From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- **Branson Up for Sale**
- **Mahindra & Combines**
- **New Player in Ag Tires**

Nearly 30% of Ag Dealership Locations Owned by 'Big Dealers'

During the 8 years that *Ag Equipment Intelligence* has formally tracked farm equipment dealer consolidations in the U.S. and Canada, the number of big dealers — those operating 5 or more retail locations concentrating on the sales of farm machinery — have increased by 26.5%. By our count, at the start of 2016, 191 dealership groups had at least 5 stores focused on selling ag equipment. This compares with 151 in 2009.

At the same time, the number of ag store locations operated by Big Dealers has grown by 30%, from nearly 1,500 to almost 2,000 individual store locations. With an estimated 6,800 total farm equipment dealers currently operating in the two countries (which includes shortline-only dealers and those carrying tractors not manufactured by one of the 5 major brands), 28% of all dealers now own 5 or more ag retail locations.

The steady pace of dealer consolidation is expected to continue well

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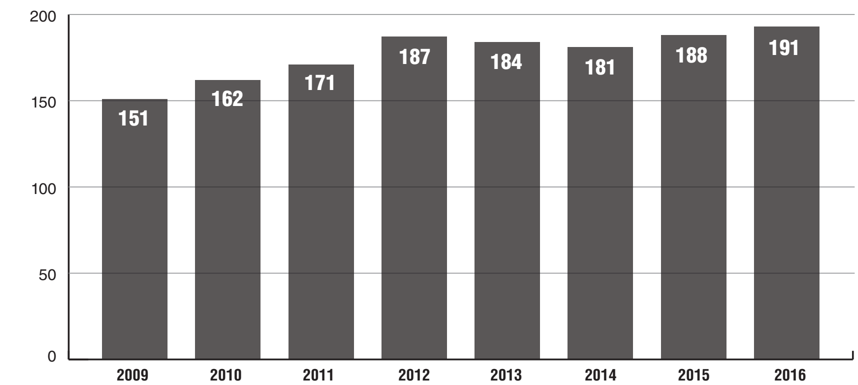
Dealers with 5 or More Ag Store Locations in U.S. & Canada



Since 2009, the number of farm equipment dealership groups that operate 5 or more retail locations has increased by 27%. Today, nearly 200 dealers are in the big dealer category.

Source:Ag Equipment Intelligence

Ag Manufacturer Shakeout Mirrors Dealer Consolidation

Consolidation in the ag equipment industry isn't limited to dealers. Over the last year or so there's been a flurry of merger and acquisition activity among equipment manufacturers, particularly when it comes to shortline or specialty equipment. The U.S. agricultural machinery manufacturing industry includes about 1,100 companies, with combined annual revenue of about $24 billion, according to the VDMA Agricultural Machinery Assn. It is likely more acquisitions and mergers will emerge as the ag market continues to struggle in the current economy.

"Well capitalized industry players have used the current market conditions to strengthen their strategic position, by adding technology and capabilities, product lines and expanding their dealer and market access. We expect this trend to continue and perhaps even accelerate over the near term," says Eric Bosveld of Bosveld and Associates in a recent report.

Sprayer Market. With the recently announced joint venture between John Deere and Hagie Mfg., "a significant portion of the 'independent' self-propelled sprayer market has now disappeared," says Bosveld. Recent activity in this segment includes the Deere-Hagie deal, Exel's acquisition of Equipment Technologies (Apache) and, back in 2014, New Holland's acquisition of Miller St. Nazianz. "Access to distribution is one of the main motivators for the sells as growers get larger and require better service," he says.

A change in distribution model is a significant part of the Hagie deal. For most of its 70 years, the sprayer manufacturer has sold its equipment through a factory-direct model that included in-field service technicians and salespeople. In a video released by Hagie on April 5, Newt Lingenfelter, business and product development manager, expressed some of his frustrations of the factory-direct distribution model with Hagie CEO Alan Hagie. In the video, "Hagie Unfiltered," Lingenfelter says that while factory-direct has worked for the company's current product lineup, the product portfolio Hagie will be introducing

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into the foreseeable future and, considering the current economic condition of agriculture and dramatic slowdown in equipment sales, perhaps accelerate in the year ahead.

"We saw a drop in the number of big dealers in 2013 and 2014 because big dealers were buying or merging with other big dealers," says George Russell of the Machinery Advisors Consortium. Russell and *Ag Equipment Intelligence* editors have collaborated on the Big Dealer report since 2009.

"I don't believe we've seen the end of that phenomenon, but I think it has started to slow down because many of the relatively straight-forward M&A situations, particularly on the Deere side, have been captured. These added to the rise in dealer groups with 10, 15 or more ag equipment store locations in 2013 and 2014, but reduced the overall number of big dealers."

