From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- Solid Sales for Claas
- RLDs See Growth in '15
- Deere Defines 'Trough'

Trimble Acquires IRON Solutions to Broaden Data Management Platform

Continuing a recent pattern of diverse agricultural acquisitions, Sunnyvale, Calif.-based Trimble Navigation purchased privately-held IRON Solutions. Although financial terms were not disclosed, the acquisition, announced in December, adds another dimension to Trimble's data management platform for farmers, precision farming dealers and agronomic retailers.

The Franklin, Tenn.-based IRON Solutions provides analytics-based intelligence and a cloud-based software system that tracks the lifecycle of used farm machinery, using sales metrics to include specifications, options and adjustments for condition and hours of use. The company also provides pricing specifications that enable original equipment manufacturers to manage product configuration and promotion for their dealers, along with optimization tools for equipment and precision dealers.

According to Joe Denniston, vice president of Trimble's Agricultural Division, the integration of the IRON Solutions' suite of services into the Connected Farm platform will help equip dealers and agronomic retailers with a broader set of real-time analytical tools to help improve maintenance scheduling or fleet management through telematic services and improved agronomic services.

"What IRON Solutions brings to the table is a cloud-based customer relationship management (CRM/ERP) tool that allows dealers, without a lot of capital outlay, to significantly improve internal operations, which in turn allows for greater focus on the farmer," Denniston says. "Coupled with some of our existing services, we can uniquely position our dealers to improve customer service in the future."

Particularly valuable to Trimble's dealer network will be the IRON HQ and Precision HQ systems, which will help provide cloud-based, real-time wireless tracking of machinery to allow for more efficient troubleshooting and preventative maintenance. IRON Solutions manages over 15 million data points annually from over 1,200 manufacturers and over 2,200 retail sources throughout North America, and Denniston notes that the volume of aggregated information will be a valuable resource for dealers to monitor machinery performance.

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Most Major Commodities Took a Hit in 2014; But Grains Show Some Bounce

If declining grain prices made 2014 a tough year for farmers, ag equipment dealers and manufacturers, they might take some comfort in the fact that those involved with energy commodities had a worse one. While plunging oil prices have been hailed as a virtual tax cut to consumers and a boon to the U.S. economy, this trend is putting pressure on ethanol producers, which could slow some of the pricing momentum that grains have seen in recent months.

But the commodity price situation is fluid, to say the least. While the general consensus appears to lean toward another slow year for ag equipment sales, some industry commentators see some positive trends developing.

Since last June and into early January, the price of oil fell by 50% or more, which the *Wall Street Journal* calls "the fastest collapse since the dark days of 2008." Through December 29, 2014, the average price per gallon paid in the U.S. was $2.299, down $1.032 from a year earlier. The average price for diesel in the U.S. on that same date was $3.213, down $0.69 vs. a year earlier.

According to the U.S. Energy Information Administration (EIA), in 2014, the energy component of the S&P Goldman Sachs Commodity Index (GSCI) fell 43% from the start of the year. The S&P GSCI precious metals, industrial metal, and grains indices declined only 6%, 8% and 8%, respectively, over the same period. (*See chart on p. 2)*

The S&P GSCI agriculture index includes corn, wheat and soybeans, with corn accounting for just over 40% of the weighting. Increased supply of these grains added significant downward pressure on prices and, by late September, resulted in the S&P GSCI index falling as much as 22% below its level at the beginning of 2014.

Grain Momentum. Grains staged a comeback during the latter part of the year. According to Colvin &

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Co.'s Farmland Forecast, grain prices finished at a 5-month high to end the year. March corn prices increased 2.85% throughout December to close at $3.98 per bushel. January soybean prices rose by 0.89% throughout December to close at $10.19, and March wheat prices increased 1.9% throughout December to close at $5.89 per bushel.

In the case of corn, the price momentum was blunted somewhat by the falling price of ethanol, which utilizes about one of every three bushels of corn produced in the U.S. According to a Jan. 7 *Agrimoney.com* report, corn futures shed more than 2% at one point, falling back below $4 a bushel, after official data revealed the headwind to the ethanol industry from lower oil prices. "The decline was fueled by poorly received ethanol data, which sent futures of the biofuel itself down 2.4% to $1.46 a gallon in Chicago, for February delivery, the weakest for a spot contract since July 2009."

Ethanol Pressures. The declining price of oil has begun to impact ethanol production and pricing, according to the EIA. Production during the first week of the year fell some by 23,000 barrels a day. And while distillers dried grains (DDGS), the animal feed co-product from the manufacture of ethanol, has helped producers' margins, November exports dropped 19%, largely the result of the continuing collapse of the Chinese market, according to the Renewable Fuels Assn.

