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A Special Management Report From

***Ag Equipment  
Intelligence***

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**2016 DEALER BUSINESS  
OUTLOOK & TRENDS**

**FARM EQUIPMENT FORECAST**

*An Ag Equipment Intelligence Staff Report*



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*Ag Equipment Intelligence's 2016 Dealer Business Outlook*

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# PART I — DEALER BUSINESS OUTLOOK & TRENDS

## Dealers Expect Another Year of Sluggish Sales

Low commodity prices and high used equipment inventories will continue impacting new equipment sales in the year ahead.

*Dave Kanicki, Executive Editor*

If there's an upside to how dealers view their business prospects for 2016, it's that more dealers expect revenue from new equipment sales to be at least as good or better in the year ahead than they were in 2015. Overall, 56.9% of dealers see revenues improving or flat for 2016.

More specifically, 17.2% of the 282 dealers who responded to the 2016 Dealer Business Outlook & Trends survey expect revenue from ag equipment sales to be from 2% to more than 8% better in the year ahead, while 39.7% are looking for overall sales of new machinery to be flat compared to 2015.

This compares with 50% of dealers in last year's survey who projected increased or flat revenue for the current year. A year ago, 19.3% of dealers expected revenues to increase at least 2% to more than 8%, while 30.7% anticipated flat sales.

Last year, half of all dealers responding to the survey expected sales to drop from 2% to more than 8% throughout 2015. This compares with 42.5% of dealers this year who are forecasting declining revenue from sales of new equipment in 2016.

Couched in relative terms, of

course, a projection calling for "flat" revenues isn't necessarily a neutral outlook for 2016 when it's compared with 2015. When all is said and done, this year could possibly be the poorest sales year for farm equipment in the last decade, at least for sales of high horsepower tractors and combines.

### Mixed Bag for Tractor & Combine Sales

Declining year-over-year sales of high horsepower tractors and combines doesn't tell the whole story of farm equipment sales during the past year, but it offers a pretty good view of overall industry mood.

According to the Assn. of Equipment Manufacturers, over the past 12 months, unit sales of row-

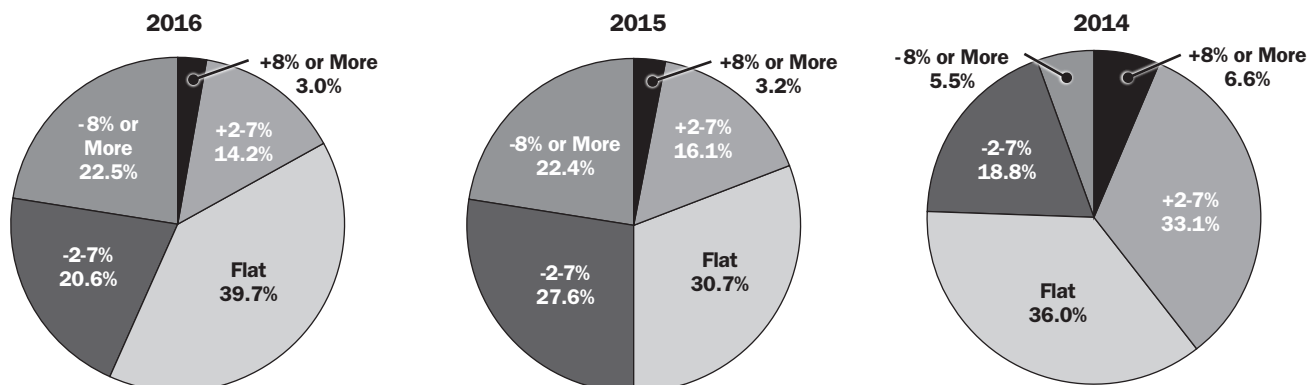
crop tractors in the U.S. and Canada are down nearly 31% (1,771 units vs. 2,562). The last time the industry saw positive results for a month was in July 2014, when year-over-year sales increased by 1.2%. Beyond this, sales have been in negative territory since February 2014. Just under 20% of dealers expect a pick up in sales of row-crop equipment, while 37% forecast a continued decline in 2016.

Sales of 4WD tractors were down 54.7% in August on a year-over-basis. The last time 4WD tractor sales experienced a year-over-year gain was in December 2013 when North American dealers sold 960 units, which was most likely given a boost by advantageous Bonus Depreciation and Section 179 schedules. Slightly

**Revenue Outlook for New Equipment — 2016 vs. 2015**  
(% of survey respondents)

New Equipment	North America		U.S.		Canada	
Revenue Outlook	2016	2015	2016	2015	2016	2015
+8% or More	3.0%	3.2%	2.9%	2.4%	3.2%	7.9%
+2-7%	14.2%	16.1%	13.6%	14.9%	19.4%	23.7%
Little or No Change	39.7%	30.8%	39.0%	30.2%	45.2%	34.2%
-2-7%	20.6%	27.6%	21.2%	28.2%	16.1%	23.7%
-8% or More	22.5%	22.3%	23.3%	24.3%	16.1%	10.5%
Weighted Avg.	-1.84%	-2.06%	-1.97%	-2.34%	-0.89%	-0.21%

**North American Dealers' Outlook for New Equipment Revenue**  
2016 vs. 2015 vs. 2014



On a weighted average basis, ag equipment dealers are slightly more optimistic about 2016 than they were about 2015. But with only 17% of dealers expecting a revenue boost, optimistic may not accurately portray dealer sentiments for 2016.



## How Did North American Dealers Fare in 2015?

The percentage of dealers who projected a year ago that revenue from new equipment sales would improve vs. 2014 were very close to the percentage who are reporting that business revenue did increase in the past year. Those expecting business to be flat and/or to decrease in 2015 compared to the previous year, on the other hand, missed the mark by a much larger margin.

A year ago, 19.3% of dealers polled expected their revenue from the sales of new equipment to increase vs. the previous year. In actuality, 17.7% of dealers report their sales in 2015 will have improved over their 2014 performance, representing only a 1.6% difference.

Last year at this time nearly 31% of dealers expected new equipment sales to be flat and 50% expected sales to be down. In actuality, nearly 60% of dealers report 2015 sales of new equipment declined vs. 2014 and about 22% said it was flat.

Revenue % increase/decrease	Current Estimate for 2015	Last Year's Projections for 2015
+8% or more	4.9%	3.2%
+2-7%	12.8%	16.1%
Flat	22.5%	30.7%
-2-7%	12.4%	27.6%
-8% or more	47.4%	22.4%

over 20% of dealers anticipate an increase in the sales of 4WD units, but more than double that, 42.7%, are looking for a drop in sales.

With the exception of sporadic decreases, sales of compact (under 40 horsepower) and utility (40-100 horsepower) tractors have fared far better than their bigger counterparts during the past 12 months.

Year-over-year sales of utility equipment through August were down 5.6% (5,120 units), but this followed a 19.6% increase in July (7,097 units). Over the 12 months between September 2014 and August 2015, sales of utility tractors were up for 8 of those months. And dealers have a more favorable outlook for the sale of utility tractors in the year ahead. Nearly 26% of dealers in this year's survey expect increased sales of this tractor category in 2016.

Dealers handling compacts are also expressing a higher level of optimism for increasing sales of small tractors during the next year. Nearly 29% are forecasting a boost in sales of compact equipment in 2016. This confidence comes from a solid year of improved sales from September 2014 to August 2015. Year-over-year in August, compact tractor sales slipped by less than 1% (9,688 units), but they're coming off a 27.5% (14,342 units) sales jump in the month before.

### Between a Rock & a Hard Place

The most obvious cause for the downturn in new farm equipment sales is low commodity prices. But if commodity prices are the rock, then the huge backlog of low hour, high priced used equipment many dealers have on their lots is the hard place.

## Tractor & Combine Unit Sales Outlook — 2016

(% dealers projecting sales +2% or higher/-2% or lower)

	All Dealers	U.S.	Canada
2WD Tractors <40 HP	28.6%/14.1%	28.4%/14.4%	30.8%/11.5%
2WD Tractors 40-100 HP	25.8%/18.4%	25.2%/19.3%	30.8%/11.5%
2WD Tractors >100 HP	19.6%/37.1%	19.6%/38.3%	19.2%/26.9%
4WD Tractors (All)	20.1%/42.7%	21.0%/43.0%	12.0%/40.0%
Combines	7.3%/50.0%	7.7%/48.5%	4.2%/62.5%

## How Dealers Rate Their Used Equipment Inventory

	2016	2015	2014
I Need More Used Equipment	8.3%	13.6%	18.2%
About as Expected	42.2%	42.5%	48.3%
Too High	38.9%	34.6%	27.8%
Way too High	10.6%	9.3%	5.7%

This is where dealers found themselves in the past year.

**The Rock.** No doubt, falling commodity prices are causing farmers to think twice before making capital expenditures. When dealers were asked to rank their biggest concerns going into 2016, number one on their list was farm commodity prices. Of all the dealers responding to this question, 70.2% ranked commodity prices as the issue they are "most concerned" with. Another 27.8% said they were "concerned" with farm prices.

According to USDA, through the first 7 months of the current calendar year, prices U.S. farmers received for corn are down 16% from a year earlier, but they're down 44% compared to July 2013.

Soybean and wheat prices are even worse off. In July of this year, the average soybean price received was \$9.96 per bushel. Last year it was \$13.10 and two years earlier it was \$15.30 a bushel. For wheat, the aver-

age price received was \$5.23 vs. \$6.16 per bushel a year earlier and \$6.93 in 2013. In July of 2012, farmers were getting \$7.32 for a bushel of wheat.

Though down somewhat from a year earlier, the price received per hundredweight for cattle was \$150 in July vs. \$157 a year earlier. Hogs, on the other hand, fetched a record \$93.60 per hundredweight in July of 2014. A year later, price received for hogs had fallen to \$59.50.

Milk prices have also followed the downward trend of most other farm commodities. The average price received in July 2015 was \$16.90 per hundredweight, down from \$23.30 in July 2014. The average price received for all of last year was \$23.98.

Frayne Olson, North Dakota State University Extension crops economist, responding to a farmer's very direct question about whether U.S. agriculture would see high grain prices again in his lifetime, said, "Yes, it is possible to see high grain prices again, but it

likely will not happen this year.”

At the same time, Olson noted, “U.S. and world carryover stocks are not large enough to absorb major supply disruptions. A crop production problem likely will result in higher prices lasting nearly one year, while disruptions in grain flows, often caused by geo-political events, likely will last for several months.”

**The Hard Place.** Responding to a blog on the investment research website Seeking Alpha that took the position that Deere & Co.’s bubble had finally burst because of low commodity prices, another analyst wrote: “Used inventory on dealer’s lots has slowed new sales more than commodity prices. Farmers bought too much new inventory [the] last few years and now [the] market [is] flooded with late model equipment ... might take 2 more years to reduce this surplus.”

A majority of dealers seem to share this view. Of the dealers responding to this year’s survey, 88.8% said they were either “most con-

cerned” (48%) or “concerned” (40.8%) about the current problem of oversupply of used equipment.

On the more general question of “How would you currently rate your used equipment inventory?” 49.5% replied that it was “too high” or “way too high.” A little over 42% said it was “about as expected,” and 8.3% reported, “I need more used equipment.”

As for dealers’ expectations for revenue from used equipment sales in 2016, the numbers are similar to projections dealers offered a year ago. Just under 26% expect sales of used machinery to increase in 2016. This includes 6.6% who forecast growth of 8% or more, and 19.2% who see increases in the range of 2-7%. Last year 25.7% of dealers projected increased revenue from used equipment. This was comprised of 4% who anticipated revenue growth of 8% or more and 21.7% who forecasted an increase in the 2-7% range.

The bigger difference came with those dealers who project “flat” or

increasing sales of used machines. For 2016, 60.6% projected “flat” or increasing sales for the coming year vs. 66.6% who held the same sentiments a year ago at this time.

As for dealers who are forecasting declining used equipment sales, 39.4% expect a fall off (15.6% in the range of 2-7% and 23.8% see a decrease of 8% or more). This compares with 33.4% who expected declining used machinery sales last year (19.9% in the range of 2-7% and 13.5% who saw it dropping 8% or more).

It would seem that reducing their backlogs of used machines is taking much of the dealers’ time and energies these days, and several mentioned this will continue to be their focus in the year ahead. In many cases, they indicate that sales of new equipment may suffer as a result.

One dealer put it this way: “We will be in survival mode and CNH will hate us because we’re planning for a very low level of new orders.”

Another said, “We’ll be taking less trades. Our salespeople must have at least two or three potential homes for trades before they can deal.”

Several dealers simply said, “We’ll continue working on asset reduction and not sell new.”

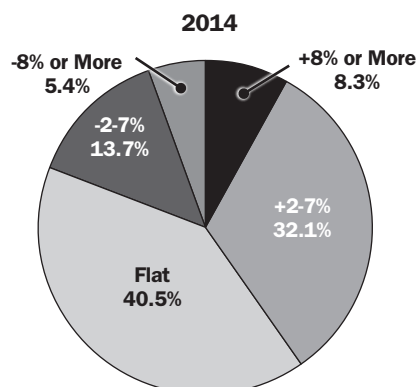
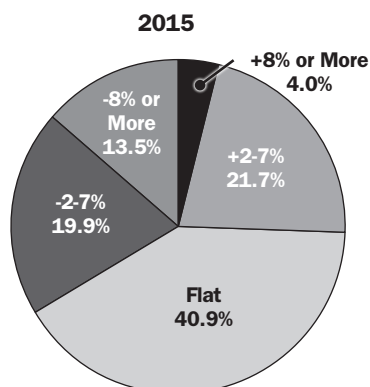
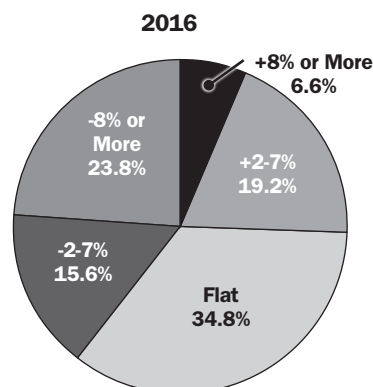
### Early Orders Fall

As equipment manufacturers have pushed dealers in recent years to pre-sell product well ahead of ship dates, the level of early orders for farm machinery is typically a reliable signal about farmers’ buying intentions for

**Revenue Outlook for Used Equipment — 2016 vs. 2015**  
(% of survey respondents)

Used Equipment	North America		U.S.		Canada	
Revenue Outlook	2016	2015	2016	2015	2016	2015
+8% or More	6.6%	4.0%	5.0%	3.3%	20.0%	8.6%
+2-7%	19.2%	21.7%	17.4%	22.0%	36.0%	20.0%
Little or No Change	34.8%	40.9%	35.1%	39.8%	32.0%	48.6%
-2-7%	15.6%	19.9%	17.4%	21.2%	0.0%	11.4%
-8% or More	23.8%	13.5%	25.1%	13.7%	12.0%	11.4%
Weighted Avg.	-1.21%	-0.67%	-1.61%	-0.79%	2.26%	0.16%

**Dealers’ Outlook for Used Equipment Revenue**  
2016 vs. 2015 vs. 2014



The percentage of dealers expecting an increase in revenue from used machinery sales in 2016 is on the same level as a year ago (25.8% vs. 25.7%), the bigger change is in the dealers projecting decreased sales — 39.5% in 2016 vs. 33.4% last year.

the next crop year. That may or may not be the case for 2016.

According to dealers who commented on pre-selling trends, the pressure to order early isn't anywhere near what they've experienced in recent years. One dealer said, "Manufacturers are shipping anything you order. They're running scared."

Clearly, early orders for 2016 equipment are far off the pace set 2 years ago when more than 27% of dealers reported that pre-sold equipment was up from the previous year. This dropped to 9.3% for 2015 and has fallen even further for the coming year as only about 7% of dealers say early orders are above the levels they saw a year ago.

Two years ago, about 28% of dealers noted a declining number of early orders. This grew to 58.3% of dealers last year who reported that pre-sold products were down vs. the previous year. The percentage of dealers reporting decreasing levels of early order equipment for 2016 has risen even more to a little over 63%.

"Farmers are being told to hold off on equipment purchases by lenders," said one dealer. "We had to cancel pre-booked orders for 2016, because a lender told our customer he couldn't trade up."

Dealers began commenting on the early order situation as early as August in *Ag Equipment Intelligence's* monthly Dealer Sentiments & Business Conditions Update survey. Many of the earlier comments were aimed at manufacturer efforts to get dealers to order early vs. pre-selling farmers.

One dealer commented, "Order objectives have kept increasing, like always. The difference is we are not ordering anything. We are willing to sit out and wait for market corrections, and so be it if we lose market share. We aren't playing the share game anymore, we are focused on a profitable model."

New Holland dealers were the most vocal in expressing their resistance to place orders early. "New Holland is pushing dealers to order equipment at levels that we are uncomfortable with," said one dealer.

Another dealer was even more forthcoming. "New Holland has asked all of its dealers to place a hay tools

Early Orders 2016 vs. 2015 vs. 2014			
	2016	2015	2014
Up +10%	0.0%	1.1%	0.0%
Up 6-10%	0.4%	1.8%	7.2%
Up 1-5%	6.5%	7.5%	20.0%
Same as Last Year	29.8%	31.3%	45.0%
Down 1-5%	10.5%	13.9%	16.7%
Down 6-10%	12.1%	16.0%	11.1%
Down +10%	40.7%	28.4%	0.0%

New Equipment Price Increases for 2016 vs. 2015 vs. 2014			
	2016	2015	2014
No Increase	9.9%	5.6%	2.2%
1-3% Increase	63.1%	61.7%	50.8%
4-6% Increase	21.3%	27.7%	40.4%
7-9% Increase	3.0%	4.3%	4.9%
10% or More Increase	2.7%	0.7%	1.7%

North American Dealer Issues & Concerns — 2016				
Greatest Concerns	Most Concerned	Concerned	Not Concerned	2015 Ranking
1. Farm Commodity Prices	70.2%	27.8%	2.0%	2
2. Farm Input Costs	52.4%	40.3%	7.3%	1
3. Increasing Cost of New Equipment	40.7%	51.2%	8.1%	3
4. Technician Availability	44.0%	47.2%	8.8%	4
5. Used Equipment Inventory	48.0%	40.8%	10.2%	8
6. Shrinking Farm Customer Base	30.8%	55.6%	13.6%	6
7. Health Care Affordability	44.0%	38.1%	17.9%	5
8. Depreciation Rules	25.5%	46.9%	27.6%	7
9. Product Reliability	23.2%	48.4%	28.4%	10
10. Financing Availability - Floor Planning	17.9%	48.4%	33.7%	12
11. Energy/Fuel Costs	14.6%	50.4%	35.0%	9
12. Dealership 'Purity' Efforts by Majors	15.9%	48.2%	35.9%	11
13. Financing Availability - Retail	12.7%	46.9%	40.4%	16
14. Industry Consolidation	13.9%	45.5%	40.6%	13
15. Manufacturer Succession Policies	13.1%	37.7%	49.2%	15
16. Steel Prices/Supplies	7.8%	41.6%	50.6%	14
17. New Equipment Availability	6.5%	36.0%	57.5%	17
Dealers' issues and concerns are ranked by combining the percentage of "most concerned" and "concerned" responses.				

order equivalent to 22 months of inventory, but will deliver that inventory over the next 12 months. I don't know what they have up their sleeve, but if the cattle price bubble bursts like the row crops, I wouldn't want to be sitting on excess inventory. I think it is just a matter of when, not if."

Despite the turndown in equipment sales and a very low level of early orders, some 90% of dealers say they have been told or are expecting a price hike on new 2016 equipment from their mainline equipment supplier. Two-thirds of dealers say the price increases will be in the range of 1-3%

and 21% are expecting new equipment prices to rise between 4-6%.

Overall, only 9.9% of dealers do not expect to see increased prices in 2016. This compares with 5.6% last year and only 2.2% of dealers in 2014 who reported there would be no price hikes on new machinery.

### Shifting Dealer Concerns

While some dealer concerns going into 2016 shifted compared to 2015, the list of the biggest issues confronting ag equipment retailers in the months ahead pretty much reflect their biggest worries from a year ago.

As already discussed, it's no surprise that farm commodity prices easily outdistanced any other dealer con-

cerns. Some 98% of dealers rated it as "most concerned" or "concerned." Dealers' next biggest concern is farm input costs, where nearly 93% of dealers indicated they were "most concerned" or "concerned." It's no wonder, high prices for inputs (seed, fertilizer, etc.) compete directly with investments in farm machinery. Surveys have shown that when a farmer is confronted with high input costs, they will, in almost all cases, put off spending on big equipment.

The increasing cost of new equipment placed #3 on dealers' ranking of biggest concerns for the year ahead. Nonetheless, dealers are reporting that the major equipment makers are trying to push through small (1.5-

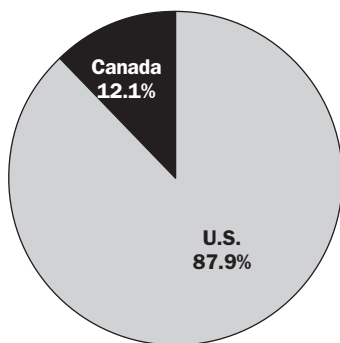
2%) price hikes to cover development costs of the new Tier 4 engines. Of the dealers in this year's survey, 92% said they are "most concerned" or "concerned" with higher costs of new machines. This issue has risen steadily in importance to dealers throughout the 11 years since this survey was initiated by *Ag Equipment Intelligence*.

The ongoing challenge of finding and retaining technicians placed #4 on the dealers' list of biggest concerns, with 91% of dealers checking off "most concerned" or "concerned." It is followed by used equipment inventories, where 89% of dealers indicated they are "most concerned" or "concerned" with the current backlog that continues to eat away at their available cash.

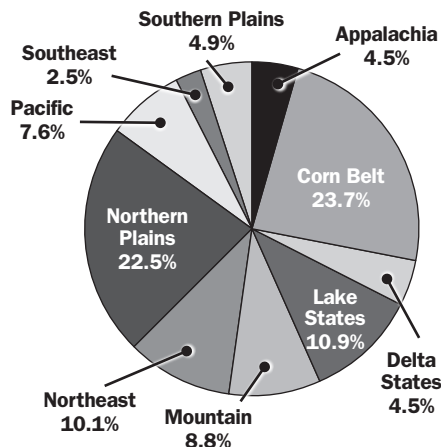
## Demographics of 2016 Survey Respondents

Some 282 North American dealers participated in *Farm Equipment's* "2016 Business Outlook & Trends" survey. The charts below show how the participants broke out by country, regions, mainline suppliers and dealer revenue sources. This year 88% of the respondents were from the U.S. and 12% from Canada.

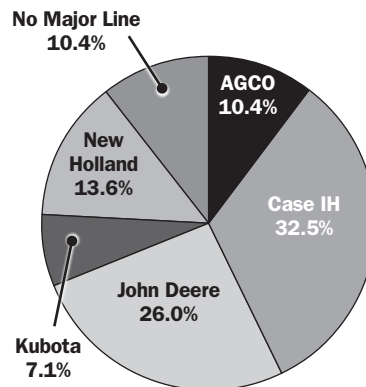
### Country Breakdown



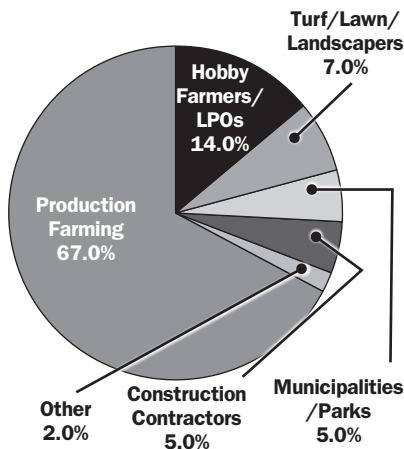
### Regional Breakdown



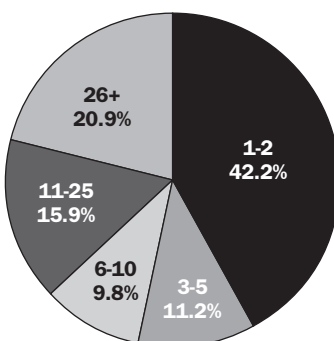
### Mainline Suppliers



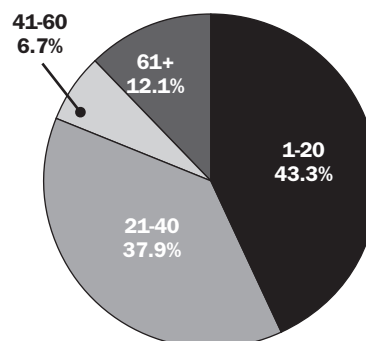
### Dealer Revenue Sources



### Average Ag Store Locations



### Average Employment Size





## 32% of Independent Dealers Expect Revenue Gains in 2016

Considering only the percentage of dealers who expect increased revenues from new equipment sales in 2016, more independent dealers, those not carrying one of the five major brands, expect growth than expect declining revenues in the year ahead.

This isn't the case for dealers who carry any of the major brands, as those anticipating that revenues will decrease for 2016 outweigh those expecting revenue growth in the coming year.

Even at that, slightly less than one-third of independent dealers (32.2%) are projecting a pick up in sales of new equipment in the coming year. Last year at this time, 52% of Kubota dealers were forecasting an increase in revenues, as were nearly 45% of independent dealers. This year, only 21% of Kubota dealers are forecasting a jump in new equipment revenues.

On the other hand, except for AGCO, dealers representing each of the other major brands, are somewhat more optimistic than they were a year ago. Just about one-quarter (24.3%) of New Holland dealers see increased revenues in 2016, which is better than the 18% from last year.

## Dealer Projections for New Equipment Sales Revenues by Major Line Carried — 2016

Mainline	Up 8% or More	Up 2-7%	Little/ No Change	Down 2-7%	Down 8% or More
AGCO	3.6%	3.6%	60.7%	17.8%	14.3%
Case IH	2.3%	8.1%	37.9%	25.3%	26.4%
John Deere	2.9%	16.2%	36.7%	22.1%	22.1%
Kubota	0.0%	21.1%	31.6%	21.0%	26.3%
New Holland	5.4%	18.9%	32.4%	13.5%	29.8%
Independent	3.6%	28.6%	46.4%	14.3%	7.1%

Slightly over 19% of Deere's dealers are forecasting increased revenues vs. 14.6% last year. For Case IH dealers, only about 10% forecast increased revenues for 2016, but this is better than the 4.4% last year. Only 7.2% of AGCO dealers see a pick up in new equipment revenues, which is down from the 21% last year. Additional detail is provided on each of the major brands in Section IV of this report.

The affordability of health care, which is typically a Top 5 issue, slipped to the #7 spot on the dealers' list, as 82% of dealers said they were "most concerned" or "concerned" about providing coverage for their employees.

Dead last on the dealers' list of biggest concerns for 2016 is availability of new equipment. Only 6.5% of dealers said it was the issue with which they are "most concerned" and 36% they were "concerned" with it.

## 'Best Bet' Products for 2016

Much like last year, equipment related to the livestock, rural lifestyle and light construction markets are at the top of dealers' list as those holding the most potential to grow unit sales in the year ahead, according to dealers responding to the 2016 Dealer Business Outlook & Trends survey.

