Introduction provides wholesale financing to dealers of the

Business, Industries

IntroductionCompany IntroductionJohn Deere &Company is an American corporation that first started out in 1837 by ablacksmith known for his craftsmanship and inventiveness, John Deere. The Company currently has three majorbusiness segments of operations.

The agriculture and turf segment mainly focuseson manufacturing and distributing a full line of agriculture and turf equipmentand related service parts. The construction and forestry segment deals with themanufacture and distributes a variety of machines and service parts used inconstruction, earthmoving, material handling, and timber harvesting. The finance segmentof John Deere primarily deal with finances sales and leases by John Deeredealers around the world of new and used agriculture and turf equipment andconstruction and forestry equipment. In addition, the financial servicessegment provides wholesale financing to dealers of the foregoing equipment, finances retail revolving charge accounts and offers extended equipmentwarranties. In 2017, Deere& Co. was listed as 105th in the Fortune500 in America’s ranking and is listed on the New York Stock Exchange under thesymbol DE.

BodyTrendsin sales, cost of goods sold, and gross profitDeere & Co. worldwidenet sales and revenues have had a decrease of 8 percent to $26, 644 million in2016, compared with $28, 863 million in 2015. They have also had a decline of 9percent in net sales of the worldwide equipment operations in 2016 to $23, 387million from $25, 775 million last year. Equipment sales in the United Statesand Canada have also taken a hit by decreasing 13 percent in 2016. Foreignbusiness outside of the U. S. and Canada, net sales have decreased 3 percentfrom the last year, with a negative currency translation effect of 4 percentfor 2016. Worldwide equipment operations had an operating profit of only $1, 880million in 2016, compared with $2, 177 million in 2015.

This decline is due particularlybecause of reduced shipment volumes, and unfavorable effects of foreigncurrency exchange and a less favorable product mix. Net income of the Company’sequipment operations was $1, 058 million for 2016, compared with $1, 308 millionin 2015. In addition to the operating factors mentioned above, a highereffective tax rate in 2016 reduced net income. The cost of sales to net salesratio for 2016 was 78. 0 percent, compared with 78. 1 percent last year. Thedecrease was due primarily to price realization and lower production costs, largely offset by the unfavorable effects of foreign currency exchange and theimpact of a less favorable product mix.

Management of riskand uncertaintyJohn Deere reported a recent EPS growth rate of -23. 75%. That’s below the machinery industry average of 58.

99%. The averageprice-to-earnings ratio of the machinery industry is 27. 59 and John Deere’sratio comes in at 24. 59. It’s trading at a better value than many of itscompetitors.

The debt-to-equity ratio for John Deere stock is 504. 82%. That’sabove the machinery industry average of 97. 88%. That’s not a good sign. JohnDeere’s debt levels should be lower.

The company’s agriculture and turfequipment sales decreased 7 percent in 2016 and are forecast to decrease1 percent for 2017. Industry agricultural machinery sales in the U. S. andCanada for 2017 are forecast to decrease 5 to 10 percent, compared to2016. However, South American industry sales are projected to increase about15 percent from 2016 levels. Asian sales are projected to be about thesame or increase slightly in 2017.

Industry sales of turf and utility equipmentin the U. S. and Canada are expected to be approximately the same for 2017. JohnDeere is subject to a wide variety of local, state and federal environmentallaws and regulations in the U. S., as well as the environmental laws andregulations of other countries in which John Deere conducts business. JohnDeere strives to comply and believes it is in compliance in all materialrespects with applicable laws and regulations. However, failure to comply withthese regulations could lead to fines and other penalties.

The U. S. Environmental Protection Agency has issued stringent emissions regulations foroff-road engines, and governmental agencies throughout the world are similarly enactingmore stringent laws to reduce off-road engine emissions. John Deere hasachieved and plans to continue to achieve compliance with these regulationsthrough significant investments in the development of new engine technologiesand after-treatment systems. The company has had miscellaneous contingenciestotaling approximately $65 million at October 31, 2016, for which itbelieves the probability for payment is substantially remote.

The accruedliability for these contingencies was not material at October 31, 2016. The company is subject to various unresolved legal actions which arise in thenormal course of its business, the most prevalent of which relate to productliability, retail credit, employment, software licensing, patent, trademark andenvironmental matters. The company believes a possible range of losses forthese unresolved legal actions in addition to the amounts accrued would nothave a material effect on its financial statements. Costs andfluctuationsCapital Corporation and other credit subsidiaries dependlargely on timely access to capital in order to meet future cash flowrequirements, and to fund operations, costs and purchases of the company'sproducts. If general economic conditions deteriorate or capital markets becomemore volatile, funding could be unavailable or insufficient. Additionally, customer confidence levels may result in declines in credit applications andincreases in delinquencies and default rates, which could materially impactwrite-offs and provisions for credit losses. The company completed a successfulyear in spite of continuing weakness in the global agricultural andconstruction equipment sectors.

The results reflect adept execution of theoperating plans and disciplined cost management as well as the impact of abroad product portfolio. The forecast calls for lower results in 2017, but theoutlook is considerably better than in earlier downturns with a more durablebusiness model and a focus on further efficiency gains. The company remains ina strong position to carry out its growth plans and attract new customersthroughout the world. The company is confident in the present direction andbelieves it will provide value to customers and investors in the future.

Changingworldwide demand for farm outputs to meet the world’s growing food andbio-energy demands, driven in part by government policies and a growing worldpopulation, are likely to result in fluctuating agricultural commodity prices, which directly affect sales of agricultural equipment. Expanding businessoperations globally also increases exposure to currency fluctuations which canmaterially affect the Company’s financial results. Substantial fluctuations inthe value of the U. S.

dollar could have a significant impact on John Deere’sresults. Significant fluctuations in foreign currency exchange rates andvolatility in the price of many commodities could also impact the company’sresults. Designing and producing products with engines that continue to meethigh performance standards and increasingly stringent emissions regulations isone of the company’s major priorities. Expanding business operations globallyincreases exposure to currency fluctuations which can materially affect theCompany’s financial results. As these emerging geographic markets become moreimportant to John Deere, its competitors are also seeking to expand theirproduction capacities and sales in these same markets. While John Deeremaintains a positive corporate image and the John Deere brand is widelyrecognized and valued in its traditional markets, the brand is less well knownin some emerging markets which could impede John Deere’s efforts tosuccessfully compete in these markets. Although John Deere is taking measuresto adapt to these changing circumstances, John Deere’s reputation and/orbusiness results could be negatively affected should these efforts proveunsuccessful.

ConclusionJohn Deere &Company is an American corporation that has three major business segments ofoperations. These segments have worldwide net sales of $26, 644 million in 2016, compared with $28, 863 million in 2015. Worldwide net incomes attributable toDeere & Company in 2016 were $1, 524 million, compared to$1, 940 million in 2015. Net sales of the worldwide equipment operationshave also declined 9 percent in 2016 to $23, 387 million from$25, 775 million last year.

The decrease was due primarily to pricerealization and lower production costs, largely offset by the unfavorableeffects of foreign currency exchange and the impact of a less favorable productmix. This is all due to the agriculture business that John Deere is known for, this type of business is in jeopardy right now because of the weakness indemand for the products that John Deere makes, like tractors, backhoes, excavators, and skid steers. Once this market picks back up John Deere shouldbe able to recover and keep on doing what they have been doing since 1837.