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Phase III – Cost and Returns  
Report

Interviewer's Manual



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## Chapter 1 - General

### Purpose

Data collected in the Agricultural Resource Management Survey (ARMS) is the primary source of information to the U.S. Department of Agriculture on a broad range of issues about agricultural resource use and costs, and farm sector financial conditions. The ARMS is the only source of information available for objective evaluation of many critical issues related to agriculture and the rural economy.

The ARMS design is intentionally flexible to address policy relevant to resource use or financial issues and topics of current interest. For example, commodity versions are rotated to focus on resource use and production costs for specific commodities.

### Data Collection Phases

Annually the ARMS collects production practices and cost of production data on selected commodities. The ARMS also collects detailed whole farm financial information from a representative sample of farms and ranches across the country. To accomplish this, the ARMS is conducted in three data collection phases. In many ways, the three phases can be viewed operationally as independent surveys. However, the power of the ARMS design is the data between phases are related and can be combined and analyzed as described above.

The initial phase, (Phase I), conducted from May through July, collects general farm data such as crops grown, livestock inventory, and value of sales. Phase I data are used to qualify (or screen) farms for the other phases. The Phase I was not conducted in 2008.

The second phase (Phase II), is conducted from September through December. This phase collects data associated with agricultural production practices, resource use, and variable costs of production for specific commodities. The Phase II was not conducted in 2008.

The final phase (Phase III), which is the focus of this manual, is conducted from January through April. Phase III collects whole farm finance and operator characteristics information.



Respondents sampled for the Production Practices and Costs Report (PPCR) in Phase II will be asked to complete a Phase III report to obtain financial, resource use, and cost of production data for the entire operation. It is vital that both the Phase II and Phase III questionnaires be completed for these operations. Data from both phases provide the link between agricultural resource use and farm financial conditions. This is a cornerstone of the ARMS design.

## Uses of ARMS Data

Farm organizations, commodity groups, agribusiness, Congress, State Departments of Agriculture, and the USDA use information from ARMS to evaluate the financial performance of farm/ranch businesses and to make policy decisions affecting agriculture. Specifically, the ARMS:

- gathers information about relationships among agricultural production, resources, and the environment. ARMS data provide the necessary background information to support evaluations of these relationships. The data are used to understand the relevant factors in producing high quality food and fiber products while maintaining the long term viability of the natural resource base.
- determines what it costs to produce various crop and livestock commodities, and the relative importance of various production expense items.
- helps determine net farm income and provides data on the financial situation of farm and ranch businesses, including the amount of debt. ARMS data provide the only national perspective on the annual changes in the financial conditions of production agriculture.
- provides the farm sector portion of the Gross Domestic Product (GDP) for the Nation. If ARMS data were not available, the Bureau of Economic Analysis (BEA) would have to conduct their own survey of farm operators to collect this data.
- helps determine the characteristics and financial situation of agricultural producers and their households, including information on management strategies and off-farm income.

In general, farmers benefit from ARMS data indirectly. They see the information through contact with extension advisors, in reports issued by State colleges and universities, in farm magazines, newspapers, and on radio or TV broadcasts. Most respondents probably do not realize the data come from the ARMS.

## Farm/Ranch Income

Collecting farm/ranch production and expense data to develop an estimate of net farm income each year is necessary because both receipts and production expenses change as production and prices change and as farmers/ranchers use more or less of inputs such as fertilizers or chemicals. Since farmers/ranchers buy most of their inputs, data must be collected every year to obtain accurate estimates of annual expenses.

Throughout the year, the prices farmers receive for their commodities change in response to weather and any number of economic and other national or international events. The ARMS data are used daily to describe the impact these changes have on the financial health of different types and sizes of agricultural operations. The ARMS is the only national source of data available to evaluate and respond to these kinds of information needs.

Drought, flood, hail, insects or outbreaks of disease may impact specific geographic areas while the rest of the country is unaffected. Therefore, it is important to monitor the health of the agricultural economy by region, as well as by size and type of operation.

Numerous requests to USDA's Economic Research Service (ERS) are made from Congress throughout the year to characterize the financial position of various groups of farmers. ARMS data are the only means of answering many of these questions.

The USDA links receipts and expenses associated with the production and sale of agricultural commodities to measure profit or loss over a calendar year. Two measures of **NET** farm income are developed. First, a net cash income measure shows the difference between the cash earnings and expenses of the operation. Second, the estimate of net cash income is adjusted to show how depreciation and changes in the operation's crop and livestock inventory affect earnings.

Components of gross income, such as net rent received and custom or machine work, also change annually as cash and share rents adjust in response to market conditions or government programs. Custom work and machine hire are directly affected by weather and other natural events which are unpredictable. These income items are measured through the ARMS. ERS publishes farm income estimates monthly in the Agricultural Outlook magazine and in the quarterly report on Agricultural Income Situation and Outlook, both of which are available by subscription. Summaries are available free of charge on the Internet.

## **Cost of Production**

Congressional mandates exist for the development of annual estimates of the cost of producing wheat, feed grains, cotton, tobacco, and dairy commodities.

To ensure accurate and reliable estimates, a comprehensive survey is needed to obtain data on production practices and the amounts of inputs used. Estimates of crop and livestock costs and returns provide a basis for understanding changes in the relative efficiency of crop and livestock production and the break-even prices needed to cover all costs. The ARMS provides the data needed to develop “enterprise” budgets showing costs and input use by size and type of farm in different regions of the country. An “enterprise” is the portion of an operation's resources devoted to producing a specific commodity.

Many operations have more than one enterprise, such as a wheat enterprise and a beef cattle enterprise. Enterprise inputs include machine operations, fertilizer, labor (both paid and unpaid), and irrigation.

The ARMS is designed so the whole farm production expenses, crop and livestock receipts, and organizational characteristics may be analyzed along with the individual enterprise costs of production.

## **Balance Sheets**

Responses to ARMS questions about farm assets and debts are used to develop a balance sheet for the farm as well as to provide a variety of financial ratios for use in measuring financial performance.

Changes in the level of income earned affect rates of return and net worth. Purchases and sales of assets such as buildings, machinery and land, changes in their value, and any associated debt are very sensitive to changes in farm earnings and economic performance as well as to changes in the general economy. The balance sheet can change rapidly from one year to the next and can be adequately monitored only through data collected on an on-going basis. Balance sheet analysis helps identify areas of poor financial performance and pockets of potential financial stress. The ARMS provides the data necessary to develop annual estimates of the farm operation's assets, debts, equity, capital gains, capital flows, and the rates of return to agricultural resources, and to determine how these items (and farm household finances) change from one year to the next.

## **Financial Situation**

Annual information from the ARMS on receipts, expenses, debts and assets is needed to evaluate the financial condition of farm businesses. The Office of the Secretary of Agriculture, Congress, agricultural groups, and the public look to NASS and ERS for reliable, up-to-date information on the financial performance of farms/ranches by size, type, and region.

Financial condition analyses involves the ability of an operation to pay bills as they come due. The ability of a farm business to meet financial obligations depends on the amount of debt owed by the farm and the amount of cash receipts and other income available to meet mortgage, interest and other obligations of the farm. Being able to pay operating costs and the interest and principal due on debts can change very rapidly because of drought, flood or other circumstances. With ARMS data, the extent and seriousness of financial problems facing farmers are assessed, including the likely consequences of recurring financial stress.

The 2002 Farm Bill includes a provision for USDA to provide a report on the effects that payments under production flexibility contracts and market loss assistance payments have had, and that direct payments and counter-cyclical payments are likely to have on the economic viability of producers and farming infrastructure not later than 80 days after the date of the enactment of the act. Beyond this report, each year agricultural policy makers and other interested parties are concerned about the financial well being of the agricultural sector, farms, and farm households and whether farm programs are providing the level of support as expected during times of need. Also of concern is whether or not program benefits are fairly distributed according to need by farm size, farm specialization, and farm production region. ARMS data is used by ERS to address these and other issues.

## **Operator Household's Situation**

Farm operators and their households are of special interest for policy purposes because they incur nearly all of the risks of farming and are directly impacted by government agricultural policies.

Most farms in the U.S. are organized along the traditional lines of one family, or one extended family, operating the farm. However, the largest producing farms are often operated by several partners or shareholders, each of whom receives a share of the profit (or loss) of the business. In

addition, the majority of farms are small and, on average, lose money. Households operating small farms rely heavily on off-farm income. Thus, it is necessary to understand the complex relationships between the farm business and the farm household and between farm work and off-farm work to accurately describe U.S. agriculture today.

Farm/ranch operators and their households do not depend solely on income from the farm/ranch business. Off-farm work is critical to the financial well-being of many farm households. Past surveys have shown that:

- 90 percent of all farm households have at least one member who receives some off-farm income.
- 60 percent of all farm households have a member who earned income from off-farm wages or salary.
- more than half of farm operators have a non-farm occupation as their major occupation.
- only 20 percent of farm operator households received more income from the farm than off the farm.
- the average household income of farm operators is similar to the average income for all U.S. households.

Policy makers need to know that large numbers of farm households rely on off-farm employment. Local current economic conditions, coupled with the geographic isolation that often exists, pose serious obstacles for the farm household which would like to maintain its farm lifestyle by earning more stable off-farm income. The ARMS is the only national data source that provides the type of information necessary to study these non-traditional financial conditions of farmers.

## **Use of ARMS Data for Parity Prices**

ARMS information on farm expenses describes the relative importance of production inputs used by farmers. These data are used to update the prices paid index for commodities, services, interest, taxes and wage rates, known as the parity index. This index helps determine the parity price for over 100 agricultural commodities.

Parity prices have been a part of farm legislation for over 50 years. In 1938, the Agricultural Adjustment Act established that parity prices be

computed for agricultural commodities.

## Publication of ARMS Data

It is impossible for a market to operate efficiently without access to accurate and timely information. As with all USDA reports everyone, from the smallest farmer to the largest agribusiness firm, has free and equal access to the results from this survey. This access to information allows farmers to stay on equal footing with agribusiness firms and others who market agricultural commodities.

New technologies make accessing information much easier than ever before. Many farmers now have a computer and may access these data on the Internet. Internet access is also available at many public libraries. Reports and tables using ARMS data can be downloaded from the NASS and ERS World Wide Web home pages on the Internet.

The NASS home page address is: <http://www.nass.usda.gov>

The ERS home page address is: <http://www.ers.usda.gov>

NASS publishes two reports from ARMS. The first one is called Agricultural Chemical Usage - Field Crops. This report, from data collected in the ARMS Phase II survey, is normally released the following May. The next Agricultural Chemical Usage report will be released in May, 2010. The second report is the Farm Production Expenditures. The report, compiled from the 2008 ARMS Phase III will be released in August 2009. This report will show expenditures for the U.S., 20 farm production regions (which include 15 States), 7 U.S. economic sales classes, and U.S. crop and livestock farms. Most State offices use information from these two reports in preparing publications for their State.

ERS prepares several state, regional, and national reports as well as various independent statistics using ARMS data. These reports show operating and financial characteristics by type of farm, and by income and debt/asset categories. The reports are available to NASS Field Offices to include in State releases.

ERS publishes numerous reports using ARMS data including:

Annual Report to Congress on the Status of Family Farms

U.S. "Commodity" Production Costs and Returns

The Economic Well-Being of Farm Operator Households

Farmers' Use of Marketing and Production Contracts

Contracts, Markets, and Prices: Organizing the Production and Use of  
Agricultural Commodities

ARMS data are also used to develop USDA's quarterly Agricultural Income  
and Finance Situation and Outlook report.

## Chapter 2 - Terms and Definitions

Enumerators working on the ARMS Phase III should be familiar with the definitions of the terms listed below. To gain the most benefit from training, enumerators should review the definitions of these terms before attending the State training workshop. A comprehensive list of Terms and Definitions used in all NASS surveys can be found on the internet under the following address:

*[www.nasda.org/NASDA\\_NASS/](http://www.nasda.org/NASDA_NASS/)*

Under the heading “Education Materials” there will be a link for “Reference Materials” and then a link for “NASS Terms and Definitions.” This link should contain the most recent list of terms and definitions used in all NASS surveys. Currently, the address is

*[http://www.nasda.org/NASDA\\_NASS/docs/EDUCATIO/REFERENC/TERMS\\_\\_\\_/TERMSDEF.PDF](http://www.nasda.org/NASDA_NASS/docs/EDUCATIO/REFERENC/TERMS___/TERMSDEF.PDF)*

This list should have been given to each new enumerator when they were first hired with NASDA.

### Economic and Cost of Production Terminology

accounting, accrual	base acreage
accounting, cash	BLM
acreage base	borrowing capacity
acreage, eligible contract	
acreage, contract	call back
acreage, noncontract	carryover
agricultural commodity	cash receipts
agricultural production	cattle on shares
animal unit (AU)	check-off
animal unit month (AUM)	commission charges
aquaculture	commodity
area sample	commodity, contract
assessed value	Commodity Credit Corporation
assessments	(CCC)
assets	confidentiality
auction pool	Conservation Reserve Program
	(CRP)
balance sheet	conserving use
barrel (bbl)	contract



contract, delayed pricing	contractor
contract, forward	Cooperative State Research, Education, and Extension Service (CSREES)
contract, marketing	
contract, production	
contract sale	
contractee	corporation
cost of production	date, reference
cover crop	date, release
cropland	depreciation
crop rotation	direct sales
cull	discount
	double crop
date, due	drip irrigation
date, mailing	
editing	forage
EIN	forward pricing
Environmental Quality Incentives Program (EQIP)	free-of-charge
equity	fringe benefits
estate	futures market
expenditure	government program land
expenses, capital	grazing land association, public or industrial (PIGA)
expenses, operating	grazing allotment
expenses, production	grazing association
	grazing fee
fallow	greenhouse
farm	gross value
farm, contract	
farm, corporate	harvested acres
farm, institutional	hay
farm, noncontract	hedging
farmstead	herbicide
Farm Service Agency (FSA)	hired manager
Federal Agriculture Improvement and Reform (FAIR) Act	household
feeder	hundredweight (cwt)
fertilizer	
field	idle land
financial health	implement
finish	improvements
flat	inaccessible
flexibility contract, 7-year	income, gross farm
production flexibility contract	income, net cash farm
	income, net farm

income, non-farm	landlord, non-operator
income, off-farm	landlord, operator
input	liability
input provider	liquidity
	loan, marketing
landlord	
loan, marketing assistance	planting flexibility
loan, nonrecourse	pick your own (U-Pick)
	power-take-off (PTO)
market value	premium
military time	primary name
	processor
Natural Resources Conservation Service (NRCS)	production expenses
net worth	production flexibility contract
nonresponse	production flexibility contract payment
nursery	
	questionnaire
oilseed crops	
on feed	rangelands
	ratio, debt-asset
operating arrangement	ratio, parity
(1) individual	real estate
(2) managed	refusal
(3) partnership	rent
operator	rent, cash
orchard	rent, share
out-of-business	respondent
	retired
partner	
pasture	salary
patronage refund	sample, list
payment, advanced	sample, multi-frame
payment, cost-share	sample, probability
payment, disaster	sampling frame
payment, final	sampling unit
payment, incentive	secondary name
payment, loan deficiency	seed
payment, transition	sharecropper
payment limitations	shrinkage
payment quantity	small grains
payment yield	solar energy
pesticide	sold-out

solvency	
straw	tenant
subsidy	
survey	wages
survey period	water rights
survey, statistically defensible	wetlands
Wetland Reserve Program (WRP)	work, service
woodland	worker
work, agricultural	
work, contract	yardage
work, custom	

## Livestock Production Categories (Respondent Booklet)

### Hog Contractee Operations

- Farrow to Wean** – This operation oversees the breeding of sows or gilts and the farrowing of their litters. The contractee will feed and care for the pigs for about 16 to 20 days, until they reach 12-14 pounds. The weaned pigs will be moved to a nursery and/or grower operation and the sows will either be bred again or go to slaughter.
- Farrow to Feeder** – This operation oversees the breeding of sows or gilts and the farrowing of their litters. The contractee will keep the pigs for approximately 6 weeks, until they reach 35 - 45 pounds. The pigs will be moved to a finishing operation and the sows will either be bred again or go to slaughter.
- Farrow to Finish** – This operation oversees the breeding of sows or gilts and the farrowing of their litters. The contractee will keep the pigs and finish them out until they reach market weight. The sows will either be bred again or go to slaughter.
- Nursery** – This operation only handles young pigs. Pigs from 12 - 14 pound pigs are received, fed and cared for, until they reach 35 - 45 pounds. They are then transferred to a finishing operation.

**Grower/Finisher (Early Wean, ISO Wean, SEW Pigs)** – This operation receives pigs around 12 - 14 pounds and finishes them until they reach market weight. ISO Wean stands for “Isolation Weaning”. SEW Pigs stands for “Segregated and Early Weaning”

**Finisher (Feeder to Finish)** – This type of operation will receive pigs that average about 35 - 45 pounds and finishes them out until market weight.

**Other Hogs and Pigs** – This category includes a range of different types of operations. An example is an operation that receives gilts or boars only and feeds them until ready for breeding.

### **Chicken Contractee Operations**

**Broiler Growout** – A written contract with contractees to raise meat-type strain chickens from newly hatched chicks to processing weight. Includes cornish and roasters.

**Pullets for hatchery supply flock replacement** – Pullets raised from newly hatched chicks to about 15 to 22 weeks for layer flock replacement. Almost all pullets for BROILER hatchery supply flock replacement are raised on production contracts.

**Pullets for table egg flock replacement** – Pullets raised from newly hatched chicks to about 14 to 20 weeks for table egg flock replacement. Under a PRODUCTION contract the hatchery or egg producer retains ownership of the birds.

**Fertile hatching eggs** – Producer cares for layers and gathers eggs which go to a hatchery. Virtually all BROILER -type hatching eggs are raised by production contract. Some respondents say they have a ‘broiler’ contract because they are paid by a broiler company. Be careful not to confuse an egg producer with a broiler growout contractee. Most EGG - type hatching eggs are produced by production contract, with the hatchery retaining ownership of the birds.

**Table eggs** – Producer cares for layers and gathers unfertile eggs which go to a processor or an egg breaker. To be considered a production contract the egg processor or egg breaker would own the birds. Sometimes partners, such as feed mills are involved, and all partners claim ownership of the birds.

**Broilers, chicks, hatchery run (Code 935)** – Broiler chicks less than 3 days old direct from the hatchery. Normally, these are sold to small operations normally under a marketing contract (NOT a production contract). EXCLUDE integrated contractor delivered birds to be raised under a production contract.

**Roosters, meat type (Code 939)** – Domestic chicken males raised from chicks to breeding age of approximately 25 weeks and will be used for meat. For the most part, these should be recorded as broilers unless they are kept for research purposes.

**Roosters, breeding flock (Code 940)** – Domestic chicken males raised from chicks to breeding age of approximately 25 weeks and will be moved to a hatchery flock.

### **Turkey Contractee Operations**

**Turkeys (Meat type)** – This is a written contract to raise turkeys for meat production. The contractee will raise turkeys either from newly hatched poults (all in, all out) or from poults received at 6 weeks of age from a brooder operation (growout operation) to market weight.

**Turkeys (Meat type) brooders** – Brooder operations grow the chicks for about 6 weeks. After 6 weeks, the birds are moved to another facility where they are grown out to market weight.

**Poults breeding flock** – Poults are raised from newly hatched chicks to laying age for the purpose of breeding stock replacement.

**Eggs, turkey hatchery** – Producer cares for turkey layers and gathers eggs which are separated into either a meat type turkey flock or a breeding flock.

## Chapter 3 - Survey Procedures

This chapter provides an overview of the questionnaire and other materials for the ARMS Phase III, and general guidelines for collecting data. Administrative matters are covered in the *NASDA Employee Handbook*.

### Survey Materials

**You will receive the following from your State Office:**

- Copies of pre-survey publicity materials mailed to each respondent.
- Questionnaires with labels identifying the assigned operations.
- Extra questionnaires without labels.
- Respondent Booklets containing Code tables and a burden statement.
- Supplements and Inserts for questionnaires you are assigned.
- Envelopes for mailing completed questionnaires.
- Several copies of NAS-011 (Time, Mileage, and Expense Sheet) and envelopes for mailing them.
- Other materials may also be provided by your State Office.

**You should have these materials on hand:**

- Interviewer's Manual
- Highway and/or street maps
- Black lead pencils
- Name tag
- NASDA Identification Card
- NASDA Employee Handbook
- Ball point pen for completing NAS-011
- Calculator
- Clipboard

## Questionnaire Versions

Five questionnaire versions will be used in the 2008 ARMS Phase III. The Costs and Returns Report (CRR), Version 1, will be used in all states except Alaska and Hawaii. Six States (GA, KY, NC, SC, TN, VA) will be included in the tobacco sample, Version 2. The Version 3 bioenergy sample will consist of 22 States (CA, CO, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, NC, ND, NE, NY, OH, PA, SD, TN, TX, WI). The Version 4 beef cow/calf sample will consist of 22 States (AL, AR, CA, CO, FL, GA, IA, KS, KY, MO, MS, MT, ND, NE, NM, OK, OR, SD, TN, TX, VA, WY). And the Version 5 Core questionnaire will be used in all states except Alaska and Hawaii.

<u>Version</u>	<u>Color</u>
V1 – Costs and Returns Report (CRR)	White
V2 – Tobacco Costs and Returns Report	Ivory
V3 – Bioenergy Costs and Returns Report	Goldenrod
V4 – Cow/Calf Costs and Returns Report	Tan
V5 – Core	Green

Versions 1, 2, 3, and 4 have a Face Page which identifies the selected operator and partners. Pre-screening of respondents was done using responses from the 2007 Census of Agriculture. Screening is discussed further in Chapter 4 of this manual.

## Respondent Booklets

The purpose of the Respondent Booklet is to help the respondents in answering the questions. Respondent Booklets contain information respondents need to reference when answering some survey questions, such as Code Lists and more detail on some items. In many cases, this information does not appear in the questionnaire. Using the Respondent Booklets can prevent confusion and save interview time.

The respondent may need help in becoming familiar with how to use the booklet. Take a minute and help familiarize the respondent with how to use the booklet. This will make the interview go more smoothly.

Some lists in the Respondent Booklet are there to let the respondents know what types of items we are looking for in response to certain questions. For

example, the list of “Other Farm Assets” helps the respondent understand all of the items he should consider when answering the question.

## **Respondent Burden**

Headquarters recognizes that ARMS III poses a heavy burden on respondents. The Sample Design Section goes to extra lengths to minimize the burden on respondents in terms of multiple contacts per year and consecutive contacts from one year to the next for ARMS III. For the list sample, a special burden reduction procedure is used prior to selecting the ARMS screening sample to minimize most overlap with other major surveys (Crops/Stocks, Hogs, Cattle, Labor), as well as ARMS from the previous year. However, there are situations where duplication with other major surveys is unavoidable. Therefore, it is imperative for States to identify overlap among surveys and coordinate data collection activities. Area records are needed to complement the list sample and provide good, quality, financial data from all types of farms. Due to the need of area records to complement the list and the fact that the area sample respondents are a sub-sample of the June Area Survey, the extra burden of multiple contacts within a year is unavoidable.

You will reduce the reporting burden on the respondent if you are thoroughly familiar with the questionnaire and instructions. Follow “go to” instructions carefully to avoid asking questions needlessly. If no “go to” instructions appear after an Item, continue with the next item.

Also be aware of the estimate of average completion time in the burden statement for each version. Depending on the version, this figure is either the actual average time from previous interviews or what NASS and the Office of Management and Budget (OMB) think the average completion time will be. The OMB is an agency that is required to review and approve all surveys conducted by the federal government.

At the end of the interview, call the respondent's attention to the Burden Statement on the Respondent Booklet.



## Entering Data

Use a black lead pencil to record data and make notes; never use ink on a questionnaire. Make all entries clear and easy to read. Entries in check boxes and Item Code boxes must be entirely inside the boxes.

Record responses in the unit required (such as acres, bushels or dollars). If a respondent gives an answer in a different unit, write the answer outside the printed box, convert it to the required unit, and record the converted data in the box. If the answer is "none", check the "none" box or enter a dash, not a zero (unless instructions indicate to enter a specific Code to indicate none or zero, such as when using Value Codes).

Record data to the nearest whole number, unless a decimal point is printed in the box. Locate numbers correctly in relation to decimal points, and fill in every space printed after the decimal. Use zeros as fill when answers are not given to as many decimal places as required, or are given in whole numbers.

If answers appear unreasonable but really are correct, make notes in the margins, or notes pages to explain. Do not write notes or make unnecessary entries in answer boxes.

## Planning Your Work

The operator or operation name, mailing address and identification number are on the questionnaire label, along with any other information the State Office has that might be helpful.

Mark the location of each operation assigned to you on a map before you begin the survey. Show the location by a small circle with the ID number or target operator name (or operation name) written beside it. Use this map to plan your daily travel; this will help keep travel expenses down and save time.

You may need to ask Post Office staff or Farm Service Agency (FSA) employees for directions to some operations. Try to do this early in the survey so you can put the information on your map as soon as possible. Tell your supervisory enumerator (or the State Office if that is what you are instructed to do) about any operator whose home or office you cannot locate.

## Interviewing

Interview the farm operator, if possible, because information collected from other people often is less accurate. However, if the operator says someone else is more knowledgeable, interview that person.

The ARMS Phase III is very detailed which requires the majority of interviews to be completed in person. It is advisable to call or visit each respondent early in the survey period to setup an appointment to complete the interview at his/her convenience. During this initial contact, explain the survey purpose and importance, the scope of the interview, and that it will be necessary for them to have their farm records available during the actual interview.

If the operator will not be available before the survey is over, try to interview someone who is well informed about the operation. A partner, family member or hired person may know enough about the aspects of the farm operation covered in the questionnaire to give you the information needed.

The NASS rule-of-thumb is to make up to three visits (the first visit plus two call backs) if necessary, to get an interview. If you have an appointment or information from a neighbor on when to try to reach the operator, obviously you should return then. If not, make each visit at a different time of the day.

Respondents often ask how long the interview will take. Never contradict the burden statement; however, it is okay to add to it. For example, you might say something like this: "The official nationwide average for this survey is 95 minutes, but the interviews I have done in this area averaged about \_\_ minutes." Be honest about the average time, even if your interviews are averaging longer than the time estimate in the burden statement.

Put the respondent at ease about time and burden. Respondents are often not experts about their own finances and may not have their records in order. Because you know the survey questions well, you will be able to help farmers find most of the information in their books or records. Make sure they understand you are helping them find the answers, not quizzing them on their records. Your expert knowledge of this survey will help minimize their effort while maximizing the quality of the data collected.

Encourage respondents to have their farm records at hand. If records are used, accurate information will be readily available and answering will take less interviewing time.

Always begin by reading questions exactly as they are worded in the questionnaire. You may also use any optional wording or explanations printed in the questionnaire. If the respondent still does not understand, or asks you to explain, then use what you learned in training and information from this manual to explain what is needed.

Ask questions in the order they appear in the questionnaire. Do not skip any questions unless instructions allow you to do so. Sometimes respondents will volunteer information you need later in the interview. When you get to a question the respondent already answered, take the opportunity to verify the information. Say something like, "I think you told me this earlier, but let me be sure I got it right." And then ask the question. This shows the respondent you were paying attention earlier and that you want to get things right.

Sometimes you will need to probe in order to get an adequate answer to a question. You should probe when:

- the respondent cannot answer the question,
- the answer is not exact enough to record,
- the answer may be incorrect because it does not fit with the information already obtained, or
- you think the respondent did not understand the question.

The purpose of probing is to verify unusual data or to correct misreported data. Be careful when you phrase your probing questions that you do not influence the respondent's answers. Probes should be "neutral". That is, they should not suggest one answer over another. In fact, all questions should be asked in a neutral manner. Do not say things like, "What do I mean by marketing contracts? Oh, you must not have had any, did you?". Instead, say, "During 2008, did this operation have any livestock marketing contracts for livestock raised?"

In another example, if a respondent tells you an expense is between two amounts, such as, "Oh, I guess the total was between two and three hundred dollars," you should ask, "Would you say it was closer to \$200 or \$300, or

what amount exactly?" Probing is especially important early in the interview when the respondent is 'learning' from you what level of effort and accuracy are ideal. If you fail to probe, you may be suggesting that good answers are not needed.

Strike a balance between motivating the respondent to search out sound numbers and taxing the respondent to account for every nickel. Probes should also be "non-threatening." Be careful you do not appear to be questioning or challenging the respondent's answers. Do not say, "That can't be right! You just said you had 20 pigs, so your vet expense couldn't have been that high!" Instead, say, "Earlier you said that you had 20 pigs in 2008. Can you tell me why your vet expenses were so high?" And then make notes of the respondent's answer.

**The importance of good notes cannot be overemphasized.** Notes are especially important when you find unusual situations or the respondent explains why information that seems incorrect actually is correct. Good documentation saves the State Office from having to re-contact the farmer to confirm the accuracy of the data. Also write down any complicated calculations you make to come up with an answer. These notes will help the survey statistician understand this operation when reviewing the questionnaire. Make sure the notes are clear and can be read. Never erase a note unless it is wrong! **Notes can be the single most valuable editing tool available to the office statistician.**

After completing each interview, be sure to review the questionnaire while the interview is still fresh in your mind:

- check all the answers for correctness and completeness,
- double-check your calculations, and
- make sure your notes are legible and make sense.

## **Fiscal Year Versus Calendar Year**

The questionnaires are designed to collect expenses and income for the calendar year. However, some farm businesses keep their books on a fiscal year basis, such as October 1 - September 30. In these cases, collect information for the operation's 2008 fiscal year and make a note on the questionnaire indicating the time period of the operation's fiscal year.

## **Nonresponse**

If an interview cannot be conducted, explain why on the questionnaire. Make a note about whether the operation appears to be a farm and any other information you think might be helpful to the State Office.

Most farmers are willing to cooperate on NASS surveys, but in every survey some will refuse to do so. The key to reducing the chances of getting refusals is to be courteous and friendly, but persistent. Most respondents will greet you with basic questions about the survey. Be prepared to answer their questions confidently and concisely. Respondents will want to know what the survey is about, how long it will take and why they should report. You should develop and practice an introduction with which you feel comfortable. Your introduction should explain the purpose of the survey, the need for accurate agricultural statistics, and the confidentiality of the data. Make use of materials on the survey purpose provided at your State training workshop.

Above all, do not become discouraged when you get a refusal. Stay in touch with your supervisor. Continue to meet farm operators with ease, friendliness and optimism as you contact other respondents in the sample.

## **Supervision**

Your supervisory enumerator will set up an appointment to meet with you early in the survey. This visit will help you get off to a good start by spending some time to review a few of the interviews you have completed. Hold all your completed work until this review takes place unless you are instructed to do otherwise.

Your supervisory enumerator, or someone from the State Office, will contact a few of your respondents to conduct a quality check. The quality check will verify that you spoke with the person named in the questionnaire and that the respondent understood the survey procedures.

## **Completed Questionnaires**

Turn in your completed questionnaires according to the instructions you receive from the State Office. If you think that under these procedures the last few questionnaires you complete might not reach the State Office before the final due date, call your supervisor.

Keep a record of when you complete each questionnaire and when you passed it on to your supervisor or mailed it to the State Office. This will help the office locate survey materials if they are delayed.

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## Chapter 4 - Face Page and Screening

### FACE PAGE

#### Introduction

Before approaching the farm operator, develop and practice an introduction with which you are comfortable. In the introduction include who you are, whom you represent and the purpose of the survey. Become familiar with the information in Chapter 1 of this manual and be prepared to answer general questions about the survey.

During your introduction, be sure to remind the respondent that all the data are confidential and used only in making state, regional and national estimates. In preparing for the interview, mention that using farm financial records (including milk checks, co-op statements, FSA records, etc.) are extremely helpful. These records do not have to be in perfect order to be useful. Make sure the respondent knows you will be conducting several of these interviews so you know the Questionnaire very well and will help them find the answers in whatever records are available.

If the operator has multiple operations, only one operation is selected for the ARMS Phase III survey. For these situations, it is beneficial to recognize which operation has been selected so the operator can obtain the records for that particular operation. The label and preprinted screening information are helpful in this determination. It is important to keep in mind which operation is selected throughout the interview. Only the acreage, crops, livestock, income, expenses, assets, and debt for that selected operation are collected on the questionnaire. Assets, Debt, and net cash income from the other operations are collected in Section J on the farm household.

Often when making the initial contact on this survey, you are only setting up an appointment to complete the Questionnaire at a later date. If the State Office has included a Screening Supplement with a particular Questionnaire **it is best to complete it on this first contact**, because you may find out information about the operation you need to discuss with the office. This procedure gives you plenty of time to contact the office before doing the full interview. Account for the screening time in notes so interview beginning or ending time can be adjusted to more accurately reflect total interview time.



## Screening Information

This year, a screening survey was not conducted on the sampled respondents to determine their status in 2008. In lieu of screening, reported data from the 2007 Census of Agriculture was used to determine status and screen for the commodities of interest: corn and soybeans (bioenergy), tobacco, as well as beef cattle. Because 2007 data were used for screening as opposed to 2008 data, there are no previously reported data to print on the questionnaire. Area frame records were screened during the June Ag Survey as usual.

## Office Use Boxes

### Response Code

Upon completion of the interview, enter the response code in cell 9901 on the Back Page of the questionnaire. Response codes are:

Code 1 = **Complete** (Use for Good Reports, Out-of-Businesses, No Target Crops, and Abnormal Farms)

Code 2 = **Refusal**

Code 3 = **Inaccessible/Incomplete**

### Date

Record the date the questionnaire was completed. Enter the date in MMDD09 format in cell 9910. For example, if the interview was completed on February 26, 2009, enter the month, day, and year, 022609 in the date cell.

### Respondent Code

The respondent code identifies the person who was interviewed. Enter the code identifying the person who provided most of the data in cell 9902.

Code 1 = **Operator or Manager**

Code 2 = **Operator's Spouse**

Code 3 = **Accountant or Bookkeeper**

Code 4 = **Partner**

Code 9 = **Other**

### Beginning Time

Record the **beginning time** (military time) of the interview when the respondent agrees to cooperate on the survey and you actually start the interview. Interview times are used to find out how much respondent time we are using (as a measure of respondent burden) in collecting data. We are trying to reduce interview times as much as possible and still collect the high quality data that we need. Also, by using different versions each year, we need to estimate their interview times since we have no recent history.

### **Ending Time**

Record the ending time (military time) of the interview. If more than one person was interviewed or it took more than one appointment to complete the interview, times should reflect the approximate total time for the questionnaire.

Exclude the time you spend reviewing the questionnaire or verifying calculations by yourself after you have completed the interview. Be sure the ending time is after the beginning time entered on the face page.

Accurate reporting of interview time (beginning and ending time) is critical for monitoring and evaluating survey burden and cost.

### **Mode Code**

The mode code (cell 9903) identifies how the person was interviewed. ARMS Phase III completes should be by face-to-face interview unless the V5 report form was mailed .

Code 1 = **Mail**

Code 2 = **Telephone**

Code 3 = **Face-to-Face**

### **Optional Use**

Item codes 0002, 0003, and 0009 are reserved for your State Office use. These cells should remain blank unless your State office directs you otherwise.

## **Name, Address, and Partners Verification -- LIST**

Questionnaires will be pre-labeled with names and addresses. If the first line (primary name line) of the label after the identification number line has an individual name (JOHN SMITH), this is the target name, (unless the OpDomStatus is 99). If the first line contains a combination of individual names (JOHN AND BILL SMITH) or an operation name (SMITH FARMS), then the name on the next line (the secondary name line) is the target name. If the OpDomStatus is 99, then the operation named on the primary name line is the target. *When OpDomStatus= 99, the operation name is the key.*

**Remember: The target name NEVER CHANGES. The person actually operating the farm (the farm operator) may change, but the selected target name is always the person identified on the label.**

The first thing you will do is verify the operator's (or operation's) name and address, and the names and addresses of any known partners. If there are partner labels, be sure the partner names and addresses are correct, and all partners are listed. Mark through the names of any partners no longer involved in the operation. Add the names and addresses of any partners who are not listed.

## **Area Frame Sampled Operations**

All of the area frame samples selected for the ARMS were identified as farm operators during the 2008 June Agricultural Survey.

In the ARMS we are interested in the operation the way it existed on June 1, so ignore any changes that have occurred in the operation since June 1. For example, if the tract was individually operated in June and changed to a partnership in September, collect data for the individual operation for the time it existed (January through August). Do not collect any data for the partnership. Collect data for the operation as it existed on June 1.

We know that by using this rule we will lose some data for those few farms or ranches that were formed after June 1. However, there usually are not very many of these operations and they are generally relatively small. Therefore, they would not have much impact on the overall estimates from the survey.

If you find out an error was made in June (the operating arrangement was incorrectly identified), make notes to explain the error, but complete the questionnaire for the operation **as it actually existed on June 1**. *If you have time between your first contact with the respondent (when you find out the June report was wrong) and your appointment to complete the ARMS interview, call the State Office and let them look up the corrected operating arrangement. If it is overlap with the List, you will not have to do an interview.*

## Screening Box on Face Page

If the respondent is known to have multiple operations at the time of sampling, the State Office will want you to complete the Screening Supplement. This is to verify the operating arrangement number of operations, and to determine which operation to collect data for.

If a Code "1" has been entered in the Screening Box on the Face Page of the Questionnaire, the office will have included a Screening Supplement with the Questionnaire for you to complete for this operation.

If the Screening Box is not coded, begin the interview with Section 1.

## Completing the Screening Supplements

Farm operations in each State were sampled for the ARMS based on List Frame information about crop acreage, livestock inventory, and an estimated gross value of farm sales. Agri-business firms and agricultural services that do not have crops or livestock of their own should have been excluded from the sample, but it is possible some records were misclassified. Screening questions determine the eligibility of the selected name for this survey.

Institutional (Abnormal) farms such as prison farms, private or university research farms, not-for-profit farms operated by religious organizations, and Indian reservations are out-of-scope for ARMS and should be excluded from the survey. If your assignment includes any of these farms, notify your supervisor or the survey statistician.

If an operation was in business during part of 2008, but went out of business during the year, **complete a questionnaire for the part of the year during which the operation did business**. If the operation was taken over by another operator or operation when it went out of business, make a

note of this. This note should include a name, address, phone number and any other pertinent information.

There are 2 screening supplements that will be used:

- one for operations whose target is the operator's name (the non-opDom 99's), and
- one for operations whose target is the operation name (the opDon 99's)

**Item 1 – Other Operation Name**

Even though you have already verified the label, you need to ask this item to detect duplication and make sure the list is up-to-date. Indicate if this name should appear on the label in the future.

**Item 2 – Crops, Livestock or Poultry**

Check YES if the operation grew any crops (field crops, fruit/nut crops, vegetables, oilseeds, specialty crops, hay, etc.) or had cattle, hogs, sheep, poultry or other livestock during 2008, on the total acres operated. If YES, go to Item 6. If NO, continue with Item 3.

For an operation to qualify as growing a crop, the operator must have made the decisions on planting, caring for and harvesting the crop.

**Include:** field crops, fruit and nut crops, vegetables, mushrooms, flowers, nursery stock, greenhouse crops, hay, Christmas trees, etc.

**Exclude:** home gardens and crops received in 2008, as payment for land rented to someone else.

This screening question would also be checked YES if the target name had any livestock or poultry, regardless of ownership, on the total acres operated at any time during 2008.

**Include:**

- 1) all cattle, hogs, sheep, equine, goats, chickens, turkeys, ducks, geese, bees, rabbits, mink or other fur bearing animals, and fish that are raised commercially or for home consumption. FFA and 4-H livestock projects should also be included.

- 2) operations that own five or more pleasure horses and no other agricultural items.

**Exclude:**

- 1) operations that have ONLY FOUR OR LESS pleasure horses, and any number of other animals kept only for pleasure use or as pets. For an operation to be excluded from ARMS, no other agricultural items (including hay) may be present on the operation.
- 2) horse boarding operations, riding stables, or race horse training operations that
- a) do not have other agricultural items (ie. has hay or breeds horses) unless they have more than 99 acres of pasture, or
- b) that keep separate accounting books from the farming operation's accounting books. If the horse boarding, riding stable, or race horse training operation's income and expenses can be broken out from the traditional agricultural enterprises' income and expenses, exclude the horse boarding, riding stable, or race horse training operation.
- 3) Slaughter or packing houses, auction barns, stockyards or order buyers. These operations have livestock which are committed for slaughter. The presence of these livestock alone does not qualify an operation for the survey.

**Item 3 – Sales of Agricultural Products or Receipt of Government Agricultural Payments**

Include sales of crops, livestock, aquaculture and other products from the total land in the operation. Include any government payments received under the 7-year market transition program, conservation programs, etc.

This item should be answered NO when the respondent is a landlord who sold agricultural products from or received government farm payments only for land which was rented out.

If this item is checked YES, go to Item 6.

**If Items 1 and 2 are both NO, continue with Item 4.**

**Item 4 – Out-of-Business Determination**

This item determines if anyone else is now operating the land formerly operated by the target name on the Face Page. Ask this item only if the respondent answered NO to Questions 2 and 3. If another operation has taken over from the target name on the label, record the name of the operator or operation now operating the land.

This item gives us information needed to update the List Frame when operations have gone out-of-business. Record the name, address, and phone number (if available) of the individual or operation now operating land that used to be operated by the target name

If the respondent answers NO to this item, probe to determine what happened to the land and make notes.

**Item 5 – Enumerator Action**

These instructions only apply in rare cases where the selected target name is out-of-business. If the answer to items 2 and 3 are both NO:

- On the Screening Supplement, enter Code ‘9’ for the Reporting Unit in item 6 (cell 0921).
- On the Face Page of the Questionnaire, enter Code ‘1’ in Cell 0006, if not already entered.

Go to the Front Page of the Questionnaire, enter code ‘1’ in cell 9901 and complete the Respondent Code, Mode, ending time, date, and enumerator ID information.

**Item 6 – Decision-Maker For This Operation**

We are interested in how the operation was managed on a day-to-day basis. We do not care what the legal definition of the operation is. Definitions of individual, partnership, and managed land can be found in the *Ag Surveys Interviewer's Manual*. Landlord-tenant, cash-rent and share crop arrangements should not be considered partnerships.

When an individual operation is reported, enter Code “1”. When a partnership is reported, enter the number of partners. Include the person listed on the Face Page and all of the other partners. If there are more than 5 total partners, consider this a managed operation and enter a Code “8”. When a hired manager is reported, enter Code “8”.

**Item 7 – Other Operations**

This is a screening Question to find out if the target name made day-to-day decisions for any other operations in 2008. Each additional (**non-managed**) operation must be listed or verified on the back side of the Screening Supplement. The information collected on the Screening Supplement will be used to update your State's list sampling frame.

**If the operator does not have other operations (Item 3 is NO)**

If there were not any other operations, enter a "1" in Item Code box 0923, return to the Questionnaire and begin the interview.

**If the operator has other operations (Item 3 is YES)**

**Item 7a – Total Number of Operating Arrangements**

Enter the TOTAL number of operating arrangements, INCLUDING THE SAMPLED OPERATION LABELED ON THE FACE PAGE OF THE Questionnaire in Item Code box 0923. Entering a "2" indicates the operator makes day-to-day decisions for two operations (the one labeled on the Face page of the Questionnaire and one additional operation).

**Item 7b – Identifying Additional Operating Arrangements**

After entering the TOTAL number of operating arrangements in Item 7a, complete or verify the information for the second operation. If the operator had a third operation, complete or verify the information on an additional Screening Supplement for this operation. If the operation on the Face Page is still in business, then you will **complete the Questionnaire for the operation named on the Face Page of the Questionnaire.**

If the State Office already knows about additional operations associated with the target name, there should be additional screening supplements for these operations. Verify that the target name is still involved with each of these operations. Also, there may be partner labels for any or all of these operations. Verify the names and addresses of additional operations and partners associated with them. Mark out any operations the target name was not associated with in 2008. If any partner names are not listed, add them with complete name and address information.



If the target name is involved (either as individual operator or as a partner) with any other operations which are not listed on a Screening Supplement, record these. In the partner space record the names of all of the partners other than the target name associated with each of the additional operations.

**Item 7c – Day-to-day Decisions for Additional Operations**

For each of the additional operations, check the appropriate box to explain how the day-to-day decisions were made in 2008. We are interested in how the operation was managed on a day-to-day basis. We are not interested in the legal definition of the operation.

**Special Situations - Managed Operations**

Do not include any operation not already listed for which the target name is a hired manager.

A special situation exists if the operation on the Face Page of the Questionnaire is a managed operation. If the target name is still the hired manager, there is no problem; handle it as you would normally.

If the label for the operation on the Face Page is a managed operation and was still in business in 2008, under a new hired manager, you will contact the new hired manager and collect data for the operation named on the Face Page. You will also need to contact the original target name to verify the other operations listed, and if that originally selected target individual has any additional operations you will list them on one or more Screening Supplement(s).

## **Chapter 5 – Completing the Questionnaire**

### **Section A – Land In Farm/Ranch**

#### **Section Purpose**

Section A has the following primary functions:

- (1) to measure the total land operated,
- (2) to determine the tenure arrangements and whether farmers are renting on a share, cash, or rent-free basis,
- (3) to account for rent paid on rented land, and
- (4) to account for rent received on acres rented to others.

Acres of owned and rented land are used to determine the total size of the farm under the operating arrangement identified on the label. Total acres are one measure of farm size used in reports and analyses. Knowledge of how much land is owned versus rented is the basis for studying farm tenure arrangements.

#### **Acreage (Version 1 – Items 1-12, Versions 2-4 – Items 1-7, Version 5 – Items 1-8)**

##### **General Instructions for Items 1-4**

Items 1-4 account for acres owned, acres rented from others, and acres rented to others by this operation at any time during 2008. Answers for these items are reported to the nearest whole acre.

For operations that were in business for only a part of 2008, collect data for the part of the year when it was still in operation. If the operation went out-of-business before December 31, 2008, end-of-year inventory values for crops in storage or livestock should be zero when you ask about these later in the interview. However, you will usually find fairly large amounts of cash or other assets such as land contracts due from sales of farmland. Exclude data for the part of the year that an operation was not in business including any income from renting the operation to others after this

operation went out-of-business.

Sometimes an operator has several operating arrangements, such as an individual operation and a partnership operation. We have selected only one of the operations, so be sure the questionnaire contains data only for the arrangement identified on the label.

**INCLUDE:**

- (1) all cropland, the farmstead, government program land, idle land, orchards, pasture, wasteland, wetland and woodland, regardless of location, if the operator made the day-to-day decisions for that land under the selected operating arrangement. Include land in another state that is part of the operation (if the operator made the day-to-day decisions for that land).
- (2) land worked by sharecroppers. Sharecropper operations are considered part of the landowner's operation. A sharecropper is a worker who furnishes ONLY LABOR (his own and often his family's) for a share of the crop. Sharecroppers generally furnish no machinery, seed, fertilizer, etc.
- (3) all land in the operation that is used by the operator's children for 4-H or FFA projects, if the operation's equipment is used.

**Item 1 – Acres Owned**

**Include** all cropland, the farmstead, government program land, idle land, orchards, pasture land, wasteland, and woodland. Include land that has the potential for growing crops or grazing livestock even if it was not used for agricultural purposes in 2008.

**Include** all land owned by the operation, the operator and/or partners, their spouses or children. Include land held under title, purchase contract, homestead law, or as part of an estate (if someone associated with the operation is an heir or trustee).

**Exclude** nonagricultural land separate from the operation (such as land in subdivisions, commercial buildings, timber, etc.) which is permanently out of agricultural use.

Sometimes you will find a situation where the operator (and/or partners) owns the land but has set up the operation so that the land is rented to the operation. This is done for tax and other financial benefits. When this occurs, do not include the acres the operation rents from the operator as owned acres. Treat them as you would acres rented from any other landlord, and be sure the amount of rent paid is recorded.

If the operator (as a landlord to the operation) paid some of the expenses, you should also handle them the same as for any other landlord. You will usually have to probe very carefully in these situations.

**Item 2 (a,b,c) – Acres Rented From Others**

There are three categories of rented acres:

- cash rented acres with the payment either being a fixed for flexible amount are recorded in item 2a,
- share rented acres are recorded in item 2b, and
- acres used rent-free are recorded in item 2c.

**INCLUDE** all land rented from private individuals, partnerships, corporations, federal, state or local governments, Indian reservations, railroads, etc. if the operation:

- (1) paid cash rent. (Item 2a)
- (2) paid for use of the land with a share of the crops (either standing or harvested). (Item 2b)
- (3) paid for use of the land with a share of livestock production or paid a combination of a fixed cash payments plus some shared production. (Item 2b)
- (4) had free use of the land. (Item 2c)

**EXCLUDE:**

- (1) grazing land rented on a fee-per-head or Animal Unit Month (AUM) basis, including public lands the operation has grazing rights, sole use, or year-round use of.
- (2) land on which the respondent's livestock were fed under a contract (for example, commercial feedlots).
- (3) shared livestock production that does not involve land rental.
- (4) Short-term land rental agreements where the operator will graze livestock for a period of 2-4 months then the landlord will harvest crops later in the year. In this case, the landlord "operates" the land.

If the operation is a corporation that rents land from the operator (who is a private individual landowner), record the land as rented from others.

Be sure you are getting the full number of rented acres from the respondent. Count the acres that are not specifically retained by the landlord or rented out to someone else. Farmers/ranchers often do not think the land they rent contains woods or wasteland. Even though the farmer/rancher may not think about it that way, the landlord considers the whole parcel rented. Rent is usually based on the number of acres of cropland or pastureland.

If the renter was responsible for looking out for the owner's interest in the woodland and/or wasteland, or had the right to cut firewood, hunt, etc. on the acres, then these acres should be included as acres rented from others.

**Item 3 (V1 – V4) – Acres Rented To Others**

**Item 4 (V5)**

**INCLUDE:**

- (1) land this operation owned which was rented to another operation in 2008, for cash. This land should also be included in Item 1.

- (2) land this operation rented or leased from someone else but which it subleased to another operation in 2008. This land must also be included in one of the categories in Item 2.
- (3) land rented to others for which this operation received a specified amount of the crop or livestock produced, a share of the crop or livestock produced, or other non-cash compensation.
- (4) land this operation let someone else use without ever intending to receive payment (rent-free).
- (5) pasture or grazing land rented out on a per acre basis. Do not include land rented out on short-term land rental agreements where the rentee will graze livestock for a period of 2-4 months then the operator will harvest crops later in the year.
- (6) land owned but managed for a fee or salary by someone else.
- (7) land used for such purposes as cell phone towers, pipelines, roadways, windmills, etc., in which the operation receives a payment for and the land is **NOT** farmed. This is without regard for whether the land was formally rented or not. The payments received are recorded as cash rent received in Section E.

**EXCLUDE:**

- (1) land enrolled in Government programs for which this operation has enrolled and makes day to day decisions (such as acres under Direct and Counter-cyclical Payment Program (DCP), acres in the Conservation Reserve Program, etc.).
- (2) land worked by sharecroppers on this operating unit.
- (3) land used by a child for 4-H or FFA projects if the operation's equipment was used.
- (4) land on which crops were grown under contract, if the land owner furnished machinery or controlled the seeding, growing and harvest of the crop.

- (5) land used for pasturing someone else's livestock when payment was made on a per head, fee, or AUM basis.
- (6) land used for pasturing someone else's livestock for a short term (2-4 months) when the operator will harvest crops later in the year.
- (7) land on which the operator fed livestock under contract for someone else.
- (8) land used for such purposes as cell phone towers, underground pipelines, windmills, etc., in which the operation receives a payment for and the land is farmed. This is without regard for whether the land was formally rented or not. The payments received are recorded as other farm related income received in Section E.

**Item 4 (V1 – V4) – Total Acres Operated in 2008**

**Item 5 (V5)**

The operation's total farming/ranching operation is the total of Items 1 + 2a + 2b + 2c - 3. Verify this total with the respondent because it is the basis for the rest of the interview. Be sure this total includes all cropland, the farmstead, government program land, idle land, orchards, pasture, wasteland, wetlands and woodland associated with this operation.

**Item 5 – Number of Landlords**

**V1 Only**

Report the number of landlords who rented land to this operation in Item 5. If land was reported rented from others in Item 2, there should be a positive answer in Item 5. If the operator (and/or partners) rents land to the operation (for tax purposes) include them in Item 5.

If there is one landlord, ask Items 5a and 5b, then continue with Item 6. If there is more than one landlord, ask Items 5c and 5d, then continue with Item 6.

**Item 5a – Format of Rental Agreement for 1 Landlord**

**V1 Only**

Indicate if the rental agreement with the landlord is either a written or an oral agreement.

**Item 5b – Length of Written Agreement  
V1 Only**

If the agreement is written, indicate whether the agreement was for more than 1 year.

**Item 5c – Format of Rental Agreements for Multiple Landlords  
V1 Only**

Indicate if the majority of rental agreements with the landlords are a written or an oral agreement.

**Item 5d – Proportion (Acreage) of Rental Agreements that are Written  
V1 Only**

Report the percentage of acres that are rented using a written agreement between the operator and landlords.

**Item 5 – Total Acres used on a per head of animal unit month (AUM) basis  
V2 – V4**

Include any acres the operation used on a per head or AUM basis that was NOT reported in Item 2 above. Include land from Federal, State, railroads, Public School Districts, Indian Reservations, or privately owned land where a grazing permit was issued.

**Item 6 – Number of Acres Rented or Leased to Relatives  
V1 Only**

If the operation rented land to others, record the number of acres that were rented or leased to relatives as defined as anyone who is related by blood or marriage.

**Item 6 – Total Acres used on a per head of animal unit month (AUM) basis  
V5 Only**

Include any acres the operation used on a per head or AUM basis that was NOT reported in Item 2 above. Include land from Federal, State, railroads, Public School Districts, Indian Reservations, or privately owned land where a grazing permit was issued.

**Item 6 – Acres in the Operation  
V2 – V4**

These acreage questions are based on the total acres operated in Item 4. The acres can count more than once for the following parts:



**Item 6a – Acres Considered Cropland**  
**V2 – V4**

Cropland is any tillable land currently in crop production or land that has previously been tilled and used for crops and could be tilled again without additional improvements.

**INCLUDE:**

- (1) Land in crop-pasture rotation and cropland used for pasture or grazing during the current year.
- (2) Land in summer fallow.
- (3) Idle cropland (no crops planted or harvested in current year).
- (4) Cropland diverted for government programs (including CRP), unless the land is planted to trees.
- (5) Fruit orchards, vineyards, nut trees, and citrus groves.
- (6) Vegetables, melon crops, and other specialty food crops.
- (7) Nursery crops, turf grass, sod, and Christmas trees.
- (8) Land in hay crops, exclude wild hay.
- (9) Pastureland tilled in the past if the land could be tilled again without first clearing brush, trees, undergrowth, etc.

**EXCLUDE:**

- (1) Pasture and rangeland that has never been tilled.
- (2) Wild hay land. Although this is considered a crop, wild grasses cut for hay should not be included in acres of cropland.
- (3) Government program acres planted to trees. These acres are woodland.
- (4) Woodland and wasteland.

**Item 6b – Acres Covered Under Federal Insurance**  
**V2 – V4**

Of the total acres in Item 4, report the acres that were covered under Federal crop insurance during 2008. **Include** acres covered by insurance for the loss of grazing on rangeland, if the insurance program is administered by a Federal agency.

**Item 6c – Acres Enrolled in CRP/CREP/WRP**  
**V2 – V4**

Record the total number of acres the farm operation has enrolled in the CRP, CREP, or WRP. For descriptions of these programs, see Item 8d – 8f of the Version 1 questionnaire.

**Item 6d – Acres Used to Raise Certified Organic Crops**  
**V2 – V3**

Of the total acres in Item 4, report the acres harvested as certified organically produced crops. Certified organic crops are those that were certified by a State, or private certification agency.

**Item 6d – Acres Enrolled in Grassland Reserve Program**  
**V4 Only**

Of the total acres in Item 4, record the acres enrolled in the Grassland Reserve Program (GRP). The GRP is a voluntary program offering landowners the opportunity to protect, restore, and enhance grasslands on their property. The Natural Resources Conservation Service, Farm Service Agency and Forest Service are coordinating implementation of GRP, which helps landowners restore and protect grassland, rangeland, pastureland, shrubland and certain other lands and provides assistance for rehabilitating grasslands. The program will conserve vulnerable grasslands from conversion to cropland or other uses and conserve valuable grasslands by helping maintain viable ranching operations.

**Item 6d(i) – First Year of Implementation**  
**V4 Only**

If the acres enrolled in the Grassland Reserve Program (GRP) were under a long term contract or easement (30 years or longer), record the first year of implementation in Item 6d(i)

**Item 6e – Acres Used for Grazing or Pastureland Only**  
**V3 Only**

Of the total acres in Item 4, record the acres used for grazing or pastureland only. **Include** all rangeland, permanent pasture, and cropland used only for pasture.

**Item 6e – Acres Enrolled in Farmland or Grassland Protection Programs other than the GRP**

**V4 Only**

Of the total acres in Item 4, record the acres enrolled in a farmland or grassland protection programs other than the GRP. **Include** acres in Federal, State, and Local Government Programs and private agreements as well as acres on which an easement was sold or donated, to protect the land from conversion to another use.

**Item 6e(i) – First Year of Implementation**

**V4 Only**

If the acres enrolled in farmland or grassland protection programs other than the GRP were under a long term contract or easement (30 years or longer), record the first year of implementation in Item 6e(i)

**Item 6f – Acres Used to Raise Certified Organic Crops**

**V4 Only**

Of the total acres in Item 4, report the acres harvested as certified organically produced crops. Certified organic crops are those that were certified by a State, or private certification agency.

**Item 7 – Total Acres used on a per head of animal unit month (AUM) basis**

**V1 Only**

Include any acres the operation used on a per head or AUM basis that was NOT reported in Item 2 above. Include land from Federal, State, railroads, Public School Districts, Indian Reservations, or privately owned land where a grazing permit was issued.

**Item 7 – Acreage Subject to Conservation Treatments**

**V2 – V4**

Record the total acres that were subject to conservation treatments under a current EQIP or CSP contract in Item 7 (note: payments are not necessarily received in each year of a current contract).

**INCLUDE:**

- (1) Acreage of fields/tracts where practices are applied (such as reduced tillage, terraces, and grassed waterways). For example if a 1 acre grassed waterway drains stormwater from 10 adjacent acres, include 10 acres.
- (2) Acreage of fields/tracts that are adjacent to field edge practices (such as filter strips, riparian buffers, or fences). For example, if a 1 acre filter strip captures nutrient runoff from a 20 acre field, include 20 acres. In another example, if fencing is installed to restrict access to 15 acres of sensitive habitat, or to establish a grazing boundary around 15 acres, include 15 acres.
- (3) In the case of manure handling facilities or equipment, include all land on and off the farm used for spreading of manure.

The number of acres reported here may exceed acres reported in Item 4, if conservation treatments involve land not operated by the producer. Further information about EQIP and CSP can be found in Version 1, Item 9 and 9a.

**Item 7 – Acres in the Operation**  
**V5 Only**

These acreage questions are based on the total acres operated in Item 5. The acres can count more than once for the following parts:

**Item 7a – Acres Considered Cropland**  
**V5 Only**

Cropland is any tillable land currently in crop production or land that has previously been tilled and used for crops and could be tilled again without additional improvements.

**INCLUDE:**

- (1) Land in crop-pasture rotation and cropland used for pasture or grazing during the current year.
- (2) Land in summer fallow.
- (3) Idle cropland (no crops planted or harvested in current year).

- (4) Cropland diverted for government programs (including CRP), unless the land is planted to trees.
- (5) Fruit orchards, vineyards, nut trees, and citrus groves.
- (6) Vegetables, melon crops, and other specialty food crops.
- (7) Nursery crops, turf grass, sod, and Christmas trees.
- (8) Land in hay crops, exclude wild hay.
- (9) Pastureland tilled in the past if the land could be tilled again without first clearing brush, trees, undergrowth, etc.

**EXCLUDE:**

- (1) Pasture and rangeland that has never been tilled.
- (2) Wild hay land. Although this is considered a crop, wild grasses cut for hay should not be included in acres of cropland.
- (3) Government program acres planted to trees. These acres are woodland.
- (4) Woodland and wasteland.

**Item 7b – Acres Covered Under Federal Insurance  
V5 Only**

Of the total acres in Item 5, report the acres that were covered under Federal crop insurance during 2008. **Include** acres covered by insurance for the loss of grazing on rangeland, if the insurance program is administered by a Federal agency.

