

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- Brexit Impacts UK Ag
- Crowded Ag Tire Space
- Ag Input Costs Rise

Deere Aiming to Grow Its India Operations

If reports in the Indian press are accurate, John Deere is eyeing a major expansion in that country, which will put it head to head with some of the largest and well-established manufacturers of farm tractors.

According to a July 5 report in India's *Business-Standard* publication, Deere is aiming to reach a 15% market share in the country where tractor makers Mahindra & Mahindra, Tractor and Farm Equipment (TAFE) and Sonalika dominate the domestic market. Mahindra and TAFE are also major exporters of lower horsepower tractors.

The paper reports, "Tractor maker John Deere India is aiming for a 15% domestic market share in the next 3 years. Currently, it holds 6.7% market share of total business. The company also claims that it is the largest

exporter of tractors from India continuously for the last 13 years with 2 lakh plus units (2 million-plus)."

The report goes on to quote Satish Nadiger, CEO and managing director of John Deere India (JDI), as saying, "We are not a significant player yet in India. But there are growth opportunities to market our products.

"We have market leadership in the more than 50 horsepower category and are gaining business in 40-50 horsepower. We are working on our markets in the 35-40 horsepower category. We expect the 12-15% growth to continue through this year.

"The tractor industry has been on the upswing in the last 6 months and is expected to continue through the remainder of this year. However, what will change is the technology and solu-

tions to make the tractors in this segment more productive."

Nadiger claims the company is the market leader in the 50-plus horsepower segment and their market share in the 41-50 horsepower segment was between 10-12%.

According to the report, JDI has exported 25,000 units in fiscal 2016 to countries including the U.S., Europe, Canada, as well as in Africa and Thailand. Last year the company produced around 70,000 units in India. The company has the capacity to manufacture 1.20 lakh units. It has one plant each in Pune, Maharashtra and Dewas in Madhya Pradesh. JDI reportedly has "a dealer network of 427 and no plans to expand it further."

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Use of Strip-Tillage Gaining Momentum

The growing push to adopt conservation tillage practice to help improve overall soil health appears to be giving some traction to the use of strip-tillage practices. According to the results of the 3rd Strip-Till Operational Benchmark Study, average acres planted to strip-till increased to 1,139 acres in 2015 compared to 948 acres in 2014 and 877 acres in 2013.

The survey, which was conducted by *Strip-Till Farmer*, a sister publication of *Ag Equipment Intelligence*, produced 416 responses from farmers in 22 states and Canada, who identify themselves as strip-tillers. The full report appears in the August 2016 edition of the *Conservation Tillage Guide*.

The average corn acres strip-tilled continues to climb to 860 in 2015, up from 737 acres on average in 2014 and 707 acres in 2013. At the same time, the average soybean acres that are strip-tilled fell back to 413 acres last year from a high of 476 acres in 2014.

According to USDA, strip-tillage combines the benefits of no-till and full-width tillage, but tillage is confined to

| Avg. Acreage in a Strip-Till System | | | |
|---|------|------|-------|
| | 2013 | 2014 | 2015 |
| Total Avg. Acres Strip-Tilled | 877 | 948 | 1,139 |
| Avg. Corn Acres Strip-Tilled | 707 | 737 | 860 |
| Avg. Soybeans Acres Strip-Tilled | 444 | 476 | 413 |
| Source: 3rd Annual Strip-Till Operational Benchmark Study | | | |

6 - 8 inch strips into which dry fertilizer and/or anhydrous ammonia and seed are placed. Crop residue in row middles is left undisturbed, satisfying the USDA's definition of "no-till." As a result, strip-till acres are often combined with that of no-till. Studies conducted by the Agricultural Resource Management Survey indicate that continuous no-till is utilized on 21% of acres planted to corn, soybean and wheat.

According to Jack Zemlicka, managing editor of *Strip-*

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Investing in Rentals. A July 6 report in the *Economic Times* of India indicated that Deere is planning to open “116 equipment banks” in the next 3 months in Karnataka, a state in southwestern region of India, as part of its strategy to grow its market share.

These banks are officially called custom hire service centers (CHSCs), and are aimed at helping small and

marginal farmers — constituting about 80% of India’s growers — rent tractors and other farm equipment on a need basis.

Reportedly, each center will be able to cater to about 1,000 hectares located around it.

“Typically CHSCs are subsidized by the respective state governments as they are seen as a way to further farm

mechanization in the country and improve yield per hectare.

“The cost of hiring equipment, the company said will be lower than buying a tractor ... because of subsidies that are involved. Therefore, this is also bringing to these centers big farmers who need alternative or more such equipment,” reports the *Economic Times*. **AEI**

Continental and Pirelli Return to European Farm Tire Market

As Titan International takes Goodyear farm tires back into Europe, competition is heating up with the unexpected return of Continental and Pirelli to the ag market.

Titan’s distribution companies have just started launching U.S.-built Goodyear farm tires in Europe after the brand’s 3 year absence, having reached a licensing agreement with Goodyear Tire & Rubber Co. (*Ag Equipment Intelligence*, November 2015). There are also plans to manufacture European tire designs using molds and other manufacturing assets acquired as part of the agreement.

