

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

- Crop Receipts Flat
- EU Emission Regs
- Leasing Comments

While Big Ag Equipment Sales Lag, C&CE Dealers Look for Solid Sales

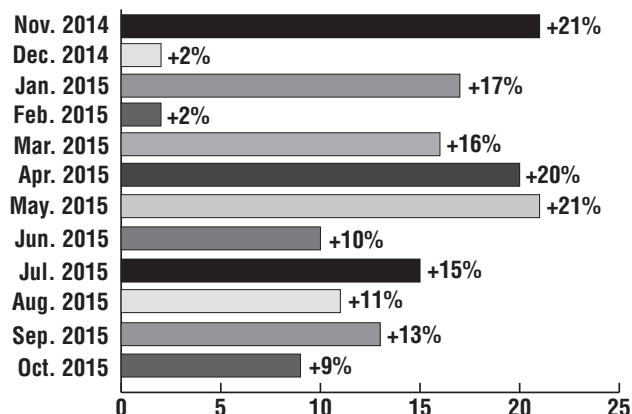
Of the 12 product categories included in *Ag Equipment Intelligence's* monthly Dealer Sentiments survey, only one has consistently shown positive results during the past 12 months when it comes to dealer sales — commercial and consumer equipment. This includes equipment typically utilized by large property owners, hobby farmers, as well as landscape and light construction contractors. In other words, zero-turn mowers, lawn tractors, compact tractors (less than 40 horsepower), utility vehicles, power tools, skid steers and a host of other smaller equipment.

As dealers handling high horsepower machines have faced a downturn in sales for the past 2 years, more than 88% of what we refer to as “rural lifestyle dealers” throughout North America expect total revenues to be as good as or better than last year. This is according to *Ag Equipment Intelligence's* sister publication *Rural Lifestyle Dealer's* 2016 Dealer Business Trends & Outlook survey. This optimism follows the 2015 survey when nearly 84% expected total revenues to be as good as 2014. Lynn Woolf, managing editor of *Rural Lifestyle Dealer*, says, “Dealers have

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Dealer Sentiments Commercial & Consumer Equipment

(% dealers rating sales strength as positive or very strong)



C&CE have been the only category showing positive trends consistently over the past 12 months in *AEI's* Dealer Sentiments survey.

Source: *Ag Equipment Intelligence*, Dealer Sentiments surveys

Does Proposed Dow, DuPont Deal Support Potential Ag Equipment M&A Speculation?

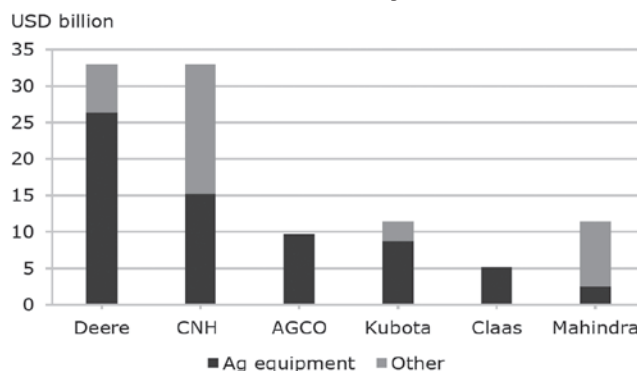
Dow Chemical Co. and DuPont Co. announced Dec. 11 they are merging in a \$130-billion chemical industry megadeal, according to the *Associated Press*. “The merger would combine two top suppliers of industrial and agricultural chemicals and crop seeds,” the *Wall Street Journal* reported on Dec. 9.

Each company has a market capitalization of about \$60 billion, according to the report, which makes both much larger than any of the major ag equipment makers. But agricultural products make up only part of both companies' revenues. According to *WSJ*, through the first 9 months of 2015, Dow's revenue derived from ag was about \$4.8 billion out of a total of \$37.3 billion, while DuPont's ag business was \$8.2 billion of a total of \$19.8 billion through the first three quarters of this year.

While, by no means, a done deal, talks between the two ag giants would seem to lend further credence to Rabobank's

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Tier 1 OEMs — Ranked by 2014 Revenue



When considering agriculture sales, Deere's sales are 40% larger than CNH and 2.5 times larger than that of Kubota and AGCO.

Source: Bloomberg, company reports, 2015

September 2015 report, "Contraction Today, Consolidation Tomorrow? Looking Beyond the Downturn in North American Farm Equipment."

Stage is Set. Rabobank, one of agriculture's largest lending institutions, concludes that the current downturn in farm equipment sales that has carried over into 2015 "is unlikely to abate for some time." It doesn't see sales of ag equipment picking up until possibly 2018, and in the meantime, thinks the time could be right for some of the bigger farm machinery manufacturers to get together to challenge market leader John Deere.

