November 2020
Vol. 8 • No. 11

Ag Equipment Intelligence's

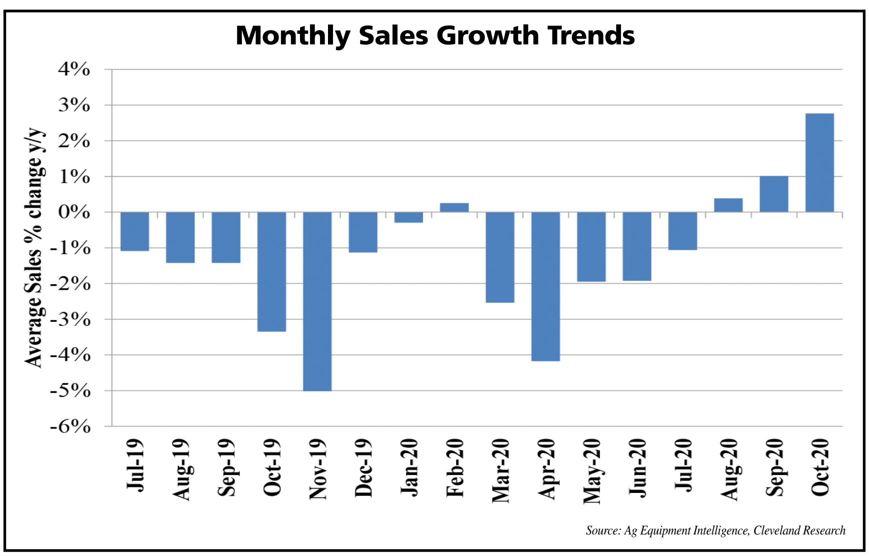
Dealer Sentiment & Business Conditions Update

From the editors of Farm Equipment & analysts of Cleveland Research Co.

EXECUTIVE SUMMARY

Net 54% of Dealers Report New Inventory Levels 'Too Low'

- ✔ **Average dealer sales were reported up 3% year-over-year in October vs. up 1% year-over-year last month.** A net 37% of dealers beat their sales budgets in October vs. the net 33% who beat their sales budgets in the previous month.
- ✔ **The 2020 forecast is up 3% year-over-year vs. up 2% last month** with a net 2% of contacts expecting growth, in line with the last 4 months. The 2021 dealer forecast is up 3% year-over-year vs. up 1% last month.
- ✔ **New equipment inventory levels were down in October with a net 54% of dealers reporting inventories "too low"** vs. a net 28% reporting inventories "too low" in the previous month. Used equipment inventory levels were down in October with a net 17% of dealers reporting used inventory "too low" vs. a net 18% of dealers reporting used inventory "too low" last month.
- ✔ **Used equipment pricing was up 1% in October, in line with the last 2 months.** New equipment pricing was up around 1.1% year-over-year vs. up around 1.4% year-over-year last month. Used large tractor pricing saw its third positive uptick in sales since around 2015 and was up around 2% year-over-year in October.
- ✔ **Our Dealer Optimism Index rose in October for the fourth month in a row.** Sentiment was up to +27% in October from +16% in the previous month.



Dealer Sales Growth

% Change y/y	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
AGCO	–12%	–2%	7%	–2%	5%	7%	–8%	3%	–7%	0%	–4%	–1%	–6%	–4%	1%	5%
John Deere	1%	–1%	3%	5%	–5%	–3%	4%	2%	1%	–5%	1%	0%	0%	4%	9%	3%
New Holland	0%	–3%	–2%	0%	–17%	–32%	–11%	–1%	–2%	–4%	–1%	0%	–1%	–1%	–3%	8%
Case IH	–4%	–3%	–10%	0%	–7%	5%	–1%	3%	–2%	–9%	1%	0%	–2%	–4%	–4%	–4%
Kubota	5%	3%	–11%	5%	–6%	2%	0%	–2%	–11%	0%	2%	–3%	2%	3%	7%	4%
Shortlines/Other	4%	3%	2%	–20%	–15%	3%	–1%	–3%	–8%	3%	–3%	–4%	–2%	6%	7%	0%
Total	**–1%**	**–1%**	**–1%**	**–3%**	**–5%**	**–1%**	**0%**	**0%**	**–3%**	**–4%**	**–2%**	**–2%**	**–1%**	**0%**	**1%**	**3%**

Source: Ag Equipment Intelligence, Cleveland Research

2020 Outlook: Dealers' Sales Forecast Up 3% in October

The 2020 average dealer sales forecast was up 3% year-over-year in October vs. up 2% in the previous month.

