



2020 Precision Farming Dealer Benchmark Study Analysis

A Precision Farming Dealer Staff Report

PART 1

Precision Revenue Growth Slows as Dealers Navigate an Evolving Market

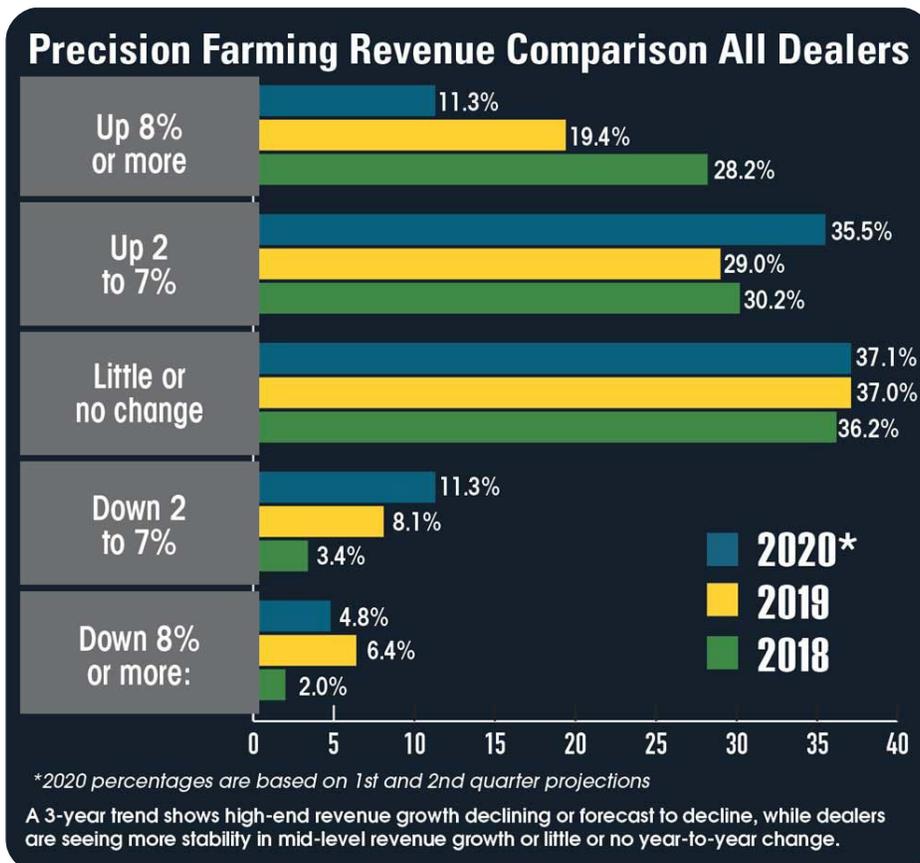
For the first time in 5 years, dealers did not exceed higher-end growth projections in 2019, and forecast more conservative growth in 2020.

Jack Zemlicka, Managing Editor

Problem solving is often the linchpin of a dealership’s precision farming business. The last couple of years have tested the abilities of precision teams to overcome ongoing economic — and more recently — social challenges to maintain, if not grow revenue.

The results of the eighth annual *Precision Farming Dealer* benchmark study — with contributions from dozens of farm equipment dealers, input retailers and independent precision companies — trend toward a conservative reality and a cautious outlook for the majority of respondents.

