From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- **RME: Strong 2Q Sales**
- **MacDon in Europe**
- **Russian Ag Sales Up**

Can Ethanol Pump Up Commodity Prices & Get Farmers Spending Again?

Most ag prognosticators agree that it would take a significant disruption to crop supplies to impact the prices of the major crops (corn, soybeans, wheat). With nearly all of the 2017 harvest in the bin, it's readily apparent that this did not happen.

In fact, the national average per-acre corn yield is expected to come in at a record 175.4 bushels. The Illinois Corn Growers Assn. is reporting that this year's state yield is approaching 198 bushels per acre, second only to the 2014 production of 200 bushels per acre.

The Nov. 9 World Agricultural Supply and Demand Estimates was considered a negative for corn prices. In his analysis of the report, Michael Shlisky, analyst with Seaport Global Securities, told investors, "Using this month's WASDE numbers, we now project 2017-18 U.S. major crop cash receipts of $96.852 billion, down 5% year-over-year (from down 6% last month). On a calendar-year basis, our model suggests that overall cash receipts (major crops, other crops and livestock) will increase 3% in CY2017, but remain flat in CY2018.

"Crop prices and ag equipment stocks reacted negatively to these U.S. crop headlines, as well as increased world ending stocks for both corn and soybeans. In our view, the all-time record yields for corn were a real surprise to the market. It underscores that negative headlines surrounding crop prices remain a risk into next year and points to only a moderate recovery for U.S. tractor and combine markets at best," says Shlisky.

Ethanol Exports. One market that could hold some potential for increasing demand for corn and potentially help boost its price, as well as ag equipment sale, is ethanol exports. This budding market is covered in the report, "Global Ethanol Mandates: Opportunities for U.S. Exports of Ethanol and DDGS," released last month by USDA's Economic Research Service.

From 2001-16, global ethanol production grew 400%, from 5 billion gallons to almost 27 billion gallons. Historically, the U.S., Brazil and the European Union (EU) were the world's major ethanol markets.

"Prior to 2001, only Brazil and Paraguay had ethanol mandates. Since then, the number of countries with ethanol mandates has grown considerably as governments adopt the policies to promote energy independence and for other economic and

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After Strong 9 Months of Sales, Kubota Ups Full-Year Outlook

Stronger than expected sales of agricultural and light construction machinery was the basis for managers at Kubota to increase their forecast for year-end revenues.

With the Farm & Industrial Machinery division recording a 10% upturn in revenues for the 9 months to the end of September, Kubota executives now expect a full year figure equivalent to almost $15 billion, up $176 million or just over 1% on previous forecasts.

In North America, sales of compact tractors, construction machinery and engines grew due to expanded demand, in addition to the positive effect from favorable exchange rates and the contribution from Salina, Kan.-based Great Plains, which was acquired in 2016.

Short and long term finance receivables increased due to the expansion in sales financing operations in North America, where retail sales were strong, notes Kubota. Trade notes and accounts receivable decreased because of the inventory control by dealers in the U.S.

Increased sales in Europe also contributed to a near 12% increase in overseas revenues over the period, with the Kverneland Group implements business doing better as it supplies an increasing number of machines to Kubota dealers, as well as its Vicon and Kverneland independents.

China contributed a significant increase in revenues due to better sales of rice transplanters, construction machinery and engines, which more than offset slowing demand for combines.

In Japan, sales of tractors and imple-

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Kubota Corp. Farm & Industrial Machinery Sales — 3 & 9 Months 2017						
(millions $)	3 months ended Sept. 30, 2017	3 months ended Sept. 30, 2016	% Change	9 months ended Sept. 30, 2017	9 months ended Sept. 30, 2016	% Change
Farm Equipment and Engines	2,497,040	2,312,711	8.0	7,401,823	6,785,504	9.1
Domestic	551,705	522,539	5.6	1,615,048	1,539,474	4.9
Overseas	1,945,293	1,790,272	8.7	5,786,530	5,245,378	10.3
Construction Machinery	522,431	407,138	28.3	1,605,717	1,379,546	16.4
Domestic	75,363	63,904	18.0	201,940	198,055	2.0
Overseas	447,082	343,167	30.3	1,403,771	1,181,656	18.8
Electronic Equipped Machinery	58,119	60,560	(4.0)	171,005	177,982	(3.9)
Domestic	55	57,137	(2.9)	161,041	168,720	(4.5)
Overseas	3,032	3,816	(20.6)	9,964	9,261	7.6
Farm & Industrial Machinery	3,077,566	2,779,666	10.7	9,177,245	8,342,597	10.0
Domestic	682,270	643,022	6.1	1,978,049	1,906,262	3.8
Overseas	2,396,021	2,136,643	12.1	7,200,198	6,436,902	11.9
Source: Company reports						

ments, engines and other equipment in the division's portfolio increased 3.8%, thanks to recovering sales of tractors previously held back by the strengthening of emissions regulations.

