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NORTH AMERICAN EQUIPMENT DEALERS ASSOCIATION e-newsletter

Thursday, September 08, 2011

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## CEO Blog

Is it déjà vu all over again?  
September 2011

It was not that long ago when dealers across North America had so much used equipment they thought it would take years to work their way out of the inventory.

Fortunately, we entered a period of great prosperity in agriculture so they could work off the inventory and manage their way out of the situation. But recently, many dealers I've visited with have mentioned their growing concern with increased levels of used inventory. In fact, this increase is making dealers and manufacturers quite nervous. Is the current situation akin to what Yogi Berra would say is, "Déjà vu all over again"?

Most dealers say no, it hasn't reached panic level ... yet. Why? First, demand for most products remains high. Second, commodity prices are holding up well in general. Outdoor power equipment is doing better and the large property and construction sectors are holding their own in most regions, except drought-stricken areas. Today's high inventory problem mostly pertains to used combines. However, a downturn in commodity prices or some other shock to the demand side could see inventory problems escalate rapidly beyond just combines.

One way used combine inventory has been managed over the past several years is through export markets. Exports have increased and are a vital part of keeping used combine inventories at healthy levels. But, there may be a cloud on the horizon. Exports may become less vigorous due to Tier 4 engines. The problem being that not every country has the proper fuel for Tier 4 technology, thus potentially lessening demand.

Another factor keeping used equipment inventory at a somewhat manageable level is producers who use accelerated depreciation to roll their equipment to keep the cost down. With the expiration of Section 179 accelerated depreciation, there may be less incentive to roll. This is especially true if you examine the combine/harvest capacity-to-crop ratio, which is currently more than 3.5 to 1. This change could drive some producers to forego purchasing a new combine. Fewer new combine sales could also mean fewer trade-ins and less used inventory.

Manufacturers may find innovative ways to assist dealers in managing used inventory.

## Industry & Manufacturing News

**U.S. ag equipment exports up 15 percent at midyear**

U.S. exports of agricultural machinery continued to grow in 2011 and ended the first half of the year with a gain of 15 percent, according to the Association of Equipment Manufacturers (AEM).

Midyear 2011 exports totaled \$5.6 billion compared to January-June 2010. The off-road equipment manufacturing trade group consolidates U.S. Commerce Dept. data with other sources into member global trend reports.

[Read more](#)

Source: AgriMarketing

**U.S. construction machinery exports way up at mid-year point**

U.S. exports of construction equipment continued to grow in 2011 and ended the first half of the year up 48 percent compared to January-June of 2010.

Total construction machinery exports at midyear were \$11 billion, according to the Association of Equipment Manufacturers (AEM).

[Read more](#)

Source: Construction Equipment Guide.com

**OPE -- An \$18.9 billion industry by 2015?**

World power lawn and garden equipment demand is forecast to rise 4.8 percent yearly to \$18.9 billion in 2015.

Overall growth in equipment sales will be promoted by an improvement in housing activity in the key U.S. and West European markets.

While industry sales will post a strong rebound through 2015, longer-term growth will be more moderate due to slowing product pricing gains. Opportunities will exist in the golf industry outside the U.S., as participation rates are expected to grow due to rising standards of living and a continued emphasis on golf tourism. These and other trends are presented in World Power Lawn & Garden Equipment, a new study from The Freedonia Group Inc., a Cleveland-based industry research firm.

[Read more](#)

Source: Green Industry Pros

**Critical power engine ratings clarify horsepower output for consumers**  
Kawasaki's bold move to rate its engines in accordance with SAE J2723 is a broad departure for the industry and Kawasaki officials believe this critical power rating will alleviate end user confusion over horsepower labeling and "usable" power.

The move to critical power ratings will not reflect the wide tolerance that is currently permitted by SAE J1940, which has been the generally applied industry standard. This new, stringent testing and rating method will assure consumers that they are receiving the power they expect for their application needs.

[Read more](#)

Source: Kawasaki Motors Corp., U.S.A. Engine and Power Products Division via PR News Wire

**AuctionTime online auction to feature 500+ pieces of ag/construction equipment**

AuctionTime.com has announced a Sept. 14 online auction which will include 151 construction equipment

pieces, 186 farm equipment pieces, 119 trucks and trailers, and 111 attachments for sale.

Live bidding opens Sept. 13 at 9:00 AM (CDT). Auctions close throughout the day on Sept. 14.

