From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

February 15, 2016
Vol. 22, Issue 2

- **FX Challenges CNHI**
- **High Loan Volumes**
- **Mfr. M&As Rising?**

Case IH 'Finalized' SSA Reminiscent of Automakers' After 2009 Bankruptcies

Case IH presented its "finalized" version of its Sales and Service Agreement (SSA) on Nov. 9, 2015, according to Matthew Larsgaard, president/CEO of the North Dakota Implement Dealers Assn.

In a special NDIDA report issued to its members earlier this month, Larsgaard, who is also the president and CEO of the Automobile Dealers Assn. of North Dakota, says the new agreement reminds him of the action that some of the automakers took after filing for bankruptcy following the 2009 business downturn.

"The bankruptcies caused the franchise agreements that dealers had with manufacturers to become null and void. The 'new' Chrysler and GM that emerged were 'free and clear of all claims' and obligations, including their contracts with dealers," says Larsgaard. "Both companies then proceeded to collectively terminate thousands of dealers. In fact, the termination process was so unreasonable and unfair that our U.S. Congress had to step in and pass legislation in an attempt to reinstate some of those dealers that were wrongfully terminated."

In the report, Larsgaard points out that, "Following the bankruptcies, the manufacturers developed new franchise agreements that were completely one-sided and entirely unfair. They were take-it or leave-it arrangements under which dealers had no choice but to sign the contracts or not be a dealer.

"With this in mind, one of the manufacturers developed a contract that attempted to force dealers to waive all of their rights under their respective state laws … then the manufacturer believed that dealers would have no rights and no choice but to sign the agreement."

Larsgaard goes on to cite several specific demands in the automakers' new dealer agreement and suggests that in many respects, the new Case IH SSA is similar in nature. These include the following:

Market Share Requirements: The manufacturer declared that it would determine the annual number of vehicles that dealers must sell in order to fulfill sales expectations. *(Compare to Section 9.1(a) of the Case IH SSA.)*

Inventory Stocking Requirements: Upon manufacturer request, dealers were required to order and accept any number of vehicles required to fulfill factory sales expectations. *(Compare to Section 8.1,*

Continued on page 8

AGCO Steps Up Platform Rationalization Plans

First evidence in North America of AGCO's efforts to reduce production costs by rationalizing its worldwide tractor platforms emerged at the National Farm Machinery Show, Feb. 10-13 in Louisville, Ky., with the launch of the Massey Ferguson 4700 Series.

The new 80, 90 and 100 horsepower open platform models bring modern design, transmissions, engines and other components to the utility tractor sector. But as the first fruits of AGCO's Centurion project (*first reported in Ag Equipment Intelligence, January 2011*), the tractors have significance beyond lifting Massey Ferguson sales prospects in this market.

Their development will have informed AGCO engineers and product planners how best to lower production costs through economies of scale by tackling the multitude of product platforms inherited with the corporation's acquisitions over the years. There has been relatively little sharing of costly assemblies across Challenger tracked and Fendt, Massey Ferguson and Valtra wheeled tractor ranges, other than engines and electronics.

While this creates a diverse product range supportive of AGCO's multi-brand strategy, it puts the corporation at a cost disadvantage compared with single- and multi-brand competitors with integrated product lines that benefit from bigger manufacturing volumes and greater purchasing power.

The Centurion project set out to rationalize five different platforms for 50-130 horsepower tractors through a modular concept of components and assemblies that can be used to build related tractors across AGCO's worldwide factory network with variations to suit different markets.

The project also called for another strand of AGCO's cost reduction strategy — best-cost country sourcing — for both components and manufacturing. That is why MF 4700 Series tractor production started last year in a new factory in China, and also why the plant will manufacture and assemble components for other factories in AGCO's network.

Continued on page 3

Strong U.S. Dollar Creates Headwinds for CNHI

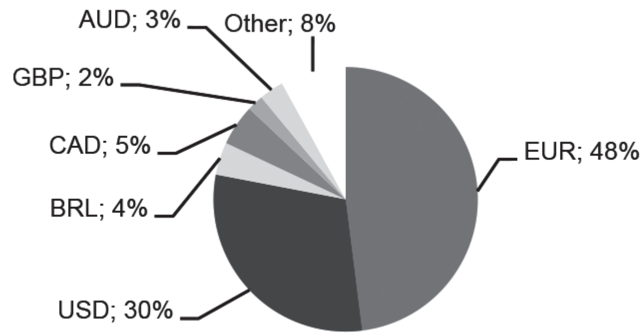
CNH Industrial reported its fourth quarter and full year 2015 financial results on Jan. 29. For the fourth quarter the company reported revenues of $7,144 million, a drop of 14.6% vs. the fourth quarter of 2014. Revenues for the full year came in at $25,912 million, down 20.4% compared to 2014 revenues. Ag equipment revenues for the quarter were down 12.4% and were down 27.5% for the full year.

For the quarter, all four of CNHI's operating segments posted profit margin improvements, with the most notable improvement coming from ag equipment which posted an 11.7% margin for the quarter.

