United States Department of Agriculture

National Agricultural Statistics Service

Agricultural Resource Management Survey – Phase III

Cost and Returns Report

Interviewer’s Manual
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1 General

1.1 Purpose

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

Many policy decisions made in Washington and in the states directly affect U.S. farmers and ranchers. The ARMS provides farmers and ranchers with one of the best means to ensure that policy-makers have access to accurate and objective information when making those decisions.

1.2 ARMS III / Census Integration

The 2012 Census of Agriculture is the 28th Federal Census of Agriculture and the fourth conducted by the United States Department of Agriculture’s (USDA) National Agricultural Statistics Service (NASS). It covers land use, net income, operator and farm attributes, production and sales of agricultural products during 2012, inventory of livestock, poultry, and other animals as of December 31, 2012, and many other farm-related items.

A combined questionnaire to collect both ARMS Phase III and 2012 Census of Agriculture data was created again this year, as done in 2007. Questionnaires for the mandatory 2012 Census of Agriculture are mailed to all farmers and ranchers in the U.S. the same week the 2012 ARMS Phase III is mailed out. Since data collected on the ARMS and Census are similar, it was deemed an unnecessary burden to ask farm operators to complete both complex surveys.

Operators sampled for ARMS Phase III will be receiving the integrated ARMS/Census questionnaire, instead of receiving the Census of Agriculture questionnaire. Completing the ARMS questionnaire will satisfy the mandatory Census reporting requirement and also provide the necessary information for the ARMS. ARMS data will be transferred to Census after ARMS is completed.

1.3 Data Collection Phases

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

- The initial phase (ARMS – Phase I) conducted from May through July, checks the status of the business and collects general farm data such as crops grown,
livestock inventory, and value of sales. Phase I data are used to qualify (or screen) farms for the other phases.

- The second phase (ARMS – Phase II) is conducted from September through December. This phase collects data associated with agricultural production practices, resource use, and variable costs of production for specific commodities.
- The final phase (ARMS – Phase III), which is the focus of this manual, is conducted from January through April. Phase III collects whole farm finance and operator characteristics information.

Respondents sampled for the Production Practices and Costs Report (PPCR) in Phase II (Soybeans for 2012) will be asked to complete a Phase III report to obtain financial, resource use, and cost of production data for the entire operation. It is vital that both the Phase II and Phase III questionnaires be completed for these operations. Data from both phases provide the link between agricultural resource use and farm financial conditions. This is a cornerstone of the ARMS design.

1.4 Uses of ARMS Data

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

- gathers information about relationships among agricultural production, resources, and the environment, to support evaluations of these relationships. The data are used to understand the relevant factors in producing high quality food and fiber products while maintaining the long term viability of the natural resource base and rural communities;
- determines what it costs to produce various crop and livestock commodities, and the relative importance of various production expense items;
- estimates net farm income and provides data on the financial situation of farm and ranch businesses, including the level of assets and debt. ARMS data provide the ONLY National perspective on the annual changes in the financial conditions of production agriculture;
- provides the farm sector portion of the Gross Domestic Product (GDP) for the Nation. While the farm sector portion may be small, its volatility must be accurately measured to identify the sources of change in the overall economy;
- provides the agricultural component of estimates of State and Local Area Personal Income estimates provided by the Commerce Department’s Bureau of Economic Analysis. These measures are used to drive formulas for distribution of federal assistance dollars to communities, and by businesses and state and local governments to make local investment and infrastructure decisions;
- identifies the characteristics and financial situation of agricultural producers and their households, including information on management strategies and off-farm income. ARMS provides the ONLY source of data that links household financial resources and outcomes to farm business finances;
- provides baseline commodity cost and return estimates that are used to establish
annual estimates during the next 4-8 years. Annual estimates are set by updating the survey base using changes in annual prices, acreage, and production. In addition to the survey base established for soybeans from the 2012 data, future ARMS surveys such as for rice and peanuts in 2013 will update the baseline and support commodity cost and return estimates into the future.

In general, ARMS data benefits farmers indirectly. They see the information through contact with extension advisors, in reports issued by State colleges and universities, in farm magazines, newspapers, and on radio or TV broadcasts. Most respondents probably do not realize the data come from the ARMS but they may be affected by the farm policy decisions that are made.

1.5 ARMS Products

Markets cannot operate efficiently without 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 easier than ever before. Many farmers now have a computer or have access to a computer to peruse ARMS reports and data summaries on the Internet.

Reports and tables using ARMS data can be downloaded from the following NASS and ERS Web Sites:

- The NASS Web Site is: http://www.nass.usda.gov
- The ERS Web Site is: http://www.ers.usda.gov

1.5.1 NASS Reports

NASS publishes two reports from ARMS. The “Agricultural Chemical Use - Field Crops” publication (www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Chemical_Use/), uses data collected in the ARMS Phase II survey, and is normally released the following May.

The second report, “Farm Production Expenditures”, compiled from the 2012 ARMS Phase III, will be released in early August. This report shows expenditures for the U.S., 5 farm production regions, 15 major agricultural estimating States, 8 U.S. economic sales classes, and U.S. crop and livestock farms (http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1066). Most State offices use information from these two reports in preparing publications for their State.
1.5.2 ERS Reports & Other Uses of ARMS Data

ERS uses ARMS data to produce sector-wide farm income and balance sheet accounts as well as farm household income and wealth accounts. In addition, ERS produces focused analyses of policy issues for policymakers in unpublished staff analyses, and produces widely disseminated reports, on policy-relevant topics, that are used by public and private decision-makers.

The following sections provide examples of applications of ARMS data through each channel. State staff and enumerators are encouraged to explore and choose among those examples that can best help them explain the uses of ARMS to respondents depending on business interest.

**Farm Business and Farm Household Financial Accounts**

ERS uses data from the survey to help develop annual estimates and forecasts of net farm income, farm sector value-added, and farm assets and debt. More than 75 percent of the specific expense and income categories in the accounts come from ARMS.

ERS publishes an annual report that includes indicators of farm income and farm household well-being, by groups of household and farms, with projections for the near term, in the *Agricultural Income and Finance Situation and Outlook* (AIS).


Characteristics and indicators of well-being of farm operator households (including off-farm sources of income and wealth) are provided at the ERS Farm Household Well-being webpage: [www.ers.usda.gov/topics/farm-economy/farm-household-well-being.aspx](http://www.ers.usda.gov/topics/farm-economy/farm-household-well-being.aspx).


Anyone can access these data, which are available for the U.S. and separately for 15 major agricultural estimating states. The tool provides data on farm income and farm balance sheet accounts for farm businesses and farm operator households, sorted by region, commodity orientation, farm size class, and the ERS typology (based on farm size and the major occupation of the primary operator). Information on farm production practices is also available. Congressional leaders use the data tool as they plan and debate farm policy in the Farm Bill. The Bill is expected to go through Congress in 2013, and then senior USDA officials will use the tool as they implement the Bill in specific rules.
This year, there will be major debate on the design of farm commodity programs and Federal crop insurance; on the role of conservation programs and the funding for those programs; on a redesign of dairy policy; and on provisions regarding bio-fuels policy and energy production. ARMS financial and structural measures will provide crucial information to all of these debates.

Lenders and input providers use the income and balance sheet estimates and forecasts in business planning. Input providers, such as equipment makers and retailers, use the estimates to plan likely future demand, and therefore to make the production and inventory decisions necessary to effectively meet future demand. Lenders use the data to evaluate loan demand and borrower risks, and therefore to formulate credit policies. With ongoing fluctuations in commodity and input prices, there is increased uncertainty concerning the financial performance of farms in specific sectors and regions, and accurate data on farm finances is becoming more crucial for decision-making by lenders and input providers.

**From the Farm Sector Accounts to the National Economic Accounts**

With a few modifications, ERS expense and farm-related income estimates enter directly into the Commerce Department's calculation of the farm sector’s contribution to Gross Domestic Product (GDP), the primary measure of the nation's economic activity. The GDP accounts are a crucial tool in macroeconomic policymaking.

The Commerce Department also uses ARMS data to develop the farm component of State personal income estimates and Local Area personal income estimates. State personal income estimates are used to allocate some Federal funds across States. Examples of programs that use personal income data in formulas to allocate Federal funds across States include Medicaid, Supplemental Security Income, Agricultural Extension, University Research, and USDA Agricultural Lending.

State and local area personal income estimates are used widely in the public and private sectors to study economic trends for states and regions and to measure and track the levels and the types of incomes that are received by the people who live or work in a state. These estimates provide a framework for the analysis of each state’s economy, and they serve as a basis for decision making.

Private firms and public agencies use the data in models to project energy and water use, and therefore to plan for investments in public utilities. State governments use the estimates to project tax revenues and the need for public services. Many states have set constitutional or statutory limits on state government revenues and spending that are tied to state personal income or to one of its components.

The local area estimates of personal income and its components, of per capita personal income, and of employment are widely used by both the public and the private sectors to measure and to track the levels and the types of incomes that are received by the people who live or work in a county, metropolitan area, or BEA economic area. These estimates are used to help in locating production and retail facilities, and to plan production, inventory and materials procurement decisions.
ARMS is Used in Data Releases and Staff Analyses to Support Effective Policy-Making

ARMS data are used in unpublished ERS staff analyses of specific issues in response to requests from policymakers. Public and private decision-makers also use ARMS data directly for business and government planning. Examples are provided below:

Farm-level Impacts of the 2012 Drought

By the summer of 2012, almost 80 percent of U.S. agricultural land was experiencing drought, the most extensive drought since the 1950's. ERS analysts used ARMS data to estimate the proportion of U.S. farms, cropland, crop production, and livestock production that were experiencing drought conditions at different times during 2012, with detail for specific commodities. They then used ARMS-based financial models to estimate the likely effects of drought on commodity revenues and expenses, government payments and crop insurance indemnities, and net farm income for different types of farms. These analyses, made widely available during the summer of 2012, are used by producers, policymakers, lenders, and input suppliers to evaluate the financial impacts of the drought and the likely effects on producer decisions. www.ers.usda.gov/newsroom/us-drought-2012-farm-and-food-impacts.aspx

Designing Programs and Setting Eligibility Standards

During deliberation of the 2008 farm bill, a proposed amendment would have limited eligibility for some conservation programs to those farms whose operators derived at least 2/3 of their household income from farming. Another amendment would have limited eligibility for beginning farmer programs to those farms whose operator derived at least half their income from farming. The proposals reflected concerns that funds were not being directed to commercial farming operations. ARMS data were used to demonstrate that many commercial farming operations, representing nearly half of all farm production, would be excluded under the proposals. The data were further used to demonstrate the effects of alternative rules on program coverage and farm eligibility.

Current policy limits the total annual amount of payments that a person can receive under farm programs, and also places a cap on the income that a person can receive and still remain eligible for farm program payments. During debates over the current farm bill, various groups have proposed changes to the current package of payment limits and income caps. ARMS data have been used to evaluate how payments are allocated across households under current policy, and to evaluate the likely impacts of the proposed changes on total payments, the number of recipients, gross and net farm business incomes, and farm household income.

Fostering the Viability of Young and Beginning Farmers and Ranchers and the Marketing of Local Foods

Following the lead of the 2008 Farm Act, USDA began implementing new programs designed to support beginning farmers. This included establishing an
Office of Advocacy and Outreach and an external Advisory Committees on Beginning Farmers. USDA also established a USDA-wide working committee, called Know Your Farmer, Know Your Food to direct USDA programs to foster the growing trend in farmers’ marketing direct to consumers and retail establishments. All of these USDA initiatives relied on the ARMS data, through briefings to officials and written staff analyses, to improve their understanding of the financial position of beginning farmers and those engaged in direct marketing to consumers.

**Integrating Conservation and Commodity Payments**

The Conservation Stewardship Program, enacted as part of the 2008 Farm Act, provides performance-based conservation payments. These payments offset the cost of adopting new conservation practices and provide support to producers who have already achieved a high level of environmental performance. The program was introduced after the release of an ERS report that used an ARMS-based model to evaluate the design options for such a program. The model provided insight on (1) trade-offs between environmental gain and income support in a performance-based conservation program and (2) the distribution of support across farms compared to the support provided by existing commodity programs. [www.ers.usda.gov/publications/err-economic-research-report/err44.aspx](http://www.ers.usda.gov/publications/err-economic-research-report/err44.aspx)

**Environmental Compliance with Farm Programs**

Farmers who receive direct commodity program payments are required to comply with provisions of the programs aimed at land and wetland conservation, known collectively as environmental compliance requirements. Some farm bill proposals called for sharp reductions in direct payments; with no other changes to current law, reductions in direct payments would also reduce compliance incentives and potentially worsen environmental quality. This analysis used ARMS and other data sources to assess the impact of proposed reductions on compliance incentives, and to evaluate alternative policy initiatives that would improve conservation incentives. [www.ers.usda.gov/media/361085/eib94_2_.pdf](http://www.ers.usda.gov/media/361085/eib94_2_.pdf)

**Crop Insurance Indemnities**

USDA’s Risk Management Agency (RMA) uses crop planting costs summarized from ARMS data to evaluate prevented planting and replanting payment rates (percents of total insurance coverage) that crop insurance policies would pay.

**Economic Damages**

USDA’s Office of Civil Rights uses ARMS costs and returns data to determine economic damages in cases in which discrimination has been found in USDA programs. The primary example is in Farm Service Agency (FSA) civil rights complaints (when people are denied loans or other benefits or there has been a delay in processing loans or other benefits to the point that there was an adverse impact upon their farming operation). The analyses must rely on publically available, defensible data as the basis for analyses.
Farm Policy Debate – Direct Payments or Crop Insurance Subsidies

In late 2010, one state farm bureau suggested that direct payments to producers could be replaced by a revised crop insurance program. Other state farm bureaus disagreed. The 2007-2009 ARMS data was used to examine the spatial concentration and program coverage overlap for these two programs. It allowed policymakers and stakeholders to understand these regional differences and better evaluate the regional distributional impacts of changes in program design.

Fertilizer Demand

Fertilizer providers use estimates of application rates, derived from ARMS crop versions, to help gauge fertilizer demand in different regions, and to plan production and delivery schedules.

Irrigation in an Era of Increasing Water Demand

Irrigated farms account for 55 percent of the total value of U.S. crop sales, and agriculture accounts for 80-90 percent of the consumptive water use in the U.S. However, increasing demands for non-agricultural uses, as well as climate change, are expected to reduce future water supplies for irrigated agriculture. ARMS irrigation data has been used in crop-specific studies to help understand how soil, nutrient, and water management systems affect the profitability and environmental stewardship of U.S. corn producers.

webarchives.cdlib.org/sw1s17tt5t/http://ers.usda.gov/Publications/AIB774/

Farm Internet Use

Internet and computer use has grown rapidly in the last decade. The Federal government has been extensively involved in the growth the Internet through many of its regulatory and investment activities. This includes USDA’s management of rural broadband Internet service provider loan and grant, distance education, and telemedicine programs. Over the last 2 years ARMS Internet data have been used to assist the Secretary of Agriculture and to assist the Secretary of Agriculture and federal agencies (such as USDA-Rural Utility Services and the Federal Communications Commission) understand internet uses and needs in farming and in rural America. ARMS Internet data have been used, for example, in the administration of the broadband Internet provisions of the American Recovery and Reinvestment Act of 2009 and in current discussions over revision of the Universal Service Program that supports the provision of telecommunications services in high-cost areas.

Health Insurance Coverage and Off-Farm Employment of Farm Families

Farming is a dangerous occupation, and the viability of a farm or ranch can be jeopardized by a serious accident. ARMS data on health insurance for farm families are used in health insurance policy analyses, including debate over the design and implementation of the Patient Protection and Affordable Care Act of 2010, because other sources of statistics on health insurance coverage do not have sample sizes of farmers large enough to address the issues. Because farmers are generally self-employed in farming and the major sources of health
insurance in the U.S. are employer-sponsored, there was concern that farm families were less likely to be insured. However, ARMS data revealed that farm families are more likely to have health insurance than the general U.S. population, with off-farm employment of farmers or family members providing the major source of coverage. That information altered policymakers thinking about the best channels for ensuring health insurance coverage for farm families. The data continue to be used to analyze proposed changes to the 2010 Act, and to understand the factors affecting coverage among farm families.

**Competition and Antitrust Policy**

Competition in markets for contract growers is an important and controversial policy issue. During 2010, USDA and the U.S. Department of Justice held a series of hearings on competition in food and agriculture. In 2011, USDA issued new regulations aimed at contracts in the poultry and red meat sectors, while the Justice Department intervened in a poultry processing merger. ERS used data from the 2006 survey to describe the industry’s organization and structure, and to analyze how contract terms and competition among integrators affected grower compensation. The ERS analyses were used to inform USDA and Justice Department policymakers, and were used by supporters and critics of the new USDA rules in their comments on the proposed rules, which were then revised.


http://ageconsearch.umn.edu/bitstream/6073/2/sp08ke30.pdf

**Regulation of Manure**

The US Environmental Protection Agency (EPA) regulates manure-handling practices on farms. In 2011, the agency considered a proposal to treat manure as a waste product, which would heighten requirements for handling and storage. Waste products have no value. ERS used data from ARMS commodity versions to show that manure has value in many parts of the country, based on the prices paid for sales of manure and the value of commercial fertilizers replaced by manure in production. As a result, EPA rejected the proposal.

**ERS Uses ARMS for Reports on Policy-Relevant Topics**

ERS also uses ARMS data in published peer-reviewed reports on issues of relevance to policymakers and private decision-makers. These reports are released on the ERS website and are available to all. The research supports the agency’s ability to respond to the staff analysis requests noted above. Recent examples are provided below:

**Changing Organization of U.S. Farming**

ERS used ARMS and Census of Agriculture data to provide a 30-year overview on changes in agricultural productivity and farm structure since the early 1980’s. Innovations in farm organization, business arrangements, and production practices have allowed farmers to produce more with less. Fewer labor hours
and less land are used today than 30 years ago, and practices such as the use of genetically engineered seeds and no-till have dampened increases in machinery, fuel, and pesticide use. Likely aided by the increased use of risk management tools such as contracts and crop insurance, U.S. agricultural productivity has increased by nearly 50 percent since 1982. Future innovations will be necessary to maintain, or boost, current productivity gains in order to meet the growing global demands that will be placed upon U.S. agriculture. The report circulated widely among farm groups, policymakers, and media, and provides a factual basis for understanding modern agriculture.


U.S. Farmland Values and Ownership

The dramatic recent increases in farmland values and the boom-and-bust cycle evident in residential land markets have created widespread interest in accurate information on the drivers of farmland values. This ERS report examined the parcel-specific and macroeconomic (interest rates, prices of alternative investments) factors that affect farmland values. In the last few years, U.S. farmland values have been supported by strong farm earnings, which have helped the farm sector to withstand the residential housing downturn. In addition, historically low interest rates are likely a significant contributor to farming’s current ability to support higher land values. The analysis relied on data from several USDA surveys; ARMS data supported estimates of farm income and cash flow necessary to assess the links between farm sector financial performance and changes in land values.

www.ers.usda.gov/media/377487/eib92_2_.pdf

Manure Management and Environmental Regulations

Livestock and poultry operations face tighter State and Federal regulations regarding manure management. At the same time, there is increasing interest in encouraging the use of manure for energy production. The 2006 broiler version, and the 2004 and 2009 hog versions, provided basic information on how livestock producers managed manure and litter. It allows policymakers to understand how much manure/litter is moved off the farm, and at what cost; how it is applied on cropland as fertilizer; and what steps are taken to limit the environmental risks associated with potentially excessive applications of manure/litter nutrients.


International Trade Disputes in Poultry

Exports account for nearly 20% of US broiler production. In 2010, China placed high tariff duties on imports of chicken from the US, while another major buyer, Russia, has periodically placed bans on imports of US chicken products. An ERS report used data from the 2006 ARMS broiler version to educate U.S. officials about the economics and organization of the US broiler industry, to support the U.S. government in negotiations over the actions, and to provide
Agricultural Resource Management Survey – Phase III
Interviewer’s Manual

Evidence in legal proceedings. The report, translated into Chinese, was distributed through the US Embassy in Beijing.


“Your 2008 report on the broiler industry is being translated into Chinese as an exhibit for the US government response to a Chinese questionnaire alleging subsidies to the US poultry industry. I used the report to provide information on the broiler industry and it was very helpful. The Commerce analysts thought the entire report bolstered our case about there being no subsidies to the poultry industry and asked that the entire report be translated.”

Carol Goodloe
USDA Office of the Chief Economist
November 30, 2009

**Incentives to Adopt Anaerobic Digesters on Dairy and Hog Farms**

Farmers can use digesters to produce methane gas from manure. The gas can be used to generate electricity on-farm, and the gas or electricity could also be sold. The process also yields environmental benefits from reduced odors and pollution. However, the costs to most farmers exceed the value of the gas produced, so few farmers have adopted the practice without additional support. Several private and public programs provide support for adoption, through cost-sharing of capital costs, direct payments for adoption, or requirements that utilities purchase the gas. ARMS data were used to analyze the drivers of adoption, to assess the impact of different types of support on farm financial performance, the extent of adoption, and environmental outcomes, and to identify the most cost-effective means of providing support.


**Biotech Seed**

ARMS Phase II and III data were used to analyze the impact of genetically-engineered (GE) corn, cotton, and soybean seeds on farm finances and farm management decisions. ERS researchers have identified relationships between GE seed and pest management, soil conservation and management time. For example, herbicide-tolerant soybean seed use reduces the time required to produce soybeans, which allows farmers to manage larger operations, devote more time to off-farm employment, or devote more time to other activities.


**Conservation Tillage**

Adoption of conservation tillage, and especially “no-till” systems, was estimated for eight major field crops using ARMS Phase II data for a 2010 ERS report. The report shows a reduction in tillage across the major commodities over the past decade. The decision to reduce tillage can reduce fuel use, soil erosion, and chemical runoff; but may raise pest management costs. This information is used by farmers, extension advisors, and input providers to evaluate the financial

### Managing Nitrogen Use

Nitrogen is a critical input in agriculture, enabling farmers to produce high yields profitably. However, nitrogen compounds released into the environment are a source of many environmental problems, including eutrophication and hypoxia in aquatic ecosystems, visibility-impairing haze, and the loss of biodiversity. ERS used Phase II ARMS data to assess nitrogen management on eight major field crops. The study focused on the adoption of three “best management practices” (BMPs), applying nitrogen at an appropriate rate, accounting for all other sources of nitrogen; as close to the time that the crop needs it as practical; and using methods to incorporate nutrients into the soil, to reduce runoff and atmospheric losses. While all three BMPs were realized on over a third of planted acres, substantial amounts of production fell short, leading to excessive nitrogen expenses and to environmental damages. The study estimated the extent to which improvements in management are needed, and assessed alternative policy mechanisms for improving management [www.ers.usda.gov/publications/err-economic-research-report/err127.aspx](http://www.ers.usda.gov/publications/err-economic-research-report/err127.aspx)

### All recent reports: In 2011 and 2012, ERS released the following ARMS-based reports:

- **Water Conservation in Irrigated Agriculture: Trends and Challenges in the Face of Emerging Demands**
- **Agricultural Resources and Environmental Indicators, 2012**
- **Agricultural Adaptation to a Changing Climate: Economic and Environmental Implications Vary by U.S. Region**
- **The Future of Environmental Compliance Incentives in U.S. Agriculture**
- **Trends in U.S. Farmland Values and Ownership**
- **Changing Farm Structure and the Distribution of Farm Payments and Federal Crop Insurance**
- **Agricultural Income and Finance Outlook, 2011 Edition**
- **The Changing Organization of U.S. Farming**
- On the Doorstep of the Information Age: Recent Adoption of Precision Agriculture http://www.ers.usda.gov/media/81195/eib80_1_.pdf
- Grassland to Cropland Conversion in the Northern Plains: The Role of Crop Insurance, Commodity, and Disaster Programs http://www.ers.usda.gov/media/128019/err120.pdf
- Consolidation and Structural Change in the U.S. Rice Sector http://www.ers.usda.gov/media/111364/rcs11d01_1_.pdf
- “No-Till” Farming Is a Growing Practice http://www.ers.usda.gov/media/135329/eib70.pdf
1.5.2.1 New Uses of ARMS Data

Topics to be addressed with the Integrated 2012 ARMS-Census:

Farm-level Impacts of the 2012 Drought

By the summer of 2012, almost 80 percent of U.S. agricultural land was experiencing drought, the most extensive drought since the 1950’s. However, the financial impacts of the drought, and the response of producers varied greatly across regions and to this point has not been directly measured. Many crop producers in drought regions realized increases in gross revenues, even as production fell, because of higher commodity prices. Others were able to offset reductions in gross commodity revenue with increased indemnity payments from crop insurance. Livestock producers faced sharply increased feed expenses, but the precise impact likely varied with feed procurement strategies and location. Producers, input providers, lenders, and policymakers need accurate information on the varied financial impacts of the drought in order to plan future production and marketing strategies.

Changing Organization of Farming

Production is shifting to larger farms. Contrary to much popular belief, most large farms remain family businesses, but they are more complex businesses, with multiple operators and often multiple generations. Data from the 2012 Integrated ARMS-Census will provide accurate information that will allow us to track changes in how farms are organized, the continuing importance of family farms, and the changing demographic structure of U.S. farmers.

Farm Prices, Input Prices, and Farm Financial Risks

Commodity prices—not just farm prices but those based on energy and raw materials—have fluctuated sharply in recent years. Those sharp movements affect farmers’ revenues as well as their expenses, and expose farmers to new financial risks. They also alter the structure of farm expenses and farm income statements. Comprehensive data from the 2012 ARMS-Census will enable producers, lenders, extension agents, and input providers to better understand the new financial landscape of agriculture, and to better appreciate the risks and opportunities available.

Farm Households and Off-farm Income

Most farm households realize income from off-farm activities, and such sources provide most of the household income for small commercial farms. Recent ARMS questionnaires provide for a more detailed accounting of off-farm income flows, and ERS will pursue research on the extent to which off-farm income supports beginning and small commercial farm operations and on the impacts of the U.S. financial crisis, subsequent recession, and slow recovery on off-farm incomes and farm household finances.
**Topics to be addressed with the 2012 Soybean version:**

**Commodity Costs and Returns**

Annual estimates of soybean costs and returns are set in order to provide policy makers, farm groups, and input providers with measures of the relative costs and returns of major field crops. Cost and returns data are crucial for understanding how changes in fuel, seed, or fertilizer prices will affect farm costs, or for evaluating how changes in yields or in commodity prices might affect net returns.

The 2012 ARMS soybean data will be used to set cost and return estimates for 2012, and establish a baseline from which estimates for subsequent years can be set. Previous commodity surveys for soybeans were conducted in 2006. Baseline 2006 data have been combined with annual price, production and acreage data to set the cost and return estimates through 2011. The 2012 survey will establish a new baseline based on current practices and technologies used in soybean production. Costs and returns data can be accessed at: [http://www.ers.usda.gov/data-products/commodity-costs-and-returns.aspx](http://www.ers.usda.gov/data-products/commodity-costs-and-returns.aspx)

**Production Practices**

The 2012 ARMS production practices data for soybeans will be summarized and published on the ERS website for public consumption. Data users can generate customized summaries of the data using an innovative web data tool to access the ARMS data. These data underlie Federally mandated estimates of chemical use on major field crops. These data also provide a perspective on trends which are detailed in ERS research reports on the use of biotech seed, precision agriculture adoption, and conservation tillage.


**Energy Use in Agriculture**

Commodity costs and returns data are used to evaluate the impact that rising energy prices have on crop producers. Rising energy prices impact producers directly through higher fuel costs and indirectly through higher energy-related input costs, particularly fertilizer, and these impacts vary by commodity. The 2012 ARMS data for soybeans will be used to measure these impacts, and to compare the impacts to those for other commodities. A report describing the impacts of high energy prices on agriculture is at: [http://www.ers.usda.gov/publications/err-economic-research-report/err123.aspx](http://www.ers.usda.gov/publications/err-economic-research-report/err123.aspx)

**Background for Policy Analysis**

The 2012 ARMS data for soybeans will provide producer and farm financial characteristics as part of a comprehensive report on U.S. feed grain production. This background situation and outlook material is intended to inform stakeholders and policy makers as a new Farm Bill is being developed. An example of this type of situation and outlook report can be found at: [http://www.ers.usda.gov/publications/fds-feed-outlook/fds-07c01.aspx](http://www.ers.usda.gov/publications/fds-feed-outlook/fds-07c01.aspx)
1.6 Key ARMS Phase III Financial Data

1.6.1 Farm/Ranch Income

Collecting farm/ranch production and expense data to develop an estimate of net farm income each year is necessary because receipts and production expenses each change as production and prices change and as input usage changes. 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 that farmers receive for their commodities or pay for their inputs change in response to weather and other National or International events. The ARMS data are used to describe the impact these changes have on the financial health of different types and sizes of agricultural operations. The ARMS is the only National source of data available to evaluate and respond to these kinds of information needs.

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

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 for depreciation, changes in accounts receivable and in the value of the operation's crop and livestock inventories, and several other noncash items to develop net farm income.

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 unpredictable natural events. These income items are measured through the ARMS.

The ARMS also includes questions that allow us to accurately track flows of farm income to stakeholders (such as farm operators, contractors, landlords, and equity holders) and thereby provide better estimates of farm income and performance of farm operations.

1.6.2 Cost of Production

Congressional mandates require USDA to develop annual estimates of the cost of producing wheat, feed grains, cotton, and dairy commodities. ARMS data are used to respond to those mandates.

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

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

The ARMS is designed so the whole farm production expenses, crop and livestock receipts, and organizational characteristics may be analyzed along with the individual enterprise costs of production. Annual commodity costs and returns data, for which ARMS data serve as the baseline, can be accessed at http://www.ers.usda.gov/data-products/commodity-costs-and-returns.aspx. This site also provides links to ERS reports that analyze ARMS costs and returns data.

1.6.3 Balance Sheets

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

Changes in the level of income earned affect rates of return and net worth. Purchases and sales of assets such as buildings, machinery and land, changes in their value, and any associated debt are very sensitive to changes in farm earnings and economic performance as well as to changes in the general economy. The balance sheet can change rapidly from one year to the next and can be adequately monitored only through data collected on an on-going basis.

Balance sheet analysis helps identify areas of poor financial performance and pockets of potential financial stress. The ARMS provides the data necessary to develop annual estimates of the farm operation's assets, debts, equity, capital gains, capital flows, and the rates of return to agricultural resources, and to determine how these items (and farm household finances) change from one year to the next.

1.6.4 Financial Situation

Annual information from the ARMS on receipts, expenses, debts and assets is needed to evaluate the financial condition of farm businesses. 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 is indicated by the ability of a farm 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 the mortgage, interest and other obligations of the farm. Being able to pay operating costs and the interest and principal due on debts can change very rapidly because of drought, flood or other circumstances. With ARMS data, the extent and seriousness of financial problems facing farmers are assessed, including the likely consequences of recurring financial stress.
Each year agricultural policy makers and other interested parties are concerned about the financial well being of the agricultural sector, farms, and farm households and whether farm programs are providing the level of support as expected during times of need. Also of concern is whether or not program benefits are fairly distributed according to need by farm size, farm specialization, and farm production region. ARMS data is used by ERS to address these and other issues.

1.6.5 Operator Household's Situation

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

Most U.S. farms are operated by one family, or one extended family. However, large farms are often operated by several partners or shareholders, each of whom receives a share of the profit (or loss) of the business.

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

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

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. The ARMS is the ONLY National data source that provides the type of information necessary to study the financial conditions of these non-traditional farmers.

1.7 Use of ARMS Data for Parity Prices

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

Parity prices have been a part of farm legislation for over 50 years. In 1938, the Agricultural Adjustment Act established that parity prices be computed for agricultural commodities.
1.7.1 Non-Financial Data in ARMS Phase III

This survey also collects a considerable amount of nonfinancial data. Some, such as hours worked on the farm, or types of equipment of livestock housing, or quantities of feed delivered to livestock, are used to develop estimates of the costs of farm production—that is, they are used to develop financial information.

But the survey also asks about production practices used on the farm, including manure management and animal breeding practices on livestock enterprises, marketing practices on crop enterprises, or Internet usage and procurement practices for the whole farm. These questions are driven by particular public policy issues, and their inclusion in ARMS allows us to link responses to farm financial data. As a result, we can link the usage of practices to the types of farms that use them and to the financial performance of farms.

The survey asks questions about the farm’s ownership, organization, and legal status. Some of those questions are necessary to allow us to accurately track flows of farm income to stakeholders—such as farm operators, contractors, landlords, and equity holders—and thereby provide better estimates of farm financial performance. But the questions also enable us to track the changing nature of agriculture, as production continues to shift to larger and more complex enterprises.

ARMS Phase III contains questions pertaining to farm household—concerning not only their demographics, but also their off-farm income, health insurance, and consumption expenditures. These questions are included to meet increasing policy concerns related to the financial well-being of farm households, as well as issues related to access to health insurance in rural areas. They also enable ERS to assess the financial resources available to farm households and farm operations to meet often sudden and sharp changes in farm financial performance.
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2 Terms and Definitions

2.1 General

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


Under the heading “Reference Materials” (left hand side of the screen), there is a link for “NASS Terms and Definitions Used with Surveys”. This link should contain the most recent list of terms and definitions used in all NASS surveys. The direct link to the above terms and definitions can be found at:

http://www.nasda.org/File.aspx?id=18937

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

2.2 Economic and Cost of Production Terminology

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

- partner
- pasture
- patronage refund
- payment, advanced
- payment, cost-share
- payment, disaster
- payment, final
- payment, incentive
- payment, loan deficiency
- payment, transition
- payment limitations
- payment quantity
- payment yield
- pesticide
- planting flexibility
- pick your own (U-Pick)
- power-take-off (PTO)
- premium
- primary name
- processor
- production expenses
- production flexibility contract
  - payment
- questionnaire
- rangelands
- ratio, debt-asset
- ratio, parity
- real estate
- refusal

- rent
- rent, cash
- rent, share
- respondent
- retired

- salary
- sample, list
- sample, multi-frame
- sample, probability
- sampling frame
- sampling unit
- secondary name
- seed
- sharecropper
- shrinkage
- small grains
- solar energy
- sold-out
- solvency
- straw
- subsidy
- survey
- survey period
- survey, statistically defensible

- tenant

- wages
- water rights
- wetlands
- Wetland Reserve Program (WRP)
- woodland
- work, agricultural
- work, contract
- work, custom
- work, service
- worker

- yardage
2.3 Livestock Production Categories

The following livestock production categories are located on page 2 of the Respondent Booklet.

2.3.1 Hog Contractee Operations

**Farrow to Wean (Code 802)** – This operation oversees the breeding of sows or gilts and the farrowing of their litters. The contractee will feed and care for the pigs for about 16 to 20 days, until they reach 12 - 14 pounds. The weaned pigs will be moved to a nursery and/or grower operation and the sows will either be bred again or go to slaughter.

**Farrow to Feeder (Code 805)** – This operation oversees the breeding of sows or gilts and the farrowing of their litters. The contractee will keep the pigs for approximately 6 weeks, until they reach 35 - 45 pounds. The pigs will be moved to a finishing operation and the sows will either be bred again or go to slaughter.

**Farrow to Finish (Code 807)** – This operation oversees the breeding of sows or gilts and the farrowing of their litters. The contractee will keep the pigs and finish them out until they reach market weight. The sows will either be bred again or go to slaughter.

**Nursery (Code 806)** – This operation only handles young pigs. Pigs from 12 - 14 pounds are received, fed, and cared for until they reach 35 - 45 pounds. They are then transferred to a finishing operation.

**Nursery/Finish (Early Wean, ISO Wean, SEW Pigs) (Code 808)** – This operation receives pigs around 12 - 14 pounds and finishes them until they reach market weight. ISO Wean stands for “Isolation Weaning”. SEW Pigs stands for “Segregated and Early Weaning”.

**Finisher (Feeder to Finish) (Code 809)** – This type of operation will receive pigs that average about 35 - 45 pounds and finishes them out until market weight.

**Other Hogs and Pigs (Code 804)** – This category includes a range of different types of operations. An example is an operation that receives gilts or boars only and feeds them until ready for breeding.

2.3.2 Chicken Contractee Operations

**Broiler Growout (Code 916)** – A written contract with contractees to raise meat-type strain chickens from newly hatched chicks to processing weight. **Includes** cornish and roasters.

**Pullets for Hatchery Supply Flock Replacement (Code 926)** – Pullets are raised from newly hatched chicks to about 15 to 22 weeks for layer flock replacement.
Almost all pullets for BROILER hatchery supply flock replacement are raised on production contracts.

**Pullets for Table Egg Flock Replacement (Code 925)** – Pullets are raised from newly hatched chicks to about 14 to 20 weeks for table egg flock replacement. Under a production contract, the hatchery or egg producer retains ownership of the birds.

**Fertile Hatching Eggs (Code 921)** – Producer cares for layers and gathers eggs which go to a hatchery. Virtually all BROILER type hatching eggs are raised by a production contract. Some respondents say they have a ‘broiler’ contract because they are paid by a broiler company. Be careful not to confuse an egg producer with a broiler growout contractee. Most EGG type hatching eggs are produced by production contract, with the hatchery retaining ownership of the birds.

**Table Eggs (Code 920)** – Producer cares for layers and gathers unfertile eggs which go to a processor or an egg breaker. To be considered a production contract the egg processor or egg breaker would own the birds. Sometimes partners, such as feed mills, are involved, and all partners claim ownership of the birds.

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

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

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

### 2.3.3 Turkey Contractee Operations

**Turkeys Growout (Meat Type) (Code 969)** – This is a written contract to raise turkeys for meat production. The contractee will raise turkeys from poultys received at 6 weeks of age from a brooder operation (growout operation) to market weight.

**Turkeys All In/All Out (Meat Type) (Code 970)** – This is a written contract to raise turkeys for meat production. The contractee will raise turkeys from newly hatched poultys to market weight.

**Turkeys (Meat Type) Brooders (Code 967)** – Brooder operations grow the chicks for about 6 weeks. After 6 weeks, the birds are moved to another facility where they are grown out to market weight.
**Poults Breeding Flock (Code 938)** – Poults are raised from newly hatched chicks to laying age for the purpose of breeding stock replacement.

**Eggs, turkey hatchery (Code 919)** – Producer cares for turkey layers and gathers eggs which are separated into either a meat type turkey flock or a breeding flock.
3 Survey Procedures

3.1 General

This chapter provides an overview of the questionnaires and other materials for the ARMS Phase III. General guidelines for collecting data are also discussed in this chapter. Administrative matters are covered in the NASDA Employee Handbook.

3.2 Survey Materials

You will receive the following from your State Office:

- Questionnaires with labels identifying the assigned operations.
- Extra questionnaires without labels.
- Respondent Booklets containing Code tables and the survey cover letter that was sent to respondents.
- Supplements for questionnaires you are assigned.
- Envelopes for mailing completed questionnaires.
- Several copies of NAS-011 (Time, Mileage, and Expense Sheet) and envelopes for mailing them.
- Other materials may also be provided by your State Office.

You should have these materials on hand:

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

Two questionnaire versions will be used this year for ARMS Phase III. The following table shows the States that are in each version.

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The Face Page of the questionnaire for both Versions contains the respondent and partner labels. Pre-screening of respondents was done during Phase I. Any previously reported data from ARMS - Phase I (for List records) and June Ag Survey (for Area records) that is again asked in Phase III should be printed next to the question in the questionnaire. Screening is discussed in Chapter 4 of this manual.

3.4 Respondent Booklet

The purpose of the Respondent Booklet is to help the respondents in answering the questions. The Respondent Booklet contains information respondents need to reference when answering some survey questions, such as Code Lists.

With the Census and ARMS questionnaires being integrated this year and since both versions were mailed to respondents, all tables in the Respondent Booklet have been added to the questionnaires.

The only tables that are left in the Respondent Booklet are the Crop Codes, Livestock Codes, List of General Business Expenses, and Value Codes. Also, the Cover Letter that was included in the questionnaire mailing to respondents has been placed on the front page of the Respondent Booklet. The OMB confidentiality statement is included in this letter in case it needs to be referenced.

3.5 Respondent Burden

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

You will reduce the reporting burden on the respondent if you are thoroughly familiar with the questionnaire and instructions. Follow “Go To” instructions carefully to avoid asking questions needlessly. If no “Go To” instructions appear after an Item, continue with the next item.
Also be aware of the estimate of average completion time in the burden statement. This figure is determined by either the actual average time from previous interviews or what NASS and the Office of Management and Budget (OMB) think the average completion time will be. The OMB is an agency that is required to review and approve all surveys conducted by the Federal government.

3.6 Entering Data

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

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

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

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

3.7 Planning Your Work

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

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

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

3.8 Interviewing

Interview the farm operator, if possible, because information collected from other people often is less accurate. However, if the operator says someone else is more knowledgeable, interview that person.
The ARMS Phase III is very detailed, which requires the majority of interviews to be completed in person. It is advisable to call or visit each respondent early in the survey period to set up an appointment to complete the interview at his/her convenience. During this initial contact, explain the survey purpose and importance, the scope of the interview and that it will be necessary for them to have their farm records available during the actual interview.

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

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

Respondents often ask how long the interview will take. Never contradict the burden statement; however, it is okay to add to it. For example, you might say something like this: "The official nationwide average for this survey is 100 minutes, but the interviews I have done in this area averaged about __ minutes." Be honest about the average time, even if your interviews are averaging longer than the time estimate in the burden statement.

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

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

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

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

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

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

The purpose of probing is to verify unusual data or to correct misreported data. Be careful when you phrase your probing questions that you do not influence the respondent’s answers. Probes should be “neutral”. That is, they should not suggest one answer over another. In fact, all questions should be asked in a neutral manner. Do not say things like, “What do I mean by marketing contracts? Oh, you must not have had any, did you?” Instead, say, “During 2012, did this operation have any livestock marketing contracts for livestock raised?”

In another example, if a respondent tells you an expense is between two amounts, such as, “Oh, I guess the total was between two and three hundred dollars,” you should ask, “Would you say it was closer to $200 or $300, or what amount exactly?” Probing is especially important early in the interview when the respondent is ‘learning’ from you what level of effort and accuracy are ideal. If you fail to probe, you may be suggesting that good answers are not needed.

