

Farm Equipment Value Trends

January 6, 2014

Equipment is typically the second largest asset on the balance sheet of most Midwest farmers. In the past eighteen (18) months, the value of those assets has, in most cases, declined significantly. As combines are typically the highest equipment item in value, it is not surprising they have seen the most erosion in worth.

Attached are specific examples of how the market has changed. The top of the attached sheet contains data from a June, 2014 auction while the lower section contains sales prices from a December, 2015 sale. The commodity price decline had not started in earnest during the early part of 2014 and the values reflect the positive sentiment at the time.

Sales prices for the four (4) units sold during the 2014 auction ranged from .72% to 59.15% over wholesale value and 4.56% to 29.75% below retail value. This auction was a true wholesale auction so the lower than retail values are typical at events of this type. The four (4) units at the December, 2015 gathering sold at values between 8.79% to 37.49% below wholesale and 34.00% and 56.46% below retail.

The figures referenced above are specific to combines. However, the other large ticket items found on Midwest farms (tractors and sprayers) have also seen declines. Sprayers have followed the combine value path very closely. Tractors, however, have fared somewhat better but still have lost significant worth.

The most egregious examples of equipment value declines are found on farms who have been active in upgrading their equipment. It would not be unreasonable to estimate an operation who went into 2015 with all new tractors and combines could possibly see the value of those items decline by 30% to 40%. This figure could possibly worsen in the event a financing entity were to repossess the items and sell them into the current market.

Smaller operations with a line of fifteen (15) to twenty (20) year old equipment in above average condition, have been somewhat insulated from this value decline. Items of this type have held constant in value to possibly increasing slightly as it is much more palatable in today's market to pay \$50,000 for a tractor as opposed to \$200,000 for a similar horsepower late model (one to three years old) unit.

An opportunity to help our customers exists in this market. In the event you have a customer or prospect seeking to acquire a unit, there are multiple auctions and individual sellers whereby a unit may be perhaps purchased at a significant discount in contrast to what they may believe is a current market value.

Additionally, ask them if they have recently had a discussion with their insurance agent as to how the indemnity might be paid in the event of a loss. In this era of lower prices, there might be a cost savings opportunity based upon the value of coverage they are purchasing in contrast to what they might receive in the event the unit were to be a total loss. We are certainly by no means experts in insurance, but their having this conversation could do nothing worse than educate them as to how this process would be handled.

The data within this narrative is something you may wish to share with your prospects and customers. Please feel free to contact me with questions or comments.

Auction Results

Category	Sales Price	Average		% Variance		Manufacturer	Model	Hours - Engine (E) /Separator (S)		Details	
		Wholesale	Retail Cash	Wholesale	Retail Cash						
<u>Friday, June 6, 2014:</u>											
Combine	55,500	48,352	72,489	14.78%	-23.44%	Case-IH	2388	2,720(E)/1,775(S)	2wd, 18.4Rx42 Duals, 14.9x24, Field Tracker		
Combine	113,000	71,001	118,400	59.15%	-4.56%	John Deere	9770	2,665(E)/1,113(S)	2wd, 520/85Rx38 Duals, 18.4Rx26, Contour Master, Chopper		
Combine	53,000	52,619	75,440	0.72%	-29.75%	John Deere	9550	2,229(E)/1,955(S)	2wd, 30.5x32, 16.9x26, Level Land, Chopper		
Combine	57,500	42,960	64,055	33.85%	-10.23%	John Deere	9450	2,481(E)/1,832(S)	2wd, 24.5x32, 14.9x26, Level Land, Chopper		
<u>Saturday, December 19, 2015:</u>											
Combine	168,000	212,582	271,891	-20.97%	-38.21%	John Deere	S680	1,137(E)/861(S)	RWA, 520/85Rx42 Duals, 750/65Rx26, Pro-Drive, Power Tailboard, Hyd. Fold Extensions, #746623		
Combine	46,000	73,586	105,642	-37.49%	-56.46%	John Deere	9760STS	2,645(E)/1,775(S)	RWA, 20.8Rx42 Duals, 600/85Rx28, Chaff Spreader, Bin Extensions, Serial #705799		
Combine	39,000	46,992	74,565	-17.01%	-47.70%	John Deere	9750STS	4,365(E)/2,711(S)	RWA, 20.8Rx38 Duals, 18.4Rx26, Contour Master, Chaff Spreader, Serial #695872		
Combine	88,500	97,030	134,089	-8.79%	-34.00%	John Deere	9660STS	1,767(E)/1,195(S)	RWA, 20.8Rx42 Duals, 28Lx26, Contour Master, Chaff Spreader, Bin Extensions, Serial #720440		