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# Deere & Co. (DE)

Q1 2026 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, and welcome to Deere & Company First Quarter Earnings Conference Call. Your lines have been placed in listen-only until the question-and-answer session of today's conference.

I would now like to turn the call over to Mr. Josh Beal, Director of Investor Relations. Thank you. You may begin.

### Josh Beal

*Director-Investor Relations, Deere & Co.*

Hello. Welcome, and thank you for joining us on today's call. Joining me on the call today are Josh Jepsen, Chief Financial Officer; Ryan Campbell, President, Worldwide Construction & Forestry and Power Systems; and Chris Seibert, Manager, Investor Communications.

Today, we'll take a closer look at Deere's first quarter earnings, then spend some time talking about our markets and our current outlook for fiscal 2026. After that, we'll respond to your questions. Please note that slides are available to complement the call this morning. They can be accessed on our website at [johndeere.com/earnings](http://johndeere.com/earnings).

First, a reminder, this call is broadcast live on the Internet and recorded for future transmission and use by Deere & Company. Any other use, recording or transmission of any portion of this copyrighted broadcast without the express written consent of Deere is strictly prohibited. Participants in the call, including the Q&A session, agree that their likeness and remarks in all media may be stored and used as part of the earnings call.

This call includes forward-looking statements concerning the company's plans and projections for the future that are subject to uncertainties, risks, changes in circumstances, and other factors that are difficult to predict. Additional information concerning factors that could cause actual results to differ materially is contained in the company's most recent Form 8-K, risk factors in the annual Form 10-K, as updated by reports filed with the Securities and Exchange Commission.

This call also may include financial measures that are not in conformance with accounting principles generally accepted in the United States of America, GAAP. Additional information concerning these measures, including reconciliations to comparable GAAP measures, is included in the release and posted on our website at [johndeere.com/earnings](http://johndeere.com/earnings) under Quarterly Earnings & Events.

I will now turn the call over to Chris Seibert.

### Christopher Seibert

*Manager-Investor Communications, Deere & Co.*

Good morning. And thank you for joining us today. John Deere completed the first quarter with a 5.9% operating margin for the equipment operations. Our results reflect the strength and resilience of a diversified portfolio spanning multiple end markets and geographies. All business segments delivered higher net sales year-over-year, with both Small Ag & Turf and Construction & Forestry top line growing by over 20%.

Our results for the quarter exceeded our forecast, driven by shipping volumes that were ahead of our initial plan. Importantly, over the course of the quarter, we saw continued strengthening of our order books across several product lines, most notably in Small Ag & Turf as well as Construction. In earthmoving, double-digit year-over-

year growth in retail settlements and a growing order bank have prompted us to increase our industry outlooks for both Construction and Compact Construction Equipment in North America.

In Small Ag, order activity for mid-size tractors supporting the dairy and livestock production system has remained solid, while order velocity for North American turf equipment and compact utility tractors has increased. Global Large Ag fundamentals, while still challenged, were largely stable over the quarter. This stability has enabled a modest improvement in our net sales forecast for North American Large Ag this year as our combined early order program finished better than expected and large tractor order activity has increased.

These improvements have helped us to offset softer projections for the South American ag equipment market in 2026. The developments over the course of the past three months have strengthened our belief that 2026 marks the bottom of the current cycle, as we project mid-single-digit net sales growth for the equipment operations this fiscal year.

Slide 3 starts with the results for the first quarter. Net sales and revenues were up 13% to \$9.611 billion, while net sales for the equipment operations were up 18% to \$8.001 billion. Net income attributable to Deere & Company was \$656 million or \$2.42 per diluted share.

Turning to our individual segments, we begin with the Production & Precision Ag business on slide 4. Net sales of \$3.163 billion were up 3% compared to the first quarter last year, primarily due to positive effects of foreign currency translation. Price realization was roughly flat. Price realization in North America was positive, though was offset by additional incentives for the South American market. Currency translation was positive by nearly 4 points. Operating profit was \$139 million, resulting in a 4.4% operating margin for the segment. The year-over-year decrease was primarily due to higher tariffs, unfavorable sales mix, and higher warranty expenses.

Moving on to Small Ag & Turf on slide 5. Net sales were up 24%, totaling \$2.168 billion in the first quarter because of higher shipment volumes and positive effects of foreign currency translation. Price realization was positive by 2 points. Currency translation was also positive by just under 2.5 points. Operating profit increased year-over-year to \$196 million, resulting in a 9% operating margin. The increase was primarily due to higher shipment volumes, favorable sales mix, and price realization, partially offset by higher tariffs.

Slide 6 gives our industry outlook for Ag & Turf markets globally. We continue to expect the large ag equipment industry in the US and Canada to decline 15% to 20% this year. However, we are seeing encouraging developments that should provide stability to the segment in the near term while also improving the setup for return to growth.

While global row crop production remains strong – global production remains strong, robust demand for commodities and a normalization of trade flows are providing support for prices at current levels, which are above the lows that growers experienced last summer. Additionally, government programs are supporting farmer liquidity in the short term.

Ongoing improvement in the used inventory market is providing a better environment for machine replacement, while the age of the fleet continues to grow. Additionally, proposed government policy actions, including additional support for biofuels, provide potential tailwinds for growth.

For Small Ag & Turf in the US and Canada, industry demand estimates remain flat to up 5%. The dairy and livestock sector remains profitable due to strong beef prices, while the turf market is seeing a modest return to growth as that sector normalizes after several years of declines.

Moving to Europe, the industry is still projected to be flat to up 5%. The underlying fundamentals of the ag sector are largely unchanged, with no near-term material impact expected from newly negotiated EU trade agreements or recent declines in milk prices. Interest rates are steady. Long-term financing costs are manageable, and the region continues to show resilience across key arable markets.

In South America, industry sales of tractors and combines are now expected to be down approximately 5%, driven by the Brazilian market, where subdued commodity prices, high interest rates and the stronger Real are putting pressure on producer margins.

Industry sales in Asia are now projected to be flat to down 5%. The Indian market is now expected to only be down slightly from the strong levels seen in 2025.

Next, our segment forecasts begin on slide 7. For Production & Precision Ag, net sales are still forecasted to be down between 5% and 10% for the full year. The forecast assumes roughly 1.5 points of positive price realization and about 3 points of positive currency translation. For the segment's operating margin, our full year forecast remains between 11% and 13%.

Slide 8 shows our forecast for the Small Ag & Turf segment. We now expect net sales to be up about 15%. This includes 2 points of positive price realization, as well as 2 points of positive currency translation. The segment's operating margin guide is now between 13.5% and 15%.