After importing an average of 539,000 metric tons per month from March to August, China took in just 4,689 metric tons in November. Still, year-to-date in 2014 DDGS exports stood at 10.6 million metric tons, which was a new annual export record for U.S. producers.

Overall ethanol production margins were at $0.21 per gallon in November, down 58% compared to the previous month.

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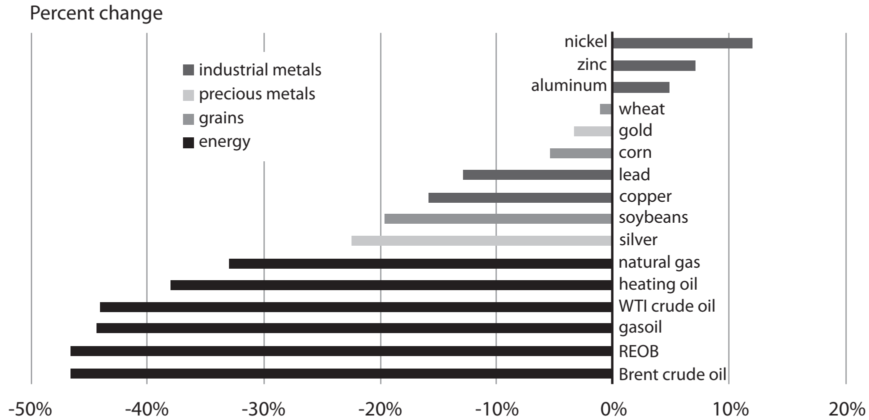
Commodity Futures Price Changes

(January 2 to December 31, 2014)

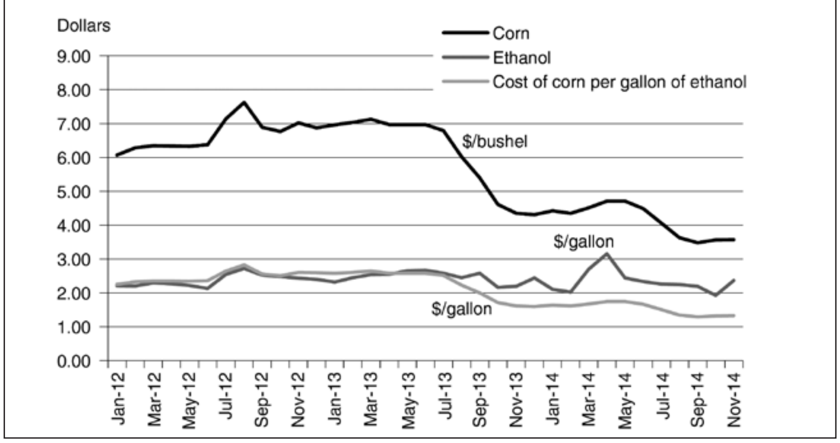


Note: These commodities are included in the S&P GSCI Energy, Grains, Industrial Metals and Precious Metals indices. All price changes reflect changes in front month futures contract price for each commodity. WTI is West Texas Intermediate, RBOB is reformulated gasoline blendstock for oxygenate blending.

Source: U.S. Energy Information Administration, based on Bloomberg

Cost of Corn vs. Ethanol Boosts Refiner Margins

Cost of Corn & Corn Per Gallon of Ethanol — 2012-14



Reflecting growing supplies, corn prices have been trending lower since reaching a record high season average farm price of $6.89 per bushel for the 2012-13 marketing year (Sept./Aug.). Monthly average corn prices fell sharply between July 2013 and January 2014, and then declined further through 2014, reflecting a record 2014 corn crop, projected at 14.4 billion bushels. Corn prices in 2014-15 are projected at $3.50 per bushel, down 50% since the summer of 2013. However, throughout this period ethanol prices have remained relatively steady, averaging $2.41 per gallon. Corn is the leading feedstock for ethanol production in the U.S. and ethanol represents about 40% of total corn use. With the price of corn declining and ethanol prices steady, ethanol producer margins have strengthened over the past 18 months. Higher margins would typically encourage greater production, but with domestic use limited to the 10% ethanol blend already used in most gasoline, the market can only expand through increased gasoline use or higher exports. This chart is based on data found in the U.S. Bioenergy Statistics database.

Note: Corn prices are prices received by farmers. Ethanol prices are rack price (wholesale truckload sales or smaller where title transfers at a terminal) F.O.B. Omaha.

Source: USDA, Economic Research Service, U.S. Bioenergy Statistics.

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*Trimble Acquires IRON Solutions to Broaden Data Management Platform...**Continued from page 1*

"It won't be a rapid integration of the HQ products, but we will look at how to strategically develop the tools into our system incrementally," he says. "It all starts and ends with the farmers and figuring out how we can help their advisors be more efficient within their supply chain, which in turn makes farmers more productive and profitable."

