From the editors of *Farm Equipment...*

Ag Equipment Intelligence

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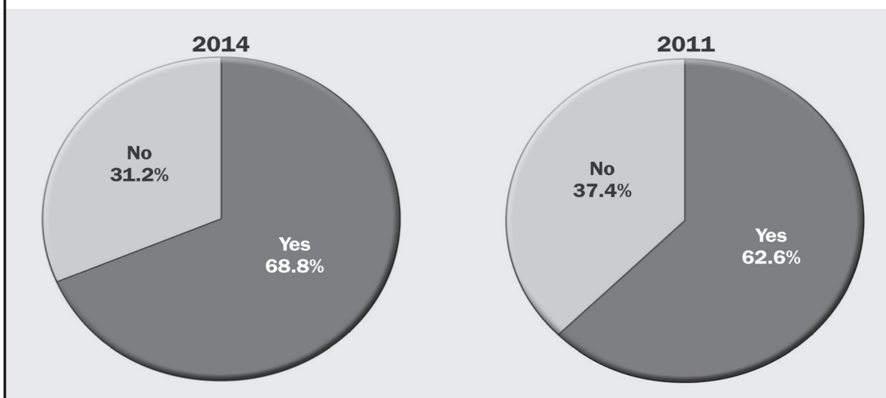
News, Information & Analysis for the Ag Equipment Marketer

Are U.S. Farmers More or Less Loyal to Equipment Brands Today?

While many farm equipment dealers believe that loyalty to specific equipment brands of ag machinery has diminished over the years, replaced by demanding, price shopping farm operators, that's not what a majority of the farmers surveyed by *Farm Equipment* magazine say. If anything, farmers report that their allegiance to "their" equipment brand is as solid as it was 5 years ago — if not more so.

The survey was conducted in November via email and included a random sampling of farmers who work at least 1,000 acres across 10 states throughout the Corn Belt and Lake States. It's a follow-up to the same survey the magazine conducted 3 years earlier. The 6 questions were identical to those posed 3 years ago, and the major equipment brands covered were the same as well.

Are You Brand Loyal?
(all farmers)



Of all the farmers surveyed in November 2013, nearly 69% call themselves "brand loyal" when it comes to the farm machinery they own and operate. This is up from about 63% when the same poll was taken 3 years ago. *Source: Farm Equipment*

Of the total responses, 54.1% of farmers said their primary brand of tractors and combines was John Deere. In the 2011 report, 66.7% of the responses came from John Deere customers. Case IH customers comprised 32.1% of all responses vs. 17.2% the last time around. New Holland customers made up 7.3% of total responses vs. 9.1% in 2011, and 5.5% of respondents identified themselves as AGCO users compared to 4% in the earlier survey. Only 1% said they were not loyal to any of these brands.

Nearly 69% of all respondents labeled themselves as "brand loyal," while the remaining 31.2% said they were not "brand loyal" when buying farm machinery. This is up from

Continued on page 3

Titan Machinery Pushes to Reduce Inventories Following Tough 3QF14

Following a particularly difficult quarter where revenues rose only 1%, Titan Machinery, the Fargo, N.D.-based retailer of farm and construction equipment lowered its outlook for annual revenue, net income and earnings per share. With equipment inventories up 12% year-over-year, the company said it plans to reduce product backlogs by $90 million in the final quarter of the year, and by $250 million during fiscal year 2015.

While overall equipment sales declined 3.2% for the period ending October 31, 2013, through the first 9 months of the year overall equipment sales were up by 4.6%. Parts and service revenues saw solid growth, up 12.2% and 21.8% respectively for the quarter, and 13.5% and 20.2%, respectively through the first 9 months of the fiscal year.

"Our concerns surrounding deterioration in North America ag equipment demand (and pricing) have materialized in a large third quarter miss and lowered fiscal year 2014 guidance," Mircea (Mig) Dobre, analyst for RW Baird, said in a note following Titan's earnings release.

"High inventory levels coupled with equipment pricing pressure and lower end-market demand result in significant forecasting risk" for Titan.

