



NAEDA Update

NORTH AMERICAN EQUIPMENT DEALERS ASSOCIATION e-newsletter

Thursday, September 22, 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. 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

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Industry & Manufacturing News

New Holland Construction to withdraw heavy product lines in North America Jan. 1

New Holland Construction will focus on compact product lines for the landscaping, utility, residential construction, and ag industries and withdraw heavy equipment from its North American line-up.

According to company news releases, starting in 2012, New Holland Construction will begin withdrawing from the North American market its crawler dozers, motor graders, 80+ horsepower wheel loaders, 6+ ton excavators, and telescopic handlers. New Holland Construction will continue to offer compact products and associated attachments, including the successful skid steer loaders, compact track loaders, tractor loaders, loader backhoes, compact wheel loaders, and compact excavators.

This announcement only concerns the North American market, as New Holland Construction will continue to sell the heavy equipment product lines in all other world markets.

Specifically, after Dec. 31, 2011, New Holland Construction will no longer accept orders from dealers in North America for the following New Holland Construction equipment: crawler dozers, motor graders, 80+ hp wheel loaders, 6+ ton excavators, and telescopic handlers.

The company encourages its dealers to review their current equipment needs and submit any remaining orders for these heavy product lines early to ensure availability. Orders for New Holland Construction heavy equipment will not be accepted after Dec. 31, 2011.

Retail programs for all New Holland Construction heavy product lines will continue until Sept. 30, 2012. The company says it will monitor dealer sales and inventory levels to determine whether any additional programs to address remaining inventories of New Holland Construction heavy equipment might be provided at some point after Sept. 30, 2012.

Deere dealers to sell Honda products in U.S.

John Deere is phasing out its Deere-branded walk-behind lawnmowers and snowblowers starting in 2012, as part of a sales and marketing agreement with Honda Power Equipment.

Honda premium power products will be sold at participating John Deere dealerships in the U.S., and Deere will no longer sell its own walk-behind lawnmowers and snowblowers. Deere will continue selling its riding mowers and lawn tractors.

[Read more](#)

Source: Quad Cities Online

Yanmar and Cub Cadet are dissolving joint venture; modifying dealer agreement

Cub Cadet / Yanmar dealers have likely received notice that Yanmar and Cub Cadet are dissolving their joint venture.

According to information provided by Yanmar, the result of this change will be that all future dealer support for the compact tractor line will come through Yanmar America Corporation and the compact tractor line will be branded "Yanmar" instead of "Cub Cadet Yanmar."

Dealers are also being asked to sign lengthy dealer agreements with Yanmar, which we believe is intended to replace the current dealer agreement for Cub Cadet Yanmar compact tractors.

Legal counsel for NAEDA is reviewing the new dealer agreement and will compare it to the current Cub Cadet Yanmar dealer agreement. After this review is complete, we will provide members with a summary of the key differences and their legal rights. We recommend that dealers wait for this analysis before signing the new dealer agreement.

If you have questions or concerns, contact your association. NAEDA and your association will convey your concerns to Yanmar and Cub Cadet and keep you updated as new information becomes available.

Not all dealers will have the advantage of this information. Your association membership dollars and participation in association services helped pay the legal expenses this negotiation and analysis cost. This is a perfect example of what your association is for and shows that membership doesn't cost--it pays!

If a non-member wishes to benefit from such association support, encourage them to support the association just as you do by paying their fair share by joining the association and participating in the services the association provides.

Sources: Various news reports and MAERA and OMEMA

Husqvarna discontinues Yazoo | Kees mower line

Husqvarna will discontinue manufacturing and selling commercial lawn-mower products under the Yazoo | Kees brand name by year end.

The company will still produce similar products under both the Dixon and Husqvarna brands. It will continue to process warranty claims and make service parts available for Yazoo | Kees for an extended period of time.

[Read more](#)

Source: American Business Journals.com

Kubota recalls 6,100 riding mowers; citing possible fuel leakage issue

The Kubota riding mowers involved in the recall involve a number of GR, T and ZG Series models.

The GR, T and ZG Series models are all bright orange, have 48", 54", or 60" wide mower decks and have "KUBOTA" stamped on either the sides of the front engine cover, or on the right side behind the driver's seat.

[Read more](#)

Source: ConsumerAffairs.com

John Deere issues two recalls for D100 lawn tractors

The U.S. Consumer Product Safety Commission, in cooperation with John Deere, has announced two voluntary recalls of D100 lawn tractors.

One recall involves about 15,500 D100 lawn tractors. The other recall involves about 5,200 D100 lawn tractors.

