



# Current Report

Oklahoma Cooperative Extension Fact Sheets are also available on our website at: <http://osufacts.okstate.edu>

## Oklahoma Farm and Ranch Custom Rates, 2011-2012

Damona Doye  
Regents Professor and Extension Economist

Roger Sahs  
Extension Assistant Specialist

This Current Report summarizes data collected from Oklahoma farmers, ranchers and custom operators during the summer of 2011. Custom work is defined as machine operations performed for the customer with the custom operator furnishing the machine, fuel, labor and other inputs directly associated with the machine. Custom operators do not usually furnish materials such as seed or fertilizer unless it is explicitly stated. In general, custom rates have increased since the 2009 survey. Approximately 210 surveys were returned with usable data.

### Summary Procedure

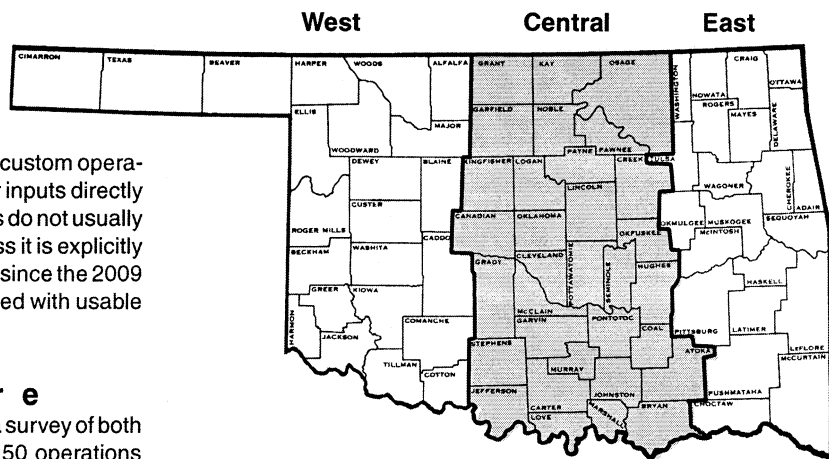
The rates quoted herein were collected by a survey of both farmers and custom operators. A list of over 150 operations was provided from which each respondent quoted rates for only selected operations. Some respondents quoted rates for only one or two operations while others were familiar with rates for many of the machines listed. "Fair" rates are negotiated. Regional or state average rates may be used as a beginning point for discussion. However, differences in operations, requirements, and circumstances may impact rates.

The rates summarized on the inside pages were edited to remove those replies for which the respondent's interpretation of the information being requested did not match the interpretation of other respondents.

### Interpreting the Rate Tables

A statewide rate summary for each operation is quoted in the included table. If available, separate quotes are listed for each area of the state as shown in the map. The number of estimates obtained, the average rate, and the lowest and highest rates reported are shown. The cost of following up with individual surveys prohibited questioning or affirming doubtful replies. In most cases the number of observations was insufficient to allow statistical analysis. In general, large numbers of observations improve reliability. You must interpret these results, therefore, with these limitations in mind.

Figure 1 shows the distribution of survey responses for operations with at least 30 observations. For example, a distribution of 93 responses for baling large round bales is one



of several graphs shown. None of the respondents reported a rental rate less than \$8 per acre, 19% reported a rental rate between \$8 and \$11.49 per acre, 26% reported a rental rate between \$11.50 and \$14.99 per acre, 26% reported a rental rate between \$15 and \$18.49 per acre, 14% reported a rental rate between \$18.50 and \$21.99 per acre, and 15% of the respondents reported a rental rate of \$22 or more per acre.

If you are interested in a rate quotation for a specific operation in an area which shows a small number of reports, consider rates for other areas of the state where the operation is more common or refer to the statewide summary. Additional adjustments for field size and soil type may be necessary.

