DEERE & CO
Form 10-Q
August 31, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 30, 2017

Commission file no: 1-4121

DEERE & COMPANY

(Exact name of registrant as specified in its charter)

Delaware	36-2382580
(State of incorporation)	(IRS employer identification no.)

One John Deere Place

Moline, Illinois 61265

(Address of principal executive offices)

Telephone Number: (309) 765-8000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	X		Accelerated filer
Non-accelerated filer		(Do not check if a smaller reporting company)	Smaller reporting company
			Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

At July 30, 2017, 321,296,852 shares of common stock, $1 par value, of the registrant were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
DEERE & COMPANY
STATEMENT OF CONSOLIDATED INCOME
For the Three Months Ended July 30, 2017 and July 31, 2016
(In millions of dollars and shares except per share amounts) Unaudited

	2017	2016
Net Sales and Revenues		
Net sales	$ 6,833.0	$ 5,861.4
Finance and interest income	688.8	638.5
Other income	286.0	224.5
Total	7,807.8	6,724.4
Costs and Expenses		
Cost of sales	5,265.1	4,494.2
Research and development expenses	335.4	338.8
Selling, administrative and general expenses	791.2	709.0
Interest expense	216.3	200.7
Other operating expenses	309.9	276.6
Total	6,917.9	6,019.3
Income of Consolidated Group before Income Taxes	889.9	705.1
Provision for income taxes	253.2	226.5
Income of Consolidated Group	636.7	478.6
Equity in income of unconsolidated affiliates	5.6	10.0
Net Income	642.3	488.6
Less: Net income (loss) attributable to noncontrolling interests	.5	(.2)
Net Income Attributable to Deere & Company	$ 641.8	$ 488.8
Per Share Data		
Basic	$ 2.00	$ 1.55
Diluted	$ 1.97	$ 1.55
Average Shares Outstanding		
Basic	320.8	314.3
Diluted	325.1	315.7

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
For the Three Months Ended July 30, 2017 and July 31, 2016
(In millions of dollars) Unaudited

	2017	2016
Net Income	$ 642.3	$ 488.6
Other Comprehensive Income (Loss), Net of Income Taxes		
Retirement benefits adjustment	44.0	30.3
Cumulative translation adjustment	326.1	(99.5)
Unrealized loss on derivatives	(.5)	(.2)
Unrealized gain (loss) on investments	(53.7)	6.0
Other Comprehensive Income (Loss), Net of Income Taxes	315.9	(63.4)
Comprehensive Income of Consolidated Group	958.2	425.2
Less: Comprehensive gain (loss) attributable to noncontrolling interests	.7	(.2)
Comprehensive Income Attributable to Deere & Company	$ 957.5	$ 425.4

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED INCOME
For the Nine Months Ended July 30, 2017 and July 31, 2016
(In millions of dollars and shares except per share amounts) Unaudited

	2017	2016
Net Sales and Revenues		
Net sales	$ 18,790.7	$ 17,737.1
Finance and interest income	2,009.3	1,849.0
Other income	920.0	538.3
Total	21,720.0	20,124.4
Costs and Expenses		
Cost of sales	14,506.5	13,865.3
Research and development expenses	970.7	1,003.1
Selling, administrative and general expenses	2,225.8	2,016.8
Interest expense	651.3	564.9
Other operating expenses	978.5	884.7
Total	19,332.8	18,334.8
Income of Consolidated Group before Income Taxes	2,387.2	1,789.6
Provision for income taxes	748.7	559.9
Income of Consolidated Group	1,638.5	1,229.7
Equity in income of unconsolidated affiliates	10.0	7.3
Net Income	1,648.5	1,237.0
Less: Net loss attributable to noncontrolling interests	(.3)	(1.6)
Net Income Attributable to Deere & Company	$ 1,648.8	$ 1,238.6
Per Share Data		
Basic	$ 5.17	$ 3.93
Diluted	$ 5.11	$ 3.91
Average Shares Outstanding		
Basic	318.8	315.4
Diluted	322.5	316.7

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
For the Nine Months Ended July 30, 2017 and July 31, 2016
(In millions of dollars) Unaudited

	2017	2016
Net Income	$ 1,648.5	$ 1,237.0
Other Comprehensive Income (Loss), Net of Income Taxes		
Retirement benefits adjustment	120.6	87.5
Cumulative translation adjustment	325.1	54.3
Unrealized gain on derivatives	1.5	.8
Unrealized gain (loss) on investments	(.8)	4.7
Other Comprehensive Income (Loss), Net of Income Taxes	446.4	147.3
Comprehensive Income of Consolidated Group	2,094.9	1,384.3
Less: Comprehensive loss attributable to noncontrolling interests	(.1)	(1.5)
Comprehensive Income Attributable to Deere & Company	$ 2,095.0	$ 1,385.8