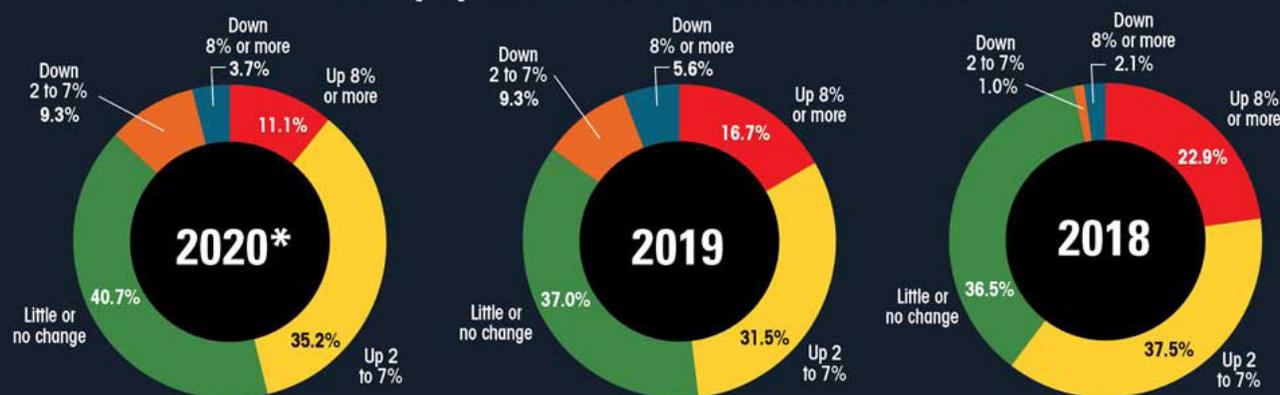
The 2020 data — collected during the first and second quarters — reflect the influence of an inconsistent ag economy, further complicated by the impact of the global coronavirus pandemic on dealerships’ precision revenue.



Still, precision dealers generally maintained a positive financial forecast, tempered somewhat by adjusted expectations and shifting sales and service priorities.

Says one major line precision dealer from Wisconsin, “After COVID-19 and what that will bring, the next biggest challenge will be keeping a remote staff engaged as we transition from a department that ‘does’ to a department that

Farm Equipment Dealer Precision Revenue



A 3-year trend shows a dip in higher-end precision revenue for farm equipment dealers, while mid-level gains have remained steady or are forecast to remain steady.

*2020 percentages are based on 1st and 2nd quarter projections

‘supports others in doing.’ We can’t continue to support the legacy equipment and learn everything there is to know about new equipment.

“However, many of the best on my team are ‘learn then do’ people, not teachers, but I need them to be as excited to teach as they were to learn.”

Stability in Uncertainty

Comparing responses

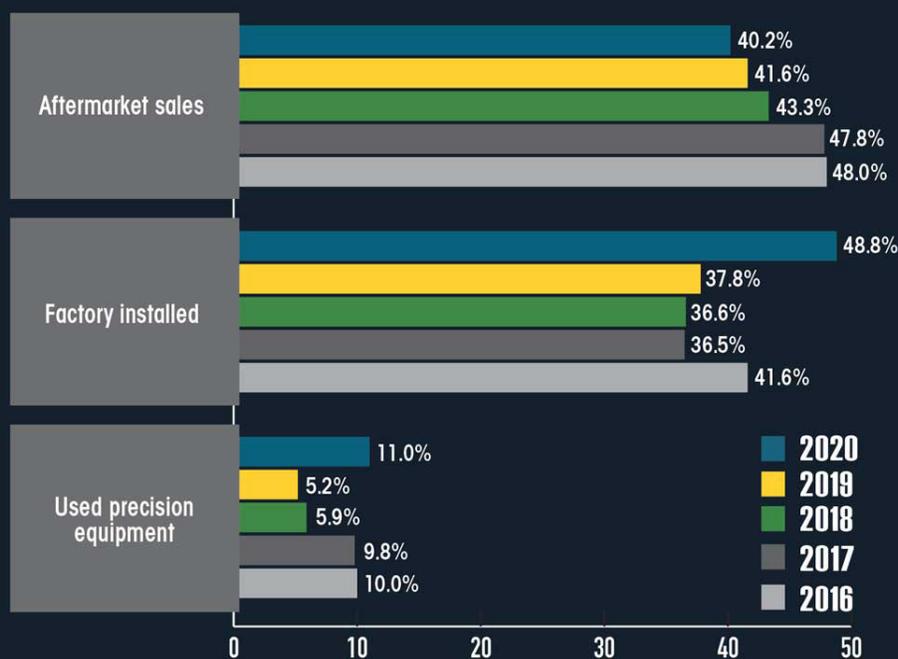
gathered from 24 different

states, Canada and overseas,

about 19% of dealers reported precision revenue growth of 8% or more in 2019, nearly on par with the 20% who forecasted this level in last year’s report.

