From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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Kubota Takes Another Major Step in Move into 'Big Ag' with Acquisition of Great Plains Mfg.

Kubota Corp. is to spend approximately $430 million pursuing its expansion ambitions by acquiring one of North America's best-known tillage and seeding equipment producers, Great Plains Manufacturing Inc. and its subsidiaries.

The acquisition of all shares in the privately-held company by Kubota operations in the U.S. is due to be completed in July. Roy Applequist, Great Plains' founder and chairman, has pledged to remain on the leadership team to help guide the operations and facilitate a seamless transition.

He told *Ag Equipment Intelligence*: "My plan is to play a significant role in helping Great Plains become a vital part of the Kubota family."

For Kubota, the deal secures another component of an expansion plan that aims to turn the compact tractor and light construction equipment specialist into an agricultural full-liner.

The process got underway in 2012 with the purchase of European tillage and hay tools manufacturer Kverneland. It developed further last year with the opening of a new factory in France to build higher horsepower tractors (up to 170 horsepower currently), principally for Europe, North America, Japan and Australia.

Buying Great Plains furthers those ambitions with products that are mostly focused on North American tillage requirements and which complement the tillage products made principally for the European market by Kverneland.

Dai Watanabe, president and CEO of Kverneland Group, is convinced the acquisition will provide positive synergies within the implement business of Kubota. He anticipates proactive cooperation between the sister companies of Kverneland and Great Plains to strengthen the product lineup and

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Worldwide Farm Equipment Sales Remain Sluggish

With few exceptions, global tractor and combine sales showed little sign of picking up in the near term. While USDA's May 10 report offered some optimistic news on crop surpluses, especially for soybeans, it remains to be seen whether or not the uptick in crop prices will hold.

Following USDA's most recent World Agricultural Supply and Demand Estimates report, one analyst said: "We view this month's update as mixed for the ag equipment stocks. Broadly speaking, the report was slightly bearish for corn prices, but slightly bullish for soybean prices, in our view.

"When adjusted for the calendar year, other crops and livestock-related expectations, we currently estimate that overall farmer cash receipts were down 10% in 2015 (including –13% for major crops), and in 2016, we currently expect an incremental decline of 5% (including –7% for major crops). Looking ahead to calendar year 2017, our current estimates suggest a 2% decline in cash receipts, suggesting further challenges to farm profitability and the sale of heavy equipment for another year."

In his review of the first quarter, Nathan Kauffman, assistant vice president and Omaha branch executive of the Federal Reserve Bank of Kansas City, wrote: "The U.S. agricultural economy has continued to weaken in the first quarter of 2016 and is expected to remain soft through the year. The weakening has been relatively gradual over the past few years, but it has been persistent and has intensified in recent months amid mounting financial stress for some agricultural producers. Future cashflow appears likely to remain a top concern for producers over the coming year as agricultural credit conditions, and the path of interest rates, evolve."

European Trends. It would appear that the same trends impacting U.S. agriculture are mirrored on a global basis. The most recent CEMA report (April 13) would seem to bear this out. The CEMA Business Barometer, a monthly survey of sentiment of agricultural machinery industry participants in Europe, showed that the Business Climate

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Considering Current Ag Conditions, Canadian Dealers RME, CVL Post Decent 1Q16 Earnings

Both of Canada's two publicly held farm equipment dealership groups posted their earnings since the beginning of the month: Rocky Mountain Dealerships (RME) on May 2 and Cervus Equipment (CVL) on May 11. Considering the ongoing downturn in agriculture worldwide, the two dealer groups posted decent numbers and say they're expecting improving conditions in 2016.

In his analyses of RME and CVL, Ben Cherniavsky, machinery analyst for Raymond James, commented on the outlook for Canadian agriculture in the year ahead. "For agriculture, farm net cash income set a record high in 2015, and combined with the strength in Canadian agriculture over the last decade, farm net worth is also at record highs. Furthermore, stability in crop pricing is expected to partially offset increased cost of machinery."

According to Agriculture and Agri-Food Canada, the 2016 outlook for Canadian producers remains positive. The major factors playing into its outlook include:

- Net cash income in 2015 is estimated to increase by 6% over 2014, reaching a record $15 billion. A decline of 9% to $13.6 billion is expected in 2016, still 14% higher than the 2010-2014 average.
- Average farm-level net operating income in 2015 is forecast to be $77,287, which is 8% higher than the previous year.
- The low Canadian dollar has improved the competitiveness of Canadian agriculture and food products in export markets, contributing to higher farm cash receipts.
- Livestock receipts in Canada are expected to increase by 2% to $26.2 billion in 2015.
- Crop receipts are expected to have increased 2% to reach $30.7 billion in 2015, and remain virtually unchanged at $30.6 billion in 2016.
- Lower crude oil prices are significantly reducing farmers' diesel and gasoline expenses.
- Strong conditions over the past several years have contributed to a decline in program payments in 2015, down to $2.1 billion.

Rocky Mountain Dealership Full-Year 2015 Segment Results
(C$ thousands)

	2015			2014		
	Agriculture	Industrial	Total	Agriculture	Industrial	Total
Sales						
New Equipment	423,107	26,890	449,997	473,715	48,032	521,747
Used Equipment	372,954	4,528	377,482	300,277	3,259	303,536
Parts	94,558	12,951	107,509	87,387	14,235	101,622
Service	31,090	4,775	35,865	29,478	5,586	35,064
Other	4,008	595	4,603	893,588	71,819	965,407
Total	**925,717**	**49,739**	**975,456**	**893,588**	**71,819**	**965,407**
Gross Profit	130,998	10,983	141,981	132,430	13,192	145,622
Gross Margin	14.2%	22.1%	14.6%	14.8%	18.4%	15.1%
Net Income (Loss)	14,081	(2,788)	11,293	20,430	(1,505)	18,925

Source: Company report

RME Consolidates Stores to Reduce Costs

Rocky Mountain Dealerships (RME), one of the largest farm equipment dealers in Western Canada, reported on May 2 that consolidated sales were down by 14% year-over-year during the first quarter of 2016, but the dealer group managed to reduce inventories by $18 million vs. a year ago. Same-store ag sales fell 17.6% year-over-year, mostly the result of a 34% drop in new equipment sales. Inventory of used machinery declined by $10.9 million, or 3.8%, compared to the same period in 2015.

As the result of ongoing headwinds in both of its ag and construction equipment segments, the dealership group based in Calgary said it is making "fundamental changes" in its distribution channels. The initial moves include consolidating its industrial locations in Calgary and Red Deer, Alta., into the existing ag facilities located in those areas.

"This change in our distribution model will enhance our current territory coverage and will eliminate the costs associated with operating and maintaining multiple physical locations in the same trade area," said Garrett Ganden, Rocky's president and CEO.