Difficult Quarter. Overall, Titan's

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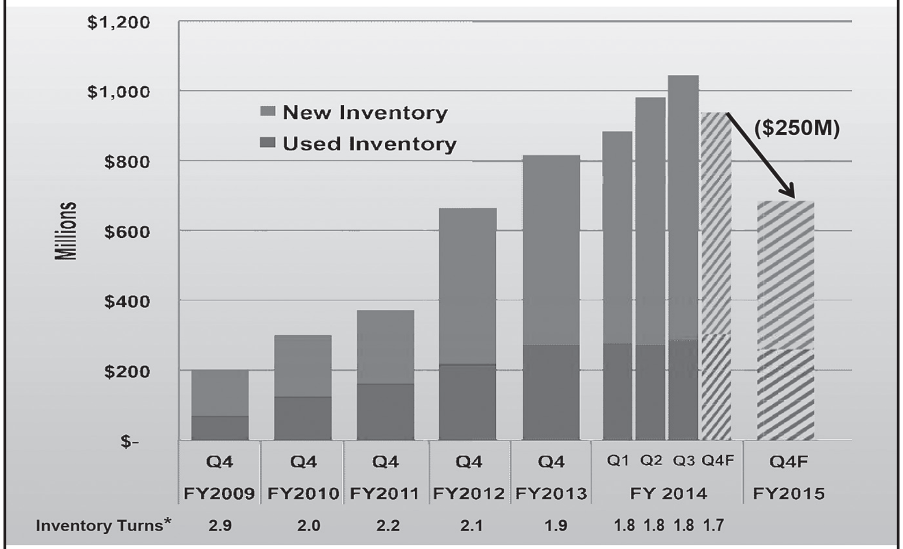
Titan Machinery Equipment Inventory

(through 3QF14, October 31, 2013)



During its earnings report on December 5, Titan Machinery stressed that one of its major initiatives in the fourth quarter of fiscal 2014 and throughout the 2015 fiscal year will be to dramatically shrink both its new and used equipment inventory. *Source: Company reports*

Titan Machinery Revenue Analysis — 3Q & 9 mos. FY2014

(millions of U.S. dollars)*

	Oct. 31 3QFY14	Oct. 31 3QFY13	% Change	Oct. 31 9 mos.	Oct. 31 9 mos.	% Change
Revenue	$588.0	$582.1	+1.0	$1,517.8	$1,413.9	+7.3
Agriculture	$459.0	$478.7	-4.1	$1,186.9	$1,146.4	+3.5
Construction	$109.9	$94.9	+15.8	$290.6	$271.7	+7.0
International	$40.3	$28.2	+42.7	$107.9	$53.8	+100.6
Equipment	$441.8	$456.2	-3.2	$1,134.9	$1,084.9	+4.6
Parts	$80.9	$72.1	+12.2	$214.4	$188.8	+13.5
Service	$40.6	$33.4	+21.8	$112.5	$93.6	+20.2
Rental & Other	$24.7	$20.5	+20.4	$56.0	$46.6	+20.2
Gross Profit	$93.6	$94.1	-0.5	$251.1	$234.8	+6.9
Gross Profit Margin	15.9%	16.2%	-30 bps	16.5%	16.6%	-10 bps

revenues rose to $588 million vs. $582.1 million last year.

Rick Nelson, analyst for Stephens, said in a note, same-store revenues fell by 4.5% and including a 6.5% decline in ag, 6.5% growth in CE and 6.9% decline in international.

"Total gross margins fell 30 bps to 15.9% vs. our model of 16.2%. Equipment margins fell 130 bps to 7.9% vs. our estimate of 8.4%. Service and parts revenues and margins were higher than our forecast. Ag segment pre-tax profits were $16.7 million vs. $24.9 million and construction produced a loss of $3.4 million vs. profit of $0.5 million. International also generated a loss of $1 million vs. $1.4 million profit last year."

Revised Outlook. Titan reduced revenue guidance from $2.25-2.45 billion to $2.15-2.35 billion for the year.

The company noted headwinds created by significant price increases due to the rollout of the Tier 4 Final engine technology. "We're finding it very difficult to pass it on and get full price realizations from our customers, considering the size of the price increases," it said.

In a conference call with analysts, company officials pointed out positive trends on the used equipment side of the business. "We're seeing fairly stable used equipment prices, especially on tractors," David Meyer, chairman and CEO of Titan said. "But there is a lot of used equipment out there that needs to be put through the channel," he added, while noting that margins on used combines remain difficult.

Acquisitions Ahead? The company noted that it is seeing an increase in discussions about acquisitions from other dealer-principals. "Long term, we've got a big opportunity, a long runway of acquisitions out there," Meyer said. He noted that the pricing on some recent acquisitions within the industry has been "a little higher than we're comfortable with." He said Titan is maintaining its discipline when it comes to pricing acquisitions.

In his note, Nelson said, "Titan's acquisition pace has slowed as it focuses on integrating recent acquisitions and improving execution in its stores. We do not believe that the ongoing strategies preclude Titan from executing on a deal, and we note the company maintains a strong balance sheet and cash position." **AEI**

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the 2011 report when 62.6% defined themselves as "brand loyal" and 37.4% who didn't claim allegiance to any specific brand of farm equipment.

The farmers were also asked, *"When you purchase new (not used) farm equipment, do you begin the process with the desire to purchase the same brand as your tractor/combine?* Slightly over 67% said "yes," and slightly less than 34% said "no."

If Not Your Brand? The farmers surveyed were also asked if they had purchased equipment in the past 5 years that was not the same brand as their "primary brand" and what type of equipment did they purchase outside their brand.

