The retail farm equipment business in Louisiana

Floyd L. Corty

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THE RETAIL FARM EQUIPMENT BUSINESS IN LOUISIANA

Floyd L. Corty
Richard G. Morrison

Department of Agricultural Economics and Agribusiness
Louisiana State University and Agricultural and Mechanical College
Agricultural Experiment Station
Charles W. Upp, Director
In Cooperation with Small Business Administration
Washington, D.C.
Foreword

This study of the retail farm equipment business in Louisiana is one of five agribusiness studies contributing to a project under the general title, "An Economic Analysis of Problems Affecting the Success of Selected Small Agricultural Businesses in Louisiana." The other four phases are concerned with:

1. Feed, seed, and fertilizer supply stores.
2. Local grain elevators.
3. Feed and oil mills.
4. Local agricultural canning, packing, and processing plants.

These agribusinesses have problems peculiar to their close relationship to agriculture and, although they perform a very important service to farmers and the community, they have been relatively neglected in terms of economic research.

These studies are intended to provide a first look at these important agriculturally oriented small businesses in the state and to specifically recognize the incidence, magnitude, and nature of problems which confront them.

This research project was conducted by the Department of Agricultural Economics and Agribusiness, Louisiana Agricultural Experiment Station, Louisiana State University, and financed in part by the Small Business Administration, Washington, D.C.

Professional personnel engaged in the project include:

Dr. Fred H. Wiegmann, Professor and Head, Department of Agricultural Economics and Agribusiness, Project Director
Dr. Bernis E. Williamson, Assistant Professor, Project Coordinator
Dr. Floyd L. Corty, Associate Professor
Dr. James F. Hudson, Associate Professor
Dr. Jerry M. Law, Associate Professor
Dr. Ewell P. Roy, Associate Professor
Dr. Harlon Traylor, Associate Professor
Mr. Raul Cisneros, Graduate Assistant
Mr. Richard Morrison, Graduate Assistant
Mr. Clayton Strebeck, Graduate Assistant

Charles W. Upp
Director
Louisiana Agricultural Experiment Station
The Retail Farm Equipment Business In Louisiana

Prepared at
The Louisiana State University
Baton Rouge, Louisiana
Under a Small Business Administration Grant

Awarded to the
Department of Agricultural Economics and Agribusiness

By
FLOYD L. CORTY
Associate Professor

and
RICHARD G. MORRISON
Former Graduate Assistant

OCTOBER 1962
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The Retail Farm Equipment Business
In Louisiana

By Floyd L. Corty and Richard G. Morrison

Introduction

Without farm equipment, farming would be very primitive indeed. It is difficult to imagine a farm without the machines and equipment currently in use. Many implements are considered commonplace today, but it was less than 50 years ago that farm tractors began to displace horses and mules. The remarkable trend toward farm mechanization is well demonstrated by comparing the increase in number of farm tractors with the decrease in number of horses and mules. In 1910 there were an estimated one thousand farm tractors and 24 million horses and mules on farms in the United States. Today there are approximately five million tractors and only three million horses and mules.

A major item of expenditure on many farms in the United States is the cost of owning and operating farm machinery. Among 30 types of commercial family-operated farms, annual expenditures range from $400 on small tobacco farms in the Coastal Plain of North Carolina to $6,700 on irrigated cotton farms in the High Plains of Texas, or an average of $2,500 per farm.

According to this study the value of farm equipment purchased in Louisiana in 1959 was about $60 million. In addition, farm expenditures for gasoline and other petroleum fuel and oil amounted to almost $20 million, thus making a total of about $80 million in expenditures by Louisiana farmers in 1959 for purchase and operation of farm machinery.

There have been relatively few studies directed to the farm equipment business. A study by Fliginger in South Dakota recognized the importance of this farm related enterprise and mentioned some of its
problems.\(^5\) According to Fliginger the four principal problems were: (1) open account credit, (2) credit for maintaining inventory equipment, (3) interpretation of the South Dakota Sales Tax Law, and (4) scalpers—"fly-by-night" dealers who sell equipment but provide no service or repairs.

A report by Parsons, Robinson and Strickler of the Agricultural Research Service, United States Department of Agriculture, was concerned with the depreciation and replacement of farm equipment.\(^6\) It emphasized, on a national basis, the problem created by the growing supply of used machinery on the market. Apparently one-third to one-half of the farm machinery currently in use was purchased as used equipment by the current owners.

An Indiana study, which concentrated on the problem of open account credit facing farm suppliers, reported that farm equipment dealers rarely charged interest on open account credit.\(^7\) Open accounts were considered due 30 days after billing date. Forty percent of the dealers reported less than one-half of their open accounts paid by the due date. It usually required 90 days or longer to collect from 90 to 100 percent of the accounts. About 20 percent of the dealers started charging interest after the account had been delinquent six months.

**Purpose of the Study**

Despite the importance of the farm equipment business to the economy of Louisiana there has been practically no published data regarding these firms, the services they provide, or the problems they face.

This study presents data which will give a better understanding of the nature, scope, and general problems of the Louisiana retail farm equipment firms.

The following specific objectives gave direction to the study:

1. To determine the number, size, and location of the retail farm equipment firms in Louisiana.
2. To determine the type of organization, employment provided, and other characteristics of these firms.
3. To determine the nature and incidence of problems, such as seasonality of business, credit, federal farm programs, technical

---

\(^5\)Fliginger, John C., *Farm Equipment Retailing in South Dakota*, Agricultural Economics Pamphlet No. 74, Agricultural Economics Department, Agricultural Experiment Station, South Dakota State College, July 1956.


\(^7\)Cox, Clifton B., and Vernon W. Pherson, *Open Account Credit Policy of Farm Suppliers*, Mimeo EC-138, Agricultural Experiment Station, Lafayette, Indiana, November 1956.
training requirements, and size of service areas, which have an economic impact on local farm machinery businesses.

Procedure

A complete list of the 214 Louisiana retail farm equipment firms and their addresses in 1960 was obtained from the Deep South Farm Equipment Association. The list included both members and non-members of the association. Their distribution by parishes is shown in Figure 1, and the type of franchise represented by the various firms is indicated in Table 1. Questionnaires requesting information on year of origin, type of ownership, number and class of employees, and volume of business were mailed to each firm. A total of 135 firms, or about 63 percent, completed and returned the mail questionnaires.

FIGURE 1.—Distribution of Farm Equipment Firms in Louisiana, by Parishes, 1960.

8Parishes in Louisiana correspond to counties in other states.
TABLE 1.—Farm Equipment Franchises Held by Louisiana Farm Equipment Firms, 1960

<table>
<thead>
<tr>
<th>Franchise</th>
<th>Number</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Harvester</td>
<td>49</td>
<td>22.8</td>
</tr>
<tr>
<td>John Deere</td>
<td>38</td>
<td>17.8</td>
</tr>
<tr>
<td>Ford</td>
<td>33</td>
<td>15.4</td>
</tr>
<tr>
<td>Case</td>
<td>29</td>
<td>13.6</td>
</tr>
<tr>
<td>Allis-Chalmers</td>
<td>19</td>
<td>8.9</td>
</tr>
<tr>
<td>Massey-Ferguson</td>
<td>19</td>
<td>8.9</td>
</tr>
<tr>
<td>Minneapolis-Moline</td>
<td>18</td>
<td>8.4</td>
</tr>
<tr>
<td>Oliver</td>
<td>9</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>214</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The responses revealed a wide variability in the volume of business done by each firm. Since business techniques and related problems are more closely associated with volume of business than with other descrip-

FIGURE 2.—Geographical Distribution of Retail Farm Equipment Firms Included in Sample for Interview and Observation.
tive characteristics, the volume of business was used as the criterion for determining the size of sample needed to properly describe the farm equipment firms in Louisiana. Thus a 30 percent random sample, consisting of 65 firms, was selected for personal observation and interview. This size of sample was calculated to provide 95 percent assurance that, if all firms were arrayed according to volume of business and grouped in $50,000 intervals, every group would be represented in the sample.

The sample was selected from the total number of firms and not restricted to those that had previously completed the mail questionnaires. Geographic location of sample firms is indicated in Figure 2.

The subsequent analysis of data utilized both the responses to the mail questionnaires and those obtained through personal interviews. Data obtained by mail questionnaires in 1960 represented business activities for the year 1959. Data collected by personal interviews in 1961 pertained to 1960 and 1961 activities. Thus the reader will note different time periods represented by tabular data.

**Description of the Retail Farm Equipment Business in Louisiana**

**Number, Size, and Distribution of Firms**

As was mentioned earlier, there were 214 retail farm equipment firms in Louisiana in 1960. These were situated in 50 of the 64 parishes in the state. The greatest concentration of firms was found in the northeastern part of the state where cotton is the major cash crop and in the southwestern rice producing area. These two regions contained almost one-half of the total number of farm equipment firms in Louisiana. Parishes without farm equipment firms were primarily those in the cutover pine area of North Central Louisiana and those along the marshy Gulf Coast (Figure 1, Page 5).

In an attempt to determine whether some regions had more farm equipment firms than could be supported by local purchasing power, the estimated gross farm income of each region was allocated among the farm equipment firms therein. The results, however, failed to reveal any distinct relationship (Table 2).

The number of farms per farm equipment firm ranged from 110 in the New Orleans area to 1,466 in the cutover pine area of Central Louisiana. Although the region with the smallest number of farms per firm also reflected the lowest volume of business per firm, regions with the largest number did not show a correspondingly high volume of farm equipment business. The largest median volume of business per firm occurred in three areas having relatively high gross incomes and where
<table>
<thead>
<tr>
<th>Farming region</th>
<th>Equipment firms</th>
<th>Farms*</th>
<th>Average number of farms per firm</th>
<th>Gross estimated farm income per farming area**</th>
<th>Gross farm income allocated per firm</th>
<th>Observed median volume of business per firm***</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Louisiana Upland Cotton Area</td>
<td>7</td>
<td>8,975</td>
<td>1,282</td>
<td>16,182</td>
<td>2,311</td>
<td>125 - 150</td>
</tr>
<tr>
<td>Central Louisiana Cutover Pine Area</td>
<td>2</td>
<td>2,933</td>
<td>1,466</td>
<td>4,567</td>
<td>2,283</td>
<td>-</td>
</tr>
<tr>
<td>Red River Cotton Area</td>
<td>20</td>
<td>7,637</td>
<td>382</td>
<td>37,325</td>
<td>1,867</td>
<td>200 - 250</td>
</tr>
<tr>
<td>Cutover Flatwoods Area</td>
<td>5</td>
<td>2,443</td>
<td>489</td>
<td>3,165</td>
<td>634</td>
<td>150 - 175</td>
</tr>
<tr>
<td>Mississippi Delta Cotton Area</td>
<td>54</td>
<td>12,539</td>
<td>232</td>
<td>70,986</td>
<td>1,313</td>
<td>200 - 250</td>
</tr>
<tr>
<td>Central Louisiana Mixed Farming Area</td>
<td>33</td>
<td>14,404</td>
<td>496</td>
<td>59,262</td>
<td>1,794</td>
<td>150 - 175</td>
</tr>
<tr>
<td>Louisiana Rice Area</td>
<td>49</td>
<td>7,836</td>
<td>160</td>
<td>79,784</td>
<td>1,629</td>
<td>150 - 175</td>
</tr>
<tr>
<td>Sugarcane for Sugar Area</td>
<td>18</td>
<td>5,882</td>
<td>327</td>
<td>51,206</td>
<td>2,847</td>
<td>200 - 250</td>
</tr>
<tr>
<td>Loessial Mixed Farming Area</td>
<td>6</td>
<td>2,498</td>
<td>416</td>
<td>7,587</td>
<td>1,263</td>
<td>-</td>
</tr>
<tr>
<td>Cotton, Dairy, and Truck Area</td>
<td>13</td>
<td>8,521</td>
<td>655</td>
<td>25,209</td>
<td>1,937</td>
<td>125 - 150</td>
</tr>
<tr>
<td>New Orleans Dairy, Truck, and Fruit Area</td>
<td>7</td>
<td>770</td>
<td>110</td>
<td>4,279</td>
<td>611</td>
<td>90 - 110</td>
</tr>
<tr>
<td>STATE TOTAL OR AVERAGE</td>
<td>214</td>
<td>74,438</td>
<td>348</td>
<td>359,552</td>
<td>1,681</td>
<td>175 - 200</td>
</tr>
</tbody>
</table>

* 1959 Census of Agriculture.

**Circular 240, Department of Agricultural Economics, Louisiana State University, April 1959.

***Volume of business was reported as a range to reflect the usual volume over a period of years instead of a single figure for only one year.
FIGURE 3.—Percentage of Existing Farm Equipment Firms That Started in Business During Indicated Time Periods.

the number of farms averaged from 232 to 382 per equipment firm (Table 2).

As would be expected, there was a wide range in the annual volume of business reported by the individual firms. Several firms were doing less than $25,000 worth of business but there were also several in the million-dollar category. The median annual volume of business is probably the best measure of central tendency to be used for comparison in this instance. It means half of the observations were larger than this middle value and half were smaller. The arithmetic average would be somewhat higher because of the pronounced influence of a few high volume firms.
The median volume of business done by the farm equipment firms in each farming region is given in Table 2. It is apparent that the median values are highest in the river delta cotton and sugarcane regions of the state. Furthermore, the regions with a large number of farms per farm equipment firm are not necessarily the ones where the equipment firms are doing the largest volume of business.

Apparently there are other factors besides number of farms and potential purchasing power in a region which determine the volume of business done by a farm equipment firm. One of these might be the time of entry into the business. Another might well be the type of farming, and a third might be the very important factor of management.

Forty percent of the existing firms in this study started operating in the decade of the 1940's, and another 28 percent began business in the 1950's (Figure 3). Eighty-nine percent of the existing farm equipment firms began operations between 1930 and 1960.

The average size of service area for the farm equipment firms was about 23 miles in radius. Interestingly, there was little appreciable difference in the size of service area among the various farming regions (Table 3). Furthermore, there was very little difference in the size of service area as related to the year the firms started in business (Table 4).

About one-half of the firms were located in towns near the main business district and the other half at the edge of town or only a short distance away. Those located in town generally tried to attract town customers by handling a broader line of merchandise, for example, gardening and hardware supplies, household appliances, and auto and truck

---

**TABLE 3.—Average Size of Service Area in Relation to Type of Farming Areas, Sample of Retail Farm Equipment Firms in Louisiana, 1960**

<table>
<thead>
<tr>
<th>Type of farming area</th>
<th>Dealers (Number)</th>
<th>Average service area radius (Miles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Louisiana Upland Cotton</td>
<td>3</td>
<td>24</td>
</tr>
<tr>
<td>Central Louisiana Cutover Pine</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Red River Cotton</td>
<td>8</td>
<td>31</td>
</tr>
<tr>
<td>Cutover Flatwoods</td>
<td>2</td>
<td>29</td>
</tr>
<tr>
<td>Mississippi Delta Cotton</td>
<td>12</td>
<td>19</td>
</tr>
<tr>
<td>Central Louisiana Mixed Farming</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>Louisiana Rice</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>Sugarcane for Sugar</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>Loessial Mixed Farming</td>
<td>1</td>
<td>43</td>
</tr>
<tr>
<td>Cotton, Dairy, and Truck</td>
<td>5</td>
<td>21</td>
</tr>
<tr>
<td>New Orleans Dairy, Truck, &amp; Fruit</td>
<td>1</td>
<td>23</td>
</tr>
<tr>
<td>Not Reporting</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Total and average</td>
<td>65</td>
<td>23</td>
</tr>
</tbody>
</table>
### TABLE 4.—Size of Service Area and Median Volume of Business in 1960 Related to Year Farm Equipment Firms Started in Business

<table>
<thead>
<tr>
<th>Year started in business (Years)</th>
<th>Farm equipment firms</th>
<th>Average service area radius (Miles)</th>
<th>Median volume of business* (Thousand dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900 - 1909</td>
<td>2</td>
<td>20</td>
<td>175 - 200</td>
</tr>
<tr>
<td>1910 - 1919</td>
<td>4</td>
<td>21</td>
<td>200 - 250</td>
</tr>
<tr>
<td>1920 - 1929</td>
<td>5</td>
<td>21</td>
<td>150 - 175</td>
</tr>
<tr>
<td>1930 - 1939</td>
<td>19</td>
<td>19</td>
<td>250 - 300</td>
</tr>
<tr>
<td>1940 - 1949</td>
<td>40</td>
<td>24</td>
<td>175 - 200</td>
</tr>
<tr>
<td>1950 - 1959</td>
<td>28</td>
<td>24</td>
<td>150 - 175</td>
</tr>
<tr>
<td>After 1959</td>
<td>2</td>
<td>30</td>
<td>75 - 100</td>
</tr>
<tr>
<td><strong>Total and average</strong></td>
<td><strong>100</strong></td>
<td><strong>23</strong></td>
<td><strong>175 - 200</strong></td>
</tr>
</tbody>
</table>

*Volume of business was reported within a given range rather than as a single figure.

accessories. Those more rurally oriented confined their business almost exclusively to farm equipment.

**Type of Ownership and Organization**

About 60 percent of the farm equipment firms operated under corporate ownership; about 25 percent were owned and operated by a single proprietor, and the remaining 15 percent were partnerships.

Almost one-third of the corporate firms evolved from an earlier single proprietorship or partnership arrangement, whereas only about 5 percent of the single proprietorships or partnerships had previously operated under some other type of ownership.

About one-fifth of the firms could be classed as multiple firms; that is to say, several establishments were operated under one management. About one-fourth of these multiple firms, however, were combined with some non-farm equipment type businesses.

### TABLE 5.—Single or Multiple Plant Operations, 65 Sample Farm Equipment Firms, Louisiana, 1961

<table>
<thead>
<tr>
<th>Firm organization</th>
<th>Total investment per firm (Dollars)</th>
<th>Dealers (Number)</th>
<th>Dealers (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single plant</td>
<td>114,360</td>
<td>51</td>
<td>78.5</td>
</tr>
<tr>
<td>Multiple plants, all selling farm equipment</td>
<td>178,500</td>
<td>10</td>
<td>15.4</td>
</tr>
<tr>
<td>Multiple plants, others not selling farm equipment</td>
<td>70,375</td>
<td>4</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>121,520</strong></td>
<td><strong>65</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Additional discussion of ownership and organization can be found on Pages 27 and 29 of this report.
TABLE 6.—Dimensions of an Average Louisiana Retail Farm Equipment Installation, Based on 65 Sample Firms, Louisiana, 1961

<table>
<thead>
<tr>
<th>Facility</th>
<th>Average size (Square ft.)</th>
<th>Percent of total facility (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service and repairs</td>
<td>7,650</td>
<td>9.9</td>
</tr>
<tr>
<td>Storage warehouse</td>
<td>6,686</td>
<td>8.7</td>
</tr>
<tr>
<td>Inside display</td>
<td>1,540</td>
<td>2.0</td>
</tr>
<tr>
<td>Office</td>
<td>420</td>
<td>.5</td>
</tr>
<tr>
<td>Outdoor display area</td>
<td>60,984</td>
<td>78.9</td>
</tr>
<tr>
<td><strong>Total facility</strong></td>
<td><strong>77,280</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Establishments which were part of a chain of two or more firms specializing in the farm equipment business had an average investment of $178,500 per plant compared to an average investment of $114,360 by the single firms (Table 5). Multiple plants with capital investments shared among other types of businesses had lower investments per firm than the single establishments. The average investment for all firms combined was $121,520.

**Size of Installation**

The total area occupied by a typical farm equipment firm was approximately 77,280 square feet, or 1.8 acres (Table 6). The open display area of 60,984 square feet, or 1.4 acres, represented the largest part (78.9 percent) of the total area.

The service and repair area under roof averaged 7,650 square feet. The typical firm also had approximately 6,686 square feet of storage space and 1,540 square feet for inside display. Only 420 square feet was used for office space.

**Ownership of Facilities**

Although 97 percent of the dealers indicated they would prefer to own both land and buildings, only 45 percent owned the land and 52 percent owned the buildings. Of those who were leasing facilities, about 30 percent indicated they did so as a matter of choice because it was too costly to buy and/or build. Another 50 percent indicated that the necessary site or building was not available for purchase. The remaining 20 percent offered a variety of business reasons for not owning their facilities; business uncertainty was an underlying factor in these reasons.

**Volume of Business**

In 1960 the volume of business per farm equipment firm in Louisiana ranged from $8,000 to slightly more than $1 million, with an average
TABLE 7.—Volume of Business, Louisiana Retail Farm Equipment Firms, 1960

<table>
<thead>
<tr>
<th>Dollar volume of business</th>
<th>Number of firms</th>
<th>Percent of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 49,999</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>50,000 — 99,999</td>
<td>23</td>
<td>17</td>
</tr>
<tr>
<td>100,000 — 149,999</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>150,000 — 199,999</td>
<td>25</td>
<td>20</td>
</tr>
<tr>
<td>200,000 — 249,999</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>250,000 — 299,999</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>300,000 — 349,999</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>350,000 — 399,999</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>400,000 — 449,999</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>450,000 — 499,999</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>500,000 — 599,999</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>600,000 — 699,999</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>700,000 — 799,999</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>800,000 — 899,999</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Over 899,999</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>135</td>
<td>100</td>
</tr>
</tbody>
</table>

volume of $286,000 per firm. Both the median and the mode values were between $150,000 and $200,000 (Table 7). The overall volume of business done by all farm equipment firms in the state was calculated to be about $61 million in 1960. Only 5 percent of the firms had less than $50,000 worth of business, and about 50 percent of the firms had $50,000 to $200,000 in business volume.

All farm equipment firms consisted of three operating departments, namely, sales, parts, and service. The average computed from the sample firms indicated that 56 percent of the firms’ business is realized from the sales department, 24 percent from spare parts, and 20 percent from the service department.

Seasonality of Business

The volume of business done by the farm equipment firms showed surprisingly little seasonal variation on a state-wide basis, but there was considerable variation on the part of individual firms. The percentage of farm equipment business for the state, by calendar quarters, averaged out as follows: 27 percent the first quarter, 24 percent the second, 24 percent the third, and 25 percent the fourth.

Only 22 percent of the firms indicated no appreciable seasonality in business. About 35 percent of the firms reported doing 35 percent or more of their business in any one season. Furthermore, one out of every ten farm equipment firms did over 50 percent of the business in one of the four seasons. One firm reported 80 percent of its business in the spring.
Seasonality of business was most evident in the rice, sugarcane, and cotton farming areas, in that order of importance.

Firms with a low volume of business during the winter months try to promote winter repair work. Many dealers lamented the fact that many farmers neglect servicing and repairs until early spring — just prior to the planting season. Other practices designed to smooth out seasonal variations in the farm equipment business consist of off-season sales campaigns and promoting sales of allied lines of merchandise. Adding tires, oil, and power saws did not help appreciably, but selling boats along with farm equipment was successful in one area. About one-half of the dealers indicated they made no special effort to smooth out seasonal fluctuations.

Sales Outlets

Over 85 percent of the Louisiana farm equipment sales were made to farmers. Sales to industry accounted for 12.5 percent. Sales to other retailers and government agencies accounted for the remaining 2 percent.

Farm Equipment Associations

Two-thirds of the Louisiana farm equipment dealers belong to the Deep South Farm Equipment Dealers' Association, which is one of the 33 state and regional associations affiliated with the National Retail Farm Equipment Association.\(^\text{10}\)

The National Association makes insurance coverage available for fire, theft, public liability, plate glass, and group accident and health. The state and national associations also make accounting forms available to dealers. Other services and information available to dealers through the National Farm Equipment Association include: (1) management clinics, (2) a monthly magazine entitled Farm Equipment Financing, (3) an annual Cost of Doing Business publication, (4) the Dealer Handbook, and (5) bookkeeping training schools.

The National Association also employs a full-time representative in the nation's capital, who looks after the legislative interests of farm equipment dealers.

Trade News

Firm libraries generally consisted of various farm magazines, literature from manufacturers, and publications from the farm equipment association. Dealers indicated that the following publications were most frequently used for trade news: (1) the Implement and Tractor (magazine),

\(^{10}\) Merrifield, Arch S., Farm Equipment Retailers Handbook, Farm Equipment Retailing Inc., St. Louis, Missouri, 1953, p. 375.
zine), (2) the *Farm and Power Equipment* (magazine), and (3) the National Retail Farm Equipment Association's annual *Cost of Doing Business* (leaflet). Experiment Station and U.S.D.A. publications were rarely mentioned as valuable sources of information.

Information on technological developments in the farm equipment industry are relayed to dealers primarily through manufacturers and equipment dealers' associations. But experiment stations could fulfill a need by providing economic data on the many aspects of the farm equipment business mentioned throughout this publication, as well as economic data on use of implements, displacement of labor, and efficient capital utilization with regard to farm implements.

**Business Operations**

**Price Markup**

The cost of doing business varies appreciably among the many farm equipment firms because of differences in scale of operations and in costs of labor, taxes, and other services. Gross profit as a percentage of total sales is frequently used as a measure of the cost of doing business. The national average gross profit for farm equipment firms was reported to be 17.53 percent of sales, which allowed for a net profit margin of 8.33 percent of total sales. The average gross profit for Louisiana firms was 18.63 percent. For individual firms the range extended from 5 to 33 percent. About 80 percent of the firms had gross profits between 11 and 25 percent (Table 8).

**Sale of Used Equipment**

The proportion of farm equipment business resulting from the sale of used equipment varied from a low of 4 percent to a high of 50 per-

<table>
<thead>
<tr>
<th>TABLE 8.—Gross Profit Required to Break Even, As Reported by 54 Sample Farm Equipment Firms, Louisiana, 1961</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross profit required</strong></td>
</tr>
<tr>
<td>(Percent of sales)</td>
</tr>
<tr>
<td>0 - 5</td>
</tr>
<tr>
<td>6 - 10</td>
</tr>
<tr>
<td>11 - 15</td>
</tr>
<tr>
<td>16 - 20</td>
</tr>
<tr>
<td>21 - 25</td>
</tr>
<tr>
<td>26 - 30</td>
</tr>
<tr>
<td>31 - 35</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

11Gross profit as used here refers to operating margin. The 1959 *Cost of Doing Business Study*, The National Retail Farm Equipment Association, 2340 Hampton Street, St. Louis 10, Missouri, p. 2.
The overall average was 22 percent per firm. Used equipment appeared to be a greater part of the business in the cotton and general farming areas (Table 9). This may be explained by the more common tillage implements used in cotton and general farming.

**Diversification of Business**

About 65 percent of the farm equipment firms confined their business to sale of farm equipment. The remaining 35 percent supplemented sales of farm equipment by adding lines of merchandise such as autos, trucks, hardware, seed, fertilizer, home appliances, and garden equipment.

**Lending or Leasing Farm Equipment**

This practice is not very common among farm equipment dealers. Any lending or leasing that was reported was done to conduct farm demonstrations or to provide assistance in the event of farming emergencies. Nevertheless, several dealers indicated they were planning to start the practice of leasing equipment to customers, particularly the large, very expensive pieces of equipment that would be used briefly by any individual farmer.

**Advertising**

Institutional advertising in the farm equipment business refers to market-wide advertising by manufacturers who impose assessments against their dealers. Under one type of institutional advertising the dealer is charged a fee based on his annual volume of business.

A second type consists of distributing sales literature through a manufacturer's mailing list. Under this plan, the dealer supplies the manufacturer with a mailing list of his existing and potential customers and he in turn is assessed the postage necessary for distribution of advertising or other literature. Thus the dealers are usually encouraged to support advertising programs prepared by the manufacturer.

In addition, most Louisiana farm equipment firms practiced some type of individual advertising. This consisted of one or more of the following means: (1) radio, (2) newspaper, (3) mailing lists, (4) farm demonstrations, (5) supplying equipment for 4-H Club and FFA demonstrations, and (6) exhibits at county and state fairs.

Advertising expenditures (excluding institutional advertising) ranged from only a few dollars of incidental advertising to well organized campaigns costing about $7,000 per year. The average per firm amounted to about $1,000 annually.

Generally, one would expect firms with the larger volume of business to spend more money on advertising than firms with the smaller volume.
<table>
<thead>
<tr>
<th>Farming area</th>
<th>Firms (Number)</th>
<th>Total volume of business (Dollars)</th>
<th>Volume (Dollars)</th>
<th>Proportion of total business (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Louisiana Upland Cotton Area</td>
<td>3</td>
<td>423,000</td>
<td>38,750</td>
<td>9.2</td>
</tr>
<tr>
<td>Central Louisiana Cutover Pine Area*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Red River Bottom and Upland Area</td>
<td>6</td>
<td>2,534,000</td>
<td>585,200</td>
<td>23.0</td>
</tr>
<tr>
<td>Cutover Flatwoods Area</td>
<td>2</td>
<td>261,000</td>
<td>31,650</td>
<td>12.0</td>
</tr>
<tr>
<td>Mississippi Delta Cotton Area</td>
<td>10</td>
<td>4,390,000</td>
<td>1,243,000</td>
<td>28.3</td>
</tr>
<tr>
<td>Central Louisiana Mixed Farming Area</td>
<td>9</td>
<td>1,965,950</td>
<td>469,620</td>
<td>23.9</td>
</tr>
<tr>
<td>Louisiana Rice Area</td>
<td>14</td>
<td>3,186,849</td>
<td>412,597</td>
<td>13.0</td>
</tr>
<tr>
<td>Sugarcane for Sugar Area</td>
<td>4</td>
<td>1,334,000</td>
<td>212,300</td>
<td>16.0</td>
</tr>
<tr>
<td>Loessial Mixed Farming Area</td>
<td>2</td>
<td>1,837,000</td>
<td>456,232</td>
<td>24.3</td>
</tr>
<tr>
<td>Cotton, Dairy, and Truck Area</td>
<td>4</td>
<td>673,104</td>
<td>158,717</td>
<td>23.6</td>
</tr>
<tr>
<td>New Orleans Dairy, Truck, and Fruit Area</td>
<td>1</td>
<td>500,000</td>
<td>50,000</td>
<td>10.0</td>
</tr>
<tr>
<td>Not Reporting</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*None in the sample.
of business. Roughly, this was found to be true. Furthermore, those with highest expenditures for individual advertising were those committed to very little institutional advertising. Firms located in urban areas reported larger expenditures for advertising than firms situated in rural farming areas. Also, the newer firms had a larger cash outlay for advertising than the older, well-established firms.

**Investment and Outlook**

The value of land, buildings, business vehicles, and average inventory of salable equipment varied from $10,000 for the smallest firm to $425,000 for the largest. Fifty percent of the firms had invested less than $100,000 in their businesses (Table 10). The relatively low investment for many firms is partially due to the fact that both the land and buildings are leased and the chief items of investment are the spare parts, service equipment, and salable supplies. The average total investment per firm was $121,000. Thus the estimated investment in the total retail farm equipment business of Louisiana amounted to nearly $26 million in 1961.

The retail farm equipment business has been growing rapidly. About two-thirds of the dealers indicated that during the past ten years they had enlarged the size of their establishment, added new lines of merchandise, or increased the number of employees.

In looking toward the future, about one-half of the dealers expected continued growth and enlargement but the other half were uncertain and rather pessimistic about future prospects.

**Financing**

**Investment and Operating Capital:** About one-half of the farm equipment firms existing today started out with borrowed investment.

<table>
<thead>
<tr>
<th>Total investment (Dollars)</th>
<th>Dealers (Number)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 49,999</td>
<td>15</td>
<td>25.9</td>
</tr>
<tr>
<td>50,000 – 99,999</td>
<td>15</td>
<td>25.9</td>
</tr>
<tr>
<td>100,000 – 149,999</td>
<td>11</td>
<td>19.0</td>
</tr>
<tr>
<td>150,000 – 199,999</td>
<td>5</td>
<td>8.6</td>
</tr>
<tr>
<td>200,000 – 249,999</td>
<td>4</td>
<td>6.9</td>
</tr>
<tr>
<td>250,000 – 299,999</td>
<td>5</td>
<td>8.6</td>
</tr>
<tr>
<td>350,000 – 399,999</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Over 399,999</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Seven dealers failed to report investment.

**Includes land, buildings, vehicles, and average inventory of salable equipment.
capital. Accumulated savings, bolstered by loans from relatives, were the primary sources of funds. Commercial bank loans at rates of 6 to 8 percent were utilized by about one-fourth of the firms.

A portion of the annual operating capital is borrowed by more than one-half of the farm equipment firms. Interest rates on operating loans obtained from commercial banks were usually 5 or 6 percent.

**Floor Plans and Inventory Financing:** Farm equipment dealers may finance their inventories by various methods. The larger, more expensive items of equipment are usually obtained through a floor plan arrangement with the manufacturer. The floor plans vary in detail with regard to due dates, repayment schedules, and discounts. Most floor plans allow dealers from 6 to 14 months to pay for their inventory machinery. In all cases full payment is required as soon as the equipment is sold to a customer.

The sample of farm equipment dealers reported a range in manufacturer trade discounts from 17.5 to 23.0 percent. The trade discount represents the reduction in list price to arrive at the dealer’s purchase price.

When a dealer pays for a machine before the designated due date, many manufacturers allow a *prepayment discount*. This discount varies from 2 to 4 percent, depending on the time remaining before the final due date.

A few farm equipment manufacturers offer *volume discounts* to dealers. These discounts are based on a dealer’s total net purchases within a prescribed time period and range from 3.5 to 6.0 percent.

Discounts are also offered by major farm equipment manufacturers when cash payments for spare parts are made before the due dates. In addition, most farm equipment manufacturers grant pre-season stock order discounts ranging from 2 to 4 percent.

Dealers may also finance their inventories through commercial banks or other financing agencies by use of a trust receipt, a chattel mortgage, or a conditional sales contract. A trust receipt is a written agreement between the bank, the dealer, and the manufacturer. The bank buys and takes title to the equipment from the manufacturer. At the same time the dealer is entrusted with the equipment and authorized to sell or otherwise use the equipment as specified in the agreement. The dealer agrees to account to the bank for all transactions and proceeds relative to the financed equipment. In addition, the dealer signs a promissory note for the full value of the equipment plus interest charges. The lending agency holds title to the equipment until full payment is received.

A floor plan chattel mortgage is a written agreement between the dealer and a lending agency, wherein the dealer who has title to inventory equipment pledges this equipment as security for borrowed
capital. The required care, maintenance, use, and final disposition in the event of default are generally specified in the mortgage agreement.

A conditional sale contract differs from the chattel mortgage in that the title is retained by the dealer as security when the equipment is sold. The bank or other financing agency becomes involved only when it purchases the dealer’s interest in a contract, or takes assignment of the dealer’s interest as collateral for a loan.

**Customer Financing:** Over 95 percent of the farm equipment dealers indicated that local commercial banks were a principal source of funds for customer financing. Many customers borrow from the bank to purchase farm equipment, while others are financed directly by the equipment dealer. In the latter case, the dealer may eventually sell the customer’s note to the local bank.

The volume of farm equipment business resulting from customer credit, including open accounts, amounted to almost $50 million in 1960. It is estimated that 80 to 85 percent of the retail farm equipment business relies upon credit sales. About 13 percent of the firms reported less than $50,000 worth of business done on credit, but another 13 percent had between $500,000 and $900,000 worth of business supported by customer credit (Table 11). The average annual volume of farm equipment business attributed to the availability of customer credit, including open accounts, amounted to $230,405 per firm in 1960.

About 40 percent of the equipment dealers arranged through their manufacturers to provide customer financing. Another 30 percent had arrangements with commercial credit corporations. In addition to outside sources of financing, about 35 percent of the dealers utilized reserve funds of their own for this purpose.

Credit losses experienced by the retail farm equipment dealers were relatively low. Ten percent of the sample firms were proud to report no credit losses at all. About 30 percent reported credit losses of less than 1 percent of total advanced credit. Almost one-half of the firms, however,

**TABLE 11.—The Volume of Business Resulting from Customer Credit, As Reported by 55 Sample Farm Equipment Firms, Louisiana, 1960**

<table>
<thead>
<tr>
<th>Volume of business done on credit (Dollars)</th>
<th>Firms (Number)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 49,999</td>
<td>7</td>
<td>12.7</td>
</tr>
<tr>
<td>50,000 - 99,999</td>
<td>5</td>
<td>9.1</td>
</tr>
<tr>
<td>100,000 - 149,999</td>
<td>14</td>
<td>25.6</td>
</tr>
<tr>
<td>150,000 - 199,999</td>
<td>6</td>
<td>10.9</td>
</tr>
<tr>
<td>200,000 - 249,999</td>
<td>7</td>
<td>12.7</td>
</tr>
<tr>
<td>250,000 - 499,999</td>
<td>9</td>
<td>16.3</td>
</tr>
<tr>
<td>500,000 - 900,000</td>
<td>7</td>
<td>12.7</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>100.0</td>
</tr>
</tbody>
</table>
reported losses of 5 percent or more. The highest dollar credit loss by any one firm in 1960 was $8,500.

