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Phase III – Cost and Returns
Report

Interviewer's Manual

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Chapter 1 - General

Purpose

Data collected in the Agricultural Resource Management Survey (ARMS) is the 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. ARMS provides farmers and ranchers with the opportunity to ensure that policy-makers have access to accurate and objective data when making those decisions.

Data Collection Phases

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

The initial phase, (Integrated Screening Survey - ISS), conducted from May through July, collects general farm data such as crops grown, livestock inventory, and value of sales. ISS data are used to qualify (or screen) farms for the other phases.

The second phase (Phase II), is conducted from September through December. This phase collects data associated with agricultural production practices, resource use, and variable costs of production for specific commodities.

The final phase (Phase III), which is the focus of this manual, is conducted from January through April. Phase III collects whole farm finance and operator characteristics information.

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

Uses of ARMS Data

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

- gathers information about relationships among agricultural production, resources, and the environment. ARMS data provide the necessary background information to support evaluations of these relationships. The data are used to understand the relevant factors in producing high quality food and fiber products while maintaining the long term viability of the natural resource base.
- determines what it costs to produce various crop and livestock commodities, and the relative importance of various production expense items.
- helps determine net farm income and provides data on the financial situation of farm and ranch businesses, including the amount of debt. ARMS data provide the only national perspective on the annual changes in the financial conditions of production agriculture.
- provides the farm sector portion of the Gross Domestic Product (GDP) for the Nation. While the farm sector portion may be small, their volatility must be accurately measured to identify the sources of change in the overall economy. If ARMS data were not available, the Bureau of Economic Analysis (BEA) would have to conduct their own survey of farm operators to collect this data.
- helps determine the characteristics and financial situation of agricultural producers and their households, including information on management strategies and off-farm income.

In general, farmers benefit from ARMS data indirectly. They see the information through contact with extension advisors, in reports issued by State colleges and universities, in farm magazines, newspapers, and on radio or TV broadcasts. Most respondents probably do not realize the data

come from the ARMS but may be affected by the farm policy decisions that are made.

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 and may access ARMS reports and data summaries on the Internet. Internet access is also available at many public libraries. Reports and tables using ARMS data can be downloaded from the NASS and ERS World Wide Web home pages on the Internet.

The NASS home page address is: <http://www.nass.usda.gov>
The ERS home page address is: <http://www.ers.usda.gov>

NASS publishes two reports from ARMS. The first one is called Agricultural Chemical Usage - Field Crops. This report, from data collected in the ARMS Phase II survey, is normally released the following May. The next Agricultural Chemical Usage report will be released in May, 2011. The second report is the Farm Production Expenditures. The report, compiled from the 2010 ARMS Phase III will be released in August, 2011. This report will show expenditures for the U.S., 5 farm production regions, 15 States, 8 U.S. economic sales classes, and U.S. crop and livestock farms. Most State offices use information from these two reports in preparing publications for their State.

ERS publishes regular farm income estimates, in its Farm Income and Costs Briefing Room (<http://www.ers.usda.gov/Briefing/FarmIncome/>) and in the annual Agricultural Income and Finance Situation and Outlook. Anyone can generate their own data summaries through the ARMS web tool, accessible at <http://www.ers.usda.gov/Data/ARMS/>. An ERS magazine, *Amber Waves* (<http://www.ers.usda.gov/AmberWaves/>) features many articles based on ARMS data. ERS also prepares ARMS-based reports on specific policy issues each year. The reports are available to NASS Field Offices to include in State releases. In 2010, ERS released the following ARMS-based reports:

Structure and Finances of U.S. Farms: Family Farm Report, 2010 Edition
(<http://www.ers.usda.gov/Publications/EIB66/>)

America's Diverse Family Farms, 2010 Edition
(<http://www.ers.usda.gov/Publications/EIB67/>)

Small Farms in the United States: Persistence Under Pressure
(<http://www.ers.usda.gov/Publications/EIB63/>)

Farm Household Well-Being: Comparing Consumption- and Income-Based Measures
(<http://www.ers.usda.gov/Publications/ERR91/>)

Participation in Conservation Programs by Targeted Farmers: Beginning, Limited Resource, and Socially Disadvantaged Operators Enrollement Trends
(<http://www.ers.usda.gov/Publications/EIB62/>)

The Debt Finance Landscape for U.S. Farming and Farm Businesses
(<http://www.ers.usda.gov/Publications/AIS87/>)

The Post-Buyout Experience: Peanut and Tobacco Sectors Adapt to Policy Reform
(<http://www.ers.usda.gov/Publications/EIB60/>)

Characteristics, Costs, and Issues for Organic Dairy Farming
(<http://www.ers.usda.gov/Publications/ERR82/>)

Agricultural Land Tenure and Carbon Offsets
(<http://www.ers.usda.gov/Publications/EB14/>)

Changes in Manure Management in the Hog Sector: 1998-2004
(<http://www.ers.usda.gov/Publications/EIB50/>)

Broadband Internet's Value for Rural America
(<http://www.ers.usda.gov/Publications/ERR78/>)

Health Status and Health Care Access of Farm and Rural Populations
(<http://www.ers.usda.gov/Publications/EIB57/>)

Manure Use for Fertilizer and for Energy: Report to Congress
(<http://www.ers.usda.gov/Publications/AP/AP037/>)

Specialized U.S. Fruit and Tree Nut Farm Production Expenses
(<http://www.ers.usda.gov/Publications/FTS/2009/06Jun/FTS33701/>)

Beginning Farmers and Ranchers
(<http://www.ers.usda.gov/Publications/EIB53/>)

Federal Tax Policies and Farm Households
(<http://www.ers.usda.gov/Publications/EIB54/>)

Emerging Issues in the U.S. Organic Industry
(<http://www.ers.usda.gov/Publications/EIB55/>)

Consequences of Higher Input Costs and Wheat Prices for U.S. Wheat Producers
(<http://www.ers.usda.gov/Publications/WHS/Mar09/WHS09C01/>)

Exploring Alternative Farm Definitions: Implications for Agricultural Statistics and Program Eligibility
(<http://www.ers.usda.gov/Publications/EIB49/>)

The Transformation of U.S. Livestock Agriculture: Scale, Efficiency, and Risks
(<http://www.ers.usda.gov/Publications/EIB43/>)

Key ARMS Phase III Financial Data

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.

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/CostsAndReturns/>. That site also provides links to ERS reports that analyze ARMS costs and returns data.

Balance Sheets

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

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

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

Financial Situation

Annual information from the ARMS on receipts, expenses, debts and assets is needed to evaluate the financial condition of farm businesses. The 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 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.

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.

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.

Non-Financial Data in ARMS Phase III

The survey also collects a considerable amount of nonfinancial data. Some, such as hours worked on the farm, or types of equipment or 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 equityholders—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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Chapter 2 - Terms and Definitions

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

<http://www.nasda.org/cms/7267.aspx>

Under the heading “Reference Materials”, there is a link for “NASS Terms and Definitions.” This link should contain the most recent list of terms and definitions used in all NASS surveys. Currently, the address is

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

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

Economic and Cost of Production Terminology

accounting, accrual	base acreage
accounting, cash	BLM
acreage base	borrowing capacity
acreage, eligible contract	
acreage, contract	call back
acreage, noncontract	carryover
agricultural commodity	cash receipts
agricultural production	cattle on shares
animal unit (AU)	check-off
animal unit month (AUM)	commission charges
aquaculture	commodity
area sample	commodity, contract
assessed value	Commodity Credit Corporation (CCC)
assessments	confidentiality
assets	Conservation Reserve Program (CRP)
auction pool	
balance sheet	conserving use
barrel (bbl)	contract

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

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

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

Livestock Production Categories (Respondent Booklet)

Hog Contractee Operations

- Farrow to Wean** – This operation oversees the breeding of sows or gilts and the farrowing of their litters. The contractee will feed and care for the pigs for about 16 to 20 days, until they reach 12-14 pounds. The weaned pigs will be moved to a nursery and/or grower operation and the sows will either be bred again or go to slaughter.
- Farrow to Feeder** – This operation oversees the breeding of sows or gilts and the farrowing of their litters. The contractee will keep the pigs for approximately 6 weeks, until they reach 35 - 45 pounds. The pigs will be moved to a finishing operation and the sows will either be bred again or go to slaughter.
- Farrow to Finish** – This operation oversees the breeding of sows or gilts and the farrowing of their litters. The contractee will keep the pigs and finish them out until they reach market weight. The sows will either be bred again or go to slaughter.
- Nursery** – This operation only handles young pigs. Pigs from 12 - 14 pound pigs are received, fed and cared for, until they reach 35 - 45 pounds. They are then transferred to a finishing operation.

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

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

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

Chicken Contractee Operations

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

Pullets for hatchery supply flock replacement – Pullets raised from newly hatched chicks to about 15 to 22 weeks for layer flock replacement. Almost all pullets for BROILER hatchery supply flock replacement are raised on production contracts.

Pullets for table egg flock replacement – Pullets raised from newly hatched chicks to about 14 to 20 weeks for table egg flock replacement. Under a PRODUCTION contract the hatchery or egg producer retains ownership of the birds.

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

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

Broilers, chicks, hatchery run (Code 935) – Broiler chicks less than 3 days old direct from the hatchery. Normally, these are sold to small operations normally 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 and 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.

Turkey Contractee Operations

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

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

Turkeys (Meat type) brooders – Brooder operations grow the chicks for about 6 weeks. After 6 weeks, the birds are moved to another facility where they are grown out to market weight.

Poults breeding flock – Poults are raised from newly hatched chicks to laying age for the purpose of breeding stock replacement.

Eggs, turkey hatchery – Producer cares for turkey layers and gathers eggs which are separated into either a meat type turkey flock or a breeding flock.

Chapter 3 - Survey Procedures

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

Survey Materials

You will receive the following from your State Office:

- Copies of pre-survey publicity materials mailed to each respondent.
- Questionnaires with labels identifying the assigned operations.
- Extra questionnaires without labels.
- Respondent Booklets containing Code tables and a burden statement.
- Supplements and Inserts for questionnaires you are assigned.
- Envelopes for mailing completed questionnaires.
- Several copies of NAS-011 (Time, Mileage, and Expense Sheet) and envelopes for mailing them.
- Other materials may also be provided by your State Office.

You should have these materials on hand:

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

Questionnaire Versions

Five questionnaire versions will be used in the 2010 ARMS Phase III. The Costs and Returns Report (CRR), Version 1, will be used in all states except Alaska and Hawaii. Nineteen States (CO, GA, IL, IN, IA, KS, KY, MI, MN, MO, NE, NY, NC, ND, OH, PA, SD, TX, WI) will be included in the corn sample, Version 2. The Version 3 organic corn sample will consist of nineteen States (CO, GA, IL, IN, IA, KS, KY, MI, MN, MO, NE, NY, NC, ND, OH, PA, SD, TX, WI). The Version 4 dairy and organic dairy sample will consist of twenty-six States (AZ, CA, CO, FL, GA, ID, IL, IN, IA, KS, KY, ME, MI, MN, MO, NM, NY, OH, OR, PA, TN, TX, VT, VA, WA, WI). And the Version 5 Core questionnaire will be used in all states except Alaska and Hawaii.

<u>Version</u>	<u>Color</u>
V1 – Costs and Returns Report (CRR)	White
V2 – Corn Costs and Returns Report	Canary
V3 – Organic Corn Costs and Returns Report	Goldenrod
V4 – Dairy Costs and Returns Report	Tan
V5 – Core	Green

Versions 1, 2, 3, and 4 have a Face Page which identifies the selected operator and partners. Pre-screening of respondents was done during the ISS. Any previously reported data from the ISS that is again asked in Phase III, should be printed next to the question in the questionnaire. Screening is discussed in Chapter 4 of this manual.

Respondent Booklets

The purpose of the Respondent Booklet is to help the respondents in answering the questions. Respondent Booklets contain information respondents need to reference when answering some survey questions, such as Code Lists and more detail on some items. In many cases, this information does not appear in the questionnaire. Using the Respondent Booklets can prevent confusion and save interview time.

The respondent may need help in becoming familiar with how to use the booklet. Take a minute and help familiarize the respondent with how to use the booklet. This will make the interview go more smoothly.

Some lists in the Respondent Booklet are there to let the respondents know what types of items we are looking for in response to certain questions. For example, the list of “Other Farm Assets” helps the respondent understand all of the items he should consider when answering the question.

The Respondent Booklet contains the required Paperwork Reduction Act Statement, official estimated time to complete the survey, and OMB control number for the respondent.

Respondent Burden

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

You will reduce the reporting burden on the respondent if you are thoroughly familiar with the questionnaire and instructions. Follow “go to” instructions carefully to avoid asking questions needlessly. If no “go to” instructions appear after an Item, continue with the next item.