Overall, the farming-related division accounted for 82% of Kubota group revenues in the 9 month period. For 3 months ended Sept. 30, sales of farm equipment and engines were up 8%. Domestic sales rose 5.6%, while overseas sales increased by 8.7%.

U.S. sales for the quarter were $991 million. **AEI**

Kubota Corp. Farm & Industrial Machinery Outlook — Full Year 2017			
(millions $)	Year ending Dec. 31, 2017	Year ending Dec. 31, 2016	% Change
Domestic	2,590,430	2,480,470	+4.4
Overseas	9,612,773	8,728,839	+10.1
Farm & Industrial Machinery	12,204,090	11,209,073	+8.9
Source: Company reports			

New Holland Goes 'Long-Line' in Europe & Australia

CNH Industrial's New Holland operations in Europe will start distributing hay and tillage tools through its dealers there and in Australia in the first half of 2018 as it capitalizes on the February 2017 acquisition of the Kongskilde agricultural equipment division.

New Holland previewed some of the implements in its own colors at this week's Agritechnica show in Germany, including mowers in New Holland harvest yellow and a moldboard plow in New Holland blue.

Carlo Lambro, brand president at New Holland Agriculture, emphasized that the Kongskilde Agriculture business will continue to distribute the products through existing channels as well. "At New Holland, we provide all-round agricultural solutions to maximize the efficiency and productivity of our customers," he said. "Agricultural implements must be perfectly integrated with the product they are fitted to — and this is what we are doing by combining our technological excellence with specific expertise from Kongskilde.

"Kongskilde is a pioneer in the field that has the know-how we needed to develop a best-in-class implement portfolio," he added. "This new global platform will provide growth opportunities for both our brands."

Mowers, tedders and rakes from the Kongskilde factory in Poland will complement existing New Holland big square and round balers, while the plows made in Sweden and cultivators will take New Holland into a new sector in Europe.

Both lines will have New Holland product specialists supporting dealers, all of whom will already be carrying hay and tillage brands from independent manufacturers. **AEI**

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Japan's Yanmar, India's ITL Team Up to Develop 'Next Generation' of Tractors

Looking for opportunities to expand its global agriculture market, Japanese firm Yanmar Holdings Co. is partnering with Punjab-based tractor maker International Tractors Ltd. (ITL) to launch a new line of tractors. Calling the new line the "next generation tractors," ITL and Yanmar will be producing these tractors for international markets and for sales in India.

ITL currently manufactures and sells tractors under the brand name of Sonalika and caters to export markets with its wholly owned brand, Solis.

ITL's executive director, Raman Mittal, said the next generation tractors will be manufactured at the company's plant in Hoshiarpur and will be equipped with engines complying with future emission standards. "We have developed 5 new tractors with Yanmar collaboration since they invested [in ITL] in March this year."

"Apart from investing, Yanmar has also shared human resources and close to 15 Japanese are working at our Hoshiarpur plant that looks after global tractor production."

In a published statement, a Yanmar board member, who head's the company's India agribusiness unit, said that the move to partner with ITL was a growth strategy to expand its presence globally. It will also help expand Yanmar's reach into India, which is now focusing on farm mechanization for increased production.

Mittal said that the new tractors, which will be developed jointly, would be for markets in the U.S., Europe and Thailand.

Yanmar made initial investments in ITL in 2005 and has also provided technical guidance during this time. More recently, the company increased its stake in ITL to 30% from 12.5% through its purchase of ITL shares owned by U.S. investment fund Blackstone Group L.P.

ITL has also started up its integrated tractor manufacturing unit at the plant with an investment of $122 million. Total production capacity at the facility is 300,000 units annually ranging from 20-120 horsepower. Apart from this, Mittal said that the company would invest $7.8 million annually for the next 5-7 years on technological upgrades to the new plant.

