

At **Iron Solutions**, we collect transaction data on thousands of pieces of equipment sold every day. This data comes from dealer and auction sales reports across North America, giving us insight into impactful indicators and trends in the ag equipment marketplace. Each month we chart some of this data, interpret what we find, and share it with you here in the **Used Equipment Trends** newsletter.

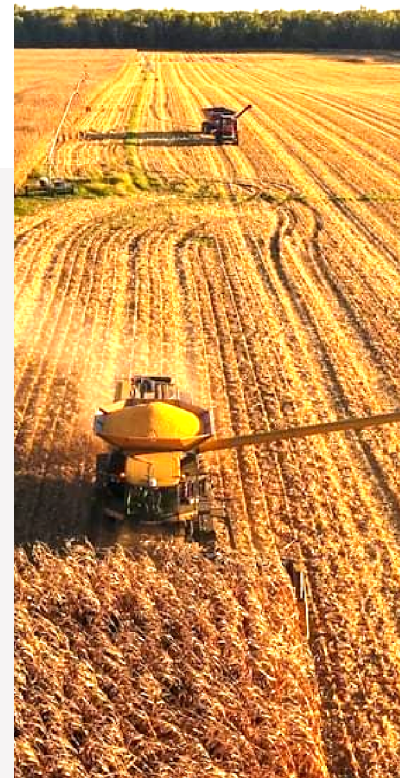


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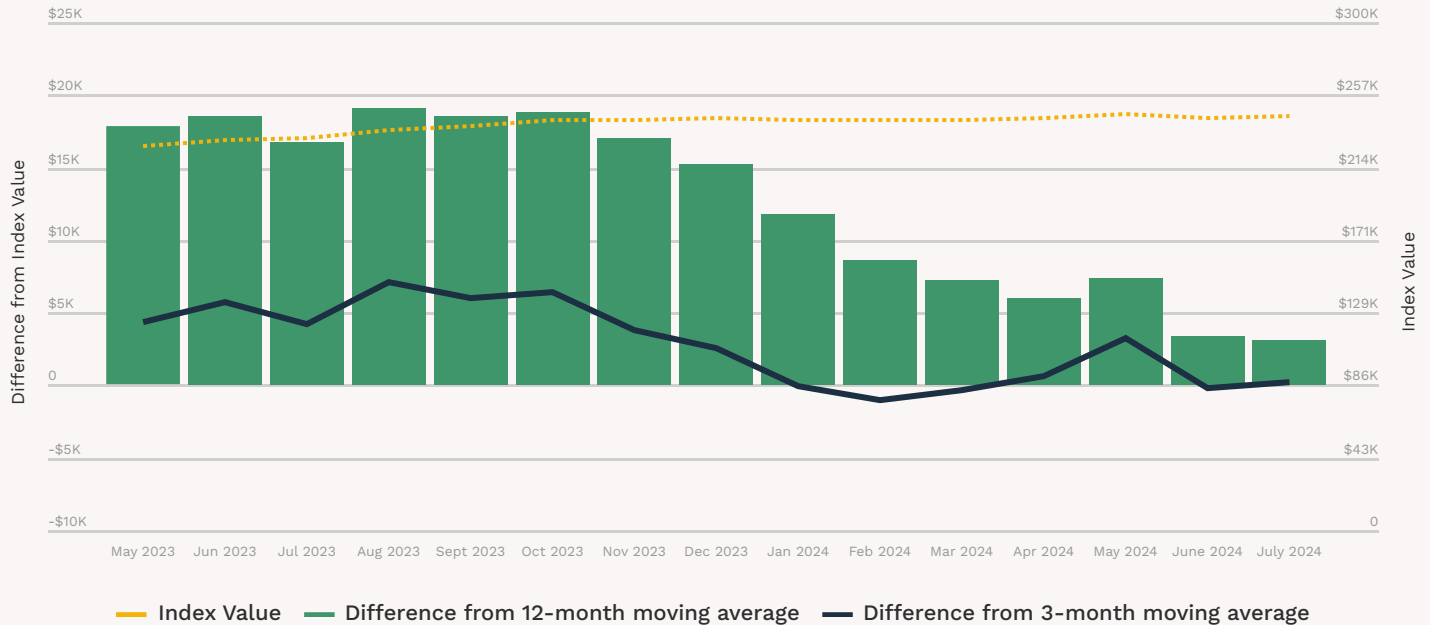
Are We Seeing the Bottom of the Equipment Market?

