From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- **How Kongskilde Evolved**
- **Kubota's Ag Sales Flat**
- **Deutz Ups U.S. Presence**

Dealers Make Strides in Inventory Reduction Efforts, But Underlying Headwinds Persist

While supply and demand imbalances continue to plague many ag machinery dealers, the three publicly held North American farm equipment dealership groups are reporting progress in reducing their equipment backlogs. On the other hand, it has come at a price as dealers report that ongoing low used equipment values offer little or no profit margin.

At the same time, factors like lease returns and individual farmers selling their own equipment are coming into play, slowing dealers' efforts to put a meaningful dent in the ongoing overhang of equipment on their lots.

"The major driver of this current dip in used values lies mostly with the increasing number of machinery auctions featuring a lot more one or two used items that individual farmers have been selling to free up some cash," says Greg Peterson (Machinery Pete) in his Machinery Pete's Quarterly Used Values Index report for the third quarter 2016.

CVL's Ag Improves. Cervus Equipment Corp. (CVL), John Deere's largest dealership group in Western Canada, issued its earnings report on Nov. 9, which showed the company generated $10.5 million of net income for the third quarter of 2016 compared to $3.9 million for the same period in 2015. Income from operating activities was $16.1 million, an increase of $5.6 million from the third quarter of last year. All of the improvement came from Cervus' ag equipment segment, which rose by 3% during the period, while its transportation business was flat year-over-year and its commercial and industrial sales were down by 26%.

The company was also able to reduce its inventory by $62.7 million (18.6%) compared to Sept. 30, 2015.

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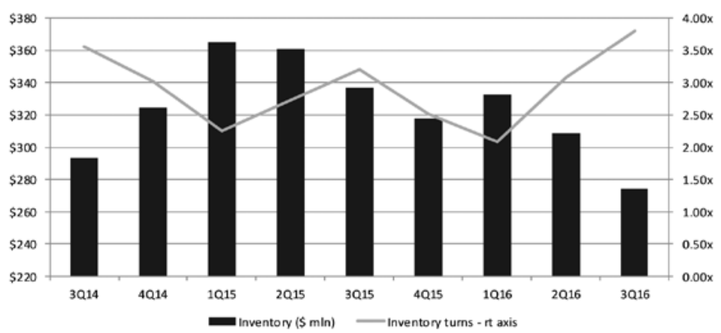
Cervus Equipment Corp. Inventory Turns



Cervus Equipment, like many of its peers, appears to be addressing the issue of excessive equipment backlogs with inventories falling to a 2 year low and turns rising to a 2 year high.

Note: Inventory turns = cogs (annualized)/average inventory

Source: Cervus Equipment Co., Raymond James Ltd.

Kongskilde Acquisition Fills Out New Holland's Product Lineup

New Holland Agriculture dealers will have access to a wider portfolio of hay tools, tillage machinery and forage feeders once CNH Industrial completes its acquisition of Kongskilde's product, brand and manufacturing assets.

The Danish manufacturer, whose grain handling and industrial conveying divisions are not included in the deal, produces grass mowers, tedders, rakes, tractor-powered forage choppers and a line of mobile cattle mixer-feeders in a newly refurbished factory in Poland.

The Kongskilde tillage line includes moldboard plows built in Sweden, powered tillage implements, grain drills, precision planters and rock collectors also built in Europe. Its large scale air seeders, tillage implements and fertilizer placement machinery is produced in the group's newly expanded North American plant in Hudson, Ill.

CNH Industrial CEO Richard Tobin said, "We are proud to welcome the well established products and brands of Kongskilde, Overum and JF into the CNH Industrial group. It is our intention to build upon the proud heritage of these brands and significantly increase their market access as part of our worldwide distribution network."

With the exception of the U.S.-built product lines, Kongskilde's portfolio mainly sells into markets within

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Worldwide Fall Off in Farm Tractor Sales 'Likely to Continue in 2017'

FederUnacoma, the Italian Agricultural Machinery Manufacturers Federation, expects the downturn in farm machinery sales experienced by most countries to move into 2017, according to a release issued on Nov. 8, prior to the start of the EIMA ag equipment exhibition in Bologna.

"The negative phase for agricultural equipment purchases is likely to continue also in 2017, and a recovery is only expected from 2018," said the association. "The setback involves many of the major countries, but does not affect the positive trends seen in some emerging markets that represent — after the emergence of India, China, Brazil and Turkey — the new frontier of agricultural mechanization."