Commenting on the quarter, Rich Tobin, CNHI Group CEO, said, "The demand conditions remain challenging in some of our business and operating geographies during the quarter. But we did a good job of navigating them. We increased profits while reducing inventory, adopted our cost structure to prevailing demand conditions, demonstrated the strength of our product portfolio by gaining share and positioned ourselves to compete in 2016."

Strong Dollar. The strength of the U.S. dollar vs. the company's major trading currencies (*see Net Sales by Currency*) continued to have a negative impact on net sales during the fourth quarter, according CFO Max Chiara. He adds that they expect this to continue in 2016, but at a lower rate. As the chart at right shows, other currencies made up 70% of net sales for CNHI in the quarter.

CNHI Net Sales by Currency — 2015



CNH Industrial's 2015 revenues were down 20.4% on a reported basis, but on a constant currency basis they were down just 9.6% compared to 2014. Other currencies made up 70% of net sales for CNHI in the quarter. *Source: CNH Industrial*

"It should be an interesting year for farming profit as markets digest the changes in dollarized commodities and depreciation of many producer currencies vs. the U.S. dollar..."

For example, 2015 revenues were down 20.4% on a reported basis, but on a constant currency basis they were down just 9.6% vs. 2014. For the quarter, the strength of the dollar was the difference between a 14.6% decline (reported) and a drop of 4.1% (constant currency).

"We did not get a lot of help from commodity prices during the year and it's not going to affect our net farm income in the United States. We're dealing with that affect in machinery demand," Tobin says. "It should be an interesting year for farming profit in many geographies as markets digest the changes in dollarized commodities and the depreciation of many producer currencies vs. the U.S. dollar."

Reducing Inventory. On a positive note, CNHI has made strides in inventory reduction. Company inventory at year-end was down about 30% and total channel inventory was down 60%. Chiara says this was primarily due to efforts to reduce row-crop inventory in North America. The company will continue to make wholegoods inventory reductions in 2016.

Tobin adds: "The machinery demand in Europe has held up reasonably well in 2015 and we would expect the emerging markets to follow suit as the cycle turns. In consequence of the decline in commodity prices our NAFTA row-crop production was down 50% vs. last year, and 27% vs. the last quarter both in excess of the market decline. NAFTA row-crop channel inventory was down 24% vs. last year with both company and dealer inventories down year-over-year 12% and 26% respectively in units."

During 4Q, global combine production was 30% below retail with production levels down 35% vs. 4Q 2014. Global tractor production was 9% below retail and production levels were flat compared to 4Q last year. Both categories saw a reduction in total worldwide channel inventory. Tobin points out that current inventory indicates a significant change in mix to lower horsepower tractors as a result of the reduced demand for row-crop tractors.

Looking ahead to 2016, Tobin says they are currently looking for NAFTA row-crop production to be 15-20% below retail for the year. "Based on order books right now and the amount of uncertainty in the marketplace, we would expect to come out of Q1 at very low levels of production because we think that the market will build into 2016 rather than be steady over the year," he says.

"We think that if we get this right, we can still deliver the margins as we did at this past cycle by timing the demand cycle with what we did at the industrial side to still protect margins as much as we can." AEI

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

AGCO Steps Up Platform Rationalization Plans...Continued from page 1

Output of the simple platform utility models initially destined for Chinese farmers and selected European, African and Asia-Pacific markets is expected to grow from 2,000 units last year to around 9,000 units in 2016 now that the tractors have been launched in North America. They will be followed by higher specification cabbed versions being built at AGCO's Beauvais plant in France, as well as the larger and more powerful MF 5700 Series.

AGCO managers emphasize that platforms in all power groups are under review; the next priority will be the biggest sellers, tractors of 120-220 horsepower, that account for about one-third of AGCO's more than $4 billion revenues from tractor sales.

Product platforms in the 220-400 horsepower category, accounting for around a quarter of those revenues, and 400 horsepower-plus, representing 15%, will also come under the rationalization spotlight.

Another major target is harvesting products. Managers want to see just one global platform replacing the seven used for AGCO's biggest combines, which are built in unrelated ranges in Europe, South America and the U.S.

That would align manufacturing and quality processes, create opportunities for new technologies and bring cost savings by leveraging increased purchase volumes from global suppliers.

AGCO at NFMS: In a note to investors, Michael Shlisky, machinery analyst for Seaport Global Securities, summarized his meeting with AGCO management at the National Farm Machinery Show in Louisville, Ky., last week. According to Shlisky, AGCO management said that the new equipment introduced at the show was the most the company has introduced in several years.

"New products included the new 1000 Series tractor from Fendt. The company believes the 1000 can replace two separate tractors on many farms, given its ability to be used in light or heavy applications. Interestingly, the same tractor will be offered through the Challenger brand at CAT dealers going forward; this is the first time the two brands are being linked together through a common product in the large tractor category. In our view, this can be margin-positive for AGCO over the long term, in line with what the company has begun to accomplish in smaller tractors."

