From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- OEM Consolidation?
- Mahindra & Mitsubishi
- Mfr. Sales Outlook

Equipment Dealers Expect Another Slow Year

While more dealers are expecting new equipment sales to be as good or better in 2016 than they were in 2015, 39.7% of dealers expecting flat equipment sales isn't necessarily optimistic when sales are already low.

Of the 282 North American farm equipment dealers who responded to *Ag Equipment Intelligence*'s 2016 Dealer Business Outlook & Trends survey, nearly 57% expect sales of new machines to be as good or better than they were in 2015. This compares to 50% expressing the same sentiments a year ago.

At the same time, only 17.2% expect an actual increase in sales of new

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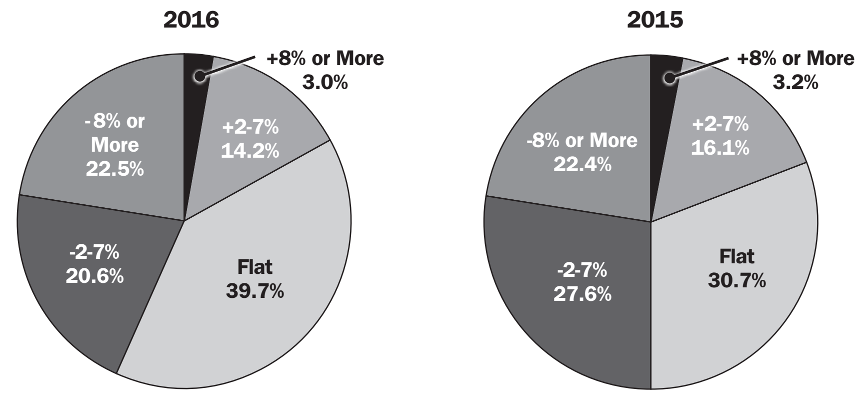
North American Dealers' Outlook for New Equipment Revenue
2016 vs. 2015



On a weighted average basis, ag equipment dealers are slightly more optimistic about 2016 than they were about 2015. But with only 17% of dealers expecting a revenue boost, optimism may not accurately portray dealer sentiments for 2016.

Foton Lovol Eyes Western Markets in Deal for Kohler Engines

A new range of Kohler engines will make its debut as a tractor power unit when Chinese farm machinery giant Foton Lovol launches a new range for Western markets at the Agritechnica show in Germany next month. A historical Italian brand once owned by White is being revived to support the launch, which will also include combines, precision seed drills and cultivation equipment.

Reviving the "Arbos" brand is a key stage in a project begun by Foton Lovol International Heavy Industries Co. in 2011 when it set up a European R&D center near Bologna in Italy to design a new range of tractors.

Until now, Foton Lovol sales in North America and Europe have been limited to a handful of mainly small utility tractors marketed under a variety of names. In the U.S., Liberty Eagle Enterprises LLC, Liberty, Ky., supplies 25-90 engine horsepower tractors under the Eagle brand.

Tightening emissions rules and a desire to increase sales in Western markets is behind the new more advanced tractor range, which is expected to span 100-130 horsepower.

Last month, Foton Lovol senior executives attended a ribbon-cutting ceremony to launch Lovol Arbos Group SpA, a new holding company to coordinate the Chinese group's activities in Europe. Its managing director, Andrea Bedosti, has worked in commercial sales with Argo Tractors, telehandler maker Merlo and Same Deutz-Fahr Group.

Since taking on the role early last year, Bedosti has negotiated Foton Lovol's acquisition of MaterMacc, an Italian manufacturer of seed drills, precision seeders and cultivation equipment (*Ag Equipment Intelligence*, April 2015) and the trademarks and surviving records of the Arbos-Bubba combine harvester company. White acquired this business in 1964 but it returned to European ownership in 1976 before it closed down entirely in 1994.

Although Foton Lovol makes its own 4 and 6 cylinder engines derived from a joint venture with Perkins Engine Co., which ended in 2007, they do not meet Western market emissions rules.

Kohler's 3.35-liter 4 cylinder engine, which will top out at 134 horsepower in the forthcoming tractors, is part of the new Kohler KDI family built at the U.S. company's Lombardini manufacturing plant in

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Foton Lovol Eyes Western Markets in Deal for Kohler Engines. Continued from page 1

Italy. Euro Stage IV/U.S. Tier 4 Final emissions are achieved using exhaust gas recirculation (EGR) and a diesel oxygenated catalyst (DOC). The lack of a diesel particulates filter (DPF) is among features that attracted JCB to become one of the first customers for the Kohler KDI, which is used in 1.9 and 2.5 liter sizes for compact telescopic handlers and light construction equipment.

Foton Lovol International Heavy Industry Co. is the largest manufacturer of agricultural equipment in China. Construction machinery and light utility vehicles also contributed to sales last year equivalent to $3.4 billion. The group claims 70% of the combine market in China and a leading share of large and medium size tractors for the past 10 years. AEI

Amazone Sets Up Operations in China

The German manufacturer of Amazone field equipment is following European counterparts by setting up shop in China.

Fellow manufacturers from Germany, such as potato and beet equipment specialist Grimme, which already has an office in Beijing, and Lemken, a manufacturer of tillage and seeding equipment, which opened a €9 million ($10 million) assembly plant in Qingdao on China's east coast last year having entered the market through a distributor 20 years ago, have been increasing their presence in China.

Among officials present for the opening ceremony at Amazone Agricultural Machinery (Tianjin) Co. Ltd. were managing partner Dr. Justus Dreyer, sales manager and director Andreas Hemeyer, and Kim Nielsen, manager of the new subsidiary, which is located in the port city of Tianjin, about a 2-hour drive southeast of Beijing.

Dreyer noted that it primarily serves as a sales and service base but could assemble Amazone machinery locally in the future. The new facility has around 32,000 square feet of covered area and represents a total investment of approximately €1 million ($1.1 million).

Amazone is no stranger to China. Its tillage equipment, fertilizer spreaders, crop sprayers and seed drills have been distributed in partnership with Melchers Techexport, a German trading business with a long track record in sales and aftersales service in China and other Asian countries. Melchers entered the agricultural machinery sector there 15 years ago.

"Currently the demand for Amazone machinery in China is very positive," says Dreyer. "Our entire product program is offered, and now it is the objective to establish from this new base an efficient sales organization backed up by a nationwide dealer network in order to intensively grow this future market in China."

In the medium term, he adds, Amazone intends to achieve double-digit million Euro sales from the new venture as the company continues on its growth path.

In 2014, group turnover slid 9% from the 2013 record of €515 million ($574 million). But last year's €468 million ($521 million) sales were still the company's second highest and up 60% on figures recorded just 5 years ago. AEI

Mahindra Buys into Mitsubishi's Ag Equipment Business

Mahindra & Mahindra, one of India's leading farm equipment manufacturers, has completed a $25 million investment in Mitsubishi's compact tractor and rice cultivation equipment operations in Japan.

Under the deal, announced earlier this year, M&M acquired a 33.3% stock holding in the business, which remains majority owned by Mitsubishi Heavy Industries, a wide-ranging industrial group.

To reflect the Indian manufacturer's significant involvement, the business has been renamed Mitsubishi Mahindra Agricultural Machinery Co., and a senior executive from Mahindra's automotive division has been appointed chief financial officer.

In addition to small mechanical and hydrostatic drive tractors, the manufacturing and assembly operations produce rice transplanters and self-propelled harvesters and walk-behind tillers. Revenues in the company's 2014-15 financial year were equivalent to $408 million.

Mitsubishi and Mahindra have a long-standing commercial relationship, primarily in North America where the 18-50 horsepower tractors have formed part of Mahindra U.S.'s range for more than 10 years. They complement Mahindra's own larger models up to 105 horsepower.

The compact tractors are also available in Australia and a handful of European and Asian countries, but access to Mahindra's extensive sales network, especially in China and India, will be one of the benefits of the new partnership.

Mahindra's capital injection, product development capability and cost competitiveness are also expected to complement Mitsubishi technology strength and brand power as the business aims to strengthen its competitiveness in Japan and other markets around the world.

Mahindra claims to be the world's biggest producer of tractors by volume; through organic growth and acquisitions in India and China, annual unit sales have increased from 85,000 in 2005 to a peak of more than 268,000 in 2013. AEI

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Maschio Gaspardo's New Management Team to Pursue Growth Initiative

A new management team at Maschio Gaspardo Group in Italy has committed to continuing its program of growth that was spearheaded by joint founder Egidio Maschio, who died in June. Before his death, the former president of the company instigated the appointment of Massimo Bordi, a former CEO of the Same Deutz-Fahr Group, as CEO.

The former president's brother and co-founder of the group, Giorgio Maschio, remains vice president, while Mirco Maschio, who was nominated president following his father's death, also occupies the role of chief sales officer. Fellow board member Andrea Maschio is chief technical officer.

Massimo Bordi said, "With the completion of the first line of the organization chart we have strengthened the foundations to pursue the group's consolidation plan and created the right conditions for another expansion phase."

The Maschio brothers established their business in 1964, producing rotary tillers. They made the first of many business acquisitions in the mid-1970s, bought seeder company Gaspardo in the mid-1990s and built a network of manufacturing plants in Italy, Romania, China (*Ag Equipment Intelligence*, January 2015), India and the U.S. over the past 15 years.

> ***"We have strengthened the foundations and created the right conditions for another expansion phase..."***

A number of more recent acquisitions has expanded and broadened the product range from tillers and seeders to include moldboard plows, sprayers and hay tools, resulting in a total of 19 production sites and 12 commercial branches.

The group reported 2013 revenues of €282 million ($315 million at current exchange rates), 90% of which are earned outside Italy, and was in the midst of a major investment plan (*Ag Equipment Intelligence*, September 2014).

New CEO Massimo Bordi was CEO of Same Deutz-Fahr Group until 2010, having started his career as an engineer at sports motorcycle manufacturer Ducati. He recently left another Italian motorcycle maker, MV Agusta, as general manager.

In his new role, Bordi has appointed former SDF and MV Agusta colleague Giovanni Ferrari as COO to coordinate and optimize each of the Maschio Gaspardo Group's manufacturing plants. **AEI**

FARM MACHINERY TICKER (AS OF 10/9/15)

MANUFACTURERS	Symbol	10/9/15 Price	9/11/15 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$38.38	$37.50	$57.99	$32.76	N/A	49,989	551.01M
AGCO	AGCO	$47.01	$47.41	$57.90	$41.56	15.17	1,259,120	4.1B
AgJunction Inc.	AJX	$0.69	$0.57	$0.84	$0.40	N/A	152,852	49.9M
Alamo	ALG	$47.32	$47.86	$64.45	$37.93	13.17	52,812	540.51M
Art's Way Mfg.	ARTW	$2.92	$3.86	$7.08	$2.91	N/A	7,144	12.55M
Blount Int'l.	BLT	$6.83	$6.48	$17.97	$5.35	N/A	355,344	329.318M
Buhler Industries	BUI	$5.70	$5.95	$6.50	$4.44	36.31	4,573	142.5M
Caterpillar	CAT	$71.30	$72.62	$107.12	$62.99	12.17	7,666,010	42.97B
CNH Industrial	CNHI	$7.37	$7.44	$9.72	$6.36	17.24	1,476,720	10.02B
Deere & Co.	DE	$79.88	$79.24	$98.23	$71.85	12.28	3,482,260	26.21B
Kubota	KUBTY	$76.99	$74.50	$88.21	$66.90	15.66	7,973	19.16B
Lindsay	LNN	$71.40	$74.04	$91.93	$64.99	21.30	108,382	817.03M
Raven Industries	RAVN	$18.66	$17.47	$26.56	$15.77	31.90	199,483	696.08M
Titan Int'l.	TWI	$7.73	$7.73	$12.50	$6.32	N/A	558,055	415.659M
Trimble Navigation	TRMB	$17.45	$17.72	$31.04	$15.90	35.69	2,100,420	4.49B
Valmont Industries	VMI	$105.66	$103.39	$139.31	$92.33	21.00	229,841	2.46B
RETAILERS								
Cervus Equipment	CVL	$13.52	$13.37	$20.84	$12.71	N/A	11,884	209.94M
Rocky Mountain Equipment	RME	$6.54	$6.80	$11.13	$5.82	8.66	31,995	126.77M
Titan Machinery	TITN	$13.14	$13.74	$16.99	$10.01	N/A	186,549	279.26M
Tractor Supply	TSCO	$89.64	$87.96	$96.28	$55.95	30.91	1,154,290	12.17B

Manufacturers See Little Change in 2016 Ag Equipment Sales

Results from a revised Quarterly North American Agricultural Equipment Industry Trends survey from the Assn. of Equipment Manufacturers, indicate equipment makers are reporting similar outlooks for equipment sales for the coming year as their dealer counterparts (see the story on page 1 of this newsletter).

AEM reports that manufacturers expect sales of large equipment, including harvesting, to continue at a sluggish pace in the next 12 months. Sales of equipment aimed at the livestock market, which was strong in the past year, are also expected to slow due to the drop in milk prices. Survey participants expect lawn and garden equipment and tractors to be up by 1-5% in 2016, with the outlook for tractors likely driven by low horsepower models.

