



# AG EQUIPMENT

## MANUFACTURING & SALES

Kansas is home to agricultural equipment manufacturing and sales companies in a broad range of sizes and specializations. Many of these companies have an international presence along with a strong presence across the U.S. Farming and ranching are a dominant segment of the state both economically and geographically, which creates an abundance of potential customers for agricultural equipment companies. The strong customer base, along with supportive state policies which encourage agricultural development, make Kansas a prime location for growth in the ag equipment manufacturing and sales sector.

Challenges remain, however, and present possible barriers to continued growth. Establishing a reliable workforce is difficult in many agricultural sectors, and can be particularly problematic in this field that relies on specific technical knowledge. Many new equipment companies are small



operations, and it is challenging for small businesses to get a foothold in the industry and market their products. There is currently no state association to provide support within this sector nor to advocate for the industry.

There is great potential for growth within the agricultural equipment manufacturing and sales sector, but it will require input and discussion among key partners to develop a long-term growth strategy. Focused efforts to establish international relationships could open new markets. Existing state business resources could be directed specifically to agricultural business development. Enhanced educational and workforce development programs would expand the talent pool and support existing companies as well as attract new companies. A strategic growth plan built from collaborative efforts from public and private stakeholders is critical to the future of this sector of the agriculture industry.

# STATUS

Kansas is home to agricultural companies of all sizes specializing in equipment for livestock and farming. Many of these companies have an international presence and impressive market penetration within the United States. The agricultural equipment manufacturing industry contributes \$2.3 billion to the Kansas economy and is the 36th largest industry in the state.

Nearly 90 percent of Kansas' land mass is devoted to farming and ranching, providing ample customers for agricultural manufacturers' product lines. Pairing the prevalence of the agricultural industry with Kansas' pro-business climate and Midwest values makes Kansas a prime location for equipment manufacturers or equipment sales companies which are looking to create or expand their businesses.

According to estimates prepared by the Kansas Department of Agriculture and based on the IMPLAN economic data model, the farm machinery industry in Kansas has a total direct output of approximately \$2.3 billion and creates 4,648 jobs.

The industry supports a total of 10,871 jobs and provides a total economic contribution of \$3.3 billion. Taking into account all agricultural equipment (farm machinery, lawn and garden equipment manufacturing, food product machinery manufacturing, etc.), these sectors have a direct output of \$3.2 billion with an employment of 7,266. These sectors have a total economic impact of \$4.6 billion and support 16,210 jobs in the Kansas economy.

# OPPORTUNITIES

In order to develop a strategic growth plan for the agricultural equipment manufacturing and sales sector, it is important to understand the areas where Kansas has a comparative advantage and the best opportunities for growth or expansion.

Factor	Implications for Growth and Development Opportunities
<b>Economic Development Opportunities</b>	KDA is engaged in the Strategic Growth Initiative, a pilot program as part of the Land in Kansas statewide economic development initiative to help counties and communities proactively seek potential business growth opportunities.
<b>Existing Customer Base</b>	46.1 million acres are devoted to farming and ranching in Kansas, nearly 90 percent of the state's total land mass. Kansas has an abundance of potential customers for agricultural equipment companies.
<b>International Trade</b>	The Kansas Department of Commerce Golden Key Matching Service may provide export assistance to Kansas companies via U.S. commercial service programs.

