

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

- Krone's Revenues Up
- Trimble's Ag Plans
- Claas' Sales Slip

C&CE Dealers Looking for Another Solid Year in 2017

Nearly half (49%) of dealers who cater to the commercial and consumer-type equipment needs of hobby farmers, large property owners, turf, lawn and landscape contractors, as well as municipalities and parks maintenance customers expect solid revenue growth during 2017. This confident outlook comes on the heels of strong sales years in 2015 and 2016.

According to the results of *Rural Lifestyle Dealer's* 2017 Business Trends & Outlook survey, overall, 84% of the 170 dealers who responded to the annual study are forecasting that total revenue will be as good as or exceed levels seen in 2016.

This is the 11th consecutive year that *Rural Lifestyle Dealer*, a sister publication of *Ag Equipment Intelligence*, has conducted this annual survey of equipment dealers.

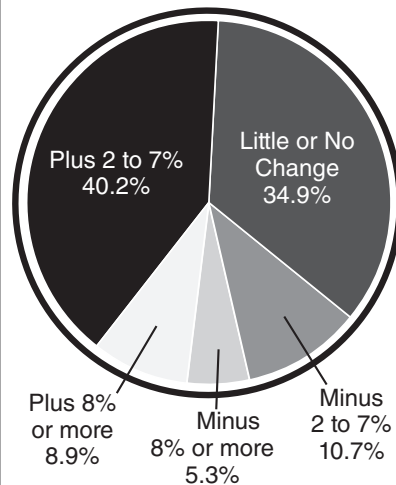
Slightly more than 40% of dealers expect sales revenues to increase by 2-7%, while 9% are projecting revenues to grow by 8% or more. More than one-third of C&CE dealers anticipate "little or no change"

in revenues for 2017 compared to a year earlier. About 16% of RL dealers anticipate a drop in revenue in the year ahead.

Dealers responding to *Ag Equipment Intelligence's* monthly Dealer Sentiments & Business Conditions Update survey continue to indicate that there is ongoing strength in less than 100 horsepower

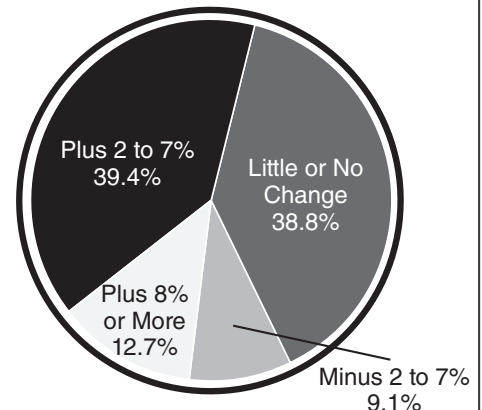
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RL Dealers' Change in Total Revenue 2017 vs. 2016



For 2017, nearly 50% of rural lifestyle dealers expect growth in the 2-8% or more range.

RL Dealers' Change in Aftermarket Revenues 2017 vs. 2016



Rural Lifestyle dealers see a good year ahead for aftermarket revenues. More than 52% expect aftermarket revenues to increase 2-8% or more. That's down slightly from last year when about 63% of dealers expected parts and service revenue to increase.

Following Destocking Efforts, Will Titan Machinery be Ready to Restart M&A Efforts?

At least one analyst sees Titan Machinery's ongoing destocking efforts paying off and could restart the dealership group's merger and acquisition efforts as early as fiscal year 2018.

"A dramatically improved balance sheet, in our view, puts the company on track for a resumption of its historically successful M&A activity and possibly opportunistic share buy-backs," Igor Maryasis told investors

in a Jan. 10 note announcing Aegis Capital Corp. is initiating coverage of Titan Machinery.

He said Titan's ongoing deleveraging and inventory destocking initiatives have put the dealership group in good position when end markets recover. "In 3QFY17 Titan increased its inventory reduction target for FY17 to \$125M from \$100M previously. This would add up to a total of nearly \$0.5B decline from the peak of 4QFY14, a notable

feat amid a rapidly contracting industry demand," said Maryasis. "As a result of these actions, in FY17, the company's equipment inventories relative to its total sales will decline for the first time since 2011."

Maryasis sees "significant long term growth potential from TITN's likely return to M&A activity centered on dealer consolidation in North America," which he expects to continue.