Strike a balance between motivating the respondent to search out sound numbers and taxing the respondent to account for every nickel. Probes should also be “non-threatening.” Be careful you do not appear to be questioning or challenging the respondent’s answers. Do not say, “That can’t be right! You just said you had 20 pigs, so your vet expense couldn’t have been that high!” Instead, say, “Earlier you said that you had 20 pigs in 2012. Can you tell me why your vet expenses were so high?” And then make notes of the respondent’s answer.

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

The questionnaires are designed to collect expenses and income for the calendar year. However, some farm businesses keep their books on a fiscal year basis, such as October 1 – September 30. In these cases, collect information for the operation’s 2012 fiscal year and make a note on the questionnaire indicating the time period of the operation’s fiscal year.

3.10 Non-Response

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.

3.11 Supervision

Your supervisor 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 supervisor, 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.

3.12 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.
4 Face Page and Screening

4.1 Face Page

4.1.1 Introduction

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

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

If the operator has multiple operations, only one operation is selected for the ARMS Phase III survey. For these situations, it is beneficial to recognize which operation has been selected so the operator can obtain the records for that particular operation. The label and preprinted screening information are helpful in this determination. It is important to keep in mind which operation is selected throughout the interview. Only the acreage, crops, livestock, income, expenses, assets, and debt for that selected operation are collected on the questionnaire. Assets, debt, and net cash income from the other operations are collected in Section 39 on the farm household.

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

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* Phone numbers will only be printed on questionnaires sent to FOs & it will be suppressed on Mailed questionnaires.
4.2 Screening Information

This year, a screening survey (ARMS Phase I) was conducted on the sampled respondents to determine their status in 2012. Area frame records were screened during the June Ag Survey. The National Processing Center (NPC) will print any of this previously reported data in the Questionnaire, next to the appropriate Question. This pre-printed information on this form is used to help you make sure you are interviewing the correct sampled operation.

The pre-printed information will have the following from the Phase I Survey and June Ag Survey:

- Who responded to the screening interview (operator, spouse, etc)
- How was the screening interview completed (mail, phone, etc)
- Was the screening interview completed or did it have to be estimated for
- All owned land
- All land rented to others
- All land rented from others
- Total acres operated
- Total cropland

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

- You can ask the Question to the respondent, and compare their answer to the same Item from the screening survey. If there is a discrepancy, verify that you have the correct answer.
- You can verify the information on the Information Form. For example, you may ask “I have this operation’s total land owned as 250 acres. Is this correct?”

4.3 Interview Completion Times

There are two methods that can be used to record the length of the interview. Interview times are used to find out how much respondent time we are using (as a measure of respondent burden) in collecting data. We are trying to reduce interview times as much as possible and still collect the high quality data that we need. Also, by using different versions each year, we need to estimate their interview times since we have no recent history. Accurate reporting of interview time (beginning and ending time) is critical for monitoring and evaluating survey burden and cost.

4.3.1 Beginning & Ending Times

Record the **beginning time** in military time (Item Code=0004 on the front page of the questionnaire) of the interview when the respondent agrees to cooperate on the survey and you actually start the interview.

When the interview has been completed, record the **ending time** in military time (Item Code=0005 on the back page of the questionnaire). 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.

4.3.2 Time in Hours

If multiple interviews occurred or multiple people were interviewed, the total interview time can be estimated, in hours, by recording the number of hours (to the tenth of an hour) in Item Code 0008. **If Item Code 0008 is used, then do not use the beginning and ending times.**

4.4 List Frame – Verification of Sampled Operations

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 OpDom status 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 OpDom status is 99, then the operation named on the primary name line is the target. **When OpDom=99, the operation name is the key.**

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

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

4.5 Area Frame – Verification of Sampled Operations

All of the area frame samples selected for the ARMS were identified as farm operators during 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. For example, if the tract was individually operated in June and changed to a partnership in September, collect data for the individual operation for the time it existed (January through August). Do not collect any data for the partnership. **Collect data for the operation as it existed on June 1.**

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

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

### 4.6 Screening Box on Face Page

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

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.

#### 4.6.1 Completing the Screening Supplement

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

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

If an operation was in business during any part of 2012 but went out of business during the year, **complete a questionnaire for the part of the year during which the operation did business.** If the operation was taken over by another operator or operation when it went out of business, **make a note of this.** This note should include a name, address, phone number and any other pertinent information.

#### Item 1 – Other Operation Name

Even though you have already verified the label, you need to ask this item to detect duplication and make sure the list is up-to-date. Indicate if this name should appear on the label in the future.
Item 2 – Crops, Livestock or Poultry

Check ‘Yes’ if the operation grew any crops (field crops, fruit/nut crops, vegetables, oilseeds, specialty crops, hay, etc.) or had cattle, hogs, sheep, poultry or other livestock during 2012, on the total acres operated. If ‘Yes’, go to Item 6. If ‘No’, continue with Item 3.

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

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

Exclude: home gardens and crops received in 2012 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 2012.

Include:
1) All cattle, hogs, sheep, equine, goats, chickens, turkeys, ducks, geese, bees, rabbits, mink or other fur-bearing animals, and fish that are raised commercially or for home consumption. FFA and 4-H livestock projects should also be included.
2) Operations that own FIVE or MORE pleasure horses and no other agricultural items.

Exclude:
1) Operations that have FOUR or LESS pleasure horses, and/or any number of other animals kept ONLY for pleasure use or as pets. For an operation to be excluded from ARMS, no other agricultural items (including hay produced on the operation) may be present.
2) Horse boarding operations, riding stables, or race horse training operations that
   a) do not have other agricultural items (i.e. has hay produced on the operation or breeds horses) unless they have more than 99 acres of pasture, or
   b) that keep separate accounting books from the farming operation’s accounting books. If the horse boarding, riding stable, or race horse training operation’s income and expenses can be broken out from the traditional agricultural enterprises’ income and expenses, exclude the horse boarding, riding stable, or race horse training operation.
3) Slaughter or packing houses, auction barns, stockyards or other 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 Ag Products or Receipt of Government Ag Payments**

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

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

If this item is checked ‘Yes’, go to Item 6.

If Items 2 and 3 are both ‘No’, continue with Item 4.

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

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

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

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

**Item 5 – Enumerator Action**

These instructions ONLY apply in rare cases where the selected target name is out-of-business. If the answer to Items 2 and 3 are both ‘No’:

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

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

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

We are interested in how the operation was managed on a day-to-day basis. We do not care what the legal definition of the operation is. Definitions of individual, partnership, and managed land can be found in the Ag Surveys Interviewer’s Manual. Landlord-tenant, cash-rent and share crop arrangements should not be considered partnerships.
When an individual operation is reported, enter Code “1”. When a partnership is reported, enter the number of partners. Include the person listed on the Face Page and all of the other partners. If there are more than 5 total partners, consider this a managed operation and enter a Code “8”. When a hired manager is reported, enter Code “8”.

Item 7 – Other Operations

This is a screening Question to find out if the target name made day-to-day decisions for any other operations in 2012. Each additional (non-managed) operation must be listed or verified on the back side of the Screening Supplement. The information collected on the Screening Supplement will be used to update your State’s list sampling frame.

If the operator does not have other operations OR if this is an OpDom 99 record (Item 7 is ‘No’):

If there were not any other operations OR if this is an OpDom 99 record, enter a “1” in Item Code box 0923, return to the Questionnaire and begin the interview.

If the operator has other operations (Item 7 is ‘Yes’):  

Item 7a – Total Number of Operating Arrangements

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

Item 7b – Identifying Additional Operating Arrangements

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

If the State Office already knows about additional operations associated with the target name, there should be additional screening supplements for these operations. Verify that the target name is still involved with each of these operations. Also, there may be partner labels for any or all of these operations. Verify the names and addresses of additional operations and partners associated with them. Mark out any operations the target name was not associated with in 2012. If any partner names are not listed, add them with complete name and address information.

If the target name is involved (either as individual operator or as a partner) with any other operations which are not listed on a Screening Supplement, record these. In the partner space record the names of all of the partners (up
to four) 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 2012. 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.

### 4.7 Special Situations – Managed Operations

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

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

If the label for the operation on the Face Page is a managed operation and was still in business in 2012, 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).
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5 Completing the Questionnaire

5.1 Introduction – Layout

This chapter will describe, in detail, the questions in the Cost and Returns (CRR) version. Most of the questions in the CRR appear in the Soybean version. After the detailed questions for the CRR are described in each section, the location of the applicable description for the other version is shown.

To make finding the ARMS III sections easier throughout data collection, please refer to the footer at the bottom of the page. The corresponding section will be listed here.

5.2 Section 1 – Land in Farm/Ranch

5.2.1 Section Purpose

Section 1 has the following primary functions:

1) Measure the total land operated
2) Determine the tenure arrangements and whether farmers are renting on a share, cash, or rent-free basis
3) Account for rent paid on rented land

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.

5.2.2 Acres Operated

5.2.2.1 General Instructions for Items 1–4

Items 1-4 account for acres owned, acres rented from others, and acres rented to others by this operation at any time during 2012. Answers for these items are reported to the nearest whole acre.

For operations that were in business for only a part of 2012, collect data for the part of the year when it was still in operation. If the operation went out-of-business before December 31, 2012, end-of-year inventory values for crops in storage or livestock should be zero when you ask about these later in the interview. However, you will usually find fairly large amounts of cash or other assets such as land contracts due from sales of farmland. Exclude data for the part of the year that an operation was not in business including any income from renting the operation to others after this operation went out-of-business.
Sometimes an operator has several operating arrangements, such as an individual operation and a partnership operation, so be sure the questionnaire contains data only for the arrangement identified on the label.

**Include:**

1) All cropland, the farmstead, government program land, idle land, orchards, pasture, wasteland, wetland and woodland, regardless of location, if the operator made the day-to-day decisions for that land under the selected operating arrangement.

2) Land in another State that is part of the operation (if the operator made the day-to-day decisions for that land).

3) 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.

4) 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 land owned by the operation such as 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 2012. Also **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:**

non-agricultural 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.

**Items 2 (a,b,c) – Acres Rented from Others**

There are three categories of rented acres:

1) Cash rented acres with the payment either being a fixed or flexible amount are recorded in Item 2a,

2) Share rented acres are recorded in Item 2b, and

3) Acres used rent-free are recorded in Item 2c.
Include:
All land rented from private individuals, partnerships, corporations, Federal, State or local governments, Indian reservations, railroads, etc. if the operation:

1) Paid cash rent. (Item 2a)
2) Paid for use of the land with a share of the crops (either standing or harvested). (Item 2b)
3) Paid for use of the land with a share of livestock production or paid a combination of fixed cash payments plus some shared production. (Item 2b)
4) Had free use of the land. (Item 2c)
5) Was privately owned by the operator, but rented to the operation for tax purposes either for free or for rent. This land will not be considered an asset to the farming operation.

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

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

Be sure you are getting the full number of rented acres from the respondent. Farmers/ranchers often do not think of the land they rent as including woods or wasteland; they only include the usable land. Even though the farmer/rancher may not think about it that way, the landlord considers the whole parcel rented. 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.

Many land rental arrangements now feature flexible cash rents, in which the actual rent paid may vary with prices, yields, or gross revenues. Include flexible cash leases in Item 2a.

Item 3 – Acres Rented To Others

Include:
1) Land this operation owned which was rented to another operation in 2012 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 2012. 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. **Exclude** land rented out on short-term land rental agreements where the rentee will graze livestock for a period of 2-4 months after which the operator will harvest crops later in the year.

6) Privately owned land administered by a Public, Industrial, or Grazing Association (PIGA) agency as part of a range grazing unit on a fee-per-head or AUM basis through exchange-of-use. **This land should also be included in Item 1.**

7) Land owned but managed for a fee or salary by someone else.

8) Land used for such purposes as cell phone towers, pipelines, roadways, windmills, oil wells, etc., in which the operation receives a payment. The income received from these items is included in Section 25.

**Exclude:**

1) Land enrolled in Government programs for which this operation has enrolled and makes day to day decisions (such as acres under Direct and Countercyclical Payment Program (DCP), acres in the Conservation Reserve Program, etc.).

2) Land worked by sharecroppers on this operating unit.

3) Land used by a child for 4-H or FFA projects if the operation's equipment was used.

4) Land on which crops were grown under contract, if the land owner furnished machinery or controlled the seeding, growing and harvest of the crop.

5) Land used for pasturing someone else’s livestock when payment was made on a per head, fee, or AUM basis.

6) Land used for pasturing someone else’s livestock for a short term (2-4 months) when the operator will harvest crops later in the year.

7) Land on which the operator fed livestock under contract for someone else.

**Item 3a – Acres Rented To Others that the Operation Owned**

Report acreage if any owned land was rented or leased to others in Item 3. This land should also be included in Item 1. If no owned land was rented or leased to others, check the “None” box.
**Item 4 – Total Acres Operated in this Operation**

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

*For future sections of this questionnaire, data will be collected for the operation as defined by the acres in Item 4.*

**5.2.3 County Location**

**Item 5a – County with the Largest Value of Ag Products Raised or Produced**

The principal county is the county where the largest value of the agricultural products sold were raised or produced and the data will be tabulated and published in this county. Please print the principal county, the two letter state abbreviation, and the number of acres from this operation that were located in that county. All acres in the principal county should be reported here, not just land which is cropland harvested.

**Item 5b – Agricultural Activity in any Other County**

If the acres in this operation (Section 1, Item 4) are located in more than one county, print the names of the additional county(ies), the state(s), and the number of acres in each additional county in these response cells. Up to four counties may be reported with the associated acreage in this item. The number of acres in Items 5a and 5b should equal the number of acres in Item 4 but if the acres in this operation are in more than five counties, report the five counties that have the largest value of production.

**5.2.4 Land Breakout**

**5.2.4.1 General Instructions for Items 6–10**

Report how the land on this operation in Section 1, Item 4 was used during 2012. Keep in mind that the land rented to others, as reported in Section 1, Item 3 is not part of this operation and will not be reported in this section.

**Land used for multiple purposes:** In general, the land use items have been arranged in what is normally considered a decreasing order of importance. In this section, each acre in this operation should be reported only once, even though the land may have been used for more than one purpose. See explanations below. Total acres reported in Item 10 should equal the total acres reported in Item 4 on page 2.

**Double-cropping:** If more than one crop was harvested from the same land in 2012, report the acreage only once in Item 6a as "Cropland harvested." For example, if wheat was harvested from a 40-acre field in 2012, and then soybeans were planted and harvested from the same field in 2012, report only 40 acres of cropland harvested in Item 6a. However, when reporting acres of the individual crops harvested in Section 2
“Field Crops”, the 40 acres of wheat and the 40 acres of soybeans should both be reported on separate lines.

**Interplanted crops:** If a crop was interplanted in an orchard and harvested, report the acres for the specific crop in the appropriate crop section. For example, if a vegetable crop was interplanted among trees in a 5-acre orchard, report the portion of the 5 acres devoted to vegetables in Section 6 “Vegetables & Melons” and report the total 5 acres for the orchard in Section 7. Again, include only 5 acres once in Section 1, Item 6a, "Cropland harvested”.

**Crops grown in alternating strips:** If two crops were grown at the same time in alternating strips in the same field, report the acreage devoted to each crop in the appropriate crop sections in the report form. If a 50-acre field was planted in corn and soybeans, with 16 rows of corn followed by 16 rows of soybeans, 25 acres should be reported for corn and 25 acres should be reported for soybeans in the area where these crops are preprinted in Section 2.

**Crops grown in alternating strips with idle land or summer fallow:** If a field had a crop grown in alternating strips with unharvested grass planted to control erosion, report the acreage devoted to the crop in the appropriate crop section and report the acreage devoted to the unharvested grass in Section 1, Item 6d “Cropland idle”.

**Skip row planting with idle land or summer fallow:** “Skip” row planting 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. See the examples below.

**Example 1:**
If a crop was planted in “skip” rows with a cover crop for soil improvement, report the harvested portion of the field in the appropriate crop’s section and also include these acres in this section, Item 6a, “Cropland harvested.” Include the acres in soil improvement in this section, Item 6d, “Cropland idle.”

**Example 2:**
If “skip” rows were in cultivated summer fallow, report the harvested portion of the acres in the appropriate crop’s section and include these acres in this section, Item 6a, “Cropland harvested.” Include the acres in cultivated summer fallow in this section, Item 6c, “Cropland in cultivated summer fallow.”

### 5.2.4.2 Cropland

**Item 6a – Cropland Harvested**

Includes all acreage from which crops were harvested in 2012 and land in fruit and nut trees and vines, bearing age acres and nonbearing age acres in an orchard, grove, or vineyard being maintained for production. The acreage of cropland harvested will include:

- Field crops (corn, wheat, barley, oats, sorghum, soybeans, cotton, tobacco, etc.)
• Hay and forage crops (dry hay, haylage, silage, greenchop, etc.)
• Christmas trees (whether harvested or not in 2012), short rotation woody crops, fruit trees, nut trees, and grapevines (include bearing age acres and nonbearing age acres of trees and vines whether harvested or not in 2012)
• Nursery, greenhouse, floriculture, sod, mushrooms, vegetable seeds, and propagative material.
• Vegetables, potatoes, and melons
• Any other acreage from which a crop was harvested even if the crop was considered a partial failure and the yield was very low.
• The sum of acres reported harvested in Sections 2, 3, and 6 plus the total square feet under glass (converted to acres) and acres in the open in nursery products in Section 5, Item 2, plus the total acres in fruits and nuts in Section 7, Item 2, plus the acres on which berries were grown in Section 8, Item 2, plus the acres in production of Christmas trees and short rotation woody crops in Section 4, minus the acreage of land from which two or more crops were harvested (acres double-cropped), equals “Cropland harvested,” Item 6a.

**Exclude** acres of maple trees tapped. They should be reported in Item 8.

**Item 6b – Cropland on which All Crops Failed or were Abandoned**

**Include:**
• All land on which a crop failed (except fruit or nuts in an orchard, grove, or vineyard or berries being maintained for production) and no other crop was harvested and which was not pastured or grazed.
• Acreage not harvested because of low prices or labor shortages (except fruit or nuts in an orchard, grove, or vineyard being maintained for production).
• If some, but not all, of the crop acreage was harvested, the harvested acreage should be reported in Item 6a, and in the appropriate crop section. The remainder of the acreage should be reported in this item provided it was not used for pasture or grazing.

**Item 6c – Cropland in Cultivated Summer Fallow**

**Includes** cropland in cultivated summer fallow or chemical fallow. It may have been only treated with herbicides, only tilled, or a combination of these practices to control weeds and conserve moisture and not seeded for harvest in 2012. **Include** cropland summer fallowed in 2012 and planted to a crop (i.e. winter wheat, etc.) for harvest in 2013.

**Item 6d – Cropland Idle or Used for Cover Crops**

Cropland idle includes any other acreage which could have been used for crops without any additional improvement and which was not reported elsewhere in Item 6.

**Include:**
• Land used for cover crops or soil improvement but not harvested or grazed.
• Land in Conservation Reserve Program (CRP), Wetlands Reserve Program (WRP), Farmable Wetlands Program (FWP), Conservation Reserve Enhancement Program (CREP), or other Federal or State conservation programs that was not hayed or grazed in 2012.

• CRP, WRP, FWP, CREP, or other Federal or State conservation programs on September 30, 2012 that are planted to trees for future harvest timber, pulp, or Christmas trees.

• Land occupied with growing crops for harvest in 2013 or later years but not harvested or summer fallowed in 2012 (except fruit or nuts in an orchard, grove, or vineyard or berries being maintained for production). Examples are acreage planted in winter wheat, strawberries, etc., for harvest in 2013 and no crop was harvested from these acres in 2012.

• Land in “skipped” rows between rows of crops or field strips should be reported here if the land was not used for any other purpose. It should not be reported in Item 6a, “Cropland harvested.”

Exclude acreage from which crops were harvested or planted and intended to be harvested or used for pasture or grazing.

5.2.4.3 Pastureland

Item 7a – Permanent Pasture and Rangeland

This land use item includes pastureland and rangeland, other than woodland pasture or cropland, normally used for pasture or grazing. It usually includes land referred to as meadow, prairie, or range and consists of various types of grasses, such as bunch grass, shortgrass, buffalo grass, bluestem, bluegrass, switch grass, 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 reported here. Also, include grazing lands that were improved by seeding, liming, fertilizing, irrigating, drainage, or controlling brush or weeds.

Item 7b – Woodland Pastured

Report all woodland or timber tracts, natural or planted, used for pasture or grazing.

Exclude:
• Land planted for Christmas tree production. This should be reported in Item 6a.
• Cut over or deforested (clear cut) land improved for pasture. This should be reported in Item 7a.
• Pastureland or rangeland containing desert shrubs, sagebrush, or mesquite land. This land should be reported in Item 7a.
Item 7c – Other Pasture and Grazing Land

Include:
- Land pastured or grazed which could have been used for crops without any additional improvements. Additional improvements include removal of rocks, terracing, removing trees, etc. before crops may be planted or hay harvested.
- Land in planted crops that was hogged-off, pastured, or grazed and not harvested for grain or hay.

Exclude from Item 7c acres of corn, sorghum, soybeans, hay, and cowpeas that were hogged-off or grazed after harvest. Report these harvested acres only once in Item 6a.

5.2.4.4 Other

Item 8 – Woodland not Pastured

Include:
- Cut over and deforested land with new or remaining growth that has future value as wood products and was not pastured in 2012.
- All other woodland, including tapped maple trees (sugar bush).

Item 9 – All Other Land

Include all other land occupied by building sites, farmsteads, windbreaks, lanes, roads, ponds, barn lots, gardens for home use, wasteland, etc. Also, include all land in this operation that does not fit the definition of the other land use categories listed in Items 6, 7, and 8 above.

Item 10 – Total Acres

This is the total of all entries reported for Items 6 through 9. The total acres reported here should be the same as the acreage reported in Section 1, Item 4.

5.2.5 Land Rented or Leased From Others for Cash

Report the number of acres for each type of land (non-irrigated cropland, Item 11a, irrigated cropland, Item 11b, and permanent pasture, grazing or grassland, Item 11c), that were rented on a per acre basis for cash in 2012. Acres reported in this section should be included in Section 1, Item 2a.

Include:
- Acres rented/leased on a per acre basis for cash.

Exclude:
- Acres rented/leased for a share of the crop or livestock.
- Acres rented/leased on a fee per head, per pound of gain, or AUM basis.
- Acres rented/leased that includes dwelling and buildings along with farmland.
- Acres rented/leased free of charge.
5.2.6 Irrigation

Irrigation refers to the application of water to land by any artificial or controlled means, such as sprinklers, furrows and ditches, spreader dikes, flooding, or sub-irrigation pipes.

Include:
- Acres that had preplant, partial, and supplemental irrigation.
- Spreading or channeling of spring run-off or flood waters over pasture if done by manmade structures or ditches.
- Acres where lagoon waste water from livestock operations were distributed by a sprinkler or flood system.

Report irrigated acres in Items 12a or 12b only once, regardless of the number of times irrigated or harvested. The sum of Items 12a and 12b cannot be greater than Item 10.

**Item 12a – Harvested Land Irrigated**

Report the acres of irrigated land from which crops were harvested in 2012 including all irrigated land with bearing and nonbearing fruit and nut crops and grapevines in an orchard, grove, or vineyard being maintained for production. Irrigated hay land should be included if the hay or haylage was cut. This entry may be equal to, but should not exceed, the entry in Item 6a, “Cropland harvested.”

**Item 12b – Pastureland, Rangeland, Abandoned Cropland, & Other Land Irrigated**

Report all other irrigated land which was not reported in Item 12a. Include acreage used as pastureland, rangeland, land not harvested due to crop failure (except fruit or nuts in an orchard, grove, or vineyard being maintained for production), and land in cover crops and soil improvement grasses irrigated at least once in 2012.
5.3 Sections 2 to 8 – Crops

5.3.1 Purpose of Sections

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

Survey weights will be adjusted/calibrated so that expansions of harvested acreage for many crops reported in these Sections match official NASS estimates at Regional and National levels.

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

5.3.2 Section 2 – Field Crops

5.3.2.1 General Instructions

This section collects information on harvested tobacco, small grains, and row crops. Report quantity harvested in the requested unit of measure. For prelisted crops in Item 2, the unit of measure is printed in response cells of the “Total Quantity Harvested” column.

To report a field crop harvested in 2012 that is not prelisted in Item 2, locate the field crop name in the list below the table or from the Respondent Booklet. Print the crop name in the first column and crop code “0xxx” in the second column. Report the acres harvested, total quantity harvested, harvested acres that were irrigated, operation’s share of total quantity harvested that was (or will be) used on this operation, and cash or open market sales. Report any other field crop harvested in 2012 but not in the Respondent Booklet as Crop Code 0317.

Acres not yet Harvested:
If a planted crop would normally be harvested before December 31, 2012 (corn, soybeans, etc.) but harvest was delayed until 2013 because of weather conditions, equipment problems, etc., it should be included in “Acres Harvested,” the estimated production included in “Total Quantity Harvested,” and the portion of the acres harvested that were irrigated, if any, included in “Acres Irrigated.”

Cash or Open Market Sales:
For income received in 2012, report the dollar amount this operation received after subtracting marketing expenses. Exclude contract sales or removals and landlord’s share of sales. If income was received in 2012 for a crop harvested before 2012, include dollars in Column 7 but leave Columns 3 through 6 blank.
5.3.2.2 Crop Columns 1–7

Commodity Specific Instructions

Field Crops:

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

Exclude:
- Sweet corn should be included in Section 6.
- Popcorn is included in Section 2 but under Crop Code 0019.
- Indian (ornamental) corn should be included in Section 2 but under Crop Code 0317.

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.

Report Cash and Open Market sales received in 2012 of cotton and cottonseed sold or moved from this operation during 2012. Include the value of any cotton or cottonseed given to landlord(s) as rent.

Peanuts
Include only peanuts harvested for nuts.

Exclude peanuts cut for hay; record in Section 3 as “Other Tame Dry Hay”.

Potatoes
Record potato acreage to the nearest tenth of an acre.

Exclude:
- Potatoes produced for home consumption.
- Sweet potatoes should be included in Section 6.

Rice
Include only short, medium, and long grain varieties. Brown rice should be included in this Section under Crop Code 0317 (Other Field Crop). Wild rice should be reported under Crop Code 0178. If rice was harvested twice from the same planted acreage (a ratoon crop), count the acreage only once.

Sorghum
Include milo.

Exclude sorghum-sudan crosses harvested for hay; record in Section 3 as “Other Tame Dry Hay”.

**Soybeans**
Record only soybeans harvested for beans.

**Excluding** soybeans cut for hay; record in Section 3 as “Other Tame Dry Hay” and soybeans cut for greenchop, haylage, or silage as “All Other Haylage, Grass Silage, and Greenchop”.

**Tobacco**
Record all types of tobacco harvested in 2012. Record tobacco acreage to the nearest tenth of an acre. If “skip” rows or “sled” rows were present, record only the actual tobacco acreage.

Tobacco transplants that were grown and sold from this operation should be recorded in Section 5.

**Small Grains:**
Sometimes mixtures of wheat, oats, barley, and other grains are planted for use as hay, forage or silage crops. If they were harvested for hay, these mixtures should be recorded in Section 3 as “Small Grain Dry Hay”. If they were harvested as silage, they should be recorded in Section 3 as “All Other Haylage, Grass Silage, and Greenchop”. If the crop was not harvested (only grazed), do not record it at all. The land will be recorded in Section 1, Item 7c.

**Wheat, Oats, Barley, and Rye**
Report varieties of wheat, oats, barley, and rye harvested for grain or seed from this operation in 2012. Report acres of wheat harvested for grain or seed by class (Winter, Durum, Other Spring), as requested on the report form. Winter wheat, winter barley, and oat acres harvested and quantity harvested should be reported for the crop harvested in 2012 (not the acres planted in the fall of 2012). Mixed grains should be reported under code 0317, “Other Field Crop” (report the quantity harvested in pounds). Report small grains harvested for hay, haylage, silage, or greenchop in 2012 in Section 3.

Do not report the acres or quantity produced of straw baled from small grain crops that were previously harvested for grain or seed. (New for 2012)
Report straw sales in the appropriate type of grain from which it was made. For example, if spring wheat straw was sold, include the sales with Crop Code 0164.

**Columns 1 & 2 – Crop Name & Code**

Most major field crops are reported in this Section. The questions for crops always relate to the total acres in this operation recorded in Section 1, Item 4. **Include** all crops harvested from these acres, but exclude any crops harvested from land rented or leased to others or worked on shares by others in 2012.

These columns identify the crops harvested on this operation in 2012. To ensure proper and complete reporting, for each item listed, ask the respondent, “During
2012, did you harvest any [field crop] on the total acres (Section 1, Item 4) on this operation?”

Record the field crop and crop code from the table at the bottom of the page or from the Respondent Booklet if the commodity is not prelisted.

**Column 3 – Harvested Acres**

Except for potatoes and tobacco, report harvested acreage to the nearest whole acre.

**Include:**
1) acreage of crops harvested in 2012.
2) acreage of crops intended for harvest in 2012 even if harvest was delayed until 2013 due to bad weather, etc.
3) acreage for which two uses were made of the same crop. An example is alfalfa acreage harvested for both hay and seed. These acres are recorded twice: as acres of Alfalfa in Section 3, and as acres of Alfalfa seed harvested in Section 2, Crop Code 0035 to account for the seed.

**Exclude:**
1) acreage for second or later harvests (for the same use) of any crop from a single planting, such as second or third pickings of cotton and ratoon crops of rice.
2) acres of 2011 crops not harvested until 2012 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 4 – Total Production**

Record the TOTAL PRODUCTION of the harvested commodity. For some respondents, this may require multiplying average yield per acre by the number of acres harvested (column 3).

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

If harvest is not complete at the time of the interview due to bad weather conditions, ask the respondent for an estimate of final production from all acres harvested and remaining to be harvested. The crop left on the field is yet to be sold (since it is still on the farm), so the asset value of that crop (estimated production and price) needs to be recorded in Section 28, Item 5a. Record the expenses spent for both the harvested and un-harvested crop in 2012 in Section 26 (Farm Expenditures). Be sure to record notes accurately.
**Column 5 – Irrigated Acres that were Harvested**

Acres irrigated are acres on which water was applied by any artificial or controlled means, such as sprinklers, furrows and ditches, spreader dikes, flooding, or sub-irrigation pipes. **Include** the harvested field crop acres where lagoon waste water from livestock operations was distributed by a sprinkler or flood system.

**Column 6 – Amount of Production Used on This Operation**

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

**Include:**
- The Landlord share that was used on the operation. In this case, do not record the production used in the landlord’s share of the crop in Section 21 (Landlord’s Share of Crops & Livestock).

**Exclude:**
- any production that was (or will be) used for human consumption (record the market value of this production in Section 26 (Farm Expenditures), Items 32, 33, or 34).
- the landlord’s share of production if it was used outside the operation.
- any crop production that was fed to non-owned livestock as part of a production contract with the livestock owner. This production should be recorded as a cash sale to the livestock owner and the same value for the crop sold should be recorded as a contractor expense in Section 26, Item 6.

**Example:**

125 irrigated acres of oats were harvested for grain with an average yield of 60 bushels per acre. These oats were harvested off share rented acres where the landlord received a 50% share. The operation used its entire share of the oats on the operation in 2012. This information would be recorded as follows:

<table>
<thead>
<tr>
<th>Column</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column 3</td>
<td>125</td>
</tr>
<tr>
<td>Column 4</td>
<td>7,500</td>
</tr>
<tr>
<td>Column 5</td>
<td>125</td>
</tr>
<tr>
<td>Column 6</td>
<td>3,750</td>
</tr>
<tr>
<td>Section 21</td>
<td>13,650</td>
</tr>
</tbody>
</table>

**Column 7 – Cash or Open Market Sales minus Marketing Expenses**

After subtracting marketing expenses, record the amount received in 2012 from cash sales for field crops. Marketing expenses include check-off, drying, commission,
ginning, inspection, storage, and transportation, etc. (Please see Section 20 for a full explanation of marketing expenses).

**Include:**
- Crop sales received in 2012 from crop harvested in 2011 and earlier years. In this case, columns 3 through 6 should be blank if no acres were harvested in 2012.
- CSA sales are considered a cash sale and not a contract.
- **(New for 2012)** The value of straw produced on this operation and sold. Report the straw sales in the appropriate type of grain from which it was made in Item 2. For example, if wheat straw was sold, include the sales with the wheat for grain value of sales.

**Exclude:**
- Marketing Contract sales recorded in Section 18, Item 2
- Production Contract movements recorded in Section 19, Item 2
- Landlord share of production, which is recorded in Section 21, Items 2 and 3.
- Sales from other farm related activities, such as trading and speculation or livestock dealer activities (recorded in Section 25).
- Value of sales from land rented to others or worked on shares by others.
- Amount received in 2012 for crops sold in 2011 and earlier years. This is recorded in Section 20, Items 2a and 2a(i) (Accounts Receivable).

5.3.3 **Section 3 – Hay & Forage Crops**

**Include** hay, haylage, grass silage, or greenchop cut from pastures or CRP land. Any pasture or CRP land that had hay cut from it in 2012 should be reported as “Cropland harvested” in Section 1, Item 6a.

If two or more cuttings of the same crop were made from the same field, i.e., all cuttings harvested as dry hay or all cuttings harvested as haylage, then report the acreage only once for acres harvested and any irrigated harvested acres. Report the total tonnage from all cuttings combined in the “Total Quantity Harvested” column. Dry hay is reported as “Tons, dry” and haylage, grass silage, and greenchop are reported as “Tons, green.”

If haylage, grass silage, or greenchop was cut from the same land from which dry hay was cut, report the acreage and production for that land which was cut for dry hay under the appropriate dry hay category and the acreage and production under the appropriate haylage, silage, or greenchop category. For example, if 20 acres of alfalfa were cut for hay and then the same land was used to produce alfalfa haylage, report 20 acres and the tons harvested of hay in “Alfalfa and alfalfa mixtures for dry hay,” and 20 acres and the green tons harvested of haylage in “Haylage or greenchop from alfalfa or alfalfa mixtures.”

Report quantity harvested in tons. Example: If 400 square bales of hay were produced, estimate the average weight of the bales and convert total quantity harvested to tons (the requested unit of measure).

\[
(70 \text{ pounds} \times 400 \text{ bales}) \div 2,000 \text{ pounds} = 14 \text{ tons}
\]
Exclude the acreage used for straw production, but if the straw is sold, report the value under the appropriate grain from which it was produced in Section 2.

**Item 2 – Land from which Dry Hay, Haylage, Grass Silage, or Greenchop was Cut or Forage was Harvested**

Report the total acres from which hay and forage crops were harvested and any irrigated harvested acres from this operation. If different harvesting methods were used on the same acreage or when multiple cuttings of the same harvesting method were used, report the acreage only ONCE. Only acres harvested and irrigated acres harvested are needed here. Report the tons harvested in Items 3-8. Exclude corn silage, sorghum silage, and straw.

**Item 3 – Alfalfa and Alfalfa Mixtures for Dry Hay**

Report only the acres and dry tons of alfalfa harvested or cut for hay and any irrigated harvested acres. Report the dry weight in tons at the time the hay was removed from the field for storage or feeding. If the weight is not known, report the best estimate. Also include the amount of production that has been (or will be) used on this operation.

**Item 4 – Haylage or Greenchop from Alfalfa or Alfalfa Mixtures**

Report acres harvested, tons harvested green, and any irrigated harvested acres of haylage or greenchop (hay cut and fed green) of alfalfa and alfalfa mixtures. If haylage or greenchop from alfalfa or alfalfa mixtures was cut from the same land from which dry alfalfa hay was cut, also report the acreage and production for the acres which were cut for alfalfa dry hay in Item 3. Also include the amount of production that has been (or will be) used on this operation.

**Item 5 – Small Grain Dry Hay**

Report the acres, tons harvested, and any irrigated harvested acres of hay made from small grains or small grain mixtures. Include hay made from small grains and alfalfa mixtures where the quantity harvested was predominantly from small grains. Otherwise report these harvested acres as alfalfa mixtures for dry hay. Exclude straw acreage harvested and production. Report small grains cut for greenchop, haylage, or silage as “All other haylage, grass silage, and greenchop.” Also include the amount of production that has been (or will be) used on this operation.

**Item 6 – Other Tame Dry Hay**

Report all dry hay made from such crops or mixtures as clover, lespedeza, fescue, timothy, Bermuda grass, Sudan grass, sorghum cut for dry hay, sorghum-sudan crosses, orchard grass, soybeans, peanuts, etc. Report the total acres harvested, tons harvested, acres irrigated, and production used on this operation of all such crops or mixtures.
Item 7 – Wild Dry Hay

Report all hay cut that was predominantly wild or native grasses, even if it had fill-in seeding of other grasses. Include acres and tons of production of wild hay cut from public lands, pastures, and other land whether rent was paid or not. Estimate acreage, if necessary. Wild hay harvested should be included with “Cropland Harvested” in Section 1, Item 6a. Also include the amount of production that has been (or will be) used on this operation.

Item 8 – All Other Haylage, Grass Silage, and Greenchop

Report the acres, tons harvested green, irrigated harvested acres, and production used on this operation of any haylage, grass silage, and greenchop (hay cut and fed green) made from such crops or mixtures as small grains, clover, lespedeza, fescue, timothy, Bermuda grass, sudangrass, sorghum-sudan crosses, orchardgrass, soybeans, peanuts, etc. When reporting haylage, grass silage, and greenchop, include acres and total quantities from all cuttings, whether harvested from land previously cut for dry hay or from land used mainly for pasture. Report alfalfa haylage in Item 4 in this Section.

Item 9 – Cash or Open Market Sales minus Marketing Expenses

After subtracting marketing expenses, record the amount received in 2012 from cash sales for hay and forage crops. Exclude contract sales or removals and landlord’s share of sales. Please see Section 2: Item 2, Column 7 for Includes and Excludes.

5.3.4 Section 4 – Cut Christmas Trees, Short Rotation Woody Crops, & Maple Trees

Acres Irrigated

For Items 2 and 3, report the total acres in production that were irrigated at least once in 2012.

Cash or Open Market Sales minus Marketing Expenses

After subtracting marketing expenses for Items 2 and 3, record the amount received in 2012 from cash sales. Exclude contract sales or removals and landlord’s share of sales. Please see Section 2, Item 2, Column 7 for Includes and Excludes.

Report timber and pulp wood sales in Section 25, Item 1e (Item 1f for Version 2).

Item 2 – Cut Christmas Trees

Report the total acres of Christmas trees grown for cut Christmas trees as “Acres in Production” whether harvested in 2012 or for future harvest. “Number of Trees Cut” should be only those trees harvested in 2012. If there were acres in production, but no trees cut in 2012, report the acres in production and enter “0” for “Number of Trees Cut.” Also, “Acres in Production” should be included in Section 1, Item 6a “Cropland Harvested.”
Report acres of Christmas trees harvested as live nursery stock (baled and burlapped) in Section 5, Crop Code 0254, “Nursery Stock.”

**Item 3 – Short Rotation Woody Crops**

Report the total acres of short rotation woody crops as “Acres in Production” whether harvested in 2012 or for future harvest. Also, “Acres in Production” should be included in Section 1, Item 6a “Cropland Harvested.”

A short rotation woody crop is a tree that grows from seed to a mature tree in 10 years or less. These are trees for use as paper or pulp, or as engineered wood or for ethanol. The wood is too soft to be used directly for lumber. **Exclude** nursery stock or trees that will be harvested for lumber, fence posts, telephone poles, etc.

**Item 4 – Maple Syrup**

Report the total number of taps in 2012 and the gallons of syrup produced from the sap harvested from these taps. If sap was sold, estimate the number of gallons of syrup it would have produced. Also, report the acres of tapped maple trees in Section 1, Item 8. Do not include syrup produced from sap purchased from others.

**Cash or Open Market Sales minus Marketing Expenses**

After subtracting marketing expenses, record the amount received in 2012 from cash sales of maple syrup and maple sap. **Exclude** contract sales or removals and landlord’s share of sales. Please see Section 2: Item 2, Column 7 for Includes and Excludes.

**Exclude** from the value of sales any syrup produced from sap purchased from others.

5.3.5 **Section 5 – Nursery, Greenhouse, Floriculture, Sod, Mushrooms…**

Review the crop types listed at the bottom of the page before completing this section. Report all of the area for these crops grown for sale or future sale on this operation under glass or other protection, including tunnel production, or in the open, whether wholesale or retail. **Include** those sold on consignment. **Exclude** greenhouse vegetables grown for home consumption. Report food crops temporarily covered for early germination, frost protection, etc. in Sections 6, 7, or 8.

**Item 2 – Area Crops were Grown**

Report the total area on which nursery, greenhouse, floriculture, sod, mushrooms, vegetable seeds, and propagative materials were grown as square feet and/or whole and tenth acres. Report the area of these crops that were irrigated in 2012 as square feet and/or whole and tenth acres. **Do not duplicate the same area irrigated in the “Square Feet” and “Acres in the Open” columns.** Report the total area only once in Item 2 regardless of how many crops were grown for sale from the same area. If more than one type of crop was grown for sale from the same area, report each crop separately in Item 3.
**Item 3 – Crops Grown & Cash Sales Received in 2012**

Print the crop type name, corresponding crop code from the list below the table, the area grown for sale, and value of cash sales for this crop type. **Do not duplicate the area grown for sale for each Crop Type in the “Square Feet under Glass or Other Protection” and “Acres in the Open” columns.**

Record crops grown for sale under glass or other protection in square feet and/or those produced in open areas in whole and tenths of acres.

Area under protection refers to plants grown under a structure (such as glass, fiberglass, plastic, or saran) for the entire growing season. Crops covered only temporarily to be further grown in the open should not be included for area under protection.