Shifting now to Construction & Forestry on slide 9. Net sales for the quarter increased roughly 34% year-over-year to \$2.67 billion due to higher shipment volumes and positive effects of foreign currency translation. Price realization was negative by just under 0.5 point. Currency translation was positive by 3.5 points. Operating profit of \$137 million more than doubled year-over-year, resulting in a 5.1% operating margin due primarily to favorable shipment volumes as well as production efficiencies, partially offset by higher tariffs.

Slide 10 describes our Construction & Forestry industry outlook. Industry sales for both Construction Equipment and Compact Construction Equipment in the US and Canada are now expected to be up around 5% year-over-year. Construction markets remain solid, supported by US government infrastructure spending, declining interest rates, strong rental demand, and data center construction starts.

Our year-to-date retail settlement activity is running ahead of our expectations, and our order books continue to grow. Global Forestry markets are still expected to remain flat. Global Roadbuilding markets are now expected to be up around 5%, driven by market increases in both North America and Europe.

Moving to the C&F segment outlook on slide 11. 2026 net sales are now forecasted to be up around 15%. Our net sales guidance for the year includes about 2.5 points of positive price realization and just over 2 points of positive currency translation. Our projection for the segment's operating margin also increased and is now estimated to be between 9% and 11%.

Now, transitioning to our Financial Services operations on slide 12. Worldwide Financial Services net income attributable to Deere & Company in the first quarter was \$244 million. The year-over-year increase was mainly due to favorable financing spreads and a lower provision for credit losses, partially offset by favorable special items recorded in the first quarter last year. For fiscal year 2026, our outlook increased to \$840 million, primarily driven by lower provision for credit losses.

Finally, slide 13 outlines our guidance for net income, effective tax rate, and operating cash flow. For fiscal year 2026, our updated outlook for net income is now between \$4.5 billion and \$5 billion. Next, our guidance continues to incorporate an effective tax rate between 25% and 27%. And lastly, projections for cash flow from the equipment operations increased by \$500 million at both ends of our range and is now expected to be between \$4.5 billion and \$5.5 billion.

This concludes our formal comments. We'll now shift to a few topics specific to the quarter. To start, let's review Deere's results this quarter. Net sales increased by about 18% year-over-year and margins were just under 6%. Although the first quarter of fiscal year 2025 had an easier top line compare, given last year's underproduction in Small Ag & Turf and Construction & Forestry, it still performed ahead of our plan.

Josh Beal, could you explain what happened this quarter and how it affected our full year outlook?

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## Josh Beal

*Director-Investor Relations, Deere & Co.*

Yeah. Absolutely, Chris. Let's start with our expectations for the quarter. Overall, we were projecting double-digit net sales growth in the equipment operations, driven by estimates for over 20% growth in both Small Ag and Construction & Forestry, while Large Ag sales were expected to be flat year-over-year. Despite the projected net sales increase, we were expecting lower equipment operations operating margin year-over-year due to incremental tariff expenses and an unfavorable product and regional mix in Large Ag.

Across all three business units, we executed ahead of our plan for the quarter. And as a result, our performance reflects better top line and margins than originally forecasted. Better-than-expected shipment volume was the primary driver of both the top line and margin beat.

In PPA, shipments of North America large tractors were ahead of plan, while C&F benefited from higher roadbuilding sales in Europe and North America as well as ahead-of-planned shipments of both Construction and Compact Construction Equipment in North America.

On the pricing front, C&F pricing was slightly negative this quarter, although competitive price pressures have started to show signs of easing. The results from the quarter in C&F had a slight impact on the timing of our expected price realization in the segment. And as a result, we've revised our full year forecast down by 0.5 point.

PPA pricing was neutral during the quarter, primarily due to discounts implemented in South America, responding to FX movements as well as targeted field inventory reductions. Our PPA price guidance for the full year remains unchanged, and we still expect positive full year price realization in South America.

Foreign exchange was also impactful in the quarter. The US dollar was weaker year-over-year against several relevant currencies for Deere, particularly the euro and Brazilian Real. The translation impacts drove year-over-year net sales gains for all three business units.

Transitioning to cost management, excluding tariffs, production costs were lower year-over-year for all business segments in the first quarter. This was largely attributable to operational efficiencies from higher production and disciplined overhead spending. Tariffs for the year are still projected at around \$1.2 billion as mitigation on Section 232 steel tariffs and some relief in India have been offset by volume growth.

As you mentioned in your opening comments, our full year industry demand outlooks for most markets improved over the course of the quarter. We maintained our net sales guidance for PPA, even though South America

softened due to some incremental improvement in North America, and we increased the net sales ranges for SAT and C&F by 5 points. That resulted in higher projected margin ranges for Small Ag and C&F, resulting in an increased net income forecast of \$4.5 billion to \$5 billion.

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## Christopher Seibert

*Manager-Investor Communications, Deere & Co.*

Perfect. Thanks for that breakdown, Josh. It is encouraging to see that our teams continue to execute and focus on what we can control while also seeing some pickup in end market demand.

Now, let's take a moment to talk about the broad ag industry. Since late last year, we've seen several supportive developments in the US market, including the recently announced \$12 billion Farmer Bridge Assistance program and renewed purchase commitments for US commodities. Can you add some additional color to what this could mean for US growers?

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## Josh Beal

*Director-Investor Relations, Deere & Co.*

Sure, Chris. I'll start by reiterating a couple of comments on the global ag economy that you mentioned in your opening. Global crop production remains strong, but so does global demand. At current commodity price levels, producer margins remain pressured in many geographies.

Specifically for the US, the USDA just updated their 2026 forecast for net cash farm income. While 2026 US net cash farm income is forecasted to be up around 3% from 2025, much of this increase is being driven by more government payments.

Crop cash receipts are expected to be up slightly this year, but expenses are projected to increase as well. Given this setup, we continue to anticipate a challenging environment for many row crop farmers.

However, as you mentioned, we're starting to see some stability for producers as China has resumed purchasing US soybeans and the recently approved government support program looks to provide some near-term liquidity. Additionally, strong farmland values are keeping debt ratios low despite the lower margin backdrop.

Notably, the US fleet age is high and continues to get older as customers put more hours on their equipment. With the stabilization that we're seeing in US ag fundamentals, along with an improving used market, our expectation is that we'll start to see some replacement demand return.

