

FORECAST 2006

Federal Reserve Outlook Symposium

Outlook For The Agricultural & Construction Equipment Industry

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Presentation Outline

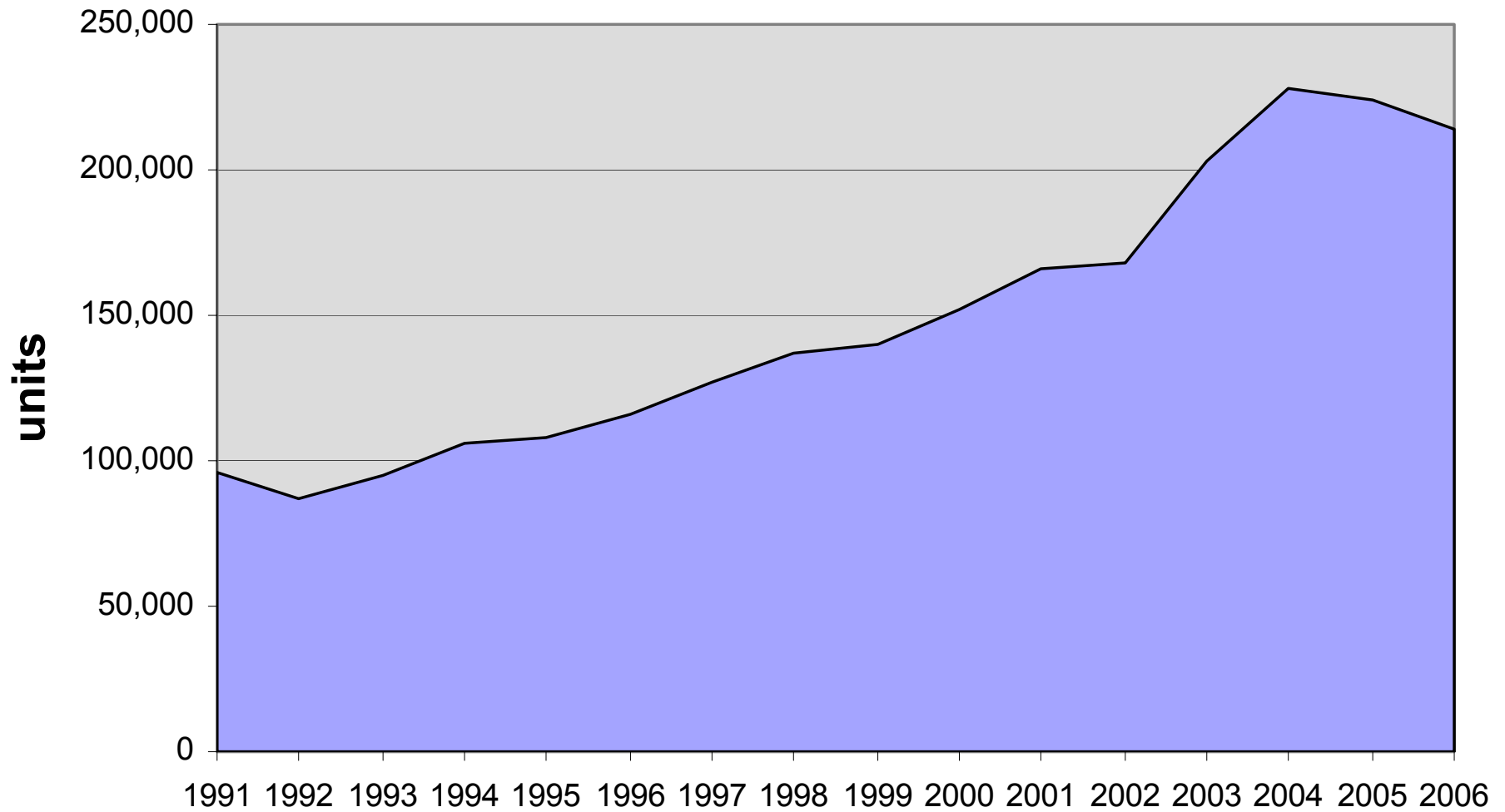
- Agricultural Equipment Market
- Construction Equipment Markets
- Questions

AGRICULTURAL EQUIPMENT FORECAST

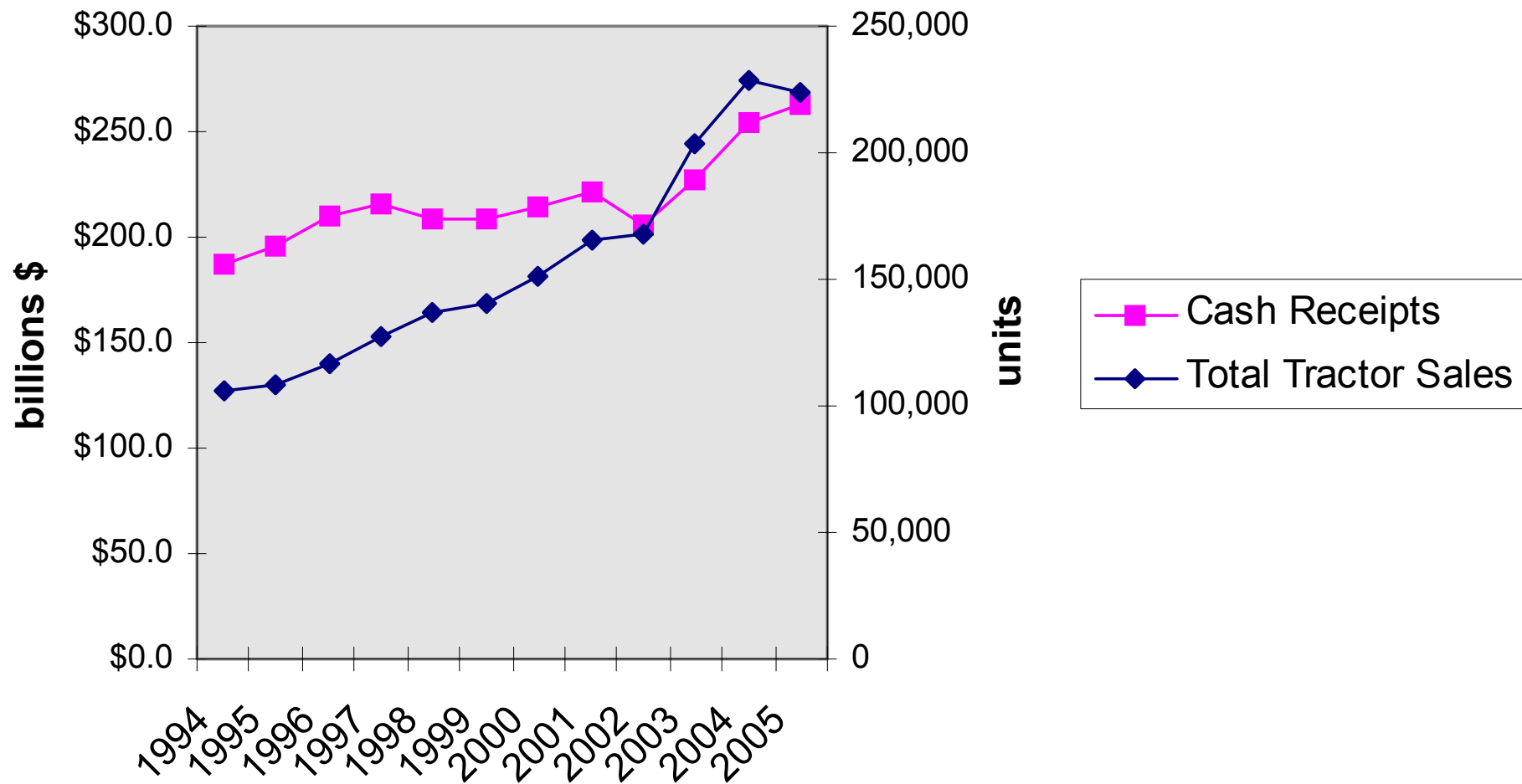
U.S. Farm Equipment Markets

	<u>2005</u>	<u>2004</u>	<u>% change</u>
2 Wheel Drive Tractors			
Under 40 hp	124,400	133,750	-7.0%
40 to 100 hp	76,100	71,135	7.0%
100 hp and over	19,500	19,885	-1.9%
Total 2 Wheel Drive	220,000	224,770	-2.1%
4 Wheel Drive Tractors	3,750	3,604	4.1%
Total Farm Wheel Tractors	223,750	228,374	-2.0%
Combines	6,400	6,683	-4.2%

