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Higher fuel prices boost custom farming costs

William Edwards
Iowa State University, wedwards@iastate.edu

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by William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu

Adjusting custom machinery rates for increasing fuel prices has been a difficult problem this year. In the 2008 Iowa Farm Custom Rate Survey, Iowa State University Extension economists suggested that respondents assume that diesel fuel would cost an average of $2.75 per gallon delivered to the farm. However, fuel prices have increased considerably since then.

If diesel fuel is assumed to cost $4.00 per gallon today instead of $2.75, the total cost of performing tillage operations will increase by 10 to 15 percent, depending on the depth at which soil is tilled. Costs for less power intensive operations such as planting, spraying, and harvesting will increase by 7 to 10 percent.

Another way to adjust custom rates is to use Information File A3-27, Fuel Required for Field Operations, which contains estimated fuel consumption values per acre for many common operations. Multiplying the fuel used per acre by the change in the price of fuel since the survey was conducted can provide an estimate of the most recent cost increases per acre.

Alternatively, custom operators can keep a record of the actual fuel they use for specific operations, or the person hiring the work done can provide the necessary fuel.

Crop insurance may help flooded and wet corn and soybean acres

by William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu

Wet weather has delayed planting of corn and soybeans across the state, and flooding has severely damaged many acres that have been planted. Fortunately, nearly 90 percent of the corn and soybean acres in Iowa are covered by multiple peril crop insurance (MPCI), which can provide some relief.

MPCI provisions may apply in two distinct situations: replanting and prevented planting. Part of the cost of replanting a damaged crop can be covered by insurance if two thresholds are met. First, a minimum of 20 acres out of the area insured as a unit must be affected. If the unit has less than 100 acres in the affected crop, the minimum drops to 20 percent. Second, the projected yield as estimated by an insurance adjustor must be less than 90 percent of the guarantee. For example, a farm with a proven yield of 160 bushels of corn per acre with a 75 percent coverage MPCI policy would have a 120-bushel guarantee, so the projected yield would have to be less than 108 bushels for the acres to be eligible. The requirement is the same for revenue insurance policies as for yield insurance policies. The maximum replanting payments in 2008 are $43.20 per acre for corn and $40.08 per acre for soybeans. Producers with revenue insurance policies that have an increasing guarantee feature could receive slightly higher payments if prices at harvest are higher than they were in February.

Some producers may have land that they have not been able to plant at all, due to extended wet conditions. They may be eligible for "prevented planting," and could receive an indemnity payment equal to 60 percent of their original guarantee. However, with current high grain prices, even a partial crop may produce higher net revenue than the insurance payment. Prevented planting acres must have a cover crop sown on them, and must be reported to the appropriate insurance agent by June 28 (corn) or July 13 (soybeans). An acreage report on all insured acres must still be submitted to the agent by June 30.

In addition, acres that produce below average yields in the fall could still qualify for an indemnity payment under the normal yield or revenue insurance guarantees. Coverage levels are gradually reduced for corn acres planted after May 31 and soybean acres planted after June 15, so it is important for producers to record the number of acres planted on each date.