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Leasing a viable option for farmers in the market for new machinery

MOORESVILLE, Indiana, October 27, 2014 – Farmers hesitant to purchase a new tractor, combine or self-propelled sprayer but needing to upgrade their machinery might consider leasing.

Today's lease options allow growers to enjoy the privileges of equipment ownership, deduct the equipment lease as a business expense on their federal income taxes and generate higher cash flow. Plus, when the lease period ends farmers can trade the machinery in for new equipment or purchase the leased machinery outright – often at attractive monthly payments.

“If you're going to be farming the rest of your life and want the most up-to-date equipment with all the precision technology every few years, leasing makes the most sense,” said Nick Smith, Inside Sales manager at Equipment Technologies, manufacturer of Apache-brand sprayers. “In a lease you're only paying for what you use. I've heard it said that usage, not ownership, helps you increase revenue. And it's true.”

Most leases run 2-7 years and require a down payment based on the lessee's credit history. Annual lease payments usually run about \$10,000 less than purchase agreements. If the lease involves a trade-in a farmer can defer annual payments for up to a year. And with Apaches, Equipment Technologies honors its industry-leading warranty on any leased machine.

The lease process is simple, and quick.

“A lot of it can be done over the phone,” Smith said. “We can find out what kind of payments a customer is comfortable with, run a credit check and find out how much a customer is approved to borrow in just a few hours. In the case of our Apaches, if a sprayer is on the lot at one of our dealerships near them they can be in the machine spraying on their farm within a couple of days.”

The two most common leases are operating and finance. The operating lease, also known as a “true lease,” involves a series of regular payments that can be tax-deducted as ordinary expenses and provides several options for renewal or equipment purchase when the lease ends.

With the finance lease, sometimes called a “conditional sales lease,” the lessee is considered the machinery owner and can place the equipment on a depreciation schedule. The finance lease also allows farmers a “purchase upon termination” (PUT) option, whereby they buy the equipment when the lease expires for a predetermined amount.

“There's a lot of flexibility built into leases,” said Jake Follrod, an Equipment Technologies regional director serving Apache Dealers in nine eastern and southern states and Ontario, Canada. “When I talk to a grower I help them think about the hours they'll use the sprayer. From that I can tell them how much it's going to cost them per hour to lease the machine.”

Tax benefits are another reason farmers may choose to lease. The Internal Revenue Service permits farmers to deduct equipment leases on their federal income taxes. Under Section 179 of the U.S. tax code farmers can deduct up to \$25,000 on equipment purchases or leases exceeding \$200,000 during the 2014 tax year. Previously the deduction limit was \$500,000 on purchases/leases of \$2 million. News reports indicate Congress could consider reinstating the higher deduction limit when it meets after the November midterm elections.

“Given the resale value history of Apaches, if you lease a machine the residual value of that sprayer would be better than it would be if you traded it in on your own,” Follrod said. “You'll be in a better equity position. It gives you real leverage.”

Equipment Technologies assembles Apache Sprayers at its Mooresville, Ind., plant. Farmers can choose from among five Apache models: AS720 (750-gallon product tank, 160 horsepower), AS1025 (1,000-gallon tank, 173 horsepower), AS1220 (1,200-gallon tank, 215 horsepower), AS1020 Plus II (1,000-gallon tank, 275 horsepower) and AS1220 Plus II (1,200-gallon tank, 275 horsepower).

Standard Apache features include:

- A state-of-art cab with full precision technology, intuitive control console, ergonomic seat design, rearview camera display, noise-dampening features, Polk™ Audio system with Jensen® HP speakers, SiriusXM™ radio, “plug and play” ISOBUS technology, multiple storage compartments, 360° view with more than 66 square feet of glass, digital media USB jack and Bluetooth™-ready.
- “Flex-Frame” construction for smoother ride.
- Patented suspension system with anti-sway hydraulics.
- Hella® Halogen lighting package.
- Torque-converted, power shift transmission for tough terrain.
- A lighter weight-to-horsepower ratio that sends 98 percent of the Apache's horsepower to the ground. Apaches weigh 3,000-9,500 pounds less than competing sprayers.

Apache owners can choose boom widths ranging from 80-100 feet. Aluminum Pommier™ booms of 120- and 132-feet are available as an option.

All 2015 model Apaches come with a five-year warranty that covers all machine parts for the first two years up to 1,000 hours of operation, and the drivetrain and parts for years 3-5 up to 2,000 hours of operation.

Equipment Technologies markets its sprayers through a vast dealership network in the U.S., Canada, Australia and Ukraine. Visit www.etsprayers.com for more information and a dealership locator.