According to data compiled by Agrievolution, through the first 9 months of 2016, the following countries and/or regions have experienced declining tractor sales:

- Europe –6%
- China –29%
- Brazil –17%
- Russia –19%
- Japan –24%

Countries where tractor sales increased during the first 3 quarters of the year included:

- India +17%
- Turkey +7%
- U.S. +3%

The report noted that, while overall unit sales in the U.S. were up, the increase was driven by compact units (under 40 horsepower). Sales of high horsepower tractors (over 100 horsepower) were down during the January through September period by 22%.

By the end of 2016, sales in India are expected to reach 600,000 tractors, China 400,000, U.S. 200,000 and Europe 160,000.

Growing Imports. The report notes that the downturn involves many of the major countries, but is not affecting "the positive trends seen in some emerging markets that represent the new frontier of agricultural mechanization." A survey sponsored by FederUnacoma and carried out by Nomisma on the trend of tractor import highlights how, regardless of the economic situation of agriculture globally, the demand for mechanization is rapidly proceeding in some new markets.

Massimo Goldoni, FederUnacoma chairman, said, during the 6 years from 2010-15, imports of tractors grew in 400% in Vietnam (valued at $124 million), 250% in Ethiopia and 240% in Kenya. "The most striking case is Cuba, which in 2015 alone saw an increase of imports by more than 800%," he said. As for other agricultural machinery and equipment, the Philippines and Cambodia are the countries with the highest growth rates of imports (+190% and +210% respectively), followed by Vietnam and Ethiopia (+128% and +117%). AEI

Harvest Specialist Grimme Names New Management Team

Grimme, a specialist in the harvesting and handling of non-combinable crops, has taken another step in its succession and future growth planning by appointing a new management team. Current group Managing Director Franz Grimme, who celebrated his 70th birthday earlier this year, is joined by newly appointed joint managing directors Franz-Bernd Kruthaup and Jens Walter, long-serving managers in the business.

Among management appointments at the division manufacturing potato and beet machinery, 28 year old engineer Christoph Grimme , son of Franz Grimme, is appointed "authorized officer" with responsibility for international production. He is also project manager for the new factory in China that Grimme Landmaschinenfabrik plans to open next year to exploit the country's substantial potato growing industry (*see Ag Equipment Intelligence, March 2016*).

"The changes give a clear signal for further growth and the expansion of the potato, beet and vegetable technology businesses of the Grimme Group," says Franz Grimme. "And I am delighted that my son Christoph has taken on management responsibility in the machinery manufacturing business."

The group founded in 1861 is now active in more than 110 countries around the world, realizing strong growth in recent years. It comprises 12 sales and service subsidiary companies, including Spudnik Equipment LLC, which is also a leading manufacturer of potato planters and harvesters at its Blackfoot, Idaho, facility.

Group company Internorm, which manufactures molded components, such as the star roller elements used on harvesters, grading lines and stone/clod separators, harvesters and grading lines, was set up from within the core business to attract OEM sales. Starting in 2017, Grimme's web manufacturing business in Germany will also operate as a separate company.

The Grimme Group also includes Danish vegetable harvesting equipment manufacturer ASA-LIFT (represented in the U.S. by Paul Miller Farms Inc., Hancock, Wis., and in Canada by Univerco (1978) Inc., Napierville, Que). AEI

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Europe and to Australia and New Zealand. The current dealer and importer network will remain unchanged for now, but the products will gradually be assimilated into the New Holland Agriculture range, says Carlo Lambro, New Holland brand president.

"The acquisition of the tillage, seeding and hay and forage activities of Kongskilde adds a key product range that will further broaden New Holland Agriculture's offering within the agricultural sector," he says. "This agreement will provide growth opportunities and create a strong platform to develop the Kongskilde business and its brands, and we will also gradually integrate their products into the New Holland portfolio."

Having grown through a number of acquisitions in the 1990s, Kongskilde Industries struggled to maintain profitability. DLG, a large farmer-owned cooperative in Denmark, took a controlling stake in the business in 2007 and sanctioned further acquisitions — including Illinois-based Progressive Farm Products in 2010.

A year later, DLG rescued JF-Stoll, another financially troubled Danish manufacturer, and merged its hay and feeder operations into Kongskilde Industries with a view to create a balanced product portfolio.

But the group continued to struggle and investments designed to streamline Kongskilde's assets and a new one-brand policy prepared the business for sale after a substantial loss at Kongskilde in 2013 caused DLG to miss its profit target and take a substantial financial hit in write-downs and restructuring expenses.

For the Danish cooperative, the deal with CNH Industrial removes a business that accounted for less than 1.5% of group sales but impacted group profits and occupied a great deal of management time.

