From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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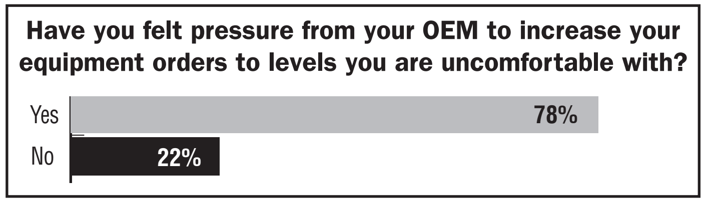
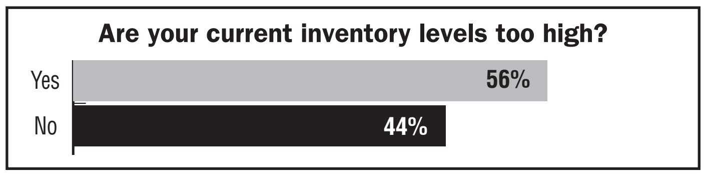
- **Deere-Wirtgen Deal**
- **PF Dealers Upbeat**
- **Brazil Sales Up 33%**

Dealers Feeling OEM Pressure to Increase Orders for New Equipment





Nearly 80% of farm equipment dealers responding to an *Ag Equipment Intelligence* survey say they are under pressure to order more new equipment than they really want to order. More than 170 dealers participated in the survey, which was conducted the last week of May and first week of June.

The impetus for the survey was conversations with dealers who were asking *Ag Equipment Intelligence* editors if we were hearing from other dealers who were being "encouraged" to order a lot of inventory, or was the squeeze they were feeling from their major supplier unique to them individually?

Comments like, "The company doesn't want to cut production even though sales have slowed" and "We know our trade area much better than they do" and "We've been around long enough to know what we need to order" were heard prior to initiating the survey.

One dealer said that the major equipment makers' approach has reverted back to that of the 1960s and '70s. "Our OEMs are telling us how to run every aspect of our business just as they did with their company stores. (We all know how that worked out.) The only difference now is they are using our checkbook instead of theirs!"

Along with believing the equipment sales have yet to bounce back from the doldrums of the past 3 years, dealers are also concerned how increasing new equipment sales

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Dealers Rate Deere, Kubota Best Among Major Lines in 'Overall Satisfaction'

In late May, the Equipment Dealers Assn. (EDA), St. Louis, shared the just-compiled results of its 2017 Dealer-Manufacturer Relations Survey with *Ag Equipment Intelligence*. EDA conducts the survey annually, in which dealers rate the companies whose products they carry to the market.

The survey compiles data and organizes it by the classifications of manufacturers of full-line equipment, tractor, shortlines and outdoor power equipment. The survey was available to dealers between Feb. 15 through March 17, 2017, and included manufacturers ratings for 11 key categories of operations and a separate overall satisfaction rating. In total, more than 48 manufacturers were rated and more than 2,321 dealers participated in the survey.

The table on page 8 shows the results for the full-line farm equipment manufacturers and with the criteria dealers consider the most important to their operations (from left to right). John Deere dealers rated their manufacturer the highest in 9 of the categories and with the highest composite score. Deere was also recognized as the "Dealer's Choice" by the EDA.

Kubota, meanwhile, scored highest in product quality (the number one criterion, according to dealers) and overall satisfaction. The 2017 edition was the first time that Kubota was rated as a "full-line manufacturer," reflecting the addition of hay tools, tillage and planting equipment to its product lineup in recent years through its acquisitions of Kverneland in 2012 and Great Plains and Land Pride in 2016.

New Holland had the lowest scores of the full-line manufacturers in 7 of the 12 categories, consistent with its historical last-place ranking by its dealers.

3-Year Trend Rankings: AGCO Performing Better for Its Dealers

In 2014 and 2015 (prior to Kubota being evaluated as a full-line

Continued on page 8

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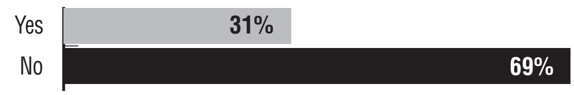
Dealers Feeling OEM Pressure to Increase Orders for New Equipment...Continued from page 1

Is your OEM willing to extend terms when inventory comes due?



Is your OEM offering incentives to entice you to order at levels you are uncomfortable with?

will impact used inventories.

Comments from dealers on this subject included: "The obvious problem is that ordering more new inventory results in more used inventory. The issue is the ability to trade for used at a level where the unit can be sold at a profit. This will not change until the glut of lease returns to the majors' credit companies stop eroding used values. We don't see that problem going away any time soon."