ITL, which exports to more than 80 countries, set a record by producing more than 50,000 tractors in India and abroad in the first half of 2017-18 financial year (April-Sept. 2017).

Yanmar has increased its agricultural reach recently by forming a remote sensing joint venture with Konica Minolta called FarmEye. The company said mechanizing Japanese farming is critical as the country's ag workforce has decreased by nearly 40% in the past 10 years. **AEI**

FARM MACHINERY TICKER (AS OF 11/10/17)

MANUFACTURERS	Symbol	11/10/17 Price	10/11/17 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$49.92	$51.83	$60.26	$47.08	27.29	45,920	805.06M
AGCO	AGCO	$67.97	$74.72	$75.58	$51.29	29.72	578,720	5.41B
AgJunction Inc.	AJX	$0.51	$0.50	$0.67	$0.44	N/A	26,290	63.38M
Alamo	ALG	$112.08	$108.94	$114.57	$70.53	28.81	54,090	1.30B
Art's Way Mfg.	ARTW	$2.55	$2.35	$4.70	$2.00	N/A	10,260	10.60M
Buhler Industries	BUI	$4.60	$4.33	$5.00	$4.14	85.19	235	115.00M
Caterpillar	CAT	$136.48	$128.60	$140.44	$90.34	762.46	3,430,000	81.20B
CNH Industrial	CNHI	$12.85	$11.99	$13.37	$7.84	41.45	1,200,000	17.52B
Deere & Co.	DE	$132.23	$127.77	$136.69	$89.69	21.96	2,380,000	42.49B
Kubota	KUBTY	$86.96	$91.31	$94.43	$70.24	17.51	9,750	21.99B
Lindsay	LNN	$88.79	$91.65	$95.04	$72.85	40.92	75,760	949.79M
Raven Industries	RAVN	$32.50	$33.25	$37.40	$23.65	38.64	155,720	1.18B
Titan Int'l.	TWI	$11.03	$9.92	$14.23	$7.97	N/A	281,290	658.50M
Trimble Navigation	TRMB	$40.37	$40.59	$43.97	$26.88	58.51	980,210	10.22B
Valmont Industries	VMI	$158.45	$159.25	$165.20	$135.75	19.63	102,060	3.58B
RETAILERS								
Cervus Equipment	CERV	$14.97	$14.30	$16.52	$10.98	9.44	12,880	233.43M
Rocky Mountain Equipment	RME	$12.39	$10.98	$12.49	$8.83	14.39	23,370	240.17M
Titan Machinery	TITN	$14.14	$15.62	$19.22	$10.23	N/A	137,380	301.60M
Tractor Supply	TSCO	$62.67	$53.19	$78.25	$49.87	18.94	2,170,000	7.94B

environmental reasons. By 2016, the United States, Brazil, the 28 countries in the European Union and 26 other countries had ethanol mandates," say the authors of the report.

"Most recently, some African countries have instituted ethanol blending mandates, ranging from 2% in South Africa to 15% in Zimbabwe. Additional countries have ethanol blending targets, while others use ethanol without an official requirement."

The growing importance of other countries in the global ethanol market highlights the need to better understand their capabilities of meeting mandates with domestic production and their need for imports. The increase in mandates presents strong and diverse export market opportunities for U.S. ethanol, according to the report.

Ethanol Supply & Use in Selected Countries Based on Meeting Blending Targets

Country	Current blend rate (%)	Midterm target blend rate (%)	Estimated Midterm			
			Gasoline fuel consumption	Ethanol (millions of gallons)		
				Consumption	Production	Net imports needed to meet target
Argentina	10.7	12.0	2,734	373	450	0
Canada	6.3	10.0	11,615	1,291	471	819
China	3.0	10.0	47,072	5,230	873	4,357
Colombia	7.7	8.0	1,996	174	159	15
India	3.0	10.0	11,980	1,331	540	791
Japan	1.4	4.5	12,223	576	0	576
Philippines	10.0	20.0	1,801	450	120	330
Thailand	12.6	15.0	3,481	614	575	39

Source: USDA, ERS calculations from USDA Foreign Agricultural Service GAIN reports.

U.S. Ethanol Production. Very few of these countries have the domestic capacity to meet their mandates, which puts U.S. producers in the advantageous position of being a primary supplier. But the amount of ethanol available for export depends largely on how much ethanol is produced beyond that required to meet the U.S. Renewable Fuel Standard mandates, according to the report.