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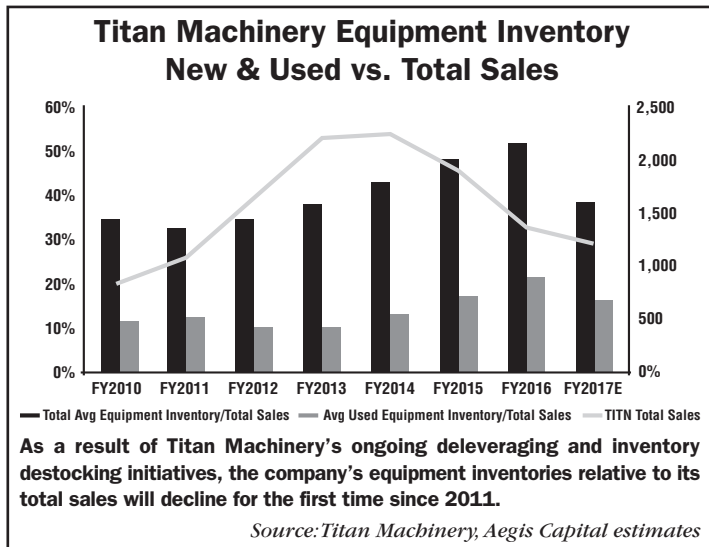
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The amalgamation of dealers since the mid-1990s has accelerated in the past decade. The main drivers have been and will continue to be the aging population of dealer-principals, increasing size and sophistication of farm operations and farm equipment, as well as higher dealer capital requirements.

He says Titan has been able to capitalize on these trends through M&A. "We expect it to do so again, once it builds up an adequate balance sheet cushion. We believe Titan is one of only a few players in the region possessing necessary capabilities, management depth and proven track record of providing successful consolidation solutions to sellers, its customers and the OEM, Case New Holland Industrial (CNHI).

Titan currently owns and operates a network of 91 agricultural and construction equipment dealerships in the U.S. and 17 European dealerships in Romania, Bulgaria, Serbia and Ukraine.

Maryasis said Titan's renewed M&A efforts could take place as early as fiscal year 2018. He suggests that the dealership group's next acquisitions could "perhaps start



with 8-10-12 store dealerships in Titan's home state of North Dakota as well as neighboring Minnesota and possibly Illinois." **AEI**

Alltech Reveal Plans to Expand Its Mixer-Feeder Operations

Ambitious plans for new products and expansion into new export markets — including the U.S. in time — could more than double the size of Keenan, the Ireland-based diet feeder manufacturer and animal nutrition consulting group acquired from bankruptcy by Alltech (see *Ag Equipment Intelligence*, May 2016).

"At its peak in 2008, Keenan had sales equivalent to more than \$55 million selling over 1,000 diet feeders a year," notes newly-appointed CEO Robbie Walker. "But we see potential for more than doubling those figures

through improved marketing, developing new products such as automated feeders and by entering new markets."

The acquisition is part of a buying spree by cash-rich animal nutrition and crop science group Alltech that over the past 18 months has brought major U.S. and Canadian feed mills into the group and increased revenues from \$600 million annually to more than \$2 billion.

Keenan is seen as a logical fit given that Alltech ingredients often are included in forage-based rations and the relationships with dairy and beef farmers established through Keenan's InTouch nutrition consultancy gets Alltech closer to end users. At present, Ireland and the U.K. are Keenan's best markets, with France, South Africa, New Zealand, Germany and the Scandinavian nations also significant.

Walker identifies Canada, where producers are making good money from beef and dairy, along with China and Australia as good long-term prospects. And it may not be a high priority at present, but he sees a launch in the U.S. as inevitable given Alltech's position in the market.

Walker ruled out building a tub-type vertical auger feeder, unless the company's engineers design one that achieves the same ration structure as the its horizontal paddle feeders. He also revealed that development of an autonomous feeder is already at an advanced stage and anticipates a move into fully automated feeding systems as part of Keenan's growth strategy. **AEI**

Maurice Taylor Steps Away from Daily Duties at Titan Int'l

Farm and industrial tire executive Maurice Taylor is relinquishing day-to-day management of Titan International to Paul G. Reitz, who has added the chief executive officer's role to that of president of Titan.

Taylor continues as chairman of the board of directors. He has worked for Titan since its inception 33 years ago and has been an energetic driver of its growth through acquisition and licensing agreements in recent years.

"I look forward to advising Paul on various engineering products and helping out with new wheel operations in Russia and Brazil," says Taylor, who adds that he will continue to make an appearance at a few investor conferences.

Reitz (44) joined Titan in 2010 as chief financial officer and became president in 2014. Before Titan, he worked at consumer businesses and business financial consultancies.

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‘Margin Squeeze’ Leading to Increased Farm Loan Scrutiny

