

# Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

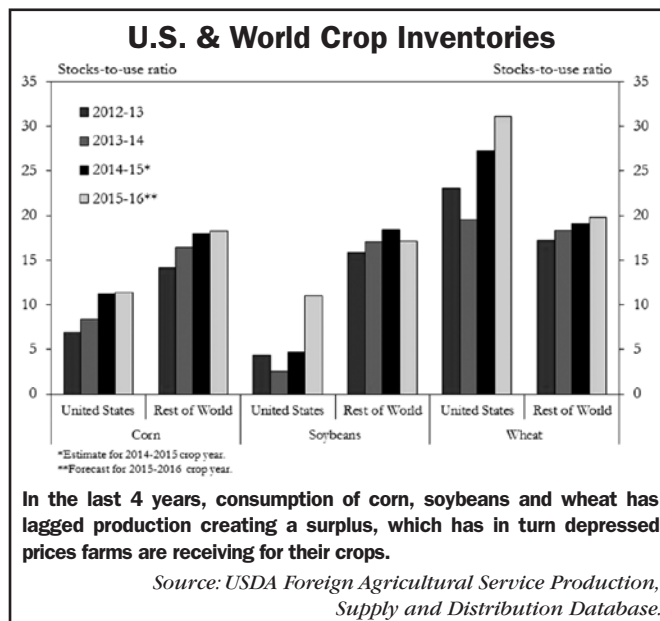
- Record Year for Claas
- Sales Drop Slows
- To Share Data or Not?

## Bankers Closely Monitoring Ag Working Capital as Commodity Prices Stagnate

Current low commodity prices worldwide are clearly the result of production outpacing consumption. Combine this with high equipment inventories (*see story below*), and dealers and manufacturers are facing a high level of uncertainty in the challenging year ahead.

In her Jan. 13 agricultural update for the Federal Reserve Bank of Kansas City, economist Cortney Cowley writes: "With the 2015 harvest completed, accompanied by reports of record production, U.S. crop inventories could continue to grow in 2016. The strong dollar has limited demand for U.S. exports, and flat domestic consumption has contributed to growing U.S. inventories. These fundamentals continue to point to further tightening in the agricultural economy, both in the Tenth District and nationally, as lenders also have voiced increasing concerns about 2016 farm finances."

She goes on to say that these supply and demand fundamentals continue to support expectations of falling farm income and creating concern among bankers in the Tenth District, which serves western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. "Bankers have noted that farm household spending has remained elevated in some cases and that they are closely monitoring working capital and credit quality."



**Growing Competition.** Along with the near-record U.S. harvests in recent years, another major factor fueling the current worldwide over supply of coarse grains and oilseeds, according to Cowley, is the increasing competi-

*Continued on page 2*

## Look for More Auctions, Improving Used Equipment Inventories in 2016

"Looking out into 2016, it's easy to focus on the sheer amount of used equipment available," says Greg Peterson, also known as Machinery Pete. "In addition to the used inventory on dealers' lots, I'm also seeing a big increase in the number of machinery auctions. The month of October saw a 48% increase in the number of machinery auctions vs. October '14. The first 3 weeks of December '15 saw a 37% jump. 2016 looks to be a much busier

year for machinery auctions as well."

Peterson is considered one of the industry's foremost experts in used equipment pricing and trends. He told *Ag Equipment Intelligence*, "Despite the continuing crush of large late model used inventory sitting on dealer lots, incremental improvement was seen late in 2015 and I look for this to continue through 2016.

"Tracking the used farm equipment

market like I have now for over 26 years, I have never seen dealers collectively as aggressive as they are currently in terms of trying anything and everything to work down inventory levels. So I've been seeing things like dealers chopping asking prices, significantly in some cases. I've also seen very aggressive financing options offered on late model used inventory.

"Dealers are also embracing new super targeted marketing tools as a

*Continued on page 4*

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tion from foreign markets. "In November 2015, the USDA projected the soybean crop to be the largest in history and expected that the corn harvest could be the third largest ever. Production has also steadily expanded in the rest of the world with reports of near-record harvests in Brazil and the Black Sea region, for example."

She also points out that, since 2012, production in the U.S. has expanded faster than consumption. Domestic consumption of key commodity crops has stagnated over the past 2 years, and "inventories are expanding across the globe, but particularly in the U.S. On average, U.S. inventories of corn, soybeans and wheat have increased more than 100% since 2013, while use has increased just 7% over the same period," says Cowley.

**Diminished Exports.** As competition in world markets has increased, U.S. exports of grains has declined, at least in part because of the strong dollar. Based on USDA data, Cowley says, exports decreased about 10%, on average, each month in 2015 compared to 2014. As of October 2015, the value of U.S. agricultural exports declined from 2014 by more than \$6 billion. China accounted for 20% of the loss in export value, with other major losses stemming from Canada, Mexico, Brazil, Japan, Egypt and South Korea.

