

Deere reports blowout earnings one week after UAW sellout of strike

Marcus Day

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Deere & Company reported record profits of nearly \$6 billion for its 2021 fiscal year on Wednesday, significantly exceeding financial analysts' earlier earnings and revenue estimates. The results come just one week after the United Auto Workers shut down and betrayed a five-week-long strike by 10,000 workers, with union officials using lies and threats to force through a contract almost identical to the one the strikers had already rejected.

Among the key figures released in the earnings report:

- **Net sales and revenue** rose to \$44 billion for the 12 months ending October 31, up 24 percent from the year prior.

- **Profits** more than doubled from 2020, reaching \$5.963 billion, the largest in the company's history and almost 70 percent higher than the previous record of \$3.5 billion set in 2013.

- More than \$3.5 billion was spent in **dividends and stock repurchases**, also more than double the amount expended in 2020, further enriching the super-wealthy investors and giant financial institutions which predominantly own Deere's stock.

- The company is projecting that **profits for 2022** will again break records, reaching somewhere between \$6.5-7.0 billion, despite continued supply chain disruptions and labor shortages. "Looking ahead, we expect demand for farm and construction equipment to continue benefiting from positive fundamentals, including favorable crop prices, economic growth, and increased investment in infrastructure," Deere CEO John May said in a press release.

While the impact of the strike was not fully reflected in the fourth-quarter report, since the last 17 days of the walkout fell after the reporting period ended, Wall Street nevertheless expressed its enthusiasm for the results, sending the company's share price surging as much as 6 percent as the call with investors took place.

Deere's blowout earnings demonstrate once and for all that both management and UAW were lying through their teeth when they claimed there was not enough money to meet workers' demands for larger wage increases, the restoration of retiree health care, and other major improvements to working conditions.

Reacting to the results, a worker at one of Deere's parts depots told the *WSWS Autoworker Newsletter*, "I knew it was

all about Deere and its shareholders. I honestly believe our leadership sold us out." He said the UAW "did nothing to keep us in the light about where things stood, and they pushed the scare tactics with Deere. That's horrific."

A worker in Ottumwa, Iowa, said, "The majority pretty well knew there was money still there. Hard to get it when the union isn't willing to go after it. Pretty sure we could have gotten the whole package if the union and company weren't in, how did they call it, an 'amiable' relationship?"

"It's all very disappointing and very disgusting," he added. "What else would you expect from the banksters and their wannabes in the UAW International?"

The supposed ratification of the contract last Wednesday, with the UAW claiming 61 percent voting in favor, was the illegitimate outcome of a "negotiations" process conducted in bad faith by union officials from the start. Both parties in the talks, management and UAW officials alike, worked to ensure the final agreement would be as favorable as possible to the company's shareholders.

After workers voted down a second tentative agreement between Deere and the UAW on November 2, multimillionaire executives such as Chief Administrative Officer Marc Howze went on a media blitz, asserting there was no more money for workers. "To some degree, because we were able to come to a resolution as quickly as we were, I think there's some folks who believe there must be some more available," Howze said at the time.

The UAW, far from countering Deere's propaganda, repeated and amplified it, telling workers the company had to remain competitive, that they would be replaced and lose support if the strike continued, and that the offer was "groundbreaking," despite it still falling short of the wages and benefits of 25 years ago.

A week and a half after the second contract rejection, the UAW suddenly announced it would be putting the same deal, with only "modest modifications," to a vote, in a show of contempt for workers' democratic will.

The UAW then proceeded to an all-out campaign to intimidate workers into voting yes. The UAW elections chair at Local 281 in Davenport, Phil Gonterman, threatened to use his position as an inspector to retaliate against those opposing the

deal, while officials in Waterloo told workers planning to reject the contract that they were “losers,” and their votes “wouldn’t matter anyway.”

Under such conditions of blatant voter intimidation and clear bias by those running the balloting, there is no way that the contract should be considered legally binding.

Earnings call points to plans for speedup

During the conference call with investors and financial analysts from the major global banks, Deere executives sought to mitigate any concerns that the new agreement might significantly impact its bottom line.

The deal will entail a price tag of only \$250-300 million a year, said Cory J. Reed, Deere’s president of production and precision agriculture. To put this in perspective, \$300 million accounts for just 4 percent of Deere’s estimated profits next year and is less than 10 percent of what the company spent on dividends and share buybacks for its big investors this year.

At the same time, Deere executives stated repeatedly that they would “ramp up” production in the coming months, referring to plans for “higher line rates in December and January” and their intention to set “a clear new global benchmark in both productivity and efficiency.”

In other words, Deere will seek to implement even more grueling levels of speedup and mandatory overtime as it attempts to make up for the production lost during the strike and its equipment remains in high demand. Reed noted several times that the company’s “order books are full or near full” for large ag products in 2022, stating, “Demand has been strong since the beginning of 2021, and overall that doesn’t look like it’s going to let up in 2022.”

While the corporate executives acknowledged they expected a dip in margins for the first quarter of 2022, they attributed this primarily to one-time factors such as the contract ratification bonuses and said they expected margins to recover as the year went on. Indeed, the company is forecasting an extremely robust operating margin of 20-21 percent in its production and precision ag segment for 2022.

Even though Wall Street has signaled it is satisfied the agreement will allow it to continue extracting huge sums of money from Deere workers, there are nevertheless growing concerns in ruling circles about the broader implications of the strike.

Last week, the *Wall Street Journal* editorial board published an opinion, “John Deere, Inflation Bellwether,” indicating its nervousness over the modest improvements workers were able to achieve, stating that COLA (quarterly raises loosely tied to inflation) in particular should raise “alarm bells.”

Cost-of-living raises “were a feature of the 1970s economy

but faded as inflation was brought under control,” the editorial board wrote. “The longer inflation stays high today, the more workers will demand COLAs, putting employers on the hook for long-term costs they can’t control.”

What the *Journal* describes misleadingly as inflation being brought “under control” was in fact a brutal and deliberate class policy, in which the corporations, with the crucial assistance of the union bureaucracies, clawed back one gain after another over the last 40 years, entailing massive pay cuts for new hires, attacks on pensions and health care, and the almost universal elimination of COLA and the eight-hour day. Meanwhile, stock market values and the personal fortunes of super-rich speculators were inflated through endless injections of cheap credit by the US Federal Reserve.

The editorial continued, “Once COLAs are embedded into labor contracts, they become hard to wring out. This is how you get a wage-price spiral and durable inflation.”

This is the fear of the capitalists: Inspired by the Deere strike, more workers will demand major raises and protection from inflation, which will be more difficult to “wring out” once they are agreed to. Their concern is not so much inflation in basic consumer goods as such, but a widespread push for higher wages by workers, which would threaten to blow apart the massive speculative bubble that has been built up with the support of the Federal Reserve and other central banks internationally.

The report of Deere’s enormous earnings confirms once again what the WSWS has repeatedly stressed: The UAW functions as a representative of management, firmly dedicated to defending corporate profits at the expense of its members’ living standards. To carry out a struggle for workers’ interests in the period ahead, new rank-and-file organizations at every plant and warehouse are needed, linking up with the Deere Workers Rank-and-File Committee, which fought independently of the UAW for a strategy to mobilize workers to expand and win the strike. Such rank-and-file organizations must proceed from what workers need, not what the company and UAW falsely claim is affordable.

Deere workers, join the Deere Workers Rank-and-File Committee to carry forward the fight! Email deerewrfc@gmail.com or text (484) 514-9797 to find out more about getting involved.



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