From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- A Bearish WASDE
- EU Tractor Leaders
- Corn for Ethanol

Used Equipment Sales in U.S. Helps Rocky Mountain Increase 1Q Sales Revenues

Moderate weather, stable commodity prices and an increase in grain deliveries added up to higher first-quarter revenues for the Calgary, Alberta-based Rocky Mountain Dealerships. In issuing its earnings report on May 5, Rocky said its overall revenues increased by 11.2% to $220.4 million, bolstered by improved sales of used farm machinery, as well as growth in parts and service sales compared to the same period of 2014. Marketing to U.S. farmers also helped the dealer group improve its used equipment sales.

With 38 dealerships across Alberta, Saskatchewan and Manitoba, Rocky

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Rocky Mountain Dealerships — 1Q15 Selected Financial
(sales in C$ thousands)

	1Q15 Ag Equipment Revenues	1Q14 Ag Equipment Revenues	% Change	1Q15 Total Revenues	1Q14 Total Revenues	% Change
Sales						
New Units	106,699	107,885	-1%	111,748	124,269	-10%
Used Units	82,802	50,449	64%	83,785	50,751	65%
Parts	14,090	12,555	12%	16,988	15,518	9%
Service	5,762	5,655	2%	7,053	6,976	1%
Other	809	497	63%	849	652	30%
Total	210,162	177,041	19%	220,423	198,166	11%
Gross Profit	28,962	26,343	10%	31,460	29,232	8%
Gross Margin	13.8%	14.9%	—	14.3%	14.8%	—
Net Income (loss)	1,416	1,157	22%	332	604	-45%

Midwest Farm Lending Up $8.1 Billion in 1Q15

Loan volumes for almost all farming purposes rose at commercial banks, as many producers contended with tighter profit margins, according to the April 2015 edition of the *Agricultural Finance Databook* from the Federal Reserve Bank of Kansas City. Agricultural lending continued to grow in the first quarter of 2015, but the smallest percentage of overall loans were for farm machinery and equipment, which showed little or no increase vs. a year ago.

The national Survey of Terms of Bank Lending to Farmers, conducted during the first full week of February, indicated the total volume of non-real estate farm loans was $8.1 billion more than in the same period in 2014. "Overall, growth in loan volume was driven by increased borrowing for current operating expenses and livestock purchases," said Nathan Kauffman, Omaha Branch executive, and Maria Akers, associate economist.

"Current operating loan volumes grew for the third year in a row following several quarters of depressed crop prices. Demand for operating loans could remain elevated as futures markets for fall crops show prices are expected to remain low due to the possibility of another record harvest. This year, input costs were expected to decline less

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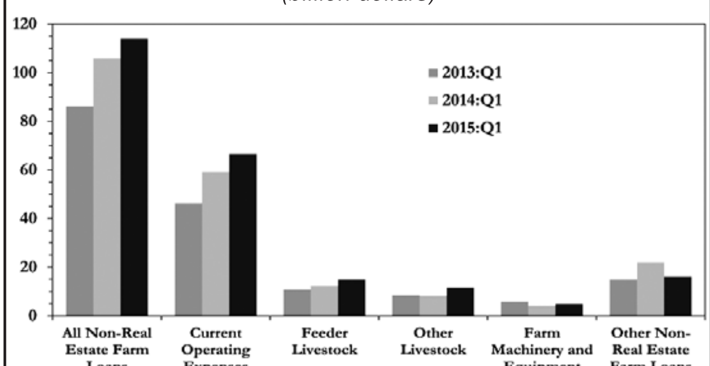
Non-Real Estate Farm Loan Volumes by Purpose
(billion dollars)



The total volume of non-real estate farm loans was $8.1 billion more than in the first quarter of 2015 vs. the same period in 2014.

Source: Agricultural Finance Databook, Table A.3

Growing Global Competition Keeps Pressure on Corn, Soybean, Wheat Pricing

Estimated Cash Crop Receipts			
Cash Receipts (000s dollars)	2014-15 WASDE May - Est.	2015-16 WASDE May – Est.	Change
Corn	51,888	47,705	(8.1%)
Wheat	12,156	10,435	(14.2%)
Soybeans	29,888	34,650	(13.1%)
Total	**103,933**	**92,790**	**(10.7%)**

USDA released its May World Agricultural Supply and Demand Estimates (WASDE) on May 12, and projected growing worldwide competition will keep downward pressure on prices for the three major crops — corn, soybeans and wheat — for the 2015-16 season.

The USDA's latest WASDE report introduced initial production estimates for the 2015-16 season. "Pricing metrics for all three major crops are expected to remain relatively weak, as USDA estimates now imply a 10.7% year-over-year decline in cash crop receipts," C. Schon Williams, analyst with BB&T Capital Markets, told investors in a note.

