From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

April 15, 2015
Vol. 21, Issue 4

- Russia's Dilemma
- Kongskilde for Sale
- Foton Buys MaterMacc

Dealership M&A Activity Maintains Brisk Pace; Could Heat Up in 2015

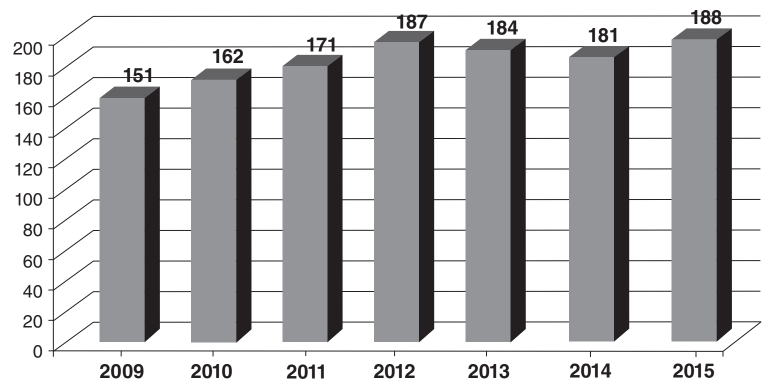
Despite the biggest slowdown in the sales of big ag machinery in the past decade, merger and acquisition activity among farm equipment dealers in 2014 and early 2015 has shown few signs of letting up since *Ag Equipment Intelligence* issued its last "Big Dealer Report" in April 2014.

On the other hand, recent dealer consolidation moves have taken on a somewhat different tone than the industry has seen recently as more store closings were announced and several Caterpillar dealers abandoned the ag market in favor of the improving outlook for construction equipment. Some industry experts say down periods much like the one currently underway often set the stage for increased industry consolidation.

By the Numbers. Overall, the number of "Big Dealers" operating in the U.S. and Canada rose to 188, up from 181 in the previous year. Big dealers are defined as those dealer-

Continued on page 2

'Big' North American Farm Equipment Dealers



The total number of dealer groups that own 5 or more stores increased to 188, up from 181 in the previous year. This was the first increase in the number of big dealers in the past 3 years. While several CAT dealers exited the ag business, more smaller dealers added stores resulting in the increase in the total number.

Source:Ag Equipment Intelligence, Currie Management Consultants

No-Till Farmers Expect to Cut Back on Equipment Buys in 2015 — But Will They?

If history holds true, no-till farmers will end up investing more in new equipment in 2015 than they originally planned to do. But at the moment, these growers say they will reduce their purchases of ag machinery by 33% this year, according to *No-Till Farmer's* "2015 Operational Benchmark Study."

A year ago, the results of the 2014 survey showed *No-Till Farmer* readers said they would spend an average of $59,337 in 2014, or $40.48 per acre for new equipment. They ended up spending $64,938, or $55.88 per acre. Ahead of the 2016 cropping season, *No-Till Farmer* readers say they're planning to spend $42,186 per farm, or $36.30 per acre.

"Throughout the history of this benchmark study, farmers have always underestimated what they plan to spend in the coming year for equipment," says Darrell Bruggink, publisher of *No-Till Farmer*. "When we survey them the next year, we find they actually spent much more than they predicted. That's likely because a lot of their actual purchasing decisions occur at the end of the year after they've been able to look at their yields and what they've earned for their crops. At that point, they've also had a chance to listen to what their accountants might be recommending in equipment purchases to reduce their tax burden.

"Had you talked to farmers last fall at the farm shows prior to harvest, many of them would have been very anxious about farm economics because grain prices had fallen considerably throughout the summer," Bruggink says. "But the mood was much better this spring after they got a chance to look at their financial picture following harvest. Some 81% of

Continued on page 8

ship groups that operate 5 or more farm equipment stores or locations, and the terms "store" and "locations" are used synonymously.

The increase in the number of big dealers doesn't tell the whole story because several dealer groups were dropped from the list this year for various reasons. At the same time, several were added as they acquired or opened additional stores. For example, three Caterpillar dealers exited the farm equipment segment, and that business was transferred to other CAT dealers, while other dealers consolidated stores, leaving them with fewer locations.

Deere Continues Push. By equipment brand, John Deere remains the most aggressive when it comes to consolidating its dealers. In total, Deere has 100 dealer groups with 5 or more ag dealer locations, and 42 groups that operate 10 or more locations. This is up from 39 a year earlier. More than 70% of Deere ag dealerships fall into the category of "big dealers." The 42 groups that own 10 stores or more operate 858 individual locations, 680 (79%) of which are primarily focused on agriculture and turf equipment.

Both AGCO and Case IH have 10 dealer groups that operate 10 or more store locations. This is an increase of 3 from Case IH and no increase for AGCO.