- If the same crop was grown for sale more than once, such as mushrooms, report the square footage only once. In the case where different crops were grown on the same benches or beds, report the area for each crop grown for sale.
- For crops grown in hot beds, benches, or cold frames, report only the square feet of the beds, benches, or frames and not the walkways or storage areas. An example might be where crops are grown in stacked trays 3 tiers high. In this case, calculate the square footage of one tier and multiply the footage by 3. (If a tier equals 160 square feet, multiplied times 3 levels equals a total 480 square feet).
- For sod, report area grown for sale only as “Acres in the Open.”
- If more than one type of crop was grown for sale from the same area, report each crop separately in Item 3.
- Report tobacco transplants that were grown and sold from this operation using Crop Code 0175. **Exclude** tobacco transplants that were grown and then transplanted on the same operation.
- Report vegetable transplants that were grown and sold from this operation for transplanting to fields on another operation using Crop Code 1006.
- Report vegetable transplants that were grown and sold from this operation for household gardens using Crop Code 0241.
- Report acres grown for sale of live Christmas trees (balled and burlapped, potted, etc.) grown on this operation using Crop Code 0254. **Cut Christmas trees** are reported in Section 4, Item 2.
- Blueberries raised and sold for transplanting are reported in Nursery stock, Crop Code 0254.
- After subtracting marketing expenses, report the amount received in 2012 from cash sales (at point of first sale, wholesale/retail value) for those crops grown on and sold directly from this operation. **Exclude** contract sales or removals and landlord’s share of sales. Please see Section 2: Item 2, Column 7 for cash sales Includes and Excludes. Report only the wholesale value of crops grown on this operation and sold through a retail outlet which
is not part of this operation or if the retail outlet is considered a separate business establishment. Estimate values, if necessary.

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

### 5.3.6 Section 6 – Vegetables & Melons

Review the crop names that are preprinted in Item 3 and the crop names listed at the bottom of the page before completing this section. Report all of the area for vegetables and melons harvested on this operation. **Include** yams with sweet potatoes. **Exclude** vegetables and melons grown for home consumption.

Potatoes should be reported in Section 2, “Field Crops”. Also, report dry edible peas, dry edible beans, dry lima beans, lentils, and chickpeas in Section 2. Report strawberries in Section 8, “Berries”. Vegetables grown under glass or other protection should be included in Section 5.

**Harvest Season:** In all states, except Florida and Arizona, report vegetables harvested in the calendar year 2012. For Florida and Arizona, report vegetables and melons harvested from September 1, 2011, through August 31, 2012.

**Marketing & Production Contracts:** Report the acreage of all vegetables and melons grown under marketing and production contracts but exclude (from Item 4 of this Section) the value of the commodities produced under these contracts. The dollar amounts received from the contractor for these commodities are reported in Section 18 for Marketing Contracts and in Section 19 for Production Contracts.

**Two or More Pickings of the Same Crop:** Report the acres harvested only once even when two or more pickings were made from the same field.

**Sweet Potatoes Raised and Sold for Seed:** Report the acreage of sweet potatoes raised and sold for seed as acres harvested for fresh market.

### Item 2 – Acres from which Vegetables were Harvested

Report the total harvested acres and irrigated harvested acres of vegetables, sweet potatoes, and melons in whole and tenth acres. Report the area only once regardless of how many crops were harvested from the same area. If more than one type of crop was harvested from the same area, report each crop separately in Item 3. See example below.

**Example:**

If 20 acres of summer squash were harvested from a field and the same field was replanted in summer squash and harvested again, report only 20 acres of land from which vegetables were harvested in Item 2, but report 40 acres harvested in Item 3, summer squash, Crop Code 0133. Report the 40 acres in the appropriate columns for fresh market and processing.
**Item 3 – Vegetables**

Report for the crops preprinted. If a harvested crop’s name is not preprinted in the table, write in the crop name, corresponding crop code from the list below the table or from the Respondent Booklet, the total acres harvested, the acres harvested for fresh market, and the acres harvested for processing. Report all acreage in whole and tenth acres. Report any other vegetables harvested in 2012 but not in the Respondent Booklet as Crop Code 0236.

**Item 4 – Cash or Open Market Sales minus Marketing Expenses**

After subtracting marketing expenses, record the amount received in 2012 from cash sales of vegetables and melons sold or moved from this operation during 2012. **Exclude** contract sales or removals and landlord’s share of sales. Please see Section 2: Item 2, Column 7 for additional Includes and Excludes.

**Include** the value of sales for fresh market or processing and sales to consumers, wholesalers, canners, freezers, dehydrators, or other processors or buyers. Report total value of cash sales of vegetables grown under glass or other protection in Section 5.

**5.3.7 Section 7 – Fruits & Nuts**

Review the crop names that are preprinted in Item 3 and the crop names listed at the bottom of the page before completing this section. Report the acreage if there were 20 or more fruit or nut trees and/or grapevines on this operation which were maintained for current or future production. **Exclude** acreage of trees and vines which were abandoned or used for home use.

Native pecan trees are the only native or “wild” tree nuts that are reported. **Exclude** acreage and sales of black walnuts (report sales in Section 39).

**Item 2 – Acres in Fruits & Nuts**

Report the total acres, harvested acres, and irrigated acres of trees and vines in whole and tenth acres. In the total acreage, include bearing age acres and nonbearing age acres and bearing age acres not harvested due to unsatisfactory prices, labor shortages, etc. If native pecan tree density is less than 20 trees per acre, divide the number of pecan trees by 20 and enter that value as the number of total native pecan acres. **Exclude** abandoned acres of trees or vines that were not maintained for production and young trees and vines designated for future transplanting and replacement. Report these acres of young trees in Section 5, Crop Code 0254 “Nursery Stock.”

Report the total bearing and nonbearing acres that were irrigated at least once in 2012.
**Item 3 – Fruits and Nuts**

Report for the crops preprinted. If a crop’s name is not preprinted, write in the crop name, corresponding crop code from the list at the bottom of the page or from the Respondent Booklet, total acres, bearing age acres, and nonbearing age acres. Report any other non-citrus fruits, other citrus fruits, or other nuts harvested in 2012 but not listed in the Respondent Booklet with one of the “Other” Crop Codes listed.

Report all acreage in whole and tenths acres. The total acres of all trees and vines are equal to the acres of bearing age trees plus the acres of nonbearing age trees. Nonbearing trees that were planted as replacements for trees that died in bearing blocks should have an estimate of the land that they occupied reported in the nonbearing acres column.

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

**Example:**

A vineyard that processes its grapes into wine would report only the value of the grapes that were harvested in 2012 and used to produce the wine, not the value of the wine sold in 2012. The same would be true for fruits or berries that were processed into cider, jams, jellies, or wine.

- For Florida report the acreage of limes for the April 2012 - March 2013 harvest season. Estimate if necessary.
- Report the acreage of all other citrus crops in all other states for the 2011-2012 harvest season.

**Item 4 – Cash or Open Market Sales minus Marketing Expenses**

After subtracting marketing expenses, record the amount received in 2012 from cash sales of fruit and tree nuts sold or moved from this operation during 2012. Exclude contract sales or removals and landlord’s share of sales. Please see Section 2: Item 2, Column 7 for additional Includes and Excludes.

**5.3.8 Section 8 – Berries**

Report the cultivated (tame) acres of strawberries, cranberries, or other berries maintained for production from this operation in 2012. Exclude berries and berries processed into jams, jellies, or wines grown/used for home consumption. Wild blueberries are the only uncultivated berries which should be reported here. Report acreage in whole and tenth acres.
Item 2 – Acres from which Berries were Harvested

Report the acres grown and acres irrigated of berries in whole and tenth acres. Report the area only once regardless of how many times the crops were harvested from the same area. If native wild blueberry bush density averaged less than 325 clones per acre, divide the total estimated number of wild blueberry clones by 500 and enter that value as the number of total acres.

Report the total acres grown that were irrigated at least once in 2012.

Item 3 – Berries

Report total acres, acres harvested, and acres not harvested for the crops preprinted. Report all acres in whole and tenth acres. If a harvested berry crop name is not preprinted, write in the crop name, corresponding crop code from the list below the table, the total acres, acres harvested, and acres not harvested. Report any “Other” berries harvested in 2012 but not listed with Crop Code 6267.

Item 4 – Cash or Open Market Sales minus Marketing Expenses

After subtracting marketing expenses, record the amount received in 2012 from cash sales of berries sold or moved from this operation during 2012. Exclude contract sales or removals and landlord’s share of sales. Please see Section 2: Item 2, Column 7 for additional Includes and Excludes.

Include all tame berry crops and wild blueberries. Operations that process berries for sale should report only the “farm" value of the berries processed into other products.

Example:

An operation that processes its berries into jams, jellies, or wine for sale during 2012 or future years would report only the value of the berries that were used to produce the jams, jellies, or wine, not the value of the jams, jellies, or wine sold in 2012.
5.4 Sections 9 to 16 – Livestock

5.4.1 Purpose of Sections

These sections provide removal, inventory, ownership, and ‘grown by others’ data for the operation described in Section 1. They also track livestock owned by the operation, and raised on other farms (i.e. dairy heifers raised off-site, or beef cattle raised in custom feedlots). These are used to help measure the operation’s production and true financial performance.

Livestock removals and sales are used to develop estimates of the value of livestock production. This information allows us to determine the degree to which operations are diversified across varied types of livestock and it enables us to assess trends in consolidation of the livestock industry.

Include landlord’s share, animals sold on the open market (non-contract), animals removed from this operation under a marketing or production contract in 2012, and FFA / 4-H livestock projects.

5.4.2 Section 9 – Cattle & Calves

Report inventories of all beef and dairy cattle and calves on this operation on December 31, 2012 and number of cattle and calves sold or moved from this operation during 2012. Inventories should include cattle on land used rent free or on public, private, or industrial property under a grazing permit, per head, or AUM basis. Include cattle located on or fed on this operation for others on a custom or contract basis. Include cattle and calves on this operation that were owned by members of the family, i.e. 4-H and FFA project cattle and calves raised on this operation that were owned by a son or daughter. Include Beefalo.

There are certain circumstances under which livestock should be recorded as inventory on the operation on December 31, 2012, even though they are not on the acres recorded in Section 1. Examples include livestock:

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

Exclude any cattle owned that were being custom fed in feedlots operated by others on December 31, 2012. Do not report the sales of animals bought and then sold within 30 days.
**Item 2a – Beef Cows**

Report the number of beef cows on this operation and owned by this operation on December 31, 2012 that were kept for beef production. Report beef heifers that had calved by December 31, 2012. Report milk cows in Item 2b. Beef heifers that had not calved by December 31, 2012 should be reported in Item 2c. Steers, calves, and bulls should be reported in Item 2c.

**Item 2b – Milk Cows**

Report the number of cows of any breed kept for milk production on this operation and owned by this operation on December 31, 2012. Include dry milk cows and dairy heifers that had calved by December 31, 2012. Milk heifers that had not calved by December 31, 2012 should be reported in Item 2c.

**Item 2c – Other Cattle**

Report the combined number of steers, calves, bulls, and heifers that had not calved by December 31, 2012. Also report other cattle that were owned by this operation on December 31. Include number of cattle and calves of all ages that were grazing or being fed for others on a custom or contract basis on December 31, 2012 on this operation.

**Item 2d – Total Cattle & Calves**

Report the total number of cattle and calves of all ages on this operation and owned by this operation on December 31, 2012. Items 2a, 2b, and 2c should add to the number reported here.

**Item 3 – Cattle, Calves & Milk Sold or Moved**

Record all cattle, calves, and milk that were sold on the open market, delivered under a marketing contract or removed under a production contract from the operation from January 1, 2012 through December 31, 2012, regardless of who owned them. “Removed” or “moved” is intended for livestock under a production contract that were never owned by the operation.

Include any cattle, calves, or milk that belonged to landlords, contractors, or any other person.

Exclude animal deaths. Deaths do not add a value of production, and they are not counted.

Do not include animals that were moved from this operation:

- to another operation to graze on winter wheat for a month or two and then returned to this operation
- for short term grazing on corn stubble and then returned to this operation
- for the summer to public grazing land and then returned to this operation
- for the summer to private or grazing association land and then returned to this operation
**Item 3a – Calves Sold or Moved**

Report the number of calves weighing less than 500 pounds that were sold or moved from this operation during 2012.

**Item 3b – Cattle Sold or Moved**

Report all the cattle and calves weighing 500 pounds or more that were sold or moved from this operation during 2012.

**Item 4 – Milk Sold or Moved**

Record the total amount (in hundredweight – CWT) of milk sold on the open market or removed under contract from the operation in 2012 regardless of ownership.

**Items 5 to 7 – Cash or Open Market Sales minus Marketing Expenses**

After subtracting marketing expenses, record the amount received in 2012 from cash sales of cattle, calves, and milk from this operation. Marketing expenses include check-off, drying, commission, inspection, storage, transportation, and yardage, etc. (Please see Section 20 for a full explanation of marketing expenses).

**Include:**
- Livestock sales received in 2012 from livestock produced in 2011 and earlier years.
- CSA sales are considered a cash sale and not a contract.

**Exclude:**
- Marketing Contract sales recorded in Section 18, Item 2
- Production Contract movements recorded in Section 19, Item 2
- Landlord share of production, which is recorded in Section 21, Items 2 and 3.
- Sales from other farm related activities, such as trading and speculation or livestock dealer activities (recorded in Section 25).
- Value of sales from land rented to others or worked on shares by others.
- Amount received in 2012 for livestock sold in 2011 and earlier years. This is recorded in Section 20, Items 2a and 2a(i) (Accounts Receivable).

**Item 5 – Cash Sales of Cattle & Calves minus Breeding Stock**

Report the total cash sales received in 2012 of cattle (fed cattle, beef and dairy cull animals, stockers and feeders, beefalo, veal calves, etc.) sold or moved from this operation in 2012.

**Include** cull bulls. **Exclude** cattle breeding stock.
Item 6 – Cash Sales of Breeding Stock

Report the total cash sales received in 2012 of breeding cattle sold or moved from this operation in 2012.

Exclude cattle grown under production contract on this operation.

Item 6a – Recognized Gain or Loss on Sales of Breeding Cattle

Record the recognized gain or loss on breeding cattle cash sales from Item 6 above.

For raised livestock, the gain will generally be the amount of cash sales proceeds reported above since the costs of raising the livestock have already been deducted as a business expense.

For purchased livestock, the gain or loss is equal to the cash sales proceeds minus any remaining purchase costs that have not already been recovered through depreciation.

Item 7 – Cash Sales of Milk from Cows

Report the total value of cash sales received in 2012 from milk produced and sold from this operation in 2012. Cheese and any other dairy products processed should be recorded in Section 25, Item 1k (Item 1f for Version 2). Record the value of cash sales before any deduction of hauling fees.

Items 8 & 9 – Cattle in Feedlots

Include animals for slaughter market that were fed a ration of grain or other concentrates that are expected to produce a carcass that will grade select or better. Exclude cattle that were pastured only, being backgrounded, fed for home use, or veal.

Item 8 – Cattle on Hand Shipped Directly to Slaughter Market

Of the cattle on hand reported in Item 2d, report the total cattle and calves that were on feed December 31, 2012, and were or will be shipped directly from your feedlot to slaughter market. Exclude veal calves that were fattened primarily on milk, dairy cows that were fed only the usual dairy ration before being sold, and any cattle and calves being preconditioned, backgrounded, or fed a warm-up ration.

Item 9 – Cattle Sold & Shipped Directly to Slaughter Market

Of the cattle reported in Item 3b, report the cattle sold during 2012 weighing 500 pounds or more that were shipped directly from your feedlot to slaughter market. Exclude any of your cattle being custom fed in feedlots operated by others. Exclude cattle sold as feeders. Exclude dairy cows fed only the usual dairy cow ration before being sold.
5.4.3 Section 10 – Hogs & Pigs

Report all hogs and pigs on this operation on December 31, 2012. **Include** hogs grown for others on a contract basis. **Include** hogs on this operation that were owned by members of the family, such as 4-H and FFA project hogs raised on this operation that were owned by a son or daughter. Contractors should only report hogs on land they operate. If the addressee is a contractor or integrator and in 2012 grew no hogs other than those raised for him/her by contractees, do not report any hogs in inventory or any hogs sold. If the addressee was a contractor or integrator and grew hogs himself/herself and had hogs grown for him/her by others, report only the hogs which he/she raised on this operation. **Exclude** hogs grown for the addressee by someone else on another operation under contract.

**Item 2a – Hogs & Pigs Used or to be Used for Breeding**

Report the number of hogs and pigs on this operation and owned by this operation on December 31, 2012 that are or will be used for breeding. **Include** bred sows, bred gilts, boars, other sows, and gilts intended for breeding and young males to be used for breeding. **Exclude** culled breeding animals.

**Item 2b – Other Hogs & Pigs**

Report all other hogs and pigs, including all hogs being raised for sale and those intended for home slaughter. **Include** those being fed or kept for others under a production contract or an agreement. **Include** culled breeding animals.

**Item 2c – Total Hogs & Pigs**

Report the total number of hogs and pigs of all ages on this operation and owned by this operation on December 31, 2012. **Include** those being fed or kept for others under a production contract or an agreement. Items 2a and 2b should add to the number reported here.

**Item 3 – Hogs & Pigs Sold or Moved**

Report the total number of hogs and pigs sold or moved off the operation, including feeder pigs, in 2012. “Removed” or “moved” is intended for livestock under a production contract that were never owned by the operation.

**Exclude** animal deaths. Deaths do not add a value of production, and they are not counted.

**Items 4 to 5a – Cash or Open Market Sales minus Marketing Expenses**

After subtracting marketing expenses, record the amount received in 2012 from cash sales of hogs & pigs from this operation. **Exclude** contract sales or removals and landlord’s share of sales. Please see Section 9, Item 5 for additional Includes and Excludes.

**Item 4 – Cash Sales of Hogs & Pigs minus Breeding Stock**

Report the total cash sales received in 2012 of swine sold or moved from this operation in 2012.
Include cull breeding hogs. Exclude cash sales of breeding hogs. Exclude hogs grown under production contract for this operation or on this operation.

**Item 5 – Cash Sales of Hog Breeding Stock**

Report the total cash sales received in 2012 of breeding hogs sold or moved from this operation in 2012.

Exclude hogs grown under production contract on this operation.

**Item 5a – Recognized Gain or Loss on Cash Sales of Breeding Hogs**

Record the recognized gain or loss on breeding hog cash sales from Item 5 above.

For raised livestock, the gain will generally be the amount of cash sales proceeds reported above since the costs of raising the livestock have already been deducted as a business expense.

For purchased livestock, the gain or loss is equal to the cash sales proceeds minus any remaining purchase costs that have not already been recovered through depreciation.

**Item 6 – Type of Operation**

Mark the one type which best describes this operation:

- A farrow-to-wean operation sells or moves pigs from the operation soon after they are weaned from the sow, generally at 2 to 5 weeks of age.
- A farrow-to-feeder operation sells or moves pigs from the operation after the pigs are weaned and fed to a feeder pig weight, approximately 35 to 55 pounds.
- A farrow to finish operation farrows and sells or moves pigs from the operation after they have reached market weight and are sold or moved directly to slaughter.
- A nursery operation buys pigs for or moves pigs to the operation after they have been weaned and will feed them for a short period of time, after which they are sold or moved from the operation to a finishing operation.
- A finish only operation buys pigs for or moves pigs to the operation at weaning weight or feeder pig weight and feeds them until they have reached market weight and are sold or moved directly to slaughter.
- An “other” hog operation could include operations where a majority of production focuses on raising and selling breeding stock. Print the type of hog operation in the response area.

**Item 7 – Describes the Producer**

Mark the one type that best describes this operation.
5.4.4 Section 11 – Equine

Equine include horses, ponies, mules, burros, and donkeys. **Include** equine of all ages and breeds for all uses. **Exclude** wild horses and zebras.

**HORSE BOARDING, TRAINING, RACING OPERATIONS**

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

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

If the financial records are kept separately, do not count the horses associated with the horse operation. Also, do not record any income or expenditures of the horse operations in Sections 18 – 38 of the ARMS questionnaire.

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

**Cash or Open Market Sales minus Marketing Expenses**

After subtracting marketing expenses, record the amount received in 2012 from cash sales of equine from this operation. **Exclude** contract sales or removals and landlord’s share of sales. Please see Section 9, Item 5 for additional Includes and Excludes.

**Item 2 – Horses & Ponies Owned**

Report the number of horses and ponies on this operation which were OWNED by this operation on December 31, 2012. **Include** as owned all horses and ponies on this operation even if only partially owned by this operation. Report the number of owned horses and ponies sold in 2012 and cash sales.

**Item 3 – Horses & Ponies NOT Owned**

Report the number of horses and ponies on this operation which were NOT owned by this operation on December 31, 2012. Report the horse and pony inventory that were not owned by this operation but boarded by this operation for others. An example is if this operation is a boarding stable or racetrack. Report the number of horses and ponies not owned which were sold in 2012 and cash sales.
**Item 4 – Mules, Burros, & Donkeys**

Report the inventory of all mules, burros, and donkeys on the operation on December 31, 2012 REGARDLESS OF OWNERSHIP. Report the total number of mules, burros, and donkeys sold during 2012 and cash sales.

**Item 5 – Horse Breeding or Stud Fees, Semen & Other Equine Products**

Report the cash sales of equine breeding service fees or stud fees including sales of semen or other equine products sold in 2012. Include these items for services from horses, ponies, burros and donkeys.

**Item 6 – Type of Equine Operation**

For the horses and ponies NOT owned by you that were on the operation December 31, 2012, (reported in Item 3), check the ONE category which best describes why these horses were on this operation.

5.4.5 Section 12 – Sheep & Goats

Report the inventory of sheep and goats on the operation on December 31, 2012, regardless of ownership. Report the number of sheep and goats sold or moved from this operation during 2012, regardless of ownership, and their value of cash sales.

Include:
- Sheep and goats on public or industrial property under a grazing permit
- Sheep and goats on land used rent free by this operation
- Sheep and goats grown or fed on this operation for others on a custom or contract basis

There are certain circumstances under which livestock should be recorded as inventory on the operation on December 31, 2011, even though they are not on the acres recorded in Section 1. Examples include livestock:

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

Exclude:
- Sheep and goats grown or fed by someone else on a custom or contract basis

**Total Number Sold or Removed in 2012**

Record all livestock and livestock products that were sold on the open market, delivered under a marketing contract or removed under a production contract.
from the operation from January 1, 2012 through December 31, 2012, regardless of who owned them. “Removed” or “moved” is intended for livestock under a production contract that were never owned by the operation.

Include any livestock and livestock products that belonged to landlords, contractors, or any other person.

Exclude animal deaths. Deaths do not add a value of production, and they are not counted.

Cash or Open Market Sales minus Marketing Expenses

After subtracting marketing expenses, record the amount received in 2012 from cash sales of sheep and goats from this operation. Exclude contract sales or removals and landlord’s share of sales. Please see Section 9, Item 5 for additional Includes and Excludes.

Item 2a – Sheep & Lambs

Report the total number of sheep and lambs on this operation or custom fed, regardless of ownership, on December 31, 2012. Report the number of sheep and lambs sold or moved from the operation during 2012 and the value of cash sales. For animals moved off the operation but not sold, the reported value of these animals should be the value at the time they were moved from the operation.

Item 2a(i) – Ewes One Year Old & Older

Of the total number of sheep and lambs on this operation, regardless of ownership, on December 31, 2012, reported in Item 2a, report the number of ewes 1 year old and older.

Item 2b – Hair Sheep or Wool Hair Crosses

Of the total number of sheep and lambs on this operation, regardless of ownership, on December 31, 2012 reported in Item 2a, report the number of sheep and lambs which were hair sheep or wool-hair crosses. Include “shedding” sheep which do not require shearing.

Item 2c – Angora Goats & Kids

Report the total number of Angora goats and kids on this operation, regardless of ownership, on December 31, 2012. Report the number of Angora goats and kids sold or moved from the operation during 2012 and cash sales. Include only Angora goats and kids raised for the production of mohair.

Item 2d – Milk Goats & Kids

Report the total number of milk goats and kids on this operation, regardless of ownership, on December 31, 2012. Report the number of milk goats and kids sold or moved from the operation during 2012 and the cash sales. Include only milk goats and kids raised for the production of milk.
**Item 2e – Meat & Other Goats and Kids**

Report the total number of meat goats and all other goats and kids on this operation not reported in Items 2c or 2d, regardless of ownership, on December 31, 2012. Report the number of meat goats and all other goats and kids sold or moved from the operation during 2012 and the value of cash sales. **Include** Angora goat breeds and milk goat breeds if they are being raised only for meat production.

**Item 2f – Wool Shorn**

Report the total pounds of wool shorn (whether sold or not), total pounds of wool sold or moved from the operation, and cash sales in 2012. **Include** pounds shorn whether or not the sheep are currently on the operation. **Include** the weight of tags shorn in pounds of wool shorn.

**Item 2g – Mohair Clipped**

Report the total pounds of mohair clipped (whether sold or not), total pounds of mohair sold or moved from the operation, and cash sales in 2012. **Include** pounds clipped whether or not the goats are currently on the operation.

**Item 2h – Milk from Sheep & Goats**

Report the cash sales of sheep and goat milk sold or moved from the operation in 2012 without deducting production or marketing expenses (cost of feed, livestock purchased, hauling and selling, etc.). **Exclude** the value of sales of cheese and other processed milk products.

**5.4.6 Section 13 – Aquaculture**

Aquaculture is defined as the farming of fish, crustaceans, mollusks, and other aquaculture products. The aquaculture production reported in the ARMS/Census requires some form of intervention in the rearing process and requires inputs such as seeding, stocking, feeding, and protection from predators, etc. It also requires ownership of the stock being cultivated and harvesting that is conducted in a controlled environment by this operation. Fish, shellfish, and other aquaculture products that are caught or harvested from non-controlled waters or beds (public lakes, rivers, bays, or streams) are considered wild caught and **should not** be included as aquaculture production. Aquatic plants should be reported in Section 5, “Nursery, Greenhouse, Floriculture …”

**Examples of controlled environments include:**

- Ocean-raised fish in pens, cages, etc.
- Leased, owned, controlled, or managed beds including exclusive use of public water area for shellfish
- State, Federal, Reservation, and privately owned fish hatcheries
- Tanks for the shedding of soft-shelled crabs
The area of the controlled environment of this operation should be included in Section 1, Items 1 or 2. The area of land and water area associated with these production areas should be included in Section 1, Item 9.

Review the aquaculture types listed at the bottom of the page in the report form before completing this section. Print the name of the aquaculture type and the corresponding code from the list at the bottom of the page. Report pounds OR number sold of all fish sizes and/or eggs of one fish type under the corresponding aquaculture type and code. **Do not report pounds AND number of the same fish.** For example, if you raised trout and sold some as food size and some as fingerlings report all food size and fingerlings under Trout, Code 0913, and report all the pounds OR number sold or moved from this operation in 2012.

Report the pounds or number sold or moved from this operation whether wholesale, retail, or on a contract basis or consignment. **Include** the aquaculture raised by Federal, State, Reservation, and privately owned hatcheries and sold or moved for stocking public waters or distributed for conservation purposes. **Exclude** aquaculture grown for home consumption.

All other aquaculture and aquaculture products such as frogs, turtles, caviar, eels, alligators, sea urchins, snails, tadpoles, live rock, etc., should be reported as Code 0901.

**Cash or Open Market Sales minus Marketing Expenses**

After subtracting marketing expenses, record the amount received in 2012 from cash sales of aquaculture from this operation. **Exclude** contract sales or removals and landlord’s share of sales. Please see Section 9, Item 5 for additional Includes and Excludes. Estimate the market value for cash sales, if necessary. Report the cash sales for each aquaculture type sold or moved from this operation. **Exclude** animal deaths. Deaths do not add a value of production, and they are not counted.

### 5.4.7 Section 14 – Poultry

Report inventories of all poultry including layers and all meat-type birds on this operation regardless of ownership on December 31, 2012. Poultry also includes exotic and game birds such as emus, ostriches, ducks, pheasants, quail, etc. Roasters, capons, and Cornish not used for breeding should be reported in Item 2a with broilers, fryers, and other meat-type chickens.

Poultry should be reported by the person who actually raised the birds even though they may not be the person who owns the poultry.

**Exclude** poultry owned by you but raised by someone else on another operation under contract.

**Total Number Sold or Removed**

Report the number sold or moved from this operation during 2012. “Removed” or “moved” is intended for poultry under a production contract that were never owned
by the operation. Include poultry raised for others on a contract basis when reporting the inventory and number sold or moved from this operation.

Exclude animal deaths. Deaths do not add a value of production, and they are not counted.

If the number sold or moved from the operation is not known, an estimate should be given.

Cash or Open Market Sales minus Marketing Expenses

After subtracting marketing expenses, record the amount received in 2012 from cash sales of poultry from this operation. Exclude contract sales or removals and landlord’s share of sales. Please see Section 9, Item 5 for additional Includes and Excludes.

Item 2a – Broilers, Fryers, & Other Chickens Raised for Meat Production

Report the number of broilers, fryers, capons, roasters, and other meat-type chickens on this operation and owned by this operation on December 31, 2012, including those raised under contract. In column 3, report the number sold or moved from this operation during 2012, including those raised under contract. Include only birds raised for meat production. Exclude meat-type hatching layers which should be reported in Item 2c. For column 4, exclude the value of poultry produced under marketing and production contracts.

Item 2b – Table Egg Layers

Table egg layers are female chickens that can produce a marketable egg suitable for table use. Female chickens that are too young to produce a marketable egg are pullets. Report the number of table egg layers on this operation and owned by this operation on December 31, 2012, including those under contract. Include the number of table egg layers in molt. In column 3, report the table egg layers sold or moved from this operation during 2012, including those under contract. Include layers used to produce eggs for home consumption, and “yard chickens.” Exclude layers from exotic breeds and game birds. For column 4, exclude the value of poultry produced under marketing and production contracts.

Item 2b(i) – Chicken Eggs

Record the total number (in dozens) of all chicken eggs (including hatching eggs), sold on the open market or removed under contract in 2012, regardless of ownership.

Report the total cash sales received in 2012 of eggs sold from this operation in 2012. Do not report the value of eggs produced under marketing and production contracts.
Item 2c – Hatching Layers for Meat Types

Layers are female chickens which can produce a marketable egg. Female chickens that are too young to produce a marketable egg are pullets. Hatching layers for meat types are layers of meat-type strains that produce fertile eggs that could supply a hatchery to produce meat type chicks. Report the number of hatching supply layers for broilers, roasters, and other meat types on this operation and owned by this operation on December 31, 2012, including those under contract. In column 3, report any of the hatching supply layers for meat types sold or moved from this operation during 2012, including those under contract. Exclude broilers or other chickens raised for meat production, which should be reported in Item 2a. For column 4, exclude the value of poultry produced under marketing and production contracts.

Item 2d – Hatching Layers for Table Eggs

Layers are female chickens which can produce a marketable egg. Female chickens which are too young to produce a marketable egg are pullets. Hatching layers for table eggs are layers that produce fertile eggs, which could supply a hatchery to produce table-egg chicks. Report the number of hatching supply layers for table-egg types on this operation and owned by this operation on December 31, 2012, including those under contract. In column 3, report any of the hatching supply layers for table eggs sold or moved from this operation during 2012, including those under contract. Exclude layers for table eggs or “market” eggs, which should be reported in Item 2b. For column 4, exclude the value of poultry produced under marketing and production contracts.

Item 2e – Pullets for Laying Flock Replacement

Report the number of chicken pullets for laying flock replacement on this operation and owned by this operation on December 31, 2012, including those under contract. In column 3, report the total number sold or moved from this operation during 2012, including those under contract. Include the pullets intended for laying flocks of table-egg layers, or hatching supply flocks for meat-type, or hatching supply flocks for table-egg types. Pullets are female chickens which are too young to produce a marketable egg. Female chickens which are mature enough to produce a marketable egg are layers. For column 4, exclude the value of poultry produced under marketing and production contracts.

Item 3a – Turkeys for Meat Production

Report the number of turkeys raised for immediate slaughter on this operation and owned by this operation on December 31, 2012, including those raised under contract. In column 3, report the number of turkeys for meat production sold or moved from this operation during 2012, including those raised under contract. Exclude turkey hens and toms kept for breeding, which should be reported in Item 3b. For column 4, exclude the value of poultry produced under marketing and production contracts.
Item 3b – Turkey Hens & Toms Kept for Breeding

Report the number of turkey hens and toms kept for breeding on this operation and owned by this operation on December 31, 2012, including those under contract. In column 3, report the number of turkey hens and toms kept for breeding sold or moved from this operation during 2012, including those under contract. For column 4, exclude the value of poultry produced under marketing and production contracts.

Item 3c – Turkey Brooders for Further Growout on another Farm

Report the number of turkey brooders on this operation and owned by this operation on December 31, 2012, which were moved or will be moved to another farm for further growout. In column 3, report the number of turkey brooders that have been moved to another farm for further growout during 2012. Turkeys that will be sold or moved from this operation directly to slaughter should be reported in Items 3a or 3b, not in Item 3c. For column 4, exclude the value of poultry produced under marketing and production contracts.

Item 4 – All Other Poultry

Report the inventory of all other poultry on this operation and owned by this operation on December 31, 2012, not accounted for in Items 2 and 3. Enter the name of other poultry species in the first column provided. Enter the corresponding code in the second column. Report the inventory and number sold or moved from this operation during 2012, including those raised under contract. Birds such as pheasants or chukars used for conservation, restoration, or hunting, such as on a game farm, should be reported only by the operation which raised the birds. Only the market value of the birds raised is included in the cash sales and the balance of hunting fees received that is attributed for guide services, lodging, or transportation is reported in Section 25, Item 1d (Item 1c for Version 2). Exclude birds such as canaries. They are reported in Section 16, Item 3, “Other Livestock.” For column 6, exclude the value of poultry produced under marketing and production contracts.

Item 5 – Poultry Hatched

Report all types of poultry hatched on this operation in 2012. The number hatched includes all poultry hatched on your operation and placed, sold, or destroyed. Specify the kinds of poultry hatched (chickens, turkeys, ducks, pheasants, emus, etc.). Do not include poultry hatched on this operation as sold in Items 2 through 4, unless raised past the newly hatched stage of development. For example, chicks hatched and moved from this operation the same day should be reported only in Item 5, not in Item 2.

Item 6 – Type of Poultry Hatched on this Operations Hatcheries

For the poultry hatched in Item 5, check the type(s) of the poultry hatched. Check all that apply.
5.4.8 Section 15 – Colonies of Bees

Item 2 – Colonies of Bees Owned

Report the inventory of colonies of **bees owned, regardless of location** on December 31, 2012 in column 1. Report the largest number of colonies owned for all purposes in 2012 in column 2, including the number of colonies of non-honey producing bees such as leaf cutter bees or pollination colonies. **Exclude** package bees; they are not considered as separate colonies. Package bees are reported in Section 16, Item 3. Report the largest number of honey producing colonies owned in 2012 in column 3.

Report the total pounds of honey collected in 2012, whether or not it was sold. Report the cash sales of honey in 2012, regardless of which year the honey was produced. Report sales of beeswax, pollen, royal jelly, etc. in Section 16, Item 4. Report sales of colonies in Section 16, Item 3.

Fees received from pollination services should be reported in Section 25 as “all other farm related sources of income”.

5.4.9 Section 16 – Other Livestock & Livestock Products

Report all other livestock, animal specialties, and their products not reported in previous sections. Report the inventory of alpacas, llamas, bison, deer in captivity, elk in captivity, live mink, live rabbits, lab animals, worms, etc., raised in captivity that were on this operation and owned by this operation on December 31, 2012. Report the total number sold from this operation during 2012, including those raised under contract. **Exclude** animals and products owned by the addressee but raised on another operation under contract.

Cash or Open Market Sales minus Marketing Expenses

After subtracting marketing expenses, record the amount received in 2012 from cash sales of other livestock from this operation. **Exclude** contract sales or removals and landlord’s share of sales. Please see Section 9, Item 5 for additional Includes and Excludes.

Item 2a – Alpacas

Report the total and owned inventory of alpacas on this operation on December 31, 2012, including those raised under contract. Report the total number sold from this operation during 2012, including those raised under contract. Also record any cash sales.

Item 2b – Llamas

Report the total and owned inventory of llamas on this operation on December 31, 2012, including those raised under contract. Report the total number sold from this operation during 2012, including those raised under contract. Also record any cash sales.
Item 2c – Bison

Report the total and owned inventory of bison raised in captivity on this operation on December 31, 2012, including those raised under contract. Report the total number sold from this operation during 2012, including those raised under contract. Also record any cash sales.

Item 2d – Deer in Captivity

Report the total and owned inventory on this operation on December 31, 2012 including those raised under contract. Report the total number sold in 2012 of deer raised in captivity. Also record any cash sales.

If the deer were raised in captivity on an operation which is a game farm and a hunting fee was received for the deer, allocate the fee between the Cash Sales and Fee Received in Section 25. Only the market value of the deer is included in the Cash Sales column and the balance of the hunting fee received that is attributed for guide services, lodging, or transportation is reported in Section 25, Item 1d (Item 1c for Version 2).

Deer “raised in captivity’ are deer confined to the operation with fencing that require inputs such as feed, veterinary services, etc. The deer may have been purchased from other producers and transported and cared for within the confines of this operation. Exclude wild deer on the operation.

Item 2e – Elk in Captivity

Report the total and owned inventory on this operation on December 31, 2012 including those raised under contract. Report the total number sold in 2012 of elk raised in captivity.

If the elk were on a game farm and a hunting fee was received for the elk, split the fee between the Cash Sales and Fee Received in Section 25. Only the market value of the elk is included in the Cash Sales column and the balance of the hunting fee received that is attributed for guide services, lodging, or transportation is reported in Section 25, Item 1d (Item 1c for Version 2).

Elk “raised in captivity” are elk confined to the operation with fencing that require inputs such as feed, veterinary services, etc. The elk may have been purchased from other producers and transported and cared for within the confines of this operation. Exclude wild elk on the operation.

Item 2f – Live Mink

Report the total inventory, owned inventory, and number sold in 2012 of live mink raised on this operation. Also record any cash sales. Mink pelts should be reported only in Item 4.
Item 2g – Live Rabbits

Report the total inventory, owned inventory, and number sold in 2012 of live rabbits raised on this operation. Also record any cash sales. Rabbit pelts should be reported only in Item 4.

Item 3 – Other Livestock

Report the inventory of any other livestock and animals (worms, ladybugs, lab animals, snakes, package bees, canaries, etc.) raised in captivity for sale on this operation on December 31, 2012 and not previously reported on this report form. Print the name of the livestock in the specify area, the total and owned inventory on this operation on December 31, 2012, the total number sold from this operation during 2012, and any cash sales.

Item 4 – Other Livestock Products

Report the production of all other livestock and livestock products including semen, embryos, manure sold, beeswax, bee pollen, feathers, worm castings, or other livestock or animal products produced and sold from this operation during 2012. Exclude value added products such as cheese, which are recorded in Section 25, Item 1k (Item 1f for Version 2). Print the type of product and indicate the unit (tonnage, pounds, etc.) used in reporting the product. Also report any cash sales.
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5.5 Sections 17 to 20 – Contracts, Marketing Charges, & Deferred Payments

5.5.1 Section 17 – Other Ops Growing/Feeding/Raising Livestock for this Operation

If this operation paid another operation a fee for the service of growing, feeding, or raising a commodity (owned by the selected operation), then answer this question ‘YES’ (the operation is acting as contractor).

The commodity remains an asset of the selected operation. (It is neither sold to the contractee operation, nor is ownership transferred to that operation.) Summary formulas add these items to expenses or assets when appropriate.

Questionnaire Version 2 uses a simplified three question format and not the table format that appears in Version 1. Differences are noted below in Columns 5, 6, and 7.

**Keep in mind that any livestock, sales, or expenditure data recorded in this section are not recorded anywhere else on the questionnaire. This is referred to as the “in the fence” rule.**

**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 the dairy producer’s replacement heifers. (See special handling instructions for this type in Column 6 instructions below.)
- A hog farrowing operation that contracts with another operation to raise feeder pigs up to slaughter weight

**Example:**

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

In this case the respondent is the owner of the cattle, and has a production contract with a feedlot (the respondent is the contractor). This contract should be reported in this Section. This includes all expenses paid or reimbursed by the respondent (contractor) to the feedlot. These expenses should only be recorded in Section 17. They should not be recorded in Section 26 (Section 26 is used to record expenses incurred on the respondent’s operation).

If the finished cattle are removed for slaughter from the feedlot, the receipts from the sale of the cattle should be recorded in Section 17, regardless of whether the sale is made by the respondent or by the feedlot acting on the operator’s behalf. If the cattle are returned to the operation prior to sale, then the receipts from the sale should be recorded as a marketing contract in Section 18.
If the feedlot was also a respondent, the feedlot would report a production contract in Section 19 and would report the expenses that were paid by the cattle owner (contractor) in Section 26, Column 3. Any other expenses associated with the production contract and not paid by the cattle owner (contractor) would be reported in Section 26, Column 1.

**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 2011 and were still under contract on January 1, 2012.

**Column 2 – Livestock Code**

Record the livestock code from the Respondent Booklet that relates to the commodity identified in Column 1. Column 2 is grayed out for mailing purposes but can still be filled out for field enumeration.

**Column 3 – Market Value of Commodities under Contract on January 1, 2012**

Record the estimated market value of all of this operation's commodities from 2011 and previous years that were placed on contractee operations and were still under contract as of January 1, 2012.

**Make sure this value is not recorded** in Section 28, “Farm 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 2012. If more than one arrangement existed, or if arrangements existed for more than one commodity, record each one on a separate line.

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

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

**Column 5 is the same as Item 1c on the Soybean questionnaire Version.**

**Make sure this value is not recorded** in Section 26. Section 26 is used to record expenses incurred on the respondent’s operation.

**Column 6 – Gross Receipts from Contracts**

Record the gross income to this operation from sales of commodities produced under this contract by other operations (quantity times market price) during 2012.

This item will be zero for dairy replacement heifers that are removed back to the respondent’s (contractor’s) operation.
Column 6 is the same as Item 1a on the Soybean questionnaire Version.

Make sure this value is not recorded anywhere else in Sections 9 – 16.

Column 7 – Market Value of Items Under Contract on December 31, 2012

Record the estimated market value of commodities still under contract as of December 31, 2012.

Column 7 is the same as Item 1b on the Soybean questionnaire Version.

Make sure this value is not recorded in Section 28, “Farm Assets”.

5.5.1.1 Soybean Version Differences

<table>
<thead>
<tr>
<th>Soybean Version – Item #</th>
<th>Corresponding Version 1 – Item #</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1a</td>
<td>1 (Column 6)</td>
</tr>
<tr>
<td>1b</td>
<td>1 (Column 7)</td>
</tr>
<tr>
<td>1c</td>
<td>1 (Column 5)</td>
</tr>
</tbody>
</table>

5.5.2 Sections 18 to 19 – Marketing & Production Contracts

5.5.2.1 Overview

Importance of Obtaining Information on Marketing and Production Contracts

The contracting information collected on this survey is USDA’s only source of data to separate production, income, and expenses among operators, contractors, landlords and others. 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 other businesses that provide inputs used on the farm to produce agricultural commodities and who receive income from the sales of these products. For these reasons, collecting complete and accurate information on contracting is critical.

