DEERE & CO
Form 10-Q
February 26, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2015

Commission file no: 1-4121

DEERE & COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**36-2382580**
(State of incorporation)	(IRS employer identification no.)

One John Deere Place

Moline, Illinois 61265

(Address of principal executive offices)

Telephone Number: **(309) 765-8000**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	X	Accelerated Filer	
Non-Accelerated Filer (Do not check if a smaller reporting company)		Smaller Reporting Company	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

At January 31, 2015, 339,496,187 shares of common stock, $1 par value, of the registrant were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DEERE & COMPANY
STATEMENT OF CONSOLIDATED INCOME
For the Three Months Ended January 31, 2015 and 2014
(In millions of dollars and shares except per share amounts) Unaudited

	2015	2014
Net Sales and Revenues		
Net sales	$ 5,605.1	$ 6,948.5
Finance and interest income	593.6	531.5
Other income	184.4	174.0
Total	6,383.1	7,654.0
Costs and Expenses		
Cost of sales	4,420.6	5,195.5
Research and development expenses	333.2	323.7
Selling, administrative and general expenses	659.0	765.9
Interest expense	180.1	171.7
Other operating expenses	222.6	232.3
Total	5,815.5	6,689.1
Income of Consolidated Group before Income Taxes	567.6	964.9
Provision for income taxes	170.5	280.5
Income of Consolidated Group	397.1	684.4
Equity in loss of unconsolidated affiliates	(10.2)	(3.1)
Net Income	386.9	681.3
Less: Net income attributable to noncontrolling interests	.1	.2
Net Income Attributable to Deere & Company	$ 386.8	$ 681.1
Per Share Data		
Basic	$ 1.13	$ 1.83
Diluted	$ 1.12	$ 1.81
Average Shares Outstanding		
Basic	343.1	371.9
Diluted	345.7	375.4

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
For the Three Months Ended January 31, 2015 and 2014
(In millions of dollars) Unaudited

	2015	2014
Net Income	$ 386.9	$ 681.3
Other Comprehensive Income (Loss), Net of Income Taxes		
Retirement benefits adjustment	42.3	50.1
Cumulative translation adjustment	(510.4)	(168.0)
Unrealized gain (loss) on derivatives	(1.5)	2.9
Unrealized gain (loss) on investments	7.3	(1.3)
Other Comprehensive Income (Loss), Net of Income Taxes	(462.3)	(116.3)
Comprehensive Income (Loss) of Consolidated Group	(75.4)	565.0
Less: Comprehensive income (loss) attributable to noncontrolling interests	(.2)	.2
Comprehensive Income (Loss) Attributable to Deere & Company	$ (75.2)	$ 564.8

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET
(In millions of dollars) Unaudited

	January 31 2015	October 31 2014	January 31 2014
Assets			
Cash and cash equivalents	$ 3,974.8	$ 3,787.0	$ 3,188.6
Marketable securities	493.8	1,215.1	1,438.4
Receivables from unconsolidated affiliates	27.4	30.2	35.2
Trade accounts and notes receivable - net	3,334.6	3,277.6	3,716.8
Financing receivables - net	25,805.9	27,422.2	25,242.3
Financing receivables securitized - net	3,893.3	4,602.3	3,490.9
Other receivables	921.1	1,500.3	1,157.6
Equipment on operating leases - net	3,834.6	4,015.5	3,026.0
Inventories	4,527.1	4,209.7	5,554.6
Property and equipment - net	5,347.5	5,577.8	5,351.0
Investments in unconsolidated affiliates	301.6	303.2	297.5
Goodwill	741.3	791.2	834.6
Other intangible assets - net	62.3	68.8	74.6
Retirement benefits	283.5	262.0	583.5
Deferred income taxes	2,584.1	2,776.6	2,323.4
Other assets	1,772.3	1,496.9	1,344.2
Assets held for sale	384.9		
Total Assets	$ 58,290.1	$ 61,336.4	$ 57,659.2
Liabilities and Stockholders Equity			
Short-term borrowings	$ 8,622.7	$ 8,019.2	$ 8,657.3
Short-term securitization borrowings	3,887.9	4,558.5	3,490.8
Payables to unconsolidated affiliates	119.2	101.0	89.1
Accounts payable and accrued expenses	6,421.9	8,554.1	7,330.0
Deferred income taxes	146.7	160.9	154.8
Long-term borrowings	24,106.7	24,380.7	22,265.2
Retirement benefits and other liabilities	6,469.4	6,496.5	5,414.2
Liabilities held for sale	266.8		
Total liabilities	50,041.3	52,270.9	47,401.4
Commitments and contingencies (Note 14)			
Common stock, $1 par value (issued shares at January 31, 2015 536,431,204)	3,714.0	3,675.4	3,571.3
Common stock in treasury	(13,408.2)	(12,834.2)	(10,643.1)
Retained earnings	22,185.2	22,004.4	20,136.9
Accumulated other comprehensive income (loss)	(4,245.0)	(3,783.0)	(2,809.4)
Total Deere & Company stockholders equity	8,246.0	9,062.6	10,255.7
Noncontrolling interests	2.8	2.9	2.1
Total stockholders equity	8,248.8	9,065.5	10,257.8
Total Liabilities and Stockholders Equity	$ 58,290.1	$ 61,336.4	$ 57,659.2