Also be aware of the estimate of average completion time in the burden statement for each version. Depending on the version, this figure is either the actual average time from previous interviews or what NASS and the Office of Management and Budget (OMB) think the average completion time will be. The OMB is an agency that is required to review and approve all surveys conducted by the federal government.

At the end of the interview, call the respondent's attention to the Burden Statement on the Questionnaire or Respondent Booklet.

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).

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

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

Planning Your Work

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

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

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

Interviewing

Interview the farm operator, if possible, because information collected from other people often is less accurate. However, if the operator says someone else is more knowledgeable, interview that person.

The ARMS Phase III is very detailed which requires the majority of interviews to be completed in person. It is advisable to call or visit each respondent early in the survey period to setup an appointment to complete the interview at his/her convenience. During this initial contact, explain the survey purpose and importance, the scope of the interview, and that it will be necessary for them to have their farm records available during the actual interview.

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

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

Respondents often ask how long the interview will take. Never contradict the burden statement; however, it is okay to add to it. For example, you might say something like this: "The official nationwide average for this survey is 95 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 2010, 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 2010. Can you tell me why your vet expenses were so high?” And then make notes of the respondent’s answer.

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

After completing each interview, be sure to review the questionnaire while the interview is still fresh in your mind:

- check all the answers for correctness and completeness,
- double-check your calculations, and
- make sure your notes are legible and make sense.

Fiscal Year Versus Calendar Year

The questionnaires are designed to collect expenses and income for the calendar year. However, some farm businesses keep their books on a fiscal year basis, such as October 1 - September 30. In these cases, collect information for the operation’s 2010 fiscal year and make a note on the questionnaire indicating the time period of the operation’s fiscal year.

Nonresponse

If an interview cannot be conducted, explain why on the questionnaire. Make a note about whether the operation appears to be a farm and any other information you think might be helpful to the State Office.

Most farmers are willing to cooperate on NASS surveys, but in every survey some will refuse to do so. The key to reducing the chances of getting refusals is to be courteous and friendly, but persistent. Most respondents will greet you with basic questions about the survey. Be prepared to answer their questions confidently and concisely. Respondents will want to know what the survey is about, how long it will take and why they should report. You should develop and practice an introduction with which you feel comfortable. Your introduction should explain the purpose of the survey, the need for accurate agricultural statistics, and the confidentiality of the data. Make use of materials on the survey purpose provided at your State training workshop.

Above all, do not become discouraged when you get a refusal. Stay in touch with your supervisor. Continue to meet farm operators with ease, friendliness and optimism as you contact other respondents in the sample.

Supervision

Your supervisory enumerator will set up an appointment to meet with you early in the survey. This visit will help you get off to a good start by spending some time to review a few of the interviews you have completed. Hold all your completed work until this review takes place unless you are instructed to do otherwise.

Your supervisory enumerator, or someone from the State Office, will contact a few of your respondents to conduct a quality check. The quality check will verify that you spoke with the person named in the questionnaire and that the respondent understood the survey procedures.

Completed Questionnaires

Turn in your completed questionnaires according to the instructions you receive from the State Office. If you think that under these procedures the last few questionnaires you complete might not reach the State Office before the final due date, call your supervisor.

Keep a record of when you complete each questionnaire and when you passed it on to your supervisor or mailed it to the State Office. This will help the office locate survey materials if they are delayed.

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Chapter 4 - Face Page and Screening

FACE PAGE

Introduction

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

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

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

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

2010 Agricultural Resource Management Survey
Phase III - Interviewer's Manual

8	14-25 33-36	S O	Phone Number (10 digits)* Sequence Number (4 digits)
9	1-12 24-32		Sequence Number Tray and Bundle Number**
10	1-32		Endorsement Line**
11-12			Postnet Barcode**
13	1-30		Operation Name (30 digits)
14	1-30		Person Name (30 digits)
15	1-30		Street Address (30 digits)
16	1-18 20-21 23-32		Place Name (18 digits) State Abbreviation (2 digits) Zipcode (9 digits)

Screening Information

This year, a screening survey was conducted on the sampled respondents to determine their status in 2010. Area frame records were screened during the June Ag Survey. The National Processing Center (NPC) will print any of this previously reported data in the Questionnaire, next to the appropriate Question. This pre-printed information on this form is used to help you make sure you are interviewing the correct sampled operation.

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

- Who responded to the screening interview (operator, spouse, etc)
- All owned land
- All land rented to others
- All land rented from others
- Total Acres Operated
- Total Cropland

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

- You can ask the Question of the respondent, and compare their answer to the 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?"

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

Office Use Boxes

Response Code

Upon completion of the interview, enter the response code in cell 9901 on the Back Page of the questionnaire. Response codes are:

Code 1 = **Complete** (Use for Good Reports, Out-of-Businesses, No Target Crops, and Abnormal Farms)

Code 2 = **Refusal**

Code 3 = **Inaccessible/Incomplete**

Date

Record the date the questionnaire was completed. Enter the date in MMDD11 format in cell 9910. For example, if the interview was completed on February 26, 2011, enter the month, day, and year, 022611 in the date cell.

Respondent Code

The respondent code identifies the person who was interviewed. Enter the code identifying the person who provided most of the data in cell 9902.

Code 1 = **Operator or Manager**

Code 2 = **Operator's Spouse**

Code 3 = **Accountant or Bookkeeper**

Code 4 = **Partner**

Code 9 = **Other**

Times to Complete Interview

There are two methods that can be used to record the length of 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.

Beginning & Ending Times:

Record the **beginning time** (military time) of the interview when the respondent agrees to cooperate on the survey and you actually start the interview.

Record the ending time (military time) of the interview. If more than one person was interviewed or it took more than one appointment to complete the interview, times should reflect the approximate total time for the questionnaire.

Exclude the time you spend reviewing the questionnaire or verifying calculations by yourself after you have completed the interview. Be sure the ending time is after the beginning time entered on the face page.

Time In Hours:

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

Mode Code

The mode code (cell 9903) identifies how the person was interviewed. ARMS Phase III completes should be by face-to-face interview unless the V5 report form was mailed.

Code 1 = **Mail**

Code 2 = **Telephone**

Code 3 = **Face-to-Face**

Optional Use

Item codes 0002, 0003, and 0009 are reserved for your State Office use. These cells should remain blank unless your State office directs you otherwise.

Name, Address, and Partners Verification -- LIST

Questionnaires will be pre-labeled with names and addresses. If the first line (primary name line) of the label after the identification number line has an individual name (JOHN SMITH), this is the target name, (unless the OpDomStatus is 99). If the first line contains a combination of individual names (JOHN AND BILL SMITH) or an operation name (SMITH FARMS), then the name on the next line (the secondary name line) is the target name. If the OpDomStatus is 99, then the operation named on the primary name line is the target. *When OpDomStatus= 99, the operation name is the key.*

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

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

Area Frame Sampled Operations

All of the area frame samples selected for the ARMS were identified as farm operators during the 2010 June Agricultural Survey.

In the ARMS we are interested in the operation the way it existed on June 1, so ignore any changes that have occurred in the operation since June 1. For example, if the tract was individually operated in June and changed to a partnership in September, collect data for the individual operation for the time it existed (January through August). Do not collect any data for the partnership. Collect data for the operation as it existed on June 1.

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

If you find out an error was made in June (the operating arrangement was incorrectly identified), make notes to explain the error, but complete the

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

Screening Box on Face Page

If a question or problem exists with the operation description information collected during the ISS, 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 ISS, or incomplete information was obtained on the ISS.

If a Code "1" has been entered in the Screening Box on the Face Page of the Questionnaire, the office will have included a Screening Supplement with the Questionnaire for you to complete for this operation.

If the Screening Box is not coded, begin the interview with Section A.

Completing the Screening Supplements

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

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

If an operation was in business during part of 2010, 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.

There are 2 screening supplements that will be used:

- one for operations whose target is the operator's name (the non-opDom 99's), and
- one for operations whose target is the operation name (the opDom 99's)

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 2010, 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 2010, 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 2010.

Include:

- 1) all cattle, hogs, sheep, equine, goats, chickens, turkeys, ducks, geese, bees, rabbits, mink or other fur bearing animals, and fish that are raised commercially or for home consumption. FFA and 4-H livestock projects should also be included.

- 2) operations that own five or more pleasure horses and no other agricultural items.

Exclude:

- 1) operations that have ONLY FOUR OR LESS pleasure horses, and any number of other animals kept only for pleasure use or as pets. For an operation to be excluded from ARMS, no other agricultural items (including hay) may be present on the operation.
- 2) horse boarding operations, riding stables, or race horse training operations that
 - a) do not have other agricultural items (ie. has hay or breeds horses) unless they have more than 99 acres of pasture, or
 - b) that keep separate accounting books from the farming operation's accounting books. If the horse boarding, riding stable, or race horse training operation's income and expenses can be broken out from the traditional agricultural enterprises' income and expenses, exclude the horse boarding, riding stable, or race horse training operation.
- 3) Slaughter or packing houses, auction barns, stockyards or order buyers. These operations have livestock which are committed for slaughter. The presence of these livestock alone does not qualify an operation for the survey.

Item 3 – Sales of Agricultural Products or Receipt of Government Agricultural Payments

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

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

If this item is checked YES, go to Item 6.

If Items 2 and 3 are both NO, continue with Item 4.

Item 4 – Out-of-Business Determination

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

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

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

Item 5 – Enumerator Action

These instructions only apply in rare cases where the selected target name is out-of-business. If the answer to items 2 and 3 are both NO:

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

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

Item 6 – Decision-Maker For This Operation

We are interested in how the operation was managed on a day-to-day basis. We do not care what the legal definition of the operation is. Definitions of individual, partnership, and managed land can be found in the *Ag Surveys Interviewer's Manual*. Landlord-tenant, cash-rent and share crop arrangements should not be considered partnerships.

When an individual operation is reported, enter Code “1”. When a partnership is reported, enter the number of partners. Include the person listed on the Face Page and all of the other partners. If there are more than

5 total partners, consider this a managed operation and enter a Code “8”.
When a hired manager is reported, enter Code “8”.

Item 7 – Other Operations (NON-OpDomStatus 99 Operations Only)

This is a screening Question to find out if the target name made day-to-day decisions for any other operations in 2010. Each additional **(non-managed)** operation must be listed or verified on the back side of the Screening Supplement. The information collected on the Screening Supplement will be used to update your State’s list sampling frame.

If the operator does not have other operations (Item 3 is NO)

If there were not any other operations, enter a “1” in Item Code box 0923, return to the Questionnaire and begin the interview.

If the operator has other operations (Item 3 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 2010. If any partner names are not listed, add them with complete name and address information.

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

Item 7c – Day-to-day Decisions for Additional Operations

For each of the additional operations, check the appropriate box to explain how the day-to-day decisions were made in 2010. We are interested in how the operation was managed on a day-to-day basis. We are not interested in the legal definition of the operation.

Special Situations - Managed Operations

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

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

If the label for the operation on the Face Page is a managed operation and was still in business in 2010, 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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Chapter 5 – Completing the Questionnaire

Introduction – Layout

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

The Core questionnaire contains the basic questions from which NASS and ERS will set state-level estimates. Virtually every question in the Core is either found in the version I or the versions II, III or IV questionnaire. Certain questions in the Core combine two or three questions in the CRR(Version 1). However the content for each section of the Core does not always coincide with sections of versions I - IV, therefore a mapping of Core questions to the respective questions from the Version I has been created. After the description of the CRR questions, you will find each question of the core questionnaire listed sequentially. The corresponding version, section and item number will tell you where to go, in the section, to find the information for that question.

Section A – Land In Farm/Ranch

Section Purpose

Section A has the following primary functions:

- (1) to measure the total land operated,
- (2) to determine the tenure arrangements and whether farmers are renting on a share, cash, or rent-free basis,
- (3) to account for rent paid on rented land,
- (4) to account for rent received on acres rented to others, and
- (5) to account for the amount received for land retirement and conservation programs.

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.

Acreage Operated in this Operation

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 2010. Answers for these items are reported to the nearest whole acre.

For operations that were in business for only a part of 2010, collect data for the part of the year when it was still in operation. If the operation went out-of-business before December 31, 2010, end-of-year inventory values for crops in storage or livestock should be zero when you ask about these later in the interview. However, you will usually find fairly large amounts of cash or other assets such as land contracts due from sales of farmland. Exclude data for the part of the year that an operation was not in business including any income from renting the operation to others after this operation went out-of-business.

Sometimes an operator has several operating arrangements, such as an individual operation and a partnership operation. We have selected only one of the operations, so be sure the questionnaire contains data only for the arrangement identified on the label.

