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Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

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

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

Christopher Seibert

Director-Investor Relations, Deere & Co.

Hello. Welcome, and thank you for joining us on today's call. Joining me on the call today are Brent Norwood, Chief Financial Officer; Deanna Kovar, President, Worldwide Agriculture and Turf Division, Production & Precision Ag, Sales and Marketing Regions of the Americas and Australia; and Dan Pulley, Manager, Investor Communications.

Today, we'll take a closer look at Deere's third quarter earnings, then spend some time talking about our end 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.

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, change 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 Security and Exchange Commission (sic) [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, under Quarterly Earnings & Events.

I will now turn the call over to Dan Pulley.

Dan Pulley

Manager-Investor Communications, Deere & Co.

Good morning, and thank you for joining us. John Deere delivered a strong third quarter, with equipment operations achieving 14.4% operating margin. While conditions vary across our end markets, we continue to see pockets of strength.

In agriculture, producers remain focused on managing profitability, impacted by fluctuating commodity fundamentals and uncertainty around input costs and crop demand, all of which are influencing capital spending decisions by region. At the same time, construction, compact construction, and turf markets remain supported by healthy project activity and steady demand fundamentals, reinforcing the value of Deere's diversified portfolio.

Against this backdrop, Deere's performance continues to underscore the strength of our operating model across our factories, warehouses and offices. Teams executed well throughout the quarter, delivering strong performance while maintaining cost discipline. We also made continued progress improving inventory health, positioning Deere, our dealers, and our customers to respond effectively as market conditions evolve.

We now begin with slide 3 and our results for the third quarter. Net sales and revenues were up 5% to $12.608 billion, and net sales for the equipment operations were up 6% to $10.999 billion. Net income attributable to Deere & Company for the quarter was $1.379 billion, or $5.10 per diluted share.

Diving into our individual business segments, we'll start with Production & Precision Ag on slide 4. Net sales of $3.998 billion were down 6% compared to the third quarter last year, primarily due to lower shipment volumes, partially offset by favorable price realization and currency translation. Price realization was positive by 2.5 points. Currency translation was also positive by slightly over 1.5 points. Operating profit was $527 million, with a 13.2% operating margin for the segment. The year-over-year decrease was primarily due to lower shipment volumes and higher production costs, which were partially offset by favorable price realization and the effects of currency exchange.

Next, we'll turn to Small Ag & Turf on slide 5. Net sales were up 12% year-over-year, totaling $3.383 billion in the third quarter, due to higher shipment volumes and favorable price realization. The price realization was positive by a little over 1.5 points. Currency translation was negative by roughly 0.5 point. Operating profit increased year-over-year to $622 million, leading to 18.4% operating margin. The increase was primarily due to higher shipment volumes and sales mix, along with favorable price realization, partially offset by higher production costs.

Slide 6 gives our industry outlook for Ag & Turf markets globally for 2026. In US and Canada, we continue to expect the Large Ag equipment industry sales to decline 15% to 20% year-over-year, as farm profitability remains muted and producers navigate elevated input costs, commodity price volatility, and the ongoing uncertainty around agricultural markets. The Small Ag & Turf industry in the US and Canada remains relatively stable, with industry sales expected to be flat to up 5%. Healthy margins within the dairy and livestock sector, coupled with steady demand in residential and commercial mowing, continue to support the outlook.

Shifting to Europe, we now expect industry sales to be approximately flat for the year, reflecting softer market conditions and continued pressure on arable farm profitability. Favorable dairy margins continue to support the broader outlook. In South America, elevated production costs and higher interest rates continue to pressure farm economics and impact equipment purchase decision. We now expect the industry outlook to be down 15% to 20%. Lastly, in Asia, we continue to expect industry sales to remain approximately flat, supported by relatively stable end market conditions across the region, following the modest improvements in India we communicated last quarter.

Moving on to our segment forecast beginning on slide 7. For Production & Precision Ag, we've trended towards the bottom end of our prior guidance range, and now expect net sales to be down approximately 10% for the year. This update reflects further industry softening within South America and Europe. The forecast also includes a point of positive price realization for the year, as well as close to 2.5 points of favorable currency translation. Our full year forecast for the segment's operating margin has been narrowed and is now between 11% and 12%.

Slide 8 covers our forecast for Small Ag & Turf segment. We continue to expect net sales to be up approximately 15% for the full year. This guide includes 1.5 points of positive price realization, as well as roughly 0.5 point of favorable currency translation. The segment's operating margin guide has been increased to between 14.5% and 15.5%.

Shifting now to Construction & Forestry on slide 9. Net sales for the quarter were up 18% year-over-year to $3.618 billion, a result of higher shipment volumes and favorable price realization. Price realization was positive by 8 points, reflecting year-over-year impact of lapping retail incentive programs from the prior year, combined with favorable pricing in the current year. Currency translation was also positive by roughly 0.5 point. Operating profit of $436 million was up year-over-year, resulting in a 12.1% operating margin, driven by favorable price realization, which was partially offset by higher SA&G and R&D costs.

Slide 10 provides an update to our 2026 Construction & Forestry industry outlook. Industry sales for earthmoving equipment in the US and Canada are now expected to be up 5% to 10% for construction equipment and up 5% for compact construction equipment, reflecting strong demand from large-scale infrastructure, data center and energy-related projects, as well as continued investment in rental fleets to support elevated levels of end market activity.

Within global forestry, we now expect the industry to be down 10% for the year, as subdued residential construction activity and softer log and lumber prices continue to weigh on equipment demand, especially in North America. The projection for global roadbuilding market remains steady at up approximately 10% for the year, supported by favorable infrastructure spending trends, healthy contractor backlogs, and continued investment in road construction across key regions.

