From the editors of *Farm Equipment...*

Ag Equipment Intelligence

News, Information & Analysis for the Ag Equipment Marketer

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- **Kubota Ups Outlook**
- **CVL Posts Strong 3Q**
- **Ag Depreciation?**

AGCO, CNH Ag Report Solid 3Qs; Flat Demand Ahead

The world's number two and three largest farm equipment manufacturers, CNH Industrial and AGCO Corp., put up pretty good numbers based on farm equipment sales for the third quarter of the year and year-to-date. At the same time, it doesn't appear that either one are looking for big things in the months ahead.

AGCO's net sales rose to $2.48 billion in the period compared to $2.3 billion during the same period a year ago. Its net income rose to $126.2 million in the quarter vs. $94.5 million in the third quarter of 2012.

AGCO Outlook. Global industry demand is expected to be relatively flat in 2013 compared to 2012. Strong growth is projected in South America, modest growth is forecasted in North America and modest declines are anticipated for Western Europe. Net sales are expected to range from $10.8 billion to $11 billion.

CNH Falloff. CNH Industrial, on the other hand, saw its overall revenues drop by 1.5% during the quarter vs. a year earlier to $8.5 billion. Trading profit for the quarter was $684 million, with trading margin at 8.2% vs. $769 million with a 9% margin for the third quarter of 2012. Net profit of $334 million was down $58 million vs. the same period last year.

Ag and CE had revenues of $5.3 billion for the quarter, down 4.9% (+2.9% on a constant currency basis) over the third quarter of 2012, "as positive performance for agricultural equipment offset challenging conditions for construction equipment," the company said.

Ag equipment third quarter net revenues decreased 2.3% (+5% on a constant currency basis), but trading profit increased $43 million over the third quarter of 2012 to $553 million. Trading margin was 1.3 basis points higher at 13.1%, with positive net pricing partially offset by increased costs for Tier 4 Final compliance.

Agricultural equipment production was 6% above retail sales in the quarter, in anticipation of strong seasonal retail demand in the fourth quarter. The group expects to under produce retail in the agricultural segment for the balance of the year.

CNH Outlook. The company confirmed its previous guidance for the remainder of 2013. For farm tractors, CNH is expecting +5-10% in North America, a 0-5% dropoff in EMEA, +15-20% Latin America, +5-10% Asia Pacific. For combines, CNH is calling for +5-10% in North America, 0-5% decline in EMEA, +40-45% in Latin America and +10-15% in the Asia

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FPT Picks Up Claas & Deere as New Customers

The attraction of efficient emissions control technology and a global industrial complex is helping FPT (Fiat Powertrain) Industrial, the diesel engines division of the CNH Industrial group, win more customers and orders.

Latest to join the FPT fan club is Deere, which is buying the Italian manufacturer's 3.4-liter F5C 4-cylinder "electronic" engine. These replace Deere's own 4.5-liter mechanical injection motors for the 2014 model year John Deere 5G (80 and 90 horsepower) standard tractors and the 90 horsepower 5GH high clearance model.

This engine already powers European Case IH Farmall and New Holland Series T5 tractors and a Perkins version (the 850 Series) that FPT builds in its Modena plant through a JV agreement powers the 85-113 horsepower Landini 5-H/McCormick X50 twins from Argo Tractors.

But Argo's newcomers for 2014 and beyond swing more decisively in FPT's favor in power segments previously covered by Perkins.

For example, the 100-130 horsepower McCormick X6 tractors unveiled at Agritechnica in Germany this week feature 4.5-liter NEF engines in place of Perkins 4.4-liter diesels. A 230-300 horsepower flagship proposed for 2015-16 will use the 6.7-liter 6-cylinder NEF.

This engine is already in service with Argo at lower power ratings and is featured in the just launched McCormick X7 that will soon be part of McCormick USA's product lineup. The X7 Series includes 4-cylinder versions that climb to 175 horsepower — the industry's highest four-pot (cylinder) engine output.

It's a similar story at Claas, which declared its choice of FPT power for the two biggest "standard" tractor ranges it will supply in Europe and Australasia in 2014. The new Axion

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Pacific region.

Commentary. In the November 12 edition of *The Wall Street Journal,* in a report entitled "The End of the Tractor Boom," Bob Tita wrote: "Tractor and combine manufacturers Deere & Co., CNH Industrial N.V. and AGCO Corp. can live with an off year. The real threat to the industry is a multi-year sales slump. That's not likely to happen unless commodity prices retreat to the depressed levels last seen in the early 2000s.