"These locations, as well as our two former Edmonton facilities which were also recently amalgamated, have historically incurred annual facility and other administrative costs of approximately $3 million, which we expect to discontinue once the amalgamations have been completed during the third quarter of 2016. We expect to incur one-time costs of $2.5–$3 million in the second and third quarters of this year."

Raymond James analyst, Ben Cherniavsky, in a note, said, "Rocky has reported some encouraging progress on profit improvements, cost reductions and operational efficiencies. However,

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significant end market headwinds, combined with elevated inventory and debt levels, keep us neutral on the stock. For the year ahead, we expect modestly lower commodity prices combined with higher equipment pricing (in C$) will continue to present a challenging environment for Rocky."

CVL's 1Q16 Ag Revenues Decline 6%

While Cervus Equipment's consolidated revenue during the first quarter saw a year-over-year drop of 12.5%, from $238,422 million to $208,542 million, its revenues from sales of ag equipment slipped only 6.2%. CVL reported that sales of farm machinery came in at $131,354 million vs. $140,082 a year earlier. Bigger drops came in its transportation segment (–16.9%) and commercial & industrial sales (–31.7%).

"First quarter profitability in our agricultural dealerships indicates a good start to the year, and net farm cash income leading into 2016 was amongst the highest on record for producers," said Graham Drake, CVL's president and CEO.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased $5.9 million to $10 million from $4.1 million in 2015. Excluding unrealized foreign exchange gains and losses and gain on sale of land and building, EBITDA was $5.9 million compared to $5.5 million in 2015.

According to CVL, total agriculture EBITDA for the 3-month period ended March 31, 2016 was consistent with the same period in 2015. The $2.7 million decrease in SG&A expenses achieved through targeted expense control more than offset $2 million of reduced gross margin due to lower equipment sales. The decrease in SG&A expenses and a focus on capturing post-harvest equipment inspections and repairs resulted in a 66% increase in income from operating activities quarter-over-quarter. AEI

Cervus 2015 Agricultural Segment Results

(C$ thousands)

	2015	2014	% Change
Equipment			
New Equipment	356,445	343,473	4%
Used Equipment	229,265	182,745	25%
Total Equipment Revenue	**585,710**	**526,218**	**11%**
Parts	82,045	66,341	24%
Service	39,260	34,444	14%
Rental and Other	4,328	4,670	–7%
Total Revenue	**711,343**	**631,673**	**13%**
Cost of Sales	(590,638)	(524,246)	13%
Gross Profit	120,705	107,427	12%
Other Income	2,885	3,609	–20%
Selling, General and Administrative Expense	(97,129)	(84,352)	15%
Income from Operating Activities	26,461	26,684	–1%
EBITDA	36,491	34,095	
Gross Profit Margin	17%	17%	
Selling, General and Administrative	13.7%	13.4%	

Source: Company report

FARM MACHINERY TICKER (AS OF 5/11/16)

MANUFACTURERS	Symbol	5/11/16 Price	4/12/16 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$37.60	$38.22	$55.04	$24.68	N/A	108,690	550.98M
AGCO	AGCO	$52.21	$48.93	$57.90	$41.91	17.06	1,002,350	4.31B
AgJunction Inc.	AJX	$0.54	$0.46	$0.71	$0.40	N/A	33,771	66.69M
Alamo	ALG	$55.37	$54.80	$61.82	$43.98	15.69	45,436	633.28M
Art's Way Mfg.	ARTW	$3.04	$3.13	$5.94	$2.46	N/A	2,158	12.471M
Buhler Industries	BUI	$4.86	$4.80	$6.06	$4.44	N/A	469	121.5M
Caterpillar	CAT	$72.43	$76.10	$89.62	$56.36	20.69	6,119,000	42.29B
CNH Industrial	CNHI	$7.14	$6.36	$9.72	$5.67	42.00	1,494,900	9.73B
Deere & Co.	DE	$83.90	$76.60	$98.23	$70.16	15.29	3,228,850	26.46B
Kubota	KUBTY	$78.05	$65.37	$88.21	$58.99	13.84	10,703	19.43B
Lindsay	LNN	$69.63	$67.48	$91.93	$62.99	31.45	134,118	750.12M
Raven Industries	RAVN	$15.59	$15.76	$22.36	$12.88	43.07	181,711	565.84M
Titan Int'l	TWI	$6.28	$5.59	$11.68	$2.50	N/A	498,935	339.02M
Trimble Navigation	TRMB	$23.61	$24.71	$26.07	$15.90	50.23	1,340,330	5.94B
Valmont Industries	VMI	$134.87	$119.75	$145.94	$92.33	78.87	214,889	3.06B
RETAILERS								
Cervus Equipment	CVL	$11.14	$11.38	$18.25	$10.41	N/A	38,786	173.98M
Rocky Mountain Equipment	RME	$7.02	$6.10	$9.49	$5.50	10.48	29,914	136.08M
Titan Machinery	TITN	$11.47	$11.50	$16.99	$7.87	N/A	168,016	243.01M
Tractor Supply	TSCO	$92.45	$88.86	$97.25	$75.00	30.82	973,519	12.34B

Fertilizer Applicator Maker, Sulky-Burel, Eyeing U.S. Market

Another leading European farm equipment manufacturer is casting its eyes toward the U.S. market once it is assured of demand for its advanced fertilizer spreaders and can secure a distributor wanting a long-term partnership.

Sulky-Burel, located at Chateaubourg near Rennes in northwest France, claims leadership of fertilizer broadcaster sales in the company's home market, with increasingly sophisticated application control technologies that European growers are adopting at an accelerating pace. But the company wants to reduce its reliance on the ups and downs of Europe's biggest ag equipment market by doubling export sales over the next 5 years. At present, they represent 30% of revenues equivalent to more than $45 million.

Julien Burel, president and chief executive, outlined his sales growth ambitions during a media visit to the $22 million headquarters factory opened in 2012. Its 5 assembly lines produce typically 4,500 spreaders and seed drills a year, with ongoing investment in more cost-efficient resources, the most recent being a half million dollar robot welder for spreader frames.

A new facility opened recently handles an R&D budget representing more than 5% of sales and the company places a high value on technical and sales training, committing 3% of turnover to such activities at a small farm nearby.

The company's no-till and minimum tillage seed drill interests are now focused through its new Sky Agriculture joint venture, although Sulky-Burel continues to supply selected central and east European markets with Seed Master no-till drills from Canada under its own name. Export offices in Hungary and Russia look after those markets, where John Deere distributes Sulky tractor-mounted fertilizer spreaders.

Serge Suffissais, export manager, says the company has commercial sales and distribution partnerships in more than 40 countries in Europe, Asia-Pacific and South America. More recently, the company moved into Canada, where it and Sky Agriculture products are handled by Innotag Distributions Inc., Beloeil, Quebec.