Moving on to the Construction & Forestry segment outlook on slide 11. The 2026 net sales forecast remains steady at up approximately 20% for the full year. The guidance for the year now includes 3 points of favorable price realization, and approximately 1.5 points of favorable currency translation. The forecast for this segment's operating margin has been tightened to between 10.5% and 11.5% for the year.

Transitioning to our Financial Services operation on slide 12. Worldwide, Financial Services net income attributable to Deere & Company in the third quarter was $219 million. Net income was higher in the quarter due to favorable financing spreads, partially offset by the impact of lower average portfolio compared to the prior year. For fiscal year 2026, our full year outlook has increased to $870 million.

On slide 13, we outline our guidance for net income, effective tax rate, and operating cash flow. For fiscal year 2026, we improved our net income outlook, raising it to a range of $4.75 billion to $5 billion, reflecting the strong results delivered in the quarter and our confidence in the outlook for the remainder of the year. This guidance continues to reflect an effective tax rate between 24% and 26%. And lastly, cash flow expectations from the equipment operation have also improved to now be in the range of $5 billion to $5.5 billion.

This concludes our formal comments. We'll now shift to a discussion to cover a few topics specific to the quarter. Starting off with Deere's performance in the third quarter, equipment operations, net sales improved 6% year-over-year, and we saw equipment operations operating margins come in at 14.4%.

Chris, can you provide some additional color on the performance for this quarter?

Christopher Seibert

Director-Investor Relations, Deere & Co.

Absolutely, Dan. This quarter's result reflects strong execution across all business segments amid a dynamic market and evolving operating environment. Our factories performed exceptionally well and exceeded expectations on production output, combined with disciplined execution across the business and favorable price realization. This strong operational performance drove results above company and consensus expectations for both revenue and profitability.

The quarter also included multiple tariff-related developments. We recognized $110 million of incremental refunds in Q3, slightly above expectations, due to the timing of the Phase 2 IEEPA refund approvals. As a result, total refunds recognized in fiscal year 2026 now stand at $382 million. Notably, our current outlook assumes no further refund activity during the balance of the fiscal year.

Looking beyond refunds, following the changes to the Section 122, 232 and 301 tariff policies, we now expect direct tariff expense of approximately $1.1 billion for the fiscal year, excluding IEEPA refunds. Overall, the quarter underscores the strength and discipline of our operating model. Strong execution across the business, together with improving tariff dynamics, position us well as we close out 2026.

Brent Norwood

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

This is Brent. I just had one more point on the outlook. I remain very confident in our team's ability to finish strong for the fiscal year. The combination of our performance year-to-date and a strong fourth quarter order book across all segments has enabled us to narrow our guidance ranges and improve our net income and cash flow forecasts despite a very dynamic market backdrop.

Dan Pulley

Manager-Investor Communications, Deere & Co.

Thanks for the additional details, both Brent and Chris. Building on that, we had a few adjustments in the guidance ranges. Can you help walk us through the rationale, starting with C&F?

Christopher Seibert

Director-Investor Relations, Deere & Co.

Sure. For C&F, we maintained our sales guidance of approximately 20% year-over-year growth, and we narrowed our full year margin guidance to between 10.5% to 11.5%, reflecting continued confidence in the business and the outlook for the remainder of this year. The order books for 2026 are largely full, as demand fundamentals remain favorable across both the earthmoving and roadbuilding end markets. Large-scale infrastructure projects, data center construction, and pipeline activity continue to support robust customer demand.

As a result, customer backlogs now extend well into fiscal year 2027, providing healthy visibility and optimism for next year, and support our increased 2026 industry guide for construction equipment to be up 5% to 10%.

While we have increased production rates across our construction factories, continued order strength and retail momentum now have us producing modestly below retail demand. This puts field inventories at a healthy starting position for next year and enables our dealers to support measured expansion of their rental fleets going into 2027.

We are also seeing strong momentum across our technology portfolio. Factory-installed SmartGrade adoption has increased more than 50% year-to-date, reflecting the growing role of technology in everyday construction operations. At the same time, sales of our jobsite safety solutions have increased nearly 40% year-over-year, as customers increasingly invest in technologies that improve productivity, reduce rework, and enhance safety across the jobsite.

Overall, we remain encouraged by the outlook for the C&F business. With steady end market demand, healthy customer backlogs, and increasing adoption of our technology solutions, we believe Construction & Forestry is well positioned as we close out 2026 and move into 2027.

Brent Norwood

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

This is Brent. I'd add one final perspective on Construction & Forestry. Chris highlighted the strong growth opportunity we are seeing in both our precision construction technologies and our construction portfolio. As we think about our Leap Ambitions, C&F represents one of the most significant opportunities across Deere, both from a growth standpoint and in terms of the value we can create for customers.

Across both agriculture and construction, labor remains constrained, and customers increasingly rely on technology to do more with less. Deere has a long track record of addressing those challenges in agriculture, and we are seeing similar momentum in construction now. Whether through technology adoption, expansion of our digital ecosystem with solutions like Tenna, or growth of our equipment portfolio, we see a strong runway ahead. Combined with a favorable end market backdrop, these opportunities position Construction & Forestry to be an increasingly important contributor to Deere's long-term growth strategy.

Dan Pulley

Manager-Investor Communications, Deere & Co.

Thanks, Brent. Chris, can you now walk us through the Small Ag & Turf business?

Christopher Seibert

Director-Investor Relations, Deere & Co.

Yes. While market conditions within Small Ag & Turf vary by end customer and geography, the overall demand environment remains positive and consistent with our expectations, with order books that support the remaining sales outlook for 2026. Our dairy and livestock customers experienced exceptionally strong farm cash flows in 2025 and have been able to maintain healthy margins in 2026, supported by strong beef prices. As a result, they continue to invest selectively in productivity-enhancing equipment and solutions that improve operating efficiency and support long-term profitability.

