

Producer machinery and labor sharing arrangements workshops

Abstract: Four case studies were developed for Iowa farm operations that have successfully used machinery and labor sharing arrangements for intergenerational transfer of farm assets. Results were shared at workshops and through publication of a resource manual.

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Q What are the key strategies that farm families should follow to successfully reduce machinery and labor costs through sharing the use and ownership of these resources?

A In-depth interviews with four farm families explained how they have implemented sharing arrangements to reduce costs, improve efficiency, and transfer use and ownership of farm assets to the next generation. This information was integrated into educational materials developed for earlier efforts, and presented to three diverse audiences.

Background

Ownership costs for farm machinery continue to rise as the scale of equipment available increases. Small and medium-size farmers often cannot achieve competitive economies of scale for machinery ownership, but do not wish to outsource their machinery operations to custom operators. Cooperative strategies to purchase and operate farm machinery as well as share labor not only permit producers to access cost-reducing technology and economies of scale without adding significantly more debt or land, but also provide less obvious benefits such as labor flexibility and more diversified management skills. In addition, families who wish to seamlessly transfer the use and ownership of machinery to the next generation of farmers can use sharing arrangements to accomplish their objectives.

Project objectives were to:

1. Complete two new case studies on intergenerational transfer to supplement the 10 cases on cooperative strategies that are already available.
2. Provide three workshops for producers and agribusinesses (e.g., lenders, landlords) on machinery and labor sharing arrangements.

Approach and methods

The project investigators prepared four case studies of Iowa farm operations that have successfully used machinery and labor sharing arrangements for intergenerational transfer of farm assets. One case study describes a diversified farming operation which includes cattle feeding, farrow-to-finish hogs, and corn and soybean production. There are three families involved in the farming operation. The second case study covers a corn and soybean farm run by two families that also has a custom farming enterprise. The third case deals with a three-generation family corporation that is evaluating strategies for treating farming and non-farming children equitably. The final case involves two non-related parties who have used formal agreements (leases, contracts) to transfer machinery ownership and management of a grain operation to the younger party. Their goals were to minimize the income tax burden on the



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older generation and ease the financing requirement for the younger generation.

The case studies cover the following issues: 1) structure of agreements, 2) governance and dispute resolution provisions, 3) daily operations, 4) planning techniques and record keeping, and 5) perceived benefits and disadvantages of the arrangement. The information can be used to make comparisons and draw general conclusions about the effectiveness of these arrangements. These four cases, in addition to relevant pieces of the previously existing farm machinery and labor-sharing cases, will be incorporated into extension/outreach programming focused on farm asset transfer strategies. The new case studies will be formatted for inclusion in future workshop materials with the existing set of 10 case studies. Prior workshop evaluations indicate that the case studies are the most helpful written information provided at the workshops.

Results and discussion

The researchers identified an interest in machinery and labor sharing information among Iowa's fruit and vegetable growers. Many of these growers are currently planning for expansion, but lack good information on how to scale up their operations. In particular, there is a need for targeted educational materials and programming related to evaluating machinery adoption and planning for mechanization. The information and educational materials developed were presented at the following workshops:

- 1) *Iowa Fruit and Vegetable Growers Association*, Content: Machinery adoption decision analysis; benefits of machinery sharing, types of machinery to share, business structures/arrangements for sharing, operational considerations (scheduling use, handling repairs and maintenance, transportation, joining and exiting the arrangement), and choosing partners.
- 2) *Beginning Farmer Network Beginning Farmers Conference*, Content: Getting started in a machinery-sharing agreement, exchanging labor for machinery, joint ownership with equal and unequal use, a formal joint machinery ownership entity, accounting for costs, and scheduling work.
- 3) *Extension Farm Financial Management Associates training*, Content: Overview of existing resources including case studies, benefits of machinery sharing, types of machinery to share, business structures/arrangements for sharing, operational considerations (scheduling use, handling repairs and maintenance, transportation, joining and exiting the arrangement), common concerns and strategies for overcoming them, choosing partners, future extensions.

Conclusions

The team found that producers of horticultural crops were interested in how machinery-sharing arrangements might help them gain access to specialized equipment with a reasonable investment. Several contacts were made to gauge the specific educational needs of horticultural producers, and plans were made for follow-up activities with targeted groups.

The team presented information about machinery and labor sharing to several groups of beginning farmers and horticultural growers, and trained Iowa State University Extension staff members about the use of machinery and labor sharing arrangements for intergenerational transfer of farm assets.

Impact of results

Future activities include scheduling a workshop for horticultural crop producers in northeast Iowa in fall 2011, and refining materials on transferring use and ownership of farm machinery between generations. These materials will be used as part of an educational program on transferring farm assets for which the group has received funding from the North Central Risk Management Education Center.

Education and outreach

Team members presented information on sharing labor and machinery at 12 meetings and workshops in 2010 and 2011. The team prepared an 87-page guidebook, *Farm Machinery and Labor Sharing Manual*, published in 2009 by Midwest Plan Service in Ames. It was distributed to all 12 states in the North Central Extension region and is available for sale from MWPS.

A research article stemming from the project appeared in the *Journal of Agricultural and Applied Economics*: Artz, G., G. Colson and R. Ginder. 2010. "A Return of the Threshing Ring? A Case Study of Machinery and Labor Sharing in Midwestern Farms." Popular press coverage included articles in *Progressive Farmer*, *Farm Focus*, and *Living the Country Life*, and a feature on Iowa Public Radio.

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