DEERE & CO
Form 10-K
December 17, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2010

Commission file number 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**	**(309) 765-8000**
(Address of principal executive offices)	(Zip Code)	(Telephone Number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

Title of each class	**Name of each exchange on which registered**

Common stock, $1 par value	New York Stock Exchange
8-1/2% Debentures Due 2022	New York Stock Exchange
6.55% Debentures Due 2028	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

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 o

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Yes o No x

The aggregate quoted market price of voting stock of registrant held by non-affiliates at April 30, 2010 was $25,336,255,820. At November 30, 2010, 422,711,150 shares of common stock, $1 par value, of the registrant were outstanding. *Documents Incorporated by Reference*. Portions of the proxy statement for the annual meeting of stockholders to be held on February 23, 2011 are incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS.

Products

Deere & Company (the Company) and its subsidiaries (collectively called John Deere) have operations which are categorized into three major business segments.

The *agriculture and turf* segment manufactures and distributes a full line of farm and turf equipment and related service parts including large, medium and utility tractors; loaders; combines, cotton and sugarcane harvesters and related front-end equipment and sugarcane loaders; tillage, seeding and application equipment, including sprayers, nutrient management and soil preparation machinery; hay and forage equipment, including self-propelled forage harvesters and attachments, balers and mowers; turf and utility equipment, including riding lawn equipment and walk-behind mowers, golf course equipment, utility vehicles, and commercial mowing equipment, along with a broad line of associated implements; integrated agricultural management systems technology; precision agricultural irrigation equipment and supplies; landscape and nursery products; and other outdoor power products.

The *construction and forestry* segment manufactures, distributes to dealers and sells at retail a broad range of machines and service parts used in construction, earthmoving, material handling and timber harvesting including backhoe loaders; crawler dozers and loaders; four-wheel-drive loaders; excavators; motor graders; articulated dump trucks; landscape loaders; skid-steer loaders; and log skidders, feller bunchers, log loaders, log forwarders, log harvesters and related attachments.

The products and services produced by the segments above are marketed primarily through independent retail dealer networks and major retail outlets.

The *credit* segment primarily finances sales and leases by John Deere dealers of new and used agriculture and turf equipment and construction and forestry equipment. In addition, the credit segment provides wholesale financing to dealers of the foregoing equipment, provides operating loans, finances retail revolving charge accounts, offers crop risk mitigation products and held residual wind energy generation investments until December 2010 (see Note 30).

John Deere s worldwide agriculture and turf operations and construction and forestry operations are sometimes referred to as the Equipment Operations. The credit and certain miscellaneous service operations are sometimes referred to as Financial Services.

Additional information is presented in the discussion of business segment and geographic area results on page 21. The John Deere enterprise has manufactured agricultural machinery since 1837. The present Company was incorporated under the laws of Delaware in 1958.

The Company s internet address is http://www.JohnDeere.com. Through that address, the Company s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available free of charge as soon as reasonably practicable after they are filed with the United States Securities and Exchange Commission (Securities and Exchange Commission or Commission). The information contained on the Company s website is not included in, or incorporated by reference into, this annual report on Form 10-K.

Market Conditions and Outlook

The Company s equipment sales are projected to increase 10 to 12 percent for fiscal year 2011 and increase about 34 percent for the first quarter, compared with the same periods in 2010. Included is an unfavorable currency translation impact of about 1 percent for the year and about 2 percent for the first quarter of 2011. Net income attributable to Deere & Company is anticipated to be approximately $2.1 billion for 2011.

Fiscal year 2011 will be a record year for new model introductions for John Deere, due in large part to the implementation of more rigorous global engine emissions standards. The Company s earnings forecast reflects the complexity of transitioning to these new equipment models as well as increased product costs to comply with the regulations. In addition, the Company projects higher raw material costs in 2011 and a less favorable sales mix in the agriculture and turf segment.

Agriculture and Turf. Worldwide sales of the Company s agriculture and turf segment are forecast to increase by 7 to 9 percent for fiscal year 2011, benefiting from generally favorable global farm conditions. Farmers in most of the Company s key markets are experiencing solid levels of income due to strong global demand for agricultural commodities, low grain stockpiles in relation to use, and high prices for crops such as corn, wheat, soybeans, sugar and cotton.

After increasing in 2010, industry farm machinery sales in the United States (U.S.) and Canada are forecast to be about the same in 2011 as a result of production limits and transitional issues associated with the broad launch of Interim Tier 4 compliant equipment.

Industry sales in Western Europe are forecast to increase 5 to 10 percent, while sales in Central Europe and the Commonwealth of Independent States are expected to see moderate gains from the depressed level in 2010. Industry sales in Asia also are forecast to grow moderately.

In South America, industry sales are projected to be about the same in 2011 relative to the strong levels of 2010, although the Company s sales in the region are expected to benefit from a broader lineup of recently introduced products.

Industry sales of turf and utility equipment in the U.S. and Canada are expected to be approximately the same after experiencing some recovery in 2010.

Construction and Forestry. Worldwide sales of John Deere s construction and forestry equipment are forecast to rise by 25 to 30 percent for fiscal year 2011. The increase reflects market conditions that are somewhat improved in relation to the relatively low level in 2010. In addition, sales to independent rental companies are expected to see further growth. World forestry markets are expected to move significantly higher as a result of improved wood and pulp prices.

Credit. Net income in fiscal year 2011 for John Deere s credit operations is forecast to be approximately $360 million. The forecast increase from 2010 primarily is due to growth in the portfolio.

2010 Consolidated Results Compared with 2009

Worldwide net income attributable to Deere & Company in 2010 was $1,865 million, or $4.35 per share diluted ($4.40 basic), compared with $873 million, or $2.06 per share diluted ($2.07 basic), in 2009. Included in net income for 2009 were charges of $381 million pretax ($332 million after-tax), or $.78 per share diluted and basic, related to impairment of goodwill and voluntary employee separation expenses (see Note 5). Net sales and revenues increased 13 percent to $26,005 million in 2010, compared with $23,112 million in 2009. Net sales of the Equipment Operations increased 14 percent in 2010 to $23,573 million from $20,756 million last year. The sales increase was primarily due to higher shipment volumes. The increase also included a favorable effect for foreign currency translation of 3 percent and a price increase of 2 percent. Net sales in the U.S. and Canada increased 14 percent in 2010. Net sales outside the U.S. and Canada increased by 14 percent in 2010, which included a favorable effect of 5 percent for foreign currency translation.

Worldwide Equipment Operations had an operating profit of $2,909 million in 2010, compared with $1,365 million in 2009. The higher operating profit was primarily due to higher shipment and production volumes, improved price realization, the favorable effects of foreign currency exchange and lower raw material costs, partially offset by increased postretirement costs and higher incentive compensation expenses. Last year was also affected by a goodwill impairment charge and voluntary employee separation expenses.

The Equipment Operations net income, including noncontrolling interests, was $1,492 million in 2010, compared with $677 million in 2009. The same operating factors mentioned above affected these results.

Net income of the Company s Financial Services operations attributable to Deere & Company in 2010 increased to $373 million, compared with $203 million in 2009. The increase was primarily a result of improved financing spreads and a lower provision for credit losses. Additional information is presented in the discussion of the Worldwide Credit Operations on page 21.

The cost of sales to net sales ratio for 2010 was 73.8 percent, compared with 78.3 percent last year. The decrease was primarily due to higher shipment and production volumes, improved price realization, favorable effects of foreign currency exchange and lower raw material costs. A larger goodwill impairment charge and voluntary employee separation expenses also affected last year s ratio.

Additional information on 2010 results is presented on pages 20 - 21.

EQUIPMENT OPERATIONS

Agriculture and Turf

The John Deere agriculture and turf segment manufactures and distributes a full line of agricultural and turf equipment and related service parts. The segment s global operating model is designed to enable faster geographic growth and increase the segment s competitiveness. Pursuant to this model, the segment consolidates all markets into four customer focus areas to facilitate comprehensive customer understanding and deliver optimal customer service. As an additional component of the global operating model, the segment s equipment operations are consolidated into five product platforms crop harvesting (combines, cotton and sugarcane harvesters and related front-end equipment and sugarcane loaders); turf and utility (utility vehicles, riding lawn equipment, walk behind mowers, commercial mowing equipment, golf course equipment, implements for mowing, tilling, snow and debris handling, aerating and many other residential, commercial, golf and sports turf care applications; and other outdoor power products); hay and forage (self-propelled forage harvesters and attachments, balers and mowers); crop care (tillage, seeding and application equipment, including sprayers, nutrient management and soil preparation machinery); and tractors (loaders and large, medium and utility tractors). John Deere also purchases certain products from other manufacturers for resale. Additionally, the segment offers ancillary products and services supporting its agricultural and turf equipment customers. John Deere Landscapes, a unit of the segment, distributes irrigation equipment, nursery products and landscape supplies, including seed, fertilizer and hardscape materials, primarily to landscape service professionals. John Deere Water, also a unit of the agriculture and turf segment, manufactures and distributes precision agricultural irrigation equipment and supplies.

The segment also provides integrated agricultural business and equipment management systems. John Deere has developed a comprehensive agricultural management systems approach using advanced communications, data collection and global satellite positioning technologies to enable farmers to better control input costs and yields, improve soil conservation and minimize chemical use and to gather information. Recently introduced advanced telematics systems remotely connect agricultural equipment owners, business managers and dealers to agricultural equipment in the field, providing real-time alerts and information about equipment location, utilization, performance and maintenance to improve productivity and efficiency.

In addition to the John Deere brand, the agriculture and turf segment manufactures and sells a variety of equipment attachments under the Frontier brand name, walk-behind mowers and scarifiers in Europe under the SABO brand name, and tractors in China under the Benye brand name. John Deere manufactures its agricultural and turf equipment for sale primarily through independent retail dealer networks, and also builds products for sale by mass retailers, including The Home Depot and Lowe s.

Sales of agricultural equipment are affected by total farm cash receipts, which reflect levels of farm commodity prices, acreage planted, crop yields and governmental policies, including the amount and timing of government payments. Sales are also influenced by general economic conditions, farm land prices, farmers debt levels and access to financing, interest and exchange rates, agricultural trends, including the production of and demand for renewable fuels, energy costs and other input costs associated with farming. Other important factors affecting new agricultural equipment sales are the value and level of used equipment, including tractors, harvesting equipment, self-propelled sprayers, hay and

forage equipment and seeding equipment. Weather and climatic conditions can also affect buying decisions of agricultural equipment purchasers.

Innovations in machinery and technology also influence agricultural equipment purchasing. For example, larger, more productive equipment is well accepted where farmers are striving for more efficiency in their operations. Large, cost-efficient, highly-mechanized agricultural operations account for an important share of worldwide farm output. The large-size agricultural equipment used on such farms has been particularly important to John Deere. A large proportion of the Equipment Operations total agricultural equipment sales in the U.S. and Canada, and a growing proportion of sales in many countries outside the U.S. and Canada, is comprised of tractors over 100 horsepower, self-propelled combines, self-propelled cotton pickers, self-propelled forage harvesters, self-propelled

sprayers and seeding equipment. However, as John Deere expands its business globally, especially in developing countries where demand for smaller equipment is greater, John Deere s sales of tractors below 100 horsepower have increased.

Retail sales of lawn and garden tractors, compact utility tractors, residential and commercial mowers, utility vehicles, and golf and turf equipment are influenced by weather conditions, consumer spending patterns and general economic conditions.

