

Machinery, E&C and Waste

US farmer sentiment falls MoM – rising rates moving up on the list of concerns

Industry Overview

Ag barometer: weaker current and future expectations

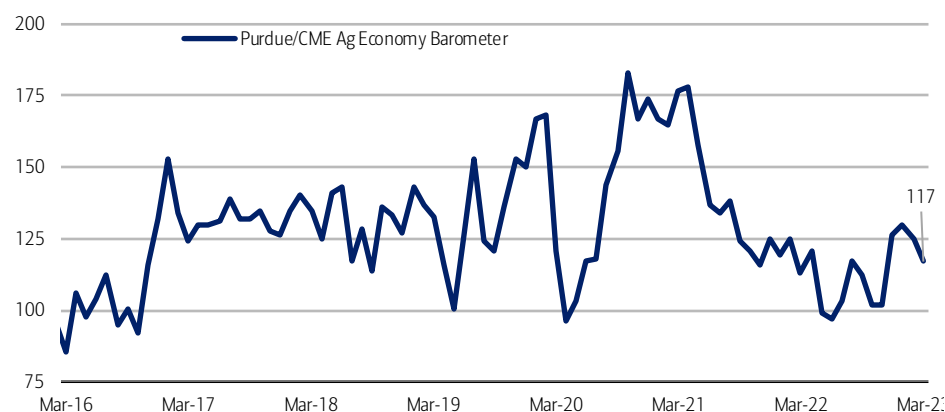
Yesterday, the Purdue University-CME Group Ag Economy Barometer (a reading of US farmer sentiment) released March results. The barometer decreased to 117 from 125 last month (albeit slightly up vs a year ago levels, exhibit 1): current expectations dropped to 126 (vs 134 February) and future expectations fell to 113 (vs 121 February). The 3 primary concerns from farmers: i) higher input costs, ii) higher interest rates, iii) lower crop and/or livestock prices. The Farm Capital Investment Index remains rangebound at low levels (see exhibit 4) with farmers now citing interest rates vs high machinery prices as top concern. We are hosting a call with James Mintert, Director of Purdue University's Center of Commercial Ag, to discuss recent trends in farmer sentiment this Thursday at 10am ET.

Lindsay FQ2 results: irrigation backlog falls slightly YoY

Yesterday, Lindsay (LNN) shares fell 12% (vs SPX -0.6%) on the back of FQ2 results. BofA does not cover LNN. LNN is a leading farm equipment irrigation manufacturer. Key highlights include: i) Irrigation revenue fell 18% YoY (North America -10%, International -28%) due to lower unit sales volume partially offset by higher average selling prices, ii) Backlog was down YoY: North America decline due to seasonality (pull forward of orders last year in advanced of price increase) and international decline due to large projects not repeating, Brazil election timing, iii) LNN expects outlook to remain positive despite anticipated reduction in net farm income in 2023 (-16% YoY vs record 2022, yet +26% above 20 year average adjusted for inflation), iv) recently observing steel cost increases (vs rolling over three months ago) – potentially supportive of equipment price increases.

Exhibit 1: Ag Economy Barometer continues to fall

The barometer decreased to 117 from 125 last month and 113 a year ago



Source: Purdue/CME

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Michael Feniger
Research Analyst
BofAS
+1 646 855 1923
michael.feniger@bofa.com

Sherif El-Sabbahy
Research Analyst
BofAS
sherif.el-sabbahy@bofa.com

Blake Greenhalgh
Research Analyst
BofAS
blake.greenhalgh@bofa.com

Nandita Nayar
Research Analyst
BofAS
nandita.nayar@bofa.com

LNN: Lindsay Corp.