"On the other hand, even if prices plateau at moderate levels, farmers could take an extended break from buying after presumably upgrading all their equipment in recent years." AEI

AGCO Corp. Selected Earnings Data Through September 30, 2013

(millions of dollars)*

	3 mos. 2013	3 mos. 2012	9 mos. 2013	9 mos. 2012
Net sales	$2,475.9	$2,295.0	$7,927.2	$7,258.8
Gross profit	556.2	491.0	1,799.6	1,595.4
Net income	126.2	94.5	457.9	419.6

Regional Net Sales

	3 mos. 2013	3 mos. 2012	Change vs. 2012	9 mos. 2013	9 mos. 2012	Change vs. 2012
North America	$ 686.6	$ 632.2	8.6%	$2,099.7	$1,932.1	8.7%
South America	572.3	479.9	19.3%	1,578.0	1,343.8	17.4%
Europe/Africa/ Middle East	1,086.4	1,060.5	2.4%	3,878.6	3,667.2	5.8%
Asia/Pacific	130.6	122.4	6.7%	370.9	315.7	17.5%
Total	$2,475.9	$2,295.0	7.9%	$7,927.2	$7,258.8	9.2%

Financial Summary

	3Q 13	3Q 13 vs. 3Q 12	YTD	YTD 13 vs. YTD 12
Gross margin	22.5%	+107 bps	22.7%	+72 bps
Operating income	$199.0	+42.6%	$703.5	+22.5%
Operating margin	8.0%	+196 bps	8.9%	+96 bps

Source: Company reports

CNH Industrial Selected Earnings Data Through September 30, 2013

(millions of dollars at current exchange rate)

	3 mos. 2013	3 mos. 2012	9 mos. 2013	9 mos. 2012
Net revenues	$8,386	$8,515	$25,418	$25,320
Trading profit	686	769	2,090	2,196
Profit	335	393	1,008	1,004
Trading margin	8.2%	9.0%	8.2%	8.7%
Operating profit	$672	$757	$1,997	$2,008
Ag & Construction Equipment — Revenues & Trading Profit				
Net revenues	5,247	5,515	16,332	16,192
Trading profit	634	599	2,003	1,740
Trading margin	12.1%	10.9%	12.3%	10.7%

Source: Company reports

900 CMatic spans 320-410 horsepower to take on the established big guns in row-crop tractors, while the upgraded Axion 800 changes from Deere PowerTech Plus to FPT NEF engines for Tier 4 Final compliance, with 215-264 horsepower outputs.

All of which adds welcome volume and market presence to FPT's internal clients — the Case IH and New Holland ag and construction operations, which last year accounted for 27% of the 476,786 engines sold; and the Iveco trucks and buses division (31%).

External clients producing farm, construction and commercial vehicles bought the rest, bringing 2012 revenues from engines, transmissions and axles to the equivalent of $3.9 billion, with improved margins from efficiency gains raising net income to $189 million.

FPT Industrial has been very successful in tackling the emissions challenge, with its Tier 4 Final solution HI-eSCR still using only selective catalytic reduction without EGR (exhaust gas recirculation) or particulate filtration. Other manufacturers are employing these technologies in combination to meet the tough standards.

FPT trumpets that this will give its CNH compatriots — and a growing list of external customers — a competitive advantage as Tier 4 Final emissions take hold. AEI

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A Review of Specialty Equipment Makers Latest Earnings

While *Ag Equipment Intelligence* regularly reports on the earnings of the full-line farm equipment makers and publicly held dealership groups, we haven't provided a lot of coverage of the specialty equipment manufacturers serving the ag and rural lifestyle equipment markets. Starting with this issue, *AEI* will present additional financial data on these firms on a quarterly basis. We would like to hear from you about what additional coverage on these companies would be helpful to you in your work. **AEI**

Selected Financial Data on Specialty Farm Equipment Manufacturers

(In thousands of dollars)