"All together, this leads us to remain cautious on the names in our space with exposure to agricultural machinery demand," he said.

Corn. USDA is projecting 2015-16 corn production will decrease to 13.6 billion bushels from 14.2 billion last year because of fewer planted acres and forecasted yields of 166.8 bushels per acre vs. 171 last year. At the same time, USDA is projecting corn use to increase by 138 million bushels to 13.76 billion bushels. If this is realized, it would be a record for corn use.

World demand is also expected to grow, raising exports in 2015-16 by 75 million bushels vs. 2014-15. World production, however, is forecast to be down at 989.8 million tons, due to the expected smaller U.S. corn crop. USDA is projecting 2015-16 season price to range \$3.20-\$3.80 vs. \$2.55-\$3.75 last year.

Soybeans. USDA is calling for a 3% decrease in soybean production for 2015-16 vs. the prior year at 3.9 billion bushels due to lower yields. The average yield for soybeans is forecast at 46 bushels per acre, which represents a 1.8 bushel drop from last year.

Soybean exports are also expected to drop 25 million bushels for the 2015-16 marketing year because of increasing competition from South America. Global soybean production for 2014-15 was projected at 317.3 million tons, which is a slight increase from last month. The initial price projection for 2015-16 soybeans is \$8.25-\$9.75 per bushel, down from last year's \$10.05 per bushel.

Wheat. Wheat production estimates for the 2015-16 year of 2.08 billion bushels is a 3% increase vs. the prior year. Ending wheat stocks of 793 million bushels are now 11.8% higher than last year's forecast of 109 million and represents the highest level since 2010-11.

While wheat exports were increased from last year in the latest report, they are still well below the 5-year average due to increased supply by other major global exporters. Global wheat production for 2015-16 was reported at 718.9 million tons, the second highest level on record. The projected price range for wheat is \$4.50-\$5.50 compared to last year's average price of \$6.00. **AEI**

The Number of 'Big Dealer' Groups Keep Growing

Shortly after *Ag Equipment Intelligence's* "2015 Big Dealer Report" was sent to the printer, two more big dealers were reported and three more mergers were announced. These changes bring the total number of big dealers to 191.

We received reports that Meade Tractor, with 7 John Deere ag locations in Virginia, West Virginia, Tennessee and North Carolina, and Coufal-Prater, a John Deere dealer with 5 ag locations in Texas, should be included on the list.

Mazergroup, based in Brandon, Man., announced plans to purchase Southeastern Farm Equipment in Steinbach, Man., expected to be finalized July 1. Mazergroup will now operate all the New Holland dealerships in Manitoba and is the largest New Holland dealership group in North America with 14 locations.

In Montana, John Deere dealerships Moodie Implement and Frontline Ag announced a merger to form Frontline Ag Solutions. The combined company will maintain all 10 of their current locations, which include Belgrade, Chester, Choteau, Conrad, Cut Bank, Dillon, Great Falls, Havre, Lewistown and Livingston.

Specialty equipment dealers Brokaw Supply Co. and Riggins Ag Equipment have merged, creating Ag Solutions Group. The new combined company includes the 6 current locations in Marshall and Concordia, Mo., Fort Dodge, Iowa, Redwood Falls, Minn., and Mead and Hastings, Neb. **AEI**

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Used Equipment Sales in U.S. Helps Rocky Mountain Increase 1Q Sales Revenues...Continued from page 1

is the largest independent dealer of Case IH and Case Construction equipment in Canada, and the second largest in the world.

While sales of new ag equipment dropped by 1% for the 3 months ended March 31, 2015, same-store used ag equipment sales increased by $32.4 million to $82.8 million. Parts and service revenues were up by 6.9% to $24 million. Gross profit grew by 7.6% to $31.5 million (14.3% of sales).

Total ag equipment sales for the period were $210.2 million, an increase of $33.1 million, or 18.7%, most of which came from higher used machinery sales. Rocky's management attributed the growth in used sales to a "moderate winter and early spring," as well as to increased sales to farmers south of the border.

"Used equipment sales also benefited from a stronger U.S. dollar relative to the Canadian dollar, which, when combined with our targeted marketing efforts to U.S. customers, generated incremental sales activity over the first quarter of last year," the company said.

Total inventories increased by $1.3 million in the first quarter, but Rocky reiterated that reducing inventory continues as its top priority. "Historically, the company has experienced seasonal increases in equipment inventory of 5-15% during the first quarter. Elevated sales activity enabled us to hold our overall inventory relatively flat compared to previous first quarters," the company said.

Rocky's ag segment's gross profit for the period grew by $2.6 million, or by 9.9%, vs. the first quarter a year earlier. Parts sales increased by $1.5 million, or 12.2%, while sales of service rose by about $100,000, or 1.9%.