The report, authored by Ken Zuckerberg and Harry Smit, contends that despite a recent sales uptick for small tractors, "the overall operating environment for OEMs of farm equipment and machinery remains quite ominous." The ag lender projects, "North American revenues derived from the sales of tractors and combines will likely fall by 25% in 2015, 10% in 2016 and 2.5% in 2017, with the inflection point for positive growth of about 5% occurring in 2018."

The current oversupply of used equipment must be worked down before dealers will increase their deliv-

ery of new equipment from the OEMs.

According to the Rabobank researchers, the current downturn could set the stage for "disciplined competitors to consider strategic mergers and acquisitions that will grow market share, diversify product offerings, enter adjacent markets and expand in higher growth regions."

Bigs Get Bigger? In citing the potential for consolidation by equipment OEMs, the report cites other recent merger and acquisition activity within the farm input subsector of agriculture. These include Monsanto's bid for Syngenta, FMC's acquisition of Cheminova and the recent merger agreement between CF Industries and OCI.

While Monsanto's proposed acquisition of Syngenta was rebuffed, word on the street is that a Chinese company is currently in talks with Syngenta, which is second to Monsanto as the largest seed producer worldwide.

WSJ also reports that combined, Dow and DuPont sell about 17% of the world's pesticides and would be the third largest supplier of crop chemicals. Together they have 41% of the U.S. corn seed business and 38% of the soybean seed market. In all like-

lihood, these types of numbers would be cause for anti-trust regulators to take a close look at the union of the two companies.

In 2014, it is estimated that farm equipment was a \$114 billion industry, with \$26 billion coming from sales in North America. Revenue and unit sales growth was 9.9% and 5.8%, respectively from 2010-2014. Even at this size, the report says the ag equipment sector is still second to the global farm inputs sector, which is dominated by fertilizer at \$175 billion in sales in 2013.

The 6 largest global equipment players based on 2014 ag equipment revenue are Deere & Co., CNH Industrial and AGCO, closely followed by Kubota, Claas and Mahindra. In terms of relative size and market share, the report points out that, when it comes to total revenue, Deere and CNH are similar in size. But when only ag sales are considered, Deere's business segment is 40% larger. Deere is also 2.5 times larger than Kubota and AGCO.

The report authors conclude, "It seems logical that a strategic transaction among this peer group could occur in order to create a more formidable challenger to the market leader." **AEI**

Engine Makers Respond to EU Emissions Plan

Engine manufacturers have started unveiling technical solutions to meet a further step in off-highway diesel engine emissions regulation planned by the European Union.

Under current European and U.S. regulations, particulate matter limits determined by mass have been driven down by a remarkable 99% from EPA Tier 1 levels. EU Stage V rules will target ultra-fine particulate emissions, which are considered the most harmful to human health, by setting limits on the number of particles emitted.

The new EU-only regulations are expected to be phased in by engine

power bands over 3 years starting in January 2019. The EPA has given no indication it will adopt the same measure, but future EU-spec engines may become standard if ag vehicle OEMs want to avoid the complication of supplying engines to different specifications in two major markets — Europe and North America — where emissions rules currently are pretty much identical.

One thing is known — using a diesel particulates filter (DPF) is the only way to meet the EU's proposed limits defined by particle number rather than mass.

Some engine makers, such as Cummins, Deere and Perkins, already use filtration among measures to meet EPA Tier 4 Final and EU Stage IV rules. But AGCO Power, FPT Industrial, JCB Power Systems and MTU are among those who have chosen combustion tuning and selective catalytic reduction (SCR) to avoid using a DPF, which adds cost and often has a servicing requirement.

Although the regulations have yet to be formally established, engine manufacturers have pushed ahead with solutions. Deutz already has DPF options in anticipation of the

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EU Stage V limits as an addition to the SCR system on 4.1-liter and larger engines and the diesel oxidation catalyst on 2.9- and 3.6-liter sizes.

OEMs using the EcoFit Single Module solution unveiled by Cummins for heavy-duty and mid-range engine applications are promised easier exhaust treatment integration. The module is up to 60% smaller and 40% lighter than today's combined SCR and DPF systems, it says.

FPT Industrial says a particle filter will replace part of the SCR catalyst in its next-generation HI-eSCR system. Together with a lack of exhaust gas recirculation (EGR), this will help maintain the after-treatment installation flexibility available with the manufacturer's Tier 4 Final engines.

Perkins highlights its experience as an early adopter of DPF technology and is confident that its low temperature regeneration system — to periodically remove accumulated deposits from the filter material — can be applied to Stage V engines while remaining “invisible” to the operator and without interfering with the machine's duty cycle or work load.

Germany-based MTU, a division of Rolls-Royce Power Systems, says the EU Stage V requirements and further improvements in fuel efficiency will be among priorities for product development.

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Titan Machinery Reports Weak 3Q Results

Titan Machinery, Case IH's largest dealership group, announced its third quarter results on Dec. 3.