**Item 7c – Acres Enrolled in CRP/CREP/WRP  
V5 Only**

Record the total number of acres the farm operation has enrolled in the CRP, CREP, or WRP. For descriptions of these programs, see Item 8d – 8f for the Version 1 questionnaire.

**Item 7d – Acres Used to Raise Certified Organic Crops  
V5 Only**

Of the total acres in Item 5, report the acres harvested as certified organically produced crops. Certified organic crops are those that were certified by a State, or private certification agency.

**Item 8 –  
V1 Only**      **Acres in the Operation**

These acreage questions are based on the total acres operated in Item 4. The acres can count more than once for the following parts:

**Item 8a –  
V1 Only**      **Acres Rented from Family Members**

If the operation rented land from others, record the number of acres that were rented or leased from relatives as defined as anyone who is related by blood or marriage.

**Item 8b –  
V1 Only**      **Acres Considered Cropland**

Cropland is any tillable land currently in crop production or land that has previously been tilled and used for crops and could be tilled again without additional improvements.

**INCLUDE:**

- (1) Land in crop-pasture rotation and cropland used for pasture or grazing during the current year.
- (2) Land in summer fallow.
- (3) Idle cropland (no crops planted or harvested in current year).
- (4) Cropland diverted for government programs (including CRP), unless the land is planted to trees.
- (5) Fruit orchards, vineyards, nut trees, and citrus groves.
- (6) Vegetables, melon crops, and other specialty food crops.
- (7) Nursery crops, turf grass, sod, and Christmas trees.
- (8) Land in hay crops, exclude wild hay.

(9) Pastureland tilled in the past if the land could be tilled again without first clearing brush, trees, undergrowth, etc.

**EXCLUDE:**

- (1) Pasture and rangeland that has never been tilled.
- (2) Wild hay land. Although this is considered a crop, wild grasses cut for hay should not be included in acres of cropland.
- (3) Government program acres planted to trees. These acres are woodland.
- (4) Woodland and wasteland.

**Item 8c –  
V1 Only**

**Acres Covered Under Federal Insurance**

Of the total acres in Item 4, report the acres that were covered under Federal crop insurance during 2008. **Include** acres covered by insurance for the loss of grazing on rangeland, if the insurance program is administered by a Federal agency.

**Item 8d –  
V1 Only**

**Acres Enrolled in Conservation Reserve Program (CRP)**

Record the total number of acres the farm operation has enrolled in the CRP. The CRP is a long term (10-15 year) cropland retirement program that provides incentives and assistance to farmers and ranchers for establishing valuable conservation practices that have a beneficial impact on resources both on and off the farm. It encourages farmers to voluntarily plant permanent covers of grass and trees on land that is subject to erosion, where vegetation can improve water quality or provide food and habitat for wildlife. The CRP is the Federal Government's single largest environmental improvement program.

Include land in any year when (1) a contract is in force for any part of the year and (2) no other crop was harvested, with the exception of haying or

grazing allowed with the terms of the contract. For examples, see Section O, Item 1, for the Version 3 (bio-energy) questionnaire.

**Item 8e – Acres Enrolled in Conservation Reserve Enhancement Program (CREP)**

**V1 Only**

Record the total number of acres the farm operation has enrolled in the CREP.

The Conservation Reserve Enhancement Program (CREP) is a voluntary land retirement program that helps agricultural producers protect environmentally sensitive land, decrease erosion, restore wildlife habitat, and safeguard ground and surface water. The program is a partnership among producers; tribal, state, and federal governments; and, in some cases, private groups.

CREP is an offshoot of the country's largest private-lands environmental improvement program - the Conservation Reserve Program (CRP). See Item 8d for more detail on the Conservation Reserve Program.

**Item 8f – Acres Enrolled in Wetland Reserve Program (WRP)**

**V1 Only**

Record the total number of acres the farm operation has enrolled in the WRP.

The Wetlands Reserve Program is a voluntary program offering landowners the opportunity to protect, restore, and enhance wetlands on their property. USDA provides technical and financial support to help landowners with wetland restoration efforts. USDA can purchase long-term or permanent easements that prohibit agricultural production or other non-wetland uses. About 90 percent of WRP acres are enrolled under 30 year or permanent easements. The program goal is to achieve the greatest wetland functions and values, along with optimum wildlife habitat, on every acre enrolled in the program.

**Item 8g – Acres Used to Raise Certified Organic Crops**

**V1 Only**

Of the total acres in Item 4, report the acres harvested as certified organically produced crops. Certified organic crops are those that were certified by a State, or private certification agency.



**Item 8h –  
V1 Only**

**Acres Owned and Acquired by Inheritance or Gift**

Of the total acres in Item 4, report the number of acres that were acquired by this operation from an inheritance or gift. **Exclude** owned land rented to others.

**Item 8i –  
V1 Only**

**Acres Owned and Acquired by Purchase from a Relative**

Of the total acres in Item 4, report the number of acres that were acquired by purchase from a relative. **Exclude** owned land rented to others.

**Item 8j –  
V1 Only**

**Acres Owned and Acquired by Purchase from a Non-Relative**

Of the total acres in Item 4, report the number of acres that were acquired by purchase from a non-relative. **Exclude** owned land rented to others.

**Item 8 –  
V5 Only**

**Acreage Subject to Conservation Treatments**

Record the total acres that were subject to conservation treatments under an EQIP or CSP contact in Item 8. Further information can be found about these program in Version 1, Item 9 and 9a.

**Item 9 –  
V1 Only**

**Acreage Subject to Conservation Treatments**

Record the total acres that were subject to conservation treatments under contracts funded through EQIP or CSP:

**Item 9a –  
V1 Only**

**Acreage Subject to Conservation Treatments under an Environmental Quality Incentive Program (EQIP) Contract**

The Environmental Quality Incentives Program (EQIP) offers financial and technical help to assist eligible participants install or implement structural and management practices on eligible agricultural land. EQIP contracts provide incentive payments and cost-shares to implement conservation practices. The minimum contract term ends one year after the implementation of the last scheduled practices and a maximum term of ten years. Payments may not be received in every year that a contract is in force.

Record the total acres that were subject to conservation treatments under current contracts funded through the EQIP.

**INCLUDE:**

- (1) Acreage of fields/tracts where practices are applied (such as reduced tillage, terraces, and grassed waterways). For example if a 1 acre grassed waterway drains stormwater from 10 adjacent acres, include 10 acres.
- (2) Acreage of fields/tracts that are adjacent to field edge practices (such as filter strips, riparian buffers, or fences). For example, if a 1 acre filter strip captures nutrient runoff from a 20 acre field, include 20 acres. In another example, if fencing is installed to restrict access to 15 acres of sensitive habitat, or to establish a grazing boundary around 15 acres, include 15 acres.
- (3) In the case of manure handling facilities or equipment, include all land on and off the farm used for spreading of manure.

The number of acres reported here may exceed acres reported in Item 4, if conservation treatments involve land not operated by the producer.

**Item 9b – Acreage Subject to Conservation Treatments under a Conservation Security Program (CSP) Contract**

**V1 Only**

Record the total acres that were subject to conservation treatments under current contracts funded through the CSP. See Item 9a (V1) for additional information about acreage to include.

CSP is a voluntary program that provides financial and technical assistance to (1) reward good stewardship of agricultural resources and the environment and (2) promote further improvement (enhancement) of soil, water, air, energy, plant and animal life, and other conservation purposes on working agricultural lands. Contracts can be 5-10 years in length.

**Item 10 – Rejected Contract Applications for Conservation Programs**

**V1 Only**

If the operator had any acreage in an application that was rejected for a conservation program, indicate which program(s) the contract application was rejected for in Item 10. The respondent should answer 'YES' if an application was rejected at any time, even if an application was accepted

in a later year.

**Item 11 – Alternative Sources of Energy  
V1 Only**

Record a YES if any energy or electricity was generated on the operation in 2008.

**INCLUDE:**

- (1) Electricity produced by wind turbines (windmills) or solar technology.
- (2) Energy produced with a methane production.
- (3) Energy produced whether sold or used on the operation (ie for electric fences).
- (4) Windmills owned by power companies that are on the farm acres.

**EXCLUDE** solar hot water heaters, solar grain dryers, or passive solar used to heat the home or farm buildings.

**Item 12 – Lease Land to Others for Windmills or Solar Arrays  
V1 Only**

Record whether the operation leased land to others for the purpose of installing windmills or solar arrays.

**Rent Paid (Version 1 – Items 13-14, Versions 2-4 – Items 8-10,  
Version 5 – Items 9-11)**

**Item 13 – Cash Rent Paid for Acres Rented From Others**

**Include** rent for land and/or buildings, record the total amount paid in 2008 to all landlords for cash rented acreage. Ask this question even if no land was rented in 2008. The operation may have paid rent for 2007 or 2008 in 2009. If we skip this question just because the operation did not rent any land in 2008, we miss previous year's rent paid in 2008, or 2009 rent paid in advance in 2008. If an operation had more than one cash rental arrangement, the sum of all the individual rents should be recorded.

For crops such as sugarbeets, co-op shares may be rented with or without associated land. The rent, if any, associated with the rental of the land,

should be included in this item.

**Exclude**

- (1) Any government payments landlords received from these acres.
- (2) Any short-term livestock grazing arrangements where the livestock owner grazes livestock for a few months, but the owner will harvest crops later in the year. The payments for this short term grazing arrangement should be recorded in Item 14b.

**Item 14 – Screening Question for Grazing of Livestock**

Record a YES if this operation used land administered by public or private agencies for the purposes of grazing. Include short term grazing agreements where a livestock owner will pay to allow their livestock to graze private land that the landlord will use to harvest crops later in the growing season. If no, then record a “3” and proceed to Item 15.

**Item 14a – Usage fees Paid for use of Public land**

(Mostly found in AZ, CA, CO, ID, MT, NE, NV, NM, ND, OK, OR, SD, TX, UT, WA, and WY)

The operations that use public, industrial or grazing association land will likely have rental payments on an AUM basis. This is usually controlled by the Bureau of Land Management (BLM), the Forest Service (FS), Bureau of Indian Affairs (BIA) or by grazing associations, energy companies, timber companies or railroads.

In Item 14a, **INCLUDE** expenses for use of public land, industrial land or grazing association land associated with a range grazing area (allotment or unit). Include all expenses for any year, as long as they were paid in 2008.

**EXCLUDE** expenses for use of land controlled by private individuals or partnerships even if the operator reports livestock were pastured on an AUM basis on this land (this expense should be recorded in Item 14b).

If the operation owned (or rented from others) land which was

administered on an exchange-of-use basis, these acres should be reported as owned in Item 1 and as acres rented to others in Item 3.

If fees are reported for Item 14a, land will likely have been recorded in Item 7.

**Item 14b – Amount Paid for Pasturing Livestock on Private Land**

**Excluding** contract arrangements, record the total amount paid in 2008, for pasturing or grazing livestock on privately owned land on a fee per-head (AUM), gain, or other basis.

**INCLUDE** expenses for 2-4 month rental where the operator will graze livestock and the landlord will harvest crops from the same land later in the year.

**EXCLUDE** expenses for pasturing or grazing livestock on public land. These expenses should be recorded in Item 14a.

**Rent Received (Version 1 – Items 15-16, Versions 2-4 – Items 11-12, Version 5 – Items 12-13)**

**Item 15 – Cash Rent Received for Acres Rented To Others**

Do not skip this item even if the operation rented no land out in 2008. The operation may have received income in 2008 for land rented to others before 2008, or the operation may have received a pre-payment of land to be rented in 2009.

**Include** rent for land and/or buildings, record the total cash rent received during 2008, for all land rented to others for cash.

**INCLUDE:**

- (1) If rent owed to the operation for 2007, was received in 2008, it should be included here. If rent for 2009 was received in advance (in 2008), it should also be included.
- (2) Government payments received in association with these acres should also be included.
- (3) Payments received for cell phone towers, pipelines, roadways,

windmills, etc., in which the operation receives a payment for their presence on the farm and the land is **NOT** farmed. The land is considered rented to others.

**Exclude** any short-term livestock grazing arrangements where the livestock owner “rents” land to graze livestock for a period of 2-4 months, but the operator will harvest crops from the same land later in the year. The payments received for this short term grazing arrangement should be recorded in Section E, Item 5b.

**Item 16 – Value of Share Rent Received for Acres Rented To Others**

Do not skip this item even if the operation did not share rent land out in 2008. The operation may have received its share of 2007 commodities in 2008, for land it rented to others in 2007. Record the total value of the share of production received by the operation plus the value of all government payments received in association with the share rented land.

If the operator (as a landlord) has received his share of the production, but has not sold it yet, record the operator's best estimate of its market value, plus the amount received in government payments associated with the share rented land.

Be sure that commodities the operator gets in payment of share rent **ARE NOT INCLUDED** in the sales reported later in the Questionnaire.

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## **Section B – Acreage and Production**

### **Section Purpose**

Acreage and production reported for crops are used to develop estimates of the value of crops produced. This information is also important to determine the types of crops grown. For example, are farms diversifying by growing a more varied mix of commodities?

Survey weights will be adjusted/calibrated so that expansions of harvested acreage for many crops reported in this Section match official NASS estimates at regional and national levels.

To avoid double counting crop and livestock value of production, the quantity of hay, grain, and other commodities produced and used on the farm must be subtracted out of total production. For example, grain fed to livestock would be reflected in the value of livestock production rather than grain production.

To determine the operation's correct share of income, we need to know the quantity or value of what was given to landlords in return for land rentals. Without good estimates of landlord shares in estimating gross rents, farmers' net income would be overstated.

#### **Item 1 – Crop Acreage and Production**

##### **GENERAL INSTRUCTIONS**

This section accounts for all crops harvested on the selected operation in 2008. All harvested acreage figures should be rounded to the nearest whole acre, except potatoes and tobacco, which are reported to the nearest tenth of an acre. Total production must be reported in the unit pre-printed on the questionnaire.

For operations that were in business for only a part of 2008, collect data for the part of the year when they were operating.



## **Column 1 - Crop**

Most major field crops are reported in this Section. The questions for crops always relate to the total acres in this operation recorded in Section A, Item 4. Include all crops harvested from these acres, but exclude any crops harvested from land rented or leased to others or worked on shares by others in 2008.

This column identifies the crops harvested on this operation in 2008. The crops are divided into four categories: Field Crops, Small Grains, Dry Hay Crops, and Other Crops. Within each category, crops of interest are indicated. These may be specific crops, such as corn for grain, or more general, such as Fruits, Nuts, and Berries.

To ensure proper and complete reporting, for each item listed, ask the respondent, "During 2008, did you harvest any [crop] on the total acres (Section A, Item 4) in this operation?"

### **Commodity Specific Instructions**

#### **Field Crops**

##### **Corn**

The acres of corn harvested for grain, seed, silage, or greenchop are to be reported for all States. Corn harvested for seed should be included as corn harvested for grain. Do not report field corn or sweet corn hogged-off as a harvested crop.

##### **EXCLUDE:**

- (1) Sweet corn should be included, depending on usage, in either Vegetables for Processing or All Other Vegetables and Melons.
- (2) Popcorn should be included in All Other Crops.

##### **Cotton**

Record all types of cotton harvested. If cotton was grown in a "skip" row pattern, count only the land harvested for cotton, excluding the skip row acreage.

##### **Peanuts**

Include only peanuts harvested for nuts.

**Exclude peanuts cut for hay; record as Hay, All Other.**

### **Potatoes**

Record potato acreage to the nearest tenth of an acre.

#### **EXCLUDE:**

- (1) Potatoes produced for home consumption.
- (2) Sweet potatoes should be included in All Other Crops.

### **Rice**

Include only short, medium, and long grain varieties. Brown rice and wild rice should be reported as All Other Crops. If rice was harvested twice from the same planted acreage (a ratoon crop), count the acreage only once.

### **Sorghum**

Exclude sorghum-sudan crosses harvested for hay; record as Dry Hay, All Other.

### **Soybeans**

Record only soybeans harvested for beans.

Exclude soybeans cut for hay; record as Dry Hay, All Other.

### **Tobacco**

Record all types of tobacco harvested in 2008. Record tobacco acreage to the nearest tenth of an acre. If "skip" rows or "sled" rows were present, record only the actual tobacco acreage.

### **SMALL GRAINS**

Sometimes mixtures of wheat, oats, barley, and other grains are planted for use as hay, forage or silage crops. If they were harvested for hay, these mixtures should be recorded in Dry Hay, All Other. If they were harvested as silage, they should be recorded in All Other Crops. If the crop was not harvested (only grazed), do not record it at all.

Exclude small grains cut for hay; record as Dry Hay, All Other.

### **Wheat for Grain**

Record all types of wheat (winter, durum and other spring) harvested for grain or seed.

### **DRY HAY CROPS**

Record only acres cut for hay (exclude acres "harvested" by grazing).

Acreage from which only grass silage, hay silage (haylage), greenchop, or alfalfa seed were harvested should be reported in All Other Crops.

If a hay crop and haylage are harvested from the same acres, record this as double-cropping with the hay reported in the appropriate line and the haylage reported in All Other Crops.

If two or more cuttings of the same crop were made from the same field:

- (1) Record the acreage only once.
- (2) Record the total production from all cuttings combined. For example, if two cuttings were made from a 50 acre hay field with the first cutting producing 105 tons and the second cutting yielded a total of 65 tons. The total production for the 50 acre crop would be 170 tons (105+65).
- (3) If hay was cut from the same land from which small grains were harvested for grain:
  - (a) Record the acreage cut for hay as Hay, All Other.
  - (b) Record the acreage harvested for grain in the appropriate item in the Small Grains Section.
  - (c) Exclude straw and stubble, except for the value of sales which is recorded as in Section D, Item 6.

Alfalfa and Alfalfa mixtures harvested for dry hay should be recorded under Dry Hay, Alfalfa.

All non-Alfalfa hay harvested for dry hay, including wild hay, should be recorded under Dry Hay, All Other. Wild hay acreage should be excluded from cropland acres (Section A, Item 8b).

### **OTHER CROPS**

#### **Other Oilseeds**

Exclude soybeans and canola. Include all other oilseeds harvested. Include crops such as flaxseed, mustard seed, rapeseed, safflower, and sunflower. Include oil and non-oil varieties.

#### **Sugarcane or Sugarbeets**

Record the acreage of sugarcane or sugarbeets harvested in 2008, regardless of the year planted. Exclude acreage harvested for seed.

### **Vegetable Crops**

- (1) **Multiple Cropping**  
Record entire acreage of each vegetable crop planted and harvested.

For example: If 20 acres of radishes were harvested from a field and the field was replanted in radishes and harvested again, record 40 acres harvested.

- (2) **Sales from Home Gardens**  
Record home garden acres harvested only if there were sales from the home garden. DO NOT record vegetables grown only for home use.
- (3) **Two or More Pickings**  
If two or more pickings were made from the same planting, record the acres harvested only once.

### **Vegetables for Processing**

Include all vegetables harvested that were for processing.

### **All Other Vegetables and Melons**

Include all vegetables harvested that were not for processing (i.e. for fresh market) and all melon crops (watermelons, cantaloupes, and other melons).

### **Fruits, Nuts and Berries**

Include all bearing acreage of fruit, nut, and berry crops (including strawberries).

Exclude non-bearing acres and abandoned acres.

### **All Other Crops**

This item is for recording information on all crops not previously recorded in this section (with exception of Nursery and Greenhouse Crops). It is a catch-all item for other crops grown on this operation. Exclude straw and stubble from crops, except for the value of sales which is recorded as in Section D, Item 6.

For each other crop reported, first determine if that crop should have been reported in another item above. If so, record it and all required information in the appropriate item.

**Column 2 – Harvested Acres**

Except for potatoes and tobacco, report harvested acreage to the nearest whole acre. For potatoes and tobacco, record harvested acres to the nearest tenth of an acre.

**INCLUDE:**

- (1) acreage of crops harvested in 2008.
- (2) acreage of crops intended for harvest in 2008 even if harvest was delayed until 2009 due to bad weather, etc.
- (3) acreage for which two uses were made of the same crop. An example is alfalfa acreage harvested for both hay and seed. These acres are recorded twice: as acres of Alfalfa, and as acres of Alfalfa seed harvested (all other crops) to account for the seed.

**EXCLUDE:**

- (1) acreage for second or later harvests (for the same use) of any crop from a single planting, such as second or third pickings of cotton and ratoon crops of rice.
- (2) acres of 2007 crops not harvested until 2008 due to weather conditions, etc. Make sure the respondent is not reporting planted acres by crop when you are asking only for harvested acres.
- (3) acreage of maple trees that are harvested for sap.

**Column 3 – Total Production**

Record the TOTAL PRODUCTION of the harvested commodity. For some respondents, this may require multiplying average yield per acre by the number of acres harvested (col 2).

Production MUST be reported in the unit indicated inside the item code box. If the operator reports production in a different unit than indicated, be sure to record complete information about that unit, including its weight. This allows you, or the State Office, to correctly convert the total production into the required unit.

**Column 4 – Amount of Production Used on This Operation**

Record the amount of the share of production belonging to the operation that has been (or will be) used on the operation for feed, seed, etc.

Exclude:

- (1) any production that was (or will be) used for human consumption (record the market value of this production in Section F, Item 30).
- (2) the landlord's share of production even if it was (or will be) used on this operation.

**EXAMPLE:**

125 acres of oats were harvested for grain with an average yield of 60 bushels per acre. These oats were harvested off share rented acres where the landlord received a 50% share. The operation used all of its share of the oats on the operation in 2008. This information would be recorded as follows:

Column 2 - 125	acres harvested
Column 3 - 7500	total production [125 acres x 60 bu/acre = 7500]
Column 4 - 3750	operation's share used on this operation [7,500 total bushels produced x 50% share x 100% used = 3,750]
Column 5 - 3750	amount of landlord's share of production [7,500 total bushels produced x 50% landlord share = 3,750 bushels]

**Landlord's Share of Production**

It is strongly recommended not to record the percent received by the landlord in the margin so you can come back later and calculate the amount! You will need to know more to calculate landlord(s) share than that. Using only the percent will often result in serious errors!

For example, operations often share rent some (but not all) of the acres used to grow crops. Thus, applying the percent landlord share to their total crop production would overstate the amount the landlord received and understate the amount kept by the operation. See the examples below:

**Example of INCORRECT Calculation of Landlord's Share:**

Valley Farms owned 200 acres on which it grew wheat in 2008. The operation share rented another 400 wheat acres (for a 20% share) and cash rented 100 acres (for \$40 per acre). Their total wheat production was 31,500 bushels. The average yield per harvested acre was 45 bushels. Of the total 31,500 bushels, the share rent landlord received 3,600 bushels, (400 acres x 45 bushels per acre x 20% share) and 27,900 bushels belonged to the operation.

Suppose the enumerator had recorded the 31,500 bushels produced and noted that the landlord received a 20% share. Later, he/she came back and calculated the amount of the landlord's share as  $.20 \times 31,500 = 6,300$ . This would result in the landlord's share being 2,700 bushels more than it should be and the wheat belonging to Valley Farms as 28,200 bushels (2,700 bushels less than it ought to be).

**Example of CORRECT Calculation of Landlord's Share:**

The operator reports that soybeans were grown on 500 acres. The average yield per harvested acre was 30 bushels. Since the operator does not know the total amount of the landlord's share, you have to probe! You ask how many acres were share rented and find out that there were 150 acres of share rented soybean land. You calculate that his production on the 150 share rented acres was 4,500 bushels (30 bushels per acre x 150 acres). You then ask what percent share the landlord received and learn that the landlord received a 33% share. So you calculate:

Landlord's Share (amount) of production

$$4,500 \text{ bushels} \times (1/3) \text{ share} = 1,485 \text{ bushels}$$

When computing the landlord's share, **exclude** any hay that is used on the operation. For this situation, record the hay as used on the operation and NOT in the landlord's share. If the same hay is recorded in the landlord's share and used on the farm, the hay will be counted twice and the expense to the operation (as a rent expense and an opportunity cost to the operation)

**Column 5 – Landlord’s Share of Production (Total Amount)  
V1 Only**

Record the TOTAL AMOUNT (in specified unit) of each commodity given to landlord(s) in return for use of the land. This item is very important because it is used to determine the value of the landlord's share for rent. Exclude the landlord’s share of government payments that will be recorded in Section E, Item 4 of the Version 1 CRR (Item 3 of the other versions).

**Item 2 – Area For Sale of Nursery, Greenhouse, Floriculture, Sod, Mushrooms, Vegetable Seeds, and Propagative Materials**

Report the area for sale of the above crops (including Christmas Trees) as square feet and/or whole and tenth acres. An operation may have crops grown in greenhouses (glass or plastic) and in fields. Report each area only once in Item 2 regardless how many crops were harvested from the same area.

**Item 3 – Market Value of Landlord’s Share  
V1 Only**

For the crops listed in Items 1 with a “\*” placed beside them, the MARKET VALUE of the landlord’s share must be calculated. Report a dollar value only if the land was share rented.

**Item 3 – Market Value of Landlord’s Share  
V2,V3,V4 Only**

For all the crops listed in Item 1, record the estimated VALUE of the landlord’s share. Report a dollar value only if the land was share rented.

**Item 4 & 5 – Genetically Modified or Enhanced Seed Varieties  
V1 Only**

Adoption rates for new technologies vary widely among producers of various commodities, and policy issues related to the adoption of alternative herbicide and insect resistant varieties also differ. To better address technology adoption as it relates to the operation’s other management strategies and financial condition, it is important to know the number of acres reported that were planted to each of the general genetically modified (GM) seed types.

For the listed crops, ask if any of the harvested acres reported earlier were planted with any of the listed seed types. Determine if one of the TYPES of seed listed was used for the 2008 crop. If a non resistant or non quality enhanced seed type was used, leave the column blank. If the operator



used more than one type of the listed seed varieties, record the acres planted for each seed type in the appropriate seed type column.

Genetically modified herbicide resistant only variety: The seed variety was genetically modified to be herbicide resistant. Examples would be Roundup Ready (corn, soybeans, cotton), Liberty-Link (corn, canola) and BXN (cotton).

Non-genetically modified herbicide resistant only variety: The seed variety was developed using conventional breeding techniques to be herbicide resistant. Examples of a non-genetically modified herbicide resistant seed are STS (sulfonylurea tolerant soybeans) and IMI (Imidazolinone) tolerant (corn), and Clearfield (corn).

Genetically modified Bt only variety: “Bt” means *Bacillus thuringiensis*, which is a bacteria that is used to control many larva, caterpillar, or insect pests. The seed variety is resistant to insects. Examples would be YieldGard, Knockout, and NatureGard (all for corn), and BollGard (cotton), New Leaf (potatoes), and Attribute (sweet corn).

Stacked gene variety (both herbicide resistant and Bt): The seed variety is genetically modified to be both herbicide resistant and insect resistant. It contains more than 1 genetically modified traits. Examples include YieldGard + Roundup Ready, YieldGard + LibertyLink, Bt corn + Roundup Ready corn, and BollGard + Roundup Ready (cotton).

**Item 6 – Indication of Biomass Crops Used for Energy**  
**V1 Only**

Biomass crops include all plant matter that is herb or leaf-like, derived from trees or shrubs, food and feed crops, and any agricultural crop wastes (i.e., corn stalks and wheat straw). If any of these crops were used for energy purposes only, record a “1” for Item 6. If not, record a “3”.

**Item 7a – Market Products to an Energy Producer**  
**V1 Only**

Check “YES” if the operation marketed any agricultural products directly to an energy producer in 2008 for the purposes of energy generation.

**Item 7b – Use Ethanol Co-products for Livestock Feed**  
**V1 Only**

Check “YES” if the operation used ethanol co-products (like distillers dried or wet grains) in 2008 for livestock or poultry feed.

## Section C – Livestock

**Item 1 – Number Sold and/or Removed in 2008, Number on Hand on December 31, 2008, and Number Owned by Operation on December 31, 2008.**

It is very important to record these items accurately. Survey weights will be adjusted/calibrated so that expansions of these items match official NASS estimates at regional and national levels. Ending inventory numbers are used by NASS in setting official U.S. farm expenditure estimates.

**Column 2 – Total Number Sold or Removed in 2008**

Record all livestock, poultry, poultry products (eggs), dairy products (milk) and animal specialties that were sold on the open market or removed under contract from the operation from January 1, 2008, through December 31, 2008, regardless of who owned them. Also include any livestock products, livestock, or poultry that belonged to landlords, contractors, or any other person. **Exclude** animal deaths. Deaths do not add a value of production, and they are not counted.

**Column 3 – Total Number On Hand**

Record all livestock, poultry, and animal specialties on the total acres operated on December 31, 2008, regardless of ownership. Record livestock and poultry raised, fed, or pastured under a contract or on a custom basis if they were located on the total acres operated on December 31, 2008.

**Exclude** livestock owned by the operation and grown by others. These are recorded later in this section.

There are certain circumstances under which livestock or poultry should be recorded as inventory on the operation on December 31, 2008, even though they are not on the acres recorded in Section A. Examples include livestock or poultry:

- I. Being moved from one place to another.
- II. On unfenced land.
- III. On a short-term pasture, such as wheat or crop residue.
- IV. Grazing in national forests, grazing districts, open range, or on land under permit.

**Column 4 – Total Number Owned by the Operation**

Record the number of livestock on the operation on December 31, 2008 that are also owned by the operation.

**Item 1a – All Cattle and Calves**

Include all cattle and calves. This should include all breeds, sexes and ages.

**Item 1a(i) – Beef Cows**

Include

- 1. All cows that have had at least one calf, regardless of breed, except those kept primarily to produce milk for human consumption, either for home use or for sale.
- 2. Beef heifers that have calved at least once.

Exclude heifers that have not calved.

**Item 1a(ii) – Milk Cows, dry and in milk**

Include

- 1. All cows that have had at least one calf, regardless of breed, kept primarily to produce milk for human consumption, either for home use or for sale.
- 2. Milk cows, both dry and those being milked.
- 3. Heifers being kept for milk that have calved at least once.

Exclude

- 1. Cows kept primarily to raise or nurse calves, and not to produce milk for human consumption. Record these as beef cows.
- 2. Heifers that have not calved.

**Item 1a(iii) – Milk**

Record the total amount (in hundredweight) of milk sold on the open market or removed under contract from the operation in 2008 regardless of ownership.

**Item 1b – All Hogs and Pigs**

Record the total number of all hogs and pigs sold on the open market or removed under contract in 2008, regardless of ownership. Be sure to include all sows, boars, feeder pigs, market hogs, and cull stock.

**Item 1c– Chicken Eggs**

Record the total number (in dozens) of all chicken eggs (including hatching eggs), sold on the open market or removed under contract in 2008, regardless of ownership.

**Item 1d– Turkeys**

Record the total number of turkeys, of all types, sold on the open market or removed under contract in 2008, regardless of ownership.

**Item 1e– Broilers**

Record the total number of broilers sold on the open market or removed under contract in 2008 regardless of ownership. Report fryers, other meat-type chickens, and layers in Item 1f.

**Item 1f– All other Livestock and Poultry**

Record the total number of head of all livestock, poultry, and/or their products not accounted for in items 1a-e that was sold and/or removed in 2008. Include things such as pleasure horses, ponies, mules, sheep, goats (including goat milk and cheese), bees (record number of hives), rabbits, mink and other fur-bearing animals, commercial aquaculture (if unknown, use the best estimate based on stocking rates), ducks, geese, layer chickens, and any other livestock or poultry not previously reported. Exclude horses that are part of a boarding operation. Be sure to note the type of livestock reported in this item.

### **HORSE BOARDING, TRAINING, RACING OPERATIONS**

With the popularity of the equine industry in many States, you may run into an operation that has both agricultural and equine related businesses. Economic surveys like the ARMS and Census account for agricultural enterprises as defined by the North American Industrial Classification System (NAICS). Commercial equine boarding, training, and racing do not fall into the agricultural category. As a result, income and expense items for these operations shouldn't be recorded if at all possible.

If the operator has a horse boarding, training, or racing operation, determine whether or not the operator keeps income & expenses of the horse operation separate from the agricultural enterprise.

If the financial records are kept separately, do not count the horses associated with the horse operation. Also, do not record any income or expenditures of the horse operations in later sections of the ARMS questionnaire.

If the financial records are kept together, count the horses associated with the horse operation. Also, record any income or expenditures of the horse operations in later sections of the ARMS questionnaire.

#### **Item 2 – Landlord's Share of Livestock Production**

Before asking this item, probe to find out if any of the operation's share-rented acres involved livestock production.

Record the value of the share of livestock production given to landlord(s) in 2008. This value could be zero if no shared livestock were marketed in 2008. In this case, write a note to indicate that zero is valid. If the respondent does not know the value, probe for the best estimate.

**DO NOT** include livestock production not associated with land. Shared livestock production that is not part of a land rental arrangement (such as raising cattle on shares) should be reported in Section D.

#### **Item 3 – Contracts to have Livestock or Poultry Fed or Raised by Another Operation**

If this operation paid another operation a fee for the service of feeding or raising a commodity (owned by the selected operation), then the answer to this question is yes (the operation is acting as contractor). The commodity must remain an asset of the selected operation. It is neither sold to the contractee operation, nor is ownership transferred to that operation.

It is important to keep in mind that any livestock, sales, or expenditure data recorded in this section are not recorded anywhere else on the questionnaire.

**Examples** of these types of contracts include:

- a cow/calf producer who has calves fed out through a feedlot.
- a dairy producer who pays another operation to raise replacement heifers.
- a hog farrowing operation that contracts with another operation to raise feeder pigs up to slaughter weight.

**EXAMPLE:**

**Respondent has Production Contract with a Feedlot and a Marketing contract with Meatpacker**

In this case the respondent is the owner of the cattle, and has a production contract with a feedlot (the respondent is the contractor). This contract should be reported in Section C, Item 3. This includes all expenses paid or reimbursed by the respondent (contractor) to the feedlot. These expenses should **only** be recorded in Section C. They should not be recorded in Section F (Section F is used to record expenses incurred on the respondent's operation).

If the feedlot sells/markets the finished cattle for the respondent (owner) then the gross receipts from the sale of these cattle should be recorded in Section C, Item 3, Column 6. If the respondent (owner) is responsible for marketing the finished cattle and uses a marketing contract, then record the information in Section D, Item 1. If the respondent (owner) is responsible for marketing the finished cattle and sells the cattle on the

open market then record the information in Section D, Item 3.

If the feedlot was also a respondent, the feedlot would report a production contract in Section D and would report the expenses that were paid by the cattle owner (contractor) in Section F, Column 3. Any other expenses associated with the production contract and not paid by the cattle owner (contractor) would be reported in Section F, Column 1.

**Column 1 – Commodity Contracted Out**  
**V1 only**

Record the type of commodity that was placed on another operation to be fed or raised. Include commodities that were placed on contractee operations in 2007, and were still under contract on January 1, 2008.

**Column 2 – Livestock Code**  
**V1 only**

Record the livestock code from the respondent booklet that relates to the commodity identified in Column 1.

**Column 3 – Market Value of Commodities under contract on Jan. 1, 2008**  
**V1 only**

Record the estimated market value of all this operation's commodities from 2007, and previous years that were placed on contractee operations and were still under contract as of January 1, 2008.

DO NOT include this value in Section G, Assets.

**Column 4 – Estimated Market Value of Commodities Placed**  
**V1 only**

Using the market price at the time the commodity was placed, record the estimated value of the contracted commodities this operation placed on contractee operations during 2008. If more than one arrangement existed, or if arrangements existed for more than one commodity, record each one on a separate line.

**Column 5 – Production Expenses and Fees Paid to Contractees**  
**V1 only**

Record the total amount this operation paid to contractees for labor and management fees and reimbursements for expenses.

**DO NOT** record these expenses in Section F (Section F is used to record expenses incurred on the respondent's operation).

**Column 6 – Gross Receipts from Contracts  
V1 only**

Record the gross income to this operation from sales of commodities produced under this contract by other operations (quantity times market price) during 2008. **DO NOT** record these sales anywhere else in Section C or D. This item will be zero for dairy replacement heifers that are removed back to the respondent's (contractor's) operation and not sold.

**Column 7 – Market Value of Items under Contract on December 31, 2008  
V1 only**

Record the estimated market value of commodities still under contract as of December 31, 2008.

**DO NOT** include this value in Section G, Assets.

**Item 3a – Gross Receipts from Contracts  
V2-V5**

Record the gross income to this operation from sales of commodities produced under contract by other operations (quantity times market price) during 2008. **DO NOT** record these sales anywhere else in Section C or D. This item will be zero for dairy replacement heifers that are removed back to the respondent's (contractor's) operation and not sold.

**Item 3b – Market Value of Unsold Livestock  
V2-V5**

Record the estimated market value of commodities still under contract as of December 31, 2008.

**DO NOT** include this value in Section G, Assets.

**Item 3c – Production Expenses and Fees Paid to Contractees  
V2-V5**

Record the total amount this operation paid to contractees for labor and management fees and reimbursements for expenses.



**DO NOT** record these expenses in Section F (Section F is used to record expenses incurred on the respondents operation).

## Section D – Commodity Marketing and Income

### Overview of Items 1 and 3 - Production & Marketing Contracts

#### **Importance of Obtaining Information on Marketing and Production Contracts:**

To show an accurate picture of both the value of the farm sector's output and the financial condition of farming operations, we must fully account for persons or other businesses who provide inputs used on the farm to produce agricultural commodities and receive income from the sales of these products.

The contracting information collected on this survey is USDA's only source of data to separate production, income, and expenses among farmers, contractors, landlords and others. For these reasons, collecting complete and accurate information on contracting is critical.

Prior surveys show widespread and growing use of production and marketing contracts. Producers sometimes use contracts because they can be designed to reduce price risks, and they sometimes use them to reduce input financing requirements. Processor-buyers often use contracts to obtain consistent supplies of commodities at specific desired qualities.

If the operator has multiple operations, only account for the income that belongs to the operation identified on the label. For operators with multiple operations, keep in mind the acres and livestock reported in the previous sections for the selected operation. Income from the other operations is accounted for in Section J.

#### **Collecting Data on Contracts:**

Contracts are formal agreements (written and non-written) that are reached prior to the harvest of a crop, or prior to the completion of a normal production cycle for livestock or poultry. Marketing contracts identify an outlet for a commodity, and set pricing and delivery specifications. Production contracts cover an entire production cycle for a

commodity; they specify responsibilities for the provision of inputs and the payment of expenses by different parties to the contract, and they also specify rules for compensation, production practices, and commodity removal from the operation.

An operation may act as the CONTRACTEE or CONTRACTOR for a specific commodity. The respondent's operation is the CONTRACTEE when it produces and/or markets the commodity under a contractual agreement with another farm operation or entity such as a packer or processor. The respondent is a CONTRACTOR when he or she contracts with another operation to produce crops, livestock, or poultry for the respondent. If the respondent is a **contractor** you should record that information in Section C, Item 3. If the respondent is a **contractee**, you must record information for marketing contracts in Items 1 and 2 and production contracts in Items 3 and 4.

Contracts can take on many different forms. The accompanying table provides an overview of contract features, and delineates how, for purposes of this survey, we want to distinguish between marketing contracts and production contracts.

### Overview of Marketing and Production Contracts:

#### **MARKETING CONTRACT**

##### **Contractor:**

Arranges, prior to completion of a production cycle, to acquire a specified commodity at the end of the cycle.

Commits to a price, a pricing arrangement, or an agreement to sell on the contractee's behalf.

Does not take ownership of the commodity until it is delivered.

Makes few or no production decisions but

#### **PRODUCTION CONTRACT**

##### **Contractor (Integrator):**

Arranges, prior to beginning a production cycle, to have a specified commodity produced.

Commits to a fee or fee arrangement to be paid to the contractee.

Usually owns the commodity during production.

Makes many production decisions

may require specific inputs (variety of seed, etc.) to be used.

**Contractee (operator):**

Obtains a buyer and a marketing arrangement for commodities before completion of a production cycle.

Supplies and finances all or most of the inputs used in production.

Owns the commodity while it is being produced.

Makes all or most production decisions.

Often bears all production risks, and contract frequently limits some price risks.

Receives the major share of the value of production

**Contractee (operator):**

Provides labor and some management services used in production, as well as fixed inputs (land, buildings, etc), for a fee.

Supplies only some inputs used in production.

Usually does not own the commodity.

Makes only a few production decisions.

Often bears no price risks, and contract may limit production risks.

Receives a fee that is usually only a small share of value of production.

**Marketing Contracts:**

For purposes of this survey, a marketing contract for a commodity exists when the following two events occur:

- A verbal or written agreement to market the commodity is reached before completion of a normal production cycle (prior to harvest for crops, prior to removal from the operation for livestock). The agreement will include a price, an arrangement for determining price, or (in the case of marketing pools or some operating cooperatives) a commitment by the contractor to negotiate for a price on the contractee's behalf.

- Delivery of the commodity has taken place so that the operator does not have control of the commodity.

An agreement reached before the completion of a normal production cycle that has not been delivered should not be recorded as a marketing contract since technically, the operator still has control of the commodity. For this situation, the commodity is an asset to the farm and should be recorded in Section G, Item 5a.

Although marketing contracts are more common for crops, marketing contracts are used to market livestock and/or livestock products. Livestock producers use contracts to provide for future delivery of a certain number and/or quality of animals or products.

Marketing contracts may include:

- forward sales of livestock or a growing crop (or a crop to be grown). The contract identifies a window, or a specific date, for delivery, and it will set a price or specify how price will be determined. Agreements made with processors to deliver crops with certain measurable qualities, with agreements to set prices according to realization of the qualities. Examples include high oil corn, low linoleic soybeans, or organic apples
- a dairy producer who contracts to market milk for the coming year through a co-op, with prices determined later through some process such as co-op bargaining.
- crop pooling. Farmers may agree to pool their crop and sell along with other producers through a cooperative or other pooling firm. Most agreements to pool are made pre-harvest. The final price received is determined by the net pool receipts for the quantity sold (by selling a larger amount the pool may get a better price). Farmers may have to wait a year or more to receive final payment, and decisions related to selling are made by the pool manager. Pooling is common in rice and cotton marketing.

While marketing contracts can be used to sell harvested commodities held in inventory, for the purposes of this survey we only want to count contracts made before crop harvest or before completion of a livestock

production cycle. Sales made from inventory should be considered cash sales and reported in Item 5.

Marketing pools occurs in some States where a group of producers will combine or “pool” their crop or livestock commodities for sale and delivery to a buyer to save on hauling expenses and/or marketing charges.

Unless the agreement to pool occurs prior to harvest or completion of the livestock production, this should be considered cash sales and reported in Item 5.

**Characteristics of Marketing Contracts:**

Marketing contracts may be agreed to before a production cycle begins or during the cycle, but for purposes of this survey, they must be agreed to before the cycle is completed (prior to harvest for crops, prior to removal from the operation for livestock). Prices may often vary with the attributes of the commodity produced, as in grade and yield contracts for cattle or high-oil corn contracts that provide higher prices for higher oil content.

Attribute-related price terms are often expressed as deviations from a base price tied to overall market conditions.

Look for marketing contracts on farms that:

- grow citrus fruits, other fruits, or nuts
- produce fresh vegetables
- grow sugar beets, sugarcane, peanuts, dry peas or dry beans
- produce fluid milk.
- sell fed cattle to meatpackers. Marketing contracts account for a growing share of fed cattle shipments from feedlots to meatpackers. Record custom-fed cattle, owned by someone other than the respondent, under production contracts
- grow potatoes
- produce eggs

- grow ornamentals or horticultural crops

**Production Contracts:**

Production contracts are used for livestock, poultry and crop production. Under poultry or livestock production contracts, the farm/ranch operator (for example, a feedlot or broiler grower) usually houses and feeds the poultry or livestock until they reach a specified age or weight. The contractor usually provides many production inputs and reimburses the contractee for the expenses while the commodity is on the contractee's operation. For example, in broiler contracts, the contractor normally provides chicks, feed, chemicals, transportation, and technical assistance.

Under crop production contracts the contractor often supplies inputs such as seeds or plants, fertilizer, chemicals, transportation and technical assistance. Examples include vegetables for processing and corn for seed.

**Characteristics of Production Contracts:**

The contractee and contractor reach agreement before production begins, and the contract provides considerable detail on specifics such as fees, responsibility for input provision, and product ownership. Contractees usually provide labor, farm management services, utilities, housing, and equipment. Contractees usually receive fees for their services that are considerably less than the full market value of the commodity. One clue to the presence of a production contract is if the operator reported livestock or poultry facilities or production expenses, but few or no head of owned livestock on hand or sold by the operation. These livestock or poultry are almost certainly being produced under contract.

Look for production contracts on farms that:

- have broiler houses or other poultry and/or egg producing facilities.

- have hog nursery or confinement feed arrangements. Pay close attention to pricing terms and hog ownership under contracts, because production contracts and marketing contracts are each used. The contractor owns the hogs under production contracts, and the contractee is paid a fee that is not closely linked to market values.
- provide custom-feeding services for cattle, where the cattle are owned by another individual, farm, or firm.
- produce vegetables for processing.
- produce seed crops.

**Special Topic – Feedlot Operations:**

Cattle in feedlots may be owned by the feedlot operator, or they may be custom-fed by the feedlot for an owner, under a production contract between the feedlot (the contractee) and the owner (the contractor). Feedlot respondents should record production contracts in Items 3 and 4 for the “custom fed” cattle that they feed under production contracts. Expenses paid or reimbursed by the owner (contractor) to the feedlot should be reported in Section F in the “contractor” column. Fed cattle are also often sold to meatpackers under marketing contracts. Respondents who own cattle that are custom fed at a feedlot and sold to a packer through a marketing contract should record the marketing contract in Items 1 and 2, and should record the production contract with a feedlot in Section C, Item 3 (in their capacity as a contractor). Feedlot respondents should only record marketing contract sales in Items 1 and 2 for those cattle that the feedlot owns, not for custom fed cattle owned by another entity.

One should be skeptical of a respondent that has non-owned cattle on the operation and wants to records a large value for custom work performed. This usually indicates that a production contract should be completed. Do not confront the operator but try to collect the feedlot worksheet so expenses can be correctly estimated later during editing. The Cattle on Feed worksheet (following pages) is a useful tool to help determine which sections are to be completed for the specific feedlot being interviewed.

**Special Topic – Livestock on Shares:**



The production of livestock, primarily cattle, “on shares” is common in Montana, North and South Dakota, Nebraska, and other states. For example, individuals who own cows place them on someone else’s land. The land operator cares for the cows and calf crop. The cattle owner and land operator share the calf crop in a 50-50, 60-40, 70-30, or other agreed to arrangement. Instructions and a detailed example will be provided at the end of this section.

**Special Topic – Contractee is part of another business:**

An operation such as an egg hatchery may be owned by the business it contracts with. In this case unit fees/prices and total receipts will not be available since no market transaction takes place. In most cases the operation will have recorded a "book value" for the commodity it produced. Use the book value if available, to record unit price/fee and total receipts for Items 1-4,

## ARMS phase III 2008 -- Cattle on Feed Worksheet

### Ownership of cattle on operation:

Screening	Yes/No	
100% of cattle are owned by the operation (retained ownership):	<input type="text"/>	If Yes, Go to Section 1
100% of cattle on hand are owned by an outside operation (custom fed):	<input type="text"/>	If Yes, Go to Section 2
Ownership of cattle is divided between operation and outside operations (divided interest):	<input type="text"/>	If Yes, Go to Section 3
<b>Sec 1: 100% "Retained ownership"</b>		
No production contract is recorded in Section D, all expenses related to feeder cattle are to be recorded in Section F under operator & partners for livestock purchases, feed purchases, medical supplies, hauling, bedding & litter, etc. The estimated market value needs to be recorded an asset for feeder cattle in Section G, item 5c. <b>(Form Complete)</b>		
<b>Sec 2: 100% "Custom fed"</b>		
Record a production contract completed in Section D, Item 4 for each instance of cattle fed, or just one contract for the entire year's worth of cattle fed. Expenses for cattle on feed need to be recorded in Section F under "Contractor" for livestock purchases, feed purchases, medical supplies, hauling, bedding & litter, etc. all related to the cattle fed on the operation for others. No assets should to be recorded in Section G, item 5c for the cattle on feed, since they are not owned by the operator.		
What was the value of weight gain on the animals in the feedlot?	<input type="text"/>	
This is a sunk cost (asset) that should be recorded. (Go to Sec 3)		
<b>Sec 3: "Divided interest"</b>		
	Percent	
What percentage does the operator own? +	<input type="text"/>	
What percentage do outside operators own? +	<input type="text"/>	
	= 100%	
Record a production contract completed in Section D, Item 4 for the outside owner's (contractor's) percentage of the cattle, each instance of cattle fed, or just one contract for the entire year's worth of cattle fed. Expenses for cattle on feed need to be recorded in Section F in both "Operator & Partners" and "Contractor" columns, record the appropriate <i>percentage</i> for each lineitem related to the cattle fed on the operation for others (livestock purchases, feed purchases, medical supplies, hauling, bedding & litter, etc.). [For example, if the operator owns 20% of the cattle, and the other 80% are owned by an outside operation, and the total feed purchased was \$50,000, then the operation's feed expense would be \$10,000, whereas the expense for the "Contractor" would be \$40,000.] <b>Assets need to be recorded</b> in Section G, item 5c for the operation's percentage share of the cattle on feed. Do not forget to ask and record for an estimate of the value of weight gain on the animals in the feedlot. That is a sunk cost (asset) that should be recorded.		
What was the value of weight gain on the animals in the feedlot?	<input type="text"/>	
This is a sunk cost (asset) that should be recorded. (Go to Back)		

--over

## 2008 Agricultural Resource Management Survey Phase III - Interviewer's Manual

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### Computation Final Fee Received

Operators may report several expenses hidden in the fee for production contracts. Use the table below to record the various parts of the fee as reported. The intent is to avoid upsetting the respondent. This chart allows you to accurately collect the hidden expenses that can be distributed after the interview.

**Of the final fee received per animal (record in Sec D, Item 4, COL 5), how much was for the following:**  
(Alternative: Can you tell me what makes up the fee you charge contractors?)

	Dollars	Percent	
Total		100%	
Yardage/Labor			record in COL 5
Feed			record in ic636
Hauling			record in ic788
Vet/Meds			record in ic642
Bedding & litter			record in ic639
Other _____			
Other _____			
Other _____			

Feed, hauling etc. are reimbursable items and should not be included in the total fee for COL 5. Production fees are expected to be between \$35-\$200.

### Contract Loss - Capture expenses that can't be passed to Contractor.

**Because of weather related delays, etc., what are the expenses that were absorbed by the operator because they could not be passed to the contractor because of a fixed contract fee.** In turn, you should leave record these expenses in the operator column. These should be in addition to any fees recorded above.

	Dollars	Percent	
Total		100%	
Feed			record in ic636
Vet/Meds			record in ic642
Bedding & litter			record in ic639
Hauling			record in ic788
Other _____			
Other _____			
Other _____			

### Hauling Comments - What should be recorded?

We want to distinguish the farm sector from the manufacturing sector, and record in ARMS III only those expenses incurred in the farm sector. The principle for distinguishing the two is ownership. For cattle sold on a liveweight basis at the feedlot, that principle says that the transportation expense falls in the manufacturing sector, because the packer takes possession at the feedlot.

**LIVE WEIGHT** - For cattle sold on a liveweight basis (60-70% of feedlot cattle), the price is usually set f.o.b. feedlot. The packer arranges and pays for transportation, and the packer takes possession at the feedlot. **HAULING SHOULD NOT BE RECORDED.**  
\*\*\*\*\*

What do we do about cattle priced on a dressed weight basis? We want the feedlot to report the transportation expense on the ARMS III. Often it is a deduction from the gross payment.

**DRESSED WEIGHT** - For cattle sold on a carcass weight basis, the cattle are priced at the packing plant. Usually, the packer arranges and pays for transportation, and deducts the hauling expense from the payment made to the feedlot. H

**Topic – Reimbursement for Expenses in Production Contracts:**

Contractees in production contracts sometimes purchase some variable inputs, and reimbursement for their expenses is added to the amount paid for contractee services. Settlement sheets or other contract documents usually break out reimbursed expenses. Since we want to collect data on reimbursed expenses separately, they should be included in Section F, Column 3 under the appropriate item.

**Topic – Futures Contracts Obtained for the Purpose of Hedging:**

Such contracts should not be reported as marketing contracts. Hedging occurs when the farmer takes opposite positions in the futures and cash markets. It allows farm operators to fix now the price of products they intend to sell later. For example, farmers who are growing a commodity for sale are said to be "long" in the cash market. The appropriate hedge is to sell futures. Then, when the farmer sells his cash commodity, he buys back his futures contract, preserving a price. This type of transaction should be recorded in two places. The actual cash sale of the commodity should be recorded in Section D, Item 5, under the appropriate commodity. The net profit or loss from hedging should be recorded in Section E, "other sources of income closely related to the agricultural operation".

**Topic – Dairy Futures Contracts:**

It is easy to confuse milk marketing contracts with futures contract as described above. An indication of futures hedges is when more than 2 marketing contracts exist for milk production. Futures contracts are NOT marketing contracts. They should be recorded like the crop hedges mentioned above. The cash sale should be recorded in Section D, Item 5 with any profit or loss from these futures recorded in Section E, "other sources of income closely related to the agricultural operation".

## **Items 1&2 – Marketing Contracts**

### **Item 1 – Presence of Marketing Contracts**

If the operator had any marketing contracts (as defined earlier in this section), record a "1" in Item 1. Otherwise, record a "3" in Item 1.

**Item 2 –       MARKETING Contracts**

**Exclude** arrangements where a price formula or price was set prior to the completion of a normal production cycle but delivery has NOT occurred.

**Column 1 –   Commodity**

Show the respondent the list of Crop and/or Livestock Codes in the Respondent Booklet.

Record each commodity for which the operation had a marketing contract in 2008.

**Column 2 –   Commodity Code**

Record the commodity code that relates to the commodity identified in Column 1, if required.

**Column 3 –   Quantity Marketed**

Record the total amount of the commodity marketed under the contract. Do not include the landlord's share of production even if it was marketed along with the operation's share. Record the landlord's share in the appropriate crop or livestock section.

**Column 4 –   Unit Code**

Record the code that represents the commodity unit (specified in the contract), such as pounds, tons, bushels, head, etc. If a unit other than those indicated on the questionnaire is reported, make good notes.

**Column 5 –   Price Per Unit**

Record the final price (net of marketing charges), in dollars and cents per unit, that the operation will receive for all of the production marketed under the contract. Final price is not the last months' price received for the year (e.g. December). For commodities that receive payments monthly such as dairies, the final price will be an average price calculated from the

quantity and price received for each month covered by the contract. The respondent may have to estimate this price.

Column 6 divided by Column 3 will equal Column 5 ONLY when the operation was paid in full during calendar year 2008 for the commodity marketed under the contract. Use caution if you calculate final price by dividing Columns 6 by 3. Make sure the operation received full payment during the calendar year for the contact.

Be sure the unit for the price reported agrees with the unit for the quantity reported. Cotton is an example where price and unit often do not agree. A common mistake is to record cotton sales in bales, but price as a price per pound.

Consider an example where a single bale was contracted at 65 cents per pound. If you recorded "1" in Column 3, Code 7 (for bales) in Column 4 and .65 in Column 5, the gross income to the operation would show up as 65 cents. Assuming a standard bale weight of 480 pounds, you came up short by \$311.35 (the price per BALE is  $480 \times .65 = \$312$ )!

#### **Column 6 – Total Amount Received**

Since total payments are not always received in the calendar year of production, you always have to ask this question in order to complete this Column correctly. Be sure any marketing charges related to sales under the contract are subtracted out and recorded in Item 7. Record the total amount the operation received during the calendar year for sales under the marketing contract. This is often less than the quantity marketed under contract times the per unit price. Sometimes the producer is not paid at all until after the first of the next year. If the operation did not receive any payment under the contract in 2008, enter a dash and make a note.

If the operation did not receive all of the payments owed to them under the contract in 2008 (Column 6 is less than Column 3 times Column 5), the remaining amount owed must be accounted for as an asset in Item 8b (accounts receivable).

## **Items 3&4 – Production Contracts**

### **Item 3 – Presence of Production Contracts**

If the operator had any production contracts (as defined earlier in this section), record a “1” in Item 1. Otherwise, record a “3” in Item 1.

### **Item 4 – Production Contracts**

#### **Column 1 – Commodity**

Show the respondent the list of commodity codes in the Respondent Booklet.

Record each commodity the operation produced under a production contract in 2008.

#### **Column 2 – Commodity Code**

Record the commodity code that relates to the commodity identified in Column 1.

#### **Column 3 – Quantity Removed**

Record the total amount of the commodity removed from the operation under the contract. Do not include the landlord's share of production even if it was removed along with the operation's share. The landlord's share should be recorded in the previous crop and livestock sections.

#### **Column 4 – Unit Code**

Record the code that represents the commodity unit (specified in the contract), such as pounds, tons, bushels, head, etc. If a unit other than those indicated on the questionnaire is reported, make good notes.

#### **Column 5 – Fee Per Unit**

Record the final fee, in dollars and cents per unit (to the nearest tenth of a cent), that the operation will receive for all of the production removed under the contract. Exclude marketing charges. The respondent may have

to estimate this fee. DO NOT use Columns 6 and 3 to estimate a final fee. Column 6 divided by Column 3 will equal Column 5 ONLY when the operation was paid in full during calendar year 2008 for the commodity removed under the contract. The fee should not include reimbursed expenses like utilities, feed, etc. These reimbursed expenses should be recorded as contractor expenses in Section F.

Be sure the unit for the fee reported agrees with the unit for the quantity reported. Broilers are an example where the units for fees and quantities often do not agree. A common mistake is to record broiler removals in number of head, but fees on a per-pound basis.

Consider an example where one broiler was contracted at a fee of 4.6 cents per pound. If you recorded "1" in Column 3, Code 11 (for head) in Column 4 and 4.6 in Column 5, the gross income to the operation would show up as 4.6 cents. Assuming a standard broiler weight of 5 pounds, you came up short by 18.4 cents (the fee per head is  $5 \times .046 = \$0.23$ )!

Any bonus received should be included in the Total Fee received column. The bonus should then be divided out per unit and included in the price per unit. For example, if a \$1,000 bonus was paid to the operator and 100,000 hogs were removed, then an extra \$1,000 should be included in the total fee received and an additional \$0.01 per unit should be added to the final fee received per unit.

### **Column 6 – Total Fees Received**

Since total payments are not always received in the calendar year of production, you always have to ask this question in order to complete this column correctly. Record the total amount the operation received during the calendar year for removals under the production contract excluding marketing charges. This is often less than the quantity removed under contract times the per unit fee. Sometimes the producer is not paid at all until after the first of the next year. If the operation did not receive any payment under the contract in 2008, enter a dash and make a note. If the operation did not receive all of the payments owed to them under the contract in 2008 (Column 6 is less than Column 3 times Column 5), the remaining amount owed must be accounted for as an asset in Item 8b (accounts receivable).



## **Item 5 – Value of Cash or Open Market Sales**

### **Item 5 – Payment for Cash or Open Market Sales less Marketing Expenses**

For Item 5, ask for those that apply to the respondent doing the interview. Record the amount received in 2008 from cash sales in the first column without marketing charges. In the second column, record the marketing charges the operation had to pay for the commodity's sale. Marketing expenses include transportation, storage, feed, sales commissions, inspections, etc.

#### **EXCLUDE:**

- Marketing Contract sales reported in Item 2
- Production Contract movements reported in Item 4
- Landlord share of production reported in the crop and livestock sections.
- Sales from non-farm related activities, such as trading and speculation or livestock dealer activities.
- Value of sales from land rented to others or worked on shares by others.
- Straw and crop residue sales (except hay). These are recorded in Item 6.

For a full explanation of Marketing Expenses, see the information in Item 7 entitled, "Marketing Expenses."

### **Item 5a – Corn, Rice, Sorghum, Soybeans, Barley, Oats, Wheat**

Report total value of sales received in 2008 of the above crops sold from this operation during 2008.

**Include** sales of silage from the above crops. **Exclude** sweet corn sales (recorded in Item d).

**Item 5b – Other Grains and Oilseeds, Dry Beans, and Dry Peas**

Report total value of sales received in 2008 of the above crops sold from this operation during 2008.

**Include** sales of silage from the above crops.

**Item 5c – Tobacco, Cotton, and Cottonseed**

Report the total value of sales received in 2008 of tobacco sold or moved from this operation during 2008 regardless of the year the tobacco was grown.