Adding to the used equipment argument, another dealer said, "More new equipment breeds used equipment! We cannot handle more used until that market firms more. With the price of new equipment today, the only customer is an owner of late model used. The bottom line is, we must have a home for this late model used. If not, [we] might as well gamble where it is more fun!"

Dealers were not asked to identify themselves or the brands they represented, though several mentioned brands of equipment when describing their personal situations in the commentary portion of the survey. *(See "Dealer Comments on OEM Pressure to Increase Inventories," below.)*

OEMs Squeezing Dealers. Overall, 78% of the dealers said they are feeling pressure from their mainline supplier to order more new gear than they are comfortable ordering, particularly as the market for new ag machinery remains sluggish. The remaining 22% replied that they were not being pressured to increase their new equipment orders.

In light of most dealers feeling under the gun to increase new equipment orders, another question asked if OEMs were offering incentives to encourage ordering at levels dealers were uncomfortable with. In this case, 58% of dealers said that "yes" this was the case, while 42% said "no" enticements were being offered to increase new equipment orders.

Dealers were also asked if their OEM was willing to extend terms when payments on unsold inventory come due. For example, did the supplier offer to extend the interest-free floorplanning period to help reduce dealer's floorplan interest expense. More than two-thirds (69%) responded "no," while the remaining 31% said their supplier was extending terms.

More than half (56%) of the dealers also reported that their new equipment inventory levels are too high and 44% said "no" their current inventory levels are not too high. **AEI**

Not All Dealers Feeling Pressure to Increase Orders … But Most Do

Along with answering four "yes or no" questions in the *Ag Equipment Intelligence* survey, dealers were offered the opportunity to "tell their story" when it came to being pressured by their major equipment supplier to order more new equipment than they were comfortable doing. Several dozen took up the offer and told us how they responded to the demands.

Selected comments are shown here. All of the comments will be posted on *www.Farm-Equipment.com*.

"We have only ordered equipment that we need. As the year goes on, I am sure the pressure from the OEM will increase. By the end of the year, they will want to be partners again."

"I have been offered open-ended terms for an order and get it in writing, but I'm still a little uncomfortable with it. I generally order what I am comfortable with, but each month the major sends a rep in here to tell me what I should order."

"We have 'met in the middle' at times and other times we have just held firm to not order, which our Case IH rep does not like. Our new inventory is at a manageable level. We have a decent relationship still, but it does get intense at times when we don't order what they want us to."

"Deere always pushes to stock up. All new equipment gets terms, but the terms do not last forever. Deere wants dealers to be their warehouse. We order up and stock it, then give it to other dealers who did not [stock up] so they can sell it!"

"Our supplier is offering longer terms and extending terms on new equipment. I don't believe in kicking problems down the road to keep them happy. If we order too much new, we will build used and get into the same problem we have been 2 years in fixing. We order what we need. OEM is not happy."

"We have participated on a few occasions if the incentives were intriguing and we could formulate a plan to sell the new and associated trades. Mostly, we have stood our ground and made decisions we feel are appropriate for our trade area."

… But Not All are Negative

"Case IH had the partnership program for about 2 years, but this has been phased out. But overall we have not felt that pressure. In fact, we have ordered equipment on our own that we feel we'll need for later in 2017 and early 2018."

"We believe that you cannot sell from an empty basket and tougher times are no exception. With used equipment turning at 3.5x, we feel we have reached a good balance. We're stocking products, be it at low levels, for all categories that we represent from our major and are receiving very little, if any, pressure to add to our inventory."

"We are getting limited incentives to order but keep everything in perspective with our overall budget and marketing plan. What can we move in our market and how many. We stay under that number. Our TM has a balanced approach."

… and Some Keep It Simple

"Just don't return their calls."

"No still works." **AEI**

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Precision Dealers Look for Sales Comeback in 2017

During the last few years, dealers have been extremely conservative with their revenue growth projections for the precision farming segment of their businesses. This is a direct reflection of their customers' more prudent purchasing habits. But the results of this year's *Precision Farming Dealer* benchmark study reveal a reversal in these recent revenue trends.

2016 Performance. Based on responses from 120 farm equipment dealers compiled during the first quarter of 2017, 23% of dealers reported 2016 precision revenue growth of 8% or more, which was more than double their forecast (10%) from last year's survey.

On the other end of the spectrum, 8.7% of dealers reported revenue declines of 8% or more last year, about 3 points lower (11.1%) than they forecast during the first quarter of 2016. "This also marks the first time since the study began tracking revenue projections 3 years ago that revenue declines of 8% or more were in single digits," says Jack Zemlicka, managing editor of *Precision Farming Dealer*, a sister publication of *Ag Equipment Intelligence*.

