

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- A 'Bearish' WASDE
- Italy's Slow Ag Sales
- Ag Census Facts

Sales Slowdown Impacting Major Ag Equipment Makers More Than Specialty Groups — So Far

A significant majority of the specialty equipment makers that *Ag Equipment Intelligence* spoke with at the Farm Equipment Manufacturers Assn. last month in San Antonio, Texas, reported their sales levels were solid through the first half of 2014. Beyond June, though, these shortline machinery manufacturers indicated that could change.

If that were the case, it would appear that the specialty equipment producers may be lagging the majors — AGCO, CNH Industrial and Deere & Co. — each of whom reported

sales declines during the first part of 2014. This follows several years of record-breaking sales throughout the industry, which makes comparisons difficult at best.

Most of the companies that reported their earnings in the past few weeks say they aren't expecting a significant upturn in 2014 as cautious farm customers keep a close watch on volatile commodity pricing. (See p. 2 for latest outlook from USDA).

Following is a brief summary of the most recent earnings reports for the 3 major ag equipment makers, as well

as 3 that are producing more specialized products for the industry.

AGCO Corp. (reported April 29): The company had net sales of approximately \$2.3 billion for the first quarter, a decrease of approximately 2.9% compared to net sales of \$2.4 billion for the same period of 2013. Net income for the first quarter of 2014 was \$99.2 vs. \$117.1 a year earlier.

Sales in the North America segment rose 3.7% year over year to \$647.5 million in the quarter. The segment's income from operations declined 23%

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Section 179 Equipment Expensing Back on the Congressional Agenda

There's little doubt that the generous Section 179 equipment expensing and bonus depreciation provisions helped boost U.S. farm equipment sales during the past several years. But the provisions expired at the end of last year and limits will be revert to \$25,000 from the \$500,000 level of 2013.

Last month, as reported in *Ag Equipment Intelligence's* "On the Record" newscast, the America's Small Business Tax Relief Act was introduced in the House of Representatives to permanently increase Section 179 expensing levels to \$500,000.

The section 179 expense deduction allows business owners, including farmers, to "recover all or part of the cost of certain qualifying property" according to the IRS. Such investments may be treated either as a current expense and deducted from gross

farm income immediately, or capitalized and depreciated over time. It can also reduce the upfront cash cost of purchasing new and used equipment.

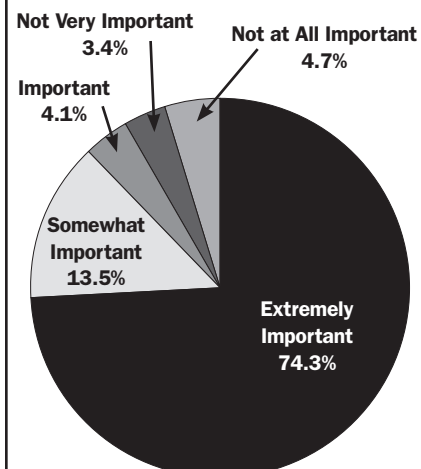
In other words, it gives farmers incentive to purchase new or used machinery to reduce their overall tax burden and replace older equipment. Conversely, limits on capital expensing have been shown to impact farmers' buying decisions.

Expensing Impact. According to USDA, unless the 2010-13 expensing limit is extended, it will fall to \$25,000 for tax year 2014. This change could increase the cost of capital investment and significantly increase taxable income for some farms.

Based on 2012 ARMS (Agricultural Resource Management Survey) data, while 38% of U.S. family farms reported a capital purchase, less than 1%

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Importance of Section 179 to U.S. Dealers



In late April, dealers were asked, "How important is it to your dealership's 2014 equipment sales that Section 179 depreciation is renewed at the same level as it was in 2013 (\$500,000)?"

Maschio Gaspardo Continues Expansion, Targets \$485 Million in Net Sales

One of Italy's leading agricultural equipment manufacturers is progressing toward its sales revenues growth target with an insatiable appetite for acquisitions and investment in production and after-sales support facilities in Europe and the U.S.

Maschio Gaspardo Unigreen Group is aiming to hit €350 million (\$485 million) in net sales this year from sales of €280 million (\$388 million) in 2013. Its most recent acquisition, Feraboli Group, will add €30 million (\$41 million) to sales revenues and take the business into the hay equipment market for the first time.

The core group, manufacturing cultivation equipment and seed drills in factories in Italy, Romania, China and India, expanded into sprayers in 2012 with the acquisition of two Italian manufacturers and a strategic partnership with a third.

Last year, the group opened a new

production facility for sprayers and planters in Italy; acquired a factory in Iowa for planter production and parts logistics throughout North America; and established an Italian partnership to add moldboard plows to the product portfolio.

