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VOLUME 16, NO. 4
WINTER 2021

CANADIAN EQUIPMENT DEALER

RESOURCES FOR SUCCESSFUL DEALERS

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CANADIAN EQUIPMENT DEALER
RESOURCES FOR SUCCESSFUL DEALERS

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THE WAY FORWARD

Dealers voting on unification plan of associations

by WEDA STAFF

During recent on-site and virtual meetings of WEDA members, John Schmeiser outlined what he called "the way forward," a unification plan of dealer associations that originally surfaced in 2018.

While much of the world has been sealed off by nearly two years of COVID-19 setbacks, Schmeiser said virtual discussions about unification continued and a plan was developed. With the easing of pandemic restrictions, Schmeiser took to the road to meet with members of the Western Equipment Dealers Association and St. Louis, Missouri, was the first stop.

As CEO of WEDA, Schmeiser explained to dealers that five associations were originally involved in discussing unification. That number is now four and includes WEDA, the United Equipment Dealers Association, the Midwest-SouthEastern Equipment Dealers Association, and the Equipment Dealers Association, formerly known as NAEDA (North American Equipment Dealers Association).

Depending on the outcome of the voting, which ends February 28, EDA and other associations could become NAEDA once again. But this unification is not about a name change, although that was the first recommendation from dealers of the unification group. This unification is about doing what's in the best interest of dealers and the industry, noted Tom Rosztoczy, Stotz Equipment and former chairman of the EDA board.

"Look at our changing dealer network, the changing demands and needs of dealers, make sense of the future and gear the organization towards it."

While that quote would appear to be about a single organization, it's a much, much broader thought that resulted in conversations to unify the four associations at the table, which operate under similar missions and structures and, in many cases, offer duplicate programs.

When Schmeiser became an executive with the former Canada West Equipment Dealers Association in 1996, there were nearly 30 dealer associations in the U.S. and Canada and, at one time, there were close to 60 with some states having more than one association.

Although the number of associations has been reduced through other mergers, equipment industry consolidation has been occurring for years and it's changed the landscape for dealers and their customers. As Schmeiser pointed out during the meeting, one of the major topics during unification meetings was whether associations were keeping pace with industry changes.

The group of association executives and their boards thought improvements were needed and 43 recommendations were made to address restructuring. This included developing a long-range strategic plan for growth, governance, operations, transition, and staff in two association offices, Kansas City, Missouri, and Calgary, Alberta.

JOHN SCHMEISER
CEO, WESTERN EQUIPMENT DEALERS ASSOCIATION

"Once unification is in place, this would give the national association, NAEDA, a stronger presence, a stronger footprint, and more programs and services for dealers in the United States and Canadian provinces."

The financial savings alone are substantial under association unification.

FISCAL EFFECTS
Expense savings from unification

- $165K annual savings in office expense
- $148K annual savings in legal/professional fees
- $90K annual savings from board meetings
- $80K annual savings in rent

While streamlining operations to save money is a noteworthy outcome, the primary benefit of unification would be meeting the business and operational needs of the agricultural, construction and outdoor power equipment dealers that would become the members of NAEDA.

As shown here, the national association will continue to concentrate on key priority areas, priorities that have been at the center of dealer associations for decades.

KEY PRIORITY AREAS

- Federal legislative representation in Washington, D.C. and Ottawa
- State legislative representation in the states and provinces represented by the group
- Manufacturer & industry relations
- Member engagement, communications and common messaging
- Sharing programs and services that benefit dealers
- Strong regional presence and representation

WEDA now

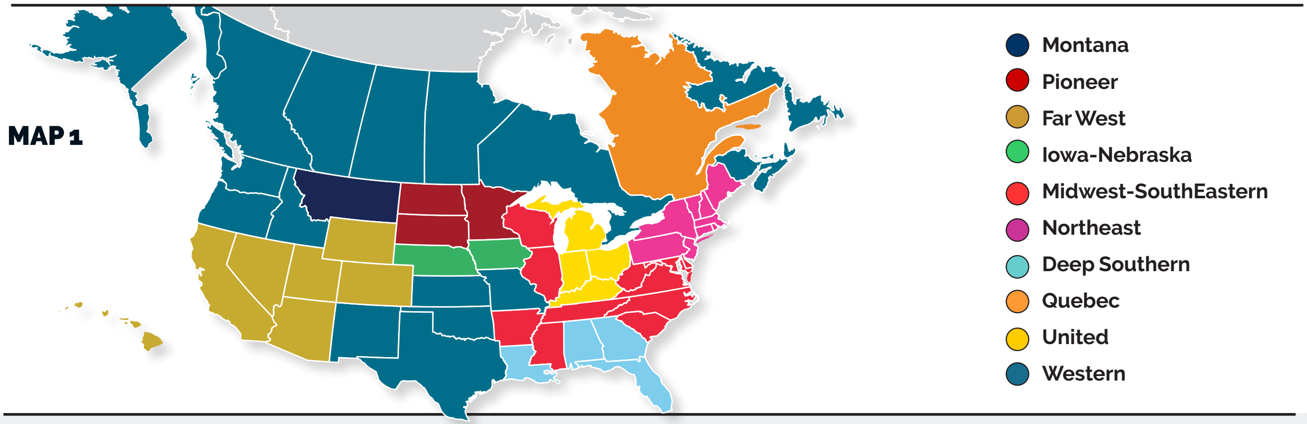
In addition to serving dealers throughout Canada, WEDA (the teal blue states) currently serves members in nine states as shown on Map 1.

Map 2 shows the post-merger service area that will operate as NAEDA.

"Once unification is in place, this would give the national association, NAEDA, a stronger presence, a stronger footprint, and more programs and services for dealers in the unified states and Canadian provinces," said Schmeiser.

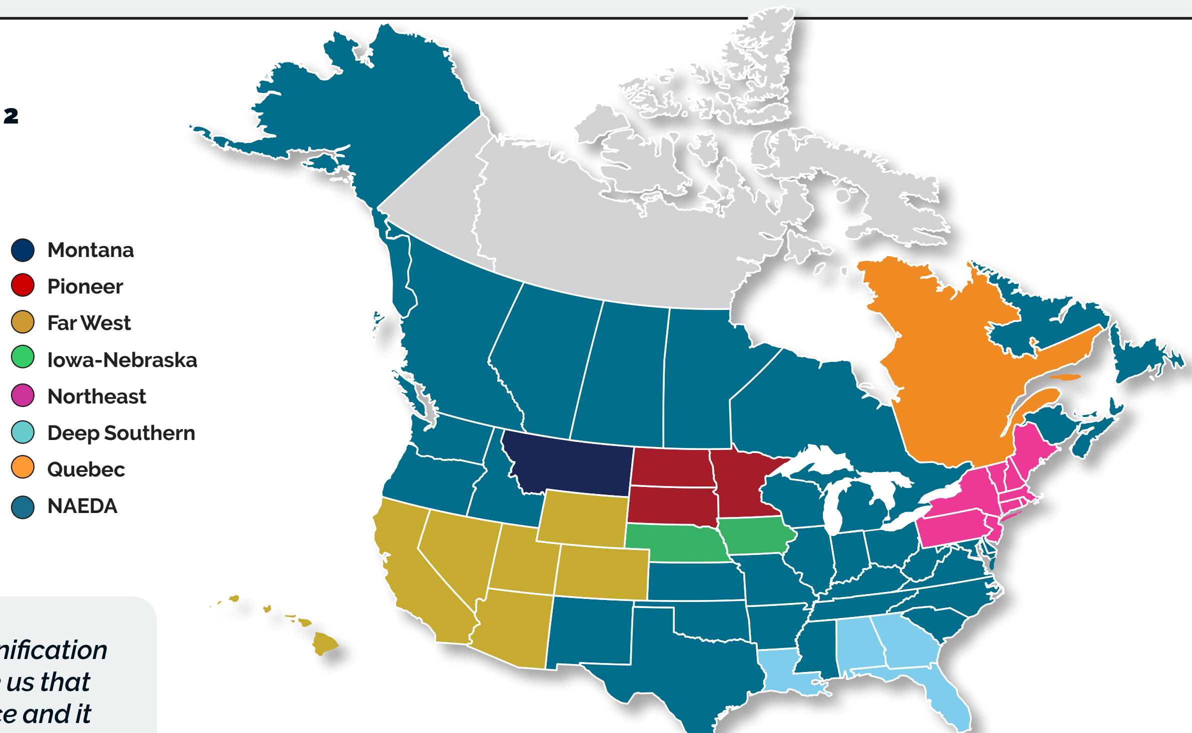
Under unification, NAEDA would cover 24 states, nine Canadian provinces and have a membership of approximately 3,000.

MAP 1



Once unification is in place, this would give the national association, NAEDA, a stronger presence, a stronger footprint, and more programs and services for dealers in the unified states and Canadian provinces.

MAP 2



"... this unification will give us that one voice and it will be stronger. For that reason alone, I think this is a really good move."

- Alex Lush, Connect Equipment, Rockwood, ON

Alex Lush, an AGCO dealer from Rockwood, Ontario, strongly supports unification. As a former president of the old NAEDA, Lush knows a thing or two about mergers. His dealership merged with several others to form Connect Equipment, currently a five-store operation in Ontario.

Lush sees a lot of merit in the unification plan of the associations. When Lush became chairman of the board of the old NAEDA, he spoke with a lot of dealers across North America, and with many regional association boards about the priorities of dealer associations. He said what he heard loud and clear was a need for strong legislative representation at the national level in both Canada and the U.S. and a focused manufacturer relations effort.

"Both of those require one strong voice," said Lush, "and this unification will give us that one voice and it will be stronger. For that reason alone, I think this is a really good move."

Also, noted Lush, "Considering the leaders who have worked at putting this plan together and are working at putting it into play as a new NAEDA, I am very confident that it will get done and get done right for us dealers and we appreciate that."

Added Schmeiser, "We have dealers throughout North America consolidating and it's a trend that isn't likely to slow down in the future.

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We Need Your Support!
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It's the Way Forward

You could make the argument that dealer associations haven't kept pace with dealer consolidation, and the risk that comes with that is that large dealerships may not view the association as relevant."

Schmeiser also pointed out that dealers – the leaders – who represented the associations in 2018 opened the door and were the driving forces behind this unification effort. He said they all agreed that in the best interest of dealers a stronger national association was needed.

"This resulted in a series of meetings where we asked ourselves, 'What do we need to do, how do we do this and how do we structure this?' Once we had a plan, it was presented to the boards of the regional associations that wanted to participate and the members of those associations, including WEDA members, are voting on the same plan."

What the future looks like

While each merging association will surrender its name, the new national association will have a stronger structure to serve the interests of its membership.

"Each of the three other regional associations has already gone through a merger," said Schmeiser, "and although consolidation represents change, the key is to continue to provide the same focused services to dealers."