INCLUDE:

- (1) all cropland, the farmstead, government program land, idle land, orchards, pasture, wasteland, wetland and woodland, regardless of location, if the operator made the day-to-day decisions for that land under the selected operating arrangement. Include land in another state that is part of the operation (if the operator made the day-to-day decisions for that land).
- (2) land worked by sharecroppers. Sharecropper operations are considered part of the landowner's operation. A sharecropper is a

worker who furnishes ONLY LABOR (his own and often his family's) for a share of the crop. Sharecroppers generally furnish no machinery, seed, fertilizer, etc.

- (3) all land in the operation that is used by the operator's children for 4-H or FFA projects, if the operation's equipment is used.

Item 1 – Acres Owned

Include all cropland, the farmstead, government program land, idle land, orchards, pasture land, wasteland, and woodland. Include land that has the potential for growing crops or grazing livestock even if it was not used for agricultural purposes in 2010.

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

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

Sometimes you will find a situation where the operator (and/or partners) owns the land but has set up the operation so that the land is rented to the operation. This is done for tax and other financial benefits. When this occurs, do not include the acres the operation rents from the operator as owned acres. Treat them as you would acres rented from any other landlord, and be sure the amount of rent paid is recorded.

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

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

There are three categories of rented acres:

- cash rented acres with the payment either being a fixed or flexible amount are recorded in item 2a,

- share rented acres are recorded in item 2b, and
- acres used rent-free are recorded in item 2c.

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

- (1) paid cash rent. (Item 2a)
- (2) paid for use of the land with a share of the crops (either standing or harvested). (Item 2b)
- (3) paid for use of the land with a share of livestock production or paid a combination of a fixed cash payments plus some shared production. (Item 2b)
- (4) had free use of the land. (Item 2c)
- (5) land 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 the land they rent contains woods or wasteland. Even though the farmer/rancher may not think about it that way, the landlord considers the whole parcel rented. 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 arrangement 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 2010, 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 2010. 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. Do not include 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 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, etc., in which the operation receives a payment and the land is **NOT** farmed. This is without regard to whether the land was formally rented or not. The payments received are recorded as cash rent received in Section A.

EXCLUDE:

- (1) land enrolled in Government programs for which this operation has enrolled and makes day to day decisions (such as acres under Direct and Counter-cyclical Payment Program (DCP), acres in the Conservation Reserve Program, etc.).
- (2) land worked by sharecroppers on this operating unit.
- (3) land used by a child for 4-H or FFA projects if the operation's equipment was used.
- (4) land on which crops were grown under contract, if the land owner furnished machinery or controlled the seeding, growing and harvest of the crop.
- (5) land used for pasturing someone else's livestock when payment was made on a per head, fee, or AUM basis.
- (6) land used for pasturing someone else's livestock for a short term (2-4 months) when the operator will harvest crops later in the year.
- (7) land on which the operator fed livestock under contract for someone else.
- (8) land used for such purposes as cell phone towers, underground pipelines, windmills, etc., in which the operation receives a payment for and the land is farmed. This is without regard for whether the land was formally rented or not. The payments received are recorded as other farm related income received in Section E.

Item 4 – Total Acres Operated in this Operation in 2010

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, the operation as defined in the Item 4 acres is the operation data will be collected for.

Item 5 – Farmland Ownership

Ask only if the operation owned any farm or ranch land used in 2010 (Item 1). If no farm or ranch land used in 2010 was owned, proceed to Item 6.

Item 5a – Source of Farmland Acquisition

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

Item 6a – Acres Considered Cropland

Cropland is any tillable land currently in crop production or land that has previously been tilled and used for crops and could be tilled again without additional improvements.

INCLUDE:

- (1) Land in crop-pasture rotation and cropland used for pasture or grazing during the current year.
- (2) Land in summer fallow.
- (3) Idle cropland (no crops planted or harvested in current year).
- (4) Cropland diverted for government programs (including CRP), unless the land is planted to trees.
- (5) Fruit orchards, vineyards, nut trees, and citrus groves.
- (6) Vegetables, melon crops, and other specialty food crops.

- (7) Nursery crops, turf grass, sod, and Christmas trees.
- (8) Land in hay crops, including wild hay.
- (9) Pastureland tilled in the past if the land could be tilled again without first clearing brush, trees, undergrowth, etc.

EXCLUDE:

- (1) Pasture and rangeland that has never been tilled.
- (2) Government program acres planted to trees. These acres are woodland.
- (3) Woodland and wasteland.

Item 6b – Acres Covered Under Federal Insurance

Of the total acres in Item 4, report the acres that were covered under Federal crop insurance during 2010. **Include** acres covered by insurance for the loss of grazing on rangeland, if the insurance program is administered by a Federal agency.

Item 6c – Acres Enrolled in Conservation Programs

Record the total number of acres the farm operation has enrolled in the Conservation Reserve Program (CRP), Conservation Reserve Enhancement Program (CREP), or Wetland Reserve Program (WRP).

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.

Include land in any year when (1) a contract is in force for any part of the year and (2) no other crop was harvested, with the exception of haying or grazing allowed with the terms of the contract.

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 6d – Acres Used to Harvest Certified Organic Crops

Of the total acres in Item 4, report the acres harvested as certified organically produced crops. Certified organic crops are those that were certified by a State, or private certification agency.

Item 7 – CRP, CREP, and/or WRP payments

Record the total amount of payments received in 2010 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. There should be acreage associated with the CRP, CREP, and/or WRP acres reported in Item 6c unless the acreage was planted to trees.

Item 8 – Current Environmental Quality Incentives Program (EQIP), Conservation Security Program (CSP), Conservation Stewardship Program (CStP) Contract

Record if the operator has a current EQIP, CSP, or CStP contract. Check yes if the operator has a current contract regardless of whether the operator received a payment in 2010. Note:

- EQIP contracts do not always provide a payment in every year of current contracts, but CSP and CStP contracts do provide annual payments. If „YES’ there should be EQIP/CSP acres recorded below.
- 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 8a – Acreage Subject to Conservation Treatments

Record the total acres that were subject to conservation treatments under contracts funded through EQIP or CSP/CStP:

Item 8a(i) – Acreage Subject to Conservation Treatments under an Environmental Quality Incentive Program (EQIP) Contract

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.

Record the total acres that were subject to conservation treatments under current contracts funded through the EQIP.

INCLUDE:

- (1) Acreage of fields/tracts where practices are applied (such as reduced tillage, terraces, and grassed waterways). For example if a 1 acre grassed waterway drains stormwater from 10 adjacent acres, include 10 acres.
- (2) Acreage of fields/tracts that are adjacent to field edge practices (such as filter strips, riparian buffers, or fences). For example, if a 1 acre filter strip captures nutrient runoff from a 20 acre field, include 20 acres. In another example, if fencing is installed to restrict access to 15 acres of sensitive habitat, or to establish a grazing boundary around 15 acres, include 15 acres.

The number of acres reported here may exceed acres reported in Item 4, if conservation treatments involve land not operated by the producer.

Item 8a(ii) – Acreage Subject to Conservation Treatments under a Conservation Security Program (CSP) or Conservation Stewardship Program (CStP) Contract

Record the total acres that were subject to conservation treatments under current contracts funded through the CSP or CStP. See Item 8a for additional information about acreage to include.

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.

Item 8b(i) – Environmental Quality Incentive Program (EQIP) Payments

Record the total amount of payments received in 2010 from participation in the Environmental Quality Incentive Program (EQIP). **Include** cost share and incentive payments. There should be acreage associated with the EQIP acres reported in Item 8a(i).

Item 8b(ii) – Conservation Security Program (CSP) or Conservation Stewardship Program (CStP) Payments

Record the total amount of payments received in 2010 from participation in the Conservation Security Program (CSP) or Conservation Stewardship Program (CStP). Include stewardship, enhancement, cost share, and incentive payments. There should be acreage associated with the CSP/CStP acres reported in Item 8a(ii).

Item 9 – Lease Information for Land Rented or Leased from Others in 2010

If the operation rented or leased land from others in 2010 (Item 2a, 2b, or 2c), then complete the table as needed.

EXCLUDE any pre- or post- rental agreements where rent was paid in 2010.

A high proportion of farmland is rented, and rental terms vary widely. With these data we will assess how rental arrangements affect participation in conservation programs (such as EQIP), which will in turn help us to assess the effectiveness of those programs. We also use these data to assess how the benefits from commodity programs are distributed among farm operators and landlords. Finally, information on land rented from relatives will help USDA better understand the paths by which beginning farmers enter farming.

Column 1 – Number of Leases for Land Rented or Leased from Others in 2010

Record the number of leases (written or oral) for the land rented or leased from others in 2010.

Column 2 – Number of Written Lease Agreements for Land Rented or Leased from Others in 2010

Record the number of written lease agreements for the land rented or leased from others in 2010.

Column 3 – Average Length of Leases for Land Rented or Leased from Others in 2010

Record the average length of leases (written or oral), in years, for the land rented or leased from others in 2010.

Column 4 – Percentage of Acres Rented From Relatives for Land Rented or Leased from Others in 2010

Record the percentage of acres rented from relatives for the land rented or leased from others in 2010.

Column 5 – Average Rent Paid per Acre for Land Rented or Leased from Others in 2010

Record the average rent paid per acre for the land rented or leased from others in 2010.

EXCLUDE any rent paid for land rented in 2009 or 2011.

Item 10 – Landlord Participation in Decision Making

If land is rented from others (Item 2), indicate whether the landlord participated in operating decisions involving land use or livestock production in Item 10.

Item 11 – Where Landlord Lives

If land is rented from others (Section A, Item 2), indicate where the principal landlords lives by one of the three choices. If there is more than 1 landlord, the principal landlord is the one from whom the most land is rented.

Item 12 – Landlord Actively Engaged In Farming

Record the percentage of land rented or leased from others that is rented from landlords who are actively engaged in farming or are retired from farming.

Rent Paid – Items 13 & 14

Item 13 – Cash Rent Paid for Acres Rented From Others

Include rent for land and buildings, record the total amount paid in 2010 to all landlords for cash rented acreage. When an operator rents buildings, they are renting the land under the buildings as well. The land can not 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 Item 2a.

Ask this question even if no land was rented in 2010. The operation may have paid rent for 2009 or 2011 in 2010. If we skip this question just because the operation did not rent any land in 2010, we miss previous year's rent paid in 2010, or 2011 rent paid in advance in 2010. 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 14b.

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 J, Item 11d. Record any other income and expenditures of the packing shed as part of the profit or loss of a separate business and NOT in Sections D-I 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 D-I of the ARMS questionnaire.

Item 14 Screening Question for Grazing of Livestock

Record a YES if this operation used land administered by public or private agencies for the purpose of grazing. Include short term grazing agreements where a livestock owner will pay to allow their livestock to graze private land that the landlord will use to harvest crops later in the growing season. If no, then record a "3" and proceed to Item 15.

Item 14a – Usage fees Paid for use of Public land

(Mostly found in AZ, CA, CO, ID, MT, NE, NV, NM, ND, OK, OR, SD, TX, UT, WA, and WY)

The operations 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.

In Item 14a, **INCLUDE** expenses for use of public land, industrial land or grazing association land associated with a range grazing area (allotment or unit). Include all expenses for any year, as long as they were paid in 2010.

EXCLUDE expenses for use of land controlled by private individuals or partnerships even if the operator reports livestock were pastured on an AUM basis on this land (this expense should be recorded in Item 14b).

If the operation owned (or rented from others) land which was administered on an exchange-of-use basis, these acres should be reported as owned in Item 1 and as acres rented to others in Item 3. 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 Item 15.

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

Excluding contract arrangements, record the total amount paid in 2010, for pasturing or grazing livestock on privately owned land on a fee per-head (AUM), gain, or other basis.

INCLUDE expenses for 2-4 month rental where the operator will graze livestock and the landlord will harvest crops from the same land later in the year.

EXCLUDE expenses for pasturing or grazing livestock on public land. These expenses should be recorded in Item 14a.

Rent Received – Items 16 & 17

Item 15 – Cash Rent Received for Acres Rented To Others

Do not skip this item even if the operation rented no land out in 2010. The operation may have received income in 2010 for land rented to others before 2010, or the operation may have received a pre-payment of land to be rented in 2011.

Include rent for land and/or buildings, record the total cash rent received during 2010, for all land rented to others for cash.

INCLUDE:

- (1) If rent owed to the operation for 2009, was received in 2010, it should be included here. If rent for 2011 was received in advance (in 2010), 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.
- (4) Payments received for cell phone towers, pipelines, roadways, windmills, etc., in which the operation receives a payment for their presence on the farm and the land is **NOT** farmed. The land is considered rented to others.

Exclude any short-term livestock grazing arrangements where the livestock owner “rents” land to graze livestock for a period of 2-4 months, but the operator will harvest crops from the same land later in the year. The payments received for this short term grazing arrangement should be recorded in Section E, Item 5b.

