

## Dealers' survey input on warranty issues will drive change



This "Action Alert" icon will be displayed whenever action steps exist to help your voice be heard on topical issues. Dealers can expect to see alerts in all forms of NAEDA communications.

| <b>Manufacturer Relations</b>           |  |   |
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| ISSUE                                   | ACTION SUMMARY   | NAEDA'S POSITION  |
| <b>Equipment Dealer Warranty Survey</b> | NAEDA's U.S. and Canadian affiliated associations are collecting responses from dealers about warranty issues. A survey, created by NAEDA's Industry Relations Task Force (IRTF), was distributed by e-mail the first of the month. The IRTF produced the Equipment Dealer Warranty Survey following calls from dealers about various warranty-related issues, such as reimbursement delays, partial reimbursement, not paying dealer labor rates for warranty work, and more. | Survey responses will be evaluated by the IRTF to determine the extent of issues related to warranty reimbursement. Once the group gets a clearer picture of warranty problems, the information will be used to develop discussion points with manufacturers identified in the survey. NAEDA and its affiliates encourage dealers to complete the survey. NOTE: Dealers who haven't received the survey are asked to call their state, regional or provincial associations. |
| <b>Equipment Executives to Meet</b>     | Association executives from the equipment industry met this month in Washington, D.C., to review and outline action plans to tackle some of the legislative and regulatory issues affecting the industry.  | NAEDA supports discussions where the industry can act as one on issues important to dealers, manufacturers and others in the equipment distribution channel.  |

| <b>Government Relations</b>          |   |  |
|--------------------------------------|---|--|
| ISSUE                                | ACTION SUMMARY  | NAEDA'S POSITION   |
| <b>Equipment Depreciation</b>        | The House Ways and Means Committee on Nov. 19 released a list of "tax extender" items it seeks to pass before the first of the year. The five-year equipment depreciation component was included in the list for an additional one-year extension.  | NAEDA policy supports the extension of this provision for an additional year. The association's goal is to make this provision permanent in the tax code.  |
| <b>Health Care</b>                   | The Senate moved one step closer to passing a health care bill with its pre-Thanksgiving vote, which clears the way for floor debate of the bill. Details of the bill are being reviewed and a final vote could be weeks away. The House has passed its version of a health care bill. While voting has been along party lines, observers suggest quite a few Democrats are not completely sold on the bill emerging from the Senate. | NAEDA policy urges Congress to adopt health care legislation that considers small business needs and makes it possible for trade associations to provide insurance plans and benefits to members and their employees. Health care reform should allow dealers the opportunity to pool their businesses with marketable groups to seek lower premiums through plans that can cross state lines, standardize the different state regulations, and allow for catastrophic insurance coverage. |
| <b>Consumer Financial Protection</b> | The Senate Banking Committee, chaired by Chris Dodd (D-CT), began debate on Dodd's Restoring American Financial Stability Act, a comprehensive bill to reform the U.S. financial system. The bill would create a new Consumer Financial Protection Agency (CFPA) at the federal level for banking oversight.  | NAEDA supports enhanced consumer financial protection, but opposes legislation that adds layers of government bureaucracy and imposes new costs on taxpayers, consumers and businesses.  |
| <b>Ethanol Blend Increase</b>        | The U.S. Environmental Protection Agency (EPA) announced earlier this month that it is postponing its decision on whether to allow for the blending of up to 15 percent ethanol in conventional gasoline.   | NAEDA policy encourages the development of alternative fuels, renewable fuels and next-generation technologies. Some OPE dealers have expressed concerns about the ethanol increase, citing performance issues affecting two-cycle engines. NAEDA will continue to monitor this issue and will inform you of EPA's decision once it has been made.   |

A companion reference is regularly updated in the Dealer Advocacy Center at [www.naeda.com](http://www.naeda.com).

## NAEDA notes

### Agricultural credit problems could escalate in 2010-11

NAEDA staff participated in a webinar in which Danny Klinefelter, professor and extension economist with Texas AgriLife Extension, Texas A&M University, discussed how the agricultural credit situation in 2009 could escalate to serious problems in 2010-11.

Klinefelter said that the earliest credit problems have occurred for lenders with loan concentrations in beef, dairy, hogs, and poultry. These producers have suffered significant losses for more than a year, resulting in a large increase in non-performing loans. Although there were few foreclosures in 2009, without a significant turnaround in income, many dairy and hog loans are in a near crisis situation. He said that many producers have lost so much equity that their lenders will be forced to discontinue financing.

He noted the impact on the agricultural sector will be magnified because many dairy and hog operations represent the majority of the assets for many producers. If a livestock operation fails, all of the assets of the business will have to be liquidated, including the land base.

Crop producers have fared fairly well over the past several years, Klinefelter says, but many grain producers are likely to have carryover operating debt if they purchased inputs early in the year when inputs were high and then had a poor crop or forward priced their crop after prices declined. Fortunately, most grain producers experienced a run of several years of above-normal income and pushed cash forward into 2009 for tax reasons. Now, however, according to Klinefelter, margins going forward appear to be returning to normal levels.

Klinefelter said an increase in the federal biofuels standard would provide a temporary benefit to grain producers, but would further exacerbate the financial problems of livestock producers.

Some borrowers will be able to restructure their loans using guarantees from the USDA's Farm Service Agency (FSA), but even this lender of last resort will require that borrowers demonstrate the ability to service the loan. Also, many confinement livestock operations have credit needs that far exceed FSA's limits.

According to Klinefelter, how severe the problems become will depend primarily on three factors:

- How soon net farm income rebounds
- What happens to land values
- How soon and how much interest rates increase

To read the rest of Klinefelter's comments visit <http://www.agtexas.com/articles/Klinefelter.pdf>.