The impact of supply and demand

THE DOMINANT ISSUE AFFECTING AUCTION PRICES

The law of supply and demand plays a dominant role in any business endeavor affecting values and prices of every commodity and service. It is an elementary concept: when demand is low because of regional or international conditions, values plunge. When the conditions are resolved the status is reversed. Business improves and demand returns to the marketplace.

Rosen Systems is stationed in neutral territory, always confronting the whims of the specific markets. The values of machines, especially specialized machines, can become highly volatile, with worth directly related to the supply and demand.

“When times are bad in certain industries, we have had some highly successful sales when liquidating machinery,” recalled Kyle Rosen.

Sheet metal fabrication machinery

Sheet metal cut to size as well as sheet metal rolled into tubes represented major products of a Fort Worth company known for fabricating sheet metal. The firm’s largest product segment included ducts and vents for heating, ventilating and air-conditioning systems.

The company’s equipment included an Iowa Precision coil duct line, 60 inches (continued on page 3)
The one word that dominates Texas business affairs

By Michael Rosen, President

There is one important word that most Texans learn about the energy business when they are young adults, years before their contemporaries in states like Massachusetts, Illinois, Colorado or any of the other 49. That word is volatile.

Here is the dictionary definition: “1. (of a substance) easily evaporated at normal temperatures; 2. liable to change rapidly and unpredictably, especially for the worse: the political situation was becoming more volatile; 3. (of a person) liable to display rapid changes of emotion.”

There are other terms, too, terms like unstable and explosive, but the most dominant designations are volatile and volatility. They are adjectives commonly used to describe the Texas economy, where rapid fluctuations of oil and gas prices are central to business conditions and most aspects of life in Texas. With a commodity as essential as gasoline, every person feels the winds of change blowing in their direction.

We are directly involved, affected by the ups and downs of energy prices because of our work as auctioneers and appraisers. We receive many requests from lenders for appraisals. They are justifiably concerned, seeking assurance that the estimated value of their collateral remains satisfactory.

We’ve experienced periods like this before. The price of oil remains critical in Texas, as it has always been. It is actually less so now than in the past because our state economy is much more diversified and is better able to withstand the unstable pricing movement that is so much a part of the culture of oil. Many businesses are forced to reassess their status. Layoffs are common as owners seek to curtail losses while waiting for better times. Marginal companies may not survive and will be liquidated.

Our experience has been that bargain-hunters are always on the alert for opportunities, especially when the news seems bleakest. There are always bidders and buyers. Timing is important. However, history has shown that periods like this eventually end to be followed by positive change and happier times.

When change appears on the horizon I will often receive phone calls from lenders from the east coast or some other area that is typically far removed from the issues of energy producing states. They will inquire about the value of oilfield equipment. They often wonder about what the value of certain equipment that’s now depressed. If they could tell me what the price of a barrel of oil will be in five years I could give them a reasonable estimate of what the future value of the equipment will be. Stay tuned.

Providing special service to machine owners

The Auction Exchange, conceived by Rosen Systems as a method for a company to sell as few as a single piece of equipment, continues to provide that important service to a variety of business owners. The Auction Exchange solves a common problem facing many companies owning a few pieces of machinery that are no longer of use to the owner.

“A machine may be considered obsolete in its present setting, but a new owner with different needs can find it to be very productive,” said Kyle Rosen. “We gather a few pieces of equipment and hold an auction sale. The results have been excellent and owners have been very satisfied. They convert machines that are no longer useful to them into cash.”

A recent sale disposed of a pair of boom trucks, two bucket trucks, a Toyota forklift, a Wysong mechanical shear, and a DoAll vertical mill, as well as an air compressor, drill presses and welders.

Machinery owners eager to dispose of machines that are still useful should contact Kyle Rosen at 1-800-527-5134
wide by 18-gauge with six roll stands, a decoiler, feeder and various attachments, including a Pittsburgh snap lock seamer.

The sale also included an Engel 48 inch 16-gauge cut-to-length line, a Harper linear shear lock system and FMB horizontal lock system, as well as a Pegasus horizontal band saw.

Also sold were a Towmotor 15,000 lb. forklift, a Durodyne Mach I Pinspotter, Durodyne plasma foam insulation line, as well as spot welders, press brakes, mills and assorted tools.

“We had considerable interest in this sale attributed to the continued strong construction market in the Dallas-Fort Worth area,” Kyle said.

**Conditions related to energy prices**

With oil and gas prices depressed, some businesses have failed despite the fact that they were well-equipped. He cited the Rosen experience in selling the machinery of a company with operating locations in Texas and Louisiana that was active in oil and gas exploration.

Fracking in the search for natural gas was a frequent assignment. The company dispatched its fleet of five fracking trailers to various fields. Each trailer was equipped with injection pumps, flow meters and other necessary items, including hoses and reels.

“Although far fewer explorations are being conducted today because of market conditions, the trailers attracted considerable attention and sold after spirited bidding,” said Kyle. “The bidders all realized it was a rare opportunity to acquire state-of-the-art machinery at a distressed price, yet the bidding was competitive enough to provide satisfactory results to the company management.”

With machinery in Lafayette, Louisiana, as well as Midland and Jourdanton, Texas, the company’s inventory of machinery attracted many bidders. The field equipment included 10 trailers of various sizes, blending systems, an acid plant, forklifts and five 10,000 gallons storage tanks. Vehicles included two late-model Chevrolet 3500 trucks and a 2015 Cadillac Escalade.

In addition, laboratory equipment included three Hewlett Packard gas chromatographs, a Beckman centrifuge and a Brookfield DV-11+Pro Extra viscometer.

“The sale results exceeded our expectations,” said Kyle.

**Comforter and Pillow manufacturer**

A Dallas company with a reputation for producing attractive and durable comforters and pillows decided to close its manufacturing department, sell its machinery, and continue in business with its products made offshore.

“It is a trend that has been apparent in the textile industry for several years,” observed Kyle. “This company maintained its traditional operation longer than many of its competitors and finally decided it would be prudent to make the change. They expect to provide the same quality and customer service, while increasing profitability.”

Rosen was retained to liquidate the machinery and the inventory. Four large machines attracted the most attention. They were: a Hauser 96 inch wide quilting machine, two International comforter filling machines and an Ormont FG26 stuffing machine. In addition there were various cutting machines and approximately 90 commercial sewing machines by Mitsubishi, Juki, Brother and Pegasus.

“It is comforting to know there will always be a demand for products like that,” observed Kyle.
Building spectator viewing areas for events

If you have ever watched a major golf tournament on television and wondered about the huge grandstand viewing areas for spectators at key locations, here is the answer to the question most people ask: those structures are erected on the site for the tournament and then removed for future use elsewhere.

It is a major operation and growing. Rosen Systems recently was retained by a major lender to appraise the business, which deals with major outdoor affairs of all kinds, from rodeos and polo matches to large parties.

“They have huge equipment and a very skilled staff to build these grandstands for many of the PGA events,” said David Dalfonso, who heads the Rosen Atlanta office and who specializes in appraisals.” He further explained:

“They have huge tents that are usually incorporated into the building, thus providing private viewing and party space. These are not simple bleachers. They are very elaborate layouts and when the events are over they are dismantled and stored in one of the company warehouses, awaiting the next event.”

The company essentially specializes in renting all the materials needed for hosting a major party, from chairs and tables to the grandstands and tents.

The very successful company was recently acquired and David played an important role in the transaction. The major lender for the new owner selected Rosen for a complete appraisal of the company’s equipment.