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## Joshua A. Jepsen

*Chief Financial Officer & Senior Vice President, Deere & Co.*

This is Jepsen. Maybe one key point to reinforce. The government payments should continue to mitigate downside risks for farmers' balance sheets acting as a bridge in an environment where crop cash receipts are under pressure. We believe that future policies around renewable fuels and additional export opportunities should drive demand and provide continued stability.

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## Christopher Seibert

*Manager-Investor Communications, Deere & Co.*

Great. Thank you, both. With the developments over the quarter in North America, it appears that we've moved past peak uncertainty and that the market is stabilizing. Building off that, could you also share an update regarding global ag inventories and order books?

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## Josh Beal

*Director-Investor Relations, Deere & Co.*

Yeah, definitely. Let's start with Large Ag in North America. On the new inventory side, we continue to be in a great position and hold on to our plan to produce in line with retail demand in fiscal 2026. We also continue to make progress on North American used inventories. We saw typical seasonal increase in used Deere combines during our first quarter. However, current inventory levels for Deere combines remain about 15% below their peak in March 2024, with model year distribution at a normal mix.

Deere high-horsepower tractor units were down mid-single digits in our first quarter and have declined by over 10% from their March 2025 peak. Late model mix is improving, too. It's notable that while total Deere high-horsepower tractors are down over 10% from March, model year 2022 and model year 2023 8R tractors are down more than 40% in that same time period. Just this past quarter alone, model year 2022 and model year 2023 8Rs were down over 20% sequentially, with model year 2024 8Rs also declining by over 10%.

While continued reduction in used tractors remains a focus, we're encouraged by the progress that we're seeing. At the same time, large tractor order velocity for the North American market has picked up, and our rolling order books now provide visibility into the fourth quarter. We also just recently took our last calls for North American combine orders for the year end. While we still expect that overall North American Large Ag industry to be down 15% to 20% this year, combines will be down less than that range.

Similar to North America, we feel good about our new inventory positions in both Europe and South America. The one exception is combines in Brazil, where we're a bit higher than we want to be. We'll underproduce retail for Brazilian combines in our second and third quarters to bring those inventory levels down. Despite being higher than our target, our current inventory-to-sales ratio for combines is still significantly lower than what we see with competitors. As far as order visibility, European tractor order books are currently 4 to 5 months out, while South American orders are full through our second quarter.

Turning to Small Ag & Turf in North America, last year's underproduction resulted in healthy beginning inventory levels for the segment that remain in place today. For reference, current new field inventory for both tractor horsepower categories in this segment, that's the less than 100-horsepower category and the 100- to 220-horsepower category, are each about 40% lower year-over-year. Our ability to maintain those lower inventory levels reinforces our plan to build in line with retail demand in Small Ag this year. And commitment to that plan has been further supported by strength and order activity in the first quarter.

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## Joshua A. Jepsen

*Chief Financial Officer & Senior Vice President, Deere & Co.*

This is Jepsen. Maybe share an additional perspective following Beal's comments. Our channel has consistently worked to reduce used inventory levels, and our deliberate approach to managing production and inventory set us up favorably both this year and into the next. With growing demand across various other markets and segments, we feel good about how we're positioned to execute for the remainder of 2026.

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## Christopher Seibert

*Manager-Investor Communications, Deere & Co.*

Thank you, both. Now, let's move on to Construction & Forestry. Josh Beal, we've already touched on C&F's performance in Q1, but can you please give us an update on the current business environment and outlook for 2026?

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## Josh Beal

*Director-Investor Relations, Deere & Co.*

Yeah, happy to, Chris. Let me start with the current market environment. And Ryan, please jump in with any additional color you might have. As you noted earlier, construction markets are a bright spot and continue to demonstrate resilience, bolstered by US government infrastructure investments, decreasing interest rates, and improved rental demand.

Recall that we underproduced retail in the first half of fiscal 2025, which set us up to produce in line with retail demand this year. We saw strength in our first quarter in retail sales that exceeded our estimates as settlements of Construction and Compact Construction Equipment were both up mid-teens year-over-year in our first quarter.

What's perhaps most encouraging is that our order bank has risen by over 50% in the past quarter, reaching its highest point since May of 2024. This provides us with clear visibility into the second half of the fiscal year, allowing the Construction & Forestry team to optimize their production plans accordingly. Overall, we're very encouraged by the momentum that we've seen to start the year.

Ryan, is there anything you'd like to add?

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## Ryan D. Campbell

*President-Worldwide Construction & Forestry Division and Power Systems, Deere & Co.*

Absolutely. I share your enthusiasm, and I'm excited about what's on the horizon for this business. As I mentioned at our recent investor event in New York, there are numerous reasons for my optimism.

At a macro level, the world is facing growing urgency to upgrade or replace key infrastructure. Investment in single-family housing, especially across the United States, needs to increase, and there's a huge demand to support the required infrastructure for AI investments. To get all this work done, the industry must boost productivity significantly, with machines doing more work with precision and utilizing less resources overall.

Meeting these goals require smart machines and data-driven insights to execute tasks and manage job sites efficiently. And we believe we can help customers meet these challenges, and we'll continue to invest on our side to ensure success.

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## Christopher Seibert

*Manager-Investor Communications, Deere & Co.*

Hey. Thanks for the recap, Ryan. Could you remind us of the investments that we're making to meet those challenges?

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## Ryan D. Campbell

*President-Worldwide Construction & Forestry Division and Power Systems, Deere & Co.*

Sure, Chris. Let's start with excavators. As we've talked about, we are excited to announce our new Deere-designed 20-ton class excavators at the upcoming CONEXPO show in Las Vegas. We've included additional information in the appendix of the earnings presentation for those interested in more detail.

Excavators represent about 40% of the North American construction equipment industry, and these models are the first introduction of fully Deere-designed and Kenersville, North Carolina-built machines to the market. We packed the new units with easy-to-use, productivity-enhancing technology while remaining absolutely focused on and making further improvements in quality and durability. This is the first step of what will be a multiyear launch plan for a complete line of excavators. We couldn't be more excited about sharing these first models with our customers.

The CONEXPO event will feature 24 product launches, including world premieres of equipment from John Deere and six market debuts from the Wirtgen Group. The last several years, our efforts have been heavily focused on excavators. However, we continue to innovate across the product portfolio. From new equipment designs, the latest in precision and job site technology, we have never felt better about our complete product portfolio.

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## Christopher Seibert

*Manager-Investor Communications, Deere & Co.*

Thank you. Hey, on the digital side, yesterday, we completed the acquisition of Tenna. Could you please provide your insights on this acquisition and discuss how it aligns with the broader C&F business and strategy?

