From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- **Farms to Up Spending**
- **Precision Mrkt: $240B**
- **Brazil Sales Up 26%**

Rocky Mountain Equipment Aims High with 5 Year Growth Plan; U.S. Expansion a Strong Possibility

Rocky Mountain Equipment (RME) calls itself "Canada's largest agriculture equipment dealer and the largest Case IH dealer in North America." It considers itself a "consolidator" of agriculture equipment dealerships, primarily focused around the CNH Industrial's agricultural brands.

At its investors meeting at the end of May, the dealer group laid out a 5 year plan to grow the business by $500 million. Its expansion will include extending its reach throughout Canada's Prairie Provinces and could even cross their southern borders into the U.S.

Listed under the symbol RME on the Toronto Stock Exchange, the dealership group is one of only three farm equipment retailers that are publicly traded. Since its IPO in 2007, RME has made nearly 20 acquisitions of other dealers, all in Canada.

Right Sizing the Business. Like most of the ag equipment industry, the last few years were challenging for RME. Revenues peaked in 2013 at just over C$1 billion and bottomed out in 2016 at C$930 million. Last year saw a 3% increase in overall revenues to $959 million. Year-over-year gross profits were up 5% last year, to C$139.4 million. Sales in the first quarter of 2018 saw further improvement, reaching nearly $220 million, a 4.6% improvement compared to sales during the first 3 months of 2017.

Between April 2015 and December 2016, RME "right sized" its operations and reduced its footprint by 20% with the closure of 8 locations, which dropped its total number of stores to 34. While several of the locations were in areas already being served by other RME dealerships, nonetheless, Garrett Ganden, president and CEO of RME, called the decision to close the stores "heart wrenching."

In his analysis of RME's first quarter 2018 results, Ben Cherniavsky told investors, "We acknowledge the highly competitive nature of the ag dealership business and the relatively incremental gains that RME is making in a mature market, but we believe that 'slow and steady' will eventually

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Replacement Needs Fuels Solid 1H18 Ag Machinery Sales

So far, so good for North American tractor and combine sales during the first 6 months of 2018. The Assn. of Equipment Manufacturers (AEM) attributes improving tractor and combine sales to both replacement needs and the farmers' expectation that the ag market will improve further down the road.

Earlier this month, AEM released its monthly ag tractor and combine sales reports for the U.S. and Canada. Through the first 6 months of 2018, total tractor sales in the U.S. were up 6.5% and up 4.7% in Canada compared to the same period last year.

Combine sales were likewise trending positive, up 20.5% in the U.S. and up 3.9% in Canada vs. the first 6 months of 2017.

"The first half of 2018 for tractor and combine sales are continuing the positive direction we began to see in the last quarter of last year," Curt

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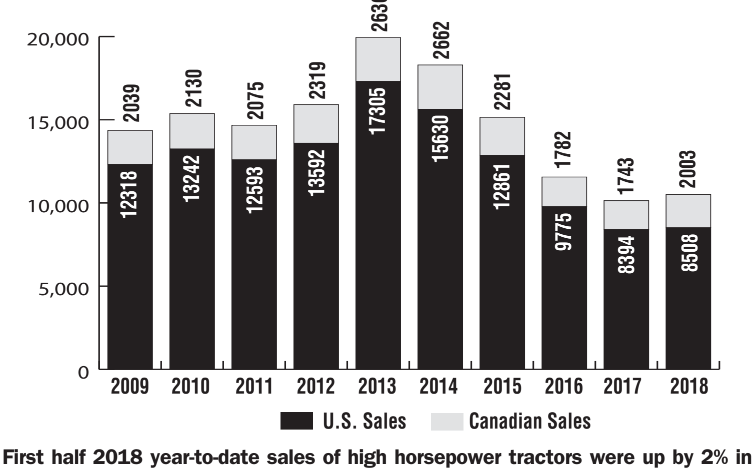
1H Sales of High HP Tractor — 2009-18

(2009-18)



First half 2018 year-to-date sales of high horsepower tractors were up by 2% in the U.S. and 15% in Canada.

Source:AEM

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win the race. Specifically, following several years of internal optimization that was focused on streamlining past acquisitions, reducing debt and eliminating costs, we believe the company is now well positioned to pursue greener pastures through measured growth and consolidation. Looking ahead, management believes consolidated revenue will grow in the range of 5-10% in 2018."

It would appear that RME's top brass feels the same way. On July 3, the dealership group announced its first acquisition in recent years with the definitive agreement to acquire the two New Holland locations of John Bob Farm Equipment, both located in Saskatchewan. Ganden called the acquisition "a perfect fit with our growth plan."