In Turf, we continue to see encouraging trends across both our residential and commercial mowing markets. Demand in these categories has improved year-over-year as the industry progresses toward more normalized levels, following several years of inventory and demand adjustments. Outside the US, India's small tractor market continues to grow, building on a strong 2025 and supported by solid farmer liquidity following the spring harvest.

From a profitability standpoint, Small Ag & Turf also benefited this quarter from a favorable impact of the IEEPA refunds and the adjustment to Section 232 tariff policies. As you combine this with strong execution across the business, these factors resulted in an improved financial performance for the year. We have now increased and narrowed our full year operating margin outlook to 14.5% to 15.5%, reflecting both the favorable policy environment and our confidence in the team's ability to continue executing at a high level as we finish this year.

Brent Norwood

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

Before we move on, I'd like to take a moment to recognize the Small Ag & Turf team. Strong results delivered so far this year are the outcome of exceptional execution across the organization. From managing costs and production to supporting our customers and dealers, the team has consistently performed at a high level.

Dan Pulley

Manager-Investor Communications, Deere & Co.

Thank you, Chris and Brent. Shifting now to Production & Precision Ag. Deanna, could you share your perspective on the business in the current market environment?

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

Of course, Dan. Within Production & Precision Ag this quarter, we have seen softer demand conditions in both South America and Europe, while North America has remained stable. Despite those regional differences, overall demand has evolved largely in line with our expectations, and our order books are now effectively full for the year. As we move through the remainder of 2026, our focus is on executing to our production plans, delivering for our customers, and continuing the disciplined management of the business.

Let me now break down the dynamics we're seeing across each of our key markets. I'll start with South America, which remains a challenged region in the near term. Farmers continue to contend with elevated production costs, particularly fertilizer expenses, as well as a higher interest rate environment that has weighed on equipment affordability and purchasing activity. As a result, market conditions remain difficult, impacting retail sales for combines and high-horsepower tractors.

Since our order books for the fourth quarter are now closed, we have slightly revised our industry outlook to 15% to 20% down for the year. In response, we have proactively adjusted production levels and are modestly under-producing retail demand in the region, positioning both Deere and our dealers with healthy inventory levels as we enter fiscal 2027.

Looking ahead, modest improvements in interest rates during the quarter, combined with the Move Agriculture financing program should improve access to capital and help create a more supportive environment for equipment investment as we look ahead to 2027

Turning to Europe, improvements in wheat commodity prices have provided some support for customer sentiment, yet profitability across much of the arable farming sector remains pressured. Elevated input costs and uncertainty surrounding crop economics from heat and drought have made customers more cautious about capital spending. As a result, demand trends in the region remain mixed and are likely to remain dependent on improvements in farm incomes and global commodity markets as we head into 2027.

Demand trends in North America have remained relatively stable throughout the course of the year, albeit at very low levels, as market conditions remain challenging for our customers. While a modest increase in commodity prices has improved farm profitability, producers continue to navigate considerable uncertainty around both input costs and trade flows for their crop production.

In general, customer balance sheets remain relatively healthy, yet many are taking a measured approach to capital spending as they evaluate crop margins, cash flow expectations, and the broader outlook for agriculture.

Chris, is there anything you would like to add?

Christopher Seibert

Director-Investor Relations, Deere & Co.

Sure, Deanna. Given the softer demand expectations in South America and Europe, we've adjusted our full year sales outlook to be down approximately 10%. At the same time, we have tightened our margin guidance to 11% to 12%, reflecting the revised sales outlook, while continuing to demonstrate the resilience of our earnings. Our ability to generate healthy margins, even at sub-trough demand levels, allows us to continue investing consistently through the cycle.

Dan Pulley

Manager-Investor Communications, Deere & Co.

Thank you for all that great color. Let's shift to our model year 2027 early order programs in North America. Deanna, can you give us an update on the progress of those order programs?

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

Sure, Dan. Let's begin with where we are with regards to timing. The early order program for sprayers opened in mid-May and is still running through the end of this month. Planters opened at the beginning of June and will close at the end of September, while our combine program just opened. As of right now, we are seeing modest improvements in order intake versus the prior year. Even though the crop care programs are still open, the collective orders for planters and sprayers are already higher than last year. At this time, results are up mid-single digits compared to the completion of last year's program, and we'll provide an update next quarter after they've both closed.

Overall, we view the early order program results as an encouraging signal that reinforces our view that 2026 represents the bottom of the agricultural equipment cycle. At the same time, the underlying fundamentals continue to support a measured recovery rather than a sharp rebound in 2027. Customer profitability has improved modestly, aided by improved year-over-year commodity prices, moderation in certain input costs, and favorable livestock fundamentals within mixed farms.

Still, the overall market conditions remain challenging. Farm income remains pressured, and producers continue to navigate uncertainty around input expenses and crop demand. Despite these challenges, the building blocks for recovery continue to strengthen. Replacement demand is elevating as fleet age increases across equipment categories. We also see encouraging commodity demand signals, including record levels of soybean crush and ethanol production, which provide strong underlying support for our customers' crops. Combined with healthier dealer inventories, we believe the foundation is in place for a recovery, though its pace will ultimately depend on improving farm economics, supported by higher commodity prices, stability in input costs, and growing renewable fuel demand.

Dan Pulley

Manager-Investor Communications, Deere & Co.

Thanks, Deanna. You cited healthier dealer inventories as a key building block for recovery. Can you expand on that?

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

Throughout this downturn, we have remained highly disciplined in balancing production with demand to support channel health. Those proactive decisions have resulted in meaningful improvements across equipment inventories. Within North America, new inventories remain tight and well positioned to support customer demand, while late model used inventory continues to improve. The model year distribution of used combines is now in a healthy position, and model year 2023 and 2024 high-horsepower tractors are down nearly 40% from a year ago.

