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Ag Decision Maker
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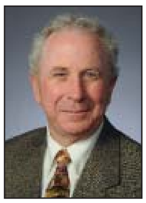


Iowa farm custom rate survey shows slight increases for 2014

by William Edwards, retired extension economist, wedwards@iastate.edu, and Ann Johanns, extension program specialist, aholste@iastate.edu

The 2014 Iowa Farm Custom Rate Survey followed the recent trend of small but consistent increases in rates each year. According to William Edwards, retired Iowa State University Extension and Outreach economist, most operations showed increases of 4 to 6 percent over the average rates in the 2013 survey. The survey includes information on tillage, planting, spraying and harvesting grain or forages. Also included are values for miscellaneous services and machinery rental.

The values reported on the survey are the average of all the responses received for each category. The range of the highest and lowest responses received is also reported. The values survey respondents report are what they expect to pay or charge in the coming year. These values are intended only as a guide to help both custom operators and people who hire custom work done arrive at a reasonable rate.

A total of 195 Iowa farmers, custom operators and farm managers replied to the survey. Twenty-seven percent of them reported that they performed custom work for others, 12 percent reported hiring custom work done and 61 percent indicated that they did both.

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Average Farm Custom Rates Reported for Iowa

Operation	1978	1988	1998	2013	2014
Chisel plowing, per acre	$6.00	$8.40	$9.65	$15.20	$16.15
Planting, per acre	$4.40	$6.80	$8.85	$16.60	$17.85
Spraying, per acre	$2.40	$3.50	$4.00	$6.65	$6.90
Combining corn, per acre	$16.20	$22.00	$23.40	$32.90	$34.15
Combining soybeans, per acre	$14.00	$20.60	$22.55	$32.00	$34.15
Baling square bales, per bale	$.21	$.29	$.36	$.60	$.65
Custom farming, corn, per acre	$58.00	$71.00	$75.80	$126.65	$136.10
Custom farming, soybeans, per acre	$50.00	$65.00	$70.65	$112.40	$121.00
Machinery operating wage, per hour	$3.50	$5.10	$7.20	$13.30	$13.90

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

Handbook updates

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

Historical Corn Yields by County – A1-12 (10 pages)

Historical Soybean Yields by County – A1-13 (10 pages)

Corn and Soybean County Yields – A1-14 (4 pages)

2014 Iowa Farm Custom Rate Survey – A3-10 (2 or 4 pages)

Federal Gift Taxes – C4-23 (2 pages)

Federal Estate Taxes – C4-24 (4 pages)

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

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Inside . . .

Iowa State University
Extension and Outreach

Ag Decision Maker is compiled by extension ag economists
Ann Johanns, aholste@iastate.edu
extension program specialist

Iowa farm custom rate survey shows slight increases for 2014, continued from page 1

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 also will affect rates.

Ag Decision Maker offers a decision tool to help custom operators and other farmers estimate their own costs for specific machinery operations. The Machinery Cost Calculator, File A3-29 can be found under Crops, then Machinery, in the Ag Decision Maker table of contents.

The 2014 Iowa Farm Custom Rate Survey is available at your county extension office or online as publication FM 1698 from the Extension Online Store, or as information file A3-10, Iowa Farm Custom Rate Survey, on the Ag Decision Maker website, www.extension.iastate.edu/agdm/.

The Agricultural Act of 2014*

by Neil Harl, Charles F. Curtiss Distinguished Professor in Agriculture, and emeritus professor of economics, Iowa State University, Ames, Iowa; member of the Iowa Bar 515-294-6354, harl@iastate.edu

The long-awaited replacement to the Food, Conservation and Energy Act of 2008, which was to expire in 2012 but was extended by Congress for one more year, languished as the Agriculture Reform, Food and Jobs Act of 2013. The substantial differences were reconciled on Jan. 27, 2014, passed by Congress and signed by President Obama on Feb. 7, 2014, as the Agricultural Act of 2014. Failure to pass the legislation would have activated the 1938 legislation and the 1949 legislation, both of which were permanent legislation that would have gone into effect by default had Congress failed to enact replacement legislation for the 2008 act.

Budgetary impacts

The final legislation is expected to involve expenditures of $489 billion over the next five years with $391 billion for nutrition assistance and $98 billion for agriculture programs, which includes $90 billion for crop insurance, $58 billion for conservation, $44 billion for farm commodity programs and lesser amounts for trade, horticulture, research and bioenergy.

The discussion following focuses on the 12 titles of the 2014 legislation.

Farm commodities, Title I

The legislation makes significant but not major changes in farm commodity policy.

Direct payments. One expected outcome was the repeal of the direct payments provision.

Price and revenue protection. The legislation also repealed countercyclical payments but enacted a new provision instead. The legislation retains a countercyclical price program (referred to as Price Loss Coverage or PLC), which provides a benefit if the farm price for the covered crop in question declines below "reference prices" that are higher than the target prices in the 2008 legislation. For corn, the "reference price" is $3.70 per bushel. For soybeans, the figure is $8.40 per bushel and for wheat is $5.50 per bushel. Current policy is continued by making payments on 85 percent of historical planted acreage or "base acres." The base acre figures can be updated for plantings from 2009 through 2012.

Agriculture risk coverage. This program, referred to as ARC, is an alternative to PLC and covers a portion of a producer's out-of-pocket loss when crop revenues decline with payments, again, on 85 percent of the base acres. Payments are triggered when actual crop revenue drops below 86 percent of historical or benchmark revenue. Both this program and PLC are separate from the crop insurance program. Producers electing PLC are eligible to purchase an additional subsidized crop insurance to protect against what are termed "shallow losses."

Non-recourse loans. Nine-month, non-recourse marketing assistance loans are available for loan commodities. The loan rates are set at $1.95 per bushel on corn, $5.00 per bushel for soybeans and $2.94 per bushel for wheat.

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