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

If the operator has multiple operations, only account for the income that belongs to the operation identified on the label. For operators with multiple operations, keep in mind the acres and livestock reported in the previous sections because they define the selected operation and answers should relate directly to that operation. Income from the other operations is accounted for in Section 39.
Terms – Contractor versus Contractee

The respondent is a CONTRACTOR when another operation produces crops, livestock, or poultry under agreement for the respondent. If the respondent is a contractor, you should record that information in Section 17.

The respondent is a CONTRACTEE when he/she produces and/or markets the commodity under a contractual agreement with another farm operation or entity such as a packer or processor. That information is recorded in Section 18 or 19, as Marketing Contracts and/or Production Contracts.

An operation may act as the CONTRACTEE or CONTRACTOR or both.

For hog and cattle operations, pay close attention to pricing terms and animal ownership (owned and non-owned animals in Sections 9 - 16) under contracts because both marketing and production are common. The contractor owns the hogs under production contracts and the contractee is paid a fee that is not closely linked to market values.

Details of Marketing and Production Contracts

Contracts are formal agreements (written and verbal) that are reached prior to the harvest of a crop, or prior to the completion of a normal production cycle for livestock or poultry. Verbal agreements are contracts if they contain a commitment to provide inputs or commodities such that failure to meet the commitment will incur penalties.

For purposes of this survey, we only want to count contracts as those agreements reached before crop harvest or before completion of a livestock production phase. All sales made from inventory should be considered cash sales and reported in their respective commodity section (Sections 2 – 16). A contract that has not been delivered should not be recorded as a marketing or production contract since technically, the operator still has the control of the commodity. When this occurs the commodity is an asset to the farm and should be recorded in Section 28, Item 5.

Marketing pools occur in some States where a group of producers will combine or “pool” their crop or livestock commodities for sale and delivery to a buyer to save on hauling expenses and/or marketing charges. If the pool agreement occurred after harvest or completion of the livestock production, this should be considered a cash sale and reported in its respective commodity section.

The ARMS recognizes two kinds of agricultural contracts:

1) **Marketing** contracts identify an outlet for a commodity and set pricing and delivery specifications. Although marketing contracts are more common for crops, they are used to market livestock and/or livestock products. Marketing contracts account for a growing share of fed cattle shipments from feedlots to meatpackers. Record custom-fed cattle, owned by someone other than the respondent, under production contracts.

2) **Production** contracts cover an entire production cycle for a commodity. They specify responsibilities for the provision of inputs and the payment of
expenses by different parties to the contract, and they also specify rules for compensation, production practices, and commodity removal from the operation.

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

<table>
<thead>
<tr>
<th>Marketing Contracts</th>
<th>Production Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contractor:</strong></td>
<td><strong>Contractor (Integrator):</strong></td>
</tr>
<tr>
<td>Arranges, prior to completion of a production cycle, to acquire a specified commodity at the end of the cycle.</td>
<td>Arranges, prior to beginning a production cycle, to have a specified commodity produced.</td>
</tr>
<tr>
<td>Commits to take a quantity and agrees on a price, a pricing arrangement, or an agreement to sell on behalf of the contractee.</td>
<td>Commits to a fee or fee arrangement to be paid to the contractee.</td>
</tr>
<tr>
<td>Does not take ownership of the commodity until it is delivered.</td>
<td>Usually owns the commodity during production.</td>
</tr>
<tr>
<td>Makes few or no production decisions but may require specific inputs (variety of seed, etc.) to be used.</td>
<td>Makes many production decisions.</td>
</tr>
<tr>
<td><strong>Contractee (Operator):</strong></td>
<td><strong>Contractee (Operator):</strong></td>
</tr>
<tr>
<td>Obtains a buyer and a marketing arrangement for commodities before completion of a production cycle.</td>
<td>Provides labor and some management services used in production, as well as fixed inputs (land, buildings, etc), for a fee.</td>
</tr>
<tr>
<td>Supplies and finances all or most of the inputs used in production.</td>
<td>Supplies only some inputs used in production.</td>
</tr>
<tr>
<td>Owns the commodity while it is being produced.</td>
<td>Usually does not own the commodity.</td>
</tr>
<tr>
<td>Makes all or most production decisions.</td>
<td>Makes only a few production decisions.</td>
</tr>
<tr>
<td>Often bears all production risks, and contract frequently limits some price risks.</td>
<td>Often bears no price risks, and contract may limit production risks or reward efficiency.</td>
</tr>
<tr>
<td>Receives the major share of the value of production.</td>
<td>Receives a fee that is usually only a small share of value of production.</td>
</tr>
</tbody>
</table>

**MARKETING Contracts:**

For the purpose of this survey, a marketing contract for a commodity is recorded when the following two events occur:

- A verbal or written agreement to market the commodity is reached before completion of a normal production cycle (prior to harvest for crops, prior to removal from the operation for livestock). The agreement will include a price, an arrangement for determining price, or (in the case of marketing pools or some operating cooperatives) a commitment by the contractor to negotiate for a price on the contractee’s behalf.
Delivery of the commodity has taken place so that the operator does not have control of the commodity. “Delivered” includes commodities for which partial payment was made even if not physically delivered by December 31, 2012.

**Marketing contracts may include:**

- forward sales of livestock or a growing crop (or a crop to be grown). The contract identifies a window, or a specific date, for delivery, and it will set a price or specify how price will be determined. For the contract to be recorded in Item 2, the commodity had to be delivered to the buyer by the end of 2012.
- agreements made with processors to deliver commodities with certain measurable qualities
- agreements to set prices according to realization of the qualities. Examples include high oil corn, low linoleic soybeans, or organic apples
- milk contracts to market milk for the coming year through a co-op with prices determined later through some process such as co-op bargaining.
- a marketing pool. Farmers may agree to pool their crop and sell along with other producers through a cooperative or other pooling firm. 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.

**Characteristics of Marketing Contracts:**

For purposes of this survey, marketing contracts must be agreed to before the production cycle is completed (prior to harvest for crops, prior to removal from the operation for livestock). Prices often vary with the attributes of the commodity produced, as in grade and yield contracts for cattle or oil content for high-oil corn contracts that reward the contractee for higher oil content. Attribute-related price terms are often expressed as deviations from a base price tied to overall market conditions.

**Marketing contracts are typical on farms that:**

- grow citrus fruits, other fruits, or nuts
- grow ornamentals or horticultural crops
- produce fresh vegetables
- grow potatoes
- grow sugar beets, sugarcane, peanuts, dry peas or dry beans
- produce fluid milk
- produce eggs
- sell fed cattle directly to slaughter or meatpackers
PRODUCTION Contracts:

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

Under crop production contracts the contractor often supplies inputs such as seeds or plants, fertilizer, chemicals, transportation and technical assistance. Examples include processed green peas, sweet corn, and snap beans; seed corn; vegetable seeds; popcorn; and beets.

Characteristics of Production Contracts:

The contractee and contractor reach agreement before production begins, and the contract provides considerable detail on specifics such as fees, responsibility for input provision, and product ownership. Contractees may provide labor, farm management services, utilities, housing, and equipment. Contractees usually receive fees for their services that are considerably less than the full market value of the commodity. One clue to the presence of a production contract is if the operator reported livestock or poultry facilities or production expenses, but non-owned livestock are recorded in Sections 9 - 16, and few or no head of owned livestock were sold by the operation. These animals are almost certainly being produced under contract.

Production contracts are typical on farms that:

- have broiler houses or other poultry and/or egg producing facilities
- have hog nursery or confinement feed arrangements
- provide ‘custom-feeding’ services for cattle
- produce vegetables for processing
- produce seed crops

5.5.2.2 Special Topics

Feedlot Operations:

Cattle in feedlots may be owned by the feedlot operator, or they may be custom-fed by the feedlot for an owner, under a production contract between the feedlot (the contractee) and the owner (the contractor). Feedlot respondents should record production contracts in Section 19 for the “custom fed” cattle that they feed under production contracts. Contractee fees should include only overhead (farm management services, utilities, housing, and equipment), labor, and margin on pass through input items. Expenses paid or reimbursed by the owner (contractor) to the feedlot should be reported in Section 26 in the “contractor” column. Fed cattle are also often sold to meatpackers under marketing contracts. Here are the specifics for recording transactions.
Respondents who own cattle that are custom fed at a feedlot, returned to the respondent, then sold to a packer through a marketing contract should record the Marketing Contract in Section 18, and should record the Production Contract with a feedlot in Section 17 (in their capacity as a contractor).

Respondents who own cattle that are custom fed at a feedlot, then sold to a packer directly from the feedlot through a marketing contract should record the sale in Section 17, Column 6. They should also record the rest of the production contract with a feedlot in Section 17 (in their capacity as a contractor).

Feedlot respondents should only record marketing contract sales in Section 18 for those cattle that the feedlot owns, not for custom fed cattle owned by another entity. One should be skeptical of a respondent that has non-owned cattle on the operation and wants to record a large value for custom work performed. This usually indicates that a production contract should be completed. Do not confront the operator but collect information as instructed by the office and take good notes.

If a feedlot grows any crop that was fed to non-owned livestock as part of a production contract with the livestock owner, do not record the production as used on the operation in Sections 2-8. This production should be recorded as a cash sale to the livestock owner and the same value for the crop sold should be recorded as a contractor expense in Section 26, Item 6.

Livestock on Shares:

The production of livestock, primarily cattle, “on shares” is common in Montana, North and South Dakota, Nebraska, and other states. For example, individuals who own cows place them on someone else’s land. The land operator cares for the cows and calf crop. The cattle owner and land operator share the calf crop in a 50-50, 60-40, 70-30, or other agreed to arrangement. Instructions and a detailed example will be provided at the end of Section 19.

Contractee is Part of another Business:

An operation such as an egg hatchery may be owned by the business it contracts with. In this case, unit fees/prices and total receipts will not be available since no market transaction takes place. In most cases the operation will have recorded a “book value” for the commodity it produced. Use the book value if available, to record unit price/fee and total receipts for Sections 18 & 19.

Reimbursement for Expenses in Production Contracts:

Contractees in production contracts sometimes purchase some variable inputs, and reimbursement for their expenses is added to the amount paid for contractee services. Settlement sheets or other contract documents usually break out reimbursed expenses. Since we want to collect data on reimbursed expenses separately, they should be included in Section 26, Column 3 under the appropriate item.
**Futures Contracts Obtained for the Purpose of Hedging:**

Such contracts should not be reported as marketing contracts. Hedging occurs when the farmer takes opposite positions in the futures and cash markets. It allows farm operators to fix now the price of products they intend to sell later. For example, farmers who are growing a commodity for sale are said to be “long” in the cash market. The appropriate hedge is to sell futures. Then, when the farmer sells his commodity, he buys back his futures contract, preserving a price. This type of transaction should be recorded in two places. The actual sale of the commodity should be recorded in Sections 2 - 16, under the appropriate sales commodity. The net profit or loss from hedging should be recorded in Section 25 as “all other farm related sources of income”.

**Dairy Futures Contracts:**

It is easy to confuse milk marketing contracts with a futures contract as described above. An indication of futures hedges is when more than two marketing contracts exist for milk production. (A producer almost never sells to more than two milk buyers.) Futures contracts are NOT marketing contracts. They should be recorded like the crop hedges mentioned above. The sale of the commodity (milk) should be recorded as a marketing contract in Section 18 or a cash sale in Section 9 “Cattle & Calves”, with any profit or loss from these futures recorded in Section 25 as “all other farm related sources of income”.

**Grain Delivered With High Moisture:**

There may be seasons, where a number of operators will deliver grains that exceed the moisture standard for that commodity. The amount operations are paid are affected by two different methods: *Shrink* and *Dock* (an additional fee for drying). They are handled differently when it comes to prices/amount received as well as marketing charges.

**Shrink:**

Some elevators apply a percentage reduction to gross weight delivered. This is essentially adjusting the load of the commodity down to what it would weigh at standard moisture. For example, Joe Farmer brought in a semi-load of corn with a weight of 33,000 pounds, at 17 percent moisture. The elevator would “shrink” the weight and Joe Farmer would be paid on 32,340 pounds of corn at 15 percent moisture. *Shrink is NOT a marketing charge*. For marketing contracts, record the shrunk bushels (standard moisture) as delivered and the price per delivered bushel. This should be consistent with other NASS surveys.

**Dock (additional fee for drying):**

If an elevator charges a fee per bushel for drying, it is a marketing charge and is known as a “dock”. Record the total amount docked (or paid for the extra drying) as a marketing charge and make sure that price per bushel and total amount received exclude the marketing charges as instructed on the questionnaire. For questionnaire Version 2, the amount of the dock should be recorded as a cost for commercially drying the respective commodity in Section 41 no matter if the drying occurs prior to transfer or after transfer of the commodity.
Inferior Quality Grain Delivered:

If the operator gets a reduction in pay for inferior quality grain being delivered, it is NOT a marketing charge. Inferior grain contains things like mold, weevils, foreign matter, etc. The grain can still be marketed despite being inferior quality unlike if the grain had too high of moisture content. Record bushels delivered and the delivered price.

5.5.2.3 Section 18 – Marketing Contracts

Item 1 – Presence of Marketing Contracts

If the operator had any marketing contracts (as defined above), record a “1” in Item 1; otherwise, record a “3”. Exclude CSA sales because contract sales are for one specific crop guaranteeing a price or pricing mechanism at the time of delivery. CSA sales are considered a cash sale of multiple products.

Item 2 – MARKETING Contracts

Include contracts made in prior years but delivered in 2012. Make sure the contract meets the definition of a contract above. “Delivery” includes commodities for which partial payment was made even if not physically delivered by December 31, 2012.

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

Column 1 – Commodity

Show the respondent the list of Crop and/or Livestock Codes in the Respondent Booklet. Record each commodity for which the operation delivered a set quantity marketing contract in 2012.

Column 2 – Commodity Code

Record the commodity code that relates to the commodity identified in Column 1. Column 2 is grayed out for mailing purposes but can still be filled out for field enumeration.

Column 3 – Quantity Delivered

Record the total amount of the commodity delivered under the contract. Do not include the landlord's share of production even if it was delivered along with the operation’s share. Record the landlord’s share in Section 21.

Column 4 – Unit Code

Record the code that represents the commodity unit (specified in the contract), such as pounds, tons, bushels, head, etc. If a unit other than those indicated on the questionnaire is reported, make good notes. Be careful with the units.
because many analysis' issues later are caused by conflicts between data here and in the previous crop sections.

**Column 5 – Price per Unit**

Record the final price, net of marketing charges, in dollars and cents (to the nearest tenth of a cent [. __ __ __]) per unit, that the operation has or will receive for all of the production delivered under the contract. For commodities that receive payments monthly such as milk, the final price will be an average price calculated from the quantity and price received for each month covered by the contract. **Final price is not the last month’s price received for the year (e.g. December).** 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 2012 for the commodity delivered under the contract. Use caution if you calculate final price by dividing Column 6 by Column 3. Make sure the operation received full payment during the calendar year for the contact.

Be sure the unit for the price reported agrees with the unit for the quantity reported. Cotton is an example. A common mistake is to record cotton sales in bales, but price as a price per pound. Consider an example where a single bale was contracted at 65 cents per pound. If you recorded “1” in Column 3, Code 7 (for bales) in Column 4 and .65 in Column 5, the gross income to the operation would show up as 65 cents. Assuming a standard bale weight of 480 pounds, you came up short by $311.35 (the price per BALE is 480 x .65 = $312)!

**Column 6 – Total Amount Received**

Since total payments are not always received in the calendar year of production, you always have to ask this question in order to complete this Column correctly. Record the total amount the operation **received during the calendar year** for sales under the marketing contract.

For some commodities, this is always less than the quantity delivered times the per unit price, because price is not known until the commodity is fully marketed by the agent the following year. Sometimes the producer is not paid at all until after the first of the next year. If the operation did not receive any payment under the contract in 2012, enter a dash and make a note.

Be sure any marketing charges related to sales under the contract are subtracted out and recorded in Section 20, Item 1. If the operation did not receive all of the payments owed to them under the contract in 2012 (Column 6 is less than Column 3 times Column 5), the remaining amount owed must be accounted for as an asset in accounts receivable in Section 20, Item 2b.
The following two tables can be used as a guide to help record Marketing Contracts, Cash Sales, Assets, Accounts Receivables, and Deferred Payments. This table is courtesy of the Nebraska Field Office (from the 2011 survey).

### 2011 Crop:

<table>
<thead>
<tr>
<th>Situation</th>
<th>Record As:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In Storage</strong></td>
<td></td>
</tr>
<tr>
<td>At End of 2011</td>
<td>ASSET  (January 1, 2012)</td>
</tr>
<tr>
<td>Sold 2011 Stored Crop on Open Market during 2012</td>
<td>CASH SALES</td>
</tr>
<tr>
<td><strong>Sold for Cash</strong></td>
<td></td>
</tr>
<tr>
<td>Delivered in 2011 &amp; NO Pmt Rcvd in 2011</td>
<td>Acct Rec / Def Pmts  (January 1, 2012)</td>
</tr>
<tr>
<td><strong>Set Up as Marketing Contract</strong></td>
<td></td>
</tr>
<tr>
<td>Delivered in 2011 &amp; NO Pmt Rcvd in 2011</td>
<td>Acct Rec / Def Pmts  (January 1, 2012)</td>
</tr>
<tr>
<td>For Delivery in 2012 and Pmt in 2012</td>
<td>ASSET  (January 1, 2012) AND In Marketing Contract Table</td>
</tr>
</tbody>
</table>

### 2012 Crop:

<table>
<thead>
<tr>
<th>Situation</th>
<th>Record As:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sold for Cash</strong></td>
<td></td>
</tr>
<tr>
<td>Delivered in 2012 &amp; Pmt Rcvd in 2012</td>
<td>CASH SALES</td>
</tr>
<tr>
<td>Delivered in 2012 but NO Pmt Rcvd in 2012</td>
<td>Acct Rec / Def Pmts  (Dec. 31, 2012)</td>
</tr>
<tr>
<td><strong>Set Up as Marketing Contract</strong></td>
<td></td>
</tr>
<tr>
<td>Delivered in 2012 &amp; Pmt Rcvd in 2012</td>
<td>Marketing Contract Table</td>
</tr>
<tr>
<td>Delivered in 2012 but NO Pmt Rcvd in 2012</td>
<td>Column 6 Blank in Marketing Contract Table AND Acct Rec / Def Pmts Positive (December 31, 2012)</td>
</tr>
<tr>
<td>NOT Delivered in 2012 but Pmt Rcvd in 2012</td>
<td>Marketing Contract Table</td>
</tr>
<tr>
<td>NOT Delivered in 2012 &amp; NO Pmt Rcvd in 2012</td>
<td>ASSET  (December 31, 2012)</td>
</tr>
<tr>
<td>For Delivery in 2013 &amp; Pmt in 2013</td>
<td>ASSET  (December 31, 2012)</td>
</tr>
<tr>
<td><strong>In Storage</strong></td>
<td></td>
</tr>
<tr>
<td>At End of 2012</td>
<td>ASSET  (December 31, 2012)</td>
</tr>
</tbody>
</table>
5.5.2.4 Section 19 – Production Contracts

Item 1 – Presence of Production Contracts

If the operator had any production contracts (as defined above), record a “1” in Item 1; otherwise, record a “3”.

Item 2 – Production Contracts

Column 1 – Commodity

Show the respondent the list of commodity codes in the Respondent Booklet. Record each commodity the operation produced under a production contract in 2012.

Column 2 – Commodity Code

Record the commodity code that relates to the commodity identified in Column 1. Column 2 is grayed out for mailing purposes but can still be filled out for field enumeration.

Column 3 – Quantity Removed

Record the total amount of the commodity removed from the operation under the contract. Do not include the landlord's share of production even if it was removed along with the operation's share. Record the landlord's share in Section 21.

Column 4 – Unit Code

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

Column 5 – Fee per Unit

Record the final fee in dollars and cents per unit (to the nearest tenth of a cent [. ___ ___]), that the operation will receive for all of the production removed under the contract. DO NOT use Columns 6 and 3 to estimate a final fee. Column 6 divided by Column 3 will equal Column 5 ONLY when the operation was paid in full during calendar year 2012 for the commodity removed under the contract. The fee should not include reimbursed expenses like utilities, feed, etc. These reimbursed expenses should be recorded as contractor expenses in Section 26.

Be sure the unit for the fee reported agrees with the unit for the quantity reported. Broilers are an example where the units for fees and quantities often do not agree. A common mistake is to record broiler removals in number of head, but fees on a per-pound basis. Consider an example where one broiler was contracted at a fee of 4.6 cents per pound. If you recorded “1” in Column 3, Code 11 (for head) in Column 4 and 4.6 cents in Column 5, the gross income to
the operation would show up as 4.6 cents. Assuming a standard broiler weight of 5 pounds, you came up short by 18.4 cents (the fee per head is 5 x .046 = $0.23).

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

**Column 6 – Total Fees Received**

Since total payments are not always received in the calendar year of production, you always have to ask this question in order to complete this column correctly. Record the total amount the operation received during the calendar year for removals under the production contract excluding marketing charges. This is often less than the quantity removed under contract times the per unit fee. Sometimes the producer is not paid at all until after the first of the next year. If the operation did not receive any payment under the contract in 2012, enter a dash and make a note. If the operation did not receive all of the payments owed to them under the contract in 2012 (Column 6 is less than Column 3 times Column 5), the remaining amount owed must be accounted for as an asset in accounts receivable in Section 20, Item 2b.

5.5.2.5 Specialty Operations: Examples of Livestock on Shares

The parties involved with livestock on shares usually do not consider these arrangements to be contracts. The following approach simplifies collecting, editing, coding, and validating livestock on share arrangements, while maintaining the integrity of the cost and returns data.

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

**LIVESTOCK ON SHARES EXAMPLE:**

A cattle owner has a deal with a land operator to raise calves on shares. The cattle owner supplies 100 head of cows. The land operator takes care of the cows and provides all necessary inputs. They agree the land operator will receive 70% of the calf crop and the owner of the cattle will receive 30%. For purposes of this example, there are 100 calves produced, therefore, the land owner’s share is 70 calves and the cattle owner’s share is 30 calves. The land operator decides to keep 5 of his calves and sells the rest for $500 each. The cattle owner sells all of his calves and averages $500 / head.

**Coding for the LAND OPERATOR:**

If the land operator was sampled (the most common situation), the information would be recorded as follows:
Section 9 – Cattle & Calves

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

Account for the cash sale of the calves in Item 5 as $32,500 (65 head * $500 / head).

Section 26 – Operating & Capital Expenditures

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

Section 28 – Farm Assets

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

Coding for the CATTLE OWNER:

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

Section 9 – Cattle & Calves

None of the ‘livestock on shares’ should be included in this section unless the cows are back on this operation on December 31, 2012. The cows will be accounted for on the land operators’ questionnaire.

Account for the cash sale of the calves in Item 5 as $15,000 (30 head * $500 / head).

Section 26 – Operating & Capital Expenditures

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

Section 28 – Farm Assets

Account for the asset value of the original 100 cows in Item 5b.
5.5.3 Section 20 – Marketing Charges, Accounts Receivable, & Deferred Pmts

5.5.3.1 Overview

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

Almost all operations that sell commodities as cash sales or under marketing contracts – have some marketing charges. These are usually deducted from the gross payment, so the check the farmer receives already has these charges subtracted. Farmers do not generally keep very good records of charges that were already deducted before they received their payment checks. Marketing expenses include check-off, drying, commission, ginning, inspection, storage, transportation, and yardage, etc., and are identified on payment vouchers, along with the gross and net receipts. **PROBE TO BE SURE THAT THESE “HIDDEN COSTS” ARE ACCURATELY REPORTED.**

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

If you absolutely cannot get per commodity charges, record the total quantity (and unit) sold so the Survey Statistician has something to use for calculating these charges. If you have to use a handout sheet of marketing charge rates (provided by some State Offices), make a note in the margin so the survey statistician knows the farmer could not supply this information. **DO NOT** use these sheets unless the farmer cannot supply the information.

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

In field crops such as sugarbeets, co-op shares are often rented or leased from operators who do not use their share. Share rentals should be considered a payment for the privilege of marketing the crop and should be recorded as a marketing expense. It is not necessary to rent land in order to rent a co-op share. If only land is rented, it should be recorded in Section 1. But, if co-op share rents are reported be sure the rent payment reported in Section 26 is only for land and not for the land and share rental combined.
Perishable products such as fruits, vegetables and fish often have to be refrigerated or iced during storage or transportation. These expenses should be considered marketing expenses.

When promotion or check-off fees are automatically deducted from gross sales of commodities such as soybeans, cotton, beef, hogs, or milk, the fee is involuntarily charged and should be considered a marketing expense. Operations also make voluntary payments for marketing and production programs. Voluntary payments should be recorded under general farm business expenses (Section 26).

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 25.

Include unit retains for sugarbeets which are deducted by the coop or processor from payment even though the producer receives payment from them in future years. Refunds of marketing expenses should be included as Cooperative Patronage Dividends and Refunds in Section 25.

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

Milk & Dairy Products:

Include as a marketing charge the withholding or reduction in price for the Dairy Refund Payment Program. Capital Retains should also be included since they are cooperative profits withheld and refunded in later years. Refunds of these charges should go in Section 25.

Exclude milk 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 to note the hauling expense if it is known at this point and make sure milk hauling charges are included in custom hauling (Section 26, Item 31a). Also exclude Cooperatives Working Together (CWT) payments. This is a voluntary program and not a marketing expense.

Cotton:

The cost of ginning is usually paid by surrendering the cottonseed to the gin. Often neither the ginning expense nor the cottonseed income appears on the farmer’s books; however, the value of the cottonseed traded to the gin is technically an income item, and the cost of ginning is a marketing expense to the operation. This information should appear on the operation’s statement from the ginning company. You will have to probe for this information. Occasionally, the cost of ginning is more than the value of the seed produced by the cotton. The operation then has out-of-pocket expenses for ginning. If the cost of ginning was less than the value of the cottonseed, the operation should have received money for cottonseed. This information should be in the operation’s record books.
Landlord(s) & Contractor(s) Marketing Expenses

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

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

Item 1 – Marketing Charges

Refer to the detailed explanation of marketing charges above. Record the total marketing charges paid by this operation, landlord(s) and contractor(s) for the sale of all commodities produced/sold on this operation in 2012.

Item 2 – Accounts Receivable & Deferred Payments

Item 2 accounts for deferred payments, records money received in 2012 for sales that occurred in earlier years, and tracks the accounts receivable – balances owed to the operation at the beginning and end of 2012. Farm operations frequently do not receive cash payment for services provided or commodities sold in the same calendar year in which the sale occurred. Such deferrals are often requested by operators to smooth out cash income as an income tax management strategy. Sometimes deferrals are necessary because price is not final until the next calendar year. In order to determine the income that was actually earned in a given year (accrual income), adjustments must be made for the timing of the receipt of payments.

Three pieces of information are needed to accurately compute net farm income, net cash income, the income statement and balance sheet of the farm operation:

1) the amount the operation was owed at the beginning of the year for crops or livestock sold and delivered before January 1, 2012
2) how much of that amount was received during the year
3) the amount the operation was owed for crops or livestock produced in 2012 but for which full payment was not received in 2012

Exclude: Marketing Charges and money received as reimbursement for expenses.

Item 2a – Payment Owed at Beginning of 2012 (BOY)

Record the amount owed to this operation at the beginning of 2012 for commodities sold and delivered/removed on either cash markets or under a marketing/production contract in any year prior to 2012.

Item 2a(i) – Money Received in 2012 for Prior Production

Record the dollar amount received during 2012 from the amount recorded in Item 2a above. Verify that these deferred receipts are NOT included in
Marketing Contracts (Section 18), Production Contracts (Section 19), or Cash Sales (Sections 2 - 16) recorded on this year’s questionnaire. This amount should be equal to or less than Item 2a.

**Item 2b – Payment Owed at End of 2012 (EOY)**

Record the amount owed to this operation at the end of 2012 for commodities sold and delivered / removed on either cash markets or under a marketing / production contract in 2012 or any prior year.

This amount should include both:

- Any amounts that the operation was owed for crops or livestock sold and delivered in 2012 for which the operation has not received payment. This can be computed for each commodity under marketing (Section 18) and production (Section 19) contracts by going back to those items, multiplying column 3 by column 5 and then subtracting column 6. There is no way to compute this for commodities sold in cash or open market sales.

- Any balances the operation is owed for crops or livestock sold and delivered in previous years. This is simply the difference between Items 2a and 2a(i).
5.6 Sections 21 to 22 – Landlord’s Share & Grain Storage Capacity

5.6.1 Section 21 – Landlord’s Share

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

Item 2 – Landlord’s Share of Crop Production (Market Value)

Record the MARKET VALUE of each commodity from Crop Sections 2-8 given to landlord(s) in return for use of the land. The value per unit of the landlord’s share is defined as the price at the time the landlord takes possession of the crop. This item is very important because it is used to determine the value of the landlord’s share for rent. Exclude the landlord’s share of government payments that will be recorded in Item 4.

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

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

Example of INCORRECT Calculation of Landlord’s Share:

Valley Farms owned 200 acres on which it grew wheat in 2012. The operation share rented another 400 wheat acres (for a 20% share) and cash rented 100 acres (for $40 per acre). Their total wheat production was 31,500 bushels. The average yield per harvested acre was 45 bushels. Of the total 31,500 bushels, the share rent landlord received 3,600 bushels, (400 acres x 45 bushels per acre x 20% share) and 27,900 bushels belonged to the operation.

Suppose the enumerator had recorded the 31,500 bushels produced and noted that the landlord received a 20% share. Later, he/she came back and calculated the amount of the landlord's share as .20 x 31,500 = 6,300. This would result in the landlord’s share being 2,700 bushels more than it should be and the wheat belonging to Valley Farms as 28,200 bushels (2,700 bushels less than it ought to be). If $8.90 per bushel is the Market Value for wheat, the 2,700 extra bushels would be an overage of $24,030 to the landlord.

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 soybeans. 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 share the landlord received and learn that the landlord received a 1/3 share. So you calculate **Landlord’s Share** (amount) of production:

\[ 4,500 \text{ bushels} \times \frac{1}{3} \text{ share} = 1,500 \text{ bushels} \]

In this example, record $23,850 for Item 2 (1,500 bushels x $15.90 Market Value per bushel). When computing the landlord’s share, exclude any hay that is used on the operation. For this situation, record the hay as used on the operation and NOT in the landlord’s share. Recording the same hay in the landlord’s share and used on the farm will incorrectly count the hay production twice. This will also double count the expense to the operation, both as a rent expense and an opportunity cost to the operation – the value of the hay used on the farm.

**Item 3 – Landlord’s Share of Livestock Production (Market Value)**

Before asking this item, probe to find out if any of the operation's share-rented acres involved livestock production in Sections 9-16. Record clear note if livestock are unrelated to share rent of land.

Record the Market Value of the share of livestock production given to landlord(s) in 2012. The value per unit of the landlord’s share is defined as the price at the time the landlord takes possession of the livestock. This value could be zero if no shared livestock were marketed in 2012. In this case, write a note to indicate that zero is valid. If the respondent does not know the value, probe for the best estimate.

Exclude livestock production not associated with land. Shared livestock production that is not part of a land rental arrangement (such as raising cattle on shares) should be reported in the respective Livestock Section (Sections 9 – 16).

**Item 4 – Landlord’s Share of Government Payments (Market Value)**

Record the total amount of government program payments all landlords received for the acres you rented from them. For share rental arrangements, the landlord’s share of commodity program payments should be proportional to crop share. If the operator doesn’t know if the landlord received government payments, indicate with a ‘dk’.
5.6.2 Section 22 – Grain Storage Capacity

Report the capacity of all storage structures normally used to store whole grains, oilseeds, or pulse crops on this operation as of December 31, 2012. These facilities can be silos, cribs, bins, buildings, trailers, etc. Do not report any capacity or usage of off-farm public storage or storage rented to others.

Please report storage capacity in bushels, even for Arizona and California. For example, one ton of grain storage capacity is equivalent to approximately 36 bushels of corn. See the conversion table below to convert tons to bushels for the most common grains.

<table>
<thead>
<tr>
<th>Crop</th>
<th>Ton</th>
<th>Bushels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn, Sorghum (milo), Flaxseed</td>
<td>1</td>
<td>36</td>
</tr>
<tr>
<td>Wheat, Soybeans</td>
<td>1</td>
<td>33</td>
</tr>
<tr>
<td>Barley, Buckwheat</td>
<td>1</td>
<td>42</td>
</tr>
<tr>
<td>Oats</td>
<td>1</td>
<td>63</td>
</tr>
<tr>
<td>Rice</td>
<td>1</td>
<td>44</td>
</tr>
<tr>
<td>Millet</td>
<td>1</td>
<td>40</td>
</tr>
</tbody>
</table>
5.7  Sections 23 to 25 – Other Farm Related Income

A farm operation’s gross income includes payments received from the production and sale of crop and livestock commodities, but it can also include payments received through government agricultural programs as well as payments from ancillary activities that are part of the farm business, such as custom work provided to other farmers; recreation and agri-tourism activities on the farm; sales of forest products, farm machinery, or farm land; insurance payments; cooperative patronage dividends; or sales of goods processed on the farm from farm commodities. These sections are intended to track that other farm-related income.

If the operator has multiple operations, only account for the income that belongs to the operation identified on the label. For operators with multiple operations, keep in mind the acres and livestock reported in previous sections for the selected operation. Income from the other operations is accounted for in Section 39.

5.7.1  Section 23 – Commodity Credit Corporation (CCC) Loans

The Commodity Credit Corporation (CCC) was created in 1933 to help stabilize and support farm prices and income. These questions account for the operation’s entire CCC loan transactions during the reference year, allowing us to get a complete accounting of the farm’s income. If the operation received or repaid any CCC loans in 2012, record a “1” as well as answering Items 1a and 1b. If the operation did NOT receive or repay any CCC loans in 2012, record a “3” and skip to Section 24.

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

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

Farmers can reclaim title to their crops by paying back the loans along with any interest and storage charges. They usually do this when the market price is higher than the loan redemption price. The amount spent to repay the loan (minus any interest and storage charges) is recorded in Item 1b. Interest is recorded in Section 26, Item 18b; storage and inspection charges are marketing charges recorded in Section 20, Item 1. When a farmer reclaims title to the commodity, he/she can then either sell it or store it for future use.

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

Farmers who have placed a crop under loan can transfer the loan to someone else. When they do this, they are no longer responsible for loan repayment. (This cannot be
done in all areas of the country.) If the farmer did this, any money received above the face value of the loan (equity or premium payment) should be recorded later in Section 25 under, “all other farm related sources of income”.

5.7.2 Section 24 – Federal, State, or Local Farm Program Payments

If the respondent received any payments from Federal, State or Local Farm Programs (excluding CCC loan payments) in 2012, then put a “1” in the code box, and ask Item 1a. It is not imperative that the enumerator fully understand the nuances of all program payments since the respondent should know the source of any payments received. If he/she did not receive any of these payments in 2012, then put a “3” in the code box and skip to Section 25.

**Item 1a – DCP & ACRE Payments**

Record the total dollar amount of Direct Counter-cyclical Payments (DCP) and Average Crop Revenue Election (ACRE) payments received in 2012.

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

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

**Item 1a (i) – Percentage for DCP Direct Payments**

Of the amount recorded in Item 1a, record the percentage that was specifically for DCP direct payments.

**Item 1a (ii) – Percentage for DCP Counter-Cyclical Payments**

Of the amount recorded in Item 1a, record the percentage that was specifically for DCP counter cyclical payments.
Item 1a (iii) – Percentage for ACRE Direct Payments

Of the amount recorded in Item 1a, record the percentage that was specifically for ACRE direct payments.

Item 1a (iv) – Percentage for ACRE Revenue Payments

Of the amount recorded in Item 1a, record the percentage that was specifically for ACRE revenue payments.

Item 1b – LDPs, MLGs, & Net Value of Commodity Certificates

Record the total amount received in 2012 from Loan Deficiency Payments, realized from Marketing Loan Gains, and received from net value of Commodity Certificates.

Loan Deficiency Payments (LDPs)

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

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

Marketing Loan Gains (MLGs)

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

Net Value of Commodity Certificates

Commodity certificates are available for use in conjunction with the commodity market assistance loan program. Certificates can be purchased at the loan repayment rate for loan commodities. Upon purchase, the producers immediately exchange the certificates for crop collateral pledged to the CCC as collateral under commodity market assistance loan.
The net value of the certificate is the value of the certificate less the cost of the certificate.

**Item 1c – CRP, CREP, & WRP Payments**

Record the total amount of payments received in 2012 from participation in the Conservation Reserve Program (CRP), Conservation Reserve Enhancement Program (CREP), and/or Wetland Reserve Program (WRP). **Include** annual rental and cost share payments.

**Conservation Reserve Program (CRP):**

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

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

The Conservation Reserve Enhancement Program (CREP) is a voluntary land retirement program that helps agricultural producers protect environmentally sensitive land, decrease erosion, restore wildlife habitat, and safeguard ground and surface water. CREP is administered by NRCS and other cooperating agencies. The program is a partnership among producers; Tribal, State, and Federal governments and, in some cases, private groups.

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

**Wetlands Reserve Program (WRP):**

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

**Item 1d – EQIP, CSP, & CSIP Payments**

Record the total amount of payments received in 2012 from participation in the Environmental Quality Incentive Program (EQIP), the Conservation Security Program
(CSP), or the Conservation Stewardship Program (CStP). **Include** stewardship, enhancement, cost share, and incentive payments.

**Environmental Quality Incentive Program (EQIP):**

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

**Conservation Security Program (CSP) & Conservation Stewardship Program (CStP):**

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

**Note:**
- EQIP contracts do not always provide a payment in every year of current contracts but CSP and CStP contracts do provide annual payments.
- The CSP stopped taking new contracts in 2008. Existing contracts are still in force and will be allowed to continue to maturity. Funding for the program is slowly ramping down. Because contracts can be for as long as 10 years, we will have some CSP payments well into this decade.

**Item 1e – Agricultural Disaster Payments**

**Include** the total amount of all market loss, disaster, or emergency assistance payments received from Federal programs. These programs include all Crop, Dairy, and Livestock Disaster Assistance Programs, the Crop Disaster Program, Dairy Disaster Assistance Program III (DDAP-III), Emergency Assistance Livestock, Honeybees and Farm-Raised Fish Program (ELAP), Emergency Conservation Program, Emergency Forestry Conservation Reserve Program (EFCRP), Livestock Compensation Program, Livestock Indemnity Program (LIP), Livestock Forage Disaster Program (LFP), Noninsured Crop Disaster Assistance Program (NAP), and Tree Assistance Program.

**Exclude** Federal crop insurance indemnity and other indemnity payments recorded later in Section 25.
Item 1f – Any Other Federal, State, or Local Agricultural Program Payments

Milk Income Loss Contract (MILC) Payments:

Record the total amount received, including transition payments, in 2012 from the Milk Income Loss Contract program.

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

In 2005, the program was re-authorized through September 30, 2007. This extension is also known as the MILCx Program. The 2008 Farm Act extended this program through September 30, 2012.

Tobacco Buyout Payments Including Lump Sum Payments:

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

Tobacco buyout programs exist in tobacco States where State Departments of Agriculture provide funds to producers to grow other agricultural commodities instead of tobacco. Record the total amount of payments received in 2012 from participation in the Tobacco Buyout Program.

Other Federal, State, & Local Programs:

Include Federal, State, and Local agricultural or conservation program payments not reported above, such as rental, cost share, and other incentive payments received. Exclude payments received from private, non-profit, or other non-governmental entities. Exclude payments received in 2012 from selling an easement. Generally, an easement permanently restricts use of the land (e.g., a grassland easement restricts cropping rights, and a farmland preservation easement restricts development), although some States specify a maximum easement term of about 30 years. Exclude CCC loan payments.

5.7.3 Section 25 – Income from Farm-Related Sources

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

Item 1a – Custom Work and Machine Hire

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

**Item 1b – Cash & Share Rent Received for Acres Rented to Others**

**Cash Rent Received:**

**Do not skip this item even if the operation rented no land out in 2012.** The operation may have received income in 2012 for land rented to others before 2012, or the operation may have received a pre-payment of land to be rented in 2013.

Include rent for land and/or buildings. Record the total cash rent received during 2012, for all land rented to others for cash.

**Include:**

1) If rent owed to the operation for 2011 was received in 2012, it should be included here. If rent for 2013 was received in advance (in 2012), it should also be included.

2) Government payments received in association with these acres should also be included.

3) For privately owned land administered by a Public, Industrial, or Grazing Association agency as part of a range grazing unit on a fee-per-head or AUM basis through exchange-of-use, include the value of AUMs administered by BLM under exchange for use.

**Exclude:**

1) Short-term livestock grazing arrangements where the livestock owner “rents” land to graze livestock for a period of 2-4 months, but the operator will harvest crops from the same land later in the year. The payments received for this short term grazing arrangement should be recorded in this Section under Item 1c (Item 1f for Version 2).

2) The income received from cell phone towers, underground pipelines, roadways, etc. should be included in this Section under Item 1m (Item 1f for Version 2).

3) The income received from windmills, wind turbines, oil wells, etc. should be included in this Section under Item 1l (Item 1f for Version 2).

**Share Rent Received:**

**Do not skip this item even if the operation did not share rent land out in 2012.** The operation may have received its share of 2011 commodities in 2012 for land it rented to others in 2011. 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 in the commodity sections (Sections 2-16).

**Item 1c – Grazing of Livestock**

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

**Exclude** any contract arrangements previously recorded.

**Item 1d – Recreational & Agri-Tourism Activities**

**Include** income received for recreation on the operation in 2012 including things such as hunting, fishing, petting zoos, horseback riding, on-farm rodeos, hospitality services, tours, etc.

**Include:**
- Outdoor Recreation
- Income received for farm or ranch tours on the operation, including winery tours.
- Income received for entertainment services on the operation such as festivals, on-farm rodeos, and petting zoos.
- Income received for other recreation or agri-tourism activities on the operation that were not already recorded above.