### Reporting Regions

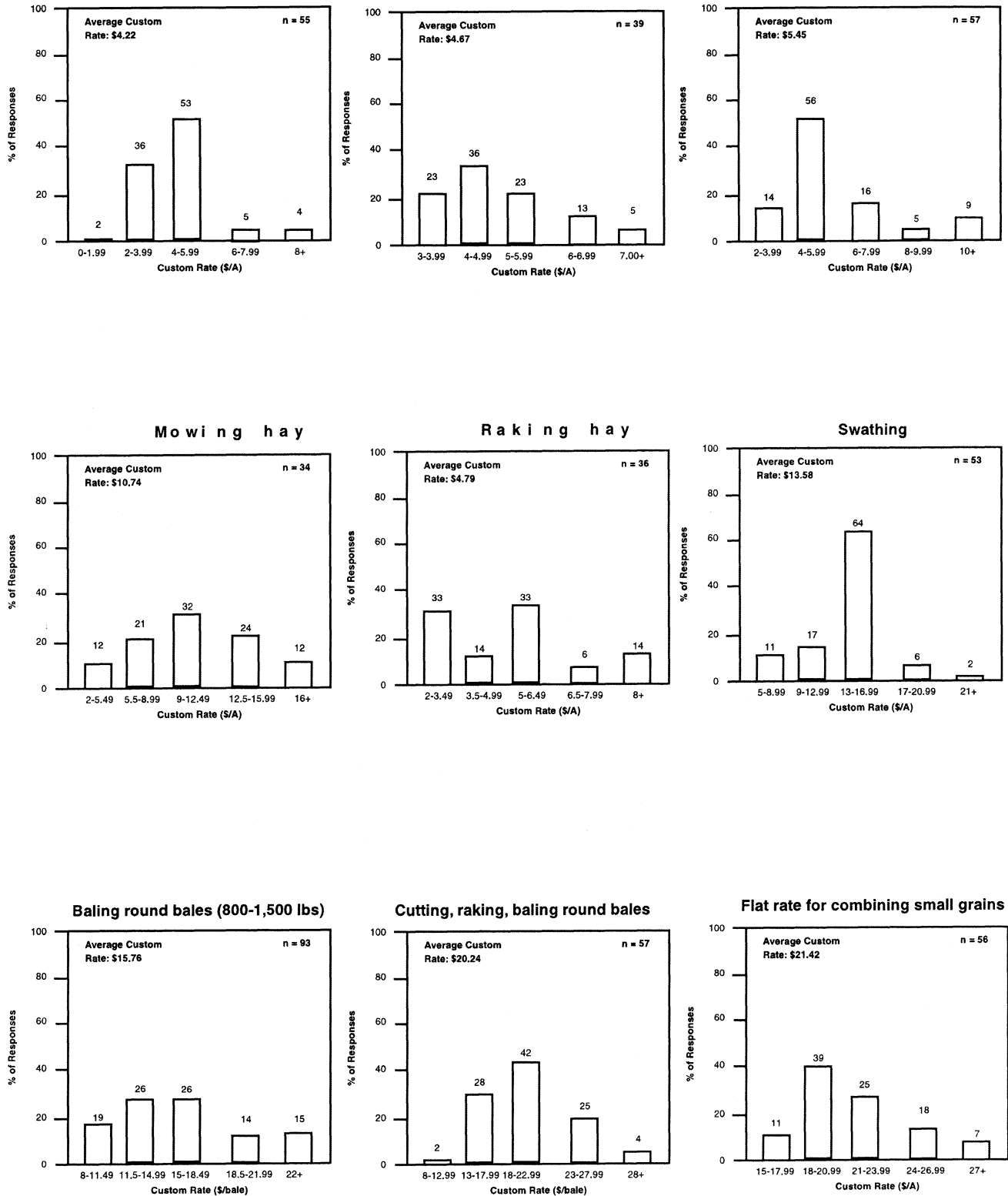
Area rates are summarized for the State of Oklahoma as shown in the map above. Regional differences are apparent in the rate table with higher rates prevailing when:

- Fields are small.
- Soils are heavy.
- Slopes are steep.
- Machines are scarce.
- Custom operators are not available.