Total Farm Tractor Sales

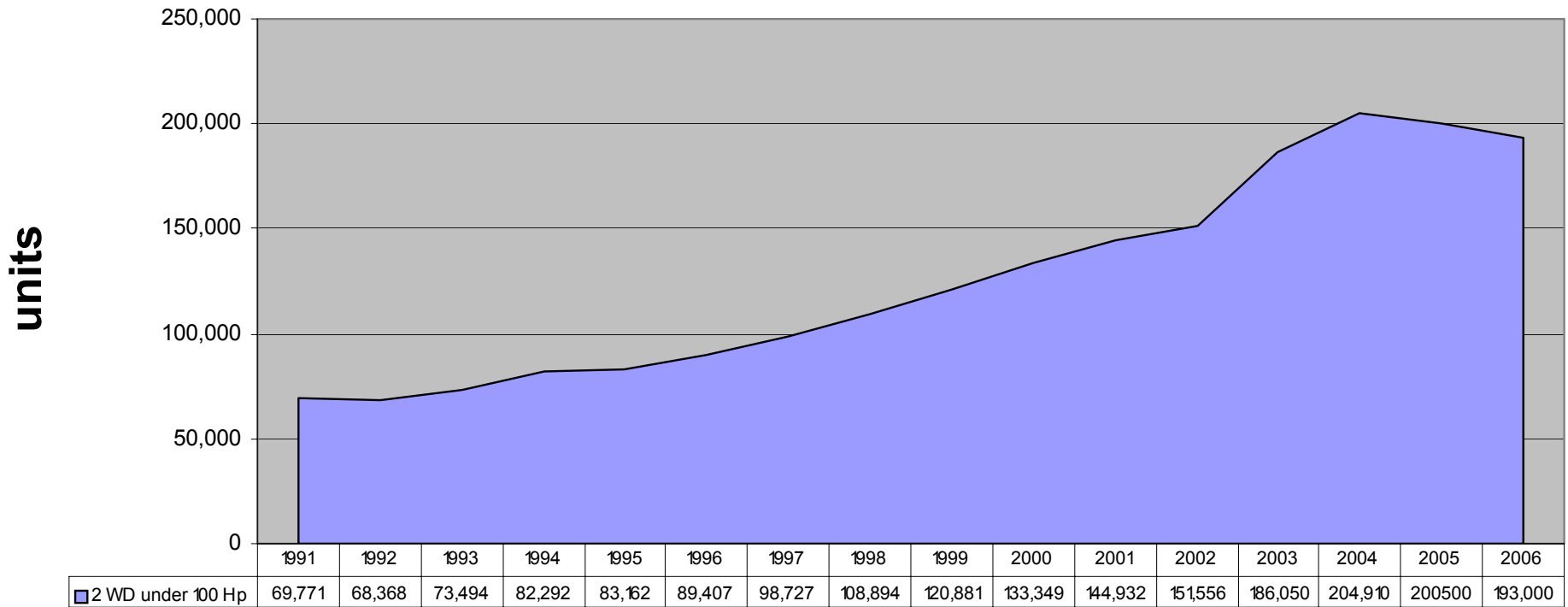


Total Tractor Sales vs Total Farm Cash Receipts



U.S. Farm Equipment Market

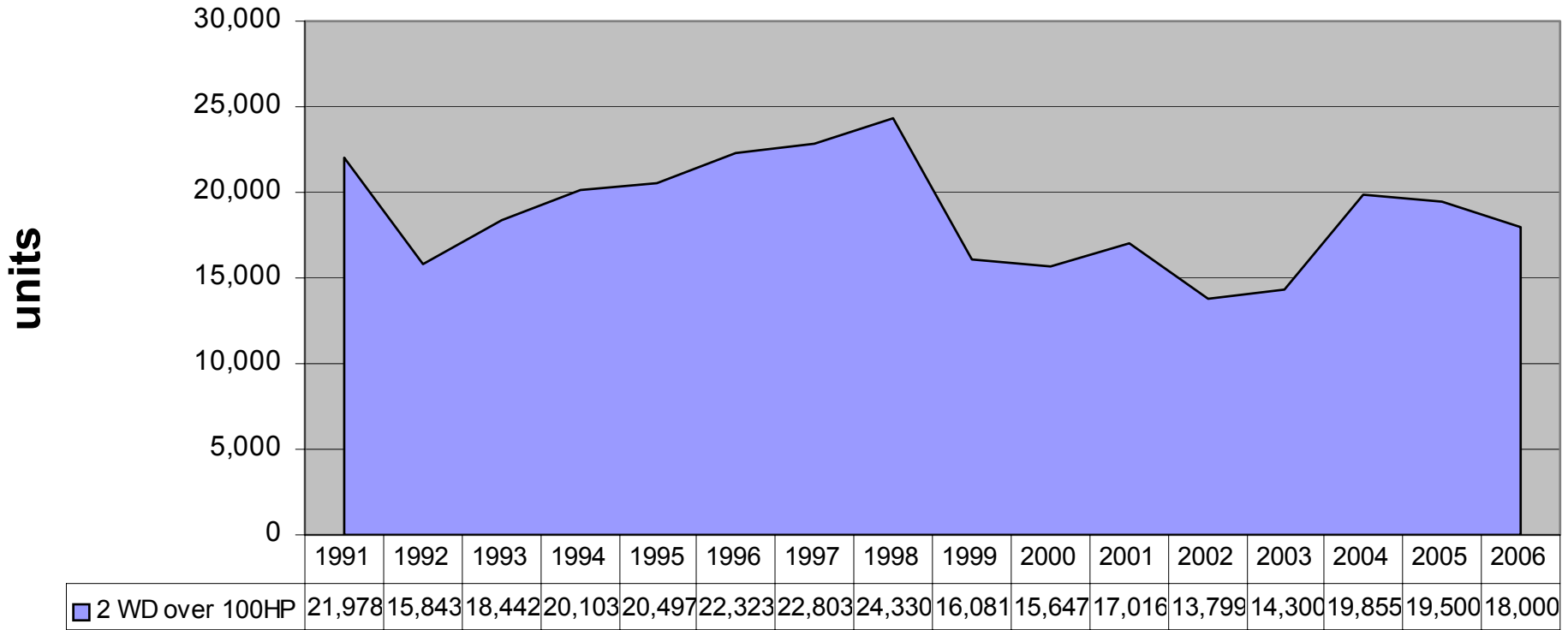
2 Wheel Drive Tractors under 100 hp



■ 2 WD under 100 Hp	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	69,771	68,368	73,494	82,292	83,162	89,407	98,727	108,894	120,881	133,349	144,932	151,556	186,050	204,910	200,500	193,000