RME's 5 Year Plan. According to its earlier announcement, RME expects to grow revenues from $959 million in 2017 to at least $1.5 billion in 2023. Its far-reaching growth plan includes a combination of revenue sources including:

- $200 million in organic growth through RME's present geographic footprint;
- $200 million in acquired top line revenue in Canada and the U.S.; and
- $100 million in revenue synergies on assets that are acquired through this plan.

But RME's growth strategy started with its right-sizing efforts. In addition to consolidating dealer locations, the company also focused on internal business operations. "Our management team determined early on that our SG&A needed to be less than 10% of sales." Prior to that, he says the business had experienced "creep," expenses continued to grow little by little until they were between 11-12%. With sales of about a billion dollars, a 1% savings represented a $10 million reduction in SG&A.

In addition to initiating strict business disciplines and restructuring how the stores are managed, the major part of RME's growth will depend on increasing revenues. But while the sale of farm machinery has seen some pick up in the past few months, a major turnaround isn't anticipated in the near-term. As a result, in addition to the dealership group's growth through acquisition, Ganden says they'll focus on getting more of what's out there.

"With the locations that we have today, there is opportunity for us to touch more customers, to serve more customers, to make sure that we're their partner of choice. And we have some that are underperforming what we think they should do and we know they're capable of doing," he says. "We had to challenge them to let people know what's expected and we've told the marketplace what we're doing. So it's really important for us to drive it. And when you set goals like that, it's amazing what a unified team can do."

Those efforts will include all of the dealership's revenue streams. "We're not just looking at new and used equipment sales," says Ganden. "We're pushing to increase parts and service sales, and we want to make sure that the technology portion is a growing part of the business because it really shows the communities and the customers that we can partner with them for the long term."

RME also expects $100 million of its growth plan to

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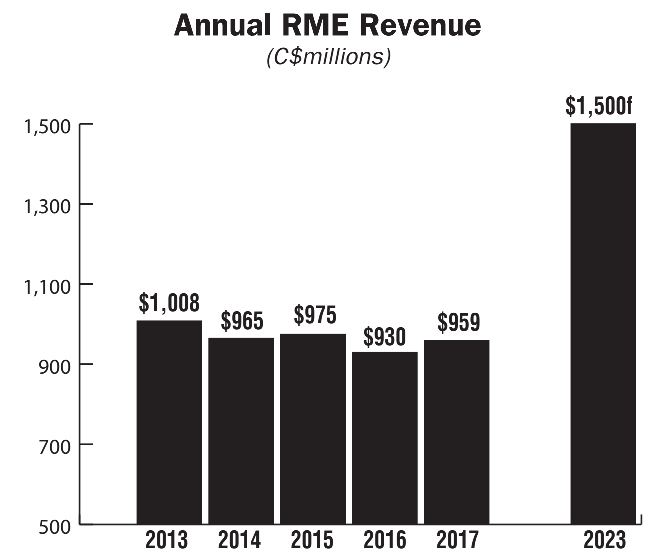

Rocky Mountain Equipment is targeting a jump in total revenue of 50%, or $500 million by 2023.

Source: Company reports

Prairie Provinces Farm Equipment Customer Base & Characteristics

Segment	Total Farms*	General Characteristics
Large Farms (>$1M)	8,184	Buy multiple, new equipment; access OEM incentives; prize latest technology; replace after 1-2 years
Midsize Farms ($0.1-$1M)	37,381	Achieve favorable price/technology balance; replace after 3-5 years
Small Farms (<$0.1M)	33,818	Buy used; seek lowest purchase price; maintain until end of productive life

While much of a dealership's sales effort is aimed at new wholegoods, as the numbers in this table show, used equipment buyers (mid-size and small farms) are necessary and represent a significant opportunity for farm equipment dealers.

**Source: 2016 Canadian Ag Census (Alberta, Saskatchewan, Manitoba)*

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Blades, AEM senior vice president of agriculture, told *Ag Equipment Intelligence*.

Although sales figures suggest a recovery for the ag equipment industry, things aren't necessarily positive for agriculture as a whole, at least currently, Blades says. Even so, farmers are at the point where their equipment needs replacing and many are also feeling good about what the future holds.

"What showed up first in Canada and then later in the United States could best be described as a replacement market because the economics on the farm are not necessarily pointing to be that positive for 2018," he says.

"I think what we found is that there was just some pent-up demand or some replacement that was beginning to happen at the end of last year and at the beginning of this year.

"It was time for some of that equipment to be replaced. There's this general feeling of optimism [from farmers] of, 'Hey, if I'm going to replace it and the future looks bright with tax reform and other things on the horizon.' It appears that farmers are now willing to make some of those investments they've been putting off for the last couple of years."