For New Holland, it realizes an ambition to become a true full-liner in both Europe and North America, having been outbid by Kubota in 2012 for the Kverneland Group, which would have provided a similar range of products. **AEI**

How Kongskilde Industries Evolved

2007 — Danish farmer cooperative DLG takes a majority stake in Kongskilde Industries

2009 — Acquires precision seed drill maker Becker Landtechnik, Germany

2010 — Acquires Progressive Farm Products, Normal, Ill.

2011 — Acquires hay and forage products manufacturer JF-Stoll, Denmark

2013 — A "substantial loss" at Kongskilde means DLG fails to hit profit target

2014 — Investment program to streamline production in Europe and increase capacity for tillage products in the U.S.

2015 — JF-Stoll factory in Denmark closed with hay and feeder products moved to more modern plant in Poland; Kongskilde announces "single brand" strategy; DLG seeks a buyer for the business

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

MANUFACTURERS	Symbol	11/11/16 Price	10/12/16 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$52.29	$46.55	$53.74	$24.68	N/A	36,670	769.2M
AGCO	AGCO	$52.22	$52.00	$56.00	$42.40	26.95	805,588	4.24B
AgJunction Inc.	AJX	$0.58	$0.68	$0.74	$0.42	N/A	55,102	71.99M
Alamo	ALG	$72.93	$65.24	$68.04	$44.15	19.19	44,063	838.55M
Art's Way Mfg.	ARTW	$2.95	$2.95	$3.40	$2.46	N/A	2,134	11.95M
Buhler Industries	BUI	$4.69	$4.40	$6.00	$4.40	N/A	817	117.25M
Caterpillar	CAT	$93.01	$87.58	$94.88	$56.36	90.48	4,935,380	54.34B
CNH Industrial	CNHI	$7.94	$7.54	$7.94	$5.67	N/A	1,063,970	10.81B
Deere & Co.	DE	$91.10	$86.94	$91.10	$70.16	18.26	3,116,880	28.64B
Kubota	KUBTY	$76.53	$75.12	$86.30	$58.99	15.93	16.975	19.96B
Lindsay	LNN	$78.52	$69.30	$79.27	$62.99	42.29	97,335	829.24M
Raven Industries	RAVN	$24.95	$22.04	$25.47	$12.88	98.62	170,712	902.16M
Titan Int'l.	TWI	$11.55	$10.42	$11.55	$2.50	N/A	478,446	624.24M
Trimble Navigation	TRMB	$27.40	$28.22	$28.99	$17.08	58.30	1,386,440	6.83B
Valmont Industries	VMI	$138.85	$127.53	$145.94	$96.49	43.58	123,082	3.14B
RETAILERS								
Cervus Equipment	CVL	$15.35	$13.10	$15.50	$10.41	13.27	8.784	241.45M
Rocky Mountain Equipment	RME	$9.30	$9.48	$9.59	$5.50	14.20	32,197	180.27M
Titan Machinery	TITN	$10.76	$9.55	$13.29	$7.87	N/A	80,815	227.97M
Tractor Supply	TSCO	$71.10	$68.27	$97.25	$66.43	22.56	2,074,420	9.5B

"Importantly, internal fundamentals have also improved even though equipment demand has not," Ben Cherniavsky, analyst with Raymond James, said in a note. "A major issue that we have had with all dealers' stocks for several years now has been the inflated state of inventories. Restructuring efforts have affected reduced inventories, lower leverage, cost savings and higher margins. In our view, this repositions Cervus well for an eventual market recovery and/or future M&A activity."

Cherniavsky added Cervus, like many of its peers, finally appears to be addressing this issue, with inventories falling to a 2 year low and sales turns rising to a 2 year high. "While more work remains to be done on inventories, we believe much of 'the heavy lifting' is complete — that is assuming end market demand does not take another leg down."

Cervus Equipment 3Q16 Income Statement Summary
(C$ 000's)

	3Q16	3Q15	YoY%	9M16	9M15	YoY%
Revenue						
Equipment Sales	253,317	251,183	0.8%	612,268	642,215	–4.7%
Parts	56,942	57,324	–0.7%	152,292	157,254	–3.2%
Service	20,410	22,183	–8.0%	59,860	62,351	–4.0%
Rentals & Other	4,013	4,052	–1.0%	13,576	14,332	–5.3%
Total Revenue	334,682	334,742	0.0%	837,996	876,152	–4.4%
Cost of Goods Sold	277,111	279,464	–0.8%	693,419	721,306	–3.9%
Gross Profit	57,571	55,278	4.1%	144,577	154,846	–6.6%
Net Earnings (Loss)	10,544	3,910	169.7%	14,762	–31,254	147.2%
Segmented Analysis						
Revenues						
Agriculture	240,119	232,702	3.2%	559,641	557,461	0.4%
Transportation	74,114	73,674	0.6%	217,250	224,576	–3.3%
Commercial & Industrial	20,449	28,366	–27.9%	61,105	94,115	–35.1%
	334,682	334,742	0.0%	837,996	876,152	–4.4%

Source: Cervus Equipment, Raymond James Ltd.

