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Combine lease firm expands fleet



Scott Hazlett, CEO of MachineryLink, is shown in front of a row of John Deere combines parked outside MachineryLink's operations center in North Sioux City. The Kansas City, Mo.-based company, the nation's fastest grower leaser of harvest equipment, has expanded its fleet of John Deere and Case-IH combines. (Staff photos by [Dave Dreeszen](#))

By [Dave Dreeszen](#) Journal business editor

NORTH SIOUX CITY -- Tony Vondrak, who farms just west of Hinton, Iowa, wants to harvest this fall's crop of corn and soybeans with a newer combine. But the six-figure cost of a brand new model gave him second thoughts about buying one.

Looking for an alternative, Vondrak made the short drive from his home to North Sioux City this month to check out MachineryLink's combine leasing program.

"We looked at buying. I'm concerned about getting tied up in a long-term loan," said Vondrak, who now owns a 2002 Gleener combine. "You're talking about \$100,000 to \$200,000 with a trade in."

A small, but growing number of small to mid-size farm operators view leasing as a way to lower their costs for a piece of harvest equipment they use just two or three months a year. That's help bolster the fortunes of MachineryLink, the nation's fastest growing provider of leased combines.

The Kansas City, Mo.-based company, which has an operational center in North Sioux City, has grown from eight combines at its inception eight years ago to 270 machines deployed in 33 states and Canada in 2007. Last year, the privately-held company's nearly 1,000 customers harvested 1.5 million acres of grain.

"We've seen phenomenal growth," MachineryLink president and CEO Scott Hazlett said. "I think that growth is being driven by a growing recognition among large progressive producers that they have to find ways to better manage their risk profile. Part and parcel of that is

getting better at asset management. Our customers recognize that superior cash flow and return on capital is far more important than owning the equipment."

Hazlett's comments came during a March 20 visit to the North Sioux City location, where he participated in a first-ever customer appreciation day. Vondrak was among the two dozen farmers who stopped by for the program and lunch of pulled pork sandwiches, cold slaw and baked beans.

Jan Anderson, who farms about 5,000 acres near Watertown, S.D., expressed satisfaction with his service from MachineryLink, now entering its fourth year. Anderson uses his own John Deere 9650 combine in the summer to harvest a small number of wheat acres. In the fall, he needs two machines to keep up with the corn and soybean harvest. Rather than own a second unit, he leases a 9760 John Deere through MachineryLink.

"I pay my rental fee, they bring me a combine at the end of September," Anderson said. "After I use it for the season, it's gone. I don't have to store it. I don't have to maintain it. I don't have another \$250,000 tied up in a machine."

Though equipment leases have long been commonplace in many industries, it's relatively new in agriculture, where independent farmers take pride of ownership.

"We certainly understand the passion associated with this wonderful equipment," Hazlett said. "The cliché is it's a real 'guy thing' to own equipment."

Machinery's lease programs, he said, free up dollars that operators can use to pay down debt, buy or rent more land, or put toward the purchase of other, less expensive farm equipment, such as state-of-the-art planters or sprayers.

"It's not about owning equipment, it's about owning the right equipment," the CEO said. "What we find is our customers are redeploying available capital, from doing business with us, back into equipment."

Not only do MachineryLink customers not have a new combine gathering dust in a shed after the harvest is over, they're not saddled with insurance premiums and high interest rates on a loan.

Mark Gabrick, regional marketing manager for MachineryLink, added many lenders prefer that farmers lease combines because it takes the hefty expense of a machine off the balance sheet.

Over the life of a lease, an operator can save 10 to 30 percent, compared to owning the same piece of equipment, Gabrick said. Two lease payments are required each year -- with the first installment due prior to delivery of the machine and the other half when it's returned.

The standard three-year leases also gives them the option of upgrading to new technology as it becomes available from the manufacturers.

"There's a lot of flexibility built into our program," Gabrick said.

MachineryLink traces its roots to the late 1990s, when a Kansas wheat farmer began partnering with area growers to share agricultural equipment. The company was founded in 2000.

Earlier this year, MachineryLink announced an expansion of its fleet of new and late model combines, which are all less than three years old, generally with 150 to 1,800 separator hours. Seventy new John Deere 9770 STS and Case 2588 AFX

combines are being added this year, bringing the total number of available machines to more than 250.

Dozens of the combines are kept at the North Sioux City operations center at 745 N. Derby Lane. The quonset-like building, with quick access to Interstate 29, was once a former distribution center for Gateway computers.

MachineryLink's North Sioux facility stores, clean and maintains combines before and during the harvest season. Also a center for field service, sales and training support, the center normally employs about 12 people, but has as many as 20 workers on site during busy seasons.

"This is a very productive team here," Hazlett said during his recent visit. "It's a great culture here."

MachineryLink's only other operations center is in Pratt, Kan. At one time, company leaders explored moving the North Sioux City facility to a different site in the region, but eventually decided to stay put.

"One of the things that we have to always look at very carefully is finding the optimal location for permanent facilities, relative to how we move equipment," Hazlett said. "We felt that, at least in the foreseeable future, this is a facility that makes a lot of sense for us."