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Troy Monea farms 5,200 acres in Falun, Alberta. (Photo by Anthony Houle.)

April 11th, 2019 | posted by: admin (<http://www.newgroundmagazine.com/author/admin/>)

## Custom Farming Creates Revenue (<http://www.newgroundmagazine.com/custom-farming-creates-revenue/>)

### **GROWERS WITH EXCESS CAPACITY CAN DEVELOP A VIABLE SECONDARY REVENUE STREAM BY MATCHING LOCAL FARMING DEMANDS.**

When Carl and Janice Mattson purchased a new air seeder for their Chester, Montana, farm 25 years ago, they didn't intend to offer it as a custom service.

But they were one of the first in their area to have an air seeder and soon neighbors were asking if they could hire them for their farms. Since it helped make the payments on the seeder, the Mattsons soon grew custom air seeding into a full-time business.

"We had time, we had a machine, and we had bills," Mattson says. "That's the way we started and it actually supplemented our income quite well."

Today, the Mattsons are focused on their 5,000-acre farm more than custom farming. But after a decade of experience, Mattson gives farmers who are considering custom farming three pieces of advice:

- find a niche
- make sure you have the excess capacity
- charge appropriately

The key to determining a niche, Mattson says, is to find machinery that growers either don't want to or can't afford to buy, but something they need or would be willing to pay for.

Troy Monea, who farms 5,200 acres in Falun, Alberta, and offers several custom farming services as well as a trucking service, took the same approach in determining what services to offer. "It started with looking at services that were in demand in our area at the time," he says.

Monea also considered the equipment he wanted but couldn't justify paying on his farm alone. Early on in the business, he wanted an air seeder but only had 800 acres. So he secured 3,000 acres in custom seeding and was able to generate enough income to pay for it.

The challenge in finding a niche this way is that often the timing of the custom services conflicts with the work that needs to be done on a grower's own farm. Mattson advises growers to consider how much capacity they have before taking on custom work.

### Look for Excess Capacity

Bryon Parman, North Dakota State University (NDSU) Agricultural Finance Specialist, says growers must have excess capacity in equipment, labor, or time to succeed with custom farming. For example, a small farmer with a combine could get into custom harvesting to utilize it more frequently and help spread the overhead costs, he says.



Bryon Parman

As another example, a cattle farmer with excess labor outside of the calving periods could buy some equipment to offer custom services, even if they're not used directly on the farm.

"It really depends on what overhead factors you're looking to spread out," Parman says. "Is it labor, or equipment, or both?"

Monea got into trucking partially to create year-round employment for his employees. During times when they're not custom farming they can be hauling, and during busy custom farming periods Monea can pull labor from the trucking side.

If timing is too much of a challenge, Parman suggests farmers diversify their crops. A custom wheat harvester, for example, could grow some short-season crops like pulses, to free up more time for custom harvesting.

"Diversification of crop then leads to diversification of the equipment you need to raise those crops," Parman says. "If you grow pulse crops, you might have an opportunity to do some custom work for some other pulse crop producers at the time when wheat is still in the field and you're waiting on it to mature."

### Determining Rates

Once excess capacity and a niche have been identified, farmers need to have a firm understanding of their costs to set an appropriate rate. It's a benefit, Monea says, to have your own farm in addition to custom farming, because you can stay in close touch with the amount of time and costs each operation takes.

To calculate a rate, Mattson says growers should know how much fuel they burn per hour, how many acres they can cover in an hour, costs of machine repairs, machine depreciation, labor, and travel costs, as well as any commercial licensing required.

Once cost per acre is determined, he recommends multiplying the number by at least three or four to establish a rate. When Mattson was custom farming, he says he only doubled the costs and it was not enough to cover the machinery.

Growers can also look for local rate surveys to get a good idea of what to charge and whether the rates they came up with are in line with what others are charging.



Ron Haugen, NDSU Farm Management Specialist, who helps compile the North Dakota Custom Farming Work Rates Guide, says there's often a large range in what custom farmers charge. He believes the lower end is likely due to growers giving their neighbors a discount, while the higher end is probably commercial rates.

"I would go by the most frequently reported rate," he explains. "It seems to be pretty accurate compared to the average rate, because the average rate takes into account that whole range."

Ron Haugen

Finally, for any farmer who decides to get into custom farming, Parman recommends easing into it. Both Monea and Mattson got their start by working for neighbors, and Parman agrees with that approach.

"See how it's going to work with your operation," he says. "If possible, negotiate with some of your neighbors who are looking for these services before you decide to jump in."