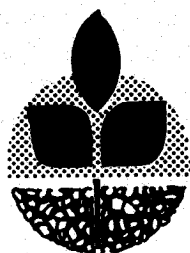


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Custom Rates for Oregon Agriculture, 1988



Special Report 835
February 1989



Agricultural Experiment Station
Oregon State University, Corvallis

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The diversification of Oregon agriculture requires a large number of activities using specialized labor and equipment. Given their size, many farms find it difficult to support all the equipment they need. Others may not have all the skills or labor needed to perform farming operations in a timely manner. In these cases, farmers and ranchers often hire custom farming services to supplement their own resources.

Custom farming services may be provided by full-time custom operators, or by neighbors who have excess labor and/or equipment capacity. In either case, the individuals providing custom farming services charge a fee to recover the costs they incur for their labor and equipment, as well as providing a return on their investment and management.

Objectives

The question often asked is, "How much should I charge (or pay) for custom farming services?" For some operations, fairly standard rates may be established within a region. Less well-known operations often do not have established rates, making it difficult for custom operators and farmers to negotiate and agree upon a reasonable rate for these services.

In order to provide more information to custom operators and farmers, a survey of individuals providing custom services was conducted by the OSU Department of Agricultural and Resource Economics. This publication reports the results of this survey. The objectives of the study are

- (1) to determine the types of custom farming services available to Oregon's farmers and ranchers and,
- (2) to estimate the typical rates charged for custom farming services in Oregon.

The Survey

Individuals who provide custom farming services were identified by county Extension agents. Press releases were also used to solicit participation directly from custom operators. The survey was mailed to 241 individuals; 71 responses were received, representing a 29 percent response rate. Follow-up calls to nonrespondents indicated that they didn't respond if they did not provide custom farming services. Therefore the low response rate was attributed to inaccuracies in identifying survey recipients.

Results and Limitations

The survey responses were summarized by six regions of the state, as shown in Figure 1. Individuals were asked to report the types of operations they provided, the area(s) of the state they served, and the rates they expected to charge for 1988. Those custom operators who provide services statewide were included in every region where their services were applicable.

Operations are listed in alphabetical order within each region. The number of responses for each operation are shown, and the symbol "<3" indicates less than three responses. A typical range of rates charged for the services is reported, based on the survey responses.

The rates reported must be interpreted with care. No attempt has been made to evaluate the fairness of these rates or to calculate statistical averages. The goal was to report what is being charged, not what should be charged.

Several limitations of the results must be noted. First, the sample size is small. Oregon has few full-time custom operators, so most custom farming services are provided by other farmers. The rates reported should be interpreted only as the rates

charged by the survey respondents. They do not necessarily reflect the rates you may pay or receive, and they are not recommended rates.

A second limitation involves the service included in the operations. For example, a rate for custom hay stacking, which includes transportation of the hay from the field to a stack within 5 miles, is not directly comparable to a rate which includes stacking within the field only. Whenever possible, rates were converted to a common basis for comparison purposes. These adjustments, however, may have biased the results in some instances.

Finally, the determination of typical ranges could have inadvertently misrepresented the rates charged. A typical range was defined as a range within which "most" of the reported rates fell. Extreme outliers (very high or low rates) were assumed to be influenced by factors not reflected in the rates that fell in the typical range. These outliers were excluded so reported ranges would reflect the typical, most likely, or normal rates.

Ranges rather than individual rates were reported because of the many factors influencing rates. Lower rates may be influenced by:¹

1. neighborly work exchange;
2. location of job in relation to home base of custom operator;
3. custom operator's desire to cover variable costs, but not necessarily all fixed costs;
4. use of older equipment which does not reflect current investment costs;
5. the farmer hiring custom services providing some part of the costs such as labor, meals, fuel, supervision, transportation, or other convenience services; and,
6. the size of job.

Higher rates may be influenced by:

1. full-time custom operators covering all costs;
2. charging what the market will bear (e.g., unusually high demand or short supply for a particular service in a given area);

3. tough jobs requiring extra power, repairs, fuel, or time;
4. field conditions such as rocks, rough terrain, obstructions, or high yield crops; and,
5. small size jobs.

Using Custom Rates

Custom rate information is useful to many individuals who are involved in agriculture. Farm managers, lenders, and consultants use these rates in budgeting. Farmers use them to make purchase versus custom hire decisions. Custom operators can use them as a comparison with their own rates. Regardless of your operation, remember that these rates should serve only as guides to setting your own rates. Anyone who provides custom services should do a detailed cost analysis of their situation to determine the rates they should charge.

