Ag Decision Maker

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Custom rates higher in 2019

By Alejandro Plastina, extension economist, 515-294-6160, plastina@iastate.edu

Performing custom work can be an additional source of income for farm operators around the state. For others, custom work is a full-time career. When labor is available, and another party has equipment, renting equipment for a short-term is also a common practice. While only a small portion of Iowa farmland is completely custom farmed, many farm operations rent equipment or hire out one or two operations on their farm each year.

The [2019 Iowa Farm Custom Rate Survey](https://www.extension.iastate.edu/agdm/crops/html/a3-10.html), www.extension.iastate.edu/agdm/crops/html/a3-10.html, canvassed 532 farmers, custom operators, and farm managers from the state, putting together a guide for pricing custom machine work. The survey questionnaire was mailed to 349 people by the U.S. Postal Service and 183 people via e-mail in February 2019.

A total of 121 usable responses, giving 3,716 custom rates were received from Iowa farmers, custom operators, and farm managers. Twenty percent of the respondents performed custom work, 10 percent hired work done, 47 percent indicated doing both, 2 percent indicated doing none, and 21 percent did not indicate whether they perform or hire custom work.

The publication, which can be found online at the ISU Extension Store ([FM 1698](https://store.extension.iastate.edu/Product/1792), https://store.extension.iastate.edu/Product/1792) or on the Ag Decision Maker website ([File A3-10](https://www.extension.iastate.edu/agdm/crops/html/a3-10.html), www.extension.iastate.edu/agdm/crops/html/a3-10.html), provides rates for custom work in the following categories: tillage, planting, drilling, seeding, fertilizer application, harvesting, drying and hauling grain, harvesting forages, complete custom farming, labor, and both bin and machine rental. All rates include fuel, repairs, depreciation, interest, labor, and all other machinery costs for the tractor and implement unless otherwise noted.

The average rate and range for each machine work function were compiled into the survey as usual, as well as the median charge and number of responses for each

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Handbook updates

For those of you subscribing to the handbook, the following updates are included.

Iowa Farm Custom Rate Survey – A3-10 (5 pages)

Lean Hog Basis – B2-41 (1 page)

Live Cattle Basis – B2-42 (1 page)

Feeder Cattle Basis – B2-43 (1 page)

Please add these files to your handbook and remove the out-of-date material.

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category. The average rate for a work function is calculated as the simple average of all responses for that work function. The median rate is the response that splits all the ordered responses within a work function (from smallest to largest) in half. A newly listed operation in 2019 is controlled burning of grass, CRP, or pasture per acre.

The survey found there was a 7 percent price increase across all surveyed categories. The change from 2018 to 2019 varied across categories, with complete harvesting and hauling for corn and soybeans increasing by 6 percent and hired labor going up by 7 percent. Table 1 shows historic rates for a sample of operations from the survey.

"Even with stable fuel prices and thin profit margins in crop production in the horizon, the majority of operations reported a rate increase." said Alejandro Plastina, assistant professor and extension economist with ISU Extension and Outreach. "I believe this is more indicative of part-time custom workers paying more attention to covering all costs and actually profiting from this activity than of a substantially higher demand for their services."

The reported rates are expected to be charged or paid in 2019, including fuel and labor. The average price for diesel fuel was assumed to be $2.94 per gallon. The values presented in the survey are intended only as a guide. There are many reasons why the rate charged in a particular situation should be above or below the average. These include the timeliness with which operations are performed, quality and special features of the machine, operator skill, size and shape of fields, number of acres contracted, and the condition of the crop for harvesting. The availability of custom operators in a given area will also affect rates. Any custom rate should cover the cost of operating the farm machinery as well as the operator's labor.

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The Ag Decision Maker website offers a Decision Tool, www.extension.iastate.edu/agdm/crops/xls/a3-29machcostcalc.xlsx, to help custom operators and other farmers estimate their own costs for specific machinery operations. **If you are interested in joining the 2020 Custom Rate Survey mailing list**, send your mail or e-mail address to: Alejandro Plastina, Iowa State University, Department of Economics, 478E Heady Hall, 518 Farm House Lane, Ames, IA 50011-1054; call 515-294-6160; or email plastina@iastate.edu.

