

# Farmers saving money by sharing

Expenses for equipment, personnel can be reduced though partnerships

By JOHN O'CONNELL  
Capital Press

To minimize their expenses, Nezperce, Idaho, growers Nate and Steve Riggers share combines with other farmers nearly 1,000 miles away in the Corn Belt.

The brothers, who operate a diversified farm in northern Idaho, estimate that over the years they've saved about 40 percent per machine through the joint ownership of combines with farmers in Iowa and Nebraska. After harvesting their grain and grass seed crops in Northern Idaho, they've trucked machines to the Midwest in time to harvest corn and soybeans.

Though commodity prices have ebbed lately, equipment costs continue on a steady climb. Sharing equipment — a new combine can cost as much as \$400,000 — is becoming increasingly enticing to many growers. Some, such as the Riggers brothers, even look to other regions of the country to find a willing partner with a different harvest schedule.

Agreements have been forged on simple handshakes or by establishing complex limited liability corporations. An LLC allows owners to manage while protecting them from personal liability for the organization's debt and obligations.

## A lesson learned

The Riggers brothers, who have a non-irrigated farm in the Camas Prairie, started sharing equipment in 2000, based on lessons they learned at The Executive Program for Agricultural Producers — a two-week, intensive farm management school offered by Texas A&M University.

"You get drilled into your head a lot at TEPAP about using your assets better," Nate Riggers said.

In visiting with Midwestern farmers at the event, he learned he commences harvest a few weeks earlier than Corn Belt growers. He formed an LLC with Nebraska farmer Don Cantrell to jointly own a combine, each contributing an annual sum based on his hours of use.

They each own headers for their respective crops to fit the machine. The following year, the brothers formed a second LLC to share another combine with an Iowa farmer, Tim Richter. They formed a third LLC to share a combine with another Iowa farmer, Ben Riensche, two years later.

They still cooperate with the Nebraska farmer.

Though their business arrangements have ended with the Iowa growers, the farmers all remain close friends, which Nate Riggers insists has been the best part of the agreement.

"(Riensche) will be at my son's wedding next year," he said. "It's a neat relationship."

He also rents a combine designed to work hillsides to an Oregon grower.

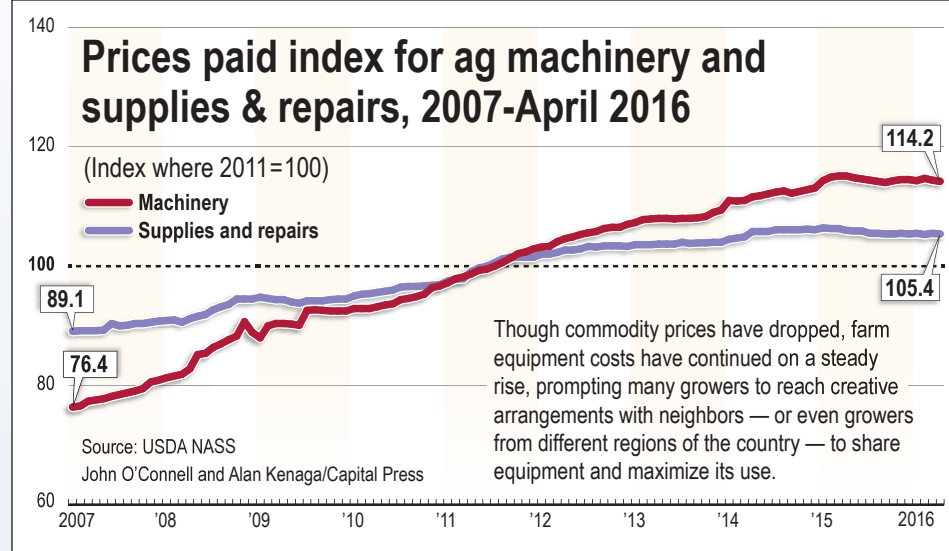
Nate Riggers said other growers are skeptical when he tells them that he ships heavy equipment a third of the way across the country to save money. But he's found the shipping cost — \$2,400 one-way when he started and now about \$4,500 — is offset by sharing the interest and insurance on a combine.

"You've got to have a party on each end that



Courtesy of Ben Riensche

Iowa farmer Ben Riensche loads a combine on a truck to ship back to Northern Idaho for use. Riensche and Idaho farmer Nate Riggers had an agreement to share equipment. Riggers no longer shares equipment with Riensche but still shares with a Nebraska farmer.



is committed to the savings and sees the big picture and doesn't get hung up on details," Nate said.

## Working with neighbors

Having good neighbors has enabled Sid Freeman to get by with one less plow and a smaller fleet of trucks.

Freeman said he has a bean combine to offer his neighbor, who in turn has plenty of trucks.