Seasonality. Seasonal patterns in retail demand for agricultural equipment result in substantial variations in the volume and mix of products sold to retail customers during various times of the year. Seasonal demand must be estimated in advance, and equipment must be manufactured in anticipation of such demand in order to achieve efficient utilization of manpower and facilities throughout the year. For certain equipment, John Deere offers early order discounts to retail customers. Production schedules are based, in part, on these early order programs. The segment incurs substantial seasonal variation in cash flows to finance production and inventory of agricultural equipment. The segment also incurs costs to finance sales to dealers in advance of seasonal demand. New combine and cotton harvesting equipment has been sold under early order programs with waivers of retail finance charges available to customers who take delivery of machines during off-season periods. In the U.S. and Canada, there are typically several used equipment trade-in transactions for most new agricultural equipment sales. To provide support to the Company s dealers for these used equipment trade-ins, John Deere provides dealers with a pool of funds, awarded to dealers as a percentage of the dealer cost for certain new eligible equipment sales. Dealers can use these funds to defray the costs of carrying or marketing used equipment inventory or to provide financing incentives to customers purchasing the used equipment.

Retail demand for turf and utility equipment is normally higher in the second and third quarters. John Deere is pursuing a strategy of building and shipping as close to retail demand as possible. Consequently, to increase asset turnover and reduce the average level of field inventories through the year, production and shipment schedules of these product lines will normally be proportionately higher in the second and third quarters of each year, corresponding closely to the seasonal pattern of retail sales.

Construction and Forestry

John Deere construction, earthmoving, material handling and forestry equipment includes a broad range of backhoe loaders, crawler dozers and loaders, four-wheel-drive loaders, excavators, motor graders, articulated dump trucks, landscape loaders, skid-steer loaders, log skidders, log feller bunchers, log loaders, log forwarders, log harvesters and a variety of attachments. John Deere provides the most complete line of forestry machines and attachments available in the world. The segment s forestry machines are distributed under the John Deere brand name and forestry attachments are distributed under the John Deere and Waratah brand names. In addition to the equipment manufactured by the construction and forestry segment, John Deere purchases certain products from other manufacturers for resale. The segment also provides comprehensive fleet management telematics solutions designed to improve customer productivity and efficiency through access to fleet location, utilization and maintenance information.

The prevailing levels of residential, commercial and public construction and the condition of the forest products industry influence retail sales of John Deere construction, earthmoving, material handling and forestry equipment. General economic conditions, the level of interest rates, the availability of credit and certain commodity prices such as those applicable to pulp, paper and saw logs also influence sales.

Pursuant to agreements between John Deere and Bell Equipment Limited (Bell), Bell and John Deere collaborate to design articulated dump trucks which are manufactured by John Deere in the U.S. for John Deere s distribution under the John Deere brand name in North, Central and South America. John Deere licenses Bell to manufacture and sell certain John Deere-designed construction equipment in specified territories of Africa. Bell is also the distributor of certain John Deere manufactured construction equipment under the Bell brand name and forestry equipment

under the John Deere brand name in certain territories of Africa.

John Deere and Hitachi Construction Machinery Co. (Hitachi) have a joint venture for the manufacture of hydraulic excavators and track log loaders in the U.S. and Canada. John Deere distributes Hitachi brands of construction and mining equipment in North, Central and South America. John Deere also has supply agreements with Hitachi under which a range of construction, earthmoving, material handling and forestry products manufactured by John Deere in the U.S., Finland and New Zealand are distributed by Hitachi in certain Asian markets.

John Deere has expanded the construction and forestry segment s business outside of the U.S. and Canada by entering into a joint venture in China with Xuzhou Bohui Science & Technology Development CO. Ltd. (Xuzhou) known as Xuzhou XCG John Deere Machinery Manufacturing Co., Ltd. (Xuzhou XCG), and by establishing manufacturing capacity for construction and forestry equipment in Russia in 2010 and construction equipment in India in 2011 through Ashok Leyland John Deere Construction Equipment Company Private Limited (Ashok Leyland), its joint venture with Ashok Leyland Limited.

The segment has a number of initiatives in the rent-to-rent, or short-term rental, market for construction, earthmoving and material handling equipment. These include specially designed rental programs for John Deere dealers and expanded cooperation with major, national equipment rental companies.

John Deere also owns Nortrax, Inc. and Nortrax Canada Inc. (collectively called Nortrax). Nortrax is an authorized John Deere dealer for construction, earthmoving, material handling and forestry equipment in a variety of markets in the U.S. and Canada. John Deere also owns retail forestry sales operations in Australia, Brazil, Finland, Ireland, New Zealand, Norway, Russia, Sweden and the United Kingdom.

Competition

The Equipment Operations sell products and services into a variety of highly competitive global and regional markets. The principal competitive factors in all markets include product performance, innovation and quality, distribution, customer service and price. In North America and many other parts of the world, John Deere s brand recognition is a competitive factor.

The competitive environment for the agriculture and turf segment includes some global competitors, including AGCO Corporation, CNH Global N.V., Kubota Tractor Corporation and The Toro Company, and many regional and local competitors. These competitors have varying numbers of product lines competing with the segment s products and each have varying degrees of regional focus. An important part of the competition within the agricultural equipment industry during the past decade has come from a diverse variety of short-line and specialty manufacturers with differing manufacturing and marketing methods. Because of industry conditions, including the merger of certain large integrated competitors and the emergence and expanding global capability of many competitors, particularly in emerging and high potential markets such as Brazil, China, India and Russia where John Deere seeks to increase market share, the agricultural equipment business continues to undergo significant change and is becoming even more competitive. John Deere has continued to increase its global manufacturing capacity to compete in these markets. The segment s turf equipment is sold primarily in the highly competitive North American and Western European markets. The agriculture and turf segment s global operating model is designed to enhance the segment s competitive position by reducing complexity, implementing standard processes and increasing customer focus, speed and flexibility while building on the segment s broad global reach and deep understanding of the agriculture and turf care markets.

The construction and forestry segment operates in highly competitive North American and global markets, and is seeking to grow its competitive position in other parts of the world, including Brazil, China, India and Russia. Global competitors of the construction and forestry segment include Caterpillar Inc., Komatsu Ltd., Volvo Construction Equipment (part of Volvo Group AB), CNH Global N.V., Tigercat Industries Inc. and Ponsse Plc. The segment provides equipment that competes for over 90 percent of the estimated total North American market for the size categories of construction, earthmoving and material handling equipment that John Deere manufactures.

Engineering and Research

John Deere invests heavily in engineering and research to improve the quality and performance of its products and to develop new products. Such expenditures were $1,052 million or 4.5 percent of net sales of equipment in 2010, $977 million or 4.7 percent in 2009 and $943 million or 3.7 percent in 2008.

Manufacturing

Manufacturing Plants. In the U.S. and Canada, the Equipment Operations own and operate 18 factory locations and lease and operate another four locations, which contain approximately 26.7 million square feet of floor space. Of these 22 factories, 15 are devoted primarily to agriculture and turf equipment, two to construction and forestry equipment, one to engines, two to engine remanufacturing and two to hydraulic and power train components. Outside the U.S. and Canada, the Equipment Operations own or lease and operate: agriculture and turf equipment

factories in Brazil, China, France, Germany, India, Israel, Mexico, the Netherlands, Russia and Spain; engine factories in Argentina, France, India and Mexico; and forestry equipment factories in Finland and New Zealand. In addition, John Deere Water has manufacturing operations outside of North America in Argentina, Australia, Brazil, Chile, France, India, Israel and Spain. These factories and manufacturing operations outside the U.S. and Canada contain approximately 17.3 million square feet of floor space. The engine factories referred to above manufacture non-road, heavy duty diesel engines a majority of which are manufactured for John Deere s Equipment Operations. The remaining engines are sold to other regional and global original equipment manufacturers.

The Equipment Operations also have financial interests in other manufacturing organizations, which include agricultural equipment manufacturers in the U.S., an industrial truck manufacturer in South Africa, the Hitachi joint venture that builds hydraulic excavators and track log loaders in the U.S. and Canada, the Xuzhou XCG joint venture that builds excavators, the Ashok Leyland joint venture that will begin building backhoes and four-wheel-drive loaders in 2011, ventures that manufacture transaxles and transmissions used in certain agriculture and turf segment products and a venture that remanufactures turbochargers, diesel particulate filters and electronics.

John Deere s facilities are well maintained, in good operating condition and are suitable for their present purposes. These facilities, together with both short-term and long-term planned capital expenditures, are expected to meet John Deere s manufacturing needs in the foreseeable future.

Capacity is adequate to satisfy John Deere s current expectations for retail market demand. The Equipment Operations manufacturing strategy involves the implementation of appropriate levels of technology and automation to allow manufacturing processes to remain profitable at varying production levels. Operations are also designed to be flexible enough to accommodate the product design changes required to meet market conditions. Common manufacturing facilities and techniques are employed in the production of components for agriculture and turf equipment and construction and forestry equipment.

In order to utilize manufacturing facilities and technology more effectively, the Equipment Operations pursue continuous improvements in manufacturing processes. These include steps to streamline manufacturing processes and enhance responsiveness to customers. John Deere has implemented flexible assembly lines that can accommodate a wider product mix and deliver products in line with dealer and customer demand. Additionally, considerable effort is being directed to manufacturing cost reduction through process improvement, product design, advanced manufacturing technology, enhanced environmental management systems, supply management and logistics as well as compensation incentives related to productivity and organizational structure. In recent years, John Deere has experienced volatility in the price of many raw materials. John Deere has responded to cost pressures by implementing the cost-reduction measures described above and increasing prices. Significant cost increases, if they occur, could have an adverse effect on the Company s operating results. The Equipment Operations also pursue external sales of selected parts and components that can be manufactured and supplied to third parties on a competitive basis.

Capital Expenditures. The Equipment Operations capital expenditures totaled $796 million in 2010, compared with $772 million in 2009 and $781 million in 2008. Provisions for depreciation applicable to these operations property and equipment during these years were $477 million, $450 million and $432 million, respectively. Capital expenditures for the Equipment Operations in 2011 are currently estimated to be approximately $1,000 million. The 2011 expenditures will relate primarily to U.S. Tier 4 emission requirements, the modernization and restructuring of key manufacturing facilities, and the development of new products. Future levels of capital expenditures will depend on business conditions.

Patents and Trademarks

John Deere owns a significant number of patents, trade secrets, licenses and trademarks related to John Deere products and services, and expects the number to grow as John Deere continues to pursue technological innovations. John Deere s policy is to further its competitive position by filing patent applications in the U.S. and internationally to protect technology and improvements considered important to the business. The Company believes that, in the aggregate, the rights under these patents and licenses are generally important to its operations and competitive position, but does not regard any of its businesses as being dependent upon any single patent or group of patents. However, certain John Deere trademarks, which contribute to John Deere s identity and the recognition of its products and services, including but not limited to the John Deere mark, the leaping deer logo, the Nothing Runs Like a Deere slogan and green and yellow equipment colors, are an integral part of John Deere s business, and their loss could have a material adverse effect on John Deere.

Marketing

In the U.S. and Canada, the Equipment Operations distribute equipment and service parts through the following facilities: two agriculture and turf equipment sales and administration offices located in Lenexa, Kansas and Cary, North Carolina and one sales branch located in Grimsby, Ontario; and one construction, earthmoving, material handling and forestry equipment sales and administration office located in Moline, Illinois. In addition, the Equipment Operations operate a centralized parts distribution warehouse in coordination with eight regional parts depots and distribution centers in the U.S. and Canada.