Ag equipment sales for the third quarter, ended Oct. 31, were down 38.1%, while total sales were down 30% vs. the third quarter of 2015.

Looking ahead, Titan is forecasting ag same store sales to be down 28-33% for fiscal year 2016. Construction same-store sales are expected to be down 8-13% and international same store sales to be down 5%. The dealership is forecasting equipment margins of 7.7-8.3%.

Titan Machinery Segment Results

(in thousands of \$)

	3 Months Ended Oct. 31		
Revenue	2015	2014	% Change
Agriculture	\$ 211,302	\$341,547	-38.1%
Construction	\$87,023	\$98,246	-11.4%
International	\$46,650	\$53,348	-12.6%
Total	\$344,975	\$493,141	-30.0%

Source: Titan Machinery

FARM MACHINERY TICKER (AS OF 12/10/15)

MANUFACTURERS	Symbol	12/10/15 Price	11/12/15 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	\$29.05	\$30.25	\$57.99	\$27.41	N/A	69,039	417.69M
AGCO	AGCO	\$50.46	\$45.48	\$57.90	\$41.85	15.86	1,271,800	4.32B
AgJunction Inc.	AJX	\$0.64	\$0.64	\$0.84	\$0.40	N/A	25,939	77.83M
Alamo	ALG	\$53.26	\$51.74	\$64.45	\$43.98	14.13	54,866	608.44M
Art's Way Mfg.	ARTW	\$2.96	\$3.01	\$5.98	\$2.90	N/A	3,719	12.02M
Blount Int'l.	BLT	\$9.91	\$5.21	\$17.97	\$5.08	N/A	278,936	478.17M
Buhler Industries	BUI	\$5.55	\$5.70	\$6.24	\$4.44	35.35	4,611	138.75M
Caterpillar	CAT	\$66.38	\$68.69	\$94.66	\$62.99	13.67	6,716,630	38.65B
CNH Industrial	CNHI	\$7.07	\$6.75	\$9.72	\$6.31	42.85	1,486,640	9.62B
Deere & Co.	DE	\$78.61	\$73.22	\$98.23	\$71.85	13.62	3,763,940	25.8B
Kubota	KUBTY	\$83.60	\$81.85	N/A	N/A	17.18	8,603	20.81B
Lindsay	LNN	\$69.31	\$68.93	\$91.93	\$63.19	31.22	116,453	782.47M
Raven Industries	RAVN	\$16.57	\$17.75	\$26.07	\$15.77	45.77	196,550	604.9M
Titan Int'l.	TWI	\$4.06	\$4.57	\$12.50	\$3.84	N/A	786,842	218.268M
Trimble Navigation	TRMB	\$22.43	\$21.54	\$28.14	\$15.90	38.61	1,988,820	5.62B
Valmont Industries	VMI	\$109.24	\$111.76	\$133.94	\$92.33	23.40	236,806	2.52B
RETAILERS								
Cervus Equipment	CVL	\$14.16	\$13.40	\$20.84	\$12.71	N/A	19,808	220.44M
Rocky Mountain Equipment	RME	\$6.64	\$6.58	\$9.74	\$5.82	9.91	21,278	128.71M
Titan Machinery	TITN	\$9.40	\$12.43	\$16.99	\$8.99	N/A	193,430	199.77M
Tractor Supply	TSCO	\$88.85	\$89.77	\$96.28	\$74.52	29.69	1,160,530	11.94B

Despite Sagging Sales, Deere Turns a Profit for FY15; Expects Same in 2016

Deere & Co. managed to pull a rabbit out of a hat by posting \$351 million in earnings for its fourth quarter of the current fiscal year and \$2.177 billion for the full year, compared with \$910 million and \$4.297 billion in 2014. Pretty good considering year-over-year fourth-quarter net sales were down by 26% and down 22% for the year.

One analyst noted, "Deere has done an admirable job of managing margins through the current downturn." At the same time, he noted for 2016, the company would benefit from about \$200 million in lower pension and OPEB (other post employment benefits), but after that "Deere is cutting closer to the bone."

Unfortunately, if the company's outlook for 2016 is on target, the industry is looking at another difficult year for equipment sales. Overall, Deere's equipment sales are projected to decrease about 7% for the fiscal year and to be down 11% for the first quarter compared with a year-ago. Nonetheless, for fiscal 2016, net income attributable to Deere & Co. is anticipated to be about \$1.4 billion.

In a note, Mig Dobre, analyst for RW Baird, called the company's Ag & Turf outlook "realistic." But Deere's forecast for North American 2016 ag sales are expected to be down even more, and nearly as bad as this past year. "Sales for the Ag & Turf division to be down about 8% year-over-year with about a 7% operating margin. Embedded in Deere's guidance is a 15-20% decline in industry U.S. and Canada ag equipment sales (down 25-30% in large ag) which is realistic in our view, particularly given Deere's higher level of visibility into this business."

