From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

April 15, 2014
Vol. 20, Issue 4

- Record Year for Kuhn
- No-Tillers to Buy Less
- Ag Sales Slip in March

Downsizing Inventory and Staff, Titan Machinery Sets Stage for Solid FY2015

Titan Machinery reported it made solid progress in reducing its equipment inventory, and, overall, the company's fourth quarter 2014 earnings surpassed analysts' expectations despite a year-over-year decline in revenues for the period. At the same time, the company's guidance for fiscal year 2015 reflects the expected softening in industry sales. The ag machinery retailer is calling for $1.95 billion-$2.15 billion in revenues in the year ahead vs. $2.2 billion for the year ended January 31, 2014.

Titan also announced the closing or consolidation of 7 construction equipment locations and one ag dealership. This is expected to reduce the construction segment's headcount by about 12%. It also plans to reduce employment at its Shared Resource Center and at certain ag dealerships, which will reduce total headcount by 4.5%.

Generally, the dealer group's performance and outlook offered analysts some reassurance that things are better than they feared. RW Baird analyst Mircea (Mig) Dobre called Titan's dealership consolidation plans "a step in the right direction."

Rick Nelson, analyst for Stephens Inc., also considers the reduction in headcount and planned store closures a positive, and added, "The company is also continuing its strategy to reduce inventory levels. These initiatives should lead to improved operating results, but we anticipate performance to be second-half loaded."

Reducing Inventories. During its previous earnings report, Titan indicated it was focusing its attention on reducing excessive inventory of both new and used equipment. This resulted in a fourth-quarter reduction of $102 million to a little over $1 billion, which surpassed the company's target of a $90 million during the quarter.

According to Dobre, management expects to further lower inventory by $250 million in fiscal year 2015 with

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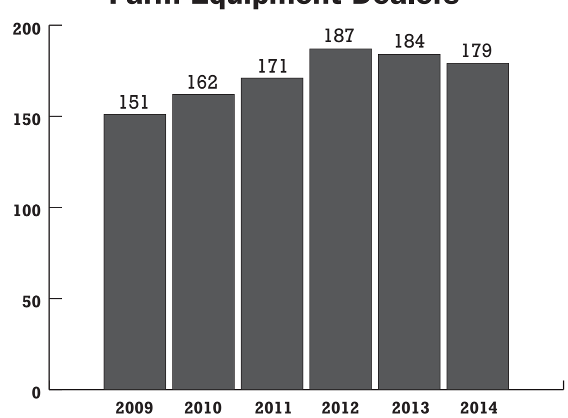
Dealers Continue to Consolidate; Biggest Dealers Pursue Diversification

The trend toward fewer North American dealership groups in the farm equipment business continued at a robust pace during the past 12 months, though it may not be readily obvious by only looking at the raw numbers. At the same time, many of the biggest of the "bigs" continued to pursue their expansion plans by moving into different industries and other countries.

The one consistent factor in tracking ag equipment dealer consolidation trends is that it is a continuously moving target. For example, last week Titan Machinery announced that it was closing and/or consolidating 7 construction equipment dealerships and one farm equipment dealership. Due to deadline constraints, those were not factored into this report, but will be when we release the final report to *Ag Equipment Intelligence* subscribers within the next 2 weeks.

A year ago, *Ag Equipment Intelligence* working with Currie Management Consultants executive partner George Russell, determined there were 184 dealer groups operating 5 or more separate ag equipment locations. Most of

'Big' North American Farm Equipment Dealers



For the second time since 2009, the total number of dealer groups that own 5 or more stores declined from the previous year. This resulted from big dealers acquiring other large dealer groups.

Source: AEI, Currie Management Consultants

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modest seasonal increases in the first half of the year and outsized reductions in the back half.

(For commentary on how Titan Machinery will reduce equipment inventories, see p. 4 .)

2014 Earnings Review. Overall, revenue from ag equipment sales decreased 15% year-over-year in the fourth quarter with same-store sales also down the same level.

"Margins were negatively impacted by pressure from used equipment prices as well as difficultly passing on full Tier 4 Final price increases," Dobre said in a note.

For the full year, ag revenues were down 3.3%, construction was up 6.7% and international sales rose by 101.2%. On a same-store basis, ag revenue slipped by 7.1%, CE was down by 3.9% and international revenue was up 17.5%.