Through these U.S. and Canadian facilities, John Deere markets products to approximately 2,526 dealer locations, most of which are independently owned. Of these, approximately 1,551 sell agricultural equipment, while 416 sell construction, earthmoving, material handling and/or forestry equipment. Nortrax owns some of the 416 dealer locations. Turf equipment is sold at most John Deere agricultural equipment locations, a few construction, earthmoving, material handling and forestry equipment locations, and about 559 turf-only locations, many of which also sell dissimilar lines of non-John Deere products. In addition, certain lawn and garden product lines are sold through The Home Depot and Lowe s. John Deere Landscapes operates its business from approximately 447 branch locations throughout the U.S. and Canada.

Outside the U.S. and Canada, John Deere agriculture and turf equipment is sold to distributors and dealers for resale in over 100 countries. Sales and administrative offices are located in Argentina, Australia, Brazil, China, France, Germany, India, Italy, Mexico, Poland, Russia, Singapore, South Africa, Spain, Switzerland, Turkey and the United Kingdom. Associated companies doing business in China also sell agricultural equipment. Turf equipment sales outside the U.S. and Canada occur primarily in Europe and Australia. Construction, earthmoving, material handling and forestry equipment is sold to distributors and dealers primarily by sales offices located in the U.S., Australia, Brazil, Finland, New Zealand, Russia and Singapore. Some of these dealers are independently owned while John Deere owns others. The Equipment Operations operate centralized parts distribution warehouses in Brazil, Germany and Russia in coordination with regional parts depots and distribution centers in Argentina, Australia, China, India, Mexico, South Africa, Sweden and the United Kingdom.

John Deere Water operates from 22 sales and marketing locations and 23 warehousing locations in 14 countries including Argentina, Australia, Brazil, Chile, China, Colombia, Ecuador, France, India, Israel, Peru, Spain, Turkey and the U.S. Its products are marketed through approximately 1,500 independent dealers and distributors in over 100 countries.

John Deere engines are marketed worldwide through select sales branches to large original equipment manufacturers and independently owned engine distributors.

Raw Materials

John Deere purchases raw materials and some manufactured components and replacement parts for its equipment, engines and other products from leading suppliers both domestically and internationally. These materials and components include a variety of steel products, steel and iron castings, forgings and ready to assemble components made to certain specifications. John Deere also purchases various goods and services used in production, logistics, offices and research and development processes. John Deere maintains strategic sourcing models to meet its production needs and build upon long-term supplier relationships. John Deere uses a variety of agreements with suppliers intended to drive innovation, ensure availability and delivery of industry-leading quality raw materials and components, manage costs on a globally competitive basis, protect John Deere s intellectual property and minimize other supply-related risks. Supplier-related risks monitored by John Deere to minimize the likelihood of the supply base causing business disruption include supplier financial viability, business continuity, quality and delivery. In fiscal year 2010, John Deere experienced no significant work stoppages as a result of shortages of raw materials or other commodities.

Backlog Orders

The dollar amount of backlog orders for the agriculture and turf segment believed to be firm was approximately $4.3 billion at October 31, 2010, compared with $3.6 billion at October 31, 2009. The agriculture and turf backlog is generally highest in the second and third quarters due to seasonal buying trends in these industries. John Deere generally produces and ships its construction and forestry equipment on average within approximately 60 days after

an order is deemed to become firm. Therefore, no significant amount of construction and forestry backlog orders accumulates during any period.

Trade Accounts and Notes Receivable

Trade accounts and notes receivable arise primarily from sales of goods to independent dealers. Most trade receivables originated by the Equipment Operations are purchased by Financial Services. The Equipment Operations compensate Financial Services at market rates of interest for these receivables. Additional information appears in Note 12 to the Consolidated Financial Statements.

FINANCIAL SERVICES

Credit Operations

U.S. and Canada. The Company s credit segment (collectively referred to as the Credit Companies) primarily provide and administer financing for retail purchases from John Deere dealers of new equipment manufactured by the Company s agriculture and turf and construction and forestry divisions and used equipment taken in trade for this equipment. In the U.S., certain subsidiaries included in the credit segment also offer crop risk mitigation products.

The Company and John Deere Construction & Forestry Company are referred to as the sales companies. John Deere Capital Corporation (Capital Corporation), a U.S. credit subsidiary, generally purchases retail installment sales and loan contracts (retail notes) from the sales companies. These retail notes are acquired by the sales companies through John Deere retail dealers in the U.S. John Deere Credit Inc., a Canadian credit subsidiary, purchases and finances retail notes acquired by John Deere Limited, the Company s Canadian sales branch. The terms of retail notes and the basis on which the Credit Companies acquire retail notes from the sales companies are governed by agreements with the sales companies. The Credit Companies also finance and service revolving charge accounts, in most cases acquired from and offered through merchants in the agriculture and turf and construction and forestry markets (revolving charge accounts). Further, the Credit Companies finance and service operating loans, in most cases offered through and acquired from farm input providers or through direct relationships with agricultural producers or agribusinesses (operating loans). Additionally, the Credit Companies provide wholesale financing for inventories of John Deere agriculture and turf equipment and construction and forestry equipment owned by dealers of those products (wholesale notes). The various financing options offered by the Credit Companies are designed to enhance sales of John Deere products and generate financing income for the Credit Companies.

Retail notes acquired by the sales companies are immediately sold to the Credit Companies. The Equipment Operations are the Credit Companies major source of business, but many retail purchasers of John Deere products finance their purchases outside the John Deere organization through a variety of sources, including commercial banks and finance and leasing companies.

The Credit Companies offer retail leases to equipment users in the U.S. A small number of leases are executed with units of local government. Leases are usually written for periods of two to five years, and typically contain an option permitting the customer to purchase the equipment at the end of the lease term. Retail leases are also offered in a generally similar manner to customers in Canada through John Deere Credit Inc. and John Deere Limited.

The Credit Companies terms for financing equipment retail sales (other than smaller items financed with unsecured revolving charge accounts) provide for retention of a security interest in the equipment financed. The Credit Companies guidelines for minimum down payments, which vary with the types of equipment and repayment provisions, are generally not less than 20 percent on agricultural equipment, 10 percent on construction and forestry equipment and 10 percent on turf care equipment used for personal use. Finance charges are sometimes waived for specified periods or reduced on certain John Deere products sold or leased in advance of the season of use or in other sales promotions. The Credit Companies generally receive compensation from the sales companies equal to a competitive interest rate for periods during which finance charges are waived or reduced on the retail notes or leases. The cost is accounted for as a deduction in arriving at net sales by the Equipment Operations.

The Company has an agreement with Capital Corporation to make income maintenance payments to Capital Corporation such that its ratio of earnings to fixed charges is not less than 1.05 to 1 for any fiscal quarter. For 2010 and 2009, Capital Corporation s ratios were 1.89 to 1 and 1.28 to 1, respectively, and never less than 1.61 to 1 and

1.12 to 1 for any fiscal quarter of 2010 and 2009, respectively. The Company has also committed to continue to own at least 51 percent of the voting shares of capital stock of Capital Corporation and to maintain Capital Corporation s consolidated tangible net worth at not less than $50 million. The Company s obligations to make payments to Capital Corporation under the agreement are independent of whether Capital Corporation is in default on its indebtedness, obligations or other liabilities. Further, the Company s obligations under the agreement are not measured by the amount of Capital Corporation s indebtedness, obligations or other liabilities. The Company s obligations to make payments under this agreement are expressly stated not to be a guaranty of any specific indebtedness, obligation or liability of Capital Corporation and are enforceable only by or in the name of Capital Corporation. No payments were required under this agreement in 2010 or 2009.

Outside the U.S. and Canada. The Credit Companies also offer financing, primarily for John Deere products, in Australia, New Zealand, Russia, and in several countries in Europe and in Latin America. In certain areas, financing is offered through cooperation agreements or joint ventures. Financing outside of the U.S. and Canada is affected by a variety of customs and regulations.

The Credit Companies also offer to select customers and dealers credit enhanced international export financing for the purchase of John Deere products.

Capital Expenditures. The credit operations capital expenditures (cost reductions) totaled $(1) million in 2010, compared with $(5) million in 2009 and $337 million in 2008. The capital expenditures for 2010 and 2009 were more than offset by cost reductions due to becoming eligible for government grants for certain wind energy investments related to costs recognized in prior and current periods. Provisions for depreciation applicable to these operations property and equipment during these years were $64 million, $62 million and $34 million, respectively. Capital expenditures for the credit operations in 2011 are not expected to be significant. The Company sold the wind energy business for approximately $900 million after year end (see Notes 4 and 30).

Additional information on the Credit Companies appears on pages 21, 22, 24, 26 and 27.

ENVIRONMENTAL MATTERS

John Deere is subject to a wide variety of state, federal and international environmental laws, rules and regulations. These laws, rules and regulations may affect the way John Deere conducts its operations and failure to comply with these regulations could lead to fines and other penalties. John Deere is also involved in the evaluation and clean-up of a limited number of sites. Management does not expect that these matters will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company. With respect to acquired properties and businesses, John Deere cannot be certain that it has identified all adverse environmental conditions. John Deere expects that it will acquire additional properties and businesses in the future.

EMPLOYEES

At October 31, 2010, John Deere had approximately 55,700 full-time employees, including approximately 29,400 employees in the U.S. and Canada. From time to time, John Deere also retains consultants, independent contractors, and temporary and part-time workers. Unions are certified as bargaining agents for approximately 37 percent of John Deere s U.S. employees. Most of the Company s U.S. production and maintenance workers are covered by a collective bargaining agreement with the United Auto Workers (UAW), with an expiration date of

October 1, 2015.

Unions also represent the majority of employees at John Deere manufacturing facilities outside the U.S.

EXECUTIVE OFFICERS OF THE REGISTRANT

Following are the names and ages of the executive officers of the Company, their positions with the Company and summaries of their backgrounds and business experience. All executive officers are elected or appointed by the Board of Directors and hold office until the annual meeting of the Board of Directors following the annual meeting of stockholders in each year.

Name, age and office (at December 1, 2010), and year elected to office				**Principal occupation during last five years other than office of the Company currently held**
Samuel R. Allen	57	Chairman and Chief Executive Officer	2010	August 2009-February 2010 President and Chief Executive Officer; June 2009-August 2009 President and Chief Operating Officer; 2005-2009 President, Worldwide Construction & Forestry Division and John Deere Power Systems
David C. Everitt	58	President, Agriculture & Turf Division-North America, Asia, Australia, Sub-Saharan and South Africa, and Global Tractor and Turf Products	2009	January 2006-May 2009 President, Agricultural Division - North America, Australia, Asia and Global Tractor & Implement Sourcing; January 2001-January 2006 President, Agricultural Division - Europe, Africa, Middle East, South America and Global Harvesting Equipment Sourcing
James M. Field	47	Senior Vice President and Chief Financial Officer	2009	2007-2009 President, Worldwide Commercial & Consumer Equipment Division; 2002-2007 Vice President and Comptroller
Jean H. Gilles	53	Senior Vice President John Deere Power Systems, Worldwide Parts Services, Advanced Technology and Engineering, and Global Supply Management and Logistics	2010	June 2009-June 2010 Senior Vice President, John Deere Power Systems, John Deere Intelligent Solutions Group, and Advanced Technology and Engineering; 2005-2009 Senior Vice President, John Deere Power Systems;
James A. Israel	54	President, Worldwide Financial Services Division	2006	2003-2006 Vice President Marketing and Product Support - Europe, Africa and Middle East, Worldwide Agricultural Division
James R. Jenkins	65	Senior Vice President and General Counsel	2000	Has held this position for the last five years
Michael J. Mack, Jr.	54	President, Worldwide Construction & Forestry Division	2009	2006-2009 Senior Vice President and Chief Financial Officer; 2004-2006 Vice President and Treasurer
Markwart von Pentz	47	President, Agriculture & Turf Division-Europe, CIS, Northern Africa, Middle East, Latin America, and Global Harvesting, Crop Care, Hay & Forage Products	2009	2007-2009 President, Agricultural Division - Europe, Africa, South America and Global Harvesting Equipment Sourcing; 2006-2007 Senior Vice President Marketing and Product Support - Europe, Africa and Middle East; 2005-2006 Vice President Agricultural Marketing U.S. & Canada

ITEM 1A. RISK FACTORS.

