

United States
Department of
Agriculture

National
Agricultural
Statistics
Service

January 1998



USDA

1997

Agricultural
Resource
Management
Survey (ARMS)

Phase III – Cost and Returns
Report

Interviewer's Manual

Chapter 1 - General

Purposes of the Costs and Returns Report

Information from the ARMS Costs and Returns Report (CRR) questionnaire is used to help determine:

- (1) farmers'/ranchers' net farm income and provide data on the financial situation of farm/ranch businesses, including measuring assets and debts,
- (2) the costs to produce various crop and livestock commodities, and the relative importance of various production expense items, and
- (3) the characteristics and financial situations of farm/ranch operators and their households, including collecting information on their off-farm income.

ARMS / Census Consolidation

The responsibility for conducting the Census of Agriculture was transferred from the Department of Commerce to the Department of Agriculture on October 1, 1996. NASS is charged with the responsibility of conducting the Census within USDA.

Questionnaires for the 1997 Census of Agriculture are mailed to all farmers and ranchers in the U.S. to arrive on or about January 1, 1998. Respondents are mailed several reminder postcards over the next couple months to encourage reporting. Telephone follow-up is also conducted of selected non-respondents. Unlike most other NASS surveys which are voluntary, the Census is required by law.

The 1997 ARMS Phase III data collection takes place in February through mid-April of 1998. Since data collected on the ARMS and Census are somewhat similar, it seemed an unnecessary burden to ask farm operators to complete both complex surveys. Therefore, it was

decided to create a combined questionnaire to collect both ARMS and Census data.

Instead of receiving the Census questionnaire, operators sampled from the List Frame for ARMS Phase III will be personally enumerated using the combined ARMS/Census questionnaire. Completing this questionnaire will satisfy the mandatory Census reporting requirement and also provide the necessary information for the ARMS.

A sample of Area Frame respondents who were not on the List Frame (NOL) were also sampled for ARMS Phase III. The ARMS and Census surveys for Area Frame records will be completed independently. These respondents will be mailed a Census questionnaire which they will be required to complete, and then interviewed for ARMS using the combined ARMS/Census questionnaire.

Uses of CRR Data

CRR data are vital for evaluating farmers'/ranchers' current income and financial situation. These data provide the only national perspective on the annual changes in the financial condition of production agriculture. The Bureau of Economic Analysis (BEA) of the United States Department of Commerce, estimates the value of all the final goods produced in the United States, referred to as the *gross domestic product*, (GDP). The CRR data are the only source of the value of goods the farm sector contributes to GDP. Without CRR data, BEA would have to conduct their own survey of farm operators to make their estimates.

Farm organizations, commodity groups, agribusinesses, Congress, and the U.S. Department of Agriculture (USDA) use the information to evaluate the financial performance of farm/ranch businesses when making policy decisions affecting agriculture. The USDA Farm Service Agency (FSA) uses the data to develop proposals for programs that have replaced the previous commodity programs.

Generally, farmers use CRR 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. Most respondents probably do not realize the data came from this survey.

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 and available to more people 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 CRR data can be downloaded from the Farm Business Economics Briefing Room on the USDA Economic Research Service (ERS) homepage. The ERS homepage address is:

<http://www.econ.ag.gov>

From the homepage, click on **Briefing Rooms** and on the next page click on **Farm Business Economics** to view reports and tables. To access this page without going to the ERS homepage use the following address:

<http://www.econ.ag.gov/briefing/fbe/>

The Farm Business Economics site was accessed over a quarter of a million times in 1997.

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 CRR data are used daily to describe

the impact these changes have on the financial health of different types and sizes of agricultural operations. The CRR 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 ERS are made from Congress throughout the year to characterize the financial position of various groups of farmers. ERS responded to over 100 such requests from Congress in 1997. CRR 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 CRR.

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. The legislative background on use of cost estimates by Congress are described in Exhibit 1 at the end of this chapter. Exhibit 2 displays the law mandating costs of production estimates.

To ensure accurate and reliable estimates, a comprehensive survey is needed to obtain data on production practices and on 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 CRR, along with information collected in the fall of 1997 on the ARMS Production Practices and Costs Reports, 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 a 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 that 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 CRR 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 CRR 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 CRR 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 CRR data, the extent and seriousness of financial problems facing farmers are assessed, including the likely consequences of recurring financial stress.

The 1996 Farm Bill includes a provision establishing the *Commission on 21st Century Production Agriculture*. This commission is charged with conducting a comprehensive review of effects of the Agricultural Market Transition Act, the future of production agriculture, and the appropriate role of the Federal Government in production agriculture. CRR data will be used by the Commission to address these issues. Exhibit 5 describes the Commission in more detail.

Operator Household's Situation

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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 had 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 CRR is the only national data

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source that provides the type of information necessary to study these non-traditional financial conditions of farmers.

Use of CRR for Parity Prices

CRR 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. (See Exhibit 3 at the end of this chapter.) In 1938, the Agricultural Adjustment Act established that parity prices be computed for agricultural commodities.

Publication of CRR Reports

NASS publishes the Farm Production Expenditures report from CRR data. The 1997 survey results will be released in July 1998.

This report will show expenditures for the U.S., 10 farm production regions, 5 U.S. economic sales classes, and U.S. crop and livestock farms. Most State offices include this information in their State publications.

ERS prepares state, regional, and national reports. These reports show operating and financial characteristics by type of farm, and by income and debt/asset categories. The reports are available to NASS State Offices to include in State releases.

ERS publishes numerous reports using CRR data including:

Annual Report to Congress on the Status of Family Farms

Farm Operating and Financial Characteristics

U.S. "Commodity" Production Costs and Returns , 1997: An Economic Basebook

The Economic Well-Being of Farm Operator Households

Productivity & Efficiency Statistics

CRR expense, income and financial data are used in the Farm Business Economics Report publication which includes the State and National financial summary and costs of production.

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

Exhibit 1
Legislative Background of Cost of Production Estimates

- 1973 Cost of Production Study (see Exhibit 2)
- 1977 Estimates were to be used directly in adjusting target prices for wheat, corn, cotton, and rice.
- 1978 Emergency Farm Act modified the 1977 Act to provide that when set-aside programs were in effect the adjustments in target prices was to be based on costs of set-aside.
- 1981 Estimates were to be used only indirectly as guides to adjusting target prices for wheat, corn, cotton, and rice; for peanuts, estimates were used directly in setting support levels.
- Established a National Agricultural Cost of Production Standards Review Board comprised of 11 members appointed by the Secretary. Seven members are farmers who produce at least one major commodity, three members have extensive knowledge of production costs by virtue of their training and experience, and one member represents the Department. The responsibility of the Board is to review the adequacy, accuracy and timeliness of methods used by the Department.
- 1985 Estimates are to be used in establishing support levels for peanuts. If a wheat marketing quota is established, estimates are to be used to set loan rates and target prices. Estimates are to be used as guides to establish support levels for sugar.
- 1990 Cost of Production Review Board extended with modifications to membership requirements.
- 1995 Review Board authorization expired September 30, 1995.
- 1996 FAIR Act continues 1973 legislation but excludes use of estimates for setting peanut and sugar support rates. The tobacco support programs are continued by prior legislation and are not affected by this Act.

Exhibit 2
Cost of Production Study

United States Code, Title 7, Chapter 35A, Subchapter II
1441a. Cost of production study and establishment of current national weighted average cost of production.

The Secretary of Agriculture, in cooperation with the land grant colleges, commodity organizations, general farm organizations, and individual farmers, shall conduct a cost of production study of the wheat, feed grain, cotton, and dairy commodities under the various production practices and establish a current national weighted average cost of production. This study shall be updated annually and shall include all typical variable costs, including interest cost, a return on fixed costs, and a return for management.

Exhibit 3
References to Parity in Statutes Currently in Effect

Agricultural Adjustment Act of 1933, as reenacted and amended by the Agricultural Marketing Act of 1937: Sec. 2 (7 USC 602) & Sec. 8 (USC 608c) - Requires price parity comparisons in administering marketing orders for agricultural commodities.

Agricultural Adjustment Act of 1938, as amended: Sec. 301 (7 USC 1301) - Defines terms related to parity.

Agricultural Act of 1949, as amended:

Sec. 106 (7 USC 1445) - Sets tobacco price support level.

Sec. 201 (7 USC 1446) - Sets honey price support level.

Sec. 401 (7 USC 1421) - Authorizes price support programs.

Agricultural Act of 1954, as amended: Sec. 703 (7 USC 1782) - Sets wool and mohair price support levels.

Foreign Assistance Act of 1961, as amended: Sec. 604 (22 USC 2354) Prevents procurement of any agricultural commodity or product outside the United States when its domestic price is less than parity.

Food and Agriculture Act of 1977: Sec. 1002 (7 USC 1310) - Establishes loan levels at 90% of parity for certain commodities when export sales are suspended because of short supply determinations.

Agriculture and Food Act of 1981: Sec. 007 (7 USC 4103) - Authorizes review of parity formula by the National Agricultural Cost of Production Standards Review Board. Sec. 1204 (7 USC 1736j) - Sets price support at 100 percent of parity when national security or foreign policy interests mandate an agricultural export embargo.

Federal Agriculture Improvement and Reform (FAIR) Act of 1996: The tobacco support program are continued by prior legislation and are not affected by the 1996 Act. Section 101 (7 USC 1441) suspended permanent provisions of parity prices support formulas for tobacco, peanuts, corn, wheat, rice, and cotton.

Exhibit 4
Annual Family Farm Report to Congress

United States Code, Title 7, Chapter 55.

2266. Congressional reaffirmation of policy to foster and encourage family farms; annual report to Congress

- (a) Congress reaffirms the historical policy of the United States to foster and encourage the family farm system of agriculture in this country. Congress believes that the maintenance of the family farm system of agriculture is essential to the social well-being of the Nation and the competitive production of adequate supplies of food and fiber. Congress further believes that any significant expansion of non-family owned large-scale corporate farming enterprises will be detrimental to the national welfare. It is neither the policy nor the intent of Congress that agricultural and agriculture-related programs be administered exclusively for family farm operations, but it is the policy and the express intent of Congress that no such program be administered in a manner that will place the family farm operation at an unfair economic disadvantage.

- (b)
 - (1) In order that Congress may be better informed regarding the status of the family farm system of agriculture in the United States, the Secretary of Agriculture shall submit to Congress, by July 1 of each year, a written report containing current information on trends in family farm operations and comprehensive national and State-by-State data on non-family farm operations in the United States.

 - (2) The Secretary shall also include in each such report -
 - (A) information on how existing agricultural and agriculture-related programs are being administered to enhance and strengthen the family farm system of agriculture in the United States;

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- (B) an assessment of how tax, credit, and other current Federal Income, excise, estate, and other tax laws, and proposed changes in such laws, may affect the structure and organization of, returns to, and investment opportunities by family and non-family farm owners and operators, both foreign and domestic;

- (C) identification and analysis of new food and agricultural production and processing technological developments, especially in the area of biotechnology, and evaluation of the potential effect of such developments on -
 - (i) the economic structure of the family farm system;
 - (ii) the competitive status of domestically-produced agricultural commodities and foods in foreign markets; and
 - (iii) the achievement of Federal agricultural program objectives;

- (D) an assessment of the credit needs of family farms and the extent to which those needs are being met, and an analysis of the effects of the farm credit situation on the economic structure of the family farm system;

- (E) an assessment of how economic policies and trade policies of the United States affect the financial operation of, and prospects for, family farm operations;

- (F) an assessment of the effect of Federal farm programs and policies on family farms and non-family farms that -
 - (i) derive the majority of their income from non-farm sources; and
 - (ii) derive the majority of their income from farming operations; and,

- (G) such other information as the Secretary considers appropriate or determines would aid Congress in protecting, preserving, and strengthening the family farm system of agriculture in the United States.

Exhibit 5
Commission on 21st Production Agriculture

1996 Farm Bill, Section 183, Subtitle G of Public Law 104-127

Provisions of the law establishing the Commission on 21st Century Production Agriculture include:

- (A) Initial review--The Commission shall conduct a comprehensive review of changes in the condition of production agricultural in the United States since the date of enactment of this title and the extent to which the changes are the result of this title and the amendments made by this title. The review shall include the following:
- (1) An assessment of the initial success of production flexibility contracts in supporting the economic viability of farming in the United States.
 - (2) An assessment of economic risks to farms delineated by size of farm operation (such as small, medium, or large farms) and region of production.
 - (3) An assessment of the food, security situation in the United States in the areas of trade, consumer prices, international competitiveness of United States production agriculture, food supplies, and humanitarian relief.
 - (4) An assessment of the changes in farmland values and agricultural producer incomes since the date of enactment of this title.
 - (5) An assessment of the extent to which regulatory relief for agricultural producers has been enacted and implemented, including the application of cost/benefit principles in the issuance of agricultural regulations.
 - (6) An assessment of the extent to which tax relief for agricultural producers has been enacted in the form of capital gains tax reductions, estate tax exemptions, and mechanisms to average tax load over high and low-income years.
 - (7) An assessment of the effect of any Federal Government interference in agricultural export markets, such as the imposition of trade embargoes, and the degree of implementation and success of international trade agreements and United States export programs.

- (8) An assessment of the likely effect of the sale, lease or transfer of farm poundage quota for peanuts across State lines.
- (B) Subsequent review— The Commission shall conduct a comprehensive review of the future of production agriculture in the United States and the appropriate role of the Federal Government in support of production agriculture. The review shall include the following:
- (1) An assessment of the changes in the condition of production agriculture in the United States since the initial review conducted under subsection (a).
 - (2) Identification of the appropriate future relationship of the Federal Government with production agriculture after 2002.
 - (3) An assessment of the personnel and infrastructure requirements of the Department of Agriculture necessary to support the future relationship of the Federal Government with production agriculture.
 - (4) An assessment of economic risks to farms delineated by size of farm operation (such as small, medium, or large farms) and region of production.

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Chapter 2 - Terms and Definitions

Enumerators working on the CRR 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. The revised Appendix A of the "*Interviewer's Manual*", to be issued in January 1998, should contain definitions of each of the terms below.

Economic and Cost of Production Terminology

accounting, accrual	Census of Agriculture
accounting, cash	check-off
acreage base	commission charges
acreage, eligible contract	commodity
acreage, contract	commodity, contract
acreage, noncontract	Commodity Credit Corporation (CCC)
agricultural commodity	confidentiality
agricultural production	Conservation Reserve Program (CRP)
animal unit (AU)	conserving use
animal unit month (AUM)	contract
aquaculture	contract, delayed pricing
area sample	contract, forward
assessed value	contract, marketing
assessments	contract, production
assets	contract sale
auction pool	contractee
balance sheet	contractor
barrel (bbl)	Cooperative State Research, Education, and Extension Service (CSREES)
base acreage	corporation
BLM	cost of production
borrowing capacity	cover crop
call back	cropland
carryover	crop rotation
cash receipts	cull
cattle on shares	
census	

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

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

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

Chapter 3 - Survey Procedures

Survey Materials

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

You will receive the following from your State Office:

- Copies of pre-survey publicity letters mailed to each respondent.
- Questionnaires with labels identifying the assigned operations.
- A few 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 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

You will need to use a calculator for this survey; a clipboard may also be useful.

Questionnaire Versions

Three questionnaire versions will be used in this year's CRR. All States will use Version 1. Major producing States will use Versions 2 and 3.

<u>Version</u>		<u>Color</u>
Costs and Returns Report (CRR)	(V1)	White
Soybean	(V2)	Yellow
Cotton	(V3)	Blue

All versions have a Face Page which identifies the selected operator and partners. Since prescreening of respondents was done in Phase I of ARMS in 33 states, a screening form is not printed in the questionnaire. Instead, a screening supplement will be used in the 15 states which did not pre-screen in Phase I (CT, FL, MD, MA, NV, NH, NJ, NM, NY, RI, UT, VT, VA, WV and WY), and selectively in states where Phase I screening was incomplete. Screening is discussed in Chapter 4 of this manual.

The soybean and cotton questionnaire versions are exactly the same as the CRR (Version 1) questionnaire *except* additional questions are asked related to the cost of producing the specific crop. Consistency was maintained across versions to avoid confusion when switching from one questionnaire to another. All questionnaire versions begin with a Face Page, follow with thirty-one sections, and end with a Conclusion.

Respondent Burden

Be thoroughly familiar with each questionnaire version you will be using, and the instructions for it, so the interview will go smoothly.

Follow skip instructions carefully to avoid asking questions needlessly. If no skip 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

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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. Respondents who have questions or comments about the burden statement or paperwork reduction should send them directly to the mailing address shown in the burden statement.

Entering Data

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

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

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 them. 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 blank spaces to explain. Do not write notes or make unnecessary entries in answer boxes.

The Sample

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 I.D. number 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.

If the operator is not present when you visit, but is expected soon, either wait or make other contacts nearby and return a little later.

If the operator is too busy to be interviewed at that time, set up an appointment at his or her convenience. Be sure to keep the appointment and be on time! If an emergency prevents you from doing so, inform the operator beforehand and reschedule the 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 callbacks) 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.

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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 of their own finances and may not have their records in order. They probably do not realize what an asset you will be in the interview. Because you know the survey questions well, you will be able to help farmers find most of the information in their books. 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 that 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 just 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,

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- the answer may be incorrect because it does not fit with 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 of those then, did you?". Instead, say, "During 1997, 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 that 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 1997. 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 recontact 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 set up 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, pick up the information for the operation's 1997 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.

Some of the operators may have read about the survey in a pre-survey letter from the State office or in newspaper or farm magazine articles. They may also be familiar with the old Farm Costs and Returns Survey (FCRS), which this survey closely resembles.

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 him find the answers in whatever records are available.

Often when making the initial contact on this survey, you are only setting up an appointment to complete the questionnaire at a later date. Some states will be screening samples for the first time or re-screening samples where Phase I data were inadequate using a Screening Supplement. **It is best to complete the Screening Supplement on this first contact**, because you may find out things about the operation you need to call the state office about. This procedure gives you plenty of time to contact the office before doing the full interview. Account for the screening time in notes so that interview beginning or ending time can be adjusted to more accurately reflect total interview time.

Response Codes

Upon completion of the interview, enter the response code in cell 0910 on the Face Page of the questionnaire. Response codes are:

Code 3 - **COMPLETE**: The questionnaire is complete. You have obtained all of the data needed for the operation. This includes operations that are out-of-business.

Code 5 - **SCREEN OUT**: The selected operation is out-of-scope for ARMS. This code should be used for Indian reservations, prison farms, private or university research farms, not-for-profit farms operated by religious organizations, FFA farms, etc. Do not use Code 5 for operations that are out-of-business; these should be a Code 3.