In addition to facing competition from technology leaders Michelin and Trelleborg, Titan will also face attempts by Continental and Pirelli to regain their former ag tire sales. Other competitors also vying for market share include a resurgent Bridgestone/Firestone, a successful BKT of India, and Israel’s Alliance, which is spearheading Yokohama Rubber’s entry into the market (*Ag Equipment Intelligence*, April 2016).

German manufacturer Continental sold its agricultural tire assets to CGS Holding of Czechoslovakia in 2004. It has now announced a \$55.5 million investment in production facilities for premium farm tires at its Lousado factory in Portugal, where the company will spend another \$2.8 million building an agricultural R&D center.

“With this investment, we give a

clear sign that Continental is once again active as a premium manufacturer in the agricultural tire sector,” says Nikolai Setzer, who heads the group’s tire division.

Thorsten Bublitz, Continental business line manager for agricultural tires, says the company will start introducing farm tires in Europe next year and plans a complete portfolio of 150 sizes of cross-ply and radial products for tractors and harvesters.

Continental’s move has been triggered by the acquisition of CGS Holding and its Mitas and other

“Continental’s move was triggered by the Mitas’ acquisition ...”

farm tire brands by Trelleborg (*Ag Equipment Intelligence*, November 2015) in a deal that received European anti-trust approval and was finalized last month. All rights to the Continental brand in agriculture returned to the company as a result of the acquisition.

Trelleborg acquired Pirelli’s European farm tire business in 2001 and phased the brand out before the license expired in 2010. Now, Pirelli is returning to the European market by exporting farm tires from its Santo André plant in Brazil for the first time.

The Pirelli PHP being revealed at trade shows is a conventional radial

tractor and harvester tire, but more advanced products are anticipated in line with the industrial division’s investment plans outlined in 2013. The aim is to substantially increase radial farm tire production capacity by 2017.

Despite being the clear market leader in South America, where Pirelli is an OEM supplier to AGCO, CNH Industrial, Deere and others, a significant downturn in the ag equipment market there will be making that status difficult to maintain.

In any case, the Pirelli group has since been acquired by Chinese chemicals industry giant ChemChina in a deal finalized earlier this year, which will lead to Pirelli’s industrial division being combined with that of ChemChina’s Aeolus Tyre to form reportedly the world’s fourth largest industrial tire business. ChemChina is the company that is also attempting to acquire Syngenta.

Dino Maggione, Pirelli Industrial CEO in Latin America says, “In the agriculture sector, we plan to take advantage of the capacity and presence of the Chinese partner to invest globally.”

Commercial operations are being handled by a string of new sales companies. In the U.S., PT Commercial Solutions LLC has been set up at Pirelli’s North American headquarters in Rome, Ga., to launch truck and bus tires, with the possibility that an expanded Pirelli agricultural portfolio will follow later. **AEI**

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Kubota Finalizes Acquisition of Great Plains

Kubota Corp.'s acquisition of Great Plains was finalized on July 1 and leaders from both companies told dealers at its recent national dealer meeting in Kansas City, Mo., that it's "business as usual." Confirming messages from the earlier announcement of the pending acquisition, all five Great Plains divisions will operate as they have been with their infrastructure intact.

Kubota has had a marketing agreement with Great Plain's Land Pride division since 2007 and expanded that last year to include skid steer and construction attachments.

Roy Applequist, founder of Great Plains, which is based in Salina, Kan., will remain on to support the transition and Linda Salem continues as president. "Kubota has a long-term view of the industry and stays committed to product development through cycles and that's the way Great Plains has always been," Applequist says. "There are a lot of different people you could sell your company to and we were approached

by a lot of people. But Kubota came to us and that was the best fit we could see going forward for our people, our dealers and our customers."

Masato Yoshikawa, president and CEO of Kubota Tractor Corp., says, "Kubota will provide support where we can. Great Plains and its relationships with dealers are strong and robust and our goal is to make them even stronger. We are committed to allocating resources and investments in product development, support and many other areas."

He referenced the company's acquisition of Kverneland in May of 2012. "Kvnerland is strong in Western Europe and Great Plains is strong in North America and with these two companies, I think we can have a good implement business," Yoshikawa says.

This year, Great Plains is introducing 14 new products, including new vertical tillage tools, stack-fold planters, five-section chisel plows, field cultivator air drills, rotary cutters and compact seeders. The company has introduced

21 new products in the last 3 years. It has invested \$58 million in capital improvements since 2012 and expects to invest \$10 million this year.

The larger implements manufactured by Great Plains require a higher horsepower tractor than Kubota now offers. The M7 series, with models ranging from 130-170 horsepower, offers the highest power in its lineup. Yoshikawa says, "We just introduced the 170 horsepower tractors. We want to study them and make sure our solution can be better than others. Otherwise, we're just moving up in horsepower."

On the company's approach to dealers, Todd Stucke, Kubota's vice president of sales and marketing, says, "There is no mandate. On the dealer side, we want to earn that business and entice the dealers to want to carry our brand. As far as Great Plains, it's wherever the contract is open. If the contract is open and a Kubota dealer can provide the right product support, he may have the right to have that contract."