In July, U.S. residential construction put in place was up 16% and non-residential building was up 20% year-over-year. These are positive trends and usually bring with them increased spending on light construction and lawn and garden equipment. Of dealers' top picks for growing unit sales in the year ahead, lawn and garden equipment finished #1, up from #2 last year, while 2WD compact tractors moved up two spots from a year ago and placed #3 on the list. 2WD utility tractors came in at #4, on the 'best

bets' list for 2016, up from #9 last year.

Much of the rest of the Top 10 products were aimed at the livestock, hay and forage markets. These includ-

ed mower/conditioners #5, round balers at #6 and farm loaders at #9. Ranking #10 was rectangular balers. GPS/precision farming made a return

## Best Bets for Improving Unit Sales (North America)

Equipment Category		2016 Rank	2015 Rank
Lawn/Garden Equipment	39.6%	1	2
GPS/Precision Farming	30.7%	2	8
2WD Tractors (<40 HP)	28.7%	3	5
2WD Tractors (40-100 HP)	25.8%	4	9
Mower/Conditioners	23.8%	5	3
Round Balers	22.0%	6	8
4WD Tractors (All)	20.1%	7	19
2WD Tractors (>100 HP)	19.6%	8	17
Farm Loaders	18.9%	9	10
Rectangular Balers	16.8%	10	6
Windrowers/Swathers	15.3%	11	4
Self-Propelled Sprayers	12.9%	12	16
Air Seeders/Drills	12.0%	13	15
Disc Harrows	12.0%	14	14
Feeders/Mixers	10.7%	15	1
Planters (All)	10.4%	16	18
Chisel Plows	9.5%	17	12
Field Cultivators	8.8%	18	13
Pull-Type Sprayers	8.0%	19	11
Forage Harvesters	7.5%	20	7
Combines	7.3%	21	20

## North American Dealer Hiring Plans — 2016 vs. 2015

2016	Add Staff	No Change	Reduce/ Relocate Staff	2015	Add Staff	No Change	Reduce/ Relocate Staff
Parts Department	19.0%	76.3%	4.7%	Parts Department	22.7%	72.7%	4.6%
Service Department	51.2%	45.8%	3.0%	Service Department	58.4%	39.1%	2.5%
Wholegoods Sales	22.7%	73.1%	4.2%	Wholegoods Sales	25.0%	70.7%	4.3%
Admin./Office	3.9%	87.1%	9.0%	Admin./Office	4.3%	89.2%	6.5%
Precision Farming Specialist	13.0%	83.8%	3.2%	Precision Farming Specialist	19.6%	77.8%	2.6%

to the top 5 at #2, after falling to the #8 spot in 2015.

The rest of the list, or bottom 10, is largely comprised of equipment typically used in production of row crops. Dead last are combines, preceded by planters, chisel plows, field cultivators, pull-type sprayers and forage harvesters. Self-propelled sprayers, air seeders/drills, disc harrows and planters filled the #12, #13, #14, #15 and #16 spots.

### Outlook by Weighted Average

Another way to rank how dealers view the prospects for the individual equipment categories is by weighted

### Where Dealers Will Invest 2016

	2016	2015
Shop & Service	38.8%	45.2%
Retail/Showroom	20.2%	25.7%
Business Info. Sys.	29.3%	30.0%
Mobile Service Vehicles	34.5%	42.1%

average. In this case, the “flat” or “little or no change” responses are given a value of “0,” which effectively ignores these responses. This leaves the “positive” responses to be directly weighed against the “negative” responses.

Using this approach, the ranking

### Dealer Capital Spending Plans — 2016

	2016	2015
No Increase	62.2%	53.7%
+1-5%	29.9%	37.5%
+6-10%	5.5%	5.3%
+11%	2.4%	3.5%

of the equipment categories change somewhat compared to the rankings shown in the previous table, “Best Bets for Improving Unit Sales.”

Comparing the two lists, lawn and garden equipment remains #1 on both, while combines keeps its last place slot (#21) on both lists. In the weighted average list, 2WD compact tractors moves up to #2 (#3 on Best Bets), and mower/conditioners moves up to #3 (#5 on Best Bets). GPS/precision farming, which ranked #2 on the Best Bets list, drops to #4 on the weighted average list, and 4WD tractors which is #7 on the Best Bets list drops all the way to #19 on the weighted average list.

On the other hand, there was little or no change in the five equipment categories given the lowest rankings by the dealers, regardless of how they are measured.

### Capital Spending for 2016

Compared to last year, fewer dealers are planning to make capital investments in their operations during 2016. Many dealers took advantage of the strong growth in equipment sales during the past 5-6 years.

Overall, 62.2% of dealers say they are not planning any significant capital investments next year. Last year at this time, 53.7% of dealers indicated they were not expecting to make any significant investments in facilities or operations in 2015.

Of those dealers planning signifi-

### Dealers' Outlook by Equipment Categories (ranked by weighted avg.)

Category	2016	2015	2014
1. Lawn & Garden Equipment	+1.54%	+1.37%	+2.24%
2. 2WD Tractors (<40 HP)	+0.71%	+0.65%	+0.92%
3. Mower/Conditioners	+0.48%	+0.54%	+1.00%
4. GPS/Precision Farming	+0.38%	+1.21%	+2.37%
5. 2WD Tractors (40-100 HP)	+0.27%	+0.77%	+0.92%
6. Round Balers	+0.13%	+0.84%	+0.88%
7. Farm Loaders	+0.08%	+0.45%	+1.31%
8. Feeders/Mixers	-0.24%	+0.19%	NA
9. Windrowers/Swathers	-0.27%	+0.24%	+0.31%
10. Rectangular Balers	-0.27%	-0.09%	+0.25%
11. Forage Harvesters	-0.51%	-0.24%	-0.10%
12. Chisel Plows	-0.89%	-1.26%	-0.28%
13. Disc Harrows	-0.94%	-1.11%	+0.43%
14. Pull-Type Sprayers	-1.04%	-1.42%	-0.44%
15. Field Cultivators	-1.16%	-1.14%	+0.28%
16. Air Seeders/Drills	-1.23%	-0.97%	+0.56%
17. 2WD Tractors (>100 HP)	-1.33%	-1.04%	+0.29%
18. Self-Propelled Sprayers	-1.35%	-1.08%	+0.39%
19. 4WD Tractors (All)	-1.79%	-1.74%	+1.07%
20. Planters (All)	-2.05%	-2.11%	+1.03%
21. Combines	-2.51%	-3.27%	-1.69%

## How Dealerships' Staffs are Aging

Overall, the workforce at North American farm equipment dealerships is fairly young, but some age is creeping into certain departments.

One of the new questions we asked dealers in the 2016 Dealer Business Outlook & Trends survey was "What percent of your staff will come of retirement age (66 years or older) in the next 3 years?"

The oldest department appears to be sales. Nearly 16.5% of dealers indicated that 11% or more of their sales staffs are within 3 years of retirement age. This doesn't necessarily mean this group of salespeople will or are considering retirement within the next 3 years, but they're at or nearing the age when most people typically retire. Slightly more than 10% of dealers say that 21% or more are at or nearly retirement age.

The youngest group of employees are service techs. Only

## Percent of Staff Who Will Come of Retirement Age (66 or more) in the Next 3 Years

	0-5%	6-10%	11-15%	16-20%	+21%
Department Managers	82.4%	7.4%	2.9%	0.8%	6.5%
Sales	75.1%	8.6%	4.1%	2.0%	10.2%
Service Techs	78.0%	16.1%	2.5%	3.4%	0.0%
Parts Staff	79.3%	11.0%	2.5%	2.5%	4.7%

about 6% of dealers responding to the survey indicated that 11% or more of their techs are within 3 years of retirement age.

About 10% of dealers report that 11% or more of their department managers and parts department staff are at or nearing 66 years old.

cant spending on their building and operations in the year ahead, nearly 30% are expecting to increase their investments by 1-5% vs. 37.5% in 2015. Another 5.5% of dealers report that they'll be increasing their spending by 6-10%, while 2.4% plan to increase their capital expenditures by 11% or more during the year ahead.

As has been the trend in recent years, a majority plans to invest in their service operations, including mobile service vehicles. Of those dealers intending to up their capital investments in 2016, nearly 39% intend to modernize and/or update their shop and service departments. Another 34.5% say their biggest spend will be aimed at adding to or updating their mobile service fleet.

Nearly 30% of the dealers who are planning significant investments during the coming year say it will come in the area of their business information system. Finally, slightly over 20% intend to modernize and/or improve their showrooms.

## Staffing Slows Further

It shouldn't be a surprise that fewer dealers are planning to add staff during the next year. A significant slowdown in hiring was evident a year ago, but the dropoff in the percentage of dealers who are looking to hire for certain positions in 2016 isn't nearly as dramatic as it was in 2015 compared with 2014. With the expected continuing decline in wholegoods sales next year, most dealers say they'll give extra emphasis to the parts and service

sales. Of these two profit centers, service operations requires more personnel in order to increase billable hours.

As a result, service department personnel are in greatest demand when it comes to dealers' staffing needs. This has typically been the case in each of the 11 years since this survey was established on an annual basis. Slightly over one-half (51.2%) of dealers indicate that they are looking to hire more service technicians in 2016. This is down 7% from last year and about 11% from 2 years ago.

Wholegoods salespeople finished a distant second to service techs in dealers' staffing plans for 2016. In all, 22.7% of dealers plan to hire salespeople in the year ahead. This is down over 2% vs. 2015 and down 13% from 2014.

Parts counter staff was next on dealers' wish list when it comes to hiring personnel in the year ahead. Some 19% say they are planning to add parts people in 2016. This is down about 3% from the previous year and down 10%

from 2 years earlier.

The demand for precision farming specialists has also slowed somewhat compared to what dealers needed during the last several years. This may be attributed to a slowdown in precision farming equipment sales, but while hardware sales have declined, the demand is rising for service in this area of the business.

This has caused many dealers to step back and reassess what it will take to make this segment profitable in the long run, thus a slowdown in hiring plans.

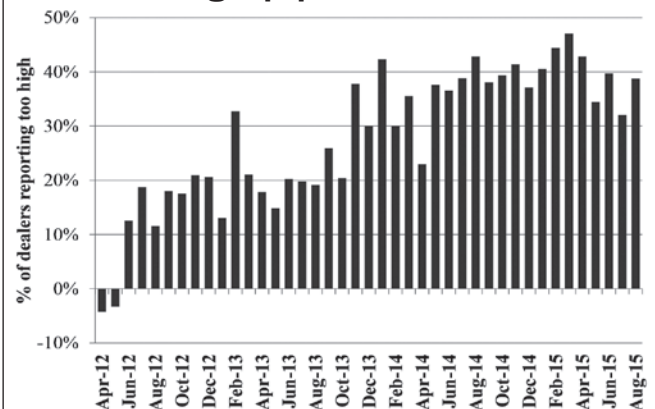
For the record, only 13% of dealers plan to add precision farming techs in the year ahead. This is down nearly 7% compared to a year ago and down 10% from 2 years earlier.

In terms of office or administrative personnel, less than 4% of dealers plan to add staff in 2016. This is nearly the same percentage that planned to add office staff last year and down about 4% from 2 years ago.

## Still 'Too High'

At the end of August, a net 42% of dealers reported used equipment inventory was "too high" vs. 32% in the previous month. Used large tractor pricing is reported down 4% year-over-year on average, Utility tractors returned to flat pricing after a one-month drop into negative territory. Used combine prices remain weak at down 9% on average.

## Used Ag Equipment Inventories



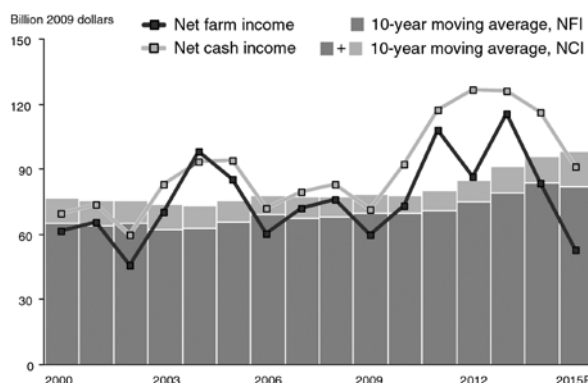
Source: Cleveland Research Co., Ag Equipment Intelligence

## Major Factors Behind Ag Equipment Sales Slump

Agriculture will always be a cyclical industry due to the overwhelming influence of commodity prices. The following charts and data tables demonstrate the impact fluctuating commodity prices have on crop receipts and ultimately the

net farm and net cash income of farmers, which are the key measures of farm sector profitability. These, in turn, are the major factors that drive producers' purchase of farm machinery and other capital goods.

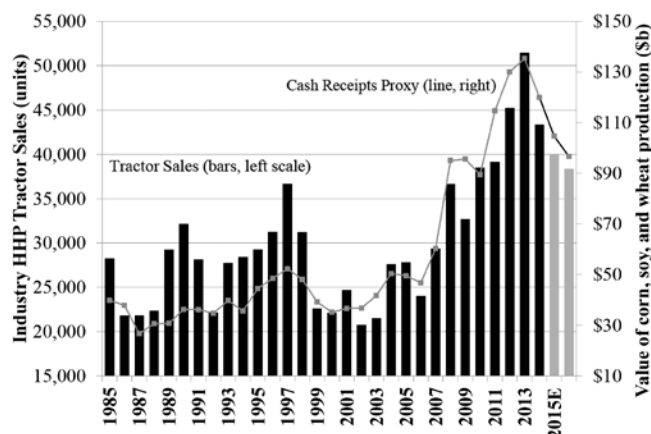
### Forecast Net Farm Income & Net Cash Income (Inflation Adjusted, 2000-2015F)



Following several years of high income, both net farm income and net cash income have trended downward since peaking in 2013. USDA forecasts that both measures for 2015 will be below their 10-year moving averages in inflation-adjusted terms for the first time since 2009. Over the 2010-13 period, surging crop, animal and animal product cash receipts outpaced the growth in production expenses, leading net cash and net farm incomes. Commodity receipts are forecast to fall sharply in 2015. Production expenses are also forecast to fall in 2015, but not enough to offset the decline in receipts.

Source: USDA, Economic Research Service, Aug. 25, 2015.

### Industry Tractor Sales vs. Cash Receipts



This chart illustrates the historical relationship between the value of production of U.S. corn, soybeans and wheat compared to annual industry sales of high horsepower tractors. USDA's September crop report remained negative for future industry tractor sales, but was better than the August report. Overall, cash receipts are expected to be down 7% year-over-year in the 2015-16 marketing year compared to the August forecast, which called for a decline of 8% and the 2014-15 decline of down 13%.

Source: AEM, USDA, Company reports, Cleveland Research estimates.

### U.S. Monthly Average Corn Price Received for the 2011 - 2015 Calendar Year(s) (\$/bu)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg*
2011	4.94	5.64	5.53	6.35	6.30	6.38	6.32	6.88	6.37	5.71	5.84	5.86	6.01
2012	6.07	6.28	6.35	6.34	6.33	6.37	7.14	7.63	6.89	6.77	7.02	6.87	6.67
2013	6.96	7.04	7.13	6.97	6.97	6.97	6.79	6.21	5.40	4.61	4.35	4.41	6.15
2014	4.42	4.35	4.51	4.71	4.71	4.49	4.05	3.63	3.48	3.56	3.58	3.78	4.11
2015	3.81	3.79	3.81	3.75	3.62	3.58	3.80	3.68					

Through the January through August period of 2015, the average price per bushel of corn was \$3.73 vs. the average for the first 8 months of 2014 of \$4.35, down about 14%. Compared to the January through August average during 2013 (\$6.88), 2015 corn prices are down by 46%. December 2015 corn prices increased by 3.5% to \$3.87 per bushel after USDA lowered estimated production by 0.7%, yield by 0.7% and new crop ending stocks by 7.6%. Source: USDA

### U.S. Monthly Average Soybeans Price Received for the 2011 - 2015 Calendar Year(s) (\$/bu)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg*
2011	11.60	12.70	12.70	13.10	13.20	13.20	13.20	13.40	12.20	11.70	11.70	11.50	12.52
2012	11.90	12.20	13.00	13.70	14.00	13.90	15.40	16.20	14.30	14.20	14.30	14.30	13.95
2013	14.30	14.60	14.60	14.40	14.90	15.10	15.30	14.10	13.30	12.50	12.70	13.00	14.07
2014	12.90	13.20	13.70	14.30	14.40	14.40	13.10	12.40	10.90	9.97	10.20	10.30	12.48
2015	10.30	9.92	9.84	9.70	9.60	9.58	9.95	9.71					

The average price per bushel for soybeans during the January through August period of 2015 was \$9.82, down 27.5% (\$13.55) compared to the same 8 month period of 2014. Compared to the January through August average price received in 2013 (\$14.66), the current average price per bushel for soybeans is down 33%. The November soybean contract increased 0.8% to close at \$8.92 per bushel. USDA increased the average soybean yield by 0.4% and production estimates by 0.5%.

Source: USDA



**U.S. Monthly Average Wheat Price Received for the 2011 - 2015 Calendar Year(s)**  
(\$/bu)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg*
2011	6.71	7.43	7.54	8.04	8.16	7.40	7.10	7.61	7.55	7.29	7.26	7.19	7.44
2012	7.04	7.10	7.19	7.11	6.67	6.70	7.93	8.04	8.27	8.38	8.46	8.29	7.60
2013	8.12	7.97	7.78	7.71	7.68	7.32	6.93	6.87	6.80	7.00	6.85	6.73	7.32
2014	6.66	6.49	6.75	6.82	7.08	6.49	6.16	5.98	5.74	5.71	6.05	6.11	6.34
2015	6.14	5.89	5.70	5.56	5.33	5.43	5.23	4.85					

On average, the wheat price received for the first 8 months of 2015 was \$5.52. This compares with an average of \$6.55 per bushel for the January through August period in 2014, or down by 16%. For the same period in 2013, wheat averaged \$7.55 per bushel, or 27% higher than the comparable period 2 years later. December wheat prices increased 5.8% throughout September to close at \$5.12 per bushel. Wheat stocks in all positions were reported at 2.09 billion bushels as of Sept. 1, up 10% from 2014.

*Source: USDA*

**U.S. Monthly Average Cattle Price Received for the 2011 - 2015 Calendar Year(s)**  
(\$/cwt)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg*
2011	110.00	111.00	118.00	122.00	115.00	110.00	115.00	114.00	117.00	122.00	126.00	126.00	117.17
2012	130.00	131.00	132.00	128.00	125.00	124.00	117.00	120.00	122.00	127.00	128.00	128.00	126.25
2013	130.00	127.00	128.00	128.00	128.00	124.00	122.00	125.00	127.00	128.00	132.00	132.00	126.83
2014	140.00	145.00	150.00	150.00	147.00	148.00	157.00	159.00	158.00	163.00	169.00	166.00	154.33
2015	166.00	161.00	162.00	164.00	161.00	156.00	150.00	149.00					

The average cattle prices received during the first 8 months of 2015 was \$159 per hundredweight, up by 5.6% when compared with the same period of a year earlier. On a year-over-year basis, cattle prices were down in August vs. August of 2014. When compared to the January through August period 2013, cattle prices are up by 20%. According to USDA, although 2015 fed steer supplies remain historically small, prices have been trending lower since April. Slaughter data suggests packers have slowed their pace to improve their margins.

*Source: USDA*

**U.S. Monthly Average Hogs Price Received for the 2011 - 2015 Calendar Year(s)**  
(\$/cwt)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg*
2011	56.70	62.60	63.70	68.30	69.20	70.40	72.40	76.10	67.20	69.00	64.50	63.70	66.98
2012	63.70	65.80	65.50	62.80	63.20	71.00	73.10	68.00	56.30	62.70	61.20	62.70	64.67
2013	64.40	65.10	59.10	61.90	69.10	75.00	76.00	74.10	70.60	68.40	63.30	61.30	67.36
2014	61.10	65.60	82.00	88.40	82.60	85.00	93.60	82.90	76.00	77.40	66.40	64.20	77.10
2015	57.70	50.80	50.70	49.40	60.00	60.80	59.50	59.30					

Hog prices received topped out in July 2014 at \$93.60 per hundredweight and has been declining pretty much ever since. Through the first 8 months of 2015, the price for hogs averaged \$56 per hundredweight. One year earlier in 2014, the January through August average price received for hogs was \$80, up 28% vs. the same period of 2015. Hog production is expected to rise in 2015 as the industry recovers from the porcine epidemic virus. However, hog prices are expected to drop sharply.

*Source: USDA*

**U.S. Monthly Average Milk Price Received for the 2011 - 2015 Calendar Year(s)**  
(\$/cwt)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg*
2011	16.70	19.10	20.40	19.60	19.60	21.20	21.90	22.00	21.10	19.90	20.40	19.80	20.14
2012	19.00	17.70	17.20	17.10	16.20	16.60	16.90	18.10	19.60	21.50	22.00	20.90	18.57
2013	19.90	19.50	19.10	19.50	19.70	19.50	19.00	19.50	20.10	20.70	21.60	22.00	20.03
2014	23.50	24.90	25.20	25.30	24.20	23.20	23.30	24.10	25.70	24.90	23.00	20.40	23.98
2015	17.60	16.80	16.60	16.50	16.70	16.90	16.60						

After reaching a record high of \$49.3 billion in 2014, milk receipts are expected to drop 29% in 2015. The average price of milk for the full year of 2014 was \$23.98 per hundredweight. For the first 8 months of 2015, milk price received averaged \$14.70 vs. \$21.20 for the comparable period a year ago. The domestic wholesale prices of nonfat dry milk have declined from a record high of \$2.090 per pound in March 2014 to \$0.837 per pound in July 2015, the lowest price since May 2009.

*Source: USDA*

## PART II — U.S. OUTLOOK

# Low Commodity Prices, High Used Equipment Backlogs Continue to Guide Dealers' Outlook

Results of the 2016 Dealer Business Outlook & Trends survey show that U.S. dealer' sentiments are slightly more optimistic for the year ahead than they were a year ago. About the same percentage of dealers are looking for improvement next year as did last year, but fewer are expecting the big decreases in 2016 than were for 2015.

This seems to almost directly reflect the current outlook for commodity prices. The downward trend in prices has slowed, but no real significant pickup in prices have been seen either; just a blip here and there that give farmers and dealers hope that things can get a little better.

But the big burden that many dealers remain saddled with going into the new year is the excessive backlog of used machinery. Of all the issues where dealers have some direct control, used equipment inventories is easily their most serious concern.

While commodity prices ranks as U.S. dealers' biggest concern, there's not much they can do about it but sit and watch. The Oct. 9 World Ag Supply Demand Estimates projected a 5 cent per bushel improvement over the previous report to \$3.50-4.10. But the outlook for soybeans remained unchanged from the earlier projection at \$8.40-9.90 per bushel. Meanwhile the projected range for the 2015-16 U.S. season-average farm price for wheat was narrowed 10 cents on both the high and low ends to \$4.75-\$5.25 per bushel.

The outlook for grain prices remained fairly static into the fourth quarter of the year, with no big jumps, but no big declines either. Not much anyone can do but hold on and hope.

### Expected New Equipment Revenues in 2015

Considering their performance in 2015 compared with the previous year, 16.5% of U.S. dealers say they expect to see sales revenues from new equipment to be up over 2014 (4.7%

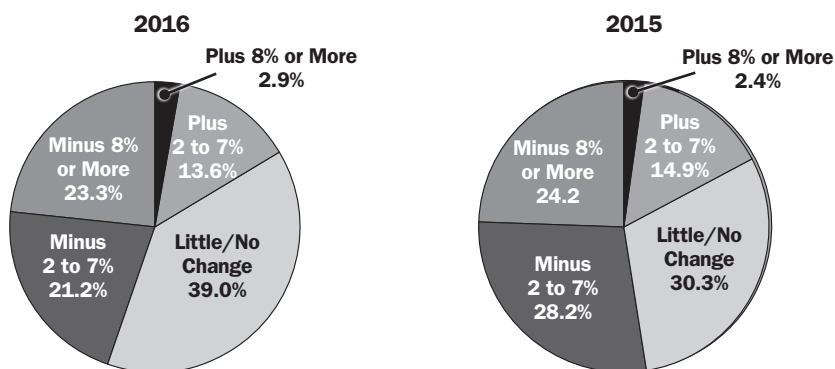
up 8% or more; 11.5% up 2-7%). A little over 22% say their revenues will be flat vs. a year earlier. More than 61% expect revenues will be down compared with 2014 (49.2% down more than 8%; 12% down 2-7%).

A year earlier, nearly 35% of dealers experienced increased revenues;

11.7% reported increases of 8% or more, while 23.2% of dealers said revenue growth was in the 2-7% range for the full year.

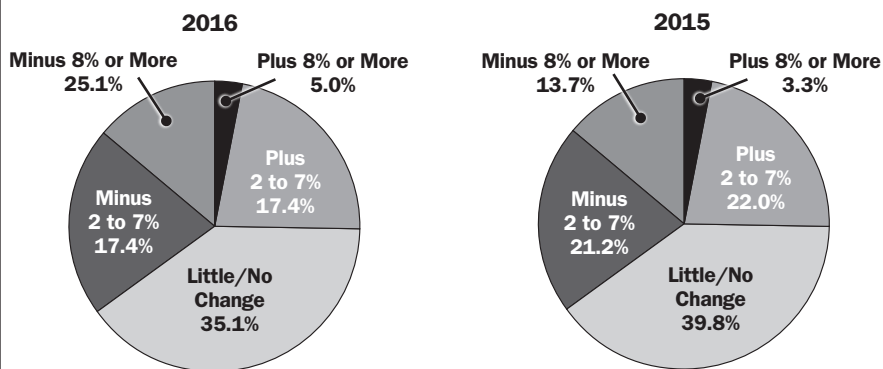
At the same time, 48.9% of dealers estimated lower revenues for all of 2014. Of this number, 25.1% saw a drop of 2-7% in new equipment sales,

### U.S. Dealers' Projections for Sales Revenue for New Equipment — 2016 vs. 2015



A little less than 46% of U.S. dealers are projecting declining revenues from the sale of new farm machinery in 2016. This is down from last year when more than 52% of dealers forecasted falling revenues. A slightly smaller percentage of dealers (16.5%) are expecting increased sales during the coming year vs. 2015 (17.3%). This most recent survey shows that nearly 9% more dealers are calling for "little or no change" in new equipment sales in the year ahead (39%) compared to a year earlier when 30% called for flat sale in 2015.

### U.S. Dealers' Projections for Sales Revenue for Used Equipment — 2016 vs. 2015



There is little change in the percentage of dealers who expect increased revenue from used equipment sales in 2016 (22.4%) compared with last year at this time (23.3%). The same is true for the number of dealers who anticipate a sales decline for used machinery in 2016 (42.5%) compared with 2015 (44.9%). Last year, 39.8% of dealers projected "little or no change" in revenues from used sales. This compares with 35.1% for the year ahead. This would seem to indicate that U.S. dealers will continue to struggle with used inventories in 2016.