While close to meeting projections, 2019 marked the first time in 5 years that dealers didn’t exceed their higher-end revenue expectations. In last year’s report, 28% of dealers reported precision revenue growth of 8% or more in 2018, slightly ahead of the 26% forecasted.

How Precision Farming Products are Being Sold



Factory installed precision systems jumped more than 10% year-over-year, while used precision equipment more than doubled.

Some 31.5% of dealers reported precision revenue growth of 8% or more in 2017, more than double the forecast (15.4%), and in 2016, about 23% of dealers reported precision revenue growth of 8% or more, more than doubling that year's forecast (10%).

Continuing a 3-year trend, mid-range precision revenue growth slowed in 2019. Some 29% of respondents reported precision revenue growth of 2-7% in 2019, which tracked about 7 points behind last year's forecast.

2018 revenue in the 2-7% range was about 10% off of initial projections (40.8%) with 30.2% of dealers reporting modest precision revenue growth. Dealers also fell short of more modest revenue projections in 2017. About 44% forecasted growth of 2-7%, but 2018 data showed that only about 25% achieved that goal.

About 37% reported little or no change to 2019 precision revenue totals, compared to the 2018 total of 36%.

The most significant change came in the reported revenue declines in 2019, compared to initial projections. More than 14% of respondents to the 2020 benchmark study indicated at least a 2% decline in 2019 precision revenue, about double the forecast from that year's report.

While a measurable change in the 5.4% of respondents who reported a decline in revenue of 2% or more in 2018, in 2017, about 13% reported precision revenue declines of at least 2%, and in 2016, about 23% reported a dip of at least 2%, including nearly 9% that saw a decline of 8% or more.

Precision Product Lines Carried

Trimble	57.1%
Raven	47.1%
Case IH	37.1%
Ag Leader	32.9%
Yetter Mfg.	31.4%
Precision Planting	30.0%
John Deere	25.7%
Topcon	22.9%
Capstan	21.4%
TeeJet	21.4%
New Holland	21.4%
360 Yield Center	20.0%
Norac	20.0%
Reichhardt	18.6%
Dawn Equipment	17.1%
NovAtel	15.7%
Montag Mfg.	14.3%
AGCO	12.9%
Ace Pumps	12.9%
SureFire Ag	11.4%
Laforge Systems	10.0%

Trimble and Raven topped the list of most popular brands carried by respondents to the 2020 Benchmark Study, while Case IH was the most carried major manufacturer precision brand.

2019 Total Precision Farming Revenue

\$500,000 or less	59.8%
\$501,000-\$1 million	17.7%
\$1 million+ - \$2 million	9.7%
\$2 million+ - \$3 million	4.8%
\$3 million+ - \$4 million	4.8%
\$4 million+ - \$5 million	—
More than \$5 million	3.2%

More than 77% of responding dealers reported \$1 million or less in total precision revenue in 2019, while only about 3% made more than \$5 million.

Farm Equipment Dealers.

A further breakdown of 2019 revenue showed that the majority of farm equipment dealers went into the year with high revenue hopes. About 60% projected precision growth of at least 2% in 2019, including 17% who forecasted growth of 8% or more.

But the 2020 benchmark study showed that only about

Aftermarket Precision Systems Most Recommend Outside of Primary Precision Supplier(s)				
Application technology	Planting and seeding technology	Farm data management software	Implement guidance	Aerial imagery/analysis
69.4%	59.7%	48.4%	33.9%	14.5%

How Dealers Bill for Precision Service					
	2020	2019	2018	2017	2016
Hourly rate	79.3%	50.4%	62.8%	72.7%	67.9%
Annual contract	10.3%	20.6%	12.9%	13.1%	23.5%
Per acre fee	3.5%	14.8%	14.3%	9.1%	4.9%
Not billing	3.5%	14.2%	9.9%	5.1%	3.7%

Nearly 80% of dealers prefer to bill precision services by the hour, while far fewer utilize per-acre fees and annual contracts compared to 2019.