Commenting on the sluggishness Titan and the rest of the industry has experienced in the construction equipment segment, David Meyer, chairman and CEO, told *Ag Equipment Intelligence*, "Our construction equipment segment showed a tough loss last year due to a continued slow rebound in the economy and excessive industry overhang of new equipment.

"I'm confident our construction stores will be a much better contributor to our business this year due to operational improvements at our newly acquired stores, recently announced realignment of our construction business, strong leadership and the improvement we're now seeing in industry demand."

2015 Outlook. In his note to investors, Nelson suggests Titan could be looking at some margin compression in the months ahead.

"We note that Titan strategies to reduce inventory are likely to cause margin pressures and weigh on profitability," says Nelsonß.

"We normally would expect operating results to be weighted 30/70 in first half/second half, but we anticipate earnings to be more back-end loaded (10/90 split) as the company washes through inventory at lower margin levels in a seasonally smaller first-half period," Nelson says.

He adds that he came away from the analyst call more positive on the company, "particularly considering that it has been marking-to-market its used inventory and is unlikely to take any write-offs going forward."

In his note, Baird's Dobre says that Titan's flattish equipment margin guidance, considering deteriorating ag fundamentals, would seem to be hard to achieve.

"Our estimates assume agriculture organic revenue declines of 11% with international growth of 8%. We expect the North American demand environment to remain challenging (lower commodity prices, massive recent equipment investment) and note that same store growth in international is far from certain given considerable instability in Ukraine and challenging economic conditions in Romania," says Dobre. AEI

Titan Machinery 4th Quarter & Full Year Revenue Analysis

(in millions of dollars)	Q4 FY 2014	Q4 FY 2013	Change	FY2014	FY2013	Change
Total Revenue	$708.6	$784.5	-9.7%	$2,226.4	$2,198.4	1.3%
Equipment	$587.9	$679.0	-13.4%	$1,722.7	$1,763.9	-2.3%
Parts	$61.1	$53.5	14.7%	$275.8	$242.4	13.8%
Service	$36.6	$34.2	6.9%	$149.1	$127.8	16.7%
Rental & Other	$22.8	$17.8	28.4%	$78.9	$64.4	22.5%

"Our construction equipment segment showed a tough loss last year due to a continued slow rebound in the economy and excessive industry overhang of new equipment ..."

Titan Machinery Stores to Be Closed

In announcing the closing of 7 construction equipment locations and one ag equipment dealership, Titan Machinery said the changes made are strategic responses to industry-wide challenges: a potentially slowing agriculture economy and a slow recovery in the construction economy. All closed stores are being consolidated to nearby Titan Machinery stores.

Closed construction stores (and consolidated to) include:
- Clear Lake, Iowa (Des Moines, Iowa)
- Cheyenne, Wyoming (Windsor, Colo.)
- Flagstaff, Ariz. (Phoenix, Ariz.)
- Helena, Mont. (Great Falls, Mont.)
- Bozeman, Mont. (Billings, Mont.)
- Big Sky, Mont. (Billings, Mont.)
- Rosemount, Minn. (Shakopee, Minn.)

The Oskaloosa, Iowa, agriculture store has been consolidated into the Pella, Iowa, store.

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Seed Hawk Receives Carbon Footprint Certification

Canadian air drill manufacturer Seed Hawk says it has become the world's first agricultural equipment company to accurately measure the carbon footprint of its products and meet the certification requirements of Carbon Trust. This organization is a UK headquartered international company that provides independent carbon use validation.

"Seed Hawk is committed to environmental sustainability and this commitment not only relates to our company's environmental footprint, but also to helping farmers operate more sustainably," says Peter Clarke, president and CEO of Seed Hawk."

"We are incredibly proud that three of our Seed Hawk seeding systems have obtained carbon footprint certification from Carbon Trust."

The Saskatchewan Research Council (SRC) conducted life cycle carbon footprint evaluations of three Seed Hawk products; the 45 and XL series toolbars, with and without sectional control technology, and the 30 Series product line have received Carbon Trust certification, which indicates how much carbon is used in the production and use of the company's farm equipment.

Seed Hawk's Clarke says that with greater carbon awareness and incentive programs coming into force, it is a good first step for producers to know their carbon footprint and be in a position to capitalize on opportunities in a carbon-conscious world.

"There is increased demand for environmental information from consumers, so it's advantageous for the agricultural sector, including equipment producers, to provide environmental information on their products," he adds.

