2006 Agricultural Resource Management Survey (ARMS)

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 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 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 that 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 2006 ARMS Phase II, will be released in May, 2007. The second report is the Farm Production Expenditures. The report, compiled from the 2006 ARMS Phase III will be released in August 2007. 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/

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/EDUCATION/REFERENCE/TERMS__/TERMSDEF.PDF

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

Economic and Cost of Production Terminology

accounting, accrual  base acreage
accounting, cash  BLM
acreage base  borrowing capacity
acreage, eligible contract
call back
acreage, contract  carryover
acreage, noncontract  cash receipts
agricultural commodity  cattle on shares
agricultural production  check-off
animal unit (AU)  commission charges
animal unit month (AUM)  commodity
aquaculture  commodity, contract
area sample  Commodity Credit Corporation (CCC)
assessed value  confidentiality
assessments  Conservation Reserve Program (CRP)
assets  conserving use
auction pool  contract
balance sheet
barrel (bbl)
contract, delayed pricing  
contract, forward  
contract, marketing  
contract, production  
contract sale  
contractee  
cost of production  
cover crop  
cropland  
crop rotation  
cull  
date, due  
date, mailing  
editing  
EIN  
Environmental Quality Incentives Program (EQIP)  
equity  
estate  
expenditure  
expenses, capital  
expenses, operating  
expenses, production  
fallow  
farm  
farm, contract  
farm, corporate  
farm, institutional  
farm, noncontract  
farmstead  
Farm Service Agency (FSA)  
Federal Agriculture Improvement and Reform (FAIR) Act  
feeder  
fertilizer  
field  
financial health  
finish  
flat  
flexibility contract, 7-year  
production flexibility contract  
contractor  
Cooperative State Research, Education, and Extension Service (CSREES)  
corporation  
date, reference  
date, release  
depreciation  
direct sales  
discount  
double crop  
drip irrigation  
forage  
forward pricing  
free-of-charge  
fringe benefits  
futures market  
government program land  
grazing land association, public or industrial (PIGA)  
grazing allotment  
grazing association  
grazing fee  
greenhouse  
gross value  
harvested acres  
hay  
hedging  
herbicide  
hired manager  
household  
hundredweight (cwt)  
idle land  
implement  
improvements  
inaccessible  
income, gross farm  
income, net cash farm  
income, net farm
income, non-farm
income, off-farm
input
input provider

landlord
loan, marketing assistance
loan, nonrecourse

market value
military time

Natural Resources Conservation Service (NRCS)
net worth
nonresponse
nursery

oilseed crops
on feed

operating arrangement
(1) individual
(2) managed
(3) partnership
operator
orchard
out-of-business

partner
pasture
patronage refund
payment, advanced
payment, cost-share
payment, disaster
payment, final
payment, incentive
payment, loan deficiency
payment, transition
payment limitations
payment quantity
payment yield
pesticide

landlord, non-operator
landlord, operator
liability
liquidity
loan, marketing

planting flexibility
pick your own (U-Pick)
power-take-off (PTO)

premium
primary name
processor

production expenses
production flexibility contract
payment

questionnaire

rangelands
ratio, debt-asset
ratio, parity
real estate
refusal
rent
rent, cash
rent, share
respondent
retired

salary
sample, list
sample, multi-frame
sample, probability
sampling frame
sampling unit
secondary name
seed
sharecropper
shrinkage
small grains
solar energy
sold-out
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.
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 2006 ARMS Phase III. The Costs and Returns Report (CRR), Version 1, will be used in all states except Alaska and Hawaii. Six States (AR, CA, LA, MO, MS, TX) will be included in the rice sample, Version 2. The Version 3 soybean sample will consist of 19 States (AR, IA, IL, IN, KS, KY, LA, MI, MN, MS, MO, NE, NC, ND, OH, SD, TN, VA, WI). The Version 4 broiler sample consists of 17 States (AL, AR, CA, DE, GA, KY, LA, MD, MS, MO, NC, OK, PA, SC, TN, TX, VA). And the Version 5 Core sample will be in 15 States (AR, CA, FL, GA, IL, IN, IA, KS, MN, MO, NE, NC, TX, WA, WI).

<table>
<thead>
<tr>
<th>Version</th>
<th>Color</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1 – Costs and Returns Report (CRR)</td>
<td>White</td>
</tr>
<tr>
<td>V2 – Rice Costs and Returns Report</td>
<td>Ivory</td>
</tr>
<tr>
<td>V3 – Soybean Costs and Returns Report</td>
<td>Peach</td>
</tr>
<tr>
<td>V4 – Broiler Costs and Returns Report</td>
<td>Canary</td>
</tr>
<tr>
<td>V5 – Core</td>
<td>Green</td>
</tr>
</tbody>
</table>

Versions 1, 2, 3, & 4 have a Face Page which identifies the selected operator and partners. Pre-screening of respondents was done during Phase I. Any previously reported data from Phase I that is again asked in Phase III, should be printed next to the question in the questionnaire. Screening is discussed 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.
Enter 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", 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 90 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 2006, 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 2006.  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 2006 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.
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, most of the sampled respondents had interviews conducted to determine their status. Area frame records were screened during the June Ag Survey. The National Processing Center (NPC) will print any of this previously reported data in the questionnaire, next to the appropriate question. This pre-printed information on this form is used to help you make sure you are interviewing the correct sampled operation.

The pre-printed information will have the following from Phase I, or the June Area Survey (Area records):

- Who responded to the screening interview (operator, spouse, etc)
- All owned land
- All land rented to others
- All land rented from others
- Total acres operated
- Total cropland

These six items can be used during the ARMS interview in one or more of the following manners.

- You can ask the question of the respondent, and compare their answer to the preprinted screening response. If there is a discrepancy, verify that you have the correct answer.

- You can verify the information on the preprinted screening response. For example, you may ask “I have this operation’s total land owned as 250 acres. Is this correct?”

- You can fill in this information from the preprinted screening response instead of asking the questions.

In the future, we may use more information from previous data collections during the interview to make it easier and less time consuming for the respondent.
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.

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 2006 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 a question or problem exists with the operation description information collected during Phase I, the State Office will want you to complete the Screening Supplement. This may be because the screening data were collected from someone other than the operator on Phase I, or incomplete information was obtained on Phase I.

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 A.

**Completing the Screening Supplement**

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 2006, 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.

**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 2006, 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 2006, 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 2006.
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, but no other agricultural items.

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 2 and 3 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 Back 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 2006. 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 7 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 7 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 2006. 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 2006. 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 2006, 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.

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 2006. Answers for these items are reported to the nearest whole acre.

For operations that were in business for only a part of 2006, collect data for the part of the year when it was still in operation. If the operation went out-of-business before December 31, 2006, 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 2006.

**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,d) – Acres Rented From Others**

There are four categories of rented acres: cash rented acres with the payment being a fixed amount are recorded in item 2a, cash rented acres with the payment being a flexible cash amount in item 2b, share rented acres are recorded in item 2c, and acres used rent-free are recorded in item 2d.

**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. (items 2a and 2b)
2. paid for use of the land with a share of the crops (either standing or harvested). (item 2c)
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 2c)
4. had free use of the land. (item 2d)

**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.

Be sure you are getting the full number of rented acres from the respondent. 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 – Acres Rented To Others

INCLUDE:

(1) land this operation owned which was rented to another operation in 2006, 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 2006. 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.

(6) land owned but managed for a fee or salary by someone else.
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.

Item 4 – Total Acres Operated in 2006

The operation's total farming/ranching operation is the total of Items 1 + 2a + 2b + 2c + 2d - 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 that rented or leased land to the operation

V1 Only

If this operation rented or leased land from others in 2006 (either cash rent or lease, share rent, or rent free) record the total number of landlords.
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Item 6 – Number of Acres rented or leased to family members
V1 Only
If the operation rented land to others, record the number of acres that were rented or leased to family members as defined as anyone who is related by blood or marriage.

Item 7 – Total Acres used on a per head of animal unit month (AUM) basis
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 8 – Acres in the Operation
These acreage questions are based on the total acres operated reported in Item 4. The acres can count more than once for the following parts:

Item 8a – Acres Rented from Family Members
V1 Only
If the operation rented land from others, record the number of acres that were rented or leased from family members as defined as anyone who is related by blood or marriage.

Item 8b – 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 – Acres Covered Under Federal Insurance**

Of the total acres in item 4, report the acres that were covered under Federal crop insurance during 2006. **Include** acres covered by insurance for the loss of grazing on rangeland, if the insurance program is administered by a Federal agency.

**Item 8d – Acres Enrolled in CRP, CREP, or WRP**

Record the total number of acres the farm operation has enrolled in the Conservation Reserve Program (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.

The Conservation Reserve Enhancement Program (CREP) is a State enhancement to the CRP.

The Wetland Reserve Program (WRP) is a voluntary program that offers landowners financial incentives to enhance wetlands in exchange for retiring marginal agricultural lands.

**Item 8e** – **Acres Used to Raise Certified Organically Produced Crops**

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 8f** – **Acres classified as base acreage for government farm programs**

V1 Only

Record the acres that are classified as base acres for government farm programs in Item 8f. The base acreage is used in acreage limitation programs as well as to calculate farm program acreage.

**Item 8g** – **Number of Acres Accessible to the Public for Recreation**

V1 Only

Record acreage that is accessible to the public for the purposes of outdoor recreation, including activities such as hunting, fishing, horseback riding, snowmobile use, etc., regardless of whether or not you received income from the activity(ies). If there is any acreage, indicate:

(i) If all, part, or none of the acres were in the CRP program, and

(ii) If the operator received property tax advances for allowing public access.

**Item 9** – **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 9.
Item 10 - **Cash Rent Received for Acres Rented To Others**

Do not skip this item even if the operation rented no land out in 2006. The operation may have received income in 2006 for land rented to others before 2006, or the operation may have received a pre-payment of land to be rented in 2007.

**Include** rent for land and/or buildings, record the total cash rent received during 2006, for all land rented to others for cash. If rent owed to the operation for 2005, was received in 2006, it should be included here. If rent for 2007 was received in advance (in 2006), it should also be included. Government payments received in association with these acres should also be included.

**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 in Version 1 or Section E, Item 5l for Versions 2-4.

Item 11 - **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 2006. The operation may have received its share of 2005 commodities in 2006, for land it rented to others in 2005. 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.
Item 12 – Land Rented Out Base Acreage & Energy Generation

V1 Only

If land was rented to others in 2006, indicate whether any of the land rented out contained base acreage for government programs and/or leased to an entity for structures that generate wind energy.

Item 13 – Cash Rent Paid for Acres Rented From Others

**Include** rent for land and/or buildings, record the total amount paid in 2006 to all landlords for cash rented acreage. Ask this question even if no land was rented in 2006. The operation may have paid rent for 2005 or 2007 in 2006. If we skip this question just because the operation did not rent any land in 2006, we miss previous year’s rent paid in 2006, or 2007 rent paid in advance in 2006. If an operation had more than one cash rental arrangement, the sum of all the individual rents should be recorded.

For crops such as sugar beets, 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 Section B.
**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 who 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 2006.

**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.

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

**Excluding** contract arrangements, record the total amount paid in 2006, 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.
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 major crops 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 2006. 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 2006, 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 2006.

This column identifies the crops harvested on this operation in 2006. 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 Nursery and Greenhouse Crops.

To ensure proper and complete reporting, for each item listed, ask the respondent, “During 2006, 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 2006. 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, except for the value of sales which is recorded as “Other Crops” in Section D, Item 3g.

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.
Sugarcane or Sugarbeets
Record the acreage of sugarcane or sugarbeets harvested in 2006, 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.

Nursery and Greenhouse Crops
Include flowers, ornamentals, mushrooms, tobacco transplants for sale, harvested sod, Christmas trees, turfgrass, hydroponic sprouts, alfalfa sprouts, etc.
All Other Crops
This item is for recording information on all crops not previously recorded in this section. It is a catch-all item for other crops grown on this operation.

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 2006.
(2) acreage of crops intended for harvest in 2006 even if harvest was delayed until 2007 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 2005 crops not harvested until 2006 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 2006. 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 2006. 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 x 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:

\[
\text{Landlord's Share (amount) of production} = 4,500 \text{ bushels} \times \left(\frac{1}{3}\right) \text{ share} = 1,485 \text{ bushels}
\]

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

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.
Item 2 – Market Value of Landlord’s Share

V1 Only

For the crops listed in Item 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 2 – 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 3 & 4 – 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 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 2006 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 variety: The seed variety was genetically modified to be herbicide resistant. Examples would be Round-Up Ready (corn, soybeans, cotton), Liberty-Link (corn, canola) and BXN (cotton).

Non-genetically modified herbicide resistant 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 variety: “Bt” means Bacillus thuringensis, 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 5 – V1 Only

Acres of Corn Bt and rootworm resistant

Ask this question only if column 3 or 4 from Question 4a is positive. Include the acres from those columns that were planted with rootworm resistant Bt seed.

Item 6 – V1 Only

Indication of Biomass Crops Used for Energy

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 only, record a “1” for Item 6.

Item 7 – V1 Only

Planted Tobacco Acreage

GA, KY, NC, PA, SC, TN, and VA Only

There have been significant changes to the Tobacco industry. Items 7, 8, and 9 are included in order to measure how farms in the major tobacco producing states responded to changes in the tobacco industry. Information is collected for the 2006 crop only.

These questions are intended to be asked only in the major tobacco producing states of Georgia, Kentucky, North Carolina, Pennsylvania, South Carolina, Tennessee, and Virginia.

Ask the respondent if he/she planted tobacco acres in 2006. If yes, continue by asking Items 8 and 9. If no, go to Section C.
Item 8a,b – Acres Of Tobacco Planted
V1 Only

Record the number of tobacco, by type, acres that were planted in 2006. Record to the nearest tenth of an acre.

Item 9a,b,c – Average Price Received
V1 Only

Record the average price received per 100 pounds, by type, in dollars and cents. Round to the nearest cent if necessary.
Section C – Livestock

Item 1 – Number Sold and/or Removed in 2006, Number on Hand on December 31, 2006, and Number Owned by Operation on December 31, 2006.

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 2006

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 January 1, 2006, through December 31, 2006, 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, 2006, 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, 2006.

There are certain circumstances under which livestock or poultry should be recorded as inventory on the operation on December 31, 2006, 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 hand December 31, 2006 that are owned by the operation.

Item 1a – All Cattle and Calves

Record the total number of all cattle and calves sold on the open market or removed under contract in 2006, regardless of ownership. This should include all breeds, sexes and ages.

Item 1a(i) – 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. Record these as beef cows.
2. Heifers that have not calved.

Item 1a(ii) – Milk

Record the total amount (in hundredweight) of milk sold on the open market or removed under contract in 2006 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 2006, 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 2006, 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 2006, regardless of ownership.

Item 1e – Broilers

Record the total number of broilers sold on the open market or removed under contract in 2006 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 and/or poultry not accounted for in items 1a-e that was sold and/or removed in 2006. Include things such as pleasure horses, ponies, mules, sheep, goats, bees (record number of hives), rabbits, mink and other fur-bearing animals, commercial aquaculture (if unknown, use the best estimate based on stocking rates), 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 2006. This value could be zero if no shared livestock were marketed in 2006. 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.
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.
<table>
<thead>
<tr>
<th>Column 1 –</th>
<th>Commodity Contracted Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1 only</td>
<td>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 2005, and were still under contract on January 1, 2006.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 2 –</th>
<th>Livestock Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1 only</td>
<td>Record the livestock code from the respondent booklet that relates to the commodity identified in Column 1.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 3 –</th>
<th>Market Value of Commodities under contract on Jan. 1, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1 only</td>
<td>Record the estimated market value of all this operation's commodities from 2005, and previous years that were placed on contractee operations and were still under contract as of January 1, 2006.</td>
</tr>
</tbody>
</table>

DO NOT include this value in Section G, Assets.