**Open Account Credit:** This type of credit refers to charge accounts used by farmers to obtain servicing, repairs, small parts, and miscellaneous items. Open account credit is generally interest-free with periodical or seasonal billing dates. About 98 percent of the Louisiana farm equipment firms had charge account credit for their customers. About 40 percent of the firms had less than $10,000 of monthly open accounts on the books, while 6 percent had between $50,000 and $90,000 in monthly open accounts (Table 12). The most frequent monthly volume of charge accounts was $6,000 per firm.

Payments on open accounts were demanded in 30 days by most firms. Five percent of the firms, however, geared their open account payments to harvest time. Ten percent indicated that in the event a customer had difficulty paying his open account within a specified time limit, the account was converted into monthly notes at a rather high rate of interest. This practice encouraged farmers to pay open accounts more promptly.

**TABLE 12.—Monthly Volume of Open Account Credit, 65 Sample Farm Equipment Firms, Louisiana, 1960**

<table>
<thead>
<tr>
<th>Average monthly volume of open accounts</th>
<th>Dealers</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dollars)</td>
<td>(Number)</td>
</tr>
<tr>
<td>0 - 9,999</td>
<td>25</td>
</tr>
<tr>
<td>10,000 - 19,999</td>
<td>14</td>
</tr>
<tr>
<td>20,000 - 29,999</td>
<td>10</td>
</tr>
<tr>
<td>30,000 - 39,999</td>
<td>7</td>
</tr>
<tr>
<td>40,000 - 49,999</td>
<td>4</td>
</tr>
<tr>
<td>50,000 - 90,000</td>
<td>4</td>
</tr>
<tr>
<td>No open accounts</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
</tr>
</tbody>
</table>

Collection of open accounts was a problem for all dealers. Firms attempted to collect delinquent accounts by using one or more of the following methods: (1) past-due notices, (2) form letters, (3) personal letters, (4) phone calls, (5) personal contacts, and (6) lawyers, if absolutely necessary. In all cases, the collection procedure was geared to the individual customer; i.e., the more promising customers were approached on a more informal basis.

**Guarantees**

Guarantees on new farm equipment were usually reported as manufacturer warranties ranging from three months to over one year. The
type and length of the guarantee depended primarily upon the brand of product and the type of equipment.

Used machinery guarantees, on the other hand, varied considerably among firms. Guarantees depended upon (1) the individual piece of equipment, (2) the particular customer, and (3) the amount of money involved. A longer coverage and sounder guarantee usually accompanied the more valuable used equipment. Guarantees also varied according to the season during which the equipment was sold. For example, a used tractor sold during the winter or off-season may have a longer guarantee than it would if sold during the harvest season. This recognizes that equipment sold during off-seasons may stand idle for a long period of time before put to intensive use.

Shop repair work usually carried a standard 30-day guarantee. Some dealers, however, did not specify the exact length of their guarantees but merely indicated that the shop work was guaranteed for a reasonable length of time.

**Employment**

**Labor Turnover:** In 1960 the Louisiana farm equipment firms employed approximately 2,000 men and 100 women. A measure of labor turnover, based on the number of males replaced by the firm in one year, revealed that over one-half of the firms had greater than 12 percent labor turnover in 1960 (Table 13).

The relationship between labor turnover and number of employees per firm is rather irregular, but generally a larger percentage turnover is associated with firms having relatively few employees and a low volume of business. Yet the second highest rate or percentage of turnover occurred in the category of firms with the second highest average number of employees (Table 13). However, the category of firms with the highest volume of business and largest number of male employees experienced the lowest rate of turnover.

**TABLE 13.—Average Labor Turnover Related to Volume of Business and Average Number of Male Employees per Firm, 65 Sample Farm Equipment Firms, Louisiana, 1960**

<table>
<thead>
<tr>
<th>Volume of business (Dollars)</th>
<th>Dealers (Number)</th>
<th>Average number male employees per firm (Number)</th>
<th>Average labor turnover (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 — 99,999</td>
<td>8</td>
<td>4.6</td>
<td>17.1</td>
</tr>
<tr>
<td>100,000 — 199,999</td>
<td>15</td>
<td>6.1</td>
<td>12.1</td>
</tr>
<tr>
<td>200,000 — 299,999</td>
<td>13</td>
<td>7.2</td>
<td>11.5</td>
</tr>
<tr>
<td>300,000 — 399,999</td>
<td>9</td>
<td>11.0</td>
<td>11.7</td>
</tr>
<tr>
<td>400,000 — 599,999</td>
<td>6</td>
<td>14.5</td>
<td>16.0</td>
</tr>
<tr>
<td>Over 599,999</td>
<td>6</td>
<td>17.5</td>
<td>10.3</td>
</tr>
<tr>
<td>Not Reporting</td>
<td>8</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
In general, firms with the largest number of employees and the largest volume of business were located at or near the larger towns.

Female workers were employed as bookkeepers and secretaries by about 50 percent of the firms, and the labor turnover for this group of workers was over 50 percent.

**Fringe Benefits:** Employee benefits included life insurance, hospitalization insurance, annual bonuses, profit sharing programs, and paid vacations.

Generally, the larger firms provided employees with more fringe benefits. About one-half of the firms provided group life insurance plans. About two-thirds of them offered group hospitalization and special bonuses. Profit sharing plans were available from one-fifth of the firms (Table 14).

Paid vacations are an important incentive to an employee in any business, but only 85 percent of the firms provided employees with paid vacations. The length of the vacation was one or two weeks, depending on the tenure status of the worker. Some firms allowed their employees one week vacation for the first one or two years of employment and two weeks thereafter.

**TABLE 14.—Fringe Benefits Provided by 65 Sample Farm Equipment Firms, Louisiana, 1961**

<table>
<thead>
<tr>
<th>Employee fringe benefits</th>
<th>Dealers*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Number)</td>
</tr>
<tr>
<td>Life insurance (other than Workmen’s Compensation)</td>
<td>34</td>
</tr>
<tr>
<td>Hospitalization</td>
<td>44</td>
</tr>
<tr>
<td>Bonuses (Christmas, etc.)</td>
<td>41</td>
</tr>
<tr>
<td>Profit sharing (other than bonuses)</td>
<td>13</td>
</tr>
<tr>
<td>Paid vacations</td>
<td>55</td>
</tr>
</tbody>
</table>

*A dealer may provide a combination of the several benefits.

Other fringe benefits included: (1) supply and maintenance of the employee’s work uniforms, (2) the privilege to buy merchandise from the firm at dealer’s cost, and (3) gifts or bonuses to sales winners.

**Bookkeeping**

**Accounting and Audits:** About 35 percent of the firms were using their own accounting systems, 35 percent used the system recommended by the National Farm Equipment Association, 22 percent used systems recommended by the manufacturer, and 8 percent of the firms employed certified public accountants.

About 80 percent of the firms had some type of an annual audit, either to assist with income tax reports or for future planning purposes. Most of the larger corporations insisted on annual audits.
Sales Tax Procedures: The general sales tax in Louisiana applies to sale of farm equipment as well as to other commodities. Article 2-54 of the rules and regulations promulgated in connection with the Louisiana General Sales Tax, which includes farm equipment, reads:

Article 2-54. Farm Equipment, tools, supplies, etc. All farm equipment, machinery, farm tools or any other articles of tangible personal property purchased for use or consumption on the farm are subject to tax imposed by this act, except fertilizer and containers sold directly to the farmer. 12

The sales tax in Louisiana concerning the sale of new equipment is to be collected on the sale price, or charge which is advanced to the customer. Section 304 of the Sales Tax Law states that:

Dealers shall, as far as practicable, add the amount of the tax imposed under this chapter in conformity with the schedule or schedules to be prescribed by the collector pursuant to authority conferred herein, to the sale price or charge, which shall be a debt from the purchaser or consumer to the dealer, until paid, and shall be recoverable at law in the same manner as other debts. Any dealer who neglects, fails or refuses to collect tax herein provided, shall be liable for and pay the tax himself. 13

About 80 percent of the Louisiana farm equipment dealers indicated that they collected sales tax on the sale price, whereas 20 percent reported collecting sales tax on the list price. If the sale price and list price are the same, there is no problem, but if the sale price is lower than the list price, the customer taxed on the basis of list price is being taxed in excess of the amount required by the sales tax law.

