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A Special Management Report From

***Ag Equipment  
Intelligence***

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**2018 DEALER BUSINESS  
OUTLOOK & TRENDS**

**FARM EQUIPMENT FORECAST**

*An Ag Equipment Intelligence Staff Report*



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## PART V — EMPLOYMENT SIZE BREAKDOWN

## PART VI — MARKET SEGMENT ANALYSIS & DEALER REVENUE SOURCES

# PART I — NORTH AMERICAN OUTLOOK

## Dealers See Increasing Revenue Levels in 2018

If rising levels of optimism can be turned into equipment sales, dealers could have a good year ahead of them.

Dave Kanicki, Executive Editor

It has been nearly 6 years since North American farm equipment dealers expressed the level optimism about their revenue prospects as they have for 2018. In 2012, more than 55% of dealers expected revenues from the sales of new farm machinery to increase in the year ahead. By 2015, less than 20% of dealers held out hope for improved business levels for the coming year. This improved very little (22.4%) by 2017.

Looking ahead to 2018, more than double that percentage — 46.5% — are projecting revenues will improve by 2% or more next year, while only 16.9% are projecting further declines.

These projections are based on the responses of 229 ag machinery dealers across the U.S. and Canada to *Ag Equipment Intelligence's* annual Dealer Business Outlook & Trends survey. Dealers were polled during the first two weeks of September. Along with dealers who carry the five major equipment brands — AGCO, Case IH, John Deere, Kubota and New Holland — this year's survey also included dealers who carry Mahindra as their primary brand of tractor.

Additional data in this report was gleaned from the monthly Dealer

Sentiments & Business Conditions Update survey.

Breaking down the results further, 6.6% of dealers see revenues increasing by 8% or more in 2018 and 39.9% are projecting business levels to improve by 2-7%. A little over one-third of those responding expect revenues from new equipment sales to be flat.

This compares with last year's survey results when only 4.2% of U.S. and Canadian dealers anticipated an increase in revenues of 8% or more a year ago and 18.2% who were forecasting gains of 2-7%. A year ago, nearly 45% of dealers were anticipating flat sales for 2017.

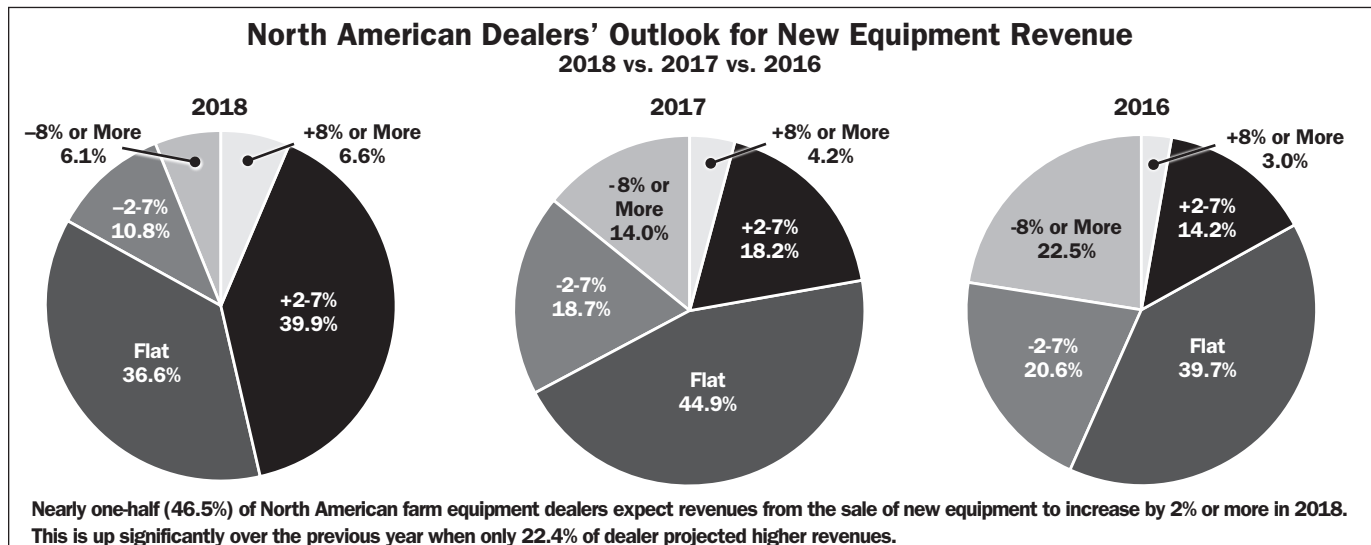
**U.S. Outlook for New.** There's no doubt that U.S. dealers of farm

machinery are far more optimistic moving into 2018 than they were a year ago. Twelve months ago, only 18.5% of dealers operating in the U.S. expected new equipment revenues to increase vs. a year earlier. This year nearly 47% of them are projecting increasing revenues — a difference of more than 28%.

How much growth are U.S. dealers looking at in 2018? According to the survey results, 6.3% (vs. 3.8% last year) are forecasting increase of 8% or more. The remaining dealers, 40.6%, are calling for increases of 2-7%.

Last year at this time, less than 4% expected increases in revenues from new equipment sales to rise 8% or more. Another 14.7% of dealers fore-

Revenue Outlook for New Equipment — 2018 vs. 2017 (% of survey respondents)						
New Equipment	North America		U.S.		Canada	
Revenue Outlook	2018	2017	2018	2017	2018	2017
+8% or More	6.6%	4.2%	6.3%	3.8%	7.9%	6.4%
+2-7%	39.9%	18.2%	40.6%	14.7%	36.8%	38.7%
Little or No Change	36.6%	44.9%	35.4%	46.0%	42.1%	38.8%
-2-7%	10.8%	18.7%	11.4%	20.2%	7.9%	9.7%
-8% or More	6.1%	14.0%	6.3%	15.3%	5.3%	6.4%
Weighted Avg.	1.35%	-0.81%	1.31%	-1.16%	1.51%	1.44%



casted increases in the 2-7% range.

Going into 2018, 35.4% expect flat sales of new machines. In the 2017 survey, 46% were calling for flat sales.

**Canadian Outlook for New.** Comparing the outlook for 2018 vs. a year ago, there's little difference in the Canadian dealers' view. Going into the new year, 44.7% of these dealers expect increased revenues for new equipment sales. Last year, 45.1% of Canadian dealers were forecasting an improvement in revenues.

For the year ahead, about 8% of Canadian dealers look for revenues to rise 8% or more vs. 6.4% last year. Another 37% see sales of new improving by 2-7%.

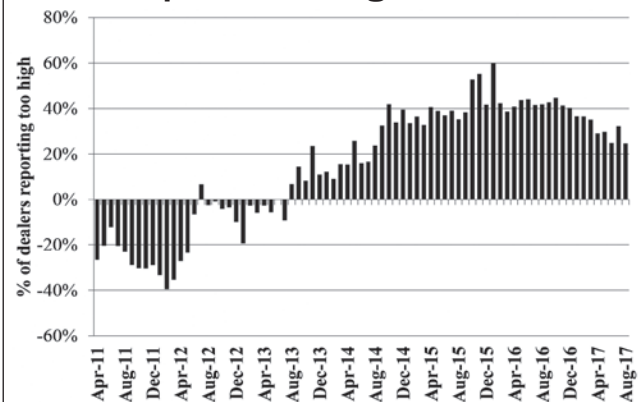
Slightly over 42% of these dealers are projecting flat revenues from sales of new machines in 2018. Last year, 38.8% were calling for flat revenues.

Only 13.2% of Canadian equipment sellers expect a fall off in new equipment revenues in 2018, with 7.9% expecting a drop of 2-7% and 5.3% looking at declines of 8% or more. This compares with 16.1% a year ago, with 9.7% anticipating a drop off of 2-7% and 6.4% looking at a decrease of 8% or more.

### Improving Sentiment

Ag equipment dealers have shown intermittent levels of improving sentiment throughout the past year. For example, according to *Ag Equipment Intelligence's* monthly Dealer Sentiments & Business Conditions Update survey, in August 2016 only 11% of dealers were "more optimistic" about cur-

### New Farm Equipment Inventories April 2011 – August 2017



**New equipment inventory levels have been elevated for over 3 years, but started to trend downward in late 2016 and, for the most part, have maintained that momentum during the past 10 months.**

*Source: Ag Equipment Intelligence, Cleveland Research Co.*

rent business conditions and 36% were "less optimistic" for a net of -25%. In August 2017, the net was only -3%, with 23% of dealers "more optimistic" and 26% "less optimistic." During the intervening months, dealer optimism ranged from -25% in September 2016 to +4% in June 2017. Though erratic, there was a marked improvement in overall dealer sentiment in the past year compared with the previous year.

### Was August a Turning Point for Dealers?

While the sentiments of North American farm equipment dealers generally improved throughout 2017 (-25% in August 2016 vs. -3% in August 2017), the 2017 outlook in August (latest monthly survey data) was mixed with improvement in the Corn Belt and Mountain/Pacific regions. The Appalachian/Northeast region saw a sequential decline in the month, consistent with prior trend.

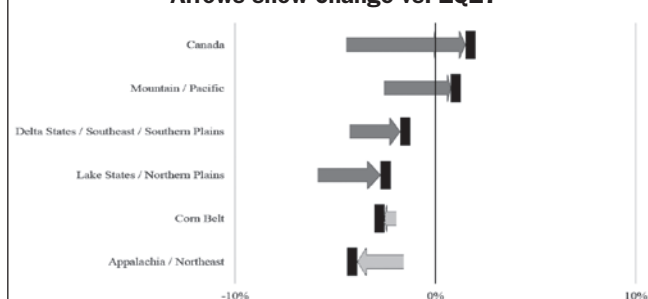
Sales outlook by region in the second quarter improved from the first quarter with forecasts in the down 4% to up 2% range vs. the down 5% to down 2% range in first quarter. Dealers believe customer activity is sustainable through the second half of 2017 following the better than expected August sales.

Several dealers indicated that August sales were the best of the year so far. This would seem to go against historical trends as farmers tend to hold off on equipment purchases until after harvest. Overall, dealer comments in the September 2017 Dealer Sentiments & Business Conditions Update survey about sales levels in August were positive, while some continue to

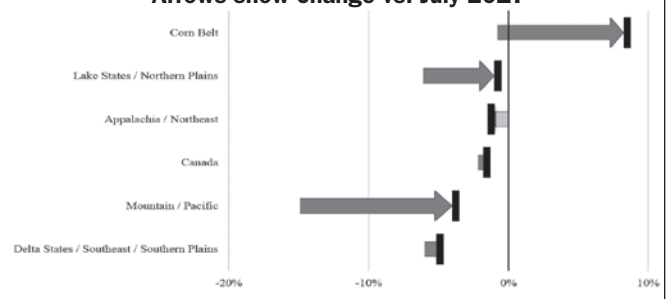
express some trepidation about what lies ahead. Comments included the following:

"August was the best month of the year so far which we attribute to the cool, rainy weather in the Southeast" ... "August used equipment, parts and service sales were better than expected while new equipment sales remain weak" ... "We are hopeful for a great fall season as August was the best month of the year for us" ... "There are more customers inquiring about new models and/or updating equipment from a year ago. This hasn't correlated into purchases at this time but at least they are willing to have the conversation this year" ... "The consumer market strength continued in August. We are still selling a lot of lawn mowers and light industrial equipment" ... "The August crop report had a negative impact on the market and in turn, farmers remain very hesitant to purchase equipment despite good crop yields in the near term" ... "Even though we didn't have much moisture in our area, crops are still better than expected. We had the strongest month of the year in August."

#### Average Outlook by Region - 2Q17 Net % Reporting Strength/Weakness in 2Q17; Arrows show change vs. 1Q17



#### Average Outlook by Region - August 2017 Net % Reporting Strength/Weakness in August 2017; Arrows show change vs. July 2017





At the same time, the sales figures for tractor and combine sales published monthly by the Assn. of Equipment Manufacturers continue to show an ongoing decline in the sales of higher horsepower tractor categories. Some suggest that after more than 4 years of declining sales, farmers are now, out of necessity, beginning to replace their older equipment. This could boost sales in the year ahead. However, as farm commodity prices remain at low levels, there is little expectation that there will be a dramatic bounce back in overall large farm machinery sales in 2018.

### Improving Outlook for New Tractor & Combine Sales

Despite the ongoing doldrums in the sales of row-crop tractors and combines, sales of compact tractors (<40 HP) and mid-range (40-100 HP) have improved, or at least remained fairly steady during the past few years, more dealers apparently see some improvement coming in 2018 for all types and sizes of tractors.

At this time last year, only about 17% of dealers were forecasting sales increases of 2% or more for high horsepower tractors. That percentage

Tractor & Combine Unit Sales Outlook — 2018 (% dealers projecting sales +2% or higher/-2% or lower)			
	All Dealers	U.S.	Canada
2WD Tractors <40 HP	39.9%/7.3%	38.2%/7.7%	47.2%/5.6%
2WD Tractors 40-100 HP	35.5%/6.2%	35.5%/7.6%	36.1%/0.0%
2WD Tractors >100 HP	31.6%/13.7%	31.0%/15.5%	34.3%/5.7%
4WD Tractors (All)	31.3%/7.4%	28.1%/19.1%	46.9%/9.4%
Combines	23.4%/21.5%	22.2%/23.7%	28.6%/10.7%

has increased by 14.7% going into 2018, as 31.6% of dealers are now projecting improving sales of row-crop tractors. This outlook is very optimistic considering sales of these tractors were down 7% year-over-year through August 2017, according to AEM.

More dealers are feeling even more confident about the potential of increasing sales of 4WD equipment in the year ahead. A year ago, only 16.1% of North American ag machinery dealers were projecting growing sales of this type of equipment. In the most recent survey, 31.3% of dealers expect 4WD sales to improve in 2018, an increase of more than 15%. Through August 2017, North American sales of this equipment were down about 1% year-over-year.

While sales of compact and mid-range tractors have improved over the past few years, a higher percentage of dealers anticipate continuing increases in 2018. For mid-range tractors, 35.5% of dealers expect sales to increase vs. 27% of dealers a year ago, up 8.5%. For compacts, nearly 40% are forecasting sales will increase by 2% or more in the year ahead compared to 33.5% last year, an increase of about 6.3%.

### Slight Uptick in Early Orders

Early orders, or pre-sells, are considered by many to be a bellwether of sales for the coming year. If this is indeed the case, then dealers could see a slight increase in overall sales in 2018.

Results of *Ag Equipment Intelligence's* annual dealer survey

## How Did North American Dealers Fare in 2017?

Perhaps it's due to the fact that dealers did better (much better?) in 2017 than they expected to that gives them a higher level of confidence going into 2018 than might be expected.

**New Equipment Revenues.** Asked how much better or worse they expected new equipment revenues to finish in 2017 vs. 2016, 40% of the dealers responding to *Ag Equipment Intelligence's* most recent Dealer Business Outlook & Trends survey reported that their revenues were up 2% or more in 2017. This compares to 17.5% who projected a year ago they would see increased revenues in 2016 of 2% or higher.

Nearly 16% of dealers said their revenues increased by 8% or more in the past year. Last year, less than 7% projected sales of 8% or better for 2017. More than 24% reported their sales revenues will have improved by 2-7% in the past year. A year ago, less than 11% forecast a revenue increase of 2-7%.

Last year at this time, nearly 61% of dealers said they expected revenues to decline in 2017. As this year winds down, only 35.3% of the 229 dealers responding to the survey this year estimate sales would decrease by 2% or more. This compares with more than 43% who projected declining sales revenues last year.

**Used Equipment Revenues.** Generally, dealers are doing better than expected when it comes to used equipment revenues, as

New Equipment Revenue (% of dealers)		
Revenue % Increase/Decrease	Current Estimate for 2017	Last Year's Projections for 2017
+8% or more	15.8%	6.6%
+2-7%	24.2%	10.9%
Flat	24.7%	21.6%
-2-7%	18.6%	17.5%
-8% or more	16.7%	43.4%

Used Equipment Revenue (% of dealers)		
Revenue % Increase/decrease	Current Estimate for 2017	Last Year's Projections for 2017
+8% or more	16.9%	4.0%
+2-7%	25.8%	25.5%
Flat	33.8%	46.5%
-2-7%	14.6%	15.0%
-8% or more	8.9%	9.0%

well. Last year, 29.5% projected their 2017 revenues from used equipment sales would increase. At this point, 42.7% of dealers expect used equipment sales to improve compared to 2016.

Nearly 17% estimate their revenues from used equipment will come in at 8% or higher for the year. A year ago, only 6.6% projected sales to be 8% or higher. Almost 26% say these sales will be up between 2-7% this year, almost exactly the same percentage (25.5%) who had forecast used sales in that range 12 months ago.

As for dealers who expected used machine sales to decline, 23.5% say their sales will be down this year (14.6% down 2-7%, 8.9% down 8% or more). It appears their forecast was right on the money as 24% expected declining sales a year ago (15% down 2-7%, 9% down 8% or more).

Early Orders/Presells This Year vs. 5 Years Ago						
	2018	2017	2016	2015	2014	2013
Up +10%	1.6%	1.0%	0.0%	1.1%	0.0%	0.0%
Up 6-10%	2.6%	1.0%	0.4%	1.8%	7.2%	8.2%
Up 1-5%	10.3%	12.3%	6.5%	7.5%	20.0%	17.1%
Same as Last Year	24.1%	17.2%	29.8%	31.2%	45.0%	39.8%
Down 1-5%	12.9%	15.8%	10.5%	13.9%	16.75	21.2%
Down 6-10%	16.0%	13.8%	12.1%	16.0%	11.1%	13.7%
Down +10%	32.5%	38.9%	40.7%	28.5%	0.0%	0.0%
<b>Weighted Avg.</b>	<b>4.16%</b>	<b>4.84%</b>	<b>5.05%</b>	<b>3.97%</b>	<b>0.21%</b>	<b>0.51%</b>

don't appear to indicate a significant increase of early orders — up 14.5% for 2018 vs. up 14.3% for 2017 — but a larger decrease in dealers reporting a drop in early orders.

Last year at this time, 68.5% of dealers said their early orders were off compared to the peak of 5 years earlier; 38.9% down more than 10%, 13.8% down 6-10% and 15.8% down 1-5%.

This year 61.4% of dealers report their early orders for 2018 were off the pace of the peak 5 years ago; 32.5% down more than 10%, 16% down 6-10% and 12.9% down 1-5%.

In the most recent study, about one-quarter, or 24.1%, of dealers say their early orders are about the same as they were 5 years ago. This compares with 17.2% who reported the

same level of sales as 5 years earlier 12 months ago.

This being the case, the dealers' responses would indicate a slowing of the large and rapid fall off of early orders in 2016 when more than 73% of dealers reported a significant decline in early orders.

### Used Equipment Inventories Still Challenge Dealers

For farm equipment dealers, the struggle of the past 4 years was as much about managing excessive used equipment inventories as it was about steep declines in the sales of new ag machinery. In the past year, many dealers appear to have gotten a better handle on their used inventories and described their used equipment situation as "manageable."

Nonetheless, 45.2% of dealers in this year's Business Outlook & Trends survey say their used inven-

## Optimism: Small Tractor Makers Have Leg Up on Other Brands

Dealers for the two equipment manufacturers that currently offer a limited range of tractors in terms of horsepower — Kubota and Mahindra — are naturally more optimistic about their prospects in 2018 as it's the lower horsepower equipment that's showing the most significant sales strength over the past 3 years. They are expected to continue to lead the way in terms of unit sales well into 2018.

According to the latest data from the Assn. of Equipment Manufacturers, North American compact tractor sales (<40 HP) are up 3.3% year-over-year and 7% during the previous 3 months. Mid-range tractor sales are up 3.6% through August and up 1.8% for the last 3 months. This compares with row-crop tractors (>100 HP), which were down 7% year-over-year in August and down 17.5% June to August 2017.

Dealers for Mahindra, which, according to its U.S. website, produces tractors ranging from sub-compacts (<20 HP) to units of 105 horsepower, were the most optimistic for 2018. Nearly 80% of its dealers are expecting revenues to increase by 2% or more in the year ahead (33% by 8% or more; 44% by +2-7%) and only 11% are forecasting a fall off in revenue.

They were followed by Kubota dealers, of which 75% see an increase in revenues in 2018 (15% by 8% or more; 60% by 2-7%). Only 10% expect a drop in revenues this coming year. A year ago, only 47% of Kubota dealers were projecting revenue increases for 2017, while 26% anticipated declining revenues from equipment sale. Kubota Tractor currently produces equipment in 18-168 horsepower range, but have designs on getting to 200 horsepower-plus in the near term.

Of the four high horsepower tractor brands, John Deere dealers are easily the most optimistic for 2018. Nearly 57% of Deere dealers are looking for a pick up in revenues in the year ahead, while a little less than 16% anticipate falling revenues. Last year at this time, only 19% of Deere dealers were looking at increased revenue levels for 2017 and 40% forecast falling equipment sales.

Independent dealers, those who do not carry any of the major brands, are also more optimistic this year than they were 12 months ago. Going into 2018, 41% expect increased rev-

### Dealer Projections for New Equipment Sales Revenues by Major Line Carried — 2018

Mainline	Up 8% or More	Up 2-7%	Little/ No Change	Down 2-7%	Down 8% or More
AGCO	5.0%	35.0%	45.0%	5.0%	10.0%
Case IH	1.7%	38.3%	41.7%	11.7%	6.7%
John Deere	7.8%	49.0%	27.5%	11.8%	3.9%
Kubota	15.0%	60.0%	15.0%	10.0%	0.0%
Mahindra	33.3%	44.4%	11.1%	0.0%	11.1%
New Holland	5.9%	17.7%	50.0%	14.7%	11.7%
Independent	0.0%	41.1%	47.1%	11.8%	0.0%

enues, while about 12% are forecasting lower revenues during the year ahead. Last year, it was an even split for the independent dealers, with 30% expecting an increase and 30% expecting declining revenues in 2017.

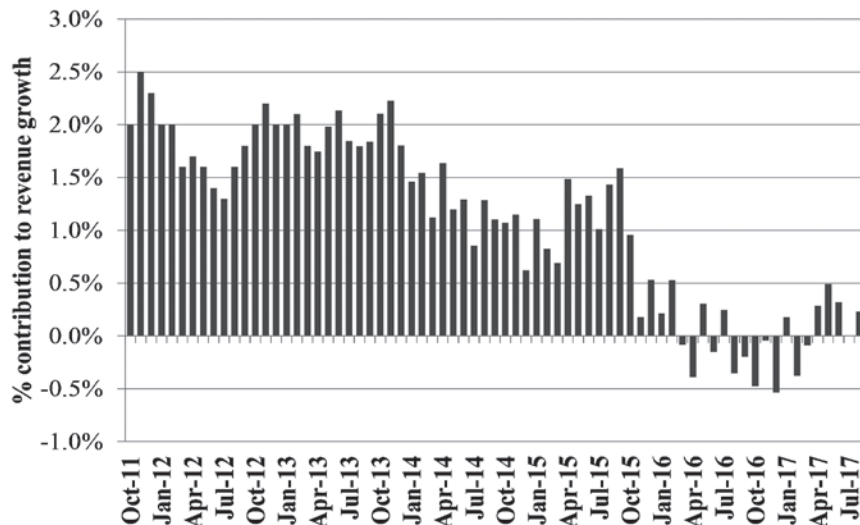
The same percentage of AGCO and Case IH dealers — 40% — expect improved revenues in 2018. Last year, only 24% of Case IH dealers and 17% of AGCO dealers were projecting a revenue increase. But slightly fewer AGCO dealerships, 15%, anticipate a fall off in revenues, while about 18% of Case IH retailers say they're expecting revenues to be off 2017 levels. A year ago, 31% of Case IH dealers and 21% of those selling AGCO-branded equipment forecast declining revenues.

As they were last year at this time, New Holland dealers are the least optimistic going into the new year. Less than 24% of New Holland retailers are looking for a revenue boost in 2018. An even larger percentage, 26% are forecasting declining revenues for the year. A year ago, only 16% of New Holland dealers were projecting revenues gains and 42% expected revenues to drop during 2017.

## New Equipment Price Increases for 2018 vs. 2017 vs. 2016

	2018	2017	2016
No Increase	9.8%	10.7%	9.9%
1-3% Increase	79.1%	76.3%	63.1%
4-6% Increase	9.3%	10.2%	21.3%
7-9% Increase	1.4%	2.3%	3.0%
10% or More Increase	0.5%	0.5%	2.7%

## New Equipment Price Realization



Dealers reported relatively flat pricing throughout 2017 as incentive programs have more than offset list price increases. Commentary suggests an absence of OEM incentive programs.

Source: Ag Equipment Intelligence, Cleveland Research Co.

tories remain “too high” or “way too high.” This compares with 49.5% who echoed these same sentiments a year ago. One dealer’s comment seemed to sum up the current environment: “The used equipment situation has improved, but remains an issue for us.”

Looking ahead to next year, North

American equipment dealers are expecting much better results than they’ve seen in the past few years. Overall, 37.4% of them expect used equipment revenues to rise by 2% or more in 2018. This compares with 29.5% who were projecting an increase 12 months earlier.

Breaking the numbers down further, 7.7% see revenues from sales of used machinery rising by 8% or more, while 29.7% are forecasting increases in the 2-7% range. Last year, 4% anticipated used equipment revenues to increase by 8% or more and 25.5% projected improvements between 2-7%.

The same trend held true for the dealers who are forecasting more declines in used machinery sales. For next year, 13.4% expect sales to fall. This compares to 24% one year ago. Some 8.1% of dealers see revenues falling by 2-7% (15% a year ago) and 5.3% anticipate a drop of 8% or more (9% last year).

Overall, about one-half of North American dealers see flat used revenues in 2018. Last year, 46.5% anticipated flat revenues.

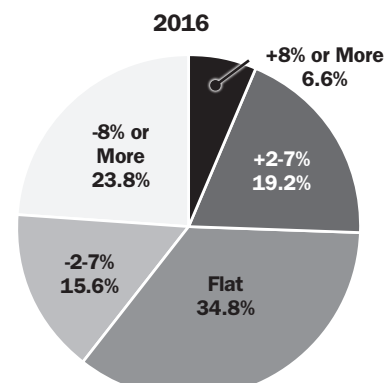
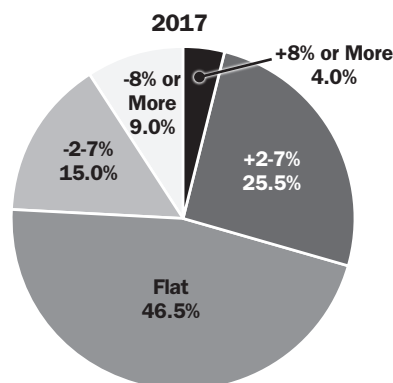
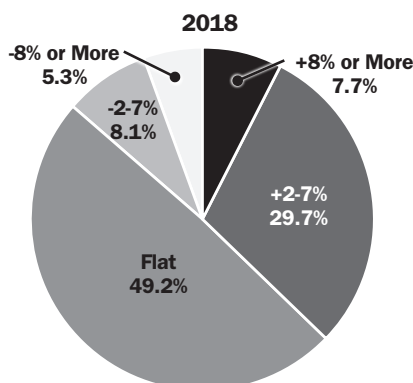
**U.S. Outlook for Used.** Breaking out dealers operating in the U.S. shows this group is also more confident about 2018 than they were going into 2017. For the coming year, 33% of U.S. dealers expect a pick up in revenues from used equipment; 6.5% see an increase of 8% or more and 26.5% project improving revenues in the 2-7% range.

A year ago, a little less than 28% of U.S. dealers saw used equipment revenues increasing; 4.1% expected revenues to fall 8% or more and 23.7% projected a drop off of 2-7%.

A little over 52% expect flat revenues in 2018 vs. 45.5% last year.

As for U.S. dealers looking at falling used equipment revenues, 14.7% see a decline; 8.8% dropping by 8% or more

## North American Dealers’ Outlook for Used Equipment Revenue 2018 vs. 2017 vs. 2016



The percentage of dealers looking for an increase in revenues from the sale of used machinery rose by about 8%, from 29.5% a year ago to 37.4% for 2018. Similarly, fewer dealers are projecting a decline in used equipment revenues for 2018.



and 5.9% by 2-7%. Last year, nearly 27% were forecasting a decline in revenues from used equipment sales; 16.6% by 8% or more and 10.1% by 2-7%.

**Canadian Outlook for Used.** As has been the case throughout the history of *Ag Equipment Intelligence's* annual Dealer Business Outlook & Trends survey, dealers operating in Canada are exhibiting a higher level of optimism for the 2018 selling year than do their colleagues to the south.

More than 56% of Canadian dealers say they expect revenues from the sale of used machinery to increase. Of this group, nearly 13% forecast increases of 8% or more, while 43.6% project improvements in the 2-7% range.

This compares with slightly under 39% who expected increased used revenues 12 months ago. That survey revealed that 3.2% of Canadian dealers anticipated growth of 8% or more, while 35.5% forecast more modest increases ranging 2-7%.

Slightly under 40% of Canadian dealers are anticipating flat revenues from used machinery sales. A year earlier, nearly 52% projected little or no change in used revenues.

How Dealers Rate Their Used Equipment Inventory			
	2018	2017	2016
I Need More Used Equipment	12.2%	12.2%	8.3%
About as Expected	53.2%	42.6%	42.2%
Too High	27.8%	35.5%	38.9%
Way too High	6.8%	9.7%	10.6%

Revenue Outlook for Used Equipment — 2018 vs. 2017 (% of survey respondents)						
	North America		U.S.		Canada	
Revenue Outlook	2017	2016	2017	2016	2017	2016
+8% or More	7.7%	4.0%	6.5%	4.1%	12.8%	3.2%
+2-7%	29.7%	25.5%	26.5%	23.7%	43.6%	35.5%
Little or No Change	49.2%	46.5%	52.3%	45.5%	35.9%	51.6%
-2-7%	8.1%	15.0%	8.8%	16.6%	5.1%	6.5%
-8% or More	5.3%	9.0%	5.9%	10.1%	2.6%	3.2%
Weighted Avg.	1.35%	0.07%	1.31%	-0.15%	2.31%	1.31%

Best Bets for Improving Unit Sales (% North American Dealers)			
Equipment Category		2018 Rank	2017 Rank
Lawn/Garden Equipment	54.5%	1	1
2WD Tractors (<40 HP)	39.9%	2	2
2WD Tractors (40-100 HP)	35.5%	3	5
Self-Propelled Sprayers	33.8%	4	9
GPS/Precision Ag	32.7%	5	3
2WD Tractors (>100 HP)	31.6%	6	8
4WD Tractors (All)	31.3%	7	9
Round Balers	30.1%	8	6
Planters (All)	29.8%	9	12
Farm Loaders	26.7%	10	7
Combines	23.4%	11	11
Mower Conditioners	22.2%	12	4
Windrowers/Swathers	16.4%	13	10
Disc Harrows	12.4%	14	16
Air Seeders/Drills	12.3%	15	15
Field Cultivators	10.2%	16	15
Rectangular Balers	8.9%	17	14
Chisel Plows	7.9%	18	18
Forage Harvesters	6.7%	19	19
Pull-Type Sprayers	6.5%	20	17
Feeders/Mixers	6.1%	21	13

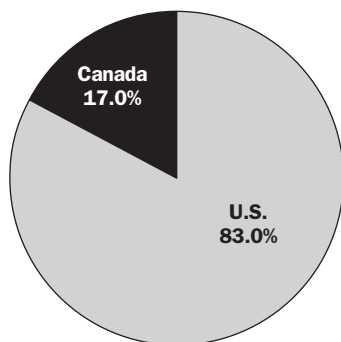
**Rankings for "Best Bets" products for 2018 were calculated by combining the percentages of dealers who projected either an 8% or more increase and those forecasting a 2-7% increase in unit sales.**

Dealers' Outlook by Equipment Categories (ranked by weighted avg.)			
Category	2018	2017	2016
1. Lawn & Garden Equipment	+2.71%	+2.04%	+1.54%
2. 2WD Tractors (<40 HP)	+1.76%	+1.26%	+0.71%
3. GPS/Precision Farming	+1.46%	+0.61%	+0.38%
4. 2WD Tractors (40-100 HP)	+1.43%	+0.54%	+0.27%
5. Self-Propelled Sprayers	+0.91%	-0.65%	-1.35%
6. Farm Loaders	+0.83%	+0.49%	+0.08%
7. 2WD Tractors (>100 HP)	+0.82%	-0.62%	-1.33%
8. Round Balers	+0.72%	+0.09%	+0.13%
9. Planters (All)	+0.59%	-1.11%	-2.05%
10. 4WD Tractors (All)	+0.58%	-1.13%	-1.79%
11. Mower/Conditioners	+0.40%	+0.57%	+0.48%
12. Combines	-0.13%	-1.10%	-2.51%
13. Rectangular Balers	-0.16%	-0.60%	-0.27%
14. Field Cultivators	-0.17%	-0.82%	-1.16%
15. Feeders/Mixers	-0.26%	-0.06%	-0.24%
16. Disc Harrows	-0.30%	-1.01%	-0.94%
17. Windrowers/Swathers	-0.39%	-0.42%	-0.27%
18. Air Seeders/Drills	-0.42%	-1.07%	-1.23%
19. Forage Harvesters	-0.43%	-0.42%	-0.51%
20. Chisel Plows	-0.50%	-1.09%	-0.89%
21. Pull-Type Sprayers	-0.57%	-1.39%	-1.04%

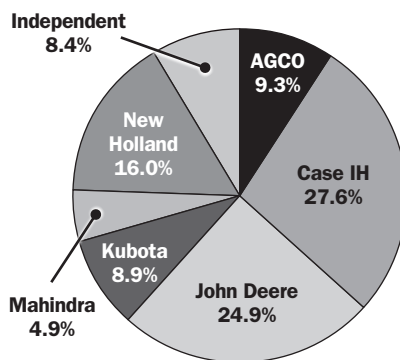
## Demographics of 2018 Survey Respondents

Nearly 230 North American dealers participated in *Ag Equipment Intelligence's* "2018 Dealer Business Outlook & Trends" survey. The charts below show how the participants broke out by country, regions, mainline suppliers and dealer revenue sources. This year 83% of the respondents were from the U.S. and 17% from Canada. In addition to the breakdowns shown here, on average, dealers participating in this year's survey operate 8 store locations and employ 21 people.

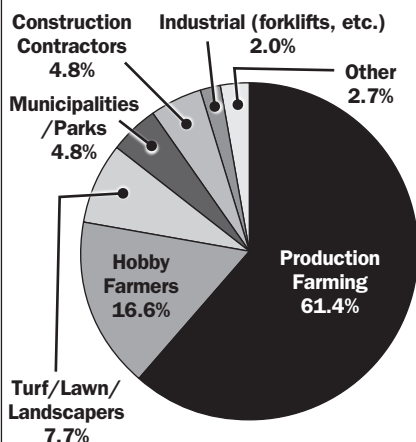
### Country Breakdown



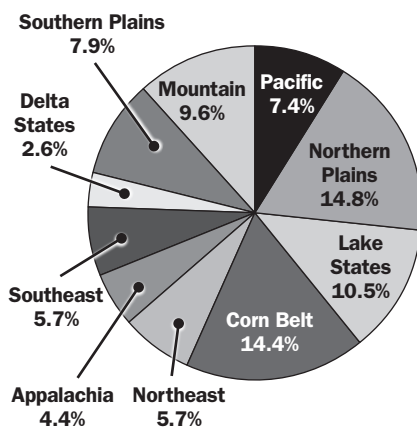
### Mainline Suppliers



### Dealer Revenue Sources



### U.S. Regional Breakdown



Only 7.7% of Canadian operators see declines in used equipment sales in the next year; 5.1% see sales falling by 2-7% and 2.6% see them dropping by more than 8%.

**Sentiments About Used Inventory.** Generally speaking, a smaller percentage of North American dealers — 34.6% — rated their surplus of used equipment as "too high" or "way too high" vs. a year ago when 45.2% were concerned about too much used machinery on their lots.

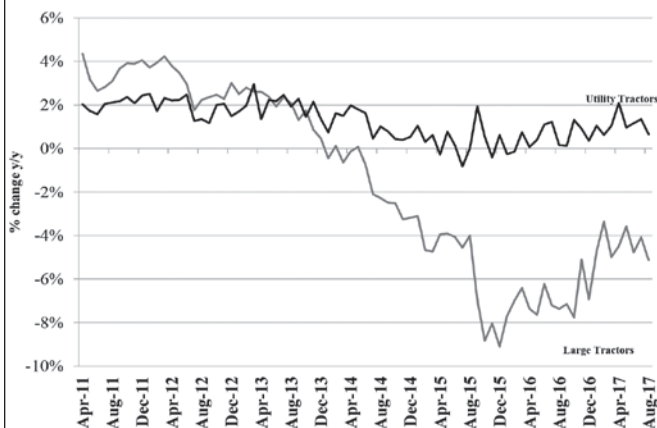
Dealers' use of auction services to move excessive used equipment inventories has also become somewhat of a barometer of the state of their used machinery backlog. A year ago, 48% of dealers reported they used auction services during the previous year (2016) to reduce their excessive used inventory.

This year (2017), 51% of dealers say they utilized an outside service to move used inventory. In all likelihood, the slight increase is probably a reflection of more dealers throwing in the towel in trying to move their used backlogs themselves and taking what they could get for it.

### Consumer Products, Small Tractors 'Best Bets' for 2018

While dealers are expecting better things when it comes to revenues in the year ahead, from where will the increased business come? It most likely will come principally from gen-

### Used Tractor Pricing Trends — 2011-17



Prices for used high horsepower tractors showed some year-over-year improvement, e.g. -6% in Sept. 2016 vs. -4% in Aug. 2017. Utility tractor prices ranged from flat to +2% during much of 2017.

Source: Ag Equipment Intelligence, Cleveland Research Co.

### Used Combine Pricing Trends — 2011-17



As used combine inventories declined, their pricing also showed improvement. In Sept. 2016, prices for used combines on average were -11% year-over-year vs. -7% in Aug. 2017.

Source: Ag Equipment Intelligence, Cleveland Research Co.

eral consumers, hobby farmers and the like. In other words, it looks as if smaller equipment will continue fueling growth in equipment sales in 2018.

Lawn and garden equipment once again topped dealers' list of best potential to increase revenues in the year ahead as it has for the past 3 years. And like last year, compact tractors (<40 HP) is #2 on the Best Bets list for increasing revenues in 2018. Dealers also see mid-range tractors (40-100 HP) as having good potential for growth in the next 12 months, which placed it #3 on the Best Bets list for 2018. This is up from the #5 spot a year ago. (see p. 9)

Making the biggest leap on the Best Bets list for 2018 was self-propelled sprayers. It was #9 last year and #15 the year before. It moved all the way up to #4 on the dealers' list. GPS/precision farming equipment and systems rounded out the top 5 places for the new selling season.

Dealers specializing in bigger farm equipment should be heartened to see row-crop tractors (>100 HP) and 4WD tractors moving up the list to #6 and #7. This is up from #8 and #9 a year ago.

Round balers (#8), planters (#9) and farm loaders (#10) completed the dealers' top 10 Best Bets list for 2018.

### Technician Availability Biggest Concern for Dealers

Recruiting and retaining shop technicians has been a front-of-mind issue for dealers since *Ag Equipment Intelligence* initiated its first annual Dealer Business Outlook & Trends survey in 2005. But it had never claimed the top spot on the dealers' list of biggest concerns until this year. An even 92% of North American dealers said they were "concerned" (50.3%) or "most concerned" (41.7%) about the availability of technicians. Last year, it finished #6 on dealers' listing of their biggest issues/concerns.

At least part of what makes this issue so challenging for farm equipment dealers is the growth of precision farming technology, where farmers need (demand) more attention to get equipment up and keep it running. This new technology requires a different skill set than the mechanical skills traditionally required for service-

North American Dealer Issues & Concerns — 2018				
Greatest Concerns	Most Concerned	Concerned	Not Concerned	2017 Ranking
1. Technician Availability	50.3%	41.7%	8.0%	6
2. Increasing Cost of New Equipment	43.9%	47.5%	8.6%	2
3. Farm Commodity Prices	62.7%	27.8%	9.5%	1
4. Farm Input Costs	45.3%	42.8%	11.9%	3
5. Finding & Retaining New Personnel*	46.7%	40.7%	12.6%	N/A
6. Shrinking Farm Customer Base	40.5%	45.0%	14.5%	5
7. Health Care Affordability	42.3%	40.8%	16.9%	4
8. Product Reliability	25.4%	48.7%	25.9%	9
9. Used Equipment Inventory	23.5%	49.5%	27.0%	7
10. New Equipment Inventory	13.6%	55.1%	31.3%	9
11. Labor Regulations	11.1%	52.3%	36.7%	8
12. Dealership 'Purity' Efforts by Majors	16.8%	45.6%	37.6%	12
13. Financing Availability - Floor Planning	21.5%	38.0%	40.5%	11
14. Financial Availability - Retail	14.3%	43.3%	42.4%	15
15. Energy Fuel Costs	8.0%	49.5%	42.5%	13
16. Manufacturer Succession Policies	11.7%	40.1%	48.2%	17
17. Dealer Consolidation	14.7%	36.6%	48.7%	17
18. Manufacturer Consolidation	6.0%	40.7%	53.3%	16
Dealers' issues and concerns are ranked by combining the percentage of "most concerned" and "concerned" responses. *Note: #5, Finding & Retaining New Personnel was not included in the list last year. As a result, it was not ranked in 2017.				

ing farm machinery.

Another aspect of this issue is dealers' overall push to increase service revenues, which typically produces their highest margins. In order to expand this activity, many dealers need additional personnel. Demands for mobile service requiring technicians traveling to farm fields for emergency work is also growing.

Availability of technicians displaced low farm commodity prices at the top of the list, where it had been for the last 3 years. It fell to the #3 slot for 2018. It was followed by rising farm input costs at #4 on the dealers' list.

Finishing #2 this year, like last year, is the increasing cost of new farm equipment.

Based on dealer feedback, another "employee" challenge was added to the list of issues for 2018. In addition to finding skilled technicians, dealers say that finding and retaining qualified personnel in general has also become a growing concern. It ranked #5 on the dealers' list of major challenges for the year ahead. Overall, more than 87% of farm equip-

ment retailers (46.7% "most concerned" and 40.7% "concerned") say a lack of qualified personnel across the board has become a headache.

### Dealers Searching for Skilled Technicians

To back up their aim of increasing service revenues in the coming year, the dealers also indicate that they're planning to increase their hiring of techs — if they can find them.

Nearly 61% of the dealers polled say they want to add more service technicians to their staffs in 2018. This is up from 49% last year. Otherwise, 39% say they are planning no additions or cutbacks to the service staffs during the next 12 months.

The dealers also indicated that they plan to add parts counter people in the year ahead. More than 25% say they plan to add staff to the parts departments. This compares to 22.7% who planned to do likewise last year.

A few more dealers say they're planning to add precision farming specialists; 12.6% vs. 11.6% last year. Slightly

## North American Dealers' Hiring Plans — 2018 vs. 2017 (% of survey respondents)

	2018			2017		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	25.5%	73.5%	1.0%	22.7%	71.5%	5.8%
Service Department	60.9%	39.1%	0.0%	49.0%	46.6%	4.3%
Wholegoods Sales	25.6%	69.9%	4.5%	29.2%	67.0%	3.8%
Corporate/Admin.	6.6%	90.4%	3.0%	6.3%	84.4%	9.3%
Precision Farming Specialist	12.6%	85.8%	1.6%	11.6%	85.8%	2.6%

more, 6.6%, also say they will add to the administrative staffs 2018. This is up from 6.3% of dealers a year ago.

The only personnel segment to show a possible decline in 2018 in terms of staff is with wholegoods sales. A year ago, nearly 30% of dealers said they were planning to add sales staff. This slipped to about 26% for the year ahead.

### Increased CAPEX Underlines Dealers' Growing Confidence

North American ag machinery dealers seem to be backing up their confidence in improving revenue levels for 2018 with plans to increase capital expenditures in the year ahead.

A year ago, about one-third of dealers (33.4%) said they were planning to invest more in their facilities and business in general. But 29% of those were planning to up spending by 1-5% and 3.4% by 6-10%. Less than

1% said they would increase their capital expenditures by 11% or more. Two-thirds, or 66.5%, indicated they had no plans to invest in their facilities or business systems in 2017.

Going into 2018, slightly more than half (51%) of dealers are reporting that they plan to increase their levels of capital expenditures during the next 12 months.

Of this group, 39% will up their investments by 1-5%, about 10% say they'll increase spending by 6-10%. Another 2% will invest 11% or more.

Dealers say they'll follow their traditional path and do most of the spending in their shop and service part of their business. Slightly more than 44% plan to invest in the service area, while 38% report that they'll increase investments in mobile service vehicles. This is up from 30% and 36% respectively last year.

Almost 29% of dealers say they will invest in upgraded or new retail showrooms at their dealerships. This compares to about 18% last year.

More dealers, nearly 23%, are planning to increase spending on their business systems during the next 12 months. A year ago, only 16% indicated they would invest in new and/or upgraded systems for 2017.

### Dealers Facing Tighter Retail Credit Conditions

Low commodity prices continue to be the biggest drag on new equipment sales. As a result, dealers report that ag lenders are scrutinizing equipment loan applications far more closely than was the case previously.

Overall, 63% of dealers say they've experienced much tighter credit conditions for their retail customers than

they did in the previous year. The remaining 37% report no additional tightening of retail credit.

In its mid-year report, the Federal Reserve Bank of Kansas City reported that during the first half of 2017, the total volume of new farm loans in the first half of 2017 remained subdued. The total volume of farm loans originated in that time was 7% less than the first half of 2016.

"Although farm lending at commercial banks appears to have slowed over the past year, some of the sluggishness in the first half of 2017 may have been due to a prolonged renewal season. Amid a recent decline in working capital and a slight increase in risk associated with agricultural lending, some bankers and borrowers have taken more time to reaffirm financials, expenditures and loan terms from one year to the next," said the report, which was published on July 14.

It went on to say, persistent declines in farm income have likely slowed the volume of new non-real estate loans as bankers and borrowers have sought to manage risk.

For these reasons, cash-strapped farmers in need of updated equipment are seeking out lease deals with their retailers.

Some 52% of dealers say demands for leasing increased in the past year. Of these, 43% say the volume of leases rose by 1-20% through the first 8 months of 2017, while another 9% say their leasing activity was up more than 20% in 2017.

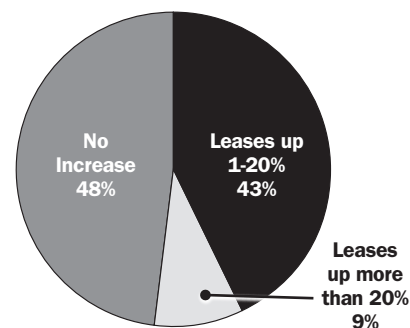
### 2018 Dealer Capital Spending Plans (% of dealers)

	2018	2017
+1-5%	38.6%	29.1%
+6-10%	9.6%	3.4%
+11%	2.0%	0.9%
No Increase	49.8%	66.5%

### Where Dealers Will Invest in 2018 (% of dealers)

	2018	2017
Shop & Service	44.3%	30.1%
Retail/Showroom	28.8%	17.6%
Business Info. Systems	22.6%	16.0%
Mobile Service Vehicles	38.0%	36.0%

### N.A. Demand for Equipment Leases — 2017



Over half of the dealers in the 2018 survey report that farmer demand for equipment leasing grew in 2017. Some 43% say leasing was up by as much as 20%.



## USDA Projects Net Farm Income to Increase in 2017

While farm cash receipts is a good indicator of farmers' ability to invest in new ag machinery, it's usually net farm income that tells them to pull the trigger on equipment and other capital purchases.

Last week USDA issued its outlook for net farm income for 2017, and for the first time in several years the ag agency is projecting an increase, albeit a small one. USDA's report, issued on Aug. 30, says, "After several years of declines, inflation-adjusted U.S. net farm income is forecast to increase about \$0.9 billion (1.5%) to \$63.4 billion in 2017, while inflation-adjusted U.S. net cash farm income is forecast to rise almost \$9.8 billion (10.8%) to \$100.4 billion."

The agency says the expected increases are led by rising production and prices in the animal and animal product sector compared to 2016, while crops are expected to be flat. The stronger forecast growth in net cash farm income, relative to net farm income, is largely due to an additional \$9.7 billion in cash receipts from the sale of crop inventories. The net cash farm income measure counts those sales as part of current-year income, while the net farm income measure counts the value of those inventories as part of prior-year income (when the crops were produced).

"Despite the forecast increases over 2016 levels, both profitability measures remain below their 2000-16 averages, which included surging crop and animal/animal product cash receipts from 2010 to 2013," the USDA says.

Net cash farm income and net farm income are two conventional measures of farm sector profitability. Net cash farm income measures cash receipts from farming as well as farm-related income including government payments, minus cash expenses. Net farm income is a more comprehensive measure that incorporates non-cash items, including changes in inventories, economic depreciation and gross imputed rental income.

**Report Analysis.** Following release of the USDA report, economists from the University of Illinois Dept. of Agricultural and Consumer Economics, Todd Kueth and Todd Hubbs, along with Dwight Sanders of the Dept. of Agribusiness Economics at Southern Illinois University, in an Aug. 31 post in *Farmdoc Daily* analyzed the agency's forecasts and estimates since 1975.

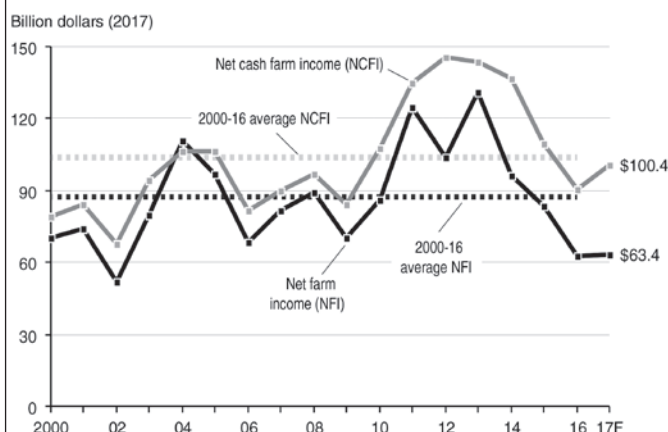
"The increase in net farm income forecasts may come as a surprise for many observers in the Corn Belt, as the region continues to experience lower crop prices, yet the increase between the February and August projections is driven, in large part, by changing expectations in the livestock sector. For example, forecasts for 2017 cash receipts in animals and animal products increased 8.4%, while the forecast for crop cash receipts increase a mere 0.3%," say the authors.

They maintain that the improved outlook for 2017 is not unique. "Between 1975 and 2016, the August forecast revision came in higher than the February forecast 60% of the time. The 1.8% improvement, however, was moderate by historical standards. Between 1975 and 2016, the August forecast exceeded the February forecast by 6.8% on average.

**August Forecast History.** The *Farmdoc Daily* article of Aug. 25, 2017 showed that the August forecast tends to under-predict the final net farm income estimate. According to the authors of the Aug. 31 report, in years when the USDA forecast improves between February and August, the August forecast tends to over-predict realized net farm income estimates.

"Similarly, when the USDA projections fall between February and August, the August forecast tends to under-predict net farm income. The change in expectations between February and August are informative of the accuracy of the August forecast, and the August revision tends to be a bit too extreme. Thus, the 1.8% improvement in 2017 net farm income forecasts between February and August suggests that realized

### Net Cash Farm Income & Net Farm Income (inflation adjusted)

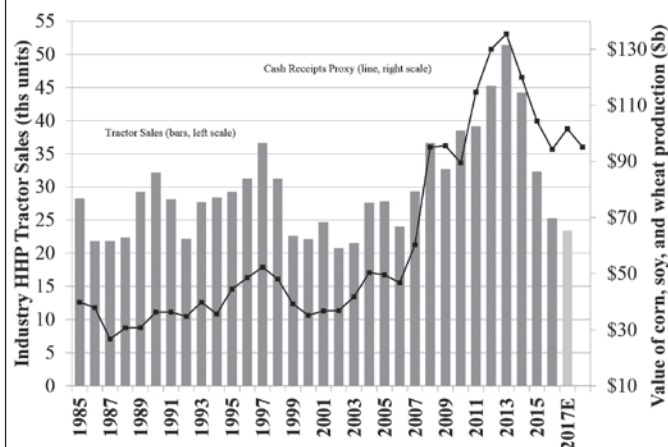


After several years of declines, for 2017 USDA is projecting an increase in net cash farm income and net farm income. Net cash farm income is forecast to increase about \$0.9 billion (1.5%) to \$63.4 billion in 2017, while inflation-adjusted U.S. net cash farm income is forecast to rise almost \$9.8 billion (10.8%) to \$100.4 billion.

Note: F = forecast.

Source: USDA, ERS, *Farm Income & Wealth Statistics*, Aug. 30, 2017

### Cash Receipts vs. Next Year's Equipment Sales



Based on USDA's September 2017 crop report, cash receipts are forecast down 7% year-over-year for 2017-18. Wheat cash receipts are forecast at down 11%; corn down 12%; soybean forecasts down 1%.

Sources: AEM, USDA, Cleveland Research Co.

2017 net income is likely to be below the current projection," say the report authors.

They point out that this pattern can also be observed for 2016 net farm income. The USDA's official estimate of 2016 net farm income was \$61.5 billion. The USDA initially forecast net farm income at \$54.8 billion in February 2016. In August 2016, USDA raised their projection to \$71.5 billion, a 30.5% increase between February and August. The initial forecast was 10.9% below realized net farm income, yet the August forecast revision was 16.3% above the eventual official estimates.

## PART II — U.S. OUTLOOK

# Dealers' Confidence Rising; Expect Improving Business Levels in 2018

U.S. farm equipment dealers are in a better mood this year than they were 12 months ago. This is reflected in the fact that far more of them saw higher revenues from the sale of new machinery in 2017 than they anticipated a year ago. In *Ag Equipment Intelligence's* Dealer Business Outlook & Trends survey last year, only 18.6% of dealers forecast an increase in revenues for the full year. As 2017 was winding down, 34.6% of dealers reported increased revenues for the year. That's a 16% difference; enough to fuel some solid optimism for 2018.