Table 1. Average farm custom rates reported for Iowa

Operation	1978	1988	1998	2008	2014	2016	2018	2019
Chisel plowing, per acre	$6.00	$8.40	$9.65	$13.70	$16.15	$16.45	$17.60	$18.35
Planting, no attachments, per acre	$4.40	$6.80	$8.85	$13.20	$17.85	$18.55	$19.15	$20.40
Spraying, per acre	$2.40	$3.50	$4.00	$5.60	$6.90	$6.80	$6.60	$7.25
Combining corn, per acre	$16.20	$22.00	$23.40	$28.10	$34.15	$34.75	$34.80	$35.95
Combining soybeans, per acre	$14.00	$20.60	$22.55	$27.10	$34.15	$34.05	$34.00	$35.10
Baling square bales, per bale	$0.21	$0.29	$0.36	$0.48	$0.65	$0.66	$0.67	$0.68
Custom farming, corn, per acre	$58.00	$71.00	$75.80	$94.10	$136.10	$129.95	$128.80	$132.25
Custom farming, soybeans, per acre	$50.00	$65.00	$70.65	$83.00	$121.00	$116.15	$117.10	$121.20
Machinery operating wage, per hour	$3.50	$5.10	$7.20	$11.70	$13.90	$15.05	$16.30	$17.20

Source: Iowa State University Extension and Outreach, Iowa Farm Custom Rate Surveys, FM 1698.


Market reality, stress and grief

By Fred Hall, 712-737-4230, fredhall@iastate.edu; Larry Tranel, 563-583-6496, tranel@iastate.edu, Iowa dairy specialists, ISU Extension and Outreach, www.extension.iastate.edu/dairyteam/

This is the first in a series from the ISU Extension and Outreach Dairy Team on Dealing with Farm Stress. More farm stress resources can be found at: www.extension.iastate.edu/dairyteam/familyfarm-stress.

Market Reality is an understanding of past market cycles, current market forces, and future market opportunities based on a complex set of economic, political, cultural, and other situations that affect farm incomes at any given point in time. **Market Stress** is an extended time where low product prices or high input costs cause negative margins and/or negative cash flow. **Market Grief** is a reaction to the loss of something (profit or way of life) that is loved and cherished because finances or cash flow do not work out for extended periods of time. It may be an exasperation of a "Holy Cow" to a situation beyond control. Alternatives seem limited or are difficult to adjust to or realize in the new market norm.

At times, farmers get ravaged by the economy. Dairy prices plummet from time to time, which can last for years. Crop and other livestock prices often do not fare any better, minimizing alternatives. In 2014, for example, dairy farmers were getting over $20 per hundredweight for their milk. In late 2018, that number sat below $14 cwt. The 2018 average was the lowest average of that four year timeframe–a timeframe already previously stressful!

To put this in perspective, the 2018 breakeven price for many Iowa milk producers was well over $17.00 cwt. With the 2018 cow and heifer prices going below $40 per cwt., selling heifers meant losing more than half the cost of growing them. In a depressed cow market, selling cows may mean forfeiting lots of the value of milk cows on the balance sheet. So, how does one spell stress and grief?

Farm market stress and grief can cause feelings of being overwhelmed, depressed, immobilized, lack of energy, or loss of hope. This can lead to exhibits of anxiety, anger and loss of good decision-making ability. **SEEK HELP! PLEASE!**

Dairy producers have heard time and again they need to use records to fine-tune their management to find every penny of margin. Getting back to the basics– knowing their cost of production; feeding and breeding efficiency; producing the most pounds of solids per hundredweight of milk; improving the milking system to increase labor efficiency; breeding superior females for needed herd replacements and breeding the lower quality females to beef bulls that generate added revenue. Many have done all that and more, and the numbers still may not work out.

Dairying might get even tougher in reality as markets change. Exports might not clear additional milk and processing capacity sees constraints. Markets are not always humane–providing a price to balance supply and demand, even if low. Benefits of a free market do not come without cost. A sad reality is the probability of an extended dairy recession even worse than the past few years. Somebody or something needs to clear the market, meaning producers continue to leave.

