

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

- Kubota in Thailand
- Crop Yields Slip
- Drought in Australia

Rocky Mountain Dealerships Extends Canadian Coverage with Acquisition of Miller Farm Equipment

In a blockbuster deal, Rocky Mountain Dealerships, one of Canada's largest agriculture and construction equipment dealerships, will add more than \$100 million to its revenue stream when it completes its acquisition of Miller Farm Equipment (MFE), which is expected at the end of this month.

Based in Calgary, Alberta, Rocky Mountain owns and operates 14 dealerships throughout Alberta, with 65% of its annual revenues derived from sales and rentals of Case Construction and Case IH Agriculture equipment.

Rocky Mountain went public on December 20, 2007, with an initial offering of 6.5 million of its shares at \$10 (Canadian). At the time, the dealership group had 13 locations and annual

revenues of nearly \$290 million. The group is traded on the Toronto Stock Exchange under the symbol "RME."

On June 19, the same day it announced it entered into a letter of intent with the shareholders of MFE to purchase all the shares of Miller Inc., Rocky Mountain also announced that it had completed the previously announced acquisition of Roydale International Ltd., the last Case IH dealer south of Calgary not owned and operated by Rocky Mountain.

Commenting on the Roydale acquisition, Matt Campbell, CEO of Rocky Mountain said, "With this acquisition, the consolidation of Case IH dealers from Calgary to the U.S. border is complete."

Extending Its Reach. If approved by Case IH, the acquisition of MFE's 6 locations — 5 in Manitoba and 1 in Saskatchewan — will extend Rocky Mountain's marketing reach farther into central Canada. In 2007, MFE reported sales of \$103.2 million. The company says the newly acquired stores will continue to be operated as Miller Farm Equipment.

Like Rocky Mountain, MFE carries the Case IH brand of farm machinery. It was selected as *Farm Equipment's* 2008 dealership of the year, and is featured in the July/August issue.

It was Decision Time. In an exclusive interview with *AEI*, MFE's co-owners Kevin Miller and Doug

Continued on page 2

Dealers Give Product Quality High Marks, But Say Warranty, Communication Issues Need Attention

While farm equipment manufacturers received better than average marks for product and parts quality, North American dealers would like to see their suppliers work harder when it comes to warranty and communication issues, according to a survey by the North American Equipment Dealers Assn. and its affiliated dealership associations.

The study also showed that the dealers had a strong preference for their shortline suppliers, as each of the four major equipment makers — AGCO, Case IH, John Deere and New Holland — found themselves at the bottom of the list when it came to

"overall satisfaction."

In NAEDA's 2008 Dealer-Manufacturer Relations Survey conducted earlier this year, dealers were asked to evaluate the performance of up to four equipment lines they carry in 12 specific categories. More than 1,300 dealers from across North America participated in the study.

While the survey included agricultural, light industrial and outdoor power equipment lines, the table(s) below focus only on the 26 brands primarily involved in ag and/or light industrial equipment production.

Quality, Availability Get Highest Ratings. Of the 12 perform-

ance categories studied, dealers gave their highest marks to product and parts quality (3.23 and 3.21 respectively) along with parts (2.92) and product availability (2.80). Product technical support also finished in the top 5 with a rating of 2.78.

Rounding out the top half of the product performance categories was "overall satisfaction," as dealers ranked it sixth on their list with a score of 2.77.

Warranties, Communications Rank Lowest. Of the 6 performance categories given the worst grades, the common threads were issues involving warranties and dealer-manufacturer

Continued on page 8

Heritage said that it was “time to sell.”
 “We’re at the top of a cycle we hadn’t seen come around for 30 years. This will ensure that Miller Farm Equipment survives,” Miller says.

After 70 years as a single-store, MFE transitioned into a multi-store operation that included four acquisitions in the last 7 years — without accepting outside capital.

“There were a lot of synergies between the two groups and we believe we can produce some significant cost savings as a single, larger company,” adds Heritage. “We shared the common goal of wanting to become larger and grow our market share. Both groups have done this

well. Our absorption rates are very similar and we’ve been growing our parts and service business. We’ve done it so far without outside capital, but we had to make a decision if we wanted to keep growing.”

Miller says, “We had to figure out what to do with our \$125 million elephant. We weren’t interested in selling off a leg or a trunk and opportunities to sell a dealership of our size don’t come along too often.”

The MFE owners also note that the acquisition will help balance Rocky Mountain’s sales as its business is weighted heavily toward the construction equipment business and MFE sales are nearly all to ag customers.

