

Exchange of Ideas 2006

Custom Exchange

Presented by

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Trading Custom Work

How two small farms have worked together to increase their farm profit

Situation

- brothers (Tim & Tom) farming together 32 & 34 yrs old with fair amount of debt old air seeder good combine, semi with grain and hay trailer.
 - 2200 crop acres (with hayland)
 - 250 beef cows
- Neighbor (Joe) 42 yrs old, land paid for, very low debt, nice air seeder, old combine (was hiring some custom), tandem truck
 - 1100 acres crop (w/hayland)
 - 125 beef cows

- Together, the two farms constitute a large commercial sized farm in our area.
- Tim & Tom were going to buy newer air seeder to seed crops (esp SF), banker not excited-Debt level too high.
- Purchase would have likely stopped 480a land purchase 4 yrs ago (increased in value 40% since)
- Likely would not have upgraded combine 5 yrs ago either.

Situation

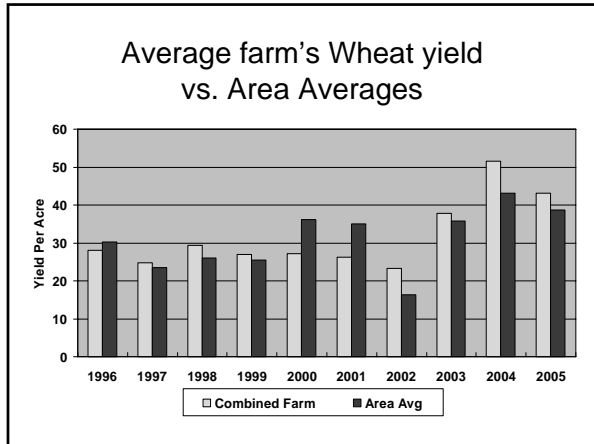
- I talked them into trying Joe seeding Sunflower, Tim & Tom combine Joe's Sunflower or Wheat.
- Suggested they use custom rates and trade (may not involve many \$ changing hands)
- Each provides all fuel for there field work
- Currently Joe seeds all crop, and they combine all his and truck some of his.
- No money has ever changed hands for custom work between them! (have repaid for seed or chemicals bought for other etc)

Advantages

- Economy of scale –able to own ~one and one half lines of equipment vs. two.
- Job done more timely-Joe always planted his crop earlier. (improved crop yields)
- Shared labor allows for someone to watch calving while crop is planted (Joe's brother from town helps out also running equip)
- Share ideas for planting, spraying, fertilizing crops (new innovations)

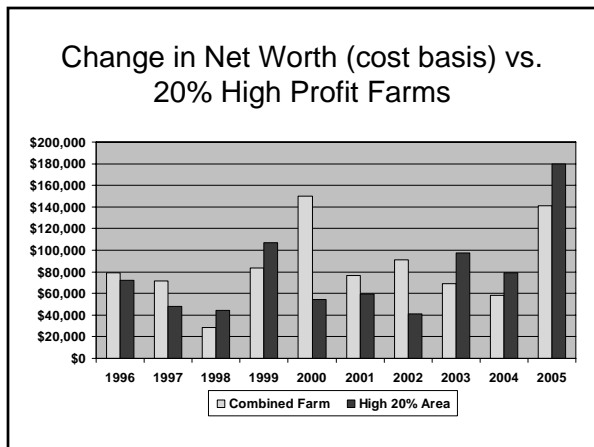
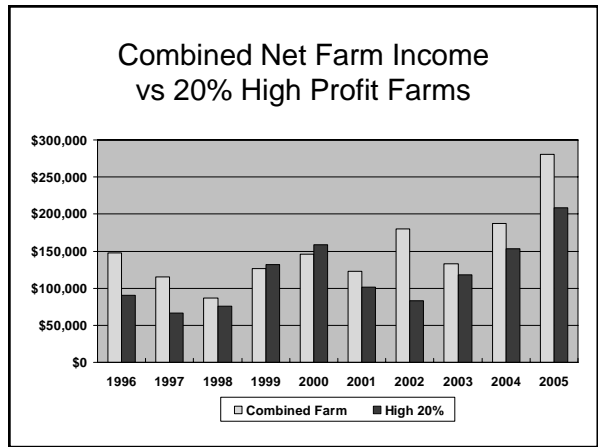
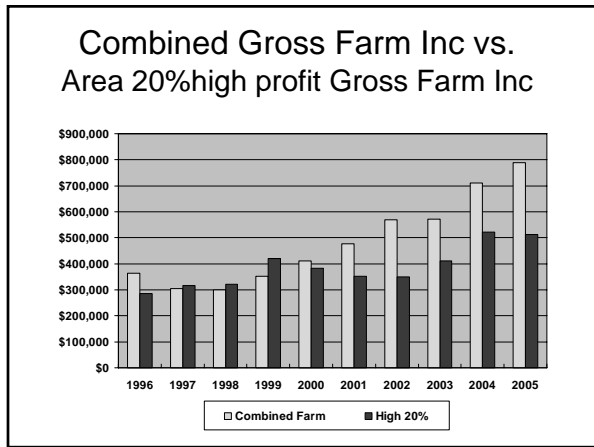
Advantages continued

- Developed into genuine friendship
- Improved profits (obviously not all is due to working together- calf prices much better last few years than earlier)
- Spend more time on details what is the best time to spray, best chemical to use, fungicides, seed varieties. They share knowledge and information.