Item 16 – Value of Share Rent Received for Acres Rented To Others

Do not skip this item even if the operation did not share rent land out in 2010. The operation may have received its share of 2009 commodities in 2010, for land it rented to others in 2009. Record the total value of the share of production received by the operation plus the value of all government payments received in association with the share rented land.

If the operator (as a landlord) has received his share of the production, but has not sold it yet, record the operator's best estimate of its market value, plus the amount received in government payments associated with the share rented land.

Be sure that commodities the operator gets in payment of share rent **ARE NOT INCLUDED** in the sales reported later in the Questionnaire.

Other Questionnaire Versions

Versions 2-4 – Corn, Organic Corn, Dairy

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	1
Item 2a	2a
Item 2b	2b
Item 2c	2c
Item 3	3
Item 4	4
Item 5a	6a
Item 5b	6b
Item 5c	6c
Item 5d	6d

2010 Agricultural Resource Management Survey
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Item 6	7
Item 7	8
Item 7a	8a(i) + 8a(ii)
Item 7b	8b(i) + 8b(ii)
Item 8	13
Item 9	14a
Item 10	14b
Item 11	15
Item 12	16

Version 5 – Core

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	1
Item 2a	2a
Item 2b	2b
Item 2c	2c
Item 3	(Add items 1+2a+2b+2c)
Item 4	3
Item 5	4
Item 6a	6a
Item 6b	6b
Item 6c	6c
Item 6d	6d
Item 7	7
Item 8	8
Item 8a	8a(i) + 8a(ii)
Item 8b	8b(i) + 8b(ii)
Item 9	13
Item 10	14a
Item 11	14b
Item 12	15
Item 13	16

Section B – Acreage and Production

Section Purpose

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

Survey weights will be adjusted/calibrated so that expansions of harvested acreage for many crops reported in this Section match official NASS estimates at regional and national levels.

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

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

Item 1 – Crop Acreage and Production

GENERAL INSTRUCTIONS

This section accounts for all crops harvested on the selected operation in 2010. All harvested acreage figures should be rounded to the nearest whole acre, except potatoes, tobacco, and nursery/greenhouse crops, which are reported to the nearest tenth of an acre. Total production must be reported in the unit pre-printed on the questionnaire.

For operations that were in business for only a part of 2010, collect data for the part of the year when they were operating.

Column 1 - Crop

Most major field crops are reported in this Section. The questions for crops always relate to the total acres in this operation recorded in Section A, Item 4. Include all crops harvested from these acres, but exclude any crops harvested from land rented or leased to others or worked on shares by others in 2010.

This column identifies the crops harvested on this operation in 2010. The crops are divided into four categories: Field Crops, Small Grains, Dry Hay Crops, and Other Crops. Within each category, crops of interest are indicated. These may be specific crops, such as corn for grain, or more general, such as Fruits, Nuts, and Berries.

To ensure proper and complete reporting, for each item listed, ask the respondent, "During 2010, did you harvest any [crop] on the total acres (Section A, Item 4) in this operation?"

Commodity Specific Instructions

Field Crops

Corn

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

EXCLUDE:

- (1) Sweet corn should be included, depending on usage, in either Vegetables for Processing or All Other Vegetables and Melons.
- (2) Popcorn and high moisture corn (for non-grain purposes) should be included in All Other Crops.

Cotton

Record all types of cotton harvested. If cotton was grown in a "skip" row pattern, count only the land harvested for cotton, excluding the skip row acreage.

Peanuts

Include only peanuts harvested for nuts.

Exclude peanuts cut for hay; record as Hay, All Other.

Potatoes

Record potato acreage to the nearest tenth of an acre.

EXCLUDE:

- (1) Potatoes produced for home consumption.
- (2) Sweet potatoes should be included in All Other Crops.

Rice

Include only short, medium, and long grain varieties. Brown rice and wild rice should be reported as All Other Crops. If rice was harvested twice from the same planted acreage (a ratoon crop), count the acreage only once.

Sorghum

Exclude sorghum-sudan crosses harvested for hay; record as Dry Hay, All Other.

Soybeans

Record only soybeans harvested for beans.

Exclude soybeans cut for hay; record as Dry Hay, All Other.

Tobacco

Record all types of tobacco harvested in 2010. Record tobacco acreage to the nearest tenth of an acre. If "skip" rows or "sled" rows were present, record only the actual tobacco acreage.

SMALL GRAINS

Sometimes mixtures of wheat, oats, barley, and other grains are planted for use as hay, forage or silage crops. If they were harvested for hay, these mixtures should be recorded in Dry Hay, All Other. If they were harvested as silage, they should be recorded in All Other Crops. If the crop was not harvested (only grazed), do not record it at all.

Exclude small grains cut for hay; record as Dry Hay, All Other.

Wheat for Grain

Record all types of wheat (winter, durum and other spring) harvested for grain or seed.

DRY HAY CROPS

Record only acres cut for hay (exclude acres "harvested" by grazing).

Acreage from which only grass silage, hay silage (haylage), greenchop, or alfalfa seed were harvested should be reported in All Other Crops.

Acreage from grass seed such as Bermuda, sorghum, alfalfa, etc should be reported in All Other Crops.

If a hay crop and haylage are harvested from the same acres, record this as double-cropping with the hay reported in the appropriate line and the haylage reported in All Other Crops.

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

- (1) Record the acreage only once.
- (2) Record the total production from all cuttings combined. For example, if two cuttings were made from a 50 acre hay field with the first cutting producing 105 tons and the second cutting yielded a total of 65 tons. The total production for the 50 acre crop would be 170 tons (105+65).
- (3) If hay was cut from the same land from which small grains were harvested for grain:
 - (a) Record the acreage cut for hay as Hay, All Other.
 - (b) Record the acreage harvested for grain in the appropriate item in the Small Grains Section.
 - (c) Exclude straw and stubble, except for the value of sales which is recorded as in Section D, Item 6.

Alfalfa and Alfalfa mixtures harvested for dry hay should be recorded under Dry Hay, Alfalfa.

All non-Alfalfa hay harvested for dry hay, including wild hay, should be recorded under Dry Hay, All Other.

OTHER CROPS

Other Oilseeds

Exclude soybeans and canola. Include all other oilseeds harvested. Include crops such as flaxseed, mustard seed, rapeseed, safflower, and sunflower. Include oil and non-oil varieties.

Sugarcane or Sugarbeets

Record the acreage of sugarcane or sugarbeets harvested in 2010, regardless of the year planted. Exclude acreage harvested for seed.

Vegetable Crops

- (1) Multiple Cropping
Record entire acreage of each vegetable crop planted and harvested.

For example: If 20 acres of radishes were harvested from a field and the field was replanted in radishes and harvested again, record 40 acres harvested.

- (2) Sales from Home Gardens
Record home garden acres harvested only if there were sales from the home garden. DO NOT record vegetables grown only for home use.
- (3) Two or More Pickings
If two or more pickings were made from the same planting, record the acres harvested only once.

Vegetables for Processing

Include all vegetables harvested that were for processing.

All Other Vegetables and Melons

Include all vegetables harvested that were not for processing (i.e. for fresh market) and all melon crops (watermelons, cantaloupes, and other melons).

Fruits, Nuts and Berries

Include all bearing acreage of fruit, nut, and berry crops (including strawberries).

Exclude non-bearing acres and abandoned acres.

Nursery and Greenhouse Crops

Include flowers, ornamentals, mushrooms, tobacco transplants for sale, harvested sod, Christmas trees, turfgrass, hydroponic sprouts, alfalfa sprouts, etc. Record nursery and greenhouse acreage to the nearest tenth of an acre.

All Other Crops

This item is for recording information on all harvested crops not previously recorded in this section. It is a catch-all item for other crops grown and harvested on this operation. **Exclude** straw and stubble from crops, except for the value of sales which is recorded as in Section D, Item 6.

For each other crop reported, first determine if that crop should have been reported in another item above. If so, record it and all required information in the appropriate item.

Column 2 – Harvested Acres

Except for potatoes, tobacco, and nursery/greenhouse crops, report harvested acreage to the nearest whole acre. For potatoes, tobacco, and nursery/greenhouse crops, record harvested acres to the nearest tenth of an acre.

INCLUDE:

- (1) acreage of crops harvested in 2010.
- (2) acreage of crops intended for harvest in 2010 even if harvest was delayed until 2011 due to bad weather, etc.
- (3) acreage for which two uses were made of the same crop. An example is alfalfa acreage harvested for both hay and seed. These acres are recorded twice: as acres of Alfalfa, and as acres of Alfalfa seed harvested (all other crops) to account for the seed.

EXCLUDE:

- (1) acreage for second or later harvests (for the same use) of any crop from a single planting, such as second or third pickings of cotton and ratoon crops of rice.

- (2) acres of 2009 crops not harvested until 2010 due to weather conditions, etc. Make sure the respondent is not reporting planted acres by crop when you are asking only for harvested acres.
- (3) acreage of maple trees that are harvested for sap. Maple trees are not considered cropland.

Column 3 – Total Production

Record the TOTAL PRODUCTION of the harvested commodity. For some respondents, this may require multiplying average yield per acre by the number of acres harvested (col 2).

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

If harvest is not complete at the time of the interview, 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 G, Item 4a. Record the expenses spent for both the harvested and unharvested crop in 2010 in Section F. Be sure to record notes accurately.

Column 4 – Amount of Production Used on This Operation

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

Include:

- (1) The Landlord share that was used on the operation. In this case, do not record the production used in landlord's share of the crop.

Exclude:

- (1) any production that was (or will be) used for human consumption (record the market value of this production in Section F, Item 31).
- (2) the landlord's share of production if it was used outside the operation.

- (3) 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 F, Item 6.

EXAMPLE:

125 acres of oats were harvested for grain with an average yield of 60 bushels per acre. These oats were harvested off share rented acres where the landlord received a 50% share. The operation used all of its share of the oats on the operation in 2010. This information would be recorded as follows:

Column 2 - 125	acres harvested
Column 3 - 7500	total production [125 acres x 60 bu/acre = 7500]
Column 4 - 3750	operation's share used on this operation [7,500 total bushels produced x 50% share x 100% used = 3,750]
Column 5 - 3750	amount of landlord's share of production [7,500 total bushels produced x 50% landlord share = 3,750 bushels]

Landlord's Share of Production

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

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

Example of INCORRECT Calculation of Landlord's Share:

Valley Farms owned 200 acres on which it grew wheat in 2010. 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 $.20 \times 31,500 = 6,300$. This would result in the landlord's share being 2,700 bushels more than it should be and the wheat belonging to Valley Farms as 28,200 bushels (2,700 bushels less than it ought to be).

Example of CORRECT Calculation of Landlord's Share:

The operator reports that soybeans were grown on 500 acres. The average yield per harvested acre was 30 bushels. Since the operator does not know the total amount of the landlord's share, you have to probe! You ask how many acres were share rented and find out that there were 150 acres of share rented soybean land. You calculate that his production on the 150 share rented acres was 4,500 bushels (30 bushels per acre x 150 acres). You then ask what share the landlord received and learn that the landlord received a 1/3 share. So you calculate:

Landlord's Share (amount) of production

$$4,500 \text{ bushels} \times (1/3) \text{ share} = 1,500 \text{ bushels}$$

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.

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

Record the TOTAL AMOUNT (in specified unit) of each commodity given to landlord(s) in return for use of the land. This item is very important because it is used to determine the value of the landlord's share for rent. Exclude the landlord's share of government payments that will be recorded in Section E, Item 4.

**Item 2 – Area For Sale of Nursery, Greenhouse, Floriculture, Sod,
Mushrooms, Vegetable Seeds, and Propagative Materials**

Report the area for sale of the above crops (including Christmas Trees) as square feet and/or whole and tenth acres. An operation may have crops

grown in greenhouses (glass or plastic) and in fields. Report each area only once in Item 2 regardless how many crops were harvested from the same area.

Item 3 – Market Value of Landlord’s Share

For the crops listed in Items 1 with a “*” placed beside them, the MARKET VALUE of the landlord’s share must be calculated. Report a dollar value only if the land was share rented. The value per unit of the landlord’s share is defined as the price at the time the landlord takes possession of the crop.

Item 4 – Conservation Practices for Selected Crops

Record if the operation planted any corn, soybeans, wheat, or cotton intended for harvest in 2010. Include winter wheat that was planted in the fall of 2009 for harvest in 2010. If so, ask Items 4a-4c otherwise skip to Item 5.

This section asks about three important farming practices (tillage; nitrogen application; and fall fertilization) on four major crops. These questions will provide the first annual, broad-based picture of these practices.

Item 4a – Acres Planted and Intended for Harvest in 2010

Record the number of acres planted with the intention for harvest in 2010.