Custom Farming Contracts

A written contract will help to avoid any misunderstanding concerning the terms and conditions of an agreement to do custom work. The contract should include such items as the charge for the work done (by the units to be used -- such as dollars per acre, per ton, or per bushel), how the work is to be done, where and how much work is to be done, when the work is to be performed or completed, and when payment will be made.

Contracts should also include all the terms of any incentive plans. If a different rate is used, for example, depending upon yield, the rates for specific yields should be specified in the contract. If there are minimum quality standards set, or if an incentive system is set based on quality, these standards should also be explained in the contract. The written contract need not be a long, complicated document, but should contain sufficient detail so that both those providing and those hiring custom work completely understand the terms and conditions of the agreement. An example form is provided herein.

¹Alberta Agriculture, Farm Business Management Branch, "Custom Rates Survey Summary, 1987," AGDEX No. 825-9, February, 1987.

Get Involved

If you provide custom farming services in Oregon and would like to participate in this survey in the future, contact:

Extension Farm Management
Department of Agricultural and Resource
Economics
Oregon State University
Ballard Extension Hall 200
Corvallis, OR 97331-3601
(503) 754-2942

Acknowledgements

The author gratefully acknowledges the custom operators and farmers who participated in this survey. The following OSU Extension agents were also instrumental in identifying participants and completing the survey.

John Burt, Polk County
Ken Killingsworth, Wheeler County
Lynn Cannon, Coos County
Fred Lundin, Morrow County
Jay Carr, Lake County
Sandy Macnab, Wasco County
David Chamberlain, Harney County
Randy Mills, Umatilla County
Gordon Cook, Union County
Jim Murphy, Gilliam County
Bob Costa, Yamhill County
Gene Pirelli, Polk County
Jim Crocker, Deschutes County
Arthur Poole, Coos County
Rick Fletcher, Benton County
Gary Schneider, Malheur County
Dale Friedemann, Clatsop County
Rodney Todd, Klamath County
Gale Gingrich, Marion County
Marvin Young, Deschutes County
Arleigh Isley, Wallowa County