The next step will be for Saskatchewan Research Council to further engage with growers to collect customized data over the next few years that can be used to renew Seed Hawk's carbon footprint certification, as well as equip the manufacturer to identify potential improvements to its equipment.

SRC Vice President Environment Joe Muldoon said: "The pathway toward sustainability is often winding, but our team of environmental sustainability experts can help smooth out the bumps and guide the way."

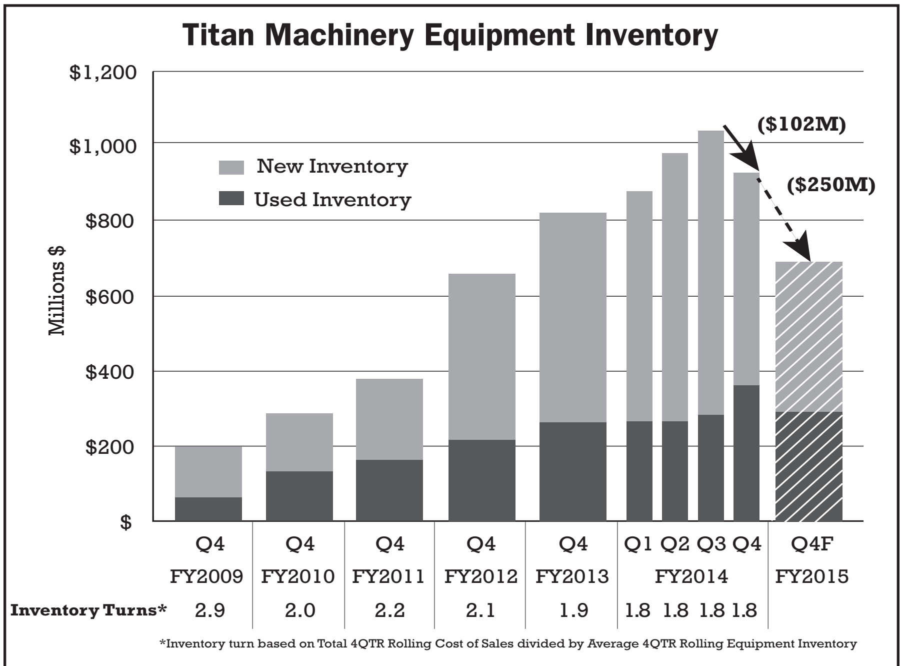
A number of agricultural organizations have used Carbon Trust's consultancy services to evaluate and improve energy efficiency.

These include JCB, which forecasts \$2.5 million in annual savings from a \$500 million project at one of its UK plants; and Bord Bia, Ireland's international food promotional body, which has built carbon footprint models for dairy, beef, poultry, pork and lamb production to identify where improvements can be made. **AEI**

FARM MACHINERY TICKER (AS OF 4/11/14)

MANUFACTURERS	Symbol	4/11/14 Price	3/12/14 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$45.98	$45.80	$48.00	$30.11	25.54	42,733	579.95M
AGCO	AGCO	$54.38	$52.82	$64.60	$47.29	9.05	1,506,790	5.09B
AgJunction Inc.	AJX	$0.91	$0.99	$1.20	$0.73	N/A	72,689	N/A
Alamo	ALG	$55.39	$59.03	$61.27	$37.50	18.71	28,481	671.66M
Art's Way Mfg.	ARTW	$6.34	$6.03	$8.44	$5.40	16.69	6,185	25.66M
Blount Int'l.	BLT	$11.44	$12.28	$14.74	$10.52	16.11	221,824	564.64M
Buhler Ind.	BUI	$6.25	$6.77	$7.30	$5.30	7.27	3,005	156.25M
Caterpillar	CAT	$101.45	$96.82	$103.72	$79.49	17.64	6,470,340	64.71B
CNH Global	CNHI	$10.96	$10.92	$13.16	$10.16	13.46	583,698	14.8B
Deere & Co.	DE	$92.01	$88.84	$94.59	$79.50	9.92	3,110,370	34.02B
Kubota	KUBTY	$63.60	$68.00	$88.38	$63.50	10.47	18,434	15.98B
Lindsay	LNN	$88.24	$83.74	$92.93	$71.13	18.98	201,397	1.13B
Raven Industries	RAVN	$32.06	$35.34	$42.99	$28.38	27.40	135,515	1.17B
Titan Int'l.	TWI	$17.18	$18.13	$25.15	$14.14	27.06	676,655	920.33M
Trimble Navigation	TRMB	$36.63	$39.07	$40.17	$24.66	43.61	1,574,660	9.52B
Valmont Industries	VMI	$147.97	$148.00	$157.99	$129.00	14.30	255,874	3.97B
RETAILERS								
Cervus Equipment	CVL	$22.15	$24.00	$24.50	$18.50	14.38	17,857	330.41M
Rocky Mountain Equipment	RMEC	$10.66	$11.52	$14.88	$10.50	13.32	29,233	205.90M
Titan Machinery	TITN	$19.90	$15.66	$24.00	$14.19	17.17	219,269	415.91M
Tractor Supply	TSCO	$67.09	$72.09	$78.17	$51.78	28.92	1,795,100	9.36B