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## Ryan D. Campbell

*President-Worldwide Construction & Forestry Division and Power Systems, Deere & Co.*

Yeah. We're incredibly excited about bringing the Tenna team and their capabilities into the John Deere portfolio of businesses. It might help to take a step back and talk through our strategy at a high level in the C&F division. We think about the construction industry and how we want to compete in three different layers, machines, tasks, and job sites.

On the machine side, completing our product portfolio of best-in-class earthmoving equipment, both in high-precision machines and those that are more basic is our focus at that level. Second, we're enhancing the tasks that the machines do individually on the job site through precision technologies like SmartGrade, SmartDetect and SmartWeigh. The agreements with the three survey providers to provide a fully integrated grade control experience through our equipment is an example of what we are working on in this area. Third is having the capabilities to help contractors and customers optimize their fleets, operations and job sites.

Tenna provides a leading technology platform that automates contractor workflows, gives near real-time insights into equipment operations, and maintenance, and enhances visibility, planning and coordination to boost productivity and cut costs.

Tenna's leading fleet-based products and services combined with the productivity solutions from Virtual Superintendent, who we acquired a little over a year ago, along with the foundational capabilities we've built through the John Deere Operations Center give us a unique value proposition to offer customers as they work to optimize their fleets, operations and job sites.

Importantly, Tenna and Virtual Superintendent are and will continue to be brand-agnostic, focused on mixed fleet solutions and step with the reality of the fleets and job sites in the industry.

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## Christopher Seibert

*Manager-Investor Communications, Deere & Co.*

Thank you, Ryan. It sounds like there's a lot to be excited about in the Construction & Forestry segment going forward.

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## Joshua A. Jepsen

*Chief Financial Officer & Senior Vice President, Deere & Co.*

Hey. This is Jepsen. Maybe one thing in addition to the C&F product releases, I'd like to share a quick comment about innovation in our other businesses. At the end of this month, we'll be at Commodity Classic in San Antonio, Texas, with several major product launches and updates to our advanced technology solutions. And just last week, at the World Ag Expo in California, we showcased several innovations that are helping drive value for our high-value crop producers as well.

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## Christopher Seibert

*Manager-Investor Communications, Deere & Co.*

Thank you, both, for your comments. Josh, do you have any final thoughts before we open the line for questions?

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## Joshua A. Jepsen

*Chief Financial Officer & Senior Vice President, Deere & Co.*

Yeah. Thanks, Chris. The first quarter demonstrated great execution from our teams. All business segments operated efficiently and delivered results ahead of plan. At the same time, we saw stabilization and improvement in a variety of our end markets.

Our channel maintained focus on inventory management, particularly in North American used equipment. Our financial strength has allowed us to maintain high levels of investment throughout the cycle, which positions us well for future growth, particularly as the cycle inflects. The recent and upcoming product and technology introductions are tangible examples of that outcome and bolster our confidence in our growth aspirations through the end of the decade and beyond.

Over the quarter, we returned nearly \$750 million in cash to shareholders through dividends and share repurchases, demonstrating that strong through-cycle financial performance supports both reinvestment in the business and shareholder return.

Finally, I'd like to express my sincere appreciation to all members of the Deere team. The commitment and dedication demonstrated by our employees, dealers, and suppliers across every area of the business have been instrumental in maintaining this high level of discipline. The Deere team is committed to executing our strategy and focused on solving our customers' biggest challenges.

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## Christopher Seibert

*Manager-Investor Communications, Deere & Co.*

Thanks, Josh. Now, let's open it up to questions from our investors.

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## Josh Beal

*Director-Investor Relations, Deere & Co.*

We're now ready to begin the Q&A portion of the call. The operator will instruct you on the polling procedure. In consideration of others, and to allow more of you to participate in the call, please limit yourself to one question. If you have additional questions, we ask that you rejoin the queue.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator instructions] Our first question comes from Kristen Owen from Oppenheimer.

**Kristen Owen**

*Analyst, Oppenheimer & Co., Inc.*

Q

Hi. Good morning. Thank you for taking the question. And just briefly, Josh Jepsen, thank you so much for all the help over the years. If I could start maybe with a pricing question, you gave some helpful commentary on PPA pricing, but I'm just wondering how we should think about the bridge from here at neutral in Q1 to the full year guide of 1.5%? And similarly, if you could help us, you trimmed your expectation on C&F. Can you just maybe walk us through what you're seeing on the pricing side there? Thank you so much.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. Thanks, Kristen, happy to. Starting with Large Ag, the first quarter, as we mentioned, we did put some incremental incentives in place. Sorry. There we go. We put some incremental incentives in place in South America. As we mentioned, we've seen a little bit of a slowdown in that market. And as a result, we're going to pull down inventory a little bit in that market, just in combines.

And maybe just for perspective, too, on the combine inventory, while we've come up a little bit in Q1, we're still about half of the levels on combines that we saw that we peaked at in 2023. So, still in really good shape, but want to be proactive there. And as we've seen a little bit of a slowdown, we've taken some action. We don't expect that to continue through the year. As we mentioned, our expectation is for Brazilian price realization to be positive for the full year.

And we've seen positive price in North America. Recall that we did some accruals in the third quarter of last year in Large Ag for pool funds that should provide some easier comps as we move through the course of the year as well. So, our expectation is to still maintain that 1.5 point for Large Ag price.

**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

A

Yeah, Kristen. This is Jepsen. I think on the PPA side, that 1.5 point for the full year, and I think we would expect that really as we run through the remaining quarters. So, not too lumpy or different as we go [ph] 2Q (00:28:51) through 4Q.

**Ryan D. Campbell**

*President-Worldwide Construction & Forestry Division and Power Systems, Deere & Co.*

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Yeah. Maybe just a bit on C&F. We took the guide down slightly. That wasn't a function of our lack of confidence in us being able to execute price increases. Really a function of how fast the year started. We announced some price increases in January, and quite frankly, we were surprised at how quickly we had built our backlog in the first couple of months of the year. So, the price actions are going to be delayed a little bit.

It's important to keep in mind that it's Wirtgen, its parts and also earthmoving. And so, it's a combination. Each one will do a little bit differently. And then over the rest of the year, we'll start to lap some of the more aggressive

pricing actions that we had to take last year. So, overall, we still feel very confident in the price realization for the year.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

Thanks, Kristen.