## U.S. Dealers' Projected Unit Sales by Equipment Segment — 2016

	Up 8% or More	Up 2-7%	Little/ No Change	Down 2-7%	Down 8% Or More	Up 2% or More	Down 2% or More	2015 Optimism Level*	Optimism vs. LY	Same as or better for 2016**	Weighted Avg. 2016
<b>Tractors &amp; Combines</b>											
2WD Tractors (<40 HP)	7.4%	20.9%	57.2%	8.8%	5.6%	28.4%	14.4%	25.6%	2.8%	85.6%	0.69%
2WD Tractors (40-100 HP)	4.6%	20.6%	55.5%	13.3%	6.0%	25.2%	19.3%	29.7%	-4.5%	80.7%	0.22%
2WD Tractors (>100 HP)	1.9%	17.8%	42.1%	20.1%	18.2%	19.6%	38.3%	16.9%	2.7%	61.7%	-1.41%
4WD Tractors (All)	2.3%	18.7%	36.0%	18.7%	24.3%	21.0%	43.0%	17.1%	4.0%	57.0%	-1.76%
Combines	0.0%	7.7%	43.9%	20.4%	28.1%	7.7%	48.5%	3.7%	3.9%	51.5%	-2.82%
<b>Hay Tools &amp; Forage</b>											
Rectangular Balers	1.5%	15.4%	65.7%	9.5%	8.0%	16.9%	17.4%	12.2%	4.7%	82.6%	-0.25%
Round Balers	1.5%	18.1%	62.8%	13.7%	3.9%	19.6%	17.7%	32.2%	-12.6%	82.4%	0.00%
Mower/Conditioners	1.5%	20.3%	65.4%	8.9%	4.0%	21.8%	12.9%	23.5%	-1.7%	87.1%	0.31%
Windrowers/Swathers	1.6%	14.7%	67.4%	11.1%	5.3%	16.3%	16.3%	17.5%	-1.2%	83.7%	-0.13%
Feeders/Mixers	0.6%	10.2%	77.3%	6.3%	5.7%	10.8%	11.9%	15.4%	-4.6%	88.1%	-0.23%
Forage Harvesters	2.7%	4.4%	77.6%	7.1%	8.2%	7.1%	15.3%	10.1%	-3.0%	84.7%	-0.56%
<b>Planting &amp; Seeding</b>											
Planters (All)	0.0%	10.1%	47.2%	20.6%	22.1%	10.1%	42.7%	11.6%	-1.6%	57.3%	-2.24%
Air Seeders/Drills	0.0%	11.4%	60.5%	15.1%	13.0%	11.4%	28.1%	10.9%	0.5%	71.9%	-1.21%
<b>Tillage</b>											
Field Cultivators	0.0%	7.7%	63.9%	18.6%	9.8%	7.7%	28.4%	9.0%	-1.3%	71.7%	-1.27%
Chisel Plows	1.1%	7.9%	68.1%	13.1%	10.0%	8.9%	23.0%	7.1%	1.8%	77.0%	-0.95%
Disc Harrows	0.5%	10.3%	62.6%	15.8%	10.8%	10.8%	26.6%	9.3%	1.6%	73.4%	-1.07%
<b>Sprayers</b>											
Self-Propelled Sprayers	0.0%	11.5%	59.3%	12.1%	17.0%	11.5%	29.1%	14.7%	-3.2%	70.9%	-1.39%
Pull-Type Sprayers	0.0%	6.7%	71.4%	9.6%	12.4%	6.7%	21.9%	3.0%	3.8%	78.1%	-1.12%
<b>Other Equipment</b>											
Farm Loaders	1.5%	17.4%	66.3%	9.7%	5.1%	18.9%	14.8%	24.3%	-5.4%	85.2%	0.06%
GPS/Precision Farming	3.1%	27.6%	50.0%	11.2%	8.2%	30.6%	19.4%	36.2%	-5.6%	80.6%	0.33%
Lawn/Garden Equipment	8.9%	30.8%	50.9%	5.6%	3.7%	39.7%	9.4%	35.6%	4.1%	90.7%	1.55%

On a weighted basis, dealers are indicating that only 7 of 21 categories of farm machinery present good potential for increasing unit sales in 2016.

\*2016 optimism is ranked by combining increases only. \*\*Ranked by combining increases with little or no change in 2016.

while 23.8% say revenues were down 8% or more. About 16% said new equipment revenues were at about the same level as the previous year.

### 2016 Revenues More 'Flattish' vs. 2015

As for U.S. dealers' outlook for 2016, nearly the same percentage of dealers project a pick up in revenues from the sales of new equipment as did in 2015. In total, 16.5% expect improving sales in the year ahead (2.9% up 8% or more; 13.6% up 2-7%). Last year at this time, 17.3% of dealers anticipated an improvement in new equipment revenues (2.4% up 8% or more; 14.9% up 2-7%).

The percentage of dealers expecting declining revenues from the sales of new machinery and those anticipating little or no change is where the biggest difference comes in the year

ahead vs. 2015. Next year, 44.5% of U.S. dealers forecast a decrease in sales revenues (23.3% down 8% or more; 21.2% down 2-7%). In 2015, 52.4% of dealers were forecasting a drop in sales (24.2% down 8% or more; 28.2% down 2-7%).

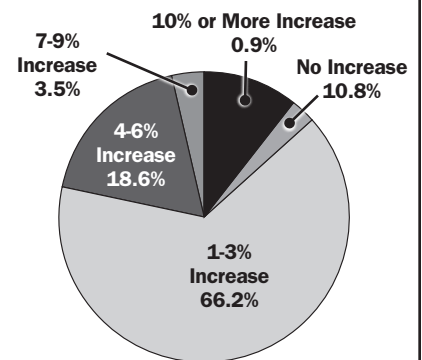
In the year ahead, nearly 40% of dealers are projecting flat sales, while a year earlier slightly over 30% projected little or no change in new equipment revenue vs. 2014.

The first real sign that 2016 new equipment sales would probably not improve much from a year earlier was the continuing low level of early orders that dealers were experiencing for the new selling year. It was basically a repeat of what dealers saw for presells in 2015.

Overall, 62% of U.S. dealers are reporting that early orders are down for 2016 products: 40.6% down more

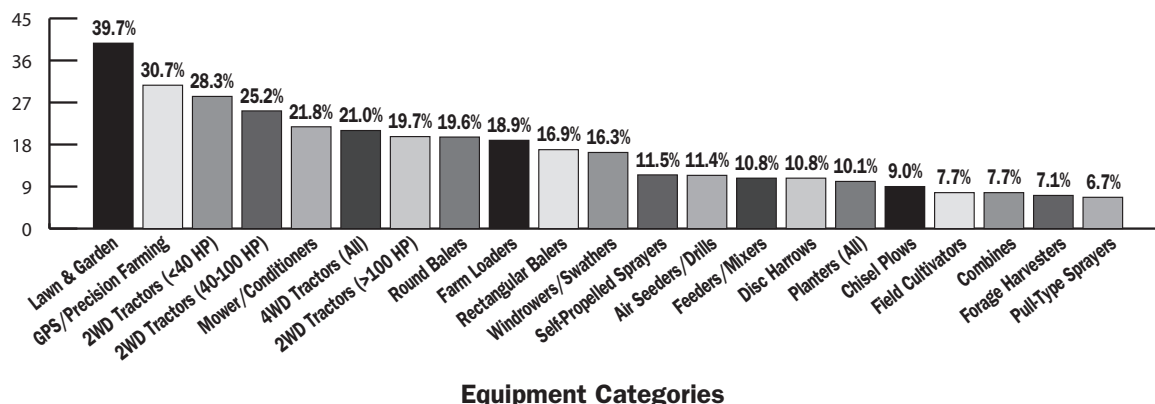
than 10%; 11.4% down 6-10%; 10.1% down 1-5%. This compares with 60% of dealers who reported lower early orders one-year ago. Only 35% of deal-

### New Equipment Price Increases for 2016



About 10% of U.S. dealers expect no price hikes for new equipment in 2016. About two-thirds of those expecting an increase say it will be between 1-3%.

## Best Bet Products for Improving Unit Sales in 2016 — U.S.



Equipment Categories

The “Best Bets” ranking is based on the percentage of dealers who expect unit sales for a particular category of equipment to increase in 2016. For 2016, lawn and garden and GPS/precision farming hold the best potential for increasing sales. Compact and mid-range tractors also have good prospects for sales growth in the year ahead.

ers reported a lower volume of early orders two years ago.

Slightly less than 8% say their pre-

sells are up compared to last year: 7.3% up 1-5%; 0.5% up 6-10%. The remaining 30% of dealers are report-

ing the pre-sells are at the same level as last year at this time.

Despite slumping ag equipment sales, nearly 90% of dealers are reporting that they are expecting a price hike for new 2016 equipment. The biggest percentage of dealers, 66.2%, anticipate the price increase to be in the range of 1-2%. Nearly 19% say they’re looking at hikes of between 4-6%, and 3.5% expect increases in the area of 7-9%.

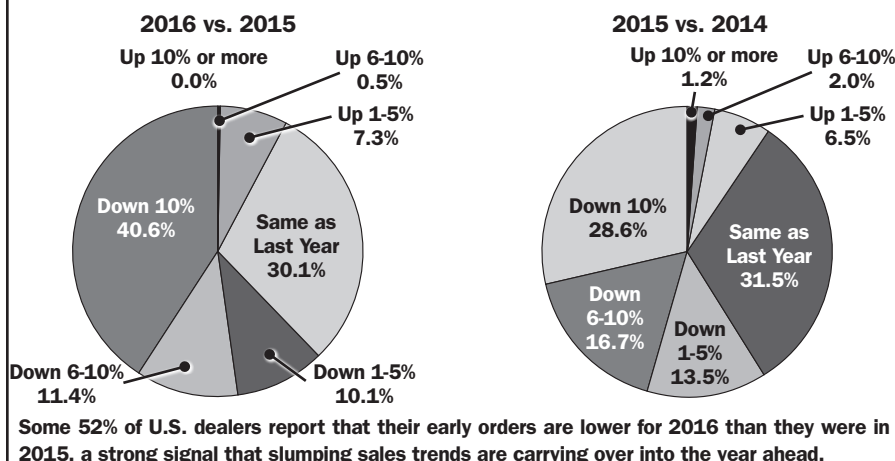
## Used Equipment Levels Remain Major Challenge for Many U.S. Dealers

Based on the responses to the 2016 Dealer Business Outlook & Trends survey, not much has changed when it comes to excess inventories of used machinery from 2015 and 2016.

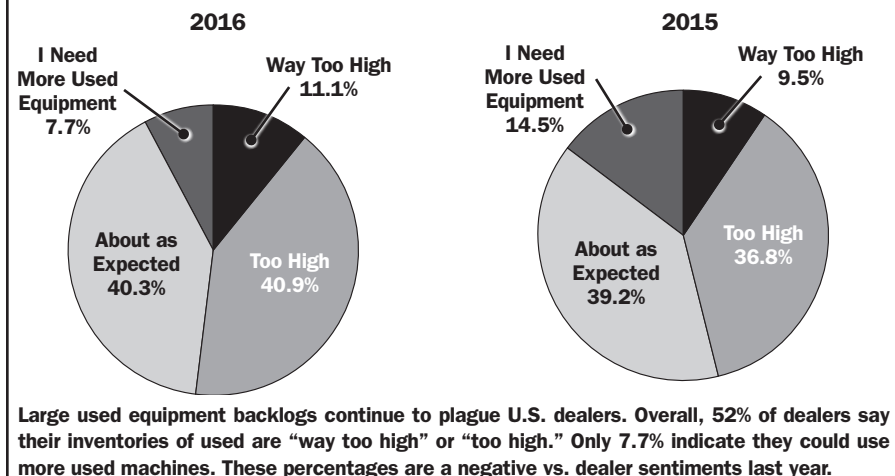
This could be seen in how they rated their backlog, which appears to be slightly worse than it was a year earlier. In addition to projecting used equipment revenues for the year ahead, dealers were also asked to rate their current used equipment inventory. Slightly over 11% of dealers say their backlog was “way too high.” Last year 9.5% said it was “way too high.”

About 41% say their current level of used was “too high” vs. last year when 37% called it “too high.” About the same number of dealers reported their used was “about as expected” (40.3%) this compared to a year ago (39.2%). Last year, 14.5% of U.S. dealers said, “I need more used equipment.” This fell to 7.7% in the current survey.

## U.S. Dealers’ Estimate of Early Orders



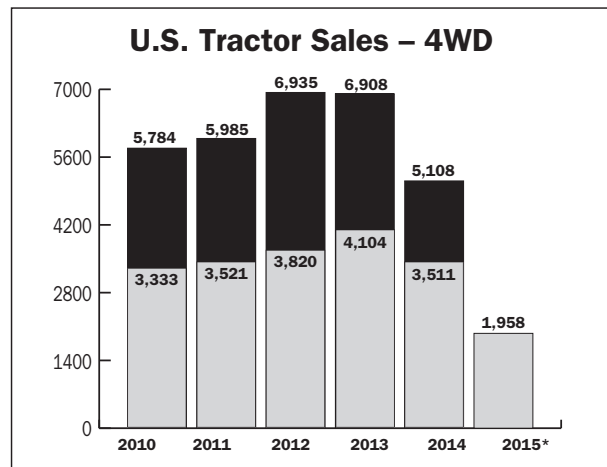
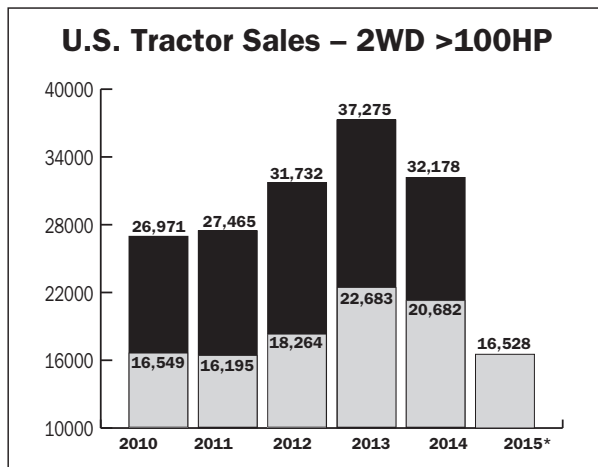
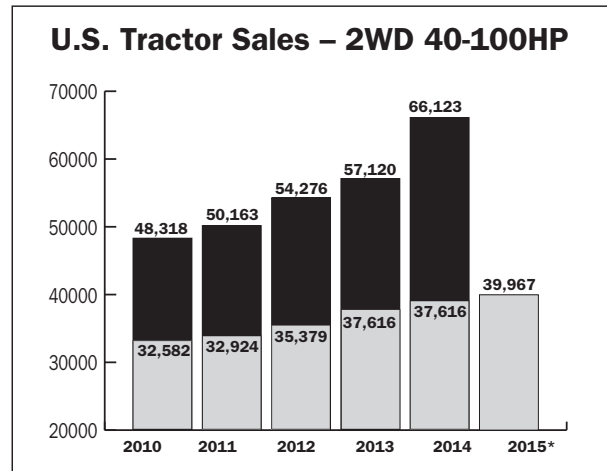
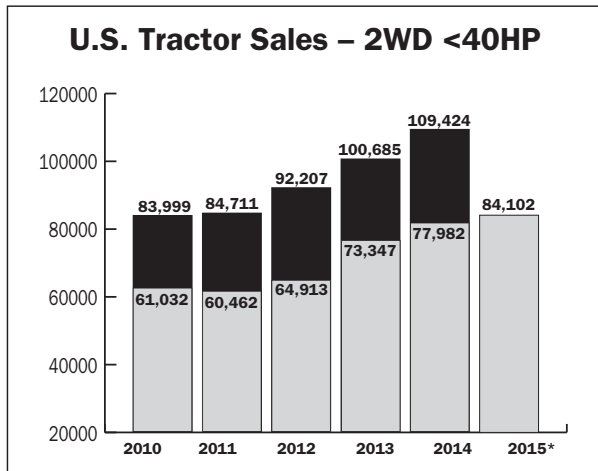
## U.S. Dealers’ View of Used Equipment Inventory



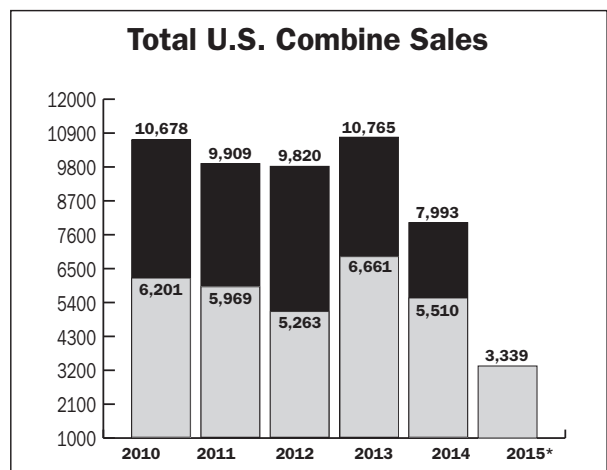
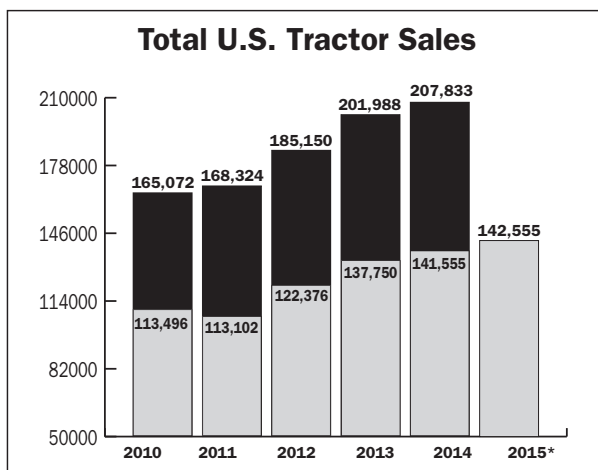


## U.S. Retail Tractor & Combine Unit Sales — 2010-15\*

(\*Year-to-Date January through August 2015)



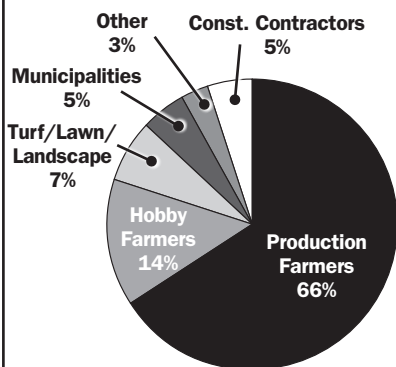
Through the first 8 months of 2015, U.S. unit sales of small and mid-range tractors have seen year-over-year growth vs. the same period of 2014. Sales of 2WD compact tractors (<40 horsepower) are up by 7.3%; mid-range 2WD models (40-100 horsepower) increased by 5.9%; 2WD row-crop tractor (>100 horsepower) sales were down by 19.8%; and 4WD tractor sales fell by 44.2%. (Source: AEM)



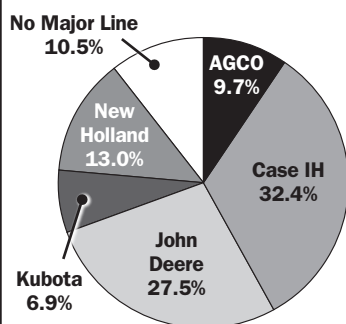
Total U.S. farm tractor retail sales through the first 8 months of 2015 are up by 0.6% to 142,555 units from 141,659 units during the same period in 2014. Unit sales of combines in the U.S. continued to fall during the January to August period of 2015. Retail sales of combines during the period fell by 39.3% to 3,339 units vs. 5,500 units for the same 8-month period in 2014. (Source: AEM)

## Demographics of 2016 Respondents — U.S.

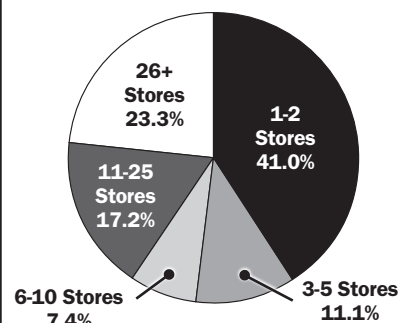
### Dealer Revenue Sources



### Mainline Equipment Suppliers



### Average Stores Per U.S. Dealer



The demographics of U.S. dealers participating in *Ag Equipment Intelligence's* 2016 "Dealer Business Outlook & Trends" survey showed that, on average, dealerships employed 49.3 employees. The majority (66%) of U.S. dealers' revenue comes from their production farmer customers, followed by hobby farmers and large property owners, which accounted for 14% of revenues. A good cross section of the major line suppliers are represented in the 2016 survey results, with the largest number of respondents (32.4%) being Case IH dealers. Forty-one percent of U.S. respondents operate 1-2 stores, 11.1% own 3-5 locations, 7.4% own 6-10 stores, 17.2% have 11-25 stores and 23.3% operate 26 or more dealerships.

Nearly 22.5% of dealers expect revenues from the sale of used equipment to improve in the year ahead over levels they saw in the past year: 5% up 8% or more; 17.4% up 2-7%. A year ago, 23.3% were projecting improved used equipment revenues: 3.3% up 8% or more; 20% up 2-7%.

Survey results from last year's study showed just about 45% of dealers expected declining used machinery sales during this past year: 21.2% down 2-7%; 13.7% down 8% or more. For the year ahead, a slightly lower percentage of dealers, 42.5%, are anticipating used equipment revenues to decline: 17.4% down 2-7%; 25.1% down 8% or more.

### Promising Product Prospects for 2016

According to U.S. dealers in the 2016 survey, the best chance to improve sales will come in the lawn & garden, precision farming, and compact and utility tractor product segments.

Nearly 40% of the dealers doing business in the U.S. ranked lawn and garden equipment as having the opportunity to increase unit sales in the year ahead, a sign that the rural lifestyle market continues to show

ongoing sales strength.

This is also reflected in the dealers' #3, compact tractors, and #4, utility tractors, picks for best bets to grow sales during 2016. Slightly over 28% of dealers project increased sales of small tractors and 25% of dealers see good potential for midsize tractors. This would indicate that the sales momentum these product groups experienced throughout 2015 will carry over into the new year.

GPS/precision farming, which had slipped somewhat last year, held dealers' #2 spot in the Best Bets products for 2016, with nearly 31% of dealers expecting an increase in sales for this product group.

Despite a slowdown in the livestock customer segment, dealers believe that hay tools could produce improved sales in the coming year. Nearly 22% projected increased sales for mower/conditioners (#5), 19.6% see potential for round balers (#8) and 17% think rectangular balers (#10) are a good prospect for sales in 2016.

Other product segments in the U.S. dealers' Top 10 that may surprise are 4WD tractors (#6) and 2WD row-crop tractors (#7), which 21% and 20% believe could increase sales in

### U.S. Dealer Top Concerns for 2016 (% of Dealers)

Rank Major Issues	Most Concerned	Concerned	Not Concerned	2015 Ranking
1. Farm Commodity Prices	74.1%	24.1%	1.8%	2
2. Farm Input Costs	56.0%	37.2%	6.8%	1
3. Technician Availability	44.0%	47.3%	8.7%	5
4. Increasing Cost of New Equipment	36.7%	54.1%	9.2%	3
5. Used Equipment Inventory	52.1%	38.6%	9.3%	8
6. Health Care Affordability	49.6%	39.2%	11.2%	4
7. Shrinking Farm Customer Base	31.8%	54.1%	14.1%	7
8. Depreciation Rules	28.3%	50.5%	21.2%	6
9. Product Reliability	28.2%	50.0%	26.8%	10
10. Energy/Fuel Costs	15.3%	50.5%	34.2%	9
11. Finance – Floor Planning	17.6%	48.1%	34.3%	12
12. Dealer Purity Efforts	15.4%	50.2%	34.4%	11
13. Finance – Retail	11.6%	48.8%	39.6%	16
14. Industry Consolidation	15.5%	44.4%	41.1%	13
15. Mfr. Succession Policies	14.0%	36.0%	50.0%	15
16. Steel Prices/Supplies	6.5%	41.9%	51.6%	14
17. New Equipment Availability	6.0%	35.9%	58.1%	17

the year ahead.

The lowest ranked product groups for growth in 2016 included combines (#19) with less than 8% of dealers seeing potential sales growth, forage harvesters (#20) with 7% of dealers expecting increased sales, and pull-type sprayers (#21) with less than 7% of dealers expecting improved sales levels.

### Top Issues Confronting U.S. Dealers

When it comes to what's keeping U.S. dealers up at night, 2016, with some shifting here and there, is almost a repeat of the year before. Like last year, at least three of the biggest issues causing dealers the most heartburn are entirely out of their control.

Last year, rising input costs and farm commodity prices were #1 and #2 on the dealers' list of biggest concerns. Looking ahead to 2016, these issues merely flip flopped, with low commodity prices being dealers' #1 concern and input costs slipping to #2.

With the trend of declining wholegood sales continuing into the new year, many dealers are looking to generate more revenue through their parts and service departments. To do so, of course, they need additional talent, especially in service. So it shouldn't be too surprising that #3 on U.S. dealers' biggest issue for 2016 is the availability of service technicians. It was #5 last year.

The rising cost of new equipment has remained on dealers' top 5 concerns for several years. It continues that run by placing #4 for the year ahead, down one slot from 2015. At #5 this year, up from #8 last year, is used equipment inventory. Long before new equipment sales began its downward trend last year, the problem with excessive used inventories had become evident. According to the results of *Ag Equipment Intelligence's* monthly Dealer Sentiments surveys, North American dealers began expressing concern about growing inventories of used machinery as early as June 2012. This has been a persistent problem for dealers with no immediate resolution in sight.

The availability of affordable health care has typically been a top 5

issue for U.S. farm equipment dealers since the Dealers Business Outlook & Trends survey was initiated in 2005. This year is the first time this particular issue has fallen out of the dealers' biggest headaches to #6.

The least of dealers' concerns going into 2016 is the availability of new equipment (#17). Six years ago it was #5 on dealers' list of biggest issues.

### Dealers to Slow Hiring, Capital Spending Even Further

In each of the 5 major employee categories at equipment dealerships, hiring staff is expected to slow to below 2015's already low levels.

More than half (51%) of the U.S. dealers responding to this year's survey say they plan to add service technicians in the year ahead. While seemingly a healthy level, it's down from nearly 59% a year earlier and 62.5% two years ago. But with the emphasis the industry is placing on increasing service revenues during 2016, dealers will probably need to hire more techs, if they're going to expand that segment of their business.

Wholegood sales personnel is next on dealers list for adding staff, but only 21.5% say they will actively seek salespeople in the coming year. This is down only slightly from the previous year when 22.5% of dealers were looking to add more sales staff. But compared to two years earlier, it's way down. Going into 2014, 35% of U.S. dealers were actively looking for sales personnel.

A little less than 19% of ag equipment retailers say they will add people to their parts department in 2016. This, again, is down only slightly from a year earlier when 21% of dealers wanted to add parts staff. Two years ago, nearly 28% of dealers were looking for parts counter employees.

