.S. Dealers Will Invest in 2007

Facility Improvement	Service Vehicles	Information Systems
36.1%	45.9%	37.4%

U.S. Dealers' Hiring Plans — 2007

	Add Staff	2007 No Change	Reduce/Relocate Staff
Parts Department	27.9%	69.1%	2.9%
Service Technicians	59.7%	39.7%	0.6%
Wholegood Sales	24.6%	71.9%	3.6%
Administration	8.5%	86%	5.5%

costs has been more deeply ingrained. In uncertain times like these, the worry alone that costs may rise becomes

nearly as pervasive as the reality of the situation. It's enough to have people put off buying decisions, hoping for

better times ahead.

In last year's poll, 72.6% of dealers listed rising energy and fuel costs as the most serious issue confronting the ag equipment industry, with the 2007 survey the concern level rose to 80.9%, nearly 8 percentage points higher.

Last year, only about 3 percentage points separated fuel and energy costs from the second most significant concerns, affordable health care (72.6% vs. 69.4%). This year, the difference rose to 12.4% (80.9% vs. 68.5%). This indicates how critical dealers view the current energy-cost crisis.

Another significant change from the 2006 poll compared to the most current study is the addition of a new

U.S. Dealers' Issues and Concerns – 2007

Issue	Most Concerned	Concerned	Not Concerned
Energy/Fuel Costs	80.9%	17.6%	1.5%
Health Care Affordability	68.5%	27.6%	3.9%
Rising Cost of New Equipment	51.4%	45.7%	2.8%
Technician Availability	47.0%	37.6%	15.5%
Shrinking Farm Base	39.8%	46.2%	14.0%
Manufacturer "Purity" Efforts	33.2%	44.3%	22.5%
Steel Prices/Supplies	32.1%	59.9%	8.0%
Product Reliability	28.2%	48.5%	23.3%
Industry Consolidation	24.3%	50.2%	25.5%
Next Farm Bill	22.0%	52.3%	25.7%
Impact of Box Stores	18.5%	43.1%	38.5%
Succession Policies	12.4%	44.9%	42.7%
Internet Sales	12.7%	48.6%	38.7%
Shortline Warranty Policies	6.9%	48.3%	44.8%

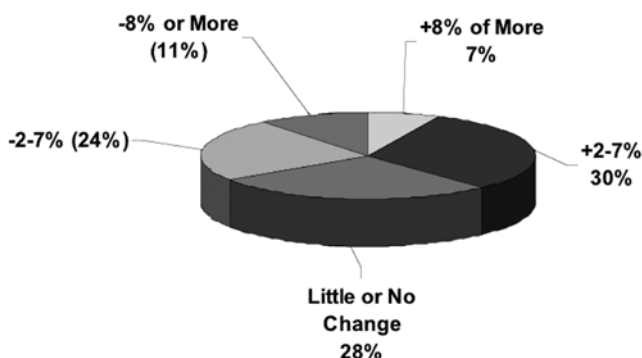
U.S. Dealer Spending Plans – 2007

No Increase	47.4%
1-+5%	40.4%
+6-10%	9.7%
+11%	2.5%

U.S. Dealers' Borrowing Plans – 2007

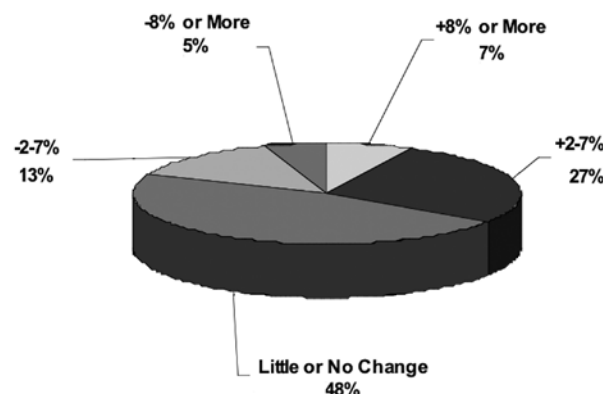
No Change	44.8%
Take on More Debt	11.5%
Retire Debt	29%
Not Carrying Debt	14.7%

U.S. Dealers' Projections for Unit Sales 2007 — New Equipment



Nearly two-thirds (65%) of U.S. equipment dealers expect unit sales of farm machinery to remain about the same or improve in 2007.

U.S. Dealers' Projections for Unit Sales 2007 — Used Equipment



The 2007 sale of used equipment is forecast to remain at '06 levels or improve according to 82% of all U.S. dealers.

Projected U.S. Unit Sales of Other Equipment – 2007

Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
Rect. Balers	1.1%	14.3%	65.8%	12.5%	12.5%	15.6%	25.0%
Round Balers	3.1%	24.7%	49.8%	16.4%	5.9%	27.8%	22.3%
Forage Harvesters	1.2%	4.5%	72.7%	12.7%	9.0%	5.7%	21.7%
Planters	2.2%	20.9%	53.4%	16.4%	7.1%	23.1%	23.5%
Mowers/Cond.	2.8%	23.6%	54.9%	13.4%	5.3%	26.4%	18.7%
Windrowers	1.2%	8.5%	71.0%	12.5%	6.9%	9.7%	19.4%
Cultivators	0.4%	11.0%	58.0%	19.4%	11.3%	11.4%	30.7%
Farm Loaders	5.8%	33.2%	46.0%	10.2%	4.8%	39.0%	15.0%
Chisel Plows	1.5%	6.1%	63.4%	14.3%	7.7%	7.6%	15.3%
Disk Harrows	1.5%	13.2%	64.8%	14.3%	7.0%	14.6%	20.7%
Air Seeders/Drills	1.6%	10.6%	70.2%	10.2%	7.3%	12.2%	17.5%
SP Sprayers	1.7%	12.9%	72.5%	7.5%	5.4%	14.6%	12.9%
PT Sprayers	3.1%	15.4%	70.7%	5.8%	5.0%	18.5%	10.8%
Lawn/Garden	11.0%	34.5%	38.6%	10.0%	6.0%	45.5%	16.0%
GPS/Auto-Steer	17.9%	30.2%	44.3%	3.4%	4.2%	48.1%	7.6%

issue — the rising cost of new equipment. This area of discussion rose immediately to the third most pressing concern for dealers. It edged out the “technician availability,” which was number three last year. More than half of the survey respondents this year (51.4%) listed new equipment pricing as their third most worrisome matter.

The availability of qualified technicians finished fourth in the polling (47.6%) and the shrinking farm customer base (39.8%) rounded out the top five issues that are causing farm equipment retailers to lose sleep at night.

Dealer Expectations Vary Dramatically by State

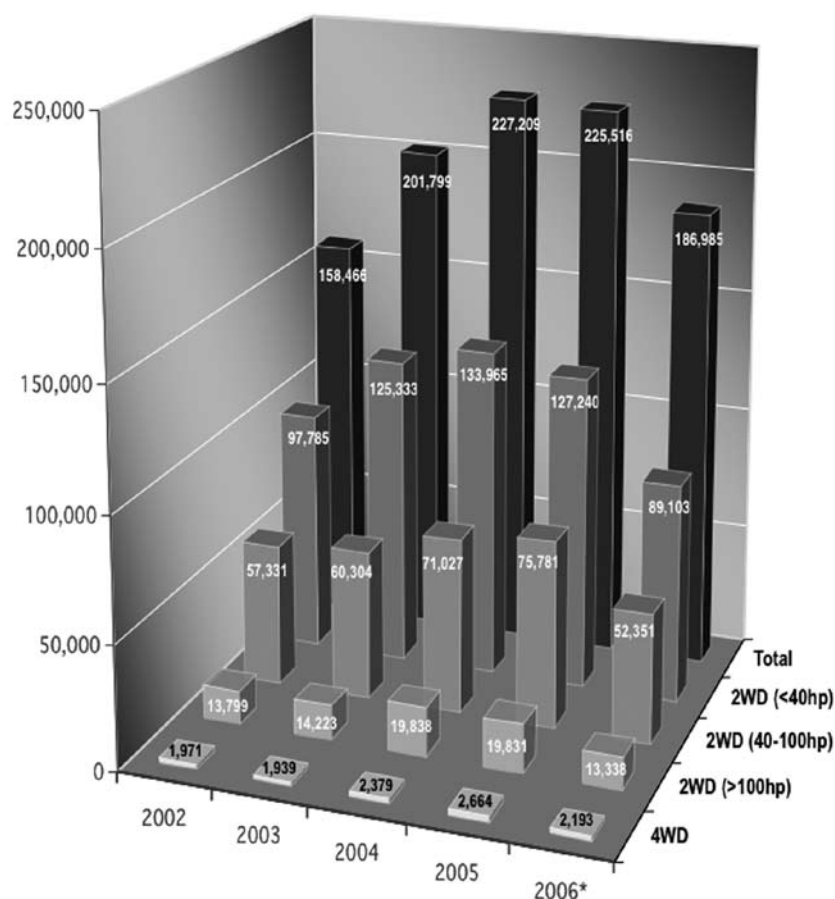
The 2007 Dealer Business Trends Survey provides an even closer look at what ag equipment retailers see ahead for their businesses. The following tables provide a state-by-state breakdown of dealer responses.

On a weighted average basis, the following states are reporting the most optimistic outlook for sales in 2007:

Washington	6.83%
Utah	6.25%
California	4.83%
Arizona	4.50%
Maryland	4.50%
New Jersey	4.50%
New Mexico	4.50%
West Virginia	4.50%
Oklahoma	4.36%
Connecticut	3.13%
Hawaii	2.25%
Wisconsin	1.54%
Florida	1.50%
South Carolina	1.50%
Pennsylvania	1.32%
Indiana	1.23%
Georgia	1.11%
Kentucky	1.04%
Missouri	0.45%
Texas	0.30%

U.S. Unit Retail Tractor Sales — 2002-06

(*through September 2006)



During the 3 years between 2003-05, tractor sales exceeded 200,000 units. Sales began to slow in 2006 and some are forecasting sales levels to fall below this level in '07.

State-by-State Breakdown

The following table provides a state-by-state breakdown of the responses to *Ag Equipment Intelligence's* 2007 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 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. "Ranking Concerns" include those issues of most concern to the dealers in each state and include: Energy/Fuel Costs, Health Care Affordability, Technician Availability, Shrinking Farm Base, Dealer "Purity" Efforts, Steel Prices/Supplies, Product Reliability, Industry Consolidation, Next U.S. Farm Bill, Impact of Box Stores, Succession Policies, Internet Sales and Shortline Warranty Policies.

State	Average Employment	New Equipment Gains (Losses)	Used Equipment Gains (Losses)	Weighted Average	Capital Spending	Ranking Concerns
Alabama	7.8	40%(40%)	0%(25%)	0.0%	100%	Fuel, Health Care, Techs, Steel
Gainers: 4WD Tractors, Round Balers, Mower/Conditioners, Farm Loaders, Disk Harrows, Air Seeders/Drills, Lawn & Garden Decliners: 2WD Tractors (>100 hp)						
Alaska	3	0%(0%)	0%(0%)	0.0%	0%	Fuel, Health Care, Techs, Equip. Costs, Consolidation
Gainers: Little or No Change All Categories Decliners: Little or No Change All Categories						
Arizona	70	100%(0%)	0%(0%)	4.50%	100%	Fuel, Techs, Reliability, Farm Base, Equip. Costs
Gainers: GPS Decliners: Little or No Change All Other Categories						
Arkansas	44.3	50% (32.9%)	41.7% (41.7%)	-0.18%	50%	Fuel, Health Care, Techs, Equip. Costs
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Rect. Balers, Round Balers, Farm Loaders, PT Sprayers, Lawn & Garden, GPS Decliners: 2WD Tractors (>100 hp), 4WD Tractors, SP Combines, Planters, Mower/Conditioners, Windrowers/Swathers, Plows,						
California	130	75%(0%)	36.4%(0%)	4.83%	84.6%	Fuel, Techs, Health Care
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD (<100 hp), 4WD Tractors, SP Combines, Rect. Balers, Planters, Mower/Conditioners, Windrowers/Swathers, Farm Loaders, Disk Harrows, Lawn & Garden, GPS Decliners: Little or No Change All Other Categories						
Colorado	41.3	25%(50%)	50%(25%)	0.0%	40%	Fuel, Techs, Purity Efforts, Consolidation
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Rect. Balers, Forage Harvesters, Planters, Windrowers/Swathers, Farm Loaders, PT Sprayers, Lawn & Garden, GPS Decliners: Round Balers, Mower/Conditioners, Plows, Disk Harrows, SP Sprayers						
Connecticut	22.1	75%(25%)	50%(0%)	3.13%	50%	Fuel, Health Care, Techs
Gainers: 2WD Tractors (<40 hp), 4WD Tractors, Mower/Conditioners Decliners: Little or No Change All Other Categories						
Florida	24	66.7% (33.3%)	0% (33.3%)	1.50%	15.4%	Fuel, Health Care, Techs, Purity Efforts, Consolidation
Gainers: 2WD Tractors (40-100 hp), 4WD Tractors, Farm Loaders, Disk Harrows Decliners: Lawn & Garden						
Georgia	11	44.4% (11.1%)	16.7% (33.4%)	1.11%	66.7%	Health Care, Fuel, Purity Efforts
Gainers: 4WD Tractors, Farm Loaders, Lawn & Garden Decliners: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), SP Combines, Forage Harvesters, Planters, Mower/Conditioners, Windrowers/Swathers, Cultivators, SP Sprayers, PT Sprayers						

State	Average Employment	New Equipment + (-)	Used Equipment + (-)	Weighted Avg.	Capital Spending	Ranking Concerns
Hawaii	5.5	50%(0%)	0%(0%)	2.25%	50%	Techs
Gainers: Little or No Change All Categories Decliners: Little or No Change All Categories						
Idaho	21	0%(100%)	100%(0%)	-4.50%	0%	Fuel, Techs, Purity Efforts, Equip. Costs
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), PT Sprayers, Lawn & Garden, GPS Decliners: 2WD Tractors (>100 hp), 4WD Tractors						
Illinois	24.8	27.8% (38.9%)	43.8% (25%)	-0.89%	66.7%	Fuel, Health Care, Equip. Costs
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), SP Combines, Mower/Conditioners, Farm Loaders, Lawn & Garden, GPS Decliners: 2WD Tractors (>100 hp), Forage Harvesters, Windrowers/Swathers, Cultivators, Air Seeders/Drills						
Indiana	50.3	45.5% (18.2%)	44.4% (0%)	1.23%	81.8%	Fuel, Health Care, Techs
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Planters, Mower/Conditioners, Farm Loaders, SP Sprayers, PT Sprayers, Lawn & Garden, GPS Decliners: 2WD Tractors (>100 hp), 4WD Tractors, SP Combines, Forage Harvesters, Plows, Disk Harrows						
Iowa	19.4	29.6% (55.5%)	43.8% (34.6%)	-1.55%	55.1%	Fuel, Equip. Costs, Health Care
Gainers: Planters, Lawn & Garden, GPS Decliners: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), 4WD Tractors, SP Combines, Rect. Balers, Round Balers, Forage Harvesters, Mower/Conditioners, Windrowers/Swathers, Cultivators, Plows, Air Seeders/Drills, SP Sprayers						
Kansas	37.5	0% (66.7%)	33.3% (22.2%)	-3.39%	70%	Fuel, Health Care, Customer Base
Gainers: Rect. Balers, Round Balers, Air Seeders/Drills, SP Sprayers, PT Sprayers, Lawn & Garden, GPS Decliners: 4WD Tractors, SP Combines, Forage Harvesters, Farm Loaders, Plows, Disks						
Kentucky	12.8	38.5% (15.4%)	36.4% (27.3%)	1.04%	61.5%	Fuel, Health Care, New Equip.
Gainers: 2WD Tractors (<40 hp), 4WD Tractors, SP Combines, Farm Loaders, SP Sprayers, Lawn & Garden, GPS Decliners: Forage Harvesters, Disk Harrows						
Maine	14.5	0%(50%)	0%(0%)	-4.00%	0%	Fuel, Health Care, Techs, New Equip.
Gainers: Mower/Conditioners, Windrowers/Swathers, Farm Loaders, Lawn & Garden Decliners: 2WD Tractors (>100 hp), Rect. Balers, Round Balers, Forage Harvesters						
Maryland	18	100%(0%)	100%(0%)	4.50%	50%	Fuel, Health Care, Prod. Reliability
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>40 hp), Forage Harvesters, Lawn & Garden, GPS Decliners: Forage Harvesters						
Michigan	13.7	9.1% (45.5%)	0% (42.9%)	-1.96%	41.6%	Health Care, Fuel, Customer Base
Gainers: Lawn & Garden, GPS Decliners: 2WD Tractors (>100 hp), Forage Harvesters, Planters						
Minnesota	21.1	29% (45.2%)	40.7% (29.6%)	-0.96%	42%	Fuel, Health Care, Customer Base
Gainers: Lawn & Garden, GPS Decliners: 4WD Tractors, SP Combines, Rect. Balers, Planters, Windrowers/Swathers, Disk Harrows, Air Seeders/Drills						
Mississippi	19.7	50%(50%)	0%(100%)	-1.75%	33.3%	Fuel, Techs, Health Care
Gainers: 4WD Tractors, Windrowers/Swathers, Farm Loaders, PT Sprayers, Lawn & Garden, GPS Decliners: 2WD Tractors (<40 hp), 2WD (>100 hp), Planters, Cultivators, Disk Harrows, Air Seeder/Drills						

