



The way I see it...

BY PAUL KINDINGER

When the chickens come home to roost

MOST of us have heard someone say, “Those chickens will come home to roost.” Growing up on a farm, I took that phrase literally. We did have chickens and every evening they did come home to roost.

Of course, this old saying has little or nothing to do with chickens, but is merely a metaphor for the problems created by some of the poor or questionable decisions we make. Last month in this column, you suffered through one of my rants about how the chickens were coming home to roost vis-à-vis the subprime mortgage debacle, which started several years earlier. By adding some money, greed and fear into the mix, the chickens were well fed and rather large when they did decide to roost.

Well, please bear with me, but I think more chickens are wandering around looking for a place to roost. We are beginning to see them in the form of higher interest rates, even among the OEM captive lenders and others. Despite lower and lower fed fund rates, currently at 1.5 percent, the cost of wholesale and retail capital is going up. Manufacturers, dealers and your customers are or will be paying more.

Remember the 1970s when Jimmy Carter was president and interest rates peaked at just over 21 percent? While I don't think we are going to repeat that scenario anytime soon, I do believe we are going to see a similar dampening effect on our business from rising capital costs. Some lenders already have gradually increased their rates to reflect their cost of capital; others have absorbed some of the initial increases through reduced margins on loans then suddenly raised rates dramatically, catching many dealers off guard.

The next year could shape up to be interesting for the equipment business. Increased production costs of everything – land, seed, fertilizer, steel and now interest – could cause producers to tighten their belts. We have already seen how the stock market and the subprime mess have played havoc with home building, construction and lawn care in many areas.

I am not trying to be “Chicken Little” and say the sky is falling. But I am here to suggest that we need to keep our eyes and ears open to what is going on around us and be vigilant about managing our businesses. Talk to your customers and listen to what they are saying about plans for 2009. Watch your inventory levels. It's worth noting that 2008 was plagued by the lack of equipment availability, especially for larger tractors and combines. Now we are beginning to hear of



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situations where orders are being cancelled and equipment scheduled for fall delivery won't be available until spring.

It is also a good time to take stock of productivity measures among your employees. When times are good and business is moving well, we sometimes tend to overlook some issues with employees. It is always easier to manage when times are good, but we inevitably pay the price when times get a little tougher.

We have all seen business cycles come and go before. This time may be a little different. The talk is about a worldwide recession. In addition, we are overtaking our future by paying huge sums of money for the war on terror, bailouts of banks and ignoring issues like Social Security, Medicare, infrastructure needs, etc.

One dealer, after reading my column last month, commented that his mother taught him a very important lesson growing up. Every time he ran an errand or went to the store, he said she made him account for every penny of change upon returning. That experience taught this dealer a very important lesson about doing what was expected and being accountable. He learned early in life, as did I, that if you don't learn those simple lessons and apply them consistently, the chickens would come home to roost – and that's the way I see it. ■

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