From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- 2015 Sales Summary
- Commodity Outlook
- Lower FCF for Deere

Kubota's Farm & Industrial Exports Climb 11.4%; Diversity Pays Off

Diversity in its product range and in the markets it serves proved beneficial to Kubota Corp. last year as buoyant sales of compact tractors to homeowners in North America offset a decline in mid-size tractor sales to farmers and helped drive up revenues from outside Japan.

Export market revenues for Kubota's Farm & Industrial Machinery division increased 11.4% over the year prior to the equivalent of $6.97 billion. In addition to compact tractors, stronger sales of light construction machinery in North America resulting from favorable housing market demand in a recovering economy also had a positive impact.

The Japanese manufacturer sees the Farm & Industrial Machinery business unit's activities in North America as the key to successfully implementing its "Global Major Brand Kubota" project. This year, the product line-up is being expanded with new introductions for upland farming — notably the 130-175 horsepower tractors being built in northern France; skid steer loaders for agriculture and construction; and utility vehicles.

Kubota Manufacturing of America broke ground on a dedicated assembly plant for the RTV utility vehicles in Hall County, Ga., last September, giving it the

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Kubota Corp. Full-Year Earnings Summary
(in millions $)*

	9 Mos. Ended Dec. 31, 2015	9 Mos. Ended Dec. 31, 2014	% Change
Total Revenue	$10,978.79	$10,058.37	9.2%
Farm & Industrial Machinery Revenue	$8,998.76	$8,136.05	10.6%
Farm Equipment & Engines	$7,496.22	$6,802.15	10.2%
Construction Machinery	$1,312.27	$1,136.92	15.4%
Electronic Equipped Machinery	$190.27	$196.97	–3.4%

**Converted from yen to U.S. dollar at exchange rates as of March 2*

Source: Kubota Corp.

Titan Machinery Gets Boost from Analyst's Upgrade

In a surprise move, on March 4, analysts at RW Baird upgraded Titan Machinery shares to "outperform" from "neutral" and raised its share price target to $16 from $12.

In a note to investors, Mircea (Mig) Dobre said, "Management aims for $150 million inventory reduction in FY16 having achieved roughly $65 million through the first three quarters. Retail sales of large equipment suggest Titan will meet and potentially exceed its inventory reduction goal."

He added, "Ag and construction dynamics remain difficult, but a tactical opportunity seems at hand."

Titan, which owns and operates 92 total store locations in the U.S. (79 primarily ag) across 11 states, is CNH Industrial's largest farm equipment dealer group. It also has 16 dealerships in Bulgaria, Romania, Serbia and Ukraine.

In his analysis, Dobre said, "Historically, Titan's agriculture rev-

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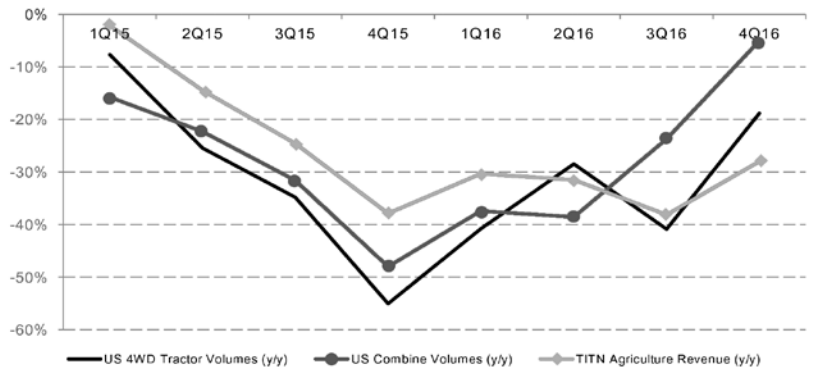
Titan Ag Revenues vs. Large Ag Equipment Volume



Source: Baird Estimates, AEM, Company Data

Kubota's Farm & Industrial Exports Climb 11.4%...Continued from page 1

scope to expand production by 60% over the next 5 years.

Last year, Kubota decided to move its U.S. sales company from California to north Texas to be closer to its farming customers and expand business functions and capabilities.

"The company is strengthening its local production, product development and its human resources and business infrastructure," says Masatoshi Kimata, Kubota Corp.'s CEO. "In this way, Kubota plans to substantially expand its business operations in North America."

Worldwide 2015 revenues, reported for the 9 months from April to December as Kubota shifts its financial year-end, increased more than 9% over the equivalent period in the preceding year to $10.9 billion.

The Farm & Industrial Machinery division, which contributed 82% of Kubota's consolidated revenues, gained 10.6% to hit $8.95 billion for the 9-month period. Domestic revenues for this business unit gained 7.7% as sales of farm tractors in Japan recovered from the previous year's market reaction to an increased consumption tax.