2020 Sales Forecast													
% Change y/y	**Oct-19**	**Nov-19**	**Dec-19**	**Jan-20**	**Feb-20**	**Mar-20**	**Apr-20**	**May-20**	**Jun-20**	**Jul-20**	**Aug-20**	**Sep-20**	**Oct-20**
AGCO	1%	–3%	2%	–1%	3%	2%	1%	–4%	3%	–1%	1%	6%	6%
John Deere	–2%	–1%	0%	2%	–1%	–9%	–6%	0%	0%	–5%	2%	–5%	0%
New Holland	–1%	0%	–3%	–12%	–3%	3%	–12%	–8%	–3%	–3%	–2%	–2%	2%
Case IH	–3%	–3%	0%	6%	2%	–5%	–12%	–2%	–1%	–1%	3%	6%	6%
Kubota	–3%	2%	3%	1%	1%	–9%	–3%	2%	–5%	–5%	–2%	8%	1%
Shortlines/Other	0%	1%	4%	2%	–4%	–2%	4%	7%	–2%	1%	–4%	7%	1%
Overall	**–2%**	**–2%**	**0%**	**0%**	**0%**	**–6%**	**–7%**	**–3%**	**–3%**	**–1%**	**0%**	**2%**	**3%**

Source: Ag Equipment Intelligence, Cleveland Research

A net 2% of dealers in October expect growth in 2020, in line with those expecting growth in the previous 4 months.

Net % of Contacts Forecasting Growth in 2020													
% of Dealers Reporting	**Oct-19**	**Nov-19**	**Dec-19**	**Jan-20**	**Feb-20**	**Mar-20**	**Apr-20**	**May-20**	**Jun-20**	**Jul-20**	**Aug-20**	**Sep-20**	**Oct-20**
Positive Sales Growth	44%	48%	52%	55%	45%	36%	40%	37%	45%	42%	44%	42%	43%
Flat Sales	24%	25%	21%	10%	21%	16%	14%	17%	12%	18%	14%	18%	16%
Negative Sales Growth	32%	27%	27%	35%	34%	48%	46%	46%	43%	40%	42%	40%	41%
Net % Expecting Growth	**12%**	**21%**	**25%**	**20%**	**11%**	**–12%**	**–6%**	**–9%**	**2%**	**2%**	**2%**	**2%**	**2%**

Source: Ag Equipment Intelligence, Cleveland Research

AGCO and John Deere's 2020 forecast for North America ag is down 10%. CNH forecasts industry sales down 10% for over 140 horsepower tractors and up 5% for under 140 horsepower tractors. Deere's 2021 forecast for North America ag industry unit sales is up 5-10%.

2020 Ag Equipment Industry Sales Outlook (units)			
Geography	**Deere**	**CNH Industrial**	**AGCO Corp.**
N. America	Down 10%	Tractors (10%)-5%, Combines (10%)	Down 10%
Western Europe	Down 5-10%	Tractors (15%)-(10%), Combines (15%)	Down 10%
Latin America	Down 10-15%	Tractors (10%), Combines (10%)	Flat to Down 5%
Asia	Down Moderately	Tractors Flat to (5%), Combines 5%	NA

Source: Company reports, Cleveland Research estimates

Dealer Optimism Rises Again in October

Our Dealer Optimism Index, which measures sentiment among dealers compared to the prior month, rose in October for the fourth month in a row. Sentiment was up to +27% in October (40% more optimistic, 47% in line and 13% less optimistic) from +16% (32% more optimistic, 52% in line and 16% less optimistic) in the previous month.

