



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 make up 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 farm machinery and equipment manufacturing industry contributes \$4.0 billion to the Kansas economy and is the 37th 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 a Kansas Department of Agriculture IMPLAN economic model, the estimated direct impact of the farm machinery and equipment manufacturing, lawn and garden equipment manufacturing, food product machinery manufacturing and sawmill, woodworking, and paper machinery sectors is \$3.4 billion in output and 6,767 jobs. Including indirect and induced effects, the total impact of these sectors on the Kansas economy reaches \$5.0 billion in output and 15,293 jobs. An additional model shows the impact of only the farm machinery and equipment manufacturing sector on the Kansas economy. The sector has a direct output of \$2.7 billion and accounts for 5,247 jobs. In total, the sector contributes \$4.0 billion in output and 12,071 jobs.

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
Economic Development Opportunities	KDA is engaged in the Strategic Growth Initiative, an agriculture economic development initiative to help counties and communities proactively seek potential business growth opportunities.
Existing Customer Base	There are 45.7 million acres 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.
International Trade	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
Policy Environment	<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>
Workforce Development	<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
Critical Infrastructure	<p>A lack of adequate housing in rural areas compounds the issue of a shortage of agricultural workers.</p>
Domestic Sales	<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
Industry Association	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.
International Trade	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.
Policy	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.
Small Businesses	<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>
Workforce Development	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.

SUCCESSES

Key successes in the ag equipment manufacturing and sales industry:

- A hands-on immersion activity designed to recruit students while highlighting the skills needed in the sector was piloted at a southeast Kansas ag equipment dealership in the fall of 2018.
- Kansas State Department of Education, Kansas Department of Commerce, Kansas Department of Labor, and KDA worked with stakeholders to compile work-based learning strategies that KSDE used to create the Kansas Work-Based Learning: Personalized Learning Plan.
- Kansas State University’s department of communications and agricultural education convened industry partners to develop essential technical skills needed for entry-level employees so that ag education instructors can be prepared to demonstrate and teach needed skills to secondary students.
- 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. As a result, three Kansas agriculture equipment manufacturers hosted a reverse Ukrainian trade mission in 2020 in which those in attendance placed orders for their combined product.
- Great Plains Manufacturing expanded operations in Abilene by adding a 350,000-square-foot facility that will add 200 jobs in four years.
- Collaboration between KDA, Kansas Manufacturing Solutions, and the Technology Development Institute has resulted in the identification of over 200 Kansas farm machinery and agricultural equipment manufacturers in order to engage them in bi-monthly webinars. The goal of this collaboration is a Kansas coalition of ag specific manufacturers to create opportunities to provide access for their products by consumers both domestic and international.

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:

- Kansas Department of Agriculture, Kansas State Department of Education 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.
- Reach out to nonagricultural students interested in technology to encourage them to consider a program of study focusing on agricultural technology.
- 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.

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

ACTION ITEMS:

- Promote the Strategic Growth Initiative process, a program to help counties and communities proactively seek potential business growth opportunities, working with KDA and Kansas 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.

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 Kansas Commerce and KDA.

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

