

CNH Industrial beats first quarter earnings estimates while threatening to break US strike

Marcus Day
3 May 2022

On the second day of a strike by over 1,000 CNH Industrial workers in Wisconsin and Iowa, the global farm and construction equipment manufacturer released its first quarter financial results, which exceeded Wall Street analysts' expectations. The strong earnings for the first three months come on the heels of record profits for the conglomerate in 2021.

"In our first quarter as a pure play agricultural and construction equipment business, the CNH Industrial team delivered a solid performance that demonstrates the potential of a focused, customer-centric company," CEO Scott Wine said in a company press release. At the beginning of this year, CNH spun off its commercial truck operations, Iveco, into a separate company. Italy's Agnelli family, the billionaire dynasty which made its fortune at Fiat, owns a controlling stake in both CNH and Iveco, as well as being the largest shareholder of auto giant Stellantis and luxury carmaker Ferrari.

Despite ongoing chaos in supply chains triggered by the coronavirus pandemic and the US-NATO proxy war against Russia in Ukraine, CNH increased its revenue and earnings before interest and taxes compared to the same period in 2021.

While touting the company's strong financial results and estimating sales growth for 2022 overall during Tuesday's earnings call, CNH's CEO adopted a harsh and arrogant tone towards the strike launched by workers Monday. The company's executives made clear they were determined to minimize the impact of the walkout and sought to reassure shareholders that they would continue to amply enrich them at workers' expense.

CNH reported that sales for industrial operations were up 13 percent for the first three months of the year, rising to \$4.2 billion, buoyed by price hikes to the company's equipment. Earnings Before Interest and Taxes (EBIT, a key measure of profitability) grew to \$429 million for the quarter, up 9 percent compared to 2021, and exceeding

the \$391 million analysts surveyed by Reuters had forecasted.

CNH's net income was down roughly \$27 million from the year prior, meanwhile, driven by the company's suspension of operations in Russia and writedown of its assets in the country by \$71 million.

"For the quarter, ag pricing was up 12 percent, again, more than offsetting rising costs," Wine said during the investor call. "Order books remain exceptionally strong, up almost 40 percent in agriculture and 80 percent in construction, as demand remained healthy. And this number will certainly will improve in the coming more weeks when we open up our order books for model year 23."

CNH estimated that net sales for the full year would rise between 10 to 14 percent.

Wine stated that although farmers faced higher costs, with fertilizer prices spiking due to the conflict in Ukraine, CNH nevertheless anticipated continued strong demand for its agricultural equipment. High food commodity prices combined with elevated costs would drive their customers to adopt more efficient agricultural technology, in the company's view. "High input costs are a challenge but do prompt upgrades to more efficient and sustainable methods of farming and working, which is reflected in our technology adoption rates," Wine said. "Elevated commodity prices will continue to bolster farm incomes and encourage those who can expand real crop planning."

The company's construction segment, which accounts for a smaller portion of the CNH's business, also reported its most profitable quarter in more than a decade.

CNH Chief Financial Officer Oddone Incisa emphasized the large sums being handed out to investors during the earnings call. The company is set to pay out its largest ever dividend to shareholders Wednesday, at 380 million euros (approximately \$400 million). CNH has

also authorized \$100 million in share buybacks, which drive up the company's stock value, primarily benefiting its largest investors.

“It is our intent to continue operations”

Despite—or more precisely, because of—the immense amount of wealth being sucked up by CNH's corporate owners, the company's CEO made clear they were determined to offset the impact of the strike and beat back workers' demands for higher wages and benefits.

Wine dubbed the strike “disappointing,” saying, “We had several weeks of constructive dialogue [with United Auto Workers officials], but when the contract expired, we remain very far apart on some important issues. The very nature and purpose of a strike is to disrupt our business and create concern amongst our customers. Despite that intent, CNH Industrial is committed to reaching an agreement with United Auto Workers.”

The CEO signaled that the company would be implementing strike-breaking plans. “It is our intent to continue operations. And to that end, we are prepared with the contingency plan that should minimize the impact to our operations.” Later, he added, “We've got so many other factories where we can produce, and we've got the ability to bring in what we do not have. We have our salaried workforce and contingent labor helping us to serve our customers, which is our primary goal.”

The haughty refusal of CNH's CEO to countenance any significant let-up in the exploitation of workers is emblematic of the attitude of the ruling class more broadly. For more than four decades, the corporations and the super-rich have engineered a staggering rise in their fortunes by driving down wages and benefits, lengthening the working day and eviscerating workplace safety protections. At the same time, large swaths of “underperforming” factories have been obliterated, destroying jobs for thousands of workers at CNH's predecessors, including J.I. Case, International Harvester and New Holland, since the 1980s.

As in the auto industry, this decades-long assault would not have been possible if it were not for the loyal support of the UAW, which has worked with CNH, Deere, Caterpillar, GM, Ford and others to shutter factories, tear up pensions and retirees' health care, lower wages, drive a wedge between workers via the tier system, end the

eight-hour day and impose other concessions. In the process, the UAW bureaucracy fattened on bloated incomes and perks—funneled to them by the corporations through legal, illegal and semi-legal means—placing it in opposition to the interests of the workers they claim to represent.

This bitter reality of union collusion in workers' exploitation was inadvertently alluded to by the president of UAW Local 807, Nick Guernsey, at CNH's factory in Burlington, Iowa. Guernsey said that starting pay at some of CNH's non-union facilities is now far higher, at \$5.50 above, the wages for new hires at the Burlington plant.

Workers must take the threats made by Wine and CNH's executives against their strike with the utmost seriousness. At stake is not just the wealth of CNH's shareholders but the whole regime of low wages which has produced such astronomical fortunes on Wall Street. At the same time, the UAW, following its playbook from the John Deere and Volvo strikes last year, will seek to isolate the strike, keeping workers at both CNH and elsewhere in the dark on its talks with the company.

To break the isolation of the strike, new organizations of struggle are needed: rank-and-file factory committees in Racine and Burlington, independent of the UAW. CNH workers have potentially powerful allies: the millions of workers throughout the US and internationally who are also looking to fight back against ever eroding incomes and a surging cost of living.

Rank-and-file committees will provide the means to connect with these workers, including at CNH's non-union US plants and its factories overseas, to combat the company's strikebreaking operation and to mobilize a broader counteroffensive by workers to secure their needs.

Work at CNH? We want to hear from you: Tell us about the conditions at your plant and what workers are striking for. Workers' identities will be kept confidential.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact