

AN INVESTIGATION INTO VINTAGE AND CLASSICAL TRACTOR COLLECTIONS, IN THE UNITED KINGDOM, AS A LONG TERM INVESTMENT OR HOBBY

Mark FRANCE¹, Lancelot BUTTERS²

¹Myerscough College, Bilsborrow, Preston PR3 0RY, United Kingdom

²University of Central Lancashire, Preston, Lancashire, PR1 2HE, United Kingdom

Corresponding author email: mfrance@myerscough.ac.uk

Abstract

This paper critically examines agricultural tractor collection values as a financial investment for the future, or hobby for the present, it includes the make and model of tractor giving the best return on investment. Processed data proves a collection of vintage and classic tractors is a viable investment strategy, with rates of return reaching 7% and above. This demonstrates that a classic tractor investment has higher rates of return than other methods; including savings accounts, and is potentially less risky than stocks or shares. Tractors are at their lowest value when they are around 20 years old, the best age to invest; as they age further their value begins to appreciate, original and rare examples demanding higher values as these are seen to be more collectable. The majority of collectors have an industry related background, and do not collect these tractors solely for investment purposes; in fact most are collected as a hobby; contrary to the prediction at the start of this investigation. This research found for 30% of collectors it is just a hobby, whereas 20% collected as an investment and 50% combined both hobby and investment; however, collecting is not always merely a hobby; it can develop into an addiction, where the collector no longer just wants to collect tractors but has an uncontrollable need to collect them, completely changing the purpose of the collection from being an investment to being a psychological need. Additionally, it has been demonstrated that a number of those who collect classical and vintage tractors, as an investment, become too attached to their collections to sell them, meaning the collections can be passed down through families.

Key words: collection, investment, tractor, hobby, classical, vintage.

PROJECT AIMS

1. Critically analyse research to identify the investment advantages available and compare these to alternative investment methods in relation to rates of return and risk.
2. Compile a chart showing the prices from the date of purchase as new to their current prices which will show rates of depreciation and point of lowest value.
3. Discover the current and future trends to ascertain the best time for purchase and for selling as an investment.
4. Identify who is collecting and for what reasons, for a hobby or as an investment, or both.
5. Identify who is investing in vintage and classic tractors and why they have chosen this over alternative investments available.

INTRODUCTION

On a regular basis the media publishes articles covering the value of classical cars and the price they demand at auction; rarely does the press mention the developments of classical tractor collections, over the past twenty five years or so there has been huge growth in companies manufacturing reproduction components for tractors seventy years old and even older. A number of specialist magazines cater for the enthusiast (Classic Tractor, Tractor and Machinery, to name but a few). With this in mind the value of the classic tractor market has been investigated.

A considerable number of private classic tractor collections are in existence within the UK, the vast majority are not made public; by researching this facet of the sector, the value of collections can be calculated, interviewing a selection of collectors determined the

objectives of the owners of these collections or what drives them to create such collections.

Collectable items have the potential to appreciate in value over time as they become rare and desirable, this can include such things as; art, wine and guitars. Collecting for an investment does require large capital inputs, thus making it not really profitable over the short term and meaning collectors need to be holding for the long term (Satchell, 2009). Most collections have been built up over many years and often comprise of one specific manufacturer or one specific model range within a manufacturer’s portfolio. Research has endeavoured to determine the reasoning behind the choice of model and manufacturer and how this reflects on the value of current collections. Further research investigates the comparison of capital return on a classic tractor collection compared with other forms of investment.

Six popular tractors were selected and were divided into two groups of three, from a similar period and similar in size and cost; thus making them competitors on the market. The first three similar tractors were from the early 1960s, around 45 horsepower and cost in the region of £660 at the time of purchase.

The latter three tractors were from the same manufacturers in the late 1970’s after the introduction of new legislation in 1976 which required noise levels in tractor cabs to be below 90db. This led to the development of the Quiet Cab (“Q” Cab) (Ware, 2009). These three tractors are fitted with the “Q” Cab and are approximately 70 horsepower. At this time due to inflation these tractors cost approximately £6400-00.