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET
(In millions of dollars) Unaudited

	July 30 2017	October 30 2016	July 31 2016
Assets			
Cash and cash equivalents	$ 6,537.4	$ 4,335.8	$ 4,321.0
Marketable securities	426.1	453.5	468.9
Receivables from unconsolidated affiliates	28.5	16.5	18.7
Trade accounts and notes receivable – net	4,389.8	3,011.3	3,924.6
Financing receivables – net	23,722.1	23,702.3	22,594.8
Financing receivables securitized – net	4,923.1	5,126.5	5,947.4
Other receivables	829.2	1,018.5	811.9
Equipment on operating leases – net	6,235.6	5,901.5	5,602.7
Inventories	4,252.9	3,340.5	3,851.3
Property and equipment – net	4,968.5	5,170.6	5,047.3
Investments in unconsolidated affiliates	220.8	232.6	246.2
Goodwill	845.8	815.7	823.6
Other intangible assets – net	92.0	104.1	109.5
Retirement benefits	219.1	93.6	323.1
Deferred income taxes	3,067.7	2,964.4	2,612.6
Other assets	1,591.3	1,631.1	1,835.5
Total Assets	$ 62,349.9	$ 57,918.5	$ 58,539.1
Liabilities and Stockholders' Equity			
Liabilities			
Short-term borrowings	$ 9,019.4	$ 6,910.7	$ 7,360.6
Short-term securitization borrowings	4,780.9	4,997.8	5,722.6
Payables to unconsolidated affiliates	77.8	81.6	74.2
Accounts payable and accrued expenses	7,599.0	7,240.1	6,799.5
Deferred income taxes	190.0	166.0	172.3
Long-term borrowings	23,674.3	23,703.0	24,068.9
Retirement benefits and other liabilities	8,419.6	8,274.5	6,886.9
Total liabilities	53,761.0	51,373.7	51,085.0
Commitments and contingencies (Note 14)			
Redeemable noncontrolling interest	14.0	14.0	14.4
Stockholders' Equity			
Common stock, $1 par value (issued shares at July 30, 2017 – 536,431,204)	4,245.1	3,911.8	3,883.9
Common stock in treasury	(15,477.3)	(15,677.1)	(15,688.3)
Retained earnings	24,984.2	23,911.3	23,815.0
Accumulated other comprehensive income (loss)	(5,179.8)	(5,626.0)	(4,582.2)
Total Deere & Company stockholders' equity	8,572.2	6,520.0	7,428.4

Noncontrolling interests	2.7	10.8	11.3
Total stockholders’ equity	8,574.9	6,530.8	7,439.7
Total Liabilities and Stockholders’ Equity	$ 62,349.9	$ 57,918.5	$ 58,539.1

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED CASH FLOWS
For the Nine Months Ended July 30, 2017 and July 31, 2016
(In millions of dollars) Unaudited

	2017	2016
Cash Flows from Operating Activities		
Net income	$ 1,648.5	$ 1,237.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	76.8	70.3
Provision for depreciation and amortization	1,279.0	1,158.4
Impairment charges		49.7
Share-based compensation expense	50.7	51.8
Gain on sale of unconsolidated affiliates and investments	(375.1)	(74.5)
Undistributed earnings of unconsolidated affiliates	(9.3)	.7
Provision (credit) for deferred income taxes	(77.5)	155.5
Changes in assets and liabilities:		
Trade, notes and financing receivables related to sales	(1,091.1)	(588.1)
Inventories	(1,348.0)	(380.1)
Accounts payable and accrued expenses	316.2	(461.9)
Accrued income taxes payable/receivable	167.8	82.1
Retirement benefits	173.1	145.8
Other	(81.8)	(123.0)
Net cash provided by operating activities	729.3	1,323.7
Cash Flows from Investing Activities		
Collections of receivables (excluding receivables related to sales)	11,334.4	11,312.7
Proceeds from maturities and sales of marketable securities	388.8	139.2
Proceeds from sales of equipment on operating leases	1,086.6	916.6
Proceeds from sales of businesses and unconsolidated affiliates, net of cash sold	113.9	81.1
Cost of receivables acquired (excluding receivables related to sales)	(11,325.6)	(10,423.4)
Purchases of marketable securities	(77.0)	(149.9)
Purchases of property and equipment	(373.7)	(387.0)
Cost of equipment on operating leases acquired	(1,395.3)	(1,730.6)
Acquisitions of businesses, net of cash acquired		(198.9)
Other	(53.3)	77.8
Net cash used for investing activities	(301.2)	(362.4)
Cash Flows from Financing Activities		
Increase (decrease) in total short-term borrowings	1,648.9	(133.7)
Proceeds from long-term borrowings	4,364.5	4,115.2
Payments of long-term borrowings	(4,205.6)	(3,977.3)
Proceeds from issuance of common stock	488.6	17.5
Repurchases of common stock	(6.2)	(205.4)
Dividends paid	(571.3)	(572.6)
Other	(62.9)	(53.6)
Net cash provided by (used for) financing activities	1,656.0	(809.9)