Optimism/Sentiment vs. Last Month																
	Jul-19	**Aug-19**	**Sep-19**	**Oct-19**	**Nov-19**	**Dec-19**	**Jan-20**	**Feb-20**	**Mar-20**	**Apr-20**	**May-20**	**Jun-20**	**Jul-20**	**Aug-19**	**Sep-20**	**Oct-20**
More Optimistic	24%	13%	10%	13%	17%	27%	27%	24%	6%	13%	34%	27%	25%	31%	32%	40%
Same	42%	54%	61%	51%	63%	48%	60%	49%	22%	34%	41%	50%	60%	51%	52%	47%
Less Optimistic	35%	33%	29%	36%	20%	25%	13%	27%	72%	53%	25%	23%	15%	18%	16%	13%
Net % Dealer Optimism	**–11%**	**–20%**	**–19%**	**–23%**	**–3%**	**2%**	**14%**	**–3%**	**–66%**	**–40%**	**9%**	**4%**	**10%**	**13%**	**16%**	**27%**

Source: Ag Equipment Intelligence, Cleveland Research

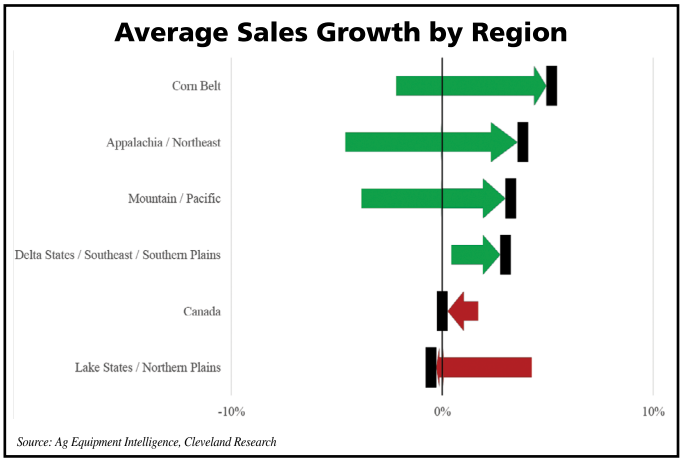
The contents of this report represent our interpretation and analysis of information generally available to the public or released by responsible individuals in the subject companies, but is not guaranteed as to accuracy or completeness. It does not contain material provided to us in confidence by our clients. Individual companies reported on and analyzed by Lessiter Media, may be clients of this and other Lessiter Media services. This information is not furnished in connection with a sale or offer to sell securities or in connection with the solicitation of an offer to buy securities.

DEALER SENTIMENTS & BUSINESS CONDITIONS UPDATE is a joint project of the editors of *Ag Equipment Intelligence* and research team at the Cleveland Research Co. DEALER SENTIMENTS & BUSINESS CONDITIONS UPDATE is published monthly by Lessiter Media, 16655 W. Wisconsin Ave., Brookfield, WI 53005. and distributed to subscribers of *Ag Equipment Intelligence* as well as to dealers participating in the survey.

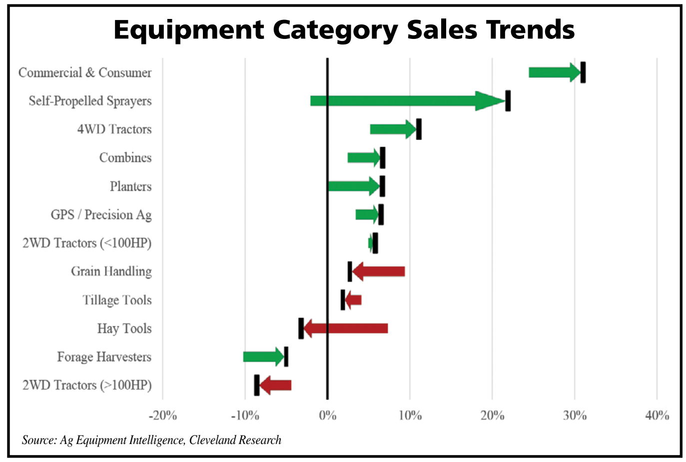
© 2020 by Lessiter Media. All rights reserved. Reproduction in any form of this newsletter content is strictly forbidden without the prior written consent of the publisher.

U.S., Canada and Mexico print subscriptions are $499 per year. International subscriptions are $599 per year. Send subscription orders and address changes to: Ag Equipment Intelligence, P.O. Box 1024, Skokie, IL 60076-1024. Phone: 800-277-1570 or 847-513-6059. Fax: 847-564-9453 (U.S. only). E-mail: aei@omeda.com.