Table 1. the breakdown of each tractor for its cost, power and production years (Williams A (1964); Fellows T (1977); TractorData (2013)

Manufacturer	Model	Production	Hp	Cost
David Brown	880 Implematic	1961-65	42.5	£670
Massey Ferguson	35X	1962-64	44.5	£652
Fordson	Super Dexta	1962-64	44.5	£666
David Brown	1212	1971-76	72	£6572
Massey Ferguson	575	1977-83	66	£6286
Ford	6600	1975-81	78	£6552

This study is expected to show that vintage and classic tractors are an alternative investment

which can compete with more traditional investment methods. Due to this, it could be seen that most collectors are collecting tractors primarily as an investment. It is also expected to show that the older generation are selling their collections to supplement a pension

MATERIALS AND METHODS

The research project critically compared the original cost of each tractor with its market value over a period of circa 50 years, plotting depreciation in the early years and appreciation in the later years; using this data the future values could then be calculated. Inflation during the years between original purchase and current period was factored into the calculation. For an investment to be viable it must match or be greater than the rate of inflation to ensure a return on the investment long term (Aby and Vaughn, 1979).

Daryl Roxburgh states that for collectable items to provide a greater return they must be highly liquid, to allow for ease of sale, also rarity and homogeneity are essential to produce premium returns. Collecting as an investment can also have many joys for the collector, such as searching for missing items, showing their collection, visiting exhibitions and auctions (Satchell, 2009).

The collecting of tractors as an investment is similarly compatible to that of cars and other collectable items (Russell, 2008).

Due to the many risks involved in all these alternative investments many investors will compile an ‘investment portfolio’. Coates (1978) defines a portfolio as a combination or collection of securities or other investments. By diversifying the money across several different investments, an investor can considerably lower the risk they expose themselves to without reducing the amount of money they may make. This diversification is not a new concept, remember the old saying:

“Don’t put all your eggs in one basket”

By using numerous investments the gains will usually more than offset the losses, whereas when there is only one investment, the investor is often faced with either feast or famine (Coates, 1978).

This is sometimes overlooked because of the time and effort needed to develop expertise in several investment areas, thus leading to many investors concentrating in one particular type of investment (Coates, 1978).

Firstly a financial study investigated tractor price trends plotting the expected depreciation and identifying the point at which tractors start to appreciate in value. Gathering this information from agricultural and tractor magazines using the classified advertisements and auction reports as the data source, published from the 1960's.

The six identified test tractors were used to provide accurate data on the depreciation and appreciation of vintage and classic tractors. The tractors were studied in terms of price from new to the current date to plotting a depreciation chart for each tractor.

This report also investigated both the investment opportunities available through vintage and classic tractors and the mentality behind who is collecting what and the reasons behind their choice this involved two separate areas of research which both provided individual results. These were analysed together to produce an overall conclusion.

To provide accurate results the tractors were broken down into six categories relating to their condition, similar to that of the Tractor and Machinery's Price Guide divided into six levels of condition:

1. Spares or Repairs
2. Ex-Farm (requires full overhaul)
3. Original Condition
4. Working Order (may have some faults; mechanical or cosmetic)
5. Good Working Condition
6. Excellent Condition (new or recently fully restored)

Two main sources for tractor prices were used; copies of Farmer's Weekly magazine covering the period between 1960 and 2002 and Classic Tractor magazine from 2002 until 2011. These magazines were chosen for their distribution coverage and known to provide unbiased data also the local library had a complete set of the magazines, for the period of research, archived and available for research.

'Farmers Weekly' covered the period from 1960 through to 2002 where 'Classic Tractor' took over until the present date.

Secondly research focused on collectors and collections; carried out through interviews with collectors and visits to collections.

Using a short questionnaire to provide a structure to the interviews enabled all data required to be obtained including who is collecting and why.

The use of open ended questions encouraged the collector to talk about their collection freely and provided other information of use during this investigation, such as rarity in their collection and the history of some of their tractors.

RESULTS AND DISCUSSIONS

The results from the tractor prices compiled were identified and input into tables; using his information scatter graphs were produced. From this a trend line can be applied, this will replicate a depreciation / appreciation curve.

To provide accurate results, the prices used were from the condition grades 5 and 6, although where advertisement numbers are scarce, condition 4 were used.

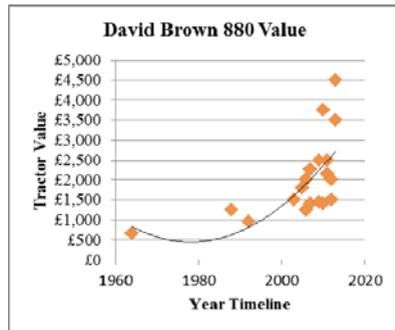


Figure 1. Value curve for David Brown 885

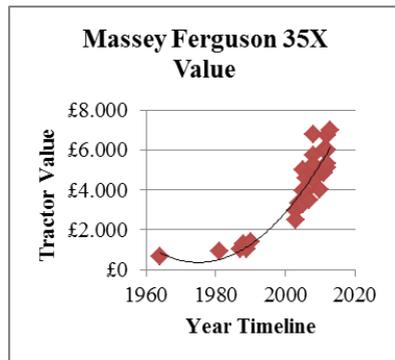


Figure 2. Value curve for Massey Ferguson 35X

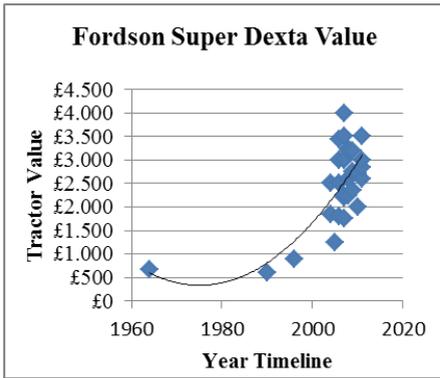


Figure 3. Value curve for Fordson Super Dexta

The three scatter graphs all follow a similar shape demonstrating an appreciating curve. However the graphs for the Massey Ferguson 35X and Fordson Super Dexta have a steeper gradient showing a better rate of appreciation compared with the David Brown 880. There is a lack of accuracy in the graphs between 1960 and 2000 due to a limited number of results from this time.

However the graphs do show depreciation during this period due to the trend line curve, although this is minimal. The expected cause of this would be the acceleration of inflation during this period, this would explain why the value of the tractors hardly reduced, as the inflation equated to money being worth less. Between 1964 and 1975 inflation had reached over 100% Associated Newspapers Ltd (2013). This means even if the tractor cost the same as its price at new, after the 11 years, its price would technically be equivalent to half that of its original price due to inflation, thus showing depreciation of fifty percent.

The increase in results on the graphs from the new millennium, make the trend curve more accurate, giving a more reliable representation of appreciation.

The three scatter graphs show the late 1970's tractors. They all follow a similar, reasonably symmetrical shape although on different gradients, with the Ford 6600 having a shallow gradient and the David Brown1212 having a steep gradient. This symmetry is due to the tractors current value being similar to that of their original price when new, without taking inflation into account.