(Continued on page 18)

State	Average Employment	New Equipment + (-)	Used Equipment + (-)	Weighted Avg.	Capital Spending	Ranking Concerns
Missouri	20.7	30%(20%)	40%(10%)	0.45%	66.7%	Fuel, Health Care, New Equip.
Gainers: 2Wd Tractors (<40 hp), 2WD Tractors (40-100 hp), Farm Loaders, Lawn & Garden Decliners: Windrowers/Swathers,						
Nebraska	21.1	33.3% (41.7)	33.3% (33.3%)	-0.96%	54.6%	Fuel, New Equip., Health Care, Customer Base
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), Round Balers, Windrowers/Swathers, Air Seeders/Drills, SP Sprayers, PT Sprayers, Lawn & Garden, GPS Decliners: 4WD Tractors, SP Combines, Cultivators, Plows						
New Hampshire	N/A	0%(0%)	N/A	0.0%	100%	N/A
Gainers: Little or No Change All Categories Decliners: Little or No Change All Categories						
New Jersey	5	100%(0%)	N/A	4.50%	0%	Fuel, Farm Base, New Equip.
Gainers: Little or No Change All Categories Decliners: Little or No Change All Categories						
New Mexico	6	100%(0%)	0%(0%)	4.50%	0%	Fuel, Internet
Gainers: Little or No Gain All Categories Decliners: Little or No Gain All Categories						
New York	26.5	33.3% (33.3%)	62.5% (25%)	-0.39%	55.6%	Health Care, Fuel, Purity Efforts, New Equip.
Gainers: 4WD Tractors, Rect. Balers, Round Balers, Planters, Mower/Conditioners, Farm Loaders, Lawn & Garden Decliners: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), SP Combines, Windrowers/Swathers						
North Carolina	16.3	20% (40%)	44.4% (33.3%)	-0.90%	50%	Fuel, Health Care, Steel, New Equip.
Gainers: Rect. Balers, Round Balers, Mower/Conditioners, Lawn & Garden, GPS Decliners: 2WD Tractors (<40 hp), 4WD Tractors, SP Combines, Plows, Disk Harrows, Air Seeders/Drills, PT Sprayers						
North Dakota	20.3	12.5% (37.5%)	12.5% (37.5%)	-2.00%	28.6%	Fuel, Health Care, Techs
Gainers: GPS Decliners: 4WD Tractors, SP Combines, Cultivators, Plows						
Ohio	20.3	23.1% (30.8%)	40% (30%)	-0.62%	53.8%	Fuel, Health Care, New Equip.
Gainers: Round Balers, Farm Loaders, PT Sprayers, Lawn & Garden, GPS Decliners: 4WD Tractors, Forage Harvesters, Planters, Cultivators, Plows, Disk Harrows, Air Seeders/Drills, SP Sprayers						
Oklahoma	26.1	85.7%(0%)	66.7%(0%)	4.36%	57.2%	Fuel, Techs, Health Care, New Equip.
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Round Balers, Mower/Conditioners, Farm Loaders, Air Seeders/Drills, PT Sprayers, Lawn & Garden, GPS Decliners: SP Combines, Cultivators, Plows, Disk Harrows						
Oregon	16.5	40%(40%)	25%(25%)	0.00%	66.7%	Fuel, Health Care, New Equip.
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (>100 hp), 4WD Tractors, Mower/Conditioners, Windrowers/Swathers, Farm Loaders, Lawn & Garden, GPS Decliners: Round Balers						
Pennsylvania	24.3	52.9% (24.5%)	37.5% (25%)	1.32%	73.3%	Fuel, Health Care, Customer Base
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 4WD Tractors, Mower/Conditioners, Farm Loaders, PT Sprayers, Lawn & Garden Decliners: Cultivators, Disk Harrows						

State	Average Employment	New Equipment + (-)	Used Equipment + (-)	Weighted Avg.	Capital Spending	Ranking Concerns
South Carolina	12.33	33.3%(0%)	33.3%(0%)	1.50%	33.3%	Fuel, Health Care, Techs
Gainers: 4WD Tractors, Farm Loaders Decliners: 2WD Tractors (<40 hp), 2WD Tractors (>100 hp), Round Balers, Forage Harvesters						
South Dakota	25.1	14.3% (85.7%)	57.2% (28.6%)	-3.71%	42.9%	Fuel, Health Care, New Equip.
Gainers: Farm Loaders, Disk Harrows, Air Seeder/Drills, SP Sprayers, PT Sprayers, GPS Decliners: 2WD Tractors (<40 hp), Windrowers/Swathers, Cultivators, Plows						
Tennessee	10.7	12.5% (25%)	14.3% (57.2%)	-3.69%	25%	Fuel, New Equip., Health Care
Gainers: Farm Loaders Decliners: 2WD Tractors (< 40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), Round Balers, Forage Harvesters, Mower/Conditioners, Cultivators, Plows, SP sprayers, PT Sprayers, GPS						
Texas	76.9	52.3% (38.1%)	45% (30%)	0.30%	52.5%	Fuel, Techs, Health Care
Gainers: 2WD Tractors (40-100 hp), 4WD Tractors, Farm Loaders, GPS Decliners: 2WD Tractors (> 100 hp)						
Utah	6	100%(0%)	100%(0%)	6.25%	100%	Fuel, Prod. Reliability
Gainers: Farm Loaders, Decliners: Rect. Balers, Windrowers/Swathers						
Vermont	4	N/A	0%(0%)	0.00%	N/A	Fuel, Internet, Box Stores
Gainers: Little or No Change in All Categories Decliners: Little or No Change in All Categories						
Virginia	29.8	0%(60%)	40%(20%)	-3.40%	42.9%	New Equip., Health Care, Fuel
Gainers: 2WD Tractors (40-100 hp), Air Seeders/Drills, SP Sprayers Decliners: 2WD Tractors (<40 hp), 4WD Tractors, SP Combines, Rect. Balers, Round Balers, Forage Harvesters, Mower/Conditioners, Windrowers/Swathers, Cultivators, Farm Loaders, Plows, Disk Harrows, PT Sprayers, Lawn & Garden						
Washington	40.5	100%(0%)	50%(0%)	6.83%	33.4%	Techs, Fuel, Health Care
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), 4WD Tractors, SP Combines, Rect. Balers, Round Balers, Farm Loaders, PT Sprayers Decliners: Forage Harvesters, Mower/Conditioners, SP Sprayers						
West Virginia	18.5	100%(0%)	100%(0%)	4.50%	50%	Fuel, Health Care, Consolidation, New Equip.
Gainers: 2WD Tractors (<40 hp), 2WD (40-100 hp), 4WD Tractors, Rect. Balers, Round Balers, Mower/Conditioners, Farm Loaders, Lawn & Garden Decliners: Little or No Change in All Other Categories						
Wisconsin	36.9	42.9% (14.2%)	31.6% (16.6%)	1.54%	69.3%	Fuel, Health Care, New Equip.
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Round Balers, Planters, Mower/Conditioners, Lawn & Garden, GPS Decliners: Little or No Change in All Other Categories						
Wyoming	16	0%(0%)	0%(0%)	0.0%	0.0%	N/A
Gainers: Little or No Change in All Categories Decliners: Little or No Change in All Categories						

PART III — CANADIAN OUTLOOK

60% of Canadian Dealers See Sales Growth in '07

Coming off a more-than solid sales year in 2006 that, through August, has seen total tractor sales rise by 13.6% and combines by 9.3%, Canadian ag equipment retailers are poised for more of the same in '07.

Overall, dealers from Canada are demonstrating a similar level of optimism for '07 than they did last year at this time. Those forecasting improved sales came in at about the same level this year as they did last year (51.5% in '06 vs. 51% in '07). The big difference comes in the number that expects sales to falter during the year. In '06, 9.1% forecast lower sales compared with 24.5% this year.

Compared with 38% of U.S. dealers expecting sales to rise and 34.4% forecasting declining sales, the Canadians clearly have higher expectations for the year.

In terms of tractor sales, Canadian dealers are forecasting sales increases for every tractor size ranging from nearly 58% for the compacts (<40 hp) to 28.2% for 4WD equipment. And if the "Little or No Change" ranking is factored in, then sales for each of the major tractor categories are expected

to do at least as well as or better than in '06 by a substantial margin.

A look at Canadian dealers expectation for other farm equipment during the next year also shows strong level of optimism, as well. With the exception of tillage tools (cultivators, plows and disks), all other categories are expected to show healthy increases. GPS systems, farm loaders, round balers and lawn and garden equipment will lead the way in helping improve unit sales revenue for Canadian retailers.

Canadian dealers representing the

major equipment manufacturers break out as follows:

Mainline	Respondents
New Holland	25%
Case IH	21.4%
John Deere	21.4%
AGCO	16.1%
Kubota	12.5%
Independents	3.6%

Compared with last year, slightly fewer Canadian dealers are planning "no increase" in capital spending in

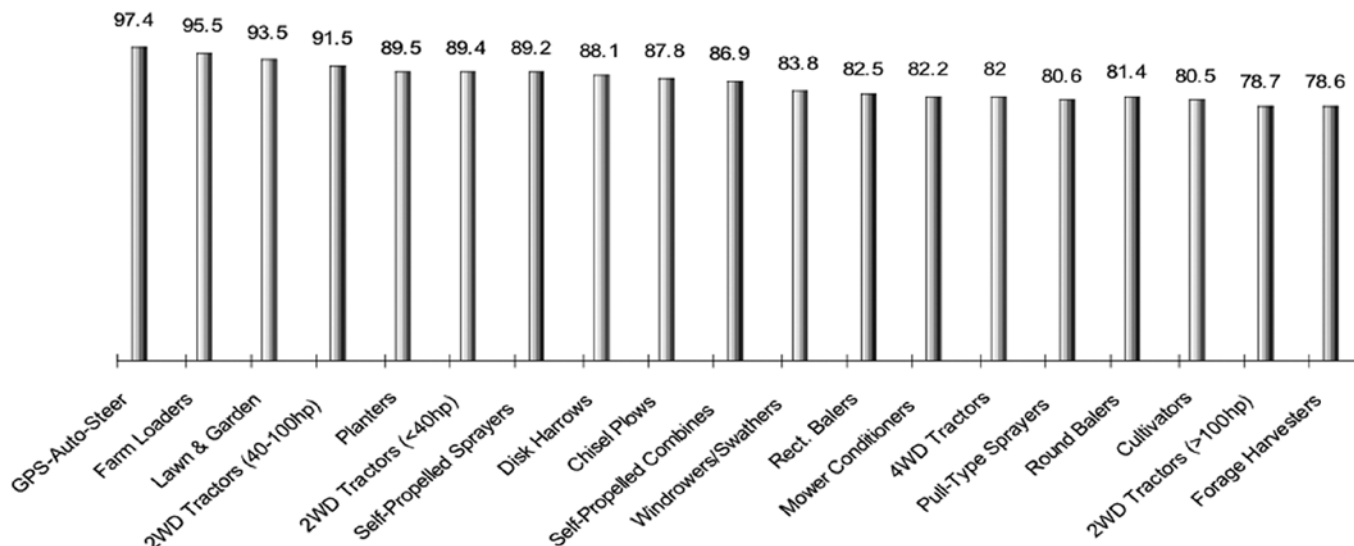
Average Employment of Participating Dealerships:

25.7

Projected Canadian Unit Sales of Tractors & Combines – 2007

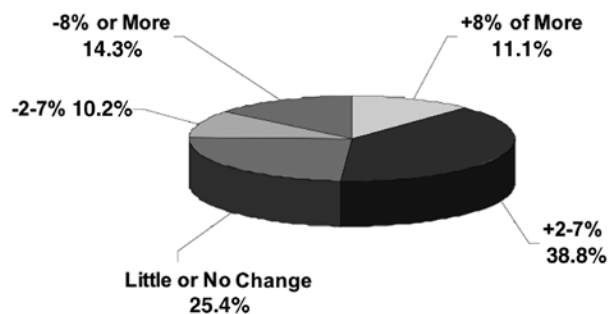
Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40 hp)	12.8%	44.7%	31.9%	10.6%	0.0%	57.5%	10.6%
2WD (40-100 hp)	4.3%	34.0%	53.2%	8.5%	0.0%	38.3%	8.5%
2WD (>100 hp)	6.4%	25.5%	46.8%	17.0%	4.3%	31.9%	21.3%
4WD (All)	5.1%	23.1%	53.8%	10.3%	7.7%	28.2%	18.0%
SP Combines	5.3%	21.1%	60.4%	7.9%	5.3%	26.4%	13.2%

Best Bets for Improving Unit Sales in 2007 — Canada



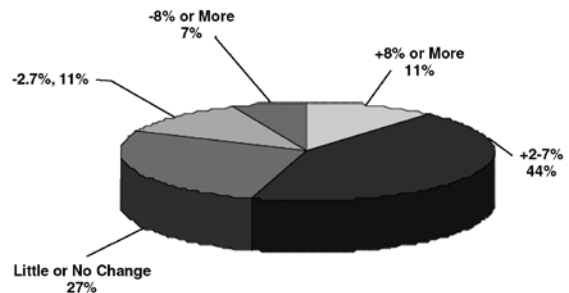
More than 90% of Canadian dealers see GPS/auto-steer systems, farm loaders, lawn and garden equipment and 2WD tractors (40-100 hp) as their best bets for improving sales in 2007. Less than 80% expect unit sales of 2WD tractors larger than 100 hp and forage harvesters to improve.

Canadian Dealer Projections for Unit Sales 2007 — New Equipment



More than 75% of Canadian equipment dealers project the 2007 unit sales of new equipment will surpass levels seen in '06.

Canadian Dealer Projections for Unit Sales 2007 — Used Equipment



Only 18% of Canadian equipment dealers are forecasting that unit sales of previously owned equipment will fall off from levels seen in 2006.

Projected Canadian Unit Sales of Other Equipment – 2007

Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
Rect. Balers	—	15.0%	77.5%	7.5%	—	15.0%	7.5%
Round Balers	7.0%	39.5%	34.9%	11.6%	7.0%	46.5%	18.6%
Forage Harvesters	2.4%	11.9%	64.2%	16.7%	4.8%	14.3%	21.5%
Planters	2.6%	13.2%	73.7%	7.9%	2.6%	15.8%	10.5%
Mowers/Cond.	2.2%	24.4%	55.6%	15.6%	2.2%	26.6%	17.8%
Windrowers	8.1%	21.6%	54.1%	13.5%	2.7%	29.7%	16.2%
Cultivators	2.4%	12.2%	65.9%	12.2%	7.3%	14.6%	19.5%
Farm Loaders	11.4%	36.4%	47.6%	2.3%	2.3%	47.8%	4.6%
Chisel Plows	2.4%	4.9%	80.5%	12.2%	—	7.3%	12.2%
Disk Harrows	2.4%	11.9%	73.8%	9.5%	2.4%	14.3%	11.9%
Air Seeders/Drills	5.0%	25.0%	47.5%	17.5%	5.0%	30.0%	12.2%
SP Sprayers	2.7%	18.9%	67.6%	5.4%	5.4%	19.6%	10.8%
PT Sprayers	4.9%	9.6%	65.9%	14.7%	4.9%	14.5%	19.5%
Lawn/Garden	17.4%	32.6%	43.5%	4.3%	2.2%	40.0%	6.5%
GPS/Auto-Steer	30.8%	25.6%	41.0%	2.6%	—	56.4%	2.6%

'07; 50% in '06 vs. 47% in '07. The biggest change in capital investment plans came in those planning to spend more than 10% during the coming year; 2.9% in '06 vs. 6.1% in '07.

Generally, dealers in Canada intend to up their investments all the way around — improving facilities, service vehicles and business information systems in the new year. As was the case last year, the service department will receive a majority of new spending.

What stands out when it comes to the Canadians borrowing plans for '07 are those dealers that say they intend to "take on more debt" during the year than those planning to do so last year (6.7% vs. 26.5%). A significant jump

Where Canadian Dealers Will Invest in 2006 vs. 2007

Facility Improvement		Service Vehicles		Information Systems	
2006	2007	2006	2007	2006	2007
39.4%	42.6%	55.9%	51.1%	27.3%	31.3%

Canadian Dealer Spending Plans – 2006 vs. 2007

	2006	2007
No Increase	50%	46.9%
1-+5%	35.3%	36.7%
+6-10%	11.8%	10.2%
+11%	2.9%	6.1%

Canadian Dealer Hiring Plans — 2006 vs. 2007

	2007			2006		
	Add Staff	2007 No Change	Reduce/Relocate Staff	Add Staff	2007 No Change	Reduce/Relocate Staff
Parts Department	32%	64%	4%	41.9%	58.1%	0%
Service Technicians	66%	34%	0%	61.3%	38.7%	0%
Wholesale Sales	39.6%	58.3%	2.1%	31.3%	68.8%	0%
Administration	10.4%	83.3%	6.3%	10.3%	86.2%	3.4%

Canadian Dealer Borrowing Plans – 2006 vs. 2007

	2006	2007
No Change	36.7%	36.7%
Take on More Debt	6.7%	26.5%
Retire Debt	33.3%	32.7%
Not Carrying Debt	23.3%	4.1%

Canadian Dealer Issues and Concerns – 2007

Issue	Most Concerned	Concerned	Not Concerned
Technician Availability	71.7%	21.7%	6.6%
Energy/Fuel Costs	67.4%	28.3%	4.3%
Shrinking Farm Base	65.3%	34.7%	—
Rising Cost of New Equipment	47.7%	45.5%	6.8%
Product Reliability	39.1%	37.0%	23.9%
Industry Consolidation	26.1%	58.7%	15.2%
Manufacturer “Purity” Efforts	23.4%	48.9%	27.7%
Succession Policies	17.4%	47.8%	34.8%
Steel Prices/Supplies	17.4%	58.7%	23.9%
Impact of Box Stores	15.9%	40.9%	43.2%
Shortline Warranty Policies	15.2%	50.0%	34.8%
Next Farm Bill	14.3%	28.6%	57.1%
Health Care Affordability	6.4%	55.3%	38.3%
Internet Sales	4.4%	60.0%	35.6%

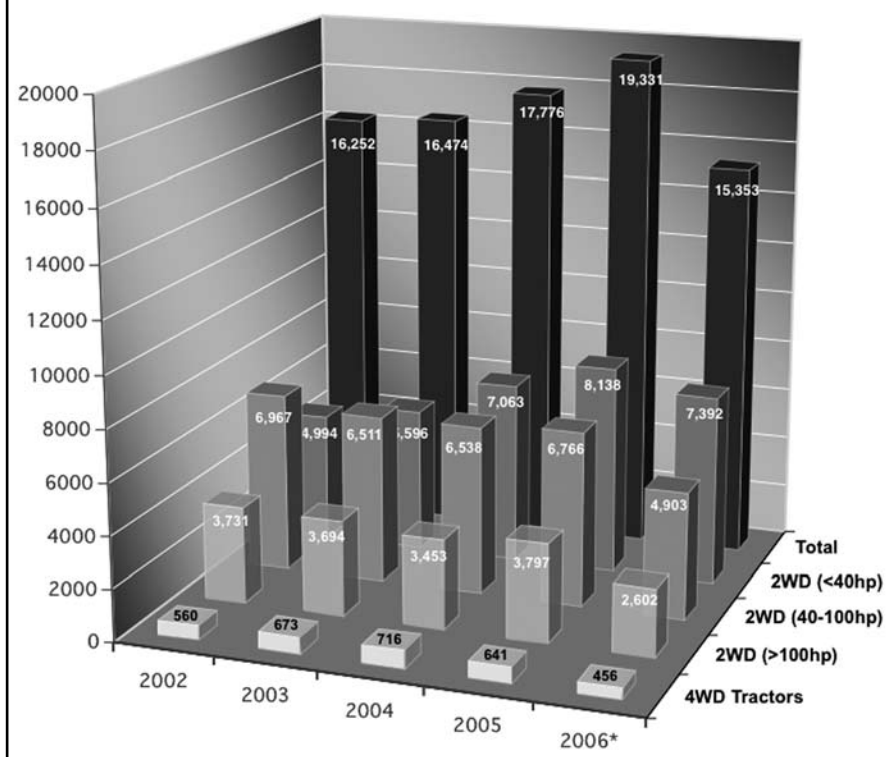
in those dealers that say they are not carrying any debt can also be noted. Last year, nearly a quarter of survey respondents from the provinces say

they didn't have any debt load. This fell to 4% this time around. If their optimistic outlook for 2007 holds true, it will probably be a good bet on their part.

True to their level of concern for '07 (see “Canadian Dealers Issues and Concerns”), 5% more farm machinery retailers in Canada this year say they plan to add staff in their service departments than did so last year — if they can find techs. This will come at the cost of not adding staff to other areas of operations, as little or no employee reductions are planned in.

As they demonstrated in their responses to staff additions during the coming year, Canadian dealers are most concerned about the availability of service techs in '07. In terms of the biggest challenges the dealers see ahead, finding techs took over first place in biggest worries with energy and fuel costs, which ranked number one last year. Like their U.S. counterparts, fuel costs are also near the top of their list.

Canadian Unit Retail Tractor Sales — 2002-06 (*through September 2006)



The unit sales of tractors in Canada, like that of the U.S., also peaked in 2005 and began to fall off in 2006. This trend is expected to continue into 2007, though not at the rate of the U.S. slowdown.

Coast to Coast, Canada's Dealers Project Divergent Opinions for 2007

All told, 8 agricultural-producing provinces are represented in *Ag Equipment Intelligence's* 2007 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.

EASTERN CANADA

Coverage: Nova Scotia, Prince Edward Island and Quebec

Average Dealership Employment: 20.1

Expecting Revenue Gains: 88.9%

Expecting Revenue Losses: 11.1%

Weighted Average Gains (Losses): 4.0%

Increasing Capital Spending: 53.3%

Most Promising Opportunities: 2WD

Tractors (<40 hp), Farm Loaders, Forage Harvesters, 2WD Tractors (40-100 hp), Round Balers, 4WD Tractors, Disk Harrows, GPS

Major Concerns: Technician Availability, Increasing Cost of New Equipment, Manufacturer "Purity" Efforts, Product Reliability, Industry Consolidation, Shrinking Farm Customer Base

CENTRAL CANADA

Coverage: Ontario

Average Dealership Employment: 32.3

Expecting Revenue Gains: 50%

Expecting Revenue Losses: 30%

Weighted Average Gains (Losses): 0.73%

Increasing Capital Spending: 42.1%

Most Promising Opportunities: 2WD

Tractors (<40 hp), GPS, Lawn & Garden, Round Balers, 2WD Tractors (40-100 hp), 2WD Tractors (>100), Air Seeders/Drills, 4WD Tractors, Cultivators, Rectangular Balers, Mower/Conditioners, SP Combines, Disk Harrows, PT Sprayers, SP Sprayers

Major Concerns: Fuel/Energy Costs, Shrinking Farm Customer Base, Technician Availability, Increasing Cost of New Equipment, Product Reliability

WESTERN CANADA

Coverage: Alberta, British Columbia, Manitoba, Saskatchewan

Average Dealership Employment: 19.6

Expecting Revenue Gains: 37.4%

Expecting Revenue Losses: 40.7%



Dealers from 8 Canadian provinces participated in *Ag Equipment Intelligence's* 2007 Outlook & Trends report. For analysis purposes these were combined into 3 reporting regions.

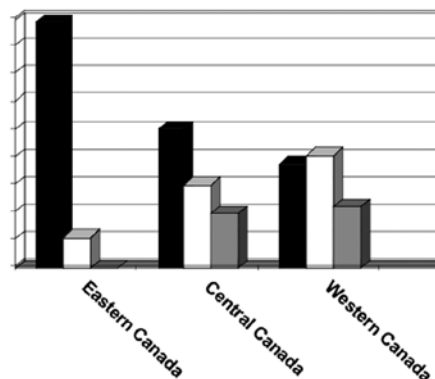
Weighted Average Gains (Losses): 0.05%

Increasing Capital Spending: 84.3%

Most Promising Opportunities: Farm Loaders, 2WD Tractors (<40 hp), GPS, Lawn & Garden, Round Balers, Windrowers/Swathers, 2WD Tractors (>100), 2WD Tractors (40-100 hp), Air Seeders/Drills, Mower/Conditioners, SP Combines

Major Concerns: Fuel/Energy Costs, Shrinking Farm Customer Base, Technician Availability, Increasing Cost of New Equipment, Product Reliability

Canadian Regional Expectations for Unit Sales in 2007



■ Expecting Gains □ Expecting Losses ■ Little or No Change

Dealers operating in eastern Canada are far and away the most optimistic when it comes to improved sales prospects in 2007, as nearly 90% are expecting increased business levels.

Breakdown by Province

The following table provides a province-by-province breakdown of the responses to *Ag Equipment Intelligence's* 2007 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 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. "Ranking Concerns" include those issues of most concern to the dealers in each state and include: Energy/Fuel Costs, Health Care Affordability, Technician Availability, Shrinking Farm Base, Dealer "Purity" Efforts Steel Prices/Supplies, Product Reliability, Industry Consolidation, Next U.S. Farm Bill, Impact of Box Stores, Succession Policies, Internet Sales and Shortline Warranty Policies

State	Average Employment	New Equipment + (-)	Used Equipment + (-)	Weighted Avg.	Capital Spending	Ranking Concerns
Alberta	17.8	66.7%(0%)	66.7%(0%)	4.75%	71.4%	Techs, Customer Base, Equip. Cost, Fuel, Purity Efforts
Gainers: Windrowers/Swathers, Round Balers, Lawn & Garden, GPS, Mower/Conditioners, 2WD Tractors (<4 hp), 4WD Tractors						
Decliners: Rect. Balers, Round Balers, Cultivators, Disk Harrows, PT Sprayers						
British Columbia	14	0%(100%)	0%(0%)	-4.50%	0%	Fuel, Customer Base
Gainers: 2WD (<40 hp), Farm Loaders						
Decliners: Mower/Conditioners, Rect. Balers, Round Balers, Forage Harvesters						
Manitoba	14.5	42.9% (42.9%)	57.1% (42.9%)	-1.00%	42.9%	Fuel, Techs, Customer Base, Equip. Cost
Gainers: Farm Loaders, Lawn & Garden, GPS, 2WD (<40 hp), 2WD (40-100 hp), 2WD (>100 hp)						
Decliners: Round Balers, Forage Harvesters, Cultivators, Air Seeders/Drills, SP Sprayers, PT Sprayers						
Nova Scotia	100%(0%)		100%(0%)	4.50%	100%	Fuel, Purity Efforts, Techs, Farm Base, Equip. Cost
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Forage Harvesters, Farm Loaders, GPS						
Decliners: Rect. Balers, Planters, Mower/Conditioners, Plows						
Prince Edward Island	24	100%(0%)	N/A	4.50%	0%	Fuel, Purity Efforts, Techs, Prod. Reliability, Equip. Cost
Gainers: 2WD Tractors (<40 hp), 4WD Tractors, Round Balers, Forage Harvesters, Cultivators, Farm Loaders, Disk Harrows,						
Decliners: GPS, Lawn & Garden						
Quebec	16.3	66.7%(0%)	33.3%(0%)	3.00%	66.7%	Techs, Consolidation, Equip. Cost
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), Rect. Balers, Round Balers, Forage Harvesters, Mower/Conditioners, Farm Loaders						
Decliners: Forage Harvesters						
Ontario	32.3	50%(30%)	68.8%(18.8%)	0.73%	42.1%	Fuel, Customer Base, Techs
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), GPS, Lawn & Garden, 4WD Tractors, Round Balers, Cultivators, Disk Harrows, Air Seeders/Drills						
Decliners: Plows						
Saskatchewan	30	40%(20%)	30%(20%)	0.55%	60%	Customer Base, Techs, Fuel, Succession Policies, Equip. Cost
Gainers: 2WD Tractors (<40 hp), 2WD Tractors (40-100 hp), 2WD Tractors (>100 hp), 4WD Tractors, SP Combines, Round Balers, Farm Loaders, Air Seeders/Drills, SP Sprayers, PT Sprayers, Lawn & Garden, GPS						
Decliners: Forage Harvesters						

PART IV — BREAKOUT BY MAINLINE SUPPLIERS

Outlook for '07 Highly Dependent on Equipment Manufacturer

Like the 2006 Dealer Business Trends Survey, the 2007 edition also breaks down dealer responses by the major equipment lines carried. This year Kubota was added to the mix because of its significant role in the smaller tractor categories.

In terms of the overall level of optimism, it is the Kubota dealers that see the most potential for improved sales in '07. The independent dealers — those that don't carry equipment from any of the five major manufacturers — follow Kubota dealers in their positive outlook for increased sales.

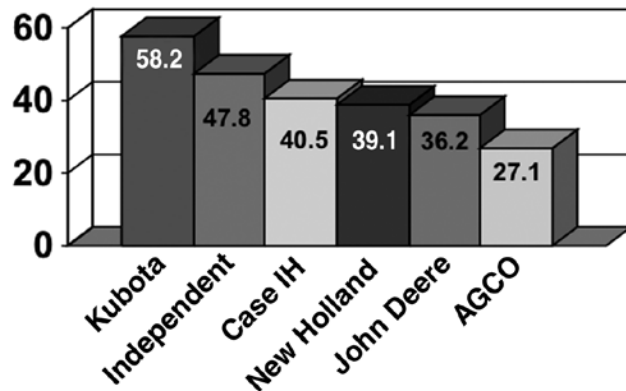
Nearly 60% of the Kubota tractor dealers that responded to the 2007 survey say they expect improved sales during the year compared with 2006. This isn't terribly surprising considering that Kubota specializes in tractors under 140 hp. This has been the single fastest growing segment of the farm machinery market for several years now. In fact, some industry observers give much of the credit to the company for initiating the trend toward compact and utility tractors. Kubota dealers were the only group where more than half of those participating in the survey are optimistic about growing sales in '07.