When asked whether there was a strategy for outdoor power equipment dealers, Schmeiser quickly said, "Yes. Services for OPE dealers will be enhanced as additional resources will be dedicated to this sector. NAEDA sees incredible growth opportunities for OPE members and resources will be put in place to grow OPE membership."

Schmeiser was also asked if the national association would work with the regional associations that are not participating in this unification process.

"Absolutely," said Schmeiser. "NAEDA wants the current working relationship with regional associations to continue. As an industry, we are stronger by working together.

"Regional associations that pay dues on behalf of their dealer members would continue to receive the federal level legislative services and manufacturer relations support offered by NAEDA. There will also be an opportunity for a regional association to elect a board member to the NAEDA board."

Similar to the St. Louis meeting, WEDA conducted 15 other area meetings, plus three webinars, for dealers in its three regions. The purpose was to expose as many dealers as possible to the unification plan. An information packet and ballots were distributed prior to the vote.

"We were excited to share the details of this unification project with our dealer members," said Schmeiser. "We received an incredible amount of support from the members and they quickly saw how the plan benefits their dealerships."

In closing, Schmeiser said upon approval of the unification plan, the transition would begin and the new organization would be operational by July 1, 2022. "It's the way forward." CED

The unified associations at a glance

The merged association will have a tremendous amount of experience in association leadership and a strong lineup of service providers.

NAEDA Leadership
- Kim Rominger – CEO
- John Schmeiser – COO
- Gary Manke – V.P. Manufacturer Relations
- Curt Kleoppel – CFO
- Eric Wareham – V.P. Government Affairs
- Jennifer Luce – V.P. Member Engagement
- Michael Piercy – V.P. Dealer Development
- Larry Hertz – V.P. NAEDA Canada

Association Headquarters and Staff
- Kansas City, Missouri (U.S. headquarters) 23 staff
- Calgary Office (Canadian Headquarters) 4 staff
- Remote staff in Missouri, Montana, Illinois, Michigan, Tennessee, and Florida
- Contract Employees (SME – subject matter experts, e.g., Dealer Institute and other trainers) and magazine staff
  - 9 total
- Growth Plan
  - Add locally based regional managers to service/assist dealers in NAEDA's 9 U.S. and Canada regions

Key Business Units
- Equipment Dealer Consulting LLC
  - Certified audits, reviews, valuations, merger and acquisition services
- Dealer Institute
  - online training, on-site consulting, virtual and classroom training
- Friend Management Systems
  - dealer performance groups
- Association Management
  - North American Vermeer Dealers Association, John Deere Users Group, 11 other associations
- Western Farm Show

Member Benefits
- Unified Voice on National Issues
  - Government Affairs
  - Manufacturer Relations
- Effective Regional Representation on Local Issues
- Financially Sound Association
- Diverse Revenue Streams
- Broader Programs & Services, i.e., accounting, valuations, mergers and acquisitions
- Strategy to Build on Workforce Development Challenges

Operational Member Benefits
- Management Team Depth
- Plan for Membership Retention through transition and beyond
- Proactive Member Engagement
- Proactive Government Affairs Approach
- Industry Relations Expertise (dedicated Industry Relations Taskforce – IRTF)
- Data and Information
- International Presence
- Regional Approach

Member Dues
- One member fee of $650 CAD per location (farm, construction, industrial and forestry members)
- $400 CAD per location for OPE dealers

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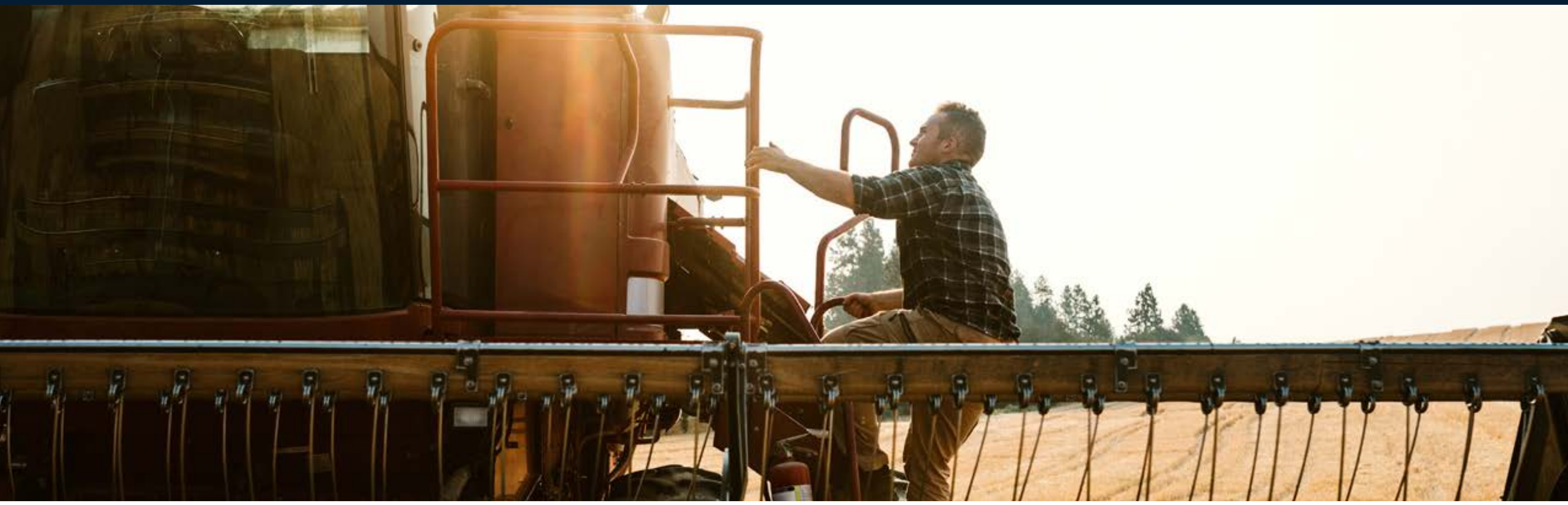

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WESTERN Equipment Dealers Association

2021

WESTERN EQUIPMENT DEALERS ASSOCIATION

COST OF DOING BUSINESS STUDY

NORTH AMERICA REPORT

PREPARED BY

EQUIPMENT DEALER CONSULTING, LLC.

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WEDA Cost of Doing Business Study
What dealers told us

by CURT KLEOPPEL

We want to stress the importance of participation in the annual Cost of Doing Business Study. The study was used back in 2017 to support the floor plan interest deduction for the farm equipment industry. If it was not for the supporting information provided from the study, this deduction would have been left out of the legislation.

The study also provides values of merging companies or dealers looking to sell their business. Moreover, the study is used for estate/gift tax planning and providing a fair value of dealerships transferring interests to family members and trusts.

The study represents all brands and dealerships in Canada and the U.S. The study is free to members who participate. Please note, volume categories will change for next year's study, so plan on participating. Here are some highlights and low spots from the 2021 study, which contains 2020 financials.

Balance Sheet

Comparing changes for dealerships in different volume groups, total inventory in dollars decreased over the 2020 results for all volume dealers, especially the largest volume dealerships whose inventory decreased close to $15 million. The middle volume dealerships saw inventory decrease by $5 million and inventory at lower volume dealerships decreased by $200,000. This is a substantial change from a year ago.

This was expected with almost a full year of COVID-19, people not working in factories, shipping being delayed, and government-mandated closures for a couple of months in most major cities. We saw a $10 million decrease in new inventory, and used equipment decreased by over $3 million for higher volume dealership. The actual percentage of inventory to total assets decreased for the lower and higher volume dealerships. The middle volume dealerships had an increase in inventory of 1.5%.

CURT KLEOPPEL, CPA, CVA, is treasurer of the Western Equipment Dealers Association.

Parts inventory stayed about the same for all volume dealerships, both in dollars and as a percentage of total assets. The decrease of inventory to total assets increased the inventory turns for all three levels of dealerships. Inventory turns were 2.14 for lower volume dealerships, 2.19 times for middle volume dealerships and 3.20 times for the larger volume dealerships. This is a great improvement from 2019. So far in 2021, all inventory levels are expected to remain low. For used equipment it will stay extremely low throughout North America.

Receivables increased for the higher volume dealerships from a year ago. The change from the middle volume dealerships was a 2.71% decrease, while the lower volume dealerships decreased by .58%. The majority of the increase for the high-volume dealerships was in customer receivables and Contracts in Transits, so hopefully those will be collected in the following year. Contracts in Transit are usually very collectible since they are approved by a finance company before a deal is finalized.

There was an increase in fixed assets as a percentage of total assets across the board. The higher volume dealerships had a 2% increase from a year ago, middle volume dealerships increased by 3.59% and the smaller volume dealerships increased by 3.62%. This shows that all volume categories of dealerships were spending more money on service trucks, tools, etc. to offset the increase in net income from a year ago among lower volume and higher volume dealerships. The middle volume dealerships reported a slight decrease in net income.

Corresponding to the inventory levels, so went a dealership's payables. We saw a decrease in the overall payables for lower, middle and upper volume dealerships to coincide with inventory fluctuations.

We did see an increase in equity percentage in the lower and upper volume dealerships, which reflected a rebound from last year. The middle volume dealerships decreased to 16.28% after rising to 24.47% a year ago. The decrease is due to $200,000 less in net income and an increase in Treasury Stock, which reduces equity. From what we learned, some middle volume dealerships bought out shareholders during the year. The higher volume dealerships increased to 38.03% from 30.90%, which is a substantial change. Lower volume dealerships increased to 36.45% from 31.35%, which is also a good increase. Most of the increases are from the boost in net income for both volume groups, which was $2.6 million for higher volume dealerships and $300,000 for lower volume dealerships.

Income Statement

Total sales volume increased for lower volume dealerships by almost $2 million and increased by $5 million for higher volume dealerships. Total sales for middle volume dealerships decreased by $5.4 million, which helps explain the decrease in net income for this group. The increase in sales volume for both the lower and higher volume dealerships explains the increases in net income and

EDITOR'S NOTE: For a copy of the 2021 WEDA Cost of Doing Business Study, call the WEDA office in Calgary, Alberta, at (800) 661-2452 or info@westerneda.com. The study is free to dealers who participated in the study. Additional information is available at www.westerneda.com/cost-of-doing-business-study.

the equity percentage. The increase in sales volume helps explain the decrease in inventory levels, plus dealerships could not order inventory from their manufacturers and receive it in the normal time frame, more examples of issues related to COVID-19, shipping problems and lack of workforce.

Where you see sales volume increases, you then need to look at the gross margin percentage. In most instances, increased sales volume does not always equate to greater gross margin percentages. In this case, the higher volume dealerships gained .69% margin and the middle volume dealerships decreased 1.60% margin. Both of these instances reflect the increase in net income for the higher volume dealerships and the decrease in net income by middle volume dealerships. While lower volume dealerships show a margin decrease of 1.39%, even with an increase in sales volume, this group still showed an increase in net income, which was caused by another factor noted below. So, overall, this was a decent outcome.