He adds the trend that has been more prominent in the past couple of years is the increase of dealerships at the lower end of the list. In the past 2 years, 14 dealer groups have been added to the Big Dealer list, while a few have dropped off. Of the 14 adds, 7 were John Deere dealers as the company continues its push for fewer dealer-principals. Three of the new dealerships on the list were Case IH retailers, 2 were AGCO, 1 was primarily New Holland and 1 was a specialty equipment group focusing on agricultural sprayers.

Trends in CE. Since 2014, four Caterpillar dealers — Hewitt Cat, Kramer Cat, Riggs Cat and Warren Cat — have sold off or transferred their ag machinery sales and will concentrate on their construction equipment business.

At the same time, more ag equipment dealers are adding construction equipment, mostly compact machinery, to their lineups. Meade Tractor, headquartered in Bristol, Tenn., acquired 8 Nortrax CE dealerships from Deere & Co. in the past year and now has 8 ag and 8 CE stores.

Flint Equipment Co. based in Albany, Ga., includes the Ag & Turf Division and Construction & Forestry Division, each with 8 locations carrying Deere & Co. products.

Pape Machinery, one of Deere's largest CE dealers, in recent years has moved into the ag equipment business in a big way. Today, the dealership group owns and operates 21 John Deere ag locations on the West Coast.

According to Russell, while Deere has traditionally kept its ag and CE dealers separate, it appears to be changing its position. "You have both Deere and Case IH dealers who want to expand, but who are constrained for various reasons, moving into either ag or CE to diversify their businesses. I think we'll see more and more overlap between the two segments in the future."

JCB Jumps In. Joining the fray in recent years, JCB, the CE manufacturer based in England, has been aggressive in recruiting dealers to handle its farm equipment products. According to a company spokesperson, JCB has added 44 "ag-focus" dealers with 80 locations in the past 36 months. This is in addition to another 35 "JCB Legacy" ag dealers with 78 locations. In total, today JCB has 80 dealers with 150 outlets in North America.

Russell points out, "JCB is the world's leading backhoe producer, and they made attempts to get into North America several times over the years, but not with a lot of luck. This time it's clear they're making good headway by finding interest among ag dealers."

Long-time Case IH dealer, Hlavinka Equipment, which operates 7 ag dealerships in southeastern Texas, last year opened its eighth dealership, but this one will only carry JCB's compact construction and ag equipment.

While more than 70% of Deere ag retailers fall into the category of Big Dealers, the other major brands have plenty of room to consolidate. Less than half of Case IH dealers operate 5 or more locations, while 21% of AGCO dealers, 18% of New Holland and 13% of Kubota dealerships are Big Dealers. **AEI**

Big Dealership Breakdown by Brand — 2016

# Ag Stores in Ownership Group	Owner Groups	John Deere	Case IH	AGCO Corp.	New Holland	Kubota
>15	26	19	2	4	1	–
10-15	41	25	10	5	2	–
5-9	124	62	35	12	13	18
TOTAL	191	106	47	21	16	18
Est. Ag Stores*	1,925	1,132	434	209	176	139
Est. Stores - Industry	6,800**					
Est. Branded Stores		1,539	900	975	996	1,100
% All Stores in Large Groups	28%	74%	48%	21%	18%	13%

**many dealers carry more than one equipment brand;*includes shortline only dealers & other tractor brands*

Source: Ag Equipment Intelligence

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Mahindra Takes a 35% Stake in Finnish Combine Firm

Mahindra & Mahindra, India's leading manufacturer of farm tractors, is tapping into Western combine technology to tackle developing markets by securing an alliance with Sampo-Rosenlew of Finland.

The deal, underpinned by a 35% shareholding reportedly acquired for more than $20 million, will result in the two companies jointly developing combine business in India, China, Africa and the Middle East. Mahindra will also supply the combines to selected markets in which it is already active.

Speaking at a press conference in Mumbai, D. Pawan Goenka, executive director, M&M Ltd., said, "Today, Mahindra is the world's leading tractor company by volume, with a presence in India, the U.S.A., China and Japan, besides many other export markets. We are now putting in place a strategy to build a full product line of farm equipment beyond tractors to compete globally in both advanced and developing markets."

He added that Sampo-Rosenlew would develop a new range of combines for developing markets and specialty crops.

Despite being a relatively small manufacturer with turnover in the order of $123 million, Sampo-Rosenlew has successfully sustained a position in the combine market by focusing on small-to-medium capacity machines and reaching mutually beneficial partnerships for distribution, service support and local assembly.

Having previously had such arrangements with AGCO and Deutz-Fahr, it currently supplies one of its straw walker models to John Deere to fill a niche that a major manufacturer has difficulty with because of the low volumes involved.

Sampo-Rosenlew's "localization" projects provide manufacturing and assembly process expertise in addition to key components; at present, it has two such projects in Russia and one each in Algeria, North Africa and Kazakhstan in central Europe.

The company also produces timber harvesters and forwarders sold in Europe and Black Bruin radial piston hydraulic motors, which in the U.S. and Canada are supplied by North American Hydraulics, Baton Rouge, La., for vehicles and on-demand, drive-on towed equipment such as logging and general purpose trailers.

