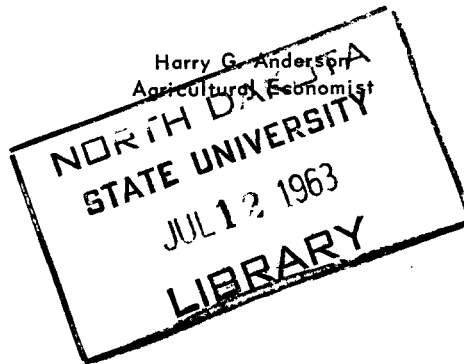




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Farm Custom Rates Paid in North Dakota 1962



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EXTENSION SERVICE
NORTH DAKOTA STATE UNIVERSITY
OF AGRICULTURE AND APPLIED SCIENCE

FARM CUSTOM RATES PAID IN NORTH DAKOTA, 1962

Farm operations today require greater outlay of capital in the form of land, machinery and equipment, and in operating costs, than formerly. Management decisions must be made regarding the lowest cost ways of getting essential jobs done. Every job must be done right, whether the farmer does it himself or hires it done.

Many farmers today, and that includes the majority of commercial farmers, have found that important jobs can be done more efficiently with mechanized equipment. Some farmers have discovered that efficient modern machines have greater capacities than are required for their farms so they hire their work done rather than buy the equipment needed. Others, who own more equipment than they need, do custom work for others.

Because farmers have to decide whether it is best to own the equipment and do jobs themselves or to hire the work done, knowledge of custom rates for doing farm work in the locality is essential.

The information shown in Table 1 was obtained from a representative group of farmers and custom operators throughout the state by the U. S. Department of Agriculture, Statistical Reporting Service, Fargo, N. Dak.

Figure 1 shows the areas for which custom rates in North Dakota are reported. For convenience in publishing the data the crop reporting districts having approximately the same rates, are grouped together. This reduces the number of tables needed to show area custom rates.

TABLE 1: CUSTOM RATES PAID, SELECTED OPERATORS, NORTH DAKOTA, 1962

Operation and Unit	Districts 1, 4, 7		Districts 2, 5, 8		Districts 3 and 6		District 9	
	No. of repts.	Ave. of all rates	No. of repts.	Ave. of all rates	No. of repts.	Ave. of all rates	No. of repts.	Ave. of all rates
Plowing, acre	49	\$2.61	56	\$2.24	57	\$2.46	34	\$2.36
Sod breaking, acre	31	4.79	27	3.44	35	3.51	20	3.42
Disking:								
One-way, acre	53	1.19	36	1.21	31	1.38	16	1.28
Tandem, acre	35	.961	28	1.01	39	1.00	15	1.04
Duckfoot (shallow), acre	40	.990	33	.961	40	1.02	7	1.02
Seeding small grain:								
With fert. attach't., acre	33	1.21	30	1.19	40	1.24	14	1.26
Without fert. attach't., acre	34	1.11	23	1.08	40	.992	18	1.05
Combining:								
Wheat, acre	125	3.57	148	3.56	146	3.53	58	3.32
Oats, acre	78	3.44	91	3.54	103	3.42	43	3.31
Barley, acre	79	3.49	91	3.50	111	3.46	42	3.33
Rye, acre	58	3.61	76	3.60	57	3.50	38	3.44
Flax, acre	45	3.62	71	3.54	87	3.57	41	3.45
Swathing, acre	104	1.16	107	1.11	113	1.05	50	1.10
Hauling: Wheat, bu.	49	.052	Miles 11.1 40	Miles .051 8.8	36	Miles .038 7.8	19	Miles .034 8.6
Barley, bu.	21	.049	9.9 25	.045 7.9	22	.037 7.8	10	.028 9.2
Cleaning seed grain, bu.	38	.060	51	.050	69	.063	27	.054
Field chopping only:								
Corn silage, acre	30	4.82	26	4.73	39	5.03	19	4.67
Baling, per square bale with twine:								
Hay, acre	95	.108	95	.105	136	.104	50	.097
Straw, acre	55	.104	89	.101	107	.100	42	.097
Weed killers application:								
Ground, acre	74	.721	70	.746	83	.644	46	.677
Air, acre	88	1.06	81	1.03	93	1.05	51	1.04
Insecticides application:								
Ground, acre	56	.679	21	.794	30	.679	14	.671
Air, acre	50	1.15	48	1.11	46	1.09	28	1.04

The figures, in general, represent the basic rates which include machine, tractor & operator (or usual crew). There are sometimes extra charges due to heavy yields, more labor and equipment than usual, required. These were reported and are included in the more detailed report available from Extension Service, NDSU, Fargo, N. Dak. or your county extension agents office.