Case IH has 47 dealers that operate 5 or more stores, or 48% of all of its 976 dealer locations are classified as "big dealers." Case IH's largest dealers that own 10 or more store locations operate a total of 253 stores, 207 (82%) of which focus on selling and servicing ag equipment.

AGCO, on the other hand, has only 22 dealers that fall into the "big dealer" category. AGCO's 10 largest dealers operate 188 total locations, 139 (74%) of these are focused primarily on farm machinery.

As for the remaining brands, New Holland has only 2 dealer groups with 10 or more stores, and Kubota has no dealer groups in that category. Overall, New Holland has 16 dealers that can be classified as "big dealers," which represents no increase from the previous report, while Kubota has 18, which represents a gain of 7 dealer groups in the "big dealer" category.

North American Big Farm Equipment Dealer Groups by Brand — 2015

(*Individual ownership groups & stores may carry a range of different brands*)

# Ag Stores in Ownership Group	Owner Groups	John Deere	Case IH	AGCO Corp.	New Holland	Kubota
>15	20	15	2	3	1	-
10-15	45	27	8	7	2	-
7-9	57	36	12	5	4	3
5-6	66	22	25	6	9	15
TOTAL	**188**	**100**	**47**	**21**	**16**	**18**
Stores in Large Groups	**Total Industry**					
Ag Stores*	1,890	1,098	434	218	170	139
Total Locations	2,396	1,368	513	377	113	25
Avg. # Ag Stores in Group		11.0	9.2	10.4	10.6	7.7
Est. Stores-Industry	6,800*					
Est. Branded Stores	5,586*	1,539	976	975	996	1,100
% Stores in Large Groups	39%	71%	48%	22%	17%	13%

**Est. total ag dealer locations in North America; does not include OPE, CE or HQ locations. AGCO Corp. includes only dealers who carry an AGCO tractor brand.*

Source: Farm Equipment Magazine, Dave Kanicki (DKanicki@LessPub.com, 262-782-4480, www.farm-equipment.com) and Currie Management Consultants, George Russell (GRussell@CurrieManagement.com, 847-219-7252, www.CurrieManagement.com)

Emerging Patterns. Commenting on the pattern of recent merger and acquisitions among ag equipment dealers, George Russell, executive partner of Currie Management Consultants, which works with *Ag Equipment Intelligence* to compile the "Big Dealer" report, says trends are developing as expected.

"Because Deere started the consolidation process earlier than the others, their dealers are learning how to do further acquisitions and developing a competency in doing the acquisition process.

"And Deere dealers remain aggressive for acquisitions — typically targeting adjacent Deere dealers with 1 or 2 stores — and they are also in the process of tweaking their footprint by either closing and/or consolidating two locations into one, or by moving locations within their AOR."

He adds that dealer groups of the other brands are becoming more active, as well. "The CAT/Challenger dealers are also at the scale that they are acquiring stores or starting new locations to serve their sales areas. Case IH dealers and some larger New Holland dealers are just starting to make these kind of adjustments to their footprints, and have begun to acquire dealers on the perimeter of their sales territories."

Russell also notes another minor trend that bears watching is the

Continued on page 3

AG EQUIPMENT INTELLIGENCE is published monthly for the farm equipment industry by Lessiter Media, 16655 W. Wisconsin Ave, Brookfield, WI 53005. Please send any address changes as soon as possible to the address shown above. U.S., Canada and Mexico print subscriptions are $499 per year. International print subscriptions are $599 per year. Send subscription orders to: *Ag Equipment Intelligence*, P.O. Box 624, Brookfield, WI 53008-0624. Fax: 262/786-5564. Phone: 262/782-4480 or 866/839-8455 (U.S. only). E-mail: info@lesspub.com.

growth in the number of company stores as specialty equipment brands try to assure distribution of their products in key market areas. "Krone and Claas are the best examples of this right now, but will others follow? Or will multiple shortline brands setup company stores for the same reason?"

Increasing M&A? Russell also sees the strong possibility of a pick up in the number of mergers and acquisitions in the year ahead. "I wouldn't be surprised to see an acceleration in dealer consolidation due to the down cycle," he says. "The expectation is that by next year there will be an increase in the number of stores in the Big Dealer group as many smaller dealers sell out. I'm not suggesting that smaller dealers cannot be successful, but for those where there isn't a logical successor, and/or their OEM does not want them to continue, then it appears that many smaller dealers will assess their value in order to sell to a neighbor."

Raymond James analyst Ben Cherniavsky also believes the slowdown in farm equipment sales this year could lead to an increased level of dealership mergers and acquisitions in 2015.

"Economic and/or industry downturns — such as the one that occurred in 2009 — often facilitate these kinds of transactions. In light of the challenges that have resurfaced in the equipment world lately, especially in mining and agriculture, we think these kinds of opportunities may become more abundant again in 2015."