Looking ahead to the new sales year, nearly 47% of U.S. dealers expect a boost in revenues from the sale of new machines (40.6% up 2-7%, 6.3% up 8% or more). This compares with less than 19% of dealers last year at this time who anticipated gains in revenue (14.8% up 2-7%, 3.8% up 8% or more).

Also, half as many dealers are anticipating declining revenues in 2018 compared with a year earlier. This time around only about 18% of U.S. dealers are projecting a drop in revenues in the year ahead vs. 2017 (11.4% down 2-7%, 6.3% down 8% or more). Last year's survey showed almost 36% were projecting a fall off in revenues (20.2% down 2-7%, 15.3% down 8% or more).

Last year, 46% said they were looking at little or no change in revenue levels for 2017. Looking ahead

to 2018, this percentage of dealers dropped by 11%, to 35%.

U.S. dealers aren't looking at a V-shaped recovery in 2018. But with used equipment inventories at more manageable levels than they've seen in 3-4 years is probably adding to their improved outlook.

In addition, with the downturn in new equipment sales now stretching into its fifth year, in at least some cases, farmers need to look at upgrading or replacing older machines. In its third quarter earnings release, Titan Machinery, North America's largest farm equipment dealership group, said, "We have early indications that many of our customers are approaching the point of new equipment replacement." In all likelihood, this is contributing to the uptick in optimism for 2018.

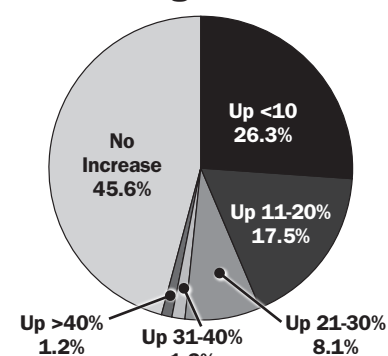
Demands for leasing may also be contributing to dealers' growing confidence. Nearly 44% of dealers responding to this year's survey report that customer demands for leasing were up by 1-20% this past year. Another 11% say their leasing volume is up by more than 20%.

**Price Hikes & Early Orders.** U.S. dealers report that early orders

for new ag machinery in 2018 isn't significantly better than it was a year earlier. Nonetheless, they say additional price hikes are on the way, albeit fairly small ones.

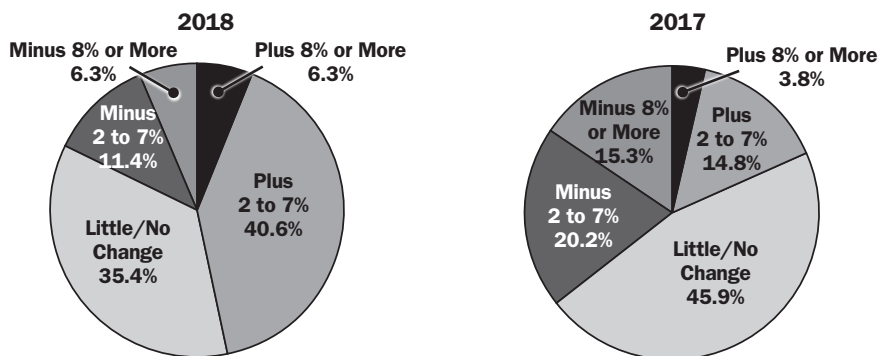
Only 13% of U.S. dealers indicate that their early orders for 2018 are up; 10.1% say they're up by 1-5%, about 2% up 6-10% and a little over 1% up by more than 10%. Going into 2017, just a little over 9% said their

**U.S. Demand for Equipment Leasing — 2017**



More than half of U.S. dealers say customer demands for equipment leasing increased in 2017. About 44% report equipment leases were up between 1-20%.

**U.S. Dealers' Projections for Increasing Sales Revenue – New Equipment — 2018 vs. 2017**



Nearly 47% of U.S. dealers are projecting an increase in new equipment revenues in 2018, with a large majority of these, 41%, expecting to see growth in the 2-7% range. This compares with less than 19% who expected revenue gains a year earlier. For 2017, almost 36% of U.S. dealer anticipated a drop off in revenues. This time around, a little less than 18% expect revenues from new equipment sales to decline in the 2018 sales year. Also, last year, nearly 46% were forecasting flat sales for the year, but this dropped to 35% for the year upcoming.

### How Did U.S. Dealers Fare in 2017?

#### New Equipment Revenue (% of dealers)

Revenue % Increase/Decrease	Current Estimate for 2017	Last Year's Projections for 2017
+8% or more	10.2%	6.6%
+2-7%	24.4%	8.7%
Flat	26.1%	20.0%
-2-7%	19.3%	18.6%
-8% or more	20.0%	46.1%

## U.S. Dealers' Projected Unit Sales by Equipment Segment — 2018

	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	Same as or better for 2018	Weighted Avg. 2018
<b>Tractors &amp; Combines</b>									
2WD Tractors (<40 HP)	10.2%	28.0%	54.1%	5.1%	2.6%	38.2%	7.7%	92.3%	1.64%
2WD Tractors (40-100 HP)	5.7%	29.8%	56.9%	5.7%	1.9%	35.5%	7.6%	92.4%	1.39%
2WD Tractors (>100 HP)	3.9%	27.1%	53.5%	11.6%	3.9%	14.3%	31.0%	84.5%	0.70%
4WD Tractors (All)	4.5%	23.6%	52.9%	12.7%	6.3%	28.1%	19.0%	81.0%	0.33%
Combines	2.2%	20.0%	54.1%	14.1%	9.6%	22.2%	23.7%	76.3%	-0.33%
<b>Hay Tools &amp; Forage</b>									
Rectangular Balers	0.7%	9.2%	78.6%	7.1%	4.3%	9.9%	11.4%	88.5%	-0.19%
Round Balers	2.9%	26.4%	54.3%	12.1%	4.3%	29.3%	16.4%	83.6%	0.53%
Mower/Conditioners	0.7%	20.1%	65.3%	9.1%	4.2%	20.8%	13.3%	86.1%	0.19%
Windrowers/Swathers	0.8%	16.2%	62.2%	15.4%	5.4%	17.0%	19.8%	79.2%	-0.33%
Feeders/Mixers	0.8%	5.8%	83.4%	3.3%	6.8%	6.6%	10.1%	90.0%	-0.35%
Forage Harvesters	0.8%	6.5%	78.1%	8.1%	6.5%	7.3%	14.6%	85.4%	-0.53%
<b>Planting &amp; Seeding</b>									
Planters (All)	2.9%	29.5%	51.0%	9.4%	7.2%	32.4%	16.6%	83.4%	0.56%
Air Seeders/Drills	0.0%	13.4%	62.3%	10.2%	7.1%	13.4%	17.3%	75.7%	-0.43%
<b>Tillage</b>									
Field Cultivators	0.0%	11.4%	75.7%	7.9%	5.0%	11.4%	12.9%	87.1%	-0.24%
Chisel Plows	0.7%	8.0%	73.7%	11.7%	5.8%	8.7%	17.5%	82.4%	-0.57%
Disc Harrows	1.4%	11.2%	69.9%	11.2%	6.3%	12.6%	17.5%	82.5%	-0.39%
<b>Sprayers</b>									
Self-Propelled Sprayers	4.0%	28.6%	54.7%	5.6%	7.1%	32.6%	12.7%	87.3%	0.78%
Pull-Type Sprayers	0.8%	6.3%	78.1%	6.3%	8.6%	7.1%	14.9%	85.2%	-0.62%
<b>Other Equipment</b>									
Farm Loaders	2.1%	23.6%	65.7%	5.7%	2.9%	25.7%	8.6%	91.4%	0.75%
GPS/Precision Farming	8.1%	22.6%	62.9%	4.0%	2.4%	30.7%	6.4%	93.6%	1.29%
Lawn/Garden Equipment	16.4%	35.8%	40.3%	6.7%	0.8%	52.2%	7.5%	92.5%	2.56%
On a weighted basis, U.S. dealers indicate that <b>11 of 21</b> categories of farm machinery present good potential for increasing unit sales in 2018 vs. 6 equipment categories going into 2017. Equipment with the best potential to grow in unit sales is lawn and garden equipment, compact and mid-range tractors, precision farming equipment and self-propelled sprayers.									

early orders were up.

While 21% report that early orders for the next year's new models is about at the same level, the remaining two-

thirds of dealers say they are lower, with 37% of these indicating they are down more than 10%. A year ago, more than 42% of dealers reported their presells were down by 10% or more.

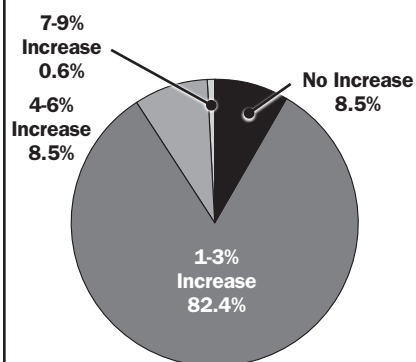
On a weighted average basis, early orders scored a -4.76% vs. -5.36% a year ago at this time.

Despite the ongoing struggle to move new farm equipment, dealers say their mainline manufacturers will

increase prices of new equipment for 2018. Only 8.5% of dealers say they are not expecting an increase. The remaining 91.5% indicate their suppliers will up new equipment prices, with about 82% expecting price hikes to be in the 1-3% range. None of the dealers see price increases of 10% or more.

In their list of concerns for the new sales year, dealers ranked "increasing cost of new equipment" as #3

### New Equipment Price Increases for 2018

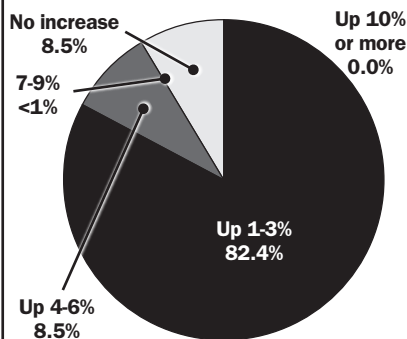


Less than 9% of U.S. dealers expect no price hikes for new equipment in 2018, while 82% say prices will increase 1-3% and 9% projecting increases of 4% or more.

### U.S. Early Order/Presells – 2015-18

	2018 Survey (09/17)	2017 Survey (09/16)	2016 Survey (09/15)	2015 Survey (09/14)
Up more than 10%	1.27%	1.16%	0.00%	1.22%
Up 6-10%	1.9%	1.16%	0.46%	2.04%
Up 1-5%	10.1%	6.83%	7.31%	6.53%
Same as 5 years ago	20.9%	13.87%	30.14%	31.43%
Down 1-5%	11.4%	17.34%	10.05%	13.47%
Down 6-10%	17.7%	14.45%	11.42%	16.73%
Down more than 10%	36.7%	42.20%	40.64%	28.57%
	<b>-4.76%</b>	<b>-5.36%</b>	<b>-4.95%</b>	<b>-4.01%</b>

## Price Hikes for 2018 Ag Equipment



More than 90% of dealers report price hikes are coming from their mainline suppliers. A large majority (82%) say price increases for 2018 will be between 1-3%.

on their list. Nearly 91% of dealers said they were “concerned” (47.9%) or “most concerned” (42.9%) about the rising price of new farm machinery.

## Top Products for Unit Sales Growth in 2018

Of the 21 product categories covered in the survey, on a weighted basis dealers expect that 11 of them have the potential to produce increased unit sales going into the new sales year. This compares with only 6 last year at this time.

Topping the list again this year are what are considered consumer-type products. Specifically, dealers are looking at lawn and garden products to have the most potential. Overall, slightly over 52% of dealers see growth of 2% or more in

2018, while less than 8% are forecasting declining unit sales in this category (net 44.7%; wtd. avg. +2.56%).

Next on the list are compact tractors (<40 HP). More than 38% of dealers are projecting increased units sales during the next 12 month and less than 8% anticipate declining sales of small tractors (net 30.5%; wtd. avg. +1.64%). This group is followed by mid-range tractors, where 35.5% of dealers forecast rising sales and 7.6% expect sales to be off (net 27.9%; wtd. avg. +1.39%).

GPS/precision farming equipment and systems claimed #4 on the dealers’ list of potential sales gainers in 2018. About 31% are looking to increasing unit sales of this equipment and services, while only 6.4% expect sales to decline (net 24.3%; wtd. avg. +1.29%). Rounding out the top 5 potential best sellers during the year ahead are self-propelled sprayers. Some 33% of dealers see sales of this equipment growing, while 12.7% anticipate falling sales (net 19.9%; wtd. avg. +0.78%).

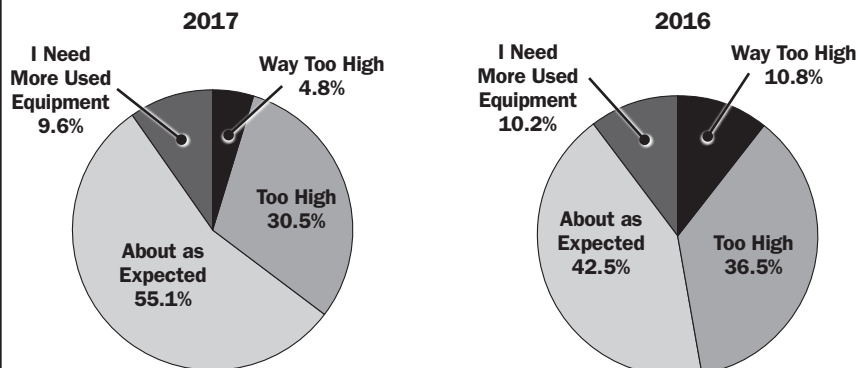
Others is the “plus” category for potentially growing unit sales on a weighted basis include farm loaders (+0.75%), 2WD tractors (>100 HP) (+0.70%), planters (+0.56%), round balers (+0.53%), 4WD tractors (+0.33%) and mower/conditioners (+0.19%).

## More than One-Third of Dealers Expect Higher Used Equipment Revenues

Excessive used equipment inventories at U.S. dealerships, which have haunted industry retailers since the beginning of the downturn of new equipment sales in 2014, appear to

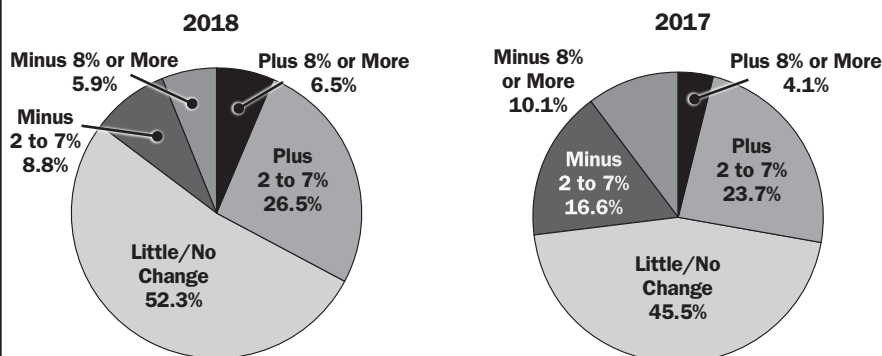
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## U.S. Dealers’ View of Used Equipment Inventory



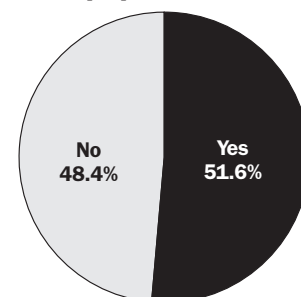
The number of U.S. dealers describing their used equipment inventories as “too high” or “way too high” dropped to 35.3% in 2017. This down from 47.3% the year before. Also, 55% rated used backlogs “about as expected” vs. 43% in 2016, indicating a higher level of satisfaction.

## U.S. Dealers’ Projections for Increasing Sales Revenue for Used Equipment — 2018 vs. 2017



The percentage of dealers who expect revenues from the sale of used equipment to rise rose to 33%, a modest increase from 27.8% a year ago, but a significantly smaller number of dealers are forecasting declining sales of used machines for this new sales year (14.7%) than they did going into 2017 (26.7%). Likewise, the percentage of dealers expecting “little or no change” in 2018 vs. 2017 also increased to 52.3% from 45.5% (net 6.8%). This also signals that used inventories are in somewhat better shape than they were in the previous year.

## Used Equipment Auctions

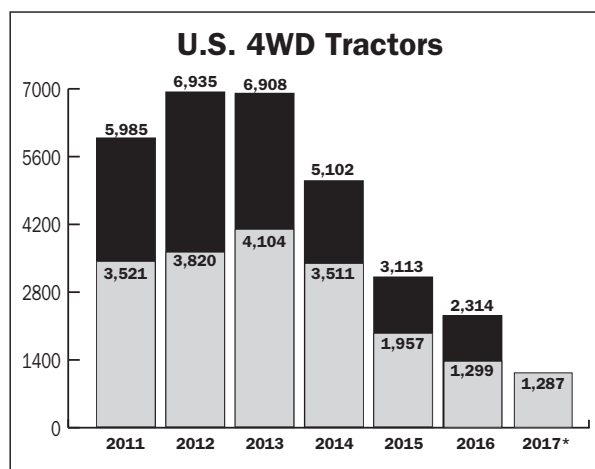
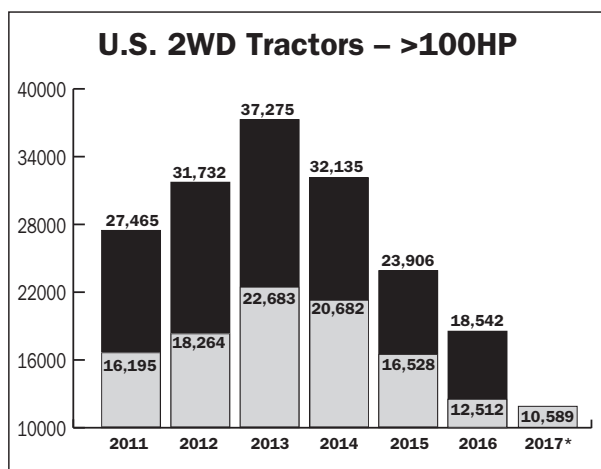
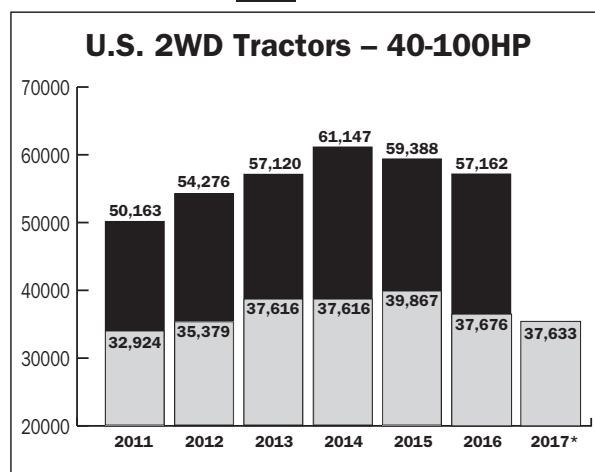
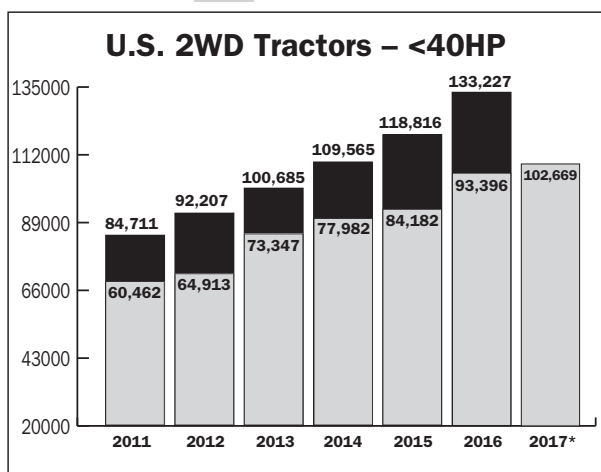


Slightly more than half of dealers resorted to using equipment auction services in 2017 to reduce used equipment backlogs. This is about the same as 2017.



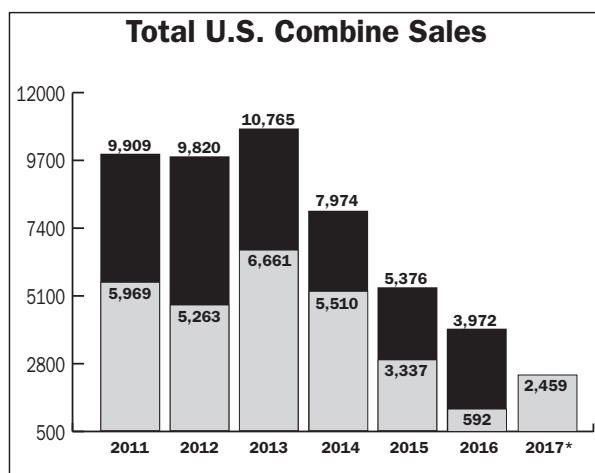
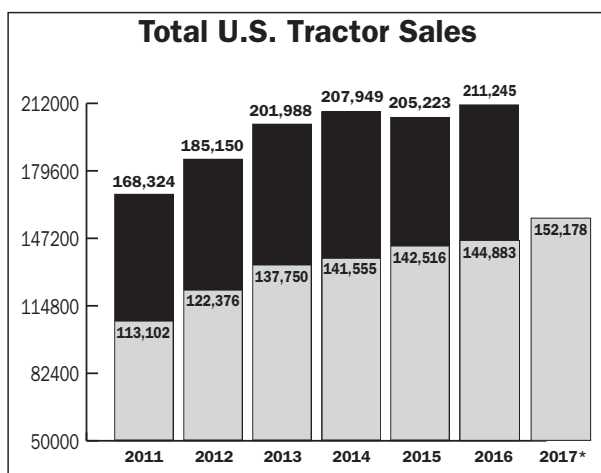
## U.S. Retail Tractor & Combine Unit Sales — 2011-17\*

■ = \*Year-to-Date January through September 2017 ■ = Full Year



U.S. sales of compact (<40 HP) and mid-range (40-100 HP) tractors showed solid sales through the first 8 months of 2017, with compact unit sales up nearly 10% and mid-range even with the prior year. 4WD units began a comeback after struggling for several years, but row-crop (>100 HP) equipment registered a deficit of more than 15% year-over-year.

Source: Assn. of Equipment Manufacturers

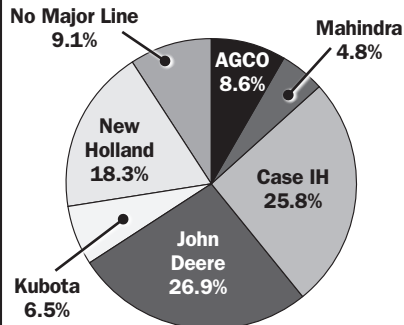


Total tractor sales during the January-August 2017 period were somewhat better than the same period in the previous year. For the first 8 months, total unit sales posted gains of 5%. Combines sales began somewhat of a comeback as well. Despite being down about 5%, the year's showing was much improved compared to the previous 3 years.

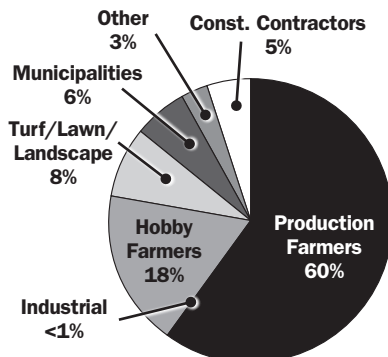
Source: Assn. of Equipment Manufacturers

## Demographics of 2018 Respondents — U.S.

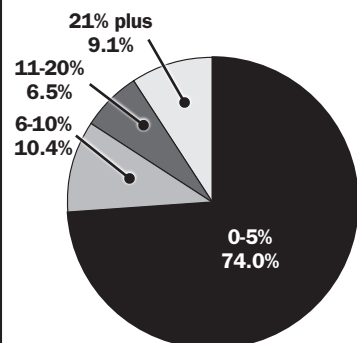
### Mainline Equipment Suppliers



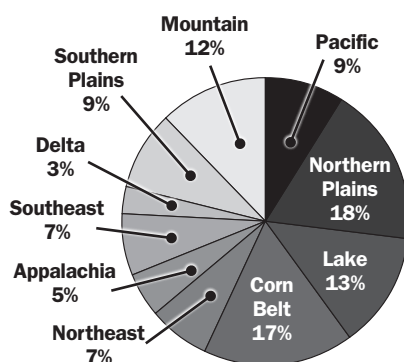
### Dealer Revenue Sources



### Dealership Top Managers Coming of Retirement Age (66) in Next 2 Years — U.S.



### Regions Represented — 2018



U.S. dealers represented 83% of the total 229 respondents to *Ag Equipment Intelligence's* 2018 Dealer Business Outlook & Trends survey. They report that 62% of their 2017 revenues came from production farming and 17% came from the hobby farming and large property owner segments. On average, these dealerships employ 21 people and operate 6 ag store locations. All major brands were represented among the respondents. Dealers who represent Mahindra-branded equipment were also included in the 2018 survey. Only 5% or less of the industry's top managers will be coming of retirement age (66 years old) in the next 2 years.

*Continued from p. 16*

be diminishing. This may be the most positive trend dealers have seen in the last 4 years, which sets the stage for

### How Did U.S. Dealers Fare in 2017?

#### Used Equipment Revenues

(% of dealers)

Revenue % increase/decrease	Current Estimate for 2017	Last Year's Projections for 2017
+8% or more	14.4%	6.6%
+2-7%	23.0%	8.8%
Flat	37.4%	19.8%
-2-7%	16.0%	18.7%
-8% or more	9.2%	46.1%

improving revenues in 2018.

This is also showing up in the way dealers are rating their inventories currently vs. 12 months ago. Last year at this time, 47.3% of dealers polled described their used backlogs as "too high" (36.5%) or "way too high" (10.8%), while significantly less than half of them (42.5%) said their inventories were "about as expected."

Going into 2018, 35.3% of U.S. dealers report their backlog of used machines is "too high" (26.5%) or "way too high" (6.5%), while more than half (55.1%) indicate inventories are "about as expected."

Unfortunately, more than half (51.6%) say they turned to auction services to reduce used inventories. Most dealers try to avoid using auctions as

they tend to significantly reduce margins or wipes them out altogether.

With all of this behind them, dealers are looking for higher used equipment revenues in 2018. Overall, one-third (33%) expect sales to increase (6.5% up 8% or more; 26.5% up 2-7%) in the next 12 months. A year ago, 27.8% of dealers were forecasting higher used revenues (4.1% up 8% or more; 23.7% up 2-7%). Going into the new sales year, 52.3% of dealers expect "little or no change" in used revenues, while a year ago 45.5% expected flat revenues.

### Growing Service Demands Move Tech Needs to Top of List

Customers' increasing requirements for service is adding to U.S. dealers' stress levels these days. This is reflected in their rating "technician availability" as their #1 concern going into 2018. Burgeoning demands for precision farming talent as well as the increasingly complexity of new farming equipment has moved up the need for more highly trained technicians from #5 a year ago. More than 93% of dealers rated tech availability as "concerning" or "most concerning."

Low farm commodity prices also ranks high with biggest concerns going into the new sales year. At #2 on the list, 92% of dealers see this as one of their biggest issues during the next 12 months.