INCLUDE:

- (1) Winter wheat acres planted in fall 2009 for harvest in 2010.
- (2) For double or triple cropped acres, the acreage of all plantings.

Verify that planted acreage is equal to or greater than harvested acreage reported in Section B, item 1.

Item 4b – Acres Planted With No-till or Strip-till

Record the number of acres of corn, soybeans, wheat, and/or cotton planted with no-till or strip-till.

Under no-till, crop residue from the previous crop is left on the soil and the soil left undisturbed from prior harvest to no-till planting except for nutrient injection. Under strip-till, tillage is confined to 6- to 8-in. strips into which dry fertilizer and/or anhydrous ammonia and seed are placed. Crop residue in row middles is left undisturbed and would, on its own, satisfy the definition of no-till.

Item 4c – Acres Planted That Received Nitrogen Fertilizer

Record the number of acres of corn, wheat, and/or cotton planted that received nitrogen fertilizer. If any acres received Nitrogen Fertilizer, ask (i) to (ii).

Item 4c(i) – Average Application Rate

For corn, wheat, and cotton crops that received nitrogen fertilizer, record the average application rate (in pounds per acre) for the nitrogen fertilizer.

The most common method for reporting fertilizer materials is by percent analysis of their content of Nitrogen (N), Phosphate (P₂O₅), Potash (K₂O), and Sulfur (S) in that order, though in many cases Sulfur may be left off. The percent analysis is referred to as NPKS analysis. For example, 13-13-13-5 is 13 percent Nitrogen, 13 percent Phosphate, 13 percent Potash, and 5 percent Sulfur. This means that forty-four (13+13+13+5) out of every one hundred pounds of this fertilizer is active ingredients (N, P₂O₅, K₂O, S). Fifty-six (100 - 44) pounds of every one hundred pounds of this nutrient or fertilizer is carrier material (inert ingredients).

If the respondent can give pounds per acre of a percent analysis, pounds per acre can be derived from a formula:

One example is if the operator applied 100 pounds per acre of anhydrous ammonia (82-0-0) to the field, the calculation would be:

$$\begin{aligned} \text{Pounds Per Acre of N} &= 100 \times 0.82 \\ &= 82 \end{aligned}$$

The response for Item 4c(i) would be 82 pounds per acre of nitrogen.

For 100 pounds per acre of di-ammonium phosphate, or DAP (18-46-0), the calculation would be:

$$\begin{aligned} \text{Pounds Per Acre of N} &= 100 \times 0.18 \\ &= 18 \end{aligned}$$

The response for Item 4c(i) would be 18 pounds per acre of nitrogen.

Item 4c(ii) – Percentage of Application in Fall

Record the percentage of total nitrogen applied that was applied in the fall prior to planting.

Item 4c(iii) – Percentage of Application After Planting

Record the percentage of total nitrogen applied that was applied after planting. Note that the percentages recorded in items 4c(iii) and 4c(ii) do not have to sum to 100, since nitrogen may also be applied in the Spring before or at planting.

Item 5 – Acres of Winter Cover Crop

Record the number of cropland acres that were

- (1) Harvested in 2009,
- (2) Planted with a cover crop, and
- (3) Planted with an annual crop like corn or wheat for 2010.

INCLUDE acres of winter wheat that was planted in the fall of 2009 and harvested in 2010.

Item 6 – Acres of Cropland that are Fallow

Record the number of acres that were left fallow during 2010.

Item 6a – Land Left Fallow As Part of a Rotation

Record the number of acres left fallow that were fallow as part of a crop rotation for conservation or other purposes.

Other Questionnaire Versions

Versions 2-5 – Corn, Organic Corn, Dairy, Core

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	1 (Columns 1-4)
Item 2	2
Item 3	3 (Value of Item 1, Column 5 + Item 3)

Section C – Livestock

Section Purpose

Livestock removals and sales are used to develop estimates of the value of livestock production. This information is also important for assessing structural change in agriculture. It allows us to determine the degree to which operations are diversified across types of livestock and it enables us to assess trends in consolidation in livestock production.

Survey weights will be adjusted/calibrated so that expansions of livestock inventories reported in this Section match official NASS estimates at regional and national levels.

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.

This section also allows us to track livestock owned by the operation, but raised on other farms (such as dairy heifers raised off-site, or beef cattle raised in custom feedlots). These can contribute to the operations financial performance.

Item 1 – Number Sold and/or Removed in 2010, Number on Hand on December 31, 2010, and Number Owned by Operation on December 31, 2010.

It is very important to record these items accurately. Survey weights will be adjusted/calibrated so that expansions of these items match official NASS estimates at regional and national levels. Ending inventory numbers are used by NASS in setting official U.S. farm expenditure estimates.

Column 2 – Total Number Sold or Removed in 2010

Record all livestock, poultry, poultry products (eggs), dairy products (milk) and animal specialties that were sold on the open market or removed under contract from the operation from January 1, 2010, through December 31, 2010, regardless of who owned them. Also include any livestock products, livestock, or poultry that belonged to landlords, contractors, or any other person. **Exclude** animal deaths. Deaths do not add a value of production, and they are not counted.

Column 3 – Total Number on Hand

Record all livestock, poultry, and animal specialties on the total acres operated on December 31, 2010, regardless of ownership. Record livestock and poultry raised, fed, or pastured under a contract or on a custom basis if they were located on the total acres operated on December 31, 2010.

Exclude livestock owned by the operation and grown by others. These are recorded later in this section.

There are certain circumstances under which livestock or poultry should be recorded as inventory on the operation on December 31, 2010, even though they are not on the acres recorded in Section A. Examples include livestock or poultry:

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

Column 4 – Total Number Owned by the Operation

Record the number of livestock on the operation on December 31, 2010 that are also owned by the operation.

Item 1a – Beef Cows

Include

1. All cows that have had at least one calf, regardless of breed, except those kept primarily to produce milk for human consumption, either for home use or for sale.
2. Beef heifers that have calved at least once.

Exclude heifers that have not calved.

Item 1b – Milk Cows, dry and in milk

Include

1. All cows that have had at least one calf, regardless of breed, kept primarily to produce milk for human consumption, either for home use or for sale.
2. Milk cows, both dry and those being milked.
3. Heifers being kept for milk that have calved at least once.

Exclude

1. Cows kept primarily to raise or nurse calves, and not to produce milk for human consumption. Record these as beef cows.
2. Heifers that have not calved.

Item 1b(i) – Milk

Record the total amount (in hundredweights) of milk sold on the open market or removed under contract from the operation in 2010 regardless of ownership.

Item 1c – Other Cattle and Calves

Include

1. Heifers that have not calved.
2. Calves.
3. Bulls and Steers.

Exclude Milk and beef cows recorded in 1a and 1b above.

Item 1d – Total Cattle and Calves

Include all cattle and calves recorded in Items 1a-1c. This should include all breeds, sexes and ages.

Item 1e – All Hogs and Pigs

Record the total number of all hogs and pigs sold on the open market or removed under contract in 2010, regardless of ownership. Be sure to include all sows, boars, feeder pigs, market hogs, and cull stock.

Item 1f – Egg Layers

Record the total number of layers sold on the open market or removed under contract in 2010, regardless of ownership.

Item 1f(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 2010, regardless of ownership.

Item 1g– Turkeys

Record the total number of turkeys, of all types, sold on the open market or removed under contract in 2010, regardless of ownership. Record turkey chicks delivered from the operation to contractees for growout under Item 1i.

Item 1h– Broilers

Record the total number of broilers sold on the open market or removed under contract in 2010 regardless of ownership. Record broiler chicks delivered from the operation to contractees for growout under Item 1i. Report fryers and other meat-type chickens in Item 1i.

Item 1i– All other Livestock and Poultry

Record the total number of head of all livestock, poultry, and/or their products not accounted for in items 1a-h that was sold and/or removed in 2010. Include things such as pleasure horses, ponies, mules, sheep, pot

belly pigs, goats (including goat milk and cheese), bees (record number of hives), rabbits, mink and other fur-bearing animals, commercial aquaculture (if unknown, use the best estimate based on stocking rates), ducks, geese, exotic birds, rats for research purposes, and any other livestock or poultry not previously reported. Exclude horses that are part of a boarding operation. Be sure to note the type of livestock reported in this item.

HORSE BOARDING, TRAINING, RACING OPERATIONS

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

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

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

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

Item 2 – Landlord's Share of Livestock Production

Before asking this item, probe to find out if any of the operation's share-rented acres involved livestock production.

Record the value of the share of livestock production given to landlord(s) in 2010. 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 2010. In this case, write a

note to indicate that zero is valid. If the respondent does not know the value, probe for the best estimate.

DO NOT include livestock production not associated with land. Shared livestock production that is not part of a land rental arrangement (such as raising cattle on shares) should be reported in Section D.

Item 3 – Contracts to have Livestock or Poultry Fed or Raised by Another Operation

If this operation paid another operation a fee for the service of feeding or raising a commodity (owned by the selected operation), then the answer to this question is yes (the operation is acting as contractor). The commodity must remain an asset of the selected operation. It is neither sold to the contractee operation, nor is ownership transferred to that operation.

It is important to keep in mind that any livestock, sales, or expenditure data recorded in this section are not recorded anywhere else on the questionnaire.

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.
- 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 Meatpacker

In this case the respondent is the owner of the cattle, and has a production contract with a feedlot (the respondent is the contractor). This contract should be reported in Section C, Item 3. This includes all expenses paid or reimbursed by the respondent (contractor) to the feedlot. These

expenses should **only** be recorded in Section C. They should not be recorded in Section F (Section F is used to record expenses incurred on the respondent's operation).

If the finished cattle are removed for slaughter from the feedlot, the receipts from the sale of the cattle should be recorded in Section C, Item 3, 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 D, Item 1.

If the feedlot was also a respondent, the feedlot would report a production contract in Section D and would report the expenses that were paid by the cattle owner (contractor) in Section F, Column 3. Any other expenses associated with the production contract and not paid by the cattle owner (contractor) would be reported in Section F, Column 1.

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 2009, and were still under contract on January 1, 2010.

Column 2 – Livestock Code

Record the livestock code from the respondent booklet that relates to the commodity identified in Column 1.

Column 3 – Market Value of Commodities under contract on Jan. 1, 2010

Record the estimated market value of all of this operation's commodities from 2009 and previous years that were placed on contractee operations and were still under contract as of January 1, 2010.

DO NOT include this value in Section G, 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 2010. 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 and management fees and reimbursements for expenses.

DO NOT record these expenses in Section F. Section F is used to record expenses incurred on the 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 2010. **DO NOT** record these sales anywhere else in Section C or D. This item will be zero for dairy replacement heifers that are removed back to the respondent's (contractor's) operation and not sold.

Column 7 – Market Value of Items under Contract on December 31, 2010

Record the estimated market value of commodities still under contract as of December 31, 2010.

DO NOT include this value in Section G, Assets.

Other Questionnaire Versions

Versions 2-5 – Corn, Organic Corn, Dairy, Core

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	1
Item 2	2
Item 3a	3 (Column 6)
Item 3b	3 (Column 7)
Item 3c	3 (Column 5)

Section D – Commodity Marketing and Income

Overview of Items 1-4 - Production & Marketing Contracts

Importance of Obtaining Information on Marketing and Production Contracts:

To show an accurate picture of both the value of the farm sector's output and the financial condition of farming operations, we must fully account for other businesses that provide inputs used on the farm to produce agricultural commodities and who receive income from the sales of these products.

The contracting information collected on this survey is USDA's only source of data to separate production, income, and expenses among farmers, contractors, landlords and others. For these reasons, collecting complete and accurate information on contracting is critical.

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

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 for the selected operation. Income from the other operations is accounted for in Section J.

Collecting Data on Contracts:

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

ARMS recognizes two kinds of agricultural contracts. Marketing contracts identify an outlet for a commodity, and set pricing and delivery specifications. 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.

An operation may act as the CONTRACTEE or CONTRACTOR. The operation is the CONTRACTEE when it produces and/or markets the commodity under a contractual agreement with another farm operation or entity such as a packer or processor. The respondent is a CONTRACTOR when another operation produces crops, livestock, or poultry for the respondent under contract with the respondent. If the respondent is a **contractor** you should record that information in Section C, Item 3. If the respondent is a **contractee**, you must record information for marketing contracts in Items 1 and 2 and production contracts in Items 3 and 4.

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

Overview of Marketing and Production Contracts:

MARKETING CONTRACT

Contractor:

Arranges, prior to completion of a production cycle, to acquire a specified commodity at the end of the cycle.

Commits to a price, a pricing arrangement, or an agreement to sell on the contractee's behalf.

Does not take ownership of the commodity until it is delivered.