The acquisition of fellow Italian manufacturer Feraboli Group for an undisclosed sum brings round balers, baler-wrappers, mowers, rakes and tedders into the fold, together with a tine, disc and powered cultivation equipment that duplicates the Maschio Gaspardo line to some extent.

"Despite the unfavorable economic environment, the Maschio Gaspardo Unigreen Group continues to invest in Italy, where we are first for the quality of our labor and creative capacity," says group President Egidio Maschio. "With the acquisition of Feraboli, we consolidate our leadership in the production of agricultural equipment both in Italy and in Europe."

Francesco Feraboli said, "We are really satisfied with this operation. We have found the perfect industrial partner to guarantee our process of growth and increased strength in export markets."

At present, 60% of Feraboli Group's sales are in the domestic market whereas its new owner generates 85% of turnover outside Italy. Maschio Gaspardo North America Inc., which moved into its new premises in DeWitt, Iowa, at the beginning of April, is one of eight international branches.

City Mayor Don Thiltgen was joined by several local authorities in welcoming Egidio Maschio at the DeWitt City Hall for a contract signing celebration.

The 20 acre site provides land for field demonstrations and a 122,350 square foot building for parts storage and distribution. It will also be used to assemble Maschio Gaspardo precision planters for the U.S. market. **AEI**

May WASDE Report 'Bearish' for Equipment Sales

With USDA's May 9 World Agricultural Supply and Demand Estimates report calling for higher corn and soybean yields and production, prices for the two commodity crops are expected to tumble throughout the year. At the same time, USDA expects lower yields and production for wheat in 2014 to push its per-bushel price up somewhat. This was the first WASDE report to offer commodity forecasts for the 2014-15 season and it left many industry analysts agreeing that these projections do not bode well for ag equipment sales for 2014 sales year.

The ag agency raised its outlook for corn yields by 6.5 bushels per acre year-over-year to 165.3 bushels, and adjusted mid-point pricing down by \$0.45 per bushel (\$4.20-\$4.65). This is based on USDA's projection of a

50.6% year-over-year increase in corn ending stocks to 13.9 billion bushels.

The agency's outlook for soybeans calls for increasing yields to 45.2 bushels per acre vs. 43.3 a year ago and a 10.5% increase in production to 3.6 billion bushels. USDA's pricing projections call for a decrease in the average price ranging from \$9.75-\$11.75, significantly lower than a year ago when the average price was \$13.10.

USDA estimates a decrease in wheat production for the 2014-15 marketing year to 1.9 billion bushels, or 7.8% lower than a year earlier. Expected yields this call for 42.7 bushels per acre compared to 47.2 bushels last year.

In a note to investors, C. Shon Williams, analyst for BB&T Capital

Markets, said, "USDA estimates imply 2014-15 cash crop receipts will now decline 8.1% year-over-year, supporting our negative outlook on ag machinery demand."

In his analysis, Steven Fisher, industry analyst for UBS, said, "Overall, we believe the initial estimates for the 2014-15 corn crop support our bearish thesis for lower ag equipment demand. We believe the \$4.20 price per bushel, if realized, would represent a significant headwind to cash receipts and impair farmer appetite for further equipment purchases. While we anticipate that farmers will accelerate sales of corn at the current \$5 December futures price, we expect the decline in ag equipment sales to be at double digit levels over the next 12 months." **AEI**

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had expenses exceeding \$500,000. Under a \$25,000 expensing limit, 13% of farms would have exceeded the limit. Smaller family farms, in general, did not make investments exceeding the old limit, but about 9% would have exceeded the 2014 limit. Very large family farms (those with gross cash farm income in excess of \$5 million) were far more likely to have capital costs exceeding both the old limit (35%) and the 2014 limit (78%).

Vital to Dealers. Right now, the chances of America's Small Business Tax Relief Act passing looks good, but farmers and dealers may have to wait until nearly year's end before they know for sure.

Nick Yaksich, vice president of government and industry relations for the Assn. of Equipment Manufacturers, told "On the Record" the bill has bi-partisan support and is likely to pass — though it likely won't occur until after the November elections.