"When it comes to harvest time, I don't have enough trucks to keep things running. He's got a lot of trucks, and during that particular time of harvest season, he's not using all of his trucks," Freeman said. "I'll go and cut beans for him and he'll come and do the trucking for me."

Another neighbor plows for Freeman, who reciprocates with spraying services. Spreading resources over several farms has the added benefit of maximizing farmworkers' time.

"It adds up to tens of thousands of dollars being able to trade back and forth in that manner," Freeman said.

Equipment sharing used to be standard practice for farmers and fell out of fashion somewhat when commodity prices spiked a few years ago, Freeman contends.

"Back when farms were a lot smaller and there were a lot more farms, trading like this was commonplace," Freeman said. "The ag industry has gotten fat in the last six to eight years."

Cathy Wilson, vice president of research collaboration at the Idaho Wheat Commission, said even within the state, the wide variety of crops and differences in climate have opened a window large enough to make sharing of planting and har-

vesting equipment possible for some farmers.

Wilson said there's about a two-week difference in the planting and harvesting schedules of south-central Idaho's Magic Valley and Swan Valley in eastern Idaho, which has opened the door for some farmers in those areas to share equipment. Wilson also knows of an equipment-sharing agreement involving brothers who farm at different elevations with slightly different seasons, avoiding potential scheduling conflicts.

## Big investment

Most farm equipment is expensive. A farmer can easily spend more on a tractor or combine than on his house.

Shane Mitchell, marketing director with Milestone, a Blackfoot, Idaho-based potato seed cutter manufacturer, said equipment costs have been driven up in recent years by new features and innovations.

His company's original seed cutter in the 1960s had a single deck with no sizing capabilities. The latest Milestone cutter has a double deck with three sizers and speed controls. The cost of a new, basic model ranges from \$130,000 to \$190,000, depending on size.

The same trend holds true with tractors and other implements that now come standard with GPS-guided computer technology for variable-rate applications.

Charlie O'Brien, senior vice president with the Association of Equipment Manufacturers, said new environmental requirements on machinery, especially governing engine exhaust, have spurred equipment price increases.

O'Brien said there's now a glut of used

farm equipment on the market, and sales have dropped considerably for large, new farm equipment, as growers bought heavily when commodity prices were higher but have been forced to be more conservative lately. O'Brien said the strength of the market is in smaller equipment, including tractors under 40 horsepower, purchased by hobby farmers with secondary income streams. O'Brien is uncertain how much equipment growers may be purchasing cooperatively.

"A lot of the harvest and planting is at the same time. That's historically been the deterrent," O'Brien said. "It's certainly not surprising there may be more (sharing) happening today than in the past because of the economics of it."

## Collaborative farming

Texas A&M Extension economist Danny Klinefelter said equipment sharing is a prime example of collaborative farming, which was the focal point of a national conference his university hosted June 13-14 in Nashville.

Klinefelter advises farmers who collaborate to form legal entities, such as LLCs, to address potential problems. He also suggests farmers first get to know would-be partners — he knows of one partnership that dissolved because one of the participants was too rough on the equipment.

"It's like getting married. You've got to be compatible," Klinefelter said.

Klinefelter said sharing equipment can also provide growers the wherewithal to keep current on technology, such as variable-rate prescriptions.

But equipment sharing merely scratches the surface of how farmers are now collaborating to control their inputs.

Three farmers, for example, formed a service bureau to hire an accountant and data entry professional, Klinefelter said.

Other farmers have formed operating entities in which they retain their land ownership but jointly hire financial officers and other specialized personnel. They also share equipment, often finding they can buy more specialized and modern machines when they pool their resources.

"They share the cost and returns of the operating entity," Klinefelter said.

Fairfield, Washington, grower Marci Green and her husband employ a full-time mechanic, who spends about four or five weeks per year helping a neighboring farmer work on equipment.

The neighbor, who couldn't afford to hire a mechanic on his own, pays Green to cover her worker's wages, which helps her get the most of the mechanic's time.

"This week, we're in a position where we're caught up, and it's a rainy time of year, and we didn't have a whole lot to keep him busy," Green said, as her mechanic worked on the motor of her neighbor's truck.

She and her neighbors also share equipment. Two years ago, she and three neighbors collaboratively bought a specialized drill, which Green needed this season to seed only 100 acres of alfalfa.

"Our share is \$35,000 instead of \$140,000," she said.

She and her neighbors also bought a machine to lay drainage tile on low areas of fields that sometimes flood. It's nice to have but wouldn't be worth buying on her own.

"We can't do much about the price of commodities, but where we can control a little bit is our inputs," Green said. "If you want to stay in business, you have to watch your inputs and try to be as efficient as you can be."

Sid Freeman, a Canyon County, Idaho, farmer, sprays a field for a neighbor on June 8. In turn, his neighbor plows fields for Freeman. Sharing equipment has saved both growers tens of thousands of dollars.

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