Nearly 58% said they purchased another brand of spraying equipment, and 55% they had bought tillage tools that weren't the same brand as their tractor and combine. Both of these are up from the survey 3 years ago. Another 45% indicated they had purchased seeding or planting equipment that was not their "primary brand."

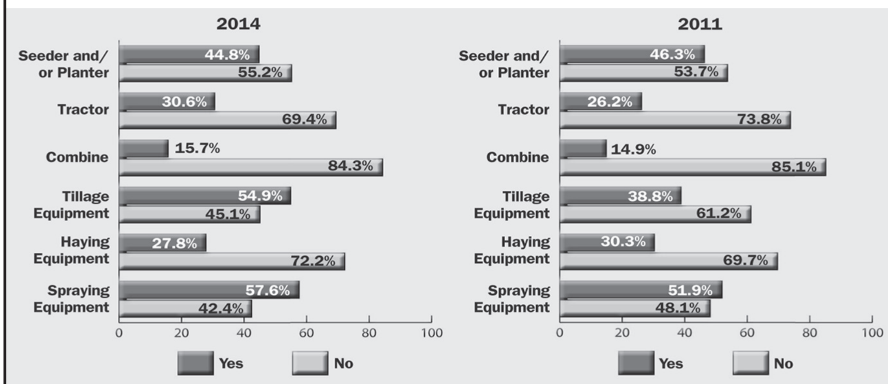
Reasons to Switch. When they were asked to select the reasons they would switch brands, the top five in order were:

1. Better parts availability
2. Better dealer repair/service
3. Better product engineering
4. Product specialists at the dealership
5. Better manufacturer warranty

The full brand loyalty report appears in the January 2014 issue of Farm Equipment. **AEI**

Purchased Equipment Other Than Primary Brand in Past 5 Years

(all farmers)



Farmers most often purchase tillage equipment and sprayers that are not manufactured by their primary suppliers of tractors and combines. The percentage of farmers buying outside their main brand in these two categories has grown since 2011. *Source: Farm Equipment*

FARM MACHINERY TICKER (AS OF 12/11/13)

Manufacturers	Symbol	12/11/13 Price	11/12/13 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$39.95	$37.13	$41.55	$29.71	26.81	36,619	502.53M
AGCO	AGCO	$59.05	$58.20	$64.60	$47.29	10.43	1,110,880	5.75B
AgJunction Inc.	AJX	$1.09	$1.19	$1.20	$0.70	N/A	56,520	N/A
Alamo	ALG	$54.07	$50.42	$59.61	$31.34	19.15	25,734	653.17M
Art's Way Mfg.	ARTW	$5.91	$6.21	$8.44	$5.40	12.44	8,105	23.89M
Blount Int'l	BLT	$14.03	$13.41	$17.49	$10.52	19.76	180,262	692.48M
Buhler Ind.	BUI	$7.00	$7.10	$7.30	$5.20	8.33	10,130	172.49M
Caterpillar	CAT	$85.28	$83.85	$99.70	$79.49	16.26	5,07,430	54.27B
CNH Global	CNHI	$10.49	$11.22	$13.16	$10.41	13.05	897,359	19.13B
Deere & Co.	DE	$87.28	$82.12	$95.60	$79.50	9.60	3,275,220	32.63B
Kubota	KUBTY	$82.12	$79.78	$88.38	$53.32	73.26	16,345	102.86B
Lindsay	LNN	$77.10	$77.93	$94.90	$71.13	14.10	236,606	992.43M
Raven Industries	RAVN	$38.34	$34.18	$40.79	$25.44	30.55	90,145	1.40B
Titan Int'l	TWI	$17.03	$15.39	$27.12	$14.14	20.01	1,046,380	911.96M
Trimble Navigation	TRMB	$31.74	$32.15	$33.84	$22.66	43.12	1,573,840	8.18B
Valmont Industries	VMI	$139.65	$143.51	$164.93	$129.00	13.00	307,356	3.74B
Retailers								
Cervus Equipment	CVL	$22.95	$20.80	$25.06	$17.45	13.66	12,280	342.35M
Rocky Mountain Equipment	RME	$12.21	$12.21	$14.88	$10.98	9.25	49,434	235.32M
Titan Machinery	TITN	$14.62	$18.20	$32.00	$14.19	9.38	379,706	305.28M
Tractor Supply	TSCO	$71.45	$72.34	$74.91	$42.40	32.61	858,658	9.97B

Russian Dealer Group Optimistic Despite 'Less-Than-Optimal' Environment

Ekotechnika, the holding company for Ekoniva-Technika, Russia's largest dealer in foreign-branded farm machinery, remains confident in the potential of the Russian market, calling it "one of the major growth markets" for ag equipment despite a "less-than-optimal trading environment" in 2013, according to a November 20 report from Agrimoney.com.

Through October, overall tractor sales are only down 4.4%, largely due to continuing strong sales of compact tractors (+10.8%). Utility tractor sales are only down 3% through the first 10 months of the year, according to industry group Rosagromash.