RME's Solid Margins. Revenue-wise, Rocky Mountain Dealerships (RME) didn't have a particularly strong third quarter, declining 13%, or $33.3 million, to $222.6 million. Gross profit decreased by $3.2 million, or 7.9% to $36.9 million. New unit sales fell 14% year-over-year to $69 million, which was the lowest reported level since the second quarter of 2010.

Despite a rough quarter for sales, Rocky, Case IH's largest Canadian dealer, reduced its inventory by $49.2 million, or 9.9%, to $445.6 million, the lowest level since 2012. According to Cherniavsky, better than expected gross margins also helped offset some of Rocky's revenue shortfall.

"Encouragingly, new unit inventories declined about $50 million year-over-year, partially offset by an $8 million increase in used unit inventories. This helped generate strong free cashflow in the quarter (about $20 million), which was allocated to further debt reduction," said Cherniavsky. "Leverage remains relatively high but is going in the right direction.

"We do not expect a V-shaped recovery in equipment demand for 2017. In fact, we assume markets will remain challenging for some time as the industry continues to work through idle machine capacity and unstable commodity prices," the Raymond James analysis noted. "Nevertheless, we believe that Rocky has taken the necessary steps to pull through the trough (however long that takes) and come out the other side stronger."

Rocky Mountain Dealerships 3Q16 Income Statement Summary
(C$ 000s)

	3Q16	3Q15	YoY%	9M16	9M15	YoY%
Consolidated Sales						
New Units	69,173	80,432	–14%	260,946	287,573	–9%
Used Units	105,815	125,534	–16%	267,949	284,806	–6%
Parts	37,737	37,918	0%	88,393	86,895	2%
Service	8,707	10,711	–19%	24,005	27,151	–12%
Other	1,215	1,391	–13%	3,393	3,444	–1%
Total Sales	222,647	255,986	–13%	644,686	689,869	–7%
Cost of Goods Sold	185,786	215,944	–14%	545,395	585,426	–7%
Gross Profit	36,861	40,042	–8%	99,291	104,443	–5%
Net Income	6,632	4,352	52%	10,262	6,713	53%

Source: Rocky Mountain Equipment, Raymond James Ltd.

Titan's Progress. In an Oct. 17 note, Rick Nelson, analyst for Stephen's Inc., reported that Titan Machinery "has been making progress on its goal to reduce aged inventory. If Titan is successful with its plan to reduce inventory by $100 million in fiscal year 2017, the company will have reduced inventory by $450 million over the past 3 years. It is likely further reductions are coming, as the goal is to improve inventory turnover."

Based on his meeting with Titan Machinery CFO Mark Kalvoda, Nelson said that most of Titan's goal of reducing inventory by $100 million is planned for the second half of the year, especially the fourth quarter.

"In addition, the company took an inventory writedown in fourth quarter of 2016 and is marketing $74 million in aged inventory through alternate channels such as online and on-site auctions," said Nelson. "Per the fourth quarter earnings presentation,

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Dealers Make Strides in Inventory Reduction Efforts, But Underlying Headwinds Persist...Continued from page 4

the aged inventory was comprised of $36 million of ag equipment, $29 million of construction equipment and $9 million related to the exiting of Terex haul trucks. Categorized by new and used, $28 million is considered new equipment and $46 million is used equipment."

More Auctions. There's plenty of evidence to indicate that dealers will utilize whatever resources available to reduce equipment inventories, including auctions. Responses from dealers to *Ag Equipment Intelligence*'s 2017 Dealer Business Outlook & Trends survey indicates that farm equipment retailers have increasingly used auctions to expedite sales of used machines. In 2016, 48% of dealers said they used auctions to reduce inventories. This is up from less than 19% 2 years earlier in 2014.

Percentage of Farm Equipment Dealers Using Auctions

	Yes	No
2014	19%	81%
2015	43%	57%
2016	48%	52%

Source: Ag Equipment Intelligence's 2017 Dealer Business Outlook & Trends survey

Peterson sees this trend continuing into 2017. "We will definitely be seeing more farm auctions pushed and driven by tightening restrictions by ag lenders from now through spring 2017. More farm operations will downsize. More older farmers will decide to retire. And I think we will continue to see more farmers selling that one or two extra pieces of used equipment to help free up some additional cash (to keep their ag lender happy) from now through spring 2017."