**Item 1e – Sales of Forest Products**

Record the total 2012 income from sales of all forest products from the total acres operated. **Include** sales of timber, pulpwood, firewood, etc.

**Exclude** short rotation woody crops, maple syrup and Christmas tree sales; they should be reported as crop sales in Section 4.

**Item 1f – Sales of Farm Machinery & Vehicles**

**Include:**
- all direct sales of machinery used for farming, such as tractors, combines, farm machinery, and equipment.
- 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 1g – Proceeds from Sales of Farmland/Farm Real Estate

For the small number of farms with farmland sales, the proceeds from such sales can make an important contribution to the cash available to farm households for investment or consumption purposes. Report only those sales of land or other real estate that is (was) part of this operation. Report sales of other off-farm farmland and other assets in Section 39, Item 9g. Report the net proceeds from the sale of farm real estate assets that were part of this operation.

Example:
An operator owned 2 Sections of land, and partitioned off and sold 1 Section of unimproved (no buildings or other improvements) land for $640,000. The entire farm had a mortgage of $200,000 at the time of sale. At settlement, (ignoring real estate commissions and other closing costs) the entire mortgage was paid off and the operator received a check for $440,000. The total proceeds from this sale are $440,000. Had half the mortgage been paid, then the operator would have received a check for $540,000, reported here as proceeds, and the remaining $100,000 balance on the mortgage would be reported as farm debt in Section 29.

Include proceeds received from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development rights, cropping rights, etc.) or other partial interest in land. Generally, an easement permanently restricts use of the land and the landowner typically receives payment in one lump sum.

Item 1g (i) – Recognized Gain/Loss from Sales of Farmland/Farm Real Estate

If farmland and farm real estate sales are reported in Item 1g, record the recognized gain or loss from the sales. Record a loss as a negative number. Include gains or losses from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development rights, cropping rights, etc.) or other partial interest in land.

Item 1h – Federal Crop & Livestock Insurance

In 1996, Catastrophic Crop Insurance replaced disaster assistance. Under the new law, the Federal Crop Insurance Reform Act of 1995, farmers are required to obtain at least the basic catastrophic level of crop insurance coverage if they want to participate in most USDA programs. Information on Federal Crop Insurance Corporation (FCIC) crop insurance indemnity payments, combined with expense data for purchases of FCIC crop insurance reported in Section 26, are used to assess the impact of this crop insurance program on farmers.

Record the amount which was received from crop insurance indemnity payments in 2012. If more than one payment was received, total the payments. Include indemnity payments for the following if the program is administered by a Federal agency:

1) the loss of grazing on rangeland
2) crop revenue coverage
3) hail insurance
If members of the operator’s family received any insurance payments or workman’s compensation for illness or injury, include this income under off-farm income (Section 39, Item 9j).

**Item 1i – Other Crop & Livestock Insurance Payments**

Report the other crop and livestock insurance payments that were received by this operation in 2012. **Exclude** payments received from casualty insurance, vehicle liability, blanket liability policies and operator dwelling insurance.

**Item 1j – Cooperative Patronage Dividends & Refunds**

Record the amount of patronage dividends resulting from ownership of shares in cooperatives in 2012. **Include** cash, equity dividends and patronage dividends returned to this operation by cooperatives. **Include** dividend payments received for shares in farmer-owned commodity processing plants, such as ethanol plants. These are frequently referred to as “value-added” shares. Sugarbeet ‘retains’ when received should be included.

**Item 1k – Sales of Value-Added Goods from Farm Commodities**

If the operation sold any value-added products produced from the operation’s farm commodities (for example, cheese, cider, jams, jellies, wine, and other value-added items), record them here. Be sure that any expense is recorded in Section 20 “Marketing Charges” and Section 26 “Farm Expenses”.

**Exclude:**
- Any value-added products sold from a separate business from the farm.
- Frozen embryo and semen sales if they are produced from livestock should be recorded in Section 16, Item 4.

**Item 1l – Income from Royalties or Leases Associated with Energy Production**

**Include** income from royalties or leases associated with energy production from natural gas, oil, wind turbines, etc. If the wind turbine, oil well, etc is on acres rented TO others (Section 1, Item 3), include income from royalties here.

**Example:**
If an operation owns 2,500 acres and rents out 1,000 acres – with 5 of these rented acres containing wind turbines and access roads – report 2,500 acres in owned acres and 1,000 acres in acres rented TO others in Section 1. Record the rent received from the 1,000 acres in Section 25, Item 1b and the income from the wind turbines in Section 25, Item 1l.

**Item 1m – All Other Farm Related Sources of Income**

Report all other farm income not accounted for above. It may be helpful to prompt the respondent by referring to the list of “Other Farm Income” items on the questionnaire. Describe each of the items recorded here. If the income should have been reported in another item, then make the necessary corrections.
Include:

- Allotment or quota leases.
- Any Federal Excise Tax (FET) refund claimed, if the FET was included in fuels purchase cost.
- Hedging (futures contract) profits or losses.
- Refunds claimed for marketing charges which were withheld. (For example, Cotton Inc. refunds or refunds from the Dairy Refund Payment Program.)
- Equity or premium payments on CCC loans transferred to someone else (money received above the face value of the loan).
- Real estate tax rebates for land preservation.
- Renting or leasing of livestock.
- Renting or leasing of tractors, trucks, etc.
- Road tax refunds.
- Sale of water. In areas of the West, operations with irrigation rights have been able to sell a portion of their annual water allotment to municipal, commercial, and other industrial users.
- Sale of soil.
- Other farm-related indemnities for insurance like liability and comprehensive insurance, and insurance on the farm house (if the house was owned by the operation and the value was reported in Section 28, Item 1a).
- Payments received for cell phone towers, underground pipelines, access roads, etc., in which the operation receives a payment for their presence on the farm.
- Mineral royalties if they are tied to the farm. If they are not tied to the farm (ie, from inheritance), record in Section 39, Item 9j.
- Carbon credits

5.7.3.1 Largest Portion of 2012 Gross Value of Sales: Item 2

For this question, make sure the respondent refers to the list of Farm Type Codes on the questionnaire. Ask the respondent to select the category which, in the operator’s opinion, represents the largest portion of this operation’s 2012 gross value of sales.

Government payments should be distributed among the categories according to the type of program in which the operator participated.

When the respondent reports that sales for two of the categories are equal, ask which group is more important and is the primary production activity.

Operations primarily engaged in producing short-term woody crops should be counted as farms and classified in “Nursery, Greenhouse, and Floriculture” category. Short-term woody crops are softwood trees (hybrid poplar, cottonwoods and pines) reaching maturity in about 10 years or less and typically are used for paper production.
A farm primarily engaged in raising dairy heifers for herd replacements is classified as a "Beef Cattle" operation because no milk or dairy products are being produced.

5.7.3.2 Soybean Version Differences

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5.8 Section 26 – Operating & Capital Expenditures

5.8.1 Introduction

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

This section provides the data used to develop estimates of farmers’ and ranchers’ costs of doing business -- the expense side of an income statement. Estimates of net farm income published by ERS are critical indicators of the health of the entire farm economy and help provide measures of how individual farmers are doing.

Since reports include all crops and livestock produced by the farm, data from this section provides the basis for tracking how costs are changing for different types of farms. Financial changes tracked over time provide USDA and Congress the best information for understanding the changes taking place in agriculture today. Under-or over-reporting of costs would limit USDA’s ability to accurately report the cost of producing various crop and/or livestock commodities.

The first publication of estimates based on ARMS III indications each year is the Farm Production Expenditures Summary produced in early August by NASS. Closely following this release is a number of ERS reports and data products.

These reports, which rely heavily on results of this survey, include income statements of the farm sector, along with balance sheets and financial ratios. These reports and income statements are electronically available in the Farm Income and Costs Briefing Room on the ERS web site at: [http://www.ers.usda.gov/Briefing/Farmincome/](http://www.ers.usda.gov/Briefing/Farmincome/). They are also presented in ERS publications such as Amber Waves, and the annual Agricultural Income and Finance Situation and Outlook Report. Each publication is available via the Internet to anyone interested in farm sector financial performance. USDA also provides periodic reports of the Structure and Finances of U.S. Farms: Family Farm Report to Congress.

USDA provides summarized ARMS III data and farm sector accounts to the Bureau of Economic Analysis (BEA), an agency within the Department of Commerce. BEA uses these data in estimates of the Nation’s Gross Domestic Product (GDP) accounts and Personal Income Indexes. These data ensure 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. Production expense estimates are provided to the Council of Economic Advisers in the Office of the President, which publishes them in its monthly Economic Indicators. This publication is prepared for the Joint Economic Committee of Congress.

In this section, each major cost item is obtained--seeds, fertilizers, chemicals, feed, purchased livestock, veterinary and medicines, custom services and work, labor costs including wages, taxes, benefits and services provided, fuel, utilities, repairs,
overhead expenses such as insurance, accounting, attorney fees, interest, and depreciation. The detail allows USDA to compare and quantify, item by item, cost per unit indicators. Examining expenditures this closely improves the quality of both the individual and aggregate estimates of farm expenses. While it takes longer to ask the detail of the cost statement, leaving out some costs would make net income appear larger than it is! If we did not ask for cost by item, we know from experience that respondents fail to report items, particularly items not typically in their record books.

More detail is asked on some items:

- Breeding stock is separated from other cattle, calves, hogs, pigs, sheep and lambs. Purchases of breeding stock are an addition to the farm’s capital, much like a truck or tractor. Operators can place breeding stock on a depreciation schedule and claim a deduction on their taxes. These purchases are not a part of ordinary operating expenses. Breeding stock is included in the balance sheet and the depreciation is included in the income statement.

  Although poultry farms may also have breeding stock, all chickens and turkeys should be recorded in Item 4c. All other poultry should be recorded in Item 4d, “Other Livestock and poultry”.

- Depreciation and other non-cash items like inventory adjustment, and non-cash benefits paid to workers are not a cash outlay for farm operations, but are necessary for ERS’ net farm income estimate.

Usually, the entire cost of capital items (trucks, tractors, implements, buildings, etc.) is not deducted as a business expense in the year they are purchased or built. Rather, the cost is spread out over their useful life. Depreciation measures the cost of using capital items during a particular year and reflects what has happened to the value of a farm’s capital equipment. Farm operators are familiar with depreciation because it is a deduction claimed on their 1040F tax form. Many farmers seek the advice of an accountant or tax advisor on how much depreciation they will claim on their purchased buildings, equipment and breeding stock.

Depreciation is also used in the farm household statistics so self-employment income from farming matches the Commerce Department definition of self-employment income from a non-farm business. This allows income from farm businesses to be compared with non-farm business income by the Commerce Department, which has responsibility for statistics on all aspects of the U.S. economy.

If the operator has multiple operations, only account for the expenses that belong to the operation identified on the label. For operators with multiple operations, keep in mind the acres and livestock reported in previous sections for the selected operation. Expenses from the other operations are accounted for in Section 39.
5.8.1.1 Costs of Production (Version 2)

Most of the information necessary to compute Cost-Of-Production (COP) for Soybeans was collected in the Phase II portion of ARMS conducted in the fall. However, several questions are included in the Phase III COP questionnaire (Version 2) to collect data used to compute cost-of-production. It is necessary to ask these questions in the spring because:

1) the farmer does not have a full 12 month accounting of the expense items at the time of the fall interview;
2) some costs are for farm overhead items and information about all enterprises on the farm helps allocate these costs; or
3) some data analyses can only be done when considering total farm and not simply field level costs which were collected in the fall.

Farm overhead costs for such items as farm supplies and tools, general business expenses, taxes, interest, and insurance are also collected in the Phase III interview so that they can be allocated to the selected commodity based on their relative value of total farm production. For the purposes of cost-of-production estimation, farm overhead is that portion of costs not directly attributable to any particular enterprise, but that must be paid for by all enterprises. Many of these items are obvious, such as general business expenses, taxes, insurance, and interest, and are easily measured. However, two items, electricity and repairs, are more difficult to measure. To simplify our measurement we have designated that electricity use and repairs for irrigation are not part of farm overhead. Therefore, these questions are included in Version 2 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 commodity.

5.8.1.2 General Instructions

ALL EXPENSES FOR THIS OPERATION (defined by the total acres recorded in Section 1, Item 4) paid in 2012 should be included in this section. This includes expenses for the Operator and Partners, Landlords, and Contractors. The three columns represent this division of expenses. Be sure to record the expenses in the correct column. In particular, do not record an expense that a contractor reimbursed the operator for in the operator column. Probe to verify the respondent has reported costs associated with each item that were paid for by the landlord or contractor.

Exclude expenses not related to the farm/ranch, expenses for performing custom work for others if a separate set of books are used for the custom business (in this case, custom work income is NOT recorded in Section 25, Item 1a), and household and living expenses.

Ask the respondent to use farm/ranch records and explain that the interview will probably be shorter if these records are used. You are far more likely to get accurate information from records than from respondents who are relying on memory or guesswork. The questionnaire generally reflects common record keeping systems.
Many of these expenses or groups of expenditures are mentioned on the IRS 1040F. The 1040F should not be used to entirely complete this section of the questionnaire. While many expenses are covered, the items in 1040F do not have the detail necessary for each item in the questionnaire. There are also some definitional differences between the 1040F and the ARMS questionnaire.

If the respondent cannot give exact dollar figures, BEST ESTIMATES are acceptable.

5.8.1.3 Expenses for Landlords & Contractors

Expenses paid by landlords and contractors are recorded in the appropriate columns in this section. These figures are added to the expenses provided by operators for their farms to develop estimates of the total costs incurred to produce crops and livestock during the calendar year. In some situations, landlords and contractors provide a relatively large share of some expense items such as seeds, fertilizer, pesticides, purchases of livestock and feed, and property taxes. For example, in 2008, contractors paid $18.9 billion (40 percent) of the total $46.9 billion feed expenses.

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 complete estimate of total farm production expenses used to calculate net farm income. If landlord or contractor expenses are incomplete or understated, then total expenses will be understated. When that happens, the farm sector net income is reported too high and the sector appears in better financial shape than it actually is.

Expense data reported for landlords are combined with the gross rent reported in this section for cash rent and share rent land to develop an estimate of the net rent earned by landlords. Landlords’ net rent is similar in concept to farmers’ net income -- both measure economic well-being.

The expenses reported for contractors are combined with an estimate of the value of product removed under production contracts (quantity removed under contract times an average price for the state), to develop an estimate of contractors’ share of net farm income.

**DO NOT CONTACT LANDLORDS or CONTRACTORS** to complete this section. Contact landlords and contractors only when instructed to do so by the State Office.

Under most production contracts, the contractor usually directly pays most of the production expenses or reimburses the contractee for the expenses while the commodity is on the contractee’s operation. Sometimes reimbursement for these expenses is added to the amount paid (fee) to the contractee for services. Settlement sheets or other contract documents usually break out reimbursed expenses. **Include** reimbursed expenses.

Sometimes the contractor charges the operator for some expenses the contractor originally paid. Examples of this are sometimes found in production contracts for processing vegetables, where the contractor originally paid for items such as seed and chemicals. Then the contractor charges the operator for their costs, as deductions from
the gross value on the settlement sheet. These expenses should be recorded in the operator's column, since the operator ultimately paid for the inputs.

If the operator cannot provide settlement sheets (or otherwise report contractor expenses), write notes detailing the type and amount of services provided by the contractor. Record the contractor's name, address and phone number so the State Office can contact the contractor to get the information. This contact should be made only through (or by) the State Office to avoid the possibility of several enumerators contacting the same contractor. Enumerators assigned to complete any of the follow-up interviews with contractors can get the information on expenses paid by the contractor using a blank questionnaire or by using a contractor expense worksheet provided by some State Offices.

Most operators, who rent land, will know which expenses were paid by their landlords. If for some reason, the operator cannot provide these numbers DO NOT CONTACT THE LANDLORD(S). If the operator does not know the amount paid by their landlords, they should know which items were paid. If this happens, provide detailed notes explaining which items were paid for by the landlords so the State Office can provide an estimate for these expenses. Clearly determine whether a landlord paid taxes on rented land. This is particularly important because taxes are the largest landlord expense in aggregate and are one of the most overlooked expenses. If the operator paid the landlord's taxes, please indicate with a comment.

**Expenditures Related to Final Commodity Transportation**

The ARMS survey focuses on the financial status of the farm sector. When and where the commodity is sold affects not only who is responsible for the expenditure, but also if the expenditure should be recorded. After payment and ownership are transferred, any expenditure related to the commodity is the responsibility of the new owner and should be recorded as such on the questionnaire only if the new owner is the target operator.

One situation that occurs in livestock operations is livestock that are priced and sold on the farm to a slaughterhouse (payment and ownership are transferred at the farm). If the slaughterhouse agrees to a price, pays for, and takes ownership of the livestock on the farm, the slaughterhouse is responsible for the transportation expenditures from the farm to the final destination. The transportation expenditures, as a result, are NOT recorded in the ARMS questionnaire since at the time of transport; the livestock are no longer part of the target operation.

For a transfer of ownership between one operation and another, the timing of payment and commodity transfer determines which operation accounts for the transportation expense to the final destination. If payment and commodity transfer occurs at the final destination, then any expenditure associated with transportation is the responsibility of the seller.
5.8.2 Operating Expenses

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

This item refers to the cost of any purchases in 2012 whether they were entirely used or not. For example, a farm may have purchased $1,000 of seed but only planted $800 of it. In this case, record the $1,000 for expenditures and record the remaining $200 as a production input asset in Section 28. Make sure the respondent accounts for all purchases of seed, sets, plants, trees, etc., not only the amount used to plant the crop harvested. 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. These expenses are often a line item in record books (and on the IRS 1040F).

**Include:**
- expenditures for cleaning or treating homegrown seeds or plants
- expenditures for trees or shrubs used as windbreaks or for reforestation (if the operation did not consider this a capital expense)
- seed expenses for cover crops planted on idle land
- expenditures for plants purchased and transplanted to grow as a crop (for example, tobacco transplants)
- technology fees for purchasing genetically altered seed

**Exclude:**
- expenses for items purchased for direct resale without additional growth
- value of homegrown seed
- tree purchases that were considered capital expenses (land improvements). These should be recorded later in this section

**Item 1a – Amount of Seed Expense for (Version 2 Only)**

Record the dollar amount of the total (Item 1) seed and plant expense that was for the Soybean enterprise.

**Item 2 – Nutrient, Fertilizer, Lime, and Soil Conditioners**

This expense is a line item in almost all farm record books (and on the IRS 1040F).

**Include** expenses for:
- all commercial fertilizer
- fertilizer-pesticide combinations
- pre-emergence herbicides mixed with fertilizer sold as one product
- trace elements (micro nutrients) such as zinc and copper
- lime and all soil conditioners, purchased manure, cottonseed hulls, sludge, gypsum, sulfur, marl, peat, and other conditioners
- application costs if materials were custom applied

**Exclude** expenses for potting mixes, vermiculite, and sterilized soil. This is recorded in Item 48 (other expenses)
**Item 2a – Total Nutrient & Fertilizer Expense for (Version 2 Only)**

Record the dollar amount of the total (Item 2) nutrient and fertilizer expense that was for the Soybean enterprise.

**Item 3 – Agricultural Chemicals or Biocontrols**

Chemical and biocontrol expenses are recorded as a line item in most record books (and the IRS 1040F). **Include** crop, livestock, dairy, poultry, and general farm use chemicals.

**Include** expenses for:
- insecticides, herbicides, fungicides, defoliants, nematicides, fumigants, growth regulators, and rodenticides used on crops, pastures, seeds, crop storage buildings or seed beds for the control of all types of weeds, diseases, insects, rodents, fungi, nematodes and other predators
- all sprays, dusts, granules or other materials
- application costs if materials were custom applied
- carrier materials such as fuel oil, solvents or wetting agents mixed with pesticides
- all pesticides applied to crops or buildings even if all or part was paid by the government
- 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:
- the value of pesticides in fertilizer-pesticide combinations (record in Item 2)
- cleaning chemicals for equipment and buildings on dairy and other livestock enterprises (record these expenses in Farm Supplies later in this section)
- Expenses for potting mixes, vermiculite, and sterilized soil. This is recorded in Item 48 (other expenses).

**Item 3a – Custom Application**

Record the dollar amount of the total (Item 3) chemical and biocontrol expense that was for custom application only. **Include** the cost of chemicals that were used for custom application.

**Item 3a – Chemical Expense for (Version 2 Only)**

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

**5.8.2.1 Livestock Expenses: Items 4-8**

Purchased feed, livestock purchases, livestock leases and livestock expenses such as breeding and veterinary services are usually recorded as line item expenses in record books. You may have to probe to break figures out for some of the expense categories.
If there are livestock expenses, there will likely be livestock inventories in Sections 9-16 and the value of those livestock reported in Section 28.

**Include** genetic royalty fees (if applicable) for purchased livestock.

**Exclude** all expenses incurred by feedlots and other types of contractees that fed this operation’s livestock on a custom basis. If this operation is a feedlot, include only expenses for which it was not reimbursed in the Operator column. Expenses for which the operation was reimbursed should be recorded in the Contractor column. One common example where a feedlot is almost always reimbursed is the cost of feed – even if the feedlot grows the feed.

If the respondent purchased livestock in 2012, include the purchases of animals directly related to production on this operation. If livestock are purchased then grown on another operation, make a note of the situation for the State Office. Purchases of livestock and poultry during 2012 should include the price of the animals plus commission, yardage, insurance and fees.

In large integrated operations livestock or poultry are usually transferred from one production phase of the operation to another production phase. Although this is not a true purchase, we need an estimate of the value of the livestock or poultry at the points they move between production phases to accurately gauge the net value of production. An example of this is a hatchery that receives hatching eggs from another part of the integrated operation. We would obtain an estimated value or “book value” of the hatching eggs in this item. Without an estimated cost of hatching eggs to the hatchery, the net value of the hatchery output would be overstated. This practice is in line with accounting practices of non-farm corporations that assess the “profitability” of each phase of production. This makes it possible to compare profitability of farms with non-farm businesses at the National and State level.

**Item 4 – Livestock Purchases**

**Item 4a – Breeding Stock for Cattle, Hogs, & Sheep**

**Include** expenses for:
- BEEF animals to be used as breeding stock or herd replacement for this operation, regardless of age
- MILK cows
- DAIRY animals to be used as breeding stock or herd replacement for this operation, regardless of age
- all gilts, sows and boars purchased for breeding purposes
- all ewes, rams and lambs purchased for breeding purposes

**Item 4b – All Other (Non-Breeding) Cattle, Calves, Hogs & Pigs**

**Include** expenses for:
- any cattle or calves not purchased for breeding herd replacement and/or expansion
- cattle placed in a feedlot
- all other hogs and pigs such as feeder pigs and market hogs
**Item 4c – Chickens & 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 2012. 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 in the operator column 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 may have settlement sheets from their contractor for each flock that list these expenses. Expenses are listed either as a total for each item or on a per pound basis. Total expense for the year is determined by the number of flocks or total pounds of birds raised. If the operator cannot provide a settlement sheet or report the expenses, find out how many birds the operation grew under contract in 2012, and explain with a note.

**Item 4d – Other Livestock, Poultry, Fish, Bees, etc.**

**Include** expenses for:
- all sheep and lambs, other than for breeding
- mules, goats, all horses and ponies, etc
- ducks, geese, guineas, pigeons, etc
- hatching eggs
- bees purchased
- rabbits, mink and other fur bearing animals
- catfish or other fish raised commercially or for on-farm consumption
- milk and eggs purchased to fulfill marketing contracts
- dogs used to work livestock or as guard dogs
- all other livestock or products not already included

**Exclude** expenses for animals kept only as pets.

**Item 5 – Leasing of Livestock**

**Include** expenses for:
- Renting or leasing of livestock by this operation.
- Renting bees and bee hives.

**Item 6 – Purchased Feed**

This expense is a line item in most farm record books (and the IRS 1040-F).

**Include** all feed grains, hay, forages, mixed or formula feeds, concentrates, supplements, premixes, salt, minerals, animal by-products and all other feed additives and ingredients.
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**Item 7 – Bedding & Litter**

Record the amount spent by the operation in 2012, for bedding and litter for livestock, dairy and poultry.

*Include* expenses for:
- straw, hay, etc
- sawdust, wood chips, corn stalks, etc
- all other bedding and litter items

**Item 8 – Medical Supplies, Veterinary, & Custom Services for Livestock**

*Include* expenses for:
- feed processing, grinding and mixing services (cost of feed should be included in purchased feed). If the respondent includes custom feed processing with feed costs in farm records, try to get this item broken out and include it here.
- veterinary services or supplies
- miscellaneous livestock and poultry medical services and supplies (regardless of where purchased)
- sheep shearing
- horse-shoeing for work horses used on the operation
- removal of dead animals
- branding
- castrating and caponizing
- artificial insemination and breeding
- performance testing
- seining of fish
- semen

*Exclude* expenses for manure disposal. These will be reported in Item 31a.

**5.8.2.2 Fuels, Utilities, & Purchased Water (Farm Share Only): Items 9-12**

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/her 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:
- FARM SHARE ONLY of all fuels used (on this operation) in autos, trucks, tractors, self-propelled machinery (combines, swathers, etc.), irrigation pumps, elevators, chain saws, etc
- all fuels for heating and lighting farm buildings
- fuels used to heat a farm office (including the cost of coal or wood)
- fuels used for drying or curing crops (including the cost of coal or wood)
- fuel for vehicles and machinery used both on this operation AND for custom work or machine hire, provided these activities are NOT a separate business (See 1st Exclusion below). Income from custom work and machine hire will be reported as farm-related income in Section 25, Item 1a.
- aviation fuels
- Federal excise fuel taxes. (Refunds of Federal excise fuel taxes paid should be reported as other income in Section 25, “all other farm related sources of income”.)
- Purchased irrigation water and the costs of electricity or other fuel associated with irrigating
- All farm share expenses for other utilities including telephone service and water other than irrigation

**Exclude** expenses for:
- 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. In this case, no income from custom work will be reported in Section 25, Item 1a.
- petroleum products used as carriers with pesticide sprays. (These should be included in Item 3 in this section.)
- fuel used in motor vehicles for non-farm use and in other engines or machinery used for non-farm purposes
- fuels used for heating or cooking in the operator’s residence
- fuel provided to farm employees for non-farm use as a non-cash benefit

**Item 9 – Fuel Expense: General**

Record the farm share of the total fuel expense including diesel fuel, gasoline and gasohol, natural gas, LP gas (propane and butane), all other fuels (coal, fuel oil, kerosene, wood, etc), and oils and lubricants (grease, hydraulic fluids, motor oils, transmission fluids, etc.). Refer to the header “Expenditures Related to Final Commodity Transportation” at the end of the Introduction of this Section, Page 5-80 to determine which fuel expenses related to final commodity transfer are recorded in this Item.

**Item 9a – All Fuels, Oils & Lubricants**

Record the farm share of expenses for ALL fuel, oils and lubricants. Items 9a(i) through 9a(vi) must equal 9a.
Item 9a(i) – Diesel Fuel

Record the farm share of expenses for diesel. Include biodiesel and vegetable oil.

Item 9a(ii) – Gasoline and Gasoline Blends that Include Ethanol

Record the farm share of expenses for gasoline and gasohol including ethanol.

Item 9a(iii) – Natural Gas

Record the farm share of expenses for natural gas.

Item 9a(iv) – LP Gas

Record the farm share of expenses for LP gas (propane, butane).

Item 9a(v) – Oils and Lubricants

Record the farm share of expenses for oils and lubricants. Include grease, hydraulic fluids, motor oils, transmission fluids, etc.

Item 9a(vi) – All Other Fuels

Record the farm share of all other fuels. Include coal, fuel oil, kerosene, wood, etc.

Item 9b – Fuel Expense for (Version 2 Only)

Record the dollar amount of the total (Item 9a) fuel expense that was for the Soybean enterprise.

Item 9c – Fuel Expense for Irrigation for (Version 2 Only)

Record the dollar amount of the total (Item 9a) fuel expense that was for irrigation.

Item 9c(i) – Fuel Expense for Water Pumped from Wells (Version 2 Only)

Record the portion of Item 9c that was for fuel expense for water pumped from wells.

Item 10 – Electricity

Record the farm share of the total amount spent for electricity, including irrigation. Include electricity for the farm office, barns and other farm buildings. If the farm office is in the home, include only the farm’s share of the home electricity expense. Include monthly or annual charges to maintain service even when electricity is not being used. Include emergency electric guarantee fees, etc.
**Item 10a – Electricity for Irrigation for (Version 2 Only)**

Record the dollar amount of the total (Item 10) electricity expense that was for irrigation.

**Item 10a(i) – Electricity Expense for Irrigation for (Version 2 Only)**

Record the dollar amount of the electricity expense for irrigation that was for the Soybean enterprise.

**Item 10a(ii) – Irrigation Electricity Expense for Water Pumped from Wells for (Version 2 Only)**

Record the dollar amount of the total electricity expense for irrigation (Item 10a) was for water pumped from wells.

**Item 10b – Electricity for Drying for (Version 2 Only)**

Record the dollar amount of the total (Item 10) electricity expense that was for drying.

**Item 10b(i) – Drying Electricity Expense for (Version 2 Only)**

Record the dollar amount of the total (Item 10b) electricity for drying that was for the Soybean enterprise.

**Item 10c – Electricity for Specialized Livestock Production Facilities for (Version 2 Only)**

Record the dollar amount of the total (Item 10) electricity expense that was for specialized livestock production. **Include** specialized production for dairies, feedlots, poultry houses, swine buildings, etc.

**Item 11 – Purchased Irrigation Water**

Record the total costs of purchased irrigation water acquired from any off-farm water source to irrigate crops on the farm. **Include** any drainage assessments, delivery charges, or other fees associated with the purchased water, and any standby fees and/or taxes which must be paid even if no water is used.

**Item 11a – Purchased Irrigation Water for (Version 2 Only)**

Record the dollar amount of the total (Item 11) purchased water for irrigation expense that was for the Soybean enterprise.

**Item 12 – All Other Utilities**

Record the farm share of the total expense for telephone service and calls, water (other than for irrigation), and all other utilities not previously reported. **Include** monthly or annual charges to maintain service even when the utility is not being used (stand-by fees). If farm and home meters are separate, exclude all costs for utilities.
for the home except in situations where the farm office is in the home. In this case, include the farm share of the utility expenses for the office. If some or all of the farm buildings shared the same meter as the home, include only the farm's share of the costs.

5.8.2.3 Farm Supplies, Repairs, & Maintenance: Items 13–16

**Item 13 – Farm Supplies, Marketing Containers, Tools, Shop Equipment, etc**

Record expenses for miscellaneous supplies and equipment, marketing containers, hand tools and farm shop power equipment not placed on a depreciation schedule. (Power equipment is defined as equipment requiring fuel or electricity to operate). **Exclude** expenses for containers purchased for direct resale to consumers. **Exclude** expenses for fencing and irrigation equipment--these will be collected separately.

**Include** expenses for:
- baling wire and twine
- carpentry supplies, electrical supplies and plumbing supplies
- mechanic's tools, pliers, wrenches, etc
- axes, bolt cutters, fencing tools, forks, picks, scoops, shovels, spades, etc
- power drills, grinders, saws, sanders, welders
- compressors
- acetylene gas, oxygen and welding rods
- chain saws
- battery chargers
- bolts, chains, nails, rope, etc
- hoists, jacks, winches, etc
- ladders
- scales
- attachments and accessories for any items in this category
- fuel tanks
- agricultural bags, canvas, polyethylene film, tarpaulins, etc
- rain gear or other protective clothing purchased for use on the operation
- other supplies and tools which are generally reusable and which are not included elsewhere
- repair of tools and other items in this category
- dairy equipment cleaning chemicals (detergents, sanitizers, etc)
- containers purchased for planting, growing, harvesting or marketing any commodity. **Exclude** containers purchased for direct resale to consumers.
- baskets, boxes, flats, trays, sheets, totes, bins, crates, wool bags, etc.
- rental or per unit fees for containers, sheets, etc. provided by a marketing association or cooperative
- usage charges or rental fees for containers provided by a buyer, shipper, or packer
- nursery and greenhouse containers purchased for nursery production, even if they are to be resold with the plant. **Exclude** containers purchased for direct resale to consumers.
Item 14 – Repairs, Parts and Accessories for Vehicles, Machinery, & Equipment

Record the total FARM SHARE of expenses for materials, labor, parts and services for repair and upkeep of motor vehicles and equipment. Include the cost of accessories for machines and equipment. If they are not listed separately in the operator's records, family use expenses may be included.

Include expenses for all:
- tune-ups or overhauls of machinery or equipment (if not placed on a depreciation schedule)
- damage repairs even if covered by insurance settlements
- maintenance and repairs for all vehicles, machinery, equipment, implements, EXCEPT irrigation equipment
- parts and accessories for vehicles and equipment

Examples of these expenses include:
- hitches
- wheel weights (including fluid)
- mirrors, radios, etc
- tractor cabs, air conditioners, etc
- electric sensor systems
- any other accessories
- services and parts for overhauls, tune-ups, tubes, tires and repair of equipment
- brake adjustments and exhaust system repairs
- front end alignments, steering adjustments, wheel balancing and replacement of shock absorbers
- 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
- major engine overhauls, if not placed on a depreciation schedule, and minor tune-ups, and valve and ring jobs
- replacement parts for all machinery including disk blades, cultivator sweeps and shovels, sickles, guards and baler parts
- repair of livestock or poultry equipment
- hydraulic cylinders
- frost protection system repairs and maintenance

Exclude expenses for:
- accessories included in the purchase cost of vehicles, machinery, equipment, etc
- beds, boxes and hydraulic systems purchased separately from a newly purchased truck. Record these in Item 47 (All Other Capital Expenditures).
- Repairs that are included on a capital asset’s depreciation schedule. Expenses that are placed on a depreciation schedule are capital expenses. Repairs of this kind should be recorded in All other Capital Expenditures with a note on the specify line indicating that the expenditure is a major repair to an owned capital asset and record the type of capital asset repaired.
**Item 14a – Repairs, Parts and Accessories for Vehicles, Machinery, & Equipment for (Version 2 Only)**

Record the dollar amount of the total (Item 14) repairs, parts, accessories for motor vehicles, machinery and farm equipment expense that was for the Soybean enterprise.

**Item 15 – Maintenance/Repair of Farm Buildings & 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:

- houses for hired farm/ranch labor or tenants
- all other farm/ranch buildings such as barns, shops, storage facilities, sheds, silos, bins and similar structures
- wells
- drainage facilities
- repairs and maintenance of irrigation equipment
- all other farm improvements

**Exclude** any new construction or remodeling expense (These should be reported under Capital Expenses (Items 37-39)).

**Item 15a – Maintenance/Repair of Farm Buildings & Land Improvements for Specialized Livestock Production Facilities for (Version 2 Only)**

Record the dollar amount of the total (Item 15) maintenance/repair of farm buildings and land improvements that were for specialized livestock production facilities. **Include** dairies, feedlots, poultry houses, and swine buildings.

**Item 15b – Maintenance/Repair of Farm Buildings & Land Improvements for Irrigation Equipment and Pumps for (Version 2 Only)**

Record the dollar amount of the total (Item 15) maintenance/repair of farm buildings and land improvement expenses that were for irrigation equipment and pumps.

**Item 15b(i) – Maintenance/Repair of Farm Buildings & Land Improvements for Irrigation and Pumps for (Version 2 Only)**

Record the dollar amount of the total (Item 15b) maintenance/repair of farm buildings and land improvement expenses that were for irrigation equipment and pumps for the Soybean enterprise.
**Item 16 – Maintenance & Repair of the Operator’s House**

Record the total amount spent in 2012 for maintenance and repairs to the operator’s house, if it was **owned by the operation**.

If the operator does not understand what is meant by “owned by the operation”, offer the definitions noted on the questionnaire. Owned by the operation can mean either the house is recorded as an asset in farm record books or deeded as part of the farm.

**Exclude** any new construction or remodeling expense.

**5.8.2.4 Insurance, Interest, & Taxes: Items 17–19**

**Item 17 – Insurance**

**Include** the farm share of all types of insurance including casualty insurance, crop, grazing, and livestock insurance, motor vehicle liability, blanket insurance policies, etc. In most record books, insurance expense is a line item. The IRS 1040F also contains a similar expense item. **Exclude** premiums paid in earlier years for coverage in 2012. Also exclude premiums paid for life, health, and other payroll insurance.

All expenses for this item should be for the farming operation only. Health insurance, life insurance, etc. would be included in Section 39, as part of the household expenses.

**Item 17a – Federal Crop Insurance**

Record the dollar amount of the total (Item 17) insurance expense that was for Federal crop insurance.

**Include:**
- insurance premiums for the loss of grazing on rangeland, if the program is administered by a Federal agency
- insurance premiums for crop revenue coverage, if the program is administered by a Federal agency

**Item 17a(i) – Federal Crop Insurance for (Version 2 Only)**

Record the dollar amount of the total (Item 17a) Federal crop insurance expense for the Soybean enterprise.

**Item 18a – Interest & Fees Paid on Debts Secured by Real Estate**

Record the total amount spent by the operation in 2012 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, building or a home, was used as collateral in obtaining the loan.
Excluding:
- interest on farm debts that was not part of this operation
- interest on the operator’s residence if it is owned by the operator separately from the operation
- payments made on the loan principal amount
- interest and fees paid on debts NOT secured by real estate

**Item 18b – Interest & Fees Paid on Debts NOT Secured by Real Estate**

Record the dollar amount spent by the operation in 2012 for interest and service fees for all loans owned by this operation that were secured by farm assets other than real estate, such as machinery, tractors, trucks, other equipment, fertilizer, feed, seed, or livestock and poultry, breeding stock, money borrowed for use as working capital, and interest paid on CCC loans. Exclude interest and fees paid on debts secured by real estate that are reported in Item 18a.

**Item 19a – Real Estate Taxes**

Record the amount of real estate taxes paid by the operation in 2012. This is a line item in most farm record books (and the IRS 1040F.) Exclude taxes paid on personal property (they are included in Item 19b).

Some States allow homestead exemptions, old age exemptions, etc., so all land owners may not be required to pay taxes on any, or a part, of their land. If the operation is not required to pay taxes due to an exception, make a note on the questionnaire.

Include:
- taxes on farm land and buildings including the operator’s dwelling, if owned by the operation
- taxes paid in 2012, even if they were levied in another year
- all partners’ shares of taxes when a partnership is reported

Exclude:
- taxes on personal property (include in Item 19b)
- income taxes paid to IRS
- taxes on land rented to others (this is collected on the rentee’s form)

**Item 19b – Other Property Taxes**

Personal property taxes may be assessed on things such as cars, trucks, farm machinery, livestock, production inputs, etc. that are not associated with land or buildings. Record the total amount this operation paid in 2012 for property taxes on assets other than land or buildings. Exclude vehicle registration and license fees; they will be collected in Item 24.

**Item 20 – Cash Rent Paid for Acres Rented From Others**

Include rent for land and/or buildings. Record the total amount paid in 2012 to all landlords for cash rented acreage. When an operator rents buildings, they are
renting the land under the buildings as well. The land cannot be used by the landlord if the building is rented. If the operator rents the buildings only, record the number of acres the buildings use in Section 1, Item 2a.

**Ask this question even if no land was rented in 2012.** The operation may have paid rent for 2011 or 2013 in 2012. If we skip this question just because the operation did not rent any land in 2012, we might miss previous year’s rent paid in 2012, or 2013 rent paid in advance in 2012. If an operation had more than one cash rental arrangement, the sum of all the individual rents should be recorded.

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

**Exclude:**

1) Any government payments landlords received from these acres.
2) Any short-term livestock grazing arrangements where the livestock owner grazes livestock for a few months, but the owner will harvest crops later in the year. The payments for this short term grazing arrangement should be recorded in Item 22.

**Buildings for Non-Agricultural Purposes:**

If the operation rented a building for a non-agricultural use (for example, a packing shed), determine whether or not the operator keeps income & expenses of the packing shed separate from the agricultural enterprise.

If the financial records are kept separately, do not count the packing shed rental as part of the farm. Record it as part of the profit or loss of a separate business in Section 39, Item 9d. Also, record any other income and expenditures of the packing shed in Section 39, Item 9d and NOT in Sections 18 through 38 of the ARMS questionnaire.

If the financial records are kept together, count the packing shed rental as part of farm rent in this item. Also, record any income or other expenditures of the packing shed in the appropriate items in Sections 18 through 38 of the ARMS questionnaire.

**Item 21 – Usage Fees Paid for Use of Public Land**

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

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

**Include** expenses for use of public land, industrial land or grazing association land associated with a range grazing area (allotment or unit). **Include** all expenses for any year, as long as they were paid in 2012.
Exclude expenses for use of land controlled by private individuals or partnerships even if the operator reports livestock were pastured on an AUM basis on this land (this expense should be recorded in Item 22).

If the operation owned (or rented from others) land which was administered on an exchange-of-use basis, these acres should be reported as owned in Section 1, Item 1 and as acres rented to others in Section 1, Item 3. Record the gross fees paid in this Item. The value of the cash rent received for the land administered on an exchange for use basis is recorded in Section 25, Item 1b.

**Item 22 – Amount Paid for Pasturing Livestock on Private Land**

Excluding contract arrangements, record the total amount paid in 2012 for pasturing or grazing livestock on privately owned land on a fee per-head (AUM), gain, or other basis.

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

Exclude expenses for pasturing or grazing livestock on public land. These expenses should be recorded in Item 21.

**Item 23 – Renting & Leasing Vehicles, Tractors, Equipment & Storage Structures**

Record the total 2012 expense for renting or leasing all vehicles, tractors, farm machinery, equipment and structures.

**Item 24 – Vehicle Registration & Licensing Fees**

USDA accounts for income generated on farms in a manner consistent with that used internationally, following guidelines established by the Organization for Economic Co-operation and Development (OECD). The U.S. value-added measure includes payments-linked-to-production paid to governments as an expense category. Property taxes and vehicle registration and licensing fees are components of this category.

Record the total expense paid by the operation in 2012 for the farm share of registration and license fees for motor vehicles, trailers, etc. Also include hazardous material (HAZ-MAT) hauling license fees required in some states to haul agricultural chemicals on public roads. If license fees associated with new vehicles were collected by the dealer when the vehicle was sold, they should be listed on the purchase agreement or bill of sale. Probe to be sure personal property taxes assessed on purchased vehicles are not included in this item. These taxes should be recorded in Item 19b.

