

**Maker of Agricultural Machines and Implements, Orthman Manufacturing, Inc. Continues to Provide Commitment to Customers with Family Ideals and Traditions Instilled Decades Ago and Persists as a Family Owned Enterprise**

**Industrial  
Agricultural Equipment**

**Orthman  
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**John McCoy  
CEO**

**BIO:** John is the CEO of Orthman Manufacturing, Inc., founded by Henry Orthman in 1965. Located in the heart of American agriculture, Orthman Mfg, Inc. Lexington, Nebraska serves a worldwide agricultural marketplace.

Farm Equipment Manufacturers Association, St. Louis, MO: 2010 President of the Association; 2001-2011 Board Member of the Association. 2009 Recipient of the Agri Award sponsored by the Triumph of Agriculture Exposition

for “contributions to Agriculture Development in the Midwest and the State of Nebraska”; 2012 Manufacturer of the Year by Nebraska Chamber of Commerce, sponsored by McGladrey; Belongs to the Nebraska Chapter of the International Organization of; Young Presidents (YPO) 2001-present; Knights of Aksarben Councillor 2012-Present; Participates on the Lexington Regional Health Care Ad-hoc Board 2012-Present.

**About Orthman:**

Orthman Manufacturing is a maker of agricultural machines and implements, including the 1tRIPr strip-tillage machine and Tracker implement steering system, as well as a maker of conveyor and materials bulk-handling systems, SoilMover industrial earth-moving equipment, and Inter-Motion a machine tool remanufacturer and designer and builder of custom machines and robotics integrator company.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFO Magazine**

**CEOCFO:** Mr. McCoy, would you tell us about Orthman?

**Mr. McCoy:** Orthman is a small, mid-market company located in Lexington, Nebraska. We are primarily agricultural oriented, with about 70% of our revenue driven by the agricultural industry. We are a global company, and we ship into about 14 other agricultural markets around the world. Our largest customer is John Deere, and they represent less than 20% of our total revenues. We also have a diverse business model, where we have about 30% to 40% of our

revenue at any given time outside the agricultural industry, although the agricultural market has been robust globally, which has driven our sales, and driven our agricultural revenue stream at a much faster pace than the rest of our revenue streams.

**CEOCFO:** Would you tell us specifically about what you are providing for the agricultural industry?

**Mr. McCoy:** Our main focus is on the tillage industry, so we provide pre and post-plant tillage products that can be positioned within a variety of markets in the agricultural, such as corn, soybean, cotton, tomatoes, peanuts, or a variety of vegetables. The tillage business is our core. We also provide a line of complimentary products for John Deere such as a tool bar that they assemble into a planter, and then sell through their distribution channel.

**CEOCFO:** What is the competitive landscape?

**Mr. McCoy:** There are many companies around the world that we compete with, and most of those companies are of our size or smaller. We typically do not tend to develop products or strategies that would be in direct competition with the major companies of our industry. The majors would include the people like John Deere, CNH and AGCO. They would have their own product lines that we would attempt not to compete with, and that keeps us out of their radar. Within our market segment there are many companies that would have a very local scope, which we would compete with locally. For example, in the South East, we would have a local competitor, and in the Mid-South or

California area, we would have local competitors as well.

**CEO CFO:** Why do your customers want Orthman products?

**Mr. McCoy:** They buy from us for a variety of reasons. The products we deliver have much more value in terms of research and agronomy support through which we help the producers grow their crops. There is a lot of support that our customers have come to expect of us with after sales product support through our localized Product Support Team as well as agronomy support through our 3 agronomists on staff. We produce a very high quality product. It is quite likely that the machines being purchased will have a very long life cycle, so with that value proposition we are able to deliver their expectations. When you think about the research that goes into developing product lines, we also spend a lot of time researching agronomy issues that our customers would be dealing with. For instance, the way a farmer may produce cotton in the coastal bend of Texas is different from how a corn farmer thinks about producing corn in the 31 states. At each one of those locations, we are doing local agronomy research with either Universities or private companies based on our tillage practices and utilizing those practices within the climate and soil condition issues that the different regions would have. That also brings value to that customer base, because they know that we are completely understanding of their market and the conditions they have to deal with on an annual basis.

**CEO CFO:** Could you give us an example of what you would do different in two areas that produce different crops? How do you incorporate the research you do when you are dealing with the customer?

**Mr. McCoy:** In our industry, the phrase associated with our segment is "there is nothing more local than tillage". By that, we mean that you could put a planter in about any marketplace with very little adaptation, but because of the variety of soil and climate conditions as well as farming

practices, the tillage operations are much more fragmented than they are in planting or harvesting. What we find is when we understand the model that the farmers are having to produce around, such as the soil conditions, climate conditions, and growing conditions, it allows us to better formulate a tillage practice and product that would be successful in that marketplace. Our primary tillage tool today is what we call a pre-plant tillage operation called the 1tRIPr, and it is based around a farming practice called strip-till. This farming practice can be used in generally most every soil and climate condition that we know of. We have to contend with residue management and soil compaction issues that would cause us to either adjust or retool the

**"We will continue to provide commitment to our customers, which the Orthman family ideals and traditions instilled decades ago. Orthman persists today as a family owned enterprise. We embrace the enduring challenge of keeping the industry that feeds the world efficient."**

**-CEO John McCoy**

implement to make sure that we are getting the exact placement of the fertilizer and providing exact conditions for planting for that particular producer. We do know that understand the agronomy issues more fully will help us change and manage the tools on that implement platform. We have a variety of tools depending on the soil conditions and climate conditions around the globe.