<table>
<thead>
<tr>
<th>Column 4 –</th>
<th>Estimated Market Value of Commodities Placed</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1 only</td>
<td>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 2006. If more than one arrangement existed, or if arrangements existed for more than one commodity, record each one on a separate line.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 5 –</th>
<th>Production Expenses and Fees Paid to Contractees</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1 only</td>
<td>Record the total amount this operation paid to contractees for labor and management fees and reimbursements for expenses.</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Column 6 –</th>
<th>Gross Receipts from Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1 only</td>
<td>Record the gross income to this operation from sales of commodities produced under this contract by other operations (quantity times market price) during 2006. DO NOT record these sales anywhere else in Section</td>
</tr>
</tbody>
</table>
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 – V1 only**

**Market Value of Items under Contract on December 31, 2006**

Record the estimated market value of commodities still under contract as
of December 31, 2006.

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

**Item 3a – V2,V3,V4**

**Gross Receipts from Contracts**

Record the gross income to this operation from sales of commodities
produced under contract by other operations (quantity times market price)
during 2006. **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 – V2,V3,V4**

**Market Value of Unsold Livestock**

Record the estimated market value of commodities still under contract as
of December 31, 2006.

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

**Item 3c – V2,V3,V4**

**Production Expenses and Fees Paid to Contractees**

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 2: Production and 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.

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 Sections A, B, and C for the selected operation. Income from the other operations is accounted for in Section J.

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.

Collecting Data on Contracts:
There are two things you must find out in order to collect and record contract data correctly. The first is whether the operation is acting 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.

Second, if the respondent is a contractee, you have to find out whether the
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:**

<table>
<thead>
<tr>
<th>MARKETING CONTRACT</th>
<th>PRODUCTION CONTRACT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contractor:</strong></td>
<td><strong>Contractor (Integrator):</strong></td>
</tr>
<tr>
<td>Arranges, prior to completion of a production cycle, to acquire a specified commodity at the end of the cycle.</td>
<td>Arranges, prior to beginning a production cycle, to have a specified commodity produced.</td>
</tr>
<tr>
<td>Commit to a price, a pricing arrangement, or an agreement to sell on the contractee’s behalf.</td>
<td>Commit to a fee or fee arrangement to be paid to the contractee.</td>
</tr>
<tr>
<td>Does not take ownership of the commodity until it is delivered.</td>
<td>Usually owns the commodity during production.</td>
</tr>
<tr>
<td>Makes few or no production decisions.</td>
<td>Makes many production decisions</td>
</tr>
<tr>
<td><strong>Contractee (operator):</strong></td>
<td><strong>Contractee (operator):</strong></td>
</tr>
<tr>
<td>Obtains a buyer and a marketing arrangement for commodities before completion of a production cycle.</td>
<td>Provides labor and some management services used in production, as well as fixed inputs (land, buildings, etc), for a fee.</td>
</tr>
<tr>
<td>Supplies and finances all or most of the inputs used in production.</td>
<td>Supplies only some inputs used in production.</td>
</tr>
<tr>
<td>Owns the commodity while it is being produced.</td>
<td>Usually does not own the commodity.</td>
</tr>
<tr>
<td>Makes all or most production decisions.</td>
<td>Makes only a few, if any, production decisions.</td>
</tr>
</tbody>
</table>
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 either pays most of the production expenses or 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 usually 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.

**Marketing Contracts:**

For purposes of this survey, a marketing contract for a commodity exists when 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.

Although marketing contracts are more common for crops, some producers use contracts to market their 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.

For the purposes of this survey, marketing contracts may include:

- forward sales of livestock or a growing crop (or a crop to be grown). The contract provides for later delivery, and it may fix a price or provide for pricing later. Delivery usually occurs at harvest. Fruit crops are common examples of this.
• 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.

• price set after delivery (and often according to formula).

• 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 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.

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 Section D, Item 3.

Sales under contract made from inventory should be considered cash sales and reported in Section D, Item 3.

**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

Keep in mind that, for the purposes of this survey we only want to count contracts made before crop harvest or before completion of a livestock production cycle. If the operator delivers a crop to the buyer, the price or pricing mechanism (if price is not determined at the time of delivery) must be agreed upon before harvest is complete or the completion of the livestock sample to be considered a marketing contract. Otherwise, it is considered a cash sale and should be reported in Section D, Item 3. Some marketing contracts for fruit and milk products may not contain a predetermined price, but an agreement to “market” the commodity. This is still a marketing contract.
SPECIAL TOPICS

Feedlot Operations:
Cattle in feedlots may be owned by the feedlot operator, or they may be custom-fed by the feedlot for an owner, usually under a production contract between the feedlot (the contractee) and the owner (the contractor). Feedlot respondents should record production contracts in Section D for those 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. 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 Section D, and should record the production contract with a feedlot in Section C, Item 3. Feedlot respondents should only record marketing contract sales in Section D for those cattle that the feedlot owns, not for custom fed cattle owned by another entity.

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 Section D.

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 Section D, Items 1 and 2,

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.

**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 3, under the appropriate commodity. The net profit or loss from hedging should be recorded in Section E, Item 5l.

**Dairy Futures Contracts:**
It is easy to confuse milk production 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 Item 3j with any profit or loss from these futures recorded in Section E, Item 5l.

### Item 1 - MARKETING Contracts

**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 2006.

**Column 2 - Commodity Code**

Record the commodity code that relates to the commodity identified in Column 1.
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 Section B or C.

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.

Do not use Columns 6 and 3 to estimate a final price. Column 6 divided by Column 3 will equal Column 5 ONLY when the operation was paid in full during calendar year 2006 for the commodity marketed under the contract.

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 x .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 Section D, Item 6. 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 until after the first of the next year. If the operation did not receive any payment under the contract in 2006, enter a dash and make a note.

If the operation did not receive all of the payments owed to them under the contract in 2006 (Column 6 is less than Column 3 times Column 5), the remaining amount owed must be accounted for as an asset in Item 7c.

Item 2 – 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 2006.

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 Section B (Crops) or Section C (Livestock).
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, that the operation will receive for all of the production removed under the contract. 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 2006 for the commodity removed under the contract.

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 x .046 = $0.23)!

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. This is often less than the quantity removed under contract times the per unit fee. Sometimes the producer is not paid until after the first of the next year. If the operation did not receive any payment under the contract in 2006, enter a dash and make a note.
If the operation did not receive all of the payments owed to them under the contract in 2006 (Column 6 is less than Column 3 times Column 5), the remaining amount owed must be accounted for as an asset in Item 7c.

**Item 3 – Payment for Cash or Open Market Sales less Marketing Expenses**

For Items a through q, ask for those that apply to the respondent doing the interview. The dollar amount recorded to each item that applies should not include any marketing expenses. Marketing expenses include transportation, storage, feed, sales commissions, inspections, etc.

**EXCLUDE:**

- Marketing Contract sales reported in Item 1
- Production Contract removals reported in Item 2
- Landlord share of production reported in Section B, Items 1-2 as well as Section C, Item 2.

For a full explanation of Marketing Expenses, see the information prior to Item 6 in this section entitled, “Marketing Expenses.”

**Item 4 – Direct Cash Sales to Consumers for Consumption**

V1 Only

Indicate if any cash sales were sold directly to consumers for consumption. Roadside stands and direct Internet sales are examples of this type of marketing.

**Item 5 – CCC Loans**

The Commodity Credit Corporation (CCC) was created in 1933 to help stabilize and support farm prices and income, and to help maintain balanced supplies and assure orderly distribution of agricultural commodities. These questions account for all of the operation’s CCC loan transactions during the reference year. This allows us to get a complete and accurate 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 5a. The loans they get are based on a per unit support price (loan rate) established by law for their particular commodity. Loan rates for feed grains are set at a level determined to be fair and reasonable in relation to the rate for corn, taking into consideration the feeding value in relation to corn and the average cost of transporting the commodity to market. County loan rates are established to reflect the relative local value of the 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 required to repay the loan (minus any interest and storage charges) is recorded in Item 5b. When a farmer reclaims title to the commodity, he can then either sell it or store it for future sale.

If the loan is not repaid by the maturity date, it is 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 in all other farm income, Section E, Item 5l.

MARKETING EXPENSES

The following instructions should be used when completing information on marketing charges for the sales of Crops and for Livestock (Section D, Item 6).
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 will have 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, Item 32).

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, Item 5i, or 5l.

Include unit retains for sugar beets 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, Item 5i.

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, Item 5l. 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, Item 27a). If they were not, go back and add them in.
Cotton:

The cost of ginning is usually paid by giving 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 6 – 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 2006.

Item 6a – Total Marketing Charges for Broilers

V4 Only

Record the dollar amount of the total (Item 6) marketing charges that was for the Broiler enterprise.
Item 7 – 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. 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 7 tracks deferred payments, those made in 2006 for sales that occurred in earlier years, and also tracks the accounts receivable – balances owed to the operation at the beginning and end of 2006.

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, 2006, 2) how much of that amount was received during the year, 3) the amount the operation was owed for crops or livestock produced in 2006 but for which payment was not received in 2006 and, 4) the amount the operation was owed on December 31, 2006 for crops or livestock produced and sold in 2006 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 7a – Payment Owed at Beginning of 2006

Record the amount owed to this operation at the beginning of 2006 for commodities sold on either cash markets or under a production/marketing contract in any year prior to 2006.
Item 7b – Money Received in 2006 for Prior Production

Record the amount received during 2006, for commodities produced and either sold for cash or removed/marketed under contract in any year prior to 2006. Verify that these deferred receipts are NOT included in Marketing Contracts (Item 1) or Production Contracts (Item 2). This amount should not be greater than Item 7a.

Item 7c – Payment Owed at End of 2006

Record the amount owed to this operation at the end of 2006 for commodities sold on either cash markets or under a production/marketing contract in 2006, or any prior year. This amount should include

- Any amounts that the operation was owed for crops or livestock produced and sold in 2006 for which the operation has not received payment. This can be computed for each commodity under marketing (Item 1) and production (Item 2) 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 2005 or before. This is simply the difference between 7a and 7b.

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 3k 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 4b or 4c. 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 3k 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 4b. This is contrary to the questionnaire instructions of “Owned By and Located On this operation”, but the asset value of the cows must be accounted for.
Section E – Other Farm 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 Sections A, B, and C for the selected operation. Income from the other operations is accounted for in Section J.

Item 1 – Federal, State and Local Farm Program Payments
V1 Only
If the respondent received any payments from Federal, State or Local Farm Programs in 2006, then check the yes box, record a 1 in Item Code 563, and ask question 2. If he/she did not receive any of these payments in 2006, then skip to question 4.

Item 2 – Program Payments

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 2a – Direct and Counter Cyclical payments

Record the total dollar amount of direct and counter cyclical payments received in 2006.

Direct payments under the 2002 Farm Act are similar to production flexibility contract payments (PFC) of the 1996 Farm Act. 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 2a (i) – Percentage for Direct Payments**

Of the amount recorded in Item 2a, record the percentage that was specifically for direct payments.

**Item 2a (i)(1) – Direct Payments Rice or Soybean Base**

V2, V3 Only

Of the percentage recorded in Item 2a(i), record the percentage that was specifically for the Rice or Soybean base.

**Item 2a (ii) – Percentage for Counter Cyclical Payments**

Of the amount recorded in Item 2a, record the percentage that was specifically for counter cyclical payments.

**Item 2a (ii)(1) – Direct Payments Rice or Soybean Base**

V2, V3 Only

Of the percentage recorded in Item 2a(ii), record the percentage that was specifically for the Rice or Soybean base.

**Item 2b – Loan Deficiency Payments (LDPs)**

V1 Only

Record the total amount received in 2006 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, & V4 Only

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 2b, Item 2c, and Item 2e.

**Item 2c – Marketing Loan Gains (MLGs)**

V1 Only

Record the total amount realized in 2006 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 2d – Milk income loss contract payments**

V1 Only

Record the total amount received, including transition payments, in 2006 from the milk income loss program.

The 2002 Farm Act established the milk income loss program to provide a safety net for dairy producers. 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.

Participating dairy producers may also receive transition payments, payments on milk marketed from December 1, 2001, through the last day of the month preceding the month the operation’s milk income loss program contract is submitted. The transition period lasts from December 1, 2001, until the time the operation enters into the contract. For example: a dairy operation signs contract on November 15, 2002; FSA approves and signs contract on November 30, 2002; the transition period for dairy operation is December 1, 2001, through October 31, 2002. Transition payments are paid in a lump sum.

Dairy operations that go out of business after December 1, 2001, may receive transition payments on the first 2.4 million pounds of eligible production commercially marketed during the transition period.

**Item 2e – Net value of commodity certificates**

Record the total amount received in 2006 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 2f – Agriculture disaster payments**

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 in Section E, Items 5g and 5h.

**Item 2g – V1 Only**

**Conservation Reserve Program (CRP) payments**

Record the total amount of payments received in 2006 from participation in the Conservation Reserve Program (CRP). Include annual rental, cost share, and incentive payments. There should be acreage associated with the CRP payments reported in Section A, Item 8 unless the acreage was planted to trees.

**Item 2g – V2, V3, & V4 Only**

**Amount Received for Various Conservation Payments**

Record the total amount of payments received in 2006 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 8 unless the acreage was CRP planted to trees.

**Item 2h – V1 Only**

**Conservation Reserve Enhancement Program (CREP) payments**

Record the total amount of payments received in 2006 from participation in the Conservation Reserve Enhancement Program (CREP). Include annual rental, cost share, and incentive payments. There should be acreage associated with the payments reported in Section A, Item 8.
Item 2h – Amount Received for Various Environmental/Conservation Payments
V2, V3, & V4 Only
Record the total amount of payments received in 2006 from participation in the Environmental Quality Incentive Program (EQIP) and Conservation Security Program (CSP). There should be acreage associated with the payments reported in Section A, Item 8.

Item 2i – Wetlands Reserve Program (WRP) payments
V1 Only
Record the total amount of payments received in 2006 from participation in the Wetlands Reserve Program (WRP).

Item 2j – Environmental Quality Incentive Program (EQIP) payments
V1 Only
Record the total amount of payments received in 2006 from participation in the Environmental Quality Incentive Program (EQIP).

Item 2k – Conservation Security Program (CSP) payments
V1 Only
Record the total amount of payments received in 2006 from participation in the Conservation Security Program (CSP).

Item 2l – Any other Federal agricultural program payments
V1 Only
Include Federal agricultural or conservation program payments not reported above.

Item 2m – 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 2006 from participation in the Tobacco Buyout Program.
Item 2n – Any other Local or State Agricultural Program Payments
V1 Only
Record the total payment amount received in 2006 from all other Local or State farm programs not already mentioned. Exclude payments received from private, non-profit, or other non-governmental entities.

Item 2n – Any other Federal, State, or Local Agricultural Program Payments
V2,V3,V4 Only
Record the total payment amount received in 2006 from all other Federal, State, or Local farm programs not already mentioned. Exclude payments received from private, non-profit, or other non-governmental entities.

Item 2n (i) – Other Federal, State, or local Program Payments for Rice or Soybeans.
V2 & V3 Only
Of the payments recorded in Item 2n, record the amount specifically for the Rice or Soybean enterprise.

Item 3 – Base Acreage for Direct Payments
V1 Only
Record the amount of base acres associated with the direct payments reported in 2a and 2a(i). There should be base acres established for any direct payments.

Item 4 – Landlord Government Payments
V1 Only
If the operation rented land from others, indicate whether or not the landlord received government payments on the acres that were rented. If the operator doesn’t know or if the landlord did not receive government payments, proceed to Item 5.

Item 4 – Landlord Government Payments
V2,V3,V4 Only
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.
Item 4a – Acres from which Landlord Received Government Payments

Record the number of acres on which the landlord received a government payment. This should not be greater than the number of acres rented from others.

Item 4b – Amount of Landlord Government Payments

Ask the operator to estimate the amount of government payments the landlord received for the acres recorded in 4a.

Item 5 – Income from Other Farm-Related Sources

Other farm related income sources may be an important part of the operation’s total income. The items below capture that income.

Item 5a – Custom Work and Machine Hire

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 5c – Recreation and Agritourism Activities**
V2,V3,V4 Only

Include income received for recreation on the operation in 2006 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 2006 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 2006 for hospitality services on the operation such as farm bed and breakfasts and ranch stays.