Note: Institutional farms are in-scope for the Census of Agriculture. For ARMS records that are “tagged” with Census, the Response Code 5 can be used to indicate out-of-scope for ARMS but data can be collected on the ARMS questionnaire to satisfy the Census reporting requirement. Talk to the State Office for more instructions if this situation occurs.

Code 8 - **REFUSAL**: The respondent refused to cooperate or grant an interview.

Code 9 - **INACCESSIBLE / INCOMPLETE**: The operator was not available throughout the survey period; “inaccessible”. The State Office may also use this code if the respondent gave an interview but could not, or would not, answer a lot of the questions (incomplete questionnaire).

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. We use the interview times 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

Assigned 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 label 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 part of the 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. Collect data for the operation as it existed on June 1. For example, if the tract was individually operated in June and changed to a partnership in September, get data for the individual operation for the time it existed (January through August). Do not collect any data for the partnership.

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

If you find out that 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 that 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 code "1" has been entered in the Screening Box on the Face Page of the questionnaire, the Office will have included a Screening Supplement with the questionnaire for you to complete for this operation. If the Screening Box is not coded, begin the interview with Section 1.

If a question or problem exists with the operation description information picked up during the ARMS Phase I Screening Survey, the State Office will want you to ask the screening questions again. This may be because the screening data were collected from sources other than the Phase I Survey, the respondent to Phase I may have been someone other than the operator, or incomplete information was obtained on the Phase I Screening Survey.

States that have prescreened for ARMS:

Alabama	Idaho	Maine	North
Arizona	Illinois	Michigan	Carolina
Arkansas	Indiana	Minnesota	North Dakota
California	Iowa	Mississippi	Ohio
Colorado	Kansas	Missouri	Oklahoma
Delaware	Kentucky	Montana	Oregon
Georgia	Louisiana	Nebraska	Pennsylvania

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South Carolina	South Dakota Tennessee	Texas Washington	Wisconsin
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The samples in the above states were prescreened for ARMS in June, July and August, 1997. For these states, no additional screening will be necessary, unless the State Office requests you to do so.

States screening samples for ARMS during Phase III:

Connecticut	Nevada	New York	Virginia
Florida	N e	w Rhode Island	West Virginia
Maryland	Hampshire	Utah	Wyoming
Massachusetts	New Jersey	Vermont	
	New Mexico		

A screening supplement must be completed for every sample in this second list of states.

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 names were misclassified. Screening questions determine the eligibility of the selected name for this survey.

Institutional 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. Because these operations are in-scope for the Census of Agriculture, the State Office may want you to complete the ARMS questionnaire to satisfy the data needs of the Census. If your assignment includes any of these farms, notify your supervisor or the survey statistician.

If an operation was in business during part of 1997 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.

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 1997 on the total acres operated. If YES, go to item 5. If NO, continue with item 3.

For an operation to qualify as growing a crop, it 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 the 1997 crop year 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 1997.

INCLUDE:

1) all cattle, hogs, sheep, mules, 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 have five or more pleasure horses.

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.
- 2) horse boarding operations, riding stables, or race horse training operations that do not have other agricultural items.
- 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, fish 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 5.

If items 2 and 3 are both NO, continue with item 4.

Item 4 Enumerator Action (OpDomStatus = 99 and Out-of-Business)

Use this item only if both of the screening questions (items 2 and 3) were answered NO. This is an item you handle yourself unless the State Office has marked it for you. **It is not an item you ask the respondent.** Check the label on the Face Page of the questionnaire. The state survey statistician will give you a label diagram showing the location of the OpDomStatus code. If the State Office has not marked this, you may want to circle the OpDomStatus code on each questionnaire with a Screening Supplement before you begin enumeration. If the OpDomStatus is not 99 enter code 2 and skip to item 7. If the OpDomStatus is 99 enter code 1 and skip to item 9.

Item 5 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 *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 6 Enumerator Action

This is an item you handle yourself unless the State Office has marked it for you. It is not an item you ask the respondent. If the operation is an OpDomStatus=99, begin the interview. If the OpDomStatus is not 99, continue with item 7.

Check the label on the Face Page of the questionnaire. The state survey statistician will give you a label diagram showing the location of the OpDomStatus code. If the State Office has not marked this, you may want to circle the OpDomStatus code on each questionnaire with a Screening Supplement before you begin enumeration.

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 1997. Each additional 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, and item 4 is blank (you did not have to complete it), begin the interview. If item 4 is code 2 (the operation on the Face Page is out-of-business), go to item 9.

If the operator has other operations (item 7 is YES)

Item 7a Number of Additional Operating Arrangements

Enter the number of additional operating arrangements, EXCLUDING THE SAMPLED OPERATION LABELED ON THE FACE PAGE OF THE QUESTIONNAIRE. Entering a "1" for this item 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 number of additional operating arrangements in item 7a, turn the Screening Supplement over and 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 (item 4 is blank), 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 labels for Operation 2 on the Screening Supplement. There will be an additional Screening Supplement for Operation 3, if there is a third operation. 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 1997. If any partner names are not listed, add them.

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 1997. 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

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 1997 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).

Item 8 Enumerator Action

If item 4 is blank, then you will complete the interview for the operation named on the Face Page of the questionnaire. If you have just finished verifying other operations, be sure to tell the respondent you are interviewing for the operation named on the Face Page, then begin the interview.

If item 4 is code 2, continue with item 9.

Item 9 **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 the information we need 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 10 **Enumerator Action**

If other instructions have already directed you to begin the interview, do not complete this item. If the questions and skip instructions bring you to this item, follow the printed instructions carefully.

First, on the Screening Supplement Face Page enter code 9 in cell 0921 (item 5). Next, go the questionnaire Face Page and enter code 3 in cell 0910. Finally, go the questionnaire Back Page and complete the administrative items inside the large black box including Respondent, Ending Time, Date, and Enumerator ID.

Chapter 5 - Questionnaires

Section 1 - Land Operated

Section Purpose

Section 1 has five 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,
- (4) to account for rent received on acres rented to others, and
- (5) to identify the location of agricultural activity.

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 1-5

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

For operations that were in business for only a part of 1997, collect data for the part of the year when it was still in operation. If it went out-of-business before December 31, 1997, 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.

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.

Items 1-5 account for acres owned, acres rented from others, and acres rented to others by this operation at any time during 1997.

Include:

- (1) all acres owned by the operator or operation.
- (2) all acres rented from others for cash, all acres rented for a share of the crop or livestock production, and all acres used rent-free.
- (3) 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).
- (4) 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.
- (5) 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 1997.

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

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

Sometimes you will find a situation where the **operator** (and/or partners) owns the land but has set up the **operation** so that the land is rented to

the operation. This is done for tax and other financial benefits. When this occurs, do not include the acres the operation rents from the operator as owned acres. Treat them as you would acres rented from any other landlord, and be sure the amount of rent paid is recorded.

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

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

There are three categories of rented acres: cash rented acres are recorded in item 2a, share rented acres are recorded in item 2b and acres used rent-free are recorded in item 2c.

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

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

EXCLUDE:

- (1) any land for which payment was made on a per head or an Animal Unit Month (AUM) basis. This is land used as pasture for grazing livestock. Expenses for **public land** where the operator has grazing rights, sole use, year-round use, etc. should be reported in item 11.
- (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 a land rental.

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 some 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 2a Acres Rented From Others for Cash

Record the total number of acres rented by the operation for all, or part of, 1997 for cash.

Item 2b Acres Rented From Others on Shares

Record the total number of acres rented by the operation for all, or part of, 1997 for a share of the crop or livestock production.

Item 2c Acres Used Rent-Free

Include only acres for which **the original agreement** was that no rent would be paid. Do not include share rented land on which no rent was paid because no crop was harvested due to weather, pest damage, etc.

Item 3 Acres Rented To Others

INCLUDE:

- (1) land this operation owned which was rented to another operation in 1997 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 1997. 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 which this operation has enrolled in Government programs (such as acres under production flexibility contracts in the 7-year farm program, acres in Conservation Reserve, 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 on which the operator fed livestock under contract for someone else.

Item 3a Acres Owned that were Rented or Leased to Others

Of the acres rented or leased to others (item 3), record the number of acres **owned** by this operation.

Item 4 Acres Used and Also Rented Out

This type of situation is generally found in western states in which growers of winter grains grow their grain crop during the fall and winter and then rent these same acres out to others to grow vegetables or other summer crops (or vice-versa). This item is needed so that crop and land use totals will reflect the true number of acres in the operation during the year. Exclude acres of crop stubble which the operation rented out on a per head basis.

Item 5 Total Acres Operated in 1997

The operation's total farming/ranching operation is the total of items 1 + 2a + 2b + 2c - 3 + 4. 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, wetland and woodland associated with this operation.

Item 6 Number of Landlords in 1997

This item records the number of landlords involved in this operation in 1997. This includes landlords from the acres rented from others either for cash, a share of production, or free-of-charge. If no acres were reported in items 2a, 2b, or 2c above, this item should be blank.

Item 7a Cash Rent Paid for Acres Rented From Others

Including rent for buildings and land, record the total amount paid in 1997 to all landlords for all cash rented acreage. Ask this question even if no land was rented in 1997. Why? The operation may have paid rent for 1996 or 1998 in 1997. If we skip this question just because the operation did not rent any land in 1997, we miss previous year's rent paid in 1997, or 1998 rent paid in advance in 1997. If an operation had more than one cash rental arrangement, the sum of all the individual rents should be recorded.

EXAMPLE:

<u>ARRANGEMENT</u>	<u>ACRES</u>	<u>RENT/ACRE</u>	=	<u>ANNUAL RENT</u>
#1	200	\$30.00	=	\$ 6,000
#2	150	\$20.00	=	\$ 3,000
#3	100	\$25.00	=	\$ 2,500
		Total Annual Rent	=	\$11,500

Item 7a1 Rent for Specified Commodity (soybeans or cotton)
V2, V3

Record the percent or actual dollar amount of the cash rent for land used for the specified commodity.

Item 8 Cash Rent Received for Acres Rented To Others

Do not skip this item even if the operation rented no land out in 1997. The operation may have received income in 1997 for land rented to others before 1997, or it may have even received a pre-payment of 1998 rent in 1997.

Including rent for buildings and land, record the total cash rent received during 1997 for all land rented to others for cash. If rent owed to the operation for 1996 was received in 1997, it should be included here. If rent for 1998 was received in advance (in 1997), it should also be included. Government payments received in association with these acres should also be included.

Item 9 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 1997. The operation may have received its share of 1996 commodities in 1997 for land it rented to others in 1996. 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 10 Use of AUM Acres

This item indicates if the operation uses public, industrial or grazing association (PIGA) land or private land on a per-head or animal unit month (AUM) basis. If the operation has any of these types of arrangements, enter a "1" in the appropriate box. This land should not be included as part of item 2, land rented or leased from others, or in item 5, total acres operated.

Item 11a Usage Fees *Paid* on PIGA land

Excluding contract arrangements, record the total usage fees PAID for use of public, industrial, or grazing association land in 1997. Include all expenses for any year, as long as they were paid in 1997. Fees paid for use of private land should be reported in item 11b.

NOTE: If the operation owned (or rented from others) land which was administered on an exchange-of-use basis, these acres should be reported twice: first as owned acres (item 1) (or rented acres, item 2) and second as acres rented to others (item 3).

Item 11b Usage Fees Paid on Private Land

Excluding contract arrangements, record the total usage fees PAID for use of privately owned land on a per-head or AUM basis. Include all expenses for any year, as long as they were paid in 1997. Fees paid for use of PIGA land should be reported in item 11a.

Item 11c Usage Fees Earned

Excluding contract arrangements, record the total usage fees EARNED for all land rented to others on a per-head or AUM basis.

Item 12a Principal County

The principal county is the county where the largest part of the value of agricultural products sold from this operation were raised or produced. Record the principal county, State, and number of acres operated in that county.

Item 12b Other Counties

If the acres operated are located in more than one county, record the additional counties names, State, and the number of acres in each.

The total acres operated (item 5) must be accounted for by the sum of the acres reported in each county in items 12a and 12b.

Section 2 - Acreage Use

General Instructions

Land for Multiple Purposes

Record each acre in the operation only once in this section, even though the land may have been used for more than one purpose. For example, if a farmer plowed under a cover crop and then a grain crop was planted and harvested on the same land, record the land as “cropland harvested” (item 1a), and not as “cropland used for cover crops” (item 1c). Acres recorded in item 5 of this section must equal the total acres operated (Section 1, item 5).

Double-Cropping

If more than one crop was harvested from the same land in 1997, record the acreage only once in this section as “cropland harvested” (item 1a). For example, if wheat was harvested from a 40-acre field in 1997, and then soybeans were planted and harvested from the same field in 1997, record 40 acres of cropland harvested in item 1a. However, remember to record 40 acres of each crop in Section 5.

Interplanted Crops

If two crops were grown together, such as alfalfa grown in a young orchard, record the total land used for both crops once in item 1a as “cropland harvested”. Remember to record each crop separately in Sections 6 and 10 respectively.

Conservation Reserve Program Land

Conservation Reserve Program (CRP) land can be recorded in any item in this section, except for item 1a, cropland harvested.

Item 1a **Cropland Harvested**

Cropland harvested includes all acreage from which crops were harvested in 1997, such as:

1. Corn, wheat, barley, oats, sorghum, soybeans, cotton, tobacco, etc.
2. Wild or tame harvested hay, silage, green chop, etc.
3. Vegetables.
4. Land in orchards and vineyards (both bearing and nonbearing age), including trees on which the 1997 bloom or fruit were freeze killed or for which the fruit crop failed for other reasons.
5. All acres in greenhouses, nurseries, Christmas trees, and the acres from which sod was harvested and sold in 1997.
6. Any other acreage from which a crop was harvested even if the crop was considered a partial failure and the yield was very low.
7. If some, but not all, of the acreage of a crop was harvested, the harvested acreage should be recorded in item 1a, and in the appropriate crop section. The remainder of the acreage should be recorded in item 1d provided it was not used for pasture or grazing.

The sum of acres harvested in Sections 5 through 11 minus the acreage of land from which two crops were harvested (acres double-cropped) should equal the cropland harvested. If more than two crops were harvested from the same acreage, that acreage should be counted only once in Section 2. However, if maple trees were tapped on the operation, those acres should be excluded from the sum of the Section 5 through 11 acres.

Exclude:

1. Tapped maple trees. They should be recorded in item 2b, as "woodland not pastured."
2. CRP land

Item 1b Cropland Used Only for Pasture or Grazing

Include:

1. Cropland that is pastured or grazed (often in a rotation) which could have been used for crops without any additional improvement.
2. Land planted to crops that were hogged off, pastured, or grazed before reaching maturity.

Exclude:

Corn, sorghum, soybeans, and cowpeas which should be recorded in item 1a if hogged or grazed upon maturity. These crops are considered harvested when hogged or grazed, if not harvested for grain or cut for silage.

Item 1c Cropland Used for Cover Crops

Record land used in 1997 only to grow cover crops for controlling erosion or to be plowed under for improving the soil. **DO NOT** include acreage from which crops were harvested or land used for pasture or grazing.

Item 1d Cropland on which All Crops Failed

Include:

1. All land from which a crop failed (except fruit or nuts in an orchard, grove, or vineyard being maintained for production) and neither that crop nor any other planted on that land was harvested, pastured or grazed.
2. Acreage not harvested because of low prices or labor shortages.
3. If some, but not all, of the acreage of a crop was harvested, the harvested acreage should be recorded in item 1a, and in the appropriate crop section. The remainder of the acreage should be recorded in this item provided it was not used for pasture or grazing.

Item 1e Summer Fallow

Cropland in cultivated fallow includes cropland:

1. Left unseeded for the 1997 crop year.
2. Cultivated or treated with herbicides to control weeds and conserve moisture.

Include cropland summer fallowed here for the 1997 crop year, even if it was planted to wheat, etc., for the 1998 harvest.

Item 1f Cropland Idle

Cropland idle includes any other acreage which could have been used for crops without any additional improvement and which was not recorded in items 1a through 1e.

Include:

1. Land not harvested in 1997 but occupied by growing crops for harvest in 1998 or later years. Examples are acreage of young strawberries, new sugarcane planting, etc.
2. Skipped rows in crops should be recorded here if the land was not used for any other purpose.

Item 2 Woodland

Record all woodlots or timber tracts, natural or planted.

Include:

1. Cutover and deforested land with young growth which has or will have value for wood products.
2. All woodland used for pasture or grazing (record in 2a).
3. Tapped maple trees (sugar bush) and all other woodlands. This should be recorded in item 2b.

Exclude:

1. Land planted for Christmas tree production. These acres should be recorded in item 1a.
2. Cut over or deforested land which has been improved for pasture. These acres would no longer be considered woodland, and should be recorded in item 3, "Other Pastureland and Rangeland".
3. Sagebrush or mesquite land. This land should be recorded in item 3.

Item 3 Other Pastureland and Rangeland

This land use item includes all remaining types of pastureland and rangeland, other than cropland or woodland pasture, that is normally used for pasture or grazing. It usually includes land which may be called "meadow" or "prairie" and which may be composed of bunchgrass, shortgrass, buffalo grass, bluestem, bluegrass, switchgrass, etc. It also includes land predominantly covered with brush or browse. Pastureland or rangeland containing desert shrubs, sagebrush, mesquite, greasewood, mountain browse, salt brush, cactus, juniper, pinion, etc., are to be recorded here. Also, include grazing lands improved by seeding, liming, fertilizing, irrigating, drainage, or controlling of brush or weeds.

Item 4 All Other Land

Include in item 4 land occupied by building sites, lanes, roads, ponds, barn lots, gardens for home use, wasteland, etc. Also, include all land on this place that does not fit the definition of any of the other land use categories listed above.

Item 5 Total Acres

This is the sum of all entries recorded for items 1 through 4 and it **MUST** be the same as the Section 1, item 5 total.

Section 3 - Acres Irrigated

General Instructions

Irrigation refers to the application of water to land by any artificial or controlled means, such as sprinklers, furrows and ditches, spreader dikes, flooding, and subirrigation. Preplant, partial, and supplemental irrigation are to be included. Include spreading or channeling of spring run-off or flood waters if done by man-made structures. Count each acre only once, regardless of the number of times irrigated or the number of irrigated crops grown on it. The sum of items 1 and 2 cannot be greater than the total acres operated in Section 1, item 5.

Item 1 Harvested Land Irrigated

Record the acres of irrigated land from which crops were harvested in 1997 and all irrigated land with bearing and nonbearing fruit and nut crops. Irrigated hay land should be included if hay was cut.