	Last Earnings Report	Period Ending	Year- To-Date Revenue	Year-Over-Year Change	Net Income	Year-Over-Year Change
Ag Growth Int'l.	Nov. 13, 2013	Sept. 30, 2013	$270,332	5.8%	$22,073	6.6%
AgJunction Inc.	Nov. 13, 2013	Sept. 30, 2013	$44,353	-2.0%	$5,169	67.0%
Alamo Group Inc.	Nov. 7, 2013	Sept. 30, 2013	$511,231	6.3%	$30,070	17.8%
Blount Int'l.	Nov. 1, 2013	Sept. 30, 2013	$683,649	-2.1%	$26, 366	-13.8%
Titan Int'l. Inc.	Oct. 29, 2013	Sept. 30, 2013	$1,669,188	20.5%	$50,785	-48.7%
Valmont Industries	Oct. 17, 2013	Sept. 28, 2013	$2,476,321	10.6%	$223,621	24.4%
Art's Way Mfg.*	Oct. 14, 2013	Aug. 31, 2013	$27,016	-8.5%	$1,360	-35.5%
Buhler Industries*	Aug. 8, 2013	June 30, 2013	$271,731	-1.1%	$18,107	26.7%
Lindsay Corp.**	Oct. 10, 2013	Aug. 31, 2013	$194,834	23.8%	$70,570	38.7%
Raven Industries***	Aug. 19, 2013	July 31, 2013	$197,101	-10.0%	$22,331	-27.0%

*Results for the Q3 of fiscal year 2013
** Results for Q4 of fiscal year 2013
*** Results for Q2 of fiscal year 2014

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

Manufacturers	Symbol	11/12/13 Price	10/10/13 Price	1-Year High	1-Year Low	P/E Ratio	Avg. Volume	Market Cap.
Ag Growth Int'l.	AFN	$37.13	$39.67	$40.99	$28.57	37.13	25,948	466.02M
AGCO	AGCO	$58.20	$61.63	$64.60	$42.48	10.28	1,095,190	5.67B
AgJunction Inc.	AJX	$1.19	$1.03	$1.19	$0.65	N/A	60,577	N/A
Alamo	ALG	$50.42	$46.00	$51.55	$30.01	17.85	27,391	608.52M
Art's Way Mfg.	ARTW	$6.21	$6.92	$8.44	$5.23	13.08	7,658	25.12M
Blount Int'l	BLT	$13.41	$11.97	$17.49	$10.52	18.89	175,143	664.06M
Buhler Ind.	BUI	$7.10	$6.65	$7.30	$5.20	8.45	8,112	174.95M
Caterpillar	CAT	$83.85	$84.73	$99.70	$79.49	15.98	5,108,760	53.36B
CNH Global	CNHI	$11.22	N/A	$13.16	$11.09	13.96	920,147	20.46B
Deere & Co.	DE	$82.12	$82.92	$95.60	$79.50	9.42	3,098,800	31.44B
Kubota	KUBTY	$79.78	$74.55	$88.38	$49.66	17.19	29,654	20.04B
Lindsay	LNN	$77.93	$75.35	$94.90	$71.13	14.25	202,582	1.00B
Raven Industries	RAVN	$34.18	$31.09	$35.68	$23.01	28.25	86,038	1.24B
Titan Int'l	TWI	$15.39	$15.15	$27.12	$14.14	18.08	947,837	824.13M
Trimble Navigation	TRMB	$32.15	$29.94	$33.84	$22.66	43.68	1,682,350	8.29B
Valmont Industries	VMI	$143.51	$133.18	$164.93	$129.00	13.36	284,460	3.84B
Retailers								
Cervus Equipment	CVL	$20.80	$20.43	$21.15	$17.25	12.38	8,884	310.27M
Rocky Mountain Equipment	RME	$12.21	$11.42	$14.88	$10.43	8.36	45,831	235.19M
Titan Machinery	TITN	$18.20	$16.25	$32.00	$15.75	11.67	352,183	380.03M
Tractor Supply	TSCO	$72.34	$65.83	$74.91	$41.20	33.02	855,231	10.09B

Kubota Revises Outlook Upward on Strong Earnings

Following an exceptionally strong first half of its fiscal year, Kubota Corp. said it is increasing its revenue and profit forecast for the full year ending March 31, 2014.

In a release issued prior to its official earnings report, the company said it anticipated that forecasted revenues and operating income for the 6 months ended September 30, 2013, would exceed its previous outlook due to the weakening of the yen exchange rate and "substantial sales expansion in its anchor product of farm equipment both in domestic and overseas markets."

For the 6 months ended on September 30, 2013, Kubota reported that its revenues increased by 29.4% compared to the same period the prior year *(see table at right for amounts)*. Operating income increased 80.1%.

Revenue from Kubota's Farm & Industrial Machinery segment, which is comprised of farm equipment, engines and construction machinery, grew by 34.7% compared to the same period a year ago.

While domestic revenues rose by 14.2%, the company's overseas revenues increased by 44.7%. According to Kubota, "In North America, sales of engines continued to increase slightly. However, sales of tractors showed major expansion due to favorable demand trends and the effect of launching a new line of products. Sales of construction machinery also increased substantially owing to economic recovery."