See Condensed Notes to Interim Consolidated Financial Statements.

DEERE & COMPANY
STATEMENT OF CONSOLIDATED CASH FLOWS
For the Three Months Ended January 31, 2015 and 2014
(In millions of dollars) Unaudited

	2015	2014
Cash Flows from Operating Activities		
Net income	$ 386.9	$ 681.3
Adjustments to reconcile net income to net cash used for operating activities:		
Provision for credit losses	1.0	2.4
Provision for depreciation and amortization	342.9	343.1
Impairment charges		26.3
Share-based compensation expense	18.1	23.2
Undistributed earnings of unconsolidated affiliates	10.1	3.0
Provision (credit) for deferred income taxes	176.1	(8.6)
Changes in assets and liabilities:		
Trade, notes and financing receivables related to sales	349.1	126.7
Insurance receivables	256.5	101.9
Inventories	(603.9)	(836.8)
Accounts payable and accrued expenses	(1,442.5)	(1,387.1)
Accrued income taxes payable/receivable	(185.5)	137.5
Retirement benefits	84.4	53.4
Other	96.7	(12.5)
Net cash used for operating activities	(510.1)	(746.2)
Cash Flows from Investing Activities		
Collections of receivables (excluding receivables related to sales)	4,694.6	4,660.7
Proceeds from maturities and sales of marketable securities	673.4	403.6
Proceeds from sales of equipment on operating leases	242.1	276.4
Proceeds from sales of businesses, net of cash sold		303.7
Cost of receivables acquired (excluding receivables related to sales)	(3,674.8)	(4,190.1)
Purchases of marketable securities	(19.3)	(222.4)
Purchases of property and equipment	(184.0)	(250.7)
Cost of equipment on operating leases acquired	(299.7)	(251.6)
Other	(47.2)	(56.3)
Net cash provided by investing activities	1,385.1	673.3
Cash Flows from Financing Activities		
Increase (decrease) in total short-term borrowings	209.8	(736.7)
Proceeds from long-term borrowings	1,227.8	2,241.1
Payments of long-term borrowings	(1,234.3)	(1,100.0)
Proceeds from issuance of common stock	44.7	54.3
Repurchases of common stock	(604.7)	(477.3)
Dividends paid	(209.9)	(192.5)
Excess tax benefits from share-based compensation	6.3	14.6
Other	(22.2)	(13.0)
Net cash used for financing activities	(582.5)	(209.5)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(104.7)	(33.0)
Net Increase (Decrease) in Cash and Cash Equivalents	187.8	(315.4)
Cash and Cash Equivalents at Beginning of Period	3,787.0	3,504.0
Cash and Cash Equivalents at End of Period	$ 3,974.8	$ 3,188.6

See Condensed Notes to Interim Consolidated Financial Statements.

