

# Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

- CVL, RME Post Gains
- Deere Buys Monosem
- Ag Tire Consolidation

## Deere Looking for Precision Farming Edge with Recent Acquisitions

John Deere's buying spree over the past few weeks is a strong signal that the largest farm equipment maker in the world is looking to further differentiate itself when it comes to advanced agricultural technology. The company acquired Monosem, a manufacturer of precision planters on Nov. 2, and Precision Planting, a developer of advanced technology and systems for the precise seed spacing and depth placement control to increase crop yields, on Nov. 4. (*Please also see "Deere to Acquire Monosem Precision Planters" on p. 3.*)

None of this should come as a surprise.

As *Ag Equipment Intelligence* reported in its September issue, following his visits with top managers of AGCO, CNH Industrial and John Deere at the 2015 Farm Progress Show, Morningstar equity analyst

Kwame Webb highlighted three major areas of emphasis by the major farm equipment makers. The most noticeable was the growing level of investment in telematics and precision farming technology.

He said during a recent earnings call, he was surprised when Deere revealed that its telematics research and development spending is equivalent to what it is spending on large tractor R&D. "This is noteworthy, as Deere's large tractors are traditionally its highest margin products."

The first signal came in early October when Deere and DN2K formed SageInsights, a joint venture that will initially serve the ag industry with further development of DN2K's existing cloud software platform, MyAgCentral, for ag retailers and consultants.

**3-Part Deal.** In an interview for *AET's*

On the Record broadcast on Nov. 6, Cory Reed, Deere's senior vice president of its Intelligent Solutions Group, said there are three parts to the deal. The first being the acquisition of Precision Planting from Monsanto's subsidiary, Climate Corp. Precision Planting was founded by Greg Sauder in 1993. Monsanto acquired Precision Planting from Sauder in 2012 for an estimated \$210 million and later rolled it into its Climate Corp. division. This part of the agreement included the equipment and systems manufactured by the company.

The second part involves the data connectivity to the Climate Corp.'s FieldView platform. "They have a series of sensors, hardware that might be installed on a planter or combine that ultimately comes back and is displayed on the 2020 seed sense monitor and,

*Continued on page 8*

## Trimble's Moves Overshadowed in the Precision Farming Shuffle

Lost in all of the news about Deere's big push into the precision farming segment of the ag equipment business has been the spate of acquisitions by Trimble. On Nov. 10, the company announced its plans to acquire the assets of Agri-Trend of Red Deer, Alta., Canada.

Agri-Trend operates a network of over 200 specialists throughout the U.S. and Canada, which includes over 110 independent coaches, who specialize in agronomy, precision farming, crop marketing and farm business management.

"Trimble's acquisition of Agri-Trend is another step toward total farm management for the grower. Together with Connected Farm, we will pro-

vide growers and their trusted advisors with a combined offering that is unique in the marketplace today," said Joe Denniston, vice president for Trimble's Agriculture Division.

**A Perfect Fit.** Agri-Trend was founded by Rob Saik in 1997 with the expressed purpose of "coaching" farmers and helping them make better decisions on crop input purchases without the pressure of buying any particular product.

Following the announcement of the acquisition, Saik told *Ag Equipment Intelligence*, "When I looked at Agri-Trend and our ability to impact the globe, at some point the medium sized company either stays a

medium sized company, turns into a smaller company or grows into a bigger company. There's no standing still. And to really impact agriculture in a bigger way, we needed to leverage up. We needed to step up and Trimble is a perfect fit for us.

"We wanted to retain our independence and unbiased approach when it came to crop inputs, genetics, fertilizer, chemicals, seed. So we couldn't have investment from or partner up with any of the input companies. It just didn't make sense," Saik said. "Furthermore, we wanted to make sure we could work with all of the colors of equipment that are out

*Continued on page 2*

there. Trimble is agnostic when it comes to equipment. Its technology is on all colors of equipment. So it really is a good fit for Agri-Trend to leverage up and move to a higher level. It's just a really good idea."

In addition, the acquisition includes the consulting firm's Agri-Data Solution platform — a proprietary farm data management system. It covers crop planning, crop input tracking, soil sampling, tissue testing, manure analysis, fertilizer blending, field scouting and harvest data tracking. According to Saik, this platform currently supports over 75 million legacy acres with over 8 million acres added in 2015.

**The Next Leap.** Saik, who is considered one of the industry's leading

visionaries, said Agri-Trend has coined a term — VRE — that describes the next major leap in precision technology. "It stands for 'variable-rate everything.' When you talk about VRE, you're really talking about a total integrated strategy that manages and helps farmers allocate all of their resources and all parts of the farm. Whether those resources are water, genetics, fertilizers, crop protection products or foliar stimulants. All of these can be varied today with the right information in a timely manner to allow us to make those intelligent decisions," Saik explained.

"Add in sensor technology together with an intelligent data system and this is where Agri-Trend comes in. I don't care whether it's grain market-

ing or farm business management, agronomics or precision ag, all of it requires data. The interface between Agri-Trend, Agri-Data and Trimble puts us in a powerful position."

Management of Agri-Trend and Agri-Data is being turned over to Darren Howie, who has been with the firm since the year 2000. Saik will stay with the new company in business development. "I'm going to work on global expansion of the Agri-Trend business model within the Trimble group. I'm going to be able to travel and look at technologies to bring back to the Agri-Trend and Trimble group," he said. "I think I'm going to have an opportunity to be a bit of an ambassador for agriculture, which I enjoy doing." **AEI**

## Zoomlion of China Reveals Ag Market Ambitions

One of China's newest agricultural tractor and machinery manufacturers has given notice that it intends to carve out a share of international markets at the expense of established manufacturers in Europe and North America.

