

Custom Rates in Mississippi Agriculture, 2007

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INTRODUCTION

Farmers are sometimes presented opportunities to obtain additional income by providing custom services for other farmers. These opportunities can arise due to time constraints or lack of adequate equipment. For producers who have adequate or surplus machinery (the contractor), the idea of spreading fixed costs over additional acres is appealing. In order for the custom work to be truly economically beneficial for the contractor, the custom rate must at least cover fixed and direct costs and provide some additional return. As additional hours are added to the annual use of equipment, per-acre fixed costs are reduced. However, overall annual repairs and maintenance can be expected to increase, thus increasing total direct costs.

As a guideline for custom charges, fixed and direct costs for selected pieces of equipment and selected tractors are given in the following table. These costs are based on the 2006 and 2007 Mississippi State Planning Budgets (MSPB). Direct costs include repair and maintenance costs, labor costs, fuel costs, and interest on operating expense. The included fuel costs were based on a diesel fuel price of \$2.41 per gallon. Fixed costs for tractors were based on 600 hours of annual use. Implement fixed costs were based on the hours of annual use given in the table.

The table also gives a suggested custom charge per acre for each implement. This charge was obtained by multiplying the total costs per acre by 1.25 or a 25% premium. This percent markup is consistent with normal markups in Mississippi (range 20%-40%) as suggested by custom operators and farmers. Farmers providing custom work may desire a lower or a higher return depending on the level of management required.

Additionally, the table gives some commonly charged custom rates for Mississippi that were obtained through information received from custom operators, contractors, businesses, and farmers as reported in the MSPB. This rate can be used as a decision-making tool for those producers desiring to plant additional acreage for which they do not have adequate equipment or for jobs or services that would be performed only periodically. It is always best to secure custom operators and determine the actual expense before planting a crop that will require custom work.

Farmers desiring to have custom work performed may benefit in several ways. These benefits may include lower capital and labor costs, tax advantages, and/or economic opportunities through new or additional crops. Also, the ability to complete field operations in a timely manner can have significant economic benefits.

Farmers desiring to perform or have custom work performed should remember that there are certain risks involved in custom work. Some of these risks are timeliness of the work, quality of the work, and field contamination with weeds or insects.

This information sheet is intended only as a guide. Farmers desiring to perform or have custom work performed should realize that these rates are often negotiable. Also, per-acre costs and hours of annual use will likely vary for each producer and operation; therefore, producers should use their own costs whenever possible. Additionally, input costs and interest rates could change at any time. Producers should consider any needed adjustments accordingly.

Martin is an associate professor and extension economist at the Delta Research and Extension Center in Stoneville, Mississippi. He offers special thanks to the custom operators, contractors and businesses who contributed to the information in this sheet. Information Sheet 1348 was published by the Office of Agricultural Communications, a unit of the Division of Agriculture, Forestry, and Veterinary Medicine at Mississippi State University. Copyright 2007 by Mississippi State University. All rights reserved. This publication may be copied and distributed without alteration for nonprofit educational purposes provided that credit is given to the Mississippi Agricultural and Forestry Experiment Station.