**Item 5c(iii) – Farm/Ranch Tours**
V1 Only

Include income received in 2006 for farm or ranch tours on the operation, including winery tours.

**Item 5c(iv) – Entertainment Services**
V1 Only

Include income received in 2006 for entertainment services on the operation such as festivals, on-farm rodeos, and petting zoos.

**Item 5c(v) – Other Recreation or Agritourism Activities**
V1 Only

Include income received in 2006 for other recreation or agritourism activities on the operation that were not already recorded above.

**Item 5d – Sales of Forest Products**
V1 Only

Record the total 2006 income from sales of all forest products from the total acres operated. Include timber sales, pulpwood sales, firewood sales, etc.

Exclude maple syrup and Christmas tree sales; they should be reported as crop sales in Section D, Item 3.
Item 5e – Sales of Machinery and Vehicles

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 5f – Proceeds from Sales of Farmland/Farm Real Estate

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.

Item 5f(i) – Gain/Loss of Farm Real Estate Sale

There may be tax consequences when a capital asset is sold. Certain assets can be exchanged for "like-kind" assets in tax-free transactions. Gain or loss relative to gross proceeds can vary considerably depending upon how long the property has been held. The amount of gain actually recognized is an important element in estimating an after-tax farm household income measure. There is considerable interest in such a measure since it is income after-taxes that is available for household consumption, investment and savings and since other measures that fail to consider taxes do not accurately evaluate the economic well-being of the
farm household in the face of changing tax burdens.

Report any gain/loss recognized on sales of land in this farm operation in the transaction reported in Item 5f. Report recognized taxable gain/loss associated with the sale of other farm or nonfarm assets in Section J, Item 15g(i). 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 basis in the property (cost + improvements less accumulated depreciation). In the example above, the operator sold a section of farmland from this operation for $640,000. If the operator had originally paid $300,000 for the Section that would be the current basis of the property, (since there are no depreciable improvements—land itself is not depreciable). As a result, at the time of sale the operator would have a recognized taxable gain of $340,000 ($640,000 sale price less $300,000 basis). Report $340,000 as the recognized gain. The operator would have paid tax on this gain.

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 5f(ii) – How Farm Real Estate Was Sold**

V1 Only

If the operator reported proceeds from the sale of farmland and other real estate, ask if the sale was made to a family member or non-family member at less than the market price or at full market price. If sold at full market price, enter a 3 regardless if it was sold to a family member or non-family member.

**Item 5g – Federal Crop Insurance**

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 2006. 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 5g (i) – Federal crop insurance indemnity payments for crop**

*V2 & V3 Only*

Record the dollar amount of the total (Item g) payments that were for the Rice or Soybean enterprise.

**Item 5h – Other Insurance Indemnity Payments**

*V1 Only*

Report any insurance payment that was received in 2006 that was not already reported in Item 5g.

**Item 5i – Cooperative Patronage Dividends and Refunds**

*V1 Only*

Record the amount of patronage dividends resulting from ownership of shares in cooperatives in 2006. 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 – Sales of Development Rights
**V1 Only**

**Include** any payments received for the sale of development rights or easements. This is a common practice in Northeast States.

### Item 5l – Other Farm Income

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. sales of livestock manure, straw and other by-products.
2. allotment or quota leases.
3. any Federal Excise Tax (FET) refund claimed, if the FET was included in fuels purchase cost.
4. hedging (futures contract) profits or losses.
5. refunds claimed for marketing charges which were withheld. (For example, Cotton Inc. refunds or refunds from the Dairy Refund Payment Program.)
6. equity or premium payments on CCC loans transferred to someone else (money received above the face value of the loan).
7. real estate tax rebates for land preservation.
8. renting or leasing of livestock.
9. renting or leasing of tractors, trucks, etc.
10. road tax refunds.
11. 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.

(12) sale of soil.

(13) government payments for the sale of development rights (a common practice in Northeast States), for Versions 2-4 Only

(14) all other farm related income not included in 4a-k.

**Item 6 – Largest Portion of 2006 Gross Farm Income**

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 2006 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 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.

**Item 7 – Soybean Planting Decisions Affected by 2002 Farm Act**

V3 Only

Indicate whether more soybean acres were planted, less soybean acres were planted, or no change of planted soybean acres occurred due to the addition of soybeans as a base acres crop. Soybeans were added as a base acres crop under the 2002 Farm Act and are used for making direct and counter cyclical payments.
Item 8 – Planting Decisions affected by Potential Opportunity to Update Soybean Base Acres

V3 Only

Indicate whether planting decisions were affected by the potential opportunity to update soybean base acres.
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. Income statements of the farm sector, along with balance sheets and financial ratios, are developed from this survey and provided to the Congress by the USDA in periodic reports of the Status of Family Farms. These 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 of these publications are also available via the Internet to anyone interested in farm sector financial performance. NASS will also publish a report on Farm Production Expenditures in August.

Data from the farm sector accounts are provided to the Bureau of Economic Analysis (BEA), an agency within the Department of Commerce, where they are used to estimate the Nation’s Gross Domestic Product (GDP) accounts. 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, Censuses’ 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.

Under- or over-reporting of costs would limit USDA’s ability to accurately report the cost of producing various crop and/or livestock commodities. Since all crops and livestock produced by the farm are reported, one use of data from this section is to assess how costs are changing for different types of farms. Changes are tracked over time so USDA and Congress have the best information to understand what is taking place in agriculture today.
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 us to compare and quantify, item by item, cost per unit indicators. The ability to examine 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. This is done because purchases of breeding stock are an addition to the farm’s capital, much like a truck. Operators can place breeding stock on a depreciation schedule and claim a deduction on their taxes. Thus, 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.

- Non-cash items such as depreciation, inventory adjustment, and non-cash benefits paid to workers. Although not a cash outlay, most farm operators are familiar with depreciation because it is a deduction that can be 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 buildings, equipment and breeding stock and over how many years. The amount of depreciation during a year shows what has happened to the value of a farm's capital equipment (like trucks, tractors, implements, buildings, etc.).

Usually, the entire cost of capital items 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 (how much they declined in value). Depreciation is a critical component of net farm income; one of the key statistics published using ARMS information. Depreciation and net farm income provide measures of how individual farmers are doing, as well as measures of how the entire farm economy is doing.

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 Sections A, B, and C for the selected operation. Expenses from the other operations are accounted for in Section J.

**Costs of Production (Version 2, 3, and 4)**

Most of the information necessary to compute cost-of-production (COP) for Rice and Soybeans were collected in the Phase II portion of ARMS conducted in the fall. However, several questions are included in Phase III, COP questionnaires (Version 2, 3, and 4) to collect data used to compute cost-of-production. It is necessary to ask these questions in the spring because: (1) the farmer does not have a full 12 month accounting of the expense items at the time of the fall interview; (2) some costs are for farm overhead items and information about all enterprises on the farm helps allocate these costs; or (3) some data analyses can only be done when considering total farm and not simply field level costs which were collected in the fall.
Farm overhead costs for such items as farm supplies and tools, general business expenses, taxes, interest, and insurance are collected in the spring and allocated to the selected commodity based on their relative value of total farm production. Production costs for seed, fertilizer, chemicals, and other input items are used to examine the production costs and profitability of the entire enterprise instead of only for a selected field. 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, 3, 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 2006 should be included in this section. This includes expenses for the Operator, Partners, Landlords and Contractors.

Exclude expenses not related to the farm/ranch, expenses for performing custom work for others (if separate set of books are used for custom business), 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 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 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 of the economy appears to be in better financial shape than it is.

Expense data reported for landlords are combined with the gross rent reported in Section A 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 either 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 to the contractee for services. Settlement sheets or other contract documents usually break out reimbursed expenses. Reimbursed expenses should be included in this section.
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), explain in notes 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 will know what expenses were paid for 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. Determining whether landlords paid taxes on rented land is particularly important.

Expenses in this section are divided into three columns: Operator and Partners, Landlords, and Contractors. 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.

**Item 1 – Seeds, Plants, Trees, etc.**

This item refers to the cost of any purchases in 2006 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. 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 in Item 33.

**Item 1a – Amount of Seed Expense for Rice & Soybeans**

V2 & V3 Only

Record the dollar amount of the total (Item 1) seed and plant expense that was for the Rice or Soybean 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 Rice or Soybeans
V2 & V3 Only
Record the dollar amount of the total (Item 2) fertilizer expense that was for the Rice or Soybean 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 Item 13).
Item 3a – Custom Application Expense

V1 Only

Record the dollar amount of the total (Item 3) chemical expense that was for custom application.

Item 3a – Chemical Expense for Specific Commodities

V2, V3 & V4 Only

Record the dollar amount of the total (Item 3) chemical expense that was for the Rice, Soybean, and Broiler enterprise.

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 Section 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 2006 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
Livestock Purchases

Item 4a – Breeding Stock

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 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 2006. 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 2006, 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 stock.
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 used for home consumption.
8. milk and eggs purchased to fulfill marketing agreements.
9. dogs used to work livestock or as guard dogs for the operation.
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 for Broiler Operation**

Record the amount of feed expense that was for the broiler operation.
Item 7 – Bedding and Litter

Record the amount spent by the operation in 2006, 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 & Litter for Broiler Operation

V4 Only

Record the amount of bedding and litter expenses that were for the broiler operation.

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 Item 6). 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 – V4 Only

Medical Supplies, Veterinary, and Custom Services for Broilers

Record the amount of medical, veterinary, and custom service expenses that were for the broiler operation.

Items 9-12 – Fuels, Utilities, and Purchased Water (Farm Share 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, Item 4l.)

(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.).

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&V3 Only

Record the farm share of total fuel expenses for irrigation.

Item 9g (i) – Fuel Expense for Water Pumped from Wells
V2&V3 Only

Record the portion of total fuel expense for water pumped from wells.

Item 9g – Fuel Expense for the Broiler Enterprise
V4 only

Record the dollar amount of the total (Item 9) fuel expense that was for the broiler enterprise.
Item 9h – Fuel Expense for the Rice or Soybeans
V2&V3 Only
Record the dollar amount of the total (Item 9) fuel expense that was for the Rice or Soybean enterprise.

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 for Irrigation
V2&V3 only
Record the dollar amount of the total (Item 10) electricity expense that was for the irrigation.

Item 10a – Electricity for Broiler Enterprise
V4 Only
Of the amount recorded in Item 10, record the amount that was specifically for the broiler enterprise.

Item 10a(i) – Electricity Expense for Rice or Soybeans
V2&V3 Only
Record the dollar amount of the total (Item 10a) electricity for irrigation that was for the Rice or Soybean enterprise.

Item 10a(ii) – Electricity Expense for Water Pumped from Wells
V2&V3 Only
Record the dollar amount of the total (Item 10a) electricity for irrigation that was for water pumped from wells.

Item 10b – Electricity for Drying
V2,V3 Only
Record the dollar amount of the total (Item 10) electricity expense that was for the drying.
Item 10b(i) – Electricity Drying Expense for Rice and Soybeans  
V2&V3 Only
Record the dollar amount of the total (Item 10c) electricity for drying that was for the Rice or Soybean enterprise.

Item 10c – Electricity for Specialized Livestock Production Facilities  
V2,V3 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 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 Rice or Soybeans  
V2,V3 Only
Record the dollar amount of the total (Item 11) purchased water for irrigation expense that was for the Rice or Soybean enterprise.

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 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 13a – Marketing Containers**

Of the amount reported in Item 13, report the amount that was specifically spent on marketing containers.

**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 Item 42.

(3) Repairs which are included on a depreciation schedule. Expenses that are on a depreciation schedule are capital expenses. Repairs of this kind should be recorded in Item 43.

**Item 14a – Repairs, Parts and Accessories for Vehicles, Machinery, & Equipment For Rice, Soybeans or Broilers**

V2,V3,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 Rice, Soybean or Broiler enterprise.

**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 Items 34, or 35).

Item 15a – Maintenance/Repair of Farm Buildings and Land Improvements for Specialized Livestock Production Facilities
V2, V3, 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) – Expenses for Broiler Enterprise
V4 Only

Of the expenses reported in 15a, record the amount that was specifically for the Broiler enterprise.

Item 15b – Maintenance/Repair of Farm Buildings and Land Improvements for Irrigation Equipment and Pumps
V2, V3, 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 Rice or Soybeans
V2, V3 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 Rice or Soybean Enterprise.
Item 16 – Maintenance and Repair of the Operator’s House

Record the total amount spent in 2006 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 (report in Item 35).

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 2006. 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, Item 20e, 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 17a (i) – Crop Insurance for Rice or Soybeans

Record the dollar amount of the total (Item 17a) crop insurance expense that was for the Rice or Soybean enterprise.
Item 18a – Interest and Fees Paid on Debts

Record the total amount spent by the operation in 2006 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 2006 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 19a – Real Estate Taxes

Record the amount of real estate taxes paid by the operation in 2006. 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 2006, 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 2006 for property taxes other than land or buildings. Exclude vehicle registration and license fees; they will be collected in Item 21.

Item 20 – Renting and Leasing Vehicles, Tractors, Equipment and Storage Structures

Record the total 2006 expense for renting or leasing all vehicles, tractors, farm machinery, equipment and structures.

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 2006 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 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 more than one year, 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.

Farmers 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 on his 2006 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.

**Item 22a – Depreciation for Breeding Livestock**

Record the amount of Item 22 that was specifically for breeding livestock.

**Items 23-29 – Labor Expenses**

**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 2006 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 2006.
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 (record in Item 26).
(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. (record in Item 25).
(5) benefits such as health insurance, life insurance, pensions, retirement, etc. (record in Item 25).

Paid labor includes only those workers whose pay was considered a business expense of the farm/ranch operation during 2006. 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 2006 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 (record in Item 31). All other items except the ginning and farm management (professional) services should be recorded as a general farm business expense in Item 32.

**Item 23a – Cash Wages for Rice, Soybeans or Broilers**  
*V2,V3,V4 Only*

Record the dollar amount of the total (Item 23) cash wages paid to hired farm and ranch labor that was for the Rice, Soybean, or Broiler enterprise.

**Item 24 – 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.

**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 Items 23 and 24.

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 Rice, Soybeans or Broilers

V2,V3,V4 Only

Record the dollar amount of the total (Item 25) payroll taxes and benefits expense that was for the Rice, Soybean, or Broiler enterprise.

Item 26 – Contract Labor Expense

Record the total amount spent by the operation in 2006 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 2006.
**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 Items 33-35.

**Item 26a – Contract Labor for Rice, Soybeans or Broilers**

Record the dollar amount of the total (Item 26) contract labor costs that were for the Rice, Soybean or Broiler enterprise.

**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 Item 26 if the labor is contract labor, or in Item 23 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. 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.
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 Section D).
(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 Item 32).
(4) leasing of cars, trucks, tractors or other equipment (record in Item 20).
(5) custom livestock expense (record in Item 8).

Item 27c – Total Custom Work for Rice, Soybeans or Broilers
V2,V3,V4 Only

Record the dollar amount of the total custom work (Item 27a and Item 27b) expense that was for the Rice, Soybean, or Broiler enterprise.
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 2006. Exclude home gardens if expenses were excluded earlier. Include products used or consumed by partners and their families. 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 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 2006 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 Item 32).

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 2006 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.
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 2006 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.
(15) rental expense for farm office space not on the operation.
(16) fees paid to entomologists, service companies, etc. for pest scouting.
(17) trapping club memberships and dues. (Trapping clubs are formed to trap predator animals such as coyotes.)
(18) stall or space rental fees for farmer's markets.
(19) parcel post expenses or charges for marketing agricultural products.
(20) all purchases of farm office equipment (not placed on a depreciation schedule).

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 IN Item 23.)
(2) gasoline and other vehicle operating expenses (record in Item 9).
(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 2006 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 Item 44).

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 2006 for the construction of or
remodeling of buildings, structures, or other dwellings. Record these
2006 expenditures regardless of whether the construction or remodeling
was completed or not. If expenses were paid in 2006 for work completed
in 2005, 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 34a – New Construction and Remodeling of Farm Buildings, Structures,
and Dwellings (excluding the operator’s dwelling) for Broilers

V4 Only
Record the dollar amount of new construction of farm buildings,
structures, and dwellings (Item 34) expense that was for the Broiler
enterprise.

