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2014

TOTAL/ARMS III

**Tenure, Ownership, and Transition of
Agriculture Land**

**Agricultural Resource Management
Survey – Phase III**

Appendix

Updates from Previous Survey

<u>IM Location & Item Reference</u>	<u>Update from Previous Survey</u>
1.4.2 ERS Reports & Uses of Data	New data uses have been added to the 2014 IM
3.2 Survey Materials	NAS-011 has been added to the list of provided materials from the RFO
3.3 Questionnaire Versions	Only one questionnaire version for 2014
4.1.2 Target Label	Scoring Indicator and Method Code have been added to the label layout
5.2.1 Section A Purpose	The purpose of Section A has an updated description
5.2.2.1 Item 5 - Acres considered Cropland	Item 5 is new to Section A
5.2.3.1 Item 10-10a – Number of Landlords/Landlord Operators	Items 10-10a are research questions specific to 2014 data collection. Reference appendix for Section A
5.2.3.2 Item 13 – Land Rented to Others used for Agricultural Purposes	Item 13 is a research question specific to 2014 data collection. Reference appendix for Section A
5.2.3.2 Items 15-27 – Acres Rented or Leased to Others	Items 15-27 are new research questions specific to 2014 data collection. Reference appendix for Section A.
5.3.2.2 Columns 3 & 4 – Nursery and Greenhouse Crops Sq Ft under glass/Acres in the Open.	Columns 3 & 4 are unique for nursery and greenhouse crops in that we are asking for area and acreage instead of Production. Harvested Acres is not required.
5.4.2 Column 2, 3 & 4	The design of the table in Section C has changed resulting in a new layout for columns 2, 3, and 4.
5.4.2 Item 2d – Total Cattle and Calves	No longer required to collect cash or open market sales of non-breeding stock of cattle and calves.

TOTAL/ARMS III
Appendix

5.4.2	Item 2e – Total Milk Produced	This is no longer a subcategory of Item 2b – Milk cows.
5.8.2	Item 2a – Upland Cotton Transition Payments	Government Payments for Upland Cotton Transition Payments is new for 2014 data collection
5.8.2	Item 2b – DCP & ACRE Programs	No longer obtaining % of DCP and ACRE payments.
5.8.2	Items 3, 4 and 5 -	Items 3-5 are new research questions specific to 2014 data collection. Reference appendix for Section H.
5.8.3	Item 6a-j – Other Farm Related Income	The order of questions for Item 6 has been revised.
5.10.2.2	Item 1e – Oil, Gas, and Mineral Rights	Item 1 in section J has a new category – Oil, Gas, and Mineral Rights.
5.10.3.1	Items 6, 7, and 8 – Agricultural Loans	Items 6-8 are new research questions specific to 2014 data collection. Reference appendix for Section K
5.13.1	Items 10a-e – Hours worked on the Operation	Item 10 has been revised for 2014 data collection. Hours worked off-farm is no longer required for operator and spouse.
5.13.1.2	Items 15, 16, & 17 – Rights for Acres Owned/Succession Plans	Items 15-17 are new research questions that are specific to 2014 data collection. Reference appendix for Section L.
5.14	Item 7 – Risk	Item 7 is a new research question that is specific to 2014 data collection. Reference appendix for Section M.

Section A – Land Rented From Others

Item 10 – Number of Landlords

Record the total number of different landlords from which this operation rented land from in 2014. An agricultural landlord is defined as one, who leases, or rents, farmland to others. Landlords include individuals or families; partnerships; family- and nonfamily-held corporations; and other organization types such as trust or estate forms of ownership, lawsuit judgments, and foreclosures.

Item 10a – Number of Landlords Who Are Farm Operators

Record from the total number of landlords reported in item 10 the number of landlords who also operated a farm or ranch in 2014. A landlord is an operator of a farm or ranch if he or she was involved in day-to-day decisions for a farm during 2014. **Include** any landlords that may have only been in business for part of 2014.

Section A – Land Rented to Others

Item 13 – Land Rented to Others used for Agricultural Purposes

If land is rented to others (Item 3), indicate if any land rented to others is specifically used for agricultural purposes such as cropland, pasture for grazing, or land in government programs.

Item 15 – Debt remaining on acres rented TO OTHERS

If land is rented to others (Item 13), record the end-of year balance remaining to be paid on the original acquisition cost of owned land rented to others during 2014. Response should be reported to the nearest whole dollar.