Manufacturers expect loaders and material handlers to see increases of 6-10% and trailers and transportation equipment to be up 10-15%, making this category the best bet for improving sales in the year ahead.

Components and attachments are largely expected to increase across the board as well, except for harvesting, tillage, seeding, fertilizing and planting equipment.

Equipment Demand Analysis. AEM's survey also asked manufacturers to gauge demand, looking at new orders, production and work backlog in the second quarter of 2015 vs. the year before. Nearly 60% of manufacturers surveyed say new orders for both ag wholegoods and components/attachments have fallen. About 42% of manufacturers reported flat to rising wholegoods production and 37% say production of ag components/attachments is flat or increasing vs. the same time last year.

Work backlog of ag components/attachments is reported to have fallen by almost 78% year-over-year, while roughly 42% of manufacturers say work backlog of wholegoods has stayed the same. "The backlog seems to be more stable within the wholegoods segment, hinting at a faster adjustment to the current situation. Next quarter, we would expect the backlog for components/attachments to become more stable," says the AEM report.

Export & Import Trends. AEM reports exports and imports of U.S.-made farm equipment declined in the second quarter, which marks the sixth consecutive quarter that U.S. trade has experienced year-over-year declines.

While Central America, Asia and

...Continued on page 5

Manufacturers' Equipment Outlook Next 12 Months (as of 2Q 2015)

Equipment Type	Ag Wholegoods	Components/ Attachments
Harvesting Equipment	Down 1-5%	Down 1-5%
Irrigation & Sprayers	Stable	Up 6-10%
Lawn/Garden Equipment	Up 1-5%	Up 6-10%
Livestock Equipment	Down 1-5%	Up 6-10%
Loaders/Materials Handlers	Up 6-10%	Up 1-5%
Tillage, Seeding, Fertilizing, Planting	Stable	Down 1-5%
Tractors	Up 1-5%	Up 1-5%
Trailers/Transportation Equipment	Up 10-15%	Up 1-5%
Other	—	Up 1-5%

Source: Assn. Equipment Manufacturers, Ag Executive Advisor

Manufacturers' Equipment Demand Analysis 2Q 2015 vs. 2Q 2014

Ag Wholegoods	Falling	Roughly the Same	Rising
New Orders	58.4%	8.3%	33.3%
Production	50.0%	8.3%	41.7%
Work Backlog	41.7%	41.7%	16.6%
Components/Attachments	**Falling**	**Roughly the Same**	**Rising**
New Orders	63.0%	25.9%	11.1%
Production	55.6%	33.3%	11.1%
Work Backlog	77.8%	18.5%	3.7%

Source: Assn. Equipment Manufacturers, Ag Executive Advisor

U.S. Ag Equipment Export/Import Trends

	Exports			Imports		
World Area	2Q 2015	% Change Q/Q	% Change Y/Y	2Q 2015	% Change Q/Q	% Change Y/Y
North America	$687,249,977	18.1%	–19.3%	$221,856,012	–22.3%	–29.9%
Central America	$280,839,719	2.8%	3.6%	$163,119,783	5.4%	–24.6%
South America	$180,321,192	–4.0	–37.5%	$11,698,309	10.1%	–21.4%
Europe	$421,521,342	2.7%	–27.7%	$912,017,945	9.8%	–13.4
Asia	$324,522,180	82.4%	18.0%	$742,995,156	7.0%	9.5%
Australia and Oceania	$234,187,728	94.0%	8.0%	$17,948,970	–23.0%	–41.8%
Africa	$65,106,919	–2.9%	–33.0%	$655,176	–8.1%	1.1%
Total	$2,193,749,057	20.6%	–15.1%	$2,070,291,351	3.5%	–10.4%

Manufacturers See Little Change for 2016 Ag Equipment Sales Continued from page 4

Australia/Oceania recorded growth in exports year-over-year, North America, Europe and South America all continued to see declines. Total exports of U.S. ag equipment experienced a 15.1% decline compared to the second quarter of 2014.

Total imports of U.S.-made ag equipment declined 10.4% year-over-year, though Asia and Africa both saw growth.

AEM reports, "As the dollar continues to remain strong in the international markets, U.S. companies will continue to be at a competitive disadvantage." The association also says that it should be interesting to see what effect the Chinese currency devaluation will have in the third quarter.