Another critical part of the acquisition will be maintaining the independent reputation of IRON Guides, which is considered the industry standard for tracking prices and valuation of used farm equipment. The resource contains more than 4,000 makes and models of equipment annually.

"It's been the standard for valuation of used equipment within dealer networks and a neutral, trusted source in the industry," notes Denniston. "That needs to continue and will be one of our objectives."

The acquisition of IRON Solutions is the latest in a string of additions Trimble has made to diversify its precision interests.

In 2013, the company acquired the assets of privately-held RainWave, a precipitation monitoring firm in Auburn, Ala., and incorporated the service into its Connected Farm platform. Also in 2013, Trimble acquired New Zealand company IQ Irrigation, which provides remote linear and pivot irrigation control and Madison, Wis.-based C3, a soil health and data information company. **AEI**

*Most Major Commodities Took a Hit in 2014; But Grains Show Some Bounce...**Continued from page 2*

According to a Jan. 7 report from *Bloomberg Business Week*, higher ethanol prices are actually slowing the fall in gasoline prices. "Ethanol prices have fallen one-third as much as gasoline since late June because the cost of corn, used to make the biofuel, has increased from a 5-year low in September. Instead of blending, refiners are buying credits to meet federal requirements, driving up the cost for those to the highest since August 2013."

Mixed Outlook. While energy commodity pricing appear to be plateauing at low levels, the outlook for grains remained mixed. Agricultural lender Rabobank doesn't see a significant upturn in the near term. It expects corn prices to stay below $4 a bushel, while soybeans slip below $9 per bushel.

In its Jan. 5 Farmland Forecast, Colvin & Co., said it sees some positive signs. "Increasing livestock numbers, rising grain exports and the acceptance of MIR-162 [corn trait] by the Chinese is only a few of the many bullish 2015 demand stories circulating. It is also unrealistic to expect another bumper crop. Since 1980, when a record U.S. corn yield was recorded, the next year has seen an average decrease in yield of 4.4%."

In a recent *Wall Street Journal* report, Morningstar analyst Kwame Webb said he expects crop prices to firm in 2015. "I don't see 2016 being worse than 2015." **AEI**

FARM MACHINERY TICKER (AS OF 1/9/15)

MANUFACTURERS	Symbol	1/9/15 Price	12/11/14 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$55.00	$54.58	$57.99	$41.45	29.89	34,075	723.2M
AGCO	AGCO	$43.17	$42.93	$59.18	$41.56	8.79	1,510,070	3.97B
AgJunction Inc.	AJX	$0.60	$0.54	$1.19	$0.52	N/A	42,943	43.39M
Alamo	ALG	$48.89	$47.80	$60.65	$37.93	16.74	79,678	552.95M
Art's Way Mfg.	ARTW	$4.99	$4.95	$7.08	$4.76	27.72	12,406	20.2M
Blount Int'l	BLT	$16.17	$16.49	$17.97	$10.84	46.07	432,435	799.04M
Buhler Ind.	BUI	$5.75	$6.00	$7.12	$4.86	11.50	2,556	143.75M
Caterpillar	CAT	$87.68	$92.76	$111.46	$85.17	14.18	5,312,370	53.08B
CNH Industrial	CNHI	$7.48	$7.74	$11.95	$7.39	10.39	912,505	10.13B
Deere & Co.	DE	$85.62	$87.97	$94.89	$78.88	9.92	3,376,050	29.48B
Kubota	KUBTY	$70.13	$75.43	$87.15	$62.95	16.07	35,836	17.53B
Lindsay	LNN	$85.13	$88.04	$92.93	$73.01	22.13	136,898	1.03B
Raven Industries	RAVN	$22.86	$22.40	$40.06	$21.74	24.85	151,657	869.69M
Titan Int'l	TWI	$10.26	$9.94	$19.89	$9.14	N/A	679,587	550.03M
Trimble Navigation	TRMB	$25.62	$27.25	$40.17	$25.19	30.87	1,795,430	6.64B
Valmont Industries	VMI	$125.79	$132.88	$163.23	$122.32	16.83	314,060	3.1B
RETAILERS								
Cervus Equipment	CVL	$19.34	$19.10	$24.50	$17.80	15.60	19,798	296.87M
Rocky Mountain Equipment	RME	$8.97	$8.89	$13.63	$8.75	11.65	33,254	173.41M
Titan Machinery	TITN	$12.39	$11.79	$20.40	$10.69	N/A	167,048	260.1M
Tractor Supply	TSCO	$79.92	$77.62	$81.70	$55.95	31.58	1,107,010	10.86B

Deere Clarifies 'Trough' Comment; Reiterates Long-Term Goals

Deere & Co. caused a bit of a stir when it used the term "trough" to describe its forecasted sales volumes for 2015. During its analysts' breakfast last week, Deere management said that it did itself a disservice by not explaining the context of the term "trough." The company also reinforced its previously announced goal to become a $50 billion company by 2018, at the meeting.

