From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

April 15, 2013
Vol. 19, Issue 4

- Flat Demand in 2H?
- Titan Up 32.5% FY13
- Mahindra +30% in U.S.

Dealer Consolidation Marches On as 'Bigs' Get Bigger

If you were to only look at the raw numbers, you might think that the pace of farm equipment dealership consolidation may have slowed its relentless pace during the past year. But nothing could be further from the fact.

Last year at this time, *Ag Equipment Intelligence* reported there were 16 more farm equipment ownership groups in what we call the "Big Dealers" club than there were a year earlier, taking it to 187 dealer groups that own and operate five or more farm equipment locations. This was up from 171 in the previous year, 2011.

This year, the numbers show a decrease in the total number of dealers operating five or more ag machinery stores — down three to 184.

Nonetheless, it's safe to say the movement toward fewer ownership groups in the past year has not slowed. Rather, we're seeing a new dimension in the rationalization process where big dealers are merging to form even larger dealership networks. Some deal-

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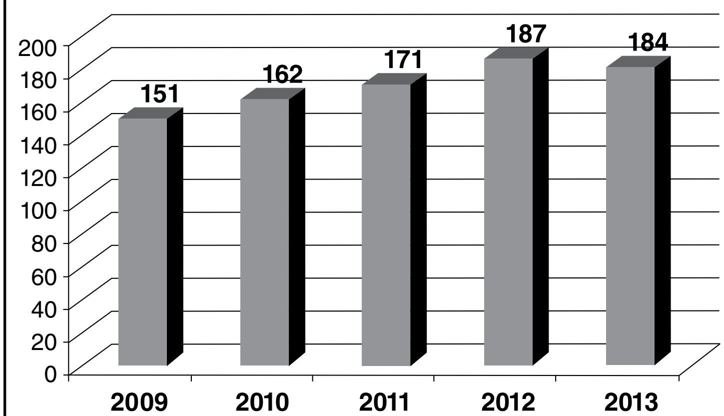
'Big' North American Farm Equipment Dealers



For the first time since 2009, the total number of dealer groups that own five or more stores declined from the previous year. This resulted from big dealers acquiring other large dealer networks.

Source: Ag Equipment Intelligence, Currie Management Consultants

No-Till Farmers Report 16% Gain in Profits; Equipment Buys to Increase Slightly for 2013

The results from an annual survey of U.S. no-till farmers reveals that, despite the drought, 2012 produced solid results, both in terms of profitability and crop yields. As a result, no-till farmers expect to slightly increase equipment purchases in 2013.

Overall, respondents came in with a net profit that was more than 16% greater than in 2011.

The data reported in the 5th annual "No-Till Operational Benchmark Study" is based on the responses of 603 readers of *No-Till Farmer*, a sister publication of *Ag Equipment Intelligence*.

Operating Expenses. The average acres planted by survey respondents' in 2012 was 1,215, down slightly from 1,253 acres in the previous year. However, no-tillers reported they spent on average $479,608 on inputs last year, which was only $6,000 more than 2011 average expenditures of $473,241. In 2010, farmers spent only $388,464 for inputs.

No-Tillers 2012 Operating Expenses

	Avg. Farm Acres	Avg. Operating Expenses (Per Farm)	Avg. Operating Expenses (Per Acre)
Total	**1,215**	**$479,608**	**$394.74**
Eastern Corn Belt	1,084	$456,810	$421.41
Western Corn Belt	1,318	$519,950	$394.50
Great Lakes	749	$364,087	$486.10
Northeast	579	$379,825	$656.00
Northern Plains	3,170	$795,388	$250.91
Southern Plains	1,991	$507,567	$254.93
Appalachia	1,355	–	–

Note: *Data insufficient in Appalachia region to determine average operating expenses.*

When you consider the reduction in acreage among this year's respondents, the average cost of inputs per acre came in at $394.74, or $17.05 per acre ahead of last year's expenditures of $377.69 per acre. That's a 4.5% increase.

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Fertilizer, fuel, labor and land rent were some of the major culprits in dramatically rising costs in 2011. For the most part, expenses were easier to swallow in 2012.

Following is the percentage change in itemized per-farm costs in 2012 vs. 2011:

- Fuel: +1.7%
- Land rent: –2.6%
- Seed/seed treatments: –7.2%
- Crop protection: +16%
- Fertilizer: +9%
- Lime/soil conditioners: –6%
- Equipment: –0.5%
- Machinery service: –6.9% decrease
- Machinery parts: +1.9%
- Precision equipment: –22.8%
- Custom application/hauling: –5.7%
- Labor: –11.4%
- Interest: +4.1%

"We continue to see farmers spending more on the inputs necessary to raise a crop, but we did see a leveling off on some discretionary dollars," says Frank Lessiter, editor of *No-Till Farmer*. "After some great financial earnings at the start of the decade, we see expenditures on equipment leveling off. That said, the numbers remain solid — even after a drought year.