Effect of Exchange Rate Changes on Cash and Cash Equivalents	117.5	7.4
Net Increase in Cash and Cash Equivalents	2,201.6	158.8
Cash and Cash Equivalents at Beginning of Period	4,335.8	4,162.2
Cash and Cash Equivalents at End of Period	$ 6,537.4	$ 4,321.0

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY
For the Nine Months Ended July 30, 2017 and July 31, 2016
(In millions of dollars) Unaudited

	Total Stockholders' Equity						
		Deere & Company Stockholders					
	Total Stockholders' Equity	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Redeemable Noncontrolling Interest
Balance November 1, 2015	$ 6,757.6	$ 3,825.6	$ (15,497.6)	$ 23,144.8	$ (4,729.4)	$ 14.2	
Net income (loss)	1,236.6			1,238.6		(2.0)	$ .4
Other comprehensive income	147.3				147.2	.1	
Repurchases of common stock	(205.4)		(205.4)				
Treasury shares reissued	14.7		14.7				
Dividends declared	(569.2)			(568.3)		(.9)	
Acquisition							14.0
Stock options and other	58.1	58.3		(.1)		(.1)	
Balance July 31, 2016	$ 7,439.7	$ 3,883.9	$ (15,688.3)	$ 23,815.0	$ (4,582.2)	$ 11.3	$ 14.4
Balance October 30, 2016	$ 6,530.8	$ 3,911.8	$ (15,677.1)	$ 23,911.3	$ (5,626.0)	$ 10.8	$ 14.0
Net income (loss)	1,648.5			1,648.8		(.3)	
Other comprehensive income	446.4				446.2	.2	
Repurchases of common stock	(6.2)		(6.2)				
Treasury shares reissued	206.0		206.0				
Dividends declared	(577.1)			(575.9)		(1.2)	
Stock options and other	326.5	333.3				(6.8)	
Balance July 30, 2017	$ 8,574.9	$ 4,245.1	$ (15,477.3)	$ 24,984.2	$ (5,179.8)	$ 2.7	$ 14.0

See Condensed Notes to Interim Consolidated Financial Statements.

Condensed Notes to Interim Consolidated Financial Statements (Unaudited)

(1) The information in the notes and related commentary are presented in a format which includes data grouped as follows:

Equipment Operations – Includes the Company’s agriculture and turf operations and construction and forestry operations with financial services reflected on the equity basis.

Financial Services – Includes primarily the Company’s financing operations.

Consolidated – Represents the consolidation of the equipment operations and financial services. References to "Deere & Company" or "the Company" refer to the entire enterprise.

The Company uses a 52/53 week fiscal year with quarters ending on the last Sunday in the reporting period. The third quarter ends for fiscal year 2017 and 2016 were July 30, 2017 and July 31, 2016, respectively. Both periods contained 13 weeks.

(2) The interim consolidated financial statements of Deere & Company have been prepared by the Company, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted as permitted by such rules and regulations. All adjustments, consisting of normal recurring adjustments, have been included. Management believes that the disclosures are adequate to present fairly the financial position, results of operations, and cash flows at the dates and for the periods presented. It is suggested that these interim consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto appearing in the Company’s latest annual report on Form 10-K. Results for interim periods are not necessarily indicative of those to be expected for the fiscal year.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Cash Flow Information

All cash flows from the changes in trade accounts and notes receivable are classified as operating activities in the Statement of Consolidated Cash Flows as these receivables arise from sales to the Company’s customers. Cash flows from financing receivables that are related to sales to the Company’s customers are also included in operating activities. The remaining financing receivables are related to the financing of equipment sold by independent dealers and are included in investing activities.

The Company had the following non-cash operating and investing activities that were not included in the Statement of Consolidated Cash Flows. The Company transferred inventory to equipment on operating leases of approximately $519 million and $440 million in the first nine months of 2017 and 2016, respectively. The Company also had accounts payable related to purchases of property and equipment of approximately $37 million and $40 million at July 30, 2017 and July 31, 2016, respectively.