AEI

FARM MACHINERY TICKER (AS OF 7/13/16)

| MANUFACTURERS | Symbol | 7/13/16 Price | 6/13/16 Price | 1-Year High | 1-Year Low | P/E Ratio | Avg. Volume | Market Cap. |
|--------------------------|--------|---------------|---------------|-------------|------------|-----------|-------------|-------------|
| Ag Growth Int'l. | AFN | \$39.81 | \$38.95 | \$48.39 | \$24.68 | N/A | 46,173 | 584.18M |
| AGCO | AGCO | \$48.75 | \$52.86 | \$57.90 | \$41.91 | 17.12 | 939,132 | 4.02B |
| AgJunction Inc. | AJX | \$0.66 | \$0.64 | \$0.71 | \$0.40 | N/A | 71,051 | 81.88M |
| Alamo | ALG | \$65.41 | \$61.77 | \$66.49 | \$43.98 | 16.91 | 96,124 | 748.24M |
| Art's Way Mfg. | ARTW | \$2.93 | \$3.13 | \$5.58 | \$2.46 | N/A | 1,673 | 12.51M |
| Buhler Industries | BUI | \$4.85 | \$4.91 | \$6.06 | \$4.74 | N/A | 441 | 121.25M |
| Caterpillar | CAT | \$79.69 | \$75.23 | \$89.62 | \$56.36 | 41.92 | 5,308,460 | 46.53B |
| CNH Industrial | CNHI | \$6.79 | \$7.26 | \$9.69 | \$5.67 | N/A | 2,268,330 | 9.24B |
| Deere & Co. | DE | \$82.96 | \$85.32 | \$97.56 | \$70.16 | 16.65 | 3,199,020 | 26.07B |
| Kubota | KUBTY | \$69.26 | \$66.81 | \$88.21 | \$58.99 | 12.08 | 34,381 | 17.24B |
| Lindsay | LNN | \$69.21 | \$71.45 | \$91.93 | \$62.99 | 83.19 | 127,270 | 735.71M |
| Raven Industries | RAVN | \$19.50 | \$19.33 | \$20.38 | \$12.88 | 79.27 | 139,357 | 707.75M |
| Titan Int'l. | TWI | \$6.91 | \$6.74 | \$10.10 | \$2.50 | N/A | 401,449 | 373.03M |
| Trimble Navigation | TRMB | \$25.05 | \$25.94 | \$27.79 | \$15.90 | 59.64 | 1,528,010 | 6.29B |
| Valmont Industries | VMI | \$137.69 | \$133.13 | \$145.94 | \$92.33 | 75.04 | 190,768 | 3.12B |
| RETAILERS | | | | | | | | |
| Cervus Equipment | CVL | \$11.32 | \$11.51 | \$16.09 | \$10.41 | N/A | 6,897 | 176.79M |
| Rocky Mountain Equipment | RME | \$7.08 | \$7.03 | \$9.15 | \$5.50 | 13.99 | 21,186 | 137.44M |
| Titan Machinery | TITN | \$11.49 | \$11.09 | \$16.99 | \$7.87 | N/A | 113,992 | 243.44M |
| Tractor Supply | TSCO | \$93.33 | \$91.27 | \$97.25 | \$75.00 | 30.23 | 1,055,550 | 12.45B |

Rising Crop Input Costs Continue to Compete with Equipment Spending

Farmer input costs have been among the top three North American farm equipment dealers' major concerns over the past 5 years, including number one in 2015, according to the results of *Ag Equipment Intelligence's* annual Dealers Business Outlook & Trends survey — and for good reason.

The more farmers spend on inputs, like fertilizer, seed, pesticides, etc., the less they tend to invest in equipment.

According to a July 12, 2016 report from the University of Illinois' Dept. of Agricultural and Consumer Economics at Urbana-Champaign, growth rates of fertilizer, pesticide and seed costs have been higher in years following 2006 than they were between 1990 and 2006.

In the report, "Growth Rates of Fertilizer, Pesticide and Seed Costs Over Time," university researchers Gary Schnitkey and Sarah Sellars report, "In 2015, the sum of fertilizer, pesticide and seed costs were 48% of crop revenue, much higher than the 36% average from 1990 to 2006."

As inputs rise, surveys have shown that farmers will tend to first cut back on machinery spends to improve bottom line profits.

No-Till Farmer's 8th Annual No-Till Operational Benchmark Survey conducted earlier this year showed that land rent payments represent the largest single outlay in a farmer's cost of production (avg. \$71,308). It is followed by fertilizer (avg. \$68,938), loan/interest payments (avg. \$60,550), seed treatments (avg. \$54,771), equipment (avg. \$34,141) and pesticides (avg. \$32,628).

In that same survey, no-till farmers were asked where they planned to cut back on expenses in 2016, and 64% said they planned to spend less on equipment, which was easily the top cutback on their list.

Calculating Inputs. Costs were calculated in three ways in the study: 1. costs per acre; 2. costs per bushel; 3. costs as a percent of crop revenue.