Item 2 Other Land Irrigated

Record all other irrigated land which was not recorded in item 1. Include acreage used as pastureland, rangeland, land not harvested due to crop failure, and land in cover crops and soil improvement grasses irrigated at least once in 1997. Include land irrigated by spring flooding if water was diverted or spread by dams, spreader dikes, canals, ditches, pipes, or other man-made facilities.

Section 4 - Acres in Reserve Programs

Item 1 Acres in Reserve Programs (CRP or WRP)

Under the Conservation Reserve Program (CRP), farm and ranch operators may bid to place highly erodible cropland in a 10-15 year conservation reserve. Operators with CRP acreage receive government payments for the land placed in reserve and may not conduct any commercial farming activities, such as harvesting of crops or grazing animals on that acreage for up to 15 years. In addition, operators must plant the reserve acreage in permanent vegetative cover crops, such as annual grasses or commercial timber.

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

Record the total number of acres this operation has under CRP and/or WRP.

Sections 5 through 11 - Crops Produced

General Instructions

To ensure an accurate and as quick as possible interview, you need to become very familiar with the questionnaire and the items of interest in each section.

Record all crops harvested from this operation in 1997 in Sections 5 through 11.

Guidelines For Completing Crop Sections

Become familiar with the crops listed in each section.

To record each harvested commodity:

1. For Sections 5 and 6 record information for the crops which are preprinted.
2. For Section 7 through 11 enter the crop name (if not preprinted) and crop code in the first two columns of the first available answer line in the section. Crop codes can be found either pre-printed within each section or a complete list can be found in the respondent booklet.
3. Enter the information requested in the remaining columns.

Crops Relate to Total Acres in this Operation

The questions for crops always relate to the total acres in this operation recorded in Section 1, item 5. 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 1997.

Acres Harvested

The entries for crops harvested must include the total area and yield per acre (or total quantity harvested) from this operation during 1997 or any part of the year in which there was agricultural activity on this operation. Include all methods of harvesting, combining, cutting, digging, picking, stripping, or gathering, etc., whether by hand or machinery.

Acres Not Harvested

If a planted crop was not harvested because of crop failure or abandonment due to drought, flood, fire, or some other natural or economic disaster, **DO NOT** record the acres in Sections 5 through 11. If **all** of the following conditions apply, then record the acres not harvested in Section 2, item 1d:

1. One or more crops were planted on the acres,
2. No crops of any kind were harvested,
3. The acres were not hogged or grazed off, and
4. The crops were not orchards, citrus groves, grapevines, nut trees, nursery or greenhouse crops.

Exclude from Section 2, item 1d, any crop, (such as field corn, soybeans, or similar crops) intended for harvest in 1997, for which harvest was delayed into 1998 because of weather, labor shortage, or some similar reason. Estimate value and production on these 1997 crops and record them in the appropriate sections.

Acreage and Production

If a crop was harvested, record all information requested for that crop, including acres harvested, yield per acre or quantity harvested in the unit of measure indicated, and the irrigation information.

Institutions (For Census of Agriculture purposes only)

Crops grown and harvested by an institution (school, prison, hospital, etc.) for use by the residents should be recorded as crops harvested. Use the respondent's estimated current market value to arrive at the sales figure to be recorded in Section 12.

Unit of Measure

The answer to production questions should be given in the unit of measure requested. If the respondent reports yield (production) in a unit of measure different than the item specifies, convert the yield (production) to the specified unit. Attach any additional sheets of paper with calculations to the questionnaire.

Interplanted Crops or Skip Row Planting

Interplanting is two crops grown together or in alternate strips of the same field at the same time. "Skip" row involves leaving a space between the rows for conserving moisture, soil conservation, tillage practices, movement of machinery and equipment between the rows for spraying and harvesting of the crop, etc. For each crop interplanted or having "skip" rows, record the portion of the field used by that crop.

Example 1: If a 40-acre tract of land was planted in cotton and soybeans, with 8 rows of cotton followed by 8 rows of soybeans for beans, 20 acres should be recorded for cotton and 20 acres should be recorded for soybeans.

Example 2: If a crop was planted in "skip" rows for soil improvement, record the harvested portion of the field in the proper crop item and in Section 2, item 1a, and the acres skipped for soil improvement in Section 2, item 1c.

Example 3. If "skip" rows were left idle, record the harvested portion of the acres in the proper crop item and include the acreage in Section 2, item 1a, and record the idle acres in Section 2, item 1f.

Double Cropping

If two or more crops were harvested from the same acres, the total acres of each crop harvested should be recorded in the appropriate section. However, the area used for double cropping should be recorded only once in Section 2, item 1a, "Cropland harvested."

For example:

A 50-acre field was planted in wheat. After the wheat was harvested, 50 acres of soybeans were planted and harvested from the same acres in the same year. Record 50 acres of wheat and 50 acres of soybeans, but only 50 acres of "Cropland harvested" in Section 2, item 1a.

Crop Failure

Record total failure of crops (if no part of the crop was harvested and no other crop was harvested) in Section 2, item 1d. For example, if 3 acres of corn completely failed in a 20-acre field of corn, **DO NOT** include these 3 acres as harvested. If only the "good spots" in a poor field were harvested, record only the acres actually harvested and not the acres in the entire field. Acres with low yields (partial failure), however, are counted if the acreage was actually harvested, regardless of how low the yield. **DO NOT** record as crop failure crops hogged or grazed.

Crops Harvested From Orchards

If a crop was grown and harvested from an orchard, record the acres for the specific crop in the appropriate crop section, and also in Section 2, item 1a. For example, if a vegetable crop was grown among trees in a 5 acre orchard, record 5 acres of the vegetable in Section 8, and 5 acres of orchard in Section 10; and 5 acres of cropland harvested in Section 2, item 1a.

Irrigation

For each crop irrigated, record the number of acres irrigated in 1997. Record the acres of the same crop only once, regardless of the number of water applications. Irrigation is defined as land watered by artificial or controlled means (sprinklers, furrows or ditches, spreader dikes, purposeful flooding, etc.). Include supplemental, partial, and preplant irrigation. If none of the land for a crop was irrigated, be sure to leave the column blank.

If two different crops or two plantings of the same crop were harvested in 1997 from the same acreage, record the acres of each crop or planting irrigated. (Exception: In Section 8, item 1b, record acres only once even though two or more vegetable crops were harvested from the same acres or the same acres were harvested more than once).

Landlord's Share of Production

It is strongly recommended not to record the percent received by the landlord in the margin so that 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. This is a common mistake and one that can be avoided! See the example below.

Example of INCORRECT Calculation of Landlord's Share:

Valley Farms owned 200 acres on which it grew wheat in 1997. 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. At \$4.00 a bushel, the landlord's share would be worth \$14,400 and the wheat marketed by the operation would have a value of \$111,600.

Suppose the enumerator had recorded the 31,500 bushels produced and noted that the landlord received a 20% share. Later, he/she came back and calculated the amount of the landlord's share as $.20 \times 31,500 = 6,300$. This would result in the value of the landlord's share being calculated as \$25,200 (\$10,800 more than it should be) and the value of the wheat belonging to Valley Farms as \$100,800 (\$10,800 less than it ought to be).

Example of CORRECT Calculation of Landlord's Share:

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

Landlord's Share (amount) of production

4,500 bushels X .33 share = 1,500 bushels

Section 5 - Crop Production

Column 1 Crop

Most major field crops are reported in this section. Only the pre-printed crops indicated can be reported in this section. All other field crops harvested should be reported in Section 11.

Column 2 Acres Harvested

Report the harvested acreage **to the nearest whole acre** for all crops harvested (except tobacco, sweetpotatoes and potatoes which are reported to the **nearest tenth of an acre**).

Acreage of CORN and SORGHUM/MILO harvested for silage should always be recorded on a separate line from acres harvested for grain.

INCLUDE:

1. acreage of crops harvested in 1997.
2. acreage of crops intended for harvest in 1997 even if harvest was delayed until 1998 due to bad weather, etc.
3. acreage for which two uses were made of the same crop.

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 1996 crops not harvested until 1997 due to weather conditions, etc. Make sure the respondent is not reporting **planted** acres by crop when you are asking only for harvested acres.

Column 3 Yield Per Harvested Acre

Record the average **YIELD PER ACRE** of the harvested commodity.

Yield per acre must be reported in the unit indicated inside the item code box. If the operator reports yield 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 yield into the required unit.

Column 4 Acres Irrigated

Report acres irrigated **to the nearest whole acre** for all crops harvested, except tobacco, sweetpotatoes and potatoes which are reported to the **nearest tenth of an acre**.

Column 5 Landlord's Share of Production

Record the TOTAL amount of each commodity given to landlord(s) in return for use of the land. This item is very important because it is used to calculate the value of the landlord's share for rent.

Be sure the amount recorded for landlord(s) share is in the unit indicated in the item code box. This unit is consistent with the unit reported in column 3, yield per acre.

Remember production is reported in yield per acre in column 3 but the landlord's share in column 5 is Total Quantity received. For example, if 200 acres of soybeans were harvested which averaged 30 bu/acre and the landlord received 30% of the production, you would record 1800 in column 5 ($200 \times 30 \times .30 = 1,800$).

In crops such as peanuts or tobacco, quotas or allotments may be rented or leased on shares from operators who do not use their full allotment or quota. Quotas for marketing peanuts or burley tobacco may be rented with or without land. Record the landlord's share of production for these types of share rental arrangements here.

Commodity Specific Instructions

Corn

The acres of field corn harvested for grain, seed, silage, or green chop are to be recorded in this section. If the land was hogged or grazed following harvest for grain or silage, the acreage should be recorded only as having been harvested for grain or silage.

Exclude:

1. Sweet corn for fresh market, canning, or freezing. This should be recorded in Section 8.
2. Popcorn should be recorded in Section 11.
3. Corn cut for dry fodder or hogged or grazed (not harvested) should be reported in Section 11.

Wheat for Grain

Record wheat by type: winter, durum and other spring.

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 Section 6. If they were harvested as silage, they should be recorded in Section 11, using crop code 23. If the crop was not harvested (only grazed), do not record it at all.

Exclude:

1. Wheat cut for hay.
2. Acres or tons of straw baled.

Oats for Grain

Record all oats harvested for grain in this section. Oats cut for hay should be recorded in Section 6.

Exclude:

1. Oats cut for hay.
2. Acres or tons of straw baled.

Barley for Grain

Record total number of barley acres harvested for grain in this section.

Exclude:

1. Barley cut for hay.
2. Acres or tons of straw baled.

Sorghum

Sorghum and milo harvested for grain, seed, silage, or green crop should be included. Sorghum or milo harvested by cutting the heads from stalks and used for feed, unthreshed should be recorded as sorghum for grain. If land from which sorghum or milo was harvested was hogged or grazed following harvest, the acreage should be recorded only as having been harvested for grain, seed, or silage.

Exclude:

1. Sorghum-Sudan crosses used for hay. Record these in Section 6.
2. Sorghum cut for dry forage, hogged or grazed, or harvested for molasses should be recorded in Section 11.

Soybeans

Record only soybeans harvested for beans. Soybeans cut for hay should be recorded in Section 6, "Other tame dry hay". Record soybeans cut for silage, hogged or grazed in Section 11.

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. The acreage in "skip rows" should be recorded in cropland idle in Section 2, item 1f.

Tobacco

Record all types of tobacco harvested in 1997. Record tobacco acreage to the nearest tenth of an acre. If "skip" rows or "sled" rows were present, record only the actual tobacco acreage. Acreage in skip of sled rows should be recorded in Section 2, item 1f, "Cropland Idle".

Sweetpotatoes

Include yams with sweetpotatoes. Record acreage to the nearest tenth of an acre. **Exclude** sweetpotatoes produced for home consumption.

NOTE: Yield on the questionnaire is recorded in bushels. Farmers generally report sweetpotato yield in hundredweight. Be sure to convert yield to bushels. A bushel of sweetpotatoes weighs 55 pounds.

Potatoes

Record the acreage harvested for sale from this operation in 1997 to the nearest tenth of an acre. If the potatoes were graded for sale, be sure to include the culls in the quantity harvested, as well as those sold. **Exclude** potatoes produced for home consumption. and sweetpotatoes.

Sugar beets for Sugar

Record the acreage of sugar beets harvested for sugar during 1997. Sugar beets harvested for seed should be recorded in Section 11.

Section 6 - Hay, Grass Silage and Green Chop

General Instructions

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

1. Record the acreage only once in the column for acres harvested and, where applicable, in the column for acres irrigated. (NOTE: If cuttings were made for both dry hay and grass silage, haylage, or green chop from the same field, be sure to record both uses where appropriate).
2. Record the average total yield from all cuttings combined. For example, if two cuttings were made from a 50 acre hay field with the first cutting averaging 2.1 tons/acre and the second cutting averaging 1.3 tons/acre. The total average yield for the 50 acre crop would be 3.4 tons/acre (2.1+1.3).
3. If hay was cut from the same land from which small grains were harvested for grain:
 - a. Record the acreage cut for hay in this section.
 - b. Record the acreage harvested for grain in Section 5 or 11, as appropriate.
 - c. Exclude straw, except for the value of sales which is recorded as "Other Farm Income" in Section 27, item 8.
4. If a seed crop was harvested from the same land as a hay crop, record the hay crop in the appropriate item in Section 6 and record the seed crop in Section 11.

Item 1 Alfalfa and Alfalfa Mixtures for Dry Hay

Record only the acres and yield of alfalfa harvested or cut for hay. (Exclude acres "harvested" by grazing). Record the yield in dry weight. Dry weight refers to the weight at the time of baling or removing from the field for storage. If the operator does not know the dry weight, record their best estimate.

Item 2 Small Grain Dry Hay

This question relates to hay cut from wheat, oats, barley, rye, etc. Record the acres and yield of crops harvested for hay. Acres are recorded to the nearest whole acre and yield is reported to the nearest tenth per acre. Also, record small grain hay made from mixtures of these crops in this item. **DO NOT** record straw.

Item 3 Other Tame Dry Hay

Record all dry hay made from such crops or mixtures as clover, lespedeza, fescue, timothy, Bermuda grass, Sudangrass, orchardgrass, etc.

Item 4 Wild Dry Hay

Record all hay cut primarily from wild or native grasses, even if it had fill-in seedings of other grasses. Include acres and production of wild hay cut from public lands, pastures, and other land whether rent is paid or not. Do not confuse these with grasses for seed which are recorded in Section 11.

Item 5 Grass Silage, Haylage and Green Chop

Record grass silage and haylage (hay preserved as silage) and hay crops cut and fed green. If grass silage, green chop, or haylage was cut from the same land from which hay was cut, record the acreage in two places: (1) under land from which hay was cut and (2) land from which silage, haylage, or green chop was harvested. For example, if 20 acres of alfalfa were cut for hay and then the same land was used to produce alfalfa silage, record 20 acres and the yield of hay in item 1, and 20 acres and the yield of silage in item 5. When recording grass silage, include acres and total quantities from all cuttings, whether harvested from land cut for hay or from land used mainly for pasture.

Section 7 - Nursery and Greenhouse Crops

General Instructions

Include all flowers and plants grown for wholesale or retail sale. Also include those sold on consignment. Please note we are not asking the respondent to report each type of nursery and/or greenhouse crop. The commodities are grouped in broad categories to make reporting easier. Review the list of "Nursery and Greenhouse" codes in the respondent booklet with the operator to make reporting easier.

1. For crops grown in hot beds or cold frames, record only the square feet in the beds or frames.
2. For plants produced under glass or other protection, show the area of plants in square feet. Record greenhouse area only once when there is more than one crop of the same commodity grown in the greenhouse. If more than one commodity was grown in the same greenhouse record the area for each crop.
3. For mushrooms, record square feet of bed space used in 1997 only once even though it may be harvested more than once or more than one crop was grown during the year.
4. For plants produced in the open, give the area in acres and tenths of acres.
5. For nursery crops, record total acres grown for sale on this operation in 1997.
6. For sod, record only acres harvested in 1997. Acreage which was not harvested in 1997 should be recorded as "Cropland idle" in Section 2, item 1f.
7. Record acreage of **live** Christmas trees (balled and burlapped, etc.) grown on this operation in 1997 as "Nursery Crops", crop code 254. Record acres of Christmas trees **to be cut in later years** as "Other nursery and greenhouse", crop code 230. Record acres and sales of **cut** Christmas trees grown and sold using crop code 183.

Item 1 Nursery and Greenhouse Crops Irrigated

Record the square feet and/or acres (in tenths) of nursery and greenhouse crops irrigated in 1997. Count each square foot or acre only once regardless of the number of times irrigated.

Item 2 Nursery and Greenhouse Crops Produced

Columns 1 & 2 Crop Name and Crop Code

Record each crop produced and the associated crop code from the list of nursery and greenhouse codes on the questionnaires and/or the respondent booklet.

Columns 3 & 4 Production Area

Record the square feet under glass or other protection and/or the acres produced in the open for each crop. Square feet is recorded to the nearest foot and acres to the nearest tenth of an acre.

Column 5 Landlord's Share of Production

Record the MARKET VALUE (in whole dollars) of each commodity given to the landlords in return for use of their land.

Section 8 - Vegetables

General Instructions

Review the crop list on the questionnaire and/or the respondent booklet before beginning this section. Record vegetable acreage to the nearest tenth of an acre.

For Florida, report vegetable crops harvested between September 1, 1996 and August 31, 1997. For All Other States, report for calendar year 1997.

INCLUDE:

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. Area for gardens without sales should be recorded in Section 2, item 4, "All Other Land".

3. Two or More Pickings

Record entire acreage of each vegetable crop planted and harvested. However, if two or more pickings were made from the same planting, record the acres harvested only once.

4. Institutions (for Census of Agriculture purposes only)

Record acres of vegetables harvested from institutional farms, even if harvested only for use by the institution.

EXCLUDE:

1. Dry edible peas, dry edible beans, dry lima beans, or other dry field and seed beans. These will be reported in Section 11.
2. Potatoes or Sweetpotatoes, report in Section 2.
3. Vegetables grown under glass or other protection, report in Section 7.
4. Home gardens.

Item 1a Vegetable Acres Harvested

Record, to the nearest tenth of an acre, the total acres of all vegetable acres harvested.

Item 1b Vegetable Acres Irrigated

Record, to the nearest tenth of an acre, the total vegetable acres irrigated.

Item 2 Vegetable Crops Harvested

Columns 1 & 2 Crop Name and Crop Code

Record each crop produced and the associated crop code from the list of vegetable codes on the questionnaires and/or the respondent booklet.

Column 3 Acres Harvested

Record harvested acreage, to the nearest tenth of an acre, of each vegetable crop harvested.

Column 4 Acres Irrigated

Record acres irrigated, to the nearest tenth of an acre, of each vegetable crop irrigated.

Column 5 Landlord's Share of Production

Record the MARKET VALUE (in whole dollars) of each commodity given to landlords in return for use of their land.

Section 9 - Berries

General Instructions

This section refers to all kinds of tame and cultivated berries harvested for sale in 1997. Wild blueberries are the only non-cultivated berries which should be recorded here.

Item 1 Berry Crops Harvested

Columns 1 & 2 Crop Name and Crop Code

Record each crop produced and the associated crop code from the list of berry codes on the questionnaires and/or the respondent booklet.

Column 3 Acres Harvested

Record harvested acreage, to the nearest tenth of an acre, of each berry crop harvested.

Column 4 Total Quantity Harvested

Record the TOTAL QUANTITY HARVESTED for each commodity. The production must be reported in the unit indicated next to the commodity on the list of codes on the questionnaire or in the respondent booklet. If the operator reports production in a unit different 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 production into the required unit.

Column 5 Acres Irrigated

Record acres irrigated, to the nearest tenth of an acre, of each berry crop harvested.

Column 6 Landlord's Share of Production

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Record the MARKET VALUE (in whole dollars) of each commodity given to landlords in return for use of their land.

Section 10 - Fruit, Nut Trees, and Vineyards

General Instructions

Record 20 or more fruit or nut trees, grapevines, citrus or a combination of these crops. These should be bearing acres or acres being maintained for future production. Crops and crop codes are listed in the respondent booklet. Record acres to the nearest tenth of an acre. Be sure to enter the appropriate unit of weight for quantity harvested and record the unit weight in pounds if boxes or bins are indicated.

INCLUDE:

1. Trees and vines and their products for sale as well as for home use.
2. Both bearing and non-bearing trees and vines.
3. Trees not harvested due to unsatisfactory prices, labor shortages, damage from hail, frost, etc.

EXCLUDE:

1. Abandoned acres of trees or vines that are not being maintained for production.
2. Young trees which will be transplanted for replacement for the operator's own use should be recorded under idle cropland. Young trees grown for replacement and sold should be recorded in Section 7, as code 254, "Nursery Crops".

The number of bearing age as well as non-bearing age trees and vines should be recorded. If the number is not known, it may be calculated by multiplying the estimated number of trees per acre by the number of acres. To estimate the number of trees per acre, refer to the chart on page 525 of the "1997 Census of Agriculture Interviewer's Manual".

Item 1 Total Fruit and Nut Acres Irrigated

Report, to the nearest tenth of an acre, acreage in bearing and nonbearing fruit orchards, citrus or other groves, vineyards, and nut trees on this operation in 1997 and the total acreage irrigated.

Item 2 Fruit, Nut, and Vineyard Crops

Columns 1 & 2 Crop Name and Crop Code

Record each crop on the operation in 1997 and the associated crop code from the list of fruit, nut, and vineyard codes on the respondent booklet.

Column 3 Number of NONBEARING Age Trees or Vines

Record the number of NONBEARING age trees or vines.

Column 4 Number of BEARING Age Trees or Vines

Record the number of BEARING age trees or vines.

Column 5 Total Acres in Trees and Vines of All Ages

Record the Total ACRES in trees and vines of all ages, to the nearest tenth of an acre.

Column 6 Total Quantity Harvested

Record the TOTAL QUANTITY harvested for each crop.

Column 7 Unit

Record the production unit in either pounds, tons, or boxes or bins.

Column 8 Pounds per Box or Bin

If the unit in Column 7 is reported as boxes or bins, record the number of pounds per each box or bin.

Column 9 Landlord's Share of Production

Record the MARKET VALUE (in whole dollars) of each commodity given to landlords in return for use of their land.

Section 11 - Other Crops

General Instructions

This section is for recording information on all crops not previously recorded in Sections 5 through 10. It is a catch-all section for other crops grown on this operation.

Special attention must be given to the units of measures in parenthesis to the right of each crop listed below the table (and on the respondent booklet). If the farmer provides an answer in a unit of measure other than that specified for a crop, convert the answer to the proper unit. Note all conversions in the margin of the page to clearly indicate the unit of measure reported.

For each crop reported, first determine if that crop should have been reported in another section. If so, record it and all required information in the appropriate section. If a crop is reported without a pre-assigned code, record the crop name and the State Office will assign a code when they review your completed questionnaire.

Item 1 Other Crops Produced

Columns 1 & 2 Crop Name and Crop Code

Record each crop harvested on the operation in 1997 that has not be previously reported. Record the crop code from the list of other crops following the table or from the respondent booklet.

Column 3 Acres Harvested

Record harvested acreage, to the nearest whole acre, of each other crop harvested.

Column 4 Yield Per Acre Harvested

Record the average YIELD per harvested acre for each commodity. The yield must be reported in the unit indicated next to the commodity on the list of codes on the questionnaire or in the respondent booklet. If the operator reports yield in a unit different 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 yield into the required unit.

Column 5 Acres Irrigated

Record the number of acres irrigated, to the nearest whole acre, for each crop.

Column 8 Landlord's Share of Production

Record the TOTAL QUANTITY of each commodity given to landlords in return for use of their land.

ENUMERATOR ACTION

Once you have finished Section 11, verify with the farmer that you have recorded all of the crops harvested on the operation. Be sure that no crops are missed and that you make notes to explain unusual situations.

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Production and Marketing Contracts

NOTE: The following instructions should be used when completing information on marketing and production contracts for Crops (Section 12) and for Livestock (Section 18).

Importance of Obtaining Information on Marketing and Production Contracts

To show an accurate picture of both the value of the farm sector's output and the financial condition of farming operations, we must fully account for persons or other businesses who provide inputs used on the farm to produce agricultural commodities and receive income from the sales of these products. The contracting information collected on the CRR is USDA's only source of data to separate production, income and expenses among farmers, contractors, landlords and others. For these reasons, collecting complete information on contracting is critical.

In particular, failing to obtain complete information on production contracts can lead to an inaccurate picture of both the value of the farm sector's output and the financial condition of farming operations. Since farmers do not own the animals or crops raised under a production contract, they usually do not report the sales of these commodities. Furthermore, they do not receive the full value of these products when they are sold. Instead, farmers receive a fee for producing them, which is only a small part of their actual value.

If we only obtain information on the operation's cash sales and fee income, we would not account for the quantity removed under contract and would underestimate the operation's total value of production. If we only obtain information on an operation's value of production, we could not determine who actually receives the proceeds from the sale of these commodities and would overstate the operation's gross and net income.

It is also important that the quantity of products removed from the farm operation under production contracts be recorded so that an accurate estimate of total value of production can be developed. Farmers usually do not report sales of livestock grown under production contracts since they do not own these animals. But if we do not account for quantity removed, we could underestimate total value of production.

Overview of Marketing and Production Contracts

MARKETING CONTRACT

Contractor:

buys a known quantity and quality of the commodity for a negotiated price (or pricing arrangement).

does not own the commodity until it is delivered to him.

has little influence over production decisions.

Contractee (operator):

has a buyer and a price (or pricing arrangement) for commodities before they are harvested.

supplies and finances all or most of the inputs needed to produce the commodity.

owns the commodity while it is being produced.

makes all or most of the production decisions.

assumes all risks of production but no price risk or market uncertainties.

receives largest share of total value of production.

PRODUCTION CONTRACT

Contractor:

arranges to have a specific quality and quantity of commodity produced.

usually owns the commodity being produced.

makes most of the production decisions.

Contractee (operator):

provides a service and other fixed inputs (land, buildings, etc.) for a fee.

supplies a small part of the total production inputs needed.

usually does not own the commodity.

makes few, if any, of the production decisions.

bears no price or market uncertainties and limited production risks.

receives a fee for production that does not reflect the full market value of the commodity.

Contract Production and Marketing

To separate production and marketing contracts from cash sales you need to have a good description of the various contracts. (See the previous page for a brief overview of contract features.) Farmers and ranchers have used contracts to produce or market agricultural commodities for many years. Marketing contracts exist for both crops and livestock, but most are associated with marketing of crops. Production contracts also are used for both crops and livestock, but are more common for livestock.

Farm operators use contracts for several reasons. Contracts allow the operation to have access to a particular market for a commodity. Contracts help the operation reduce the risk of commodity prices falling to unacceptable levels causing large reductions in farm income. Sometimes farmers who have large investments in land, machinery and/or equipment (and who may also have large debts) use contracts to gain income stability.

For processors or other people who contract with farmers, contracts provide a way of getting a consistent supply of a fairly standard quality of product.

Contracts also commonly spread the costs of production among the parties to the contract. For example, a vegetable production contract may call for the contractor to provide hauling or seed or a share of the chemical expenses. For some commodities, it is common for the contractor to provide inputs such as seed up front, and later charge the farmer (contractee) for the input at settlement. For commodities such as broilers or feeder cattle, it is common for the contractor to provide a large share of inputs such as feed and veterinary services.

Importance of Marketing and Production Contracts

If we do not correctly account for the division of income and expenses between contractees and contractors, we cannot show the real financial picture of the farm operation. To show total receipts and expenses correctly for the farm economy as a whole, we have to collect (and correctly allocate) all costs and returns of production to the parties to whom they belong.

For example, accounting for production contracts is necessary in order to fully account for persons or other businesses who are providing inputs for use by the farm in producing agricultural commodities.

Reporting the quantity removed under contract allows USDA to determine the share of total production belonging to contractors. Income from this production can then be allocated to contractors rather than to farmers. Farmers earn a fee for undertaking various production activities for the contractor. This income is reported as fees received for services.

This is the only source of data to separate production and income among farmers, contractors, landlords and others. Failing to correctly account for the contractor's production amount will result in a farm operator's net income being overstated.

Collecting Data on Contracts

There are two things you must find out in order to collect contract data correctly. The first is whether the operation is acting as the CONTRACTEE or CONTRACTOR for a specific commodity. (See the *Interviewer's Manual* for definitions). Second, you have to find out whether the contract is a production contract or a marketing contract.

Characteristics of Production Contracts

In production contracts, before production ever begins, the contractee and contractor reach an agreement on specifics such as fees, what inputs are provided and who owns the product. The contractor usually controls most of the terms of production contracts. The amount of payment received by the farm operation (contractee) is a lot less than the full market value of the commodity. The farm operation also pays only a small part of the total expenses required to produce the commodity.

A fairly good clue that you are looking at a production contract is that they are usually written such that the contractor supplies some or most of the inputs for production. The terms of these contracts tend to be very specific. The contractor has a great deal of control over the amount produced and the production practices used. The contractee usually

provides inputs such as labor, utilities, housing, machines and/or equipment.

Another clue to the presence of a production contract is if the operator reported few or no head of **owned** livestock on hand or sold by the operation, yet the operation has livestock or poultry facilities and/or production expenses. It is almost certain that these livestock or poultry are being produced under contract.

Look for production contracts on farms that:

- have broiler houses or other poultry and/or egg producing facilities. Broilers, turkeys, and hatching eggs are almost always produced under contract or for another segment of the same company.
- have hog nursery or confinement feed arrangements. An ever-increasing portion of hog production is now under contract.
- have cattle feeding operations. Feedlots almost always feed cattle for someone else.
- produce vegetables for processing.
- produce seed crops.

Characteristics of Marketing Contracts

With marketing contracts, the farm operation provides most of the inputs for production. The operation then receives a payment for the commodity which is related to its full market value. The terms of marketing contracts are usually controlled by the contractee. The main role of the contractor is providing a market for the commodity. Marketing contracts are usually agreed to after production of the commodity begins.

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.
- grow potatoes.
- produce eggs.
- grow ornamentals or horticultural crops.

Contract *MARKETING* of Commodities

A marketing contract for a commodity exists when a verbal or written agreement is reached to set a price (or pricing mechanism) and a market for the commodity, **before harvest** or **before the time the commodity (livestock) is ready to be marketed**.

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. The contract may specify a price or establish a procedure to arrive at a price. One example is grade and yield selling of livestock. Another example is a dairy producer who contracts to market all milk for the coming year through a co-op, with prices determined later through some process such as co-op bargaining.

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

- forward sales of 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.

- price set after delivery (and often according to formula). This is often based on grade and yield.

- 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 harvest (or before the commodity is ready for market). Sales from inventory should be considered **cash** sales.

Do not count futures contracts obtained for the purpose of hedging 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 12, item 3-7 (crops) or Section 18, item 3 (livestock) under the appropriate commodity. The net profit or loss from hedging should be recorded in Section 27, item 8.

Contract *PRODUCTION* of Commodities

Under production contracts for poultry or livestock, 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 (the individual or operation that owns the livestock or poultry to be fed out) 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, items normally furnished by the contractor include chicks, feed, chemicals, transportation to market and technical assistance. Inputs provided for feeder cattle, fattened cattle, feeder pigs, slaughter hogs, broilers, eggs and other livestock may not be the same, but it is common for the contractor to supply many (if not most) of the variable production inputs.

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 under the appropriate item and column in Section 24.

Although production contracts are more commonly used in livestock production, there are quite a few for crop production. A good example is vegetables for processing where the contractor often supplies inputs such as seeds or plants, fertilizer, chemicals, transportation and technical assistance. The payments the growers get are set by the contractor, often even before production begins. Other contract provisions may be largely determined by the contractor.

Marketing Expenses

NOTE: The following instructions should be used when completing information on sales of Crops (Section 12) and for Livestock (Section 18).

Almost all operations that sell commodities have some marketing charges. These are usually deducted from the gross payment, so the check the farmer gets already has these charges subtracted. Farmers do not generally keep very good records of charges that were already deducted before they got 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 situation.

If you **absolutely cannot get** per commodity charges, **record the total quantity (and unit) sold** so that 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 should 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 peanuts or tobacco, quotas or allotments are often rented or leased from operators who do not use their full allotment or quota. Quota or allotment **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 an allotment or quota. If only land is rented, it should be recorded in Section 1. But, if quota or allotment rentals are reported, be sure that the rent payment reported in Section 1 is **only for land** and not for the land and allotment or quota rental combined. Also include rental of sugar beet co-op shares in states where this is a practice.

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 expense (Section 24, item 27).

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 27, item 8.

Milk and Dairy Products

Include as a marketing charge the withholding or reduction in price for the Dairy Refund Payment Program. Refunds of these charges should go in Section 27, item 8. **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. If they were not, go back and add them in.

Include charges the operation paid for cash and/or contract sales.

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.

Landlords and Contractors

Marketing Expenses paid by landlords and/or contractors MUST be recorded in Section 24, item 27 as, "All Other Farm Business Expenses". These expenses are not accounted for anywhere else in the questionnaire so must be recorded under this item.

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Section 12 - Income from Crops

Item 1 CROP MARKETING CONTRACTS

Column 1 Commodity

Record each commodity the operation marketed through a marketing contract. For vegetables, be sure to specify whether the contract was for fresh market or processing production. In most cases, contracts for processing are production contracts, and should be recorded in item 2.

Column 3 Quantity Marketed

Record the total amount of the commodity marketed or removed from the operation under the contract. Do not include the landlord's share of production even if it was marketed along with the operation's share. **Always ask this question when contract marketings are reported so this column is completed correctly**, even if the income from the sale was not received during 1997. It is essential to obtain the quantity removed from the operation under the contract so an accurate estimate of the total value of production (quantity times price) can be developed.

Column 4 Unit

Record the commodity unit (specified in the contract), such as pounds, tons, bushels, etc.

Column 5 Price Per Unit

Record the **final** price in dollars and cents per unit the operation will receive for all of the production marketed under the contract. The respondent may have to estimate this price. **Column 6 divided by column 3 will equal column 5 ONLY when the operation was paid in full during calendar year 1997 for the commodity marketed under the contract.** Because buyers often do not pay the whole contract price at one time, total receipts under a contract in 1997 do not always reflect the true value of production. This price gives us the data we need to calculate the total value of commodities marketed under 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. If you want to record a price per pound (and cotton is normally priced that way), that is fine. Just make sure that you record pounds of cotton sold and not bales. There is a big difference!

Let's look at an example where just one 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 total income to the operation would show up as 65 cents. Assuming a standard bale weight of 480 pounds, you came up short by \$311.35 (the price per BALE is $480 \times .65 = \$312$)!

Column 6 Total Amount Received

Since total payments are not always received in the calendar year of production, you always have to **ask** this question in order to complete this column correctly. Be sure any marketing charges related to sales under the contract are excluded. 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 1997, enter a dash and make a note.

Column 7 Marketing Charges

Record the total marketing charges **PAID BY THE OPERATOR** associated with the sale of each commodity. The marketing charges will be those expenses charged to the operator by the contractor for the sale of the contracted commodity. They may need to refer to sales receipts to find these charges.

Exclude marketing charges **PAID BY THE CONTRACTOR** -- these expenses will be recorded in the appropriate column in Section 24, item 27, "All Other Farm Business Expense".

Item 2 CROP PRODUCTION CONTRACTS

Column 1 Commodity

Record each commodity the operation produced through a production contract. For vegetables, be sure to specify whether the contract was for fresh market or processing production.

Column 3 Quantity Removed

Record the total quantity of the commodity produced and removed from the operation under the contract **during 1997**. Always complete this column when contract production is reported so an estimate of the value of the commodity produced may be made. For example, the number of tons of tomatoes produced and removed.

Column 4 Unit

Record the commodity unit code (specified in the contract), such as pounds, bushels, etc. This column must always be completed when contract production is reported.

Column 5 Fee Received Per Unit

Record the price per unit (in dollars and cents) received for producing the commodity. If money is still owed under the contract, be sure the fee per unit includes the amount still owed to the operation. Be sure the unit for which the fee is reported agrees with the unit in which the quantity was reported.

Column 6 Total Amount Received

Record the total amount received for producing the commodity under contract during calendar year 1997. **Ask** this question to complete this column correctly. Fees are not always received in the same year as production, so this may not be the same number as price multiplied by quantity. Exclude reimbursement for expenses in the fee for services.

For **large integrated businesses** where commodities were passed to another phase of processing, commodities may not be "sold." Most of these operations will have a "book value" of the commodity and this is what should be reported in columns 5 and 6. If the operation is not able to report book value, leave columns 5 and 6 blank and make a note. Be sure to record the quantity removed in columns 3 and 4.

Column 7 Marketing Expenses

Operators generally do not have marketing expenses associated with production contracts. However, in cases where they incur these costs, record the total marketing charges associated with each commodity in the column. Remember to only include marketing expenses PAID BY THE OPERATOR in this item.

In most production contracts, marketing charges are paid by the contractor. These expenses will be recorded in the appropriate column in Section 24, item 27, "All Other Farm Business Expense".