PRODUCTION CONTRACT

Contractor (Integrator):

Arranges, prior to beginning a production cycle, to have a specified commodity produced.

Commits to a fee or fee arrangement to be paid to the contractee.

Usually owns the commodity during production.

Makes few or no production decisions but may require specific inputs (variety of seed, etc.) to be used.

Makes many production decisions

Contractee (operator):

Obtains a buyer and a marketing arrangement for commodities before completion of a production cycle.

Contractee (operator):

Provides labor and some management services used in production, as well as fixed inputs (land, buildings, etc), for a fee.

Supplies and finances all or most of the inputs used in production.

Supplies only some inputs used in production.

Owns the commodity while it is being produced.

Usually does not own the commodity.

Makes all or most production decisions.

Makes only a few production decisions.

Often bears all production risks, and contract frequently limits some price risks.

Often bears no price risks, and contract may limit production risks.

Receives the major share of the value of production

Receives a fee that is usually only a small share of value of production.

Marketing Contracts:

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

An agreement reached before the completion of a normal production cycle that has not been delivered should not be recorded as a marketing contract since technically, the operator still has control of the commodity. For this situation, the commodity is an asset to the farm and should be recorded in Section G, Item 4.

Although marketing contracts are more common for crops, marketing contracts are used to market livestock and/or livestock products. Livestock producers use contracts to provide for future delivery of a certain number and/or quality of animals or products.

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. Keep in mind that for the contract to be recorded in Item 2, the crop had to be delivered to the buyer by the end of 2010. Agreements made with processors to deliver crops with certain measurable qualities, with agreements to set prices according to realization of the qualities. Examples include high oil corn, low linoleic soybeans, or organic apples
- a dairy producer who contracts to market milk for the coming year through a co-op, with prices determined later through some process such as co-op bargaining.
- marketing pool. Farmers may agree to pool their crop and sell along with other producers through a cooperative or other pooling firm. Most agreements to pool are made pre-harvest. The final price received is determined by the net pool receipts for the quantity sold (by selling a larger amount the pool may get a better price). Farmers may have to wait a year or more to receive final payment, and decisions related to selling are made by the pool manager. Pooling is common in rice and cotton marketing.

For the purposes of this survey we only want to count as contracts those agreements reached before crop harvest or before completion of a livestock production cycle. All sales made from inventory should be considered cash sales and reported in Item 5.

Marketing pools occurs in some States where a group of producers will combine or “pool” their crop or livestock commodities for sale and delivery to a buyer to save on hauling expenses and/or marketing charges. If the pool agreement occurred after harvest or completion of the livestock production, this should be considered a cash sale and reported in Item 5.

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 may often vary with the attributes of the commodity produced, as in grade and yield contracts for cattle or high-oil corn contracts that provide higher prices for higher oil content.

Attribute-related price terms are often expressed as deviations from a base price tied to overall market conditions.

Look for marketing contracts on farms that:

- grow citrus fruits, other fruits, or nuts
- produce fresh vegetables
- grow sugar beets, sugarcane, peanuts, dry peas or dry beans
- produce fluid milk.
- sell fed cattle to meatpackers. Marketing contracts account for a growing share of fed cattle shipments from feedlots to meatpackers. Record custom-fed cattle, owned by someone other than the respondent, under production contracts
- grow potatoes
- produce eggs

- grow ornamentals or horticultural crops

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 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.

Under crop production contracts the contractor often supplies inputs such as seeds or plants, fertilizer, chemicals, transportation and technical assistance. Examples include vegetables for processing and corn for seed.

Characteristics of Production Contracts:

The contractee and contractor 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 few or no head of owned livestock sold by the operation. These livestock or poultry are almost certainly being produced under contract.

Look for production contracts on farms that:

- have broiler houses or other poultry and/or egg producing facilities.
- have hog nursery or confinement feed arrangements. Pay close attention to pricing terms and hog ownership under contracts, because production contracts and marketing contracts are each used. The contractor owns the hogs under production contracts, and the contractee is paid a fee that is not closely linked to market values.

- provide custom-feeding services for cattle, where the cattle are owned by another individual, farm, or firm.
- produce vegetables for processing.
- produce seed crops.

Special Topic – 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 Items 3 and 4 for the “custom fed” cattle that they feed under production contracts. Expenses paid or reimbursed by the owner (contractor) to the feedlot should be reported in Section F in the “contractor” column. Fed cattle are also often sold to meatpackers under marketing contracts.

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 Items 1 and 2, and should record the production contract with a feedlot in Section C, Item 3 (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 C, Item 3, Column 6. They should also record the rest of the production contract with a feedlot in Section C, Item 3 (in their capacity as a contractor).

Feedlot respondents should only record marketing contract sales in Items 1 and 2 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.

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 Section B. This production should be recorded a cash sale to the livestock owner and the same value for the crop sold should record as contractor expense in Section F, Item 6.

Special Topic – 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 this section.

Special Topic – 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 Items 1-4,

Topic – Reimbursement for Expenses in Production Contracts:

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

Topic – Futures Contracts Obtained for the Purpose of Hedging:

Such contracts should not be reported as marketing contracts. Hedging occurs when the farmer takes opposite positions in the futures and cash markets. It allows farm operators to fix now the price of products they intend to sell later. For example, farmers who are growing a commodity for sale are said to be "long" in the cash market. The appropriate hedge is to sell futures. Then, when the farmer sells his cash commodity, he buys back his futures contract, preserving a price. This type of transaction should be recorded in two places. The actual cash sale of the commodity should be recorded in Section D, Item 5, under the appropriate

commodity. The net profit or loss from hedging should be recorded in Section E, Item 5k “other sources of income closely related to the agricultural operation”.

Topic – Grain Delivered With High Moisture:

There may be seasons, where a number of operators will deliver grains that exceed the standard moisture level 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 a 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) and the price per bushel. This should be standard with other NASS surveys.

Dock (additional fee for drying):

If an elevator charges a fee per bushel for drying, it is a marketing charge. This can be 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 COP Versions 2 and 3, the amount of the dock should be recorded as a cost for commercially drying the corn no matter if the drying occurs prior to transfer or after transfer of the corn.

Topic – 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.

Topic – Dairy Futures Contracts:

It is easy to confuse milk marketing contracts with futures contract as described above. An indication of futures hedges is when more than 2

marketing contracts exist for milk production. Futures contracts are NOT marketing contracts. They should be recorded like the crop hedges mentioned above. The cash sale should be recorded in Section D, Item 5 with any profit or loss from these futures recorded in Section E, "other sources of income closely related to the agricultural operation".

Items 1&2 – Marketing Contracts

Item 1 – Presence of Marketing Contracts

If the operator had any marketing contracts (as defined earlier in this section), record a "1" in Item 1. Otherwise, record a "3" in Item 1. **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.

Item 2 – MARKETING Contracts

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 had a marketing contract in 2010.

Column 2 – Commodity Code

Record the commodity code that relates to the commodity identified in Column 1, if required.

Column 3 – Quantity Marketed

Record the total amount of the commodity marketed under the contract. Do not include the landlord's share of production even if it was marketed along with the operation's share. Record the landlord's share in the appropriate crop or livestock section.

Column 4 – Unit Code

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

Column 5 – Price Per Unit

Record the final price (net of marketing charges), in dollars and cents (to the nearest tenth of a cent) per unit, that the operation will receive for all of the production marketed under the contract. Final price is not the last months' price received for the year (e.g. December). For commodities that receive payments monthly such as dairies, the final price will be an average price calculated from the quantity and price received for each month covered by the contract. The respondent may have to estimate this price.

Column 6 divided by Column 3 will equal Column 5 ONLY when the operation was paid in full during calendar year 2010 for the commodity marketed 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 $480 \times .65 = \$312$)!

Column 6 – Total Amount Received

Since total payments are not always received in the calendar year of production, you always have to ask this question in order to complete this Column correctly. Record the total amount the operation received during the calendar year for sales under the marketing contract. This is often less than the quantity marketed under contract times the per unit price. Sometimes the producer is not paid at all until after the first of the next year. If the operation did not receive any payment under the contract in 2010, enter a dash and make a note. Be sure any marketing charges related to sales under the contract are subtracted out and recorded in Item 7.

If the operation did not receive all of the payments owed to them under the contract in 2010 (Column 6 is less than Column 3 times Column 5), the remaining amount owed must be accounted for as an asset in Item 8b (accounts receivable).

Items 3&4 – Production Contracts

Item 3 – Presence of Production Contracts

If the operator had any production contracts (as defined earlier in this section), record a “1” in Item 1. Otherwise, record a “3” in Item 1.

Item 4 – 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 2010.

Column 2 – Commodity Code

Record the commodity code that relates to the commodity identified in Column 1.

Column 3 – Quantity Removed

Record the total amount of the commodity removed from the operation under the contract. Do not include the landlord's share of production even if it was removed along with the operation's share. The landlord's share should be recorded in the previous crop and livestock sections.

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 2010 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 F.

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

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 2010, enter a dash and make a note. If the operation did not receive all of the payments owed to them under the contract in 2010 (Column 6 is less than Column 3 times Column 5), the remaining amount owed must be accounted for as an asset in Item 8b (accounts receivable).

Item 5 – Value of Cash or Open Market Sales

Item 5 – Payment for Cash or Open Market Sales less Marketing Expenses

For Item 5, ask for those that apply to the respondent doing the interview. Record the amount received in 2010 from cash sales net of marketing charges. Marketing expenses include transportation, storage, feed, sales commissions, inspections, etc.

INCLUDE:

- Amount received in 2010 for crop or livestock sales in 2010 from crop or livestock produced in 2009 and earlier years.
- 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.

EXCLUDE:

- Marketing Contract sales recorded in Item 2
- Production Contract movements recorded in Item 4

- Landlord share of production recorded in Sections B and C.
- Sales from non-farm related activities, such as trading and speculation or livestock dealer activities (recorded in Section E).
- Value of sales from land rented to others or worked on shares by others.
- Straw and crop residue sales (except hay). These are recorded in Item 6.
- Amount received in 2010 for crop or livestock sold in 2009 and earlier years. This is recorded in Item 8a and 8a(i) (Accounts Receivable) below.

For a full explanation of Marketing Expenses, see the information in Item 7 entitled, "Marketing Expenses."

Item 5a – Corn, Rice, Sorghum, Soybeans, Barley, Oats, Wheat

Report total value of sales received in 2010 of the above crops sold from this operation during 2010.

Include sales of silage from the above crops. **Exclude** sweet corn sales (recorded in Item d).

Item 5b – Other Grains and Oilseeds, Dry Beans, and Dry Peas

Report total value of sales received in 2010 of the above crops sold from this operation during 2010.

Include sales of silage from the above crops.

Item 5c – Tobacco, Cotton, and Cottonseed

Report the total value of sales received in 2010 of tobacco sold or moved from this operation during 2010 regardless of the year the tobacco was grown.

Report the sales of tobacco transplants in Item 5f, “Nursery, greenhouse, Christmas Trees, Floriculture, and Sod.”

Report total value of sales received in 2010 of cotton and cottonseed sold or moved from this operation during 2010. Include the value of any cotton or cottonseed given to landlord(s) as rent.

Item 5d – Vegetables, Melons, Potatoes, and Sweet Potatoes

Report total value of sales received in 2010 of vegetables, potatoes, and melons sold or moved from this operation during 2010. Include the value of sales for fresh market or processing and sales to consumers, wholesalers, canners, freezers, dehydrators or other processors or buyers. Operations that process vegetables for sale should report only the “farm” value of the product sold. Report total value of sales of vegetables grown under glass or other protection in Item 5f.

Item 5e – Fruit, Tree Nuts, and Berries

Report total value of sales received in 2010 of fruit, tree nuts, and berries raised and sold from this operation during 2010. Include all the tame berry crops, wild blueberries, grapes, tree nuts, citrus fruits, and noncitrus fruits.

Wild blueberries are the only “wild” berry sales reported and native pecan trees are the only native or “wild” tree nuts sales reported

Operations that process fruit 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 that were used to produce the wine that was sold, not the value of the wine. The same would be true for fruits or berries that were processed into cider, jams, jellies, or wine.

Item 5f – Nursery, Greenhouse, Floriculture, and Sod

Report total value of sales received in 2010 of the crops reported in Section B, Item 1 and sold from this operation during 2010. Include sales of all bedding plants, potted plants, bulbs, cut flowers, flower seeds,

foliage plants, mushrooms, nursery stock, live Christmas trees (balled and burlap), shrubbery, tobacco transplants, sod, etc.

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.

Report the total value of sales (at point of first sale, wholesale/retail value) for those crops grown on and sold directly from this operation. 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.