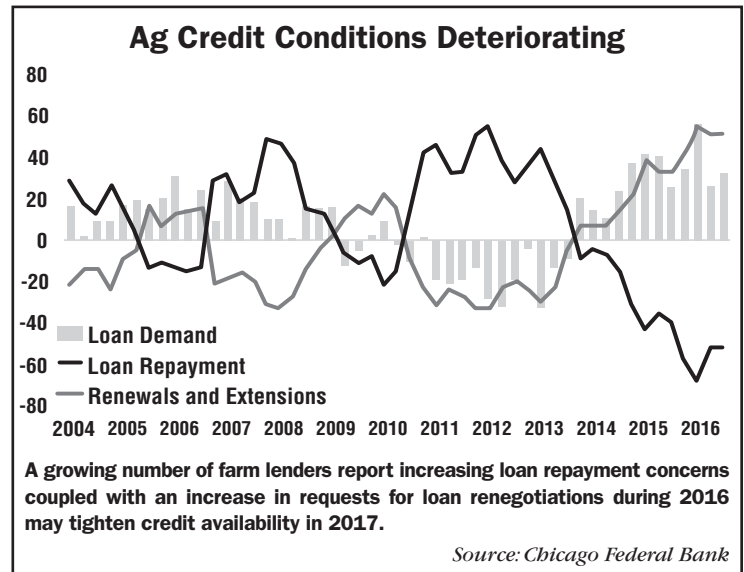
Farm lenders are taking a much closer look at crop producers’ loan status as concerns about repayment are starting to grow. “The continued ‘margin squeeze’ faced by crop producers across the Midwest has led to a drastic reduction in working capital buffers,” Todd Kuethe of the Dept. of Agricultural and Consumer Economics at the University of Illinois told those attending last month’s Illinois Farm Economics Summit.

He noted that presently ag credit market data is giving off only “modest signals of increasing credit risk.” But with the interest rates expected to rise in the near term, loan repayment risks also rise for lenders.

“Farm loan data provided by the Federal Reserve Bank indicate that farm loan delinquencies have increased in recent quarters from recent record lows,” said Kuethe. “In addition, overall risk ratings for agricultural loans are also on the rise.”

Surveys of ag bankers in the Chicago and St. Louis districts by Federal Reserve indicate worsening credit conditions in the farm sector. “A growing share of lenders report increasing loan repayment concerns coupled with an increase in requests for loan renegotiations,” he said.

These factors along with rising demand for operating loans and a modest increases in the cost of borrowing are putting lenders in a position to reject loan applications.



Dealers are also noticing the increasing concerns of ag lenders. Comments to *Ag Equipment Intelligence's* monthly Dealer Sentiments & Business Conditions survey have included: “Banks are scared to death” ... “With such low corn, soybeans and now cattle prices, we knew sales would be down. Bankers are routinely saying ‘no’ [to equipment purchases].” **AEI**

FARM MACHINERY TICKER (AS OF 1/12/17)

MANUFACTURERS	Symbol	1/12/17 Price	12/13/16 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	\$55.45	\$55.08	\$57.69	\$24.68	304.67	54,440	818.73M
AGCO	AGCO	\$60.65	\$59.23	\$61.22	\$42.40	31.30	958,411	4.87B
AgJunction Inc.	AJX	\$0.48	\$0.53	\$0.74	\$0.42	N/A	44,890	59.6M
Alamo	ALG	\$77.23	\$75.00	\$79.59	\$48.26	20.32	56,095	888.96M
Art's Way Mfg.	ARTW	\$3.50	\$3.15	\$4.70	\$2.46	N/A	5,184	14.38M
Buhler Industries	BUI	\$4.80	\$4.50	\$6.00	\$4.40	N/A	294	120M
Caterpillar	CAT	\$93.98	\$96.01	\$97.40	\$56.36	91.42	4,947,430	54.99B
CNH Industrial	CNHI	\$8.89	\$8.76	\$9.25	\$5.67	N/A	1,185,370	12.09B
Deere & Co.	DE	\$105.17	\$101.33	\$106.75	\$70.16	21.86	3,098,940	33.33B
Kubota	KUBTY	\$74.94	\$74.18	\$80.73	\$58.99	16.80	14,138	18.85B
Lindsay	LNN	\$74.50	\$86.96	\$89.98	\$62.99	57.04	134,094	793.69M
Raven Industries	RAVN	\$24.20	\$26.50	\$26.90	\$12.88	95.65	139,651	875.04M
Titan Int'l.	TWI	\$10.74	\$11.76	\$12.14	\$2.50	N/A	498,144	580.295M
Trimble Navigation	TRMB	\$30.59	\$29.89	\$31.11	\$18.36	65.09	1,595,320	7.67B
Valmont Industries	VMI	\$139.10	\$153.85	\$156.05	\$96.50	43.66	143,802	3.13B
RETAILERS								
Cervus Equipment	CVL	\$14.76	\$16.09	\$16.52	\$10.41	12.78	14,842	233.11M
Rocky Mountain Equipment	RME	\$10.07	\$9.49	\$10.24	\$5.50	13.32	33,495	195.2M
Titan Machinery	TITN	\$14.17	\$15.18	\$15.93	\$7.87	N/A	123,749	300.22M
Tractor Supply	TSCO	\$75.95	\$76.72	\$97.25	\$61.50	24.10	1,703,490	9.97B

Re-Introducing Legendary Limited Model Improves Buhler's Revenues

Ag equipment businesses with a rich heritage and an enthusiastic following should milk these assets for all they are worth, judging by the impact of a special run of Versatile tractors that helped Buhler Industries increase sales revenues last year when most manufacturers experienced a decline.