Factor	Implications for Growth and Development Opportunities
<b>Policy Environment</b>	<p>Kansas tax law allows sales tax exemption for farm machinery and equipment and various ag-based inputs. These state tax code provisions make Kansas a more attractive state for growth or expansion.</p> <p>The High Performance Incentive Program (HPIP) provides sales tax exemption on the construction, reconstruction and remodeling of facilities for projects greater than \$50,000.</p> <p>Also at the state level, Kansas works closely with the agricultural industry to ensure its protection from overreaching federal regulation.</p> <p>At the federal level, Kansas is fortunate to have elected members of Congress who strongly support the agricultural industry. The Kansas congressional delegation will play an important role in influencing positive changes related to federal regulations or legislation, international trade, federal taxes, transportation rules, natural resources and more.</p>
<b>Workforce Development</b>	<p>Kansas is home to a strong community college and technical college network that can provide training for manufacturers. There is potential to develop apprenticeship and internship programs that could be piloted with agricultural equipment manufacturers already in Kansas. Additionally, an opportunity to consider is bridging Farmer Veteran Coalition resources (Fort Riley, Fort Leavenworth and McConnell AFB) with the U.S. Army's exit counseling centers to place Army veterans in open workforce positions across the state.</p>

## CHALLENGES

While Kansas is poised for potential expansion in the agricultural equipment manufacturing and sales sector, the following factors represent challenges serving as barriers to achieving the objective of the strategic growth plan.

Challenge	Details of Challenge
<b>Critical Infrastructure</b>	<p>A lack of adequate housing in rural areas compounds the issue of a shortage of agricultural workers.</p>
<b>Domestic Sales</b>	<p>Volatility of agriculture markets can be a direct inhibitor to growth in agriculture manufacturing. Concern over brand purity exists with some Kansas independent equipment manufacturers.</p>

Challenge	Details of Challenge
<b>Industry Association</b>	There is no real connection within the industry. Kansas currently does not have a sector association; rather, the Association of Equipment Manufacturers (AEM) is a national organization that hosts an industry sector for agriculture.
<b>International Trade</b>	Access to international markets for equipment products is a positive potential revenue stream. Resistance to free trade agreements at the federal level can hinder this access.
<b>Policy</b>	Federal laws and regulations impacting the agricultural community as a whole, including trade policies, threaten the profitability of farmers and ranchers which decreases their ability to purchase inputs such as planters, plows and other farming equipment. State laws outlining trailer title requirements, intellectual property (precision agriculture), transport limits and even minimum wage changes can be inhibitors to business success.
<b>Small Businesses</b>	<p>It is difficult for small companies to get their products in stores to make them accessible to consumers.</p> <p>Marketing assistance is also challenging. It is difficult to find sufficient scale to make an economic impact on marketing efforts outside of Facebook and social media.</p> <p>There is a lack of programs in the state to provide “soft incentives” such as business plan writing and coaching to interface with venture capital markets.</p>
<b>Workforce Development</b>	Graduates with technical knowledge in engineering, agriculture, computers and technology will be necessary to fill the workforce needs of this industry. Involving students at a younger age is a challenge as the industry needs to recruit these students while they are in secondary programs.

## SUCCESSSES

Key successes in the ag equipment manufacturing and sales industry:

- Prairieland Partners has developed a strategy to reach out to secondary schools to recruit students while in high school.
- A State Trade Expansion Program grant enabled a new trade mission to AGRO 2018 in Kiev, Ukraine.
- Great Plains Manufacturing expanded operations in Abilene by adding a 350,000-square-foot facility that will add 200 jobs in four years.



## Ag Equipment Manufacturing & Sales

# GROWTH OBJECTIVE:

Establish Kansas as an innovative state in the agricultural equipment manufacturing and sales industry by fostering a business environment that supports new and expanding companies through increased exports, marketing and industry collaboration.



## OUTCOMES & ACTION ITEMS

Leaders from throughout the Kansas agricultural equipment manufacturing and sales industry will continue to collaborate in the development and implementation of a long-term strategic growth strategy with input and discussion among key partners. Industry-identified desired growth outcomes, initially developed in 2016 and expanded to include action items, will be implemented by industry and key partners and updated annually at the Kansas Governor's Summit on Agricultural Growth. Following are the proposed action items to continue building on the achievement of the agricultural equipment manufacturing and sales sector desired outcomes.

