

Deere Posts 47 Percent Jump In 3Q Profit

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OMAHA, Nebraska (AP) — Deere & Co. said Wednesday its third-quarter profit grew 47 percent because American and Canadian farmers bought enough of the company's large equipment to offset a sharp downturn in Europe, but Deere kept its forecast for the year conservative.

The company reported \$617 million net income, or \$1.44 per share, in the quarter that ended July 31. That's up from \$420 million, or 99 cents per share, a year ago.

Deere says global revenue spiked 16 percent to \$6.84 billion.

Agricultural equipment sales in the U.S. and Canadian markets increased 19 percent in the quarter. Sales in other markets rose 16 percent, but that figure masks the European weakness.

"While we have benefited from positive conditions in the U.S. farm sector, particularly in terms of demand for large equipment, European markets are down sharply," Deere's chairman and CEO Samuel Allen said in a statement.

Overall, Deere's agricultural and turf equipment sales grew 12 percent to \$5.2 billion from last year's \$4.7 billion.

Demand for construction and forestry equipment has improved from last year, but Deere said it remains well below normal. Quarterly sales for that division jumped 59 percent to just over \$1 billion from \$632 million a year ago.

The quarterly results from the maker of iconic green-and-yellow farm and construction equipment easily beat Wall Street expectations. On average, analysts expected earnings per share of \$1.24 on \$6.52 billion revenue.

Analysts praised Deere's performance, but were soured by the company's expectations going forward. Deere stock declined 96 cents, or 1.4 percent, to \$66.27 in early trading Wednesday.

Sterne Agee analyst Lawrence De Maria said in a research note that Deere's guidance appeared conservative after the past two quarters of solid results.

"We believe the underlying fundamentals for ag are exceptional, and anticipate continued strong operating performance and another solid year in 2011," De Maria said.

Jefferies & Co. analyst Stephen Volkmann said in a research note that Deere delivered a strong performance, but investors may be disappointed with the company's fourth-quarter forecast.

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The company said it now expects its sales to grow about 12 percent in fiscal 2010. That prediction is in line with the 11 percent to 13 percent range Deere offered in May.

Deere also said it expects fourth-quarter net income to increase about 32 percent over last year to \$375 million.

Deere said it expects U.S. farm income this year to total \$85.7 billion. That's up from the company's previous forecast of \$81.5 billion. The amount of money farmers have is a key indicator of how much equipment Deere will sell.

Deere, based in Moline, Illinois, is the world's largest maker of agricultural equipment, but it also makes construction, forestry and landscaping equipment.

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