**Item 25 – Depreciation for Capital Assets**

Feed, seed, fertilizer, and other production inputs are typically used completely in each year, and their cost is usually considered an expense in that year. Capital assets, on the other hand, typically last for multiple years, so the cost of those assets must be allocated over the years that the asset is used. Depreciation is the portion
of an asset's value that is “used up” in each year it is employed in production. In figuring net income for tax purposes, this cost usually equals the original price of an item spread over the years in the service life set for the item by the IRS. Accountants and tax advisors usually determine a depreciation schedule (over how many years capital assets will be used up) for the farmer.

Producers often rely on the expertise of their accountant or tax advisor for this item. However, this item is available on the IRS 1040F. For this survey, use the depreciation amount claimed by the respondent on his income tax return. You may refer a respondent directly to the 1040F item, but only if he/she seems agreeable.

The depreciation expense is the amount that was claimed for 2012. It is not counted as a cash expense for 2012. Since it is not a cash expense, depreciation and capital expenses are not double counted.

If the operator has been farming a long time, his equipment and breeding stock may be 'depreciated out', meaning he did not claim any depreciation on his 2012 taxes. If this is the case, make a note explaining the situation.

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

**Item 25a – Depreciation for Breeding Livestock**

Record the amount of Item 25 that was specifically for breeding livestock.

**5.8.2.5 Cash Wages Paid to Hired Workers: Item 26**

Record the total cash wages and bonuses paid to all hired farm and ranch labor on this operation in 2012 for agricultural work.

**Include** in the total amount paid:
- cash wages, incentives, bonuses and profit percentages paid to workers doing agricultural work on land in the operation in 2012
- wages paid to family members and corporate officers
- salaries of hired managers
- the SALARY paid to the operator. (**Do not include “draws”**. “Draws” are money taken out of the farm/ranch business for household expenses or other non-farm/ranch expenses.)

**Exclude** from the total amount paid:
- wages paid for housework
- expenses for contract labor
- money taken by the operator's household on a “draw”
- Employer’s share of payroll taxes including Social Security, Unemployment, Worker’s Compensation, etc
- benefits such as health insurance, life insurance, pensions, retirement, etc

Paid labor includes only those workers whose pay was considered a business expense of the farm/ranch operation during 2012. 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 2012 are affected by minimum wage laws.

Paid labor **Includes:**
- agricultural workers on the payroll no matter where they worked
- agricultural workers on paid vacation or sick leave
- service workers provided to other operations by the selected operation
- 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:
- 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
- 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
- repairs of farm/ranch buildings and machinery when performed by someone who is considered an employee of the operation
- bookkeeping done by an employee of the operation
- managing a farm/ranch for a salary
- meal preparation for work crews

**Exclude** from Agricultural Work:
- housework such as cooking, cleaning, babysitting, etc. done in the operator's home
- operating a gasoline station, store or other such non-agricultural enterprise even if it was located on the operation
- 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
- caring for research animals
- work at a roadside stand (or farm store) UNLESS the operation produced more than 50 percent of the products sold at the stand
- work which alters the commodity produced (such as wineries, canneries, textile mills, etc.) even if it is done on the operation and the workers are paid by the operator. Make a note if the respondent cannot separate these workers and their wages from operation's total payroll.
- all work provided by service firms such as cotton ginning (record as a marketing charge), commercial bookkeeping, legal and other professional services provided at a location off the farm. All other items, except the ginning and farm management (professional) services, should be recorded as a “General Farm Business Expense” in Item 36.
Item 26a – Cash Wages for (Version 2 Only)

Record the dollar amount of the total (Item 26) cash wages paid to hired farm and ranch labor that was for the Soybean enterprise.

Items 27(a-e) – Breakout of Cash Wages Paid

The breakout of total cash wages is important to assure that the respondent includes cash wages paid to self, spouse, other operators, and other family members. The wages paid to farm and ranch labor are more obvious to the operator when he/she responds to this section. This breakout also allows for the proper allocation of cash wages to operator household income when we process the data. Record the actual dollars paid of the total cash wages paid (Item 26) to people in each of the categories listed. The sum of 27a + 27b + 27c + 27d + 27e MUST equal the total reported in Item 26 in the questionnaire.

Item 27a – The Operator

Record the amount paid to the operator, including hired managers. A hired manager is a salaried or hourly employee that gets a fixed wage or salary paid out from either the owner or the farm’s financial accounts to manage and make day-to-day decisions for the farm. Bonuses are part of the hired manager’s salary.

Exclude money taken out of the operation on a draw by the owner/operator.

Item 27b – Wages Paid to Spouse

Record the amount paid to the principal operator’s spouse.

Item 27c – Other Household Members

Record the amount paid to the other members of the operator’s household. Exclude salaries paid to partners (unless they live in the household) and to their household members. These should be included in Item 27d. 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 27d – Other Operators

Record the amount paid to other operators for this operation. These are persons responsible for the day-to-day management decisions for this operation, including hired managers as defined in 27a. Exclude operators that are household members of the principal operator. These should be included in 27c.
Item 27e – All Other Paid Farm/Ranch Labor

Record the amount paid to all hired workers of the operation except those included in Items 27a, 27b, 27c, and 27d. Include wages and salaries to family members who are not members of the operator’s household.

Item 28 – Payroll Taxes

Record the total dollars spent by this operation for payroll taxes like Social Security, Unemployment, etc. If the employees paid a share of some of these items and their share was withheld from their wages, the expense for their share should be included in Cash Wages.

Item 28a – Payroll Taxes for (Version 2 Only)

Record the dollar amount of the total (Item 28) payroll taxes spent that was for the Soybean enterprise.

Item 29 – Benefits

Record the total dollars spent by this operation for benefits including life insurance, health insurance, pensions, Worker’s Compensation, retirement, etc. for employees of this operation. If the employees paid a share of some of these items and their share was withheld from their wages, the expense for their share should be included in Cash Wages.

When the operator or the operator’s spouse was a paid employee of the operation, and the operation paid for health insurance for the farm family as a benefit of this employment, this is a valid business expense and should be included in this item.

Item 29a – Benefits for (Version 2 Only)

Record the dollar amount of the total (Item 29) benefits spent that was for the Soybean enterprise.

Item 30 – Contract Labor Expense

Record the total amount spent by the operation in 2012 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 2012.

Include:

- contract expenses for workers hired to harvest fruits, vegetables, potatoes, berries and all other crops
- other agricultural work which was performed on a contract basis by a contractor, a crew leader or a cooperative
- 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 Items 15 and 16. Contract labor expenses for all new construction should be reported in Items 34-36; land improvements, new buildings/structures, or new construction/remodeling of operator’s dwelling.

**Item 30a – Contract Labor for (Version 2 Only)**

Record the dollar amount of the total (Item 30) contract labor costs that were for the Soybean enterprise.

5.8.2.6 Custom Work: Item 31

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 go here if the driver and the vehicle are hired together. Loading is probably also part of the fee. If only the labor is hired (no machines or vehicles), then the expense goes either under contract labor or in total cash wages if the labor was seasonal hired labor.

**Item 31a – Custom Hauling**

Record the total cost for all hauling done for this operation by a custom operator. Examples of custom hauling are paying a driver with his truck to haul grain to the elevator, livestock hauled to an auction, and milk hauled to a pooling station. At this point in the interview you will know enough about the operation to probe for specific hauling expenses the operation may have incurred. For example, if you are interviewing a dairy farmer, probe to be sure milk hauling is included. Most dairies have an expense for custom hauling, but may overlook that expense or not consider it “custom” work.

Keep in mind when the payment and commodity transfer occurs when accounting for custom hauling expenses. Refer to the header “Expenditures Related to Final Commodity Transportation” at the end of the Introduction of Section 26, Page 5-80 to determine which custom hauling expenses related to final commodity transfer are recorded in this Item.

Include:

- hauling to market
- hauling between farm/ranch parcels
- milk hauling charges. (If these were deducted from the operator’s milk check, add them back to get the “net” figure we want in Section 18, Item 2 and Sections 9-16, Cash Sales).
- hauling of feed, seed and fertilizer to the operation
- manure hauling
- all other hauling charges for the operation
Item 31b – 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:
- contract labor
- custom fertilizer, lime &/or soil conditioner applications (include in Item 2)
- custom applications of crop chemicals and pesticides (record in Item 3a) and pest scouting (record in General Business Expenses)
- leasing of cars, trucks, tractors or other equipment (record in Item 23)
- custom livestock expense (record in Item 8)

Item 31c – Total Custom Work for (Version 2 Only)

Record the dollar amount of the total custom work (Items 31a and 31b) expense that was for the Soybean enterprise.

Item 32 – 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 livestock products such as milk provided as a non-cash payment to family members.

Exclude living expenses for family members unless the expenses were considered a business expense of the operation.

Item 33 – Cash Value of All Food, Goods, & Services Provided as Payment to Workers who are NOT Household Members

This question only applies to workers who are not members of the operator’s household. The value of heating fuels, transportation, telephone, electricity, clothing and furniture supplied to hired workers who are not members of the operator’s household should be calculated in terms of what they cost the operator. The value of food produced on the farm and furnished to paid workers should be whatever the items would have been worth at local prices (at the time they were given to the workers).

Operators may not regularly keep records of this type of employee compensation. For this reason, the question specifies items which are commonly overlooked by farmers in reporting these non-cash payments. Use items such as the value of commodities (head of livestock, bushels of grain, etc.) paid to any workers in lieu of wages for farm work, including such payments-in-kind. Using these items as probes
will help the respondent better consider which type and amount of these payments were made.

**Item 34 – 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 2012. **Include** products used or consumed by partners and their families (e.g., corn used for household furnaces). **Exclude** home gardens if expenses were excluded earlier. Also exclude any commodities provided as payment to household members for farm work reported in Item 32.

**Item 34a – Percentage of Market Value of Products that was Livestock**

Of the total amount from Item 34, give a percentage of that amount that was from livestock or livestock products.

**Item 35 – Fees Paid for Professional or Farm Management Services**

Record the amount of money spent in 2012 by the operators and partners for professional farm management services related to the management of this operation. Report fees paid for accounting, record keeping, tax preparation, planning, or farm product advice.

**Exclude** fees paid for:
- custom fertilizer, lime and/or soil conditioner applications (include in Item 2)
- custom applications of crop chemicals and pesticides (record in Item 3)
- entomologists, service companies, etc., for pest scouting (record in General Business Expenses)

**5.8.2.7 General Business Expenses: Item 36**

Show the respondent the list of General Business Expenses in the Respondent Booklet.

These expenses are generally recorded in the “other expense” category of most farm record books (and the 1040F). These expenses are so varied that when you ask the operator for his general business expenses he may say ‘none’ or itemize the ones that come to mind or include previously reported data. To gain some consistency in what is reported here, read the list of the “Includes” below and have the respondent refer to the Respondent Booklet. The purpose of this list is not to have the respondent itemize each expense to the nearest penny but to prompt him to consider various categories which define what you mean when you ask for ‘other business expenses’. List the expense items and amounts in the lines. If an individual item is a fairly “large” expenditure, make notes explaining the expense.

**Include:**
- 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

- Postage, telegrams, and faxes for the farm business
- Expenses for title searches, abstracts, recording deeds and mortgages, court costs and other legal expenses for the land operated
- Fees paid to attorneys in connection with the farm/ranch
- Charges for permits and licenses obtained in 2012 for production and marketing of commodities produced on the land operated. **Exclude** quota and allotment purchases and rentals.
- 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
- Registration of purebred animals
- Brand registration fees
- Charges for sales promotion or advertising
- 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 2012 expenditures, even if these cover more than one year.
- Real estate agent commissions and other direct selling or buying expenses
- Garbage collection or dumpster service for barns and farm buildings
- Rental expense for farm office space not on the operation
- Fees paid to entomologists, service companies, etc. for pest scouting
- Fees paid for programs like Boll Weevil Eradication Program (BWEP) and Pink Bollworm Program (PBWP) if there is one assessment fee (i.e., per-acre) and no additional fees are charged for chemicals. Any additional charges for chemicals should be recorded as chemical expenses.
- Trapping club memberships and dues. (Trapping clubs are formed to trap predator animals such as coyotes.)
- Stall or space rental fees for farmer's markets
- Parcel post expenses or charges for marketing agricultural products
- Purchases of farm office equipment not placed on a depreciation schedule
- Internet fees, including the cost of having and maintaining a webpage
- Loan origination fees
- Payments to Cooperatives Working Together (CWT)

**Exclude:**

- Wages paid to farm employees (on the payroll) for bookkeeping (exclusively or in addition to other farm work). *(WAGES AND SALARIES FOR ALL FARM EMPLOYEES SHOULD BE REPORTED EARLIER IN THIS SECTION.)*
- Gasoline and other vehicle operating expenses
- Taxes paid which were levied for general purposes
- Marketing expenses and check-off fees deducted from sales of commodities paid by the operator
- Expenditures for magazine or journal subscriptions for 2012 that were paid in other years
- Purchases of farm office equipment if placed on a depreciation schedule
- Potting soil and topsoil for nursery/greenhouse operations (record in all "Other Expenses" not previously recorded, Item 48)
5.8.3 Capital Expenses: Items 37-47

Capital expenses are expenditures that are typically placed on a depreciation schedule. These expenditures may include the purchase of new or used tractors or equipment or major repairs, such as installing a new or overhauled engine, which the operator places on a depreciation schedule.

**Expensing a Major Repair:**

In the case of extensive repairs on capital equipment, the enumerator should follow the same action as the operator did. Even though they are not typical capital purchases, an operator may place a major repair on a depreciation schedule. If an operator places such an expenditure on a depreciation schedule, then it should be recorded as a capital expense. If the operator does not place the expenditure on a depreciation schedule, it should be considered a repair and the value should be recorded in Section 26, Item 14.

USDA’s capital consumption estimate is a measure of the value of capital items used up each year in the production of commodities and services. To accurately estimate this value, ERS needs to know the full value of capital purchases every year.

**Item 37 – Land Improvements**

Land improvements are those additions or improvements to the land which change it in a PERMANENT way.

**Include:**

- Expenses for improvements such as terraces, water and sediment control basins, grassed waterways, ponds, windbreaks, permanent cover, contouring, grading, filter strips, etc
- Expenses for drainage improvements such as ditches, bedding, shaping, subsurface drain tile, etc
- Expenses for irrigation improvements such as digging wells or ditches
- 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)
- Expenses for corrals, feedlots, feeding floors, trench silos, waste facilities, wells and equipment not for irrigation
- (In Western states) capital improvements to grazing land

**Exclude:**

- Land purchases
- New Irrigation equipment or pumps

**Item 38 – New Construction and Remodeling of Farm Buildings, Structures, & Dwellings (excluding the operator’s dwelling)**

Record expenditures that were paid in 2012 for the construction of or remodeling of buildings, structures, or other dwellings. Record these 2012 expenditures regardless
of whether the construction or remodeling was completed or not. If expenses were paid in 2012 for work completed in 2011, include them in this Item.

**Include:**
- all costs for new construction or remodeling of houses for hired farm/ranch labor or tenants
- all costs to construct or remodel farm/ranch buildings, storage facilities, sheds, silos, bins and similar structures

**Item 39 – New Construction and Remodeling of Operator’s House**

**Include** all costs for new construction or remodeling of the operator's house, if it was owned by the operation. Owned by the operation can mean either the house is recorded as an asset in farm record books or deeded as part of the farm.

**Item 40 – Cars**

Record the total cost (after trade-ins, rebates and/or discounts have been subtracted) of all the new and used cars bought for use on the operation during 2012. The total cost should include the cost of accessories purchased with the vehicle(s), special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax.

If registration and license fees, financing charges and insurance were included in the purchase price, include them unless these fees were separate and itemized on the bill. Itemized financing charges should be recorded in Item 18. Itemized registration and license fees should be recorded in Item 24.

**Item 40a – Farm Share Percent**

Often, cars are purchased for both farm and personal (home) use. This question is asked to properly allocate the correct amount of the purchase to the farm. Farm share can be estimated by determining the percent of total use of the vehicle that was for farm/ranch related business. This percentage is the part of total cost of the vehicle that is the basis for claiming the depreciation expense on the operation’s tax return. If all of the vehicles purchased in Item 40 are strictly for farm use, record 100 in Item 40a.

**Item 41 – Trucks**

Record the total cost (after trade-ins, rebates and/or discounts have been subtracted) of all the new and used trucks, pick-ups, sport utility vehicles, vans, campers, buses bought for use on the operation during 2012. The total cost should include the cost of accessories purchased with the vehicle(s), special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax.

If registration and license fees, financing charges and insurance were included in the purchase price, include them unless these fees were separate and itemized on the bill. Itemized financing charges should be recorded in Item 18. Itemized registration and license fees should be recorded in Item 24.
Exclude ATVs. ATV expense should be reported in other capital expenditures, Item 47.

**Item 41a – Farm Share Percent**

Often, trucks are purchased for both farm and personal (home) use. This question is asked to properly allocate the correct amount of the purchase to the farm. Farm share can be estimated by determining the percent of the total use of the vehicle that was for farm/ranch related business. This percentage is the part of the total cost of the vehicle that is the basis for claiming the depreciation expense on the operation’s tax returns. If all of the vehicles purchased in Item 41 are strictly for farm use, record 100 in Item 41a.

**Item 42 – Tractors**

Record the total purchase price (after any trade-in allowance, rebates, discounts, etc.) of all new and used tractors that were bought during 2012 for use on the operation. If the respondent’s operation bought tractors in partnership with another operation, include only the amount that was the operation’s share of the tractor’s total cost. The total cost should include the cost of accessories bought with the tractor, special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax. Registration and license fees should be included in the purchase price if they were not separated on the bill. If these fees were separate and itemized on the bill, exclude them here and report them in Item 24. Financing charges should be recorded in Item 18.

**Item 43 – Self-Propelled Farm Equipment**

Record the total purchase price (after any trade-in allowance, rebates, discounts, etc.) of all new and used self-propelled equipment, implements and machinery that were bought during 2012 for use on the operation. If the respondent’s operation bought machinery in partnership with another operation, include only the amount that was this operation’s share of the machine’s total cost. The total cost should include the cost of accessories, special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax. Registration and license fees should be included in the purchase price if they were not separated on the bill. If these fees were separate and itemized on the bill, exclude them here and report them in Item 24. Financing charges should be recorded in Item 18.

**Item 44 – NON-SELF-PROPELLED Equipment, Implements &/or Machinery Purchased**

Record the total purchase price for all non-self-propelled equipment, implements and machinery (after any trade-in allowance, rebates and discounts, etc.) that were bought in 2012 for use on the operation. Include purchases of livestock, dairy and poultry equipment, (including calf shelters/hutches) and new 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 45 – Office Equipment, Furniture, & Computers**

Include all capital purchases (items typically placed on a depreciation schedule) of farm office equipment, furniture, and computers. Any such equipment purchased but not typically placed on a depreciation schedule should be included in Item 36, “General Business Expenses”.

**Item 46 – Purchase of Farmland & Other Farm Real Estate**

For the small number of farms that bought farm real estate during the year, the cost of that acquisition can have a significant impact on the cash available to farm households for consumption or other investment purposes. Include only real estate that was added to this farming operation during the year. Do not include buildings that were purchased separately and moved onto the farm. These should be reported in Item 38.

Report the total cost of the land and buildings acquired. For example, the operation added an adjoining section of land to this operation during the year, at a cost of $640,000. The land was worth about $600,000 and the service buildings on it were valued at $40,000. The operator paid $140,000 down and the balance of the purchase was financed by a bank loan of $500,000. Enter $640,000 here. The value of the real estate would also be included in Section 28 (Farm Assets): the buildings ($40,000) would be included in Item 1c, and the land ($600,000) would be included in Item 1e. The loan would be entered in Section 29 (Farm Debt) with a column coded to indicate that a bank loan was obtained in 2012 to purchase land.

**Item 47 – All Other Capital Expenditures**

Record the total cost of all other capital items (items placed on a depreciation schedule) purchased by the operation in 2012. Include major repairs that are placed on a depreciation schedule. Make good notes as to exactly what items are included.

Include
- fruit trees, since they are typically placed on a depreciation schedule
- ATVs

Exclude breeding livestock purchases. Breeding livestock purchases are reported in this section in Items 4a and 4d.

**Item 48 – Other Expenses**

This item is used to account for any expenses the operation had in 2012 that have not been recorded elsewhere in the questionnaire. Describe each of the items recorded here. If these expenses should have been reported in another item, make the necessary corrections.

Include
- potting soil or topsoil for nursery/greenhouse operations
• money paid back to the government for government farm program overpayments in previous years. For example, a farmer signs up for a program surrounding a certain field crop. The farmer gets paid $X in 2011 for either a direct payment or counter-cyclical payment. Market price then goes up and farmer is asked to pay back some or all of the money that they had received in 2012. If the operation’s payment back to the government was in the same year as the operation received the money, this should be reflected in the income questions in Section 25 as net income (money received – money paid back).

• donations, for operations which are corporations. If the operation is a sole proprietorship, donations are recorded as a family living expense in Section 39.

• expenses used to acquire additional commodity to fulfill marketing contracts if the operator had a bad year

• Investments in cooperatives if the investment was made by the operation and not the operator or operator’s household (operator and operator’s household investment should be recorded in Section 39, Item 10)

• For agricultural operations which have the same books as a winery, include such items as wine bottles and yeast in this Item. If the winery is an entirely separate operation from the farm, include the costs in the net income from operating any other business (Section 39, Item 9).
5.9 Sections 27 – Farm Labor

Labor is an important input in agriculture. Some labor is hired and some is unpaid farm labor. Some labor is provided by the farm family and some is not. Regardless of who is providing labor, the operator’s family or others, the labor hours could be paid a wage or salary or be unpaid. In addition, to working on the farm, the majority of farm families have someone in the household who also works off the farm. The farm expenses associated with hired labor are reported in Section 26. These items record the hours of labor used in farming. The data obtained from these questions are the only information about the total hours worked on the farm, whether paid or unpaid, collected on an annual basis. Since the majority of farm households receive most of their income from working off the farm, knowledge of how farm and off-farm work trade-off during times of change is important to understanding the well-being of farm operator households.

Item 1a – Number of HIRED Workers that Worked Less than 150 days

Report the number of hired farm or ranch workers, including paid family members and office workers, who worked on this operation less than 150 days in 2012. Exclude contract labor.

Item 1b – Number of HIRED Workers that Worked More than 149 days

Report the number of hired farm or ranch workers, including paid family members and office workers, who worked on this operation 150 days or more in 2012. Exclude contract labor.

Item 2 – Number of UNPAID Workers

Report the number of workers who worked without a wage or salary on the operation in 2012. Unpaid workers could include non-operator partners or family members who are not operators. Record the number of unpaid workers regardless of age or length of the time working, excluding the operator.

Item 3 – Number of MIGRANT Workers

Report the number of migrant workers who worked on the operation at any time during 2012. The definition of a migrant worker is a farm worker whose employment requires travel that prevents the worker from returning to his or her permanent place of residence the same day. Exclude contract labor.

Item 4 – Hours Worked by the Operator, Spouse, Other Operators, & Unpaid/Paid Workers

These items provide the information (1) to estimate the labor required to produce agricultural products, (2) to study the effects of agricultural policy changes, and (3) to measure the well-being of farm households.
Labor Used in Agriculture:

About half of the labor used in agriculture is provided by farm operators and their families. Most of the time farm families do not pay themselves a wage or salary. Nevertheless, because of the importance of labor in agricultural production, it is important to estimate the use of their time and to estimate the cost of using it in the production of agricultural products.

Policy Analysis:

Information on how labor is allocated is also used to study the effects of different policies. Policy changes can affect how much agricultural output is produced and the supply of product affects the prices farmers receive for their product. One way in which policies affect agricultural output is through their effects on how farm families spend their time.

Farm Household Well-Being:

Farm families can allocate their time to a variety of activities, some of which earn them income and some of which do not. Since most of the income of most of the farm families comes from working off the farm, knowing both where families spend their time and where they earn their income provides policy makers with an understanding of the returns to farming compared to other activities of the household.

Items 4(a-b) – Operator’s & Spouse’s Labor Hours

Ask the respondent to report average hours per week for four different 3-month periods. Because it can be difficult to recall how time was spent it helps the respondent if they are asked to recall the time for different periods of the year since farm tasks may vary seasonally. The operator and spouse should be able to approximate the average number of hours per week in each quarter because the quarters roughly correspond to the four seasons. Respondents may be more likely to accurately recall their work history when asked to do on a weekly-average basis since they are used to considering work hours that way.

These following items should be recorded for the principal operator, whether they are hired managers or not, and their spouse. Record all of the hours of farm work (PAID & UNPAID), even for operators who only work for a few hours a week on the farm (bookkeeping, running errands, etc.). Include all work done for the farm business. Some respondents may say they do not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent completing this interview! Section 26, Item 26 instructions give examples of agricultural work.
Items 4(c-e) – Other Operators’, UNPAID Workers’, & PAID Workers’ Labor Hours

For multiple operators and/or workers, record the TOTAL average number of hours worked per week. For example, if there are three other operators for Item 4c who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this item is 81 hours. **Hours of farm work should be recorded only once in Items 4a through 4e.**

**Item 4c – Other Operators’ Labor Hours**

Ask of all other operators.

**Item 4d – Other UNPAID Workers’ Labor Hours**

Record the sum of hours per week provided by other unpaid workers who worked on the farm. Unpaid workers could include non-operator partners or family members who are not operators.

**Item 4e – Other PAID Workers’ Labor Hours**

Record the sum of hours per week provided by hours other paid workers on the farm. Paid workers could include non-operator partners or family members who are not operators.
5.10 Sections 28 to 29 – Farm Assets & Debts

5.10.1 General

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

Farmers assemble capital assets from several sources. Key sources may include initial and subsequent investments made by farm owner(s), retained earnings from previous production and/or service activities, borrowed funds, or leased inputs such as land, machinery or equipment. Section 28 gathers information about the assets owned by the operation. Section 29 covers term debt or notes used to purchase or acquire access to assets used by the farm.

Data from these sections underlie the farm’s balance sheet. The balance sheet lists the farm’s assets, debt, and owner’s equity of the farm at a specific point in time. USDA’s accounting procedures set December 31 as the reference date for the farm’s balance sheet while the income statement covers the calendar year from January 1 through December 31. The balance sheet is essential for estimating profitability and efficiency of the farm. Aggregate profitability measures combine income statement and balance sheet data in the calculation of rates of return to assets and to equity. Efficiency measures relate output per dollar of assets used in production.

The balance sheet shows the amount of “owned” assets the farm used in producing its crop and livestock commodities—the real estate, equipment, breeding livestock, cooperative investments, and current assets owned by the operation. The owner’s equity is equal to total assets of the operation minus any debt that is owed.

The balance sheet excludes assets and debt of agribusiness firms that supply inputs or market or process farm products and the value of machinery leased to farmers by agribusiness firms. Leased machinery is considered an asset of the service input sector (payments for the flow of services from leased machinery are an expense in the farm income account). However, farm machinery owned by a farm operator and leased or contracted to another operator is part of the balance sheet.

Correspondence between the length of term of loans and the type of assets held is also very important for evaluating the financial position of the farm. If a farm has a large amount of current debt (payable or due in a year or less), but few current assets (such as cash, accounts receivable, or crop or livestock inventories), the farmer could have to liquidate a part of his/her holdings to meet obligations as they come due. This could affect the farm’s organization, production decisions, or future profitability. If current debt substantially exceeds current assets, farmers may even have to take “fire sale” prices for assets put on the market to meet obligations. Therefore the match between types of debt and assets, as well as total debts and assets, are important for evaluating the financial status of farms.

Assets are economic resources that are used up in the production process. Assets expected to be used up or converted to cash within one year of the date of the balance sheet are called “current assets.” Examples include cash, financial assets, crop and livestock inventories, purchased inputs, cash invested in growing crops, as well as
accounts receivable. All other assets (machinery and equipment, buildings, farmland, breeding livestock, etc.) are classified as long-term assets.

The farm’s assets are financed or paid for using either debt or the business owner(s)’ own funds (equity). Some farms use no debt while others use a mixture of debt and equity to buy farm assets. Farm operations that report no use of debt tend to be smaller farms as measured by sales value.

Debt data are used to develop indications of debt service charges, which are compared with cash available from the farm business (derived from data in Sections 2-26), off-farm income (reported in Section 39), and other sources to assess which types of farms may be encountering loan repayment problems due to insufficient income, large debt loads, and/or high interest rates. With variable (floating, adjustable) interest rate loans, changes in interest rates change farm sector interest costs. Information about how often interest rates change helps us to assess the potential risk to operators of higher loan payments if increasing interest rates result in their loans being re-priced.

Owner’s equity is equal to total assets less total debt. Owner’s equity is often times referred to as “net worth” or “net assets.” USDA uses balance sheet and income statement data 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 farm assets and equity used in production, and
- **Financial Efficiency** – how effectively the farm uses inputs to produce crops and livestock.

Balance sheets and indicators of farm financial health and performance are reported to the Secretary of Agriculture, other policy officials within USDA, and to Congress. Survey findings are reported for use by the media, farm organizations, and others with an interest in agriculture. Data summaries are also made available to the public through the ARMS data tool located on the Economic Research Service web page.

**Value of Land and Buildings**

Land accounts for nearly three-fourths of farmers’ assets, on average. Dwellings on the farm are also assets of the farm operation. These include the operator’s house (when it is owned by the farm and included in the books of the farm) and hired labor and tenant houses.

In addition to land and buildings, balance sheets include a value for machinery and equipment owned by the farm, including cars and trucks. Finally, livestock and crop inventories are a large part of the balance sheet for some farms, particularly grain and livestock farms.
Farmers also operate assets leased or rented from others. Here, we are interested in determining the value of assets managed by the operation. As the only available source, we use the respondent’s estimate of the value of land rented in 2012 when estimating the total value of assets managed by the operation.

**Debt by Lender**

These data are used to help establish who is providing funds to meet farmer's borrowing needs. We ask about the loan balance, interest rate, type of loan (production, non-real estate, or real estate), and the year in which the loan was obtained. These items are used to estimate the farm sector’s debt payments that must be met each year.

Many farmers use farm assets as security for loans for a variety of purposes. For each of the five largest loans reported by the operator, we ask what percent of the loan was for operating expenses, capital expenditures, or other expenses of the farm operation. Responses to the primary purpose of the loans provide information about how farm assets are used for farm and family finances.
5.10.2 Section 28 – Farm Assets

5.10.2.1 General Instructions

This section is different from the sections before it in the questionnaire because most of these questions focus on assets OWNED by the operation. For this section, we define assets of the operation as:

- **For individual or partnership operations:** the assets belong to the operation or to the operator and partners. When the operator and/or partners rent their personal assets to the operation, exclude them as assets in this section.

- **For corporations:** the assets belong to the corporation.

We also obtain information on land and buildings MANAGED, but NOT OWNED by the operation. Record the value of land rented by the operation. Also, most of this section has a fixed reference date, December 31, 2012, rather than all of 2012.

If the operator has multiple operations, only account for the assets that belong to the operation identified on the label. Assets belonging to the other operations will be accounted for in Section 39. For example, some operators may use heavy machinery (tractors, planters, combines, etc.) for all their operations. For each piece of heavy machinery, determine which operation it belongs to by determining which operation uses the item most. If the piece of heavy machinery belongs to the operation on the label, account for it in Section 28. If the piece of heavy machinery does not belong to the operation on the label, account for it in Section 39.

In this section we ask for the operator’s estimate of the MARKET VALUE of several types of assets at the end of 2012. Obtain the operator’s best estimate of the current market value of specific assets. If operation assets are owned by partners, include the value of assets belonging to all partners (exclude the landlord’s share).

5.10.2.2 Value of Land & Buildings: Items 1-3

Market value is the “fair market value” for which the land and/or buildings could be sold under the market conditions existing at the time of the reference date and assuming that willing and financially able buyers and sellers exist and that there are no unusual circumstances such as forced liquidation, shortages, and emergencies. This value should be based on highest and best use that the land could be sold for, including non-agricultural uses.

**Item 1 – Market Value of Land & Buildings OWNED**

This information may not be available in records, but most operators should be aware of the current value of their land and buildings or comparable land and buildings. If loan funds have been obtained for use in the operation, the operator has likely prepared financial statements for use with his/her lender. The business financial statements would be a source for asset value information.
It is not necessary for the operation to own land in order to own buildings. Operations can own buildings that are permanent structures located on rented or leased land, or they may own mobile homes, shops or offices located on rented or leased land. When this occurs, be sure to include a note in the margin for survey statistician to review.

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

Record the market value of the operator's dwelling as of December 31, 2012, if it is owned by the operation. Owned by the operation means the house is recorded as an asset in farm record books or deeded as part of the farm. This definition is the same used to report expenses, which makes the income statement and the balance sheet consistent.

If the operator cannot give you an estimate of current market value, probe to get values of similar houses, or get the replacement value listed for insurance purposes.

**Item 1b – Market Value of All Other Dwellings Owned**

Record the market value on December 31, 2012 of tenant and hired labor dwellings as well as all other dwellings owned by this operation. This includes houses/dwellings of partners, relatives, etc. The dwellings must be owned by the operation, not by the partner or relative separately from the land in the operation.

**Item 1c – All Other Farm Buildings & Structures Owned**

Record the market value on December 31, 2012 of all other farm buildings owned by the operation including barns, cribs, silos, equipment shops, grain bins, storage sheds and similar type buildings. **Exclude** processing facilities such as cotton gins, packing sheds, commercial elevator facilities, etc. even if they are owned by and located on the operation, and the books are kept separately. Probe if necessary to obtain values, but do not accept “book value” (the original cost of the building minus depreciation).

**Item 1d – Orchard Trees, Vines, Nursery Trees, & Trees Grown for Woody Crops**

Record the market value on December 31, 2012 of trees in orchards, vines in vineyards, other perennials in the field, Christmas trees, and short-term rotation woody crops. **Exclude** uncultivated acreage in timber – this should be recorded with the value of the land in Item 1e.

**Item 1e – Land Owned**

Record the operator’s best estimate of the total market value of land OWNED by the operation on December 31, 2012. This should correspond to the acres owned reported in Section 1, Item 1, unless land was purchased at the end of the year and, thus, was not part of the operation during 2012. **Include** the value of land rented to others, plus any water rights, any mineral rights, permanently installed irrigation equipment, frost protection systems, grazing permits, uncultivated timber, etc., that go with the land.
Verify with the operator that the average value per acre is reasonable for the area by dividing the amount reported by the number of acres owned.

Exclude the value of dwellings, buildings and structures, and trees in orchards, vines in vineyards, other perennials in the field, Christmas trees and trees cultivated for woody crops. Exclude the value of water or mineral rights if they were sold.

The total of 1a + 1b + 1c + 1d + 1e should reflect the total value of land and buildings OWNED by this operation on December 31, 2012. Verify this total with the operator.

**Item 2 – Value of Land & Buildings on Acres Rented From Others**

Record the operator's best estimate of the total market value of all the land and buildings Cash Rented, Share Rented, or Used Rent Free by the operation during 2012. (This should correspond to acres reported as rented in Section 1, Item 2 and does not include grazing land rented on a fee-per-head or AUM basis.) Include the value of any water rights, any mineral rights, permanently installed irrigation equipment, frost protection systems, permanent plantings in orchards, groves, vineyards, Christmas trees, grazing permits, etc., that go with the land. Exclude the value of water or mineral rights if they were sold.

**Item 3 – Value of Land & Buildings on Acres Rented To Others**

Record the operator's best estimate of the total market value of all the land and buildings RENTED TO OTHERS. (This should correspond to acres reported as rented in Section 1, Item 3.) Include the value of any water rights, any mineral rights, permanently installed irrigation equipment, frost protection systems, permanent plantings in orchards, groves, vineyards, Christmas trees, grazing permits, etc., that go with the land. Exclude the value of water or mineral rights if they were sold.

**5.10.2.3 Value of Trucks, Tractors, Machinery, & Stocks: Item 4**

**Item 4a – Trucks & Cars Owned**

Record the end-of-year (December 31, 2012) estimate of the market value of the farm share of trucks and cars owned by the operation.

**Item 4b – Tractors, Machinery, Tools & Equipment Owned**

Record the end-of-year (December 31, 2012) estimate of the market value of the farm share of tractors, machinery, tools, equipment and implements owned by the operation. Prices of machinery, equipment and implements change over time. Reflect these changes in prices that would have to be paid for a similar item in the estimate of market value.
**Item 4c – Stock in Cooperatives & Farm Credit System**

Record the value on December 31, 2012, of the stock the operation owns in the Farm Credit System and all other farm cooperatives. Be sure to include the value of shares received during the year in lieu of dividends.

As a condition of obtaining a loan, the Farm Credit System has requirements for a borrower to purchase stock in the Farm Credit System. The value of the stock is reported here.

5.10.2.4 Value of Beginning/End of Year Inventories: Item 5

We must account for changes in inventories between January 1, 2012 and December 31, 2012 if we are to accurately measure net farm income for 2012. A portion of cash sales in any year may come from commodities produced in prior years, and carried into this year as inventory. Some of this year’s production may remain in inventory at the end of the year. Accurately measuring net farm income to reflect this year’s production must account for changes in inventory levels between January 1, 2012 and December 31, 2012. For that reason, we ask beginning and ending inventory values for crops, livestock, and production inputs.

Obtaining estimates of the value of assets such as stored crops, livestock, and inputs on January 1, 2012 and December 31, 2012 is critical to development of accurate estimates of profitability for farms. The change in input inventories is important to calculate the balance sheet, which is the wealth of the farm and an indicator of profitability.

There are three main criteria you should guide the respondent toward considering in providing answers to beginning or ending year inventory values:

1) the types of commodities or production inputs
2) the quantity of each type on hand at the beginning and end of the year
3) their market price on the date in question

The most accurate figures would be obtained if we collected all these pieces. This may not be possible thus it is acceptable for you to get the operator’s best estimate of the market value of commodities or production inputs on hand at the beginning and the end of the year. Still, ask the respondent to think about differences in the quantity of crops, livestock or inputs on hand in January and December (for example if more crops were stored, or crops were sold, or inputs were purchased or used up in production) and prices that could have been received for the commodities in January versus December and the prices that would have been paid for inputs on hand.

If the operator says the market values were the same, YOU MUST PROBE for the commodity/input types, the quantity, livestock weights, and the market price on the date in question. This will ensure as accurate figures as possible. If the respondent says values were the same even after probing for additional information, make good notes of the reason why they were the same so the survey statistician understands the situation and will be in position to write a good comment to explain the situation.
The value of commodities held in inventory relate to the figures reported earlier in the questionnaire for crop production, the amount (of crops) used on farm, or the quantity (of livestock) sold, and the sales data reported in Sections 2-16. If the commodity was produced in 2012 (or if livestock was bought in 2012 – see reporting of livestock purchases in Section 26) but not sold or used on farm, it should be in ending inventory and its value would be recorded here.

**In most cases, the value of commodities or production inputs on hand at the beginning of the year should not equal their value at the end of the year.** After finding out the value at the end of 2012 and you ask about the value at the beginning of 2012, do not say, “Was it (about) the same?” or “It was about the same, was it not?” Instead, probe for changes in quantities on hand, for prices for which commodities could have been sold, or for prices that would have been paid for inputs bought for farm use.

**Item 5a – Value of CROPS Owned**

Record the operator’s best estimate of both the beginning of year and end of year market value of all crops stored on or off the operation. Be sure to consider the quantity on hand and market prices on the date in question.

**Include** all types of crops including those for which there are Government programs as well as non-program crops.

**Include** the value of:
- all crops owned by the operation whether stored on or off the operation
- hay and silage crops
- crops produced in 2011 and earlier years in whole form
- crops to be used for feed, seed, sales, etc
- all whole grains on hand
- all crops purchased.
- crops owned by the operation which were produced under a contract but not sold as of December 31, 2012
- crops sold in 2012, but payment and delivery will take place in 2013
- crops in storage which had been redeemed from CCC loan by the reference date above
- nursery and greenhouse products in saleable condition

**Exclude** the value of:
- crops still under CCC loans. However, include the value of the crop if a loan deficiency payment or a marketing loan gain was obtained and the crop is still on hand. **Exclude** the crop only if it was placed under loan and was still under loan on either of the reference dates of January 1, 2012 or December 31, 2012.
- feed items such as cracked corn, rolled oats, etc. (record under production inputs Item 5d)
- growing crops
**Items 5 (b & c) – Value of Livestock Owned**

For livestock, you also need to consider their weights or size on January 1, 2012, to get the market value of the beginning-of-year inventory and on December 31, 2012, to get the market value of the end-of-year inventory. It is highly unlikely that all of these things are the same at the end of the year as they were at the beginning of the year. The number of head and the number owned on December 31, 2012 were reported in Sections 9-16. Use the responses to items in these sections to obtain end of year values.

**Beginning-of-year values should be in comparison to the end-of-year values.**
For example, number of head may be different, or prices may be different, or weights of the animals may be different on the two reference dates. Changes in any one of these items between January 1, 2012 and December 31, 2012 would result in inventory values being different in December than they were in January.

**Include** the value of:
- all animals held for resale
- beef and dairy cows, bulls, steers, heifers, calves and any other cattle
- hogs and pigs
- sheep and lambs
- horses, ponies and mules
- goats
- chickens, ducks, geese, guineas, pigeons, etc
- fur bearing animals
- catfish, crawfish and other fish
- bees
- other specialty livestock

**Exclude** the value of:
- livestock on hand not owned by the operation
- animals owned for pleasure use only (except equine)
- livestock owned by this operation, but being produced by another operation under contract. The value of these animals is collected in Sections 9-16.

**Item 5b – Breeding Livestock**

Record the operator’s best estimate of both the beginning-of-year and end-of-year market value for all breeding livestock (including dairy animals) and poultry owned by, and located on or off, the operation. Exclude breeding livestock being produced on another operation under contract.

Be sure to consider the quantity on hand, their size or weights, and the market prices on the date in question. Breeding livestock animals are considered non-current assets on an operation’s balance sheet. They reflect a long term investment.

The number of head on hand as well as owned on December 31, 2012, was reported in Sections 9-16. This should be the inventory for which the operator gives you his/her estimate of the end of year value. From the end of year value,
ask the respondent about January 1, 2012 values, keeping in mind changes in number, weights, and prices.