"Economic downturns often facilitate these kinds of M & A transactions … opportunities may become more abundant again in 2015 …"

Another factor that could contribute to increased consolidation moves in the next few years is the age of dealer/principals. Many dealers who may have retired and/or sold their businesses in recent years, admittedly hung in longer to reap the benefits of the booming North American ag economy.

The results of an informal poll conducted by *Farm Equipment* magazine earlier this year would seem to indicate that many owners and upper management of North American farm equipment dealerships are aging and approaching, if not already surpassed, the typical retirement age. The poll showed that 38% of owners, partners and principals are 61 years old or older, with 29% of these older than 65 years old. Add in those who are 51 years or older, that percentage jumps to 74%.

With industry sales cooling off, it's not unreasonable to assume many of the older dealers will give retirement serious consideration in the next few years. If these owner/principals don't have a viable succession plan in place (which also must meet the desires of the dealership's major line supplier), the industry could see another big wave of consolidation. **AEI**

FARM MACHINERY TICKER (AS OF 4/13/15)

MANUFACTURERS	Symbol	4/13/15 Price	3/12/15 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$50.22	$57.22	$57.99	$41.45	27.29	40,132	661.9M
AGCO	AGCO	$47.33	$47.36	$59.18	$41.56	10.86	1,114,850	4.18B
AgJunction Inc.	AJX	$0.75	$0.61	$1.05	$0.51	N/A	51,925	54.24M
Alamo	ALG	$61.85	$57.62	$63.79	$37.93	18.08	49,023	700.2M
Art's Way Mfg.	ARTW	$4.51	$4.60	$7.08	$4.50	13.67	5,294	18.32M
Blount Int'l.	BLT	$13.00	$13.60	$17.97	$10.84	17.81	477,952	636.23M
Buhler Ind.	BUI	$5.40	$5.49	$6.95	$4.86	14.59	332	135M
Caterpillar	CAT	$82.13	$80.19	$111.46	$78.19	13.97	6,346,410	49.78B
CNH Industrial	CNHI	$8.12	$7.71	$11.84	$7.35	11.99	1,425,720	11.01B
Deere & Co.	DE	$87.99	$90.18	$94.89	$78.88	11.01	2,734,220	29.87B
Kubota	KUBTY	$81.05	$83.08	$84.15	$62.95	18.57	20,364	20.2B
Lindsay	LNN	$75.03	$79.55	$91.60	$73.01	21.11	132,516	885.88M
Raven Industries	RAVN	$20.96	$19.03	$34.56	$16.91	24.40	183,327	797.51M
Titan Int'l.	TWI	$9.27	$10.20	$18.18	$8.77	N/A	588,348	498.38M
Trimble Navigation	TRMB	$25.47	$26.10	$39.95	$23.68	31.44	1,514,500	6.6B
Valmont Industries	VMI	$118.61	$124.15	$163.23	$116.71	16.73	252,189	2.85B
RETAILERS								
Cervus Equipment	CVL	$18.77	$18.95	$22.69	$17.80	15.51	10,154	289.71M
Rocky Mountain Equipment	RME	$8.73	$8.80	$11.55	$8.20	8.91	20,705	169.22M
Titan Machinery	TITN	$12.99	$12.40	$20.40	$10.69	N/A	118,837	272.7M
Tractor Supply	TSCO	$87.50	$87.35	$90.49	$55.95	32.89	861,532	11.92B

Foton Lovol Acquires MaterMacc

Foton Lovol, one of China's leading tractor and agricultural machinery manufacturers, has acquired an Italian maker of precision planters for undisclosed terms.

MaterMacc, whose Magicsem vacuum precision planters and air vegetable drills are supplied in the U.S. by Market Farm Implement of Friedens, Pa., in the eastern parts of the country, and in the western regions by Solex, also produces inter-row weeders, fertilizer applicators and microgranular insecticide distributors, as well as electronic control systems for implements and irrigation reels.

The acquisition of MaterMacc "symbolizes that the globalization of Foton Lovol has accelerated," says its new Chinese owners. It also reflects growing ties with Italy. Foton Lovol has its European R&D facility in the country and Andrea Bedosti, senior vice president for just over a year, is an Italian national who previously held senior positions in sales and aftersales at Argo Tractors and Same Deutz-Fahr Group.

Bedosti now adds president of the MaterMacc business to his portfolio with a view to building sales in China, where the company's products are already established, and in other export markets as well as in Italy.

After a conference held in February for Foton Lovol's sales network in China, MaterMacc announced orders totaling almost €5.2 million — equivalent to $5.6 million at current exchange rates.

The Italian business was formed in the early 1980s by its honorary chairman Antonio (Tony) Fiorido, who discussed future business with Foton Lovol CEO Wang Guimin during the conference.

Foton Lovol claims market leadership in harvester sales in China and produces tractors from 35-260-plus horsepower. Units up to 100 horsepower or so are exported to a number of global markets.