Operating income for the division increased more than 20% as the impact of increased domestic and overseas revenues and the positive effect of yen depreciation exceeded the negative impact of increased fixed costs and sales promotion expenses.

For 2016, Kubota Corp. forecasts flat demand in Japan for its farm and construction machinery activities thanks to a stagnant market for rice planters and combines, which the company is seeking to revive.

But, in contrast to its major competitors, a further rise in revenues from North America, Europe and Asia is factored into forecasts for a 3.6% increase in consolidated revenues, and an increase in operating income of more than 5%, based on the expectation that revenue increases will outstrip the negative impact of yen appreciation.

Strategic moves to support growth in the long term include the establishment of new R&D centers in Japan and overseas, hiring of non-Japanese and better qualified personnel as part of an R&D recruitment program, and increased collaboration with outside parties.

"The company is aiming to review and structure its R&D activities to enable it to win out over major global competitors," says Kimata.

Production activities are receiving similar attention. Managers say they are rolling out "Production Method Kubota" having established a basic policy last year that combines production methods of advanced companies with what they call Kubota's unique approach and methods.

By applying this policy in all the company's plants, and encouraging partner plants to do the same, managers expect to see further improvement in the level of excellence in manufacturing for the group as a whole. AEI

Grimme Bets Big on Growing Potato Acreage in China

Potato and beet equipment manufacturer Grimme has placed a $14.5 million bet on growth plans for potato cropping in China by building its first manufacturing plant there.

The parent company of Spudnik Equipment Co. LLC., based in Blackfoot, Idaho, sees Chinese government plans to double the size of the crop from 12 million to 24 million acres by 2020 as a prime opportunity for expansion.

Company head Franz Grimme, the fourth generation to run the family-owned business located in Damme, northern Germany, highlights that only 20% of the crop is harvested by machinery, which suggests plenty of potential for greater mechanization as China sees a population shift from rural areas to cities.

Grimme has been active in China for the past 5 years with a sales and service operation employing more than 40 people supplying planters, harvesters and other equipment.

The new 140,000 square foot factory and offices completed on a site of more than 7 acres at the port city of Tianjin, 50 miles southeast of Beijing, is scheduled to start production early next year following a recruitment and training program.

Christoph Grimme, 27, has been put in charge of the project. He says the factory will be equipped with the most modern facilities to ensure quality levels on par with those of the parent factory in Germany.

The venture will help develop group sales revenues that in 2014 were equivalent to $489 million at current exchange rates.

Also helping in that regard is Spudnik's move into the sugar beet sector. Engineers have combined the company's potato harvester experience with Grimme's beet scalping and lifting expertise to produce single- and two-stage, 6- and 12-row trailed harvesters to suit North American growers' preferences.

At the same time, Spudnik's new CropCart bulk handling trailer is generating exports revenue having been introduced in a number of European markets. Development work will produce a version enabling the CropCart to be used as a grain chaser as well for beet, potatoes and similar crops. AEI

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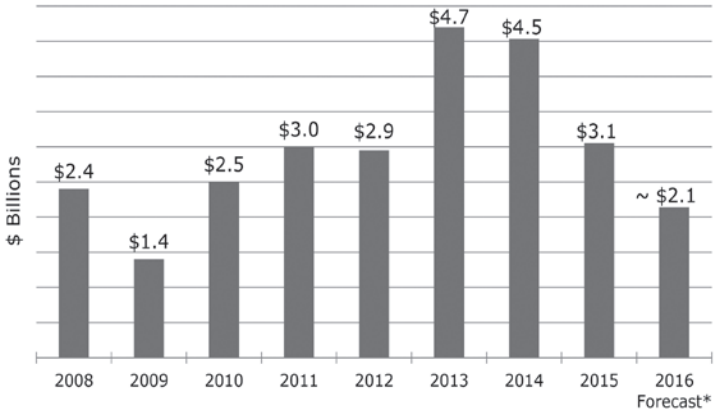
enue has been directionally consistent with U.S. large ag equipment retail sales as reported by AEM. Over the past 3 months (corresponding with Titan's fiscal Q4 that ended on Jan. 31), U.S. 4WD tractor sales declined 19% year-over-year, compared to down 41% in the prior 3 month period. U.S. combine sales declined 5% year-over-year, compared to down 24% in the prior 3 month period.

"Looking only at December/January, 4WD tractors were only down 5% and combines were up 1%. This leads us to believe there could be an upside to our down 28% estimate for fourth quarter ag revenue for Titan and if trends continue, there could also be upside to our first quarter estimate (down 18%)," said Dobre.

"Titan has been focused on reducing inventory the past several quarters with inventory down 23% year-over-year in the third quarter compared to revenue down 30% year-over-year. Management is targeting an additional $80 million sequential reduction in fourth quarter, down $150 million year-over-year," he said.