**Item 5c – Value of Non-Breeding Livestock Owned**

Record the operator’s best estimate of both the beginning-of-year and end-of-year market value for all non-breeding livestock (including dairy animals) and poultry owned by, and located on or off, the operation.

*Exclude* breeding livestock being produced on another operation under contract. Be sure to consider the quantity on hand, their size or weights, and the market prices on the date in question. Non-breeding livestock (calves, heifers, and steers) held in inventory for sale within the next year are considered current assets on an operation’s balance sheet.

The number of head on hand as well as owned on December 31, 2012 was reported in Sections 9-16. This should be the inventory for which the operator gives you the end of year value. From the end of year value ask the respondent about January 1, 2012 values, keeping in mind changes in number, weights, and prices.

**Item 5d – Value of Production Inputs Owned**

Record the operator’s best estimate of both the beginning-of-year and end-of-year market value of inputs owned by this operation. *Include* such things as processed feed, fertilizer, chemicals, fuels, purchased seed and other supplies, etc. *Exclude* the value of any items that should be reported in Item 5a (hay, crops to be used for seed, etc.) Do not include fertilizers and chemicals already applied (record in Item 5e).

Prices of many inputs such as fuel and fertilizer could have changed during 2012. An estimate of the quantity on hand on January 1, 2012 and price paid at that time and the quantity and price at year end will likely result in the value of inventory being different for these two time periods. The change in the value in input inventory on hand will be very important in helping put production costs into perspective and in helping explain estimates of net farm income for farm businesses.

**Item 5e – Production Inputs Already Used for Crops or Livestock (Sunk Costs) or Value of Inputs Used for Production Contracts yet to be Delivered**

*Why do we ask this question?*

Growing crops represent a substantial investment and have a significant impact on a farmer’s balance sheet. As purchases of fertilizer, seed, herbicide, gas, labor, etc. are made and the resources used, either cash is diminished or liabilities are increased. These kinds of changes by themselves can affect how current assets of the farm are viewed relative to debts owed by the operation. It is important that an asset value still be shown. One method is to assume these cash inputs transformed into growing crops, do in fact have a value; that is, someone would pay to acquire such resources during the year. For a December 31 balance sheet and a winter wheat crop, this means a value should be placed
on the growing crop. Since the actual market value is hard to determine, actual cash invested in the crop is used as the balance sheet value.

Record the amount spent up through December 31, 2012 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, 2012. This is important because the cost of the fertilizers and/or pesticides applied prior to December 31, 2012 would be considered an expense of the farm and would reduce net income from a cash perspective. Recording the value of the inputs applied as an asset would be reflected in the balance sheet and in the change in asset values that is included in the estimate of overall net income and profitability of the farm.

**Sunk Costs and Production Contracts**

If the operator has a production contract and is still completing the growing cycle for that commodity on either January 1, 2012 or December 31, 2012, there will be sunk costs that would be reported in this question. If the operator has a production contract in Section 19 and non-owned livestock on the operation on December 31, 2012 in Sections 9-16, there will be sunk costs that would be reported in this question. The sunk costs for this operation (who is a contractee) is the money that the operation has already spent for the contract livestock or vegetables that are growing on the operation on the reference date.

The respondent should report the sunk costs for the non-owned livestock or vegetables on the operation on December 31, 2012 (livestock from Sections 9-16) in the December 31 column. If the respondent had non-owned livestock or vegetables on the operation on January 1, 2012, the sunk costs associated with those commodities should be reported in the January 1, 2012 column.

These sunk cost values need to be accounted for to get a more accurate picture of how the farm is doing economically. If they are not accounted for, there will be expenses spent in 2012 with no corresponding income or potential income (recorded as an asset).

**Include** the value of inputs already applied to:
- nursery crops
- greenhouse crops
- mushrooms, fruit or vegetable crops
- cover crops
- winter or spring grain crops which had been planted by Dec. 31, 2012
- applied to benefit a crop to be planted after December 31, 2012
- feed, labor, fees, etc. used on farms with crop or livestock production contracts for non-owned commodities
Exclude the value of inputs to:
- crops already harvested and on hand (these crop values should be recorded in Item 5a)
- crops such as Christmas trees, fruit trees, etc. where the value of the crop is included in the value of the land in Item 1 above
- mature standing crops not harvested by December 31, 2012 due to weather or market conditions. This is an “alternate storage issue” and an estimated value for these crops should be recorded in Item 5a if they were originally intended for harvest as of December 31, 2012.

Sunk Costs for Processed Vegetables:

Sunk costs for processed vegetables operations can be reported by recording either:

- the value of utilities, labor, fuel, and other expenses utilized. Keep in mind that the contractor typically provides the seed, fertilizer, and chemicals. In this case, seed, fertilizer, and chemicals would not be accounted for here as the contractee does not pay for it.
- the percentage of the fee due for the processed vegetables not yet harvested and removed based on time on the operation from placement to the reference date.

Sunk Costs for Feedlots:

Sunk costs for feedlot operations can be reported by recording either:

- the value of feed, vet care, labor, fuel, and other expenses utilized for fed cattle not yet moved from the feedlot, or
- Recording the value of net weight gain (portion of feed, fees, etc. not yet recovered from the contractor) for fed cattle not yet removed from the feedlot.

Sunk Costs for Broilers & Hogs:

Sunk costs for broiler and hog operations can be reported by recording either:

- the value of utilities, labor, fuel, and other expenses utilized. Keep in mind that the contractor typically delivers the feed, vet, and sometimes bedding to the farm. In this case, feed, vet, and bedding would not be accounted for here as the contractee does not pay for it.
- the percentage of the fee due for the broilers or hogs not yet removed based on time on the operation from placement to the reference date.
5.10.2.5 Other Farm Assets: Item 6

Record the operator's best estimate of the market value of all other assets of the farm/ranch, using the Value Codes on the questionnaire. These can be known as “Liquid Assets”.

**Almost every operator should have some other farm assets!!**

Include the value of:
- cash, bonds, certificates of deposit, savings and checking accounts belonging to the operation
- money owed to the operation (other than that reported in Section 20, Accounts Receivable/Deferred Payments)
- quotas and allotments owned by the operation, if these values are not reflected in the land values reported in Item 1
- livestock products stored on the operation, but not yet sold (for example, milk before hauling and eggs still on the operation)

Exclude the value of:
- assets for which values were obtained earlier in the questionnaire
- personal assets (record in Section 39)
- personal debt owed to the operator

5.10.2.6 Number of Machinery & Equipment: Item 7

For the items listed in this section, report the total number usually kept on this operation on December 31, 2012 in the first column and of these, report the number that were manufactured in the last 5 years from 2008 through 2012 in the second column. Include the number of leased machines used for farm activities and on this operation on December 31, 2012. Mark the “none” box when appropriate. **Do not include obsolete or abandoned equipment.**

**Item 7a – Trucks, including pickups**

Report the number of trucks, including pickups, used in 2011 or 2012 that were on this operation on December 31, 2012.

**Item 7b – Tractors less than 40 Horsepower (PTO)**

Report the number of tractors with less than 40 horsepower (PTO) used in 2011 or 2012 that were on this operation on December 31, 2012. Exclude garden tractors.

**Item 7c – Tractors with 40 to 99 Horsepower (PTO)**

Report the number of tractors with 40 to 99 horsepower (PTO) used in 2011 or 2012 that were on this operation on December 31, 2012.
Item 7d – Tractors with 100 Horsepower (PTO) or more

Report the number of tractors with 100 horsepower (PTO) or more used in 2011 or 2012 that were on this operation on December 31, 2012.

Item 7e – Grain & Bean Combines, Self-Propelled

Report the number of self-propelled grain and bean combines (used for harvesting and threshing operations) used in 2011 or 2012 that were on this operation on December 31, 2012. Include all grain combines equipped with picking head attachments for corn or grain harvest. Report self-propelled silage and forage harvesters in item1g (1f for Hawaii). Exclude all pull-type grain and bean combines.

Item 7f – Cotton Pickers & Strippers, Self-Propelled

Report the number self-propelled cotton pickers and strippers used in 2011 or 2012 that were on this operation on December 31, 2012.

Item 7g – Forage Harvesters, Self-Propelled

Report the number of self-propelled forage harvesters used in 2011 or 2012 that were on this operation on December 31, 2012.

Item 7h – Hay balers

Report the number of hay balers used in 2011 or 2012 that were on this operation on December 31, 2012. Include pull type and self propelled hay balers.
5.10.3 Section 29 – Farm Debt

Farmers use debt to help obtain assets used by the operation to produce crops or livestock or to provide a range of business services such as custom work, recreational activities, or livestock grazing. Estimates of debt are used to measure how solvent the business is (debt/assets) at a point in time (December 31, 2012). Estimates of debt are also used to develop estimates of interest and principal that have to be paid that can be compared with income earned by the farm (reported in earlier Sections of the questionnaire). Debt service needs relative to income earned is used to prepare measures of financial position reported by USDA for U.S. farms.

All farm household and business debt should be recorded in either Section 29 or in Section 39 and recorded only once. Loans used for both farm and household purposes should be reported in Section 29 and not in Section 39. Section 29 is organized to reflect farmers’ use of debt in their businesses. The organization of this section is intended to provide the large share of respondents who do not report use of term debt or notes from creditors a more streamlined interview.

For operators who do report use of debt in their businesses, Section 29 of Version 1 has been developed to begin with questions about use of an established line of credit. This aligns questions written for the ARMS with steps typically taken to both acquire annual operating inputs and longer-term assets used by the farm. Operating inputs most likely would be financed with either some form of standard loan or a “line of credit”. Lines of credit might differ in how they are established for a farm (operator), but they will feature some established loan amount that has been agreed to by a lender based on a projected amount of borrowing needed by the farm (and its ability to repay or creditworthiness). Farmers can then borrow from the “line of credit” either on an “as needed basis” up to some maximum amount or on some schedule for either amount or timing. Debt used to obtain intermediate and longer-term assets such as machinery or real estate would typically be reported in the remainder of Section 29.

If the operator has multiple operations, only account for the debt that belongs to the operation identified on the label (there should be assets for these items in Section 29 or expenditures for inputs and/or capital purchases in Section 26). Debt belonging to the other operations will be accounted for in Section 39. For example, some operators may use heavy machinery (tractors, planters, combines, etc.) for all their operations. For each piece of heavy machinery, determine which operation it belongs to by determining which operation uses the item most. If the heavy machinery belongs to the operation on the label, account for its debt in Section 29 (Using the same guideline, asset values will have been included in Section 28). If the heavy machinery does not belong to the operation on the label, account for its debt in Section 39.

Item 1 – Debt Use in 2012

This is a screening question to determine if debt was used at anytime during 2012.

Include:
1) Any debt that was obtained from earlier years and was not paid off by January 1, 2012
2) Any amounts used from established lines of credit
3) Loans taken out in 2012 and repaid in 2012
If debt was used at any time during 2012, check “Yes” for Item 1, enter code “1” in the cell, and continue with question 2. If debt was not used at all during 2012, check “No” for Item 1, enter code “3” in the cell, then skip to Section 30.

**Item 2 – Established Line of Credit during 2012**

Ask whether the operation had an established line of credit with a lending institution or other source at any time during 2012 even if it was never used. If no line of credit existed for the farm in 2012, check the “No” box for Item 2, enter code “3” in the cell, and proceed to Item 4.

**Item 3 – Use of Line of Credit**

This question is intended to record whether or not the operator borrowed against his or her established line of credit at any time in 2012 and to provide an indication of the amount of the line of credit that was used. If the respondent did not use any of the funds available from an established line of credit, use code “4”.

**Item 4 – Loans Taken Out in 2012 & Repaid in 2012**

This item includes only loans taken out in 2012 and entirely or partially repaid during the year. For example, if an operation took out a $100,000 operating loan and had repaid all but $20,000 by the end of the year, record $80,000 in Item 4 as the maximum loan amount taken out and repaid during 2012. Record the $20,000 debt balance in the Item 6 table.

Loans acquired through access to “lines of credit” would be reported in Item 4. Any outstanding balance on December 31, 2012 would be reported in Item 6 following the same instruction as provided above for the example.

Responses to this question helps us gauge the share of farms that use debt during the year but that do not have a debt outstanding at year end and provides help in evaluating the amount of interest paid by the operation.

**Item 5 – Screening for Debt**

In a majority of situations, the operation may not report debt. But, most farms with over $100,000 in sales will have some form of operating or longer-term loan. Debt can usually be tied to specific assets. As noted earlier, it is unusual for a commercial-size farm to not have any debt, so if the answer to this item is “No”, place a “3” in the cell box, and make a good note before skipping to Section 30.

Check interest paid as reported in Item 18, Section 26 to help determine whether or not debt was used, and if so what type of loan was established. If interest is paid, some form of debt (either a loan or line of credit) was held during the 2012 calendar year. PROBE to determine if the operation had any loans at the end of 2012 against any livestock, machinery, or farm real estate. If the operator has multiple operations, include debt for only this operation.
5.10.3.1 Debt by Lender: Item 6

If the operation had debt at the end of 2012, the table in this item must be completed. **Include** debt on the operator’s house if it was owned by the operation. Refer to Section 28, Item 1a to determine if the operator’s house was owned by the operation and included in assets. Record line of credit balances outstanding at the end of 2012 in the same manner as any other conventional loans.

Start completing the table by asking about the largest loan. Work down the rows in the table for each loan, **starting with the largest loan owed** and working down to the smallest loan owed, for up to five loans.

Some debt may be used for farm and household purposes. For example, the proceeds of a loan may be used in part to remodel a kitchen that is not part of the farm operation, and in part to purchase equipment used on the farm. Report such loans in this section, and report the percentage of the loan balance used for the farm business in column 7. Do not report such loans in Section 39.

Be sure the respondent **excludes** debt entirely for non-farm purposes even if the loan was secured by the operation’s assets. For example, a loan for a child’s education with the farm as collateral would NOT be reported in this Section. The amount of this off-farm debt secured by farm assets is to be reported in Section 39, Item 12. **Include** all other debt owed by the farm that is secured by farm assets.

**Column 1 – Lender**

Refer the respondent (and yourself) to the list of Lender Codes below the Item 6 table on the questionnaire.

There is no need for the respondent to report specific firms or persons with whom he/she has loans, such as ‘First State Bank of Iowa’ or ‘my mother-in-law’. By encouraging the respondents to look at the questionnaire, you are assuring them your interests are in obtaining what types of loans are typical in their state, not where they personally have obtained loans to finance their operations. Typically, lenders will be grouped to provide reports by lending institutions, trade creditors, individuals, etc.

Enter the Code for the lender type from whom the operation obtained a loan. If more than one loan is owed to the same lender, record the loans separately if possible.

Report as Farm Credit System debt (Code 1) any loans from the Federal Land Bank Association, Production Credit Associations, Agricultural Credit Associations, or any other organizations through which Farm Credit System loans are made.

USDA’s Farm Service Agency (FSA) has taken over the lending functions of the former Farmers Home Administration (FmHA). FSA provides credit to farm operators through direct loans and through guarantees of loans made by private lenders. Use Code 2 only for direct loans made by the former FmHA and/or the new FSA. For loans made through private lenders but guaranteed by FSA, use other Codes, such as 5, 6, and 7, etc.
Exclude loans borrowed against the cash value of life insurance policies from Code 7. Record these type loans under “any other lenders”, Code 15.

Report as contractor debt (Code 11) any loans from corporations, cooperatives, partnerships, individuals, or other organizations for which this operation produces or markets any commodity or product under contract. Poultry and other livestock contractors may provide financing for the construction of facilities and for the purchase of feed and other inputs. Similarly, fruit and vegetable processors may finance seed, specialized machinery, and packing and on-farm processing facilities for producers who grow for them under contract.

For Code 12 and Code 13, lenders are individuals; however, there is a difference in the two types of loans. For Code 12, (individuals from whom land in the operation was bought under a mortgage or deed of trust) title to the land transfers immediately. For Code 13, (individuals from whom land in the operation was bought under a land purchase contract) title to the land transfers after a specified portion of the purchase price has been paid, or after a certain amount of time has passed.

Report credit card debt (Code 16) only for credit card balances outstanding at the end of the year. The farm press frequently reports on the dangers farmers face in charging feed, seed, and other inputs on credit cards to gain frequent flier miles and other affinity program benefits, with the intention of refinancing these purchases during the credit card grace period. Exclude credit card purchases that were paid from an equity credit line or rolled into other debt before the end of the year. The balance owed to the bank, or other lender, should be reported in the table instead. Exclude any outstanding credit card balances not related to the operation of the farm business.

Include as other debts (Code 17) the farm share of all unpaid bills. Unpaid bills are a current liability of the farm operation.

Column 2 – Balance Owed

Record the 2012 end-of-year balance remaining to be paid. Include both principal and unpaid interest which was delinquent. Obtaining an accurate estimate of the balance that farmers owe on any loans taken to acquire assets is critically important. The amount of debt owed by farmers helps drive the development of financial indicators and perspectives about the financial health of farm businesses. Reported debt, for example, forms the numerator of the debt-to-asset ratio developed for farms. Reported debt is also used to assess the capital structure of farms, indicating what portion of assets is owned by the farm family and what share is owned by creditors.

Include any interest which was unpaid and/or delinquent. Exclude any “future” interest that will be owed and accrued interest that was not delinquent.

Column 3 – Interest Rate

Enter the interest rate associated with the loan balance recorded in Column 2. Rates should be entered to the nearest basis point (hundredth of a percent), such as 10.25, 9.50, 8.00 or 6.75 percent. You can have debt recorded with a zero percent interest
rate if no interest is charged. This is most common with very short term debt, although it is sometimes found with debt owed to family members. Write a note of explanation whenever the interest rate is zero.

**Column 4 – Loan Type**

Select one of the 3 choices in the “Loan Types” list below the Item 6 table on the questionnaire that best describes the type of loan that the respondent has. Line of credit balances will most often be designated as “production loans” but in some cases may be included as non-real estate or real estate loans.

Production loans refer to seasonal loans that farmers typically borrow to finance the production of a commodity, and repay when the commodity is sold.

Non-real estate loans (longer than one year) refer to machinery, equipment, and breeding livestock loans that the farmer will repay over a number of years.

Real estate loans refer to loans secured by farmland. These loans may be for any purpose, but typically are repaid over a period of 10-20 years.

To help respondents who may not know, the first determination for loan type is whether a loan is a real estate loan or a non-real estate loan. This determination should be based on whether or not a mortgage is held. The determination between non-real estate and production loans should be based on length of loan. Loans 12 months or more should be classified non-real estate and those less than 12 months as production/operating loans.

**Column 5 – Year Loan was Obtained**

If the loan has never been refinanced, enter the 4-digit year the loan was obtained. If the original loan was refinanced, record the year in which it was refinanced.

**Column 6 – Original Term of Loan**

If the loan has never been refinanced, record the original term of the loan. If the original loan was refinanced, record the number of years for which it was refinanced. If less than a year is owed on any loan, round up to 1 year.

**Column 7 – Percent for FARM Expenditures**

If the loan was obtained entirely for farm expenditures, this item should be 100. If part of the loan was used for non-farm purposes, enter the percent of the original loan which was used for operating expenses, capital expenditures or other expenses of the farm operation.

**Column 8 – Purpose of Loan**

Check below the Item 6 table on the questionnaire for the “Loan Purpose Code” list. Respondents have seven choices for the purpose of the loan. Record the purpose that reflects the respondent’s use of loan funds.
1) Purchase real estate (land and its attachments)
   **Include:**
   - Farm and home improvements
   - Building construction
   - Construction of livestock and poultry facilities
   - Grove development and rehabilitation

2) Purchase feeder livestock

3) Purchase other livestock

4) Other current operating expenditures such as:
   - Current crop production
   - Care and feeding of livestock including poultry
   - Labor, seed, feed, fertilizer, grove caretaking, repair, and maintenance

5) Farm machinery and equipment

6) Debt consolidation

7) Other

**Column 9 – Fixed or Variable/Adjustable/Floating Rate Loan**

Record whether the loan was a fixed rate (Code 1) or a variable/floating rate loan in column 9. Response to this item will provide a basis for measuring the share of farm debt that may be affected by changes in lending rates.

If the loan is a variable/floating rate loan, indicate how often the rate is re-priced. Select a code 2 if the loan is re-priced monthly; 3 if quarterly; 4 if annually; and 5 more than annually. Responses to this question will help determine how sensitive existing farm loans are to changes in interest rates.

**Item 7 – Outstanding Balance of Additional Loans**

Space is provided to record details for up to five loans in the Item 6 table. If the operation had more than five loans with balances outstanding at the end of 2012, enter the total dollar amount owed on loans in addition to the five identified in the table.

**Item 8 – Debt Owed for Operator’s Dwelling**

This should be the portion of debt from all of the loans listed in Item 6 and 7 that is specifically for the operator’s dwelling. If the operator’s dwelling is owned by the operation, any outstanding debt should have been included in Item 6 or 7 above.
5.10.3.2 Soybean Version Differences

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<thead>
<tr>
<th>Soybean Version – Item #</th>
<th>Corresponding Version 1 – Item #</th>
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<tbody>
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<td>8 (See Below)</td>
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**Items 4a, 4b, and 4c – Money Borrowed**

For the Soybean version, report the total debt owed on 4a) production loans, 4b) non-real estate loans of more than 1 year, and 4c) real estate loans of more than 1 year. These rows correspond to individual loans that would have been Coded 1, 2, and 3, respectively, in column 4 of the Debt by lender table in the CRR (Version 1). Include line of credit balances outstanding at the end of 2012 in the same manner as any other conventional loans. Line of credit balances will most often be designated as “production loans” but in some cases may be included as non-real estate or real estate loans.

For each of the loan types in Items 4a, 4b & 4c the corresponding columns in the table that follow each correspond to an Item of the CRR (Version 1) questionnaire as follows:

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<tr>
<th>Soybean Version – Item #</th>
<th>Corresponding Version 1 – Item #</th>
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<tr>
<td>Column 1</td>
<td>Column 2</td>
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<td>Column 2</td>
<td>Column 3</td>
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<td>Column 3</td>
<td>Column 7</td>
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</table>

Estimate weighted average interest rates and farm shares for each type of loan. (For example: The respondent reports 2 machinery loans, $100,000 @ 5 %, and $50,000 @ 10 %. Record $150,000 in 4b, column 1, and 6.67% in 4b, column 2).
5.11 Sections 30 to 33 – Fertilizers, Chemicals, Organic, Direct Sales, & Energy

5.11.1 Section 30 – Fertilizers & Chemicals Applied

Report the number of acres that were treated with fertilizers, manure, herbicides, insecticides, fungicides, nematicides, other pesticides, growth regulators, or other chemicals used on this operation during 2012 (rock phosphate, lime, and gypsum are included as fertilizers). Also report acres treated with chemicals to control growth, thin fruit, ripen, or defoliate. For all acres treated with chemicals, it will be necessary to report all acres treated regardless of who provided the materials, i.e., farm or ranch operator, landlord, custom sprayers, cooperatives, or contractors. If more than one application of fertilizer or chemicals was applied, report the acreage only once. Report in whole acres. **Exclude** the acreage reported in Section 1, Item 9, “All other land,” to which fertilizer and chemicals were applied. Examples include farmsteads, livestock facilities, ditches, fence rows, road banks, etc., to which fertilizer or chemicals were applied.

Item 2 – Commercial Fertilizer & Soil Conditioners Applied in 2012

**Item 2a – Cropland**

Report the acres of all cropland on this operation to which commercial fertilizer or soil conditioners were applied in 2012. Cropland used solely for pasture should be excluded.

**Item 2b – Pastureland & Rangeland**

Report the total number of acres on this operation of pastureland and rangeland, including cropland pastured and woodland pasture, to which commercial fertilizer or soil conditions were applied in 2012.

Item 3 – Acres to which Manure was Applied on this Operation in 2012

Report the acres to which animal manure was applied in 2012. Animal manure includes beef, dairy, swine, horse, poultry, and exotic animals raised in captivity. Poultry manure includes all egg and meat birds, turkey, and other fowl raised in captivity. Manure includes solid or liquid form. **Exclude** municipal sludge.

**Item 4 – Acres to which Chemicals were Applied on this Operation in 2012**

Report the acres treated with chemical sprays, dusts, granules, and other materials. The same acres can be reported in more than one item listed. If two or more applications of the same chemical were applied to the same acres, report the acres only once. If chemicals were applied to more than one crop raised on the same land, count the acres only once. Report all land treated, even if the crop was later abandoned.
Item 4a – Insects

Report the acres treated with chemicals to control insects on crops including hay and pastureland. **Exclude** acres treated only with parasitic insects or acres to which mechanical methods only were used to control insects.

Item 4b – Weeds, Grass, or Brush

Report the acres treated with chemicals to control weeds, grasses, or brush. **Include** acres treated with both pre-emergence and post-emergence applications. **Exclude** area in ditches, fence rows, road banks, etc., that were treated.

Item 4c – Nematodes

Report the acres treated to control nematodes.

Item 4d – Diseases in Crops & Orchards

Report acres treated to control diseases (blight, smut, rusts, etc.) in crops and orchards.

Item 5 – Acres of Crops Treated to Control Growth, Thin Fruit, Ripen or Defoliate

Report the acres of crops and orchards treated to control growth, thin fruit, ripen, or defoliate.

5.11.2 Section 31 – Organic Agriculture

Organic production is commodity production that is managed in accordance with the Organic Foods Production Act (OFPA) of 1990. The USDA National Organic Program (NOP) develops, implements, and administers national production, handling, and labeling standards for organic production.

Operations engaged in the production of organic food must produce commodities without the use of synthetic fertilizers, herbicides, pesticides, genetic engineering (biotechnology) growth hormones, or irradiation. These practices are usually required to be followed for a period of three years before the operation can be certified as an organic operation.

Operations or portions of operations that produce or handle agricultural products that are intended to be sold, labeled, or represented as “100 percent organic,” “USDA organic,” or “made with organic ingredients” or food group(s) must be certified by an accredited certifying agent. Producers and handling (processing) operations that sell less than $5,000 a year in organic agricultural products do not have to be certified. Although exempt from certification, these producers and handlers must abide by the national standards for organic products and may label their products as “organic.”
**Item 2 – Type of Organic Production**

Check all that apply to describe the operation as it relates to organic agricultural production.

A USDA NOP certified operation has followed the organic production practices outlined above for a period of at least three years and has been certified by a state or private organic certification agency. Write the name of the certifying agency or organization in the space provided.

A USDA NOP exempt operation follows the organic production practices outlined above for a period of at least three years, but sells less than $5,000 in commodity sales per year.

Transitioning acres are land that is transitioning from conventional production to USDA's NOP production practices outlined above. The acres have not met the three year time requirement for organic production.

There are operations which follow organic production practices but do not consider themselves USDA NOP certified or exempt. Operations such as “natural growers” or “pledge producers” may consider themselves in this classification.

**Item 3 – Organic Value of Sales**

Report the value of USDA NOP certified or exempt organically produced commodities sold from this operation in 2012. Producers that also grow and process the organic crops and sell the processed products should report only the “farm” value of the crop used to make the processed product. Do not include commodities sold from transitioning acres or commodities which are not USDA NOP certified.

**5.11.3 Section 32 – Direct Sales for Human Consumption**

If this operation grew or raised any crops, livestock, poultry, or their products that were sold directly to individual consumers for human consumption, report the value of these sales in the area provided. Examples of these sales are roadside stands, farmers markets, pick your own, etc. Specify the type of products sold directly to the consumers. Operations that process fruit and vegetables for sale should report only the “farm” value of the product sold.

**Example:**

A vineyard that also has sales from its own winery would report only the value of the grapes harvested on this operation and processed in 2012 that were used to produce wine, not the value of the wine sold in 2012. The same would be true for fruits or berries that were processed into cider, jams, or jellies.

**5.11.4 Section 33 – Energy**

**Item 2 – Types of Systems**

Check the renewable energy producing systems that were on this operation in 2012, regardless of ownership. **Include** all systems that generate energy, including heat.
Include the value of energy sold from this operation in Section 25, “Income from Farm Related Sources,” Item 1 I (Item 1f for Version 2).

**Solar Panel** –
A flat panel designed to capture the sun’s energy. Include photovoltaic systems which convert light from the sun into electricity and also thermal systems that passively generate electricity.

**Wind Turbines** –
A device which converts wind power into electricity. Include wind generators, wind power units, wind energy converters and aero generators. Exclude windmills which do not produce electricity.

**Methane Digesters** –
A device which captures biogas resulting from the decomposition of manure, processing by-products, and other materials. Harvested biogas is used as a substitute for natural gas to power engines which generate electricity. It is fed into the natural gas pipeline or flared. Include methane digesters only if in production and used in 2012.

**Geoexchange System** –
A system which captures heat stored in the earth.

**Small Hydro System** –
A water driven system which produces electricity by the gravitational force of falling or flowing water. Exclude water driven systems that only provide mechanical power, such as turning a grinding stone for a flour mill.

**Biodiesel** –
Non-petroleum based diesel fuel made from vegetable oil or animal fats. It can be used alone or blended with conventional petroleum-based diesel fuel. Include only if there was production of biodiesel fuel.

**Ethanol** –
A fuel produced by converting crops such as corn and sugarcane, biomass crops, or wood. This is generally blended with gasoline. Production of ethanol for fuel requires a permit from the ATF. Include only if there was production of ethanol for fuel.

**Other** –
Any other on-farm device or system not listed above. Exclude gasoline or diesel generators for heating.

**Item 3 – Wind Rights Leased to Others?**
Check “Yes” if the operation allowed the installation of one or more wind generators and an access road to the equipment in exchange for a payment to the landowner. The landowner does not typically use any energy produced by these generators.
5.12 Sections 34 to 36 – Practices & Ag Activity on Reservations

5.12.1 Section 34 – Land Use Practices

**Item 1a – Acres Drained by Tile**

Report the number of acres on this operation, which were drained by tile to reduce subsurface moisture. Report the number of tiled acres regardless of the year the tile system was installed.

**Item 1b – Acres Drained by Ditches**

Report the number of acres on this operation where excess surface water was drained by man-made ditches, channels, or trenches.

**Item 1c – Acres under a Conservation Easement**

Report the number of acres on this operation under a conservation easement. A conservation easement is a legally enforceable land preservation agreement between a landowner and a government agency (municipality, county, state, federal) or a qualified land protection organization, for conservation purposes. The property remains the private property of the landowner.

**Item 1d – No-Till Practices Used**

Report the number of cropland acres on this operation where no-till practices were followed in 2012. No till is a method of planting crops without seedbed preparation. Seeds are planted directly into sod or the previous crop stubble. The only soil disturbance is in the small openings in the soil created by coulters, row cleaners, disk openers, in-row chisels, or rotary tillers, so seed can be placed at the intended depth. Usually no cultivation and chemicals are used for weed control during crop production.

**Item 1e – Conservation Tillage Practices Used**

Report the number of cropland acres on this operation where conservation tillage practices were followed in 2012. Conservation tillage and planting methods include practices that leave a minimum of 30 percent of the soil surface covered by crop residue following planting. This method provides for seed germination, plant growth, and weed control yet maintains effective ground cover throughout the year and disturbs the soil as little as possible.

**Item 1f – Conventional Tillage Practices Used**

Report the number of cropland acres on this operation where conventional tillage practices were followed in 2012. Conventional tillage is a system where 100% of the soil's surface layer is mixed or inverted by plowing, power tillage or disking multiple times.
**Item 1g – Acres Planted to a Cover Crop**

Report the number of acres of cropland on this operation which were planted to a cover crop in 2012. Cover crops are planted primarily for managing soil fertility, soil quality and controlling weeds, pests, and diseases. **Exclude** acres enrolled in the Conservation Reserve Program (CRP).

### 5.12.2 Section 35 – Practices

Mark the appropriate “Yes” or “No” response for the practices on this operation during 2012.

**Item 1a – Receive Irrigation Water**

The Bureau of Reclamation is an agency under the U.S. Department of the Interior that oversees water resource management, specifically as it applies to the oversight and/or operation of numerous water diversion, delivery, and storage projects and facilities.

**Item 1b – Practice Rotational or Management Intensive Grazing**

Rotational grazing is the practice of subdividing pasture into smaller sections and grazing different sections at different times.

**Item 1c – Produce & Sell Value-Added Products**

This applies to value-added products that originated from crop or livestock commodities produced on the operation. Through further manufacture or processing, these items are transformed into products worth more than the originally produced commodity. Check “Yes” if these items were produced and SOLD in 2012.

**Item 1d – Market Products through a CSA**

A Community Supported Agriculture (CSA) arrangement consists of a community of individuals who pledge support to a farming operation where the growers and consumers share the risks and benefits of food production. CSA arrangements usually consist of a system of weekly delivery or pick-up of vegetables and fruit and sometimes include dairy products and meat.

**Item 1e – Raise or Sell Veal Calves**

Veal calves are primarily male calves of dairy breeds. They are usually fed milk and milk by-products such as whey. Veal calves are slaughtered when only a few days old or up to around 30 weeks old.

**Item 1f – Practice Alley Cropping or Silvopasture**

Alley cropping is defined as planting crops in strips in the alleys formed between rows of trees or shrubs, and silvopasturing is defined as grazing livestock on forage crops or pastures within an actively managed tree or shrub crop area. Alley cropping or silvopasture are specific practices of agroforestry; the management of trees in combination with other crops or livestock. The trees in an agroforestry system are used for fruit or nut crops or will otherwise be harvested at some point in the future as a short rotation woody crop or for timber.
Item 1g – Harvest any Biomass for Renewable Energy

Biomass is a renewable energy source and can include such crops as switchgrass, hemp, corn, poplar, willow, sorghum, sugarcane, and a variety of trees if they were harvested for the purpose of making ethanol. Ethanol is then blended with gasoline.

Item 1h – Market Products to Retail Outlets

Mark “Yes” if this operation sold agricultural products to retail outlets, who in turn sold them directly to consumers in 2012.

Item 1i – On-Farm Packing Facility

On-farm packing facilities include equipment used to package bags, crates, hampers, baskets, cartons, etc for the handling, transportation, or marketing of vegetables, potatoes, fruits, nuts, berries or other crops.

5.12.3 Section 36 – Ag Activity on Reservations, Pueblos, & Service Areas

Item 1 – Screening for Ag Activity

Report “Yes” to item 1 and complete this section if this operation had cropland or livestock within the borders of an American Indian Reservation, Pueblo, or Service Area.

Item 2 – Name of Reservation, Pueblo, or Service Area

Print the name of the American Indian Reservation, Pueblo, or Service Area and State where the agricultural activity was located.

Item 3 – Acres Used for Livestock or Cropland

Report how many total acres this operation used for cropland or livestock within this Reservation, Pueblo, or Service Area in 2012. Include deeded acres owned or leased from others. Exclude land used on a per-head or Animal Unit per Month (AUM) basis. If all land used on the Reservation is AUM grazing land, then 0 acres is the proper entry.

Item 3a – Cropland Acres that were Harvested

Report how many of the acres reported in Item 3 were harvested cropland.

Item 4 – Any Livestock?

Mark the appropriate “Yes” or “No” box whether this operation had any livestock on the American Indian Reservation, Pueblo, or Service Area in 2012. Include livestock on land used on a per-head or animal unit month (AUM) basis. If the response is “No,” go to Section 37.

Item 4a – Percent of Livestock on Reservation, Pueblo, or Service Area

If the response to item 4 was “Yes,” then mark the box of the percent range that best represents the percentage of this operation’s livestock that were on the Reservation, Pueblo, or Service Area on December 31, 2012. Mark only one box.
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5.13 Sections 37 to 39 – Farm Management & Household Information

Sections 37 to 39 provide information on farm business organization, farm business strategies, operator household characteristics and operator household incomes. Information on the economic well-being of farm households is needed to evaluate the effects of current and proposed policies that affect farms and rural areas. The questions in these sections provide information on the relationships between farm people and their farms. No other source of data is available to illustrate how the financial situation of the farm and farm household varies among operators and households. These sections also provide data to identify the farm’s management input, including whether decisions are made by one person or a team.

A key function of management is planning: how the farm will be organized; what to produce and how to produce it; what types of equipment to use; whether to hire labor; and how to market commodities or products produced on the farm. A key to farm competitiveness is the adoption and use of cost effective practices by producers.

It is well known that many operators and household members work off-farm. Section 37 provides information on hours worked off the farm, while Section 39 provides information on off-farm incomes. This allows us to develop a key economic indicator—the level and source of household income from all sources, farm and non-farm. The estimate is also used to help determine the debt repayment capability of farmers, considering both the amount of debt owed to all lenders and income from all sources.

The economic well-being of farm households is affected not only by income from all sources (farm and non-farm) but also by the debt they owe and whether income can adequately support the basic needs of the farm household without having to draw down assets or sell the farm or a part of the farm. We combine off-farm income, household asset, and debt data in Section 39 with farm business income and balance sheet data from Sections 1 through 29 to assess the economic well-being of farm households.

Information is collected on assets and debt of the farm household not connected to the farm business. Non-farm assets and debt also affect the economic well-being of the farm household. Non-farm debt must be paid from the farm household’s income. The household’s overall financial status depends in part on non-farm assets and non-farm debt. Moreover, farmers can decide to use farm business assets as collateral for non-farm loans, and they can use non-farm income and assets to acquire farm business assets and to pay expenses for the farm. Thus, a full understanding of financial health of farms in today’s agriculture requires information on the finances of both the farm business and farm household.

Some farms support more than one family. Income sharing among partnerships and farm corporations are obvious, but income generated from farms operated as individual proprietorships may also go to support multiple households. As a result, it is not accurate to assume that all of the farm business income goes to the farm operator household. Instead, we estimate the operator household’s share of net farm income, by asking how many other households shared in the net income of the farm operation and the percentage of the net income received by the operator’s household.
Knowledge of age, gender, education, ethnicity, race, and major occupation from Sections 37-39, helps USDA determine how farm household well-being varies across different demographic groups, and to identify the extent to which different groups participate in farming. USDA now has programs targeted to beginning farmers and ranchers and so knowledge of when a farmer began farming, reported in Section 37, helps USDA know more about the target population.

Data on household expenditures (Section 39) are used for important purposes including:

1) For inclusion into the Indexes of Prices Paid.
2) To estimate farmers’ debt repayment capacity (family living expenses are deducted from net income to determine how much is left over to replace equipment and to repay outstanding debt).
3) To understand the relationship between household income and family living expenses as well as how farm families adjust to changes in prices received for crops and livestock, in production, and in the costs for inputs such as fertilizer, fuel, and labor.

5.13.1 Section 37 – Operator Characteristics

Item 1 – Individuals Involved in the Day-to-Day Decisions

Record the number of operators, or individuals involved in the day-to-day decisions for this operation. Enter the number of operator(s), including the operator listed on the front of the questionnaire. Include family members if they are also operators. Exclude hired workers unless one or more are hired managers considered to be operators.

In the second response area, enter the total number of operator(s) who are women.

Item 2 – Top 3 Operator Characteristics

The operators are those persons responsible for the day-to-day management decisions for this operation, including hired managers. In the event there is more than one person involved in the day-to-day decisions, three columns have been provided to record the names and characteristics of up to three operators. The name of the principal operator should be listed first. The principal operator is the person in charge, such as a hired manager, business manager, or other person primarily responsible for the on-site, day to day operation of the farm or ranch business. If the principal operator has a spouse who also makes day-to-day decisions, include him/her as operator 2. If the spouse does NOT make day-to-day decisions, include their information in Section 39, Items 3-8.

Item 2a – Full Name of Operator

Identify the operator(s) in the columns provided and respond to each item for each operator. If there were more than three operators, identify the three most senior operators. Keep in mind that if the most senior operator has a spouse
who makes day-to-day decisions, their name has to be included in the 2nd column.

Exclude hired workers unless one or more were hired managers or a family member was also an operator.

Print the name(s) of the operator(s) in the response area.

**Item 2b – Gender of Operator**

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

**Item 2c – Spouse of Operator**

For operator 2, indicate whether this operator is the spouse of the principal operator.

**Item 2d – Major Occupation**

If the operator listed at the top of the column spent the majority (50% or more) of his/her work time in this or other farming/ranching operations in 2012, mark the “Farm or ranch work” box. Work other than farming/ranching means at an off-farm job or business for compensation.

**Item 2e – Retired from Farming**

In the opinion of the operator listed at the top of the column, mark whether the operator is retired.

**Item 2f – Off-Farm Work**

Report how many days the operator(s) worked at least 4 hours per day off this operation for pay in 2012. Include time spent working on someone else’s farm. Mark the appropriate box.

**Item 2g – Operator Lived on Operation in 2012**

Mark whether the operator listed at the top of the column lived on this operation at any time during 2012.

**Item 2h – Year Operator Began to Operate THIS Operation**

Report the first year the operator listed at the top of the column began to operate any part of THIS operation on a continuous basis through 2012.

**Item 2i – Year Operator Began to Operate ANY Operation**

List the four-digit year that the operator(s) first became involved in the day-to-day operational decisions on ANY farm. This information is used to determine if farmers are “beginning farmers”.
Item 2j – Age of Operator on December 31

Report the age of the operator listed at the top of the column on December 31, 2012.

Item 2k – Spanish, Hispanic, or Latino Origin

Mark the appropriate box as to whether the operator listed at the top of the column is of Spanish, Hispanic, or Latino origin or background, such as Mexican, Cuban, or Puerto Rican, regardless of race.

Item 2l – Operator’s Race

Mark one or more races to indicate what the operator listed at the top of the column considers himself/herself to be.

Item 2m – Highest Level of Formal Education

Check the box representing the highest level of school completed by each operator. Vocational school, secretarial school, etc. should not be counted as formal education unless the credits can be transferred to a college or university. A 4-year college graduate is considered as a B.S. or B.A. degree and should be coded “4”. An associate degree should be coded as a “3”.

Item 2n – Number of People in Household

For column 1, report the number of persons living in the principal operator’s household. For columns 2 and 3, report the number of persons living in each operator’s household, but enter “0” if this operator was counted in a previous column.

Item 2o – Hired Manager

If the operator is a hired manager (an employee that receives a wage or salary for making the day-to-day management decisions) of the operation, check ‘Yes’, otherwise, check ‘No’.

Item 3 – Internet Access

Indicate if the operation had Internet access on the operation or at the principal operator’s residence.

