

COVER STORY

Retailers take a long, hard look at new custom application equipment as they factor this capital outlay into their custom application rates for the coming season.



National Survey of Fees

What Do Ag Professionals Charge for Their Services?

By David Asbridge, Doane Agricultural Services Co.

What are my services worth? How much do other ag professionals charge?

These are questions crop input retailers, professional farm managers and crop consultants are constantly asking themselves and their organizations.

To help provide a benchmark for the professions, *AgProfessional* magazine conducted a national survey of its readers during the last week of December 2004 and had 687 respondents. The results summarized in this report are calculated on a national average basis. Fees for any individual customer will vary based on geographic region, specific services provided, crop type and many other factors.

RETAILERS OF CROP INPUTS

The responding retailers were almost evenly split between co-ops and private/publicly held firms. The largest

Table 1: Service Fees Received by Co-ops vs. Non Co-ops, 2004*

	Co-ops	Non Co-ops	Total
Custom Application			
		(\$/acre)	
Dry fertilizer application	\$3.84	\$4.62	\$4.19
Fluid fertilizer application	4.83	5.79	5.30
Chemical/water application	5.29	5.54	5.41
Chemical/fertilizer application	5.11	5.67	5.39
Anhydrous ammonia application	7.05	7.04	7.04
High-clearance application	5.90	5.61	5.75
Variable-rate fertilizer application	6.18	7.81	6.93
Other Services			
Soil sampling	1.86	3.76	2.71
Grid sampling/fertility mapping	7.27	6.98	7.14
Preparing geo-referenced yield maps	1.57	2.19	1.93
Crop scouting	4.13	5.77	5.09
Acres			
Average acres custom applied 2004	112,065	61,380	86,119
Average acres custom applied 2005**	117,740	65,561	91,029

* Mean responses based only on those charging for that service.

** Projected.

number of retailers was in the Midwest with over 64 percent of the respondents. The rest of the respondents were equally spread around the U.S.

AgProfessional (then *AgRetailer*) conducted a similar survey in 2002. The results for 2004 did not vary much from those collected in 2002. In fact, most of the fees were identical to those from the survey two years ago.

Service charges by co-ops tend to be less than those for other private/publicly held retailers. Based on the survey, co-ops are charging less for all services except custom applying product with high-clearance application equipment and grid sampling/fertility mapping.

The co-ops also tend to be larger than the other retailers. The respondents indicated that the average co-op custom applied over 112,000 acres in 2004 while the non co-ops averaged slightly over 61,000 acres.

Both co-ops and non co-ops indicated they expect to expand their custom application business this coming season. The co-ops expect to see an increase of about 5.1 percent while non co-ops are slightly more optimistic and expect an increase of 6.8 percent. Although respondents were not asked for reasons, the troubling discovery of Asian soybean rust may be influencing

Table 2: Independent Crop Consultant Fees

Type of Organization	% of Respondents
Independent consultant firm with 20+ full-time employees	16%
Independent consultant firm with 10-19 full-time employees	2
Independent consultant firm with 5-10 full-time employees	6
Independent consultant firm with 2-5 full-time employees	26
Independent consultant firm with 1 full-time employee	50

Fee Charged for Various Services	\$/acre
Full service — prescriptions with 7+ visits/year plus report	8.43
Crop scouting only — more than once per week	7.60
Crop scouting only — once per week	6.54
Crop scouting only — less than once per week	3.82
Soil testing — regular	2.65
Soil testing — GPS	6.27
Irrigation scheduling	4.41
Grid sampling for pests	10.07

the 2005 figures. Many retailers probably expect to have to spray more soybean acres than in 2004 if the rust is found in their area.

Many factors influence these pricing differences, including the total mix of products/services being offered, volume of business being conducted, customer tenure, etc.

INDEPENDENT CROP CONSULTANTS

Independent crop consultants are defined as those professionals who are

paid a fee for their advice and do not sell the products they prescribe. In this survey, the group also includes people who work for themselves or for a firm that only does crop consulting.

The highest responding region was the Midwest with 44 percent, followed by the Great Plains at 17 percent. Self-employed, one-person firms represented the highest response rate, 50 percent of the total, followed by firms with two to five employees with 26 percent.

The average fee charged for a full-service program of crop input prescriptions with a minimum of seven in-field visits per year plus a written report was \$8.43 per acre. If the program consisted of crop scouting only, with more than one visit a week, the average fee was \$7.60 per acre. If the crop scouting was conducted only once a week, the charge was \$6.54 per acre. The average charge dropped to \$3.82 per acre if the scouting was less than once a week.

Regular soil testing was priced at an average of \$2.65 per acre with GPS testing at more than twice that level, or \$6.27 per



Fees, of course, are just a part of successful customer relationships. In-season service, product knowledge and helping customers achieve their goals are also critical components of client acquisition and retention.

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Table 3: Professional Farm Manager Fees

Organization Structure	% of Respondents
Professional farm management firm	54%
Banks	28
Self-employed	16
Other	2

Fee Structures Available *	
Based on gross revenue	89
Based on net revenue	24
Based on flat fee	25
Charge a minimum fee	49
Average minimum fee (\$/property)	\$1,203

Fee	% of Owner's Gross Revenue
Crop share	8.3
Custom	7.3
Custom blend	8.5
Cash rent	7.4
Direct operation	7.8

Real Estate	
Sales commission (% of land value)	4.8
Appraisal (\$ per acre)	\$5.75

* Exceeds 100% due to more than one structure per firm.

acre. Irrigation scheduling was provided by 14 percent of the respondents at an average charge of \$4.41 per acre.

The highest charge for any service was for grid sampling for pests. This service was provided by 9 percent of the consultants and resulted in an average charge of \$10.07 per acre.

PROFESSIONAL FARM MANAGERS:

Professional farm managers from across the country responded, with the majority of the respondents, 79 percent, from the Midwest. Fifty-four percent of the respondents worked for professional farm management firms, 28 percent were employed by a bank's farm management department, and 16 percent were self-employed.

The managers reported they offered several types of fee structures (see Table 3), with the majority (89 percent) offering a percentage of the total gross revenue received by their landowner clients, 25 percent offering a flat fee per acre and 24 percent offering a fee based on net revenue. Nearly half of the managers reported they have a minimum fee, with the average being just over \$1,200 per year.

For managing a property under a crop share lease, the average fee was 8.3 percent of the client's gross revenue. The average fee for managing under a custom lease was 7.3 percent of the client's gross. The average fee for managing under a cash rent lease was 7.4 percent of the client's gross. Under a direct operation lease, the fee increased slightly to 7.8 percent of the client's gross.

Of the managers that calculate the fee on a net revenue basis, over two-thirds reported that they deducted seed, crop protection chemicals, fertilizer and grain handling/drying costs. Machinery costs were deducted by about a third of those responding.

Eighty percent of the managers also reported being in the real estate business and reported they earned an average commission of 4.8 percent of the properties' total gross selling price. In addition, over 30 percent of the firms reported they were in the land appraisal business and charged an average fee of \$5.75 per acre for bare farm/ranch land. **AP**



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