"While Titan has ample liquidity and recently renegotiated its floorplan lines of credit to remove debt and operating earnings covenants, we believe further inventory reductions will bolster perceptions surrounding Titan's liquidity position while also reducing anxiety over potential future earnings erosion stemming from declines in equipment prices," Dobre told investors. AEI

Deere Reduces FY16 Cashflow Outlook by 19%



Deere & Co. reduced its projected cashflow for fiscal year 2016 to $2.1 billion from $2.6 billion in its November 2015 forecast. If the company's outlook holds, this will be Deere's lowest cashflow from operations since 2009 when it was only $1.4 billion. It's also down about 55% from the $4.7 billion peak it saw in 2013. During a conference call with analysts on Feb. 19, Joshua Jepsen, manager of investor communications for Deere & Co., said "The reduction from our previous guidance is largely attributable to the forecasted change in working capital and lower net income." AEI

**Previous forecast ~ $2.6 billion; Deere & Co. Forecast as of Feb. 19, 2016 (Previous Forecast as of Nov. 25, 2015)*

Source: Deere & Co.

FARM MACHINERY TICKER (AS OF 3/10/16)

MANUFACTURERS	Symbol	3/10/16 Price	2/11/16 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$29.66	$25.86	$57.93	$24.68	N/A	65,643	427.59M
AGCO	AGCO	$51.44	$45.68	$57.90	$41.91	16.81	1,328,960	4.4B
AgJunction Inc.	AJX	$0.49	$0.52	$0.84	$0.40	N/A	17,615	60.19M
Alamo	ALG	$56.90	$49.98	$64.45	$43.98	15.09	47,303	650.03M
Art's Way Mfg.	ARTW	$3.04	$2.85	$5.98	$2.46	N/A	4,575	12.35M
Blount Int'l	BLT	$9.82	$9.27	$14.00	$5.08	N/A	865,144	473.82M
Buhler Industries	BUI	$4.95	$5.03	$6.06	$4.44	N/A	477	123.75M
Caterpillar	CAT	$71.36	$61.41	$89.62	$56.36	20.39	7,305,600	41.55B
CNH Industrial	CNHI	$6.71	$5.92	$9.72	$5.67	39.47	1,667,390	9.14B
Deere & Co.	DE	$82.38	$76.41	$98.23	$70.16	15.01	3,394,590	26.09B
Kubota	KUBTY	$68.80	$60.28	$88.21	$58.99	12.96	9,333	17.12B
Lindsay	LNN	$74.30	$70.53	$91.93	$62.99	33.56	149,546	827.36M
Raven Industries	RAVN	$13.50	$14.77	$22.36	$13.05	37.29	172,943	492.83M
Titan Int'l	TWI	$5.77	$2.97	$12.50	$2.50	N/A	605,515	310.58M
Trimble Navigation	TRMB	$24.65	$21.13	$26.44	$15.90	52.45	1,701,110	6.17B
Valmont Industries	VMI	$117.69	$100.90	$128.67	$92.33	68.82	219,575	2.71B
RETAILERS								
Cervus Equipment	CVL	$12.49	$11.82	$19.54	$11.62	N/A	18,452	195.06M
Rocky Mountain Equipment	RME	$5.99	$6.01	$9.50	$5.50	8.94	28,933	116.11M
Titan Machinery	TITN	$11.90	$8.16	$16.99	$7.87	N/A	221,095	252.91M
Tractor Supply	TSCO	$88.84	$81.69	$96.28	$75.00	29.61	1,215,980	11.93B

Stabilizing Commodity Prices Means Increased Emphasis on Efficiency for Farm Purchases

When commodity prices fall, farm equipment purchasing is the first area in which farmers reduce spending. In their February report, Rabobank analysts Kenneth Zuckerberg and Sterling Liddell anticipate that commodity prices will stabilize over the next 5 years to near break-even levels. As a result, the report predicts large crop farmers will continue looking to conserve cash, and farm input providers, including fertilizer, chemical, seed and equipment manufacturers, will need to deliver more value to increasingly cost-conscious customers. At the same time, smaller farmers may be forced to merge.

From 2000-05, commodity prices shifted as a result of increased use of corn for ethanol and increased imports of soybeans by China. But recently, more regular yields and lower export demand have been driving commodity prices closer to break-even levels, Zuckerberg and Liddell explain. With prices fluctuating around break-even, farmers will be looking to cut input costs in the next few years. These costs are largely established prior to planting and therefore changes tend to lag behind those in commodity prices, so the report suggests input costs will level out over the coming years.

In a typical row-crop cycle, as prices decline, farmers reduce equipment purchases for the first year or two, which was the case in 2014-15. For 2016, Rabobank expects farmers to minimize fertilizer applications, switch to cheaper seed and negotiate for lower land costs before we hit the trough of the crop cycle. In 2017, the crop cycle is anticipated to rise out of the trough and farmers will begin to reestablish planting disciplines and optimize yield, leading to a return of profitability and equipment purchasing.