The following risks are considered the most significant to John Deere s business based upon current knowledge, information and assumptions. This discussion of risk factors should be considered closely in conjunction with Management s Discussion and Analysis beginning on page 20 and, specifically, the risks and uncertainties described in the Safe Harbor Statement on pages 22 and 23.

International, regional and national trade laws, regulations and policies (particularly those related to or restricting global trade) and government farm programs and policies, could significantly impact John Deere s profitability and growth prospects.

International, regional and national laws, regulations and policies directly or indirectly related to or restricting trade, including protectionist policies in particular jurisdictions or for the benefit of favored industries or sectors, could harm John Deere s multinational business. John Deere s profitability and growth prospects are tied directly to the global marketplace. Open access to global markets improves John Deere s ability to export goods and services from its various manufacturing locations around the world, and affects the ability to access raw materials and high quality parts and components at competitive prices on a timely basis. Trade restrictions could limit John Deere s ability to capitalize on current and future growth opportunities in international markets and impair John Deere s ability to expand the business by offering new technologies, products and services. Furthermore, the ability to export commodities is critical to John Deere s agricultural and forestry customers. Policies impacting exchange rates and commodity prices or those limiting the export or import of commodities, including the outcome of the global negotiations under the auspices of the World Trade Organization, could have a material effect on the international flow of agricultural and other commodities which may result in a corresponding negative effect on the demand for agricultural and forestry equipment in many areas of the world. John Deere s agricultural equipment sales could be especially affected because farm income strongly influences sales of agricultural equipment around the world.

Trade restrictions could also impede those in developing countries from achieving a higher standard of living, which could negatively impact John Deere s future growth opportunities arising from increasing global demand for food, fuel and infrastructure.

Changes in government banking, monetary and fiscal policies could have a negative effect on John Deere.

Changes in policies of the U.S. and other governments regarding banking, monetary and fiscal policies to promote liquidity and increase the availability of credit may not be effective and could have a material impact on John Deere s customers and markets. John Deere s operations and results could also be impacted by financial regulatory reform which could have an adverse affect on the credit segment and/or John Deere s customers by limiting their ability to finance purchases of John Deere products. Governmental policies on taxes and spending can also affect John Deere, especially the construction and forestry segment due to the impact of government spending on infrastructure development.

Changing worldwide demand for food and for different forms of bio-energy could have an effect on the price of farm commodities and consequently the demand for certain John Deere equipment and could also result in higher research and development costs related to changing machine fuel requirements.

Changing worldwide demand for farm outputs to meet the world s growing food and bio-energy demands, driven in part by government policies and a growing world population, are likely to result in fluctuating agricultural commodity prices, which directly affect sales of agricultural

equipment. While higher commodity prices may benefit John Deere s crop producing agricultural equipment customers, higher commodity prices also result in greater feed costs for livestock and poultry producers which in turn may result in lower levels of equipment purchased by those customers. Furthermore, changing bio-fuel demands may cause farmers to change the types or quantities of the crops they raise, with corresponding changes in equipment demands. Finally, changes in governmental policies regulating bio-fuel utilization could affect demand for John Deere s gasoline- or diesel-fueled equipment and result in higher research and development costs related to equipment fuel standards.

As John Deere seeks to expand its business globally, growth opportunities may be impacted by the continuing and accelerating globalization of businesses which could significantly change the dynamics of John Deere s competition, customer base and product offerings.

John Deere s efforts to grow its businesses depend to a large extent upon access to, and its success in developing market share and operating profitably in, additional geographic markets including but not limited to Brazil, Russia, India and China. In some cases, these countries have greater political and economic volatility and greater vulnerability to infrastructure and labor disruptions than John Deere s other markets. Operating and seeking to expand business in a number of different regions and countries exposes John Deere to multiple and potentially conflicting legal and regulatory requirements that are subject to change; increased exposure to currency fluctuations which can materially affect the Company s financial results and differing local customer product preferences and product requirements. As these emerging geographic markets become more important to John Deere, its competitors are seeking to expand their production capacities in these same markets. Although John Deere is taking measures to adapt to these changing circumstances, particularly by focusing on gaining customer understanding in high-growth potential emerging markets, John Deere s business efforts could be negatively affected should these efforts prove unsuccessful.

Negative economic conditions and outlook can materially weaken demand for John Deere s equipment and services, limit access to funding and result in higher funding costs.

The demand for John Deere s products and services can be significantly reduced in an economic environment characterized by higher unemployment, lower consumer spending, lower corporate earnings and lower business investment. Significant changes in market liquidity conditions could impact access to funding and associated funding costs, which could reduce the Company s earnings and cash flows. The Company s investment management activities could be adversely affected by changes in the equity and bond markets, which would negatively affect earnings. General economic conditions can affect the demand for John Deere s equipment. Sustained or severe negative economic conditions and outlook resulting in decreased housing starts and other construction can dampen demand for certain construction equipment. John Deere s turf operations and construction and forestry segment are dependent on construction activity and positive general economic conditions. Significant or prolonged declines in construction activity and housing starts could have a material adverse effect on the Company s results of operations. If negative economic conditions extend to the overall farm economy, there could be a similar effect on agricultural equipment sales.

The Company s consolidated financial results are reported in U.S. dollars while certain assets and other reported items are denominated in the currencies of other countries, creating currency translation risk.

The reporting currency for the Company s consolidated financial statements is the U.S. dollar. Certain of the Company s assets, liabilities, expenses and revenues are denominated in other countries currencies. Those assets, liabilities, expenses and revenues are translated into U.S. dollars at the applicable exchange rates to prepare the Company s consolidated financial statements. Therefore, increases or decreases in exchange rates between the U.S. dollar and those other currencies affect the value of those items as reflected in the Company s consolidated financial statements, even if their value remains unchanged in their original currency. Substantial fluctuations in the value of the U.S. dollar could have a significant impact on the Company s results.

Because the credit segment provides financing for a significant portion of John Deere sales worldwide, John Deere s operations and financial results could be impacted materially should negative economic conditions affect the financial industry.

In recent years, negative economic conditions have frequently had an adverse effect on the financial industry in which the credit segment operates. The credit segment provides financing for a significant portion of John Deere sales worldwide. The credit segment s inability to access funds to support its financing activities to John Deere s customers could have a material adverse effect on John Deere s business. The credit

segment s liquidity and ongoing profitability depend largely on timely access to capital to meet future cash flow requirements and fund operations and the costs associated with engaging in diversified funding activities. Additionally, sustained negative market conditions could further reduce customer confidence levels, resulting in declines in credit applications and increases in delinquencies and default rates, which could materially impact the credit segment s write-offs and provisions for credit losses.

If John Deere s customers lack confidence in the general economic outlook, they are less likely to purchase John Deere s products.

The attitudes of consumers about general economic conditions and outlook can significantly affect their propensity to purchase John Deere equipment. Continuing or worsening negative economic conditions could significantly impair customer confidence and result in reduced equipment sales.

John Deere s business results depend largely on its ability to develop, manufacture and market products that meet customer demand.

John Deere s ability to match its new product offerings to its customers anticipated preferences for enhanced technologies and different types and sizes of equipment is critical to its success. This requires a thorough understanding of John Deere s existing and potential customers on a global basis. Failure to deliver quality products at competitive prices to meet customer demands before competitors could have a significant adverse effect on John Deere s business.

John Deere s business may be directly and indirectly affected by unfavorable weather conditions or natural disasters that reduce agricultural production and demand for agricultural and turf equipment.

Poor or unusual weather conditions, particularly during the planting and early growing season, can significantly affect the purchasing decisions of John Deere s customers, particularly the purchasers of agriculture and turf equipment. The timing and quantity of rainfall are two of the most important factors in agricultural production. Insufficient levels of rain prevent farmers from planting new crops and may cause growing crops to die or result in lower yields. Excessive rain or flooding can also prevent planting from occurring at optimal times, and may cause crop loss through increased disease or mold growth. Temperatures outside normal ranges can also cause crop failure or decreased yields, and may also affect disease incidence. Temperature affects the rate of growth, crop maturity and crop quality. Natural calamities such as regional floods, hurricanes, or other storms, and droughts can have significant negative effects on agricultural production. The resulting negative impact on farm income can strongly affect demand for agricultural equipment. Sales of turf care equipment, particularly during the important spring selling season, can be dramatically impacted by weather. Adverse weather conditions in a particular geographic region may adversely affect sales of some turf equipment. Drought conditions can adversely affect sales of certain mowing equipment and unusually rainy weather can similarly cause lower sales volumes.

Changes in the availability and price of raw materials can result in increased costs and lower profits on sales of John Deere products.

John Deere requires access to various raw materials at competitive prices to manufacture its products. Changes in the availability and price of raw materials, which are more likely to occur during times of economic volatility, can significantly increase the costs of production which would have a material negative effect on the profitability of the business.

John Deere s Equipment Operations and credit segment are subject to interest rate risks. Changes in interest rates can reduce demand for equipment, adversely affect interest margins and limit the ability to access capital markets while increasing borrowing costs.

Rising interest rates could have a dampening effect on overall economic activity and/or the financial condition of John Deere s customers, either or both of which could negatively affect customer demand for John Deere equipment and/or customers ability to repay obligations to John Deere. In addition, credit market dislocations could have an impact on funding costs which are very important to the Company s credit segment because such costs affect the segment s ability to offer customers competitive financing rates. In addition, changing interest rates could have an adverse effect on the Company s net interest rate margin the difference between the yield the Company earns on its assets and the interest rates the Company pays for funding, which could in turn affect the Company s net interest income and earnings. Actions by credit rating agencies, such as downgrades or negative changes to ratings outlooks, can affect the availability and cost of funding for the Company and can increase the Company s cost of capital and hurt its competitive position.

John Deere s operations are subject to and affected by increasingly rigorous environmental, health and safety laws and regulations of federal, state and local authorities in the U.S. and various regulatory authorities with jurisdiction over John Deere s international operations. In addition, private civil litigation on these subjects has increased, primarily in the U.S.

Enforcement actions arising from violations of environmental, health and safety laws or regulations can lead to investigation and defense costs, and result in significant fines or penalties. In addition, new or more stringent requirements of governmental authorities could prevent or restrict John Deere s operations, require significant expenditures to achieve compliance and/or give rise to civil or criminal liability. There can be no assurance that violations of such legislation and/or regulations, or private civil claims for damages to property or personal injury arising from the environmental, health or safety impacts of John Deere s operations, would not have consequences that result in a material adverse effect on John Deere s business, financial condition or results of operations.

Increasingly stringent engine emission standards could impact John Deere s ability to manufacture and distribute certain engines or equipment which could negatively affect business results.

Beginning in 2011, John Deere s Equipment Operations must meet new and increasingly stringent engine emission reduction standards, including Interim Tier 4 and Stage IIIb nonroad diesel emission requirements applicable to many engines manufactured by John Deere and used in many models of John Deere agricultural and construction and forestry equipment. In order to meet these standards, John Deere has incurred substantial research and development costs and in fiscal year 2011 will introduce a record number of new equipment models, largely due to the implementation of these more rigorous standards. While John Deere has developed and is executing comprehensive plans to meet these requirements, and does not currently foresee obstacles that would prevent timely compliance, these plans are subject to many variables that could delay or otherwise affect John Deere s ability to distribute certain equipment or engines, which could negatively impact business results.