Together with other Chinese manufacturers, Zoomlion Heavy Industry Co. is developing R&D capabilities enabling it to compete at the top end of the market and has already unveiled tractors that it says meet international standards of performance and technology.

Zoomlion Vice President Wang Jinfu wants to see products not just "Made in China" but also "Conceived in China," with high-end features, performance and appearance that narrows the technological gap to products from European and U.S. manufacturers.

"It is beneficial for makers across our industry to adjust their product portfolios and generally transform the entire sector," he said of Chinese manufacturers held back on international markets by tractors and machinery with low added value.

And rather than relying on import-

ed core technologies to produce more advanced machines, China's farm equipment industry should develop its own, said Wang.

"An improvement in the core competitiveness is the only way for Chinese agricultural machinery manufacturers to expand into overseas markets and offer high-end products suitable for the international arena," he said. "Zoomlion's development follows a specific plan: first, cooperate with the international first-class institutions; next, promote innovation and independent research and development, then develop agricultural machinery with fully independent intellectual property rights, ultimately leading to a new pattern of global competition in the market."

For now, though, Zoomlion is dependent on familiar suppliers to produce more advanced tractors such as the ZL2104 at the head of several newly unveiled models developed at the group R&D center in Yorkville, Wis.

The ZL2104 features a 210 horsepower Tier 3 engine from Deutz or Perkins but with a Tier 4 option in the

pipeline for emissions regulated markets; ZF semi-powershift transmission with auto-shifting option, Carraro 4WD with suspension front axle and Bosch electronically-controlled hydraulics.

The construction equipment major entered the agricultural market by acquiring almost 70% of tractor and harvester maker Chery Heavy Industry Co. in a \$368 million deal announced August 2014 and completed in early January this year. It claims to produce 60,000 tractors a year, exporting 5,000 units, mainly to Russia, and only a 1,000 or so to the European countries Turkey and Poland.

But Zoomlion is ambitious: Yuan Yongfu, export manager, told French publication *La France Agricole* that a parts center is being opened in Italy and the company will build tractors in Europe, either in a new plant or through an acquisition. It also wants to buy a European farm equipment manufacturer, having been beaten in the chase for Kverneland Group by Kubota.

"Money is not an issue for our company because we are the world leader in the field of concrete preparation equipment," said Yuan. **AEI**

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## Deere to Acquire Monosem Precision Seeder Business

The owners of Europe's market leading manufacturer of precision planters — and a major player in the U.S. — have agreed to sell the business to Deere & Co.

Ribouleau-Monosem, a privately-held company owned by third-generation descendants of the founder, is based in western France and has operated a U.S. subsidiary, Monosem Inc., in Edwardsville, Kan., for 25 years.

In a statement, Deere & Co. said it has signed a definitive agreement to acquire Monosem, its four facilities in France and two in the U.S.

"Through this action, we continue to build on our leadership position in precision agriculture," said John May, president, Agricultural Solutions and chief information officer. "Monosem is admired for its innovation and success in precision planter technology. Acquiring this market leader positions John Deere to serve more customers worldwide."

May added that the acquisition of

Monosem helps accelerate John Deere's market reach in precision planting equipment and adds engineering expertise to further develop planting technology. But, Deere does not plan to change the independent nature of Monosem; the business will retain its own brand and trademark and leverage its own operational strengths.

The company established in 1945 by Edmond Ribouleau to build seedling transplanters has grown into a business with more than 300 employees and a network of local manufacturing sub-contractors.

It produces mechanical and air seeders for sugar beet, corn and vegetable crops, exporting 70% of production to some 80 countries around the world. Approximately 20% of production is sold in the U.S., where Monosem Inc. has around 50 employees.

The Monoshock planter design, which essentially adds a damper to sprung parallel linkage suspension for each planter unit, originated at the U.S.

company and was recently adapted for higher-speed planting in Europe.

Monosem claims a number of planter technology "firsts" in North America — including the precision vacuum planter, developed by the French manufacturer in the early 1970s; the first twin-row planter and seed stagger for twin-row planting; and the first mini-seed vacuum planter.

Currently, the largest Monosem planter built in the U.S. is a 90-foot forward folding model that runs on tracks and support wheels. **AEI**

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### FARM MACHINERY TICKER (AS OF 11/12/15)

MANUFACTURERS	Symbol	11/12/15 Price	10/9/15 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	\$30.25	\$38.38	\$57.99	\$29.82	N/A	57,573	434.21M
AGCO	AGCO	\$45.48	\$47.01	\$57.90	\$41.56	14.29	1,336,560	3.89B
AgJunction Inc.	AJX	\$0.64	\$0.69	\$0.84	\$0.40	N/A	32,184	77.83M
Alamo	ALG	\$51.74	\$47.32	\$64.45	\$43.98	13.72	59,711	591.08M
Art's Way Mfg.	ARTW	\$3.01	\$2.92	\$5.98	\$2.90	N/A	4,145	12.22M
Blount Int'l.	BLT	\$5.21	\$6.83	\$17.97	\$5.20	N/A	318,997	251.39M
Buhler Industries	BUI	\$5.70	\$5.70	\$6.50	\$4.44	36.31	3,231	142.5M
Caterpillar	CAT	\$68.69	\$71.30	\$107.12	\$62.99	14.15	7,398,060	39.99B
CNH Industrial	CNHI	\$6.75	\$7.37	\$9.72	\$6.36	40.91	1,507,540	9.19B
Deere & Co.	DE	\$73.22	\$79.88	\$98.23	\$71.85	11.26	3,841,580	24.03B
Kubota	KUBTY	\$81.85	\$76.99	\$88.21	\$66.90	16.79	7,991	20.37B
Lindsay	LNN	\$68.93	\$71.40	\$91.93	\$63.19	31.05	124,578	778.18M
Raven Industries	RAVN	\$17.75	\$18.66	\$26.31	\$15.77	30.34	202,026	662.13M
Titan Int'l.	TWI	\$4.57	\$7.73	\$12.50	\$4.51	N/A	690,200	245.72M
Trimble Navigation	TRMB	\$21.54	\$17.45	\$29.25	\$15.90	37.07	2,274,990	5.4B
Valmont Industries	VMI	\$111.76	\$105.66	\$138.92	\$92.33	23.91	231,423	2.57B
<b>RETAILERS</b>								
Cervus Equipment	CVL	\$13.40	\$13.52	\$20.84	\$12.71	N/A	22,250	208.61M
Rocky Mountain Equipment	RME	\$6.58	\$6.54	\$10.96	\$5.82	8.72	21,853	127.55M
Titan Machinery	TITN	\$12.43	\$13.14	\$16.99	\$10.01	N/A	169,815	264.17M
Tractor Supply	TSCO	\$89.77	\$89.64	\$96.28	\$73.54	29.99	1,225,010	12.06B