Less than 14% of those dealers that represent Kubota expect business conditions to deteriorate in '07. This compares with 41% of John Deere dealers that report slower unit sales during the year.

Nearly half, or 47.8%, of those dealers that identify themselves as "independent" are looking forward to improving business levels during the coming year, while about 30% see sales levels slipping below levels experienced in '06.

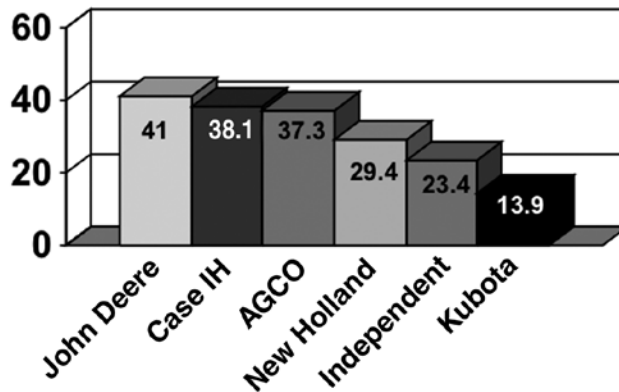
Of the dealers that retail products manufactured by the major equipment makers, Case IH dealers are the most optimistic as more than 40% of them forecast improved business conditions in 2007. At the same time, almost an equal number of those retailing Case equipment — 38.1% — see unit sales falling below the levels of 2006.

**Most Optimistic Equipment Dealers for 2007
(percentage expecting gains)**



Nearly 60% of Kubota dealers and 50% of independent dealers expect sales to improve in 2007, making them the most optimistic groups going into the new year.

**Most Pessimistic Equipment Dealers for 2007
(percentage expecting losses)**



Not surprisingly, dealers for the two biggest ag equipment manufacturers — John Deere and Case IH — are the most pessimistic about business prospects for 2007.



AGCO Dealers: Working on Their Identity

These must be strange times for those retailers that identify themselves as AGCO equipment dealers. Sometimes called the “teenager” of the Big Four farm machinery companies, AGCO appears to be poised to finally create its own identity or identities, as it were.

Since 1990, when it was founded, the company has accumulated 21 different brands of ag equipment. Chief among these are Massey Ferguson and Challenger tractors, and Hesston combines, along with an agglomeration of sprayer and implement brands. During this same time, the company set out to create its own AGCO-brand of equipment. These acquisitions came with a patchwork of dealers; some of which today handle a complete line of AGCO equipment, while others may handle a single AGCO brand of implements.

In August, AGCO kicked off its “Cornerstone Brand” marketing strategy, designed to delineate its distribution channels and clearly identify its dealers as either Massey Ferguson dealers (Red), AGCO dealers (Orange) or Challenger dealers. Along with the new marketing strategy came a host of new product introductions, ranging from an all-new Class VIII com-

AGCO Dealers' Projected Unit Sales of Tractors and Combines – 2007

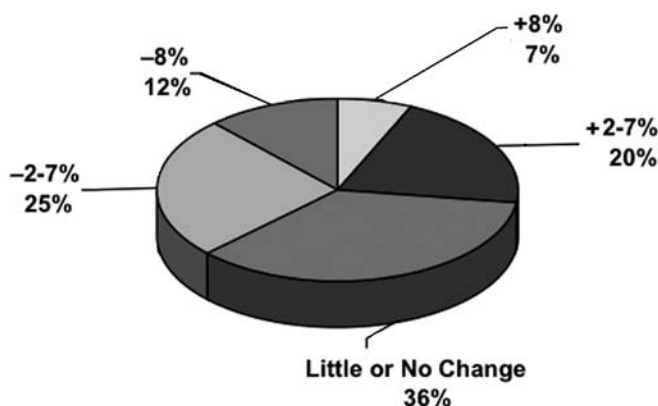
Tractor Type (size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40 hp)	10.2%	18.6%	44.1%	20.3%	6.8%	28.8%	27.1%
2WD (40-100 hp)	3.4%	27.6%	44.8%	13.8%	10.3%	31.0%	24.1%
2WD (>100 hp)	1.9%	22.2%	51.9%	13.0%	11.1%	24.1%	24.1%
4WD (All)	17.6%	13.7%	47.1%	13.7%	7.8%	31.3%	21.5%
SP Combines	—	4.8%	59.5%	21.4%	14.3%	4.8%	35.7%

AGCO Dealers' Projected Unit Sales of Other Equipment – 2007

Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
Rect. Balers	2.1%	23.4%	51.1%	23.4%	—	25.5%	23.4%
Round Balers	2.0%	18.0%	44.0%	26.0%	10.0%	20.0%	36.0%
Forage Harvesters	4.8%	—	57.1%	19.0%	19.0%	4.8%	38.0%
Planters	2.2%	26.7%	53.3%	11.1%	6.7%	28.9%	17.8%
Mowers/Cond.	5.8%	26.9%	46.2%	15.4%	5.8%	32.7%	21.2%
Windrowers	7.9%	18.4%	44.7%	18.4%	10.5%	26.3%	28.9%
Cultivators	—	11.4%	59.1%	18.2%	11.4%	11.4%	29.6%
Farm Loaders	6.8%	27.1%	47.5%	11.9%	6.8%	33.9%	18.7%
Chisel Plows	4.7%	9.3%	46.5%	20.9%	18.6%	14.0%	39.5%
Disk Harrows	2.2%	17.4%	54.3%	15.2%	10.9%	19.6%	26.1%
Air Seeders/Drills	2.5%	10.0%	60.0%	15.0%	12.5%	12.5%	27.5%
SP Sprayers	2.7%	13.5%	62.2%	13.5%	8.1%	16.2%	21.6%
PT Sprayers	—	17.1%	63.4%	12.2%	7.3%	17.1%	19.5%
Lawn/Garden	15.4%	28.8%	36.5%	9.6%	9.6%	44.2%	19.2%
GPS/Auto-Steer	7.9%	26.3%	55.3%	5.3%	5.3%	34.2%	10.6%

AGCO Dealers' Projections for Unit Sales 2007

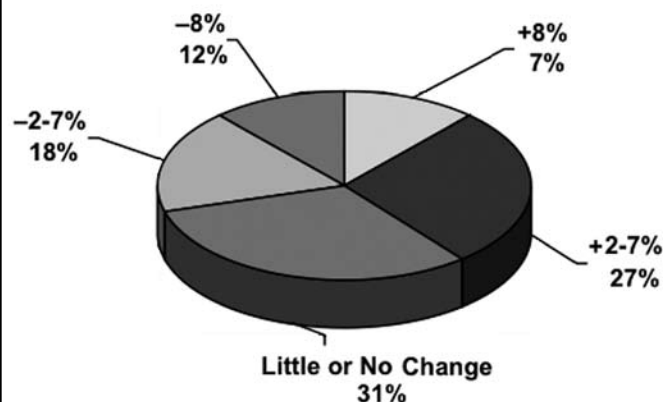
— New Equipment



More than 60% of AGCO dealers are either expecting business to improve in '07 or to stay at about the same levels as 2006.

AGCO Dealers' Projections for Unit Sales 2007

— Used Equipment



Some 70% of AGCO equipment sellers indicate that used equipment sales will increase during the coming year.

bine and several new compact and utility tractors.

It must also be exciting times for the committed AGCO dealers, as well; a new, clearly defined identity with newly designed and competitive products to boot. How smoothly the transition goes remains to be seen.

All of the changes taking place with AGCO appear to be reflected in the outlook of its dealers for 2007. Compared with the other major manufacturers, AGCO retailers are the least optimistic for improving sales during the next 12 months, as less than 30% see better days ahead. Slightly more than a third (35.6%) of them expect little or no change in sales activity compared with '06, while 37.3% see sales slipping by at least 2% for the year.

Despite their less-than-rosy outlook, AGCO dealers' expectations for declining sales are only the second worst. The John Deere dealers are



Like most dealers, AGCO retailers see GPS/Auto-Steer systems as leading the way to increased sales in '07. Their second and third choices are planters and farm loaders.

the most pessimistic in this category. Possibly another indicator of their outlook is only 10% of AGCO dealers

intend to take on additional debt.

Average employment for AGCO dealers 55.5.

AGCO Dealers' Projected Unit Sales of New Equipment — 2007

	New Equipment ('06)	Used Equipment ('06)
+8%	6.8%	11.8%
+2-7%	20.3%	27.5%
Little or No Change	35.6%	31.4%
-2-7%	25.4%	17.6%
-8%	11.9%	11.8%

AGCO Dealers' Hiring Plans — 2007

	Add Staff	No Change	Reduce/ Relocate Staff
Parts Department	28.3%	70.0%	1.7%
Service Technicians	47.5%	52.5%	—
Wholegood Sales	28.3%	70.0%	1.7%
Administration	5.2%	93.1%	1.7%

Where AGCO Dealers Will Invest in 2007

Facility Improvement	Service Vehicles	Information Systems
25%	37.3%	39%

AGCO Dealers' Spending Plans – 2007

No Increase	50%
+1-5%	41.7%
+6-10%	5%
+10%	3.3%

AGCO Dealers' Borrowing Plans – 2007

No Change	56.7%
Take on More Debt	10%
Retire Debt	15%
Not Carrying Debt	18.3%

AGCO Dealers' Issues and Concerns – 2007

Issue	Most Concerned	Concerned	Not Concerned
Energy/Fuel Costs	75.9%	18.5%	5.6%
Health Care Affordability	67.9%	26.7%	5.4%
Rising Cost of New Equipment	53.6%	42.8%	3.6%
Shrinking Farm Base	51.8%	39.3%	8.9%
Technician Availability	50.9%	32.7%	16.4%
Manufacturer "Purity" Efforts	36.2%	41.4%	22.4%
Steel Prices/Supplies	34.5%	58.2%	7.3%
Next Farm Bill	20.0%	41.8%	38.2%
Product Reliability	19.6%	51.8%	28.6%
Impact of Box Stores	17.3%	44.2%	38.5%
Succession Policies	9.3%	44.4%	46.3%
Internet Sales	7.2%	46.4%	46.4%
Shortline Warranty Policies	3.6%	50.9%	45.5%

Case IH Dealers: Confusion at the Top

CASE IH The recent changes in top management have left some Case IH dealers uncertain about the stability of the ag equipment maker. One of its dealers even questions the company's future "existence." In addition, there appears to be some general confusion about the direction Case IH is going with its product line.

James Robinson, Bane Equipment Sales, Lebanon, Ind., for one, says that he is very concerned about "the stability of CNH, parent company of Case IH." Others echoed Robinson's sentiments, as well.

But its dealers' perception about the direction of the company may be more disconcerting.

"I will be looking at supplementing my Case IH line with other products in 2007," says Ron Hendershot, Hendershot Equipment Co., Stephenville, Texas.

"The direction CNH is headed with Case IH is not favorable to my situation. My market is 125 hp and down with a lot of emphasis on hay producers and sundowners. It looks like they are headed with New Holland in that direction. Case seems to be headed in the direction of big equipment only. This is a big mistake for them. And," Hendershot adds,

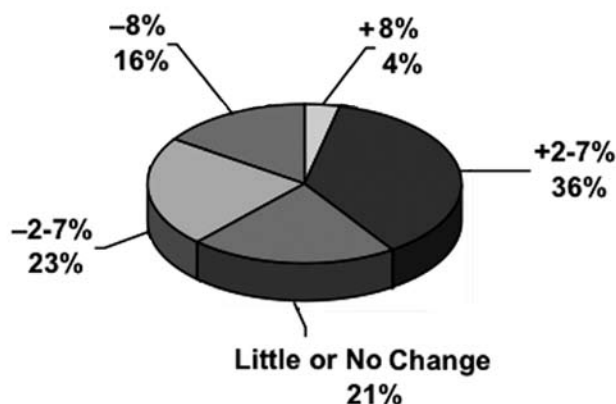
Case IH Dealers' Projected Unit Sales of Tractors and Combines – 2007

Tractor Type (size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40 hp)	10.7%	28.6%	44%	10.7%	6%	39.3%	16.7%
2WD (40-100 hp)	6%	32.1%	44%	13.1%	4.8%	38.1%	17.9%
2WD (>100 hp)	2.4%	15.5%	54.8%	17.9%	9.5%	17.9%	27.4%
4WD (All)	1.3%	23.7%	45%	25%	5%	25%	30%
SP Combines	2.6%	14.5%	61.8%	13.2%	7.9%	17.1%	21.1%

Case IH Dealers' Projected Unit Sales of Other Equipment – 2007

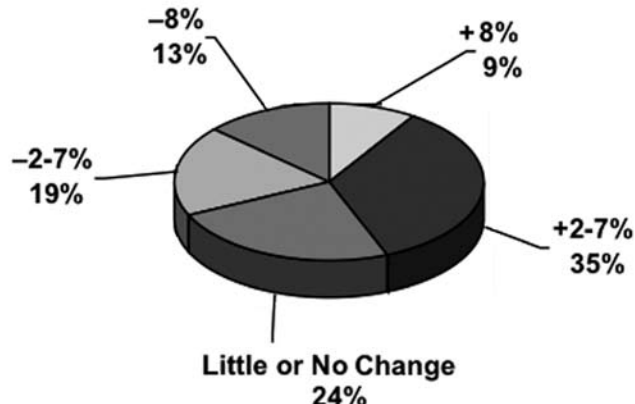
Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
Rect. Balers	1.4%	14.5%	68.1%	15.9%	—	15.9%	15.9%
Round Balers	—	19.2%	55.1%	16.7%	9.0%	19.2%	25.7%
Forage Harvesters	1.5%	6.0%	79.1%	10.4%	3.0%	7.5%	13.4%
Planters	4.1%	27.0%	40.5%	23.0%	5.4%	31.1%	28.4%
Mowers/Cond.	—	20.8%	61.0%	13.0%	5.2%	20.8%	15.2%
Windrowers	1.5%	10.4%	70.1%	14.9%	3.0%	11.9%	14.9%
Cultivators	2.5%	7.5%	57.5%	26.3%	6.3%	10.0%	32.6%
Farm Loaders	4.9%	31.7%	51.2%	8.5%	3.7%	36.6%	12.2%
Chisel Plows	1.3%	5.3%	70.7%	17.3%	5.3%	6.6%	22.6%
Disk Harrows	2.5%	16.5%	60.8%	15.2%	5.1%	19%	20.3%
Air Seeders/Drills	1.5%	12.1%	69.7%	12.1%	4.5%	13.6%	16.6%
SP Sprayers	1.5%	18.2%	69.7%	7.6%	3.0%	19.7%	10.6%
PT Sprayers	3.9%	23.7%	60.5%	9.2%	2.6%	27.6%	11.8%
Lawn/Garden	10.3%	41%	35.9%	9.0%	3.8%	51.3%	12.8%
GPS/Auto-Steer	30.6%	34.7%	30.6%	1.4%	2.8%	65.3%	4.2%

Case IH Dealers' Projections for Unit Sales 2007 — New Equipment



More than 60% of Case IH dealers are looking for a unit sales increase for new equipment during the year.

Case IH Dealers' Projections for Unit Sales 2007 — Used Equipment



Two-thirds of Case IH equipment sellers are forecasting a pickup in the sale of used equipment during 2007.

“They will lose it all if their leadership issues do not get resolved.”

On the other hand, Patrick Vanoostrum, Vanoostrum Farm Equipment, Port Williams, Nova Scotia, sees it differently. He says his dealership will “increase compact tractor business by 25%. But we have to let our customers know that Case IH has compacts again.”

Of the major full-line manufacturers, Case IH dealers finished in third place, behind Kubota and independent retailers, when it comes to their favorable outlook for 2007. As a group, 40.5% of its dealers expect their sales to improve over 2006 levels. Unfortunately, nearly the same number of its dealers (38.1%) see their sales deteriorating in the next year. The average employment for Case IH dealers responding to the 2007 survey is 29.9.