Titan Machinery Implementing New Inventory Control System



Source: Analyst Presentation

David Meyer, Titan Machinery chairman and CEO, told *Ag Equipment Intelligence* that the company implemented new processes aimed at better controlling new and used machinery inventories going forward. He pointed out that with the high sales levels of new equipment, long lead times and low interest rates during the past several years it was beneficial to have more inventory on hand. "The year-end tax incentives over the last 5 years meant our customers needed to physically have the equipment by the end of the year in order to take advantage of those incentives. With $7 corn and $15 soybeans, this strategy made a lot of sense," says Meyer.

"With all of these components in place, we were able to achieve strong organic growth by maintaining higher inventory levels. Going forward, we're seeing shorter lead times and uncertainty with tax incentives, so we won't need to keep so much machinery on hand."

He says Titan has implemented a new procurement process and central oversight that he believes will bring a new dimension to the dealership group's purchasing practices. "We've put some quality people in place and they're doing a really good job of modeling of the procurement process and bringing new discipline to ordering new equipment," he says. "It's tied in with monthly and quarterly forecasts, customer demand, market share targets, shipments, timing, forward month's supply and several other components. It's putting a whole new focus on our supply chain for new equipment.

"We're always going to have some inventory on hand, but now we're looking at more velocity through the system, higher turn rates and less interest expense. We're also looking at a higher percentage of presales."

Back to Normal. Meyer says the new equipment procurement processes initiated at Titan will need to work hand-in-hand with controlling the company's used equipment inventories. "Used equipment has always been there and it's always going to be there and every dealer knows it definitely takes a high degree of management. It starts with really very accurate appraisals of the equipment," says Meyer.

"In the past 2 or 3 years, we've seen more of a migration of customers to rolling their fleet every year, when historically they rolled it every 2, 3, 4 or even 5 years. It looks like we're probably getting back to some more normal times where they roll and trade every 2 or 3 years," says Meyer. If this continues, it will take some of the pressure off the used equipment market.

Another aspect of the recent strong ag economy, he says, it that many customers who tended to buy late model used equipment switch to buying new. "That actually took away a potential customer for used but also brought in another piece of used equipment. We're working to re-establish and maintain that base of people who want that the value of 1- and 2-year old trades."

With the rising price of new equipment and lower priced commodities, Meyer believes the industry will see a segment of the customer base trending back to its historical purchasing practices. AEI

John Deere Puts Purity Pressure on Canadian Dealers

Brand purity in dealerships has been top of mind lately following Case IH's announcement at is dealer meeting in February that it wanted dealers to eliminate as many as 7 shortline brands from their lots. John Deere in Canada joined in the brand purity push with a memo distributed on April 1 to its Canadian dealers laying down strict guidelines on brand purity.

In the memo, Deere states, "It is John Deere Canada ULC's position that if a dealer carries another major product line or engages in another major business activity, either of which will likely detract from dealer's representation of John Deere Products, the dealer shall separate, in a manner acceptable to John Deere, the product lines or business activities."

The memo concluded by stating that failure to comply with the requirements could negatively affect the John Deere brand and may result in termination of the dealer agreement.

Dealers who received the memo told *Ag Equipment Intelligence* say, in all likelihood, the memo was likely aimed at dealers carrying JCB equipment and not communicating with Deere about it. Nothing similar has surfaced yet in the U.S. AEI

No-Till Farmers Report 2.5% Gain in Profits; Equipment Purchases Decline Across all Segments

The results from an annual survey of U.S. no-till farmers reveals that despite a downturn in grain prices and some challenging springtime weather, 2013 produced the highest crop yields in several years. Even with the big yields, no-till farmers scaled back their machinery purchases.