During the company's fourth-quarter conference call with analysts in late November, Susan Karlix, Deere's manager of investor communications said, "Ag and turf sales were down 9% in 2014 and are anticipated to be down another 20% in 2015. In relation to our structure line, that would bring sales down to what we consider trough levels with the division operating at less than 80% of normal volume."

In a Jan. 6 note to investors, Michael Shlisky, analyst for Global Hunter Securities, said, "For Deere, 'trough' levels indicate production at about 80% of capacity, but production levels can go below trough; for example, large ag is well below this level at the current time. Indeed, the company would have taken different actions than it has, including more temporary initiatives such as shutdown weeks in 2015, if the company thought demand would snap back in 2016.

"We got the sense that Deere is leaving the door open for a flat-to-down year for 2016, a cautious view that we agree with given the uncertainties that face the row-crop market."

In the longer term, Deere reiterated that it still has its eyes set on becoming a $50 billion company by 2018 that it announced in 2011 *("How Will Deere Double Sales by 2018?" March 2011, Ag Equipment Intelligence)*. With the recent slowdown in the farm equipment business, the company has its work cut out for it. It reported total revenues for fiscal year 2014 at $36.1 billion, down from $37.8 billion the year before. According to Shlisky, Deere "continues to pursue several initiatives, regardless of global ag fundamentals."

Among these are increased share in Brazil, Europe and Russia/CIS. Deere's FarmSight precision farming system is also expected to add to growth, says Shlisky. "While Deere has largely met its margin plans (12% by 2014; the company reached 13%), management noted that the challenge ahead will be staying at these elevated levels." **AEI**

Survey Shows Corn Acres Slipping by 2%

Farm Futures most recent survey of farmers indicates that growers are ready to put in even more soybeans, according to Bryce Knorr, *Farm Futures* senior market analyst.

That's 88.3 million acres in all, almost 5% more than USDA currently forecasts for 2014 and nearly 2% more than the August survey found. Some of the additional ground would come from corn, where plantings could fall to 88.5 million, down 2.2% from *Farm Futures* August estimate and 2.6% less than USDA's current estimate for 2014. USDA reports its first estimate of winter wheat seedings Jan. 12, with significant changes likely for that crop. The magazine puts total winter wheat seedings at 42.6 million, down 2.3% from August but up 0.6% from 2014. **AEI**

2015 *Farm Futures* Crop Planting Intentions
Projected Acres Survey Results by Crop

Crop	Acreage	Change vs. August Survey	Change vs. USDA 2014
Corn	88.51 million	-2.2%	-2.6%
Soybeans	88.3 million	1.9%	4.9%
Soft Red Winter Wheat	7.8 million	-8.9%	-7.8%
Hard Red Winter Wheat	31.1 million	-0.5%	1.9%
White Winter Wheat	3.7 million	-4.5%	9.2%
All Winter Wheat	42.6 million	-2.3%	0.6%
Spring Wheat	13.3 million	14.9%	2.3%
Durum	1.7 million	4.4%	19.5%
All Wheat	57.6 million	1.4%	1.4%

Maschio Gaspardo Expands China Presence

At a newly opened factory in China, Italy's Maschio Gaspardo plans to double production of mulchers, rotary tillers and precision planters as the group pursues a multi-million dollar investment plan (*Ag Equipment Intelligence, September 2014*).

The new 33,000 square-meter production facility in Qingdao will have 5 assembly lines and employ 130 people initially, with plans to increase that to 200 by the end of this year.

"Maschio Gaspardo Group has been present in China since 2005," notes Egidio Maschio, group president.

"The new plant in Qingdao, larger and more innovative than the old one, was realized to double the production output to 33,000 machines a year, principally for the Asian market," he said.

At about €23 million ($28 million), the Chinese market accounted for 8% of Maschio Gaspardo's 2013 global turnover of €282 million ($343 million) at current exchange rates. **AEI**

Krone Continues Investing in German, U.S. Operations

Hay and forage equipment maker Krone has completed the latest phase of its production plant revamp with the opening of new workshops and offices for technical staff at its headquarters in Germany, while moving its North American training and support center for western states to larger premises.

In Spelle, Germany, the modern 8-story Krone Technology Centre has facilities for prototype assembly and offices housing almost 500 employees involved in research and development, testing and prototyping, IT, procurement, technical marketing, product and project management.

"Krone has been investing systematically and on a large scale at the Spelle site over recent years to increase the efficiency of production and all associated processes," says company owner Bernard Krone. "The earlier logistics center expansion, and in 2013 the inauguration of our new training center and dedicated BiG X forage harvester assembly line, are now followed by our new Technology Centre to put us in a strong position with solid foundations for further growth."

