

High Crop Prices Give Farmers Opportunity To Invest In New Equipment

MEXICO, MO.

Joe Spatafora is in the market for a new set of wheels of the shiny, green variety. As Spatafora checked out a new John Deere combine in the Sydenstricker Implement lot in Mexico, Mo., he said the high market prices and yields of the past few years are the boost he needed to invest.

"This year and the last three years have been really good to the farmers in our area," he said. "We've had good crops, timely rain and prices have been pretty good, too. If you don't reinvest in your machines when you can, you'll fall behind."

Spatafora is not alone.

With corn and soybean prices more than 60 percent higher than in June, many Missouri farmers are experiencing a similar situation. Farmers around the country are using this good fortune to invest in much-needed upgrades and machinery.

The Association of Equipment Manufacturers reports that October 2010 combine sales rose 24.2 percent from October 2009. Overall farm tractor sales for 2010 are up more than 5,000 from the previous year. Larger and more expensive four-wheel-drive tractors – used almost exclusively in agriculture production – have seen a 26.9 percent increase for the year to date.

"The ag economy is strong right now compared to the general economy, and that breeds new investment," said Brent Carpenter, an analyst with the Food and Agricultural Policy Research Institute at the University of Missouri. "Farmers are replacing and buying new and larger equipment, which is showing up not only in strong sales for larger tractors, combines and pickups but also grain bins and computers."

Equipment manufacturers are feeling this increase in demand. Deere and Company – the

largest worldwide manufacturer of farm equipment – has seen its stock surge. Its third-quarter earnings rose 47 percent – an almost \$400 million rise in profits from the previous year.

While local implement dealers are seeing strong sales to farmers, consumer sales slumped slightly this year.

"We feel the bad economy in our lawnmowers and small tractors, but the agriculture sales have helped us overcome that," said Alan Utterback, a salesman for Sydenstricker Implement. "We've had some farmers come back who we've not seen in the past few years, and the combination of a few good years and low interest has allowed them to reinvest."

Low interest rates help many find the nearly \$500,000 needed for a new combine and corn header combination.

"Those rates are just another incentive for farmers to be investing and making big purchases of fixed assets," Carpenter said.

Technological advancements contained in new combines and tractors bring the added benefit of less grain lost at harvest and fewer trips across the field.

"Buying equipment is investing in your future," Spatafora said. "The main thing is the cost per acre. A new machine very well can be cheaper than a 10-year-old machine when you figure in repairs, upkeep and improved productivity."

While Spatafora and others will be driving new combines next year at harvest, this upswing in the agricultural economy likely won't hold forever. "Stronger prices usually develop quickly into higher costs, and these very strong net returns for farmers right now will get thinner," Carpenter said. "Right now is boom time, but that doesn't mean we'll maintain this strength indefinitely." △



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