The downward trend in equipment values continues across all types and classes. We are witnessing unprecedented times, with late-model machines hitting the auction block—something rarely seen in the past. While auction values are declining due to the sheer volume of machines available, the gap between advertised prices and auction values is not as severe as it might feel to dealers. In fact, during the last downturn about 10 years ago, the spread between average auction values and advertised prices was even larger. However, back then, equipment wasn't fetching the high prices we see today, and it was less costly for dealers to hold onto their inventory.

Some dealers, aware of the tough conditions at auctions, are trying to sell their equipment directly from their lots. They've gone on what could be described as a "fishing expedition," deliberately lowering prices by double-digit percentages to attract buyers. These price reductions are often paired with financial promotions to sweeten the deal. Despite these efforts, high-priced equipment remains difficult to move. It appears many farmers have adopted a "wait and see" approach, influenced by declining auction values, dropping commodity prices, and global uncertainties.

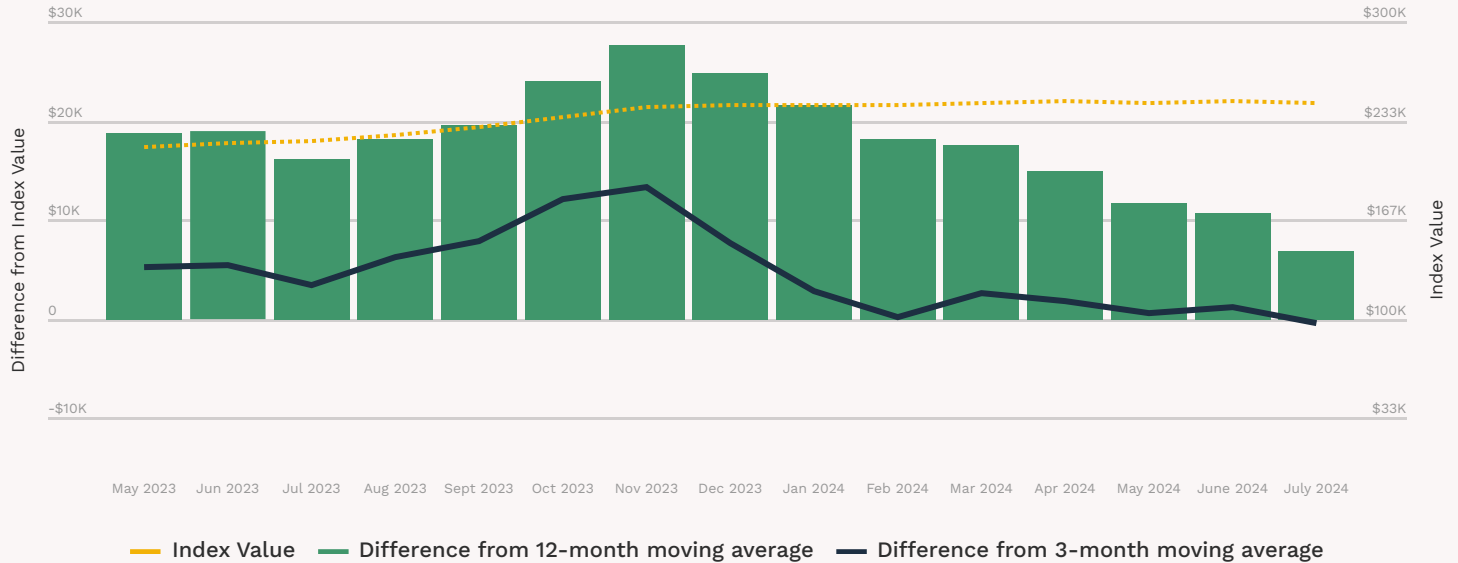


4WD Tractors: A Continuing Decline



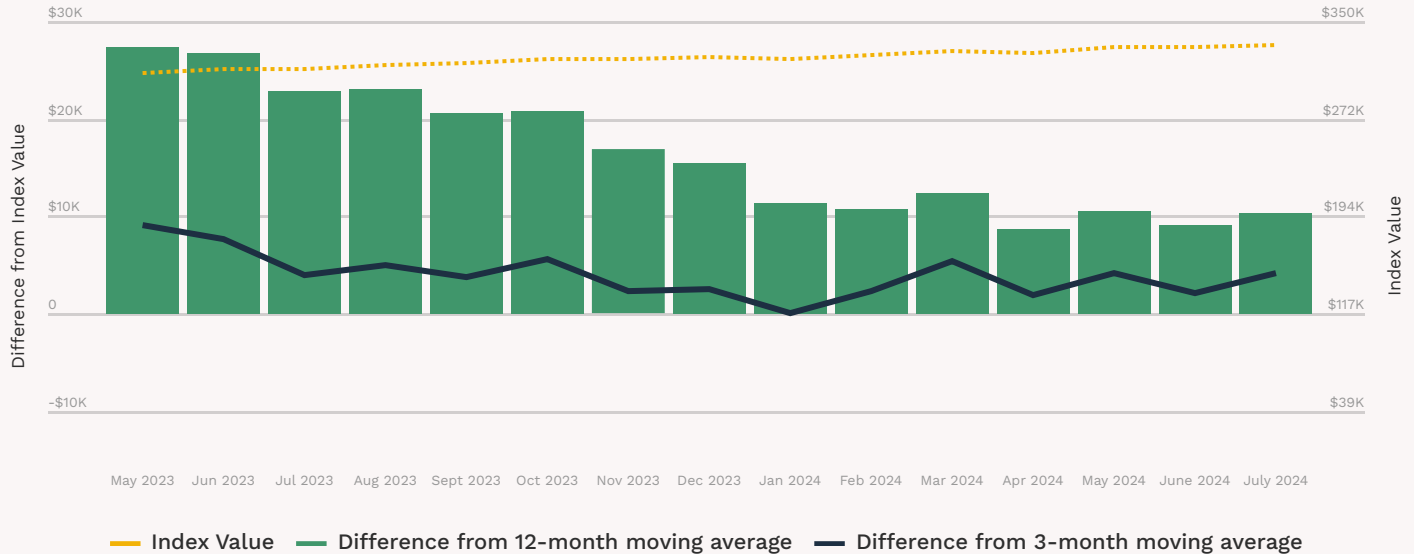
The three-month and twelve-month moving averages for 4WD tractors show a clear downward trend. While there are some minor upward movements, the overall direction has been negative since July of last year. Current analysis suggests this downward trend will persist until inventory levels stabilize, which could take another 12 to 18 months.

Row Crop Track Tractors: Following the 4WD Trend



Row crop track tractors are following a similar downward trajectory as 4WD tractors, despite their different use cases. The moving averages for these machines also started declining around the same time. It's a trend worth monitoring to see if their paths continue to align. Row crop track tractors are among the most expensive to own due to their track components, and there's some indication that farmers might shift back to wheel tractors. However, it remains to be seen if this trend will solidify as more inventory is processed.

Sprayers: A Market in Flux