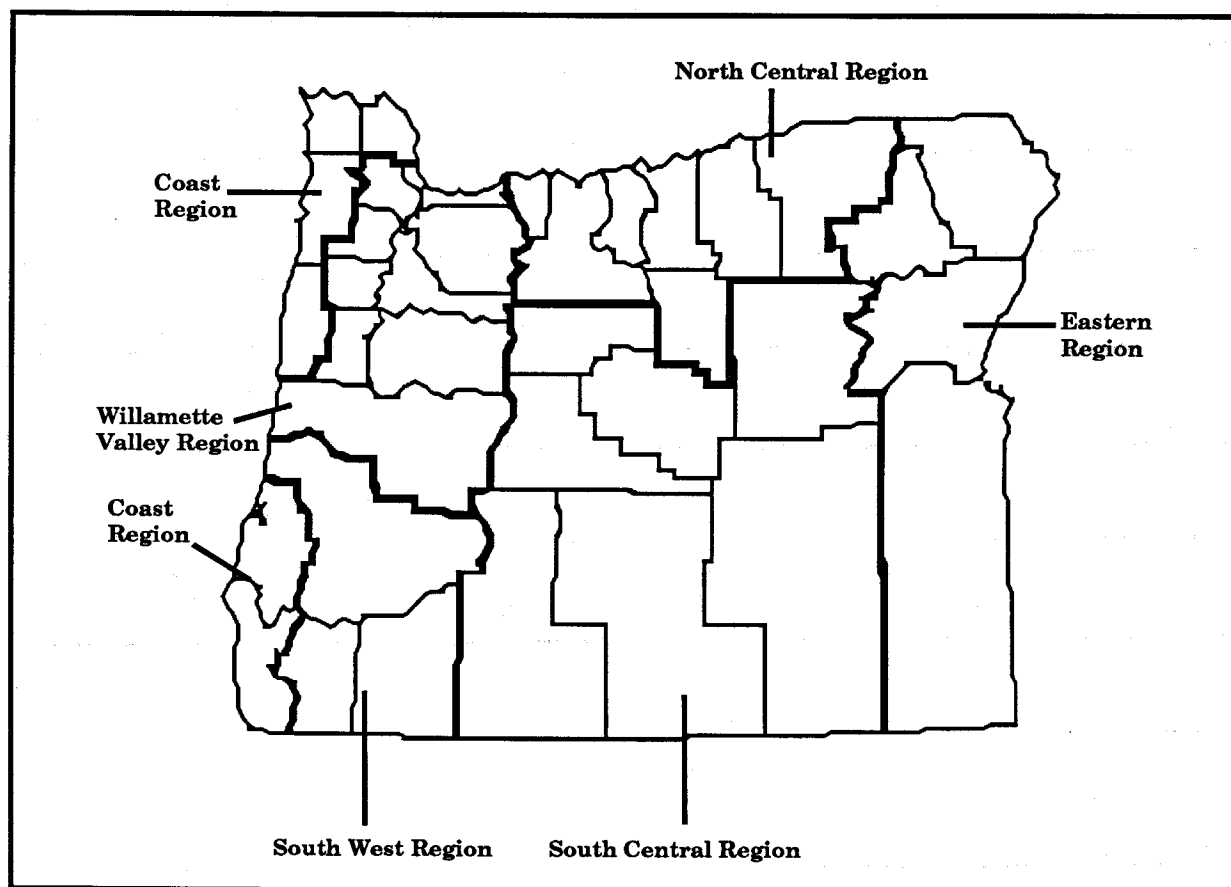


Figure 1. Map of Oregon with the counties and the six regions identified

Example Custom Farming Contract

This custom farming contract is entered between _____
(crop owner and address)

and _____ the _____ day of _____ 19 ____ . It applies to
(custom operator and address)

the following crop(s) _____ and

crop year(s) _____ located at _____.

Terms and Conditions

Specify *charges, operations* to be performed, *where* work is to be done, *how much* work is to be done, *when* work is to be *started*, and *when* work is to be *completed*. List *quality standards* and *incentives*, if any. Specify machines, materials, and labor to be supplied by each party, and include the *payment terms*.

Signature of crop owner

Date

Signature of custom operator

Date

Table 1. Custom rates for the coastal region of Oregon, 1988.

<u>Operation</u>	<u>Responses</u>	<u>Range (\$)</u>	<u>Units</u>
Corn			
Harvesting	<3	22.00-27.00	acre
Silage bagging	<3	10.00-13.00	ton
Cranberries			
Cutting vines	<3	20.00-30.00	hour
Harvesting	<3	28.00-32.00	acre
Planting vines	<3	35.00-40.00	acre
Pruning vines	<3	43.00-47.00	acre
Hay			
Baling	<3	10.00-15.00	ton
Cutting and baling	<3	0.30- 0.50	bale
Soil Preparation			
Fumigation, non-tarp	<3	700-825	acre
Fumigation, tarp	<3	1,000-1,200	acre
Tillage			
Discing, hill ground	<3	40.00-50.00	hour
Harrowing	<3	20.00-30.00	hour
Rototilling	<3	30.00-35.00	hour

Table 2. Custom rates for the eastern region of Oregon, 1988.

<u>Operation</u>	<u>Responses</u>	<u>Range (\$)</u>	<u>Units</u>
Corn			
Drying	<3	0.35- 0.45	cwt
Harvesting	<3	24.00-26.00	acre
Planting	<3	9.00-11.00	acre
Silage bagging	<3	15.00-20.00	ton
Silage chopping	<3	5.00- 6.00	ton
Grain			
Harvesting	6	20.00-23.00	acre
Seeding	<3	10.00-15.00	acre
Seeding, no-till	<3	22.00-28.00	acre
Grass seed			
Harvesting	<3	23.00-27.00	acre
Hay			
Baling	<3	8.00-12.00	ton
Cutting	3	6.00- 8.00	ton
Cutting, baling, and stacking	<3	20.00-30.00	ton
Stacking	6	0.25- 0.30	bale
Livestock			
Shearing sheep	<3	1.75- 2.25	head
Mint			
Distilling	<3	2.75- 3.10	lb
Onions			
Sacking	<3	0.12- 0.16	cwt
Potatoes			
Harvesting	<3	0.30- 0.60	cwt
Planting	<3	27.50-32.50	acre
Soil Preparation			
Fertilizing	<3	4.00- 6.00	acre
Rock picking	<3	30.00-40.00	ton
Fumigation, non-tarp	<3	700-825	acre
Fumigation, tarp	<3	1,000-1,200	acre
Spray			
Spraying, aerial	3	6.00- 7.00	acre
Spraying, ground	5	3.50- 4.50	acre
Sugar beets			
Harvesting	<3	5.00- 6.00	ton
Tillage			
Cultivating	<3	5.00- 7.00	acre
Discing	<3	5.50- 8.50	acre
Harrowing	<3	8.00-12.00	acre
Plowing	6	12.00-18.00	acre
Ripping	<3	10.00-12.00	acre
Rodweeding	<3	8.00-12.00	acre
Rototilling	<3	15.00-20.00	acre

Table 3. Custom rates for the north central region of Oregon, 1988.