The demand for precision farming specialists is also taking a hit when it comes to increasing employment. In the year ahead, only 12% of dealers are looking to add staff, down from 17.3% a year earlier and 23.5% two years ago.

Administrative and office personnel are typically in the lowest demand when it comes to adding to dealership staffs, and nothing has changed for the coming year. Only 4% of dealers say

### U.S. Dealers' Hiring Plans 2016 vs. 2015

	Add Staff 2016	Add Staff 2015
Parts Department	18.6%	21.1%
Service Technicians	51.3%	58.8%
Wholegoods Sales	21.5%	22.5%
Administration	4.0%	4.1%
Precision Farming Specialists	12.0%	17.3%

### U.S. Dealers' Spending Plans for 2016 vs. 2015

	2016	2015
No Increase	62.5%	54.7%
Increase 0 to 5%	30.8%	36.4%
Increase 6 to 10%	4.5%	5.3%
Increase 11%+	2.2%	3.6%

### Where U.S. Dealers Will Invest in 2016

	2016	2015
Shop & Service	37.2%	45.1%
Retail/Showroom	20.8%	24.7%
Business Info System	28.8%	27.9%
Mobile Service Vehicles	34.1%	41.8%

they are planning to add office personnel in 2016, the same percentage as last year, but down somewhat from 7.4% of dealers 2 years earlier.

Not surprisingly, capital expenditures by farm equipment dealers will continue to see significant reductions during the next year. This continues a 3-year trend.

In 2014, nearly 53% of dealers planned to increase investment in facilities and operations. This fell to 46% in 2015 and 37.5% for 2016.

For those planning to spend on capital projects, nearly 31% will increase investments by 1-5%, 4.5% will up spending from 6-10% and a miniscule 2.2% will increase capital spending by 11% or more.

As usual, those equipment retailers planning to upgrade facilities and operations next year, the largest percentage (37%) will focus on their shop and service department. Service vehicles are next on their list with 34% planning to increase spending there. Nearly 29% say they're planning to upgrade their business information systems, and about 21% will invest in their retail operations and showroom.

# U.S. Dealers' Regional Profile & Outlook for 2016

*Ag Equipment Intelligence's* regional breakdown provides a basic profile of the 10 agricultural regions in the U.S. The profile includes average employees per location, average stores per dealership and dealer revenue sources/market segments. The "Most Promising Opportunities" are the top product categories that show the most potential for increasing sales.

## Northeast

**Coverage:** Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island

**Avg. Employees/Location:** 38.9

**Avg. Stores/Dealer:** 3.6

**Revenue Source Breakdown:** Production Farm 37%; Hobby Farm 33%; Turf/Lawn 14%; Municipal 6%; Construction 5%; Other 5%

**Most Promising Opportunities:** 4WD Tractors (All), Lawn & Garden, GPS, Feeders/Mixers, 2WD Tractors (<40 HP)

## Appalachia

**Coverage:** Kentucky, North Carolina, Tennessee, Virginia, West Virginia

**Avg. Employees/Location:** 21

**Avg. Stores/Dealer:** 2.3

**Revenue Sources:** Production Farm 44%; Hobby Farm 18%; Turf/Lawn 14%; Municipal 8%; Construction 6%; Other 10%

**Most Promising Opportunities:** 2WD Tractors (<40 HP), Mower/Conditioners, Round Balers, 2WD Tractors (40-100 HP), Lawn & Garden

## Southeast

**Coverage:** Alabama, Florida, Georgia, South Carolina

**Avg. Employees/Location:** 14

**Avg. Stores/Dealer:** 3.3

**Revenue Sources:** Production Farm 73%; Hobby Farm 10%; Turf/Lawn 4%; Municipal 3%; Construction 3%; Other 7%

**Most Promising Opportunities:** Farm Loaders, 2WD Tractors (40-100 HP), Lawn & Garden, GPS, Planters (All)

## Delta States

**Coverage:** Arkansas, Mississippi, Louisiana

**Avg. Employees/Location:** 15

**Avg. Stores/Dealer:** 7

**Revenue Sources:** Production Farm 53%; Hobby Farm 20%; Turf/Lawn 9%; Municipal 8%; Construction 7%; Other 3%

**Most Promising Opportunities:** Farm Loaders, 4WD Tractors (All), Lawn & Garden, Air Seeders/Drills, Round Balers

## Southern Plains

**Coverage:** Oklahoma, Texas

**Avg. Employees/Location:** 27

**Avg. Stores/Dealer:** 2.8

**Revenue Sources:** Production Farm 50%; Hobby Farm 20%; Turf/Lawn 8%; Municipal 5%; Construction 11%; Other 6%

**Most Promising Opportunities:** Lawn & Garden, Rectangular Balers, 2WD Tractors (40-100 HP), Mower/Conditioners, Pull-Type Sprayers

## Northern Plains

**Coverage:** Kansas, Nebraska, North Dakota, South Dakota

**Avg. Employees/Location:** 119.6

**Avg. Stores/Dealer:** 18.0

**Revenue Sources:** Production Farm 84%; Hobby Farm 7%; Turf/Lawn 2%; Municipal 2%; Construction 3%; Other 2%

**Most Promising Opportunities:** Lawn & Turf, Mower/Conditioners, Round Balers, GPS, 2WD Tractors (<40 HP)

## Lake States

**Coverage:** Michigan, Minnesota, Wisconsin

**Avg. Employees/Location:** 48

**Avg. Stores/Dealer:** 11

**Revenue Sources:** Production Farm 67%; Hobby Farm 12%; Turf/Lawn 6%; Municipal 4%; Construction 6%; Other 5%

**Most Promising Opportunities:** Lawn & Garden, 2WD (40-100 HP), GPS, Rectangular Balers, Mower/Conditioners

## U.S. Farm Production Regions



For statistical breakout purposes, the agriculture regions of the U.S. in this report follow that of the U.S. Department of Agriculture. The agency breaks out agriculture by 10 major farm producing regions based on differences in soil, slope of land, climate, distance to market and storage and marketing facilities. The regional data from the *Ag Equipment Intelligence* "Dealer Business Outlook & Trends" survey are presented on this and the next page of this report.



## Corn Belt

**Coverage:** Illinois, Indiana, Iowa, Missouri, Ohio

**Avg. Employees/Location:** 48.2

**Avg. Stores/Dealer:** 9.5

**Revenue Sources:** Production Farm 73%; Hobby Farm 9%; Turf/Lawn 8%; Municipal 5%; Const. 4%; Other 1%

**Most Promising Opportunities:** Lawn & Garden, 2WD Tractors (<40 HP), GPS, 2WD Tractors (40-100 HP), Farm Loaders

## Mountain

**Coverage:** Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

**Avg. Employees/Location:** 43.7

**Avg. Stores/Dealer:** 14.3

**Revenue Sources:** Production Farm 71%; Hobby Farm 10%; Turf/Lawn 9%; Municipal 5%; Const. 4%; Other 1%

**Most Promising Opportunities:** GPS, 2WD (>100HP), Windrowers/Swathers, 2WD Tractors (<40 HP), Lawn & Garden, 4WD Tractors (All)

## Pacific

**Coverage:** Alaska, California, Hawaii, Oregon, Washington

**Avg. Emp./Location:** 37.7

**Avg. Stores/Dealer:** 11.4

**Revenue Sources:** Production Farm 57%; Hobby Farm 19%; Turf/Lawn 7%; Municipal 8%; Construction 7%; Other 2%

**Most Promising Opportunities:** Lawn & Garden, GPS, 2WD Tractors (<40 HP), 2WD Tractors (40-100 HP), 2WD Tractors (>100 HP)

## General Demographics of Combined U.S. Regions

**Average Employment at Participating Dealerships** 59.0

**Average Number of Stores at Participating Dealerships in specified ranges**

1-2 Stores	41.0%
3-5 Stores	11.1%
6-10 Stores	7.4%
11-25 Stores	17.2%
26+ Stores	23.3%

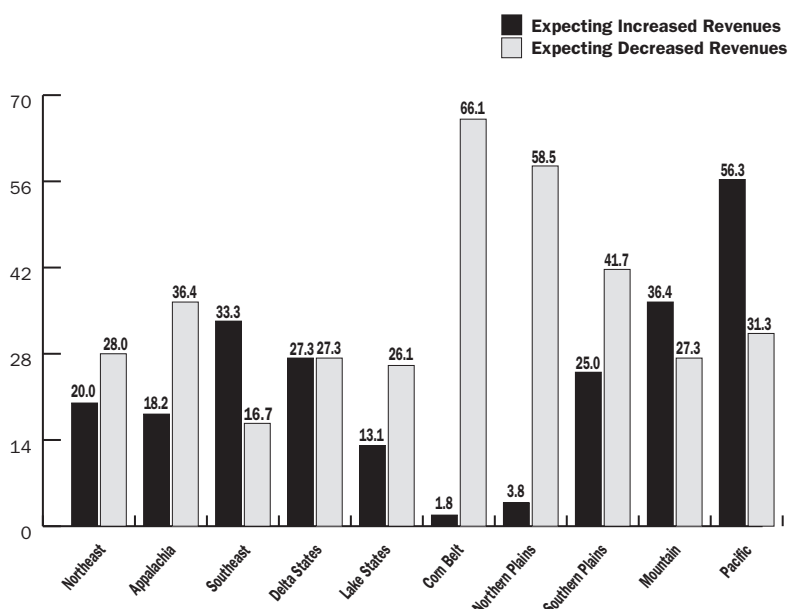
## Ranking U.S. Regional Expectations for Revenue Gains/Losses New Equipment Sales — 2016 vs. 2015

Region	% Expecting Gains in 2016	% Expected Gains in 2015	% Expecting Losses in 2016	Weighted Avg. 2016
1. Northeast	20.0%	46.7%	28.0%	-0.92%
2. Southern Plains	25.0%	35.3%	41.7%	-1.04%
3. Mountain	36.4%	30.0%	27.3%	-0.7%
4. Appalachia	18.2%	26.1%	36.4%	-1.45%
5. Southeast	33.3%	25.0%	16.7%	1.33%
6. Pacific	56.3%	21.1%	31.3%	0.91%
7. Lake States	13.1%	18.9%	26.1%	-1.04%
8. Delta States	27.3%	16.7%	27.3%	-1.09%
9. Corn Belt	1.8%	10.8%	66.1%	-3.83%
10. Northern Plains	3.8%	3.8%	58.5%	-3.65%

## Ranking U.S. Regional Expectations for Revenue Gains/Losses Used Equipment Sales — 2016 vs. 2015

Region	% Expecting Gains in 2016	% Expected Gains in 2015	% Expecting Losses in 2016	Weighted Avg. 2016
1. Southern Plains	27.3%	41.2%	18.2%	0.73%
2. Northeast	27.3%	37.5%	22.7%	0.05%
3. Delta States	0.0%	33.3%	33.3%	-1.89%
4. Lake States	21.7%	32.4%	39.1%	-2.00%
5. Mountain States	47.4%	30.0%	10.5%	1.47%
6. Pacific	41.2%	27.8%	17.7%	1.47%
7. Southeast	40.0%	25.0%	40.0%	0.00%
8. Northern Plains	22.5%	21.6%	51.0%	-2.21%
9. Corn Belt	7.7%	20.6%	59.2%	-4.18%
10. Appalachia	18.2%	5.3%	54.5%	-2.27%

## U.S. Regional Expectations New Equipment Sales Revenues 2016



The most optimistic dealers going into 2016 are those operating in the Pacific region, with 56.3% expecting revenue gains. Only 1.8% of dealers in the Corn Belt expect gains.

## PART III — CANADIAN OUTLOOK

### Canadian Dealers Forecast Slight Declines in 2016 Sales

Much like in years past, Canadian farm equipment dealers who responded to *Ag Equipment Intelligence's* Dealer Business Outlook & Trends survey were more optimistic in their business outlook than their U.S. counterparts.

In terms of agricultural economic conditions, the situation in Canada is fairly similar to that of the U.S. when it comes to commodity pricing. Both countries confront many of the same pressures and trends. Where the two countries differ is in dealers' projections for the year ahead.

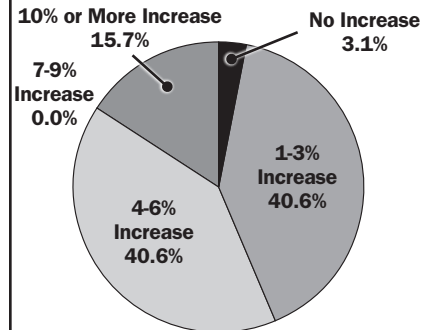
In their outlook for new equipment revenues in 2016, the majority of Canadian dealers are looking for sales to be inline with this year: 22.6%

see revenue increasing; 45.2% forecast little or no change compared with 2015; and 32.2% expect declining revenues. (For comparison purposes, the spread for U.S. dealers is 16.5%, 39.0% and 44.5%, respectively.)

On a weighted basis, Canadian farm equipment dealers are looking at an overall decrease in new equipment revenue of -0.89%. This compares with declines of -0.21% projected a year ago, an increase of 1.66% for 2014, a 1.97% increase for 2013 and a 3.35% increase in 2012.

Breaking the Canadian numbers down for new equipment revenue, 3.2% see revenue increasing by 8% or more in 2016, 19.4% forecast it to

#### New Equipment Price Increases for 2016



Nearly all Canadian dealers are expecting a price increase for new farm machinery in 2016: 40.6% say the price hike will be 1-3%; 40.6% say 4-6%; and 15.7% anticipate price increases of more than 10%.

#### Canada Projected Unit Sales by Equipment Segment — 2016

	Up 8% or More	Up 2-7%	Little/ No Change	Down 2-7%	Down 8% Or More	Up 2% or More	Down 2% or More	2015 Optimism Level*	Optimism vs. LY	Same or better** 2016	Weighted Avg. 2016
<b>Tractors &amp; Combines</b>											
2WD Tractors (<40 HP)	7.7%	23.1%	57.7%	3.9%	7.7%	30.8%	11.5%	28.1%	2.6%	88.5%	0.87%
2WD Tractors (40-100 HP)	0.0%	30.8%	57.7%	7.7%	3.9%	30.8%	11.5%	30.3%	0.5%	88.5%	0.73%
2WD Tractors (>100 HP)	0.0%	19.2%	53.9%	19.2%	7.7%	19.2%	26.9%	40.0%	-20.8%	73.1%	-0.62%
4WD Tractors (All)	0.0%	12.0%	48.0%	16.0%	24.0%	12.0%	40.0%	37.0%	-25.0%	60.0%	-2.10%
Combines	0.0%	4.2%	33.3%	33.3%	29.2%	4.2%	62.5%	24.0%	-19.8%	37.5%	-3.65%
<b>Hay Tools &amp; Forage</b>											
Rectangular Balers	0.0%	16.0%	64.0%	12.0%	8.0%	16.0%	20.0%	13.3%	2.7%	80.0%	-0.46%
Round Balers	7.1%	32.1%	42.9%	14.3%	3.6%	39.3%	17.9%	33.3%	6.0%	82.1%	1.09%
Forage Harvesters	0.0%	11.1%	77.8%	5.6%	5.6%	11.1%	11.1%	3.9%	7.3%	88.9%	-0.20%
Mower/Conditioners	11.5%	30.8%	46.2%	11.5%	0.0%	42.3%	11.5%	29.0%	13.3%	88.5%	1.79%
Windrowers/Swathers	0.0%	7.7%	65.4%	15.4%	11.5%	7.7%	26.9%	24.1%	-16.5%	73.1%	-1.27%
Feeders/Mixers	0.0%	10.0%	80.0%	0.0%	10.0%	10.0%	10.0%	20.0%	-10.0%	90.0%	-0.35%
<b>Planting &amp; Seeding</b>											
Planters (All)	0.0%	13.6%	72.7%	4.6%	9.1%	13.6%	13.6%	12.0%	1.6%	86.4%	-0.32%
Air Seeders/Drills	4.2%	12.5%	41.7%	29.2%	12.5%	16.7%	41.7%	18.5%	-1.8%	58.3%	-1.42%
<b>Tillage</b>											
Field Cultivators	0.0%	18.2%	63.6%	13.6%	4.6%	18.2%	18.2%	3.7%	14.5%	81.8%	-0.16%
Chisel Plows	0.0%	14.3%	71.4%	4.8%	9.5%	14.3%	14.3%	0.0%	14.3%	85.7%	-0.33%
Disc Harrows	0.0%	22.7%	68.2%	0.0%	9.1%	22.7%	9.1%	10.7%	12.0%	90.9%	0.30%
<b>Sprayers</b>											
Self-Propelled Sprayers	5.0%	20.0%	40.0%	15.0%	20.0%	25.0%	35.0%	28.0%	-3.0%	65.0%	-0.98%
Pull-Type Sprayers	4.8%	14.3%	57.1%	14.3%	9.5%	19.1%	23.8%	8.0%	11.1%	76.2%	-0.38%
<b>Other Equipment</b>											
Farm Loaders	0.0%	19.2%	69.2%	7.7%	3.9%	19.2%	11.5%	24.1%	-4.9%	88.5%	0.21%
Lawn/Garden Equipment	7.7%	30.8%	53.9%	3.9%	3.9%	38.5%	7.7%	10.0%	28.5%	92.3%	1.52%
GPS/Precision Farming	11.5%	19.2%	53.9%	7.7%	7.7%	30.7%	15.4%	33.3%	-2.6%	84.6%	0.83%

On a weighted basis, Canadian dealers say just 8 of 21 categories of farm machinery present good potential for increasing unit sales in 2016.

\*2016 optimism is ranked by combining increases only. \*\*Ranked by combining increases with little or no change in 2016.

rise between 2-7%. On the downside, 16.1% expect declining revenue in the range of 2-7%, while 16.1% are projecting it to drop by 8% or more.

This compares with 7.9% who projected revenue growth of 8% or more for 2015, 23.7% who forecast increases of 2-7% and 34.2% who expected little or no change. Last year, 10.5% of Canadian dealers forecasted decreases of 8% or more and only 23.7% anticipated a drop of 2-7%.

As far as early orders go, 72.4% of Canada's dealers report they are down from a year ago: 41.4% say they're down by 10% or more, 17.2% indicate they're 6-10% lower and 13.8% say presells are 1-5% below last year's levels of early orders. No Canadian dealers reported early orders are up compared to a year ago.

### Used Outlook 2016

When it comes to used equipment revenues, their outlook is much more positive than U.S. dealers. Fifty-six percent of Canadian dealers expect increased revenue from used in 2016, slightly less than one-third (32%) see little or no change from 2015 and about 12% project that they will decline. (In the U.S., the numbers are 2.4%, 35.1% and 42.5%, respectively.)

A year earlier, projections for used equipment from Canadian dealers were a much different story with 28.6% expecting increases and 22.8% anticipating declining revenues for 2015.

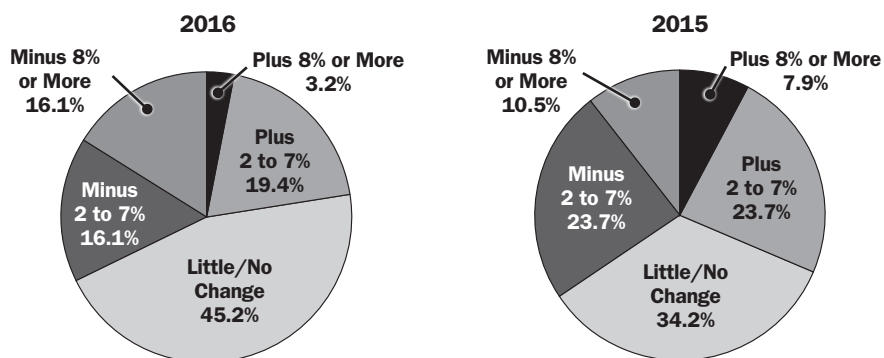
As far as the current status of used equipment inventory, 6.7% of Canadian dealers rate it as "way too high," 23.3% say it's "too high" and about 13% say they "need more used equipment. The majority, 56.7% say it's where they expected it to be.

On a weighted basis, Canadian dealers are looking for positive used equipment revenues at +2.26%.

### Best 2016 Prospects

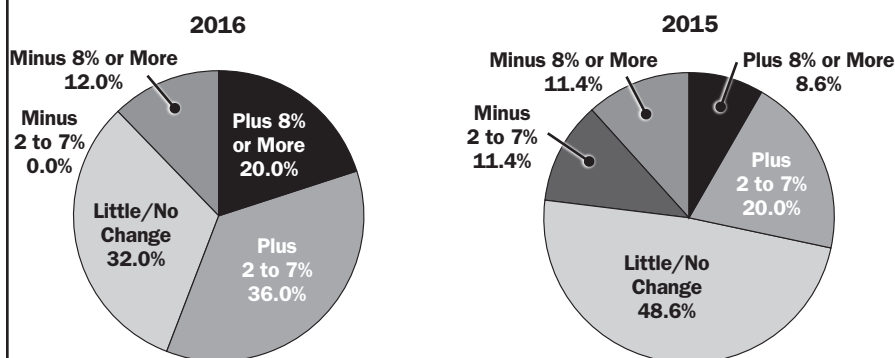
Overall, hay and forage products dominate the top 10 products with the most potential to improve sales in 2016. At the top of their list this year is mower/conditioners. It's followed by round balers (#2) and lawn and garden equipment (#3). 2WD tractors (<40 horsepower) place #4 this year, going up two spots from last year.

### Canadian Dealers' Projections for Sales Revenue New Equipment— 2016 vs. 2015



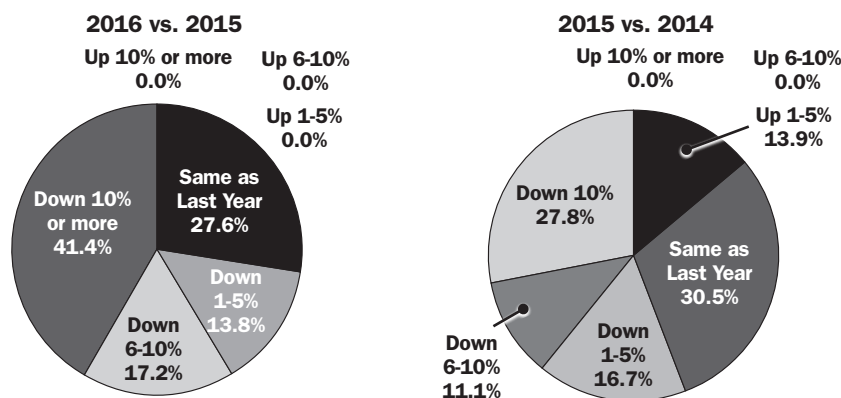
Most Canadian dealers are expecting revenues from new equipment to be flat in 2016, but 22.6% are expecting increased sales while 32.2% are calling for sales to decline. This compares with 31.6% who expected a revenue increase a year ago and 34.2% forecasting declining revenues for 2015. Last year 34.2% expected flat revenues in 2015.

### Canadian Dealers' Projections for Sales Revenue Used Equipment — 2016 vs. 2015



More Canadian dealers (56%) expect an increase in revenues from the sale of used equipment in 2016 than expect a decrease in sales (12%). Nearly one-third (32%) are projecting flat used machinery sales for 2016. A year earlier, 28.6% forecasted growth in used equipment revenues, while 22.8% projected declining used revenues. Just about 49% expect little or no change in the level of used sales in 2015.

### Canada Dealers' Estimate of Early Orders

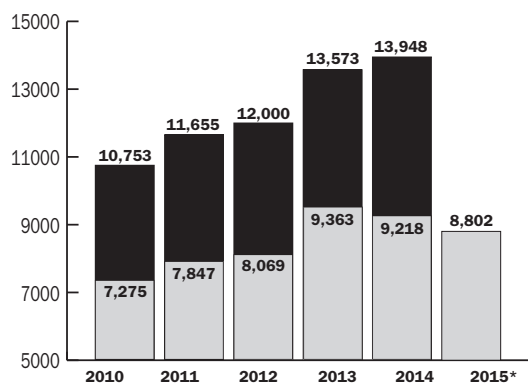


Less than 28% of Canadian dealers are reporting that early orders for 2016 are about the same as 2015. The remainder, 72%, are reporting that presells are well below year-ago levels, while no Canadian dealers have seen a pick up in early orders for 2016.