"Clearly, the impact of the drought was muted to some extent by strong crop prices last year and earnings from crop insurance. No-tillers remain in a solid position entering the 2013 cropping season."

Costs Level Out. Overall, *No-Till Farmer* readers expect bottom-line expenditures to be right on par with 2012 at $479,335 on average per farm vs. $479,608 last year.

Land rent looks to be an area where farmers expect costs to rise in 2013. From $75,534 per farm in 2012 to $84,606 in 2013, no-tillers are forecasting a 12% increase.

The other big-ticket items should be relatively flat. Fertilizer costs are expected to rise just 0.1%, while seed expenses will increase 2.8%.

Equipment Buys Steady. While it looks like overall equipment purchases by no-tillers this year will be relatively flat, some machinery purchases saw a slight increase ahead of the 2013 growing season. The segments that saw an increase in purchases over a year ago included combines at 14% compared to 11% a year ago; tractors at 20% (vs. 19%); no-till drills at 10% (vs. 8%); and self-propelled sprayers at 10% (vs. 8%).

Segments that saw slight declines included planters at 15% (vs. 17%); tillage tools at 4% (vs. 6%); and pull-type sprayers at 3% (vs. 4%).

Top Growers. For the purposes of the no-till survey, the top one-third of growers we're broken out and examined to determine how their practices differed from all respondents.

"Top growers" were classified as those with the highest yields for soybeans and corn. For soybeans, on average, the top one-third of growers achieved yields of 60.5 bushels per acre, up slightly for 60.3 bushels per acre a year ago.

For corn growers, the drought obviously had an impact as the top one-third of no-tillers produced an average of 154.2 bushels per acre, or 19 bushels less (173 bushels per acre) than top growers from a year earlier.

For this group, smaller seemed to be better this year. While the average farm size in 2011 among the top one-third of survey respondents was 1,332 acres, it was just 960 in 2012. Their average farm expenditure was $409,277, or $426.33 per acre. On a per-acre basis, they spent $31.59 more than the average *No-Till Farmer* reader, or 8% more.

Similar to the top corn growers, the top soybean growers had overall expenditures that were greater than the average no-tiller, despite farming about 170 fewer acres on average. Overall expenditures came in at $418,727, or an average of $402.62 per acre. They spent $7.88 more per acre than the average no-tiller, or 2% more.

Editor's Note: Complete survey results are available in Ag Equipment Intelligence's special report "Benchmarking No-Till Farming in the U.S. — 2013". AEI

Crop Yields: Comparing Tillage Practices

When it comes to crop yield, each of the major conservation tillage practices did better than the national average for corn and soybeans, as well as spring and winter wheat.

2012 Crop Yields (bu./acre)

Crop	No-Till Avg.	Strip-Till Avg.	Minimum-Till Avg.	U.S. Avg.
Corn	133.5	145.6	132.6	123.4
Soybeans	46.6	49.6	48.1	39.6
Spring Wheat	51.9	N/A	51.3	45.0
Winter Wheat	66.6	N/A	59.6	47.2

Source: No-Till Farmer and USDA

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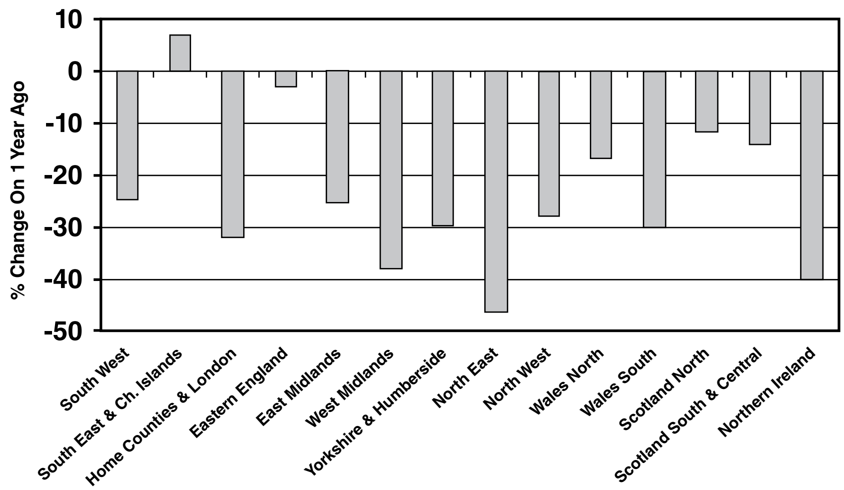
Lindsay Posts Strong 2Q, Cautious About Second Half of 2013

Despite strong numbers in its second reporting period of 2013, Lindsay Corp., the Nebraska-based manufacturer of irrigation equipment for agriculture, isn't at all sure the sales momentum will sustain itself through the remainder of the year.