This represents another major step in AGCO's platform rationalization program.

"With respect to current market conditions, AGCO was fairly straightforward about the challenges facing heavy tractors, and also noted that softening in the dairy and livestock markets in recent months could impact mid-range categories as well," says Shlisky. "That said, given that this is such a significant new product year for the company, AGCO has reduced its used inventories substantially, getting into the 5.5-6 month range, which the company believes is better than peers, though this is still about a month too high for AGCO's liking." **AEI**

FARM MACHINERY TICKER (AS OF 2/11/16)

MANUFACTURERS	Symbol	2/11/16 Price	1/13/16 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$25.86	$28.97	$57.93	$25.52	N/A	73,344	372.81M
AGCO	AGCO	$45.68	$44.97	$57.90	$41.91	14.93	1,313,270	3.91B
AgJunction Inc.	AJX	$0.52	$0.66	$0.84	$0.40	N/A	22,811	63.87M
Alamo	ALG	$49.98	$50.00	$64.45	$43.98	13.26	45,042	570.97M
Art's Way Mfg.	ARTW	$2.85	$2.76	$5.98	$2.46	N/A	4,281	11.57M
Blount Int'l	BLT	$9.27	$9.23	$16.81	$5.08	N/A	820,476	447.28M
Buhler Industries	BUI	$5.03	$5.14	$6.06	$4.44	N/A	2,195	125.75M
Caterpillar	CAT	$61.41	$60.89	$89.62	$56.36	17.55	7,099,340	35.75B
CNH Industrial	CNHI	$5.92	$6.18	$9.72	$5.67	34.82	1,788,590	8.06B
Deere & Co.	DE	$76.41	$73.22	$98.23	$70.16	13.24	3,492,750	24.2B
Kubota	KUBTY	$60.28	$71.82	$88.21	$58.99	11.63	9,077	15B
Lindsay	LNN	$70.53	$64.75	$91.93	$62.99	31.86	124,510	785.38M
Raven Industries	RAVN	$14.77	$14.64	$22.36	$13.87	40.80	189,468	539.19M
Titan Int'l	TWI	$2.97	$2.80	$12.50	$2.50	N/A	673,942	159.87M
Trimble Navigation	TRMB	$21.13	$19.50	$27.62	$15.90	44.94	1,691,720	5.29B
Valmont Industries	VMI	$100.90	$99.16	$128.67	$92.33	21.61	218,168	2.32B
RETAILERS								
Cervus Equipment	CVL	$11.82	$13.34	$19.84	$11.73	N/A	13,713	184.59M
Rocky Mountain Equipment	RME	$6.01	$5.80	$9.50	$5.50	8.97	32,818	116.5M
Titan Machinery	TITN	$8.16	$8.73	$16.99	$7.87	N/A	237,395	173.42M
Tractor Supply	TSCO	$81.69	$81.55	$96.28	$75.00	27.23	1,226,220	10.97B

High Volumes of Farmer Operating Loans Persist; Interest Rates for Equipment Rising

As farmers' profit margins remain low going into 2016, levels of non-real estate farm lending at commercial banks persisted at high levels at the end of fourth quarter 2015. In a recent report, USDA notes while farm sector real estate debt is forecast to increase 6.1% in 2015, non-real estate debt is forecast to grow slightly quicker, rising 6.5%, but will not close the historically large gap between real estate and non-real estate debt.

USDA says farmers historically borrow against their equity in periods of declining farm income. Banks are growing cautious as the gap between real estate and non-real estate debt widens and both trend upward, paying attention as farmers' land equity, the asset they most often borrow against for operating expenses, is diminished. "Farm assets and equity are both expected to fall in 2015 compared to 2014, while farm debt continues to rise," USDA writes. "The value of farm assets is expected to decrease 2.8% in 2015. In contrast, farm debt is expected to grow by 6.3%. Given the drop in farm sector assets and increase in debt, farm equity is forecast to fall by 4%."

Loans for current operating expenses are at record levels. In their Jan. 27 Ag Finance Databook, the Federal Reserve Bank of Kansas City, Nathan Kauffman, assistant vice president and Omaha branch executive, Cortney Cowley, economist, and Matt Clark, assistant economist, write: "As farm income declined again in 2015, persistently high short-term lending needs amplified concerns about farm sector liquidity moving into 2016 ... Farm loans used to cover operating expenses were largely unchanged, underscoring the persistent demand for shot-term cashflow support amid an ongoing environment of reduced profits." The average volume of operating loans in 2015 was 6% higher than 2014, and more than double the low set in 2011, according to the Ag Finance Databook.

Meanwhile, loans for farm equipment remain low, as both farmers and banks approach these loans with caution. According to the report, while loans for current operating expenses remain historically high, loans for farm equipment have stayed at a steady, low volume since 2013.