Precision Services Being Billed to Customers

Hardware installation	82.8%
Software/firmware updates/upgrades	67.2%
Correction signal subscriptions	63.8%
In-season tech support	62.1%
Pre-season set up and training	55.2%
Phone support	46.6%
Yield monitor calibration	44.8%
Remote service/telematics	39.7%
Field data management/transfer/upload	34.5%
Aerial imagery/analysis	15.5%
Soil sampling/field or zone mapping	6.9%
Seed/fertilizer recommendations	1.7%
Custom application	1.7%

Hardware installation is by far the most commonly charged-for service provided by dealers, while less than half bill for remote service, data management transfer and aerial imagery and analysis.

Who is the Most Influential Individual for Precision Decisions at Your Dealership?

Precision Farming Manager	28.7%
Precision Farming Specialist	28.7%
Owner/Dealer Principle	27.1%
Service Manager	5.6%
General Manager	4.3%
Sales Manager	2.9%
Store Manager	1.4%
Staff Agronomist	1.3%

When it comes to making precision-specific decisions in dealerships, managers and specialists are tied for having the most influences, followed closely by ownership.

48% of farm equipment dealers achieved at least 2% growth in their precision farming business in 2019. Only 3% had initially forecast a decline of at least 2% in 2019 precision revenue, but data from this year's

study shows that nearly 15% reported at least a 2% decline in precision revenue last year.

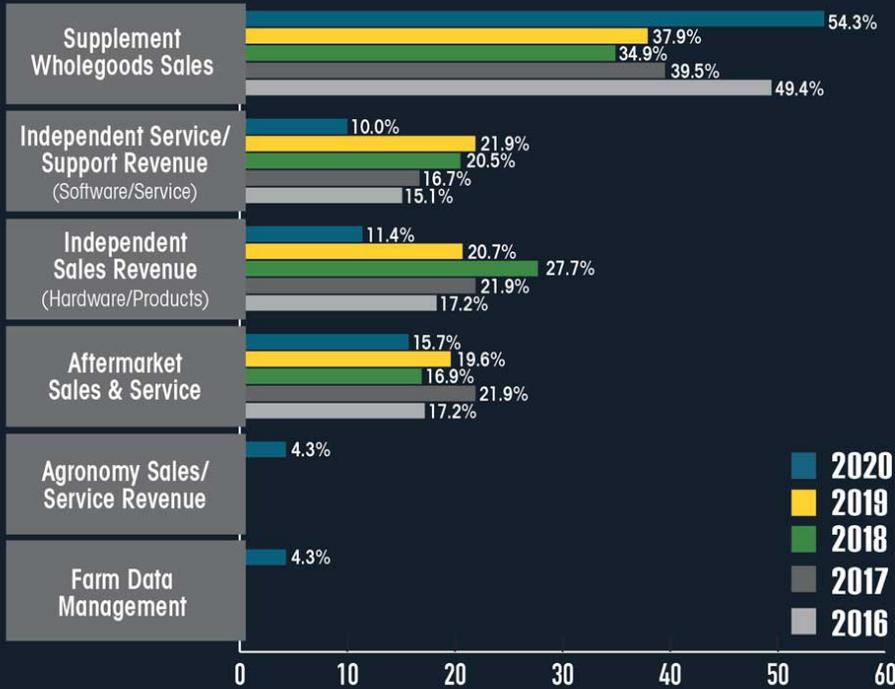
Putting the 2019 totals in historical perspective, the year-to-year changes aren't as dramatic and could reflect a market adjustment after several years of dealers exceeding higher-end precision revenue projections.

Adjusted Expectations

So what are dealers expecting this year? Overall, some 48% forecast revenue growth of at least 2% over 2019, with about 11% projecting growth of at least 8%.