"Despite the reported top-line growth in the first quarter of 2015, efforts to align inventories continue to weigh on gross margins which were below forecast and down 50 basis points year-over-year," Ben Cherniavsky, analyst for Raymond James, told investors in a note. "Despite the surge in used sales, inventories barely held flat from the fourth quarter of 2014 and rose $11 million year-over-year, suggesting continued margin pressure for the foreseeable future."

Looking at the remainder of the year, Cherniavsky expects lower commodity prices and higher equipment pricing will continue to present a "challenging environment" for revenue growth. "It is for these reasons, as well as our concerns over the company's leverage and inventory levels that we remain on the sidelines." **AEI**

FARM MACHINERY TICKER (AS OF 5/12/15)

MANUFACTURERS	Symbol	5/12/15 Price	4/13/15 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$50.49	$50.22	$57.99	$41.45	162.87	45,238	665.93M
AGCO	AGCO	$51.00	$47.33	$57.46	$41.56	11.70	1,128,400	4.49B
AgJunction Inc.	AJX	$0.67	$0.75	$1.01	$0.51	N/A	42,788	48.46M
Alamo	ALG	$52.48	$61.85	$64.45	$37.93	15.35	51,982	594.7M
Art's Way Mfg.	ARTW	$4.91	$4.51	$7.08	$4.27	14.88	23,716	19.94M
Blount Int'l.	BLT	$11.78	$13.00	$17.97	$11.58	16.14	482,725	576.52M
Buhler Industries	BUI	$5.00	$5.40	$6.95	$4.86	13.59	311	125M
Caterpillar	CAT	$88.16	$82.13	$111.46	$78.19	14.11	5,492,190	53.22B
CNH Industrial	CNHI	$8.56	$8.12	$11.03	$7.35	12.64	1,691,690	11.65B
Deere & Co.	DE	$90.41	$87.99	$94.06	$78.88	11.31	2,587,950	30.69B
Kubota	KUBTY	$76.81	$81.05	$84.15	$63.70	17.60	14,192	19.41B
Lindsay	LNN	$77.08	$75.03	$90.30	$73.01	21.69	140,648	910.16M
Raven Industries	RAVN	$19.96	$20.96	$34.56	$16.91	23.24	162,972	759.48M
Titan Int'l.	TWI	$11.14	$9.27	$17.20	$8.77	N/A	640,631	599.11M
Trimble Navigation	TRMB	$25.04	$25.47	$38.99	$23.68	36.82	1,260,880	6.5B
Valmont Industries	VMI	$123.52	$118.61	$163.23	$116.36	19.63	263,993	2.91B
RETAILERS								
Cervus Equipment	CVL	$18.19	$18.77	$22.69	$17.80	15.82	11,116	280.94M
Rocky Mountain Equipment	RME	$9.41	$8.73	$11.55	$8.20	11.78	15,613	182.4M
Titan Machinery	TITN	$13.98	$12.99	$18.25	$10.69	N/A	125,025	294.84M
Tractor Supply	TSCO	$86.82	$87.50	$91.90	$55.95	31.72	802,372	11.84B

New Holland, John Deere are Market Leaders in EU Tractor Sales

New Holland and John Deere were the market leaders as the top selling farm tractors during 2014 in 10 of the 14 European Union countries featured in the April 23 issue of the German publication *Eilbote*. Both are also among each country's top five best-selling tractor brands for the year.

New Holland had the top market share in six of the 14 countries, including Switzerland, Belgium, Netherlands, Denmark, Italy and Portugal. John Deere was the leading brand in four of the 14* countries, including Germany, Great Britain, Spain and France. Valtra, an AGCO brand, had the top market share in Sweden and Finland, while Steyr (Case IH) led tractor sales in Austria, and Massey Ferguson was tops in Norway.

Overall, 2014 tractor sales declined by 9.2% in western Europe (137,028 units in 2014 vs. 150,855 in 2013). Spain and Belgium were the only two countries that showed positive results last year, with gains of 12.8% and 11.2%, respectively.

Austria. Austria was one of three countries in which all five top-selling tractor brands saw sales decline in 2014. Steyr led the market with 21.9% of market share and the least negative change year-over-year. Fendt had the most negative change at down 44.8% and was also fifth in terms of market share. John Deere fell to third in market share in 2014 after a 35.1% decrease in sales year-over-year.

Austria				
Brand	Units		% Change	% Share
	2014	2013		
Case IH/Steyr	1,235	1,326	-6.9%	21.9%
New Holland	969	1,058	-8.4%	17.2%
John Deere	725	1,117	-35.1%	12.8%
Lindner	688	774	-11.1%	12.2%
Fendt	408	739	-44.8%	7.2%

Switzerland. Fendt, in the number two spot for market share in Switzerland for 2014, saw the only growth in sales year-over-year for the top five brands at up 2.5%. John Deere, which fell to the number three spot in market share, had the greatest decrease in unit sales of down 28.1%.

