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**A LITTLE BIT COUNTRY
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Custom Farm Work Rates

The U.S. Department of Agriculture's North Dakota Agricultural Statistics Service, Fargo, in cooperation with the North Dakota State University Extension Service and the Agricultural Experiment Station, conducted a survey of custom operators in North Dakota. Survey data for 2010 is summarized for the state as a whole and by four farming regions. This publication shows the number of reports, the range in rates, most frequently reported rate and the average rate for each operation. For some operations, data are not broken down by regions due to the small number of responses.

Custom rates include charges for the equipment, tractor or power unit used, fuel, repairs and the operator. Rates vary because of supply and demand and costs of custom operators. Exchange work between farms is not considered custom work. However, some of the low rates may represent charges by a farmer who did custom work for a neighbor. Custom operators who perform these operations as a main source of income likely would trend toward the higher rates of the range to cover operating costs and provide a return on investment, labor and management.

These rates are published as a guide in establishing rates for custom work, comparing ownership or leasing costs with custom work, and for settling accounts when two or more people exchange work.

The 2010 survey includes custom rates for two new operations. The early season survey included vertical tillage. A total of 27 responses were received, with the average rate reported to be \$9.19 per acre. The late-season survey included installing drainage tile for the first time. Only 10 responses were collected, with the average rate of \$576 per acre reported.

Custom rates should not be confused with the cost of owning and operating farm machinery. Presumably, custom rates are set with the knowledge of the true cost of owning and operating machinery. In practice, this is not always the case. For example, the average custom rate reported for field cultivation is \$7.65, while an economic engineering approach suggests a range of costs from \$4.67 to \$5.96 per acre, depending on the size of the equipment. Likewise, the average custom rate for combining soybeans is \$26.03, while the economic cost estimate is \$27.90 to \$36.34, depending on machine size.

Custom rates represent a market-derived price. They reflect the supply of and demand for the services rendered, which include the use of the machine, power, fuel, repairs and the operator. Custom rates are to machinery services as market prices are to commodities. Custom rates may deviate from the cost of machinery ownership and operation, just as the market price for commodities deviates from the cost of producing the commodity.

Ownership and operating costs represent an accounting of all the resources used. These costs include depreciation, interest, repairs, fuel, taxes, insurance, housing and labor. Supply and demand will impact the price paid for machinery, which then will affect the ownership costs. However, once a machine has been purchased, the ownership cost becomes fixed relative to the life of that machine.

Copies of the Custom Farm Work Rates publication are available at no cost from the Williams County Extension office (701) 577-4595.