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2006 Nebraska Farm Custom Rates – Part II

H. Douglas Jose, Extension Farm Management Specialist; and Sarah Malchow, Student Assistant

Every two years a survey of custom operators is conducted to determine the current rates charged for specific machinery operations. The survey is divided into two parts: Part I includes spring and summer operations, including planting and small grains harvest, and in Part II information about fall and miscellaneous operations.

The responses are grouped by Agricultural Statistics Reporting Districts shown on the map below. Custom rates reported include charges for the use of necessary equipment, fuel and supplies such as baling wire or twine provided by the custom operator, and labor. Seed, fertilizer and chemical costs are not included.

This survey is not based on a random sample of custom operators in Nebraska. Questionnaires were sent to all the individuals on our custom operator's mailing list. Thus, the results reflect the average of those who responded to the specific questions, but may not be representative of the rates charged in a particular area. The Average Rate for a specific operation provides an estimate of the prevailing charge with its reliability improving as the number of responses increase. The Most Common Rate is the rate reported more often than any other for that practice. Usually the Average Rate and the Most Common Rate are similar. The Average Rate is calculated to the nearest cent, while the Most Common Rate is more generally reported to the nearest dollar. The Range gives the minimum and the maximum amounts reported. It may be indicative of different conditions under which the work was performed. The range also may reflect the fact that some rates consider travel to and from the field while others do not.

The rates do not necessarily measure the full economic cost of performing the work specified. Some custom operators may only charge for fuel and labor. Other operators may charge for all costs including depreciation on equipment and a charge for risk and a management return. Field conditions such as size, terrain, and location vary, which will account for some of the range in the rates charged.

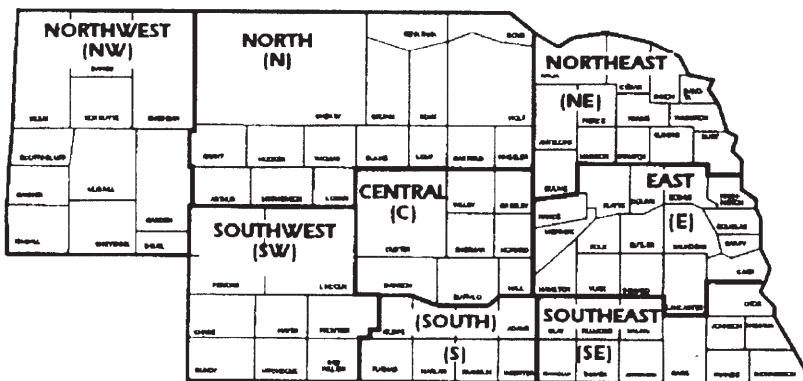
Estimates of the costs of owning and operating farm machinery are available to compare with these custom rates. One source of estimated costs of owning and operating machines is the "Minnesota Farm Machinery Economics Cost Estimates." It is available electronically at: <http://www.apec.umn.edu/faculty/wlazarus/machinery.html>.

The information presented here should be used only as a guide to rates charged in localized areas and under unique conditions. Rates change from year to year due to cost changes and the availability of custom operators. For example, the rates reported in this presentation were the prevailing rates in the spring of 2006. In determining the rates for 2007, custom operators and farm owners should consider changes in the cost of machinery, labor and fuel.

Factoring in the difference in fuel cost is essential for obtaining an accurate estimate for the cost associated with custom farming. This survey was conducted when fuel prices ranged from \$2.00 - \$2.25. As the prices vary, fuel consumption rates and the change in fuel price can be used to update the custom rates to current prices. For example, if the farm diesel price is \$2.00 per gallon with a consumption rate of .80 gallons per acre, \$.88 could be allocated to the per acre custom rate. If farm diesel prices increased to \$2.25 per gallon, an estimate of the additional cost due to the fuel increase would be \$.25 X .80 = \$.20. This price then can be added to the custom rate quoted here.

Inquiries or requests to be added to the respondents list should contact:

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