

Farming Equipment; Agriculture Gets Its Own 'Apple verses Windows' Battle

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By: Jane Wells | CNBC Reporter

Record corn prices. Record farm incomes. Record equipment sales. Drought or no drought, the last few years reaped an unprecedented bounty for America's farm economy. "These last two years have been my best," said Dave Steward, who's been farming corn and soybeans for 40 years outside Decatur, Ill.

But what goes up usually comes down, and that may be happening with farming. The price of corn has fallen 40 percent from its record high of \$8 a bushel last fall, though prices were rising again this week as a withering heat wave hit parts of the corn belt. However, if corn stays below \$5 a bushel, many analysts say, farmers will slow their spending, becoming more cautious. Lower-priced corn creates less need to make big purchases that can be written off against taxes. "I think we will see \$4 corn before we see \$7 corn again," said Ann Duignan of JPMorgan. She has an underperform rating on Deere, as she expects equipment purchases in the U.S. to "take a breather."

Evolution of the Tractor Produces Precision Farming

Traditional farming is going high tech, reports CNBC's Jane Wells with a look at the latest equipment designed to help farmers produce the best yields. Still, tens of thousands of farmers were not letting the heat or the price of corn keep them from kicking tires at the Farm Progress Show in Decatur this week. This is the largest outdoor equipment show in the country, where companies like Deere, Case IH, and AGCO show off their latest tractors and combines.

Jim Walker, vice president for Case's North America agriculture sales, was asked how much the company's latest state-of-the-art tractor cost. "Probably more than your house," he joked. Many of the new tractors can go for as much as \$400,000, and while most companies say they have strong orders for the rest of the year, the 2014 outlook is unclear.

Manufacturers are therefore doubling down on promoting agriculture's newest craze—"precision farming." These are technologies that allow farmers to assess and improve production down to the inches of farmland, whether it's self-driving tractors guided by satellites or software that monitors yields on different parts of a farm. Farmers can transmit data wirelessly from their tractors or combines to be stored in the cloud and accessed anywhere they choose.

But rivals are developing different systems for precision farming, evoking comparisons to the old software war between Apple and Microsoft. Deere, much like Apple, is creating a closed, proprietary system that will work across its line of products. Outside developers will be able to create apps for Deere's platform. "Just imagine an iPad, you download all these apps. That's what MyJohnDeere.com will be like," said Barry Nelson, head of Deere's Ag & Turf media relations in North America.

Meanwhile, AGCO is taking the opposite approach, similar to Microsoft's original strategy. It's opening up to partners (including Apple, ironically) to develop a system that works on all types of equipment, not just its own brands. "You look at these farms, every one of them is a mixed fleet," said AGCO's vice president of Marketing, Jason Marx. In a similar manner, Case IH is using software created by other companies for its hardware. Building a software system "isn't a core competency of ours," said Jim Walker, a company vice president. "We're a farm equipment manufacturer."

Bank of America analysts suggest farming production could double by 2050, and precision technology could contribute 30 percent to that growth. But not all farmers are eager to adopt the new tools. Some are concerned about keeping their data secure, and others don't want to share information.

"Farmers don't want to give away their yield data, their farming data," said JP Morgan's Duignan. "It'll have to be proven," said Steward, the Illinois farmer. He has begun buying some of the technology, paying \$15,000 for a software system that creates a "yield map" as he harvests corn. "I can show that to my landlords and they'll say, 'Well, I want that 200 bushels-an-acre corn on all of it,' and I'll say, 'Well, we're going to work on it, this area here needs attention.'" Steward jokes that so far the software is telling him what he already knew, but now his landlords believe him. "I've been telling you this for 40 years, but this is real now," he laughed.