At the time of this study it was unlawful to collect a sales tax on sale of used equipment previously taken in trade. Act 182 of the 1961 Legislature, however, amended Section 305 of the Sales Tax Law to require that the sales tax on sale of new equipment be based only on the amount in excess of the value of the trade in. A sales tax is then collected on used equipment when it is resold. 14

13 State of Louisiana Sales Tax Law, Chapter 2 of Subtitle II of Title 47, Louisiana Revised Statutes of 1950, as Amended. Issued by Collector of Revenue, Department of Revenue, Baton Rouge, Louisiana, 1961, pp. 10-11.
14 Act 182 became effective August 1, 1962.
Starting a Farm Equipment Business

Obtaining a Franchise

Prospective dealers may obtain a franchise to sell major lines of equipment by negotiating a Dealer's Sales Agreement or a Company-Dealer Contract with a representative of the farm equipment manufacturer. The recommended procedure is to have the prospective dealer apply to the manufacturer. The manufacturer will then advise the factory representative in the appropriate district about the prospective dealer, and he in turn will arrange to interview the applicant and evaluate the potential for establishing a new retail outlet. On occasion, factory representatives may be aware of a good market potential in a given area and they will suggest a dealership to a promising businessman having the necessary farm knowledge and experience.

In general, prospective dealers are considered only on the basis that they are qualified in all respects to purchase, sell, service, and finance the company's products on a continuing basis.

Some companies require a guarantee bond to cover purchase of inventories, fixed assets, and miscellaneous start-up costs; others negotiate a title retention agreement which stipulates the company's ownership and control of its goods.

The factory representative evaluates the prospective dealer and the marketing potential of the area. If the proposed location is without a dealer and the sales potential exists, the representative will be happy to consider the qualifications of any interested applicant.

In theory there is no allocation of sales territory; dealers may sell to anyone, anywhere at anytime; but the fact remains that there is some understanding and recognition of sales territories among dealers. A dealer is considered responsible for the development of the maximum sales volume of a company's products in the trade area tributary to his principal place of business. The trade area must be sufficiently large to provide a profitable operation. Dealers may be 10 miles apart or 100 miles apart, depending on type of farming and farm incomes.

Although dealers may sell more than one major brand of equipment, this appears to be a very rare practice. Evidently, manufacturers do not encourage this practice. In fact, they are more likely to discourage mixing of major brands.

Capital requirements to start in business will depend on the size and type of markets. Needed capital may range from $25,000 to $100,000 or more, exclusive of land and buildings. Companies discourage applicants where severe undercapitalization is evident.

Sales agreements or contracts may be terminated by mutual agreement with adequate prior notice on the part of either party, as specified.
in the contract. Termination can also occur without notice if the dealer fails to abide by the terms of the contract.

Franchises cannot be transferred or assigned by the dealer. The sales agreement must be formally terminated and the company may then reassign the franchise to a new dealer.

**Time of Entry**

Entering the farm equipment business during a period of economic recovery and expansion is frequently the key to success. A knowledge and awareness of the four phases of a business cycle may serve as a guide in deciding upon the most favorable time to enter.

The four phases of a business cycle consist of expansion, peak, contraction and depression. It has been said that the length of a cycle, i.e., from peak to peak, is about nine years. Others recognize economic fluctuations and irregularities which pass through the phases mentioned above, but the sequence of events is not always so clearly defined. There may be hesitations and reversals within each phase and at varying rates of change. There may be a long period of stability within any one phase and an almost imperceptible easing into another phase. Or there may be sudden adjustments plunging the nation from prosperity to depression within a very short time. Also, sudden periods of recovery as witnessed in times of national emergency are usually followed by prolonged periods of economic expansion.

The best time to start in business is difficult to predict, but one cannot refute the good economic judgment of avoiding heavy investment in a declining market. If business has been at its peak for a prolonged period of time, there is a strong probability that the contraction phase, characterized by declining prices, lower farm incomes, and reduced profits, will soon occur. On the other hand, a dealer who starts in business at the beginning of the expansion phase will find his chances for success greatly enhanced.

The period following World War II was characterized by an expansion of economic activity and proved to be an ideal time to enter the retail farm equipment business. And one out of every four of the existing firms entered the business during the period 1945-49. The net profit margin at that time ranged from 7 to 10 percent of sales volume compared to the 3 to 4 percent which prevailed from 1955 to 1959. Currently, economic conditions are becoming stabilized. Dealers report that competition is rather keen and profit margins are declining.

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Some dealers sound a note of caution to prospective dealers. Others are optimistic and predict continued success in the better agricultural areas of the state. Nevertheless, the trend to fewer farms, continued production controls, and relatively low farm incomes are disturbing signs to retail farm equipment dealers.

**Type of Ownership**

Decisions as to type of ownership will hinge upon the economic characteristics found in a single proprietorship, partnership, or corporation. The larger firms are generally incorporated and the smaller ones are individual proprietorships.

Each type of ownership has its advantages and disadvantages. The single proprietor, of course, has full liability and control, limited capital strength, and limited life. The partnership permits two or more individuals to pool their skills, resources, and liabilities. The corporation, as the most widely accepted type of ownership, provides for greater capital strength, limited liability, and perpetuity.17

Businessmen frequently ask whether there is a particular income tax advantage associated with each of the three types of ownership. Apparently there is no essential difference between the tax rate paid by the individual entrepreneur and a partner of a firm. But there are some unique features about the corporation tax that may provide tax savings, particularly for high income firms. The individual proprietor pays 20 percent on the first $4,000 of taxable income. This is graduated upward with each increment added to income until a maximum of 91 percent is imposed on that part of taxable income in excess of $400,000. The corporation rate, on the other hand, is a flat 30 percent on net income of $25,000 or less, and 52 percent on taxable income in excess of $25,000.18

**Location**

It has been observed that firms situated near a town’s business district attract townspeople customers as well as farmers. The town location, however, usually poses traffic and parking problems as well as space restrictions for an expanding firm.

Location of the firm is an important decision and should be considered very carefully. A knowledge of the sales territory is essential. The mere fact that a community does not have a farm equipment dealer is not sufficient evidence to indicate that the community needs one.

To sell and service farm equipment profitably the firm must be located in or near a good farming area—one that provides a good market

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17 More detailed information on the advantages and disadvantages of incorporation may be obtained by consulting a competent attorney.

18 Peculiarities of incorporation laws and recent adjustments in tax rates suggest that decisions be based on advice of a competent tax authority.
for farm equipment. This does not mean that the area with the most farms offers the best chance for success, but rather the area with prosperous farms, a diversity of enterprises, a fair distribution of wealth, and where other farm equipment stores appear busy and successful.

**Size of Investment**

There is an old saying, “It takes money to make money.” The average size of investment for farm equipment firms in Louisiana was found to be $121,000—a capital requirement sufficient to deter many would-be dealers. Investment capital by new dealers is often amassed from personal savings, loans from relatives, local banks or federal agencies. Regardless of the source of funds, it has been traditionally held by bankers that a good policy to be followed in any business is that the owners have at least 50 percent equity in the business.

The initial capital needs will vary considerably by type of operation and type of farming area. The absolute minimum, in light of the needed shop equipment, vehicles, equipment inventory, parts inventory, and demonstration equipment, will be almost $10,000. This assumes that credit will be available for customer purchases. It is also suggested that about $5,000 in cash be held in reserve for financing used equipment and some emergency expenses.

The above minimum assumes that the new dealer already has the building or buildings necessary for the business. If not, it is recommended that buildings be leased rather than built or purchased. Leasing will reduce immediate capital needs and will permit the newcomer to get experience and evaluate his location without incurring the high investment in real estate.

It is currently estimated that $6 per square foot is about the minimum cost for building in a Louisiana community (although one dealer reported building for as low as $3 per square foot). A 5,000-square-foot building would cost $30,000. Assuming 65 percent of this could be mortgaged and adding $1,000 for the lot, the total cash requirement for building would be $11,500. Adding another $1,500 to this for fixtures such as bins, counters, and office furniture would bring the figure to $13,000.

In addition to the fixed costs mentioned thus far, there will be recurring monthly expenses to cover payroll, interest, rent, and utilities. These will ordinarily be covered in the normal course of business, but in the beginning about $3,000 should be designated for this purpose.

Finally, if housing facilities can be leased, one might say it will require an absolute minimum of $18,000 to $20,000 to get started in the retail farm equipment business. If, on the other hand, housing is to be
built, another $13,000 must be added and the total minimum jumps to somewhat more than $30,000.

A fixed cost sometimes overlooked is the state and city commercial license fee. The fee is based upon volume of business. The average fee was found to be $200 per firm in rural areas and $400 per firm in urban areas. The high fee in urban areas results from meeting license requirements by both the state and the city.

Based upon interview responses, most farm equipment dealers suggested the following changes they would make in existing facilities:
1. Enlarge the parts and service departments.
2. Reduce inside display areas and utilize more open storage and outside display space.
3. Increase the office space and sound-proof the office area.

The Nature of Problems Confronting Farm Equipment Dealers

Time of Entry
The decision to start in business undoubtedly results from prolonged deliberation and review of economic factors, but the primary motive is to make a profit. Profits are more readily attainable when business is expanding. It is also easier to establish a foothold and survive the hardships of inexperience during a period of economic recovery. The difficulty arises in predicting economic phases and business profits. A study of profit margins related to time of entry and rate of survival might provide valuable guides for potential dealers.

Type of Ownership
Most managers of incorporated firms were reasonably satisfied with the corporation-type of ownership, but individual proprietors were generally puzzled about the status of their firms. They were particularly concerned over the relative advantages of incorporation over individual ownership, particularly with reference to possible tax savings. Information on state and federal tax burdens at various levels of income and for different types of ownerships would be very helpful.