Strong Outlook. On November 1, prior to the official release of its earnings, Kubota announced that it was revising its outlook to the anticipated results for the 6 months ended September 30. On November 8, the company then issued a revised forecast for the full year ended March 31, 2014.

According to Kubota, it is now expecting full-year revenues to come in at "¥1,480.0 ($14.8554) billion, an increase of ¥80.0 ($0.803056) billion from the previous forecast, which was announced on May 10, 2013, since the yen exchange rate is undergoing a weaker transition than the previous assumption and sales of key farm equipment products are expected to increase in both domestic and overseas markets as compared to the previous forecast."

Net income attributable to Kubota Corp. was also revised upward by ¥17.5 ($0.175718) billion to ¥117.5 billion ($1.17982), vs. the previous forecast. AEI

Kubota Corp. & Subsidiaries — Selected Financial Data
(millions of U.S. dollars)*

	3 months ended 9/30/13	3 months ended 9/30/12	Change %	6 months ended 9/30/13	6 months ended 9/30/12	Change %
Consolidated						
Revenues	$3,685.00	$2,877.00	28.1	$7,315.00	$5,653.00	29.4
Operating Income	534.00	243.00	120.1	1,007.00	559.00	80.1
Net Income	389.00	164.00	136.5	676.00	314.00	115.7
Farm & Industrial						
Mach. Segment	$5,893.00	$4,373.00	34.7	$5,894.00	$4,374.00	34.7
– Domestic	1,634.00	1,431.00	22.0	1,635.00	1,432.00	14.2
– Overseas	4,255.00	2,940.00	51.7	4,295.00	2,943.00	44.7

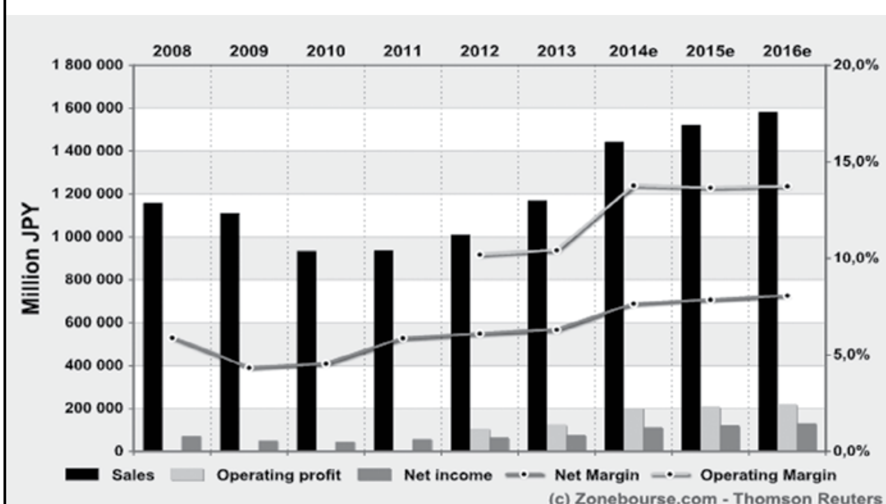
**at current exchange rates* Source: Company reports

Kubota Corp.'s Revised Forecast for 2013-14 Fiscal Year
(ended 3/31/14)

	Previous Forecast (May 10, 2013)	Revised Forecast*	Change %	Prior Year (ended 3/31/12)
Revenue	$14,046.91	$14,050.11	5.7	$12,145.68
Operating Income	1,605.26	1,906.23	18.8	1,217.59
Income Before Taxes	1,655.33	1,956.50	18.2	1,276.02
Net Income	1,003.28	1,179.11	17.5	783.255

**at current exchange rates;*
Note: Kubota based its revised forecast on assumption of exchange rates of ¥97=US$1 and ¥130=€1. Source: Company reports

Kubota Corp. Sale Growth — 2008-2016e



Kubota Corp. has demonstrated sustained sales growth since 2011 with plans to further penetrate and expand into the agricultural equipment market.

Rocky Mountain's Margins Slip as Dealer Works Down Inventories

Rocky Mountain Dealerships did much of what it set out to do when it last reported its quarterly earnings in August. The Calgary-based dealership group said its major push would be to reduce equipment inventories. It appears it did so, but its margins took a beating in the process.

In its third-quarter earnings report on November 13, Rocky said it increased revenues by 10.1% to $272.6 million and reduced equipment inventories by $78 million. The 39-store group also generated $20.1 million in cash, resulting in an all-time high cash balance of $42.6 million. Its gross profit came in at $38.7 million, which was 14.2% of sales.