With both Miller and Heritage joining Rocky Mountain’s executive management team, they say their farm customers will see no difference in how the company operates. “The acquisition will allow us to take advantage of opportunities in a timely fashion. Customers will see more inventory and access to more parts. We’ll have a bigger team to pull from.”

A Surprising Acquisition. While the expansion of Rocky Mountain was expected, the acquisition of MFE surprised many dealers in Western Canada, according to John Schmeiser, executive vice president of the Canada West Equipment Dealers Assn.

He notes that geographically

Case IH’s Two Behemoth Dealership Groups Show Significant Gains Through First Half of 2008

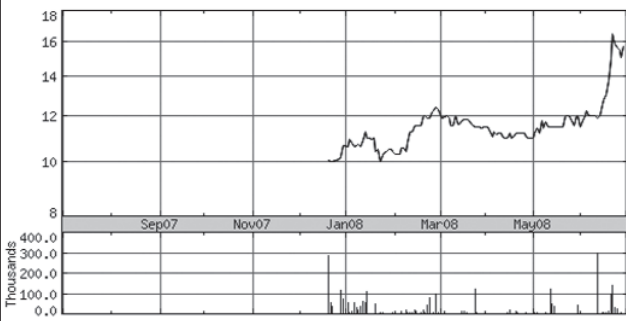
Two weeks before Rocky Mountain Dealerships went public on December 20, 2007, Case IH’s largest U.S. dealer group also took the IPO route, when Fargo, N.D.-based Titan Machinery offered nearly 6 million of its shares on December 6.

Since then, both groups have shown strong gains in both the number of dealer locations and value of their shares.

Rocky Mountain Dealerships

Headquarters: Calgary, Alberta
IPO Date: December 20, 2007
IPO Share Price: \$10 (Canadian)
Shares Offered: 6.5 million (approx.)
Stores at time of IPO: 13
Stores as of 7/10/08: 20 (est.)
Employees: 400 (approx.)
Revenues (in millions):
 2005\$210,200
 2006\$272,700
 2007\$289,900

Stock Price as of 7/10/08: \$16.00

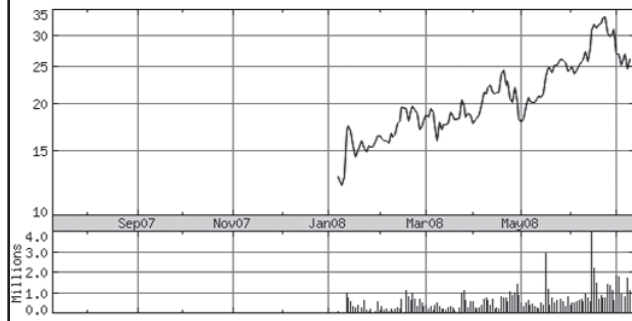


Source: Yahoo Finance

Titan Machinery Inc.

Headquarters: Fargo, N.D.
IPO Date: December 6, 2007
IPO Share Price: \$8.50 (U.S.)
Shares Offered: 6 million (approx.)
Stores at time of IPO: 35
Stores as of 7/10/08: 48
Employees: 600 (approx.)
Revenues (in millions):
 2005\$162,183
 2006\$228,470
 2007\$292,598

Stock Price as of 7/10/08: \$27.14



Source: Yahoo Finance

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MFE's Sales More Than Double Between 2003-07

Helped along by four acquisitions in the past 7 years, Miller Farm Equipment (MFE) more than doubled its annual sales revenues — from \$47.6 million to \$103.3 million — in the five years between 2003 and 2007. The company is projecting sales of \$125 million for 2008.

During this period, the dealership also posted a 6.5-point gain in market share (38.5%) in its sales territory for combines and tractors, and is aiming for a 42% share during the current calendar year.

Here's what makes MFE so attractive as an acquisition candidate for Rocky Mountain Dealerships.

Founded: 1924.

Major Line: Case IH Ag. (Also has the construction equipment contract for Case Skid-Steers in Moosomin).

Shortlines: Bourgault, Apache, Westward, Degelman, Bale King, Honeybee, Brent, Summers, Farm King and Kubota.

Locations: 6 (Moosomin, Saskatchewan, which serves as current headquarters; and Shoal Lake, Dauphin, Brandon, Killarney, Boissevan in Manitoba.)

Employees: 91.