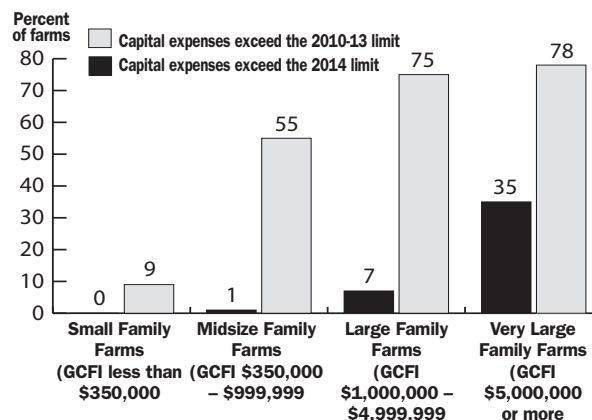
Dealer commentary from recent *Ag Equipment Intelligence* surveys indicate that farm equipment dealers look at depreciation rules as being critical to their sales levels. One dealer offered, "Crop prices seem to be holding steady. If depreciation rules are reinstated, it would be a boost for the remainder of '14."

Another dealer commented, "There is too much uncertainty in the marketplace, depreciation, grain prices, etc."

A survey conducted by *Farm Equipment* magazine in late April asked dealers how important is the renewal of Section

Farms with Agricultural Investments Exceeding the Expensing Limit

By Farm Typology, 2012



GCFI refers to gross cash farm income. Analysis is for family farms only; nonfamily farms (those where neither the principle operator nor individuals related to the operator, own majority of the business) are not included.

Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2012 Agricultural Resource Management Survey.

179 depreciation at the 2013 level (\$500,000) to their sales in 2014. Nearly 90% of dealers who responded said it was "extremely important" or "somewhat important." **AEI**

FARM MACHINERY TICKER (AS OF 5/12/14)

MANUFACTURERS	Symbol	5/12/14 Price	4/11/14 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	\$44.84	\$45.98	\$48.00	\$33.45	24.91	34,310	565.57M
AGCO	AGCO	\$55.09	\$54.38	\$64.60	\$49.63	9.40	1,388,040	5.25B
AgJunction Inc.	AJX	\$1.00	\$0.91	\$1.20	\$0.75	12.50	69,690	N/A
Alamo	ALG	\$53.51	\$55.39	\$61.27	\$38.00	17.97	28,525	646.56M
Art's Way Mfg.	ARTW	\$6.00	\$6.34	\$8.44	\$5.40	51.54	6,525	24.4M
Blount Int'l.	BLT	\$11.85	\$11.44	\$14.74	\$10.52	98.75	248,667	588.13M
Buhler Ind.	BUI	\$5.97	\$6.25	\$7.30	\$5.78	6.94	3,305	149.25M
Caterpillar	CAT	\$106.20	\$101.45	\$107.40	\$80.86	18.05	5,292,310	66.29B
CNH Global	CNHI	\$10.75	\$10.96	\$13.16	\$10.16	13.11	521,129	14.17B
Deere & Co.	DE	\$93.65	\$92.01	\$94.89	\$79.50	10.10	2,892,020	34.62B
Kubota	KUBTY	\$64.22	\$63.60	\$88.38	\$62.95	13.65	18,841	16.13B
Lindsay	LNN	\$87.54	\$88.24	\$92.93	\$71.13	18.83	191,886	1.13B
Raven Industries	RAVN	\$31.30	\$32.06	\$42.99	\$28.38	26.75	141,624	1.14B
Titan Int'l.	TWI	\$16.76	\$17.18	\$25.15	\$14.14	50.03	705,232	898.1M
Trimble Navigation	TRMB	\$35.58	\$36.63	\$40.17	\$24.66	39.10	1,686,140	9.24B
Valmont Industries	VMI	\$151.26	\$147.97	\$157.99	\$129.00	15.86	259,833	4.07B
RETAILERS								
Cervus Equipment	CVL	\$21.64	\$22.15	\$24.50	\$18.50	14.05	10,824	322.80M
Rocky Mountain Equipment	RMEC	\$10.61	\$10.66	\$14.88	\$10.37	13.26	30,032	213.61M
Titan Machinery	TITN	\$16.58	\$19.90	\$23.80	\$14.19	40.44	250,603	347.19M
Tractor Supply	TSCO	\$66.50	\$72.09	\$78.17	\$53.32	28.17	1,046,820	9.21B

AGCO Corp. 1Q Summary (in millions \$)		
	3 months ended March 31	
	2014	2013
Net sales	\$2,333.4	\$2,403.1
Cost of goods sold	1,818.5	1,870.0
Gross profit	514.9	533.1
Net income	99.2	117.1
Source: company report		

year over year to \$55.5 million. The company says, "Elevated levels of farm income in 2013 continued to support industry demand in the first quarter of 2014 led by the dairy, protein and professional hay segments. The most significant increases were in hay tools and lower horsepower tractors."

According to an analyst from Zacks.com, "AGCO is set to benefit from strong free cash flow and a focus on earnings growth. The company's strategic investments in production facilities and higher technology products will improve efficiency."