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DEERE & COMPANY

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS EQUITY

For the Three Months Ended January 31, 2014 and 2015

(In millions of dollars) Unaudited

	Total Stockholders Equity	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests
	Deere & Company Stockholders					
Balance October 31, 2013	$ 10,267.7	$ 3,524.2	$ (10,210.9)	$ 19,645.6	$ (2,693.1)	$ 1.9
Net income	681.3			681.1		.2
Other comprehensive loss	(116.3)				(116.3)	
Repurchases of common stock	(477.3)		(477.3)			
Treasury shares reissued	45.1		45.1			
Dividends declared	(189.8)			(189.8)		
Stock options and other	47.1	47.1				
Balance January 31, 2014	$ 10,257.8	$ 3,571.3	$ (10,643.1)	$ 20,136.9	$ (2,809.4)	$ 2.1
Balance October 31, 2014	$ 9,065.5	$ 3,675.4	$ (12,834.2)	$ 22,004.4	$ (3,783.0)	$ 2.9
Net income	386.9			386.8		.1
Other comprehensive loss	(462.3)				(462.0)	(.3)
Repurchases of common stock	(604.7)		(604.7)			
Treasury shares reissued	30.7		30.7			
Dividends declared	(205.9)			(205.9)		
Stock options and other	38.6	38.6		(.1)		.1
Balance January 31, 2015	$ 8,248.8	$ 3,714.0	$ (13,408.2)	$ 22,185.2	$ (4,245.0)	$ 2.8

See Condensed Notes to Interim Consolidated Financial Statements.

Condensed Notes to Interim Consolidated Financial Statements (Unaudited)

(1) The information in the notes and related commentary are presented in a format which includes data grouped as follows:

Equipment Operations - Includes the Company s agriculture and turf operations and construction and forestry operations with financial services reflected on the equity basis.

Financial Services - Includes primarily the Company s financing operations.

Consolidated - Represents the consolidation of the equipment operations and financial services. References to Deere & Company or the Company refer to the entire enterprise.

(2) The consolidated financial statements of Deere & Company and consolidated subsidiaries have been prepared by the Company, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted as permitted by such rules and regulations. All adjustments, consisting of normal recurring adjustments, have been included. Management believes that the disclosures are adequate to present fairly the financial position, results of operations and cash flows at the dates and for the periods presented. It is suggested that these interim financial statements be read in conjunction with the consolidated financial statements and the notes thereto appearing in the Company s latest annual report on Form 10-K. Results for interim periods are not necessarily indicative of those to be expected for the fiscal year.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Cash Flow Information

All cash flows from the changes in trade accounts and notes receivable are classified as operating activities in the Statement of Consolidated Cash Flows as these receivables arise from sales to the Company s customers. Cash flows from financing receivables that are related to sales to the Company s customers are also included in operating activities. The remaining financing receivables are related to the financing of equipment sold by independent dealers and are included in investing activities.

The Company had the following non-cash operating and investing activities that were not included in the Statement of Consolidated Cash Flows. The Company transferred inventory to equipment on operating leases of approximately $96 million and $116 million in the first three months of 2015 and 2014, respectively. The Company also had accounts payable related to purchases of property and equipment of approximately $43 million and $50 million at January 31, 2015 and 2014, respectively.

(3) New accounting standards to be adopted are as follows:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date will be the first quarter of fiscal year 2018 using one of two retrospective application methods. The Company has not determined the potential effects on the consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, which amends ASC 718, Compensation - Stock Compensation. This ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Therefore, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. The total compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The effective date will be the first quarter of fiscal year 2017. The adoption will not have a material effect on the Company s consolidated financial statements.

(4) The after-tax changes in accumulated other comprehensive income (loss) in millions of dollars follow:

	Retirement Benefits Adjustment	Cumulative Translation Adjustment	Unrealized Gain (Loss) On Derivatives	Unrealized Gain (Loss) on Investments	Total Accumulated Other Comprehensive Income (Loss)
Balance October 31, 2014	$ (3,493)	$ (303)	$	$ 13	$ (3,783)
Other comprehensive income (loss) items before reclassification		(510)	(3)	9	(504)
Amounts reclassified from accumulated other comprehensive income (loss)	42		2	(2)	42
Net current period other comprehensive income (loss)	42	(510)	(1)	7	(462)
Balance January 31, 2015	$ (3,451)	$ (813)	$ (1)	$ 20	$ (4,245)