The increasing cost of new equipment continues to be a major issue for dealers. It stayed at #3 on their list with nearly 91% rating as "concerning" or "most concerning. Slightly over 90% of dealers say farm input costs — which compete with capital expenditures — is #4 on their list of concerns for 2018; the same spot as last year.

Dropping down to #5 from the #1 spot last year is health care affordability. Just under 90% of dealers indicate that it's a major issue for them going into the new year.

Not too long ago, dealer consolidation was a particularly sensitive subject for U.S. dealers. Not so much these days as it finished dead last, #16. Barely over one-half of dealers (about 52%) are concerned about the trend toward more dealerships being owned by fewer operators.

### U.S. Dealer Top Concerns for 2018 (% of Dealers)

Rank Major Issues	Most Concerning	Concerning	Not Concerning	2017 Ranking
1. Technician Availability	51.5%	41.7%	6.8%	5
2. Farm Commodity Prices	69.5%	22.6%	7.9%	2
3. Increasing Cost of New Equipment	42.9%	47.8%	9.3%	3
4. Farm Input Costs	49.7%	40.5%	9.8%	4
5. Health Care Affordability	50.9%	38.7%	10.4%	1
6. Shrinking Farm Customer Base	39.5%	46.3%	14.2%	6
7. Product Reliability	25.2%	50.9%	23.9%	10
8. Used Equipment Inventory	22.1%	49.1%	28.8%	7
9. New Equipment Inventory	14.4%	54.4%	31.3%	9
10. Labor Regulation	11.7%	51.5%	36.8%	8
11. Finance – Floor Planning	21.0%	40.7%	38.3%	11
12. Finance – Retail	15.8%	45.6%	38.6%	14
13. Dealer Purity Efforts	16.3%	43.8%	40.0%	13
14. Energy/Fuel Costs	8.6%	48.2%	43.2%	12
15. Mfr. Succession Policies	11.3%	42.5%	46.3%	15
16. Mfr. Consolidation	6.2%	41.0%	52.8%	16
17. Dealer Consolidation	14.9%	37.3%	47.8%	17

### More Spending & Hiring Underline Dealers' Growing Confidence

U.S. dealers' plans for increased hiring levels and capital expenditures for 2018 seem to further reinforce the heightened optimism for the year ahead. As expected, plans to hire more service technicians easily out distance other areas of dealer operations.

Nearly 60% of dealers (58.8%) responding to the 2018 survey say they are planning to hire more service techs in the next 12 months. This is up from about 48% last year.

Slightly over 27% of dealers are aiming to add to their parts counter staff in the next year. This compares to about 23% a year ago. Plans to add precision farming specialists are also on dealers' agendas, but to a lesser extent. This year about 12% of ag retailers plan to increase staffing in their precision departments. This is up from 10.5% for 2017.

Fewer dealers (26.4%) plan to add to their wholegoods sales staffs during the next 12 months compared to a year ago at this time when 28.5% indicated they were looking for additional sales people. Also, fewer dealers (6.2%) plan to add administrative staff in the

year ahead vs. last year when nearly 7% said they were looking to increasing admin staff.

A bigger percentage of U.S. dealers are planning investments in capital spending in 2018, as well. In last year's survey, 66% said they would not increase capex spending. This slipped to about 48% this time around, which means more than half are planning to increase their spending, but modestly.

Overall, 41% say they're planning to increase expenditures by 1-5% to improve facilities and/or business systems in the year ahead. This compares to about 30% a year ago. Another 10% will increase capital investments by 6-10% vs. 4% last year. And while a little over 1% will spend more than 11%, this about double (0.6%) compared to a year ago.

Most of new spending will find its way in shop and service operations. About 47% will invest in shop facilities (vs. 31% last year) and another 39% plan to increase spending on mobile service vehicles vs. 33% a year ago.

At the same time, nearly 28% will up spending in their retail/showrooms, up from 18% in 2017. About 23% will increase their investments in business

### U.S. Dealers' Hiring Plans 2018 vs. 2017

	Add Staff 2018	Add Staff 2017
Parts Department	27.1%	22.6%
Service Technicians	58.8%	48.3%
Wholegoods Sales	26.4%	28.5%
Administration	6.2%	6.9%
Precision Farming Specialists	12.1%	10.5%

### U.S. Dealers' Spending Plans for 2018 vs. 2017

	2018	2017
No Increase	47.8%	65.9%
Increase 1 to 5%	40.9%	29.5%
Increase 6 to 10%	10.1%	4.0%
Increase 11%+	1.3%	0.6%

### Where U.S. Dealers Will Invest in 2018

	2018	2017
Shop & Service	46.9%	30.6%
Retail/Showroom	27.6%	17.7%
Business Info. Systems	22.8%	16.4%
Mobile Service Vehicles	38.9%	32.9%

systems for the new sales year vs. 16% a year ago.

### Tighter Credit Conditions Hinder Retail Financing?

More than two-thirds (69%) of U.S. dealers noted they are experiencing more difficult credit conditions for their retail customers in the past year.

In its mid-year report, the Federal Reserve Bank of Kansas City said, that as farm repayment rates weakened benchmark interest rates on farm loans increased to 5.8% in the second quarter, the highest in 5 years. "Interest rates on other farm loans, including loans for machinery and real estate, increased at a similar pace." It also pointed out that rate increases may be in response to heightened risk in the farm sector. Bankers have taken other steps to manage risk in their ag loan portfolios. "Compared with bank practices of several years ago, the primary changes have been an increased use of debt restructuring and increased loan analysis."

# U.S. Dealers' Regional Profile & Outlook for 2018

*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. Estimated 2017 revenue for both new and used equipment as reported by the dealers is also shown for each region.

## Northeast

**Coverage:** Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont  
**Avg. Employees/Location:** 27  
**Avg. Stores/Dealer:** 3.6  
**Revenue Source Breakdown:** Production Farm 33%; Hobby Farm 24.5%; Turf/Lawn 12.7%; Municipal 7.5%; Construction 5.5%; Industrial 0.5%; Other 5.8%  
**2017 New Equipment Revenue:** +8% = 15%; +2-7% = 46%; flat = 0%; -2-7% = 23%; -8% = 16%  
**2017 Used Equipment Revenue:** +8% = 38%; +2-7% = 23%; flat = 31%; -2-7% = 8%; -8% = 0%

## Appalachia

**Coverage:** Kentucky, North Carolina, Tennessee, Virginia, West Virginia  
**Avg. Employees/Location:** 23.0  
**Avg. Stores/Dealer:** 2.3  
**Revenue Sources:** Production Farm 43.8%; Hobby Farm 26%; Turf/Lawn 11.2%; Municipal 6.8%; Construction 8.6%; Industrial 1.3%; Other 2.3%  
**2017 New Equipment Revenue:** +8% = 10%; +2-7% = 30%; flat = 20%; -2-7% = 20%; -8% = 20%  
**2017 Used Equipment Revenue:** +8% = 10%; +2-7% = 30%; flat = 20%; -2-7% = 20%; -8% = 20%

## Southeast

**Coverage:** Alabama, Florida, Georgia, South Carolina  
**Avg. Employees/Location:** 92  
**Avg. Stores/Dealer:** 3.3  
**Revenue Sources:** Production Farm 45.3%; Hobby Farm 29.3%; Turf/Lawn 13.2%; Municipal 4.3%; Construction 4%; Industrial 1.5%; Other 0%  
**2017 New Equipment Revenue:** +8% = 27%; +2-7% = 46%; flat = 18%; -2-7% = 0%; -8% = 9%  
**2017 Used Equipment Revenue:** +8% = 9%; +2-7% = 27%; flat = 37%; -2-7% = 0%; -8% = 27%

## Delta States

**Coverage:** Arkansas, Mississippi, Louisiana  
**Avg. Employees/Location:** 52  
**Avg. Stores/Dealer:** 7  
**Revenue Sources:** Production Farm 43.3%; Hobby Farm 35%; Turf/Lawn 5.3%; Municipal 4%; Construction 1.2%; Industrial 0%; Other 11.2%  
**2017 New Equipment Revenue:** +8% = 33%; +2-7% = 17%; flat = 33%; -2-7% = 0%; -8% = 17%  
**2017 Used Equipment Revenue:** +8% = 17%; +2-7% = 0%; flat = 49%; -2-7% = 17%; -8% = 17%

## Southern Plains

**Coverage:** Oklahoma, Texas  
**Avg. Employees/Location:** 32  
**Avg. Stores/Dealer:** 2.8  
**Revenue Sources:** Production Farm 50.1%; Hobby Farm 27.7%; Turf/Lawn 7.5%; Municipal 2.7%; Construction 6.5%; Industrial 2%; Other 3.5%  
**2017 New Equipment Revenue:** +8% = 0%; +2-7% = 24%; flat = 24%; -2-7% = 12%; -8% = 40%  
**2017 Used Equipment Revenue:** +8% = 24%; +2-7% = 29%; flat = 29%; -2-7% = 12%; -8% = 6%

## Northern Plains

**Coverage:** Kansas, Nebraska, North Dakota, South Dakota  
**Avg. Employees/Location:** 133  
**Avg. Stores/Dealer:** 18  
**Revenue Sources:** Production Farm 76.9%; Hobby Farm 5.4%; Turf/Lawn 3.3%; Municipal 5.2%; Construction 6.3%; Industrial 0.5%; Other 2.4%  
**2017 New Equipment Revenue:** +8% = 0%; +2-7% = 13%; flat = 32%; -2-7% = 36%; -8% = 19%  
**2017 Used Equipment Revenue:** +8% = 3%; +2-7% = 30%; flat = 33%; -2-7% = 23%; -8% = 11%

## Lake States

**Coverage:** Michigan, Minnesota, Wisconsin  
**Avg. Employees/Location:** 63  
**Avg. Stores/Dealer:** 11  
**Revenue Sources:** Production Farm 67.3%; Hobby Farm 16.2%; Turf/Lawn 5.1%; Municipal 3.8%; Construction 5.2%; Industrial 1.4%; Other 1%  
**2017 New Equipment Revenue:** +8% = 4%; +2-7% = 17%; flat = 44%; -2-7% = 30%; -8% = 5%  
**2017 Used Equipment Revenue:** +8% = 4%; +2-7% = 13%; flat = 57%; -2-7% = 26%; -8% = 0%

## Corn Belt

**Coverage:** Illinois, Indiana, Iowa, Missouri, Ohio  
**Avg. Employees/Location:** 32  
**Avg. Stores/Dealer:** 9.5  
**Revenue Sources:** Production Farm 66%; Hobby Farm 13.3%; Turf/Lawn 9.1%; Municipal 3.7%; Const. 5.3%; Industrial 1.1%; Other 1.5%  
**2017 New Equipment Revenue:** +8% = 16%; +2-7% = 28%; flat = 13%; -2-7% = 19%; -8% = 24%  
**2017 Used Equipment Revenue:** +8% = 16%; +2-7% = 22%; flat = 28%; -2-7% = 19%; -8% = 15%

## Mountain

**Coverage:** Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming  
**Avg. Employees/Location:** 25



**Avg. Stores/Dealer:** 14.3

**Revenue Sources:** Production Farm 61.%; Hobby Farm 18 %; Turf/Lawn 10.5%; Municipal 7%; Const. 3 %; Industrial 0.2%; Other 0.3%

**2017 New Equipment Revenue:**

+8% = 11%; +2-7% = 21%; flat = 37%; -2-7% = 10%; -8% = 21%:

**2017 Used Equipment Revenue:**

+8% = 15%; +2-7% = 37%; flat = 26%; -2-7% = 11%; -8% = 11%

## Pacific

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

**Avg. Emp./Location:** 28

**Avg. Stores/Dealer:** 11.4

**Revenue Sources:** Production Farm 58.4%; Hobby Farm 14.7%; Turf/Lawn 7.4%; Municipal 8.4%; Construction 4.3%; Industrial 2.2%; Other 4.6%

**2017 New Equipment Revenue:**

+8% = 15%; +2-7% = 21%; flat = 36%; -2-7% = 7%; -8% = 21%:

**2017 Used Equipment Revenue:**

+8% = 14%; +2-7% = 7%; flat = 72%; -2-7% = 7%; -8% = 0

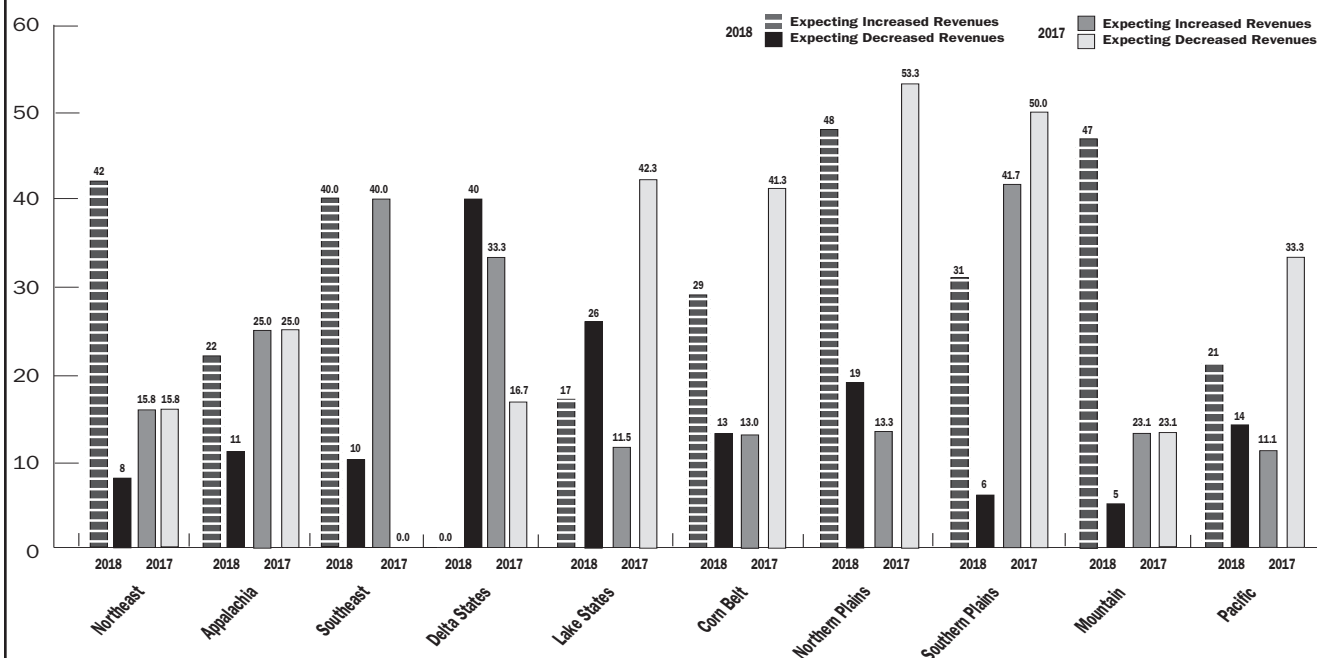
## Ranking U.S. Regional Expectations for Revenue Gains/Losses New Equipment Sales — 2018 vs. 2017

Region	% Expecting Gains in 2018	% Expected Gains in 2017	% Expecting Losses in 2018	Weighted Avg. 2018
1. Southeast	81.8%	40.0%	9.1%	3.91%
2. Delta States	33.3%	33.3%	50.0%	-1.33%
3. Appalachia	40.0%	25.0%	20.0%	1.25%
3. Northeast	69.2%	15.8%	0.0%	3.38%
4. Southern Plains	58.8%	41.7%	17.7%	1.44%
5. Mountain	68.4%	23.1%	10.5%	2.97%
6. Pacific	50.0%	11.1%	14.3%	1.86%
7. Corn Belt	37.5%	13.0%	28.1%	0.20%
8. Lake States	22.7%	11.5%	13.6%	0.41%
9. Northern Plains	35.5%	13.3%	19.4%	0.50%

## Ranking U.S. Regional Expectations for Revenue Gains/Losses Used Equipment Sales — 2018 vs. 2017

Region	% Expecting Gains in 2018	% Expected Gains in 2017	% Expecting Losses in 2018	Weighted Avg. 2018
1. Southeast	40.0%	50.0%	10.0%	1.70%
2. Appalachia	22.2%	30.0%	11.1%	0.89%
3. Southern Plains	31.3%	41.7%	6.3%	1.13%
3. Mountain States	47.4%	38.5%	5.3%	1.89%
4. Pacific	21.4%	44.4%	14.3%	0.32%
5. Northeast	41.7%	31.6%	8.3%	1.50%
6. Lake States	17.4%	18.2%	26.1%	-0.54%
7. Delta States	0.0%	0.0%	40.0%	-2.50%
8. Corn Belt	29.0%	20.0%	12.9%	0.73%
9. Northern Plains	48.4%	29.6%	19.4%	1.42%

## U.S. Regional Expectations New Equipment Sales Revenues 2018 vs. 2017



Dealers in the Northern Plains, Mountain States, Northeast and Southeast regions of the U.S. are the most optimistic for increasing revenue from the sale of new farm equipment. For the second year in a row, dealers in the Delta States have very low expectations for 2018.

## PART III — CANADIAN OUTLOOK

### Canadian Dealers Remain Optimistic; 45% See Improving Revenues for 2018

Not a lot has changed from a year ago as Canadian dealers look ahead to the new sales year. For the most part, they were optimistic 12 months ago and they remain that way going into 2018.

At least part of their confidence lies in the fact that nearly two-thirds (64%) of Canadian dealers report that revenue this year from the sales of new equipment was up significantly compared to the previous year. Slightly more than 41% say their 2017 sales will be up 8% or more and 23% say they were up by

2-7%. Only 18% are reporting sales fell compared to the previous year, with 15.4% indicating they decreased by 2-7% and 2.6% by 8% or more. That same percentage of dealers (18%) says there was little or no change in 2017 vs. the year before.

Last year, 45.2% of the Canadian dealers expected sales revenues from new equipment to improve; 6.5% by 8% or more and 38.7% by 2-7%. The numbers are remarkably similar to their expectations for 2018: 44.7% are forecasting revenues will increase, 7.9% by

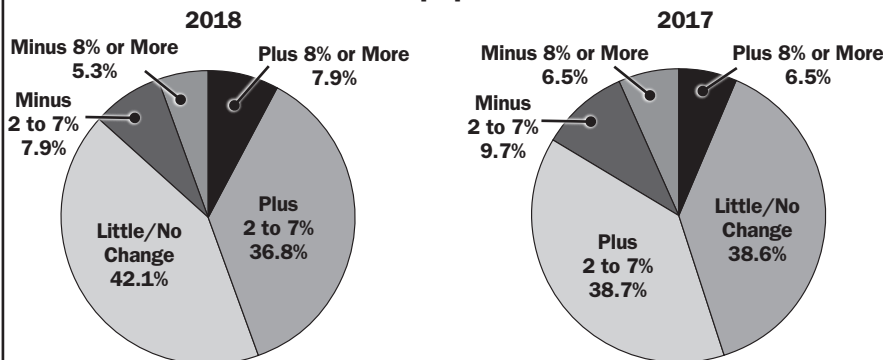
8% or more and 36.8% by 2-7%.

As for those dealers anticipating a fall off in revenues for the new sales year, there was a marginal variance between their expectations going into 2017 compared to their outlook for 2018. In the year ahead, only 13.2% see revenues dropping; 7.9% by 2-7% and 5.3% by 8% or more. A little over 42% of dealers are projecting little or no change for new equipment revenues in 2018. A year earlier, 39% forecasted flat revenues for 2017.

**Little Leasing Growth.** Unlike their U.S. colleagues who are reporting a surge in equipment leases, a significant percentage of Canadian dealers say they haven't experienced demands at the same level. Slightly over 58% of Canadian equipment retailers have not seen an increase in customer requests to lease ag machinery. Of the nearly 42% who have, 28% indicate leases have increased between 1-10% and 14% between 11-20%. There were none higher than 20%.

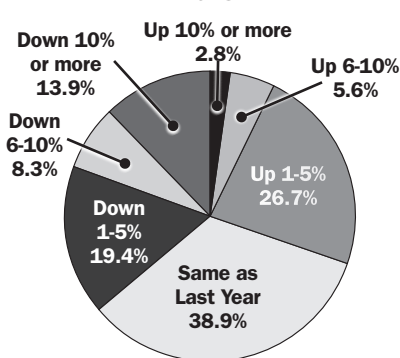
**Price Hikes & Early Orders.** A little over 15% of Canadian dealers say they do not expect a price increase on 2018 equipment from their mainline suppliers. The remaining dealers (85%) are expecting price

**Canadian Dealers' Projections for  
Sales Revenue New Equipment— 2018 vs. 2017**



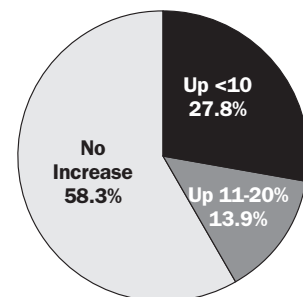
For 2018, Canadian dealers are at nearly the same confidence level as they were a year earlier. Overall, 44.7% are expecting increased revenues. At this point last year, that number stood at 45.2%. About 13% of Canadian dealers expect a drop in revenues in the new year. A year ago, the number expecting lower revenues stood at 16%.

**Canadian Dealers' Estimate of Early Orders**



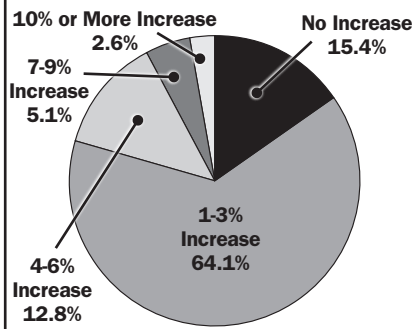
Early orders for Canadian dealers saw an uptick for 2018. In the year ahead, 35.1% of dealers have seen the level of presells increase, up from 26.7% for 2017. But 41.6% say their early orders for 2018 are down vs. the previous year. Last year, 36.7% said early orders were down.

**Demand for Ag Equipment  
Leasing — Canada 2017**



Nearly 42% of Canadian dealers report that demands for leasing 2017 was up, while a little over 58% say they didn't see an increase in leasing in the past year.

### New Equipment Price Increases for 2018



More than 15% of Canadian dealers say they are not expecting a price increase for new equipment in 2018. Of the nearly 85% who say prices will increase, 64% report the increase to be between 1-3%.

increases with the largest percentage (64%) saying the hikes will be in the 1-3% range.

The level of early orders for

Canadian dealers is somewhat better than that of U.S. dealers, but still suggests there is a long way to go to get to anywhere near the level dealers and manufacturers were enjoying in 2013.

In total, less than 20% of dealers report an increase in early orders for 2018 (up 1-5% - 11.1%; up 6-10% - 5.6%; up 10% or more 2.8%). This is down from 2017 when nearly 27% said their presells for the coming year were up (up 1-5% - 26.7%; up 6-10% - 0.0%; up 10% or more - 0.0%).

At the same time, nearly 42% indicate that their early orders are down for 2018 (down 1-5% - 19.4%; down 6-10% - 8.3%; down 10% or more - 13.9%). This compares with 37% for 2017 (down 1-5% - 6.7%; down 6-10% - 10%; down 10% or more - 20%).

### Canada's 2018 'Best Bets'

Equipment Category	Weighted Avg.
1. Lawn & Garden Equipment	+3.29%
2. GPS/Precision Planting	+2.31%
3. 2WD Tractors (<40 HP)	+2.26%
4. 4WD Tractors	+1.80%
5. 2WD Tractors (40-100 HP)	+1.62%
6. Self-Propelled Sprayers	+1.48%
7. Round Balers	+1.44%
8. 2WD Tractors ( >100 HP)	+1.39%
9. Mower/Conditioners	+1.22%
10. Farm Loaders	+1.20%

### Big Ag Equipment Returns to 'Best Bets' List

Throughout the history of *Ag Equipment Intelligence's* annual Dealer Business Survey (now in its 13th year), Canadian dealers have typically been more optimistic than their U.S. counterparts about their business

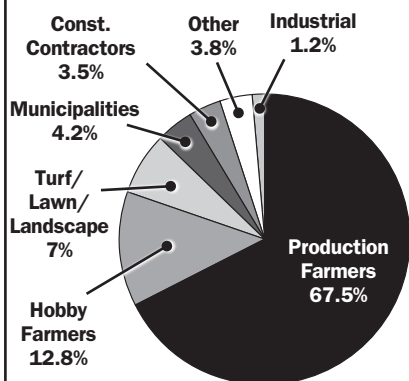
### Canada Projected Unit Sales by Equipment Segment — 2018

	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	Optimism vs. LY	Same or better** 2017	Weighted Avg. 2018
<b>Tractors &amp; Combines</b>										
2WD Tractors (<40 HP)	11.1%	36.1%	47.2%	5.6%	0.0%	47.2%	5.6%	20.6%	94.4%	2.26%
2WD Tractors (40-100 HP)	0.0%	36.1%	63.9%	0.0%	0.0%	36.1%	0.0%	9.4%	100.0%	1.62%
2WD Tractors (>100 HP)	2.9%	31.4%	60.0%	5.7%	0.0%	34.3%	5.7%	3.3%	94.3%	1.39%
4WD Tractors (All)	6.3%	40.6%	43.8%	6.3%	3.1%	46.9%	9.4%	16.1%	90.6%	1.80%
Combines	3.6%	25.0%	60.7%	7.1%	3.6%	28.6%	10.7%	-0.6%	89.3%	0.80%
<b>Hay Tools &amp; Forage</b>										
Rectangular Balers	0.0%	3.6%	92.9%	3.6%	0.0%	3.6%	3.6%	-4.8%	96.4%	0.00%
Round Balers	5.6%	27.8%	61.1%	5.6%	0.0%	33.3%	5.6%	-9.5%	94.5%	1.44%
Forage Harvesters	0.0%	3.6%	92.9%	3.6%	0.0%	3.6%	3.6%	-6.0%	96.4%	0.00%
Mower/Conditioners	2.8%	25.0%	69.4%	2.8%	0.0%	27.8%	2.8%	-29.4%	97.2%	1.22%
Windrowers/Swathers	3.5%	10.3%	58.6%	24.1%	3.5%	13.8%	27.6%	-7.0%	72.4%	-0.62%
Feeders/Mixers	0.0%	3.6%	96.4%	0.0%	0.0%	3.6%	0.0%	-19.2%	100.0%	0.16%
<b>Planting &amp; Seeding</b>										
Planters (All)	0.0%	16.0%	84.0%	0.0%	0.0%	16.0%	0.0%	-2.2%	100.0%	0.72%
Air Seeders/Drills	0.0%	7.1%	82.1%	3.6%	7.1%	7.1%	10.7%	-15.1%	89.3%	-0.41%
<b>Tillage</b>										
Field Cultivators	0.0%	3.7%	96.3%	0.0%	0.0%	3.7%	0.0%	-4.6%	100.0%	0.17%
Chisel Plows	0.0%	3.6%	89.3%	7.1%	0.0%	3.6%	7.1%	-0.8%	92.9%	-0.16%
Disc Harrows	0.0%	11.1%	81.5%	7.4%	0.0%	11.1%	7.4%	2.4%	92.6%	0.17%
<b>Sprayers</b>										
Self-Propelled Sprayers	0.0%	39.3%	57.1%	0.0%	3.6%	39.3%	3.6%	4.5%	96.4%	1.48%
Pull-Type Sprayers	0.0%	3.7%	88.9%	3.7%	3.7%	3.7%	7.4%	-1.1%	92.6%	-0.30%
<b>Other Equipment</b>										
Farm Loaders	3.3%	26.7%	66.7%	0.0%	3.3%	30.0%	3.3%	5.0%	96.7%	1.20%
Lawn/Garden Equipment	12.1%	51.5%	36.4%	0.0%	0.0%	63.6%	0.0%	12.0%	100.0%	3.29%
GPS/Precision Farming	11.5%	30.8%	57.7%	0.0%	0.0%	42.3%	0.0%	15.4%	100.0%	2.31%

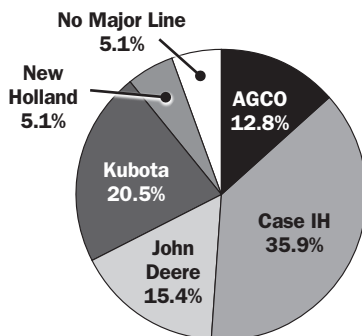
On a weighted basis, Canadian dealers say 17 of 21 categories of farm machinery present good potential for increasing unit sales in 2018.