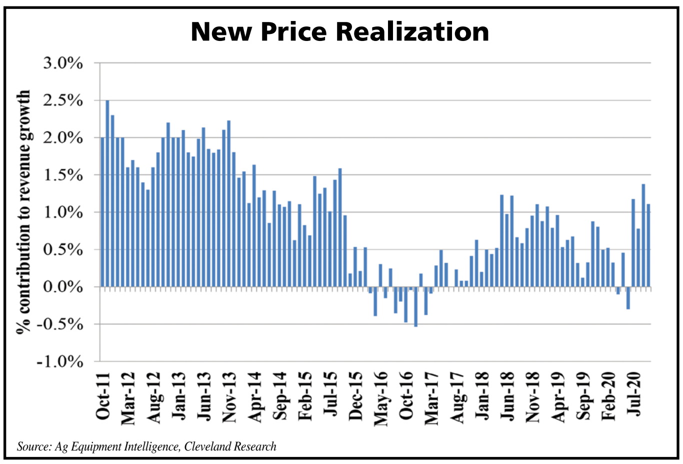
NEW EQUIPMENT TRENDS



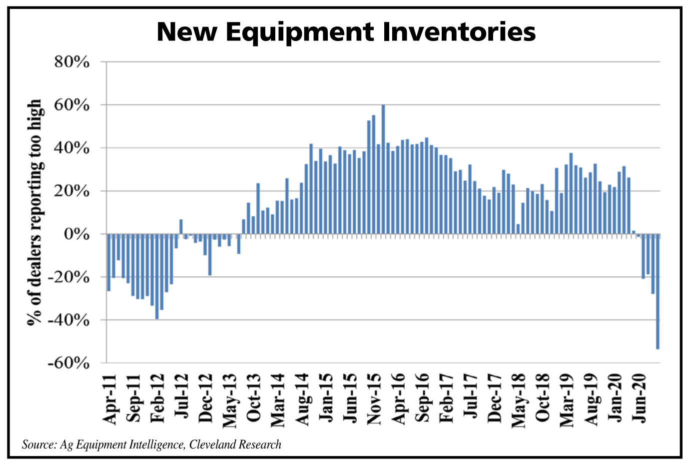
Of the 6 regions, 4 saw sequential improvement in October vs. the previous month. Sales trends by region were strongest in the Corn Belt, while Lake States/Northern Plains was the weakest region in the month.



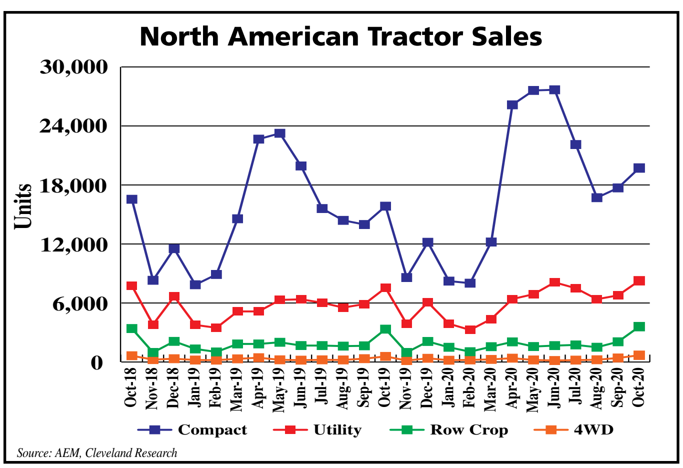
When looking at sales trends by product category, 8 of 12 categories showed improvement in October. The most notable sequential improvements came from Self-Propelled Sprayers, while Hay Tools showed the greatest deterioration in October.



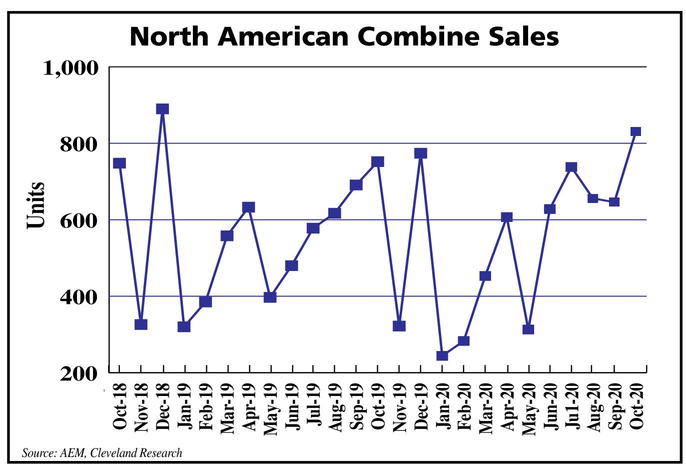
Price contribution was up 1.1% in October vs. up 1.4% in the previous month. Commentary suggests the increase in price is the result of standard seasonal price increases by manufacturers.