[View the recall for 15,500 D100 lawn tractors](#)

[View the recall for 5,200 D100 lawn tractors](#)

Source: U.S. Consumer Product Safety Commission

Ariens to add 100 employees in Brillion, Wis.

Ariens Co., a Wisconsin outdoor power equipment manufacturer, plans to hire 100 additional employees.

Ariens Co. usually switches from lawn maintenance equipment to making snow blowers this time of year. But, president Dan Ariens says the company will be manufacturing both equipment lines this fall. Ariens says that's created an immediate need for workers, especially those with powder coating, welding, machining, and assembly skills. He says the jobs will be temporary, with plans to convert them to permanent positions.

Source: (Appleton/Fox Cities Wisconsin) Post Crescent

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.

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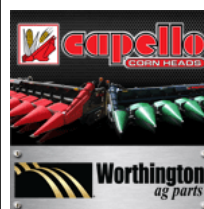
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About NAEDA Update

North American Equipment Dealers Association

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Legislative & Regulatory News

Clarifying bonus depreciation, section 179 expensing rules for year-end equipment sales

Equipment salespeople can use two tax provisions – increased bonus depreciation and section 179 expensing – to make new and used equipment sales before year end, but it's important that you and your salespeople understand these tax provisions first.

Both provisions encourage 2011 equipment purchases by allowing immediate write off of all dollars spent on the purchase of new and used equipment. So in theory, using these two provisions, a customer who buys \$100,000 of new or used equipment in 2011 can write off the entire \$100,000 purchase price and thus offset \$100,000 of taxable income on the 2011 tax return. The customer is not limited by a depreciation percentage amount. But, because we're talking about two tax laws and the government, how it actually works is not quite that simple.

To clarify:

If the sale involves used equipment, the customer is limited to section 179 expensing with a maximum write off of \$500,000.

If the sale involves new equipment, the customer can use both tax provisions to expense the entire cost of the new equipment.

Importantly, in 2011 there is no dollar limitation on the "bonus depreciation." Thus if a customer buys \$2,000,000 of new equipment in 2011, the customer can write off the entire purchase price on the dealership's 2011 tax return. This rule will likely be applicable to 90 percent or more of your 2011 sales. However, additional requirements and features can apply. Urge salespeople to tell customers to consult with their tax advisors.

Section 179 expensing rules:

- The \$500,000 expense amount is scheduled to drop to \$125,000 in 2012
- In 2011, up to \$250,000 of the \$500,000 expense amount can be used for qualified leasehold improvements, restaurant or retail – improvement property
- Used equipment may qualify if it is used at least 50 percent of the time for the business
- For 2011, the section 179 deduction starts to phase out dollar for dollar when total asset acquisitions for the tax year exceed \$2 million. This limit is scheduled to drop to \$500,000, indexed for inflation for 2012
- To qualify, equipment must not only be purchased before the end of the tax year but also be delivered to the customer by year end
- The customer can only claim the expense deduction to offset net income, not to reduce it below zero for carry-back purposes.

Bonus depreciation rules:

- Because the bonus depreciation is not subject to asset purchase limitations, the 2011 bonus depreciation may lessen the importance of the section 179 deduction unless, of course, the purchase is for used equipment
- In 2012, the bonus depreciation drops to 50 percent of the purchase price and then after Dec. 31, 2012, the bonus depreciation is scheduled to disappear.

Source: Jack R. Selzer, Seigfreid, Bingham, Levy, Selzer & Gee, P.C.

Victory over job-killing ozone regulations should be tempered by reality
Millions of Americans recently celebrated the demise of the U.S. Environmental Protection Agency's (EPA) job-killing ground-level-ozone regulations. Though a toast is appropriate, we shouldn't drink too much champagne just yet.

White House action on this single EPA rule is merely a welcome victory in a long struggle. The U.S. Chamber of Commerce may have declared, "Now, at least they're listening," but other observers say the EPA and Obama administration are still tone-deaf.

Indeed, a major factor in the White House decision on ozone was a map showing that 85 percent of America's counties would be out of compliance with the Clean Air Act if the new rules were implemented. That would mean no new construction or manufacturing projects could begin - and no jobs "created or saved" - until billions were spent to bring existing facilities into compliance with arbitrary new ozone standards.

[Read more](#)

Source: Friends of the U.S. Chamber of Commerce

House approves legislation prohibiting NLRB from dictating certain corporate decisions

The U.S. House has approved legislation prohibiting National Labor Relations Board (NLRB) from dictating corporate decisions about where to set up shop.

The House approved H.R. 2587 in a 238-186 vote in which eight Democrats joined Republicans in supporting the bill, and only seven Republicans voted against it.