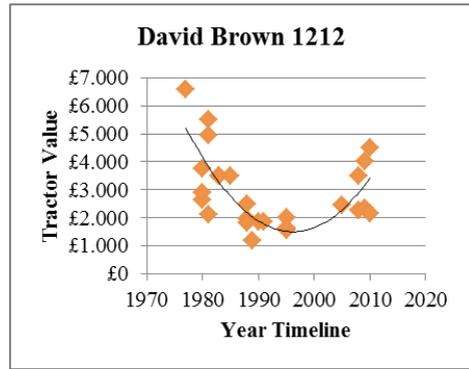


Figure 4. Value curve for David Brown 1212

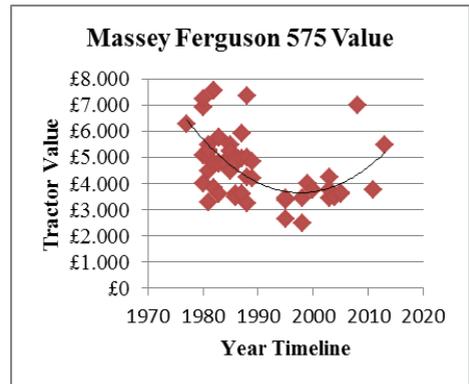


Figure 5. Value curve for Massey Ferguson 575

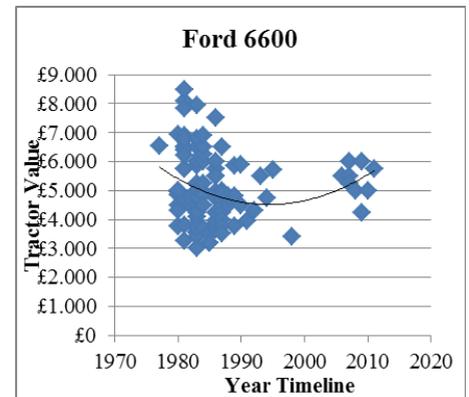


Figure 6. Value curve for Ford 6610

All three graphs show depreciation in the value of the tractors, with their lowest points all being during the 1990's when the tractors are approximately twenty years of age, however the Ford 6600 has the smallest depreciation out of the three tractors, having a drop of only £1500 on the trend curve, whereas the David

Brown 1212 graph demonstrates quite a significant depreciation in the tractor's value, with a drop of around £4000 on the trend curve. The Ford 6600 graph is also the most symmetrical, and its current value is most similar to its original price at new, whereas the David Brown 1212 and the Massey Ferguson 575 both have a current value which is less than their original price, although these both have a greater rate of appreciation than the Ford 6600, with the David Brown 1212 having the steepest appreciation.

Together the six scatter graphs show that the tractors featured are at their lowest values when they are approximately 20 years old, potentially this trend could be transferred onto newer tractors, which may also be at their lowest values when they reach 20 years old, which may possibly be followed by appreciation.

The scatter graphs for the older three tractors demonstrate a better rate of appreciation compared to the newer three, however since the appreciation of all these tractors seem to follow a polynomial growth trend, the appreciation may well begin to increase in rate for the newer three from now on since the appreciation for the older three started to increase more steeply from about 20 years after their minimum value, when they were about 40 years old. The newer three are now about 40 years old, their rate of appreciation may potentially begin to increase more rapidly. This could show that they are currently at an ideal time to be invested in, since they are already showing to be increasing in value yet are currently still affordable as their prices haven't "rocketed" yet.

Using the trend lines from the scatter graphs, and assuming that the market remains stable, it is possible to calculate the rate of return for each of these tractors by taking the values on the trend line for 2000 and 2010 and using the future value concept formula:

$$S_n = S_0(1+r)^n$$

Clayton G & Spivey C (1978)

Where

S_n is the value in 2010,

S_0 is the value in 2000,

$n = 10$, the number of years,

r = the rate of return.

R , the percentage rate of return, can be worked out by rearranging the above formula to give:

$$r = [(S_n/S_0)^{0.1} - 1]$$

$$R = r \times 100$$

The results of these calculations are shown in the table below:

Table 2. Expected tractor value

Tractor	Value in 2000	Value in 2010	R (percentage rate of return)
Massey Ferguson 35X	£2,800	£5,300	6.59%
Fordson Super Dexta	£1,700	£2,900	5.49%
David Brown 880	£1,350	£2,350	5.70%
Massey Ferguson 575	£3,700	£4,600	2.20%
David Brown 1212	£1,600	£3,400	7.83%
Ford 6600	£4,600	£5,600	1.99%

These examples show that the Massey Ferguson 35X will give a much better return than the Ford 6600 if these rates of return stay constant over the next ten years, since the Massey Ferguson 35X's rate of return is currently so much higher. However, as explained previously, the rate of return for the Ford 6600 could increase up to a similar level as the other older tractors over the next 20 years; this may also be the case for the Massey Ferguson 575. The David Brown 1212 is already at a higher rate though, and is offering the best rate of return out of all six tractors studied.