[Read more](#)

Source: AuctionTime (TractorHouse/Sandhill Publishing)

## Legislative & Regulatory News

### USDA: Big increases in net farm income, net cash income for 2011

The latest report from USDA's Economic Research Service forecasts big increases in net farm income and net cash income for 2011.

For the first time, both are expected to exceed \$100 billion in the same year. Both marks are records, with net cash income projected up just over 24 percent to \$114.8 billion.

[Read more](#)

Source: AgInfo.net

### NLRB final rule: Employers must post notices of employee rights

The National Labor Relations Board (NLRB) has published a final rule requiring employers to post workplace notices of employee rights under the National Labor Relations Act (NLRA). The final rule applies to all employers covered by the NLRA, regardless of whether the employer has a unionized work force.

The posting requirement is intended to inform both union and non-union employees of their rights under the NLRA.

The final rule, which takes effect Nov. 14, 2011, will require covered employers to post an 11 x 17 inch poster in the workplace. The notice is similar to one required by the United States Department of Labor for federal contractors (the new rule does not impose additional obligations on federal contractors). It will state that employees have the right to engage in concerted activity to improve wages and working conditions, to form, join and assist a union, to bargain collectively with their employer, and to refrain from any of these activities. The final rule also requires covered employers to post the notice on their company intranet site, if personnel policies are ordinarily distributed in that manner. The notice must be posted in English and in another language if at least 20 percent of employees are not proficient in English and speak the other language.

Failure to adhere to the posting requirements could have numerous consequences. First, noncompliance may be treated as an unfair labor practice. Second, failure to post the notice could provide an employee more time to file an unfair labor practice charge by "tolling" the statute of limitations period under the NLRA. Third, if an employer knowingly and willfully fails to post the notice, the failure may be considered as evidence of an unlawful motive in an unfair labor practice case involving other alleged NLRA violations. Finally, a violation in this context could be utilized by unions as a springboard for organizing. Suffice it to say, it is critical that employers comply with the new rule, as well as take the opportunity to ensure their union-related policies are up-to-date and compliant.

Employers interested in maintaining "union free" status should promptly review policies, training and other resources related to union organizing, and also consider supplemental communications with their employees on this topic.

### U.S. Labor Department proposes updates to child labor regulations

The U.S. Department of Labor is proposing revisions to child labor regulations that will strengthen the safety requirements for young workers employed in agriculture and related fields.

The agricultural hazardous occupations orders under the Fair Labor Standards Act that bar young workers from certain tasks have not been updated since they were promulgated in 1970.

The department is proposing updates based on the enforcement experiences of its Wage and Hour Division, recommendations made by the National Institute for Occupational Safety and Health, and a commitment to bring parity between the rules for young workers employed in agricultural jobs and the more stringent rules that apply to those employed in nonagricultural workplaces. The proposed regulations would not apply to children working on farms owned by their parents.

"Children employed in agriculture are some of the most vulnerable workers in America," said Secretary of Labor Hilda L. Solis. "Ensuring their welfare is a priority of the department, and this proposal is another element of our comprehensive approach."

The proposal would strengthen current child labor regulations prohibiting agricultural work with animals and in pesticide handling, timber operations, manure pits, and storage bins. It would prohibit farmworkers under age 16 from participating in the cultivation, harvesting and curing of tobacco. And it would prohibit youth in both agricultural and nonagricultural employment from using electronic devices, including communication devices, while operating power-driven equipment.

The department also is proposing to create a new nonagricultural hazardous occupations order that would prevent children under 18 from being employed in the storing, marketing and transporting of farm product raw materials. Prohibited places of employment would include country grain elevators, grain bins, silos, feed lots, stockyards, livestock exchanges, and livestock auctions.

Additionally, the proposal would prohibit farmworkers under 16 from operating almost all power-driven equipment. A similar prohibition has existed as part of the nonagricultural child labor provisions for more than 50 years. A limited exemption would permit some student learners to operate certain farm implements and tractors, when equipped with proper rollover protection structures and seat belts, under specified

They might offer fewer changes to new products, thus, creating less incentive for producers to upgrade as often. Or, they could offer fewer financing incentives on new models – reducing some demand for new equipment.

As an industry, we may want to consider how to reduce the practical life cycle of a combine. With the near elimination of mid-sized farmers and fewer potential purchasers for the used equipment of the large producers, there are fewer life cycle turns for new equipment. As I indicated earlier, export markets can only absorb so many units. Is the answer to scrap equipment sooner in the life cycle? Maybe you have a better long-term solution for inventory overload? If so, I would love to hear from you.