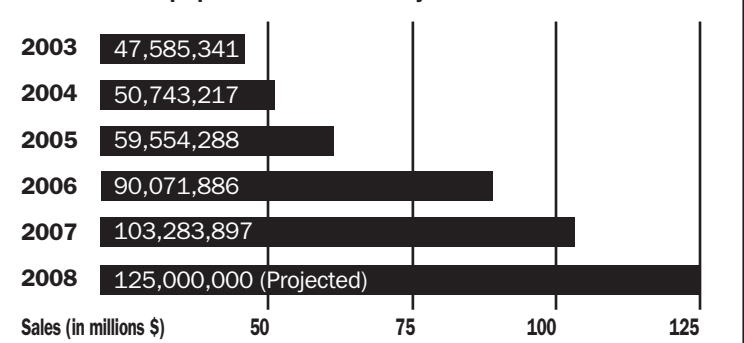
2007 Sales: \$103.2 million (\$85.9 million in wholegoods, \$9.3 million in parts, \$5.9 in service and \$2.1 million in other).

2007 Return on Assets: 11.4%.

2007 Market Share: Case-IH 100-hp and over tractors and combines: 38.5% (Case IH national average: 26.3%).

2007 Parts/Service Absorption Rate: 73.1% (North American average: 61%).

Miller Farm Equipment Sales History 2003-2008



Rocky Mountain's cluster of dealerships and that of MFE's are separated by the big province of Saskatchewan.

"We expected Rocky Mountain to stay closer to home," Schmeiser says.

He adds that, based on MFE's

aggressive growth in recent years, few other dealers considered Miller a likely candidate for acquisition. **AEI**

Punjab Tractors Sales Up 74% in June

Punjab Tractors Ltd (PTL), a subsidiary of Mahindra & Mahindra Ltd. is reporting that tractor sales, including exports rose 74% as the company delivered 3,443 units in June. Nearly all the growth during the month came from increased domestic sales, as 3,385 units were delivered locally.

"Sales at Punjab Tractors have shown a dramatic improvement in 2008, compared to the previous year because of major efforts made in the last fiscal in terms of streamlining the distribution system, rationalizing trade stock levels and initiating steps to vigorously promote the Swaraj brand.

Increased participation by Mahindra & Mahindra Financial Services in retail financing of Swaraj tractors has also helped to mitigate the uncertainty of bank credit during this quarter," said Anjanikumar Choudhari, chairman of the tractor unit and president of M&M's farm equipment sector. **AEI**

FARM MACHINERY TICKER (AS OF 7/10/2008)

Mfr.	Symbol	7/10/08 Price	6/11/08 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
AGCO	AG	\$47.88	\$52.40	\$71.95	\$36.66	16.47	2.13 M	4.39 B
Alamo	ALG	\$20.99	\$24.70	\$26.60	\$16.77	14.54	32,654	205.62 M
Art's Way	ARTW	\$26.58	\$20.44	\$39.75	\$11.04	22.68	10,417	52.79M
Caterpillar	CAT	\$68.42	\$78.94	\$87.00	\$59.60	12.24	6.77 M	42.06 B
CNH	CNH	\$29.21	\$41.13	\$70.00	\$28.01	12.04	595,595	6.93 B
Deere*	DE	\$65.84	\$79.12	\$94.89	\$56.96	14.05	5.89 M	28.37 B
Kubota	KUB	\$33.43	\$38.67	\$45.80	\$28.34	13.59	64,022	8.56 B
Titan Mach.**	TITN	\$27.13	\$27.32	\$34.49	\$11.50	33.70	853,281	478.36 M

*On November 14, 2007 Deere & Co. shareholders approved a two-for-one stock split in the form of a 100% dividend.

**Titan Machinery undertook its IPO with approximately 6 million shares on December 6, 2007 at \$8.50/share.

Drought Kills Off Australian Recovery

At just over 10,800 units, tractor sales in Australia last year stayed above the 10,000-unit level for the fifth year running. But with sales in the lowest power categories being the most buoyant, in contrast to a continuing slide at the top end of the market, the value to equipment companies meant another significant drop in tractor sales revenues.

In its annual review of 2007, the Tractor & Machinery Association of Australia (TMA) notes a 750-unit or near 6.5% fall-off in tractor unit sales, continuing the slide from the record numbers delivered in 2005.

Western Region Bucks Trend.

Western Australia bucked the trend, as tractor unit sales rose nearly 20% but only by 7% in value. In Victoria, a 5% drop in sales cut revenues by 11% while across New South Wales, the drop in sales of high-ticket tractors is reflected in a unit drop of 13% and by more than 23% in value.

"For a year that promised a much needed revival of the farm sector, and the farm machinery industry in particular, 2007 can only be regarded as the year that nearly was," says executive director Vin Delahunty. "Abundant early winter rains encouraged farmers to plant and the new crops responded so well that record

yields were forecast - until most of eastern Australia recorded the driest August-October period ever and those crops failed."