The deal with Mahindra is "a natural step toward the world's fastest growing markets in Asia, Middle East and Africa," says Jali Prihti, CEO of Sampo-Rosenlew Ltd. "With Mahindra & Mahindra we have a possibility to enter new markets and make Sampo-Rosenlew a truly global player in the agricultural machinery business."

Tractor Sales. On Apr. 2, Mahindra reported that it sold 13,931 tractors domestically in March vs. 10,392 units in March 2015. The company's total sales for the month were 14,682 tractors. Exports for the month came in at 751 units. **AEI**

FARM MACHINERY TICKER (AS OF 4/12/16)

MANUFACTURERS	Symbol	4/12/16 Price	3/10/16 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$38.22	$29.66	$55.04	$24.68	N/A	105,413	552.3M
AGCO	AGCO	$48.93	$51.44	$57.90	$41.91	15.99	1,178,990	4.03B
AgJunction Inc.	AJX	$0.46	$0.49	$0.76	$0.40	N/A	19,435	56.77M
Alamo	ALG	$54.80	$56.90	$64.45	$43.98	14.54	49,677	626.76M
Art's Way Mfg.	ARTW	$3.13	$3.04	$5.98	$2.46	N/A	3,105	12.42M
Blount Int'l	BLT	$10.00	$9.82	$14.00	$5.08	N/A	684,011	482.5M
Buhler Industries	BUI	$4.80	$4.95	$6.06	$4.44	N/A	471	120.0M
Caterpillar	CAT	$76.10	$71.36	$89.62	$56.36	21.74	6,902,330	44.31B
CNH Industrial	CNHI	$6.36	$6.71	$9.72	$5.67	37.41	1,637,740	8.66B
Deere & Co.	DE	$76.60	$82.38	$98.23	$70.16	13.96	3,345,640	24.15B
Kubota	KUBTY	$65.37	$68.80	$88.21	$58.99	11.78	10,926	16.269B
Lindsay	LNN	$67.48	$74.30	$91.93	$62.99	30.48	142,674	726.96M
Raven Industries	RAVN	$15.76	$13.50	$22.36	$12.88	43.54	204,302	571.77M
Titan Int'l	TWI	$5.59	$5.77	$12.50	$2.50	N/A	537,847	301.62M
Trimble Navigation	TRMB	$24.71	$24.65	$26.44	$15.90	52.57	1,542,040	6.22B
Valmont Industries	VMI	$119.75	$117.69	$128.67	$92.33	70.03	191,324	2.73B
RETAILERS								
Cervus Equipment	CVL	$11.38	$12.49	$19.00	$10.41	N/A	39,997	177.73M
Rocky Mountain Equipment	RME	$6.10	$5.99	$9.50	$5.50	9.10	28,211	118.24M
Titan Machinery	TITN	$11.50	$11.90	$16.99	$7.87	N/A	199,408	244.4M
Tractor Supply	TSCO	$88.86	$88.84	$96.28	$75.00	29.62	1,158,330	11.85B

was going to require a new approach to distribution.

"We're currently aligning the field staff — technicians and sales — with their area John Deere dealers to provide them opportunities for employment within the John Deere dealer network," says Kent Klemme, the new president of Hagie who comes from John Deere.

Technology Additions. Bosveld says another key trend in the ag equipment M&A market is the majors and others acquiring companies or divisions of companies to expand their technology capacity. An example of this would be John Deere's acquisitions of Precision Planting and Monosem earlier this year, both of which strengthened Deere's capabilities in seeding technology. Barry Nelson, media relations manager for John Deere, told *Farm Equipment* that the Monosem deal would help accelerate John Deere's market reach in precision planting equipment, while Precision Planting extends Deere's range of retrofit options for planting equipment.

Precision farming technology companies TopCon, Trimble and AgJunction all announced acquisitions during the last year. TopCon acquired NORAC Systems International, a developer of ultrasonic sensing and boom control technology for ag equipment, and Digi-Star, a leader in agricultural solutions involving weight sensors and control systems for feeding, planting, fertilizer and harvest equipment. Trimble expanded its precision base with the acquisition of the assets of Agri-Trend, which operated a network of over 200 specialists throughout the U.S. and Canada, including 110 independent coaches who specialize in agronomy, precision farming, crop marketing and farm business management.

Finally, AgJucntion completed its merger with Novariant Inc. in October 2015. At the time, AgJunction said it gained a preeminent position in auto-steer and machine control technologies through the merger.

Private Equity Groups. Bosveld notes that private equity firms have also been actively entering the ag equipment market as well. "GenNex acquired Salford as a platform investment and has since completed add-on acquisitions to diversify its product line," he says. Those "add-ons" include Valmar Airflow, a manufacturer of seeding and granular application equipment in May 2015, and the AerWay line of tillage products from SAF-Holland in December 2015.