Managers say demand for the Versatile Legendary Limited Edition models, introduced to commemorate 50 years of continuous 4WD tractor production, offset the generally weak demand for ag equipment.

Revenues for the year ended Sept. 30 came in at C\$274.1 million (\$207 million), up C\$28.4 million (\$21 million) from the prior 12 month period. Even so, a decrease in margin, along with higher interest costs and research and development spending, meant the Canadian concern posted a loss for the second year in succession, albeit reduced from C\$5.3 million (\$4 million) in fiscal 2015 to C\$2.7 million (\$2 million) this past year.

Buhler's tractor division made the most of the 50 year anniversary, fin-

ishing the commemorative machines in a red, black and yellow livery that harkens back to the brand's heyday and will spark collector interest in years to come.

A raffle to win a 1966 Chevrolet C10 pick-up truck in Versatile Legendary Limited Edition colors helped promote the tractors at farm shows, and in addition to "50 Years of Power" decals and seat branding, the 50 special edition models even have commemorative serial numbers from V5001 to V5050.

Rather than delivering the tractors conventionally, the 4WD and tracked models — totalling 25,000 horsepower and collectively worth C\$25 million (\$19 million) retail — were assembled close to the Winnipeg factory for a group hand-over event that also included the rollout of a newly refurbished Versatile "Big Roy" 8 wheel tractor from the late 1970s.

Farmers and custom operators in Canada remain the biggest market for Buhler group products, with sales climbing from C\$112 million (\$85 million) in 2015 to more than C\$140

million (\$105 million) last year, in contrast to an C\$18 million (\$13 million) decline in sales revenues from the U.S. at \$80 million (\$60 million).

Sales in markets within the scope of Buhler's majority owner, including Russia, Kazakhstan and Ukraine, also improved, growing from C\$19 million (\$14 million) last year to more than C\$32 million (\$24 million) in the 2016 financial year. Other markets delivered a C\$5 million (\$4 million) revenue gain from last year's figure at over C\$20 million (\$15 million).

Buhler managers are cautiously confident that they can reap an additional increase in sales during the 2017 fiscal year as they pursue increased market share and introduce new products — Farm King dealers can expect new introductions in nearly every product line in 2017, they say.

Intensive competition will continue to put pressure on sales margins, managers acknowledge, but inventory levels are expected to fall and profitability to improve due to unspecified cost reduction measures. **AEI**

Claas Revenues Dip; Net Income Takes a Hit

The relatively lackluster market for ag equipment worldwide caused Claas revenues to dip 5% in the group's 2015-16 fiscal year ended Sept. 30, dropping from the previous year's totals of €3.83 billion (\$4 billion) — a small increase over 2014 revenues — to €3.63 billion (\$3.79 billion). Profitability took more of a hit, though, with EBITDA down 19%, income before taxes approaching a 41% drop and net income falling 64%.

Claas group managers expect the global market for ag machinery to shrink further in 2017 as farm income levels and the impacts of political and economic crises result in continued reluctance to invest.

Consequently, they anticipate a slight decline in sales of Claas products but stable pre-tax income. Investment in new products, technologies and facilities is continuing to help maintain the appeal of the Claas portfolio.

The group's research and development spend reached a record high of almost €214 million (\$223 million) in the 2015-16 financial year, up more than 5% or €11 million (\$11.5 million) on the prior period. R&D expenditure at Claas has more than doubled over the past decade.

In addition to new mechanical features, Claas increased its R&D spend on electronics architecture for machine control and connectivity, as well as the digitization of agricultural processes — such as a project to forecast corn maturing and yields to help growers plan harvesting logistics more effectively.

Capital projects that consumed €122 million (\$127 million) provided improved facilities at a number of production sites and initiated construction of a new electronics R&D facility in Germany. More than 150 engineers will develop control units, terminals and automatic satel-

lite control systems at the new site when it is complete.

The Claas group's largest ever single investment came to fruition when the new €120 million (\$125 million) assembly line for combines was opened at the Krasnodar facility in Russia. This new production space is nearly 9 times larger than the original factory, with capacity to increase production volumes to 2,500 combines and tractors per year.

Thanks to an investment agreement signed with the Russian government, Claas now enjoys official local manufacturer status for combines and is eligible for the same state subsidies as domestic producers.

The agreement makes state-of-the-art agricultural machinery affordable for farming businesses in the country, says Claas, adding that only 178 million acres of the 300 million acres suitable for farming are currently used for agriculture. **AEI**

Trimble Adds Focus to Its Ag Products and Programs

Precision technology and data specialist Trimble continues to add focus to its agricultural market activities by appointing new partners to the "Vantage by Trimble Agriculture" distributor network and consolidating several farm management software lines into a single product.