The data reported in the 6th annual "No-Till Operational Benchmark Study" is the result of 418 readers of *No-Till Farmer*'s *Conservation Tillage Guide*, a sister publication of *Ag Equipment Intelligence*.

Nearly 60% of readers saw a gain in net income over 2012. However, it is interesting to note that the decliners endured larger drops in net incomes than those who experienced gains. Overall, the average gain per farm over 2012 was 2.5%. That compares to a 16% gain in net income in the drought year of 2012 vs. 2011.

Operating Expenses. Of the farmers surveyed, on average they farmed 1,466 cropping acres — the largest in the survey's 6 years and far exceeding last year's average acreage of 1,215.

A primary reason for the increase is that the double-cropped acres are now being more accurately recorded to reflect the growth of crops on an acre in a year.

Overall, *No-Till Farmer* readers spent, on average, $509,708 on inputs for their entire farm. That was $30,100, or 6.3% more than in 2012, and $36,467, or 7.7% more than in 2011.

Considering the increase in the overall average cropping acreage, the average costs of inputs per acre saw a substantial decline to $347.69, which was 13.5% less than average expenditures of $394.74 per acre in 2012.

Following is the percentage change in some of the bigger-ticket itemized per-farm costs from 2012 to 2013:

- Fuel — A 20% increase overall per farm, but a 0.5% decrease on a per-acre basis
- Land Rent — An 11% increase overall per farm, but an 8% decrease on a per-acre basis
- Seed/Seed Treatments — A 14.5% increase overall per farm, but a 5% decrease on a per-acre basis
- Pesticides — A 30% increase overall per farm, but a 7% increase on a per-acre basis
- Fertilizer — A 0.4% decrease overall per farm, and a 17% decrease on a per-acre basis
- Equipment — A 24% increase overall per farm, and a 3% increase on a per-acre basis
- Labor — A 1.1% increase overall per farm, but a decrease of 16% on a per-acre basis

No-Till Farmers Equipment Purchase Plans — 2014 vs. 2013

Equipment	2014	2013	Change
Tractor	17.5%	20.4%	-2.9%
Planter	12.0%	15.1%	-3.1%
Combine	10.0%	12.0%	-2.0%
Drill	2.9%	10.0%	-7.1%
Self-propelled Sprayer	5.3%	9.5%	-4.2%
Tillage Tool	4.1%	4.0%	0.1%
Pull-type Sprayer	3.3%	2.8%	0.5%

Source: No-Till Farmer's May 2014 Conservation Tillage Guide

Equipment Buys Slowdown. For the first time in several years, planned equipment purchases by no-tillers heading into the 2014 production season saw a decline across nearly all machinery segments.

Whether caused by declining commodity prices, or the fact no-tillers have been upgrading equipment regularly during the recent ag boom, the readers of *No-Till Farmer*'s *Conservation Tillage Guide* applied the brakes on their purchases.

Following are the segments that saw purchase declines: tractors from 20% to 17.5%; planters from 15% to 12%; combines 14% to 10%; self-propelled sprayers from 10% to 5%; and drills/air seeders from 10% to 5.5%.

One note of interest: Last February, the average no-tiller estimated he would spend $59,337 on equipment purchases throughout 2013. But they ended up spending on average $87,921 for machinery per farm.

That continues a trend during the 6 years of the benchmark study of no-tillers purchasing more equipment than what they estimated — meaning farmers will likely take a wait-and-see approach to whether they will purchase equipment based on year-end financial performance.

Top Growers. For the purposes of the no-till survey, the top one-third of growers were 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 59.9 bushels per acre, down slightly from the 60.5 bushels per acre recorded in 2012.

Despite smaller-than-average cropping acres, the top-yielding no-till soybean growers spent more on their operations than the average no-tiller, overall. At $535,843, they out-spent the average no-tiller by $26,135, or by 5%. At $417.32 per acre, top soybean growers outspent the top corn growers by $10.21 per ace, or 2.5%, and the average farmer by $69.63, or 20%.

For corn growers, the top-third for corn yields averaged 197 bushels per acre, which was an increase of 24 bushels to the acre, which was higher than the top one-third no-till corn growers in 2012. With the average no-tiller hitting 161 bushels to the acre, the top one-third of corn growers had a 22% yield advantage over the average no-tiller.