## Claas Invests in Combine Factory in Russia

Claas has placed a big bet on the future prosperity of Russian agriculture by investing the equivalent of \$136 million building a new combine factory alongside an existing facility in Krasnodar, 800 miles south of Moscow.

The new plant is nine times bigger than the existing factory, which was built 10 years ago at a cost of more than \$22 million, and is the fourth largest of the 11 plants operated by Claas worldwide. It gives the Krasnodar operation capacity to produce up to 2,500 combines and tractors a year.

"No other company in our industry is investing to this extent in the Russian economy and bringing the latest manufacturing technologies

to the country," says Lothar Kriszun, Claas executive board spokesman. "The new factory is currently Europe's most modern production facility for agricultural machinery, and in terms of technological specialization and the level of vertical integration is comparable to the parent plant in Harsewinkel."

Claas hopes that the extent of manufacturing activity, including computer-controlled laser cutting of steel and the highly automated painting facility, will not only attract contract production work but also persuade the Russian authorities to recognize the company as a "true Russian manufacturer."

"The plant goes into operation in a challenging political and economic climate characterized by vola-

tile exchange rates and difficulties in obtaining finance locally," says Kriszun. "However, as a family-owned enterprise we have a long-term approach and think beyond the present day."

The same applies, he adds, to the 17 Russian service partners of Claas who are planning to invest more than \$45 million in their dealer network over the coming 3 years. They clearly share the Claas view that the Russian agricultural sector has excellent prospects for the future, with a need to modernize and adopt more efficient harvesting technologies.

Moreover, points out Kriszun, only 178 million acres of the 300 million suitable for farming in Russia are currently in production. **AEI**

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## Trelleborg to Buy Mitas Tire Company

Less than a two weeks after making its first tire in North America at a new factory in Spartanburg, S.C., Trelleborg agreed to terms to acquire the company behind the Mitas tire brand and its manufacturing facility in Charles City, Iowa.

Trelleborg will pay the equivalent of \$1.25 billion on a cash and debt-free basis for ČGS Holding, a privately held Czech industrial group that manufactures agricultural and specialty tires, as well as engineered polymer solutions.

Assuming the deal clears regulatory considerations, Trelleborg Wheel Systems, the Swedish group's agricultural tire and rim division, will almost double its revenues to \$930 million and broaden its geographical reach, particularly in Russia and Eastern Europe. It will also create an industrial group with sales of \$3.4 billion.

"This is a significant and attractive add-on to our existing businesses," says Peter Nilsson, president and CEO of Trelleborg. "ČGS, with its strong and favorably performing operations in agricultural and industrial tires, as well as engineered polymer solutions, will strengthen and complement Trelleborg's already leading positions in a number of existing areas."

Maurizio Vischi, president of

Trelleborg Wheel Systems, described the deal as a step change toward a strong market position in North America, where TWS has just started producing farm tires in what he describes as one of the most automated and cost-efficient plants in the industry.

Vischi described the U.S. market as central to Trelleborg's growth strategy when he announced the \$50 million investment in the new Spartanburg, S.C., plant (*Ag Equipment Intelligence*, July 2014).

With the ČGS acquisition, Trelleborg Wheel Systems will gain a brand with a strong mid-market position to complement its own premium traction tire and implement flotation products, as well as a second production facility.

Nilsson commented: "ČGS has 13 well-invested and competitive production facilities in Central and Eastern Europe, the U.S. and Mexico. We plan to gradually integrate the acquired entities into Trelleborg's existing business areas and expect cost synergies to be in excess of \$34 million over 3 years."

ČGS first demonstrated its international growth ambitions in 2004 by acquiring the agricultural business unit of German manufacturer Continental. The Conti brand was used under

license alongside Mitas but earlier this year began switching to the Mitas brand across its range (*Ag Equipment Intelligence*, March 2015).

Mitas has taken an increasingly innovative stance in product development, most notably with the PneuTrac low inflation pressure design developed in partnership with Israeli technology company Galileo Wheel.

Trelleborg's expansion in the ag sector started in 1998 with the acquisition of Pirelli's farm tire operations in southern Italy, which became the headquarters and principal manufacturing base of Trelleborg Wheel Systems. Having previously made only large section bias-ply products, the Pirelli acquisition took TWS into the radial tire market, which it has exploited by progressively developing bigger and more technically advanced tires.

Three years ago, TWS opened a new ag tire production plant in China, where the market is only 3% radial, and earlier this year bought Armstrong Tyres in Australia to acquire a leading position in the rim and complete wheel market with OEMs and dealers.

A new commercial operation in Turkey will exploit an industry that produced 50,000 tractors last year. **AEI**



# Titan International Taking Goodyear Farm Tires Back to Europe

Five years after Titan International first tried to enter the European farm tire market, the company is set to achieve that ambition by securing a licensing agreement with Goodyear Tire & Rubber Co.