Lease Returns. He also expects that lease returns will be a major headwind to dealers' efforts to get used inventories down to manageable levels. Calling this "the monkey wrench" in the industry's attempts to get rid of excessive backlogs, Peterson said, it makes it particularly difficult to get a handle on when used inventories return to profitable levels.

"The first wave of off-lease returns is now washing up on shore with John Deere Financial and CNH Credit. I do like how initially it appears as though the effort to move this excess is focused on the dealer network. It's being pushed back through dealers and have them situationally make money selling this used equipment to their customers," Peterson said, but added, "Not all dealers are able to play here."

It's an adjustment that was needed, he said, "to take the foot off the gas a bit."

How and when it all folds out will be largely dependent upon the major equipment makers, according to Peterson. "Going forward, what will be the driving motivation for John Deere Financial and CNH Credit? Will it be to maximize return on selling off lease inventory? What timelines will they use — move it fast or hold it? It certainly bears watching as obviously the implications for the used market are huge." AEI

Deutz to Establish U.S. Service Centers for Small and Mid-Size OEM Ag Engines

Diesel engine maker Deutz intends to get closer to small and mid-size original equipment manufacturers by opening sales, parts and service centers in strategic locations within the U.S. It also plans to regain its position in the market for top-end ag power units through a new engine supply alliance.

The local support initiative by the German manufacturer's U.S. arm, Deutz Corp., based at Norcross, Ga., is intended to provide more responsive service and parts support to small and mid-size OEMs while also offering to design, engineer and manufacture power packages in order to increase sales of engines.

"A Deutz Service Center will provide regularly scheduled maintenance and emergency service of Deutz engines at our shop location or at the customer's site via our traveling service technicians and service trucks," explains Robert Mann, president and CEO. "It will also sell genuine Deutz parts and fluids to our customers, dealers and qualified OEM dealers, and new engines powered by diesel fuel or natural gas, as well as Deutz Xchange remanufactured engines."

Dave Combs, vice president of distribution, added, "Manufacturers can also receive custom engineering services from their local Power Centers, giving them faster access to the best possible Deutz solutions for their engine specification and configuration needs. They will also offer custom value-added production and assembly services, if necessary, shipping engine inventory on a just-in-time basis to our OEMs, who can then install those engines directly upon receipt."

The first Deutz Power Center has opened for business with a staff of 17 in North Kansas City, Mo., to support manufacturers across the Midwest. Another two are scheduled to open in the St. Louis and Chicago areas. Deutz may also choose to open additional centers in other regions of the U.S. if customer and OEM demand dictate.

Although the Deutz ag equipment engine range spans 43-700 horsepower in 3-8 cylinder configurations up to 16 liters displacement, the manufacturer has been losing market share in the heavy harvester sector as power demand and engine size continues to increase.

MTU, a Rolls-Royce Power Systems business, is a major player in this sector with MTU and Mercedes-Benz branded agricultural power units, which are based on Daimler commercial vehicle engines. Caterpillar is another top-end power unit supplier, with German truck, bus and engine maker MAN making inroads.

Deutz is negotiating a pact with Switzerland-based construction machinery firm Liebherr for rights to distribute its 270-940 horsepower engines as a means of expanding the Deutz portfolio while also promoting increased OEM sales of Liebherr diesels. AEI

Comer Industries Expansion Aims for Growth in Ag Gearboxes, Drive Shafts

Power transmission specialist Comer Industries is embarking on an ambitious growth plan that managers led by Fabio Storchi, president and CEO, expect to deliver significantly increased sales and improved profitability over the next 4 years. The company's "Strategic Plan 2017-2020" will build on recent investments in new product lines and more efficient manufacturing facilities.

Comer is a major supplier of drive shafts and gearboxes to agricultural equipment and vehicle OEMs building hay and forage harvesting machinery, irrigation equipment and mixer-feeders.

"In the period 2014-16, Comer Industries made record investments of over €70 million ($76 million) for new production facilities, new products and new technologies," points out Storchi. "Our commitment to innovation aims to increase company flexibility and efficiency, to ensure customers the provision of competitive and excellent engineering solutions for power transmission."

The group's new powertrain range of rigid and steering axles and hydrostatic drives broadens the scope of its customer base, with full driveline solutions for self-propelled mixer-feeders, wheeled loaders, telescopic handlers and similar equipment for both construction and agricultural applications.

OEMs in the farm equipment sector, such as AGCO, CNH Industrial, Claas, Deere and a host of specialized baler, hay tool and feeder manufacturers, account for more than two-thirds of sales, with business secured by Comer Industries Inc., Charlotte, N.C., in the north and central regions of America accounting for 35% of sales.