In January, Bestway was acquired by a local investor group, which included two members of Bestway's management team.

Adding Product Lines. In December 2015, Demco completed its acquisition of Maurer Mfg., and just this month acquired Thurston Mfg.'s Circle R Side Dump product line.

In May 2015, Remlinger Mfg. acquired Sukup Mfg.'s implement line, which included grain drills, row-crop cultivators, shredders, rotary cutters, food plot planters, seeders, grain carts and rippers. Sukup sold the implement line to focus on its grain storage product business, which it had expanded in April 2015 through the acquisition of DanCorn, a leading dealer of grain drying, storage and handling equipment in Denmark. DanCorn had been the exclusive distributor of Sukup products in all of northern Europe.

T.G. Schmeiser acquired the Smart-Till product line from HCC Inc. on July 1, 2015, expanding its soil management product portfolio.

Other Notable Acquisitions. Last month, Ag Growth International announced its acquisition of Entringer S.A., a Brazilian manufacturer of grain bins, bucket elevators, dryers and cleaners. The acquisition provides AGI with an entry into the growing Brazilian ag sector.

In March 2015, both Alamo Group and Paladin Attachments made acquisition announcements. Alamo Group acquired Brazilian manufacturer Herder Implementos e Maquinas Agricolas Ltda. Herder manufactures flail mowers and other agricultural implements for the sugar cane, orchard and other agricultural markets, as well as for roadside maintenance. Paladin Attachments acquired Kodiak Mfg., a manufacturer of rotary cutters, soil and gravel movers, tillers and other tractor implements, to support the company's product diversification objectives. **AEI**

Kuhn Group Beats Market in FY2015 'Comparatively'

Although Kuhn Group performed significantly better than the overall market in 2015 thanks to good positioning in Europe and U.S., its managers say it could not escape the effects of a sharp downturn in the agricultural sector.

Revenues were down 15% from the equivalent of $1.29 billion in 2014 to $1.09 billion — or by a less painful 8% on a currency-adjusted basis — while operating profit expressed as EBIT was down 28% from a high of $156.5 million to $111 million in 2015.

Philip Mosimann, CEO at Kuhn Group's parent Bucher Industries, said: "With cost-cutting measures and the ongoing improvement in processes and work flows, Kuhn Group recorded a pleasing 10.2% operating profit margin, which was achieved without compromising investment in product development and infrastructure. Also, effective planning of production volumes allowed inventories to be maintained at a normal level."

At Bucher Hydraulics, which counts a number of ag OEMs among its customers, demand for hydraulic components was hit by the agricultural machinery market decline, as well as a slowdown in the second half in demand from construction machinery OEMs.

New business for current products and new system solutions compensated to a large degree, with sales and operating profit ending slightly higher on a currency-adjusted basis than in the prior year.

Bucher Industries' outlook for the current year is inevitably clouded by the ag machinery market. Kuhn managers anticipate a decline in the arable sector, as well as in the dairy and meat sector impacting both segments of its product offering. **AEI**

Titan Machinery Aims to Reduce Inventory by $100M in FY2017

Titan Machinery's efforts to reduce its huge inventory of new and used machinery during the past 2 years are beginning to show real signs of progress. In reporting its fourth-quarter and full-year earnings for fiscal year 2016 on April 13, Titan management said it is looking for another $100 million drop in inventories during fiscal year 2017. If the company reaches its goal, it will have reduced its overall inventory by about $450 million over a 3-year time frame.

For the past fiscal period, Titan was able to decrease inventory levels to $689 million vs. $890.7 million in the previous year. The company had targeted a reduction of $150 million for the year.

In a note to investors, Rick Nelson, machinery analyst for Stephens Inc., said Titan's gross margin fell to 4.8% vs. 13.9% last year due to intensified efforts to sell aged equipment inventory. "The company expanded the inventory reduction plan to include certain aged equipment inventory. Due to current weakness in agriculture and construction industries, the inventory was sold through alternative channels rather than normal retail channels. Titan recorded an inventory impairment charge of $27.5 million."

In fiscal year 2016's fourth quarter, Titan reported revenue dropped to $335.5 million compared to $490.7 million in the fourth quarter last year. Equipment sales were $243.8 million for the quarter vs. $389.6 million in the fourth quarter last year. Parts sales were $47.9 million compared to $50.7 million, service revenues were $27.6 million vs. $29.4 million and revenue from rental and other was $16.1 million for the fourth quarter compared to $21 million in the same period a year earlier.