Kongskilde for Sale Despite U.S. Market Success

The Danish owners of ag equipment manufacturer Kongskilde put up a 'for sale' sign for the business in March, saying it needs a strong partner or a new owner to realize its full potential.

This comes after the group announced a $12 million investment program for the business in January. The program, largely triggered by success in the U.S. market, was intended to help return the business to profitability.

"It's important for Kongskilde to streamline production and improve our delivery capacity, and consequently also our competitiveness," said Lars Sørensen, chairman of the Kongskilde board and DLG Group's CFO, in January. "For this reason, we embarked on an investment program based on the considerable and positive changes realized by the management and staff in the first half of 2014."

The largest single investment for the program is in the U.S., where the equivalent of $7.5 million was earmarked for increased production. Kongskilde Industries Inc., Hudson, Ill., which currently has around 100 employees, was experiencing increased demand and reached its capacity limit, so the group was investing to expand the facility through the project expected to be completed in mid-2015.

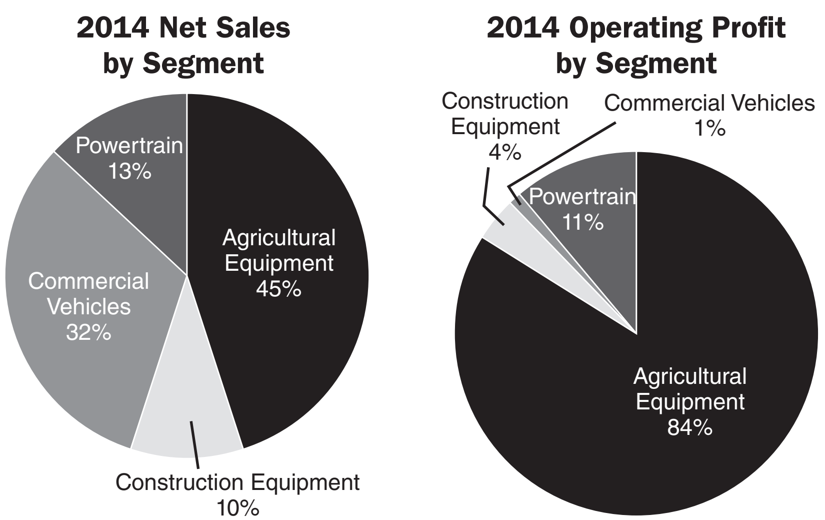
In January, CEO of Kongskilde, Ole Gade, said, "Things are going excellently for Kongskilde in the U.S., not least due to the implementation of our strategy to increase the number of dealerships. We're now investing to double the production output; the existing production facilities are exploited to the hilt, so we need to expand our capacity and improve our production flow."

Other investments were aimed at improving production efficiencies and reducing costs as Kongskilde group aimed to turn around the near $11 million pre-tax loss it suffered in 2013 on turnover equivalent to $350 million, less than 3% down from the prior year when the business made a $5.9 million profit.

Despite the company's success in the U.S. and the program underway,

Continued on page 5

Ag Equipment Carries the Load for CNHI



When CNH Industrial was formed last year to include Fiat's ag equipment, construction equipment, commercial vehicle and powertrain business segments, it was assumed that ag would carry the load when it comes to revenues, profits, etc. The full-year 2014 financial results reinforced CNH Industrial's reliance on its ag segment.

Last year, ag equipment sales accounted for 45% of CNHI's net sales, but 84% of its operating profit. The operating margin for the farm machinery segment was 11.6% compared to 0.3% for commercial vehicles, 2.4% for construction equipment and 5% for powertrain operations.

Source: CNHI reports

DLG Group made the decision to sell Kongskilde as an acknowledgement that the machinery manufacturing operation no longer fits the strategic focus of the DLG Group, which as a farmer-owned cooperative and the largest agricultural business of its type in Europe, has successfully grown its farm supply operations.

Sørensen said, "Kongskilde is on the right track after a couple of difficult years. We made a major effort in the on-going turn around process, which proceeds satisfactorily and will make Kongskilde profitable again. But in order for Kongskilde to reach its full potential longer term, there is a need to find a strong partner or a new owner."

DLG directors have approved an extraordinary write down of the book values in Kongskilde Industries as part of a turn around process aimed at stemming large losses. Last year, Kongskilde recorded a loss of 64 million Danish Crowns — equivalent to more than $9 million.

The write-downs and restructuring has a total net effect of DKK555 million ($81 million) on DLG's accounts, resulting in an accounting loss for the year of DKK185 million, or $27 million.

"The write-down breaks with a failed strategy in the production of farming equipment," concludes Group Chairman, Niels Jensen. "Kongskilde would do better in a group where agricultural machinery is the core competence; the company deserves it."