Case IH Dealers' Projected Unit Sales of New & Used Equipment — 2007

	New Equipment ('06)	Used Equipment ('06)
+8%	3.6%	9.3%
+2-7%	36.9%	34.7%
Little or No Change	21.4%	24%
-2-7%	22.6%	18.7%
-8%	15.5%	13.3%

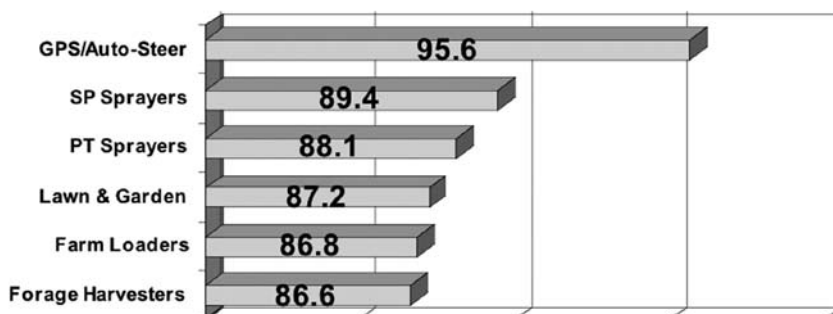
Case IH Dealers' Spending Plans – 2007

No Increase	41.3%
+1-5%	43.6%
+6-10%	13.8%
+10%	1.3%

Case IH Dealers' Borrowing Plans – 2007

No Change	50.7%
Take on More Debt	12.3%
Retire Debt	24.7%
Not Carrying Debt	12.3%

Best Bets for Improving Sales in 2007 Case IH Dealers



While nearly all Case IH dealers see GPS/Auto-Steer systems as having the most potential for improving sales, they also see solid prospects for spraying equipment as well.

Case IH Dealers' Hiring Plans — 2007

	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	31.6%	68.4%	—
Service Technicians	58.5%	40.2%	1.3%
Wholegood Sales	32.5%	63.7%	3.8%
Administration	5.1%	92.3%	2.6%

Where Case IH Dealers Will Invest in 2007

Facility Improvement	Service Vehicles	Information Systems
45.5%	51.3%	33.8%

Case IH Dealers' Issues and Concerns – 2007

Issue	Most Concerned	Concerned	Not Concerned
Energy/Fuel Costs	85.7%	14.3%	—
Health Care Affordability	65.4%	29.5%	5.1%
Rising Cost of New Equipment	61.1%	36.1%	2.8%
Shrinking Farm Base	57.3%	34.7%	8.0%
Technician Availability	52.6%	34.2%	13.2%
Product Reliability	48.0%	41.3%	10.7%
Manufacturer “Purity” Efforts	37.2%	47.4%	15.4%
Steel Prices/Supplies	34.7%	49.3%	16.0%
Industry Consolidation	29.3%	48.0%	22.7%
Next Farm Bill	24.3%	55.4%	20.3%
Impact of Box Stores	20.0%	32.0%	48.0%
Shortline Warranty Policies	13.5%	51.4%	35.1%
Succession Policies	13.2%	42.1%	44.7%
Internet Sales	8.2%	58.9%	32.9%

John Deere Dealers: The Pressure is On



If any of the full-line equipment retailers are feeling the heat from their supplier for gaining market share, consolidating their distribution network and eliminating shortline brands from their product mix, it is the John Deere dealers. Some that responded to this year's survey portray the manufacturer as a bully when it comes to its meddling in what they consider to be dealer business.

"John Deere becoming more and more heavy handed on purity and how we run our business," says Duane Wallin, Bi-State Machinery Co., Greeley, Colo.

Expressing similar sentiments, Dean Smothers, Smothers Equipment, Inc., Monticello, Iowa, admits that "Consolidation pressure by our major (Deere), changes in discounts and market-share pressure will probably force us and other one- or two-store dealers to sell our businesses to a larger dealer."

James Campbell, Birkey's Farm Store, Oakland, Ill., adds, "Our competition, John Deere, has been very aggressive in gaining market share. I plan to focus my team on the customer and better meeting their needs, mainly with more personal contact. We are also working hard to be the area

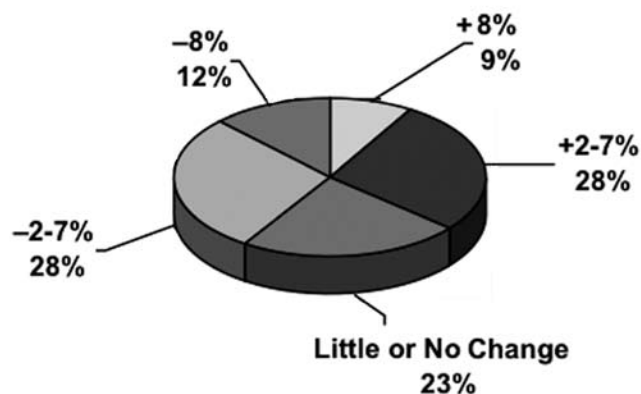
John Deere Dealers' Projected Unit Sales of Tractors and Combines – 2007

Type	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40 hp)	12.3%	32.1%	39.5%	14.2%	1.9%	34.4%	16.1%
2WD (40-100 hp)	5.7%	27.6%	47.6%	16.2%	2.9%	33.3%	19.1%
2WD (>100 hp)	6.8%	22.3%	35.0%	30.1%	5.8%	29.1%	35.9%
4WD (All)	1.0%	14.3%	53.1%	21.4%	10.2%	15.3%	31.6%
SP Combines	2.2%	12.9%	60.1%	15.1%	9.7%	15.1%	24.8%

John Deere Dealers' Projected Unit Sales of Other Equipment – 2007

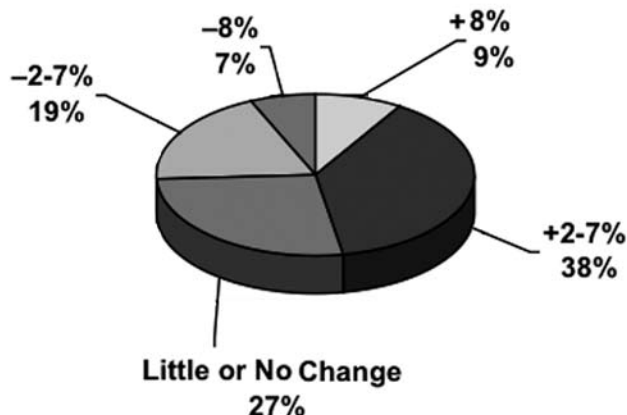
Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
Rect. Balers	—	9.3%	81.4%	9.3%	—	9.3%	9.3%
Round Balers	9.4%	33.3%	41.7%	12.5%	3.1%	42.7%	15.6%
Forage Harvesters	1.2%	7.0%	75.5%	11.6%	4.7%	8.2%	16.3%
Planters	3.2%	24.7%	48.4%	15.1%	8.6%	27.9%	23.7%
Mowers/Cond.	4.2%	26.3%	51.6%	14.7%	3.2%	30.5%	17.9%
Windrowers	2.3%	8.1%	68.6%	14.0%	7.0%	10.4%	21.0%
Cultivators	—	17.2%	54.8%	18.3%	9.7%	17.2%	28.0%
Farm Loaders	6.1%	34.7%	44.9%	10.2%	4.1%	40.8%	14.3%
Chisel Plows	2.2%	4.3%	68.5%	18.5%	6.5%	6.5%	25.0%
Disk Harrows	2.2%	13.3%	61.1%	17.8%	5.6%	15.5%	23.4%
Air Seeders/Drills	4.4%	22.2%	55.6%	11.1%	6.7%	26.6%	17.8%
SP Sprayers	2.4%	20.0%	62.3%	8.2%	7.1%	22.4%	15.3%
PT Sprayers	5.7%	11.5%	69%	6.9%	6.9%	17.2%	13.8%
Lawn/Garden	15.5%	39.7%	28.2%	11.7%	4.9%	55.2%	16.6%
GPS/Auto-Steer	36.3%	31.8%	24.2%	4.4%	3.3%	68.1%	7.7%

John Deere Dealers' Projections for Unit Sales 2007 — New Equipment



Not including those that see little or no change in 2007, Deere dealers are evenly split when it comes to their outlook for new equipment sales.

John Deere Dealers' Projections for Unit Sales 2007 — Used Equipment



When it comes to the sale of used equipment, Deere retailers are more optimistic as nearly half see unit sales improving compared with 2006.

leader in GPS-RTK systems," he says.

Another Deere dealer in Florida who requested anonymity is hoping that Deere isn't paying attention to his store. "We plan to be low key and don't make waves with John Deere. We are only one dealership in thousands. Maybe they'll leave us alone."

The pressure that Deere dealers are feeling from Big Green may or may not be reflected in their outlook for 2007. While more than a third of them (36.2%) indicate that they expect their prospects to improve during the year, 41% are forecasting sales will fall below '06 levels. That's the most dealers of any of the majors that aren't particularly enthused about sales potential in the coming year.

The average employment for John Deere dealers responding to the 2007 survey is 33.7.

John Deere Dealers' Projected Unit Sales of New & Used Equipment—2007

	New Equipment ('06)	Used Equipment ('06)
+8%	8.6%	9.0%
+2-7%	27.6%	38.2%
Little or No Change	22.8%	27.0%
-2-7%	28.6%	19.1%
-8%	12.4%	6.7%

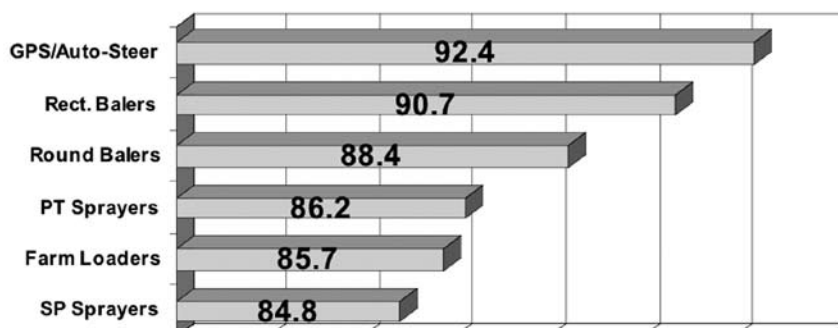
John Deere Dealers' Spending Plans – 2007

No Increase	49.2%
+1-5%	33.6%
+6-10%	15.5%
+10%	1.7%

John Deere Dealers' Borrowing Plans – 2007

No Change	42.8%
Take on More Debt	21%
Retire Debt	28.6%
Not Carrying Debt	7.6%

Best Bets for Improving Unit Sales in 2007 John Deere Dealers



Along with GPS and farm loaders, Deere dealers expect haying and spraying equipment to provide the best potential for improving sales in 2007.

John Deere Dealers' Hiring Plans — 2007

	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	26.2%	70.1%	3.7%
Service Technicians	74.1%	25.9%	—
Wholegoods Sales	26.9%	66.4%	6.7%
Administration	16.2%	73.3%	10.5%

Where John Deere Dealers Will Invest in 2007

Facility Improvement	Service Vehicles	Information Systems
32.4%	55.2%	34.9%

John Deere Dealers' Issues and Concerns – 2007

Issue	Most Concerned	Concerned	Not Concerned
Energy/Fuel Costs	72.5%	24.6%	2.9%
Health Care Affordability	55.8%	36.5%	7.7%
Technician Availability	48.5%	36.9%	14.6%
Increasing Cost of New Equipment	47.9%	50.0%	2.1%
Manufacturer "Purity" Efforts	41.9%	41%	17.1%
Shrinking Farm Base	43.7%	45.6%	10.7%
Industry Consolidation	37.6%	40.7%	21.8%
Next Farm Bill	27.7%	56.5%	15.8%
Product Reliability	23.8%	48.5%	27.7%
Impact of Box Stores	22.5%	44.2%	33.3%
Steel Prices/Supplies	20.2%	64.6%	15.2%
Succession Policies	14.0%	47.0%	39.0%
Internet Sales	14.0%	45.0%	41.0%
Shortline Warranty Policies	6.2%	42.3%	51.5%

Most Kubota Dealers Ready to Get on with '07

Kubota equipment was added to the "major" equipment makers lineup in this survey because of its significant role in the tractor market, particularly in the compact and utility sized machines. And it's the Kubota dealers that are the most enthused of all the tractor makers about their prospects in '07.

Nearly half (48.2%) of them forecast sales to improve by 2% or more during the year. When those that are looking at a status quo situation and expect little or no change in '07 are added into the mix, then 86.1% of all the Kubota retailers see a good year on the horizon.

The average employment for Kubota dealers responding to the 2007 survey is 19.8.

Unlike the other dealer groups, Kubota dealers have a somewhat different outlook on what types of products are their best bets for improving sales in 2007. While they are on the same page when it comes to the excellent prospects for GPS/Auto-Steer systems, the Kubota retailers are also unanimous in the forecast for disk harrows as also offering excellent potential for higher sales. Most of the other groups forecast tillage tools to be slow sellers in 2007.

This favorable outlook for improv-

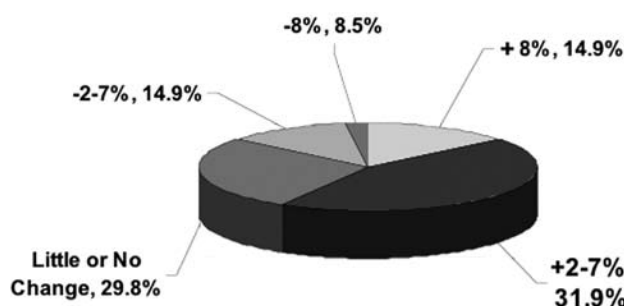
Kubota Dealers' Projected Unit Sales of Tractors and Combines – 2007

Type	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40 hp)	9.3%	32.6%	46.5%	11.6%	—	41.9%	11.6%
2WD (40-100 hp)	4.6%	38.6%	40.9%	15.9%	—	43.2%	15.9%
2WD (>100 hp)	—	18.4%	65.8%	10.5%	5.3%	18.4%	15.8%
4WD (All)	12.5%	40.0%	30%	15.0%	2.5%	42.5%	17.5%
SP Combines	—	5.0%	85.0%	5.0%	5.0%	5.0%	10.0%

Kubota Dealers' Projected Unit Sales of Other Equipment – 2007

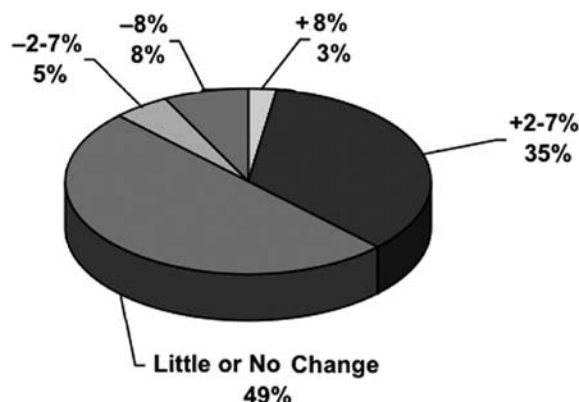
Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
Rect. Balers	—	29.2%	66.6%	4.2%	—	29.2%	4.2
Round Balers	—	25.0%	66.7%	8.3%	—	25.0%	8.3%
Forage Harvesters	—	—	80.0%	15.0%	5.0%	—	20.0%
Planters	—	22.7%	68.2%	9.1%	—	22.7%	9.1%
Mowers/Cond.	—	28.0%	68%	4.0%	—	28.0%	4.0%
Windrowers	5.6%	5.6%	83.2%	5.6%	—	11.2%	5.6%
Cultivators	4.3%	4.3%	82.7%	8.7%	—	8.6%	8.7%
Farm Loaders	2.9%	58.8%	35.4%	2.9%	—	61.7%	2.9%
Chisel Plows	4.8%	4.8%	85.6%	4.8%	—	9.6%	4.8%
Disk Harrows	3.8%	15.4%	80.8%	—	—	19.2%	—
Air Seeders/Drills	5.0%	—	85.0%	10.0%	—	5.0%	10.0%
SP Sprayers	—	6.3%	87.4%	6.3%	—	6.3%	6.3%
PT Sprayers	—	16.7%	79.1%	4.2%	—	16.7%	4.2%
Lawn/Garden	5.0%	47.5%	40.0%	7.5%	—	52.5%	7.5%
GPS/Auto-Steer	15.8%	15.8%	68.4%	—	—	31.6%	—

Kubota Dealers' Projections for Unit Sales 2007 — New Equipment



The optimism of Kubota dealers is reflected in the fact that more than 76% of them believe unit sales of new equipment will improve in '07.