Dealers did an excellent job in controlling overall operating expenses. The lower volume dealerships decreased operating expenses by 2.17%, which is mainly from increased sales volume. The actual dollar amount increased by $97,000, so, with the increase in sales volume, the bottom line actually improved from a year ago. The middle volume dealerships decreased by .047% and the higher volume dealerships decreased by .89%. Most of the decrease in operating expense percentages for middle volume dealerships was in salary/benefits area and interest expense. The decrease for the high-volume dealerships was in interest expense, occupancy and total other expenses.

Service quality expenses as a percentage of sales decreased some for the middle and higher volume dealerships. This is good to see, especially in lost warranty expense, comeback and After Cost of Sales expenses. Both the middle and higher volume dealerships saw a decrease of .04% and .06%, respectively. The percentage for lower volume dealerships stayed the same at .35%, but the actual dollar amount increased around $5,000. This was due from the increase in sales volume.

Occupancy expenses for all three dealership categories did not fluctuate greatly from the prior year.

Net income as a percentage of sales increased over last year for the lower and higher volume dealerships. The increase was 2.52% increase for the former and 1.38% for the latter. The increases were needed by both groups and represent a great increase from last year. The middle volume dealerships saw a decrease of .28% for a 3.09% overall net income before tax of sales.

Ratios

Inventory turns increased greatly from a year ago. Turns for lower volume dealerships increased by .79 times, the middle volume dealerships increased by .34 times, and the higher volume dealerships

It will be interesting to watch, but the equipment industry held its own in 2020 and held its own deep into 2021. The challenge in 2022 will be rising inflation (if it continues), inventory shortages, supply chain issues, and shortages in the workforce.

increased by .54 times. This is yet another indicator of why inventory levels decreased.

The last comment would be Return on Equity. The lower volume dealerships increased from 7.82% to 24.17%, the middle volume dealerships increased from 28.50% to 40.03%, and the higher volume dealerships increased from 18.45% to 26.79%. All of these were expected, since the changes we mentioned before affect the ROE.

The Return on Assets showed similar changes. The lower volume dealerships increased from 2.51% to 8.42%, the middle volume dealerships increased from 6.20% to 6.52%, and the higher volume dealerships increased from 6.19% to 10.19%.

I would say the most improved group was lower volume dealerships, which was needed after the 2019 results. The higher volume dealers also added to the bottom line, ROE, ROA, and increased margin percentages. The middle volume dealerships are holding their own and we will see what year-end results for 2021 look like compared to 2020 year-end results.

We have been dealing with another year of the pandemic in 2021 and shortages of inventory and shipping problems continue. It will be interesting to watch, but the equipment industry held its own in 2020 and held its own deep into 2021. The challenge in 2022 will be rising inflation (if it continues), inventory shortages, supply chain issues, and shortages in the workforce. CED

CURT KLEOPPEL, CPA, CVA, is treasurer of the Western Equipment Dealers Association. He also serves as president of Equipment Dealer Consulting, LLC, a long-term association partner. The consulting group was created to provide financial services to association members. For information, visit www.eqdealerconsulting.com or write to curt@westerneda.com.

As Young's Equipment continues to be a leader in the industry, they are steadfastly committed to keeping the company strong and viable, ready to be passed on to the next generation.

JOANNE OLSON is managing editor of publications for the Western Equipment Dealers Association, and manages the Canadian office in Calgary, Alberta.

YOUNG'S EQUIPMENT INC.

– Built on family, trust, and integrity

by JOANNE OLSON

Young's Equipment Inc. was founded November 1, 1988, by brothers Lloyd and Bill Young and their sons, Tim and Ron. Young's Equipment is well known in the agriculture industry as a respected organization based on trust and integrity, with Tim serving as general manager since its inception. But the family's history in agriculture runs far deeper than 1988.

Through the years – The Young Brothers

Lloyd started his career in the equipment business working for Massey in the credit department, eventually becoming credit manager in Regina. Although content in his role, Lloyd's desire to be a business owner enticed him to move his family to Weyburn, Saskatchewan, in 1958, to join a partnership with Rod Long at Weyburn Farm Supply. The business flourished and grew, as did Lloyd and Mildred's family, who welcomed five children, Tim, the oldest, followed by four sisters.

Fast forward to 1968, where the opportunity arose for Lloyd and his brother Raymond to buy the Case dealership in Regina, with each of the brothers investing $1,000 and opening their new business, Farmland Sales and Service. As the family roots run deep in operating successful grain and commercial cattle farms, the ambitious brothers started a new business selling livestock equipment.

The Young family grain farm continues successfully in the Lumsden area with Ron's son Raymond on track to take over the family farm. This would be the fourth generation since Lloyd's father Floyd moved there in the Dirty Thirties.They are proud of their heritage and have been recognized as progressive producers.

In 1972, Lloyd and Raymond decided to commit to the livestock industry full time and sold the Case dealership to another company. They bought a different facility on Highway #6 North, and Farmland Sales and Service forged ahead to a bigger and better future.

Through the years – Tim Young

Tim's future in the equipment business began with washing a Massey 44 at his dad's dealership in Weyburn. He helped with odd jobs through

TIM YOUNG, DEALER PRINCIPAL WITH HIS SON, SEAN YOUNG, ASSISTANT GM

Young's Equipment

Founded: November 1, 1988

Founding Partners: Lloyd Young, Tim Young, Bill Young, Ron Young

Major Line: Case IH

Short Lines: Bourgault, MacDon, Degelman, Seed Hawk, Highline, Vermeer, Honey Bee, Walinga, Land Pride, Meridian Mfg., Buhler Farm King, NDE.

Locations: Regina, Moose Jaw, Assiniboia, Windthorst, Weyburn, Davidson, Raymore, Watrous and Chamberlain

Employees: 243+ And looking for more!

Parts Inventory: $15 million

Total Tenure @ Young's Equipment: 900+ years

Total Agricultural Experience: 2,700+ years

Average Service Technician Training: 60 Hours/year (about 4,500 hours total per year)

www.youngs.ca

continued on page12

Tim Young with his father Lloyd Young, heading off to sign the Case contract. (Fall 1988)

The inaugural Customer Appreciation Day at Young's Equipment. A very proud Tim Young with customer Art Rosom (Regina, SK - June 1989)

A youthful Sean Young "demo-ing" a tractor at Customer Appreciation Day. (Regina, SK - June 1989)

continued from page 11

school and spent his high school summers working on his uncles' farms. It was here that Tim says his experience began with equipment.

In 1973, following his first year of university, Tim's dad told him that Case had an interesting summer job opportunity as a demo tractor operator. "I was offered the job and I became Case's demo operator driving a Case 2470 towing a 39' chisel plow around Saskatchewan and Manitoba, covering approximately 4,700 miles," said Tim. "I did this job for many summers until I graduated with a degree in business administration."

In 1977, Case hired Tim as product specialist, a year later promoted to service rep, and the next year became a territory manager. He was soon promoted to sales and product training manager for Canada. As his career continued to grow, in 1981, he had the opportunity to go into the retail side as a partner in Tractor Power and Equipment carrying Case products and Morris Rod Weeder. "I learned a lot in this business and got a better understanding of what it takes to be in sales. Our company grew by leaps and bounds, but there were disagreements between the four partners on the day-to-day operations," explained Tim. "With that, I sold my shares back to the original partners following four years with the company."

Tim continued in the agricultural industry, joining the Case company store division called Retail Enterprises. As a zone analyst, he worked with agricultural and construction stores on business metrics and processes. "I saw the good ones and the poor ones and helped many dealerships through the Case IH transition."

REGINA BRANCH - original location (1991)

REGINA BRANCH - after the devastating fire (may 29, 2000)

"We couldn't have gotten through this devastating loss without the support of our great staff, loyal customers, and fellow dealers." - Tim Young

REGINA BRANCH - 2021

In 1986, he was introduced to the combine business and full-line offering, becoming the sales manager at the Case IH dealership in Yorkton. This was an opportunity to learn about the full line of agricultural equipment, and he soon moved into the role of store manager.

The beginning of Young's Equipment

While running the Case IH company store in Yorkton, Tim received a call informing him that Pro-Ag International, the new Case IH dealer in Regina, had gone into receivership and suggested that he investigate the possibility of acquiring the new contract.

Recalled Tim, "I called my father Lloyd and said maybe we should explore this opportunity. He asked me how much I thought it would take, so I took a guess and gave him a number. I was shocked when 20 minutes later, he called back and said, 'here is what we're going to do.' My father was a wise man and advised that he would buy a third, my uncle, Bill, and his son Ron, would buy a third, and I would buy the other third, keeping the business in the family. I became the general manager with the final say on the business, and the rest, as they say, is history."

In 2010, Lloyd passed away, and Bill stepped back from day-to-day operations. Changes in ownership were made, with Tim's oldest son Sean becoming an owner, working as assistant general manager. "Sean has worked in the dealership since he was 12 years old. After graduating with a degree in commerce from The Queen's School of Business in Kingston, Ontario, he worked with Farm Credit Canada for a couple of years before joining us full time. Our youngest son, Patrick, has worked with us for many years since graduating with a degree in Chemical engineering. He will have an opportunity to buy shares in the business in the next few years," said Tim.

Tragedy strikes

Young's Equipment soon built a solid and loyal customer base, offering Case IH, Bourgault, MacDon, Väderstad, Vermeer, Highline, Bunning, Haybuster, and Loftness equipment.

Then, on May 29, 2000, while preparing to take on a second location in Moose Jaw, Young's Equipment was devastated by a total loss fire at its Regina location.

"We couldn't have gotten through this devastating loss without the support of our great staff, loyal customers, and fellow dealers," noted Tim. "One dealer in particular, Redhead Equipment, bent over backward to help us through this difficult time, loaning us forklifts and wheel loaders, letting us use their service bays in their service department, and we never received a bill. Even though it has been 21 years since the fire, I can't express enough our sincere appreciation and gratitude to Gary Redhead and his staff for their generosity in helping us through that difficult time."

Tim also credits their insurance company, Federated Insurance, with helping them get back on their feet. "The night of the fire, our insurance representative Paul Procyshyn came out to support

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AGRIBITION 1977 - Bill Young standing, Lloyd Young sitting in front , Alain Huel in the sports coat, Ray Young sitting on the table.

AGRIBITION 1991 - Lloyd Young has the white hat and sweater vest. Bill Young is standing and has on a black hat and teal coat.

us. Their level of commitment and caring is characteristic of the support we receive from every level of Federated Insurance. They have been a great partner of ours through WEDA, and having an insurance company that knows our business has never been so important than when you have a devastating loss."

Moving forward to becoming a multi-store dealership

Young's rebuilt its headquarters in Regina, the company's largest store by volume and size, at the same time as they opened their first expansion in Moose Jaw, on the road to becoming a multi-store business.