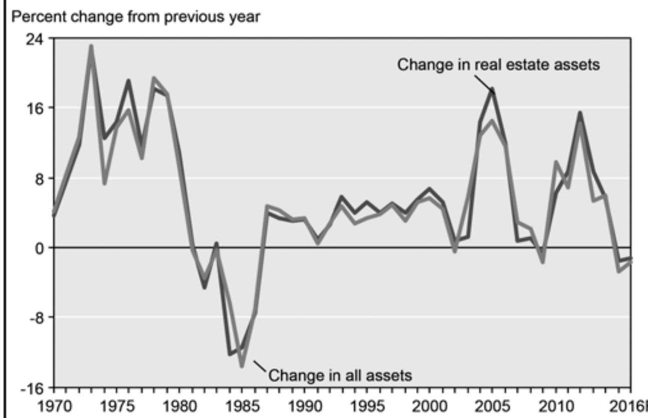
While farm income has weakened, farm loan interest rates overall have remained relatively unchanged, except for loans for farm equipment, which averaged almost a full percentage point higher than loans for current operating expenses.

Authors of the report explain that, "These loans typically carry much longer maturities and may be priced higher due to forward-looking risks. Farm sector interest rates generally have remained low due, in part, to relatively strong loan performance, historically low delinquency rates, low debt-to-asset ratios in the farm sector and regional loan competition."

Overall, repayment rates softened further and demand for renewals and extensions continued to rise. Persistently high demand for farm loans coupled with declines in farm income remains a concern for 2016. AEI

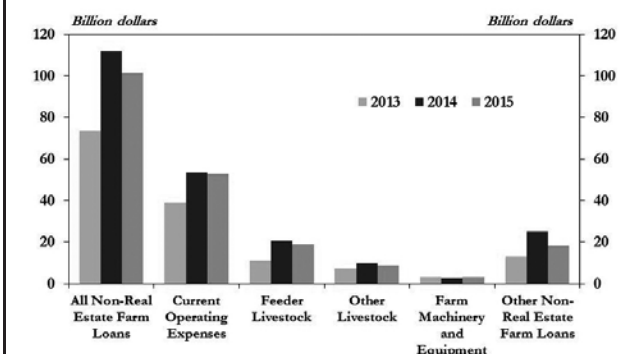
Farm Sector Business Debt

(Inflation Adjusted — 1970-2015F)



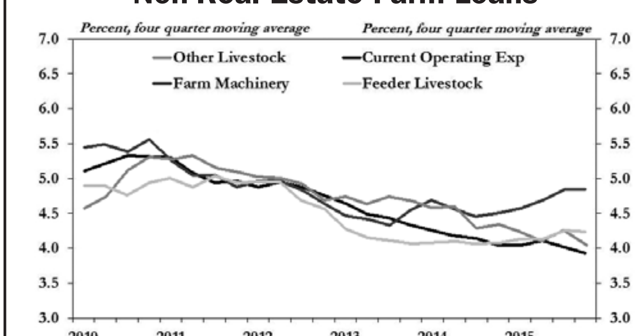
USDA reports that while farm real estate values are forecast to decline in 2015, interest rates have remained accommodating and lenders expect to continue to see strong growth in farm real estate loan volumes. *Source: USDA, Economic Research Service*

U.S. Farm Income & Current Operating Expenses



While loans for current operating expenses remain at record highs, loans for farm equipment have remained at a steady low for the past 3 years. *Source: Agricultural Finance Databook, Table A.5.*

Interest Rates on Non-Real Estate Farm Loans



For most loan types, average interest rates trended lower through 2015. Loans for farm machinery, however, were a notable exception to this downward trend. *Source: Agricultural Finance Databook*

Permanent Cropland Returns Outpace Annual Cropland in 4Q & Full Year

Permanent cropland, found predominately in the Pacific West, growing orchards and vineyards of almonds, grapes, walnuts and other such permanent crops, had an 8% return in the fourth quarter of 2015, compared to annual cropland's 1.2% return, according to a Jan. 20 report from the National Council of Real Estate Investment Fiduciaries (NCREIF). Annual cropland refers to land used to grow such crops as cotton, corn, wheat and soybeans that are harvested annually.

NCREIF says the returns for permanent and annual croplands are typically much closer together. Since 4Q 1990, return for permanent cropland has been 12.6% vs. 10.9% for annual cropland. For 2015, permanent cropland had a 17% total return, which is more than three times higher than the 5.2% total return for annual cropland.