In a note to investors, Ben Cherniavsky, analyst for Raymond James, said, "Third quarter 2013 struck a few similar chords to Rocky's last quarter. Namely, new sales missed our forecasts falling 11% year-over-year while used sales exceeded our expectations and were up 35% year-over-year. The shift in mix was once again due to two main factors: Rocky's focus on reducing used inventory levels and customers deferring purchase of new, more expensive, Tier 4 equipment.

Rocky Mountain — Selected Financial Data
(in thousands C$)

	3 months ended 9/30/13	3 months ended 9/30 2012	Change	9 months ended 9/30/13	9 months ended 9/30/12	Change
Sales						
New Units	$97,554	$109,636	-11%	$344,163	$353,223	-3%
Used Units	130,826	96,653	35%	273,936	217,767	26%
Parts	34,534	31,377	10%	74,500	68,284	9%
Service	8,497	8,465	0%	22,018	22,526	–2%
Other	1,158	1,403	–17%	2,564	3,526	–27%
Total Sales	272,569	247,534	9.2%	717,181	665,326	7.2%
Gross profit	38,723	39,698	-2.5%	107,154	101,644	5.1%
Net profit	5,915	8,451	-30%	13,247	12,205	9%

Source: Company report

"The impact on profitability was again unfavorable — and this quarter to an even greater extent — as gross margin fell to 14.2% vs. 16% last year and the lowest level since the fourth quarter of 2009," Cherniavsky said. "Margins were also negatively impacted by competitive pressure in the construction market, which continues to be oversupplied with equipment."

The analyst added that Rocky Mountain made a "significant dent" in its inventory, lowering it by nearly $80 million. This is on top of a $28 million decrease in inventories during the previous quarter.

"Despite the impact to margins, we view this much needed action positively as it addresses a concern we have for the dealer group at large (i.e. inflated inventories).

"In Rocky's case, it has also helped generate free cash flow and kept leverage in check. Going forward, ag fundamentals remain positive but pre-order levels to date indicate that the fourth quarter of 2013 may see the trend of softer new equipment sales continue," said Cherniavsky. **AEI**

Australian Ag Equipment Sales Rebound

Farm machinery dealers are looking at another good year for overall sales, according to the Tractor and Machinery Assn.'s Richard Lewis in a November 3 report in *The Land* by Neil Lyon.

"Over 1,000 harvesters were delivered in 2011 and 2012 and we were expecting a fall back to maybe 750 this year. But the year-to-date September figure was only down 7%. We'll certainly do better than 750 now," said Lewis.

Alan Kirsten, managing director and analyst for Agriview, said 243 balers had been retailed through September.

"That's a couple of units behind last year, but we know there are a lot of sales going on at present and we're expecting a big fourth quarter," he said.

"We have to remember that the first quarter of this year was well down across the board due to the prolonged dry summer. September figures that are close to last year actually represent a big upturn."

Kirsten also reported that Australian tractor sales had also picked up in recent months.

Sales for the first quarter had been 14% down on the previous year, but by the end of September were only 6% behind last year's pace. Total sales for 9 months were 7,769 units vs. 8,289 for the same period in 2012.

The analyst pointed to emerging trends in Australian farmers' buying patterns recently.

"Lower and higher horsepower tractors are down but the middle 100-200 horsepower (75kW-150kW) range is up 2% at 1,362 against 1,338 last year.

"It's the first time we've seen any joy in this sector for a long time. Previously, it was losing out to the 200 horsepower (150kW) category as farmers upgraded to bigger gear.

"I think they're still upgrading but this time it's from the sub-100 horsepower (75kW) category."

Unit sales of tractors below 40 horsepower (30kW) were off by 2%, down to 2,327 units compared to 2,387 in 2012 while the 40-100 horsepower (30-75kW) category saw a 12% decline from 3,533 units down to 3,096.

Sales of tractors over 200 horsepower (150kW) dropped to 1,031 to 984, a decline of 4.6%. **AEI**

Alamo Group Looking for Acquisition, Export Growth

Texas-based Alamo Group is keen to get on the acquisitions trail once more to help sustain growth and manufacturing cost-effectiveness, especially at its European division.

The company's third quarter 2013 results presentation highlights strategic acquisitions as a key element of the group's strategy, alongside organic growth and operational improvement. Its importance is further emphasized by Alamo Group Europe's plan to appoint a strategic business development manager to seek out acquisition targets that command or have potential to be major players in their niche markets and are complementary to Alamo's existing product range.