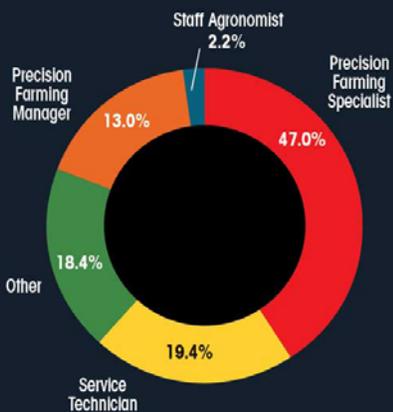
This continues an increasingly conservative revenue outlook going back the last 3 years. Some 37% of dealers expect little or no change in 2020 revenue, while

Primary Precision Business Objective



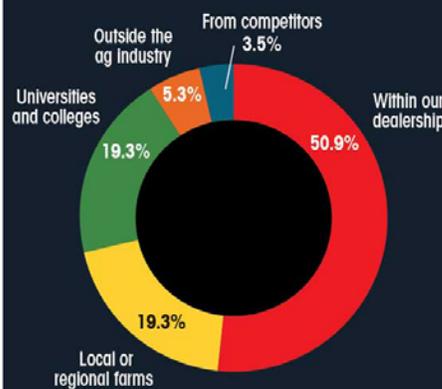
The percentage of dealers who sell precision products to supplement wholegoods sales were the highest in 5 years, while the percentage of those emphasizing independent service and sales fell to their lowest totals since 2016.

Dealership Precision Breakdown by Title



The majority of respondents classify their precision staff as specialists, while nearly one-quarter have them define precision staff as service technicians. More than 21% place precision staff in the "other" category, which could include parts or marketing designations.

Where Dealers Find Success Recruiting Precision Employees



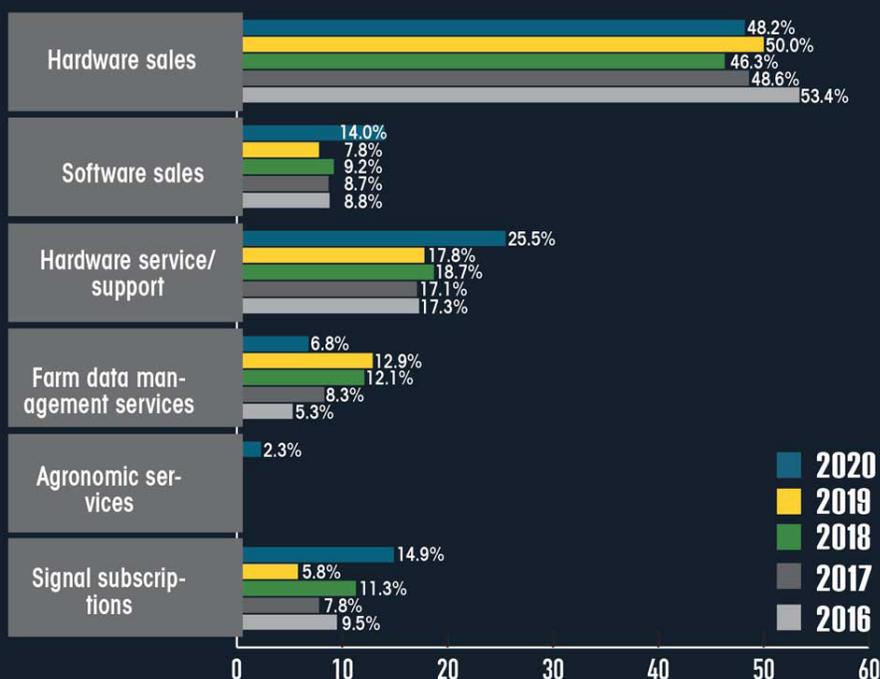
Dealers have had the most success finding precision staff within their own dealerships, but also find new talent from universities and colleges, as well as from local or regional farms.