Blades points out that under 40 horsepower tractors have driven much of the ag equipment sales volume the last couple years, as that segment is more closely tied to the general economy in the U.S. and less dependent on farm incomes.

"But these most recent numbers where we're seeing some nice, steady recovery and over 40 horsepower, over 100 horsepower, articulated 4WD and self-propelled combines showing positive gains, and they have been consistently for the last couple of months. That certainly is good news for our members," he says.

Combine sales for the first 6 months of the year have been particularly strong in the U.S. Blades attributes that both to the individual needs of each farmer and to the replacement market "coming into its own."

One thing that has AEM officials concerned is the potential for a trade war, which appears to be getting more serious every day.

President Donald Trump recently announced the U.S. would enact another $200 billion worth of tariffs on China. This adds to billions worth of tariffs already identified for China, plus separate tariffs on steel and aluminum tariffs and retaliatory tariffs from other nations, which impact U.S. commodities that include soybeans and other ag products.

"That's a big concern," Blades says. "Farmers get a double-hit on that because any potential steel tariffs or aluminum tariffs have a direct effect on the price of their equipment at some point in the future. So, these are big concerns that are going to impact what the next 6 months look like."

With that, Blades says he is "cautiously optimistic" that any remaining ongoing trade spats will be worked out. "I continue to be optimistic that we're going to come to an agreement on trade that allows these tariffs to expire and not be renewed." **AEI**

FARM MACHINERY TICKER (AS OF 7/11/18)

MANUFACTURERS	Symbol	7/11/18 Price	6/12/18 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$55.72	$58.05	$60.63	$47.08	27.17	30,960	917.95M
AGCO	AGCO	$60.23	$64.05	$75.95	$56.36	21.97	718,390	4.79B
AgJunction Inc.	AJX	$0.84	$0.86	$0.91	$0.44	—	32,320	98.43M
Alamo	ALG	$90.13	$94.55	$120.59	$86.41	22.64	67,320	1.05B
Art's Way Mfg.	ARTW	$2.80	$2.85	$5.45	$2.00	—	31,910	11.76M
Buhler Industries	BUI	$3.63	$3.88	$4.89	$3.60	—	473	90.75M
Caterpillar	CAT	$136.76	$157.49	$173.24	$105.11	36.96	4,540,000	81.77B
CNH Industrial	CNHI	$10.11	$11.88	$15.65	$10.09	30.82	1,770,000	13.71B
Deere & Co.	DE	$141.42	$157.59	$175.26	$112.87	25.34	2,720,000	45.86B
Kubota	KUBTY	$80.18	$86.58	$107.13	$77.83	15.94	52,430	19.80B
Lindsay	LNN	$97.20	$100.86	$103.03	$83.57	48.36	79,790	1.05B
Raven Industries	RAVN	$39.45	$39.10	$42.40	$26.70	28.18	124,330	1.42B
Titan Int'l.	TWI	$10.50	$12.01	$14.53	$7.97	—	257,410	628.14M
Trimble Navigation	TRMB	$33.24	$34.58	$45.70	$32.01	65.30	1,480,000	8.28B
Valmont Industries	VMI	$151.85	$152.35	$176.35	$137.90	29.70	97,260	3.42B
RETAILERS								
Cervus Equipment	CERV	$14.63	$13.75	$15.85	$11.50	11.45	9,000	229.51M
Rocky Mountain Equipment	RME	$11.65	$11.30	$14.34	$9.72	10.96	38,340	231.70M
Titan Machinery	TITN	$14.47	$17.44	$25.09	$11.68	—	241,240	313.62M
Tractor Supply	TSCO	$77.38	$75.78	$82.68	$49.87	22.59	1,790,000	9.44B

Farmers Grow Acreage, Face Investment Decisions

More farmers increased their crop acreage in 2018, according to Purdue University/CME Group Ag Economy Barometer's June 2018 report. This is perhaps unsurprising, given ongoing trends of farm consolidation seen in the U.S., but also serves as a reminder to dealers that as farms grow in size, the total number of customers tend to decline.

Change in Crop Acres? More than three-quarters of farmers said they did not change their crop acreage in 2018 from last year, according to the Purdue report. Even so, 14% of those surveyed said they increased the size of their farms vs. 9% who said they decreased their acreage. In other words, there were roughly 56% more agricultural producers who reported they increased their crop acreage than those who said they decreased their crop acreage in 2018.

Specifically, 6% of farmers said they grew their acreage by up to 10% and 8% said they grew their acreage by more than 10%. Only 5% of farmers reported their acreage decreased by up to 10% and 4% said it decreased by more than that.