For farmers, this means planting fewer acres to reduce supply to match the diminished demand. "To reach long-term equilibrium with supply, we argue that acreage utilized for the three major row crops needs to decrease by 2% (3-4 million acres) from peak levels for the next 5 years," say Zuckerberg and Liddell.

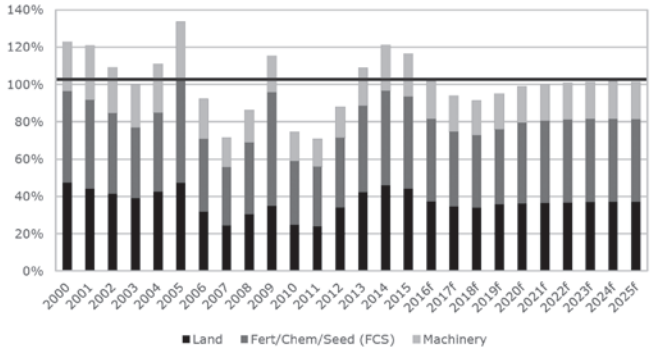
With farmers planting fewer acres, the analysts anticipate growers will be more focused on cost cutting and making yield efficiency improvements relative to input usage. This will lead to increased competition among fertilizer, chemical and seed companies for a portion of growers' average gross crop value, driving integration between these industries. "Fertilizer, chemical and seed will represent approximately 40% of the crop value, with machinery averaging 15-20% and the balance being claimed by land," says Rabobank.

"Machinery is the only input cost category in which 'current-year' changes in ag commodity prices is a statistically significant driver. We would argue that farmers have more direct control over expenditures on farm machinery than on other categories, and this is the very first category in which farmers reduce purchases during a downturn."

Over the last 2 years, growers have already reduced spending on farm equipment purchases and Rabobank anticipates that for the next few years seed companies will gain the most traction as farmers continue to seek ways to cut costs while increasing yields year-over-year. Along this vein, successful farm equipment manufacturers should emphasize equipment's ability to improve efficiency and demonstrate clear ROI on the equipment purchase, according to the report. AEI

Inputs as Percentage of Crop Value 2000-25f

(median producer)



As commodity prices stabilize near break-even levels and farmers plant fewer acres, Rabobank expects growers will look for new cost-cutting measures while trying to improve efficiency, meaning farm input providers, including farm equipment manufacturers, need to increasingly emphasize ROI and value to customers.

Source: Rabobank, 2016

2015 Ethanol Exports Up, So Are Imports

The growth in corn ethanol use helped fuel the farm equipment boom between 2008-14. Exports of the fuel additive have contributed to its increasing use during this period as the U.S. exported the fuel to 35 different countries in 2015.

According to the Energy Information Administration, U.S. exports of fuel ethanol reached their highest level in 4 years in 2015, totaling 844 million gallons, a slight increase from 2014 and second only to the 1.2 billion gallons exported during 2011. U.S. imports of ethanol, which totaled 73 million gallons in 2014, also increased in 2015, reaching a total of 92 million gallons.

Ethanol imported in 2015 increased by 23% vs. 2014. According to the EIA, almost all (96%) U.S. imports came from Brazil, up from 74% in 2014. The Renewable Fuel Standard (RFS) and California Low Carbon Fuel Standard (LCFS) targets for the use of biofuels with low greenhouse gas (GHG) emissions was the primary driver in the increased U.S. import demand for ethanol.

EIA explains: "Lifecycle GHG emissions from sugarcane ethanol production as estimated by scoring systems used in these programs are significantly lower than those from conventionally produced corn ethanol. The California LCFS, which mandates progressively more stringent requirements for increased blending of low GHG fuel components over time, was particularly important in driving larger volumes of Brazilian ethanol imports in 2015, with 44 million gallons entering the U.S. on the West Coast, more than triple the 13 million gallons imported in 2014." AEI

Short-Term & Long-Term Grain, Oilseed Prices Projected to Remain Below Recent Highs

Larger global production of grains and oilseeds in response to higher prices in recent years has increased world supplies of corn, wheat and soybeans. At the same time, income growth in developing countries has weakened and the U.S. dollar has strengthened, affecting both global agricultural demand and U.S. exports, resulting in lower near-term prices for these crops.

Longer run developments for global agriculture and U.S. trade reflect steady world economic growth, population gains and continued global demand for biofuel feedstocks. Those factors combine to support longer run increases in consumption, trade and prices of agricultural products. Thus, following the near-term declines, moderate price gains are projected over the next 10 years, according to USDA's Agricultural Projections to 2025, which was last updated on March 2, 2016.