"We are finally building a new facility in Moose Jaw on land we acquired a few years ago. We are waiting for the building to arrive. Supply chain issues have been an issue," said Tim.

Further expansion soon followed with additional locations in Assiniboia (2003), Windthorst (2005), and Weyburn (2006). "Assiniboia is a great community with strong livestock and grain producers. We completed a major addition and renovations at that location in 2013. In 2005, Niven Bachert and the Bachert family invited us to work with them in Windthorst, and we were thrilled. It has worked out so well that Niven is still our branch manager at that location."

In 2006, Young's returned to the city of Weyburn, which was home to Tim from before grade 1 to the middle of grade 8. A new building was constructed in 2011 to support the growing business and Tim is delighted to be back in the area where his dad first began his equipment dealer business.

In 2012, there were more expansions, joining MidWest Tractor in Davidson and Raymore. Tim added, "Shane Townsend, an owner, and general manager of the two-store business, steered us through the early days and helped with the construction of a new facility in Davidson in 2015. Shane continues as our corporate sales manager. The second location in the package, Raymore, has experienced consistent growth. We completed major yard improvements, added a bigger shop, and gave the rest of the building a refresh to make it a better, more productive place to work."

Tim continued, "In 2013, we were fortunate to be able to rent a dealership facility in Watrous from the former Case IH dealer. This is the home of our COO, Kirby Engele, and he is still very familiar with the area. We were able to hire his brother Keith Engele to manage this location. Keith was a partner in the John Deere dealership, and as our branch manager/service manager, he helped us establish a solid business in the area."

In 2014, Young's acquired the Case IH dealership in Chamberlain, which had been serving the community since the end of World War II. Young's is pleased to support its customers in the area with additional parts and service capacity.

All in all, Young's Equipment services over 50,000 square miles, employing 243 dedicated employees.

Continued relationships and growth

"The ongoing growth in the company is due to our ability to change with the times and market conditions. We must build lifelong relationships with our customers, suppliers, and staff. Many times, we help customers and staff when a difficult situation arises. It may not be our responsibility, but investing in long-term relationships will always pay dividends," added Tim.

"We invest in the assets to give our people the best work environment possible. Next up will be a new building in Moose Jaw, which is long overdue. It's great to see some ground-breaking work underway. Our staff is some of the most dedicated in their commitment to serving the agricultural industry.

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DAVIDSON BRANCH SERVICE TEAM

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We have many employees that have been in the business since we were incorporated. Our controller, Rena Brennan, has been with us since we opened, and Terry Becker, service technician, since January 1, 1989. Kirby Engele, COO, has been instrumental in building Young's Equipment. He has been the bedrock that we built this company-wide business model upon. There are so many more that I could mention, but these are the longest-serving staff from our first year of business who are still working with us every day."

Young's has also had a long-standing relationship with Agribition and showcased livestock equipment for years. They have now transitioned to a complete line approach with agricultural and livestock equipment and consumer products. The Young family has had a display at Agribition every year that the show has been held, making it their 50th year anniversary of participating.

Overcoming challenges and transitioning in the future

Along with the pandemic, the ag industry has faced supply chain issues and weather challenges. "This past summer started very strong, but when the rain didn't fall in many areas, producers were put in very difficult situations," noted Tim. "Filling contracts with grain buyers have been a major problem, and with lower yields, obstacles add up making bills tougher to pay. Even the incredible increase in commodity prices wasn't enough to help some producers. The drought affected many in the ag sector."

As supply chain issues continue to affect the agricultural industry, Young's has been concentrating on managing inventory orders and controlling the release for sales of trade-ins and even subsequent trade-ins. "Supply chain issues are a fact of life, and we can only control what we have control over," said Tim. "If we don't have the original unit sitting in the yard, we will not sell the trade unless the purchaser wants a particular unit and is willing to wait," added Tim.

"The business continues to evolve, and the pandemic seemed to speed up the transition. In the seven weeks our doors were closed to the public, parts orders transitioned to almost exclusively by phone, but people could send photos, videos, or FaceTime to walk through what they needed. Our customers benefited as parts could be picked up from drop boxes outside, so they could grab and go by when they arrived, saving time during the seeding season. Many customers enjoyed the efficiency of phoning ahead, so this has remained a vital part of the business even after the doors opened back up."

Continued Tim, "The supply chain issues that were caused by the pandemic had an effect on how we ordered and stocked parts. Our parts team worked diligently to ensure the impact on our customers was minimized by adjusting our practices. In 2021, we ordered parts earlier than ever before and stocked an extra $2 million in parts inventory to try our best to meet customers' needs. We continue to evolve this plan as it seems supply chain issues will remain throughout 2022."

The pandemic has taught everyone something, said Tim, and they have tried to learn from some of the changes we were all forced to adapt to back in 2020. He said, "Like other companies around the world, the words "Zoom" and "Teams" are now commonplace as there are more virtual meetings and less travel time. Unfortunately, this also means there has been less personal interaction between stores, and we look forward to when those can return to normal. Customers have gotten used to doing more over the phone in both parts and service, which in many instances can get them back up running quicker."

Tim says their parts and service departments continue to see the same ebbs and flows based primarily on crop forecasts and conditions. "The strong crops of 2020 led to a spike in parts sales as customers got ready for a good harvest and the drought conditions of 2021 saw harvest demands fall as areas wrapped up quickly.

WEYBURN BRANCH

RAYMORE BRANCH

"The ongoing growth in the company is due to our ability to change with the times and market conditions. We must build lifelong relationships with our customers, suppliers, and staff. We invest in the assets to give our people the best work environment possible." - Tim Young

WINDTHORST BRANCH


REGINA BRANCH SERVICE TEAM - RECIPIENTS OF THE 2021 CASE IH PINNACLE AWARD

Ongoing training opportunities

Young's provides numerous training opportunities to its team ranging from business, communication, and trade-specific as needed.

Tim said, "There is an annual mandatory training requirement with the OEM, and we also offer training and update sessions with other shortline vendors to keep up to date with changes to their equipment. In addition, we do a yearly peer-to-peer workshop with the counter people to trade best practices within the organization and bring them up to speed on the business. This workshop is a valuable piece of our training as it fosters teamwork and takes best practices to our other locations."

Additionally, new salespeople are enrolled in salesperson training when appropriate. Extensive safety training is offered and completed through WebWSIT, and they participate in all manufacturer training online or in-person when possible. "We strive to meet the manufacturer's highest training standard, such as Case IH Pinnacle."

Due to its size, Young's can often arrange supplemental training from manufacturers and occasionally incorporate customer events, such as Hay Days at their Davidson location.

They have enrolled 29 parts staff in the Dealer Institute Parts Counter Sales training in January and February 2022. Last year, they used the service counter sales onsite customized training for several parts and service staff.

Value of WEDA membership

"Our membership in WEDA is vitally important as it knows our industry," said Tim. "WEDA is a phone call away to discuss a situation without the background industry norms that put the discussion in context. WEDA is a great source to get the pulse of the industry. We have had numerous conversations with the association through

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the pandemic as we tried to navigate the quickly changing rules and mandates. We have also consulted with WEDA on various topics from legal, procedural, and everything in between. We look forward to the annual conference, which is a great place to meet together as an industry and renew old friendships."

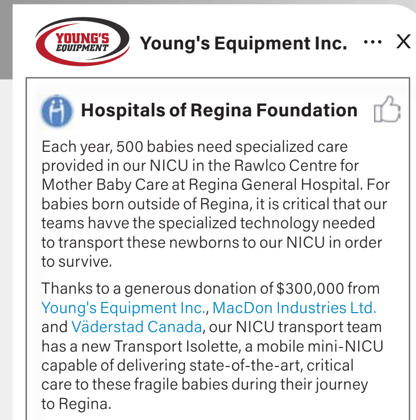
What sets Young's apart?

Tim pointed out that the elements they practice are the same as their competitors. "The difference might be in our commitment to remaining family-owned and managed. We have maintained a tight family ownership structure and have grown at a reasonable pace.

"One of our competitors who knew that I have had the final say on matters for over 30 years said to me, 'We have a number of partners and making a decision is time-consuming and complicated; I envy you the ability to make that decision when you want and need to make it.' I responded that yes, it is, but when it is time to fund a project, there aren't many pockets to draw from."

As Young's Equipment continues to be a leader in the industry, they are steadfastly committed to keeping the company strong and viable, ready to be passed on to the next generation.

Giving back to the community...



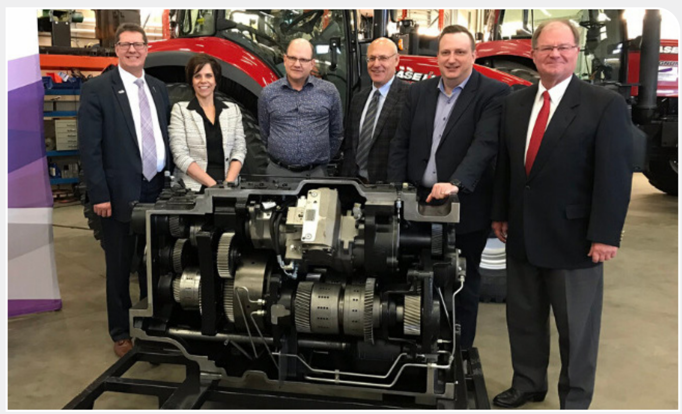
Young's Equipment Inc. ··· ×

Hospitals of Regina Foundation

Each year, 500 babies need specialized care provided in our NICU in the Rawlco Centre for Mother Baby Care at Regina General Hospital. For babies born outside of Regina, it is critical that our teams havve the specialized technology needed to transport these newborns to our NICU in order to survive.

Thanks to a generous donation of $300,000 from Young's Equipment Inc., MacDon Industries Ltd. and Väderstad Canada, our NICU transport team has a new Transport Isolette, a mobile mini-NICU capable of delivering state-of-the-art, critical care to these fragile babies during their journey to Regina.

Sean Young presents a donation to the Hospitals of Regina Foundation on behalf of Young's Equipment, Väderstad and Macdon. AGRIBITION - NOV. 2021



Young's Equipment gifted an in-kind donation of $450,000 for new, state-of-the-art equipment for Agricultural Equipment Technician student and apprentice training at Saskatchewan Polytechnic - FEB. 2021

The Shock Trauma Air Rescue Society (STARS) accepts a $500,000 donation from Young's Equipment - 2013

JOANNE OLSON is managing editor of publications for the Western Equipment Dealers Association, and manages the Canadian office in Calgary, Alberta. She has been with the association for 22 years. She may be reached by writing to jolson@westerneda.com.

