“Custom farming” has been a part of central Illinois agriculture for many years. It goes back to the time when the threshing crew came to separate wheat from the chaff. The shelling crew was also a form of custom work.

A farm operator may hire an occasional specialized operation such as hay baling or forage chopping. This is often more economical than buying an expensive asset that won’t be fully utilized. Custom work also involves an exchange of labor between farmers.

The owner of a parcel of land who wishes complete management control can turn to a custom operator for pre-arranged farm operations throughout the year for either a set fee or on a per-operation basis.

Various aspects of custom farming arrangements are discussed below in three distinct groups.

**Occasional Custom Work**

It is common during busy times of the year or in busy farming seasons for a farm operator to hire a neighbor to help. Having farm fertilizer or chemicals “custom applied” by the dealer are other examples of occasional custom work.

In some cases, an operator in need may simply use a implement to complete an operation. Generally, the tool is “rented” and the rental price charged would include payment to cover depreciation from the added wear and tear on the tool as well as a portion of the return-on-investment, allowance for repairs, insurance, and any personal property tax expenses.

If both a tractor and an implement are used, the expected costs can be calculated from the *Illinois Farm Machinery Cost Estimates*, another fact sheet available in the *Farm Business Management Handbook*. If one party furnishes everything-tool, tractor, fuel, and labor, then all costs need to be included.

**Exchange of Custom Work**

Escalating equipment costs have caused neighbors to purchase separate equipment and work together. An example might be operator A furnishing a combine, fuel, and labor with operator B furnishing hauling equipment, fuel and labor. At the end of the season the respective operators would settle-up using the appropriate charges for the borrowed tasks. Neither operator would face the obligation of owning both the combine and the trucking equipment.

This arrangement seems to be very workable and useful to insure sound financing as long as the equipment fits the farm size. In addition, an agreement must be made as to which farm crops might be harvested first or who has first use of the equipment. These arrangements need thorough discussion prior to implementation.

**Custom Farming Arrangement**

In a custom farming arrangement, an owner hires a farm operator to do all of the farm operations necessary to grow and harvest the crop. Typically, the custom operator and the owner agree upon what is to be done, a price, and a time when it is to be done. The owner may order the seed, contract to have chemicals and fertilizer custom applied, and make all production decisions for the farm. In other cases, the owner will expect the custom operator to make these decisions. When the owner expects the operator to do this, the total custom farming payment should be larger than when the owner makes the decisions.

Many of these custom farming arrangements are based upon the *Illinois Farm Machinery Cost Estimates* fact sheet mentioned earlier. This fact sheet shows the calculated cost of operations for each operation. The numbers may or may not reflect what custom operators are charging, and they do not include a “profit” for
doing the operation. Actual charges for custom farming are individually determined by the two parties involved - ahead of planting season!

**Advantages to the Landowner:**

- Complete management control over all decisions related to production and marketing.
- Greater share of potential profits during a productive year.

**Disadvantages to the Landowner:**

- May be unable to dictate when the work should be done since other parcels where the operator has a greater interest share may be done first.
- All risk and losses to the owner.
- May be reliant on less than the best operators.

**Advantages to the Operator:**

- Keep machinery “busier” and able to generate more income.
- No risk in growing or marketing of crops.
- If cooperative work done with neighbor, less investment needed.

**Disadvantages to the Operator:**

- Most operators tend to supply some management free to the farm even though owner is gaining all potential benefits.
- No real earnings from farm, merely earlier depreciation payback and a per hour wage for driving the tractor.
- Rates used may not be enough to purchase a higher priced replacement machine.

**Custom Rate Charges**

The Cooperative Extension Service is often asked for the dollar amount of a custom farm contract. In other words, “How much per acre should I charge to cover all custom work for the entire season?” This is a good question, to which there is no definite answer.

There are about as many methods of farming as there are operators. A single blanket fee to cover all farm situations will not work well, as tillage methods now range from no-till to conservation tillage to conventional (plow) tillage with three tillage passes.

The blanket fee introduces a potential conflict between the custom operator and the owner. It is to the operator’s advantage to do as few operations as possible. It is to the owner’s advantage to have every operation that might be helpful performed. This is why spelling out all the details in advance is important. During the preparation of an agreement, it would be wise for both parties to agree on what operations are to be performed, what per-acre charge will be used, and under what circumstances the plan may be altered for such circumstances as replanting, rotary hoeing for compaction problems, or extra pesticide spraying.

**Farm Machinery Cost Estimates**

For several years, the Department of Agriculture and Consumer Economics has compiled a listing of estimated machine costs of farm machinery. This document, *Illinois Farm Machinery Cost Estimates*, is made up of repair information gathered from research and manufacturers, assumptions involving depreciation rates, years of use, annual hours of use, and other miscellaneous charges. It is not the “going” custom rate, but it provides a guide to actual machine costs, necessary information when setting custom rates. This information is based upon average information and will not reflect every possible condition in Illinois. Local situations may dictate a need for price modifications from time to time. Remember, the cost estimates are just that, and do not include “profit”, or funds to cover other expenses such as the truck to bring fuel to the tractor while it’s in the field. Actual custom rates may need to be higher than the direct machine costs shown in order to cover all costs and management.