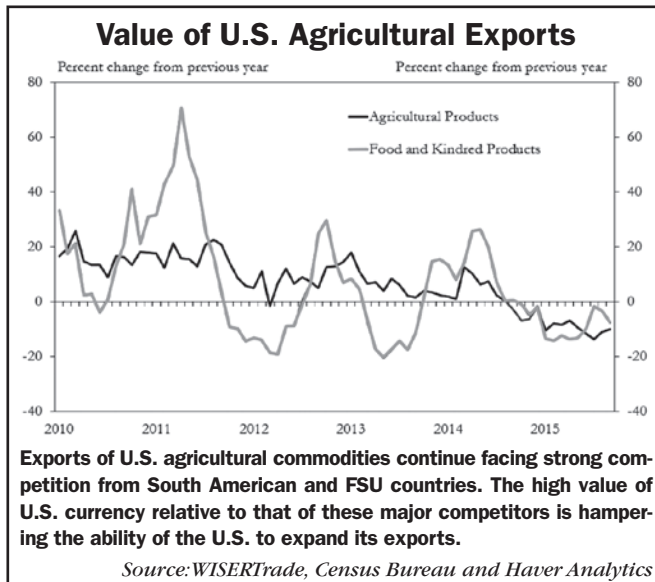
**Strong Dollar.** "One reason for the recent drag on U.S. agricultural exports has been the strengthening dollar. In addition to the broad measure of currency exchange rates, the value of the dollar has risen against two regions that are significant competitors for global agricultural exports: South America and the former Soviet Union (FSU)," says Cowley.

She points to currency exchange rates as a significant deterrent to growing U.S. ag exports, particularly for the 3 major commodity crops, which include corn, soybeans and wheat.

"The United States, the European Union, Brazil, Argentina and the FSU countries collectively represent about 80% of world crop production and exports," Cowley says. "The United States has maintained the largest share of crop exports (28% in 2015), followed by Brazil and the FSU. Although shares of exports from the United States and FSU have remained relatively constant, the USDA estimated that Brazil's share of world crop exports would double between the 2014 and 2015 crop years."

**Depressed Prices.** The culmination of all these factors is resulting in low commodity prices, which is the main detriment to increasing farm equipment sales. While recent reports from Monsanto and others point out a possibility for corn to move back into the \$4-plus per bushel range, that optimistic output isn't an industry-wide view.

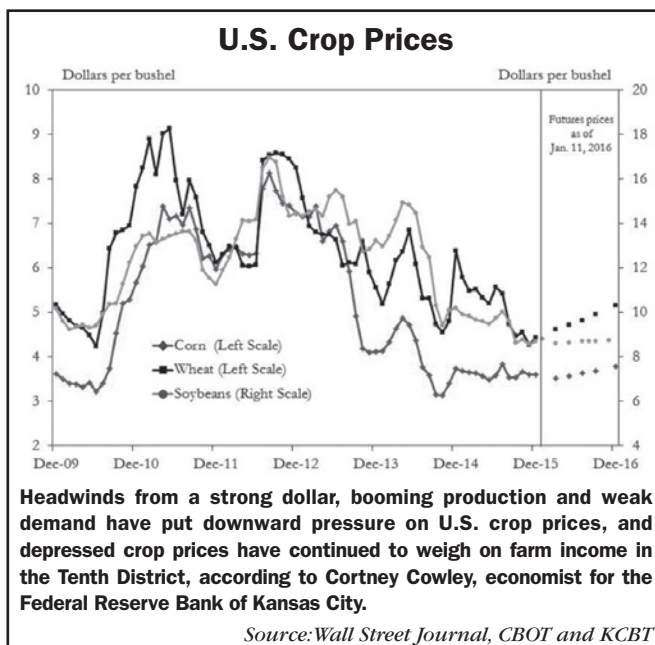
In a Jan. 11 Farmdoc report, "Weak Export Demand Continues to Contribute to Low Corn Prices," Darrell Good of the University of Illinois' Department of Agricultural and Consumer Economics, recounted the ongoing trends with ag pricing. "The monthly average price of corn received by



U.S. farmers exceeded \$4 per bushel for 46 consecutive months from September 2010 through July 2014. The simple average of those monthly prices was \$5.85, in a range of \$4.06 (July 2014) to \$7.63 (August 2012). The average monthly price has been below \$4 in each of the past 17 months. Those monthly prices averaged \$3.67, in a very narrow range of \$3.49 to \$3.81."

The Jan. 12 World Agricultural Supply and Demand Estimates did little to alleviate concerns about low crop prices. C. Schon Williams, analyst with BB&T Capital Markets, reported, "Production estimates for corn and

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wheat were in line with USDA December estimates, but soybean production estimates moved lower by about 51 million bushels. The average price range for wheat narrowed (\$4.90-\$5.10/bu.), while price ranges for corn (\$3.30-\$3.90/bu.) and soybeans (\$8.05-\$9.55/bu.) moved slightly lower this month vs. last."