My main point is that the market for large tractors appears to be holding up for now. Let's pray that trend continues. However, the overloaded used combine market is cause for concern. According to one source, the ratio of used-to-new combines has increased more than 10 percent in just the last year. Not a good sign. Many dealers have crunched their numbers and know they have too much cash tied up in used combine inventory. Some have turned to auctions, but nearly everyone agrees that is not the path to fame and prosperity ... even if it can be a useful short-term tool.

The warning signs are there, but as I said earlier, most dealers don't believe it is time to panic ... yet. However, it is time to manage your used inventory before it reaches a critical stage. Your recent experiences and memories of past inventory problems can provide you with a better perspective today compared to a few short years ago when used equipment inventory levels became a major challenge.

Let's learn from history and keep trade-in valuations realistic. Don't take the deal if you don't have a home for the trade and don't allow your inventory to get out of hand. Use caution and avoid déjà vu all over again. And that's the way I see it.

PAUL KINDINGER is president/CEO of the North American Equipment Dealers Association. The association provides educational, legal, legislative, and financial services to approximately 5,500 retail agricultural, construction, large property/rural lifestyle, and outdoor power equipment dealers in the United States and Canada.



## Resources

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conditions.

The Wage and Hour Division employs a combination of enforcement, compliance assistance and collaboration strategies in partnership with states and community-based organizations to protect children working in the United States. When violations of law are found, the division uses all enforcement tools necessary to ensure accountability and deter future violations.

The division is responsible for enforcing the FLSA, which establishes federal child labor provisions for both agricultural and nonagricultural employment, and charges the secretary of labor with prohibiting employment of youth in occupations that she finds and declares to be particularly hazardous for them. The FLSA establishes a minimum age of 18 for hazardous work in nonagricultural employment and 16 in agricultural employment. Once agricultural workers reach age 16, they are no longer subject to the FLSA's child labor provisions. The FLSA also provides a complete exemption for youths employed on farms owned by their parents.

The public is invited to provide comments on this important proposal, which must be received by Nov. 1. A public hearing on the proposal will be held following the comment period. More information, including a complete list of the proposed revisions, will be available in the Federal Register on Sept. 2.

Source: U.S. Labor Department

### Vilsack: Smart grid, transmission system improvements to create jobs, benefit consumers in 14 states

U.S. Agriculture Secretary Tom Vilsack has announced that rural electric cooperative utilities will receive funding for smart grid technologies and improvements to generation and transmission facilities. These loans will benefit more than 19,000 rural consumers in 14 states.

"Rural electric cooperatives provide direct jobs and support economic growth in our rural communities," he said. "By financing electrical system improvements USDA and the Obama Administration helps ensure sustainable growth and business job creation. Investments in smart grid technologies will give rural electric utilities and their consumers one more tool to better manage use of electricity, increase reliability and lower costs."

[Read more](#)

Source: U.S. Department of Agriculture

### Support for zero tariffs grows for ag trade between U.S. and EU

Slow economic growth in the U.S. and the EU and no movement on the WTO Doha Round of trade policy negotiations have generated interest in proposals for zero tariffs on goods trade between the two partners.

As is true throughout the world, agricultural tariffs are higher than industrial tariffs and the lower tariffs would likely cause some production adjustments. The U.S. already has zero tariffs on agricultural goods under NAFTA and is moving towards zero in fifteen other markets under various free trade agreements (FTA). As major agricultural importer and exporters, moving to zero tariffs may be easier than many expect, but other trade differences would become more important.

The EU imported \$10.87 billion of agricultural products from the U.S. in calendar year 2010 led by soybeans and products at \$1.52 billion followed by tree nuts at \$1.47 billion. Fruits, vegetables and juices were third at \$834 million, tobacco fourth at \$441 million and wine and beer fifth at \$438 million. Soybeans enter the EU at a zero tariff under an agreement first reached in the 1960s. Tree nuts also have low tariffs averaging about 5 percent. Fruits and vegetables have tariffs of about 15-20 percent with juice tariffs as high as 37 percent. Unmanufactured tobacco has tariffs of about 15 percent with manufactured product tariffs of 35 percent. Beer enters tariff free, while wines have an average ad valorem equivalent rate of 8.9 percent.