Kongskilde produces tillage tools and seed drills, hay equipment and cattle feeders; grain handling equipment for farm and industrial installations, and produces handling and processing systems for the plastic, paper and packaging industries. AEI

Old Becomes New Again with English-Made Tillage Tools

Never throw away the jigs and drawings for an implement that goes out of fashion. That's the lesson drawn from the re-introduction of a novel cultivator by British manufacturer Bomford Turner, an Alamo Group company.

It's some years since the Dyna-Drive was last manufactured, having been introduced in the 1980s as a high-speed, low-cost implement for non-plowing primary cultivation and quickly became one of Bomford's best selling products because of its simplicity, reliability and low operating cost.

Times change, and the Dyna-Drive fell out of favor as farmers turned to wider-working trailed implements with combinations of tines and discs, but now the story is coming full circle.

"Sales of replacement parts suggested that a lot of Dyna-Drive cultivators were still in use," says Chris Tucker, marketing manager. "The difficulties growers have faced with grass weeds and the increased use of cultural methods of control suggested the machine's time had come around again."

With improvements made to the tines, drive gear and rear roller/crumbler design, the Dyna-Drive is back in production at Alamo Group Europe's Salford Priors headquarters facility in England, where a significant investment program has increased the factory area on the 40 acre site by almost 50% to more than 151,000 square feet.

The plant, which has around 230 employees and is one of two Alamo factories in England, builds a growing Bomford product portfolio, as well as a number of components and products for other companies within Alamo Group Europe.

"This investment has not only seen the site's infrastructure expand, but also the installation of new manufacturing technology, including state-of-the-art machining centers and a powder coating paint plant," notes Ian Cuthbertson, director of sales and marketing. "A new employee welfare center has also been built to accommodate a larger workforce."

Long-serving employees will be intrigued to welcome the return of the Dyna-Drive to the assembly halls. Its unique design comprises two ground-driven horizontal tine rotors linked by a heavy-duty Duplex drive chain. Chisel-like tines are forward facing on the lead rotor to penetrate point first before lifting and breaking up soils with a lever action.

Backward-facing tines on the rear rotor, which is geared to turn three times faster, break down clods and firm the loosened soil to leave a level finish. A crumbler roller or packer roll is available to further consolidate heavier soils.

Bomford's implement needs relatively little power and works well at high forward speeds — typically 7.5 mph — resulting in good output and modest fuel consumption. At 5 meters (16 feet, 4 inches) wide, the largest version needs a tractor of around 160-240 horsepower to cover around 16 acres an hour.

Dyna-Drive sales will help Alamo Group Europe get revenues back on track after they dipped 3% in 2012 to $164 million and stabilized at that level in 2013. Alamo's 2014 third-quarter results show European division net sales up 14% over the year prior at $142 million. AEI

Lindsay's 2Q Irrigation Sales Disappoint

"It was a disappointing operating quarter, as tepid irrigation volumes continue to weight on the top-line earnings," is how C. Schon Williams, analyst for BB&T Capital Markets, described Lindsay Corp.'s most recent earnings release.

Revenues from its irrigation unit fell by 20.3% year-over-year. Overall, revenues were down 7.7% compared to the same period in 2014, and net income fell to $9 million vs. $13.5 million a year ago.

"U.S. volumes remain under pressure (-26.7%) from falling commodity prices and depressed farm incomes," Williams said in a note to investors. "Results turned negative on the international side (-6.5%) due to tepid volumes in the Middle East and Europe, along with foreign exchange headwinds. Both segments missed expectations, but poor irrigation margins (11% vs. 16%) were the primary catalyst weighed down by pricing pressure, mix and fixed cost deleveraging.

"Specific guidance was not provided," Williams said. "Overall, it was an uninspiring outlook with little hope for a rebound in ag fundamentals." AEI

Russian Deere Dealer Struggles to Stay Afloat

Russian Unit Sales — Farm Tractors & Combines						
Equipment	**YTD 2015 (through Feb.)**	**YTD 2014 (through Feb.)**	**% Change**	**Full Year 2014**	**Full Year 2013**	**% Change**
2WD Farm Tractors						
<40 HP	1,445	1,865	-22.5	14,749	13,328	10.7
40<100 HP	2,748	3,404	-19.3	14,555	19,326	-24.7
100+ HP	800	1,114	-28.2	6,892	6,638	3.8
Total 2WD Farm Tractors	4,993	6,383	-21.8	36,196	39,292	-7.9
4WD Farm Tractors	148	149	-0.7	1,063	866	22.7
Total Farm Tractors	5,141	6,532	-21.3	37,259	40,158	-7.2
Self-Propelled Combines	290	441	-34.2	5,591	5,141	8.8

Source: Rosagromasch

Russian dealer, Ekotechnika Group, which claims to be one of John Deere's top three dealers in Europe, is blaming the collapse of the ruble and deteriorating financial and credit conditions in the country for its need to restructure its debt load. According to UK's agrimoney.com, the dealer has asked its bondholders to convert their debt into shares of the company.