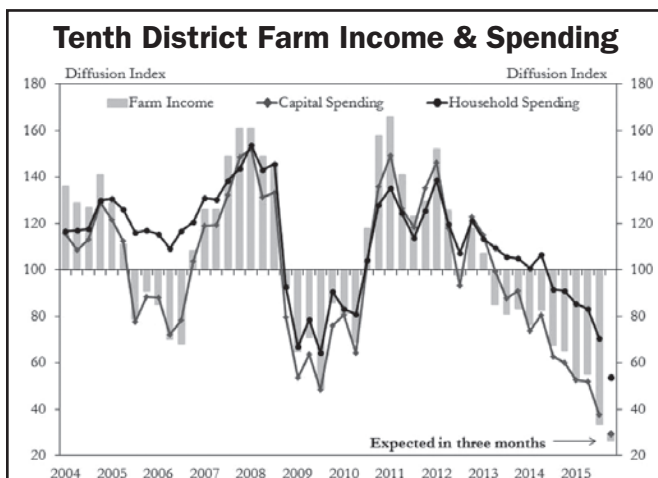
The impact of low crop prices, he says, is that cash receipts are forecast to be down 10.1% year-over-year, "modestly lower

than our December report. Therefore, we still remain cautious on the names in our space with exposure to agricultural machinery demand."

**Ag Outlook.** As a result, Cowley expects farm spending to remain flat or possibly even decline in the next year. "Compared to the same period a year ago, farm income and capital spending declined for the 10th consecutive quarter and potentially have been exacerbated more by recent weakness in the livestock sector.

"Lower farm income has also steadily affected spending in the farm sector. In general, farmers have adjusted capital spending in line with declines in farm income," she says. "However, household spending has been slower to adjust. As a result, several survey contacts have indicated customers should reduce household spending to avoid further deterioration in credit conditions and that their watch and classified lists could expand slightly over the next three months."

**AEI**



In the third quarter of 2015, farm income showed a decline in every Tenth District state for the first time since 2011.

Source: Federal Reserve Bank of Kansas City.

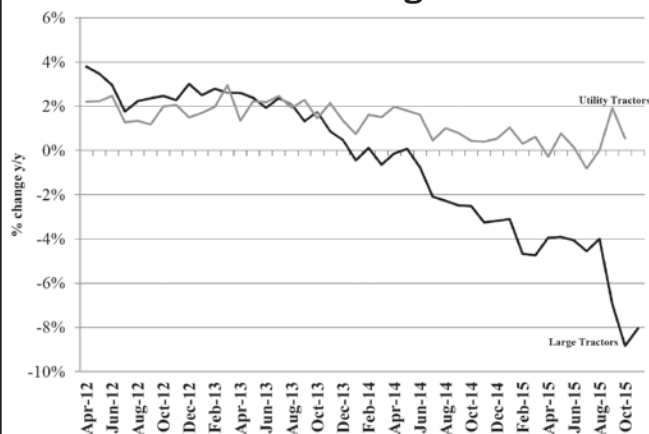
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### FARM MACHINERY TICKER (AS OF 1/13/16)

MANUFACTURERS	Symbol	1/13/16 Price	12/10/15 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	\$28.97	\$29.05	\$57.93	\$27.41	N/A	76,932	415.54M
AGCO	AGCO	\$44.97	\$50.46	\$57.90	\$41.91	14.13	1,218,690	3.85B
AgJunction Inc.	AJX	\$0.66	\$0.64	\$0.84	\$0.40	N/A	21,681	80.26M
Alamo	ALG	\$50.00	\$53.26	\$64.45	\$43.98	13.26	48,936	571.2M
Art's Way Mfg.	ARTW	\$2.76	\$2.96	\$5.98	\$2.50	N/A	4,603	11.21M
Blount Int'l	BLT	\$9.23	\$9.91	\$16.81	\$5.08	N/A	617,729	445.36M
Buhler Industries	BUI	\$5.14	\$5.55	\$6.06	\$4.44	N/A	2,267	128.5M
Caterpillar	CAT	\$60.89	\$66.38	\$89.62	\$60.39	12.54	6,281,680	35.45B
CNH Industrial	CNHI	\$6.18	\$7.07	\$9.72	\$6.14	37.45	1,458,000	8.42B
Deere & Co.	DE	\$73.22	\$78.61	\$98.23	\$71.85	12.69	3,472,550	23.19B
Kubota	KUBTY	\$71.82	\$83.60	\$88.21	\$66.90	14.01	7,149	17.88B
Lindsay	LNN	\$64.75	\$69.31	\$91.93	\$63.19	29.25	126,232	721.02M
Raven Industries	RAVN	\$14.64	\$16.57	\$23.99	\$14.60	40.44	188,483	534.45M
Titan Int'l	TWI	\$2.80	\$4.06	\$12.50	\$2.72	N/A	760,035	150.72M
Trimble Navigation	TRMB	\$19.50	\$22.43	\$27.62	\$15.90	33.56	1,739,390	4.88B
Valmont Industries	VMI	\$99.16	\$109.24	\$128.67	\$92.33	21.24	248,806	2.28B
<b>RETAILERS</b>								
Cervus Equipment	CVL	\$13.34	\$14.16	\$20.07	\$12.71	N/A	23,959	207.67M
Rocky Mountain Equipment	RME	\$5.80	\$6.64	\$9.50	\$5.65	8.66	28,111	112.43M
Titan Machinery	TITN	\$8.73	\$9.40	\$16.99	\$8.57	N/A	200,251	185.54M
Tractor Supply	TSCO	\$81.55	\$88.85	\$96.28	\$74.52	27.25	990,384	10.65B