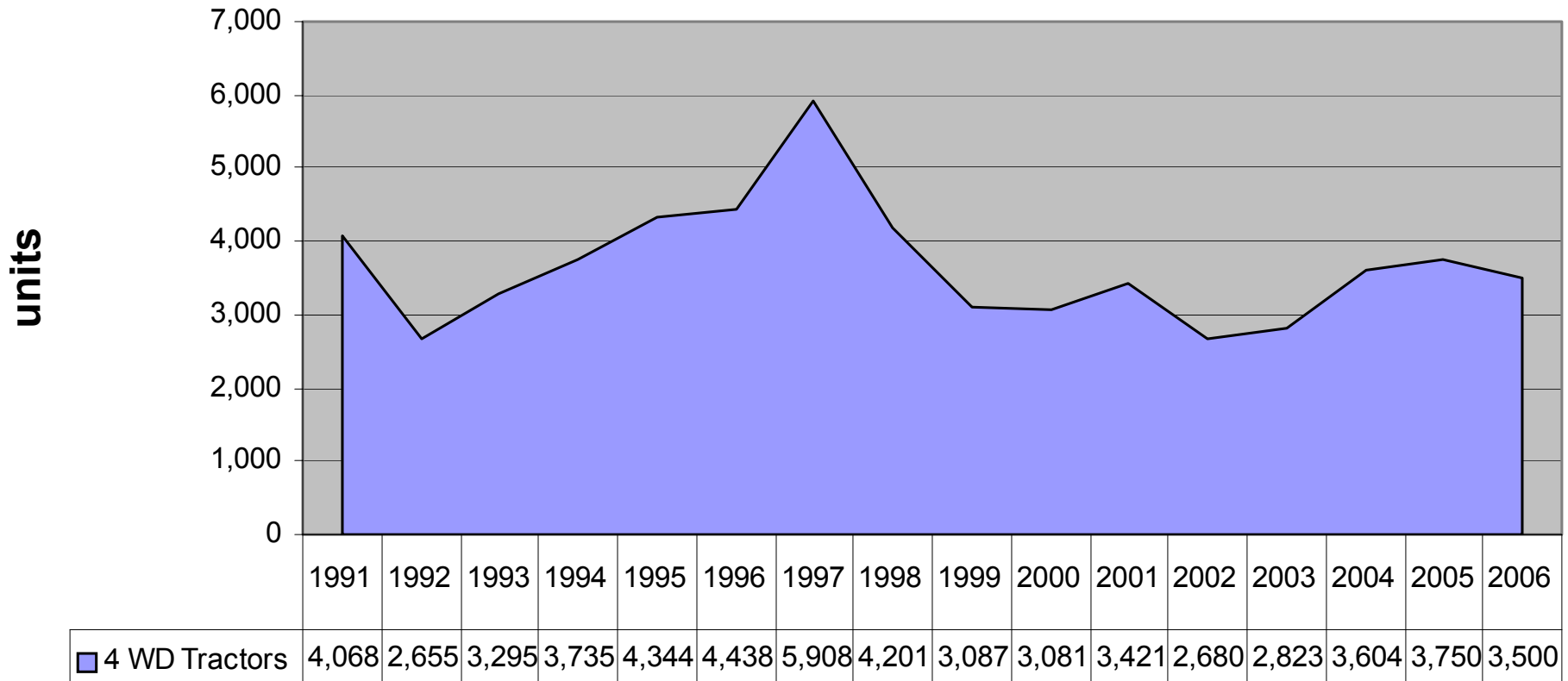


U.S. Farm Equipment Market 2 Wheel Drive over 100 hp



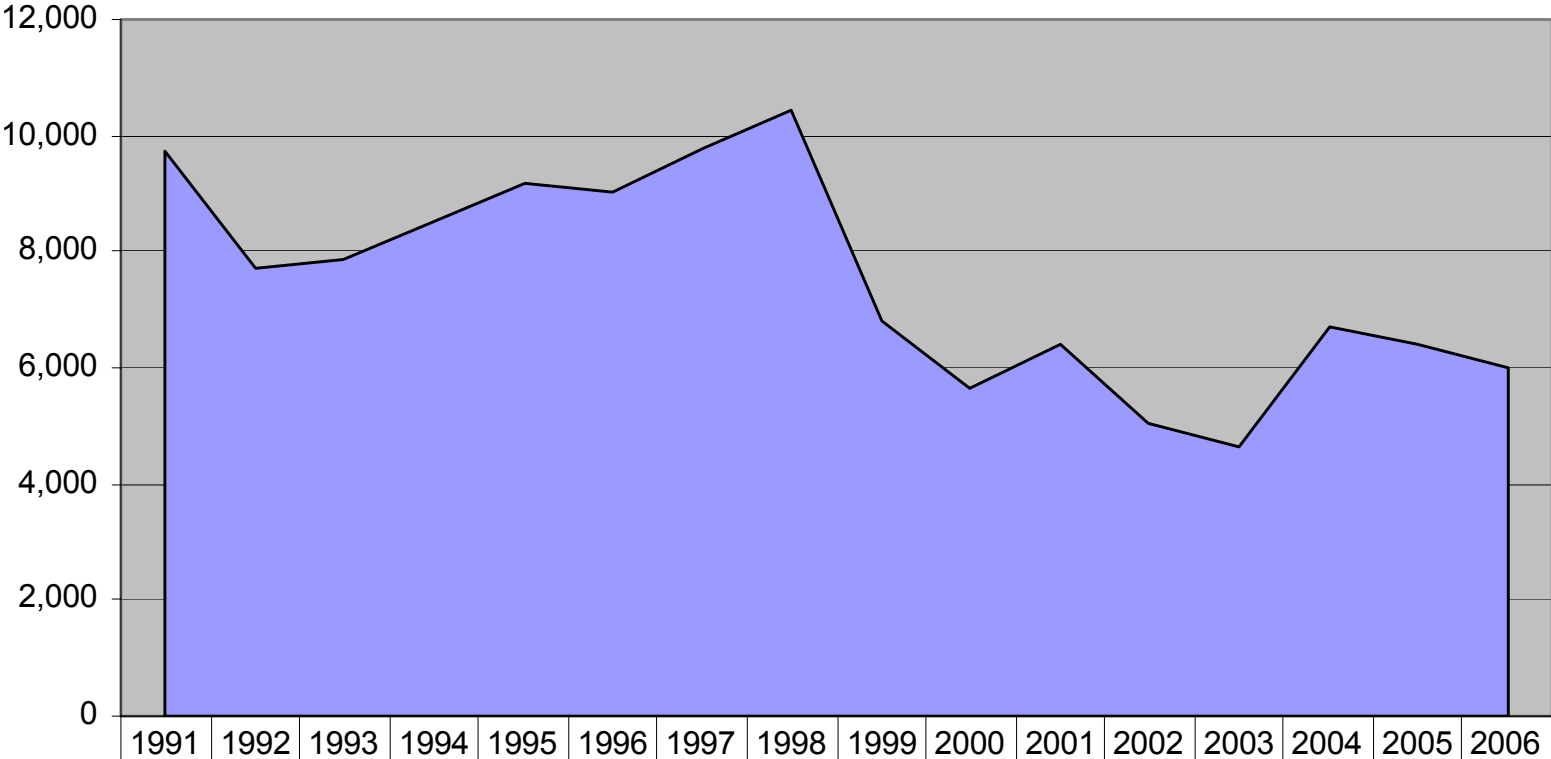


U.S. Farm Equipment Market 4 Wheel Drive Tractors





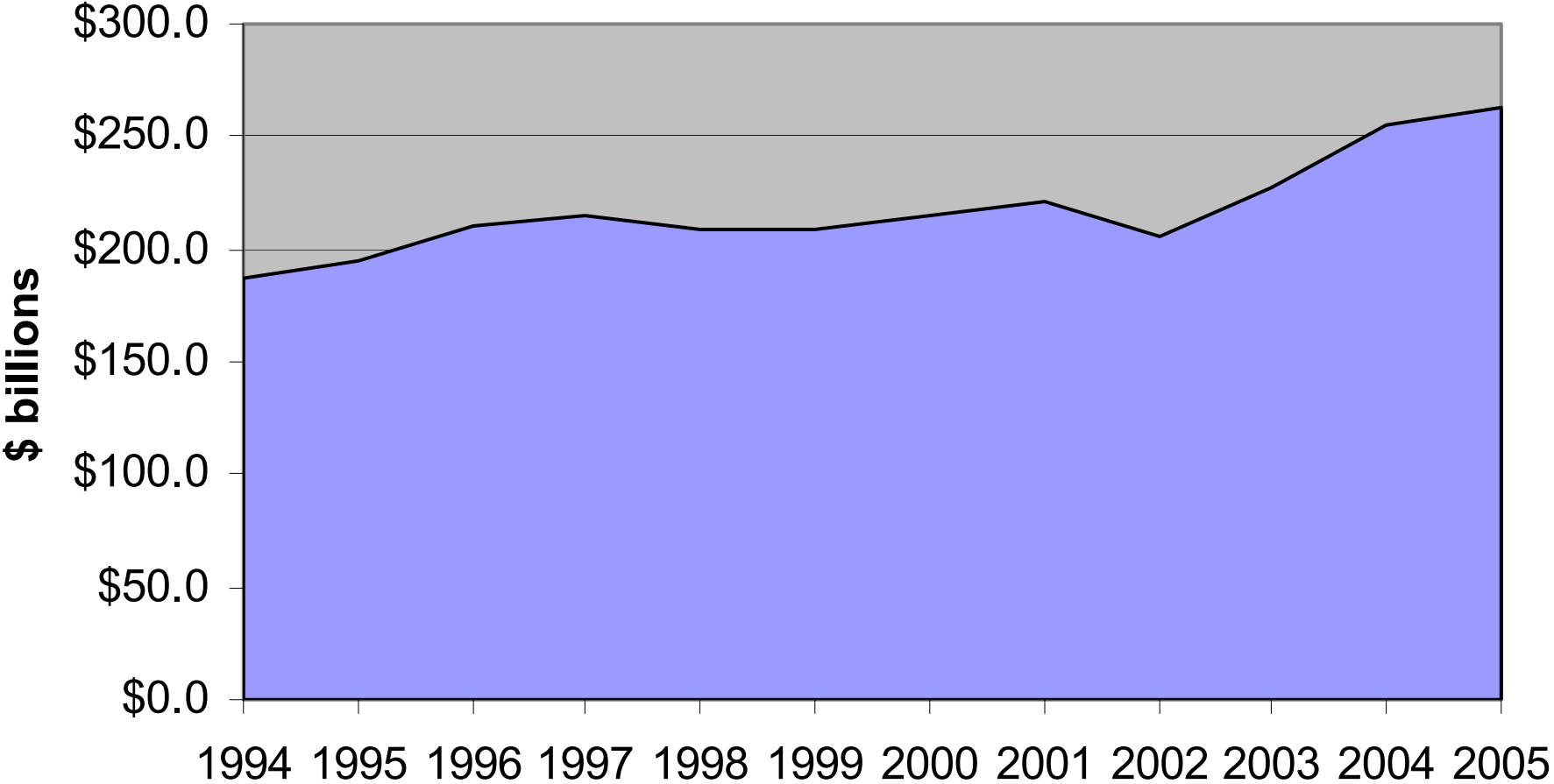
U.S. Farm equipment Market Self-Propelled Combines