In March, Ekotechnika Group was downgraded by ratings agency Creditreform to CC, from CCC, "only two notches above default grade." In its restructuring plan, bondholders would swap debt for shares. The plan would see the dealer group's largest shareholder Ekotechnika Holdings' stake reduced to 5%. At the same time, Ekotechnika Holdings would invest €3 million in the dealer, "which would also be listed on an unspecified stock market in Germany, where the holding company is based," says agrimoney.com.

"The main reason is the weakness of the Russian economy as a result of the sharp drop in the oil price and the sanctions imposed in the context of the Ukraine crisis," the group said. The drop in the value of the ruble has increased the cost of imported farm machinery as well as the financing costs for farmers.

Prior to the sanctions, the Ekotechnika Group's sales had dropped by 8.6% to €65.1 million in the 6 months through March 2014, the latest available results for the company. The group's net loss for the period doubled to €10.6 million.

Credit Conditions Worsen. According to USDA's Moscow bureau, Russian farm costs have risen dramatically in the past year. They are also forecasting a decline of 11% in the country's grain harvest in 2015, noting the biggest drop will come in wheat production. It is estimated that Russia was the world's fourth largest exporter of wheat last year.

The Moscow bureau reported, "poor general economic conditions, tight federal and regional budgets, high indebtedness of agricultural producers, depreciation of the ruble … and high interest rates, have all combined to create a very unfavorable situation for borrowing money."

Reportedly, interest rates for commercial loans have skyrocketed from 12-15% in mid-2014 to 24-26% or more by the start of 2015. "Moreover, commercial banks sharply decreased lending to agricultural producers on commercial terms and increased requirements for collateral."

The report went on to say that costs of inputs such as fertilizers and agrichemicals have soared, with ammonium nitrate prices up 32% year-over-year and Roundup weed killer 44% more expensive, while prices of spring wheat seed are 50% higher and corn seed up 30%.

Equipment Sales Fall. While Russian farm equipment sales held up pretty well for the full year 2014, the first 2 months of 2015 have seen a precipitous drop as the country's financial condition takes its toll on interest rates and credit availability.

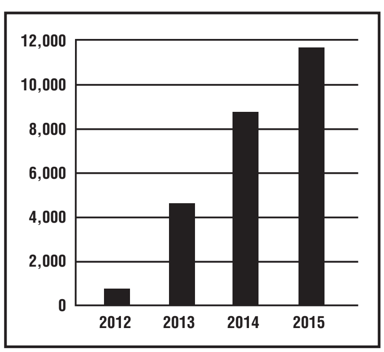
For the 12 months of last year, total tractor unit sales were off only 7.2% from that of 2013, according to Rosagromasch. Sales of combines in Russia during 2014 were up by 8.8%.

Through the first 2 months of 2015, unit sales of both tractors and combines are down dramatically from the same period of a year earlier. Through February of this year, total tractor sales are down 21.3% and combines sales are off by 34.2%. AEI

High Speed Planting is On the Rise

The adoption of high speed planting of row crops is gaining momentum worldwide, according to the manufacturers who participated in a panel discussion on the subject during the National Farm Machinery Show in Louisville, Ky., in February. The panelists included speakers from John Deere, Kinze, Horsch and Precision Planting.

Typically, planting is done at 5-5.5 mph. The newer planters developed by these and other manufacturers are being touted as planting with precision at 8-10 mph.



To illustrate how the sale of high speed planters has grown, since 2012, when the German equipment manufacturer Horsch began marketing their Maestro planter in the U.S., the company has produced 11,000 row units of its high speed planting system. *(Source: Horsch, February 2015).* AEI

Mid-Range Tractor Sales Soften in March

North American large ag equipment sales continued to decline in March, with the biggest drops coming from combines at down 47.8% (vs. 24.1% the previous month) and 4WD tractors at down 23.7% (vs. down 39.5% the previous month). Mid-range tractor sales have also started to decline, according to the latest numbers released by the Assn. of Equipment Manufacturers.

Mid-range tractor sales fell 5.1% year-over-year in March following a 10.8% decrease in February. Mircea (Mig) Dobre, analyst with RW Baird, says this is "concerning given the expectation for relative strength in this category due to stronger livestock farmer fundamentals."