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 2006. 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. Farm share is an estimate of 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 2006. 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. Farm share is an estimate of 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 2006 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 2006 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 2006 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 Section F, 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, Item 6 (the farm debt table) with a row coded to indicate that a bank loan was obtained in 2006 to purchase land. NOTE: Purchase of farm real estate is not asked in any other version, and is specifically excluded in V5, Section F, Item 20.

**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 2006. 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.

**Item 44 - Other Expenses**

This item is used to account for any expenses the operation had in 2006 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 2005 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 2006. 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).
Sections G & H - Farm Assets and Debts

What are these Sections for? How is the information used?

Farmers assemble capital assets used in their farm operations from a variety of sources. Key sources may include initial and subsequent investments made by the 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 shows the amount of “owned” assets the farm used in producing its crop and livestock Commodities.

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 receivables. 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, E, and 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 (which is usually considered to be 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 2006. 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 five 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 belonging 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 belonging to the corporation.

For this section, 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, 2006, rather than all of 2006.

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 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 2006. 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.

Item 1a – Market Value of Operator’s Dwelling, if OWNED

Record the market value of the operator's dwelling as of December 31, 2006, if it is owned by the operation. 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 1b – All Other Dwellings Owned

Record the market value on December 31, 2006 of tenant and hired labor dwellings, and all other dwellings (except the operator’s) 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, 2006 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 for Wood

Record the market value on December 31, 2006 of trees in orchards, vines in vineyards, other perennials in the field, Christmas trees, and trees cultivated for wood products.

Item 1e – Land Owned

Record the operator's best estimate of the total market value of land OWNED by the operation on December 31, 2006. 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 2006. Include the value of water rights, mineral rights, permanently installed irrigation equipment, frost protection systems, grazing permits 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 wood products.

The total of 1a + 1b + 1c + 1d + 1e should reflect the total value of land and buildings OWNED by this operation on December 31, 2006. 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 2006. (This should correspond to acres reported as rented in Section A, 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

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 A, 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 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, and Production Inputs, etc.

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, 2006 and December 31, 2006. For that reason, we ask beginning and ending inventory values for crops, livestock, and production inputs.
The change in inventory value collected in this section will be added to or subtracted from cash sources of income (derived from responses to questions in Sections D and E) to help develop the estimate of total gross income for the farm that is used to calculate net farm income.

Obtaining estimates of the value of assets such as stored crops, livestock, and inputs on January 1, 2006 and December 31, 2006 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 coming up with 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.

Although more accurate figures would be obtained if we collected all these pieces, 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 keep in mind differences in the quantity of crops, livestock or inputs 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.

But 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. After you have probed, if the operator still says the beginning and ending year market values were the same, accept the answers. Be sure to make good notes of the reason why they were the same so the survey statistician understands the situation.
The value of commodities held in inventory relate to the figures reported earlier in the questionnaire related to crop production, the amount (of crops) used on farm, or the quantity (of livestock) sold, and to the sales data reported Section D. If the commodity was produced in 2006 (or like livestock was bought in 2006 – see reporting of livestock purchases in Section F) but not sold or already 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 2006 and you ask about the value at the beginning of 2006, 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 program 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 2005 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, 2005.
8. crops in storage which had been redeemed from CCC loan by the reference date above.
9. 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, 2006 or December 31, 2006.
(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, 2006, to get the market value of the beginning year inventory. Then you need to consider all these things on December 31, 2006, 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, 2006 were reported in Section C, Item 1. Use the responses to items in this section 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, 2006 and December 31, 2006 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 are collected in
 Section C, Item 3.

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, the operation. 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 Dec. 31, 2006, 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, 2006 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, the operation. 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 Dec. 31, 2006 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, 2006 values, keeping in mind changes in
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. Inputs 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.

Prices of many inputs such as fuel and fertilizer changed dramatically during 2006. An estimate of the quantity on hand on January 1, 2006 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 (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, 2006 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, 2006. This is important
because the cost of the fertilizers and/or pesticides applied prior to December 31, 2006 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.

**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, 2006
6. applied to benefit a crop to be planted after December 31, 2006.

**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.
3. mature crops not harvested by December 31, 2006 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, 2006.

**Item 5f – Trucks and Cars Owned**

Record the end-of-year (on Dec. 31, 2006) 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 Dec. 31, 2006) 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, 2006, 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 in 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”.

**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, Item 7c).
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).
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Section H - 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, 2006). 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 in organized to reflect farmers’ use of debt in their businesses. If farmers do not use debt as a source of funding for their operations they skip from Item 1 to Item 11 to report on why they did not need to incorporate debt into their financing plans. This change in organization 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 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 G). 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. If the piece of heavy machinery does not belong to the operation on the label, account for its debt in Section J.

**Item 1 – Debt Use in 2006**

V1 Only

This is a screening question to determine if debt was used at anytime during 2006.

*Include* any debt that was obtained from earlier years and was not paid off by January 1, 2006 and the use of any lines of credit.

If debt was used at any time during 2006, record a 1 for Item 1 and continue with question 2. If debt was not used at all during 2006, enter a 3 for Item 1 then skip to Item 11.

**Item 2 – Established Line of Credit during 2006**

V1 Only

Ask whether the operation had an established line of credit with a lending institution or other source at any time during 2006 even if it was never used. If no line of credit existed for the farm in 2006, record a 3 for Item 2 and proceed to Item 4.

**Item 3 – Use of Line of Credit**

V1 Only

Record how much the operation borrowed against the line of credit at any time in 2006. Use the maximum amount borrowed against the line of credit during 2006 as a reference.

**Item 4 – Loans Taken Out in 2006 and Repaid in 2006**

This item includes only loans taken out in 2006 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 2005. 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, 2006 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 – 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, make a good note before skipping to Item 10. Check interest paid as reported in Item 18, Section F to determine the typed and status of loans. If interest is paid, some form of debt was held during the 2006 calendar year. PROBE to determine if the operation had any loans at the end of 2006 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

If the operation had debt at the end of 2006, the table in this item must be completed. Include debt on the operator's house if it was owned by the operation.

Start completing the table by asking about the largest loan. Work across the columns in the table for each loan, starting with the largest loan owed and working down to the smallest loan owed, for up to five loans. Be sure the respondent excludes debt secured by the operation's assets, even if the loan was for non-farm purposes. The amount of off-farm debt secured by farm assets is to be reported in Section J, Item 19. 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 to 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 frequently provide financing for the construction of facilities and for the purchase of feed and other inputs. Similarly, fruit and vegetable processors often 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 that are 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

Record the 2006 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.

Exclude future interest that will be owed. Only include any interest which was unpaid and/or delinquent. Exclude accrued interest that was not
Interest Rate

Enter the interest rate associated with the loan balance recorded in column 2. 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 in column 2 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.

Loan Type

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.

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.

When Loan Will be Completely Repaid

Enter the month (e.g. 01 for January) and the last two digits of the year (e.g. 06 for 2006) when the loan balance will be completely repaid (or when the loan is scheduled to be repaid).

Repayment of Loan Principal

Enter 1 if the loan is to be repaid all at once or 2 if the loan is repaid periodically.
Column 7 – Periodic Payments

Codes 1 to 5 in column 7 provide a selection of common repayment periods for loans. Enter 1 if payments are made monthly; 2 if payments are quarterly; 3 if payments are semi-annual; 4 if payments are annual; or 5 if the loan is to be repaid all at once.

Column 8 – Purpose of Loan

Check the respondent booklet for the list. Respondents have six 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 in including poultry
- Labor, seed, feed, fertilizer, grove caretaking, repair, and maintenance

(5) Farm machinery and equipment

(6) Debt consolidation
Column 9 – Loan Pricing

V1 only

Farm loans may be either a fixed rate loan or carry a variable or adjustable (floating) interest rate.

In column 9 record how frequently loans with a floating or adjustable interest rate are repriced. Select a code 1 if the loan is repriced monthly; 2 if quarterly; 3 if semi-annual; and 4 if repricing is annual. Responses to this question will help determine how sensitive existing farm loans are to changes in interest rates.

Item 6a,6b,6c – Money Borrowed

V2,V3,V4 only

For these versions, report the total debt owed on 6a) production loans, 6b) nonreal estate loans of more than 1 year, and 6c) 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).

For each of the loan types in Items 6a, 6b & 6c the corresponding columns in the table that follow each correspond to a column in Item 3 of the CRR(Version 1) questionnaire as follows:

<table>
<thead>
<tr>
<th>COP Questionnaire</th>
<th>CRR Questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column 1</td>
<td>Column 2</td>
</tr>
<tr>
<td>Column 2</td>
<td>Column 3</td>
</tr>
</tbody>
</table>

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 6b, col 1, and 6.67% in 6b, col 2).

Item 7 – Additional Debt

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 2006, enter the number of loans in addition to the five 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 2006, enter the total amount of outstanding debt not recorded in the table. Include both principal and unpaid interest which was accrued by December 31.

Item 8 – Payment Schedule  
Ask the operator to compare how much they paid their lenders compared to the scheduled payment plan that accounts for interest and principal. Use codes 1 to 3 to record how payments compared with scheduled interest and principal.

Item 9 – 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.

Item 10 – Applying for Credit or Loans from 2002 through 2006  
V1 Only  
The purpose of this question is to compare access to credit between farm families and non-farm families. Data from non-farm families comes from the Survey of Consumer Finance (SCF).

Enter code = 1 if the respondent answers “Yes” to any of these 3 alternatives.

Item 11 – Reason for Not Using Debt  
V1 Only  
If debt was not used at all in 2006, indicate which reason(s) were applicable regarding why.

Enter code = 1 if the respondent answers “Yes” to any of these 4 alternatives.
Sections I & J – Farm Management and Use of Time and the Farm Household

Section I provides 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 decision 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 & H, farm assets and debt, and questions from Section J that focus on use of household resources to fund farm activities. Hired labor is from Section F. Unpaid labor used in farming comes from Section I. The data obtained from Questions 25 and 26 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 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, Section I obtained a select, small amount of information each year on key topics. For 2006, the two primary topics are (1) availability and use of internet practices in farming, and (2) management actions taken to adapt to rising energy costs through use of fuel and/or fertilizer in the farm operation.

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. 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 and 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, are used 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 farm households 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.

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 2006 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.

Section I – Farm Management and Use of Time

Item 1 – 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. Exclude hired workers unless they are a hired manager considered to be an operator.

Item 2 – Spouse Screening

Record a 1 in Item 2 if the operator has a spouse and proceed to Item 3, otherwise record a 3 and proceed to item 4. Keep this in mind for questions in Section J.

If, for all or part of 2006, the operator and spouse are separated or divorced and the spouse does not depend financially on the operator's household, the code 3—‘No Spouse’—should be used.

If the spouse passed away during 2006, record a 3 – ‘No Spouse’ – in Item 2, and make a note. In Section J, include the off-farm income and assets of a spouse that passed away during 2006.

Item 3 – Spousal Involvement in Day-to-Day Decisions

This question determines if the operator's spouse is also an operator, defined as making day-to-day decisions for the farm or ranch. The purpose of this question is to determine the extent to which multiple people are involved in making management decisions for the farm and will be used to help provide a broader understanding of how involved
spouses are in the day-to-day business of running the farm.

Record a 1 in Item 3 if the operator’s spouse is involved in the day-to-day decisions of the operation and proceed to Item 4 (remembering to put the spouse as “operator 2” in Item 4. If the spouse is not involved in the day-to-day decisions, record a 3 and proceed to Item 4.

Operator and Partner Characteristics

The operators are those persons responsible for the day-to-day management decisions for this operation, including hired managers (that number was reported in Item 1). In the event there is more than one person involved in the day-to-day decisions, 3 columns have been provided to record their characteristics. The principal operator will be listed first and if there is a spouse who is also an operator, the spouse will be listed in column 2. Often the principal operator is the senior person that lives on the operation or the designated spokesperson for this operation.

Item 4 – Year Operator began to Operate

List the four-digit year that the operator(s) first became involved in the day-to-day operational decisions on any farm, not just this farm. This information is collected for up to 3 operators on Version 1 only.

Item 5 – Age of Operator on December 31

Enter the age of the operator(s) on December 31, 2006.

Item 6 – Gender of Operator

Indicate if the operator, listed at the top of each column is male or female.

Item 7 – Farmland Acquisition

Ask only if the principal (or senior) operator began to operate any farm operation (Item 4) in 1996 or later. Record a 1 if the operator acquired any farmland that is currently part of the operation. If no land was acquired that is currently part of the operation, record a 3 and proceed to Item 8.
Item 7a – Source of Farmland Acquisition
V1 Only

If the operator acquired any farmland that is currently part of this operation, indicate how many acres were purchased (from a relative or non-relative), inherited, or bestowed as a gift (other than an inheritance).

If any land was purchased (i or ii has acres), then ask b and c. Otherwise, proceed to Item 8.

Item 7b – Farmland Purchase Price
V1 Only

If the operator purchased farmland indicated in 7a(i) or 7a(ii), record whether or not the full market price was paid for all acres.

Item 7c – Interest Rates for Farmland Purchase
V1 Only

If the operator used loans to purchase the farmland indicated in 7a(i) or 7a(ii), record whether or not the full market interest rates were used for all acres.

Item 8 – Limited Liability Organization

Record a 1 in Item 8 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.

If the only member of the LLC is an individual, the LLC income and expenses are reported on Form 1040, Schedule C, E, or F. If the only
member of the LLC is a corporation, the LLC income and expenses are reported on the corporation’s return, usually Form 1120 or Form 1120S. If you prefer to file as a corporation instead of as a “disregarded entity,” Form 8832, Entity Classification Election (PDF), must be submitted. Otherwise, you don’t need to file Form 8832.

**Item 9 – Family Held Corporation**

Indicate in Item 9 whether or not the organization is a family held corporation.

**Item 10 – 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.

**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)**

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, enter code "5". 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 11 – Number of Partners

If the operation is a legal partnership (Item 10 = 2), record the number of partners in the operation in Item 11.

Item 12 – Number of Members in Corporate Board

If the operation is a C- or S- corporation (Item 10 = 3 or 4), record the number of members in the Corporate Board for the operation in Item 12.

Item 13 – 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 14 – Ownership Interest in Operation

Report the number of owners for the operations in Item 14. Do not count landlords, contractors, or lending institutions that may have a lien on the operation.

Item 14a – How many Owners Part of Operator’s Household

Report the number of owners that live in the operator’s household in 13a. The purpose of this item is to have an measure the links between the farm business and the farm operator household.

Item 14b – 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 14c – 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. Record a ‘1’ in 14c if the response is a Yes. 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 15 – Operation part of Larger Corporate Farm**

If the operation is part of a larger firm or corporation, record a ‘1’ in Item 15. An operation that has a production or marketing contract with an agribusiness firm is NOT part of the larger firm.

**Item 16 – Long-Term Planning Decisionmaker**

If only one operator is responsible for the long-term planning (with or without a business plan), indicate this on Item 16.

**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 has no access to the Internet, skip to Item 18e.

<table>
<thead>
<tr>
<th>Item 18a – Type of Internet Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the operation has access to the Internet, record the type of Internet access used.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 18b – Expense for Internet Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record how many dollars per month the operation pays for Internet access. Round to the nearest dollar.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 18c – Farm Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record whether or not the farm operation has a website in Item 18c.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 18d – Sales of Goods From Farm Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record a 1 if the operation sells either farm commodities or goods that were produced from the farm’s commodities over the Internet. Skip to question 19.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 18e – Reason for No Internet Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the operation has no Internet access, record the reason in Item 18e.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 19 – Actions to Reduce Fuel or Fertilizer Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the operation took action to reduce fuel or fertilizer expenses, record a 1 for Item 19 and indicate which actions on the table the operation performed specifically to reduce fuel and fertilizer expenses.</td>
</tr>
</tbody>
</table>

If negotiating a price discount with a supplier was used, indicate the percentage discount.
Items 20-22 – The following question address the need to determine the extent to which risk reducing programs (e.g., the counter cyclical payments and even crop insurance) stabilize income in comparison to methods farmers use to manage liquidity.