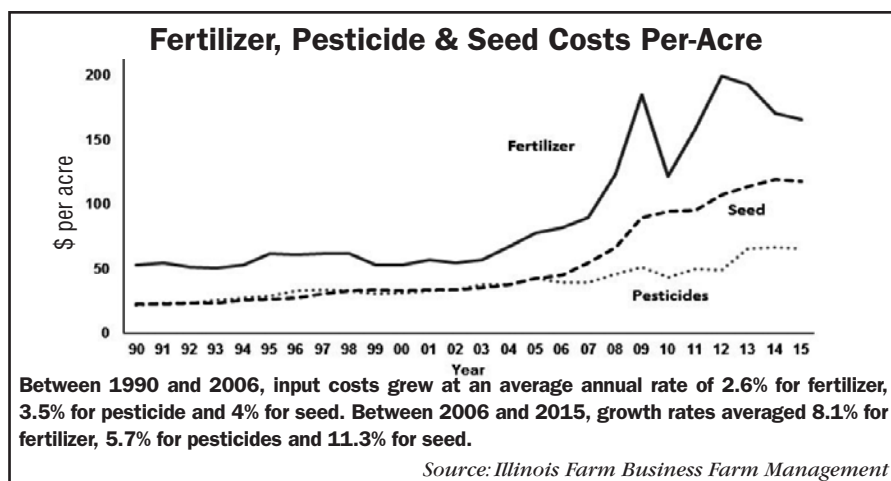
Regardless of how they were cal-

Continued on page 5

Fertilizer, Pesticide & Seed Costs, Yields and Prices on High-Productivity Farms in Central Illinois

| Year | Fertilizer Costs (\$/acre) | Pesticide Costs (\$/acre) | Seed Costs (\$/acre) | Actual Yield (bu./acre) | Corn Price (\$/bu.) |
|------|----------------------------|---------------------------|----------------------|-------------------------|---------------------|
| 1990 | 53 | 22 | 23 | 149 | 2.39 |
| 1991 | 55 | 24 | 23 | 131 | 2.38 |
| 1992 | 52 | 24 | 24 | 176 | 2.38 |
| 1993 | 51 | 26 | 24 | 151 | 2.20 |
| 1994 | 53 | 28 | 26 | 182 | 2.49 |
| 1995 | 62 | 29 | 27 | 128 | 2.37 |
| 1996 | 61 | 33 | 28 | 161 | 3.33 |
| 1997 | 62 | 34 | 31 | 148 | 2.80 |
| 1998 | 62 | 33 | 33 | 152 | 2.48 |
| 1999 | 53 | 31 | 34 | 166 | 2.09 |
| 2000 | 53 | 32 | 33 | 165 | 1.97 |
| 2001 | 57 | 33 | 34 | 168 | 2.06 |
| 2002 | 55 | 34 | 34 | 152 | 2.37 |
| 2003 | 57 | 38 | 36 | 186 | 2.41 |
| 2004 | 68 | 38 | 38 | 190 | 2.17 |
| 2005 | 78 | 43 | 43 | 172 | 2.11 |
| 2006 | 82 | 40 | 45 | 180 | 2.99 |
| 2007 | 90 | 40 | 55 | 201 | 4.12 |
| 2008 | 124 | 46 | 67 | 199 | 4.07 |
| 2009 | 185 | 52 | 90 | 192 | 3.62 |
| 2010 | 122 | 44 | 95 | 168 | 5.07 |
| 2011 | 159 | 50 | 96 | 174 | 6.24 |
| 2012 | 200 | 49 | 108 | 126 | 6.93 |
| 2013 | 193 | 66 | 114 | 197 | 4.52 |
| 2014 | 171 | 67 | 120 | 231 | 3.76 |
| 2015 | 166 | 66 | 118 | 200 | 3.77 |

This recent data is sourced from Revenue and Costs for Corn, Soybeans, Wheat and Double-Crop Soybeans. Costs and yields are summaries of farms enrolled in Illinois Farm Business Farm Management program.



culated, the research shows that fertilizer, pesticide and seed costs have grown on a per acre, per bushel and a percent of crop revenue basis.

According to the researchers, this high rate occurred because per acre costs did not decrease while corn prices did decrease. "At those high levels, it will be difficult for revenue to exceed total costs. As long as corn prices are averaging less than \$4 per bushel, high percentages should be

expected without substantial cuts in costs. Even with aggressive input usage cuts, it will be difficult for cash-flow losses to be reduced without input price decreases."

In an interview prior to the Top Producer Conference in June, Michael Boehlje, Purdue University economics professor, said, "It's not all about grain prices. To be frank, it's more about what is going to happen to input costs that is important." **AEI**

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German, France Tractor Sales Down Again; Brexit to Impact UK Sales

Here's the latest report on European Union tractor sales from Michael Shlisky, senior analyst with Seaport Global Securities:

"We reviewed tractor registration data from Germany, France and the UK for the month of June. Overall, we view this month's data as negative for global Ag OEMs.