Kubota Dealers' Projections for Unit Sales 2007 — Used Equipment

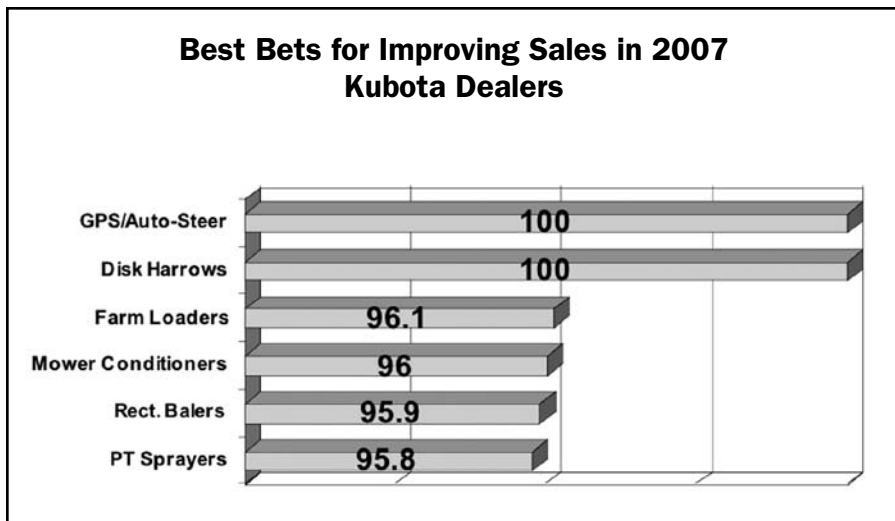


More than 90% of Kubota dealers expect used equipment sales in '07 to exceed levels seen in the previous year.

ing business conditions also carries over into used equipment. Nearly 90% of Kubota dealers expect sales of used equipment to stay at about the same level in 2007 as they experienced in 2006 or to improve anywhere between 2% and more than 8%.

This group of dealers also plan to increase their capital investments at a higher rate than the other dealer groups as well with 54.5% of them planning to increase their spending levels in '07 between 1-10%. In all likelihood, this is a good indicator that Kubota retailers had a pretty good year in 2006. Nearly half say they plan to invest in service vehicles, while 42.1% indicate they'll improve their facilities and 41.7% intend to increase spending on their business information systems.

Along with their optimism for '07 and plans to increase capital spending during the year, nearly half of Kubota's



Kubota dealers expect their best selling products to range from high-tech GPS systems to basic tillage tools like disc harrows.

dealers say intend to retire debt in the next year. This is a higher rate than any of the other dealer groups sur-

veyed. Less than 5% say that they will increase their debt load during the coming year.

**Kubota Dealers'
Projected Unit Sales of New &
Used Equipment — 2007**

	New Equipment '06)	Used Equipment '06)
+8%	14.0%	2.5%
+2-7%	44.2%	35.0%
Little or No Change	27.9%	50.0%
-2-7%	11.6%	5.0%
-8%	2.3%	7.5%

**Kubota Dealers'
Spending Plans – 2007**

No Increase	45.5%
+1-5%	45.5%
+6-10%	9.0%
+10%	—

**Kubota Dealers'
Borrowing Plans – 2007**

No Change	30.2%
Take on More Debt	4.7%
Retire Debt	48.8%
Not Carrying Debt	16.3%

Kubota Dealers' Hiring Plans — 2007

	Add Staff	No Change	Reduce/ Relocate Staff
Parts Department	26.2%	64.3%	9.5%
Service Technicians	62.8%	37.2%	—
Wholegoods Sales	31.7%	61.0%	7.3%
Administration	7.5%	80.0%	12.5%

Where Kubota Dealers Will Invest in 2007

Facility Improvement	Service Vehicles	Information Systems
42.1%	48.7%	41.7%

Kubota Dealers' Issues and Concerns – 2007

Issue	Most Concerned	Concerned	Not Concerned
Energy/Fuel Costs	88.1%	11.9%	—
Health Care Affordability	64.3%	28.6%	7.1%
Technician Availability	52.4%	28.6%	19.0%
Increasing Cost of New Equipment	32.5%	57.5%	10.0%
Manufacturer "Purity" Efforts	27.5%	40.0%	32.5%
Steel Prices/Supplies	25.6%	69.2%	5.2%
Product Reliability	20.0%	35.0%	45.0%
Succession Policies	17.9%	35.9%	46.2%
Shrinking Farm Base	17.1%	63.4%	19.5%
Industry Consolidation	15.4%	48.7%	35.9%
Internet Sales	12.5%	50.0%	37.5%
Impact of Box Stores	12.2%	43.9%	43.9%
Shortline Warranty Policies	10.3%	35.9%	53.8%
Next Farm Bill	7.7%	51.3%	41.0%

New Holland Dealers: The Middle-of-the-Road Gang



NEW HOLLAND

In what seems to be the traditional position for New Holland farm machinery, its dealers fall into the middle of the pack

when it comes to their outlook for 2007. This year, this group followed on the heels of their CNH counterparts at Case IH as 39.1% expect sales during the year to increase 2% or more. Only 1.1% of the New Holland respondents are looking for conditions to reach or surpass 8%.

Slightly less than 30% (29.4%) are expecting a business falloff and about 20% of this group sees the decline ranging between 2% and 7%. The rest, or 31.5%, expect little or no change in 2007 sales compared with the year before.

With the exception of lawn and garden equipment and GPS systems, seldom did more than 2% of the New Holland dealers forecast growth of more than 7% for any of the other product categories. Nearly all of their projections fell in the range of +2-7% or little or no change.

In addition to GPS systems, more than 90% of the New Holland retailers expect solid sales from pull-type sprayers and 87.8% project self-propelled sprayers to offer excellent

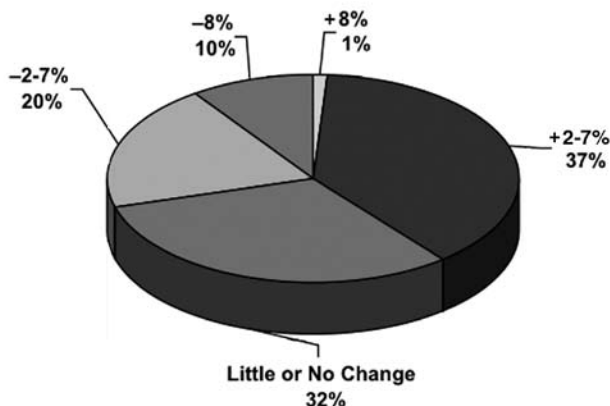
New Holland Dealers' Projected Unit Sales of Tractors and Combines – 2007

Tractor Type (size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40 hp)	8.9%	33.3%	35.5%	15.6%	6.7%	42.2%	22.3%
2WD (40-100 hp)	3.3%	30.0%	50.0%	12.3%	4.4%	33.3%	16.7%
2WD (>100 hp)	1.2%	18.6%	53.5%	20.9%	5.8%	19.8%	26.7%
4WD (All)	2.4%	19.5%	57.4%	13.4%	7.3%	21.9%	20.7%
SP Combines	1.4%	7.0%	71.8%	9.9%	9.9%	8.4%	19.8%

New Holland Dealers' Projected Unit Sales of Other Equipment – 2007

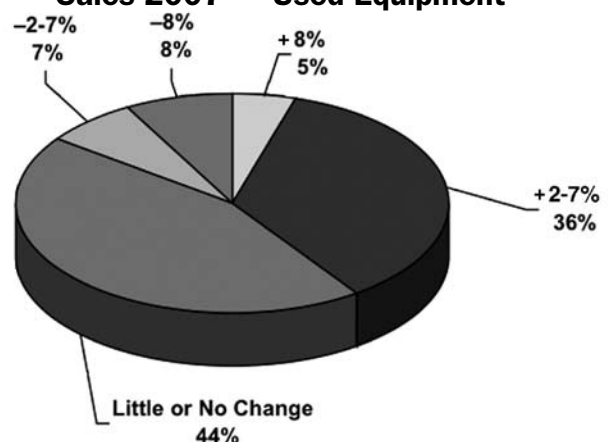
Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
Rect. Balers	1.3%	23.8%	62.4%	12.5%	—	25.1%	12.5%
Round Balers	1.1%	34.4%	37.8%	20.0%	6.7%	35.5%	26.7%
Forage Harvesters	1.3%	7.7%	64.1%	15.4%	11.5%	9.0%	26.9%
Planters	1.3%	14.3%	66.2%	14.3%	3.9%	15.6%	18.2%
Mowers/Cond.	2.3%	25.0%	51.1%	15.9%	5.7%	27.3%	21.6%
Windrowers	1.3%	7.9%	75.0%	9.2%	6.6%	9.2%	15.8%
Cultivators	1.3%	10.1%	63.3%	19.0%	6.3%	11.4%	25.3%
Farm Loaders	3.4%	37.1%	47.1%	7.9%	4.5%	40.5%	12.4%
Chisel Plows	1.3%	5.1%	69.2%	15.4%	9.0%	6.4%	24.4%
Disk Harrows	1.2%	9.9%	69.2%	11.1%	8.6%	11.2%	19.7%
Air Seeders/Drills	1.4%	8.1%	73.0%	12.2%	5.3%	9.5%	17.5%
SP Sprayers	—	6.9%	81.9%	6.9%	4.3%	6.9%	11.2%
PT Sprayers	2.6%	9.0%	79.5%	5.1%	3.8%	11.6%	8.9%
Lawn/Garden	8.0%	25.3%	49.5%	10.3%	6.9%	33.3%	16.9%
GPS/Auto-Steer	5.3%	26.7%	60.0%	4.0%	4.0%	32.0%	8.0%

New Holland Dealers' Projections for Unit Sales 2007 — New Equipment



While 30% of New Holland dealers expect to see sales of new equipment decline in '07, 38% project higher sales levels.

New Holland Dealers' Projections for Unit Sales 2007 — Used Equipment



New Holland dealers are far more enthusiastic about improving their sales of used equipment in the coming year as 85% see sales improving.

prospects for improving sales in '07. In addition to these, more than 80% of this dealer group also shows rectangular balers, farm loaders and windrowers/swathers to show sales growth.

When it comes to debt, 72.3% intend to either reduce their debt load or not to increase it during the next year, while only 12.2% say they expect to increase debt.

As might be expected, spending plans for the year are split almost exactly down the middle with 48.9% not planning to increase investment and 51.1% that say they will increase capital spending. Nearly 44% say they will increase their spending on service vehicles.

The average employment for New Holland dealers responding to the 2007 survey is 21.4.

New Holland Dealers' Projected Unit Sales of New & Used Equipment — 2007

	New Equipment ('06)	Used Equipment ('06)
+8%	1.1%	4.6%
+2-7%	38%	35.6%
Little or No Change	31.5%	44.8%
-2-7%	19.6%	6.9%
-8%	9.8%	8.0%

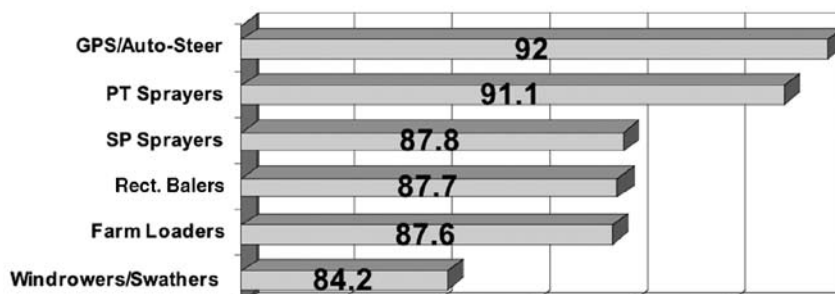
New Holland Dealers' Spending Plans – 2007

No Increase	48.9%
+1-5%	39.2%
+6-10%	5.4%
+10%	6.5%

New Holland Dealers' Borrowing Plans – 2007

No Change	35.6%
Take on More Debt	12.2%
Retire Debt	36.7%
Not Carrying Debt	15.5%

Best Bets for Improving Sales in 2007 New Holland Dealers



More than 90% of New Holland retailers expect sales of GPS/Auto-Steer equipment and pull-type sprayers to improve in 2007. Between 84% and 88% also see growth in other product lines.

New Holland Dealers' Hiring Plans — 2007

	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	38.9%	57.8%	3.3%
Service Technicians	63.0%	35.9%	1.1%
Wholegoods Sales	26.1%	70.5%	3.4%
Administration	8.1%	91.9%	—

Where New Holland Dealers Will Invest in 2007

Facility Improvement	Service Vehicles	Information Systems
39.5%	43.7%	30.5%

New Holland Dealers' Issues and Concerns – 2007

Issue	Most Concerned	Concerned	Not Concerned
Energy/Fuel Costs	72.5%	24.6%	2.9%
Health Care Affordability	59.1%	31.8%	9.1%
Increasing Cost of New Equipment	56.8%	39.5%	3.7%
Technician Availability	52.9%	40.0%	7.1%
Shrinking Farm Base	44.3%	46.6%	9.1%
Product Reliability	38.8%	45.9%	15.3%
Steel Prices/Supplies	36.9%	54.8%	8.3%
Manufacturer "Purity" Efforts	28.7%	52.9%	18.4%
Industry Consolidation	20.9%	62.8%	16.3%
Next Farm Bill	18.8%	45.9%	35.3%
Succession Policies	12.7%	51.7%	35.6%
Impact of Box Stores	9.5%	53.6%	36.9%
Internet Sales	7.2%	57.1%	35.7%
Shortline Warranty Policies	5.8%	62.4%	31.8%

Independent Dealers: Most Looking for a Good Year

Those dealers that don't represent any of the "major" farm machinery manufacturers are usually referred to as "independent" dealers. While this group may not be subject to the intense pressure resulting from carrying a mainline tractor brand, they're under the same competitive pressures that the industry is facing. Which is to stay competitive and get their share of the available business out there.

The biggest difference between the independents and those dealers carrying major brand equipment is that for the "indies," the manufacturer issues like "purity" efforts, succession planning and industry consolidation is of little or no consequence to them. Each of these so-called "manufacturer-dealer" issues ranked at or near the bottom of the independents' major concerns going into the new year.

As a group, they seem pretty enthused about their prospects for the coming year, and rank second only to the Kubota dealers in projecting a positive business outlook throughout 2007.

In total, 46.8% of those dealers calling themselves independents expect sales to pick up between 2% and 7% during '07. Nearly 30% feel there will be little or no change in sales levels and only 23.4% of them forecast declining sales.