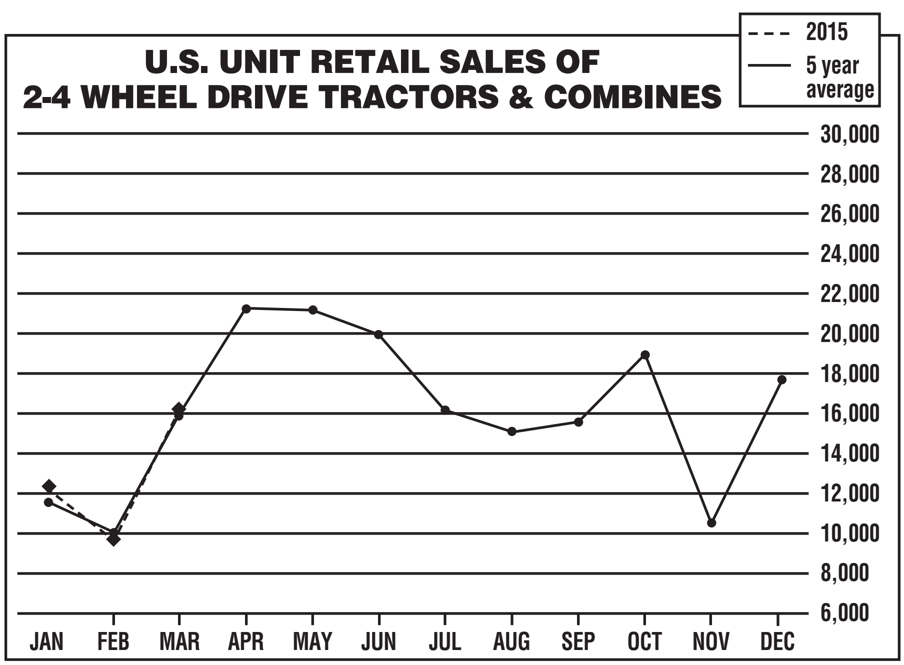
- U.S. and Canada large tractor and combine sales decreased 25% year-over-year in March, down slightly from the 23% drop in February. U.S. sales were down 31% year-over-year, while Canadian sales saw an 8% increase.
- Combine sales fell, posting a 47.7% year-over-year decrease following a 24.1% decline the previous month. U.S. combine inventories were 18% lower year-over-year in February vs. up 0.8% the previous month. March is typically a below average month for combine sales, accounting for just 6.9% of sales over the last 5 years.
- Row-crop tractor sales saw a 19.3% drop vs. the same period last year and similar to February sales. U.S. row-crop tractor inventories were up 6.6% year-over-year in February vs. a 12.7% increase in January. Typically, March is an average month for row-crop tractor sales.
- 4WD tractor sales were down as well, posting a 23.7% year-over-year decline in March vs. a 39.5% decrease the previous month. U.S. dealer inventories of 4WD tractors were down 33% year-over-year in February.
- Mid-range tractor sales decreased 5.1% year-over-year in March after posting a 10.8% decrease in February. Compact tractor sales were also down, dropping 3.7% year-over-year and down from the 0.1% decrease the previous month. AEI

MARCH U.S. UNIT RETAIL SALES

Equipment	March 2015	March 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	February 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	8,936	9,451	-5.4	18,425	18,200	1.2	69,949
40-100 HP	4,416	4,732	-6.7	11,470	11,668	-1.7	32,711
100 HP Plus	2,109	2,756	-23.5	6,519	7,731	-15.7	11,266
Total-2WD	15,461	16,939	-8.7	36,414	37,559	-3.2	113,926
Total-4WD	376	536	-29.9	850	1,531	-44.5	1,029
Total Tractors	15,837	17,475	-9.4	37,264	39,130	-4.8	114,955
SP Combines	332	768	-56.8	1,003	1,836	-45.4	1,203

MARCH CANADIAN UNIT RETAIL SALES

Equipment	March 2015	March 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	February 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	799	657	21.6	2,010	1,966	2.2	8,228
40-100 HP	435	378	15.1	1,134	1,239	-8.5	3,965
100 HP Plus	438	399	9.8	1,099	1,150	-4.4	2,715
Total-2WD	1,672	1,434	16.6	4,243	4,355	-2.6	14,908
Total-4WD	124	119	4.2	219	330	-33.6	407
Total Tractors	1,796	1,553	15.6	4,462	4,685	-4.8	15,315
SP Combines	138	131	5.3	250	413	-39.5	617



— Assn. of Equipment Manufacturers

our readers say they made a net profit last year, and only 11% said they had a net loss."

Which is to say that a lot of farmers are in a relatively strong financial position heading into the 2015 planting season, but remain cautious about purchasing capital equipment. On average, no-tillers had net income of $73,011.

According to the results of the 2015 survey, no-till farmers will cut back spending on most major equipment categories: 11% have or are planning to purchase a tractor for the 2015 cropping season compared to 17.5% who planned to buy a tractor a year earlier. Only 4.4% plan to purchase a combine this year vs. 10% last year; 7.3% will buy a planter compared to 12% a year ago. The same trend of declining investment in equipment holds for drills, self-propelled and pull-type sprayers.