John Deere may incur increased costs due to new or more stringent greenhouse gas emission standards designed to address climate change and could be further impacted by physical effects attributed to climate change on its facilities, suppliers and customers.

There is a growing political and scientific consensus that emissions of greenhouse gases (GHG) continue to alter the composition of the global atmosphere in ways that are affecting and are expected to continue to affect the global climate. Various stakeholders, including legislators and regulators, shareholders and non-governmental organizations, as well as companies in many business sectors, including John Deere, are considering ways to reduce GHG emissions. These considerations may lead to international, national, regional or local legislative or regulatory responses in the near future. The regulation of GHG emissions from certain stationary or mobile sources could result in additional costs to John Deere in the form of taxes or emission allowances, facilities improvements and energy costs (which would increase John Deere s operating costs through higher utility, transportation and materials costs). The regulation of GHG emissions from non-road sources could require further changes to the design of John Deere s engines and equipment. Increased input costs, such as fuel and fertilizer, and compliance-related costs could also impact customer operations and demand for John Deere equipment. Because the impact of any future GHG legislative, regulatory or product standard requirements on John Deere s global businesses and products is dependent on the timing and design of the mandate or standard, John Deere is unable to predict its significance at this time.

Furthermore, the potential physical impacts of climate change on John Deere s facilities, suppliers and customers, and therefore on John Deere s operations, are highly uncertain, and will be particular to the circumstances developing in various geographical regions. These may include changes in weather patterns (including drought and rainfall levels), water availability, storm patterns and intensities, and temperature levels. These potential physical effects may adversely impact the cost, production, sales and financial performance of John Deere s operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

See Manufacturing in Item 1.

The Equipment Operations own or lease nine facilities housing one centralized parts distribution center and eight regional parts depots and distribution centers throughout the U.S. and Canada. These facilities contain approximately 4.6 million square feet of floor space. Outside the U.S. and Canada the Equipment Operations also own or lease and occupy buildings housing three centralized parts distribution centers in Brazil, Germany and Russia and regional parts depots and distribution centers in Argentina, Australia, China, India, Mexico, South Africa, Sweden and the United Kingdom. These facilities contain approximately 2.2 million square feet of floor space.

Deere & Company administrative offices and research facilities, all of which are owned by John Deere, together contain about 2.6 million square feet of floor space and miscellaneous other facilities total 1.1 million square feet.

Overall, John Deere owns approximately 50 million square feet of facilities and leases approximately 14.5 million additional square feet in various locations.

ITEM 3. LEGAL PROCEEDINGS.

John Deere is subject to various unresolved legal actions which arise in the normal course of its business, the most prevalent of which relate to product liability (including asbestos-related liability), retail credit, software licensing, patent and trademark matters. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss, John Deere believes these unresolved legal actions will not have a material effect on its financial statements.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) The Company s common stock is listed on the New York Stock Exchange. See the information concerning quoted prices of the Company s common stock, the number of stockholders and the data on dividends declared and paid per share in Notes 29 and 30**.**

(b) Not applicable.

(c) The Company s purchases of its common stock during the fourth quarter of 2010 were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (thousands)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1) (thousands)	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (1) (millions)
Aug 1 to Aug 31				77.1
Sept 1 to Sept 30	1,002	$ 69.85	1,002	76.1
Oct 1 to Oct 31	2,503	74.33	2,503	73.6
Total	3,505		3,505	

(1) The Company has a share repurchase plan that was announced in May 2007 to purchase up to 40 million shares of the Company s common stock. In May 2008, an announcement was made to purchase up to $5 billion of additional shares of the Company s common stock after the previous 40 million share plan is completed. The maximum number of shares that may yet be purchased above is based on the remaining shares under the previous 40 million share plan plus 65.1 million shares for the $5 billion addition using the October 31, 2010 closing share price of $76.80 per share.

ITEM 6. SELECTED FINANCIAL DATA.

Financial Summary

(Millions of dollars except per share amounts)	2010	2009*	2008*	2007	2006*
For the Year Ended October 31:					
Total net sales and revenues	$ 26,005	$ 23,112	$ 28,438	$ 24,082	$ 22,148
Income from continuing operations attributable to Deere & Company	$ 1,865	$ 873	$ 2,053	$ 1,822	$ 1,453
Net income attributable to Deere & Company	$ 1,865	$ 873	$ 2,053	$ 1,822	$ 1,694
Income per share from continuing operations basic**	$ 4.40	$ 2.07	$ 4.76	$ 4.05	$ 3.11
Income per share from continuing operations diluted**	$ 4.35	$ 2.06	$ 4.70	$ 4.00	$ 3.08
Net income per share basic**	$ 4.40	$ 2.07	$ 4.76	$ 4.05	$ 3.63
Net income per share diluted**	$ 4.35	$ 2.06	$ 4.70	$ 4.00	$ 3.59
Dividends declared per share**	$ 1.16	$ 1.12	$ 1.06	$ .91	$ .78
At October 31:					
Total assets	$ 43,267	$ 41,133	$ 38,735	$ 38,576	$ 34,720
Long-term borrowings	$ 16,815	$ 17,392	$ 13,899	$ 11,798	$ 11,584

* In 2009, the Company had a goodwill impairment charge of $274 million after-tax, or $.65 per share, voluntary employee separation expenses of $58 million after tax, or $.13 per share, and special charges related to Welland, Ontario, Canada of $30 million after tax, or $.07 per share. In 2008, the Company had special charges of $31 million after-tax, or $.07 per share, related to closing a facility in Welland. In 2006, the Company recognized a gain from the sale of discontinued operations (health care operations) of $223 million after-tax, or $.47 per share diluted ($.48 basic). In 2006, the Company also had special charges of $44 million after-tax, or $.09 per share, for a tender offer and repurchase of outstanding notes and $28 million after-tax, or $.06 per share, related to closing a facility in Woodstock, Ontario, Canada.

**Adjusted for two-for-one stock split effected in the form of a 100 percent stock dividend in November 2007.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

See the information under the caption Management s Discussion and Analysis on pages 20 - 30.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to a variety of market risks, including interest rates and currency exchange rates. The Company attempts to actively manage these risks. See the information under Management s Discussion and Analysis on page 30 and in Note 27 to the Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the Consolidated Financial Statements and notes thereto and supplementary data on pages 31 - 63.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Company s principal executive officer and its principal financial officer have concluded that the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Act)) were effective as of October 31, 2010, based on the evaluation of these controls and

procedures required by Rule 13a-15(b) or 15d-15(b) of the Act. During the fourth quarter, there were no changes that have materially affected or are reasonably likely to materially affect the Company s internal control over financial reporting.

Management s Report on Internal Control Over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company s internal control over financial reporting as of October 31, 2010, using the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes that, as of October 31, 2010, the Company s internal control over financial reporting was effective.

The Company s independent registered public accounting firm has issued an audit report on the effectiveness of the Company s internal control over financial reporting. That report is included herein.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information regarding directors in the proxy statement expected to be filed January 14, 2011 but no later than February 13, 2011 (proxy statement), under the captions Election of Directors, Directors Continuing in Office, and in the third paragraph under the caption Committees - The Audit Review Committee, is incorporated herein by reference. Information regarding executive officers is presented in Item 1 of this report under the caption Executive Officers of the Registrant.

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer. This code of ethics and the Company s corporate governance policies are posted on the Company s website at http://www.JohnDeere.com. The Company intends to satisfy disclosure requirements regarding amendments to or waivers from its code of ethics by posting such information on this website. The charters of the Audit Review, Corporate Governance and Compensation committees of the Company s Board of Directors are available on the Company s website as well. This information is also available in print free of charge to any person who requests it.

ITEM 11. EXECUTIVE COMPENSATION.

The information in the proxy statement under the captions Compensation of Directors, Compensation Discussion & Analysis, Compensation Committee Report, and Executive Compensation Tables is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

(a) *Securities authorized for issuance under equity compensation plans.*

Equity compensation plan information in the proxy statement under the caption Equity Compensation Plan Information is incorporated herein by reference.

(b) *Security ownership of certain beneficial owners.*

The information on the security ownership of certain beneficial owners in the proxy statement under the caption Security Ownership of Certain Beneficial Owners and Management is incorporated herein by reference.

(c) *Security ownership of management.*

The information on shares of common stock of the Company beneficially owned by, and under option to (i) each director, (ii) certain named executive officers and (iii) the directors and officers as a group, contained in the proxy statement under the captions Security Ownership of Certain Beneficial Owners and Management, and Executive Compensation Tables - Outstanding Equity Awards at Fiscal 2010 Year-End is incorporated herein by reference.

(d) *Change in control.*

None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information in the proxy statement under the captions Corporate Governance Policies, Director Independence, and Review and Approval of Related Person Transactions is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information in the proxy statement under the caption Fees Paid to the Independent Registered Public Accounting Firm is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

	Page
(1) *Financial Statements*	

	Statement of Consolidated Income for the years ended October 31, 2010, 2009 and 2008	31
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(2)	*Schedule to Consolidated Financial Statements*	
	Schedule II - Valuation and Qualifying Accounts for the years ended October 31, 2010, 2009 and 2008	68
(3)	*Exhibits*	

See the Index to Exhibits on pages 69 - 71 of this report

Certain instruments relating to long-term borrowings, constituting less than 10 percent of registrant s total assets, are not filed as exhibits herewith pursuant to Item 601(b)4(iii)(A) of Regulation S-K. Registrant agrees to file copies of such instruments upon request of the Commission.

Financial Statement Schedules Omitted

The following schedules for the Company and consolidated subsidiaries are omitted because of the absence of the conditions under which they are required: I, III, IV and V.

MANAGEMENT S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS FOR THE YEARS ENDED OCTOBER 31, 2010, 2009 AND 2008

OVERVIEW

Organization

The company s Equipment Operations generate revenues and cash primarily from the sale of equipment to John Deere dealers and distributors. The Equipment Operations manufacture and distribute a full line of agricultural equipment; a variety of commercial, consumer and landscapes equipment and products; and a broad range of equipment for construction and forestry. The company s Financial Services primarily provide credit services, which mainly finance sales and leases of equipment by John Deere dealers and trade receivables purchased from the Equipment Operations. In addition, Financial Services offer crop risk mitigation products. The information in the following discussion is presented in a format that includes information grouped as consolidated, Equipment Operations and Financial Services. The company also views its operations as consisting of two geographic areas, the U.S. and Canada, and outside the U.S. and Canada. The company s reportable operating segments consist of agriculture and turf, construction and forestry, and credit.

Trends and Economic Conditions

Industry farm machinery sales in the U.S. and Canada for 2011 are forecast to be approximately the same as 2010. Industry sales in Western Europe are forecast to increase 5 to 10 percent, while South American industry sales are projected to be approximately the same. Industry sales in Central Europe and the Commonwealth of Independent States are expected to have moderate gains. Industry sales of turf and utility equipment in the U.S. and Canada are expected to be approximately the same. The company s agriculture and turf equipment sales increased 10 percent in 2010 and are forecast to increase by 7 to 9 percent for 2011. Construction equipment markets are forecast to be somewhat improved, while global forestry markets are expected to move significantly higher in 2011. The company s construction and forestry sales increased 41 percent in 2010 and are forecast to increase by 25 to 30 percent in 2011. Net income for the company s credit operations in 2011 is forecast to increase to approximately $360 million.