The top-yielding corn growers use more technology than the average no-tiller. While 33% of all *No-Till Farmer* readers use variable-rate fertility, 41% of the top corn yielders use the technology. Variable-rate seeding is used by 30% of high-yielders to 22% on average. GPS tractor auto-steer sees a 56%- to 49% advantage for the high yielders. The same can be said for yield mapping (54% to 43%) and yield-monitor data analysis (51% to 45%). AEI

Kuhn 2013 Profits Rise Nearly 25%, Profit Margin Up 2.5%

Managers at its parent company Bucher Industries credited Kuhn Group with achieving 'outstanding profitability' when it reported record results for the Swiss group and its agricultural equipment division.

Kuhn Financials ($ millions)

	2013	2012	Change
Net sales	$1,468.14	$1,395.75	5.2%
EBIT	218.30	174.70	25.0%
Profit margin	14.9%	12.5%	2.4%
Employees	4,699	4,495	4.5%

Source: Company Report.

"Various operational factors, such as lower purchasing costs, optimal production planning, greater vertical integration and in-sourcing contributed to an outstanding operating profit," says Philip Mosimann, Bucher CEO. "The operating profit margin of 14.9% — an all-time high — exceeded expectations."

Kuhn's 2013 order intake and net sales increased 5% on the year prior, with net sales peaking at the equivalent of $1.46 billion, just under 50% of Bucher group sales. Operating profit (EBIT) of $218 million was 25% up on the year before, with the profit margin improving by 2.4 percentage points.

"Kuhn made the most of favorable market conditions, underpinned primarily by rising demand in the principal markets in Europe and in North and South America," adds Mosimann in Bucher's annual report. "The U.S. market saw brisk demand for agricultural machinery for milk and meat production, and for growing cereals."

The successful integration and expansion of U.S. production facilities at Kuhn Krause has seen more efficient material flow and a 20% increase in production capacity. This helped avoid production bottlenecks and maintained delivery capabilities as Kuhn exploited positive market conditions to strengthen its position in the U.S. tillage market with a combination of imported and locally produced implements.

Kuhn continues to invest heavily elsewhere in its global manufacturing and support network.

Capacity expansion for production of large capacity feed mixers is underway at Kuhn-Audureau in France and the "Kuhn Centre for Progress" was completed in October last year near the headquarters plant in France.

This new facility provides extensive training, engineering and showroom facilities for dealers and customers, and will facilitate easier technological know-how exchange between end users and product development teams, says Kuhn.

Extension and modernization of the global logistics center will provide enhanced availability and delivery for the 90,000 different parts it stocks for European-manufactured products. It is designed to accommodate an additional 3,000 parts every year; such are Kuhn's plans for new product development.

In Brazil, Kuhn has completed its acquisition of self-propelled sprayer and spreader specialist Montana sooner than expected and is now being run by managers at Kuhn's existing operation in the country, which should help rapidly integrate the new business.

This should give a boost to sales in the current year when Kuhn managers anticipate a slight decline from the high level of demand in western European markets if prices for soybeans, maize and wheat continue to decline in the year ahead.

Demand in Eastern Europe is likely to be sustained by the need to improve mechanization efficiency in agricultural production, they forecast, while investment by farmers in North America is expected to stabilize at current levels.

Their outlook for South America is positive despite a likely decline in Brazilian farm income from soybeans because they expect attractive state-sponsored financial support for farmers in this market. **AEI**

Coping with Tier 4 Price Increases

Some dealers are telling *Ag Equipment Intelligence* that they're having some difficulty realizing the full price for new Tier 4 Final equipment.

According to one dealer we spoke with, "When Tier 4 Interim was introduced, most of our products came with SCR technology, which was well accepted by customers because they saw improvements in fuel economy of about 6%. When you think about the diesel fuel some of those tractors and combines go through in a day, that's a big savings. The price increase for significant fuel savings was a good trade off."

He says the challenge of the price increase is compounded because of the changing economics of farming. "Last year and the year before we saw some really strong commodity prices and there was a pretty tight supply of new equipment, so it was a little easier to pass those higher costs through. As we see a little more tightening of the economy and customers being more selective in their purchase decisions, it becomes more difficult to pass that on and get full price realization."

For the farm customer, the dealer says, the Tier 4 Final engines created minimum additional value over Tier 4 Interim. "What you're seeing is more complexity, bigger mufflers, bigger radiators to dissipate heat with basically the same fuel economy as with Tier 4 Interim. It's just one of these government mandated costs that have to be absorbed some place, and it's an industry-wide issue." **AEI**

Ag Equipment Sales Fall in March

North American large ag equipment retail sales fell in March, with 4WD tractor sales down 6.4% year-over-year, combine sales down 23.9% and row-crop tractor sales down 9.5%, according to the latest figures released by the Assn. of Equipment Manufacturers.