Lindsay's second quarter revenues came in at $175.5 million, or up 32.8% compared to sales during the same period last year that totaled $132.1 million. Gross profit rose to $50.4 million vs. $36.5 million in the same period last year. Gross margins also increased to 28.7% vs. 27.6% last year.

Management's "tone has become increasingly guarded, especially as it relates to irrigation. Management reiterated the unit was attractive long term, but were reluctant to suggest when a turn in sales or margins might occur," C. Schon Williams, analyst with BB&T Capital Markets said in a note. AEI

UK Tractor Sales Slump in 1Q13



Tractor sales through nearly all of the United Kingdom continued their decline through the first 3 months of the year. According to the UK-based Agricultural Engineers Assn. only one region — South East & Channel Islands, up 6.9% — saw an increase in sales of agricultural tractors in the first quarter of 2013. The worst declines were recorded for the North East (-46%), Northern Ireland (-40%) and West Midlands (-38%).

The average size of units (over 50 horsepower) registered in the first quarter was 148.1 horsepower, an increase of 1.6% on the same period of last year; the total horsepower sold increased 19.4%, according to AEA. The only increases were at the smaller end of the horsepower spectrum in the relatively low volume 61-70 and 71-80 horsepower groups plus the 131-140 horsepower group, although the top end tractors (over 180 horsepower) did see smaller declines than for most other sectors. AEI

FARM MACHINERY TICKER (AS OF 04/12/13)

Manufacturers	Symbol	04/12/13 Price	03/12/13 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$33.12	$33.50	$41.73	$27.80	24.00	33,482	413.11M
AGCO	AGCO	$50.92	$54.15	$55.15	$38.09	9.61	1,140,190	4.94B
Alamo	ALG	$38.87	$39.97	$40.64	$27.07	16.20	30,119	468.23M
Art's Way Mfg.	ARTW	$6.32	$6.49	$8.80	$5.23	9.58	5,181	25.52M
Blount Int'l	BLT	$13.55	$13.81	$17.49	$12.46	17.15	406,816	665.93M
Buhler Ind.	BUI	$6.00	$5.99	$7.25	$5.04	8.70	4,313	150.00M
Caterpillar	CAT	$85.05	$89.74	$109.77	$78.25	10.03	6,219,930	55.71B
CNH Global	CNH	$41.35	$43.60	$49.99	$34.36	8.72	487,721	10.02B
Deere & Co.	DE	$86.14	$90.85	$95.60	$69.51	10.77	2,980,430	33.56B
Hemisphere GPS	HEM	$0.80	$0.79	$0.98	$0.56	N/A	77,733	53.17M
Kubota	KUB	$73.70	$63.98	$74.91	$40.61	21.30	83,490	18.51B
Lindsay	LNN	$80.28	$88.16	$94.90	$52.68	16.73	233,698	1.03B
Raven Industries	RAVN	$32.04	$29.99	$37.73	$23.01	22.25	116,549	1.16B
Titan Int'l	TWI	$20.71	$20.89	$29.95	$16.86	11.30	1,128,740	1.11B
Trimble Navigation	TRMB	$28.78	$60.47	$32.03	$20.01	38.63	1,435,130	7.35B
Valmont Industries	VMI	$145.13	$159.00	$164.93	$106.52	16.59	163,720	3.87B
Retailers								
Cervus Equipment	CVL	$20.10	$19.50	$21.39	$16.90	12.18	9,273	299.80M
Rocky Mountain Equipment	RME	$13.40	$12.89	$13.49	$10.07	10.47	44,816	254.51M
Titan Machinery	TITN	$21.89	$29.39	$36.92	$19.07	10.31	457,485	455.60M
Tractor Supply	TSCO	$107.36	$102.92	$109.79	$75.46	28.25	679,781	7.43B

Titan Machinery Sees 4Q Revenues Rise 29.2%; 32.5% for FY13

Titan Machinery, Case IH's largest equipment dealer worldwide, posted healthy revenue increases for both the fourth quarter and full year of fiscal 2013. At the same time, the dealer group's net income slipped as a result of construction segment losses, margin pressures and rising floorplan costs as a result of higher equipment inventories.

In its earning report on April 10, Titan showed a fourth quarter revenue increase of 29.2% to $784.5 million vs. $607 million during the same period of last year. All four of the company's revenue sources — equipment, parts, service and rental and other — contributed to the period-over-period revenue growth. Equipment sales were $679 million vs. $517.1 million; parts sales were $53.5 million compared to $45.7 million; service revenue was $34.2 million vs. $27.3 million; and revenue from rental and other increased to $17.8 million from $16.9 million in the fourth quarter last year.