Vantage MidSouth, established from Precision Ag Partners, the company's authorized reseller in the southern U.S., will supply farm software throughout Arkansas, Louisiana, the southern tip of Missouri and the western parts of Kentucky and Tennessee from its base in Carlisle, Ark.

Authorized reseller Agrinetix, Rochester, N.Y., is the basis for Vantage Northeast, covering Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont.

Both will supply growers, advisers, retailers, co-ops and local OEM dealers with whole-farm precision agriculture expertise to help with the complexity of integrating multiple systems across a farming operation.

Trimble says Vantage partner technicians have in-depth knowledge in all areas of precision farming having completed an extensive level of

training to install, set up and support the entire Trimble precision agriculture portfolio from planning through reporting.

They can also train farmers and advisers to help them understand how to use the technology in a way that best meets their farming needs.

Trimble's agriculture portfolio has evolved from guidance and flow and application control systems to now include advanced solutions for irrigation and water management, agronomy coaching, plant health monitoring, soil analysis, variable-rate application, and desktop and cloud-based management.

Three of its agriculture software products — Connected Farm, Farm Works Software and Agri-Data solutions — are being consolidated into one farm data management platform called Trimble Ag Software. This all-in-one tool is designed to provide a complete desktop, web-based and mobile-enabled agricultural software solution that simplifies farm data management to drive productivity, profitability and sustainability for farmers, crop advisers, ag retailers and food processors.

It also aims to tackle technology integration and data transfer issues by

Lexion Combines to Feature Trimble System

Trimble Ready is a new option for Lexion combines assembled in its Claas Omaha, Neb., facility. It provides the wiring infrastructure and mounts for Trimble's TMX-2050 terminal running the Android operating system.

Trimble aftermarket solutions have been available on Lexion combines since 2011, notes Brandon Olstad, platform manager for Efficient Agriculture Systems (EASY) at Claas. This option is a logical progression that streamlines the integration of Trimble products, he says.

By connecting to the combine's CAN Bus architecture, the Trimble equipment can operate Autoguide through the TMX-2050 supplied by Trimble re-sellers, as well as yield mapping via the Lexion's Quantimeter system.

seamlessly integrating with Trimble and third-party hardware so that farm data can flow wirelessly to applications without time consuming data re-entry and its potential for errors.

The company points out that its ag software is not just for farmers. There are applications for crop advisers to help provide better input recommendations and for ag retailers to track leads and manage performance. **AEI**

German Jan. – Nov. Tractor Registrations Down 5.6%

Through the first 11 months of 2016, tractor registrations in Germany were down 1,600 units, or 5.6%, vs. the same period in 2015. A total of 26,805 units were sold during the Jan.-Nov. period. At this point a year ago, a total of 28,405 tractors had been sold and registered in the country, which was down 7.9% vs. the comparable period of 2015.

John Deere remained the biggest tractor seller in Germany with an 18.2% market share for the first 11 months of the year, down from 19.3% last year at this point on the calendar. Fendt maintained its second place with 16% of the market, down for 18.3% a year earlier. Deutz-Fahr gained about one-half of percent, to a 9.4% share compared with 8.9% last year. Case IH/Steyr gained a full percentage point of market share, claiming 8.6% vs. 7.6% Jan.-Nov. 2015. Rounding out the top 5 market share leaders in tractors sold in Germany during the first 11 months was Claas, which lost 1.7% market share for the same period, from 9.1% a year ago to 7.4% during Jan.-Nov. 2016. **AEI**

German Tractor Sales — 2015 vs. 2016

	Unit	Share	Unit	Share
John Deere	4,889	18.2	5,468	19.3
Fendt	4,337	16.0	5,188	18.3
Deutz-Fahr	2,515	9.4	2,528	8.9
Case IH/Steyr	2,310	8.6	2,148	7.6
Claas	1,993	7.4	2,596	9.1
New Holland	1,850	6.9	1,858	6.5
Kubota	1,822	6.8	1,708	6.0
Massey Ferguson	1,085	4.0	1,124	4.0
Iseki	750	2.8	800	2.8
Valtra	669	2.5	688	2.4
All Others	4,585	17.4	4,299	15.1
Total	26,805	100.0	28,405	100.0

Source: Eilbote, Dec. 22, 2016

Despite Ag Downturn, Krone Increased Sales in FY2016

Sales of Krone forage harvesting equipment in North America kept pace with other markets as the German manufacturer exceeded its revenue forecasts in the 2015-16 financial year ending July 2016.

In contrast to expectations of a drop in group agricultural equipment revenues of about a single digit percentage (*Ag Equipment Intelligence*, January 2016), Krone actually increased its sales worldwide by €14 million (\$14.8 million) or 2.5%.

Over the prior 12 month period, sales revenues increased 1.2% to €554.5 million (\$584 million); in the fiscal year just reported, the company hit €568.6 million (\$600 million), with North American operations accounting for 20.5% of revenues, about the same level as reported previously.

