

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

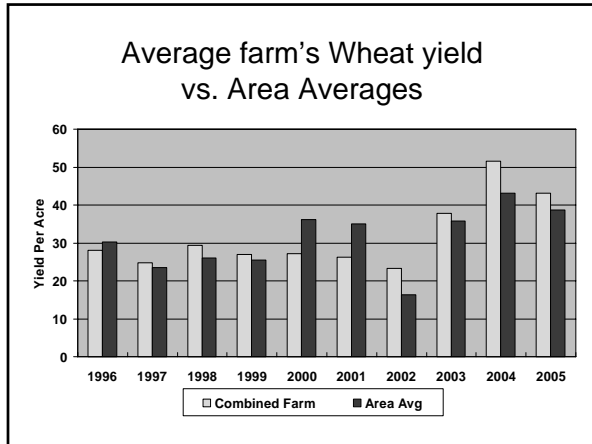
- I talked them into trying Joe seeding Sunflower, Tim & Tom combine Joe's Sunflower or Wheat.
- Suggested they use custom rates and trade (may not involve many \$ changing hands)
- Each provides all fuel for there field work
- Currently Joe seeds all crop, and they combine all his and truck some of 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)

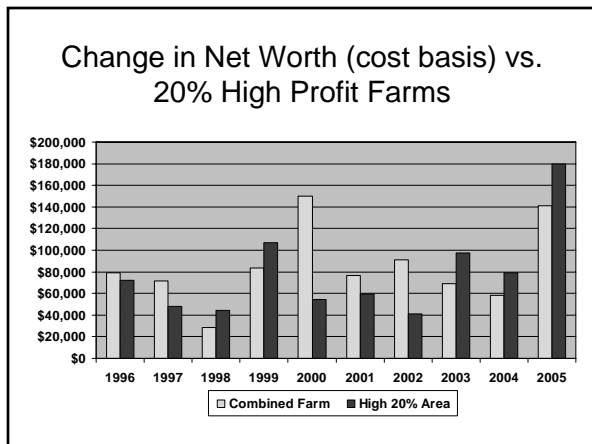
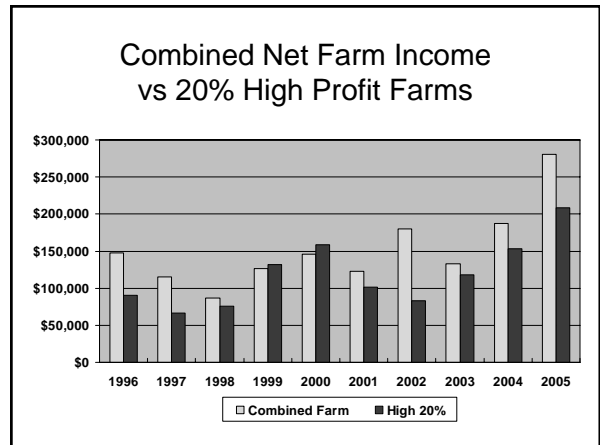
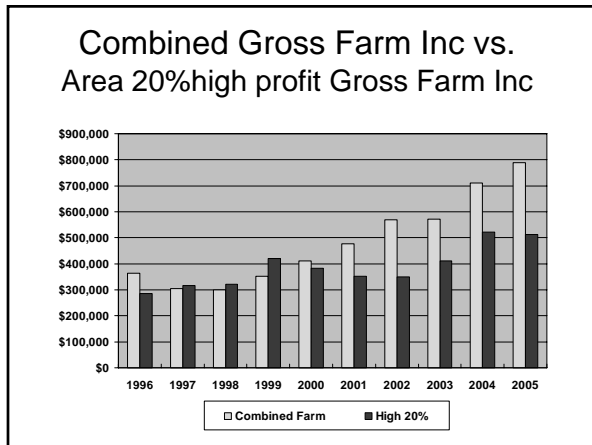
Advantages continued

- 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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| 11/15/05 | Truck grain | 12 | \$ 110 | | \$ 1,320 | \$ (52) |