Location
About 50 percent of the farm equipment firms were satisfied with their present locations. An equal number complained about undesirable features, of which high costs and inconveniences for the customers were of primary concern. The higher costs were generally attributed to transportation difficulties and real estate values. A spatial model program-
ming study to determine the most efficient location of farm equipment firms would be of great value.¹⁹

**Specialization or Diversification**

The decision to handle only a few special lines of equipment or to sell a widely diversified line will depend on market potential in the community. The smaller firms usually have to add new lines of merchandise to help bolster the decline in farm equipment business. The more prosperous firms are larger and more specialized. Firms in or near the center of town are more likely to handle a diversity of supplies than those situated in more rural areas. An important question that cannot be adequately answered at this point is: What allied lines of merchandise will contribute most to a farm equipment business that has the desire and capacity to expand its business?

**Used Equipment**

One of the biggest problems facing equipment dealers is that of handling used equipment. It ties up capital, displaces the sale of new equipment, and frequently is the cause of poor customer relations. Difficulties usually arise over excessive allowances when the used equipment is taken in, and again with regard to guarantees and threat to good will when the used equipment is sold. Whether guarantees are essential in merchandising used equipment provides a good subject for additional study.

**Equipment Leasing**

Very few dealers rent out farm equipment. Nevertheless, there seems to be an increasing interest in this type of operation. As soon as appropriate guide lines can be determined, standardized lease forms can be devised to specify size of deposits, insurance coverage, penalties for misuse, etc. More research and experience are needed in developing appropriate lease terms and in convincing the farmer that renting equipment may be less costly than owning it.

**Seasonality of Business**

Seasonality of business appears to be a problem for about three-fourths of the farm equipment firms. A few reported as much as 50 to 80 percent of the business during one season. Special efforts are needed to promote service and repair work during the slack seasons. Allied lines of activity are also suggested. Further study should be directed to discovering techniques for reducing seasonality of business and determining

what related activities might be integrated into the business to ease the seasonality problem.

**Labor**

The lack of well-trained personnel was a problem for many firms. This was particularly evident in the service department. Technological changes have occurred so rapidly that the skills and training required to service the new equipment are woefully lacking.

Labor union activity among employees has remained relatively dormant, possibly because of their dispersal and rural orientation.

As would be expected, the fringe benefits to employees varied considerably among firms. Firms offering no major benefits experienced the largest annual labor turnover. It is reasonable to expect that desirable fringe benefits would attract and hold the better trained workers. The need for special training schools should be determined and the importance of fringe benefits evaluated in attracting skilled labor and reducing labor turnover.

**Credit**

Credit is an instrument that can be a help or a hindrance, depending on how it is used. It is a big help to dealers if used judiciously.

The difficulty arises in meeting payments, paying interest charges, and collecting delinquent accounts. The firm manager, of course, must be conversant with all angles of the financing problem. How to avoid excess inventory, take advantage of cash or early payment discounts, avoid penalties, and maintain customer good will are all management problems.

Fortunately, farmers as a group are good credit risks and overall credit losses are very small. Nevertheless, it is tedious and costly to keep records on customer credit, particularly on customer open accounts. An important question to be answered is whether volume of business would be appreciably reduced if open account credit were suspended.

**Advertising**

Many dealers question the economic feasibility of advertising. A few voiced objections to the contributions they are committed to make to the manufacturer for institutional advertising. The mixed feelings about the effectiveness of advertising are reflected by the wide range of expenditures for this purpose. A few dealers spend practically nothing for advertising while some spend as much as $7,000 per year. An objective determination of benefit-cost ratios for farm equipment dealers would prove helpful.
Guarantees
The traditional manufacturer's warranties on new equipment are well accepted and pose no particular problem to the dealers. On the other hand, guarantees on used equipment, both sales and repairs, are reported to be a difficult problem. Frequently, the guarantees are negotiated in accord with the individual customer. The nature of the equipment and the nature of the customer are determining factors. Apparently there is no basis for standardizing used equipment guarantees, but it may be possible to determine whether guarantees are necessary to attract and retain customers.

Sales Tactics
Several former dealers who had recently gone out of business objected to the high pressure sales tactics of manufacturer representatives. Apparently they were urged to carry excessively high inventories in the face of a shrinking market. In any event they reported sales pressure tactics as one reason for going out of business. Perhaps a closer look at institutional relationships would help the industry.

Accounting Systems
Many farm equipment managers do a creditable job of supervising the keeping of records. Accordingly, a variety of systems have been developed. The degree of business success, however, depends not only on keeping records but on properly interpreting them and making the necessary business adjustments. A study of the differences in the various accounting systems and the business decisions facilitated by each would be of considerable value to firm managers.

Federal Farm Programs
Farm equipment dealers in most sections of Louisiana indicated that the Soil Bank and crop allotment programs have cut their volume of sales tremendously. Dealers located in the major cotton producing areas were especially concerned with reduced cotton allotments. The rice area dealers had made adjustments to changing market conditions about three to five years ago, and were less critical of the farm programs than they had been previously. Farm equipment dealers located in the dairy areas were apparently little affected.

Dealer complaints centered around the decreased demand for new machinery. Apparently farmers were delaying replacement of old machinery because of the uncertain farm income situation. When replacement can no longer be postponed, they tend to buy used machinery. An abundant supply of used machinery has resulted from curtailed farming operations in areas where the Soil Bank and crop allotment programs
had the greatest effect. More intensive study is needed to objectively decide whether the absence of federal programs would have been more damaging than their presence. Certainly they have stabilized farm prices and these in turn have helped to bolster farm incomes.

Summary

The 214 retail farm equipment firms in Louisiana are found in 50 of the 64 parishes of the state. The heaviest concentration occurs in the cotton and rice producing areas. The most prosperous establishments were those in areas with many competing firms. About 40 percent of the firms started in business between 1940 and 1949.

Annual volume of business per firm ranged from about $8,000 to over $1,000,000, with an average of $175,000 to $200,000. Investment averaged slightly over $120,000 per firm.

Size of service area varied from 10 to 50 miles in radius, but a 23-mile average radius reasonably describes the size of area regardless of regional location, volume of business, or age of the firm.

About one-half of the firms are located in towns. It was observed that these were more likely to handle additional lines of merchandise than the more rural firms.

The average size installation consisted of 1.8 acres, with 1.4 acres used largely for outdoor display. Of the approximately 16,000 square feet under roof, about half was used for service and repairs, about 40 percent for storage of parts and equipment, and the remaining 10 percent for inside display and office space.

The aggregate volume of business done by Louisiana farm equipment firms in 1960 has been estimated to be about $61 million. On the average about 56 percent of the business is realized from equipment sales, 24 percent from spare parts, and 20 percent from servicing.

The cost of doing business, based on gross profit as percentage of total sales, ranged from 5 percent for the most efficient firm to 33 percent for the least efficient. The average gross profit among Louisiana firms was 18.6 percent of sales, which was slightly above the national average of 17.5 percent.

Used equipment creates problems for many dealers, especially the smaller ones. An average of 22 percent of the volume of business is attributed to the sale of used equipment. The range among individual firms extends from a low of 4 percent to a high of 50 percent. Used equipment sales are more pronounced in the general farming areas of the state.

Lending or leasing farm equipment is expected to become more popular in the near future. About 10 percent of the firms leased out equipment for demonstration or to meet a farming emergency.
Seasonality of business was a problem for about 75 percent of the dealers. Ten percent of the dealers did 50 percent or more of their business during one of the four seasons. About 75 percent of the firms carried on some individual advertising and only 45 percent provided direct support for institutional advertising. Advertising was generally regarded as being of questionable value.

Investment for individual firms ranged from $10,000 to $425,000, with an average of $121,000. The aggregate investment for all firms is estimated at $26 million. Growth over the past ten years was indicated by at least two-thirds of the firms, but there was a lack of optimism concerning future growth.

Inventory financing is generally available to dealers through floor plan arrangements with equipment manufacturers. Repayment terms vary considerably and discounts are allowed for early payment. Commercial banks may also finance inventory equipment by use of trust receipts.

Customer financing relies to a great degree upon local banks and commercial credit agencies. In 1960 a total of $53 million of farm equipment business was made possible through customer financing. The aggregate volume of customer credit sales averaged $230,000 per firm.

Installment purchases by farmers were considered sound credit transactions, and losses on this score averaged less than 1 percent of credit sales. On the other hand, open account credit is a big worry to equipment dealers. (This credit applies to charge accounts used mainly to obtain servicing and repair parts, without interest charges.) Most firms have $6,000 or more tied up in open accounts from month to month and collection of these accounts becomes an unpleasant chore.

Louisiana farm equipment firms employ about 2,000 men and 100 women. Annual labor turnover for more than one-half of the firms amounts to about 12 percent for the men and about 50 percent for the women. Fringe benefits consisted primarily of paid vacations, bonuses, and group plans for hospitalization and insurance. About 85 percent of the firms offered paid vacations and about two-thirds provided bonuses and group hospitalization.

Recommendations

Problems facing farm equipment dealers fall within the confines of proper planning and subsequent accounting. To beginners, a very careful appraisal of the market and adequate capital strength are most essential. Minimum capital requirements for a small-scale operation have been estimated to be about $20,000 if real estate is leased; otherwise over $30,000 is needed.

Investing is just the beginning, however. Management decisions
mount rapidly as operations advance. Many of these decisions rely on efficient accounting and bookkeeping records.