"Some machines have gone over the border, but we would like to find a long-term partner in the United States if the market is ready for our sophisticated spreading equipment," he says.

Significant gains in application rate accuracy have been achieved by European growers using Sulky and other manufacturers' spreaders developed using sophisticated spread pattern analysis and equipped with automated calibration electronics enabling frequent on-the-fly re-calibration using weigh cells.

More recently, GPS section control has been developed, minimizing over-application at headlands and where spread areas converge, with ISOBUS control increasing cut-off definition and reinforcing fertilizer savings of up to 15% in irregular-shaped fields.

Suffissais said, "As the advanced tillage and seeding products of other European manufacturers such as Amazone, Horsch, Kuhn and Vaderstad win wider acceptance among U.S. growers, maybe the time will soon be right for Sulky to join them." AEI

Polish Tractor Maker Focuses on Africa to Improve Company Fortunes

The revival of Poland's best-known tractor brand — Ursus — is increasingly focused on Africa where three significant supply and support deals have been secured.

Helped by credit facilities provided as part of Poland's Go Africa campaign, Ursus is in the process of supplying 3,000 farm tractors to Ethiopia in semi- and complete knock-down form for local assembly, plus 174 simple tractors and trailers for hauling sugar cane.

An agreement reached with government agencies in Tanzania involves the supply of 2,400 tractors this year, and lead to a joint venture agreement to assemble tractors locally and begin a sales and distribution initiative across the whole of southern Africa.

Karol Zarajczyk, president of the management board of Ursus, said, "The contract with Suma JKT in Tanzania has strengthened our position as a partner for African entrepreneurs and is the result of broad expansion of Ursus in Africa. Our products are highly valued there because of the quality of the components in our tractors as well as their simplicity."

Based in Lublin, about 175 km southwest of Warsaw, Poland's capital city, Ursus calculates that it supplied approximately half of the 1.5 million tractors still in use in Poland. But over the past 30 years, production had all but ground to a halt after falling from a peak of 60,000 units annually in the 1980s to just 1,200 units today.

While previous investors managed to keep the business running, a tie-up in 2011 with automotive group Pol-Mot Holding has improved its prospects. Pol-Mot, which is the biggest shareholder, transferred its own tractor and agricultural implement lines into the Ursus business.

The African deals will be a welcomed boost: the 2 year contract with Ethiopia for the supply of 3,000 tractors from 50-180 horsepower is worth $90 million, including service equipment and parts. A dedicated assembly line was opened at the Metec factory of Metals and Engineering Corp. (Metec) in May of last year.

Three months later, Ursus secured an order worth more than $30 million from Ethiopian Sugar Corp. for 174 cane hauling tractors and 390 trailers, plus parts. The first shipment made last November were to be followed by additional deliveries through the first quarter of 2016.

In Tanzania, the $55 million deal to supply 2,400 tractors of 50-85 horsepower will see shipments made through the year, together with the preparation of an assembly facility and 8 service centers across the country. AEI

Kubota Takes Another Major Step Into 'Big Ag'....Continued from page 1

exploit shared R&D opportunities.

Kubota Corp. managers see acquiring the Great Plains business as supportive of their move into higher horsepower sectors — the tractor line is expected to grow beyond the current 170 horsepower ceiling — in the same way that a growing line of Kubota-branded hay tools produced by Kverneland is already doing.

In a statement, managers highlighted the relationship that has existed since 2007 between Kubota Tractor Corp. and the Land Pride division of Great Plains for the distribution of implements complementary to Kubota's compact tractors.

The deal will bring 1,400 employees, five Great Plains Manufacturing plants in the U.S. and a factory in England into the Kubota fold. AEI

Growth in Specialty Tractor Sales Helps Carraro Group Through Challenging Times

Increased sales of vineyard and orchard tractors was one bright spot in another challenging year for Carraro Group, supplier of axles, transmissions, gears and related components to OEMs worldwide.

The Carraro Agritalia unit produces the Agricube range of vineyard/orchard tractors and builds similar machines for Claas, John Deere and Massey Ferguson. Sales increased from 3,700 units in 2014 to 4,250 last year, bringing in €120.4 million — equivalent to $130.8 million — up 17.1% on the year prior.

Operating efficiency improved despite production start-up of new tractor ranges, said managers, which together with the increase in volume and careful management of R&D costs resulted in EBITDA of €7.9 million ($8.6 million) vs. €1.1 million ($1.2 million) in 2014.

But the Carraro DriveTech unit, which produces off-highway driveline components in Argentina, Brazil, India, Italy and China, saw revenues drop 10.9% to €543.7 million ($590 million) as manufacturers of ag and construction equipment trimmed production closer to market demand and sought to rid their supply chains of excess inventory.

The construction sector dropped 12.7% but the 2.6% drop in revenues from the agriculture sector was more keenly felt because it typically accounts for almost three-quarters of group business. Production efficiencies, in-sourcing of some processes and supply chain initiatives introduced in previous years continued to help the unit improve operating profits.

Headline figures show the group as a whole experiencing a 7.4% drop in sales to €674 million ($732.4 million), with managers seeing little hope of that trend being reversed this year.

One-off restructuring costs of €27 million ($29.3 million), most of which were booked by Carraro's renewable energy systems unit, were offset by €37 million ($8.6 million) in one-off asset disposals. Nonetheless, the group made a net loss of €8.9 million ($9.67 million) on top of the €7.9 million ($8.6 million) loss recorded in 2014 and €1.29 million drop ($1.4 million) in 2013.

"The group was heavily involved in a restructuring process in 2015, which redefined our markets, set out a detailed road map for new product development and reviewed the organization of work and production sites," says Enrico Carraro, group chairman. "These activities, which will guide us in bringing the group back to profitability, have already strengthened the balance sheet and secured the essential support of the main financial institutions."

In October, the Carraro family's investment vehicle Finaid sold an 18% stake in Carraro Group to a new Brazilian investor and reached agreement for a possible capital injection this year. Riccardo Arduini, whose family has an automotive transmissions and axle components business in Brazil, has joined the Carraro Group board. AEI

Kubota to Double Ag Machinery Manufacturing Capacity in China

Despite the a slowdown in China's economy, Japanese farm equipment maker, Kubota, is betting that demand for ag machinery will remain strong well into the future.

According to a May 7 report in the *Nikkei Asian Review*, Kubota plans to double its current tractor production capacity to 10,000 units annually with the construction of a new manufacturing facility in Suzhou, China. With construction expected to commence this fall, the new 330,000 square-foot facility will cost an estimated $56 million. It's anticipated that production will begin in the fall of 2017.

Kubota also plans to increase production of combines for wheat and corn by 20% to 45,000 units annually. Reportedly, engines for the new farm equipment will come from the company's plants in China and Japan. The company will increase its Chinese dealer network to 1,200 locations from its current 900 stores by 2018.