High prices for forage did, however, feed an unexpected boom in hay tool sales, which continued the upward trend established in the preceding 4 years.

According to reported sales and industry estimates, dealers in New South Wales and Western Australia sold 30% more balers; in Victoria sales were up 18% and in Queensland by 13%. Only South Australia recorded a fall-off in baler demand, resulting in a 12% drop in retail sales.


Combine Sales Drop.

Combines were not a popular buy during the year as sales were down by as much as 38% in New South Wales, says the TMA, reinforcing a trend in broad-acre cropping equipment sales that at the end of September had hit lows not seen

since the early 1990s when the Australian economy struggled with record interest rates and the machinery industry was burdened by massive inventories.

Overall, reports Delahunty, the total value of tractor, combine harvester and baler sales in 2007 amounted to the equivalent of \$950 million, down 13.6% compared to the prior year.

Yet Australian farmers and machinery salesmen are clearly a resilient bunch, as Delahunty describes the year-end mood as "positive".

"Farmers that did harvest some winter grain crops were rewarded with record prices and that, together with booming hay tool sales, meant the year ended with orders flowing," he says. "In a positive sign for 2008, tractor sales in the final quarter were up 23% with much of the growth this time coming from the bigger powered machines." 

Australia Tractor Sales 2007 vs. 2006

	2007	2006	Change
Less than 40 hp	2,872	2,690	6.76%
40 to 120 hp	6,426	6,681	-3.81%
More than 120 hp	1,524	2,201	-30.70%
Total	10,822	11,572	-6.48%

USDA: Midwest Rains Reduce Corn, Soybean Acres and Yields

U.S. 2008-09 corn ending stocks are projected higher this month as higher carry-in and reductions in food, seed and industrial use more than offset lower production and higher feed and residual use, according to the USDA's July 11 World Agricultural Supply and Demand Estimates (WASDE) report.

Rains Reduce Yield. Harvested area is raised 100,000 acres based on the June 30 Acreage report. Production, however, is projected 20 million bushels lower at 11.715 billion as the projected yield is lowered 0.5 bushels per acre.

As indicated in the Acreage report, heavy June rains and flooding reduced the share of harvested area in the higher-yielding Corn Belt states.

Feed and residual use for 2008-09 is raised 50 million bushels based on higher expected pork and poultry production in the first half of this marketing year.

The 2008-09 marketing year average price received by producers is projected at \$5.50 to \$6.50 per bushel, up 20 cents on each end of the range. The tighter balance sheet for soybeans and higher soybean prices are expected to drive competition for 2009 acreage keeping cash and futures corn prices relatively strong, but below recent record levels.

Ending stocks for 2007-08 are projected 165 million bushels lower with food, seed and industrial use lowered 65 million bushels and feed and

residual use lowered 100 million bushels. Ethanol corn use for 2007-08 is lowered 50 million bushels based on reported delays in plant startups and construction, as well as lower plant capacity utilization as indicated by the most recent ethanol production data. Feed and residual use for 2007-08 is lowered as June 1 stocks indicated lower-than-expected corn use during the March-May quarter. The 2007-08 marketing year price for corn is unchanged this month at \$4.25-\$4.45 per bushel.

Soybean Acreage Squeezed.

Soybean production is projected at 3 billion bushels, down 105 million bushels due to reduced harvested area and yield. Harvested area report-

ed in the June 30 Acreage report is 1.7 million acres below the June projection and reflects a below-average harvested-to-planted ratio resulting from flooding and excessive moisture throughout much of the Midwest during the planting season. The soybean yield is projected at 41.6 bushels per acre, down 0.5 bushels from last month, due to delayed planting and crop emergence resulting from excessive moisture through June.

Prices for soybeans and soybean products are all raised this month. The U.S. season-average soybean price for 2008-09 is projected at \$12 to \$13.50 per bushel, up \$1 on both ends of the range. Soybean meal prices are projected at \$355 to \$415 per short ton,

up \$60 on both ends. Soybean oil prices are projected at 59 to 63 cents

“Lower 2007-08 utilization will likely drive corn prices down...”

per pound, up 7 cents on both ends of the range.

Corn Prices Slip. According to JP Morgan analyst Ann Duignan, The market was particularly focused on the outlook for yields and ending

inventories. “Overall, the report is bullish for cash receipts with higher prices and marginal changes in production.

“This month the market was focused on yields and ending inventories. Despite a lower corn yield, somehow we ended up with 160 million additional bushels in the 2008-09 marketing year. The USDA found the bushels by reducing 2007-08 utilization, and this will likely drive corn prices down,” says Duignan.