But the sale of high horsepower (-25.5%) and 4WD tractors (-29.6%) and combines (-35.3%) are off significantly from a year ago.

Agrimoney.com reports that the decline has been attributed to "factors including delays in government subsidies, import tariffs and dents to farm income from a disappointing grains harvest last year and crop price reductions over 2013.

"Deere & Co., maker of John Deere equipment which form the bulk of Ekotechnika sales, noted import policies, a difficult autumn planting period and 'increased collateral requirements and interest rates' for borrowers as hampering former Soviet Union sales."

Wolfgang Blasi, the Ekotechnika managing director, said, "The modernization of the Russian agricultural sector is in full swing … and continues to offer significant potential for the sale and service of agricultural machinery."

He pointed to Russia's $45 billion support for a program aimed at boosting domestic farm production to ultimately make the country 85% self sufficient in ag production. **AEI**

Russian Ag Equipment Sales — October 2013 & YTD

Equipment	Oct 2013	Oct 2012	% Change	YTD Oct 2013	YTD Oct 2012	% Change
2WD Tractors						
<40 HP	687	687	—	12,094	10,919	10.8
40-100 HP	1,872	1,763	6.2	15,831	16,314	-3.0
>100 HP	336	631	-46.8	5,837	7,835	-25.5
Total 2WD	2,895	3,081	-6.0	33,762	35,068	-3.7
4WD Tractors	29	48	-39.6	702	997	-29.6
Total Tractors	2,924	3,129	-6.6	34,464	36,065	-4.4
Combines	434	221	96.4	4,390	6,780	-35.3

Source: Rosagromash

Dealer Group Builds Planter to Fill Niche Product Gap

Dealers aren't often called on to manufacture the equipment they sell, but in the Red River Valley region of North Dakota and Minnesota, Titan Machinery's customers were in need of a 24-row, 22-inch planter. The Case IH dealership group recognized the product gap, and took on manufacturing the planters itself and began assembling and selling the new 24 row 22 inch planters in 2012. Due to the excellent flotation and yield increases seen with the Case IH row units, these planters are branded Yieldtrac. Case IH has worked closely with Titan on developing and supporting the product.

"The initial purpose was to fill a product configuration niche that wasn't offered by Case IH, and that is 24-row, 22-inch spacing, which is common in our part of the world due to the sugar beet influence and the movement to narrow row corn and soybeans," says Jim Lilleberg, Titan's vice president of marketing. "We also heard from our customers that they want improved flotation and reduced compaction with todays larger, heavier planters so we have tracked undercarriages as standard equipment and leave only four tracks in the field instead of eight common on most planters".

To tackle design, manufacturing and assembly, Titan created the Innovations Division, which consists of a team of engineers and production workers. The planters are built in Fargo using many Case IH components, including the liquid fertilizer system, bulk fill system, row units, electronics and the control system, Lilleberg says.

"The part we build is the carrying structure, the support system for the critical systems. We build the bar and the under carriages and put the Case IH components on it," he says.

Titan works with a number of vendors within a 150-mile radius of Fargo on the component fabrication. The Innovation team handles all the assembly in-house at a 25,000 square foot facility in south Fargo. "At the end of the day, we've really got a planter that can get most of the key support from any Case IH dealer, not just Titan," Lilleberg says.

Titan has sold the Yieldtrac in North Dakota, South Dakota, Minnesota and Iowa. While most have been sold through Titan stores, Lilleberg says about 10% have been sold through other Case IH dealers.

Originally designed as a 24-row, 22-inch planter, it's now also available in a 24-row, 30-inch configuration due to customer demand for planters on tracks, and Lilleberg says they are working on more configurations for next year. "We're looking at 48-row, 22-inch and we're also looking at large skip row planters and at a number of configurations and ranking them in order of importance for both Titan and Case IH in terms of volume and attacking those areas that have the largest need."

The dealer group will continue to explore additional product opportunities to satisfy its customers' needs, Lilleberg says. **AEI**

Focus Switches from Corn Production to Demand; Could Improve Outlook for Equipment Sales

It has been shown that U.S. sales of farm machinery closely correlate with the price of U.S. corn. With the two core components of demand for corn being exports and ethanol, equipment dealers and manufacturers closely scrutinize the trends in both these segments. On the surface, the news in the last few months has been less than encouraging for both, but the outlook isn't totally bleak and the industry appears to have switched its focus from production to demand.

First, it appears that Big Oil and anti-ethanol groups will finally get their way and EPA will reduce the amount of mandated ethanol blended into fuels. This means that the industry will not continue to see the rapid expansion of ethanol production that it has experienced for the last several years. But demand for corn ethanol will not collapse either.