"Through these efforts, the company hopes to raise Chinese farm machinery sales from the 70 billion yen projected for the current fiscal year ending December 31 to around 100 billion yen as soon as possible," says the *Nikkei* report.

"Kubota sees generous public subsidies propping up China's farm machinery market even as the economy slows. The government shoulders 20-30% of machinery costs as part of efforts to raise the standard of living in farming villages. With the government having indicated that it intends to continue the program for now, the industry estimates the market to more than double from the roughly 3 trillion yen in 2013 to about 7 trillion yen in 2023." AEI

Farm Lending Levels Remain Elevated in 1Q16

Demand for loans for ag equipment and other capital expenditures continued to decline in the first quarter of the year, the volume of large non-real estate farm loans continued to have a significant effect on changes in farm lending, according to the Federal Reserve Bank of Kansas City.

A report by Nathan Kauffman and Matt Clark of the KC Fed, reports that the pace of farm lending in the first quarter remained relatively brisk. Agricultural credit conditions deteriorated somewhat as repayment rates declined and delinquency rates picked up slightly alongside reduced farm income.

"Banks appeared to be taking proactive measures to reduce risk by increasing the amount of farm real estate used to collateralize large non-real estate loans and raising interest rates slightly. Though farmland values have remained relatively strong, a poor outlook for cashflow could continue to pressure a larger share of farm borrowers in the coming year, particularly those most highly leveraged," said the report's authors.

In the first quarter, loans larger than $100,000 accounted for 77% of the total volume of non-real estate farm loans, up from 72% in 2011 and 67% in 2006. "The increasing share of large loans could be due to persistently high input costs or farm expansion, but may also indicate producers have become increasingly dependent on financing amid tighter profit margins in the farm sector," Kauffman and Clark said.

Rising Rates. Interest rates on non-real estate farm loans also inched

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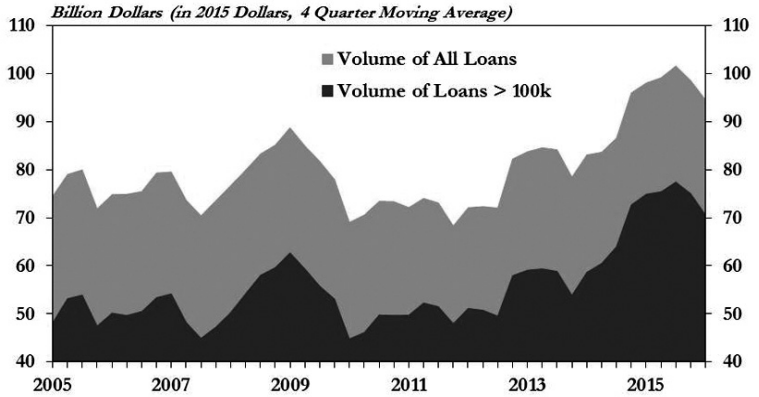
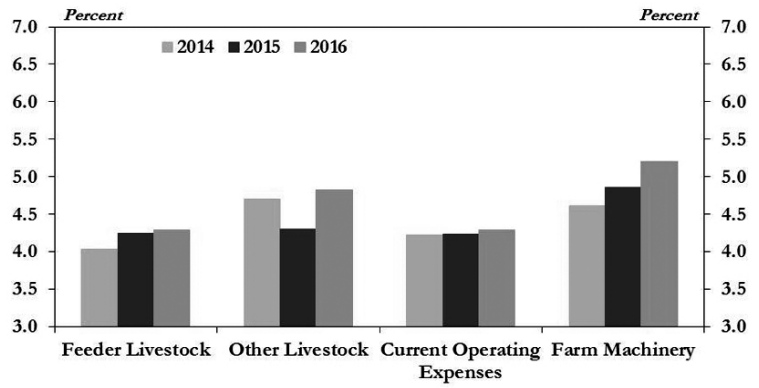
Volume of Non-Real Estate Farm Loans



In the first quarter, loans larger than $100,000 accounted for 77% of the total volume of non-real estate farm loans, up from 72% in 2011 and 67% in 2006.

Source: Agricultural Finance Databook, Table A-3

1Q Interest Rates on Non-Real Estate Farm Loans



Rates for operating expenses and feeder livestock that accounted for nearly 75% of non-real estate loan volume, increased slightly. Rates for other livestock and farm machinery increased 52 and 34 basis points, respectively. *Source: Agricultural Finance Databook, Table A-5*

Few Farm Borrowers Seen as 'High Risk'

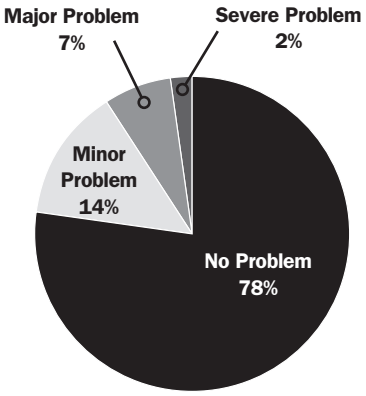
Amid ongoing weakness in commodity prices, Midwest and Mid-South farm income and quality farmland values continued to decline during the first quarter of 2016, according to the latest Agricultural Finance Monitor published by the Federal Reserve Bank of St. Louis (8th District) on May 12.

Despite this, bankers surveyed said very few of their borrowers presented major repayment problems.

The bankers were asked to indicate the percentage of the dollar amounts of their farm loan portfolios in each of four repayment classifications. The vast majority of loans, about 78%, were classified as having no significant repayment problems. About 14% were classified as having minor repayment problems, with issues that could be remedied fairly easily. Meanwhile, close to 7% were classified as having major repayment problems that would require more collateral and/or long-term workout arrangements. Only 2% were classified as having severe repayment problems that would likely result in loan losses and/or forced sales of real assets.

The bankers from the 8th District, which includes all or parts of the following seven Midwest and Mid-South states: Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee, were also asked to estimate the percentage of their customers who have borrowed up to their loan limit. On average, they indicated only 34% of customers had borrowed up to their limits.

8th District Farm Loan Repayment Concerns



Less than 10% of farm loans in the 8th district were rated as risky by bankers.

Source: Federal Reserve Bank of St. Louis

Ag Equipment Sales Continue to Struggle

North American large ag equipment sales continued to be weak in April, according to the latest numbers released by the Assn. of Equipment Manufacturers. Row-crop tractor sales were down 18.8% year-over-year, the smallest sales decline for the category in 10 months. "April 2016 marked the 27th month of large ag year-over-year declines with magnitude of decrease remaining significant (down 21% in total)," said Mircea (Mig) Dobre, analyst with Baird Equity Research, in a note to investors.