## Demographics of 2018 Respondents — Canada

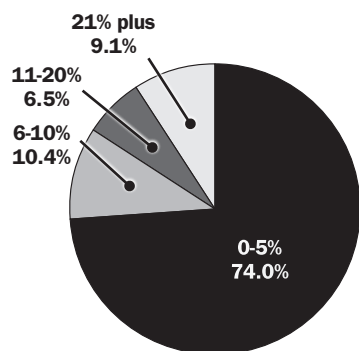
### Dealer Revenue Sources



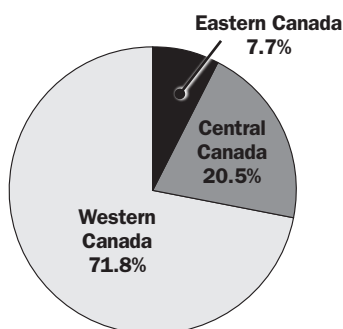
### Mainline Suppliers (% of respondents)



### Dealership Top Managers Coming of Retirement Age (66) in Next 2 Years — Canada



### Regions Represented — 2018



Canadian dealers represented 17% of the total 229 respondents to *Ag Equipment Intelligence's* 2018 Dealer Business Outlook & Trends survey. They report that 67.5% of their 2017 revenues came from production farming and 12.8% came from the hobby farming and large property owner segments. On average, these dealerships employ 23 people. All major brands were represented among the respondents, with Case IH and Kubota with the most respondents. Nearly 16% of top management at Canadian dealerships will reach retirement age (66) within the next 2 years.

prospects when looking ahead. This year is no different.

When it comes their "Best Bets" list for unit growth, only 4 of 21 product categories ended up in negative territory (no potential to increase) vs. 10 for U.S. dealers. And the potential the Canadians see for big ag equipment is particularly encouraging. Following is the Top 10 list of "Best Bets" for 2018:

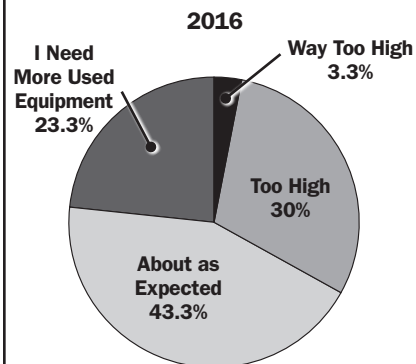
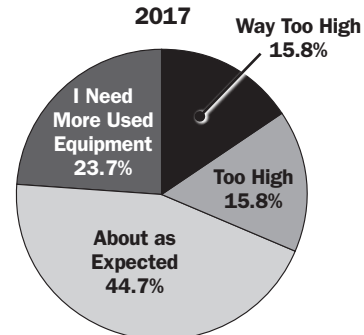
The only equipment categories in negative territory are windrowers/swathers (-0.62%), air seeders/drills (-0.41%), pull-type sprayers (-0.30%) and chisel plows (-0.16%).

### Used Equipment Levels Improve; Jump in Revenue is Next

Nearly 18% more Canadian dealers are expecting increased revenues from used equipment in 2018 than did a year ago. In total, 56.4% of the country's dealers are forecasting rev-

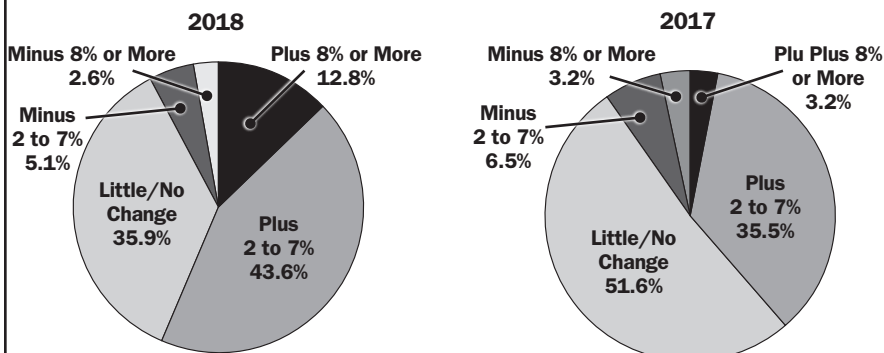
*Continued on p. 26*

### Canadian Dealers' View of Used Equipment Inventory



Very little variance is seen in how Canadian dealers rated their used equipment inventories compared to the previous year. Going into 2018, 31% of dealers say their used backlog is "too high" or "way too high." Last year, 33% offered essentially the same sentiment.

### Canadian Dealers' Projections for Sales Revenue Used Equipment — 2018 vs. 2017



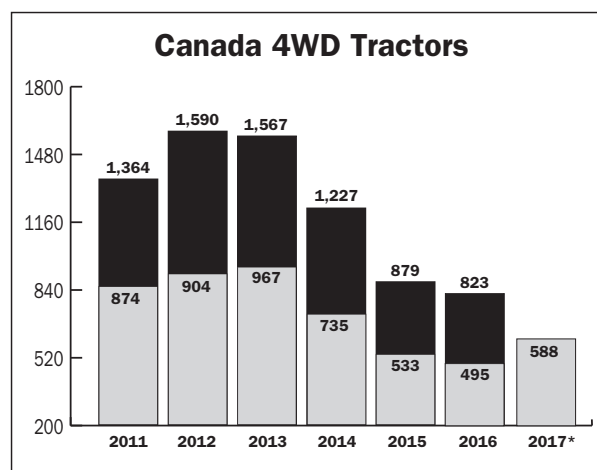
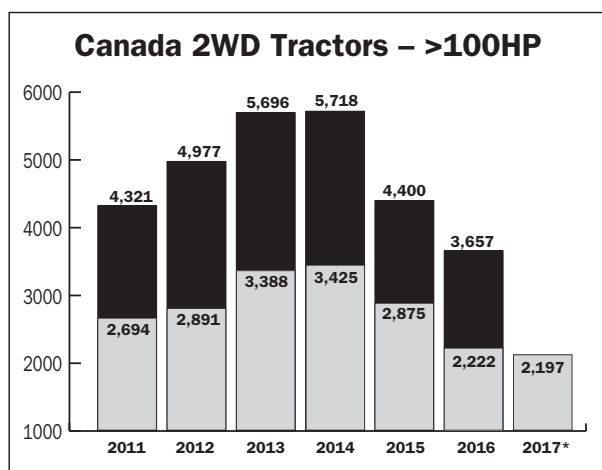
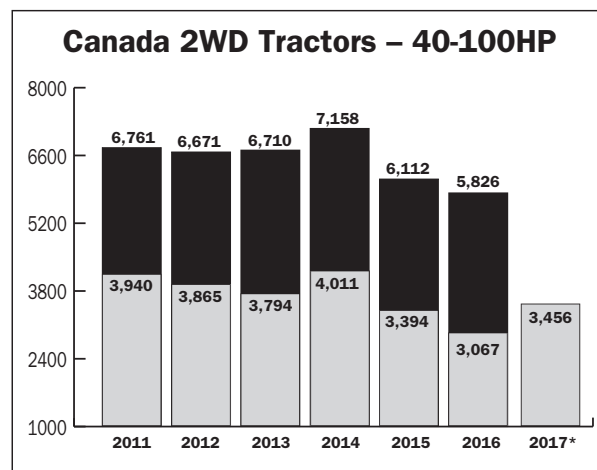
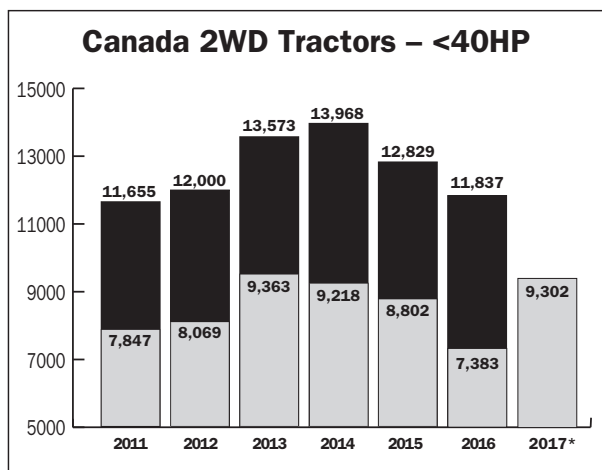
More than half (56%) of Canadian dealers are forecasting increased revenues from the sale of used equipment in 2018. A year ago, 39% said they expected revenues from used machinery sales. The most significant shift in the dealers' view this year is that 36% are projecting "little or no change" in used equipment sales for the upcoming year. Last year at this time, nearly 52% were looking at flat used machinery sales.



## Canadian Retail Tractor & Combine Unit Sales — 2011-17\*

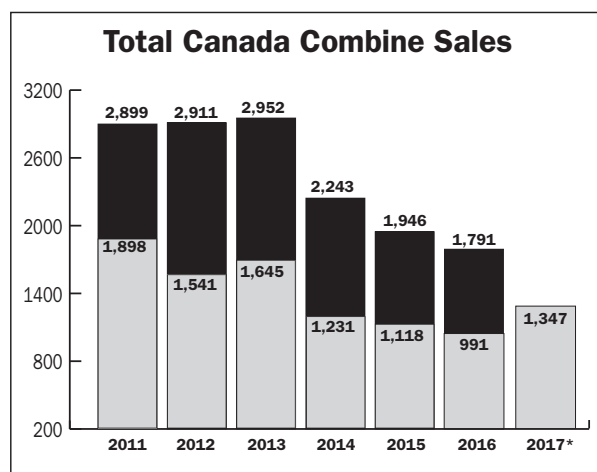
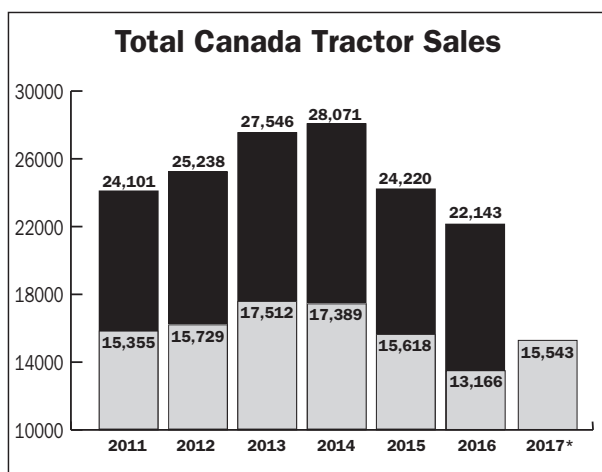
■ = \*Year-to-Date January through September 2017

■ = Full Year



Sales of farm tractors in Canada through the first 8 months of 2017 demonstrated ongoing strength. Compact units (<40 HP) were up by 26% vs. the same period of 2016. Mid-range equipment (40-100 HP) sales were up nearly 13% year-over-year, and 4WD tractors were up nearly 19% through August. Row-crop (>100 HP) equipment were down about 1% for the January-August period, demonstrating momentum that looks like it will carry over to 2018.

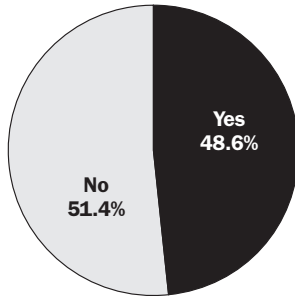
Source: Assn. of Equipment Manufacturers



Total tractor sales in Canada through the first 8 months of the year were very strong, registering an 18% increase vs. the same period of 2016. Canadian combine sales continued their sales momentum, posting a 36% increase during this same period.

Source: Assn. of Equipment Manufacturers

## Used Equipment Auctions



A little under half of Canadian dealers used an auction service to move used equipment in 2017. This is up from one-third in 2016.

*Continued from p. 24*

enue gains from used machinery sales (12.8% up 8% or more; 43.6% up 2-7%). Last year, less than 39% of dealers were anticipating increased revenues (3.2% up 10% or more; 35.5% up 2-7%).

As for dealers who projected declining sales, the percentages didn't change much in 2018 compared to the previous year, 7.7% and 9.7% respectively.

The biggest change came in the shift of dealer who projected "little or no change" in 2017 (51.6%) to those projecting flat sales for 2018 (35.9%), a variance of 16%.

Overall, Canadian dealers' sentiment about their current used inventories

## How Did Canadian Dealers Fare in 2017?

New Equipment (% of dealers)			Used Equipment (% of dealers)		
Revenue % increase/ decrease	Current Estimate for 2017	Last Year's Projections for 2017	Revenue % increase/ decrease	Current Estimate for 2017	Last Year's Projections for 2017
+8% or more	41.0%	6.5%	+8% or more	28.2%	3.2%
+2-7%	23.1%	38.7%	+2-7%	38.5%	35.5%
Flat	17.9%	38.6%	Flat	17.9%	51.6%
-2-7%	15.4%	9.7%	-2-7%	7.7%	6.5%
-8% or more	2.6%	6.5%	-8% or more	7.7%	3.2%

has not changed much going into 2018 than it did a year earlier. This year 31.4% describe their backlogs as "too high" (15.6%) or "way too high" (15.8%). Last year at this time, 33.3% of dealers rated their inventories as "too high" (30%) or "way too high" (3.3%).

At least some part in the dealers' reduction in used inventories can be accounted for by the use of auction services. Nearly 49% of Canadian dealers say they used a service to move excessive levels of used equipment. This is 16% higher than the previous year when only 33% of dealers indicated they utilized an auction service to sell off used product.

## Hiring & Spending

Like their U.S. colleagues, Canadian equipment dealers are looking to hire more service techs in 2018. In fact, 70% of the dealers indicate they are planning to add shop and service personnel this coming year. Otherwise, they don't plan to add staff in any other areas of the business.

About 42% of dealers also plan to increase capital expenditures. About one-third plan to up spending in their showrooms, shops and mobile service vehicles in 2018.

## Canadian Dealer Top Concerns for 2018 (% of Dealers)

Rank	Major Issues	Most Concerning	Concerning	Not Concerning	2017 Ranking
1.	Increasing Cost of New Equipment	48.7%	46.0%	5.4%	2
2.	Technician Availability	44.4%	41.7%	13.9%	6
3.	Shrinking Farm Customer Base	44.7%	39.5%	15.8%	4
4.	Farm Commodity Prices	32.4%	51.4%	16.2%	1
5.	Used Equipment Inventory	29.7%	51.4%	18.9%	9
6.	Farm Input Costs	26.3%	52.6%	21.1%	3
7.	Dealership 'Purity' Efforts by Majors	18.9%	54.1%	27.0%	7
8.	Manufacturer Succession Policies	13.5%	29.7%	56.8%	8
9.	New Equipment inventory	10.5%	57.9%	31.6%	12
10.	Product Reliability	26.3%	39.5%	34.2%	5
11.	Labor Regulation	8.3%	55.6%	36.1%	11
12.	Energy/Fuel Costs	5.3%	55.3%	39.5%	10
13.	Health Care Affordability	5.3%	50.0%	44.7%	17
14.	Financing Availability – Floor Planning	23.7%	26.3%	50.0%	13
15.	Dealer Consolidation	13.9%	33.3%	52.8%	16
16.	Manufacturer Consolidation	5.3%	39.5%	55.3%	15
17.	Financing Availability – Retail	7.9%	34.2%	57.9%	14

## Canadian Dealers' Hiring Plans 2018 vs. 2017

	Add Staff 2018	Add Staff 2017
Parts Department	18.4%	23.3%
Service Techs	70.3%	53.3%
Wholesale Sales	22.2%	33.3%
Administration	8.3%	3.3%
Precision Farm Specialist	14.7%	17.9%

## Canadian Dealers' Spending Plans for 2018 vs. 2017

	2017	2017
No Increase	57.9%	70.0%
Increase 1 to 5%	28.9%	26.7%
Increase 6 to 10%	7.9%	0.0%
Increase 11%+	5.3%	3.3%

## Where Canadian Dealers Will Invest in 2018

	2018	2017
Shop & Service	33.3%	26.7%
Retail/Showroom	34.3%	17.2%
Business Info. Sys.	21.6%	13.8%
Mobile Service Vehicles	34.2%	53.3%

## 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. Mahindra was added to the list this year.

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, those handling the two tractor makers that specialize in compact and mid-range equipment — Kubota and Mahindra — are more optimistic about their prospects in 2018. That’s because it has been the lower horsepower tractors that have demonstrated the most significant sales strength over the past 3 years. This trend is expected to continue to lead the way in terms of unit sales well into 2018.

The Assn. of Equipment Manufacturers report that retail sales through August 2017 showed that North American compact tractor sales (<40 HP) are up 3.3% year-over-year and up 7% during the previous 3 months. Mid-range tractor sales are up 3.6% through August and up 1.8% for the last 3 months. This compares with row-crop tractors (>100 HP), which were down 7% year-over-year in August and down 17.5% June-August 2017.

But the fact of the matter is, with the exception of New Holland, dealers for the other major brands, as well as the independent dealers that do not carry any of the major brands, are all looking for a much better year for their businesses in 2018.

Mahindra dealers outdistanced the other dealers when it comes to optimism for 2018. On a weighted basis, Mahindra came in at +3.78%. Since this is the first year Mahindra dealers were included in the survey, there is no basis for comparing if this score is good, bad or indifferent. Generally, nearly 78% of this group are expecting increased revenues in the year ahead, with only 11% forecasting flat revenues and 11% projecting lower revenues for new equipment sales.

Kubota dealers have typically topped the list when it comes to optimism, but placed a close second for 2018 with a weighted average of +3.45%. Last year, their score was +1.32%. Overall, 75% of Kubota dealers see higher revenues in 2018, while 15% expect little or no change and 10% project declining revenues for sales of new machinery.

John Deere dealers were next with a weighted average of +1.99%, which is a significant improvement over the previous year’s -1.64%. Nearly 57% of Deere dealers are projecting increased new equipment revenues for the new sales year.

The independent dealers were next with a weighted average of +1.32%, way up from -0.53% a year ago. In total, 41% of the independents forecast improved revenues in 2018, 47% anticipate flat revenues and about 12% project lower revenues.

### Price Increases by Equipment Brand

	None	1-3% Increase	4-6% Increase	7% or More Increase
AGCO	30.0%	65.0%	5.0%	0.0%
Case IH	3.3%	82.0%	9.8%	4.9%
John Deere	2.0%	90.2%	7.8%	0.0%
Kubota	25.0%	70.0%	5.0%	0.0%
Mahindra	0.00%	77.8%	22.2%	0.00%
New Holland	0.0%	82.4%	17.6%	0.0%
Independent	35.3%	58.8%	0.0%	5.9%

### Dealer Responses by Brand

<b>AGCO — % of Total Responses</b>	<b>8.6%</b>
<b>Case IH — % of Total Responses</b>	<b>25.8%</b>
<b>John Deere — % of Total Responses</b>	<b>26.9%</b>
<b>Kubota — % of Total Responses</b>	<b>6.5%</b>
<b>Mahindra — % of Total Responses</b>	<b>4.8%</b>
<b>New Holland — % of Total Responses</b>	<b>18.3%</b>
<b>Independent Dealers — % of Total Responses</b>	<b>9.1%</b>

AGCO dealers scored a +0.95% weighted average vs. -0.48% for 2017. In the year ahead, 40% of AGCO’s retailers project increased revenues from the sale of new equipment, another 45% expect flat sales and the remaining 15% anticipate revenues will be down from previous year’s levels.

Dealers who carry Case IH as their primary brand are at +0.80% on a weighted basis, up from -0.90% a year earlier. Some 40% of Case IH dealers are forecasting increased revenues from new equipment sales for 2018, 42% are calling for little or no change compared to 2017 and about 18% are projecting falling revenues for the year.

New Holland dealers were the only group in negative territory looking ahead to the new sales year, with a weighted average of -0.34% for new equipment, which is an improvement from last year’s score of -1.48%. Otherwise, less than 24% of New Holland dealers are looking at gains in 2018, while half are expecting flat revenues and just under 27% are forecasting declining revenues for the year.

### Dealers’ 2018 Outlook for Revenue Growth By Primary Equipment Brand (wtd. avg.)

	New Equipment	Used Equipment
AGCO	+0.95%	+0.28%
Case IH	+0.80%	+1.52%
John Deere	+1.99%	+2.08%
Kubota	+3.45%	+1.79%
Mahindra	+3.78%	+1.56%
New Holland	-0.34%	-0.57%
Independent	+1.32%	+0.64%

# AGCO Dealers' Outlook for 2018



## AGCO Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2018

	New Equipment	Used Equipment
+8%	5.0%	5.0%
+2-7%	35.0%	25.0%
Little or No Change	45.0%	50.0%
-2-7%	5.0%	10.0%
-8%	10.0%	10.0%

## Expecting New Equipment Price Increase in 2018

No	30.0%
1-3%	65.0%
4-6%	5.0%
7-9%	0.0%
10%+	0.0%

## Early Orders 2018

Down 10% or more	33.3%
Down 6-10%	11.1%
Down 1-5%	11.1%
Same as 5 years ago	38.9%
Up 1-5%	5.6%
Up 6-10%	0.0%
Up 10% or more	0.0%

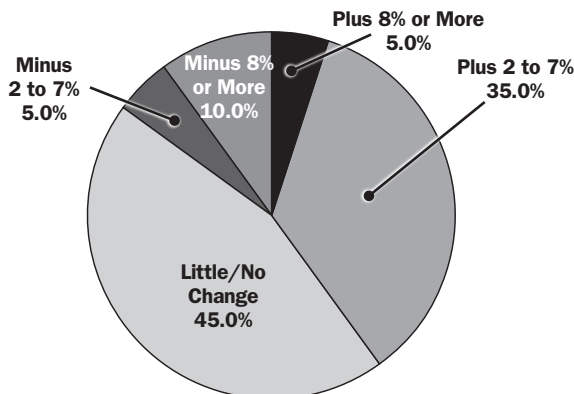
## AGCO Dealers' Projected Unit Sales of Tractors & Combines — 2018

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40HP)	10.0%	40.0%	45.0%	5.0%	0.0%	50.0%	5.0%
2WD (40-100HP)	10.0%	25.0%	60.0%	5.0%	0.0%	35.0%	5.0%
2WD (>100HP)	5.0%	15.0%	65.0%	5.0%	10.0%	20.0%	15.0%
4WD (All)	0.0%	22.2%	61.1%	11.1%	5.6%	22.2%	16.7%
Combines	0.0%	26.7%	40.0%	20.0%	13.3%	26.7%	33.3%

## AGCO Dealers' Projected Unit Sales for All Other Equipment — 2018

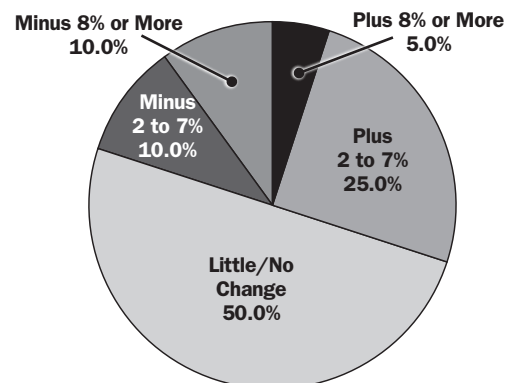
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	5.3%	78.9%	15.8%	0.0%
Round Balers	0.0%	21.0%	63.2%	10.5%	5.3%
Forage Harvesters	0.0%	0.0%	91.7%	0.0%	8.3%
Planters (All)	0.0%	25.0%	62.5%	6.3%	6.2%
Feeders/Mixers	0.0%	9.1%	81.8%	0.0%	9.1%
Mower/Conditioners	0.0%	15.8%	84.2%	0.0%	0.0%
Windrowers/Swathers	0.0%	12.5%	56.2%	25.0%	6.3%
Field Cultivators	6.2%	25.0%	68.8%	0.0%	0.0%
Chisel Plows	0.0%	12.5%	81.3%	0.0%	6.2%
Disc Harrows	0.0%	6.7%	80.0%	13.3%	0.0%
Air Seeders/Drills	0.0%	23.5%	64.7%	5.9%	5.9%
Self-Propelled Sprayers	7.2%	28.6%	57.1%	0.0%	7.1%
Pull-Type Sprayers	0.0%	0.0%	92.3%	0.0%	7.7%
Lawn/Garden Equip.	12.5%	31.3%	56.2%	0.0%	0.0%
GPS/Precision Farming	5.9%	17.6%	70.6%	5.9%	0.0%

## AGCO Dealers' Projected Sales Revenues 2018 — New Equipment



Going into 2018, 40% of AGCO dealers expect increased revenues from new equipment sales, while 15% are forecasting declining revenues.

## AGCO Dealers' Projected Sales Revenues 2018 — Used Equipment



Some 30% of AGCO dealers anticipate increased revenues from the sale of used machinery in 2018, while 20% project declining sales.



## AGCO Dealers' Major Revenue Sources — 2017

### Revenue by Market Segment:

Production Farmers	63.0%
Hobby Farmers	21.0%
Turf & Lawn	4.4%
Municipalities/Parks	4.4%
Const. Contractors	5.8%
Industrial	0.4%
Other	1.0%

## Used Equipment Inventory

Way Too High	0.0%
Too High	31.6%
As Expected	63.2%
Need More	5.2%

## AGCO Dealer Spending Plans for 2018

No Increase	52.6%
0 to +5%	42.1%
+6 to 10%	5.3%
+11% or more	0.0%

## Where AGCO Dealers Will Invest in 2018

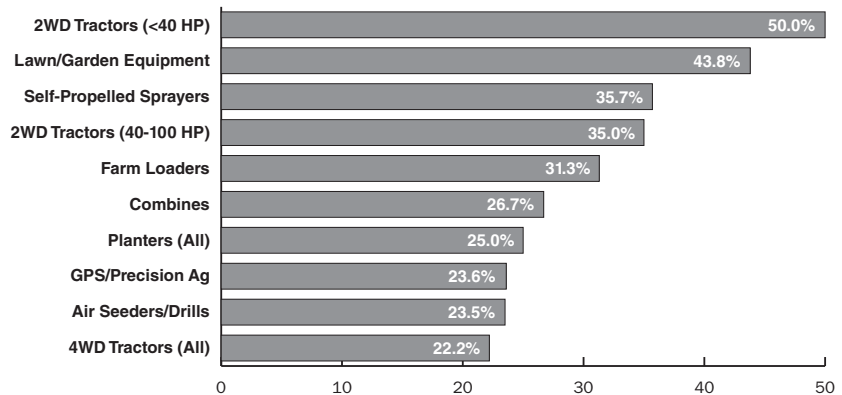
Modernize Shop & Service	31.6%
Modernize Retail	16.7%
Bus. Info. Systems	36.8%
Mobile Service Vehicles	36.8%

## AGCO Dealerships

Est. Total Ag Dealer Locations*	650
Dealers with 5 or More Locations*	34%
Avg. Number of Stores at Participating Dealerships	4
Avg. Employment at Participating Dealerships	23

\*AEI 2017 Big Dealer Report

## Best Bets for Improving Unit Sales — 2018 AGCO Dealers



AGCO dealers' best bets for increasing 2018 unit sales include compact tractors, lawn and garden equipment, self-propelled sprayers, utility tractors and farm loaders.