Report the sales of tobacco transplants in Item 5f, “Nursery, greenhouse, Christmas Trees, Floriculture, and Sod.”

Report total value of sales received in 2008 of cotton and cottonseed sold or moved from this operation during 2008. Include the value of any cotton or cottonseed given to landlord(s) as rent.

**Item 5d – Vegetables, Melons, Potatoes, and Sweet Potatoes**

Report total value of sales received in 2008 of vegetables, potatoes, and melons sold or moved from this operation during 2008. Include the value of sales for fresh market or processing and sales to consumers, wholesalers, canners, freezers, dehydrators or other processors or buyers. Operations that process vegetables for sale should report only the “farm” value of the product sold. Report total value of sales of vegetables grown under glass or other protection in Item 5f.

**Item 5e – Fruit, Tree Nuts, and Berries**

Report total value of sales received in 2008 of fruit, tree nuts, and berries raised and sold from this operation during 2008. Include all the tame berry crops, wild blueberries, grapes, tree nuts, citrus fruits, and noncitrus fruits.

Wild blueberries are the only “wild” berry sales reported and native pecan trees are the only native or “wild” tree nuts sales reported

Operations that process fruit for sale should report only the “farm” value of the product sold.

Example: A vineyard that also has sales from its own winery would report only the value of the grapes that were used to produce the wine that was sold, not the value of the wine. The same would be true for fruits or berries that were processed into cider, jams, jellies, or wine.

**Item 5f – Nursery, Greenhouse, Floriculture, and Sod**

Report total value of sales received in 2008 of the crops reported in Section B, Item 2 and sold from this operation during 2008. Include sales of all bedding plants, potted plants, bulbs, cut flowers, flower seeds, foliage plants, mushrooms, nursery stock, live Christmas trees (balled and burlap), shrubbery, tobacco transplants, sod, etc.

Exclude crops bought for resale without additional growing, such as plugs and started plants or garden center items, such as pot liners, chemicals, and fertilizers.

Report the total value of sales (at point of first sale, wholesale/retail value) for those crops grown on and sold directly from this operation. Report only the wholesale value of crops grown on this operation and sold through a retail outlet which is not part of this operation or if the retail outlet is considered a separate business establishment.

**Item 5g – Other Crops, Hay, and Short Rotation Woody Crops**

Report total value of sales received in 2008 of other crops, hay, and short rotation woody crops reported in Section 5 and sold from this operation during 2008. A short rotation woody crop is a tree with a planned growth cycle of “about 10 years or less” from planting to harvest. These are trees for use by the paper or pulp industry, or as engineered wood. **Exclude** nursery stock or trees that will be harvested for lumber, fence posts, telephone poles, etc. Live Christmas trees and nursery shrubs are reported in Item 5f, above. Report timber and pulp wood sales in Section E.

**Item 5h – Hog and pigs**

Report the total sales received in 2008 of swine sold from this operation in 2008.

**Exclude** cash sales of breeding hogs. Breeding hog sales are reported in Item 5i. **Exclude** hogs grown under production contract for this operation or on this operation.

**Item 5i – Hog Breeding Stock**

Report the total sales received in 2008 of breeding hogs sold or moved from this operation in 2008.

**Exclude** hogs grown under production contract on this operation.

**Item 5i(i) – Recognized Gain or Loss on Sales of Breeding Hogs**

Record the recognized gain or loss on breeding hog sales in Item 5i above. This should be the difference in price only and not the profit or loss that includes expenses.

**Item 5j – Milk and other dairy products from cows**

Report the total value of sales received in 2008 from milk, cheese, or any other dairy product produced and sold from this operation in 2008. Record the value of sales before any deduction of hauling fees. Goat products are recorded under other livestock products Item 5q.

**Item 5k – Cattle and calves**

Report the total sales received in 2008 of cattle (fed cattle, beef and dairy cull animals, stockers and feeders, beefalo, veal calves, etc.) sold from this operation in 2008.

**Exclude** cattle breeding stock. Cattle breeding stock will be reported in Item 5l.

**Item 5l – Cattle Breeding Stock**

Report the total sales received in 2008 of breeding cattle sold from this operation in 2008.

**Exclude** cattle grown under production contract on this operation.

**Item 5l(i) – Recognized Gain or Loss on Sales of Breeding Cattle**

Record the recognized gain or loss on breeding cattle sales in Item 5l above. This should be the difference in price only and not the profit or loss that includes expenses.

**Item 5m – Broilers  
V1 Only**

Report the total sales received in 2008 of broilers sold from this operation in 2008. Do not report the value of broilers produced under production contracts and reported in Item 4.

**Item 5n – Eggs  
V1 Only**

Report the total sales received in 2008 of eggs sold from this operation in 2008. Do not report the value of eggs produced under production contracts and reported in Item 4.

**Item 5o – Turkeys  
V1 Only**

Report the total sales received in 2008 of turkeys sold from this operation in 2008. Do not report the value of turkeys produced under production contracts and reported in Item 4.

**Item 5p – Other Poultry  
V1 Only**

Report the total sales received in 2008 of other poultry sold from this operation in 2008. Do not report the value of other poultry produced under production contracts and reported in Item 4.

**Item 5q – Other animals and Other Animal Products**

Report the total sales received in 2008 of all other animal and animal products such as sheep, goats and their products; horses, horse stud fees, ponies, mules, burros, and donkeys; aquaculture; bees and honey (including packaged bees sold), rabbits, fur bearing animals, semen, manure, lab animals, other animal specialities, etc. from this operation in 2008.

**Item 6 – Straw and Crop Residue Sales**

Record the sales of straw and other crop residues (except hay) in this Item. Hay sales are recorded in Item 5g.

**SPECIALTY OPERATION: LIVESTOCK ON SHARES INSTRUCTION AND EXAMPLE**

The parties involved with livestock on shares usually do not consider these arrangements to be contracts. However, for the past few years, these situations have been coded as production contracts (for the land owner) along with additional coding specific to these type of arrangements. This coding scheme has caused a great deal of confusion for enumerators, State Survey statisticians, Headquarters statisticians, and analysts. It has also been very difficult to create edit logic to verify the coding is correct. For these reasons, procedures for recording and coding livestock on shares has been changed as indicated below. The following approach simplifies collecting, editing, coding, and validating livestock on share arrangements, while maintaining the integrity of the cost and returns data.

The following is an example of a ‘common’ livestock on shares arrangement. After the scenario are examples of how the data should be coded, from both the cattle owner and the land operator perspective.

**LIVESTOCK ON SHARES EXAMPLE**

A cattle owner has a deal with a land operator to raise calves on shares. The cattle owner supplies 100 head of cows. The land operator takes care of the cows and provides all necessary inputs. They agree the land operator will receive 70% of the calf crop and the owner of the cattle will receive 30%. For purposes of this example, there are 100 calves

produced, therefore, the land owner's share is 70 calves and the cattle owner's share is 30 calves. The land operator decides to keep 5 of his calves and sells the rest for \$500 each. The cattle owner sells all of his calves and averages \$500 / head.

#### **Coding For The Land Operator**

If the land operator was sampled (the most common situation), the information would be recorded as follows:

#### **Section C – Livestock**

Record the 5 head of calves he kept in Item 1a, column 3 as well as column 4 (since they are owned by the operation). Record the 65 calves were sold in column 2. If the original cows were still on his place at the end of the year, record 100 head in item 1a, column 3 but not column 4.

#### **Section D – Commodity Marketing and Income**

Account for the cash sale of the calves in item 13 as 32500 (65 head \* \$500 / head).

#### **Section F – Operating and Capital Expenditures**

Account for the expenses paid by the land operator for caring for all the cows and raising all the calves.

#### **Section G – Assets**

Account for the value of the 5 calves the land operator kept in item 5b or 5c. Do not account for the value of the cows because he does not own them.

#### **Coding For The Cattle Owner**

If the cattle owner was sampled the information would be recorded as follows:

#### **Section C – Livestock**

None of the 'livestock on shares' should be included in this section because the cows are not on this operation. The cows will be accounted for on the land operators' questionnaire.

**Section D – Commodity Marketing and Income**

Account for the cash sale of the calves in item 5k as 15000 (30 head \* \$500 / head).

**Section F – Operating and Capital Expenditures**

The cattle owner did not have any expenses for the cattle on shares in this example. Any expenses the operator had would be recorded if they occurred. For example, if special bulls were used for breeding, any breeding or semen expenses would be recorded.

**Section G – Assets**

Account for the asset value of the original 100 cows in item 5b.

**Items 7&8 – Marketing Charges and Accounts  
Receivable/Deferred Payments**

**Introduction to Marketing Expenses**

The following instructions should be used when completing information on marketing charges for the sales of Crops and for Livestock (Item 7).

Almost all operations that sell commodities have some marketing charges. These are usually deducted from the gross payment, so the check the farmer receives already has these charges subtracted. Farmers do not generally keep very good records of charges that were already deducted before they received their payment checks. Commission fees, yardage fees, storage fees, inspection fees and check-off fees, etc. are identified on payment vouchers, along with the gross and net receipts. **PROBE TO BE SURE THAT THESE "HIDDEN COSTS" ARE ACCURATELY REPORTED.**

If the respondent reports that no marketing charges were paid, probe by asking if anything was subtracted out of the total price before the buyer wrote the check. If the answer is yes, this usually means marketing charges were paid. Be careful not to include expenses for production inputs or loan re-payments that were netted out of the farmer's check -- these are not marketing charges. If an operation sold commodities but truly did not have any marketing charges, make a note of this, or the State Survey Statistician may want to call you or your supervisor back to verify



the information.

If you absolutely cannot get per commodity charges, record the total quantity (and unit) sold so the Survey Statistician has something to use for calculating these charges.

If you have to use a handout sheet of marketing charge rates (provided by some State Offices), make a note in the margin so the survey statistician knows the farmer could not supply this information. **DO NOT** use these sheets unless the farmer cannot supply the information.

All marketing expenses paid by the operation, landlord(s) and contractor(s) must be included. All commercial crop drying, ginning and storage expenses should be included even if the crop is not yet sold. (However, storage-related expenses such as those for LP gas to run on-farm dryers should be excluded.) If a commodity was not sold from storage, but was returned to the operation, out-of-pocket expenses for storage should be included as a marketing expense.

In field crops such as sugarbeets, co-op shares are often rented or leased from operators who do not use their share. Share rentals should be considered a payment for the privilege of marketing the crop and should be recorded as a marketing expense. It is not necessary to rent land in order to rent a co-op share. If only land is rented, it should be recorded in Section A. But, if co-op share rents are reported, be sure the rent payment reported in Section A is only for land and not for the land and share rental combined.

Perishable products such as fruits, vegetables and fish often have to be refrigerated or iced during storage or transportation. These expenses should be considered marketing expenses.

When promotion or check-off fees are automatically deducted from gross sales of commodities such as soybeans, cotton, beef, hogs, or milk, the fee is INVOLUNTARILY charged and should be considered a marketing expense. Operations also make voluntary payments for marketing and production programs. VOLUNTARY payments should be recorded under general farm business expenses (Section F).

Include fees which are deducted from payment even if the producer has

the option of applying for a refund (such as a refund from Cotton Incorporated). Refunds of marketing expenses should be included as other farm related income in Section E.

Include unit retains for sugarbeets which are deducted by the coop or processor from payment even though the producer receives payment from them in future years. Refunds of marketing expenses should be included as Cooperative Patronage Dividends and Refunds in Section E.

Include marketing charges paid for cash and/or contract sales.

### **Milk and Dairy Products:**

Include as a marketing charge the withholding or reduction in price for the Dairy Refund Payment Program. Capital Retains should also be included since they are cooperative profits withheld and refunded in later years. Refunds of these charges should go in Section E.

Do not include hauling as a marketing charge. If the hauling charge is netted out in the operator's books, add it back to the total sales value for milk and other dairy products. Be sure these hauling charges were included in custom hauling (Section F). If they were not, go back and add them in. Exclude Cooperatives Working Together (CWT) payments. This is a voluntary program and not a marketing expense.

### **Cotton:**

The cost of ginning is usually paid by surrendering the cottonseed to the gin. Often neither the ginning expense nor the cottonseed income appear on the farmer's books; however, the value of the cottonseed traded to the gin is technically an income item, and the cost of ginning is a marketing expense to the operation. This information should appear on the operation's statement from the ginning company. You will have to probe for this information.

Occasionally, the cost of ginning is more than the value of the seed produced by the cotton. The operation then has out-of-pocket expenses for ginning. If the cost of ginning was less than the value of the cottonseed, the operation should have received money for cottonseed. This information should be in the operation's record books.

### **Landlord's and Contractors Marketing Expenses**

Marketing Expenses paid by landlords and/or contractors **MUST** also be accounted for in the appropriate column.

In most production contracts, the marketing charges are paid by the contractor. These expenses may be on the contractee's settlement sheet. If not, record the respondent's best estimate of the total marketing expenses paid by the contractor for commodities produced on the operation under contract.

#### **Item 7 – Marketing Charges**

Refer to the detailed explanation of marketing charges above.

Record the total marketing charges paid by this operation, landlord(s) and contractor(s) for the sale of all commodities produced and sold on this operation in 2008.

#### **Item 7a – Marketing Charges for Specific Commodities V2&V4 Only**

Record the dollar amount of the total (Item 7) marketing charges that was for the tobacco or beef cattle enterprise (excluding feedlot cattle). Examples of tobacco marketing charges are those for auction, check-off, commission, inspection, and insurance. Examples of beef cattle marketing charges are those for auction, beef council, check-off, commission, inspection, insurance, and yardage.

#### **Item 8 – Accounts Receivable/Deferred Payments (Timing of Cash Receipt of Payments)**

Farm operations frequently do not receive cash payment for services provided or commodities sold in the same calendar year that the service was provided or the sale occurred. Such deferrals are often requested by operators to smooth out cash income and as an income tax management strategy. Sometimes deferrals are necessary because price is not final until the next calendar year. In order to determine the income that was actually earned in a given year (accrual income), adjustments must be made for the timing of the receipt of payments. Item 8 tracks deferred

payments, those made in 2008 for sales that occurred in earlier years, and also tracks the accounts receivable – balances owed to the operation at the beginning and end of 2008.

Four pieces of account receivable information are needed to accurately compute net farm income, net cash income, the income statement and balance sheet of the farm operation: 1) the amount the operation was owed at the beginning of the year for crops or livestock produced and sold before January 1, 2008, 2) how much of that amount was received during the year, 3) the amount the operation was owed for crops or livestock produced in 2008 but for which payment was not received in 2008 and, 4) the amount the operation was owed on December 31, 2008 for crops or livestock produced and sold in 2007 or earlier years. Part 3 can be calculated from parts 1, 2, and 4.

In all cases: **EXCLUDE:**

- \* Marketing Charges and money received or any reimbursement for expenses.

**Item 8a – Payment Owed at Beginning of 2008**

Record the amount owed to this operation at the beginning of 2008 for commodities sold on either cash markets or under a production/marketing contract in any year prior to 2008.

**Item 8a(i) – Money Received in 2008 for Prior Production**

Record the amount received during 2008, for commodities produced and either sold for cash or removed/marketed under contract in any year prior to 2008. Verify that these deferred receipts are NOT included in Marketing Contracts (Item 2) or Production Contracts (Item 4). This amount should not be greater than Item 8a.

**Item 8b – Payment Owed at End of 2008**

Record the amount owed to this operation at the end of 2008 for commodities sold on either cash markets or under a production/marketing contract in 2008, or any prior year. This amount should include

- Any amounts that the operation was owed for crops or livestock produced and sold in 2008 for which the operation has not received payment. This can be computed for each commodity under marketing (Item 2) and production (Item 4) contracts by going back to those items, multiplying column 3 by column 5 and then subtracting column 6. There is no way to compute this for commodities sold in cash or open market sales.
- any balances the operation is owed for crops or livestock produced in 2007 or before. This is simply the difference between 8a and 8a(i).

## Section E – Other Farm-Related Income

If the operator has multiple operations, only account for the income that belongs to the operation identified on the label. For operators with multiple operations, keep in mind the acres and livestock reported in previous sections for the selected operation. Income from the other operations is accounted for in Section J.

### Item 1 – Commodity Credit Corporation Loans (CCC)

The Commodity Credit Corporation (CCC) was created in 1933 to help stabilize and support farm prices and income. These questions account for all of the operation's CCC loan transactions during the reference year, allowing us to get a complete accounting of the farm's income.

Farmers can pledge feed grains, wheat, soybeans, cotton and rice as collateral to get a CCC non-recourse commodity loan. Record how much they received in Item 1a. The loans they get are based on a per unit support price (loan rate) established by law for their particular county and commodity.

Loans mature on demand, but no later than the last day of the ninth calendar month following the month the loan was made. Any time before the final maturity date of the loan, the farmer may repay the loan amount plus any interest that has accrued. If the loan is not repaid by the final loan maturity date, the CCC takes title to the commodity as full payment of the loan and interest charges.

Farmers can reclaim title to their crops by paying back the loans along with any interest and storage charges. They usually do this when the market price is higher than the loan redemption price. The amount spent required to repay the loan (minus any interest and storage charges) is recorded in Item 1b. When a farmer reclaims title to the commodity, he can then either sell it or store it for future use.

Loans not paid by the maturity date are considered forfeited. Farmers usually do this when the market price is less than the loan redemption price.

Farmers who have placed a crop under loan can transfer the loan to someone else. When they do this, they are no longer responsible for loan repayment. (This cannot be done in all areas of the country.) If the farmer did this, any money received above the face value of the loan (equity or premium payment) should be recorded later in this section under, "Other Sources of Income Closely Related to the Agricultural Operation".

## **Items 2 & 3 – Federal and State Agricultural Program Payments**

### **Item 2 – Federal, State and Local Farm Program Payments**

If the respondent received any payments from Federal, State or Local Farm Programs in 2008, then check the yes box, and ask question 3. If he/she did not receive any of these payments in 2008, then skip to Item 4.

### **Item 3 (V1) – Federal Farm Program Payments**

#### **Item 2 (V2 – V5)**

Farm operations are eligible for government payments under a variety of Federal farm programs. It is not imperative that the enumerator fully understand the nuances of all program payments, since the respondent should know the source of any payments received.

### **Item 3a (V1) – Direct and Counter Cyclical payments**

#### **Item 2a (V2 – V5)**

Record the total dollar amount of direct and counter cyclical payments received in 2008.

Eligible producers are those on farms for which program payment yields and base acres are established. The total direct payment for a program crop is equal to the product of the national direct payment rate of the program crop, the producer's payment acres (85 percent of base acres) for the program crop, and the producer's program payment yield for the program crop. Under this program, eligible producers receive preliminary and final direct payments for eligible crops.

Eligible producers for counter-cyclical payments are those on farms for which program payment yields and base acres are established. Counter-cyclical payments are made if the effective price for the program crop is less than the target price of the program crop. The effective price of a program crop is the sum of (1) the higher of the national average market price of the crop during the marketing year and the marketing assistance loan rate of the crop and (2) the direct payment rate. The counter-cyclical payment rate is the difference between the target price and the effective price. The total counter-cyclical payment for a program crop is equal to the product of the counter-cyclical payment rate of the program crop, the producer's payment acres (85 percent of base acres) for the program crop, and the producer's program payment yield (or updated payment yield) for the program crop. Under this program, eligible producers receive first partial, second partial, and final partial payments for eligible crops.

**Item 3a(i) (V1) – Percentage for Direct Payments**

**Item 2a (i) (V2 – V5)**

Of the amount recorded in Item 3a, record the percentage that was specifically for direct payments.

**Item 3a (ii) – Percentage for Counter Cyclical Payments**

**Item 2a (ii) (V2 – V5)**

Of the amount recorded in Item 3a, record the percentage that was specifically for counter cyclical payments.

**Item 3b – Loan Deficiency Payments (LDPs)  
V1 Only**

Record the total amount received in 2008 from loan deficiency payments.

Loan deficiency payments (LDPs) are payments made to producers who are eligible to obtain a marketing assistance loan on a loan commodity, but agree to forgo obtaining the loan for the commodity in return for loan deficiency payments. Loan commodities includes wheat, rice, corn, sorghum, barley, oats, upland cotton, soybeans, other oilseeds, dry peas, lentils, small chickpeas, graded wool, nongraded wool, mohair, and honey.

Nongraded wool in the form of unshorn pelts and hay and silage derived from a loan commodity are not eligible for marketing assistance loans. However, they may be eligible for loan deficiency payments.



**Item 2b – Amount Received for Various Payments**  
**V2, V3, V5**

This question refers to payments received for loan deficiency payments, marketing loan gain, and net value of commodity certificates. The items are discussed in the V1 documentation in the following areas: Item 3b, Item 3c, and Item 3e.

**Item 3c – Marketing Loan Gains (MLGs)**  
**V1 Only**

Record the total amount realized in 2008 from marketing loan gains.

Commodity marketing assistance loans, with repayment provisions, are available for wheat, rice, corn, sorghum, barley, oats, upland cotton soybeans, other oilseeds, small chickpeas, lentils, dry peas, wool, mohair and honey. Market loan repayment provisions are in effect when the alternative repayment rate, as determined by CCC, is less than the per-unit principal plus accrued interest, other charges, and in the case of upland cotton only, per-unit storage costs, for a given outstanding loan. Then, farmers are allowed to repay commodity loans at the repayment rate. Each day, other than weekends and holidays, CCC calculates and posts loan repayment rates, except for rice, upland cotton, other oilseeds, small chickpeas, lentils, dry peas, and peanuts, which are posted weekly. The portion of the principal, if any, that is waived when a loan is repaid is referred to as a marketing loan gain for the producer.

**Item 2c – Amount Received for Various Conservation Payments**  
**V2 – V5**

Record the total amount of payments received in 2008 from participation in the Conservation Reserve Program (CRP), Conservation Reserve Enhancement Program (CREP), and Wetlands Reserve Program (WRP). **Include** annual rental and cost share payments. **Exclude** payments received for selling a permanent or 30-year easement in WRP. There should be acreage associated with the payments reported in Section A, Item 7c in the Core (V5) questionnaire or Section A, Item 6c in the Cow-Calf, Bioenergy and Tobacco (V2, V3, and V4) questionnaires, unless the acreage was CRP planted to trees.

**Item 3d – Milk income loss contract payments**  
**V1 Only**

Record the total amount received, including transition payments, in 2008 from the milk income loss program.

The 2002 Farm Act established the milk income loss. A monthly payment is made to dairy farm operators if the monthly Class I milk market price in Boston is less than \$16.94 per hundredweight. Payments are to be made on up to 2.4 million pounds of milk per fiscal year per operation. This corresponds to the production from about 135 cows.

In 2005, the program was re-authorized through September 30, 2007. This extension is also known as the MILCx Program.

**Item 2d – Environmental Quality Incentive Program (EQIP) and Conservation Security Program (CSP) Payments**  
**V2 – V5**

Record the total amount of payments received in 2008 from participation in the Environmental Quality Incentive Program (EQIP) and Conservation Security Program (CSP). **Include** cost share, incentive, stewardship, and enhancement payments. There should be acreage associated with the payment – see EQIP/CSP acres reported in Section A, Item 7 (V2-V4) or Item 8 (V5).

**Item 2d(i) – Current EQIP/CSP Contract**  
**V2 – V5**

Record if the operator has a current EQIP or CSP contract. Check yes if the operator has a current contract regardless of whether the operator received a payment in 2008. Note: EQIP contracts do not always provide a payment in every year of current contracts, but CSP contracts do provide annual payments. If 'YES' there should be EQIP/CSP acres reported in Section A, Item 7 (V2-V4) or Item 8 (V5).

**Item 3e – Net value of commodity certificates**  
**V1 Only**

Record the total amount received in 2008 from net value of commodity certificates.

Commodity certificates are available for use in conjunction with the

commodity market assistance loan program. Certificates can be purchased at the loan repayment rate for loan commodities. Upon purchase, the producers immediately exchange the certificates for crop collateral pledged to the CCC as collateral under commodity market assistance loan.

The net value of the certificate is the value of the certificate less the cost of the certificate.

**Item 2e – Any other Federal, State, or Local Program Payments**  
**V2, V3, V5**

Record payments received in 2008 from currently active contracts with all other Federal, State, or Local Programs not already mentioned. **Include** rental, cost share, and other incentive payments. **Exclude** payments received in 2008 from selling an easement. Generally, an easement permanently restricts use of the land (e.g., a grassland easement restricts cropping rights, and a farmland preservation easement restricts development), although some States specify a maximum easement term of about 30 years. Also, the landowner typically receives an easement payment in one lump sum.

**Item 2e – Grassland Reserve Program Payments**  
**V4 Only**

Record payments received in 2008 from currently active contracts with the Grassland Reserve Program (GRP). **Include** rental payments under 10-, 15-, 20- or 30-year rental agreements; all cost share payments; and all incentive payments. **Exclude** payments received in 2008 from selling an easement. Generally, an easement permanently restricts use of the land (e.g., a grassland easement restricts cropping rights), although some States specify a maximum easement term of about 30 years. Also, the landowner typically receives an easement payment in one lump sum. There should be acreage associated with any payments – see acres reported in Section A, Item 6d.

The GRP is a voluntary program offering landowners the opportunity to protect, restore, and enhance grasslands on their property. The Natural Resources Conservation Service, Farm Service Agency and Forest Service are coordinating implementation of GRP, which helps landowners restore and protect grassland, rangeland, pastureland, shrubland and certain other lands and provides assistance for rehabilitating grasslands. The program will conserve vulnerable grasslands from conversion to cropland or other

uses and conserve valuable grasslands by helping maintain viable ranching operations.

**Item 3f – Agriculture disaster payments**  
**V1 Only**

**Include** the total amount of all market loss or disaster or emergency assistance payments received from Federal programs. These programs include Apple Market Loss Assistance Program (AMLAP), Cottonseed Payment Program, Crop Disaster Program (CDP), Livestock Compensation Program, Hurricane Assistance Program for Louisiana sugarcane producers and processors, Livestock Assistance Program, Livestock Compensation Program, Noninsured Crop Disaster Assistance Program (NAP), Disaster Assistance to producers along the Rio Grande River, Sugarbeets Disaster Program, Sugarcane Disaster Program, and Tobacco Payment Program (TOPP).

**Exclude** Federal Crop Insurance indemnity and other indemnity payments recorded earlier in Section E.

**Item 2f – Payments Received for Farmland or Grassland Protection Programs other than the GRP**  
**V4 Only**

Record the amount received from the currently active contracts for farmland or grassland protection programs other than the GRP. **Include** rental, cost share, and other incentive payments received from Federal, State, and Local Government Programs and private agreements. **Exclude** payments received in 2008 from selling an easement. Generally, an easement permanently restricts use of the land (e.g., a grassland easement restricts cropping rights, and a farmland preservation easement restricts development), although some States specify a maximum easement term of about 30 years. Also, the landowner typically receives payment in one lump sum.

**Item 3g – Conservation Reserve Program (CRP) payments**  
**V1 Only**

Record the total amount of payments received in 2008 from participation in the Conservation Reserve Program (CRP). Include annual rental, cost share, and incentive payments. There should be acreage associated with the CRP acres reported in Section A, Item 8d unless the acreage was planted to trees.

**Item 3g(i) – Payments Received Over Full Life of CRP Contracts  
V1 Only**

If any contracts were active during 2008, record the total payments received (or will be received) over the full life of the contracts, even if no payments were received during 2008. Verify CRP acres are reported in Section A, item 8d.

**Item 2g – Any other Federal, State, or Local Program Payments  
V4 Only**

Record the total payment amount received in 2008 from all other Federal, State, or Local Program Payments not already mentioned. **Include** rental, cost share, and other incentive payments received. **Exclude** payments received in 2008 from selling an easement. Generally, an easement permanently restricts use of the land (e.g., a grassland easement restricts cropping rights, and a farmland preservation easement restricts development), although some States specify a maximum easement term of about 30 years. Also, the landowner typically receives payment in one lump sum.

**Item 3h – Conservation Reserve Program (CREP) payments  
V1 Only**

Record the total amount of payments received in 2008 from participation in the Conservation Reserve Enhancement Program (CREP). **Include** annual rental and cost share payments. There should be acreage associated with the CREP acres reported in Section A, Item 8e unless the acreage was planted to trees.

**Item 3h(i) – Payments Received Over Full Life of CREP Contracts  
V1 Only**

If any contracts were active during 2008, record the total payments received (or will be received) over the full life of the contracts. There should be acreage associated with the CREP acres reported in Section A, Item 8e.

**Item 3i – Wetlands Reserve Program (WRP) payments  
V1 Only**

Record the total amount of payments received in 2008 from participation in the Wetlands Reserve Program (WRP). **Include** annual rental, and

cost-share payments. **Exclude** payments received for selling a permanent or 30-year easement in WRP. There should be acreage associated with the WRP acres reported in Section A, Item 8f.

**Item 3i(i) – Payments Received Over Full Life of WRP Contracts  
V1 Only**

If any contracts were active during 2008, record the total payments received (or will be received) over the full life of the contracts. **Include** all payments received, including those from selling a permanent or 30-year easement at any time. There should be acreage associated with the WRP acres reported in Section A, Item 8f.

**Item 3j – Environmental Quality Incentive Program (EQIP) Payments  
V1 Only**

Record the total amount of payments received in 2008 from participation in the Environmental Quality Incentive Program (EQIP). **Include** cost share and incentive payments. There should be acreage associated with the EQIP acres reported in Section A, Item 9a.

**Item 3j(i) – Payments Received Over Full Life of EQIP Contracts  
V1 Only**

If any contracts were active (current) during 2008, record the total payments received (or to be received) over the full life of the contracts, even if no payments were received in 2008. **Include** cost share, incentive and other payments related to the contract. If payments were (or will be) received, verify acres are reported in Section A, item 9a.

**Item 3k – Conservation Security Program (CSP) Payments  
V1 Only**

Record the total amount of payments received in 2008 from participation in the Conservation Security Program (CSP). Include stewardship, enhancement, cost share, and incentive payments. There should be acreage associated with the EQIP acres reported in Section A, Item 9b.

**Item 3k(i) – Payments Received Over Full Life of CSP Contracts  
V1 Only**

If any contracts were active (current) during 2008, record the total payments received (or will be received) over the full life of the contracts. If payments were (or will be) received, verify acres are reported in Section

A, item 9b.

**Item 3l – Any other Federal agricultural program payments**  
**V1 Only**

**Include** Federal agricultural or conservation program payments not reported above, such as rental, cost share, and other incentive payments received. **Exclude** payments received in 2008 from selling an easement. Generally, an easement permanently restricts use of the land (e.g., a grassland easement restricts cropping rights, and a farmland preservation easement restricts development), although some States specify a maximum easement term of about 30 years. Also, the landowner typically receives payment in one lump sum.

**Item 3m – Tobacco Buyout Payments Including Lump Sum Payments**  
**V1 Only**

The Tobacco Transition Payment Program (also called the Tobacco Buyout Program) provides payments to tobacco quota holders and tobacco producers beginning in 2005 and ending in 2014. There are payments provided for quota holders and payments provided for producers. Both payments are recorded under this item.

Tobacco buyout programs exist in tobacco States where State Departments of Agriculture provide funds to producers to grow other agricultural commodities instead of tobacco. Record the total amount of payments received in 2008 from participation in the Tobacco Buyout Program.

**Item 3n – Any other Local or State Agricultural Program Payments**  
**V1 Only**

Record the total payment amount received in 2008 from all other Local or State farm programs not already mentioned. Exclude payments received from private, non-profit, or other non-governmental entities. **Include** rental, cost share, and other incentive payments received. **Exclude** payments received in 2008 from selling an easement. Generally, an easement permanently restricts use of the land (e.g., a grassland easement restricts cropping rights, and a farmland preservation easement restricts development), although some States specify a maximum easement term of about 30 years. Also, the landowner typically receives payment in one lump sum.

**Item 4 (V1) – Landlord Government Payments**

**Item 3 (V1 – V5)**

Record the total amount of government program payments all landlords received for the acres you rented from them. For share rental arrangements, the landlord's share of commodity program payments should be proportional to crop share. If the operator doesn't know or if the landlord did not receive government payments, indicate so with a dk.

**Item 5 (V1)– Income From Farm-Related Sources**  
**Item 4 (V2 – V5)**

Other farm related income sources may be an important part of the operation's total income. Item 5 captures that income.

**Item 5a (V1) – Custom Work and Machine Hire**  
**Item 4a (V2 – V5)**

**Include** income received by the operation for work this operation or its employees did for others using the operation's machinery such as plowing, planting, spraying, harvesting, preparation of products for market, etc.  
**Exclude** custom work which was considered separate from the operation and which had its own set of books.

**Item 5b – Grazing of Livestock**

**Include**

- any income this operation had from grazing of another operation's livestock on a per head or gain basis.
- any income this operation had from grazing of another operation's livestock on a short term (2-4 month) basis where the operation will harvest crops later in the year.

**Exclude** any contract arrangements previously recorded.

**Item 4b – Recreation and Agri-tourism Activities**  
**V2 – V5**

**Include** income received for recreation on the operation in 2008 including things such as hunting, fishing, petting zoos, horseback riding, on-farm rodeos, hospitality services, tours, etc.



**Item 5c – Recreation and Agri-tourism Activities**  
**V1 Only**

**Include** income received for recreation on the operation in 2008 including things such as hunting, fishing, petting zoos, horseback riding, on-farm rodeos, hospitality services, tours, etc.

**Item 5c(i) – Outdoor Recreation**  
**V1 Only**

**Include** income received in 2008 for outdoor recreation activities on the operation such as hunting, fishing, and horseback riding.

**Item 5c(ii) – Hospitality Services**  
**V1 Only**

**Include** income received in 2008 for hospitality services on the operation such as farm bed and breakfasts and ranch stays.

**Item 5c(iii) – Farm/Ranch Tours, Entertainment Services, and Other Recreation or Agri-tourism Activities**  
**V1 Only**

**INCLUDE:**

- Income received in 2008 for farm or ranch tours on the operation, including winery tours.
- Income received in 2008 for entertainment services on the operation such as festivals, on-farm rodeos, and petting zoos.
- Income received in 2008 for other recreation or agritourism activities on the operation that were not already recorded above.

**Item 4c – Sales of Farm Machinery and Vehicles**  
**V2 – V5**

**INCLUDE:**

- (1) all direct sales of machinery used for farming, such as tractors, combines, farm machinery, and equipment.
- (2) farm share of cars and trucks sold.

**Exclude** items traded in for other items since the value of these is deducted from the purchase price.

**Item 5d – Sales of Forest Products**

Record the total 2008 income from sales of all forest products from the total acres operated. Include timber sales, pulpwood sales, firewood sales, etc.

**Exclude** short rotation woody crops, maple syrup and Christmas tree sales; they should be reported as crop sales in Section D, Item 5f.

**Item 4d – Federal Crop or Livestock Insurance**  
**V2 – V5**

In 1996, Catastrophic Crop Insurance replaced disaster assistance. Under the new law, the Federal Crop Insurance Reform Act of 1995, farmers are required to obtain at least the basic catastrophic level of crop insurance coverage if they want to participate in most USDA programs. Information on crop insurance indemnity payments, combined with expense data for purchases of crop insurance reported earlier, will be used to assess the impact of the new crop insurance program on farmers.

d

Record the amount which was received from crop insurance indemnity payments in 2008. If more than one payment was received, total the payments. **Include** indemnity payments for the loss of grazing on rangeland, if the program is administered by a Federal agency.

Also record the amount of insurance payments collected for losses to insured property that were not part of the payments covered by FCIC. Include the farm share of insurance payments received for repair of vehicles owned by the operation.

If members of the operator's family received any insurance payments or workman's compensation for illness or injury, include this income in under off-farm income (Section J, Item 10). Include hail insurance indemnity payments.

**Item 4d(i) – Federal Crop Insurance Payments for Tobacco**  
**V3 Only**

Of the crop insurance payments in Item 4d, record the amount that was crop insurance payments for tobacco.

**Item 5e – Sales of Farm Machinery and Vehicles**  
**V1 Only**

**INCLUDE:**

- (1) all direct sales of machinery used for farming, such as tractors, combines, farm machinery, and equipment.
- (2) farm share of cars and trucks sold.

**Exclude** items traded in for other items since the value of these is deducted from the purchase price.

**Item 4e – Other Farm Income**  
**V2 – V5**

Report all other farm income not accounted for above. It may be helpful to prompt the respondent by referring to the list of “Other Farm Income” Items in the respondent booklet.

**INCLUDE:**

- (1) allotment or quota leases.
- (2) any Federal Excise Tax (FET) refund claimed, if the FET was included in fuels purchase cost.
- (3) hedging (futures contract) profits or losses.
- (4) refunds claimed for marketing charges which were withheld. (For example, Cotton Inc. refunds or refunds from the Dairy Refund Payment Program.)
- (5) equity or premium payments on CCC loans transferred to someone else (money received above the face value of the loan).
- (6) real estate tax rebates for land preservation.
- (7) renting or leasing of livestock.
- (8) renting or leasing of tractors, trucks, etc.
- (9) road tax refunds.

- (10) sale of water. In areas of the West, operations with irrigation rights have been able to sell a portion of their annual water allotment to municipal, commercial, and other industrial users.
- (11) sale of soil.
- (12) government payments for the sale of development rights (a common practice in Northeast States).
- (13) Payments received for cell phone towers, underground pipelines, windmills, etc., in which the operation receives a payment for their presence on the farm and the land is farmed.
- (14) Mineral and oil royalties.

**Item 5f – Proceeds from Sales of Farmland/Farm Real Estate**  
**V1 Only**

For the small number of farms with farmland sales, the proceeds from such sales can make an important contribution to the cash available to farm households for investment or consumption purposes. Report only those sales of land or other real estate that is (was) part of this operation. Report sales of other off-farm farmland and other assets in Section J, Item 15g. Report the net proceeds from the sale of farm real estate assets that were part of this operation. For example: An operator owned 2 Sections of land, and partitioned off and sold 1 Section of unimproved (no buildings or other improvements) land for \$640,000. The entire farm had a mortgage of \$200,000 at the time of sale. At settlement, (ignoring real estate commissions and other closing costs) the entire mortgage was paid off and the operator received a check for \$440,000. The total proceeds from this sale are \$440,000. Had half the mortgage been paid, then the operator would have received a check for \$540,000, reported here as proceeds, and the remaining \$100,000 balance on the mortgage would be reported as farm debt in Section H. **Include** proceeds received from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development rights, cropping rights, etc.) or other partial interest in land. Generally, an easement permanently restricts use of the land and the landowner typically receives payment in one lump sum.

**Item 5f(i) – Recognized Gain or Loss from Sales of Farmland/Farm Real Estate**  
**V1 Only**

If farmland and farm real estate sales are reported in Item 5f, record the recognized gain or loss from the sales. Record a loss as a negative number. **Include** gains or losses from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development

rights, cropping rights, etc.) or other partial interest in land.

**Item 5f(ii) – Farmland Sales to Relatives and Non-Relatives**  
**V1 Only**

If farmland and farm real estate sales are reported in Item 5f, record if the sales were made to relatives, non-relatives, or both. Relatives are those related by blood or marriage to the operator.

**Item 5g – Federal Crop and Livestock Insurance**  
**V1 Only**

In 1996, Catastrophic Crop Insurance replaced disaster assistance. Under the new law, the Federal Crop Insurance Reform Act of 1995, farmers are required to obtain at least the basic catastrophic level of crop insurance coverage if they want to participate in most USDA programs. Information on crop insurance indemnity payments, combined with expense data for purchases of crop insurance reported earlier, will be used to assess the impact of the new crop insurance program on farmers.

Record the amount which was received from crop insurance indemnity payments in 2008. If more than one payment was received, total the payments. **Include** indemnity payments for the loss of grazing on rangeland, if the program is administered by a Federal agency.

Also record the amount of insurance payments collected for losses to insured property that were not part of the payments covered by FCIC. Include the farm share of insurance payments received for repair of vehicles owned by the operation.

If members of the operator's family received any insurance payments or workman's compensation for illness or injury, include this income in under off-farm income (Section J, Item 15). Include hail insurance indemnity payments.

**Item 5h – Other Crop and Livestock Insurance Payments**  
**V1 Only**

Report the other crop and livestock insurance payments that were received by this operation in 2008. Exclude payments received from casualty insurance, vehicle liability, blanket liability policies and operator dwelling insurance.

**Item 5i – Cooperative Patronage Dividends and Refunds**  
**V1 Only**

Record the amount of patronage dividends resulting from ownership of shares in cooperatives in 2008. Include cash, equity dividends and patronage dividends returned to this operation by cooperatives. Include dividend payments received for shares in farmer-owned commodity processing plants, such as ethanol plants. These are frequently referred to as “value-added” shares. Sugarbeet ‘retains’ when received should be included.

**Item 5j – Sales of Value-Added Goods from Farm Commodities**  
**V1 Only**

If the operation sold any value-added products produced from the operation’s farm commodities (for example, jams, jellies, wine, and other value-added items), record them in Item 5j. Include frozen embryo and semen sales if they are produced from livestock. Be sure that any expenditures are recorded in Section D(Marketing Charges) and Section F.

**Exclude** any value-added products sold from a separate business from the farm.

**Item 5k – Other Farm Income**  
**V1 Only**

Report all other farm income not accounted for above. It may be helpful to prompt the respondent by referring to the list of “Other Farm Income” Items in the respondent booklet.

**INCLUDE:**

- (1) allotment or quota leases.
- (2) any Federal Excise Tax (FET) refund claimed, if the FET was included in fuels purchase cost.
- (3) hedging (futures contract) profits or losses.
- (4) refunds claimed for marketing charges which were withheld. (For

- example, Cotton Inc. refunds or refunds from the Dairy Refund Payment Program.)
- (5) equity or premium payments on CCC loans transferred to someone else (money received above the face value of the loan).
  - (6) real estate tax rebates for land preservation.
  - (7) renting or leasing of livestock.
  - (8) renting or leasing of tractors, trucks, etc.
  - (9) road tax refunds.
  - (10) sale of water. In areas of the West, operations with irrigation rights have been able to sell a portion of their annual water allotment to municipal, commercial, and other industrial users.
  - (11) sale of soil.
  - (12) government payments for the sale of development rights (a common practice in Northeast States)
  - (13) Payments received for cell phone towers, underground pipelines, windmills, etc., in which the operation receives a payment for their presence on the farm and the land is farmed.
  - (14) Mineral and oil royalties.

**Item 6 – Largest Portion of 2008 Gross Farm Income**  
**V1 Only**

For this question, make sure the respondent refers to the list of Farm Type Codes in the Respondent Booklet. Ask the respondent to select the category which, in the operator's opinion, represents the largest portion of this operation's 2008 gross income.

Government payments should be distributed among the categories according to the type of program in which the operator participated.

When the respondent reports that sales for two of the categories are equal, ask which group is more important and is the primary production activity.

Operations primarily engaged in producing short-term woody crops should be counted as farms and classified in "Nursery, Greenhouse, and Floriculture" category. Short-term woody crops are softwood trees (hybrid poplar, cottonwoods and pines) reaching maturity in about 10 years or less and typically are used for paper production.

A farm primarily engaged in raising dairy heifers for herd replacements is

classified as a “Beef Cattle” operation because no milk or dairy products are being produced.



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## Section F - Operating and Capital Expenditures

### What's this Section for? How is the information used?

This section provides the data used to develop estimates of farmer's and rancher's costs of doing business -- the expense side of an income statement. The first publication each year is the Farm Production Expenditures Summary produced in August by NASS. Closely following are number ERS reports and data products.

USDA provides periodic reports of the Status of Family Farms, etc to the Congress. These reports, developed from this survey, include income statements of the farm sector, along with balance sheets and financial ratios. These reports and income statements are electronically available in the Farm Income and Costs Briefing Room on the ERS web site at: <http://www.ers.usda.gov/Briefing/FarmIncome/>. They are also presented in ERS publications such as Amber Waves, and the annual Agricultural Income and Finance Situation and Outlook Report. Each publication is available via the Internet to anyone interested in farm sector financial performance.

USDA provides ARMS III summarized data and farm sector accounts to the Bureau of Economic Analysis (BEA), an agency within the Department of Commerce. BEA uses these data in estimates of the Nation's Gross Domestic Product (GDP) accounts and Personal Income Indexes. These data insure that BEA can accurately reflect the value of agricultural goods produced in the United States relative to the other industries. Information for non-farm industries comes from IRS sample data, Census' Surveys of Population and Income, non-farm business surveys conducted by the Bureau of Labor Statistics, by the Federal Trade Commission and by BEA. Data from non-farm industries are published in BEA's Survey of Current Business.

Since reports include all crops and livestock produced by the farm, data from this section provides the basis for tracking how costs are changing for different types of farms. Financial changes tracked over time provide USDA and Congress the best information for understanding the changes taking place in agriculture today. Under- or over-reporting of costs would limit USDA's ability to accurately report the cost of producing various crop and/or livestock commodities.

In this section, each major cost item is obtained--seed, fertilizer, chemicals, feed, purchased livestock, veterinary and medicines, custom services and work, labor costs including wages, taxes, benefits and services provided, fuel, utilities, repairs, overhead expenses such as insurance, accounting, attorney fees, interest, and depreciation. The detail allows USDA to compare and quantify, item by item, cost per unit indicators. Examining expenditures this closely improves the quality of both the individual and aggregate estimates of farm expenses. While it takes longer to ask the detail of the cost statement, leaving out some costs would make net income appear larger than it is! If we did not ask for cost by item, we know from experience that respondents fail to report items, particularly items not typically in their record books.

More detail is asked on some items:

- Breeding stock is separated from other cattle, calves, hogs, pigs, sheep and lambs. Purchases of breeding stock are an addition to the farm's capital, much like a truck or tractor. Operators can place breeding stock on a depreciation schedule and claim a deduction on their taxes. These purchases are not a part of ordinary operating expenses. Breeding stock is included in the balance sheet and the depreciation is included in the income statement.

Although poultry farms may also have breeding stock, all poultry is recorded in the item for all poultry and other livestock.

- Depreciation and other non-cash items like inventory adjustment, and non-cash benefits paid to workers are not a cash outlay for farm operations, but are necessary for the ERS Net Farm Income estimate, one of the key statistics published using ARMS information. Depreciation, in particular, is a critical component of

net farm income. Depreciation and net farm income help provide measures of how individual farmers are doing, as well as the health of the entire farm economy.

Usually, the entire cost of capital items (trucks, tractors, implements, buildings, etc.) is not deducted as a business expense in the year they are purchased or built. Rather, the cost is spread out over their useful life. Depreciation measures the cost of using capital items during a particular year and reflects what has happened to the value of a farm's capital equipment. Farm operators are familiar with depreciation because it is a deduction claimed on their 1040F tax form. Many farmers seek the advice of an accountant or tax advisor on how much depreciation they will claim on their purchased buildings, equipment and breeding stock.

Depreciation is also used in the farm household statistics so self-employment income from farming matches the Commerce Department definition of self-employment income from a non-farm business. This allows income from farm businesses to be compared with non-farm business income by the Commerce Department, which has responsibility for statistics on all aspects of the U.S. economy.

Other non-cash items such as non-cash expenses for workers and the value of inventories are collected as part of the net farm income estimate.

If the operator has multiple operations, only account for the expenses that belong to the operation identified on the label. For operators with multiple operations, keep in mind the acres and livestock reported in previous sections for the selected operation. Expenses from the other operations are accounted for in Section J.

#### **Costs of Production (Versions 2 and 4)**

Since a Phase II survey for tobacco and cow-calf production was not conducted, all of the information necessary to compute cost-of-production (COP) for Tobacco and Cow/Calf operations is collected in the phase 3 interview. Section F includes much of this information with questions that ask producers to allocate an amount of the whole-farm expenses to the

individual commodities. Sections N-W also includes information necessary to compute the cost of production for the beef cattle enterprise. In the tobacco questionnaire, Sections N-Q includes the information needed to examine changes in tobacco production practices, input use, and industry structure in response to changes in the federal tobacco program.

Farm overhead costs for such items as farm supplies and tools, general business expenses, taxes, interest, and insurance are also collected in the Phase III interview so that they can be allocated to the selected commodity based on their relative value of total farm production. For the purposes of cost-of-production estimation, farm overhead is that portion of costs not directly attributable to any particular enterprise, but that must be paid for by all enterprises. Many of these items are obvious, such as general business expenses, taxes, insurance, and interest, and are easily measured. However, two items, electricity and repairs, are more difficult to measure. To simplify our measurement we have designated that electricity use and repairs for irrigation are not part of farm overhead. Therefore, questions are included in Versions 2 and 4 to separate the amounts spent for these items. These amounts will be deducted from the total and the remaining electricity and repair costs will be allocated to the cost-of-production commodities.

## GENERAL INSTRUCTIONS

ALL EXPENSES FOR THIS OPERATION (defined by the total acres recorded in Section A, Item 4) paid in 2008 should be included in this section. This includes expenses for the Operator, Partners, Landlords and Contractors. The three columns represent this division of expenses. Be sure to record the expenses in the correct column. Probe to verify the respondent has reported costs associated with each item that were paid for by the landlord or contractor.

**Exclude** expenses not related to the farm/ranch, expenses for performing custom work for others if separate set of books are used for the custom business (custom work income is NOT recorded in Section E, Item 5a), and household and living expenses.

Ask the respondent to use farm/ranch records and explain that the interview will probably be shorter if these records are used. You are far more likely to get accurate information from records than from

respondents who are relying on memory or guess-work. The questionnaire generally reflects common record keeping systems. In addition, many of these expenses or groups of expenditures are line items on the IRS 1040F. If the respondent cannot give exact dollar figures, BEST ESTIMATES are acceptable.

### **Expenses for Landlords and Contractors**

Expenses paid by landlords and contractors are recorded the appropriate columns in this section. These figures are added to the expenses provided by operators for their farms to develop estimates of the total costs incurred to produce crops and livestock during the calendar year. In some situations, landlords and contractors provide a relatively large share of some expense items such as property taxes, purchases of livestock, feed, and farm supplies.

It is even more important to have a good estimate of contractor and landlord expenses when the operation's expenses are expanded to represent all farms. This gives us the estimate of total farm production expenses used to calculate net farm income. If landlord or contractor expenses are incomplete or understated, then total expenses will be understated. When that happens, the farm sector net income is reported too high and the sector appears in better financial shape than it actually is.

Expense data reported for landlords are combined with the gross rent reported in this section for cash rent and share rent land to develop an estimate of the net rent earned by landlords. Landlords' net rent is similar in concept to farmers' net income -- both measure economic well-being.

The expenses reported for contractors are combined with an estimate of the value of product removed under production contracts (quantity removed under contract times an average price for the state), to develop an estimate of contractors' share of net farm income.

**DO NOT CONTACT LANDLORDS OR CONTRACTORS** to complete this section. Contact landlords and contractors only when instructed to do so by the State Office.

Under most production contracts, the contractor usually directly pays most of the production expenses or reimburses the contractee for the expenses

while the commodity is on the contractee's operation. Sometimes reimbursement for these expenses is added to the amount paid (fee) to the contractee for services. Settlement sheets or other contract documents usually break out reimbursed expenses. **Include** reimbursed expenses.

Sometimes the contractor charges the operator for some expenses the contractor originally paid. Examples of this are sometimes found in production contracts for processing vegetables, where the contractor originally paid for items such as seed and chemicals. Then the contractor charges the operator for their costs, as deductions from the gross value on the settlement sheet. These expenses should be recorded in the contractor column.

If the operator cannot provide settlement sheets (or otherwise report contractor expenses), write notes detailing the type and amount of services provided by the contractor. Record the contractor's name, address and phone number so the State Office can contact the contractor to get the information. This contact should be made only through (or by) the State Office to avoid the possibility of several enumerators contacting the same contractor. Enumerators assigned to complete any of the follow-up interviews with contractors can get the information on expenses paid by the contractor using a blank questionnaire or by using a contractor expense worksheet provided by some State Offices.

Most operators who rent land, will know which expenses were paid by their landlords. If for some reason, the operator cannot provide these numbers, **DO NOT CONTACT THE LANDLORD(S)**. If the operator does not know the amount paid by their landlords, they should know which items were paid. If this happens, provide detailed notes explaining which items were paid for by the landlords so the State Office can provide an estimate for these expenses. Clearly determine whether landlord(s) paid taxes on rented land. This is particularly important and is one of the most overlooked expenses.

### **Expenditures Related to Final Commodity Transportation**

The ARMS survey focuses on the financial status of the farm sector. When and where the commodity is sold affects not only who is responsible for the expenditure, but also if the expenditure should be recorded. After payment and ownership is transferred, any expenditure

related to the livestock is the responsibility of the new owner and should be recorded as such on the questionnaire only if the new owner is the target operator.

One situation that occurs in livestock operations is livestock that is priced and sold on the farm to a slaughterhouse (payment and ownership are transferred at the farm). If the slaughterhouse agrees to a price, pays for, and takes ownership of the livestock on the farm, the slaughterhouse is responsible for the transportation expenditures from the farm to the final destination. The transportation expenditures, as a result, are NOT recorded in the ARMS questionnaire since at the time of transport, the livestock are no longer part of the target operation.

For a transfer of ownership between one operation and another, the timing of payment and commodity transfer affects which operation accounts for the transportation expense to the final destination. If payment and commodity transfer occurs at the final destination, then any expenditure associated with transportation are the responsibility of the seller.

#### **Item 1 – Seeds, Plants, Trees, etc.**

This item refers to the cost of any purchases in 2008 whether they were entirely used or not. For example, a farm may have purchased \$1,000 of seed but only planted \$800 of it. In this case, record the \$1,000 for expenditures and record the remaining \$200 as a production input asset in Section G. Make sure the respondent accounts for all purchases of seed, sets, plants, trees, etc., not only the amount used to plant the crop harvested. These expenses are often a line item in record books (and on the IRS 1040F). Note that operations can have these expenditures even when they did not have any harvested acres. Be sure the operator remembers to include any expenses for seed for pastures.

#### **INCLUDE:**

- (1) expenditures for cleaning or treating homegrown seeds or plants.
- (2) expenditures for trees or shrubs used as windbreaks or for reforestation (if the operation did not consider this a capital expense).
- (3) seed expenses for cover crops planted on idle land.
- (4) expenditures for plants purchased and transplanted to grow as a crop (for example, tobacco transplants).



- (5) technology fees for purchasing genetically altered seed.

**EXCLUDE:**

- (1) expenses for items purchased for direct resale.
- (2) value of homegrown seed.
- (3) tree purchases that were considered capital expenses (land improvements). These should be recorded later in this section.

**Item 1a – Amount of Seed Expense for Tobacco  
V2 Only**

Record the dollar amount of the total (Item 1) seed and plant expense that was for the Tobacco enterprise.

**Item 2 – Fertilizer, Lime, and Soil Conditioners**

This expense is a line item in almost all farm record books (and on the IRS 1040F).

**INCLUDE** expenses for:

- (1) all commercial fertilizer
- (2) fertilizer-pesticide combinations
- (3) pre-emergence herbicides mixed with fertilizer sold as one product
- (4) trace elements (micro nutrients) such as zinc and copper
- (5) lime and all soil conditioners, purchased manure, cottonseed hulls, sludge, gypsum, sulfur, marl, peat, and other conditioners
- (6) application costs if materials were custom applied.

**Item 2a – Total Fertilizer Expense for Tobacco  
V2 Only**

Record the dollar amount of the total (Item 2) fertilizer expense that was for the Tobacco enterprise.

**Item 3 – Agricultural Chemicals**

Chemical expenses are recorded as a line item in most record books (and the IRS 1040F). Include crop, livestock, dairy, poultry, and general farm use chemicals.

**INCLUDE** expenses for:

- (1) insecticides, herbicides, fungicides, defoliants, nematicides, fumigants, growth regulators, and rodenticides used on crops, pastures, seeds, crop storage buildings or seed beds for the control of all types of weeds, diseases, insects, rodents, fungi, nematodes and other predators.
- (2) all sprays, dusts, granules or other materials.
- (3) application costs if materials were custom applied.
- (4) carrier materials such as fuel oil, solvents or wetting agents mixed with pesticides.
- (5) all pesticides applied to crops or buildings even if all or part was paid by the government.
- (6) all sprays, dips, dusts, dairy pesticides, udder antibacterial disinfectants, and other chemicals purchased for use on livestock. If the respondent records these items under supplies, try to get them broken out and include them here.

**EXCLUDE** expenses for:

- (1) the value of pesticides in fertilizer-pesticide combinations (record in Item 2).
- (2) cleaning chemicals for equipment and buildings on dairy and other livestock enterprises (record these expenses in Farm supplies later in this section).

**Item 3a – Custom Application Expense  
V1 Only**

Record the dollar amount of the total (Item 3) chemical expense that was for custom application.

**Item 3(i) – Chemical Expense for Specific Commodities  
V2 & V4 Only**

Record the dollar amount of the total (Item 3) chemical expense that was for the Tobacco or Cow/Calf enterprise (excluding feedlot cattle).

**Livestock Expenses Items 4-8**

Purchased feed, livestock purchases, livestock leases and livestock expenses such as breeding and veterinary services are usually recorded as line item expenses in record books. You may have to probe to break figures out for some of the expense categories. If there are livestock

expenses, there will likely be livestock inventories in Sections C.

**Exclude** all expenses incurred by feedlots and other types of contractees that fed this operation's livestock on a custom basis. If this operation is a feedlot, include only expenses for which it was not reimbursed in the Operator column. Expenses for which the operation was reimbursed should be recorded in the Contractor column.

Purchases of livestock and poultry during 2008 should include the price of the animals plus commission, yardage, insurance and fees.

In large integrated operations livestock or poultry are usually transferred from one production phase of the operation to another production phase. Although this is not a true purchase, we need an estimate of the value of the livestock or poultry at the points they move between production phases to accurately gauge the net value of production. An example of this is a hatchery that receives hatching eggs from another part of the integrated operation. We would obtain an estimated value or "book value" of the hatching eggs in this item. Without an estimated cost of hatching eggs to the hatchery, the net value of the hatchery output would be overstated. This practice is in line with accounting practices of non-farm corporations that assess the "profitability" of each phase of production. This makes it possible to compare profitability of farms with non-farm businesses at the State and National level.

## **Livestock Purchases**

### **Item 4a – Breeding Stock for Cattle, Hogs, and Sheep**

**INCLUDE** expenses for:

- (1) BEEF animals to be used as breeding stock or herd replacement for this operation, regardless of age.
- (2) MILK cows.
- (3) DAIRY animals to be used as breeding stock or herd replacement for this operation, regardless of age.
- (4) all gilts, sows and boars purchased for breeding purposes.
- (5) all ewes, rams and lambs purchased for breeding purposes.

**Item 4b – All Other (Non-breeding) Cattle, Calves, Hogs and Pigs**

**INCLUDE** expenses for:

- (1) any cattle or calves not purchased for breeding herd replacement and/or expansion.
- (2) cattle placed in a feedlot.
- (3) all other hogs and pigs such as feeder pigs and market hogs.

**Item 4c – Chickens and Turkeys Purchased**

Record the total cost for all chickens and turkeys purchased by the operation or transferred from one production phase of the operation to another production phase in 2008. Transfers are not a true purchase, but we need an estimate of the value of the poultry moving through the operation.

**Include** poultry raised under contract only if the operation is considered to have purchased the birds. In most contract arrangements, the contractee does not purchase the birds. In this case, record the value of the poultry at the time it was placed on the operation as a contractor expense.

The respondent should have settlement sheets from their contractor for each flock that list these expenses. Expenses are listed either as a total for each item or on a per pound basis. Total expense for the year is determined by the number of flocks or total pounds of birds raised. If the operator cannot provide a settlement sheet or report the expenses, find out how many birds the operation grew under contract in 2008, and explain with a note.

**Item 4d – Other Livestock, Poultry, Fish, Bees, etc.**

**INCLUDE** expenses for:

- (1) all sheep and lambs, other than for breeding
- (2) mules, goats, all horses and ponies, etc.
- (3) ducks, geese, guineas, pigeons, etc.
- (4) hatching eggs.
- (5) bees purchased.
- (6) rabbits, mink and other fur bearing animals.
- (7) catfish or other fish raised commercially or

consumption.

- (8) milk and eggs purchased to fulfill marketing
- (9) dogs used to work livestock or as guard dogs
- (10) all other livestock or products not already included.

**Exclude** expenses for animals kept only as pets.

**Item 5 – Leasing Livestock**

**INCLUDE** expenses for:

- (1) Renting or leasing of livestock by this operation.
- (2) Renting bees and bee hives.