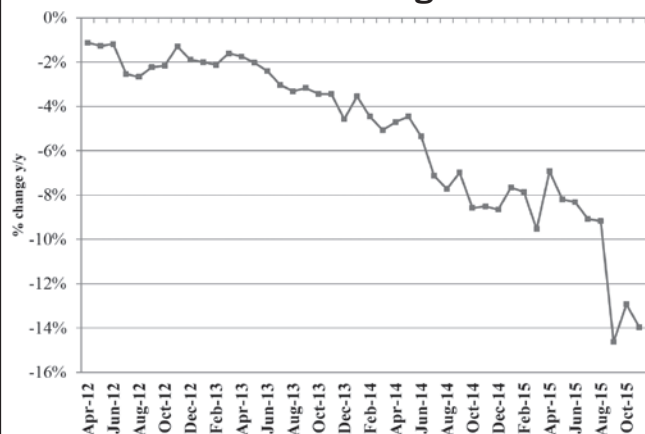
### Used Tractor Pricing Trends



Pricing on used large tractors was reported down 8% year-over-year on average in November vs. October's decline of 9%, while small tractor pricing remained relatively flat.

Source: AEI, Cleveland Research

### Used Combine Pricing Trends



Used combine prices were down 14% year-over-year in November vs. a 13% decline in October. Some dealers are reporting that used combine inventory has come down "a lot" through the year.

Source: AEI, Cleveland Research

way to help move that one or two stubborn late model used items pushing \$300,000 off their lot. And the cool thing is these new targeted marketing tools don't require dealers to advertise these 'special' prices or offers to the whole world. Nope, just zero in and send them to select farmer demographic and geographic groups they want to entice."

Peterson suggests that dealers view their efforts to reduced used equipment inventories as if they're fishing. "The old school way is that you'd just cast and wait. Now you use your radar to cast only where you know the fish are.

"I believe 2016 will also see further

demarcation between two camps of dealers: those stuck with too much used inventory and struggling to pare it down vs. dealers better positioned without the burden of excess used inventory. These dealers, I'm beginning to see, look at and think about the used market as a big time opportunity. They are going to be aggressive buyers in 2016.

"One used equipment broker I've known for 20-plus years told me recently he called his lender and told him to bump out his credit line as far as it would go. He's in a buying mood."

At least a few farm equipment dealers who responded to *Ag Equipment Intelligence's* Dealer Sentiments

& Business Conditions survey in December indicated that their used machine situation was improving. One said, "Inventory is only high in used high horsepower tractors. All other segments are actually good. Used combine inventory has come down a lot through the year."

But conditions are still generally difficult. Another dealer explained, "Used equipment isn't turning fast enough and has caused us to do net pricing adjustments for cashflow." And, of course, slow moving used means slow ordering of new, as one dealer said, "Unless used late model inventory is sold off, we're going to hold off on making new sales." **AEI**

## China's Lovol Arbos to Acquire Italy's Goldoni Tractors

The Italian orchard tractor manufacturer Goldoni is to be rescued from its financial crisis by a newly-formed subsidiary of China's Foton Lovol group.

The move marks a further expansion of Lovol Arbos Group SpA, which was launched in September last year at its base near Bologna, Italy, prior to new tractors and plans for combines being unveiled at the Agritechnica international show in Germany.

Acquiring Goldoni will give Lovol Arbos a range of 50-100 horsepower orchard and vineyard tractors and a manufacturing and assembly facility with capacity to build 13,000 units a year.

Lovol Arbos Group has yet to for-

mally announce the acquisition plan, but Italian newspapers report that the Goldoni family has agreed to sell and the deal has the support of the union representing employees.

As reported in *Ag Equipment Intelligence*, December 2015, Goldoni production was halted last summer and 270 workers laid off while new investors and an arrangement with creditors were sought. According to a union statement, the rescue plan provides for the resumption of tractor production with a reduced labor force of around 200 employees and commitments to future investment in the plant.

Lovol Arbos Group SpA was formed

out of a product engineering operation set up by Foton Lovol in 2011 to tap into Italy's tractor design, engineering and production expertise. At Agritechnica, the company unveiled its corporate image and newly designed tractors due to be produced in China.

The 100-130 horsepower Arbos 5000 series, which marks Kohler's debut in the tractor market, meets European and U.S. emissions rules (see *Ag Equipment Intelligence*, October 2015), while prototypes represented two additional series with 140-200 horsepower and up to 260 horsepower for China and, in due course, western markets. **AEI**



## Claas Posts Best-Ever Sales Revenues in 2014-15

Despite the worldwide hiatus in agricultural machinery markets, Claas managed to surpass its previous best sales performance in the 2014-15 financial year ended Sept. 30. At the equivalent of \$4.21 billion, sales revenues were just \$15 million or 0.4% ahead of the prior year figure — but it's still growth given current market conditions.