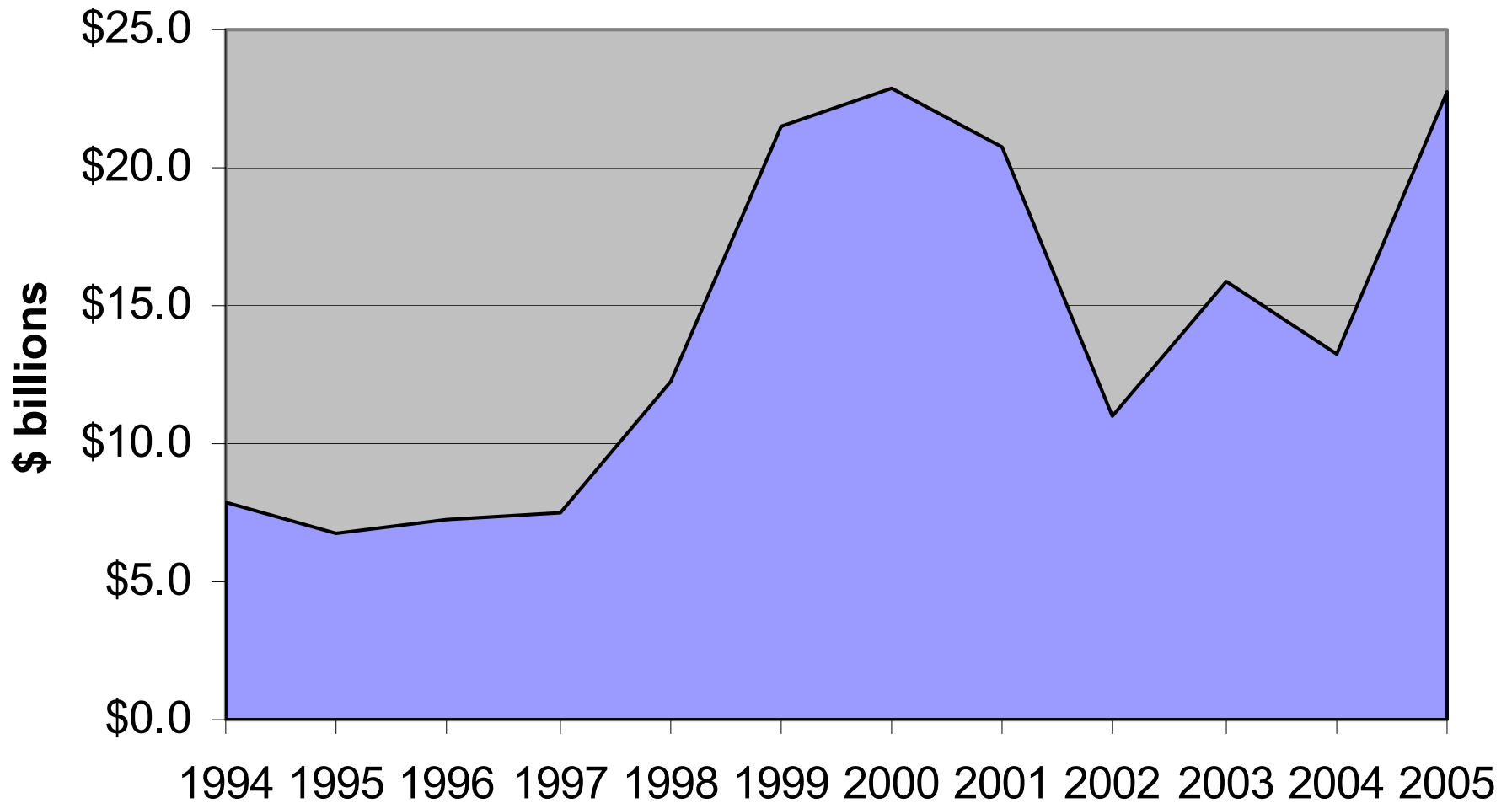
■ Self-Propelled Combines	9,715	7,700	7,857	8,499	9,194	9,026	9,800	10,420	6,794	5,660	6,383	5,038	4,631	6,683	6,400	6,000
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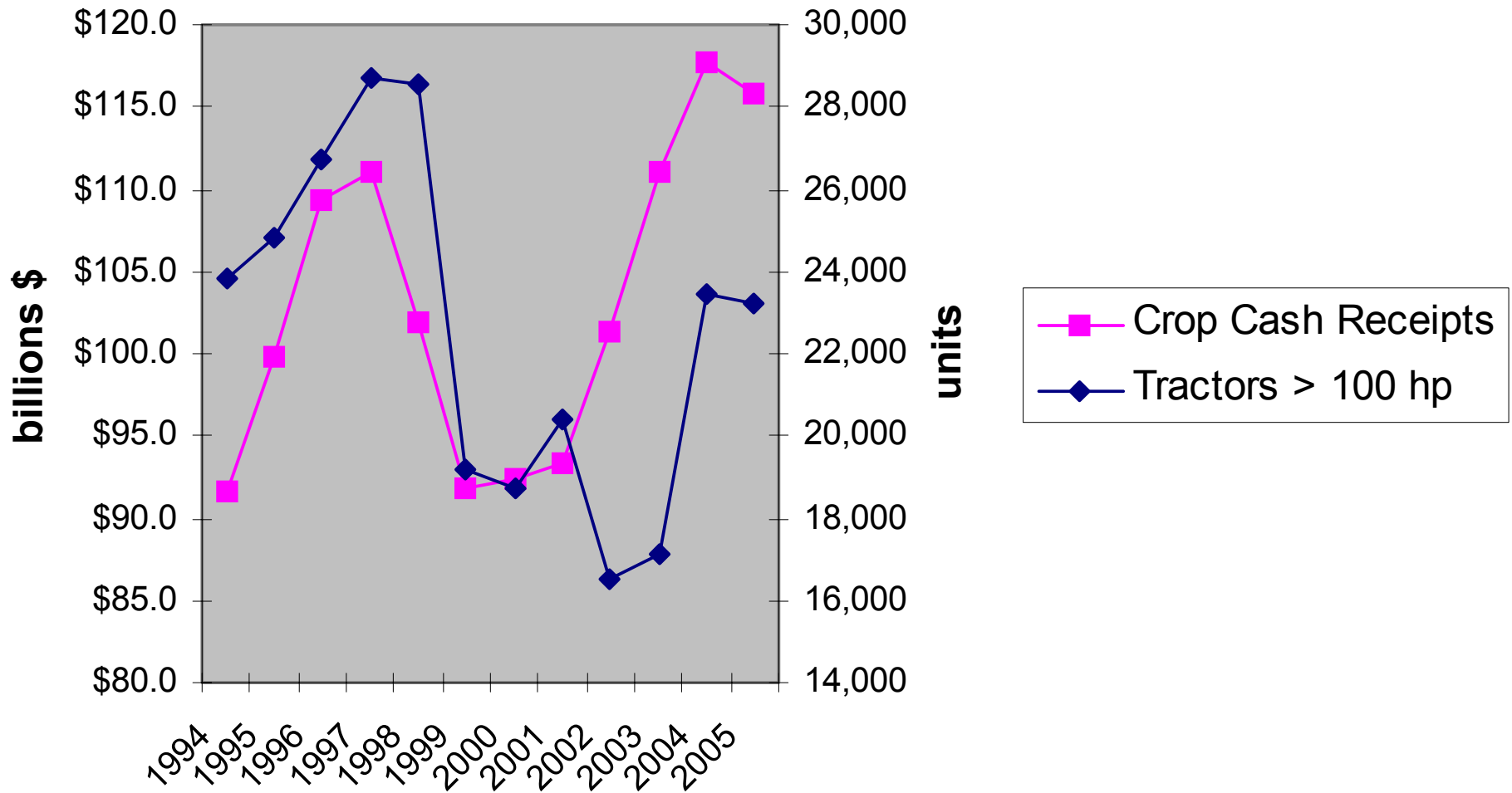
U.S. Farm Cash Receipts