"In Germany, Europe's largest tractor market, tractor registrations at the major brands declined 5% year-over-year in June, and declined 10% in the second quarter. Among the major brands, AGCO and CNHI lost share year-over-year and Deere gained share, directionally similar to what

took place in second quarter and year to date.

"Elsewhere in Europe, total tractor registrations were down 15% year-over-year in France, as the market begins to lap tax benefits that were in place for over a year. The market was up 7% in the second quarter on what may have been a slight pull-forward of demand. We continue to view the risk of a used equipment overhang as elevated.

"In the UK, registrations declined 16% year-over-year in June; registrations were down 10% in the second quarter. We find it difficult to view the Brexit vote as anything but a near-term

negative for UK farmers, as industry estimates suggest that about 60% of UK farmer income comes from EU subsidies. It remains unclear what UK officials might do to replace the subsidies, so we believe the appetite for major ag spending in the UK could remain challenged in the near term.

"We believe Deere, CNHI and AGCO each have 20-30% share of the UK market (10K-15K tractors). More broadly, as of last month, ag equipment sentiment in Europe remained at "deep recession" levels. This month's survey will be unusually telling, as it will have taken place shortly after the Brexit vote." **AEI**

Landini Tractor Sales Help Argo Maintain Revenues

A 12% increase in Landini tractor market share in the competitive Italian tractor market helped the Argo Group maintain revenues at near 2014 levels last year despite a global industry sales downturn.

The group's Landini tractor line, which traditionally sells best across southern Europe, strengthened its number two position in Italy, with a 10.4% share that put it behind New Holland (down 9.5% to 22.4%) but ahead of SAME (9.5%), Deere (9.2%) and small tractor specialist Antonio Carraro (8.2%).

Group sales — which also include the McCormick and Valpadana tractor lines in America, Asia and Oceania — are also credited with helping Argo Group record revenues of €461 million (\$512 million), less than 1%

down on the prior year.

Argo has invested heavily in a new product development program that has yielded at least eight new or improved ranges over the past 2 years for each of its Landini and McCormick tractor lines in Europe, North America and Australia.

These include the group's first CVT transmission models, which currently are being launched at McCormick dealers in the U.S. through a series of Red Power days following a kick-off dealer convention and product showcase in January.

The Italian manufacturer has also updated its range for markets in Eastern Europe, Latin America and elsewhere, and will move into the 300 horsepower sector early next year with a three-model McCormick

X8 Series range previewed at two European trade shows earlier this year.

Group chairman Valerio Morra says, "The R&D investment process will continue without limitations because consolidation in our processes, product and distribution activities are essential if we are to achieve the growth targets we have set for ourselves."

Profits expressed as EBITDA were steady at €41 million (\$45.5 million) or 9% of turnover, down 8.8% from €45 million (\$50 million) last year, while the operating result of €12.1 million (\$13.4 million) was 23% or €3.7 million (\$4.1 million) lower than the previous year's figure.

Pre-tax earnings came in at €19 million (\$21 million), down from €25 million (\$27.8 million) in 2014. **AEI**

How Old is the U.S. Fleet of Farm Tractors?

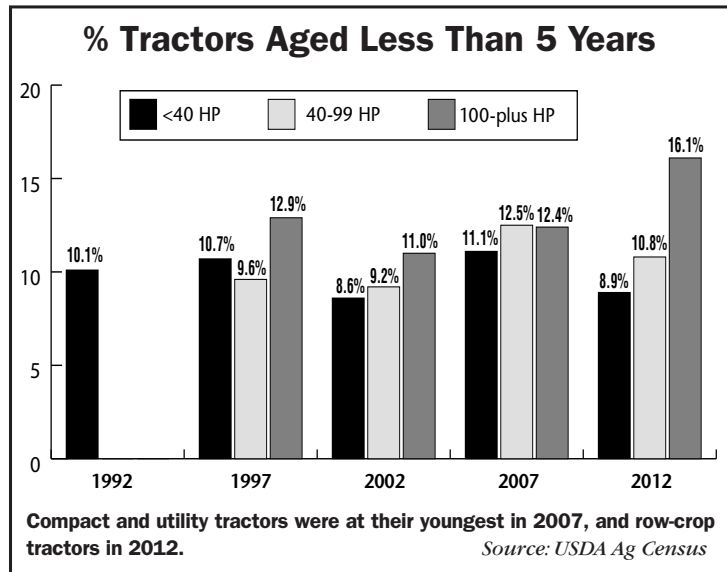
One of the questions most often asked of *Ag Equipment Intelligence* editors is what is the average age of the tractors in use on U.S. farms?

The fact of the matter is no one can say with any certainty. This is because, unlike automobiles and trucks, which must be registered and licensed, the same requirements are not applied to off-road vehicles, like farm tractors. While Uniform Commercial Code (UCC) filings track new sales, there are few if any records that follow the vehicle after it passes from the original owner.

At this point, the best we can do is study USDA's Census of Agriculture, which is conducted every 5 years. Using this data, *Ag Equipment Intelligence* editors took a look at each of the three horsepower categories of tractors and developed the adjacent table and chart.