He adds that it's worth noting 75.6% of respondents identified themselves as traditional farm equipment dealers, the lowest figure since the study began tracking business structure in 2015. Among this group, 41.8% reported 2016 revenue growth of at least 2%. Some 16% of respondents classified themselves as independent precision dealers, with 66.7% of this group reporting at least 2% revenue growth in 2016.

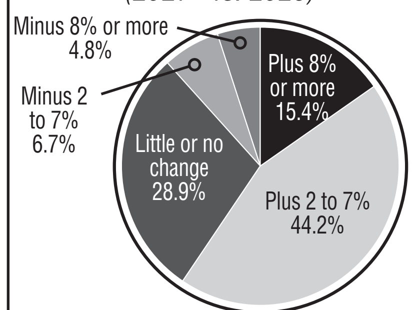
Some 40% of seed, chemical or fertilizer retailers participating in the study reported revenue growth of 2% or more in 2016, including 30% who saw growth of 8% or more.

2017 Outlook. Looking at their current selling year, some 59.6% of all dealers forecast revenue growth of at least 2% this year, with 15.4% projecting growth of at least 8%. This is well ahead of the 40% of dealers who forecast revenue growth of at least 2% at the same time last year, along with the 41% in 2015, and is more in line with 2014 (59.2%) results.

Fewer dealers are also anticipating measurable revenue declines in 2017. Only 11.5% are forecasting a dip of 2% or more, by far the lowest total in the history of the study. Only 4.8% of dealers are projecting revenue decreases of 8% or more. AEI

Precision Farming Revenue Comparison

(2017 vs. 2016)*



2016 precision revenue growth exceeded dealers' expectations and a majority forecast increases in 2017, with some 60% anticipating growth of at least 2%.

**2017 percentages are based on 1st quarter projections*

FARM MACHINERY TICKER (AS OF 6/12/17)

MANUFACTURERS	Symbol	6/12/17 Price	5/10/17 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$58.69	$59.92	$60.26	$38.01	47.22	58,540	941.54M
AGCO	AGCO	$66.74	$64.37	$66.07	$44.68	37.90	591,500	5.31B
AgJunction Inc.	AJX	$0.66	$0.64	$0.74	$0.45	N/A	84,590	82.19M
Alamo	ALG	$91.34	$83.50	$89.55	$58.22	24.29	50,300	1.05B
Art's Way Mfg.	ARTW	$2.90	$3.30	$4.70	$2.50	N/A	4,300	12.05M
Buhler Industries	BUI	$4.21	$4.51	$6.00	$4.21	58.47	714	105.25M
Caterpillar	CAT	$106.07	$100.36	$107.17	$70.53	N/A	5,300,000	62.48B
CNH Industrial	CNHI	$11.25	$10.76	$11.50	$6.26	50.00	1,580,000	15.33B
Deere & Co.	DE	$126.00	$113.55	$126.44	$76.73	22.68	2,360,000	40.10B
Kubota	KUBTY	$85.31	$75.95	$84.29	$62.80	19.04	8,320	20.96B
Lindsay	LNN	$85.64	$85.96	$89.98	$65.80	39.27	80,030	913.18M
Raven Industries	RAVN	$36.45	$31.45	$37.00	$18.01	48.80	164,610	1.32B
Titan Int'l.	TWI	$11.95	$10.79	$14.23	$5.79	N/A	545,550	712.90M
Trimble Navigation	TRMB	$36.31	$35.83	$37.15	$23.65	56.73	1,020,000	9.18B
Valmont Industries	VMI	$151.85	$151.75	$165.20	$120.65	19.21	143,800	3.43B
RETAILERS								
Cervus Equipment	CERV	$11.75	$12.77	$15.45	$11.35	9.42	6,730	185.23M
Rocky Mountain Equipment	RME	$10.20	$.90	$11.25	$6.84	11.74	23,150	197.72M
Titan Machinery	TITN	$18.56	$15.37	$18.59	$8.68	N/A	151,130	395.88M
Tractor Supply	TSCO	$57.72	$64.61	$95.39	$52.85	17.82	2,390,000	7.42B

Deere Acquires Wirtgen, Strengthens CE, Diversifies Equipment Operations

Deere & Co., best known for its dominance in farm equipment industry, made a big and unexpected move on June 1 when it announced it would be expanding the reach of its Construction & Forestry division by acquiring the German construction equipment maker Wirtgen Group. Most industry analysts covering the heavy equipment market agree that the acquisition represented a major strategic acquisition that will strengthen the company's equipment operation on several fronts.