Just as importantly, the spread between new and used equipment values has largely normalized, improving replacement economics and creating a healthier environment for equipment trade cycles. Taken together, these trends reinforce the progress made across the channel and leave Deere, our dealers, and our customers better positioned for the next phase of the cycle.

Dan Pulley

Manager-Investor Communications, Deere & Co.

Thanks for the additional perspective. Let's pivot to Precision Ag technology. Can you talk to us about how customers are using our solutions this season and what we are seeing in adoption trends?

Deanna M. Kovar

President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

We continue investing through the cycle in technologies that improve customer profitability across market conditions, with a focus on lowering costs, increasing productivity and maximizing yields. Utilization and adoption continue to reinforce the value we bring with our precision technology portfolio. It also shows the importance of staying committed, particularly in a challenging farm economy.

Customers are using See & Spray on significantly more acres year-over-year, while achieving more than 50% herbicide savings. At the same time, current EOP trends suggest factory adoption of See & Spray will nearly double, with the technology included on about one-third of North American sprayers on order.

We also see strong momentum and consistent adoption patterns in our next generation of planter technologies. You'll remember that we launched our industry-leading ExactEmerge planters over a decade ago and are seeing continued pull for this technology. On these planters, customers are choosing even more advanced offerings to support input cost savings, productivity and yield benefits. For model year 2027, we are seeing more than 40% of North American planters, including our next generation of advanced offerings such as ExactRate, ExactShot and FurrowVision.

I would also highlight the continued growth of our digital ecosystem and the increasingly important role the John Deere Operations Center plays in helping customers turn data into better decisions. We now have more than 520 million engaged acres across nearly 1.2 million connected machines. Just as importantly, highly engaged acres have grown to more than 190 million acres, representing double-digit growth for the year. Through the John Deere Operations Center, we are turning this growing stream of operational data into actionable insights that help growers better understand performance across their operations. We will soon build on that foundation with AI-enabled capabilities designed to unlock even more value from the data within Operations Center.

Today, more than 450,000 unique active monthly digital users are engaging with our tools, reinforcing the growing importance of data-driven decisions across the farm. All of this emphasizes our excitement about the value our precision technologies and digital offerings are creating for customers, especially as farm profitability remains under pressure. With seed, fertilizer and crop protection products representing roughly 70% of a farmer's operating costs, technologies that help optimize those investments play an increasingly critical role.

When deployed as an integrated system, our precision agriculture solutions can materially improve farm economics, delivering double-digit savings in variable operating costs and meaningful yield improvement. As input cost rise over time and volatility remains a reality for producers, the opportunity to create value through these technologies will continue to grow as we bring new innovations to market.

Dan Pulley

Manager-Investor Communications, Deere & Co.

Thanks, Deanna. Brent, before we open the line for questions, would you share a few closing thoughts?

Brent Norwood

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

Yeah. Thanks, Dan. As we wrap up, I want to take a step back and highlight where we are today, how the business is positioned, and why we remain confident in the opportunities ahead. As we discussed, the agricultural environment remains challenging, but we continue to believe that 2026 represents the bottom of the ag equipment cycle. While the recovery is likely to be measured and is expected to vary by region, the underlying trends are moving in the right direction.

I also want to recognize the proactive and disciplined actions taken by our employees and our dealers throughout this downturn of particular note are the actions taken around inventory management. Those actions have strengthened the channel health or have strengthened channel health and better positioned Deere, our dealers, and our customers for the recovery ahead.

At the same time, the benefits of Deere's diversified portfolio remain clear. While Production & Precision Agriculture has managed effectively through the trough of the cycle, our Construction & Forestry business, and our Small Ag & Turf business continue to demonstrate strong performance in profitability. That diversification, together with disciplined execution, has enabled Deere to deliver resilient earnings and improve our full year net income and cash flow outlook. Furthermore, our performance has enabled us to maintain industry-leading investment through the cycle and solutions that help our customers do more with less.

As we look ahead to 2027, Deere is well-positioned as it enters the next phase of the cycle. We'll start the year with healthy inventory channels, a differentiated portfolio, and a resilient business model. Most importantly, our team's focus on creating the value for customers remains at the center of everything we do and will continue to support long-term success for all stakeholders.

Dan Pulley

Manager-Investor Communications, Deere & Co.

Thanks, Brent. We will now open the line for analyst questions.

Christopher Seibert

Director-Investor Relations, Deere & Co.

Now, we are 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 Jamie Cook from Truist Securities. Your line is open.

Jamie Cook
Analyst, Truist Securities, Inc.
Q

Hi. Good morning, and congrats on a nice quarter. I guess just my first question, just on the setup for 2027, how are we thinking about production versus retail by region? And then just with regards to the early order program up mid-single-digit, can you just talk about what the pricing expectations are just in 2027, just given concerns about inflationary costs over the past several years on farm equipment? Thank you.

Christopher Seibert
Director-Investor Relations, Deere & Co.
A

Hey, Jamie, this is Chris. Thanks for the question. Maybe I start first with the production to retail type environment. I mean, you heard us talk about specifically for PPA now and for Construction & Forestry, modest underproduction this year, call it a couple percentage points for each of these segments. The drivers there, certainly, our shipping plans are set for the full year, and the changes we have seen in South America just drive a little more caution for us in that market. And then on the Construction & Forestry side of things, the continuous pace and growth in retails, and given where we are with our order position being four to five months out, basically lead to a minor level of underproduction in 2026.

Deanna M. Kovar
President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.
A

Yeah, and this is Deanna. From a EOP pricing standpoint, we, of course, rolled that pricing out several months ago as we started our EOP process. And our focus remains on covering inflation with our pricing. And we've done that across the EOP products and also across all of the PPA portfolio as we roll towards 2027.