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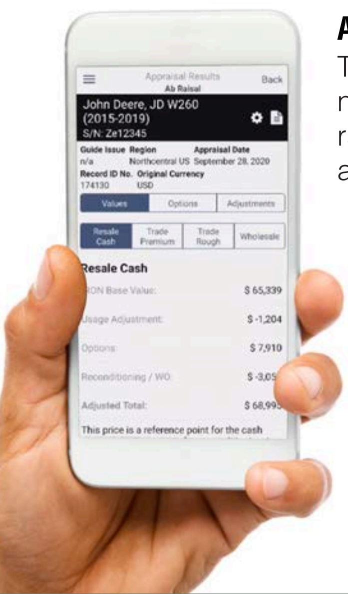

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Aftermarket Departments see positive trends in 2021

by KELLY MATHISON

We know the past 24 months have been challenging to say the least. There have been pandemic lockdowns, restrictions, supply shortages, and labour shortages, just to name a few. However, Parts and Service Departments have risen to the challenge.

First, I want to send a "shout-out" to all the men and women that support our customers and producers. These people continued to put in the hard work to support producers who, in turn, feed the world.

***The 2021 WEDA Cost of Doing Business Survey* shows us some positive trends in the aftermarket departments throughout North America.**

In this article, I will point out some of the trends of these key metrics.

Although these trends may be cause for celebration, we have some major hurdles to overcome in 2022 and beyond.

Total Aftermarket Revenues

Both Parts and Service saw increases in overall sales volume, with Parts up 12% and Service up 17% vs. the previous year.

- Parts sales mix held its own at 16.7 % of total dealership sales.
- Service Sales mix was at the highest level in five years at 6.9% of total sales.

Gross Margins

We know that Gross Margin dollars are required to pay the bills, and the Gross margin percent is used solely for trend analysis, so we will look at both metrics.

Parts

Parts Gross Margin dollars saw an average $212,000 increase per location, and Gross Margin reached 35.3%. Perhaps this was due to dealers selling off aged stock, holding margins, or being more proactive with stock order purchases to ensure adequate inventory. We may have also seen less discounting on parts as inventories tightened.

PARTS SALES (000's)

	Parts Sales	YTY Sales increase	Parts Sales Mix
2021	$2,846	12%	16.7%
2020	$2,548	3%	16.7%
2019	$2,467	26%	16.3%
2018	$1,956	(16%)	18.0%
2017	$2,338	6%	17.9%

Parts Sales Mix Target >20%

SERVICE SALES (000's)

	Service Revenue	Sales increase	Service Sales Mix
2021	$1,166	17%	6.9%
2020	$996	1%	6.5%
2019	$992	49%	6.5%
2018	$667	(25%)	6.1%
2017	$886	(3%)	6.8%

Service Sales Mix Target >10%

PARTS GROSS MARGINS (000's)

	Margin Dollars	Margin Percent
2021	$1,004	35.3%
2020	$790	31.0%
2019	$763	30.9%
2018	$587	30.0%
2017	$706	30.2%

Industry Target >32%

EDITOR'S NOTE: This edition of Top Metrics to Watch will be the last column from Kelly Mathison. Kelly is retiring after a stellar 30-year career in the equipment industry.

Service

Service sales volumes were up, with an average increase of about $34,000 per location in Gross Margin dollars. Although this is good news, we saw an overall drop in service Gross Margin percent to 56.8%. Since the cost of goods sold, or COGS, is primarily tech wages, this drop could be attributed to the loss of productivity when technicians' wages continued to be paid even if they were unable to come to work.

SERVICE GROSS MARGINS (000's)

	Margin Dollars	Margin Percent
2021	$663	56.8%
2020	$629	63.1%
2019	$596	60.1%
2018	$419	62.7%
2017	$533	60.2%

Service Gross Margin Target >60%

Expenses

Reported expenses across most dealer locations remained relatively flat. However, some of that may have been due to government wage assistance programs or deferral of some expenses. We expect to see a rise in expenses as inflation on everything from energy to supplies is on its way up.

Department managers need to take this into consideration when they are making their 2022 budgets.

TOTAL EXPENSES (000's)

	Total Expenses	Expenses as % of Revenue
2021	$2,278	13.4%
2020	$2,221	14.6%
2019	$2,109	13.9%
2018	$1,653	15.2%
2017	$2,025	15.5%

Total Expenses Target >12.5%

Aftermarket Absorption

My regular followers know that this is one of my top metrics. Contribution margin refers to the Gross Margin dollars that parts and service departments contribute to cover the overall dealership expenses.

Absorption ratio is the percent of total expenses covered by parts and service. This becomes more critical in periods of lower whole goods sales or whole goods inventory disruptions. High aftermarket absorption will "bulletproof" your dealership. The long-term goal should be that the parts and service departments cover 100% of your monthly and annual fixed costs to protect you from the ebb and flow of whole goods sales.

In 2021, we saw a dramatic shift in Aftermarket Absorption with the average increasing to 73.2%. It appears large dealer groups (>$75 million) have really focused on aftermarket absorption. Medium and smaller dealers will have to shift their focus to this critical area.

PARTS & SERVICE ABSORPTION

	Average Dealer	<$25 million	$25-$75 million	>$75 million
2021	73.2%	52.7%	67.3%	76.5%
2020	63.9%	53.8%	58.9%	66.8%
2019	64.4%	52.3%	49.9%	69.8%
2018	60.9%	55.1%	65.4%	61.5%
2017	61.2%	59.0%	60.0%	56.8%

Absorption Target >100%

Final thoughts

Although these trends may be cause for celebration, we have some major hurdles to overcome in 2022 and beyond. We will continue with supply chain issues; inflation and energy costs are showing no signs of slowing. Labour costs are sure to increase as workers will likely demand wages to increase at or above the rate of inflation.

For a copy of the *2021 WEDA Cost of Doing Business Survey*, call the WEDA office in Calgary, Alberta, at (800) 661-2452 or write to info@westerneda.com. The survey is free to dealers who participated in the survey.

Additional information is available at www.westerneda.com/cost-of-doing-business-study. CED

KELLY MATHISON - *a model of dedication to our industry.*

Mathison started his career as a sales representative during the high-interest crunch of the 1980s. He then spent 10 years in sales and marketing with the distributor and wholesale manufacturer, Flexi Coil, covering Canada, Australia and the U.S. In 1996, he became a partner in a single store John Deere dealership in Brandon, Manitoba. Over the next 12 years, it grew from one store to seven when the dealership merged with Enns Brothers in 2008. Over the years, Mathison gained experience as a sales manager, aftermarket manager, general manager, and group marketing manager. In 2011, Mathison sold his partnership interest and became group product support manager with Chesterfield Australia, one of the country's largest John Deere dealer groups.

In 2014, Mathison launched a consulting and training company, Kayzen Management, and in 2015 he joined Western Equipment Dealers Association's Dealer Institute as a consultant and trainer. He has used his unique, real-life experience and time-tested best practice solutions to train hundreds of dealership employees.

Thank you, Kelly, for your service to WEDA, the industry and your commitment to the success and profitability of dealerships throughout North America.

TOP METRICS TO WATCH is an ongoing feature brought to you by the association's Dealer Institute to help dealers better understand key performance indicators and industry metrics to effectively manage their businesses.

Why now is the time for SUCCESSION PLANNING

by MICHELLE MILLER

Like most entrepreneurs, farm and equipment dealership owners are busy people.

They have customers to satisfy, suppliers to negotiate with, staff to oversee, expenses to manage, and a host of other tasks and challenges that occupy their time. And yet, beyond all the busy-ness of day-to-day dealership life, one nagging question often lingers in the back of their minds: "Who will look after my business after I move on?" That might well be the last question busy entrepreneurs want to think about, because it means foreseeing a future for their company without them.

A succession plan can make that prospect a lot less scary. At root, it is a strategy for passing along leadership (and often ownership) of a company to someone else, such as a family member or an employee. That's the simple definition, but the actual process of succession planning is anything but simple. To begin with, it can involve – and deeply affect – many stakeholders, not just owners: spouses, children, business partners, employees, customers, suppliers and on and on. As well, a succession plan does not "live" in isolation; it has to be consistent with an owner's retirement, estate and tax planning. As a result, developing a solid succession plan can often require inputs from multiple outside advisors, including accountants, lawyers, financial advisors and others. To do it right, the process can take not weeks, not months, but years.

Given the complexities, it is small wonder that many entrepreneurs put off succession planning for the proverbial "some other day." But think of it this way: the challenges of succession planning might or might not be an understandable reason to continually put it off, but they are an unquestionably excellent reason to get started as early as possible. And the costs of not doing so can be high. After all, you never know what is going to happen. You might dream of a day when you can retire and sail off into the figurative sunset, but any number of other circumstances can affect your ability to continue leading your company. Divorce, disability, shareholder disputes or even death, among other things, can all disrupt your future plans.

If you don't have a succession plan, what happens to your company without you? No one knows who's in charge, relationships with suppliers might be lost, and key customers might take their business elsewhere. What are the chances your company will continue to thrive – or even survive? If your dealership is a family business, the consequences of not having a succession plan can be even more damaging. Without clear direction, there could well be discord among your children over who gets what and what their roles are – and the history of family businesses is full of examples where inter-sibling disputes have ended up in the courts. Ask yourself this question: after you are gone, will your loved ones still be able to sit around the dinner table and enjoy one another's company, or will the way you left your business behind end up tearing your family apart?

In short, a succession plan is not just a "nice-to-have": it is a vital part of business planning, and it can help ensure a secure future for your company and for your family. If that's not enough reason to get started, then it's hard to imagine what would be.

The good news is, it's never too late to get started. But how? Many dealers' have spent years growing their business, and they only get one shot at succession. The most important initial step is to find someone to help you. A qualified advisor can bring to the table deep experience in helping clients develop and successfully execute succession plans, and their objective perspective can give them insight into issues and opportunities the owners themselves might miss. A good advisor will not only know what they're doing, but have the confidence to ask the right questions, to challenge clients where necessary and to guide them calmly through an often emotionally challenging process.

Ideally, those advisors have the infrastructure and the connections to ensure a holistic approach; because succession has so many implications from a legal, tax and financial perspective, they should be able to leverage other resources and experts as required. They should also bring an in-depth knowledge of your company and its operations, as well as of your family situation as applicable. At MNP, for example, we have a dedicated team of succession specialists who work with our clients' current MNP advisors every step of the way, ensuring that clients benefit from both expert knowledge

MICHELLE MILLER, CPA, CA is the National Dealerships Leader for MNP.

It's not simply a piece of paper: succession planning is a process, and its direction should evolve as the owner's circumstances, along with those of stakeholders and the business itself, evolve too.

and a familiar partner as they plan out one of the most important decision-making processes they will ever undertake.

With the guidance of a good advisor, a business owner can decide among a number of succession strategies. For instance, they may leave management and ownership of the company to family members, or they might designate management to a senior employee. They could instruct that the business be sold, or that its operations be wound down. Or perhaps the succession plan could set the terms and conditions for an employee buy-out upon the owner's departure. Which strategy the owner chooses will go a long way toward determining how to handle other considerations, such as tax and legal implications, as well as how to manage family dynamics and those of other stakeholders as the succession plan takes shape.