"In our view, the deal appears to be a strong strategic positive, adding to Deere's global footprint and offering a new product lineup in road construction and mineral technology," Michael Shlisky, industry analyst for Seaport Global Securities, said in a June 1 note to investors. "The deal expands Deere's C&F segment with a high growth rate business (+15% expected in 2017) with lower cyclicality."

Perhaps just as important, this purchase is expected to somewhat reduce the company's heavy reliance on ag equipment revenues.

Big & Bold. Deere is buying the privately held international manufacturer of road construction equipment for $5.2 billion in cash, including assumed debt. The Wirtgen Group had sales of €2.6 billion ($2.9 billion) in 2016.

Ken Golden, director of global public relations for Deere & Co., confirmed to *Ag Equipment Intelligence* that this is the biggest purchase in Deere's history. "The largest prior to this was the acquisition of Timberjack for $600 million, which was announced in 1999. Timberjack was the world's largest forestry equipment company and became part of the Worldwide Construction & Forestry Division."

It's also a bold move considering the ongoing downturn in construction equipment sales, which matches or surpasses the current ag equipment sales slump. But the company is obviously looking long term with this move.

Max Guinn, president of Deere's Worldwide Construction & Forestry Division, said, "Spending on road construction and transportation projects has grown at a faster rate than the overall construction industry and tends to be less cyclical."

Climbing CE Ladder. Deere also says the acquisition improves its Construction & Forestry division's strategic position to be a global top 3 player, and also enables Deere to serve the entire road construction process and provide the construction division global distribution options and enhance emerging markets capabilities.

According to the KHL 2016 Yellow Table, Deere ranked 7th in revenue among global manufacturers of construction equipment in 2016, but it wasn't far behind number three Terex.

Manufacturer	2016 % of Revenues	2015 Rank
1. Caterpillar	18.1%	1
2. Komatsu	10.5%	2
3. Terex	4.9%	5
4. Hitachi	4.9%	3
5. Liebherr	4.7%	6
6. Volvo CE	4.5%	4
7. John Deere	4.5%	7
8. Doosan Infracore	3.6%	10
9. XCMG	3.4%	8
10. JCB	2.6%	12

Source: KHL 2016 Yellow Table

A June 6 report by Bloomberg's Gadfly columnist, Brooke Sutherland ("Deere Puts a $15 Billion Rival in the Headlights") suggests that Deere's acquisition of Wirtgen spells big trouble for the construction equipment segment of CNH Industrial. The company's ag equipment brands, Case IH and New Holland, are a distant second to Deere in that segment, and it's construction business doesn't put it even in the top 10 largest equipment manufacturers.

"Deere's move to get even bigger in construction should make investors

Deere & Co. Equipment Net Sales & Profits — 2007-16

Net Sales (millions of dollars)

Net Sales by Operating Segment	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture & turf	16,454	20,985	18,122	19,868	24,094	27,123	29,132	26,380	19,812	18,487
Construction and forestry	5,035	4,818	2,634	3,705	5,372	6,378	5,866	6,581	5,963	4,900
Total	21,489	25,803	20,756	23,573	29,466	33,501	34,998	32,961	25,775	23,387

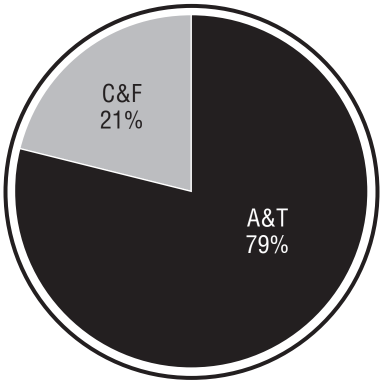
Operating Profit (millions of dollars)

Operating Profit (Loss) by Operating Segment	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture & turf	1,747	2,461	1,448	2,790	3,447	3,921	4,680	3,649	1,649	1,700
Construction and forestry	571	466	(83)	119	392	476	378	648	528	180
Total Equipment Operations	2,318	2,927	1,365	2,909	3,839	4,397	5,058	4,297	2,177	1,880

Source: company reports

Deere Equipment Operations Net Sales Breakdown

(FY2016)

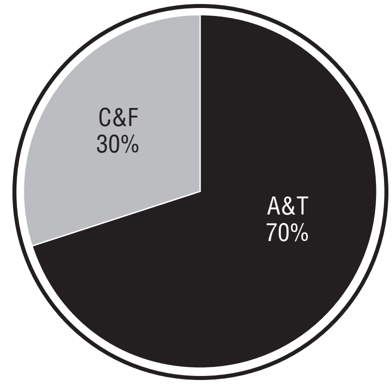


During the past 10 years or more, the breakdown of net sales for Deere's equipment operations have typically ranged between 75-80% for its agriculture segment and 20-25% for construction & forestry products.