Krone has invested €14.5 million ($17.6 million) in the new facility as it seeks to maintain momentum in the worldwide agricultural equipment market. Latest figures available show the ag sector contributed €564 million to Krone Group's near €1.5 billion net sales in the 2012-13 fiscal year to September, compared with €512 million in the prior year.

In the U.S., meanwhile, Krone North America is nearly doubling the size of its Western region training and support center, first established in 2009, by moving to a 99,000 square-foot office and warehouse facility in Reno, Nev.

"During the last 5 years, over 500 Krone dealer service technicians, dealer salesmen and customers have come to Reno to attend parts, product, operation and service training," explains Brian Hutt, Krone Western Region sales manager. "With the new facility and large classrooms, Krone expects to increase the amount of people trained each year."

In addition, the number of people servicing the Western region is being increased, "In a time where many agriculture companies are cutting back, Krone is expanding and growing," says Hutt. "The addition of regional service, business and product managers will enhance customer service and assist Krone in our growth."

Fred Rogers, Krone parts marketing manager, says of the new Reno support center: "The enlarged parts warehouse utilizes a new management system that allows us to scan parts for receiving, put away, picking, packing and shipping. It also takes real-time inventory cycle counts and assigns bin locations to store fast moving parts close to the shipping area for the most efficient picking and packing."

He adds that the expansion of service and support facilities for the Western Region is the result of Krone's commitment to providing the best service to customers and dealers. AEI

Deutz to Supply Engines for Zetor

Diesel engine maker Deutz has secured another engine supply contract in the agricultural sector by reaching agreement to deliver power units to Zetor.

The Czech tractor manufacturer, which supplies the North American market through a wholly-owned distribution subsidiary in Jacksonville, Fla., will use Deutz 2.9-liter 4-cylinder and 6.1-liter 6-cylinder engines in new models scheduled to launch this year and in 2016.

"We are pleased to have gained a new partner in Zetor, based in Central Europe, since our partnership will reinforce our presence in the European market," says Michael Wellenzohn, sales, service and marketing director at Deutz. "This new OEM will further broaden the base of our business model in agricultural equipment."

Zetor is a low volume producer by industry standards, building just 4,635 tractors in 2013 (down 6% vs. the prior year), with an additional 85 engines being produced for OEM customers. The brand is number one in its domestic market and neighboring Slovakia, with 90% of production exported, principally to the U.S., United Kingdom and countries in Scandinavia and Central Europe.

Revenues in 2013 amounted to the equivalent of €166 million at current exchange rates, down almost 3.5%, but with pre-tax profits of $14.5 million, up 3.5%.

Despite such low manufacturing volumes, Zetor has continued to develop its engines and is not about to abandon production, while at the same time announcing the long-term agreement with Deutz, technical director David Kollhammer unveiled Tier 4 Final versions.

Zetor's 4.15-liter 4-cylinder engine employs an active diesel particulate filter (DPF) and selective catalytic reduction (SCR) to meet the strict emissions limits.

"Thanks to the long-term development of combustion and optimization of the cylinder unit, Zetor brand engines achieve low fuel consumption and low emission values," Wellenzohn says.

"With the Tier 4 Final regulations now encompassing 75-173 horsepower, they apply to approximately two-thirds of Zetor production."

He adds that cooperation with Deutz on future models at both ends of the power spectrum allows Zetor to fully concentrate on the development of new tractor models as a whole. It will also help strengthen the Czech product's position in the international market, he believes.

The high-tech engines will use electronic common rail fuel injection connected to a CAN-BUS network on the tractor encompassing the transmission, hydraulics and instruments display. Different emissions technology solutions are available as appropriate to the size of tractor and OEM preferences. AEI

Versatile Grows Dealer Network Despite Slower Sales

A dropoff in equipment sales didn't deter Versatile managers from their sustained focus on expanding the Versatile dealer network and enhancing Farm King dealer resources, which characterized Buhler Industries' 2013-14 fiscal year ended September.

"We continued to follow our long-term strategy in 2014, working on developing and expanding our Versatile dealer network to carry the full line of products, including tractors, tillage and seeding equipment, as well as sprayers and combines," says Yury Ryananov, CEO. "The shortline brand strategy for Farm King is to focus on dealer growth in the U.S. while working with existing dealers to increase their sales."

More than 20 new dealers were signed to the Versatile line, which was introduced together with factory personnel to dealer staff through in-house training sessions and to customers through Hot Iron Event days held recently.

For dealers carrying the Farm King products, significant developments were the introduction of an online inventory parts ordering system and formation of a factory team dedicated to fertilizer application equipment in key states.