She also notes that corn yield was marginally adjusted downward by 0.5 bushels to 148.4 bu./acre. “Though the flood was disastrous, the impact on agriculture may have been mitigated by good weather since the flood.” **AEI**

Brazil Ag Equipment Sales Continue to Rise As Farm Loan Programs Get a Boost

Sales of tractors in Brazil rose 48% in June compared to the same month last year as the state development bank said that it plans to boost subsidized loans to farmers to \$48.7 billion, aiming to increase agricultural production and help curb food inflation.

According to Associação Nacional dos Fabricantes de Veículos Automotores (ANFAVEA) in Brazil, June sales of tractors grew to 4,203 units and combine sales reached 263 units (+160% year-over-year).

“In our view, tractor sales are being supported by the expansion in sugarcane, while combine sales are supported by strong crop prices,” says Ann Duignan, analyst for JP Morgan.

Deere & CNH Outperform Market. During the second quarter of the year, John Deere outperformed the overall market in tractors, while CNH outperformed in both tractors and combines, according to Duignan. Overall, Brazilian tractor sales were up 48% in both the second quarter and the month of June. Comparatively, Deere’s sales rose 110%, AGCO’s were up 36%, and CNH saw sales grow by 62%.

Combine sales in Brazil rose by 136%. At the same time Deere’s combine sales grew 115%, AGCO’s increased by 75% and CNH’s sales

jumped dramatically by 165%. While AGCO remains the market leader in the tractor sector, both John Deere and CNH continue to expand in the region. AGCO’s share has eroded slightly to 56%.

Robust Revenues & Strong Fundamentals. JP Morgan estimates that industry equipment revenues grew 59% year-over-year, with both Deere and CNH outperforming with +111% and +86%, respectively, while taking share from AGCO (+38%). Duignan says that although the ag machinery sector recently sold off, fundamentals remain strong in Brazil, supporting JP Morgan’s long-term projections of continued ag expansion.

Raising Loan Subsidies. A large portion of the \$48.7 billion in subsidized farm loans planned for the current crop year, which started July 1, will go to commercial farmers with a smaller portion reserved for family and subsistence farmers, says Brazil’s Agriculture Minister Reinhold Stephanes in a July 2 report from Bloomberg.

Brazil is seeking to increase output, productivity and inventories, Stephanes says. Prices of corn, soybeans, wheat and rice have soared to records this year.

“This farm plan is part of a strate-

gic vision. The future of agriculture depends on productivity and efficiency,” he says.

Subsidized Loans. The plan includes 55 billion reals to finance planting and crop sales and 10 billion reals to buy tractors, processing equipment, buildings and other machinery and infrastructure investments, the agricultural ministry said in a statement. About 7.5 billion reals, or about 10% of the program, will come from Brazil’s state-development bank, which uses tax and payroll-contribution funds as capital for low-interest loans.

The government’s plan also includes efforts to rebuild stockpiles of corn, wheat, beans and rice after a decline in the past two crop years, the statement said. By increasing inventories, the government can dampen the impact of wide swings in international food prices.

Under the plan, corn stockpiles would grow to 4.1 million metric tons in a year from 211,000 tons today. Wheat reserves would expand to 200,000 tons from 6,000 tons.

Increases are also planned in stockpiles of edible beans to 100,000 tons from the current 5,000 tons. Rice inventories would rise 17% to 1.6 million tons from 1.37 million tons. **AEI**

Kubota Sees Thai Tractor Market Growing 25% in '08, Eyes Other Asian Markets for Growth

Kubota Corp., Japan's largest maker of farm equipment, forecast tractor sales in Thailand to increase at least 25% this year, dislodging its home market as the company's biggest in Asia, according to a July 4 report from Bloomberg news service.

Sales in Thailand, the world's biggest rice exporter, will probably exceed 25,000 tractors, or Kubota's annual demand in Japan, President Daisuke Hatakake says. Thai sales quadrupled to 20,000 units in the last 2 years, he said.

Kubota is counting on faster-growing Asian economies to offset waning demand in Japan, a market that contracted 11% last year. Thailand's rising disposable income is enabling farmers to invest in agricultural machinery, prompting the Osaka-based company to consider entering

other emerging economies such as Vietnam and Indonesia.

"The growth potential for the agriculture-related sector will be big in the medium-to-long term," said Kazuya Nakamura of Norinchukin Zenkyoren Asset Management Co. in Tokyo. "Food shortages will create demand and mass-production of machines will be required to produce food."