Aside from the traditional stock balance sheet concepts we need to measure “flow variables” such as paying down loans (in good cash flow years), investment (when liquidity is plentiful), and disinvestment (which could simply be delayed replacement of machinery – in lean years).

Item 20 – V1 Only
Capital Expenditures Incurred Compared to 2005
Record a “1” if capital expenditures in 2006 were greater than capital expenditures in 2005.

Item 21 – V1 Only
Sales of Assets to Cover Cash Shortfall
If the operation sold farm assets during 2006 to cover for a cash shortfall, record a “1” in Item 21.

Item 22 – V1 Only
Delay replacement of Capital Goods
If the operation delayed replacement of capital items such as machinery, equipment, or farm structures during 2006, record a “1” in Item 22.

Item 23&24 – Screen for Household Questions
We only want to collect household-related questions from operators if they are connected to the farm operation through an ownership interest. If they are not and only receive a wage or salary or in-kind payment for operating the farm, then they would not be considered to be a traditional family farm. Therefore, 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 23 - Screen for 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, record a ‘1’ for Item 23 and proceed to Item 24. If the operator is not a hired manager, skip to the labor hours questions (Item 25 for Version 1 or Item 27 for Versions 2-4) after recording a ‘3’ for Item 23.

**Item 24 - Screen for Ownership Interest**

Some farms operated by a hired manager may be family farms. As with other family farms, we are in need of household data in order to accurately assess their financial well-being. Hence, this additional screening question allows us to determine if there is family ownership of the operation. If the operator or a relative has an ownership interest in this operation, record a ‘1’ in Item 24, otherwise record a ‘3’.
Items 25-26 – FARM LABOR/USE of TIME
V1 Only (Instructions for Versions 2-5 are farther down)

Item 25-26 – 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 25 a&b – Operator and Spouse Use of Time

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 25a only, since there are 24 hours in a day and 7 days in a week, the respondent (other than hired managers without an ownership interest) should account for 168 hours per week, for a typical week in each of the 4 quarters. For operators other than hired managers with no ownership interest, Item 25a should add up to 168 hours per week for each of the 4 quarters of time. If the operator (other than a hired manager with no ownership interest) is married, record hours for the spouse in Item 25b in a similar fashion. For their spouses, Item 25b should add up to 168 hours per week for each of the 4 quarters of time. For farms and ranches operated by hired managers(without an ownership interest), we only ask about the farm hours the hired manager, spouse, other operators, and other unpaid workers worked on the farm. So, for hired managers without an ownership interest, Items 25a and 25b do not need to add up to 168 hours per week. For all other operators, we ask how their time and their spouses’ time were allocated across a variety of activities.

Item 25a (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 25ai. If the hours of work are paid a wage or salary, then report the hours in Item 25aii. If there are hours reported for a wage or salary, there should be cash wages to the operator reported in Section F, Item 24a (and vice versa).

Item 25a (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 25a (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.

Item 25a (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 25a (i) or 25a (ii), depending on if those hours were paid a wage or salary.

Item 25b – Operator’s Spouse’s Use of Time

If the operator (other than a hired manager) is married, record hours for the spouse in Item 25b in a similar fashion to the recording of hours for the operator. For spouses, Item 25b should add up to 168 hours per week for each of the 4 quarters of time unless the farm is operated by a hired manager without an ownership interest. For these farms and ranches, we only ask about the farm hours the hired manager, spouse, other operators,
and other unpaid workers worked on the farm. We only ask Items 25b(i) and 25b(ii) for spouses of hired managers. For all other operators, we ask how their time and their spouses’ time was allocated across a variety of activities.

**Item 25b (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 25b(i). If the hours of work are paid a wage or salary, then report the hours in Item 25b(ii). If there are hours reported for a wage or salary, there should be cash wages to the operator reported in Section F, Item 24a (and vice versa).

**Item 25b (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 25b (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.

**Item 25b (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 25b(i) or 25b(ii), depending on if those hours were paid a wage or salary.

**Item 26 – 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 25a and 25b for the main operator and spouse. Hours of farm work should be recorded only once in Items 25-26. 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 26a – 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 25a(i) for the operator. Do not include the hours reported in Item 25b(i) above for the spouse, even if the spouse is considered another operator.

**Item 26b – 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 25a(ii) above for the operator. Do not include the hours reported in Item 25b(ii) above for the spouse, even if the spouse is considered another operator.

**Item 26c – 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 25a(i) or 25b(i) for the operator or spouse, respectively, or the
hours reported in Item 26a for other operators.)

**Item 26d – 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 25a(ii) or 25b(ii) for the operator or spouse, respectively, or the hours reported in Item 26b for other operators.)

**ITEM 27 – FARM LABOR (V2,V3,V4)**
**ITEM 11 – FARM LABOR (V5)**

**Item 27 – 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 27a – 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.
2006 Agricultural Resource Management Survey
Phase III - Interviewer's Manual

Item 27b – Principal OPERATOR’S Hours of Off-Farm Work

For each quarter, record the average number of hours of work the principal operator did per week off this farm or ranch for compensation. This could include work that was performed for wages, salaries, or returns from a business, other than this operation.

Item 27c – 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 27d – Principal Operator’s SPOUSE Hours of Off-Farm Work

For each quarter, record the average number of hours of work the principal operator’s SPOUSE did per week off this farm or ranch for compensation. This could include work that was performed for wages, salaries, or returns from a business, other than this operation.

Item 27e – 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 27f – 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.

Broiler Enterprise Labor – V4 Only

This section is only asked on the Broiler (Version 4) questionnaire.

These items provide the information necessary to estimate the labor required on a broiler operation. Item 28 collects the hours worked (both paid and unpaid) by the operator and the hours worked by all unpaid workers on the broiler enterprise. Item 29 records the hours worked by all paid workers on the broiler enterprise. Items 30 and 31 records the average wage paid to full-time and part-time workers respectively.

Item 28a Operator's Hours Worked on the Broiler Enterprise

For each quarter, record the average number of hours the operator worked on the broiler enterprise per week. Record BOTH paid and unpaid hours.

Item 28b Hours Worked By Unpaid Workers on the Broiler Enterprise

For each quarter, record the TOTAL average number of hours of farm work done on the Broiler enterprise 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 28b (i)  Hours Worked By Children Under Age 16

Even though the workers were “unpaid” there is a value associated with the labor they performed. To accurately reflect the true cost of a broiler operation, a value per hour will be applied to all unpaid labor. Because, in general, children under age 16 are paid a lower wage than older workers, this question is asked so an adjustment can be made to the value derived for unpaid labor.

Record the percentage of the hours worked by all UNPAID workers (excluding the operator) that was performed by children under age 16.

Item 29a  Hours Worked By Full-time Paid Workers on the Broiler Enterprise

For each quarter, record the average number of hours all full-time paid workers worked on the broiler enterprise per week.

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 29b  Hours Worked By Part-time Workers on the Broiler Enterprise

For each quarter, record the average number of hours all part-time paid workers worked on the broiler enterprise per week.

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 30  Average Wage Paid to Full-Time Workers

If full-time workers were reported in item 29a, record the average wage paid to all full-time workers on the broiler enterprise.

Report both the wage rate (in dollars and cents) and the unit code related to the appropriate frequency (per hour, per day, per week or per month).
Item 31  Average Wage Paid to Part-Time Workers

If part-time or seasonal workers were reported in item 29b, record the average wage paid to all part-time or seasonal workers on the broiler enterprise.

Report both the wage rate (in dollars and cents) and the unit code related to the appropriate frequency (per hour, per day, per week or per month).
Section J – Farm Household

Item 1 – Is the Spouse an Operator

Ask if the spouse was reported as either Operator 2 or 3 in Section I, Item 4. If so, the age of the spouse was already collected, so enter a ‘1’ and proceed to Question 2. Otherwise, enter a ‘3’ and proceed with Item 1a.

Item 1a – Spouse’s Age on December 31, 2006

Ask the age of the operator’s spouse on December 31, 2006.

Items 2 & 3 – Race or Origin

In Item 3, refer the respondent to the list of Race Codes in the Respondent Booklet. Place a “1” in the column across from each race/origin that applies. If more than one race/origin applies then multiple 1’s may be entered.

Item 4 – Highest Level of Formal Education

Enter the code representing the highest level of school completed by the operator and 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 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 – Major Occupation

We consider major occupation to be the occupation or work at which an individual spent more than 50% or more of his or her work time in 2006. Work other than farming/ranching means at an off-farm job or business for compensation. Record what the respondents consider themselves to be. If the principal operator has a spouse, ask for both the operator and the spouse.
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, 2006. 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 7a-b – Number of People in the Household Covered with Health Insurance

V1 Only

Record how many people in the household are covered by health insurance and record the number of people whose health insurance was provided from the listed sources in items 7a and 7b respectively. Health insurance provided by this operation means that the premium expense was paid by the farm business and should be reported in Section F, item 25.

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 7b(i) or 7b(ii).

Item 8 – Minors and Seniors in Operator’s Household

V1 Only

Of the number of people living in the operator’s household reported for Item 7, record the number for each age group. Including the operator and spouse, record the number of household members that were 65 years and older. For each age group, a farm household can make different decisions depending on the needs of the dependents.
Item 9 – Distance to Nearest City with 10,000 or More People
V1 Only

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).

Item 10 – Does Operator Live On or Adjacent to Any Part of Their Farm/Ranch Land?
V1 Only

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, code this no (= 3).

Item 11 – Mileage Traveled to Off-Farm Job
V1 Only

If principal operator and/or principal operator’s spouse worked off the farm and reported hours of non-farm work in Section I – Item 25aiii or Section I – Item 25biii, 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 a ‘1’ if other households share in the income from the farm business. Record a ‘3’ if the answer is “No” 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 received by the operator’s household if the operation is not a C-Corporation. Refer back to Section I, Item 10 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, Item 10 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 operator, spouse, and other household members 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 any other business, cash or share rent, interest, dividends, capital gains/losses, 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 operator and all members of the operator’s household in 2006.

**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 Principal Operator, Spouse, Other Household Members**

Report the off-farm wages, salaries, and tips before withholding separately for the operator, the operator’s spouse, and other household members.

**Item 15b-15j – Other Sources of Income for Principal Operator, Spouse, Other Household Members**

Report the other sources of income separately for the operator, the operator’s spouse, and other household members.

**Item 15g – Proceeds From the Sale of Non-Farm Capital Assets**

Report the net proceeds from the sale of capital assets. 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**

There may be tax consequences when a capital assets 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 other farm or non-farm assets here. Report any gain/loss recognized on sales of land in this farm operation in Section E, Item 5f. 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 16a – 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 16b – 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 16c – 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 16d – Dividends from Firm Produces Ethanol

If there was income reported from dividends (Item 15f), ask if the operation received dividends were from activities involved in producing ethanol, (also referred to as ethyl alcohol or grain alcohol).

Item 16e-g – Responses to the following questions will help establish whether off-farm jobs are “lumpy” or fixed in hours, and provide insight into how farmers fit farm and off-farm work activities together. Responses will be used in conjunction with industry codes to help put reported hours of off-farm work and wage and salaries into context.

Item 16e – Are Off-Farm Job Hours Flexible

If there was income reported from off-farm wages (Item 15a), ask if the hours worked at the off-farm job are flexible or not.
Item 16f – Opportunity for Overtime Hours

If there was income reported from off-farm wages (Item 15a), ask if there is an opportunity to work overtime hours.

Item 16g – Off-Farm Work Salaried or Hourly

If there was income reported from off-farm wages (Item 15a), ask if the off-farm work is hourly or salaried.

Item 17 – 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, 2006.

Item 17a – 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 17b – 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.
<table>
<thead>
<tr>
<th>Item 17c – V1 Only</th>
<th><strong>Operator’s Dwelling</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Record the VALUE CODE which includes the value of the operator’s dwelling if it is not owned by the operation. <strong>Exclude</strong> other personal use homes, such as vacation or second homes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 17d – V1 Only</th>
<th><strong>Real Estate</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 17e – V1 Only</th>
<th><strong>Other Businesses</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Record the VALUE CODE which includes the value of the any other businesses that are not part of this farm.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 17f – V1 Only</th>
<th><strong>All Vehicles</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 17g – V1 Only</th>
<th><strong>Other Assets</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 18 –</th>
<th><strong>Non-Farm Debt</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>
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, 2006.

**Item 18a – 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 18b – 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 18c – 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 18d – 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 18e – Other Off-Farm Debt.**

Record the VALUE CODE which represents the amount of household debt other than what has been mentioned above.
Item 19 -

**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 Item 18 of this section) which used any farm assets (such as farmland or any other assets reported in Section G) as collateral or security.

Item 20 -

**Spending in 2006**

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.

**V1 Only**

Expenses are reported for each of eight general categories.

**V2,V3,V4**

Expenses are aggregated and reported as a total.

Item 21 -

**Total Value of Farm Sales in Previous Year (2005)**

Use the value codes at the top of the page to obtain the respondent’s best estimate of the total value of farm sales in 2005.

Item 22 -

**Net Operating Income in Previous Year (2005)**

Use the value codes at the top of the page to obtain the respondent’s best estimate of net operating income for the farm in 2005. In cases where the respondent reports a negative value for net farm income in 2005, 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 (2005)

Use the value codes at the top of the page to obtain the respondent’s best estimate of total off-farm income in 2005 for the operator and the operator’s household members. In cases where the respondent reports a negative value for total off-farm income in 2005, 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 (Item 15 for versions 1-4 and Item 10 for version 5), except for the sales of capital assets and the capital gains from the sales of those capital assets.

Items 24-27 – The following items have traditionally been considered using the term “family living withdrawals”. These items are not “wages” to the operator or other family members. Withdrawals typically appear on the statement of owner equity but not on the income statement.

Withdrawals from the farm business (items 24 & 25) and non-farm income contributed to the farm business (items 26 & 27) equal net owner withdrawals on the statement of owner equity.

Item 24 – V1 Only
Amount Withdrawn to Pay for Household Expenses

If money was withdrawn from the farm business to pay for family household expenses, indicate the VALUE CODE representing how much was withdrawn. Exclude wages, salaries, and benefits paid that are recorded in Section F.

Item 25 – V1 Only
Amount Withdrawn to Pay for Other Investments

If money was withdrawn from the farm business to pay for other household investments, indicate the VALUE CODE representing how much was withdrawn. Exclude wages, salaries, and benefits paid that are recorded in Section F.
Item 26 – Using Non-Farm Assets to Fund Farm Operations  
V1 Only

If the operation used non-farm assets to fund operations or purchase capital items, indicate so in Item 26. Examples of off-farm assets include mortgages on the operator’s dwelling (if not owned by the operation) or assets from other real estate or non-farm business.

Item 27 – Using Non-Farm Income to Fund Farm Operations  
V1 Only

If the operation used non-farm income to fund operations or purchase capital items, indicate so in Item 27.
Section L - Irrigation
V2, V3 Only

This section is only asked in Version 2 and 3 (Rice and Soybeans).

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 2006?

Enter code ‘1’ for operations that irrigated any cropland, alfalfa, other hay or pastureland in 2006. If the operation irrigated in 2006, 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 2006. Exclude irrigation of home gardens.

If no cropland, alfalfa, other hay or pastureland was irrigated in 2006, go to Section M.

Item 2 – Enumerator Instruction - Crops Irrigated

This item records specific crops irrigated on the operation during 2006. Refer back to Section B, page 4. For each crop harvested during 2006, 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 2006 in Column 1. Alfalfa, other hay and pastureland are pre-listed at the bottom of the table because they are often forgotten. 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 2006.
2. Irrigated acres intended for harvest in 2006 even if harvest was delayed until 2007 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 2005 crops not harvested until 2006 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 2006, 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 2006 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 2006

Record the number of irrigation wells used in 2006 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 2006 (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 2006.