	Retirement Benefits Adjustment	Cumulative Translation Adjustment	Unrealized Gain (Loss) On Derivatives	Unrealized Gain (Loss) on Investments	Total Accumulated Other Comprehensive Income (Loss)
Balance October 31, 2013	$ (2,809)	$ 113	$ (3)	$ 6	$ (2,693)
Other comprehensive income (loss) items before reclassification	12	(168)	(3)	(1)	(160)
Amounts reclassified from accumulated other comprehensive income	38		6		44
Net current period other comprehensive income (loss)	50	(168)	3	(1)	(116)
Balance January 31, 2014	$ (2,759)	$ (55)		$ 5	$ (2,809)

Following are amounts recorded in and reclassifications out of other comprehensive income (loss), and the income tax effects, in millions of dollars:

Three Months Ended January 31, 2015	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment:	$ (508)	$ (2)	$ (510)
Unrealized gain (loss) on derivatives:			
Unrealized hedging (loss)	(4)	1	(3)
Reclassification of realized (gain) loss to:			
Interest rate contracts Interest expense	3		3
Foreign exchange contracts Other operating expense	(1)		(1)
Net unrealized (loss) on derivatives	(2)	1	(1)
Unrealized gain (loss) on investments:			
Unrealized holding gain	13	(4)	9
Reclassification of realized (gain) Other income	(2)		(2)
Net unrealized gain on investments	11	(4)	7
Retirement benefits adjustment:			
Pensions			
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial loss	55	(20)	35
Prior service cost	6	(2)	4
Settlements/curtailments	1		1
Health care and life insurance			
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial loss	23	(9)	14
Prior service (credit)	(19)	7	(12)
Net unrealized gain on retirement benefits adjustments	66	(24)	42
Total other comprehensive income (loss)	$ (433)	$ (29)	$ (462)

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

Three Months Ended January 31, 2014	Before Tax Amount	Tax (Expense) Credit	After Tax Amount
Cumulative translation adjustment:	$ (169)	$ 1	$ (168)
Unrealized gain (loss) on derivatives:			
Unrealized hedging (loss)	(5)	2	(3)
Reclassification of realized loss to:			
Interest rate contracts Interest expense	4	(1)	3
Foreign exchange contracts Other operating expense	5	(2)	3
Net unrealized gain on derivatives	4	(1)	3
Unrealized gain (loss) on investments:			
Unrealized holding (loss)	(2)	1	(1)
Net unrealized (loss) on investments	(2)	1	(1)
Retirement benefits adjustment:			
Pensions			
Net actuarial gain	19	(7)	12
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial loss	43	(15)	28
Prior service cost	6	(2)	4
Settlements/curtailments	2	(1)	1
Health care and life insurance			
Reclassification through amortization of actuarial (gain) loss and prior service (credit) cost to net income: *			
Actuarial loss	9	(3)	6
Prior service (credit)	(1)		(1)
Net unrealized gain on retirement benefits adjustments	78	(28)	50
Total other comprehensive income (loss)	$ (89)	$ (27)	$ (116)

* These accumulated other comprehensive income amounts are included in net periodic postretirement costs. See Note 7 for additional detail.

In the first quarter of 2015 and 2014, the noncontrolling interests comprehensive income (loss) was $(.2) million and $.2 million, respectively, which consisted of net income of $.1 million in 2015 and $.2 million in 2014 and a cumulative translation adjustment of $(.3) million in 2015.

(5) Dividends declared and paid on a per share basis were as follows:

	Three Months Ended January 31 2015	2014
Dividends declared	$ .60	$ .51
Dividends paid	$ .60	$ .51

(6) A reconciliation of basic and diluted net income per share attributable to Deere & Company follows in millions, except per share amounts:

	Three Months Ended January 31	
	2015	2014
Net income attributable to Deere & Company	$ 386.8	$ 681.1
Less income allocable to participating securities	.1	.2
Income allocable to common stock	$ 386.7	$ 680.9
Average shares outstanding	343.1	371.9
Basic per share	$ 1.13	$ 1.83
Average shares outstanding	343.1	371.9
Effect of dilutive share-based compensation	2.6	3.5
Total potential shares outstanding	345.7	375.4
Diluted per share	$ 1.12	$ 1.81

During the first quarter of 2015 and 2014, 3.0 million shares and 2.4 million shares, respectively, related to share-based compensation were excluded from the above diluted per share computation because the incremental shares under the treasury stock method would have been antidilutive.