Source: Deere & Co.

Pro Forma Deere Equipment Operations

*(including Wirtgen)**



The acquisition of the Wirtgen Group not only expanded Deere's CE product lineup and extended its overseas footprint, it also reduced its traditional dependence on ag equipment. (**Wirtgen Group internal data; German GAAP*)

Source: Deere & Co.

more aware of the size and struggles of CNH Industrial's business," writes Sutherland. "It's been cutting costs and has said pricing pressures should mitigate as the year goes on, but it's still a small, sub-scale competitor and that's not the type of thing that's going to magically fix itself."

She goes on to point out that "The [CNHI] unit's performance has been far from spectacular."

In 2015, CNH Industrial's construction unit earned $2 million of operating profit on more than $2 billion of sales last year. In 2015, the unit's most profitable year since its merger with Fiat Industrial, the implied margin was about 3.5%. Deere's net sales from its Construction & Forestry division were nearly $6 billion in 2015 with operating profit of $528 million.

It has been suggested the CNHI should consider selling off or merging its CE business with a mid-range competitor. But as reported earlier *(see Ag Equipment Intelligence, March 2017)*, the company said it is not pursuing the sale of the segment. In a note, Shlisky said, "Overall, CNHI does not seem to have much interest in pursuing an M&A deal in construction, believing that the current footprint can eventually deliver adequate returns once volumes ramp back up."

Less Ag? In addition to beefing up its CE segment, the purchase of Wirtgen also helps to reduce Deere's heavy dependence on farm machinery sales, which has hovered in the 75-80% range of total net sales for the past decade.

A Reuters report cites comments by William Blair analyst Lawrence De Maria, who said, "The acquisition will help Deere diversify its business which has been heavily reliant on agriculture while improving the distribution of its North American centric construction business. While there are growth opportunities, this allows for greater scale in construction markets and extends the equipment portfolio."

According to a presentation to investors, Deere said its 2016 Ag and Turf operations accounted for 79% of net sales, while Construction and Forestry equipment brought in 21% of equipment revenues. The company is projecting net sales from construction and forestry will increase to 30%, while ag and turf's share will fall to 70%. **AEI**

Zetor Aims for New Markets for Its Tractors

Utility tractor maker Zetor says it shipped 3,144 units globally in 2016, a 16% drop in units sold on top of the 9% fall experienced between 2014-15.

A challenging sales environment in the group's main markets of North America and central Europe is largely to blame, says financial director Lukas Krejcir, who is encouraged that Zetor generally maintained market share and increased it in some places, notably Germany, Lithuania and Slovakia.

Revenues equivalent to $132 million were down 23% on the year prior and pre-tax profit 32% lower at $4.5 million as Zetor invested more than $9 million in R&D activities and to support sales and marketing.

New senior executives recruited from the auto industry to cover sales and marketing, technical development and quality control have been charged with building Zetor's position in Europe and North America while making a big push to enter new markets.

In India, a range of basic-spec tractors built on contract by an unspecified partner has been introduced, with operations handled by a new subsidiary to tackle the Indian market and target sales into Asia and Africa.

New distribution deals have been signed this year in Iran, Myanmar, Israel, Zambia and the Baltic state of Croatia, and Zetor has struck a deal for its tractors to be assembled and distributed in Russia for the first time on any scale.

"Entering the Russian market brings a promise of strengthening the position of Zetor in an area with strong potential," says Margaréta Víghová, corporate communications director. "There is also a possibility to supply further components to our Russian partner, probably engines and transmissions which, together with locally-produced parts, shall constitute the basis of tractors of local production."

In the longer term, Zetor will hope to avoid import tariffs through that strategy, but meanwhile has supplied more than 100 component sets of Forterra 135 tractors to Kovrov Electromechanical Plant (KEMP) Co., in the Vladimir region east of Moscow, for local assembly. **AEI**

South American Ag Equipment Intelligence

Brazilian Ag Equipment Sales Up 33% for First 4 Months of 2017

A report released by Brazil's National Assn. of Automotive Vehicle Manufacturers (Anfavea) in May reveals that sales of agricultural and road machinery jumped 33.1% compared to the first 4 months of 2016 with 13,200 units sold. In April alone, sales reached 3,400 units.The sector's output in the 4 months increased 55.5% to 18,100 unities, while April production was 5,000.The numbers strengthen optimism for equipment makers and dealerships for the remainder of 2017.

