

2024 Nebraska Custom Rates: What to Charge?

Glennis McClure

Extension Educator, Farm and Ranch Management Specialist
Department of Agricultural Economics, University of Nebraska-Lincoln

June 13, 2024

CAP Series 24-0601

The 2024 Nebraska Custom Rates Report, which offers insights for agricultural producers and service providers, is now available through Nebraska Extension and the University of Nebraska-Lincoln's Center for Agricultural Profitability. The report, published at cap.unl.edu/customrates, compiles survey data from 159 respondents, providing current market rates for 138 different custom operations and services across Nebraska.

This comprehensive resource serves as an essential guide for those offering and seeking custom agricultural services. While the report offers a detailed overview of market trends, custom service providers are encouraged to consider their own operational costs when determining their rates.

Agricultural custom rate charges can vary across the state. Therefore, the Nebraska Custom Rates Report provides rate details from survey responses grouped by Nebraska Agricultural Statistics Districts. Several factors contribute to rate differences reported by survey participants, including field and job sizes, soil conditions and the number of responses for the various operations. Some operators may charge lower than market rate prices to neighbors or relatives. Rates can change from year to year due to expense differences and local market forces.

Determining appropriate charges for custom machine hire and agricultural services includes consideration of various elements such as current market rates reported in the custom rates survey report, market demand in the area for specific types of custom work, and availability of services.

Adjusting custom rates for fuel costs

Fuel cost is a key expense when operating machinery and fluctuates over time. The 2024 custom rates survey data was received primarily during the first quarter of 2024. The average expected farm-delivered diesel fuel rate reported by survey participants was \$3.26 per gallon. If fuel costs change, custom operators may adjust their rates accordingly. For example, if fuel (diesel) cost used in the power unit jumps to \$4.20 per gallon, and the machine has a consumption rate of 0.85 gallons per acre, the additional rate can be figured using this equation: $\$4.20 - \$3.26 = \$0.94$ diesel price increase \times 0.85 consumption rate = \$0.80. This 80-cent increase would be added to the per-acre custom charge to factor in the fuel rate increase.

Factoring in machinery and equipment to custom rates

Aside from the custom rates reported by Nebraska operators in the survey, establishing custom rate fees should involve calculation of machine ownership and operation costs, with a profit margin added if desired. The UNL Center for Agricultural Profitability developed the Agricultural Budget Calculator (ABC) program to assist

producers in determining cost of production for their enterprises, which includes machinery and equipment costs used in agricultural operations. Producers and custom operators can utilize the online program, agbudget.unl.edu to enter their machinery and equipment information such as purchase value, length of anticipated ownership, and other key machinery information such as coverage rate, along with fuel prices, labor costs, and estimated annual repair expense for each machine to determine operation costs per acre. Fuel, repair, and salvage value cost factors and calculations from the American Society of Agricultural and Biological Engineers (ASABE) are utilized in the ABC program.

An example showing cost factors utilized in the Agricultural Budget Calculator (ABC) program for a no-till planting operation is provided in Table 1. Table 2 is a field operations cost report generated using ABC for the no-till planting example. Equipment size, list and purchase prices, age, anticipated ownership period, and annual usage can vary widely per power unit and implement.

Table 1: Example of a No-Till Planting Operation – Machinery Cost Factors Utilized

Fuel	\$3.26 per gallon		
Labor	\$27.98 per hour		
	Power Unit		Implement
	Tractor	Max PTO HP: >150	No Till Planter - 12R
	List Price	\$425,000	List Price \$220,000
	Purchase Price	\$275,000	Purchase Price \$150,000
	Age of machine when purchased	6 years old	Age of machine when purchased 4 years old
	Expected total years of ownership	5 years	Expected total years of ownership 6 years
	Total tach on machine when purchased	2400	
	Total hours usage per year	450	Total usage per year (acres) 2000
	Estimated fuel used/hour	8.76 gallons	Coverage rate (acres/hour) 18 acres

Table 2: Agricultural Budget Calculator Program Field Operation Cost

Report: No-till Planting Operation Example

Field Operations Costs /Acre	Labor	Fuel	Repairs	Depreciation	Opportunity Costs	Total/acre
Large Tractor	\$1.71	\$1.82	\$0.50	\$3.70	\$0.74	
No Till Planter			\$6.25	\$5.08	\$1.79	
Total	\$1.71	\$1.82	\$6.75	\$8.78	\$2.53	\$21.60

The labor rate used in the no-till planting example is \$27.98. Diesel fuel cost is \$3.26 per gallon. Field operation cost per acre shown does not include taxes, housing, insurance, or licensing costs (THILM). These expenses are entered in ABC as overhead costs.

The \$21.60/acre ownership and operational costs calculated plus, 2.5% for THILM (\$0.54), equals \$22.14/acre. Adding a 15% profit increases the rate to \$25.46/acre, which compares with the \$25/acre state average custom rate for a no-till planting custom operation reported in the 2024 report.

Setting custom rates

Determining a rate to charge for agricultural custom services should be no different than establishing prices for other industry business services. First, observing current market rates or prices, as provided in the Nebraska Custom Rates report or other resources that provide such information, then figuring total operating and ownership costs, and if desired, adding an extra amount or profit margin to the price charged.

Full summaries from the custom rates survey, including regional rates for the eight Nebraska Statistics Districts and the overall state, are published as University of Nebraska-Lincoln Extension Circular (EC) 823 and available online at: cap.unl.edu/customrates. The information presented in the state summary and full report should be used only as a guide when determining what to charge or pay for custom operations.

Cite this work:
 McClure, G. “2024 Nebraska Custom Rates: What to Charge?.” *CAP Series 24-0601*, Center for Agricultural Profitability, University of Nebraska-Lincoln, June 13, 2024. DOI: [10.32873/unl.dc.cap037](https://doi.org/10.32873/unl.dc.cap037).