



Cascade Investment Advisors, Inc.

Get to Know Your Stock: Caterpillar, Inc.

More than 100 years before Caterpillar, Inc ranked amongst the top fifth of the Fortune 500, the company's origins in heavy-duty farming equipment began rolling over topsoil in Lincolnshire, England, as early as 1904. Richard Hornsby & Sons had developed a steel-plate tracked vehicle, the first to use differential brakes. Steam tractors from the 1890s and early 1900s were extremely heavy, often weighing a thousand pounds per horsepower! Despite the patent, Hornsby & Sons found a limited market for their vehicle, and a few short years later would sell the patent to one Benjamin Holt of Stockton, California.

Before Holt got his hands on the patent, he had been experimenting with tractors himself; most of his attempts unfortunately sank into the mud of the San Joaquin Valley Delta. One of Holt's less successful efforts included increasing the size of the tractor's wheels, 7.5 feet tall and 6 feet wide, resulting in a monstrously-sized machine that would be too expensive and too complex to maintain. A switch from wheels to tracks made all the difference: on Thanksgiving Day, 1904, Holt successfully tested "No. 77," his tracked prototype.

The company was christened by its photographer, Charles Clements, who was looking at the tractor through a lens, inverting the image, and noting that the tracks rising and falling over the carrier rollers looked like a caterpillar. By 1909, Holt sold his first steam-powered "tractor crawlers," for \$5,500, the equivalent of about \$185,000 today.

In the years that followed, Holt would open what would become the first Caterpillar factory in 1910, in Peoria, Illinois, which was headed by Benjamin Holt's nephew, Pliny. Across the pond, the first world war was brewing. Supporting the war effort (even before the US had entered the war officially), Holt shipped 1,200 tractors to England, France and Russia for agricultural purposes. The governments of those countries had different ideas, and had immediately sent the tractors to the battlefield, where they would haul howitzers and munitions to soldiers. Holt's tractors would swiftly become the main inspiration for Britain's own tank.

In the years leading up to the war, Holt was engaged in a war of his own: a competitor had emerged: Clarence Leo Best with his tractor, the Best Model 60. As the Great War wound down, both Holt and Clarence's companies would struggle in the transition between wartime and peace; moreover, from 1907 through 1918 the two spent \$1.5 million in legal fees fighting each other. Unfortunately, 71 year old Benjamin Holt would succumb to illness and pass in December of 1920, just a few short years before a complex deal was brokered between banks, Best, Holt's successor Thomas Baxter, and all their combined debt, that saw the companies merge into what we know today as Caterpillar Inc.

The same heavy-equipment ecosystem is thriving today. Pictured on the right, the Caterpillar 6060 Mining Shovel's teeth were made by ESCO, the Portland-based wear-parts company known for supplying ground-engaging tools used on mining machines like Caterpillar equipment.

CAT also makes road equipment, forest harvesting machinery, underground haulers, turbines and housings, an enormous variety of parts, even rugged workwear. CAT dealers can be found in 191 countries and the company employs over 118,000 people worldwide – quite an evolution from that original tractor stuck in the mud!

