

Dealers bear brunt of the used market risk

As the equipment manufacturers and dealers work to reduce risk for the superintendents buying used turf equipment, dealers and wholesalers are facing financial risks of their own.

"We are always scrambling for financing," said Edward Balulis, president of American Turf, a used-equipment company in Tampa, Fla. "You have to have a good line of credit because you are bidding on packages of \$450,000 or more.

"Getting rid of the equipment is not hard," he said. "But buying it at a deal and then turning it around and making a good profit is harder."

High residuals are also a concern, according to said Gary Callahan, vice president of Boyton Beach, Fla.-based Kilpatrick Turf.

"I am on a finance committee with Textron and one of the things we are looking at is fair market value," he said. "We have to put some criteria on the number of hours and the maintenance of the unit. If the equipment comes back in pieces and we still have a 20- or 30-percent residual on it, then the customer has to be responsible for refurbishing it or we are not obligated to take it back."

MORE COMING OFF LEASES

These concerns will loom larger as more and more equipment starts to come off leases.

"The first true leases were not written in significant quantity until the late 1990s. Most were 48-month leases and those are starting to mature and coming home to roost," said William Robson, director of marketing for Textron Golf Turf and Specialty Products. "It is adding a whole new dimension to the business."

Manufacturers are quickly realizing that their ability to make new leases hinges on the ability of distributors and dealers to get rid of used equipment.

"We are forced to get smart fast," said Paul Danielson, finance marketing manager for Toro Co. "We are not where we want to be yet. Most of our distributors don't have the capacity to service used equipment. There are some longer term issues that we are wrestling with to make it work in the long haul."

These issues are perplexing dealers.

"It is a little scary. What is going to happen in two years when all these units start coming off leases? Is it going to flood the market? Or will the demand still be there?" said Balulis. "I know someone that is sitting on \$800,000 in used equipment from leases right now, and in 2003 he has \$2.5 million coming in."

— Andrew Overbeck

Market for used turf equipment strong despite structural concerns

Continued from page 1

must be a strong market for used equipment. Compared to the secondary market for golf cars, the used turf equipment market is untested and fragmented.

"Golf cars have a very strong secondary market both at lower-end courses and other markets such as campgrounds and factories," said William Robson, director of marketing for Textron Golf Turf and Specialty Products. "With used turf equipment, the application is not as broad. But at the same time, the market has never seen three- and four-year-old high quality diesel fairway mowers for sale.

"This is an emerging market," he added, "because for the first time there is a good supply of reasonable quality used equipment available for sale."

CREATING A MARKET

With the introduction of quality used equipment to the market, more courses are taking advantage of the lower prices.

"In the past five years, it has become a big business," said Gary Callahan, vice president of Boyton Beach, Fla.-based Kilpatrick Turf, a Textron distributor. "With a \$30,000 piece of equipment you are looking at a \$6,000 residual after three years and you can turn around and sell it for \$12,000 to \$14,000. That is not a bad deal for a course that cannot afford to buy new."

As a result, manufacturers are expanding their market reach.

"This allows us to reach markets that we have been unable to reach in the past," said Aaron Wetzel, John Deere's national sales manager for golf and turf. "There is a huge demand out there from courses that would like to have the ability to en-

hance the quality of the golf course but at a lower budget level."

In addition to selling into low-end courses, used equipment is also in high demand as grow-in equipment at new courses. Higher-end courses are also purchasing used equipment to fill gaps or back up existing equipment during the peak season. Buying used specialty equipment such as power bunker rakes and aerators is also especially popular.

"Maintenance equipment is expensive, and to maintain a course you need a lot of different pieces," said David McCoy, president of Capri Isles Golf, which operates three semi-private courses in Florida. "Golf is not as profitable as it used to be due to competition and the cost of keeping the course in shape. Between the three clubs, on average, we buy three used pieces of equipment each year."

In addition to markets in the United States, a large amount of used equipment also is finding its way overseas to courses in the Pacific Rim, South and Central America, and Europe. "The overseas market is big," said Edward Balulis, president of American Turf, a used-equipment concern in Tampa, Fla. "A new fairway unit that would sell for \$40,000 here goes for as much as \$90,000 overseas, because of the 40- to 60-percent import tax on new equipment. On used equipment, the tax is about 15 percent, so a used one sells for around \$30,000."