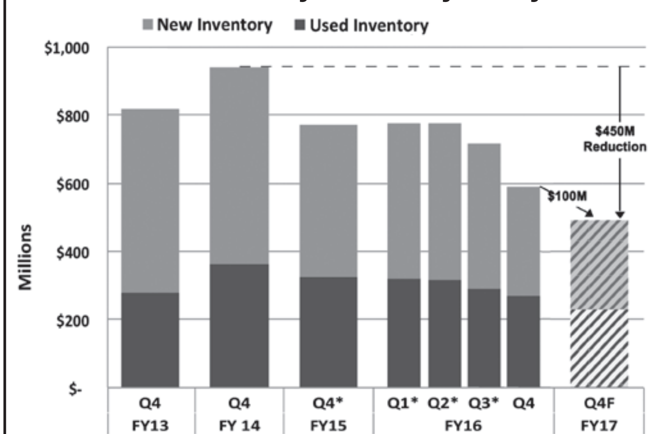
Adjusted pre-tax results for the period were:

- Total company: Loss of $45.4 million, which included equipment inventory impairment charges of $27.5 million, compared to loss of $5 million in the fourth quarter last year.
- Agriculture segment: Loss of $26.4 million, including equipment inventory impairment charges of $11.4 million, compared to income of $2.4 million last year.
- Construction segment: Loss of $20.4 million, which included equipment inventory impairment charges of approximately $15.9 million vs. a loss of $5.1 million a year earlier. The equipment inventory impairment charges included $4.6 million related to exiting the Terex haul truck product line.
- International segment: Income of $0.3 million compared to loss of $3.6 million in the fourth quarter last year.

Modeling assumptions for fiscal year 2017 include:

- Agriculture same-store sales down 13-18%
- Construction same store sales flat
- International same store sales flat
- Equipment margins between 7.7-8.3% AEI

Titan Machinery Inventory Analysis



*Amounts include balances classified as Held for Sale

Titan Machinery is aiming to reduce equipment inventories by another $100 million in FY2017. If the company hits its target, it will have reduced overall inventories by $450 million over 3 years.

Source: Titan Machinery

Branson Tractor's Parent Company Up for Sale

Preferred bidders are being lined up to acquire Kukje Machinery Co., the South Korean ag equipment manufacturer whose tractors are sold under the Branson name in the U.S. and other markets.

Dongkuk Steel Group, which owns just over 50% of the company's stock, Korea Development Bank, which has a near 29% holding, and the other financial institutions that became shareholders in a debt-to-equity arrangement made 5 years ago are selling Kukje Machinery.

A bidding process managed by the South Korean arm of financial services consultancy Ernst & Young has reportedly reached the preferred bidder stage, with farm tractor and equipment manufacturer Tong Yang Moolsan (TYM) and its finance partner Truben Investment likely to emerge as the lead candidate.

According to *Maell Business News Korea*, acquiring Kukje Machinery and its Branson line would put TYM ahead of current number two LS Mtron among South Korean ag equipment players, and close to Daedong Industrial Co., the manufacturer of Kioti tractors.

All four are active in the U.S., with the top three having operations based in North Carolina. Daedong-USA manufactures 21-91 horsepower Kioti tractors in Wendell and distributes them through more than 300 dealers. LS Mtron's subsidiary LS Tractor USA, based in Battleboro, distributes 24-97 horsepower tractors. Its parent company has a supply agreement with Case IH for the compact models in selected markets, including the U.S. TYM's North American activities are based in Wilson, assembling units in the 25-105 horsepower range.

Branson Tractors started in Rome, Ga., in 1998. It now distributes the 24-78 horsepower tractors through 165 dealers in the U.S. and Canada, with additional assembly and distribution bases in Texas and Oregon. AEI

Yokohama Rubber to Enter Ag Tire Market with Alliance Acquisition

Road tire producer Yokohama Rubber is to enter the farm and forestry sectors by acquiring Alliance Tire Group — ATG — a manufacturer of tractor, trailer and groundscare equipment tires, along with the Alliance, Galaxy and Primex brands.

Agreed to as part of Yokohama's plans to expand its commercial tire operations, the deal with global investment firm KKR and other parties will see the Japanese manufacturer pay the equivalent of $1.18 billion for ATG, with completion expected in July this year. ATG's annual sales amount to $529 million, with an operating profit in 2015 of $95 million.

The deal follows Trelleborg's agreement to buy CGS Holding and its Mitas and Continental brand agricultural tire operations *(see Ag Equipment Intelligence, November 2015)*.

Tadanobu Nagumo, chairman & CEO, Yokohama Rubber Co., said, "ATG has developed a highly specialized business in the manufacture and sale of tires for agricultural, industrial, construction and forestry machinery. The group sells radial and bias tires for these markets in 120 countries around the world, with a focus on North America and Europe."

Ag equipment tire demand is expected to increase, he observes, especially in countries where mechanization of farming practices is less developed than in Europe, North America and elsewhere.

"Yokohama Rubber does not currently manufacture or sell tires for agricultural or forestry machinery so the ATG acquisition will strengthen our business in commercial tires and accelerate its ongoing globalization," says Nagumo.

Yokohama is in the midst of a medium-term plan to expand commercial tire sales as a new core pillar of the company's tire business strategy. As part of its "local production for local consumption" plan, it recently started production of truck and bus tires at a new plant in Mississippi.