Item 8, 8a – Improvements to existing irrigation systems

Enter code ‘1’ for operations that made improvements in 2006 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**

Enter code ‘1’ for operations where someone made an offer to purchase water or water rights (from this operation) in the past five years (since January 2001). 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 1996) 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 – Rice and Soybean Marketing
V2, V3 Only

In the Phase II interview costs of commodity production were collected up until the point that the crop was hauled from the field at harvest. This excludes the additional costs for drying and hauling that are required to store and market the crop. In this section, information is collected that is used to estimate these costs for the 2006 commodities (either rice or soybeans), so that along with the Phase II cost data, total economic costs of commodity production can be computed.

This section collects data necessary to estimate the marketing costs and returns associated with each commodity. The section differs for each version (either rice or soybeans) to reflect the differences in marketing methods and practices used for 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 2006 crop produced (either rice or soybeans), not the crop marketed in 2006, that was from the previous year’s crop. The 2006 crop was the one harvested in 2006.

Item 1 – Month Crop was Harvested

Report the month, numbered 1 (January) through 12 (December), in which the majority of the 2006 crop was harvested.

Item 2a-c – Crop Drying

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 2006 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 2c).

Item 3 – Cost of Custom Drying

If any of the 2006 crop was custom dried, record the cost of custom drying the crop in either cents per unit (bushels for soybeans; hundredweight for rice) or total dollars for the entire crop. If total dollars are reported, be sure to include the landlord’s share.

Item 4a-c – Crop Drying

This question includes 3 parts that collect information about any crop drying that was done other than custom drying (item 2b).

In Item 4a record the main fuel type used to dry the 2006 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.
In item 4b record an estimate of the average percentage points of moisture removed by drying the 2006 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.

In item 4c record an estimate of the hours of each type of labor that were used to dry the 2006 crop. Include the time spent unloading, filling and emptying dryers, and overseeing the drying. Exclude custom drying labor and contract labor.

**Item 5 – Utilization of the Crop**

Item 5 records the utilization of the 2006 harvested crop as of the day of interview. All the harvested crop must be accounted for in items 5a-e (for rice) or 5a-f (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 5a – Crop Sold at Harvest**

Record the amount of the 2006 crop sold at harvest in item 5a.

**Item 5b – Crop Sold after Harvest, but Before December 31, 2006**

Record the amount of the 2006 crop sold after harvest but before 2007 in item 5b.

**Item 5c – Crop Sold after December 31, 2006**

Record the amount of the 2006 crop sold in 2007 in item 5c.

**Item 5d – Crop fed to Livestock**

Record the amount of the 2006 crop NOT sold but fed to livestock in item 5d.
Item 5d – Crop Stored under a CCC loan
V2 Only

Item 5e – Crop Stored NOT under a CCC loan
V3 Only

Item 6 – Marketing of 2006 Crop

If any of the 2006 crop was forfeited to the CCC or sold, enter a 1 for item 6 and proceed to question 7. If not, then continue to question 11. If there is a response for item 5 a-c, then the crop was marketed.

Item 7 – Average Price Received

In item 7, report the average price received (or to be received if not yet received) per unit {dollars and cents per hundredweight (rice) or bushel(soybeans)} for the 2006 crop sold. If there is a response in any of items 5a-c, a price should be reported here.

Item 8 – Check-Off Cost for Crop Marketed

If any of the 2006 crop had been sold at the time of the interview, report the check-off cost {in cents per hundredweight (rice) or bushel(soybeans)} for the amount of the crop sold. Include both National and State check-off costs.
Item 9, 9a – Commercial Crop Hauling

If any of the 2006 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 hundredweight (rice) or bushel (soybeans) for the crop hauled.

Item 10 – Distance Crop Hauled

If any of the 2006 crop had been sold at the time of the interview, report the average one-way distance in miles that the 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 11, 11a – Crop Stored Off-Farm

Report the total number of hundredweight (rice) or bushels (soybeans) of the 2006 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 hundredweight (rice) or bushel (soybeans), for the crop stored off-farm in item 11a.

Item 12 – 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 (-).

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 contract 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 13 – Identity-Preserved Soybean Types**

With specific markets existing for identity-preserved soybeans, farmers are being required to alter production practices in order to receive the premiums offered (or to avoid the discounts charged) by these markets. However, little is known about the extent to which producers are taking steps to identity-preserve soybeans, what steps are taken, what these steps cost, and what returns accrue to these producers. These data would help to estimate how much soybeans were produced with methods to preserve their identity, what identity is being preserved, and what the costs and returns are to producing identity-preserved soybeans.

When completing this section, please note that all questions refer to the 2006 soybean crop, not the soybeans marketed in 2006 that were from the previous year’s crop. The 2006 soybean crop was that planted in the spring of 2006 and harvested in the fall of 2006.

**Column 1 – Identity-Preserved Soybean Types**

Identity-preserved soybean types include soybean varieties with specific traits or characteristics that add value to the soybeans, and are produced, handled, and marketed in such a way as to preserve the purity of the unique traits or characteristics of the soybean. The following are definitions of various identity-preserved types of soybeans:

- **Food grade (tofu, clear hilum):** Food grade soybeans, such as tofu/clear hilum soybeans, are grown primarily for use in soymilk and tofu production. Soymilk is a protein-rich, milk-like liquid typically obtained from the soaking and grinding of whole soybeans with water. Tofu is soybean curd, resulting from the coagulation of protein from soymilk by the use of calcium sulfate, magnesium chloride, calcium
chloride or other suitable coagulating agent. Typically, tofu can have a protein content ranging from 5 to 15 percent and can be eaten as is, or further processed in frying or baking or by fermentation. Tofu can also be spray-dried to act as an ingredient in other food products, serving as a dairy or meat substitute. Premiums paid for these soybeans range from $0.15 to $2.10 per bushel, with an average premium of about $0.60 depending upon the variety and the yield.

- **IOM soybeans**: IOM soybeans are grown in areas of the Midwest (including Indiana, Ohio, Michigan, and adjacent areas), and are sold as food-grade soybeans in Japan with the distinct brand name “IOM” and command price premiums in the Japanese soybean market. IOM beans, in general, refer to beans with 36 percent protein or more, 2,200 seeds per pound or less, and have a clear or light hilum. Producers do not enter into direct contracts with buyers in Japan. Handlers, however, can sort soybeans received to meet the Japanese buyers’ quality preferences, such as clear or light hilum, large seed, low foreign material, and little splits and seed damage. Japanese buyers of IOM soybeans typically specify U.S. No. 1 in their buying tenders.

- **High sucrose**: High sucrose soybeans provide high protein and full isoflavone content but are lower in indigestible carbohydrates and abdominal discomfort often associated with soy products. These varieties also offer an improved flavor profile that makes increased percentages of soy possible in food by-products. Compared to conventional soybeans, high sucrose soybeans contain 40 percent more sucrose but 90 percent less stachyose and raffinose which are carbohydrates that cause digestive problems. High sucrose soybeans are used to produce soymilk, beverages, baked goods, puddings, cheese and meat analogs. They are available as whole beans, full fat flour, low fat flour, or soymilk powder. High sucrose soybeans typically yield 86 to 90 percent as much as normal soybeans. Premiums paid for these soybean average about $0.40 per bushel.

- **High protein**: High protein soybeans are regular soybeans with higher than average levels of protein, a component that may help prevent a variety of cancers and significantly lower cholesterol levels for people with heart disease. Protein levels are affected by weather, so high levels cannot be guaranteed. Premiums paid for high protein soybeans range from $0.10 to $0.40 per bushel, with an average premium of about $0.30.

- **Green vegetable soybeans**: Green vegetable soybeans, called Edamame in Japan, are grown mainly to harvest the young green-shelled beans for
vegetable uses, not for the mature soybean crops. Edible soybeans produce clusters of pods with green beans. Edamame is the same species as grain soybeans, but it has larger seed, sweeter flavor, smoother texture, and better digestibility. Edamame contains about 38 percent protein and is also rich in calcium, vitamin A, and phytoestrogens.

- **Other soyfood**: Report all types of soybeans, other than food grade, IOM, high sucrose, high protein, or green vegetable, that were marketed as soyfood beans.

- **Low-saturated fatty acid**: Low saturate soybeans contain 50 percent less saturated fat than generic soybeans and produce oil with approximately 8 percent total saturated fats. With just one gram of saturated fat per 14-gram serving, low saturate oil is similar to canola oil. Zero saturated fat levels can be reached in formulations for salad oil blends, sauces, salad dressings and other applications when low saturated soy oil is used to replace generic soy oil. Premiums paid depend on the level of saturated fat, averaging about $0.25 per bushel for soybeans with less than 8 percent saturate, and $0.00 if the soybeans have more than 8 percent saturate.

- **Low linolenic acid**: 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.

- **High oleic**: High oleic soybeans offer both handling and nutritional advantages for manufacturers and consumers. Oil produced from high oleic soybeans has over 80 percent monounsaturated fat, the “good” fat, compared to 23 percent for generic soybean oil. They are also 33 percent lower in saturated fat than generic soybeans. High oleic oil contains no trans fatty acids and remains in liquid form. The high oleic acid content also makes the oil more heat-stable than regular soybean oil, which must be hydrogenated before it can be used for cooking or spray oil application. The hydrogenation process, besides adding costs, produces saturated fat and trans fatty acids which are thought to contribute to coronary heart disease. High oleic soybeans are thus promoted as “heart-healthy.” High oleic soybeans typically yield 90 to 100 percent as much as normal soybeans depending on variety and growing conditions.
Premiums paid are about $0.40 per bushel for soybeans with 80 percent oleic or greater, and $0.00 per bushel for soybeans with less than 80 percent oleic.

- **Other modified soy-oil**: Report all types of soybeans, other than low saturated fatty acid, low linolenic acid, or high oleic soybeans, that were marketed as modified soy-oil beans.

- **Clear Hilium food-grade**: These are edible (food-grade) soybean varieties with a clear helium (the residual scar where the seed attaches to the pod) that are often requested by organic soybean buyers. Edible soybeans are used for making tofu, tempeh, soynut snacks, and other foods.

- **Vinton food-grade**: These are one of the most popular Clear Hilium food-grade soybean varieties, called Vinton 81.

- **Other food-grade Organic Soybeans**: These yellow Hilium food-grade soybeans and other food-grade soybeans are also used by organic farmers.

- **Non-food-grade Organic Soybeans**: Non-food-grade soybeans are smaller-seeded, stronger-tasting, less tender, and less digestible than food grade soybeans.

- **STS soybeans**: The STS seed/herbicide system matches soybean varieties with specific post-emergence broadleaf herbicide. Traditionally bred, STS soybeans carry the Als1 gene, which enhances their natural tolerance to sulfonylurea herbicides and allows them to withstand over-the-top applications of Reliance STS or Synchrony STS herbicides. Because they were developed through traditional breeding techniques, STS soybeans are not considered to be genetically modified, and their sale involves no technology fee. Weed control costs for conventional till practices are generally held to below $20 per acre. No-till per acre weed control cost may be higher. Premiums vary from about $0.10 to $0.20 per bushel, and are based on the fact that STS soybeans are non-GMO.

- **Other soybeans marketed as non-biotech**: Report all types of soybeans, other than certified organic or STS soybeans, that were marketed as non-biotech or non-GMO. Other non-biotech soybeans can be any soybean variety that has not been genetically engineered to contain genetic material from another species (Roundup Ready is the most common biotech soybean), but the soybeans must have been marketed as non-biotech. Price premiums range from about $0.20 to
$0.25 per bushel.

**Column 2** – Acres harvested

Report the total acres harvested of each identity-preserved soybean type.

**Column 3** – Yield

Report the yield in bushels per harvested acre for each identity-preserved soybean type.

**Column 4** – Price received or production contract fee

Report the soybean price per bushel received for each identity-preserved soybean type. If the soybeans were grown under a production contract, report the per-bushel production contract fee received.

**Column 5** – Produced/sold under

Report whether the soybeans were produced under a production contract, sold under a marketing contract, or neither produced nor sold under a contract. The definitions of production and marketing contracts can be found in the instructions for completing section D.

**Column 6** – Premium actually received

Report the premium above generic soybeans in cents per bushel received for the identity-preserved soybeans. The premium actually received could be lower than that specified in the contract if certain quality traits do not meet minimum requirements or minimum purity levels are not met.

**Column 7** – Premium specified in contract

If the soybeans were produced under a production or marketing contract, report the premium in cents per bushel that was specified in the contract. The premium specified in the contract may or may not equal that actually received.

**Item 14, 14a** – Purity of non-biotech soybeans

If soybeans were marketed as non-biotech, report the level of purity in terms of percent of non-biotech material that was required of the soybeans in Item 14. In Item 14a, indicate whether or not the soybeans met this standard of purity.
ENUMERATOR NOTE:

In reporting for items 15, 16, 17, and 18, first identify the type of identity-preserved soybeans that was harvested on the most acres. Complete items 15, 16, 17, and 18 for this type of soybeans.

Item 15 - V3 Only

Production practices on identity-preserved soybeans

For the type of identity-preserved soybeans that was harvested on the most acres, report whether or not each of the production practices was used.

In Item 15h report the practice as used if the soybeans were tested for purity regarding any quality characteristic, such as biotech material or oil content.

In Item 15i report the practice as used if the soybeans were hauled directly to the buyer or to any specific delivery location or handling facility as directed by the buyer.

Item 16 - V3 Only

Labor required for identity-preserved soybeans

For the type of identity-preserved soybeans that were harvested on the most acres, report the number of additional hours of labor that were used to preserve the soybean identity. Include hours for cleaning equipment, keeping records, locating buyers, or other production practices that were reported in Item 15. Include hours provided by you and any other paid or unpaid workers. Exclude hours provided by contract labor.

Item 17a - V3 Only

Production cost for identity-preserved soybeans

For the type of identity-preserved soybeans that were harvested on the most acres, report the additional production cost per acre for seed and technology fees that was paid for the identity-preserved soybeans above that paid for generic soybeans. For example, if the identity-preserved soybeans cost $35 per acre and generic soybeans cost $28 per acre, the additional cost for the identity-preserved soybeans would be $7 per acre. Likewise, if a $5 per acre technology fee was charged on identity-preserved soybeans and no technology fee was charged on generic soybeans, the additional cost for the identity preserved soybeans would be $5 per acre.
Item 17b – Production costs for identity-preserved soybeans

For the type of identity-preserved soybean type that was harvested on the most acres, report the additional production costs per acre for items other than seed and technology fees that was paid for the identity-preserved soybeans above that paid for generic soybeans. Include costs for fertilizer, chemicals, custom operations, machine operations, irrigation, and contract labor. Exclude costs for any labor reported in Item 16. For example, if fertilizer cost $40 per acre on the identity-preserved soybeans and $30 per acre on the generic soybeans, the additional cost for the identity-preserved soybeans would be $10 per acre.

Item 18a-e – Segregation costs for identity-preserved soybeans

For the type of identity-preserved soybean type that was harvested on the most acres, report the additional segregation costs per bushel for each item that was paid for the identity-preserved soybeans above that paid for generic soybeans. For example, if an additional 2 cents per bushel was paid for transportation and marketing and 3 cents per bushel was paid for testing the identity preserved soybeans above that for generic soybeans, report 2 cents in Item 18c and 3 cents in Item 18d.

Item 19 – Producing Certified Organic Soybeans

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). Ask if the soybean 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

If the operation was certified organic, ask items 20-24.

**Item 20 - V3 Only**

**Years Producing and Selling Organic Soybeans**

Record the total number of years that the operation has been both producing and selling certified organic soybeans. Include years producing under federal certification and years producing under any other third party certification program.
<table>
<thead>
<tr>
<th>Item 21 - V3 Only</th>
<th>Length of Time to Become Certified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record the number of months or years that it took for this operation to become certified to produce organic soybeans. Row crop operations must go through a transition period in order to become certified. The intention of this question is to identify the length of the transition period.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 22 - V3 Only</th>
<th>Amount Paid for Third Party Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record the dollar amount paid in 2006 for a third party organic certification. Include user fees charged by organic certifiers.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 23 - V3 Only</th>
<th>Most Difficult Aspect of Producing Certified Organic Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record the code from the list that best describes what the respondent feels is the most difficult aspect of producing certified organic soybeans.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 24 - V3 Only</th>
<th>Minimum Price to Continue Producing Organic Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record the respondent’s best estimate of the minimum soybean price needed for this operation to continue producing organic soybeans, instead of converting to produce conventional soybeans. Record the amount in dollars and cents per bushel.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item 25 - V2 Only</th>
<th>Percentage Marketed Through Farmer Owned Cooperative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record the percentage of the 2006 rice crop that was marketed through a farmer owned cooperative.</td>
<td></td>
</tr>
</tbody>
</table>
Section N - Broiler Screening and Inventory
V4 Only

Item 1 – Broiler Production in 2006

Record if the operation produced (or grew out) broilers for meat at any time during 2006. If the operation did not raise broilers for meat during 2006, record a “3” then skip to the Conclusion.