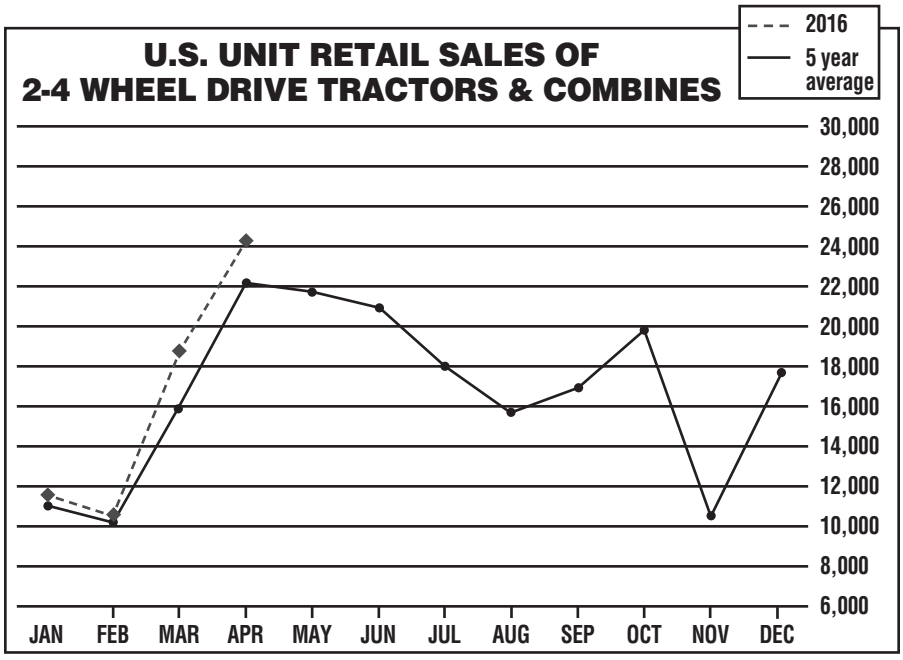
- U.S. and Canadian large tractor and combine sales dropped 21% year-over-year in April, up from the 28% decrease in March. U.S. sales were down 21%, while Canadian sales declined 22%.
- The decline in combine sales increased in April, posting a 30% year-over-year drop vs. down 25.5% the previous month. U.S. combine inventories were 37.8% lower year-over-year in March, compared to down 28.6% the month before. April is typically a slower-than-average month for combine sales, accounting for 7.2% of annual sales over the last 5 years.
- Row-crop tractor sales were down 18.8%, an improvement from the 24.7% decrease in March. U.S. row-crop inventories decreased 4.5% year-over-year in March vs. a 2.2% decrease the month prior. Typically, April is an above average month for row-crop tractor sales, accounting for 9.9% of annual sales over the last 5 years.
- 4WD tractor sales were down 21.6% year-over-year in April, an improvement from the 48.1% decline the month before. U.S. dealer inventories of 4WD tractors decreased 16.6% year-over-year in March. April is typically an above average month for 4WD tractor sales, accounting for 10.2% of annual sales over the last 5 years.
- Mid-range tractor sales dropped in April, down 13.8% year-over-year after a 7% increase the previous month. Compact tractor sales were up 6.6% year-over-year in April, down from the 28.4% increase the month before. AEI

APRIL U.S. UNIT RETAIL SALES

Equipment	April 2016	April 2015	Percent Change	YTD 2016	YTD 2015	Percent Change	March 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	16,569	15,368	7.8	39,829	33,775	17.9	83,034
40-100 HP	5,082	6,001	–15.3	16,853	17,407	–3.2	40,476
100 HP Plus	2,195	2,613	–16.0	6,559	9,120	–28.1	10,905
Total-2WD	23,846	23,982	–0.6	63,241	60,302	4.9	134,415
Total-4WD	240	268	–10.4	765	1,116	–31.5	800
Total Tractors	24,086	24,250	–0.7	64,006	61,418	4.2	135,215
Combines	318	583	–45.5	1,174	1,587	–26.0	867

APRIL CANADIAN UNIT RETAIL SALES

Equipment	April 2016	April 2015	Percent Change	YTD 2016	YTD 2015	Percent Change	March 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,144	1,256	–8.9	2,714	3,237	–16.2	10,669
40-100 HP	504	479	5.2	1,491	1,596	–6.6	4,651
100 HP Plus	353	523	–32.5	1,060	1,618	–34.5	2,422
Total-2WD	2,001	2,258	–11.4	5,265	6,451	–18.4	17,742
Total-4WD	97	162	–40.1	296	380	–22.1	331
Total Tractors	2,098	2,420	–13.3	5,561	6,831	–18.6	18,073
Combines	147	81	81.5	338	332	1.8	492



— Assn. of Equipment Manufacturers

Farm Lending Levels Remain Elevated in 1Q16...Continued from page 6

up in the first quarter, according to the report. "Rates for operating expenses and feeder livestock, which accounted for nearly 75% of non-real estate loan volume, increased slightly, but were similar to previous years. Interest rates for other livestock and farm machinery increased 52 and 34 basis points, respectively."

Some of the increase in interest rates can be attributed to the high percentage of variable interest rate loans (nearly 68%) reacting to minor market movements. However, some of the increase also may be attributed to banks' risk pricing methods on loans for depreciable intermediate assets in a lean farm economy, say the authors of the report.

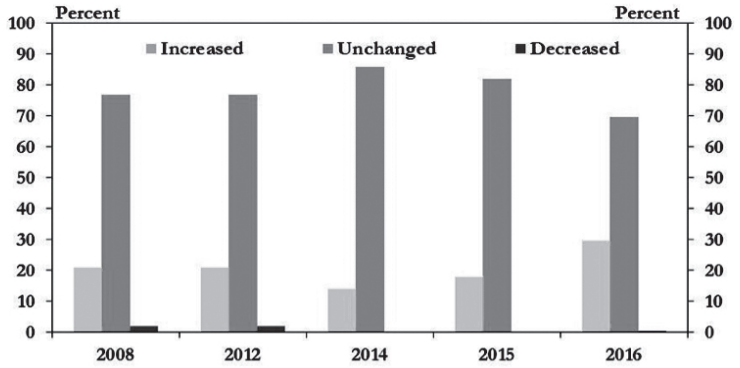
In response to perceptions of heightened risk, bankers raised collateral requirements in the first quarter. More than 30% of respondents — a significant increase from previous years — noted that collateral requirements rose in the first quarter.

Growing Concern. According to the KC Fed's Ag Credit Survey report that was released on May 12, the gradual tug of low farm income has pulled loan demand upward. "This most recent uptick in loan demand may be more concerning because it has coincided with a period of falling repayment rates, softening farmland values and increasing collateral requirements."