Item 16 – Ownership costs on acres rented TO OTHERS

If land is rented to others (Item 13), record the total dollars spent by the operation for expenses related to the ownership of acres rented or leased to others. Response should be reported to the nearest whole dollar. These expenses include property taxes; interest payments; insurance; accounting, attorney fees, and other professional or farm management services.

Item 17 – Production costs on acres rented TO OTHERS

If land is rented to others (Item 13), record the total dollars spent by the operation for expenses related to agricultural production on owned land. Major cost items include: seed, fertilizer, chemicals, labor, fuel, utilities, repairs, etc. Record this entry to the nearest whole dollar.

Item 18 –Capital costs on acres rented TO OTHERS

If land is rented to others (Item 13), record the sum of expenses incurred during 2014 by the operation for capital expenses related to owned land rented to others for agricultural purposes (Land improvements, irrigation systems, ponds, trucks, tractors, implements, buildings, etc.). Record this entry to the nearest whole dollar. Some capital expenses may have a dual purpose for operated acres and acres rented or leased to others. Capital expenses that fall in this category should be reported in Section A, Item 18 as well as in Section I.

Item 19a – Acres Rented/Leased to others (Fully Paid For)

Record the number of acres purchased under mortgage, or acquired under other financial arrangements that were fully paid for and rented or leased to others in 2014. Include acres that were inherited, or received as a gift and are fully owned and then rented out.

Item 19b – Acres Rented/Leased to other (Not Fully Paid For)

Record the number of acres purchased under mortgage or acquired under other financial arrangements rented or leased to others in 2014, which were NOT fully paid for as of Dec 31, 2014. These acres would correspond to the dollars reported in Item 15. Exclude acres that were inherited, or received as a gift from another entity and then rented out unless a debt was inherited with the land.

Item 20 a– EQIP/CREP Program Acres leased TO OTHERS

If land is rented to others (Item 13), record the total acreage of land rented or leased to others that is enrolled in any government sponsored conservation program **except for CRP** in item 20a.

Item 20b – Acres rented or leased to others under conservation easement

If land is rented to others (Item 13), record the number of owned acres rented or leased to others that have easements in place. Agricultural easements are permanent or long-term restrictions on land use and typically protect land from development and other non-agricultural uses.

Item 21 – Tenant and Lease information for owned land rented to others

Record the total number of tenants the operator had in 2014. Tenants that have multiple leased locations or multiple contracts from the same operator should only be recorded once. Include tenants that are renting owned and non-owned land from the operator.

Item 22 – Tenant and Lease information for owned land rented to others

Record the following information for up to three tenants the operator rented owned land to in 2014. If the operator had more than three tenants, report for the three that rented the largest number of acres in 2014. Exclude out-of-state tenants unless their rented in-state land still

justifies the tenant as one of the 3 largest for the landlord. If three or fewer tenants exist all tenants should be accounted for from item 21. Include tenants that are renting owned and non-owned land from the operator.

- A. Record the total acres each tenant rented for fixed cash, flexible cash (hybrid), rented on shares or rented for free from the operator in 2014.
- B. Record the total number of years the operator rented land to the tenant. Enter 1 if less than 12 months.
- C. Record the type of rental agreement (fixed cash, flexible cash (including hybrid), share and free) used in 2014.
- D. Record whether the tenant is related to you or another operator of this operation by blood or marriage. Include adopted/foster relatives.
- E. Record whether the lease is written.
- F. Record whether the lease payments can be adjusted due to extenuating circumstances.
- G. Record how often the lease is renewed.

Item 23 – Landlord Involvement in Management Decisions

For the owned acres rented or leased to others, indicate the landlord's involvement in each practice listed in items 23a-i. Remember the respondent is the landlord in this case. In the situation where a landlord has multiple tenant agreements, for each practice report the code that applies to the majority of rented acres.

Section A – Land Use

Item 24 – Land Use

This section collects information on how the land owned by this operation (reported in Section A, Item 1) was used in 2014 along with details particular to the transition of ownership of both types of acreage. The owned land is split between acres operated by this operation and acres rented to others. Note that owned acres rented to others are not always the same as acres rented to others in Section A, Item 3 since an operation can rent acres and then rent out some or all of those same acres. 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.

Record the number of acres owned and operated in column 1 for each land use in items a-d. Record the number of acres owned and rented to others in column 2. Note that this series of questions ignores acres that the operation rents from others, which are the majority or all of total acres for many operations.