Gross profit for the fourth quarter was $104.5 million, compared to $92.8 million in the fourth quarter of 2012. Titan saw its gross profit margin slip to 13.3% compared to 15.3% in the fourth quarter last year.

The company attributed the dropoff primarily to lower equipment margins and the change in sales mix, in which the higher margin parts and service businesses generated a smaller percentage of sales compared to the same quarter last year. Net income for the period was $15.4 million, compared to $17.6 million in the fourth quarter last year.

For the full year ended January 31, 2013, revenue increased 32.5% to $2.2 billion from $1.66 billion in fiscal 2012. Gross margin for the year was 15.4%, compared to 16.6% in fiscal 2012. Net income for fiscal 2013 was $42 million compared to $43.8 million in fiscal 2012.

CE Challenges. In a note, Rick Nelson of Stephens said, "Near-term results are likely to be pressured by continuing construction challenges and a delayed planting season. The construction challenges reflect less than anticipated rental revenues, lower equipment margins due to industry oversupply and pricing pressures, and acquisitions with higher costs.

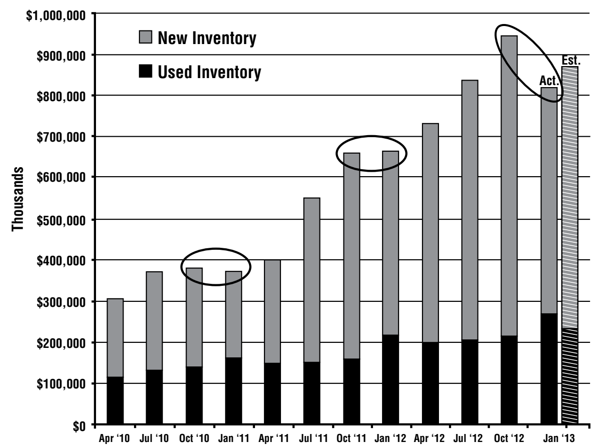
According to Nelson, the company is implementing changes in the construction segment that it expects will produce a second-half recovery. "We think investors will wait for evidence of this recovery before taking a more bullish stance on the stock. The long term growth story remains intact with Titan's healthy cash position and abundant acquisition opportunities," he said.

In their conference call with analysts, the company executives indicated that it expects excess inventories to work down through the first half of the year, and it doesn't anticipate any additional CE acquisitions and will instead focus on operational improvement, said Nelson.

Mircea (Mig) Dobre, analyst for RW Baird, sees several first quarter 2014 challenges for Titan. "Continued inventory destocking through the first half of calendar year 2013 in the construction segment is likely to put pressure on equipment pricing (and therefore margins) while a continued drought, a recent drop in crop prices and a delay in the spring planting season weigh negatively on ag sentiment.

"International presents revenue growth opportunity, but also a headwind to margin," he said. AEI

Titan Machinery Lowers New Equipment Inventories in 4Q



After facing analyst scrutiny during previous earnings reports for its growing inventory levels, which resulted in rising floorplan interest and other associated costs, Titan Machinery showed a significant decrease in new equipment levels in its fourth quarter, ending January 31, 2013.

During its April 10 conference call with analysts, Mark Kalvoda, Titan's CFO, said, "During our last conference call, we shared our inventory strategy to move toward a 3x turn of our inventory. We exceeded our year-end target for equipment inventory levels by decreasing inventory by $127 million. Historically, inventory has remained flat from the third to the fourth quarters. We will continue to focus on our inventory strategy in fiscal 2014. However, it is important to remember that our inventory levels increased during the front half of the year to support our back-half sales volume. We will also focus on pre-sell marketing of new equipment to increase our inventory turns."

The company reported that the inventory level at the end of fiscal 2013 decreased $118.8 million from $1.05 billion at the end of the third quarter of fiscal 2013, and the company had available $307.1 million of its $1 billion total discretionary floorplan lines of credit as of January 31, 2013.

Titan Machinery 4Q & Full Year Segment Overview
(period ending January 31, 2013)

(in millions of dollars)	4Q FY 2013	4Q FY 2012	Change	FY 2013	FY 2012	Change
Revenue	$784.5	$607.0	29.2%	$2,198.4	$1,659.0	32.5%
Agriculture	$699.4	$526.4	32.9%	$1,899.0	$1,441.3	31.8%
Construction	$108.6	$97.8	11.1%	$380.3	$279.2	36.2%
Pre-Tax Income	$25.8	$29.6	-13.0%	$70.7	$73.6	-3.9%
Agriculture	$32.8	$30.4	7.8%	$83.8	$74.4	12.6%
Construction	($5.5)	$1.0	-659.2%	($4.7)	$5.5	-186.2%

Dealers Expect Flat Equipment Demand for Full Year 2013

The results of a survey of 200 farm equipment dealers by UBS Global Equity Research indicate that, despite continued strong ag machinery sales through the first quarter of the year, U.S. farm equipment dealers aren't quite as confident about the remainder of 2013.

