

The custom operator's share of the crop is computed by dividing the value of his/her contribution by the combined contribution of the landowner and operator. In the example, the custom operator's share of the costs of producing an acre of corn following soybeans is \$123. The total cost is \$553. So, the custom operator's share of the corn crop is 22 percent ($\$123 / \553). The landowner receives 78 percent ($\$430 / \553) of the crop. Also, the custom operator should receive the same percentage (i.e. 22 percent) of the government program payment.

If the contributions are different from those outlined above, the distribution of the crop between the custom operator and the landowner will change. Generally, the more productive the land, the lower the operator's share will be.

Management

The landowner may do the selecting, ordering, and delivering of the production inputs. So a fee would be included in the landowner's contribution. However, in many situations, the custom operator is responsible for these tasks. So, part or all of the management charge may be listed under the custom operator rather than the landowner. The custom operator's costs would be refigured and he/she would receive a larger share of the crop (as shown in Table 1).

There may be an advantage to having these management tasks performed by the custom operator. For example, the landowner may be eligible for volume discounts if the input purchases are combined with the operator's input purchases on his/her operation. Also, less coordination is needed between the custom operator and the landowner. The custom operator is assured that the production inputs will be available when he/she is ready to do the field operations, and has the freedom to choose the combinations that he/she prefers.

Crop insurance

The cost of crop insurance is not included in the analysis. It is assumed that each party will insure his/her share of the crop separately.

Corn drying

If each party is responsible for drying his/her own share of the corn crop, the cost of corn drying is not included in the arrangement. However, in some situations, the corn is dried on the farm. For example, assume that the corn is dried in the landowner's dryer. Here the custom operator would pay the landowner (i.e. custom charge) for drying his/her share of the crop. As an alternative, the operator may oversee the drying process in exchange for using the landowner's drying facilities and the dryer fuel and electricity costs are divided in the same proportion as the crop is divided.

Farm storage

Sometimes the grain is stored on the farm. In this situation, the operator may pay the owner a fee for storing his/her share of the grain. An additional arrangement for hauling the grain to market may be needed. See *Information File Iowa Farm Custom Rate Survey*, or **2002 Building Rental and Contracting Rates**.

The division of the grain may occur in the field or after drying. If all the grain goes to market, the division of the grain can be done when the grain is weighed.

Table 1. Determining the custom operator's share of the crop (example).**Landowner Provides Management**

	Corn on <u>soybeans</u>	Corn on <u>corn</u>	<u>Soybeans</u>
Landowner			
Seed	\$70	\$70	\$39
Fertilizer	105	120	45
Herbicide	25	25	16
Insecticide	0	17	0
Miscellaneous	10	10	10
Management*	20	23	11
Land**	<u>200</u>	<u>200</u>	<u>200</u>
Landowner Total	\$430	\$465	\$321

Custom Operator Contributions

Custom Growing and Harvesting	\$100	\$100	\$90
Custom Hauling	18	18	5
Miscellaneous	5	5	5
Management *	<u>0</u>	<u>0</u>	<u>0</u>
Custom Operator Total	\$123	\$123	\$100

Total Contributions	\$553	\$588	\$421
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Percent of Crop for Custom Operator ***	22%	21%	24%
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Custom Operator Provides Management

Landowner Contributions	\$410	\$442	\$310
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Custom Operator Contributions	\$143	\$146	\$111
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Total Contributions	\$553	\$588	\$421
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Percent of Crop for Custom Operator***	26%	25%	26%
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* computed as 10 percent of seed, fertilizer, herbicides, etc.

** cash rent equivalent

*** computed by dividing the Custom Operator Contribution by the Total Contribution

... and justice for all

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