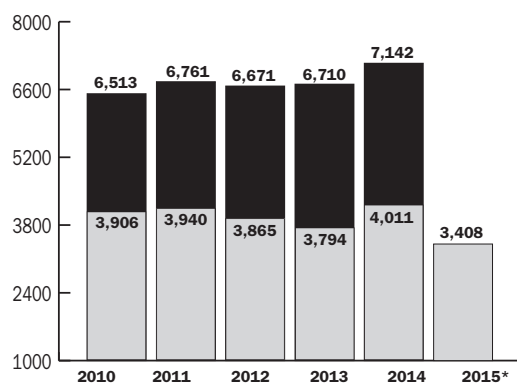
## Canadian Retail Tractor & Combine Unit Sales — 2010-15\*

(\*Year-to-Date January through August 2015)

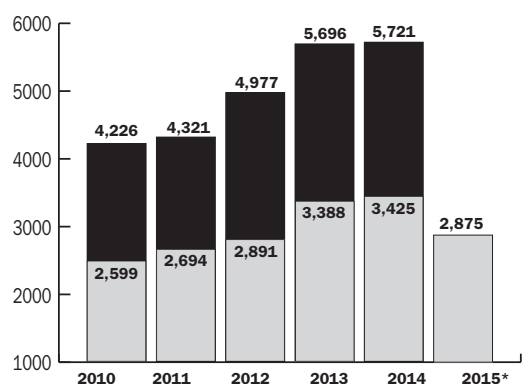
### Canada Tractor Sales – 2WD <40HP



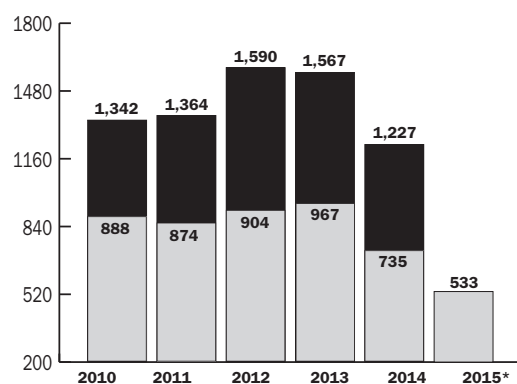
### Canada Tractor Sales – 2WD 40-100HP



### Canada Tractor Sales – 2WD >100HP

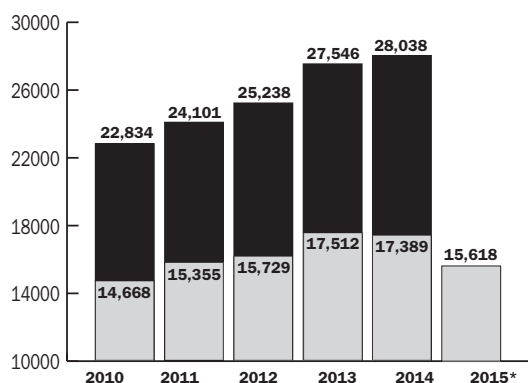


### Canada Tractor Sales – 4WD

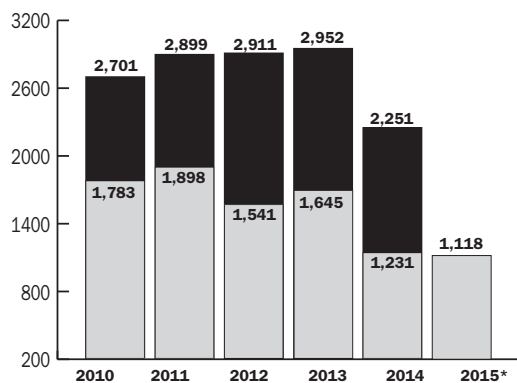


Through the first 8 months of 2015, Canadian unit sales of mid-range and row-crop tractors were down vs. the same period of 2014, and compact and 4WD units were down as well. Year-over-year 2WD tractors (<40HP) were down by 4.5%; 2WD mid-range tractors (40-100HP) were down by 15%; 2WD row-crop tractors (100 HP+) were down by 16%; and 4WD tractors were down by 27%. (Source: AEM)

### Total Canada Tractor Sales



### Total Canada Combine Sales



Total unit sales of farm tractors in Canada through the first 8 months of 2015 were down by 10.2% to 15,618 units vs. 17,389 tractors in the January through August 2014 timeframe. For the same time period, total Canadian unit sales of combines declined by 9.2% to 1,118 units from 1,231 combines sold during January through August 2014. (Source: AEM)

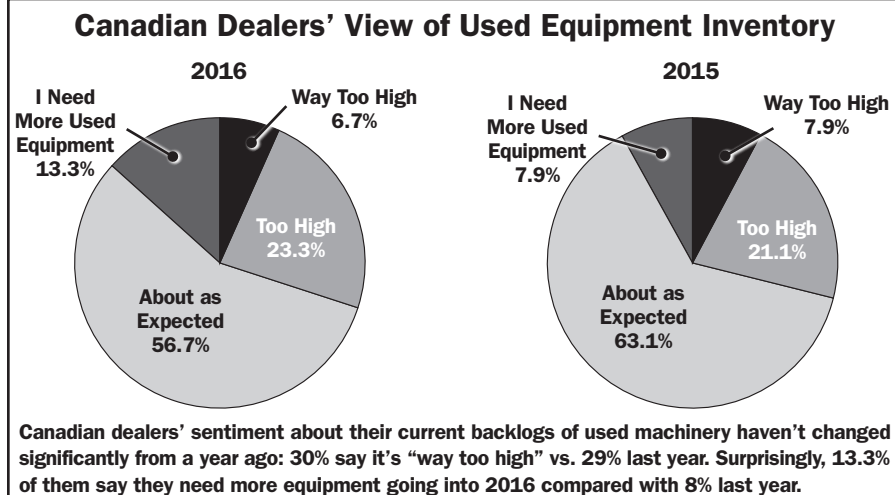


At #5 are 2WD tractors (40-100 horsepower), followed by GPS/precision farming (#6). Self-propelled sprayers came in at #7 this year after being near the bottom of the list last year (#18). Disc harrows was slotted at #8, farm loaders #9 and 2WD tractors (>100 horsepower) round out the top 10 at #10.

Like their U.S. counterparts, dealers operating in Canada rated combines (#21) as dead last when it comes to prospect for sales growth in the year ahead.

### Issues & Concerns for 2016

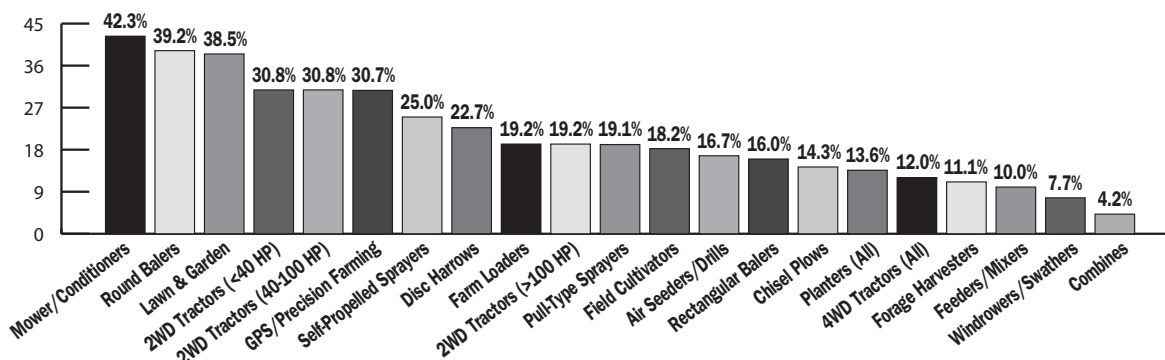
While not necessarily in the same order of priority, with few exceptions, Canadian dealers share the same con-



cerns going into 2016 as their U.S. counterparts. Their #1 concern is the

increasing cost of new equipment and #2 is farm commodity prices, which

### Best Product Bets for Improving Unit Sales in 2016 — Canada



#### Equipment Categories

Canadian farm equipment dealers see good potential for increasing unit sales in the year ahead from most categories of hay and forage equipment. They also anticipate solid prospects in lawn and garden, compact and utility tractors and GPS/precision farming.

### Canadian Dealer Issues & Concerns — 2016 (2015 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Increasing Cost of New Equipment (3)	70.0%	30.0%	0.0%
2. Farm Commodity Prices (1)	41.4%	55.2%	3.4%
3. Technician Availability (4)	43.3%	46.7%	10.0%
4. Farm Input Costs (2)	26.7%	63.3%	10.0%
5. Shrinking Farm Customer Base (5)	23.3%	66.7%	10.0%
6. Used Equipment Inventory (6)	26.6%	56.7%	16.7%
7. Financing Availability - Floor Planning (11)	20.0%	50.0%	30.0%
8. Industry Consolidation (10)	10.0%	53.3%	36.7%
9. Product Reliability (8)	23.3%	36.7%	40.0%
10. Energy/Fuel Costs (7)	10.0%	50.0%	40.0%
11. Steel Prices/Supplies (12)	16.7%	40.0%	43.3%
12. Manufacturer Succession Policies (16)	6.7%	50.0%	43.3%
13. Dealership 'Purity' Efforts by Majors (9)	20.0%	33.3%	46.7%
14. Financing Availability – Retail (13)	20.0%	33.3%	46.7%
15. New Equipment Availability (14)	10.0%	36.7%	53.3%
16. Health Care Affordability (17)	3.3%	30.0%	66.7%
17. Depreciation Rules (15)	3.7%	18.5%	77.8%

## Canadian Dealers' Hiring Plans 2016 vs. 2015

	2016			2015		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	22.6%	74.2%	3.2%	33.3%	63.9%	2.8%
Service Techs	50.0%	50.0%	0.0%	55.6%	44.4%	0.0%
Wholegood Sales	31.3%	65.6%	3.1%	42.9%	51.4%	5.7%
Administration	3.3%	80.0%	16.7%	5.7%	88.6%	5.9%
Precision Farm Specialist	19.3%	80.7%	0.0%	35.3%	61.8%	2.9%

both make the top 4 concerns of their colleagues to the south.

The Canadians #3 top issue is the same as the Americans, technician availability. In at #4 was farm input costs, which dropped from the #2 spot last year.

The shrinking number of farmers was once again ranked #5 by dealers in Canada this year (#7 in U.S.), followed by used equipment inventories at #6 (#5 in U.S.), which also was the same ranking as 2015.

While U.S. dealers rated affordability of health care as their #6 biggest concern, with socialized medicine, that was second to last on Canada's dealers list of priorities.

### Hiring & Spending Hold Steady

With lower expectations for equipment sales in 2016, more Canadian dealers are also looking to make few changes in their hiring and spending plans. But when it comes to hiring, they will be slightly more aggressive than U.S. dealers. More than half (60%) of dealers indicate

they have no plans to increase capital expenditures in the coming year. This compares with 52.8% who planned on spending increases a year earlier.

Of those who are planning to invest in capital projects in the next year, 23.4% say they will raise spending from 1-5%, 13.4% will increase it by 6-10% and 3.3% will up spending by 10% or more.

For those planning capital expenditures in the year ahead, 50% will spend to improve their shop and service operations vs. 45.7% in 2015. Also related to their shop area, 37.5% of Canadian dealers plan to invest in mobile service vehicles.

Another 16.1% will invest in their retail and showroom areas (vs. 33.3% last year) and 32.3% say they are looking to invest in their business information systems, which is down from 45.5% in the previous year.

Overall, compared with last year, Canadian dealers will also reduce hiring, but as is typically the case, cut-backs won't involve service technicians. This year, 50% of dealers say they plan to add service staff, down slightly

## Canadian Dealers' Spending Plans for 2016

No Increase	60.0%
0 to +5%	23.4%
+6 to 10%	13.3%
+11% or more	3.3%

## Where Canadian Dealers Will Invest in 2016

	2016	2015
Shop & Service	50.0%	45.7%
Retail/Showroom	16.1%	33.3%
Business Info. Sys.	32.3%	45.5%
Mobile Service Vehicles	37.5%	44.1%

from last year's percentage, 55.6%.

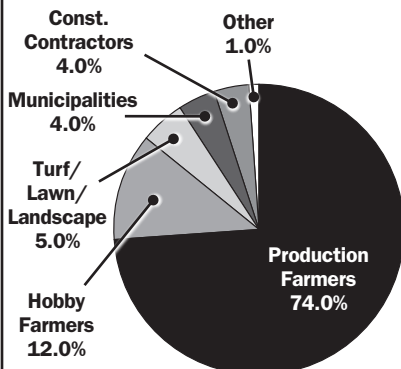
Nearly a third (31.3%) of dealers in Canada plan to add staff in their sales area, down from 42.9% who planned to add sales staff the year before.

While no Canadian dealers say they are planning to reduce their precision farming staff, fewer are planning to add staff than they were a year ago. Just over 19% of dealers are looking for precision farming specialists. This compares with 35.3% who were looking last year.

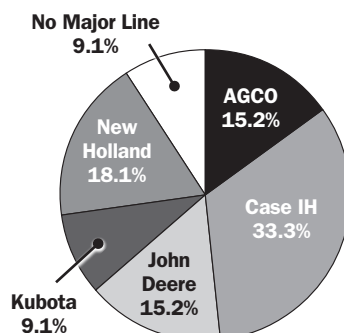
Plans for hiring parts department staff are down as well, with just 22.6% of dealers planning to add staff vs. 33.3% a year ago. Fewer dealers will be recruiting for administrative staff this year than last. Only 3.3% of Canadian dealers say they plan to add staff in their administrative operations compared with 5.5% who were looking to add admin staff a year ago.

## Demographics of 2016 Survey Respondents — Canada

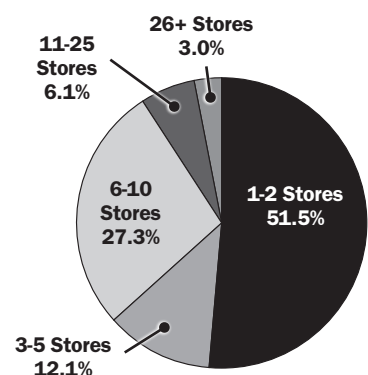
### Dealer Revenue Sources



### Mainline Suppliers (% of respondents)



### Average Stores Per Dealer



Canadian dealers participating in *Ag Equipment Intelligence's* 2016 Dealer Business Outlook & Trends survey report that 74% of their 2015 revenues came from production farming and 12% came from the hobby farming and large property owner segments.

## PART IV — BREAKOUT BY MAINLINE SUPPLIERS

As in each of the previous *Ag Equipment Intelligence* “Dealer Business Outlook & Trends” reports, this section breaks out dealer responses by their major equipment supplier. Dealerships that do not handle any of the major tractor lines — AGCO, Case IH, John Deere, New Holland or Kubota — are referred to as “independent” or “shortline only” dealers.

Dealer responses by brand to this year’s survey represent a good cross section of all of the major equipment manufacturers as well as shortline-only dealerships as shown in the table below.

**Positive Outlook.** Comparing the dealer groups by brand and stripping out the “little or no change” responses, the most optimistic dealers going into 2016 are the “independents.” Nearly one-third of them are expecting increased new equipment sales in the year ahead. A year ago, Kubota dealers were the most optimistic, with over half of them (52%) expecting an increase in revenue for 2015.

The “independents” are followed by New Holland dealers, of which nearly one-quarter (24.3%) are projecting increases in revenue from new equipment sales in 2016. Kubota fell to third place in terms of optimism for the year ahead, with about 21% of them anticipating increased revenues in 2016.

**Less Than Optimistic.** Looking at the other end of the optimism scale, the dealer group with the largest percentage expecting declining revenues from new equipment sales in the year ahead are the Case IH dealers. Nearly 52% are expecting a falloff in sales for 2016. Believe it or not, this is an improvement over last year when slightly over 70% were projecting a decrease in revenues for 2015.

They’re followed by Kubota dealers with 47% anticipating a drop in sales revenues. Next on the list are John Deere dealers when it comes to diminished expectations for 2016. More than 40% of Deere’s retailers expect to see declines in new equipment revenue in the coming year. This is an improvement

from a year ago when 64.6% expected lower revenues.

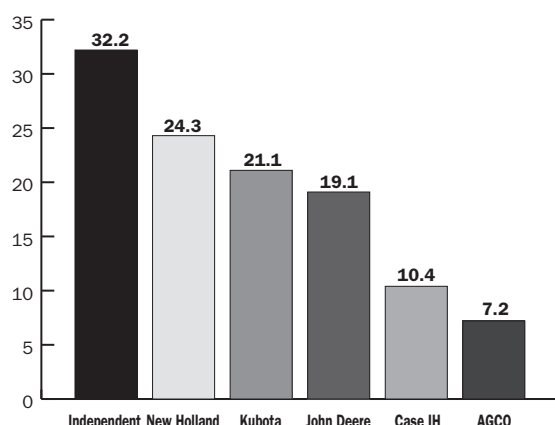
On a weighted average basis, the “independents” are the only group in positive territory (0.36%). John Deere dealers are the only group in the plus category when it comes to used equipment, with +0.29%.

	New Equipment	Used Equipment
AGCO	-1.50%	-0.35%
Case IH	-2.71%	-2.68%
John Deere	-1.79%	+0.29%
Kubota	-2.11%	-2.41%
New Holland	-1.70%	-1.18%
Independent	+0.36%	-0.30%

Price Increases				
	None	1-3% Increase	4-6% Increase	7% or More Increase
AGCO	25.9%	37.1%	33.3%	3.7%
Case IH	10.3%	63.2%	20.7%	5.8%
John Deere	2.9%	79.7%	13.0%	4.4%
Kubota	10.0%	45.0%	35.0%	10.0%
New Holland	11.7%	55.9%	26.5%	5.9%
Independent	7.7%	69.2%	15.4%	7.7%

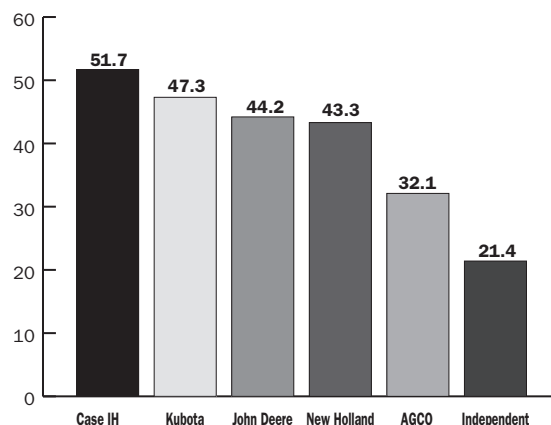
AGCO — % of Total Responses .....	10.4%
Case IH — % of Total Responses .....	32.5%
John Deere — % of Total Responses .....	26.0%
Kubota — % of Total Responses .....	7.1%
New Holland — % of Total Responses .....	13.6%
Independent Dealers — % of Total Responses .....	10.4%

**Most Optimistic Equipment Dealers for 2016**  
(% of dealers expecting revenue gains)



Independent dealers, those carrying no major branded tractor, followed by New Holland dealers are the most optimistic going into 2016.

**Least Optimistic Equipment Dealers for 2016**  
(% of dealers expecting revenue declines)



The least optimistic dealers going into 2016 are those carrying Case IH and Kubota branded equipment.



## AGCO Dealers' Outlook for 2016

### AGCO Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2016

	New Equipment	Used Equipment
+8%	3.6%	3.7%
+2-7%	3.6%	26.0%
Little or No Change	60.7%	44.4%
-2-7%	17.8%	7.4%
-8%	14.3%	18.5%

### Expecting New Equipment Price Increase in 2016

No	25.9%
1-3%	37.1%
4-6%	33.3%
7-9%	3.7%
10%+	0.0%

### Early Orders 2016 vs. 2015

Down 10% or more	19.2%
Down 6-10%	23.1%
Down 1-5%	11.5%
Same as Last Year	46.2%
Up 1-5%	0.0%
Up 6-10%	0.0%
Up 10% or more	0.0%

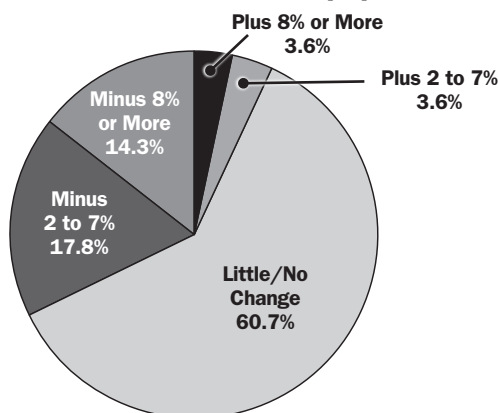
### AGCO Dealers' Projected Unit Sales of Tractors & Combines — 2016

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40HP)	8.0%	24.0%	52.0%	12.0%	4.0%	32.0%	16.0%
2WD (40-100HP)	8.0%	20.0%	44.0%	20.0%	8.0%	28.0%	28.0%
2WD (>100HP)	4.2%	20.8%	25.0%	25.0%	25.0%	25.0%	50.0%
4WD (All)	4.4%	21.7%	30.4%	17.4%	26.1%	26.1%	43.5%
Combines	0.0%	4.4%	34.7%	26.1%	34.8%	4.4%	60.9%

### AGCO Dealers' Projected Unit Sales for All Other Equipment — 2016

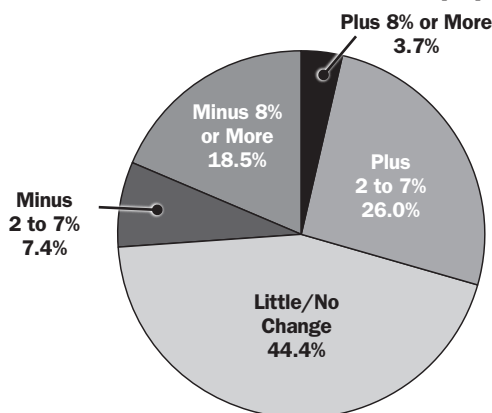
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	19.2%	53.9%	19.2%	7.7%
Round Balers	0.0%	20.0%	48.0%	24.0%	8.0%
Forage Harvesters	11.1%	0.0%	61.1%	5.6%	22.2%
Planters (All)	0.0%	8.0%	60.0%	16.0%	16.0%
Mower/Conditioners	4.0%	28.0%	44.0%	16.0%	8.0%
Windrowers/Swathers	0.0%	4.0%	72.0%	16.0%	8.0%
Field Cultivators	0.0%	8.7%	52.2%	21.7%	17.4%
Farm Loaders	4.4%	8.7%	73.9%	8.7%	4.4%
Chisel Plows	0.0%	4.6%	68.2%	13.6%	13.6%
Disc Harrows	0.0%	9.1%	59.1%	18.2%	13.6%
Air Seeders/Drills	0.0%	4.6%	59.1%	22.7%	13.6%
Self-Propelled Sprayers	0.0%	18.8%	56.3%	6.3%	18.8%
Pull-Type Sprayers	0.0%	11.8%	47.1%	23.5%	17.7%
Lawn/Garden Equip.	4.2%	16.7%	62.5%	12.5%	4.2%
GPS/Precision Farming	4.2%	25.0%	41.7%	8.3%	20.8%

### AGCO Dealers' Projected Sales Revenues 2016 — New Equipment



Just 7.2% of AGCO dealers expect increased revenues from new equipment sales in 2016, but 32.1% are forecasting declining revenues.

### AGCO Dealers' Projected Sales Revenues 2016 — Used Equipment



Almost half of AGCO dealers see flat revenues from the sale of used machinery in 2016, and 29.7% see increased used sales.



### AGCO Dealers' Major Revenue Sources — 2015

Revenue by Market Segment:

- Production Farmers: 69.0%
- Hobby Farmers: 15.0%
- Turf & Lawn: 5.0%
- Municipalities/Parks: 5.0%
- Const. Contractors: 4.0%
- Other: 2.0%

### Used Equipment Inventory

Way Too High	10.7%
Too High	46.4%
As Expected	28.6%
Need More	14.3%

### AGCO Dealer Spending Plans for 2016

No Increase	60.0%
0 to +5%	36.0%
+6 to 10%	4.0%
+11% or more	0.0%

### Where AGCO Dealers Will Invest in 2016

Modernize Shop & Service	38.5%
Modernize Retail	24.0%
Bus. Info. Systems	28.0%
Mobile Service Vehicles	44.0%

### AGCO Dealerships

#### Est. Ag Dealer Locations\*

975

#### % Dealers with 5 or More Locations\*

22%

#### Avg. #Employees/Location\*\*

36.7

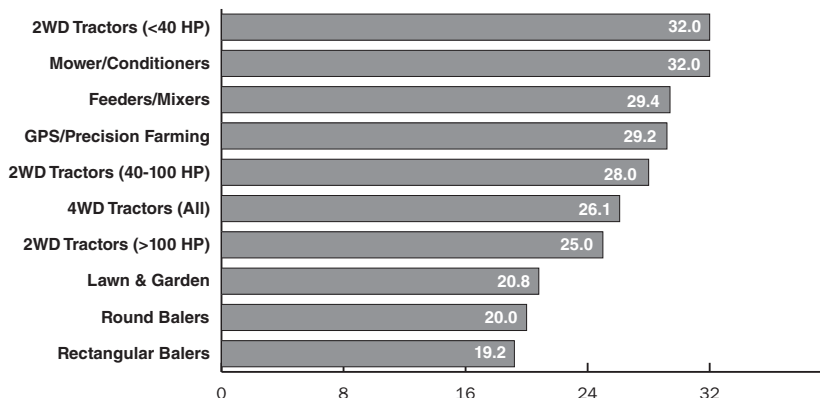
#### Avg. # Stores/Dealership Group\*\*

1-2 Stores	65.6%
3-5 Stores	0.0%
6-10 Stores	17.2%
11-25 Stores	17.2%
26+ Stores	0.0%
Wtd. Avg.	2.92

\*AEI 2015 Big Dealer Report

\*\*AEI 2016 Dealer Business Outlook & Trends

### Best Bets for Improving Unit Sales in 2016 AGCO Dealers



AGCO dealers' best bets for increasing 2016 unit sales include compact tractors, mower/conditioners, feeders/mixers, GPS/precision farming, utility tractors and 4WD tractors.

### AGCO Dealers' Hiring Plans for 2016 vs. 2015

	2016			2015		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	30.8%	65.3%	3.9%	29.4%	70.6%	0.0%
Service Techs	53.9%	46.1%	0.0%	74.3%	25.7%	0.0%
Wholegood Sales	23.1%	73.0%	3.9%	35.3%	55.9%	8.8%
Administration	4.0%	84.0%	12.0%	5.9%	91.2%	2.9%
Precision Farming Specialist	16.0%	80.0%	4.0%	38.2%	61.8%	0.0%

### AGCO Dealers' Issues and Concerns — 2016 (2015 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Increasing Cost of New Equipment (4)	60.0%	36.0%	4.0%
2. Farm Input Costs (2)	44.0%	52.0%	4.0%
3. Farm Commodity Prices (1)	75.0%	20.8%	4.2%
4. Technician Availability (3)	44.0%	48.0%	8.0%
5. Used Equipment Inventory (7)	36.0%	56.0%	8.0%
5. Shrinking Farm Customer Base (8)	36.0%	56.0%	8.0%
7. Health Care Affordability (10)	52.0%	36.0%	12.0%
8. Dealership 'Purity' Efforts by Majors (12)	28.0%	48.0%	24.0%
9. Industry Consolidation (15)	32.0%	48.0%	20.0%
10. Depreciation Rules (9)	36.0%	40.0%	24.0%
11. Financing Availability – Floor Planning (11)	24.0%	52.0%	24.0%
12. Product Reliability (5)	37.5%	37.5%	25.0%
13. Energy/Fuel Costs (6)	16.0%	40.0%	44.0%
14. Manufacturer Succession Policies (13)	16.0%	36.0%	48.0%
14. Financing Availability – Retail (17)	16.0%	36.0%	48.0%
16. New Equipment Availability (14)	16.0%	32.0%	52.0%
17. Steel Prices/Supplies (16)	12.0%	24.0%	64.0%

# Case IH Dealers' Outlook for 2016



## Case IH Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2016

	New Equipment	Used Equipment
+8%	2.3%	4.9%
+2-7%	8.1%	18.3%
Little or No Change	37.9%	20.7%
-2-7%	25.3%	17.1%
-8%	26.4%	39.0%

## Expecting New Equipment Price Increase in 2016

No	10.3%
1-3%	63.2%
4-6%	20.7%
7-9%	2.3%
10%+	3.5%

## Early Orders 2016 vs. 2015

Down 10% or more	59.3%
Down 6-10%	9.3%
Down 1-5%	9.3%
Same as Last Year	18.6%
Up 1-5%	3.5%
Up 6-10%	0.0%
Up 10% or more	0.0%

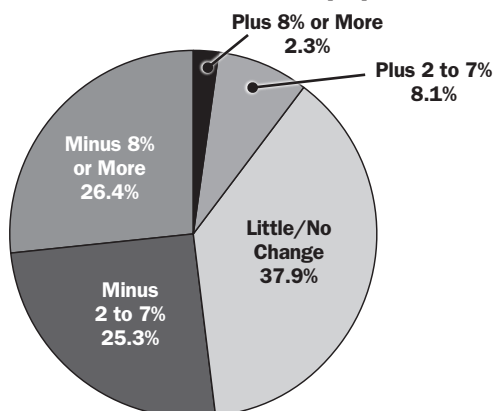
## Case IH Dealers' Projected Unit Sales of Tractors and Combines — 2016

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40HP)	3.6%	13.1%	66.7%	8.3%	8.3%	16.7%	16.7%
2WD (40-100HP)	1.2%	15.3%	62.4%	12.9%	8.2%	16.5%	21.2%
2WD (>100HP)	0.0%	22.6%	34.5%	22.6%	20.2%	22.6%	42.9%
4WD (All)	0.0%	7.4%	33.3%	24.7%	34.6%	7.4%	59.3%
Combines	0.0%	9.9%	29.6%	25.9%	34.6%	9.9%	60.5%

## Case IH Dealers' Unit Sales Projections for Other Equipment in 2016

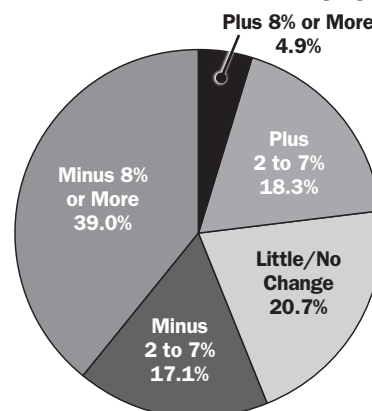
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	6.7%	70.7%	12.0%	10.7%
Round Balers	0.0%	15.8%	68.4%	13.2%	2.6%
Forage Harvesters	1.5%	1.5%	84.1%	5.8%	7.3%
Planters (All)	0.0%	12.2%	45.1%	17.1%	25.6%
Mower/Conditioners	1.3%	14.7%	72.0%	8.0%	4.0%
Windrower/Swathers	1.4%	11.0%	67.1%	13.7%	6.9%
Field Cultivators	0.0%	9.0%	56.4%	24.4%	10.3%
Farm Loaders	0.0%	17.1%	65.8%	10.5%	6.6%
Chisel Plows	1.3%	8.0%	64.0%	16.0%	10.7%
Disc Harrows	0.0%	9.6%	61.5%	15.7%	13.3%
Air Seeders/Drills	1.3%	9.2%	59.2%	18.4%	11.8%
Self-Propelled Sprayers	1.4%	13.9%	51.4%	13.9%	19.4%
Pull-Type Sprayers	0.0%	4.4%	70.6%	11.8%	13.2%
Lawn/Garden Equip.	7.7%	15.8%	66.7%	5.1%	5.1%
GPS/Precision Farming	2.5%	18.8%	2.5%	17.5%	8.8%

## Case IH Dealers' Projections for Sales Revenues 2016 — New Equipment



Just over 10% of Case IH dealers are expecting an increase in new equipment revenues in 2016, while 51.7% project a decrease in sales.