Making the Tough Choices and Seeking Marketing Options. While many producers do not use a risk management tool, they are available and can be useful. For example, the 2018 Farm Bill gives dairy producers new market protection options, which, in reality, may actually protect the over-supply of milk. It renames the Margin Protection Program for Dairy (MMP-Dairy) to Dairy Margin Coverage Program (DMC) and permits participation in both DMC and Livestock Gross Margin for Dairy (LGM) on the same production. DMC and the Dairy Revenue Protection program may also be used together. The DMC program is vastly improved from the old MPP and when combined with LGM coverage, should be considered by every dairyman, no matter how many cows they milk.

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Market reality, stress and grief, continued from page 3

Every farm needs an operating plan, and as important, an exit strategy–setting a point where one is no longer willing to accept equity loss and will exit the industry or reallocate resources to another enterprise. The easiest route is to do nothing and hope things resolve themselves. Unfortunately, that hardly ever works. Remember, there is life after the cows leave the barn or even after people leave the farm. It is a tough reality, filled with stress and maybe even grief, but is often a necessary outcome in times of trouble.

Farmers need to be resourceful when considering how else resources can be used. Farm alternatives or off-farm jobs might not be a great choice, but a possibility needing consideration. Often, a conversation with someone who has gone through an "exit" can be helpful. Bringing others, including extension specialists, into the discussion might help to bring out ideas that otherwise might not be considered.

Hopefully, all the market reality, stress and grief can be worked through: making tough choices, reaching out to others, exploring options, and giving life a new reality.

Hopefully, a new acceptance is attained that gives hope to meaningful life–a life that maybe just different than before.

With market stress and grief, people often wonder, what can I do to get out of this mess or be able to save the lifestyle and assets? **The important part is to recognize when to seek help and make informed decisions, not out of confusion and emotion, but objective reality, even when confusion and emotions are running high.**

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Iowa Nutrient Reduction Strategy annual report available

By Brian Meyer, College of Agriculture and Life Sciences, 515-294-0706, bmeyer@iastate.edu; Lexi Marek, Iowa Department of Agriculture and Land Stewardship, 515-281-5322; Alex Murphy, Iowa Department of Natural Resources; 515-729-7533, Alex.Murphy@dnr.iowa.gov

Iowa State University, the Iowa Department of Agriculture and Land Stewardship and the Iowa Department of Natural Resources announced that the Iowa Nutrient Reduction Strategy Annual Progress Report is now available to the public at www.nutrientstrategy.iastate.edu/documents.

"We are committed to robust measuring and reporting around each of the steps necessary to reach our water quality goals," said Mike Naig, Iowa Secretary of Agriculture. "This report shows progress in each of the areas measured. We are encouraged by the efforts of the public and private sectors to implement conservation practices across the state, and are working to build on this success going forward."

"The Nutrient Reduction Strategy is a very important and critical effort working to enhance water quality, and to see positive changes and results is gratifying," said Bruce Trautman, acting director of the Iowa DNR. "We are continually committed to improving and protecting water quality, and with partnerships developed through the strategy, we are making great strides, but we still have work to do to meet the goals."

The annual report provides progress updates on point source and nonpoint source efforts to reduce nitrogen and phosphorus loads leaving the state. The report follows the "logic model" framework that identifies measurable indicators of desirable change that can be quantified, and represents a progression toward the goals of achieving a 45 percent reduction in nitrogen and phosphorus loads.

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Iowa Nutrient Reduction Strategy annual report available, continued from page 4

NRCS/SWCS photo by Lynn Betts

Report identifies $500 million in public and private water quality funding

The framework recognizes that in order to affect change in water quality, there is a need for increased inputs, measured as funding, staff, and resources. Inputs affect change in outreach efforts and human behavior. With changes in human attitudes and behavior, changes on the land may occur, measured as conservation practice adoption and wastewater treatment facility upgrades. Finally, these physical changes on the land may affect change in water quality, which ultimately can be measured through both empirical water quality monitoring and through modeled estimates of nutrient loads in Iowa surface water.