Despite lower repayment rates, delinquency rates on farm loans have remained low compared to historical standards and compared to delinquency rates on other types of loans outside of agriculture.

"However, marginal borrowers, particularly those with large capital debt and limited borrowing bases, could experience continued strains on liquidity. Moderating farmland values could also create additional concerns for lenders and borrowers, especially for those who have become more highly leveraged." AEI

Collateral Requirement Changes vs. One Year Ago



More than 30% of bankers in the Kansas City Fed survey — up significantly from a year ago — noted that collateral requirements for farm loans rose in the first quarter.

Source: Federal Reserve Bank of Kansas City

Alltech Acquires Irish Mobile Feeder Maker Keenan

Animal health and nutrition giant Alltech agreed to the acquisition of an Irish manufacturer of mobile feeders. Kentucky-headquartered Alltech finalized undisclosed terms with receivers at KPMG now managing the Richard Keenan & Son business, which was placed in administration by directors having become insolvent.

Keenan employs 222 staff, most of them at a factory in Ireland manufacturing paddle-type tractor-operated, truck-mounted and static diet mixer-feeders for beef and dairy production. The business has been built on comprehensive trials into feed composition, which resulted in the Mech-Fiber concept of forage-based feed preparation, and availability of nutrition advice to buyers of its machines.

It says the company has identified various growth opportunities in the on-farm performance arena and believes Keenan will offer further technological advancement for moving farmers toward greater efficiency and profitability, capitalizing on Alltech's global presence in more than 120 countries to exploit opportunities for growth and synergy. AEI

Worldwide Farm Equipment Sales Remain Sluggish...Continued from page 1

Index, a broad indicator of current conditions and future expectations, declined in April.

The April reading of –25 was down from –19 in March, down from –15 in February and down from –4 in January, but up slightly from –26 a year ago. Results of the survey indicate that 43% of participants now expect revenues to decline in the coming 6 months, compared to 34% last month.

Commentary in the CEMA report show that expectations have deteriorated in nearly all countries, and inventories are elevated in the key German market. Both tractors and harvesting equipment were cited as weak for both sales and orders. Overall, conditions have deteriorated rapidly in Europe since the start of the year, according to one analyst.

Following is a rundown of how ag machinery sales fared in 2015, as well as updates to equipment sales in other selected countries.

Continued on page 9

Worldwide Farm Equipment Sales Remain Sluggish...Continued from page 8

New Holland, Deere Maintain 2015 Market Share Lead in EU

New Holland and John Deere were the market leaders as the top selling farm tractor brands during 2015 in 11 of the 15 European union countries featured in the April 7 issue of the German publication *Eilbote*. John Deere is also among each country's top five best-selling brands, while New Holland is among the top five brands in every country except Germany.

New Holland had the top market share in five of the 15 countries, including Belgium, Denmark, Italy, Portugal and the Netherlands. John Deere was the leading brand in six countries, including Germany, Norway, Spain, France, Great Britain and Ireland. Valtra, an AGCO brand, had the top market share in Sweden and Finland. Steyr, a CNH brand based in Austria, had the top market share in Austria and Fendt held the top position for market share in Switzerland.

Overall, 2015 tractor sales declined by 3.4% in Europe (129,249 units in 2015 vs. 133,857 units in 2014). Switzerland, Spain, Italy and France showed positive results last year, with Switzerland leading the group with a 21.1% increase in unit sales year-over-year. Great Britain and Ireland, for which 2015 unit sales figures are not yet available, showed positive results in 2014.

Austria. Steyr led the market in unit sales of tractors in Austria with 20.5% of all unit sales. Fendt, ranking fifth in terms of market share in the country, was the only brand to show positive year-over-year unit sales in Austria, at up 28.7%. New Holland, ranking second in terms of market share, saw the biggest decline in unit sales at down 24.9% year-over-year.

Austria				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
Steyr	984	1,235	–20.3%	20.5%
New Holland	704	937	–24.9%	14.7%
Lindner	623	688	–9.4%	13.0%
John Deere	543	719	–24.5%	11.3%
Fendt	448	348	28.7%	9.3%
Source: Eilbote				

Belgium. Belgium is one of two countries in which all five top-selling tractor brands saw sales declines in 2015. Fendt, ranking number five for the country in terms of market share, saw the greatest declines in unit sales in Belgium at down 29.8% year-over-year. Fendt was the number two ranking brand for market share in Belgium in 2014 with 17.1% market share. In 2015, Fendt's market share in Belgium fell to 8.7%.

Belgium				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
New Holland	520	660	–21.2%	26.4%
John Deere	328	386	–15.0%	16.6%
Deutz	280	313	–10.5%	14.2%
Case IH	188	217	–13.4%	9.5%
Fendt	172	245	–29.8%	8.7%
Source: Eilbote				

Denmark. New Holland and John Deere, ranking numbers one and two in terms of market share in Denmark, saw the only unit sales increases of the top five brands for the country at up 12.8% and 16.6%, respectively. Massey Ferguson and Valtra each saw greater than 20% declines in unit sales in 2015.

Denmark				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
New Holland	413	366	12.8%	23.3%
John Deere	366	314	16.6%	20.7%
Case IH	272	284	–4.2%	15.4%
Massey Ferguson	197	247	–20.2%	11.1%
Valtra	140	189	–25.9%	7.9%
Source: Eilbote				

Finland. Valtra, holding the number one position in Finland in terms of market share, saw the only increase in unit sales of the top five brands in the country at up 0.8%. Valtra dominates the country in terms of market share, with 48.9% of the market. The other top five brands combined account for 37.9% of Finland's tractor market. John Deere, New Holland, Massey Fergus and Case IH, all saw unit sales declines of 14% or more in Finland in 2015.

Finland				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
Valtra	907	900	0.8%	48.9%
John Deere	235	275	–14.5%	12.7%
New Holland	207	265	–21.9%	11.2%
Massey Ferguson	163	217	–24.9%	8.8%
Case IH	97	122	–20.5%	5.2%
Source: Eilbote				

France. Claas, the number three brand for market share in France, saw the biggest increase in unit sales for the country at up 14.3% year-over-year. The brand's market share also increased from 10.9% in 2014 to 12.3% in 2015. John Deere, number one for market share in the coun-

France				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
John Deere	5,421	5,239	3.5%	18.8%
New Holland	4,613	4,784	–3.6%	16.0%
Claas	3,547	3,104	14.3%	12.3%
Massey Ferguson	3,143	3,189	–1.4%	10.9%
Fendt	2,999	3,075	–2.5%	10.4%
Source: Eilbote				

try, saw unit sales increase 3.5%. New Holland, Massey Ferguson and Fendt each saw unit sales declines of less than 4% year-over-year.