Alliance Tire Group BV, headquartered in the Netherlands, was formed in 2007 when the Israeli company Alliance, specializing in traction and implement flotation tires, was acquired by Indian industrialists. Galaxy Tire & Wheel, specializing in skid steer and utility tires, and forestry tire specialist Primex, were acquired in 2009.

ATG has its main manufacturing facility in Israel and two others in India. It also has tires made under contract in China and Taiwan and claims world class standards for its R&D facilities, which are located in Israel, India and the U.S. to tap into different regional market requirements.

Alliance Tires Americas Inc. and its agricultural sales office is based in Wakefield, Mass.; forestry tire sales are handled out of Trussville, Ala. The group has expanded its principal farm tire brand Alliance in recent years with more advanced radial traction tires catering to high powered tractors and large crop harvesters. AEI

German Dealer Group BayWa Coming to Canada

One of Europe's biggest farm machinery dealership groups, BayWa of Germany, is entering the North American market with Claas in Canada.

BayWa, a former cooperative based in Munich, is an agricultural trading group with international reach that operates four business units within its Agriculture Segment — Agricultural Trading, Fruit, Digital Farming and the Agricultural Equipment unit, which operates a large network of sales and full service dealerships.

In its 2015 financial year, agricultural equipment sales of €1.26 billion ($1.4 billion) accounted for 12% of the €10.2 billion ($11.6 billion) turnover generated by the agriculture segment and just under 8.5% of the group's €14.9 billion ($16.9 billion) revenues.

BayWa sells and supports equipment from European manufacturers such as Grimme, McHale, Pottinger, Trioliet, Horsch and Maschio-Gaspardo but its major assets are the exclusive sales rights for John Deere in Austria and for the AGCO brands Challenger, Fendt, Massey Ferguson and Valtra in southern Germany and parts of eastern Germany.

BayWa also operates a number of exclusively Claas dealerships in southern Germany, having acquired the 80% stock holding in a dealer group held by Claas in 2011.

With limited scope for expansion in these territories, BayWa has been looking for opportunities overseas and started out in 2014 by acquiring a 49% stake in a machinery sales company majority owned by a farmers cooperative in the Netherlands.

Last year, BayWa formed a 50/50 joint venture with South Africa-based Barloworld licensed to distribute Massey Ferguson and Challenger products. The venture established its first sales company in Zambia and plans to focus initially on sub-Saharan Africa.

Cooperation between BayWa and Claas in Canada will focus on developing sales in Alberta, where they plan to enhance the dealer presence with a flagship dealership to ensure customers in western Canada receive superior product support.

"We are experienced with the Claas product range within an established market environment and we therefore know how to address the customers' needs to be successful," says Roland Schuler, member of BayWa's board of management responsible for Agri Services.

At present, Claas is represented in Alberta by a number of independent dealers, including Agriterra Equipment, Foster's Agri World, Nieboer Farm Supplies, Pentagon Farm Centre, Rocky Mountain Equipment, Smith's Equipment Sales and Tingley Implements, supplying and supporting Lexion combines, Jaguar forage harvesters, the Claas hay tools line and, at a more limited number of outlets, Xerion high horsepower 4WD tractors.

The two parties are working to establish a logistics and service network prior to the opening of the new location in Alberta later this year. AEI

Small Tractor Sales Show Strength

North American large ag equipment sales continue to be weak, with row-crop tractor sales declining 24.7%, 4WD tractor sales down 48.1% and combine sales dropping 25.5% year-over-year in March. Mid-range and small tractors, on the other hand, showed strength in March, with a 7% jump in sales marking the second consecutive increase after 6 months of declines. Compact tractors sales were also up 28.4%. Mircea, “Mig” Dobre, an analyst with Baird, notes that this is the strongest increase for compact tractors in 18 months.

U.S. and Canada large tractor and combine sales decreased 28% year-over-year in March, but that was up from the 39% decline in February. U.S. sales were down 22% year-over-year, while Canadian sales dropped 33%.