According to analyst Steven Fisher, dealers responding to the 31st UBS Agricultural Dealer Survey aren't anticipating significant sales growth for the remainder of the year over sales levels seen in 2012. "Dealers expect 2013 farm equipment demand generally in line with 2012 levels. While those who expect an increase in sales volume (37%) outnumber those expecting a decline (28%), the weighted distribution of responses averaged 4.99 on a 0-10 scale, indicating flat volume expectations overall."

Equipment Pricing. Survey results also showed that new equipment pricing remains strong, but not quite where it has been over the past several months.

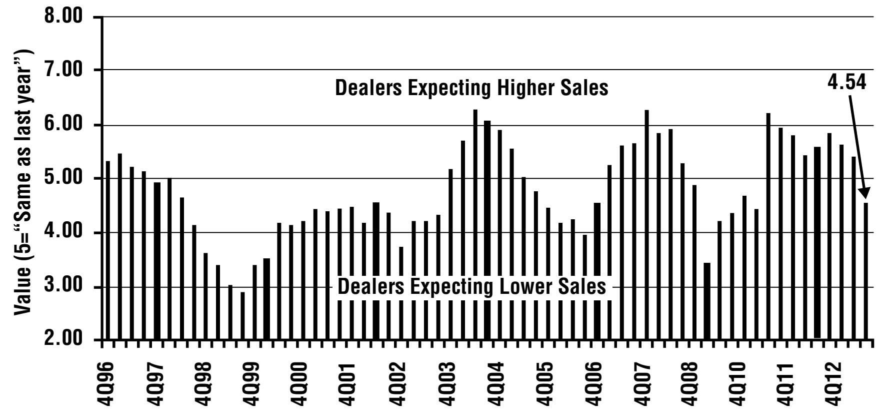
"Dealers reported strength in new equipment pricing, though to a lesser degree than in our prior survey," Fisher says. "Some 47% of farm equipment dealers nationwide reported new equipment prices were 'Firming,' while only 6% saw 'Weakening' prices." This compares with 53% and 1%, respectively, in the previous UBS survey.

The same doesn't appear to be true for used equipment pricing, though. According to the UBS analyst, dealers reported significant moderation in used equipment pricing, with 26% of dealers reporting used equipment prices were "Firming," down from 44% in the previous survey, while 19% saw "Weakening" prices, up from 5% in the earlier poll.

Used Inventories. With the high levels of new equipment sales during the past two years leading to escalating levels of trade-ins, dealers say they're closely scrutinizing their backlog of used machinery.

Overall, used equipment inventories are at normal levels, but they're higher than they were in the last UBS survey. "Dealers are largely split on used equipment inventories, with roughly one third each reporting 'below normal,' 'normal' and 'above normal' levels," Fisher says. The average response of 5.09 (on a scale of 0-10), indicates inventories are slightly above normal, but up from 4.35 in the prior survey.

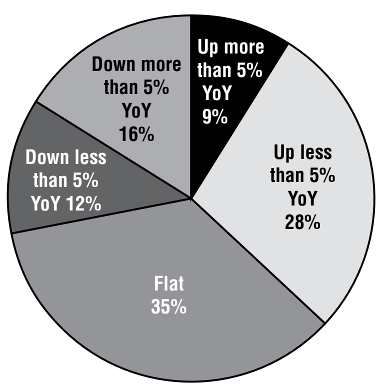
All Dealers' Forecasts of New Machine Sales – 63-Quarter History



The 4.54 average response indicates dealers believe farm machinery sales will decline in the current quarter. "Despite dealers' cautious view, we note recent equipment sales have been relatively strong. But the last time the average response declined from positive territory below 5.0 was regarding fourth quarter 2008 demand," says Steven Fisher, analyst for UBS Global Equity Research.

Source: UBS Agricultural Dealer Survey #31

Dealers' Expectations for 2013 Equipment Sales vs. 2012



Overall, 37% of dealers are forecasting sales growth in 2013, with 28% expecting declining sales. This compares with a similar level of 35% who expected growth and 26% who forecast a sales decrease in the previous UBS survey in 2012.

Source: UBS Agricultural Dealer Survey #31

"Used combine inventories may negatively impact demand for new combines in 2013, and 73% of dealers expect 2013 demand for new combines will be negatively impacted by used combine inventories, up from 67% in our prior survey," he says.

Technology Demand. Dealers see the push for new technology in farm machinery from their customers as "somewhat important," but Fisher believes they may be under estimating farmers' desire to have the most technologically advanced and efficient equipment every year.