Alamo has a pretty good track record with its acquisitions strategy, which has maintained a network of independent businesses sharing manufacturing resources, components and products to some extent, while competing through separate dealer distribution channels using well-known brand names.

In the U.S., Alamo Group is made up of six companies operating in the agricultural sector and nine with industrial or municipal product lines. The European operation also has nine businesses, operating mainly in agriculture but with significant activity in the municipal market too.

Vegetation control is a common theme at European group companies Bomford Turner, McConnel, Twose and Spearhead, but McConnel and Twose in particular also build products for livestock and tillage farmers.

This formula has seen Alamo Group net sales grow from $259 million to $628 million over the past 10 years, with the upward trend interrupted only in 2009 when ag companies worldwide suffered from the global financial crisis. The trend was back on track by 2011, continued last year, and looks set to be maintained in 2013.

Group net sales for the first 9 months of 2013 are up 7% over 2012 figures, with the North American industrial and agricultural divisions scoring 11% and 8% sales growth, while net income is ahead by 22%.

The European division figures are not so positive with net sales down 3% so far. But Ron Robinson, group president and CEO, is hopeful that things are about to improve across the Atlantic, where third quarter sales are up 4%.

"We were pleased to see some sales growth in our European division, which we hope is an indicator this sector is beginning to recover," he said. "Our European operations are seeing signs of market improvement for the first time in several years, which we hope is the start of a new trend."

Further optimism is evident in the search for a business development manager for the European division, which is "embarking on the next phase of its pan-European growth," according to a recruitment advertisement in one of the UK's national daily newspapers.

Alamo says this involves development of "exciting new product ranges; investment in production facilities; and an ambitious acquisition program." The new executive will take a central role in the "identification, evaluation and successful acquisition of new brands and companies," while also leading "ambitious export drives into new pan-European and Central Asian markets."

More specifically, Alamo aims to consolidate similar products to its own in current markets, acquire new products that complement the markets and customers it currently serves, or to buy products similar to those it currently makes but in new geographical markets.

These will provide scale efficiencies and purchasing power that contribute to Alamo's continuous operational improvement, while fuelling organic growth through market share consolidation, increased geographical reach and complementary products. AEI

Where Does Ag Machinery Depreciation Stand?

Few will argue with the fact that the very generous depreciation rules for farm machinery introduced 2008 have played a role in the protracted run of strong sales years for ag equipment dealers and manufacturers. The current Section 179 allows for accelerated depreciation of an asset in the year of purchase; the current law allows for up to $500,000 in deductions in 2013, but is scheduled to expire at the end of the year. If this occurs, the depreciation schedule will revert back to the pre-2008 levels of $25,000.

While no one knows for certain how the lower depreciation allowances would impact overall equipment sales, there's little doubt that it will affect a farmers decision to buy or not buy.

According to an *Ag Equipment Intelligence* source, it's doubtful that Congress will get around to either re-authorizing or adjusting the rules before the end of this year. But he says that Congressman Dave Camp (R-MI), who is the current chairman of the Ways and Means Committee, is set to introduce a measure that would lower the current $500,000 limit to $350,000. At the same time, Camp reportedly will push to make the measure permanent. AEI

WASDE Bearish for Ag Equipment Sales

USDA increased its estimates of corn and soybean yields and wheat production in its November 8 World Agricultural Supply and Demand Estimates report, which most analysts agree was another bearish sign for farm machinery sales in the year ahead.

"Forecasts for corn and wheat production edged higher, while prices moved slightly lower," C. Schon Williams, analyst, BB&T Capital Markets, said. "Estimates imply 2013-14 cash crop receipts will decline 13% year-over-year, supporting our negative outlook on ag machinery demand." AEI

Ag Equipment Sales Continue to Fall

North American large ag equipment sales continued to decline in October, with 4WD tractor sales down 18.1% year-over-year and combine sales down 27.7%, according to the Assn. of Equipment Manufacturers.The decline was once again partially offset by row-crop tractor sales, which increased 5.3% vs. the same period last year. Mircea (Mig) Dobre, analyst with RW Baird, in a note to investors, said inventories continue to rise, with a slight exception for 4WD tractors, causing growing risk given the decline in sales, particularly for combines.