The current downturn in demand for ag machinery saw Comer's group sales drop to €327.6 million ($355 million) in 2015. That represents a 5.6% decrease — but less than the market average, says Comer — from the record €361 million ($392 million) achieved in 2014, which was a more than healthy 6.2% increase on the year prior.

Managers expect a further drop this year as farm equipment sales remain sluggish, but the group is prepared for an upturn and future growth with two new factories and a new high-tech axle assembly line.

The new agricultural gearbox plant, costing more than €12 million ($13 million), replaced the original facility badly damaged by an earthquake in 2012. Its 40 assembly lines handle 323 product families and have the potential to produce 450,000 gearboxes a year, 60 % more than the old plant.

Earlier this year, Comer opened a new axle assembly facility in India, initially producing axles from the powertrain line for construction machinery but with agricultural vehicle axles likely to be added for OEMs in the country and across Asia.

At Comer's planetary drives and axles unit in Italy, a new highly-automated line for 128 Series axles follows the Industry 4.0 digitization concept, which mirrors the use by farmers of telematics data collection and remote monitoring of agricultural equipment for improved management, but applied to machine tools and assembly processes. **AEI**

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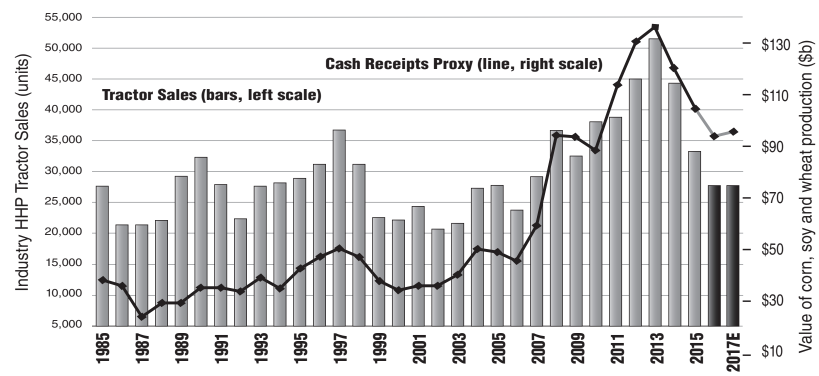
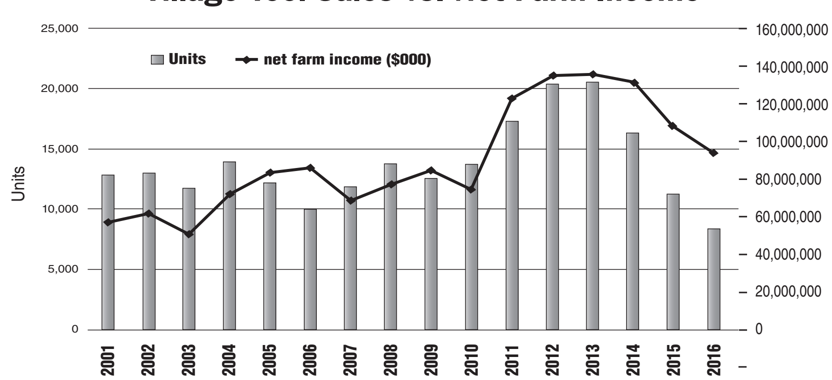
Ag Equipment Sales: Follow the Money

U.S. HHP Tractor Sales vs. Cash Receipts



Source: USDA, Cleveland Research Co. estimates

Tillage Tool Sales vs. Net Farm Income



Source: AGCO Corp.

The top chart regularly shows up in AEI's monthly Dealer Sentiments & Business Conditions Update report. It illustrates how closely the sales of high horsepower tractors has correlated with ag cash receipts since 2007. At the recent Farm Equipment Manufacturers Assn. convention, Darren Goebel, AGCO's manager of seeding and tillage, showed a similar chart illustrating how tillage sales follow net farm income. This comparison shows that, regardless of the equipment type, or financial metric, sales of farm machinery always follows the money. **AEI**

4WD Sales Surge During October

While North American retail sales of ag equipment were weak overall in October, 4WD sales were strong in both the U.S. and Canada, according to the latest numbers released by the Assn. of Equipment Manufacturers. During the month, 4WD sales increased 18.8% year-over-year, while combine sales decreased 27.3%. Mircea (Mig) Dobre, senior research analyst with Baird, notes this was only the third positive month for 4WD tractor sales since 2013 (December 2015 +0.6%, January 2016 +10%). October 2016 marked the 33rd month of large ag year-over-year declines (October 2015 and October 2014 down 31% and 25%, respectively).

