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John Deere Suspends Farm Equipment Assembly Operations Due To Slow Sales

by Carlos Navarro
Category/Department: General
Published: Wednesday, June 2, 1993

On May 19, farm machinery manufacturer John Deere and Co. announced that production at the company's assembly plants in Mexico will be suspended for a period of at least four weeks during the remainder of this year due to disappointing sales of tractors and other farm equipment. According to Jesus Gonzalez de la Fuente, the company's finance director for Mexico, through suspension of activities at the plants the company seeks to reduce inventories at John Deere warehouses in Monterrey (Nuevo Leon) and Saltillo (Coahuila) by the equivalent of two months' sales. John Deere already suspended operations at its tractor assembly plant in Saltillo for one week each during April and May, and planned similar shutdowns for one week each in June and July. Production of other farm equipment will be suspended for two weeks sometime later this year. Gonzalez attributed slow sales to the crisis affecting Mexico's agricultural sector, which is fueled by three factors: low crop prices (which are reducing profit levels for growers); restrictive agricultural loan policies maintained by commercial banks; and high interest rates. Gonzalez said the company does not expect a near-term recovery in the Mexican agriculture sector and is therefore studying the possibility of increasing exports of equipment produced at the Saltillo plants to the US, as well as entering the farm machinery markets in Australia and Europe. Meantime, John Deere's production director in Mexico Rodolfo Amazurrutia told La Jornada newspaper that union leaders at the Saltillo plant accepted the arrangement because the action did not involve dismissals of any workers. Workers are due to receive 75% of their normal pay during the temporary production halts. Amazurrutia estimated tractor production at the Saltillo plant at only about 2,247 units for 1993, down from 4,229 in 1992. According to John Deere projections, tractor production by all companies with assembly plants in Mexico is forecast at 6,500 units in 1993, compared with 9,300 last year. (Sources: La Jornada, 05/22/93; El Financiero International, 05/31/93)

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