Germany. Germany was one of two countries in which all five top-selling tractor brands saw sales declines in 2015. Leading the group was Case IH/Steyr, ranked number 5 in terms of market share in the country, with unit sales down 28.4% year-over-year.The brand's market share in Germany fell from 10% in 2014 to 7.7% in 2015. Claas, which is new to Germany's list of top five brands in 2015, saw the smallest decline at down 0.6%.

Germany				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
John Deere	6,279	6,724	–6.6%	19.5%
Fendt	5,493	5,906	–7.0%	17.0%
Deutz-Fahr	3,236	3,336	–3.0%	10.0%
Claas	2,682	2,699	–0.6%	8.3%
Case IH/Steyr	2,469	3,449	–28.4%	7.7%
Source: Eilbote				

Great Britain. Unit sales figures for 2015 for Great Britain are unavailable. In 2014, John Deere led market share in the country with 29.5% of unit sales. Fendt, ranking number five in terms of market share, saw the largest increase in unit sales at up 7.5% from 2013.

Great Britain*				
Brand	Units		% Change '14 vs. '13	% Share 2014
	2014	2013		
John Deere	3,993	4,016	–0.6%	29.5%
New Holland	2,643	2,557	3.4%	19.5%
Massey Ferguson	1,621	1,586	2.2%	12.0%
Case IH/Steyr	1,251	1,248	0.2%	9.3%
Fendt	820	763	7.5%	6.1%
**2015 figures are not available at this time.*				*Source: Eilbote*

Ireland. Unit sales figures for 2015 for Ireland are unavailable. In 2014, each of the top three brands in the country in terms of market share, John Deere, New Holland and Massey Ferguson, experienced unit sales declines of almost 2% or more. Ranking number four and five in terms of market share, respectively, Case IH/Steyr and Claas both saw double-digit unit sales increases of 23.8% and 33% year-over-year.

Ireland*				
Brand	Units		% Change '14 vs. '13	% Share 2014
	2014	2013		
John Deere	368	380	–3.2%	19.0%
New Holland	365	372	–1.9%	18.8%
Massey Ferguson	311	317	–1.9%	16.0%
Case IH/Steyr	224	181	23.8%	11.6%
Claas	149	112	33.0%	7.7%
**2015 figures are not available at this time.*				*Source: Eilbote*

Italy. New Holland, number one in terms of market share in Italy, was the only brand of the top five in the country to experience a decline in unit sales at down 9.5% year-over-year. Landini, Same and Antonio Carraro, ranking two, three and five in terms of market share in Italy, were top-five brands unique to Italy in 2015. Each experienced unit sales increases for the year.

Italy				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
New Holland	4,127	4,562	–9.5%	22.4%
Landini	1,921	1,704	12.7%	10.4%
Same	1,749	1,687	3.7%	9.5%
John Deere	1,704	1,526	11.7%	9.2%
Ant. Carraro	1,512	1,314	15.1%	8.2%
Source: Eilbote				

The Netherlands. Unit sales figures for 2015 for the Netherlands are unavailable. In 2014, New Holland led market share in the country with 21.7%, followed closely by John Deere with 21.6% of unit sales. Massey Ferguson, ranking number five in terms of market share, experienced the biggest decrease in unit sales in the country at down 19.6% year-over-year.

Netherlands*				
Brand	Units		% Change '14 vs. '13	% Share 2014
	2014	2013		
New Holland	635	662	–4.1%	21.7%
John Deere	631	613	2.9%	21.6%
Fendt	438	421	4.0%	15.0%
Case IH/Steyr	319	321	–0.6%	10.9%
Massey Ferguson	230	286	–19.6%	7.9%
**2015 figures are not available at this time.*				*Source: Eilbote*

Norway. The top five brands in Norway saw both the biggest sales increase and the biggest sales decrease of any of the brands in the 12 countries reported on. John Deere, ranking number one in terms of market share in Norway, experienced the biggest increase in unit sales of any of the brands at up 49.7% year-over-year. New Holland, the number 4 brand in terms of market share, saw the biggest decrease in unit sales of any brand in any of the countries at down 32.9% from the year prior.

Norway				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
John Deere	883	590	49.7%	28.7%
Massey Ferguson	606	676	–10.4%	19.7%
Valtra	457	435	5.1%	14.9%
New Holland	329	490	–32.9%	10.7%
Fendt	237	198	19.7%	7.7%
Source: Eilbote				

Portugal. New Holland holds the top position for market share in Portugal, but experienced an 18.5% decrease in unit sales year-over-year. New Holland's market share in Portugal fell from 19% in 2014 to 15.7% in 2015. Each of the other top five brands in Portugal, which were Kubota, John Deere, Deutz-Fahr and Massey Ferguson, saw unit sales increases year-over-year.

Portugal				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
New Holland	732	898	–18.5%	15.7%
Kubota	613	589	4.1%	13.2%
John Deere	533	450	18.4%	11.5%
Deutz-Fahr	378	367	3.0%	8.1%
Massey Ferguson	254	234	8.5%	5.5%

Source: Eilbote

Spain. New Holland, ranking number two in terms of market share in Spain, saw the only unit sales decline in 2015 at down 0.3%. Kubota experienced the biggest unit sales increase for the country at up 24.1%. Kubota's market share in Spain increased from 7% in 2014 to 8.2% in 2015.

Spain				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
John Deere	2,661	2,590	2.7%	25.1%
New Holland	1,929	1,935	–0.3%	18.2%
Kubota	871	702	24.1%	8.2%
Case IH	786	764	2.9%	7.4%
Massey Ferguson	586	550	6.5%	5.5%

Source: Eilbote

Sweden. New Holland experienced the greatest declines in unit sales in Sweden at down 30.3% from the year prior while Massey Ferguson saw the biggest increases at up 13.6%. Valtra, which leads the country in terms of market share at 22.9%, experienced a 12.8% drop in unit sales year-over-year.

Sweden				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
Valtra	692	794	–12.8%	22.9%
John Deere	661	666	–0.8%	21.8%
Massey Ferguson	442	389	13.6	14.6%
New Holland	269	386	–30.3%	8.9%
Case IH	228	220	3.6%	7.5%

Source: Eilbote

Switzerland. Switzerland was the only country in which all five top-selling tractor brands saw sales increases in 2015. John Deere, ranking third in market share in Switzerland, saw the biggest increase in unit sales in the country at up 35% year-over-year. Fendt's market share in the country increased to 16.8% in 2015, surpassing New Holland as the country's number one brand.