**Item 6 – Purchased Feed**

This expense is a line item in most farm record books  
(and the IRS 1040-F).

**Include** all feed grains, hay, forages, mixed or formula feeds,  
concentrates, supplements, premixes, salt, minerals, animal by-products  
and all other feed additives and ingredients.

**Item 6a – Purchased Feed Expense for Specific Commodities  
V4 Only**

Record the dollar amount of the total (Item 6) purchased feed expense that  
was for the beef cattle operation excluding feedlot cattle.

**Item 7 – Bedding and Litter**

Record the amount spent by the operation in 2008, for bedding and litter  
for livestock, dairy and poultry.

**INCLUDE** expenses for:

- (1) straw, hay, etc.
- (2) sawdust, wood chips, corn stalks, etc.
- (3) all other bedding and litter items.

**Item 7a – Bedding and Litter Expense for Specific Commodities  
V4 Only**

Record the dollar amount of the total (Item 7) bedding and litter expense that was for the beef cattle operation excluding feedlot cattle.

**Item 7 – Medical Supplies, Veterinary, and Custom Services for Livestock**  
**V5 Only**

**INCLUDE** expenses for:

- (1) feed processing, grinding and mixing services (cost of feed should be included in purchased feed). If the respondent includes custom feed processing with feed costs in farm records, try to get this item broken out and include it here.
- (2) veterinary services or supplies.
- (3) miscellaneous livestock and poultry medical services and supplies (regardless of where purchased).
- (4) sheep shearing.
- (5) horse-shoeing for work horses used on the operation.
- (6) removal of dead animals.
- (7) branding.
- (8) castrating and caponizing.
- (9) artificial insemination and breeding.
- (10) performance testing.
- (11) seining of fish.
- (12) semen.

**EXCLUDE** expenses for manure disposal. These will be reported in Item 20a.

**Item 8 – Medical Supplies, Veterinary, and Custom Services for Livestock**

**INCLUDE** expenses for:

- (1) feed processing, grinding and mixing services (cost of feed should be included in purchased feed). If the respondent includes custom feed processing with feed costs in farm records, try to get this item broken out and include it here.
- (2) veterinary services or supplies.
- (3) miscellaneous livestock and poultry medical services and supplies (regardless of where purchased).
- (4) sheep shearing.
- (5) horse-shoeing for work horses used on the operation.
- (6) removal of dead animals.
- (7) branding.

- (8) castrating and caponizing.
- (9) artificial insemination and breeding.
- (10) performance testing.
- (11) seining of fish.
- (12) semen.

**EXCLUDE** expenses for manure disposal. These will be reported in Item 27a.

**Item 8a – Medical, Veterinary, and Custom Service Expense for Specific Commodities**

**V4 Only**

Record the dollar amount of the total (Item 8) medical, veterinary, and custom service expense that was for the beef cattle operation excluding feedlot cattle.

**Items 9-12 – Fuels, Utilities, and Purchased Water (Farm Share Only)**

**V1-4 Only**

These questions ask for the total spent for the farm share of utilities, fuels and irrigation water. Farm record books (and the IRS 1040F) have an entry for total gasoline, fuel and oil expenses. Only the FARM SHARE should be reported, which is whatever the operation took as its business expense on its tax form and/or income statement. One way to help the operator report here, especially if his records are itemized differently, is to remind him of how the costs would have been incurred, such as for operating irrigation pumps, drying equipment, motor vehicles, machinery, etc.

For farm share of utility expenses, include monthly or annual charges to maintain service even when a utility is not being used (stand-by fees). Also include emergency electric guarantee fees, etc.

If farm and home meters are separate, exclude costs for water and/or electricity for the home except in situations where the farm office is in the home. In this case, include the farm share of home water and/or electricity expense. If some or all of the farm buildings shared the same meter as the home, include only the farm's share of the costs in this item.

**INCLUDE** expenses for:

- (1) FARM SHARE ONLY of all fuels used (on this operation) in

- autos, trucks, tractors, self-propelled machinery (combines, swathers, etc.), irrigation pumps, elevators, chain saws, etc.
- (2) all fuels for heating and lighting farm buildings.
  - (3) fuels used to heat a farm office (including the cost of coal or wood).
  - (4) fuels used for drying or curing crops (including the cost of coal or wood).
  - (5) fuel for vehicles and machinery used both on this operation AND for custom work or machine hire, provided these activities are NOT a separate business (See (1) under exclude below). Income from custom work and machine hire will be reported as farm-related income in Section E, Item 5a.
  - (6) aviation fuels.
  - (7) Federal excise fuel taxes. (Refunds of Federal excise fuel taxes paid should be reported as other income in Section E, "Other Sources of Income Closely Related to the Agricultural Operation".)
  - (8) Purchased irrigation water and the costs of electricity or other fuel associated with irrigating.
  - (9) All farm share expenses for other utilities including telephone service and water other than irrigation.

**EXCLUDE** expenses for:

- (1) fuel for machinery used only for custom work where separate books were kept and income from custom work was considered to be from a separate business.
- (2) petroleum products used as carriers with pesticide sprays. (These should be included in Item 3 in this section.)
- (3) fuel used in motor vehicles for non-farm use and in other engines or machinery used for non-farm purposes.
- (4) fuels used for heating or cooking in the operator's residence.
- (5) fuel provided to farm employees for non-farm use as a non-cash benefit.



**Item 9 – Fuel Expense - general**

Record the farm share of the total fuel expense including diesel fuel, gasoline and gasohol, natural gas, LP gas (propane and butane), all other fuels (coal, fuel oil, kerosene, wood, etc), and oils and lubricants (grease, hydraulic fluids, motor oils, transmission fluids, etc.). Keep in mind when the payment and commodity transfer occurs (as mentioned earlier in this chapter) when accounting for fuel expenses related to transportation.

**Item 9a – Diesel Fuel**

Record the farm share of expenses for diesel. **Include** biodiesel.

**Item 9b – Gasoline and Gasoline Blends that Include Ethanol**

Record the farm share of expenses for gasoline and gasohol including ethanol.

**Item 9c – Natural Gas**

Record the farm share of expenses for natural gas.

**Item 9d – LP Gas**

Record the farm share of expenses for LP gas (propane, butane).

**Item 9e – Oils and Lubricants**

Record the farm share of expenses for oils and lubricants. Include grease, hydraulic fluids, motor oils, transmission fluids, etc.

**Item 9f – All Other Fuels**

Record the farm share of all other fuels. Include coal, fuel oil, kerosene, wood, etc.

**Item 9g – Fuel Expense for Irrigation  
V2&V4 Only**

Record the farm share of total fuel expenses for irrigation.

**Item 9g (i) – Fuel Expense for Water Pumped from Wells**

**V2&V4 Only**

Record the portion of total fuel expense for water pumped from wells.

**Item 9h – Fuel Expense for Specific Commodities**

**V2&V4 Only**

Record the dollar amount of the total (Item 9) fuel expense that was for the tobacco or beef cattle enterprise (excluding feedlot cattle).

**Item 9h(i) – Fuel Drying Expense for Specific Commodities**

**V2 Only**

Record the dollar amount of the total (Item 9h) fuel expense for tobacco that was for drying tobacco.

**Item 9 – Farm Supplies, Marketing Containers, Tools, Shop Equipment, Bedding & Litter, etc.**

**V5 Only**

Record expenses for bedding/litter, miscellaneous supplies and equipment, marketing containers, hand tools and farm shop power equipment not placed on a depreciation schedule. (Power equipment is defined as equipment requiring fuel or electricity to operate). Exclude expenses for containers purchased for direct resale to consumers. Exclude expenses for fencing and irrigation equipment--these will be collected separately.

**INCLUDE** expenses for:

- (1) baling wire and twine.
- (2) carpentry supplies, electrical supplies and plumbing supplies.
- (3) mechanic's tools, pliers, wrenches, etc.
- (4) axes, bolt cutters, fencing tools, forks, picks, scoops, shovels, spades, etc.
- (5) power drills, grinders, saws, sanders, welders.
- (6) compressors.
- (7) acetylene gas, oxygen and welding rods.
- (8) chain saws.
- (9) battery chargers.
- (10) bolts, chains, nails, rope, etc.
- (11) hoists, jacks, winches, etc.
- (12) ladders.
- (13) scales.
- (14) attachments and accessories for any Items in this category.

- (15) fuel tanks.
- (16) agricultural bags, canvas, polyethylene film, tarpaulins, etc.
- (17) rain gear or other protective clothing purchased for use on the operation.
- (18) other supplies and tools which are generally reusable and which are not included elsewhere.
- (19) repair of tools and other Items in this category.
- (20) dairy equipment cleaning chemicals (detergents, sanitizers, etc.)
- (21) containers purchased for planting, growing, harvesting or marketing any commodity.
- (22) baskets, boxes, flats, trays, sheets, totes, bins, crates, wool bags, etc.
- (23) rental or per unit fees for containers, sheets, etc. provided by a marketing association or cooperative.
- (24) usage charges or rental fees for containers provided by a buyer, shipper, or packer.
- (25) nursery and greenhouse containers purchased for nursery production, even if they are to be resold with the plant. **Exclude** containers purchased for immediate resale.

**Item 10 – Electricity**

Record the farm share of the total amount spent for electricity, including irrigation. Include electricity for the farm office, barns and other farm buildings. If the farm office is in the home, include only the farm's share of the home electricity expense. Include monthly or annual charges to maintain service even when electricity is not being used. Include emergency electric guarantee fees, etc.

**Item 10a – Electricity Expense for Specific Commodities  
V2 Only**

Record the dollar amount of the total (Item 10) electricity for irrigation that was for the tobacco enterprise.

**Item 10a – Electricity for Irrigation**  
**V4 only**

Record the dollar amount of the total (Item 10) electricity expense that was for the irrigation.

**Item 10b – Electricity for Irrigation**  
**V2 only**

Record the dollar amount of the total (Item 10) electricity expense that was for the irrigation.

**Item 10b(i) – Electricity Expense for Water Pumped from Wells**  
**V2 Only**

Record the dollar amount of the total electricity expense for irrigation (Item 10b) was for water pumped from wells.

**Item 10b – Electricity for Drying**  
**V4 Only**

Record the dollar amount of the total (Item 10) electricity expense that was for the drying.

**Item 10c – Electricity for Drying**  
**V2 Only**

Record the dollar amount of the total (Item 10) electricity expense that was for the drying.

**Item 10c(i) – Electricity Drying Expense for Specific Commodities**  
**V2 Only**

Record the dollar amount of the total (Item 10c) electricity for drying that was for the tobacco enterprise.

**Item 10c – Electricity for Specialized Livestock Production Facilities**  
**V4 Only**

Record the dollar amount of the total (Item 10) electricity expense that was for the specialized livestock production. Include specialized production for dairies, feedlots, poultry houses, swine buildings, etc.

**Item 10c(i) – Specialized Livestock Production Facility Expense for Specific Commodities**

**V2 Only**

Record the dollar amount of the total (Item 10c) electricity for drying that was for the tobacco enterprise.

**Item 10c(i) – Specialized Livestock Production Facility Expense for Specific Commodities**

**V4 Only**

Record the dollar amount of the total (Item 10c) electricity for drying that was for the beef cattle enterprise excluding feedlot cattle.

**Item 10d – Electricity for Specialized Livestock Production Facilities**

**V2 Only**

Record the dollar amount of the total (Item 10) electricity expense that was for the specialized livestock production. Include specialized production for dairies, feedlots, poultry houses, swine buildings, etc.

**Item 10 – Repairs, Parts and Accessories for Vehicles, Machinery, & Equipment**

**V5 Only**

Record the total FARM SHARE of expenses for materials, labor, parts and services for repair and upkeep of motor vehicles and equipment. Include the cost of accessories for machines and equipment. If they are not listed separately in the operator's records, family use expenses may be included.

**INCLUDE** expenses for all:

- (1) tune-ups or overhauls of machinery or equipment (if not placed on a depreciation schedule).
- (2) damage repairs even if covered by insurance settlements.
- (3) maintenance and repairs for all vehicles, machinery, equipment, implements, irrigation and frost protection equipment, etc.
- (4) parts and accessories for vehicles and equipment

Examples of these expenses include:

- (1) hitches.
- (2) wheel weights (including fluid).
- (3) mirrors, radios, etc.
- (4) tractor cabs, air conditioners, etc.
- (5) electric sensor systems.
- (6) any other accessories.

- (7) services and parts for overhauls, tuneups, tubes, tires and repair of equipment.
- (8) brake adjustments and exhaust system repairs.
- (9) front end alignments, steering adjustments, wheel balancing and replacement of shock absorbers.
  
- (10) replacement or repair of carburetors, fuel pumps, fuel injector systems, water pumps, electrical systems, clutches and transmissions, body work, frame repairs, painting and glass replacement.
- (11) major engine overhauls and minor tune-ups, valve and ring jobs.
- (12) replacement parts for all machinery including disk blades, cultivator sweeps and shovels, sickles, guards and baler parts.
- (13) repair of livestock or poultry equipment.
- (14) hydraulic cylinders.
- (15) frost protection system repairs and maintenance.

**EXCLUDE** expenses for:

- (1) accessories included in the purchase cost of vehicles, machinery, equipment, etc.
- (2) beds, boxes and hydraulic systems purchased separately from a newly purchased truck. Record this in all other Capital Expenditures.
- (3) Repairs that are included on the operation's depreciation schedule. Expenses that are on a depreciation schedule are capital expenses. Repairs of this kind should be recorded in all other Capital Expenditures.

**Item 11 – Purchased Irrigation Water**

Record the total costs of purchased irrigation water acquired from any off-farm water source to irrigate crops on the farm. Include any drainage assessments, delivery charges, or other fees associated with the purchased water, and any standby fees and/or taxes which must be paid even if no water is used.

**Item 11a – Purchased Irrigation Water For Specific Commodities  
V2 Only**

Record the dollar amount of the total (Item 11) purchased water for irrigation expense that was for the tobacco enterprise.

**Item 11 – Maintenance/Repair of Farm Buildings and Land Improvements  
V5 Only**

Record all expenses associated with maintenance of fences, buildings and other structures, and land improvements. Maintenance and repair expenses for existing land and conservation improvements are those expenses the operation has on a regular basis and which have to be done for these improvements to continue to be useful. Example: annual leveling done for irrigation systems and repairing existing dikes and ponds.

**INCLUDE** maintenance and repair of:

- (1) houses for hired farm/ranch labor or tenants.
- (2) all other farm/ranch buildings such as barns, shops, storage facilities, sheds, silos, bins and similar structures.
- (3) wells.
- (4) drainage facilities.
- (5) all other farm improvements.

Exclude any new construction or remodeling expense (report in Land improvements or new buildings/structures).

**Item 12 – All Other Utilities**

Record the farm share of the total expense for telephone service and calls, water (other than for irrigation), and all other utilities not previously reported. Include monthly or annual charges to maintain service even when the utility is not being used (stand-by fees). If farm and home meters are separate, exclude all costs for utilities for the home except in situations where the farm office is in the home. In this case, include the farm share of the utility expenses for the office. If some or all of the farm buildings shared the same meter as the home, include only the farm's share of the costs.

**Item 12 – Maintenance and Repair of the Operator's House**

**V5 Only**

Record the total amount spent in 2008 for maintenance and repairs to the operator's house, if it was owned by the operation.

If the operator does not understand what is meant by “owned by the operation”, offer the definitions noted on the questionnaire. Owned by the operation can mean either the house is recorded as an asset in farm record books, used as security/collateral for a farm loan, or deeded as part of the farm.

**Exclude** any new construction or remodeling expense.

**Item 13 – Farm Supplies, Marketing Containers, Tools, Shop Equipment, etc.**

Record expenses for miscellaneous supplies and equipment, marketing containers, hand tools and farm shop power equipment not placed on a depreciation schedule. (Power equipment is defined as equipment requiring fuel or electricity to operate). Exclude expenses for containers purchased for direct resale to consumers. Exclude expenses for fencing and irrigation equipment--these will be collected separately.

**INCLUDE** expenses for:

- (1) baling wire and twine.
- (2) carpentry supplies, electrical supplies and plumbing supplies.
- (3) mechanic's tools, pliers, wrenches, etc.
- (4) axes, bolt cutters, fencing tools, forks, picks, scoops, shovels, spades, etc.
- (5) power drills, grinders, saws, sanders, welders.
- (6) compressors.
- (7) acetylene gas, oxygen and welding rods.
- (8) chain saws.
- (9) battery chargers.
- (10) bolts, chains, nails, rope, etc.
- (11) hoists, jacks, winches, etc.
- (12) ladders.
- (13) scales.
- (14) attachments and accessories for any Items in this category.
- (15) fuel tanks.
- (16) agricultural bags, canvas, polyethylene film, tarpaulins, etc.
- (17) rain gear or other protective clothing purchased for use on the



- operation.
- (18) other supplies and tools which are generally reusable and which are not included elsewhere.
  - (19) repair of tools and other items in this category.
  - (20) dairy equipment cleaning chemicals (detergents, sanitizers, etc.)
  - (21) containers purchased for planting, growing, harvesting or marketing any commodity.
  - (22) baskets, boxes, flats, trays, sheets, totes, bins, crates, wool bags, etc.
  - (23) rental or per unit fees for containers, sheets, etc. provided by a marketing association or cooperative.
  - (24) usage charges or rental fees for containers provided by a buyer, shipper, or packer.
  - (25) nursery and greenhouse containers purchased for nursery production, even if they are to be resold with the plant. **Exclude** containers purchased for immediate resale.

**Item 13 – Insurance**  
**V5 Only**

Include the farm share of all types of insurance including casualty insurance, crop, grazing, and livestock insurance, motor vehicle liability, blanket insurance policies, etc. In most record books, insurance expense is a line item. The IRS 1040F also contains a similar expense Item. Exclude premiums paid in earlier years for coverage in 2008. Also exclude premiums paid for life, health, and other payroll insurance.

All expenses for this item should be for the farming operation only. Health insurance, life insurance, etc. would be included in Section J as part of the household expenses.

**Item 14 – Repairs, Parts and Accessories for Vehicles, Machinery, & Equipment**

Record the total FARM SHARE of expenses for materials, labor, parts and services for repair and upkeep of motor vehicles and equipment. Include the cost of accessories for machines and equipment. If they are not listed separately in the operator's records, family use expenses may be included.

**INCLUDE** expenses for all:

- (1) tune-ups or overhauls of machinery or equipment (if not placed on a depreciation schedule).

- (2) damage repairs even if covered by insurance settlements.
- (3) maintenance and repairs for all vehicles, machinery, equipment, implements, irrigation and frost protection equipment, etc.
- (4) parts and accessories for vehicles and equipment

Examples of these expenses include:

- (1) hitches.
- (2) wheel weights (including fluid).
- (3) mirrors, radios, etc.
- (4) tractor cabs, air conditioners, etc.
- (5) electric sensor systems.
- (6) any other accessories.
- (7) services and parts for overhauls, tuneups, tubes, tires and repair of equipment.
- (8) brake adjustments and exhaust system repairs.
- (9) front end alignments, steering adjustments, wheel balancing and replacement of shock absorbers.
- (10) replacement or repair of carburetors, fuel pumps, fuel injector systems, water pumps, electrical systems, clutches and transmissions, body work, frame repairs, painting and glass replacement.
- (11) major engine overhauls and minor tune-ups, valve and ring jobs.
- (12) replacement parts for all machinery including disk blades, cultivator sweeps and shovels, sickles, guards and baler parts.
- (13) repair of livestock or poultry equipment.
- (14) hydraulic cylinders.
- (15) frost protection system repairs and maintenance.

**EXCLUDE** expenses for:

- (1) accessories included in the purchase cost of vehicles, machinery, equipment, etc.
- (2) beds, boxes and hydraulic systems purchased separately from a newly purchased truck. Record this in all other Capital Expenditures.

- (3) Repairs that are included on the operation's depreciation schedule. Expenses that are on a depreciation schedule are capital expenses. Repairs of this kind should be recorded in all other Capital Expenditures.

**Item 14a – Repairs, Parts and Accessories for Vehicles, Machinery, & Equipment For Specific Commodities**

**V2&V4 Only**

Record the dollar amount of the total (Item 14) repairs, parts, accessories for motor vehicles, machinery and farm equipment expense that was for the tobacco and beef cattle enterprise (excluding feedlot cattle).

**Item 14a – Interest and Fees Paid on Debts**

**V5 Only**

Record the total amount spent by the operation in 2008 for interest and service fees for all loans owed by the operation which were secured by real estate. "Secured by real estate" means real estate, such as land, building or a home that was used as collateral in obtaining the loan.

**EXCLUDE:**

- (1) interest on farm debts that was not part of this operation.
- (2) interest on the operator's residence if it is owned by the operator separately from the operation.
- (3) payments made on the loan principal amount.
- (4) interest and fees paid on debts NOT secured by real estate.

**Item 14b – Interest and Fees Paid on Debts NOT Secured by Real Estate**

**V5 Only**

Record the dollar amount spent by the operation in 2008 for interest and service fees for all loans owned by this operation which were not secured by real estate—machinery, tractors, trucks, other equipment, fertilizer, feed, seed, or livestock and poultry, breeding stock, money borrowed for use as working capital, and interest paid on CCC loans. Exclude interest and fees paid on debts secured by real estate which are reported in Item 14a.

**Item 15 – Maintenance/Repair of Farm Buildings and Land Improvements**

Record all expenses associated with maintenance of fences, buildings and other structures, and land improvements. Maintenance and repair expenses for existing land and conservation improvements are those

expenses the operation has on a regular basis and which have to be done for these improvements to continue to be useful. Example: annual leveling done for irrigation systems and repairing existing dikes and ponds.

**INCLUDE** maintenance and repair of:

- (1) houses for hired farm/ranch labor or tenants.
- (2) all other farm/ranch buildings such as barns, shops, storage facilities, sheds, silos, bins and similar structures.
- (3) wells.
- (4) drainage facilities.
- (5) all other farm improvements.

Exclude any new construction or remodeling expense (report in Land improvements or new buildings/structures).

**Item 15a – Maintenance/Repair of Farm Buildings and Land Improvements for Specialized Livestock Production Facilities**

**V2&V4 Only**

Record the dollar amount of the total (Item 15) maintenance/repair of farm buildings and land improvements that were for specialized livestock production facilities. Include dairies, feedlots, poultry houses, and swine buildings.

**Item 15a(i) – Maintenance/Repair of Farm Buildings and Land Improvements for Specialized Livestock Production Facilities for Specific Commodities**

**V4 Only**

Record the dollar amount of the total (Item 15a) maintenance/repair of farm buildings and land improvement expense that was for specialized livestock production facilities that was for the beef cattle enterprise (excluding feedlot cattle).

**Item 15b – Maintenance/Repair of Farm Buildings and Land Improvements for Irrigation Equipment and Pumps**

**V2&V4 Only**

Record the dollar amount of the total (Item 15) maintenance/repair of farm buildings and land improvement expenses that were for irrigation equipment and pumps.

**Item 15b(i) – Maintenance/Repair of Farm Buildings and Land Improvements for**

**Irrigation and Pumps for Specific Commodities**

**V2 Only**

Record the dollar amount of the total (Item 15b) maintenance/repair of farm buildings and land improvement expense that were for irrigation equipment and pumps that for the tobacco enterprise.

**Item 15a – Real Estate Taxes**  
**V5 Only**

Record the amount of real estate taxes paid by the operation in 2008. This is a line Item in most farm record books (and the IRS 1040F.) Exclude taxes paid on personal property (they are included in Item 15b).

Some States allow homestead exemptions, old age exemptions, etc., so all land owners may not be required to pay taxes on any, or a part, of their land. If the operation is not required to pay taxes due to an exception, make a note on the questionnaire.

**INCLUDE:**

- (1) taxes on farm land and buildings only.
- (2) taxes paid in 2008, even if they were levied in another year.
- (3) all partners' shares of taxes when a partnership is reported.

**EXCLUDE:**

- (1) taxes on personal property (include in Item 15b).
- (2) income taxes paid to IRS.

**Item 15b – Other Property Taxes**  
**V5 Only**

Personal property taxes may be assessed on things such as cars, trucks, farm machinery, livestock, production inputs, etc. that are not associated with land or buildings. Record the total amount this operation paid in 2008 for property taxes other than land or buildings. **Exclude** vehicle registration and license fees.

**Item 16 – Maintenance and Repair of the Operator's House**

Record the total amount spent in 2007 for maintenance and repairs to the operator's house, if it was owned by the operation.

If the operator does not understand what is meant by “owned by the

operation”, offer the definitions noted on the questionnaire. Owned by the operation can mean either the house is recorded as an asset in farm record books, used as security/collateral for a farm loan, or deeded as part of the farm.

**Exclude** any new construction or remodeling expense.

**Item 16 – Cash Wages Paid to Hired Workers**  
**V5 Only**

Record the total cash wages and bonuses paid to all hired farm and ranch labor on this operation in 2008 for agricultural work.

**INCLUDE** in the total amount paid:

- (1) cash wages, incentives, bonuses and profit percentages paid to workers doing agricultural work on land in the operation in 2008.
- (2) wages paid to family members and corporate officers.
- (3) salaries of hired managers.
- (4) the SALARY paid to the operator. (Do not include “draws”. “Drawing” is taking money out of the farm/ranch business for household expenses or other non-farm/ranch expenses.)

**EXCLUDE** from the total amount paid:

- (1) wages paid for housework.
- (2) expenses for contract labor.
- (3) money taken by the operator's household on a “draw”.
- (4) Employer’s share of payroll taxes including Social Security, Unemployment, Workers Compensation, etc.
- (5) benefits such as health insurance, life insurance, pensions, retirement, etc.

Paid labor includes only those workers whose pay was considered a business expense of the farm/ranch operation during 2008. These workers should have gotten a W-2 form from the operation, but for some reason they may not have. The key point in this item is that if the wages paid to the workers were considered a business expense to the operation, include them here. Operators who had more than 500 work hours of farm labor in any quarter during 2008 are affected by minimum wage laws.

Paid labor **INCLUDES**:

- (1) agricultural workers on the payroll no matter where they worked.

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- (2) agricultural workers on paid vacation or sick leave.
- (3) service workers provided to other operations by the selected operation.
- (4) family members who were paid by the operation.

In order to be counted as agricultural workers, employees must be involved in activities defined as being agricultural work.

**INCLUDE** as Agricultural Work:

- (1) work done **ON** this operation in connection with the production of agricultural products, including nursery and greenhouse products and animal specialties such as furs, fish, bees, honey, etc.
- (2) work done **OFF** this operation such as trips for marketing products of the operation, buying feed, delivering products to local markets or handling other farm-related business.
- (3) repairs of farm/ranch buildings and machinery when performed along with other work classified as agricultural work.
- (4) bookkeeping done by an employee of the operation.
- (5) managing a farm/ranch for a salary.
- (6) meal preparation for work crews.

**EXCLUDE** from Agricultural Work:

- (1) housework such as cooking, cleaning, babysitting, etc. done in the operator's home.
- (2) operating a gasoline station, store or other such non-agricultural enterprise even if it was located on the operation.
- (3) work involved in training, boarding or renting animals such as horses and dogs unless it was part of, and cannot be separated from, the business of raising the animals.
- (4) caring for research animals.
- (5) work at a roadside stand (or farm store) **UNLESS** the operation produced more than 50 percent of the products sold at the stand.

- (6) work which alters the commodity produced (such as wineries, canneries, textile mills, etc.) even if it is done on the operation and the workers are paid by the operator. Make a note if the respondent cannot separate these workers and their wages from operation's total payroll.
- (7) all work provided by service firms such as cotton ginning (record as a marketing charge), commercial bookkeeping, legal and other professional services provided at a location off the farm. All other items except the ginning and farm management (professional) services should be recorded as a general farm business expense.

**Item 17 – Insurance**

Include the farm share of all types of insurance including casualty insurance, crop, grazing, and livestock insurance, motor vehicle liability, blanket insurance policies, etc. In most record books, insurance expense is a line item. The IRS 1040F also contains a similar expense item. Exclude premiums paid in earlier years for coverage in 2008. Also exclude premiums paid for life, health, and other payroll insurance.

All expenses for this item should be for the farming operation only. Health insurance, life insurance, etc. would be included in Section J, as part of the household expenses.

**Item 17a – Federal Crop Insurance**

Record the dollar amount of the total (Item 17) insurance expense that was for Federal crop insurance. **Include** insurance premiums for the loss of grazing on rangeland, if the program is administered by a Federal agency.

**Item 17 – Breakout of Cash Wages Paid  
V5 Only**

The breakout of total cash wages is important to assure that the respondent includes cash wages paid to self, spouse, other operators, and other family members. The wages paid to farm and ranch labor are more obvious to the operator when he/she responds to this section. This breakout also allows for the proper allocation of cash wages to operator household income when we process the data. Record the actual dollars paid of the total cash wages paid (Item 23) to people in each of the categories listed. The sum of 17a + 17b + 17c + 17d + 17e **MUST** equal the total reported in



Item 16 in the Version 5 Questionnaire.

**Item 17a – The Operator**  
**V5 Only**

Record the amount paid to the operator (include a hired manager's salary - a hired manager is a salaried or hourly employee that gets a fixed wage or salary paid out from either the owner or the farm's financial accounts to manage and make day-to-day decisions for the farm. Bonuses are part of the hired manager's salary).

**Exclude** money taken out of the operation on a draw by the owner/operator.

**Item 17b – Wages paid to Spouse**  
**V5 Only**

Record the amount paid to the principal operator's spouse.

**Item 17c – Other Household Members**  
**V5 Only**

Record the amount paid to the other members of the operator's household. Exclude salaries paid to partners (unless they live in the household) and to their household members. These should be included in Item 17d. Household members include everyone who lives in the operator's house and shares the financial resources of the operator. Usually these are family members. Include people who do not live in the house if they are dependents of the operator (college students, etc.).

**Item 17d – Other Operators**  
**V5 Only**

Record the amount paid to other operators for this operation. These are persons responsible for the day-to-day management decisions for this operation, including hired managers as defined in 17a. Exclude operators that are household members of the principal operator. These should be included in 17c.

**Item 17e – Everyone Else  
V5 Only**

Record the amount paid to all hired workers of the operation except those included in Items 17a, 17b, 17c, and 17d. Include wages and salaries to family members who are not members of the operator's household.

**Item 18a – Interest and Fees Paid on Debts**

Record the total amount spent by the operation in 2008 for interest and service fees for all loans owed by the operation which were secured by real estate. "Secured by real estate" means real estate, such as land, building or a home that was used as collateral in obtaining the loan.

**EXCLUDE:**

- (1) interest on farm debts that was not part of this operation.
- (2) interest on the operator's residence if it is owned by the operator separately from the operation.
- (3) payments made on the loan principal amount.
- (4) interest and fees paid on debts NOT secured by real estate.

**Item 18b – Interest and Fees Paid on Debts NOT Secured by Real Estate**

Record the dollar amount spent by the operation in 2008 for interest and service fees for all loans owned by this operation which were not secured by real estate—machinery, tractors, trucks, other equipment, fertilizer, feed, seed, or livestock and poultry, breeding stock, money borrowed for use as working capital, and interest paid on CCC loans. Exclude interest and fees paid on debts secured by real estate which are reported in Item 18a.

**Item 18 – Payroll Taxes and Benefits  
V5 Only**

Record the total dollars spent by this operation for payroll taxes (Social Security, Unemployment, Workers Compensation, etc.), life insurance, health insurance, pensions, retirement, etc. for employees of this operation. If the employees paid a share of some of these items and their share was withheld from their wages, the expense for their share should be included in Total Cash Wages.

When the operator or the operator's spouse was a paid employee of the operation, and the operation paid for health insurance for the farm family

as a benefit of this employment, this is a valid business expense and should be included in this item.

**Item 19a – Real Estate Taxes**

Record the amount of real estate taxes paid by the operation in 2008. This is a line item in most farm record books (and the IRS 1040F.) Exclude taxes paid on personal property (they are included in Item 19b).

Some States allow homestead exemptions, old age exemptions, etc., so all land owners may not be required to pay taxes on any, or a part, of their land. If the operation is not required to pay taxes due to an exception, make a note on the questionnaire.

**INCLUDE:**

- (1) taxes on farm land and buildings only.
- (2) taxes paid in 2008, even if they were levied in another year.
- (3) all partners' shares of taxes when a partnership is reported.

**EXCLUDE:**

- (1) taxes on personal property (include in Item 19b).
- (2) income taxes paid to IRS.

**Item 19b – Other Property Taxes**

Personal property taxes may be assessed on things such as cars, trucks, farm machinery, livestock, production inputs, etc. that are not associated with land or buildings. Record the total amount this operation paid in 2008 for property taxes other than land or buildings. Exclude vehicle registration and license fees; they will be collected in Item 21.

**Item 19 – Contract Labor Expense  
V5 Only**

Record the total amount spent by the operation in 2008 for contract agricultural labor.

Contract workers are paid by a crew leader, contractor, buyer, processor, cooperative or other person who has an oral or written agreement with a farmer/rancher. Record the total expenses for contract labor used in 2008.

**INCLUDE:**

- (1) contract expenses for workers hired to harvest fruits, vegetables, potatoes, berries and all other crops.
- (2) other agricultural work which was performed on a contract basis by a contractor, a crew leader or a cooperative.
- (3) expenses for work done by any custom operator who does not provide his own machinery and who was hired on a contract.

**Exclude** expenses for contract construction or maintenance of buildings and land improvements. Contract labor expenses for maintenance and repair should be reported in Item 11. Contract labor expenses for all new construction should be reported in land improvements, new buildings/structures, or new construction/remodeling of operator's dwelling.

**Item 20 – Renting and Leasing Vehicles, Tractors, Equipment and Storage Structures**

Record the total 2008 expense for renting or leasing all vehicles, tractors, farm machinery, equipment and structures.

**Item 20 – All Other Operating Expenditures**  
**V5 Only**

This item is used to account for any expenses the operation had in 2008 that have not been recorded elsewhere in the questionnaire. If these expenses should have been reported in another item, make the necessary corrections.

**Item 20a – Custom Work**  
**V5 Only**

Custom work is work performed by machines and labor when it is hired as a unit. Expenses for transporting or hauling animals or other products such as milk to the processor goes here if the driver and the vehicle are hired together. Loading is probably also part of the fee. If only the labor is hired (no machines or vehicles), then the expense goes either under contract labor, or total cash wages if the labor was seasonal hired labor.

**Item 20b – Electricity, Phone, Other Utilities, and Purchased Water (Farm Share Only)**

**V5 Only**

Record the farm's share of total electricity, phone, other utilities, and purchased water. Include the landlord's and contractor's share. **Include:**

- Electricity for the farm office, barns and other farm buildings. If the farm office is in the home, include only the farm's share of the home electricity expense. Include monthly or annual charges to maintain service even when electricity is not being used. Include emergency electric guarantee fees, etc.
- The total costs of purchased irrigation water acquired from any off farm water source to irrigate crops on the farm. Include any drainage assessments, delivery charges, or other fees associated with the purchased water, and any standby fees and/or taxes which must be paid even if no water is used.
- The total expense for telephone service and calls, water (other than for irrigation), and all other utilities not previously reported. Include monthly or annual charges to maintain service even when the utility is not being used (stand-by fees). If farm and home meters are separate, exclude all costs for utilities for the home except in situations where the farm office is in the home. In this case, include the farm share of the utility expenses for the office. If some or all of the farm buildings shared the same meter as the home, include only the farm's share of the costs.

**Item 20c – Renting and Leasing Vehicles, Tractors, Equipment and Storage Structures**

**V5 Only**

Record the total 2008 expense for renting or leasing all vehicles, tractors, farm machinery, equipment and structures.

**Item 20d – Vehicle Registration and Licensing Fees**  
**V5 Only**

USDA accounts for income generated on farms in a manner consistent with that used internationally, following guidelines established by the Organization for Economic Co-operation and Development (OECD). The U.S. value-added measure includes payments-linked-to-production paid to governments as an expense category. Property taxes and vehicle registration and licensing fees are components of this category.

Record the total expense paid by the operation in 2008 for the farm share of registration and license fees for motor vehicles, trailers, etc. Also include hazardous material (HAZ-MAT) hauling license fees required in some states to haul agricultural chemicals on public roads. If license fees associated with new vehicles were collected by the dealer when the vehicle was sold, they should be listed on the purchase agreement or bill of sale. Probe to be sure personal property taxes assessed on purchased vehicles are not included in this item. These taxes should be recorded in Item 15b.

**Item 20e – Depreciation for Capital Assets**  
**V5 Only**

Feed, seed, fertilizer, and other production inputs are typically used completely in each year, and their cost is usually considered an expense in that year. Capital assets, on the other hand, typically last for multiple years, so the cost of those assets must be allocated over the years that the asset is used. Depreciation is the portion of an asset's value that is "used up" in each year it is employed in production. In figuring net income for tax purposes, this cost usually equals the original price of an item spread over the years in the service life set for the item by the IRS. Accountants and tax advisors usually determine a depreciation schedule (over how many years will capital assets be used up) for the farmer.

Producers often rely on the expertise of their accountant or tax advisor for this item. However, this item is available on the IRS 1040F. For this survey, use the depreciation amount claimed by the respondent on his income tax return. You may refer a respondent directly to the 1040F item, but only if he/she seems agreeable.

If the operator has been farming a long time, his equipment and breeding stock may be 'depreciated out', meaning he did not claim any depreciation

on his 2008 taxes. If this is the case, make a note explaining the situation.

If the operation is a partnership, include the amount claimed by partners.  
DO NOT enter the CURRENT VALUE of depreciable assets in this cell.

**Item 20e(i) – Depreciation for Breeding Livestock**  
**V5 Only**

Record the amount of Item 20 that was specifically for breeding livestock.

**Item 20f – Cash Value of Commodities Provided As Payment for Farm Work**  
**V5 Only**

Record the value of any commodities provided instead of payment of actual dollars. The value of the commodities is whatever the commodities could have been sold for. Include quantities of grain or other crops, head of livestock, or the value of a share of milk sales receipts provided as payment to family members.

**Exclude** living expenses for family members unless the expenses were considered a business expense of the operation.

**Item 20g – Market Value of Products Used or Consumed on the Operation**  
**V5 Only**

Record the estimated MARKET value of all the meat and livestock products, fruit, vegetables, berries, firewood, etc. produced and used or consumed on this operation in 2008. Exclude home gardens if expenses were excluded earlier. Include products used or consumed by partners and their families (ie, corn used for household furnaces). Also exclude any commodities provided as payment to household members for farm work reported above.

**Item 20h – Fees Paid for Professional or Farm Management Services**  
**V5 Only**

Record the amount of money spent in 2008 by the operators and partners on professional farm management services related to the management of this operation. Report fees paid for accounting, record keeping, tax preparation, planning, or farm product advice.

**EXCLUDE** fees paid for:

- (1) custom fertilizer, lime and/or soil conditioner applications (include in Item 2).

- (2) custom applications of crop chemicals and pesticides (record in Item 3).
- (3) entomologists, service companies, etc, for pest scouting (record in general business expenses, item 20i).

**Item 20i – General Business and All Other Operating Expenses  
V5 Only**

Show the respondent the list of General Business Expenses in the Respondent Booklet.

These expenses are generally recorded in the “other expense” category of most farm record books (and the 1040F). These expenses are so varied that when you ask the operator for his general business expenses he may say ‘none’ or itemize the ones that come to mind or include previously reported data. To gain some consistency in what is reported here, read the list of the “Includes” below and have the respondent refer to the Respondent Booklet. The purpose of this list is not to have the respondent itemize each expense to the nearest penny but to prompt him to consider various categories which define what you mean when you ask for ‘other business expenses’. If an individual item is a fairly “large” expenditure, make notes explaining the expense.

**INCLUDE:**

- (1) travel expenses (such as lodging, meals and parking) associated with purchasing or selling commodities for farm, association or cooperative business, attending fairs where the respondent's farm products were exhibited and other farm/ranch business.
- (2) postage and telegrams for the farm business.
- (3) expenses for title searches, abstracts, recording deeds and mortgages, court costs and other legal expenses for the land operated.
- (4) fees paid to attorneys in connection with the farm/ranch.
- (5) charges for permits and licenses obtained in 2008 for production and marketing of commodities produced on the land operated. Exclude quota and allotment purchases and rentals.
- (6) fees paid on a voluntary basis to marketing associations or government agencies (federal, state or local) on the basis of sales or production, for the promotion of sales or for other specific purposes.
- (7) registration of purebred animals.



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- (8) brand registration fees.
- (9) charges for sales promotion or advertising.
- (10) farm management expenses including books, papers and magazines on subjects related to crop or livestock production, market reports, farm newsletters and Ag bulletins. Report only 2008 expenditures, even if these cover more than one year.
- (11) real estate agent commissions and other direct selling or buying expenses.
- (12) garbage collection or dumpster service for barns and farm buildings.
- (13) rental expense for farm office space not on the operation.
- (14) fees paid to entomologists, service companies, etc. for pest scouting.
- (15) fees paid for programs like Boll Weevil Eradication Program (BWEP) and Pink Bollworm Program (PBWP) if there is one assessment fee (ie, a per-acre) and no additional fees are charged for chemicals. Any additional charges for chemicals should be recorded as chemical expenses.
- (16) trapping club memberships and dues. (Trapping clubs are formed to trap predator animals such as coyotes.)
- (17) stall or space rental fees for farmer's markets.
- (18) parcel post expenses or charges for marketing agricultural products.
- (19) all purchases of farm office equipment (not placed on a depreciation schedule).
- (20) the cost of having and maintaining a webpage.

**EXCLUDE:**

- (1) wages paid to farm employees (on the payroll) for bookkeeping (exclusively or in addition to other farm work). (WAGES AND SALARIES FOR ALL FARM EMPLOYEES SHOULD BE REPORTED EARLIER IN THIS SECTION.)
- (2) gasoline and other vehicle operating expenses.
- (3) taxes paid which were levied for general purposes.
- (4) marketing expenses and check-off fees deducted from sales of commodities paid by the operator.
- (5) expenditures for magazine or journal subscriptions for 2008 which were paid in other years.
- (6) all purchases of farm office equipment (if placed on a depreciation schedule).

- (7) potting soil and topsoil for nursery/greenhouse operations (record in all other expenses not previously recorded, the last item in this section).

**Item 21 – Vehicle Registration and Licensing Fees**

USDA accounts for income generated on farms in a manner consistent with that used internationally, following guidelines established by the Organization for Economic Co-operation and Development (OECD). The U.S. value-added measure includes payments-linked-to-production paid to governments as an expense category. Property taxes and vehicle registration and licensing fees are components of this category.

Record the total expense paid by the operation in 2008 for the farm share of registration and license fees for motor vehicles, trailers, etc. Also include hazardous material (HAZ-MAT) hauling license fees required in some states to haul agricultural chemicals on public roads. If license fees associated with new vehicles were collected by the dealer when the vehicle was sold, they should be listed on the purchase agreement or bill of sale. Probe to be sure personal property taxes assessed on purchased vehicles are not included in this item. These taxes should be recorded in Item 19b.

**Item 21 – All Capital Expenditures  
V5 Only**

See the description for Items 33-43 for all versions except Version 5 below for the description what is included for this Item.

**Item 22 – Depreciation for Capital Assets**

Feed, seed, fertilizer, and other production inputs are typically used completely in each year, and their cost is usually considered an expense in that year. Capital assets, on the other hand, typically last for multiple years, so the cost of those assets must be allocated over the years that the asset is used. Depreciation is the portion of an asset's value that is "used up" in each year it is employed in production. In figuring net income for tax purposes, this cost usually equals the original price of an item spread over the years in the service life set for the item by the IRS. Accountants and tax advisors usually determine a depreciation schedule (over how many years will capital assets be used up) for the farmer.

Producers often rely on the expertise of their accountant or tax advisor for this item. However, this item is available on the IRS 1040F. For this survey, use the depreciation amount claimed by the respondent on his income tax return. You may refer a respondent directly to the 1040F item, but only if he/she seems agreeable.

If the operator has been farming a long time, his equipment and breeding stock may be 'depreciated out', meaning he did not claim any depreciation on his 2008 taxes. If this is the case, make a note explaining the situation.

If the operation is a partnership, include the amount claimed by partners. DO NOT enter the CURRENT VALUE of depreciable assets in this cell.

**Item 22a – Depreciation for Breeding Livestock**

Record the amount of Item 22 that was specifically for breeding livestock.

**Item 23 – Cash Wages Paid to Hired Workers**

Record the total cash wages and bonuses paid to all hired farm and ranch labor on this operation in 2008 for agricultural work.

**INCLUDE** in the total amount paid:

- (1) cash wages, incentives, bonuses and profit percentages paid to workers doing agricultural work on land in the operation in 2008.
- (2) wages paid to family members and corporate officers.
- (3) salaries of hired managers.
- (4) the SALARY paid to the operator. (Do not include "draws". "Drawing" is taking money out of the farm/ranch business for household expenses or other non-farm/ranch expenses.)

**EXCLUDE** from the total amount paid:

- (1) wages paid for housework.
- (2) expenses for contract labor.
- (3) money taken by the operator's household on a "draw".
- (4) Employer's share of payroll taxes including Social Security, Unemployment, Workers Compensation, etc.
- (6) benefits such as health insurance, life insurance, pensions, retirement, etc.

Paid labor includes only those workers whose pay was considered a business expense of the farm/ranch operation during 2008. These workers should have gotten a W-2 form from the operation, but for some reason they may not have. The key point in this item is that if the wages paid to the workers were considered a business expense to the operation, include them here. Operators who had more than 500 work hours of farm labor in any quarter during 2008 are affected by minimum wage laws.

Paid labor **INCLUDES**:

- (1) agricultural workers on the payroll no matter where they worked.
- (2) agricultural workers on paid vacation or sick leave.
- (3) service workers provided to other operations by the selected operation.
- (4) family members who were paid by the operation.

In order to be counted as agricultural workers, employees must be involved in activities defined as being agricultural work.

**INCLUDE** as Agricultural Work:

- (1) work done **ON** this operation in connection with the production of agricultural products, including nursery and greenhouse products and animal specialties such as furs, fish, bees, honey, etc.
- (2) work done **OFF** this operation such as trips for marketing products of the operation, buying feed, delivering products to local markets or handling other farm-related business.
- (3) repairs of farm/ranch buildings and machinery when performed along with other work classified as agricultural work.
- (4) bookkeeping done by an employee of the operation.
- (5) managing a farm/ranch for a salary.
- (6) meal preparation for work crews.

**EXCLUDE** from Agricultural Work:

- (1) housework such as cooking, cleaning, babysitting, etc. done in the operator's home.
- (2) operating a gasoline station, store or other such non-agricultural enterprise even if it was located on the operation.
- (3) work involved in training, boarding or renting animals such as horses and dogs unless it was part of, and cannot be separated from, the business of raising the animals.
- (4) caring for research animals.

- (5) work at a roadside stand (or farm store) UNLESS the operation produced more than 50 percent of the products sold at the stand.
- (6) work which alters the commodity produced (such as wineries, canneries, textile mills, etc.) even if it is done on the operation and the workers are paid by the operator. Make a note if the respondent cannot separate these workers and their wages from operation's total payroll.
- (7) all work provided by service firms such as cotton ginning (record as a marketing charge), commercial bookkeeping, legal and other professional services provided at a location off the farm. All other items except the ginning and farm management (professional) services should be recorded as a general farm business expense.

**Item 23a – Cash Wages for Specific Commodities  
V2&V4 Only**

Record the dollar amount of the total (Item 23) cash wages paid to hired farm and ranch labor that was for the tobacco and beef cattle enterprise (excluding feedlot cattle).

**Item 24a-d – Breakout of Cash Wages Paid**

The breakout of total cash wages is important to assure that the respondent includes cash wages paid to self, spouse, other operators, and other family members. The wages paid to farm and ranch labor are more obvious to the operator when he/she responds to this section. This breakout also allows for the proper allocation of cash wages to operator household income when we process the data. Record the actual dollars paid of the total cash wages paid (Item 23) to people in each of the categories listed. The sum of 24a + 24b + 24c + 24d + 24e MUST equal the total reported in Item 23 in the questionnaire.

**Item 24a – The Operator**

Record the amount paid to the operator (include a hired manager's salary - a hired manager is a salaried or hourly employee that gets a fixed wage or salary paid out from either the owner or the farm's financial accounts to manage and make day-to-day decisions for the farm. Bonuses are part of the hired manager's salary).

**Exclude** money taken out of the operation on a draw by the

owner/operator.

**Item 24b – Wages paid to Spouse**

Record the amount paid to the principal operator's spouse.

**Item 24c – Other Household Members**

Record the amount paid to the other members of the operator's household. Exclude salaries paid to partners (unless they live in the household) and to their household members. These should be included in Item 24d. Household members include everyone who lives in the operator's house and shares the financial resources of the operator. Usually these are family members. Include people who do not live in the house if they are dependents of the operator (college students, etc.).

**Item 24d – Other Operators**

Record the amount paid to other operators for this operation. These are persons responsible for the day-to-day management decisions for this operation, including hired managers as defined in 24a. Exclude operators that are household members of the principal operator. These should be included in 24c.

**Item 24e – Everyone Else**

Record the amount paid to all hired workers of the operation except those included in Items 24a, 24b, 24c, and 24d. Include wages and salaries to family members who are not members of the operator's household.

**Item 25 – Payroll Taxes and Benefits**

Record the total dollars spent by this operation for payroll taxes (Social Security, Unemployment, Workers Compensation, etc.), life insurance, health insurance, pensions, retirement, etc. for employees of this operation. If the employees paid a share of some of these items and their share was withheld from their wages, the expense for their share should be included in Total CashWages.

When the operator or the operator's spouse was a paid employee of the

operation, and the operation paid for health insurance for the farm family as a benefit of this employment, this is a valid business expense and should be included in this item.

**Item 25a – Amount Paid for Household Insurance  
V1 Only**

Record the dollar amount of the total (Item 25) payroll taxes and benefits expense that was insurance for the operator and the operator's household.

**Item 25a – Payroll Taxes and Benefits for Specific Commodities  
V2&V4 Only**

Record the dollar amount of the total (Item 25) payroll taxes and benefits expense that was for the tobacco and beef cattle enterprise (excluding feedlot cattle).

**Item 26 – Contract Labor Expense**

Record the total amount spent by the operation in 2008 for contract agricultural labor.

Contract workers are paid by a crew leader, contractor, buyer, processor, cooperative or other person who has an oral or written agreement with a farmer/rancher. Record the total expenses for contract labor used in 2008.

**INCLUDE:**

- (1) contract expenses for workers hired to harvest fruits, vegetables, potatoes, berries and all other crops.
- (2) other agricultural work which was performed on a contract basis by a contractor, a crew leader or a cooperative.
- (3) expenses for work done by any custom operator who does not provide his own machinery and who was hired on a contract.

Exclude expenses for contract construction or maintenance of buildings and land improvements. Contract labor expenses for maintenance and repair should be reported in Item 15. Contract labor expenses for all new construction should be reported in land improvements, new buildings/structures, or new construction/remodeling of operator's dwelling.

**Item 26a – Contract Labor for Specific Commodities**

**V2&V4 Only**

Record the dollar amount of the total (Item 26) contract labor costs that were for the tobacco and beef cattle enterprise (excluding feedlot cattle).

**Item 27 – Custom Work**

Custom work is work performed by machines and labor when it is hired as a unit. Expenses for transporting or hauling animals or other products such as milk to the processor goes here if the driver and the vehicle are hired together. Loading is probably also part of the fee. If only the labor is hired (no machines or vehicles), then the expense goes either under contract labor, or in total cash wages if the labor was seasonal hired labor.

**Item 27a – Custom Hauling**

Record the total cost for all hauling done for this operation by a custom operator. Examples of custom hauling are paying a driver with his truck to haul grain to the elevator, livestock hauled to an auction, and milk hauled to a pooling station. At this point in the interview you will know enough about the operation to probe for specific hauling expenses the operation may have incurred. For example, if you are interviewing a dairy farmer, probe to be sure milk hauling is included. Most dairies have an expense for custom hauling, but may overlook that expense or not consider it “custom” work.

Keep in mind when the payment and commodity transfer occurs (as mentioned earlier in this chapter) when accounting for custom hauling expenses.

**INCLUDE:**

- (1) hauling to market.
- (2) hauling between farm/ranch parcels.
- (3) milk hauling charges. (If these were deducted from the operator's milk check, add them back to get the “net” figure we want in Sections D, Items 2 and 5).
- (4) hauling of feed, seed and fertilizer to the operation.
- (5) manure hauling.
- (6) all other hauling charges for the operation.

**Item 27b – Other Custom Work**



Most farm accounting record books (and the IRS 1040F) have a line for total expense for custom hire (machine work). Custom work is defined as work performed by machines and labor hired as a unit. Other custom work on crops would include custom planting, harvesting, leveling, and soil testing. Planting by plane or helicopter should also be included in this Item.

**EXCLUDE:**

- (1) contract labor.
- (2) custom fertilizer, lime and/or soil conditioner applications (include in Item 2).
- (3) custom applications of crop chemicals and pesticides (record in Item 3a) and pest scouting (record in general business expenses).
- (4) leasing of cars, trucks, tractors or other equipment.
- (5) custom livestock expense (record in Item 8).

**Item 27c – Total Custom Work for Specific Commodities  
V2&V4 Only**

Record the dollar amount of the total custom work (Items 27a and 27b) expense that was for the tobacco and beef cattle enterprise (excluding feedlot cattle).

**Item 28 – Cash Value of Commodities Provided to Household Members As  
Payment for Farm Work**

Record the value of any commodities provided to members of the household instead of payment of actual dollars. The value of the commodities is whatever the commodities could have been sold for. Include quantities of grain or other crops, head of livestock, or the value of a share of milk sales receipts provided as payment to family members.

**Exclude** living expenses for family members unless the expenses were considered a business expense of the operation.

**Item 29 – Cash Value of all Food, Goods and Services Provided as Payment to Workers who are NOT Household Members**

This question only applies to workers who are not members of the operator's household. The value of heating fuels, transportation, telephone, electricity, clothing and furniture supplied to hired workers who are not members of the operator's household should be calculated in terms of what they cost the operator. The value of food produced on the farm and furnished to paid workers should be whatever the items would have been worth at local prices (at the time they were given to the workers).

Operators may not regularly keep records of this type of employee compensation. For this reason, the question specifies items which are commonly overlooked by farmers in reporting these non-cash payments. Include the value of commodities (head of livestock, bushels of grain, percent of milk check, etc.) paid to any workers in lieu of wages for farm work, including such payments-in-kind. Using these items as probes will help the respondent better consider which type and amount of these payments were made.

**Item 30 – Market Value of Products Used or Consumed on the Operation**

Record the estimated MARKET value of all the meat and livestock products, fruit, vegetables, berries, firewood, etc. produced and used or consumed on this operation in 2008. Exclude home gardens if expenses were excluded earlier. Include products used or consumed by partners and their families (ie, corn used for household furnaces). Also exclude any commodities provided as payment to household members for farm work reported in Item 28.

**Item 30a – Percentage of Market Value of Products that was Livestock  
V1-V4 Only**

Of the total amount from Item 30, give a percentage of that amount that was from livestock or livestock products.

**Item 31 – Fees Paid for Professional or Farm Management Services**

Record the amount of money spent in 2008 by the operators and partners on professional farm management services related to the management of this operation. Report fees paid for accounting, record keeping, tax preparation, planning, or farm product advice.

**EXCLUDE** fees paid for:

- (1) custom fertilizer, lime and/or soil conditioner applications (include in Item 2).
- (2) custom applications of crop chemicals and pesticides (record in Item 3).
- (3) entomologists, service companies, etc, for pest scouting (record in general business expenses).

**Item 31a – Fees Paid for Farm Management, Planning, and Advice  
V1 Only**

Record the percentage of Item 31 paid for farm management, planning, and advice.

**Item 31b – Fees Paid for Conservation Practices  
V1 Only**

Record the percentage of Item 31 paid for farm management services which relate to conservation practices. Include any paid advice paid to consultants for conservation practices.

**Item 32 – General Business Expenses**

Show the respondent the list of General Business Expenses in the Respondent Booklet.

These expenses are generally recorded in the “other expense” category of most farm record books (and the 1040F). These expenses are so varied that when you ask the operator for his general business expenses he may say ‘none’ or itemize the ones that come to mind or include previously reported data. To gain some consistency in what is reported here, read the list of the “Includes” below and have the respondent refer to the Respondent Booklet. The purpose of this list is not to have the respondent itemize each expense to the nearest penny but to prompt him to consider various categories which define what you mean when you ask for ‘other

business expenses'. If an individual item is a fairly "large" expenditure, make notes explaining the expense.

**INCLUDE:**

- (1) travel expenses (such as lodging, meals and parking) associated with purchasing or selling commodities for farm, association or cooperative business, attending fairs where the respondent's farm products were exhibited and other farm/ranch business.
- (2) postage and telegrams for the farm business.
- (3) expenses for title searches, abstracts, recording deeds and mortgages, court costs and other legal expenses for the land operated.
- (4) fees paid to attorneys in connection with the farm/ranch.
- (5) charges for permits and licenses obtained in 2008 for production and marketing of commodities produced on the land operated. Exclude quota and allotment purchases and rentals.
- (6) fees paid on a voluntary basis to marketing associations or government agencies (federal, state or local) on the basis of sales or production, for the promotion of sales or for other specific purposes.
- (8) registration of purebred animals.
- (9) brand registration fees.
- (10) charges for sales promotion or advertising.
- (11) farm management expenses including books, papers and magazines on subjects related to crop or livestock production, market reports, farm newsletters and Ag bulletins. Report only 2008 expenditures, even if these cover more than one year.
- (12) real estate agent commissions and other direct selling or buying expenses.
- (12) garbage collection or dumpster service for barns and farm buildings.
- (13) rental expense for farm office space not on the operation.
- (14) fees paid to entomologists, service companies, etc. for pest scouting.
- (15) fees paid for programs like Boll Weevil Eradication Program (BWEP) and Pink Bollworm Program (PBWP) if there is one assessment fee (ie, a per-acre) and no additional fees are charged for chemicals. Any additional charges for chemicals should be recorded as chemical expenses.
- (16) trapping club memberships and dues. (Trapping clubs are formed

- (17) to trap predator animals such as coyotes.)  
stall or space rental fees for farmer's markets.
- (18) parcel post expenses or charges for marketing agricultural products.
- (19) all purchases of farm office equipment (not placed on a depreciation schedule).
- (20) the cost of having and maintaining a webpage.

**EXCLUDE:**

- (1) wages paid to farm employees (on the payroll) for bookkeeping (exclusively or in addition to other farm work). (WAGES AND SALARIES FOR ALL FARM EMPLOYEES SHOULD BE REPORTED EARLIER IN THIS SECTION.)
- (2) gasoline and other vehicle operating expenses.
- (3) taxes paid which were levied for general purposes.
- (4) marketing expenses and check-off fees deducted from sales of commodities paid by the operator.
- (5) expenditures for magazine or journal subscriptions for 2007 which were paid in other years.
- (6) all purchases of farm office equipment (if placed on a depreciation schedule).
- (7) potting soil and topsoil for nursery/greenhouse operations (record in all other expenses not previously recorded, the last item in this section).

**Item 33 – Land Improvements**

Land improvements are those additions or improvements to the land which change it in a PERMANENT way.

**INCLUDE:**

- (1) expenses for improvements such as terraces, water and sediment control basins, grassed waterways, ponds, windbreaks, permanent cover, contouring, grading, filter strips, etc.
- (2) expenses for drainage improvements such as ditches, bedding, shaping, subsurface drain tile, etc.
- (3) expenses for irrigation improvements such as digging wells or ditches.

- (4) expenses for land leveling (removal of irregularities on the land surface by the use of special equipment for the purpose of improving drainage, achieving more uniform planting depths, more effective use of water and greater efficiency in tillage operations).
- (5) expenses for corrals, feedlots, feeding floors, trench silos, waste facilities, wells and equipment not for irrigation.
- (6) (in Western states) capital improvements to grazing land.

**EXCLUDE:**

- (1) land purchases.

**Item 34 – New Construction and Remodeling of Farm Buildings, Structures, and Dwellings (excluding the operator’s dwelling)**

Record expenditures which were paid in 2008 for the construction of or remodeling of buildings, structures, or other dwellings. Record these 2008 expenditures regardless of whether the construction or remodeling was completed or not. If expenses were paid in 2008 for work completed in 2007, include them in this Item.

