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Agricultural Outlook Forum

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PROVIDING LEADERSHIP FOR RURAL AMERICA

Robert W. Lane
Chairman, CEO, Deere and Company

**Remarks of Robert W. Lane
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Providing Leadership for Rural America

Thank you and good morning.

It's an honor to speak to you today at the 82nd Annual Agricultural Outlook Forum; and it's particularly fitting that the theme of this year's forum is "*Prospering* in Rural America." Because our goal should not be simply to "sustain" or "revitalize" rural communities but to ensure their long-term *prosperity*.

"Prospering in Rural America" requires an important building block, which is the topic of my talk: "Providing *Leadership* for Rural America." Leadership by all of us here assembled will be essential to secure rural America's prosperity.

This is a topic of great importance not only to John Deere and to everyone in this room, but to the country as a whole. ***The challenges faced around the globe from increased global competition in food, fiber and fuel markets require significant strategic investments in rural America's future.***

Just like the rest of the U.S., John Deere derives much from rural America: For those of you familiar with our products, business or heritage, you know that our links to rural America run deep. Rural communities have sustained our company from its founding 168 years ago to the present day, and they will continue to do so far into the future.

Here, more than anywhere else around the world, we manufacture and sell our products. It's where our dealers, suppliers, and customers -- vital partners in our company's success -- operate their businesses and farms. And it is here where so many John Deere employees -- our most important asset -- work and live, raise their families, and give back to their own communities.

Any company that has operated in rural America for as long as John Deere -- and, frankly, there aren't many -- will have experienced a great deal of change over the years. And I think we've been leaders driving some of that change, too.

For much of the 19th century, our company prospered as a manufacturer of horse-drawn plows and farm implements.

Then in 1918, Deere's Board of Directors agreed to purchase a gas-powered tractor manufacturer and entered the tractor business. This was risky at the time because the technology wasn't yet proven, but it was a risk worth taking because tractors had the potential to greatly improve farmer productivity, while also

enhancing Deere's manufacturing capabilities and generating a return for our investors.

I mention this history to highlight the ongoing evolution of John Deere's business as a provider of innovative technologies and solutions in agriculture. Innovation is a core value for our company, it is essential to the prosperity of rural America, and it is essential to the citizens of the world.

I would suggest to you that the challenges facing rural communities require, from all of us here today, a level of innovative thinking, risk-taking -- and leadership -- that is no less important or potentially worthwhile than in those earlier times.

As we know, rural America has experienced significant change over the past several decades. Yet there are and always will be strong links between the health of the rural U.S. economy, U.S. agriculture's vitality and U.S. economic prosperity.

U.S. farmers and ranchers contribute directly and substantially to U.S. economic growth. They are critical to the development of our renewable, natural resource base. They provide a secure, abundant, and affordable supply of food, fiber and fuel. In doing so, they literally feed and fuel the U.S. and the global economy. Considered in this light, rural development must be more than a concern for rural communities. Rural development must be a strategic national objective, one supporting a global objective of economic prosperity.

Increasing competition, rapid advances in technology, and volatile natural resource markets, are just some of the key driver's of today's global economy. These drivers provide the challenge -- and the opportunity -- for us in the public and private sectors to build on the enormous contributions of U.S. agriculture and rural America to strengthen the strategic national interest, indeed to strengthen the global economy

John Deere has much to contribute to this undertaking: Sound business practices. Innovative technologies. Quality products and solutions. Financial and human capital. And a strong commitment to enhance a prosperous rural economy.

In three specific areas -- entrepreneurial development, industrial innovation and technology deployment -- I'd like to highlight just some of the things that John Deere brings to the table.

Entrepreneurial Development (*Dealer Organization*)

Entrepreneurial development is extremely important to the prosperity of rural communities. We know this firsthand through the John Deere dealer organization. Our U.S. ag equipment dealers include roughly 700 owner groups operating in approximately 1,400 locations. These dealers are independently owned businesses, and most are located in rural areas. John Deere dealers are our primary partners in providing John Deere equipment, parts and services to our customers.

With more than \$4 billion in assets, our U.S. ag dealers last year generated more than \$14 billion in revenues in rural America. They employ more than 26,000 workers with a combined payroll of more than \$750 million.

They paid more than \$22 million in local sales and property taxes last year, and each year spend more than \$65 million in advertising, sales promotion, and professional services.

These dealers are true engines of rural economic growth.

To help them excel, John Deere invests heavily with them in dealer development and business management. We work together to enable them to provide superior sales and service support. And we work to help them compete more effectively, improve asset utilization, and become stronger, better performing businesses.

A crucial part of their – and our – success is employee training. Our dealers spend over \$15.6 million on employee training each year, so that we are assured of having the skilled workforce needed to provide equipment repair, service, sales and business management.