New equipment inventory levels were down in October with a net 54% of dealers reporting inventories "too low" (2% too high, 42% in line, 56% too low) vs. 28% of dealers reporting inventories "too low" (8% too high, 56% in line, 36% too low) in the previous month.

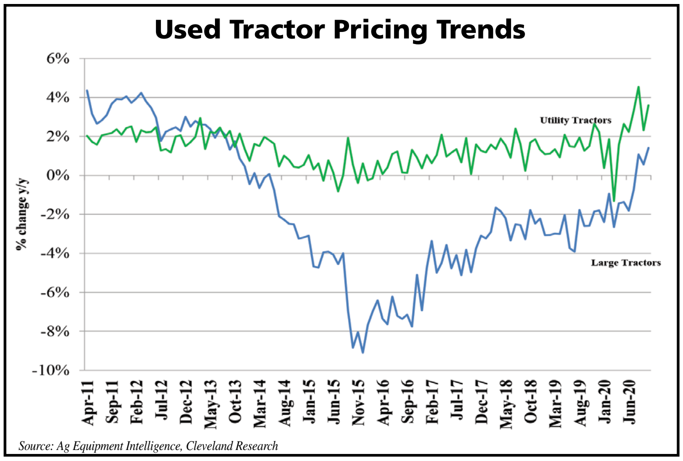


Total North American tractor sales were up 17% in October, compared to up 23% in the previous month. Row-crop tractor sales were up 8% in October, compared to up 25% in the previous month. Under 40 horsepower tractors were up 23% in October vs. up 27% in the previous month.

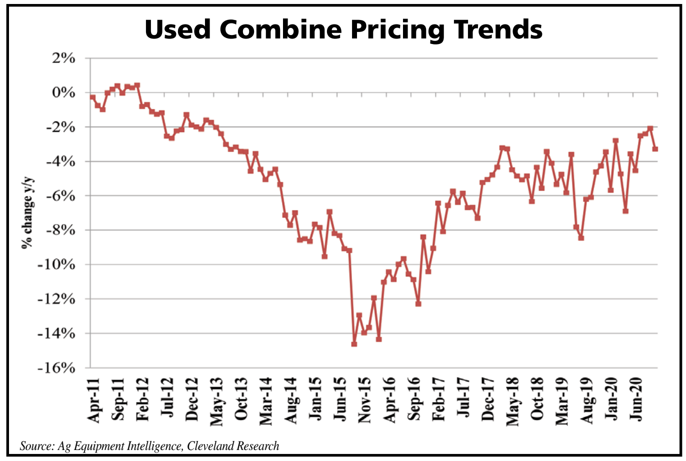


Total North American combine sales were up 11% year-over-year in October, compared to down 7% in the previous month.