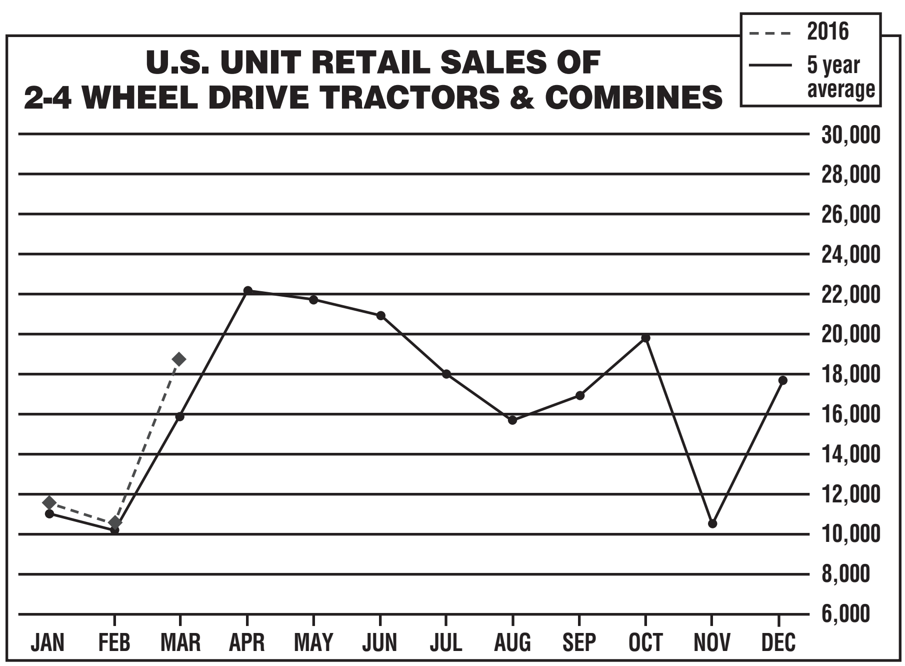
- The decline in combine sales moderated in March, dropping 25.5% following a nearly 40% decrease in February. U.S. combine inventories were 28.6% lower in February vs. down 31.9% the previous month. March is typically a slower than average month for combine sales and accounts for just 6.7% of annual sales over the last 5 years.
- Row-crop tractor sales posted a 24.7% year-over-year decline in March, up from the 39.3% drop in February. U.S. row-crop tractor inventories were down 2.2% year-over-year in February vs. a 7.5% decline in January. March is usually an average month for row-crop tractor sales, accounting for 8.2% of annual sales over the last 5 years.
- 4WD tractor sales decreased 48.1% year-over-year in March vs. a 36% drop in February. Prior to February, 4WD tractors saw 2 consecutive months of sales increases. U.S. dealer inventories of 4WD tractors were down 21.3% year-over-year in February.
- Mid-range tractor sales were up 7% in March compared to the same period the year before, following a 4.8% increase the month before. Compact tractor sales posted an increase of 28.4% year-over-year after a 20.4% increase last month. AEI

MARCH U.S. UNIT RETAIL SALES

Equipment	March 2016	March 2015	Percent Change	YTD 2016	YTD 2015	Percent Change	February 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	11,887	8,922	33.2	23,216	18,407	26.1	81,982
40-100 HP	4,810	4,369	10.1	11,776	11,406	3.2	40,238
100 HP Plus	1,711	2,101	–18.6	4,366	6,507	–32.9	11,021
Total-2WD	18,408	15,392	19.6	39,358	36,320	8.4	133,241
Total-4WD	191	375	–49.1	524	848	–38.2	810
Total Tractors	18,599	15,767	18.0	39,882	37,168	7.3	134,051
Combines	274	331	–17.2	856	1,004	–14.7	859

MARCH CANADIAN UNIT RETAIL SALES

Equipment	March 2016	March 2015	Percent Change	YTD 2016	YTD 2015	Percent Change	February 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	566	780	–27.4	1,568	1,981	–20.8	10,089
40-100 HP	326	430	–24.2	995	1,117	–10.9	4,466
100 HP Plus	198	435	–54.5	707	1,095	–35.4	2,277
Total-2WD	1,090	1,645	–33.7	3,270	4,193	–22.0	16,832
Total-4WD	68	124	–45.2	199	218	–8.7	287
Total Tractors	1,158	1,769	–34.5	3,469	4,411	–21.4	17,119
Combines	76	139	–45.3	192	251	–23.5	422



— Assn. of Equipment Manufacturers

Looking for Profits in 2016, No-Tillers Look to Reduce Spending by 6.5%

While most no-till farmers report being profitable in 2015, most are also planning to reduce spending during the 2016 growing season in an attempt to stay that way. In all likelihood, equipment purchases will take the biggest hit as no-tillers plan to cut back on overall spending in the year ahead.

The results of *No-Till Farmer's* 8th annual No-Till Operational Benchmark Survey indicate that 67% of the 385 no-till farmers who participated in the poll were profitable last year. This compares with 81% who said they were profitable in the year prior. The percentage of no-tillers who reported losing money in 2015 vs. 2014 was up by 5%, with 16% of respondents finishing the year in the red. Those reporting a flat bottom line more than doubled in last year to 17% of all survey participants.

The current downturn in the ag economy showed up in the growers' net income with an average net profit per farm at $43,289 — down 40.7% ($29,722) from the $73,011 realized in 2014.

The full survey results appear in the May 2016 issue of *No-Till Farmer's Conservation Tillage Guide*, a sister publication of *Ag Equipment Intelligence*.

Last year, no-tillers estimated they spent an average $452,912 per farm, a little less than the $455,981 spent in 2014. However, this number includes the amount no-tillers are spending on both principle and interest for their loans, while in previous years only interest was tracked. Including the principle brought their overall farm expenditures up by $45,639 from 2014 levels. Excluding the loan amounts from both years, no-tillers spent significantly less in 2015 than in 2014, for an average savings of $48,708. That equates to an average of $342.96 per acre spent last year compared to the previous year's $380.15 per acre.