Titan is already licensed to manufacture and distribute Goodyear tires for tractors and other agricultural equipment in North and Latin America. Five years ago it reached an agreement with Goodyear to purchase the company's Amiens North factory in France, where 60% of Goodyear European farm tires were produced.

However, 12 months later, stalled negotiations with French union representatives over closure of the associated car tire plant at Amiens led to Titan walking away from the deal.

Now, the two manufacturers have reached a licensing agreement enabling Titan to distribute Goodyear-brand farm tires throughout Europe, the Middle East and Africa, as well as in Russia and the Central Independent States (CIS). It also permits manufacture of farm tires within the licensed territory but outside the European Union.

Maurice Taylor, Titan International chairman and CEO, says tire molds and other assets purchased as part of the agreement will be used to start making Goodyear tires in the factory

it operates in Russia.

"Adding farm tire production to our Russian facility will enable us to provide our customers with a very competitive product offering in these new markets," says Taylor. "This agreement will allow Titan to add to our unique competitive advantage by offering complete tire and wheel assemblies to meet our customers' needs."

Nonetheless, the agreement is good news for Titan's U.S. facilities, he adds, as they support production of the Goodyear-brand and expansion of Titan LSW technology to the new regions.

Taylor also hopes to claw back business with North American OEMs: "From the time when Goodyear exited the EMEA farm tire business in 2014, Titan has suffered the loss of business relating to new equipment being exported from North America to Europe.

"In fact, we estimate over \$100 million in U.S. sales were lost. Titan will work to get all that business back, plus more — but it will take time."

Titan is already active in Europe, making wheel rims for agricultural equipment in England and France, and steel track components and assemblies in Italy, Germany and Spain. **AEI**

## Titan – Goodyear Timeline

**2005** – Titan buys Goodyear's North America farm tire assets, including the Freeport, Ill., manufacturing plant, for \$100 million.

**2009** – In May, Goodyear announces plans to sell its European farm tire operations and in September enters a non-binding agreement with Titan.

**2010** – Titan agrees to terms for a \$130 million purchase and licensing agreement for Goodyear's European and Latin American farm tire businesses, including the Amiens North factory in France and a manufacturing plant in Sao Paulo, Brazil.

**2011** – In April, Titan and Goodyear conclude their Latin America deal but in November, Goodyear's "put" option for the European agreement expires due to protracted "social plan" negotiations with French labor unions over closure of a passenger car tire facility on the Amiens site. Titan walks away from the deal.

**2013** – In January, Goodyear Dunlop Tyres Europe announces plans to exit the Europe, Middle East, Africa farm tire market. In October, Titan acquires a majority stake in Russian farm and industrial tire maker Voltyre-Prom.

**2015** – Titan secures a license to distribute Goodyear brand farm tires in Europe, Middle East, Africa, Russia and the Central Independent States (CIS) and plans Goodyear tire production at its Voltyre-Prom factory.

## ASH Group Acquires 2 U.S. Suppliers to Establish U.S. Division for Winter Equipment Business

Two manufacturers that started out as farm-based enterprises have been acquired by one of Europe's leading players in the winter maintenance equipment market.

Meyer Products LLC, Cleveland, Ohio, and Swenson Spreader LLC, Lindenwood, Ill., now form the North American division of ASH Group, the parent company of Switzerland's AEBl, a manufacturer of agricultural equipment for Alpine terrain, and Schmidt of Germany, a specialist in winter maintenance spreaders and snow plows.

ASH Group has acquired all interests in the two U.S. companies from

Louis Berkman Work Products Co. LLC, Steubenville, Ohio, whose President Andrew Outcalt says they will benefit from ASH Group resources while the brands, management and North American distribution channels continue unchanged.

"We had been looking for a strategic partner with the necessary resources and expertise to help take our companies to the next level," said Outcalt. "We believe the ASH Group provides us the best opportunity for growth because of its applicable experience in a number of our target markets and its track record for high

quality technology advancements."

Meyer Products began building snow plows in the mid-1920s on a farm in Newburgh, N.Y., and today makes plows for tractors, ATVs and pick-up trucks.

Swenson started out in 1937 as the Cherry Valley Pulverizer Co., building agricultural spreaders on the founder's family farm in rural northern Illinois. It now produces a range of pick-up and truck-mounted salt spreaders.

ASH Group's Schmidt premium salt spreaders and snow plows and AEBl high-stability tractors are supplied in the U.S. through independent dealers. **AEI**

## Cervus Equipment Reports 3Q15 Ag Sales Up 13%

Cervus Equipment Corp. (CVE) posted an increase in total ag equipment revenue of 16% for the period ending Sept. 30 and 19% through the first 9 months of 2015. During its third quarter, John Deere's largest farm machinery dealer in Western Canada registered strong sales across the board: equipment rev-

enues were up 13% (new -3%, used +44%), parts +29%, service +42%, rental and other +47%.

"Agricultural sentiment varied during the quarter as mid-season concerns gave way to optimism with late season rains resulting in an average harvest across most of our geography. Against

this backdrop, our agriculture segment generated strong used equipment sales, while an earlier harvest benefitted parts and service in the quarter," said Graham Drake, president and CEO of Cervus.