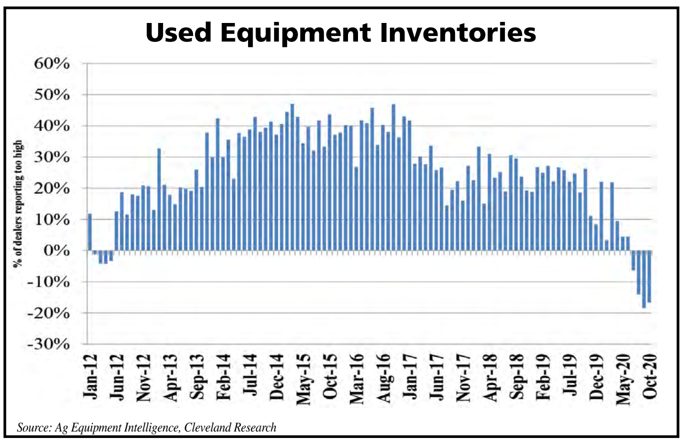
USED EQUIPMENT TRENDS



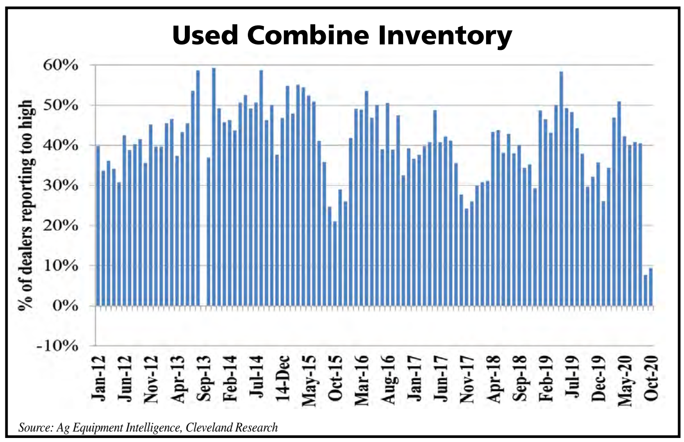
Dealers reported used equipment pricing was up 1% in October, in line with last month. Used large tractor pricing was up 2% year-over-year in October, compared to up 1% in the previous month. Compact tractor sales were up 4% in October, compared to up 3% in the previous month.



Used combine pricing was down 3% year-over-year in October vs. down 2% in the previous month.

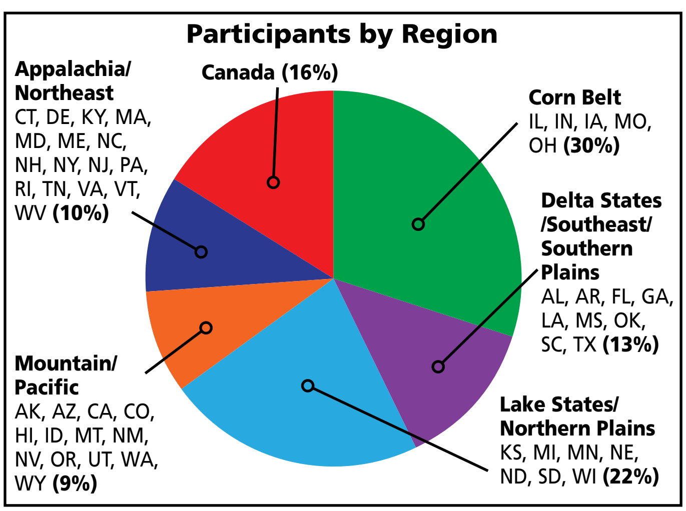


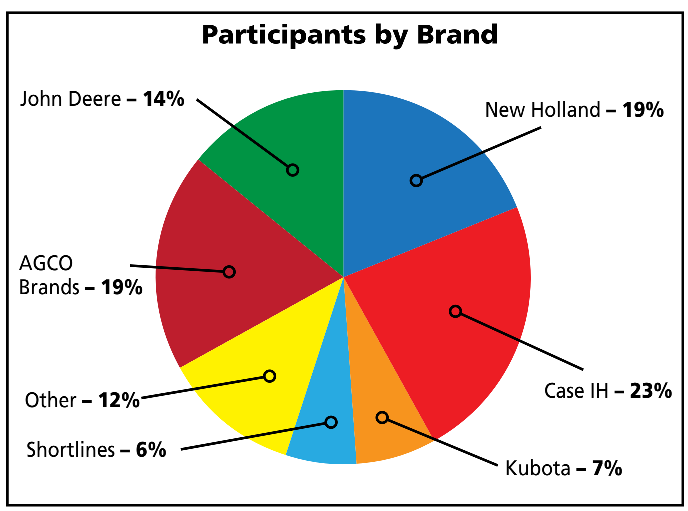
A net 17% of dealers reported used equipment inventory was “too low” (15% too high, 53% in line, 32% too low) in October compared to 18% of dealers reporting used equipment inventory “too low” in the previous month (13% too high, 56% in line, 31% too low).



Used combine inventory was down in October, with a net 9% of dealers reporting inventories “too high” (22% too high, 65% in line, 13% too low), compared to a net 8% reporting inventories “too high” in the previous month (23% too high, 62% in line, 15% too low).

NOVEMBER 2020 SURVEY RESPONDENTS





The November survey had about 65 respondents representing combined annual revenues of roughly $2.5 billion. By brand, 14% were John Deere dealers, 19% AGCO, 19% New Holland, 23% Case IH, 7% Kubota and 18% shortline/other.