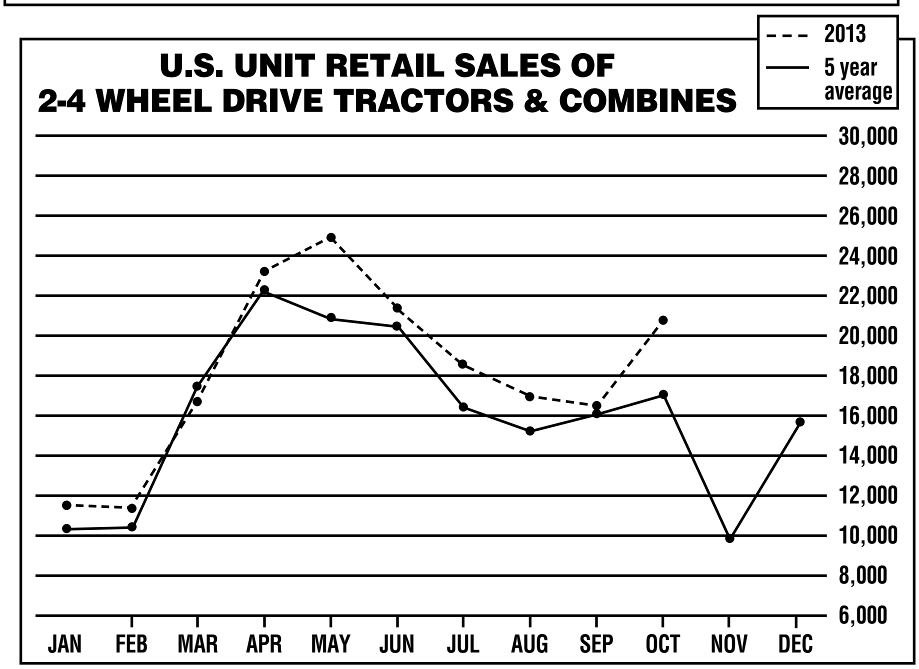
- U.S. and Canada large tractor and combine retail sales decreased 6% year-over-year in October, improving slightly from the 8% decrease in September. U.S. sales decreased 9% vs. last October; Canadian sales increased 5%.
- Combine retail sales declined, posting a 27.7% year-over-year decrease in October following a 26.6% decrease in September. U.S. combine inventories were 10.7% higher year-over-year in absolute terms in September. October is a strong month for combine sales, accounting for 12.7% of annual sales over the last 5 years.
- Row-crop tractor sales continue to grow, posting a 5.3% year-over-year increase, decelerating from the 7.7% increase in September. U.S. row-crop tractor inventories increased 33% year-over-year in September vs. a 34.3% increase in August. October has been the seasonally strongest month for row-crop tractor sales over the last 5 years, typically accounting for 13.3% of annual sales.
- 4WD tractor sales fell, down 18.1% vs. last October compared to the 25.7% decrease in September. Importantly, comparisons remain difficult for the remainder of the year and into early next year, Dobre said. U.S. dealer inventories of 4WD tractors were flat year-over-year in September.
- Mid-range tractor sales softened in October, down 2.1% year-over-year after a 7.5% increase last month. Compact tractor sales decreased 2.6% vs. last October, down from September's 6.6% increase. AEI

OCTOBER U.S. UNIT RETAIL SALES

Equipment	October 2013	October 2012	Percent Change	YTD 2013	YTD 2012	Percent Change	October 2013 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	8,117	8,573	-5.3	89,039	80,591	10.5	53,800
40-100 HP	5,586	5,724	-2.4	47,663	45,107	5.7	27,597
100 HP Plus	4,977	4,809	3.5	30,645	25,711	19.2	12,375
Total-2WD	18,680	19,106	-2.2	167,347	151,409	10.5	93,772
Total-4WD	919	1,182	-22.3	5,551	5,675	-2.2	1,854
Total Tractors	19,599	20,288	-3.4	172,898	157,084	10.1	95,626
SP Combines	1,153	1,763	-34.6	8,847	8,374	5.6	2,312

OCTOBER CANADIAN UNIT RETAIL SALES

Equipment	October 2013	October 2012	Percent Change	YTD 2013	YTD 2012	Percent Change	October 2013 Field Inventory
Farm Wheel Tractors-2WD							
Under 40 HP	1,548	1,345	15.1	11,789	10,380	13.6	6,987
40-100 HP	1,161	1,167	-0.5	5,414	5,503	-1.6	4,117
100 HP Plus	966	835	15.7	4,746	4,152	14.3	2,997
Total-2WD	3,675	3,347	9.8	21,949	20,035	9.6	14,101
Total-4WD	309	317	-2.5	1,322	1,315	0.5	653
Total Tractors	3,984	3,664	8.7	23,271	21,350	9.0	14,754
SP Combines	518	549	-5.6	2,430	2,491	-2.4	943



— Assn. of Equipment Manufacturers

Cervus Sees 11.5% 3Q Pick Up; Ag Sales Rise 9%

Cervus Equipment Corp. said its revenues rose by $26.8 million, or 11.5%, during the dealer group's third quarter, ended September 30. Overall revenue for the period was $260.8 million vs. the same timeframe in 2012. The company attributed the growth to an 8.9% increase in ag equipment sales and 18.4% improvement in sales of its commercial and industrial products.