A

**Operator:** Our next question comes from Angel Castillo from Morgan Stanley.

**Angel O. Castillo**

*Analyst, Morgan Stanley & Co. LLC*

Hi. Thanks for taking my question. Just want to maybe follow up on that. If you could just talk a little bit more in detail about what's going on in terms of the order strength, in particular, I guess on the C&F side to the comment on the pricing and the strength that you've been surprised by.

Q

I recognize it might be difficult to unpack, but just curious if you're seeing – if you're able to split that up between what might be One Big Beautiful Bill kind of bonus depreciation related, any kind of – versus end market driven versus kind of Deere performance driven by all the portfolio product innovation you're talking about or just merchandising incentives. Just curious, the puts and takes across the various kind of tailwinds that might be driving some of the strength and if you're able to kind of unpack that?

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

Yeah. I'll start Angel, and Ryan, just jump in. I mean, first and foremost, I would just point to contractor confidence. More and more as we have conversations with contractors, they feel good about their backlog. And candidly, they feel good about that backlog growing even as they look into to 2027 as well. So, I think its strength in their end markets. And particularly around larger projects, I mean, infrastructure, mega projects, certainly supporting data centers as well as we're seeing more of that strength.

A

Housing, still subdued to start the year. Some expectation that that'll pick up a little bit as we get some easing as we move through the course of the year. But that's still a segment for smaller contractors where they're still challenged on the housing side. But again, particularly for the larger folks, they're seeing strength in their order book. And I think that's starting to translate into order activity.

**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

Yeah. Just add to that Angel, we've seen rental reflecting, which has been positive. Our retails were up mid-teens in the quarter, so we've seen strength there. So, not only retail – order activity but retail more than matching, which has helped as well. So, I think that's given us more confidence as we've seen that build.

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**Ryan D. Campbell**

*President-Worldwide Construction & Forestry Division and Power Systems, Deere & Co.*

Yeah. Just maybe to summarize, kind of all of the above of the things that you identified. I've been out quite a bit with customers, geographic mix and a broad swath of the different types of construction, and it's really broad-based. They feel confident. I think the construction activity has been strong the last couple of years. They were

A

probably a little more cautious with respect to fleet for various reasons last year and the year before that. But now the confidence in their backlogs is growing and they need to start making more investments in the fleet.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

And maybe just one last comment on Wirtgen side, too. We're seeing strength there. We mentioned that it's not just concentrated in North America, certainly strong infrastructure investment there, but Europe as well where we're seeing some pickup. Infrastructure in Germany as an example has been positive, so strength in both of those markets as well on the roadbuilding side. Thanks, Angel.

**Angel O. Castillo**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you. And Jepsen, wish you all the best.

**Operator:** Our next question comes from Stephen Volkmann from Jefferies.

**Stephen Volkmann**

*Analyst, Jefferies LLC*

Q

Hi. Good morning, everyone. Maybe I'll just stay with this topic. I guess given what you guys are all saying, which sounds very reasonable, the kind of up 5%-ish kind of forecast feels pretty conservative. So, I'm curious if you think there's some headwinds that we should be keeping in mind maybe as the year progresses or something.

And then sort of on that same note, your net sales forecast in C&F is quite a bit higher than your end market forecast. So, maybe you could tease that part out as well?

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. I think you're right, Steve, that there's certainly optimism. You heard us say that in our prior answer. It is mixed in some segments. Housing has still been subdued. So, I think that's part of it. But, yeah, I mean, overall optimistic, and we're seeing strength there.

On the sales guide, up 15%, recall that we did some pretty strong underproduction last year, which has really set us up well for this upturn. I mean, it was close to 10%, just high single digits for the segment last year. And so, we're building in line with retail this year. So, that is helping. On top of that, you're getting 2.5 points of price, so getting positive price. And currency has been a tailwind as well. So, for all those reasons, we're much closer to 15% now versus those markets we're seeing are up 5%.

Thanks, Steve.

**Operator:** Our next question comes from David Raso from Evercore ISI.

**David Raso**

*Analyst, Evercore ISI*

Q

Hi. Thank you. And we'll miss you, Josh. When it comes to the Large Ag commentary, I was intrigued by the order book color. But obviously, you're not willing to change the guide on Large Ag. I was just curious that order book, is it coming in just in a sense earlier than you would have thought, in the sense of you have the same view and the

order book just came in at a level where now you feel you have just better visibility. Or are we at the stage where Waterloo or East Moline is starting to kind of increase line rates?

And I'm not just talking seasonality. I'm speaking about versus your original budget. I'm just curious how you're sort of digesting the at least more stable, better order book on Large Ag when, as you pointed out, I mean, grain prices, even this morning, some of the USDA, corn acre number came in and I thought kind of constructive, but corn is still not reacting positively. And I'm just trying to put together how you're thinking about that order book versus corn prices just aren't really supporting the improvement. Thank you.

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**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. No, thanks for the question, David. I mean, on the North American side, our guide is still for the industry down 15% to 20%. And maybe breaking that down by product lines, our spring seasonal products, things like sprayers and planters, those EOPs happened over the course of last summer, wrapped up in August, September. Still a lot of uncertainty in the market. And prices for commodities were much lower at the time.

Those product lines are probably at the upper end of that range, closer to 15%. What we've seen over the course of the quarter from a – I'm sorry, closer to 20% at the upper end of that range for those product lines.

What we saw over the course of the quarter on the tractor side was some pickup in order velocity, particularly in the last month or so. So, we're probably closer to down 15% or so on tractors, the lower end of that range. And then combines, as we mentioned in our commentary, as we close out that EOP, that'll finish better than the range, more like probably down 10% to 15% for combines in that segment.

So, yeah, what are we seeing what's driving that? I mean, as you're right, I think from a ag fundamental standpoint, still challenged and haven't seen a whole lot of change there over the course of the quarter. However, we do feel like things are more stable, certainly than where we were end of last summer into the fall. We've seen China come back to the market. We've seen some stability in grain prices. Not a lot of upside at this point in time, to your point, even on some of the recent news. But we've seen some stability there.

And then I think the other thing to keep in mind is that the age of the fleet is getting older. We haven't seen much replacement over the last couple years. And you do have some folks that do need to look to replace even sort of despite of what we're seeing with ag fundamentals. And when you see an improving used inventory market, and we mentioned some significant improvement even over the course of the quarter, I think most notably, like model year 2022/2023 8Rs down 20% sequentially in the quarter, just gives you a sense of how those are starting to move.

That's starting to free up the trade ladder, free up movement there. And so, we are seeing a little bit of pickup from a replacement demand. Not a massive inflection, again, given where the fundamentals are, but replacement does come back over time just given that situation.

