

Executive Summary

THE 2010 OHIO STATE UNIVERSITY USED FARM MACHINERY & EQUIPMENT SURVEY:

U.S. Farmers' Attitudes and Opinions about Sales via Auction, Dealer, Classified Ad and the Internet

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Little is known about how farmers buy and sell used farm machinery and equipment (**FME**), particularly for topics such as internet transactions of used FME or farmer opinions of key players in used FME markets such as dealers or auctioneers. Understanding these issues is critical for several reasons. First, used FME is crucial asset on many farms throughout the U.S.. Second, the quality of used FME is highly variable and difficult for buyers to assess in many sales formats. Third, given increasing rural internet availability and decreasing numbers of auctions and dealers, more information about the experiences of those using internet-based venues is important to determine the potential desirability of internet markets for used FME.

To fill this informational void, we asked more than 5,200 U.S. farmers about used FME markets during early 2010. More than 2,500 (48%) responded and gave us information about recent used FME transactions, ratings of different ways to buy and sell used FME and attitudes and opinions regarding local FME dealers and used FME auction venues.

We found that U.S. farmers were active in used FME markets with 69% purchasing and 40% selling (not including trade-ins) used FME within the past 5 years. Most buyers of used FME bought from dealerships (55%), while other popular purchasing venues included auctions (16%) and classified ads (10%). Less than 5% bought from auctions or ads over the internet. Most buyers felt they paid fair market value (83%) and felt certain about the quality of the item before they took possession (94%). Internet buyers were less likely to say they got a fair deal but were similarly certain of the quality of items.

Most sellers of used FME relied upon personal contacts or simple for-sale signs to sell their equipment (43%), with auctions (22%) and classified ads (22%) being the next most popular mode of sale. Less than 5% of these non-traded used FME items were sold via internet. Most sellers (87%) also felt they received fair market value for their items, including those who sold via internet. Furthermore, when asked about the degree of satisfaction they had with all components of the selling process, those who had sold via internet classified ads reported the greatest satisfaction.

All respondents then rated five different ways of buying or selling used FME: dealership, auction, internet auction, classified ad and internet classified ad. Prospective buyers had the most favorable impressions of dealers and the least favorable impressions of internet auctions, while prospective sellers had the most favorable impressions of classified ads and the least favorable impressions of internet auctions. Despite these unfavorable impressions of internet venues, 55% of prospective buyers and 71% of sellers might consider using internet classified ads in the future.

We also asked about the number of local FME dealerships that farmers had done business with during the past 5 years and the quality of the relationship the farmer had with the dealership that was most integral to current farming operations. More than 80% had done business with at least

two dealerships while 26% had done business with four or more dealers. However, there were regional differences, with farmers in the South and West listing fewer dealer relationships than farmers in the East or Midwest. Most farmers were pleased with the repair and parts service provided by the local dealer (88%) and with how they were treated during sales and trade-ins (77%). However, nearly one in four farmers felt that the business relationship they have with their closest dealership could be in jeopardy if they ‘shopped around’ to other dealers to get a better price.

Finally we asked farmers why they attend auctions and how much trust they would place in the quality of items sold in various auction formats. U.S. farmers were most attracted to auctions for reasons of gauging local market conditions and networking with other farmers and community members rather than as a means of getting better prices or a fairer deal. Farmers also said they were more likely to trust the quality of items being sold at local auctions more than those sold at regional auctions or internet auctions.

These results paint a first picture of U.S. farmers’ engagement in used FME markets and suggest that the internet currently plays a minor role in actual transactions within this key asset market. While few buyers and sellers of used FME currently use the internet, those who reported selling via internet feel they received fair market value and feel a high level of satisfaction with the selling process and many buyers and sellers report they would consider internet venues for future used FME transaction. However, in order for the internet to grow into a viable venue in this market, buyers will have to be convinced that they are receiving fair market value and more potential sellers must become aware of the low commissions charged by internet auction sites.