Trimming Costs. If the no-tillers' estimates for spending in 2016 are on target, they will reduce their overall costs by about 6.5%, from $452,912 in 2015 to a total of $423,486 for the current growing season. For equipment, no-tillers expect to trim spending by 17% in the coming year.

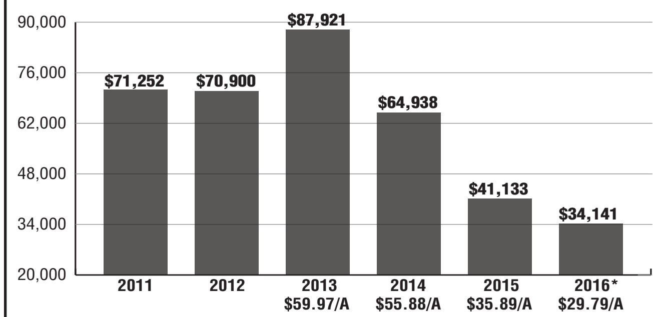
In a separate online poll on planned cutbacks in 2016 conducted by *No-Till Farmer* between Feb. 16 and March 15, 64% of 275 growers said they were planning to cut back on equipment purchases this year. Next on the list was reducing fertilizer, with 39% of no-tillers planning to cut back, and seed and seed treatments, as 36% of the growers say they'll decrease spending in this area.

No-Till Farmer readers also predict year-over-year reductions in 2016 for lime and soil conditioners by 23.6%, fuel by 12.5%, fertilizer by 8.8%, machinery and service parts by 7.3%, land rent by 5.7% and seed/seed treatments by 5.1%. All other expense will see cuts of 2% or less.

Typically, readers who participate in the No-Till Operational Benchmark Survey tend to be conservative in how much they predict they'll spend for the upcoming growing season. But in 2015, no-tillers stayed under their estimated budget overall (when excluding loan payments), especially with big-ticket expenses like equipment, fertilizer, seed/seed treatments and pesticides.

Unless market conditions change, it's more likely they will stay within their budgets for the 2016 growing season. **AEI**

No-Tillers' Expenditures for Equipment 2011 - 2016



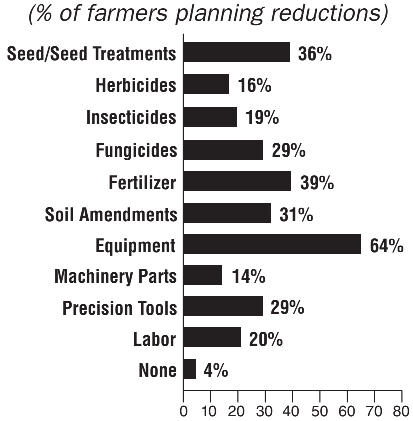
**Estimate of 2016 expenditures*

No-till farmers will spend less on farm equipment purchases in 2016. If their estimates hold, spending will be at its lowest level in 6 years.

Source: No-Till Farmer survey

No-Tillers' Planned Cutbacks in 2016

(% of farmers planning reductions)



Slightly over two-thirds of no-till farmers plan to reduce equipment purchases in 2016.

Source: No-Till Farmer online poll

National Breakdown of Crop Operating Expenses — 2011-16

	2016*	2015	2014	2013	2012	2011
Fuel	$13,082	$14,953	$23,666	$27,813	$23,176	$22,786
Land Rent	$71,308	$75,615	$69,732	$83,692	$75,534	$77,533
Seed/Seed Treatments	$54,771	$57,726	$63,139	$69,307	$60,521	$56,464
Pesticides	$32,628	$33,112	$38,416	$43,670	$33,706	$29,065
Fertilizer	$68,938	$75,555	$85,153	$94,332	$94,713	$86,914
Lime/Soil Conditions	$4,692	$6,498	$5,968	$5,989	$10,226	$10,878
Equipment	$34,141	$41,133	$64,938	$87,921	$70,900	$71,525
Machinery Parts/Services	$22,362	$24,119	$29,617	$31,397	$33,664	$34,450
Precision Equipment	$3,582	$6,331	$3,468	$4,180	$6,839	$8,864
Custom Application/Timing	$11,327	$11,382	$8,122	$10,656	$12,860	$13,636
Labor	$24,593	$24,662	$25,731	$37,318	$36,897	$41,633
Loans/Interest	$60,550**	$59,880**	$14,241	$13,443	$20,572	$19,766
Insurance	$21,512	$21,946	$23,790	n/a	n/a	n/a
Totals	**$423,486**	**$452,912**	**$422,342**	**$509,708**	**$479,608**	**$473,241**

**Estimated 2016 costs of production*

*** Includes principle and interest for loan payments.*

Source: No-Till Farmer survey