"Moreover, AGCO's expansion of its business in international markets bodes well going forward. Nevertheless, 2014 will be a challenging year for the company due to the expected decline in demand across most of its markets"

Alamo Group (reported May 6): Net sales for the first quarter of 2014 were \$171.2 million compared to \$158.4 million for the first quarter of 2013, an increase of 8%. Net income for the quarter was \$7.2 million vs. \$6.9 million a year earlier, an increase of 4%. Both net sales and net income were records for a first quarter for Alamo Group. North American Industrial Div. net sales were up 11.5%, North American Agricultural Div. up 0.4% and European Div. up 11.7%.

Alamo Group 1Q Summary (in thousands \$)		
	3 months ended March 31	
	2014	2013
Net sales	\$77,314	\$158,429
Cost of sales	133,120	123,517
Gross margin	38,130 (22.3%)	34,912 (22%)
Net income	7,238	6,950
Source: company report		

Alamo's North American Agricultural Division net sales in the first quarter of 2014 were \$49.8 million compared to net sales of \$49.6 million in the same period of 2013. The flat performance in the quarter reflects the adverse winter weather conditions and softer demand for ag equipment, according to the company.

CNH Industrial (reported May 8): First quarter 2014 revenues totaled \$7.5 billion, in line with the first quarter a year earlier. Net sales of Industrial Activities at \$7.2 billion decreased 0.6% vs. a year ago (+1.3% on a constant currency basis). Operating profit of Industrial Activities for the quarter was \$412 million, down 2.1% compared to the first quarter of 2013, with operating margin at 5.7%.

CNH Industrial 1Q Summary (in millions \$)			
	3 months ended March 31		
	2014	2013	
Net sales	\$7,644	\$7,658	
Cost of goods sold	6,189	6,197	
Trading profit	510	538	
Operating profit	480	487	
Net income	101	151	
Agricultural Equipment (in millions \$)			
	2014	2013	Change
Net sales	3,706	3,944	-6.0%
Operating profit	464	468	-4
Operating margin (%)	12.5	11.9	0.6 p.p.
Source: company report			

Net income was \$101 million. Net income before restructuring and other exceptional items was \$177 million, down \$8 million vs. the same period of 2013.

Net sales for ag equipment were \$3.7 billion for the quarter, down 6% from the first quarter of 2013 (-3.9% on a constant currency basis), mainly as a result of decreased volumes primarily in LATAM and APAC and less favorable product mix.

The geographic distribution of CNH Industrial net sales for the period was 48% NAFTA, 31% EMEA, 11%

LATAM and 10% APAC.

Worldwide ag equipment market share was lower for tractors and combines, mainly due to the expected timing impact from the transition to Tier 4 Final emission regulations in major markets, CNH said. The company's worldwide production of ag machinery was 27% above retail sales for the quarter, consistent with past years as the company increases inventory in the first quarter in anticipation of the spring and summer selling seasons.

Deere & Co. (reported May 14): Worldwide net sales and revenues decreased 9%, to \$9.9 billion, for the second quarter ended April 30 and were down 4% percent, to \$17.6 billion, for six months. Net sales of the equipment operations were \$9.3 billion for the quarter and \$16.2 billion for 6 months, compared with \$10.3 billion and \$17.1 billion for the same periods last year.

Deere & Co. 2Q Summary (in millions \$)			
	3 months ended April 30		
	2014	2013	Change
Net sales & revenues	\$9,948	\$10,914	-12%
Net sales	9,246	10,265	-10%
Operating profit	1,590	1,861	-15%
Net income	981	1,084	-10%
Agricultural & Turf Equipment (in millions \$)			
Net sales	7,646	8,691	-12%
Operating profit	1,229	1,582	-22%
Source: company report			

Net income was \$980.7 million for the second quarter compared with \$1.1 billion for the same period last year. For the first 6 months of 2014, net income was \$1.662 billion, compared with \$1.734 billion last year.

Company equipment sales are projected to decrease about 4% for fiscal 2014 and for the third quarter compared with the year-ago periods. For the fiscal year, net income attributable to Deere & Co. is anticipated to be about \$3.3 billion.

Ag and turf sales fell 12% for the quarter and 7% for six months due largely to lower shipment volumes,

the sale of John Deere Landscapes and the unfavorable effects of currency translation, partially offset by price realization, according to the company. Operating profit was \$1.2 billion for the quarter and \$2 billion year to date, compared with \$1.6 billion and \$2.4 billion, respectively, last year.

Deere's worldwide sales of agriculture and turf equipment are forecast to decrease by about 7% for fiscal year 2014, including a negative currency-translation effect of about 1%.

In his initial analysis of the Deere results, Steven Fisher, analyst for UBS, noted that this was the first profit decline for Deere since 2009.