In fact, despite EPA's proposed cut in the ethanol mandate to 13 billion gallons from 14.4 billion gallons, the demand for ethanol production has picked up in recent weeks due to favorable blending margins. With margins approaching 3 year lows, ethanol production during the first week of December increased by 31,000 barrels a day to 944,000 barrels a day, the highest level in the past 2 years.

On the export side, USDA's December 10 World Agricultural Supply and Demand Estimates included a 50 million bushel increase to the estimate for U.S. corn exports in 2013-14 due to global demand.

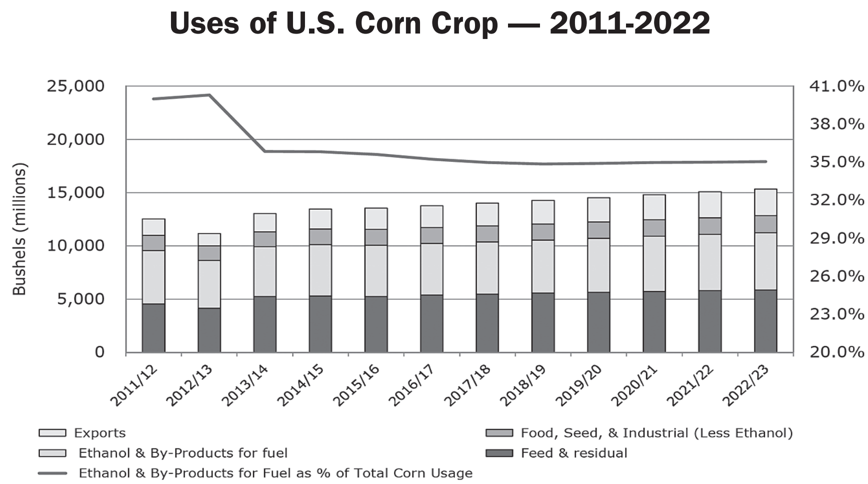
Back to $5? Societe Generale, the French multinational banking and financial services company headquartered in Paris, has suggested that corn will return to nearly $5 a bushel by the end of 2014.

According to a November report in Agrimoney.com, the bank was ahead of the curve in foreseeing the fall in corn futures from August 2012 highs. "While the market is focused on the sheer volume of the U.S. harvest after a year of volatile production estimates, we contend that the true focus should be shifted to the demand side of the crop balances," SocGen analyst Christopher Narayanan said.

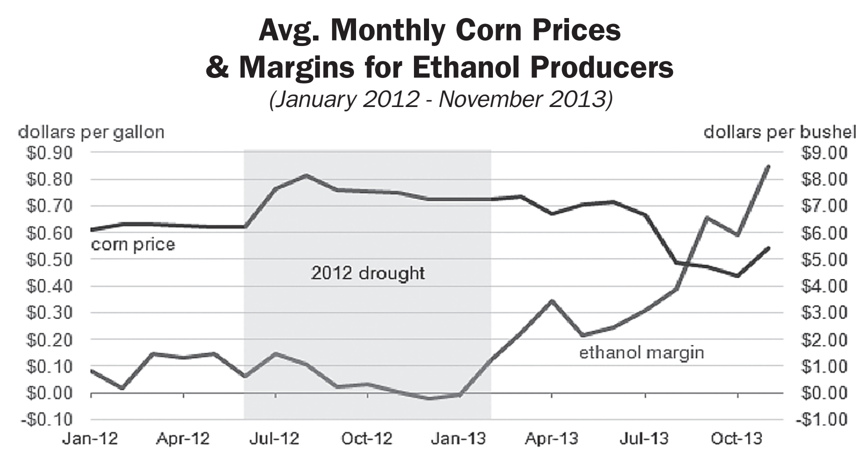
"Demand has been notable in the first quarter" of the 2013-14 marketing year, which began in September. "U.S. exports continue to outpace even the latest U.S. Department of Agriculture revision."

The analyst also noted the drop in feed prices and continued shortage of cattle has encouraged higher poultry egg sets and pork production with the gains in margins on consumers shifting to cheaper meats and lower input costs.

If this is the case, any drop off in farm equipment sales in 2014 could be short lived. AEI



USDA is not projecting a significant increase in the use of corn for ethanol in the next decade.
Source: USDA Agricultural Projections to 2022, February 2013; Deere & Co. graphic



Between October 2012 and January 2013, the ethanol margin for producers was close to zero. The recent reduction in corn prices had a major impact on the profitability of ethanol production, because purchased corn is by far the largest cost incurred by ethanol producers. Between January and November 2013, corn prices fell from about $7.50 per bushel to below $4.50 per bushel. A $3 reduction in the price of a bushel of corn translates into a roughly $1.08 reduction in the cost of ethanol production. While ethanol prices have also declined, ethanol producer margins have risen above $0.50 per gallon in recent months. Improved margins have incentivized greater levels of ethanol production, with output recovering to pre-drought levels. At the same time, lower prices have made ethanol more economically attractive for refinery blending, and output of ethanol-blended gasoline has risen. Net use of ethanol by refiners and blenders reached an all-time high of 884,000 barrels per day in August 2013.
Source: U.S. Energy Information Admn. based on data from Bloomberg

Bridgestone Aiming at High-End Ag Tires in Europe; Titan Int'l Continues Weighing Acquisitions

Bridgestone is turning its European ag tire strategy on its head by using the brand to develop a range of high-end tires to complement the current Firestone range. Until now, the Bridgestone brand in Europe has been used on only a small range of compact tractor tires.