The average employment for the independent dealers responding to

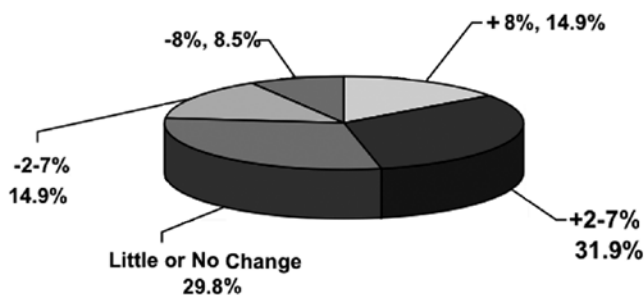
Independent Dealers' Projected Unit Sales of Tractors and Combines – 2007

Tractor Type (size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40 hp)	10.7%	10.7%	67.9%	3.6%	7.1%	21.4%	10.7%
2WD (40-100 hp)	—	18.5%	70.4%	7.4%	3.7%	18.5%	11.1%
2WD (>100 hp)	—	3.8%	84.7%	7.7%	3.8%	19.8%	26.7%
4WD (All)	23.3%	16.7%	56.7%	—	3.3%	40.0%	3.3%
SP Combines	—	—	94.4%	5.6%	—	—	5.6%

Independent Dealers' Projected Unit Sales of Other Equipment – 2007

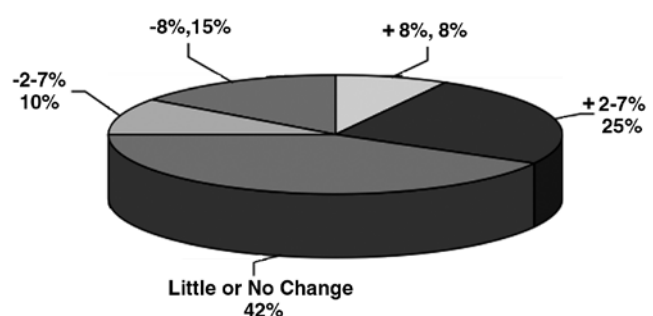
Equipment	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
Rect. Balers	—	4.8%	85.7%	9.5	—	4.8%	9.5%
Round Balers	4.2%	12.5%	70.8%	12.5%	—	16.7%	12.5%
Forage Harvesters	—	—	78.3%	17.4%	4.3%	—	21.7%
Planters	—	4.0%	84.0%	4.0%	8.0%	4.0%	12.0%
Mowers/Cond.	—	20.0%	68.0%	8.0%	4.0%	20.0%	12.0%
Windrowers	—	12.0%	76.0%	8.0%	4.0%	12.0%	12.0%
Cultivators	—	5.7%	54.3%	5.7%	34.3%	5.7%	40.0%
Farm Loaders	13.8%	27.6%	48.3%	10.3%	—	41.4%	10.3%
Chisel Plows	—	8.3%	70.9%	8.3%	12.5%	8.3%	20.8%
Disk Harrows	—	12.0%	76.0%	4.0%	8.0%	12.0%	12.0%
Air Seeders/Drills	—	4.2%	83.3%	4.2%	8.3%	4.2%	12.5%
SP Sprayers	4.0%	8.0%	80.0%	4.0%	4.0%	12.0%	8.0%
PT Sprayers	4.0%	16.0%	72.0%	4.0%	4.0%	20.0%	8.0%
Lawn/Garden	8.3%	41.7%	44.4%	2.8%	2.8%	50.0%	5.6%
GPS/Auto-Steer	3.3%	26.7%	60.0%	6.7%	3.3%	30.0%	40.0%

Independent Dealer Projection for Unit Sales 2007 — New Equipment



Some 76% of the independent dealers surveyed expect unit sales of new equipment to improve or to stay at about the same as level as 2006.

Independent Dealer Projection for Unit Sales 2007 — Used Equipment



Independent dealers are enthused about the prospects for used equipment sales, as 75% say they will be as good as or better than last year.

the 2007 survey is 8.3.

The independents are much more optimistic when it comes to tractor sales than are many of their colleagues that are tied to a major manufacturer. In the under 40 hp category, 21.4% see increased sales in '07; 18.5% project growing sales in the 40-100 hp class; and surprisingly, 40% expect improved sales of 4WD units. Like most of their other colleagues, the independent dealers see the least potential in the 2WD higher than 100 hp category of tractors, as 26.7% say they expect a dropoff with this size tractor during the coming year.

When it comes to used equipment, the independent dealers are as enthused about increasing sales as they are about new equipment. Some 75% are forecasting that used equipment sales will improve or stay at 2006 levels in '07 (vs. 76.6% projecting growth for new equipment).

Independent Dealers' Projected Unit Sales of New & Used Equipment — 2007

	New Equipment ('06)	Used Equipment ('06)
+8%	14.9%	7.5%
+2-7%	31.9%	25.0%
Little or No Change	29.8%	42.5%
-2-7%	14.9%	10%
-8%	8.5%	15%

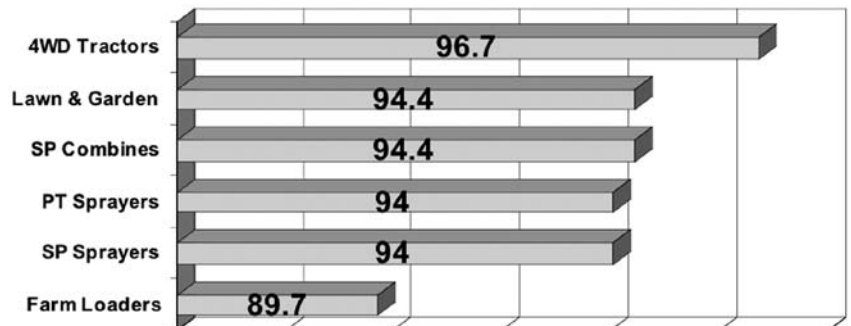
Independent Dealers' Spending Plans – 2007

No Increase	48.9%
+1-5%	40.4%
+6-10%	10.6%
+10%	—

Independent Dealers' Borrowing Plans – 2007

No Change	39.6%
Take on More Debt	12.5%
Retire Debt	31.3%
Not Carrying Debt	16.7%

Best Bets for Improving Sales in 2007 Independent Dealers



In a vast departure from the other dealer groups, the independent dealers see their best bets to improve sales in 2007 in 4WD tractors, lawn and garden equipment and combines.

About one-third (31.3%) of this dealer group is planning to retire some debt in the coming year, while only

12.5% say they'll take on additional debt.

Independent Dealers' Hiring Plans — 2007

	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	14.6%	85.4%	—
Service Technicians	44.4%	55.6%	—
Wholegoods Sales	15.0%	85.0%	—
Administration	5.3%	89.5%	5.3%

Where Independent Dealers Will Invest in 2007

Facility Improvement	Service Vehicles	Information Systems
43.2%	42.2%	46.5%

Independent Dealers' Issues and Concerns – 2007

Issue	Most Concerned	Concerned	Not Concerned
Energy/Fuel Costs	83.0%	17.0%	—
Health Care Affordability	60.8%	28.3%	10.9%
Increasing Cost of New Equipment	54.5%	43.2%	2.3%
Steel Prices/Supplies	47.8%	47.8%	4.3%
Technician Availability	38.6%	36.4%	25.0%
Shrinking Farm Base	37.8%	42.2%	20.0%
Impact of Box Stores	29.5%	36.4%	34.1%
Internet Sales	23.3%	39.5%	37.2%
Product Reliability	22.7%	50.0%	27.3%
Next Farm Bill	20.9%	37.2%	41.9%
Industry Consolidation	17.8%	48.9%	33.3%
Manufacturer "Purity" Efforts	15.9%	38.6%	45.5%
Succession Policies	11.9%	50.0%	38.1%
Shortline Warranty Policies	6.8%	47.7%	45.5%

PART V — EMPLOYMENT SIZE BREAKDOWN

Employee Size: Does Size Matter?

Breaking down the 2007 survey results does provide an indication that the number of employees that a dealership employs plays some role in how dealers view their potential for growth, but not so much when it comes to declining sales.

When looking at prospects for increasing sales, the smaller dealerships (between 1 to 40 employees) on average fell into the overall range of the survey (39.8%). But it's the larger dealerships, particularly those employ-

ing between 41 and 60 employees where a significant shift can be seen.

Dealerships falling into this group (41-60 employees) see far more potential for overall sales growth during the coming year, as more than 54% project sales will improve by 2% or more in '07. Their expectations easily outstrip any of the other groups: 1-20 employees — 38.1%; 21-40 employees — 38.5%; and 60+ employees — 43.4%.

At the same time, none of these employee size categories varied much

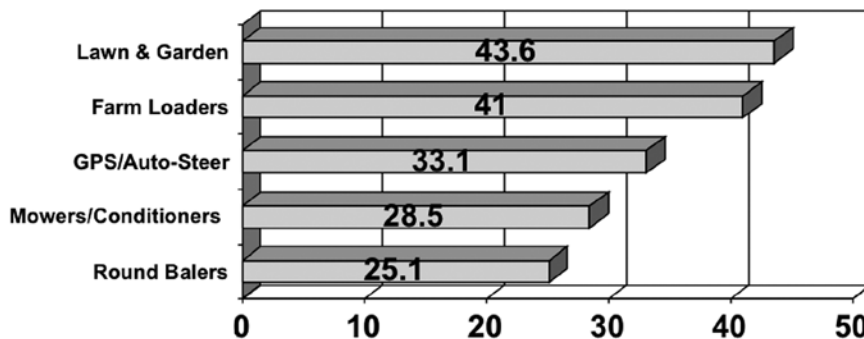
from each other when it comes to an expected fall off in sales during the coming year.

(Continued on page 40)

EMPLOYMENT SIZE BREAKDOWN

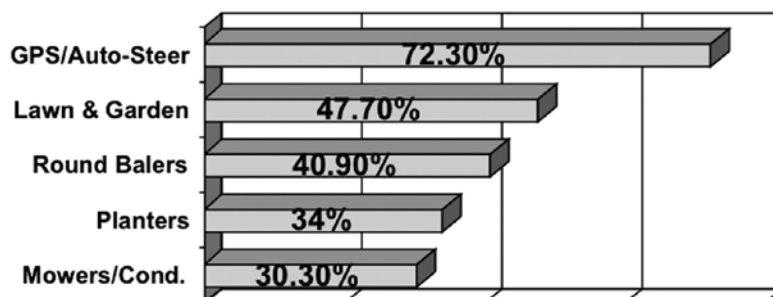
Employee Size	Total Responses	Avg. Employees
1-20	66.1%	11.7
21-40	21.4%	28.2
41-60	6.3%	49
60+	6.2%	195.6

Best Bets for Unit Sales Increases in 2007 — Dealers with 1-20 Employees



The smallest dealerships see their biggest opportunities for increasing sales in 2007 in lawn and garden equipment and farm loaders, followed by GPS systems and haying equipment.

Best Bets for Unit Sales Increases in 2007 — Dealers with 21-40 Employees



Like the larger dealers, those employing 21-40 employees expect GPS and lawn and garden equipment to offer the best potential in '07. Haying equipment and planters will also help.

Unit Sales Projections Tractors and Combines by Employee Size — 2007

	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Growth	Decline
Tractors							
2WD (<40 hp)							
National Avg.	10.9%	25.6%	45.1%	13.9%	4.5%	36.5%	18.4%
1-20 emp.	9.8%	21.3%	49.8%	14.2%	4.9%	31.1%	19.1%
21-40 emp.	12.5%	31.3%	40.0%	13.7%	2.5%	43.8%	16.2%
41-60 emp.	13.0%	47.8%	21.8%	8.7%	8.7%	60.8%	17.4%
60+ emp.	13.0%	26.1%	47.9%	8.7%	4.3%	39.1%	13.0%
2WD (40-100 hp)							
National Avg.	4.6%	28.7%	48.8%	13.1%	4.8%	33.3%	17.95
1-20 emp.	3.6%	24.6%	52.6%	13.8%	5.4%	28.2%	19.2%
21-40 emp.	6.3%	35.4%	46.9%	8.9%	2.5%	41.7%	11.4%
41-60 emp.	4.3%	34.8%	30.5%	21.7%	8.7%	39.1%	29.8%
60+ emp.	13.0%	30.4%	39.3%	13.0%	4.3%	43.4%	17.3%
2WD (>100 hp)							
National Avg.	3.1%	18.2%	51.8%	19.6%	7.3%	21.3%	26.9%
1-20 emp.	1.9%	13.1%	60.2%	17.8%	7.0%	15.0%	24.8%
21-40 emp.	2.6%	24.4%	42.2%	21.8%	9.0%	27.0%	30.8%
41-60 emp.	9.1%	40.9%	22.7%	18.2%	9.1%	50.0%	27.3%
60+ emp.	13.0%	17.4%	47.9%	17.4%	4.3%	30.4%	21.7%
4WD (All)							
National Avg.	6.6%	20.2%	49.6%	17.0%	6.6%	26.8%	13.6%
1-20 emp.	7.3%	22.0%	51.7%	12.2%	6.8%	29.3%	19.0%
21-40 emp.	2.7%	23.0%	48.6%	20.3%	5.4%	25.7%	25.4%
41-60 emp.	4.8%	9.5%	47.7%	19.0%	19.0%	14.3%	38.0%
60+ emp.	8.7%	8.7%	47.9%	30.4%	4.3%	17.4%	34.7%
Self-Propelled Combines							
National Avg.	2.1%	9.9%	65.4%	13.0%	9.6%	12.0%	22.6%
1-20 emp.	—	7.9%	69.6%	13.4%	9.1%	7.9%	22.5%
21-40 emp.	3.0%	12.1%	65.2%	12.1%	7.6%	15.1%	29.7%
41-60 emp.	4.8%	23.8%	47.6%	4.8%	19.0%	28.6%	23.8%
60+ emp.	9.5%	4.8%	57.2%	19.0%	9.5%	14.3%	28.5%

Unit Sales Projections for New Equipment by Employee Size — 2007

Employee Size	+8%	+2-7%	Little or No Change	-2-7%	-8%	Growth	Decline
National Avg.	7.6%	32.2%	27.1%	22%	11.1%	39.8%	33.1%
1-20 emp.	7%	31.1%	29.9%	20.9%	11.1%	38.1%	32%
21-40 emp.	7.7%	30.8%	25.6%	23.1%	12.8%	38.5%	35.9%
41-60 emp.	8.4%	45.8%	12.5%	12.5%	20.8%	54.2%	33.3%
60+ emp.	13%	30.4%	21.9%	30.4%	4.3%	43.4%	34.7%

In terms of used equipment sales, 58% of the dealerships with staffs in the 41-60 range expect the best results, easily surpassing the national average of 42.5%. Some 55% of the

largest dealerships are also expecting to grow used equipment sales in 2007. The smaller dealerships fell below the national average.

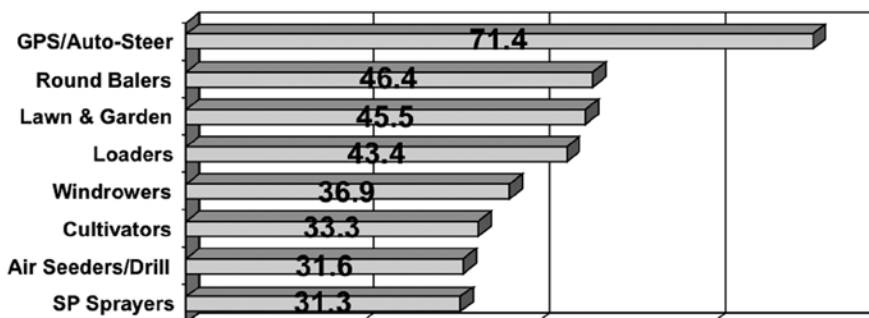
When it comes to adding staff in

2007, as might be expected, overall the larger dealerships say they intend to be more aggressive, particularly when it comes to the service department.