Net Cash Sales of CROPS

For crops sold in 1997, report in column 3, the amount received during calendar year 1997, net of marketing charges (**after** deduction of these charges). Farmers usually report net receipts, not gross receipts, and net receipts are what we want. For example, the check from a co-op a farmer records in the books most likely already has the check-offs or other charges deducted from it. In column 4, report the total marketing expenses associated with the sales of the indicated commodity(ies).

Probe carefully to be sure reported receipts are already **net of marketing charges**. If they are, just record what is reported, but be sure that other charges such as marketing containers, supplies, and interest on loans, etc. were not deducted. If charges for marketing containers, supplies, etc. were deducted, add them back to the total received for the crop and record in the appropriate expense items in Section 24.

If marketing charges have not been deducted from the farmer's receipts, subtract them before recording net receipts in column 3. Marketing charges are recorded in column 4 so deducted them from the receipts reported in column 3.

INCLUDE as Cash Sales:

- (1) crops sold in 1997, REGARDLESS OF THE YEAR PRODUCED.
- (2) an estimate of the value of the crop moving through the operation for integrated operations which do not sell the commodity but pass it on to another phase of the operation (such as processing, distributing or retailing). If the firm considered the commodity to have been produced under contract, record it in item 2.
- (3) **CROPS INITIALLY PLACED UNDER CCC LOAN WHICH WERE LATER REDEEMED AND SOLD DURING 1997.** Farmers often report redeeming CCC loans for crops without showing that the crops were either sold or

placed in inventory. **These crops have to be recorded one place or the other, unless they were fed to livestock.** When these mistakes occur, the farmer's income statement shows a negative value for the redemption and no offsetting positive value in sales or crop inventory. This causes us to make an incorrect (low) estimate of net farm income.

EXCLUDE from Cash Sales:

- (1) commodities removed under a contract arrangement. (Record in items 1 or 2.)
- (2) crops placed under CCC loan which were not redeemed. (These should be recorded in Section 19, item 3.)
- (3) cash sales of straw and manure. (Record these in Section 27, item 8.)

Items 3, 4 and 5

Items 3, 4 and 5 have preprinted groups of commodities indicated. For each of these categories, report the **sum** of the NET receipts and the **total** marketing charges for the combination of crops indicated.

Item 6

For sales of other crop commodities, such as corn, wheat, soybeans, etc., refer to the "Crops" pages in the Respondent Booklet and write in the name and crop code of the commodity. Record the net dollar amount received for the sale of that commodity and the total marketing expenses in the lines provided.

Item 7

It is not necessary to itemize each greenhouse or nursery crop. Sales should be aggregated as indicated in the "Nursery and Greenhouse" codes in the Respondent Booklet. Record the commodity name, crop

code, net dollar amount received for the sale of that commodity and the total marketing expenses in the lines provided. Refer to the nursery and greenhouse crops reported in Section 7 to make sure all commodities are accounted for.

ENUMERATOR ACTION

Refer to the crops harvested reported earlier in the questionnaire to make sure all crops sold in 1997 are listed either as marketing or production contracts, or as cash sales. The only way a crop that was harvested does not get recorded is if the crop was used on the farm (as feed) or was stored for future sale. Crops stored are considered assets and their value should be recorded in Section 25, item 3d.

Item 8 Payments in 1997 for Previous Years' Marketing

This item accounts for payments received in 1997 for CROPS sold or transferred before 1997. This is money that would have been owed to the operation at the end of 1996. Farms/ranches often receive payments in one year for commodities marketed in earlier years. Operators often ask that payments be deferred from one year to the next for tax benefits. These deferred receipts (deferred in 1996 or before) should be included in the appropriate category under this item.

Item 8a Payment received from previous years' CROP Marketing Contracts

If the operation received payments in 1997 for CROPS **marketed** under contract in previous years, record the 1997 payments here. Be sure to emphasize this item since it can be a large part of income in any given year. For commodities marketed under contract, it is common for payments to be made across two or more years. Contracts for crops such as fresh and processing fruits and vegetables, cotton, rice and sugar beets may call for payment to the farmer as the crop is sold by the co-op, pool, or contracting firm.

Item 8b Payment received from previous years' CROP Production Contracts

If the operation received payments in 1997 for CROPS **produced** under contract in previous years, report those payments here. As with payments under marketing contracts, payments under production contracts may be paid over more than one year.

Item 8c Cash Sales of CROPS in Previous Years

If the operation received income in 1997 from CROPS sold or transferred in previous years, record that income here.

Recording Livestock and Poultry (Sections 13-17)

Inventory

Record all livestock, poultry, and animal specialties on the total acres operated on December 31, 1997, regardless of who owned them. 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, 1997.

If on December 31, 1997 the livestock is not located on anyone's operation, the person responsible for the livestock and poultry, should record the inventory on his/her operation. Examples of when this could become an issue are when livestock are:

1. being moved from one place to another.
2. on unfenced land.
3. on a short term pasture, such as wheat or crop residue.
4. grazing in national forests, grazing districts, open range, or on land under permit.

Number Sold

Record all owned livestock and poultry sold from this place in 1997. Include livestock or poultry sold from this place by hired workers or the operator's family members. Livestock and poultry sold which was raised under contract or on a custom basis for others are to be excluded from this section -- these are recorded in Section 18. Include animals sold for a landlord or given to a landlord or others in trade or payment for goods, services, or use of the land.

Exclude:

1. Livestock or poultry owned by this operation but located on someone else's farm or in a feedlot on December 31, 1997.
2. Livestock or poultry bought and then resold within 30 days.
3. Livestock or poultry slaughtered for home use.

Section 13 - Cattle and Calves

Cattle and Calves Inventory

Include the total head of cattle and calves of all ages on the total acres operated on December 31, 1997, regardless of ownership. Column 2 records the inventory broken out by the number owned and the number not owned, such as contract of custom feeding.

Item 1 Total Cattle and Calves

Remember to include calves, bulls, and cattle being fed on this place. Include cattle and calves on unfenced land or grazing in national forests, grazing districts, or open range as being on this place. **Exclude** cattle located on other farms or in feedlots which are not part of this place. This total must equal the sum of 1a+1b+1c+1d.

Item 1a Beef Cows

Record as beef cows any cows, regardless of breed, that were **NOT** kept primarily for the production of milk. **Exclude** heifers kept that did not calve on or before December 31, 1997.

Item 1b Milk Cows

Record cows of any breed kept primarily for the production of milk. Include dry milk cows. Exclude heifers being kept for milk production purposes that did not calve on or before December 31, 1997.

Item 1c Heifers and Heifer Calves

Record beef and dairy heifer calves and any other heifers that had not calved by December 31, 1997. Farmers may refer to heifers that have had one calf as "first calf heifers". Since they have calved, record them as cows and NOT heifers.

Item 1d Steers, Steer Calves, Bulls and Bull Calves

Record all steers, steer calves, bulls, and bull calves of all ages on this place on December 31, 1997.

Cattle and Calves Sold

Record the total number of all cattle and calves sold from this operation in 1997. Column 2 includes the operation's and landlord's share. Exclude cattle sold through a marketing or production contract -- these cattle should be reported in Section 18. Column 3 accounts for only the number of cattle sold which were the landlord's share.

Items 2 Calves under 500 Pounds

Record the total head of calves, weighing less than 500 pounds, sold in 1997.

Item 3 Breeding Stock

Record the total number of all dairy and beef cattle for breeding stock sold in 1997.

Item 4 All Other Cattle weighing 500 Pounds or more

Record the total number of all other cattle weighing 500 pounds or more sold in 1997.

Item 4a Fattened Cattle

Of the total cattle sold in item 4, record the number that were sold for slaughter after being fattened on this place on grain or concentrates for 30 days or more.

Exclude:

1. Veal calves sold for slaughter that were fattened primarily on milk.
2. Dairy cows that were fed only the usual dairy ration before being sold for slaughter.

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3. Cattle and calves sold for further feeding.

Section 14 - Hogs and Pigs

Hog and Pig Inventory

Include the total head of hogs and pigs of all ages on the total acres operated on December 31, 1997, regardless of ownership. Column 2 records the inventory broken out by the number owned and the number not owned (i.e. owned by someone else such as contract hogs).

Item 1 **Total Hogs and Pigs**

Record the total number of hogs and pigs of all ages on the total acres operated on December 31, 1997. Include those being fed or kept for others under contract or other agreements. This total must equal the sum of 1a+1b.

Item 1a **Hogs and Pigs for Breeding**

Record the total number of hogs and pigs on the total acres operated on December 31, 1997, used or to be used for breeding. Include bred sows, bred gilts, boars, other sows, and gilts and young males to be used for breeding.

Item 1b **Other Hogs and Pigs**

Record here all other hogs and pigs, including all hogs being raised for sale and those intended for home slaughter.

Item 2 **Litters Farrowed**

Record the number of LITTERS farrowed during each of the two specified time periods, not the number of pigs. This question differs from the Quarterly Hog Survey, so make sure you understand the question is not concerned with the number of pigs per litter or the number of pigs farrowed. This questionnaire requires the number of litters farrowed during each of following two time periods:

December 1, 1996 through May 31, 1997
June 1, 1997 through November 30, 1997

Hogs and Pigs Sold

Record the total number of all hogs and pigs sold from this operation in 1997. Column 2 includes the operation's and landlord's share. Exclude hogs and pigs raised under a production or marketing contract. These hogs should be reported in Section 18. Column 3 accounts for only the number of hogs sold which were the landlord's share.

Item 3 All Hogs and Pigs Sold

Record the total number of hogs and pigs sold (including feeder pigs) from this operation in 1997.

Item 3a Breeding Stock Sold

Record the total number of hogs and pigs sold for breeding stock from this operation in 1997.

Item 3b Feeder Pigs Sold

Of the hogs and pigs sold from this operation in 1997, record the number sold as feeder pigs. (These pigs should also be recorded in item 3).

Section 15 - Sheep and Lambs

Item 1 Sheep and Lamb Inventory and Number Sold

For item 1, sheep and lambs of all ages (including ewes, rams and wethers) and for item 1a, ewes 1 year old or older, complete each column as described below.

Column 2

Record the inventory for each category of the number on the total acres operated on Dec. 31, 1997. This inventory is broken down into those animals owned and those not owned (i.e. owned by someone else).

Column 3

Including the landlord's share, but excluding animals raised under contract, record the total number of animals sold in 1997 in each category.

Column 4

Record the total number of animals in each category sold in 1997 that were the landlord's share.

Item 2 Sheep and Lamb Shorn

Record the total number of sheep and lambs shorn during the year on this operation, regardless of ownership. Count the number of animals shorn only once, even if they were shorn more than once during 1997.

Items 2a & 2b - Pounds of Wool Shorn

In item 2a, record the total pounds of wool from the animals shorn in item 2 (include the landlord's share). In item 2b, record the landlord's share, in pounds, of the wool shorn indicated in item 2a.

Section 16 - Poultry

General Instructions

Poultry should be recorded by the person who furnished the housing and labor no matter who owned them. Roosters and young male chickens kept for breeding should be recorded in item 5, "Other poultry", code 822. Roasters, capons, and Cornish hens should be recorded in item 3 with broilers, fryers, and other meat-type chickens.

Columns 2-4

Complete the columns for items 1 through 5 as indicated below.

Column 2a Inventory Owned

Record the inventory on this operation on December 31, 1997 that this operation Owned.

Column 2b Inventory Not Owned

Record the inventory on this operation on December 31, 1997 that were owned by someone else (include poultry being grown for others on a contract basis).

Column 3 Number Sold

Record the total number sold in 1997 from the total acres operated, including the landlord's share of production, but EXCLUDING contract production reported in Section 18.

Column 4 Landlord's Share of Production

Record the Total Market Value of the landlord's share of production.

Items 1-4

Complete columns 2-4 for each type of poultry indicated.

Item 5 Other Poultry

For other poultry not previously reported, record the name and code in column 1 (names and codes are in the Respondent Booklet).

Item 6 Poultry Hatched

Record the number of Poultry Hatched on the total acres operated in 1997 and placed or sold. Specify the kind of poultry hatched.

Item 7 Incubator Egg Capacity

Record the incubator egg capacity on this operation on December 31, 1997.

Section 17 - Other Livestock

This section relates to all other livestock and animal specialties not recorded in previous sections. All horses and ponies, colonies of bees, goats, mules, mink, rabbits, etc., on the total acres operated on December 31, 1997, should be recorded here. Record the number on hand, number sold, and the total value of the landlord's share of production from all other types of livestock and animal specialties in this section.

The columns are defined exactly as those in Section 16. Refer to those instructions for more details.

Mink, Rabbits, and Chinchillas Inventory

When recording the inventory of mink, rabbits, chinchillas, or other fur-bearing animals on this place on December 31, 1997, **DO NOT** add the number of pelts on hand to the live animal **inventory**.

Mink, Rabbits, Chinchillas, and Their Pelts Sold

When recording the number of mink, rabbits, chinchillas, or other fur-bearing animals sold in 1997, **add** together the number of pelts and the number of live animals **sold**.

Bees

If the operator owns colonies of bees, record bee and honey operations on this operation, regardless of where the hives were kept during most of the year.

Other Livestock and Livestock Products

Include in all other livestock and livestock products any other items not previously reported in this section. Specify the product and record the inventory, quantity sold, and landlord's value of production.

Item 10 Fish and Aquaculture Products

Fish and aquaculture products raised in captivity on the total acres operated should be recorded in this section.

Columns 1 & 2 Name and Code

Record the fish or aquaculture name in column 1 and the corresponding code in column 2.

Column 3 Number Sold

Record the total number sold in 1997. Include the landlord's share but exclude contract sales to be reported in Section 18.

Column 4 Unit

Indicate the unit of the number sold in column 3.

Column 5 Landlord's Share

Record the Total Market Value of the landlord's share of production.

Section 18 - Income from Livestock and Livestock Products

Note: Refer to the detailed discussion of Marketing and Production Contracts and Marketing Expenses earlier in this manual (preceding Section 12).

Item 1 LIVESTOCK MARKETING CONTRACTS

Column 1 Livestock or Livestock Product

Record each commodity the operation had a contract to market.

Column 3 Quantity Marketed

Record the total amount of the commodity marketed or removed from the operation under the contract. Do not include the landlord's share of production even if it was marketed along with the operation's share. **Always ask this question when contract marketings are reported so this column is completed correctly**, even if the income from the sale was not received during 1997. It is essential to obtain the quantity removed from the operation under the contract so an accurate estimate of the total value of production (quantity times price) can be developed.

Column 4 Unit

Record the commodity unit (specified in the contract), such as pounds, cwt, head, etc.

Column 5 Price Per Unit

Record the **final** price in dollars and cents per unit the operation will receive for all of the production marketed under the contract. The respondent may have to estimate this price. **Column 6 divided by column 3 will equal column 5 ONLY when the operation was paid in full during calendar year 1997 for the commodity marketed under the contract.** Because buyers often do not pay the whole contract price at one time, total receipts under a contract in 1997 do not always

show the true value of production. This price gives us the data we need to calculate the total value of commodities marketed under contract.

Be sure the unit for the price reported agrees with the unit for the quantity reported.

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 to complete this column correctly. Be sure any marketing charges related to sales under the contract are excluded. 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 1997, enter a dash and make a note.

Column 7 Marketing Charges

Record the total marketing charges **PAID BY THE OPERATOR** associated with the sale of each commodity. The marketing charges will be those expenses charged to the operator by the contractor for the sale of the contracted commodity. They may need to refer to sales receipts to find these charges.

Exclude marketing charges **PAID BY THE CONTRACTOR** -- these expenses will be recorded in the appropriate column in Section 24, item 27, "All Other Farm Business Expense".

Item 2 LIVESTOCK PRODUCTION CONTRACTS

Column 1 Livestock or Livestock Product

Record each commodity the operation had a contract to produce.

Column 3 Quantity Removed

Record the total quantity of the commodity produced and removed from the operation under the contract **during 1997**. Always complete this column when contract production is reported so an estimate of the value of the commodity produced may be made. Examples of this include the number of head of cattle removed from a feedlot, or the number of broilers removed.

Column 4 Unit

Record the commodity unit (specified in the contract), such as pounds, cwt, head, etc.

Column 5 Fee Received Per Unit

Record the price per unit (in dollars and cents) received for producing the commodity. If money is still owed under the contract, be sure the fee per unit includes the amount still owed to the operation.

Be sure the unit for which the fee is reported agrees with the unit in which the quantity was reported.

Column 6 Total Amount Received

Record the total amount received for producing the commodity under contract during calendar year 1997. **Ask** this question to complete this column correctly. Fees are not always received in the same year as production, so this may not be the same number as price multiplied by quantity. **DO NOT** include reimbursement for expenses in the fee for services.

For **large integrated businesses** where commodities were passed to another phase of processing, commodities may not be "sold." Most of these operations will have a "book value" of the commodity and this is what should be reported in Columns 5 and 6. If the operation is not able to report book value, leave Columns 5 and 6 blank and make a note. Be sure to record the quantity removed in Columns 3 and 4.

Column 7 Marketing Expenses

Operators generally do not have marketing expenses associated with production contracts. However, in cases where they incur these costs, record the total marketing charges associated with each commodity in the column. Remember to only include marketing expenses PAID BY THE OPERATOR in this item.

In most production contracts, marketing charges are paid by the contractor. These expenses will be recorded in the appropriate column in Section 24, item 27, "All Other Farm Business Expense".

Cattle on Shares

The production of livestock, primarily cattle, "on shares" is common in Montana, the Dakotas, Nebraska, and other states. Individuals who own cows place them on someone else's land. The land operator cares for the stock. The cattle owner and land operator share the calf crop in a 50-50, 60-40, or some other split.

The parties involved usually do not consider these arrangements to be contracts. However, the arrangements best fit the CRR definition of a PRODUCTION CONTRACT. The cattle owner is the contractor and the land operator who cares for the cattle is the contractee.

When interviewing a contractee involved with cattle on shares, complete columns 1, 3, and 4 for the share of the calves that were produced for the cattle owner. Record in column 3 the number of head that were the contractor's share. Complete columns 5 and 6 for the share of the calves that are the land operator's. These calves should be valued at the time

the land operator takes ownership of his share, which is usually at weaning.

DO NOT record the final sales price received for the animals in Columns 5 and 6, because this value should appear in either cash sales or year-end inventory. Be sure to write a note that these are cattle on shares.

Item 3 Cash Sales of Livestock and Livestock Products

This item records the **net** sales of livestock and livestock products sold for cash in 1997 and associated marketing expenses.