<u>Operation</u>	<u>Responses</u>	<u>Range (\$)</u>	<u>Units</u>
Corn			
Harvesting	<3	22.00-27.00	acre
Grain			
Harvesting	5	18.00-22.00	acre
Hauling	<3	0.10- 0.15	ton/mile
Seeding	6	10.00-15.00	acre
Seeding, no-till	<3	26.00-30.00	acre
Hay			
Cutting and baling	3	21.00-30.00	ton
Stacking	<3	0.25- 0.30	bale
Livestock			
Shearing sheep	<3	1.75- 2.25	head
Potatoes			
Harvesting	<3	5.00- 6.00	ton
Planting	<3	25.00-35.00	acre
Soil preparation			
Fertilizing	<3	2.00- 3.00	acre
Fumigation, non-tarp	<3	700-825	acre
Fumigation, tarp	<3	1,000-1,200	acre
Stubble busting	<3	4.50- 5.50	acre
Spray			
Spraying, ground	<3	4.00- 6.00	acre
Tillage			
Chisel plowing	<3	5.00-10.00	acre
Cultivating	<3	4.00- 7.00	acre
Discing	4	8.00-12.00	acre
Plowing	5	9.00-12.00	acre
Rodweeding	<3	4.00- 7.00	acre

Table 4. Custom rates for the south west region of Oregon, 1988.

<u>Operation</u>	<u>Responses</u>	<u>Range (\$)</u>	<u>Units</u>
Corn			
Harvesting	<3	22.00-28.00	acre
Grain			
Harvesting	<3	15.00-21.00	acre
Seeding	<3	22.00-28.00	acre
Soil Preparation			
Fumigation, non-tarp	<3	700-825	acre
Fumigation, tarp	<3	1,000-1,200	acre

Table 5. Custom rates for the south central region of Oregon, 1988.

<u>Operation</u>	<u>Responses</u>	<u>Range (\$)</u>	<u>Units</u>
Corn			
Harvesting	<3	22.00-27.00	acre
Excavation and Development			
Backhoe service	<3	32.00-36.00	hour
Ditching, pipe and wire	<3	20.00-25.00	hour
Mowing	3	12.00-20.00	acre
Post hole drilling	<3	25.00-29.00	hour
Grain			
Harvesting	5	16.00-18.00	acre
Seeding	4	8.00- 9.00	acre
Seeding, no-till	<3	24.00-27.00	acre
Hay			
Baling	4	11.00-13.00	ton
Baling, large square bales	<3	12.00-14.00	ton
Cutting	5	6.00- 7.00	ton
Cutting, baling, and stacking	5	25.00-30.00	ton
Hauling	3	8.00-10.00	ton
		(for first 5 miles)	
Stacking	4	5.75- 6.50	ton
Livestock			
Shearing sheep	<3	1.75- 2.25	head
Potatoes			
Harvesting	<3	6.00- 8.00	ton
Soil Preparation			
Fumigation, non-tarp	<3	700-825	acre
Fumigation, tarp	<3	1,000-1,200	acre
Spray			
Spraying, ground	<3	3.50- 4.50	acre
Tillage			
Discing	5	7.00-10.00	acre
Discing, heavy offset	<3	12.00-14.00	acre
Plowing	<3	10.00-14.00	acre
Rototilling	3	22.00-30.00	hour
Vibra-shank	<3	7.00- 9.00	acre

Table 6. Custom rates for the Willamette Valley region of Oregon, 1988.

<u>Operation</u>	<u>Responses</u>	<u>Range (\$)</u>	<u>Units</u>
Fruit			
Harvesting cherries, mechanical	<3	.05- .07	lb
Harvesting prunes	<3	32.00-38.00	ton
Grain			
Harvesting	<3	16.00-20.00	acre
Seeding	<3	15.00-17.00	acre
Seeding, no-till	<3	18.00-25.00	acre
Grass seed			
Harvesting	<3	60.00-70.00	hour
Hay			
Baling	<3	8.00-10.00	ton
Cutting, baling, and stacking	<3	35.00-40.00	ton
Stacking	<3	6.00- 8.00	ton
Livestock			
Horse shoeing	<3	25.00-32.00	head
Shearing sheep	<3	1.75- 2.25	head
Miscellaneous			
Container fumigation	<3	50.00- 100.00	container
Row crops			
Bean picking	<3	22.50-27.00	ton
Sweet corn picking	<3	6.00- 7.00	ton
Soil preparation			
Fertilizing	5	4.00- 5.00	acre
Fumigation, non-tarp	<3	700-825	acre
Fumigation, tarp	<3	1,000-1,200	acre
Spray			
Spraying, ground	5	4.00- 6.00	acre
Tillage			
Cultivating	<3	55.00-65.00	hour
Plowing	3	40.00-50.00	hour