Farm Data Management Platforms Carried

Case IH AFS Connect	38.7%
Farmers Edge	29.0%
SMS	25.8%
Farm Works	24.2%
MyJohnDeere	22.6%
Raven Slingshot	21.0%
Trimble Connected Farm	19.4%
Ag Leader AgFiniti	19.4%
AGCO Fuse	14.5%
Climate Corp.	11.3%
AgDNA	11.3%
Topcon TAP	9.7%
SST	6.5%
Farmers Business Network	1.6%
MapShots/AgStudio	1.6%
Encirca	1.6%

Case IH and John Deere's farm data management platforms captured two of the top 5 most-carried brands by dealers, and were among 6 different companies carried by more than 20% of dealerships.

Precision Farming Revenue Breakdown



Dealers continued to generate the majority of their precision revenue from hardware sales, while more than one-quarter the highest percentage in 5 years

about 16% forecast revenue declines of at least 2% — the highest total in the history of the benchmark study.

However, some dealers reported strong starts to 2020. Layne Richins, precision ag manager with Stotz Equipment, a 25-store John Deere dealership, noted this spring that the dealership was about 25% ahead on precision sales.

Other dealers have pointed to renewed emphasis and opportunity with

How Many Ag Stores Does Your Dealership Operate?

	2020	2019
1-2	44.3%	48.6%
3-5	27.1%	18.4%
6-10	8.6%	16.2%
11-25	12.9%	12.9%
26+	7.1%	3.9%

More than 70% of respondents to the 2020 Benchmark Study were from dealerships operating 5 or fewer stores. While the percentage of large dealerships remained the same compared to 2019, the percentage of 6-10 stores dealerships was almost 8 points lower.

Do Dealers Offer a Precision Service Package?

	2020	2019	2018	2017	2016
Yes	41.4%	42.6%	47.1%	46.5%	51.9%
No	58.6%	57.4%	52.9%	53.5%	48.1%

While dealers emphasize the importance of billing for precision farming services, there is a downward trend in the percentage that offer a precision service package to farm customers, from a high of 51.9% in 2016 to a low of 41.4% in 2020.

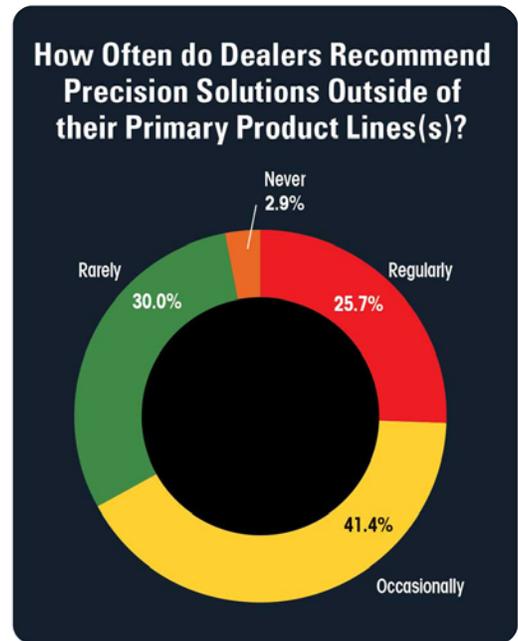
remote service in the age of social distancing and the value of diagnosing technical problems without having to physically be on a customer's farm.

Arlin Sorensen, founder HTS Ag, an independent precision farming dealership in Harlan, Iowa, suggests aspects of how dealerships do business and operate will be forever changed — in some cases for the better — as a result of their experience adapting to COVID-19.

“Change is going to be survival,” he says. “Two months ago, how many companies would have never thought they'd be able to run an efficient business with employees working from home? Today, they're seeing that it can run pretty well and I think even within dealerships, we'll see some rethinking of workforces and how services are delivered and where they are delivered from.”

Farm Equipment Dealer Outlook. Consistent with the broader dealership revenue outlook for 2020, some 46% of farm equipment dealers forecast revenue growth of at least 2%, including 11% projecting an increase of 8% or more.

About 40% expect little or no change this year, while more than 12% forecast a revenue decline of at least 2% in 2020.