Cervus, based in Calgary, operates 29 John Deere stores in Alberta, Saskatchewan, British Columbia, Australia and New Zealand, as well as 19 others for commercial, industrial and transportation equipment.

During the first 9 months of 2013 vs. the same period of 2012, revenue grew by $123.5 million, or 22.9%, to $661.9 million. Cervus attributed the increase to higher revenues in the ag equipment segment of 24.9% and an 18.8% increase in the commercial and industrial equipment segment.

Cervus Equipment Corp. — Selected Financial Data
(in thousands C$)

	3 months ended 9/30			9 months ended 9/30		
	2013	2012	Change	2013	2012	Change
Revenues	$260,796	$233,997	11.5%	$661,945	$538,465	22.9%
Gross profit	47,445	41,990	13.0%	120,122	101,599	18.2%
Gross margin	18.2%	17.9%	1.4%	18.1%	18.9%	–3.8%
Net profit	8,741	8,606	1.6%	16,954	16,722	1.4%

Source: Company reports

According to Graham Drake, president and CEO of Cervus, in the first 9 months, the Assn. of Equipment Manufacturers reported that demand for agriculture equipment in Canada remained strong with an 8% and 5.5% overall average increase in tractor and combine sales for the 9 and 3 months ended September 30, 2013 compared to the same period in 2012, respectively.

"For the 9 months ended September 30, 2013, we have experienced demand significantly exceeding this national average, due to a combination of earlier receipt of equipment from the manufacturer in 2013 compared to 2012, customers' general positive outlook translating to increased demand, and the company's focused sales efforts in 2013," Drake said.

Looking ahead, he said current pricing pressures are partially offset by 2013 yield increases particularly for producers who have on-site storage capacity. Current year yield combined with record farm income levels in 2012, supports a stable outlook for agricultural machinery into the 2014 crop year, according to Drake. AEI

Compact Tractor Makers Gearing Up to Get Bigger

Farm tractor makers, Kubota, Mahindra and TAFE, best known for their proficiency in producing tractors on the lower end of the horsepower range, are obviously not satisfied with their slice of the tractor and ag equipment market.

Japanese tractor manufacturer Kubota, which pioneered and made its reputation on producing compact and utility tractors, has made no secret of its ambition to grow market share. Its strategy includes expanding its business by adding higher horsepower tractors along with a wide range of hay tools and other production farming equipment to it product lineup *(see Ag Equipment Intelligence, August and October 2012)*. It currently offers tractors up to 135 horsepower with plans to take that up to 200 horsepower, probably sometime in 2016.

Meanwhile, Mahindra USA announced that it is going to go one better than Kubota in terms of attractive financing. The Indian manufacturer says it will offer financing of 0% for up to 84 months on all tractor models along with a host of other incentives for the remainder of 2013. Kubota is currently offering 0% for 60 months on a range of its tractors and performance-matched Allied equipment.

Mahindra, which touts itself as "the number one selling tractor brand in the world based on volume," is expected to extend its range in tractors to 150 horsepower by the end of the year.

Another Indian tractor manufacturer, Tractor and Farm Equipment Ltd., (TAFE), says it plans to "launch a new product every quarter" while leveraging its long time relationship with AGCO Corp.

In an October 16 interview with the *Business Standard*, Mallika Srinivasan, chairman and chief executive officer of TAFE, said the 30-50 horsepower equipment is at the heart of the market and it has been the growth driver for the company, which is the second largest tractor maker in India, behind Mahindra.

She described the partnership with AGCO as "one of its kind" in the industry. "We are closely working together to leverage the strengths of both the organizations. We are working on a new product based on their platform for the international market, and later it will be followed to India.

"The program is expected to be rolled out in the next year and some of the products will be manufactured in India. Some of the international products will drive technology and quality into the domestic market and we will have the first-mover advantage through this partnership."

Srinivasan said this effort will be the focus of TAFE moving forward. "We will launch a new product every quarter, which will be developed in-house. While the company launched the Rotavator for domestic and international markets last month, we look to launch products for planting, seeding, harvester and land preparation." AEI