The new products will cater to the biggest, most powerful agricultural tractors and machinery, says Lothar Schmitt, director of agricultural and off-road tires at Bridgestone Europe, which plans to launch its first product in May next year for sale during the second half.

"Bridgestone and Firestone have different brand strengths and attributes," says Schmitt. "Together, in our multi-brand approach, they can provide farmers in all segments with the optimal solution."

The Japanese manufacturer has invested heavily in renewing its Firestone product portfolio in recent years to offer farmers high levels of performance and productivity. With Bridgestone focusing on the largest vehicles and equipment at the top end of the market, the plan is to avoid overlapping sizes and standards.

Bridgestone says it relishes the challenge presented by the fast pace of tractor power growth and the need for higher performance tires. It will tackle the European market with "a target-oriented multi-brand product portfolio that will meet the needs of all players in the agricultural sector."

Titan in Russia. U.S. ag wheel and tire giant Titan International is a 30% stakeholder in a three-way partnership that has acquired a controlling interest in Voltyre-Prom, a leading producer of agricultural and industrial tires in Volgograd, Russia.

The deal, secured with One Equity Partners and the Russian Direct Investment Fund, values the 85% holding at $94 million. Titan will be the operating partner with responsibility for daily operations.

Acquisitions in Western Europe are also on the cards — and it seems Titan has not entirely abandoned hopes of buying at least part of Goodyear's Amiens-North tire factory in France *(see Ag Equipment Intelligence, April 2012)*. CEO Maurice Taylor confirmed the position during an interview with the U.S. mergers and acquisitions correspondent on London's *Financial Times,* adding that Titan is also weighing bids on three other plants in Europe. **AEI**

ZF Broadens CVT Range as Manufacturers Start Building Their Own

Expect to see more tractors sporting continuously variable transmissions across a wider power spectrum in the future. ZF is expanding its range of CVTs as more tractor makers reveal they are building their own.

ZF hopes the launch of three new variants of its Terramatic second-generation CVT at the Agritechnica show in November will get the interest of OEM customers. The TMT 09 and TMT11 provide a high-spec CVT solution for tractors of 65-110 horsepower. They feature power shuttle and standstill control in addition to uninterrupted power flow to maximum velocity at a "reasonable cost," according to ZF.

The Terramatic TMG is a development of the much bigger Eccom 3.0 design; it caters for tractors of conventional layout up to 450 horsepower and is expected to be seen first in the new Deutz-Fahr Series 11 TTV tractor unveiled as an MTU Mercedes-Benz engine prototype at the show.

But just as Argo Tractors unveiled the new McCormick X7 VT with ZF stepless drive as an alternative to semi-powershift, it also revealed that an in-house CVT is being developed. This will go into the new McCormick X6 Series design introduced at Agritechnica that will replace the current X60 and MC models next year.

At the same show, Claas presented its first in-house CVT. The EQ 200 enters service in the 140-184 horsepower Arion mid-range tractors using two wide-angle hydraulic pump/motor units and a multi-step planetary gearbox. Claas claims high level efficiency for the design while delivering the fine speed variation and seamless acceleration for which CVTs are becoming increasingly popular, especially in Europe.

With in-house sourcing already established for all AGCO and CNH Industrial CVT requirements and Argo and Claas demonstrating their plans, ZF must hope that the stepless appeal will continue to spread and draw other manufacturers to its products. **AEI**

Deere's November Retail Comparisons vs. Industry

On December 10, Deere released its retail sales comments for the month of November in which it compares its performance to that of the industry in the U.S. and Canada.

- Industry sales of utility tractors fell by 3% for the month. Deere's sales of utility tractors increased by a single digit. Deere's inventory of utility tractors was lower than that of the industry, which was 50% of the previous 12-month sales in October.
- Deere's retail sales of row-crop tractors were up by double digits, which was higher than the 7% industry increase. Industry inventories of row-crop tractors were 33% of the previous 12-month sales. Deere reported its row-crop tractor inventory in October was lower than that of the industry.
- North American industry sales of 4WD tractors increased by 2% in November, while Deere's sales of 4WD units were down by a single digit. Industry inventories of 4WD equipment were 25% of the previous 12-month sales. Deere's inventory of these units was lower than the industry.
- Deere's combine sales rose double digits for the month, but they were lower than the industry's 26% increase. Industry combine inventories for October were 17% of the previous 12-month sales, but Deere inventories were lower than industry levels.