## AGCO Dealers' Hiring Plans for 2018 vs. 2017

	2018			2017		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	15.8%	84.2%	0.0%	20.8%	75.0%	4.2%
Service Techs	68.4%	34.6%	0.0%	54.2%	41.7%	4.2%
Wholegood Sales	27.8%	72.2%	0.0%	25.0%	75.0%	0.0%
Administration	11.1%	88.9%	0.0%	8.3%	87.5%	4.2%
Precision Farming Specialist	16.7%	83.3%	0.0%	13.0%	87.0%	0.0%

## AGCO Dealers' Issues and Concerns — 2018 (2017 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Farm Commodity Prices (3)	73.7%	15.8%	10.5%
2. Farm Input Costs (2)	57.9%	31.6%	10.5%
3. Technician Availability (4)	42.1%	47.4%	10.5%
4. Shrinking Farm Customer Base (5)	36.9%	52.6%	10.5%
5. Increasing Cost of New Equipment (1)	41.2%	47.1%	11.7%
6. Used Equipment Inventory (5)	22.2%	50.0%	27.8%
7. Health Care Affordability (7)	57.9%	10.5%	31.6%
8. Labor Regulation (-)	5.3%	63.1%	31.6%
9. Product Reliability (12)	0.0%	68.4%	31.6%
10. Financing Availability – Floor Planning (11)	22.2%	38.9%	38.9%
11. Dealership 'Purity' Efforts by Majors (8)	16.7%	44.4%	38.9%
12. New Equipment Inventory (16)	17.6%	41.2%	41.2%
13. Manufacturer Succession Policies (14)	11.1%	44.4%	44.5%
14. Financing Availability – Retail (14)	16.7%	33.3%	50.0%
15. Energy/Fuel Costs (13)	5.6%	44.4%	50.0%
16. Dealer Consolidation (-)	10.5%	36.9%	52.6%
17. Manufacturer Consolidation (-)	11.1%	33.3%	55.6%

# Case IH Dealers' Outlook for 2018



## Case IH Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2018

	New Equipment	Used Equipment
+8%	1.7%	8.2%
+2-7%	38.3%	37.7%
Little or No Change	41.7%	39.3%
-2-7%	11.7%	9.9%
-8%	6.6%	4.9%

## Expecting New Equipment Price Increase in 2018

No	3.3%
1-3%	82.0%
4-6%	9.8%
7-9%	3.3%
10%+	1.6%

## Early Orders 2018

Down 10% or more	41.4%
Down 6-10%	24.1%
Down 1-5%	15.5%
Same as 5 years ago	13.8%
Up 1-5%	3.5%
Up 6-10%	1.7%
Up 10% or more	0.0%

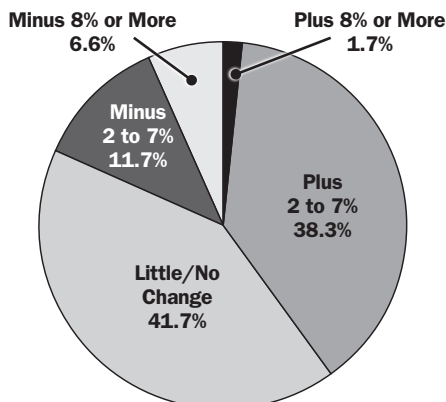
## Case IH Dealers' Projected Unit Sales of Tractors and Combines — 2018

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40HP)	6.7%	20.0%	70.0%	1.6%	1.7%	26.7%	3.3%
2WD (40-100HP)	0.0%	33.9%	61.0%	3.4%	1.6%	33.9%	5.0%
2WD (>100HP)	0.0%	39.0%	52.2%	6.8%	0.0%	39.0%	6.8%
4WD (All)	3.4%	30.5%	52.5%	11.9%	1.7%	30.9%	13.6%
Combines	1.7%	23.3%	51.7%	20.0%	3.3%	25.0%	23.3%

## Case IH Dealers' Unit Sales Projections for Other Equipment in 2018

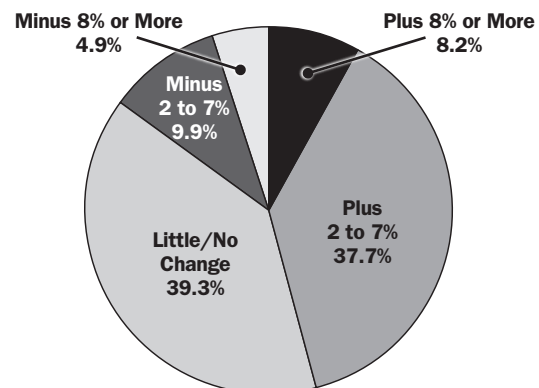
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	1.8%	9.1%	85.5%	3.6%	0.0%
Round Balers	1.8%	30.9%	56.4%	10.9%	0.0%
Forage Harvesters	0.0%	4.2%	83.3%	10.4%	2.1%
Planters (All)	3.4%	31.0%	53.5%	8.6%	3.5%
Feeders/Mixers	0.0%	6.4%	89.4%	2.1%	2.1%
Mower/Conditioners	0.0%	24.6%	59.7%	14.0%	1.7%
Windrower/Swathers	0.0%	9.3%	61.1%	27.8%	1.8%
Field Cultivators	0.0%	14.0%	75.4%	8.8%	1.8%
Farm Loaders	1.8%	19.6%	71.4%	7.2%	0.0%
Chisel Plows	1.8%	5.6%	75.9%	14.8%	1.9%
Disc Harrows	0.0%	14.3%	73.2%	10.7%	1.8%
Air Seeders/Drills	0.0%	11.8%	66.6%	15.7%	5.9%
Self-Propelled Sprayers	2.0%	38.0%	48.0%	8.0%	4.0%
Pull-Type Sprayers	0.0%	6.0%	78.0%	10.0%	6.0%
Lawn/Garden Equip.	7.7%	25.0%	63.5%	3.8%	0.0%
GPS/Precision Farming	7.5%	18.9%	69.8%	1.9%	1.9%

## Case IH Dealers' Projections for Sales Revenues 2018 — New Equipment



Looking ahead to 2018, 40% of Case IH dealers are projecting revenue gains from new equipment sales, while only 18% expect a dropp off.

## Case IH Dealers' Projections for Sales Revenues 2018 — Used Equipment



Nearly 46% of Case IH dealers forecast a pick up in used equipment sales in 2018, while slightly less than 15% expect declining revenues.

### Case IH Dealers' Major Revenue Sources — 2017

#### Revenue by Market Segment:

Production Farmers	80.0%
Hobby Farmers	7.0%
Turf & Lawn	3.2%
Municipalities/Parks	3.0%
Const. Contractors	4.1%
Industrial	0.7%
Other	2.0%

### Used Equipment Inventory

Way Too High	15.0%
Too High	33.3%
As Expected	38.3%
Need More	13.4%

### Case IH Dealer Spending Plans for 2018

No Increase	53.5%
0 to +5%	37.9%
+6% to 10%	8.6%
+11% or more	0.0%

### Where Case IH Dealers Will Invest in 2018

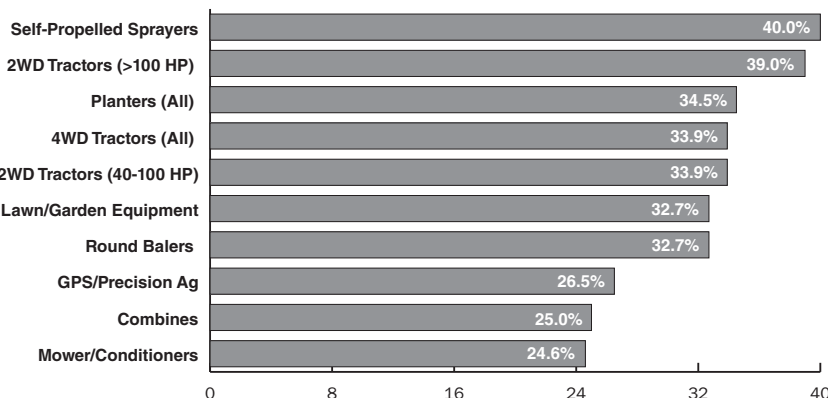
Modernize Shop & Service	37.3%
Modernize Retail	15.8%
Bus. Info. Systems	10.5%
Mobile Service Vehicles	37.5%

### Case IH Dealerships

Est. Total Ag Dealer Locations*	875
Dealers with 5 or More Locations*	46%
Avg. Number of Stores at Participating Dealerships	8
Avg. Employment at Participating Dealerships	25

\*AEI 2017 Big Dealer Report

### Best Bets for Improving Unit Sales — 2018 Case IH Dealers



Much of Case IH dealers "best bets" list going into 2018 includes production ag equipment, including self-propelled sprayers, row-crop tractors, planters and 4WD tractors.

### Case IH Dealers' Hiring Plans 2018 vs. 2017

	2018			2017		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	25.4%	72.9%	1.7%	18.8%	68.8%	12.5%
Service Techs	55.2%	44.8%	0.0%	51.5%	45.5%	3.0%
Wholegood Sales	18.6%	74.6%	6.8%	33.3%	62.1%	4.6%
Administration	1.7%	93.1%	5.2%	3.1%	89.1%	7.8%
Precision Farming Specialist	12.3%	87.7%	0.0%	15.6%	82.8%	1.6%

### Case IH Dealers' Issues and Concerns — 2018 (2017 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Farm Commodity Prices (1)	78.0%	17.0%	5.0%
2. Farm Input Costs (2)	42.4%	52.5%	5.1%
3. Increasing Cost of New Equipment (5)	50.8%	42.4%	6.8%
4. Technician Availability (3)	50.9%	39.0%	10.1%
5. Shrinking Farm Customer Base (6)	42.4%	47.4%	10.2%
6. Product Reliability (8)	34.5%	53.5%	12.0%
7. Used Equipment Inventory (4)	35.6%	45.8%	18.6%
8. Health Care Affordability (7)	39.0%	40.7%	20.3%
9. New Equipment Inventory (17)	15.5%	60.3%	24.2%
10. Dealership 'Purity' Efforts by Majors (10)	20.3%	47.5%	32.2%
11. Financing Availability – Retail (12)	22.0%	42.4%	35.6%
12. Financing Availability – Floor Planning (11)	15.2%	42.4%	42.4%
13. Manufacturer Succession Policies (13)	13.8%	43.1%	43.1%
14. Labor Regulation (–)	8.6%	46.6%	44.8%
15. Energy/Fuel Costs (14)	6.8%	47.4%	45.8%
16. Dealer Consolidation (–)	12.1%	39.6%	48.3%
17. Manufacturer Consolidation (–)	6.8%	39.0%	54.2%

# John Deere Dealers' Outlook for 2018



## John Deere Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2018

	New Equipment	Used Equipment
+8%	7.8%	8.0%
+2-7%	49.0%	44.0%
Little or No Change	27.5%	36.0%
-2-7%	11.8%	12.0%
-8%	3.9%	0.0%

## Expecting New Equipment Price Increase in 2018

No	2.0%
1-3%	90.2%
4-6%	7.8%
7-9%	0.0%
10%+	0.0%

## Early Orders 2018

Down 10% or more	22.9%
Down 6-10%	14.6%
Down 1-5%	12.5%
Same as 5 years ago	22.9%
Up 1-5%	20.8%
Up 6-10%	4.2%
Up 10% or more	2.1%

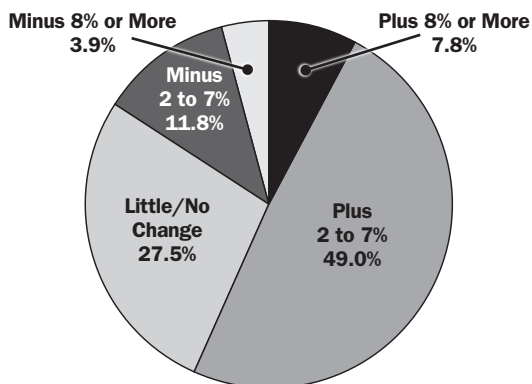
## John Deere Dealers' Projected Unit Sales of Tractors and Combines — 2018

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40HP)	24.5%	36.7%	26.5%	8.2%	4.1%	61.2%	12.3%
2WD (40-100HP)	10.2%	37.8%	42.9%	4.1%	4.0%	48.0%	8.1%
2WD (>100HP)	10.2%	34.7%	34.7%	14.3%	6.1%	44.9%	19.4%
4WD (All)	2.0%	24.5%	55.1%	12.2%	6.2%	26.5%	18.4%
Combines	6.3%	25.0%	58.3%	6.2%	4.2%	31.3%	10.8%

## John Deere Dealers' Unit Sales Projections for All Other Equipment in 2018

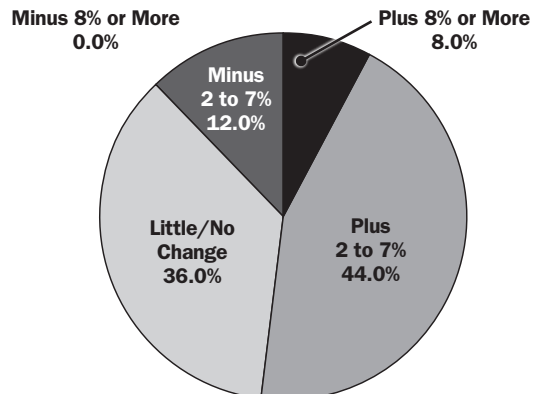
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	10.4%	83.3%	2.1%	4.2%
Round Balers	6.1%	30.6%	53.1%	8.1%	2.1%
Forage Harvesters	2.1%	14.9%	76.6%	4.3%	2.1%
Planters (All)	4.1%	35.4%	50.0%	6.4%	4.1%
Feeders/Mixers	2.2%	2.2%	93.3%	0.0%	2.3%
Mower/Conditioners	2.0%	20.4%	71.4%	4.1%	2.1%
Windrower/Swathers	2.1%	31.9%	51.1%	10.6%	4.3%
Field Cultivators	0.0%	12.5%	81.3%	6.2%	0.0%
Farm Loaders	2.1%	34.0%	59.6%	2.1%	2.2%
Chisel Plows	0.0%	10.9%	76.1%	13.0%	0.0%
Disc Harrows	2.1%	6.4%	76.6%	12.8%	2.1%
Air Seeders/Drills	0.0%	12.5%	79.2%	6.3%	2.0%
Self-Propelled Sprayer	6.3%	35.4%	50.0%	4.2%	4.1%
Pull-type Sprayers	0.0%	8.5%	78.7%	6.4%	6.4%
Lawn/Garden	27.9%	41.9%	25.6%	4.6%	0.0%
GPS/Precision Farming	16.3%	39.5%	37.2%	7.0%	0.0%

## John Deere Dealers' Projections for Sales Revenues 2018 — New Equipment



Nearly 57% of John Deere dealers are forecasting revenue gains from new equipment sales in 2018 and less than 16% expect lower revenues.

## John Deere Dealers' Projections for Sales Revenues 2018 — Used Equipment



Some 52% of Deere dealers are looking for higher revenues from used sales in 2018, while only 12% are expecting a drop off in revenues.



### John Deere Dealers' Major Revenue Sources — 2017

#### Revenue by Market Segment:

Production Farmers	64.2%
Hobby Farmers	11.1%
Turf & Lawn	11.4%
Municipalities/Parks	7.2%
Const. Contractors	3.2%
Industrial	1.2%
Other	1.7%

### Used Equipment Inventory

Way Too High	8.2%
Too High	26.5%
As Expected	53.1%
Need More	12.2%

### John Deere Dealer Spending Plans for 2018

No Increase	42.9%
0 to +5%	44.9%
+6% to 10%	12.2%
+11% or more	0.0%

### Where John Deere Dealers Will Invest in 2018

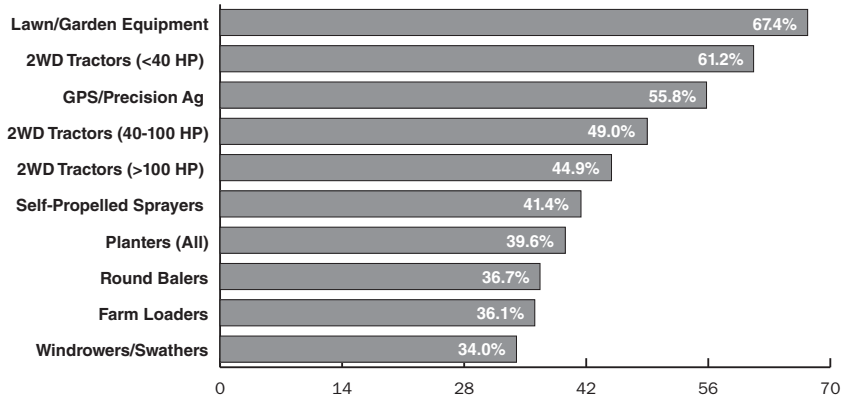
Modernize Shop & Service	55.3%
Modernize Retail	43.8%
Bus. Info. Systems	27.1%
Mobile Service Vehicles	43.8%

### John Deere Dealerships

Est. Total Ag Dealer Locations*	1,522
% Dealers with 5 or More Locations*	74%
Avg. Number of Stores at Participating Dealerships	17
Avg. Employment at Participating Dealerships	26

\*AEI 2017 Big Dealer Report

### Best Bets for Improving Unit Sales — 2018 John Deere Dealers



John Deere dealers have a mix of products as their best bets for growing unit sales in 2018, with lawn and garden equipment, compact tractors and precision farming heading the list.

### John Deere Dealers' Hiring Plans 2018 vs. 2017

	2018			2017		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	28.0%	72.0%	0.0%	32.4%	64.9%	2.7%
Service Techs	88.0%	12.0%	0.0%	52.8%	38.9%	8.3%
Wholesale Sales	36.7%	55.1%	8.2%	18.9%	73.0%	8.1%
Administration	8.0%	86.0%	6.0%	2.7%	75.7%	21.6%
Precision Farming Specialist	24.5%	71.4%	4.1%	11.4%	85.7%	2.9%

### Deere Dealers' Issues & Concerns — 2018 (2017 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Technician Availability (2)	55.1%	36.7%	8.2%
2. Increasing Cost of New Equipment (3)	37.5%	54.2%	8.3%
3. Farm Commodity Prices (1)	61.2%	28.6%	10.2%
4. Health Care Affordability (6)	22.5%	65.3%	12.2%
5. Farm Input Costs (5)	56.2%	31.3%	12.5%
6. Shrinking Farm Customer Base (7)	37.5%	45.8%	16.7%
7. Used Equipment Inventory (4)	26.5%	42.9%	30.6%
8. Product Reliability (13)	16.3%	44.9%	38.8%
9. New Equipment Inventory (17)	8.2%	51.0%	40.8%
10. Labor Regulation (—)	4.2%	52.1%	41.7%
11. Energy/Fuel Costs (8)	2.0%	54.2%	43.8%
12. Financing Availability – Retail (10)	4.3%	46.8%	48.9%
13. Dealership 'Purity' Efforts by Majors (14)	10.4%	37.5%	52.1%
14. Dealer Consolidation (—)	14.9%	29.8%	55.3%
15. Financing Availability – Floor Planning (11)	6.3%	35.4%	58.3%
16. Manufacturer Consolidation (—)	2.1%	29.2%	68.7%
17. Manufacturer Succession Policies (16)	4.3%	25.5%	70.2%

# Kubota Dealers' Outlook for 2018



## Kubota Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2018

	New Equipment	Used Equipment
+8%	15.0%	10.5%
+2-7%	60.0%	26.3%
Little or No Change	15.0%	57.9%
-2-7%	10.0%	5.3%
-8%	0.0%	0.0%

## Expecting New Equipment Price Increase in 2018

No	25.0%
1-3%	70.0%
4-6%	5.0%
7-9%	0.0%
10%+	0.0%

## Early Orders 2018

Down 10% or more	0.0%
Down 6-10%	5.9%
Down 1-5%	11.8%
Same as 5 years ago	35.3%
Up 1-5%	23.5%
Up 6-10%	11.7%
Up 10% or more	11.8%

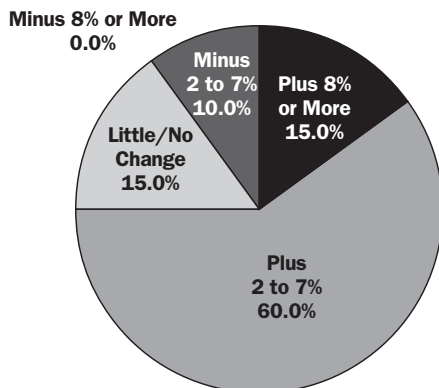
## Kubota Dealers' Projected Unit Sales of Tractors and Combines — 2018

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40HP)	6.3%	50.0%	31.2%	12.5%	0.0%	56.3%	12.5%
2WD (40-100HP)	0.0%	47.0%	53.0%	0.0%	0.0%	47.0%	0.0%
2WD (>100HP)	0.0%	31.2%	56.3%	12.5%	0.0%	31.2%	12.5%
4WD (All)	25.0%	37.5%	37.5%	0.0%	0.0%	62.5%	0.0%
Combines	0.0%	25.0%	75.00%	0.0%	0.0%	25.0%	0.0%

## Kubota Dealers' Unit Sales Projections for All Other Equipment in 2018

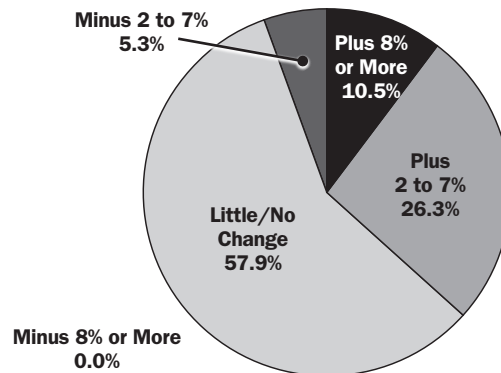
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	0.0%	87.5%	12.5%	0.0%
Round Balers	15.4%	30.8%	53.8%	0.0%	0.0%
Forage Harvesters	0.0%	100.0%	0.0%	0.0%	0.0%
Planters (All)	0.0%	11.1%	77.8%	0.0%	11.1%
Feeders/Mixers	0.0%	11.1%	88.9%	0.0%	0.0%
Mower Conditioners	8.3%	33.3%	58.4%	0.0%	0.0%
Windrower-Swathers	11.1%	0.0%	77.8%	0.0%	11.1%
Field Cultivators	0.0%	10.0%	90.0%	0.0%	0.0%
Farm Loaders	9.1%	36.4%	54.5%	0.0%	0.0%
Chisel Plows	0.0%	10.0%	90.0%	0.0%	0.0%
Disc Harrows	0.0%	16.7%	83.3%	0.0%	0.0%
Air Seeders/Drills	0.0%	11.1%	88.9%	0.0%	0.0%
Self-Propelled Sprayers	0.0%	33.3%	66.7%	0.0%	0.0%
Pull-type Sprayers	9.1%	18.2%	72.7%	0.0%	0.0%
Lawn/Garden	33.3%	66.7%	0.0%	0.0%	0.0%
GPS/Precision Farming	14.3%	28.6%	57.1%	0.0%	0.0%

## Kubota Dealers' Projections for Sales Revenue in 2018 — New Equipment



Three-quarters of Kubota dealers see revenues from new equipment sales increasing in 2018, while only 10% expect revenues to decline.

## Kubota Dealers' Projections for Sales Revenue in 2018 — Used Equipment



A big majority of Kubota dealers are forecasting flat revenues from the sale of used equipment in 2018 and nearly 37% say it will increase.

### Kubota Dealers' Major Revenue — 2017

#### Revenue by Market Segment:

Production Farmers	39.2%
Hobby Farmers	30.0%
Turf & Lawn	13.0%
Municipalities/Parks	5.8%
Const. Contractors	7.5%
Industrial	1.4%
Other	3.1%

### Used Equipment Inventory

Way Too High	0.0%
Too High	11.8%
As Expected	58.8%
Need More	29.4%

### Kubota Dealer Spending Plans for 2018

No Increase	42.1%
0 to +5%	36.8%
+6% to 10%	10.5%
+10%	10.6%

### Where Kubota Dealers Will Invest in 2018

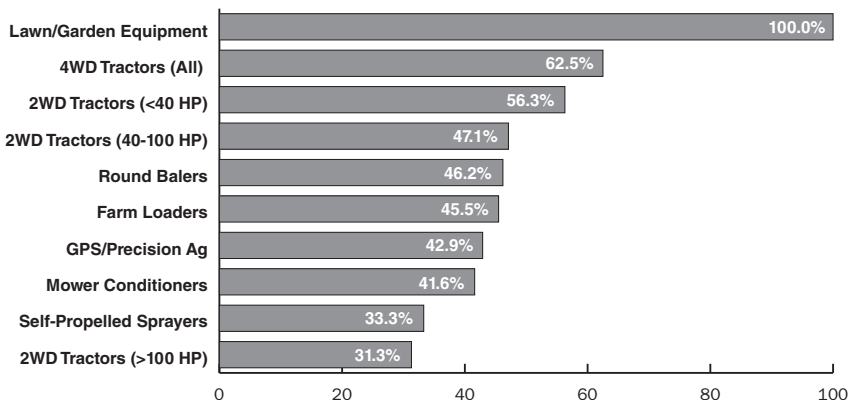
Modernize Shop & Service	58.8%
Modernize Retail	52.9%
Bus. Info. Systems	26.3%
Mobile Service Vehicles	57.9%

### Kubota Dealerships

Est. Total Ag Dealer Locations*	1,100
% Dealers with 5 or More Locations*	13%
Avg. Number of Stores at Participating Dealerships	2
Avg. Employment at Participating Dealerships	14

\*AEI 2017 Big Dealer Report

### Best Bets for Improving Unit Sales — 2018 Kubota Dealers



For 2018, Kubota dealers say lawn and garden equipment, 4WD tractors, compact and utility tractors and round balers are their best bets to grow unit sales.

