# US farm equipment manufacturer John Deere calls for “organizational efficiency,” threatening jobs

By George Gallanis
19 August 2019

In a recent earnings meeting, farm equipment manufacturer giant John Deere called for the cutting down on costs and increase in profits through “organizational efficiency.” Bearing the cost of this “efficiency” will be Deere workers, who confront reduced hours and possible layoffs numbering in the hundreds, if not thousands.

Deere published a news release on August 16 citing decline of revenue in certain areas.

It reported global net sales and revenue, i.e., money earned through sales with customers before taxes, expenses etc. are taken out, decreased 3 percent, to $10.036 billion, for the third quarter of 2019. Net sales of the equipment operations were $8.969 billion for the same quarter compared with $9.286 billion last year.

Deere reduced its projected full-year net income, money left over after deducted expenses like payroll, to $3.2 billion and annual sales growth to 4 percent, from the previously expected $3.3 billion. Previously it projected annual sales growth of 5 percent.

Samuel R. Allen, Deere’s chairman and chief executive officer, stated "John Deere's third-quarter results reflected the high degree of uncertainty that continues to overshadow the agricultural sector” due in part to "concerns about export-market access, near-term demand for commodities such as soybeans, and overall crop conditions, have caused many farmers to postpone major equipment purchases.”

Growing trade tensions between China and the United States have stymied export incomes of American farmers. According to the American Farm Bureau, in 2018, China imported $9.1 billion of U.S. farm produce, down from $19.5 billion in 2017.

US shipments of soybeans to China fell to a 16-year low last year as China bought soybeans mostly from Brazil.

Meanwhile, a record-setting wet spring destroyed crop yields for large sections of the American farm belt. Heavy rains led to flooding, which delayed and prevented planting, and was made worse by hot and dry summer weather, which decreased corn and soybean yields.

According to the US Department of Agriculture, across the country some 19.4 million insured acres went unplanted due to the rains, the highest amount ever since the government started tracking it in 2007.

Illinois, the leading US state for soybean exports, has seen 15 major farm bankruptcies over the last 12 months, up from 10 the year before. At the start of August, the United States Department of Agriculture (USDA) declared an agricultural disaster in all 102 Illinois counties because of flooding. Due to retaliatory measures by China in response to Trump’s trade war measures, agricultural exports from Illinois to China fell 77 percent last year. Across the United States, there were a total of 535 Chapter 12 bankruptcy filings, a spike of 13 percent, or 60 bankruptcies, in the past 12 months, the highest since 2012.

Speaking to the *Chicago Tribune*, Caroline Bartz, whose family operates a farm in central Illinois, said, “I tell ya, it’s a nightmare. In 50 years of farming, I have never seen anything like this year—never.”

These factors have led to decreased equipment sales, affecting Deere’s fiscal bottom line.

Deere is responding to the growing trade war, decreased farm equipment sales combined with the looming threat of recession by seeking to impose this crisis on workers. In a Deere earnings call on August 16, 2019, attended by Deere’s shareholders and executives, Ryan D. Campbell, a senior vice-president & Chief Financial Officer at Deere, foreshadowed the company’s plans:

“As these challenges persist, we are now beginning more aggressive actions on our cost structure to create a more efficient and nimble organization. These actions, which will involve organizational efficiency, a footprint assessment and an increased focus on investments with the most opportunity for differentiation, are in support of our aspiration to achieve 15 percent structural operating profits by 2022 and will position us to capitalize upon the resumption of replacement demand growth."

Campbell's call to increase operating profits, money earned from core business operations like equipment sales, by 15 percent means the amassment of hundreds of millions of dollars on top of their current total. According to macrotrends.net, as of July 31, 2019 the current operating profit margin for Deere is 8.27 percent. A 15 percent margin means almost doubling the current figure.

To achieve this, Deere is intent on cutting labor costs and increasing the exploitation of remaining workers. Campbell's "organizational efficiency" means cuts to worker's hours and jobs, both white- and blue-collar.

Deere workers should take this as a warning. Already, thousands of jobs in the auto industry have been slashed in an attempt to extract more profits. Deere is seeking to use the slowdown to carry out even deeper attacks on workers.

Deere is no doubt eyeing the 2021 contract between Deere and the United Auto Workers (UAW) to claw back more concessions from workers. In 2015, the UAW, led by former vice-president Norwood Jewell, who is being jailed for taking bribes from Fiat Chrysler, imposed a sellout contract that preserved the hated two-tier system on 11,200 farm machinery workers at John Deere. Workers were forced to vote on a contract without seeing anything but the union's "highlights." Amid demands by John Deere workers for a recount, the UAW claimed the contract passed by a narrow margin.

Whatever the specific plans of Deere's executives, workers should not have to pay for the downturn confronting Deere. Workers did not create the growing global capitalist crisis, which is sinking the world into a recession.

Deere workers should immediately begin forming rank-and-file committee to halt all impending cuts to hours and jobs and demand the reinstatement of laid-off workers. These rank-and-file committees must stand in complete opposition to the pro-company UAW, and fight for the needs of workers, not what Deere and the union say the company can afford. Workers should link up with autoworkers and expand this fight.

As one Deere worker told the *World Socialist Web Site*, "Every contract that I have been a part of since 2008 has done nothing but take money away from the workers while adding costs (insurance premiums and other out-of-pocket expenses). At first everyone was like OK at least they still haven't messed with our insurance, but then they did.

"From the two-tier wage since 1997 (they said would only last a year to keep from shutting the plant down) to losing COLA, pensions, health care after retirement, overtime, it's been nothing but givebacks. Last year we lost our CIPP pay (incentive pay) which is roughly $20,000-$24,000 a year and took years and years to build.

"Everyone is tired of trying to speak up only to be shot down, ignored or nothing being done. Our locals are just as bad as the UAW big wigs and they don't get the big cash bribes. They do get some kind of perks from the company. All of our stewards and committeeman do nothing but sit in the offices. There is no representation of any kind anywhere anymore. Contract after contract it's the same thing, everybody talks strike, wants to strike but there is no strike. These rank-and-file committees I think are our only way."

The Tax Cuts and Jobs Act, signed by President Donald Trump in December 2017, lowered corporate tax rates from 35 percent to 21 percent. Like other corporations, inducing auto corporations like GM and Ford, Deere was handsomely rewarded. In 2018, Deere reported pre-tax earnings of $2.15 billion in U.S. earnings. It owed no U.S. taxes in 2018 but was instead owed $268 million from the US government for various deductions and credits.

While demanding concessions from workers, Campbell told shareholders in the August 16 earnings call that dividends paid out to shareholders would not be decreased. Assuring the wealthy investors, he said, "Note that we've increased our dividend by 25 percent over the last two years and that further increases will be under consideration as we demonstrate progress to our increased profitability goals."

Deere has also engaged in a stock buyback scheme, purchasing $400 million dollars of stock already, to boost stock prices and returns to investors and top executives. According to salary.com, Deere CEO Samuel R. Allen received total compensation of $18.2 million in fiscal year 2019.