Total revenues for the third quarter increased by \$48.6 million to \$876,152, up 17%, during the third quarter. **AEI**

### Cervus Equipment Corp. — 3Q 2015 — Selected Financial Data

(C\$ in thousands)

	3 Mos. Ended Sept. 30, 2015	3 Mos. Ended Sept. 30, 2014	% Change	9 Mos. Ended Sept. 30, 2015	9 Mos. Ended Sept. 30, 2014	% Change
<b>Consolidated Revenue</b>	334,742	286,192	17%	876,152	690,569	27%
<b>Total Ag Revenue</b>	232,702	200,626	16%	557,461	467,386	19%
<b>EBITDA</b>	13,014	13,430	-3%	24,784	22,270	11%
<b>Gross Profit</b>	35,029	32,225	9%	89,363	76,009	18%
<b>Gross Profit Margin</b>	15.1%	16.1%	—	16.0%	16.3%	—
<b>Ag Revenue</b>						
New Equipment	108,239	111,734	-3%	281,083	258,966	9%
Used Equipment	84,125	58,538	44%	177,802	132,097	35%
Total Equipment	192,364	170,272	13%	458,885	391,063	17%
Parts	27,983	21,652	29%	66,192	49,925	33%
Service	11,496	8,118	42%	29,353	24,362	20%
Rental & Other	859	584	47%	3,031	2,036	49%

## Rocky Mountain Making Progress in Its Turnaround

For its third quarter, Rocky Mountain Dealerships (RME) reported total revenues were up by 10.9% to \$256 million from \$230.8 million a year ago. While new equipment sales were off by 2% vs. the same period last year, used equipment sales were up by 23%. Inventory decreased by \$51.3

million or 9.5% to \$489.7 million.

Product support revenues were strong, improving by 6.6% to \$48.6 million from \$45.6 million: parts +7%, service +7% and other +40%.

"Encouragingly, Rocky managed a \$51 million inventory reduction from the second quarter. This helped

reduce net-debt by \$31 million, although leverage remains high," Ben Cherniavsky of Raymond James told investors in a note.

He added, "Rocky, in our view, continues to make small steps toward a comprehensive turnaround in its operations." **AEI**

### Rocky Mountain Dealerships — 3Q 2015 — Selected Financial Data

(C\$ in thousands)

	3 Mos. Ended Sept. 30, 2015			3 Mos. Ended Sept. 30, 2014		
	Agriculture	Industrial	Total	Agriculture	Industrial	Total
<b>Sales</b>						
New Equipment	71,591	8,841	80,432	72,503	9,334	81,837
Used Equipment	124,481	1,053	125,534	101,914	440	102,354
Parts	34,298	3,620	37,918	31,503	4,065	35,568
Service	9,397	1,314	10,711	8,668	1,373	10,041
Other	1,086	305	1,391	846	149	995
<b>Total Sales</b>	240,853	15,133	255,986	215,434	15,361	230,795
<b>Gross Profit</b>	36,802	3,240	40,042	35,783	3,332	39,115
<b>Net Income (loss)</b>	4,910	(558)	4,352	6,481	(277)	6,204
<b>Gross Margin</b>	15.3%	21.4%	15.6%	16.6%	21.7%	16.9%

## Ag Equipment Sales Decline Eases

North American large ag equipment sales continued to decline in October, according to the latest numbers released by the Assn. of Equipment Manufacturers. "The good news is that sales of smaller farm tractors jumped considerably compared to September, and the numbers are back in line with what we saw earlier this year," said Charlie O'Brien, AEM senior vice president.

"Agriculture is cyclical, and we're in a cycle right now that's come down from a pretty high level, which makes it even more challenging. We anticipate a flattening of the rate of decline of the large tractor sales, and the long-term projection for the industry is certainly very positive," he said.

- U.S. and Canadian large tractor (which includes row-crop and 4WD) and combine unit sales dropped 31% year-over-year in October. This represents an improvement from down 38% in September.

- North American combine sales dropped 18.7% year-over-year following a 25.6% decline in September. U.S. unit sales were down 20.1%, while Canadian sales fared better at -16.8%.

- Row-crop tractor sales in North America were down 33.7% year-over-year in October vs. down 40.4% in September. Year-to-date, row-crop tractor sales are down 23.7%.

- For 4WD tractors, North American sales were down nearly 30% year-over-year in October and have declined 40.4% so far this year. In the U.S., the drop has not been as severe as in Canada with unit sales down 22.9% vs. 44.6% in Canada.

- Mid-range tractor sales were in positive territory for the U.S. at up 1.4% in October. In Canada, mid-range tractor sales dropped 25.1% year-over-year in October. Combined, North American sales are down 3.2% year-over-year in October for the category, an improvement from the 12.5% decrease the prior month.

- Compact tractor sales for North America saw a 17.6% year-over-year jump in October, following a 4.7% drop in September.