Item 2 – Peak 2006 Broiler Inventory

Record the largest number of broilers on this operation, regardless of ownership, at any time in 2006. If this operation is a contractor, exclude broilers that are located on the contractees’ operations.

Enumerator Action – 1,000 or more Broilers

We are only interested in operations that had 1,000 or more broilers on the operation at any time in 2006. Therefore, if the answer to item 1 is less than 1,000, go to the Conclusion on the back page. If the answer to item 1 is 1,000 or more, continue with item 3.

Operations were selected for the Phase III Broiler survey based on the data reported in the Phase I screening (or ISS). Operations that reported 1,000 or more broilers (and those that indicated they raised broilers but the number was unknown) on Phase I were eligible for the Phase III Broiler survey. Therefore, if less than 1,000 broilers are reported in item 2, indicate in notes why there is a difference from the Phase I which indicated they had 1,000 or more broilers.

Item 3 – Years Producing Broilers

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 broiler 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 been producing broilers.
Item 4 – Production Arrangement

Enter the code that describes the operation’s type of broiler production arrangement. There are five choices: production contract, independent, cooperative, processor-owned operation, or more than one type.

In a production contract arrangement, the operator is a contractee. The contractor (or Integrator) owns the broilers and typically supplies some production inputs—chicks and feed are typical. Most commercial broiler operations will use production contracts, but we believe that some of the other arrangements will be in the sample. Under independent production arrangements the operator owns the broilers and supplies all production inputs. Independent producers may sell broilers on the open market or under a marketing contract. Cooperative production arrangements involve a group of producers who form a network or alliance to produce or market broilers. Some operations are owned by a processor, who also provide chicks and feed; they differ from production contract arrangements only in that operators of processor-owned operations are employees of the owner.

Item 5 – Broiler Inventory

In this table we get a description of the broiler operation as it existed at the beginning and end of 2006. This lets us see if the operation was expanding or reducing its size, and provides an idea of the culling and marketing patterns the operation followed. Most operations with production contracts will have no pullets, laying hens, hens, or roosters.

Item 5a – Pullets

Include all pullets that are part of the operation’s inventory. Include pullets that were later sold if they were on hand on the reference date.
Item 5b – Laying Hens

Include all laying hens or to be bred that are part of the operation’s breeding stock. Include hens that were later sold for breeding stock if they were on hand on the reference date.

Item 5c – Roosters

Include those that were later sold if they were on hand on the reference date.

Item 5d-g – Broilers

Include all broilers for market or home use in each of the weight categories. The weight categories refer to the expected weight the bird will have when removed.

NOTE that the sum of broilers in rows d-g, column 3 should equal the number of broilers reported in Section C, Item 1e.

Column 2 – Beginning of Year Inventory

For each category listed in column 1, enter the number of head on hand on January 1, 2006. Include broilers that the selected operation was raising for another operation. If this operation is a contractor, exclude broilers being raised for the operation on the contractee’s operation.

Column 3 – End of Year Inventory

For each category listed in column 1, enter the number of head on hand on December 31, 2006. Include broilers that the selected operation was raising for another operation. If this operation is a contractor, exclude broilers being raised for the operation on the contractee’s operation.
Section O - Purchases, Contract Placements, and Death Loss

V4 Only

This section collects information on:

- Purchases
- Contract Placements
- Hatchings
- Death Loss

Item 1 - Contract Placements

This item collects information about the placements on the operation by contractors. This information followed with information about purchases and hatchings will allow for analysis of contract versus non-contract operations. If you are interviewing a contractor, exclude data on broilers placed on a contractee’s operation. If there were no placements in 2006, continue to Item 2. Processor-owned operations should also record chick placements here.

Item 1a - Live Chick Placements

Record the number of live chicks placed on the operation in 2006.

Item 1b - Death Prior to Removal

Record the percentage of chicks in Item 1a that died prior to removal in 2006. Record to the nearest tenth of a percent.

Item 1c - Length of Growout

Record the average number of days the chicks recorded in 1a were on the operation before removal.
Item 2 – Chick Purchases

This item collects information about the purchases by the operation. This information followed with information about placements and hatchings will allow for analysis of contract versus non-contract operations. If there were no placements in 2006, continue to Item 3.

Item 2a – Chick Purchases

Record the number of chicks purchased by the operation in 2006.

Item 2b – Expenses for Chicks

Record, to the nearest dollar, the total amount spent for the chicks reported in Item 2a.

Item 2c – Death Prior to Sale and Removal

Record the percentage of chicks that died prior to sales and removal in 2006. Record to the nearest tenth of a percent.

Item 3 – Hatchings

This item collects information about the hatchings on the operation by contractors and contractees. This information followed with information about placements and purchases will allow for analysis of contract versus non-contract operations. If you are interviewing a contractor, exclude data on broilers placed on a contractee’s operation. If there were no hatchings in 2006, continue to Section P.

Item 3a – Live Chick Hatchings

Record the number of chicks hatched on the operation in 2006.

Item 3b – Death Prior to Removal

Record the percentage of chicks hatched that died prior to removal in 2006. Record to the nearest tenth of a percent.
Section P - Sales and Contract Removals
V4 Only

The purpose of this section is to collect information on the marketing and income patterns of the broiler operation. Included are both sales and contract removals.

Item 1 – Sales and Contract Removals

The data in this table provides information on the operation’s marketing patterns of broilers. Enter information about broilers sold on the open market or under a marketing contract in columns 2, 3, and 5. Enter information about broilers removed from the operation under a production contract in columns 4 and 5. This will allow for analysis of contract versus non-contract operations. If you are interviewing a contractor, exclude data on broilers removed from a contractee’s operation.

Column 1 – Weight Class for Broilers

Most of the categories in this column have been described previously. Note: most operations specialize in a particular weight class of birds. Because costs will vary with weight class, it’s important to accurately identify the weight class(es) of birds sold or removed.

Column 2 – Number Sold

For each category listed in column 1, enter the total number sold from this operation in 2006. Exclude broilers removed from the operation under production contract arrangements. If the operation is a contractee only, skip to column 4.

Column 3 – Amount Received for Sales

Enter the total amount received (net of marketing charges) for sales of each category of broilers sales reported. Include sales on the open market or under a marketing contract. Exclude fees received for broilers removed under production contracts.
Column 4 – Contract Removals

For each category in column 1, record the total number removed under production contract arrangements during 2006. This should be close to the number of broilers removed that was reported in Section C, Item 1e.

Column 5 – Average Weight

For each category, enter the average weight, in pounds per head, of the broilers sold and/or removed under production contracts during 2006. Round to two decimal places.

Item 2 – Contractor Name

Record the name of the current contractor in Item 2. This information is necessary to associate the general feed information for the contractor of this report.

Item 2a – Years with Current Contractor

Report the number of years the operator has had contracts with the current contractor. If the operator hasn’t had contracts longer than a year, record a 1 for Item 2a. If the respondent contracted for several years, then stopped, and then contracted with this contractor again, record the total number of years that the respondent contracted with the current contractor.

Item 3 – Raised Broilers for Another Contractor

Record whether the operator ever raised broilers for a contractor other than the current one.

Item 3a – Number of Other Contractors

Record the number of other contractors the operator has raised broilers for.
Item 4 – Term of Contracts

Record if the current contract is short term or long term contract. A short term contract is one that is flock to flock and can be terminated after any flock. A long term contract is one that guarantees that multiple flocks will be placed on the operation.

If the contract is a short term contract, ask 4a then continue with Item 5. If the contract is a long term contract, ask 4b then continue with Item 5. If the operator does not know the term of their contract, indicate this in Item 4 then continue to Item 5.

Item 4a – Short Term Contract, Originally Long Term

If the contract is short term, ask the respondent if the contract used to be a long term contract when the production facilities were new. After asking this question, continue with Item 5.

Item 4b – Length of Contract

Record the length of the contract in number and code format. The amount will be recorded in the Number box and the code will be recorded in the Code box. For example, if the contract was for 5 flocks, box 1952 would be 5 and box 1953 would be 3. If the contract is for 3 years, box 1952 would be 3 and box 1953 would be 2.

Item 5 – Broiler Companies at Start

Record the number of broiler companies that were operating in the area at the time the operation started producing broilers. Include all companies, including those that were not offering contracts to new contractees at the time.

Item 6 – Broiler Companies Currently

Record the number of broiler companies that are currently operating in the area. Include all companies, including those that are not currently offering contracts to new contractees.
Item 7 – Contract Performance Incentives

If the current production contract specifies that the contractee is paid according to a performance incentive, complete items 7a and 7b. A performance incentive means that a portion of the fee that contractors pay contractees is determined by the measurable performance of the contractee in growing broilers. In 7a, indicate whether the size of the incentive depends on the operation’s performance compared to other growers or compared to a fixed target. In 7b, indicate whether the incentive is based on death loss, feed efficiency, or cost of production. Record “YES” (code 1) for all that apply.

Item 8 – Other Contract Provisions

The fees paid to contract growers, as specified in contracts, may be affected by other factors aside from performance. We ask about the presence of several common features below, to determine how widespread they are, and how they affect grower financial performance.

Item 8a – Market Price of Broilers

Some contracts link part of contractee compensation to reported market prices for broilers (such that higher market prices may lead to higher compensation). Record if the respondent’s compensation was linked to market prices.

Item 8b – Catastrophic payment

Some contracts specify payments to be made in the event of catastrophic events, such as hurricanes or disease, that wipe out the flock. Record if the respondent has such a clause.

Item 8c – Seasonal energy price adjustments

Contractees usually pay for energy, and the price paid for energy may vary seasonally. Some contracts vary the fee, providing adjustments when energy prices rise seasonally. Record if the respondent has such a feature.
Item 8d – Energy dealers

Some broiler production contracts specify that the contractee may purchase energy from specified dealers, and at a specified price. Record if the respondent has such a feature.

Item 8e – Facility financing

Contractors sometime provide financing to contractees for broiler housing. Record if the respondent has such a feature.

Item 9 – Live bird outlets

Some operations, typically independents, ship their chickens to live bird outlets (retailers, usually) under cash market arrangements or marketing contracts. Record if this operation ships to live bird outlets.

Item 10 – Free Range Broilers

Record if the operation produces free range broilers. Free range broilers are raised outdoors, generally on short-grass pasture.

Item 11 – Food Safety Concerns

Food safety is increasingly important on the farm as research is finding that pathogens causing human illness often originate in the guts of livestock and poultry. USDA takes Salmonella samples in U.S. slaughterhouses and processing facilities and has a Salmonella performance standard, putting pressure on farms to supply “clean” animals. Some European countries have achieved Salmonella control in some production sectors. For U.S. meat exports to stay competitive, food safety controls are becoming increasingly important. Consequently, more and more operations are taking measures to reduce the potential of product contamination.

This question asks about practices required by the integrator (or the buyer in the case of independent operations) that concern the quality, safety, and/or purity of the broilers produced. Ask whether each of the requirements listed in column 1 were used, and for those used ask if the farmer received a premium for meeting the requirement (column 3) and
what the consequence was of not meeting the requirement (column 4, using the list in the accompanying code box). In some cases, it is possible that the farmer will not know about a requirement. In these cases code 2=don’t know is available.

Definitions for the requirements listed in column 1 are as follows:

a. Avian Influenza (AI) is an animal disease that can have human health consequences as well, especially if it is a Highly Pathogenic serotype (called high-path in contrast to low-path).

b. *Salmonella* is a bacterium that can cause human illness. Microbiological tests for *Salmonella* could be required for broiler feces, dead chicks, spent hens, or the housing environment (perhaps walls, air filters, or dead rodents).

c. Other pathogens that may be tested for include *Campylobacter*, *Listeria*, *E. coli* O157 or generic *E. coli*. Broiler feces may be sampled, dead chicks, spent hens, or the environment (perhaps walls, air filters, or dead rodents).

d. USDA regulations require meat and poultry slaughter and processing plants to use Hazard Analysis and Critical Control Points (HACCP) management systems. To reduce the risk of failing USDA tests, some integrators may require operations to have on-farm HACCP plans.

e. There are many serotypes of *Salmonella*. This question asks whether you or your feed supplier test your broiler feed, or feed components, for any of the types of *Salmonella*.

f. There are many types of animal welfare requirements. The amount of space per bird is one of the more common ones. A contract may specify a maximum number of broilers in a specific size of rearing house. Or a larger number of items may be considered, including noise level or ammonia or other odors broilers are exposed to. If the buyer or integrator sets ANY animal welfare requirements, enter 1 in column 2.

g. An all-in, all-out contract requires that all chicks be placed in the house at the same time AND that all broilers be harvested and taken to slaughter at the same time. No thinning of the flock is permitted.
h. If the integrator (or buyer if an independent producer) requires that the operator fully clean out houses between flocks, enter 1 in column 2.

i. Some integrators (or buyers if an independent operator) require that broilers are raised without antibiotics in their feed or added to the water broilers drink. Enter 1 in column 2 if the operation’s integrator or buyer has this requirement.

j. Some buyers (or contractors) require that broilers are raised on feed exclusively from vegetable sources. This means that poultry litter or other animal by-products cannot be included in the feed.

**Item 12 – Certified Organic Broiler Operation**

Organic farming systems rely on ecologically based practices, such as biological pest management and virtually exclude the use of synthetic chemicals in crop production (including livestock feed production). Ask if the broiler 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

Record if the operation is certified organic in 2006.
Section Q - Broiler Feed  
V4 Only

Feed comprises one of the largest portions of total input costs for boiler production, and therefore it is essential we collect complete information about the operation’s feed usage and expense.

For contractee operations where the contractor supplied the feed, try to get the respondent’s best possible estimate of the type and quantity of feed used. The contractee should be able to supply information for columns 1-5.

**Item 1 – Screening Question for Purchased Feed**

This is a screening question to determine if the operation purchased, or the contractor supplied, any feed for the broilers on this operation in 2006. Unless the operation grew all of the feed fed to the broilers, this question will always be “Yes”.

In the unlikely event that the operation did not purchase any feed, or no feed was supplied by a contractor, check “No” and skip to 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 broilers in 2006. Include feed purchased and feed supplied by contractors. Exclude feed grown on the operation and fed to broilers (this is reported in Item 2).

In production contract arrangements contractors generally deliver feed to their contractee operations. Record this delivered feed as either a complete commercial and/or custom feed mix (code 1). It is not necessary to break out the individual components of this feed unless they were provided separately and mixed on the operation.
<table>
<thead>
<tr>
<th>Column 2 – Total Amount Fed</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each type of feed or feed supplement listed in column 1, record the total quantity fed to broilers on the operation in 2006. Include both feed purchased and feed supplied by contractors. Exclude homegrown feed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 3 – Unit Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enter the code for the unit in which the quantity in column 2 was reported.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 4 – Percent Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each type of feed listed in column 1, enter (1) the percent purchased by this operation and (2) the percent supplied by contractors. For each row, the sum of the percent purchased by the operation plus the percent supplied by contractors must equal 100.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 5 – Feed Storage Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Show the respondent the Feed Facility Type Codes in the Respondent Booklet.</td>
</tr>
<tr>
<td>For each type of feed reported, record the code which represents the type of storage facility that was used.</td>
</tr>
</tbody>
</table>

**Item 2 – Homegrown Feed**

This item accounts for feed grown on this operation that was fed to the broilers on this operation in 2006.

In general operations with production contracts, and processor-owned operations, will rarely produce home-grown feed. If no homegrown feed was fed to the broilers on this operation, check the appropriate box and go to Section R.