AEM cites a report from the Agrievolution Alliance, which indicated that the global business climate is expected to improve in the next 6 months. Asian markets are currently seeing growth, and while exports have decreased in the U.S., the domestic market is moving in the direction of small equipment, including lawn and garden products, which have helped it remain more positive. AEI

Rabobank Sees Slow Ag Recovery; Potential Manufacturer Consolidation

Rabobank doesn't see sales of ag equipment picking up until possibly 2018. In the meantime, one of agriculture's largest lending institutions thinks the time could be right for some of the bigger farm machinery manufacturers to get together to challenge market leader John Deere.

According to the September 2015 report, "Contraction Today, Consolidation Tomorrow? Looking beyond the Downturn in North American Farm Equipment," the ag lender concludes that the downturn in farm equipment sales that has carried over into 2015 "is unlikely to abate for some time."

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

The current oversupply of used equipment must be worked down before dealers will increase their delivery of new equipment from the OEMs.

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

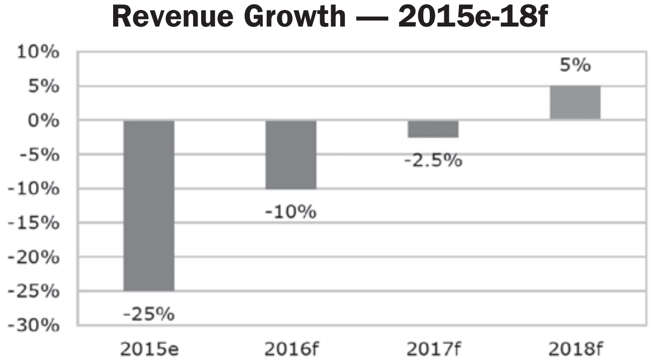
In citing the potential for consolidation by equipment OEMs, the report cites recent merger and acquisition activity within the farm input subsector of agriculture. These include Monsanto's bid for Syngenta, FMC's acquisition of Cheminova and the recent merger agreement between CF Industries and OCI.

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

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

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

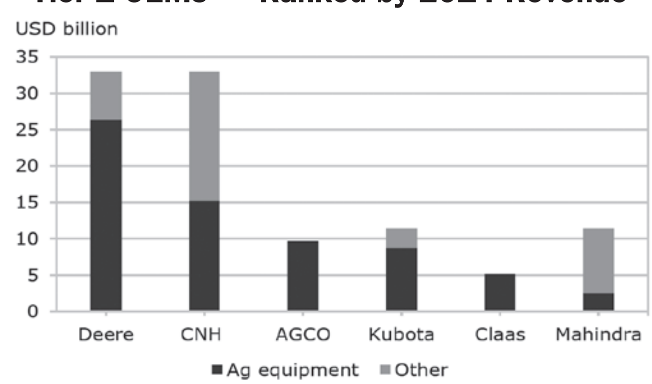
Rabobank Forecast for Estimated Revenue Growth — 2015e-18f



Rabobank says there is a strong possibility that farm equipment OEMs may not see an uptick in revenue until 2018.

Source: VDMA, Raobank forecast, 2015

Tier 1 OEMs — Ranked by 2014 Revenue



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

Source: Bloomberg, company reports, 2015

Kubota Corp. 2Q Revenues Rise 14.2%; Continues to Expand Operations in Big Ag Worldwide

Kubota Corp.'s continued expansion into big ag equipment and higher horsepower tractors and its increased activity in Asia were reflected in significant gains during the 3 months ended June 30, 2015. Kubota reported its earnings on Aug. 5 with revenues up 14.2% year-over-year to almost $3.5 billion. Domestic revenues increased 5% to $974.73 million and overseas revenues for the company saw gains of 18.4% to almost $2.5 billion. Overseas revenues also increased to 71.4% of total revenues from 69.1% the year prior.

Revenues for Kubota's Farm & Industrial Machinery division increased 14.5% year-over-year to almost $3 billion. In its earnings report, Kubota attributes this increase to the effect of yen depreciation and growing sales in China. Kubota farm equipment and engines revenue increased to about $2.5 billion, a 13.7% gain from the same period last year.

North American tractor sales for the company increased and Kubota says this was largely due to increased sales of mowers and compact tractors, which offset decreased sales of utility vehicles and midsize tractors. European revenues for the company declined, "due to the stagnation in the agricultural market and the effect of euro depreciation." Revenues in Asia rose because of increased sales in China.