"To date, U.S. ethanol production has been fairly resilient, due largely to low feedstock costs and favorable biofuel policy. It is likely that lower gasoline prices could, over time, discourage ethanol plant-capacity expansion and dampen the availability of ethanol for export in the medium or long term."

The report goes on to say that, in addition to biofuel policies and market conditions, future exports also depend on U.S. ethanol plant capacity. Plant construction has slowed since 2011; however, the utilization rate has remained high, averaging 92% from 2011-15. In 2014-16, U.S. ethanol plants were operating at an average of 95% of the average installed plant capacity of 15 billion gallons. In 2016, production totaled 15.33 billion gallons, while consumption was 14.54 billion gallons. After accounting for stocks, imports, and actual use, approximately 1 billion gallons were available for export, an amount larger than previous annual export levels with the exception of 2011."

The Role of DDGS. In addition to ethanol production, about one-third of the grain used to produce ethanol returned to the market as distillers dried grain with solubles (DDGS). The large increase in U.S. ethanol production led to an upsurge in DDGS production, which grew from 10 million metric tons in 2005 to 38 million in 2016. A bushel (56 pounds) of corn used in dry-mill ethanol production generates about 17.4 pounds of DDGS. In 2015, 54% of domestically consumed DDGS was fed to beef cattle, 34% to dairy cattle, 7% to swine and 5% to poultry.

Growth in ethanol production limits the volume of DDGS that can be used in feed, and favorable export markets led to increases in U.S. DDGS exports. In 2005, 12% of DDGS produced in the U.S. was exported. By 2015, the share had grown to 31%. In 2005, the EU consumed 39% of U.S. DDGS exports. In 2006-10, Mexico generally acquired the largest share, followed by Canada. China became the largest importer in 2011 and has remained so, accounting for 46% of U.S. DDGS exports in 2015.

DDGS Exports. Overall, exports of DDGS went to 50 countries in 2015 and more than 70 countries over the last 10 years. According to the ERS report, if an expansion in ethanol exports resulted in an expansion in ethanol production, all else being equal, the amount of DDGS produced would also increase. For example, a 1 billion gallon increase in ethanol production would lead to an additional 2.77 million metric tons of DDGS.

The domestic potential for DDGS consumption based on 2010 livestock numbers is between 35-55 million metric tons. In addition, researchers note that potential exports range from 20-52 million metric tons. In 2015, 26 million metric tons of DDGS were consumed domestically, and 12 million metric tons were exported.

The U.S. has found export opportunities for DDGS in countries beyond its traditional partners. In particular, South Korea and Vietnam have increased their imports of U.S.-produced DDGS. South Korea more than doubled its imports from 2012-13 to 2015-16, from 376,000 metric tons to 845,000 metric tons; Vietnam, similarly, doubled its imports in 2 years to become the third-largest destination for U.S.-produced DDGS in 2015-16.

Solid Growth Potential? While most U.S.-produced ethanol is consumed domestically, the country exported 1.05 billion gallons of ethanol in 2016, the second-highest amount on record. In 2016, production capacity at U.S. plants was almost 16 billion gallons, about 1.6 billion gallons more than 2016 domestic consumption.

The report concludes that as domestic consumption is constrained by the blend wall, (the physical limit to how much ethanol can be blended with gasoline) as well as by the limit

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on the amount of corn-based ethanol that can be applied to the ethanol mandate, ethanol producers have found abundant export opportunities.

In 2015, U.S. ethanol was exported to more than 50 countries, and in the past 5 years, more than 100 countries have imported U.S. fuel ethanol. If major economies start implementing their existing target blend rates, U.S. ethanol producers would have much larger foreign market opportunities, as domestic production in some countries will not be sufficient to meet the required ethanol levels.

Ethanol Politics. Ethanol is a political football in the U.S. as big oil states vie with big ag states for advantage. This should not be discounted internationally either.

Canada, Brazil and the EU have been the main importers of U.S. ethanol. Today, Canada continues to be the leading destination with a 32% share in 2014-16. At the same time, Brazil introduced a tariff-rate quota on ethanol imports in August 2017. In 2016, the U.S. exported 267 million gallons of ethanol to Brazil; however, the TRQ would apply a 20% tariff on imports above 159 million gallons. And, after the EU imposed an antidumping duty on U.S. ethanol imports for 5 years starting in 2013, U.S. exports to the EU fell from a 25% share in 2010-12 to around 4% in 2014-16. AEI

Rocky Mountain Dealerships Post 'Best Quarter Since 2012'

Rocky Mountain Dealerships, Case IH's largest dealership group in Canada, reported strong sales in the third quarter, continuing a trend that started earlier this year. The company sees this a further sign that the market for farm machinery in the country's western provinces is in a solid recovery phase.

