



Denise Nelsen

Leasing: An Attractive Option for Pre-Owned Combine Financing

Dealerships carrying an abundance of pre-owned combines on their lots have many customer financing options available to help reduce that inventory. With the 2007 planting season all but wrapped up, crop producers are turning their attention to what they expect will be a bountiful harvest – and that means many will be looking to replace their aging equipment.

Strong prices for corn, soybeans and wheat are expected to help push U.S. net cash farm income this year to \$67.2 billion, up half a billion dollars from 2006 and up \$2.6 billion from the 10-year average. The U.S. Department of Agriculture's Economic Research Service forecasts record high net cash receipts from field crops in 2007. That improved income will drive many

farm operators to upgrade their equipment this year.

"Producers typically roll their combines every one to three years," says Denise Nelsen, a relationship officer with AgDirect, a financial service of Farm Credit Services of America. "They've probably held on to their current equipment a little longer than that, so there's some pent-up demand for replacements."

Leases are one option many producers are considering. "Combines are high-dollar assets, and for many producers it makes more sense to lease than buy," says Nelsen. "Leasing allows producers to roll and benefit from a tax, cash flow and working capital position. Also, they still should build significant equity in the lease."

Pre-Owned Machines Eligible

New and pre-owned combines up to seven years old are eligible for leases, she explains. Compared with a loan, a

lease offers the lowest cost per hour of use and a lot of payment flexibility.

"Customers can double-up on lease payments in 2007 with 10 percent down and the first annual payment six months later," Nelsen explains. "They also can toggle payments from one tax year to the next, as best fits their situation."

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"The lower down payment helps reduce the sticker shock of higher-priced combines and, in some cases, there may be enough trade equity to cover that down payment," she adds. "The use of the asset generates cash for payments. The customer can either use end-of-lease positive equity to reduce payments at the next roll or cash the excess out with the dealer."

Obtaining a loan to finance the outright purchase of a combine offers producers some benefits as well, Nelsen says. "Overall, loans are the least-cost form of ownership and they build the most equity over time. And with AgDirect, loans are patronage-eligible."

Whether to buy, lease – or even rent – is a decision each producer must make based on his or her unique circumstances. "Acquiring a high-dollar asset like a combine is a big decision," concludes Nelsen. "We recommend the producer consult with his or her tax adviser to determine which option is best in their particular case."

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continued from page 7

things out to everyone's benefit but this situation was simply not a FMLA event.

#6: Failing to monitor employees on leave. Keep in mind that FMLA is available for the employee's own serious health condition, to care for a close family member and for parental leave. In the majority of situations, it is possible that the need for FMLA is foreseen and the employee can give you the required 30-day notice. In these cases, you have time to meet and explain how the leave will be handled. This should include discussion of certification requirements as well as topics like drawing down accrued paid time off and payment of health insurance premiums. Once leave begins, it's important to keep the communication open. For example, if you

discover the employee is working elsewhere and your policy prohibits this, address it immediately.

I recently came across a nifty little booklet for employees called "FMLA: What You Need to Know." If you already have your policy established and managers trained, I strongly suggest something like this for your employees. I believe that if employees truly understand their rights AND responsibilities, you will benefit by reducing abuse and misunderstanding of this law. I seldom endorse publications but will make an exception in this case. The booklet is available from Business and Legal Reports, 800-727-5257 or www.blr.com.

As always, thanks for reading this column. If you would like to contact me, call the HR Help Line at 800-683-3440 or e-mail lesley@taxfavoredbenefits.com. ■