> *"Another symbolic step toward the goal of expanding Kubota's presence beyond its traditional markets..."*

Kubota Corp. 2Q 2015 Earnings Analysis
(in millions $)*

	3 Months Ended June 30, 2015	3 Months Ended June 30, 2015	Change
Revenue	3,435.75	3,007.49	14.2%
Operating Income	501.11	437.14	14.6%
Income Before Income Taxes	534.58	444.86	20.2%
Net Income	338.72	278.68	21.5%
Farm Equipment & Engines	2,426.43	2,133.83	13.7%
Domestic	493.36	448.74	9.9%
Overseas	1,933.07	1,685.09	14.7%
Construction Machinery	452.41	371.10	21.9%
Domestic	69.22	61.03	13.4%
Overseas	383.19	310.07	23.6%
Other	556.91	502.56	10.8%
Total	3,435.75	3,007.49	14.2%
Domestic	974.73	928.52	5.0%
Overseas	2,461.02	2,078.98	18.4%

**Converted from yen to U.S. dollar at exchange rates as of Oct. 8.*

Source: Kubota Corp.

Asian Expansion. Kubota reported in early October that it is planning for further expansions into China, Thailand and Turkey to strengthen sales of farm equipment for corn, sugarcane and other crops. In central China, the company plans to more than double its dealer network to 500 by 2018.

One of the company's tractor factories in the Jiangsu Province in China will raise output by 40% to 5,000 units in 2016 and will boost production of midsize, 100 horsepower-plus tractors for larger farms.

Kubota also recently opened an assembly plant near Istanbul in Turkey and aims to increase Turkish sales of farm equipment from 600 units in 2014 to 5,000 units in the next few years.The company plans to secure 10% of the Turkish market in coming years.

Another significant move by Kubota in recent months was the opening of its first European production plant, heralding Kubota's rise as a new competitor in the mainstream tractor market.

The new production plant in Dunkirk, France, will build 130-170 horsepower tractors and provide access to tractors in Kubota's key markets. For its first effort into "dry crop" tractors, Kubota's M7001 series tractor will be comprised of 89% European sources. Only the tractor's cab and engine will be shipped from Japan.

The first tractors off the assembly line will go to Kubota dealers in Europe for dealer training, where the company expects to sell 50% of production, or about 1,500 units a year. Kubota expects to sell a further 1,000 units a year in North America and 500 units a piece in Asia and Australia.

In his assessment of Kubota's progress, Peter Hill, *Ag Equipment Intelligence*'s European correspondent, says this is "another symbolic step toward the goal of expanding Kubota's presence beyond its traditional markets and, over the next 3 years, lifting revenues from today's $13 billion toward a target of more than $16.8 billion." **AEI**

Large Ag Sales Continue Decline

North American large ag equipment sales declines continued in September. According to the latest unit sales figures released by the Assn. of Equipment Manufacturers, 4WD tractor sales are down 48.6% year-over-year (down 54.7% last month), combine sales fell 25.6% (down 28.1% last month), and row-crop tractor sales decreased 40.4% (down 30.9% last month).

Mid-range tractor sales decreased 12.5% from the same time last year following a 5.6% decrease last month. Compact tractor sales decreased 4.7% year-over-year.