"The forward economic indicators for our sector are strong," said Garrett Ganden, Rocky's president & CEO. "There is mounting evidence that the Western Canadian market for agricultural equipment is returning to normal levels after being depressed for a number of years."

The company's total sales increased $16.2 million, or 7.3%, to $238.9 million compared with the same period in 2016 due to growth across all revenue streams. Gross profit for the 3 months ended Sept. 30, 2017, increased by $2 million, or 5.3%, to $38.8 million vs. the same period in 2016 due to increased sales.

"These results, the best that Rocky has posted since 2012, were achieved with all divisions contributing to a 7% year-over-year increase in sales which, coupled with our streamlined cost structure, allowed us to deliver a great quarter," said Ganden. "Our focus on sales and inventory management allows us to reduce debt, contain costs, increase inventory turnover and increase our return on assets."

Compared with the same period last year, Rocky reports that inventory turnover increased 16% to 1.86 in the third quarter of 2017 compared with 1.60. Total inventory decreased by $30.3 million, or 6.8%, to $415.4 million compared with $445.6 million. Floorplan payables decreased by $33.8 million, or 11.3%, to $265.6, or 72.4%, of equipment inventory.

In its third quarter filing on Nov. 8, the company added, "We continued to apply cash generated by our operations to reduce interest-bearing debt, resulting in a $0.6 million or 16.1% year-over-year decrease in finance costs this quarter.

As of Sept. 30, 2017, our equipment inventory declined by $36.1 million, or 9%, and $34 million, or 8.5%, compared with Dec. 31, 2016 and Sept. 30, 2016, respectively."

Solid Execution. "Operating SG&A continues to reflect the savings associated with management's restructuring efforts, declining 40 bps and 70 bps year-over-year as a percent of sales for the third quarter and 9 months of 2017, respectively," Ben Cherniavsky, analyst with Raymond James, said in a note. "This, combined with the aforementioned sales growth, has generated 16% and 17% more EBITDA for the same periods."

"The combined improvements in Rocky's costs and balance sheet position it to scale growth more effectively and capitalize on opportunities going forward, including potential dealer acquisitions.

"Beyond a bigger footprint and more revenue, M&A historically did very little for Rocky's shareholders. We, however, believe that management's integration efforts over the past few years, combined with its heightened discipline on valuation, should produce different results in the future." AEI

Rocky Mountain Dealerships Results — 3Q & 9 Months
(C$ thousands)

	3 mos. ended Sept. 30			9 mos. ended Sept. 30		
	2017	vs. 2016	2016	2017	vs. 2016	2016
Consolidated Sales						
New	75,430	9%	69,173	278,675	7%	260,946
Used	114,371	8%	105,815	290,577	8%	267,949
Total	189,801	8.5%	174,988	569,252	7.6%	528,895
Parts	38,257	1%	37,737	88,760	0%	88,393
Service	9,520	9%	8,707	24,569	2%	24,005
Other	1,306	7%	1,215	3,385	0%	3,393
Total sales	238,884	7%	222,647	685,966	6%	644,686
Gross profit	38,832	5%	36,861	101,216	2%	99,291
Net income	9,067	37%	6,632	14,728	44%	10,262

Source: Company reports

South American Ag Equipment Intelligence

New Holland Adds 4 New Products for SA Market

New Holland recently rolled out its new Defensor 2500 sprayer, CS6090 rice harvester, PL6000 seeder and CR EVO combines for the South American market.

The new Defensor sprayer features advanced precision section controls along with a 6 cylinder, 175 horsepower FPT engine. The company says the new sprayer offers precision application on grades as steep as 21%. The CS6090 rice harvester is rated at 280 horsepower with working widths of 20-25 feet and independent rear traction. The grain tank has a capacity of 9,000 liters.

New Holland's new CR EVO combines range in size from Class 5 to Class 8. The largest model is the one that New Holland claims to have achieved the world record for soybean harvest. In April 2017, the CR8.90 model harvested 439 tons of soybeans in 8 hours in the western part of the state of Bahia.