### OCTOBER U.S. UNIT RETAIL SALES

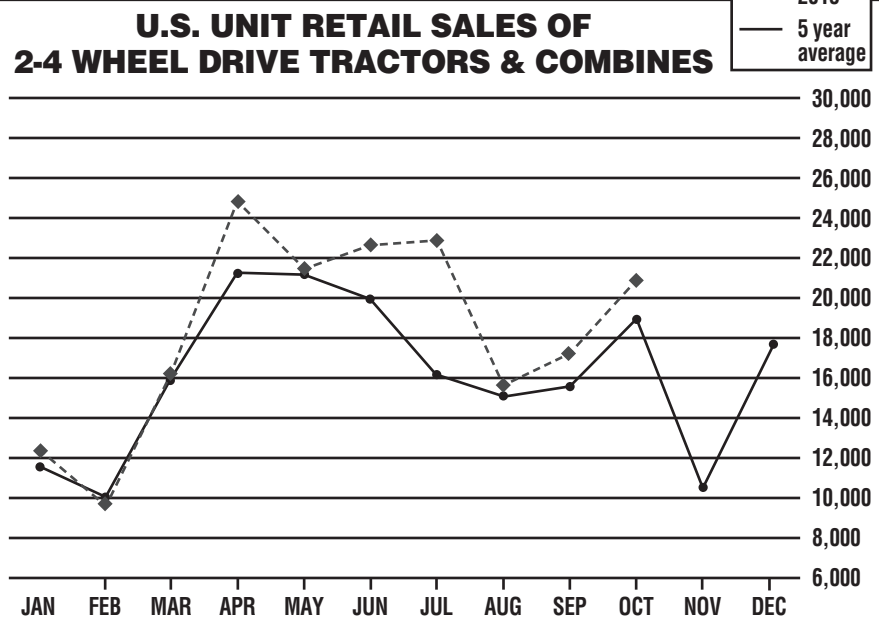


Equipment	October 2015	October 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	September 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	11,469	9,305	23.3	105,443	97,564	8.1	65,586
40-100 HP	5,931	5,851	1.4	50,671	50,830	-0.3	33,048
100 HP Plus	2,717	3,853	-29.5	20,829	27,259	-23.6	10,226
Total-2WD	20,117	19,009	5.8	176,943	175,653	0.7	108,860
Total-4WD	391	507	-22.9	2,562	4,426	-42.1	1,048
<b>Total Tractors</b>	<b>20,508</b>	<b>19,516</b>	<b>5.1</b>	<b>179,505</b>	<b>180,079</b>	<b>-0.3</b>	<b>109,908</b>
<b>SP Combines</b>	<b>457</b>	<b>572</b>	<b>-20.1</b>	<b>4,489</b>	<b>6,938</b>	<b>-35.3</b>	<b>1,397</b>

### OCTOBER CANADIAN UNIT RETAIL SALES



Equipment	October 2015	October 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	September 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,407	1,645	-14.5	11,116	12,072	-7.9	9,258
40-100 HP	924	1,234	-25.1	4,862	5,768	-15.7	4,497
100 HP Plus	546	1,067	-48.8	3,764	4,979	-24.4	2,325
Total-2WD	2,877	3,946	-27.1	19,742	22,819	-13.5	16,080
Total-4WD	124	224	-44.6	694	1,037	-33.1	326
<b>Total Tractors</b>	<b>3,001</b>	<b>4,170</b>	<b>-28.0</b>	<b>20,436</b>	<b>23,856</b>	<b>-14.3</b>	<b>16,406</b>
<b>SP Combines</b>	<b>342</b>	<b>411</b>	<b>-16.8</b>	<b>1,614</b>	<b>1,914</b>	<b>-15.7</b>	<b>604</b>



— Assn. of Equipment Manufacturers

essentially, we've acquired everything up through that monitor," said Reed.

FieldView is described as a high definition mobile mapping tool that provides real-time detailed data — seed placement and depth — to the farmer as he's planting.

"The third piece is we've also engaged in an API [application programming interface] agreement with them where customers will actually have the opportunity to choose how and where they connect and where they want to send their data to," said Reed.

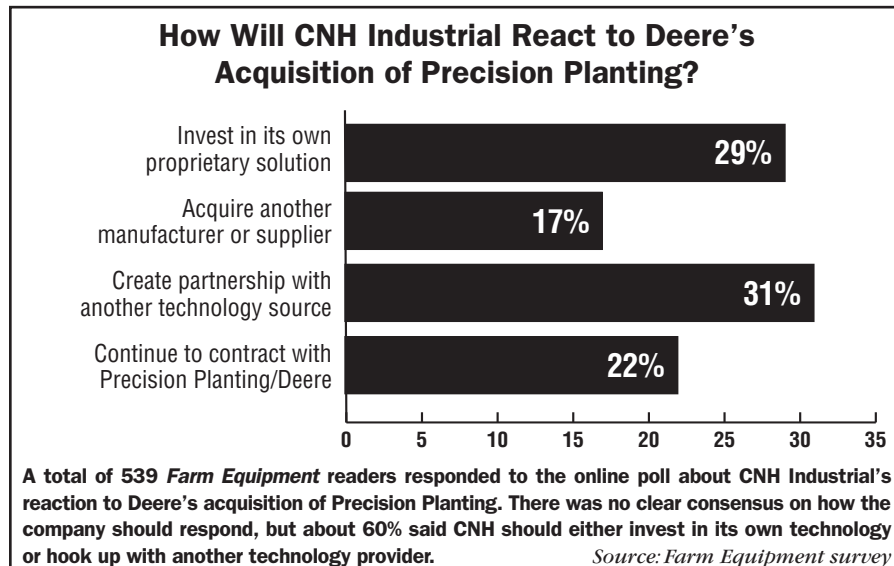
**Big Concerns.** The announcement stirred up consternation for dealers and competing manufacturers as Precision Planting had working agreements with Case IH and AGCO, as well as dozens of smaller independent precision farming dealers. According to Sean Arians, spokesperson for Precision Planting, the company is working with more than 400 dealers of nearly all equipment brands as well as independent retailers.

The initial concern, whether Deere would maintain and support the prior agreements, was answered quickly with a definitive "yes." Reed told *AEI*, "We'll maintain each of those existing dealer contracts. Our intent is to maintain that Premier Dealer network in the industry."

According to Deere spokesperson Barry Nelson, Precision Planting's portfolio complements John Deere's planting products with solutions that can be retrofitted to other brands and to earlier models of planters. Precision Planting will operate independently, but will now be a wholly owned subsidiary of John Deere. "We intend to provide Precision Planting products to other OEMs, advancing John Deere's strategy to create more choices for customers and expand the industry's use of precision ag technologies," Nelson said.

Continuing to service other OEMs and non-Deere retailers is clearly in the company's best interest, the lingering question is how long will Case IH, the number two largest manufacturer of ag machinery, want to continue contributing to its chief rival's revenues.