Item 5g – Other Crops, Hay, and Short Rotation Woody Crops

Report total value of sales received in 2010 of other crops, hay, and short rotation woody crops reported in Section B and sold from this operation during 2010. A short rotation woody crop is a tree with a planned growth cycle of “about 10 years or less” from planting to harvest. These are trees for use by the paper or pulp industry, or as engineered wood. **Exclude** nursery stock or trees that will be harvested for lumber, fence posts, telephone poles, etc. Live Christmas trees and nursery shrubs are reported in Item 5f, above. Report timber and pulp wood sales in Section E.

Item 5h – Hog and pigs

Report the total sales received in 2010 of swine sold from this operation in 2010.

Include cull breeding hogs. **Exclude** cash sales of breeding hogs. Breeding hog sales are reported in Item 5i. **Exclude** hogs grown under production contract for this operation or on this operation.

Item 5i – Hog Breeding Stock

Report the total sales received in 2010 of breeding hogs sold or moved from this operation in 2010.

Exclude hogs grown under production contract on this operation.

Item 5i(i) – Recognized Gain or Loss on Sales of Breeding Hogs

Record the recognized gain or loss on breeding hog sales in Item 5i above.

For raised livestock, the gain will generally be the amount of 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 sales proceeds minus any remaining purchase costs that have not already been recovered through a deduction for depreciation.

Item 5j – Milk and other dairy products from cows

Report the total value of sales received in 2010 from milk, cheese, or any other dairy product produced and sold from this operation in 2010. Record the value of sales before any deduction of hauling fees. Goat products are recorded under other livestock products Item 5q.

Item 5k – Cattle and calves

Report the total sales received in 2010 of cattle (fed cattle, beef and dairy cull animals, stockers and feeders, beefalo, veal calves, etc.) sold from this operation in 2010.

Include cull bulls. **Exclude** cattle breeding stock. Cattle breeding stock will be reported in Item 5l.

Item 5l – Cattle Breeding Stock

Report the total sales received in 2010 of breeding cattle sold from this operation in 2010.

Exclude cattle grown under production contract on this operation.

Item 5l(i) – Recognized Gain or Loss on Sales of Breeding Cattle

Record the recognized gain or loss on breeding cattle sales in Item 5l above.

For raised livestock, the gain will generally be the amount of 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 sales proceeds minus any remaining purchase costs that have not already been recovered through a deduction for depreciation.

Item 5m – Broilers

Report the total sales received in 2010 of broilers sold from this operation in 2010. Do not report the value of broilers produced under production contracts and reported in Item 4.

Item 5n – Eggs

Report the total sales received in 2010 of eggs sold from this operation in 2010. Do not report the value of eggs produced under production contracts and reported in Item 4.

Item 5o – Turkeys

Report the total sales received in 2010 of turkeys sold from this operation in 2010. Do not report the value of turkeys produced under production contracts and reported in Item 4.

Item 5p – Other Poultry

Report the total sales received in 2010 of other poultry sold from this operation in 2010. Do not report the value of other poultry produced under production contracts and reported in Item 4.

Item 5q – Other animals and Other Animal Products

Report the total sales received in 2010 of all other animal and animal products such as sheep, goats and their products; horses, horse stud fees, ponies, mules, burros, and donkeys; aquaculture; bees and honey (including packaged bees sold), rabbits, fur bearing animals, semen, manure, compost, lab animals, other animal specialties, etc. from this operation in 2010.

Item 6 – Straw and Crop Residue Sales

Record the sales of straw and other crop residues (except hay) in this Item. Hay sales are recorded in Item 5g.

SPECIALTY OPERATION: LIVESTOCK ON SHARES INSTRUCTION AND EXAMPLE

The parties involved with livestock on shares usually do not consider these arrangements to be contracts. However, for the past few years, these situations have been coded as production contracts (for the land owner) along with additional coding specific to these type of arrangements. This coding scheme has caused a great deal of confusion for enumerators, State Survey statisticians, Headquarters statisticians, and analysts. It has also been very difficult to create edit logic to verify the coding is correct. For these reasons, procedures for recording and coding livestock on shares has been changed as indicated below. The following approach simplifies collecting, editing, coding, and validating livestock on share arrangements, while maintaining the integrity of the cost and returns data.

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

LIVESTOCK ON SHARES EXAMPLE

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

Coding For The Land Operator

If the land operator was sampled (the most common situation), the information would be recorded as follows:

Section C – Livestock

Record the 5 head of calves he kept in Item 1a, column 3 as well as column 4 (since they are owned by the operation). Record the 65 calves were sold in column 2. If the original cows were still on his place at the end of the year, record 100 head in item 1a, column 3 but not column 4.

Section D – Commodity Marketing and Income

Account for the cash sale of the calves in item 5k as 32500 (65 head * \$500 / head).

Section F – Operating and Capital Expenditures

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

Section G – Assets

Account for the value of the 5 calves the land operator kept in item 4b or 4c. Do not account for the value of the cows because he does not own them.

Coding For The Cattle Owner

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

Section C – Livestock

None of the „livestock on shares’ should be included in this section because the cows are not on this operation. The cows will be accounted for on the land operators’ questionnaire.

Section D – Commodity Marketing and Income

Account for the cash sale of the calves in item 5k as 15000 (30 head * \$500 / head).

Section F – Operating and Capital Expenditures

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

Section G – Assets

Account for the asset value of the original 100 cows in item 4b.

Item 7 – Marketing Charges

Introduction to Marketing Expenses

The following instructions should be used when completing information on marketing charges for the sales of Crops and for Livestock (Item 7).

Almost all operations that sell commodities, in 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. Commission fees, yardage fees, storage fees, inspection fees and check-off fees, etc. are identified on payment vouchers, along with the gross and net receipts. **PROBE TO BE SURE THAT THESE “HIDDEN COSTS” ARE ACCURATELY REPORTED.**

If the respondent reports that no marketing charges were paid, probe by asking if anything was subtracted out of the total price before the buyer wrote the check. If the answer is yes, this usually means marketing charges were paid. Be careful not to include expenses for production inputs or loan re-payments that were netted out of the farmer's check -- these are not marketing charges. If an operation sold commodities but truly did not have any marketing charges, make a note of this, or the State Survey Statistician 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 commercial crop drying, ginning and storage expenses should be included even if the crop is not yet sold.

(However, storage-related expenses such as those for LP gas to run on-farm dryers should be excluded.) If a commodity was not sold from storage, but was returned to the operation, out-of-pocket expenses for storage should be included as a marketing expense.

In field crops such as sugarbeets, co-op shares are often rented or leased from operators who do not use their share. Share rentals should be considered a payment for the privilege of marketing the crop and should be recorded as a marketing expense. It is not necessary to rent land in order to rent a co-op share. If only land is rented, it should be recorded in Section A. But, if co-op share rents are reported, be sure the rent payment reported in Section A is only for land and not for the land and share rental combined.

Perishable products such as fruits, vegetables and fish often have to be refrigerated or iced during storage or transportation. These expenses should be considered marketing expenses.

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

Include fees which are deducted from payment even if the producer has the option of applying for a refund (such as a refund from Cotton Incorporated). Refunds of marketing expenses should be included as other farm related income in Section E.

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 E.

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

Milk and Dairy Products:

Include as a marketing charge the withholding or reduction in price for the Dairy Refund Payment Program. Capital Retains should also be included

since they are cooperative profits withheld and refunded in later years. Refunds of these charges should go in Section E.

Do not include hauling as a marketing charge. If the hauling charge is netted out in the operator's books, add it back to the total sales value for milk and other dairy products. Be sure these hauling charges were included in custom hauling (Section F). If they were not, go back and add them in. 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 appear on the farmer's books; however, the value of the cottonseed traded to the gin is technically an income item, and the cost of ginning is a marketing expense to the operation. This information should appear on the operation's statement from the ginning company. You will have to probe for this information.

Occasionally, the cost of ginning is more than the value of the seed produced by the cotton. The operation then has out-of-pocket expenses for ginning. If the cost of ginning was less than the value of the cottonseed, the operation should have received money for cottonseed. This information should be in the operation's record books.

Landlord's and Contractors Marketing Expenses

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

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

Item 7 – Marketing Charges

Refer to the detailed explanation of marketing charges above.

Record the total marketing charges paid by this operation, landlord(s) and contractor(s) for the sale of all commodities produced and sold on this operation in 2010.

**Item 7a – Marketing Charges for Specific Commodities
V4 Only**

Record the dollar amount of the total (Item 7) marketing charges that was for the dairy enterprise. Examples of possible dairy enterprise marketing charges are milk check-off and involuntary co-op dues. **Include** marketing charges for the sale of milk or cull cows like those for auction, beef council, check-off, commission, inspection, insurance, and yardage. **Exclude** milk hauling and cooperatives working together (CWT) payment. Also, exclude user fees charged by organic certifiers.

Item 8 – Accounts Receivable/Deferred Payments

Farm operations frequently do not receive cash payment for services provided or commodities sold in the same calendar year that the service was provided or the sale occurred. Such deferrals are often requested by operators to smooth out cash income and as an income tax management strategy. 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. Item 8 tracks deferred payments, those made in 2010 for sales that occurred in earlier years, and also tracks the accounts receivable – balances owed to the operation at the beginning and end of 2010.

Four pieces of account receivable information are needed to accurately compute net farm income, net cash income, the income statement and balance sheet of the farm operation: 1) the amount the operation was owed at the beginning of the year for crops or livestock produced and sold before January 1, 2010, 2) how much of that amount was received during the year, 3) the amount the operation was owed for crops or livestock produced in 2010 but for which payment was not received in 2010 and, 4)

the amount the operation was owed on December 31, 2010 for crops or livestock produced and sold in 2009 or earlier years. Part 3 can be calculated from parts 1, 2, and 4.

In all cases: **EXCLUDE:**

* Marketing Charges and money received or any reimbursement for expenses.

Item 8a – Payment Owed at Beginning of 2010

Record the amount owed to this operation at the beginning of 2010 for commodities sold on either cash markets or under a production/marketing contract in any year prior to 2010.

Item 8a(i) – Money Received in 2010 for Prior Production

Record the amount received during 2010, for commodities produced and either sold for cash or removed/marketed under contract in any year prior to 2010. Verify that these deferred receipts are NOT included in Marketing Contracts (Item 2), Production Contracts (Item 4), or cash sales (Item 5). This amount should not be greater than Item 8a.

Item 8b – Payment Owed at End of 2010

Record the amount owed to this operation at the end of 2010 for commodities sold on either cash markets or under a production/marketing contract in 2010, or any prior year. This amount should include

- Any amounts that the operation was owed for crops or livestock produced and sold in 2010 for which the operation has not received payment. This can be computed for each commodity under marketing (Item 2) and production (Item 4) contracts by going back to those items, multiplying column 3 by column 5 and then subtracting column 6. There is no way to compute this for commodities sold in cash or open market sales.
- any balances the operation is owed for crops or livestock produced in 2009 or before. This is simply the difference between 8a and 8a(i).

Other Questionnaire Versions

Versions 2-5 – Corn, Organic Corn, Dairy, Core

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	1
Item 2	2
Item 3	3
Item 4	4
Items 5a-5l	5a-5l
Item 5m	5m+5n+5o+5p
Item 5n	5q
Item 6	6
Item 7	7
Item 8	8

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Section E – 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 good processed on the farm from farm commodities. This section is 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 J.

Item 1 – Commodity Credit Corporation Loans (CCC)

The Commodity Credit Corporation (CCC) was created in 1933 to help stabilize and support farm prices and income. These questions account for all of the operation's 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 2010, record a "1" as well as answering Items 1a and 1b. If the operation did NOT receive or repay any CCC loans in 2010, record a "3" and continue with Item 2.

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 required to repay the loan (minus any interest and storage charges) is recorded in Item 1b. Interest is recorded in Section F, Item 18b; storage and inspection charges are marketing charges recorded in Section D, Item 7. When a farmer reclaims title to the commodity, he 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 this section under, "Other Sources of Income Closely Related to the Agricultural Operation".

Item 2 – Federal and State Agricultural Program Payments

Item 2 – Federal, State and Local Farm Program Payments

If the respondent received any payments from Federal, State or Local Farm Programs (excluding conservation payments recorded in Section A and CCC loan payments) in 2010, then check the yes box, and ask question 3. 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 2010, then skip to Item 3.

Item 2a – Direct Counter Cyclical and ACRE payments

Record the total dollar amount of direct counter cyclical and ACRE payments received in 2010.

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

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

Item 2a(i) – Percentage for DCP Direct Payments

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

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

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

Item 2a(iii) – Percentage for ACRE Direct Payments

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

Item 2a (iv) – Percentage for ACRE Revenue Payments

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

Item 2b – Loan Deficiency Payments (LDPs)

Record the total amount received in 2010 from loan deficiency payments.

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

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

Item 2c – Marketing Loan Gains (MLGs)

Record the total amount realized in 2010 from marketing loan gains.