Brazil's Stara Introduces Newest Sprayers

Stara, Brazil's leading manufacturer of agricultural sprayers, launched its newest model with the introduction of the Imperador 3.0. This high clearance unit can apply nitrogen and fungicides on corn that is up to 5.9 feet high. "On average, it can bring saving of up to 10% for nitrogen and fungicides. We expect to grow a little bit this year with this product in a time that we already have less political problems [in the country] and more [commodity] price problems," Márcio Fulber, commercial director at Stara, told *Ag Equipment Intelligence*.

Fulber also reported that Stara was getting ready to inaugurate a new factory in Rosario, Argentina. "We see that Argentina has new environment for the agricultural sector and decided to invest there," he said.

Valtra Rolls Out CVT Tractors; Adds Small Farmers to Its Strategy

AGCO'S Valtra tractor line has launched its T CVT series in Brazil. According to the company, this is the first tractor utilizing a CVT transmission in the country. It is offering 4 models from 195-250 horsepower.

Valtra has been operating in Brazil since 1960 and, according to Paulo Beraldi, commercial director for Valtra, the company is making a small shift in it Brazilian strategy. "We have launched 29 new models this year. But we are changing our focus a little bit to small farmers. Brazil has approximately 5 million small, rural properties and those farms accounted for 60% of the total production. The historical average [for this group of producers] has been 45%," he said.

Valtra's commercial director added that this increased demand comes more from the small farmers in the south of Brazil. "The state of Rio Grande do Sul is the important state for any machinery company because natives from here [ship] grain and livestock to all other states. The demand in the south of Brazil for harvesters also increased more, jumping 10%," Beraldi said. **AEI**

With Government Support, Russian Ag Machinery Production on the Rise

Agricultural machinery manufacturers in Russia are expected to have seen a 25% increase in production by the end of this year as state support to domestic manufacturers helps spur demand.

Rosagromash, the country's trade association for the sector, says an improvement in the quality of Russian-built agricultural equipment, the introduction of new products and increased export sales are also contributing to the rise in production.

Compared with the first 9 months of 2016, Russian manufacturers increased output of all-wheel drive tractors by 16% to 1,810 units; combines by 14% to 4,320 units; and balers by 11% to 1,610 units. Output of seed drills, crop sprayers and fertilizer spreaders increased 16-17%.

In September, Prime Minister Dmitry Medvedev, supported the initiative of the Ministry of Industry & Trade to compensate manufacturers for sales discounts of 15-20% by adding the equivalent of $33 million (2 billion rubles) to the $231 million (13.7 billion rubles) already allocated to this initiative.

Rosagromash says the industry needs at least $253 million (15 billion rubles) annually to maintain the accumulated growth rates of production in Russia and the effective renewal of the agricultural machinery fleet.

The Russian agri news website Agroinfo.com reports that the Ministry has a long term plan to increase domestic agricultural machinery production three-fold by 2030 and to increase market share over the next 13 years from the 54% recorded last year to 80%.

An exports drive should also help build utilization of available production capacity to between 80-90%, with a 50% increase in employment in the agricultural machinery industry.

The first phase of this project starting next year will see continued financial support to manufacturers from the state, but gradually winding down in scale over 4 years, after which the focus is planned to shift more directly to exports.

Ministry figures suggest the first and second phases of this plan will require the equivalent of $1 billion in funding. **AEI**

Brazil Ag Sales Improve, But Still a Long Way to Go

Despite improving conditions for agriculture, New Holland's commercial director in Brazil, Alexandre Blasi, doesn't expect Brazilian equipment sales in 2017 to set any records. The company is projecting sales of 35,500 tractors and 21,000 harvesters for the year, which is significantly below the 2013 record of 65,000 tractors and 38,000 combines. "But we are betting on the recovery continuing, and the Rio Grande do Sul is very strategic because it has 25% of the Brazilian market of harvesters," said Blasi. **AEI**

Ag Sales Surge Across the Board

Growth of farm equipment sales in October was the highest in nearly 7 years, according to the latest sales figures reported by the Assn. of Equipment Manufacturers.

"Large Ag equipment growth surged in October after mixed data year-to-date," Mircea (Mig) Dobre, analyst from RW Baird, said in a note. "The 36% growth in large ag equipment is strongest monthly growth since 2010 with all 3 equipment categories up double-digits in both the U.S. and Canada. Retail demand has lagged wholesale growth and sustained retail demand could drive dealer stocking and further wholesale outgrowth," he said.

