

Deere Profits Soar 65 Percent On Strong Americas Sales

MOLINE, Illinois (AP) — Deere & Co. said Wednesday its fiscal second-quarter profit soared 65 percent because of strong demand for its agricultural equipment, especially in the United States, Canada and Brazil.

The company also said it plans to invest \$80 million in a new agricultural equipment manufacturing plant in northeast China to help meet increased demand in the region. It would be Deere's seventh manufacturing plant in China including two that are joint ventures.

The earnings beat Wall Street expectations, and it raised its forecast for 2011 revenue.

But its shares fell \$1.21 to \$85.75 in pre-market trading.

Jefferies & Co. analyst Stephen Volkmann said in a research note that he was somewhat disappointed with Deere's pretax profit margin, and he said a lower tax rate boosted Deere's earnings by 6 cents per share in the quarter.

Deere is the world's largest maker of agricultural equipment. It also makes construction, forestry and landscaping equipment, such as backhoes, excavators, riding mowers and leaf blowers.

The Moline, Illinois, company said its net income rose to \$904.3 million, or \$2.12 per share, during the quarter ended April 30. That's up from last year's \$547.5 million, or \$1.28 a share, weighed down by a charge related to U.S. health care reform.

Analysts surveyed by FactSet expected earnings of \$2.06 a share.

Revenue grew 25 percent to \$8.9 billion from last year's \$7.1 billion. Analysts expected \$8.12 billion.

The company upped its forecast for fiscal 2011 revenue. Deere now predicts sales will be rise 21 to 23 percent even though the Japanese tsunami will hurt sales by \$300 million. Earlier this year, Deere predicted sales would increase 18 to 20 percent.

"John Deere is well positioned to address the world's growing need for agricultural commodities, shelter and infrastructure," said Samuel Allen, Deere's chairman and chief executive.

Deere said its third quarter sales should be up about 20 percent over last year.

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The company said farmers in most of the world's major markets are harvesting strong income because demand for their crops remains high at a time when global stockpiles are relatively low. Deere predicted that this year's crop prices will average well above last year's levels.

Corn prices have more than doubled since last summer and hit an all-time high of \$7.76 a bushel on April 11. The price had risen because demand from ethanol producers and overseas consumers has grown faster than supply. Prices have declined this month because new USDA estimates predicted corn supplies will grow this year, but corn prices still remain close to \$7 per bushel.

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