Dealer feedback on this year’s early order programs for sprayers has been more positive compared to other equipment types, though given the market conditions, that might not be saying much. The reality remains that new machines eventually become used, and it will be interesting to see how the sprayer market evolves as these new orders enter the used inventory over the next 12 to 18 months. Currently, sprayer values are still down significantly from mid-last year, but the market has been oscillating since the start of this year. Inventory levels remain high, and unless there’s a significant increase in sales or more sprayers go to auction, this trend is likely to continue.

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Notes on Methodology

The Iron Monthly Index is a value that represents the changes in the selling price of an average piece of equipment, after it has been adjusted for Age, Usage and Seasonality. To calculate the average adjusted selling price in a month, we determine what represents an average unit for that given month. We do this by identifying all the reported sales transactions for this type, make, model that are less than 5 years old reported to us in the past 12 months. From this data set we calculate the average age in months. We use Nov. 1 of the (model year - 1) as the born-on date for the calculation of age. Ex. if the unit is identified as a 2019 model, it was born on Nov. 1, 2018. Once the average age is calculated, we determine what the expected usage is for that age. The usage is the average usage that we publish in the Iron Guide for a unit of that age. Usage is typically measured in Engine Hours but for Combines it represents Separator hours. For each sold report identified, we adjust the reported sold price so that it is representative of the average unit sold in the current month.

Our proprietary predictive model tells us how much we need to adjust the reported sold value for each hour difference from the average usage as well as for each month of age if this unit differs from the average age. We also adjust for the month sold to account for seasonality. Once all the reports have had the reported sold price adjusted, the average is calculated and this becomes the Iron Index Monthly value for that type, make and model. Finally, we compare that value to the previous months' value and display the change in value as percentage difference.

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