Probe carefully to be sure the receipts the farmer reports are already **net of marketing charges**. If they are, then you should just record what is reported, but be sure that other charges such as marketing containers, supplies, and interest on loans, etc. were not deducted. If charges for marketing containers, supplies, etc. were deducted, they should be added back to the total received and also reported in the appropriate expense items in Section 24.

If marketing charges have not been deducted from the farmer's receipts, you or the farmer must subtract them before you record net receipts in column 3. Marketing charges are recorded in column 4 so they have to be deducted from the receipts reported in column 3.

Exclude:

- Livestock Marketing Contracts (report in Section 18, item 1).
- Livestock Production Contract Sales (report in Section 18, item 2).
- Landlord Shares for livestock (report in Sections 13-17).
- Direct sales to consumer (report in Section 21).

Columns 1&2 Commodity and Code

Record the name and code of the livestock or livestock product sold for cash in 1997. (Refer to "Livestock Codes" in the respondent booklet).

Column 3 Net Dollar Amount Received

Record the Net Dollar Amount Received in 1997 for each commodity sold. Remember this is the NET amount, not the gross amount.

Column 4 Marketing Expenses

Record the total marketing expenses associate with the sale of each commodity.

Item 4 Payments in 1997 for Previous Years' Marketing

This item accounts for payments received in 1997 for LIVESTOCK or LIVESTOCK PRODUCTS sold or transferred before 1997. This is money that would have been owed to the operation at the end of 1996. Farms/ranches often receive payments in one year for commodities marketed in earlier years. Operators often ask that payments be deferred from one year to the next for tax benefits. These deferred receipts (deferred in 1996 or before) should be included in the appropriate category under this item.

Item 4a Payment received from previous years' LIVESTOCK Marketing Contracts

If the operation received payments in 1997 for LIVESTOCK **marketed** under contract in previous years, record the 1997 payments here. Be sure to emphasize this item since it can be a large part of income in any given year. For commodities marketed under contract, it is common for payments to be made across two or more years.

Item 4b Payment received from previous years' LIVESTOCK Production Contracts

If the operation received payments in 1997 for LIVESTOCK **produced** under contract in previous years, report those payments here. As with payments under marketing contracts, payments under production contracts may be paid over more than one year.

Item 4c Cash sales of LIVESTOCK in previous years

If the operation received income in 1997 from LIVESTOCK sold or transferred in previous years, record that income here.

Item 5 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.

Column 1 Commodity Contracted Out

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 1996 and were still under contract on January 1, 1997.

Column 3 Market Value of Commodities under contract on Jan. 1, 1997

Record the estimated market value of all this operation's commodities **from 1996 and previous years** that were **placed** on contractee operations and still under contract as of January 1, 1997. **DO NOT** include this value in Section 25, Assets.

Column 4 Estimated Market Value of Commodities Placed

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 1997**. If more than one arrangement existed, or if arrangements existed for more than one commodity, record each one on a separate line.

Column 5 Production Expenses and Fees

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

Column 6 Gross Receipts from Sales of Contracted Items

Record the gross income to this operation from sales of commodities produced under contract by other operations (quantity times market price) during 1997. **DO NOT** record these sales anywhere else in this section. This item will be zero for dairy replacement heifers that are removed back to the respondent's (contractor's) operation and not sold.

Column 7 Market Value of Items under Contract on December 31, 1997

Record the estimated market value of commodities still under contract as of December 31, 1997. **DO NOT** include this value in Section 25, Assets.

Section 19 - Government 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 1997. 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. 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.

For commodities placed under loan, the farmer gets the loan rate times the quantity of commodity. The amount of the loan received is recorded in the appropriate category in item 1.

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 2. 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. Do not record the value of forfeited loans.

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 27, item 8.

If a loan was taken out in 1997, has a 1998 maturity date and has not had any action taken on it, there will be an outstanding balance. Record the total outstanding balance in item 3.

Marketing loans are one variation of CCC's regular nonrecourse commodity loans. They have the same conditions as the regular loan except that under certain conditions farmers can reclaim their crops at a repayment rate that is less than the loan rate. The difference between the repayment rate and the loan rate is an income support payment. Cotton, rice and honey are currently the commodities eligible for marketing loans, although the Secretary of Agriculture has the discretionary authority to put in place a marketing loan for feed grains, wheat and soybeans.

Item 1 CCC Loans Received

Record, in the appropriate category, the gross amount of loan received in 1997. This should be equal to the amount of the loan rate (price per unit) times the quantity placed under loan.

Item 2 CCC Loans Repaid

The amount spent to repay loans should be equal to loan rate times the quantity redeemed. Do not include any interest or storage charges that were repaid. Interest should be reported in Section 24.

Item 3 Value of Outstanding CCC Loans on December 31, 1997

Record the face value of the loans outstanding. This equals the amount of the crop under loan (from any crop year) times the loan rate for that crop.

Section 20 - State or Federal Farm Program Payments

Item 1 Federal Farm Programs

Record the total amount in federal government agricultural payments received by this operation in 1997. Item 1 includes the total payments and items 1a-1d provide a breakout by the type of payment. Each category is discussed below.

INCLUDE:

- (1) Conservation Reserve Program (CRP) and/or Wetlands Reserve Program (WRP) payments. These payments will also be recorded in items 1 and 1a.
- (2) Payments received for participating in the new 7-year farm program. These payments were made in the late summer and early fall for 1997. In addition, farmers could have received advance payments in December, 1997 for the coming year. These payments will be recorded in items 1 and 1b.
- (3) Disaster payments from federal agricultural program payments. These payments will be recorded in items 1 & 1c.
- (4) Payments received from participation in the Environmental Quality Incentive Program (EQIP). These payments will be recorded in items 1 and 1d.

EXCLUDE:

- (1) crop insurance payments, even if payments were received from required Federal Crop Insurance.
- (2) CCC loans.

Item 2 State and Local Farm Programs

Record the total dollar amount received in 1997 from State and local farm programs.

Section 21 - Direct Sales

Record the sales of crops, livestock, poultry, or their products sold directly to consumers from roadside stands, farmers markets, pick your own, door to door, etc. Include only those commodities sold directly for human consumption, such as vegetables, fruit, eggs, milk, cattle, chickens, hogs, turkeys, etc. Record only commodities grown or raised on the total acres operated. Specify the commodity(ies) sold.

DO NOT include crops, livestock, or other products which were bought and resold.

Section 22 - Commercial Fertilizer

The majority of farmers and ranchers use commercial fertilizer, including rock phosphate and gypsum, at various times. If any fertilizer was used on this operation in 1997, complete items 1 and 2. If more than one application of fertilizer was applied, record the acreage only once. **Exclude** the use of manure and other materials, such as sludge or soil conditioners.

Item 1 Cropland Fertilized

Record the acres of all cropland, other than cropland pasture, fertilized with commercial fertilizer in 1997. If more than one application of fertilizer was applied, record the acreage only once.

Item 2 Pastureland and Rangeland Fertilized

Record the total number of acres of pastureland and rangeland on which commercial fertilizer was used on this place in 1997. This item refers only to the acreage recorded in Section 2, items 1b and 3.

Section 23 - Pesticides and Other Chemical Applications

This section is for recording the number of acres on this operation on which chemicals were used in 1997 to control insects, diseases in crops and orchards, nematodes, weeds, grass, or brush. This includes insecticides, herbicides, fungicides, nematocides, fumigants, other pesticides or any other chemical used on the acres. Also record acres treated to control growth, thin fruit, or defoliate various crops. Record all acres treated regardless of who provided the materials, i.e., farm or ranch operator, landlord, custom sprayers, or contractors.

The same acres can be recorded in more than one item in this section. However, **DO NOT** record acres more than once for an individual item, regardless of the number of applications. If chemicals are applied to more than one crop raised on the same land, count the acres once for each crop. Record all land treated, even if the crop was later abandoned.

Item 1 Acres Treated

Record the number of acres treated with sprays, dusts, and other materials to control or prevent:

1. Insects on crops, including hay.
2. Nematodes in crops.
3. Diseases in crops and orchards, such as blights, smuts, rusts, etc.
4. Weeds, grass, or brush in crops and pasture - Include both pre-emergence and post emergence.

Exclude:

1. mechanical methods of removing insects from plants.
2. chemicals for treatment of brush or weeds in ditches, fence rows, roadbanks, etc.

Item 2 Acres Treated to Control Growth, Thin Fruit, or Defoliate

Include all acres where chemicals were applied to thin fruit, alter harvesting dates, control growth, or remove leaves or defoliate.

Section 24 - Production Expenses

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 the CRR and provided to the Congress by the USDA in the annual report of the Status of Family Farms. These income statements are widely available through ERS publications such as *Agricultural Outlook*, the quarterly *Agricultural Income and Finance Situation and Outlook Report*, and the annual *Farm Business Economics Report*. Each of these reports are also available via the Internet to anyone interested in farm sector financial performance. NASS also publishes a report on *Farm Production Expenditures* each July.

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, Census' Surveys of Population and Income, non-farm business surveys conducted by the Bureau of Labor Statistics, by the Federal Trade Commission and by BEA. Data from non-farm industries are published in BEA's Survey of Current Business.

Under- or over-reporting of costs would limit USDA's ability to accurately report the full 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 that 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 in fact 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.).

The entire cost of capital items cannot be 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 CRR 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 that 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 cash income estimate.

Costs of Production

V2 and V3

Most of the information necessary to compute cost-of-production is collected in the Phase II portion of ARMS conducted in the fall. However, several questions are included in Versions 2 and 3, to collect data used to compute cost-of-production for the specific commodities (soybeans and cotton). 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 soybeans and cotton based on their relative value of total farm production. Soybean and cotton 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 and 3 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 1, item 5) paid in 1997 should be included in this section. This includes expenses for the Operator, Partners, Landlords and Contractors.

Ask the respondent to use farm/ranch records and explain that the interview length 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

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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 1 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.

These questions only apply if the operation had landlord(s) and/or contract production or marketing.

DO NOT CONTACT LANDLORDS to complete this section. Contact 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 that 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 here.

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.

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.

Livestock and Poultry Expenses

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.

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Exclude all custom expenses paid to someone else for producing livestock or poultry for this operation. Also, exclude all expenses incurred by feedlots and other types of contractees that fed this operation's livestock on a custom basis. Expenses for which this operation reimbursed feedlots and other contractees should be recorded in Section 18, item 5, column 5. If this operation **is** a feedlot, include only expenses for which it was **not** reimbursed. Expenses for which the operation was reimbursed should be recorded in the Contractor column.

Purchases of livestock and poultry during 1997 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 nonfarm corporations that assess the "profitability" of each phase of production. This makes it possible to compare profitability of farms with non-farm businesses at the state and national level.

The total expense (or cost basis, in the case of integrated firms) for livestock or poultry is a line item in most farm record books.

Livestock Expenses

Item 1a 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 1b All Other 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 1c All 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 1997. 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 its contractor for each flock that list these expenses. Expenses are listed either as a total

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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 1997, and explain with a note.

Item 1d Other Livestock, Poultry, Fish, Bees, etc.

INCLUDE expenses for:

- (1) all sheep and lambs, other than for breeding stock.
- (2) mules, goats, non-pleasure 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 2 Leasing Livestock

INCLUDE expenses for:

- (1) Renting or leasing of livestock by this operation.
- (2) Renting bees and bee hives.

Item 3 All Purchased Feed Items

This expense is a line item in most farm record books (and on 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 3a Commercially Mixed Feed

Of the total purchased feed in item 3, record the cost of all commercially mixed feed purchased including supplements and premixes. Exclude soybean meal, cottonseed meal, etc.

Item 4 Bedding and Litter

Record the amount spent by the operation in 1997 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 5 Purchases of 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 3) 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) manure disposal.
- (12) seining of fish.

Crop Expenses

Item 6 Seeds, Plants, Trees, etc.

This item refers to the cost of any purchases in 1997 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, for crops planted in 1997 for harvest in 1997 or later years, etc.

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 didn't 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).

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 Section 25, item 7.

Item 6a Amount of Seed Expense for Commodity
V2, V3

Record the dollar amount of the total (item 6) seed and plant expense that was for the commodity of interest (soybeans or cotton).

Item 7a Commercial Fertilizer

This expense is a line item in almost all farm record books (and on the IRS 1040F). Record the cost of all commercial fertilizer. Record all types of fertilizer, including rock phosphate and gypsum and the cost of custom applications. Include fertilizer and pesticide combinations and trace elements such as zinc and copper. **Do not include the cost of lime.**

Item 7b All Other Fertilizer and Soil Conditioners

Record the cost of all other fertilizers and soil conditioners such as lime, manure, sludge, and other material. Include the cost of custom applications.

Item 7c Total Fertilizer Expense
V2, V3

Record the total fertilizer cost by adding up 7a + 7b. Verify this total with the respondent.

Item 7c(1) Total Fertilizer Expense for Commodity
V2, V3

Record the dollar amount of the total fertilizer expenses (item 7c) that was for the commodity of interest (soybeans or cotton).

Item 8 Agricultural Chemicals

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Chemical expenses are recorded as a line item in most record books (and on the IRS 1040F). Include crop, livestock, dairy and poultry pesticides and chemicals.

INCLUDE expenses for:

- (1) insecticides, herbicides, fungicides, defoliants, nematocides, 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 7a).
- (2) **cleaning chemicals** for equipment and buildings on dairy and other livestock enterprises. Put these expenses in item 17.

Item 8a Chemical Expense for Commodity
V2, V3

Record the actual dollar amount of the total chemical expense (item 8) that was for the commodity of interest (soybeans or cotton).

Items 9 - 12 Utilities (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) all fuels used in autos, trucks, tractors, self-propelled machinery (combines, swathers, etc.), irrigation pumps, elevators, chain saws, etc. Include the FARM SHARE ONLY.
- (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. (Income from custom work and machine hire will be reported as farm-related income in Section 27, item 1).
- (6) aviation fuels.
- (7) Federal excise fuel taxes. (Refunds of Federal excise fuel taxes paid should be reported as other income in Section 27, item 8.)

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- (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 8 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 Fuels

Item 9a Gasoline and Gasohol

Record the farm share of expenses for gasoline and gasohol.

Item 9b Diesel Fuel

Record the farm share of expenses for diesel.

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 Total Fuel Expense
V2, V3

Add up the total fuel expense (9a+9b+9c+9d+9e+9f). Verify this total with the operator.

Item 9g(1) Fuel Expense for Irrigation

Record the dollar amount of the total fuel expense (item 9g) that was used for irrigation. These costs include the cost of fuel, natural gas, and motor oils used to operate the pump systems that both pump and apply water.

Item 9g(2) Fuel Expense for Commodity

Record the dollar amount of the total fuel expense (item 9g) that was used for the commodity (soybeans or cotton).

Item 10 All Electricity Expense

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 Irrigation Electricity Expense
V2, V3

Record the actual dollar amount of the total (item 10) spent for electricity for irrigation in 1997. Include monthly or annual charges to maintain service even when electricity is not being used. Include emergency electric guarantee fees, etc.

Item 10a (1) Amount for Commodity
V2, V3

Record the actual dollar amount of the total (item 10a) expense for electricity for irrigation for the commodity (soybeans or cotton).

Item 10b Electricity Expense for Drying
V2, V3

Record the actual dollar amount of the total electricity expense (item 10) that was spent for electricity for drying of all commodities.

Item 10b (1) Amount for Commodity
V2, V3

Record the actual dollar amount of item 10b electricity for drying expense that was for the commodity (soybeans or cotton).

**Item 10c Electricity Costs for Specialized Livestock Production Facilities
V2 ,V3**

Record the amount of the item 10 expenses that were for specialized livestock production facilities such as dairies, feedlots, poultry houses, or swine buildings.

Item 12 All Other Utilities

Record the farm share of the total expense for telephone service and calls, and water (other than for irrigation). 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.

Items 13-16 Labor Expenses

Item 13 Wages Paid to Hired Workers

Record the total cash wages, bonuses, payroll taxes, benefits, etc. paid to employees of this operation in 1997 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 1997.
- (2) wages paid to family members and corporate officers.
- (3) salaries of hired managers.
- (4) Payroll taxes including Social Security, Unemployment, Workers's Compensation, etc.
- (5) 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.)
- (6) Benefits such as health insurance, life insurance, pensions, retirement, etc.

EXCLUDE from the total amount paid:

- (1) wages paid for housework.
- (2) expenses for contract labor.
- (3) money taken by the operator's household on a "draw".

Paid labor includes only those workers whose pay was considered a business expense of the farm/ranch operation during 1997. 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 1997 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's done on the operation and the workers are paid by the operator. Make a note if the respondent cannot separate these workers and their wages from operation's total payroll.
- (7) all work provided by service firms such as cotton ginning (record as a marketing charge), commercial bookkeeping, legal and other professional services provided at a location off the farm. All of these items except the ginning should be recorded as a general farm business expense in item 27.

Item 13a Share of Labor for Commodity
V2, V3

Record the actual dollar amount of the total labor expenses (item 13) that can be allocated to the commodity of interest (soybeans or cotton).

Item 14 Breakout for Wages Paid

Record the actual dollars paid of the total cash wages paid (item 13) to people in each of the categories listed. The sum of 14a + 14b + 14c MUST equal the total reported in item 13.

Item 14a The Operator

Record the amount paid to the operator (include a hired manager's salary). Exclude money taken out of the operation on a draw by the owner/operator.

Item 14b Spouse and Other Household Members

Record the amount paid to the operator's spouse and 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 14c. 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 14c Everyone Else

Record the amount paid to all hired workers of the operation except those included in items 14a and 14b. Include salaries of partners and wages paid to their family members.

Item 15 Contract Labor Expense

Record the total amount spent by the operation in 1997 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 1997.

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 19. Contract labor expenses for all new construction should be reported in Section 25, item 7.

Item 15a Share of Contract Labor Expense for the Commodity
V2, V3

Record the actual dollar amount of the total (item 15) that was for the commodity of interest (soybeans or cotton). If respondents report in percents, you must calculate the actual dollar amount to record in the answer cell.

Item 16 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 15 if the labor is contract labor, or in item 13 if the labor was seasonal hired labor.

Item 16a 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 netted out of the operator's milk check, add them back to get the "net" figure we want in Section 18)
- (4) hauling of feed, seed and fertilizer to the operation.
- (5) all other hauling charges for the operation.

Item 16b 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) land improvement and development including soil conservation work.
- (3) custom fertilizer, lime and/or soil conditioner applications.
- (4) custom applications of crop chemicals and pesticides and pest scouting.
- (5) leasing of cars, trucks, tractors or other equipment.

Item 16c Total Custom Work Expense
V2, V3

Calculate the total custom work expense by adding items 16a and 16b. Verify this total with the respondent.