"The 12% decline in ag sales is the first double digit quarterly decline since the fourth quarter 2009, and we find it noteworthy that Deere called out lower farm income 'putting pressure on demand for farm equipment.' We continue to believe North America industry sales guidance (down 5-10%) could prove optimistic."

Titan International (reported May 14): Sales for first quarter 2014 were \$538.9 million, down 6.8%, compared to \$578.4 million in the first quarter of 2013. Gross profit decreased 43.6% to \$54.6 million, or 10.1% of net sales, compared to \$96.8 million in first quarter 2013, or 16.7% of net sales.

Titan International Summary (in thousands \$)		
	3 months ended March 31	
	2014	2013
Net sales	\$538.9	\$578.9
Cost of sales	484.4	481.6
Gross profit	54,550	96,751
Net income	2.2	19.5
Source: company report		

First quarter income from operations was \$0.3 million compared to \$47.9 million last year. Net income was \$2.2 million, compared to \$19.5 million a year earlier.

The sales of ag tires actually increased about 2% from \$310.6 million in the first quarter of 2013 to \$317.2 million in the same period this year.

Titan CEO and Chairman, Maurice Taylor, discussing the prospects for

the rest of the year, said, "Agriculture and construction seems to be improving slightly going forward but a recovery in mining looks like a long haul."

"Due to the uncertainty in the markets we serve, the 2014 management goals published November 25, 2013 have been rescinded and are being reconsidered. We need to reduce our expenses and work harder during the rest of the year. Titan will be adjusting employment levels both in salary and hourly workforce in second quarter."

Trimble (reported May 6): First quarter 2014 revenue of \$604.7 million was up 9% as compared to the first quarter of 2013. Engineering and Construction revenue was \$309.3 million, up 16%, with growth across all major product categories.

Trimble 1Q Summary (in thousands \$)		
	3 months ended March 31	
	2014	2013
Total revenues	\$604.7	\$556,111
Total cost of sales	277.8	269.2
Gross margin	362.9	286.9
Net income	68.1	48.9
Source: company report		

Field Solutions revenue was \$138.2 million, down 6% due primarily to weaker than expected sales of agriculture products, partially offset by an increase in Geographic Information System (GIS) sales. Operating income was \$75.7 million, up 34% as compared to the first quarter of 2013.

Operating margin was 12.5% of revenue as compared to 10.2% in the first quarter of 2013. Gross margin was 54.1% of revenue. Net income was \$68.6 million, up 38% vs. the first quarter of 2013.

In an April 30 report in *Investor's Business Daily*, Ryan Connors, an analyst at Janney Montgomery Scott, cited lower commodity prices as creating a headwind for Trimble in the year ahead, though he expects Trimble's ag business to grow "a little more slowly" than last year.

"I think sales will hold up relatively well. Farmers are still in an adoption cycle of technology. Even in a down market for agriculture as a whole, farmers continue to accelerate the

implementation of technology. That remains a powerful growth driver for Trimble," said Connors.

Buhler Industries (reported May 14): Buhler, the maker of Versatile tractors and Farm King implements, reported revenue for the second quarter of 2014 was the highest recorded by the company, reaching \$104.8 million, up \$10.8 million from last year. Sales of \$173.6 million for the first 6 months are also among the best in company history, surpassing the \$169.8 million vs. the prior year.

Buhler Industries Summary (in millions \$)		
	3 months ended March 31	
	2014	2013
Revenue	\$104.8	\$94.0
Net profit	5.0	6.4
	6 months ended March 31	
	2014	2013
Revenue	\$173.6	\$169.8
Net profit	9.7	9.7
Source: company report		

The company attributed the increase in sales largely to its introduction of its DeltaTrack tractor.

Net earnings of \$5 million were also among the best second quarters recorded by Buhler. For the first 6 months, earnings were \$9.7 million, consistent with 2013. A small loss on foreign exchange in the quarter was offset by reductions in interest expense and a gain on disposal of surplus assets.

In its outlook, the company says it expects to see a slight decline in third and fourth quarter sales due to higher tractor inventory located at machinery dealers in North America as reported by the Assn. of Equipment Manufacturers.

In addition, farmer concerns with grain and corn prices are also expected to impact sales for the remainder of 2014.

Export sales to Eastern Europe are also expected to decline due to political uncertainty in Russia and Ukraine. The company says that it has been helped by a weaker Canadian dollar, which has helped margins and increased sales as reported in Canadian dollars.

AEI

Italian Ag Equipment Sales Trail Other EU Countries, But Exports Still Strong

While farm equipment sales by most of the major farm equipment manufacturers in the European Union are bouncing back from recessionary lows, Italian ag equipment makers report their domestic market is yet to show signs of any significant pick up. The one bright light for Italian ag machinery makers continues to be exports.