### High Priority Outcomes

#### Increased emphasis on technology-related agricultural education at the high school level.

##### ACTION ITEMS:

- KDA, Kansas State Department of Education (KSDE) and Kansas Department of Commerce work with business and industry to partner with secondary schools on developing open houses for all levels of students.
- Local manufacturers, KDA and KSDE work to encourage high schools to offer education in technology.
- Kansas Department of Labor, KDA, KSDE, Commerce and the Kansas Insurance Department work to develop policies for secondary school internships for students who are 16-17 years old with local manufacturers and dealers.
- Reach out to nonagricultural students interested in technology to encourage them to consider a program of study focusing on agricultural technology.
- Establish exact needs of technology companies and communicate those needs to high schools.
- Develop education-to-business partnerships on secondary and postsecondary levels that address needs of both the classroom and the workplace in recruiting ag technicians.
- Work with school counselors/administration on "branding" ag technology as a valued path in education.
- Increase number and awareness of scholarships for students.

#### Increased exports and international presence bolstered by an international trade tour for potential foreign customers to meet with Kansas equipment manufacturers. Expanded trade program promotion efforts and assistance to make international marketing more accessible for a wider variety of manufacturing businesses, including small businesses.

##### ACTION ITEMS:

- Encourage companies to participate in trade missions as well as reverse trade missions.
- Evaluate promotion programs to ensure applicability to equipment manufacturers.
- Engage with trade organizations and farm shows to determine feasibility.
- Increase education/promotion of Kansas International Trade Show Assistance Program (KITSAP).
- Inform, involve and recruit dealers and manufacturers to participate in international opportunities through resource meetings provided by Commerce and KDA.

**Fully functioning agricultural equipment coalition or association for manufacturers and dealers to combine resources with a focus on marketing Kansas-made products.**

**ACTION ITEMS:**

- Convene a meeting of agricultural equipment manufacturers to discuss the framework.
- Act upon recommendations of the manufacturers interested in joining the coalition.
- Work with Kansas Agribusiness Retailers Association to target small dealers in manufacturing and personally invite them to join a state association.

**Continuation of state policies which encourage business success, specifically pro-growth policies on income, property and sales tax for industry, as well as state-sponsored economic development incentives and “soft” incentives (e.g. mentorships, internships and training on interaction with financiers) which meet the needs for all equipment manufacturers to ensure they have the information, workforce and financing they need to economically grow and thrive in Kansas.**

**ACTION ITEMS:**

- Market the benefits of Kansas' business friendly environment.
- Educate law makers how the current environment is good for business.
- Engage in legislation that affects Kansas' pro-growth business environment.
- Engage Kansas Agriculture and Rural Leadership (KARL) program as an avenue for soft-incentive development, internships, interactions with financiers, etc.
- Secure state financing for the development of agriculture technology programs in high schools.
- Secure state tax credits for those businesses that use training partnerships with secondary and postsecondary schools.

**Increase in agricultural equipment manufacturing and sales companies in the state of Kansas.**

**ACTION ITEMS:**

- Promote the Strategic Growth Initiative process, a pilot program to help counties and communities proactively seek potential business growth opportunities, working with KDA and the Kansas Department of Commerce.
- Gather company contact information to set up meetings.
- Meet with site consultants to introduce them to Kansas.
- Establish potential workforce pipeline to include graduating/credentialed students, Transition Assistance Program (TAP), Kansas Industrial Training (KIT), Kansas Industrial Retraining (KIR), KansasWorks, and other employee-ready programs.
- Work with economic development leaders in various communities to create network of locations that welcome agricultural manufacturing business development growth.
- Development of marketing/public relations materials targeting agricultural manufacturing recruitment.
- Work with Kansas Department of Corrections to increase amount of work release programs.
- Work with local economic development professionals in rural areas to support local efforts already happening.
- Partner with Kansas Economic Development Alliance on local economic development activities.

Policies in this document are a reflection of industry discussion and not a representation of state government.