The market is buoyed by high expectations for crop production. The Brazilian Institute of Geography and Statistics (IBGE) forecasts a growth of 26.2% of overall crop production in the country this year. "We have registered daily average sales increase of 6% over March and 7% compared to April of last year. This is a very positive fact," said the president of Anfavea, Antonio Megale, in an interview with *Globo Rural* magazine.

New Brazilian App Would Be "Uber" of Ag Machinery

Sharing machinery is an emerging trend in Brazilian agriculture, mostly in the Southern region of Minas Gerais. A new application called Uller, available only in that region, was presented during the Agrishow agricultural fair in the city of Ribeirão Preto, state of São Paulo, to farmers from several parts of the country.

The digital platform allows farmers to rent equipment from other farmers, instead of doing it from traditional service providers. The platform is very similar to Uber. It identifies the closest machines available and ranks providers according to previous users reviews. In less than 5 months, the application attracted near a 100 users in that region of Minas Gerais.

Loss of Market Share Concerns New Holland

Rafael Miotto, vice president of New Holland in Latin America, is expressing concern about the company's declining sales and resulting loss of market share in April vs. earlier in the year. "The market is weird. We do not know what is going on. It is slow. Maybe there is an apprehension of the farmer about the political decisions or commodity prices," said Miotto during Agrishow.

Still, the company maintains its forecast to grow 15% in the Brazilian market in 2017 from revenues of R$1.95 billion ($590 million) in 2016. New Holland did not disclose the amount of the drop off in April. Nearly one-third of all harvesters sold in Brazil are manufactured by New Holland.

Argentina Groups Agree to Share No-Till Technology, Equipment with South Africa

Several associations from Argentina that represent the manufacturers of agricultural machinery have signed an agreement in South Africa to supply technologies to the African country. Since 2011, South Africa has started to implement no-till farming, a technique that is very common in Argentina for crops like corn, soybeans, sunflower and sorghum. "The significantly positive results in the early investigation of that technique have boosted results and they want more of it. We have specialized machinery for that," according to a press release from the Argentinian Chamber of Agricultural Machinery Manufacturers. **AEI**

Looking for Growth, Tractor Maker Ursus Strikes Deal in Zambia

Tractor maker Ursus has secured its biggest deal yet in an initiative to win business in Africa.

The Polish manufacturer's agreement with Zambia's Industrial Development Corp. includes almost 2,700 tractors and 2,500 implements, along with the creation of a plant to assemble the Ursus products. In addition, Ursus will supply spare parts and set up an authorized service center in each of the country's 10 provinces.

The $100 million deal comes on top of the $140 million worth of business already secured in other African countries *(see Ag Equipment Intelligence, May 2016)*.

Karol Zarajczyk, president of Ursus, said, "The experience gained over the years in the African markets, proven and reliable technology and the recognition of the Ursus brand, resulted in Zambia being another country that decided to choose our offer.

"Concluding the contract confirms the involvement of Ursus in the realization of projects that contribute to the mechanization of agriculture in another African country. Our position as a partner for African entrepreneurs is strengthened and it constitutes proof of our competitive advantage on the international market."

The government of Zambia's agricultural mechanization program aims to contribute to the social development of rural areas and improve the quality of life. It has ordered tractors in the 47-180 horsepower range and implements that include trailers, manure spreaders, round balers for straw and hay, and moldboard plows.

The deal is being financed through a soft loan from Poland's national economy bank on the basis of OECD rules governing aid. Ursus will receive 40% of the contract value before deliveries begin, almost 60% once the second shipment is ready to be dispatched, and the remaining 2% after the final delivery. **AEI**

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Mid-Range Equipment Accelerates in May

After 3 months of sales growth for large ag equipment, North American sales once again declined in May. Canadian sales growth slowed to plus 1% and the U.S. posted a 16% decline, according to the latest number released by the Assn. of Equipment Manufacturers. "Row-crop tractors [were] the primary driver of large ag softness with a 20% decline in the U.S. and 10% decline in Canada; May is a below average month for row-crop, 4WD and combine sales," said Mircea (Mig) Dobre, senior research analyst with Baird, in a note to investors.

However, both mid-range and compact equipment growth accelerated and posted above-average results for May leading into summer.

U.S. and Canada large tractor and combine sales decreased 12% year-over-year in May after increasing 1% in April and 3% in March. U.S. sales were down 16% year-over-year, with row-crop tractors down 20%, 4WD up 26% and combines down 9%. Canadian sales were up 1%, with strong growth in combine sales mostly offset by declines for row-crop and 4WD tractors.