Items of concern include the uncertainty of the global economic recovery, the impact of sovereign and state debt, capital market disruptions, the availability of credit for the company s customers and suppliers, the effectiveness of governmental actions in respect to monetary policies, trade and general economic conditions, and financial regulatory reform. Significant fluctuations in foreign currency exchange rates and volatility in the price of many commodities could also impact the company s results. The availability of certain components that could impact the company s ability to meet production schedules continues to be monitored. Designing and producing products with engines that continue to meet high performance standards and increasingly stringent engine emissions regulations is one of the company s major priorities.

The company s strong performance for the year reflects a disciplined approach to executing the company s business plans and was achieved despite continuing weakness in certain regions and business sectors. Although conditions continued to be positive in the U.S. farm sector, European agricultural markets remained soft. The company s construction equipment sales benefited from somewhat stronger overall demand, but remained far below normal levels. With the company s performance in 2010, it remains well positioned to capitalize on positive global

economic trends.

2010 COMPARED WITH 2009

CONSOLIDATED RESULTS

Worldwide net income attributable to Deere & Company in 2010 was $1,865 million, or $4.35 per share diluted ($4.40 basic), compared with $873 million, or $2.06 per share diluted ($2.07 basic), in 2009. Included in net income for 2009 were charges of $381 million pretax ($332 million after-tax), or $.78 per share diluted and basic, related to impairment of goodwill and voluntary employee separation expenses (see Note 5). Net sales and revenues increased 13 percent to $26,005 million in 2010, compared with $23,112 million in 2009. Net sales of the Equipment Operations increased 14 percent in 2010 to $23,573 million from $20,756 million last year. The sales increase was primarily due to higher shipment volumes. The increase also included a favorable effect for foreign currency translation of 3 percent and a price increase of 2 percent. Net sales in the U.S. and Canada increased 14 percent in 2010. Net sales outside the U.S. and Canada increased by 14 percent in 2010, which included a favorable effect of 5 percent for foreign currency translation.

Worldwide Equipment Operations had an operating profit of $2,909 million in 2010, compared with $1,365 million in 2009. The higher operating profit was primarily due to higher shipment and production volumes, improved price realization, the favorable effects of foreign currency exchange and lower raw material costs, partially offset by increased postretirement costs and higher incentive compensation expenses. Last year was also affected by a goodwill impairment charge and voluntary employee separation expenses.

The Equipment Operations net income, including noncontrolling interests, was $1,492 million in 2010, compared with $677 million in 2009. The same operating factors mentioned above affected these results.

Net income of the company s Financial Services operations attributable to Deere & Company in 2010 increased to $373 million, compared with $203 million in 2009. The increase was primarily a result of improved financing spreads and a lower provision for credit losses. Additional information is presented in the following discussion of the Worldwide Credit Operations.

The cost of sales to net sales ratio for 2010 was 73.8 percent, compared with 78.3 percent last year. The decrease was primarily due to higher shipment and production volumes, improved price realization, favorable effects of foreign currency exchange and lower raw material costs. A larger goodwill impairment charge and voluntary employee separation expenses affected last year s ratio.

Finance and interest income decreased this year due to lower financing rates, partially offset by a larger average portfolio. Other income increased primarily as a result of an increase in wind energy income, higher commissions from crop insurance and higher service revenues. Research and development expenses increased primarily as a result of increased spending in support of new products including designing and producing products with engines to meet more stringent emissions regulations. Selling, administrative and general expenses increased primarily due to increased incentive compensation expenses, higher postretirement benefit costs and the effect of foreign currency translation. Interest expense decreased due to lower average borrowing rates and lower average borrowings. Other operating expenses increased primarily due to the write-down of wind energy assets classified as held for sale (see Notes 4 and 30). The equity in income of unconsolidated affiliates increased as a result of higher income from construction equipment manufacturing affiliates due to increased levels of construction activity.

The company has several defined benefit pension plans and defined benefit health care and life insurance plans. The company s postretirement benefit costs for these plans in 2010 were $658 million, compared with $312 million in 2009, primarily due to a decrease in discount rates. The long-term expected return on plan assets, which is reflected in these costs, was an expected gain of 8.2 percent in 2010 and 2009, or $883 million in 2010 and $857 million in 2009. The actual return was a gain of $1,273 million in 2010 and $1,142 million in 2009. In 2011, the expected return will be approximately 8.0 percent. The company expects postretirement benefit costs in 2011 to be approximately the same as 2010. The company makes any required contributions to the plan assets under applicable regulations and voluntary contributions from time to time based on the company s liquidity and ability to make tax-deductible contributions. Total company contributions to the plans were $836 million in 2010 and $358 million in 2009, which include direct benefit payments for unfunded plans. These contributions also included voluntary contributions to total plan assets of approximately $650 million in 2010 and $150 million in 2009. Total company contributions in 2011 are expected to be approximately $316 million, which include direct benefit payments. The company has no significant contributions to pension plan assets required in 2011 under applicable funding regulations. See the following discussion of Critical Accounting Policies for more information about postretirement benefit obligations.

BUSINESS SEGMENT AND GEOGRAPHIC AREA RESULTS

The following discussion relates to operating results by reportable segment and geographic area. Operating profit is income before certain external interest expense, certain foreign exchange gains or losses, income taxes and corporate expenses. However, operating profit of the credit segment includes the effect of interest expense and foreign currency exchange gains or losses.

Worldwide Agriculture and Turf Operations

The agriculture and turf segment had an operating profit of $2,790 million in 2010, compared with $1,448 million in 2009. Net sales increased 10 percent this year primarily due to higher production and shipment volumes. Sales also increased due to foreign currency translation and improved price realization. The increase in operating profit was due to increased shipment and production volumes, improved price realization, the favorable effects of foreign currency exchange and lower raw material costs, partially offset by higher postretirement benefit costs and increased incentive compensation expenses. Last year s results were affected by a goodwill impairment charge and voluntary employee separation expenses.

Worldwide Construction and Forestry Operations

The construction and forestry segment had an operating profit of $119 million in 2010, compared with a loss of $83 million in 2009. Net sales increased 41 percent for the year due to higher shipment and production volumes. The operating profit improvement in 2010 was primarily due to higher shipment and production volumes, partially offset by higher postretirement benefit costs and increased incentive compensation

expenses.

Worldwide Credit Operations

The operating profit of the credit operations was $465 million in 2010, compared with $223 million in 2009. The increase in operating profit was primarily due to improved financing spreads and a lower provision for credit losses. Total revenues of the credit operations, including intercompany revenues, increased 1 percent in 2010, primarily reflecting the larger portfolio. The average balance of receivables and leases financed was 5 percent higher in 2010, compared with 2009. Interest expense decreased 28 percent in 2010 as a result of lower borrowing rates and lower average borrowings. The credit operations ratio of earnings to fixed charges was 1.72 to 1 in 2010, compared with 1.24 to 1 in 2009.

Equipment Operations in U.S. and Canada

The equipment operations in the U.S. and Canada had an operating profit of $2,302 million in 2010, compared with $1,129 million in 2009. The increase was due to higher shipment and production volumes, improved price realization and lower raw material costs, partially offset by increased postretirement benefit costs and higher incentive compensation expenses. Last year s operating profit was affected by a goodwill impairment charge and voluntary employee separation expenses. Net sales increased 14 percent primarily due to higher volumes and improved price realization. The physical volume increased 10 percent, compared with 2009.

Equipment Operations outside U.S. and Canada

The equipment operations outside the U.S. and Canada had an operating profit of $607 million in 2010, compared with $236 million in 2009. The increase was primarily due to the effects of higher shipment and production volumes, the favorable effects of foreign currency exchange rates, improved price realization and decreases in raw material costs, partially offset by higher incentive compensation expenses. Net sales were 14 percent higher primarily reflecting increased volumes and the effect of foreign currency translation. The physical volume increased 8 percent, compared with 2009.

MARKET CONDITIONS AND OUTLOOK

Company equipment sales are projected to increase 10 to 12 percent for fiscal year 2011 and increase about 34 percent for the first quarter, compared with the same periods in 2010. Included is an unfavorable currency translation impact of about 1 percent for the year and about 2 percent for the first quarter of 2011. Net income attributable to Deere & Company is anticipated to be approximately $2.1 billion for the year.

Fiscal year 2011 will be a record year for new model introductions for the company, due in large part to the implementation of more rigorous global engine emissions standards. The company s earnings forecast reflects the complexity of transitioning to these new equipment models as well as increased product costs to comply with the regulations. In addition, the company projects higher raw material costs in 2011 and a less favorable sales mix in the agriculture and turf segment.

Agriculture and Turf. Worldwide sales of the company s agriculture and turf segment are forecast to increase by 7 to 9 percent for fiscal year 2011, benefiting from generally favorable global farm conditions. Farmers in most of the company s key markets are experiencing solid levels of income due to strong global demand for agricultural commodities, low grain stock-piles in relation to use, and high prices for crops such as corn, wheat, soybeans, sugar and cotton.

After increasing in 2010, industry farm machinery sales in the U.S. and Canada are forecast to be about the same in 2011 as a result of production limits and transitional issues associated with the broad launch of Interim Tier 4 compliant equipment.

Industry sales in Western Europe are forecast to increase 5 to 10 percent, while sales in Central Europe and the Commonwealth of Independent States are expected to see moderate gains from the depressed level in 2010. Industry sales in Asia also are forecast to grow moderately.

In South America, industry sales are projected to be about the same in 2011 relative to the strong levels of 2010, although the company s sales in the region are expected to benefit from a broader lineup of recently introduced products.

Industry sales of turf and utility equipment in the U.S. and Canada are expected to be approximately the same after experiencing some recovery in 2010.

Construction and Forestry. Worldwide sales of the company s construction and forestry equipment are forecast to rise by 25 to 30 percent for fiscal year 2011. The increase reflects market conditions that are somewhat improved in relation to the relatively low level in 2010. In addition, sales to independent rental companies are expected to see further growth. World forestry markets are expected to move significantly higher as a result of improved wood and pulp prices.

Credit. Net income in fiscal year 2011 for the company s credit operations is forecast to be approximately $360 million. The forecast increase from 2010 primarily is due to growth in the portfolio.

SAFE HARBOR STATEMENT

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements under Overview, Market Conditions and Outlook and other forward-looking statements herein that relate to future events, expectations and operating periods involve certain factors that are subject to change, and important risks and uncertainties that could cause actual results to differ materially. Some of these risks and uncertainties could affect particular lines of business, while others could affect all of the company s businesses.

The company s agricultural equipment business is subject to a number of uncertainties including the many interrelated factors that affect farmers confidence. These factors include worldwide economic conditions, demand for agricultural products, world grain stocks, weather conditions (including its effects on timely planting and harvesting), soil conditions, harvest yields, prices for commodities and livestock, crop and livestock production expenses, availability of transport for crops, the growth of non-food uses for some crops (including ethanol and biodiesel production), real estate values, available acreage for farming, the land ownership policies of various governments, changes in government farm programs and policies (including those in the U.S., Russia and Brazil), international reaction to such programs, global trade agreements, animal diseases and their effects on poultry and beef consumption and prices, crop pests and diseases, and the level of farm product exports (including concerns about genetically modified organisms).

Factors affecting the outlook for the company s turf and utility equipment include general economic conditions, consumer confidence, weather conditions, customer profitability, consumer borrowing patterns, consumer purchasing preferences, housing starts, infrastructure investment, spending by municipalities and golf courses, and consumable input costs.