**CEO CFO:** Do you do much customer outreach or are you well known in the industry?

**Mr. McCoy:** We have a great marketing organization through which we use different types of media to get to our end users. In some instances our producers have found us, which has been quite fascinating in the past five or six years. The countries that we have found ourselves in have been pulling us there, and they are not ones we would have otherwise been

pushing our products into. That pull has come clearly from our exposure in social media, the internet, and our web-based marketing campaigns. Domestically, most of the major growing areas know us because we have been around for almost 50 years. There are certain areas within the US where we have a strong market share and brand recognition. We have a very distinctive color, and when people see that color it is associated with Orthman and what we would do with value and product quality.

**CEO CFO:** Would you tell us about your new manufacturing building?

**Mr. McCoy:** We broke ground in August for a 115,000 square foot manufacturing plant located here in Lexington. It will essentially replace one of the facilities we currently have in Lexington. Its sole purpose will be manufacturing- as we are not putting in any corporate headquarters there. We are not moving many people that are not affiliated with the manufacturing process there. We should be in it and operational in the first quarter of 2014, and when completed it should house about 220 employees for the company. It will employ state of the art manufacturing practices based on lean concepts and using Six Sigma tools to help us devise a great flow for the facility. The machine tools that we will be using will be state of the art machine, creating more capacity and more efficiencies for our plant.

**CEO CFO:** For many who say manufacturing cannot work anymore in the US, how are you able to be the success that Orthman is?

**Mr. McCoy:** We have many challenges here, and the way we think about manufacturing is all about people. The state of Nebraska is one of the lowest unemployment areas in the world, and we are number two in unemployment in the US only behind North Dakota. Locally unemployment is in the 3% range. What provides the challenge is that not only do we have need for many people, but also we have to make sure that we develop them and retain them. We started a department called Organizational

Development a couple of years ago, and that group has a simple responsibility. They are responsible for attracting, developing, and retaining our employee base. Simple but audacious. The employee base has to solve global problems, which has been challenging for us. However, it has been remarkable to see that with the Organizational Development Team and the proper positioning of the company, we have been able to attract the necessary personnel to create the visions and to be successful in the manufacturing environment that we have created. For manufacturing today, it is not rocket science. You can boil it down to fundamentals on how you can be competitive, lower your costs, manage your inventories, and it is all about taking out the wasteful steps within the process. We have been fortunate because we have a talented and accomplished manufacturing team in place with a continuous improvement philosophy. We are starting to resource some items that we had outsourced to other markets in the past decade. Our ability to resource has been a function of taking down the barriers of waste and the road blocks for capacity constraints that has allowed us to continue to be successful.

**CEOCFO:** Would you tell us more about your other divisions?

**Mr. McCoy:** We have a company division called Orthman Conveying Systems, which essentially designs and builds conveying systems within the bulk material handling industry. We serve markets such as chemical, food, aggregate, mining, and energy, anywhere someone would need to move a bulk material from one location to another. We have focused on an integrated systems approach where we are designing and building an entire system, which may include not only the bucket elevator or belt conveyor, but it may also include a holding tank, blending tank, monorail

system, and collection system along as well. It is a real one-stop shop business for us. Historically, that has represented up to 35% of our business, and this past year it represented about 17% of our business. We do have another division called Inner-Motion. Inner-Motion LLC re-manufactures machine tools for the manufacturing industry. We will take a machine tool that has seen the end of its useful life, and we tear it down to its core base. We build it up using latest control technology, which would be hydraulics, electronics, or pneumatics; whatever would be necessary to control the system. We can also update the safety features of the machine tool as well. After we are done, it looks like new, it operates like new, and it has the functionality of a new machine tool as well. We purchased the InterMotion business in 2009 and the Orthman conveying systems business, we organically started in 2003. We do have a sister company called Orthman Logistics that essentially provides all of the logistical services for the in-bound and out-bound needs for the company, and operates over the road trucks and brokerage. The last division we have is a new startup division that is only about a year old. It creates technology for the renewable fuel industry, where we are taking a stationary engine and developing it to burn 100% ethanol. The automotive industry has produced engines that they call flex-fuel engines that can burn 85% ethanol, and those engines are built around the ability to tolerate ethanol. What we have decided to do is start from ground up and build an engine that is based solely on ethanol fuel. We think we can be more successful and more efficient in burning that fuel. We are early into that business model, and we are seeing again that the initial uses for us will be in the agriculture industry with stationary engines and power units for the irrigation industry.

**CEOCFO:** Why should people in the business and investment community pay attention to Orthman?

**Mr. McCoy:** Our story would suggest that we have a 50-year history in the agriculture and manufacturing industry, and we are now being sought after for our technology around the world. As we are now participating in the global agricultural economy, the people producing crops outside of the US work without US farming practices, so we possess one of the fastest growing tillage practices that have taken shape around the world. A farming practice encompasses tillage with fertilizer placement and site-specific farming using GPS technology and leading edge technology to reduce your costs as a farmer and improve your yields. We distributed products in 14 different countries this past year, and we expect to continue to grow. We are looking to expand into operating facilities in other countries as well. We are growing at a fast rate, and it is largely due to the adoption of the Western farming practices that are being sought after around the globe for producing high-yielding crops. The agriculture industry is interesting because the discussion of having 7 billion people on the planet today is rarely mentioned without hearing that we are growing to 9 billion. This means there are many more mouths to feed, and more opportunities in the agriculture industry because of it. It appears to us that the governments of the world want to feed their people better and the growing middle class in China and India and other third world countries are creating more demands for protein and products we would be supporting in the agricultural tillage practices and agricultural commodity markets. There are many opportunities to grow within this industry around the world, and we are very well positioned to capture that.



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