U.S. Government Payments to Farmers



Crop Cash Receipts and Tractors > 100 hp



Market Influences for 2006 Agricultural Equipment

- Interest Rates
- Commodity Prices
- Higher Farm Input Costs
- Slightly Lower Cash Receipts

Forecast of U.S. Farm Equipment Markets

	<u>2006</u>	<u>2005</u>	<u>% change</u>
2 Wheel Drive Tractors			
Under 40 hp	120,000	124,400	-3.5%
40 to 100 hp	73,000	76,100	-4.1%
100 hp and over	18,000	19,500	-7.7%
Total 2 Wheel Drive	211,000	220,000	-4.1%
4 Wheel Drive Tractors	3,500	3,750	-6.7%
Total Farm Wheel Tractors	214,500	223,750	-4.1%
Combines	6,000	6,400	-6.3%

U.S. CONSTRUCTION MACHINERY FORECAST





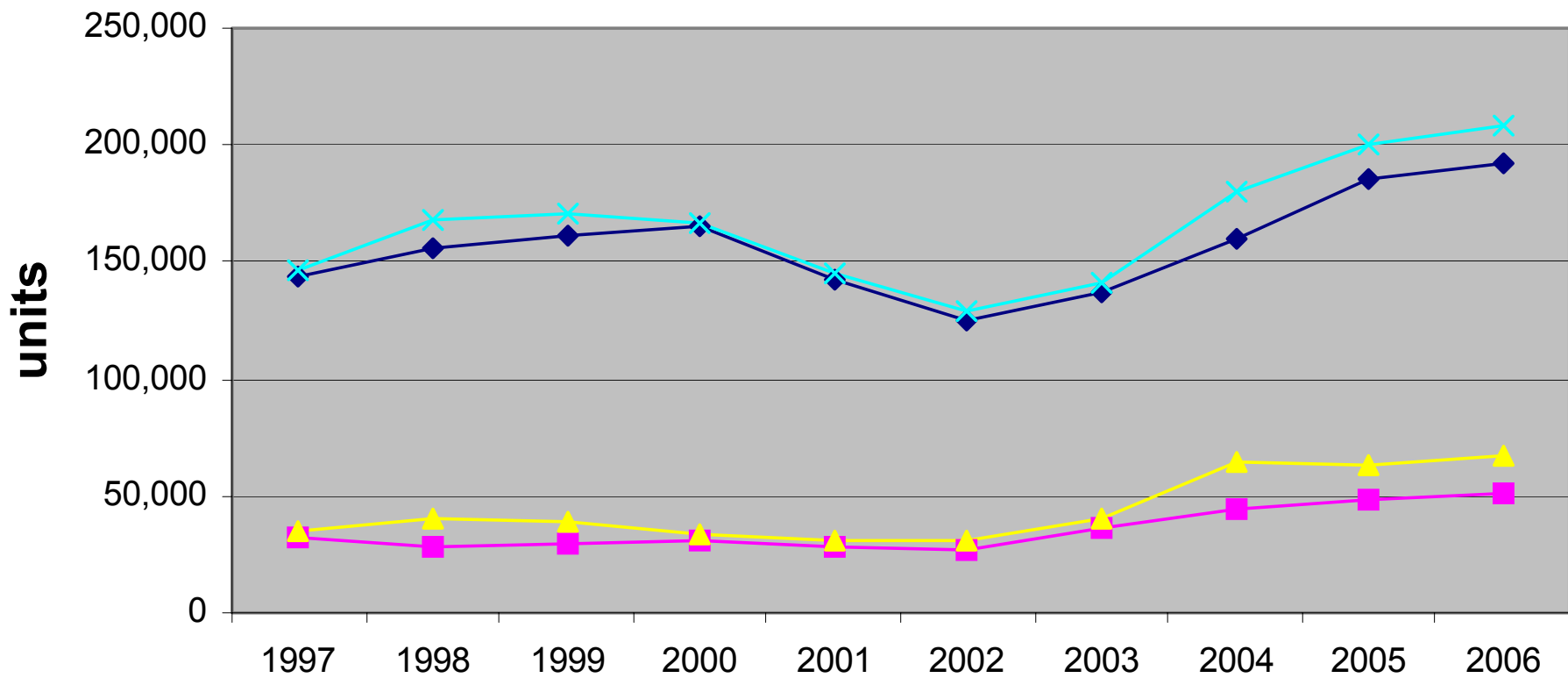
BOBCAT S220





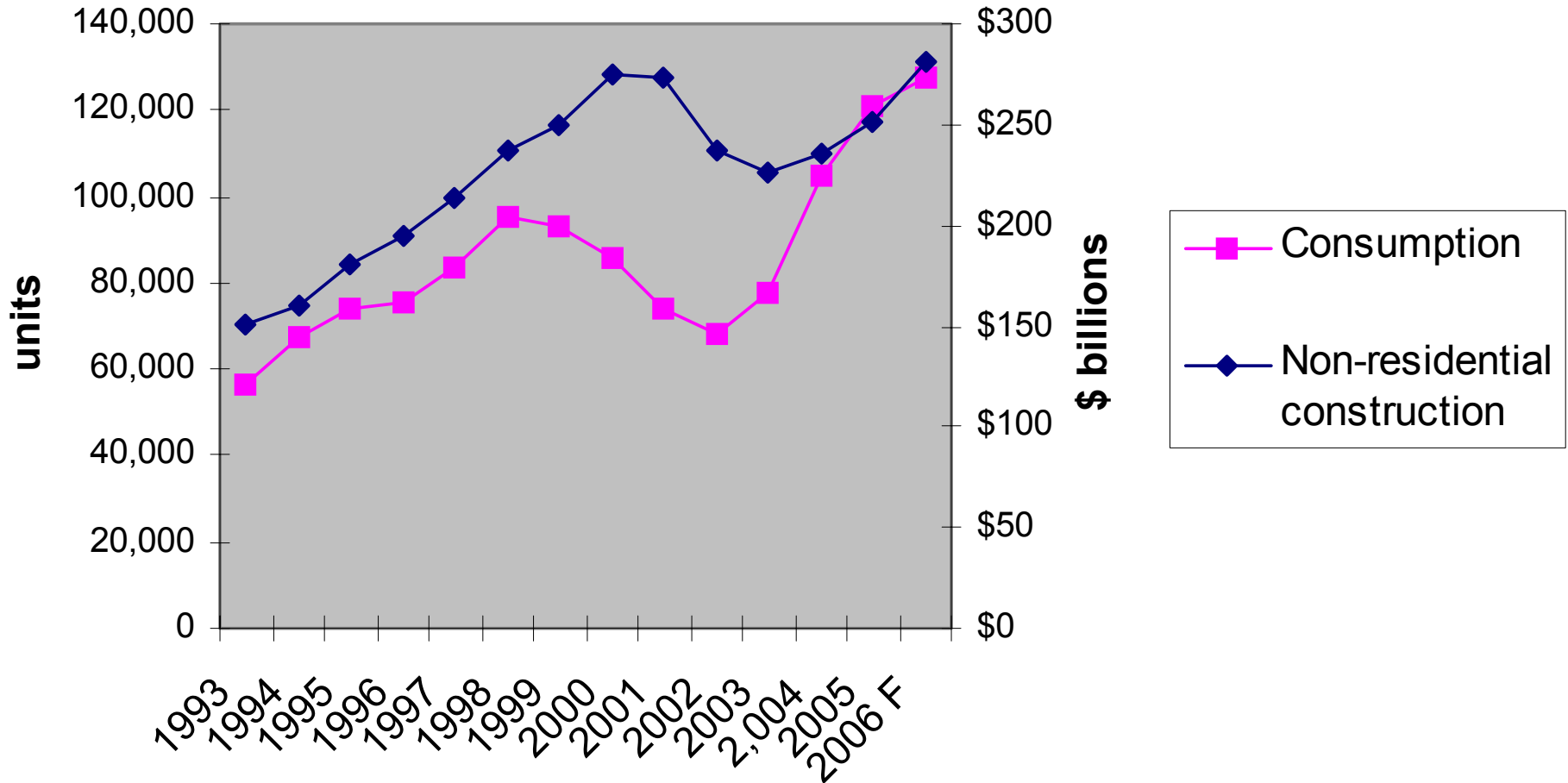


U.S. Consumption of Construction Machinery

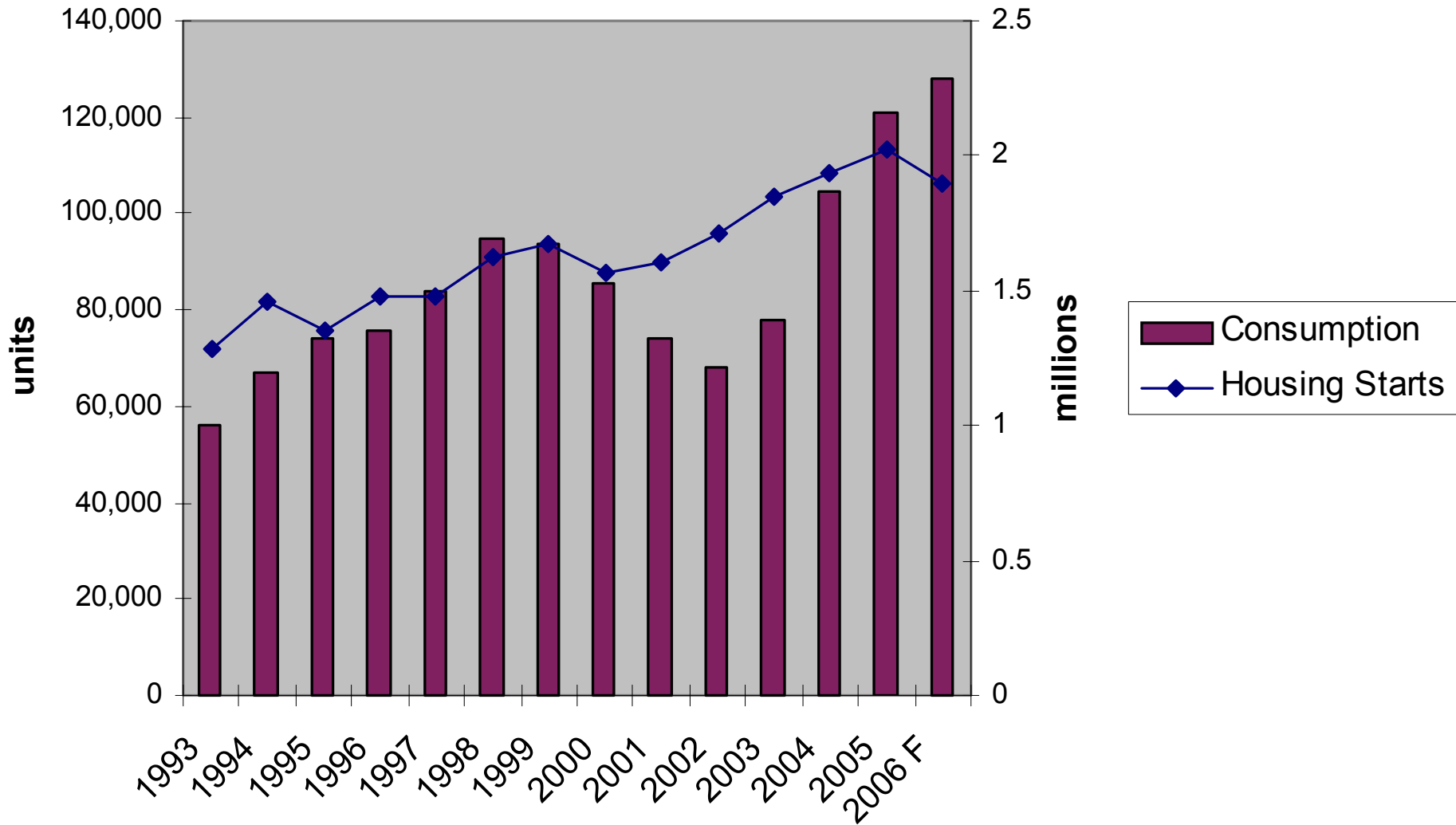


◆ Shipments ■ Exports ▲ Imports × App. Consumption

Earthmoving Equipment Sales vs Private Non-Residential Spending (Put-in-Place)