There remains much more to be done in light of the nature and incidence of problems uncovered by this study. Additional research is needed to determine: (1) the influence of time of entry upon success, (2) the most profitable type of ownership for various sizes of businesses, (3) optimum location in view of markets and transportation costs, (4) the optimum degree and type of diversification, (5) the best means of handling used equipment, (6) the potential for leasing farm equipment, (7) applicable techniques for smoothing out seasonality of business, (8) need for special training schools and fringe benefits to acquire competent labor, (9) the feasibility of terminating open account credit to customers, (10) benefits to be gained from advertising, (11) the importance of guarantees in conduct of the business, (12) the factors forcing dealers out of the business, (13) advantages and disadvantages of the various accounting systems, and (14) the effect of the federal farm programs upon farm equipment dealers.
Appendix

A. Mail Questionnaire

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DEPARTMENT OF AGRICULTURAL ECONOMICS
LOUISIANA AGRICULTURAL EXPERIMENT STATION
LOUISIANA STATE UNIVERSITY

1. Name of Firm

2. What is the nature of your business? (For example, feed, seed and fertilizer retail store, feed mixing, sawmill, grain elevator, canning plant, etc.)

3. How long has this firm or its predecessor been in business?

4. Present type of ownership (check one):
   - Private
   - Cooperative
   - Partnership
   - Corporation
   - Other (Specify)

5. Type of physical organization (check one):
   - Single plant
   - Part of national chain
   - One of two or more in the state
   - Other (Specify)

6. (a) Size of service area for this plant. (Fill in blanks below):
   - North ____________________ miles
   - East ______________________ miles
   - South ____________________ miles
   - West ______________________ miles

   (b) Number of parishes served __________________________

7. What is the estimated replacement value of your facility?

8. Number of employees (Fill in appropriate blanks):

<table>
<thead>
<tr>
<th>Type</th>
<th>Permanent</th>
<th>Additional for Seasonal Work</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Manager</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Workers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field Representatives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Servicemen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laborers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unskilled Operators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Volume of gross business during a typical year (Check opposite appropriate figure):
   - Under $25,000
   - 25,000-49,999
   - 50,000-74,999
   - 75,000-99,999
   - 100,000-124,999
   - 125,000-149,999
   - 150,000-174,999
   - 175,000-199,999
   - 200,000-249,999
   - 250,000-299,999
   - 300,000-349,999

   *Note that the name of a firm does not always reflect the true nature of the business.*

CONFIDENTIAL 36
B. Interview Schedule

CONFIDENTIAL

DEPARTMENT OF AGRICULTURAL ECONOMICS
LOUISIANA STATE UNIVERSITY

Date
 Enumerator

Name of Firm ____________________________________________
Address ____________________________________________ Parish __________________

Name and Title of Interviewee ______________________________

I. Origin and Ownership

1. When did firm start in business? __________________________

2. (a) What was the original type of ownership, and what is it now?

<table>
<thead>
<tr>
<th>Orig.</th>
<th>Now</th>
<th>Reason for change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single proprietorship</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional explanation ______________________________________

(b) Do you plan to change the type of organization? Yes____ No____
Explain __________________________________________________

3. Does your firm own or lease the following?

<table>
<thead>
<tr>
<th>Own</th>
<th>Lease</th>
<th>If leased, why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

II. Physical Characteristics of Firms

1. Are you pleased with your present facilities? If not what would be desirable?

<table>
<thead>
<tr>
<th>Location</th>
<th>Now</th>
<th>Desired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of office space</td>
<td>sq. ft.</td>
<td></td>
</tr>
<tr>
<td>Service and repairs</td>
<td>sq. ft.</td>
<td></td>
</tr>
<tr>
<td>Inside display</td>
<td>sq. ft.</td>
<td></td>
</tr>
<tr>
<td>Outside display</td>
<td>acres</td>
<td></td>
</tr>
<tr>
<td>Storage warehouses</td>
<td>sq. ft.</td>
<td></td>
</tr>
</tbody>
</table>

Comments _________________________________________________

2. (a) What changes have you made in your facilities in the past 10 years?

(b) What changes do you plan to make in the next 5 years?

(c) In addition to farm machinery, do you sell other merchandise?

Yes_____ No_____ If yes, what percentage of your business may be
attributed to each?

| Farm machinery | Feed, seed, etc. |
| Trucks & autos | Miscellaneous |
| Hardware | Comments |
| Home appliances | |
| Oil, fuel, etc. | |

III. Business and growth

1. List the parishes included in your service area ________________________________

2. What percentage of your business may be attributed to sales: service ___________; spare parts ___________?
3. Do you lend or lease equipment to farmers? Yes____ No____
   If yes, give details ________________________________

4. (a) What percentage of your business is done on credit? _______
   (b) What does your credit loss amount to per year? _______
   (c) Do you provide open account credit? Yes____ No____
   (d) How much open account credit is on the books from month to month? _______
   (e) What is the total volume of credit extended from month to month? _______
   (f) Do you follow any specific plan for collection of open accounts? _______

5. How much of your business may be attributed to sale of used equipment? _______%

6. Is this firm one of several joint enterprises? Yes____ No____
   If yes, explain ___________________________________________

7. Does zoning restrict your plant operation? Yes____ No____
   If yes, explain ___________________________________________

IV. Seasonality of Business
1. What percentage of your business is done during the following periods:
   Jan. 1-Mar. 31 _______ July 1-Sept. 30 _______
   Apr. 1-June 30 _______ Oct. 1-Dec. 31 _______
   What practices have you introduced to smooth out seasonal fluctuations? _______

V. Management
1. Is this firm affiliated through ownership or management with other businesses in your service area? Yes____ No____
   If yes, give number and types. No. _______ Types __________________________

2. If management is separate from ownership, what type of decisions does ownership have to approve? _______
   And what incentives are offered to management to stimulate performance? _______

3. For planning and guidance, what trade journals are used? _______
   What government reports? ____________________________
   What Exp. Station Publications? _______________________
   Other ______________________________________________

VI. Employment
1. Does your firm provide employees with:
   Insurance plans ____________________________
   Hospitalization ______________________________
   Retirement pensions _________________________
   Bonuses _____________________________________
   Profit sharing _______________________________
   Paid vacations _______________________________
   Automatic salary raises and promotions _______
   Other _________________________________________

2. Do you have labor union problems? _______

3. Labor turnover in the firm.
   No. regularly employed by the firm
   No. with you this year that were with you last year
   No. quit or fired during past year
   Monthly salary
   Male Female Male Female Male Female
   Hourly wage
   Male Female Male Female Male Female
   Part time
   Male Female Male Female Male Female
VII. Sales and Purchases
1. What per cent of your sales are made directly to:
   Farmers _______________________ Government agencies ___________________
   Industrial ______________________ Other retailers ______________________
2. What franchises does your firm have? ________________________________
3. What is your purchasing floor plan? ________________________________
4. Do manufacturers or sales representatives use pressure tactics to encourage higher inventories than is practical? ______________________________
5. Do you discuss prices of new equipment with your competitors? _______.
   Used equipment? ________________
6. What guarantees do you offer on:
   (a) New machinery ________________________________
   (b) Used machinery ________________________________
   (c) Repairs ________________________________
7. Do you use association accounting forms and follow the recommended accounting system? ________________________________
8. What system of accounting do you use? ________________________________
9. How are repairs and services to used equipment charged to the business? At list price or net price? ________________________________
10. What is the usual discount from list price at which you obtain equipment? ________________________________
11. What per cent markup on sale items must you average to break even? _____
12. What dollar volume must you average annually to break even? _______.
13. How much are you assessed for institutional advertising? ________________
14. How much do you spend for additional advertising during the year? _______.
15. Who is your supplier? ________________________________

VIII. Capital Requirements and Credit
1. (a) What is your total investment? (Resale value) ________________________________
   Allocate as to: (b) What per cent return on capital invested do you try to attain?
   Land ________________________________
   Buildings ________________________________
   Vehicles, etc. ________________________________
   Average inventory of salable equipment ________________________________
2. Was investment capital borrowed to start or expand the firm? Yes _______. No _____.
   Give details.
   Source Year Amount Term Interest Security ________________________________
   Sold bonds ________________________________
   Sold stock ________________________________
   Comm. bank ________________________________
   Gov't. agency ________________________________
3. Is operating capital normally borrowed? Yes _______. No _______. If yes indicate as above:
   Who is your strongest competitor? ________________________________
   What line does he sell? ________________________________
   Are you troubled by scalpers? ________________________________
   Do you add sales tax on sale of equipment? New _______. Used _______.
   Is it on list price or on sale price? ________________________________
4. What credit do you provide for your customers?  

5. Do customers have difficulty obtaining credit?  

6. Are your account books audited periodically by someone outside the firm?  Why?  

IX. Government Programs and Farm Technology  
1. Have federal farm programs affected your business appreciably?  Explain  
2. Have technological changes on the farm affected your business appreciably?  Explain  
3. How much do business licenses cost? Parish  City  

X. Miscellaneous  
1. What is the normal volume of business done by your firm?  What was the volume in 1960?  1950  1940  
2. Are you aware of any specific problems facing farm equipment firms?  
3. What is the primary problem of the:  
   (a) Parts Dept?  
   (b) Service Dept?  
   (c) Sales Dept?  
4. What benefits do you realize from the Farm Equipment Associations?  

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