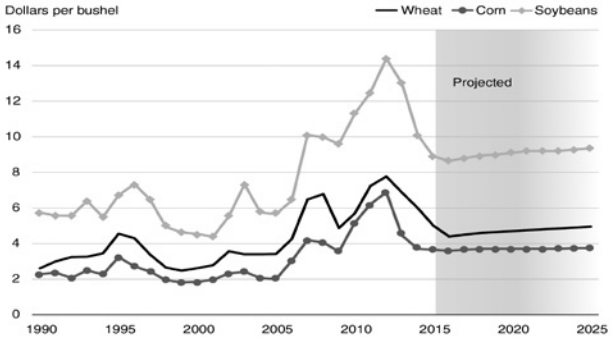
According to USDA, the combined planted area for the three crops in 2016 is projected at 223.5 million acres, down 1.8 million from 2015: wheat 51 million acres, corn 90 million acres and soybean 82.5 million acres. AEI

Short-Term Pricing Outlook — Corn, Soybeans, Wheat
($ per bushel except cotton cents/lb)

Crop	2000-2003	2011	2012	2013	2014	2015F	2016F	% Change
Wheat	$3.10	$7.20	$7.80	$6.90	$6.00	$5.00	$4.20	–16.0%
Corn	$2.10	$6.20	$6.90	$4.50	$3.70	$3.60	$3.45	–4.0%
Soybeans	$5.50	$12.50	$14.40	$13.00	$10.10	$8.80	$8.50	–3.4%
Upland Cotton	46.50	88.30	72.50	77.90	61.30	59.50	58.00	–2.5%
All Rice	$5.60	$14.50	$15.10	$16.30	$13.30	$12.90	$12.90	—

In the short term, U.S. corn, wheat and soybean prices will continue to remain soft, but will above the 2000-03 average. *(Shaded areas indicate record prices.)* *Source: USDA-NASS, OCE*

U.S. Corn, Wheat, Soybean Prices — 1990-2025



Prices for the three major grains and oilseeds are projected to remain below the highs of recent years for the foreseeable future, according to USDA's most recent outlook.

Source: USDA, ERS, Agricultural Baseline Database

As Livestock Production Rises, Prices Forecast to Drop

The U.S. livestock sector is projected to increase production over the next decade, an expansion that reflects several factors. Feed costs have fallen from recent highs and are projected to rise only moderately over the next 10 years. Also, demand for meats and dairy products in both the domestic market and for export is projected to be strong. As a result, total U.S. red meat and poultry production rises over the projection period. Milk production also increases over the next decade.

Nominal prices for beef cattle, hogs and broilers are projected to decline through most of the next decade as production levels for overall meats rise. Livestock prices begin to level off and increase slightly toward the end of the projection period as production gains for beef, pork and poultry slow and exports continue to grow.

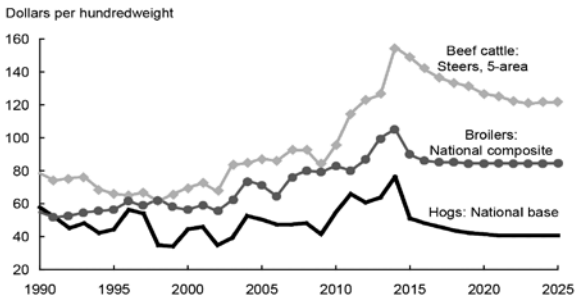
Nominal farm-level milk prices are projected to decline through 2018 as lower feed costs encourage increased production. Prices then rise faster than the general inflation rate over the remainder of the projection period, largely on the strength of export market gains. AEI

Short-Term Pricing Outlook — Livestock & Dairy
(dollars per cwt)

Livestock & Dairy	2011	2012	2013	2014	2015	2016F	% Change
Steers	$114.70	$122.90	$125.90	$154.60	$148.10	$137.30	–7.3%
Hogs	$66.10	$60.90	$64.10	$76.00	$50.20	$47.30	–5.9%
Broilers	$79.90	$86.60	$99.70	$104.90	$90.50	$87.50	–3.3%
Milk	$20.10	$18.50	$20.10	$24.00	$17.10	$15.70	–8.4%

Prices in 2016 are expected to decline from 2014 peaks for cattle (11%), hogs (38%), broilers (17%) and dairy (35%). *(Shaded areas indicate record prices.)* *Source: USDA-OCE*

Nominal U.S. Livestock Prices — 1990-2025f



Prices for beef cattle, hogs and broilers are projected to decline through most of the next decade as overall production levels for meats rise

Source: USDA Long-term Projections, February 2016

CNH JV Türk Traktör Dominates Turkish Tractor Market

Support for agriculture in Turkey is continuing to drive an already substantial tractor market, with annual sales growing by more than 7,000 units for the second year in succession as farmers capitalized on generous subsidies and low interest loans.

Demand was bolstered by increased production across all crop sectors last year, according to figures from Turkstat, the Turkish Statistical Institute, resulting in a market of 66,775 units, up more than 12% on the year prior, when the market grew 13.7% over 2013.