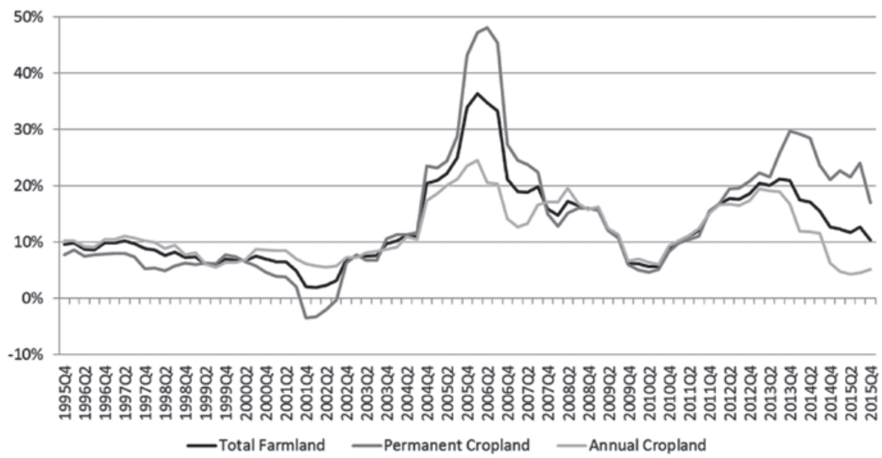
Agrimoney.com reports this is the second successive quarter in which declining crop prices have negatively affected returns in the Corn Belt, which primarily grows annual crops. California, one of the biggest producers of permanent crops in the country, by contrast, saw positive total returns.

The Pacific West, which includes California, was the top performing region for total farmland returns in the fourth quarter of 2015 with more than double the return of the next closest region, the Southeast. The Corn Belt and Pacific Northwest were the worst performing regions for the quarter, according to the NCREIF report.

In recent years, California has been moving more acres to permanent cropland as the drought has drastically reduced annual crop production. Since 2012, annually harvest crops have seen a 31% reduction in planted acreage in California, according to USDA. In contrast, permanent crops have been on an upward trend that doesn't appear to have been slowed by the drought.

Production of permanent crops like fruits and nuts has accelerated since 2009 because of increased demand. "Increased production and higher grower prices ... drove the grower value of U.S. tree nut production past $10 billion in 2013 and 2014, up from $1.5 billion in 2000," reports USDA **AEI**

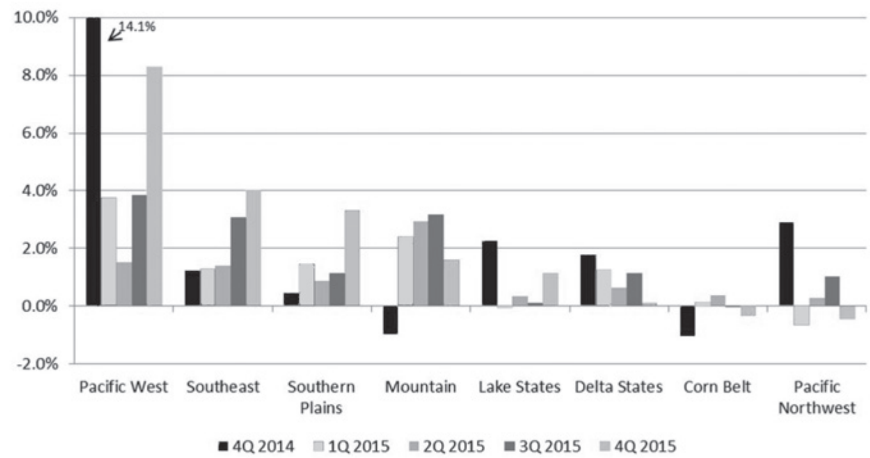
Total Annual Farmland Returns



Historically, returns for these two categories are much closer with the return for permanent cropland being 12.62% vs. 10.91% for annual cropland.

Source: NCREIF Property Index

Total Quarterly Farmland Return Trends by Region



The Corn Belt and Pacific Northwest were the worst performing regions for the quarter with –0.33% and –0.44% total returns, respectively. Depreciation was the drag on total returns for both regions over the quarter and the year. *Source: NCREIF Property Index*

Germany's Lemken Reports 4.7% Drop in 2015 Net Profits

Specialty equipment maker, Lemken GmbH & Co., based in Alpen, Germany, reports that its net profits during the past year declined by 4.7% to £327 million ($367.5). The family-owned business manufactures agricultural implements for soil cultivation, seeding and plant protection.

Managing director Anthony van der Ley, noted he was satisfied with Lemken's performance considering the ongoing difficult market in the ag sector. "2015 brought a lot of uncertainties and fluctuation. The income situation among farmers in Germany, France and the United Kingdom is subdued, due to low prices," he said.

Sales in the domestic German market declined to £90 million ($101 million) following "an outstanding prior year." In contrast, internationally, Lemken was able to sustain the group's high level of sales. Most Central European markets, including Poland, Hungary, Romania and Bulgaria, experienced growth, and sales in Ukraine surpassed expectations. At the same time, business in Russia "suffered from political restrictions and currency movements, although a good level of sales was still achieved."

During the year ahead, Lemken officials expect a slight increase in business volume despite the current weakness in its major market segments. **AEI**

AGCO Makes Strides in Inventory Reduction, Still More Needed

AGCO reported fourth quarter and full year 2015 results on Feb. 2. The farm equipment manufacturer reported net sales of approximately $2 billion for 4Q, a drop of about 21.2% vs. net sales of about $2.5 billion for the same period of 2014. Excluding unfavorable currency translation impacts of approximately 11.5%, net sales in 4Q of 2015 decreased approximately 9.6% compared to 4Q of 2014.