The bill is a response to the NLRB's decision to sue Boeing for opening a manufacturing plant for its new 787 Dreamliner jet in South Carolina. The NLRB sued Boeing, charging that the company picked South Carolina for new production to retaliate against its unionized workers in Washington state. South Carolina is a right-to-work state that generally bans union membership.

[Read more](#)

Source: The Hill

In related news, the Coalition for a Democratic Workplace (CDW) has released a statement regarding the House's approval of the Protecting Jobs from Government Interference Act (H.R. 2587).

CDW's letter in support can be found [here](#).

IRS issues guidance on tax treatment of cell phones: provides recordkeeping relief

The U.S. Internal Revenue Service (IRS) has issued guidance to clarify the tax treatment of employer-provided cell phones.

The guidance relates to a provision in the Small Business Jobs Act of 2010, enacted last fall, that removed cell phones from the definition of listed property, a category under tax law that normally requires additional recordkeeping by taxpayers.

[Read more](#)

Source: IRS.gov

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NAEDA, Association & Program Partner News

North Dakota governor presents Theodore Roosevelt Rough Rider award to RDO founder

North Dakota Gov. Jack Dalrymple presented the North Dakota Theodore Roosevelt Rough Rider Award to RDO Equipment founder, business leader and philanthropist Ronald D. Offutt. RDO Equipment is a member of the North Dakota Implement Dealers Association and other NAEDA-affiliated associations.

Dalrymple made the presentation during the Fargo Moorhead West Fargo Chamber of Commerce annual meeting in Fargo. Joined by family, friends and community and business leaders, Dalrymple unveiled a portrait of Offutt that will hang in the state Capitol building in Bismarck, along with the portraits of other notable North Dakotans.

Offutt is the 38th North Dakotan to receive the award, which is the state's highest commendation for its citizens.

[Read more](#)

Source: AED

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/>.

CWEEDA member Young's Equipment adopts IRON HQ lifecycle management service

NAEDA-affiliated Canada West member dealer Young's Equipment, Inc., a multi-store Case IH Dealer based in Saskatchewan, has contracted with IRON Solutions, Inc. to implement the company's IRON HQ service across its enterprise.

Young's is one of the top Case dealers in North America, offering the full line of Case IH agricultural equipment products and service, including the full line of application equipment from its five locations.

[Read more](#)

Source: IRON Solutions news release

Canadian News

Canada concerned with 'Buy American' part of plan

The Canadian government has "concerns" about the recently announced jobs creation plan by U.S. President Barack Obama because of the "Buy American" provisions attached to its infrastructure spending.

Obama recently outlined nearly \$450 billion US worth of proposals to stimulate his country's stagnant job market, of which about \$140 billion US is for infrastructure and public works projects.

[Read more](#)

Source: Montreal Gazette

U.S., Canada reach new security deal

U.S. and Canadian negotiators have successfully concluded talks on a new deal to integrate continental security and erase obstacles to cross-border trade.

Negotiators have reached agreement on almost all of the three dozen separate initiatives in the Beyond the Border action plan, said sources who cannot be named because they are not authorized to speak publicly on the matter. The few remaining items mostly involve questions of wording and should be settled in time for an announcement in late September.

[Read more](#)

Source: The Globe and Mail

Harper eyes job creation with softened tone on deficit

Prime Minister Stephen Harper is shifting the focus of his economic priorities toward jobs as Canada gets hit by spiralling global woes threatening to drag down growth, government revenues and the nation's labour numbers.

Mr. Harper's change in tone, delivered in a Parliament Hill speech Thursday, comes at a time when world leaders – including U.S. President Barack Obama – are increasingly coming to view unemployment as one of the biggest challenges to economic recovery.

[Read more](#)

Source: The Globe and Mail

Cairns Group countries hail Canada's plans for CWB

The federal government's plans to strip the Canadian Wheat Board of its single marketing desk for prairie wheat and barley have been welcomed by Canada's partners in the Cairns Group as a "positive contribution" to global grain trade.

The group of 19 ag exporting nations, whose representatives wrap up their three-day ministerial-level meeting Friday in Saskatoon, specifically called out the Canadian government's plans for praise in their joint end-of-meeting communique.

[Read more](#)

Source: Alberta Farm Express.com

Harper says post-9/11 Canada safer, more confident

The war on terror is "an ongoing reality" but Canada is a safer and more confident country than it was a decade ago, according to Prime Minister Stephen Harper.

In a wide-ranging interview with CBC chief correspondent Peter Mansbridge that aired on *The National* Thursday night, Harper reflects on how Canada has changed since the Sept. 11, 2001, terror attacks on the United States.

[Read more](#)

Source: CBC News

Tip of the Month



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