24a. Orchards/vineyards: Record the number of acres in orchards, vines in vineyards, other perennials in the field, Christmas trees and short-term rotation woody crops.

24b. Cropland: Cropland is any tillable land currently in crop production or land that has previously been tilled and used for crops and could be tilled again without additional improvements. *(Our standard cropland definition is included below, with obvious items removed that exist in other categories within Item 24. Note that the difference between item 24b and item 5 is that 24b accounts for the owned land only. Item 5 may include land rented from others.)*

INCLUDE:

- Land in summer fallow.
- Idle cropland (no crops planted or harvested in current year).
- Cropland diverted for government programs (including CRP), unless the land is planted to trees.
- Vegetables, melon crops, and other specialty food crops.
- Nursery crops, turf grass, and sod.
- Land in hay crops, exclude wild hay.

EXCLUDE:

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

24c. Pastureland: Record the number of acres in permanent pasture, woodland pasture, other pasture including cropland pasture and rangeland and government programs involving pasture land.

- **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.

- **Woodland pastured** - Report all woodland or timber tracts, natural or planted, used for pasture or grazing. Cut over or deforested (clear cut) land improved for pasture. Pastureland or rangeland also may include land containing desert shrubs, sagebrush, or mesquite land. **Exclude:** Land planted for Christmas tree production. This should be reported in orchards/vineyards.
- **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. **Exclude:** acres of corn, sorghum, soybeans, hay, and cowpeas that were hogged-off or grazed **after** harvest. Report these harvested acres only once in Cropland.

24d. Other land: Record the number of acres in all other land including: forest, woodland not pastured, farmsteads, roads, ditches, wasteland. Also, include all land in this operation that does not fit the definition of the other land use categories listed in item 24a-c.

- **Woodland not pastured** - Includes cut over and deforested land with new or remaining growth that has future value as wood products and was not pastured in 2014.

Items 25a-d – Land Acquisition

Record the number of acres owned and operated acquired by each method described in Items 25 a-d in column 1 and the acquired method for acres owned and rented to others in column 2. Relatives include all family members associated by blood, marriage, or adoption.

Item 26 – Anticipated Land Transfer

Indicate if the operator anticipates transferring ownership of any owned land during the next 5 years. A transfer of ownership can include any of the following methods; sold to a relative by direct sale or broker, sold to a non-relative by direct sale or broker, transferred by gift, put or kept in a trust, or put or kept in a will (even though ownership will transfer at an unknown time in the future).

Item 27 –Anticipated Land Transfer Methods

If Item 26 was marked yes, record the number of acres owned and operated that the operator plans to transfer by each method within the next 5 years. Items 27 a-e are divided between column 1, the number of acres owned and operated, and column 2, acres owned and rented to others. Items 27e and 27d refer to action of executing a will or trust and the action of setting up each method.

Section H – Agricultural Act of 2014 and Crop Insurance

Items 3-5

The Agriculture Risk Coverage (may also be referred to as Agricultural Revenue Coverage/ARC) and Price Loss Coverage (PLC) programs are new with the Agricultural Act of 2014. Enrollment in these programs encapsulates a complex set of choices that will remain in effect through the life of the Farm Act. The following questions (Items 3 and 4) will help us understand how the farmers responded to the new choices embodied in the 2014 Farm Act. The overall goal is to understand how popular the new programs will be and to assess how a farmer's decision over these programs is related to farm characteristics. This information will be used to examine, analyze, and provide details on the impacts of support decisions on farm income, farm production decisions, markets, and government costs.

Item 3 – Enrollment in Price or Revenue based Assistance Programs

Record if the respondent enrolled in ARC-County, ARC-Individual or PLC. If the respondent enrolled in any of the price or revenue based assistance programs, continue with Item 4. Otherwise, skip to Item 5.

Item 4 – Enrollment in ARC or PLC

For each crop listed, record:

Columns 1 -2: The number of base acres allocated to the crop in both 2013 and 2014

Columns 3-4: The number of acres enrolled in County level ARC and Individual level ARC

Column 5: The number of acres enrolled in the Price Loss Coverage program

Column 6: Whether yields were updated for PLC for 2014-2018

If a respondent has a crop that is not specifically listed in the chart, record the acreage and information for that crop under the "All Other" category. Due to implementation timeline of these FSA programs, enrollment in ARC or PLC may not occur until mid-2015. Enumerators should accept best guess answers for future program acres. If a best estimate is not available, enumerators may code an item with a "-1".