Typically, the high horsepower category (row-crop tractors) has been somewhat younger than that of the mid-range and compact tractors. Not surprisingly, the biggest shift in the average age of row-crop equipment was between 2007, when 12.4% of all units was less than 5 years, and 2012, when this percentage jumped to 16.1%.

On the other hand, the most notable shift in the average age of both compact and utility tractors during this 20 year period came between 2002-07. In 2002, 8.6% of compact tractors were less than 5 years old, on average. This



jumped to 11.1% by 2007, indicating, overall, this category of equipment had gotten younger. By 2012, this percentage dropped back to 8.9%.

The same trend can be noted for utility-type tractors. Overall, 9.2% of this equipment was 5 years of age or less in 2002. This increased nearly 3.5%, to 12.5%, by 2007 and then fell back to 10.8% in 2012. **AEI**

U.S. Tractor Units Aged Less Than 5 Years

| | 1992 | | 1997 | | 2002 | | 2007 | | 2012 | |
|-------------------|-----------|----------------------|-----------|----------------------|-----------|----------------------|-----------|----------------------|-----------|----------------------|
| | Total | Manufactured 1988-92 | Total | Manufactured 1993-97 | Total | Manufactured 1998-02 | Total | Manufactured 2003-07 | Total | Manufactured 2008-12 |
| <40 HP (PTO) | 2,827,275 | 284,734 | 2,673,326 | 285,522 | 1,415,807 | 121,715 | 1,280,039 | 142,117 | 1,107,528 | 98,095 |
| 40-99 HP (PTO) | NA | NA | 1,808,105 | 173,756 | 2,066,720 | 190,945 | 1,998,508 | 250,743 | 1,886,032 | 205,388 |
| 100-plus HP (PTO) | NA | NA | 915,360 | 118,062 | 1,110,018 | 122,558 | 1,111,265 | 137,242 | 1,184,740 | 191,065 |

Source: USDA Ag Census

Trelleborg Completes CGS Holding-Mitas Acquisition

Trelleborg, the engineered polymers group based in Sweden, has completed its acquisition of Mitas farm tire maker CGS Holding, giving the Trelleborg Wheel Systems ag and forestry tire and rims business two plants in the U.S.

Mitas opened its Charles City, Iowa, factory in 2012 with a \$52 million investment, while production of agricultural tires commenced in late 2015 at Trelleborg's Spartanburg, S.C., plant. At the time, Trelleborg said it would progressively complete installation of manufacturing equipment by 2018 to cater to market growth.

Having received anti-trust approval,

Trelleborg paid total cash consideration equivalent to \$1.29 billion at current exchange rates. The deal will almost double Trelleborg's sales of agricultural tires, strengthen its leading position in industrial tires and add new positions in specialty tire segments, says Peter Nilsson, president & CEO of the Trelleborg Group.

"We are convinced the agricultural market will recover, enabling us to benefit from an attractive footprint when it does," he commented. "Accordingly, we consider the purchase to be attractive given the expected synergies and prospects for growth."

Mitas-branded farm tires and the

Cultor economy brand account for about two-thirds of CGS Holding's annual revenues, which amounted to \$663 million in 2015 with an operating margin of 16.5%. That will grow Trelleborg Group's revenues to \$3.55 billion this year, with a headcount of 23,000 in 47 countries.

Net sales rung up by Trelleborg Wheel Systems — half of which come from agriculture and forestry and a quarter from North America — increased 3.5% last year to \$510 million. But lower volumes in some segments and start-up costs for the Spartanburg plant caused operating profit to dip 7% to \$55 million. **AEI**

Combine Sales Improve in June

While overall North American large ag equipment sales remained weak in June, combine sales showed improvement and were up 12.9% following months of declines of 25% or more, said Mircea (Mig) Dobre, an analyst with RW Baird in a note to investors. In addition, compact and mid-range tractor inventories are at all-time highs with risks of building, he said. June 2016 marked the 29th month of large ag equipment year-over-year declines and a somewhat larger decline than the prior month.

- U.S. and Canada large tractor and combine sales decreased 14% year-over-year in June, down from the 9% decline in May, which marked the smallest decrease in 20 months. U.S. sales were down 19% year-over-year, while Canadian sales were up 10%.

- 4WD tractor sales were down 25.7% year-over-year for the month vs. a 10% decrease in May, with U.S. sales down 34.3% and Canadian sales up 18.4%. June is typically a below average month for 4WD tractor sales, accounting for 6% of annual sales over the last 5 years.

- Combine sales rose, posting a 12.9% year-over-year increase in June after 4 consecutive months of 25-40% declines. U.S. combine inventories were 25.1% lower year-over-year in May vs. down 36% the month before. June is typically a slower-than-average month for combine sales, accounting for 6.7% of annual sales over the last 5 years.

- Row-crop tractor sales dropped 18.1% year-over-year in June, down from the 1.2% decline in May. U.S. row-crop tractor inventories were down 1.6% year-over-year in May vs. a 0.6% increase in April. Typically, June is a below average month for row-crop tractor sales. Over the last 5 years, the month has accounted for 7.2% of annual row-crop tractor sales.