AGCO 4Q 2015 Regional Net Sales
(in million $)

	3 Months Ended Dec. 31		Change Due to Currency Translation		
	2015	2014	Change	$	%
North America	$424.5	$549.2	(20.9)%	($10.8)	(2.0)%
South America	$188.3	$414.6	(54.6)%	($85.8)	(20.7)%
EAME	$1,211.9	$1,374.7	(11.8)%	($174.5)	(12.7)%
Asia/Pacific	$124.3	$146.7	(15.3)%	($15.8)	(10.8)%
Total	$1,959.0	$2,485.2	(21.2)%	($286.9)	(11.5)%

Source:AGCO Corp.

For the full year, AGCO reported net sales of $7.5 billion, down 23.2% vs. 2014. Unfavorable currency translations contributed to 13% of the decline. If that impact is excluded, net sales for the year decreased approximately 10.2% compared to 2014.

On a regional basis, AGCO reported North American sales were down 18.9%, Europe/Africa/Middle East dropped 0.9%, South America was down 33.9% and Asia/Pacific saw sales drop 4.5%. "While our products are performing well in all markets, our results reflect the impact from softer industry-wide demand, production cuts and the negative impact of currency translation," says Martin Richenhagen, AGCO chairman, president and CEO.

Reducing Inventory. AGCO made strides in inventory reduction and cost control during 2015. According to Richenhagen, by lowering production by 18% vs. 2014, inventories declined over $30 million from Dec. 31, 2014 levels. The reduction helped generate over $300 million of free cashflow during the year.

AGCO will continue to focus on reducing inventory levels, particularly in North America, in 2016. "We are targeting a much lower seasonal build in our inventories during the first half of 2016. On a year-over-year basis, we expect production to be down between 10-12% in the first quarter, while full-year production is expected to be down 3-5%," Richenhagen says.

AGCO CFO Andrew Beck adds, "We still have some work to do in 2016 as it relates to dealer inventories in North America, and we're projecting another decline in our dealer inventories within our business plan for 2016. And we would expect that by the end of this year, we have our inventories in line with market conditions assuming market conditions are as we project right now."

2016 Outlook. "Our 2016 forecast assumes softer industry demand across all regions. Our plan includes price increases of approximately 2% on a consolidated basis," says Beck. "In the first quarter of 2016, sales and earnings per share are expected to be significantly lower than reported for the first quarter of 2015 due to the lower production levels.

"Our priorities continue to be managing our costs and lowering dealer inventories to better align ourselves with current market demand," says Beck. **AEI**

Italian Ag Equipment Sales Rose in 2015; First Time in 6 Years

Machinery manufacturers and dealers in Italy received a welcome boost in 2015 when the market for tractors and combines broke both national and Europe-wide trends to record an increase in sales over the prior year. Much of the gain came in the last 2 months. Until then, tractor sales looked set to continue the downward trend of the previous 6 years when the market declined from 27,261 units in 2008 to 18,178 in 2014, according to vehicle registrations data.

A rush by Italian farmers to beat the end-of-year deadline for European Union funding under its Rural Development Program is attributed to the upturn — sales in November and December were 37% and 51% higher in those months than in 2014.

The end result was a tractor market of 18,420 units, up 1.4%, while a 6.2% lift in combine sales resulted in 345 units being registered — still almost half the number recorded in 2008.

Machinery trade organization FederUnacoma says it has initiatives on the drawing board to spur farmers into making better use of the EU Rural Development Program funds. The group notes that a positive impact could also result from the 45 million ($50 million) that the Italian government has allocated to an initiative to improve farm safety standards by encouraging new agricultural machinery purchases.

New Holland is the dominant brand in Italy, largely thanks to its Fiat heritage, with a share of 25% in 2014, the most recent figures available. The next three achieve between 8-10% each, with the Argo Tractors brand Landini positioned ahead of fellow-Italian marque SAME and John Deere.

Antonio Carraro, the leading manufacturer of specialist orchard, vineyard and groundscare tractors by market share, completes the top 5. **AEI**

Same Deutz-Fahr Now 'SDF'

Italy's Same Deutz-Fahr Group has adopted the abbreviations by which it is commonly known as its official title — SDF Group. "Our brand portfolio now goes beyond the two main ones of Deutz-Fahr and SAME so the switch to 'SDF' is a logical consequence of our internationalization," says Lodovico Bussolati, CEO.

January Ag Sales Post Some Positives

North American large ag equipment sales saw some positive movement in January, according to the latest numbers released by the Assn. of Equipment Manufacturers, with 4WD tractors up 1% and combines increasing by 19%. Row-crop tractors were down 36.4% year-over-year in January and mid-range tractors were down 5.1%. Compact tractors continued to see sales growth with North American sales up 10.8% for the month of January vs. the same period of 2015.