John Deere has entered into teaching-training partnerships with 16 rural community colleges and 6 state universities to offer two- and four-year degrees in various disciplines that develop dealer management and rural entrepreneurial talent.

In all these ways, our dealers exemplify our commitment to entrepreneurial development in rural communities. As their businesses continue to excel, these John Deere dealers will be well positioned to evaluate and invest in new opportunities that can contribute to a prospering rural America.

Industrial Innovation *(Energy Development)*

Industrial innovation is another important driver of rural economic growth, and this is exemplified by the expanding ag-energy sector.

We believe ag-based energy can play a huge role in helping rural America prosper. While the links between renewable energy and rural development are nothing new, the value proposition for ag-based energy – reflecting national

security, environmental stewardship, global economic well-being and global trade leadership -- has changed dramatically.

We know that agriculture-based energy production provides opportunities to create new jobs, increase the tax base, and diversify the local economy. It offers important new markets to commodity producers, which improves their own profitability and, in turn, further stimulates rural development. It provides reasons for people to stay in or even move to these communities, thereby helping to stabilize local economies.

Ethanol has shown us this key trend. And we believe that biodiesel and cellulosic biomass-based energy also can provide significant growth potential for rural communities. In fact, a two-percent biodiesel blend is now the preferred factory fill for all diesel-powered John Deere machines made in the U.S. To really succeed, these ag-based energy industries must have access to capital, further R & D resources, distribution infrastructure, quality standards, and a highly-trained workforce.

John Deere is also quite excited about the potential for wind power. In 2004, wind power generated about 7,000 megawatts of electricity, and experts predict this could reach more than 100,000 megawatts by 2020 – enough to power more than 32 million U.S. households.

Our company has looked carefully at how we can best help our rural customers unlock this potential. Last year, we started a new business unit to provide project development, debt financing, and other services to those interested in harvesting wind power.

John Deere's involvement in wind energy means we can partner with farmers, landowners and developers to evaluate potential projects, and provide capital and business know-how to bring viable projects on line. Over time, these partners can gain ownership of the project's assets and the economic benefits.

For generations, the world's most productive farmers have used John Deere equipment to provide food and fiber to the world. Now these same farmers can help meet the country's growing demand for energy. This will help strengthen the rural economy on which our core business is based and advance our goal of helping our customers improve their profitability and productivity.

One last point on energy, John Deere recently joined with other private sector partners in the "25 by '25" initiative, which calls for renewables to reach 25 percent of total U.S. energy consumption by the year 2025. This is a bold new initiative.

In the months to come, this coalition will be working to educate business and community leaders, policymakers and the public on the potential from

renewables, the steps necessary to achieve the “25 by ‘25 goal,” and the benefits to rural communities from a growing renewables sector.

Technology Deployment (*John Deere Agri-Services*)

We also believe that the development and deployment of information technologies is essential to fully capture the benefits of economic development in rural communities.

In an increasingly “flat world,” rural access to information technology is essential to educate our youth to compete globally, and to develop the skilled workforce on which prospering rural communities – and rural businesses – will depend.

And we are just now beginning to see the potential for telecommunications and broadband technologies to enable rural communities to fully develop value-added business opportunities.

John Deere is identifying new opportunities for producer customers and their business partners to add value across the food, feed, fiber, and energy supply chain. We’ve built a business upon years of experience in global positioning, sensors, communications, and geographical information systems.

New technology-based services can make producers more productive and efficient – and create new opportunities for them. We see great potential for creating value in rural communities by enabling more effective management of crop genetics and environmental conditions; by improving quality, reducing variability and cost, and providing transparency across the supply chain; and by providing new, integrated risk management tools to producers and users of agricultural raw materials.

These services can benefit a broad range of rural enterprises: producers of all kinds, crop consultants and other ag professionals, cooperatives, aggregators, retailers, crop insurance agents and many others.

The vitality of these enterprises, and the information infrastructure needed to support them, are critically important to rural development.

A Call for Leadership

I hope this overview gives you a sense of John Deere’s commitment to the rural communities in which our customers, dealers and employees work and live.

In closing, let me reiterate: A vibrant U.S. economy is of strategic national importance. As the 21st century U.S. economy evolves, the contributions from American agriculture and rural communities will be critical to the

national prosperity and security of the U.S. and indeed the world in which we play such a vital role.

Maximizing the benefits of rural development – for rural communities and for the U.S. economy – will require commitment, innovation, investment and leadership from all of us – farmers, ranchers, large and small businesses, national and local governments, academia, civic and public interest groups. Each of us brings something to the table, and each of us has an important role to play.

Together, we can debate and find agreement on the needs and priorities of rural communities, and further integrate rural development within the context of agriculture policy, as it relates to the national interest.

I want to commend Secretary Johanns and Under Secretary Dorr for focusing this forum on rural development. They have put the issue out front on the Department's and the country's agenda. All of us should take their lead and do the same.

Thank you.