Lothar Kriszun, spokesman of the Claas executive board, said, "We are delighted to have overcome the current weakness in the market thanks to our international structure and wide product range. Claas has been able to further strengthen its position of leadership in Europe, but double-digit sales growth outside Europe was a positive factor in our results.

"Sales in North and South America are developing positively, and in Asia, Claas has achieved further growth in the Indian market," added Kriszun. "The market for maize pickers in

China has stabilized but Eastern Europe is seeing declines."

While gross profit on sales slumped 8% to the equivalent of \$904 million and EBITDA by 5% to \$340 million, pre-tax earnings gained 1.7% to \$173.4 million vs. \$170.1 million in 2013-14, and Claas achieved a return on sales of 4.1%.

Capital expenditures were trimmed — research and development spending in the financial year was down \$9 million or just over 4.2% at \$222.8 million compared to \$232.7 million, and Claas spent almost 26% less on material assets, despite substantially expanding its assembly capacity for combines and tractors and adding core manufacturing facilities at its site in Krasnodar, Russia.

That will no doubt help Claas realize the "Russian manufacturer" status it hopes to gain (*see Ag Equipment Intelligence, November 2015*),

which moved a step closer when a declaration of intent agreement was signed with the Russian Federation in November. This paves the way for an investment agreement that will result in Claas enjoying the same financial conditions as domestic manufacturers of agricultural equipment.

"We're delighted that our decades-long engagement in the Russian market has been recognized," says Kriszun. "We want to further expand our contribution to the modernization of Russian agriculture."

The agreement signed in the presence of Denis Manturov, the Russian Minister of Industry and Trade, and Cathrina Claas-Mühlhäuser, chairperson of the Claas supervisory board, will make it considerably easier for Claas to sell agricultural machines built in the Krasnodar plant using key components and assemblies imported from Claas and supplier factories. **AEI**

## No-Till Farmers Wary of Sharing Data

A survey of no-till farmers by *Ag Equipment Intelligence's* sister publication, *No-Till Farmer*, revealed that a large majority of this group of growers want the data gathered from their field operations to remain confidential. Nearly 77% responded "yes" when asked if they were concerned that the electronic data collected from their fields remain confidential.

The survey, which received 267 usable responses, also indicated that more than 70% of no-tillers are anxious about sharing their data with the makers of chemicals, seed and farm equipment. So far, two-thirds of the no-tillers responding to the survey are demonstrating their concern by not sharing their data. While nearly 29% are sharing their information, about 5% aren't sure if others are tapping into their electronic field data.

The acquisition of Precision Planting by John Deere from Monsanto is also worrisome for no-till farmers. Asked if they're concerned that electronic data gathered with Precision Planting's products could be shared without their permission with Deere and its dealers, 73% said "yes," nearly 17% said "no" and the remaining 10% aren't sure. **AEI**

	Yes	No	Not Sure
Are you concerned that the electronic crop data you collect from your fields remains confidential?	76.6%	15.1%	8.3%
Are you nervous about sharing this data with chemical, seed or equipment companies?	71.3%	18.5%	10.2%
Are you currently sharing farm data with a third party company?	28.8%	66.3%	4.9%
With the acquisition by Deere of Precision Planting from Monsanto, are you concerned that the electronic data gathered with these products could be shared without your permission with Deere and its dealers?	72.8%	16.6%	10.6%

## Deere's Allen: 'Today's Crop Surplus is Not Excessive'

Addressing the question, "When do you see a rebound in store for the agricultural sector?" Samuel Allen, Deere & Co. chairman and CEO, said in the company's 2015 Annual Report, "Nobody knows the answer, but we do know the current downturn is about too much supply, not too little demand.

"We've had bumper crops on a global scale for several years now, which has caused prices for grains and oilseeds to move lower. Demand, however, has continued to grow as it does almost every year. It's important to understand that today's crop surplus is not excessive and could be absorbed pretty fast in case of a widespread drought or other event that disrupts production. If that were to happen, you can bet it would have a positive, and likely rapid, impact on commodity prices and farm incomes.

"Another consideration is that Deere sales rarely drop more than 2 years in a row and, according to our records that go back about 80 years, have never done so for more than 3. While history isn't always predictive, it suggests these things typically sort themselves out in a reasonably short period of time." **AEI**

## Deere Issues Sales Comments for December

John Deere gave its retail sales comment for December 2015 following the release of industry-wide unit sales for the month and year by the Assn. of Equipment Manufacturers on Jan. 12.

The company reported that while U.S. and Canadian retail sales of tractors under 40 horsepower were up by 7%, its sales were up double digits. Sales of tractors in the 40-100 horsepower range were down by 15% in December, according to AEM, and Deere reported its sales were in line with the industry.

Row-crop tractor (over 100 horsepower) sales during the month were down by 31% industry-wide, while Deere's sales of this category of tractor were also down by double digits, but less than that of the industry. North American sales of 4WD tractors were up by 1%. Deere reports its sales of 4WD units were up double digits for the month.

Sales of combines in the U.S. and Canada were down 4% for the month and Deere's sales were also down, but in low double digits.

Following is Deere's rundown on industry-wide and company equipment inventories through the end of November. U.S. and Canada figures were reported by AEM.

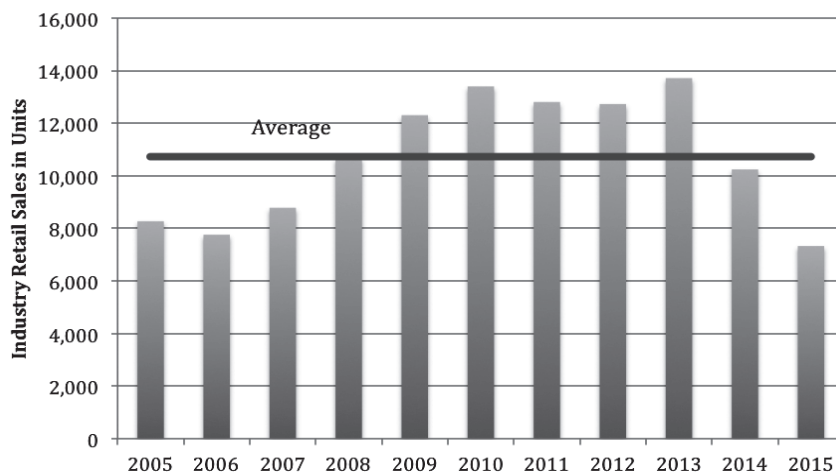
**Inventories.** Commenting on Nov. 2015 equipment inventories, which are reported to AEM in units as a percent of trailing 12 months retail sales, Deere said the industry reported 61% for tractors less than 40 horsepower. Inventory levels for tractors 40-100 horsepower were 60%, row-crop tractors 44% and 4WD tractors were at 33%.

Industry-wide combine inventories were at 20%.

In each category of tractors, Deere reported that its November inventories were lower than that of the industry. The same held true for Deere's inventory of combines, as of November.



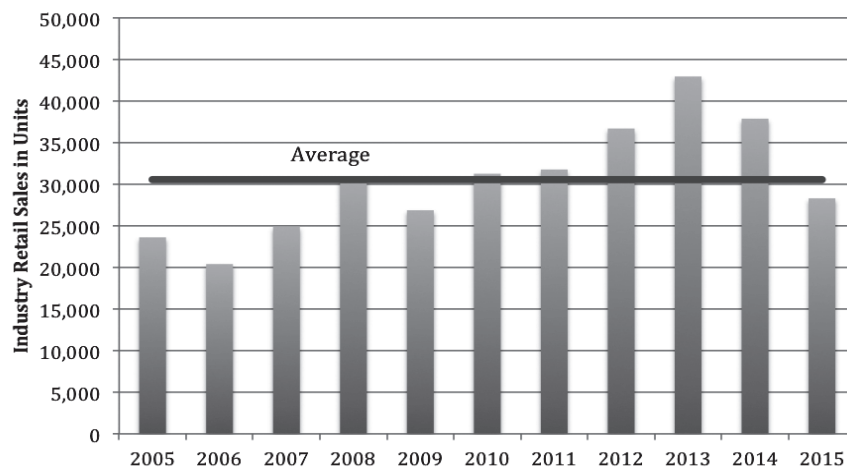
### Avg. 10-Year Retail Combine Sales vs. 2015



Full-year North American combine sales for 2015 fell 28.5% from 2014 and were off 31.7% from the 10-year average of 10,729 units, reaching the lowest level in the past 10 years.

Source: AEM

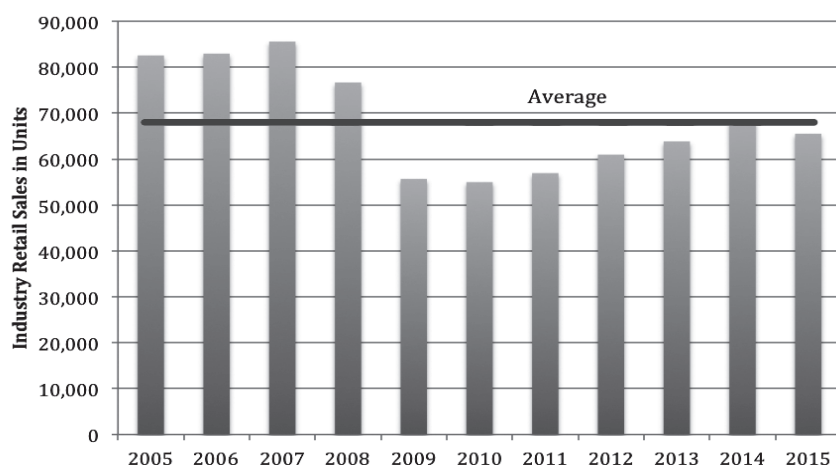
### Avg. 10-Year Retail Row-Crop Tractor Sales vs. 2015



Full-year North American high-horsepower tractor sales for 2015 are down over 25% from 2014, but down only 7.2% from the 10-year average of 30,518 units.