Combined they are a lot like the high profit farms

- It makes them more similar to the high profit farms, even though they will divide that profit over three families rather than one.
- Joe had no desire to get real big, happy where he was at. Tim & Tom had aspirations to get bigger, but were not able to do so for several reasons.



Date	Description	number	cost/unit	Joe Farmer provided	Brothers provided	Bro's Owe Joe Farmer
6/1/03	Seeding	1200	\$ 8	\$ 9,600		\$ 11,228
7/1/03	Spraying	425	\$ 3		\$1,275	\$ 9,953
9/1/03	Combine Wheat	400	\$ 12		\$4,800	\$ 5,153
10/10/03	combine sunflowers	200	\$ 13		\$2,600	\$ 2,553
12/1/03	Haul grain	8	\$ 80		\$ 640	\$ 1,913
5/15/04	Seed Wheat and Sunflowers	1320	\$ 8	\$10,560		\$ 12,473
6/15/04	Sprayed crops	400	\$ 3		\$1,200	\$ 11,273
8/15/04	Combine Wheat	350	\$ 12		\$4,200	\$ 7,073
10/10/04	combine sunflowers	225	\$ 13		\$2,925	\$ 4,148
11/10/04	Truck grain	12	\$ 90		\$1,080	\$ 3,068
5/15/05	Seeding	1500	\$ 8	\$12,000		\$ 15,068
6/15/05	Spraying	500	\$ 3		\$1,500	\$ 13,568
8/15/05	Combine Wheat	700	\$ 12		\$8,400	\$ 5,168
10/15/05	combine sunflowers	300	\$ 13		\$3,900	\$ 1,268
11/15/05	Truck grain	12	\$110		\$1,320	\$ (52)

Date	Description	number	cost/unit	Joe Farmer provided	Brothers provided	Brothers owe Joe Farmer
5/29/99	Seed Sunflowers	189	\$ 8	\$ 1,512		\$ 1,512
5/29/99	Fertilizer for Sunflowers	2	\$ 220	\$ 440		\$ 1,952
8/15/99	Truck grain	4	\$ 60		\$ 240	\$ 1,712
10/10/99	Combined Sunflowers	80	\$ 12		\$ 960	\$ 752
11/3/99	Fumigant	1	\$ 50		\$ 50	\$ 702
5/20/00	Seed Sunflowers	380	\$ 8	\$ 3,040		\$ 3,742
6/15/00	Sprayed wheat	300	\$ 3		\$ 900	\$ 2,842
8/25/00	Truck grain	7	\$ 70		\$ 490	\$ 2,352
9/10/00	Combined Sunflowers	100	\$ 13		\$ 1,300	\$ 1,052
11/10/00	Truck Sunflowers	3	\$ 70		\$ 210	\$ 842
6/1/01	Seed Wheat and Sunflowers	600	\$ 8	\$ 4,800		\$ 5,642
6/15/01	Sprayed wheat	350	\$ 3		\$ 1,050	\$ 4,592
8/15/01	Combine Wheat	50	\$ 12		\$ 600	\$ 3,992
9/30/01	combine sunflowers	150	\$ 13		\$ 1,950	\$ 2,042
11/15/01	Hay trade	90	\$ 18		\$ 1,620	\$ 422
5/1/02	Spray burndown	300	\$ 3		\$ 900	\$ (478)
5/30/02	Seed Wheat and Sunflowers	1350	\$ 8	\$ 10,800		\$ 10,322
6/15/02	Joe's Fertilizer Bros used	1.4	\$ 240	\$ 336		\$ 10,658
6/15/02	Sprayed wheat	350	\$ 3		\$ 1,050	\$ 9,608
7/21/02	Haybine work	125	\$ 8		\$ 1,000	\$ 8,608
8/15/02	Combine wheat	280	\$ 12		\$ 3,360	\$ 5,248
10/10/02	combine sunflowers	200	\$ 13		\$ 2,600	\$ 2,648
1/10/03	Haul grain	10	\$ 75		\$ 750	\$ 1,898
3/1/03	Bobcat rent	15	\$ 18		\$ 270	\$ 1,628
6/1/03	Seeding	1200	\$ 8	\$ 9,600		\$ 11,228
7/1/03	Spraying	425	\$ 3		\$ 1,275	\$ 9,953
9/1/03	Combine Wheat	400	\$ 12		\$ 4,800	\$ 5,153
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