REDUCING THE STIGMA

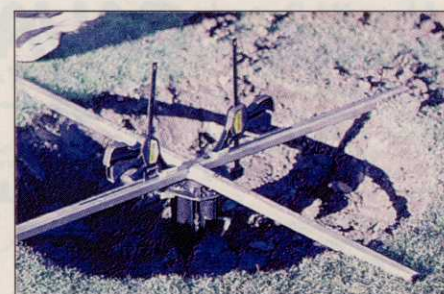
For the secondary market in the United States to flourish, however, customers must be comfortable with the quality of the equipment.



NEW PRODUCTS

Miltona's new leveling tool eases irrigation head and valve box installation

Miltona has introduced the Ground Zero Leveler, a common sense solution to installing sprinkler heads and valve boxes properly the first time. The unit allows all makes of heads and boxes to be clamped into place and held in a level position during installation. This lets the installer have both hands free for back filling and tamping. The



Miltona's leveling tool

Ground Zero Leveler is constructed of durable aluminum. For more information, contact 800-456-4351 or www.miltona.com.

Toro ready with powerful Groundsmaster 4000-D

The Toro Co. has introduced the Groundsmaster 4000-D, an 11-foot rotary mower that features three independent cutting decks allowing it to handle both wide open areas and trim areas. The unit is powered by a 58-hp turbocharged Kubota diesel engine. Full time, bidirectional 4-wheel drive delivers excellent traction and hill climbing ability. For more information, contact 952-888-8801 or www.toro.com.



Toro's Groundmaster 4000-D in action

"There is a certain amount of stigma associated with used equipment," said Wetzel. "To gain customer confidence we tie a one-year warranty to John Deere ProConditioned equipment."

John Deere has instituted a three-level system that rates each piece of used equipment. ProConditioned equipment represents the top of the line used equipment.

"ProConditioned equipment is fully serviced and comes out in pretty much new condition," said Turner Revel, owner of Revel Tractor Co. in Raleigh, N.C., who sold close to 300 ProConditioned units last year. "We make sure that there is no excessive wear on the machine; everything is looked over. We consider it remanufactured."

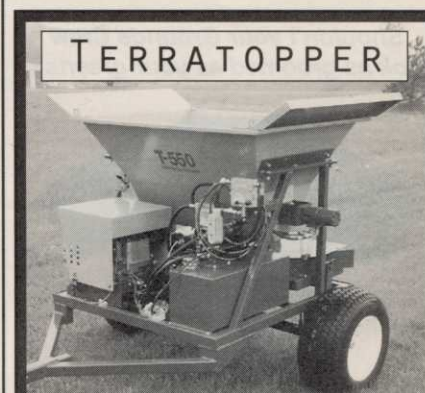
Creating a comfort level among superintendents, however, may vary on a regional basis, said Textron's Robson.

"Superintendents will compare notes on their experiences," he said. "I would not be surprised if the comfort levels were regional based, upon experiences with dealers or the condition of the products coming off leases."

BUYERS BEWARE

Indeed, with the market growing, there are more disreputable companies entering the business, cautioned Greg Wright, president of Statewide Turf Equipment in Sarasota, Fla. "You need to know who you are dealing with," he said. "There are a lot of companies that are getting in and out of the market right now that are just tearing the market up."

McCoy agreed. "You need to have a good mechanic and go see the piece of equipment," he said. "Don't buy it sight unseen. Make sure that the company is reputable and that they will stand behind the equipment. And talk to others who have bought from them." ■



If your budget is tight, the Terratopper model T-550 is the ideal topdresser for your needs. It is manufactured with all the outstanding features of our standard T-750 and our premium T-1000 model and kept at a cost you can afford. Buy the original spinner-type, topdresser — and get the BEST!

Call for a demonstration.

Terracare PRODUCTS CO., INC.
P.O. BOX 250, PARDEEVILLE, WI 53954
P: 608-429-3402 F: 608-429-2889
www.terracareproducts.com