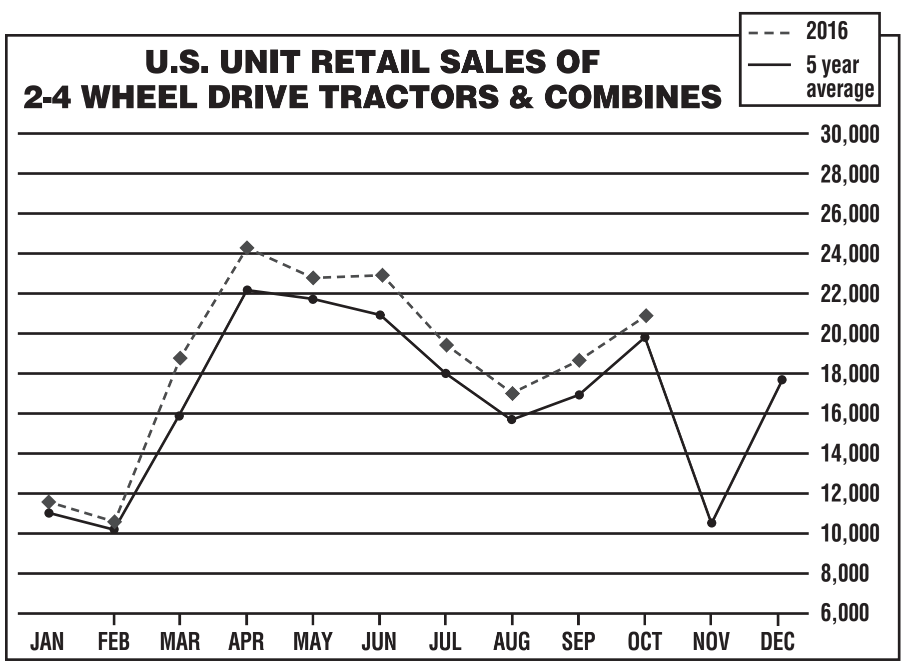
- U.S. and Canada large tractor and combine retail sales decreased 15% year-over-year in October, down from the 14% decrease in September. U.S. sales were down 19% year-over-year, while Canadian sales were flat.
- 4WD tractor sales increased 18.8% year-over-year in October vs. an 18.5% decrease in September (U.S. +19.7%, Canada +16.1%). U.S. dealer inventories of 4WD tractors decreased 20.8% year-over-year in September. October is typically an above-average month for 4WD tractor sales, accounting for 14.3% of annual sales over the last 5 years.
- Combine sales were slightly worse, posting a 27.3% year-over-year decrease in October following September's drop of 26.5%. U.S. combine inventories were 34.4% lower year-over-year in September vs. down 25.8% the previous month. October is typically an above-average month for combine sales, accounting for 12.6% of annual sales over the last 5 years.
- Row-crop tractor sales posted a 16.7% year-over-year decline, worse than the 8.6% decrease in September. U.S. row-crop tractor inventories decreased 0.2% year-over-year in September vs. a 2.9% increase in August.
- Mid-range tractor sales increased slightly in October, up 0.4% year-over-year after a 2.7% increase last month. Compact tractor sales increased 7.4% year-over-year. **AEI**

OCTOBER U.S. UNIT RETAIL SALES

Equipment	October 2016	October 2015	Percent Change	YTD 2016	YTD 2015	Percent Change	September 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	12,322	11,484	7.3	117,473	105,655	11.2	69,474
40-100 HP	5,770	5,866	–1.6	48,487	50,554	–4.1	36,224
100 HP Plus	2,139	2,718	–21.3	16,133	20,817	–22.5	10,202
Total-2WD	20,231	20,068	0.8	182,093	177,026	2.9	115,900
Total-4WD	468	391	19.7	1,935	2,560	–22.4	830
Total Tractors	20,699	20,459	1.2	184,028	179,586	2.5	116,730
Combines	299	459	–34.9	3,344	4,486	–25.5	917

OCTOBER CANADIAN UNIT RETAIL SALES

Equipment	October 2016	October 2015	Percent Change	YTD 2016	YTD 2015	Percent Change	September 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,528	1,413	8.1	9,905	11,125	–11.0	8,964
40-100 HP	1,049	926	13.3	4,564	4,842	–5.7	4,783
100 HP Plus	583	548	6.4	3,104	3,764	–17.5	2,469
Total-2WD	3,160	2,887	9.5	17,573	19,731	–10.9	16,216
Total-4WD	144	124	16.1	664	694	–4.3	273
Total Tractors	3,304	3,011	9.7	18,237	20,425	–10.7	16,489
Combines	280	337	–16.9	1,441	1,609	–10.4	511



— Assn. of Equipment Manufacturers

Kubota's Farm Equipment Revenues Nearly Flat in 3Q16

For the third quarter of 2016, Kubota's total revenues were $3.56 billion, a drop of about 4% compared to the same period of 2015. Revenues from the Farm Equipment & Engines division were $2.42 billion, nearly flat compared to the $2.49 billion of revenues for the third quarter the previous year. Year-to-date, Kubota's revenues for the division were $7.1 billion vs. $7.55 billion at this point last year, a decline of 5.9%.