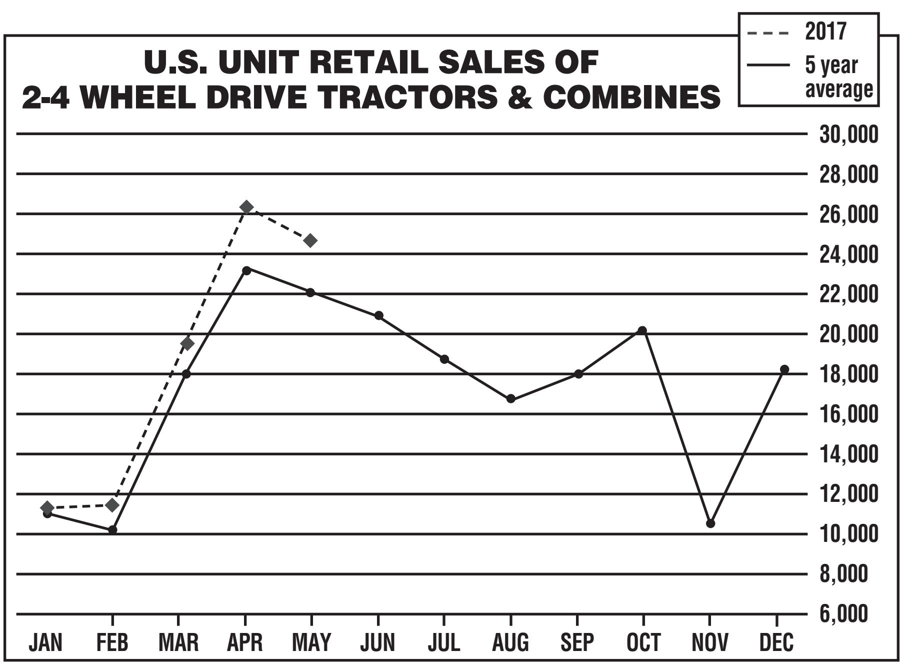
- Row-crop tractor sales were down 18.4% year-over-year in May, compared with a 4.5% decrease in April. U.S. row-crop inventories dropped 21.3% year-over-year in April. May is typically a slightly below-average month for row-crop tractor sales, accounting for 7.9% of annual sales over the last 5 years.
- 4WD tractor sales were up 8.5% in May vs. a 31.1% increase in April. U.S. dealer inventories of 4WD tractors were down 6.4% year-over-year in April.
- Combine sales increased 12% in May following April's increase of 8.6%. U.S. combine inventories were flat year-over-year in April. May is also typically a below-average month for combine sales, accounting for 6.3% of annual sales over the last 5 years.
- Mid-range tractor sales increased in May, up 3.7% year-over-year after a 0.3% increase the previous month. Compact tractor sales were up 13.9% year-over-year, following a 9.5% improvement in April. AEI

MAY U.S. UNIT RETAIL SALES

Equipment	May 2017	May 2016	Percent Change	YTD 20 17	YTD 2016	Percent Change	April 2017 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	17,707	15,712	12.7	62,551	55,542	12.6	71,824
40-100 HP	5,274	5,183	1.8	21,743	21,991	–1.1	34,067
100 HP Plus	1,277	1,605	–20.4	7,063	8,157	–13.4	8,399
Total-2WD	24,258	22,500	7.8	91,357	85,690	6.6	114,290
Total-4WD	185	147	25.9	869	910	–4.5	740
Total Tractors	24,443	22,647	7.9	92,226	86,600	6.5	115,030
SP Combines	213	233	–8.6	1,226	1,402	–12.6	852

MAY CANADIAN UNIT RETAIL SALES

Equipment	May 2017	May 2016	Percent Change	YTD 2017	YTD 2016	Percent Change	April 2017 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,881	1,479	27.2	5,178	4,204	23.2	8,415
40-100 HP	551	434	27.0	2,200	1,937	13.6	3,933
100 HP Plus	329	364	–9.6	1,490	1,422	4.8	2,306
Total-2WD	2,761	2,277	21.3	8,868	7,563	17.3	14,654
Total-4WD	69	87	–20.7	509	383	32.9	240
Total Tractors	2,830	2,364	19.7	9,377	7,946	18.0	14,894
SP Combines	159	99	60.6	651	436	49.3	575