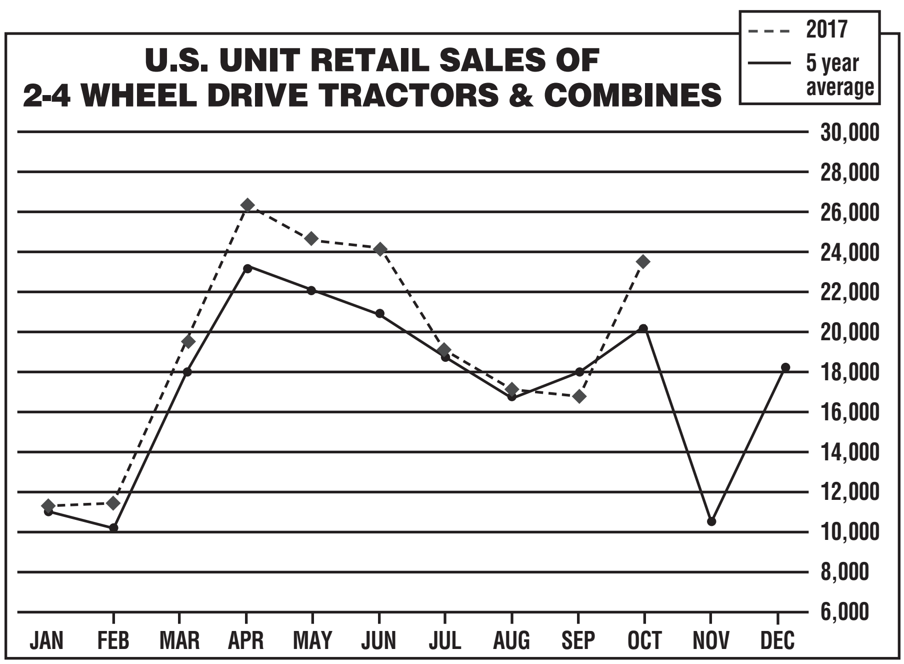
- U.S. and Canada large tractor and combine retail sales increased 36% year-over-year in October after decreasing 10% in September and increasing 5% in August.
- U.S. sales increased 41% year-over-year (row crop up 43%, 4WD up 15%, combines up 70%)
- Canada sales were up 21% (up in the low 20% range across row crop, 4WD and combines).
- Combine sales increased 47% in October following 3.7% growth in September. Last 3 months (L3M) sales increased 23.3% on a year-over-year basis after a 9.9% L3M last month. October is typically an above-average month for combine sales, accounting for 12.7% of annual sales for the last 5 years.
- Row-crop tractor sales grew 38% year-over-year, compared with the 19.9% decrease in September; L3M sales increased 10.2% (September L3M –17.2%). October is typically an above-average month for row-crop tractor sales, accounting for 13.4% of annual sales the last 5 years.
- 4WD tractor sales increased 16.2% year-over-year in October following the 33% increase in September. L3M sales increased 25.5% year-over-year after the 26% growth in the September L3M period. October is typically an above-average month for 4WD tractor sales, accounting for 15.1% of annual sales the last 5 years. AEI

OCTOBER U.S. UNIT RETAIL SALES

Equipment	October 2017	October 2016	Percent Change	YTD 2017	YTD 2016	Percent Change	Month 2017 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	13,747	12,301	11.8	127,084	117,364	8.3	68,245
40-100 HP	5,854	5,750	1.8	48,140	48,405	–0.5	31,784
100 HP Plus	3,046	2,136	42.6	14,725	16,109	–8.6	8,622
Total-2WD	22,647	20,187	12.2	189,949	181,878	4.4	108,651
Total-4WD	536	466	15.0	2,037	1,936	5.2	820
Total Tractors	23,183	20,653	12.3	191,986	183,814	4.4	109,471
SP Combines	503	297	69.4	3,439	3,340	3.0	1,003

OCTOBER CANADIAN UNIT RETAIL SALES

Equipment	October 2017	October 2016	Percent Change	YTD 2017	YTD 2016	Percent Change	Month 2017 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,657	1,515	9.4	11,975	9,895	21.0	6,867
40-100 HP	1,137	1,049	8.4	5,074	4,584	10.7	4,592
100 HP Plus	702	580	21.0	3,206	3,099	3.5	2,400
Total-2WD	3,496	3,144	11.2	20,255	17,578	15.2	13,859
Total-4WD	173	144	20.1	813	668	21.7	284
Total Tractors	3,669	3,288	11.6	21,068	18,246	15.5	14,143
SP Combines	342	278	23.0	1,854	1,438	28.9	480