Rates tend to be lower than expected when exchange work is common between relatives and neighbors. Under these

OPERATION	OKLAHOMA*				WEST				CENTRAL				EAST				
	No.	Avg.	Low	High	No.	Avg.	Low	High	No.	Avg.	Low	High	No.	Avg.	Low	High	
<b>LIVESTOCK OPERATIONS</b>																	
Spraying	\$/head	12	1.88	0.30	4.00					4	2.25	1.00	4.00	3	1.27	0.30	3.00
Dehorning	\$/head	15	3.35	0.50	8.00					7	3.00	0.50	7.00	4	3.50	1.00	8.00
Branding	\$/head	15	2.27	0.50	5.00					8	2.25	0.50	5.00	3	1.83	1.00	2.50
Castrating	\$/head	22	2.86	0.50	8.00	2	4.50	4.00	5.00	9	2.72	0.50	5.00	6	2.83	1.00	8.00
Worming	\$/head	22	3.44	1.00	10.00					10	3.95	1.00	10.00	7	3.29	1.00	5.00
Artificial insemination	\$/head	7	12.07	5.00	20.00	2	10.00	10.00	10.00	3	11.67	5.00	20.00				
<b>MISCELLANEOUS</b>																	
Picking up pecans (% for owner)	%	9	44.78	33.00	50.00					3	46.67	40.00	50.00	4	43.25	33.00	50.00
Welding	\$/hour	27	34.48	12.00	75.00					14	36.57	12.00	75.00	8	34.38	20.00	50.00
Building new fence with materials (5-wire, steel posts)	\$/mile	19	4545	1500	8500					7	3457	1500	6000	5	4950	1750	8500
Building new fence w/o materials (5-wire, steel posts)	\$/mile	15	2475	600	5280	2	2250	2000	2500	6	2170	600	5280	4	2425	1400	4200
Digging line fence post holes	\$/hole	8	7.38	1.00	20.00					2	5.50	5.00	6.00	2	3.00	1.00	5.00
Brush hogging	\$/hour	20	40.25	10.00	75.00					8	36.13	10.00	75.00	6	34.67	20.00	50.00
Dozing (D6 or smaller)	\$/hour	28	92.14	50.00	140.00					13	92.31	50.00	140.00	6	85.00	65.00	125.00
Dozing (D7 or larger)	\$/hour	18	102.50	50.00	175.00					5	102.00	85.00	150.00	7	103.57	50.00	175.00
Clearing cedar trees	\$/hour	14	84.64	45.00	150.00					8	103.13	45.00	150.00	2	50.00	50.00	50.00
Sawing wood, chainsaw	\$/hour	8	14.38	10.00	30.00					4	17.50	10.00	30.00	3	11.67	10.00	15.00
Hauling cattle flat truck, capacity	lb.	12	37750	14000	52000	3	40333	31000	50000	7	34286	14000	50000				
Per mile (one-way load)	\$/mile	12	5.17	3.00	7.50	3	4.00	3.00	6.00	7	5.50	4.00	7.00				
Hauling cattle belly semi-truck, capacity	lb.	16	49953	45000	60000	6	49167	45000	50000	7	49893	48000	55250				
Per mile (one-way load)	\$/mile	16	4.03	3.00	5.50	6	4.21	3.85	5.50	7	4.04	3.00	5.00				
Gooseneck trailer, length	feet	24	26.71	20.00	40.00					14	26.79	16.00	40.00	4	22.00	20.00	24.00
capacity	lb.	24	16500	8000	37000					14	18286	8000	37000	4	10250	9000	12000
rate per mile	\$/mile	24	2.83	1.00	5.00					14	2.88	1.00	5.00	4	3.33	1.50	5.00
<b>TRACTOR RENTAL</b>																	
2 wheel drive-between 100 and 150 hp	\$/hour	5	53.00	40.00	75.00					4	53.75	40.00	75.00				
<b>MACHINERY RENTAL</b>																	
No-till drill	\$/acre	9	8.06	4.00	15.00					4	9.13	4.50	15.00	3	8.00	4.00	10.00