Switzerland				
Brand	Units		% Change	% Share
	2014	2013		
New Holland	350	401	-12.7%	16.7%
Fendt	331	323	2.5%	15.8%
John Deere	274	381	-28.1%	13.1%
Deutz-Fahr	230	246	-6.5%	11.0%
Claas	157	181	-13.3%	7.5%

Germany. Case IH/Steyr had the greatest year-over-year increase in unit sales in Germany at up 22.8%.This increase brought the company up to the number three spot in terms of market share. Deutz-Fahr, with a 12.2% decrease in unit sales vs. 2013, fell from the number three to the number four spot in terms of market share in Germany.

Germany				
Brand	Units		% Change	% Share
	2014	2013		
John Deere	6,724	7,734	-13.1%	19.4%
Fendt	5,906	6,261	-5.7%	17.1%
Case IH/Steyr	3,449	2,809	22.8%	10.0%
Deutz-Fahr	3,336	3,798	-12.2%	9.6%
New Holland	2,779	2,528	9.9%	8.0%

Belgium. Except for John Deere's 12.5% decrease in unit sales since 2013, all five top brands for Belgium saw positive change year-over-year. Case IH rose 4.8%, Fendt and New Holland rose 18.4% and 18.1% respectively, and Deutz-Fahr rose 26.7% in unit sales year-over-year. Leading market share in Belgium, New Holland tractor sales for 2014 were nearly double the next highest brand.

Belgium				
Brand	Units		% Change	% Share
	2014	2013		
New Holland	660	559	18.1%	27.6%
John Deere	386	441	-12.5%	16.2%
Deutz-Fahr	313	247	26.7%	13.1%
Fendt	245	207	18.4%	10.3%
Case IH	217	207	4.8%	9.1%

Sweden. Valtra was the market leader in Sweden with 24.4% of total tractor sales. Fendt, which was at the bottom of the top five for market share, saw the greatest increase year-over-year in unit sales of Sweden's top five brands at up 15.2%. In the number three position for market share, Massey Ferguson saw the largest decline at down 18.3% in unit sales from 2013 to 2014.

Sweden				
Brand	Units		% Change	% Share
	2014	2013		
Valtra	794	779	1.9%	24.4%
John Deere	666	718	-7.2%	20.5%
Massey Ferguson	389	476	-18.3	12.0%
New Holland	386	397	-2.8%	11.9%
Fendt	228	198	15.2%	7.0%

Denmark. Except for Valtra, which saw a 1.1% year-over-year increase in 2014, each of the other top tractor

Denmark				
Brand	Units		% Change	% Share
	2014	2013		
New Holland	366	550	-33.5%	19.6%
John Deere	314	502	-37.5%	16.8%
Case IH	284	372	-23.7%	15.2%
Massey Ferguson	247	330	-25.2%	13.2%
Valtra	189	187	1.1%	10.1%

brands in Denmark saw a decrease in unit sales. John Deere had the greatest decrease at down 37.5% year-over-year. The others saw over a 23% fall in unit sales. Despite a 33.5% decrease in unit sales year-over-year, New Holland remains the market share leader in Denmark with 19.6% of tractor sales for 2014.

Norway. Massey Ferguson tractors took the number one position in terms of market share in Norway in 2014, with a 15.8% increase in tractor sales from 2013. John Deere, in the number two position, saw the largest decrease in unit sales for any of the top five brands with a 44.9% decline year-over-year.

Norway				
Brand	Units		% Change	% Share
	2014	2013		
Massey Ferguson	676	584	15.8%	21.6%
John Deere	590	1,071	-44.9%	18.8%
New Holland	490	563	-13.0%	15.6%
Valtra	435	563	-22.7%	13.9%
Case IH	241	254	-5.1%	7.7%

Finland. One of only three of the 14 countries in which all five best-selling tractor brands saw a dropoff, Finland's tractor unit sales were led by Valtra with 43% of the market. This is the highest percent of market share for any of the brands for any of the countries. Despite a 19.6% decrease year-over-year, Valtra unit sales remained more than three times greater than the next best-selling brand, John Deere, which has 13.2% of market share.

Finland				
Brand	Units		% Change	% Share
	2014	2013		
Valtra	900	1,119	-19.6%	43.0%
John Deere	275	403	-31.8%	13.1%
New Holland	265	297	-10.8%	12.6%
Massey Ferguson	217	259	-16.2%	10.4%
Case IH	122	135	-9.6%	5.8%

Spain. Spain was the only country in which each of the top five tractor brands saw an increase in sales year-over-year. Kubota saw the largest increase at up 26.3% from 2013. Spain is one of only two countries where Kubota was among the top five best selling brands. John Deere, which leads market share with 25.8% of tractor sales, saw the smallest year-over-year growth at up 1%.