Those are the highest ag equipment revenues in Krone's 110 year history, and more than double the amount achieved 10 years ago.

"Despite a significant downturn in the farm machinery industry and less than ideal conditions in the commercial trailer market, the Krone Group has continued its positive growth trajectory with sales of €1.6 billion (\$1.7 billion)," notes managing partner, Bernard Krone.

"The milk price crisis and the consequences of the Russian-Ukrainian conflict had a significant impact on the performance of all our business segments, so it is an even greater achievement that we were able to increase our sales revenues."

Krone again adds a cautious note that a slight decline in sales is anticipated for the current financial year while remaining confident about Krone's long-term future as two megatrends have positive impacts on the company's business — growth in world population and a globalized economy.

In addition to setting up new sales subsidiaries in France and China,

Krone announced last year that it will spend \$12.5 million building a more central headquarters base for North American operations, with work at the Shelbyville, Ind., location due to start in spring of this year.

Tommy Jones, president & CEO at Krone North America, said, "As Krone has continued its growth in North America, we realized the need for a larger, specially built facility to bring together our corporate headquarters, distribution center and training staff in a more central location for our growing customer base."

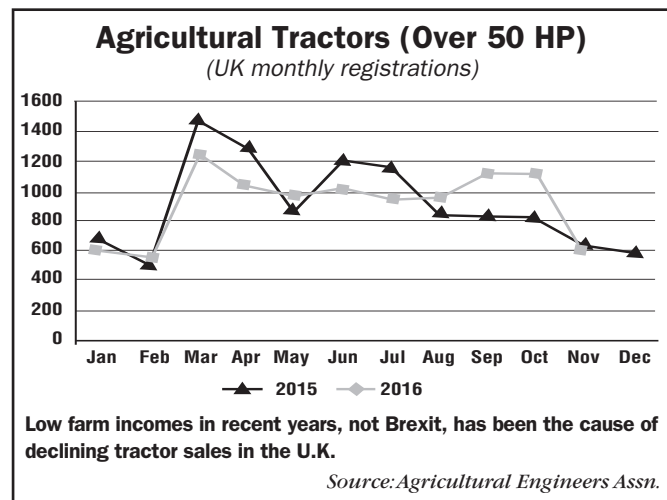
He anticipates the new location will provide more efficient delivery of parts and wholegoods to customers and dealers, while the Indianapolis area's well-established agricultural roots and the state's emphasis on agribusiness will enable Krone to fill the 40 additional professional and warehouse jobs expected to be added over the next 4 years. **AEI**

Brexit Not the Cause of Slowing U.K. Tractor Sales

Overall tractor registrations for 2016 in the U.K. are expected to be down about 2-3% compared to 2015, according to the U.K. website FG Insight. Citing data from the Agricultural Engineers Assn., the report said the drop off is likely due to the clearing of stock tractors, which do not meet current engine emission standards.

Author of the report, Richard Bradley, said, "While the AEA says Brexit has caused uncertainty among farmers, it says poor recent farm incomes, which were clear before the vote, are the main influence on the falling machinery market. While sterling movements as a result of Brexit have meant a recent price increase of imported machinery, it has also helped to improve product prices and the single farm payment for 2016-17."

After the large drops in recent years, the AEA is expecting little change in machinery and tractor registrations for 2017. **AEI**



U.K. Agricultural Tractor Registrations

(> 50 HP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Units	15,540	17,104	15,013	13,347	14,094	13,951	12,498	12,433	10,842
Annual % Change	14.6	10.1	-12.2	-11.1	5.6	-1.0	-10.4	-0.5	-12.8
Total Horsepower (000's)	2,082	2,361	2,153	1,892	2,033	2,066	1,883	1,928	1,702
Annual % Change	19.6	13.4	-8.8	-12.1	7.5	1.6	-8.8	2.4	-11.7
Average Horsepower	134.0	138.1	143.4	141.7	144.3	148.0	150.7	155.1	157.0
Annual % Change	4.4	3.1	3.9	-1.2	1.8	2.6	1.8	2.9	1.2

Source: Agricultural Engineers Assn.

Ag Equipment Sales Down at Close of 2016

As 2016 came to a close, North American large ag equipment sales continued to decline, marking the 35th month of declines, says Mircea (Mig) Dobre, senior analyst with Baird Equity Research. Leading the declines for the month were 4WD tractors, which were down 36.4% year-over-year. While large ag equipment sales continued to struggle, compact tractors were once again the bright spot, with sales up 18.1% year-over-year in December.

- U.S. and Canada large tractor and combine retail sales decreased 22% year-over-year in December, down from the 18% decrease in November. U.S. sales decreased 24% year-over-year, while Canadian sales were down 13%.

- 4WD tractor sales decreased 36.4% year-over-year in December vs. a 7.7% decrease in November (U.S. -41.2%, Canada -17.9%). U.S. dealer inventories of 4WD tractors were down 20.3% year-over-year in November, while days-sales of inventory was 118, up slightly from 117 during November of last year. December is typically an above-average month for 4WD tractor sales, accounting for 10.4% of annual sales the last 5 years.