PART 2

Precision Outlook: Dealers Shift Focus to Application Hardware, Maintain Need for Training

Training for staff and customers as well as application technology hardware came in as dealers' top priorities for the future of their businesses

Ben Thorpe, Associate Research Editor

The *Precision Farming Dealer* 2020 Benchmark Study showed several shifts in dealers' expectations for their future revenue. Topping the list of revenue sources considered important for growth was application technology hardware, reversing its 3-year downward trend. Just over half of survey respondents considered this an essential source of revenue growth in the next 3 years, compared to 33.9% feeling the same in the 2019 study, when it came in seventh.

Dealer opinions showed, however, that moving precision hardware is on their radar as a significant challenge going into next year. Manufacturers integrating their own precision hardware into equipment came up more than once as a hurdle precision departments are facing.

“As a separate department, being able to sell an alternate precision product is difficult with OEMs having more integrated systems,” says one surveyed dealer. “This makes it harder to be a profitable department.”

Another dealer mentioned that high costs are becoming a problem in getting some customers to consider the benefits of precision hardware, regardless of size.

“High cost of precision farming prevents medium-sized farms from using it,” the dealer says. “Even larger farms are just trading dollars; the increased revenue ends up being just enough to cover the additional expenses of the hardware, software, subscriptions and service.”

Signal subscriptions jumped up to fourth in this year’s study from coming in at sixth in 2019. This came along with a moderate increase in dealers considering it an important part of revenue growth: from 34.4% in 2019 to 48.1% in 2020.

Farm data management was displaced from the top slot in the 2020 survey, dropping to sixth place. Around one-third of dealer respondents (35.2%) considered it an essential revenue source in the next 3 years, down from 52.4% in the 2019 study and 51% in the 2018 study.

Agronomic services, which came in at fourth in 2019 with 35.2% of dealers seeing it as an important part of future revenue growth, dropped to seventh place in 2020, with 24.1% of dealers seeing it as essential.

GPS and guidance systems retained its second place slot at 49.1% of respondents considering it essential for revenue growth, up slightly from 44.1% taking the same position in last year’s study. Planter control systems had a similar experience, holding the third-place spot with 48.2% considering it essential, up from 42.9% in 2019.

Projected 3 Year Importance of Precision Revenue Sources — 2020				
	Essential to Growth	Moderately Important	Low Priority	2019 Ranking
1. Application technology hardware	53.7%	31.5%	14.8%	7
2. GPS & guidance systems	49.1%	28.3%	22.6%	2
3. Planter control systems	48.2%	37.0%	14.8%	3
4. Signal subscriptions	48.1%	30.7%	21.2%	6
5. Software service	42.6%	33.3%	24.1%	5
6. Farm data management	35.2%	50.0%	14.8%	1
7. Agronomic services	24.1%	27.7%	48.2%	4
8. Autonomous vehicles/Robotics	23.5%	23.6%	52.9%	9
9. Water management/Irrigation	16.7%	37.0%	46.3%	8
10. Unmanned aerial vehicles	5.7%	32.0%	62.3%	10

Source: Precision Farming Dealer 2020 Benchmark Study

Application technology jumped to the top of the list in the 2020 survey, with 53.7% of respondents considering it an essential area of revenue growth in the next 3 years.

Unmanned aerial vehicles once again took the bottom slot, with nearly 6% of dealers considering them essential for revenue growth in the next 3 years. Interest in this category has waned over the years. The percentage of dealers ranking it as essential or “most important” has been on a steady decline since the 2017 bench study, when 15.7% of dealers considered it the “most important” future source of revenue.

Training Remains an Essential Investment

When asked what areas are the most important for investing in the next 3 years, employee training topped the list. Three-fourths of respondents (75.9%) considered employee training an essential investment, down slightly from the 78.7% who considered it the most important investment in 2019.

Customer training came in as the second most essential area of investment for dealers at 57.4%, up from third in 2019 with 50% considering it the most important investment. In their comments, dealers voiced a need to demonstrate the benefit of increased efficiency and productivity that precision hardware can bring. One dealer specifically mentioned working to getting “the ‘old ways’ of the ‘old guys’ used to precision offerings.”

Investing in precision staff dropped from second place in 2019 with 63.3% considering it the most important to third place in 2020 at 55.6%.

