

Nothing Grows Like a Deere

One year sees one company make many facility moves.

by ADAM BRUNS
adam.brunns@conway.com

The health of both U.S. machinery exports and machinery companies can best be viewed through the lens of one firm: Moline, Ill.-based **Deere & Co.**, which over the past year has announced facility investments encompassing 20 different sites around the world, while closing only one, in Welland, Ont. As recently as mid-October, even with the global financial catastrophe, Deere said it had received "virtually no order cancellations" in the U.S. or abroad, and that its 2009 outlook remained strong.



The new John Deere marketing and sales center in Olathe, Kan., aims to be LEED-Gold certified. Artist's rendering courtesy of Deere & Co.

In early April, Deere announced it had signed an agreement with Russia's government to invest some \$80 million in a central operations center in **Kaluga**, an increasingly popular industrial location 38 miles (61 km.) southwest of Moscow. When operational in 2010, the center will include a distribution, replacement parts and training facility.

"We believe this is one of the largest single investment projects of a non-Russian farm and forestry equipment manufacturer in Russia," said Robert W. Lane, Deere & Company chairman and CEO. "Our strategic investment reflects Deere's confidence in the Russian and other Commonwealth of Independent States [CIS] markets." The project's initial stage on the 98-acre (40-hectare) parcel will include a 322,000-sq.-ft. (29,914-sq.-m.) replacement parts distribution center.

"The site will leave room for further expansion potential as our business in Russia continues to grow," said Mark von Pentz, president of Deere's Agriculture Division for Europe, Africa and South America. "As an interim step for further investments," he said, the center "also contains a provision for local assembly and manufacturing at a later stage." Deere's most recent investment in the country was a seeding equipment plant in **Orenburg**, established in 2005.

In September, Deere announced it would build a 126,150-sq.-ft. (11,719-sq.-m.) sales and marketing center in **Olathe, Kan.**, that will house 400 employees servicing branches and dealerships in the U.S. and Canada. The open-office project moves the jobs from an older, two-building facility. Like many of Deere's current projects, it will be completed in early 2010.

In an effort to get service parts inventory closer to customers and dealers, Deere officials in mid-August said the company would expand the parts distribution center in **Milan, Ill.**, by more than 300,000 sq. ft. (27,870 sq. m.). At the same time, parts depots in **Portland, Ore.**, and **Regina, Sask.**, will be renovated to assume expanded responsibilities for operation as regional distribution centers. In addition, the company will move a parts depot from **Stockton, Calif.**, to **Lathrop, Calif.**, and expand its scope as well to a regional distribution center. All three regional facilities are anticipated to become operational between November 2008 and September 2009.

Mannheim, Germany, was the site of Deere's Sept. 3 announcement that it would establish a European Technology & Innovation Center (ETIC) in Kaiserslautern, Germany — located between Deere factories in **Mannheim** and **Zweibruecken**. Expected to accommodate up to 200 engineers, the center is slated to be operational in the spring of 2010. Deere officials credited in particular the "highly specialized research operations at the University of Kaiserslautern" as a factor in the location decision.

In **East Moline, Ill.**, Deere is investing approximately \$35 million to increase combine harvesting system manufacturing capacity by 30 percent. In **Moline**, the company's investment heritage is taking another shape: In August, Deere announced it would loan business development executive William A. Ratzburg, a 30-year Quad Cities resident, to work on specific economic development projects with Renew Moline and the Quad City Development Group.

In **Waterloo, Iowa**, where the company employs 5 percent of the work force and a third of tractor production goes outside the U.S., Deere is investing \$187 million via two separate projects that will increase high-horsepower tractor production capacity by 40 percent and increase production of components and parts too. Part of the investment will go toward a new 103,000-sq.-ft. (9,569-sq.-m.) expansion of the Waterloo drive-train operations. Some of the investment will go toward improvements at the Deere transmission and drive-train plant in **Coffeyville, Kan.** Deere expects the projects to be complete by early 2010. Elsewhere in Iowa, while the company had to lay off 25 people in **Dubuque**, its credit services division is moving forward on a \$28-million, 145,000-sq.-ft. (13,471-sq.-m.), 150-employee office expansion in **Johnston**. The expansion will stretch John Deere Credit's world headquarters complex there to more than 380,000 sq. ft. (35,302 sq. m.).

In **Greenville, Tenn.**, John Deere Power Products will create 30 new jobs with a 65,000-sq.-ft. (6,039-sq.-m.) expansion of its outbound shipping area. The project may be helped along by a state infrastructure grant of \$420,000 being applied for by Greene County Mayor Alan Broyles to aid a water line upgrade. The new space will allow Deere to ship mowers directly to distributors and retailers, rather than continuing to store finished products in a warehouse in Jefferson City while they await final shipment.

In late August, Deere said it would invest \$80 million in agricultural manufacturing and parts distribution operations in **Brazil**, for both the tractor and combine businesses. Deere will increase manufacturing capacity by approximately 35 percent in its **Horizontina** and **Montenegro** factories, and create a new parts distribution center in **Campinas**. All facilities are expected to be complete in 2009.



Adding to the knowledge resident in its Technology Innovation Center at its world headquarters in **Moline**, Deere in June announced it would invest \$1 million to create a John Deere Technology Innovation Center with the University of Illinois in **Champaign**. Ready by July 2008, the facility (pictured above) is located at the school's University Research Park.

In September, Deere announced it would close its utility vehicle and attachment manufacturing facility in **Welland, Ont., Canada**. Production of Gator utility vehicles will be moved to **Horicon, Wis.**, and production of cutting and loading attachments will be transferred to Deere installations in **Monterrey** and **Saltillo, Mexico**. The Welland plant is scheduled to close by the end of 2009, affecting 800 employees there. The consolidation move will result in after-tax charges of approximately \$90 million.

In September, Deere entered into a JV with Ashok Leyland Limited, part of the Hinduga Group in **India**, to manufacture and market backhoes and four-wheel-drive loaders that will be sold in India and exported to other markets. The joint venture plans to provide a full line of construction equipment in future years. In 2007, India was the largest backhoe market in the world. Initial production is planned for early 2010, employing as many as 500 people. At press time, the two firms were considering a short list of manufacturing locations.

The background image is of a 90-year-old all-wheel drive tractor, the oldest known tractor made by Deere. It resides at the newly consolidated John Deere Pavilion in downtown **Moline, Ill.**, which has become one of the state's leading tourist attractions outside of Chicago since its grand opening in 1997.

Photo courtesy of Deere & Co.

In February, Deere announced a joint venture to build excavators in **Xuxhou, China**, with Xuzhou Xuwa Excavator Machinery Co., Ltd. While Deere has been making agricultural machines in China for some time, this project marks its first foray into making construction equipment there. Xuxhou, the "City of Joy," is located in the northwest of Jiangsu province, 187 miles (300 km.) from provincial capital Nanjing.