(3) New accounting standards adopted are as follows:

In the first quarter of 2017, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which amends Accounting Standards Codification (ASC) 835-30, Interest – Imputation of Interest. This ASU requires that debt issuance costs related to borrowings be presented in the balance sheet as a direct deduction from the carrying amount of the borrowing. As required, the presentation and disclosure requirements were adopted through retrospective application with the consolidated balance sheet and related notes in prior periods adjusted for a consistent presentation. Debt issuance costs of $63 million and $67 million at October 30, 2016 and July 31, 2016, respectively, were reclassified from other assets to borrowings in the consolidated balance sheet.

In the third quarter of 2017, the Company early adopted ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends ASC 718, Compensation – Stock Compensation. This ASU changes the treatment of share based payment transactions by recognizing the impact of excess tax benefits or deficiencies related to exercised or vested awards in income tax expense in the period of exercise or vesting, instead of common stock. As required, this change was reflected for all periods in fiscal year 2017. Net income increased in the third quarter and first nine months of fiscal year 2017 by approximately $14 million and $25 million, respectively. The ASU also modified the presentation of excess tax benefits in the statement of consolidated cash flows by including that amount with other income tax cash flows as an operating activity and no longer presented separately as a financing activity. This change was recognized through a retrospective application that increased net cash flow provided by operating activities by approximately $25 million and $4 million for the first nine months of fiscal years 2017 and 2016, respectively. The ASU also requires that cash paid by an employer when directly withholding shares for tax withholding purposes should be presented as a financing activity in the statement of consolidated cash flows, which is the Company's existing presentation. The Company will continue to recognize the impact of share-based payment award forefeitures as the forfeitures occur.

In the third quarter of 2017, the Company early adopted ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which amends ASC 350, Intangibles – Goodwill and Other. This ASU simplifies the goodwill impairment test by removing the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value. This ASU states the impairment is measured as the excess of the reporting unit's carrying value over the fair value, with a limit of the goodwill allocated to that reporting unit. The adoption did not have a material effect on the Company's consolidated financial statements.

The Company also adopted the following standards during 2017, none of which had a material effect on the Company's consolidated financial statements:

Accounting Standard Update		Effective Date
2014-12	Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, which amends ASC 718, Compensation–Stock Compensation	October 31, 2016
2015-05	Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which amends ASC 350-40, Intangibles–Goodwill and Other–Internal-Use Software	October 31, 2016

2015-11	Simplifying the Measurement of Inventory, which amends ASC 330, Inventory	October 31, 2016
2015-15	Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which amends ASC 835-30, Interest–Imputation of Interest	October 31, 2016

New accounting standards to be adopted are as follows:

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue. In August 2015, the FASB amended the effective date to be the first quarter of fiscal year 2019 with early adoption permitted in the first quarter of fiscal year 2018. The FASB issued several amendments clarifying various aspects of the ASU, including revenue transactions that involve a third party, goods or services that are immaterial in the context of the contract and licensing arrangements. The Company plans to adopt the ASU effective the first quarter of fiscal year 2019 using a modified retrospective method and continues to evaluate the ASU's potential effects on the consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which amends ASC 825-10, Financial Instruments – Overall. This ASU changes the treatment for available-for-sale equity investments by recognizing unrealized fair value changes directly in net income and no longer in other comprehensive income. The effective date will be the first quarter of fiscal year 2019. Early adoption of the provisions affecting the Company is not permitted. The ASU will be adopted with a cumulative-effect adjustment to the balance sheet in the year of adoption. The Company is evaluating the potential effects on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes ASC 840, Leases. The ASU's primary change is the requirement for lessee entities to recognize a lease liability for payments and a right of use asset during the term of operating lease arrangements. The ASU does not significantly change the lessee's recognition, measurement, and presentation of expenses and cash flows from the previous accounting standard. Lessors' accounting under the ASC is largely unchanged from the previous accounting standard. Lessees and lessors will use a modified retrospective transition approach. The effective date will be the first quarter of fiscal year 2020 with early adoption permitted. The Company is evaluating the potential effects on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, Simplifying the Transition to the Equity Method of Accounting, which amends ASC 323, Investments – Equity Method and Joint Ventures. This ASU eliminates the requirement to retroactively restate the investment, results of operations, and retained earnings on a step by step basis when an investment qualifies for use of the equity method as a result of an increase in ownership or degree of influence. The effective date will be the first quarter of fiscal year 2018, with early adoption permitted, and will be adopted prospectively. The adoption will not have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which establishes ASC 326, Financial Instruments – Credit Losses. The ASU revises the measurement of credit losses for financial assets measured at amortized cost from an incurred loss methodology to an expected loss methodology. The ASU affects trade receivables, debt securities, net investment in leases, and most other financial assets that represent a right to receive cash. Additional disclosures about significant estimates and credit quality are also required. The effective date will be the first quarter of fiscal year 2021, with early adoption permitted beginning in fiscal year 2020. The ASU will be adopted using a modified-retrospective approach. The Company is evaluating the potential effects on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which amends ASC 230, Statement of Cash Flows. This ASU provides guidance on the statement of cash flows presentation of certain transactions where diversity in practice exists. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted. The ASU will be adopted using a retrospective transition approach. The adoption will not have a material effect on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory, which amends ASC 740, Income Taxes. This ASU requires that the income tax consequences of an intra-entity asset transfer other than inventory are recognized at the time of the transfer. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted. The ASU will be adopted using a modified-retrospective transition approach. The adoption will not have a material effect on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which amends ASC 230, Statement of Cash Flows. This ASU requires that a statement of cash flows explain the change during the reporting period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted, and will be adopted using a retrospective transition approach. The adoption will not have a material effect on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Clarifying the Definition of a Business, which amends ASC 805, Business Combinations. This ASU provides further guidance on the definition of a business to determine whether transactions should be accounted for as acquisitions of assets or businesses. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted in certain cases. The ASU will be adopted on a prospective basis and will not have a material effect on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which amends ASC 715, Compensation – Retirement Benefits. This ASU requires that employers report only the service cost component of the total defined benefit pension and postretirement benefit cost in the same income statement lines as compensation for the participating employees. The other components of these benefit costs are reported outside of income from operations. In addition, only the service cost component of the benefit costs is eligible for capitalization. The ASU will be adopted on a retrospective basis for the presentation of the benefit costs and on a prospective basis for the capitalization of only the service cost. The effective date is fiscal year 2019, with early adoption permitted. The Company plans to adopt the ASU in the first quarter of fiscal year 2018 and is evaluating the potential effects on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, Premium Amortization on Purchased Callable Debt Securities, which amends ASC 310-20, Receivables—Nonrefundable Fees and Other Costs. This ASU reduces the amortization period for certain callable debt securities held at a premium to the earliest call date. The treatment of securities held at a discount is unchanged. The effective date is the first quarter of fiscal year 2020, with early adoption permitted. The adoption will not have a material effect on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Scope of Modification Accounting, which amends ASC 718, Compensation – Stock Compensation. This ASU provides guidance about which changes to the terms of a share-based payment award should be accounted for as a modification. A change to an award should be accounted for as a modification unless the fair value of the modified award is the same as the original award, the vesting conditions do not change, and the classification as an equity or liability instrument does not change. The ASU will be adopted on a prospective basis. The effective date is the first quarter of fiscal year 2019, with early adoption permitted. The adoption will not have a material effect on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, Targeted Improvements to Accounting for Hedging Activities, which amends ASC 815, Derivatives and Hedging. The purpose of this ASU is to better align a company's risk management activities and financial reporting for hedging relationships, simplify the hedge accounting requirements, and improve the disclosures of hedging arrangements. The effective date is fiscal year 2020, with early adoption permitted. The Company is evaluating the potential effects on the consolidated financial statements.

(4) The after-tax changes in accumulated other comprehensive income (loss) in millions of dollars follow:

	Retirement Benefits Adjustment	Cumulative Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Unrealized Gain (Loss) on Investments	Total Accumulated Other Comprehensive Income (Loss)
Balance November 1, 2015	$ (3,501)	$ (1,238)	$ (2)	$ 12	$ (4,729)
Other comprehensive income (loss) items before reclassification	(23)	54	(2)	7	36
Amounts reclassified from accumulated other comprehensive income	110		3	(2)	111
Net current period other comprehensive income (loss)	87	54	1	5	147
Balance July 31, 2016	$ (3,414)	$ (1,184)	$ (1)	$ 17	$ (4,582)
Balance October 30, 2016	$ (4,409)	$ (1,229)	$ 1	$ 11	$ (5,626)
Other comprehensive income (loss) items before reclassification	(13)	325	(1)	172	483
Amounts reclassified from accumulated other comprehensive income	134		2	(173)	(37)
Net current period other comprehensive income (loss)	121	325	1	(1)	446
Balance July 30, 2017	$ (4,288)	$ (904)	$ 2	$ 10	$ (5,180)

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Following are amounts recorded in and reclassifications out of other comprehensive income (loss), and the income tax effects, in millions of dollars:

Three Months Ended July 30, 2017	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment	$ 328	$ (2)	$ 326
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(2)	1	(1)
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	1		1
Foreign exchange contracts – Other operating expense			
Net unrealized gain (loss) on derivatives	(1)	1	
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	11	(4)	7
Reclassification of realized (gain) loss – Other income	(96)	35	(61)
Net unrealized gain (loss) on investments	(85)	31	(54)
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss)	(1)		(1)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	61	(22)	39
Prior service (credit) cost	3	(1)	2
Settlements/curtailments	1	(1)	
Health care and life insurance			
Net actuarial gain (loss)			
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	25	(9)	16
Prior service (credit) cost	(20)	8	(12)
Net unrealized gain (loss) on retirement benefits adjustments	69	(25)	44
Total other comprehensive income (loss)	$ 311	$ 5	$ 316