## Case IH Dealers' Projections for Sales Revenues 2016 — Used Equipment



A little over 23% of Case IH dealers forecast a pick up in used equipment sales in 2016, while over half (56.1%) expect a drop.

### Case IH Dealers' Major Revenue Sources — 2015

Revenue by Market Segment:

- Production Farmers: 82.0%
- Hobby Farmers: 7.0%
- Turf & Lawn: 3.0%
- Municipalities/Parks: 3.0%
- Const. Contractors: 4.0%
- Other: 1.0%

### Used Equipment Inventory

Way Too High	17.2%
Too High	49.4%
As Expected	29.9%
Need More	3.5%

### Case IH Dealer Spending Plans for 2016

No Increase	76.7%
0 to +5%	17.4%
+6% to 10%	1.2%
+10%	4.7%

### Where Case IH Dealers Will Invest in 2016

Modernize Shop & Service	29.1%
Modernize Retail	11.6%
Bus. Info. Systems	12.9%
Mobile Service Vehicles	27.9%

### Case IH Dealerships

#### Est. Ag Dealer Locations\*

976

#### % Dealers with 5 or More Locations\*

48%

#### Avg. #Employees/Location\*\*

44.5

#### Avg. # Stores/Dealership Group\*\*

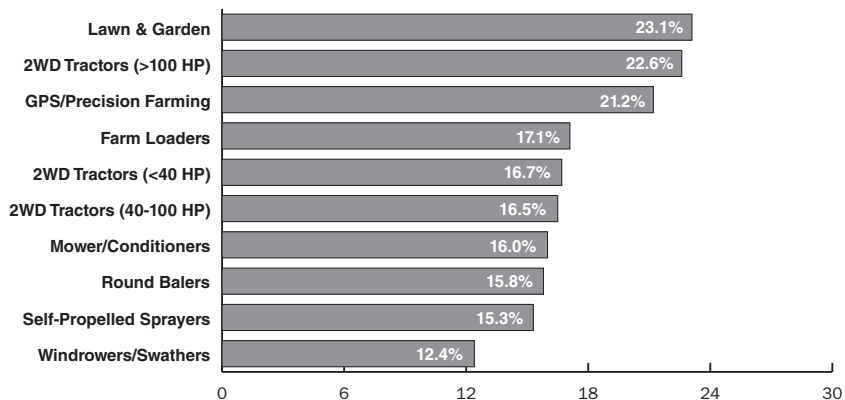
1-2 Stores	26.3%
3-5 Stores	12.1%
6-10 Stores	15.4%
11-25 Stores	14.3%
26+ Stores	31.9%
Wtd. Avg.	12.9

\*AEI 2015 Big Dealer Report

\*\*AEI 2016 Dealer Business

Outlook & Trends

### Best Bets for Improving Unit Sales in 2016 Case IH Dealers



Case IH dealers' best bets for increasing unit sales in 2016 include lawn and garden, 2WD tractors (>100 horsepower), GPS/precision farming, farm loaders and compact tractors.

### Case IH Dealers' Hiring Plans 2016 vs. 2015

	2016			2015		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	13.8%	80.5%	5.7%	10.2%	81.8%	8.0%
Service Techs	51.7%	43.7%	4.6%	55.8%	40.7%	3.5%
Wholesale Sales	26.4%	70.1%	3.5%	19.3%	75.0%	5.7%
Administration	2.3%	87.4%	10.3%	0.0%	89.8%	10.2%
Precision Farming Specialist	11.8%	84.7%	3.5%	20.5%	75.0%	4.6%

### Case IH Dealers' Issues and Concerns — 2016 (2015 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Farm Commodity Prices (1)	75.6%	24.4%	0.0%
2. Farm Input Costs (2)	57.5%	39.1%	3.4%
3. Technician Availability (7)	47.1%	44.8%	8.1%
4. Used Equipment Inventory (5)	62.8%	29.1%	8.1%
5. Increasing Cost of New Equipment (3)	44.2%	46.5%	9.3%
6. Shrinking Farm Customer Base (8)	31.0%	57.5%	11.5%
7. Health Care Affordability (6)	44.3%	37.5%	18.2%
8. Product Reliability (9)	24.2%	51.7%	24.1%
9. Depreciation Rules (4)	28.6%	48.8%	22.6%
10. Dealership 'Purity' Efforts by Majors (10)	14.9%	55.2%	29.9%
11. Financing Availability – Floor Planning (12)	24.1%	43.7%	32.2%
12. Financing Availability – Retail (15)	14.9%	43.7%	41.4%
13. Manufacturer Succession Policies (13)	15.0%	40.2%	44.8%
14. Energy/Fuel Costs (11)	12.6%	41.4%	36.0%
15. Industry Consolidation (14)	8.3%	45.2%	46.4%
16. Steel Prices/Supplies (16)	5.8%	41.9%	52.3%
17. New Equipment Availability (17)	2.3%	31.0%	66.7%

# John Deere Dealers' Outlook for 2016



## John Deere Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2016

	New Equipment	Used Equipment
+8%	2.9%	12.7%
+2-7%	16.2%	20.6%
Little or No Change	36.7%	39.7%
-2-7%	22.1%	14.3%
-8%	22.1%	12.7%

## Expecting New Equipment Price Increase in 2016

No	2.9%
1-3%	79.7%
4-6%	13.0%
7-9%	4.4%
10%+	0.0%

## Early Orders 2016 vs. 2015

Down 10% or more	40.3%
Down 6-10%	8.1%
Down 1-5%	11.3%
Same as Last Year	29.0%
Up 1-5%	11.3%
Up 6-10%	0.0%
Up 10% or more	0.0%

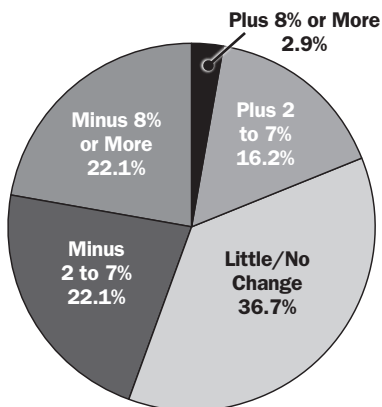
## John Deere Dealers' Projected Unit Sales of Tractors and Combines — 2016

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40HP)	15.6%	35.9%	43.8%	3.1%	1.6%	51.5%	4.7%
2WD (40-100HP)	7.7%	33.9%	47.7%	9.2%	1.5%	41.6%	10.7%
2WD (>100HP)	1.5%	16.9%	46.2%	21.5%	13.9%	18.4%	35.4%
4WD (All)	1.5%	22.7%	34.9%	18.2%	22.7%	24.2%	40.9%
Combines	0.0%	6.3%	46.9%	23.4%	23.4%	6.3%	46.8%

## John Deere Dealers' Unit Sales Projections for All Other Equipment in 2016

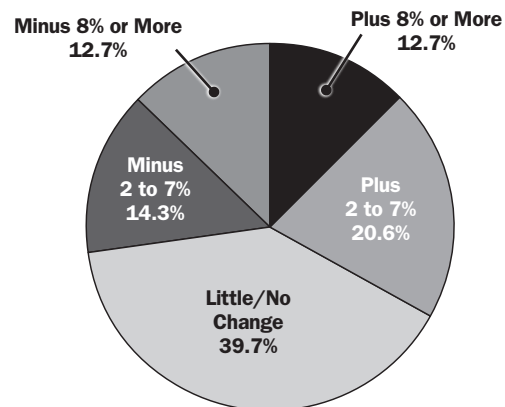
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	4.8%	22.6%	61.3%	8.1%	3.2%
Round Balers	1.6%	23.4%	62.5%	12.5%	0.0%
Forage Harvesters	3.4%	8.5%	79.6%	6.8%	1.7%
Planters (All)	0.0%	11.1%	47.6%	25.4%	15.9%
Mower/Conditioners	0.0%	26.6%	68.7%	4.7%	0.0%
Windrower/Swathers	3.2%	22.2%	65.1%	7.9%	1.6%
Field Cultivators	0.0%	3.2%	75.8%	17.8%	3.2%
Farm Loaders	1.5%	21.6%	67.7%	7.7%	1.5%
Chisel Plows	0.0%	6.6%	77.0%	9.8%	6.6%
Disc Harrows	0.0%	3.2%	76.2%	12.7%	7.9%
Air Seeders/Drills	0.0%	17.4%	54.0%	17.5%	11.1%
Self-Propelled Sprayer	0.0%	10.9%	59.4%	14.1%	15.6%
Pull-type Sprayers	0.0%	3.3%	80.0%	11.7%	5.0%
Lawn/Garden	13.4%	55.2%	29.9%	1.5%	0.0%
GPS/Precision Farming	6.3%	45.3%	45.3%	3.1%	0.0%

## John Deere Dealers' Projections for Sales Revenues 2016 — New Equipment



Less than 20% of John Deere dealers are forecasting revenue gains from new equipment sales in 2016, and 44.2% expect lower revenues.

## John Deere Dealers' Projections for Sales Revenues 2016 — Used Equipment



One-third of Deere dealers are looking for higher revenues from used sales in 2016 and 27% are expecting lower revenues.



### John Deere Dealers' Major Revenue Sources — 2015

Revenue by Market Segment:

- Production Farmers: 66.0%
- Hobby Farmers: 12.0%
- Turf & Lawn: 9.0%
- Municipalities/Parks: 6.0%
- Const. Contractors: 5.0%
- Other: 2.0%

### Used Equipment Inventory

Way Too High	11.8%
Too High	51.5%
As Expected	32.3%
Need More	4.4%

### John Deere Dealer Spending Plans for 2016

No Increase	54.7%
0 to +5%	39.1%
+6% to 10%	4.7%
+11% or more	1.5%

### Where John Deere Dealers Will Invest in 2016

Modernize Shop & Service	46.1%
Modernize Retail	26.1%
Bus. Info. Systems	35.4%
Mobile Service Vehicles	42.2%

### John Deere Dealerships

#### Est. Ag Dealer Locations\*

1,539

#### % Dealers with 5 or More Locations\*

71%

#### Avg. #Employees/Location\*\*

129

#### Avg. # Stores/Dealership Group\*\*

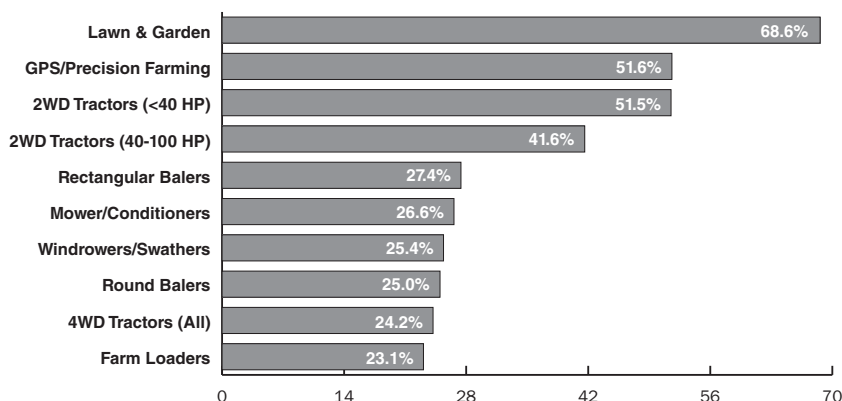
1-2 Stores	11.3%
3-5 Stores	18.3%
6-10 Stores	2.8%
11-25 Stores	31.0%
26+ Stores	36.6%
Wtd. Avg.	16.1

\*AEI 2015 Big Dealer Report

\*\*AEI 2016 Dealer Business

Outlook & Trends

### Best Bets for Improving Unit Sales in 2016 John Deere Dealers



John Deere dealers are looking at a mix of products as their best bets for growing unit sales in 2016: lawn and garden, GPS/precision farming, compact tractors and utility tractors.

### John Deere Dealers' Hiring Plans 2016 vs. 2015

	2016			2015		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	17.2%	76.6%	6.2%	34.7%	65.3%	0.0%
Service Techs	65.6%	31.3%	3.1%	75.5%	22.5%	2.0%
Wholegood Sales	21.5%	70.8%	7.7%	29.2%	66.7%	4.2%
Administration	4.7%	85.9%	9.4%	6.4%	87.2%	6.4%
Precision Farming Specialist	17.2%	78.1%	4.7%	26.1%	73.9%	0.0%

### Deere Dealers' Issues & Concerns — 2016 (2015 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Farm Commodity Prices (1)	68.9%	29.5%	1.6%
2. Technician Availability (4)	43.5%	46.8%	9.7%
3. Increasing Cost of New Equipment (3)	30.6%	59.7%	9.7%
4. Used Equipment Inventory (5)	62.3%	27.9%	9.8%
5. Farm Input Costs (2)	52.4%	36.1%	11.5%
6. Health Care Affordability (7)	34.9%	42.9%	22.2%
7. Shrinking Farm Customer Base (6)	25.8%	51.6%	22.6%
8. Energy/Fuel Costs (9)	16.1%	58.1%	25.8%
9. Depreciation Rules (8)	21.3%	42.6%	36.1%
10. Financing Availability – Retail (16)	9.7%	43.5%	46.8%
11. Financing Availability – Floor Planning (15)	6.4%	45.2%	48.4%
12. Steel Prices/Supplies (13)	4.8%	45.2%	50.0%
13. Product Reliability (10)	13.1%	37.7%	49.2%
14. Dealership 'Purity' Efforts by Majors (11)	6.6%	42.6%	50.8%
15. Industry Consolidation (12)	9.9%	34.4%	55.7%
16. Manufacturer Succession Policies (14)	9.8%	27.9%	62.3%
17. New Equipment Availability (17)	8.1%	29.0%	62.9%

# Kubota Dealers' Outlook for 2016



## Kubota Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2016

	New Equipment	Used Equipment
+8%	0.0%	0.0%
+2-7%	21.1%	6.2%
Little or No Change	31.6%	43.8%
-2-7%	21.0%	37.5%
-8%	26.3%	12.5%

## Expecting New Equipment Price Increase in 2015

No	10.0%
1-3%	45.0%
4-6%	35.0%
7-9%	10.0%
10%+	0.0%

## Early Orders 2016 vs. 2015

Down 10% or more	35.3%
Down 6-10%	5.9%
Down 1-5%	11.8%
Same as Last Year	29.4%
Up 1-5%	17.6%
Up 6-10%	0.0%
Up 10% or more	0.0%

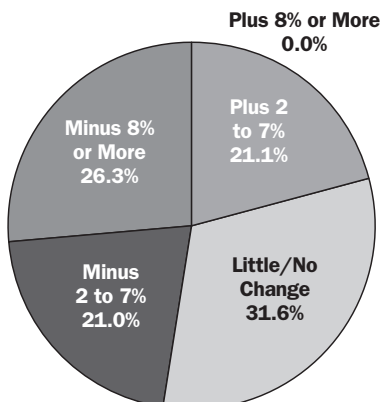
## Kubota Dealers' Projected Unit Sales of Tractors and Combines — 2016

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40HP)	0.0%	18.8%	62.5%	18.8%	0.0%	18.8%	18.8%
2WD (40-100HP)	0.0%	11.8%	70.6%	17.7%	0.0%	11.8%	17.7%
2WD (>100HP)	0.0%	6.7%	60.0%	20.0%	13.3%	6.7%	33.3%
4WD (All)	0.0%	26.3%	42.1%	21.1%	10.5%	26.3%	31.6%
Combines	0.0%	0.0%	60.0%	20.0%	20.0%	0.0%	40.0%

## Kubota Dealers' Unit Sales Projections for All Other Equipment in 2016

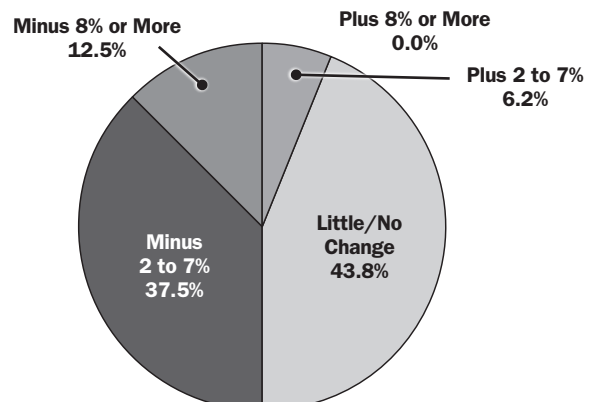
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	14.3%	78.6%	7.1%	0.0%
Round Balers	0.0%	0.0%	64.7%	11.8%	0.0%
Forage Harvesters	0.0%	0.0%	81.8%	18.2%	0.0%
Planters (All)	0.0%	0.0%	63.6%	18.2%	18.2%
Mower Conditioners	6.3%	25.0%	50.0%	18.8%	0.0%
Windrower-Swathers	0.0%	0.0%	80.0%	20.0%	0.0%
Field Cultivators	0.0%	16.7%	58.3%	8.3%	16.7%
Farm Loaders	0.0%	33.3%	50.0%	8.3%	8.3%
Chisel Plows	0.0%	0.0%	66.7%	16.7%	16.7%
Disc Harrows	0.0%	38.5%	30.8%	23.1%	7.7%
Air Seeders/Drills	0.0%	10.0%	70.0%	10.0%	10.0%
SP Sprayer	0.0%	10.0%	50.0%	20.0%	20.0%
Pull-type Sprayers	0.0%	20.0%	50.0%	10.0%	20.0%
Lawn/Garden	10.0%	45.0%	35.0%	10.0%	0.0%
GPS/Precision Farming	0.8%	15.1%	59.8%	15.8%	8.5%

## Kubota Dealers' Projections for Sales Revenue in 2016 — New Equipment



Nearly half (47%), of Kubota dealers see revenues from new equipment sales declining in 2016, while 21.1% expect revenues to increase.

## Kubota Dealers' Projections for Sales Revenue in 2016 — Used Equipment



Half of Kubota dealers expect revenues from the sale of used equipment to decline in 2016, while just 6.2% see sales rising.

### Kubota Dealers' Major Revenue — 2015

Revenue by Market Segment:

- Production Farmers: 37.0%
- Hobby Farmers: 28.0%
- Turf & Lawn: 15.0%
- Municipalities/Parks: 9.0%
- Const. Contractors: 9.0%
- Other: 2.0%

### Used Equipment Inventory

Way Too High	0.0%
Too High	20.0%
As Expected	50.0%
Need More	30.0%

### Kubota Dealer

#### Spending Plans for 2016

No Increase	60.0%
0 to +5%	30.0%
+6% to 10%	10.0%
+10%	0.0%

### Where Kubota Dealers Will Invest in 2016

Modernize Shop & Service	57.9%
Modernize Retail	36.8%
Bus. Info. Systems	50.0%
Mobile Service Vehicles	35.0%

### Kubota Dealerships

#### Est. Ag Dealer Locations\*

1,100

#### % Dealers with

#### 5 or More Locations\*

13%

#### Avg. #Employees/Location\*\*

23.8

#### Avg. # Stores/Dealership Group\*\*

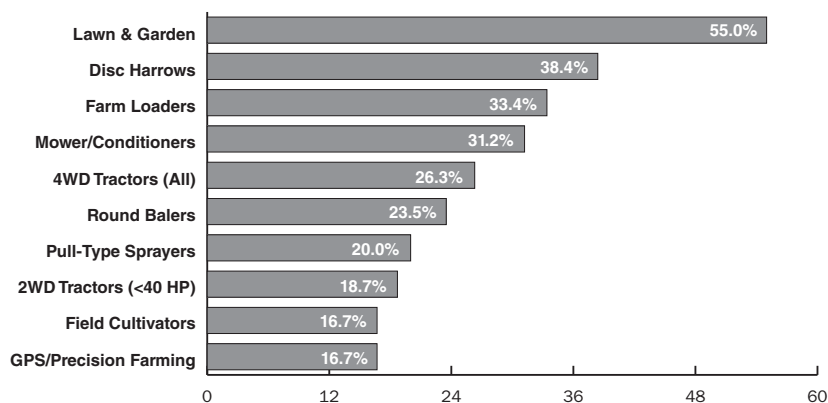
1-2 Stores	80.0%
3-5 Stores	10.0%
6-10 Stores	0.0%
11-25 Stores	10.0%
26+ Stores	0.0%
Wtd. Avg.	3.35

\*AEI 2015 Big Dealer Report

\*\*AEI 2016 Dealer Business

Outlook & Trends

### Best Bets for Improving Unit Sales in 2016 Kubota Dealers



Lawn and garden equipment leads the way for improving sales for Kubota dealers in 2016, followed by disc harrows, farm loaders, mower/conditioners and 4WD tractors.

### Kubota Dealers' Hiring Plans 2016 vs. 2015

	2016			2015		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	15.8%	84.2%	0.0%	28.0%	72.0%	0.0%
Service Techs	35.0%	65.0%	0.0%	40.0%	60.0%	0.0%
Wholegood Sales	10.0%	85.0%	5.0%	16.0%	84.0%	0.0%
Administration	10.5%	84.2%	5.3%	8.0%	88.0%	4.0%
Precision Farming Specialist	23.5%	76.5%	0.0%	4.8%	90.5%	4.8%

### Kubota Dealers' Issues and Concerns — 2016 (2015 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Used Equipment Inventory (16)	22.2%	72.2%	5.6%
2. Farm Commodity Prices (10)	61.1%	27.8%	11.1%
3. Health Care Affordability (4)	55.6%	33.3%	11.1%
4. Technician Availability (3)	27.8%	61.1%	11.1%
5. Increasing Cost of New Equipment (1)	44.4%	38.9%	16.7%
6. Shrinking Farm Customer Base (5)	27.8%	55.5%	16.7%
7. Farm Input Costs (9)	50.0%	27.8%	22.2%
8. Product Reliability (11)	33.3%	44.5%	22.2%
9. Financing Availability – Retail (12)	5.6%	72.2%	22.2%
10. Depreciation Rules (6)	5.5%	66.7%	27.8%
11. Dealership 'Purity' Efforts by Majors (8)	16.7%	44.4%	38.9%
12. Energy/Fuel Costs (2)	11.1%	50.0%	38.9%
12. Industry Consolidation (14)	11.1%	50.0%	38.9%
12. Financing Availability – Floor Planning (15)	11.1%	50.0%	38.9%
15. Manufacturer Succession Policies (17)	8.3%	54.2%	37.5%
16. New Equipment Availability (7)	11.1%	38.9%	50.0%
17. Steel Prices/Supplies (13)	11.8%	29.4%	58.8%



NEW HOLLAND

## New Holland Dealers' Outlook for 2016

### New Holland Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2016

	New Equipment	Used Equipment
+8%	5.4%	6.1%
+2-7%	18.9%	21.2%
Little or No Change	32.4%	33.3%
-2-7%	13.5%	15.2%
-8%	29.8%	24.2%

### Expecting New Equipment Price Increase in 2016

No	11.7%
1-3%	55.9%
4-6%	26.5%
7-9%	0.0%
10%+	5.9%

### Early Orders 2016 vs. 2015

Down 10% or more	42.4%
Down 6-10%	18.2%
Down 1-5%	3.0%
Same as Last Year	27.3%
Up 1-5%	6.1%
Up 6-10%	3.0%
Up 11% or more	0.0%

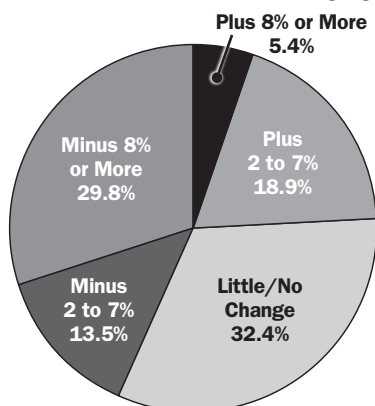
### New Holland Dealers' Projected Unit Sales of Tractors and Combines — 2016

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40HP)	5.7%	17.2%	51.4%	11.4%	14.3%	22.9%	25.7%
2WD (40-100HP)	2.9%	22.9%	45.7%	17.1%	11.4%	25.8%	28.5%
2WD (>100HP)	2.8%	11.1%	50.0%	16.7%	19.4%	13.9%	36.1%
4WD Tractors (All)	9.1%	18.2%	42.4%	9.1%	21.2%	27.3%	30.3%
Combines	0.0%	3.6%	50.0%	14.3%	32.1%	3.6%	46.4%

### New Holland Dealers' Unit Sales Projections for All Other Equipment in 2016

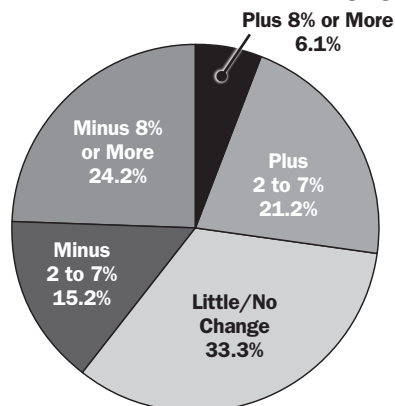
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	17.6%	58.8%	5.9%	17.7%
Round Balers	11.4%	20.0%	37.2%	17.1%	14.3%
Forage Harvesters	0.0%	6.9%	62.1%	10.3%	20.7%
Planters (All)	0.0%	3.9%	42.3%	19.2%	34.6%
Mower/Conditioners	6.5%	19.3%	48.4%	16.1%	9.7%
Windrower/Swathers	0.0%	16.7%	53.3%	13.3%	16.7%
Field Cultivators	0.0%	14.8%	59.3%	11.1%	14.8%
Farm Loaders	3.2%	9.7%	61.3%	16.1%	9.7%
Chisel Plows	0.0%	11.1%	63.0%	11.1%	14.8%
Disc Harrows	0.0%	21.4%	50.0%	14.3%	14.3%
Air Seeders/Drills	0.0%	8.0%	48.0%	16.0%	28.0%
Self-Propelled Sprayers	0.0%	7.7%	61.5%	7.7%	23.1%
Pull-type Sprayers	0.0%	7.4%	66.7%	0.0%	25.9%
Lawn/Garden	3.3%	20.0%	56.7%	6.7%	13.3%
GPS/Precision Farming	3.7%	14.8%	51.9%	11.1%	18.5%

### New Holland Dealers' Projections for Sales Revenues in 2016 — New Equipment



Just over 43% of New Holland dealers see decreasing revenues from new equipment sales in 2016 and 24.3% expect increases.