Earthmoving Equipment Sales vs Housing Starts



RENTALS

Completely Changed
the Machinery Market
Paradigm

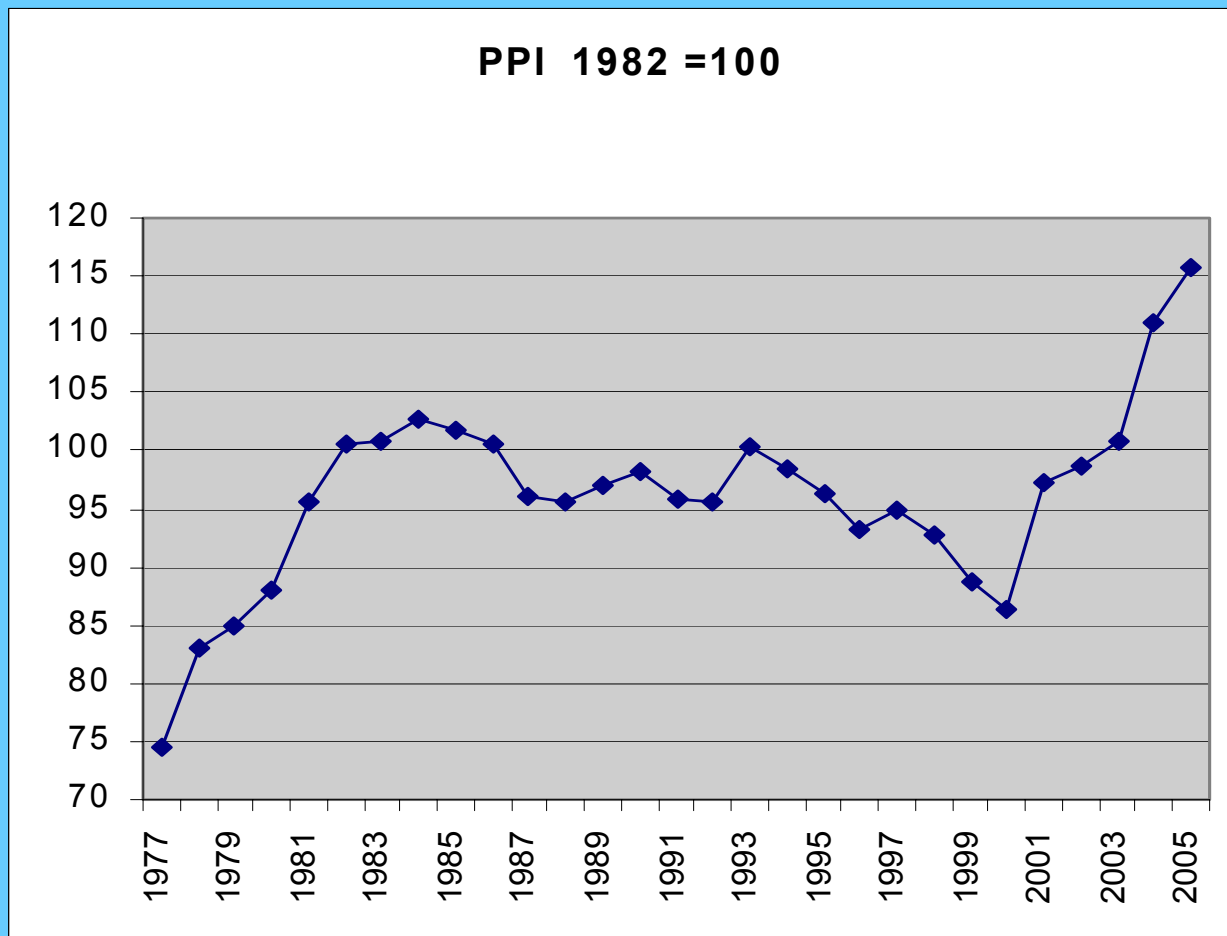
Rentals Are Here To Stay

- Renting Had No Formal Beginning
- Formalized An Earlier Practice
- Today 81% of Manufacturers Sell Direct to Rental Companies