Christopher Seibert
Director-Investor Relations, Deere & Co.
A

Thanks for the question, Jamie.

Operator: Our next question comes from Tami Zakaria from JPMorgan. Your line is open.

Tami Zakaria
Analyst, JPMorgan Securities LLC
Q

Hey. Good morning. Thank you so much. A question on tariffs, wanted to clarify. I think you expect now $1.1 billion of impact, which I think is probably $100 million lower than what you had anticipated originally. Is that a function of the tariff relief that ag equipment got back in July, or is that reflective of some refunds you expect? So, can you help us understand what's driving that tariff expectation change?

Christopher Seibert
Director-Investor Relations, Deere & Co.

A

Yeah, Tami, I can take a shot at that. Yeah. So, the numbers you mentioned, previously, we communicated an annual run rate for fiscal year 2026 of $1.2 billion. That has been updated to $1.1 billion. That excludes any of the positive impacts we have seen from refunds. Now, the driver from $1.2 billion to $1.1 billion is mainly attributed to the changes in Section 232 tariffs. Remember, previously, on imported goods, we had a tariff rate of roughly 25% that kind of dropped to 15%. And given our imports from Europe specifically, that drove that change for the year. Keep in mind, these changes have been effective 1st June. So, the impact we see for this year are 5 out of 12 months. So, you can expect another, call it, tailwind for fiscal year 2027 as a result of these changes. Thanks for the question.

Tami Zakaria
Analyst, JPMorgan Securities LLC

Q

Understood. Thank you. And my second question is on your expectation for the excavator launch. I know it was going to launch. So, could you give us some updates on how that's trending and what you're seeing in terms of when the broader adoption would happen?

Brent Norwood
Senior Vice President & Chief Financial Officer, Deere & Co.

A

Hey, Tami, this is Brent. With respect to the excavator launch, we did launch the first models of our excavator, our Deere-designed excavator, earlier this spring, and we're really just in the process of getting those shipments out and getting those into the hands of customers. I think we've got three models in the market today. The feedback we've gotten to date has been very positive, so we're really excited about the impact that we'll continue to have in 2027.

Keep in mind, our excavator portfolio has a number of models in it that we will begin to roll out, again, starting this spring through the next three to four years. So, we're just early days in the release of the Deere-designed excavators. But so far, we've had a very positive reception from customers, and we are eager to get more of these in the hands of – or more of these at the jobsite here over the coming months. Thanks, Tami.

Tami Zakaria
Analyst, JPMorgan Securities LLC

Q

Great. Thank you.

Operator: Our next question comes from Kristen Owen from Oppenheimer. Your line is open.

Kristen Owen
Analyst, Oppenheimer & Co., Inc.

Q

Hi. Good morning. Thank you for the question. Just wanted to follow up on some of the inventory comments and your comments for 2027. I'm looking here, 3Q, 4Q. I'm just wondering, did something slip between those quarters, maybe pushed a little bit into 3Q from 4Q? When I look at your inventory-to-sales ratios, it looks like you actually built some tractor inventory in 3Q ahead of the industry. Is that because of the demand signals that you're seeing? Is that being offset by EU and South America? Just want to understand some of that cadence exiting the year. Thank you.

Christopher Seibert
Director-Investor Relations, Deere & Co.
A

Hey, Kristen, this is Chris. I would not read too much into the recent changes here in Q3. I mean, our shipment plans have been largely set for the full year, and we have the orders on hand. And as you have seen, this quarter specifically, we pulled ahead some demand to kind of manage some risk here in Q4, but nothing in particular on the inventory side of things you need to be concerned about. Deanna, anything you would add here?

Deanna M. Kovar
President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.
A

Yeah. Our factories continue to deliver and hit the forecast. And on top of that, as we look at our sold-ahead positions and our retail pace across the Americas, we continue to be on trend with historical averages and have high expectations that we'll be able to move through that inventory as expected. And if you remember, in North America, we slowly entered 2027 relative to tractor shipments. And so, we're making up time, but our retail activity hasn't missed that pace at all.

Brent Norwood
Senior Vice President & Chief Financial Officer, Deere & Co.
A

Hey, Kristen, this is Brent. Just as you think about the 3Q-4Q bridge, maybe a couple of notes. For PPA and C&F, we would expect a similar sales level – net sales level in the fourth quarter as we saw in the third quarter. Now, keep in mind, from a margin perspective, we won't get the benefit of refunds in the fourth quarter like we had in the third quarter. And then specifically for PPA and SAT, both of those divisions typically have a seasonal high of R&D and SA&G that hit in the fourth quarter. So, as you think about bridging 3Q to 4Q, again, net sales are going to be more or less the same for PPA and C&F, but margins will come in a little bit on PPA and SAT as they incur a slightly higher load of R&D and SA&G coming out of the year. Thanks for the question, Kristen.

Kristen Owen
Analyst, Oppenheimer & Co., Inc.
Q

Very helpful. Thank you.

Operator: Our next question comes from Tim Thein from Raymond James. Your line is open.

Tim W. Thein
Analyst, Raymond James & Associates, Inc.
Q

Thank you. Thanks. Good morning. So, my question is just on the role that mix could potentially play in thinking about in 2027. Obviously, there are a number of things that go into that, and I assume you want to stay away from the kind of forecasting the different geographic or how the markets play out geographically. But just in the comments alluding to technology, both on the C&F side and then obviously the strong underlying contribution in the spring early order program in terms of the take rates on some of those precision offerings. And again, just high level, we had talked about in the years past that maybe kind of a 2- to 3-point benefit of impact from mix, obviously when markets were a bit stronger, but just maybe wanting to come back to that, how you're thinking about the potential impact from these higher technology sales and how that could influence that mix component in 2027? Thank you.