As farms have gotten larger over time, the value of their machinery has also increased, according to a separate study. A recent report entitled "Machinery Values on Illinois Grain Farms" from the Illinois Farm Business Farm Management Assn. and the Dept. of Agriculture and Consumer Economics at the University of Illinois shows that average machinery values on 1,000 acre grain farms in the state more than doubled over a 10 year period.

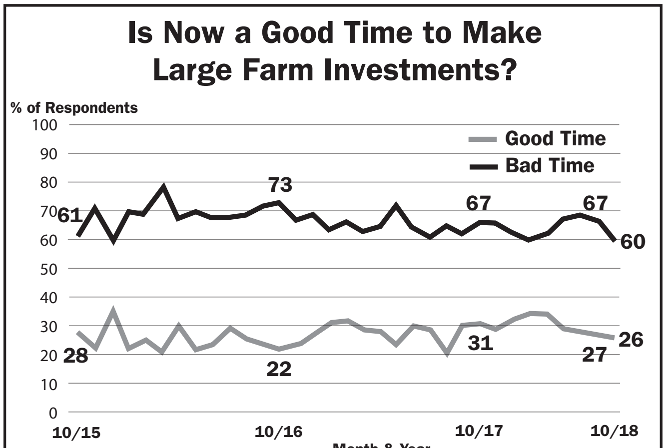
In 2006, an Illinois grain farmer who had 1,000 acres on average would have had about $300,000 worth of machinery. By 2016, that same size farmer would have about $650,000 worth of machinery on average, which represents a jump of about 124%. Machinery values on 2,000 acre farms saw an even greater increase, about 140%, over that same time period.

But on a per-acre basis, smaller farms saw the highest increases of machinery values vs. their larger counterparts. Machinery values on a 1,000 acre farm increased from about $280 per acre in 2016 to $660 per acre in 2016, a 136% increase. However, the per-acre machinery value in 2016 on a 5,000 acre farm totaled $380. The per-acre machinery value on 5,000 acre farms increased 73% between 2006 and 2016.

Time to Invest? The Ag Economy Barometer report from Purdue also indicated many farmers are now making large farm investments, such as the purchase of buildings or farm equipment, out of necessity.

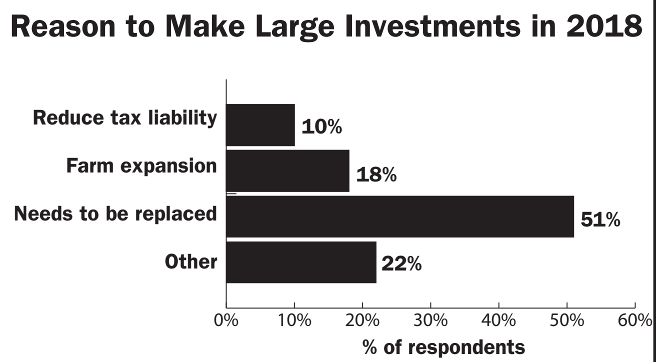
The June survey asked respondents whether the present day is a good time to make large purchases. Those who said now is a bad time to do so dropped to 60% in June vs. 67% the month prior, continuing a general downward trend reaching back to October 2016. The percentage of producers who said now is a good time to make large investments fell slightly to 26% from 27% a month ago, and down from its most recent peak of 34% in February.

Of those surveyed, 13% indicated they actually plan to make a large purchase on their farm in 2018. More than half of those respondents said they were making the investment because a building or piece of equipment needs to be replaced, while 18% said it was due to farm expansions and 10% said it was to reduce tax liability. The remaining 22% indicated other reasons. **AEI**



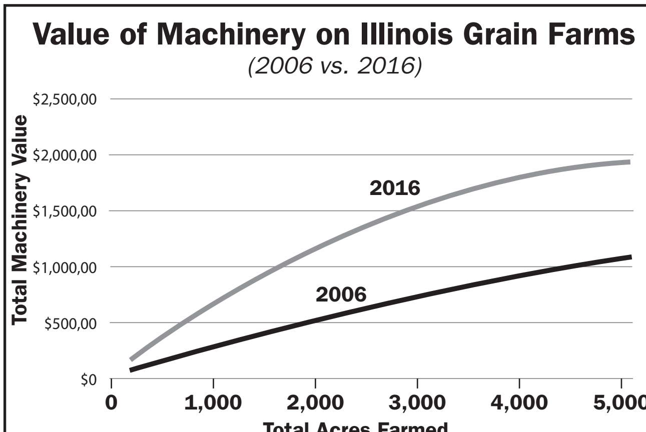
Farmers who believe now is a good time to invest in large items, like buildings or equipment, fell slightly according to Purdue's recent poll.

Source: Purdue University Center for Commercial Agriculture, Producer Survey, June 2018



After holding back on capital expenditures the past few years, U.S. farmers say it's time to replace or upgrade equipment or buildings.