- Mid-range tractor sales increased slightly (1%) year-over-year after just a 0.5% increase the prior month. Compact tractor sales increased 0.7% in June, following a 6.7% increase the previous month.

AEI

JUNE U.S. UNIT RETAIL SALES



| Equipment | June 2016 | June 2015 | Percent Change | YTD 2016 | YTD 2015 | Percent Change | May 2016 Field Inventory |
|-------------------------|---------------|---------------|----------------|----------------|----------------|----------------|--------------------------|
| Farm Wheel Tractors-2WD | | | | | | | |
| Under 40 HP | 14,479 | 14,056 | 3.0 | 70,094 | 62,196 | 12.7 | 75,552 |
| 40-100 HP | 6,209 | 6,042 | 2.8 | 28,256 | 28,577 | -1.1 | 39,409 |
| 100 HP Plus | 1,615 | 2,061 | -21.6 | 9,775 | 12,851 | -23.9 | 10,550 |
| Total-2WD | 22,303 | 22,159 | 0.6 | 108,125 | 103,624 | 4.4 | 126,511 |
| Total-4WD | 165 | 251 | -34.3 | 1,075 | 1,565 | -31.3 | 861 |
| Total Tractors | 22,468 | 22,410 | 0.3 | 109,200 | 105,189 | 3.8 | 127,372 |
| Combines | 376 | 348 | 8.0 | 1,784 | 2,326 | -23.3 | 951 |

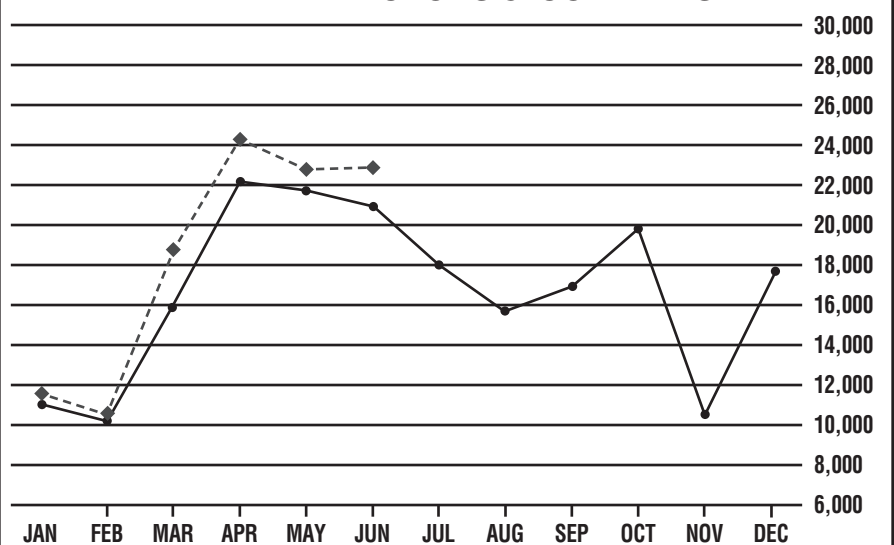
JUNE CANADIAN UNIT RETAIL SALES



| Equipment | June 2016 | June 2015 | Percent Change | YTD 2016 | YTD 2015 | Percent Change | May 2016 Field Inventory |
|-------------------------|--------------|--------------|----------------|---------------|---------------|----------------|--------------------------|
| Farm Wheel Tractors-2WD | | | | | | | |
| Under 40 HP | 1,315 | 1,623 | -19.0 | 5,515 | 6,608 | -16.5 | 9,899 |
| 40-100 HP | 385 | 484 | -20.5 | 2,315 | 2,558 | -9.5 | 4,522 |
| 100 HP Plus | 359 | 348 | 3.2 | 1,782 | 2,296 | -22.4 | 2,465 |
| Total-2WD | 2,059 | 2,455 | -16.1 | 9,612 | 11,462 | -16.1 | 16,886 |
| Total-4WD | 58 | 49 | 18.4 | 441 | 490 | -10.0 | 291 |
| Total Tractors | 2,117 | 2,504 | -15.5 | 10,053 | 11,952 | -15.9 | 17,177 |
| Combines | 191 | 154 | 24.0 | 628 | 643 | -2.3 | 541 |

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

--- 2016
— 5 year average



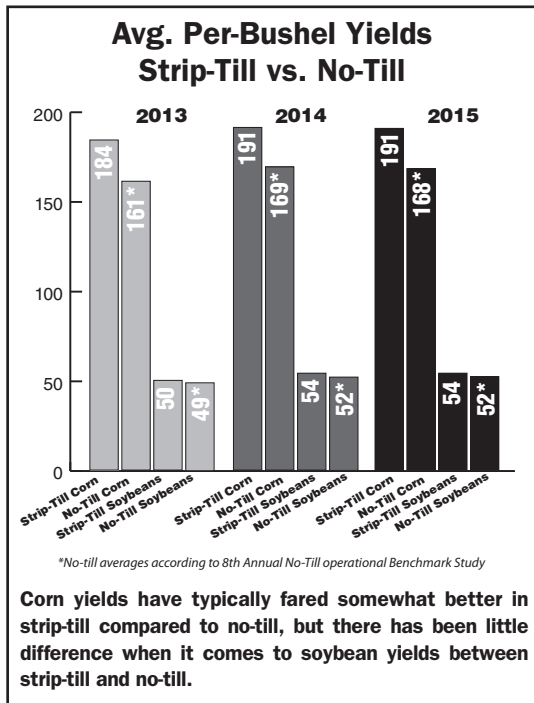
— Assn. of Equipment Manufacturers

Till Farmer, 97% of the survey respondents report strip-tilling corn, while 44% strip-tilled soybeans.

