

## Data on Contracting

Conducted annually, the Agricultural Resource Management Survey (ARMS) collects information from a stratified random sample of all U.S. farms and is USDA's primary source of information on financial conditions, production practices and resource use on U.S. farms, and on the economic well-being of U.S. farm households. ARMS consists of three phases:

1. **Phase I**, conducted during the summer of the reference year, screens those farms that are targeted for sample inclusion for continued operation and commodity mix.
2. **Phase II**, conducted during the fall of the reference year, includes randomly selected operating farms from Phase I, which are interviewed to collect information on production practices and chemical use. Data in Phase II are collected at the individual field or production unit level.
3. **Phase III**, data on farm and farm household finances and farm production and marketing decisions are collected during the following winter and spring (just after the end of the reference year).

Contracting information is drawn from Phase III, which contains multiple questionnaire versions (five in 2005). All versions ask farmers for the volume of production, receipts, and unit prices or fees received for each commodity under a marketing or production contract. Version 5, also known as the core version, is distributed and returned by mail and is shorter than the others, which are conducted through personal interviews. Version 1 is directed to all types of farms and includes more detailed questions on contractors, contract terms, and alternatives available to farmers. Remaining versions are directed to producers of specific commodities, and they typically include additional questions focused on contracts for that commodity. The appendix contains the ARMS questions directed to contracts. Additional survey information can be found at [www.ers.usda.gov/Briefing/ARMS/](http://www.ers.usda.gov/Briefing/ARMS/).

In 2005, the full Phase III sample consisted of 34,000 farm operations, from whom 22,843 useable surveys were obtained.<sup>7</sup> The responses contained information on quantities and revenues, by commodity, for 8,920 marketing contracts and 2,238 production contracts. Additional contract information was obtained from the 3,124 marketing contracts and 865 production contracts reported in Version 1 surveys.

Two important features distinguish ARMS contracting estimates from those drawn from other surveys (see box, "Other Sources for Data on Agricultural Contracts"). First, farms are surveyed, so the questions must focus on commodities produced on farms. Other surveys may cover processors, and hence focus on purchases of commodities by processors. Second, the survey defines contracts as agreements reached prior to harvest. Agreements covering the sale of harvested commodities from storage are not defined as agricultural contracts in ARMS.

<sup>7</sup>Phase III was reorganized and expanded in 2003, with the introduction of the core version. Since then, Phase III response rates have risen from 62.8 percent, in 2003, to 67.7 percent in 2004 and 72 percent in 2006.

## Other Sources for Data on Agricultural Contracts

This report relied primarily on the Agricultural Resource Management Survey, an annual survey of farm operators, for contract information. Other contract sources exist, and because they survey different market participants at different temporal frequencies, they can offer perspectives on other features of contract production.

USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) provides annual data on packer procurement methods for fed cattle, hogs, and lambs through its annual *Statistical Reports* and through industry studies ([www.usda.gov/gipsa/](http://www.usda.gov/gipsa/)). These data are based on surveys of packers, and track the types of contracts that livestock sellers have with packers. Not all sellers are farmers; instead some livestock owner/sellers may contract with farmers to grow the animals and may contract with packers to sell them. Such practices are common in hog and cattle industries.

USDA's Agricultural Marketing Service provides data on the characteristics of livestock transactions between producers and packers, organized by transaction type and on daily, weekly, monthly, and annual bases. The data are derived from the agency's Price Reporting program and are reported at <http://mpr.datamart.ams.usda.gov/menu.do>. For livestock, the price reporting program surveys packing plants and records information on their transactions with sellers.

USDA's National Agricultural Statistics Service (NASS), which administers the ARMS program in partnership with ERS, also reports data on production contract use, by commodity, in the quinquennial Census of Agriculture (<http://www.nass.usda.gov/census/>). As in ARMS, census respondents are farm operators. Thus, the census and ARMS cover the contractual relationships between farm operators and contractors, be they processors or distributors of the commodity.

There are also some private sector contract surveys. For example, John Lawrence and Glenn Grimes have surveyed hog industry participants several times over the years (Lawrence and Grimes, 2007). They focus separately on packers and on hog owners (hence the focus is on buyers and sellers in market hog transactions, not on places where hogs are produced, as in ARMS and Census). They ask hog owners about production arrangements for their hogs, and hence gain additional indirect information about the hog operations targeted in ARMS.