Spain				
Brand	Units		% Change	% Share
	2014	2013		
John Deere	2,590	2,564	1.0%	25.8%
New Holland	1,935	1,611	20.1%	19.3%
Case IH	764	653	17.0%	7.6%
Kubota	702	556	26.3%	7.0%
Massey Ferguson	550	508	8.3%	5.5%

France. France was one of the three countries in which all five tractor brands saw a decline in sales year-over-year. Fendt had the smallest decrease at down 17%. John Deere, New Holland, Massey Ferguson and Claas were each down more than 23%, with Claas having the largest decrease of down 34.9%. Claas fell from the number three to the number four position in terms of market share.

France				
Brand	Units		% Change	% Share
	2014	2013		
John Deere	5,239	7,648	-31.5%	18.4%
New Holland	4,784	6,474	-26.1%	16.8%
Massey Ferguson	3,189	4,164	-23.4%	11.2%
Claas	3,104	4,770	-34.9%	10.9%
Fendt	3,075	3,710	-17.0%	10.8%

Italy. New Holland leads Italy's tractor sales with a 25.1% market share. Landini, which is only among the top five brands in Italy, came in at the second position with 9.6%. Both New Holland and Landini saw the top five's only year-over-year increases in Italy at up 3.1% and up 3.6% respectively. Antonio Carraro, which is also only found among Italy's top five best-selling tractor brands, is in the number five position for market share and saw a decrease of down 15.2% for unit sales year-over-year. Same and John Deere also saw sales declines from 2013 to 2014 of down 7.5% and down 22.4% respectively.

Italy				
Brand	Units		% Change	% Share
	2014	2013		
New Holland	4,560	4,422	3.1%	25.1%
Landini	1,738	1,678	3.6%	9.6%
Same	1,688	1,825	-7.5%	9.3%
John Deere	1,528	1,970	-22.4%	8.4%
Ant. Carraro	1,314	1,550	-15.2%	7.2%

Portugal. New Holland holds the top position for market share for unit sales in Portugal in 2014 at 19%. Kubota follows in the number two position with 12.4% market share. New Holland, Kubota and Deutz-Fahr saw unit sales increases of 5.8% or more year-over-year, while Same and John Deere saw decreases of down 15.7% and down 27.7% respectively. **AEI**

Portugal				
Brand	Units		% Change	% Share
	2014	2013		
New Holland	898	832	7.9%	19.0%
Kubota	589	506	16.4%	12.4%
John Deere	450	622	-27.7%	9.5%
Deutz-Fahr	367	347	5.8%	7.8%
Same	274	325	-15.7%	5.8%

**Unit sales for the UK and Netherlands are not broken out because 2014 figures are not available at this time.*

Production Efficiencies Stabilize Corn Demand for Ethanol

Farm equipment manufacturers and dealers who reaped the benefits of the explosive growth of corn ethanol in the past decade with skyrocketing equipment sales, probably shouldn't count on anything near that level of growth in the decade ahead.

Demand for corn to produce ethanol is expected to see modest growth, at best, during the next decade as cars become more efficient, requiring less fuel, thus less ethanol. More importantly, the process for manufacturing ethanol has been improved, resulting in more ethanol per bushel of corn.

According to the U.S. Energy Information Administration (EIA), in 2014, U.S. ethanol production reached 14.3 billion gallons, the highest level ever. The growth in U.S. fuel ethanol production has outpaced growth in corn consumed as feedstock. As the industry has grown, it has become more efficient, using fewer bushels of corn to produce a gallon of ethanol.

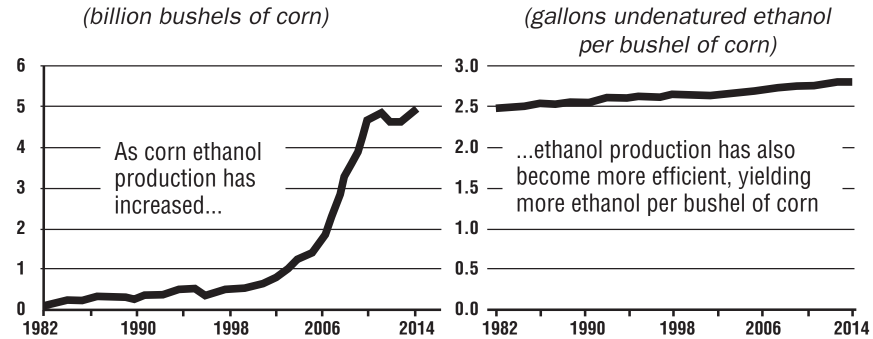
If ethanol plant yields per bushel of corn in 2014 had remained at 1997 levels, when ethanol made up just 1% of the total U.S. gasoline supply, the ethanol industry would have needed to grind an additional 343 million bushels, or 7% more corn, to produce the same volume of fuel.