The other four categories retained their 2019 rankings, but with some changes in the percentage of dealers that considered the most important/essential to future investment. The percentage of precision dealers selecting marketing as an essential investment dropped slightly from 41.4% in 2019 to 39.6% in

Projected 3 Year Dealership Investment in Precision Farming — 2020				
	Essential Investment	Moderately Important Investment	Low Priority Investment	2019 Ranking
1. Employee training	75.9%	16.7%	7.4%	1
2. Customer training	57.4%	35.2%	7.4%	3
3. Precision staff	55.6%	35.1%	9.3%	2
4. Marketing	39.6%	47.2%	13.2%	4
5. CRM/Business management system for precision	16.7%	55.5%	27.8%	5
6. Service vehicles/tools	14.8%	57.4%	27.8%	6
7. Additional stores/locations	5.7%	30.1%	64.2%	7

Source: Precision Farming Dealer 2020 Benchmark Study

Employee training once again came in as the number one area of investment for precision dealers, with 75.9% of respondents considering an essential investment, down slightly from 78.7% in the 2019 survey.

2020. Those indicating that CRM/business management was an essential investment, however, was cut in half from 32.8% last year to 16.7%. Service vehicles/tools and additional stores saw similar declines. Overall, most categories saw an increase in dealers considering them a low priority future investment.

Looking for Growth in Training, Billing

Precision dealers once again indicated their greatest growth need in the dealership was specialist training, unchanged from the 2019 and 2018 surveys. The percentage of dealers saying specialist training was their highest priority was 64.8%, a drop from 72.7% in 2019 and 71.2% in 2018. Customer training also maintained its second place slot, though the percentage of dealers calling it their highest priority dropped from 51.6% last year to 48.2%.

Though billing for precision service remained in third place in this year’s survey results, a greater percentage of dealers saw it as a key growth area, up to 46.3% in the 2020 survey from 43.7% in 2019. Dealers confirmed this need for billing in their comments; one dealer mentioned they plan to start charging their customers for phone support by providing the first year free, before billing in 2021.

The only ranking change from the 2019 survey was between adding additional staff and farm data management, which swapped for fourth and fifth place, respectively. One-third (33.4%) of dealers in 2020 survey indicated adding additional staff was their highest growth priority, compared to 38.3% in the 2019

Dealers’ Greatest Need to Grow Precision Business — 2020				
	Highest Priority	Medium Priority	Lowest Priority	2019 Ranking
1. Specialist training	64.8%	25.9%	9.3%	1
2. Customer training	48.2%	38.8%	13.0%	2
3. Begin billing for precision service	46.3%	35.2%	18.5%	3
4. Additional staff	34.0%	39.6%	26.4%	5
5. Farm data management /Agronomic service offering	26.4%	47.2%	26.4%	4
6. New/expanded product lines	25.9%	51.9%	22.2%	6
<i>Source: Precision Farming Dealer 2020 Benchmark Study</i>				

Specialist training took the lead as dealers’ highest priority need for growth, at 64.8% indicating it was the highest priority. This was down from 72.8% saying it was the most important growth need in 2019.

survey. Farm data management had 26.4% of dealers considering it a high priority, down from 40.5% in 2019.

One dealer mentioned one step they had taken to combat the need for additional staff is in the form of a high school mentorship program.

“We are seeing a real problem with attracting new precision technicians,” they say. “We have begun exploring a mentoring program with the local high school to recruit younger technicians before they even make it to the trade schools. The idea is to get them locked down and working with us before they graduate high school.”

Similar to dealers’ investment projections, most categories saw a decrease in the percentage of dealers considering them a high growth priority, and an increase in dealers considering them a low priority.

Adding new product lines/expanding new ones entered as the lowest overall priority for precision dealers, unchanged from last year. Additionally, the percentage of dealers considering it the most important growth area decreased, from 32.3% last year to 25.9% in 2020.

When asked to name a product/service they planned to add to their dealership in the coming year, over one-third of respondents (36.7%) said they weren’t adding new products or were unsure. At least two of these dealers mentioned a need for their department to gain more experience with the products they already carry.

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