— Assn. of Equipment Manufacturers

Cervus' 3Q17 Revenues Rise 10%; New Ag Equipment Jumps 34%

Cervus Equipment, John Deere's largest Canadian dealer group, posted third-quarter 2017 consolidated revenue gains of 10% as its ag and construction equipment markets continue to show signs of recovery. Overall revenue increased by $32.9 million for the 3 month period ended Sept. 30 vs. the same period of 2016.

The company reported, "The positive year to date equipment sales trend continued in our agriculture segment, achieving record third quarter equipment sales of $224 million."

While total ag equipment revenue increased by 12% in the third quarter, new equipment sales soared by 34%. A drop of 14% in used equipment sales blunted some of the overall improvement.

Summarizing third quarter operations, Cervus management said, income from operating activities for the quarter increased by $0.5 million, as a $1.5 million increase in gross profit more than offset a $0.5 million increase in SG&A. Revenue increased $30.5 million on record third quarter new equipment sales, buoyed by a positive harvest outlook and favorable exchange rates for new equipment in the quarter.

However, expectations of an early harvest reduced used equipment sales in the quarter, as producers' need for additional machine hours in a narrow harvest window was less critical than in the third quarter of 2016. The earlier 2017 harvest also increased parts and service sales by $6.2 million in the quarter. Our optimization initiatives resulted in a 4% increase in our service department gross profit margin percentage. The sales mix impact of the substantial increase in new equipment sales diluted overall gross profit margin percentage by 1.2%, although gross profit increased $1.5 million.

In his analysis of Cervus' third quarter performance, Ben Cherniavsky of Raymond James Canada Research, said, "Ag revenues were ahead of our estimate on strong tractor sales, while gross margins were below forecast and down 130 bps year-over-year. Healthy Canadian farm incomes are expected to keep demand robust into 2018. Also, producers are accelerating their machine buying to make-up for deferred capital purchases over the past few years." AEI

Cervus Equipment Ag Segment Results — 3Q 2017
(C$ thousands)

	3 mos. ended Sept. 30 % Change			9 mos. ended Sept. 30 % Change		
	2017	vs. 2016	2016	2017	vs. 2016	2016
Equipment						
New	147,366	34%	110,328	348,875	28%	272,063
Used	76,624	(14%)	89,324	191,724	2%	187,561
Total	223,990	12%	199,652	540,599	18%	459,624
Parts	32,738	12%	29,180	75,053	9%	68,730
Service	12,991	25%	10,377	32,368	14%	28,476
Rental/Other	863	(5%)	910	3,308	18%	2,811
Total ag revenue	270,582	13%	240,119	651,328	16%	559,641
Gross profit	39,196	4%	37,716	95,876	10%	87,000
Consolidated Revenue	367,630	10%	334,682	956,101	14%	837,996
Net earnings/loss	9,453	–12%	10,741	16,190	8%	14,959

Source: Company reports

MacDon Establishes European Base for Operations

Growing interest in the use of draper headers on combines in Europe has prompted MacDon Industries to set up a distribution and after-sales service office in Germany.

MacDon Europe GmbH, located in Wiesbaden, some 24 miles west of Frankfurt, aims to support dealers and customers and will enable the growth of MacDon across Europe, says general manager Benedikt von Riedesel.

Increased feed rate to match the high capacity combines is the key for the draper headers that MacDon builds. "We increasingly notice that weather conditions make harvest windows less stable in Europe," says von Riedesel. "As a consequence, the ability to harvest effectively and reliably becomes more important."

MacDon's decision to set up its own distribution business is "the logical solution to the noticeably growing demand in European markets," he adds.

It also reflects the established policy of the family-owned company, which employs 1,400 staff in Winnipeg, Man., to set up distribution offices in export markets. MacDon has bases in Kansas City, Mo., covering the U.S.; Victoria in Australia; Moscow in Russia; and Curitiba in Brazil.

The company also enjoys export business through a supply agreement with John Deere for self-propelled hay swathers for the past 4 years.

von Riedesel says that MacDon's product line — both rigid and flexible draper headers — has for some years included products designed to handle high yielding EU crops. AEI