Item 16c (1) Custom Work Expense for the Commodity
V2, V3

Record the actual dollar amount of the total (item 16c) that was for the commodity of interest (soybeans or cotton). If respondents report in

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percents, you must calculate the actual dollar amount to record in the answer cell.

Items 17-20 Supplies and Repairs

Item 17 Farm Supplies, Marketing Containers, Hand 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 tool, 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 18 All Repairs, Parts and Accessories for Motor Vehicles, Machinery, and Farm 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.
- (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.

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- (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.

Item 18a Repair Expense for Commodity
V2, V3

Record actual dollar amount of the total (item 18) that can be allocated to the commodity of interest (soybeans or cotton). If respondents report in percents, you must calculate the actual dollar amount to record in the answer cell.

Item 19 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.

Item 19a Repair Expense for Livestock Production Facilities
V2, V3

Record the actual dollar amount of the total (item 19) expenses that were spent for maintenance and repairs of specialized livestock facilities such as dairy barns, feedlots, swine buildings, or poultry houses. If respondents report in percents, you must calculate the actual dollar amount to record in the answer cell.

Item 19b Maintenance and Repair of Irrigation Equipment
V2, V3

Record the dollar amount of the total (item 19) that was spent for the expense of repair and upkeep of irrigation equipment, including all pumps and delivery systems.

Item 19b (1) Amount for Commodity
V2, V3

Record the actual dollar amount (not percent) of the total (item 19b) that was for the commodity of interest (soybeans or cotton).

Item 20 Maintenance and Repair of the Operator's House

Record the total amount spent in 1997 for repairing, restoring, or maintaining 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.

Items 21-31 Miscellaneous Expenses

Item 21 Insurance Expenses

Include all the farm share of all types of insurance including casualty insurance, crop 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 1997. Also exclude premiums paid for health insurance.

Item 21a Crop Insurance V2, V3

Record the amount of the total insurance expense (item 21) that was for crop insurance only.

Item 22 All Interest and Fees Paid on Debts Secured by Real Estate

Record the total amount spent by the operation in 1997 for interest and service fees for all loans owed by the operation which were secured by real estate. 'Secured by real estate' means that real estate such as land, buildings or a home was used as collateral in obtaining the loan.

EXCLUDE:

- (1) interest on farm real estate debts for land 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 23 All Interest and Fees Paid on Debts NOT Secured by Real Estate

Record the dollar amount of debt 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 Government CCC loans. Exclude interest and fees paid on debts secured by real estate which are reported in item 22.

Item 24 Real Estate and Property Taxes

Record the total of all real estate and property taxes paid by the operation in 1997. This is a line item in most farm record books (and on the IRS 1040F.) Note that **personal property** taxes may be assessed on property such as automobiles, farm machinery, livestock, etc. and do not have to be associated with land or buildings. Some states do not have taxes on **personal property**. Also, since some states allow homestead exemptions, old age exemptions, etc., all owners of real property (land and/or buildings) 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, buildings, capital improvements, machines, livestock, cars (farm share) and other property.
- (2) taxes paid in 1997, even if they were levied in another year.
- (3) all partners' shares of taxes when a partnership is reported.

Item 24a Real Estate Taxes Only

Record the actual dollar amount of the total real estate and property tax expense (item 24) that was for land and buildings, that is real estate only. This item would exclude any personal property taxes.

Item 25 Renting and Leasing Vehicles, Tractors, Equipment and Storage Structures

Record the total 1997 expense for renting or leasing all vehicles, tractors, farm machinery, equipment and structures.

Item 26 Depreciation for All Capital Assets

Since farmers often rely on the expertise of their accountant or tax advisor for this item, they may feel reluctant to report this. However, this item is available on the Farm Deductions section of 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 1997 taxes. If this is the case, make a note explaining the situation.

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.

If the operation is a partnership, include the amount claimed by partners. DO NOT enter the CURRENT VALUE of depreciable assets.

Item 27 All Other Business Expenses

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. 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.

Landlords and Contractors

For landlords and contractors, in addition to the items listed in the "Include" below, include as all other farm business expenses:

1. Pasturing and grazing livestock on private land.
2. New fences, land improvements, and all buildings completed or remodeled.
3. Remodeling or new construction of the operator's house.
4. All marketing and storage expenses.

The operators share of the above expenses have been accounted for elsewhere in the questionnaire. However, these expenses for landlords and contractors have not been accounted for so they **MUST** be included in this item.

For the operator, landlords, and contractors, include the following as "All Other Farm Business Expenses".

INCLUDE:

- (1) fees paid to extension service, accountants and others for keeping farm records.
- (2) fees paid for preparing income tax returns.
- (3) 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.
- (4) postage and telegrams for the farm business.
- (5) expenses for title searches, abstracts, recording deeds and mortgages, court costs and other legal expenses for the land operated.
- (6) fees paid to attorneys in connection with farm/ranch business.
- (7) charges for permits and licenses obtained in 1997 for production and marketing of commodities produced on the

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- land operated. Exclude quota and allotment purchases and rentals.
- (8) 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.
 - (9) registration of purebred animals.
 - (10) brand registration fees.
 - (11) charges for sales promotion or advertising.
 - (12) 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 1997 expenditures, even if these cover more than one year.
 - (13) real estate agent commissions and other direct selling or buying expenses.
 - (14) 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) 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 vehicles are not included in this item. These taxes should be recorded in item 29b.
 - (21) 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 13.)
- (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 1997 which were paid in other years.
- (6) all purchases of farm office equipment (if placed on a depreciation schedule).

**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 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 1997. 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 30 Cash Value of all Food, Goods and Services provided to
Workers who are NOT Household Members workers**

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 the items as probes will help the respondent better consider which type and amount of these payments were made.

Item 31 Source of Electricity

This question is intended to begin evaluating the effects of the deregulation of utilities in the U.S. Before choosing, read all the categories of electrical suppliers to the respondent.

Sections 25 & 26 - Assets and Debts

What's this Section for? How is the information used?

Data that have been reported in previous sections are used to develop an income statement for the farm operation. Data reported in these sections are used to develop the farm's balance sheet. The balance sheet establishes the farm's financial position at a point in time by referring to the assets of the farm relative to the amount of debt it owes. For purposes of USDA's farm financial management accounting procedures, December 31 of the preceding calendar year is the reference date for the farm's balance sheet.

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 few weeks or months), 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 tend to be classified as current or non-current based on how long they may be expected to be used in or held by the business. Land and buildings tend to be non-current assets while inventories and accounts receivable are considered current assets. Debt may be categorized similar to assets by determining the length of term of the loan and whether the loan is an operating loan, a non-real estate, or a real estate loan.

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 financial ratios are reported to the Secretary of Agriculture, other policy officials within USDA, and to the Congress. 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.

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. USDA uses information on dwelling values to estimate the rental value for the space they provide. This "rent" is included in the total cost of doing business.

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.

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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.

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, original term of the loan, and the year in which the loan was obtained. These are used to estimate the principal that must be repaid 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.

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 all assets managed by the operation. The respondent is the only source available for estimates of the value of the land they rent and the particular machinery leased by the operation in 1997. Therefore, we include the value of rented land and leased machinery in estimating the total value of all assets managed by the operation.

Section 25 - 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. Include land the operation owns but rents out to others. 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 assets MANAGED, but NOT OWNED by the operation. Record the value of land rented and machinery leased by the operation. Also, most of this section has a fixed reference date, December 31, 1997, rather than all of 1997.

In this section we get the MARKET VALUE of several types of assets and the amount and type of debt this operation had at the end of 1997. Get 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.)

Item 1 Computer, Office Equipment and Furniture Purchases

Include all capital purchases of farm office equipment (items placed on a depreciation schedule) such as furniture, computers, etc. Any equipment items not placed on a depreciation schedule should be included in Section 24, item 27.

Item 2 Machinery and Equipment on the Operation

This question accounts for all machinery, equipment, and implements on this operation on December 31, 1997. **DO NOT** include machinery kept on this place for custom work use only. Inventory is also recorded, for each category, of the number manufactured in the last 5 years (1993-1997).

Item 2a - Motortrucks

Include all pickup trucks and truck-trailer combinations kept on **this operation** for farm or ranch use. Also, include jeeps and station wagons used mainly as trucks. **DO NOT** include school buses.

Item 2b - Wheel Tractors less than 40 horsepower (PTO)

Record wheel tractors with less than 40 horsepower (PTO) that were used on the farm or ranch. **DO NOT** include garden tractors.

Item 2c - Wheel Tractors with 40 to 99 horsepower (PTO)

Record wheel tractors with 40 to 99 horsepower (PTO) that were used on the farm or ranch.

Item 2d - Wheel Tractors with 100 horsepower (PTO) or more

Record wheel tractors with 100 horsepower (PTO) or more that were used on the farm or ranch. **DO NOT** record implements with built-in power units, such as self-propelled combines and balers or power units of truck-trailer combinations.

Item 2e - Grain and Bean Combines, all types

Record the number of self-propelled grain and bean combines (used for harvesting and threshing operations) on **this operation** on December 31, 1997. Include grain combines equipped with corn picking head attachments. Include any pull-type grain and bean combines.

Item 2f - Cotton Pickers and Strippers

Record number of all cotton pickers and strippers used to harvest cotton.

Item 2g - Mower Conditioners

Several different types of machines are used for conditioning hay. This item should include machines used to cut and crimp or crush hay for conditioning. These machines may or may not be used to windrow hay. Record all of these machines on **this operation** on December 31, 1997.

Item 2h - Pickup Balers

Record both hand-tie and automatic models of pickup balers. Include all types--string, wire, square, rectangle, round (small or large). **DO NOT** include stationary balers.

Item 3 Value of Ending/Beginning Year Inventories of Machinery, Commodities, and Production Inputs

For leased machinery, record the value of the machine, NOT the value of the lease, which reflects only that portion of the value of the machine that the operation has leased.

Note that the value of commodities held in inventory and the amount owed to the operation for past sales are related 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 Sections 12 and 18. If the commodity was produced but not sold or already used on farm, it should be in ending inventory and its value would be recorded here.

If the commodity was sold, but the revenue was not recorded in Sections 12 or 18, then the amount of money owed to the operation for these sales goes in item 4 later in this section.

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

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year. After finding out the value at the end of 1997 and you ask about the value at the beginning of 1997, **do not say**, “Was it (about) the same?” or “It was the about the same, was it not?”.

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, and
- their market price on the date in question.

For livestock, you also need to consider their weights or size. You need to consider **all** these things on January 1, 1997, to get the market value of the beginning year inventory. Then you need to consider **all** these things on December 31, 1997, to get the market value of the end of year inventory. **It is very unlikely that all of these things are the same at the end of the year as they were at the beginning of the year.**

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.

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. Good notes in this section may be helpful in any case.

**Item 3a Value of OWNED Trucks, Cars, Tractors, Farm Machinery,
Equipment and Tools**

Record the end-of-year (on Dec. 31, 1997) estimate of the market value of the farm share of trucks, cars, tractors, machinery, tools, equipment and implements owned by the operation.

Item 3b Value of LEASED Trucks, Cars, Tractors, Farm Machinery, Equipment and Tools

For leased machinery, record the value of the machine, NOT the value of the lease, which reflects only that portion of the value of the machine that the operation has leased. For example, short term rental of a caterpillar should be reported in Section 24, item 25, and no value of the machine reported here .

Record the operator's best estimate of the end-of-year (on Dec. 31, 1997) market value of the cars, trucks, tractors, machinery, tools, equipment and implements leased by the operation, and kept on the operation on December 31, 1997.

Include the value of:

- (1) farm share of the value of leased cars and trucks.
- (2) machinery that was leased as an alternative to buying.
- (3) machinery is kept and maintained on the operation.

Exclude the value of:

- (1) machinery rented for a short period of time, such as for a specific job.
- (2) machinery provided as a part of contract or custom work.

Item 3c Value of Livestock and Poultry On Hand

Record the operator's best estimate of both the end-of-year and beginning-of-year market value of the livestock and poultry owned by the operation. Be sure to consider the quantity on hand, their size or weights, and the market prices on the date in question.

The number of head on hand on December 31, 1997 was reported in Sections 13-17. This should be the inventory for which the operator gives you the end of year value.

Include the value of:

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- (1) all animals held for breeding purposes.
- (2) all animals held for resale.
- (3) beef and dairy cows, bulls, steers, heifers, calves and any other cattle.
- (4) hogs and pigs.
- (5) sheep and lambs.
- (6) horses, ponies and mules.
- (7) goats.
- (8) chickens, ducks, geese, guineas, pigeons, etc.
- (9) fur bearing animals.
- (10) catfish, crawfish and other fish.
- (11) bees.
- (12) other specialty livestock.

Exclude the value of:

- (1) livestock on hand not owned by the operation.
- (2) animals owned for pleasure use only.
- (3) livestock owned by this operation, but being produced by another operation under contract.

Item 3d Value of All Crops On Hand

Record the operator's best estimate of both the end-of-year and beginning-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 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 1997 and earlier years.
- (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, 1997.
- (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.
- (2) feed items such as cracked corn, rolled oats, etc.
- (3) growing crops.

Item 3e Value of Production Inputs

Record the operator's best estimate of both the end-of-year and beginning-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 3d (hay, crops to be used for seed, etc.) Do not include fertilizers and chemicals already applied.

Item 3f Production Inputs Already Used for Crops

Record the amount spent up through December 31, 1997 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, 1997.

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, 1997.

Exclude the value of inputs to:

- (1) crops already harvested (these crop values should be recorded in item 3d).
- (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, 1997 due to weather or market conditions. An estimated value for these crops should be recorded in item 3d if they were originally intended for harvest as of December 31, 1997.

Item 3g All Other Farm Assets

Get the operator's best estimate of the market value, in dollars, of all other assets of the farm/ranch. Read, or let the respondent read, 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 item 4 below).
- (3) quotas and allotments owned by the operation, if these values are not reflected in the land values reported in item 6 below.

Exclude the value of:

- (1) assets for which values were obtained earlier in the questionnaire.
- (2) personal assets.

Item 4 Amount Owed To The Operation

Record the total amount owed to the operation as of December 31, 1997, for all commodities sold or delivered in 1997 or previous years.

In the case of pooled commodities or other sales through cooperatives, etc., record the operator's best estimate of the income the operation will receive in future years from crops, livestock, poultry or products sold or delivered in 1997 or earlier years.

Note that the amount owed to the operation for past sales and the value of commodities held in inventory are related to the figures reported in earlier sections on production, the amount (of crops) already used on farm, or the quantity (of livestock) sold, and to the sales data reported previously.

If the commodity was produced but not sold or already used on farm, it should be in inventory and the value should have been recorded as end of the year inventory earlier in this section in item 3d. If the commodity was sold, but the revenue was not recorded earlier, then the amount of money owed to the operation for these sales goes here.

Record the total amount owed to the operation as of January 1, 1997 for all commodities sold or delivered in 1996 or earlier years. In the case of pooled commodities or other sales through cooperatives, etc., record the operator's best estimate of the income the operation expected to receive in 1997 and future years from crops, livestock, poultry or products sold or delivered in 1996 or earlier years.

Item 5 New Purchases

Item 5a Cars Purchased

Record the FARM SHARE of 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 1997. 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.

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 too. If these fees were separate and itemized on the bill, exclude them here and record financing charges in item 22 or 23 of Section 24. Record registration and license fees in item 27 of Section 24.

Item 5b Trucks Purchased

Record the FARM SHARE of 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 purchased by the operation during 1997. 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 for the operation. Include the cost of beds or boxes and hydraulic systems. The total cost should include the cost of accessories purchased with the vehicle, 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 too. If these fees were separate and itemized on the bill, exclude them here. Record financing charges in item 22 or 23 of Section 24. Record registration and license fees in item 27 of Section 24.

Item 5c Tractors Purchased

Record the total purchase price (after trade-ins, rebates, discounts, etc.) of all new and used tractors bought during 1997 for use on the operation. 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 22 or 23 in Section 24. Registration and license fees should have been reported in item 27 of Section 24.

**Item 5d SELF-PROPELLED Equipment, Implements and/or
Machinery Purchased**

Record the total amount spent for all self-propelled equipment, implements and machinery (after any trade-in allowance, rebates and discounts were subtracted). 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.

**Item 5e NON-SELF-PROPELLED Equipment, Implements and/or
Machinery Purchased**

Record the total amount spent for all non-self-propelled equipment, implements and machinery (after any trade-in allowance, rebates and discounts were subtracted). Include purchases of livestock, dairy and poultry equipment, 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 6 Value of Land and Buildings

Item 6a Market Value of Land and Buildings 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 Free-of-Charge by the operation during 1997. This should correspond to acres reported as rented in Section 1, item 2. 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 6b Market Value of Land and Buildings Rented TO Others

Record the operator's best estimate of the total market value of all the LAND and BUILDINGS Rented TO Others by the operation during 1997. This should correspond to acres reported as rented to others in Section 1, item 3. Include the value of water rights, mineral rights, permanently installed irrigation equipment, frost protection systems, permanent plantings in orchards, groves, vineyards, Christmas trees, grazing permits that go with the land, etc.

Item 6c Market Value of Land and Buildings OWNED

Record the operator's best estimate of the total market value of all the Land and Buildings OWNED by the operation on December 31, 1997. This should correspond to the acres owned reported in Section 1, item 1, unless land (and buildings) were purchased at the end of the year, and, thus, were not part of the operation **during** 1997. 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.

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.

This information is not likely to be available in records, but most operators should be aware of the current value of their land and buildings or comparable land and buildings.

Item 6c (1) Market Value of the Operator's House

Record the market value of the operator's house as of December 31, 1997, if it is owned by the operation. This is the dwelling's share of the total value reported in item 6c.

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. We will use these data to impute a fair rental value for the house in order to account for a house provided to the operator by the farm business.

Item 6c (2) All Other Buildings

Record the amount of the total in item 6 that was for all other farm buildings owned by the operation. Probe if necessary to obtain values, but do not accept "book value" (the original cost of the building minus depreciation.)

Include 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

Item 7 New Construction and Remodeling

Record the operation's total 1997 capital expense for all new construction, remodeling or land improvements done on the operation (or for buildings owned by the operation but located elsewhere). Include new construction of fences.

New construction expenses often include expenses for materials such as new tile, pvc pipe, new culverts, fencing and machinery and labor charges. Land improvements are those additions or improvements to the land which change it in a PERMANENT way.

Include:

- (1) all costs for new construction or remodeling of the operator's house, **if it was owned by the operation.**
- (2) all costs for new construction or remodeling of houses for hired farm/ranch labor or tenants.
- (3) all costs to construct or remodel farm/ranch buildings, storage facilities, sheds, silos, bins and similar structures.
- (4) government reimbursed expenses.
- (5) expenses for improvements such as terraces, water and sediment control basins, grassed waterways, ponds, windbreaks, permanent cover, contouring, grading, filter strips, etc.
- (6) expenses for drainage improvements such as ditches, bedding, shaping, subsurface drain tile, etc.
- (7) expenses for irrigation improvements such as digging wells or ditches.
- (8) 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).