The former, already in use by Versatile, enables dealers to see product drawings, check warehouse inventory and order parts online. The system should minimize errors in ordering and streamline the internal parts selection and shipping process, says Buhler.

Sales Slowdown. Sales revenues for the year were down 4% during fiscal year 2013 at C$325.5 million but were still the third highest in the company's history, according to Dmitry Lyubimov, president, Buhler Industries.

"Net profit was C$12.5 million, down C$7.4 million from the prior year, but still the fourth highest annual profit," he points out. "Despite our efficient business model and a very good start at the beginning of the fiscal year, the agriculture market downturn in 2014 affected our sales as well as those of our competitors, with decreased demand for farm equipment in the U.S. and Canada causing a significant drop in orders."

The next year will be a considerable challenge, Lyubimov acknowledges, but Buhler managers intend sticking to their long-term strategy of Versatile full line and Farm King shortline dealer development while investing more money and effort in improving service.

"Buhler Industries is in good condition and has a great team of people, but the impact of an economic slowdown in agriculture cannot be ignored," he says. "The company will reduce inventory without affecting production by implementing new procedures to improve planning and component supplier management, and reduce administrative and corporate expenses unrelated to sales, marketing and R&D."

Planned investments in production growth will be postponed but projects already in place should increase production efficiency, he says, and better pricing from new and existing suppliers is anticipated.

"We are looking forward to not only surviving this economic downturn but building a strong foundation for rapid growth when the market improves," says Lyubimov. **AEI**

Claas Shows Solid Results Despite Economic, Geopolitical Challenges

In a significantly smaller overall market, Claas maintained the high level of sales it achieved in the previous year with revenues of €3.823 billion (equivalent to $4.67 billion at current exchange rates) through the 12 months to September 2014.

A drop in pre-tax profit from €295.3 million ($361 million) in 2012-13 to €155.1 million ($189 million) last year is attributed to increased costs associated with new engine emissions standards and events in Eastern Europe. Return on sales of 4.1% was down from 7.7%.

"In 2014, we remained successful despite difficult economic and geopolitical circumstances and were able to further expand our market share in key products such as combine harvesters and tractors," says Lothar Kriszun, executive board spokesman. "At the same time, great progress was made on the internationalization of Claas with our acquisition and other investments in China."

One consequence of the takeover of harvester manufacturer Shandong Jinyee Machinery Manufacturing Co. Ltd. and its 1,200 employees in January last year is that more people outside Germany are on the Claas payroll than in its home country, with one in 10 based in China.

Investment in R&D also increased in the 2013-14 fiscal year at €212.3 million ($259 million), up more than 7.7% vs. the previous year's figure of €197 million ($241 million) and representing 5.6% of revenues.

The long-term market drivers affecting the agricultural machinery sector remain intact, says Kriszun.

"Demand for agricultural commodities as a result of population growth, energy policy, industrial usage and increasing prosperity is continuing to rise, so Claas will continue to invest consistently in developing its international business," he says. "These investments include expansion of the sales and service network and completion of the new plant in Krasnodar, Russia, which will allow us to make an important contribution to the ongoing modernization of the Russian agricultural sector."

Claas expects the market downturn to continue during the 2015 fiscal year, although the effects of the political and economic circumstances in countries such as Ukraine, Russia and Argentina are difficult to predict.

"Overall, worldwide production of agricultural machinery in 2015 will not reach the high level of the previous year," suggests Kriszun. "Nevertheless, we expect Claas sales and profits to remain roughly at the level of the previous year thanks to an attractive product range and good international positioning." **AEI**

Equipment Sales Decline Continues

North American large ag equipment sales declines continued in December, a seasonally important month, according to the latest data released by the Assn. of Equipment Manufacturers, with 4WD tractor sales down 46.5% year-over-year, combine sales down 39.5% and row-crop tractors down 23.8%. However, mid-range tractors continue to show relative strength, increasing 8.9% vs. the same period last year, according to Mircea (Mig) Dobre, analyst with RW Baird.