The point is, every owner is different, and a good succession plan should reflect those differences. Generally speaking, however, there are a few issues that all plans should take into account. One is whether the owner's succession strategy is subject to approval from other stakeholders. For dealerships in particular, many supplier agreements stipulate that the manufacturer must approve a dealer's succession plan; without manufacturer consent, the plan could be derailed or at least create costly and time-consuming legal challenges for the successors. It is also advisable to secure buy-in from the bank, since an ill-considered succession might make it difficult for the business to access capital.

One common concern among owners is how to broach sometimes-difficult conversations with family members, especially children, about how to divide ownership and management responsibilities. And it's not just the kids; other stakeholders' interests need to be addressed, too. If key employees are not satisfied with the person you choose to succeed you, for instance, they might not stick with the business; your company's most valued customers might feel the same. So, it's usually advisable to have candid conversations with important stakeholders as part of the planning process. Here, too, a trusted advisor can be a huge asset. They might be able to have those conversations for you, and their outside perspective could help you develop a more unbiased assessment of stakeholder attitudes. The advisor can bring the right people into the process at the right times, manage the conversations, then take their feedback and incorporate it into the plan as appropriate.

As you can see, a robust succession plan isn't just a matter of what the owner wants – it is ideally a combined effort, reflecting the realities and the ambitions of the many stakeholders who will be affected by the transfer of the company's leadership. It is also not simply a piece of paper: succession planning is a process, and its direction should evolve as the owner's circumstances, along with those of stakeholders and the business itself, evolve too.

For those who have been putting off succession planning, that reality might give them some encouragement. "Planning-as-process" means that you don't have to do it all at once, and it is not going to be resolved in one meeting with your lawyer or accountant anyway. A more realistic and effective approach is to resolve to tackle your succession strategy in smaller steps, and a good advisor can help you decide which ones to take and when to take them. But before that happens, you have to make the first step on your own – and get started on a plan for the future of your business and your family. CED

MICHELLE MILLER, CPA,CA is the National Dealerships Leader for MNP. Based in Leduc, Michelle delivers a comprehensive suite of services tailored to her clients' unique operations to help them improve their businesses and achieve their personal and business goals.

A trusted advisor, Michelle builds strong relationships with clients and gets to know their businesses so she can deliver customized, practical solutions. Over more than a decade, she has worked with owner-managed businesses, professionals, not-for-profit organizations, retail co-operatives, public sector bodies, municipalities and individuals involved in a variety of industries, including automotive dealerships.

Michelle received a Bachelor of Commerce degree from the University of Alberta in 2007. She is a Chartered Professional Accountant (CPA), qualifying as a Chartered Accountant (CA) in 2010. For more information contact Michelle Miller, CPA,CA at 780-769-7821 or michelle.miller@mnp.ca.

HR Challenges & Retention Focus for Canadian Agribusiness

by BONNIE JOHNSON, AgCareers.com

Human resources professionals across Canadian agriculture reported that competing for talent is their biggest challenge, according to the 2021-2022 AgCareers.com Canadian Agribusiness HR Review. Competition for talent was noted as the top reason employers will do more graduate recruitment.

The Agribusiness HR Review provides a range of human resource practices relevant to participating agribusinesses over the last 12 months. The annual Agribusiness HR Review survey, conducted by AgCareers.com, highlights various strategies used in both large and small ag businesses, across a variety of agricultural sectors, to win talent. Human resource managers and business leaders from 93 agriculture companies participated in AgCareers.com's 15th edition Canadian Agribusiness HR Review. Equipment, manufacturing, and technical companies comprised 16% of the participants.

Beyond competition for talent, employee retention was the second most frequently listed challenge. More than half of organizations said they will focus on retention practices in 2022 as part of their talent strategy.

The practice of measuring employee experience can help to keep pulse of the organization. More than half of agribusinesses reported they measure employee satisfaction and engagement. Seventy-six percent conducted exit interviews with employees.

The top method Canadian agribusinesses used to keep employees challenged and productive in their roles is providing training and development opportunities for current staff. The most common implementation was financial assistance for external study/tuition.

Compensation is often linked to retention strategies as well. Beyond training, the other top approaches to motivate employees were bonus/incentives, remuneration, and promotion.

During the last 12 months, 85% of agribusinesses increased employee salaries; likewise, 85% expect to increase salaries in the next year.

Discover more about what other Canadian ag companies are doing to engage, retain and recruit. Find out in the full Agribusiness HR Review report:

- **Performance reward systems**
- **Workforce development**
- **Employee attrition**
- **Flexible staffing**
- **Bonus and incentive schemes**
- **Recruitment practices**

Download your free copy of the full report by visiting the Market Research page at www.AgCareers.com. A separate U.S. edition is also available. CED

TOP 10 MOST CONCERNING HUMAN RESOURCE MATTERS

01 COMPETING FOR TALENT 48.39%

02 EMPLOYEE RETENTION 45.16%

03 RECRUITING DIFFICULTIES 43.01%

04 FAIR & COMPETITIVE COMPENSATION SYSTEMS 39.78%

05 EMPLOYEE TRAINING & DEVELOPMENT 25.81%

06 COVID-19 25.81%

07 EMPLOYEE WELLNESS / BENEFITS INITIATIVES 24.73%

08 MAINTAINING A SAFE & HEALTHY WORK ENVIRONMENT 22.58%

09 LACK OF TIME TO DEVELOP / EXECUTE STRATEGIES 22.58%

10 MANAGING A MULTIGENERATIONAL WORKPLACE 22.58%

BONNIE JOHNSON has more than twenty years of professional marketing experience, including nine years with AgCareers.com. As a marketing specialist, she supports the AgCareers.com team and brand through marketing and communications efforts. This includes internal and external communications, email marketing, company branding, market research, and data analysis. Please send questions and/or comments to bonnie.johnson@agcareers.com.

BONNIE JOHNSON is a professional marketing specialist. She supports the AgCareers.com team and brand through her extensive marketing and communications experience.

Forecasting Large Tractor Values
Where we were… where we are

by DAVID DAVIDSON

We are in a time of massive changes with shortage of new and late model used equipment. So, pricing used equipment and forecasting value is more important than ever before. We often read and hear about depreciation of used equipment, but this is an unusual time when we are able to take a closer look into something we rarely see… used tractor *appreciation.*

August Used Equipment Trends: Tractors>100HP

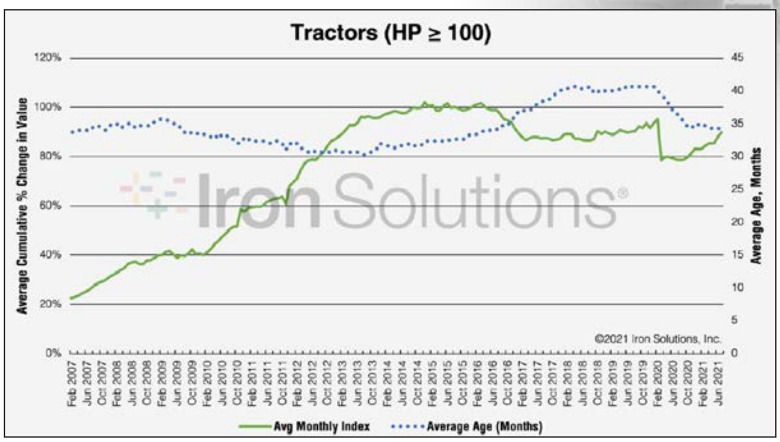


FIGURE 1

The chart in Figure 1 shows the average age of used tractors sold and an index value. The left axis shows the average cumulative percentage change in value. The right axis shows the average age in months of the equipment sold. The comparison of the two lines gives visibility as to whether actual prices are changing in the market or if prices only reflect a change in the characteristics of the machines sold.

For example, in a typical market, if the average age is lower, you would expect the change in value to go up. Conversely, if the age of the machine increases, its selling price would go down. That would be in a "typical market" scenario. But, can you remember when we last had a "typical market?" Today's market is certainly not typical.

The last data point in the chart represents July 2021 where a high rate of increase in the index occurs while the average age remains steady at 34 months. Also, July marks the steepest increase from month to month since October 2018. July's figure is part of a 10-month trend since September 2020 with a net increase of 11 percentage points.

The last time we saw a steep increase in the index value like this was 2011 thru 2013 when corn prices went up from $3.50 per bushel to above $5.50 until the Summer of 2013. Corn then stayed in the $3 to $4 range until 2021, when corn again went above $5.00. The price has remained there through the time of this writing ($5.18 on September 12, 2021). All this suggests that the corn price influences the demand for equipment and drives equipment prices higher.

Scarcity of equipment

Unlike 2011 through 2013, however, there is a scarcity of equipment in play. Recently, we've heard reports of empty lots at equipment dealerships. To get more insight, we can look at the duration of time that used tractors stayed on dealer lots.

During the time following the high-priced corn of 2012 and 2013, there was a glut of used equipment. Many dealers had difficulty moving used inventory for the next four years. This is shown especially by the grey line in Figure 2 where some dealers were holding used tractor inventory for nearly a year. Since that peak in 2019, however, the average days used tractors stay on the lot has declined with some dealers holding inventory less than 50 days on average.

Used Inventory - Tractors: Average Days On Lot

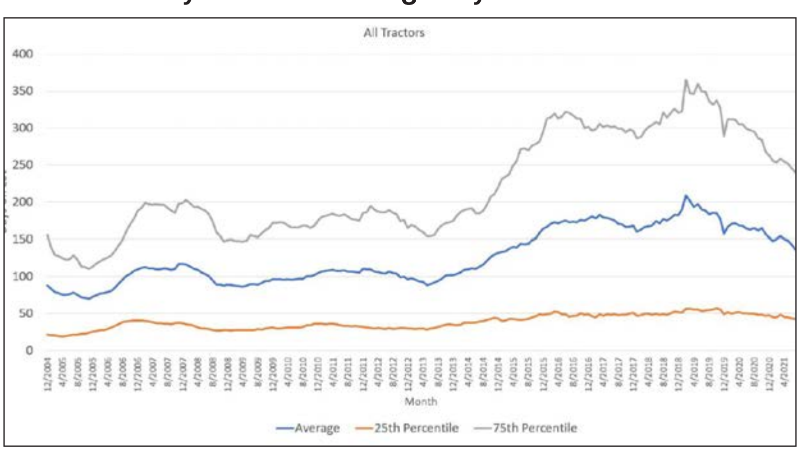


FIGURE 2

Let's get specific

Let's look into a set of six specific models, focusing on four-year-old high HP tractors equipped with quad tracks from John Deere and Case IH.