Christopher Seibert
Director-Investor Relations, Deere & Co.
A

Maybe when we talk about mix first, I think we need to recognize the industry environment we are in right now. I mean, there is still some uncertainty out there. I mean, you think about agriculture, obviously, the volatility we have seen in inputs, and commodities is driving some caution there, but also some shipment disruptions, you think about the Black Sea and other things. I mean, we continue to focus on controllables here. Inventory management, Deanna made these comments, we feel pretty good about that. And certainly, if you think about other kind of movers here, the recent softness in the EU and Brazil, I mean, we need to see how that kind of plays into 2027. I think it's too early to tell. As you know, specifically in South America, things can turn quickly.

Construction, I mean, we see good fundamentals there. But obviously, depending on the growth there, that could have a mix impact, too. The EOP signals, we see not only the tech adoption there, but also kind of the – where they sit right now and depending on how they wrap up, I mean, that will drive some mix, will we see somewhat a modest recovery here, yes or no, and what will combines do later this year. So, I think it's too early to tell, but certainly encouraged by the signals we are seeing right now. Thanks, Tim.

Operator: Our next question comes from Jerry Revich from Wells Fargo. Your line is open.

Jerry Revich
Analyst, Wells Fargo Securities LLC

Q

Yes. Hi. Good morning, everyone. I wonder if you could just unpack the comments on the early order program. Deanna, if you wouldn't mind just commenting on what variability in demand you saw depending on region because it came in, I think, better than most of us expected in aggregate. And as the early order program eventually winds down, the mid-single-digit growth that you're seeing now, I guess based on progress, would suggest you could wind up in the high single-digit range. Can you just comment on the moving pieces there, if you don't mind, around those two items? Thanks.

Deanna M. Kovar
President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

A

Yeah. Thanks, Jerry. Appreciate the question. And I think dynamic is certainly part of this as we're still in the middle of these early order programs, with a couple of weeks to go on our sprayer early order program and then a little bit longer on our planter EOP. I would say, as we look regionally, the US is trending slightly better than Canada. But remember, in these products, especially planters, Canada is a very limited part of our portfolio. So, we continue to see solid expectations from our customers that they want the latest and greatest technologies in planting and spraying. And I think some of the best signals that we're seeing is, of course, an increase. We're talking mid-single digit. And time will tell whether that turns even more positive as we close out the EOP.

But to me, some of the best signals that customers are looking for ways to increase their yields and lower their cost is the technology take rates we're seeing. And seeing a doubling of See & Spray on factory-installed sprayer orders and seeing 40% of our planters taking some of the most advanced technologies on planting really gives us confidence that we're headed in the right direction relative to our portfolio, and that customers are looking for ways to maximize everything they can going into 2027.

Christopher Seibert
Director-Investor Relations, Deere & Co.

A

Thanks for the question, Jerry.

Operator: Our next question comes from David Raso from Evercore ISI. Your line is open.

David Raso
Analyst, Evercore ISI

Q

Hi. Thank you. I'm curious on the EOP programs. Given the books have been open for a little while, especially sprayers and then planters open not too long afterwards, the cadence of the orders being up mid-single digit, I'm just curious, was there anything you can note around? Has it been maybe some of the recent improvement in grain prices? Was it maybe decisions people were making on technology that the orders were actually up a month, month and a half ago? Just curious what you're seeing on that cadence.

Deanna M. Kovar
President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

A

Yeah. Thanks, David. From a cadence perspective, I wouldn't read much into it. I think we've seen as expected cadence. We've made some tweaks to our early order program this year to give dealers more choice as they go through, and they've come through as expected. I think, again, we're pleasantly surprised with the technology take rates. And of course, we're hopeful that the mid-single-digit increase extends well into the year.

David Raso
Analyst, Evercore ISI

Q

Thank you.

Operator: Our next question comes from Rob Wertheimer from Melius Research. Your line is open.

Rob Wertheimer
Analyst, Melius Research LLC

Q

Thank you. I had two, and I'll just ask them both at once. Any comments on the 8 Series tractor orders? Is that kind of falling in line with early order programs trending a little bit better, especially in North America? And then I'm not really sure how to think about Europe. The farmer economy is experiencing lots of heat stress and input cost stress, lots of different things. In North America, it seems like, if you get a commodity price response, that outweighs everything. Europe's a bit more diverse. So, I wonder if you could think – comment on anything you can on whether crop prices are starting to reflect some of the stress they're feeling, whether you expect Europe to react similarly to the US if we do get a crop price response. Thank you.

Christopher Seibert
Director-Investor Relations, Deere & Co.

A

Yeah. Thanks for the question, Rob. I would say if we kind of quickly walk around some of the geographies and starting with your questions on 8R, I would say 8R orders right now are as expected. Keep in mind, we have orders kind of being four to five months out. Our model year 2026 shipment schedule is basically closed. So, we are kind of collecting orders here for the first quarter. I think we are encouraged by the recent changes and development in commodity prices specifically. I mean, if you look today, I mean, we're talking corn futures about $5.05, which is definitely, call it, a good signal for a lot of these growers out there.

In other geographies, you touched on Europe a little bit and Brazil. I mean, in Brazil, we typically take a three-month order book kind of to manage the volatility in that market. So, we have orders for fourth quarter on hand, and you've seen us change our industry guide given the circumstances we see there. But I think it's too early to tell for how we kind of enter 2027. Certainly, the Move financing program Deanna mentioned at single-digit financing rates, hopefully, that drives some momentum here as we enter 2027.

I think, in Europe, it's a little bit of a mixed picture. That region has a solid Small Ag & Turf, but also PPA exposure. Certainly, arable farmers are a little more challenged right now. And Small Ag & Turf producers still benefiting from dairy and livestock cash flows, which are relatively strong and stable. So, more to come on that front. But I would say, overall, order pace is currently as expected, and we haven't seen kind of a step-up here in the last one or two days or so. Thanks for the question, Rob.