"The report highlights the increase in activities in the five years since the release of the Iowa Nutrient Reduction Strategy, which is encouraging," said Matt Helmers, Director of the Iowa Nutrient Research Center at Iowa State University. "But, it is also important to recognize the scale of change required to meet nutrient reduction goals, and the need for increased levels of practice adoption and implementation throughout the state."

Highlights from the report

Inputs - funding, staff, and resources

- $512 million in private and public sector funding for Nutrient Reduction Strategy efforts identified during the 2018 reporting period.
- Long-term funding is now in place that will provide an additional $270 million for conservation practices and wastewater treatment upgrades over the next 12 years.
- Since 2013, the Iowa Nutrient Research Center at Iowa State University has funded $8.7 million for 76 research projects led by scientists at the state's three Regents universities. The research evaluates the performance of current and emerging nutrient management practices and helps to provide recommendations on implementing the practices and developing new practices.
- Of the 154 municipal wastewater plants and industrial facilities required to assess their nutrient removal capacity, 125 have been issued new permits and 82 of those have submitted feasibility studies on potential technology improvements to reduce nutrient loss.
- The Conservation Infrastructure Initiative engaged a broad cross-section of leaders within and outside of the agriculture industry to address barriers, innovative market-based solutions, and new revenue streams to improve water quality.

Human - outreach efforts

- Partners reported 511 outreach events focused on water quality were held in 92 counties.
- Partners reported 45,800 participants attended an outreach event.

Land - conservation practice adoption

- Statewide estimates indicate 760,000 acres of cover crops were planted in 2017, including 330,000 acres enrolled in government cost share programs.
- 1.8 million acres of land were enrolled in the Conservation Reserve Program, about 200,000 acres more than in 2011.
- Statewide mapping of six types of conservation practices was completed. An analysis of the results shows the value of this public and private investment in conservation would be $6.2 billion in today's dollars. Additional analysis is underway to quantify the water quality impact of these practices in terms of reduced sediment and phosphorus loads to Iowa streams.

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Iowa Nutrient Reduction Strategy annual report available, continued from page 5

Water quality monitoring and estimates

- Iowa has an extensive water quality monitoring system in place, including 32 more real-time nitrate sensors deployed by the University of Iowa's Hydroscience and Engineering - IIHR than in 2016.
- At least 88 percent of Iowa's land drains to a location with water quality sensors installed and maintained mainly by the Iowa Department of Natural Resources, Hydroscience and Engineering - IIHR, and the U.S. Geological Survey.
- Surface water samples are collected regularly at 302 locations, plus 582 edge-of-field sites by the Iowa Soybean Association and Agriculture's Clean Water Alliance.

The annual report works towards evaluating progress using an updated baseline that is consistent with the Gulf of Mexico Hypoxia Task Force and follows the direction of the Iowa Legislature. The baseline looks at the 1980-1996 time period. In future reports, the baseline period will be used to measure progress toward water quality goals identified by the Iowa Nutrient Reduction Strategy.

The annual report was compiled by the College of Agriculture and Life Sciences at Iowa State University with support from the Iowa Department of Agriculture and Land Stewardship and the Iowa Department of Natural Resources. A draft of the report was shared with the Iowa Water Resources Coordinating Council in November and their feedback was incorporated into the recently finalized report.

Updates, continued from page 1

Internet Updates

The following Information Files and Decision Tool have been updated on www.extension.iastate.edu/agdm.

2014-2023 Payment Data by County for ARC-CO and PLC – A1-33 (Decision Tool)

Commodities Versus Differentiated Products – C5-203 (2 pages)

Demand – C5-204 (3 pages)

Economies of Scope – C5-205 (1 page)

Economies of Size – C5-206 (2 pages)

Current Profitability

The following tools have been updated on www.extension.iastate.edu/agdm/info/outlook.html.

Corn Profitability – A1-85

Soybean Profitability – A1-86

Iowa Cash Corn and Soybean Prices – A2-11

Season Average Price Calculator – A2-15

Ethanol Profitability – D1-10

Biodiesel Profitability – D1-15