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

Nine Months Ended July 30, 2017	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment	$ 327	$ (2)	$ 325
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(2)	1	(1)
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	2	(1)	1
Foreign exchange contracts – Other operating expense	2	(1)	1
Net unrealized gain (loss) on derivatives	2	(1)	1
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	273	(101)	172
Reclassification of realized (gain) loss – Other income	(274)	101	(173)
Net unrealized gain (loss) on investments	(1)		(1)
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss)	(10)	3	(7)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	182	(66)	116
Prior service (credit) cost	9	(3)	6
Settlements/curtailments	2	(1)	1
Health care and life insurance			
Net actuarial gain (loss)	(10)	4	(6)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	74	(27)	47
Prior service (credit) cost	(58)	22	(36)
Net unrealized gain (loss) on retirement benefits adjustments	189	(68)	121
Total other comprehensive income (loss)	$ 517	$ (71)	$ 446

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

Three Months Ended July 31, 2016	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment	$ (100)	$ 1	$ (99)
Unrealized gain (loss) on derivatives:			
Unrealized hedging gain (loss)	(1)		(1)
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	1		1
Foreign exchange contracts – Other operating expense			
Net unrealized gain (loss) on derivatives			
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	11	(4)	7
Reclassification of realized (gain) loss – Other income	(2)	1	(1)
Net unrealized gain (loss) on investments	9	(3)	6
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss)	(7)	2	(5)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	51	(19)	32
Prior service (credit) cost	4	(1)	3
Settlements/curtailments	1	(1)	
Health care and life insurance			
Net actuarial gain (loss)			
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	18	(6)	12
Prior service (credit) cost	(19)	7	(12)
Net unrealized gain (loss) on retirement benefits adjustments	48	(18)	30
Total other comprehensive income (loss)	$ (43)	$ (20)	$ (63)

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

In the third quarter of 2017 and 2016, the noncontrolling interests' comprehensive income (loss) was $.7 million and $(.2) million, respectively, which consisted of net income (loss) of $.5 million and $(.2) million and cumulative translation adjustments of $.2 million and none, respectively.

Nine Months Ended July 31, 2016	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment	$ 54		$ 54
Unrealized gain (loss) on derivatives:			
Unrealized hedging (loss)	(3)	$ 1	(2)
Reclassification of realized (gain) loss to:			
Interest rate contracts – Interest expense	6	(2)	4
Foreign exchange contracts – Other operating expense	(1)		(1)
Net unrealized gain (loss) on derivatives	2	(1)	1
Unrealized gain (loss) on investments:			
Unrealized holding gain (loss)	10	(3)	7
Reclassification of realized (gain) loss – Other income	(3)	1	(2)
Net unrealized gain (loss) on investments	7	(2)	5
Retirement benefits adjustment:			
Pensions			
Net actuarial gain (loss)	(24)	8	(16)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	155	(57)	98
Prior service (credit) cost	12	(4)	8
Settlements/curtailments	10	(4)	6
Health care and life insurance			
Net actuarial gain (loss)	(11)	4	(7)
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial (gain) loss	55	(20)	35
Prior service (credit) cost	(58)	21	(37)
Net unrealized gain (loss) on retirement benefits adjustments	139	(52)	87
Total other comprehensive income (loss)	$ 202	$ (55)	$ 147

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

In the first nine months of 2017 and 2016, the noncontrolling interests' comprehensive income (loss) was $(.1) million and $(1.5) million, respectively, which consisted of net income (loss) of $(.3) million and $(1.6) million and cumulative translation adjustments of $.2 million and $.1 million, respectively.

(5) Dividends declared and paid on a per share basis were as follows:

Three Months Ended		Nine Months Ended	
July 30 2017	July 31 2016	July 30 2017	July 31 2016

Dividends declared	$ .60	$ .60	$ 1.80	$1.80
Dividends paid	$ .60	$ .60	$ 1.80	$1.80

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(6) A reconciliation of basic and diluted net income per share attributable to Deere & Company follows in millions, except per share amounts:

	Three Months Ended		Nine Months Ended	
	July 30 2017	July 31 2016	July 30 2017	July 31 2016
Net income attributable to Deere & Company	$ 641.8	$ 488.8	$ 1,648.8	$ 1,238.6
Less income allocable to participating securities	.2	.3	.4	.6
Income allocable to common stock	$ 641.6	$ 488.5	$ 1,648.4	$ 1,238.0
Average shares outstanding	320.8	314.3	318.8	315.4
Basic per share	$ 2.00	$ 1.55	$ 5.17	$ 3.93
Average shares outstanding	320.8	314.3	318.8	315.4
Effect of dilutive share-based compensation	4.3	1.4	3.7	1.3
Total potential shares outstanding	325.1	315.7	322.5	316.7
Diluted per share	$ 1.97	$ 1.55	$ 5.11	$ 3.91

During the third quarter and first nine months of 2017, none and .3 million shares, respectively, were excluded from the computation because the incremental shares would have been antidilutive. For both periods of 2016, 11.9 million shares were excluded in the above per share computation.