U.S. and Canadian large tractor and combine sales dropped 30.3% year-over-year in January, down from the 23% year-over-year drop in December. U.S. sales were down 31.8% while Canadian sales were down 18.2%

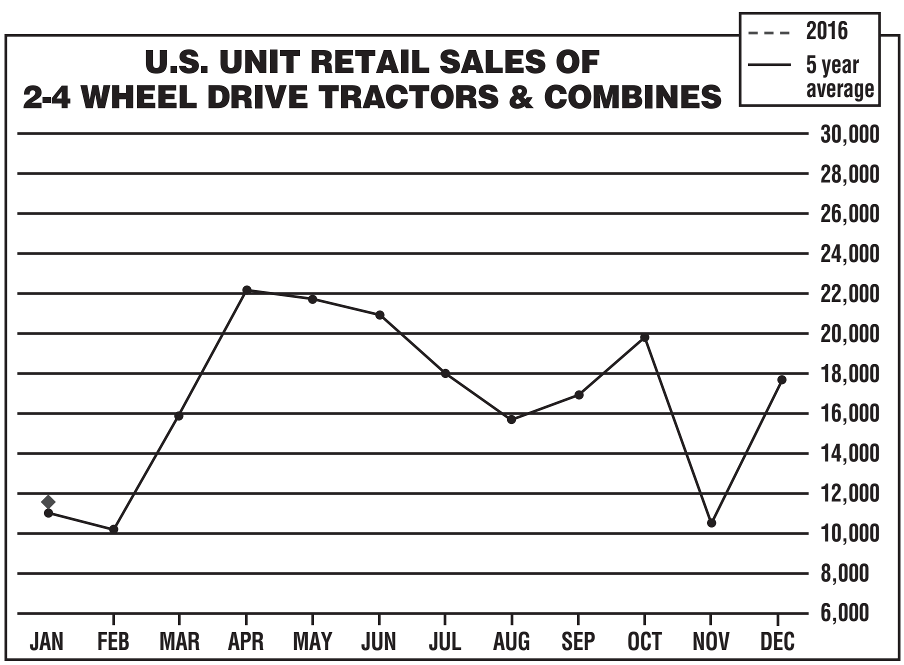
- Combine sales saw a 19% year-over-year increase in North America during the month of January vs. a 3.8% decline in December. U.S. sales were up 21.4%, but Canadian sales saw a drop of 2.6% for the month. U.S. inventory at the beginning of January were 957 units. Canadian inventory was 320 units.
- Row-crop tractor sales saw the largest drop in sales during January at –36.4%. U.S. row-crop tractor sales were down 38.5%. The drop wasn't quite as high in Canada, where sales declined by 19.9% for the month vs. the same period last year. Beginning inventory for January was at 10,895 units in the U.S. and 2,245 units in Canada.
- North American 4WD tractor sales saw a 1% increase in January thanks to a 148.1% jump in Canada. In the U.S. on the other hand, sales for 4WD tractors declined by 9.3% year-over-year.
- Mid-range tractor sales were down 5.1% in January, following a 15% drop in December. U.S. sales were down 5.7% while Canadian sales were up by 0.2%. Compact tractor sales remain the bright spot, posting a 10.8% increase in January after increasing 7.5% year-over-year the prior month. **AEI**

JANUARY U.S. UNIT RETAIL SALES

Equipment	January 2016	January 2015	Percent Change	YTD 20 16	YTD 2015	Percent Change	December 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	5,354	4,738	13.0	5,354	4,738	13.0	74,282
40-100 HP	3,842	4,074	–5.7	3,842	4,074	–5.7	37,325
100 HP Plus	1,696	2,757	–38.5	1,696	2,757	–38.5	10,895
Total-2WD	10,892	11,569	–5.9	10,892	11,569	–5.9	122,502
Total-4WD	175	193	–9.3	175	193	–9.3	871
Total Tractors	11,067	11,762	–5.9	11,067	11,762	–5.9	123,373
Combines	419	345	21.4	419	345	21.4	957

JANUARY CANADIAN UNIT RETAIL SALES

Equipment	January 2016	January 2015	Percent Change	YTD 20 16	YTD 2015	Percent Change	December 2015 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	593	627	–5.4	593	627	–5.4	8,455
40-100 HP	419	418	0.2	419	418	0.2	4,038
100 HP Plus	285	356	–19.9	285	356	–19.9	2,245
Total-2WD	1,297	1,401	–7.4	1,297	1,401	–7.4	14,738
Total-4WD	67	27	148.1	67	27	148.1	318
Total Tractors	1,364	1,428	–4.5	1,364	1,428	–4.5	15,056
Combines	38	39	–2.6	38	39	–2.6	320



— Assn. of Equipment Manufacturers

Case IH 'Finalized' SSA Reminiscent of Automakers' After 2009 Bankruptcies...Continued from page 1

8.2, 19.1 of the Case IH SSA.)