**Figure 1. Relative frequency of responses for selected operations**  
**Applying dry bulk fertilizer, Applying liquid fertilizer, Herbicide spraying, grain**



circumstances, fixed costs of ownership such as depreciation and interest on investment (sometimes even labor) tend to be discounted when a rate is established for a particular job.

### Custom Service vs. Ownership

Individual circumstances—cash flow, ownership and operating costs, labor availability, reliability and timeliness of custom operators, pride of ownership—will influence an individual's decision on whether to buy or lease machinery and equipment or custom hire work done. A worksheet at the end of this article is designed to help evaluate the cost of machinery ownership and operation. Software to help evaluate the cost of owning and operating farm machinery is available online at [agmach.okstate.edu](http://agmach.okstate.edu).

### Possible Advantages of Operations

- Ownership costs are avoided.
- Capital and labor can be channeled to other uses.
- Machine use can be readily adjusted to changes in crop mix and market conditions.
- Specialized operations may benefit from experience and skilled operator.
- Jobs may be completed faster using several machines.

### Possible Disadvantages of Operations

- Service may not be available at the best time.
- Reliability of the custom operator may not be known.
- Rates may be excessive in special situations.

Each manager must choose the best combination of owned and hired machines. The quotations here will be helpful in estimating custom costs and to provide a base figure for agreement on a rate when well established local rates are not available. If you have questions, ask your Extension Educator- Agriculture or Area Agricultural Economics Specialist for additional information.

### Considerations to Keep in Mind Using Custom

Keep in mind there is a wide variation in rates charged for most jobs, even within the same geographic area, partly because some custom work is done for friends, relatives, and neighbors at reduced rates, partly because *some* custom work is done late by farmers who do their own work first and therefore do not attempt to include the full cost of machine ownership in their rates, and partly because it is easy to under-estimate the full cost of ownership and operation of machinery.

A small number of reports for a given machine in a particular area may not be representative. In this case, it is particularly important to check rates in other areas or statewide where a larger number of reports are found.

## Costs of Ownership and Operation

The management decision to own a machine, to custom hire operations performed, or to custom perform operations is partially determined by cost, which is heavily influenced by the amount of use realized over the period of machine ownership. Estimates of fixed and variable costs per hour can be approximated using the following steps. Unless accurate records are used to estimate costs, variability in machine and operator efficiencies can cause actual results to be significantly different from estimated results.

A. Acres per hour = Acres covered in normal day ÷ hours in normal day = \_\_\_\_\_ acres ÷ \_\_\_\_\_ hours = \_\_\_\_\_

B. Average investment = (Original cost + Trade-in value) ÷ 2 = (\$ \_\_\_\_\_ + \$ \_\_\_\_\_) ÷ 2 = \$ \_\_\_\_\_

C. Depreciation =  $\frac{\text{Annual Original cost - Trade-in value}}{\text{Number of years owned}}$  = (\$ \_\_\_\_\_ - \$ \_\_\_\_\_) ÷ \_\_\_\_\_ years = \$ \_\_\_\_\_

D. Interest = Average Investment x Interest rate = \$ \_\_\_\_\_ x \_\_\_\_\_ % = \$ \_\_\_\_\_

E. Taxes = Average Investment x  $\frac{\text{Annual Personal Tax rate (1)}}{\text{Personal}}$  = \$ \_\_\_\_\_ x \_\_\_\_\_ % = \$ \_\_\_\_\_

F. Insurance = Average Investment x  $\frac{\text{Annual Insurance rate (2)}}{\text{Insurance}}$  = \$ \_\_\_\_\_ x \_\_\_\_\_ % = \$ \_\_\_\_\_

G. Total Annual Ownership Costs (Sum of C through F) = \$ \_\_\_\_\_

.....