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**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

A

Yeah. Just the only thing I'd add to that, David, to your question is, yeah, are seeing some increased build rates in tractors, and that's kind of back half related to these – this order activity that we saw come through. As Josh mentioned, we're already out nearly through 3Q, so back half of the year, we see some of that step up. But that's based on actual orders that we're seeing.

And I think really underlying some of the replacement that Josh just mentioned. And as we see used get healthier, I think that's aiding that trade ladder, aiding the ability to move those used. We've seen stability in used prices. And then as you take inventory down, it's facilitating more activity there. Thank you.

**David Raso**

*Analyst, Evercore ISI*

Q

Thank you.

**Operator:** Our next question comes from Tim Thein from Raymond James.

**Tim W. Thein**

*Analyst, Raymond James & Associates, Inc.*

Q

Thank you. Good morning. And yeah, Josh Jepsen, all the best, and thank you for your help over all these many years. Just a question circling back on kind of the outline as we came into the year with respect to price versus production costs, given that maybe slower start to the year in some of these segments, are we – but then you've also mentioned some maybe fluctuations on the cost and tariff side. Has anything changed in terms of the expectation for the full year? And how you expect to play out in terms of price versus costs? Thank you.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. Thanks, Tim. I mean, you're right, some changes over the course of the quarter. We're probably closer now to price/cost neutral for the full year, just given particularly a little bit of a reduction on the pricing side in C&F. Tariff costs – and by the way, that price/cost neutral is inclusive of the \$600 million of incremental tariffs that we're seeing this year. So, we're covering that tariff piece coming into the business in 2026.

But tariffs have been roughly flattish quarter-over-quarter. There were some puts and takes there. But that \$1.2 billion for the full year guide on tariffs is still unchanged. We've seen a little bit of change, maybe a little bit more inflationary pressure on materials, but offset by some improvements from the overhead side as we've added volume, we're seeing more overhead efficiency. And so, we'll be slightly unfavorable from a production cost standpoint, ex-tariffs. But overall, again, price/cost neutral with the price actions that we're taking.

**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

A

Yeah. And maybe just one thing. First quarter, ex-tariffs, we were production cost favorable. So, I think it speaks to just the things we can control and how we're operating in an environment with a fair bit of uncertainty.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Thanks, Tim.

**Operator:** Our next question comes from Steven Fisher from UBS.

**Steven Fisher**

*Analyst, UBS Securities LLC*

Q

Thanks. Good morning. And I echo my sentiments. Thanks a lot, Josh. Really appreciate the help. In terms of some of the regional dynamics, I think there were expected to be some pretty big differences between North

America and Europe in the first quarter. It sounded like maybe North America ended up being a little bit better on the tractor side, perhaps. Anything in particular from a regional production perspective we should be expecting or just general for Q2, how to model that? And any of the differences for the rest of the year because I think those can certainly affect the margin progression in Large Ag.

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**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. Thanks for the question, Steve. Regional mix was certainly an impact on Large Ag in the first quarter. I mean if you look at overall volume in the Large Ag business in Q1, we were effectively flattish year-over-year in terms of total volume. But that mix was Europe up. Asia, it was a smaller part of our Large Ag business, but Asia up. And then both North America and South America down year-over-year in Q1. So, given the different profitability profile for those different geographies, that was unfavorable mix for us in the first quarter.

That starts to change as you move through the course of the year. I mean, as we'll see a pickup, particularly in North America production here in the second quarter. And as Josh Jepsen mentioned, our order books are for tractors, as an example, now into the fourth quarter. So, we've got good confidence that we'll see that pick up, and we'll revert to a more normal mix going forward. And that will aid margins. I mean, you can expect us in Large Ag to do double-digit margins each quarter for the rest of the year. So, it really is a mix that's improving as you move through 2026.

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**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

A

Yeah. Steven, I think you see that, too, like in gross margins, that really rings through. And when you look at the first quarter versus the rest of the year, where we bounce back and look a lot more like what do we do for gross margins in PPA in 2025 and the remainder of the year, that's where it operated. And a big part of that is a little bit more normal mix geographically.

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**Steven Fisher**

*Analyst, UBS Securities LLC*

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Thank you very much.

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**Josh Beal**

*Director-Investor Relations, Deere & Co.*

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Thanks, Steve.

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**Operator:** Our next question comes from Chad Dillard from Bernstein.

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**Chad Dillard**

*Analyst, Bernstein Institutional Services LLC*

Q

Hey. Good morning, guys. I got a quick question for you on tariffs. So, if we get the tariff relief, will that get rolled back to farmers? And how soon could that happen? Is that something you need to wait to see until the 2027 model year pricing?

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**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. And so, maybe just to break down a little bit, Chad, on the exposure. So, like I mentioned, total tariff costs this year in 2026 is \$1.2 billion pre-tax. And if you break that down kind of by exposure, the IEEPA tariffs is a little less than half of that, a little bit higher in Section 232, but a little less than half is IEEPA. So, we'll see what happens on the Supreme Court side.

It's been a very dynamic environment. So, it's hard to say if those go away or something else doesn't come back. So, we'll watch how that plays out. We won't react too quickly. Similar to when we saw tariffs going up last year, we didn't take immediate price action, and you can expect a similar approach for us this year in 2026 as well.

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**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

A

Yeah. I'd just reiterate, Chad, I mean, we were relatively muted. I mean, we're well below normal or historical averages for price. I mean, last year, PPA, we did just below 1 point. We're talking about 1.5 point here this year. So, we haven't taken outsized price as it's related to tariffs. We're focused on how do we mitigate? How do we work our way through those?

We've seen good progress on mitigation on Section 232, and teams continue to do a lot of really good work. So, I think we're, kind of, heads down focused on that. And we'll see how the environment changes. But we're going to keep working on that and focus on the things that we can manage.

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**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Thanks, Chad.

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**Operator:** Our next question comes from Jerry Revich from Wells Fargo.

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**Kevin Uherek**

*Analyst, Wells Fargo Securities LLC*

Q

Hey. This is Kevin on for Jerry Revich. Just had a quick question about Large Ag used inventories. Based on our data, we're seeing North America Large Ag used inventory destock accelerate over the quarter by 4%. Just trying to understand were there any higher pool funds or other incentives? And is this pace of destock sustainable based on what you're seeing?