Source: Purdue University Center for Commercial Agriculture, Producer Survey, June 2018



In 2006, an Illinois grain farmer with 1,000 acres on average would have had about $300,000 worth of machinery. By 2016, that same size farmer had about $650,000 worth of machinery.

Source: Illinois FBFM Data

Future Food Needs Present $240B Addressable Market for Precision Farming Technology

Worldwide adoption of precision farming technologies will be needed to meet a needed 70% increase in food production by 2050, according to research from Goldman Sachs.

In the face of this challenge are growing opportunities for manufacturers and dealerships. With a need for greater yields identified, researchers estimate a $240 billion addressable market in these technologies, meaning there is nearly a quarter trillion dollars' worth of revenue opportunities.

The Goldman Sachs report on precision farming is part of its "Profile in Innovation" series. In it, researchers argue the projected 70% increase in food production over the next 35 years will largely have to come from greater yields driven by new technology in precision farming, as available acreage is only expected to grow by about 4%.

Considering the global annual crop production value of $1.2 trillion in 2015, and factoring in a technology-driven yield improvement of 70%, researchers estimate another $800 billion in production value will be generated by 2050.

That's assuming all technologies are fully adopted by then. Based on historical capture rates of 30% for seed producers, the researchers arrive at their estimate of a total addressable market of $240 billion in precision technologies.

Of the 5 major components that make up the $240 billion profit pool, the 3 largest consist of: Precision fertilizer application, with a potential production value add of $200 billion and a $65 billion addressable market based on an 18% increase in yields; precision planting, with a potential value add of $145 billion and a $45 billion addressable market based on a 13% improvement in yields; and compaction reduction via a fleet of smaller tractors, with an added production value, addressable market and yield improvement that mirror precision planting.

Precision Fertilizer Application. The report estimates 40% of fields are over-fertilized, and that broad-based adoption of precision fertilizer application technology would result in a 15-20% improvement in yield and a 4% reduction in fertilizer consumption.

"The next generation of products equips a tractor with a sensor and a fertilizer application system, with automatic application rates around parts of the field where fertilizer absorption is low," the report states.

According to researchers, companies well positioned in this segment include Trimble, Monsanto, aWhere, Raven, FarmSolutions and FarmersEdge.

For instance, Monsanto's FieldView products help farmers make fertilizing decisions based on back-tested data. Once a farmer's field is surveyed, the dataset will allow for more prescriptive and tailored fertilizer recommendations.

Precision Planting. Precision planting, which allows farmers to customize seeding in certain parts of the field without losing productivity, uses 3 types of technology: Variable rate seeding, multi-hybrid planting and field data integration, which improves hardware decisions regarding the first two technologies.

Reducing Compaction. The size of tractors used in agriculture has increased steadily over the last 50-plus years to help reduce labor costs and harvest larger plots of land. Researchers say that, starting under 10 tons, there is a noticeable reduction in yield loss, mostly through soil compaction.

According to the report, "These massive machines have significant scale, but come with the adverse effect of damaging soil. Industry estimates of yield improvements derived from a reducing compaction range from 10-15%."

Perhaps the most advanced solution in reducing compaction is autonomous driving technology. Driverless machines allow farmers to use smaller equipment with the same effectiveness and scale as the large, heavier equipment. For instance, farmers could use a fleet of under 100 horsepower tractors rather than one or two 600 horsepower machines to do the same job. **AEI**

Horsch Launches U.S. Demo Farm

Test plots comparing GMO and non-GMO seed, others assessing the potential of single seed sowing of grain crops, and demonstrations of equipment will be among the activities at the new Horsch demo farm that opens this month with its first practical field days.

The 160 acre former Beck's Hybrids facility in Downs, Ill., *(see Ag Equipment Intelligence, March 2018)* is now called the Horsch AgroVision Farm and has been converted to a controlled traffic farming (CTF) system of permanent wheelways or tire tracks.

The German tillage tool, sprayer and seeder manufacturer Horsch aims to demonstrate its expertise in this area, through width-matching of implements such as a 32 row Maestro 32.15 single grain seed drill, Joker disc cultivator and other equipment used throughout the crop production cycle to minimize soil compaction from vehicle wheels.

Horsch has also signaled its potential to enter the self-propelled sprayer scene by shipping a Horsch-Leeb LT to the farm. The company already produces a sprayer for large-scale farms in Eastern Europe that is a suitable candidate for the North American market.

As with its existing demo farm in the Czech Republic, Horsch's AgroVision facility will be used to trial and demonstrate different agronomic, crop and rotation options to stimulate debate and learning among U.S. growers, not just provide a showcase for Horsch products. **AEI**

South American Ag Equipment Intelligence

Brazil Tractor Sales Jump Nearly 26% in June

The latest report from Brazil's National Assn. of Automotive Vehicle Manufacturers (Anfavea) indicates that tractor sales in June were up by 25.5% year-over-year. This was up 48.2% vs. the previous month and down 4.9% year-to-date.

During the month, tractor unit sales were 4,239 units compared to 2,860 in May and 3,377 in June 2017. Year-to-date, June unit sales were 16,645 vs. 17,503 a year earlier.

Sales of combines used to harvest grain, on the other hand, were up 66.1% in June with 480 units sold vs. 289 in June 2017. This compares to 249 in May 2018 (up 92.8%). Through the first 6 months of 2018, 2,101 combines were sold vs. 1,915 during the same period in 2017.

Anfavea: Brazil's 2018 Ag Equipment Sales to Grow 7%

According to Brazil's National Assn. of Automotive Vehicle Manufacturers (Anfavea), the improvement of commodity prices will push sales of agricultural machinery in the country for the rest of the year. The association revised up its estimates for the sector. Production would jump 14% to 60,400 total units compared to 59,400 unit last year. The increased output is due to an expectation that sales would increase by 7% vs. 2017 to 45,400 units. The previous forecast was 45,400 sales.

"Though in the year we still have negative numbers, we are seeing a trend of good growth," said Anfavea President Antonio Megale. He reports that in July or late August, the accumulated sales for the year will be positive and the trade war between U.S. and China is one of the reasons.

"We have good news. China makes effective the taxation of 25% on U.S. soybeans and we have a strong global demand," added the vice president of Anfavea, Alfredo Miguel Neto.

Argentinian Tractor Sales Will Be 'Tough' This Year

In an interview with local agricultural magazine *Chacra*, Ignacio Armendariz, president of the Assn. of Argentinian Manufacturers & Distributors of Tractors (Afat) and commercial manager at Agrale Argentina, revealed that his expectation is that tractor sales will drop in the South American country.

Armandariz says it will be very "tough" to maintain the same volume as last year, even though from January to May the sales were only slightly lower than 2017. "The second semester will be tougher than the first semester. This part of the year is more important for ag machinery because corn and soybean growers buy equipment before planting. The effects of the drought and the dollar appreciation will be significant," he said. From January until June, the Argentinian Peso devalued nearly 60% against the U.S. dollar.

He also said that financing new purchases is still a challenge in Argentina. "Loans have been irregular, sporadic and uncertain in Argentina. We don't mind if the rate changes, but the investor should know that loans are always available," said Armendariz.

Members of Afat include AGCO Argentina, Agrale Argentina, John Deere, CNH Industrial, Claas and Jacto. AEI

AGCO to Cease Lely Forage Equipment Brand

The successful rollout of round balers and forage wagons in Fendt and Massey Ferguson colors for European markets has prompted AGCO to give advanced warning that these products will no longer be available under the Lely brand, starting in March 2020. Lely hay equipment dealers around the world have been scouting for new suppliers ever since AGCO announced its March 2017 agreement to acquire the Lely Group's forage equipment division.

Krone, Pottinger and Irish manufacturer McHale have emerged as the main third-party beneficiaries of the deal, which was concluded in October last year, as they have been able to expand their distribution networks.

Lely dealers yet to find an alternative franchise will no longer have Lely mowers, tedders and hay rakes to sell as production of these machines at the company's factory in Holland stopped in April of this year. The implements are of no interest to AGCO because they duplicate products built in the AGCO's Fella factory in Germany that have kicked off a new full line hay tools strategy for the Fendt and MF brands in Europe.

In contrast, the two factories in Germany making round balers and silage wagons were key to completing AGCO's full line plans so were included in the deal. AGCO now says the order intake and demand for these machines since their launch last November has developed well and significantly faster than expected such that the factories are operating flat out to meet demand.

While the MF line benefits from only the round balers, the Fendt portfolio also includes the self-loading forage wagons as they are considered complementary to the Fendt-exclusive Katana forage harvester. Both brands already carry AGCO's Hesston, Kansas-built big square balers, including the newly introduced ultra-high density model.

Dr. Rob Smith, senior vice president and general manager for AGCO in Europe and the Middle East notes that making the announcement that Lely-branded balers and wagons will no longer be available to dealers in a little under 2 years' time provides clarity in the market in good time.

He promised substantial investment in product development and expansion of AGCO's three hay equipment sites in Germany but offered no figures or other details of the plans. AEI

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Big Ag Sales Sees Double Digit Growth

North American large ag equipment sales maintained a healthy high-teens growth in June, according to the Assn. of Equipment Manufacturers' latest report. "Large Ag equipment retail sales rose 18% year-over-year in June, maintaining positive momentum after breaking out of a choppy range last month," said RW Baird analyst Mircea (Mig) Dobre in a note. He added that the June performance follows a 17% year-over-year gain recorded in May. Current retail sales growth is positive even as grain prices remain well off their late May highs, with corn prices down 12% and soybean prices down 17%, he said.