According to data released by FederUnacoma, the Italian Agricultural Machinery Manufacturers Federation, and Cema, the committee of European agricultural machinery manufacturers, the sale of farm tractors in Italy declined 2.9% in the first quarter of 2014 vs. the same period of 2013. The group also reported that the sale of transporters (vehicles used for transporting agricultural products) declined 11.1% and trailers slipped 2.1% during the first quarter. While sales of combines registered a healthy increase of 13.9% for the full year of 2013, the first quarter of this year saw them fall back by 28.9%.

The gap between tractor sales in the Italian market and those in the leading European countries during the first quarter was most visible in Germany (+8.9%), the UK (+9.6%) and Spain (+31.3%), according to FederUnacoma. France, on the other hand, saw a 24% dropoff in tractor sales during the first 3 months of 2014, after a 9.9% increase for the full year of 2013.

Full Year 2013. France's first-quarter decline came on the heels of a 9.9% increase in tractor sales for all of

last year, which translated to 42,600 units. Spain saw sales grow 2.9% to 8,900 units during 2013. Overall, German sales were flat in 2012 and 2013 at 36,000 machines following a 26% jump in 2011. Tractor sales in the UK during 2013 fell by 9.9% to 13,500

"The Italian agricultural system is weakening a lot compared to the other major European countries..."

units. Italy's sale of 19,107 tractors last year represented a drop of 1.7%. Between 2007 and 2012, Italian tractor sales have seen a 28% decrease.

Strong Exports. FederUnacoma President Massimo Goldoni noted, "Never before times like these have the foreign market driven Italian production of agricultural machinery

and equipment, which settled at €7.7 billion (\$10.6 billion), and we have to be proud of the ability of our enterprises to compete on markets all over the world, from Europe to the United States, from Australia to the Far East."

Istat foreign trade data estimates the growth of Italian tractor exports at 3.4% in 2013, for a value of €1.7 billion (\$2.3 billion), and the increase of other ag machinery at 7%, valued at €2.9 billion (\$4 billion).

Goldoni went on to comment, "The Italian agricultural system is weakening a lot compared to those in the other major European countries and the recovery of investments in mechanization is the key factor for the competitiveness of our primary sector as well as for the full recovery of sector's mechanical engineering. And precisely for this purpose we have started up important and positive dealings with Minister for Agricultural Policy Maurizio Martina on priorities and feasible policies for the sector." **AEI**

Progroup's 50% Stake in Tonutti Will Broaden Ag Product Lines

Stockholders of the family-owned hay equipment company Tonutti Group SpA have sold a 50% stake to fellow Italian concern Progroup, which in the agricultural sector specializes in crop protection, tillage and vegetation control machinery.

In a statement, the presidents of the two concerns — Carlo Tonutti and Luigi Blasi — point out that bringing the two concerns together creates a business with a wider and more diverse product range, as well as new distribution opportunities.

Progroup's main agricultural machinery enterprise is Bargam, an Italy-based manufacturer of self-propelled sprayers and grape harvesters. Other group companies in the sector produce air blast and conventional mounted and trailed sprayers, sprayer components and accessories, reach mowers and power tillers.

Tonutti is a significant player in the North American hay tools market with its Tonutti rakes and tedders, and Wolagri round balers and bale dispensers. Tonutti USA, where Chuck Bellew is general manager, was established in the mid-1980s in Memphis, Tenn., to provide sales and service support to a network of dealers.

The Wolagri company was acquired in 2007 and Tonutti Group bought a 30% stake in feed mixer manufacturer Storti in 2009, but this strategic partnership was dissolved just 2 years later.

An agreement with U.S.-based Kinze Manufacturing to assemble planters for the Russian market was reached 2 years ago. But in 2013, Kinze established its own factory and distribution operation in Lithuania to provide a direct-to-dealer relationship for the east European market, which superseded the Tonutti agreement.

Luigi Blasi of Progroup says the investment in Tonutti is the result of a shared intent that will lead to industrial and commercial synergies. "It will bring advantages in the research and development of new products and new technologies," he comments. "It will also result in a greater presence and penetration of the Italian and international markets."

The combined group has 500 people employed in 5 international commercial branches and 7 production units. Blasi anticipates more acquisitions or mergers to further broaden the product range and strengthen the group's market presence.

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Ag Equipment Sales Continue to Fall

North American large ag equipment sales continued to decline in April with 4WD tractor sales down 12.3%, combine sales down 12.7% and row-crop tractor sales down 13% year-over-year, according to the latest figures released by the Assn. of Equipment Manufacturers.

