

Farm machinery dealers

(Continued from Page A35)
occupancy expenses—the cost of land and facilities—which jumped from 1.24 percent of sales in 1979 to 1.42 percent in 1981.

Other rising expenses also pressed dealers. Salaries comprised 35 percent of total dealership expenses in 1981, the largest cost element. The figure would be even higher, but salaries of mechanics and servicemen are charged to their sales accounts.

Dealers' efforts to restrain rising costs are evident in developments concerning salary expenses.

Although salaries as a percent of total sales increased from 5.1 to 5.4 percent from 1979 to 1981, average dealership personnel dropped 7 percent from 14.1 to 13.1 persons, reflecting the sluggish market. From 1970 to 1981, sales per employee more than tripled from about \$58,000 to over \$188,000.

The net effect of all of these rising expenses and sluggish sales has been an erosion of profits. In the early 1970's, average net operating profit was \$24,250, rising to \$86,190 in 1979, but declining to \$55,596 in 1981. Net profit on sales

alone dropped from about \$30,000 in 1979 to a net loss of almost \$7,000 in 1981.

Weighing heavily on farm machinery sales and profits is the anemic farm income performance of the past few years. When farmers are in a financial bind, they defer expensive equipment purchases as much as possible, making do with equipment on hand. Cheaper used equipment and parts and service sales, which provide less profit, become a larger portion of a dealer's total business.

The slump in equipment sales has created a buyers' market

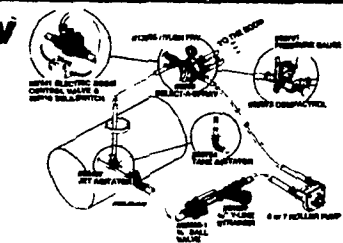
which forced down the average profit margin on new and used equipment from 9.9 percent in 1979 to 8.6 percent in 1981—about a 13-percent drop. From 1980 to 1981, the profit margin for parts was almost flat at about 31 percent, but the profit margin on service labor increased over 1 percent to almost 38 percent.

While profit margins tightened, the dealers' assets, as stacked against liabilities, declined in 1981. Faced with growing inventories and slow sales turnover, dealers have seen average ownership equity—assets minus liabilities—decline from 29.3 in 1979 to 24.6 in 1981.

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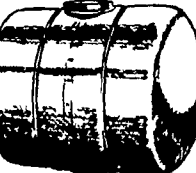
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- Curing Erosion Problems
- Poor Yielding Crops
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- Root Development
- Terrace Drainage
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200	32"	\$169.95	\$149.95
300	38"	\$199.95	\$184.99
500	48"	\$279.95	\$265.99

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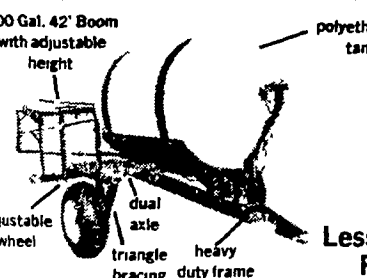


CAMPBELL SPRAYERS

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200 gal. Trailer	999.95	899.95
300 gal. Trailer	1099.95	1049.95
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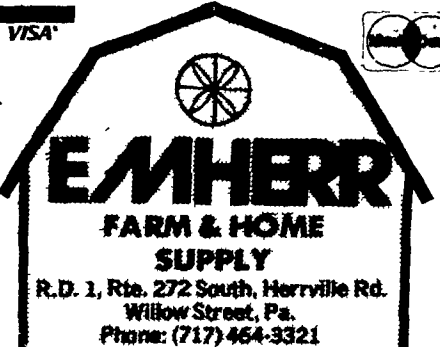
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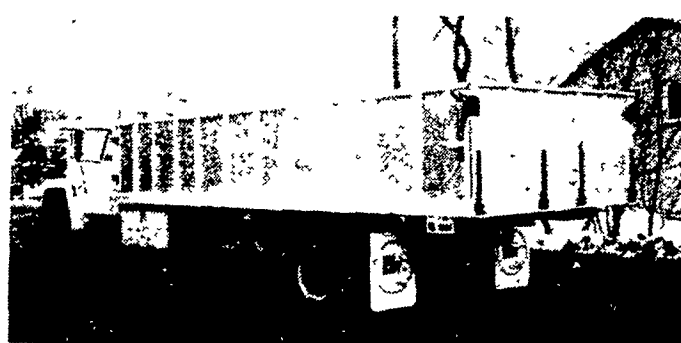
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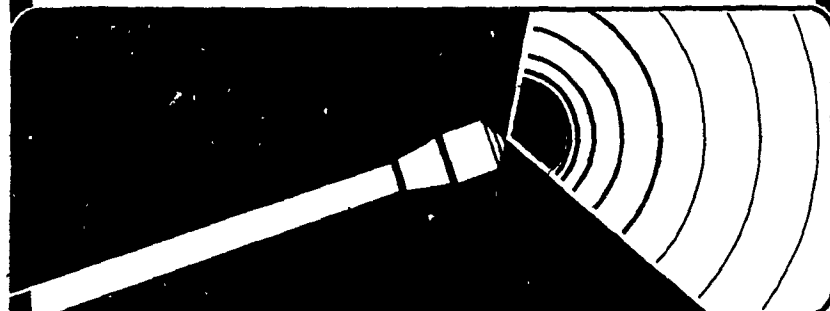
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