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Deere & Co. 4Q15 Overview (in millions \$)			
	4Q 2015	4Q 2014	% Change
Net Sales & Revenues	\$6,715	\$8,965	-25%
Net Sales	\$5,932	\$8,043	-26%
Net Income	\$351	\$649	-46%
Ag & Turf			
Net Sales	\$4,656	\$6,169	-25%
Operating Profit	\$271	\$682	-60%

Source: Deere & Co..

Deere Comments on Leasing Trends

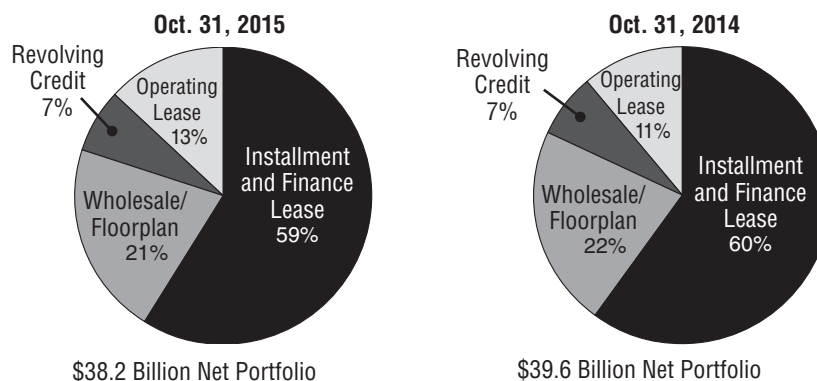
Leasing has been the hot topic in the ag equipment market in recent months. Dealers have expressed concerns about the potential impact on used equipment values down the road when this equipment comes off lease.

A Deere & Co. spokesperson addressed the subject during the conference call with analysts on Nov. 25. As of Oct. 31, 2015, operating leases made up 13% of Deere's lending portfolio, which is up two points vs. a year earlier. In terms of dollars, the value of operating leases was about \$4.4 billion in 2014 vs. nearly \$5 billion for the same period in 2015.

"JD Financial has not been encouraging customers to utilize leases in general or short-term leases specifically through pricing or residual values," said Susan Karlix, manager, Investor Communications.

"Leasing, however, is becoming more attractive to many of our customers. That's because of an uncertain business environment, coupled with the lack of confidence and clarity in tax incentives."

Deere & Co. Worldwide Financial Services



Information above includes all of Deere's lending activities worldwide.

Source: Deere & Co.

What Are the Major Equipment Makers Doing in Russia?

AGCO. Assembly of Challenger and Massey Ferguson branded tractors and harvesters began in January upon completion of a joint venture announced in 2013 between AGCO and Russian Machines (part of the Basic Element industrial group). The 50/50 partners in AGCO Machinery LLC planned to invest \$100 million over 3 years, which will expand local component production at a new 27,000 square meter facility near Moscow and add Fendt and Valtra distribution to the business.

CNH. CNH Industrial has assembled combines and tractors at Naberezhnaya Chelny since starting a JV with auto-

motive group Kamaz in 2010. The Russian partner opted out 3 years later as part of a group restructuring and CNHI paid \$13 million for complete ownership of the commercial and industrial operations.

Deere. Deere & Co. opened a parts distribution and production facility for large combines and tractors at Domodedovo in 2010. The following year, plans were announced to double manufacturing space at the plant and spend \$32 million to increase seeder, tillage equipment and crop application machinery production by replacing an existing facility in Orenburg.

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Little Change Seen for Crop Receipts in 2016

USDA's year-end crops report provided little reason to expect a significant pick up in overall crop receipts in the year ahead. According to industry analysts, the ag agency's Dec. 9 World Agricultural Supply Demand Estimates points toward major crop receipts for 2015 at about \$96 billion, or down approximately 8% year-over-year. Total cash receipts is a leading indicator of U.S. farmers' buying power.

Following the release of the latest WASDE, Michael Shlisky, analyst for Seaport Global Securities, reported, "Our 2015-16 major-crop receipts forecast is now \$96.1 billion, down 8% year-over-year, unchanged from last month. When adjusted for the calendar year, other crops and live-stock-related expectations, we currently forecast that overall farmer cash receipts will be down 10% in 2015, including -13% for major crops, followed by an incremental decline of 4% in 2016, including -5% for major crops."

While most key numbers were

Forecast — U.S. Farm Commodity Prices 2015-16 (dollars per bushel)		
	Deere & Co. Estimates*	USDA Estimates**
Corn	\$3.65	\$3.35-\$3.95
Soybeans	\$8.90	\$8.15-\$9.65
Wheat	\$5.00	\$4.80-\$5.20
*Forecast as of Nov. 25, 2015; **Forecast as of Dec. 9, 2015		

unchanged from the November estimates, they represent a "continued downside risk to ag machinery demand estimates," said C. Schon Williams, analyst for BB&T Capital Markets.

