

Machinery, E&C and Waste

Farmer sentiment drops on lower crop prices and higher rates

Industry Overview

Ag barometer: weaker current and future expectations

Today, the Purdue University-CME Group Ag Economy Barometer (a reading of US farmer sentiment) released September results. The barometer decreased to 106 vs 115 last month and 112 a year ago (Exhibit 1). Current expectations dropped to 98 (vs 108 September and 109 last year) and future expectations fell to 109 (vs 119 September and 113 last year). The top concerns from farmers are: (1) weaker crop prices; (2) higher production costs; and (3) higher interest rates. September's declines left all three of these indices below year-ago levels.

Farm Capital Investment Index remains constrained

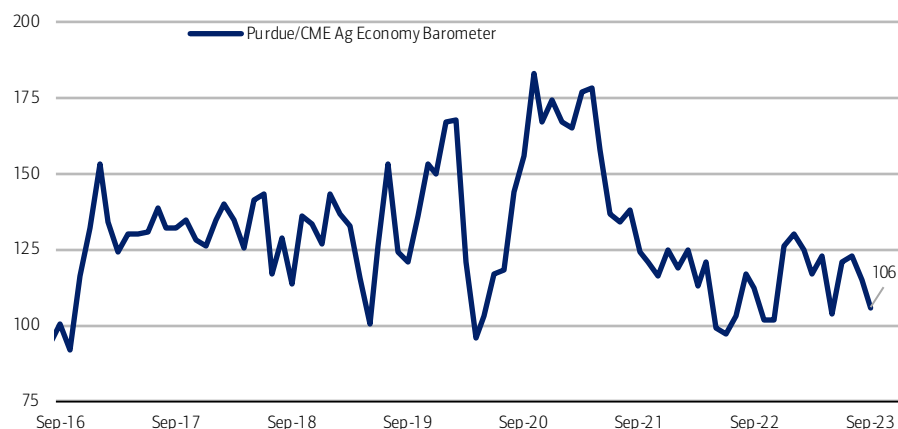
The Farm Capital Investment Index saw a small uptick this month, rising 2 points to 39. That said, 75% of farmers believe it is a bad time for large investments citing i) high machinery prices and ii) rising interest rates as primary concerns. Notably, rising interest rates are a growing concern – with 40% of farmers citing it as a key concern, up from 35% last month and 14% when the question was first asked in July 2022. Among the responses that the farm investment climate is favorable, the number one reason cited the last three months has been strong cash flow on farm operations.

Hosting Farmer Sentiment call Friday – look for clues

We will host a call with James Mintert, Director of Purdue University's Center of Commercial Ag, to discuss recent trends in farmer sentiment this Friday, October 6, at 10am ET. We look for clues if weaker farmer sentiment translates into purchasing decisions as we head into 2024. This is relevant for our farm equipment coverage – Deere, CNH Industrial, and AGCO.

Exhibit 1: Ag Economy Barometer continues to fall

The barometer decreased to 106 from 115 last month and 112 a year ago



Source: Purdue/CME

BofA GLOBAL RESEARCH

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Equity
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OEMs = original equipment
manufacturers

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