Operator: Our next question comes from Steve Volkmann from Jefferies. Your line is open.

Stephen Volkmann
Analyst, Jefferies LLC

Q

Great. Good morning, guys. Maybe switching back over to C&F. I'm curious, you sort of put some bookend numbers around the earlier program on ag. Any sense of sort of how the C&F programs are shaping up? And if you can just add in any more granularity about how much of that you think is kind of dealer rental fleet loading and sort of the outlook for that theme? Thank you.

Christopher Seibert
Director-Investor Relations, Deere & Co.

A

Hey, Steve. This is Chris. For Construction & Forestry, order trends have been very positive. We have about four to five months of orders on hand, which is, quite frankly, a little more than we would want to have, typically, talk about two to three months. But, yeah, industry has been growing, retails have been growing, and that basically supported our order bank here positively.

I would say, from – if we think about the drivers, certainly large infrastructure projects and data center starts and our participation in the independent rental channel as well, since we kind of work with these players in there, but also the opportunity we have on dealer-owned rental fleet, I think that's all driving momentum. As we enter 2027, keep in mind, I talked about that setup for the underproduction. So, that'll give us a little bit of an opportunity as well. So, I think we feel good about the current situation here in C&F.

Stephen Volkmann
Analyst, Jefferies LLC

Q

Super. Thank you.

Operator: Our next question comes from Steve Fisher from UBS. Your line is open.

Steven Fisher
Analyst, UBS Securities LLC

Q

Great. Thanks. Congrats on the good execution in a challenging environment. Just maybe to clarify the tariff dynamics, you mentioned there's still some benefit from 232 to come in 2027, because there's only really kind of a half year of benefit this year, and it sounds like you have no other refunds embedded in Q4. So, really just trying to think about when all is said and done and comparing 2026 to 2027, is that roughly $800 million net impact that you have this year? And if all else were to be equal, would that be a headwind going into next year or a tailwind or neutral? I know all of this is not going to be equal because you already have, sounds like, some higher plans in Large Ag. But just kind of curious trying to think about headwind or tailwind on that net tariff impact for 2027. Thanks.

Brent Norwood
Senior Vice President & Chief Financial Officer, Deere & Co.
A

Hey, Steve. This is Brent. As you think about our tariff expense this year versus next year, net tariffs, so direct tariffs paid less any refunds will be a headwind going into next year. We'll end up paying about $1.1 billion in direct tariffs this year, less $382 million of refunds. So, our net tariff exposure this year is approximately $750 million-ish. Going into next year, we would expect a run rate that is going to be closer to point – right around $1 billion for the year. So, there will be a bit of a step-up in our tariff expense next year as we compare to this year.

Steven Fisher
Analyst, UBS Securities LLC
Q

Thank you very much.

Brent Norwood
Senior Vice President & Chief Financial Officer, Deere & Co.
A

Thanks, Steve.

Operator: Our next question comes from Chad Dillard from Bernstein. Your line is open.

Chad Dillard
Analyst, Bernstein Institutional Services LLC
Q

Hey. Good morning, everyone. So, a couple quick questions for you on C&F. First of all, just on pricing, it looks like the guidance implies a kind of 50-basis-point positive price versus plus 8% in the third quarter. So, I just want to understand some of the moving dynamics behind that. And then the second question is maybe a bigger picture one on rental. And I'm talking about Deere's dealer rental aspirations. I guess, are you guys thinking about the size you want to grow? And then maybe just give a rough sense for how you're thinking that changes the economics of the business.

Christopher Seibert
Director-Investor Relations, Deere & Co.
A

Chad, you were cutting out a little bit, but I think your first part of the question was related to pricing in C&F and what we expect. Maybe to give you a little bit of a run up there. I mean, we had – we started the year with 2.5%, and then basically with 3%, then we kind of rounded it down to 2.5%. Now, we're back up at full year guide. The quarter came in pretty good. I mean, at 8%, there was – quite frankly, one part was an easy comps compared to last year. Keep in mind, Q3 in 2025, we had about 5% negative price in C&F, which was the result of some of the incentives we deployed in the market given the competitive environment at that point. So, pretty good quarter there.

But I think, in Q4, I mean, you've seen the guide. We have the orders on hand there. Nothing outsized there from a year-over-year comps perspective. So, pricing right now is going well in C&F. Roadbuilding certainly contributes to that as well, too, given our position there, but we feel good about the pricing there.

Brent Norwood
Senior Vice President & Chief Financial Officer, Deere & Co.
A

Hey, Chad. With respect to rental, we think there is an opportunity to further increase our exposure there. We participate both through our sales to the independent rental houses, but also our dealers participate in that market as well. We've seen rental just grow as a percentage of the overall earthmoving business. Today, anywhere from

30% to 35% of earthmoving transactions start as a rental. And we continue to see that grow. So, in part, our dealer-owned rental fleets have grown just as the market has grown.

And then on top of that, we've also seen an increased appetite for some of them to invest in expanding their rental fleet and serving their customers even more in that space. So, we think there's a meaningful opportunity to come, and it could help boost a little bit of the inventory fill that's to happen next year. So, we'll wait and see to see how that progresses going into 2027. Thanks, Chad.

Chad Dillard
Analyst, Bernstein Institutional Services LLC

Q

Thank you.

Operator: Our next question comes from Angel Castillo from Morgan Stanley. Your line is open.