USDA: United States Department of
Agriculture

Ag = agriculture

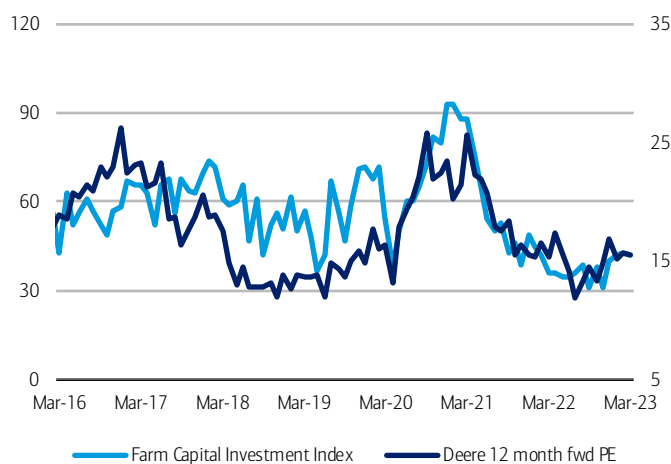
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Timestamp: 05 April 2023 05:30AM EDT

Exhibit 2: Deere's multiple de-rated with Farm capital Investment Index sliding lower YTD

Deere 12 month forward PE vs farm capital investment Index

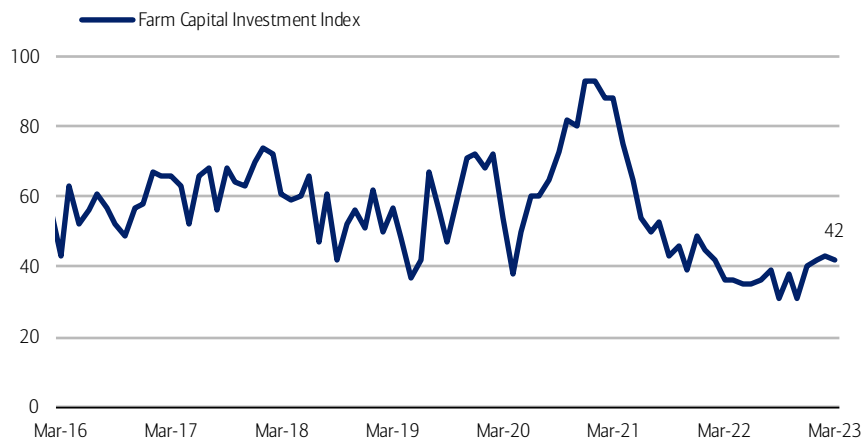


Source: BofA Global Research, Purdue/CME, Bloomberg

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Exhibit 4: Farm Capital Investment Index

The farm capital investment index increased to 42

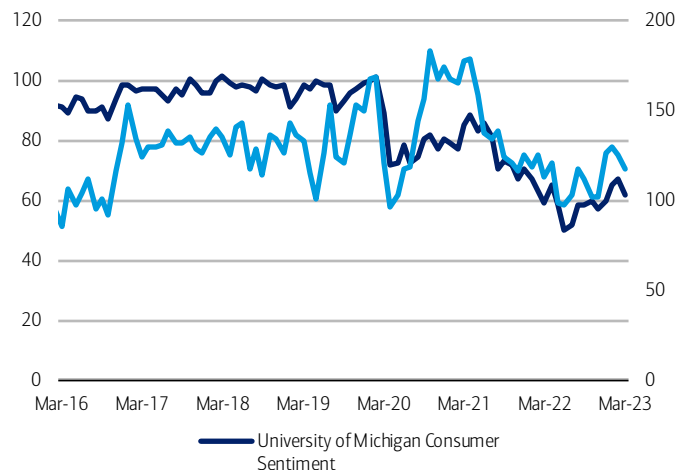


Source: Purdue/CME

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Exhibit 3: Consumer sentiment (left hand axis) vs Farmer sentiment (Purdue/CME Ag Economy Barometer right hand axis)

Ag economics strong yet farmer sentiment following consumer sentiment lower – farm equipment OEMs not seeing any pull back in order boards



Source: BofA Global Research, Purdue/CME, Bloomberg

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