**CNH Response.** Responding to Deere's acquisition of Precision Planting, Dan Danford, spokesper-



son for Case IH, told *AEI*, "The agreement between CNH Industrial and Precision Planting that licenses the use and supply of certain components at a competitive cost are not impacted by the change of control of Precision Planting. Also, our agreements with Precision Planting provide select CNH Industrial dealers the opportunity to carry Precision Planting components as part of their aftermarket parts offering. And just as with the component supply agreement, CNH Industrial's rights are contractually preserved under any change of control."

Regarding CNH Industrial's plans moving forward, Danford added, "This change of control of Precision Planting does not change our plans to continue to bring additional innovations to the planter market, with announcements planned in the near future."

*Farm Equipment*, *AEI*'s sister publication, polled readers on Nov. 4, the day Deere announced the acquisition, to find out what they thought Case IH's likely reaction would be. Based on a total of 539 responses, 31% said Case IH should create a similar partnership to the one it had with Precision Planting with another technology source. A nearly identical number, 29%, said the manufacturer should invest in its own proprietary solution. Of the remaining responses, 22% suggested there should be no change and Case IH should continue to contract with Precision Planting, while 17% think Case IH will acquire

another manufacturer or supplier to develop competitive technology.

**Upside/Downside.** Independent dealers with established business relations with Precision Planting appear split on Deere's acquisition of Precision Planting.

Steve Cubbage, president of Record Harvest, which provides GPS-based agronomic services, sees the potential of a significant upside to the deal. "One of the things could be the financing arm of Deere, possibly through their Farm Plan. This is total speculation on my part, but if I had to say what could help us as dealers and spread the technology, knowing that we might be able to use some of Deere's financing vehicles, to implement it, I think it would be awesome."

In an interview with *Agriculture.com*, Sauder, who returned to the market with a new company, 360 Yield Center, just over a year ago, sees a downside if Deere isn't able to maintain an entrepreneurial spirit at Precision Planting.

"If Deere tries to bring too much in-house, I think they'll ruin the innovation and culture we created. We had a tremendous culture of speed and innovation. I aimed to bring out 2-3 new products a year and have them in the sweet spot where they would perform for growers. I've seen that back off some. When Monsanto took over Precision Planting, there was not that passion. You just didn't see that drive like an entrepreneurial inventor has to get the product right and bring it out quickly." **AEI**



## Another Tough Quarter for Ag Equipment Makers

The latest round of quarterly earnings reports continue to indicate tough sledding for ag equipment companies with low expectations for the remainder of 2015.

### AGCO Takes Big Hit on South American Sales During 3Q

AGCO reported third quarter results Oct. 28 with net sales for the quarter down 19.4% year-over-year to \$1.7 billion. The company also reported it has lowered its inventory by \$305 million compared to the same time in 2014.

Despite the year-over-year declines, an analyst for Seaport Global said in a note to investors that they continue to be impressed by AGCO's execution on margin in recent quarters, given the substantial declines in agricultural markets. That said, barring a drought in a major growing region, he believes crop price risk is to the downside given the large expected soybean crop in Brazil combined with initial forecasts for the 2016 corn and soybean crops.

AGCO 3Q 2015 (in millions \$)			
	3Q15	3Q14	% Change
North America	\$494.9	\$531.3	-6.9%
South America	\$231.4	\$455.0	-49.1%
Europe/Africa/Middle East	\$894.3	\$1,026.0	-18.7%
Asia/Pacific	\$115.8	\$142.5	-19.4%
Total Net Sales	\$1,736.4	\$2,154.8	-19.4%

### CNHI Cuts NAFTA, LatAm Production in 3Q

CNHI reported third-quarter earnings Oct. 29 with net sales down 25% year-over-year to \$5.5 billion. Revenues of ag equipment fell 33.6% to \$2.4 billion. North American sales in the row-crop sector fell 37% year-over-year, but the under 40 horsepower tractor segment and the 40-140 horsepower segment were less volatile at up 8% and down 2% respectively.

"The third quarter represented a continuation of what we've seen so far throughout 2015, a tough agricultural environment, with unit demand down 33% year-to-date in row crop, NAFTA and more than 25% in LatAm, which has demanded some heavy lifting actions from the group with production curtailments of 50% in NAFTA and almost 40% in LatAm, to adjust inventory to prevailing market demand," said Rich Tobin, CEO of CNH Industrial.

CNHI 3Q 2015 (in millions \$)			
	3Q15	3Q14	% Change
Total Ag Net Sales	\$137.0	\$433.0	-6.8%
Total Industrial Net Sales	\$5,549	\$7,403	-25.0%

### North American Compact Tractor Sales Offset Drops in Other Sectors for Kubota

Kubota Corp. reported its 6 months earnings ended Sept. 30 on Nov. 5. Revenues for the company increased \$600 million dollars or 9.9% from the same time last year to \$6.66 billion. Domestic revenues increased \$60 million or 2.8% year-over-year to \$2.12 billion and overseas revenues grew 13.6% to \$4.54 billion.

Sales of farm and industrial machinery for the company increased 11.1% year-over-year to \$5.56 billion and accounted for 83.4% of sales. Kubota says in its earnings report that domestic sales of farm equipment rose primarily in the tractors segment. Overseas sales, especially in North America, rose in compact tractors and mowers, offsetting decreased sales of midsize tractors.

Kubota has left its forecast for revenues for the year ending Dec. 31 unchanged, but has updated its forecast for operating income to \$1.41 billion, an increase of \$70 million from the previous forecast.

Kubota Corp. Current Quarter 2015 (in millions \$*)			
	6 Months Ended Sept. 30,		
	2015	2014	% Change
Farm Equipment & Engines Revenue	\$4,610	\$4,170	10.5%
Total Revenue	\$6,660	\$6,060	9.9%

\*Converted from yen to U.S. dollar at exchange rates as of Nov. 12

### Alamo Sees Slight Uptick in Ag Sales During 3Q Despite Current Headwinds

On Nov. 4, Alamo Group, manufacturer of specialty ag equipment, announced net sales were down 1.4% for the third quarter at \$231.6 million vs. \$234.8 million for the third quarter in 2014. Despite headwinds, sales in the agriculture and industrial segment were up for the quarter. The company experienced a record sales for the first 9 months of \$655.1 million and record net income for the quarter of \$31.8 million.