This chart shows the depreciation of each of these six 2017 models, by quarter, from 2017 through the fall of 2021. Not surprisingly, the specific models here bear out the same uptick in values that we saw in the index value from Figure 1. It is unusual to see two consecutive quarters of appreciation especially at the rate we saw most recently, summer to fall of 2021.

The average value of these six models gained nearly 5% since Spring of 2021 and just short of 7% for the John Deere 9520RX specifically.

2017 Model Year Large Quad Track Tractor Depreciation

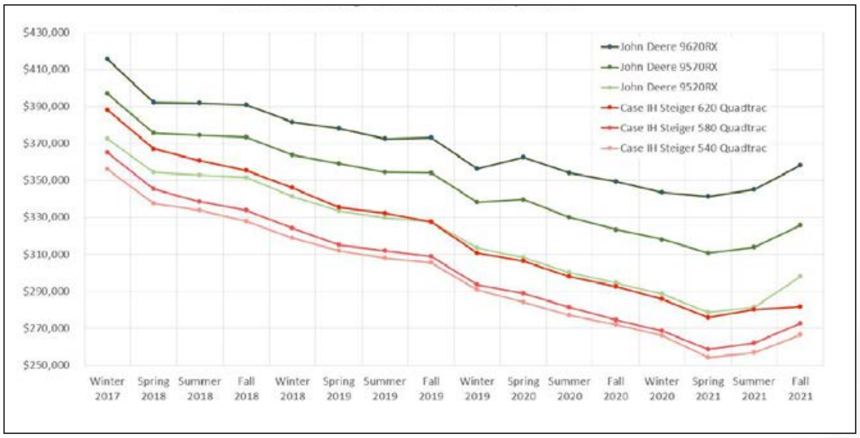


FIGURE 3

What might the future hold?

Using a tool called IronForecast^{SM} we can adjust some variables in a predictive model and look at some scenarios into the fall of 2022. Among other variables, IronForecast allows us to adjust for future predictions in price volatility, used supply, and commodity prices.

In Figure 4, the solid green line represents the actual used value of a typically-equipped 2017 John Deere 9570RX through the fall of 2021. The three dotted lines represent three scenarios of what might happen to this model's value in the next 12 months. The dotted line in the middle represents a base case, most representative of a typical market. The lower dotted line represents a scenario where used supply corrects to slightly above normal levels and corn goes back down to $3.00 per bushel. This scenario would produce an accelerated depreciation.

On the other hand, if the used inventory supply remains constrained (by a factor of 70% of normal) and corn moves to $4.50, it is possible to imagine that this 5 year-old tractor regains all the value it lost since 2019. This scenario is represented by the high dotted green line.

WITH TWENTY YEARS OF EXPERIENCE in CRM and ten years in the ag equipment space, David Davidson brings a unique perspective to data trends in used equipment sales and utilization of CRM's that serve ag equipment dealers.

DAVID DAVIDSON is the Marketing Director at Iron Solutions.

Editor's notes on this analysis: The impact of options on value is removed from this analysis by normalizing the units sold to their base value. This allows for an 'apples to apples' comparison of the products within a given category or model. Data in this analysis comes from Iron Solutions® and its products, IronGuides®, IronAppraiser®, and IronForecast®.

So, what does this mean for buyers of high HP tractors?

While limited supply and high demand are pushing used prices up, it may be a time to consider buying new. If this trend continues, look for dealer and manufacturer incentives on new models to take advantage of this scenario. If you find a used model that you are interested in, you may want to act fast and be prepared to pay more than what you would expect in a "typical market." Dealers, auctioneers and sellers in general are aware of the shortage and will adjust pricing accordingly.

To review current inventory and advertised prices of model year 2017 high horsepower tracked tractors, visit **www.ironsearch.com** CED

2017 John Deere 9570RX Actual and Forecast Depreciation

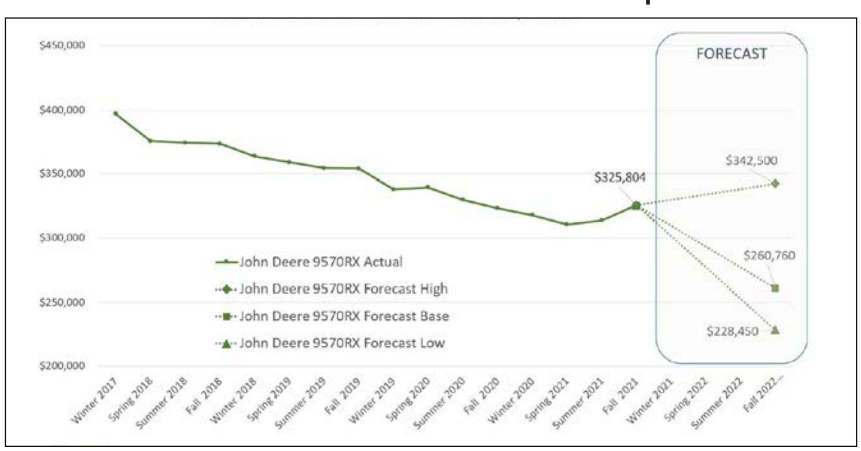


FIGURE 4

When do you let someone go?

by DR. LARRY COLE

THE SHORT ANSWER – when they become a pain in the butt.

An employee's decision to continue to underperform technical responsibilities, display incompetent interpersonal skills, or both, creates the pain in the butt syndrome. Something needs to change.

A supervisor must realize that accepting non-acceptable behaviours lowers the performance standard for other employees. A supervisor's mortal sin!

Technical

The number one reason cited for underperformance is an employee not understanding what is expected. This is the supervisor's fault and can be easily fixed. It is critical to spell out the performance objectives to be crystal clear and the employee can paraphrase to exhibit complete understanding.

Suppose an employee understands what is expected but doesn't have the technical skills to meet the expectations. Again, this is a relatively easy fix by providing a training opportunity such as shadowing a more skilled colleague.

The lack of motivation to meet defined expectations is more difficult. It is possible to reverse the level of motivation, but doing so requires considerable effort from the supervisor. The psychological bottom line is for an employee to understand the ratio of disadvantages over advantages, i.e., D > A, for remaining an underperformer. Doing so helps the employee understand that electing to remain as is, is not the best option. This can jump start an underperforming employee.

Combine this dynamic with the ratio of advantages over disadvantages, i.e., A > D, to meet performance objectives to turn up the motivational thermostat. An important prerequisite is when an employee acquires this awareness as opposed to being told. Dictating to an employee is not going to get you where you want to go.

For our discussion, let's assume the worst-case scenario with an employee who continues to underperform. Now is the time for a serious conversation. Ask the employee, *"Do you want me to trust you?"* Should the employee say, *"No or I don't really care"* makes the decision easy for a supervisor to say, *"I need people working with me whom I can trust.* Here's the supervisor's punch line: *"It's okay if you don't want me to trust you, but that isn't okay here, and I'll accept your resignation."*

The same conclusion could be reached if the employee says, *"Yes, I want you to trust me."* This could lead the supervisor to reply, *"Great, and I want to trust you. You can show me you're trustworthy by meeting the agreed upon performance standards."*

Should the performance not improve, you may proceed with the final statement in the preceding paragraph.

That's one down and one to go.

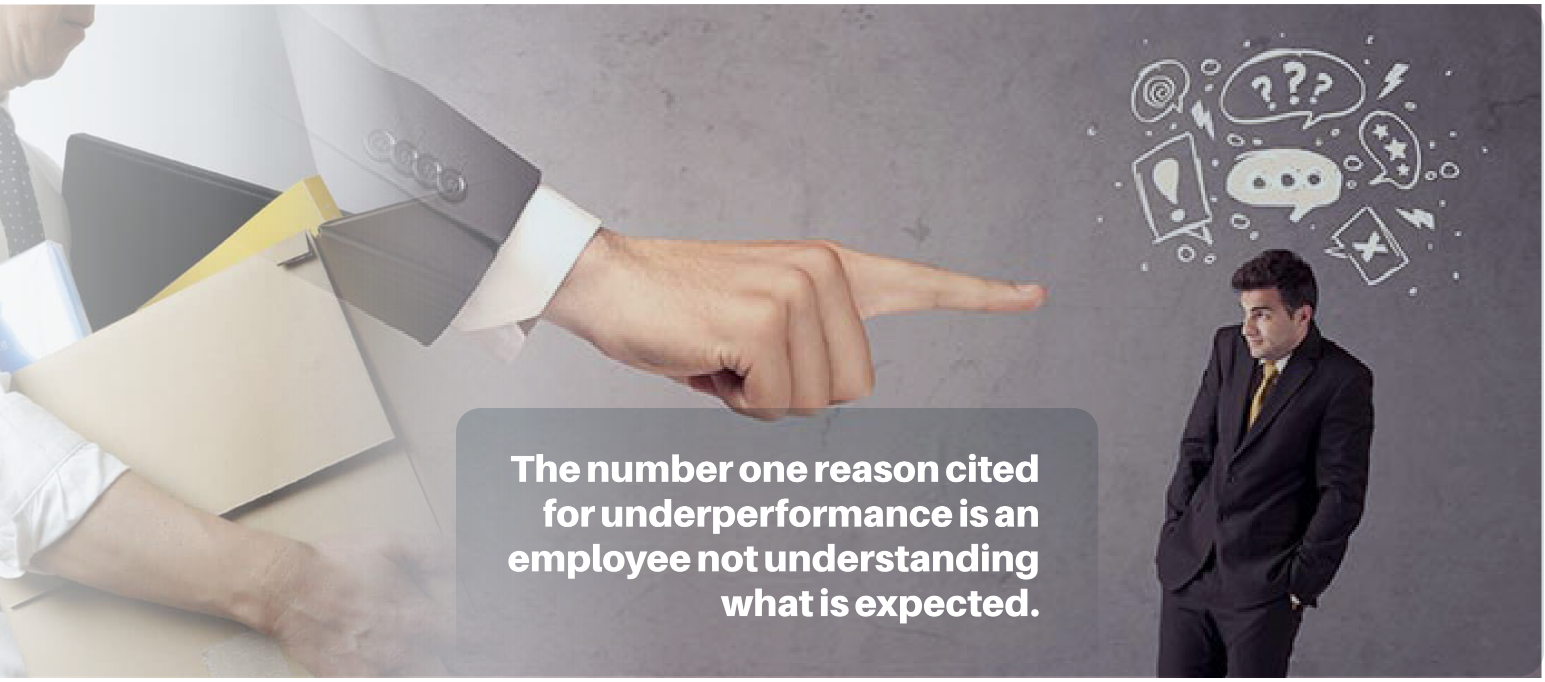
Interpersonal

This is the more challenging category because these behaviours are more abstract. The most frequently cited complaint centers on an employee with a negative attitude. What constitutes a negative attitude? Is it someone who consistently trashes the dealership or other employees? Is it someone who is consistently complaining? Is it someone who is egotistical and acts as if they walk on water? Is it someone who does not support other team members or departments? You get the picture. A typical explanation for keeping this type of employee is we need a body or we need the person's technical skills.