The U.S. imported \$15.47 billion of agricultural products from the EU in 2010 led by wine and beer at \$4.46 billion followed by essential oils at \$1.96 billion. Fruits, vegetables and juices were third at \$942 million, snack foods fourth at \$854 million, and cheese fifth at \$725 million. As in the EU, beer enters the U.S. tariff free, while wine has an average tariff of only 4.3 percent. Essential oils enter with low tariffs of 2-4 percent, with a few entering at zero. Snack foods cover a wide range of products, but they likely enter at tariffs of 5 percent or less with some products tariff free. Fruit and vegetable tariffs are generally 10-20 percent with higher rates for some seasonal imports. Some products are tariff free all year. Cheese has import tariffs of generally 10-16 percent with quantity restrictions on yearly imports.

Compared to the rest of the world, agricultural trade between the U.S. and the EU is already relatively free. Some of that is by historical precedent, like the EU soybean tariff set low when soybeans were much less important for livestock feed and human vegetable oil consumption than today. The U.S. needs access to essential oils and low tariffs are a logical choice. The fruit and vegetable category would be one where both countries would gain from more open markets. Any changes for products with higher tariffs will likely be opposed by domestic interests in those industries. Beer drinkers would see no change, while wine consumers would see small changes compared to much higher tariffs in the rest of the world. Zero tariffs could cause other markets to develop more fully and benefit consumers and efficient producers.

U.S. agriculture has a unique situation compared to other U.S. industries related to non-tariff barriers to trade. Issues of science on hormones in beef production, crops produced with biotechnology and pathogen controls in meat processing have become major barriers to trade. The U.S. has had a 15-year dispute with the EU about science-based import restrictions on beef produced with the use of growth-promoting hormones under the WTO Agreement on Sanitary and Phytosanitary Measures (SPS). The WTO ruled in favor of the U.S. on the science, but the EU has refused to allow imports. Two years ago the two countries reached a four-year agreement on beef trade that left the underlying dispute unresolved.

The U.S. has had almost as long a disagreement over the use of biotechnology in developing new crop varieties. The U.S. has prevailed in WTO cases based on science, but the EU continues to retard the process of approving new corn and soybean varieties for importation and countries have prevented the planting of biotech crops. According to the International Service for the Acquisition of Agri-biotech

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### About NAEDA Update

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Applications, only six countries in the EU grew a total of 91,000 acres of biotech corn last year, with Spain accounting for almost 77,000 acres of the total.

The U.S. has a thirteen-year disagreement with the EU on pathogen reduction treatments (PRTs) for poultry meat. The treatments are standard practices in the U.S. and the European Food Safety Authority found that risks were minimal from treating poultry. The science has increasingly sided with the U.S. on PRTs, but EU officials continue to reject their use.

According to the U.S. Chamber of Commerce, two-way trade for all products is \$600 billion per year with another \$2 trillion invested per year in each other's markets. Combined GDP would increase by \$180 billion in five years with no tariffs, more than the added growth expected from a successful completion of the Doha Round of negotiations. At a time of increased competition from developing countries, that kind of boost to economic growth could be good for the agricultural economies in both markets and make them more competitive in world markets.

The potential for economic growth in industrial markets in the EU may encourage the EU business community to become more involved in the science issues in agriculture that could be a stumbling block. The long-running unresolved issues show that winning WTO cases alone will not resolve them. The EU has the right to not change policies and accept higher tariffs on products sold into the U.S. market. The loss of potential gain from a tariff reduction agreement may finally be more costly than other EU businesses are willing to incur.

An immediate move to zero tariffs would be an FTA without all of the transition periods of 15-20 years that are common in FTAs. Those transitions usually exist for political reasons, not economic ones. Any agreement would need to address sanitary and phytosanitary market access issues for agriculture. A zero tariff agreement would also provide a good model for others to follow.

Source: Ross Korves is the Economic Policy Analyst for Truth About Trade & Technology

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#### NAEDA, Association & Program Partner News

Get free dealer breakfast at GIE+EXPO, just share your input with OPE Dealer Council

Do you have topics or issues you would like the NAEDA OPE Dealer Council to address at its Oct. 28 meeting? If so, contact [Mike Williams](#) or any member of the [council](#) now. The first 20 dealers to share their input will receive their breakfast free at the Dealer Resource Roundtable Breakfast at GIE+EXPO!

Topics to submit might include issues affecting your store due to a manufacturer or other supplier. Or, they might involve warranty problems you face. Also, let us know if you have heard about issues other dealers have expressed to you. Include the state or province where issues are occurring in your message.