PRICE LOSS COVERAGE (PLC) AND AGRICULTURAL RISK COVERAGE (ARC) TERMS & DEFINITIONS

- **Base Reallocation and Yield Updates:** Owners of farms that participate in PLC or ARC programs for the 2014-2018 crops have a one-time opportunity to: (1) maintain the farm's 2013 base acres through 2018; or (2) reallocate base acres (excluding cotton bases). **Total base acres cannot be increased, only reallocated.** Covered commodities include wheat, oats, barley, corn, grain sorghum, rice, soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe and sesame seed, dry peas, lentils, small chickpeas, large chickpeas and peanuts. Upland cotton is no longer considered a covered commodity, but the upland cotton base acres on the farm are renamed "generic" base acres. Producers may receive payments on generic base acres if those acres are planted to a covered commodity.

A producer also has the opportunity to update the program payment yield for each covered commodity based on 90 percent of the farm's 2008-2012 average yield per planted acre, excluding any year when no acreage was planted to the covered commodity. Program payment yields are used to determine payment amounts for the Price Loss Coverage program. A producer may carry forward their current payment yields from 1998-2001 or 1981-1985. **Payment yields are used only for PLC.** Provisions allow for base acres to be reallocated and yields not updated and for base acres to remain unchanged while yields are revised.

- **Price Loss Coverage (PLC):** Payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity established in the statute. The payment is equal to 85 percent of the base acres of the covered commodity times the difference between the reference price and the effective price times the program payment yield for the covered commodity. **Producers receive payment if Marketing Year Average (MYA) price falls below Reference Price (Reference prices were set in the 2014 Farm Bill).**
- **ARC –County (ARC-C):** Payments are issued when the actual county crop revenue of a covered commodity is less than the ARC county guarantee for the covered commodity and are based on county data, not farm data. The ARC county guarantee equals 86 percent of the previous five-year average national farm price, excluding the years with the highest and lowest price (the ARC guarantee price), times the five-year average county yield, excluding the years with the highest and lowest yield (the ARC county guarantee yield). Both the guarantee and actual revenue are computed using base acres, not planted acres. The payment is equal to 85 percent of the base acres of the covered commodity times the difference between the county guarantee and the actual county crop revenue for the covered commodity. Payments may not exceed 10 percent of the benchmark county revenue (the ARC guarantee price times the ARC county guarantee yield). **Payments are made when the Actual County Revenue for a crop falls below the County Revenue Guarantee.**
- **ARC-Individual (ARC-I):** Payments are issued when the actual individual crop revenues, summed across all covered commodities on the farm, are less than

ARC individual guarantees summed across those covered commodities on the farm. The farm for individual ARC purposes is the sum of the producer's interest in all ARC farms in the state. The farm's ARC individual guarantee equals 86 percent of the farm's individual benchmark guarantee, which is defined as the ARC guarantee price times the five-year average individual yield, excluding the years with the highest and lowest yields, and summing across all crops on the farm. The actual revenue is computed in a similar fashion, with both the guarantee and actual revenue computed using planted acreage on the farm. The individual ARC payment equals: 65 percent of the sum of the base acres of all covered commodities on the farm, times the difference between the individual guarantee revenue and the actual individual crop revenue across all covered commodities planted on the farm. Payments may not exceed 10 percent of the individual benchmark revenue.

The total amount of payments received, directly and indirectly, by a person or legal entity (except joint ventures or general partnerships) for Price Loss Coverage, Agricultural Risk Coverage, marketing loan gains, and loan deficiency payments (other than for peanuts), may not exceed \$125,000 per crop year.

- **Election Required:** All of the producers on a farm must make a one-time, unanimous election of: (1) PLC/County ARC on a covered-commodity-by-covered-commodity basis (**Producers can select ARC-C for some crops and PLC for other crops**); or (2) Individual ARC for all covered commodities on the farm. If the producers on the farm elect PLC/County ARC, the producers must also make a one-time election to select which base acres on the farm are enrolled in PLC and which base acres are enrolled in County ARC. Alternatively, if individual ARC is selected, then every covered commodity on the farm must participate in individual ARC. The election between ARC and PLC is made in 2014 and is in effect for the 2014 – 2018 crop years. If an election is not made in 2014, the farm may not participate in either PLC or ARC for the 2014 crop year and the producers on the farm are deemed to have elected PLC for subsequent crop years, but must still enroll their farm to receive coverage. If the sum of the base acres on a farm is 10 acres or less, the producer on that farm may not receive PLC or ARC payments, unless the producer is a socially disadvantaged farmer or rancher or is a limited resource farmer or rancher. Payments for PLC and ARC are issued after the end of the respective crop year, but not before Oct. 1.