**INCLUDE:**

- (1) all costs for new construction or remodeling of houses for hired farm/ranch labor or tenants.
- (2) all costs to construct or remodel farm/ranch buildings, storage facilities, sheds, silos, bins and similar structures.

**Item 35 – New Construction and Remodeling of Operator’s House**

Include all costs for new construction or remodeling of the operator's house, if it was owned by the operation. Owned by the operation can mean either the house is recorded as an asset in farm record books, used as security/collateral for a farm loan, or deeded as part of the farm.

**Item 36 – Cars**

Record the total cost (after trade-ins, rebates and/or discounts have been subtracted) of all the new and used cars bought for use on the operation during 2008. The total cost should include the cost of accessories purchased with the vehicle(s), special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax.

If registration and license fees, financing charges and insurance were included in the purchase price, include them unless these fees were separate and itemized on the bill. Itemized financing charges should have been recorded in Item 18. Itemized registration and license fees should have been recorded in Item 21.

**Item 36a – Farm Share Percent**

Often, cars are purchased for both farm and personal (home) use. This question is asked to properly allocate the correct amount of the purchase to the farm. If there was no financial arrangement for the farm's share, it can be estimated. Farm share can be estimated by determining the percent of total use of the vehicle that was for farm/ranch related business, or that part of the total cost of the vehicle which is the basis for claiming future depreciation expense on tax claims for the operation. If all of the vehicles purchased in Item 36 are strictly for farm use, record 100 in Item 36a.

**Item 37 – Trucks**

Record the total cost (after trade-ins, rebates and/or discounts have been subtracted) of all the new and used trucks, pick-ups, sport utility vehicles, vans, campers, buses bought for use on the operation during 2008. The total cost should include the cost of accessories purchased with the vehicle(s), special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax.

If registration and license fees, financing charges and insurance were included in the purchase price, include them unless these fees were separate and itemized on the bill. Itemized financing charges should have been recorded in Item 18. Itemized registration and license fees should have been recorded in Item 21.

**Item 37a – Farm Share Percent**

Often, trucks are purchased for both farm and personal (home) use. This question is asked to properly allocate the correct amount of the purchase to the farm. If there was no financial arrangement for the farm's share, it can be estimated. Farm share can be estimated by determining the percent of total use of the vehicle that was for farm/ranch related business, or that

part of the total cost of the vehicle which is the basis for claiming future depreciation expense on tax claims for the operation. If all of the vehicles purchased in Item 37 are strictly for farm use, record 100 in Item 37a.

**Item 38 – Tractors**

Record the total purchase price (after trade-ins, rebates, discounts, etc.) of all new and used tractors (after any trade-in allowance, rebates and discounts were bought during 2008 for use on the operation. If the respondent's operation bought tractors in partnership with another operation, include only the amount that was this operation's share of the tractor's total cost. The total cost should include the cost of accessories bought with the tractor, special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax. Registration and license fees should be included in the purchase price if they were not separated on the bill. If these fees were separate and itemized on the bill, exclude them here. Financing charges should have been recorded in Item 18. Registration and license fees should have been reported in Item 21.

**Item 39 – Self-Propelled Farm Equipment**

Record the total purchase price (after trade-ins, rebates, discounts, etc.) of all new and used self-propelled equipment, implements and machinery (after any trade-in allowance, rebates and discounts were bought during 2008 for use on the operation. If the respondent's operation bought machinery in partnership with another operation, include only the amount that was this operation's share of the machine's total cost. The total cost should include the cost of accessories, special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax. Registration and license fees should be included in the purchase price if they were not separated on the bill. If these fees were separate and itemized on the bill, exclude them here. Financing charges should have been recorded in Item 18. Registration and license fees should have been reported in Item 21.

**Item 40 – NON-SELF-PROPELLED Equipment, Implements and/or Machinery Purchased**

Record the total purchase price for all non-self-propelled equipment, implements and machinery (after any trade-in allowance, rebates and discounts were subtracted) bought in 2008 for use on the operation.



Include purchases of livestock, dairy and poultry equipment, (including calf shelters/hutches) and irrigation equipment and pumps.

Include delivery charges and sales taxes in the net expense. If the respondent's operation bought machinery in partnership with another operation, include only the amount that was this operation's share of the machine's total cost.

**Exclude** expenses for equipment purchased for personal or pleasure use, such as rodeo equipment.

**Item 41 – Office Equipment, Furniture, and Computers**

Include all capital purchases (items placed on a depreciation schedule) of farm office equipment, furniture, and computers. Any such equipment purchased but not placed on a depreciation schedule should be included in Item 32.

**Item 42 – Purchase of Farmland and Other Farm Real Estate**

For the small number of farms that bought farm real estate during the year, the cost of that acquisition can have a significant impact on the cash available to farm households for consumption or other investment purposes. Include only real estate that was added to this farming operation during the year. Do not include buildings that were purchased separately and moved onto the farm. These should be reported in Item 34.

Report the total cost of the land and buildings acquired. For example, the operation added an adjoining section of land to this operation during the year, at a cost of \$640,000. The land was worth about \$600,000 and the service buildings on it were valued at \$40,000. The operator paid \$140,000 down and the balance of the purchase was financed by a bank loan of \$500,000. Enter \$640,000 here. The value of the real estate would also be included in Section G: the buildings (\$40,000) would be included in Item 1c, and the land (\$600,000) would be included in Item 1e. The loan would be entered in Section H (farm debt) with a column coded to indicate that a bank loan was obtained in 2008 to purchase land.

**Item 42a - Farmland Purchase Payment Method**

USDA will investigate how operators finance their purchases of farmland and other farm real estate. Obtain the percent of the total purchase price for each of the payment types. Using the example in Item 42 above, \$140,000 is approximately 22 percent of the total purchase amount. Enter this percentage in (i). The amount financed, \$500,000, is 78 percent. Enter this percentage in (ii). Note that the percentages should sum to 100 percent.

**Item 43 - Other Capital Expenditures**

Record the total cost of all other capital items (items placed on a depreciation schedule) purchased by the operation in 2008. Include major repairs which are placed on a depreciation schedule. Make good notes as to exactly what items are included.

**Exclude** breeding livestock purchases. Breeding livestock purchases are reported in Item 4a and 4d.

**Item 44 - Other Expenses**

This item is used to account for any expenses the operation had in 2008 that have not been recorded elsewhere in the questionnaire. Describe each of the items recorded here. If these expenses should have been reported in another item, make the necessary corrections.

Include

- potting soil or topsoil for nursery/greenhouse operations.
- money paid back to the government for government farm program overpayments in previous years. For example, a farmer signs up for a program surrounding a certain field crop. The farmer gets paid \$X in 2007 for either a direct payment or counter-cyclical payment. Market price then goes up and farmer is asked to pay back some or all of the money that they had received in 2008. If the operation's payment back to the government was in the same year as when the operation is received the money, this should be reflected in the income questions in Section E as net income (money received – money paid back).
- expenses used to acquire additional commodity to fulfill marketing

contracts if the operator had a bad year.

## Sections G & H - Farm Assets and Debts

### What are these Sections for? How is the information used?

Farmers assemble capital assets from a variety of sources. Key sources may include initial and subsequent investments made by farm owner(s), retained earnings from previous production and/or service activities, borrowed funds, or leased inputs such as land, machinery or equipment. Section G provides information about the assets owned by the operation. Term debt or notes used to purchase or acquire access to assets used by the farm is recorded in Section H.

Together, data collected in these two sections are used to develop the farm's balance sheet. The balance sheet lists the farm's assets, liabilities or debt, and owner's equity for a specific point in time. For purposes of USDA's farm financial management accounting procedures, December 31 is the reference date for the farm's balance sheet. Using December 31 as the reference date relates the balance sheet to farm's income statement which covers the calendar year from January 1 through December 31. The balance sheet is developed using an accounting formula that makes total assets equal to owned assets of the business plus debt or borrowed capital used by the operation. The owner's equity is equal to total assets of the operation minus any debt that is owed.

Using December 31, as the reference date allows the balance sheet to be related to the farm's income statement. The balance sheet, by providing measures of the assets and equity of the farm sector, is essential in estimating the profitability and efficiency of farm firms in the aggregate. Aggregate profitability measures combine income statement and balance sheet data in the calculation of rates of return to assets and to equity. Efficiency measures relate output per dollar of assets used in production.

The balance sheet shows the amount of "owned" assets the farm used in producing its crop and livestock commodities. The balance sheet excludes assets and debt of agribusiness firms that supply inputs or market or process farm products and the value of machinery leased to farmers by agribusiness firms. Leased machinery is considered an asset of the service input sector (payments for the flow of services from leased machinery are

an expense in the farm income account). However, farm machinery owned by a farm operator and leased or contracted to another operator is part of the balance sheet.

Correspondence between the length of term of loans and the type of assets held is also very important for evaluating the financial position of the farm. If a farm has a large amount of current debt (debt that is either payable or due in a year or less), but few current assets (such as cash, accounts receivable, or crop or livestock inventories), the farmer could have to liquidate a part of his/her holdings to meet obligations as they come due. This could affect how the farm is organized, what it can produce in future years, or its future profitability. If current debt is substantially larger than current assets, farmers may even have to take “fire sale” prices for assets put on the market to meet obligations. So the match between types of debt and assets, as well as total debts and assets, are considered by USDA in evaluating the financial status of farms.

Assets are economic resources that are used up in the farm production process. Assets expected to be used up or converted to cash within one year of the date of the balance sheet are called “current assets.” Examples of current assets are cash, financial assets, crop and livestock inventories, purchased inputs, cash invested in growing crops, as well as accounts receivable. All other assets (machinery and equipment, buildings, farmland, breeding livestock, etc.) are classified as long-term assets.

The farm’s assets are financed or paid for using either debt or the business owner(s)’ own funds (equity). Some farms use no debt while others use a mixture of debt and equity to buy farm assets. Farm operations that report no use of debt tend to be smaller farms as measured by sales value. Nearly 4 out of 5 commercial size farms have reported use of debt in past ARMS surveys.

Current liabilities are debts that must be repaid within one year of the date of the balance sheet. Examples include accounts payable, notes payable, short-term loans, accrued wages payable, accrued interest payable, and accrued taxes payable. Current liabilities also include that portion of long-term debt due within one year. All other liabilities are those debts requiring payment or fulfillment beyond one year.

Owner's equity is equal to the farm's total assets less its total debt or liabilities. Owner's equity is oftentimes referred to as "net worth" or "net assets." USDA uses data reported in the balance sheet along with data reported in the income statement to develop key indicators of financial health and performance for farm businesses.

These indicators **include**:

- **Solvency** -- debts in relation to assets,
- **Liquidity** -- money available to pay bills as they come due,
- **Profitability**-- the return to management and risk of the farmer in relation to the amount of farm assets and equity used in production, and
- **Financial Efficiency** -- how effectively the farm uses inputs to produce crops and livestock.

Balance sheets and indicators of farm financial health and performance are reported to the Secretary of Agriculture, other policy officials within USDA, and to the Congress. Balance sheet data from the ARMS are also made available to the public through the ARMS data tool located on the Economic Research Service web page. Conclusions about the financial health of farm businesses affect policy decisions made by the Secretary or Congress. In addition, data which summarize findings from the survey are reported for use by the media, farm organizations, and others with an interest in agriculture. Each year a summary report on the Status of Family Farms is prepared for Congress. This report, taken directly from the results of this survey, provides a perspective about the financial status of agriculture by type, size, and location of farm businesses.

A key use of the debt data reported in Section H is to develop an indication of how much money will be needed to meet annual loan repayments and interest charges. This estimate of debt service charges is compared with cash available from the farm business (derived from data reported in Sections D-F), off-farm income (reported in Section J), or other sources to develop a perspective about which type farms in different regions may be encountering loan repayment problems due to insufficient income, large debt loads, and/or high interest rates. Reliance on variable (floating, adjustable) interest rate loans means that changes in interest rates are now reflected in changing farm sector interest costs. Information about how often interest rates on farm loans may change provides a basis for assessing how interest charges may change, thus a key reason for

asking how often loans are repriced in Section H.

**Value of Land and Buildings.** On average, land accounts for nearly three-fourths of farmers' assets. Dwellings on the farm are also assets of the farm operation. These include the operator's house (when it is owned by the farm and included in the books of the farm) and hired labor and tenant houses.

The value of farm buildings is also used to help develop an estimate of capital replacement for farm sector assets. The buildings' value is assumed to be spread across the useful life of the building. A share of the building's total value becomes a production cost each year. In addition to land and building values, balance sheets include a value for machinery and equipment owned by the farm, including cars and trucks. Livestock and crop inventories are a large part of the balance sheet for some farms. Grain and livestock farms, in particular, tend to have substantial inventories on hand at year's end.

In addition to the assets they own, farmers also operate assets they lease or rent from others. For this section, we are interested in determining the value of assets managed by the operation. The respondent is the only source available for estimates of the value of the land they rent in 2008. Therefore, we include the value of rented land in estimating the total value of assets managed by the operation.

**Debt by Lender.** These data are used to help establish who is providing funds to meet farmer's borrowing needs. We ask about the loan balance, interest rate, type of loan (production, nonreal estate, or real estate), and the year in which the loan was obtained. These items are used to estimate the farm sector's debt payments that must be met each year.

The estimate of principal repayment is combined with the amount of interest and service fees to develop an estimate of debt service requirements facing the farm. USDA monitors very closely the debt service commitments of farms in relation to their incomes and cash flows. Rising use of farms' debt repayment capacity gives an early warning indicator of potential financial stress.

Many farmers use farm assets as security for loans for a variety of

purposes. For each of the four largest loans reported by the operator, we ask what percent of the loan was for operating expenses, capital expenditures, or other expenses of the farm operation. Responses to the primary purpose of the loans provide information about how farm assets are being used as collateral for loans for family and on-farm business uses.



## Section G - Farm Assets

### GENERAL INSTRUCTIONS

This section is different from the sections before it in the questionnaire because most of these questions focus on assets OWNED by the operation. For this section, we define assets of the operation as:

For individual or partnership operations: the assets belong to the operation or to the operator and partners. When the operator and/or partners rent their personal assets to the operation, exclude them as assets in this section.

For corporations: the assets belong to the corporation.

We also obtain information on land and buildings MANAGED, but NOT OWNED by the operation. Record the value of land rented by the operation. Also, most of this section has a fixed reference date, December 31, 2008, rather than all of 2008.

If the operator has multiple operations, only account for the assets that belong to the operation identified on the label. Assets belonging to the other operations will be accounted for in Section J. For example, there may be operators that may use heavy machinery (tractors, planters, combines, etc.) for all their operations. For each piece of heavy machinery, determine which operation it belongs to by determining which operation uses the item most. If the piece of heavy machinery belongs to the operation on the label, account for it in Section G. If the piece of heavy machinery does not belong to the operation on the label, account for it in Section J.

In this section we ask for the operator's estimate of the MARKET VALUE of several types of assets at the end of 2008. Obtain the operator's best estimate of the current market value of specific assets. If operation assets are owned by partners, include the value of assets belonging to all partners (exclude the landlord's share).

### **Value of Land and Buildings Items 1-3**

Market value is the “fair market value” for which the land and/or buildings could be sold under the market conditions existing at the time of the reference date and assuming that willing and financially able buyers and sellers exist and that there are no unusual circumstances such as forced liquidation, shortages, and emergencies. This value should be for the most likely purpose the land would be sold for its highest and best use, including non-agricultural uses.

#### **Item 1 – Market Value of Land and Buildings OWNED**

This information may not be available in records, but most operators should be aware of the current value of their land and buildings or comparable land and buildings. If loan funds have been obtained for use in the operation, the operator has likely prepared financial statements for use with his/her lender. The business financial statements would be a source for asset value information.

It is not necessary for the operation to own land in order to own buildings. Operations can own buildings that are permanent structures located on rented or leased land, or they may own mobile homes, shops or offices located on rented or leased land. When this occurs, be sure to include a note in the margin for state stat to review.

#### **Item 1a – Market Value of Operator’s Dwelling, if OWNED**

Record the market value of the operator's dwelling as of December 31, 2008, if it is owned by the operation. Owned by the operation means the house is recorded as an asset in farm record books, or used as security for a farm loan, or deeded as part of the farm. This definition is the same used to report expenses, which makes the income statement and the balance sheet consistent.

If the operator cannot give you an estimate of current market value, probe to get values of similar houses, or get the replacement value listed for insurance purposes.

**Item 1a(i) – Dwelling Located in Town, City, or Suburb  
V1 Only**

Indicate whether the operator's dwelling reported in Item 1a was located in a town, city, or suburban lot. An estimate of the house's rental value is developed only when it is located on the farm.

**Item 1b – Market Value of All Other Dwellings Owned**

Record the market value on December 31, 2008 of tenant and hired labor dwellings as well as all other dwellings owned by this operation. This includes houses/dwellings of partners, relatives, etc. The dwellings must be owned by the operation, not by the partner or relative separately from the land in the operation.

**Item 1c – All Other Farm Buildings and Structures Owned**

Record the market value on December 31, 2008 of all other farm buildings owned by the operation including barns, cribs, silos, equipment shops, grain bins, storage sheds and similar type buildings. Exclude processing facilities such as cotton gins, packing sheds, commercial elevator facilities, etc. even if they are owned by and located on the operation. Probe if necessary to obtain values, but do not accept "book value" (the original cost of the building minus depreciation).

**Item 1d – Orchard Trees, Vines and Trees Grown for Woody Crops**

Record the market value on December 31, 2008 of trees in orchards, vines in vineyards, other perennials in the field, Christmas trees, and short-term rotation woody crops. **Exclude** uncultivated acreage in timber – this should be recorded with the value of the land in Item 1e.

**Item 1e – Land Owned**

Record the operator's best estimate of the total market value of land OWNED by the operation on December 31, 2008. This should correspond to the acres owned reported in Section A, Item 1, unless land was purchased at the end of the year, and, thus, were not part of the operation during 2008. **Include** the value of land rented to others, water rights, mineral rights, permanently installed irrigation equipment, frost protection systems, grazing permits, and uncultivated timber that go with the land,

etc.

Verify with the operator that the average value per acre is reasonable for the area by dividing the amount reported by the number of acres owned.

**Exclude** the value of dwellings, buildings and structures, and trees in orchards, vines in vineyards, other perennials in the field, Christmas trees and trees cultivated for woody crops.

**The total of 1a + 1b + 1c + 1d + 1e should reflect the total value of land and buildings OWNED by this operation on December 31, 2008. Verify this total with the operator.**

**Item 2 – Value of Land and Buildings on Acres Rented From Others**

Record the operator's best estimate of the total market value of all the land and buildings Cash Rented, Share Rented, or Used Rent Free by the operation during 2008. (This should correspond to acres reported as rented in Section 1, Item 2 – Does not include grazing land rented on a fee-per-head or AUM basis) Include the value of water rights, mineral rights, permanently installed irrigation equipment, frost protection systems, permanent plantings in orchards, groves, vineyards, Christmas trees, grazing permits that go with the land, etc.

**Item 2a – Amount Rented from Relatives  
V1 Only**

Of the value of the land and buildings rented from others in Item 2, record the value of any land and buildings that were specifically rented from relatives. The answer to this question should only be positive if Item 2 is positive and should always be equal or less than the amount in Item 2.

**Item 3 – Value of Land and Buildings on Acres Rented To Others**

Record the operator's best estimate of the total market value of all the Land and buildings RENTED TO OTHERS. (This should correspond to acres reported as rented in Section 1, Item 3.) Include the value of water rights, mineral rights, permanently installed irrigation equipment, frost

protection systems, permanent plantings in orchards, groves, vineyards, Christmas trees, grazing permits that go with the land, etc.

**Item 4 – Market Value of Entire Farm Business**

Record the operator's best estimate of the total sales price that could be obtained from sale of the entire farm operation unit regardless of how the farm and its assets may be used following transfer of ownership.

**Item 5 – Value of Beginning/Ending Year Inventories of Machinery, Commodities, Production Inputs, and Farm Cooperatives**

Net farm income relates to the value of production during a given year. A portion of cash sales in any year may come from commodities produced in prior years, and carried into this year as inventory. Some of this year's production may remain in inventory at the end of the year. Accurately measuring net farm income to reflect this year's production must account for changes in inventory levels between January 1, 2008 and December 31, 2008. For that reason, we ask beginning and ending inventory values for crops, livestock, and production inputs.

Obtaining estimates of the value of assets such as stored crops, livestock, and inputs on January 1, 2008 and December 31, 2008 is critical to development of accurate estimates of profitability for farms. This occurs because net farm income is derived using a formula that adds or subtracts changes in inventory and depreciation to the difference in cash incomes reported primarily in Sections D and E and production expenses reported in Section F.

There are three main criteria you should guide the respondent toward considering in providing answers to beginning or ending year inventory values:

- the types of commodities or production inputs,
- the quantity of each type on hand, for each date at the beginning and end of the year, and
- their market price on the date in question.

The most accurate figures would be obtained if we collected all these pieces. This may not be possible thus it is acceptable for you to get the

operator's best estimate of the market value of commodities or production inputs on hand at the beginning and the end of the year. Still, ask the respondent to think about differences in the quantity of crops, livestock or inputs on hand in January and December (for example if more crops were stored, or crops were sold, or inputs were purchased or used up in production) and prices that could have been received for the commodities in January versus December and the prices that would have been paid for inputs on hand.

If the operator says the market values were the same, YOU MUST PROBE for the commodity/input types, the quantity, livestock weights, and the market price on the date in question. This will ensure as accurate figures as possible. If the respondent says values were the same even after probing for additional information, make good notes of the reason why they were the same so the survey statistician understands the situation and will be in position to write a good comment to explain the situation.

The value of commodities held in inventory relate to the figures reported earlier in the questionnaire for crop production, the amount (of crops) used on farm, or the quantity (of livestock) sold, and to the sales data reported in Section D. If the commodity was produced in 2008 (or like livestock was bought in 2008 – see reporting of livestock purchases in Section F) but not sold or used on farm, it should be in ending inventory and its value would be recorded here.

**In most cases, the value of commodities or production inputs on hand at the beginning of the year should not equal their value at the end of the year.** After finding out the value at the end of 2008 and you ask about the value at the beginning of 2008, do not say, “Was it (about) the same?” or “It was the about the same, was it not?” Instead, probe for changes in quantities on hand, for prices for which commodities could have been sold, or for prices that would have been paid for inputs bought for farm use.

**Item 5a – Value of CROPS Owned**

Record the operator's best estimate of both the beginning-of-year and end-of-year market value of all crops stored on or off the operation. Be sure to consider the quantity on hand and market prices on the date in question.

Include all types of crops including those for which there are Government programs as well as non-program crops.

**Include** the value of:

- (1) all crops owned by the operation whether stored on or off the operation.
- (2) hay and silage crops.
- (3) crops produced in 2007 and earlier years in whole form.
- (4) crops to be used for feed, seed, sales, etc.
- (5) all whole grains on hand.
- (6) all crops purchased.
- (7) crops owned by the operation which were produced under a contract but not sold as of December 31, 2008.
- (8) crops sold in 2008, but payment and delivery will take place in 2009.
- (9) crops in storage which had been redeemed from CCC loan by the reference date above.
- (10) nursery and greenhouse products in saleable condition.

**Exclude** the value of:

- (1) crops still under CCC loans. However, include the value of the crop if a loan deficiency payment or a marketing loan gain was obtained and the crop is still on hand. Exclude the crop only if it was placed under loan and was still under loan on either of the reference dates of January 1, 2008 or December 31, 2008.
- (2) feed items such as cracked corn, rolled oats, etc (record under production inputs Item 5d).
- (3) growing crops.

### **Items 5 b&c – Value of Livestock Owned**

For livestock, you also need to consider their weights or size. You need to consider all these things on January 1, 2008, to get the market value of the beginning year inventory. Then you need to consider all these things on December 31, 2008, to get the market value of the end of year inventory. It is highly unlikely that all of these things are the same at the end of the year as they were at the beginning of the year. The number of head and the number owned on December 31, 2008 were reported in Sections C, Use the responses to items in these sections to obtain end of year values.

**Beginning of year values should be in comparison to the end of year**

**values.** For example, number of head may be different, or prices may be different, or weights of the animals may be different on the two reference dates. Changes in any one of these items between January 1, 2008 and December 31, 2008 could result in inventory values being different in December than they were in January.

**Include** the value of:

- (1) all animals held for resale.
- (2) beef and dairy cows, bulls, steers, heifers, calves and any other cattle.
- (3) hogs and pigs.
- (4) sheep and lambs.
- (5) horses, ponies and mules.
- (6) goats.
- (7) chickens, ducks, geese, guineas, pigeons, etc.
- (8) fur bearing animals.
- (9) catfish, crawfish and other fish.
- (10) bees.
- (11) other specialty livestock.

**Exclude** the value of:

- (1) livestock on hand not owned by the operation.
- (2) animals owned for pleasure use only (except equine).
- (3) livestock owned by this operation, but being produced by another operation under contract. The value of these animals is collected in Section C.

**Item 5b – Breeding Livestock**

Record the operator's best estimate of both the beginning-of-year and end-of-year market value for all breeding livestock (including dairy animals) and poultry owned by, and located on or off, the operation. Exclude breeding livestock being produced on another operation under contract.

Be sure to consider the quantity on hand, their size or weights, and the market prices on the date in question. Breeding livestock animals are considered non-current assets on an operation's balance sheet. They reflect a long term investment.

The number of head on hand as well as owned on December 31, 2008, was



reported in Section C. This should be the inventory for which the operator gives you his/her estimate of the end of year value. From the end of year value ask the respondent about January 1, 2008 values, keeping in mind changes in number, weights, and prices.

**Item 5c – Value of Non-Breeding Livestock Owned**

Record the operator's best estimate of both the beginning-of-year and end-of-year market value for all non-breeding livestock (including dairy animals) and poultry owned by, and located on or off, the operation. Exclude breeding livestock being produced on another operation under contract.

Be sure to consider the quantity on hand, their size or weights, and the market prices on the date in question. Non-breeding livestock (calves, heifers, and steers) held in inventory for sale within the next year are considered current assets on an operation's balance sheet.

The number of head on hand as well as owned on December 31, 2008 was reported in Section C. This should be the inventory for which the operator gives you the end of year value. From the end of year value ask the respondent about January 1, 2008 values, keeping in mind changes in number, weights, and prices.

**Item 5d – Value of Production Inputs Owned**

Record the operator's best estimate of both the beginning-of-year and end-of-year market value of inputs owned by this operation. **Include** such things as feed, fertilizer, chemicals, fuels, purchased seed and other supplies, etc. **Exclude** the value of any items that should be reported in Item 5a (hay, crops to be used for seed, etc.) Do not include fertilizers and chemicals already applied (record in Item 5e).

Prices of many inputs such as fuel and fertilizer could have changed during 2008. An estimate of the quantity on hand on January 1, 2008 and price paid at that time and the quantity and price at year end will likely result in the value of inventory being different for these two time periods. The change in the value in input inventory on hand will be very important in helping put production costs into perspective and in helping explain estimates of net farm income for farm businesses.

**Item 5e – Production Inputs Already Used for Crops or Livestock (Sunk Costs)**

**Why do we ask this question?**

Growing crops represent a substantial investment and have a significant impact on a farmer's balance sheet. As purchases of fertilizer, seed, herbicide, gas, labor, etc. are made and the resources used, either cash is diminished or liabilities are increased. These kinds of changes by themselves can affect how current assets of the farm are viewed relative to debts owed by the operation. It is important that an asset value still be shown. One method is to assume these cash inputs transformed into growing crops, do in fact have a value; that is, someone would pay to acquire such resources during the year. For a December 31 balance sheet and a winter wheat crop, this means a value should be placed on the growing crop. Since the actual market value is hard to determine, actual cash invested in the crop is used as the balance sheet value.

Record the amount spent up through December 31, 2008 for physical production inputs (seeds, fertilizers, pesticides, etc.) for all cover crops and crops planted but not harvested as of that date. Also include the amount spent for fertilizers and pesticides already applied to benefit a crop that had not been planted yet as of December 31, 2008. This is important because the cost of the fertilizers and/or pesticides applied prior to December 31, 2008 would be considered an expense of the farm and would reduce net income from a cash perspective. Recording the value of the inputs applied as an asset would be reflected in the balance sheet and in the change in asset values that is included in the estimate of overall net income and profitability of the farm.

**FEEDLOTS:**

Feedlots will likely have sunk costs to report. Sunk costs for feedlot operations can be reported by recording either:

- the value of feed, vet care, labor, fuel, and other expenses utilized for fed cattle not yet moved from the feedlot, or
- Recording the value of net weight gain (portion of feed, fees, etc. not yet recovered from the contractor) for fed cattle not yet removed from the feedlot.

**Include** the value of inputs already applied to:

- (1) nursery crops.
- (2) greenhouse crops.
- (3) mushrooms, fruit or vegetable crops.
- (4) cover crops.
- (5) winter or spring grain crops which had been planted by December 31, 2008
- (6) applied to benefit a crop to be planted after December 31, 2008
- (7) feed, labor, fees, etc. used on farms with livestock production contracts for unowned cattle.

**Exclude** the value of inputs to:

- (1) crops already harvested and on hand (these crop values should be recorded in Item 5a).
- (2) crops such as Christmas trees, fruit trees, etc. where the value of the crop is included in the value of the land in Item 1 above.
- (3) mature standing crops not harvested by December 31, 2008 due to weather or market conditions. An estimated value for these crops should be recorded in Item 5a if they were originally intended for harvest as of December 31, 2008.

**Item 5f – Trucks and Cars Owned**

Record the end-of-year (on December 31, 2008) estimate of the market value of the farm share of trucks and cars owned by the operation.

**Item 5g – Tractors, Machinery, Tools and Equipment Owned**

Record the end-of-year (on December 31, 2008) estimate of the market value of the farm share of tractors, machinery, tools, equipment and implements owned by the operation. Prices of machinery, equipment and implements change over time. Reflect these changes in prices that would have to be paid for a similar item in the estimate of market value.

**Item 5h – Stock in Cooperatives and Farm Credit System**

Record the value on December 31, 2008, of the stock the operation owns in the Farm Credit System and all other farm cooperatives. Be sure to include the value of shares received during the year in lieu of dividends.

As a condition of obtaining a loan, the Farm Credit System has requirements for a borrower to purchase stock in the Farm Credit System. The value of the stock is reported here.

**Item 6 – Other Farm Assets**

Record the operator's best estimate of the market value of all other assets of the farm/ranch, using the Value Codes in the Respondent Booklet. These can be known as “Liquid Assets”. Refer the respondent to the list of items in the respondent booklet labeled, “Other Farm Assets”.

*Almost every operator should have some other farm assets!!*

**Include** the value of:

- (1) cash, bonds, certificates of deposit, savings and checking accounts belonging to the operation.
- (2) money owed to the operation  
(other than that reported in Section D, Accounts Receivable/Deferred Payments).
- (3) quotas and allotments owned by the operation, if these values are not reflected in the land values reported in Item 1.
- (4) livestock products stored on the operation, but not yet sold (for example, milk before hauling and eggs still on the operation).

**Exclude** the value of:

- (1) assets for which values were obtained earlier in the questionnaire.
- (2) personal assets (record in Section J).

## Section H – Farm Debt

Farmers use debt to help obtain assets used by the operation to produce crops or livestock or to provide a range of business services such as custom work, recreational activities, or livestock grazing. Estimates of debt are used to measure how solvent the business is (debt/assets) at a point in time (December 31, 2008). Estimates of debt are also used to develop estimates of interest and principal that have to be paid that can be compared with income earned by the farm (reported in earlier Sections of the questionnaire). Debt service needs relative to income earned is used to prepare measures of financial position reported by USDA for U.S. farms.

Section H is organized to reflect farmers' use of debt in their businesses. In Version 1 Questionnaires, if farmers do not use debt as a source of funding for their operations they skip to Section I. The organization of this section is intended to provide the large share of respondents who do not report use of term debt or notes from creditors a more streamlined interview.

For operators who do report use of debt in their businesses, Section H of Version 1 has been developed to begin with questions about use of an established line of credit. This aligns questions written for the ARMS with steps typically taken to both acquire annual operating inputs and longer-term assets used by the farm. Operating inputs most likely would be financed with either some form of standard loan or a "line of credit". Lines of credit might differ in how they are established for a farm (operator), but they will feature some established loan amount that has been agreed to by a lender based on a projected amount of borrowing needed by the farm (and its ability to repay or creditworthiness). Farmers can then borrow from the "line of credit" either on an "as needed basis" up to some maximum amount or on some schedule for either amount or timing. Debt used to obtain intermediate and longer-term assets such as machinery or real estate would typically be reported in the remainder of Section H.

If the operator has multiple operations, only account for the debt that belongs to the operation identified on the label (there should be assets for these items in Section H or expenditures for inputs and/or capital purchases in Section F). Debt belonging to the other operations will be

accounted for in Section J. For example, there may be operators that may use heavy machinery (tractors, planters, combines, etc.) for all their operations. For each piece of heavy machinery, determine which operation it belongs to by determining which operation uses the item most. If the piece of heavy machinery belongs to the operation on the label, account for its debt in Section H (Using the same guideline, asset values will have been included in Section G). If the piece of heavy machinery does not belong to the operation on the label, account for its debt in Section J.

## **Version 1 Questionnaire**

### **Item 1 – Debt Use in 2008 V1 Only**

This is a screening question to determine if debt was used at anytime during 2008.

**Include** 1) any debt that was obtained from earlier years and was not paid off by January 1, 2008 and; 2) any amounts used from established lines of credit.

If debt was used at any time during 2008, check “Yes” for Item 1, enter code “1” in the cell, and continue with question 2. If debt was not used at all during 2008, check “No” for Item 1, enter code “3” in the cell, then skip to Section I.

### **Item 2 – Established Line of Credit during 2008 V1 Only**

Ask whether the operation had an established line of credit with a lending institution or other source at any time during 2008 even if it was never used. If no line of credit existed for the farm in 2008, check the “No” box for Item 2, enter code “3” in the cell, and proceed to Item 4.

### **Item 3 – Use of Line of Credit V1 Only**

This question is intended to record whether or not the operator borrowed against their established line of credit at any time in 2008 and to provide an indication of the amount of the line of credit that was used. If the respondent did not use any of the funds available from an established line of credit, use code “4”.

**Item 4 –  
V1 Only**                    **Loans Taken Out in 2008 and Repaid in 2008**

This item includes only loans taken out in 2008 and entirely or partially repaid during the year. For example, if an operation took out a \$100,000 operating loan and had repaid all but \$20,000 by the end of the year, record \$80,000 in Item 4 as the maximum loan amount taken out and repaid during 2008. Record the \$20,000 debt balance in the Item 6 table.

Loans acquired through access to “lines of credit” would be reported in Item 4. Any outstanding balance on December 31, 2008 would be reported in Item 6 following the same instruction as provided above for the example.

Responses to this question helps us gauge the share of farms that use debt during the year but that do not have a debt outstanding at year end and provides help in evaluating the amount of interest paid by the operation.

**Item 5 –  
V1 Only**                    **Screening for Debt**

In a majority of situations, the operation may not report debt. But, most farms with over \$100,000 in sales will have some form of operating or longer-term loan. Debt can usually be tied to specific assets. As noted earlier, it is unusual for a commercial-size farm to not have any debt, so if the answer to this item is NO, place a “3” in the cell box, and make a good note before skipping to Section I.

**Check interest paid as reported in Item 18, Section F to help determine whether or not debt was used, and if so what type of loan was established. If interest is paid, some form of debt (either a loan or line of credit) was held during the 2008 calendar year. PROBE to determine if the operation had any loans at the end of 2008 against any livestock, machinery, or farm real estate. If the operator has multiple operations, include debt for only this operation.**

**Item 6 – Debt By Lender**  
**V1 only**

If the operation had debt at the end of 2008, the table in this item must be completed. Include debt on the operator's house if it was owned by the operation. Refer to Section G, Item 1a to determine if the operator's house was owned by the operation and included in assets. Record line of credit balances outstanding at the end of 2008 in the same manner as any other conventional loans.

Start completing the table by asking about the largest loan. Work down the rows in the table for each loan, **starting with the largest loan owed** and working across to the smallest loan owed, for up to five loans. Be sure the respondent **excludes** debt for non-farm purposes even if the loan was secured by the operation's assets. The amount of off-farm debt secured by farm assets is to be reported in Section J, Item 20. Include all other debt owed by the farm that is secured by farm assets.

**Column 1 – Lender**  
**V1 only**

Refer the respondent (and yourself) to the list of Lender Codes in the Respondent Booklet.

There is no need for the respondent to report specific firms or persons with whom he/she has loans, such as 'First State Bank of Iowa' or 'my mother-in-law'. By encouraging the respondents to use the RESPONDENT BOOKLET, you are assuring them your interests are in obtaining what types of loans are typical in their state, not where they personally have obtained loans to finance their operations. Typically, lenders will be grouped to provide reports by lending institutions, trade creditors, individuals, etc.

Enter the Code for the lender type from whom the operation obtained a loan. If more than one loan is owed to the same lender, record the loans separately if possible.

Report as Farm Credit System debt (Code 1) any loans from the Federal Land Bank Association, Production Credit Associations, Agricultural Credit Associations, or any other organizations through which Farm Credit System loans are made.



USDA's Farm Service Agency (FSA) has taken over the lending functions of the former Farmers Home Administration (FmHA). FSA provides credit to farm operators through direct loans and through guarantees of loans made by private lenders. Use Code 2 only for direct loans made by the former FmHA and/or the new FSA. For loans made through private lenders but guaranteed by FSA, use other Codes, such as 5, 6, and 7, etc.

Exclude loans borrowed against the cash value of life insurance policies from Code 7. Record these type loans under "any other lenders", Code 15.

Report as contractor debt (Code 11) any loans from corporations, cooperatives, partnerships, individuals, or other organizations for which this operation produces or markets any commodity or product under contract. Poultry and other livestock contractors may provide financing for the construction of facilities and for the purchase of feed and other inputs. Similarly, fruit and vegetable processors may finance seed, specialized machinery, and packing and on-farm processing facilities for producers who grow for them under contract.

For Code 12 and Code 13, lenders are individuals; however, there is a difference in the two types of loans. For Code 12, (individuals from whom land in the operation was bought under a mortgage or deed of trust) title to the land transfers immediately. For Code 13, (individuals from whom land in the operation was bought under a land purchase contract) title to the land transfers after a specified portion of the purchase price has been paid, or after a certain amount of time has passed.

Report credit card debt (Code 16) only for credit card balances outstanding at the end of the year. The farm press frequently reports on the dangers farmers face in charging feed, seed, and other inputs on credit cards to gain frequent flier miles and other affinity program benefits, with the intention of refinancing these purchases during the credit card grace period. **Exclude** credit card purchases that were paid from an equity credit line or rolled into other debt before the end of the year. The balance owed to the bank, or other lender, should be reported in the table instead. **Exclude** any outstanding credit card balances not related to the operation of the farm business.

**Include** as other debts (Code 17) the farm share of all unpaid bills. Unpaid

bills are a current liability of the farm operation.

**Column 2 – Balance Owed**  
**V1 only**

Record the 2008 end-of-year balance remaining to be paid. Include both principal and unpaid interest which was delinquent. Obtaining an accurate estimate of the balance that farmers owe on any loans taken to acquire assets is critically important. The amount of debt owed by farmers helps drive the development financial indicators and perspectives about the financial health of farm businesses. Reported debt, for example, forms the numerator of the debt-to-asset ratio developed for farms. Reported debt is also used to assess the capital structure of farms, indicating what portion of assets is owned by the farm family and what share is owned by creditors.

**Include** any interest which was unpaid and/or delinquent. **Exclude** any “future” interest that will be owed and accrued interest that was not delinquent.

**Column 3 – Interest Rate**  
**V1 only**

Enter the interest rate associated with the loan balance recorded in Item 7c. Rates should be entered to the nearest basis point (hundredth of a percent), such as 10.25, 9.50, 8.00 or 6.75 percent. You can have debt recorded with a zero percent interest rate if no interest is charged. This is most common with very short term debt, although it is sometimes found with debt owed to family members. Write a note of explanation whenever the interest rate is zero.

**Column 4 – Loan Type**  
**V1 only**

Select one of the 3 choices in the “Loan Types” list in the respondent booklet that best describes the type of loan that the respondent has. Line of credit balances will most often be designated as “production loans” but in some cases may be included as nonreal estate or real estate loans.

Production loans refer to seasonal loans that farmers typically borrow to finance the production of a commodity, and repay when the commodity is sold.

Nonreal estate loans (longer than one year) refer to machinery, equipment, and breeding livestock loans that the farmer will repay over a number of years.

Real estates loans refer to loans secured by farmland. These loans may be for any purpose, but typically are repaid over a period of 10-20 years.

**Column 5 – Year Loan was Obtained**  
**V1 only**

Enter the 4-digit year the loan was obtained.

**Column 6 – Original Term of Loan**  
**V1 only**

Record the original term of the loan in number of years. If less than a year, then round up to 1 year.

**Column 7 – Percent for FARM Expenditures**  
**V1 only**

If the loan was obtained entirely for farm expenditures, this item should be 100. If part of the loan was used for non-farm purposes, enter the percent of the original loan which was used for operating expenses, capital expenditures or other expenses of the farm operation.

**Column 8 – Purpose of Loan**  
**V1 only**

Check the respondent booklet for the list. Respondents have seven choices for the purpose of the loan. Record the purpose that reflects the respondent's use of loan funds.

(1) Purchase real estate (land and its attachments)

**INCLUDE**

- Farm and home improvements
- Building construction

- Construction of livestock and poultry facilities
  - Grove development and rehabilitation
- (2) Purchase feeder livestock
- (3) Purchase other livestock
- (4) Other current operating expenditures such as
- Current crop production
  - Care and feeding of livestock including poultry
  - Labor, seed, feed, fertilizer, grove caretaking, repair, and maintenance
- (5) Farm machinery and equipment
- (6) Debt consolidation
- (7) Other

**Column 9 – Fixed or Variable/Adjustable/Floating Rate Loan?  
V1 only**

Record whether the loan was a fixed rate (Code 1) or a variable/floating rate loan in column 9. Response to this item will provide a basis for measuring the share of farm debt that may be affected by changes in lending rates.

If the loan is a variable/floating rate loan, indicate how often the rate is repriced. Select a code 2 if the loan is repriced monthly; 3 if quarterly; 4 if annually; and 5 more than annually. Responses to this question will help determine how sensitive existing farm loans are to changes in interest rates.

**Item 7 – Number of Additional Loans  
V1 Only**

Space is provided to record details for up to five loans in the Item 6 table. If the operation had more than five loans with balances outstanding at the end of 2008, enter the number of loans in addition to the four identified in the table.

**Item 7a – Amount of Additional Debt  
V1 Only**

If the operation had more than five loans with balances outstanding at the end of 2008, enter the total amount of outstanding debt not recorded in the table. Include both principal and unpaid interest which was accrued by December 31, 2008.

**Item 8 – Debt owed for Operator's Dwelling**

This should be the portion of debt from all of the loans listed in Item 6 and 7a that is specifically for the operator's dwelling. If the operator's dwelling is owned by the operation, debt should have been included above.

## **Version 2-5 Questionnaire**

**Item 1 – Loans Taken Out in 2008 and Repaid in 2008  
V2-V5**

This item includes only loans taken out in 2008 and entirely or partially repaid during the year. For example, if an operation took out a \$100,000 operating loan and had repaid all but \$20,000 by the end of the year, record \$80,000 in Item 1 as the maximum loan amount taken out and repaid during 2008. Record the \$20,000 debt balance in the Item 3 table.

Loans acquired through access to "lines of credit" would be reported in Item 3. Any outstanding balance on December 31, 2008 would be reported in Item 3 following the same instruction as provided above for the example.

Responses to this question helps us gauge the share of farms that use debt during the year but that do not have a debt outstanding at year end and provides help in evaluating the amount of interest paid by the operation.

**Item 2 – Screening for Debt  
V2-V5**

In a majority of situations, the operation may not report debt. But, most farms with over \$100,000 in sales will have some form of operating or longer-term loan. Debt can usually be tied to specific assets. As noted earlier, it is unusual for a commercial-size farm to not have any debt, so if

the answer to this item is NO, enter a code “3” in the cell box and make a good note before skipping to Section I. **Check interest paid as reported in Section F to determine the type and status of loans. If interest is paid, some form of debt was held during the 2008 calendar year.** PROBE to determine if the operation had any loans at the end of 2008 against any livestock, machinery, or farm real estate. If the operator has multiple operations, include debt for only this operation.

**Item 3a,3b,3c – Money Borrowed  
V2-V5**

For these versions, report the total debt owed on 3a) production loans, 3b) nonreal estate loans of more than 1 year, and 3c) real estate loans of more than 1 year. These rows correspond to individual loans that would have been Coded 1, 2, and 3, respectively, in column 4 of the Debt by lender table in the CRR(Version 1). Include line of credit balances outstanding at the end of 2008 in the same manner as any other conventional loans . Line of credit balances will most often be designated as “production loans” but in some cases may be included as nonreal estate or real estate loans.

For each of the loan types in Items 3a, 3b & 3c the corresponding columns in the table that follow each correspond to an Item of the CRR(Version 1) questionnaire as follows:

COP Questionnaire	CRR Questionnaire
Column 1	Column 2
Column 2	Column 3
Column 3	Column 7

Estimate weighted average interest rates and farm shares for each type of loan. (For example: The respondent reports 2 machinery loans, \$100,000 @ 5 %, and \$50,000 @ 10 %. Record \$150,000 in 3b, col 1, and 6.67% in 3b, col 2).

**Item 4 – Debt owed for Operator’s Dwelling  
V2-V5**

This should be the portion of debt from all of the loans listed in Item 3c that is specifically for the operator’s dwelling. If the operator’s dwelling is owned by the operation, debt should have been included above.

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## Sections I & J – Farm Management and the Farm Household

Sections I and J provide the data needed to help classify farm operations by legal status and characteristics of the operator. The section provides data to identify the farm's management input, including whether decisions are made by one person or a team. Farm production resources are typically viewed as including land, labor, capital and management. Questions regarding the amount, source (owned or leased), and use of land were included in Sections A and B. Capital used in agriculture takes a lot of forms and includes such items as the fertilizer, seed, chemicals, and machinery and equipment used in crops to the feed, feeding systems and housing used in livestock production. Capital also includes other inputs such as the computer and communications systems used by farmers in managing their business enterprises. Questions about capital items used in production form the basis for Section F, operating and capital expenditures, Sections G and H, farm assets and debt, and questions from Section J that focus on use of household resources to fund farm activities. The number of owners providing assets used by the farm is identified in Section I. Hired labor is from Section F. Unpaid labor used in farming comes from questions in Section I. The data obtained from the final 2 or 3 questions in Section I are the only information about the unpaid labor input that is used in farm production on an annual basis. Together, paid labor from Section F and the value of unpaid labor from Section I give an estimate of the total labor input used in farming each year. The last of the major categories of farm resources, management, is treated only in Section I. The information collected from this Section is the only source of information about the managerial input into production agriculture that is obtained on an annual basis from farmers. In addition to helping identify who and how many persons are engaged in the management of U.S. farms, Sections I & J obtain a select, small amount of information each year on key topics.

Farm Businesses draw on and contribute resources to the farm operator's household. That many operators and household members work off farm is well known. One of the key economic indicators developed and made available for farmers each year is the level and source of income from all



sources, farm and non-farm. Beyond just making an estimate of household income publicly available, the estimate is used to help determine the debt repayment capability of farmers considering both the amount of debt owed all lenders and income from all sources. Data showing the share of debt carrying capacity that has been used is a key farm finance indicator prepared from the ARMS each year. Farmers decide whether to use their financial resources to fund farming operations or for other purposes. Likewise, they can draw on income and financial assets available in their households to buy inputs or to fund investments for the farm business. Section J obtains data to examine financial decisions such as these for farmers. Two key issues addressed by Section J include access to health insurance by farm households and characteristics of off farm jobs held by the operator and/or spouse. Data collected about off-farm income, household assets, and debt in Section J are combined with information about the net income and balance sheet for the farm, derived from data collected in Sections A to H, to assess the economic well-being of farm households.

The economic well-being of farm households is affected not only by income from all sources—farm and non-farm—but also by the debt they owe and by whether income can adequately support the basic needs of the farm household without having to draw down assets or sell the farm.

Information on the economic well-being of farm households is needed to evaluate the effect of current and proposed policies that affect farms and rural areas. The questions in these sections provide data to learn about the relationships between farm people and their farms. No other source of data is available to illustrate how the financial situation of the farm and farm household varies among operators and households. The characteristic questions asked here in Sections I and J—including legal status of the farm business organization—provide the data needed to classify farms, operators, and households into specific groups, such as full-time farmers or retired farmers.

Knowledge of age, race, education level, ethnicity, and gender helps USDA determine the impact of characteristics previously shown to affect the economic well-being of the individual and the household. The relationships among the financial situation of the farm business, household members and off-farm employment is addressed by asking about major occupation, and other questions about off-farm employment. These data

help us provide a perspective about how important non-farm jobs are to farm families and rural areas.

With recent changes in how the Federal government provides assistance to farms, it is more important than ever to monitor how farmers adjust to changes in farm programs. Off-farm income is important to many farm households. Many farm operators and/or other members of the farm household work at least some days off the farm. It is necessary to know the income received by the household members to describe the relative importance of off-farm income to the economic well-being of the farm household. Some farm families also receive income from previous investments. Others receive retirement benefits from pensions or Social Security.

Past analyses of off-farm income data have been used by the Office of Management and Budget to help analyze proposed farm legislation. Using ARMS data, USDA looked at a proposal to limit farm program payments to farm operator households making \$100,000 or less in off-farm income. More than a quarter of the 2.1 million farms in the U.S. had at least one individual who received direct government farm program payments. But from the ARMS we found that only 2 percent of those who receive payments had off-farm incomes over \$100,000. These data were used by lobby groups, media and farm groups, as well as government officials. The collection of off-farm employment data will continue to be important as government decides how to allocate federal funds to agriculture.

Information is collected on assets and debt of the farm household not connected to the farm business. Non-farm assets and debts also affect the economic well-being of the farm household. Non-farm debts must be paid from the farm household's income. The extent to which non-farm assets are available and non-farm debt exists is part of the household's overall financial status. Moreover, farmers can decide to use farm business assets as collateral for non-farm loans. Likewise, many farm households use non-farm income and assets to acquire farm business assets and to pay expenses for the farm. Thus, knowing about both the farm and farm household is important to developing an understanding of the financial health of farms in today's agriculture.

Policy officials within USDA as well as members of Congress have an interest in how the incomes of farm families compare with the incomes of

non-farm families.

Traditionally, farm family incomes have been estimated by adding off-farm income to the net income produced by the farm. It is no longer accurate to estimate the income of farm operator families in this manner because of the complexity of today's farm businesses.

The traditional procedure ignores that many farms support more than one family. Income sharing among partnerships and farm corporations are obvious, but income generated from farms operated as individual proprietorships may go to support multiple households. To correctly estimate the operator household's share of net farm income, we ask how many other households shared in the net income of the farm operation and what percentage of the net income did the operator's household receive. Answers to these two questions are critical to the development of a correct estimate of income for farm families.

Also, in today's agriculture, it is fairly common for farms to have contractual arrangements to produce products for another farm or person. Assigning the contractor's net income to the farm operator would greatly overstate income and make farm families appear better off financially than they in fact are.

A key function of management is planning: how the farm will be organized, what to produce, how to produce it, what type of machinery and equipment to use, whether to hire labor, and how to market commodities or products produced on the farm. Once plans are developed farmers have to decide how to implement the plan and then they are responsible for following up to determine how well the plan worked. This follow up is one way that farmers exercise control over their businesses. A key to farm's competitiveness is the adoption and use of cost effective practices by producers. Information about farmers' attitudes toward acceptance or mitigation of risk through the use of a variety of management strategies such as insurance or diversifying crop or livestock production will be combined with information on the use of emergent technologies such as genetically modified seed and precision planting, chemical applications

and harvesting practices, use of niche and other marketing approaches, to analyze farm cost structure, performance, and efficiency.

A primary emphasis in 2008 is to understand the ownership structure of the farm business and how much of the business is owned by the farm operator's household. This information will be used to improve our abilities to distinguish between family farms and non-family farms.

Data on household expenditures are used for two important reasons: (1) the estimate is incorporated in the Index of Prices Paid, and (2) it is necessary to know how much is spent on family living to develop an estimate of farmer's debt repayment capacity. Family living expenses are deducted from net income to determine how much is left over to replace equipment and to repay outstanding debt. The relationship between household income and family living expenses also provides information about how farm families have had to adjust given changes that we have observed in prices received for crops and livestock, in production, and in the costs for inputs such as fertilizer, fuel, and labor.

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## Section I – Farm Management and Use of Time

### Version 1 Questionnaire

#### Item 1 – Ownership Interest by Blood/Marital Relatives

Report whether or not the sum of the total ownership interests held by the (1) the operator, (2) other members of the operator's household, or (3) other persons living outside the operator's household but who are related by blood or marriage to the operator is greater than 50 percent. Check 'Yes' for Item 1 if this is the case. **DO NOT** include landlords, contractors, or lenders as those with ownership interest. The purpose of this question is to accurately classify farm operations as family farms, because sometimes family members who share the ownership of the farm do not all live in the same household.

#### Item 2 – Number of Owners of the Operation

Report the number of owners for the farm operation in Item 2. Do not count landlords, contractors, or lending institutions that may have a lien on the operation.

#### Item 2a – Percent Ownership Interest in Operator's Household

Report the ownership interest, in percentage terms, that the operator and those living in the operator's household have in the farm operation. The purpose of this question is to be able to develop an estimate of the net worth of the farm household (in combination with their nonfarm net worth from Section 35) in contrast to the net worth of the farm business.

#### Item 3 – Limited Liability Company

Check 'Yes' for Item 3 if the operation is organized as a Limited Liability Company under State law.

A Limited Liability Company (LLC) is a business organization which in some States may be treated as a partnership for Federal tax purposes but treated with limited liability for owners at the state level. Some States may recognize Limited Liability Partnerships (LLPs) in which the individual partners are protected from liabilities of the partnership.

LLCs are generally considered partnerships for both Federal and State tax purposes. When an LLC has only one member, the fact that it is an LLC is ignored or “disregarded” for the purpose of filing a federal tax return. Remember, this is only a mechanism for tax purposes. It doesn’t change the fact that the business is legally a Limited Liability Company.

**Item 4 – Legal Status**

In this item we want to record the operation’s legal status as a business organization. This does not mean how decisions are made for the operation on a day-to-day basis. Therefore, the answer to this question may be different than the answer to the question on day-to-day decision-making in the screening section of this questionnaire. Responses to this question are used for a variety of purposes including classifying farms in the U.S. Department of Commerce’s National Income Accounts and estimating after tax income.

**Individual** (Sole or family proprietorship)

A farm operation that has no partners and no shareholders. The proprietor is personally liable for all the firm’s obligations. The proprietor, who is regarded as self-employed, bears all the costs and keeps all the after-tax profits, filing IRS Form Schedule F. This includes a single member limited liability company taxed as a sole proprietor. Consider an operation that is operated as a husband-wife team to be a sole proprietorship, unless they are legally organized as a partnership or some other legal form.

**Legal Partnership**

Farm business operations owned by two or more persons who agree to abide by a partnership agreement. Partners must be owners but do not need to be involved as operators. The partnership agreement sets out how management decisions are to be made and the proportion of the profits to

which each partner is entitled. Partnerships include general partnerships where all partners bear unlimited liability for the operation's debts as well as Limited Liability Companies (LLCs) and Limited Liability Partnerships (LLPs). The partners pay personal income tax on their share of these taxes. Formal, legal partnerships file IRS Form 1065. [Note that not all LLCs are treated as partnerships; LLCs can consist of only one member, where that member can be either an individual or corporation.] Exclude joint operations which involve livestock only (with no land operated in partnership) and landlord-tenant arrangements.

### **C - Corporation**

Indicate whether or not the corporation is an C-Corporation. Generally, a corporation is a business entity chartered under a State or Federal statute, or under a statute of a federally recognized Indian tribe, if the statute describes or refers to the entity as incorporated or as a corporation, body corporate, or body politic. It is also regarded as a corporation if the business entity is organized under a State statute and described by the statute as a joint-stock company or joint-stock association. For the purpose of Federal taxation, corporations are defined specifically under instructions for IRS Form 8832 (Entity Classification Election).

A corporation is legally separate and distinct from its owners (called share- or stockholders). The corporation is formed by filing articles of incorporation with the authority, who returns it with a certificate of incorporation; the two documents together become the corporate charter. The corporation is regarded by the courts as an artificial person and thus may own property, incur debts or make loans, sue or be sued, own assets and pay taxes.

The corporation's chief distinguishing features are:

1. limited liability—owners (shareholders) can lose only what they invest;
2. easy transfer of ownership through sale of shares of stock;
3. continuity of existence: i.e.; the operation does not cease to exist when one or more of its owners die.

The most important aspect of a corporation is limited liability. That is shareholders are not held personally liable for the corporation's debts. Shareholders elect a board of directors who appoint and oversee the



management of the corporation. Although a corporation does not necessarily have to be for profit, the vast majority of corporations are setup with the goal of providing a return for its shareholders.

Corporations pay federal income taxes. Corporations must file income taxes separately from its owners. C-corporations file IRS Form 1120 or 1120-A. Owners pay individual income tax only on money they draw from the corporation in the form of salaries, bonuses, or dividends.

Corporations are sometimes referred to as “C corporations.”

### **S – Corporation (Small Business Corporation)**

Indicate whether or not the corporation is an S–Corporation. The “S corporation” (for Small Business Corporation) is a form of corporation that meets certain requirements (see IRS Form 2553). This gives an S corporation the benefit of incorporation while being taxed on the same basis as a partnership or sole proprietorship. This means that any profits earned by the corporation are usually not taxed at the corporate level, but rather at the level of the shareholders. However, an S corporation may still owe tax on certain income.

### **Other**

If this operation is any other kind of organization not readily classified in the above-mentioned categories, check the “other” box. Some examples are:

- a. **Estate** – Undivided property still in, or subject to, probate.
- b. **Trust** – The farm is operated by a person as trustee for someone else who is not of age, or may be in a hospital, institution, or is otherwise unable to carry on his/her own business. Estate or trust may be further defined as a property administered for the benefit of another individual or organization. Estate or trust may also be defined as a fund of money or property administered for the benefit of another individual or organization.
- c. **Cooperative** – Non-taxable business organization formed to eliminate

“the middleman” and which exists for the production and/or marketing of goods owned collectively by the members who share in the benefits.

d. **Grazing Associations** – A corporation or cooperative mutually operated for the purpose of aiding in the conservation, restoration, improvement, development and utilization of natural forage resources where a grazing area has been acquired for joint use by its members.

**Item 5 – Registered Under State Law**

For partnerships, answer the “YES”/“NO” question as to whether the partnership is registered under State law.

**Item 6 – Number of Partners**

If the operation is a legal partnership, record the number of partners in the operation in this Item.

**Item 7a – Number of Members in Corporate Board**

If the operation is either a C–corporation or a S–corporation, record the number of members in the Corporate Board in this Item.

**Item 7b – Operators in Corporate Board**

If there is a Corporate Board, record the number of board members who are operators involved with the day-to-day decision making.

**Item 8 – Individuals involved in the day-to-day decisions**

Record the number of individuals that were involved in the day-to-day decisions for this operation. Enter the number of operator(s), including the operator listed on the front of the questionnaire. **Include** family members if they are also operators. **Exclude** hired workers unless they are a hired manager considered to be an operator.

**Item 9 – Presence of Spouse of Principal Operator**

Ask if the principal operator has a spouse. If so, record a “1” for Item 9

otherwise record a “3” and skip to Item 11.

**Item 10 – Is the Spouse an Operator**

Ask if the spouse is an operator. If so, record a “1” in Item 10 and record the spouse’s information in the operator 2 column for Items 11-13. If the spouse is not an operator, record a “3”.

**Items 11-13 – Operator Demographics**

Record the age, year the person first operated any farm or ranch, and gender for the 3 primary operators. The principal operator should be the main decisionmaker for the entire operation on a day-to-day basis. For many operations, this will be the target operator. If a spouse is an operator recorded in Item 10, record the spouse’s information in the operator 2 column.

**Item 11 – Age of Operator on December 31**

Enter the age of the operator(s) on December 31, 2008.

**Item 12 – Year Operator began to Operate ANY Operation**

List the four-digit year that the operator(s) first became involved in the day-to-day operational decisions on any farm.