Angel O. Castillo
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Thanks for taking my question. Just wanted to go back to the EOPs. I think there was a comment about pricing covering inflation, and I'm just – I guess I'm trying to understand. First, could you comment on some of the – any incentive- merchandising incentives you might be doing, and just what is the implication of that, and any kind of pricing trends that you're seeing in your EOPs on margins as we go into next year? Just – meaning, all else equal, I guess, is your backlog implying margins up, down, neutral? Any kind of directional commentary there?

And then maybe a little bit of a bigger picture question. On the FTC settlement, could you comment on that just on the right to repair issue? And just what, if any, implications that might have on your aftermarket business and the $2 billion to $3 billion, I think, that was related to Life Cycle parts over the next five years?

Christopher Seibert
Director-Investor Relations, Deere & Co.

A

Yeah. Angel, I start. Thanks for the question related to EOP pricing. I think there's two components of that, right? So, one, overall, we're taking inflationary price in a very, probably, challenging environment right now for many of our producers. So, we're taking a measured approach there. But we are committed to cover inflation here over time. So, nothing outsized there from a pricing perspective. And keep in mind, we have several points in time in the year where we take pricing, whether it's attractive order book, whether it's our combined EOP. So, it's a composition of a few different decision points during the year.

Now, the inflationary environment, I think I don't need to tell you that, it's dynamic right now. You think about oil prices, how they move and what that means. And also from a tariff perspective, suppliers are experiencing tariffs, too. They pass that on to us and negotiate with us around these. So, still, I would call it a dynamic inflationary environment, but we are kind of committed to cover that.

Brent Norwood
Senior Vice President & Chief Financial Officer, Deere & Co.

A

And, Angel, hey, this is Brent. As it relates to our Life Cycle Solutions business, what I would say is, first and foremost, John Deere has always supported our customers' ability to repair their own equipment themselves or use whatever third-party they trust the most. And so, that hasn't changed at all. I think the agreement does formalize some of the products and tools that we have and offer to the market that we think are industry-leading. In particular, John Deere Operations Center PRO Service enables our customers, if they choose to, have access to diagnostic tools, digital manuals, and maybe most importantly, be able to do software updates on their own or through independent service advisors that they like.

And so, we think this is industry-leading. I think the agreement helps formalize some of the things that support our principles of allowing our customers the ability to maintain their own equipment. And we're really pleased with the tools that we have out there. And again, we think they're industry-leading. So, I think it'll help support, long term, our aspirations and our Life Cycle Solutions business overall.

Thanks for the question, Angel.

Angel O. Castillo
Analyst, Morgan Stanley & Co. LLC

Q

Very helpful. Thank you.

Operator: Our next question comes from Mig Dobre from Baird. Your line is open.

Peter Kalemkerian
Analyst, Robert W. Baird & Co., Inc.

Q

Hey. Thanks, guys. This is Peter Kalemkerian on for Mig this morning. Thank you for taking my question. I actually have a quick one here on Europe. Given the cap budget change that's set – policy change that's set to take place in 2028, do you think there's a chance that we see demand being pulled forward here in 2027? Are your dealers maybe giving you any indication that that might be the case, or perhaps the opposite, where we might actually see farmers delay purchases in Europe until there's some certainty with the new policy in 2028? Just any color on what you're seeing in Europe would be great. And if you're willing, and I understand that it's early, to provide any directional forecasts for that market in 2027. That would also be a great.

Christopher Seibert
Director-Investor Relations, Deere & Co.

A

Yeah. I think the short answer is probably it's too early to tell right now. I think, Europe, the environment over there, yes, there's also some policy movement going on there. But again, we typically have an order book, which is four to five months out, so kind of just starting collecting orders here for Q1. I talked about the difference in the arable segment and between dairy and livestock producers. So, certainly, when it comes to their next year's crop, we need to see where input costs are, how commodity prices continue to trend. And that will probably shape sentiment here for PPA and the arable cost producers in Europe. I think, on dairy and livestock, it looks fairly stable right now, so we feel good. But again, too early to tell whether policy impacts will pull demand forward or kind of delay it.

Thanks for the question, though. Appreciate it. Maybe we have time for one more question here.

Operator: Our last question comes from Sabahat Khan from RBC Capital Markets. Your line is open.

Sabahat Khan
Analyst, RBC Capital Markets

Q

Great. Thanks and good morning. Just a quick one. I guess, just based on the current outlook, what you're seeing in the EOPs, obviously the input costs are a big factor in the farmer decisions. Can you just share some early commentary on kind of the positioning the Brazilian farmers are taking and sort of what the US farmers are thinking from what you're hearing on how the input costs may trend and that ultimately affecting sort of the crop and their decisions? Anything you're sort of hearing in those two markets? Thanks.

Deanna M. Kovar
President-Worldwide Agriculture & Turf Division, Production & Precision Agriculture, and Americas and Australia, Deere & Co.

A

Yeah. Thanks for the question. Certainly, there is uncertainty around input prices, no matter where in the world you're farming. Certainly, the impact of fertilizer is different for a Brazilian farmer than it is for a US farmer. But I would tell you that markets are reacting, and look – and farmers are looking for alternatives. Those alternatives might be in the types of products they're applying, the amount they're applying, or even, at the broader scale, how markets are serving through alternative sources.

So, overall, I would say farmers continue to remain resilient as they think about fertilizer. Not necessarily are we seeing a huge reduction in what farmers are intending to apply, and they're out looking for yield just as much as they were prior to these fertilizer challenges. Certainly, farmers are keeping an open mind in considering how they might book for future years. As we look at some of our larger farmers, they've got multiple years of inputs contracted. So, they're also considering how they might change that going forward. But overall, I think markets are reacting, farmers are staying nimble in considering how they might adjust their portfolios, but they still remain focused on driving yield and getting the best outcome they can.

Christopher Seibert
Director-Investor Relations, Deere & Co.

That's all the time we have. We appreciate everyone's time, and thanks for joining us today.

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