To supply this incremental quantity of corn without withdrawing bushels from other uses would have required 2.2 million additional acres of corn to be cultivated, an area roughly equivalent to half the land area of the state of New Jersey.

Increased scale has allowed producers to incorporate better process technology, such as finer grinding of corn to increase starch conversion and improved temperature control of fermentation to optimize yeast productivity. The growth of the corn ethanol industry also enabled the development of better enzymes and yeast strains for improved output per bushel of corn.

During 2014, ethanol's volumetric share of total U.S. gasoline supply reached 9.8%. **AEI**

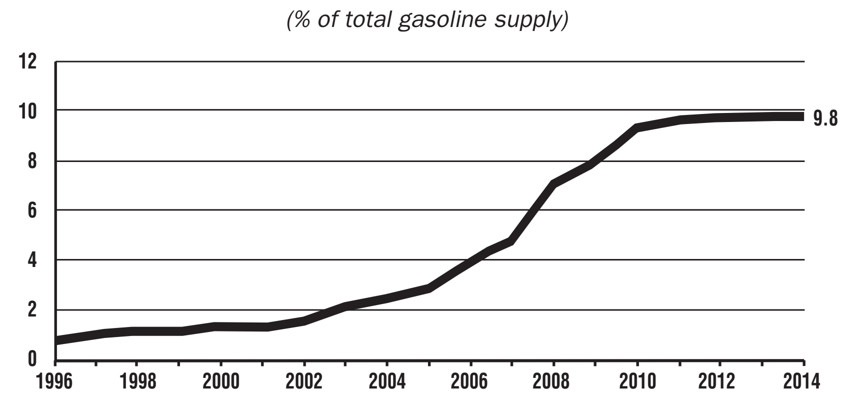
Ethanol Industry's Corn Utilization & Avg. Yield — 1982-2014



As the process for producing ethanol has become more efficient, it is yielding more ethanol per bushel of corn. Ethanol volumes do not include gasoline that must be added to denature ethanol, rendering it undrinkable and therefore taxable as fuel rather than as beverage alcohol.

Source: U.S. Energy Information Administration, Monthly Energy Review

Ethanol's Share of U.S. Motor Gasoline — 1996-2014



Demand for corn to produce ethanol is expected to see modest growth, at best, during the next decade as cars become more efficient and the process for manufacturing ethanol has been improved, resulting in more ethanol per bushel of corn.

Source: U.S. Energy Information Administration, Short-Term Energy Outlook, May 2015 edition

Deere to Produce Ag Equipment in Kazakhstan in 2016

Deere & Co. will begin manufacturing agricultural equipment in Kazakhstan in 2016, according to a published report on May 11 in *The Times of Central Asia and Novosti-Kazakhstan*.

Tlek Bekbasarov, director for regional development for Kazahkstan's Eurasia Group, told a media briefing on May 8 that production of farm machinery would be manufactured in Pavlodar in the northern part of the country. The former tractor plant, he said, is "capable of producing any type of combine." This will be the third plant to produce Deere equipment in the Eurasian Economic Union, which includes Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan, Afghanistan, as well as Kazakhstan.

The project also provides for construction of production and service centers in Kazakhstan's regions through investments amounting to 10 billion tenge (approx. $54 million), Bekbasarov said. "It is planned to produce 1,000 pieces of equipment, including 300 grain harvesters, 150 sowing machines, 250 small tractors, 50 sprayers and 50 soil-processing machines."

Established in 2006, Eurasia Group is the official distributor of John Deere in Kazakhstan. The Group has offices in all regional centers of Kazakhstan, which provide servicing of John Deere equipment and supply original spare parts. **AEI**

Mid-Range Tractor Sales Rise in April

North American large ag equipment sales continued to decline in April, with 4WD tractor sales down 32.3% year-over-year, combine sales down 33.3% and row-crop tractor sales down 16.6%, according to the latest numbers released by the Assn. of Equipment Manufacturers.

The latest AEM report did show some improvements for the month, however. Mid-range and compact tractors showed some positive movement, according to Mircea (Mig) Dobre, analyst with RW Baird.

Mid-range tractor sales increased 7.5% year-over-year following a 5.1% decrease the prior month and compact tractor sales were up by 17.1% compared to the same period last year.

- U.S. and Canada large tractor and combine retail sales dropped 23% year-over-year in April, which was a slight improvement from the 25% decrease in March.
- Combine sales posted a 33.3% year-over-year decrease in April following a 47.7% decrease in March. U.S. combine inventories were 21.5% lower year-over-year in March vs. down 18% the previous month.