During its conference call with analysts on Nov. 25, Deere & Co. upped its estimates for U.S. farm cash receipts for both 2015 and 2016 from its previous forecast. But the company expects overall receipts this year to come in lower than 2014. "Given the record crop harvest of 2014 and consequently the lower commodity prices we're seeing today, our 2015 forecast calls for cash receipts to be down about 8% from 2014's peak

levels," said Susan Karlix, manager, Investor Communications. "Moving to 2016, we expect total cash receipts to be about \$394 billion, roughly flat with this year."

When questioned by analysts why they increased their cash receipts outlook for 2016, Tony Huegel, Deere's director of Investor Relations seemed to indicate the company was looking for a pick up in prices at the end of next year. "The '16 cash receipts number is a calendar number [vs. marketing year], so it does reflect a bit at the tail end of 2016, relative to what we would anticipate for next year's crop year," he said.

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Forecast — U.S. Farm Cash Receipts (in billions \$)					
	2014 Forecast	2015 Forecast	Previous 2015	2016 Forecast	Previous 2016
Crops	\$207.9	\$193.3	\$180.4	\$192.8	\$182.6
Live Stock	\$212.2	\$190.3	\$197.7	\$192.2	\$191.8
Gov't Payments	\$9.8	\$11.1	\$12.4	\$9.4	\$10.6
Total Cash Receipts	\$429.9	\$394.7	\$390.5	\$394.4	\$385.0
Source: Deere & Co. forecast as of Nov. 25, 2015 (previous forecast Aug. 21, 2015)					

Stoll Eyes U.S. Market Through Partner KMW

One of Europe's leading tractor loader manufacturers is eyeing expansion in the U.S. market through a new partnership with OEM specialist KMW Ltd.

Germany's Wilhelm Stoll Maschinenfabrik has underpinned the new relationship by investing in a non-controlling stock holding in KMW, which continues to be run by founder Mike Bender as president and general manager.

"KMW provides a dynamic platform for the expansion of Stoll in North America, building on the two companies' established global distribution

partners," says Stoll managers.

KMW's established OEM expertise accounts for some 95% of operations, which employs 135 people at 3 locations in Kansas.

Stoll has manufactured loaders for 50 years. It employs 500 people across 3 locations, generating sales of around €80 million (\$86 million). The company has an OEM agreement with CNH Industrial to supply Case IH and New Holland dealers.

A similar agreement with Same Deutz-Fahr Group extends worldwide, so the U.S. importer of Deutz-Fahr trac-

tors, Bavarian Tractor Works, Kerman, Calif., has access to the range.

Armin Walter, Stoll sales and marketing director, told *Ag Equipment Intelligence*: "In order to grow our business, we want more OEM sales globally and especially in North America, where we felt it necessary to have local manufacturing and a product that suits the market.

"We are also discussing whether KMW could establish a sales and dealer organization to act as the U.S. distributor for our European high-end loaders," he said.

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Worldwide Ag Equipment Sales Continue Sluggish Pace

The global business climate for agricultural machinery remains weak going into the final months of 2015, according to the Agrievolution Alliance's most recent survey of ag equipment manufacturers. The group describes the overall sentiment of the industry as "pessimistic."

The index shows a slight decline of 3 points from the group's April report; only manufacturers in China and India are in a "good mood," according to the Alliance's latest Agritech Business Barometer Survey.

The survey found that nearly 50% of the global ag machinery industry reports that in the past 3 months, the volume of incoming orders in their domestic markets decreased compared to the same period a year ago. Countries reporting the best sales revenue were Russia, China and India.

One analyst commented on the general state of the ag economy in Europe: "Agricultural fundamentals remain weak in Europe, with year-over-year declines in meat prices (down 20%) and dairy prices (down 16%), while grain and oil-seed price challenges are expected to continue into next year at the least.

"Sentiment has improved in recent months, but it's unclear how much of it has to do with recent government interventions in the dairy market to prop up prices; the supports are expected to run through the end of the year."

Germany-October. For the month of October, tractor sales of the six major brands in Germany declined 2% year-over-year to 2,128 units, vs. down 27% year-over-year in September and down 12% year-over-year in August.

Overall, farm tractor sales are down 11% year-to-date. Among the brands, AGCO's registrations were up 7% year-over-year in October for a share, among major brands only, of 20.9% (30.4% year-to-date from the prior year).

Claas' sales were down 13% year-over-year for a share of 3.7% (11.2% year-to-date vs. the prior year). CNHI's tractor registrations were down 16% year-over-year for a share of 14% (17.1% year-to-date). Deere's tractor

registrations were up 4% year-over-year for a share of 42% (22.9% year-to-date). Kubota's tractor sales were down 6% year-over-year for a share of 8.8% (6.4% year-to-date). Same/Deutz-Fahr's tractor sales were down 7% year-over-year in October for a share of 10.8% (11.9% year-to-date).