— Assn. of Equipment Manufacturers

How Dealers Rate Their Full-Line Farm Equipment Manufacturers

RATINGS SCALE: 1 = Extremely Dissatisfied; 7 = Extremely Satisfied	Product Quality	Parts Availability	Parts Quality	Product Technical Support	Manufacturer Response to Dealer Needs/ Concerns	Warranty Payments	Product Availability	Warranty Procedures	Communications with Management	Marketing & Advertising Support	Return Privileges	Overall Satisfaction
Full-Line Manufacturers	**5.09**	**5.04**	**5.48**	**4.62**	**4.22**	**4.74**	**4.92**	**4.76**	**4.62**	**4.74**	**5.00**	**4.94**
AGCO	5.18	5.00	5.45	4.73	4.17	4.97	4.86	4.95	4.52	4.67	5.00	4.95
Case IH	4.60	4.30	4.89	4.17	3.60	4.02	4.70	3.98	4.25	4.14	4.51	4.36
John Deere	5.48	**6.10**	**6.10**	**5.42**	**4.97**	**5.57**	5.16	**5.56**	**5.27**	**5.48**	**5.68**	5.51
Kubota	**5.78**	5.44	6.01	4.97	4.92	5.00	**5.59**	5.21	5.17	5.45	5.30	**5.69**
New Holland	4.43	4.37	4.97	3.81	3.44	4.12	4.31	4.12	3.90	3.96	4.53	4.18

Categories (from l–r) appear in the importance as determined by the dealers.

Bold denotes highest score in category.

John Deere received Full-Line "Dealer's Choice" recognition, as determined by a composite of the average mean score of all categories above.

Source: 2017 Equipment Dealers Assn. Dealer-Manufacturer Relations Survey

manufacturer), the top four in average mean scores were Deere, Case IH, AGCO and New Holland, though AGCO was ahead of New Holland in the "race to the bottom" by only a slight margin. In 2016, however, AGCO passed Case IH on average scoring and performed even better in the 2017 survey.

While AGCO remains a distant third among full-line manufacturers, in examining EDA's 3-year data, *Ag Equipment Intelligence* found that AGCO had made significant gains in the last 3 years.

In a review of the top 5 categories of greatest importance to dealers (product quality, parts availability, parts quality, product technical support and manufacturer response to dealer needs/concerns), AGCO saw the greatest improvement in each. None of the manufacturers in any of the categories notched more "most improved" scores than AGCO. AGCO also had the best 3-year improvement score across all 12 categories.

The full-line companies who lost the most ground in those same 5 categories were Case IH (recording the greatest loss among the full-line manufacturers in parts availability, parts quality and product technical support) and Kubota (for product quality and manufacturer response to dealer needs/concerns). Case IH also had the most instances where it had lost the most ground — in 10 of the 12 categories.

It appears dealer-manufacturer relations at Case IH have been deteriorating over the years, a longtime dealer-principal told *Ag Equipment Intelligence*. He cited product quality and procedures to take care of out-of-warranty issues, and significant formula changes to volume bonuses in 2017 that focus on outlier products and unattainable targets for dealers in certain markets as reasons for the Case IH downgrade. He also added that, at the time the survey was taken, the Partnership early-order program was top-of-mind, and requirements of ordering volumes to get discounts of equipment on hand rubbed dealers the wrong way.

Kubota's lower scores are not surprising to *Ag Equipment Intelligence*. In all likelihood, significant new product introductions and entry into new markets is causing some growing pain-type issues. Kubota also faces the higher expectations dealers typically have for "full-line manufacturers."

Other Notable Findings

EDA's survey results provided an abundance of data on the perceptions dealers hold on other farm equipment manufacturers.

Tractors: South Korean-based tractor manufacturer LS Tractor was the top performing tractor manufacturer and earned the "Dealer's Choice" recognition. JCB had the greatest number of most improved scores from 2015-17 with 10 of 12. Versatile had the lowest scores in half of the categories surveyed in 2017, while Indian tractor manufacturer Mahindra had the most instances where it lost the most ground from 2015-17 — in 10 of the 12 categories.

Shortline Equipment: Canadian tillage and seeding equipment manufacturer Bourgault earned the "Dealer's Choice" recognition (unseating Vermeer), and achieved "best" scores in 8 categories in 2017. A significant 3-year trend was seen in Alamo Group's Rhino division performance as the cutting equipment manufacturer took most improved for 2015-17 in 11 of the 12 categories.

On the other end of the scale, no specialty manufacturer took it "on the nose" like planter manufacturer Kinze, consistent with observations from dealer feedback and surveys in recent years. In addition to 9 categories where it performed with the lowest 2017 scores among all shortline companies, Kinze also lost the greatest amount of ground in 5 distinct categories from 2015-17. A dealer told *Ag Equipment Intelligence* that Kinze's scores reflect "the product failure of the 4900 planter launched in 2013, as well as the lack of any significant new innovation this decade."

Additional coverage of the Equipment Dealers Assn. survey results, including the performance of the shortline and tractor manufacturers, will appear in Farm Equipment magazine's July/August edition. Comprehensive survey data and reports are also available from EDA; contact Joe Dykes, vice president of industry relations at jdykes@equipmentdealer.org. AEI