"While most dealers believe their customers consider it at least somewhat important, more dealers responded 'not important' than 'very important.' We assigned a numeric value to each response; with 'not important' assigned a value of 0, 'somewhat important' a value of 5 and 'very important' a value of 10.

"The national average response was 4.81. We believe results may understate the desire for technology because the up cycle in recent years makes the existing fleet more technologically advanced. As a result, fewer customers may be returning to dealers every year to specifically seek new technology," says Fisher. AEI

Mahindra Posts 30% Growth in U.S. Sales

Indian tractor maker, Mahindra, closed out fiscal year 2013 with a strong sales in the U.S. market. While its tractor sales remained moderate in India, the company posted 30% growth in retail sales in the U.S., selling over 10,000 tractors. Additionally, wholesale numbers grew by 7% for the last fiscal year.

Mahindra's market share also showed solid growth, gaining over 200 basis points during FY 2013. The company says it ended the year as the number three manufacturer in the U.S. in the under 80 horsepower tractor segment. This growth can be connected to Mahindra's growing dealer network, according to Mahindra. The company added 79 new dealers in the past year, expanding its network to over 400 locations.

Recently the North American Equipment Dealers Assn. (NAEDA) ranked Mahindra number two on its annual Dealer/Manufacturer Relations Satisfaction Survey.

"A series of dealer and customer-centric initiatives have helped Mahindra USA sales cross the 10,000 tractor benchmark for two consecutive years, marking an inflection point for the company in the U.S. market. This momentum is set to continue during fiscal 2014, on the back of more initiatives from MUSA," Ruzbeh Irani, chief executive – International Operations Automotive and Farm Equipment Sectors & Member of the group executive board, said in an interview with *The Economic Times of India.* **AEI**

Art's Way Net Sales Grow 33.3% in 1Q

Art's Way Manufacturing Co. announced its financial results for the first quarter on April 15, showing steady growth to start the year. Net sales for the three months ended February 28, 2013 increased 33.3% over the same quarter in 2012.

Art's Way First Quarter Results

	1Q 2013	1Q 2012	Change
Net Sales	$8,415,000	$6,312,000	33.3%
Operating Income	$713,000	$362,000	97.0%
Net Income	$819,000	$193,000	324.4%

Art's Way manufactures farm machinery niche products, from animal feed processing equipment, sugar beet defoliators and harvesters, round hay balers, along with modular animal confinement buildings and laboratories, and pressurized tanks, vessels and modular buildings.

First fiscal quarter sales in the manufacturing division were $7,004,000 vs. $3,988,000 during the same period of 2012, an increase of $3,016,000, or 75.6%. The year-over-year increase in revenue was primarily due to the additional sales of $1,221,000 attributable to the acquisition of Universal Harvester Co. in May 2012 and the timing of sales of $1,177,000 attributable to original equipment manufacturing.

Gross margin for the quarter ended February 28, 2013 was 28%, compared to 26.3% for the same period in 2012.

"The solid financial performance in the first quarter demonstrates the continued strength of not only our core business but also the agricultural sector in general," said J. Ward McConnell Jr., chairman of the board of directors. "Farmers have money and are willing to spend it and our niche agricultural machinery and equipment fit their needs perfectly." **AEI**

Carraro Inks China Deal with AGCO

Italian engineering group Carraro had a double celebration when it secured a new contract with AGCO and reported improved financials for its mechanical engineering business units.

The 5-year contract with AGCO is worth more than $32 million at current exchange rates for the supply of tractor front drive axles and drop gearboxes for installation on new 80-120 horsepower tractors to be produced in China at AGCO's new $300 million Changzhou facility.

The plant is due to start production this year, making tractors for the Chinese market and also for export to the U.S., Far East and Africa.

The Carraro Drive Tech division's Carraro China Drive Systems unit is located at Qingdao in eastern China, about 400 miles north of Changzhou where the new AGCO plant will have capacity for 20,000 tractors, 36,000 engines and 36,000 drive lines for export to its plants in Brazil, the U.S. and Europe. The site will employ up to 1,500 people and is located in an area already populated with factories producing ag and heavy machinery.

The contract will be a welcome boost for Carraro Drive Tech, where more than $19 million of $53 million group investment was spent on improved production efficiency. Revenues grew almost 3% to $812 million last year from sales of driveline assemblies for agricultural and construction vehicles, while earnings expressed as EBITDA improved by just over 11% to $47.8 million.

Combined revenues from these units and Carraro's Agritalia contract tractor assembly business, amounted to $1.16 billion in 2012 — about the same as in the previous year, but with EBITDA rising 9.3% to $75 million.