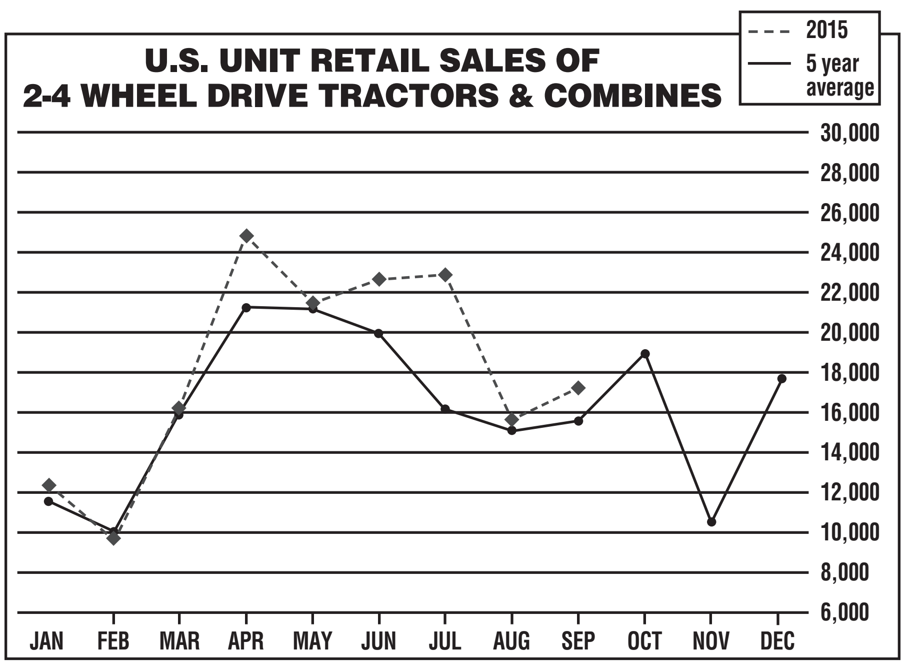
- U.S. and Canada large tractor and combine sales continued to decline in September at down 38% year-over-year. This is down from the 32% decrease in August. U.S. sales fell 38% and Canadian sales were down 37%.
- Combine sales declined 25.6% from the same period last year following a 28.1% decrease in August. U.S. combine inventories were 30.3% lower year-over-year in August, compared to down 28.7% last month. September is typically an above-average month for combine sales, accounting for 11.7% of annual sales over the last 5 years.
- Row-crop tractor sales posted a 40.4% year-over-year decline in September, down from the 30.9% decrease in August. U.S. row-crop tractor inventories fell 16.6% year-over-year in August vs. a 15.9% decrease in July. September is typically an average month for row-crop tractor sales, accounting for 8.6% of annual sales over the last 5 years.
- 4WD tractor sales experienced a 48.6% year-over-year decline in September vs. a 54.7% decrease in August. U.S. 4WD tractor inventories fell 36.9% from the same time last year.
- Mid-range tractor sales decreased 12.5% year-over-year after a 5.6% decrease last month.
- Compact tractor sales fell 4.7% year-over-year, down from the 0.2% decrease in August. **AEI**

SEPTEMBER U.S. UNIT RETAIL SALES

Equipment	September 2015	September 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	August 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	9,867	10,112	–2.4	93,968	88,261	6.5	65,420
40-100 HP	4,869	5,627	–13.5	44,930	44,979	–0.1	31,919
100 HP Plus	1,597	2,760	–42.1	18,122	23,408	–22.6	10,118
Total-2WD	16,333	18,499	–11.7	157,020	156,648	0.2	107,457
Total-4WD	213	410	–48.0	2,171	3,919	–44.6	1,004
Total Tractors	16,546	18,909	–12.5	159,191	160,567	–0.9	108,461
SP Combines	694	866	–19.9	4,033	6,366	–36.6	1,585

SEPTEMBER CANADIAN UNIT RETAIL SALES

Equipment	September 2015	September 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	August 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	920	1,203	–23.5	9,720	10,427	–6.8	8,827
40-100 HP	525	541	–3.0	3,950	4,534	–12.9	4,523
100 HP Plus	344	499	–31.1	3,219	3,912	–17.7	2,437
Total-2WD	1,789	2,243	–20.2	16,889	18,873	–10.5	15,787
Total-4WD	37	76	–51.3	570	813	–29.9	339
Total Tractors	1,826	2,319	–21.3	17,459	19,686	–11.3	16,126
SP Combines	154	274	–43.8	1,272	1,503	–15.4	647



— Assn. of Equipment Manufacturers

equipment by 2% or more in 2016. This compares to 19.3% of dealers who forecasted increased sales of 2% or more in 2015.

Last year, half of all dealers responding to the survey projected sales to drop from 2% to more than 8% throughout 2015. This year, 43.1% of dealers are forecasting declining revenue from sales of new equipment.

But, as previously mentioned, just because fewer dealers are forecasting declines doesn't necessarily mean dealers are more optimistic about sales of new farm equipment. When all is said and done, 2016 could possibly be one of the more challenging sales years for new farm equipment in the last decade, especially for high horsepower tractors and combines. Just over 37% of dealers surveyed expect a decline in sales of row-crop tractors and 50% expect combine sales to fall.

For used equipment, 60.6% of dealers are forecasting flat to positive sales for 2016, down from the 66.6% of dealers expecting the same in 2015. The number of dealers expecting an uptick of 2% or more in revenue from used equipment increased slightly from 25.7% to 25.8% this year. More dealers also were expecting declines in revenue from used equipment this year compared to the 2015 survey, 39.4% compared to 33.4% last year.