Source: AEM

### Avg. 10-Year Retail Utility Tractor Sales vs. 2015



Full-year 2015 sales of utility tractors in North America fell about 4% from both 2014 and the 10-year average of 68,529 units.

Source: AEM

## Ag Sales Decline Slows in December

North American large ag equipment sales declines moderated during December, but mid-range sales were weak, according to the latest numbers released by the Assn. of Equipment Manufacturers. 4WD tractor sales increased by 0.6% year-over-year, combine sales dropped 3.8% and row-crop tractors were down 31.4%.

"Section 179 deductions retained at \$500,000 were made permanent and indexed to inflation in future years, provides clarity which has been lacking in recent years," says Mircea (Mig) Dobre, analysts with RW Baird.

- U.S. and Canada large tractor and combine retail sales decreased 23% year-over-year in December, up from the 36% decrease in November. U.S. sales were down 27% year-over-year, while Canadian sales were up 4%.

- Combine sales fell modestly, Dobre says, posting a 3.8% year-over-year decrease in December, which is the smallest decrease in nearly 2 years. This follows a 22.7% drop in November. U.S. combine inventories were 25.9% lower year-over-year in November vs. down 31.2% the previous month. December is typically a somewhat above average month for combine sales, accounting for 10% of annual sales over the last 5 years.

- Row-crop tractor sales saw a 31.4% year-over-year drop, down from a 38.2% decline in November. U.S. row-crop tractor inventories were down 14.1% year-over-year in November vs. a 20% decrease in October. December is typically an above average month for row-crop tractor sales, accounting for 10.7% of annual sales over the last 5 years.

- 4WD tractor sales were up 0.6% year-over-year, which represents the first increase in 2 years, vs. down 37.6% the month prior. U.S. dealer inventories were down 21.1% year-over-year in November.

- Mid-range tractor sales decreased in December, down 15% year-over-year following an 11% drop the previous month. Compact tractor sales, on the other hand, increased 7.5% year-over-year vs. up 0.9% in November. **AEI**

### DECEMBER U.S. UNIT RETAIL SALES



Equipment	December 2015	December 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	November 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	7,856	7,050	11.4	118,348	109,565	8.0	70,478
40-100 HP	5,685	6,781	-16.2	59,401	61,147	-2.9	35,804
100 HP Plus	2,186	3,336	-34.5	23,930	32,135	-25.5	10,741
Total-2WD	15,727	17,167	-8.4	201,679	202,847	-0.6	117,023
Total-4WD	409	423	-3.3	3,111	5,102	-39.0	1,004
<b>Total Tractors</b>	<b>16,136</b>	<b>17,590</b>	<b>-8.3</b>	<b>204,790</b>	<b>207,949</b>	<b>-1.5</b>	<b>118,027</b>
<b>Combines</b>	<b>689</b>	<b>752</b>	<b>-8.4</b>	<b>5,381</b>	<b>7,974</b>	<b>-32.5</b>	<b>1,107</b>

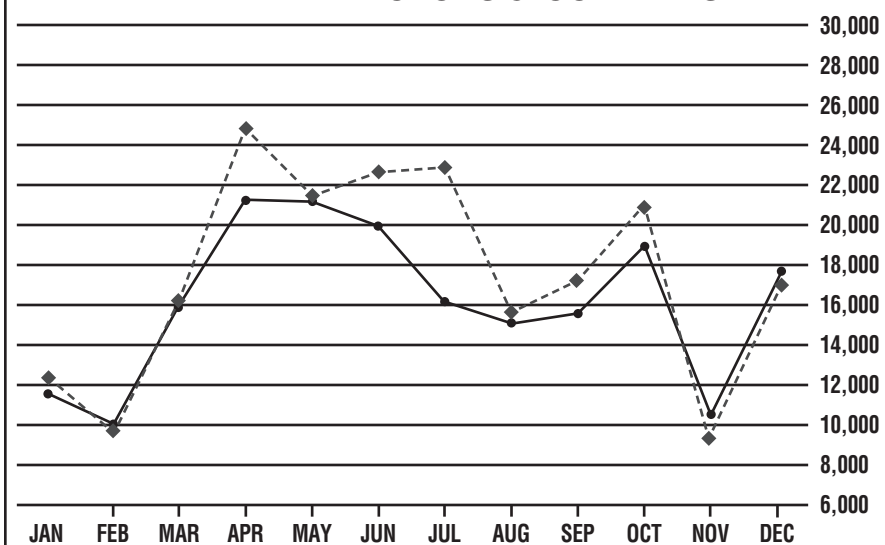
### DECEMBER CANADIAN UNIT RETAIL SALES



Equipment	December 2015	December 2014	Percent Change	YTD 2015	YTD 2014	Percent Change	November 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	837	1,039	-19.4	12,792	13,968	-8.4	8,750
40-100 HP	665	692	-3.9	6,101	7,158	-14.8	4,107
100 HP Plus	373	394	-5.3	4,388	5,718	-23.3	2,242
Total-2WD	1,875	2,125	-11.8	23,281	26,844	-13.3	15,099
Total-4WD	106	89	19.1	879	1,227	-28.4	313
<b>Total Tractors</b>	<b>1,981</b>	<b>2,214</b>	<b>-10.5</b>	<b>24,160</b>	<b>28,071</b>	<b>-13.9</b>	<b>15,412</b>
<b>Combines</b>	<b>197</b>	<b>168</b>	<b>17.3</b>	<b>1,948</b>	<b>2,243</b>	<b>-13.2</b>	<b>385</b>