The Agriculture Division reported net sales of \$58.92 million in the third quarter, a slight increase vs. the \$58.87 million achieved in 2014. For the first 9 months, the division's net sales were \$58.3 million, a drop of 1.8% compared to the same period last year.

Alamo Group 3Q 2015 (in millions \$)			
	3Q15	3Q14	% Change
Net Sales	\$231.6	\$231.6	-1.4%

## Titan International 3Q Sales Struggle as OEMs Face Tough Ag Market Conditions

For the third quarter, tire manufacturer Titan International reported net sales of \$308.8 million on Nov. 6. This represents a 31.1% drop compared to \$449.6 million in the third quarter of 2014. "The third quarter for our end markets was worse than anyone forecasted. This was consistent with our large customers and competitors. We continue to be focused on what we can control," says Titan International CEO and Chairman Maurice Taylor.

Net sales for the 9 months ended Sept. 30 came in at \$1,087 million, a 28% decrease from the same period last year. In addition to lower demand because of reduced farm incomes, Titan says demand was further reduced because of inventory reduction efforts at OEMs and their dealers.

Titan International 3Q 2015 (in millions \$)			
	3Q15	3Q14	% Change
Net Sales	\$308.8	\$449.6	-31%

## Blount Reduces Production Rates to Match Declining Sales

On Nov. 9, Blount International, manufacturer of replacement parts, equipment and accessories for the forestry, lawn and garden and ag industries, reported third quarter sales of \$209 million, down 15% compared to the prior year. The Farm, Ranch and Agriculture segment (FRAG) third quarter sales drop 9.6% to \$71.1 million vs. the third quarter of 2014.

"Our sales were unfavorably impacted by current global economic conditions, continued U.S. Dollar strength vs. foreign currencies, and the cyclical downturn in the agriculture machinery market that has negatively impacted sales in most parts of our FRAG business. In response to the lower demand, we have further reduced production rates and headcount, primarily at our U.S.-based production facilities, and we are actively managing our spending and staffing while maintaining focus on our strategic investments," said Josh Collins, Blount's chairman and CEO.

Blount 3Q 2015 (in thousands \$)			
	3Q15	3Q14	% Change
Net Sales	\$209,171	\$245,224	-14.7%

## Lindsay's Irrigation Revenues Drop 23% in 4Q

Irrigation system and infrastructure product manufacturer Lindsay reported its fiscal fourth quarter and full year 2015 results on Oct. 15. Fourth quarter revenues were \$123.5 million vs. \$147.5 million during the fourth quarter 2014. Total irrigation equipment revenues for the quarter decreased 23% to \$96.9 million. U.S. irrigation revenue was down 23%, largely due to sales resulting from storm damage contributing an estimated \$20 million to the prior year fourth quarter revenue, the company says.

For the year, revenues were down 9% to \$560.2 million compared to 2014. Total irrigation equipment revenues dropped 16% in 2015 to \$451.2 million from \$539.9 mil-

lion during fiscal 2014. U.S. irrigation equipment revenues were down 17% and international irrigation equipment revenues were down 15%.

Lindsay 4Q 2015 (in thousands \$)						
	4Q 2015	4Q 2014	% Change	FY 2015	FY 2014	% Change
Net Sales	\$123,540	\$147,522	-16.3%	\$560,181	\$617,933	-9.3%

## Valmont Continues Restructuring Efforts in 3Q

For the third quarter of 2015, Valmont Industries, a provider of mechanized irrigation equipment and infrastructure products, reported net sales of \$633 million, down by 17% from the same period in 2014. Year-to-date, net sales were \$1,985 million, a 15.8% decline from the same period last year.

"The end market challenges of weak agricultural commodity prices and reduced mining and energy driven demand, along with unfavorable currency translation, persisted during the quarter," says Mogens C. Bay, Valmont's chairman and CEO. "Our goal in this environment remains to drive earnings improvement next year despite continued difficult market conditions. During the quarter, we continued our restructuring efforts and are on track to complete most initiatives by year end. We now expect annualized cost savings from restructuring and cost reduction actions to approximate \$30 million per year, compared to our prior expectations of \$19 million in annualized savings."

Valmont 3Q 2015 (in thousands \$)			
	3Q15	3Q14	% Change
Net Sales	\$632,575	\$765,668	-17.8%

## AgriBank Posts Strong Credit Quality in 3Q

On Nov. 9, AgriBank released its third quarter results. Net income for the quarter was \$121.1 million, down from \$155.8 million in 3Q 2015. Net interest income was stable at \$362.8 million for the 9 months ended Sept. 30, 2015. However, year-to-date net income was down 14.1% to \$362.8 million compared to the same period of 2014.

"While U.S. net farm income is expected to decline in 2015 compared to last year, AgriBank's continued strong credit quality in the third quarter reflects the strong liquidity and equity positions of many borrowers," said Bill York, AgriBank CEO.

## Trimble Revenue Down 4% in 3Q

On Oct. 29, Trimble reported third quarter 2015 revenue of \$562.3 million was down 4% as compared to the third quarter of 2014. By business segment, the company reported Engineering and Construction revenue was \$326.4 million, down 5%. Field Solutions revenue, which includes ag products and systems, was \$73.5 million, down 17%. Mobile Solutions revenue was \$131.6 million, up 9%. Advanced Devices revenue was \$30.8 million, down 6%. **AEI**