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# EDITORIAL

## Dealership Attrition



Andrew Goodman

The composition of Iowa and Nebraska dealerships over the last seven years provides some interesting statistics. For example, in 2000 there were 565 dealer locations in Iowa and Nebraska. Today there are 439 locations. While a 23 percent decline in the past seven years remains significant, it's not as severe as the 40 percent decline that occurred between 1981 and 1989, when 1,025 dealerships were reduced to 615.

Another interesting statistic compares single and multi-store dealerships from the year 2000 to the present. In 2000, there were 318 single store dealerships and 247 multi-store locations – a ratio of 56 to 44 percent. Seven years later, the ratio reversed with 168 single stores and 271 multi-store locations – a ratio of 38 to 62 percent. If this trend continues, estimates show that by 2012 there will be less than 100 single stores and approximately 300 multi-store locations.

One startling statistic compares the declining rate of Nebraska dealerships compared to Iowa. In 2000, there were 357 Iowa dealership locations. By 2007, this number had declined to 288. In Nebraska, there were 208 dealership locations in 2000. Seven years later, this number had declined to 152. The rate of decline in Iowa was 19 percent while the rate of decline for Nebraska was 27 percent.

According to the United States Department of Agriculture (USDA), the declining rate of Nebraska farmers remained about the same as Iowa during the same period of time. So, why is dealer attrition higher in Nebraska than Iowa? One possible answer can be found in two areas of Nebraska public policy particularly unfriendly to Nebraska equipment dealers.

The first issue is sales tax on farm equipment parts. All of the states adjacent to Nebraska (Colorado, Wyoming, South Dakota, Iowa, Missouri and Kansas) have exemptions on sales tax on farm equipment parts. Nebraska does not have the sales tax exemption.

Nebraska consumers, in turn, buy parts and take their equipment out-of-state to be serviced so they can save on parts.

The second issue is the Nebraska Tractor Permit requirement. Nebraska law states, "Any person selling a current tractor model for use in the State of Nebraska without a permit issued by the department for such a tractor model shall be required to repurchase any such tractor model sold in Nebraska for which a permit has not been issued."

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Currently, there are several hundred models of tractors lacking the permits to be sold in Nebraska that are perfectly legal to purchase or sell in the other 49 states. This has resulted in Nebraska farmers voting with their feet and purchasing these tractors across the Nebraska borders and bringing them back into the state. The law has not stopped the flow of non-permitted tractors, it has driven the business out of state instead – a detriment to small businesses and communities.

Twenty-two counties in Nebraska no longer have equipment dealerships. Unless public policy changes, this attrition will continue. I-NEDA will continue to work diligently on these issues. We call on our Nebraska members to contact their senators and to encourage a change in these policies. Let's make Nebraska an attractive state for small business and help restore vibrant growth and stability in rural communities. ■