With the exception of combines, inventory levels and days-sales inventories rose year-over-year across all large equipment categories, Mircea (Mig) Dobre, analyst with RW Baird, said in a note to investors. He once again noted the increasing risk for inventory destocking in 2014 given projected sales declines.

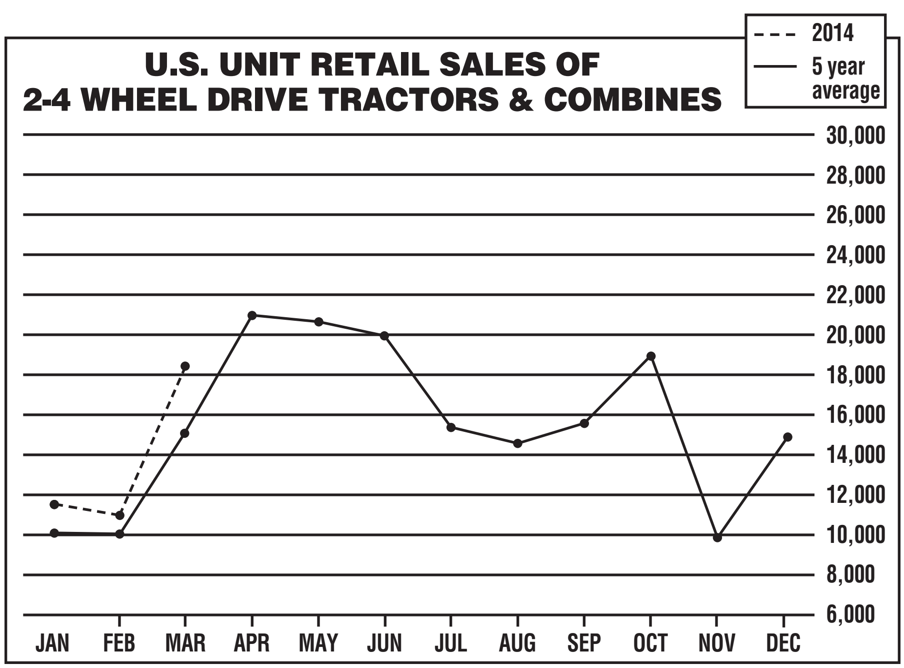
- U.S. and Canada large tractor and combine retail sales decreased 12% year-over-year in March, down from the 9% decrease in February. U.S. sales were down 11% year-over-year, while Canadian sales decreased 15%.
- Combine retail sales fell, posting a 23.9% year-over-year decrease in March vs. a 15.2% decline in February. U.S. combine inventories were 2.1% lower year-over-year in February vs. up 4.3% last month. March is typically a lower-than-average month for combine sales, accounting for 7% of annual sales over the last 5 years.
- Row-crop tractor sales were down 9.2% year-over-year, following a 6.4% decrease last month. U.S. row-crop tractor inventories increased 16.9% year-over-year in February vs. a 23.9% increase in January. Typically, March is an above average month for row-crop tractor sales, accounting for 9.2% of annual sales over the last 5 years.
- 4WD tractor sales declined 6.4% year-over-year in March vs. a 14.1% decrease in February. U.S. dealer inventories of 4WD tractors increased 16.6% in February vs. the same period last year.
- Mid-range tractor sales rose in March, up 5.6% year-over-year after a 1.2% decrease last month. Compact tractor sales improved as well with a 23.2% year-over-year increase, up from the 3.9% increase in February. **AEI**

MARCH U.S. UNIT RETAIL SALES

Equipment	March 2014	March 2013	Percent Change	YTD 2014	YTD 2013	Percent Change	February 2014 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	9,497	7,479	27.0	18,131	16,233	11.7	64,631
40-100 HP	4,770	4,427	7.7	11,698	11,457	2.1	30,911
100 HP Plus	2,761	3,025	-8.7	7,749	7,879	-1.6	10,565
Total-2WD	17,028	14,931	14.0	37,578	35,569	5.6	106,107
Total-4WD	538	548	-1.8	1,533	1,645	-6.8	1,535
Total Tractors	17,566	15,479	13.5	39,111	37,214	5.1	107,642
SP Combines	772	983	-21.5	1,840	2,057	-10.5	1,467

MARCH CANADIAN UNIT RETAIL SALES

Equipment	March 2014	March 2013	Percent Change	YTD 2014	YTD 2013	Percent Change	February 2014 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	659	764	-13.7	1,914	1,823	5.0	6,883
40-100 HP	379	448	-15.4	1,227	1,210	1.4	3,415
100 HP Plus	396	450	-12.0	1,145	1,144	0.1	2,702
Total-2WD	1,434	1,662	-13.7	4,286	4,177	2.6	13,000
Total-4WD	119	154	-22.7	330	404	-18.3	511
Total Tractors	1,553	1,816	-14.5	4,616	4,581	0.8	13,511
SP Combines	134	207	-35.3	416	374	11.2	596



— Assn. of Equipment Manufacturers

these dealers operate more actual locations, but those selling primarily construction equipment, outdoor power equipment or consumer equipment are not included in the this group. In cases where the dealer group has also established a separate headquarters facility, these are also not included.

Using this criteria, this year it was determined that the number of "Big Dealer" ownership groups declined to 179. This occurred because 3 dealers closed and/or consolidated one location each, which took them off the list. In other cases, several big dealer groups acquired or merged with another big dealer that were listed separately last year.

This was the case with at least 6 John Deere dealer groups: Ag-Pro acquired Greensouth (14 stores); Martin Sullivan bought Kleine Equipment (6 stores); Greenway acquired Producer's Tractor (6 stores); P&K Equipment acquired Green Valley Ag & Turf (6 stores); 21st Century Equipment acquired MV Equipment (5 stores); and Ag-Power bought Heartland Farm & Lawn (5 stores).

Diversification Trends. In addition to the ongoing merger and acquisition activities that have become "normal" for the industry, some of the biggest farm equipment dealers are expanding by moving into other industrial segments and, in some cases, outside the U.S. and Canada.

"Given the current hot topic of brand purity, think about what these large expanding dealers have done. Many are expanding into other businesses instead of expanding with their main brand," says Russell. "Whether or not this is because the OEM has limited the growth of these dealers, diversifying into another industry or region is an option to consider for dealers who may be limited by growth in their current brand footprint."

Some examples of big dealerships that have looked at other industrial segments of regions of the world to maintain their expansion plans include Titan Machinery with 16 European dealerships in Bulgaria, Romania, Serbia and Ukraine. Cervus Equipment, based in Canada, has expanded into truck and forklift trucks, as well as JCB construction equipment, and acquired 15 Deere dealerships in New Zealand and Australia.

In at least one case, a traditionally non-ag dealer group moved into the farm equipment segment. Pape Machinery, a largely construction equipment business in the northwest region of the U.S. with 70 locations, has moved into the ag equipment business big time. In 2009, Pape did not own any John Deere farm machinery locations. Less than 2 years ago, the company began to acquire Deere ag stores and now has 16 locations.

Shortline Challenges. While the major full-line equipment manufacturers continue to urge their dealers to consolidate, an offshoot of this move is to leave specialty equipment makers struggling to find enough quality dealers. In a special report that appears in the April/May issue of *Farm Equipment*, shortline manufacturers examine alternative distribution methods for the machinery.

These manufacturers prefer to work with traditional farm equipment dealers. But with the ongoing consolidation trend, coupled with the major OEMs push for dealer purity, the shrinking pool of retailers available to carry their products is limited.

As an executive of one of the equipment makers put it, "There are quite a few options for distributing our equipment. But I want to emphasize that the preferred method of selling capital-intensive equipment is through mainline equipment dealers." **AEI**

North American Big Farm Equipment Dealer Groups by Brand — 2014

(*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	16	12	2	1	1	–
10-15	36	20	5	10	1	–
7-9	67	39	12	6	3	2
5-6	63	30	24	4	11	11
TOTAL	**179**	**100**	**43**	**20**	**16**	**13**
Stores in Large Groups	**Total Industry**					
Ag Stores*	1,777	980	378	234	160	124
Total Locations	2,154					
Total Stores by Brand*	7,000	1,557	925	975	1,050	1,265
% Stores in Large Groups	25%	63%	41%	24%	15%	10%

** 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 — 2009-14

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
2014	24	743	501	31.0	20.9

2014 Big Dealer Report

The complete 2014 "Big Dealer" report will be sent to all *Ag Equipment Intelligence* subscribers on or before May 1.