- (9) expenses for corrals, feedlots, feeding floors, trench silos, waste facilities, wells and equipment not for irrigation.
- (10) (in Western states) capital improvements to grazing land.
- (11) any other improvements not already recorded.

Item 7a Amount for Operator's House

Record the amount of the total new construction, remodeling, and improvements expense (item 7), that was for the operator's house, **if it was owned by the operation.**

Item 7b Amount for Other Farm buildings, Houses, etc.

Record the amount of the total new construction, remodeling and improvements expense (item 7) that was for all farm buildings, including houses other than the operator's, sheds, storage facilities, upright silos, bins, and other buildings.

Section 26 - Debt

Item 1 Screening for Debt

Ask this question of all respondents. If the operator had no long term debt and answers "No" to this question, you **MUST still ask item 4 relating to seasonal production loans.**

Item 2 Debt Outstanding

If the operation had debt at the end of 1997, 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 smallest loan owed, for up to four loans. Be sure the respondent includes debt secured by the operation's assets, even if the loan was for non-farm purposes.

Item 2, column 1 Lender

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 Illinois*' 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 particular debts. On the other hand, if respondents have difficulty in choosing the appropriate loan category, such as between a Savings and Loan or a Commercial Bank, do not hesitate to assist them in arriving at the correct response.

Enter the code for the lender (and purpose) to whom the operation owed money. 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

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Credit Associations, or any other organizations through which Farm Credit System loans are made.

Exclude loans made on the cash value of the borrower's life insurance policy from debts owed to life insurance companies (code 7). Record this type of loan under "Any Other Lenders" (code 15).

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.

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.

Include as other debts (code 16) the farm share of all unpaid bills.

Item 2, column 2 December 31, 1997 Balance

Record the 1997 end-of-year balance remaining to be paid. Include both principal and unpaid interest which was delinquent.

Item 2, column 3 Interest Rate

Enter the interest rate associated with the loan balance recorded in column 2. Rates should be entered to the nearest 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.

Item 2, column 4 Original Term of the Loan

Enter the original term, in years, of the debt recorded in column 2. If the original term of the debt was less than one year, enter 1.

Item 2, column 5 Year Obtained

Enter the four digit year (1980, 1992, etc.) in which the operation obtained the loan or the most recent year of refinancing. For annual lines of credit, enter the year the line of credit was first established even if it was repaid each year.

Item 2, column 6 Percent for FARM Purposes

If the loan was obtained entirely for farm purposes, this item should be 100. If part of the loan was used for non-farm purposes, enter the percent of the original loan which was for farm purposes.

Item 2, column 7 Loan Guaranteed by FmHA/FSA/SBA

Ask the column 7 question for any loan not made directly by the former Farmers Home Administration (FmHA), which is now part of the Farm Services Agency (FSA) or the Small Business Administration (SBA). For loans not coded 2 or 3 in column 1, ask if the loan was **guaranteed** by the Agency. Guaranteed loans are frequently made by banks (code 6 entered in column 1). The Small Business Administration has recently resumed its program for guaranteeing certain qualifying farm business loans.

Item 3 Additional Debt

Space is provided to record the details of four loans in the item 2 table. If the operation had more than four loans with balances outstanding at the end of 1997, enter the number of loans in addition to the four identified in the table.

Item 3a Amount of Additional Debt

If the operation had more than four loans with balances outstanding at the end of 1997, enter the total amount of outstanding debt not recorded in the table. Include both principal and unpaid interest which was delinquent.

Item 4 Seasonal Production Loans

This item should be asked even if the operation had no debt at the end of the year. It includes only loans taken out in 1997 and **entirely or partially** repaid during the year. Record the largest amount of production loans or other farm loans outstanding at any one time 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 the \$20,000 debt balance in the item 2 table, entering code 1 in column 4. Record \$80,000 in item 4 as the maximum loan amount taken out and repaid during 1997.

Section 27 - Income From Farm-Related Sources

Item 1 Custom Work for Others

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 2 Grazing of Livestock

Include any income this operation had from grazing of another operation's livestock on a per head or gain basis. Exclude any contract arrangements previously recorded. **Exclude usage fees earned which were reported in Section 1, item 11c.**

Item 3 Sales of Farm 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 4 Forest Product Sales

Record the total 1997 income from sales of all forest products from the total acres operated. Include timber sales, pulpwood sales, firewood sales, maple syrup sales, etc. Exclude Christmas tree sales; they should be reported as crop sales.

Item 5 Patronage Dividends and Refunds from Co-ops

Record the amount of patronage dividends resulting from ownership of shares in cooperatives in 1997. 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.

Item 6 Crop Insurance Indemnity Payments

In 1997, 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 1997. If more than one payment was received, total the payments. Do not include insurance indemnity payments from any source other than Federal Crop Insurance Corporation (FCIC), which is now part of USDA Farm Service Agency, or a private insurer from which the operation bought federally backed crop insurance. Exclude hail insurance.

Item 7 Other Insurance Payments

Record the amount of insurance payments that were collected for losses to insured property that were not part of the payments covered by FCIC. Include farm share of payments 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, put this income in Section 31 under off-farm income. Include hail insurance indemnity payments.

Item 8 Other Farm Related Income

It may be helpful to prompt the respondent by referring to the list of "Other Farm Income" items in the respondent booklet.

INCLUDE:

- (1) by-product sales.
- (2) sales of livestock manure.
- (3) sales of straw.
- (4) any Federal Excise tax (FET) refund claimed, if the FET was included in fuels purchase cost.
- (5) all other farm related income not included in 15a-15g.
- (6) refunds claimed for marketing charges which were withheld. (For example, Cotton Inc. refunds or refunds from the Dairy Refund Payment Program.)
- (7) any income received for providing others access to any type of outdoor recreation.
- (8) equity or premium payments on CCC loans transferred to someone else (money received above the face value of the loan).

Section 28 - Farm Labor

Item 1 **Hired Workers**

Record the number of paid farm or ranch workers doing agricultural labor, including paid family members. Include workers such as hired bookkeepers, office workers, maintenance workers, etc., if their work is primarily associated with agricultural production on this place.

Remember to include in the "less than 150 day" category any short term or temporary workers who may have worked only a few days. **DO NOT** include contract labor or custom workers.

Item 2 **Hours Worked by the Operator, Spouse, and Unpaid Workers**

These items provide the information necessary 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 the CRR interview!

Item 2a Operator's Hours of Farm Work

For each quarter, record the **average number of hours** of farm work the operator did **per week**. Record both paid and unpaid hours of work.

Item 2b 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**. Record both paid and unpaid hours of work.

Item 2c All Other Unpaid Workers

For each quarter, record the **average TOTAL number of hours** of farm work done **per week** by any unpaid workers except the operator and spouse. Unpaid workers may include members of the operator's household, partners, neighbors, guests, etc. Record only UNPAID hours of work.

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.

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Section 29 - Injuries or Deaths

Item 1 **Number of Workers with Work-Related Injuries**

Include all injuries resulting in lost work time or medical care expense that occurred **while doing farm or ranch work** on or for this place during 1997. Include injuries of family members, the operator, paid hired workers, and unpaid workers. **DO NOT** include injuries to contract workers, household injuries not related to the farming operation, and deaths.

Item 2 **Number of Work-Related Deaths**

Include all deaths that resulted from injuries or accidents **related to farm or ranch work on or for this operation**. Include deaths of family members, the operator, paid hired workers, and unpaid workers. **DO NOT** include deaths of contract workers, and/or deaths that resulted from natural or nonaccidental causes, such as heart attacks, cancer, suicide, etc.

Section 30 - Type of Organization, Corporate Structure

This section identifies the type of organization or proprietorship that best describes how this place was operated in 1997. Mark only one box in item 1, enter the appropriate code, and follow the skip instructions. In this item we only want information explaining how the operation is **legally** set up. 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.

Family or Individual Operation

Mark this box if the farm is operated by an individual, or an individual and family, or by a husband and wife. This should include farms or ranches which are family operations but not incorporated or operated as partnerships.

Legal Partnership

Two or more individuals are LEGALLY joined together to carry on the operation. Each partner contributes money, property, labor and/or skills and shares in profits or losses according to some percentage agreed upon by the partners. To be recognized as a partnership, the relationship of the partners must be LEGALLY established. Legal partnerships can include "silent" partners who only provide capital. Husband and wife partnerships should be classified as individual/family proprietorships unless they are legally established. Exclude joint operations which involve livestock only (with no land operated in partnership) and landlord-tenant arrangements.

Non-Legal or Informal Partnership

Partnerships where there is no formal partnership agreement.

Family Held Corporation

This is a legal form of incorporation in which more than 50% of the stock in the operation is owned by people related either by blood or by marriage. The operator of these operations may be paid a salary, but these operations usually report that day-to-day decisions are made by an individual or by partners.

A Non-Family Corporation

This is a legal form of organization separate from its owners. It is created under the laws of individual states. For these operations, the operator is almost always considered a hired manager.

Cooperative

This is a voluntarily organized association controlled by its members or patrons.

Other

If this operation is any other kind of organization not readily classified in the above-mentioned categories, enter code "7" and specify the type. 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. Indian reservation** -- The farm or ranch is owned by and/or part of an Indian reservation and operated for the general benefit of reservation residents. Farms or places operated by Indians owning or

having allotted land should be recorded in the same manner as any other farm, ranch, or place.

d. Grazing association -- this place is operated as a grazing association.

e. Cooperative -- this place is operated as a cooperative. It is defined as an incorporated or unincorporated enterprise or association created and farmed jointly by the members.

f. Institution -- this place is operated as part of a school, prison, hospital, religious organization, etc.

g. Experiment station -- this place is operated primarily for research by either a public or private agency, and perhaps, but not necessarily, in conjunction with a university or school.

Item 2 Stockholders

This question is only asked if item 1 above is a code "4" or "5".

Indicate if the corporation has more than 10 stockholders.

Section 31 - Operator Characteristics

Knowledge of **Age, Race, Education level, 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 can be addressed by asking about **Major Occupation**, and other questions about off-farm employment.

Item 1 Residence

Indicate whether the operator or person in charge of the agricultural operation lived on this place most of the time in 1997. Consider the operator as living on this place if any part of the agricultural operations, such as poultry, livestock, fruit trees, farm machinery, etc., are kept at the residence. If no agricultural operations take place at this dwelling other than a home garden, record a "2" for "NO".

Item 2 Major Occupation in 1997

We consider major occupation to be the occupation or work at which an individual spent more than 50% or more work time in 1997. Some farmers may call themselves retired because they are farming on a smaller scale than when they were younger. Other people who have retired from an off-farm job and now farm on a small scale may also call themselves retired.

Item 3 Off-Farm Work

Record the appropriate code which indicates the total number of days the operator (senior partner or person in charge) worked for pay at least 4 hours per day off the farm in 1997.

Item 4 Year Started Making Day-To-Day Decisions

This question shows how long the operator has worked as an operator, making day-to-day decisions for a farm or ranch. Experience in farming can be an important indicator of financial success on the farm. The operator should enter the year that he/she began making day-to-day decisions for any farm or ranch, not just the one that we are collecting data for right now. Record the date as four digits (1953, 1985, etc.).

Item 5 Age

This question gives us the chance to look at the financial situation of the farm as it relates to the operator's age. Enter the operator's age as of December 31, 1997.

Item 6 Race or Origin

The purpose of this question is to examine the relationship between the financial situation of the operation and the race or ethnic origin of the operator. The categories are exactly as defined on the Census of Agriculture report form.

Item 7 Gender of Operator

Enumerator Note: You should record the answer without asking the question.

Item 8 Spanish, Hispanic, or Latino Origin

Indicate whether the operator is of Spanish, Hispanic, or Latino origin or a descendent of a Spanish, Hispanic, or Latino ethnic country (i.e. Puerto Rico, Mexico, Cuba, etc.) regardless of race.

Item 9 Formal Education

This question provides the data for a look at the operation's financial situation as it relates to the education of the operator.

Each respondent should enter the code representing the highest level of school completed by the operator. Vocational school, secretarial school, etc. should not be counted as formal education unless the credits can be transferred to a college or university. An associate degree should be recorded as some college.

Item 10a Weeks Worked by Operator

Record the number of weeks the operator worked off the farm for pay in 1997.

Item 10b Average Hours Per Week Worked by Operator Off-Farm

For the weeks the operator worked off the farm, record the **average hours worked per week**. If the operator had more than one job, the respondent should include average hours for all jobs combined. For example, if an operator worked 10 hours per week on one job and 20 hours per week on another, the average number of hours worked per week would be 30 hours.

Household Income

Information on the economic well-being of farm households is needed to evaluate the effect of government farm policies and proposed policies. These questions provide data that can be used to learn about the relationships between people and farms. **No other source of data is available to illustrate the relationship, if any, of operator and household characteristics to the financial situation of the farm and farm household.**

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. Farm families also receive substantial income from previous investments. Still others receive retirement benefits from pensions or Social Security.

Past analysis of off-farm income data have been used by the Office of Management and Budget in its proposal of a "means test" of whether farm operators should receive government farm payments. Using CRR data, USDA looked at the proposal to limit 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 CRR 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.

The Federal Government is now phasing out direct payments to farm operators. However, it is more important than ever to monitor farm households to study how they adjust to changes in farm programs. Though direct payments are being phased out, other government programs will continue.

Comparing the incomes of Farm Operator Households with the incomes of All U.S. and Non-Farm Households. Policy officials

within USDA as well as members of Congress have an interest is 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; some analysts still do this. USDA believes that 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.

Traditional procedures ignore that many farms support more than one family. Income sharing among partnerships and farm corporations are obvious, but many individual proprietorships also support multiple households. Plus, 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.

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 receive. Getting answers to these two questions is critical to the development of an income estimate for farm families that can be compared to the incomes of all U.S. households.

Item 11 Off-Farm Income

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.

For the seven categories of off-farm income, the respondent should record the **CODE** (from the "Values Codes" in the respondent booklet) that represents off-farm income for the operator and all members of the operator's household in 1997.

Include:

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- (1) the operator identified in screening. If the operation is a partnership, and the responding partner cannot get this information for the partner identified as the operator in screening, the responding partner should report the information for himself/herself.
- (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. Normally, you enter a dash to indicate that you asked the question and the answer was zero. Most of the time that works fine, but for these items we need to be able to tell the difference between zero and missing data in the computerized data file.

Item 11a Off-farm Wages and Salaries

Record the **Value Code** which best represents the GROSS cash wages, salaries, tips, paid bonuses, leave pay, etc. received by the operator and all household members in 1997 from all jobs. Include GROSS cash wages and salaries, tips, commissions, paid bonuses, leave pay and compensation for corporate officers. Also include cash wages and salaries earned by the operator and all members of the operator's household from working on other farms or ranches.

Item 11b Income From Operating Another Farm/Ranch

Record the **Value Code** which best represents the NET cash income earned in operating other farms or ranches. If the operation suffered a

loss, the respondent should use the appropriate code and put a negative sign in front of it. Exclude income received from land rented to others (income received as a landlord).

Item 11c Income From Operating an Off-farm business

Record the **Value Code** which best represents the income earned from operating any off-farm businesses.

Include:

- (1) NET income earned from businesses other than farms or ranches. If the respondent indicates that the operation suffered a loss, the respondent should use the appropriate NEGATIVE code.
- (2) Income from agricultural service firms and businesses.
- (3) Income from farm-related businesses not already reported, such as custom operations that are not a part of the farm business (custom operation keeps separate books).

Exclude:

- (1) Income earned from other farming or ranching operations.
- (2) Income from farm-related sources reported elsewhere in the questionnaire.

Item 11d Rental of Farm Land

Record the **Value Code** which best represents the income earned from the rental of farm land.

Include:

- (1) NET income from renting farm property
- (2) NET income from renting out an entire farm.

Include the net amount the household receives from the gross amount of farmland rental income reported in Section 1, items 8 and 9. Also include rental income from farmland associated with other operations this operator or members of the household participate in. Government

payments received on rented farmland should be included when calculating NET rent from farm properties. If a net loss resulted, the respondent should use the appropriate code and put a negative sign in front of it.

Item 11e Interest and Dividends

Record the **Value Code** which best represents the income earned from interest and dividends.

Include:

- (1) Interest and dividends from all investments.
- (2) Any other interest received from off-farm sources.

Item 11f Disability, Retirement, Unemployment, Social Security, Public Assistance, etc.

Record the **Value Code** which best represents the income earned from the following:

- (1) Disability insurance including Workman's compensation and Social Security disability insurance.
- (2) Social Security, military and other public retirement income.
- (3) Veterans Benefits, unemployment and public assistance programs.

Item 11g Other Off-Farm Income

Record the **Value Code** which best represents the income earned from the following:

- (1) all other NET non-farm income (not included in items 11a-11f) from sources other than this operation.
- (2) NET income from renting non-farm property.
- (3) royalties for oil, gas and other mineral leases.
- (4) income from private retirement plans.
- (5) alimony, child support and other payments.

- (6) the value of commodities received in payment for farm labor and then sold, if not reported earlier.
- (7) all other income not previously reported.

NOTE: Net income from renting FARM property should be reported in Item 11d.

Item 12 Number of Other Households Sharing Net Income

Record the number of households besides the operator's that shared in the net income of the farm operation in 1997. Do not include money paid to landlords, contractors or people who worked on the operation for wages.

Item 12a Percent of Net Income

Record the percent of the operation's net income that was received by the operator and the operator's household. Do not include net income received by partners or shareholders of the operation UNLESS THEY LIVED IN THE SAME HOUSE AS THE OPERATOR.

Conclusion

Survey Publication

After completing the interview, ask the respondent if he/she would like to receive a copy of the survey results. Releases from the 1997 CRR will be published in July of 1998. Enter "1" for YES.

Respondent Code

The respondent code is used to identify the person who was interviewed. Enter the code of the person providing most of the data. If the respondent was an accountant, bookkeeper or someone other than the codes listed, record the respondent's name and phone number.

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.

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

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common farm/ranch accounts (seed expense, fuel expense, livestock purchases, etc.).

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.

Date

Record the date the questionnaire was completed. Enter the date in MMDDYY format on the lines provided in the date cell. For example, if the interview was completed on March 6, 1998, enter 3 06 97 in the date cell. It is not necessary to enter a leading zero before the month number.

Enumerator Name

After signing the questionnaire, record your enumerator ID code.