Deere also reported its retail sales of selected turf and utility equipment in November were flat for the month. **AEI**

Ag Sales Gain Ground in November

North American large ag equipment retail sales increased in November, with 4WD tractor sales up 1.9% year-over-year, combine sales up 25.8% and row-crop tractor sales increasing 7.2%, according to the Assn. of Equipment Manufacturers. November is generally a seasonally soft month for ag equipment sales, accounting for just 5-6% of total annual sales the past 5 years. "Inventory levels continue to rise, except for 4WD tractors, creating growing risk given projected sales declines for 2014," Mircea (Mig) Dobre, analyst with RW Baird, said in a note to investors.

- U.S. and Canada large tractor and combine retail sales increased 10% year-over-year in November, rebounding from the 6% drop in October. Sales increased 11% year-over-year in the U.S. and 4% in Canada.
- Combine retail sales also saw an improvement, posting a 25.8% year-over-year increase in November following a 27.7% decrease in October. U.S. combine inventories were 39.5% higher year-over-year in absolute terms in October vs. up 10.7% last month. Used combine prices continue to be weak based on commentary from dealers (high inventory levels), Dobre said.
- Row-crop tractor sales continue to grow, posting a 7.2% increase vs. the same period last year, accelerating from the 5.3% increase observed in October. U.S. row-crop tractor inventories increased 34.1% year-over-year in October vs. a 33% increase in September.
- 4WD tractor sales rose, up 1.9% year-over-year in November vs. the 18.1% decrease in October. Dobre said comparisons remain difficult for the remainder of the year and into early next year. U.S. dealer inventories of 4WD tractors declined 8.2% year-over-year in October, while days-sales of inventory was 73 compared to 82 in the prior year.
- Mid-range tractor sales softened in November, down 2.7% year-over-year after a 2.1% decrease last month. Compact tractor sales increased 8.5% year-over-year, up from the 2.6% decrease last month. AEI

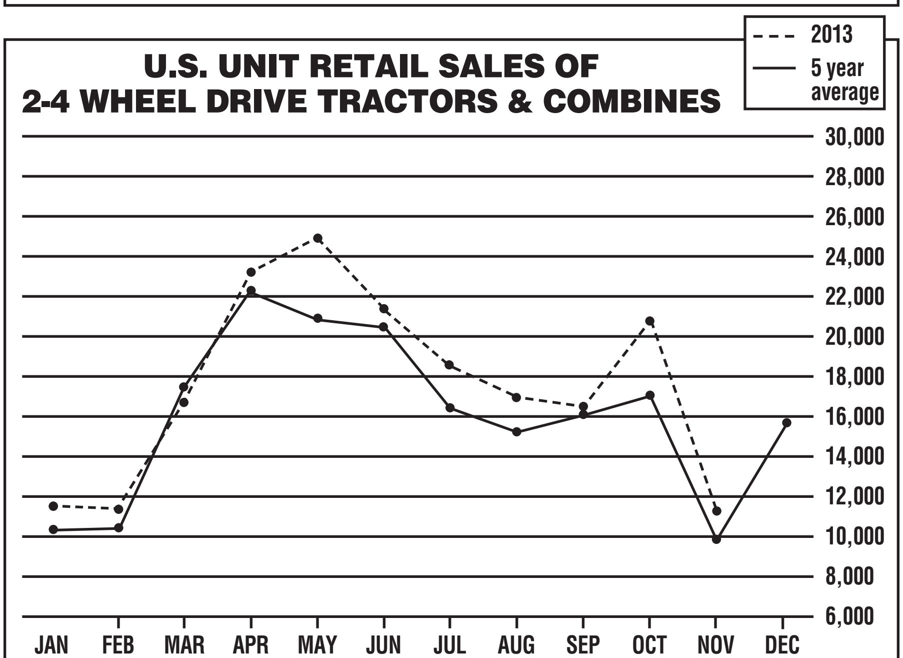
NOVEMBER U.S. UNIT RETAIL SALES

Equipment	November 2013	November 2012	Percent Change	YTD 2013	YTD 2012	Percent Change	November 2013 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	4,799	4,334	10.7	93,909	84,925	10.6	56,720
40-100 HP	3,310	3,411	-3.0	50,929	48,517	5.0	28,216
100 HP Plus	2,292	2,111	8.6	32,934	27,822	18.4	11,434
Total-2WD	10,401	9,856	5.5	177,772	161,264	10.2	96,370
Total-4WD	524	492	6.5	6,074	6,167	-1.5	1,636
Total Tractors	10,925	10,348	5.6	183,846	167,431	9.8	98,006
SP Combines	644	513	22.5	9,487	8,887	6.8	1,649