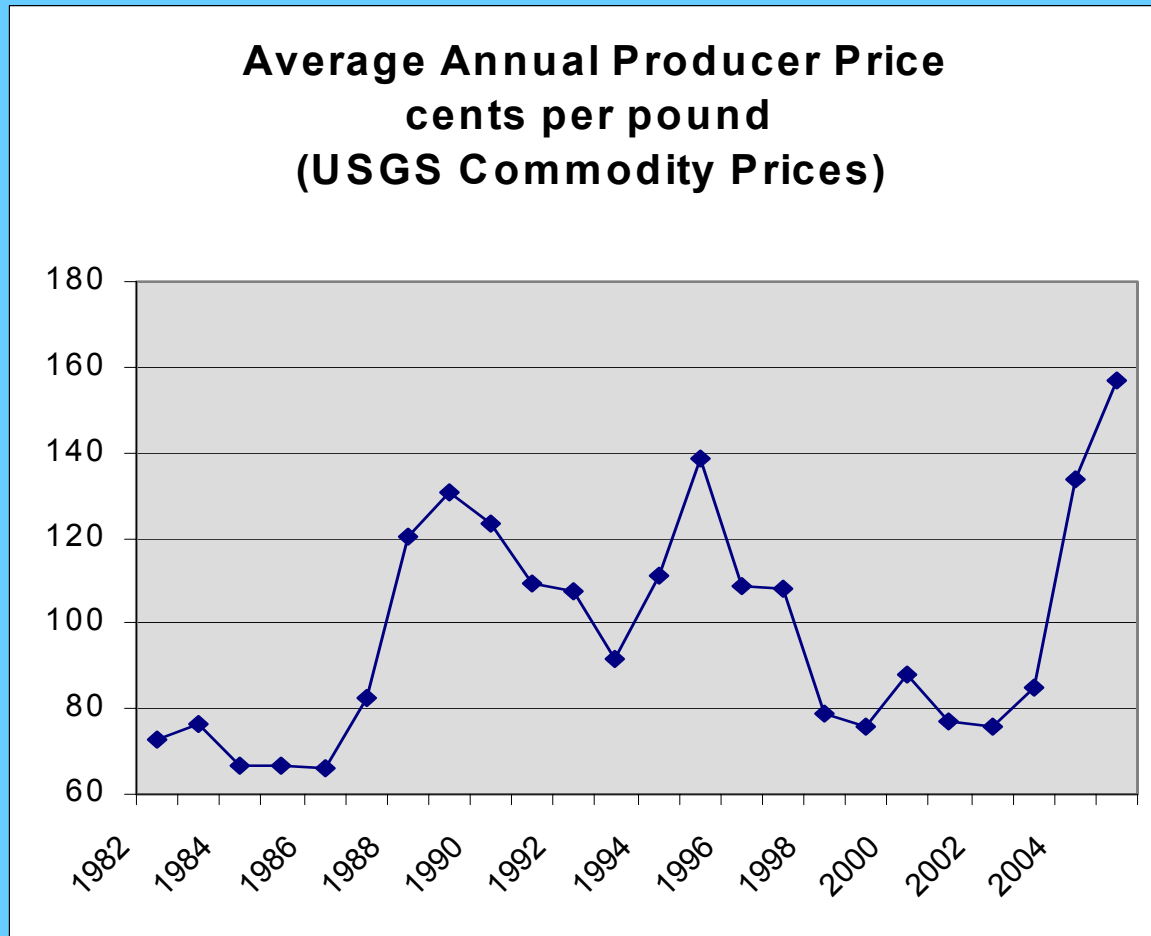
MINING

Commodity Prices

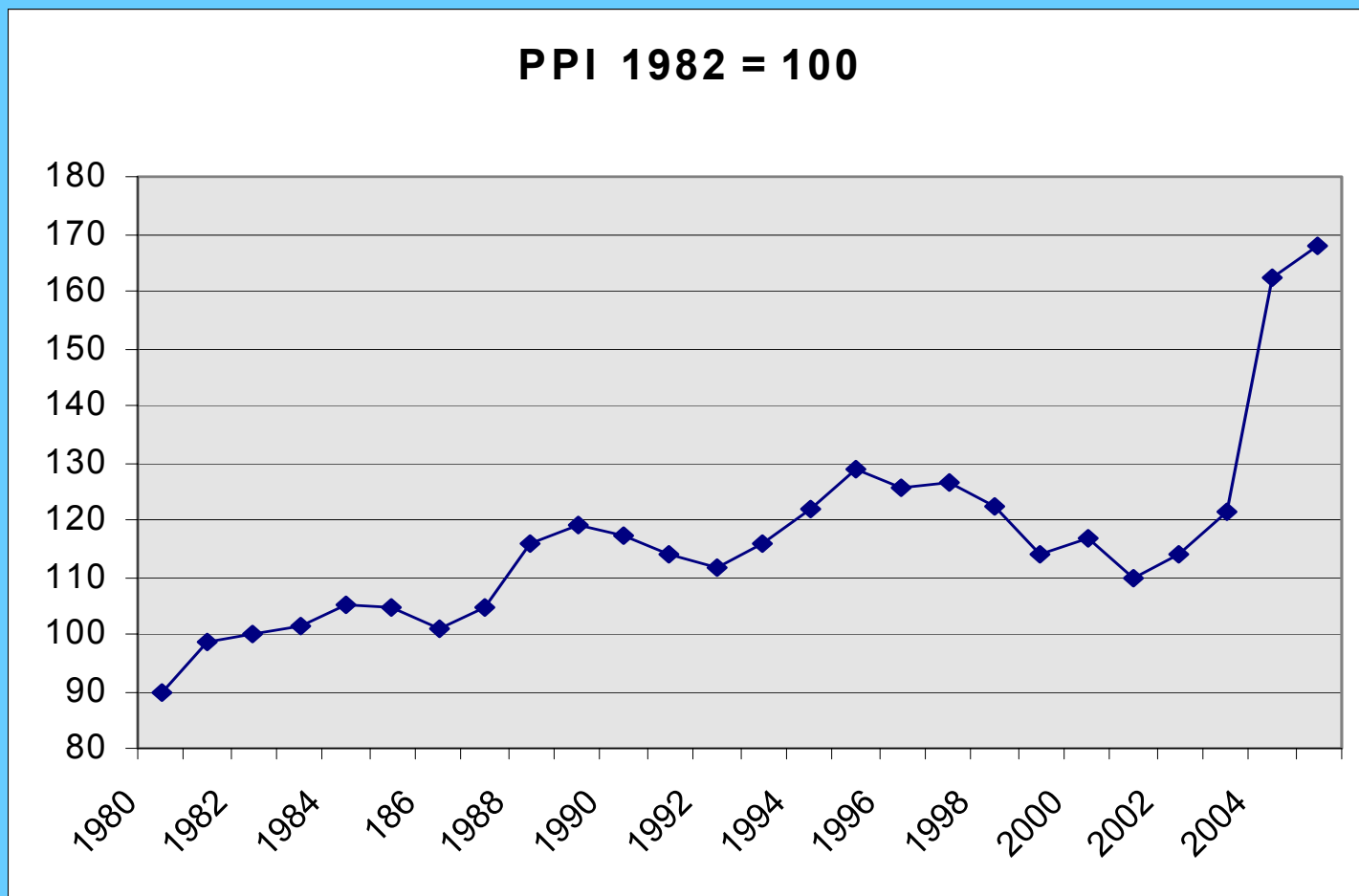
Coal Prices



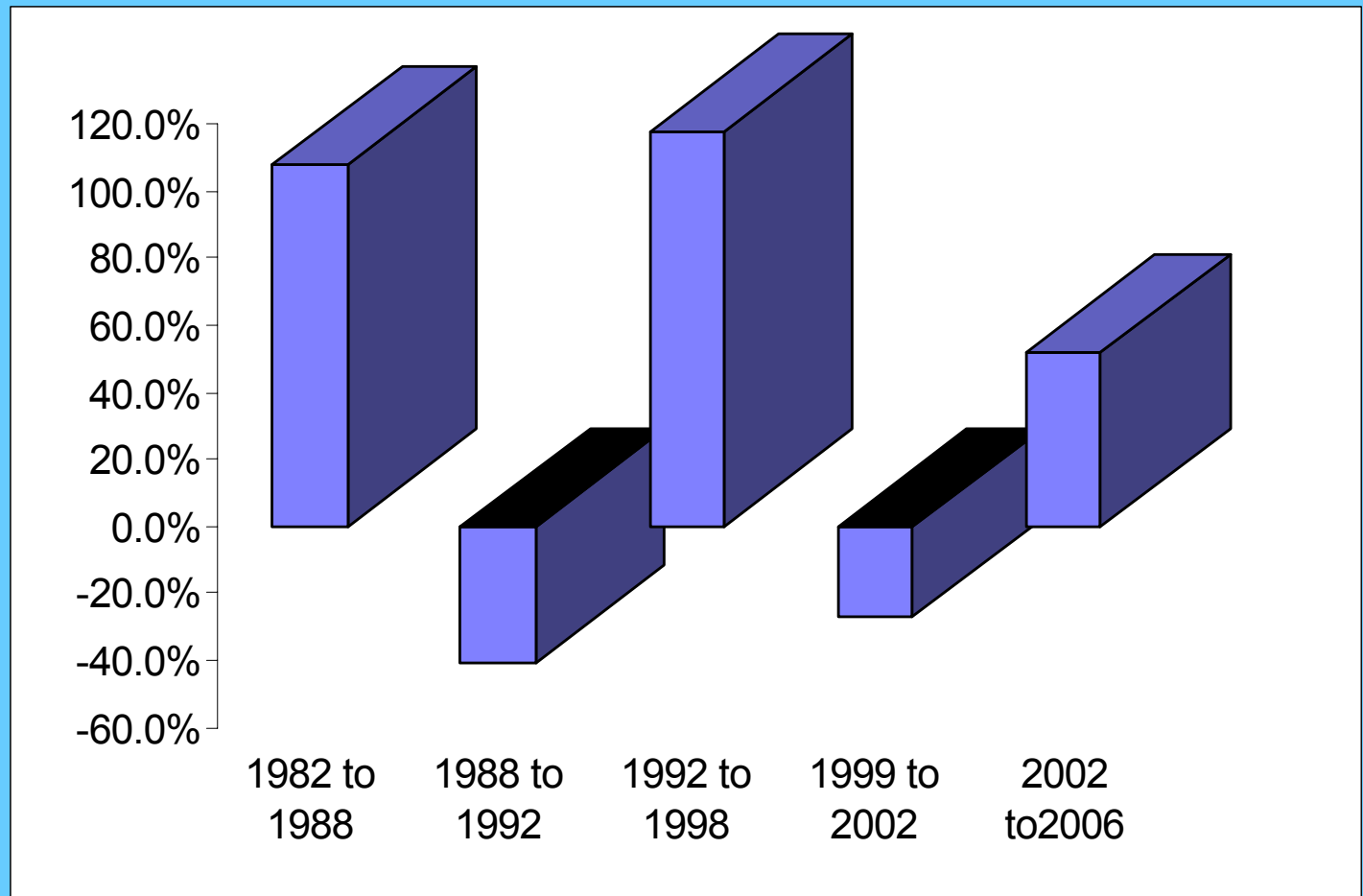
Copper



Iron and Steel



Earthmoving Equipment % change peak to trough



Forecast 2006 Assumptions

- Housing starts – Declining
- Non-residential construction strong
- New Highway Bill
- Commodity prices remain high
- Interest rates ?

U.S. Construction Machinery Forecast

<u>Product</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>% Change 05 vs 04</u>	<u>Forecast 2006</u>	<u>% Change 06 vs 05</u>
Asphalt Pavers	1,535	1,360	1,886	2,080	10.3%	2,300	10.6%
Compactors	5,450	5,950	8,600	10,100	17.4%	10,950	8.4%
Cranes	1,160	930	900	1,000	11.1%	1,100	10.0%
Crawler Loaders	1,200	1,300	1,700	1,750	2.9%	1,800	2.9%
Crawler Tractors	8,400	9,580	13,700	16,100	17.5%	17,000	5.6%
Hydraulic Excavators	20,200	25,000	36,000	45,000	25.0%	47,850	6.3%
Loader Backhoes	18,000	19,800	22,000	23,500	6.8%	23,800	1.3%
Motor Graders	2,800	2,700	3,207	3,350	4.5%	3,600	7.5%
Haulers	240	200	400	500	25.0%	600	20.0%
RT Forklifts	9,100	9,250	13,100	17,100	30.5%	18,500	8.2%
Scrapers	320	250	340	380	11.8%	410	7.9%
Skid Steer Loaders	50,000	53,000	61,000	61,200	0.3%	61,500	0.5%
Wheel Loaders	10,010	11,500	16,700	18,030	8.0%	19,440	7.8%
Total	128,415	140,820	179,533	200,090	11.5%	208,850	4.4%

Conclusions for 2006

- **Equipment Markets –Mixed**
- **Farm Equipment -5% to -10%**
- **Construction Equipment +4% to +10%**