Decision Strategy

PLC : Helps producers manage catastrophic low prices and multiple years of low prices

ARC-C: Helps producers manage shallow revenue losses, declining revenue, multiple year losses, and yield losses

ARC-I: Helps manage farms with volatile yields (yields don't correlate with county average yields) and farms that are different from other farms in the county (vegetable growers vs. corn/soybean producers)

Item 5 – Enrollment in Federal Crop Insurance for Select Crops

For each of the crops listed, record:

- Column 1:** The number of acres insured under a yield policy
- Column 2:** The number of acres insured under a revenue policy
- Columns 3-4:** The average coverage level of the acres insured under the yield/revenue policy
- Columns 5-7:** The number of acres insured under basic units, optional units, and enterprise units.

Yield policies include Yield Protection (YP) or Area Yield Protection (AYP, or GRP) policies only. Revenue policies include Revenue Protection (RP), Revenue Protection with Harvest Price Exclusion (RP-HPE), or Area Revenue Protection Insurance (ARPI, or GRIPH) policies. Exclude all other policies, including CAT policies. A respondent may have multiple coverage levels for a particular crop. If different coverage rates are used, then calculate the average coverage rate used for that specific crop and policy type (yield or revenue) and round to the nearest feasible (offered) coverage rate {50%, 55%, 60%, 65%, 70%, 75%, 80%, or 85% coverage}.

EXAMPLE 1: If an operator has 300 acres of corn at 80% coverage and 300 acres of corn at 65% coverage resulting in an average coverage of 72.5%. As 72.5% is not a valid RMA coverage level, the enumerator may round to the nearest usable coverage level of 75% and record that level in Item 5.

EXAMPLE 2: If an operator has a large sum of acreage under a specific level, such as 800 acres of corn at 65% coverage, coupled with a smaller amount of acreage covered at another level, such as 80 acres of corn at 75% coverage, a “weighted average” based on acres may be used in order to determine the best response. In this case the calculated weighted average is 65.9% ($800 \times 65\% + 80 \times 75\% / 880$); the enumerator would record 65% coverage in item 5.

EXAMPLE 3: In order to reduce response burden if an operator has numerous fields with various coverage levels (such as 10 fields of corn at 65%, 3 fields of corn at 75% and 1 field of corn at 80%), the most common level applied to all fields may be recorded in Item 5. For this example, 65% coverage would be recorded in Item 5.

Common Crop Insurance Definitions

- **Unit:** The insurable acreage used to determine the APH yield, the production guarantee, and any indemnity (loss payment).

- **APH Yield:** Actual production history (APH) yield used to determine the production guarantee. The APH yield is based on up to 10 years of actual/or assigned yields.
- **Production Guarantee:** Number of bushels guaranteed per unit. Calculated by multiplying the APH yield per acre by the coverage level percentage selected by the number of acres in the unit.
- **High Risk Land (HRL):** Land designated on a map in the actuarial documents with a high risk rate classification, requiring a higher premium rate due to higher risk.
- **HRL Exclusion Option:** An agreement to exclude from crop insurance coverage all high risk land by crop and county.
- **Catastrophic Risk Protection (CAT):** The minimum level of coverage offered by RMA.
- **Basic Units:** A basic unit may include all land planted to a single crop within a county that (a) a producer owns and/or cash rents or (b) that is share-rented with a single landlord (share-rentals with separate landlords require separate basic units).
- **Optional Units:** Basic units can be divided into optional units based on location (if the basic unit covers more than one township) or production practices (if the basic unit incorporates more than one production practice, e.g., irrigated and non-irrigated land).
- **Enterprise Units:** Basic units can be combined into enterprise units which include all of the operator's acres of a single crop within a county regardless of ownership, rental arrangement, or production practice.
- **Whole Farm Unit (WU):** Whole farm units combine all of an operator's eligible crops and farm units within a county regardless of ownership, rental arrangement, or production practice.
- **Multiple Peril Crop Insurance (MPCI):** Protection from multiple causes of loss. Causes of loss may include natural perils of weather, irrigation failure, fire due to natural causes, plant disease and insect infestation, and loss due to wildlife.