A major beneficiary of this buoyant market is CNH Industrial's tractor making joint venture with local automotive group Koç Holding. According to figures presented with Türk Traktör's 2015 financial results last month, the business won 10% more sales to retain a dominant 48% of the domestic market.

Türk Traktör says it exported 14,000 units of the Case IH and New Holland utility and orchard tractors it produces, which represents 90% of all tractor exports from the country. The U.S. is the largest destination, taking more than 5,500 units, according to Tarmakbir, the Turkish agricultural machinery manufacturers' association.

Opening a second factory in 2014 has improved Türk Traktör's production efficiency and increased capacity for tractor assembly and production of the transmissions and engines it supplies to other CNH plants.

Output of finished tractors has grown from 38,500 in 2013 to 47,500 units last year — two and a half times more than the rest of Turkey's tractor manufacturing enterprises combined.

As the importer and distributor of Case IH and New Holland tractors built in other CNHI plants, the business has also seen accelerated growth in the size of tractors it sells as Turkish farmers have upscaled for increased productivity.

Average tractor size has grown from just 58.3 horsepower in 1995 to 70 horsepower in 2015, and almost 61% now have front axle drive compared with just 2.5% in 1995.

Prospects for Turkey's tractor market in future years remain dependent upon government policies and its ambition to join the European Union. But there is a strong replacement market of more than 1.6 million tractors with an average age of more than 25 years, and plenty of scope for increased farm mechanization.

That will help sustain Türk Traktör's financial performance, which in 2015 set record gross profits equivalent to $203 million and EBITDA of $140 million on $1 billion worth of sales, up 14% on the preceding year. AEI

Dealer Sentiments ...

From *Ag Equipment Intelligence's* most recent survey:

Average dealer sales were reported down 13% year-over-year, an improvement from the 16% decline in the fourth quarter.

A net 31% of dealers say they are less optimistic about overall business conditions; 22nd consecutive month of deterioration in optimism. AEI

Anticipating Growth in Tracked Vehicles, Zuidberg to Produce Its Own Tracks

Dutch manufacturer Zuidberg is planning a major investment in its agricultural tracks business by manufacturing traction belts in a new factory that will expand its current facilities by one-third. The company will also encourage greater R&D into soil compaction and the use of tracks as it anticipates significant growth in the use of fully- or semi-tracked agricultural vehicles.

The company's rationale for manufacturing its own traction belts is that the designs originating in North America, such as Bridgestone, Camso, Continental and Goodyear, are built for different applications than those commonly served by Zuidberg.

"The rubber traction belts currently used in Europe in agricultural applications are developed and produced specifically to provide traction on heavy, high-output machines," points out Jeroen Zuidberg, managing director. "Our clients in Europe have specific requirements with regard to applications and track widths, ground pressure and wear resistance."

Zuidberg Frontline Systems first started making track assemblies to meet the particular needs of Dutch farmers growing salad and vegetable crops on very light, sandy soils wanting to reap the weight-spreading characteristics of tracks but across narrow widths to fit bed growing systems.

It has since moved into the mainstream market for these assemblies, building track assemblies for tractors and harvesting machinery, including self-propelled combines, forage harvesters, potato and sugar beet lifters. Its latest design, the High Speed Track System, is designed as an interchangeable rear wheel replacement for high horsepower row-crop tractors.

Zuidberg's North American branch, opened a little under 2 years ago in Cedar Falls, Iowa, supplies the track products alongside the group's tractor front linkage and power take-off systems, and the specialty transmissions, including gearboxes and drivelines that are co-engineered with OEMs for particular applications.

Once the planned new factory is added to the existing complex in Ens, about an hour's drive northeast of Amsterdam, the company will move track assembly production into the 108,000 square-foot building where the new traction belt products are expected to be on line in 2017.

Jeroen Zuidberg emphasizes that in connection with the new venture the company is also investing in employees, research centers and partners in the rubber technology industry as a means of promoting R&D in this area.

"Increased awareness of the long-term negative impact of soil compaction will lead to a year-on-year increase in the number of agricultural vehicles worldwide running on tracks," he predicts. AEI

Mid-Range Tractor Sales Up in February

While North American large ag equipment sales continued to weaken in February, mid-range and compact equipment sales experienced growth during the month, according to the latest numbers released by the Assn. of Equipment Manufactures. Mid-range tractor sales increased 4.8% year-over-year in February, representing the first sales increase in 8 months, and compact tractor sales were up 20.4%. For the seventh consecutive month, row-crop tractor sales declined by more than 30%. Following two months of sales increases, 4WD tractor sales dropped 36%. Combine sales fells 39.9%.