April is typically a below-average month for combine sales, accounting for just 7% of annual sales over the last 5 years.

- Row-crop tractor sales were down 16.6%, improving slightly from a 19.3% decrease in March. U.S. row-crop tractor inventories increased 1.8% in March vs. a 6.6% increase in February.

Typically, April is an above-average month for row-crop tractor sales, accounting for 10.6% of annual sales over the last 5 years.

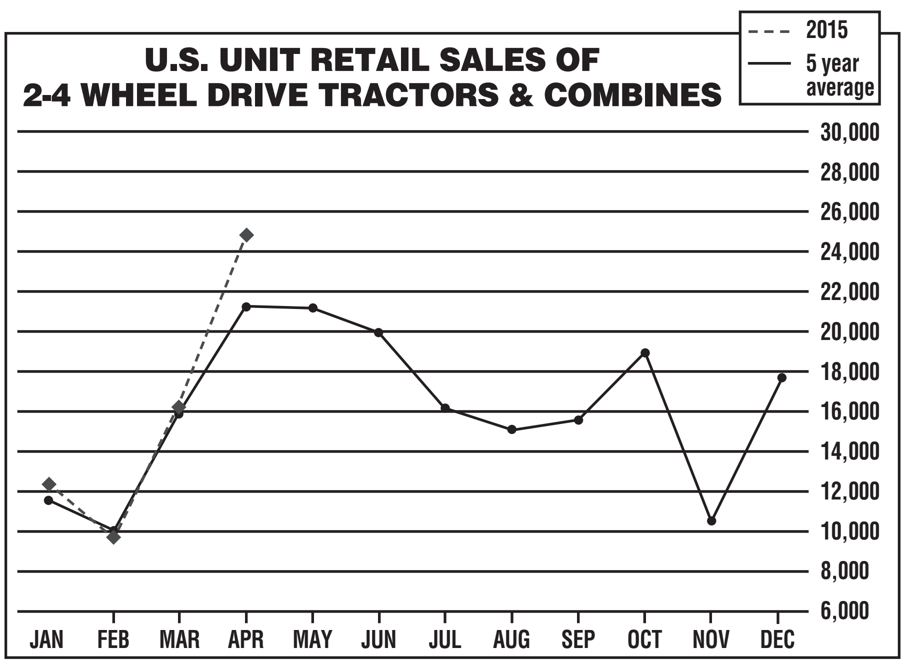
- 4WD tractor sales saw a 42.3% year-over-year drop in April vs. a 23.7% decrease in March. U.S. dealer inventories were down 39.7% year-over-year in March.
- Mid-range tractor sales increased in April, up 7.5% compared to the same period last year. Compact tractor sales increased 17.1% year-over-year, up from a 3.7% decrease the previous month. **AEI**

APRIL U.S. UNIT RETAIL SALES

Equipment	April 2015	April 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	March 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	15,369	13,047	17.8	33,778	31,245	8.1	72,755
40-100 HP	5,986	5,479	9.3	17,430	17,147	1.7	33,773
100 HP Plus	2,615	3,260	-19.8	9,133	10,991	-16.9	11,414
Total-2WD	23,970	21,786	10.0	60,341	59,383	1.6	117,942
Total-4WD	268	586	-54.3	1,117	2,117	-47.2	959
Total Tractors	24,238	22,372	8.3	61,458	61,500	-0.1	118,901
SP Combines	583	886	-34.2	1,588	2,722	-41.7	1,395

APRIL CANADIAN UNIT RETAIL SALES

Equipment	April 2015	April 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	March 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,255	1,144	9.7	3,249	3,110	4.5	8,907
40-100 HP	475	531	-10.5	1,596	1,770	-9.8	4,108
100 HP Plus	516	492	4.9	1,615	1,642	-1.6	2,765
Total-2WD	2,246	2,167	3.6	6,460	6,522	-1.0	15,780
Total-4WD	162	159	1.9	381	489	-22.1	387
Total Tractors	2,408	2,326	3.5	6,841	7,011	-2.4	16,167
SP Combines	81	110	-26.4	331	523	-36.7	645



— Assn. of Equipment Manufacturers

Midwest Farm Lending Up $8.1 Billion in 1Q15...Continued from page 1

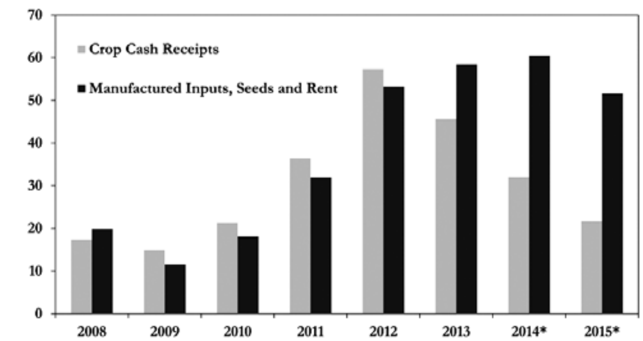
than crop cash receipts, which could put additional downward pressure on farm income and further increase the need for financing to cover expenses," they said.