Overseas revenues for the first 9 months for the Farm & Industrial Machinery division, were down 5.9%, which Kubota attributes to the effect of yen appreciation. Sales of construction machinery, combines and rice transplanters rose during this period, the company says. North American sales for the third quarter were $1.07 billion vs. $1.08 billion in the third quarter 2015. Asia outside of Japan was the only region to see revenue growth during the third quarter at $772.1 million vs. $695.4 million last year, while European sales were down 12.8% and "other areas" were down 19.4%. Domestically, sales within Japan were down 8.8%.

Kubota Corp. — 9 Month 2016 Revenue by Product Segment
(millions U.S.$)*

	9 Months Jan. 1, 2016 – Sept. 30, 2016		9 Months Jan. 1, 2015 – Sept. 30, 2015	
Farm Equipment and Engines	$7,098.44	65.2%	$7,554.44	65.3%
Domestic	$1,610.47		$1,664.68	
Overseas	$5,487.97		$5,889.76	
Construction Machinery	$1,443.35	13.3%	$1,414.54	12.2%
Domestic	$207.21		$301.82	
Overseas	$1,236.13		$1,112.72	
Electronic Equipped Machinery	$186.19	1.7%	$212.34	1.8%
Domestic	$176.50		$200.65	
Overseas	$9.69		$11.75	
Total	**$8,730.55**	**80.2%**	**$9,184.03**	**79.3%**
Domestic	$1,994.77	18.4%	$2,167.74	18.7%
Overseas	$6,735.78	61.8%	$7,016.29	60.6%
Other Markets	$2,163.24	19.8%	$2,391.59	20.7%
Domestic	$1,817.54	16.6%	$1,882.24	16.3%
Overseas	$348.92	3.2%	$509.36	4.4%

*Source: Kubota Corp. *Converted from yen at exchange rate of 0.0092 as of 11/14/16*

Kubota Corp. — Regional Revenues 3Q16
(millions U.S.$)*

	3 Months July 1 – Sept. 30, 2016	3 Months July 1 – Sept. 30, 2015
Japan	$1,207.31	$1,324.20
North America	$1,068.81	$1,084.66
Europe	$346.96	$398.32
Asia outside Japan	$772.12	$695.39
Other areas	$157.19	$194.98
Total	**$3,552.40**	**$3,697.56**

*Source: Kubota Corp. *Converted from yen at exchange rate of 0.0092 as of 11/14/16*

2016 Outlook. The company revised its forecasts for revenues for the year ending Dec. 31, 2016, downward to $14.7 billion, a decrease of $551 million from the previous forecast in August. In Farm & Industrial Machinery, Kubota says domestic revenues are forecast to decrease since the agriculture machinery market has continued to stagnate due to the adverse reaction to the front-loaded demand caused by the strengthening of emission regulations last year. Overseas revenues are also forecast to decrease because sales growth in North America is anticipated to be lower than expected.

Full-Line Progress. Earlier this year, Kubota continued on its path toward becoming a true full-line farm equipment manufacturer with its acquisition of Great Plains. The addition of Great Plains' implement lineup and strength in North America complements Kubota's acquisition of Kverneland in May 2012, which has a strong presence in Western Europe.

During its dealer meeting earlier this year, Great Plains introduced 14 new products, including new vertical tillage tools, stack-fold planters, five section chisel plows, field cultivator air drills, rotary cutters and compact seeders. Many of these implements, and others offered by Great Plains, require a higher horsepower tractor than Kubota currently offers. The M7 series, with models ranging from 130-170 horsepower, offers the highest power in its lineup. Masato Yoshikawa, president and CEO of Kubota Tractor Corp., told *Ag Equipment Intelligence* in July that they are going to study the 170 horsepower tractors they introduced to ensure the Kubota solution is better than others. "Otherwise, we're just moving up in horsepower," he said.

On the company's approach to dealers, Todd Stucke, Kubota's vice president of sales and marketing, said this summer, "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