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**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. Kevin, thanks for the question. As we mentioned, we see a really good progress in the first quarter. And maybe worth repeating again, I mean, particularly late model tractors, we saw a really significant reduction over the quarter. I mean, 2022s and 2023 8Rs down 20% sequentially in the quarter. Even model year 2024s down 10%. So, really good movement there. We did this in 2025. We increased the pool fund contribution rate to keep those levels healthy for our channel. And we'll continue to support the market with pool funds. We did a little bit in Q1, but still positive price for North America.

So, like I said, we're seeing good momentum there. We're seeing good movement. Our first quarter tends to be the strongest quarter of the year for used reduction. You do see a lot of year end calendar buying. So, you'll see probably more moving in Q1 than you will be as you get to some of these other quarters. But we've seen continued progression quarter-over-quarter really for the last better part of the year or so. We'd expect that to continue going forward.

Thanks, Kevin.

**Kevin Uherek**

*Analyst, Wells Fargo Securities LLC*

Q

Thanks.

**Operator:** Our next question comes from Jamie Cook from Truist Securities.

**Jamie Cook**

*Analyst, Truist Securities, Inc.*

Q

Hi. Good morning And Josh Jepsen, thanks for your help throughout the years, and best of luck to you. I guess just my question in terms of how we're managing Large Ag, seems like things are getting better. You talked about the combines coming in better, order velocity improving. To what degree – I know you have orders through the third quarter, to what degree do you want to limit production, I guess, in 2026 to set yourself up for a better 2027 in terms of how you're managing things?

And then, I guess, my second question just with Large Ag getting better, production sort of moving up, surprised your margins – and the mix getting better with more North America, just surprised margins wouldn't be more towards the upper end of the range for the year and Production & Precision Ag? Thank you.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. Thanks, Jamie. Certainly, as you mentioned, we've seen improvement over the course of the quarter. For combines, as you know, we base our production for the year on that early order program. So, that largely defines what we're going to build this year. And so, I wouldn't say there's any really much change, and we'll be pretty level through the rest of the year on combines.

I mean, tractors, as we've mentioned, order book is now into the fourth quarter. We've seen some increased momentum there. And as Josh Jepsen said, we'll pick up some production towards the back half of the year. Probably not a whole lot of change now at this point, and we're getting pretty close to where the full year, we'll have the year filled up. We'll see how things play out over the next quarter or so as we build out the book for the rest of the year. But we'll be pretty steady, pretty level now, based on with our plans for the rest of the year.

Yeah, I mean, margin, certainly as we see North America come back, that's good mix. We've seen a little bit of softening in South America. That's a very profitable region for us as well. And so, there's some puts and takes there that don't drive the margin too different from what we've originally forecasted.

**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

A

Yeah, Jamie. It's Jepsen. I think the one thing I'd point out is we're still below trough levels for Production & Precision Ag overall, and North America below that. So, when you – just the overall magnitude of North America being down 15% to 20%, and the pool, negative impact on margins is real there. So, I think we're glad to see some of that order activity move. But it's not, to Josh's earlier point, it's not a bounce. It's not inflecting hard. It's just we're seeing some positive progress in momentum.

So, that I think does demonstrate, we should see momentum as we go forward. Inventories are in good shape. Factories are running really lean. So, as we see demand come back, I think we will see strong incrementals, particularly ex-tariffs. But we're still kind of coming off of very low levels right now.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

Thanks, Jamie.

A

**Jamie Cook**

*Analyst, Truist Securities, Inc.*

Thanks, and congrats.

Q

**Operator:** Our next question comes from Tami Zakaria from JPMorgan.

**Tami Zakaria**

*Analyst, JPMorgan Securities LLC*

Hi. Good morning. Thank you so much for taking the question. My question is on the new excavator, which is quite exciting. Curious whether you can comment on any marketing plans around the launch of this. Are you expecting to put in some promotions to gain share, any financing promotions, incentive for dealers or anything along those lines to start off on a strong note?

Q

**Ryan D. Campbell**

*President-Worldwide Construction & Forestry Division and Power Systems, Deere & Co.*

Yeah. I think the big splash that we have is out at CONEXPO, and so that'll be the big launch event. We spent a lot of time with a lot of different operators from customers across the country, testing and understanding the capabilities of the equipment. We had a big launch party and large launch event with them. And so, I think the capability and the quality of the equipment and what we're going to deliver to the marketplace is pretty well known. We've done more testing than we have in the past.

A

With respect to incentives, the excavator market has been pretty challenging from a price perspective over the last couple of years. This new model gives us differentiation that we haven't had over the last couple of years. We're not going to significantly take price with that. But the value that we're offering to our customers through this and through all the work that we've done, we feel like they really understand it and continue to do that.

And again, at CONEXPO, we'll continue to emphasize the message of the value that we're delivering through technology, through improved durability, and just the productivity and capability of the new excavator. We think we're in a great spot to launch. And the teams are super excited. The dealers are super excited. There are good products in the market today. We've had a long-standing relationship with Hitachi with good products. This is a truly differentiated product that we're super excited to bring to the marketplace.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

Thanks, Tami.

A

**Operator:** Our next question comes from Sabahat Khan from RBC Capital Markets.

**Sabahat Khan**

*Analyst, RBC Dominion Securities, Inc.*

Q

Hey, great. Thanks, and good morning. Maybe just a two-parter there. I think the initial comments around some of the shipments during the quarter being a little bit better. I guess based on the order book, are you finding that this is more of a structural shift in the outlook that the farmers on the ground have maybe because of some of the trade issues easing and/or other factors?

And then secondly, just as the trade issues do ease for the US, and China starts to order, how are you thinking about the offset in South America where maybe some of the orders for soybeans and other things might moderate? So, how do you think about that on a net basis? Thanks very much. And all the best.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. Thanks, Sabahat. I mean, specific to the quarter, I would say largely, we ran really well at our factories. We talked about overhead efficiencies that we saw in the quarter as we ran so well. Tractors in North America, we shipped a little bit more, we anticipated, just given how the factory ran. And so, I wouldn't say in the quarter that production was so much demand related versus just how we ran in our operations.

But, yeah, I mean, as you think about overall for Large Ag, we talked about the pickup in North America. We've hit that point already just on some of the improved optimism we've seen there. Again, it's a minor inflection, but we've seen some positive momentum there.

South America, the way I've described that is just a little more caution in the market. I mean there's a few factors at play there. Certainly, the high interest rates that we've seen in the region have been pressuring customers. We saw the real appreciate quite a bit over the course of really the past month, month and a half. Given the structure of our customers' operations, they sell a lot of their commodities in US dollars. That puts some pressure on their margins. So, we've seen a little more caution there as well.