Fixed and Direct Costs for Selected Pieces of Equipment and Selected Tractors. ¹					
Implement/Operation	Hours of annual use	Direct costs	Fixed costs	Suggested custom charge	Reported MS custom charge
		\$/A	\$/A	\$/A	\$/A
Chisel Plow (16')	150	3.66	2.86	8.15	
Chisel Plow (32')	150	2.93	2.91	7.30	
Cultivate and Apply Postemergent Chemicals (8 Row/38")	150	3.98	4.09	10.09	
Cultivate and Apply Postemergent Chemicals (12 Row/38")	150	3.06	3.29	7.94	
Cultipacker (12')	300	3.56	2.22	7.25	
Cyclone Spin Spreader (825 lb)	50	6.17	2.52	10.86	
Disk & Incorporate (24')	200	4.30	4.21	10.64	
Disk & Incorporate (32')	200	3.65	3.55	9.01	
Disk Bed (Hipper) (8 Row/38")	160	2.97	2.89	7.34	
Disk Bed (Hipper) (12 Row/38 inch)	160	2.33	2.41	5.94	
Disk Harrow (24')	180	3.59	3.81	9.26	
Disk Harrow (32')	180	3.08	3.25	7.94	
Apply Liquid Fertilizer (8 Row/38")	150	3.80	3.15	8.69	
Apply Liquid Fertilizer (12 Row/38")	150	2.87	2.33	6.51	
Field Cultivate & Incorporate (24')	100	2.84	3.75	8.25	
Field Cultivate & Incorporate (42')	100	2.06	3.11	6.48	
Field Cultivate (24')	100	2.39	3.09	6.88	
Field Cultivate (42')	100	1.78	2.68	5.58	
Grain Drill (20')	100	4.93	5.14	12.60	
Hay Baler Square	200	5.67	3.77	10.59	
Hay Baler Large Round	200	7.94	6.01	17.45	
Hay Cut-Cond (9')	200	7.83	5.13	16.21	
Hay Disc Mower (8')	200	6.24	2.97	11.54	
Hay Rake-Double (17')	200	2.24	.98	4.04	
Heavy Disk (21')	180	4.20	4.89	11.36	
Land Plane (50'x16')	200	5.77	4.95	13.41	
Land Form (Avg. per Acre)					300
No-Till Grain Drill (20')	150	5.66	7.04	15.31	
No-Till Plant & Pre (8 Row/38")	150	4.62	5.15	12.25	
No-Till Plant & Pre (12 Row/38")	150	3.55	4.26	9.79	
Plant (8 Row/38")	150	3.87	4.00	9.86	
Plant (12 Row/38")	150	2.96	3.32	7.88	

¹Rates and costs are for service performed only and do not include cost of chemicals, seed, or fertilizer.

²Includes hauling.

Fixed and Direct Costs for Selected Pieces of Equipment and Selected Tractors. ¹					
Implement/Operation	Hours of annual use	Direct costs	Fixed costs	Suggested custom charge	Reported MS custom charge
		\$/A	\$/A	\$/A	\$/A
Rotary Mower (7')	200	3.27	1.05	5.41	
Rotary Mower (15')	200	2.66	1.39	5.08	
Row Condition (21')	100	2.51	2.24	5.94	
Row Condition (38')	100	1.78	2.01	4.75	
Spray (Broadcast) (27')	200	2.49	1.90	5.51	
Spray (Broadcast) (60')	200	1.15	0.89	2.56	
Spray (Layby) (8-Row)	200	2.92	2.42	6.69	
Hi-Clear Sprayer (90')	350	0.53	0.72	1.90	
Sprigging					85–100
Stalk Shredder (14')	200	4.72	2.05	10.21	
Stalk Shredder (18') (Flail)	200	4.21	3.07	9.11	
Subsoiler (3 Shank)	100	7.77	6.64	18.04	
Subsoiler Low-Till (4 Shank)	100	6.77	5.98	15.96	
Apply Fertilizer by Air					5/cwt
Custom Spread Fertilizer (Truck)					5/A
Combine Rice (25')	300	13.63	19.88	41.90	60 ²
Combine Soybeans (25')	300	7.02	10.34	21.75	25–30 ²
Combine Sorghum (25')	300	7.12	9.04	19.25	22–30 ²
Combine Wheat (25')	300	6.22	9.04	19.25	22–30 ²
Combine Corn (8 Row)	300	7.40	11.07	23.25	25–40 ²
Pick Cotton (4 Row) per pound (Fully Supported)	200	21.76	44.43	82.75	0.08–0.11
Pick Cotton (6 Row) per pound (Fully Supported)	200	19.63	45.94	82.00	0.08–0.11
Module Builder & Boll Buggy	200	16.32	16.13	40.56	
Custom Spray by Air (1 gal)					2.50
Custom Spray by Air (3 gal)					3.50
Custom Spray by Air (5 gal)					4.50
Custom Spray by Air (10 gal)					6.50
Custom Terragator					5.00
Custom Bulldozing					70–130/hr
Custom Backhoe					45–60/hr
Rental Backhoe					200–300/d; 550–650/wk
Rental Bobcat					225–250/d; 375–450/wk
Dirt Hauling					0.17–0.20 per loaded mi/yd
On-Site Dirt					0.50–1.50/yd
Custom Bush Hogging					8–15/A

¹Rates and costs are for service performed only and do not include cost of chemicals, seed, or fertilizer.

²Includes hauling.

REFERENCES

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