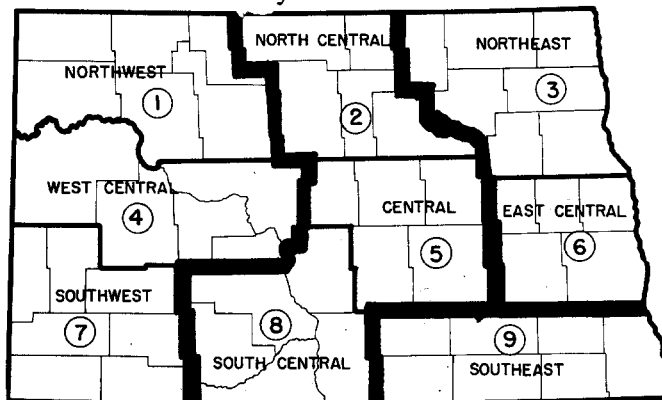


FIG. 1 CROP REPORTING DISTRICTS

Rates vary between areas, due to differences in topography, field size, labor cost and number of machines available. Rates also vary over time.

OWN OR HIRE?

To aid in deciding whether to own or hire, compare the cost of owning and using the equipment with the custom charge. You will need to know (1) fixed ownership costs, including depreciation, interest, insurance, taxes, and housing and (2) variable costs such as repairs, fuel, oil, grease, supplies, power and the operator's labor. The total of the annual fixed costs, plus the variable cost for the job to be done on a particular farm, can be compared with the custom charge.

BREAK-EVEN POINT

The formula that may be used to determine the approximate "break-even" point between owning a machine and hiring the operation performed on a custom basis is as follows:

$$\frac{\text{Total annual overhead (fixed) cost}}{\text{Custom rate less operating cost per acre, hr. or bale}} = \text{break-even point acres, hr. bale}$$

TABLE 2: MISCELLANEOUS WORK, STATEWIDE RATES, 1962

Operation & Unit	No. reports	Range in rates	Most frequent rate	Average all rates
Corn planting, acre	76	\$.60-\$1.50	\$1.00	\$1.06
Soybean planting, acre	21	.75-1.50	1.00	1.10
Rod weeder, acre	35	.50-1.50	1.00	.92
Spraying cattle, per head	59	.15-.55	.25	.28
Spraying sheep, per head	13	.07-.16	.10	.12
Post hole digging, per hole	85	.05-.25	.10	.13
Corn picker, acre	66	2.50-6.00	3.00-4.00	3.69
Mowing hay, acre	63	.50-1.75	1.00	1.01
Baling hay (round bale)	78	.07-.12	.10	.098
Silage making entire operation, per acre	75	4.00-11.00	5.00	6.17
Treating seed grain, bu.	167	.03-.11	.05	.054
Field ditching, per cu. yd.	45	.08-.27	.18	.172

Let us take a 12 foot combine with motor and determine the break-even point using cost data from Agricultural Economics Report No. 18. Substituting figures in the above formula, you have the following:

$$\frac{\$727}{\$3.50 \text{ less } \$1.87 \text{ per acre}} = 276 \text{ acres}$$

You would save \$2.63 to be applied to the overhead costs.

Generally, a farmer with more annual use than the "breakeven" point (276 acres) will realize a lower cost by owning the equipment and doing the work himself. On the other hand, farmers with less annual use than the breakeven point will experience a lower cost by hiring the services of a custom operator.

However, there are other factors to be considered in making the final decision: (1) Comparative return from the alternative use of the capital in his business (2) value of timeliness in getting job done, (3) quality of work done, (4) ease of hiring the additional labor needed, (5) possibility of doing custom work for others, (6) risk of obsolescence of equipment if purchased.

CUSTOM SERVICE COMPARED WITH OWNING EQUIPMENT

Advantages of Custom Hire

- (1) Cost of ownership can be eliminated and the money invested in other uses.
- (2) Farmers may benefit from newer machinery, techniques and skilled operation (more efficient operation and lower cost).
- (3) Farm operator with small jobs may benefit from more efficient machines which he cannot afford to own.
- (4) Individual operators may avoid risk of equipment becoming out of date as a result of new engineering developments.

Disadvantages of Custom Hire



- (1) Service may not be available when job is ready (timeliness of operation).
- (2) Quantity and quality of products may be affected by some custom operators who have limited experience in use of equipment.

(3) There may be some risk of transferring crop diseases and noxious weeds from one farm to another in moving equipment.

(4) Farmers may not be able to realize returns on labor released by hiring custom work done.

Rural Civil Defense Suggestion

Against radio active fallout a haystack in an open field can be protected with a canvas or plastic cover. The fallout will settle on the cover and can be removed with it. The protected hay can be used immediately.

Extension Service, North Dakota State University of Agriculture and Applied Science, and U. S. Department of Agriculture cooperating. A. H. Schulz, Director, Fargo, North Dakota. Distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914.