

John Deere layoffs unlikely to be the last, economists say



Matthew Patane, mpatane@dmreg.com 6:34 p.m. CST January 23, 2015



(Photo: Michael Zamora/The Register)

983CONNECT 32TWEET 1LINKEDIN 9COMMENTEMAILMORE

Deere and Co.'s third round of layoffs in five months, eliminating the jobs of more than 800 Iowa plant workers, likely won't be the last for the U.S. agricultural sector, economists predict.

The Moline, Ill.-based manufacturer announced the layoffs Friday, saying they will take place within the next two months and will include 300 workers at its Des Moines Works factory in Ankeny, 565 at three Waterloo locations and 45 employees at Harvester Works in East Moline, Ill.

Deere also said it would idle 500 employees as it shuts down its Moline seeding and cylinder facility until summer. The company said the plant usually experiences seasonal adjustments this time of year.

Deere, one of Iowa's largest companies, blamed the layoffs on decreasing demand for its farming equipment. Though the company's fourth-quarter results exceeded Wall Street expectations, Deere [warned it expected sales and profits to keep falling](#).

Other machinery manufacturers likely will follow Deere's lead with similar job cuts, said Chad Hart, an agricultural economist with Iowa State University.

"Deere is probably being more aggressive in their pullback. ... They would rather cut early and conserve costs now, instead of cutting later," Hart said.

Ernie Goss, an economist at Creighton University, agreed that Deere's layoffs aren't surprising. As farm profits decline, farmers are cutting back on buying new machinery, hurting the bottom lines of Deere and other equipment makers, he said.

In fact, Goss said he was surprised that other manufacturers haven't already cut back on employees. If that happens, the effects could ripple through companies that supply Deere and other manufacturers, such as steel producers, he said.

Still, the downturn reflects a stabilization in the agricultural market, after years of record profits, Goss and Hart said.

'A hard day'

For workers, Friday's layoffs came with little prior warning.

Tom Ralston, president of United Auto Workers Local 838 in Waterloo, said Deere gave the union notice just a few hours before publicly announcing the restructuring.

"It's a hard day for everybody," Ralston said. "No one likes to see their friends and families walk out the door."

Even so, he said employees had had a feeling that another set of layoffs might be on the way, after Deere announced similar job cutbacks in August.

"The first round, that was a complete surprise," Ralston said. "This one, it was surprising the number, but there was kind of a sense that something might be coming."

Ankeny Mayor Gary Lorenz said he first heard about the layoffs Friday morning.

"Any time any of our employers lay off their employees, it's unfortunate for those that live here in Ankeny and outside of Ankeny," Lorenz said.

Steve Dust, CEO of the Greater Cedar Valley Alliance and Chamber, said his organization has been watching Deere closely since the initial layoffs in August. He said he's confident the laid-off workers will see high demand for their skills.

"The thing that gives us a silver lining is our area remains a very strong employment market," Dust said.

Economy no 'one-trick pony'

Once Friday's layoffs are complete, Deere will employ about 11,500 people in the state, a spokesman said in an email.

In the Des Moines metro, Deere employed upwards of 3,000 people as of December, according to the Greater Des Moines Partnership.

The company first announced cutbacks at its Iowa plants last August, when it announced it was [laying off more than 1,000 people at plants in Waterloo, Ankeny and the Quad Cities](#). Friday's layoffs bring job losses at Iowa plants near the 2,000 mark.

The company said it also added 220 new jobs at construction and forestry factories in Dubuque and Davenport. Most of the positions were filled by laid-off workers, Deere said.

Shares of Deere closed Friday down \$1.16 to \$88.35.

Although the Deere layoffs are a hit to Iowa's agricultural sector, Iowa State's Hart said the state's economy is not a "one-trick pony," meaning it's diversified enough to withstand farm industry swings.

Some of Iowa's other major industries include non-machinery manufacturing and finance.

"We've got several ways for our economy to grow," Hart said. "When one of those cylinders isn't firing, the others are."

Deere & Co. in Iowa

Moline, Ill.-based Deere & Co. will employ about 11,500 people in Iowa once layoffs are complete.

It has Iowa locations in Ankeny, Davenport, Dubuque, Johnston, Ottumwa, Paton, Urbandale and Waterloo, and distributors in Klemme and Rock Valley.

Since August 2014, Deere has made several employment changes in Iowa:

- Des Moines Works (Ankeny): 410 layoffs.

- Waterloo Works: 1,025 layoffs.

- Dubuque Works: 110 additions.

- Davenport Works: 110 additions.

Deere also plans to sell its crop-insurance division, which employs about 200 in Johnston.

Source: Deere & Co.

Help for fired workers

Aid for laid-off Deere & Co. workers will come from a number of sources.

Tom Ralston, president of the UAW Local 838 in Waterloo, said his union will hold informational meetings, take phone calls and accept walk-ins looking for help. Ralston said the union will also work with Deere to make sure laid-off workers "get what they have contractually coming to them."

Steve Dust, CEO of the Greater Cedar Valley Alliance and Chamber, said his organization will plan job fairs in the coming weeks.

Other help will come from the state through Iowa Workforce Development.

Kerry Koonce, a department spokeswoman, said any layoff of 50 or more workers automatically activates a response team from the agency.

"IWD has already been in contact with John Deere," Koonce said in an email. "We will begin meeting with company officials soon and will coordinate worker meetings to discuss benefits and services available, including information on unemployment and funds available for retraining."