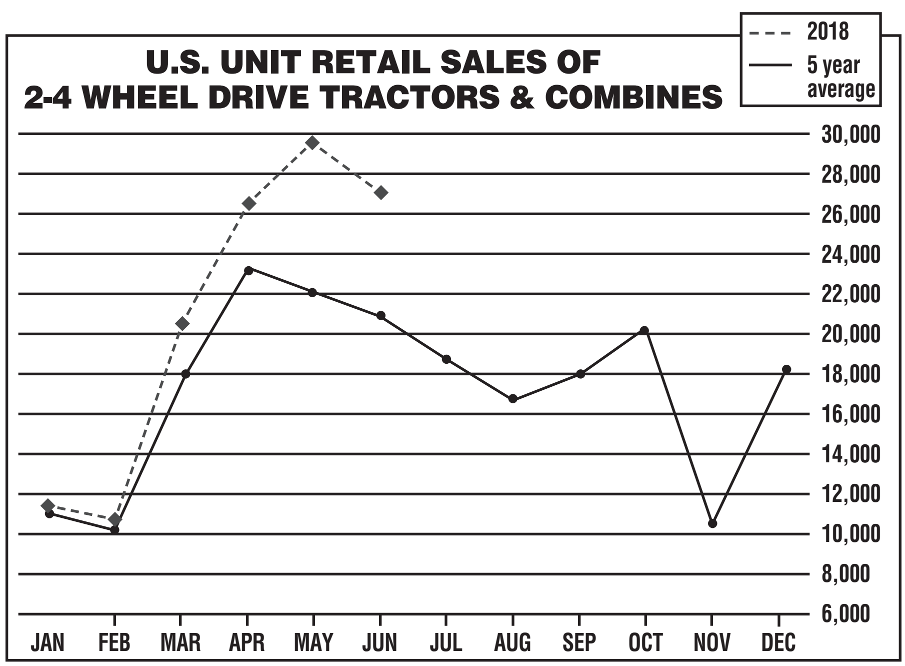
- U.S. sales rose 14% year-over-year, while Canada's sales increased 37%.
- 4WD tractor sales increased 27.7% year-over-year in June following the 8.3% increase in May. U.S. dealer inventories of 4WD tractors decreased 3% year-over-year in May. June is typically a slightly above average month for 4WD tractor sales, accounting for 9.1% of annual sales the last 5 years.
- Row-crop tractor sales increased 16.8% year-over-year after increasing 18% in May. U.S. row-crop tractor inventories increased 3% year-over-over in May. June is typically a slightly below average month for row-crop tractor sales, accounting for 7.9% of annual sales the last 5 years.
- Combine sales increased 17.5% in June after a 21.5% increase was recorded in May. U.S. combine inventories decreased 3% year-over-year in May. June is typically a below average month for combine sales, accounting for 6.7% of annual sales the last 5 years.
- Mid-range tractor sales increased 3.9% in June after increasing 5.7% in May. Compact tractor sales were up 14.6% year-over-year after an 18% increase in May.
- Deere & Co.'s EOP commentary in August will be the next data point to serve as "a real check on demand" in the wake of lower grain prices and concerns over a looming trade war, according to Dobre. **AEI**

JUNE U.S. UNIT RETAIL SALES

Equipment	June 2018	June 2017	Percent Change	YTD 2018	YTD 2017	Percent Change	Beginning Inventory June 2018
Farm Wheel Tractors-2WD							
Under 40 HP	18,558	16,095	15.3	84,399	77,961	8.3	84,543
40-100 HP	6,278	6,046	3.8	29,327	28,403	3.3	34,532
100 HP Plus	1,540	1,331	15.7	8,508	8,374	1.6	8,409
Total-2WD	26,376	23,472	12.4	122,234	114,738	6.5	127,484
Total-4WD	197	160	23.1	1,082	1,029	5.2	729
Total Tractors	26,573	23,632	12.4	123,316	115,767	6.5	128,213
SP Combines	461	444	3.8	2,011	1,669	20.5	960