Inventory levels and days-sales of inventories were up again in April across all large equipment categories. In a note to investors Mircea (Mig) Dobre, analyst with RW Baird, said there continues to be a growing risk for inventory destocking in 2014 given projected sales declines.

- U.S. and Canada large tractor and combine retail sales decreased 13% year-over-year in April, down from the 12% decrease in March. U.S. retail sales declined 12% vs. the same period last year and Canadian sales decreased 20%.

- Combine retail sales posted a 12.7% year-over-year decrease in April following a 23.9% decrease in March. U.S. combine inventories were 6.9% higher year-over-year in March vs. down 2.1% last month. April is typically a lower-than-average month for combine sales, accounting for 6.6% of annual sales over the last 5 years.

- Row-crop tractor sales decreased as well, posting a 13% year-over-year decline, down from the 9.2% decline in March. Row-crop tractor inventories increased 20.8% year-over-year in March vs. a 16.9% increase in February. April is typically an above average month for row-crop tractor sales, accounting for 10.8% of annual sales over the last 5 years.

- 4WD tractor sales were down 12.3% in April vs. the same period last year compared to a 6.4% decrease in March. U.S. dealer inventories of 4WD tractors were up 22.5% year-over-year in March.

- On a positive note, mid-range tractor sales rose in April, up 7.4% year-over-year after a 5.6% increase last month. Compact tractor sales rose 1.8% year-over-year, down from the 23.2% increase last month. **AEI**

APRIL U.S. UNIT RETAIL SALES



Equipment	April 2014	April 2013	Percent Change	YTD 2014	YTD 2013	Percent Change	March 2014 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	13,024	12,608	3.3	31,255	28,841	8.4	64,033
40-100 HP	5,501	5,130	7.2	17,210	16,587	3.8	31,545
100 HP Plus	3,255	3,794	-14.2	11,001	11,672	-5.7	11,211
Total-2WD	21,780	21,532	1.2	59,466	57,100	4.1	106,789
Total-4WD	588	636	-7.5	2,121	2,281	-7.0	1,591
Total Tractors	22,368	22,168	0.9	61,587	59,381	3.7	108,380
SP Combines	888	917	-3.2	2,728	2,973	-8.2	1,776

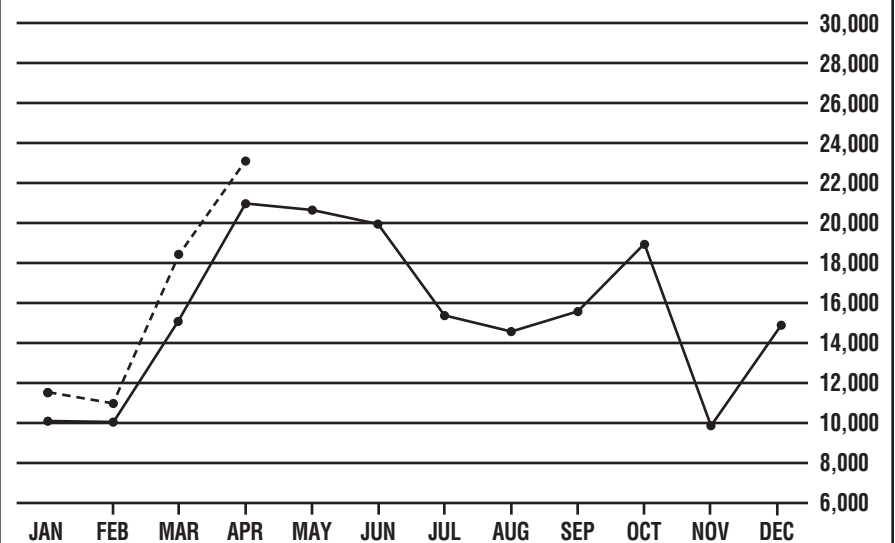
APRIL CANADIAN UNIT RETAIL SALES



Equipment	April 2014	April 2013	Percent Change	YTD 2014	YTD 2013	Percent Change	March 2014 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,139	1,299	-12.3	3,131	3,122	0.3	7,216
40-100 HP	528	485	8.9	1,768	1,695	4.3	3,711
100 HP Plus	489	507	-3.6	1,634	1,651	-1.0	2,847
Total-2WD	2,156	2,291	-5.9	6,533	6,468	1.0	13,744
Total-4WD	158	215	-26.5	488	619	-21.2	627
Total Tractors	2,314	2,506	-7.7	7,021	7,087	-0.9	14,401
SP Combines	111	227	-51.1	527	601	-12.3	680

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

--- 2014
— 5 year average



— Assn. of Equipment Manufacturers

2012 Ag Census: How U.S. Ag Has Changed Since 2007

On May 5, USDA released its long-awaited Census of Agriculture, the first update since 2007. Following are some of the key production, financial, economic and demographic data contained in the 2012 Census of Agriculture that will serve as the basis of much of the research that media, government and financial markets will utilize until the next Census in 2017.