General economic conditions, consumer spending patterns, real estate and housing prices, the number of housing starts and interest rates are especially important to sales of the company s construction and forestry equipment. The levels of public and non-residential construction also impact the results of the company s construction and forestry segment. Prices for pulp, paper, lumber and structural panels are important to sales of forestry equipment.

All of the company s businesses and its reported results are affected by general economic conditions in the global markets in which the company operates, especially material changes in economic activity in these markets; customer confidence in general economic conditions; foreign currency exchange rates, especially fluctuations in the value of the U.S. dollar; interest rates; and inflation and deflation rates. General economic conditions can affect demand for the company s equipment as well. The current economic conditions and outlook in certain sectors have dampened demand for certain equipment.

Customer and company operations and results could be affected by changes in weather patterns; the political and social stability of the global markets in which the company operates; the effects of, or response to, terrorism and security threats (including those in Mexico); wars and other conflicts and the threat thereof; and the spread of major epidemics (including H1N1 and other influenzas).

Significant changes in market liquidity conditions could impact access to funding and associated funding costs, which could reduce the company s earnings and cash flows. Market conditions could also negatively impact customer access to capital for purchases of the company s products; borrowing and repayment practices; and the number and size of customer loan delinquencies and defaults. A sovereign debt crisis, in Europe or elsewhere, could negatively impact currencies, global financial markets, social and political stability, funding sources and costs, customers, and company operations and results. State debt crises also could negatively impact customers, suppliers, demand for equipment, and company operations and results. The company s investment management activities could be impaired by changes in the equity and bond markets, which would negatively affect earnings.

Additional factors that could materially affect the company s operations and results include changes in and the impact of governmental trade, banking, monetary and fiscal policies, including financial regulatory reform, and governmental programs in particular jurisdictions or for the benefit of certain industries or sectors (including protectionist policies and trade and licensing restrictions that could disrupt international commerce); actions by the U.S. Federal Reserve Board and other central banks; actions by the U.S. Securities and Exchange Commission (SEC), the U.S. Commodity Futures Trading Commission and other financial regulators; actions by environmental, health and safety regulatory agencies, including those related to engine emissions (in particular Interim Tier 4 and Final Tier 4 emission requirements), noise and the risk of climate change; changes in labor regulations; changes to accounting standards; changes in tax rates and regulations; and actions by other regulatory bodies including changes in laws and regulations affecting the sectors in which the company operates.

Other factors that could materially affect results include production, design and technological innovations and difficulties, including capacity and supply constraints and prices; the availability and prices of strategically sourced materials, components and whole goods; delays or disruptions in the company s supply chain due to weather, natural disasters or financial hardship or the loss of liquidity by suppliers; start-up of new plants and new products; the success of new product initiatives and customer acceptance of new products; changes in customer purchasing behavior in response to changes in equipment design to meet government regulations and other standards; oil and energy prices and supplies; the availability and cost of freight; actions of competitors in the various industries in which the company competes, particularly price discounting; dealer practices especially as to levels of new and used field inventories; labor relations; acquisitions and divestitures of businesses, the integration of new businesses; the implementation of organizational changes; changes in company declared dividends and common stock issuances and repurchases.

Company results are also affected by changes in the level of employee retirement benefits, changes in market values of investment assets and the level of interest rates, which impact retirement benefit costs, and significant changes in health care costs including those which may result from governmental action.

The liquidity and ongoing profitability of John Deere Capital Corporation (Capital Corporation) and other credit subsidiaries depend largely on timely access to capital to meet future cash flow requirements and fund operations and the costs associated with engaging in diversified funding activities and to fund purchases of the company s products. If market volatility increases and general economic conditions worsen, funding could

be unavailable or insufficient. Additionally, customer confidence levels may result in declines in credit applications and increases in delinquencies and default rates, which could materially impact write-offs and provisions for credit losses.

The company s outlook is based upon assumptions relating to the factors described above, which are sometimes based upon estimates and data prepared by government agencies. Such estimates and data are often revised. The company, except as required by law, undertakes no obligation to update or revise its outlook, whether as a result of new developments or otherwise. Further information concerning the company and its businesses, including factors that potentially could materially affect the company s financial results, is included in other filings with the SEC.

2009 COMPARED WITH 2008

CONSOLIDATED RESULTS

Worldwide net income in 2009 was $873 million, or $2.06 per share diluted ($2.07 basic), compared with $2,053 million, or $4.70 per share diluted ($4.76 basic), in 2008. Included in net income for 2009 were charges of $381 million pretax ($332 million after-tax), or $.78 per share diluted and basic, related to impairment of goodwill and voluntary employee separation expenses (see Note 5). Net sales and revenues decreased 19 percent to $23,112 million in 2009, compared with $28,438 million in 2008. Net sales of the Equipment Operations decreased 20 percent in 2009 to $20,756 million from $25,803 million in 2008. The sales decrease was primarily due to lower shipment volumes. The decrease also included an unfavorable effect for currency translation of 4 percent,

more than offset by price realization of 5 percent. Net sales in the U.S. and Canada decreased 14 percent in 2009. Net sales outside the U.S. and Canada decreased by 28 percent in 2009, which included an unfavorable effect of 8 percent for currency translation.

Worldwide Equipment Operations had an operating profit of $1,365 million in 2009, compared with $2,927 million in 2008. The deterioration in operating profit was primarily due to lower shipment and production volumes, the unfavorable effects of foreign currency exchange, a goodwill impairment charge, higher raw material costs and voluntary employee separation expenses, partially offset by improved price realization and lower selling, administrative and general expenses.

The Equipment Operations net income, including noncontrolling interests, was $677 million in 2009, compared with $1,677 million in 2008. The same operating factors mentioned above, in addition to a higher effective tax rate, affected these results.

Trade receivables and inventories at October 31, 2009 were $5,014 million, compared with $6,276 million in 2008, or 24 percent of net sales in both years.

Net income of the company s Financial Services operations in 2009 decreased to $203 million, compared with $337 million in 2008. The decrease was primarily a result of a higher provision for credit losses, lower commissions from crop insurance, narrower financing spreads and higher losses from construction equipment operating lease residual values, partially offset by a lower effective tax rate primarily from wind energy tax credits and lower selling, administrative and general expenses. Additional information is presented in the following discussion of the Worldwide Credit Operations.

The cost of sales to net sales ratio for 2009 was 78.3 percent, compared with 75.9 percent in 2008. The increase was primarily due to lower shipment and production volumes, unfavorable effects of foreign exchange, a goodwill impairment charge, higher raw material costs and voluntary employee separation expenses.

Finance and interest income declined in 2009 due to lower financing rates and a smaller average portfolio. Other income decreased primarily as a result of lower commissions from crop insurance and lower earnings from marketable securities. Research and development expenses increased primarily as a result of increased spending in support of new products including designing and producing products with engines to meet more stringent emissions regulations. Selling, administrative and general expenses decreased primarily due to lower compensation expenses and the effect of currency translation. Interest expense decreased due to lower average borrowing rates, partially offset by higher average borrowings. The equity in income of unconsolidated affiliates decreased as a result of lower income from construction equipment manufacturing affiliates impacted by the low levels of construction activity.

The company has several defined benefit pension plans and defined benefit health care and life insurance plans. The company s postretirement benefit costs for these plans in 2009 were $312 million, compared with $277 million in 2008. The long-term expected return on plan assets, which is reflected in these costs, was an expected gain of 8.2 percent in 2009 and 2008, or $857 million in 2009 and $920 million in 2008. The actual return was a gain of $1,142 million in 2009 and a loss of $2,158 million in 2008. Total company contributions to the plans were $358 million in 2009 and $431 million in 2008, which include direct benefit payments for unfunded plans. These contributions also included voluntary contributions to total plan assets of approximately $150 million in 2009 and $297 million in 2008.

BUSINESS SEGMENT AND GEOGRAPHIC AREA RESULTS

Worldwide Agriculture and Turf Operations

The agriculture and turf segment had an operating profit of $1,448 million in 2009, compared with $2,461 million in 2008. Net sales decreased 14 percent in 2009 due to lower shipment volumes and the unfavorable effects of currency translation, partially offset by improved price realization. The decrease in operating profit was primarily due to lower shipment and production volumes, unfavorable effects of foreign currency exchange, a goodwill impairment charge, higher raw material costs and voluntary employee separation expenses, partially offset by improved price realization and lower selling, administrative and general expenses.

Worldwide Construction and Forestry Operations

The construction and forestry segment had an operating loss of $83 million in 2009, compared with an operating profit of $466 million in 2008. Net sales decreased 45 percent in 2009 reflecting the pressure from market conditions. The operating profit was lower primarily due to lower shipment and production volumes and lower equity in income from unconsolidated affiliates, partially offset by improved price realization and lower selling, administrative and general expenses.

Worldwide Credit Operations

The operating profit of the credit operations was $223 million in 2009, compared with $478 million in 2008. The decrease in operating profit was primarily due to a higher provision for credit losses, lower commissions from crop insurance, narrower financing spreads, a higher pretax loss from wind energy projects and higher losses from construction equipment operating lease residual values, partially offset by lower selling, administrative and general expenses. Total revenues of the credit operations, including intercompany revenues, decreased 11 percent in 2009, primarily reflecting the lower financing rates and a smaller portfolio. The average balance of receivables and leases financed was 1 percent lower in 2009, compared with 2008. Interest expense decreased 8 percent in 2009 as a result of lower average borrowing rates, partially offset by higher average borrowings. The credit operations ratio of earnings to fixed charges was 1.24 to 1 in 2009, compared with 1.45 to 1 in 2008.

Equipment Operations in U.S. and Canada

The equipment operations in the U.S. and Canada had an operating profit of $1,129 million in 2009, compared with $1,831 million in 2008. The decrease was primarily due to lower shipment and production volumes, a goodwill impairment charge, higher raw material costs and voluntary employee separation expenses, partially offset by improved price realization and decreased selling, administrative and general expenses. Net sales decreased 14 percent due to lower volumes and the unfavorable effects of currency translation, partially offset by improved price realization. The physical volume decreased 18 percent, compared with 2008.

Equipment Operations outside U.S. and Canada

The equipment operations outside the U.S. and Canada had an operating profit of $236 million in 2009, compared with $1,096 million in 2008. The decrease was primarily due to the effects of lower shipment and production volumes, unfavorable effects of foreign currency exchange rates and increases in raw material costs, partially offset by improved price realization and decreased selling, administrative and general expenses. Net sales were 28 percent lower reflecting lower volumes and the effect of currency translation, partially offset by improvements in price realization. The physical volume decreased 26 percent, compared with 2008.

CAPITAL RESOURCES AND LIQUIDITY

The discussion of capital resources and liquidity has been organized to review separately, where appropriate, the company s consolidated totals, Equipment Operations and Financial Services operations.

CONSOLIDATED

Positive cash flows from consolidated operating activities in 2010 were $2,282 million. This resulted primarily from net income adjusted for non-cash provisions and an increase in accounts payable and accrued expenses, which were partially offset by an increase in trade receivables and inventories. Cash outflows from investing activities were $2,109 million in 2010, primarily due to the cost of receivables and equipment on operating leases exceeding the collections of receivables and the proceeds from sales of equipment on operating leases by $1,376 million and purchases of property and equipment of $762 million. Cash outflows from financing activities were $1,010 million in 2010 primarily due to dividends paid of $484 million, repurchases of common stock of $359 million and a decrease in borrowings of $299 million, which were partially offset by proceeds from issuance of common stock of $129 million (resulting from the exercise of stock options). Cash and cash equivalents decreased $861 million during 2010.