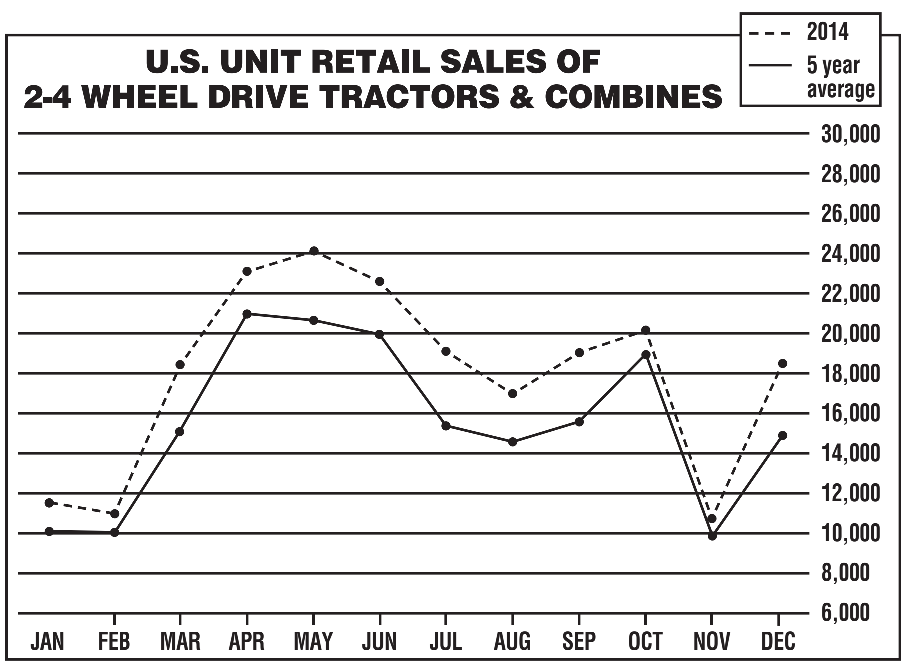
- U.S. and Canadian large tractor and combine sales decreased 30% year-over-year in December, showing an improvement from the 36% decrease in November. Dobre notes that bonus depreciation incentives were reinstated retroactively for 2014 toward the end of the month. U.S. sales were down 29% vs. last year and Canadian sales decreased 33%.
- Combine sales fell, posting a 39.5% year-over-year decrease in December after seeing a 49.8% decrease in November. U.S. combine inventories were 13% lower year-over-year in November vs. down 5% last month. December is typically an above-average month for combine sales, accounting for 9.9% of annual sales over the last 5 years.
- Row-crop tractor sales posted a 23.8% year-over-year decline, improving from the 28.5% drop observed in November. U.S. row-crop tractor inventories increased 2% year-over-year in November compared to a 7% increase in October. December is typically an important month for row-crop tractor sales, accounting for 11.3% of sales over the last 5 years.
- 4WD tractor sales declined 46.5% year-over-year in December vs. a 44.9% decrease in November. U.S. dealer inventories of 4WD tractors decreased 31% compared to the same period the previous year.
- Mid-range tractor sales rose in December, up 8.9% year-over-year after a 7.9% increase last month. Compact tractor sales increased 6.8% year-over-year, which is up from the 3.7% increase seen in November. **AEI**

DECEMBER U.S. UNIT RETAIL SALES

Equipment	December 2014	December 2013	Percent Change	YTD 2014	YTD 2013	Percent Change	November 2014 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	7,097	6,666	6.5	109,424	100,630	8.7	60,574
40-100 HP	6,825	6,160	10.8	61,123	57,005	7.2	33,310
100 HP Plus	3,355	4,325	-22.4	32,178	37,232	-13.6	12,498
Total-2WD	17,277	17,151	0.7	202,725	194,867	4.0	106,382
Total-4WD	425	834	-49.0	5,108	6,903	-26.0	1,273
Total Tractors	17,702	17,985	-1.6	207,833	201,770	3.0	107,655
SP Combines	760	1,275	-40.4	7,993	10,753	-25.7	1,494

DECEMBER CANADIAN UNIT RETAIL SALES

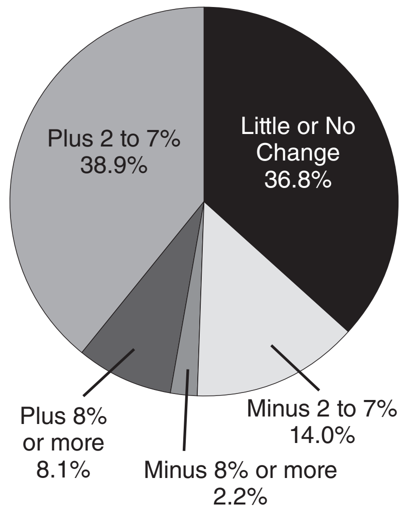
Equipment	December 2014	December 2013	Percent Change	YTD 2014	YTD 2013	Percent Change	November 2014 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,045	957	9.2	13,948	13,588	2.6	7,117
40-100 HP	695	743	-6.5	7,142	6,697	6.6	3,800
100 HP Plus	394	594	-33.7	5,721	5,696	0.4	2,342
Total-2WD	2,134	2,294	-7.0	26,811	25,981	3.2	13,259
Total-4WD	89	126	-29.4	1,227	1,567	-21.7	379
Total Tractors	2,223	2,420	-8.1	28,038	27,548	1.8	13,638
SP Combines	171	263	-35.0	2,251	2,940	-23.4	552