France-October. In October, sales of farm tractors declined 3% year-over-year to 2,902 units vs. down 3% in September but up 4% in August. In the 0-99 horsepower category, sales were down 7% year-over-year. In the key 100-199 horsepower category, sales were down 4% year-over-year. In the smaller 200 horsepower-plus category, sales were up 13% in October vs. up 7% in September and up 4% year-over-year in August. In landscaping tractors, sales were down 7% year-over-year in October compared to up 14% in September and up 33% in August.

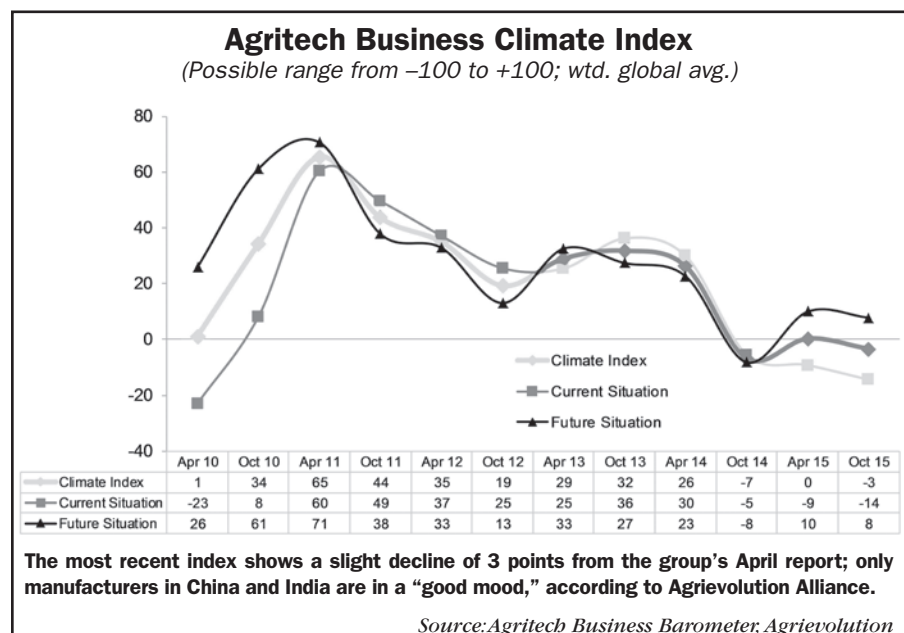
UK-October. Tractor sales in the UK declined 4% year-over-year to 747 units, vs. down 29% in September and down 27% in August. Registrations in the UK are down 17% year-to-date and were down 22% during the quarter.

Brazil-November. ANFAVEA, the local trade association, reported that tractor shipments declined 59% year-over-year in Brazil, while combine shipments declined 60%. During the month, the industry shipped 1,723

tractors, a drop of 59% year-over-year. The industry also exported an additional 1,010 units, up 32% year-over-year; production was 3,317 units, down 36% year-over-year. Over the last 3 months, tractor production (plus imports) has been 1,347 units higher than wholesale shipments (plus exports). In November, the industry shipped 237 combines, a decline of 60% year-over-year. The industry also exported an additional 61 units, down 61% year-over-year; production was 312 units, down 54% year-over-year. Over the last 3 months, combine production (plus imports) has been 49 units higher than wholesale shipments (plus exports).

Russia-October. Total sales of tractors in Russia for the month came to 1,821 units vs. 2,663 units in October 2014, down 31.2%. Compact tractor (40 horsepower and lower) sales year-over-year were down 53.6% and down 45.7% year-to-date. Utility tractor (40-100 horsepower) sales in October were down 25.6% year-over-year, and down 34.6% year-to-date. Sales of row-crop tractors (100 horsepower and higher) were down 18% year-over-year, and down 49.1% year-to-date. 4WD tractor sales were up 156.3% year-over-year, and up 24.7% year-to-date. Likewise, sales of combines were up 81.3% year-over-year in October, but down 4.6% year-to-date.

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Weak Ag Equipment Sales Continue

North American large ag equipment sales declines continued during November, with 4WD tractor sales down 37.6% year-over-year, combine sales down 22.7% and row-crop tractor sales down 38.2%, according to the latest numbers released by the Assn. of Equipment Manufacturers. Mid-range tractors were down as well, dropping 11% year-over-year following a 3.2% decrease the prior month. Meanwhile, compact tractor sales saw a less than 1% increase.

Mig Dobre, analyst with RW Baird, notes that November is a seasonally unimportant month and inventory continues to build on a days-sales basis year-over-year across all categories.

- U.S. and Canada large tractor and combine sales decreased 36% year-over-year in November, which is down from the 31% drop in October. U.S. sales were down 39% year-over-year and Canadian sales were down 23%.