Strip-Till Yields. The study also indicated that strip-till produced somewhat higher yields in both corn and soybeans. For 2015, farmers participating in the 8th Annual No-Till Benchmark Study reported an average of 191 bushels of corn per acre with strip-till compared with 168 bushels per acre with no-till. For soybeans in 2015, farmers achieved 54 bushels per acre with strip-tillage and 52 bushels per acre with no-till. USDA estimates the overall 2015 average corn yield for all practices is at 168 bushels per acre. The average U.S. soybean yield for 2015 is estimated at 47.2 bushels per acre.

Strip-Till Equipment. From an equipment perspective, there is no “typical strip-till rig,” Zemlicka explains, “Finding the right mix of equipment to maximize performance and productivity in the field is an evolving process. It may takes years or even decades of experimentation with different toolbars, row units and attachments to find the right combination.”

In other words, building a strip-till rig can be complicated and the final configuration of a strip-till system often boils down to farmer preference based on his or her experience and field conditions.



Zemlicka noted a trend toward upsizing of equipment for strip-tilling. “With strip-till acreage on the rise, it makes sense that farmers are increasing the size of their equipment to cover more ground in a shorter amount of time. While 44.4% of farmers utilized a 12 row strip-till rig on their operation in 2015 — by far the most popular size — 37.5% used 16 or 24 row machines, an increase over prior years.”

He goes on to say that this year’s study showed that 31.7% of strip-tillers used a 16 row rig, up from 28.7% in 2014 and 25.7% in 2013. Those farmers running 24 row strip-till rigs also continued to climb to 5.8% in

| Brand of Strip-Till Units Farmers Use (% of survey respondents) | | |
|--|-------|-------|
| Brand | 2014 | 2015 |
| Kuhn Krause | 22.6% | 20.7% |
| Case IH/DMI | 15.9% | 14.3% |
| Orthman | 8.5% | 11.4% |
| Dawn/Pluribus | 12.2% | 10.5% |
| ETS | 7.9% | 10.5% |
| Thurston/Blu-Jet | 11.0% | 8.2% |
| Yetter | 6.7% | 7.6% |
| John Deere | 7.3% | 7.0% |

Source: 3rd Annual Strip-Till Operational Benchmark Study

2015, compared to 5.4% in 2014 and 4.3% in 2013.

Also noted was a significant increase in horsepower used by strip-tillers. “Given that more farmers are pulling larger strip-till rigs, it made sense that tractor horsepower continued to increase,” says Zemlicka. Farmers averaged 325 horsepower to pull their strip-till rigs, compared to 310 in 2014 and 278 in 2013.

“On the other end of the spectrum, only 18.2% of respondents used 8 or 6 row strip-till rigs. This continued a downward trend for use of smaller rigs, with 7.7% running 6 row strip-till machines, vs. 7.6% in 2014 and 15.7% in 2013. Farmers using 8-row rigs also declined to 10.5% from 12.4% in 2014 and 11.4% the prior year.” **AEI**

July WASDE Called ‘Neutral’ for Farm Machinery Sales

USDA updated its World Agricultural Supply and Demand Estimates for the 2016-17 crop season on July 12. With July weather being a critical factor in overall crop production trends, industry observers rated the report “mixed” or “neutral” for sales of farm equipment.

In a note, C. Schon Williams, analyst with BB&T Capital Markets, reported, “Cash receipts are forecast to be down 0.4% year-over-year, which is a slight improvement vs. our June estimate (-1.1%). With the cash receipts forecast now flattening out, we are

now more neutral (we were bearish) on agricultural machinery demand.”

Production estimates for corn, soybeans and wheat increased vs. USDA June estimates, says Williams. Similarly, ending stocks for all three crops moved higher vs. the prior month’s estimates. The average price range for corn and wheat decreased, while the average price of soybeans was unchanged vs. last month.

Corn Estimates. Yield estimates per acre are still expected to come in at 168 bushels. USDA’s projected 2016-17 price range for corn from \$3.20-

\$3.80 per bushel last month to \$3.10-\$3.70 per bushel in its July report.

Soybean Estimates. Yield estimates of 46.7 bushels per acre were unchanged. USDA also left the estimated 2016-17 price range for soybeans at \$8.75-\$10.25 per bushel unchanged from its June report.

Wheat Estimates. The ag agency raised its yield estimates for wheat to 51.3 bushels per acres vs. 48.6 bushels in the June update. The projected 2016-17 price range is \$3.40-\$4.20 per bushel, down slightly from June’s \$3.60-\$4.40. **AEI**