- Combine sales declined 22.2% in December following November's drop of 14.3%. U.S. combine inventories were 31.3% lower year-over-year in November, but days-sales of inventory (66) was down slightly from last year (74). December is typically an above-average month for combine sales, accounting for 10% of annual sales over the last 5 years.

- Row-crop tractor sales were down 19.3% in December, compared with the 21.7% decrease in November. U.S. row-crop tractor inventories decreased 9% year-over-year in November vs. a 6% drop in October. Typically, December is an above-average month for row-crop tractor sales, accounting for 10.7% of annual sales over the last 5 years.

- Mid-range tractor sales decreased in December, down 0.8% year-over-year after a 1.9% decrease last month. Compact tractor sales increased 18.1% year-over-year after a 20.8% increase last month.

AEI

DECEMBER U.S. UNIT RETAIL SALES



Equipment	December 2016	December 2015	Percent Change	YTD 2016	YTD 2015	Percent Change	November 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	9,350	7,909	18.2	133,227	118,816	12.1	72,284
40-100 HP	5,749	5,703	0.8	57,162	59,388	-3.7	35,838
100 HP Plus	1,761	2,181	-19.3	18,542	23,906	-22.4	9,774
Total-2WD	16,860	15,793	6.8	208,931	202,110	3.4	117,896
Total-4WD	241	410	-41.2	2,314	3,113	-25.7	800
Total Tractors	17,101	16,203	5.5	211,245	205,223	2.9	118,696
SP Combines	487	686	-29.0	3,972	5,376	-26.1	760

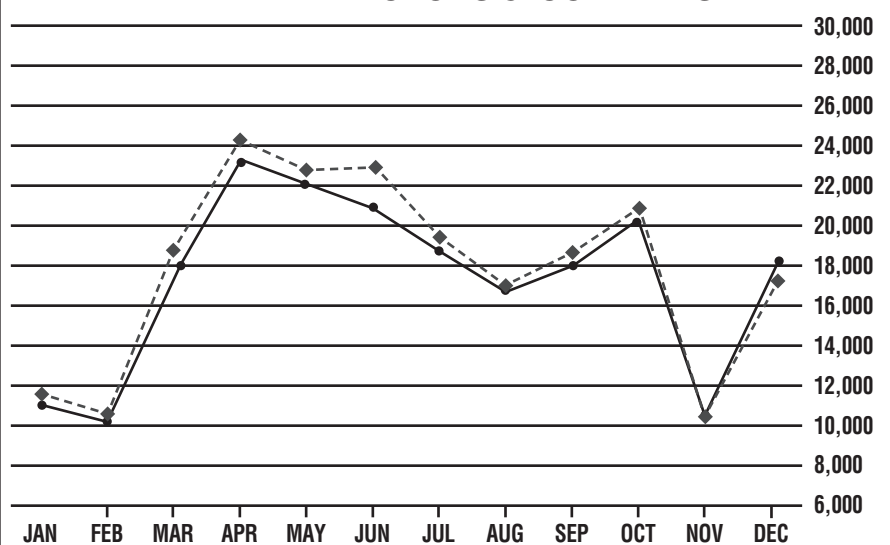
DECEMBER CANADIAN UNIT RETAIL SALES



Equipment	December 2016	December 2015	Percent Change	YTD 2016	YTD 2015	Percent Change	November 2016 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	993	846	17.4	11,837	12,829	-7.7	7,966
40-100 HP	577	673	-14.3	5,826	6,112	-4.7	4,134
100 HP Plus	310	386	-19.7	3,657	4,400	-16.9	2,301
Total-2WD	1,880	1,905	-1.3	21,320	23,341	-8.7	14,401
Total-4WD	87	106	-17.9	823	879	-6.4	259
Total Tractors	1,967	2,011	-2.2	22,143	24,220	-8.6	14,660
SP Combines	200	197	1.5	1,791	1,946	-8.0	345

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

--- 2016
— 5 year average



— Assn. of Equipment Manufacturers

tractor category.

In addition to revenue from the sale of wholegoods, 90% of dealers are forecasting aftermarket revenue will also be as good as or better than last year. This compares with last year's survey in which more than 88% of dealers expected 2016 to be as good as or better than 2015 for total revenue and more than 90% expected aftermarket revenue to be as good as or better than 2015, according to Lynn Woolf, managing editor of the publication.

Solid Signals. Several key economic factors support dealers' optimism going into 2017, she says. "Market growth is one of those factors with nearly 50% of dealers saying their number of rural lifestyle customers has increased 5-19% in the last 5 years."