- Combine sales fell, posting a 22.7% year-over-year decrease in November following an 18.7% decrease in October. U.S. combine inventories were 31.2% lower year-over-year in October vs. down 29.3% in September.

- Row-crop tractor sales saw a 38.2% year-over-year decline, down from the 33.7% drop observed in October. U.S. row-crop tractor inventories decreased 20% year-over-year in October vs. a 22.9% decrease the previous month.

November is typically a below-average month for row-crop tractor sales, accounting for just 6.3% of annual sales over the last 5 years.

- 4WD tractor sales declined 37.6% in November vs. the same period in 2014. This is down from the 29.5% drop in October. U.S. dealer inventories saw a 32.5% drop for 4WD tractors in October.

- Mid-range tractor sales decreased in November, down 11% year-over-year after a 3.2% decrease the month before. Compact tractor sales were nearly flat at up 0.9% after the 17.6% increase in October.



NOVEMBER U.S. UNIT RETAIL SALES



Equipment	November 2015	November 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	October 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	5,104	5,019	1.7	110,433	102,583	7.7	65,940
40-100 HP	3,115	3,470	-10.2	53,712	54,300	-1.1	33,643
100 HP Plus	914	1,540	-40.6	21,741	28,799	-24.5	9,795
Total-2WD	9,133	10,029	-8.9	185,886	185,682	0.1	109,378
Total-4WD	142	253	-43.9	2,702	4,679	-42.3	935
Total Tractors	9,275	10,282	-9.8	188,588	190,361	-0.9	110,313
SP Combines	204	284	-28.2	4,692	7,222	-35.0	1,078

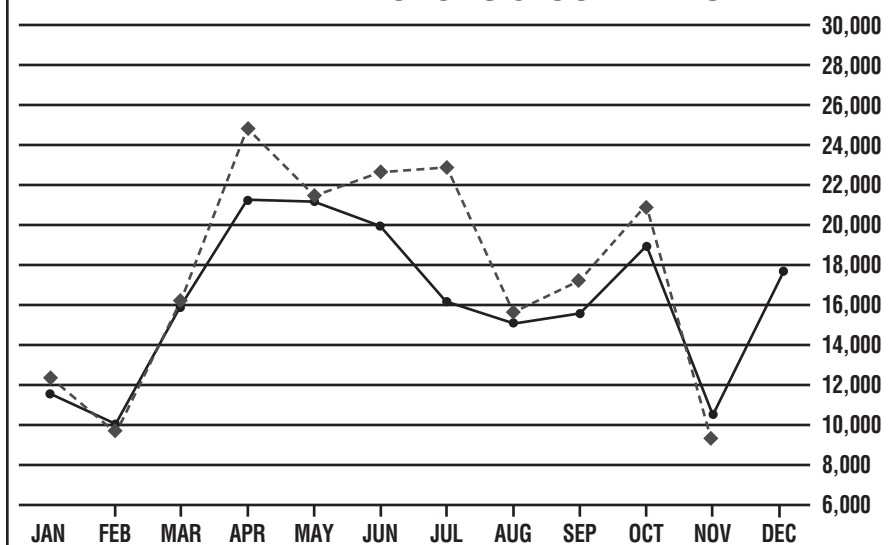
NOVEMBER CANADIAN UNIT RETAIL SALES



Equipment	November 2015	November 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	October 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	836	870	-3.9	11,943	12,942	-7.7	9,102
40-100 HP	582	686	-15.2	5,417	6,454	-16.1	4,242
100 HP Plus	250	345	-27.5	4,014	5,324	-24.6	2,111
Total-2WD	1,668	1,901	-12.3	21,374	24,720	-13.5	15,455
Total-4WD	79	101	-21.8	773	1,138	-32.1	331
Total Tractors	1,747	2,002	-12.7	22,147	25,858	-14.4	15,786
SP Combines	140	161	-13.0	1,752	2,075	-15.6	426