Sales of products for agricultural machinery increased 3.3% to $375 million last year. They accounted for a third of group consolidated turnover, up from 30% in 2011. **AEI**

Sales Growth Continues in March

North American sales of ag machinery continued on its upward trend in March with strong growth, as reported by the Assn. of Equipment Manufacturers. According to Mircea (Mig) Dobre, machinery analyst with RW Baird, U.S. and Canada ag equipment retails sales grew across nearly every category as it has during the past several months.

Row-crop tractors, mid-range tractors and combine sales increased 28.2%, 8.4% and 67% year-over-year, respectively. 4WD tractors fell 5%, from a 37.9% increase in February. New equipment inventory levels continue to rise, supported by strong unit sales growth, says Dobre.

- U.S. and Canada large tractor and combine retail sales increased by 29% on a year-over-year basis, slowing slightly from the 34% increase seen in February. U.S. sales increased by 32% compared to the same period in 2012, and Canadian sales grew 13%.
- Combine retail sales saw strong growth once again with last three month (L3M) sales increasing 51.3% year-over-year. Sales grew by 67% in March vs. 2012, following a 69.9% increase in February. March is typically an unimportant month for combine sales, accounting for just 6.4% of annual sales over the last 5 years.
- Row-crop tractor sales continue to grow, posting a 28.2% year-over-year increase, accelerating slightly from the 27.2% increase observed in February. March has been a relatively important month for row-crop tractor sales over the last 5 years, typically accounting for 9.7% of annual sales.
- 4WD tractor sales fell 5% year-over-year in March, down from a 37.9% increase in February. U.S. dealer inventories of 4WD tractors increased 30.3% year-over-year in February, while days-sales of inventory also increased for the same period to 66 from 63 in February 2012.
- Mid-range tractor sales grew in March by 8.4% year-over-year after a 5.8% increase last month. Compact tractor sales fell 3.2% year-over-year, down from the 17.2% growth during the previous month. AEI

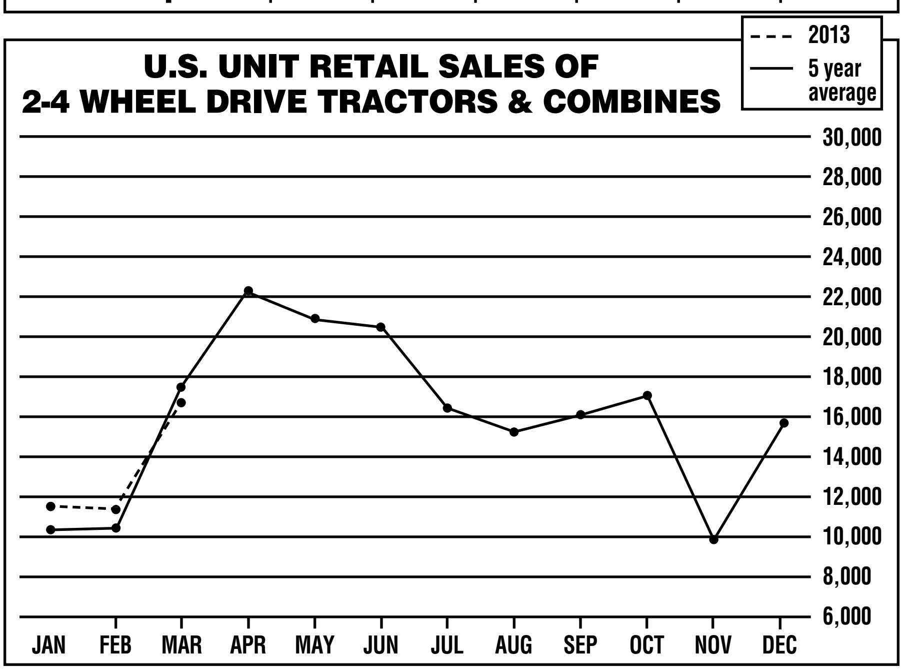
MARCH U.S. UNIT RETAIL SALES

Equipment	March 2013	March 2012	Percent Change	YTD 2013	YTD 2012	Percent Change	March 2013 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	7,496	7,936	-5.5	16,251	15,441	5.2	63,957
40-100 HP	4,479	4,129	8.5	11,530	10,599	8.8	27,521
100 HP Plus	3,014	2,291	31.6	7,874	6,190	27.2	9,040
Total-2WD	14,989	14,356	4.4	35,655	32,230	10.6	100,518
Total-4WD	551	586	-6.0	1,649	1,320	24.9	1,317
Total Tractors	15,540	14,942	4.0	37,304	33,550	11.2	101,835
SP Combines	987	561	75.9	2,063	1,316	56.8	1,498

MARCH CANADIAN UNIT RETAIL SALES

Equipment	March 2013	March 2012	Percent Change	YTD 2013	YTD 2012	Percent Change	March 2013 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	815	653	24.8	1,870	1,401	33.5	8,516
40-100 HP	462	430	7.4	1,232	1,164	5.8	3,321
100 HP Plus	450	412	9.2	1,145	876	30.7	2,335
Total-2WD	1,727	1,495	15.5	4,247	3,441	23.4	14,172
Total-4WD	155	157	-1.3	405	266	52.3	533
Total Tractors	1,882	1,652	13.9	4,652	3,707	25.5	14,705
SP Combines	212	157	35.0	379	295	28.5	688

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



—Assn. of Equipment Manufacturers

ers, particularly Challenger/Caterpillar groups, have chosen to focus on construction equipment and drop their ag locations. Another trend that's beginning to emerge is where large dealer groups are either closing or re-locating some facilities and concentrating their machinery sales in fewer and/or more centrally located facilities.