**Item 13 – Gender of Operator**

Indicate if the operator, listed at the top of each column is male or female.

**Item 14 – Hired Manager**

If the operator is a hired manager (essentially an employee that receives a wage or salary for making the day to day management decisions) of the operation, check ‘Yes’ and record a “1” for Item 14.

**Item 15 – Operation part of Larger Corporate Farm**

If the operation is part of a larger firm or corporation, record a “1” for Item 15. An operation that has a production or marketing contract with an

agribusiness firm is NOT part of the larger firm.

**Item 16 – Shared Decision Making**

Indicate whether one (NO = 3) or more than one (YES = 1) individual makes decisions for this operation.

**Item 17 – Sources of Non-Paid Advice**

Record on Item 17a if the operator received non-paid technical advice from NRCS or an NRCS technical service provider. If there was another advisory group the operator received non-paid advice regarding managing the farm, indicate so in Item 17b.

**Item 18 – Internet Usage**

Internet and computer use by farmers, as in the rest of the country, has grown rapidly in the past several years. USDA is interested in assessing which farm households have Internet Access, what type of access farm households have, what the cost of access is, as well as which operations are adopting this new technology and which ones are not. Indicate whether the operator's household has access to the Internet or not in Item 18. If the operator's household had no access to the Internet, skip to Item 19.

**Item 18a – High Speed Internet Connection**

Record if the operator used a high-speed Internet connection in Item 18a.

**Item 18b – Time Using the Internet For Farm-Related News and Information**

Record the number of hours the operator used the Internet to get farm-related news and information in Item 18b.

**Item 18c – Time Using the Internet For Farm-Related Commerce**

Record the number of hours the operator used the Internet to conduct farm-related commerce in Item 18c.

**Item 18d – Device Used For Connecting to the Internet**

Record whether a desktop computer, laptop computer, a handheld device (including blackberries and cell phones), or any other device was used to connect to the Internet in Item 18d. More than 1 answer is allowed.

**Item 18e – Location Where Connecting to the Internet**

Record where the operator connected to the Internet in Item 18e. More than 1 answer is allowed.

**Item 19 – Distance to Nearest City with 10,000 or More People**

This important question defines the extent of the farm operator's local economy. Record the driving distance (in miles) from where the operator lives to the closest city with a population of 10,000 or more. If the operator currently lives in a city with 10,000 or more people, then the answer should be a dash (or a 0).

**Items 20a-e – Where Inputs Were Acquired**

Understanding the location in/not in the country of these farm input and household purchases, distances driven to purchase them, and the motivation for purchases beyond the local town helps us to better assess the impacts of farm business and household purchases on the local economy.

For items 20 a-e, record:

- (1) the distance from the farm where the majority of farming inputs were purchased,
- (2) Whether the majority of farming inputs were purchased in the same county as the farming operation, and
- (3) If the inputs were not purchased in the nearest town or city with population above 10,000, the reason why.

**Items 20f-g – Where Household Goods Were Acquired**

For items 20 f-g, record:

- (1) the distance from the farm where the majority of household goods were purchased,
- (2) Whether the majority of household goods were purchased in the same county as the farming operation, and
- (3) If the household goods were not purchased in the nearest town or city with population above 10,000, the reason why.

**Item 21 – Marketing Practices**

Item 21 focuses on marketing practices that farmers may be using in their businesses. The types of practices will likely vary by both type and size of farm and could affect the both the level of receipts and expenses of the farm. Record if the operation uses the practice with a “1” for the item. Record as many practices as the operator uses.

**Items 22-28 – Local Foods Questions**

In recent years, consumer awareness of and interest in food that is locally grown and purchased has increased sharply. The number of farmers’ markets, an important component of local food sales, increased by nearly 150 percent nationwide between 1994 and 2006. Although sales of locally grown food still account for a small share of total domestic food sales, it is one of the fastest growing segments of U.S. agriculture.

These questions relate to products, channels, distance, collaborative activity, and importance of direct sales as reflected in share of total farm sales. The Senate Committee on Agriculture, Nutrition and Forestry expects USDA analyze local food markets that addresses the economic effects including potential benefits and costs to local communities and the nation as a whole. The following additions to the CRR questionnaire will provide a better understanding of farm marketing strategies with respect to local outlets for their products.

If the operation sells directly to consumers or directly to retail outlets (Item 21a or 21b = 1), then ask Items 22-28. Otherwise, skip to Item 29.

**Item 22 – Product Origination**

Indicate the origination of any items sold directly to consumers or retail

outlets in Items 22a-22e. If the origination has any subquestions, ask if the operation sold any of those products directly to consumers or retail outlets.

**Item 23 – Marketing Outlets for Local Foods**

Record if the operation used any of the following marketing outlets for items sold directly to consumers or retail outlets.

**Item 24 – Percent of Sales from Local Foods**

Record the percent of total farm sales that were from the marketing outlets in Item 23.

**Item 25 – Location of Processing Facilities**

If any livestock, poultry, or other animal products (processed or not), were sold from the marketing outlets in Item 23, record if there were processing facilities located within 50 miles of the operation in Item 25.

**Item 26 – Collaboration with Other Farmers**

Record in Item 26 if the operation collaborated with other farmers in marketing the products sold from the marketing outlets in Item 23.

**Item 27 – Sold as a Farm or Regional Brand**

Record if the products sold from the marketing outlets in Item 23 are sold as a farm or regional brand in Item 27.

**Item 28 – Use of the Internet to Market Local Foods**

Record in Item 28 if the Internet or mail orders were used to market any of the products sold from the marketing outlets in Item 23.

**Item 29 – Forward Pricing Contracts Written for 2009 Crop Production**

Record if the operation wrote any forward pricing contracts for selling 2009 crop production as of the time of the interview.

**Item 30 – Input Acquisition Practices**

Item 30 focuses on purchasing practices that farmers may be using in their businesses. The types of practices will likely vary by both type and size of farm and could affect the both the level of receipts and expenses of the farm. Record if the operation uses the practice with a “1” for the item. Record as many practices as the operator uses. For Item 30e, if the operator was part of a group to purchase an input (normally for a cheaper price), then record a “Yes” for Item 30e.

**Item 31 – Landlord Participation in Decisionmaking**

If land is rented from others (Section A, Item 2), indicate whether the landlord participates in operating decisions involving land use or livestock production in Item 31.

**Item 31a-e – Landlord Involvement in Decisionmaking**

If the landlord participates in decisionmaking, record which aspects the landlord is involved in decisionmaking. More than 1 answer is allowed.

**Items 32-34 – FARM LABOR/USE of TIME**

One of the most significant expenses in agriculture is labor. Hired labor expense is reported in Section F. Unpaid labor used in farming comes from these items. The data obtained from Questions 32 - 34 is the only information about the unpaid labor input that is used in farm production on an annual basis. Together, paid labor from Section F and the value of

unpaid labor from this section give an estimate of the total labor input



used in farming each year.

### **Items 32-34 – Hours Worked by the Operator, Spouse, Other Operators, and Unpaid Workers**

These items provide the information (1) to estimate the labor required to produce agricultural products, (2) to study the effects of agricultural policy changes, and (3) to measure the well-being of farm households.

Labor used in agriculture. Labor is an important input into agricultural production, and the majority of labor is provided by farm operators and their families. Most of the time farm families do not pay themselves a wage or salary. Nevertheless, it is important to estimate the use of their time and to estimate the cost of using it in the production of agricultural products. There are a variety of indicators that USDA and other policy makers use when they track how the farm sector and farm families are doing. Some of those indicators require information on the total hours used in agriculture, whether it is paid a wage or not. Other indicators just focus on the cash flow of the farm business, so it is necessary to know which hours are paid and which hours are not.

Policy analysis. Information on how labor is allocated is also used to study the effects of different policies. Always of interest is how new policies affect how much agricultural output is produced, since the supply of product affects the prices farmers receive for their product. This is of interest domestically and internationally, for trade purposes. One way in which policies affect agricultural output is through their effects on how farm families spend their time, so studying how different policies affect time allocations is of interest to policy makers.

Farm household well-being. Farm families can allocate their time to a variety of activities, some of which earn them income and some of which do not. Since most of the income of most of the farm families comes from working off the farm, knowing both where families spend their time and where they earn their income provides policy makers with an understanding of the returns to farming compared to other activities of the household.

### **Item 32a&b – Operator and Spouse Use of Time V1 Only**

Ask the respondent to report average hours per week for four different 3-month periods. Because it can be difficult to recall how time was spent it helps the respondent if they are asked to recall the time for different periods of the year when farm tasks may vary with the season. The operator should be able to approximate the average number of hours per week in each quarter because each quarter roughly corresponds to the seasons. Respondents are also used to considering work hours on a weekly basis. Respondents may be more likely to accurately recall their work history when asked to do so for a weekly-average basis.

It may help the respondent to account for how all of the time is spent in a typical week for those different seasonal periods. In Item 32a only, since there are 24 hours in a day and 7 days in a week, the respondent should account for 168 hours per week, for a typical week in each of the 4 quarters. Item 32a(i) through 32a(v) should add up to 168 hours per week for each of the 4 quarters of time. If the operator is married, record hours for the spouse in Item 32b in a similar fashion. For their spouses, Item 32b(i) through 32b(v) should add up to 168 hours per week for each of the 4 quarters of time.

#### **Item 32a(i-ii) – Operator Farm/Ranch Work Hours**

These items should be recorded for all operators, whether they are hired managers or not. Record all of the hours of farm work, even for operators who only work for a few hours a week on the farm (bookkeeping, running errands, etc.). Include all work done for the farm business. Some respondents may say they do not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent completing this interview! **Section F, Item 23 instructions give examples of agricultural work.** If the hours of work are not paid a wage or salary, then report the hours in Item 32a(i). If the hours of work are paid a wage or salary, then report the hours in Item 32a(ii). If there are hours reported for a wage or salary, there should be cash wages to the operator reported in Section F (and vice versa).

#### **Item 32a(iii) – Non-Farm Work off this Farm/Ranch Hours**

Record the time the operator spent working in non-farm work. Working

for pay includes hours worked for wages, salary, or returns from a business that required that time be spent in order to earn the compensation. If an operator runs a home-based business from the farm, separate from this operation, report those hours here. Do not include commuting time in non-farm work hours since those hours are not paid a wage or salary.

**Item 32a(iv) – Work on Another Farm/Ranch Hours**

Record the time the operator spent working on another farm or ranch, whether for direct compensation or not, e.g., barter. Include custom work hours whether or not the business is kept on separate books or not.

**Item 32a(v) – Operator Other Hours**

Record the time the operator spent on all other activities, excluding farm and off-farm work. Examples of this would include leisure time, time spent in volunteer activities, child or elder care, or in household chores, such as cooking and cleaning. Exclude time spent in farm business planning. Hours spent on farm business planning should have been recorded in either Item 32a(i) or 32a(ii), depending on if those hours were paid a wage or salary.

**Item 32b – Operator’s Spouse’s Use of Time**

If the operator (other than a hired manager) is married, record hours for the spouse in Item 32b in a similar fashion to the recording of hours for the operator. For spouses, Item 32b should add up to 168 hours per week for each of the 4 quarters of time.

**Item 32b(i-ii) – Operator’s Spouse’s Farm/Ranch Work Hours**

Record all of the spouse’s hours of farm work, even for spouses who only work for a few hours a week on the farm (bookkeeping, running errands, etc.). Include all work done for the farm business. Some respondents may say they do not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent completing this interview! **Section F, Item 23 instructions give examples of**

**agricultural work.** If the hours of work are not paid a wage or salary, then report the hours in Item 32b(i). If the hours of work are paid a wage or salary, then report the hours in Item 32b(ii). If there are hours reported for a wage or salary, there should be cash wages to the operator reported in Section F (and vice versa).

**Item 32b(iii) – Operator’s Spouse’s Non-Farm Work off This Farm/Ranch Hours**

Record the time the operator’s spouse spent doing non-farm work for pay. Working for pay includes hours worked for wages, salary, or returns from a business that required that time be spent in order to earn the compensation. If an operator’s spouse runs a home-based business from the farm, separate from this operation, report those hours here. Do not include commuting time in non-farm work hours since those hours are not paid a wage or salary.

**Item 32b(iv) – Operator’s Spouse’s Work on Another Farm/Ranch Hours**

Record the time the operator’s spouse spent working on another farm or ranch, whether for direct compensation or not, e.g., barter. Include custom work hours whether or not the business is kept on separate books or not.

**Item 32b(v) – Operator’s Spouse Other Hours**

Record the time the operator’s spouse spent on all other activities, excluding farm and off-farm work. Examples of this would include leisure time, time spent in volunteer activities, child or elder care, or in household chores, such as cooking and cleaning. Exclude time spent in farm business planning. Hours spent on farm business planning should have been recorded in either Item 32b(i) or 32b(ii), depending on if those hours were paid a wage or salary

**Item 33 – Other Operators’ and Unpaid Labor Hours**

Ask of all other operators. Record hours of farm work for other operators and other unpaid workers not recorded above in Items 32a and 32b for the main operator and spouse. Hours of farm work should be recorded only once in Items 32-33. For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week

respectively, the correct entry for this item is 81 hours.

**Item 33a – Other Operators' Unpaid Labor Hours**

Record the hours other operators worked on the farm without receiving a wage or salary. Other operators include those persons responsible for the day-to-day management decisions for this operation, and may include hired managers. Do not include the hours reported in Item 32a(i) for the operator. Do not include the hours reported in Item 32b(i) above for the spouse, even if the spouse is considered another operator.

**Item 33b – Other Operators' Paid Labor Hours**

Record the hours other operators worked on the farm and received a wage or salary for this work. Other operators include those persons responsible for the day-to-day management decisions for this operation, and may include hired managers. Do not include the hours reported in Item 32a(ii) above for the operator. Do not include the hours reported in Item 32b(ii) above for the spouse, even if the spouse is considered another operator.

**Item 33c – Other Unpaid Labor Hours**

Record the hours other unpaid workers worked on the farm. Unpaid workers could include non-operator partners or family members who are not operators. Do not include the hours reported elsewhere (for example, in Items 32a(i) or 32b(i) for the operator or spouse, respectively, or the hours reported in Item 33a for other operators.)

**Item 33d – Other Paid Labor Hours**

Record the hours other paid workers worked on the farm. Paid workers could include non-operator partners or family members who are not operators. Do not include the hours reported elsewhere (for example, in Items 32a(ii) or 32b(ii) for the operator or spouse, respectively, or the hours reported in Item 33b for other operators.)

**Item 34a – Number of Workers Performed Unpaid Labor**

Record the number of workers who performed unpaid labor on the farm. Exclude the principal operator and the principal operator's spouse. This

information will help determine how many full-time equivalent workers worked on the farm, another measure of farm size.

**Item 34b – Number of Workers Performed Paid Labor**

Record the number of workers who performed paid labor on the farm. Exclude the principal operator and the principal operator's spouse. This information will help determine how many full-time equivalent workers worked on the farm, another measure of farm size.

## **Version 2-4 Questionnaire**

**Item 1 – Ownership Interest by Blood/Marital Relatives**

Report whether or not the sum of the total ownership interests held by the (1) the operator, (2) other members of the operator's household, or (3) other persons living outside the operator's household but who are related by blood or marriage to the operator is greater than 50 percent. Check 'Yes' for Item 1 if this is the case. **DO NOT** include landlords, contractors, or lenders as those with ownership interest. The purpose of this question is to accurately classify farm operations as family farms, because sometimes family members who share the ownership of the farm do not all live in the same household.

**Item 2 – Number of Owners of the Operation**

Report the number of owners for the operations in Item 2. Do not count landlords, contractors, or lending institutions that may have a lien on the operation.

**Item 2a – Percent Ownership Interest in Operator’s Household**

Report the ownership interest, in percentage terms, that the operator and those living in the operator’s household have in the farm operation. The purpose of this question is to be able to develop an estimate of the net worth of the farm household (in combination with their nonfarm net worth from Section J) in contrast to the net worth of the farm business.

**Item 3 – Limited Liability Company**

Check ‘Yes’ for Item 3 if the operation is organized as a Limited Liability Company under State law.

A Limited Liability Company (LLC) is a business organization which in some States may be treated as a partnership for Federal tax purposes but treated with limited liability for owners at the state level. Some States may recognize Limited Liability Partnerships (LLPs) in which the individual partners are protected from liabilities of the partnership.

LLCs are generally considered partnerships for both Federal and State tax purposes. When an LLC has only one member, the fact that it is an LLC is ignored or “disregarded” for the purpose of filing a federal tax return. Remember, this is only a mechanism for tax purposes. It doesn’t change the fact that the business is legally a Limited Liability Company.

**Item 4 – Legal Status**

In this item we want to record the operation’s legal status as a business organization. This does not mean how decisions are made for the operation on a day-to-day basis. Therefore, the answer to this question may be different than the answer to the question on day-to-day decision-making in the screening section of this questionnaire. Responses to this question are used for a variety of purposes including classifying farms in the U.S. Department of Commerce’s National Income Accounts and estimating after tax income.

**Individual** (Sole or family proprietorship)

A farm operation that has no partners and no shareholders. The proprietor is personally liable for all the firm's obligations. The proprietor, who is regarded as self-employed, bears all the costs and keeps all the after-tax profits, filing IRS Form Schedule F. This includes a single member limited liability company taxed as a sole proprietor. Consider an operation that is operated as a husband-wife team to be a sole proprietorship, unless they are legally organized as a partnership or some other legal form.

**Legal Partnership**

Farm business operations owned by two or more persons who agree to abide by a partnership agreement. Partners must be owners but do not need to be involved as operators. The partnership agreement sets out how management decisions are to be made and the proportion of the profits that each partner is entitled to. Partnerships include general partnerships where all partners bear unlimited liability for the operations debts as well as Limited Liability Companies (LLCs) and Limited Liability Partnerships (LLPs). The partners pay personal income tax on their share of these taxes. Formal, legal partnerships file IRS Form 1065. [Note that a not all LLCs are treated as partnerships; LLCs can consist of only one member, where that member can be either an individual or corporation.] Exclude joint operations which involve livestock only (with no land operated in partnership) and landlord-tenant arrangements. Legal partnerships have two follow-up questions:

**C - Corporation**

Indicate whether or not the corporation is an C-Corporation. Generally, a corporation is a business entity chartered under a State or Federal statute, or under a statute of a federally recognized Indian tribe, if the statute describes or refers to the entity as incorporated or as a corporation, body corporate, or body politic. It is also regarded as a corporation if the business entity is organized under a State statute and described by the statute as a joint-stock company or joint-stock association. For the purpose of Federal taxation, corporations are defined specifically under instructions for IRS Form 8832 (Entity Classification Election).



A corporation is legally separate and distinct from its owners (called share- or stockholders). The corporation is formed by filing articles of incorporation with the authority, who returns it with a certificate of incorporation; the two documents together become the corporate charter. The corporation is regarded by the courts as an artificial person and thus may own property, incur debts or make loans, sue or be sued, own assets and pay taxes.

The corporation's chief distinguishing features are:

1. limited liability—owners (shareholders) can lose only what they invest;
2. easy transfer of ownership through sale of shares of stock;
3. continuity of existence: i.e.; the operation does not cease to exist when one or more of its owners die.

The most important aspect of a corporation is limited liability. That is shareholders are not held personally liable for the corporation's debts.

Shareholders elect a board of directors who appoint and oversee the management of the corporation. Although a corporation does not necessarily have to be for profit, the vast majority of corporations are setup with the goal of providing a return for its shareholders.

Corporations pay federal income taxes. Corporations must file income taxes separately from its owners. C-corporations file IRS Form 1120 or 1120-A. Owners pay individual income tax only on money they draw from the corporation in the form of salaries, bonuses, or dividends.

Corporations are sometimes referred to as “C corporations.”

### **S – Corporation (Small Business Corporation)**

Indicate whether or not the corporation is an S–Corporation. The “S corporation” (for Small Business Corporation) is a form of corporation that meets certain requirements (see IRS Form 2553). This gives an S corporation the benefit of incorporation while being taxed on the same basis as a partnership or sole proprietorship. This means that any profits earned by the corporation are usually not taxed at the corporate level, but

rather at the level of the shareholders. However, an S corporation may

still owe tax on certain income.

### **Other**

If this operation is any other kind of organization not readily classified in the above-mentioned categories, check the “other” box. Some examples are:

- a. **Estate** – Undivided property still in, or subject to, probate.
- b. **Trust** – The farm is operated by a person as trustee for someone else who is not of age, or may be in a hospital, institution, or is otherwise unable to carry on his/her own business. Estate or trust may be further defined as a property administered for the benefit of another individual or organization. Estate or trust may also be defined as a fund of money or property administered for the benefit of another individual or organization.
- c. **Cooperative** – Non-taxable business organization formed to eliminate “the middleman” and which exists for the production and/or marketing of goods owned collectively by the members who share in the benefits.
- d. **Grazing Associations** – A corporation or cooperative mutually operated for the purpose of aiding in the conservation, restoration, improvement, development and utilization of natural forage resources where a grazing area has been acquired for joint use by its members.

### **Item 5 – Registered Under State Law**

For partnerships, answer the “YES”/“NO” question as to whether the partnership is registered under State law.

### **Item 6 – Number of Partners**

If the operation is a legal partnership, record the number of partners in the operation in this Item.

### **Item 7 – Individuals involved in the day-to-day decisions**

Record the number of individuals that were involved in the day-to-day decisions for this operation. Enter the number of operator(s), including the operator listed on the front of the questionnaire. **Include** family members if they are also operators. **Exclude** hired workers unless they are a hired manager considered to be an operator.

**Items 8-10 – Operator Demographics**

Record the age, year the person first operated any farm or ranch, and gender for the 3 primary operators. The principal operator should be the main decisionmaker for the entire operation on a day-to-day basis. For many operations, this will be the target operator. If a spouse is an operator, record the spouse's information in the operator 2 column.

**Item 8 – Age of Operator on December 31**

Enter the age of the operator(s) on December 31, 2008.

**Item 9 – Year Operator began to Operate ANY Operation**

List the four-digit year that the operator(s) first became involved in the day-to-day operational decisions on any farm.

**Item 10 – Gender of Operator**

Indicate if the operator, listed at the top of each column is male or female.

**Item 11 – Presence of Spouse of Principal Operator**

Ask if the principal operator has a spouse. If so, record a “1” for Item 11 otherwise record a “3” and skip to Item 13.

**Item 12 – Is the Spouse an Operator**

Ask if the spouse is an operator. If so, record a “1” in Item 12 and record the spouse’s information in the operator 2 column for Items 8-10. If the spouse is not an operator, record a “3”.

**Item 13 – Hired Manager**

If the operator is a hired manager (essentially an employee that receives a wage or salary for making the day to day management decisions) of the operation, check ‘Yes’ and record a “1” for Item 13.

**ITEM 14 – FARM LABOR (V2,V3,V4)**

**Item 14 – Hours Worked by the Operator, Spouse, Other Operators, and Unpaid Workers**

These items provide the information to estimate the labor required to produce agricultural products. Record the average number of hours worked per week on the farm/ranch for each quarter. The operator should be able to approximate the average number of hours worked per week in each quarter because the quarters roughly correspond to the seasons.

Be sure to record all of the hours of farm work. Record all work time, even for workers who only work for a few hours a week on the farm (bookkeeping, running errands, etc.). Include all work done for the farm business.

Some respondents may say they do not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent completing this interview! **Section F, Item 23 instructions give examples of agricultural work.**

**Item 14a – Principal OPERATOR'S Hours of Farm Work**

For each quarter, record the average number of hours of farm work the principal operator did per week. Record both paid and unpaid hours of work.

**Item 14b – Principal Operator's SPOUSE'S Hours of Farm Work**

If the operator is married, record for each quarter, the average number of hours of farm work the operator's spouse did per week whether the spouse is an operator or a farm worker.

**Item 14c – Other Operators' Hours of Farm Work**

For each quarter, record the TOTAL average number of hours of farm work done per week by any other operators (excluding the principal operator and the principal operator's spouse). Other operators include those persons responsible for the day-to-day management decisions for this operation, and may include hired managers. Include both paid and unpaid hours.

If there is more than one other operator, record the TOTAL average number of hours worked per week. For example, if there are three other operators who worked an average of 42, 24 and 15 hours per week, respectively, the correct entry for this Item is 81 hours.

**Item 14d – Unpaid Workers' Hours of Farm Work**

For each quarter, record the TOTAL average number of hours of farm work done per week by any unpaid workers (excluding the operator). Unpaid workers may include members of the operator's household, partners, neighbors, guests, etc.

For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this Item is 81 hours.

**Item 15a – Number of Workers Performed Unpaid Labor**

Record the number of workers who performed unpaid labor on the farm. Exclude the principal operator and the principal operator's spouse. This information will help determine how many full-time equivalent workers worked on the farm, another measure of farm size.

**Item 15b – Number of Workers Performed Paid Labor**

Record the number of workers who performed paid labor on the farm. Exclude the principal operator and the principal operator's spouse. This information will help determine how many full-time equivalent workers worked on the farm, another measure of farm size.

## **Version 5 Questionnaire**

**Item 1 – Ownership Interest by Blood/Marital Relatives**

Report whether or not the sum of the total ownership interests held by the (1) the operator, (2) other members of the operator's household, or (3) other persons living outside the operator's household but who are related by blood or marriage to the operator is greater than 50 percent. Check 'Yes' for Item 1 if this is the case. **DO NOT** include landlords, contractors, or lenders as those with ownership interest. The purpose of this question is to accurately classify farm operations as family farms, because sometimes family members who share the ownership of the farm do not all live in the same household.

**Item 2 – Number of Owners of the Operation**

Report the number of owners for the operations in Item 2. Do not count landlords, contractors, or lending institutions that may have a lien on the operation.

**Item 2a – Percent Ownership Interest in Operator's Household**

Report the ownership interest, in percentage terms, that the operator and those living in the operator's household have in the farm operation. The

purpose of this question is to be able to develop an estimate of the net worth of the farm household (in combination with their nonfarm net worth from Section 35) in contrast to the net worth of the farm business.

**Item 3 – Limited Liability Company**

Check ‘Yes’ for Item 3 if the operation is organized as a Limited Liability Company under State law.

A Limited Liability Company (LLC) is a business organization which in some States may be treated as a partnership for Federal tax purposes but treated with limited liability for owners at the state level. Some States may recognize Limited Liability Partnerships (LLPs) in which the individual partners are protected from liabilities of the partnership.

LLCs are generally considered partnerships for both Federal and State tax purposes. When an LLC has only one member, the fact that it is an LLC is ignored or “disregarded” for the purpose of filing a federal tax return. Remember, this is only a mechanism for tax purposes. It doesn’t change the fact that the business is legally a Limited Liability Company.

**Item 4 – Legal Status**

In this item we want to record the operation’s legal status as a business organization. This does not mean how decisions are made for the operation on a day-to-day basis. Therefore, the answer to this question may be different than the answer to the question on day-to-day decision-making in the screening section of this questionnaire. Responses to this question are used for a variety of purposes including classifying farms in the U.S. Department of Commerce’s National Income Accounts and estimating after tax income.

**Individual** (Sole or family proprietorship)

A farm operation that has no partners and no shareholders. The proprietor is personally liable for all the firm’s obligations. The proprietor, who is regarded as self-employed, bears all the costs and keeps all the after-tax profits, filing IRS Form Schedule F. This includes a single member limited liability company taxed as a sole proprietor. Consider an operation that is operated as a husband-wife team to be a sole

proprietorship, unless they are legally organized as a partnership or some other legal form.

### **Legal Partnership**

Farm business operations owned by two or more persons who agree to abide by a partnership agreement. Partners must be owners but do not need to be involved as operators. The partnership agreement sets out how management decisions are to be made and the proportion of the profits that each partner is entitled to. Partnerships include general partnerships where all partners bear unlimited liability for the operations debts as well as Limited Liability Companies (LLCs) and Limited Liability Partnerships (LLPs). The partners pay personal income tax on their share of these taxes. Formal, legal partnerships file IRS Form 1065. [Note that a not all LLCs are treated as partnerships; LLCs can consist of only one member, where that member can be either an individual or corporation.] Exclude joint operations which involve livestock only (with no land operated in partnership) and landlord-tenant arrangements. Legal partnerships have two follow-up questions:

#### **Item 4a – Registered Under State Law**

For partnerships, answer the “YES”/“NO” question as to whether the partnership is registered under State law.

#### **Item 4b – Number of Partners**

If the operation is a legal partnership, record the number of partners in the operation in this Item.

### **C - Corporation**

Indicate whether or not the corporation is an C–Corporation. Generally, a corporation is a business entity chartered under a State or Federal statute, or under a statute of a federally recognized Indian tribe, if the statute describes or refers to the entity as incorporated or as a corporation, body corporate, or body politic. It is also regarded as a corporation if the business entity is organized under a State statute and described by the statute as a joint-stock company or joint-stock association. For the purpose of Federal taxation, corporations are defined specifically under



instructions for IRS Form 8832 (Entity Classification Election).

A corporation is legally separate and distinct from its owners (called share- or stockholders). The corporation is formed by filing articles of incorporation with the authority, who returns it with a certificate of incorporation; the two documents together become the corporate charter. The corporation is regarded by the courts as an artificial person and thus may own property, incur debts or make loans, sue or be sued, own assets and pay taxes.

The corporation's chief distinguishing features are:

1. limited liability—owners (shareholders) can lose only what they invest;
2. easy transfer of ownership through sale of shares of stock;
3. continuity of existence: i.e.; the operation does not cease to exist when one or more of its owners die.

The most important aspect of a corporation is limited liability. That is shareholders are not held personally liable for the corporation's debts.

Shareholders elect a board of directors who appoint and oversee the management of the corporation. Although a corporation does not necessarily have to be for profit, the vast majority of corporations are setup with the goal of providing a return for its shareholders.

Corporations pay federal income taxes. Corporations must file income taxes separately from its owners. C-corporations file IRS Form 1120 or 1120-A. Owners pay individual income tax only on money they draw from the corporation in the form of salaries, bonuses, or dividends.

Corporations are sometimes referred to as “C corporations.”

### **S – Corporation (Small Business Corporation)**

Indicate whether or not the corporation is an S–Corporation. The “S corporation” (for Small Business Corporation) is a form of corporation that meets certain requirements (see IRS Form 2553). This gives an S corporation the benefit of incorporation while being taxed on the same basis as a partnership or sole proprietorship. This means that any profits earned by the corporation are usually not taxed at the corporate level, but

rather at the level of the shareholders. However, an S corporation may still owe tax on certain income.

### **Other**

If this operation is any other kind of organization not readily classified in the above-mentioned categories, check the “other” box. Some examples are:

- a. **Estate** – Undivided property still in, or subject to, probate.
- b. **Trust** – The farm is operated by a person as trustee for someone else who is not of age, or may be in a hospital, institution, or is otherwise unable to carry on his/her own business. Estate or trust may be further defined as a property administered for the benefit of another individual or organization. Estate or trust may also be defined as a fund of money or property administered for the benefit of another individual or organization.
- c. **Cooperative** – Non-taxable business organization formed to eliminate “the middleman” and which exists for the production and/or marketing of goods owned collectively by the members who share in the benefits.
- d. **Grazing Associations** – A corporation or cooperative mutually operated for the purpose of aiding in the conservation, restoration, improvement, development and utilization of natural forage resources where a grazing area has been acquired for joint use by its members.

### **Item 5 – Individuals involved in the day-to-day decisions**

Record the number of individuals that were involved in the day-to-day decisions for this operation. Enter the number of operator(s), including the operator listed on the front of the questionnaire. **Include** family members if they are also operators. **Exclude** hired workers unless they are a hired manager considered to be an operator.

### **Items 6-8 – Operator Demographics**

Record the age, year the person first operated any farm or ranch, and gender for the 3 primary operators. The principal operator should be the main decisionmaker for the entire operation on a day-to-day basis. For many operations, this will be the target operator. If a spouse is an operator, record the spouse's information in the operator 2 column.

**Item 6 – Age of Operator on December 31**

Enter the age of the operator(s) on December 31, 2008.

**Item 7 – Year Operator began to Operate ANY Operation**

List the four-digit year that the operator(s) first became involved in the day-to-day operational decisions on any farm.

**Item 8 – Gender of Operator**

Indicate if the operator, listed at the top of each column is male or female.

**Item 9 – Presence of Spouse of Principal Operator**

Ask if the principal operator has a spouse. If so, record a “1” for Item 9 otherwise record a “3” and skip to Item 11.

**Item 10 – Is the Spouse an Operator**

Ask if the spouse is an operator. If so, record a “1” in Item 10 and record the spouse's information in the operator 2 column for Items 6-8. If the spouse is not an operator, record a “3”.

**Item 11 – Hired Manager**

If the operator is a hired manager (essentially an employee that receives a wage or salary for making the day to day management decisions) of the operation, check ‘Yes’ and record a “1” for Item 11.

**ITEM 12 – FARM LABOR (V5)**

**Item 12 – Hours Worked by the Operator, Spouse, Other Operators, and**

### **Unpaid Workers**

These items provide the information to estimate the labor required to produce agricultural products. Record the average number of hours worked per week on the farm/ranch for each quarter. The operator should be able to approximate the average number of hours worked per week in each quarter because the quarters roughly correspond to the seasons.

Be sure to record all of the hours of farm work. Record all work time, even for workers who only work for a few hours a week on the farm (bookkeeping, running errands, etc.). Include all work done for the farm business.

Some respondents may say they do not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent completing this interview! **Section F, Item 16 instructions give examples of agricultural work.**

#### **Item 12a – Principal OPERATOR'S Hours of Farm Work**

For each quarter, record the average number of hours of farm work the principal operator did per week. Record both paid and unpaid hours of work.

#### **Item 12b – Principal Operator's SPOUSE'S Hours of Farm Work**

If the operator is married, record for each quarter, the average number of hours of farm work the operator's spouse did per week whether the spouse is an operator or a farm worker.

**Item 12c – Other Operators' Hours of Farm Work**

For each quarter, record the TOTAL average number of hours of farm work done per week by any other operators (excluding the principal operator and the principal operator's spouse). Other operators include those persons responsible for the day-to-day management decisions for this operation, and may include hired managers. Include both paid and unpaid hours.

If there is more than one other operator, record the TOTAL average number of hours worked per week. For example, if there are three other operators who worked an average of 42, 24 and 15 hours per week, respectively, the correct entry for this Item is 81 hours.

**Item 12d – Unpaid Workers' Hours of Farm Work**

For each quarter, record the TOTAL average number of hours of farm work done per week by any unpaid workers (excluding the operator). Unpaid workers may include members of the operator's household, partners, neighbors, guests, etc.

For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this Item is 81 hours.

**Item 13a – Number of Workers Performed Unpaid Labor**

Record the number of workers who performed unpaid labor on the farm. Exclude the principal operator and the principal operator's spouse. This information will help determine how many full-time equivalent workers worked on the farm, another measure of farm size.

**Item 13b – Number of Workers Performed Paid Labor**

Record the number of workers who performed paid labor on the farm. Exclude the principal operator and the principal operator's spouse. This information will help determine how many full-time equivalent workers worked on the farm, another measure of farm size.

## Section J – Household Information

The information in this section is about the principal operator as defined in Section I.

### Version 1 Questionnaire

If the spouse's age was reported in operator 2 in Section I, Item 11, skip to Item 2 as the information was collected in Section I.

#### **Item 1a – Age of Principal Operator's Spouse on December 31**

Enter the age of the principal operator's spouse on December 31, 2008.

If a spouse was reported in Section I, Item 9, then answer Items 2-5 for both the operator and spouse.

#### **Items 2&3 – Race or Origin of Principal Operator and Spouse**

Item 2 explicitly asks whether either the principal operator or the principal operator's spouse is of Spanish, Hispanic, or Latino origin or background. In Item 3, refer the respondent to the list of Race Codes on the questionnaire. Enter code "1" in the column across from each race/origin that applies. If more than one race/origin applies then multiple items may be checked.

#### **Item 4 – Highest Level of Formal Education of Principal Operator and Spouse**

Check the box representing the highest level of school completed by the principal operator's and the principal operator's spouse. Vocational school, secretarial school, etc. should not be counted as formal education unless the credits can be transferred to a college or university. A 4-year college graduate is considered as a B.S. or B.A. degree and should be coded "4". An associate degree should be coded as a "3".

#### **Item 5 – Principal Operator's and Spouse's Primary Occupation**

We consider primary occupation to be the occupation or work at which an individual spent more than 50% or more of his or her work time in 2008. Work other than farming/ranching means at an off-farm job or business for compensation. Record what the principal operator and principal operator's spouse consider their primary occupation to be.

**Item 6 – Retirement from Farming**

Farmers may consider themselves to be retired from farming if their active involvement in the farming operation is much lower compared to when they were younger. Allow the respondent to answer this question according to their own definition.

**Item 7 – Number of People in the Household**

This question provides information about the number of people who depend on the farm for income and are affected by its current financial situation.

Record the total number of people living in the operator's household on December 31, 2008. Include the operator, spouse, children, and others living in the household. Also include those who are dependent upon the household for support, whether they are living in the household or not. Students who are away at school should be counted, if they depend upon the farm household for support.

**Item 8 – Age Distribution and Health Insurance Coverage in Operator's Household**

Of the number of people living in the principal operator's household reported for in Item 7, record the number for each age group in column 1. Include the operator and spouse. Keep in mind that the number of persons listed should equal the total number people living in the household reported in Item 7. For each age group, a farm household can make different decisions depending on the needs of the dependents.

Record the number of household members that were covered by health insurance at any time during 2008 in column 2.

**Item 9 – Number of People in the Household Covered with Health Insurance**

Record the number of household members in each age group (under 65 and 65 and over) whose health insurance was provided from the listed sources in Item 9 respectively. Health insurance provided by this operation (item c) means that the premium expense was paid by the farm business and should be reported in Section F.

Private health insurance means the individual or household was responsible for the full premium. If the respondent paid a partial premium and the rest was paid by an employer that should have been included in 9a or 9b.

**ENUMERATOR INSTRUCTION: Screen for Household Questions**

We only want to collect household-related questions from operators if they and their relatives have a majority ownership interest in the operation. If they or their relatives do not own a majority interest in the operation, it is likely the operator only receives a wage or salary or in-kind payment for operating the farm. As a result, they would not be considered to be a traditional family farm, so skip to the next Section. The household-related information for this group of operators is not relevant in an economic analysis of family farms because the income and net worth of their household is not available to the farm operation. Some family farms may very well pay a family member to be a hired manager for a variety of reasons, including tax and legal reasons. We want to be able to include these farms as family farms, even if they do pay a family member to be a hired manager.

**Item 10 – Does Operator Live On or Adjacent to Any Part of Their Farm/Ranch Land?**

For operators whose farm is located in more than one place, we want to know if the farm household is located on or near any part of the farm or ranch. If the home of the principal operator is not located on or near any part of the farm or ranch, enter a code “3” for Item 10.

**Item 11 – Mileage Traveled to Off-Farm Job**

If principal operator and/or principal operator’s spouse worked off the



farm and reported hours of non-farm work in Section I, ask Item 11.

This question will help in assessing what is called 'transaction costs' of off-farm employment. Farm operators who live on farms that are far away from major towns where off-farm employment is centered may not only have higher transportation costs than those operators who live closer to these towns, but the additional commuting time and transportation costs may be a substantial disincentive for long-term off-farm employment.

**Item 12 – Other Households Share of Farm Income**

Record the number of other households that share the net income from the farm business. If no other households shared in the net farm income, enter a dash and go to Item 14.

If other households did not share in the net income of the business, Item 13 can be skipped because we know the percent is 100%.

**Item 13 – Income received by Household from Farm Business, except if the farm is a C-Corporation**

Record the percent of the farm operation's net income the operator's household is entitled to receive if the operation is not a C-Corporation. Refer back to Section I to determine the legal status.

**Item 14 – Income received from C-Corporation**

Dividends received by operator's household from Farm Operation if it is a C-Corporation

Note that this item asks for a dollar amount (e.g.; \$10,000) received by operator's household if the operation is a C-corporation. Refer back to Section I to determine the legal status.

**Item 15 – Off-Farm Income (Cash Income from Sources Other Than This Farm Operation)**

The amount of off-farm/ranch income available to farm households is sizeable. To understand the economic situation of agriculture, it is important to know how much outside income is available to farm/ranch

households. The breakout of cash income received is requested to assure that cash income reported on each response will have the same definition.

The request for income by total household income, operator, and spouse, for Items 15a through 15c recognizes that there can be multiple sources of income for the household by each household member, and that the contribution of each should be included. Ask for income received by source, including wages or salaries from off farm work, income from operating another farm or any other business, cash or share rent from other farming operations, interest, dividends, capital gains/losses from the proceeds of sales other than from this farming operation, retirement, social programs, and other sources. Obtaining income in this manner recognizes that there are a multitude of possible sources from which a household may receive income, depending upon its individual situation and previous investments. The breakout is to assure that income from each of these sources is considered by each respondent. This also allows us to analyze how the composition of income may be affected by differences in operator or farm characteristics. Also, this detail allows us to analyze how the composition of income may change as wage earners move through their life cycle. This allows us to more accurately assess the financial health of the farm household.

For the categories of off-farm income, record the VALUE CODE that represents off-farm income for the household, operator and the operator's spouse in 2008 or the total for the household for Items 15d through 15j.

**Include:**

- (1) the operator identified in screening.
- (2) the individual identified as the operator for a family corporation.
- (3) all other members of the operator's household. If an operator lives with parents, or other adults, any income earned by these household members (Social Security, off-farm jobs, net income from other farms, etc.) must be included.

**Exclude:**

- (1) landlord's share.
- (2) other partners in a partnership, unless they lived in the same house as the operator.

Note that for each of these items, if no income was received, "1" must be entered. When using Value Codes a code "1" indicates zero.

**Item 15a – Off-Farm Wages or Salaries for the Household, Principal Operator, Spouse**

Report the off-farm wages, salaries, and tips before withholding separately for the household, operator, and the operator's spouse.

**Item 15a(i) – Source of Off-Farm Wages**

If there was income reported for off-farm wages (Item 15a), record the type of business the operator and spouse worked at.

**Item 15b-15j – Other Sources of Income for Household, Principal Operator, Spouse**

Report the other sources of income separately for the household, the operator, and the operator's spouse for items 15b and 15c. For items 15d-15j report total household income.

**Item 15c(i) – Source of Off-Farm Income**

If there was income (positive or negative) reported for net cash income from operating another business (Item 15c), record the type of business the operator and spouse worked at.

**Item 15c(ii) – Number of Employees in Off-Farm Business**

If there was income (positive or negative) reported for net cash income from operating another business (Item 15c), record the number of employees that worked for the off-farm business. Include the operator and/or spouse.

**Item 15g – Proceeds From the Sale of Other Farm and Non-Farm Capital Assets**

**Exclude** the proceeds from the sales of capital assets of this farming operation. **Include** the proceeds from the sales of farm assets of other farming operations and the sale of non-farm capital. **Include** the proceeds received from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development rights, cropping rights, etc.) or

other partial interest in land. Generally, an easement permanently restricts use of the land and the landowner typically receives payment in one lump sum. For example: The operator sold a rental house in town for \$100,000. The house had a mortgage of \$50,000 at the time of sale. At settlement, (ignoring real estate commissions and other closing costs) the mortgage was paid and the operator received a check for \$50,000. The total proceeds from this sale are \$50,000.

**Item 15g (i) – Recognized Gain/Loss on the Sale of Non-Farm Capital Assets**

**Exclude** the gain/loss of the sale of farm assets from this farming operation. Those should have been reported elsewhere: from the sales of livestock from this operation, they should have been reported in Section D, items 5i(i) and 5l(i) and from the sales of land and buildings from this operation, they should have been reported in Section E, item 5f(i).

There may be tax consequences when a capital asset is sold. Certain assets can be exchanged for “like-kind” assets in tax-free transactions. Report recognized taxable gain/loss associated with the sale of both farm assets from other farms and non-farm assets here. Include gains or losses from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development rights, cropping rights, etc.) or other partial interest in land. Report any gain/loss recognized on sales of land in this farm operation in Section E. Gains/losses on the sale of capital assets are essential in estimating an after-tax farm household income measure. Gains/losses are computed as the difference between the sale price and the seller’s tax basis in the property (cost plus improvements less accumulated depreciation). In the example above, the operator sold the rental house for \$100,000; it had a \$50,000 mortgage. If the operator had originally paid \$40,000 for the house, spent \$10,000 on an addition, and had taken \$15,000 in depreciation, the basis in the house would be \$35,000 (\$40,000 + \$10,000 - \$15,000). As a result, at the time of sale the operator would have a recognized taxable gain of \$65,000 (\$100,000 sale price less \$35,000 basis).

However, sellers often defer the payment of these taxes, under certain conditions, by purchasing a replacement property in a tax-free exchange. Ask the respondent if the sale of the property involved a tax-deferred like-kind exchange. Section 1031 and Starker exchanges are common forms of like-kind exchanges.

**Item 15h – Income From Private Pensions & Disability Payments**

Record the value code representing the amount of private pensions and disability payments.

**Item 15i – Income from Public Sources**

Record the value code representing the income from public sources. Examples of public sources include Social Security, Public Retirement, Veterans Benefits, Unemployment, and other income from public sources.

**Item 15j – Other Off-Farm Income**

Record the value code representing the off-farm income from sources other than the ones mentioned above.

**Item 16 – Dividends From Firms Producing Ethanol**

As this item if the operator's household received dividend income in 2008. If the dividends were earned from a firm that produced ethanol, enter a code "1".

**Item 17 – Spending in 2008**

Household expenditures are obtained for two important reasons: (1) the estimate is incorporated in the Index of Prices Paid, and (2) it is necessary to know how much is spent on family living to develop an estimate of farmer's debt repayment capacity. Family living expenses are deducted from net income to determine how much is left over to replace equipment and to repay outstanding debt. Household expenditures are also collected in order to compare with basic needs reported earlier, and to construct an overall index of household well-being. Expenses are reported for each of eight general categories.

**Item 18 – Non-Farm Assets Owned by Operator and Household**

This question applies to the operator's household only, not to the operator's farm business for which data has previously been reported. Do not include assets of the operation reported earlier in the questionnaire.

Assets of the operation were reported in Section G. Include the value of the operator's dwelling here if it is owned separately from the operation and excluded from farm business assets.

Record the VALUE CODE which included the value of assets owned by the operator and members of the operator's household SEPARATELY from the operation on December 31, 2008.

**Item 18a – Financial Assets in Non-retirement Accounts**

Record the VALUE CODE which included the value of household financial assets held in non-retirement accounts. Income generated by these assets will generally be taxable in the current year. Such accounts include CDs, mutual funds, stocks, bonds, taxable brokerage accounts, and money market accounts. Include the cash value of life insurance policies.

**Item 18b – Financial Assets in Retirement Accounts**

Record the VALUE CODE which included the value of household financial assets held in retirement accounts. Income generated by these assets will generally NOT be taxable in the current year. Such accounts include Regular and Roth IRAs, 401(k)s, 403(b)s, Keogh accounts and other tax-deferred accounts. Investments in these accounts generally include financial assets that can also be held in taxable accounts.

**Item 18c – Operator's Dwelling**

Record the VALUE CODE which includes the value of the operator's dwelling if it is not owned by the operation. **Exclude** other personal use homes, such as vacation or second homes.

**Item 18d – Real Estate**

Record the VALUE CODE which includes the value of the any other farms, residential rental, commercial, industrial, or other real estate owned by members of the operator's household. Include other personal use homes, such as vacation or second homes.

**Item 18e – Other Businesses**

Record the VALUE CODE which includes the value of the any other businesses that are not part of this farm.

**Item 18f – All Vehicles**

Record the VALUE CODE of the non-farm share of all vehicles. Include such items as RVs as well as non-farm share of cars and trucks.

**Item 18g – Other Assets**

Record the VALUE CODE which includes the value of the any other assets not reported elsewhere. Furnishings are an example of what would be reported here.

**Item 19 – Non-Farm Debt**

This question applies to the operator's household only, not to the operator's farm business. Do not include debt of the operation reported earlier in the questionnaire. Do not include household debt, credit cards, etc. used to finance farm business expenses. Report all such debts in Section H.

Record the VALUE CODE which includes the value of debts owned by the operator and members of the operator's household SEPARATELY from the operation on December 31, 2008.

**Item 19a – Mortgages on operator's dwelling.**

Record the VALUE CODE which represents the amount of household debt, if not owned by the farm operation, in mortgages on the operator's dwelling. Include home equity loans, and other lines of credit secured by the operator's dwelling.

**Item 19b – Mortgages on other real estate including other personal homes.**

Record the VALUE CODE which represents the amount of household debt for other real estate properties, such as other personal homes, residential/commercial properties, and other farms. Include any lines of credit secured by other real estate.

**Item 19c – Other Businesses Loans.**

Record the VALUE CODE which represents the amount of debt associated with non-farm business loans. These businesses are independent of the farming operation.

**Item 19d – Personal Loans.**

Record the VALUE CODE which represents the amount of household debt in the form of personal loans such as credit card debt, auto loans, medical bills, and unpaid taxes.

**Item 19e – Other Off-Farm Debt.**

Record the VALUE CODE which represents the amount of household debt other than what has been mentioned above.

**Item 20 – Non-Farm Debt secured by Farm Assets**

The purpose of this question is to examine the affect that non-farm debt has on the financial ratios of the farm business, specifically on debt/asset and debt/equity ratios.

Record the VALUE CODE which represents any debt owed by the operator's household for non-farm business purposes (as the respondent noted in previous question) which used any farm assets (such as farmland or any other assets reported in Section 29) as collateral or security.

**Item 21 – Total Value of Farm Sales in Previous Year (2007)**

Use the value codes on the right of the page to obtain the respondent's best estimate of the total value of farm sales in 2007.

**Item 22 – Net Operating Income in Previous Year (2007)**

Use the value codes on the right of the page to obtain the respondent's best estimate of net operating income for the farm in 2007. In cases where the respondent reports a negative value for net farm income in 2007, indicate a minus sign before the value code. For example, code "-3" for



losses between \$500 and \$999.

**Item 23 – Total Off-Farm Income in Previous Year (2007)**

Use the value codes on the right of the page to obtain the respondent's best estimate of total off-farm income in 2007 for the operator and the operator's household members. In cases where the respondent reports a negative value for total off-farm income in 2007, indicate a minus sign before the value code. For example, code "-3" for losses between \$500 and \$999. Total off-farm income should include all of the income sources listed in the current year off-farm sources, except for the sales of capital assets and the capital gains from the sales of those capital assets.

## **Version 2-5 Questionnaires**

**Items 1&2 – Principal Operator's Spouse Race or Origin**

In Item 2, refer the respondent to the list of Race Codes on the questionnaire. Enter code "1" in the column across from each race/origin that applies. If more than one race/origin applies then multiple items may be checked.

**Item 3 – Principal Operator's and Spouse's Highest Level of Formal Education**

Check the box representing the highest level of school completed by the principal operator's and the principal operator's spouse. Vocational school, secretarial school, etc. should not be counted as formal education unless the credits can be transferred to a college or university. A 4-year college graduate is considered as a B.S. or B.A. degree and should be coded "4". An associate degree should be coded as a "3".

**Item 4 – Principal Operator's and Spouse's Primary Occupation**

We consider primary occupation to be the occupation or work at which an individual spent more than 50% or more of his or her work time in 2008. Work other than farming/ranching means at an off-farm job or business for compensation. Record what the principal operator and principal

operator's spouse consider their primary occupation to be.

**Item 5 – Retirement from Farming**

Farmers may consider themselves to be retired from farming if their active involvement in the farming operation is much lower compared to when they were younger. Allow the respondent to answer this question according to their own definition.

**Item 6 – Number of People in the Household**

This question provides information about the number of people who depend on the farm for income and are affected by its current financial situation.

Record the total number of people living in the operator's household on December 31, 2008. Include the operator, spouse, children, and others living in the household. Also include those who are dependent upon the household for support, whether they are living in the household or not. Students who are away at school should be counted, if they depend upon the farm household for support.

**ENUMERATOR INSTRUCTION: Screen for Household Questions**

We only want to collect household-related questions (in items 7 to 16 in Versions 2-4) from operators if they and their relatives have a majority ownership interest in the operation. If they or their relatives do not own a majority interest in the operation, it is likely the operator only receives a wage or salary or in-kind payment for operating the farm. As a result, they would not be considered to be a traditional family farm, so skip to the next Section. The household-related information for this group of operators is not relevant in an economic analysis of family farms because the income and net worth of their household is not available to the farm operation. Some family farms may very well pay a family member to be a hired manager for a variety of reasons, including tax and legal reasons. We want to be able to include these farms as family farms, even if they do pay a family member to be a hired manager. Note that there is not a similar skip in Version 5.

**Item 7 – Operator's Off-Farm Work During 2008**

If the operator received pay from an off-farm job or operating an off-farm business at any time during 2008, enter “1” for Item 7 and continue to Items 7a & 7b. If the operator did not have an off-farm job, enter a code “3” and skip to Item 8.

**Item 7a – Weeks Worked Off the Farm**

Record the number of weeks the operator worked off this operation for pay in 2008.

**Item 7b – Average Hours Worked Per Week**

For the weeks the operator worked off this operation for pay in 2008, record the average hours worked per week. If the operator had more than one job, include average hours for all jobs combined. For example, if an operator worked 10 hours per week on one job and 20 hours per week on another, the average number of hours worked per week would be 30 hours.

**Item 8 – Spouse’s Off-Farm Work During 2008**

If the operator’s spouse received pay from an off-farm job or operating an off-farm business at any time during 2008, enter “1” for Item 8 and continue to Items 8a & 8b. If the operator’s spouse did not have an off-farm job, enter a code “3” and skip to Item 9.

**Item 8a – Weeks Worked Off the Farm**

Record the number of weeks the operator's spouse worked off this operation for pay in 2008.

**Item 8b – Average Hours Worked Per Week**

For the weeks the operator's spouse worked off this operation for pay in 2008, record the average hours worked per week. If the operator had more than one job, include average hours for all jobs combined. For example, if the operator's spouse worked 10 hours per week on one job and 20 hours per week on another, the average number of hours worked per week would be 30 hours.

**Item 9 – Other Households Share of Farm Income**

Record the number of other households that share the net income from the farm business. If no other households shared in the net farm income, record a dash or check the 'None' box and go to Item 9b.

If other households did not share in the net income of the business, Item 9a can be skipped because we know the percent is 100%.

**Item 9a – Income received by Household from Farm Business, except if the farm is a C-Corporation**

Record the percent of the farm operation's net income the operator's household is entitled to receive if the operation is not a C-Corporation. Refer back to Section I to determine the legal status.

**Item 9b – Income received from C-Corporation**

Dividends received by operator's household from Farm Operation if it is a C-Corporation

Note that this item asks for a dollar amount (e.g.; \$10,000) received by operator's household if the operation is a C-corporation. Refer back to Section I to determine the legal status.

**Item 10 – Off-Farm Income (Cash Income from Sources Other Than This Farm Operation)**

The amount of off-farm/ranch income available to farm households is sizeable. To understand the economic situation of agriculture, it is important to know how much outside income is available to farm/ranch households. The breakout of cash income received is requested to assure that cash income reported on each response will have the same definition.

For versions 2-4, the request for income by total household income, operator, and spouse, for Items 10a, 10b, and 10c, recognizes that there can be multiple sources of income for the household by each household member, and that the contribution of each should be included. Ask for income received by source, including wages or salaries from off farm work, income from operating another farm or any other business, cash or share rent from other farming operations, interest, dividends, capital gains/losses from the proceeds of sales other than from this farming operation, retirement, social programs, and other sources. Obtaining income in this manner recognizes that there are a multitude of possible sources from which a household may receive income, depending upon its individual situation and previous investments. The breakout in versions 2-4 is to assure that income from each of these sources is considered by each respondent. This also allows us to analyze how the composition of income may be affected by differences in operator or farm characteristics. Also, this detail allows us to analyze how the composition of income may change as wage earners move through their life cycle. This allows us to more accurately assess the financial health of the farm household.

For the categories of off-farm income, record the VALUE CODE that represents off-farm income for the household, operator and the operator's spouse (if applicable) in 2008 or the total for the household for Items 10d through 10j.

**Include:**

- (1) the operator identified in screening.
- (2) the individual identified as the operator for a family corporation.
- (3) all other members of the operator's household. If an operator lives with parents, or other adults, any income earned by these household members (Social Security, off-farm jobs, net income from other farms, etc.) must be included.

**Exclude:**

- (1) landlord's share.
- (2) other partners in a partnership, unless they lived in the same house as the operator.

Note that for each of these items, if no income was received, "1" must be entered. When using Value Codes a code "1" indicates zero.

**Item 10a – Off-Farm Wages or Salaries for the Household, Principal Operator, Spouse**

Report the off-farm wages, salaries, and tips before withholding separately for the household, operator, and the operator's spouse (versions 2-4).

**Item 10b-10j – Other Sources of Income for Household, Principal Operator, Spouse**

Report the other sources of income separately for the household, the operator, and the operator's spouse (versions 2-4) for items 10b and 10c and total household income for items 10d through 10j.

**Item 10g – Proceeds From the Sale of Farm and Non-Farm Capital Assets**

Report the net proceeds from the sale of capital assets. **Include** proceeds received from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development rights, cropping rights, etc.) or other partial interest in land. Generally, an easement permanently restricts use of the land and the landowner typically receives payment in one lump sum.

For example: The operator sold a rental house in town for \$100,000. The house had a mortgage of \$50,000 at the time of sale. At settlement, (ignoring real estate commissions and other closing costs) the mortgage was paid and the operator received a check for \$50,000. The total proceeds from this sale are \$50,000.

**Item 10g (i) – Recognized Gain/Loss on the Sale of Farm and Non-Farm Capital Assets**

**V5 Only**

There may be tax consequences when a capital asset is sold. Certain assets can be exchanged for “like-kind” assets in tax-free transactions. Report recognized taxable gain/loss associated with the sale of both farm assets from other farms and non-farm assets here. **Include** gains or losses from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development rights, cropping rights, etc.) or other partial interest in land. Gains/losses on the sale of capital assets are essential in estimating an after-tax farm household income measure. Gains/losses are computed as the difference between the sale price and the seller’s tax basis in the property (cost plus improvements less accumulated depreciation). In the example above, the operator sold the rental house for \$100,000; it had a \$50,000 mortgage. If the operator had originally paid \$40,000 for the house, spent \$10,000 on an addition, and had taken \$15,000 in depreciation, the basis in the house would be \$35,000 (\$40,000 + \$10,000 - \$15,000). As a result, at the time of sale the operator would have a recognized taxable gain of \$65,000 (\$100,000 sale price less \$35,000 basis).

However, sellers often defer the payment of these taxes, under certain conditions, by purchasing a replacement property in a tax-free exchange. Ask the respondent if the sale of the property involved a tax-deferred like-kind exchange. Section 1031 and Starker exchanges are common forms of like-kind exchanges.

**Item 10h – Income From Private Pensions & Disability Payments**

Record the value code representing the amount of private pensions and disability payments.

**Item 10i – Income from Public Sources**

Record the value code representing the income from public sources. Examples of public sources include Social Security, Public Retirement, Veterans Benefits, Unemployment, and other income from public sources.

**Item 10j – Other Off-Farm Income**

Record the value code representing the off-farm income from sources other the ones mentioned above.

**Item 11 – Spending in 2008**

Household expenditures are obtained for two important reasons: (1) the estimate is incorporated in the Index of Prices Paid, and (2) it is necessary to know how much is spent on family living to develop an estimate of farmer's debt repayment capacity. Family living expenses are deducted from net income to determine how much is left over to replace equipment and to repay outstanding debt. Household expenditures are also collected in order to compare with basic needs reported earlier, and to construct an overall index of household well-being.

Expenses are aggregated and reported as a total. See Items 17a-17h of the Version 1 questionnaire for what to include in this item.

**Item 12 – Off-Farm Assets Owned by Operator and Household**

This question applies to the operator's household only, not to the operator's farm business for which data has previously been reported. Do not include assets of the operation reported earlier in the questionnaire. Assets of the operation were reported in Section G. Include the value of the operator's dwelling here if it is owned separately from the operation and excluded from farm business assets.

Record the VALUE CODE which included the value of assets owned by the operator and members of the operator's household SEPARATELY from the operation on December 31, 2008.

See Items 18a-18g of the Version 1 questionnaire for what to include in this item.