Over the last three years, operating activities have provided an aggregate of $6,216 million in cash. In addition, increases in borrowings were $2,091 million, proceeds from maturities and sales of marketable securities exceeded purchases by $1,368 million and proceeds from issuance of common stock were $255 million. The aggregate amount of these cash flows was used mainly to purchase property and equipment of $2,781 million, repurchase common stock of $2,040 million, acquire receivables and equipment on operating leases that exceeded collections and the proceeds from sales of equipment on operating leases by $2,008 million, pay dividends to stockholders of $1,405 million and acquire businesses for $348 million. Cash and cash equivalents also increased $1,512 million over the three-year period.

Given the continued volatility in the global economy, there has been a reduction in liquidity in some global markets that continues to affect the funding activities of the company. However, the company has access to most global markets at a reasonable cost and expects to have sufficient sources of global funding and liquidity to meet its funding needs. Sources of liquidity for the company include cash and cash equivalents, marketable securities, funds from operations, the issuance of commercial paper and term debt, the securitization of retail notes (both public and private markets) and committed and uncommitted bank lines of credit. The company s commercial paper outstanding at October 31, 2010 and 2009 was $2,028 million and $286 million, respectively, while the total cash and cash equivalents and marketable securities position was $4,019 million and $4,844 million, respectively.

Lines of Credit. The company also has access to bank lines of credit with various banks throughout the world. Some of the lines are available to both Deere & Company and Capital Corporation. Worldwide lines of credit totaled $5,294 million at October 31, 2010, $3,222 million of which were unused. For the purpose of computing unused credit lines, commercial paper and short-term bank borrowings, excluding secured borrowings and the current portion of long-term borrowings, were primarily considered to constitute utilization. Included in the total credit lines at October 31, 2010 was a long-term credit facility agreement of $3,750 million, expiring in February 2012, and a long-term credit facility agreement of $1,500 million, expiring in April 2013. These credit agreements require Capital Corporation to maintain its consolidated ratio of earnings to fixed charges at not less than 1.05 to 1 for each fiscal quarter and the ratio of senior debt, excluding securitization indebtedness, to capital base (total subordinated debt and Capital Corporation stockholder s equity excluding accumulated other comprehensive income (loss)) at not more than 11 to 1 at the end of any fiscal quarter. The credit agreements also require the Equipment Operations to maintain a ratio of total debt to total capital (total debt and Deere & Company stockholders equity excluding accumulated other comprehensive income (loss)) of 65 percent or less at the end of each fiscal quarter. Under this provision, the company s excess equity capacity and retained earnings balance free of restriction at October 31, 2010 was $7,832 million. Alternatively under this provision, the Equipment Operations had the capacity to incur additional debt of $14,545 million at October 31, 2010. All of these requirements of the credit agreements have been met during the periods included in the consolidated financial statements.

Debt Ratings. To access public debt capital markets, the company relies on credit rating agencies to assign short-term and long-term credit ratings to the company s securities as an indicator of credit quality for fixed income investors. A security rating is not a recommendation by the rating agency to buy, sell or hold company securities. A credit rating agency may change or withdraw company ratings based on its assessment of the company s current and future ability to meet interest and principal repayment obligations. Each agency s rating should be evaluated independently of any other rating. Lower credit ratings generally result in higher borrowing costs and reduced access to debt capital markets. Credit ratings also affect the costs of derivative transactions, including interest rate and foreign currency derivative transactions. As a result, negative changes in the company s credit ratings could adversely impact the company s cost of funding. The senior long-term and short-term debt ratings and outlook currently assigned to unsecured company securities by the rating agencies engaged by the company are as follows:

\	Senior Long-Term	Short-Term	Outlook
Moody s Investors Service, Inc.	A2	Prime-1	Stable
Standard & Poor s	A	A-1	Stable

Trade accounts and notes receivable primarily arise from sales of goods to independent dealers. Trade receivables increased by $847 million in 2010, primarily due to higher production and shipment volumes. The ratio of trade accounts and notes receivable at October 31 to fiscal year net sales was 15 percent in 2010 and 13 percent in 2009. Total worldwide agriculture and turf receivables increased $566 million and construction and forestry receivables increased $281 million. The collection period for trade receivables averages less than 12 months. The percentage of trade receivables outstanding for a period exceeding 12 months was 3 percent and 4 percent at October 31, 2010 and 2009, respectively.

Deere & Company s stockholders equity was $6,290 million at October 31, 2010, compared with $4,819 million at October 31, 2009. The increase of $1,471 million resulted primarily from net income attributable to Deere & Company of $1,865 million, a change in the retirement benefits adjustment of $158 million, an increase in common stock of $110 million and a change in the cumulative translation adjustment of $36 million, which were partially offset by dividends declared of $492 million and an increase in treasury stock of $225 million.

EQUIPMENT OPERATIONS

The company s equipment businesses are capital intensive and are subject to seasonal variations in financing requirements for inventories and certain receivables from dealers. The Equipment Operations sell a significant portion of their trade receivables to Financial Services. To the extent necessary, funds provided from operations are supplemented by external financing sources.

Cash provided by operating activities of the Equipment Operations during 2010, including intercompany cash flows, was $2,545 million primarily due to net income adjusted for non-cash provisions and an increase in accounts payable and accrued expenses, partially offset by an increase in inventories and trade receivables.

Over the last three years, these operating activities, including intercompany cash flows, have provided an aggregate of $6,335 million in cash.

Trade receivables held by the Equipment Operations increased by $224 million during 2010. The Equipment Operations sell a significant portion of their trade receivables to Financial Services (see previous consolidated discussion).

Inventories increased by $666 million in 2010 primarily reflecting the increase in production and sales. Most of these inventories are valued on the last-in, first-out (LIFO) method. The ratios of inventories on a first-in, first-out (FIFO) basis (see Note 15), which approximates current cost, to fiscal year cost of sales were 26 percent and 23 percent at October 31, 2010 and 2009, respectively.

Total interest-bearing debt of the Equipment Operations was $3,414 million at the end of 2010, compared with $3,563 million at the end of 2009 and $2,209 million at the end of 2008. The ratio of total debt to total capital (total interest-bearing debt and stockholders equity) at the end of 2010, 2009 and 2008 was 35 percent, 43 percent and 25 percent, respectively.

Property and equipment cash expenditures for the Equipment Operations in 2010 were $736 million, compared with $788 million in 2009. Capital expenditures in 2011 are estimated to be approximately $1,000 million.

FINANCIAL SERVICES

The Financial Services credit operations rely on their ability to raise substantial amounts of funds to finance their receivable and lease portfolios. Their primary sources of funds for this purpose are a combination of commercial paper, term debt, securitization of retail notes, equity capital and from time to time borrowings from Deere & Company.

The cash provided by operating activities, financing activities and the beginning balance of cash and cash equivalents was used for investing activities. Cash flows from the Financial Services operating activities, including intercompany cash flows, were $1,274 million in 2010. Cash used by investing activities totaled $2,658 million in 2010, primarily due to the cost of receivables and equipment on operating leases exceeding collections of receivables and the proceeds from sales of equipment on operating leases by $2,709 million. Cash provided by financing activities totaled $872 million in 2010, representing primarily an increase in borrowings from Deere & Company of $1,230 million, partially offset by a $164 million decrease in external borrowings. Cash and cash equivalents decreased $520 million.

Over the last three years, the Financial Services operating activities, including intercompany cash flows, have provided $3,111 million in cash. In addition, an increase in total borrowings of $2,159 million and capital investment from Deere & Company of $599 million provided cash inflows. These amounts have been used mainly to fund receivable and equipment on operating lease acquisitions, which exceeded collections and the proceeds from sales of equipment on operating leases by $4,490 million, pay dividends to Deere & Company

of $783 million and fund purchases of property and equipment of $484 million. Cash and cash equivalents also increased $183 million over the three-year period.

Receivables and equipment on operating leases increased by $2,391 million in 2010, compared with 2009. Acquisition volumes of receivables and equipment on operating leases increased 13 percent in 2010, compared with 2009. The volumes of financing leases, operating leases, retail notes, wholesale notes, trade receivables and revolving charge accounts increased approximately 41 percent, 31 percent, 30 percent, 27 percent, 9 percent and 4 percent, respectively. The volume of operating loans decreased approximately 67 percent. At October 31, 2010 and 2009, net receivables and leases administered, which include receivables administered but not owned, were $25,029 million and $22,729 million, respectively.

Total external interest-bearing debt of the credit operations was $20,935 million at the end of 2010, compared with $20,988 million at the end of 2009 and $20,210 million at the end of 2008. Included in this debt are secured borrowings of $2,209 million at the end of 2010, $3,132 million at the end of 2009 and $1,682 million at the end of 2008. Total external borrowings have changed generally corresponding with the level of the receivable and lease portfolio, the level of cash and cash equivalents and the change in payables owed to Deere & Company. The credit operations ratio of total interest-bearing debt to total stockholder s equity was 7.3 to 1 at the end of 2010, 7.4 to 1 at the end of 2009 and 8.3 to 1 at the end of 2008.

In November 2009, Capital Corporation renewed a revolving credit agreement to utilize bank conduit facilities to securitize retail notes (see Note 13). At October 31, 2010, this facility had a total capacity, or financing limit, of up to $1,500 million of secured financings at any time. After a 364-day revolving period, unless the banks and Capital Corporation agree to renew, Capital Corporation would liquidate the secured borrowings over time as payments on the retail notes are collected. At October 31, 2010, $835 million of secured short-term borrowings was outstanding under the agreement. In November 2010, Capital Corporation increased the capacity under this revolving credit agreement to $2,000 million and renewed it for an additional three years.

In April 2010, the credit operations completed a $708 million retail note securitization transaction, which is included in short-term secured borrowings.

During 2010, the credit operations also issued $2,316 million and retired $3,364 million of long-term borrowings, which were primarily medium-term notes.

Property and equipment cash expenditures for Financial Services in 2010 were $26 million, compared with $119 million in 2009, primarily related to investments in wind energy generation in both years. Government grant receipts related to property and equipment were $92 million in 2010 associated with the wind energy entities. Capital expenditures in 2011 are not expected to be significant. The company sold the wind energy business for approximately $900 million after year end (see Notes 4 and 30).

OFF-BALANCE-SHEET ARRANGEMENTS

The company s credit operations offer crop insurance products through managing general agency agreements (Agreements) with insurance companies (Insurance Carriers) rated Excellent by A.M. Best Company. The credit operations have guaranteed certain obligations under the Agreements, including the obligation to pay the Insurance Carriers for any uncollected premiums. At October 31, 2010, the maximum exposure

for uncollected premiums was approximately $56 million. Substantially all of the crop insurance risk under the Agreements have been mitigated by a syndicate of private reinsurance companies. In the event of a widespread catastrophic crop failure throughout the U.S. and the default of all the reinsurance companies on their obligations, the company would be required to reimburse the Insurance Carriers approximately $1,029 million at October 31, 2010. The company believes the likelihood of this event is substantially remote.

At October 31, 2010, the company had approximately $190 million of guarantees issued primarily to banks outside the U.S. related to third-party receivables for the retail financing of John Deere equipment. The company may recover a portion of any required payments incurred under these agreements from repossession of the equipment collateralizing the receivables. The maximum remaining term of the receivables guaranteed at October 31, 2010 was approximately five years.

AGGREGATE CONTRACTUAL OBLIGATIONS

The payment schedule for the company s contractual obligations at October 31, 2010 in millions of dollars is as follows:

	Total	Less than 1 year	2&3 years	4&5 years	More than 5 years
On-balance-sheet					
Debt*					