The council wants to know about the issues affecting your dealership so it can address them directly and help get them resolved.

The Dealer Resource Roundtable Breakfast will be held Oct. 28 from 8-9:30 a.m. in the North Wing Lobby of the Kentucky Exhibition Center in Louisville, Ky. The regular price for breakfast is \$25 per person.

The breakfast is sponsored by STIHL and Gravely and hosted by the Outdoor Power Equipment Institute. It will be a great opportunity for dealers to participate in small-group discussions facilitated by industry professionals on a range of topics including: selling to commercial contractors, using employees to drive lean practices, pumping up profitability in the service department, smart marketing with today's technology (social media and public relations), strategic business planning for success, and more.

#### Preview plans for the GIE+EXPO Dealer Resource Pavilion

The 2011 GIE+EXPO will take place Oct. 27-29 at the Kentucky Exposition Center in Louisville, Ky., and registration is now open. Dealers are particularly excited about the exclusive, new Dealer Resource Pavilion right on the show floor.

Preview all that's planned at the pavilion by clicking [here](#) or download a Dealer Resource Pavilion guide [here](#).

Register for GIE+EXPO by visiting <http://www.gie-expo.com/gieexpo/>.

#### Federated named to 2011 Ward 50® top performers list

Federated Mutual Insurance Company and Federated Life Insurance Company have again been named to the Ward's 50 lists of top performing insurance companies.

Federated is one of only two organizations that has had affiliated companies named to both the property-casualty and life-health Ward's 50 group of companies every year since 2001.

Ward Group® is a Cincinnati-based consulting firm specializing in the insurance industry. It reviews approximately 3,000 property and casualty companies and 800 life insurance companies each year. Ward then recognizes 50 companies that have achieved outstanding financial results in the areas of safety, consistency and performance over a five-year period (currently 2006-2010).

#### IRON Search and IronPlanet align to help dealers move inventory

Equipment dealers can now seamlessly move inventory from the leading online remarketing outlet, IRONSearch.com, to IronPlanet.com for auction as the result of a new alliance between the two companies.

Additionally, equipment to be auctioned at IronPlanet® is now searchable on IRONsearch.com.

[Read more](#)

Source: IRON Solutions via PR Web.com

### Canadian News

#### Elections loom in seven provinces, territories

Less than a year after helping choose a new federal government, Canadians in half the country's provinces and territories will go back to the polls.

Within a five-week period this fall – and courtesy of the trend toward fixed election dates – voters in the Northwest Territories, Prince Edward Island, Manitoba, Ontario, Newfoundland and Labrador, and Saskatchewan will elect new provincial and territorial governments.

[Read more](#)

Source: CBC.ca

#### Canadian economy ranked 12th in the world for competitiveness

Canada has slipped out of the top 10 in global competitiveness, dropping two spots to 12th place behind the United Kingdom and Hong Kong, according to an annual report released by the World Economic Forum.

Emerging economies, particularly in Asia, are closing the gap between the traditional "rich" and "poor" countries, as the world's advanced economies stagnate, said the Conference Board of Canada, a partner institute in preparing the report.

[Read more](#)

Source: The Vancouver Sun

#### Harper-Obama talks to focus on security perimeter, shared intelligence, border issues

Millions of jobs will be on the table this fall when Prime Minister Stephen Harper sits down with U.S. President Barack Obama to talk about unclogging the United States-Canada border.

The Harper-Obama meeting will follow up on a session at the White House in February in which the two leaders agreed to open negotiations on improving joint security and trade operations.

[Read more](#)

Source: (Toronto) Star.com

#### Many Canadians say NDP's next leader won't be as strong as Layton

As Jack Layton was laid to rest in Toronto, a poll suggests Canadians remember the late NDP leader

fondly, but that a majority don't believe his party will find a new leader as strong as him.

Sixty-seven percent of respondents in an Angus Reid survey said Layton will be remembered most for his role in leading the NDP to become the official opposition party this year.

[Read more](#)

Source: Canada.com

## Tip of the Month



[Start Writing Effective Job Descriptions](#)

### Free KPA webinars

- Sept. 15, 2011 - [Regulatory Updates from OSHA and the EPA](#)
- Sept. 20, 2011 - [Florida Specific: What to do when an FDEP Inspector Knocks](#)
- Sept. 29, 2011 - [Essentials of Wage and Hour Law for Dealerships](#)

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