### Kubota Dealers' Hiring Plans 2018 vs. 2017

	2018			2017		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	35.0%	60.0%	5.0%	35.3%	64.7%	0.0%
Service Techs	65.0%	35.0%	0.0%	52.9%	41.2%	5.9%
Wholegood Sales	31.6%	68.4%	0.0%	41.2%	58.8%	0.0%
Administration	22.2%	77.8%	0.0%	0.0%	100.0%	0.0%
Precision Farming Specialist	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%

### Kubota Dealers' Issues and Concerns — 2018 (2017 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Farm Commodity Prices (2)	31.6%	57.9%	10.5%
2. Technician Availability (4)	55.6%	33.3%	11.1%
3. Shrinking Farm Customer Base (6)	45.0%	40.0%	15.0%
4. Health Care Affordability (3)	45.0%	40.0%	15.0%
5. Increasing Cost of New Equipment (5)	36.8%	47.4%	15.8%
6. Used Equipment Inventory (1)	15.8%	57.9%	26.3%
7. Farm Input Costs (7)	15.0%	55.0%	30.0%
8. Energy/Fuel Costs (12)	15.0%	50.0%	35.0%
9. Labor Regulation (-)	15.8%	47.4%	36.8%
10. Dealer Consolidation (-)	15.8%	47.4%	36.8%
11. New Equipment Inventory (6)	10.5%	52.6%	36.9%
12. Dealership 'Purity'			
Efforts by Majors (11)	22.2%	38.9%	38.9%
13. Product Reliability (8)	40.0%	20.0%	40.0%
14. Financing Availability – Floor Planning (12)	30.0%	20.0%	50.0%
15. Financing Availability – Retail (9)	30.0%	20.0%	50.0%
16. Manufacturer Consolidation (-)	5.0%	40.0%	55.0%
17. Manufacturer Succession Policies (15)	10.5%	31.6%	57.9%

# Mahindra Dealers' Outlook for 2018



## Mahindra Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2018

	New Equipment	Used Equipment
+8%	33.3%	25.0%
+2-7%	44.4%	12.5%
Little or No Change	11.1%	50.0%
-2-7%	0.0%	0.0%
-8%	11.2%	12.5%

## Expecting New Equipment Price Increase in 2018

No	0.0%
1-3%	77.8%
4-6%	22.2%
7-9%	0.0%
10%+	0.0%

## Early Orders 2018

Down 10% or more	0.0%
Down 6-10%	0.0%
Down 1-5%	20.0%
Same as 5 years ago	60.0%
Up 1-5%	20.0%
Up 6-10%	0.0%
Up 10% or more	0.0%

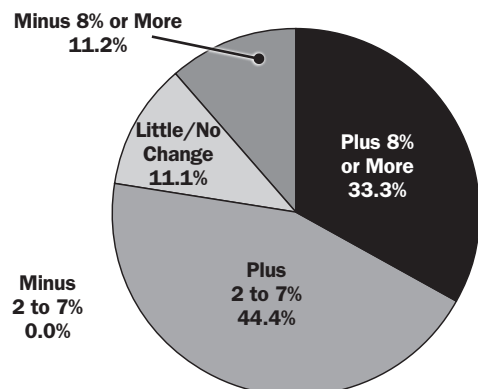
## Mahindra Dealers' Projected Unit Sales of Tractors & Combines — 2018

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Loss
2WD (<40HP)	0.0%	16.7%	83.3%	0.0%	0.0%	16.7%	0.0%
2WD (40-100HP)	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
2WD (>100HP)	0.0%	16.7%	83.3%	0.0%	0.0%	16.7%	0.0%
4WD (All)	22.2%	44.4%	11.1%	22.2%	0.0%	66.6%	22.2%
Combines	0.0%	0.0%	66.7%	0.0%	33.3%	0.0%	33.3%

## Mahindra Dealers' Unit Sales Projections for All Other Equipment in 2018

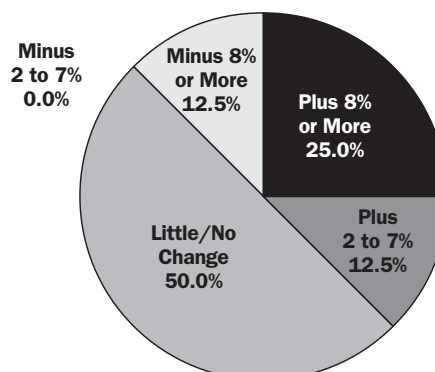
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	0.0%	100.0%	0.0%	0.0%
Round Balers	0.0%	0.0%	100.0%	0.0%	0.0%
Forage Harvesters	0.0%	0.0%	100.0%	0.0%	0.0%
Planters (All)	0.0%	0.0%	100.0%	0.0%	0.0%
Feeders/Mixers	0.0%	0.0%	100.0%	0.0%	0.0%
Mower Conditioners	0.0%	0.0%	100.0%	0.0%	0.0%
Windrower-Swathers	0.0%	0.0%	100.0%	0.0%	0.0%
Field Cultivators	0.0%	0.0%	100.0%	0.0%	0.0%
Farm Loaders	0.0%	25.0%	50.0%	25.0%	0.0%
Chisel Plows	0.0%	0.0%	100.0%	0.0%	0.0%
Disc Harrows	0.0%	40.0%	40.0%	20.0%	0.0%
Air Seeders/Drills	0.0%	0.0%	66.7%	0.0%	33.3%
Self-Propelled Sprayers	0.0%	0.0%	66.7%	0.0%	33.3%
Pull-type Sprayers	0.0%	0.0%	100.0%	0.0%	0.0%
Lawn/Garden	11.1%	55.5%	11.1%	22.3%	0.0%
GPS/Precision Farming	0.0%	0.0%	100.0%	0.0%	0.0%

## Mahindra Dealers' Projections for Sales Revenue in 2018 — New Equipment



Nearly 78% of Mahindra dealers see revenues from new equipment sales increasing in 2018, while only 11% expect revenues to decline.

## Mahindra Dealers' Projections for Sales Revenue in 2018 — Used Equipment



Just under 38% of Mahindra dealers see revenues from the sale of used equipment growing, while less than 13% see sales declining.



### Mahindra Dealers' Major Revenue — 2017

#### Revenue by Market Segment:

Production Farmers	21.0%
Hobby Farmers	64.0%
Turf & Lawn	5.0%
Municipalities/Parks	1.0%
Const. Contractors	1.0%
Industrial	0.0%
Other	8.0%

### Used Equipment Inventory

Way Too High	12.5%
Too High	12.5%
As Expected	62.5%
Need More	12.5%

### Mahindra Dealer Spending Plans for 2018

No Increase	42.9%
0 to +5%	42.9%
+6% to 10%	0.0%
+10%	14.2%

### Where Mahindra Dealers Will Invest in 2018

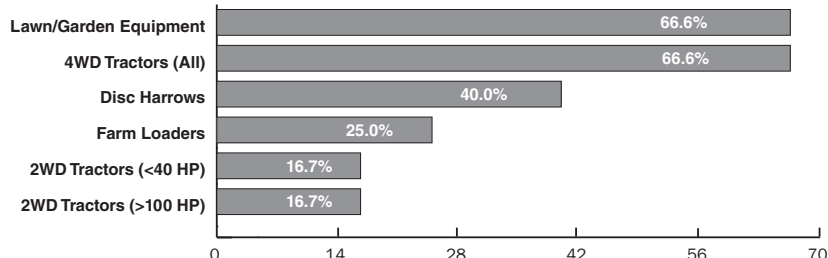
Modernize Shop & Service	66.7%
Modernize Retail	40.0%
Bus. Info. Systems	20.0%
Mobile Service Vehicles	16.7%

### Mahindra Dealerships

Est. Total Ag Dealer Locations*	528
% Dealers with 5 or More Locations	0%
Avg. Number of Stores at Participating Dealerships	2
Avg. Employment at Participating Dealerships	18

\*Mahindra records

### Best Bets for Improving Unit Sales — 2018 Mahindra Dealers



The biggest potential to increase unit sales for Mahindra dealers will come with lawn and garden equipment, 4WD tractors, disc harrows and farm loaders.

### Mahindra Dealers' Hiring Plans 2018 vs. 2017

	2018			2017*		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	14.3%	85.7%	0.0%	NA	NA	NA
Service Techs	57.1%	42.9%	0.0%	NA	NA	NA
Wholegood Sales	0.0%	100.0%	0.0%	NA	NA	NA
Administration	0.0%	100.0%	0.0%	NA	NA	NA
Precision Farming Specialist	0.0%	100.0%	0.0%	NA	NA	NA

\*Mahindra not covered in 2017 report.

### Mahindra Dealers' Issues and Concerns — 2018

Issue	Most Concerned	Concerned	Not Concerned
1. Technician Availability	80.0%	20.0%	0.0%
2. Increasing Cost of New Equipment	16.7%	66.7%	16.6%
3. Financing Availability – Retail	50.0%	33.3%	16.7%
4. Financing Availability – Floor Planning	33.3%	50.0%	16.7%
5. Labor Regulation	0.0%	83.3%	16.7%
6. New Equipment Inventory	0.0%	66.7%	33.3%
7. Health Care Affordability	0.0%	16.7%	83.3%
8. Product Reliability	16.7%	33.3%	50.0%
9. Manufacturer Succession Policies	16.7%	33.3%	50.0%
10. Dealership 'Purity' Efforts by Majors	0.0%	50.0%	50.0%
11. Farm Commodity Prices	0.0%	50.0%	50.0%
12. Farm Input Costs	0.0%	50.0%	50.0%
13. Used Equipment Inventory	16.7%	16.7%	66.6%
14. Energy/Fuel Costs	0.0%	33.3%	66.7%
15. Shrinking Farm Customer Base	0.0%	33.3%	66.7%
16. Manufacturer Consolidation	0.0%	16.7%	83.3%
17. Dealer Consolidation	0.0%	16.7%	83.3%



**NEW HOLLAND**

## New Holland Dealers' Outlook for 2018

### New Holland Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2018

	New Equipment	Used Equipment
+8%	5.8%	14.7%
+2-7%	17.6%	11.8%
Little or No Change	50.0%	38.2%
-2-7%	14.8%	20.6%
-8%	11.8%	14.7%

### Expecting New Equipment Price Increase in 2018

No	0.0%
1-3%	82.3%
4-6%	17.7%
7-9%	0.0%
10%+	0.0%

### Early Orders 2018

Down 10% or more	58.1%
Down 6-10%	16.1%
Down 1-5%	6.5%
Same as last 5 years	16.1%
Up 1-5%	3.2%
Up 6-10%	0.0%
Up 11% or more	0.0%

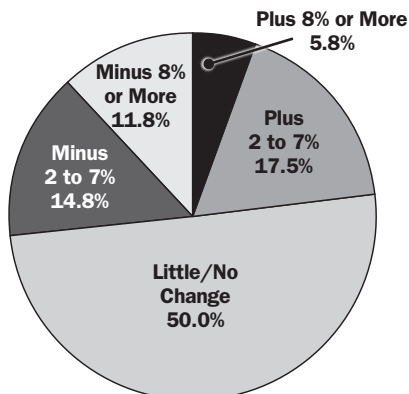
### New Holland Dealers' Projected Unit Sales of Tractors and Combines — 2018

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40HP)	3.1%	31.3%	56.3%	6.2%	3.1%	34.4%	9.3%
2WD (40-100HP)	6.2%	21.9%	62.5%	9.4%	0.0%	28.1%	9.4%
2WD (>100HP)	3.3%	6.7%	66.7%	20.0%	3.3%	10.0%	23.3%
4WD Tractors (All)	0.0%	10.7%	50.0%	17.9%	21.4%	10.7%	32.1%
Combines	0.0%	9.1%	50.0%	13.6%	27.3%	9.1%	40.9%

### New Holland Dealers' Unit Sales Projections for All Other Equipment in 2018

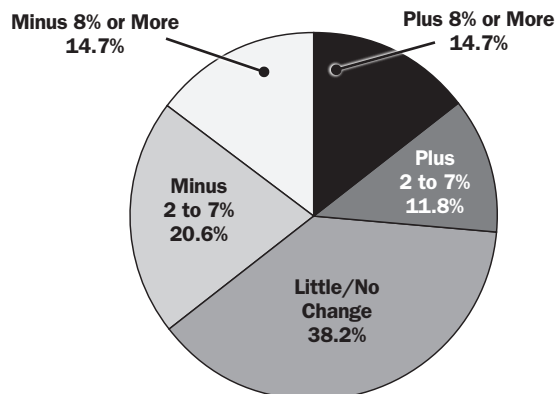
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	10.7%	64.3%	14.3%	10.7%
Round Balers	0.0%	17.9%	46.4%	25.0%	10.7%
Forage Harvesters	0.0%	0.0%	64.0%	16.0%	20.0%
Planters (All)	0.0%	16.7%	50.0%	16.7%	16.6%
Feeders/Mixers	0.0%	8.0%	64.0%	12.0%	16.0%
Mower/Conditioners	0.0%	22.6%	51.6%	16.1%	9.7%
Windrower/Swathers	0.0%	8.7%	65.2%	13.0%	13.1%
Field Cultivators	0.0%	4.2%	66.7%	8.3%	20.8%
Farm Loaders	0.0%	14.3%	64.3%	7.1%	14.3%
Chisel Plows	0.0%	0.0%	65.4%	11.5%	23.1%
Disc Harrows	0.0%	7.7%	57.7%	11.5%	23.1%
Air Seeders/Drills	0.0%	10.0%	60.0%	10.0%	20.0%
Self-Propelled Sprayers	0.0%	17.4%	60.9%	4.3%	17.4%
Pull-type Sprayers	0.0%	0.0%	73.9%	4.4%	21.7%
Lawn/Garden	8.0%	40.0%	36.0%	12.0%	4.0%
GPS/Precision Farming	0.0%	13.6%	77.3%	0.0%	9.1%

### New Holland Dealers' Projections for Sales Revenues in 2018 — New Equipment



Just over 23% of New Holland dealers expect increased revenues from new equipment sales in 2018 and almost 27% expect them to drop.

### New Holland Dealers' Projections for Sales Revenues in 2018 — Used Equipment



More than 25% of New Holland dealers expect increasing revenues from used machinery sales in 2018 and 35% look for revenues to decline.

### New Holland Dealers Major Revenue Sources — 2017

#### Revenue by Market Segment:

Production Farmers	55%
Hobby Farmers	20%
Turf & Lawn	7%
Municipalities/Parks	5%
Const. Contractors	7%
Industrial	2%
Other	4%

### Used Equipment Inventory

Way Too High	0.0%
Too High	29.4%
As Expected	58.9%
Need More	11.7%

### New Holland Dealer Spending Plans for 2018

No Increase	53.3%
0 to +5%	36.7%
+6% to 10%	6.7%
+10%	3.3%

### Where New Holland Dealers Will Invest in 2018

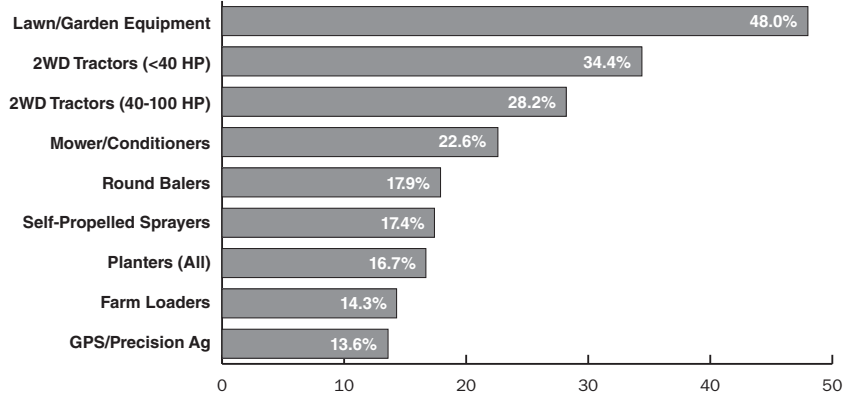
Modernize Shop & Service	41.4%
Modernize Retail	20.7%
Bus. Info. Systems	26.7%
Mobile Service Vehicles	33.3%

### New Holland Dealerships

Est. Total Ag Dealer Locations*	950
% Dealers with 5 or More Locations*	18%
Avg. Number of Stores at Participating Dealerships	5
Avg. Employment at Participating Dealerships	17

\*AEI 2017 Big Dealer Report

### Best Bets for Improving Unit Sales — 2018 New Holland Dealers



Lawn and garden equipment, compact and mid-range tractors, mower/conditioners and round balers top New Holland dealers' list of best bet products for improving unit sales in 2018.

### New Holland Dealers' Hiring Plans 2018 vs. 2017

	2018			2017		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	29.0%	71.0%	0.0%	23.3%	74.4%	2.3%
Service Techs	43.3%	56.7%	0.0%	46.5%	53.5%	0.0%
Wholegood Sales	34.5%	62.1%	3.4%	39.5%	55.8%	4.7%
Administration	6.9%	93.1%	0.0%	11.9%	83.3%	4.8%
Precision Farming Specialist	3.7%	92.6%	3.7%	13.2%	84.2%	2.6%

### New Holland Dealers' Concerns — 2018 (2017 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Health Care Affordability (7)	60.0%	40.0%	0.0%
2. Increasing Cost of New Equipment (1)	54.9%	41.9%	3.2%
3. Farm Input Costs (4)	54.9%	41.9%	3.2%
4. Technician Availability (3)	45.2%	51.6%	3.2%
5. Farm Commodity Prices (2)	64.5%	29.0%	6.5%
6. Shrinking Farm Customer Base (5)	54.8%	38.7%	6.5%
7. Product Reliability (6)	32.3%	54.8%	12.9%
8. Dealership 'Purity' Efforts by Majors (13)	22.6%	61.3%	16.1%
9. New Equipment Inventory (15)	16.1%	67.7%	16.2%
10. Financing Availability – Floor Planning (8)	32.2%	48.4%	19.4%
11. Manufacturer Consolidation (–)	19.3%	61.3%	19.4%
12. Labor Regulation (–)	12.9%	67.7%	19.4%
13. Manufacturer Succession Policies (16)	12.9%	61.3%	25.8%
14. Used Equipment Inventory (9)	9.7%	61.3%	29.0%
15. Dealer Consolidation (–)	25.8%	35.5%	38.7%
16. Financing Availability – Retail (14)	20.0%	43.3%	36.7%
17. Energy/Fuel Costs (12)	12.9%	48.4%	38.7%

# Independent Dealers' Outlook for 2018

## Independent Dealers' Projections for Improved Revenue from New & Used Equipment Sales in 2018

	New Equipment	Used Equipment
+8%	0.0%	7.1%
+2-7%	41.2%	14.3%
Little or No Change	47.0%	71.4%
-2-7%	11.8%	0.0%
-8%	0.0%	7.2%

## Expecting New Equipment Price Increase in 2018

No	35.3%
1-3%	58.8%
4-6%	5.9%
7-9%	0.0%
10%+	0.0%

## Early Orders 2018

Down 10% or more	21.4%
Down 6-10%	14.3%
Down 1-5%	14.3%
Same as 5 years ago	42.9%
Up 1-5%	7.1%
Up 6-10%	0.0%
Up 10% or more	0.0%

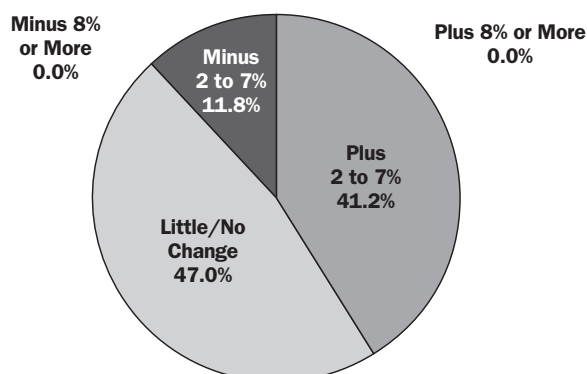
## Independent Dealers' Projected Unit Sales of Tractors and Combines — 2018

Tractor Type (Size)	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Loss
2WD (<40HP)	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
2WD (40-100HP)	0.0%	10.0%	80.0%	10.0%	0.0%	10.0%	10.0%
2WD (>100HP)	0.0%	22.2%	77.80%	0.0%	0.0%	22.2%	0.0%
4WD (All)	0.0%	37.5%	62.5%	0.0%	0.0%	37.5%	0.0%
Combines	0.0%	0.0%	83.3%	0.0%	16.7%	0.0%	16.7%

## Independent Dealers' Unit Sales Projections for All Other Equipment in 2018

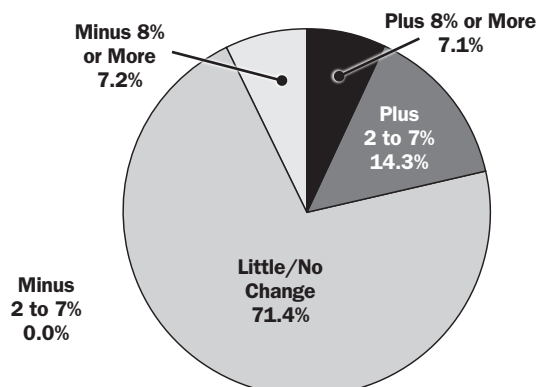
Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	0.0%	83.3%	0.0%	16.7%
Round Balers	0.0%	25.0%	62.5%	0.0%	12.5%
Forage Harvesters	0.0%	0.0%	100.0%	0.0%	0.0%
Planters (All)	0.0%	16.7%	83.3%	0.0%	0.0%
Feeders/Mixers	0.0%	0.0%	85.7%	0.0%	14.3%
Mower/Conditioners	0.0%	0.0%	87.5%	0.0%	12.5%
Windrower/Swathers	0.0%	10.0%	100.0%	0.0%	0.0%
Field Cultivators	0.0%	0.0%	88.9%	11.1%	0.0%
Farm Loaders	0.0%	14.3%	85.7%	0.0%	0.0%
Chisel Plows	0.0%	11.1%	77.8%	11.1%	0.0%
Disc Harrows	12.5%	12.5%	75.0%	0.0%	0.0%
Air Seeders/Drills	0.0%	0.0%	83.3%	0.0%	16.7%
Self-Propelled Sprayers	0.0%	0.0%	100.0%	0.0%	0.0%
Pull-type Sprayers	0.0%	0.0%	100.0%	0.0%	0.0%
Lawn/Garden	0.0%	50.0%	50.0%	0.0%	0.0%
GPS/Precision Farming	0.0%	25.0%	75.0%	0.0%	0.0%

## Independent Dealers' Projections for Sales Revenues in 2018 — New Equipment



Slightly over 41% of independent dealers expect revenue gains and less than 12% expect losses from the sale of new machinery in 2018.

## Independent Dealers' Projections for Sales Revenues in 2018 — Used Equipment



More than 21% of independent dealers anticipate increased revenues from used equipment sales in 2018 and only 7% anticipate declines.



### Independent Dealers Major Revenue Sources — 2017

#### Revenue by Market Segment:

Production Farmers	45%
Hobby Farmers	25%
Turf & Lawn	11%
Municipalities/Parks	5%
Const. Contractors	5%
Industrial	2%
Other	7%

### Used Equipment Inventory

Way Too High	0.0%
Too High	18.8%
As Expected	81.2%
Need More	0.0%

### Independent Dealer Spending Plans for 2018

No Increase	53.9%
0 to +5%	23.1%
+6 to 10%	23.0%
+10	0.0%

### Where Independent Dealers Will Invest in 2018

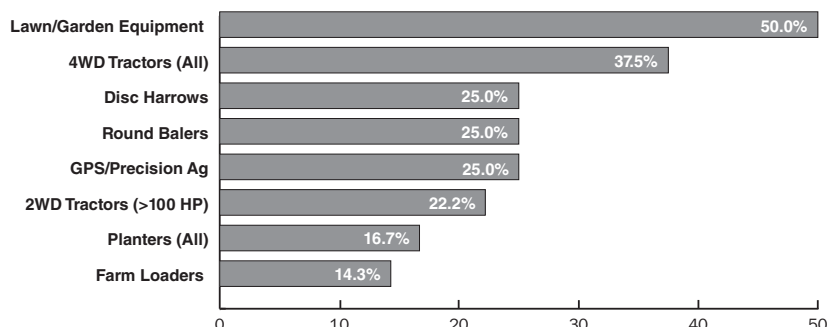
Modernize Shop & Service	37.5%
Modernize Retail	31.3%
Bus. Info. Systems	25.0%
Mobile Service Vehicles	18.8%

### Independent Dealerships

Est. Total Ag Dealer Locations*	1,653
% Dealers with 5 or More Locations*	NA
Avg. Number of Stores at Participating Dealerships	1
Avg. Employment at Participating Dealerships	8

\*AEI 2017 Big Dealer Report

### Best Bets for Improving Unit Sales — 2018 Independent Dealers



Independent dealers see their best opportunity to grow unit sales with lawn and garden equipment, 4WD tractors, disc harrows, round balers and GPS/precision ag.