**Item 13 – Off-Farm Debt**

This question applies to the operator's household only, not to the operator's farm business. Do not include debt of the operation reported earlier in the questionnaire. Do not include household debt, credit cards, etc. used to finance farm business expenses. Report all such debts in Section H.

Record the VALUE CODE which includes the value of debts owned by the operator and members of the operator's household SEPARATELY from the operation on December 31, 2008.

See Items 19a-19e of the Version 1 questionnaire for what to include in this item.

**Item 14 – Total Value of Farm Sales in Previous Year (2007)**

Use the value codes on the right of the page to obtain the respondent's best estimate of the total value of farm sales in 2007.

**Item 15 – Net Operating Income in Previous Year (2007)**

Use the value codes on the right of the page to obtain the respondent's best estimate of net operating income for the farm in 2007. In cases where the respondent reports a negative value for net farm income in 2007, indicate a minus sign before the value code. For example, code "-3" for losses between \$500 and \$999.

**Item 16 – Total Off-Farm Income in Previous Year (2007)**

Use the value codes on the right of the page to obtain the respondent's best estimate of total off-farm income in 2007 for the operator and the operator's household members. In cases where the respondent reports a negative value for total off-farm income in 2007, indicate a minus sign before the value code. For example, code "-3" for losses between \$500 and \$999. Total off-farm income should include all of the income sources listed in the current year off-farm sources, except for the sales of capital assets and the capital gains from the sales of those capital assets.

## Tobacco Production Practices (Sections N-Q)

The Tobacco (Version 2) questionnaire contains Sections N-Q which relate to production practices and costs of the tobacco enterprise.

### **What are these sections for? How is the information used?**

The goal of the Tobacco Cost of Production Survey is to develop an information base to evaluate how tobacco farmers are adapting to policy changes. Changes in U.S. tobacco policy have had a significant impact on tobacco farms. The Fair and Equitable Tobacco Reform Act of 2004 changed tobacco policy in the U.S. from a system of quotas and price supports to a free market system. The mechanism for this change was a buyout of quota from former quota owners and renters. This survey will gather data to measure how tobacco farms changed in response to policy adjustments. To measure this change, information about the tobacco enterprise is requested for 2000 (prior to the buyout), 2004 (time of the buyout), and 2008 (after the buyout). Specific issues of emphasis regarding the 2008 survey are:

- 1) **Farm structural change:** Historically, tobacco production occurred on many farms operating small plots limited in size by the quota amount controlled by each farm. The tobacco buyout and the elimination of the quota system have reduced the number of tobacco farms and permitted the remaining farms to expand tobacco production.
- 2) **Labor usage:** Tobacco production on small plots is labor intensive and costly. Without quota and price supports, tobacco farmers need to reduce costs to remain in tobacco production over the long run. One way to reduce costs is to expand tobacco production per farm to take advantage of the economies of scale. Expanding production per farm requires additional labor or the mechanization of operations.
- 3) **Production systems and technology use:** Specifications in marketing contracts have changed methods used in tobacco production, curing, and baling. Technical change may be occurring as farmers seek more cost efficient production levels.

- 4) **Marketing systems:** Tobacco procurement from producers has changed from auction markets to direct contracts with cigarette companies.

## General Information

These sections are to be completed if tobacco acres were harvested in 2008. Harvested acres are reported in Section B. There are many questions that reference year 2008, 2004, and 2000 in one table. If there are no skip instructions prior to the table, complete the table for all years that apply. For example, in Section N, Item 1a-c, if tobacco was grown in 2008 and 2004 only, complete those two years and dash the columns for year 2000.

## **Section N – Tobacco Acreage and Quota**

Section N gets some additional information for calculating costs of production per planted acre. Cost items are handled differently depending on whether the crop was grown on owned or rented land.

Some information on income (through prices and buyout payments) are also collected for the operation.

### **Item 1 – Planted Acres by Tobacco Type**

For 2008, 2004, and 2000, record acres planted for 4 tobacco types to the nearest tenth of an acre:

- 1) Flue-cured,
- 2) Burley,
- 3) Dark, and
- 4) Other types

**Include** acres planted, but not harvested. If the operation planted seventeen acres of burley tobacco in 2004, record 17.0 in box 1341.

### **Items 2a, 3a, & 4a – Average Yield per Acre in 2008 by Type**

Record the yield per acre of each tobacco type tobacco in Items 2a, 3a, and 4a.

### **Items 2b, 3b, & 4b – Average Price Received in 2008 by Type**

Record the average price received per pound at the receiving station. The price should be in dollars and cents per pound. **Exclude** contract incentives in the price received at the receiving station even if the farmer get the incentive at the receiving station. Price incentives are to be recorded in Item c.

### **Items 2c, 3c, & 4c – Incentives and Cooperative Patronage Dividends Received in 2008 by Type**

Record how much was received (or will be received) in 2008 for incentives and cooperative patronage dividends. The amount should be in dollars and cents per pound.

**Item 5 – Tobacco Planted on Cash Rented Acres in 2008**

Indicate whether tobacco was planted on cash rented acres in 2008. If “Yes”, enter code 1 and continue with Item 5a. If “No”, enter code 3 and continue with Item 6.

**Item 5a – Cash Rent Paid per Acre**

Record the average cash rent paid per acre for land planted with tobacco in 2008. Include rent paid in 2007 or 2009 for rented acres planted in 2008.

**Item 5b – Percentage of Tobacco Acres Cash Rented**

Record either the percent of total planted tobacco acres that were on cash rented land or the number of planted tobacco acres that were on cash-rented land.

**Item 6 – Tobacco Planted on Share-Rented Acres in 2008**

Indicate whether tobacco was planted on share-rented acres in 2008. If “Yes”, enter code 1 and continue with Item 6a. If “No”, enter code 3 and continue with Item 7.

**Item 6a – Share Rent Paid to Landlord**

To obtain the share rent paid, record either

- the average percent landlords received for tobacco acres rented on shares, or
- the average pounds per acre landlords received for tobacco acres rented on shares.

**Item 6b – Percentage of Tobacco Acres Share-Rented**

Record either the percent of total planted tobacco acres that was on share-rented land or the number of planted tobacco acres that were on share-rented land.

**Item 7 – Years Producing Tobacco**

The experience level of the operator is a factor which can help explain why one operation is more efficient than another. These data will also be used to

identify operations that have recently entered the tobacco industry and study how these new entrants differ from operations that have been in business several years.

Record the number of years this operator has produced tobacco.

**Item 8 – Years Expecting to Produce Tobacco**

Information from this item will be used to identify operations soon to be exiting the tobacco industry and study how these operations differ from those planning to remain in business for several years. These data, along with information about industry entrants (Item 7), will provide insight about the future structure of the tobacco industry.

Enter the code which represents how long this operation expects to produce tobacco.

**Item 9 – Future Tobacco Production**

If the operator intends to produce tobacco for 5 or more years (see Item 8 above), then record the operator's best estimate of the number of acres of each type of tobacco that he/she expects to be producing in 5 years (2013). Record the best estimate as of today.

**Item 10 – 2004 Tobacco Quota**

For flue-cured, burley, and other types of tobacco (including dark), record the amount of tobacco quota the operation had in 2004 (the last year of tobacco quotas) that were:

- a) Owned – these are pounds of tobacco basic quota assigned to the operator's owned land.
- b) Cash-Rented – these are total pounds of quota cash-rented or transferred in with or without land for tobacco production. If there are multiple rental agreements, add all of the cash-rented quota poundage together and enter the sum in Item 10b.
- c) Share Rented – these are total pounds of quota share-rented or transferred in with or without land for tobacco production. If there are multiple share-rental agreements, add all of the share-rented quota poundage together and enter the sum in Item 10c.

- d) Used Rent Free – these are total pounds of quota owned by someone else and used rent free or transferred in with or without land for tobacco production. If there are multiple free-rental agreements, add all of the free-rental quota poundage together and enter the sum in Item 10d.

This item investigates if the arrangement of owning or renting quota had an impact on whether a farm changed its production practices or structure after the tobacco buyout.

**Item 11 – Number of People Rented Quota From in 2004**

Record the number of people tobacco quota was rented from in 2004.

**Item 12 – Number of Tobacco Fields**

Record the number of planted tobacco fields that the operator had in 2008, 2004, and 2000.

**Item 13 – Tobacco Buyout in Lump Sum**

Operators taking the tobacco buyout had the option of getting annuity payments or arranging one lump sum payment from a financial institution that is normally less than the sum of the annuity payments. An annuity is a stream of regular, fixed payments that terminate at a specific time. If the operator took the lump sum payment, record code 1 and continue with Item 13a. If the operator did not take the lump sum payment, record code 3 and proceed with Item 14.

**Item 13a – Year Received Lump Sum**

Record the calendar year the lump sum payment was made to the operator.

**Item 13b – Amount of Lump Sum**

Record the amount of the lump sum payment in Item 13b.

**Item 14 – Tobacco Buyout Payments Received Over 10 Years**

This question should be answered if the operator is accepting tobacco buyout payments over the 10-year life or took the lump sum payment. Record either:

- *For those receiving annuity payments:* The amount of tobacco payments the operation will receive over the 10 year life of the annuity payments, or
- *For those who took the lump sum payment:* The amount of tobacco payments the operation would have received over the 10 year life of the annuity payments. DO NOT record the lump sum payment.

One way to estimate this would be to take the annual amount and multiply by 10.

**Item 15 – Purpose of Tobacco Buyout Payment**

Record the percent of total tobacco buyout payment that has been or will be spent by the following:

- a) Spent or invested for farm-related expenditures related to tobacco production,  
*(For example, include tobacco buyout money that was used to build field curing structures or to purchase tobacco baling equipment, or to purchase/build farm housing for migrant tobacco workers. If the buyout money was spent on an asset used for several commodities including tobacco, then have the farmer prorate the amount of buyout money spent on the asset between tobacco and the other commodities. Include only the amount of the buyout funds attributable to tobacco production. For example, suppose a producer used \$10,000 of the tobacco buyout money toward the purchase of a truck that is only used for farm work. Three quarters of the time the truck is used to haul corn and the rest of the time the truck is used to haul tobacco. Use 1/4 of \$10,000 or \$2,500 in estimating the percentage of the buyout money spent on tobacco production.)*
- b) Spent or invested for farm-related expenditures NOT related to tobacco production,  
*(For example, include tobacco buyout money used to make a down payment on a corn/soybean harvester, buy farmland not used for tobacco production, or used to prepare land for the production of fruits, or vegetables. Prorate buyout expenditures on multiuse assets. For example, if \$10,000 of buyout funds are used to purchase a truck, that is used 3/4 of the time to haul corn and 1/4 of the time to haul tobacco, then allocate \$7,500 of the buyout money spent on the truck in computing the percent of the buyout funds spent for farm*



*that was not related to tobacco production.*

- c) Spent or invested for all other purposes.

The percentages should sum to 100.

## **Section O – Tobacco Production**

Section O collects information about tobacco production practices, tobacco equipment owned, and investment in improving tobacco equipment.

### **Item 1 – Yield Change since 2004**

Indicate if and how tobacco yield changed since the tobacco buyout ended in 2004. If the operation did not have tobacco in 2000 or 2004, use code 4.

### **Item 2 – Tobacco Production Practices in 2008, 2004, and 2000**

Item 2 asks questions related to production practices. If more than 1 type of tobacco was grown in Section N, then record the information on the type with the most acres in 2008.

For example, if the operator grew more flue-cured than burley tobacco in 2008, but more burley than flue-cured in 2004, answer all questions for flue-cured tobacco.

### **Item 2a – Raise Your Own Transplants**

Indicate whether the operator raised their own tobacco transplants. Use code 1 for “Yes”, 3 for “No”, and 4 for “Not Applicable” (type not grown in that year).

### **Item 2b – Use of Mechanical Harvesting Equipment**

Indicate whether the operator used mechanical harvesting equipment for tobacco. Use code 1 for “Yes”, 3 for “No”, and 4 for “Not Applicable” (type not grown in that year).

### **Item 2c – Number of Stalk Positions Harvested or Sorted In**

Record the number of stalk positions the tobacco was harvested or sorted in. Stalk positions refer to the location of the leaf on the stalk. The location of the leaf is an indicator of its quality. Leaves at the bottom of the stalk are different significantly and are usually of low quality than from leaves at the top of the tobacco plant.

**Item 2d – Tobacco Handled In Bales**

Indicate whether tobacco was handled in bales. Use code 1 for “Yes”, 3 for “No”, and 4 for “Not Applicable” (type not grown in that year).

**Item 2e – Average Weight of Bales**

If tobacco was handled in bales, record the average weight of the tobacco bales in pounds per bale.

**Item 3 – Investment in Tobacco Building and Equipment Since 2004**

If there was investment in any of the listed tobacco buildings and equipment since 2004, record

- 1) The amount invested since 2004 from all sources,
- 2) The most important reason for the investment from the list of reason codes, and
  - 1 – Replacement
  - 2 – Change in Production Technique
  - 3 – Expand Tobacco Production
  - 4 – Increase Efficiency of Tobacco Production
  - 5 – Required by Marketing Contract
  - 6 – Regulation (Law)
  - 7 – Other
  - 8 – None
- 3) The next most important reason for the investment from the list of reason codes above.

For Item f (other equipment for drying/curing tobacco) -- **Include** sticks, racks, fans, and heaters if they are purchased separately from a curing structure or barn.

For Item h – exclude major equipment in a tobacco stripping room such as baling equipment. Those should be listed elsewhere in Item 3.

**Item 4 – Investment Paid by Tobacco Buyer or Tobacco Company**

If any of the investments in Item 3 were paid for by the tobacco buyer or tobacco company, record either the percent or the total dollar amount the tobacco buyer or tobacco company invested.

**Item 5 – Tobacco Building and Equipment Items**

To obtain value and ownership of the equipment items, ask for each of a-j:

- 1) Whether the equipment was used in 2008. If the equipment was not used in 2008, proceed to the next line.
- 2) If the equipment was used in 2008, if it was owned by the operation. If the equipment was not owned by the operation, proceed to the next line.
- 3) If the equipment was used in 2008 and owned by the operation, record the average age of all pieces of that item.
- 4) If the equipment was used in 2008 and owned by the operation, record the total market value of all pieces of that item.

**Item 6 – Crop Insurance in 2008**

Indicate whether the operation had crop insurance on any type of tobacco grown in 2008. If “Yes”, then check the box and enter code 1. If “No”, then check the box and enter code 3.

**Item 7 – Profitability Compared to the Quota System**

Indicate whether the operation is

- 1) More profitable without the quota system,
- 2) Less profitable without the quota system,
- 3) No change in profitability compared to the quota system, or
- 4) Not applicable since tobacco was not grown in the quota system.

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## **Section P – Tobacco Labor Use**

The purpose of this section is to collect information to determine the labor cost and labor issues for tobacco production. Labor accounts for a large percentage of the total tobacco production costs due to the large number of hours per acre needed to raise and prepare tobacco for market. Detailed information is needed about how much labor is used and how hard it is for farmers to find labor. This section will also look at labor efficiency between 2008 and 2004.

### **Item 1 – Labor Hours Needed For Tasks Related to Tobacco Production**

Record the total number of hours needed to perform the following tasks for the 2008 tobacco crop. **Include** paid and unpaid labor; hours performed by the operator, hired labor, and contract labor. **Exclude** hours for custom work since custom work includes both labor and machines.

A calculation aid is included. Number of hrs = number of workers \* ave hours worked per day \* number of days.

#### **Item 1a – Tobacco Plant Preparation**

Record the number of hours needed by operators (paid and unpaid), hired labor, unpaid labor, and contract labor for plant preparation. **Include** plant preparation in greenhouses if the operation prepares its own transplants **Exclude** hours spent preparing transplants for sale.

#### **Item 1b – Planting/Transplanting Tobacco**

Record the number of hours needed by operators (paid and unpaid), hired labor, unpaid labor, and contract labor for planting or transplanting tobacco. **Include** hours preparing land for planting.

#### **Item 1c – Activities Between Planting and Harvesting**

Record the number of hours needed by operators (paid and unpaid), hired labor, unpaid labor, and contract labor for activities between planting and harvesting. **Include** activities such as

- Spraying,
- Weed control, as well as
- Topping and sucker control

**Exclude** hours spent priming. Priming is recorded with harvesting. Priming is the removal of individual leaves from the tobacco stalk as they ripen.

**Item 1d – Harvesting Tobacco**

Record the number of hours needed by operators (paid and unpaid), hired labor, unpaid labor, and contract labor for harvesting tobacco. **Include** hours spent priming.

**Item 1e – Preparing Tobacco for Market**

Record the number of hours needed by operators (paid and unpaid), hired labor, unpaid labor, and contract labor for preparing tobacco for market. **Include** hours worked during drying, curing, and baling.

**Item 2 – Total Hours Needed for Tobacco Production**

Sum Items 1a-1e to get a total hours needed for tobacco production in 2008.

**Item 2a – Hours by Hired and Contract Labor**

Record the percent of total hours (Item 2) or number of hours that were worked by hired or contract labor.

**Item 2a(i) – Hours Supplied by Migrant Labor**

Record the percent of total hired or contract labor hours (Item 2a) or number of hours that were supplied by migrant labor. A migrant worker is a farm worker whose employment required travel that prevented the migrant worker from returning to his/her permanent place of residence the same day.

**Item 2b – Hours by Operator and Family Labor**

Record the percent of total hours (Item 2) or number of hours that were worked by operator and family labor in the household. **Include** hired family members living in your household.

**Item 3 – Difficulty Finding Local Workers**

Indicate if the operator had difficulty finding local workers to assist with tobacco production and market preparation in 2008. If “Yes”, enter code 1. If “No”, enter code 3.

**Item 4 – Difficulty Finding Migrant Workers**

Indicate if the operator had difficulty finding migrant workers to assist with tobacco production. If “Yes”, enter code 1. If “No”, enter code 3.

**Item 5 – Use of Federal or State Programs to Find Workers**

Indicate if the operator used any Federal or State programs to find workers for the tobacco operation in 2008, such as the H-2A program. If “Yes”, enter code 1. If “No”, enter code 3. The Immigration Reform and Control Act allows temporary foreign agricultural workers (H-2A workers) into the U.S. for a maximum of ten months, if U.S. workers are unavailable. Rules and regulations regarding the hiring of these workers are complex.

**Item 6 – Paid Organizations for Assistance Obtaining Workers**

Indicate if the operation paid any organization to assist in obtaining workers in 2008. If “Yes”, enter code 1. If “No”, enter code 3. **Include** organizations that filed paperwork for the H-2A program, checked worker social security numbers, etc.

**Item 7 – Cash Value of Non-Wage Items**

Record the cash value of any non-wage items provided for hired or contract labor used in tobacco production in 2008. **Include** the cash value for housing, meals, utilities, worker’s compensation, insurance, transportation, and any other items. **Exclude** compensation to the operators.



**Item 8 – Tobacco Labor Efficiency Between 2008 and 2004**

Indicate how labor efficiency changed since the last year of quotas (between 2008 and 2004). A good indicator of efficiency is how much labor was required per acre. Use code

- 1) More efficient in 2008,
- 2) Less efficient in 2008, or
- 3) Unchanged

for each of the tobacco production tasks listed.

## **Section Q – Tobacco Marketing**

The purpose of this section is to collect data on the differences in marketing tobacco during the quota system (2000), the last year of the quota system (2004), and after the quota system (2008). Farmers are increasingly turning to marketing contracts to market their tobacco rather than auctions. Marketing contracts specify price of tobacco at the beginning of the tobacco season.

### **Item 1 – Marketing Options Available**

Record the number of market alternatives (listed in Items a-c) that the operator **could** have used in 2008, 2004, and 2000. This is not necessarily the number actually used, but rather the number that was available for use. This data is needed to examine whether tobacco farmers now have more or less marketing options than in previous years. **Include** market alternatives with a receiving station within a reasonable driving distance of your tobacco operation. The respondent decides whether something is within a reasonable driving distance of his farm.

### **Item 2 – Pounds of Tobacco Marketed**

Record the pounds of tobacco marketed from the 2008, 2004, and 2000 crop in Item 2.

### **Item 3 – Percentage Marketed by Arrangement**

Record the percent of the 2008, 2004, and 2000 tobacco crop that was marketed by the listed arrangements in a-d. The percentages for each year must sum to 100.

### **Item 4 – Length of Marketing Contract**

Record the length of any marketing contract used for the 2008, 2004, and 2000 tobacco crops. If more than one contract was used for a year, report the length of the contract under which the most tobacco was marketed that year.

**Item 5 – Average Distance to Tobacco Receiving Stations**

Record the average one way distance to the tobacco receiving station(s) the operator used in 2008. If more than 1 station was used, report the distance to the nearest one.

**Item 6 – Number of Tobacco Marketing Contracts**

Record the number of tobacco marketing contracts the operator had in 2008. If the operator had any marketing contracts in 2008, continue with Item 7. If the operator did not have any marketing contracts in 2008, go to the Conclusion.

**Item 7 – Portion of Tobacco Crop Marketed Under Largest Contract**

Record the percent of the total tobacco crop or the number of pounds that was marketed under the largest marketing contract in 2008.

**Item 8 – Specifications for Largest Marketing Contract**

For Items 8a-8g, indicate if the largest marketing contract (mentioned in Item 7), had the listed specifications. If “Yes”, enter code 1. If “No”, enter code 3.

## Bioenergy Production Practices (Sections L-P)

The Bioenergy (Version 3) questionnaire contains Sections L-P which relate to production practices and costs of the bioenergy enterprise.

### **What are these sections for? How is the information used?**

U.S. bio-fuels production has increased rapidly in recent years. In 2007, for example, 25 percent of U.S. corn production was used to manufacture ethanol while a smaller proportion of oilseeds crops (mainly soybeans) have been used to manufacture bio-diesel. In response to bio-fuels demand, increased demand for meat in some large developing economies, and extensive drought in other parts of the world, grain and oilseed prices have reached record levels during the 2007-08 marketing year. At the same time, the price of key production inputs—primarily fuel and fertilizer—are also reaching record levels.

### **General Information**

These sections are to be completed for all operations selected. The goal of the survey is to provide data to identify the effects of the biofuels expansion on the following farm-level decisions:

- Land acquisition and use, including changes in land use and crop;
- Input acquisition and use, including expenses and varieties of fuels and fertilizers; and
- Marketing channels.

In addition, these sections will help us track the changes in crop mix (including shifts between uncultivated and cultivated land uses) that farmers are making in response to the expanded demand for biofuels. They will provide data to help us understand whether farmers who are producing biofuels are making different decisions for seed, fuel, and fertilizer use than farmers who are not producing biofuel. Information on the marketing channels used for biofuel production will help us better understand the returns to different participants in the biofuels supply chain. Producers also have the opportunity to both produce and use energy on the farm.

## **Section L - Irrigation**

This section is only asked in Version 3 (Bioenergy).

Information on irrigated agriculture is critical for USDA's Economic Research Service to assess the impact on agriculture, at the farm and regional level, of problems/conflicts associated with water quality, water policy, wildlife, and other environmental issues facing American agriculture. Irrigation data is required across crops for a farm so that economic analysis can correctly estimate all economic costs and benefits to agriculture associated with proposed policy changes that may affect American agriculture.

### **Item 1 – Irrigation During 2008?**

Check "Yes" for operations that irrigated any cropland, orchard land, alfalfa, other hay or pastureland in 2008. If the operation irrigated in 2008, complete the remainder of Section L. Include any land that was privately owned or rented and land rented from a public agency which received irrigation water as part of the farming operation for this farm in 2008. Exclude irrigation of home gardens.

If no cropland, orchard land, alfalfa, other hay or pastureland was irrigated in 2008, go to Section M.

### **Item 2 – Enumerator Instruction - Crops Irrigated**

This item records specific crops irrigated on the operation during 2008. Refer back to Sections B. For each crop harvested during 2008, determine if it was irrigated and list the crops irrigated in Column 1. Then, for each crop irrigated, go across the table and complete columns 2-9. Ask all the Column 2 - 9 questions about one crop before going on to the next crop.

**Column 1 – Crop**

Identify each crop irrigated during 2008 in Column 1. Alfalfa, other hay and pastureland are pre-listed at the bottom of the table because they are often forgotten. Include pastureland even if it is not cropped in 2008. Nursery and greenhouse crops may be lumped on one line. All other crops should be reported individually (up to 5 other irrigated crops, separately). If more than five other crops were irrigated, identify the four with the most acres irrigated, then lump the rest on the last line. If more than one irrigated crop is included on the last line, then the last line should be identified as “Other Crops”.

**Column 2 – Office Use-Crop Code**

Record the Crop Code found in the Respondent Booklet on pages 3, 4, 5, and 6. If you have to report more than 1 crop in the “Crop 5” box, then record the crop code as 9999 in cell #1773. The 9999 is the crop code that represents all other crops in this situation. When all other crops are reported in the “Crop 5” box, record the total irrigated acres of all other crops in column 3 (cell #1774), then skip columns 4-9 for this row.

**Column 3 – Harvested Acres Irrigated**

Report the irrigated, harvested acreage to the nearest whole acre for all irrigated crops, except for tobacco and potatoes. Irrigated, harvested tobacco and potato acreage should be reported to the nearest tenth of an acre. Acreage irrigated of corn and sorghum/milo harvested for silage should always be recorded on a separate line from irrigated acres harvested for grain. Irrigated wheat acreage harvested for grain should be recorded by type (durum, spring or winter). Irrigated acres of small grains harvested for hay should be recorded under Other Hay.

**INCLUDE** (for each irrigated crop):

- (1) Irrigated acres harvested in 2008.
- (2) Irrigated acres intended for harvest in 2008 even if harvest was delayed until 2009 due to bad weather, etc.

**EXCLUDE** (for each irrigated crop):

- (1) Double-counting acres from second and later harvests of any crop from a single planting, for example, multiple harvests of hay, a second or third picking of cotton, ratoon crops of rice.
- (2) Irrigated acres of 2007 crops not harvested until 2008 due to weather conditions, etc.

Make sure the respondent is not reporting planted acres by crop when you are asking only for harvested acres.

#### **Columns 4 and 5 – Yield and Unit Code**

In column 4, record the average yield per acre for each commodity to the nearest tenth. This is the average yield on the irrigated acres actually harvested. Record the unit reported in column 5. For example, if the respondent reported an average yield per acre of 70 bushels of wheat, you would record 70 in column 4 and in column 5 you would record “4” for bushels.

If a crop is harvested more than once during the year (for example, hay or alfalfa), then sum the average yield per acre for each harvesting. For example, if a hay crop had two harvests (cuttings) in 2008, and yield for the first harvest was 1.6 tons per acre and yield for the second harvest was 1.2 tons per acre, the total yield would be reported as 2.8 tons (1.6 + 1.2).

If the operator reports yield in a unit that is not listed, be sure to record complete information about that unit, including its weight. This allows the State Office to convert the yield into a more common unit and to also evaluate if the unit reported is commonly used for the reported commodity.

Leave the yield and unit code blank if more than one irrigated crop is included on the last line identified as “Other Crops”.

#### **Column 6 – Primary Irrigation System Type**

Record the primary irrigation system type for each commodity. The primary irrigation system for each irrigated crop is the system used to apply the most water during the 2008 crop season for the irrigated crop’s harvested acres. Be sure to have the respondent refer to the Irrigation System Code List shown on the questionnaire above the table or in the respondent booklet.

**Column 7 – Average Inches of Water Applied Per Acre**

Record the average inches of water applied per acre for the growing season for each commodity. Average applied water per acre can vary significantly across commodities, ranging from a value of 1 to as high as 70 or more inches per acre. One inch of water is equivalent to the quantity of water required to cover an acre of level-land, one-inch in depth. This is approximately 27,152 gallons. If the respondent reports applied water in terms of acre-feet per acre, multiply by 12 to obtain inches per acre.

**Column 8 – Percent of Acres Irrigated Using Surface Water**

For each commodity, record the percent of acres irrigated using surface water (not well water). This is the percent of irrigated, harvested acres (column 3). For each commodity, the total for column 8 will be equal to or less than 100 percent.

**Column 9 – Percent of Acres Irrigated With Surface Water From Off-farm Suppliers**

For each commodity, record the percent of acres irrigated using surface water purchased from off-farm water suppliers. This is the percent of irrigated, harvested acres (column 3), not the percent of acres irrigated using surface water (column 8). For each commodity, the percent reported in column 9 will be equal to or less than 100, and equal to or less than the percent reported in column 8.

Off-farm water suppliers may include water purchased from the U.S. Bureau of Reclamation; an irrigation district; mutual, private, cooperative or neighborhood ditches; commercial or municipal water systems. Record surface water from off-farm water suppliers as it was delivered even if the original source of water (i.e., to the supplier) may have come from groundwater wells.



**Item 3 – Number of All Irrigation Wells Used in 2008**

Record the number of irrigation wells used in 2008 for irrigation of the harvested crops listed above in Item 2. Include all types and models actually used for irrigation and whether a crop was harvested above in Item 2. EXCLUDE wells used for purposes other than irrigation and wells used only for non-farm uses. If no irrigation wells were used, go to item 6.

**Item 4 – Number of Wells Used With Backflow Prevention Devices**

Of the number of wells reported in Item 3, record the number of wells which used backflow prevention devices.

When chemicals are applied to the field through irrigation water, potential water-source contamination problems may occur due to accidental backflow of water containing chemicals, the accidental injection of chemicals, or both, into the water source. Backflow prevention devices involve the use of check valves and vacuum relief valves on the irrigation pump system that prevent water containing chemicals from siphoning into the water source when the irrigation pump stops. Backflow prevention may also involve interlocking the chemical injection system and the irrigation pump so that the injection of chemicals stops when the irrigation pump stops in order to prevent accidental injections.

If no wells with backflow prevention devices were used, go to Item 5.

**Item 4a – Acres Irrigated From Wells With Backflow Prevention Devices**

Record the number of harvested acres irrigated using water from the wells identified in Item 4.

**Item 5 – Number of Wells Used With Water Meter or Flow Measurement Device**

Record the number of wells on the farm which used a water meter or water-flow measurement device.

A water meter, or water-flow measurement device (often referred to as a flowmeter), generally consists of a propeller-driven, flow-measurement device positioned in the center of the flowstream of the irrigation system's water-delivery pipe, but with an attached external flow-measurement unit (sometimes called a "totalizer") which records the total quantity of water

flow. The flow-measurement unit may measure water quantity in terms of gallons, acre feet, acre inches, cubic feet, etc.

If no wells with water meters or water-flow measurement devices were used, go to Item 6.

**Item 5a – Acres Irrigated From Wells With Water Meter or Flow Measurement Devices**

Record the number of harvested acres irrigated using water from the wells identified in Item 5.

**Item 6 – Additional Management Use of Irrigation System**

Record the number of harvested acres irrigated for each purpose listed in Items 6a-e. These need not sum to anything. All may be zero. Enter “DK” for Don’t Know if the respondent used a practice, but does not know on how many acres.

**Item 7 – Management Techniques**

This item determines respondent use of several water management techniques. For column 2, enter the management practice code shown above the table. For respondents who are currently using the technique (management practice code=6), record the number of acres irrigated using the technique in 2008 (in column 3). For each water management technique (a-c), the number of irrigated acres may range from zero to the total irrigated acres harvested for the farm operation in 2008.

**Item 8, 8a – Improvements to existing irrigation systems**

Check ‘Yes’ for operations that made improvements in 2008 to existing irrigation systems. Include upgrades or new equipment, but do not include maintenance. Irrigation system upgrades may involve improvements such as switching a center-pivot system from using high-pressure sprinklers to using drop-tubes with attached low-pressure sprinklers. A new irrigation system may involve an investment such as switching from a gravity-flow, gated-pipe system to a low-pressure, sprinkler irrigation system.

In Item 8a, record the number of irrigated acres using the irrigation system improvements.

**Item 9, 9a – Offer to purchase water or water rights**

Check 'Yes' for operations where someone made an offer to purchase water or water rights (from this operation) in the past five years (since January 2003). If no offers were received in the past five years, or the respondent does not know if offers were received, go to item 10.

For item 9a, based on the operator's knowledge, identify the purchaser's intended use of the water. If the operator does not know the purchaser's intended use, record 5 for "don't know."

**Item 10 – Years water rights claims reduced or discontinued crop irrigation**

Enter the number of years (in the last 10, since January 1998) in which someone with senior water right claims caused the respondent to reduce or discontinue crop irrigation for the farm. Acceptable responses are 0 through 10.

## **Section M – Corn and Soybean Drying/Marketing**

This section collects data necessary to estimate the marketing costs and returns associated with each commodity. The questions in this section pertain to corn and soybean marketing costs and returns. The questions are generally asked separately to reflect the differences in dollar amount and practices associated with each commodity.

Historical USDA accounts of crop enterprise costs and returns have excluded the direct affects of government programs (i.e., income support, loan, and insurance programs) and have included only production costs. The production period was assumed to end when the commodity was hauled from the field to storage or directly to market. Returns to production were then computed by valuing the commodity at the harvest period price. This method of accounting was used so that the relative returns of commodities could be compared before the impact of government programs, and before the unique market conditions of each commodity were considered. While this method has been useful for policy-making by putting each commodity on an equal footing for comparison, it does not present a complete picture of the actual costs and returns associated with each farm enterprise. It also does not provide a perspective on the impact that government policy had on the costs and returns of farm enterprises. Information collected in this section, as well as information on government payments and insurance payments and costs collected in sections E and F, will be used to present a more complete cost and return picture for the enterprise. These data will be used to enhance the understanding of how returns to commodity production vary across the farm sector, and to determine what factors have the greatest impact on the net returns of individual commodity enterprises.

When completing this section, please note that all questions refer to the 2008 crop produced (either corn or soybeans), not the crop marketed in 2008, that was from the previous years crop. The 2008 crop was the one harvested in 2008.

### **Item 1 – Month Crop was Harvested**

Report the month, numbered 1 (January) through 12 (December), in which the majority of the combined 2008 corn/soybean crop was harvested.

**Item 2a-c – Crop Drying**  
**Item 3a-c**

Crop drying can be a considerable part of the operating and ownership costs of commodity production on some farms. Various fuels are used as a heat source to dry grain and electricity is used to power fans that force air through the grain or seed.

Record how much of the 2008 corn and soybean crop harvested was dried by each method. Custom drying may also be called commercial drying. If drying facilities on another operation were used to dry the crop, record this as custom drying. The category “dried other than custom dried” includes on-farm drying. Count the crop as dried only if fuel and/or electricity was used to remove moisture from the crop. Include the amount of crop that was left to dry completely in the field as not dried (item c).

**Item 4 – Cost of Custom Drying**

If any of the 2008 crop was custom dried, record the cost of custom drying the crop in either cents per bushel or total dollars for the entire corn and soybean crop. If total dollars are reported, be sure to include the landlord's share.

**Item 5a-f – Crop Drying**

This question includes 3 parts that collect information about any crop drying that was done other than custom drying (items 2b and 3b).

**Item 5a – Main Fuel Type Used to Dry Corn and Soybean Crop**

In Item 5a record the main fuel type used to dry the 2008 corn/soybean crop. If more than one fuel type was used to dry the crop, enter the code for the fuel used to dry the largest portion of the crop.

**Item 5b – Percentage Moisture Removed from Corn and Soybean Crop**

In item 5b record an estimate of the average percentage points of moisture removed by drying the 2008 crop. For example, if soybeans were harvested at 14.5 percent average moisture and then dried to 13.0 percent moisture, enter 1.5 ( $14.5 - 13.0 = 1.5$ ). Record the percent to the nearest tenth. If the corn and soybean crops had different percentages, record the greatest percentage.

**Item 5c – Main Facility Type Used to Dry Corn and Soybean Crop**

In item 5c, record the main type of facilities used to dry the 2008 corn and soybean crops. If two different facilities were used, record the facility used the most.

**Item 5d – Number of Facility Type Used to Dry Corn and Soybean Crop**

Record the number of this type of facility used to dry the 2008 corn and soybean crops in Item 5d.

**Item 5e – Total Capacity of Facility Type Used to Dry Corn and Soybean Crop**

In item 5e, record the total capacity of these facilities used to dry the 2008 corn and soybean crops.

**Item 5f – Labor Hours Used to Dry Corn and Soybean Crop**

In item 5f record an estimate of the hours of each type of labor that were used to dry the 2008 crop. Include the time spent unloading, filling and emptying dryers, and overseeing the drying. Exclude custom drying labor and contract labor.

**Item 6 – Utilization of the Crop**  
**Item 7**

Items 6 and 7 record the utilization of the 2008 harvested corn and soybean crop as of the day of interview. All the harvested crop must be accounted for in items 6a-f (for corn) or 7a-g (for soybeans). If the crop was placed under a CCC loan, the date the crop was “sold” is either the

- date the crop was forfeited to the CCC, or
- date the loan was repaid and the crop was sold.

**Item 6a – Crop Sold at Harvest**  
**Item 7a**

Record the amount of the 2008 crop sold at harvest in this item.

**Item 6b – Crop Sold after Harvest, but Before December 31, 2008**  
**Item 7b**

Record the amount of the 2008 crop sold after harvest but before 2009 in item b.

**Item 6c – Crop Sold after December 31, 2008**  
**Item 7c**

Record the amount of the 2008 crop sold in 2009 in item c.

**Item 6d – Crop fed to Livestock**  
**Item 7d**

Record the amount of the 2008 crop NOT sold but fed to livestock in item d.

**Item 6e – Crop Stored under a CCC loan**  
**Item 7e**

Record the amount of the 2008 crop stored under a CCC loan. This crop was placed under a CCC loan, but the loan has NOT been repaid or the crop has NOT been forfeited as of the date of interview.

**Item 6f – Crop Stored NOT under a CCC loan**  
**Item 7f**

Record the amount of the 2008 crop stored, but not under a CCC loan. Do not record the crop stored if it was already sold. It should be recorded in items a – c. This is the amount of crop that will be sold or fed to livestock at a later date.

**Item 7g – Soybeans Used on the Farm to Produce Biodiesel**

In item 7g, record the amount of soybeans used on the farm to produce biodiesel.

**NOTE – Marketing of 2008 Crop**

If any of the 2008 crop was forfeited to the CCC or sold, proceed to question 8. If not, then continue with question 13. If there is a response for item 6a-c or item 7a-c, then the crop was marketed.

**Item 8 – Average Price Received**

In item 8, report the average price received (or to be received if not yet received) per bushel for the 2008 corn and soybean crop sold. If there is a response in any of items 7a-c, a price should be reported here.

**Item 9 – Check-Off Cost for Crop Marketed**

If any of the 2008 crop had been sold at the time of the interview, report the check-off cost (in cents bushel) for the amount of the crop sold. **Include** both National and State check-off costs.

**Item 10, 10a – Commercial Crop Hauling**

If any of the combined 2008 corn/soybean crop had been sold at the time of the interview, report the amount of the crop that was hauled from the farm to market by commercial truckers. If any of the crop was hauled to market by commercial truckers, report in item 9a the hauling cost in cents per bushel for the crop hauled.

**Item 11 – Distance Corn Crop Hauled**

If any of the 2008 corn crop had been sold at the time of the interview, report the average one-way distance in miles that the corn crop was hauled from farm to market. Report the distance regardless of whether this operation hauled the crop or whether commercial truckers hauled the crop.

**Item 12 – Distance Soybean Crop Hauled**

If any of the 2008 soybean crop had been sold at the time of the interview, report the average one-way distance in miles that the soybean crop was hauled from farm to market. Report the distance regardless of whether this operation hauled the crop or whether commercial truckers hauled the crop.

**Item 13, 13a, – Crop Stored Off-Farm  
Item 13b**

Report the combined number of bushels of corn and soybeans of the 2008 crop that were stored off-farm. This includes any of crop stored at an elevator, on another operation, or any place off the sampled operation. Include any of the crop that was stored off-farm but sold prior to the time of the interview, and any of the crop still in off-farm storage. Report the average monthly storage charge paid, in cents per bushel for corn (item 13a) and soybeans (item 13b), for the crop stored off-farm.

**Item 14 – Marketing Tools Used for Crop**

Record if a marketing tool was used for the 2008 corn or soybean crops in Item 14. The possible marketing tools are:



Put option purchase: A purchase of the right, but not the obligation, to sell a commodity at a particular price (the strike price) on or before the expiration date of the contract.

Future hedge: A futures contract is a legally binding agreement between two parties to buy or sell a predetermined amount of a commodity during a specified month (the delivery month) at a price (the future price) which is determined at the time the contract is established. A hedge is the buying or selling of a futures contract for protection against the possibility of a price change in the commodity that the farmer is planning to buy or sell.

Hedge-to-arrive (HTA) contract: The price received under a hedge-to-arrive is the futures price plus the basis (difference between the cash and futures price). The contract establishes part of the forward delivery price (the futures price), but the basis is determined at delivery.

**Item 15 – Marketing Tools Used for Crop**

If a marketing tool was used, indicate the net gain or loss that was associated with using that marketing tool for the 2006 crop. Indicate a loss with a negative sign (-).

## **Section N – Corn Marketing**

Section N gets some additional information for corn marketing. In this section, include any corn harvested prior to 2008 and sold in 2008 as well as corn harvested and sold in 2008.

Information on the market outlets and pricing strategies will help us better understand the biofuels supply chain and producers' alternative market outlets and pricing methods. Requested data will provide information for the Department's long term projection activity and currently planned biofuel research.

### **Item 1 – Bushels of Corn Sold in 2008**

Record the number of bushels sold in 2008 regardless of the year it was produced. If no corn was sold in 2008, proceed to item 4.

### **Items 2 – Marketing Outlet for Corn**

Use the marketing type codes above to complete the table for the top 4 marketing outlets for all corn sold in 2008.

#### **Column 1 – Market Outlet Code**

Record the type of marketing outlet code above that was used in 2008.

#### **Column 2 – Percent of Corn Sales**

Record the percentage of corn sold in 2008 by that type of marketing outlet. If 4 or less marketing outlet types were used, then the percentages should sum of the column should equal 100.

#### **Column 3 – Distance to Outlet**

Record the average one-way distance (in miles) from the main storage facility to this type of marketing outlet.

#### **Column 4 – Type of Transport Used**

Record if either a wagon, truck, or both were used to transport the corn to that type of marketing outlet.

**Column 5 – Price by Type of Marketing Outlet**

Record the price per bushel (dollars and cents) the operator received for corn sold to that type of marketing outlet.

**Item 3 – Pricing Method by Type of Marketing Outlet**

For each marketing outlet type, record the percent of corn sold by each pricing method. The sum of each row should equal 100 percent.

**Item 4 – Distance to Nearest Ethanol Plant**

Record the distance, in miles, to the nearest ethanol plant from the main storage site used by the operation.

## Section O – Bioenergy Crop Production Practices

In theory, higher grain and oilseed prices will encourage producers to intensify production of these commodities by altering crop mix, bringing more hay or pasture land into crop production, using additional inputs, or altering production practices.

- Given expanding demand for corn to produce ethanol, some producers may be shifting toward crop mixes that include a higher proportion of corn. In areas where ethanol-fueled corn demand has been particularly strong, for example, producers may be shifting to corn from other crops. Previous research has shown evidence of price “islands” surrounding ethanol plants.
- Given the across-the-board surge in corn, soybean, cotton, and wheat prices, moreover, some overall expansion of cultivated crop production is almost certain. Key questions are (1) how much additional land will be shifted from non-cultivated land uses (e.g., hay) to cultivated crop production and (2) where did the additional land come from?
- Higher prices may also encourage producers to seek higher per-acre yields, by increasing use of production enhancing inputs such as irrigation water and fertilizer.
- Tillage and fertilizer application practices can also be altered to reduce the risk of yield loss. For example, fall tillage and fertilizer application may help reduce risk of delayed planting, particularly where soils tend to be wet and cold in the spring. Conservation tillage may also slow soil warming, increasing the risk of delayed planting or frost damage. Split fertilizer application may increase risk nutrient deficiency at critical points in the growing season.

On the other hand, higher prices for fuel and fertilizer may offset a portion of the incentive for intensifying crop production. Higher crop production costs may mitigate the expansion of crop production onto land previously used for hay or pasture. Higher fuel prices mean higher costs for field operations, perhaps encouraging continued use of conservation tillage but also discouraging split (pre- and post-planting) fertilizer applications. High fertilizer prices could discourage increases in fertilizer use and encourage careful management of fertilizer application (split application, for example).

*Changes* in Land use, crop mix, input use, and production practice can only be assessed using crop acreage data from individual farms over multiple years. Moreover, data on all three years (2006, 2007, and 2008) would be needed to study price the effect of higher corn prices in 2007 followed by higher prices for many crop commodities in 2008.

### **Items 1 & 2 – Land Use From 2006 – 2008**

Items 1 and 2 are designed to elicit information on change from non-cultivated land uses (hay land, grazing land, and CRP/CREP/WRP) to annual (cultivated) cropland. Producers are asked to identify changes in land use on between 2006 and 2007 and between 2007 and 2008.

Annual crops: Include ANY harvested annual crops, land where annual crops failed, and cultivated summer fallow. Include small grains harvested for hay or silage. Exclude hay land, cropland used ONLY for pasture and land currently enrolled in CRP, CREP, or WRP.

Hay land: Include alfalfa, alfalfa mixes and any other dry hay, silage or green chop from perennial crops. Exclude annual crops (such as small grains) harvested for dry hay or silage.

Grazing/pasture land: Include permanent pasture, rangeland and cropland used ONLY for pasture,

CRP/CREP/WRP: Conservation Reserve Program, Conservation Reserve Enhancement Program, and Wetlands Reserve Program. Include land in any year when (1) a contract was in force for any part of the year and (2) no other crop was harvested, with the exception of haying or grazing allowed under the terms of a CRP contract.

### **Item 3 – Harvested Acres in 2007 and 2006**

Record the acres of the listed crops for 2007 and 2006. With the data recorded in Section B, these items are designed to obtain information on changes in crop mix over the last three years.

The crops included in this table are a subset of crops from Section B, item 1. Section B should be referenced for this item. Since item 2 includes fewer crops than item 1 in Section B, the “All other harvested crops” category may include more crops than in the “all other crops” category in Section B, item 1.

**Items 4 – 6 – Expected Corn Yield and Nitrogen Application Rates**

For 2008, 2007, and 2006, record the expected corn yield (in bushels per acre) at the time fertilizer application decisions were made along with the nitrogen application rate (in pounds per acre).

Yield example: Expected yield is 100 bushels per acres for a 50 acre field and 125 bushels per acre for an 80 acre field. The weighted average would be total expected production ((100 bushels per acre \* 50 acres) + (125 bushels per acre \* 80 acres) = 15,000 bushels) divided by total acreage (50 acres + 80 acres = 130 acres). In this example, the average yield per acre (rounded to the nearest bushel) is 115 bushels per acre (15,000 bushels / 130 acres = 115.4 bushels per acre).

Fertilizer Example: Nitrogen is applied at a rate of 100 lbs. per acre on 50 acres and 125 lbs. per acre on 80 acres. Total application is 15,000 lbs (100 lbs. per acre \* 50 acres + 125 lbs. per acre \* 80 acres = 15,000 lbs.) and total acreage is 130 acres. In this example, the average nitrogen application per acre (rounded to the nearest lb.) is 115 lbs. per acre (15,000 lbs. / 130 acres = 115.4 lbs. per acre).

**Item 7 – Production Practices on Cultivated Cropland during 2008, 2007, and 2006**

Record the number of cultivated cropland acres where each production practice was used in 2008, 2007, and 2006.

For example, suppose an operation has 50 acres of cultivated cropland in 2006 and 200 acres of cultivated cropland in 2007. Irrigation was used on all 50 acres in 2006 and only 100 acres in 2007. Box 2458 would be 50 and box 2457 would be 100.

Irrigation - Report the sum total of irrigated, cultivated cropland including corn and sorghum harvested for silage and small grains harvested for hay.

Mulch till or ridge till - Mulch-till is managing the amount, orientation, and distribution of crop and other plant residue on the soil surface year round while growing crops where the entire field surface is tilled prior to the planting operation. Residue is partially incorporated using chisels, sweeps, field cultivators, or similar implements.

Ridge tillage resembles contemporary and traditional cropping systems in which plants grow on a hill or bund. Cotton, for example, is often grown on

ridges for purposes of irrigation. In ridge tillage the ridges are a product of cultivation of the previous crop and are not tilled out after harvest. The planter may remove part of the ridge top, but before planting there is no tillage. This provides potential advantages in soil conservation and weed management.

No-till or strip-till - In a no-till farming system the soil is left undisturbed from harvest to planting.

In a strip-till system, planting or drilling is accomplished in a narrow seedbed or slot that is tilled before planting or created by disk openers.

Fall tillage - For spring-planted crops, include acres that were tilled in the fall after harvest but before the end of the February of the following year. Fall tillage acres should be assigned to the upcoming crop year. For example, acres tilled in fall 2005 in anticipation of 2006 planting should be counted as 2006 acres.

Structural or vegetative practices for soil erosion control - Practices that slow erosion in the field (e.g., terraces, contour buffer strips, or cross-wind strips) or that handle runoff from terraces or other erosion control structures (e.g., grassed waterways) should be considered structural or vegetative practices for soil erosion control.

Practices that are part of field operations, such as no-till, strip-till, mulch till, contour planting, or crop rotations, even if they are undertaken to control soil erosion, should not be considered structural or vegetative practices for soil erosion control.

Include the full acreage of fields that include or are associated with structural or vegetative practices for soil erosion control. For example, the full acreage of a terraced field should be included.

Fertilizer, fall application - Include acres where fertilizer was applied in the fall or winter months (September-February) using any application method. Fall application acres should be assigned to the upcoming crop year. For example, acres where fertilizer is applied in fall 2005 in anticipation of 2006 planting should be counted as 2006 acres.

Fertilizer, split application - Include acres where fertilizer was applied during at least two of the following three times:

- Before planting (any time between fall harvest and spring planting);
- at planting with planter-mounted fertilizer application equipment;
- After planting, once the crop has emerged and begun to grow.

Manure, land spreading - Include all acres on which manure was applied at any time between harvest of the previous crop and harvest of the current crop. Acres where manure is applied during the fall after harvest should be assigned to the upcoming crop year. For example, acres on which manure is applied in the fall of 2005 in anticipation of 2006 planting should be counted as 2006 acres.

**Item 8 – Number Highly Erodible Acres**

Record the number of acres that were classified as “Highly Erodible” by the Natural Resources Conservation Service (NRCS) in 2008, 2007, and 2006.

Erodibility is a function of rainfall, soil erodibility, field slope, and length. NRCS uses these characteristics and a measure of soil loss tolerance to construct an erodibility index. If the index is greater than 8, the field is highly erodible.

The number of acres may be the same for all three years. The number of acres can vary across years only if highly erodible land was purchased or rented in or sold or rented out between 2006 and 2008.

**Item 9 – Corn and Soybean Varieties**

Adoption rates for new technologies vary widely among producers of various commodities, and policy issues related to the adoption of alternative herbicide and insect resistant varieties also differ. To better address technology adoption as it relates to the operation’s other management strategies and financial condition, it is important to know the number of acres reported that were planted to each of the general GM seed types.

For corn and soybeans, ask if any of the 2008 harvested acres reported earlier were planted with any of the listed seed types. Determine if one of



the TYPES of seed listed was used for the 2008 crop. If the operator used more than one type of the listed seed varieties, record the acres harvested, the yield, and any expected premium in whole cents per bushel for each seed type row.

Herbicide resistant only variety: This seed variety includes genetically modified and non-genetically modified herbicide resistant only varieties. Examples would be Roundup Ready (corn, soybeans), Liberty-Link (corn), STS (sulfonylurea tolerant soybeans), IMI (Imidazolinone) tolerant (corn), and Clearfield (corn).

Bt only variety: “Bt” means *Bacillus thuringiensis*, which is a bacteria that is used to control many larva, caterpillar, or insect pests. The seed variety is resistant to insects. This seed variety includes genetically modified and non-genetically modified Bt only varieties. Examples would be YieldGard, Knockout, and NatureGard (all for corn).

Variety with Both Herbicide Resistant and Bt: This variety is known as “stacked gene variety”. The seed variety is genetically modified to be both herbicide resistant and insect resistant. It contains more than 1 genetically modified traits. Examples include YieldGard + Roundup Ready, YieldGard + LibertyLink, and Bt corn + Roundup Ready corn.

High Fermentable Starch Content Variety: This variety can yield higher levels of fermentable starch which is useful for ethanol processors.

Non Genetically Modified Conventional Variety: These varieties are none of the listed varieties of corn and soybeans.

Higher Oil Varieties: These soybean varieties are bred to produce higher amounts of soybean oil than more conventional varieties.

Low Linolenic Oil Varieties: Low linolenic soybeans produce an oil that has half the linolenic acid level of generic soy oil, thus reducing the need for hydrogenation, a process that produces unhealthy trans fatty acids. In some instances, low linolenic soybean oil can be used to replace hydrogenated oils completely. Low linolenic soybeans typically yield 90 to 100 percent as much as normal soybeans depending on variety and growing conditions. Average premiums paid are about \$0.40 per bushel for soybeans with less than 3.5 percent linolenic, and \$0.00 per bushel for soybeans with 3.5 percent linolenic or more.

**Item 10 – Indication of Biomass Crops Used for Energy**

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Biomass crops include all plant matter that is herb or leaf-like, derived from trees or shrubs, food and feed crops, and any agricultural crop wastes (ie, corn stalks and wheat straw). If any of these crops were used for energy purposes, record a “Yes” for Item 7. If the crops harvested were not used for energy purposes, skip to Section P.

**Item 11 – Crops Produced for Energy**

Record a “1” if either Corn, Soybeans, or other crops were produced for energy purposes.

**Item 12 – Acreage of Crops Produced for Energy**

Record the number of acres of any crops that were produced for energy purposes.

**Item 13 – Indication of Crops Directly Marketed to an Energy Producer**

Record a “Yes” if any crop was directly marketed to an ethanol plant, processor, or other energy producer.

**Item 14 – Indication of Crops Marketed Through a Cooperative**

Record a “Yes” if any crops used for energy purposes were marketed through a cooperative.

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## **Section P – Energy Production and Use on Farm**

The purpose of this section is to collect information regarding energy production and use on the farm. Farmers not only can produce crops for bioenergy, but they can also generate energy for use on the farm or for sale off-farm. Farmers may use these activities to reduce reliance on purchasing energy as well as to create additional revenue streams. Examples of the technologies used include wind turbines (windmills), solar energy panels, and methane digesters.

### **Item 1 – Energy Production by Other Means**

Record a “Yes” if this operation generated energy or electricity on the farm using wind or solar technology, methane digester, or other means besides bioenergy. **Include** windmills owned by power companies and solar powered fences. If the operation did not generate energy or electricity using other means, skip to item 5.

### **Item 2 – Amount of Energy Generated**

Record the amount of energy generated by wind (kilowatt hours – KWH), solar (kilowatt hours), and methane digester (butane thermal units – BTU). For Item 2a, **exclude** windmills for pulling water.

### **Item 3 – Indication of Energy Sold**

Record whether or not any of the generated energy or electricity recorded in item 2 was sold.

### **Item 4 – Wind Energy Characteristics**

If wind energy was generated as recorded in item 2a (whether or not the KWH were known), ask how many windmills were on the operation, how many acres were taken out of production, and how much the operator is paid each year per windmill.

### **Item 5 – Neighboring Properties with Wind Electrical Generating Structure**

Record whether or not any nearby properties (not just adjoining acreage) had a windmill or other wind electrical generating structure. These sites may include both farm and nonfarm properties.

**Item 6 – Discussed Having Wind Electrical Generating Structure**

Record whether or not the operator has been approached about having a windmill or other wind electrical generating structure on the operation (irrespective of whether the farm operator is, or is not, actively considering the installation of wind turbines on the property).

## Beef Cattle Production Practices (Sections N-W)

The Cow-calf (Version 4) questionnaire contains Sections N-W which relate to production practices and costs of the beef cattle enterprise.

### **What are these sections for? How is the information used?**

Cost of production surveys are conducted for selected commodities on a rotating basis (every 4-8 years) to obtain data on production practices and the amount and costs of inputs used. These data are used as the basis for cost of production estimates until a new survey is conducted. The last Beef Cattle Cost of Production survey was conducted for 1996. Since then there has not only been changes in the technologies and economic conditions that affect beef cattle production, but also changes in legislation that affect farmers' decisions with regard to how they allocate resources both within the farm unit and among farm and other competing interests. Thus, new data are needed to provide for a greater understanding of beef cattle production. Data collected on the 2008 ARMS will be used to describe important financial, structural, and environmental aspects of beef cattle production. In addition, the data will provide the basis for beef cattle cost of production for 2008 and over the next several years.

### **General Information**

**Report information for the beef cow-calf operation only.** The beef cow-calf operation includes all beef cattle and calves on the operation up until cattle are sold or otherwise moved to a feedlot for finishing to slaughter. This includes not only beef cows and calves, but also yearling and stocker cattle retained after weaning or purchased to be backgrounded. Backgrounded cattle are weaned calves, typically yearlings or stockers that are retained either on pasture or on feedlots until being sold to or placed on an operation that finishes the cattle for slaughter. Include all cattle raised for the purpose of beef regardless of breed. **Exclude the costs and input use for all feedlot cattle being finished for slaughter unless the questionnaire specifically asks about them.** Exclude cattle not raised for the purpose of producing beef, such as dairy cattle raised for the purpose of producing milk.

**Include all beef cattle (located on the total acres operated by this operation) that were owned by the operation or placed on this**

**operation under contract or a similar arrangement, such as cattle on shares.** Include cattle owned by this operation that were on public grazing land or on another operation as part of a grazing association. Exclude any cattle on this operation not owned by the operation or not placed on the operation under contract. If this operation is a contractor or has cattle placed on other operations under shares, exclude the cattle placed on other operations. For example, a respondent's cattle grazing on another operation as part of a grazing association should be included. Another producer's cattle being grazed on a respondent's operation under a grazing association should be excluded.

**Exclude information about costs, machinery and all other inputs used to produce feed for the beef cow-calf operation.** This includes, but is not limited to, information about hay and other harvested forage production, pasture renovation and maintenance, and feed grain production. Beef cow-calf producers will likely consider operations for beef cattle feed production as part of the beef enterprise. However, costs for beef cattle feed are estimated from the amount of feed reported as fed and not the operations used to produce the feed. To avoid double-counting the costs, it is important that feed production practices and costs are excluded.

## Section N - Beef Cattle Screening and Inventory

This section determines if this operation has a cow-calf operation that should be included in the survey. It collects information about calving and weaning on the cow-calf operation that can be used to measure reproductive performance of the operation. Information collected in this section about the beef cattle inventory on the operation can be used to examine changes that occurred during 2008.

Much of this section is used to collect information about the reproductive performance of the cow-calf operation. Reproductive performance is the ability of the herd to produce a healthy, sound, uniform calf crop. The ability of the cow herd to produce healthy calves and to care for them until weaning is the most important factor determining costs and returns of the operation. Calving percentage, calf death loss, calving distribution, weaning percentage and weaning weight and age are all indicators of reproductive performance. This and other information collected in this section will be used to explain why some cow-calf operations have lower production costs and earn greater returns than others.

The information about cattle inventories collected in this section is needed to determine how the cattle operation changed during 2008. Some cattle operations may have had high returns relative to inputs used because they were selling down the cattle inventory. Likewise, some operations may have had low returns relative to inputs used because they were expanding the operation. In order to compare the costs and returns of all cattle operations, we need to be able to adjust for inventory changes, especially during years of extreme price or forage conditions when major inventory adjustments are common.

### Item 1 – Peak 2008 Beef Cow Inventory

Record the largest number of beef cows located on this operation, **regardless of ownership**, at any time in 2008. This includes cows and heifers that have calved. **Exclude** feedlot cattle.

### Enumerator Action – Screening

We are only interested in operations that had 20 or more beef cows on the operation at any time in 2008. Therefore, if the answer to Item 1 is less than



20, go to the Conclusion on the back page. If the answer to Item 1 is 20 or more, continue with Item 2.

Operations were selected for the Phase III Cow-Calf survey based on the data reported in the 2007 Census of Agriculture. Operations that reported 20 or more beef cows were eligible for the Phase III Cow-Calf survey. Therefore, if less than 20 beef cows are reported in Item 1, indicate in notes why there is a difference from the Census of Agriculture which indicated they had 20 or more beef cows.

**Item 2 – Years Had a Beef Cow-Calf Enterprise**

The experience level of the operation is a factor which can help explain why one operation is more efficient than another. These data will also be used to identify operations that have recently entered the cow-calf industry and study how these new entrants differ from operations that have been in business several years.