(7) The Company has several defined benefit pension plans and defined postretirement health care and life insurance plans covering its U.S. employees and employees in certain foreign countries.

The worldwide components of net periodic pension cost consisted of the following in millions of dollars:

	Three Months Ended		Nine Months Ended	
	July 30 2017	July 31 2016	July 30 2017	July 31 2016
Service cost	$ 68	$ 64	$ 203	$ 190
Interest cost	90	98	270	293
Expected return on plan assets	(197)	(194)	(591)	(581)
Amortization of actuarial loss	61	51	182	155
Amortization of prior service cost	3	4	9	12
Settlements/curtailments	1	1	2	10
Net cost	$ 26	$ 24	$ 75	$ 79

The worldwide components of net periodic postretirement benefits cost (health care and life insurance) consisted of the following in millions of dollars:

	Three Months Ended		Nine Months Ended	
	July 30 2017	July 31 2016	July 30 2017	July 31 2016
Service cost	$ 11	$ 9	$ 32	$ 28
Interest cost	48	51	146	153
Expected return on plan assets	(4)	(8)	(13)	(26)
Amortization of actuarial loss	25	18	74	55
Amortization of prior service credit	(20)	(19)	(58)	(58)
Net cost	$ 60	$ 51	$ 181	$ 152

During the first nine months of 2017, the Company contributed approximately $50 million to its pension plans and $44 million to its other postretirement benefit plans. The Company presently anticipates contributing an additional $12 million to its pension plans and $8 million to its other postretirement benefit plans during the remainder of fiscal year 2017. These contributions include payments from Company funds to either increase plan assets or make direct payments to plan participants.

(8) The Company's unrecognized tax benefits at July 30, 2017 were $200 million, compared to $198 million at October 30, 2016. The liability at July 30, 2017, October 30, 2016, and July 31, 2016 consisted of approximately $83 million, $81 million, and $72 million, respectively, which would affect the effective tax rate if the tax benefits were recognized. The remaining liability was related to tax positions for which there are offsetting tax receivables, or the uncertainty was only related to timing. The changes in the unrecognized tax benefits for the first nine months of 2017 were not significant. The Company expects that any reasonably possible change in the amounts of unrecognized tax benefits in the next 12 months would not be significant.

(9) Worldwide net sales and revenues, operating profit, and identifiable assets by segment in millions of dollars follow:

	Three Months Ended			Nine Months Ended		
	July 30 2017	July 31 2016	% Change	July 30 2017	July 31 2016	% Change
Net sales and revenues:						
Agriculture and turf	$ 5,338	$ 4,704	+13	$ 14,730	$ 14,046	+5
Construction and forestry	1,495	1,157	+29	4,061	3,691	+10
Total net sales	6,833	5,861	+17	18,791	17,737	+6
Financial services	741	667	+11	2,153	1,954	+10
Other revenues	234	196	+19	776	433	+79
Total net sales and revenues	$ 7,808	$ 6,724	+16	$ 21,720	$ 20,124	+8
Operating profit: *						
Agriculture and turf	$ 685	$ 571	+20	$ 1,899	$ 1,329	+43
Construction and forestry	110	54	+104	253	197	+28
Financial services	200	191	+5	529	545	-3
Total operating profit	995	816	+22	2,681	2,071	+29
Reconciling items **	(100)	(100)		(283)	(272)	+4
Income taxes	(253)	(227)	+11	(749)	(560)	+34
Net income attributable to Deere & Company	$ 642	$ 489	+31	$ 1,649	$ 1,239	+33
Intersegment sales and revenues:						
Agriculture and turf net sales	$ 12	$ 8	+50	$ 29	$ 25	+16
Construction and forestry net sales					1	
Financial services	67	52	+29	178	179	-1
Equipment operations outside the U.S. and Canada:						
Net sales	$ 2,925	$ 2,337	+25	$ 7,785	$ 6,643	+17
Operating profit	353	193	+83	817	445	+84

	July 30 2017	October 30 2016	
Identifiable assets:			
Agriculture and turf	$ 9,143	$ 8,405	+9
Construction and forestry	3,239	3,017	+7
Financial services	42,255	40,837	+3
Corporate	7,713	5,659	+36
Total assets	$ 62,350	$ 57,918	+8

* Operating profit is income from continuing operations before corporate expenses, certain external interest expense, certain foreign exchange gains and losses, and income taxes. Operating profit of the financial services segment includes the effect of interest expense and foreign exchange gains and losses.