Item 4 – Type of Service used to Access Internet

Check the type(s) of service used for the Internet connection.
5.13.2 Section 38 – Type of Organization

Item 1 – Ownership Interest by Blood, Marriage, or Adoptive Relatives

Report whether the following hold more than 50 percent of the total farm asset ownership interests of this operation:

1) The operator
2) Other members of the operator’s household
3) Other persons related to the operator by blood, marriage, or adoption

Check ‘Yes’ for Item 1 if this is the case. Check “No” if this is not the case.

Persons related to the operator by blood, marriage, or adoption may live outside the operator’s household.

DO NOT include landlords, contractors, or lenders as those with ownership interest. The purpose of this question is to accurately classify farm operations as family farms, because sometimes family members who share the ownership of the farm do not all live in the same household.

Item 2 – Number of Owners of the Operation

Report the number of owners for the farm operation in Item 2. Do not count landlords, contractors, or lending institutions that may have a lien on the operation.

Item 2a – Percent Ownership Interest in Operator’s Household

Report the farm asset ownership interest for this operation, in percentage terms, that the operator and those living in the operator’s household have in the farm operation. The purpose of this question is to develop an estimate of the farm’s contribution to the net worth of the farm household. The total net worth of the farm household is calculated by adding its share of the net worth of the farm business to its non-farm net worth (from Section 39).

Item 3 – Operation’s Legal Status

In this item we want to record the operation’s legal status as a business organization. This does not mean how decisions are made for the operation on a day-to-day basis. Therefore, the answer to this question may be different than the answer to the question on day-to-day decision-making in the screening section of this questionnaire. Responses to this question are used for a variety of purposes including classifying farms in the U.S. Department of Commerce’s National Income Accounts and estimating after-tax income. Report the organization used for tax purposes, using the designated code.

1) Individual (Sole or family proprietorship):

A farm operation that has no partners and no shareholders. The proprietor is personally liable for all the firm’s obligations. The proprietor, who is regarded as self-employed, bears all the costs and keeps all the after-tax profits, filing IRS
Form Schedule F. As a result, the operator typically does not have a fixed salary recorded in Section 26, Item 27a. Any operator who insists that they receive a salary in Section 26, Item 27a and is an individual operation should be noted for the office.

Individual operations include a single-member Limited Liability Company (LLC) taxed as a sole proprietor. Consider an operation that is operated as a husband-wife team to be a sole proprietorship, unless it is legally organized as a partnership or some other legal form.

2) **Legal Partnership:**

Farm business operations owned by two or more persons who agree to abide by a partnership agreement. Partners must be owners but do not need to be involved as operators. The partnership agreement sets out how management decisions are to be made and the proportion of the profits to which each partner is entitled. **Exclude** arrangements that do not involve jointly operating a farm or ranch, such as landlord-tenant arrangements.

Partnerships include general partnerships where all partners bear unlimited liability for the operation’s debts as well as most Limited Liability Companies (LLCs) with more than one member and Limited Liability Partnerships (LLPs). The partners pay personal income tax on their share of the profits. Formal, legal partnerships file IRS Form 1065. Note that not all LLCs are treated as partnerships; LLCs can also consist of only one member, where that member can be either an individual or a corporation.

3) **C – Corporation:**

Indicate whether or not the corporation is a C–Corporation. Generally, a corporation is a business entity chartered under a State or Federal statute, or under a statute of a federally recognized Indian tribe, if the statute describes or refers to the entity as incorporated or as a corporation, body corporate, or body politic. It is also regarded as a corporation if the business entity is organized under a State statute and described by the statute as a joint-stock company or joint-stock association. For the purpose of Federal taxation, corporations are defined specifically under instructions for IRS Form 8832 (Entity Classification Election). C-Corporations also include single-member limited liability companies (LLC) taxed as a C-Corporation.

A corporation is legally separate and distinct from its owners (called share- or stockholders). The corporation is formed by filing articles of incorporation with the authority, which returns it with a certificate of incorporation; the two documents together become the corporate charter. The corporation is regarded by the courts as an artificial person and thus may own property, incur debts or make loans, sue or be sued, own assets and pay taxes.

The corporation’s chief distinguishing features are:

1) Limited liability—owners (shareholders) can lose only what they invest;
2) Easy transfer of ownership through sale of shares of stock;
3) Continuity of existence: i.e.; the operation does not cease to exist when one or more of its owners die.

The most important aspect of a corporation is limited liability. That is shareholders are not held personally liable for the corporation’s debts. Shareholders elect a board of directors who appoint and oversee the management of the corporation. Although a corporation does not necessarily have to be for profit, the vast majority of corporations are setup with the goal of providing a return for its shareholders.

Corporations pay Federal income taxes. Corporations must file income taxes separately from its owners. C-corporations file IRS Form 1120. Owners pay individual income tax only on money they draw from the corporation in the form of salaries, bonuses, or dividends.

4) S – Corporation (Small Business Corporation):

Indicate whether or not the corporation is an S–Corporation. The “S-Corporation” (for Small Business Corporation) is a form of corporation that meets certain requirements (see IRS Form 2553). This gives an S-Corporation the benefit of incorporation while being taxed on the same basis as a partnership or sole proprietorship. This means that any profits earned by the corporation are usually not taxed at the corporate level, but rather at the level of the shareholders. However, an S-Corporation may still owe tax on certain income. S-Corporations also include single-member Limited Liability Companies (LLC) taxed as an S-Corporation, reporting income and expenses on Form 1120S.

5) Other:

If this operation is any other kind of organization not readily classified in the above-mentioned categories, check the “Other” box. Some examples are:

- **Estate** – Undivided property still in, or subject to, probate.
- **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.
- **Cooperative** – Non-taxable business organization formed to eliminate “the middleman” and which exists for the production and/or marketing of goods owned collectively by the members who share in the benefits.
- **Grazing Associations** – A corporation or cooperative mutually operated for the purpose of aiding in the conservation, restoration, improvement, development and utilization of natural forage resources where a grazing area has been acquired for joint use by its members.
**Item 4 – Limited Liability Company**

Check ‘Yes’ for Item 4 if the operation is organized as a Limited Liability Company (LLC) under State law. Check “No” otherwise.

A LLC is a business organization which provides limited liability for the owners at the State level. Some States may recognize Limited Liability Partnerships (LLPs) in which the individual partners are protected from liabilities of the partnership.

Most LLCs with more than one member are generally considered partnerships for both Federal and State tax purposes. When a LLC has only one member, the fact that it is a LLC is ignored or “disregarded” for the purpose of filing a Federal tax return. If a single member of a LLC is a corporation, it is treated as a C-Corporation or an S-Corporation, depending on its charter. If the only member is an individual, the LLC is treated as a proprietorship for tax purposes, unless an election to be treated as a corporation is made.

Remember, how a farm is treated for tax purposes doesn’t change the fact that the business is legally a Limited Liability Company.

**Partnership Questions – (Item 3 = Code 2?)**

**Item 5 – Registered Under State Law**

For partnerships, answer the “YES”/“NO” question as to whether the partnership is registered under State law.

**Item 6 – Number of Partners**

For partnerships, record the number of partners in the operation in this Item.

**Corporation Questions – (Item 3 = Codes 3 or 4?)**

**Item 7 – Family Held Corporation**

Indicate whether or not the organization is a family held corporation. A family-held corporation has more than 50 percent of its stock owned by persons related by blood or marriage.

**Item 8 – More than 10 Stockholders**

Indicate whether or not the corporation has more than 10 stockholders.

**All Operations**

**Item 9 – Number of Households that Shared Net Farm Income**

Record the number of households that shared the net income from the farm business.
Item 10 – Is Operation a C-Corporation?

Report whether this operation is a C-Corporation OR an LLC that chose to file as a C-Corporation.
Enter a 1 for ‘Yes’ or a 3 for “No”.

If this Item is coded a 1, continue on to Item 10a.
If this Item is coded a 3, skip 10a and go to Item 10b.

Item 10a – Income Received from C-Corporation

Record dividends received by operator’s household from the Farm Operation if the operation is a C-Corporation.

Note that this item asks for a Value Code representing a dollar amount (e.g.; $10,000 = Value Code 10) received by operator’s household if the operation is a C-Corporation. Refer to the Value Codes in the questionnaire.

Note: After answering Item 10a, skip Item 10b and proceed to Section 39.

Item 10b – Income Received by Household from Farm Business, Except if the Farm is a C-Corporation

Record the percent of the farm operation’s net income the operator’s household is entitled to receive if the operation is not a C-Corporation.

5.13.3 Section 39 – Household Information

Distance

Item 1 – Distance to Nearest City with 10,000 or More People

This important question defines the extent of the farm operator’s local economy. Record the driving distance (in miles) from where the operator lives to the closest city with a population of 10,000 or more. If the operator currently lives in a city with 10,000 or more people, then the answer should be a dash (or a 0).

Item 2 – Operator Live On or Adjacent to any Part of Their Farm/Ranch

For operators whose farm is located in more than one place, we want to know if the farm household is located on or near any part of the farm or ranch. If the home of the principal operator is not located on or near any part of the farm or ranch, check the “NO” box.

Operator’s Spouse

Item 3 – Presence of Spouse of Principal Operator

Ask if the principal operator had a spouse at any point during 2012. If so, record a “1” otherwise record a “3” and skip to Item 9.
Note: This item is checked heavily in the State Office against the spouse questions throughout the questionnaire for consistency. Make notes about any inconsistency.

Item 4 – Is the Spouse an Operator?

If the principal operator’s spouse is listed as “Operator 2” in Section 37, Item 2a, enter a 1 and skip to Item 9, since the information has already been collected. If the spouse is not reported as “Operator 2” in Section 37, Item 2a, enter a 3, and continue on to Item 4a.

Item 4a – Age of Principal Operator’s Spouse on December 31

Enter the age of the principal operator’s spouse (who does NOT make Day-to-Day decisions) on December 31, 2012. If the spouse passed away during the year, make a dash in the box and add a comment.

Items 5-6 – Race & Origin of Principal Operator’s Spouse

Item 5 asks whether the principal operator’s spouse is of Spanish, Hispanic, or Latino origin or background. In Item 6, refer the respondent to the list of Race Codes on the questionnaire. Enter code “1” in the column across from each race that applies. If more than one race applies then multiple items may be coded with “1”.

Item 7 – Highest Level of Formal Education of Principal Operator’s Spouse

Check the box representing the highest level of school completed by the principal operator’s spouse. Vocational school, secretarial school, etc. should not be counted as formal education unless the credits can be transferred to a college or university. A 4-year college graduate is considered as a B.S. or B.A. degree and should be coded “4”. An associate degree should be coded as a “3”.

Item 8 – Principal Operator’s Spouse’s Primary Occupation

We consider primary occupation to be the occupation or work at which an individual spent 50% or more of his or her work time in 2012. Work other than farming/ranching means at an off-farm job or business for compensation. Record what the principal operator’s spouse considers their primary occupation to be.

ENUMERATOR INSTRUCTION: Screen for Household Questions

We only want to collect household-related questions from operators if they and their relatives have a majority ownership interest in the operation.

If SECTION 38, Item 1 = 3, skip to the Conclusion.

The household-related information for the respondents that indicated in Section 38, Item 1=1 is relevant in an economic analysis of family farms because the income and net worth of families are available to the farm operation. Note that some family farms may very well pay a family member to be a hired manager for a variety of reasons: we want to be able to include these farms as family farms, whether or not a family member is paid to be a hired manager.
5.13.3.1 Total Household Income: Item 9

**Item 9 – Off-Farm Income (Cash Income from Sources Other Than This Farm Operation)**

To understand the economic situation of agriculture, it is important to know how much outside income is available to farm/ranch households. The request for income by total household income, operator, and spouse, for Items 9a, 9b, and 9d recognizes that there can be multiple sources of income for the household by each household member, and that the contribution of each should be included. Ask for income received by source, including wages or salaries from off farm work, income from operating another farm or any other business, cash or share rent from other farming operations, interest, dividends, capital gains/losses from the proceeds of sales other than from this farming operation, retirement, social programs, and other sources. Obtaining income in this manner recognizes that there are a multitude of possible sources from which a household may receive income, depending upon its individual situation and previous investments. The breakout is to assure that income from each of these sources is considered by each respondent. This also allows us to analyze how the composition of income may be affected by differences in operator or farm characteristics and to align farm and off-farm income with the hours worked on and off the farm.

For the categories of off-farm income, record the VALUE CODE that represents off-farm income for the household, operator and the operator’s spouse in 2012 or the total for the household for Items 9c as well as 9e through 9j.

**Include:**
- the operator identified in screening
- the individual identified as the operator for a family corporation
- 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:**
- landlord’s share
- other partners in a partnership, unless they lived in the same house as the operator

**Note:** If no income was received, “1” MUST be entered. When using Value Codes a code “1” indicates zero. **If NO spouse was reported in the previous sections, please leave the entire spouse column blank.**

**Item 9a – Off-Farm Wages or Salaries**

Report the off-farm wages, salaries, and tips before withholding separately for the household, operator, and the operator’s spouse.
Item 9a(i) – Source of Off-Farm Wages

If there was income reported for off-farm wages (Item 9a), record the Business Code located on page 34 of the questionnaire representing the type of business the operator and spouse worked at. If no income was reported in Item 9a, please leave BLANK.

Item 9a(ii) – Type of Job

If there was income reported for off-farm wages (Item 9a), record the Occupational Code located on page 34 of the questionnaire representing the type of job the operator and spouse worked at.

The occupational codes are used to classify the off-farm job function of the operator and/or spouse at their place of work. For example, a teacher in a public school would fall under the “Management, Professional and Related” occupations. A janitor or grounds person at the same school would be classified as being in a “Services” occupation. Below is a list of occupations for each category. If no income was reported in Item 9a, please leave BLANK.

Management, Professional, and Related Occupations (Code=1):
- management,
- business and financial
- computer and mathematical
- architecture and engineering
- life, physical and social sciences
- community and social services
- legal
- education, training, and library
- arts, design, entertainment, sports, and media
- healthcare practitioner and technical

Service Occupations (Code=2):
- healthcare support (such as nursing, all types of healthcare related assistants and aides)
- protective service
- food preparation and serving
- building and grounds cleaning and maintenance
- personal care and service

Sales and Office Support Occupations (Code=3):
- sales and related (such as retail and wholesale sales occupations including first-line supervisors, real estate brokers and sales agents, advertising sales, insurance, securities, and commodity sales, and sales representatives of all types)
- office and administrative support (such as office supervisors and administrative support staff, communication equipment operators,
clerks of all kinds – financial, information, service-processing, record-keeping, production, shipping and receiving, postal and courier)

**Natural Resources, Construction, and Maintenance Occupations (Code=4):**
- farming, fishing, and forestry occupations
- construction trades, laborers, operators, and supervisors
- mining extraction workers
- installation, maintenance and repair occupations of all types

**Production, Transportation, and Material Moving Occupations (Code=5):**
- first-line supervisors and workers in production (such as assemblers, food processing, metal and plastic workers, machine tool related workers, chemical, printing, textiles, woodworkers, and all types of plant and systems operators)
- transportation – all land, air, and water transport of people and goods, and materials moving occupations – (such as refuse and recycling, dredging and excavation)

**Military Occupations (Code=6):**
- military officer special and tactical operations leaders
- first-line enlisted military supervisors
- military enlisted tactical operations and air/weapons specialists and crew members

**Items 9b-9j – Other Sources of Income**

Report the other sources of income separately for the household, the operator, and the operator’s spouse for Items 9b and 9d. For Items 9c as well as 9e-9j, report total household income.

**Item 9d(i) – Source of Off-Farm Income**

If there was income (positive or negative) reported for net cash income from operating another business (Item 9d), record a Business Code located on page 34 of the questionnaire representing the type of business the operator and spouse worked at. If the operator or other household members had farm-based businesses that kept separate financial records from this farming operation, record the net income from those other businesses here. This includes machine hire and custom work businesses or horse boarding businesses where the financial bookkeeping is separate from this operation. **If no income was reported in Item 9d, please leave BLANK.**

**Item 9d(ii) – Number of Employees in Off-Farm Business**

If there was income (positive or negative) reported for net cash income from operating another business (Item 9d), record the number of employees that worked for the off-farm business. **Include** the operator and/or spouse. **If no income was reported in Item 9d, please leave BLANK.**
Item 9g – Proceeds From the Sale of Farm and Non-Farm Capital Assets

Include the proceeds from the sales of capital assets of this farming operation. Include the proceeds from the sales of farm assets of other farming operations and the sale of non-farm capital. Include the proceeds received from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development rights, cropping rights, etc.) or other partial interest in land. Generally, an easement permanently restricts use of the land and the landowner typically receives payment in one lump sum. For example: The operator sold a rental house in town for $100,000. The house had a mortgage of $50,000 at the time of sale. At settlement, (ignoring real estate commissions and other closing costs) the mortgage was paid and the operator received a check for $50,000. The total proceeds from this sale are $50,000.

Item 9g (i) – Recognized Gain/Loss on the Sale of Farm & Non-Farm Capital Assets

There may be tax consequences when a capital asset is sold. Certain assets can be exchanged for “like-kind” assets in tax-free transactions. Report recognized taxable gain/loss associated with the sale of farm assets, assets from other farms, and non-farm assets here. Include gains or losses from selling an easement (i.e., a permanent or long-term (30-year) easement for the sale of development rights, cropping rights, etc.) or other partial interest in land. Gains/losses on the sale of capital assets are essential in estimating an after-tax farm household income measure. Gains/losses are computed as the difference between the sale price and the seller’s tax basis in the property (cost plus improvements less accumulated depreciation). In the example above, the operator sold the rental house for $100,000; it had a $50,000 mortgage. If the operator had originally paid $40,000 for the house, spent $10,000 on an addition, and had taken $15,000 in depreciation, the basis in the house would be $35,000 ($40,000 + $10,000 - $15,000). As a result, at the time of sale the operator would have a recognized taxable gain of $65,000 ($100,000 sale price less $35,000 basis).

However, sellers often defer the payment of these taxes, under certain conditions, by purchasing a replacement property in a tax-free exchange. Ask the respondent if the sale of the property involved a tax-deferred like-kind exchange. Section 1031 and Starker exchanges are common forms of like-kind exchanges.

Item 9h – Income From Private Pensions & Disability Payments

Record the value code representing the amount of private pensions and disability payments.

Item 9i – Income from Public Sources

Record the value code representing the income from public sources. Examples of public sources include Social Security, Public Retirement, Veterans Benefits, Unemployment, and other income from public sources.
**Item 9j – Other Off-Farm Income**

Record the value code representing the off-farm income from sources other than the ones mentioned above.

**Item 10 – Household Spending in 2012**

Because farm businesses and households are linked, household expenditures are important to understand the financial viability of both the farm business and household. Expenses are reported for each general category.

### 5.13.3.2 Non-Farm Assets Owned by Operator & Household: Item 11

This question applies to the non-farm assets of the operator's household for which data has not previously been reported. Assets of the operation were reported in Section 28. **Include** the value of the operator’s dwelling here if it is owned separately from the operation and excluded from farm business assets.

Record the VALUE CODE which includes the value of assets owned by the operator and members of the operator's household SEPARATELY from the operation on December 31, 2012.

**Item 11a – Financial Assets in Non-Retirement Accounts**

Record the VALUE CODE which includes the value of household financial assets held in non-retirement accounts. Income generated by these assets will generally be taxable in the current year. Such accounts include CDs, mutual funds, stocks, bonds, taxable brokerage accounts, and money market accounts. **Include** the cash value of life insurance policies.

**Item 11b – Financial Assets in Retirement Accounts**

Record the VALUE CODE which includes the value of household financial assets held in retirement accounts. Income generated by these assets will generally NOT be taxable in the current year. Such accounts include Regular and Roth IRAs, 401(k)s, 403(b)s, Keogh accounts and other tax-deferred accounts. Investments in these accounts generally include financial assets that can also be held in taxable accounts.

**Item 11c – Operator's Dwelling**

Record the VALUE CODE which includes the value of the operator’s dwelling if it is **not owned by the operation**. **Exclude** other personal use homes, such as vacation or second homes.

**Item 11d – Real Estate**

Record the VALUE CODE which includes the value of any other farms, residential rental, commercial, industrial, or other real estate owned by members of the
operator’s household. Include other personal use homes, such as vacation or second homes.

**Item 11e – Other Businesses**

Record the VALUE CODE which includes the value of any other businesses that are not part of this farm.

**Item 11f – All Vehicles**

Record the VALUE CODE of the non-farm share of all vehicles. Include such items as RVs as well as non-farm share of cars and trucks.

**Item 11g – Other Assets**

Record the VALUE CODE which includes the value of any other assets not reported elsewhere. Furnishings are an example of what would be reported here.

**Non-Farm Debt**

**Item 12 – Non-Farm Debt**

All farm and household debt should be recorded in either Section 29 or in Section 39 Item 12, and recorded only once. **Item 12 applies to the operator’s household only, not to the operator’s farm business.** Do not report any debt recorded earlier in the questionnaire. Be sure to exclude loans obtained for farm and household purposes that were reported in Section 29. Debt is classified as business or household depending on the purpose of the loan. Do not include household debt, credit cards, etc. used to finance farm business expenses. Report all such debts in Section 29.

Record the VALUE CODE which includes the value of debts owned by the operator and members of the operator’s household SEPARATELY from the operation on December 31, 2012.

**Item 12a – Mortgages on Operator’s Dwelling**

Record the VALUE CODE which represents the amount of household mortgage debt on the operator’s dwelling, if not owned by the farm operation. Include home equity loans, and other lines of credit secured by the operator’s dwelling. However, if the purpose of the line of credit was for this farm business, then it should be recorded in SECTION 29, not in Item 12.

**Item 12b – Mortgages on Other Real Estate**

Record the VALUE CODE which represents the amount of household debt for other real estate properties, such as other personal homes, residential / commercial properties, and other farms. Include other personal homes. Include any lines of credit secured by other real estate. However, if the purpose of the line of credit was for this farm business, then it should be recorded in Section 29, not in Item 12.
Item 12c – Other Businesses Loans

Record the VALUE CODE which represents the amount of debt associated with non-farm business loans. These businesses are independent of the farming operation.

Item 12d – Personal Loans

Record the VALUE CODE which represents the amount of household debt in the form of personal loans such as credit card debt, auto loans, medical bills, and unpaid taxes. However, if the purpose of the credit card debt was for the farm business, then it should be recorded in Section 29, not in Item 12.

Item 12e – Other Off-Farm Debt

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

Item 13 – Non-Farm Debt Secured by Farm Assets

The purpose of this question is to examine the effect that non-farm debt has on the financial ratios of the farm business, specifically on debt/asset and debt/equity ratios.

Record the VALUE CODE which represents any debt owed by the operator’s household for non-farm business purposes (as the respondent noted in previous question), which used any farm assets (such as farmland or any other assets reported in Section 28) as collateral or security.

5.13.3.3 Previous Year Income (2011): Items 14-16

These questions are to determine the presence of Limited Resource Farms. The definition of a limited resource farm requires 2 consecutive years of sales, operating income, and off-farm income data.

Item 14 – Total Value of Farm Sales in Previous Year (2011)

Record the VALUE CODE which represents the respondent’s best estimate of the total value of farm sales in 2011.

Item 15 – Net Operating Income in Previous Year (2011)

Record the VALUE CODE which represents the respondent’s best estimate of net operating income for the farm in 2011. In cases where the respondent reports a negative value for net farm income in 2011, indicate a minus sign before the value code. For example, code "-3" for losses between $500 and $999.
Item 16 – Total Off-Farm Income in Previous Year (2011)

Record the VALUE CODE which represents the respondent’s best estimate of total off-farm income in 2011 for the operator and the operator’s household members. In cases where the respondent reports a negative value for total off-farm income in 2011, indicate a minus sign before the value code. For example, code “-3” for losses between $500 and $999. Total off-farm income should include all of the income sources listed in the current year off-farm sources, except for the sales of capital assets and the capital gains from the sales of those capital assets. Include such items as Social Security, private pensions, and/or other retirement payments.

5.13.3.4 Soybean Version Differences

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Item 9 – Operator’s Off-Farm Work During 2012

If the operator received pay from an off-farm job or operating an off-farm business at any time during 2012, enter “1” for Item 9 and continue to Items 9a & 9b. If the operator did not have an off-farm job, enter a code “3” and skip to Item 10.

Item 9a – Weeks Worked Off the Farm

Record the number of weeks the operator worked off this operation for pay in 2012.

Item 9b – Average Hours Worked Per Week

For the weeks the operator worked off this operation for pay in 2012, record the average hours worked per week. If the operator had more than one job, include average hours for all jobs combined. For example, if an operator worked 10 hours per week on one job and 20 hours per week on another, the average number of hours worked per week would be 30 hours.

Item 10 – Principal Operator’s Spouse’s Off-Farm Work During 2012

If the principal operator’s spouse received pay from an off-farm job or operating an off-farm business at any time during 2012, enter “1” for Item 10 and continue to Items 10a & 10b. If the principal operator’s spouse did not have an off-farm job, enter a code “3” and skip to Item 11.
**Item 10a – Weeks Worked Off the Farm**

Record the number of weeks the principal operator’s spouse worked off this operation for pay in 2012.

**Item 10b – Average Hours Worked Per Week**

For the weeks the principal operator’s spouse worked off this operation for pay in 2012, record the average hours worked per week. If the principal operator’s spouse had more than one job, include average hours for all jobs combined. For example, if the principal operator’s spouse worked 10 hours per week on one job and 20 hours per week on another, the average number of hours worked per week would be 30 hours.
5.14 Section 40 – Irrigation (Version 2 Only)

Information on irrigated agriculture is critical for USDA’s Economic Research Service to assess the impact on agriculture, at the farm and regional level, of problems/conflicts associated with water quality, water policy, wildlife, and other environmental issues facing American agriculture. Irrigation data is required across crops for a farm so that economic analysis can correctly estimate all economic costs and benefits to agriculture associated with proposed policy changes that may affect American agriculture.

Item 1 – Irrigation During 2012?

Check “Yes” for operations that irrigated any cropland, alfalfa, other hay or pastureland in 2012. If the operation irrigated in 2012, complete the remainder of Section 40. Include any land that was privately owned or rented and land rented from a public agency which received irrigation water as part of the farming operation for this farm in 2012. Exclude irrigation of home gardens and manure applied through the irrigation system.

If no cropland, orchard land, alfalfa, other hay or pastureland was irrigated in 2012, go to Section 41.

Item 2 – Crops Irrigated

This item records specific crops irrigated on the operation during 2012. Enter the crop name, acres irrigated, yield, irrigation system, water application rate, and water source used for each commodity. Include land irrigated for alfalfa, other hay, and pastureland. If land was irrigated but not harvested in 2012, skip columns 3 through 5.

Column 1 – Crop

Identify each crop irrigated during 2012 in Column 1. Alfalfa, other hay and pastureland are pre-listed at the top of the table because they are often forgotten. Include pastureland even if it is not cropped in 2012. Nursery and greenhouse crops may be lumped on one line. All other crops should be reported individually (up to 15 other irrigated crops, separately with the use of the Irrigation Supplement).

If more than fifteen other crops were irrigated, identify the fourteen with the most acres irrigated and then lump the rest on the last line. If more than one irrigated crop is included on the last line, then the last line should be identified as “Other Crops”.

Column 2 – Crop Code

Record the Crop Code found in the Respondent Booklet. If you have to report more than 1 crop in the “Crop 15” box, then record the Crop Code as 9999 in Item Code 1942 on the Irrigation Supplement. The 9999 is the Crop Code that represents all other crops in this situation. When all other crops are reported in
the “Crop 15” box, record the total irrigated acres of all other crops in column 3 (Item Code 1943 on the Irrigation Supplement), then skip columns 4-9 for this row.

**Column 3 – Harvested Acres Irrigated**

Report the irrigated, harvested acreage to the nearest whole acre for all irrigated crops, except for tobacco, potatoes, and nursery crops. Irrigated, harvested tobacco, potato, and nursery crop acreage should be reported to the nearest tenth of an acre. Irrigated acreage of corn and sorghum/milo harvested for silage should always be recorded on a separate line from irrigated acres harvested for grain. Irrigated wheat acreage harvested for grain should be recorded by type (durum, spring or winter). Irrigated acres of small grains harvested for hay should be recorded under ‘Other Hay’.

**Include (for each irrigated crop):**
- Irrigated acres harvested in 2012
- Irrigated acres intended for harvest in 2012 even if harvest was delayed until 2013 due to bad weather, etc

**Exclude (for each irrigated crop):**
- Double-counting acres from second and later harvests of any crop from a single planting. For example: multiple harvests of hay, a second or third picking of cotton, and ratoon crops of rice
- Irrigated acres of 2011 crops not harvested until 2012 due to weather conditions, etc

Make sure the respondent is not reporting planted acres by crop when you are asking only for harvested acres.

**Columns 4-5 – Yield & Unit Code**

In column 4, record the average yield per acre for each commodity to the nearest tenth. This is the average yield on the irrigated acres actually harvested. Record the unit reported in column 5. For example, if the respondent reported an average yield per acre of 70 bushels of wheat, you would record 70 in column 4 and in column 5 you would record “4” for bushels.

If a crop is harvested more than once during the year (for example, hay or alfalfa), then sum the average yield per acre for each harvesting. For example, if a hay crop had two harvests (cuttings) in 2012, and yield for the first harvest was 1.6 tons per acre and yield for the second harvest was 1.2 tons per acre, the total yield would be reported as 2.8 tons (1.6 + 1.2).

If the operator reports yield in a unit that is not listed, be sure to record complete information about that unit, including its weight. This allows the State Office to convert the yield into a more common unit and to also evaluate if the unit reported is commonly used for the reported commodity.
Leave the yield and unit code blank if more than one irrigated crop is included on the last line identified as 'Other Crops'.

**Column 6 – Primary Irrigation System Type**

Record the primary irrigation system type for each commodity. The primary irrigation system for each irrigated crop is the system used to apply the most water during the 2012 crop season for the irrigated crop’s harvested acres. Be sure to have the respondent refer to the Irrigation System Code List shown on the questionnaire above the table.

**Column 7 – Average Inches of Water Applied Per Acre**

Record the average inches of water applied per acre for the growing season for each commodity. Average applied water per acre can vary significantly across commodities, ranging from a value of 1 to as high as 70 or more inches per acre. One inch of water is equivalent to the quantity of water required to cover an acre of level-land, one-inch in depth. This is approximately 27,152 gallons. If the respondent reports applied water in terms of acre-feet per acre, multiply by 12 to obtain inches per acre.

**Column 8 – Percent of Acres Irrigated Using Surface Water**

For each commodity, record the percent of acres irrigated using surface water (not well water). This is the percent of irrigated, harvested acres (column 3). For each commodity, the total for column 8 will be equal to or less than 100 percent.

**Column 9 – Percent of Acres Irrigated w/ Surface Water from Off-farm Suppliers**

For each commodity, record the percent of acres irrigated using surface water purchased from off-farm water suppliers. This is the percent of irrigated, harvested acres (column 3), not the percent of acres irrigated using surface water (column 8). For each commodity, the percent reported in column 9 will be equal to or less than 100, and equal to or less than the percent reported in column 8.

Off-farm water suppliers may include water purchased from the U.S. Bureau of Reclamation; an irrigation district; mutual, private, cooperative or neighborhood ditches; commercial or municipal water systems. Record surface water from off-farm water suppliers as it was delivered even if the original source of water (i.e., to the supplier) may have come from groundwater wells.

**Item 3 – Number of All Irrigation Wells Used in 2012**

Record the number of irrigation wells used in 2012 for irrigation of the harvested crops listed above in Item 2. **Include** all types and models actually used for irrigation and whether a crop was harvested above in Item 2. **Exclude** wells used for purposes other than irrigation and wells used only for non-farm uses. If no irrigation wells were used, go to Item 6.
Item 4 – Number of Wells Used With Backflow Prevention Devices

Of the number of wells reported in Item 3, record the number of wells which used backflow prevention devices. When chemicals are applied to the field through irrigation water, potential water-source contamination problems may occur due to accidental backflow of water containing chemicals, the accidental injection of chemicals, or both, into the water source. Backflow prevention devices involve the use of check valves and vacuum relief valves on the irrigation pump system that prevent water containing chemicals from siphoning into the water source when the irrigation pump stops. Backflow prevention may also involve interlocking the chemical injection system and the irrigation pump so that the injection of chemicals stops when the irrigation pump stops in order to prevent accidental injections.

If no wells with backflow prevention devices were used, go to Item 5.

Item 4a – Acres Irrigated From Wells With Backflow Prevention Devices

Record the number of planted acres irrigated using water from the wells identified in Item 4.

Item 5 – Number of Wells Used With Water Meter or Flow Measurement Device

Record the number of wells on the farm which used a water meter or water-flow measurement device.

A water meter, or water-flow measurement device (often referred to as a flowmeter), generally consists of a propeller-driven, flow-measurement device positioned in the center of the flowstream of the irrigation system's water-delivery pipe, but with an attached external flow-measurement unit (sometimes called a “totalizer”) which records the total quantity of water flow. The flow-measurement unit may measure water quantity in terms of gallons, acre feet, acre inches, cubic feet, etc.

If no wells with water meters or water-flow measurement devices were used, go to Item 6.

Item 5a – Acres Irrigated From Wells with Water Meter or Flow Measurement Devices

Record the number of planted acres irrigated using water from the wells identified in Item 5.

Item 6 – Additional Management Use of Irrigation System

Record the number of planted acres irrigated for each purpose listed in Items 6a-e. These do not need to sum to anything. All may be zero. Enter “DK” for Don’t Know if the respondent used a practice, but does not know on how many acres.
**Item 7 – Water Management Techniques**

This item determines respondent use of several water management techniques. For column 2, enter the management practice code shown above this table. For respondents who are currently using the technique (Management Practice Code=6), record the number of planted acres irrigated using the technique in 2012 (in column 3). For each water management technique (a-c), the number of irrigated acres may range from zero to the total irrigated acres harvested for the farm operation in 2012.

**Items 8, 8a – Improvements to Existing Irrigation Systems**

Check ‘Yes’ for operations that made improvements in 2012 to existing irrigation systems. **Include** upgrades or new equipment, but do not include maintenance. Irrigation system upgrades may involve improvements such as switching a center-pivot system from using high-pressure sprinklers to using drop-tubes with attached low-pressure sprinklers. A new irrigation system may involve an investment such as switching from a gravity-flow, gated-pipe system to a low-pressure, sprinkler irrigation system.

In Item 8a, record the number of planted irrigated acres using the irrigation system improvements.

**Items 9, 9a – Offer to Purchase Water or Water Rights**

Check ‘Yes’ for operations where someone made an offer to purchase water or water rights (from this operation) in the past five years (since January 2007). If no offers were received in the past five years, or the respondent does not know if offers were received, go to Item 10.

For Item 9a, based on the operator’s knowledge, identify the purchaser’s intended use of the water.

If the operator says there is another use for the water or if the operator does not know the purchaser’s intended use, record a 5 for other or “Don’t Know.”

**Item 10 – Years Water Rights Claims Reduced or Discontinued Crop Irrigation**

Enter the number of years (in the last 10, since January 2002) in which someone with senior water right claims caused the respondent to reduce or discontinue crop irrigation for the farm. Acceptable responses are 0 through 10.
5.15 Section 41 – Soybean Drying (*Version 2 Only*)

This section collects data necessary to estimate the drying costs associated with soybeans. Drying costs are part of the total costs of producing soybeans and will be added to the other costs collected in Phase 2 and Phase 3. Drying costs include costs for custom drying, the fuel and labor used for on-farm drying, and the capital costs associated with the facilities used for on-farm drying.

Include the landlord’s share of Soybeans.

**Item 1 – Harvest for Beans?**

Report if Soybeans were harvested for beans for the 2012 crop year. If the operation did not harvest for beans for the 2012 crop year, then enter a code 3 and skip to the Conclusion.

**Item 2 – Month Crop was Harvested**

Report the month, numbered 1 (January) through 12 (December) in which the majority of the 2012 Soybeans were harvested.

**Items 3(a-c) – Crop Drying**

Crop drying can be a considerable part of the operating and ownership costs of commodity production on some farms. Various fuels are used as a heat source to dry grain and electricity is used to power fans that force air through the grain or seed.

Record how much of the 2012 Soybean crop harvested was dried by each method. Custom drying may also be called commercial drying. If drying facilities on another operation were used to dry the crop, record this as custom drying. The category “Dried Other than Custom Dried” includes on-farm drying. Count the crop as dried only if fuel and/or electricity was used to remove moisture from the crop. Include the amount of crop that was left to dry completely in the field as not dried (Item 3c).

**ENUMERATOR NOTE: Custom Drying**

This note refers to Item 3a (Custom Dried). If Item 3a is positive, Continue. Else go to Enumerator Note above Item 5.

**Item 4 – Cost of Custom Drying**

If any of the 2012 Soybean crop was custom dried, record the cost of custom drying the crop in either cents per bushel or total dollars for the entire crop. If total dollars are reported, be sure to include the landlord’s share.

**ENUMERATOR NOTE: Other Then Custom Drying**

This note refers to Item 3b (Dried Other Than Custom Dried). If Item 3b is positive, Continue. Else go to Conclusion.
Item 5 – Main Fuel Type Used to Heat Air For Drying

Record the main fuel type used to heat the air to dry the 2012 Soybean crop. If more than one fuel type was used to dry the crop, enter the code for the fuel used to dry the largest portion of the crop. If unheated air was used to dry the crop, record a "5" (electricity). In this case we anticipate that electricity was used to power fans used to aerate the grain.

Item 6 – Percentage Moisture Removed

Record an estimate of the average percentage points of moisture removed by drying the 2012 Soybean crop. For example, if Soybean were harvested at 14.5 percent average moisture and then dried to 13.0 percent moisture, enter 1.5 (14.5-13.0 = 1.5). Record the percent to the nearest tenth.

Items 7(a-c) – Labor Hours Used to Dry

Record an estimate of the hours of each type of labor that was used to dry the 2012 Soybean crop. Include the time spent unloading, filling and emptying dryers, and overseeing the drying. Exclude custom drying labor and contract labor.

Item 8 – Main Facility Type Used

Record the main type of facility used to dry the 2012 Soybean crop. If two different facilities were used, record the facility used the most. Report continuous flow or batch drying if these were done with facilities outside of bins. If the methods of continuous flow or batch drying were done inside of bins, report bins as the facility type.

Item 8a – Number of Facilities Used to Dry

Record the number of facilities in Item 8 used to dry the 2012 Soybean crop.

Item 8b – Total Capacity of Facilities Used to Dry

Record the total holding capacity of these facilities used to dry the 2012 Soybean crop. This is the sum of the holding capacity for the number of facilities reported in Item 8a.
5.16 Conclusion

Item 1 – Possible Duplication

It is important that we avoid duplication on our list of farms and ranches. Indicate if it is possible that the information on this form for this operation would be reported by another operation or under another name or address. If yes, print the other name, address, city, state, and zip code.

Item 2 – Additional Farm or Ranch

Indicate whether the principal operator (the individual named on the label) makes any day-to-day decisions for another farm or ranch. If yes, indicate whether a report form was received for this additional farm or ranch in Item 2a and print the name of the additional farm or ranch and telephone number where the respondent can be reached.

Item 2b - Indicate whether all the data for the additional farm or ranch was included in this report form. Do not make changes to the data in this report, regardless of your answer.

Item 3 – Survey Publication

After completing the interview, ask the respondent if he/she would like to receive a copy of the survey results. The Farm Production Expenditures Report will be published August 2, 2013 (3 pm ET). Enter “1” for YES.

The respondent can also receive reports by subscription free of charge direct to their e-mail address. If the respondent would like to subscribe, the respondent should go to the NASS Home Page at www.nass.usda.gov. In the “Follow NASS” box on the right side of the screen, click on National or State under Receive reports by Email, then follow the instructions on the screen.

Item 4 – Respondent Information

Please record the respondent’s name and phone number in case you or your State Office needs to re-contact them to verify or clarify a question.

Completion Date – (Item Code 9910)

Record the date the questionnaire was completed. Enter the date in MMDD13 format on the lines provided in Item Code 9910. For example, if the interview was completed on February 26, 2013, enter the month and day 02 26 in the date cell. The 2-digit year is already preprinted on the questionnaire.

Thank the respondent for taking the time out of their busy schedule to fill out the ARMS Phase III.
5.16.1 Administrative Items

The following items are located under Item 4 and need to be filled out prior to turning the questionnaire into your Supervisor or sent to the State Office.

**Ending Time – (Item Code 0005)**

Record the ending time (military time) of the interview.

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.

**Total Time in Hours – (Item Code 0008)**

For Interviews that require multiple contacts (personal or phone), you should write the date and time the interview began in a note on the face page.

If more than one person was interviewed to complete the interview, times should reflect the approximate total time for the questionnaire.

Accumulate the hours and minutes of interview time and write the total on the back page in the 0008 box.

If Item Code 0008 is used, there is no need to record a beginning or ending time.

**Response Code – (Item Code 9901)**

Upon completion of the interview, enter the Response Code in Item Code 9901 on the Back Page of the questionnaire. Response Codes are:

- Code 1 = **Complete** (Good Reports, Out-of-Businesses, and Abnormal Farms)
- Code 2 = **Refusal**
- Code 3 = **Inaccessible / Incomplete**

**Respondent Code – (Item Code 9902)**

The Respondent Code identifies the person who was interviewed. Enter the code identifying the person who provided most of the data in Item Code 9902.

- Code 1 = **Operator or Manager**
- Code 2 = **Operator's Spouse**
- Code 3 = **Accountant or Bookkeeper**
- Code 4 = **Partner**
- Code 9 = **Other**

Record the respondent's name and phone number in Item 4.
Mode Code – (Item Code 9903)

The Mode Code (Item Code 9903) identifies how the person was interviewed.

Code 1 = Mail
Code 2 = Telephone
Code 3 = Face-to-Face

Enumerator Number – (Item Code 0098)

Record your enumerator ID number in Item Code 0098.

Optional Use

Item Codes 0093, 0003, and 0009 (located on the front page) are reserved for your State Office use. These cells should remain blank unless your State Office directs you otherwise.

S/E Name

Sign your name in this box.

Review the entire questionnaire before forwarding it to your Supervisor. Make sure all items are complete, including ‘Yes’ and ‘No’ boxes checked, and dashes are entered in cells when the response is ‘None’ or ‘No’ as appropriate. Make sure notes are present and complete for unusual situations.