— Assn. of Equipment Manufacturers

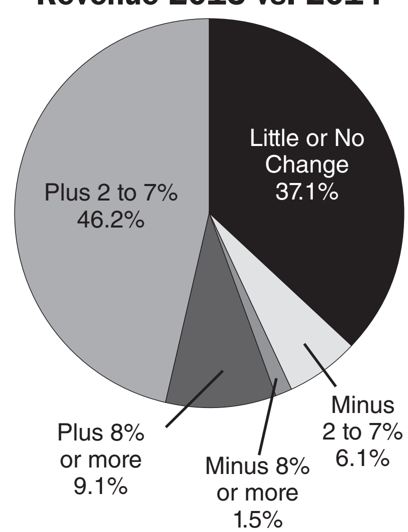
Nearly Half of Rural Lifestyle Dealers Forecast Revenue Gains in 2015

Change in Total Revenue 2015 vs. 2014



For 2015, 47% of rural lifestyle dealers expect growth in the 2-8% or more range.

Change in Aftermarket Revenue 2015 vs. 2014



Some 55% of dealers expect aftermarket revenues to grow 2-8% in 2015.

After a solid pick up in revenues in 2014, 47% of North American dealers see sales revenues from their rural lifestyle and large property owner segments increasing again in the year ahead. Another 37% of dealers believe that their revenues from equipment sales will be at least as good in 2015 as they experienced in the past year.

All told, 84% of the equipment retailers polled by *Rural Lifestyle Dealer* magazine anticipate business levels to be as good or better this year as they were last year. Only 16% are projecting a drop-off in sales for 2015, according to the magazine's 2015 Dealer Business Trends & Outlook survey.

This is down somewhat from last year at this time when 91% of dealers forecasted that revenue from sales of equipment would be as good or better than the year earlier.

The number of dealers expecting growth of 8% or more, increased to 8.1% from last year's 7%. Dealers also say revenues from aftermarket sales should be strong in 2015, with 55.3% forecasting increases of 2% or more.

The rural lifestyle market continues to grow along side dealers' revenues. Slightly more than 13% of dealers say their market has grown by 20% or more in the last 5 years, which compares to about 7% last year.

Product Potential. The survey asked dealers to rank 26 product categories for their potential for growth. For the second year in a row, more than half of dealers, 55.9%, expect zero-turn mower sales to grow 2-8% or more. Last year, 64.9% of dealers forecasted similar growth.

Tractors under 40 horsepower, tractors in the 40-100 horsepower range, rotary cutters and utility vehicles rounded out the list of the top 5 products dealers expect to show the most growth in 2015, with tractors under 40 horsepower taking the number two spot and utility vehicles coming in at the number five for most potential product for 2015.

At the other end of the list, dealers see lower potential for growth of post-hole diggers, fencing, wood handling equipment, ATVs and animal feed.

Zero-turn mowers are also on the list of the top 5 products rural lifestyle dealers are planning to add in 2015, though the top position goes to compact tractors. More than 33% of dealers plan to add compact tractors to their lineups in 2015.

Many dealers are also planning to add mid-range tractors (40-100 horsepower) and skid steer loaders, which tied for second on the list with 30.7% of dealers planning to add those categories to their lineups.

CapEx. With a solid level of optimism going into 2015, a majority of dealers surveyed, 70%, are planning capital expenditures to modernize the operations of their dealership. Nearly 46% are also planning to invest in upgrading their retail space, which is down from last year's 54%. More than one-third of dealers are planning to invest in their business information systems, which is also down from last year, when more than half of rural lifestyle dealers expected to invest in dealer software.

Dealer Concerns. At the top of the dealers' list of biggest concerns is finding good employees this year, as 56% of dealers ranked it as the issue they're "most concerned" about. This was also near the top of dealers' list last year, when it came in at the number two spot with 58% of dealers ranking it a major concern.

This year, low sales margins, healthcare programs and costs, equipment shortages from mainline suppliers and customer access to credit were dealers' biggest concerns for 2015.

The full outlook report appears in the Winter 2015 issue of *Rural Lifestyle Dealer*. **AEI**

Top 5 Categories with Most Potential in 2015	2015 Weighted Average	2014 Weighted Average
1. Zero-turn mowers	2.45%	2.89%
2. Tractors under 40 horsepower	1.90%	2.41%
3. Tractors 40-100 horsepower	1.22%	2.26%
4. Rotary cutters	1.67%	2.23%
5. Utility vehicles	1.40%	2.07%
Bottom 5 Categories with Most Potential in 2015	**2015 Weighted Average**	**2014 Weighted Average**
1. Post-hole diggers	0.03%	0.24%
2. Fencing	0.01%	-0.25%
3. Wood handling equip.	-0.27%	0.32%
4. ATVs	-0.14%	-0.03%
5. Feed	-0.16%	-0.20%