(7) The Company has several defined benefit pension plans and defined benefit postretirement health care and life insurance plans covering its U.S. employees and employees in certain foreign countries.

The worldwide components of net periodic pension cost consisted of the following in millions of dollars:

	Three Months Ended January 31	
	2015	2014
Service cost	$ 73	$ 61
Interest cost	119	119
Expected return on plan assets	(193)	(193)
Amortization of actuarial loss	55	43
Amortization of prior service cost	6	6
Settlements/curtailments	1	2
Net cost	$ 61	$ 38

The worldwide components of net periodic postretirement benefits cost (health care and life insurance) consisted of the following in millions of dollars:

	Three Months Ended January 31	
	2015	2014
Service cost	$ 11	$ 11
Interest cost	65	66
Expected return on plan assets	(14)	(18)
Amortization of actuarial loss	23	9
Amortization of prior service credit	(19)	(1)
Net cost	$ 66	$ 67

During the first quarter of 2015, the Company contributed approximately $21 million to its pension plans and $15 million to its other postretirement benefit plans. The Company presently anticipates contributing an additional $54 million to its pension plans and $11 million to its other postretirement benefit plans during the remainder of fiscal year 2015. These contributions include payments from Company funds to either increase plan assets or make direct payments to plan participants.

(8) The Company s unrecognized tax benefits at January 31, 2015 were $210 million, compared to $213 million at October 31, 2014. The liability at January 31, 2015 consisted of approximately $76 million, which would affect the effective tax rate if it was recognized. The remaining liability was related to tax positions for which there are offsetting tax receivables, or the uncertainty was only related to timing. The changes in the unrecognized tax benefits for the first three months of 2015 were not significant. The Company expects that any reasonably possible change in the amounts of unrecognized tax benefits in the next 12 months would not be significant.

(9) Worldwide net sales and revenues, operating profit and identifiable assets by segment in millions of dollars follow:

	Three Months Ended January 31		
	2015	2014	% Change
Net sales and revenues:			
Agriculture and turf	$ 4,081	$ 5,596	-27
Construction and forestry	1,524	1,353	+13
Total net sales	5,605	6,949	-19
Financial services	648	587	+10
Other revenues	130	118	+10
Total net sales and revenues	$ 6,383	$ 7,654	-17
Operating profit: *			
Agriculture and turf	$ 268	$ 797	-66
Construction and forestry	146	94	+55
Financial services	233	182	+28
Total operating profit	647	1,073	-40
Reconciling items **	(89)	(112)	-21
Income taxes	(171)	(280)	-39
Net income attributable to Deere & Company	$ 387	$ 681	-43
Intersegment sales and revenues:			
Agriculture and turf net sales	$ 13	$ 20	-35
Construction and forestry net sales		1	
Financial services	50	46	+9
Equipment operations outside the U.S. and Canada:			
Net sales	$ 1,873	$ 2,608	-28
Operating profit	77	211	-64
	January 31 2015	October 31 2014	
Identifiable assets:			
Agriculture and turf	$ 9,354	$ 9,442	-1
Construction and forestry	3,332	3,405	-2
Financial services	40,376	42,784	-6
Corporate	5,228	5,705	-8
Total assets	$ 58,290	$ 61,336	-5

* Operating profit is income from continuing operations before corporate expenses, certain external interest expense, certain foreign exchange gains and losses and income taxes. Operating profit of the financial services segment includes the effect of interest expense and foreign exchange gains and losses.

** Reconciling items are primarily corporate expenses, certain external interest expense, certain foreign exchange gains and losses and net income attributable to noncontrolling interests.

(10) Past due balances of financing receivables still accruing finance income represent the total balance held (principal plus accrued interest) with any payment amounts 30 days or more past the contractual payment due date. Non-performing financing receivables represent loans for which the Company has ceased accruing finance income. These receivables are generally 120 days delinquent and the estimated uncollectible amount, after charging the dealer s withholding account, if any, has been written off to the allowance for credit losses. Finance income for non-performing receivables is recognized on a cash basis. Accrual of finance income is generally resumed when the receivable becomes contractually current and collections are reasonably assured.