- Both sales and production expenses reached record highs in 2012. U.S. producers sold \$394.6 billion worth of agricultural products, but it cost them \$328.9 billion to produce these products.
- Three quarters of all farms had sales of less than \$50,000, producing only 3% of the total value of farm products sold while those with sales of more than \$1 million — 4% of all farms — produced 66%.
- Much of the increased farm income was concentrated geographically or by farm categories.
- California led the nation with 9 of the 10 top counties for value of sales. Fresno County was #1 in the U.S. with nearly \$5 billion in sales in 2012, which is greater than that of 23 states. Weld County, Colo. ranked 9th in the top 10 U.S. counties.
- The top 5 states for agricultural sales were California (\$42.6 billion); Iowa (\$30.8 billion); Texas (\$25.4 billion); Nebraska (\$23.1 billion); and Minnesota (\$21.3 billion).
- 87% of all U.S. farms are operated by families or individuals.
- Principal operators were on average 58.3 years old

and were predominantly male; second operators were slightly younger and most likely to be female; and third operators were younger still.

- Young, beginning principal operators who reported their primary occupation as farming increased 11.3% from 36,396 to 40,499 between 2007 and 2012.
- All categories of minority-operated farms increased between 2007 and 2012; the Hispanic-operated farms had a significant 21% increase.
- 144,530 farm operators reported selling products directly to consumers. In 2012, these sales totaled more than \$1.3 billion (up 8.1% from 2007).
- Organic sales were growing, but accounted for just 0.8% of the total value of U.S. agricultural production. Organic farmers reported \$3.12 billion in sales in 2012, up from \$1.7 billion in 2007.
- Farms with Internet access rose from 56.5% in 2007 to 69.6% in 2012.
- 57,299 farms produced on-farm renewable energy, more than double the 23,451 in 2007.
- 474,028 farms covering 173.1 million acres were farmed with conservation tillage or no-till practices.
- Corn and soybean acres topped 50% of all harvested acres for the first time.
- The largest category of operations was beef cattle with 619,172 or 29% of all farms and ranches in 2012 specializing in cattle.

AEI

Canadian Investor Acquires Second Deere Dealer Group in 3 Months

The Jim Pattison Group, considered Canada's second largest private company, has acquired 2 major John Deere farm equipment dealer groups in Western Canada since late February.

The News Review reported on February 26 that Pattison had acquired Maple Farm Equipment. Headquartered in Yorkton, Saskatchewan, Maple Farm operates 7 dealership locations in Balcarres, Foam Lake, Moosomin, Preeceville, Russell, Wynyard and Yorkton. Cervus Equipment Corp., one Deere's largest dealer groups with 36 ag equipment locations in Western Canada, New Zealand and Australia, also owns 20% of Maple Farm.

According to reports, the Jim Pattison Group, headquartered in Vancouver, boasts more than 500 locations in a wide range of businesses, with annual sales of over \$8.1 billion and more than 36,000 employees. The acquisition of Maple Farm Equipment was the group's first foray

into agriculture.

Pattison followed that up with the acquisition of JayDee AgTech. That purchase became effective as of May 1. JayDee AgTech operates 9 John Deere dealerships with locations across Western and North Central Saskatchewan. JayDee is based in Swift Current, Saskatchewan.

It was *Farm Equipment's* Dealership of the Year in 2011. At the time, JayDee reported annual revenues of nearly \$200 million.

According to *The News Review* report, owner Jim Pattison, discussed his plans for Maple Farm Equipment. "We hope that we can bring capital if we need it, we think there may be some opportunities to grow in different ways that we might be helpful if needed. I think that we are very long-term players ourselves, we don't buy things for 3 months, 3 years or even 30 years, we do everything for the long, long term. We felt that this is the manufacturer, the quality of the people

in this company, and we hope that we can add some stability to the long term that might be helpful."

It was indicated that Pattison planned no management or staffing changes at either dealership and operational decision making will continue to be made locally.

In a published report, Pattison said, the move into agriculture was something that the company wanted to make, and they were connected with Maple through John Deere itself. Pattison says they want to get in the industry with the company they saw to be an industry leader, and so the first step was to start a relationship with John Deere, before connecting with Maple Farm Equipment itself. Pattison says that farming is not going away, so it's a wise investment.

"What we believe is that the population of the world is going to continue to grow, and we think the need for food is going to be significantly more important," Pattison said.

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