**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 broilers on this operation in 2006. Exclude feed that was purchased or supplied by contractors.

**Column 2 – Total Amount Fed**

For each type of feed listed in column 1, record the total quantity fed to broilers on the operation in 2006. Exclude feed purchased and feed supplied by contractors.

**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.
Section R - Housing
V4 Only

Housing on many broiler operations is a major capital investment. Because housing characteristics are changing, housing can also be an important source of productivity differences across operations. Information about the housing facilities will help to explain the cost and expenditure profile of the operation and provide insight into the efficiency of various types of operations.

The table in this section will only be blank in the extremely rare situation in which all broilers remained outside for 24 hours a day without shelter. Report all structures used to house broilers regardless of their age and condition.

Some older houses may have multiple floors. In answering Items 1a and 1b below, DO NOT multiply by the number of floors in a multiple floor house. Simply record the length and width of the house.

Item 1 – Broiler Housing Characteristics

Information will be collected on facilities used for broiler production. Each house (up to 20 houses) will be recorded. Each house is a separate column. The main questionnaire allows for up to 6 houses to be collected, while the broiler housing supplement will collect data for the other 14 houses. Number the houses in any way that you and the respondent feel best. Only include houses the operation uses to produce broilers.

Exclude any houses rented to others.

Item 1a – Length of House

Record the length of the house in feet.

Item 1b – Width of House

Record the width of the house in feet.
Item 1c – Year House was Built

Record the 4-digit year the house was built.

Item 1d – Rental House

Indicate if the house was rented from others in Item 1d.

Item 1e – Contractor Own House

Indicate if the contractor owns the house in Item 1e.

Item 1f – Side Curtains

Indicate whether the house has side curtains to help with ventilation in Item 1f.

Item 1g – Solid Walls

Indicate whether the house has solid walls in Item 1g.

Item 1h – All Metal Construction

Indicate whether the house has all metal construction in Item 1h.

Item 1i – Evaporative Cooling

Indicate whether the house has evaporative cooling in Item 1i. Evaporative cooling systems act to cool temperatures in chicken houses by evaporating water. Such systems can include cooling pads (paper filters that placed over air inlets and moistened), fogging nozzles (placed at the air inlet and/or throughout the house), or both. Indicate whether the house has evaporative cooling in Item 1i.

Item 1j – Tunnel Ventilation

Indicate whether the house has tunnel ventilation in Item 1j. Tunnel ventilation systems consist of exhaust fans, placed at one end of the house, and large openings at the opposite end. The fans draw air through the openings and then through the house.
Item 2 – Any Improvements to Broiler Houses

Indicate whether any improvements were made to the broiler houses in 2004 or 2005 (Improvements made in 2006 are noted in Section F, item 34a). If no improvements were made, record a “3” then continue with Item 3.

Item 2a – Expenses for Improvements

If there were improvements to the broiler houses, record the VALUE CODE for what was spent on these improvements in Item 2a.

Item 3 – Dead Bird Disposal

Show the codes for different methods for disposing of dead birds in the box above the question. Indicate the method of dead bird disposal in Item 3.
Section S – Poultry Litter  
V4 Only  

The primary purpose of this section is to get information on the methods and facilities used to handle or dispose of broiler litter. Broiler litter may be considered both a waste product and a fertilizer by-product of broiler production. As a fertilizer material, it can provide income to the operation and can also reduce the operation’s fertilizer expenditure. As a waste material, the cost of handling it is an expense to the operation. Also, litter handling procedures and facilities are of interest because of the potential (real or perceived) environmental impact they may have on water resources and rural communities.

Item 1 – Litter Storage Facilities  

In this table, information will be collected about the type of broiler litter storage facilities used, the construction of those facilities, and the frequency with which litter is removed.

This item begins with a screening question to determine if the operation has litter storage facilities. In the event that the operation does not have litter storage facilities, check “No” and go to item 2.

Column 1 – Type of Litter Storage Facilities  

Show the respondent the list of Litter Storage Type codes in the Respondent Booklet.

Enter the name and the appropriate code of each litter storage facility this operation has for broilers. If there are more than one of the same type of facility, they can be recorded on the same line by coding column 2 with the number used.
**Column 2 – Number of Facilities**

Enter the number of litter storage facilities of this type recorded in column 2.

**Column 3 – Capacity**

Enter the total storage capacity of the item listed in column 1. If the operation has more than one of the same type of facilities accounted for on the same line (column 2 is greater than 1), record the total capacity of all structures.

If the respondent is unable to provide the storage capacity of lagoons, ask for the acres covered with lagoons and the average lagoon depth. The total acre feet of lagoons can be computed as the total acres covered with lagoons times the average lagoon depth.

**Column 4 – Unit**

Record the unit code of the capacity reported in column 3.

**Item 2 – Litter Storage in Broiler Housing Facilities**

Indicate if broiler litter was stored in the broiler housing facilities. If no litter was stored in the housing facilities, proceed to Item 3.

**Item 2a, 2b – Clean out Broiler Houses in 2006**

Indicate if any broiler houses were completely cleaned out in 2006 (crust-out, noted below, is a partial clean-out). If any broiler houses were cleaned out, indicate how many were cleaned out in Item 2b.

**Item 2c, 2d – Crust out Broiler Houses in 2006**

If any broiler houses were crusted out, indicate how many were crusted out in Item 2d. Many houses are not completely cleaned out each year. Instead, operators may “crust-out” a house, by removing some of the litter.
Item 3a – Percent of Litter Applied to Fields on Operation

Record the percentage of litter produced in 2006 that was applied to fields on the operation, or that the operator expects to apply to fields if it is now in storage. The sum of percentages applied to fields, removed from operation, and other in storage should equal 100.

Item 3b – Percent of Litter Removed from the Operation

Record the percentage of litter produced in 2006 that was removed from the operation, or that the respondent expects to remove from the operation if it is now in storage. The sum of percentages applied to fields, removed from operation, and other should equal 100.

Item 3c – Other Percent of Litter

Record the percentage of litter produced in 2006 that will not eventually be removed or applied to fields on the operation. The sum of percentages applied to fields, removed from operation, and other should equal 100. Some respondents may expect retain litter on the operation without applying it to fields (such as energy conversion).

Item 4 – Acres Broiler Litter was Applied

Record the number of acres, on this operation, that broiler litter was applied to during 2006. If litter was applied to the same acres more than once during the year, count these acres only once.

If the operation did not apply broiler litter to any of the acres operated in 2006, skip to Item 9.

Item 4a – Crop Receiving Broiler Litter

Record the code of the crop that received the largest share of the broiler litter applied on this operation. Crop codes can be found in the respondent booklet. Use code 999 for bermuda grass (sometimes referred to as coastal or coastal bermuda grass).
Item 4b – Acreage that Received Litter

Record the number of acres of the crop reported in item 4a that received broiler litter. The number of acres reported here may be same or less than the number reported in Item 4, but will never exceed the total reported in Item 4.

Item 4c – Yield of Crop Receiving Litter

Record the average yield (units per acre) on the acres receiving broiler litter of the crop reported in Item 4. Report the unit using the unit codes shown in Item 1 of Section D on Page 6 of the questionnaire.

Item 5 – Litter Testing for Nitrogen

If the operation tested the broiler litter for nitrogen, record a code “1” in Item 5.

Item 6 – Litter Testing for Phosphorus

If the operation tested the broiler litter for phosphorus, record a code “1” in Item 6.

Item 7 – Commercial Fertilizer Applied

The purpose of this item is to determine if the operation applied commercial fertilizer to any of the same (Item 4) acres on which broiler litter was also applied.

If the operation did not apply commercial fertilizer to any of the same acres as broiler litter was applied, record 3 for “No” and skip to Item 9.

Items 8a & 8b – Adjusting Commercial Fertilizer Application

If the operation applied commercial fertilizer to any of the same (Item 4) acres on which broiler litter was also applied, indicate if commercial fertilizer application rates were adjusted according to either the nitrogen or phosphorus available from the broiler litter. Enter a code “1” in the appropriate item if so.
Item 9 – Litter Removed From This Operation

There are basically two ways broiler litter can be disposed of – either by using it on the operation or by removing it from the operation. The previous few questions have focused on litter usage on the operation. This item collects information about litter that was removed from this operation. Ask if any litter was removed from this operation in 2006. If “No”, go to item 11.

Item 10 – Percent of Litter Removed From This Operation

Record what percent of the total amount of broiler litter produced on this operation was removed from this operation in 2006. This includes litter that was sold, hauled off for a fee, or given away.

Item 10a – Litter Sold

Of the total broiler litter removed from this operation record the percent that was sold.

Item 10a(i) – Dollars Received from Litter Sales

Record the dollar amount this operation received for selling broiler litter in 2006.

Item 10b – Litter Hauled Off for a Fee

Of the total broiler litter removed from this operation record the percent that was hauled off the operation for a fee. Exclude litter that was given away free of charge.

Item 10b(i) – Dollars Paid for Litter Removal

Record the dollar amount this operation paid to have broiler litter removed from this operation in 2006.
Item 10c – Litter Given Away for Clean-out and Hauling

Of the total broiler litter removed from this operation record the percent that was given away in exchange for clean-out and hauling.

Item 10d – Litter Given Away in Exchange for Other Services

Of the total litter removed from this operation record the percent that was given away in exchange for other services.

Item 10e – Litter Given Away Free of Charge

Of the total broiler litter removed from this operation record the percent that was given away free of charge.

Items 10a, 10b, 10c, 10d and 10e should account for all the broiler litter removed from this operation in 2006, therefore the sum of these items must equal 100.

Item 11a–d – Methods Used to Adjust Nutrient Content of Litter

Broiler operations use a variety of methods to adjust the nutrient content of broiler litter in order to reduce the potential of nutrient leaching and run-off from land applications of broiler litter. Ask if the operation used any of the methods listed. Microbial phytase (Item 11a) is a feed additive that reduces the amount of phosphorus in broiler litter. Feed formulations can be adjusted by the age and size of broilers (Item 11b) to better match nutrient requirements with feed content in order to reduce the amount of nutrients expelled in broiler litter. Other feed additives or formula adjustments (Item 11c) may also be used to adjust the nutrients in broilers. Other litter additives (Item 11d) could be used to directly alter the amount of nutrients.

Item 12 – Certified Nutrient Management Plan

Ask if this operation followed a certified nutrient management plan (CNMP) that conforms to agronomic standards. The plan must have been developed by (1) an individual or firm certified by USDA/NRCS (Natural Resource Conservation Service) to develop CNMPs, or (2) directly by USDA/NRCS. If “No” skip to Item 14.
Item 13 – Nutrient that Nutrient Management Plan was Based

If this operation followed a certified nutrient management plan (Item 12), ask on what nutrient the plan was based. Most plans have been based on nitrogen, but there has been growing concern over soil build-up of phosphorus.

Item 14 – EQIP Payments Related to Broiler Production

Ask if this operation has ever received EQIP (Environmental Quality Incentive Program) payments related to broiler production at any time. If so, indicate from the list the purposes for which the payments were received.
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 2007. 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 MMDD07 format on the lines provided in cell 9910. For example, if the interview was completed on February 26, 2007, 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 2 and 3 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.

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.
Appendix A
THE CORE QUESTIONNAIRE

VERSION 5
(AR CA FL GA IL IN IA KS MN MO NE NC TX WA WI) Only
The Core questionnaire contains the basic questions from which NASS and ERS will set state-level estimates. Virtually every question in the Core is either found in the version I or the versions II, III or IV questionnaire. Certain questions in the Core combine two or three questions in the CRR(Version 1). However sections of the Core do not always coincide with sections of versions I - IV, therefore a mapping of Core questions to the respective questions from the other four versions has been created. Below you will find each question of the core questionnaire listed sequentially. The corresponding version, section and item number will tell you where to go, in the Interviewers Manual, to find the information for that question.

SECTION A – Land in Farm/Ranch

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<thead>
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<th>Core Question</th>
<th>Corresponding Version/Section/Item</th>
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<td>V1/A/2c</td>
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</table>
Item 11  V1/A/10
Item 12  V1/A/11

SECTION B – Acreage and Production

Item 1 – Crops Produced and Used on this Operation

In this table, columns one through four follow exactly the CRR questionnaire, Section B, Item 1, columns one through four. Therefore refer to those instructions for filling this table out.

Item 2 – Value of Landlords share

This item corresponds to the cost of production questionnaires (version II, III and IV), Section B, Item 2.

SECTION C – Livestock

Question 1 & 2 match the CRR(Version1) exactly.

SECTION D – Farm Income

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Item 10  V1/D/7c
Item 11  V1/D/6
Item 12  Items down through Cattle Breeding Stock is the same as V1/D/3a-l
Item 12  V1/D/3m, n, o, p

Poultry & Eggs
Item 12  V1/D/3q

Other Animals
Item 13  V2/C/3
Item 13a  V2/C/3a
Item 13b  V2/C/3b
Item 13c  V2/C/3c

SECTION E – Other Farm-Related Income

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SECTION F – Operating and Capital Expenditures

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Item 14b  V1/F/18b
Item 15a  V1/F/19a
Item 15b  V1/F/19b
Item 16   V1/F/23
Item 17a  V1/F/24a
Item 17b  V1/F/24b
Item 17c  V1/F/24c
Item 17d  V1/F/24d
Item 17e  V1/F/24e
Item 18   V1/F/25
Item 19   V1/F/26
Item 20a  V1/F/27a&b
Item 20b  V1/F/10,11,&12
Item 20c  V1/F/20
Item 20d  V1/F/21
Item 20e  V1/F/22
Item 20e(i) V1/F/22a
Item 20f  V1/F/28 & 29
Item 20g  V1/F/30
Item 20h  V1/F/31
Item 20i  V1/F/32
Item 21   V1/F/33-43
SECTION G – Farm Assets

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SECTION H – Farm Debt

This section matches identically to Section H (Farm Debt) of the COP questionnaires (Versions 2,3,4). Refer to that section of the Interviewer’s Manual for instructions.
SECTION I – Farm Management and Use of Time

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SECTION J – Farm Household

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<td>Item 5</td>
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Items 7 & 8 – Operator & Spouse Off-Farm Work
V5 Only

These questions are used to gauge the amount of operator’s and/or spouses’ off-farm work. The respondent should consider both self-employment and work for others when answering whether the operator worked off-farm. Many farm operators may have to work off the farm to support their farming operations. The purpose of these questions is to evaluate the impact of off-farm work on the financial situation of the farm and farm households. Off-farm work opportunities have become critical to the survival of most farm families. Off-farm employment includes jobs for which wages, salary, or self-employment income was earned. Include as off-farm employment any custom or contract work done on another farm if it is not considered part of this farming operation (if separate books are kept). Also include ownership or management of any off-farm business if the operator contributed hours (not just equipment or money).

Item 7 – Operator Off-Farm Work
V5 Only

If the operator had a non-farm job at any time in 2006, check ‘yes’ and continue with Item 7a. Otherwise, check ‘no’ and continue with Item 8.

Item 7a – Weeks Worked Off the Farm
V5 Only

Record the number of weeks that the operator worked off this operation for pay in 2006.

Item 7b – Average Hours Worked Per Week
V5 Only

For the weeks the operator worked off this operation for pay in 2006, record the average hours worked per week. If the operator had more than one job, include the 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 – Operator’s Spouse Off-Farm Work**

If the operator’s spouse had a non-farm job at any time in 2006, check ‘yes’ and continue with Item 7a. If the operator’s spouse did not have a non-farm job in 2006, check ‘no’ and continue with Item 8. If the operator has no spouse, check “no spouse” and continue with Item 8.

**Item 8a – Weeks Worked Off the Farm**

Record the number of weeks that the operator’s spouse worked off this operation for pay in 2006.

**Item 8b – Average Hours Worked Per Week**

For the weeks the operator worked off this operation for pay in 2006, record the average hours worked per week. If the operator’s spouse had more than one job, include the 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.

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SECTION K – Conclusion

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From the State Office staff and Headquarters personnel in Washington, D.C., THANK YOU for your continued dedication in the collection of agricultural statistics of the highest quality!!!