An age analysis of past due financing receivables that are still accruing interest and non-performing financing receivables in millions of dollars follows:

	January 31, 2015			
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail Notes:				
Agriculture and turf	$ 122	$ 41	$ 40	$ 203
Construction and forestry	59	25	11	95
Other:				
Agriculture and turf	32	10	3	45
Construction and forestry	16	6	3	25
Total	$ 229	$ 82	$ 57	$ 368

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$ 203	$ 102	$ 19,027	$ 19,332
Construction and forestry	95	12	2,529	2,636
Other:				
Agriculture and turf	45	17	6,791	6,853
Construction and forestry	25	5	1,016	1,046
Total	$ 368	$ 136	$ 29,363	29,867
Less allowance for credit losses				168
Total financing receivables - net				$ 29,699

	October 31, 2014			
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail Notes:				
Agriculture and turf	$ 93	$ 34	$ 28	$ 155
Construction and forestry	54	16	7	77
Other:				
Agriculture and turf	23	12	2	37
Construction and forestry	12	3	4	19
Total	$ 182	$ 65	$ 41	$ 288

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$ 155	$ 107	$ 19,966	$ 20,228
Construction and forestry	77	17	2,462	2,556
Other:				
Agriculture and turf	37	15	8,208	8,260
Construction and forestry	19	2	1,134	1,155
Total	$ 288	$ 141	$ 31,770	32,199
Less allowance for credit losses				175
Total financing receivables - net				$ 32,024

	January 31, 2014			
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due
Retail Notes:				
Agriculture and turf	$ 103	$ 39	$ 26	$ 168
Construction and forestry	51	19	10	80
Other:				
Agriculture and turf	28	10	4	42
Construction and forestry	12	4	3	19
Total	$ 194	$ 72	$ 43	$ 309

	Total Past Due	Total Non-Performing	Current	Total Financing Receivables
Retail Notes:				
Agriculture and turf	$ 168	$ 106	$ 18,802	$ 19,076
Construction and forestry	80	14	2,017	2,111
Other:				
Agriculture and turf	42	13	6,614	6,669
Construction and forestry	19	3	1,022	1,044
Total	$ 309	$ 136	$ 28,455	28,900
Less allowance for credit losses				167
Total financing receivables - net				$ 28,733

An analysis of the allowance for credit losses and investment in financing receivables in millions of dollars during the periods follows:

	Three Months Ended January 31, 2015			
	Retail Notes	Revolving Charge Accounts	Other	Total
Allowance:				
Beginning of period balance	$ 109	$ 41	$ 25	$ 175
Provision	1			1
Write-offs	(3)	(4)		(7)
Recoveries	2	4		6
Translation adjustments	(5)		(2)	(7)
End of period balance *	$ 104	$ 41	$ 23	$ 168
Financing receivables:				
End of period balance	$ 21,968	$ 1,882	$ 6,017	$ 29,867
Balance individually evaluated **	$ 23	$ 1	$ 1	$ 25

	Three Months Ended January 31, 2014			
Allowance:				
Beginning of period balance	$ 101	$ 41	$ 31	$ 173
Provision	1	1		2
Write-offs	(3)	(5)		(8)
Recoveries	2	3		5
Translation adjustments	(4)		(1)	(5)
End of period balance *	$ 97	$ 40	$ 30	$ 167
Financing receivables:				
End of period balance	$ 21,187	$ 1,801	$ 5,912	$ 28,900
Balance individually evaluated **	$ 14		$ 26	$ 40

* Individual allowances were not significant.

** Remainder is collectively evaluated.

Financing receivables are considered impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms. Receivables reviewed for impairment generally include those that are either past due, or have provided bankruptcy notification, or require significant collection efforts. Receivables that are impaired are generally classified as non-performing.