Section K – Farm Debt

Item 6a-b – Adjustments to Existing Loans for Agricultural purposes

Record whether any adjustments such as re-negotiating or re-financing at a lower interest rate (Item 6a) or consolidation of multiple loans (Item 6b) were made to any of the existing agricultural purpose loans listed in Items 3 or Item 4. Any short term debt that was converted to a longer term finance option can also be indicated in Item 6b. Mark “yes” or “no” in the corresponding cell blocks. Verify that Item 6a and 6b only account for existing agricultural loans.

Item 7 – Application for new loan or line of credit in 2014

Indicate whether the operator applied for any new loans or line of credit for agricultural purposes that were not already outstanding prior to 2014. Loans or lines of credit used for nonfarm or nonagricultural purposes should **not** be considered for this question. Report “Yes” whether or not the loans or line of credit were ultimately used. If “Yes” continue to Item 7a. If no new loans or lines of credit were applied for, continue to Item 8.

Item 7a – Application for new loan or line of credit in 2014 denied or lowered

If the operator marked “yes” in Item 7, indicate whether the operator’s application for a new loan or line of credit in 2014 was denied or if an approved loan or line of credit was for a lower amount than what was originally applied for in the application.

Item 8 – Reason for not applying for new loans or line of credit

If the operator marked “No” in Item 7, indicate from the table of options the operator’s main reason for not applying for a new loan or line of credit in 2014. If the respondent cites multiple reasons for not applying for new loans or line of credit, record the code number corresponding to the most applicable MAIN reason. One of the responses must be chosen.

Section L – Owned Acre Rights and Succession Plans

This section focuses on farm succession, a key factor in the determination of industry structure and the total number of farmers. Succession, continuation, and continuation of family farms has been a topic of discussion recently by both farmers and policymakers. Farm succession also has profound implications for farm families which rely heavily on intergenerational succession.

Item 15a-d – Oil and Gas Rights Sold or Leased on Owned Land

Record whether oil, gas, or other rights to resources have been sold or leased from owned acres in Items 15a-d. Indicate the number of acres included in the sale or leasing of those rights and record the year the rights were sold or the first year of the lease agreement. **Include** leases for hunting and wind turbines in Item 15d.

Item 16 – Retirement within 5 years

Check “Yes” if the principal operator plans to retire within the next 5 years or already considers themselves retired.

Item 17 –Succession Planning

Response to this question will provide information about farms that may be transferred intact when the current operator(s) retire. Check “Yes” for Item 17 if there is a succession plan (either formal or informal) in place for the farm. If a succession plan does not exist, check “No”.

Section M – Risk Acceptance

Item 7 – Risk Acceptance

Indicate the operator's willingness to avoid or accept risks. On a scale of 0 to 10, mark the corresponding indicator to the degree of risk acceptance the operator is willing to take. A score closer to zero indicates that the operator is *not at all willing to take risks*. A score closer to 10 indicates that the operator is *fully willing to take risks*. After marking the correct score, record the corresponding rank number in the code box for Item 7.

The level of risk a farmer is willing to accept or avoid will affect his farm management and farm household decisions. Having a measure of farmer's risk aversion will aid the USDA in predicting how farmers may react to changes in policies and market and farm conditions. However, measuring risk indirectly from a farmer's observed actions is difficult, especially if the individual farmer cannot be tracked over time. In particular, this risk preference will allow us to better understand the distribution of risk aversion that is prevalent in the operator population. In other words, are farmers typically very willing to avoid risk? Or are they typically willing to accept a lot of risk in their day-to-day operations? Or perhaps some are very willing to accept risk while others are very willing to avoid it. Further, are certain types of farmers more willing to accept risks than others?

We also hope to better understand how the willingness to avoid/accept risk can alter the decisions that producers make. Production, household, off-farm labor, government program, and crop insurance decisions, to name a few of the many decisions producers need to make, all may be affected by how much risk producers are willing to bear. And does this willingness change as an operator ages? If so, this can have an impact on what farms look like as the farm business matures. The decisions that producers make also affect agricultural outcomes. The willingness to avoid/accept risk may be an important driver of both the decisions producers make and the subsequent outcomes that occur. Production levels may be affected by the level of risk producers are willing to take on.

Thinking in terms of agricultural policies and the Federal Crop Insurance program – risk is often seen as one of the main rationales for why we have many of the support policies currently in place – to help farmers manage their risk. A better understanding of the level of risk farmers are willing to accept/avoid will help policymakers construct, and agencies implement, more efficient policies to support producers.