### New Holland Dealers' Projections for Sales Revenues in 2016 — Used Equipment



While 27.3% of New Holland dealers expect increasing revenues from used machinery sales in 2016, 39.4% are looking for revenues to decline.



### New Holland Dealers Major Revenue Sources — 2015

Revenue by Market Segment:

- Production Farmers: 67.0%
- Hobby Farmers: 21.0%
- Turf & Lawn: 5.0%
- Municipalities/Parks: 3.0%
- Const. Contractors: 3.0%
- Other: 1.0%

### Used Equipment Inventory

Way Too High	2.8%
Too High	16.7%
As Expected	72.2%
Need More	8.3%

### New Holland Dealer Spending Plans for 2016

No Increase	51.4%
0 to +5%	34.3%
+6% to 10%	11.4%
+10%	2.9%

### Where New Holland Dealers Will Invest in 2016

Modernize Shop & Service	44.1%
Modernize Retail	25.0%
Bus. Info. Systems	31.3%
Mobile Service Vehicles	44.1%

### New Holland Dealerships

#### Est. Ag Dealer Locations\*

996

#### % Dealers with 5 or More Locations\*

17%

#### Avg. #Employees/Location\*\*

22

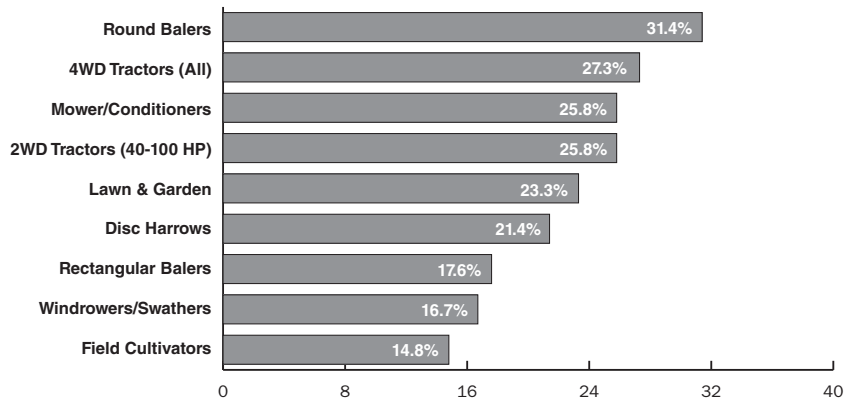
#### Avg. # Stores/Dealership Group\*\*

1-2 Stores	64.9%
3-5 Stores	8.1%
6-10 Stores	16.2%
11-25 Stores	2.7%
26+ Stores	8.1%
Wtd. Avg.	5.18

\*AEI 2015 Big Dealer Report

\*\*AEI 2016 Dealer Business Outlook & Trends

### Best Bets for Improving Unit Sales in 2016 New Holland Dealers



Round balers, 4WD tractors, mower/conditioners and utility tractors top New Holland dealers' list of best bet products for improving unit sales in 2016.

### New Holland Dealers' Hiring Plans 2016 vs. 2015

	2016			2015		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	25.7%	74.3%	0.0%	25.5%	68.6%	5.9%
Service Techs	47.2%	52.8%	0.0%	66.0%	32.0%	2.0%
Wholegood Sales	22.9%	77.1%	0.0%	36.0%	62.0%	2.0%
Administration	2.9%	91.4%	5.7%	8.0%	88.0%	4.0%
Precision Farming Specialist	5.9%	94.1%	0.0%	15.9%	81.8%	2.3%

### New Holland Dealers' Concerns — 2016 (2015 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Increasing Cost of New Equipment (2)	45.5%	51.5%	3.0%
2. Farm Commodity Prices (4)	62.5%	34.4%	3.1%
3. Technician Availability (1)	36.4%	54.5%	9.1%
4. Farm Input Costs (3)	43.7%	46.9%	9.4%
5. Shrinking Farm Customer Base (9)	31.2%	59.4%	9.4%
6. Product Reliability (8)	36.4%	48.5%	15.1%
7. Health Care Affordability (5)	45.4%	36.4%	18.2%
8. Financing Availability – Floor Planning (11)	18.7%	62.5%	18.8%
9. Used Equipment Inventory (12)	25.0%	53.1%	21.9%
10. Depreciation Rules (7)	25.8%	48.4%	25.8%
11. Industry Consolidation (13)	18.2%	54.5%	27.3%
12. Energy/Fuel Costs (6)	6.3%	65.6%	28.1%
13. Dealership 'Purity' Efforts by Majors (14)	18.2%	45.4%	36.4%
14. Financing Availability – Retail (16)	12.9%	45.2%	41.9%
15. New Equipment Availability (15)	6.1%	45.4%	48.5%
16. Manufacturer Succession Policies (17)	18.8%	31.2%	50.0%
17. Steel Prices/Supplies (10)	12.9%	29.0%	58.1%

# Independent Dealers' Outlook for 2016

## Independent Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2016

	New Equipment	Used Equipment
+8%	3.6%	4.4%
+2-7%	28.6%	17.4%
Little or No Change	46.4%	56.5%
-2-7%	14.3%	8.7%
-8%	7.1%	13.0%

## Expecting New Equipment Price Increase in 2016

No	7.7%
1-3%	69.2%
4-6%	15.4%
7-9%	0.0%
10%+	7.7%

## Early Orders 2016 vs. 2015

Down 10% or more	0.0%
Down 6-10%	17.4%
Down 1-5%	21.7%
Same as Last Year	56.5%
Up 1-5%	4.4%
Up 6-10%	0.0%
Up 10% or more	0.0%

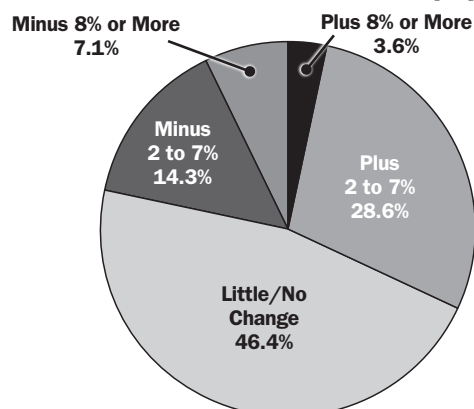
## Independent Dealers' Projected Unit Sales of Tractors and Combines — 2016

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40HP)	0.0%	12.5%	81.3%	6.2%	0.0%	12.5%	6.2%
2WD (40-100HP)	0.0%	18.8%	81.2%	0.0%	0.0%	18.8%	0.0%
2WD (>100HP)	0.0%	20.0%	80.0%	0.0%	0.0%	20.0%	0.0%
4WD (All)	0.0%	35.3%	58.8%	5.9%	0.0%	35.3%	5.9%
Combines	0.0%	14.3%	85.7%	0.0%	0.0%	14.3%	0.0%

## Independent Dealers' Unit Sales Projections for All Other Equipment in 2016

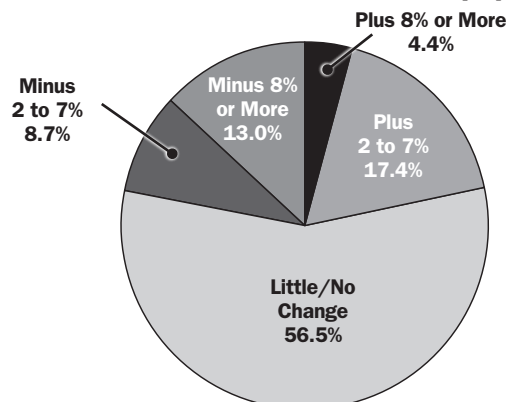
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	20.0%	80.0%	0.0%	0.0%
Round Balers	0.0%	20.0%	80.0%	0.0%	0.0%
Forage Harvesters	0.0%	13.3%	86.7%	0.0%	0.0%
Planters (All)	0.0%	21.4%	71.4%	7.2%	0.0%
Mower/Conditioners	0.0%	25.0%	75.0%	0.0%	0.0%
Windrower/Swathers	0.0%	13.3%	86.7%	0.0%	0.0%
Field Cultivators	0.0%	14.3%	85.7%	0.0%	0.0%
Farm Loaders	0.0%	20.0%	80.0%	0.0%	0.0%
Chisel Plows	0.0%	28.6%	71.4%	0.0%	0.0%
Disc Harrows	0.0%	20.0%	80.0%	0.0%	0.0%
Air Seeders/Drills	0.0%	15.4%	84.6%	0.0%	0.0%
Self-Propelled Sprayers	0.0%	14.3%	78.6%	7.1%	0.0%
Pull-type Sprayers	5.9%	23.5%	70.6%	0.0%	0.0%
Lawn/Garden	9.5%	28.6%	57.1%	4.8%	0.0%
GPS/Precision Farming	6.7%	20.0%	73.3%	0.0%	0.0%

## Independent Dealers' Projections for Sales Revenues in 2016 — New Equipment



Nearly a third (32.2%) of independent dealers expect revenue gains from the sale of new machinery in 2016, while about 21% see sales declining.

## Independent Dealers' Projections for Sales Revenues in 2016 — Used Equipment



Almost 22% of independent dealers anticipate increased revenues from used equipment sales in 2016. Just as many expect a drop in sales.

### Independent Dealers Major Revenue Sources — 2015

Revenue by Market Segment:

- Production Farmers: 41.0%
- Hobby Farmers: 22.0%
- Turf & Lawn: 15.0%
- Municipalities/Parks: 8.0%
- Const. Contractors: 6.0%
- Other: 8.0%

### Used Equipment Inventory

Way Too High	3.9%
Too High	7.7%
As Expected	76.9%
Need More	11.5%

### Independent Dealer Spending Plans for 2016

No Increase	52.2%
0 to +5%	34.8%
+6 to 10%	13.0%
+10	0.0%

### Where Independent Dealers Will Invest in 2016

Modernize Shop & Service	32.1%
Modernize Retail	12.0%
Bus. Info. Systems	50.0%
Mobile Service Vehicles	15.4%

### Independent Dealerships

**Est. Ag Dealer Locations\***

2,396

**% Dealers with 5 or More Locations\***

28%

**Avg. #Employees/Location\*\***

9

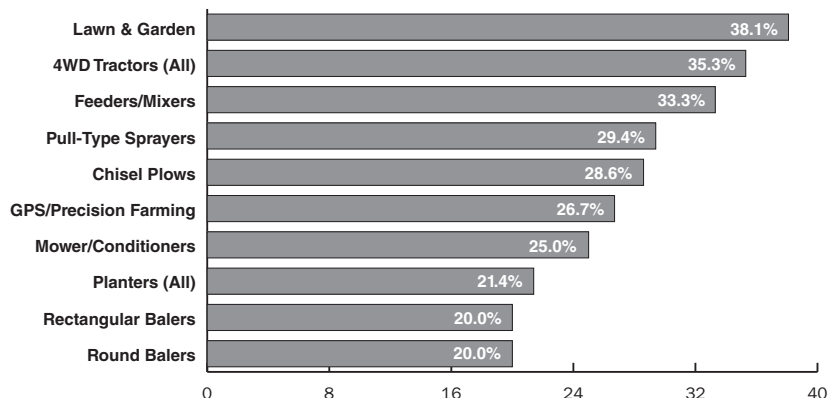
**Avg. # Stores/Dealership Group\*\***

1-2 Stores	89.7%
3-5 Stores	6.9%
6-10 Stores	0.0%
11-25 Stores	3.4%
26+ Stores	0.0%
Wtd. Avg.	2.22

\*AEI 2015 Big Dealer Report

\*\*AEI 2016 Dealer Business Outlook & Trends

### Best Bets for Improving Unit Sales in 2016 Independent Dealers



Lawn and garden equipment is the #1 product for improving unit sales for independent dealers, followed by 4WD tractors, feeders/mixers, pull-type sprayers and chisel plows.

### Independent Dealers' Hiring Plans 2016 vs. 2015

	2016			2015		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	23.1%	69.2%	7.7%	22.6%	67.7%	9.7%
Service Techs	26.9%	65.4%	7.7%	25.0%	68.7%	6.3%
Wholesale Sales	19.2%	76.9%	3.9%	16.1%	80.7%	3.2%
Administration	3.8%	88.5%	7.7%	3.3%	90.0%	6.7%
Precision Farming Specialist	4.5%	90.9%	4.6%	3.6%	92.8%	3.6%

### Independent Dealers' Concerns — 2016 (2015 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Farm Commodity Prices (3)	65.2%	34.8%	0.0%
2. Farm Input Costs (2)	54.2%	45.8%	0.0%
3. Increasing Cost of New Equipment (1)	21.7%	73.9%	4.4%
4. Shrinking Farm Customer Base (5)	36.0%	56.0%	8.0%
5. Technician Availability (9)	56.5%	34.8%	8.7%
6. Used Equipment Inventory (10)	31.8%	59.1%	9.1%
7. Energy/Fuel Costs (6)	33.3%	52.4%	14.3%
8. Health Care Affordability (4)	45.8%	37.5%	16.7%
9. Steel Prices/Supplies (13)	8.7%	73.9%	17.4%
10. Product Reliability (8)	4.5%	77.3%	18.2%
11. Industry Consolidation (16)	18.2%	59.1%	22.7%
12. Financing Availability – Retail (12)	9.5%	66.7%	23.8%
13. Financing Availability – Floor Planning (15)	19.0%	52.4%	28.6%
14. Depreciation Rules (11)	30.0%	40.0%	30.0%
15. Dealership 'Purity' Efforts by Majors (14)	25.0%	45.0%	30.0%
16. Manufacturer Succession Policies (17)	9.5%	57.2%	33.3%
17. New Equipment Availability (7)	4.8%	61.9%	33.3%

# PART V — EMPLOYMENT SIZE BREAKDOWN

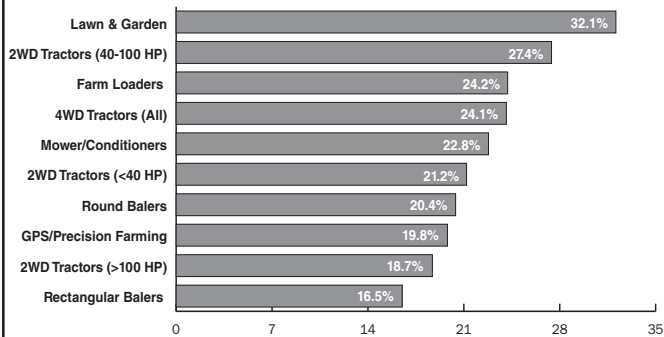
## Revenue Projections for Used Equipment by Employee Size — 2016

Employee Size	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Decline
North America	6.6%	19.2%	34.8%	15.6%	23.8%	25.8%	39.4%
1-20 Employees	4.5%	15.2%	41.9%	17.9%	20.5%	19.7%	38.4%
21-40 Employees	5.5%	28.8%	27.4%	13.7%	24.6%	34.3%	38.3%
41-60 Employees	13.3%	13.3%	26.7%	6.7%	40.0%	26.6%	46.7%
61+ Employees	14.3%	10.7%	32.1%	14.3%	28.6%	25.0%	42.9%

## Revenue Projections for New Equipment by Employee Size — 2016

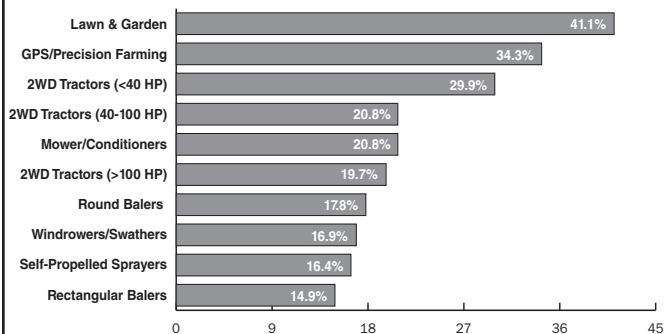
Employee Size	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Decline
North America	3.0%	14.2%	39.7%	20.6%	22.5%	17.2%	43.1%
1-20 Employees	0.8%	17.1%	42.2%	17.1%	22.8%	17.9%	39.9%
21-40 Employees	3.8%	12.5%	33.7%	27.5%	22.5%	16.3%	50.0%
41-60 Employees	6.2%	6.2%	31.3%	18.8%	37.5%	12.4%	56.3%
61+ Employees	3.5%	6.9%	48.2%	20.7%	20.7%	10.4%	41.4%

### Best Bets for Improving Sales in 2016 Dealers with 1-20 Employees



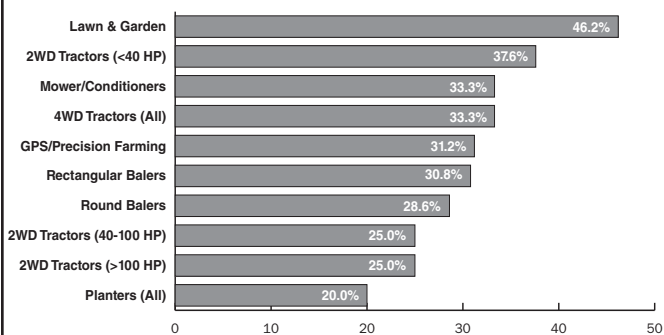
Dealers with 1-20 employees rated lawn and garden, utility tractors, farm loaders, 4WD tractors and mower/conditioners as having the best prospects to improve unit sales in 2016.

### Best Bets for Improving Sales in 2016 Dealers with 21-40 Employees



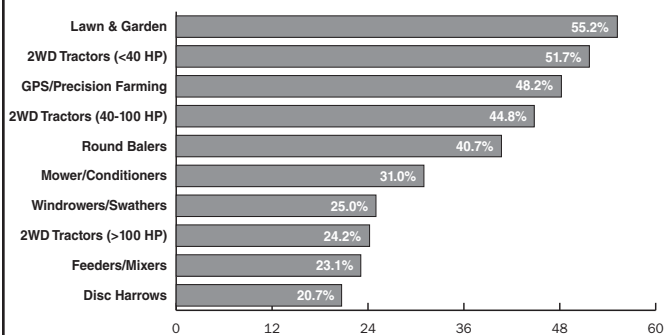
Lawn and garden equipment, GPS/precision farming, compact tractors, utility tractors and 2WD tractors (>100 horsepower) head up the 2016 "Best Bets" list of dealers employing 21-40 people.

### Best Bets for Improving Sales in 2016 Dealers with 41-60 Employees



Dealers who employ 41-60 people see solid potential to grow sales in 2016 with lawn and garden equipment, compact tractors, mower/conditioners, 4WD tractors and GPS/precision farming.

### Best Bets for Improving Sales in 2016 Dealers with 61+ Employees



Dealers with 61 or more employees see the most potential to increase unit sales in 2016 with lawn and garden, compact tractors, GPS/precision farming, utility tractors and round balers.



## Unit Sales Projections for Tractors & Combines by Employee Size — 2016

	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Decline
<b>Tractors</b>							
<b>2WD (&lt;40HP)</b>							
North America Average	7.5%	21.2%	57.2%	8.3%	5.8%	28.7%	14.1%
1-20 Employees	2.9%	18.3%	63.4%	7.7%	7.7%	21.2%	15.4%
21-40 Employees	5.2%	24.7%	62.3%	6.5%	1.3%	29.9%	7.8%
41-60 Employees	18.8%	18.8%	43.6%	0.0%	18.8%	37.6%	18.8%
61+ Employees	24.1%	27.6%	31.1%	17.2%	0.0%	51.7%	17.2%
<b>2WD (40-100HP)</b>							
North America Average	4.1%	21.7%	55.8%	12.7%	5.7%	25.8%	18.4%
1-20 Employees	3.8%	23.6%	50.0%	16.0%	6.6%	27.4%	22.6%
21-40 Employees	3.9%	16.9%	66.2%	10.4%	2.6%	20.8%	13.0%
41-60 Employees	0.0%	25.0%	56.2%	0.0%	18.8%	25.0%	18.8%
61+ Employees	6.9%	37.9%	41.4%	13.8%	0.0%	44.8%	13.8%
<b>2WD (&gt;100HP)</b>							
North America Average	1.7%	17.9%	43.3%	20.0%	17.1%	19.6%	37.1%
1-20 Employees	2.0%	16.7%	45.0%	18.6%	17.7%	18.7%	36.3%
21-40 Employees	0.0%	19.7%	43.4%	25.0%	11.9%	19.7%	36.9%
41-60 Employees	0.0%	25.0%	43.7%	0.0%	31.3%	25.0%	31.3%
61+ Employees	3.5%	20.7%	34.5%	24.1%	17.2%	24.2%	41.3%
<b>4WD (All)</b>							
North America Average	2.1%	18.0%	37.2%	18.4%	24.3%	20.1%	42.7%
1-20 Employees	2.9%	21.2%	38.4%	14.4%	23.1%	24.1%	37.5%
21-40 Employees	0.0%	14.7%	37.3%	24.0%	24.0%	14.7%	48.0%
41-60 Employees	0.0%	33.3%	26.7%	0.0%	40.0%	33.3%	40.0%
61+ Employees	3.5%	3.5%	37.9%	31.0%	24.1%	7.0%	55.1%
<b>Combines</b>							
North America Average	0.0%	7.3%	42.7%	21.8%	28.2%	7.3%	50.0%
1-20 Employees	0.0%	8.7%	46.7%	18.5%	26.1%	8.7%	44.6%
21-40 Employees	0.0%	8.5%	38.0%	28.2%	25.3%	8.5%	53.5%
41-60 Employees	0.0%	6.2%	37.5%	25.0%	31.3%	6.2%	56.3%
61+ Employees	0.0%	0.0%	39.2%	17.9%	42.9%	0.0%	60.8%

### Projected Sales Revenue Increase/Decrease by Employment Size for 2016 (weighted avg.)

Employee Size	
1-20	-1.76%
21-40	-2.18%
41-60	-3.06%
61+	-2.00%

### Dealer Spending Plans for 2016 by Employee Size

No. Employees	No Increase	0-5%	6-10%	10%
1-20 Employees	61.5%	31.6%	4.3%	2.6%
21-40 Employees	58.9%	30.8%	6.4%	3.9%
41-60 Employees	53.8%	38.5%	7.7%	0.0%
61+ Employees	78.5%	17.9%	3.6%	0.0%

### Employment Size Breakdown — 2016

Employee Size	% of Responses
1-20	49.4%
21-40	32.0%
41-60	6.6%
61+	12.0%

### Where Dealers Will Invest in 2016 by Employee Size

No. Employees	Shop & Service	Retail	Business Info. Systems	Mobile Vehicle Service
1-20 Employees	33.9%	21.7%	25.9%	26.5%
21-40 Employees	49.4%	19.5%	36.4%	41.0%
41-60 Employees	28.6%	28.6%	28.6%	42.9%
61+ Employees	28.6%	10.7%	14.3%	42.9%

### 1-20 Employees Unit Sales Projections for Other Equipment in 2016

Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	2.1%	14.4%	63.9%	8.3%	11.3%
Round Balers	1.9%	18.5%	60.2%	13.6%	5.8%
Forage Harvesters	1.2%	6.0%	72.5%	6.0%	14.3%
Planters (All)	0.0%	11.6%	48.4%	20.0%	20.0%
Mowers/Conditioners	2.0%	20.8%	61.4%	9.9%	5.9%
Windrower/Swathers	1.1%	10.0%	65.6%	14.4%	8.9%
Field Cultivators	0.0%	11.0%	62.6%	16.5%	9.9%
Farm Loaders	2.0%	22.2%	59.6%	11.1%	5.1%
Chisel Plows	0.0%	12.6%	65.6%	11.5%	10.3%
Disc Harrows	0.0%	16.5%	58.8%	14.4%	10.3%
Air Seeders/Drills	0.0%	12.9%	60.0%	16.5%	10.6%
Self-Propelled Sprayers	0.0%	12.2%	62.2%	11.0%	14.6%
Pull-Type Sprayers	0.0%	10.7%	69.0%	6.0%	14.3%
Lawn/Garden Equip.	3.7%	28.4%	58.7%	5.5%	3.7%
GPS/Precision Farming	2.2%	17.6%	57.1%	12.1%	11.0%

### 21-40 Employees Unit Sales Projections for Other Equipment in 2016

Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	1.4%	13.5%	72.9%	8.1%	4.1%
Round Balers	1.4%	16.4%	71.2%	9.6%	1.4%
Forage Harvesters	1.6%	4.7%	82.8%	9.3%	1.6%
Planters (All)	0.0%	8.6%	50.0%	24.3%	17.1%
Mower/Conditioners	0.0%	20.8%	70.9%	8.3%	0.0%
Windrowers/Swathers	2.8%	14.1%	70.4%	11.3%	1.4%
Field Cultivators	0.0%	8.5%	67.6%	19.7%	4.2%
Farm Loaders	0.0%	14.1%	71.8%	9.9%	4.2%
Chisel Plows	1.4%	4.3%	74.3%	15.7%	4.3%
Disc Harrows	0.0%	5.6%	73.3%	14.1%	7.0%
Air Seeders/Drills	1.5%	10.3%	57.3%	19.1%	11.8%
Self-Propelled Sprayers	1.5%	14.9%	53.8%	14.9%	14.9%
Pull-Type Sprayers	0.0%	4.6%	71.2%	13.6%	10.6%
Lawn/Garden Equip.	8.2%	32.9%	53.4%	4.1%	1.4%
GPS/Precision Farming	1.4%	32.9%	49.3%	13.7%	2.7%

### 41-60 Employees Unit Sales Projections for Other Equipment in 2016

Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	30.8%	46.1%	15.4%	7.7%
Round Balers	0.0%	28.6%	42.9%	21.4%	7.1%
Forage Harvesters	0.0%	0.0%	92.3%	7.7%	0.0%
Planters (All)	0.0%	20.0%	53.3%	0.0%	26.7%
Mowers/Conditioners	0.0%	33.3%	58.4%	8.3%	0.0%
Windrowers/Swathers	0.0%	14.3%	64.3%	14.3%	7.1%
Field Cultivators	0.0%	0.0%	78.6%	0.0%	21.4%
Farm Loaders	0.0%	15.4%	53.8%	7.7%	23.1%
Chisel Plows	0.0%	7.1%	71.5%	0.0%	21.4%
Disc Harrows	0.0%	0.0%	78.6%	0.0%	21.4%
Air Seeders/Drills	0.0%	13.3%	53.4%	0.0%	33.3%
Self-Propelled Sprayers	0.0%	7.1%	50.0%	14.3%	28.6%
Pull-Type Sprayers	0.0%	7.7%	69.2%	0.0%	23.1%
Lawn/Garden Equip.	0.0%	46.2%	46.2%	0.0%	7.6%
GPS/Precision Farming	0.0%	31.2%	50.0%	6.3%	12.5%