While the no-tillers says they'll also reduce their investment in precision farming products — from $3,468 projected a year ago to $2,674 for 2015 — many of these growers are considered early adopters of emerging technologies in their cropping operations. According to the 2015 survey, the percentage of no-till farmers using advanced precision technologies include:

- GPS–Tractor auto-steer 48.4%
- Yield monitor data analysis 41.1%
- Field mapping 39.9%
- GPS guidance–lightbar 41.7%
- Variable-rate fertilizing 31.9%
- Variable-rate seeding 20.6%
- Satellite aerial imagery 7.8%
- GPS–implement auto-steer 6.9%
- Soil electrical conductivity mapping 5.3%
- Remote sensing 1.1%
- Drones 2.5%

Per-Farm Spending. *No-Till Farmer* readers spent an average of $455,981 for their entire farm in 2014, which was $53,727, or 10.5%, less than the record $509,708 spent in 2013, and the lowest since 2010 ($388,464).

This year, no-tillers plan to spend $422,342 on inputs, which is $33,639 less than 2014, or a planned cut of 8%. The deepest cuts are expected in equipment, fertilizer and fuel.

As for the seven regions represented in this study, all saw reduced total operating expenses in 2014 except for the Northern Plains and Western Corn Belt, which saw increases of 37% and 5.6%, respectively. However, when reviewing expenditures on a per-acre basis, the Eastern Corn Belt (17.7%), Appalachia (16.1%) and Northern Plains (66.2%) showed substantial increases.

"Farmers are in a relatively strong financial position, but remain cautious about purchasing equipment..."

When looking at what no-tillers spent, on average, on a per-farm basis for operational expenses in 2014, there was a pullback from 2013 spending levels:

Land Rent — Spending on land rent costs per farm declined last year by an average of $14,000, or 16.6%, compared to 2013.

Seed/Seed Treatment — Growers spent about 8.8% less in this area last year compared to 2013, or $6,168 less on average per farm.

Pesticides — No-tillers spent an average of $5,254 less in 2014 for this category compared to 2013, for a decline of 12%.

Fertilizer — Respondents spent an average of $9,169 less on fertilizer per farm in 2014 over the previous year, a 9.7% decline.

Equipment — Spending on equipment saw the largest decline last year vs. 2013, with the average per-farm drop totaling $22,983, or 26%.

Labor — Spending on farm labor dropped by a per-farm average of $11,487 last year over 2013 levels, a decline of nearly 31%.

Fuel — No-tillers spent $4,147 less, on average, per farm for fuel in 2014, a drop of 15% over 2013. **AEI**

No-Tillers' 2015 Equipment Purchasing Plans

	2015	2014	2013	2012	2011	2010	2009
Tractors	10.8%	17.5%	20.4%	19.0%	16.1%	13.6%	12.4%
Planters	7.3%	12.0%	15.1%	17.0%	13.7%	13.6%	12.0%
Combines	4.4%	10.0%	12.0%	11.0%	10.4%	10.8%	10.2%
SP Sprayers	4.4%	5.3%	9.5%	8.0%	6.6%	7.0%	5.3%
Drills	4.1%	5.5%	10.0%	8.0%	6.4%	5.3%	6.9%
Tillage Tools	2.8%	4.1%	4.0%	6.0%	4.0%	N/A	N/A
Pull-Type Sprayer	2.3%	3.3%	2.8%	4.0%	3.8%	6.6%	4.0%

Source: No-Till Farmer's May 2015 Conservation Tillage Guide

National Breakdown
Crop Operating Expenses — 2011-15
(Average Total Expenses Per Farm for Each Expense Category)

	2011	2012	2013	2014	2015*
Fuel	$22,786	$23,176	$27,813	$23,666	$20,415
Land Rent	$77,533	$75,534	$83,692	$69,732	$70,646
Seed/Seed Treatments	$56,464	$60,521	$69,307	$63,139	$61,831
Pesticides	$29,065	$33,706	$43,670	$38,416	$37,744
Fertilizer	$86,914	$94,713	$94,322	$85,153	$80,235
Lime/Soil Conditioners	$10,878	$10,226	$5,989	$5,968	$6,111
Equipment	$71,252	$70,900	$87,921	$64,938	$42,186
Machinery Parts/Service	$34,450	$33,664	$31,397	$29,617	$27,164
Precision Equipment	$8,864	$6,839	$4,180	$3,468	$2,674
Custom Application/Hauling	$13,636	$12,860	$10,656	$8,122	$8,208
Labor	$41,633	$36,897	$37,318	$25,731	$27,585
Interest	$19,766	$20,572	$13,443	$14,241	$13,998
Insurance	n/a	n/a	n/a	$23,790	$23,545
Totals	**$473,241**	**$479,608**	**$509,708**	**$422,575**	**$422,342**

**Est. 2015 costs of production   Source: No-Till Farmer's May 2015 Conservation Tillage Guide*