Further to the results from the tractors, results from the interviews have revealed that when people collect tractors, they tend to have large collections, with over half of the collectors interviewed having more than 50 in their collections, as shown in the pie chart. Also, it can be seen that the majority of collectors do not collect them purely as an investment; they collect tractors as a hobby, showing that collectors often have an emotional connection to their tractors.

Further to the results from the tractors, the results from the interviews have revealed that when people collect tractors, they tend to have large collections, with over half of the collectors interviewed having more than 50 in their collections, as shown in Graph.7. Also, it

can be seen from Graph 8, the majority of collectors do not collect them purely as an investment, but they collect tractors as a hobby, showing that collectors often have an emotional connection to their tractors.

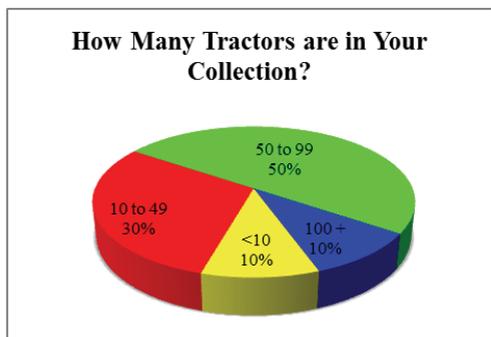


Figure 7. Size of tractor collections



Figure 8. Breakdown of tractor collections

All of the collectors interviewed were found to have had a link to agriculture during their childhood which could be the cause for them choosing to collect tractors over other objects, possibly due to the psychological reasons for collecting as discussed previously (Muensterberger, 1994).

It has also been interpreted that the collectors seem to acquire tractors that they are more familiar with, and have been brought up to use, for example, one collector mainly collects 500 series Massey Fergusons since he was brought up with this particular model and learned to drive in a Massey Ferguson 550.

As shown on Graph 9, the majority of collectors restore the tractors themselves, this is related to the collectors level of expertise, how much it may cost to restore the tractors and also that tractor collecting is mostly done as a hobby, as well as an investment. For collectors,

restoring the tractors themselves is all part of the fun, giving the collector enjoyment and a sense of satisfaction and achievement Satchell (2009).

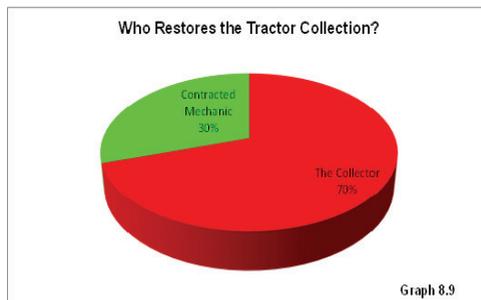


Figure 9. Tractor restoration

CONCLUSIONS

To conclude on the research and investigation which set out to identify if vintage and classic tractor collecting is an investment or hobby, it has been shown that collecting vintage and classic tractors is a viable method of investment, with rates of returns of up to and above 7%. This demonstrates that investing in classic tractors has higher rates of returns than several other investment methods, such as using savings accounts, and is potentially less risky than other investment methods, such as stocks or shares. It has been shown that tractors are at their lowest prices when they are around 20 years old, hence showing that the best age to invest in one is when they are just over 20 years old when it can be seen that their value has begun appreciating, knowing this information is a great advantage when investing in them. It has also been shown that original and rare examples are demanding higher values as these are seen as more collectable and a better investment.

However, it has also been shown that the majority of vintage and classic tractor collectors have an industry related background, and do not collect these tractors solely for investment purposes, in fact most of them collect them as a hobby, contrary to what was predicted at the start of this investigation. This research has also discovered that collecting is not always merely a hobby, but can develop into an addiction, where the collector no longer just wants to collect tractors but has an uncontrollable need to collect them, completely

changing the purpose of the collection from being an investment to being a psychological need.

Additionally, it has been demonstrated that even those that do collect the tractors originally as an investment do not actually experience the return for themselves. This is because they end up too attached to their collections and are unable to sell them, meaning the collections get passed down through their family generations.

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