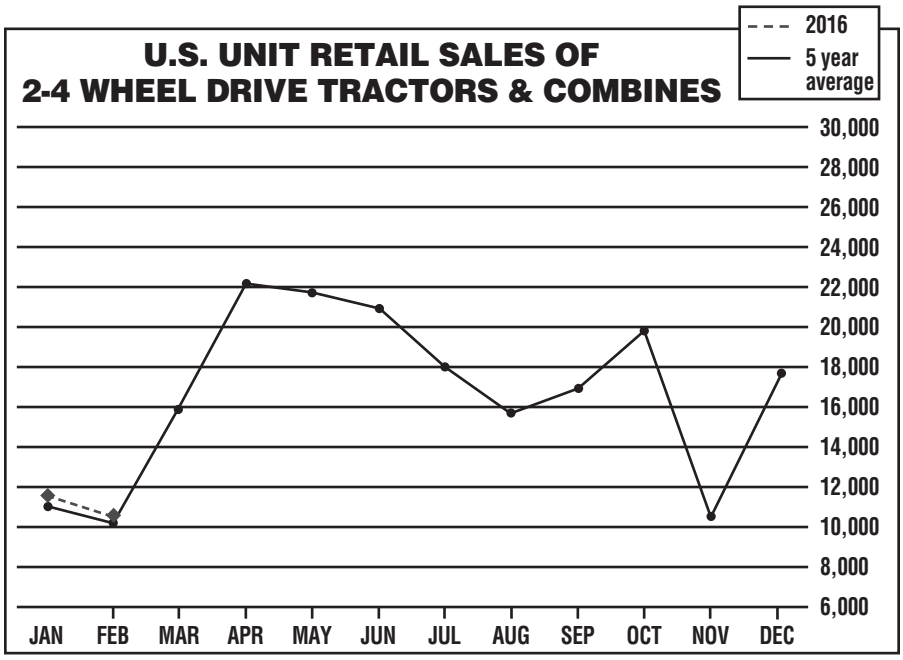
- U.S. and Canadian large tractor and combine sales dropped 39% year-over-year in February, down from the 28% decrease in January. Sales in the U.S. decreased by 43% year-over-year, while Canadian sales were down 18%.
- After seeing growth in January, combine sales reversed course in February posting a 39.9% drop. U.S. combine inventories were 31.9% lower year-over-year in January vs. down 11.5% in December. February is typically the slowest month of the year for combine sales, accounting for just 4.3% of annual sales over the last 5 years.
- Row-crop tractor sales were down 39.3% year-over-year, down from the 36.4% decrease in January. U.S. row-crop tractor inventories were down 7.5% year-over-year in January vs. down 11.5% in December. February has historically been one of the slowest months for row-crop tractor sales and accounts for just 5.9% of annual sales during the last 5 years.
- 4WD tractor sales fell 36.6% year-over-year in February, following a 10% increase in January, which was the second consecutive increase after 2 years of declines, Dobre says. U.S. dealer inventories of 4WD tractors were down 21.9% .
- Mid-range tractor sales were up 4.8% in February after a 5.1% decline last month. Compact tractor sales increased 20.4% year-over-year during February following a 10.8% increase the month before. AEI

FEBRUARY U.S. UNIT RETAIL SALES

Equipment	February 2016	February 2015	Percent Change	YTD 20 16	YTD 2015	Percent Change	January 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	5,992	4,747	26.2	11,349	9,485	19.7	77,454
40-100 HP	3,135	2,963	5.8	6,971	7,037	–0.9	38,077
100 HP Plus	962	1,649	–41.7	2,658	4,406	–39.7	10,479
Total-2WD	10,089	9,359	7.8	20,978	20,928	0.2	126,010
Total-4WD	158	280	–43.6	333	473	–29.6	840
Total Tractors	10,247	9,639	6.3	21,311	21,401	–0.4	126,850
Combines	163	328	–50.3	582	673	–13.5	795

FEBRUARY CANADIAN UNIT RETAIL SALES

Equipment	February 2016	February 2015	Percent Change	YTD 20 16	YTD 2015	Percent Change	January 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	412	574	–28.2	1,000	1,201	–16.7	9,164
40-100 HP	251	269	–6.7	666	687	–3.1	4,275
100 HP Plus	224	304	–26.3	509	660	–22.9	2,248
Total-2WD	887	1,147	–22.7	2,175	2,548	–14.6	15,687
Total-4WD	64	67	–4.5	131	94	39.4	289
Total Tractors	951	1,214	–21.7	2,306	2,642	–12.7	15,976
Combines	78	73	6.8	116	112	3.6	374



— Assn. of Equipment Manufacturers

Currency Translation, Commodity Prices Negatively Impact Farm Equipment Manufacturers' Full-Year Sales

Over the past few weeks, most of the publicly traded farm equipment manufacturers have reported their full-year earnings for 2015. For most, the negative impact of currency translation and the continuing headwinds from agricultural commodity prices meant double digit loses for full-year farm equipment-related net sales. From high horsepower tractors and combines to precision farming gear, all segments of the industry were affected.