An analysis of the impaired financing receivables in millions of dollars follows:

	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment
January 31, 2015 *				
Receivables with specific allowance **	$ 6	$ 6	$ 2	$ 7
Receivables without a specific allowance **	6	5		6
Total	$ 12	$ 11	$ 2	$ 13
Agriculture and turf	$ 10	$ 10	$ 2	$ 11
Construction and forestry	$ 2	$ 1		$ 2
October 31, 2014 *				
Receivables with specific allowance **	$ 9	$ 9	$ 2	$ 10
Receivables without a specific allowance **	6	6		7
Total	$ 15	$ 15	$ 2	$ 17
Agriculture and turf	$ 12	$ 12	$ 2	$ 13
Construction and forestry	$ 3	$ 3		$ 4
January 31, 2014 *				
Receivables with specific allowance ***	$ 18	$ 18	$ 4	$ 18
Receivables without a specific allowance **	7	6		7
Total	$ 25	$ 24	$ 4	$ 25
Agriculture and turf	$ 22	$ 22	$ 4	$ 23
Construction and forestry	$ 3	$ 2		$ 2

* Finance income recognized was not material.
** Primarily retail notes.
*** Primarily operating loans.

A troubled debt restructuring is generally the modification of debt in which a creditor grants a concession it would not otherwise consider to a debtor that is experiencing financial difficulties. These modifications may include a reduction of the stated interest rate, an extension of the maturity dates, a reduction of the face amount or maturity amount of the debt, or a reduction of accrued interest. During the first quarter of 2015, the Company identified nine financing receivable contracts, primarily retail notes, as troubled debt restructurings with aggregate balances of $.1 million pre-modification and $.1 million post-modification. During the first quarter of 2014, there were six financing receivable contracts, primarily retail notes, with aggregate balances of $.2 million pre-modification and $.2 post-modification. During these same periods, there were no significant troubled debt restructurings that subsequently defaulted and were written off. At January 31, 2015, the Company had no commitments to lend additional funds to borrowers whose accounts were modified in troubled debt restructurings.

(11) Securitization of financing receivables:

The Company, as a part of its overall funding strategy, periodically transfers certain financing receivables (retail notes) into variable interest entities (VIEs) that are special purpose entities (SPEs), or a non-VIE banking operation, as part of its asset-backed securities programs (securitizations). The structure of these transactions is such that the transfer of the retail notes does not meet the criteria of sales of receivables, and is, therefore, accounted for as a secured borrowing. SPEs utilized in securitizations of retail notes differ from other entities included in the Company s consolidated statements because the assets they hold are legally isolated. Use of the assets held by the SPEs or the non-VIE is restricted by terms of the documents governing the securitization transactions.

In securitizations of retail notes related to secured borrowings, the retail notes are transferred to certain SPEs or to a non-VIE banking operation, which in turn issue debt to investors. The resulting secured borrowings are recorded as Short-term securitization borrowings on the balance sheet. The securitized retail notes are recorded as Financing receivables securitized net on the balance sheet. The total restricted assets on the balance sheet related to these securitizations include the financing receivables securitized less an allowance for credit losses, and other assets primarily representing restricted cash. For those securitizations in which retail notes are transferred into SPEs, the SPEs supporting the secured borrowings are consolidated unless the Company does not have both the power to direct the activities that most significantly impact the SPEs economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the SPEs. No additional support to these SPEs beyond what was previously contractually required has been provided during the reporting periods.

In certain securitizations, the Company consolidates the SPEs since it has both the power to direct the activities that most significantly impact the SPEs economic performance through its role as servicer of all the receivables held by the SPEs, and the obligation through variable interests in the SPEs to absorb losses or receive benefits that could potentially be significant to the SPEs. The restricted assets (retail notes securitized, allowance for credit losses and other assets) of the consolidated SPEs totaled $2,563 million, $3,011 million and $2,223 million at January 31, 2015, October 31, 2014 and January 31, 2014, respectively. The liabilities (short-term securitization borrowings and accrued interest) of these SPEs totaled $2,500 million, $2,942 million and $2,159 million at January 31, 2015, October 31, 2014 and January 31, 2014, respectively. The credit holders of these SPEs do not have legal recourse to the Company s general credit.