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

--- 2015  
— 5 year average



— Assn. of Equipment Manufacturers

## Suppliers to Equipment Manufacturers See Stiff Year Ahead, Hopeful for 4Q

*Ag Equipment Intelligence* checked in with several companies that supply metal components to farm equipment manufacturers on business conditions and the outlook for their business in 2016.

Several of the companies *AEI* spoke with had seen significant double-digit drops in 2015 sales — some as high as 30%.

But while 2015 was down considerably, one supplier added that it was not as bad as originally anticipated several months earlier, reinforcing the notion that most had seen the drop-off coming for quite some time.

Suppliers are expecting 2016 to provide “more of the same” conditions, yet several can envision a pick-up by late in the year. Among the take-aways of those conversations include the following:

- The forecasts submitted to the sup-

pliers by the larger wholegoods equipment manufacturers’ forecasts are lacking confidence. One supplier noted that these forecasts are being received with qualifying statements that those projections may end up being overly optimistic due to market uncertainty.

- One supplier took note of how equipment demand in Europe has improved considerably. In addition, he says, “The favorable exchange situation is helping the European manufacturers doing business here,” noting however that it is bringing additional competition to domestic equipment manufacturers and the supply base.
- Some of the supplier companies indicated that they did see some modest growth in the second half of the year, stemming from new product development, R&D and

sampling work that the OEMs have put into the pipeline to have new things ready when the market does turn.

- Orders for the aftermarket components were fairly strong as farmers’ new wholegoods purchases were delayed and thus required repair and upkeep.
- A representative from a steel distribution business said that 2015 finished at levels similar to the 2009 trough. Yet after a dismal final two months of 2015, orders were surprisingly strong since Jan. 1, including (but not limited to) steel shipments to farm equipment manufacturers.
- While the Section 179 announcement was too late to help in 2015, suppliers say that knowing that it will be there for 2016 is important for their customer base and planning. **AEI**

## Krone North America Reports 28% Revenue Growth

The Memphis, Tenn.-based operations of Krone, one of Europe’s leading hay equipment manufacturers, made a significant contribution to the company’s global sales growth in the 2014-15 financial year ended July 31, in the face of weakening markets.

Revenues at Krone North America jumped almost €25 million — \$27 million at current exchange rates — from €88.7 million to €113.6 million (\$97-\$124 million), a 28% increase. Globally, Krone’s agricultural equipment division managed just 1.2% growth to record a €6.6 million (\$7 million) increase over the prior year from €547.9 million to €554.5 million (\$598 to \$606 million).

On that basis, Krone’s North American customers contributed 20.5% of the ag division’s revenues, compared with just over 16% previously. All of the company’s other significant markets — Western and Eastern Europe, Rest of the World and Germany itself, were all down slightly.

“The ending of European Union milk quotas and the consequences

of the Russian-Ukrainian crisis have naturally had an impact on our company,” says Bernard Krone, managing director. “Considering these factors, we are satisfied with how business developed in the 2014-15 fiscal year.

“Nevertheless, we are currently experiencing fierce competition and, although our sales have shown steady growth in the past few years, logically, this trend cannot be expected to continue every year. Consequently, the Group’s projections for the current fiscal year are moderate and anticipate a decrease in sales by a single-digit percentage.”

Krone has been determined to ride out the storm as competitors have

cut back by continuing to invest in major capital projects at its headquarters factory and maintaining employee numbers. In fact, Krone’s headcount increased slightly in the financial year, partly as a result of taking on a number of temporary workers, but also an increased number of apprentices — 220 in all.

“We will continue making investments to strengthen the sales network to position the company closer to its customers in new and existing markets, and strengthening customer relationships,” adds Krone. “The after sales service campaign met with great appreciation among our customers.” **AEI**

### 2016 ‘Likely’ Bottom in Big Ag Sales Drop

In RW Baird’s “2016 Outlook” report (Dec. 22, 2015), analyst Mircea (Mig) Dobre, summarized his thoughts on the year ahead. “2016 likely marks the bottom in NA large ag equipment declines, but excess channel inventory is still an issue limiting a potential rebound in 2017. Risk now shifts to mid-range equipment given inventory build, a relatively young fleet and declines in livestock prices — while mid-range equipment did not experience excess investment to the magnitude seen in large ag, we believe 2016 and 2017 could see demand contraction (vs. current OEM expectations for relatively flat demand).” **AEI**