Big Get Bigger

What's clear about ag equipment dealership consolidation is that the big are tending to get bigger.

The most recognizable and aggressive example of this is Titan Machinery. A year ago, Case IH's largest dealer group reported 96 total locations that included 62 ag equipment and 34 construction equipment stores. Currently, Titan owns and operates 120 total equipment locations, 78 of which focus on farm machinery, in 11 states and Europe.

Overall, an examination of the biggest of the big shows their number of store locations are indeed growing, though the average number of stores owned by each of the big dealers hasn't varied significantly from one year ago.

Overall, dealership groups that own and operate 15 or more locations greatly increased the number of locations they operate during the 12 month period between April 2012 and March 2013. In our April *2012 Big Dealer* report, 16 dealer groups operated 15 stores or more. This year, that number increased to 20 dealership networks with 15 or more locations.

Last year, this group of dealers operated a total of 499 locations, with 368 of these focused on farm machinery. This year, the 20 dealers that own 15 or more stores operate a total of 638 locations, of which 456 are primarily locations that sell ag equipment.

So while the number of dealer groups with 15 or more locations expanded from 16 to 20 during the past year, and the total number of stores increased exponentially, the average number of stores for each ownership group saw very little change. But comparing the numbers since 2009, the growth of the really big dealers represents a significant trend and a reshaping of ag equipment distribution channels.

North American Big Farm Equipment Dealer Groups by Brand — 2013

(*Individual ownership groups may carry a range of different brands*)

# Ag Stores in Ownership Group	Owner Groups	John Deere	Case IH	AGCO Corp.	New Holland	Kubota
>15	15	11	2	1	1	–
10-15	35	20	4	9	1	–
7-9	68	40	12	7	3	2
5-6	66	32	24	4	11	11
TOTAL	**184**	**103**	**42**	**21**	**16**	**13**
Stores in Large Groups	**Total Industry**					
Ag Stores*	1,680	944	369	226	159	124
Total Locations	2,154					
Avg. Number Ag Stores in Group	–	9.2	8.8	10.8	9.9	9.5
Total Stores by Brand*	7,000	1,557	950	975	1,100	1,100
% Stores in Large Groups	24%	61%	39%	23%	14%	11%

** Not including OPE, CE or HQ locations.*
AGCO Corp. includes only dealers who carry an AGCO tractor brand.

Source: Farm Equipment Magazine, Dave Kanicki (DKanicki@LessPub.com, 262-782-4480, www.farm-equipment.com) and Currie Management Consultants, George Russell (GRussell@CurrieManagement.com, 847-219-7252, www.CurrieManagement.com)

Farm Equipment Dealer Groups with 15 or More Locations — 2009-13

Year	Groups w/15+ Stores	Total Stores	Ag Stores	Total Avg.	Ag Avg.
2009	12	284	220	23.7	18.3
2010	16	436	330	27.3	20.6
2011	13	428	311	32.9	23.9
2012	16	499	368	31.2	23.0
2013	20	638	456	31.9	22.8

Investing in Dealer Groups

During the past year, we've also seen the growing involvement of investment groups buying into farm equipment dealership networks.

For example, last October in Quebec and eastern Ontario, Équipements Laguë and JLD Group announced they would be joining forces. Together, they will become one of John Deere's largest dealer groups in Eastern Canada with 14 total store locations. The merger was finalized March 1, 2013, with each store retaining its brand name and logo.

The dealership noted, "This transaction has been undertaken in partnership with the Champlain Financial Corp. (Champlain), JLD Group's financial partner. Champlain is a private equity firm that has brought together several Canadian institutional and private investors, including former shareholders and key employees from both Équipements Laguë and the JLD Group, as part of this alliance."

George Russell, executive partner with Currie Management Consultants and co-author of the *Big Dealer* report, says "We can expect to hear more from private equity firms like BelKorp Private Equity from British Columbia and Champlain Financial Corp., especially as dealer groups continue to grow larger." **AEI**

2013 Big Dealer Report

The complete 2013 "Big Dealer" report will be sent to all *Ag Equipment Intelligence* subscribers on or before May 1.