Of the manufacturers reporting full-year earnings, Raven Industries' Applied Technology division, which makes hardware and software for precision farming, saw the largest decline in agricultural net sales at down 34.9% year-over-year. Kubota, on the other hand, as a manufacturer specializing in lower horsepower tractors and implements, saw an increase of 10.6% in its Farm & Industrial Machinery segment.

Farm Equipment Manufacturers' Ag Division Net Sales — 2015 vs. 2014

	2015	2014	% Change
AGCO	$7.47 billion	$9.72 billion	–23.2%
Alamo	$208.3 million	$214.3 million	–3.0%
Art's Way	$27.94 million	$36.17 million	–22.8%
Buhler Industries	$245.7 million	$325.5 million	–24.5%
CNH Industrial	$11.03 billion	$15.20 billion	–27.5%
Deere & Co.	$19.81 billion	$26.38 billion	–25.0%
Kubota Corp.*	$9.05 billion	$8.18 billion	10.6%
Raven Industries	$92.60 million	$142.15 million	–34.9%
Titan International	$723.72 million	$1,016.88 million	–28.8%
Trimble	$355.3 million	$422.1 million	–16.0%

*Converted from yen to U.S. dollar at exchange rates as of March 10

Source: Company Earnings Reports

AGCO net sales for full-year 2015 were $7.5 billion, down 23% from 2014. Excluding the impact of currency translation, AGCO net sales were down about 10% year-over-year.

Alamo's agricultural division recorded net sales of $208.3 million for 2015, down 3%. Alamo said in its earnings report, "Despite continuing weakness in the overall agricultural market, sales in the division held up well and margins continued to improve as a result of our manufacturing initiatives."

Art's Way's net sales for full-year 2015 fell 22.8% to $27.9 million. The company attributes this overall sales decline to the decreased sales of its agriculture products. "In particular our Universal Harvester product line," the company said in its earnings report. "But we experienced decreased sales volume across all of our agricultural product lines."

Buhler Industries, manufacturer of Versatile and Farm King products, reported full-year 2015 earnings at $245.7 million, down 24.5% from 2014. The company attributes the drop to weak commodity prices and the unstable political environment in Eastern Europe.

Buhler reports demand for farm equipment is expected to be even weaker in 2016 as a result of lower commodity prices, which the company expects will continue to have an unfavorable impact on sales and profitability.

CNH Industrial reported net sales of agricultural equipment were $11 billion for 2015, down 27.5% year-over-year. The company reports that this decline was driven by lower industry volumes in the North American and Latin American row-crop sectors, with global demand for tractors and combines down 8% and 19%, respectively. Sales of tractors over 140 horsepower in North America were down 31% and combines were down 28%. Under 40 horsepower tractors in North America were up 6% for the company, while 40-100 horsepower tractors were down 3%.

Deere & Co.'s full-year sales in its Agriculture & Turf segment fell 25%. Deere attributes this to lower shipment volumes and the unfavorable effects of currency translation. Looking ahead to 2016, Deere is forecasting Agriculture & Turf net sales to be down 8%. However, in the U.S. and Canada, the company expects ag sales to be down as much as 25% in 2016.

Kubota Corp. reported net sales for its Farm and Industrial Machinery segment were up 10.6% year-over-year. The Farm and Industrial Machinery segment consists of farm equipment and engines, construction equipment and electronic equipped machinery. Domestic net sales of farm and industrial machinery rose 7.7% year-over-year and overseas net sales increased 11.4%. In North America, Kubota attributes the increase to higher sales of compact tractors.

For 2016, Kubota is forecasting an increase of 3.6% in sales year-over-year and expects the Farm and Industrial Machinery segment to remain at almost the same level as in 2015.

Raven Industries reported net sales for its Applied Technology Division were $92.6 million, down 34.9% year-over-year. International sales for the division were up almost 46% in fourth quarter of fiscal 2015 while domestic sales fell almost 36%. The company says international sales growth was primarily driven by strong organic sales in Europe and stabilized performance in Latin America.

As the company begins fiscal year 2017, it says, "The precision agriculture market is expected to decline for the third straight year." However, with actions the company took in 2016, including a restructuring plan to reduce expenses, reducing the capital expenditure profile and leadership changes in the Applied Technology division, Raven says it is optimistic that year-over-year sales will improve throughout the year.

Titan International's agricultural segment net sales were $723.7 million, down 28.8% year-over-year. For big iron products, including combines, large tractors over 250 horsepower and sprayers, Maurice Taylor, Titan International CEO and chairman, said he expects 2016 sales to be flat in North America. In the 100 horsepower and under tractor segment, Taylor expects a increase of 15% over 2015 levels.

Trimble reported 2015 full-year net sales for its Field Solutions division were $355.3 million, down 16% from the year prior. AEI