She also cites data from current homebuilding surveys conducted by National Assn. of Home Builders/Wells Fargo Housing Market Index. The December index came in at 70, with any number over 50 indicating more builders viewing conditions as good than poor. The unemployment rate has

Rural Lifestyle Dealers' Revenue Outlook 2017 vs. 2016 vs. 2015

	2017	2016	2015
+8% or more	8.9%	13.3%	8.1%
+2-7%	40.2%	45.7%	38.9%
Little or no change	34.9%	29.8%	36.8%
-2-7%	10.7%	5.9%	14.0%
-8% or more	5.3%	5.3%	2.2%

Source: Rural Lifestyle Dealer's 2017 Business Trends & Outlook survey

held mostly steady throughout the year, with the Bureau of Labor Statistics reporting a level of 4.7% for December, says Woolf.

The Assn. of Equipment Manufacturers reported on Jan. 10 that December U.S. retail sales of farm tractors under 40 horsepower were up 18.2% vs. December last year, with year-to-date gains of 12.1%. More than 133,000 compact tractors were sold in the U.S. in 2016, the highest volume since 2004.

Solid Potential. Equipment categories that dealers believe have the best potential to increase revenues in 2017 are zero-turn mowers, with more than 60% of C&CE retailers expecting increased sales and 57% of dealers see compact tractors producing solid increases in the year ahead. Rounding out the top 5 products for the new year are rotary cutters (45% of dealers), front-end loaders (40%) and utility vehicles (39%).

A good share of rural lifestyle equipment dealers are committing resources to expanding their product offerings. Like last year, utility vehicles top the list for 2017, with more than 36% of dealers expecting to add the product line this year.

In fact, the top 5 for 2017 matched the top 5 for 2016, with a few switching of positions. Tractors under 40 horsepower ranked second again this year with about 33% of dealers adding inventory. Skid steer loaders ranked third with about 31% of dealers planning to add this category of equipment to their current product line. (ranked number 4 last year).

Zero-turn mowers ranked fourth with about 26% of dealers indicating they will add inventory (ranked third last year). Tractors 40-100 horsepower ranked fifth this year and last year with about 20% of dealers them to their product lineup for 2017.

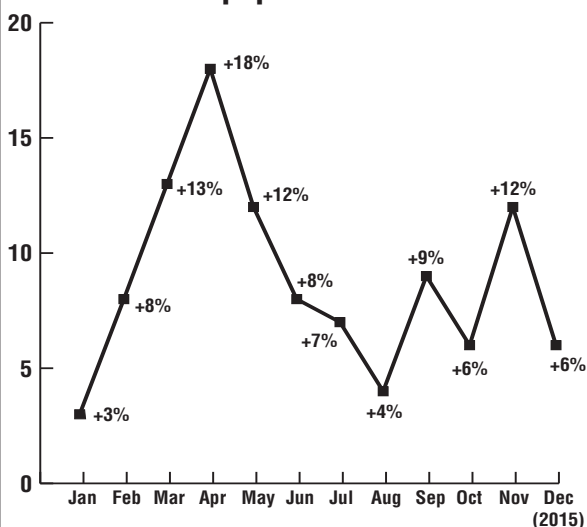
An in-depth summary of Rural Lifestyle Dealer's 2017 survey appears in the Winter edition of the magazine. **AEI**

Strong Year for C&CE Sales in 2016

Sales of commercial and consumer equipment continued as one of the few bright spots for equipment dealers throughout 2016, easily outpacing the other 11 product categories covered in *Ag Equipment Intelligence's* monthly Dealer Sentiments & Business Conditions Update survey.

In fact, it was the only equipment category that posted positive growth in all 12 months. Only GPS/precision farming equipment and systems showed any growth at all during the past year. It posted positive numbers in February, March and April before falling back into negative territory for the remainder of 2016.

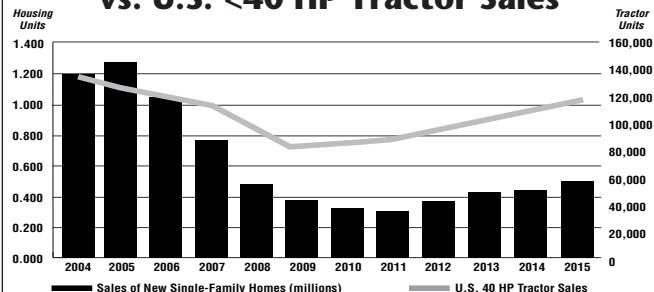
Farm Equipment Dealers' Commercial & Consumer Equipment Sales — 2016



The sale of commercial and consumer-type equipment is the only product category to demonstrate consistent sales strength throughout 2016.

Source: Monthly Dealer Sentiments & Business Conditions survey/Ag Equipment Intelligence

New Single Family Homes Sales vs. U.S. <40 HP Tractor Sales



The sale of compact tractors correlates closely with sales of new single family homes in terms of trends, but unit volumes did not match up, except in 2004 and 2006.

Source: U.S. Census Bureau, Assn. of Equipment Manufacturers