The share of Kubota's Asian sales outside Japan will double to 20% percent of its total revenue in the "coming years," Hatakake says. Sales by volume in the U.S., Kubota's biggest overseas market, fell 3% this year.

Worldwide Ag Growth. Kubota will add a factory for engine parts adjacent to its planned \$53 million tractor plant in Thailand, Hatakake says. The tractor factory, Kubota's first in the country, is being built with Thai

partner Siam Cement Pcl and is slated to start operations next year.

The 'Growth' Industry. Agriculture is becoming the growth industry worldwide and we are benefiting from the tight supply of food and rising farm prices," Hatakake says. He adds that the company's Asian markets may help restore profit growth during the next fiscal year.

Kubota forecast that its operating profit will fall 20% to \$1 billion for the year through March 31, 2009, its first profit drop off in 5 years. The company cites surging material costs and falling sales in Japan and the U.S. for its falling profits.

"We've started a very tough year," Hatakake says. "Still, we will stick to our strategy of overseas expansion and a reorganization of domestic operations." **AEI**

Farmtrac Failure Hurts SAME's U.S. Distribution, But Engine Sales Lift Profits

Despite smarting at the loss of its North American SAME tractor distributor — Farmtrac in Tarboro, N.C., which now is in receivership — the Italian Same Deutz-Fahr Group is experiencing increased sales, not only of its own products but also those of the Deutz engines business, in which it is the biggest shareholder.

SAME Deutz-Fahr (SDF) heralded its multi-faceted agreement with Farmtrac North America LLC in the fall 2005 as being worth up to \$25 million a year. It included a distribution agreement for SAME wheeled and tracklayer orchard tractors and a 5-year contract to supply 75- to 115-horsepower tractors that for the past 2 years have been sold under the Farmtrac name in the U.S.

However, the agreements were terminated in the first half of last year, says Christine Pfeifer, SDF's communications manager. Perhaps there was an inkling of the problems to come with Farmtrac. SDF's own North America operation, based in Norcross, Ga., is providing parts and service back-up following Farmtrac's business woes.

Exports Fuel Sales Growth. Globally, SDF racked up sales in 2007 worth the equivalent of \$1.72 billion at today's exchange rates, which was up 6.2% on the prior year, with 84% of revenues generated outside Italy. Chief executive Massimo Bordi anticipates accelerating growth over the next few years.

"Our encouraging performance in 2007 is based upon mature markets, which means there will be enormous further potential for growth through our investments in new markets," he says.

Bordi highlights SDF Group activities in India, where it now has a wholly-owned operation making tractors and engines; China, where a new \$70 million facility is starting to make 80- to 110-horsepower tractors; and Russia where SDF has a new sales company and distributors.

Despite these capital expenditures, tight controls over fixed overhead is helping profitability, Bordi points out, with EBIT on revenue increasing from 3.7% to 4.7%, while working capital as a percentage of revenue has been kept below 6% to con-

tinue the positive trend of recent years.

Engine Business Doubles. Profits generated by the Deutz engine business in line with its 42.5% shareholding has had a positive impact on SDF's net income, which was up more than 100% to \$150 million during 2007.

Deutz sold 34,636 engines for agricultural equipment — 1,500 fewer than in 2006 — accounting for 12% of total production. But by shifting to higher volumes of larger engines, revenues from ag OEMs increased by 11.5% to \$257 million, which represents just over 10% of the group's near \$2.4 billion total sales.

One of the Deutz group's biggest investments was the \$90 million spent on a new agricultural and construction vehicle engine-making joint venture in China, which is in the same city chosen by SAME Deutz-Fahr for its new tractor production facility.

This year, Deutz anticipates 10-15% revenue and earnings growth and plans to lift global sales 10% to more than 300,000 engines. **AEI**

Large Equipment Sales Maintain Momentum in June

"Industry retail sales of large agricultural equipment remained strong in June and showed little impact from Midwestern flooding," says Robert McCarthy, analyst for R. W. Baird.

According to the June sales figures released by the Assn. of Equipment Manufacturers, row-crop tractor sales grew 13% year-to-year, 4WD tractor sales jumped 64% and combine sales increased 20%.

"Year-to-date large agricultural equipment sales (+23% year-over-year) appear to be trending modestly above manufacturers' expectations, though prior-year comparisons become increasingly difficult in the second half of '08," say McCarthy.

