

INVESTOR'S EDGE

# John Deere is positioned for bright future

The company is embracing smart farming technology

*"I will never put my name on a product that does not have the best that is in me,"*  
— John Deere



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Everyone loves the Nike "swoosh" logo, Apple's half bitten fruit, and we all know McDonald's Golden Arches.

But I'll tell you there's a company whose logo is better than 'em all – John Deere.

John Deere has their signature green and gold "leaping deer" logo, which you have certainly seen on tractors, T shirts, hats, and the like; in fact, the leaping deer is the longest continuously used corporate logo of any Fortune 500 company!

And as readers of this column know, I strongly endorse investing in great brand names.

Formally known as Deere & Co., Deere is one of the five oldest companies in the United States. Most of our readers probably associate Deere with tractors and lawnmowers. What most of our readers probably don't know is that Deere is in the early stages of transforming itself into a cutting edge technological powerhouse in the agricultural industry that will drive exponential earnings growth over the next decade.

So, let's look at the Deere transformation.

Founded in 1837, in a small blacksmith shop in Grand Detour, Illinois, Deere & Co. (ticker symbol: DE) is the world's largest manufacturer of agricultural and farm equipment and a major producer of construction, forestry, lawn, and grounds equipment. The company employs 75,000 people with an annual revenue of \$36 billion and a business presence in more than 160 countries.

Deere is building a rapidly growing in-house franchise around precision agriculture, more commonly known as smart farming.

What is smart farming?

This fascinating process synthesizes a variety of technologies including drones, GPS, sensors, and robotics to help farmers collect and analyze large amounts of data in order to better manage their land and crops.

Deere's new technology allows farmers to connect their machine and proprietary data to the internet using satellites. As a result, the tractors, planters, sprayers, and the like used by farmers are vastly more efficient. In fact, Deere's operations center now has more than 200,000 connected machines on approximately 200 million acres of land across the U.S!

The natural result for farmers is massively improved productivity, efficiency, and — most importantly — profitability.

Can you see how farmers would want to eat this up? LOL.

In fact, use of Deere's smart farming has tripled in just the last 12-months, and smart farming technology and tools are a massive growth market.

### **GROWTH IN ALL SEGMENTS**

Furthermore, not only is Deere the most dominating and innovative force in its industry, they are seeing growth across all segments as the global economy recovers from COVID-19. In fact, on top of an already solid 2020, in January, Deere recently raised its full year earnings guidance by roughly 25% and expects double-digit growth in its agricultural, forestry, and construction equipment segments.

Deere will also benefit from other long-term global tailwinds including a growing population, rising crop prices, and increasing urbanization.

And here's this fast fact: many of the world's industrial and agricultural equipment, especially in the United States, is considered aged and could be entering a potentially massive replacement cycle, obviously to Deere's benefit.

Now, in addition to traditional sales and big box stores, Deere has a network of more than 5,000 independent dealers. These locations offer a one-stop shop for parts, service, repairs, and financing which increases sales and fabulous customer loyalty.

Hey, loyalty is a huge business asset. And Deere has some of the most loyal customers in the world.

Finally, I'm sure you are aware of the growing demand for ESG investing (environmental, social, and governance). Well, the precision agriculture tools and technology Deere is building helps conserve water, reduce pesticides and fertilizers, and leads to more efficient, bountiful harvests. Deere also has a detailed list of environmental goals it hopes to achieve in the next several years as well as a long-term commitment to sustainability.

### **DEERE STOCK ISN'T CHEAP**

So, for those that want to do good, they can also do well for themselves with a Deere investment.

Deere is not a cheap stock, selling at around \$345 at the time of this writing and up significantly over the last 12-months. But in my experience, buying a great company for the long term always beats buying a mediocre company "off it's 52-week high."

In summary, I believe Deere's market dominant position in precision agriculture is a gamechanger.

Deere. What a classy and iconic brand name. Buy it now and eat well!

*Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at [jburns@jwburns.com](mailto:jburns@jwburns.com)*

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