NOVEMBER CANADIAN UNIT RETAIL SALES

Equipment	November 2013	November 2012	Percent Change	YTD 2013	YTD 2012	Percent Change	November 2013 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	829	852	-2.7	12,618	11,232	12.3	6,644
40-100 HP	563	570	-1.2	5,946	6,073	-2.1	3,660
100 HP Plus	359	363	-1.1	5,104	4,515	13.0	2,575
Total-2WD	1,751	1,785	-1.9	23,668	21,820	8.5	12,879
Total-4WD	120	140	-14.3	1,442	1,455	-0.9	458
Total Tractors	1,871	1,925	-2.8	25,110	23,275	7.9	13,337
SP Combines	259	205	26.3	2,687	2,696	-0.3	573

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



— *Assn. of Equipment Manufacturers*

Competitive Tensions to Increase as Kubota Confirms Large Tractor Project

After much speculation and talk of acquisition (*Ag Equipment Intelligence*, August 2013), Kubota Corp. has confirmed that it will enter higher horsepower sectors than it currently serves by building tractors up to 170 horsepower.

The Japanese machinery giant has detailed plans for a new manufacturing facility in France that is scheduled to begin production in less than 18 months to supply markets in Europe, North America, Australia and Japan.

In Europe at least, and in all likelihood in North America as well, the move will spark tensions in Kubota's distribution channels where the franchise has been "tolerated" by bigger suppliers of larger tractors while its focus has remained on compacts and grounds care equipment.

Even so, some dual franchise dealers have come under pressure as Kubota's products have become more powerful and the prospect of higher horsepower mainstream models will turn the screw.

The project's purpose is to help ease Kubota's reliance on its traditional markets. "We are planning to accelerate the global development of Kubota's agricultural machine business by developing our upland farming tractor and making a full-scale entry into the global upland farming market," says Yasuo Masumoto, chairman, president & CEO.

His rationale is that the sectors in which Kubota is successful are relatively limited. "The cultivated area for rice is only about 11% of the total cultivated area and 90% of rice is cultivated in Asia," Masumoto points out.

"The move will spark tensions in Kubota's distribution channels where the franchise has been 'tolerated' by bigger suppliers of larger tractors …"

"On the other hand, the cultivated area for upland crops, such as wheat, corn and soy beans, occupies about 43% of the total cultivated area.

"We have been expanding our business successfully in the rice cultivation market in Japan and Asia, and the vegetable and fruits market, and the dairy and livestock industry (including feed crops) in Europe and the United States," he adds. "But if we want to continue to expand our business in the world, including Asia, we have to capture the upland crop market."

Kubota's first move was to acquire Kverneland Group, the Norway-based agricultural implement manufacturer that has a wide-ranging portfolio of both tillage and hay tool products.

Its new owner has signed off a substantial investment program in Kverneland's factories and product development to improve efficiencies and capacity, as well as bring new products to the market for accelerated growth (*Ag Equipment Intelligence*, October 2013).

The new project will complement the Kverneland acquisition by producing tractors of 130-170 horsepower — and perhaps higher outputs in the future. At present, the most powerful Kubota tractor in the U.S. and other markets is the 135 horsepower M135GX from the Grand X line.

The new tractor will be built in a 37,000 square meter factory close to the English Channel on a newly acquired site near Dunkerque in northern France. Kubota plans to establish a new company in January next year, begin operations in December 2014 and start series production in Spring 2015.

Total investment is €40.3 million — equivalent to more than $55 million — and Kubota expects to have reached the factory's 3,000 unit annual capacity by 2017. **AEI**

Carraro Ups Investment in India & Italy

A new R&D center and an additional assembly line for tractor transmissions was opened by Carraro in India shortly before the group announced a substantial investment in new production facilities at its Italian factories.

The new Carraro Technologies R&D facility at Pune in India is twice the size of the unit opened there in 2006 under a strategy to localize part of the group engineering network. It complements the drivelines engineering centers in Italy and Argentina, and the hydraulic drives unit in Germany.

Meanwhile, the new assembly line will enable Carraro India to produce a new generation of transmissions for agricultural tractors up to 120 horsepower at a time when domestic and multinational manufacturers are looking to build more powerful and more advanced tractors in India for either local or export market consumption.

In Italy, Carraro Group has secured a landmark agreement with labor unions for the four Carraro DriveTech factories to operate their machining departments 24/7 for maximum cost-efficiency.

"The only way to make our Italian plants competitive is to fully capitalize on investments and saturate machine tool production capacity," says Enrico Carraro, group chairman. "We are pleased that the unions have understood the importance of making a step forward on the road to flexibility."

The agreement will trigger investment of around $53 million (€40 million) in new machine tools and other facilities as part of a 2013-16 business plan that anticipates growth in Carraro's main markets and the continued launch of new products.

The agricultural sector accounted for a third of the group's consolidated turnover in 2012, up 3.2% over the previous year. The business claims a 25% market share for tractor and harvester axles and 30% for transmissions used in specialized and utility tractors up to 100 horsepower. **AEI**