- North American retail sales of row crop tractors increased 13% in June compared to the same period of 2007 following a 36% increase in May. Overall, sales were up 20% during the second quarter. June is a seasonally average month for row-crop tractor sales, contributing 8% of annual sales on average.
- Combine retail sales increased 20% in June and were up 22% for the second quarter. "June is the first month in a series of increasingly important months for combine sales, which culminate in September and October, and have contributed an average of 9% of annual sales over the past 5 years," McCarthy says.
- Retail sales of 4WD tractors increased 64% in June, up from a 31% increase in May, as Canadian 4WD tractor sales more than tripled year-to-year, while U.S. sales increased 35%. Sales were up 17% during the second quarter of the year.
- Sales of compact (<40 hp) and mid-range (40-100 hp) tractors were down 9% and 5%, respectively, in June.
- Row-crop tractor inventories fell 9% to 78 days-sales vs. 115 days-sales in the prior year. At the same time, 4WD and combine inventories declined 15% year-over-year to 64 and 53 days-sales, respectively. **AEI**



JUNE U.S. UNIT RETAIL SALES

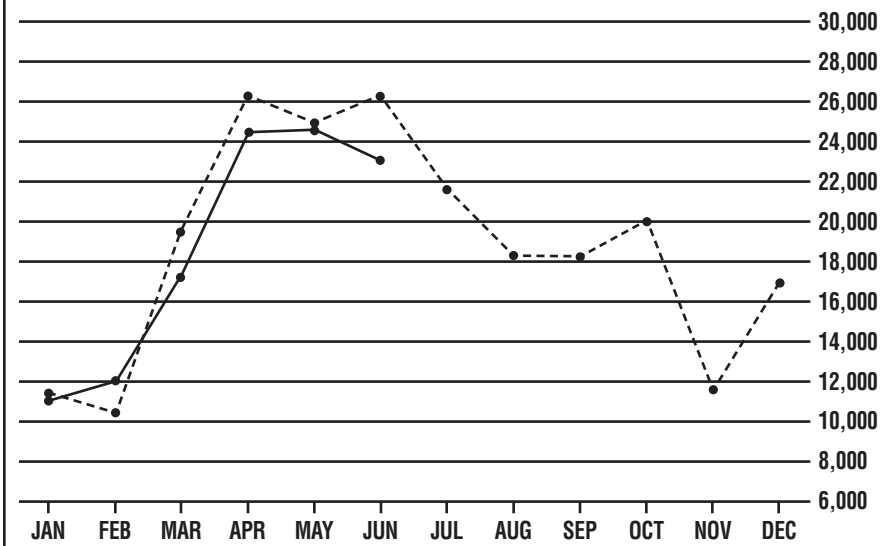
Equipment	June 2008	June 2007	Percent Change	YTD 2008	YTD 2007	Percent Change	June 2008 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	12,490	14,157	-11.8	57,255	65,713	-12.9	63,853
40-100 HP	7,633	8,207	-7.0	36,156	40,932	-11.7	36,516
100 HP Plus	1,984	1,733	+14.5	13,242	10,706	+23.7	4,967
Total-2WD	22,107	24,097	-8.3	106,653	117,351	-9.1	105,336
Total-4WD	316	234	+35.0	1,966	1,785	+10.1	659
Total Tractors	22,423	24,331	-7.8	108,619	119,136	-8.8	105,995
SP Combines	788	728	+8.2	2,994	2,652	+12.9	1,082



JUNE CANADIAN UNIT RETAIL SALES

Equipment	June 2008	June 2007	Percent Change	YTD 2008	YTD 2007	Percent Change	June 2008 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,872	1,611	+16.2	7,209	6,062	+18.9	6,748
40-100 HP	850	727	+16.9	4,094	3,384	+21.0	3,243
100 HP Plus	431	403	+6.9	2,422	1,913	+26.6	1,383
Total-2WD	3,153	2,741	+15.0	13,725	11,359	+20.8	11,374
Total-4WD	121	32	+278.1	745	420	+77.4	176
Total Tractors	3,274	2,773	+18.1	14,470	11,779	+22.8	11,550
SP Combines	285	167	+70.7	707	488	+44.9	606

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



—Assn. of Equipment Manufacturers

communications. Dealers ranked “equipment returns” as dead last on their list of performance criteria with a score of 2.52. Not far behind was warranty procedures (2.54), manufacturers’ response to dealer needs (2.55), warranty payments (2.56), marketing and advertising support (2.58) and management communications (2.62).

Shortliners Preferred. When ranking individual manufacturers for “overall satisfaction,” dealers showed a clear preference for their shortline suppliers, while the big full-line manufac-

turers placed 22 (Case IH), 23 (John Deere), 24 (New Holland) and 25 (AGCO) on the list of 26 manufacturers.