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

--- 2015
— 5 year average

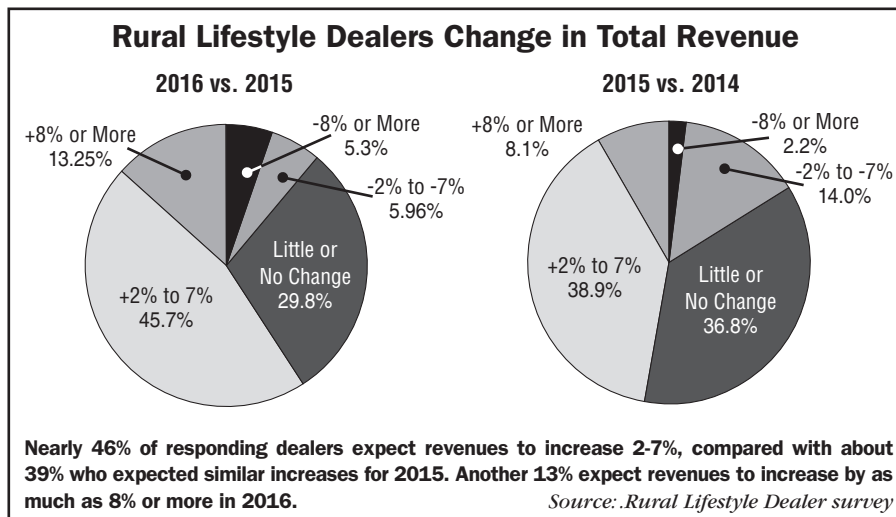


— Assn. of Equipment Manufacturers

good reason to be optimistic as the economy overall is sending good signals." She cites new home construction, a leading indicator for the market, and builder confidence, which has been in the 60s, with 50 being neutral, as measured in the National Assn. of Home Builders/Wells Fargo Housing Market Index. NAHB Chief Economist David Crowe says, "A firming economy, continued job creation and affordable mortgage rates should keep housing on an upward trajectory as we approach 2016."

Another potential industry barometer, the Green Industry & Equipment Expo (GIE+Expo), a leading trade show for the industry, saw registrations up 11% in 2015 and the number of exhibitors increased 4%, according to Woolf.

Survey Results. A total of 152 usable responses were received from dealers this year. Rural lifestyle dealers are strongly positive about 2016. Nearly 46% of responding dealers expect revenues to increase 2-7%, compared with about 39% who expected similar increases for 2015. Another 13% expect revenues to increase by as much as 8% or more in 2016, compared to 2015 when 8% of dealers expressed that high level of optimism. Overall, about 30% are expecting this year to be as good as 2015, compared with 37% in last year's survey.



There are fewer dealers this year than last year who are pessimistic about potential sales in the year ahead. Only 11% expect revenues to decline 2-8% or more, compared with 16% who forecast similar declines for 2015.

The upward trend is also evident when calculating the results on a weighted average basis. Based on the results of the survey, the weighted average for 2016 is 2.42% compared with 1.59% for 2015 overall revenues.

Dealers' optimism extends to aftermarket revenues as well. More dealers than last year are expecting growth in the 2-7% range for service and parts revenues, about 54% for 2016 vs. about 46% for 2015. Those who are most optimistic, expecting growth in the 8% or more range, remained about steady.

There are slightly more dealers expecting aftermarket declines in 2016. About 9.4% are expecting aftermarket revenue decreases of 2-7%, compared with 8.6% in 2015.

The weighted average for aftermarket revenues again bears out the optimism — 2.6 for 2016 vs. 1.8 for 2015.

Customer Growth. Besides strong consumer sentiment, another factor contributing to the upward trend is the growing customer base. About 68% of dealers say their markets have grown 5-20% in the last 5 years, compared with about 76% for 2015, and 16% report market growth of 20% or more, compared with about 13% last year. Fewer dealers reported a shrinking market, 7.3% compared with 10.4% in the 2015 survey. **AEI**

Italy's Goldoni Ceases Tractor Operations; Seeks Investors

One of Italy's specialty tractor manufacturers is seeking new investors to stave off closure and the loss of some 300 jobs.

Goldoni manufactures a range of 4WD orchard and vineyard tractors of 50-100 horsepower, plus walk-behind tractors, at its Migliarina works near Modena, northern Italy. Sales throughout the country and other Mediterranean states account for the bulk of its turnover, but Goldoni also sells into other markets worldwide. In the U.S., Goldoni's load-carrying Transcar multi-purpose tractor is distributed by Oesco Inc., Conway, Mass.

Last year, the company developed its most powerful tractor — the 102

horsepower VM diesel powered Q-110 — for introduction this year with fresh styling and new control features. But the company ran into a financial crisis this summer, which resulted in production coming to a halt and all employees being laid off.

Local public authorities have since agreed to support the company's wage bill while a buyer is sought. Local newspaper *Gazzetta di Modena* reports interest from manufacturers in China and India, as well as naming John Deere as a potential candidate. Deere sourced its fruit, orchard and vineyard tractors from Goldoni in an agreement reached in the late 1980s.

In addition to the tractor product range, Goldoni has a manufacturing and assembly facility with capacity for 13,000 units a year.

Fellow Italian manufacturer Agritalia, in contrast, is seeing sustained demand for its orchard and vineyard tractors. Last year, sales of €102.8 million (\$114 million) remained at 2013 levels supplying just over 3,700 units through its own channels and to OEM customers including AGCO, Claas and Deere.

Moreover, Agritalia's parent, the Carraro Group, reports a 50% increase in first-half turnover for the tractor making unit as fruit sector sales continue to buck the generally downward trend in demand for full size tractors. **AEI**