Unit Sales Projections for Used Equipment by Employee Size — 2007

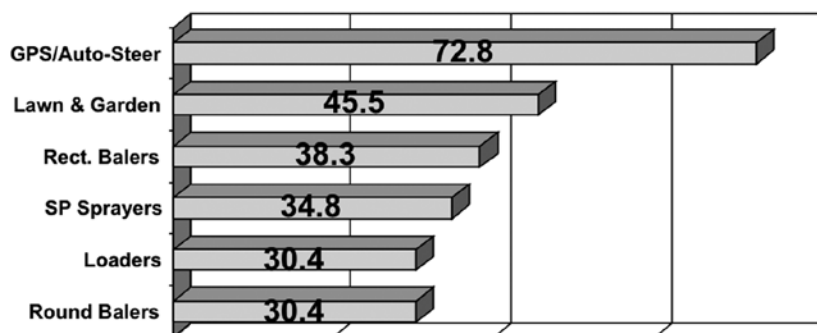
Employee Size	+8%	+2-7%	Little or No Change	-2-7%	-8%	Growth	Decline
National Avg.	8.0%	33.5%	34.7%	13.8%	10.0%	42.5%	23.8%
1-20 emp.	8.6%	28.1%	39.8%	14.5%	9.0%	36.7%	23.5%
21-40 emp.	8.1%	37.1%	25.8%	16.1%	12.9%	35.2%	29.0%
41-60 emp.	4.2%	54.2%	20.8%	8.3%	12.5%	58.4%	20.8%
60+ emp.	15.0%	40.0%	30.0%	5.0%	10.0%	55.0%	15.0%

Best Bets for Unit Sales Increases in 2007 — Dealers with 41-60 Employees



GPS sales are expected to easily outstrip all other product categories when it comes to increasing sales in 2007 for the dealerships with staffs ranging from 40 to 61 employees

Best Bets for Unit Sales Increases in 2007 — Dealers with 60+ Employees



In addition to sales of GPS equipment, the biggest dealerships are also looking to lawn and garden, haying equipment and self-propelled sprayers to grow in the coming year.

Hiring Plans for 2007 by Employee Size			
	Add Staff	No Change	Reduce/Relocate Staff
Parts Department			
1-20	26.1%	72.2%	1.7%
21-40	27.5%	66.3%	5.0%
41-60	37.5%	62.5%	—
60+	39.1%	56.5%	4.3%
Service Department			
1-20	50.4%	49.2%	0.4%
21-40	70.4%	29.6%	—
41-60	87.5%	8.3%	4.2%
60+	82.6%	17.4%	—
Sales Department			
1-20	21.7%	77.4%	0.9%
21-40	31.3%	63.8%	5.0%
41-60	45.5%	45.5%	9.0%
60+	26.1%	56.5%	17.4%
Administration			
1-20	5.4%	92.4%	2.2%
21-40	10.1%	79.7%	10.1%
41-60	26.1%	65.2%	8.7%
60+	17.4%	69.6%	13.0%

Borrowing Plans by Employee Size — 2007				
No. Employees	No Change	More Debt	Retire Debt	Carry No Debt
1-20	45.9%	11.2%	26.4%	16.5%
21-40	36.3%	16.3%	37.5%	10.0%
41-60	30.4%	34.8%	34.8%	—
60+	47.8%	13.0%	30.4%	8.7%

Capital Investment Plans by Employee Size — 2007				
No. Employees	No Increase	0-5%	6-10%	+10%
1-20	49.8%	42.7%	5.4%	2.1%
21-40	48.9%	30%	15.6%	5.6%
41-60	37.5%	54.2%	8.3%	—
60+	47.8%	34.8%	13%	4.3%

Where Dealers Plan to Invest by Employee Size — 2007			
No. Employees	Facility Improvements	Service Vehicles	Business Info. Systems
1-20	35.6%	41.6%	33.5%
21-40	33.85	51.3%	37.2%
41-60	56.5%	50.0%	39.1%
60+	47.8%	65.2%	50.0%

PART VI — FARMING IN THE FUTURE

Who Will Be Farming In 2017?

A new demographic examination shows that while the farm population is aging, it doesn't necessarily portend a decline in interest, nor doomed markets for equipment.

By Charles R. Glass
Special to Ag Equipment Intelligence

To borrow from the famous words of Mark Twain, "the death of the American farmer has been greatly exaggerated."

It is no secret that the total number of farmers is declining. For many of us in this business, such demographic shifts bring concern about the industry of the future.

How many farmers working today will be working in 2017 and who will replace them? This is a question that all dealerships would like answered as they plan for their futures.

Crunching the data from the 2002 census in different ways reveals a trend quite different of what many have declared about the state of the farm industry and its personnel. This article describes observations of why the outlook for agriculture and its equipment prospects is more favorable than many industry observers think.

Multiple Operators Important

In 2002, the average age of all U.S. farmers was 55.3 years. This figure has steadily increased with each census since 1974, at which time the average age was 51.7 years. In 1974, farmers who were more than 65 years old accounted for 18.5% of all farmers. By 2002, that percentage escalated to 26.2%. Meanwhile, farmers younger than 35 years of age accounted for 12.8% of the total in 1974. By 2002, that number had fallen to 5.8%. This paints a picture of an aging farm population and a declining interest in farming for the younger generations.

As the 2002 census dug deeper into the facts of rural life, it became apparent that the second- and third-level operators on American farms were of great importance to the future of agriculture. The census not only looked at age of the operators but also at their gender. When age comparisons showed both the male and

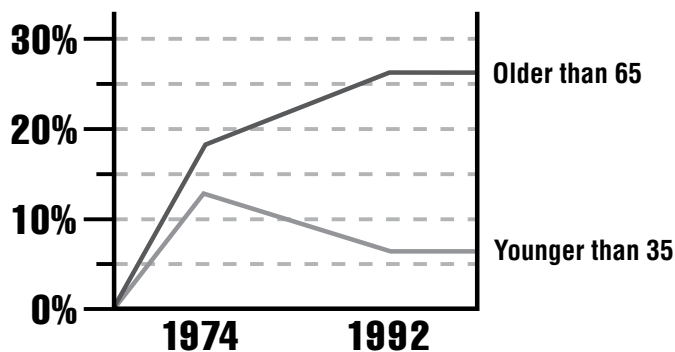
female from the same generation, it was apparent that many of the second operators were, in fact, spouses.

When the second operator was 20-39 years younger than the principal operator, it was evident that there were two generations working on the farm. Interestingly, 11% of the principal operators 24 years old or younger had a second operator who was more than 40 years their senior. More than half of farmers age 24 and younger

(52.4%) also had a second operator who was 20-39 years older. This certainly seems to indicate that some sort of succession plan had already taken place for that group of farmers.

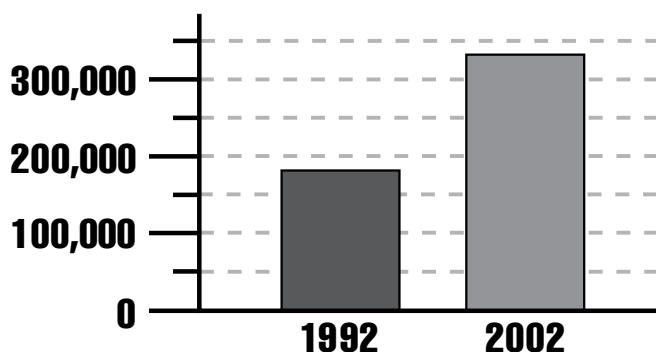
The 2002 farm census concluded that there was a total of 2,128,982 farms operating in the U.S. Of this total, 803,127 farms employed a second operator, with 609,496 of them being from the same generation. That left 193,631 farms whose second oper-

Generational Changes of Farmers 1974 vs. 1992



At first glance, this data has led some to believe that the graying of the industry is a concern, with a lack of interest in farming from younger generations.

Number of Young Farmers 1992 vs. 2002



The 25 to 34-year-old group of farmers actually doubled in size in 10 years, positioning the industry for continued personal interest in agriculture for several more generations.

ators were from a different generation than the principal operator. With this figure known, it could be said that 9.1% of all farms have a succession plan in place.

Farms with multiple operators that produce less than \$100,000 in total agricultural products totaled 661,254, with 21.4% of them having a second generation working on the farm.

Multiple operator farms that produced \$100,000-\$250,000 in total agricultural products annually totaled 64,960 farms. Of these, 34.3% had operators from different generations on the farm.

There were 85,719 farms managed by a female principal operator and a male second operator in the 2002 farm census. Of this group, 5.5% of the 24-year-old and younger female principal operators had a second operator who was 40 years or more older and 39% had second operators who were 20-39 years older. This also indicates the presence of a succession plan.

Age Segmentation Raises Questions

Reading through the raw data from the 2002 census, one gets the impression that the younger farmers were declining in numbers while farmers age 65 and older were increasing in numbers.

But an interesting phenomenon is revealed as the statistics are examined in more detail. For example, farmers age 24 and younger declined from the high in 1978 of 66,575 to 16,962 shown on the 2002 census. This indicates that this younger class of farmers had declined by 49,613 over the past 25 years.

In 1982, there were 62,336 farmers that were 24 and younger. After 10 years, these same farmers should show up in the 25 to 34-year-old category. The 1992 census, however, reported 178,826 farmers in this group — a near tripling of the 1982 levels. Following the same logic, the 1992 census showed 178,826 farmers in the 25 to 34 age group and 10 years later the 2002 census reported that there were 366,306 farmers in the 35 to 44 age group, which indicates this age

Analysis Keys on Multiple Operator Data

Every 5 years (currently on the years that end in a “2” or a “7”), the U.S. Dept. of Agriculture conducts a farm census. In the past, this census was a “top level” view of the number of farms in the U.S. From that census, the USDA arrived at the number of farmers.

Traditionally, it was assumed that there was one farmer for each farm. But for 2002, the farm census took a closer look at farmers in America and came up with some revealing statistics. This census not only looked at the “principal operator” of the farm but also at the “second operator” and “third operator” working on those farms.

group doubled in size in 10 years.

Explaining the 10-Year Age Movement

There must be an answer to the mysterious growth in the 10-year cycle of censuses. To view the situation in the proper light, certain assumptions must be made:

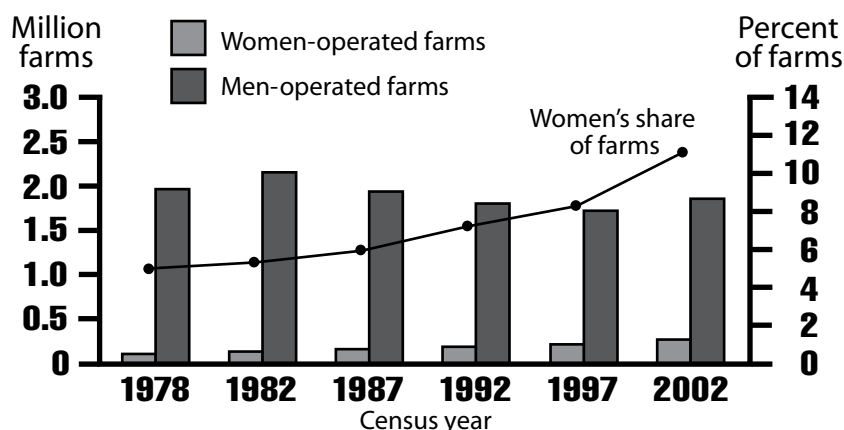
1. Farmers in the age 24 and younger in the 1982 census would move to the next age bracket 10 years later.
2. The net annual change in farmers from 1974 to 2002 was -1,266.
3. Half of those reported in the 1987 census in the 25 to 34 age group will move to the 35 to 44 age group.
4. The net annual change in farmers age 25-34 from 1974 to 2002 was -4,771.
5. “New” farmers are appearing in this group at the rate of 21.5% of the total number.

This shows that 31,640 “new” farm-

ers joined this group. Who are these “new” farmers and where did they come from? The 2002 census was the first to recognize that there were farms that represented two or more working generations. That second generation may be one person or several people who are poised to step up to the principal operator role. These farmers are working behind the scenes on farms across the country and have a desire to make agriculture their vocation.

Another interesting observation is that the 45 to 54-year-old group of farmers has remained relatively flat for the past 28 years. There has been some movement up and down, but the total loss for the full 28-year period was only 4,400. This meant that only 157 farmers nationwide left the farm each year from this age group. For this 45 to 54-year-old age group, an annual death rate of 430 per 100,000 would be expected. In other words, about 1,800 farmers are

Women Operating a Larger Share of U.S. Farms



Source: Compiled by USDA Economic Research Service using data from the Census of Agriculture.

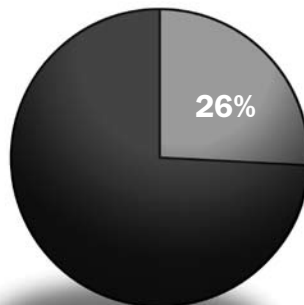
This figure shows that female-operated farmers has been on a strong growth curve since 1978.

Farms With Two Operators: 2002



37.7% of farms in 2002 have a second operator.

Farmers Earning Half of Their Income or More from Farming: 2002



26% of farmers receive more than one-half of their income from farming.

expected to die each year from this group, which would require 1,643 "new farmers" just to keep up with the mortality rate.

One factor that could influence the growth in this age group is the young farmers who left for college in the 1970s and 1980s and then pursued a career outside of production agriculture. After securely positioning themselves in their careers, some purchased farms as weekend getaways, tax shelters or a form of additional income.

Farmers in the 55 to 64 age group declined by 79,461 for the full 28 years, which equates to 2,838 farmers per year departing the farm.

Farmers who are 65 years old or older represent the only age group that increased in number over the past 28 years. Their increase was substantial, with 136,359 more in 2002 than in 1974. This means that an average 4,870 farmers were added to this group annually. The mortality rate for age 65-74 is 2,314.7 deaths per 100,000 people. This, in turn, would mean that 3,156 farmers in this age group would be expected to die each year. In order to have an increase of 4,780 farmers, a total of 7,936 "new" farmers would need to enter this group each year.

Off-Farm Income Rising

The 2002 farm census shows that

62.8% of single-operator farms and 63.6% of multiple-operator farms generated less than 25% of their total income from farming. This could indicate that both the principal operator and their spouse are employed off the farm and perform the farming activity after work hours and on weekends.

The data shows that 10.2% of single-operator farms and 9.4% of multiple-operator farms produce 25-49% of their total income from farming.

Farms that produce 50-74% of the total household income from farming operations are nearly the same as the previous category, with 10.6% of the single operators and 9.8% of the multiple operators.

About 7% of the single-operator farms and 7.3% of the multiple-operator farms generate 75-99% of their total household income from farming. Meanwhile, 8.8% of single operator farmers generate their income exclusively from the farm, while 9.9% of the multiple-operator farms gain 100% of their income from farming.

It is apparent that the majority of U.S. farmers don't depend upon their agricultural enterprise as a principal source of income. Many expect to generate little, if any, income from their "farms." Slightly more than 26% of all farms derive more than 50% of their annual household income from farming operations.

What it Means to Dealers?

While the total number of farmers declined by 150,288 from 1974-2002, there is a substantial pool of operators waiting in the wings. The aging of the principal operator is not a sure sign of decay in the need for farm equipment.

There is little argument that the total number of farmers will continue to decline with future census reports. There is also little doubt that while production equipment is going to get larger in size and more complex, a strong need for new equipment will continue. New technologies will replace many of the common implements now in use on American farms. The need for smaller equipment for small acreage farms will continue to grow, though at a slightly lower rate.

Consolidation among manufacturers, dealer networks and other sources of supply to farmers will continue to match the number of farms to which they provide equipment and services.

The challenge that retail marketers and their manufacturers will face in the future is correctly reading the trends that will impact their particular type of equipment. In order to remain a viable organization, both dealers and manufacturers must rethink their product offerings and marketing channels to more nearly match the market available to them.

Smart farm equipment dealers will adapt their product offerings to match the needs in their area of primary responsibilities. As fields that once produced agricultural products are transformed into a sea of rooftops, the demand for equipment will certainly change.

About the Author: Charles R. Glass is president of Glass Management Group., Arlington, Texas. He has more than 40 years experience in the farm equipment sales and marketing, dealer network distribution and manufacturing. He is a frequent presenter and author on the future of ag equipment sales and distribution.