Record the number of years this operation has had a beef cow-calf enterprise.

**Item 3 – Years Expecting to Have Beef Cow-Calf Enterprise**

Information from this item will be used to identify operations soon to be exiting the cow-calf industry and study how these operations differ from those planning to remain in business for several years. These data, along with information about industry entrants (Item 2), will provide insight about the future structure of the beef cow industry.

Enter the code which represents how long this operation expects to have a beef cow-calf enterprise.

**Item 4 – Composition of breeding herd**

The purpose of this question is to identify the source of the cows and heifers added to the herd for this calving period. This information is used to compute a herd replacement rate and to estimate capital costs of herd replacement.

**Item 4a – Heifers that Had Their First Calf During 2008**

Of the total number of beef cows reported in item 1, report the number of heifers that had their first calf during 2008. This includes purchased, either open or bred, and farm raised replacement heifers that had their first calf during 2008. Include heifers that calved in 2008 whether the calf was born dead or alive.

**Item 4a(i) – Heifers that Had First Calf that were Raised on Operation**

Of the heifers that had their first calf during 2008, record the number that were raised by this operation.

**Item 4b – Cows that Had A Calf During 2008**

Of the total number of beef cows reported in item 1, report the number of cows (excluding heifers reported in item 4a) that had a calf during 2008. This includes purchased cows, either open or bred, and cows raised by the operation. Include cows that calved in 2008 whether the calf was born dead or alive.

The total of items 4a and 4b may or may not equal the number cows reported in item 1, but should not exceed item 1. Some of the beef cows reported in item 1 may not have had a calf during 2008.

**Item 5 – Average Age of Beef Cows in Herd**

Record the average age (years) of beef cows in the herd during 2008. The average age of cows will give an indication of the herd culling pattern used and how this may vary across different production systems.

**Item 6 – Certified Organic Beef Cattle Operation**

Organic farming systems rely on ecologically based practices, such as biological pest management; virtually exclude the use of synthetic chemicals in crop production (including livestock feed production); and prohibit the use of antibiotics and hormones in livestock production. Organic livestock production systems attempt to accommodate an animal's natural nutritional and behavioral requirements. USDA livestock standards incorporate requirements for living conditions, pasture and access to the outdoors, feed ration, and health care practices suitable to each species.

Ask if the beef cow-calf operation was classified as “certified” organic. To

be a certified organic operation it must have been certified by a USDA accredited state or private agency. USDA regulations require that all organic growers be certified by a State or private agency accredited under the uniform standards developed by USDA, unless they sell less than \$5,000 a year in organic products. All organic certifiers are required to be accredited under USDA's national organic standards.

*The following State certifiers are accredited by USDA:* California-Marin County Agriculture; California-Monterey County Certified Organic; Colorado Department of Agriculture; Idaho State Department of Agriculture; Iowa Department of Agriculture; Maryland Department of Agriculture; Mississippi Department of Agriculture and Commerce; Missouri Department of Agriculture; Montana Department of Agriculture; Nevada State Department of Agriculture; New Hampshire Department of Agriculture, Markets, & Food; New Mexico Organic Commodity Commission; Oklahoma Department of Agriculture; Rhode Island Department of Environmental Management; South Carolina-Fertilizer and Seed Certification Services; Texas Department of Agriculture; Utah Department of Agriculture; Virginia Department of Agriculture; Washington State Department of Agriculture

*The following private certifiers are accredited by USDA:* American Food Safety Institute; California Crop Improvement Association; California Organic Farmers Association; Certified Organic, Inc.; Georgia Crop Improvement Association, Inc.; Global Culture; Global Organic Alliance; Guaranteed Organic; Hawaii Organic Farmers Association; Indiana Certified Organic; International Certification Services; Integrity Certified International; Maharishi Vedic Organic Agriculture Institute; Massachusetts-Baystate Organic Certifiers; Midwest Organic Services Association; Minnesota Crop Improvement Association; MOFGA Certification Services; Natural Food Certifiers; NOFA-New Jersey; NOFA-New York; North Carolina Crop Improvement Association; Nutriclean (Formerly Scientific Certification Systems); OneCert; Organic Crop Improvement Association; Organic Forum International; Organic Growers of Michigan; Organic Certifiers; Organic National and International Certifiers; Quality Assurance International; Quality Certification Services (Formerly FOG); Ohio Ecological Food and Farm Administration; Oregon Tilth; Pennsylvania Certified Organic; Stellar Certification Services; Vermont Organic Farmers

**Item 7 – Transitioning to Organic Beef Production**

Ask if the operation was transitioning to organic beef production during 2008. Beef Cow-Calf operations are required to go through a transition period to become certified as an organic operation. During this time organic inputs are used, but the beef produced cannot be sold as certified organic.

**Item 8 – Beef Cattle Inventory Columns 2 & 3**

For each type of beef cattle, record the number on hand on January 1, 2008 in Column 2 and the number on hand on December 31, 2008 in Column 3. If Column 2 is difficult to answer, ask the respondent whether the beef cattle operation was expanding, contracting or unchanged during 2008. Complete Column 2 based on the changes made during 2008.

**Item 8a – Beef Replacement Heifers**

Include both farm raised and purchased beef heifers that will be used to add to or replace cows in the beef breeding cow inventory. Include both bred and unbred heifers, but exclude heifers that have had a calf. Heifers that have had a calf should be reported in item 8b. Exclude heifers used primarily for milk production. Exclude heifer calves weighing less than 500 pounds. These should be recorded as calves in Item 8e.

**Item 8b – Beef (Breeding) Cows**

Include beef cows and heifers, regardless of breed, that have had at least one calf and are not used primarily for milk production. **Exclude** cattle kept primarily to produce milk for home use or sale.

**Item 8c – Beef (Breeding) Bulls**

Include all beef bulls weighing 500 pounds or more, regardless of breed. Include bulls used or to be sold for breeding stock. Exclude bull calves weighing less than 500 pounds; these should be recorded as calves in Item 8e.

**Item 8d – Feedlot Cattle Intended for Slaughter**

Include all cattle being finished for slaughter. These are primarily steers and heifers in feedlots intended for slaughter, but may include cows or bulls being fattened for slaughter. Exclude calves being backgrounded on

feedlots that will be sold before being fed out for slaughter. Include cattle owned by other operations that were placed in this operation's feedlot under contract. Exclude cattle owned by this operation that were placed in someone else's feedlot under contract.

**Item 8e – Beef Calves Less than 500 Pounds**

Include heifer, steer and bull calves weighing less than 500 pounds. Exclude calves being raised for milk production.

**Item 8f – Beef Calves, Yearlings or Stockers 500 Pounds or More**

Include beef calves, yearlings or stockers weighing 500 pounds or more. Yearlings and stockers are weaned calves at least one year old that are being kept on hand to be sold or moved to feedlots at a later date. Exclude calves being raised for milk production. Make sure no cattle are duplicated here with those reported in earlier categories.

**Item 9 – Death or Loss of Breeding Stock**

Record the number of breeding stock, including bulls, cows and replacement heifers (more than a year of age), that died or were lost from all causes during 2008. Include cattle that died from or were lost to—

- digestive problems (*such as bloat, scours or parasites*)
- respiratory problems (*such as pneumonia or shipping fever*)
- weather-related causes (*such as lightning, drowning or chilling*)
- calving problems
- poisoning (*such as nitrates, fescue, noxious weeds, feed*)
- predators
- theft
- other **known** causes (*such as lameness or old age*)
- **unknown** causes

**Exclude** feedlot cattle.

**Item 10 – Calving Season**

This question determines whether the operation has one set calving season, two seasons or no set season. The number of calving seasons is determined by how many times the cows are exposed to bulls.

Throughout the U.S., most cow-calf production is done using a single calving season during the spring. In most northern States this is the only practical time for calving so that calves can be sold before winter or will be strong enough to endure winter conditions. In the more temperate conditions of southern States, calving during the fall season is possible and has certain advantages. In order to spread production and labor requirements more evenly throughout the year, some cattle producers maintain both spring and fall calving herds. A few operations don't use a set calving season; rather they allow the cattle to breed and have calves throughout the year.

**Item 11 – Month First Calf Born**

Record the month during which the first calf was born in 2008. Record the month in digits. For example, May, 2008 will be entered as 5.

**Item 12 – Number of Calves Born Alive**

Record the number of calves born alive from the cows and heifers on this operation during 2008. **Include** calves that later died from disease, accidents, exposure or which were killed by predators or destroyed for economic reasons. **Exclude** stillborn calves.

**Item 12a – Number Died Before Weaning**

Of the number of calves born alive (item 12), report the number that died before weaning.

**Item 12b – Number Died After Weaning**

Of the number of calves born alive (item 12), report the number that died after weaning.

**Item 13 – Weaning Age**

Record the average age at which the calves were weaned during 2008. Age can be reported as either the number of months or days from calving to weaning.

**Item 14 – Weaning Weight**

Record the average calf weight at weaning in pounds. The average should include all calves born in 2008, including bull, steer, and heifer weaned calves.

**Item 15 – Use of Growth Promoting Implants or Ionophores**

Record whether or not growth promoting implants or ionophores were used on calves weaned in 2008. Growth promoting implants are hormones used to stimulate animal growth. Ionophores are antibiotics fed to increase the average daily gain of cattle.

**Item 16 – Calf Destination**

For Items 16a-16d, record what percentage of the calves weaned in 2008 has been or will be

- sold at or around weaning,
- backgrounded for 30 to 60 days,
- backgrounded for more than 60 days, or
- retained until slaughter.

The percentages must account for all calves born alive in 2008.

## Section O - Contract Placements and Removals

The purpose of this section is to collect information on special operating arrangements being used to produce cattle on this operation. These are production contracts, and include situations in which beef cattle are produced in a share arrangement. In a production contract, the operator does not own the cattle being produced and receives a fee for raising them that reflects only a portion of their value. The use of production contracts is a way to reduce financial risk.

This information is used to examine the extent to which these special operating arrangements are used for beef cow-calf production. Information collected in this section is also used, along with purchases, sales and inventories, to indicate changes in the organization of the beef cow-calf operation during 2008. Costs and returns of beef cow-calf production can vary significantly depending on whether the operation was expanding, contracting or stable during the production period.

### Item 1 – Screening

In nearly all cases of production contracts, the operation will be a contractee. The contractee does not own the cattle being produced but gets paid a fee for raising the cattle.

Include cattle placed on this operation by contractors (cattle owners) in Item 2 and cattle removed from this operation by contractors in Item 3. **Do not record marketing contracts in this section.** Marketing contracts are contracts for marketing this operation's owned cattle. Treat marketing contracts as sales and record the information in Section P.

Use this section to record information about arrangements to produce "cattle on shares". These arrangements are considered production contracts for this survey. Typically a cattle owner (contractor) will place cows on an operation with extra or unused grazing land and the land owner (contractee) will receive a share of the calves as the fee for grazing the cattle. In this situation, record cattle as being placed on the operation, and record the cattle owner's share of the calves as removals if they are removed from the operation. Record the land owner's share of the calves as sales in Section P if they are sold from the operation.



As an example, consider an operator with 100 beef cows placed on the operation during 2008, under a “cattle-on-shares” arrangement. The 100 beef cows would be entered as placements in Item 2d of Section O.

Let’s say the 100 beef cows produced 90 weaned calves and that the arrangement was for the operator to receive 50 percent of the weaned calf crop, with all calves sold at weaning. The 45 calves sold by the operator would be entered in Item 2 of Section P in the appropriate sale categories. The other 45 calves, property of the person who placed the cows on the operation, would be entered in Item 3 of Section O in the appropriate removal categories. (Note: In this example, if the 100 cows had been placed on the operation in a previous year and remained on the operation throughout 2008, they would have been reported as inventory in Item 8 of Section N and not as placements. Similarly, if the 90 calves had not yet been removed or sold at the time of the survey, they would have appeared as inventory and not as removals or sales.)

If the operation is a **contractor**, cattle removed from this operation and placed to be raised on a contractee’s operation should be recorded in Item 3. Exclude all costs and related information in other sections of the questionnaire about the cattle placed on other operations.

**Item 2 – Beef Cattle Placements – Columns 2 & 3**

In Column 2, record the number of cattle placed under contract on the operation during 2008. In Column 3, record the average placement weight per head in pounds. Record placement weight only in Items 2a and 2b.

**Item 2a – Cattle for Finishing**

Record the number and average weight of cattle placed on this operation with the intent of being finished to slaughter. These are primarily steers and heifers in feedlots intended for slaughter, but may include cows or bulls to be fattened for slaughter.

**Item 2b – Cattle for Backgrounding**

Record the number and average weight for cattle placed on this operation to be backgrounded. Backgrounded cattle are weaned calves, typically yearlings or stockers, that are retained either on pasture or on feedlots until being sold to or placed on an operation that finishes the cattle for slaughter.

**Item 2c – Cow-Calf Pairs**

Record the number of cow-calf pairs placed under contract on this operation. Count each pair only once.

**Item 2d – Cows and Replacement Heifers for Breeding Stock**

Record the number of cows and replacement heifers placed on this operation to be used as breeding stock. These cattle may be open or bred.

**Item 2e – Bulls for breeding stock**

Record the number of bulls placed on this operation to be used as breeding stock.

**Item 3 – Beef cattle removals – Columns 2 & 3**

In Column 2, record the number of cattle removed under contract from this operation during 2008. In Column 3, record the average removal weight per head in pounds. Record removal weight only in Items 3a, 3b, 3c, 3d, 3e, 3f and 3g.

If the operation is a contractor, cattle removed from this operation and placed to be raised on a contractee's operation should be included here in Item 3.

**Item 3a – Finished Cattle**

Record the number and average weight of finished cattle removed from this operation's feedlots to be slaughtered. These are primarily steers and heifers in feedlots, but may include cows or bulls fattened for slaughter.

**Item 3b – Cull Bulls**

Record the number and average weight of cull bulls removed from this operation under contract. These cattle are most often taken directly to slaughter, but may be placed on another operation to be fattened before slaughter. Exclude cattle here that will be used as breeding stock on another operation.

**Item 3c – Cull Cows**

Record the number and average weight of cull cows removed from this operation under contract. These cattle are most often taken directly to slaughter, but may be placed on another operation to be fattened before slaughter. Exclude cattle here that will be used as breeding stock on another operation.

**Item 3d – Steer and Bull Calves Less than 1 Year Old**

Record the number and average weight of weaned steer and bull calves not to be used for breeding that are less than one year old and removed from this operation under contract.

**Item 3e – Heifer Calves Less than 1 Year Old**

Record the number and average weight of weaned heifer calves less than one year old that were removed from this operation under contract.

**Item 3f – Stocker or Yearling Steers**

Record the number and average weight of stocker or yearling steers one year or more of age removed from this operation under contract. Yearlings and stockers are weaned calves at least one year old that are being kept on hand before being sold or moved to feedlots.

**Item 3g – Stocker or Yearling Heifers**

Record the number and average weight of stocker or yearling heifers one year or more of age removed from this operation under contract.

**Item 3h – Cow-Calf Pairs**

Record the number of cow-calf pairs removed from this operation under contract. Count each pair only once. Do not count cow-calf pairs that were recorded earlier in Item 3.

**Item 3i – Cows and Replacement Heifers for Breeding**

Record the number of cows and replacement heifers removed from this operation under contract to be used as breeding stock on another operation.

These cattle may be open or bred. Do not count heifer calves for breeding that are reported in Item 3e

**Item 3j – Bulls for Breeding**

Record the number of bulls removed from this operation under contract to be used as breeding stock on another operation.

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## Section P - Purchases and Sales

The purpose of this section is to collect information on cattle market transactions. This information is used to estimate the returns to beef cow-calf production.

Information collected in this section is also used, along with contract placements and removals and inventories, to indicate changes in the organization of the beef cow-calf operation during 2008. Costs and returns of beef cow-calf production can vary significantly depending on whether the operation was expanding, contracting or stable during the production period.

**Record cash purchases and cash sales, and sales under marketing contracts in this section.** Marketing contracts are contracts for marketing the operation's owned cattle and should be treated as sales in Section P.

### **Item 1 - Beef Cattle Purchases – Columns 2, 3 & 4**

In Column 2, record the number of cattle purchased by this operation during 2008. In Column 3, enter the total dollar amount paid for these cattle purchases, and, in Column 4, record the average purchase weight per head in pounds. Record purchase weight only in Items 1a and 1b.

#### **Item 1a - Cattle for Finishing**

Record the number, amount paid and average weight of cattle purchased by this operation with the intent of being finished to slaughter. These are primarily steers and heifers in feedlots intended for slaughter, but may include cows or bulls to be fattened for slaughter.

#### **Item 1b - Cattle for Backgrounding**

Record the number, amount paid and average weight of cattle purchased by this operation to be backgrounded. Backgrounded cattle refers to weaned calves, typically yearlings or stockers, that are retained either on pasture or on feedlots until being sold to or placed on an operation that finishes the cattle to slaughter.

**Item 1c – Cow-Calf Pairs**

Record the number and amount paid for cow-calf pairs purchased by this operation. Count each pair only once.

**Item 1d – Cows and Replacement Heifers for Breeding Stock**

Record the number and amount paid for cows and replacement heifers purchased by this operation to be used as breeding stock. These cattle may be open or bred when purchased.

**Item 1e – Bulls for Breeding Stock**

Record the number and amount paid for bulls purchased by this operation to be used as breeding stock.

**Item 2 – Beef Cattle Sales – Columns 2, 3 & 4**

In Column 2, record the number of cattle sold by this operation during 2008. In Column 3, enter the total dollar amount received for these cattle sales, and, in Column 4, record the average sale weight per head in pounds. The dollar amount received should be the amount received after marketing charges (commissions, check-offs, etc.) have been deducted. Record average sale weight only in Items 2a, 2b, 2c, 2d, 2e, 2f and 2g.

**Item 2a – Finished Cattle**

Record the number, amount received and average weight of fattened cattle sold by this operation to be slaughtered. These are primarily steers and heifers in feedlots intended for slaughter, but may include cows or bulls being fattened for slaughter.

**Item 2b – Cull Bulls**

Record the number, amount received and average weight of cull bulls sold by this operation. These cattle are most often taken directly to slaughter, but may be purchased by another operation to be fattened before slaughter. **Exclude** cattle here that will be used as breeding stock on another operation.

**Item 2c – Cull Cows**

Record the number, amount received, and average weight of cull cows sold by this operation. These cattle are most often taken directly to slaughter, but may be purchased by another operation to be fattened before slaughter. **Exclude** cattle here that will be used as breeding stock on another operation.

**Item 2d – Steer Calves Less than 1 Year old**

Record the number, amount received and average weight of weaned steer and bull calves not to be used for breeding that were sold by this operation.

**Item 2e – Heifer Calves Less than 1 Year Old**

Record the number and average weight of weaned heifer calves less than one year old that were sold by this operation.

**Item 2f – Stocker or Yearling Steers**

Record the number, amount received and average weight of stocker or yearling steers one year or more of age sold by this operation. Yearlings and stockers are weaned calves at least one year old that are being kept on hand before being sold or moved to feedlots.

**Item 2g – Stocker or Yearling Heifers**

Record the number, amount received and average weight of stocker or yearling heifers one year or more of age sold by this operation.

**Item 2h – Cow-Calf Pairs**

Record the number and amount received for cow-calf pairs sold by this operation. Count each pair only once. Do not count cow-calf pairs that were recorded earlier in Item 2.

**Item 2i – Cows and Replacement Heifers for Breeding**

Record the number and amount received for cows and replacement heifers sold by this operation to be used as breeding stock on another operation. These cattle may be open or bred. Do not count heifer calves for breeding that are reported in Item 2e



**Item 2j – Bulls for Breeding**

Record the number and amount received for bulls sold by this operation to be used as breeding stock on another operation.

## Section Q - Grazed Feed

The purpose of this section is to collect data on the acreages of range and pasture used to graze the beef cow-calf herd during 2008. The cost of land for grazing is the single largest variable cost of beef cow-calf production, accounting for about one-fourth of total variable cost. Therefore, it is very important to get detailed information on the amounts and types of range and pasture used for beef cow-calf production.

Include all acres grazed by beef cattle during 2008, regardless of how long the cattle grazed the pastures. Include only the acreage that is suitable for grazing. Exclude land in mountains, lakes, rivers, etc., that may be part of the range or pasture land.

### Item 1 - Public Grazing Land

Determine if any public land was grazed by the beef cattle during 2008. Ask the respondent to look at the Respondent Booklet and identify the types of public grazing land used by this operation. If any public grazing land was used, check YES, enter code 1, and complete the Public Grazing Table. If none was used, check NO, enter code 3, and go to Item 2.

### Column 1 - Type of Grazing Land

Record all types of public land that were grazed by the beef cattle during 2008. Complete all of Column 1 before completing the rest of the table; that is, FIRST list all the types of public land being used by the operation. Then, proceed to fill out the rest of the row for each type of public land entered in Column 1. The codes for Public Land are:

- Code 1 - STATE or LOCAL GOVERNMENT LAND: All land managed by State and local government(s) and leased or rented for grazing beef cattle.
- Code 2 - BUREAU OF LAND MANAGEMENT (BLM): The Bureau of Land Management, part of the Department of Interior, and the Forest Service of the Department of Agriculture, administer and manage the great majority of federally-owned lands. The BLM administers about 57 percent of the total 307 million acres of public rangelands and the Forest Service about 43 percent.

Approximately 31,000 grazing permit holders work as partners with the BLM and the Forest Service in managing cattle, sheep, horses and goats on federal lands in 35 states. All operate according to federal leases or permits that control the number of livestock and duration of grazing. About 13 percent of these permit holders use both Forest Service and BLM lands. The public rangelands are divided into more than 30,000 individual grazing units called allotments, ranging in size from less than 40 acres to more than 1 million acres.

A large proportion of the livestock raised in the western states graze at least part of the year on federal land. For example, 88 percent of the cattle produced in Idaho, 64 percent in Wyoming, and 63 percent in Arizona graze on public range at some time. Overall, federal lands produce approximately 13 percent of the grazing forage in the United States.

BLM land falls into two major types:

- Section 3 (of the Grazing Act) Land which is primarily Public Domain land with a few intermingled private lands, and
- Section 15 Land which is mostly private land with a few intermingled public parcels.

Regulations on use and management of BLM lands vary by these classifications, and ranchers will often refer to terms such as Section 3 or Section 15 land when speaking of BLM land.

Users of BLM lands do not have to own their cattle, as they do on FS land. Permits to graze BLM land may be issued on an AUM or per acre basis.

- Code 3 - FOREST SERVICE (FS): The Forest Service consists of land primarily in large, solid blocks. People wanting to use any National Forest land for grazing must apply for the opportunity, and must own their livestock. The Forest Service issues 10-year term permits and annual permits. Among other things, the permit prescribes the boundaries of the range which they may use, the maximum number of animals allowed and the season when grazing is permitted.

**Include** all land managed by the National Forest Service, including National Grasslands.

- Code 4 – AMERICAN INDIAN LAND: Most Indian lands, comprising 51 million acres, are held in trust for the use of and benefit of American Indians and are merely administered by the Bureau of Indian Affairs (BIA) of the Department of Interior. Over 80 percent of Indian lands are in the range area of the West and are suited primarily to livestock. Seventy-five percent of Indian lands are grazed by livestock owned by Native Americans. Provision for the use of this land is handled under a lease arrangement jointly approved by the Indian owners and BIA.
- Code 5 - RAILROAD LAND: During the pioneer period, the federal government provided large grants of land to railroads, consisting of alternate 640-acre sections extending in a checkerboard fashion for a distance of 10 to 40 miles on each side of the railroad right-of-way. Today, 20 million acres of these lands are still held by railroads. Many of these holdings are leased to livestock producers. In general, the railroad lease agreements do not restrict the number of stock to be grazed or the season during which the land may be used.
- Code 6 - OTHER FEDERAL LAND: Federal agencies administering land include USDA's Agricultural Research Service, the Departments of Defense and Energy, Bureau of Reclamation, Fish and Wildlife Service, National Park Service and Corps of Engineers.

**Columns 2&3 – Total Units Leased or Rented**

In Column 2, record the total number of units leased or rented, using whichever unit is most convenient for the respondent. In Column 3, enter the unit code associated with the data in Column 2. The codes for leasing units are:

- Code 1 - ACRE
- Code 2 - AUM (Animal Unit Month)
- Code 3 - HEAD
- Code 4 - COW/CALF PAIR

Most often public land will be rented on an AUM basis. An AUM refers to the amount of forage consumed by one beef cow during one month.

**Column 4 – Total Rent Paid**

Record the TOTAL dollars paid in rent during 2008. Do not record rates per AUM or other unit.

If a respondent reports a rate per AUM, head or cow-calf pair, probe for the number of units that the operation paid for. Also, if a respondent reports a monthly rate, multiply this monthly rate times the number of months the land was rented.

For example, a respondent may report paying \$1.36 per AUM. In that case, probe for the number of AUMs and the length of grazing in months. If respondent paid for 100 AUMs for 3 months, then the total rent paid would be  $\$1.36 \times 100 \times 3 = \$408$ .

This item is used to compute the cost of public grazing for beef cow-calf production.

**Column 5 – Grazing by Other Domestic Animals**

Determine whether any domestic animals other than the operation's beef cattle grazed these range and pasture lands. This includes all other species of domestic animals, such as sheep, horses, llamas, and dairy cattle that grazed this land, as well as beef cattle that are not included as part of this operation. (See General Instructions in Section N for which beef cattle are included as part of this operation.) **Exclude** nondomestic animals such as deer, elk, moose and bison.

If animals besides the operation's beef cattle grazed these pastures, enter code 1 for YES and continue with Column 6. If no other animals grazed the pastures, put a dash in this item and go to next line of pasture type identified.

**Column 6 – Percent of Forage Consumed**

If Column 5 is YES (Code 1), ask Column 6 to determine the percent of the total forage grazed from these range and pasture lands that was consumed by beef cattle or other animals part of the beef cattle enterprise (like guard animals) from this operation. Consider only the grazed forage, not any forage cut and harvested for hay. If other ruminants, such as sheep or dairy cattle, were grazing with the beef cattle, record the operator's best estimate of the percent of the total forage consumed by all animals that was

consumed by the beef cattle or other animals part of the beef cattle enterprise. Also, if another operation's beef cattle were grazing the land, such as in a grazing association, or if there were multiple ranchers with permits to this allotment, record the operator's best estimate of the percent of the total forage consumed by all beef cattle that were this operation's beef cattle. **Exclude** forage consumed by feedlot cattle.

This information is used to allocate the cost of grazing land to the beef cow-calf enterprise on this operation.

**Item 2 – Private Grazing on Range and Pasture Land**

Determine if any owned or rented range or pasture land was grazed by the beef cattle during 2008. Ask the respondent to look at the Respondent Booklet and identify the types of private pasture land used by this operation. If any pasture land was used, check YES, enter code 1, and complete the Private Pasture Table. If none was used, check NO, enter code 3, and go to Item 3.

**Column 1 – Type of Grazing Land**

Record all types of private range and pasture land that were grazed by the beef cattle during 2008. Private range or pasture land includes grazing land that is not suitable for, or not normally used for, crop production.

Complete Column 1 before completing the rest of the table; that is, **FIRST** list all the types of private pasture land used by the operation.

The codes for Private Pasture are:

- Code 8 - UNIMPROVED RANGE LAND, PERMANENT, OR NATIVE PASTURE LAND: Land on which the natural vegetation is predominantly grasses, grass-like plants, forbs, or shrubs; including land revegetated naturally or artificially that is managed like native vegetation. Typically rangeland receives little precipitation and has topographic features making it unsuitable for cultivated and irrigated crops.

Permanent pastures are composed of perennial or self-seeding annual grasses or legumes (frequently some combination of these) that are maintained through several years for grazing. A permanent pasture may be a native stand, it may have been seeded or it may be a previously cultivated field taken over by forage plants that were

aggressive enough to spread without human assistance.

Range land or pasture is considered unimproved if none of the following practices has been used: fertilizing, seeding, or irrigation.

- Code 9 - IMPROVED RANGE LAND, PERMANENT, OR NATIVE PASTURE LAND: Land on which the natural vegetation is predominantly grasses, grass-like plants, forbs, or shrubs; including land revegetated naturally or artificially that is managed like native vegetation. Typically rangeland receives little precipitation and has topographic features making it unsuitable for cultivated and irrigated crops.

Permanent pastures are composed of perennial or self-seeding annual grasses or legumes (frequently some combination of these) that are maintained through several years for grazing. A permanent pasture may be a native stand, it may have been seeded or it may be a previously cultivated field taken over by forage plants that were aggressive enough to spread without human assistance.

Range land or pasture is considered improved if one or more of the following practices have been used: fertilizing, seeding or irrigation.

- Code 10 - WOODLAND PASTURE: Woodland or timber tracts, natural or planted used for pasture or grazing.

**Column 2 – Acreage in Pasture**

Record the number of acres of the range land or pasture reported in Column 1.

**Column 3 – Acreage in Pasture Owned by the Operation**

Record the number of acres of the range land or pasture reported in Column 1 that is owned by the operation.

**Column 4 – Rent per Acre for Owned Pastureland**

If the operation owned range land or pasture recorded in column 3, ask the respondent how much rent they **could have charged** for renting the range land or pasture to others for grazing purposes. Record the rent in dollars and cents per acre for the **entire year**. If the operator reports a monthly

rate, probe to find out the number of months in which cattle graze the range land and pasture and convert the total to a per acre basis. If the operator reports a rate per head, probe to find out the number of head that could have grazed the range land and pasture and convert the total to a per acre basis. This is to determine the opportunity cost for using the pasture for grazing beef cattle by this operation.

**Column 5 – Total Acres Leased or Rented**

In Column 5, record the total number of acres of range land or pasture leased or rented from others. If the operation owns all its range or pasture grazing land, this item will be dashed to indicate that none was leased or rented.

**Column 6 – Total Rent Paid**

If leased or rented acres are reported in Column 5, record the TOTAL dollars paid in rent during 2008. Do not record rates per AUM or other unit. If a respondent reports a rate per AUM, head or cow-calf pair, probe to find out the number of units paid for by the operation. Also, if a respondent reports a monthly rate, multiply this monthly rate times the number of months during which the land was rented.

For example, a respondent may report paying \$1.28 per Cow/Calf pair. In that case, probe for the number of Cow/Calf Pairs and the length of grazing in months. If respondent paid for 40 Cow/Calf pairs for 2 months, then the total rent paid would be  $\$1.28 \times 40 \times 2 = \$102$ .

This item is used to compute the cost of private grazing on range land and pasture for beef cow-calf production.

**Column 7 – Grazing by Other Domestic Animals**

Determine whether any domestic animals other than the operation's beef cattle grazed these range and pasture lands. This includes all other species of domestic animals, such as sheep, horses, llamas, and dairy cattle that grazed this land, as well as beef cattle that are not included as part of this operation. (See General Instructions in Section N for which beef cattle are included as part of this operation.) **Exclude** nondomestic animals such as deer, elk, moose and bison.

If animals besides the operation's beef cattle grazed these pastures, enter code 1 for YES and continue with Column 8. If no other animals grazed the



pastures, put a dash in this item and go to next line of pasture type identified.

**Column 8 – Percent of Forage Consumed**

If Column 7 is YES (Code 1), ask Column 8 to determine the percent of the total forage grazed from these range and pasture lands that was consumed by beef cattle or other animals as part of the beef cattle enterprise (like guard animals) from this operation. Consider only the grazed forage, not any forage cut and harvested for hay. If other ruminants, such as sheep or dairy cattle, were grazing with the beef cattle, record the operator's best estimate of the percent of the total forage consumed by all animals that was consumed by the beef cattle or other animals as part of the beef cattle enterprise. Also, if another operation's beef cattle were grazing the land, such as in a grazing association, or if there were multiple ranchers with permits to this allotment, record the operator's best estimate of the percent of the total forage consumed by all beef cattle that were this operation's beef cattle.

This information is used to allocate the cost of grazing land to the beef cow-calf enterprise on this operation.

**Item 3 – Private Grazing on Cropland Pasture**

Determine if any owned or rented land suitable for crop production was grazed by the beef cattle during 2008. Ask the respondent to look at the Respondent Booklet and identify the types of cropland pasture used by this operation. If any cropland pasture was used, check YES, enter code 1, and complete the Cropland Pasture Table. If none was used, check No, enter code 3, and go to Section R.

**Column 1 – Type of Grazing**

Record all kinds of private cropland pasture that were grazed by the beef cattle during 2008. Private cropland pasture includes grazed land that is suitable for, or may be used for, crop production.

Complete Column 1 before completing the rest of the table; that is, FIRST list all the kinds of cropland pasture being used by the operation. Then, proceed to fill out the rest of the row for each type of cropland pasture and forage entered in Column 1.

In this section, hay is not considered to be a crop. Production of hay on

grazed land does not necessarily mean that the land should be counted as cropland pasture. If range or permanent pasture land was hayed before grazing, the land should be counted in Item 2. If land that is suitable for crop production (excluding hay) was hayed before grazing, the land should be counted in Item 3.

The codes for Cropland Pasture are:

- Code 13 - SMALL GRAIN PASTURE: Include all croplands (either owned by this operation or leased from a landlord) which were not harvested mechanically or by hand prior to grazing by beef cattle. Exclude state land, BLM, Forest Service, Indian land, Railroad land and any other federal land. Examples are wheat, oats, rye, and ryegrass mixtures.
- Code 14 - CROP RESIDUE: Include land (either owned by this operation or leased from a landlord) from which a crop was harvested mechanically or by hand and was grazed by the beef herd before or after harvesting. Exclude state land, BLM, Forest Service, Indian land, railroad land and any other federal land. Examples are sugarbeet tops, corn stalks, sorghum/milo refuse, soybean refuse, small grain refuse, legume and grass seed straws.
- Code 15 - CONSERVATION RESERVE PROGRAM (CRP): The CRP is a long-range program administered by the USDA in which operators voluntarily contract to take cropland out of production for 10 to 15 years and devote it to conserving uses. In return, producers receive an annual rental payment for the contract period and assistance for carrying out approved conservation practices on the conservation acreage. Normally, CRP land cannot be used for grazing, but under certain conditions (like drought), approval is granted by USDA for grazing of CRP land.
- Code 16 - OTHER GRAZED FORAGES: Grazed forages other than range land, private pasture, small grain pasture, crop residues and government program land. Include land owned, rented or leased that cannot be included in other categories.

**Column 2 – Acreage in Pasture**

Record the number of acres of cropland pasture reported in Column 1.

**Column 3 – Acreage in Pasture Owned by the Operation**

Record the number of acres of cropland pasture reported in Column 1 that are owned by the operation.

**Column 4 – Rent per Acre for Owned Pastureland**

If the operation owned cropland pasture recorded in column 3, ask the respondent how much rent they **could have charged** for renting the cropland pasture to others for grazing purposes. Record the rent in dollars and cents per acre for the **entire year**. If the operator reports a monthly rate, probe to find out the number of months in which cattle graze the cropland pasture and convert the total to a per acre basis. If the operator reports a rate per head, probe to find out the number of head that could have grazed the cropland pasture and convert the total to a per acre basis. This is to determine the opportunity cost for using the pasture for grazing beef cattle by this operation.

**Column 5 – Total Acres Leased or Rented**

In Column 5, record the total number of acres of cropland pasture leased or rented from others. If the operation owns all its cropland pasture, this item will be dashed to indicate that none was leased or rented.

**Column 6 – Total Rent Paid**

If leased or rented acres are reported in Column 5, record the TOTAL dollars paid in rent during 2008. Do not record rates per AUM or other unit. If a respondent reports a rate per AUM, head or cow-calf pair, probe to find out the number of units paid for by the operation. Also, if a respondent reports a monthly rate, multiply this monthly rate times the number of months during which the land was rented.

For example, a respondent may report paying \$1.28 per Cow/Calf pair. In that case, probe for the number of Cow/Calf Pairs and the length of grazing in months. If respondent paid for 40 Cow/Calf pairs for 2 months, then the total rent paid would be  $\$1.28 \times 40 \times 2 = \$102$ .

This item is used to compute the cost of private grazing on cropland pasture for beef cow-calf production.

**Column 7 – Grazing by Other Domestic Animals**

Determine whether any domestic animals other than the operation's beef cattle grazed these cropland pastures. This includes all other species of domestic animals, such as sheep, horses, llamas, and dairy cattle that grazed this land, as well as beef cattle that are not included as part of this operation. (See General Instructions in Section N for which beef cattle are included as part of this operation.) **Exclude** nondomestic animals such as deer, elk, moose and bison.

If animals besides the operation's beef cattle grazed these pastures, enter code 1 for YES and continue with Column 8. If no other animals grazed the pastures, put a dash in this item and go to next line of pasture type identified.

**Column 8 – Percent of Forage Consumed**

If Column 7 is YES (Code 1), ask Column 8 to determine the percent of the total forage grazed from these range and pasture lands that was consumed by beef cattle or other animals as part of the beef cattle enterprise (like guard animals) from this operation. Consider only the grazed forage, not any forage cut and harvested for hay. If other ruminants, such as sheep or dairy cattle, were grazing with the beef cattle, record the operator's best estimate of the percent of the total forage consumed by all animals that was consumed by the beef cattle or other animals as part of the beef cattle enterprise. Also, if another operation's beef cattle were grazing the land, such as in a grazing association, or if there were multiple ranchers with permits to this allotment, record the operator's best estimate of the percent of the total forage consumed by all beef cattle that were this operation's beef cattle.

This information is used to allocate the cost of grazing land to the beef cow-calf enterprise on this operation.

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## **Section R – Purchased and Homegrown Feed**

The purpose of this section is to collect data on the quantities and types of harvested forages and supplemental feed fed to the beef cow-calf herd during 2008. Harvested forages are often needed to sustain cattle over the winter and during drought conditions. The cost of harvested forages accounts for a significant percentage of total variable costs for beef cattle production. Therefore, it is very important to get detailed information on the amounts and types of these feed items used for beef-cow calf production.

Exclude any harvested forages or supplemental feed fed to cattle being finished for slaughter (on feedlots). Exclude any feed provided to cattle placed under contract on other operations.

Include delivery charges if included in the price of the purchased feed.

### **Item 1 – Purchased Feed**

This is a screening question to determine if the operation purchased any feed or feed supplements for the beef cattle on this operation in 2008. Unless the operation grew all of the feed fed to the beef cattle, this question will always be “Yes”.

In the unlikely event that the operation did not purchase any feed or supplements, check “No”, enter code 3, and skip to Item 2.

Formulas for converting the number of hay bales fed to the number of tons fed, and for converting the number of salt/mineral tubs fed to the number of pounds fed are shown below the table in Item 2.

### **Column 1 – Type of Feed**

Show the respondent the list of Purchased Feed Type Codes in the Respondent Booklet.

Record the name and code for each type of feed or feed supplement the operation fed to its beef cattle in 2008. Exclude feed grown on the operation and fed to the beef cattle (this is reported in Item 2).

**Column 2 – Total Amount Fed**

For each type of feed or feed supplement listed in column 1, record the total quantity fed to beef cattle on the operation in 2008. Exclude homegrown feed.

**Column 3 – Unit Code**

Enter the code for the unit in which the quantity in column 2 was reported.

**Column 4 – Total Cost of Feed**

Record the total cost of each type of feed fed to beef cattle on this operation in 2008. This total cost is the amount spent for all of 2008, rather than the amount per unit in column 3.

**Column 5 – Feed Storage Facility**

Show the respondent the Feed Facility Type Codes in the Respondent Booklet.

For each type of feed reported, record the code which represents the type of storage facility that was used.

**Item 2 – Homegrown Feed**

This item accounts for the harvested feed grain and forage crops grown on this operation that were fed to the beef cattle on this operation in 2008 (pasture and cropland used for grazing are recorded in Section Q).

If no harvested feed was fed to the beef cattle on this operation, check the “No” box, enter code 3, and go to Section S.

Formulas for converting the number of hay bales fed to the number of tons fed, and for converting the number of salt/mineral tubs fed to the number of pounds fed are shown below the table in Item 2.

**Column 1 – Type of Homegrown Feed**

Show the respondent the Homegrown Feed Type Codes in the Respondent Booklet.

Record the name and code for each type of feed grown on this operation

and fed to beef cattle on this operation in 2008. Exclude feed that was purchased.

**Column 2 – Total Amount Fed**

For each type of feed listed in column 1, record the total quantity fed to beef cattle on the operation in 2008. Exclude feed purchased.

**Column 3 – Unit Code**

Enter the code for the unit in which the quantity in column 2 was reported.

**Column 4 – Feed Storage Facility**

Show the respondent the Feed Facility Type Codes in the Respondent Booklet.

For each type of feed reported, record the code which represents the type of storage facility that was used.



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## **Section S – Livestock Housing / Holding Facilities**

The purpose of this section is to collect data on buildings, structures and/or equipment used for livestock housing/holding of the beef cow-calf operation during 2008. This information is used to compute capital investment and ownership costs of buildings and equipment. Buildings, structures and/or equipment reported in this section may have been used in other enterprises, but they must have been used at least partially for the cow-calf enterprise during 2008. Exclude any housing/holding facilities used only for feedlot cattle.

### **Item 1 – Use of Buildings or Sheds to House Beef Cattle**

Record whether any buildings or sheds were used for beef cattle housing during 2008. If none of these structures were used, check “No”, enter code 3, then go to Item 2.

### **Item 1a – Number of Buildings or Sheds Used to House Beef Cattle**

In Item 1a, record the total number of buildings and sheds used for beef cow-calf housing. Exclude barns used for finished cattle production unless they were also used for the cow-calf enterprise.

### **Item 1b – Total Capacity**

Record in Item 1b the total capacity of all the buildings and sheds reported in Item 1a. Enter the TOTAL square feet of floor area. This is equal to the sum of the areas of the individuals buildings and sheds. The calculation for area is length times width.

For example, if the operator has two barns and one shed which were used for beef cattle production, and the barns were 25 feet wide and 40 feet long and the shed was 20 feet wide and 25 feet long, then the total square feet of floor area is the sum of the areas of the 3 buildings. The two barns have areas equal to 25 ft. X 40 ft. = 1,000 square feet each; the shed has an area equal to 20 ft. X 25 ft. = 500 square feet. Thus the total capacity of the two barns and one shed is  $1,000 + 1,000 + 500 = 2,500$  square feet.

**Item 1c – Capacity for Beef Cattle Production**

Record in Item 1c the operator's best estimate of the square footage or percent of total building and shed capacity (reported in Item 1b) that was for beef cattle production. This figure should include all uses of buildings and sheds for beef cattle production, including feed storage and livestock housing. Exclude any building or shed use that was for finishing cattle to slaughter.

**Item 2 – Livestock Holding Facilities**

Determine if any corrals or lots were used for the beef cattle during 2008. Ask the respondent to look at the Respondent Booklet and identify the types of corrals or lots used by this operation. If any corrals or lots were used, check YES, enter code 1, and complete the Livestock Holding Facility Table. If none were used, check NO, enter code 3, and go to Section T.

**Column 1 – Type of Facility**

Record all types of livestock holding facilities that were used for the beef cattle during 2008. Complete all of Column 1 before completing the rest of the table; that is, list all the types of livestock holding facilities FIRST. Then, fill out the rest of the row for each type of livestock holding facility entered in Column 1.

The codes for Livestock Holding Facility Types are:

- Code 10 - FEEDING CORRAL OR LOT
- Code 11 - HOLDING CORRAL OR LOT
- Code 12 - PORTABLE CORRAL
- Code 13 - HOSPITAL CORRAL OR LOT

More than one facility of the same type may be listed on a single line. For example, if an operation has three portable corrals, Livestock Holding Facility Type Code 12 would be entered in Column 1 only once. Please count each facility only once. Operators may have used a facility for more than one type of activity, such as for both cattle feeding and holding. Count the facility only once under the category for which it was used most often.

The operation may have more types of facilities used for the beef cattle than those listed. However, information is required only for the types of facilities in the code list.

**Column 2 – Number of Facilities**

Several facilities of the same type may be grouped. In Column 2, record the number of each type of facility entered in Column 1 that were actually used for beef cattle production. In the example above, if only two of the three portable corrals were used for beef cattle production, enter 2 in Column 2.

**Column 3 – Largest Number of Head**

Record the largest number head of beef cattle that has ever occupied the facility (or facilities) entered in Column 1 and counted in Column 2. Count cow-calf pairs only once. If more than one facility is reported on a line (Column 2 is greater than 1), sum the number of head held by each facility.

**Column 4 – Percent of use for beef cattle**

In Column 4, record the operator's best estimate of the percent of the livestock holding facility use that was for beef cattle production. This percent should reflect the amount of time the holding facility was used for holding beef cattle relative to other livestock. Also, if the holding facilities were shared with other operations, the percent of use should reflect the amount of total use that was by this operation. In this percent do not include any use for beef cattle being finished for slaughter.

**Item 3 – Acres of Land Used for Beef Cattle Facilities**

Record the total acres of land used for the barns, buildings, sheds, feed storage, and livestock holding and handling facilities. Exclude land in ranges and pastures reported in Section Q. Exclude land in feedlots and other land associated with finished cattle production.

This may include parts of the farmstead or land occupied by other out-buildings, only if they were used in beef cattle production. Any land reported here must have a facility associated with it.

Record acres to the nearest TENTH of an acre (1/10).

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## Section T - Vehicles, Trucks and Tractors

The purpose of this section is to collect data on horses, vehicles, and tractors used for the beef cow-calf operation during 2008. By itemizing the horses, vehicles, and tractors, we can estimate the amount of capital investment in these items. These estimates are used in the cost of production accounts in order to assign the annual costs for “capital recovery.” Farmers do not pay this amount each year, but when they purchase machinery they amortize the cost over the life of the machine. USDA estimates a capital cost based on the total value of the horses and machinery, as well as the other capital assets used in the beef cattle enterprise.

**Include** all trucks, tractors, and other motor vehicles owned, rented, leased, or borrowed and used for activities associated with beef cattle production such as feed handling, manure handling and spreading, and hauling beef cattle.

**Exclude** anything provided by custom operators and any vehicles, trucks, and tractors used to grow feed on this operation even if the feed was fed to the beef cattle. Exclude anything used only for feedlot cattle.

### Item 1 – Horses and Mules

Determine if any horses or mules were used for the beef cattle operation during 2008. If any horses or mules were used, record the number of horses or mules used in beef cow-calf production during 2008. **Include** only horses or mules used in working on the cow-calf operation. **Exclude** show horses and horses used only for pleasure, rodeo participation or racing.

### Item 2 – Donkeys, Llamas, or Other Guard Animals

Determine if any donkeys, llamas, or other guard animals were used for the beef cattle operation during 2008. If any donkeys, llamas, or other guard animals were used, record the number of donkeys, llamas, or other guard animals used in beef cow-calf production during 2008. **Include** only animals used in working on the cow-calf operation. **Exclude** show animals and animals used only for pleasure.

## **VEHICLE USE**

### **Item 3 – Vehicles used for Beef Cattle Production**

Report the number of pick-ups, cars, and sport utility vehicles that were used for beef cattle for any purpose in 2008. We will determine the amount that these vehicles were used for beef cattle production in Items 3a-c.

### **Item 3a – Total Miles Vehicles Driven**

Report the total miles that all the vehicles listed in item 1 were driven in 2008. Include miles driven for farm and non-farm use.

### **Item 3b – Percentage Driven for Farm Use**

Report the percentage of the total miles that all the vehicles were driven (item 3a) that were for farm use.

### **Item 3c – Percentage Driven for Beef Cattle Production**

Report the percentage of the total miles that all vehicles were driven for farm use (item 3b) that were for beef cattle production.

## **TRUCK USE**

### **Column 1 – Truck Type**

Collect the data on truck use for beef cattle production in 2008 for each type of truck listed. Include trucks used for hauling cattle on or off this operation, hauling feed to this operation, and any other use associated with beef cattle production.

### **Column 2 – Number of Trucks used for Beef Cattle Production**

Report the number of trucks of each type listed in column 1 that were used for beef cattle production in 2008.

### **Column 3 – Miles Driven for Beef Cattle Production**

Report the total miles that all the trucks of each type listed in column 2 were driven for beef cattle production on this operation in 2008.

## **TRACTOR USE**

**Column 1 - Tractor Type**

Collect the data on tractor use for beef cattle production in 2008 for each category of tractor horsepower listed. Include tractors used for feed processing, manure handling, hauling cattle, and any other use associated with beef cattle enterprise. **Exclude** tractors used only to produce cattle feed.

**Column 2 - Number of Tractors used for Beef Cattle Production**

Report the number of tractors in each horsepower category listed in column 1 that were used for beef cattle production in 2008.

**Column 3 - Percentage of Farm Use for Beef Cattle Production**

Report the percentage of total farm use that all the tractors in each horsepower category listed in column 2 were used for beef cattle production on this operation in 2008. Exclude use of the tractor to produce cattle feed, such as that for field operations.



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## **Section U - Machinery and Equipment**

This section identifies the specific equipment and machinery used in handling and/or moving feed and manure for the beef cattle operation. From this information, capital investment and associated fixed costs can be calculated. Equipment included in this section may have also been used for other enterprises, such as dairy or hogs, but must have been used at least partially for the beef cattle enterprise during 2008.

The operation may have types of machinery and equipment used for beef cow-calf production other than those listed. However, information is required only for the items in the code lists for this section.

Machinery and equipment are capital items in which most operations have fairly large investments so it is important to allocate the appropriate portion of the use to the production of beef cattle. Exclude any use associated with feedlot cattle.

### **Item 1 - Machinery and Equipment Used**

This table lists all the machinery equipment used on the beef cattle operation in 2008. Do not list machinery and equipment unless they were used on the beef cattle enterprise.

### **Columns 1 & 2 - Machinery and Equipment Type and Code**

Show the respondent the list of Feed Handling Equipment Codes, Manure Handling Equipment Codes, and Other Machines and Equipment Codes in the Respondent Booklet.

Record the name (column 1) and code (column 2) of each piece of machinery or equipment used on the operation for the beef cattle enterprise. This includes feed handling equipment, manure handling and spreading equipment, scales, portable loading ramps, sprayers, trailers, generators, alarm systems, pressure washing equipment, etc.

If the operation had more than one of the same machine or piece of equipment, they can be listed on the same line by coding column 3 with the number of the same items.

**Exclude** machinery and equipment used to grow crops on the operation even if the crops were fed to the beef cattle.

**Column 3 – Number of Column 1 Items**

Enter the number of machines or pieces of equipment of the same type recorded in column 1.

**Column 4 – Percentage for Beef Cattle Production**

Record the percentage of total farm use of each item reported in column 1 that was for beef cattle production. For most of these items the percentage will equal 100, unless there is another livestock operation on the farm that shares the use of these items.

## **Section V - Beef Cattle Operation Management**

This section collects information about beef cattle management practices and producer participation in the National Animal Identification System (NAIS). Information from this section will be used to measure the extent to which beef cattle producers are using specific practices, and to examine how the use of specific practices is related to production costs and returns. Information about the technologies and practices used in the beef cow-calf enterprise are important for understanding differences among farms and how these differences affect the profitability of cow-calf operations.

The National Animal Identification System (NAIS) is a voluntary state-federal-industry partnership to standardize premises location capabilities and animal identification for livestock, poultry and horses. The long-term goal of the NAIS is to provide animal health officials and producers with the capability to identify all livestock and premises that have had direct contact with a disease of concern within 48 hours of discovery. The foundation of the system is a national premises registration database to record the contact information and physical addresses of producers. Premises registration is free to producers and requires only basic contact information.

### **Item 1 – Breeding Program**

Terminal crossbreeding programs (code 1) concentrate on using all possible heterosis of the breeds, and thus capitalize on breed strengths. These programs use 2, 3, or 4 breed first cross females (not from rotational crossbreeding) that excel in maternal traits bred to bulls from breeds that are superior for growth and carcass traits. All the progeny from these matings are marketed and not kept for replacement heifers. Include “rota-terminal” programs as terminal crossbreeding.

Rotational crossbreeding programs (code 2) are similar to terminal crossbreeding except that heifers are kept for replacement. This makes it difficult to ensure that the replacement heifers are then crossed with a breed different from their sire in order to achieve the maximum heterosis.

Purebred programs (code 3) use only one breed of cattle.

**Item 2 – Number of Breeds**

Report the total number of breeds used in the beef cattle breeding program. For crossbreeding this will be two or more. For purebred this will be one.

**Item 3 – Commercial Seed Stock Producer**

Indicate whether or not most of the replacement heifers came from a commercial seed stock producer. This would be most common in terminal crossbreeding programs.

**Item 4 – Beef Cattle Operation Management**

Indicate with YES=1 for each of the practices employed for the beef cattle enterprise. Do not report yes for any practice that was only used for feedlot cattle.

**Item 5 – Cow/Calf Identifiers**

If the operation took steps to identify its cattle and calves as belonging to the operation or for individual animal records, enter code 1 and continue with Item 5a. If the operation did not take steps to identify their cattle and calves, enter code 3 and go to Item 6. **Exclude** cattle in feedlots

**Item 5a – Cow Identifiers**

Indicate how the operation identifies their cows. **Exclude** calves.

**Item 5b – Calf Identifiers**

Indicate how the operation identifies their calves. **Exclude** cows.

**Item 6 – Familiarity with NAIS**

Indicate if the operator is familiar with the National Animal Identification System in Item 6. The National Animal Identification System (NAIS) is a modern, streamlined information system that helps producers and animal health officials respond quickly and effectively to animal disease events in the United States. NAIS is a part of USDA. If the operator is not familiar with NAIS, enter code 3 and proceed to Section W.

**Item 6a - Premises Registered with NAIS**

Indicate if the premises are registered in the NAIS in Item 6a by entering code 1 for yes and code 3 for no.

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## **Section W - Grassland Management and Conservation**

The primary purpose of this section is to provide information about participants in Government programs for grassland management and conservation.

Grazing land easement/contract programs have grown rapidly, and in certain parts of the country the acres enrolled in these programs constitute a significant portion of grazing land. Easement programs restrict land use conversion from existing agricultural uses while promoting adoption of conserving practices. The Grassland Reserve Program is a particularly important program for cow-calf producers relying on grazing and forage production. State and non-governmental entities are also important sources of easement payments for agricultural lands, including grazing-based livestock systems. In cases where the operator is also the owner of the preserved parcel, the influx of capital from the sale of the easement has major implications for the financial status of the operation and intergenerational transfer of land ownership. Information about program participation and practices can be used to examine whether the operating and financial characteristics of program participants differs substantially from non-participants, and also can be used in an analysis of the implications for the design of grazing land easement programs.

### **Item 1 – Payments Received for Conservation Programs**

Record the amount received or to be received over the full life of currently active contracts for the following conservation programs:

#### **Item 1a – Payments Received for CRP/CREP/WRP**

Record the total amount of payments received or to be received over the full life of the currently active contracts from participation in the Conservation Reserve Program (CRP), Conservation Reserve Enhancement Program (CREP), and Wetlands Reserve Program (WRP). Include annual rental, cost share, and incentive payments. There should be acreage associated with the payments reported in Section A, Item 6c, unless the acreage was CRP planted to trees.



**Item 1b – Amount Received for Various Environmental/Conservation Payments**

Record the total amount of payments received or to be received over the full life of the currently active contracts from participation in the Environmental Quality Incentives Program (EQIP) and Conservation Security Program (CSP). Include cost share, incentive and other payments related to the contract. There should be acreage associated with the payments – see EQIP/CSP acres reported in Section A, Item 7.

**Item 1c – Payments Received for Grassland Reserve Program (GRP)**

Record the total amount of payments received or to be received over the full life of the currently active contracts from participation in the Grassland Reserve Program (GRP). Include cost share payments related to the contract. There should be acreage associated with the payments – see GRP acres reported in Section A, Item 6d. The GRP is a voluntary program offering landowners the opportunity to protect, restore, and enhance grasslands on their property. The Natural Resources Conservation Service, Farm Service Agency and Forest Service are coordinating implementation of GRP, which helps landowners restore and protect grassland, rangeland, pastureland, shrubland and certain other lands and provides assistance for rehabilitating grasslands. The program will conserve vulnerable grasslands from conversion to cropland or other uses and conserve valuable grasslands by helping maintain viable ranching operations.

**Item 1d – Payments Received for Farmland or Grassland Protection Programs other than the GRP**

Record the total amount of payments received or to be received over the full life of the currently active contracts from participation in farmland or grassland protection programs other than the GRP. Include Federal, State, and Local Government Programs and private agreements. There should be acreage associated with the payments – see Section A, Item 6e.

**Item 2 – Written Grazing Management Plan**

Indicate if the operation has a written Grazing Management Plan in 2008. The definition of a written plan is a plan prepared by a public resource agency or certified resource specialist in accordance with Federal, State, or District standards.

**Item 2a – Year Plan was Implemented**

Record the four digit year the plan was implemented in Item 2a.

**Item 3 – Practices Used on Grazing Lands**

Record the practices used on public or private grazing lands in 2008 for Items 3a-3m.

**Column 2 – Practice Used**

Record which practices were used on public or private grazing lands during 2008 in column 2.

**Column 3 – Cost Sharing or Incentive Payments Received**

For the practices indicated in column 2, record if the operation has ever received or will receive cost sharing or incentive payments for using the practice.

**Column 4 – Year Practice was Implemented**

Record the four digit year the practice was initially implemented in column 4.

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## Conclusion

### Item 1 – Survey Publication

After completing the interview, ask the respondent if he/she would like to receive a copy of the survey results. The Farm Production Expenditures Report will be published in August of 2009. Enter “1” for YES.

### Item 2 – Ending Time

Record the ending time (military time) of the interview. If more than one person was interviewed or it took more than one appointment to complete the interview, times should reflect the approximate total time for the questionnaire.

Exclude the time you spend reviewing the questionnaire or verifying calculations by yourself after you have completed the interview. Be sure the ending time is after the beginning time entered on the face page.

Accurate reporting of interview time (beginning and ending time) is critical for monitoring and evaluating survey burden and cost.

### Item 3 – Records Use

Though most farmers/ranchers have some kind of farm record keeping system, not all of them use these records in the interview. Record the response category you feel best characterizes how often the respondent's records were or were not used in the interview.

**Item 4 – Type of Records**

Respondents usually keep records in a level of detail that the complexity of their operation and enterprises require. However, the form these records take varies considerably across operations. Record the response category that best represents the records that were used the most during the interview, regardless of how much they were used.

A general ledger is something that can be bought just about anywhere (drugstore, bookstore, printing supply store, discount store, etc.). It can be used for any accounting application; it is not farm specific.

A formal farm record workbook or account book is created specifically for farm/ranch accounting. It is organized into categories to handle common farm/ranch accounts (seed expense, fuel expense, livestock purchases, etc.).

**Administrative Items**

**Response Code**

Upon completion of the interview, enter the response code in cell 9901 on the Back Page of the questionnaire. Response codes are:

Code 1 = **Complete** (Use for Good Reports, Out-of-Businesses, No Target Crops, and Abnormal Farms)

Code 2 = **Refusal**

Code 3 = **Inaccessible/Incomplete**

### **Respondent Code**

The respondent code identifies the person who was interviewed. Enter the code identifying the person who provided most of the data in cell 9902.

- Code 1 = **Operator or Manager**
- Code 2 = **Operator's Spouse**
- Code 3 = **Accountant or Bookkeeper**
- Code 4 = **Partner**
- Code 9 = **Other**

Record the respondent's name and phone number.

### **Mode Code**

The mode code (cell 9903) identifies how the person was interviewed. ARMS Phase III completes should be by face-to-face interview unless the V5 report form was mailed.

- Code 1 = **Mail**
- Code 2 = **Telephone**
- Code 3 = **Face-to-Face**

### **Enumerator Name**

Sign the questionnaire and record your enumerator ID number in cell 0098.

### **Date**

Record the date the questionnaire was completed. Enter the date in MMDD09 format on the lines provided in cell 9910. For example, if the interview was completed on February 26, 2009, enter the month and day 02 26 in the date cell. The 2-digit year is already preprinted on the questionnaire.

**Optional Use**

Item codes 0093, 0092, and 0003 are reserved for your State Office use. These cells should remain blank unless your State office directs you otherwise.

**S/E Name**

Write your name in this box.

*Thank the respondent for their time and effort.*

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**Review the entire questionnaire before forwarding it to your Supervisor. Make sure all items are complete, including 'Yes' and 'No' boxes checked, and dashes are entered in cells when the response is 'None' or 'No' as appropriate. Make sure notes are present and complete for unusual situations.**

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