In certain securitizations, the Company transfers retail notes to a non-VIE banking operation, which is not consolidated since the Company does not have a controlling interest in the entity. The Company s carrying values and interests related to the securitizations with the unconsolidated non-VIE were restricted assets (retail notes securitized, allowance for credit losses and other assets) of $184 million, $368 million and $296 million at January 31, 2015, October 31, 2014 and January 31, 2014, respectively. The liabilities (short-term securitization borrowings and accrued interest) were $179 million, $351 million and $289 million at January 31, 2015, October 31, 2014 and January 31, 2014, respectively.

In certain securitizations, the Company transfers retail notes into bank-sponsored, multi-seller, commercial paper conduits, which are SPEs that are not consolidated. The Company does not service a significant portion of the conduits receivables, and, therefore, does not have the power to direct the activities that most significantly impact the conduits economic performance. These conduits provide a funding source to the Company (as well as other transferors into the conduit) as they fund the retail notes through the issuance of commercial paper. The Company s carrying values and variable interests related to these conduits were restricted assets (retail notes securitized, allowance for credit losses and other assets) of $1,246 million, $1,331 million and $1,069 million at January 31, 2015, October 31, 2014 and January 31, 2014, respectively. The liabilities (short-term securitization borrowings and accrued interest) related to these conduits were $1,211 million, $1,267 million and $1,044 million at January 31, 2015, October 31, 2014 and January 31, 2014, respectively.

The Company s carrying amount of the liabilities to the unconsolidated conduits, compared to the maximum exposure to loss related to these conduits, which would only be incurred in the event of a complete loss on the restricted assets, was as follows in millions of dollars:

	January 31, 2015
Carrying value of liabilities	$ 1,211
Maximum exposure to loss	1,246

The total assets of unconsolidated VIEs related to securitizations were approximately $53 billion at January 31, 2015.

The components of consolidated restricted assets related to secured borrowings in securitization transactions follow in millions of dollars:

	January 31 2015	October 31 2014	January 31 2014
Financing receivables securitized (retail notes)	$ 3,905	$ 4,616	$ 3,502
Allowance for credit losses	(12)	(14)	(11)
Other assets	100	108	97
Total restricted securitized assets	$ 3,993	$ 4,710	$ 3,588

The components of consolidated secured borrowings and other liabilities related to securitizations follow in millions of dollars:

	January 31 2015	October 31 2014	January 31 2014
Short-term securitization borrowings	$ 3,888	$ 4,559	$ 3,491
Accrued interest on borrowings	2	1	1
Total liabilities related to restricted securitized assets	$ 3,890	$ 4,560	$ 3,492

The secured borrowings related to these restricted securitized retail notes are obligations that are payable as the retail notes are liquidated. Repayment of the secured borrowings depends primarily on cash flows generated by the restricted assets. Due to the Company s short-term credit rating, cash collections from these restricted assets are not required to be placed into a restricted collection account until immediately prior to the time payment is required to the secured creditors. At January 31, 2015, the maximum remaining term of all restricted securitized retail notes was approximately six years.

(12) Most inventories owned by Deere & Company and its U.S. equipment subsidiaries and certain foreign equipment subsidiaries are valued at cost on the last-in, first-out (LIFO) method. If all of the Company s inventories had been valued on a first-in, first-out (FIFO) method, estimated inventories by major classification in millions of dollars would have been as follows:

	January 31 2015	October 31 2014	January 31 2014
Raw materials and supplies	$ 1,723	$ 1,724	$ 2,108
Work-in-process	697	654	847
Finished goods and parts	3,622	3,360	4,151
Total FIFO value	6,042	5,738	7,106
Less adjustment to LIFO value	1,515	1,528	1,551
Inventories	$ 4,527	$ 4,210	$ 5,555

(13) The changes in amounts of goodwill by operating segments were as follows in millions of dollars:

	Agriculture and Turf	Construction and Forestry	Total
Balance October 31, 2013:			
Goodwill	$ 302	$ 603	$ 905
Less accumulated impairment losses	60		60
Goodwill - net	242	603	845
Translation adjustments	(3)	(7)	(10)
Balance January 31, 2014:			
Goodwill	299	596	895
Less accumulated impairment losses	60		60
Goodwill - net	$ 239	$ 596	$ 835