Switzerland				
Brand	Units		% Change '15 vs. '14	% Share 2015
	2015	2014		
Fendt	427	331	29.0%	16.8%
New Holland	372	350	6.3%	14.7%
John Deere	370	274	35.0%	14.6%
Deutz-Fahr	278	230	20.9%	11.0%
Massey Ferguson	206	147	40.1%	8.1%

Source: Eilbote

EU Tractor Sales by Company vs. Brand

Looking at the unit sales of tractors in the 15 countries reported on in the April 7 issue of the German publication *Eilbote*, many of the brands represented in each country's top five brands in terms of market share are owned by the same companies. CNH Industrial brands include Case IH, Steyr and New Holland, while AGCO's brands include Massey Ferguson, Valtra and Fendt. Considering each country's market share by company, rather than brand, paints a slightly different picture of which companies are leaders in the various EU countries.

CNHI. When considering the combined market share of New Holland, Case IH and Steyr, all of which are CNHI brands, the company led market share in eight of the 15 countries reported on, including Austria, Belgium, Denmark, Spain, the Netherlands, Ireland, Italy and Portugal. Of the eight countries, the company's market share was highest in Denmark, where it led with 38.7% of unit sales in 2015.

AGCO. When combined, the market shares of AGCO brands Massey Ferguson, Valtra and Fendt, led five of the 15 countries, including Switzerland, Sweden, Norway, Finland and France. In Finland, AGCO brands accounted for 57.7% of the market share in the country, almost double the combined market shares of CNHI and John Deere.

John Deere. John Deere, with no additional brands in the company, led market share in two countries, Germany and Great Britain. The company narrowly led market share in Great Britain with 29.5% of unit sales, compared to CNHI's 28.8%. In Germany, John Deere accounted for 19.5% of unit sales, followed by AGCO with 17%.

Brazil's Strong Ag Performance Not Reflected in Equipment Sales

While agriculture was called "Brazil's one bright spot" last year in a *Wall Street Journal* report last month, it's apparent strength hasn't helped the sales of farm machinery.

According to the report, Brazil's economy declined by 3.8% in 2015, while its agriculture sector expanded by 1.8%. The country's overall gross domestic product is

Continued on page 12

expected to shrink another 3.7% this year, continuing its fastest pace of decline over the past 35 years.

"Our farms and ranches are what have kept our economy going during these bad years," said Edmilson Calegari, head of the Cooabriel coffee cooperative.

Nonetheless, any gains made by Brazilian farmers haven't been enough to stimulate the sales of farm machinery. According to the National Assn. of Vehicle Manufacturers – Brazil (ANFAVEA,) wholesale shipments of farm tractors were down 30% to 2,635 units in April 2016 vs. 3,798 a year earlier. Wholesale shipments of combines were down 40% year-over-year. On a year-to-date basis, total tractor shipments were down by 42% and combines sales fell by 20%.

Looking ahead, weather conditions have caused some analysts to reduce their forecast for corn and soybean harvest and resulted in a run up in corn and soybean prices. At present, many analysts don't believe this trend will hold and, in all likelihood, won't impact farmers' sentiments enough to stimulate equipment sales.

Brazilian Tractor & Combine Shipments — April 2016
(units)

	April 2015	April 2016	Y/Y % Change	M/M % Change	April 2015 YTD	April 2016 YTD	YTD % Change
Total Tractors	3,789	2,635	–30%	15%	13,633	7,927	–42%
Wheel Tractors	3,770	2,615	–31%	15%	13,504	7,871	–42%
Track-Type Tractors	19	20	5%	25%	129	56	–57%
Combines	196	117	–40%	–62%	1,365	1,090	–20%

Source: ANFAVEA

Russian HHP Tractor, Combine Sales Increase Sharply in March

Unit shipments of high horsepower (over 100 horsepower) tractors and combines in Russia's domestic market had their strongest showings to date in March 2016, with both equipment categories experiencing year-over-year increases of over 70% for the month.

Unit shipments of combines rose 71.1% year-over-year to 397 units in March. Year-to-date, Russian combine sales have increased by 81.8% to 949 units. Over 100 horsepower tractors also saw a year-over-year increase of 76.9% in March to 628 units and up 0.8% year-to-date.

Shipments of tractors under 40 horsepower fell 51.7% year-over-year in March to 448 units. Year-to-date, shipments dropped 43.2% to 1,347 units. Tractors in the 40-100 horsepower range saw unit shipments increase slightly by 0.8% year-over-year to 399 units, but fell year-to-date by 65.6%.

4WD tractor shipments fell 23.3% in March from the previous year to 89 units, but increased 27.7% year-to-date to 337 units.

Russia Tractor & Combine Shipments — March 2016

Equipment	March 2016	March 2015	% Change	YTD 2016	YTD 2015	% Change
2WD Farm Tractors						
<40 HP	448	928	–51.7%	1,347	2,373	–43.2%
40-100 HP	399	396	0.8%	1,081	3,144	–65.6%
100+ HP	628	355	76.9%	1,164	1,155	0.8%
Total 2WD Farm Tractors	1,475	1,679	–12.2%	3,592	6,672	–46.2%
4WD Farm Tractors	89	116	–23.3%	337	264	27.7%
Total Farm Tractors	1,564	1,795	–12.9%	3,929	6,936	–43.4%
SP Combines	397	232	71.1%	949	522	81.8%

Source: Rosagromasch

Tractor Sales Fall in Pakistan, Recover in India

Neighbors in the Middle East, Pakistan and India, have experienced very different levels of tractor sales so far in 2016. While the two countries may be close geographically, sales of tractors in the regions were nearly opposite from each other, with India's tractor sales benefiting from a favorable monsoon forecast.

Tractor sales fell 33.2% in Pakistan during the first 9 months of its current fiscal year (from July 2015 to March 2016), according to a recent article from *Daily Pakistan Global*. Year-over-year, sales of tractors have fallen from 33,181 units in 2014-15 to 22,169 units this year. Sales of Fiat tractors in the country decreased 36.8% to 7,947 units. Massey Ferguson also saw tractor sales decrease in Pakistan at down 32.2% to 13,534 units. Orient IMT Tractors, on the other hand, saw tractor sales increase 8.3% year-over-year.

The story was almost the opposite for Pakistan's neighbor to the south, India, where manufacturers experienced a recovery in tractor sales. *The Economic Times of India* reports, "Sales in the farm tractor segment, normally considered the barometer to measure customer sentiments in the rural markets, showed a sharp spike in April 2016." It goes on to say that sales of tractors have been spurred by improving farmer sentiments due to a favorable monsoon forecast for the country.

India's largest tractor manufacturer, Mahindra and Mahindra saw a 22% increase year-over-year in tractor sales in India in April. Escorts, another Indian equipment manufacturer, experienced a 10.3% increase in tractor sales to 4,000 units. Sonalika International Tractors also experienced growth in the country, with tractor sales up 7% over the same period last year.

Subrata Ray, senior group vice president at the ratings firm ICRABSE told *The Economic Times*, "We may see industry growth at 20% in April, but that is on account of a low base and some increased off-take on account of the improved sentiment for the monsoon." AEI