Fixed Rates Rise: Along with increasing farm sector loans, another notable trend emerged, according to the KC Fed. This is the share of farm loans made with fixed interest rates. "Between the first quarters of 2013 and 2015, the share of all non-real estate farm loans with fixed interest rates rose from 26% to 40%," said Kauffman and Akers. "This shift from floating to fixed interest rates was most pronounced for livestock loans, excluding feeder livestock and farm machinery and equipment loans. Interest rates on non-real estate farm loans increased modestly in the first quarter of 2015, after declining steadily since 2007, and this uptick could have prompted more farmers to further 'lock-in' at historically low rates."

While tight profit margins are resulting in increased borrowing and reduced capital spending beginning in late 2014 and into 2015, farm income has yet to fall below long-term historical averages, and recent data have shown only minimal declines in credit conditions, according to the KC Fed report. "Relatively strong credit conditions have been partially supported by extraordinary profits among crop producers the last several years and, more recently, record profits for cow/calf producers. If the declining trend in farm income persists, however, agricultural credit conditions could weaken more noticeably in the future." **AEI**

U.S. Crop Cash Receipts & Input Costs

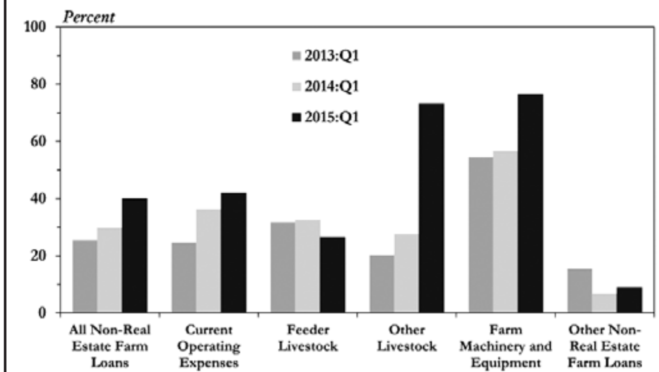
(% change from 2007)



Input costs were expected to decline less than crop cash receipts, putting pressure on farm income and increasing the need for loans.

Source: USDA

Farm Loans with Fixed Interest Rates



Between the first quarters of 2013 and 2015, the share of all non-real estate farm loans with fixed interest rates rose from 26% to 40%.

Source: Agricultural Finance Databook, Table A.6

Brazil's Tight Credit Conditions Impacting Farm Equipment Sales

While Brazil's ag industry, like that here in the U.S. and the rest of the world, is suffering the effects of low commodity prices, it is also being hit with tightening credit conditions that the North American industry has not yet seen.

On May 6, Reuters reported, "The Brazilian government's decision to pare back subsidies on agricultural loans as part of a fiscal austerity push is already weighing on industries that support the farm sector, which makes up a quarter of the economy.

"Loan rates for big-ticket items like tractors or harvesters under the credit line known as Finame that originates from the BNDES national development bank have already risen sharply and are expected to nearly double by July from earlier in 2015."

Brazilian Monthly Tractor & Combine Shipments

	April-14	April-15	% Change	April-14 YTD	April-15 YTD	% Change
Total — Tractors	5,214	3,809	-27%	16,537	13,556	-18%
AGCO	2,458	1,542	-37%	7,769	6,545	-16%
CNHI	1,034	1,020	-1%	4,031	2,966	-26%
Deere	1,349	954	-29%	3,429	3,069	-10%
Agrale	169	130	-23%	635	470	-26%
Other companies	204	163	-20%	673	506	-25%
Total — Combines	336	201	-40%	2,352	1,375	-42%
AGCO	40	38	-5%	353	229	-35%
CNHI	130	131	1%	883	645	-27%
Deere	166	32	-81%	1,116	501	-55%

The effects of the higher interest rates combined with low commodity prices are starting to take their toll on farm machinery sales in the country. In April, the industry shipped 3,809 tractors in Brazil, a year-over-year decrease of 27% compared to a 5% drop in March, according to ANFAVEA, the trade association that tracks vehicle and equipment sales in Brazil. Shipments were down 8% month-over-month.

The industry shipped 201 combines in Brazil in April, a drop of 40% year-over-year, an exact replay of March sales, which were also down by 40%. Shipments of combines were down 52% month-over-month. **AEI**