** Reconciling items are primarily corporate expenses, certain external interest expense, certain foreign exchange gains and losses, and net income attributable to noncontrolling interests.

(10) Past due balances of financing receivables still accruing finance income represent the total balance held (principal plus accrued interest) with any payment amounts 30 days or more past the contractual payment due date. Non-performing financing receivables represent loans for which the Company has ceased accruing finance income. These receivables are generally 120 days delinquent and the estimated uncollectible amount, after charging the dealer's withholding account, if any, has been written off to the allowance for credit losses. Finance income for non-performing receivables is recognized on a cash basis. Accrual of finance income is generally resumed when the receivable becomes contractually current and collections are reasonably assured.

An age analysis of past due financing receivables that are still accruing interest and non-performing financing receivables in millions of dollars follows:

	July 30, 2017			
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail Notes:				
Agriculture and turf	$ 133	$ 53	$ 58	$ 244
Construction and forestry	93	41	40	174
Other:				
Agriculture and turf	35	17	8	60
Construction and forestry	7	5	1	13
Total	$ 268	$ 116	$ 107	$ 491

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$ 244	$ 218	$ 17,025	$ 17,487
Construction and forestry	174	34	2,546	2,754
Other:				
Agriculture and turf	60	11	7,494	7,565
Construction and forestry	13	16	999	1,028
Total	$ 491	$ 279	$ 28,064	28,834
Less allowance for credit losses				189
Total financing receivables – net				$ 28,645

October 30, 2016	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail Notes:				
Agriculture and turf	$ 115	$ 57	$ 65	$ 237
Construction and forestry	78	32	25	135
Other:				
Agriculture and turf	26	11	6	43
Construction and forestry	10	5	4	19
Total	$ 229	$ 105	$ 100	$ 434

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$ 237	$ 191	$ 17,526	$ 17,954
Construction and forestry	135	35	2,558	2,728
Other:				
Agriculture and turf	43	9	7,286	7,338
Construction and forestry	19	9	957	985
Total	$ 434	$ 244	$ 28,327	29,005
Less allowance for credit losses				176
Total financing receivables – net				$ 28,829

July 31, 2016	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail Notes:				
Agriculture and turf	$ 145	$ 60	$ 81	$ 286
Construction and forestry	74	36	26	136
Other:				
Agriculture and turf	28	9	11	48
Construction and forestry	14	6	3	23
Total	$ 261	$ 111	$ 121	$ 493

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$ 286	$ 194	$ 17,278	$ 17,758
Construction and forestry	136	36	2,535	2,707

Other:				
Agriculture and turf	48	9	7,212	7,269
Construction and forestry	23	7	949	979
Total	$ 493	$ 246	$ 27,974	28,713
Less allowance for credit losses				171
Total financing receivables – net				$ 28,542

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An analysis of the allowance for credit losses and investment in financing receivables in millions of dollars during the periods follows:

	Three Months Ended July 30, 2017			
	Retail Notes	Revolving Charge Accounts	Other	Total
Allowance:				
Beginning of period balance	$ 111	$ 43	$ 23	$ 177
Provision	21	18	3	42
Write-offs	(15)	(26)	(1)	(42)
Recoveries	5	5		10
Translation adjustments	1		1	2
End of period balance *	$ 123	$ 40	$ 26	$ 189
	Nine Months Ended July 30, 2017			
Allowance:				
Beginning of period balance	$ 113	$ 40	$ 23	$ 176
Provision	38	32	6	76
Write-offs	(41)	(47)	(4)	(92)
Recoveries	13	15		28
Translation adjustments			1	1
End of period balance *	$ 123	$ 40	$ 26	$ 189
Financing receivables:				
End of period balance	$ 20,241	$ 3,454	$ 5,139	$ 28,834
Balance individually evaluated **	$ 144	$ 1	$ 27	$ 172

	Three Months Ended July 31, 2016			
	Retail Notes	Revolving Charge Accounts	Other	Total
Allowance:				
Beginning of period balance	$ 102	$ 40	$ 23	$ 165
Provision	11	22	1	34
Write-offs	(10)	(27)	(2)	(39)
Recoveries	3	6		9
Translation adjustments	2			2
End of period balance *	$ 108	$ 41	$ 22	$ 171
	Nine Months Ended July 31, 2016			
Allowance:				