### 61+ Employees Unit Sales Projections for Other Equipment in 2016

Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	21.4%	57.1%	17.9%	3.6%
Round Balers	3.7%	37.0%	40.8%	18.5%	0.0%
Forage Harvesters	11.1%	7.4%	66.7%	7.4%	7.4%
Planters (All)	0.0%	10.3%	44.9%	13.8%	31.0%
Mower/Conditioners	6.9%	24.1%	58.6%	6.9%	3.5%
Windrower/Swathers	0.0%	25.0%	64.3%	3.6%	7.1%
Field Cultivators	0.0%	10.7%	53.6%	25.0%	10.7%
Farm Loaders	0.0%	14.8%	77.8%	7.4%	0.0%
Chisel Plows	0.0%	10.7%	60.7%	10.7%	17.9%
Disc Harrows	0.0%	20.7%	48.3%	17.2%	13.8%
Air Seeders/Drills	0.0%	13.8%	55.2%	20.7%	10.3%
Self-Propelled Sprayers	0.0%	10.7%	46.4%	14.3%	28.6%
Pull-Type Sprayers	0.0%	7.7%	69.2%	15.4%	7.7%
Lawn/Garden Equip.	31.0%	24.2%	27.6%	10.3%	6.9%
GPS/Precision Farming	17.2%	31.0%	38.0%	6.9%	6.9%

### Dealers' Hiring Plans 2016 vs. 2015 by Employee Size

	2016			2015		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
<b>Parts Department</b>						
1-20 Employees	21.4%	72.6%	6.0%	19.4%	77.7%	2.9%
21-40 Employees	18.0%	80.7%	1.3%	16.3%	77.4%	6.3%
41-60 Employees	13.3%	73.4%	13.3%	26.7%	53.3%	20.0%
61+ Employees	25.0%	71.4%	3.6%	42.1%	55.3%	2.6%
<b>Service Department</b>						
1-20 Employees	43.2%	52.6%	4.2%	53.2%	44.6%	2.2%
21-40 Employees	56.3%	41.2%	2.5%	58.2%	39.3%	2.5%
41-60 Employees	73.3%	26.7%	0.0%	53.3%	46.7%	0.0%
61+ Employees	50.0%	50.0%	0.0%	84.2%	10.5%	5.3%
<b>Sales Department</b>						
1-20 Employees	26.3%	70.3%	3.4%	18.8%	76.8%	4.4%
21-40 Employees	19.0%	79.7%	1.3%	24.1%	72.1%	3.8%
41-60 Employees	20.0%	66.7%	13.3%	33.3%	53.4%	13.3%
61+ Employees	17.9%	67.8%	14.3%	50.0%	47.4%	2.6%
<b>Administration</b>						
1-20 Employees	2.6%	91.4%	6.0%	3.7%	92.6%	3.7%
21-40 Employees	3.9%	89.7%	6.4%	1.3%	92.4%	6.3%
41-60 Employees	13.3%	73.4%	13.3%	13.3%	53.4%	33.3%
61+ Employees	3.6%	67.8%	28.6%	10.8%	81.1%	8.1%
<b>Precision Farming Specialist</b>						
1-20 Employees	12.0%	83.4%	4.6%	12.7%	84.1%	3.2%
21-40 Employees	12.8%	85.9%	1.3%	17.1%	81.6%	1.3%
41-60 Employees	20.0%	80.0%	0.0%	33.3%	60.0%	6.7%
61+ Employees	14.3%	82.1%	3.6%	44.7%	52.7%	2.6%

# PART VI — MARKET SEGMENTS & DEALER REVENUE SOURCES

## U.S. Regional Market Segmentation — 2015

### Northeast

Production Farmers	37.0%
Hobby Farmers	33.0%
Turf/Lawn/Landscape Contractors	14.0%
Municipalities/Park Depts	6.0%
Construction Contractors	5.0%
Other	5.0%

### Appalachia

Production Farmers	44.0%
Hobby Farmers	18.0%
Turf/Lawn/Landscape Contractors	14.0%
Municipalities/Park Depts	8.0%
Construction Contractors	6.0%
Other	10.0%

### Southeast

Production Farmers	73.0%
Hobby Farmers	10.0%
Turf/Lawn/Landscape Contractors	4.0%
Municipalities/Park Depts	3.0%
Construction Contractors	3.0%
Other	7.0%

### Delta States

Production Farmers	53.0%
Hobby Farmers	20.0%

Turf/Lawn/Landscape Contractors	9.0%
Municipalities/Park Depts	8.0%
Construction Contractors	7.0%
Other	3.0%

### Lake States

Production Farmers	67.0%
Hobby Farmers	12.0%
Turf/Lawn/Landscape Contractors	6.0%
Municipalities/Park Depts	4.0%
Construction Contractors	6.0%
Other	5.0%

### Southern Plains

Production Farmers	50.0%
Hobby Farmers	20.0%
Turf/Lawn/Landscape Contractors	8.0%
Municipalities/Park Depts	5.0%
Construction Contractors	11.0%
Other	6.0%

### Northern Plains

Production Farmers	84.0%
Hobby Farmers	7.0%
Turf/Lawn/Landscape Contractors	2.0%
Municipalities/Park Depts	2.0%

Construction Contractors	3.0%
Other	2.0%

### Corn Belt

Production Farmers	73.0%
Hobby Farmers	9.0%
Turf/Lawn/Landscape Contractors	8.0%
Municipalities/Park Depts	5.0%
Construction Contractors	4.0%
Other	1.0%

### Mountain

Production Farmers	71.0%
Hobby Farmers	10.0%
Turf/Lawn/Landscape Contractors	9.0%
Municipalities/Park Depts	5.0%
Construction Contractors	4.0%
Other	1.0%

### Pacific

Production Farmers	57.0%
Hobby Farmers	19.0%
Turf/Lawn/Landscape Contractors	7.0%
Municipalities/Park Depts	8.0%
Construction Contractors	7.0%
Other	2.0%

## Market Segmentation Dealer Revenue Sources — 2015

Customer Segment	North America	U.S.	Canada
Production Farmers	67.0%	66.0%	74.0%
Hobby Farmers	14.0%	14.0%	12.0%
Turf/Lawn/Landscape Contractors	7.0%	7.0%	5.0%
Municipalities/Park Depts	5.0%	5.0%	4.0%
Construction Contractors	5.0%	5.0%	4.0%
Other	2.0%	3.0%	1.0%

## Employee Size Analysis by Market Segment — 2015

### 1-20 Employees

Production Farmers	59.0%
Hobby Farmers	20.0%
Turf/Lawn/Landscape Contractors	8.0%
Municipalities/Park Depts	5.0%
Construction Contractors	5.0%
Other	3.0%

### 21-40 Employees

Production Farmers	77.0%
Hobby Farmers	7.0%
Turf/Lawn/Landscape Contractors	6.0%
Municipalities/Park Depts	3.0%
Construction Contractors	6.0%
Other	1.0%

### 41-60 Employees

Production Farmers	80.0%
Hobby Farmers	9.0%
Turf/Lawn/Landscape Contractors	3.0%
Municipalities/Park Depts	4.0%
Construction Contractors	2.0%
Other	2.0%

### 61+ Employees

Production Farmers	75.0%
Hobby Farmers	7.0%
Turf/Lawn/Landscape Contractors	8.0%
Municipalities/Park Depts	4.0%
Construction Contractors	6.0%
Other	0.0%

## Market Segment Analysis Canada Regions — 2015

### Central Canada

Production Farmers	43.0%
Hobby Farmers	33.0%
Turf/Lawn/Landscape Contractors	13.0%
Municipalities/Park Depts	7.0%
Construction Contractors	3.0%
Other	1.0%

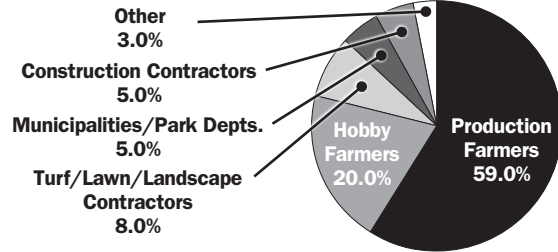
### Eastern Canada

Production Farmers	66.0%
Hobby Farmers	10.0%
Turf/Lawn/Landscape Contractors	10.0%
Municipalities/Park Depts	4.0%
Construction Contractors	7.0%
Other	3.0%

### Western Canada

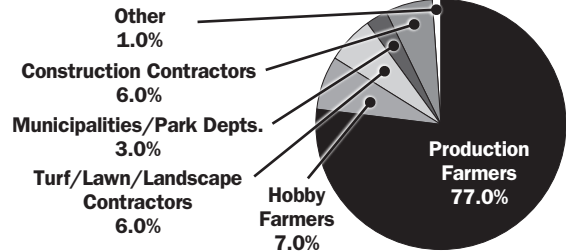
Production Farmers	88.0%
Hobby Farmers	4.0%
Turf/Lawn/Landscape Contractors	2.0%
Municipalities/Park Depts	2.0%
Construction Contractors	3.0%
Other	1.0%

### Market Segment Revenue – 1-20 Employees



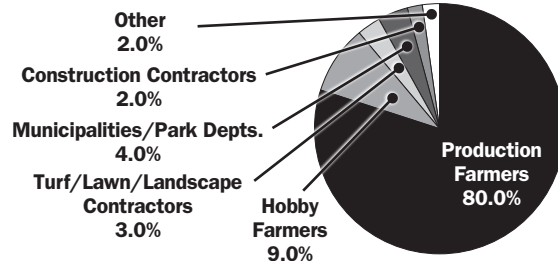
Nearly 60% of sales revenues by the smallest dealers, by employment size, come from production farming and 20% are derived from the hobby farm/rural lifestyle markets.

### Market Segment Revenue – 21-40 Employees



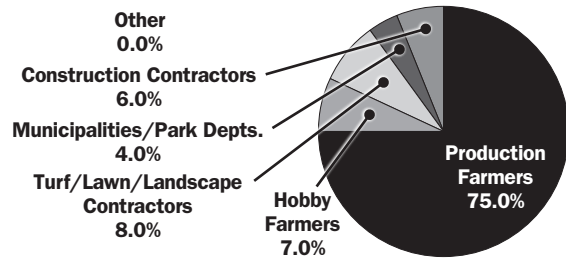
Revenues derived from production farming (77% of total) easily dominates the equipment sales of dealers employing 21-40 employees, while hobby farmers contribute 7% of sales revenues.

### Market Segment Revenue – 41-60 Employees



Dealers with 41-60 employees generated 9% of their sales dollars from the hobby farmer/large property owner market, but rely largely on production farming for 80% of their annual revenues.

### Market Segment Revenue – 60+ Employees



The largest dealers derive more three-quarters (75%) of their annual sales revenues from the production farm segment. Just 7% of revenues come from hobby farmers.

### Major Equipment Supplier Analysis by Market Segment — 2015

<b>AGCO</b>		
Production Farmers	69.0%	
Hobby Farmers	15.0%	
Turf/Lawn/Landscape Contractors	5.0%	
Municipalities/Park Depts	5.0%	
Construction Contractors	4.0%	
Other	2.0%	

<b>Case IH</b>		
Production Farmers	82.0%	
Hobby Farmers	7.0%	
Turf/Lawn/Landscape Contractors	3.0%	
Municipalities/Park Depts	3.0%	
Construction Contractors	4.0%	
Other	1.0%	

<b>John Deere</b>		
Production Farmers	66.0%	
Hobby Farmers	12.0%	
Turf/Lawn/Landscape Contractors	9.0%	
Municipalities/Park Depts	6.0%	
Construction Contractors	5.0%	
Other	2.0%	

<b>New Holland</b>		
Production Farmers	67.0%	
Hobby Farmers	21.0%	
Turf/Lawn/Landscape Contractors	5.0%	
Municipalities/Park Depts	3.0%	
Construction Contractors	3.0%	
Other	1.0%	

<b>Kubota</b>		
Production Farmers	37.0%	
Hobby Farmers	28.0%	
Turf/Lawn/Landscape Contractors	15.0%	
Municipalities/Park Depts	9.0%	
Construction Contractors	9.0%	
Other	2.0%	

<b>Independent</b>		
Production Farmers	41.0%	
Hobby Farmers	22.0%	
Turf/Lawn/Landscape Contractors	15.0%	
Municipalities/Park Depts	8.0%	
Construction Contractors	6.0%	
Other	8.0%	

### Segment Analysis by Major Equipment Supplier — 2015

<b>Production Farmers</b>		
Case	82.0%	1
AGCO	69.0%	2
New Holland	67.0%	3
John Deere	66.0%	4
Independent	41.0%	5
Kubota	37.0%	6

<b>Hobby Farmers</b>		
Kubota	28.0%	1
Independent	22.0%	2
New Holland	21.0%	3
AGCO	15.0%	4
John Deere	12.0%	5
Case	7.0%	6

<b>Turf/Lawn/Landscape Contractors</b>		
Kubota	15.0%	1
Independent	15.0%	1
John Deere	9.0%	3
New Holland	5.0%	4
AGCO	5.0%	4
Case	3.0%	6

<b>Municipalities/Parks Dept</b>		
Kubota	9.0%	1
Independent	8.0%	2
John Deere	6.0%	3
AGCO	5.0%	4
New Holland	3.0%	5
Case	3.0%	5

<b>Construction Contractors</b>		
Kubota	9.0%	1
Independent	6.0%	2
AGCO	4.0%	4
Case	4.0%	4
New Holland	3.0%	3

<b>Other</b>		
Independent	8.0%	1
Kubota	2.0%	2
AGCO	2.0%	2
John Deere	2.0%	2
Case	1.0%	3
New Holland	1.0%	3



# North American Tractor & Combine Unit Sales

NORTH AMERICAN FARM EQUIPMENT RETAIL SALES — JANUARY 2012–AUGUST 2015														
Units								% change year-over-year						
	<40 HP	40-100 HP	>100 HP	4-WD	Total Tractor	High HP	Combines	<40 HP	40-100 HP	>100 HP	4-WD	Total	High HP	Combines
Jan-12	3,899	3,698	2,335	359	10,291	2,694	528	5%	6%	2%	(29%)	3%	(4%)	(44%)
Feb-12	4,360	3,547	2,046	488	10,441	2,534	367	(2%)	15%	16%	6%	7%	14%	(53%)
Mar-12	8,589	4,559	2,703	743	16,594	3,446	718	(3%)	(8%)	(4%)	19%	(4%)	0%	(26%)
Apr-12	13,365	6,016	3,369	887	23,637	4,256	705	17%	11%	1%	0%	12%	1%	(25%)
May-12	13,562	5,984	2,911	611	23,068	3,522	691	8%	17%	21%	4%	11%	18%	(15%)
Jun-12	12,503	6,118	2,571	502	21,694	3,073	954	3%	3%	24%	17%	5%	23%	32%
Jul-12	8,635	4,854	2,763	552	16,804	3,315	1,346	12%	3%	33%	21%	13%	31%	14%
Aug-12	8,153	4,516	2,497	588	15,754	3,085	1,497	11%	8%	17%	45%	12%	20%	(1%)
Sep-12	7,975	4,541	3,141	778	16,435	3,919	1,764	1%	0%	15%	11%	3%	14%	22%
Oct-12	9,885	6,908	5,660	1,499	23,952	7,159	2,321	25%	16%	33%	33%	25%	33%	39%
Nov-12	5,158	4,005	2,492	632	12,287	3,124	722	5%	18%	10%	31%	11%	14%	(3%)
Dec-12	8,239	6,333	4,350	902	19,824	5,252	1,137	14%	4%	19%	37%	12%	21%	3%
Jan-13	4,723	4,114	2,956	677	12,470	3,633	616	21%	11%	27%	89%	21%	35%	17%
Feb-13	5,102	3,734	2,588	669	12,093	3,257	622	17%	5%	26%	37%	16%	29%	69%
Mar-13	8,311	4,941	3,464	706	17,422	4,170	1,199	(3%)	8%	28%	(5%)	5%	21%	67%
Apr-13	13,883	5,652	4,269	855	24,659	5,124	1,149	4%	(6%)	27%	(4%)	4%	20%	63%
May-13	17,193	6,326	3,406	556	27,481	3,962	887	27%	6%	17%	(9%)	19%	12%	28%
Jun-13	13,449	6,363	3,272	541	23,625	3,813	1,123	8%	4%	27%	8%	9%	24%	18%
Jul-13	10,725	5,563	3,177	492	19,957	3,669	1,480	24%	15%	15%	(11%)	19%	11%	10%
Aug-13	9,280	5,034	2,846	588	17,748	3,434	1,252	14%	11%	14%	0%	13%	11%	(16%)
Sep-13	8,527	4,871	3,360	574	17,332	3,934	1,291	7%	7%	7%	(29%)	5%	0%	(27%)
Oct-13	9,665	6,747	5,943	1,228	43,182	7,171	1,671	(2%)	(2%)	5%	(18%)	80%	0%	(28%)
Nov-13	5,628	3,873	2,651	644	12,796	3,295	903	9%	(3%)	6%	2%	4%	5%	25%
Dec-13	7,683	6,944	4,940	962	20,529	5,902	1,547	(7%)	10%	14%	(7%)	4%	12%	36%
Jan-14	4,762	4,172	3,314	631	12,879	3,945	824	1%	1%	12%	(7%)	3%	9%	34%
Feb-14	5,310	3,655	2,423	575	11,963	2,998	526	4%	(2%)	(6%)	(14%)	(1%)	(8%)	(15%)
Mar-14	10,156	5,149	3,157	657	19,119	3,814	906	22%	4%	(9%)	(7%)	10%	(4%)	(24%)
Apr-14	14,163	6,029	3,744	746	24,682	4,490	999	1%	7%	(12%)	(13%)	0%	(12%)	(13%)
May-14	16,815	6,602	2,929	474	26,820	3,403	671	(2%)	4%	(14%)	(15%)	(2%)	(14%)	(24%)
Jun-14	15,198	6,520	2,731	409	24,858	3,140	839	13%	2%	(17%)	(24%)	5%	(18%)	(25%)
Jul-14	11,249	5,943	3,225	389	20,806	3,614	1,035	5%	7%	2%	(21%)	4%	(1%)	(30%)
Aug-14	9,691	5,444	2,575	371	18,081	2,946	946	4%	8%	(10%)	(37%)	2%	(14%)	(24%)
Sep-14	11,333	6,193	3,276	492	21,294	3,768	1,142	33%	27%	(3%)	(14%)	23%	(4%)	(12%)
Oct-14	10,934	7,115	4,929	734	23,712	5,663	994	13%	5%	(17%)	(40%)	(45%)	(21%)	(41%)
Nov-14	5,857	4,177	1,891	354	12,279	2,245	450	4%	8%	(29%)	(45%)	(4%)	(32%)	(50%)
Dec-14	8,142	7,520	3,749	514	19,925	4,263	931	6%	8%	(24%)	(47%)	(3%)	(28%)	(40%)
Jan-15	5,382	4,506	3,124	220	13,232	3,344	384	13%	8%	(6%)	(65%)	3%	(15%)	(53%)
Feb-15	5,305	3,250	1,955	348	10,858	2,303	399	0%	(11%)	(19%)	(39%)	(9%)	(23%)	(24%)
Mar-15	9,735	4,851	2,547	500	17,633	3,047	470	(4%)	(6%)	(19%)	(24%)	(8%)	(20%)	(48%)
Apr-15	16,624	6,461	3,131	430	26,646	3,561	664	17%	7%	(16%)	(42%)	8%	(21%)	(34%)
May-15	16,001	5,643	1,994	260	23,925	2,254	549	(5%)	(15%)	(32%)	(45%)	(11%)	(34%)	(18%)
Jun-15	15,664	6,558	2,411	300	24,933	2,711	505	3%	1%	(12%)	(27%)	0%	(14%)	(40%)
Jul-15	14,342	7,097	2,473	272	24,184	2,745	807	27%	19%	(23%)	(4%)	16%	(24%)	(22%)
Aug-15	9,688	5,120	1,771	167	16,746	1,938	679	0%	(6%)	(31%)	(55%)	(7%)	(34%)	(28%)

Source: Assn. of Equipment Manufacturers

# North American Tractor & Combine Inventory

NORTH AMERICAN FARM EQUIPMENT INVENTORY — DECEMBER 2011–JULY 2015														
Units								Inventory to 12-month Sales						
	<40 HP	40-100 HP	>100 HP	4-WD	Total Tractor	High HP	Combines	<40 HP	40-100 HP	>100 HP	4-WD	Total	High HP	Combines
Dec-11	59,746	26,551	7,666	1,035	94,998	8,701	1,250	62%	47%	24%	14%	49%	22%	10%
Jan-12	61,967	27,298	7,277	1,222	97,764	8,499	1,338	64%	48%	23%	17%	51%	22%	11%
Feb-12	65,727	28,689	7,763	1,360	103,539	9,123	1,676	68%	50%	24%	19%	54%	23%	14%
Mar-12	68,756	29,144	8,199	1,518	107,617	9,717	1,955	72%	51%	26%	21%	56%	25%	17%
Apr-12	66,562	28,743	8,241	1,472	105,018	9,713	1,961	68%	50%	26%	20%	54%	25%	17%
May-12	65,188	28,322	8,930	1,659	104,099	10,589	2,258	66%	48%	27%	22%	53%	27%	20%
Jun-12	62,380	27,773	9,395	1,665	101,213	11,060	2,476	63%	47%	28%	22%	51%	27%	21%
Jul-12	61,495	28,135	10,351	1,950	101,931	12,301	2,791	61%	48%	31%	26%	51%	30%	24%
Aug-12	61,108	28,892	11,307	2,248	103,555	13,555	3,008	60%	49%	33%	29%	51%	32%	26%
Sep-12	62,319	29,587	11,580	2,398	105,884	13,978	2,870	62%	50%	34%	31%	52%	33%	24%
Oct-12	61,918	29,266	10,573	1,931	103,688	12,504	1,662	60%	49%	29%	24%	50%	28%	13%
Nov-12	65,873	29,835	11,232	2,079	109,019	13,311	1,520	64%	49%	31%	25%	52%	30%	12%
Dec-12	67,319	29,137	10,335	1,753	108,544	12,088	1,409	65%	48%	28%	21%	51%	27%	11%
Jan-13	69,290	30,182	10,399	1,803	111,674	12,202	1,659	66%	49%	28%	20%	52%	26%	13%
Feb-13	72,473	30,842	11,375	1,850	116,540	13,225	2,186	68%	50%	30%	20%	54%	28%	17%
Mar-13	72,499	30,869	11,700	1,931	116,999	13,631	2,518	69%	50%	30%	21%	54%	29%	19%
Apr-13	70,567	30,512	12,507	1,883	115,469	14,390	2,577	66%	49%	32%	21%	53%	30%	18%
May-13	65,268	30,400	13,202	2,068	110,938	15,270	2,866	59%	49%	33%	23%	50%	31%	20%
Jun-13	62,097	29,271	13,330	2,158	106,856	15,488	3,249	56%	47%	33%	24%	48%	31%	23%
Jul-13	59,174	29,628	14,138	2,177	105,117	16,315	3,208	52%	47%	34%	24%	47%	33%	22%
Aug-13	58,711	30,907	15,063	2,307	107,218	17,370	3,325	52%	49%	36%	26%	47%	34%	23%
Sep-13	60,787	31,714	15,372	2,507	110,380	17,879	3,255	53%	49%	36%	26%	47%	34%	23%
Oct-13	63,364	31,876	14,009	2,094	111,343	16,103	2,222	55%	50%	33%	25%	49%	32%	17%
Nov-13	67,922	33,406	14,847	2,312	118,487	17,159	2,343	59%	53%	35%	27%	52%	34%	18%
Dec-13	67,863	32,028	13,318	2,049	115,258	15,367	2,083	59%	50%	31%	24%	50%	30%	15%
Jan-14	69,111	33,240	12,620	2,028	116,999	14,648	1,681	60%	52%	29%	24%	51%	28%	12%
Feb-14	71,514	34,326	13,267	2,046	121,153	15,313	2,063	62%	54%	31%	25%	53%	30%	15%
Mar-14	71,249	35,256	14,058	2,218	122,781	16,276	2,456	61%	55%	33%	27%	53%	32%	18%
Apr-14	69,986	35,615	13,298	2,117	121,016	15,415	2,467	60%	55%	31%	26%	52%	31%	18%
May-14	66,364	34,755	13,505	2,255	116,879	15,760	2,734	57%	54%	32%	28%	51%	32%	21%
Jun-14	62,025	34,004	14,531	2,294	112,854	16,825	3,101	53%	52%	35%	29%	49%	34%	24%
Jul-14	61,829	34,393	14,836	2,159	113,217	16,995	3,144	52%	52%	36%	27%	49%	35%	25%
Aug-14	62,466	35,692	15,060	2,193	115,411	17,253	3,360	6%	15%	0%	(4%)	8%	(1%)	1%
Sep-14	61,811	35,926	16,185	2,399	116,321	18,584	2,891	2%	13%	5%	(4%)	5%	4%	(11%)
Oct-14	63,713	35,965	14,640	1,802	116,120	16,442	2,187	1%	13%	5%	(14%)	4%	2%	(2%)
Nov-14	67,691	37,110	14,840	1,652	121,293	16,492	2,046	0%	11%	0%	(29%)	2%	(4%)	(13%)
Dec-14	69,876	35,550	14,638	1,426	121,490	16,064	1,674	3%	11%	10%	(30%)	5%	5%	(20%)
Jan-15	73,716	35,405	13,934	1,439	124,494	15,373	1,713	7%	7%	10%	(29%)	6%	5%	2%
Feb-15	78,177	36,676	13,981	1,436	130,270	15,417	1,820	9%	7%	5%	(30%)	8%	1%	(12%)
Mar-15	81,662	37,881	14,179	1,346	135,068	15,525	2,040	15%	7%	1%	(39%)	10%	(5%)	(17%)
Apr-15	80,348	37,047	13,193	1,353	131,941	14,546	2,116	15%	4%	(1%)	(36%)	9%	(6%)	(14%)
May-15	78,880	37,037	13,177	1,400	130,494	14,577	2,058	19%	7%	(2%)	(38%)	12%	(8%)	(25%)
Jun-15	76,286	36,584	13,006	1,416	127,292	14,422	2,276	23%	8%	(10%)	(38%)	13%	(14%)	(27%)
Jul-15	72,876	35,232	12,507	1,354	121,969	13,861	2,218	18%	2%	(16%)	(37%)	8%	(18%)	(29%)

Source: Assn. of Equipment Manufacturers

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