Used Equipment Inventory. The most obvious cause for the downturn in new farm equipment sales is low commodity prices, which dealers listed as their number one concern for 2016. According to USDA, prices farmers received for corn in the first 7 months of 2015 have been down 16% from a year earlier, and down 44% compared to July 2013. Soybean and wheat prices are even worse off at down 24% and 15% year-over-year respectively.

Besides commodity prices, dealers are also facing a backlog of low hour, high priced used equipment sitting on their lots. Of dealers surveyed, 88.8% say they are "concerned" or "most concerned" about current used equipment inventory.

Responding to a blog on the investment research website Seeing Alpha that took the position that Deere & Co.'s bubble had finally burst because of low commodity prices, one analyst wrote: "Used inventory on dealers' lots has slowed new sales more than commodity prices. Farmers bought too much new inventory [the] last few years and now [the] market [is] flooded with late model equipment ... might take 2 more years to reduce this surplus."

On the question of "How would you currently rate your used equipment inventory?" 49.5% of dealers replied that it was "too high" or "way too high." A little over 42% said it was "about as expected," and 8.3% reported they "need more used equipment."

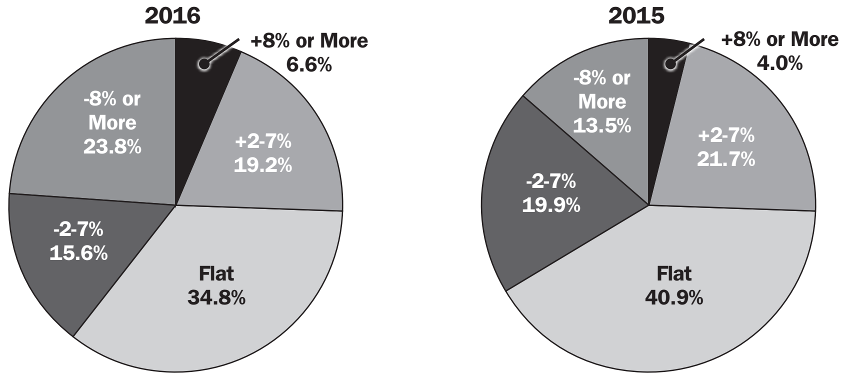
Best Bets for Equipment. For 2016, dealers say equipment related to the rural lifestyle, light construction and precision farming markets are at the top of their list as those holding the most potential to grow unit sales.

Claiming the top position as dealers' number one best bet for equipment sales in 2016 are lawn and garden products, with almost 40% of dealers expecting this area to see growth of 2% or more. This reflects the improving residential construction and non-residential building markets, which were up 16% and 20% year-over-year respectively.

Up from the #8 position on dealers' lists last year is GPS and precision farming equipment, which came in at #2 with 30.7% of dealers expecting to see increases of 2% or more in this category.

Rounding out the top 5 products expected to be most lucrative in 2016 are 2WD tractors under 40 horsepower, 2WD tractors between 40-100 horsepower and mower/conditioners. These three categories each had more than 23% of dealers expecting to see gains in the coming year. AEI

Dealers' Outlook for Used Equipment Revenue
2016 vs. 2015



The percentage of dealers expecting an increase in revenue from used machinery sales in 2016 is on the same level as a year ago (25.8% vs. 25.7%), the bigger change is in the dealers projecting decreased sales — 39.5% in 2016 vs. 33.4% last year.

Best Bets for Improving Unit Sales
(North America)

Equipment Category		2016 Rank	2015 Rank
Lawn/Garden Equipment	39.6%	1	2
GPS/Precision Farming	30.7%	2	8
2WD Tractors (<40 HP)	28.7%	3	5
2WD Tractors (40-100 HP)	25.8%	4	9
Mower/Conditioners	23.8%	5	3
Round Balers	22.0%	6	8
4WD Tractors (All)	20.1%	7	19
2WD Tractors (>100 HP)	19.6%	8	17
Farm Loaders	18.9%	9	10
Rectangular Balers	16.8%	10	6
Windrowers/Swathers	15.3%	11	4
Self-Propelled Sprayers	12.9%	12	16
Air Seeders/Drills	12.0%	13	15
Disc Harrows	12.0%	14	14
Feeders/Mixers	10.7%	15	1
Planters (All)	10.4%	16	18
Chisel Plows	9.5%	17	12
Field Cultivators	8.8%	18	13
Pull-Type Sprayers	8.0%	19	11
Forage Harvesters	7.5%	20	7
Combines	7.3%	21	20