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Deere & Company F2Q09 (Qtr End 4/30/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Andrew Casey and please state your company name.

Andrew Casey - Wachovia

Good morning. Wachovia Securities. A question on the back-half guidance -- how many production shut-down days are you anticipating?

Marie Ziegler

In our north -- I don't have a combined corporate number. In our North American AG manufacturing in the third and fourth quarters, we'd be looking at probably a combination of somewhere around 20% of available days. That's what the forecast anticipates. In Europe, it would be a number in the 30s and it's -- construction doesn't have a very high number. It's a little misleading there so I am not going to share but they would obviously have a fair number of low or slow production.

Andrew Casey - Wachovia

And Marie, could you remind me what for North American AG and Europe, what were the comparables for second half of last year?

Marie Ziegler

In North America, it would have been a very low single digit and -- oh, maybe -- I'm just eyeballing it here but probably not even 20% in Europe. And then again there would have been a higher number in construction and forestry but the numbers are not really comparable to what we have gone over with AG.

Andrew Casey - Wachovia

Okay. Thank you very much.

Operator

Our next question comes from Robert Wertheimer.

Robert Wertheimer - Morgan Stanley

I wanted to ask I guess about construction and forestry, whether you think you've got -- I mean, the margin was obviously kind of soft. Have you got the structural cost where you want it and you just need to wait for a market recovery? It's obviously been a very steep down cycle and I am wondering whether that cost position is where you want it to be.

Marie Ziegler

Well, we have executed according to our plan throughout this downturn but clearly with the sales outlook we've got, we are operating at very, very low levels and operating frankly below what we would have anticipated as we were doing our financial planning. I think they have executed quite well, responded very rapidly and followed the plan, which I should point out at this time, we've done similar things in the other division, in terms of planning.

Mike, do you want to chime in?

Michael J. Mack Jr.

Well, I'll just comment -- you know, think about it; sales are down 55% in the quarter, production down 62%. I think incremental margins of 32% in that environment actually are pretty good. Remember Susan's comment at the outset that the field inventories for Deere -- or excuse me, for the industry, ex Deere are twice what Deere's are. We've had I think very good execution there. They are maintaining their quality in their factories. The safety numbers are as good as they have ever been. I was just in one of these factories for a review. I thought the morale was very good. I think they are managing it, given the circumstances, as well as they can.

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