And certainly, they're keeping an eye on the election, Presidential election in the country that's coming up at the end of the year as well. So, for all those reasons, a little more caution in the market. And we've seen just a bit of a cautious ordering as a result.

**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

A

Hey, Sabahat. It's Jepsen. I think the one thing to your point on trade flows and how does this balance North America/South America, I think there's a couple positive things here in, and that's domestic consumption in both geographies, North and South America. North America, we're seeing more crush of soybeans domestically, more use domestically. And conversely, exports of corn and ethanol are higher. And in part, you're seeing Brazil actually consume more corn and more ethanol domestically. So, I think you're seeing some puts and takes and just shifts in terms of how domestic markets are evolving, vis-à-vis what's happening in export.

So, I think positive is we're seeing strong demand, both in-country when you go US and South America, Brazil in particular. And then, obviously, some shifting as trade impacts that. But I think as things settle there, I think the important part is the strong demand we're seeing, that's consuming those grains domestically.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Thanks, Sabahat.

**Operator:** Our next question comes from Mike Shlisky from D. A. Davidson.

**Michael Shlisky**

*Analyst, D. A. Davidson & Co.*

Q

Yes. Hi. Good morning. Thanks for taking my question. And I want to add my sentiments. Josh, thanks for everything. All the best to you. I kind of wanted to just maybe dive into your a little more optimistic tone on Large Ag and some of the order trends that you're seeing, especially in combines. Do you – are you seeing or do you think you'll be seeing any market share gains this year? And I was curious whether you could tell us about tech attachments on some of your combines or other products. Are more farmers taking on the ultimate package or other descriptions this year that might start to benefit you in 2027?

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. Thanks, Mike. Yeah, I mean, I think overall in Large Ag in North America, over the last 12 to 18 months, we've seen a little bit of share, I think, as we've been leaner on the new inventory side, more focused on driving used down. And we've talked about the progress that we've seen there. As a result, we're set up really well coming into 2026. Our expectation is we've got some opportunity to gain some share as we move through the course of the year.

Yeah, on the tech side on combines, super excited. Last year was our first year of Harvest Settings Automation, Predictive Ground Speed Automation. We saw really good success in the field. I mean, on Harvest Settings Automation, over 60% utilization of operators in the cab had that tech on, while they were harvesting last fall, and saw really good productivity gains, really good throughput gains.

And as a result, we're seeing a pickup in take rates on that option as well. So, 99% of the combines that were ordered this year through the EOP had some level of harvest automation, and nearly 80% of that were taking the highest level of the ultimate package. That's 4 or 5 points, like, better year-over-year. And so, we've seen really good gains there and would expect that to translate into good utilization in the fall as well.

**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

A

Yeah. Maybe stepping back to as we think about just overall tech adoption and our conversations around are we covering acres with more Deere technology? Our engaged acres stepped up again this quarter, or 500 million engaged acres. That's over 10% increase from a year ago and about a 25% increase on highly engaged. So, nearly a third of those engaged acres are highly engaged. So, we're continuing to see progression there, which speaks to what we're doing on connectivity and making sure we're reaching deeper into the fleet. But we're seeing that progress. And we're seeing it progress really across the world, which is positive as well.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Thanks, Mike.

**Michael Shlisky**

*Analyst, D. A. Davidson & Co.*

Q

Thanks.

**Operator:** Our next question comes from Jairam Nathan from Daiwa.

**Jairam Nathan**

*Analyst, Daiwa Capital Markets America, Inc.*

Q

Hi. Thanks for taking my question. So, Jepsen, you mentioned in your comments about biofuels. If you could just expand on that on what your expectations are medium term. And on Construction, I think one of your competitors yesterday talked about bringing back some of the incentives. If you could address that as well? Thank you.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. Thanks, Jairam. Let me start on the biofuels question. I mean, certainly as Josh said, around the world, we've seen the power of increased consumption of biofuels. I mean, Brazil is a great example where more and more of their corn production is going into ethanol, and that's having a positive impact.

Looking forward, we're looking at a number of different areas. Certainly, in the near term, some of the opportunity around the RVO and what that might mean for 2026 and 2027. Keep an eye on that. I mean E15, as that legislation continues to move through Congress as well, we see opportunity there to increase consumption longer term for corn through E15. So, a number of different fronts, we see opportunity there.

On the – switching to the competitive side on Construction & Forestry, I mean, certainly, that's been a competitive market. We've seen that over the last 12, 18 months. We've seen competition as of late last quarter or two, take some price increase, signal some price increase. The timing of that, we're keeping an eye on. Many of our competitors still have a lot of inventory in the field. So, as those price increases for 2026 start to manifest themselves in transaction price, there's a bit of a lag there that creates some pressure.

But overall, as we said, we feel good about the price increases that we've taken and the opportunity to continue to drive increased realization as we move through the course of the year.

Thanks, Jairam.

**Jairam Nathan**

*Analyst, Daiwa Capital Markets America, Inc.*

Q

Thanks.

**Operator:** Our last question comes from Evan McCaul from BMO Capital Markets.

**Evan McCaul**

*Analyst, BMO Capital Markets Corp. (Canada)*

Q

Hi. Good morning. It's Evan on for Joel. Just wanted to talk about your cadence of earnings for the year. If you could just give some color on that? And if you see growth in Q3 as possible? Or would Q4 be the first possible quarter of growth? Thank you.

**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Yeah. I mean, as we look to – through the balance of the year for equipment operations as a total, our expectation is to see a bit of growth as we move through the entire year. I mean, it's less, Evan, than we saw in Q1. As we mentioned, in Q1, we lapped some significant underproduction, particularly in Construction & Forestry last year. So, it was an easier comp in Q1, but you'd expect to see kind of mid-single-digit growth for most quarters for the balance of the year.

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**Joshua A. Jepsen**

*Chief Financial Officer & Senior Vice President, Deere & Co.*

A

Yeah. I think PPA, if you look at that one specifically, Evan, and think about that, that maybe probably the toughest comp is 2Q and then gets easier when you get to the back half of the year from a top line perspective, and then you've got kind of the call it a pretty equal tariff burden as you move through the year.

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**Josh Beal**

*Director-Investor Relations, Deere & Co.*

A

Thanks, Evan.

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**Josh Beal**

*Director-Investor Relations, Deere & Co.*

It looks like that's the last call we have for today. Thanks all for taking the time with us today. We appreciate your time, and thanks for joining. Have a great day.

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**Operator:** That concludes today's conference. Thank you for participating. You may disconnect at this time.

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