That brings us to a rotting apple that spreads poison throughout a barrel, and the healthy apples soon begin to rot. A supervisor must realize that accepting non-

An important prerequisite to success is when an employee acquires awareness as opposed to being told. Dictating to an employee is not going to get you where you want to go.

EDITOR'S NOTE: Please check out www.dealerinstitute.org for upcoming programs. The DI also creates specific customized on-site or virtual training programs for multistore groups.



The number one reason cited for underperformance is an employee not understanding what is expected.

acceptable behaviors lowers the performance standard for other employees. A supervisor's mortal sin!

The challenge when working with a bad attitude is defining the expected behaviour in positive, empirical terms. Telling an employee to "*stop being negative*" isn't going to succeed. A coin has two sides. So, when an employee consistently trashes other people or the dealership, the desired behaviour is the opposite: support other employees or the dealership by talking about how good other employees perform or how proud you are to work in the dealership.

Again, the specificity to define the expected behaviour is critical.

Focus

Focus throughout the day is another important element in the change formula.

A supervisor may need to help maintain that focus by repeatedly asking an employee if they are having a good day. And remember showing the employee appreciation for a "good day" is necessary to support the behavioural change.

Self-Monitoring

Self-monitoring has been demonstrated to be a tool to facilitate the change process.

In other words, ask employees if they had a good or bad day as they exit the dealership at the end of the day and place a mark on the calendar representing the day's performance.

Work

Helping employees change requires a lot of time and work.

The dealership must decide if the return on its time and effort investment will yield the expected returns. In closing, let me remind you of two realities. One, the dealership is a university to teach employees technical and interpersonal skills for success. Two, removing bad apples will have a positive influence on your dealership. CED

The dealership must decide if the return on its time and effort investment will yield the expected returns.

WRITER'S NOTE: In my next article, I'll look at how cults handle leadership.

DR. LARRY COLE is a lead trainer for the Western Equipment Dealers Association's Dealers Institute.

LARRY COLE, PH.D., is a lead trainer for and consultant to the Western Equipment Dealers Association's Dealer Institute. He provides onsite training and public courses to improve business leadership effectiveness and internal and external customer service. Please send questions and / or comments to Larry at teammax100@gmail.com

How to create your EMERGENCY CONTACT LIST

PICTURE THIS: business is running smoothly as usual, when suddenly disaster strikes. Your office building experiences flooding overnight, a fire breaks out in the kitchen, or the power unexpectedly cuts out and halts production. What do you do now?

This is when an emergency contact list comes into play. After the initial panic subsides, you need to handle the situation in a quick and orderly fashion. Knowing who you need to contact can help you manage that stressful situation.

But what should the list look like? What should be included and what should be left out? We've created a template for you to download, print, and fill in at your convenience. **Click here for the template.**

What should you include on your list?

Deciding what to include on your emergency contact list is very important because when something goes wrong, you want to make sure all the information you need is in one place. It's also crucial that your list doesn't have too much on it, so you're not sorting through unnecessary information to find the contact details you really need.

Your company

First things first, your business information should be the top entry on your list. This should include your company name, address, location, and phone number. While you may think you'll remember these details, in a moment of panic you could forget valuable information, so it's better to be safe. That way, when you're speaking with emergency services, you have all the details right in front of you.

Your facility manager

If there's a problem with your building, the knowledge and expertise of your facility manager, building owner, or landlord may come in handy. They'll know the ins and outs of the property and may be able to reverse an urgent situation. It's important to include a few forms of contact info, if possible, so you have the best chance of reaching them right away.

Employee information

Your list should also include contact info for your employees and their designated emergency contacts. This is important for two reasons. First, your employees will need to know if something goes wrong with the business. Second, if the emergency involves one of your employees, you'll need to get in touch with their emergency contacts. That's why your list should include a phone number (and email address) for all employees, as well as an emergency contact for each employee.

Emergency service numbers

Everyone knows to call 911 if a disaster occurs, but some other emergency services deserve a spot on your contact list, too. These could include poison control, animal control, your alarm system company, and any other industry-specific services you think you might need if things do go wrong.

REZA KAMRANI is the Account Representative for Associations at Federated Insurance.

continued on page 32

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Your insurance information

If your business experiences a loss, you'll need to contact your insurer as soon as possible. That's why your emergency contact list should include the name of your insurance company, your policy number, and the direct number to their claims team. That way, you can get in touch with your insurer quickly, begin the claims process faster, and get your business up and running again as soon as possible.

Utility companies

The numbers for gas, electricity, and water services are valuable assets for your emergency contact list. They can be vital in helping minimize damages if your business experiences something like a gas leak or a burst pipe.

Other useful contacts

There are some other numbers that may be useful to include on your list, like locksmiths, taxi companies, or tow trucks. Having all the numbers you might need readily available is important so you're not wasting valuable time searching for them. What those additional numbers might be are up to you. After all, you know your business better than anybody.

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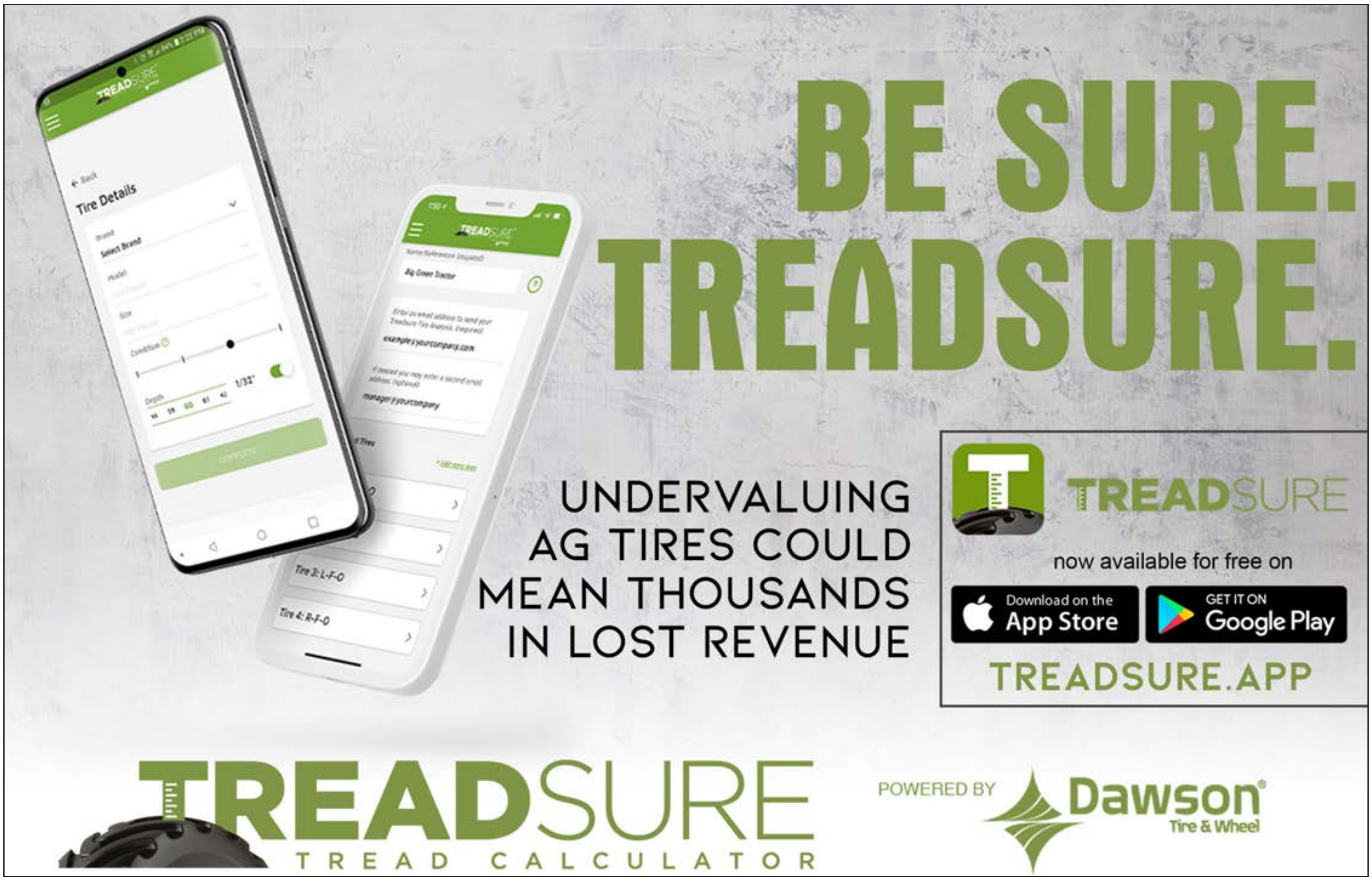

WESTERN
Equipment Dealers Association

We hope you have found this issue of the Canadian Equipment Dealer both informative and educational. We welcome your feedback and invite you to submit any ideas you have for upcoming issues. Feel free to drop us a line (or two)…

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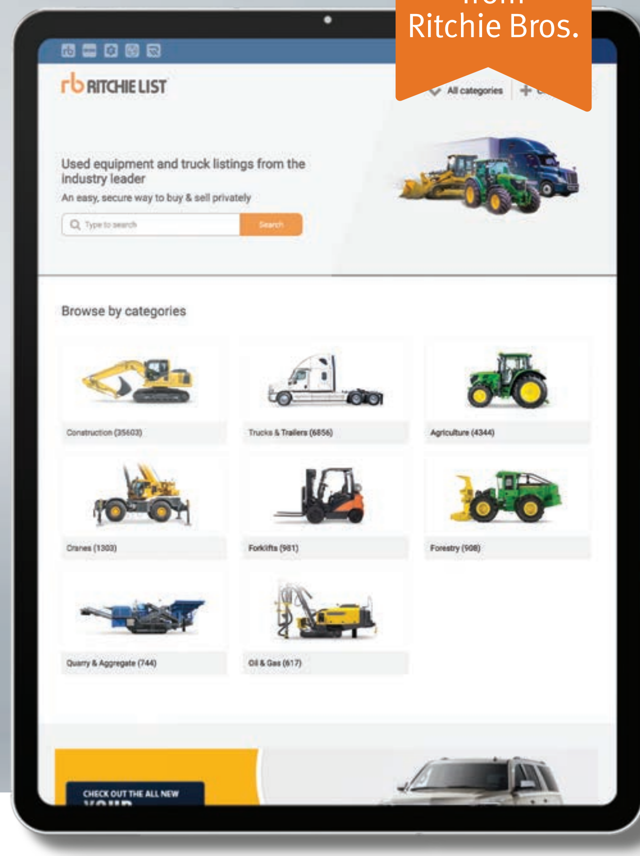

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