The top-ranking performer was H&S Manufacturing with an “overall satisfaction” score of 3.56, as it captured the top rating in 6 of the 12 performance categories. These included the number one spots for product availability, parts availability, communications with management, warranty procedures and payments, and manufacturer response to dealer needs.

Kinze Manufacturing came in a

close second with an “overall satisfaction” score of 3.52, including firsts in product quality and parts availability. Vermeer placed third overall when it came to performance, with highest scores for product technical support, return privileges and marketing/advertising support.

Not surprisingly, the major manufacturers as a group were hit particularly hard for product availability with John Deere receiving the lowest score in any of the performance categories with a 1.73 for product availability. **AEI**

RESULTS — NAEDA’S 2008 DEALER-MANUFACTURER RELATIONS SURVEY

	Product Availability	Product Quality	Product Technical Support	Parts Availability	Parts Quality	Return Privileges	Communications w/Management	Warranty Procedures	Warranty Payments	Mrktg./Advertising Support	Mfr. Response to Dealer Needs	Overall Satisfaction
H&S Mfg	3.63	3.56	3.38	3.5	3.69	3.19	3.63	3	3	3	3.69	3.56
Kinze	3.24	3.62	3.47	3.55	3.5	3.06	3.32	2.94	2.85	3.12	3.18	3.52
Vermeer	3.59	3.47	3.59	3.47	3.53	3.35	3.29	3	3.24	3.29	3.35	3.41
Land Pride	3.39	3.3	2.87	3.22	3.26	2.3	3.04	2.87	2.83	2.7	3	3.18
Bush Hog	3.02	3.42	3.1	3.36	3.46	2.8	2.88	2.72	2.78	2.66	2.9	3.07
Branson	3.1	3.4	2.7	3.1	3.4	3.3	3.1	3.1	3.33	3	2.8	3
Great Plains	2.52	3.31	2.9	3.1	3.28	2.69	3	2.86	2.79	2.9	2.79	3
Kubota	2.93	3.41	2.73	3.08	3.45	2.52	2.76	2.61	2.72	2.92	2.6	3
Mahindra	3.47	3.13	2.79	2.93	3.13	2.07	2.67	2.4	2.6	3.07	2.93	3
Kuhn NA	2.59	3.71	3	3.12	3.5	2.35	2.76	2.82	2.79	2.68	2.65	2.94
Krone NA	3.12	3.18	2.71	2.82	3.18	2.35	2.69	2.12	2.18	2.65	2.71	2.82
MacDon	2.76	3.38	3.06	3.18	3.35	2.5	2.82	2.53	2.29	2.59	2.94	2.82
Unverferth	2.41	3.35	2.71	3	3.18	2.35	2.47	2.47	2.47	2.47	2.35	2.75
CLAAS	2.81	3.56	3.06	3.06	3.56	2.88	2.69	2.5	2.56	2.81	2.63	2.69
Woods	3.41	3.29	2.66	2.83	3.15	2.07	2.34	2.49	2.49	2.17	2.49	2.65
KIOTI	2.81	3.25	2.56	2.56	3.19	2.81	2.25	2.75	2.75	2.56	2.31	2.63
Orthman	2.67	3.17	2.75	2.75	3.08	1.92	2.75	2.08	1.83	2	2.67	2.6
Gehl	2.88	3.13	2.58	2.83	3.17	2.43	2.38	2.54	2.67	2.54	2.21	2.54
Buhler	2.5	3.06	2.28	2.67	2.78	2.22	2.06	2.39	2.22	2.06	2.17	2.5
Krause	2.07	3.2	2.4	2.47	2.8	1.93	2.2	1.93	2.13	2.13	2	2.5
Alamo Group	2.44	2.79	2.41	2.26	2.74	2.12	2.18	2.21	2.06	2.15	2.24	2.41
Case IH	2.38	2.81	2.43	2.54	2.91	2.54	2.28	2.17	2.17	2.44	2.04	2.36
John Deere	1.73	3.25	3.04	2.99	3.36	2.67	2.24	2.75	2.8	2.62	1.91	2.36
New Holland	2.41	2.77	2.44	2.69	2.97	2.59	2.12	2.43	2.54	2.26	1.94	2.36
AGCO	2.23	2.81	2.65	2.68	2.96	2.63	2.4	2.66	2.73	2.28	2	2.33
McCormick	2.68	2.76	1.91	2.12	2.79	2	1.88	1.76	1.76	1.91	1.79	2.09
Category Score	2.80	3.23	2.78	2.92	3.21	2.52	2.62	2.54	2.56	2.58	2.55	2.77