JUNE CANADIAN UNIT RETAIL SALES

Equipment	June 2018	June 2017	Percent Change	YTD 2018	YTD 2017	Percent Change	Beginning Inventory June 2018
Farm Wheel Tractors-2WD							
Under 40 HP	1,980	1,823	8.6	7,260	6,993	3.8	10,135
40-100 HP	499	474	5.3	2,732	2,717	0.6	4,314
100 HP Plus	313	255	22.7	2,003	1,740	15.1	2,499
Total-2WD	2,792	2,552	9.4	11,995	11,450	4.8	16,948
Total-4WD	47	31	51.6	558	540	3.3	268
Total Tractors	2,839	2,583	9.9	12,553	11,990	4.7	17,216
SP Combines	236	149	58.4	831	800	3.9	790



— Assn. of Equipment Manufacturers

come from "synergies on assets." RME's history of acquisitions has demonstrated that the changes they make with the stores they've acquired result in increased sales. "By giving them access to more wholegoods, for example, they are able to meet more of their customer's needs. It gives them greater access to a larger parts inventory, again to meet more of their customers' needs. It's the revenue growth that happens post acquisition from the synergies that we're able to put into place for the new stores."

Moving South? While some large dealership groups have ventured far from home — to places like Bulgaria, Romania, Russia, Germany, Australia and New Zealand — few, if any, have crossed North American borders. But RME is willing to blaze this trail at the right time.

According to the company, RME's Canadian acquisition efforts will be focused in Saskatchewan, acquisitions of Case New Holland-branded dealers in Alberta and Manitoba should also be expected. U.S. acquisitions will be focused in the Western regions of the country in areas with healthy crop receipts, a similar crop and equipment profile to the Canadian Prairies, and a healthy balance between crop and livestock production to balance exposure to any one type of customer.

RME calls a U.S. acquisition "transformational." It says it would help RME mitigate a number of risks including currency, crop, weather, political, transportation and tariffs through risk diversification. However, to give RME further growth opportunities in the U.S. market, it would need to find, retain or assemble a strong management team and back-office to serve as a platform for future growth. As a result, the first U.S. acquisition will be a scope acquisition and RME does not expect to achieve the same synergies expected of subsequent acquisitions.

"RME has laid out a 5 year plan to grow its business by $500 million..."

Before entering the U.S., RME says a list of criteria would need to be met including:

- Approval from CNH;
- A well-run operation with a strong management team; and
- A large enough revenue base (approx. USD $100 million) to serve as a growth platform in the U.S.

In addition to these criteria, Ganden says RME would need to be sure it is able to meet the needs of U.S. farmers. "We want to make sure that we go to an area that we're able to provide the same quality of service that we provide in Alberta, Saskatchewan and Manitoba. We want to make sure that we are the difference maker for the customers, for the community, for the brands that we will represent.

"And it is a heck of a challenge to figure out where is the right entry point, when is the right time. We think that the opportunity is great — to spread our geographical risk, that we have even more scale, which is going to enable us to take care of the customers better, take care of the communities better, and obviously support the OEMs.

"The mistakes that Canadian dealers have made in the past is they tried to do too much too fast," says Ganden. "We want to make sure that we have the right starting point. We want to make sure that we work closely with our OEM partners to make sure that it is a win-win for everybody." AEI

JCB Invests in New Cab Factory, Appoints New NA Engine Distributor

A new state-of-the-art factory in the UK will start building cabs for JCB agricultural and construction equipment next year. At around 100,000 units annually, the $66 million JCB Cab Systems factory will have twice the capacity of the current plant to produce cabs for Loadall telehandlers and Fastrac tractors.

JCB CEO Graeme Macdonald says the investment — one of the biggest in the company's history — will result in the world's most advanced and productive cab facility, bringing greater levels of efficiency to the business.

In North America, a production swap-around is seeing Loadall telehandlers being assembled at JCB's North American headquarters and manufacturing facility near Savannah, Ga., for the first time. The plant already produces all of JCB's unique single-arm skid steer wheeled and tracked loaders — including the novel Teleskid telescopic versions — and has swapped backhoe-loader production for the Loadall 505-20TC telehandler.

Richard Fox-Marrs, president and CEO of JCB North America, said, "Bringing telehandler production to JCB North America reinforces the company's long term commitment to Savannah and our new production line will allow us to be more responsive to local customers." In addition, JCB is to establish a dedicated parts warehouse and distribution facility in Miami, Fla., to free up space in the Savannah factory.

Meanwhile, JCB Power Systems, the division that manufactures JCB EcoMAX engines in the UK, is seeking further gains in the North American OEM engines market. M&L Engines, based in Schriever, La., is the latest recruit to its distribution network, providing sales and service support to OEM customers in the company's home state and in Mississippi and Tennessee.

Ryan Marmande of M&L Engines said, "The JCB engine is becoming recognized here in the U.S.A. as an innovative solution in the off-highway sector; there is excellent potential in the range for our customers." M&L Engines designs and builds bespoke power units, industrial generators, stationary and mobile pump packages, as well as irrigation units. AEI