Exclusivity: The manufacturer demanded that dealers abandon any other franchise they had with another manufacturer and maintain exclusive, stand-alone facilities for their brand alone. *(Compare to Section 8.3, 9.2 of the Case IH SSA.)*

Consent to Jurisdiction: The manufacturer stripped dealers of the option to seek judicial remedy in their home state. *(Compare to Section 32.2 of the Case IH SSA.)*

At Whim Requirements: Very simply, the manufacturer required dealers to comply with any future "subsequently published guidelines" as they pertained to any aspect of dealership operations … period. *(Compare to Section 27.2 of the Case IH SSA.)*

Premises Requirements: The manufacturer retained the ability to force dealers to move their facilities and/or to conduct substantial renovations to their dealerships in order to be compliant with the manufacturer's "image programs." This included the requirement to follow the manufacturer's strict remodeling guidelines with zero promise of any financial assistance.

Etc. The contract also stated that if dealers were unable to comply with any of those demands, even through no fault of their own, the manufacturer could immediately terminate them. *(Compare to Section 27.3 of the Case IH SSA.)*

Larsgaard adds, "It is important to understand that every single one of those demands would have violated North Dakota state law. However, the manufacturer knew that dealers really had no choice but to sign the agreement.

He says he described in some detail to explain the events that took place immediately following the bankruptcies for two reasons:

1. To give dealers a clear indication of how one giant, out-of-state auto manufacturer attempted to impose unreasonable/illegal demands upon dealers.

2. To reconfirm the need for strong state franchise laws to protect dealers from unfair business practices.

Larsgaard says in 1991, the ND legislature created the manufacturer "prohibited acts" section within North Dakota state law. They recognized the need to protect North Dakota farm equipment dealers and their employees, and ensure that there is a baseline of fairness in dealers' contracts with manufacturers.

He adds that one of the protections built into North Dakota's "prohibited acts" section of a 1991 state law prevents manufacturers from demanding that dealers maintain exclusive facilities. "That provision alone saved 21% of North Dakota's automobile dealerships from closing their doors during the 2009 auto manufacturers' bankruptcy process," says Larsgaard.

Larsgaard's full report is available on the North Dakota Implement Dealers Assn. website (www.ndida.com) or calling 701-293-6822. AEI

Manufacturer M&A Picks Up the Pace

As the downturn in the ag economy continues, consolidation among manufacturers is likely to continue and may even pick up the pace. As previously reported, Rabobank says the current downturn could set the stage for "disciplined competitors to consider strategic mergers and acquisitions that will grow market share, diversify product offerings, enter adjacent markets and expand in higher growth regions." *(Ag Equipment Intelligence, October 2015)*

While there is potential for some big moves by the majors, it seems more plausible that the movement will happen among the shortlines. In January, Bestway was acquired by a private investor group and re-organized as Bestway Sales LLC. Key to the acquisition is the retention of Bestway top management personnel, with Pat Meenen being appointed president and CEO and David Benson, vice president, sales and marketing.

Also in January, ET Works, the owners of Apache Sprayers and Equipment Technologies, agreed to a buyout by Exel Industries of France. Exel is the parent company of Berthoud, Hardi and Tecnoma sprayer companies. Equipment Technologies CEO Matt Hays told *Ag Equipment Intelligence's On the Record* earlier this month that Exel will help improve their international distribution. "In terms of more strategic opportunities, first and foremost they really appreciate the asset and they want to continue to nurture what we're doing and are going to see to it by way of additional investments so we can keep those opportunities going in North America," he says.

"But when you look at the rest of the world, they have a strong presence in many markets in which Apache already has some customers, most notably Ukraine and Russia. But we haven't had a priority to really pursue international distribution. They bring an already built international distribution network in those markets. I think it will mean really good things for us from an export standpoint as well."

Following is a time line of what's taken place in the farm equipment marketplace since 2010.

2015
- John Deere: Acquires Precision Planting & Monosem
- Salford Group: Acquires AeWay and Valmar Airflo Inc.
- Topcon: Acquires NORAC Systems International & Digi-Star Investments
- Trimble: Acquires Agri-Trend & HarvestMark

2014
- New Holland: Acquires Miller-St. Nazianz Inc.
- Raven Industries: Acquires Navtronics BVBA & SBG Innovative BV
- Salford Group: Acquires BBI Spreaders
- Topcon: Acquires Wachendorff Elektronik GmbH
- Trimble: Acquires Iron Solutions

2013
- Salfrod Group: Acquired by GenNx360 Capital Partners
- Trimble: Acquires C3, Hdyro Engineering Solutions, RainWave LLC & Actronic Holdings Limited

2012
- Kubota: Acquires Kverneland AS
- Trimble: Acquires Gatewing

2011
- Kuhn: Acquires Krause Corp.
- Trimble: Acquires OmniStar

2010
- Great Plains: Acquires Simba International & Martin Manufacturing
- Landoll Corp.: Acquires Brillion Farm Equipment
- Raven: Acquires Ranchview
- Trimble: Acquires Cegea Solutions Inc. & Definiens' Earth Sciences AEI