H. Costs per acre =  $\frac{\text{Ownership Annual Costs}}{\text{Acres Per Year}}$  = \$ \_\_\_\_\_ ÷ \_\_\_\_\_ acres/year = \$ \_\_\_\_\_

I. Per acre =  $\frac{\text{Repairs (3)}}{\text{Acres Per Year}}$  = \$ \_\_\_\_\_ ÷ \_\_\_\_\_ acres/year = \$ \_\_\_\_\_

J. Per acre =  $\frac{\text{Fuel Cost Fuel Gallons}}{\text{Price Per Hour Per Hour Acres}}$  = (\$ \_\_\_\_\_/gal. x \_\_\_\_\_ gal./hour) ÷ \_\_\_\_\_ acres/hour = \$ \_\_\_\_\_

K. Per acre =  $\frac{\text{Labor costs Daily}}{\text{Wage Per day Acres}}$  = \$ \_\_\_\_\_/day ÷ \_\_\_\_\_ acres/day = \$ \_\_\_\_\_

.....

L. Total Cost Per Acre = Sum of items H through K above = \$ \_\_\_\_\_

- (1) Use local tax rate if known. One to two percent is a reasonable "guesstimate".
- (2) Use own insurance rate if known. One-half to one percent is a reasonable "guesstimate".
- (3) Use your repair expense data, if available. One percent of original price for each year machine is kept is a rough estimate; e.g., 10% per year if machine is to be used for 10 years.



## **The Oklahoma Cooperative Extension Service** ***Bringing the University to You!***

The Cooperative Extension Service is the largest, most successful informal educational organization in the world. It is a nationwide system funded and guided by a partnership of federal, state, and local governments that delivers information to help people help themselves through the land-grant university system.

Extension carries out programs in the broad categories of agriculture, natural resources and environment; family and consumer sciences; 4-H and other youth; and community resource development. Extension staff members live and work among the people they serve to help stimulate and educate Americans to plan ahead and cope with their problems.

Some characteristics of the Cooperative Extension system are:

- The federal, state, and local governments cooperatively share in its financial support and program direction.
- It is administered by the land-grant university as designated by the state legislature through an Extension director.
- Extension programs are nonpolitical, objective, and research-based information.
- It provides practical, problem-oriented education for people of all ages. It is designated to take the knowledge of the university to those persons who do not or cannot participate in the formal classroom instruction of the university.
- It utilizes research from university, government, and other sources to help people make their own decisions.
- More than a million volunteers help multiply the impact of the Extension professional staff.
- It dispenses no funds to the public.
- It is not a regulatory agency, but it does inform people of regulations and of their options in meeting them.
- Local programs are developed and carried out in full recognition of national problems and goals.
- The Extension staff educates people through personal contacts, meetings, demonstrations, and the mass media.
- Extension has the built-in flexibility to adjust its programs and subject matter to meet new needs. Activities shift from year to year as citizen groups and Extension workers close to the problems advise changes.

The authors gratefully acknowledge Derrel Kletke, Professor Emeritus, for his past contribution to this publication.

Oklahoma State University, in compliance with Title VI and VII of the Civil Rights Act of 1964, Executive Order 11246 as amended, Title IX of the Education Amendments of 1972, Americans with Disabilities Act of 1990, and other federal laws and regulations, does not discriminate on the basis of race, color, national origin, gender, age, religion, disability, or status as a veteran in any of its policies, practices, or procedures. This includes but is not limited to admissions, employment, financial aid, and educational services.

Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Robert E. Whitson, Director of Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma. This publication is printed and issued by Oklahoma State University as authorized by the Vice President, Dean, and Director of the Division of Agricultural Sciences and Natural Resources and has been prepared and distributed at a cost of 42 cents per copy. 1111 GH Revised.