### Independent Dealers' Hiring Plans 2018 vs. 2017

	2018			2017		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
Parts Department	18.8%	81.2%	0.0%	11.1%	83.3%	5.6%
Service Techs	18.8%	81.2%	0.0%	38.9%	50.0%	11.1%
Wholegood Sales	6.2%	93.8%	0.0%	11.1%	89.9%	0.0%
Administration	0.0%	100.0%	0.0%	17.1%	64.7%	17.7%
Precision Farming Specialist	7.1%	92.9%	0.0%	0.0%	83.3%	16.7%

### Independent Dealers' Concerns — 2018 (2017 Rank)

Issue	Most Concerned	Concerned	Not Concerned
1. Health Care Affordability (8)	80.0%	13.3%	6.7%
2. Farm Commodity Prices (1)	53.3%	40.0%	6.7%
3. Increasing Cost of New Equipment (3)	40.0%	55.3%	6.7%
4. Technician Availability (5)	33.3%	60.0%	6.7%
5. Farm Input Costs (2)	40.0%	46.7%	13.3%
6. Energy/Fuel Costs (7)	20.0%	66.7%	13.3%
7. Shrinking Farm Customer Base (4)	28.6%	50.0%	21.4%
8. Labor Regulation (-)	46.7%	26.7%	26.6%
9. Product Reliability (10)	26.7%	46.6%	26.7%
10. New Equipment Inventory (17)	28.6%	42.8%	28.6%
11. Used Equipment Inventory (6)	13.3%	53.3%	33.4%
12. Manufacturer Consolidation (-)	0.0%	64.3%	35.7%
13. Financing Availability – Floor Planning (13)	33.3%	26.7%	40.0%
14. Manufacturer Succession Policies (16)	13.3%	46.7%	40.0%
15. 16. Dealership 'Purity' Efforts by Majors (15)	14.3%	42.9%	42.8%
16. Financing Availability – Retail (12)	21.4%	35.7%	42.9%
17. Dealer Consolidation (-)	14.3%	42.8%	42.9%

# PART V — EMPLOYMENT SIZE BREAKDOWN

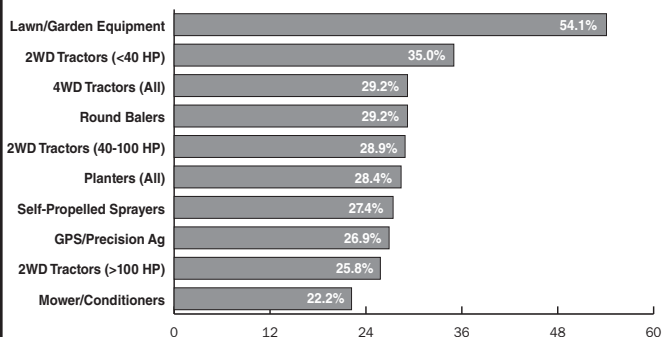
## Revenue Projections for Used Equipment by Employee Size — 2018

Employee Size	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Decline
North America	7.7%	29.7%	49.3%	8.1%	5.3%	37.4%	13.4%
1-20 Employees	4.3%	22.2%	61.5%	5.1%	6.8%	26.5%	11.9%
21-40 Employees	7.9%	39.5%	38.2%	11.8%	2.6%	47.7%	14.4%
41-60 Employees	16.7%	41.7%	16.7%	16.7%	8.3%	58.4%	25.0%
61+ Employees	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%

## Revenue Projections for New Equipment by Employee Size — 2018

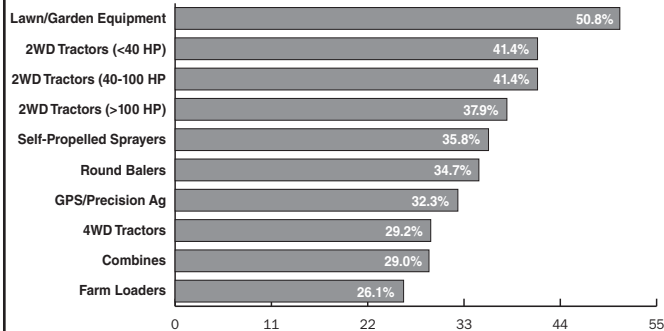
Employee Size	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%	Forecasting Growth	Forecasting Decline
North America	6.6%	39.9%	36.6%	10.8%	6.1%	46.5%	16.9%
1-20 Employees	7.5%	39.2%	37.5%	9.2%	6.7%	46.7%	15.9%
21-40 Employees	5.2%	36.4%	40.3%	13.0%	5.2%	41.6%	18.2%
41-60 Employees	8.3%	50.0%	16.7%	16.7%	8.3%	58.3%	25.0%
61+ Employees	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%

### Best Bets for Improving Sales in 2018 Dealers with 1-20 Employees



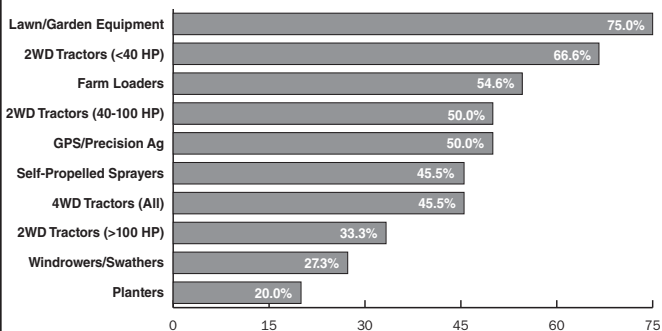
Smaller dealers, those with 1-20 employees, are forecasting that lawn and garden equipment, compact, mid-range and 4WD tractors, along with round balers will be their best bets for increasing units sales in 2018.

### Best Bets for Improving Sales in 2018 Dealers with 21-40 Employees



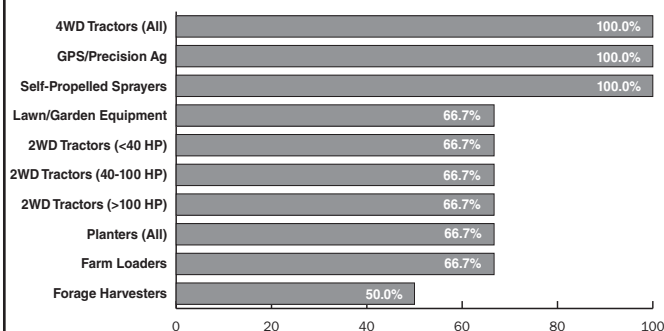
Dealers who employee 21-40 employees see lawn and garden products, all categories of tractors, self-propelled sprayers and round balers as holding the most potential to grow unit sales in 2018.

### Best Bets for Improving Sales in 2018 Dealers with 41-60 Employees



For 2018, dealers employing 41-60 employees expect lawn and garden equipment, compact and utility tractors, farm loaders, GPS equipment and self-propelled sprayers to be the top products to increase sales.

### Best Bets for Improving Sales in 2018 Dealers with 61+ Employees



The biggest North American dealers see strong potential to improve new equipment sales of 4WD tractors, precision farming equipment, self-propelled sprayers, lawn and garden products and compact tractors.

## Unit Sales Projections for Tractors & Combines by Employee Size — 2018

	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	10.4%	29.5%	52.9%	5.2%	2.1%	39.9%	7.3%
1-20 Employees	6.8%	28.2%	58.3%	4.9%	1.9%	35.0%	6.8%
21-40 Employees	14.7%	26.7%	52.0%	4.0%	2.7%	41.4%	6.7%
41-60 Employees	8.3%	58.3%	16.7%	16.7%	0.0%	66.6%	16.7%
61+ Employees	33.3%	33.3%	33.4%	0.0%	0.0%	66.6%	0.0%
<b>2WD (40-100HP)</b>							
North America Average	4.6%	30.9%	58.3%	4.6%	1.6%	35.5%	6.2%
1-20 Employees	2.9%	26.0%	63.5%	6.7%	1.0%	28.9%	7.7%
21-40 Employees	6.7%	34.7%	54.7%	1.3%	2.7%	41.4%	4.0%
41-60 Employees	8.3%	41.7%	41.7%	8.3%	0.0%	50.0%	8.3%
61+ Employees	0.0%	66.7%	33.3%	0.0%	0.0%	66.7%	0.0%
<b>2WD (&gt;100HP)</b>							
North America Average	3.7%	27.9%	54.7%	10.5%	3.2%	31.6%	13.7%
1-20 Employees	1.0%	24.8%	61.4%	9.9%	3.0%	25.8%	12.0%
21-40 Employees	6.8%	31.1%	47.3%	10.8%	4.1%	37.9%	14.9%
41-60 Employees	8.3%	25.0%	50.0%	16.7%	0.0%	32.8%	16.7%
61+ Employees	0.0%	66.7%	33.3%	0.0%	0.0%	66.7%	0.0%
<b>4WD (All)</b>							
North America Average	4.8%	26.5%	51.3%	11.6%	5.8%	31.3%	17.4%
1-20 Employees	4.9%	24.3%	52.4%	9.7%	8.7%	29.2%	18.4%
21-40 Employees	4.2%	25.0%	54.2%	13.9%	2.8%	29.2%	16.7%
41-60 Employees	0.0%	45.5%	36.4%	18.2%	0.0%	45.5%	18.2%
61+ Employees	33.3%	66.7%	0.0%	0.0%	0.0%	100.0%	0.0%
<b>Combines</b>							
North America Average	2.5%	20.9%	55.2%	12.9%	8.6%	23.4%	21.5%
1-20 Employees	2.5%	13.8%	60.0%	12.5%	11.3%	16.3%	23.8%
21-40 Employees	2.9%	26.1%	49.3%	15.9%	5.8%	29.0%	21.7%
41-60 Employees	0.0%	18.2%	72.7%	0.0%	9.1%	18.2%	9.1%
61+ Employees	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%

### New Equipment Sales Increase/Decrease by Employment Size for 2018 (weighted avg.)

Employee Size	
1-20	+1.42%
21-40	+1.05%
41-60	+1.50%
61+	+4.50%

### Dealer Spending Plans for 2018 by Employee Size

No. Employees	No Increase	0-5%	6-10%	10%
1-20 Employees	53.6%	36.4%	8.2%	1.8%
21-40 Employees	41.7%	43.1%	13.9%	1.4%
41-60 Employees	58.3%	33.3%	0.0%	8.3%
61+ Employees	66.7%	33.3%	0.0%	0.0%

### Employment Size Breakdown — 2018

Employee Size	% of Responses
1-20	57.1%
21-40	35.4%
41-60	6.2%
61+	1.3%

### Where Dealers Will Invest in 2018 by Employee Size

No. Employees	Shop & Service	Retail	Business Info. Systems	Mobile Vehicle Service
1-20 Employees	42.6%	26.4%	22.7%	29.4%
21-40 Employees	50.7%	32.9%	21.4%	46.5%
41-60 Employees	25.0%	25.0%	33.3%	50.0%
61+ Employees	33.3%	33.3%	0.0%	100.0%

### 1-20 Employees Unit Sales Projections for Other Equipment in 2018

Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	8.6%	76.5%	9.9%	4.9%
Round Balers	1.1%	28.1%	56.2%	10.1%	4.5%
Forage Harvesters	0.0%	1.4%	81.1%	8.1%	9.5%
Planters (All)	2.5%	25.9%	55.6%	6.2%	9.9%
Feeders/Mixers	0.0%	4.0%	84.0%	2.7%	9.3%
Mower/Conditioners	0.0%	22.2%	64.4%	8.9%	4.4%
Windrower/Swathers	0.0%	13.3%	70.7%	8.0%	8.0%
Field Cultivators	0.0%	4.8%	85.7%	2.4%	7.1%
Farm Loaders	1.2%	20.7%	67.8%	5.8%	4.6%
Chisel Plows	0.0%	6.0%	81.0%	4.8%	8.3%
Disc Harrows	1.1%	12.4%	69.7%	9.0%	7.9%
Air Seeders/Drills	0.0%	13.5%	67.6%	9.5%	9.5%
Self-Propelled Sprayers	2.7%	24.7%	61.6%	2.7%	8.2%
Pull-Type Sprayers	1.3%	6.5%	81.8%	2.6%	7.8%
Lawn/Garden Equip.	10.6%	43.5%	37.7%	7.1%	1.2%
GPS/Precision Farming	9.0%	17.9%	70.2%	0.0%	3.0%

### 21-40 Employees Unit Sales Projections for Other Equipment in 2018

Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	1.4%	8.2%	84.9%	2.7%	2.7%
Round Balers	6.9%	27.8%	52.8%	11.1%	1.4%
Forage Harvesters	1.5%	7.7%	81.5%	7.7%	1.5%
Planters (All)	2.9%	28.6%	55.7%	10.0%	2.9%
Feeders/Mixers	1.6%	6.6%	86.9%	3.3%	1.6%
Mower/Conditioners	2.7%	20.0%	68.0%	8.0%	1.3%
Windrowers/Swathers	2.9%	15.7%	54.3%	24.3%	2.9%
Field Cultivators	0.0%	15.7%	71.4%	11.4%	1.4%
Farm Loaders	4.4%	21.7%	69.6%	2.9%	1.5%
Chisel Plows	1.5%	10.5%	68.7%	19.4%	0.0%
Disc Harrows	1.5%	10.5%	73.1%	11.9%	3.0%
Air Seeders/Drills	0.0%	10.5%	74.6%	9.0%	6.0%
Self-Propelled Sprayers	4.5%	31.3%	52.2%	6.0%	6.0%
Pull-Type Sprayers	0.0%	6.2%	75.4%	10.8%	7.7%
Lawn/Garden Equip.	20.9%	29.9%	46.3%	3.0%	0.0%
GPS/Precision Farming	8.8%	23.5%	61.8%	4.4%	1.5%

### 41-60 Employees Unit Sales Projections for Other Equipment in 2018

Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	0.0%	90.9%	9.1%	0.0%
Round Balers	0.0%	16.7%	58.3%	16.7%	8.3%
Forage Harvesters	0.0%	20.0%	80.0%	0.0%	0.0%
Planters (All)	0.0%	20.0%	70.0%	10.0%	0.0%
Feeders/Mixers	0.0%	0.0%	100.0%	0.0%	0.0%
Mower/Conditioners	0.0%	16.7%	75.0%	8.3%	0.0%
Windrowers/Swathers	0.0%	27.3%	54.6%	18.2%	0.0%
Field Cultivators	0.0%	10.0%	90.0%	0.0%	0.0%
Farm Loaders	0.0%	54.6%	36.4%	9.1%	0.0%
Chisel Plows	0.0%	0.0%	90.9%	9.1%	0.0%
Disc Harrows	0.0%	0.0%	90.9%	9.1%	0.0%
Air Seeders/Drills	0.0%	9.1%	81.8%	9.1%	0.0%
Self-Propelled Sprayers	0.0%	45.5%	45.5%	9.1%	0.0%
Pull-Type Sprayers	0.0%	0.0%	100.0%	0.0%	0.0%
Lawn/Garden Equip.	8.3%	66.7%	16.7%	8.3%	0.0%
GPS/Precision Farming	0.0%	50.0%	33.3%	16.7%	0.0%



### 61+ Employees Unit Sales Projections for Other Equipment in 2018

Equipment Category	Sales +8%	Sales +2-7%	Little or No Change	Sales -2-7%	Sales -8%
Rectangular Balers	0.0%	33.3%	66.7%	0.0%	0.0%
Round Balers	0.0%	0.0%	100.0%	0.0%	0.0%
Forage Harvesters	0.0%	50.0%	50.0%	0.0%	0.0%
Planters (All)	0.0%	66.7%	33.3%	0.0%	0.0%
Feeders/Mixers	0.0%	50.0%	50.0%	0.0%	0.0%
Mower/Conditioners	0.0%	33.3%	33.4%	0.0%	33.3%
Windrower/Swathers	0.0%	0.0%	33.3%	66.7%	0.0%
Field Cultivators	0.0%	33.3%	33.4%	33.3%	0.0%
Farm Loaders	5.3%	15.8%	68.4%	5.3%	5.3%
Chisel Plows	0.0%	0.0%	66.7%	0.0%	33.3%
Disc Harrows	0.0%	33.3%	33.4%	33.3%	0.0%
Air Seeders/Drills	0.0%	33.3%	66.7%	0.0%	0.0%
Self-Propelled Sprayers	0.0%	100.0%	0.0%	0.0%	0.0%
Pull-Type Sprayers	0.0%	0.0%	66.7%	0.0%	33.3%
Lawn/Garden Equip.	66.7%	0.0%	33.3%	0.0%	0.0%
GPS/Precision Farming	33.3%	66.7%	0.0%	0.0%	0.0%

### Dealers' Hiring Plans 2018 vs. 2017 by Employee Size

	2018			2017		
	Add Staff	No Change	Reduce/Relocate Staff	Add Staff	No Change	Reduce/Relocate Staff
<b>Parts Department</b>						
1-20 Employees	22.4%	77.6%	0.0%	18.8%	77.8%	3.4%
21-40 Employees	32.9%	64.4%	2.7%	28.8%	62.7%	8.5%
41-60 Employees	8.3%	91.7%	0.0%	22.2%	66.7%	11.1%
61+ Employees	33.3%	66.7%	0.0%	30.0%	65.0%	5.0%
<b>Service Department</b>						
1-20 Employees	50.0%	50.0%	0.0%	44.4%	53.0%	2.6%
21-40 Employees	71.2%	28.8%	0.0%	53.3%	40.0%	6.7%
41-60 Employees	91.7%	8.3%	0.0%	44.4%	44.4%	11.1%
61+ Employees	100.0%	0.0%	0.0%	65.0%	30.0%	5.0%
<b>Sales Department</b>						
1-20 Employees	20.7%	77.5%	1.8%	26.3%	70.3%	3.4%
21-40 Employees	32.9%	58.9%	8.2%	28.3%	66.7%	5.0%
41-60 Employees	33.3%	58.3%	8.4%	22.2%	66.7%	11.1%
61+ Employees	0.0%	100.0%	0.0%	22.2%	66.7%	11.1%
<b>Administration</b>						
1-20 Employees	3.6%	94.6%	1.8%	6.1%	90.4%	3.5%
21-40 Employees	12.3%	83.6%	4.1%	6.8%	76.3%	17.0%
41-60 Employees	0.0%	100.0%	0.0%	11.1%	77.8%	11.1%
61+ Employees	0.0%	66.7%	33.3%	5.0%	80.0%	15.0%
<b>Precision Farming Specialist</b>						
1-20 Employees	6.7%	92.3%	1.0%	7.9%	89.1%	3.0%
21-40 Employees	16.7%	80.6%	2.8%	10.3%	87.9%	1.7%
41-60 Employees	33.3%	66.7%	0.0%	11.1%	77.8%	11.1%
61+ Employees	33.3%	66.7%	0.0%	35.0%	65.0%	0.0%

# PART VI — MARKET SEGMENTS & DEALER REVENUE SOURCES

## U.S. Regional Market Segmentation — 2017

<b>Northeast</b>		Turf/Lawn/Landscape Contractor	5.3%	Construction Contractors	6.3%
Production Farmers	33.0%	Municipalities/Park Depts	4.0%	Industrial	0.5%
Hobby Farmers	24.5%	Construction Contractors	1.2%	Other	2.4%
Turf/Lawn/Landscape Contractors	12.7%	Industrial	0.0%	<b>Corn Belt</b>	
Municipalities/Park Depts	7.5%	Other	11.2%	Production Farmers	66.0%
Construction Contractors	5.5%	<b>Lake States</b>		Hobby Farmers	13.3%
Industrial	0.5%	Production Farmers	67.3%	Turf/Lawn/Landscape Contractors	9.1%
Other	2.3%	Hobby Farmers	16.2%	Municipalities/Park Depts	3.7%
<b>Appalachia</b>		Turf/Lawn/Landscape Contractors	5.1%	Construction Contractors	5.3%
Production Farmers	43.8%	Municipalities/Park Depts	3.8%	Industrial	1.1%
Hobby Farmers	26.0%	Construction Contractors	5.2%	Other	1.5%
Turf/Lawn/Landscape Contractors	11.2%	Industrial	1.4%	<b>Mountain</b>	
Municipalities/Park Depts	6.8%	Other	1.0%	Production Farmers	61.0%
Construction Contractors	8.6%	<b>Southern Plains</b>		Hobby Farmers	18.0%
Industrial	1.3%	Production Farmers	50.1%	Turf/Lawn/Landscape Contractors	10.5%
Other	2.3%	Hobby Farmers	27.7%	Municipalities/Park Depts	7.0%
<b>Southeast</b>		Turf/Lawn/Landscape Contractors	7.5%	Construction Contractors	3.0%
Production Farmers	45.3%	Municipalities/Park Depts	2.7%	Industrial	0.2%
Hobby Farmers	35.0%	Construction Contractors	6.5%	Other	0.3%
Turf/Lawn/Landscape Contractors	13.2%	Industrial	2.0%	<b>Pacific</b>	
Municipalities/Park Depts	4.3%	Other	3.5%	Production Farmers	58.4%
Construction Contractors	4.0%	<b>Northern Plains</b>		Hobby Farmers	14.7%
Industrial	1.5%	Production Farmers	76.9%	Turf/Lawn/Landscape Contractors	7.4%
Other	0.0%	Hobby Farmers	5.4%	Municipalities/Park Depts	8.4%
<b>Delta States</b>		Turf/Lawn/Landscape Contractors	3.3%	Construction Contractors	4.3%
Production Farmers	43.3%	Municipalities/Park Depts	25.2%	Industrial	2.2%
Hobby Farmers	35.0%			Other	4.6%

## Market Segmentation Dealer Revenue Sources — 2017

Customer Segment	North America	U.S.	Canada
Production Farmers	62.0%	61.0%	67.5%
Hobby Farmers	17.5%	18.0%	12.8%
Turf/Lawn/Landscape Contractors	7.5%	8.0%	7.0%
Municipalities/Park Depts	4.8%	5.0%	4.2%
Construction Contractors	4.6%	5.0%	3.5%
Industrial	1.0%	1.0%	1.2%
Other	2.6%	2.0%	3.8%

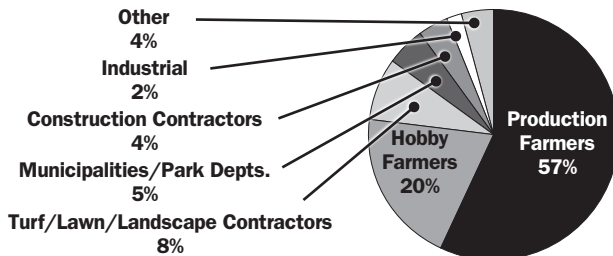
## Employee Size Analysis by Market Segment — 2017

<b>1-20 Employees</b>		<b>41-60 Employees</b>	
Production Farmers	58.0%	Production Farmers	66.4%
Hobby Farmers	20.0%	Hobby Farmers	16.5%
Turf/Lawn/Landscape Contractors	8.0%	Turf/Lawn/Landscape Contractors	6.6%
Municipalities/Park Depts	5.0%	Municipalities/Park Depts	4.4%
Construction Contractors	4.0%	Construction Contractors	4.3%
Industrial	1.5%	Industrial	0.7%
Other	3.5%	Other	1.1%
<b>21-40 Employees</b>		<b>61+ Employees</b>	
Production Farmers	67.7%	Production Farmers	83.0%
Hobby Farmers	11.4%	Hobby Farmers	5.7%
Turf/Lawn/Landscape Contractors	7.2%	Turf/Lawn/Landscape Contractors	4.3%
Municipalities/Park Depts	5.0%	Municipalities/Park Depts	3.7%
Construction Contractors	5.8%	Construction Contractors	3.3%
Industrial	0.7%	Industrial	0.0%
Other	2.2%	Other	0.0%

## Market Segment Analysis Canada Regions — 2017

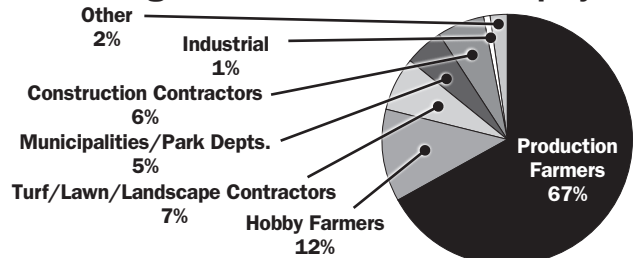
<b>Central Canada</b>	
Production Farmers	31.8%
Hobby Farmers	19.4%
Turf/Lawn/Landscape Contractors	18.1%
Municipalities/Park Depts	7.5%
Construction Contractors	6.1%
Industrial	2.0%
Other	15.1%
<b>Eastern Canada</b>	
Production Farmers	51.7%
Hobby Farmers	20.0%
Turf/Lawn/Landscape Contractors	10.0%
Municipalities/Park Depts	5.6%
Construction Contractors	6.0%
Industrial	3.3%
Other	3.4%
<b>Western Canada</b>	
Production Farmers	80.0%
Hobby Farmers	10.0%
Turf/Lawn/Landscape Contractors	3.3%
Municipalities/Park Depts	3.1%
Construction Contractors	2.4%
Industrial	0.7%
Other	0.5%

### Market Segment Revenue – 1-20 Employees



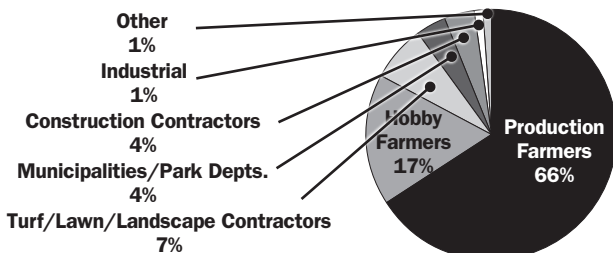
Nearly 60% of sales revenues by the smallest dealers, by employment size, come from production farming and nearly 20% are derived from the hobby farm/rural lifestyle markets.

### Market Segment Revenue – 21-40 Employees



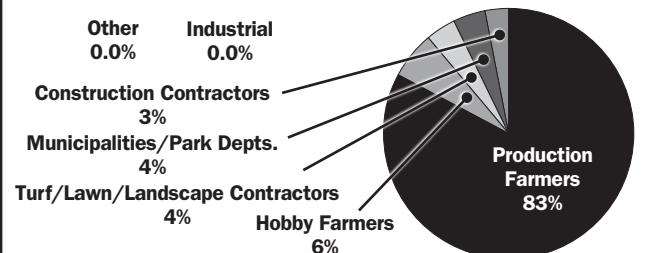
Revenues derived from production farming (nearly 70% of total) easily dominates the equipment sales of dealers employing 21-40 employees, while hobby farmers contribute 12% of sales revenues.

### Market Segment Revenue – 41-60 Employees



Dealers with 41-60 employees generated 17% of their sales dollars from the hobby farmer/large property owner market, but rely on production farming for 66% of their annual revenues.

### Market Segment Revenue – 60+ Employees



The largest dealers derive more 80% of their annual sales revenues from the production farm segment. Only 6% of revenues come from hobby farmers and 8% from landscape contractors and municipalities.

### Major Equipment Supplier Analysis by Market Segment — 2018

#### AGCO

Production Farmers	63.0%
Hobby Farmers	21.0%
Turf & Lawn	4.4%
Municipalities/Parks	4.4%
Const. Contractors	5.8%
Industrial	0.4%
Other	1.0%

#### Case IH

Production Farmers	80.0%
Hobby Farmers	7.0%
Turf & Lawn	3.2%
Municipalities/Parks	3.0%
Const. Contractors	4.1%
Industrial	0.7%
Other	2.0%

#### John Deere

Production Farmers	64.2%
Hobby Farmers	11.1%
Turf & Lawn	11.4%
Municipalities/Parks	7.2%
Const. Contractors	3.2%
Industrial	1.2%
Other	1.7%

#### New Holland

Production Farmers	55.0%
Hobby Farmers	20.0%
Turf & Lawn	7.0%
Municipalities/Parks	5.0%
Const. Contractors	7.0%
Industrial	2.2%
Other	0.0%

#### Kubota

Production Farmers	39.2%
Hobby Farmers	30.0%
Turf & Lawn	13.0%
Municipalities/Parks	5.8%
Const. Contractors	7.5%
Industrial	1.4%
Other	3.1%

#### Independent

Production Farmers	45.0%
Hobby Farmers	25.0%
Turf & Lawn	11.0%
Municipalities/Parks	5.0%
Const. Contractors	5.0%
Industrial	2.0%
Other	7.0%

### Segment Analysis by Major Equipment Supplier — 2017

#### Production Farmers

Case IH	79.6%	1
John Deere	64.3%	2
AGCO	62.5%	3
New Holland	54.5%	4
Independent	43.1%	5
Kubota	39.2%	6

#### Hobby Farmers

Kubota	30.0%	1
Independent	23.4%	2
AGCO	20.5%	3
New Holland	19.0%	4
John Deere	11.2%	5
Case IH	6.8%	6

#### Turf/Lawn/Landscape Contractors

Kubota	13.0%	1
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John Deere	11.2%	2
Independent	10.6%	3
New Holland	6.6%	4
AGCO	4.3%	5
Case IH	3.2%	6

#### Municipalities/Parks Dept

John Deere	7.3%	1
Kubota	5.8%	2
Independent	4.8%	3
New Holland	4.7%	4
AGCO	4.3%	5
Case IH	2.9%	6

#### Construction Contractors

Kubota	7.5%	1
New Holland	6.4%	2
AGCO	5.7%	3

Independent	4.8%	4
Case IH	4.1%	5
John Deere	3.2%	6

#### Industrial

Kubota	1.5%	1
New Holland	1.3%	2
Independent	1.3%	3
John Deere	1.2%	4
Case IH	0.7%	5
AGCO	0.4%	6

#### Other

Independent	6.3%	1
New Holland	4.0%	2
Kubota	3.1%	3
John Deere	1.8%	4
AGCO	1.0%	5
Case IH	1.0%	6

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