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

chickpeas, lentils, dry peas, and peanuts, which are posted weekly. The portion of the principal, if any, that is waived when a loan is repaid is referred to as a marketing loan gain for the producer.

Item 2d – Milk income loss contract payments

Record the total amount received, including transition payments, in 2010 from the milk income loss program.

The 2002 Farm Act established the milk income loss. 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 MILC_x Program. The 2008 Farm Act extended this program through September 30, 2012.

Item 2e – Net value of commodity certificates

Record the total amount received in 2010 from net value of commodity certificates.

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

The net value of the certificate is the value of the certificate less the cost of the certificate.

Item 2f – Agriculture disaster payments

Include the total amount of all market loss or disaster or emergency assistance payments received from Federal programs. These programs include all 2005/2007 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 E.

Item 2g – Any other Federal agricultural program payments

Include Federal agricultural or conservation program payments not reported above, such as rental, cost share, and other incentive payments received. **Exclude** payments received in 2010 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** conservation payments recorded in Section A as well as CCC loan payments. Also, the landowner typically receives payment in one lump sum.

Item 2h – 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. There are payments provided for quota holders and payments provided for producers. Both payments are recorded under this item.

Tobacco buyout programs exist in tobacco States where State Departments of Agriculture provide funds to producers to grow other agricultural commodities instead of tobacco. Record the total amount of payments received in 2010 from participation in the Tobacco Buyout Program.

Item 2i – Any other Local or State Agricultural Program Payments

Record the total payment amount received in 2010 from all other Local or State farm programs not already mentioned. Exclude payments received from private, non-profit, or other non-governmental entities. **Include** rental, cost share, and other incentive payments received. **Exclude** payments received in 2010 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. Also, the landowner typically receives payment in one lump sum.

Item 3 – Landlord Government Payments

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 or if the landlord did not receive government payments, indicate so with a dk.

Income From Farm-Related Sources

Other farm related income sources may be an important part of the operation's total income. Item 5 captures that income.

Item 4a – 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 4b – 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 4c – Recreation and Agri-tourism Activities

Include income received for recreation on the operation in 2010 including things such as hunting, fishing, petting zoos, horseback riding, on-farm rodeos, hospitality services, tours, etc.

INCLUDE:

- Outdoor Recreation
- Income received in 2010 for farm or ranch tours on the operation, including winery tours.
- Income received in 2010 for entertainment services on the operation such as festivals, on-farm rodeos, and petting zoos.
- Income received in 2010 for other recreation or agritourism activities on the operation that were not already recorded above.

Item 4d – Sales of Forest Products

Record the total 2010 income from sales of all forest products from the total acres operated. Include timber sales, pulpwood sales, firewood sales, etc.

Exclude short rotation woody crops, maple syrup and Christmas tree sales; they should be reported as crop sales in Section D, Item 5f.

Item 4e – Sales of Farm Machinery and Vehicles

INCLUDE:

- (1) all direct sales of machinery used for farming, such as tractors, combines, farm machinery, and equipment.
- (2) farm share of cars and trucks sold.

Exclude items traded in for other items since the value of these is deducted from the purchase price.

Item 4f – Proceeds from Sales of Farmland/Farm Real Estate

For the small number of farms with farmland sales, the proceeds from such sales can make an important contribution to the cash available to farm households for investment or consumption purposes. Report only

those sales of land or other real estate that is (was) part of this operation. Report sales of other off-farm farmland and other assets in Section J, Item 11g. Report the net proceeds from the sale of farm real estate assets that were part of this operation. For example: An operator owned 2 Sections of land, and partitioned off and sold 1 Section of unimproved (no buildings or other improvements) land for \$640,000. The entire farm had a mortgage of \$200,000 at the time of sale. At settlement, (ignoring real estate commissions and other closing costs) the entire mortgage was paid off and the operator received a check for \$440,000. The total proceeds from this sale are \$440,000. Had half the mortgage been paid, then the operator would have received a check for \$540,000, reported here as proceeds, and the remaining \$100,000 balance on the mortgage would be reported as farm debt in Section H. **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 4f(i) – Recognized Gain or Loss from Sales of Farmland/Farm Real Estate

If farmland and farm real estate sales are reported in Item 5f, 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 4f(ii) – Farmland Sales to Relatives and Non-Relatives

If farmland and farm real estate sales are reported in Item 5f, record if the sales were made to relatives, non-relatives, or both. Relatives are those related by blood or marriage to the operator.

Item 4g – Federal Crop and 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 F, 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 2010. If more than one payment was received, total the payments. **Include** indemnity payments for

- 1) the loss of grazing on rangeland,
- 2) crop revenue coverage, or
- 3) hail insurance

if the program is administered by a Federal agency.

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 J, Item 11j).

Item 4h – Other Crop and Livestock Insurance Payments

Report the other crop and livestock insurance payments that were received by this operation in 2010. Exclude payments received from casualty insurance, vehicle liability, blanket liability policies and operator dwelling insurance.

Item 4i – Cooperative Patronage Dividends and Refunds

Record the amount of patronage dividends resulting from ownership of shares in cooperatives in 2010. 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 4j – 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, jams, jellies, wine, and other value-added items), record them in Item 4j. Be sure that any expenditures are recorded in Section D(Marketing Charges) and Section F.

EXCLUDE:

- 1) Any value-added products sold from a separate business from the farm.
- 2) Frozen embryo and semen sales if they are produced from livestock should be recorded in Section D, Item 5q.

Item 4k – Other Farm Income

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

INCLUDE:

- (1) allotment or quota leases.
- (2) any Federal Excise Tax (FET) refund claimed, if the FET was included in fuels purchase cost.
- (3) hedging (futures contract) profits or losses.
- (4) refunds claimed for marketing charges which were withheld. (For example, Cotton Inc. refunds or refunds from the Dairy Refund Payment Program.)
- (5) equity or premium payments on CCC loans transferred to someone else (money received above the face value of the loan).
- (6) real estate tax rebates for land preservation.
- (7) renting or leasing of livestock.
- (8) renting or leasing of tractors, trucks, etc.
- (9) road tax refunds.
- (10) 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.
- (11) sale of soil.
- (12) 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 reported in Section G, Item 1a).
- (13) government payments for the sale of development rights (a common practice in Northeast States)
- (14) Payments received for cell phone towers, underground pipelines, windmills, etc., in which the operation receives a payment for their presence on the farm and the land is farmed.

- (15) Mineral and oil royalties if they are tied to the farm. If they are not tied to the farm (ie, from inheritance), record in Section J, Item 12j.
- (16) Carbon credits

Item 5 – Largest Portion of 2010 Gross Farm Income

For this question, make sure the respondent refers to the list of Farm Type Codes in the Respondent Booklet. Ask the respondent to select the category which, in the operator’s opinion, represents the largest portion of this operation’s 2010 gross income.

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

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

Operations primarily engaged in producing short-term woody crops should be counted as farms and classified in “Nursery, Greenhouse, and Floriculture” category. Short-term woody crops are softwood trees (hybrid poplar, cottonwoods and pines) reaching maturity in 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.

Other Questionnaire Versions

Versions 2-5 – Corn, Organic Corn, Dairy, Core

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	1
Item 2	2
Item 2a	2a
Item 2b	2b+2c+2e
Item 2c	2d+2f+2g+2h+2i
Item 3	3
Item 4a	4a

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Item 4b	4c
Item 4c	4e
Item 4d	4g
Item 4e	4b+4d+4f+4h+4i+4j+4k
Item 5	5

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Section F - Operating and Capital Expenditures

Introduction – Layout of Section F in this Manual

In previous sections, the CRR was discussed in the text with a map to the commodity specific questions appearing at the end. Considering:

- 1) Versions II-IV contain the same expense questions as Version I, and
- 2) The many commodity-specific questions to Versions II-IV in this section,

discussion of the Version II-IV commodity specific questions will appear with the Version I CRR questions in the main text. A map to the Version V (Core) questions will appear at the end of the section as usual.

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

This section provides the data used to develop estimates of farmer's and rancher's costs of doing business -- the expense side of an income statement. 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 August by NASS. Closely following are 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/>. 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--seed, fertilizer, chemicals, feed, purchased livestock, veterinary and medicines, custom services and work, labor costs including wages, taxes, benefits and services provided, fuel, utilities, repairs, overhead expenses such as insurance, accounting, attorney fees, interest, and depreciation. The detail allows 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 poultry is recorded in the item for all poultry and other livestock.

- 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. Depreciation, in particular, is a critical component of net farm income.

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 J.

Costs of Production (Versions 2, 3, and 4)

Most of the information necessary to compute cost-of-production (COP) for Corn and Organic Corn were collected in the Phase II portion of ARMS conducted in the fall. However, several questions are included in Phase III, COP questionnaires (Version 2 and 3) 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. When collecting expenditure data for the Corn and Organic Corn enterprise questions, include the expenditures for all planted Corn and Organic Corn acres. This will be consistent with Phase II where production practice and chemical use data was collected for corn that was harvested or not harvested.

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, questions are included in Versions 2, 3, and 4, to separate the amounts spent for these items. These amounts will be deducted from the total and the remaining electricity and repair costs will be allocated to the cost-of-production commodities.

GENERAL INSTRUCTIONS

ALL EXPENSES FOR THIS OPERATION (defined by the total acres recorded in Section A, Item 4) paid in 2010 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 E, Item 5a), and household and living expenses.

Ask the respondent to use farm/ranch records and explain that the interview will probably be shorter if these records are used. You are far more likely to get accurate information from records than from respondents who are relying on memory or guess-work. The questionnaire generally reflects common record keeping systems.

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.

Expenses for Landlords and 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 Section A for cash rent and share rent land to develop an estimate of the net rent earned by landlords. Landlords' net rent is similar in concept to farmers' net income -- both measure economic well-being.

The expenses reported for contractors are combined with an estimate of the value of product removed under production contracts (quantity removed under contract times an average price for the state), to develop an estimate of contractors' share of net farm income.

DO NOT CONTACT LANDLORDS OR CONTRACTORS to complete this section. Contact landlords and contractors only when instructed to do so by the State Office.

Under most production contracts, the contractor usually 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.

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 affects 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.

Item 1 – Seeds, Plants, Trees, etc.

This item refers to the cost of any purchases in 2010 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 G. 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:

- (1) expenditures for cleaning or treating homegrown seeds or plants.
- (2) expenditures for trees or shrubs used as windbreaks or for reforestation (if the operation did not consider this a capital expense).
- (3) seed expenses for cover crops planted on idle land.
- (4) expenditures for plants purchased and transplanted to grow as a crop (for example, tobacco transplants).
- (5) technology fees for purchasing genetically altered seed.

EXCLUDE:

- (1) expenses for items purchased for direct resale without additional growth.
- (2) value of homegrown seed.
- (3) tree purchases that were considered capital expenses (land improvements). These should be recorded later in this section.

**Item 1a – Amount of Seed Expense for Specific Commodities
V2, V3 Only**

Record the dollar amount of the total (Item 1) seed and plant expense that was for the Corn or Organic Corn 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:

- (1) all commercial fertilizer
- (2) fertilizer-pesticide combinations
- (3) pre-emergence herbicides mixed with fertilizer sold as one product
- (4) trace elements (micro nutrients) such as zinc and copper
- (5) lime and all soil conditioners, purchased manure, cottonseed hulls, sludge, gypsum, sulfur, marl, peat, and other conditioners
- (6) application costs if materials were custom applied.

EXCLUDE expenses for potting mixes, vermiculite, and sterilized soil. This is recorded in Item 45 (other expenses)

**Item 2a – Total Nutrient and Fertilizer Expense for Specific Commodities
V2, V3 Only**

Record the dollar amount of the total (Item 2) nutrient and fertilizer expense that was for the Corn or Organic Corn 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:

- (1) insecticides, herbicides, fungicides, defoliants, nematicides, fumigants, growth regulators, and rodenticides used on crops, pastures, seeds, crop storage buildings or seed beds for the control of all types of weeds, diseases, insects, rodents, fungi, nematodes and other predators.
- (2) all sprays, dusts, granules or other materials.
- (3) application costs if materials were custom applied.
- (4) carrier materials such as fuel oil, solvents or wetting agents mixed with pesticides.
- (5) all pesticides applied to crops or buildings even if all or part was paid by the government.
- (6) all sprays, dips, dusts, dairy pesticides, udder antibacterial disinfectants, and other chemicals purchased for use on livestock. If the respondent records these items under supplies, try to get them broken out and include them here.

EXCLUDE expenses for:

- (1) the value of pesticides in fertilizer-pesticide combinations (record in Item 2).
- (2) cleaning chemicals for equipment and buildings on dairy and other livestock enterprises (record these expenses in Farm supplies later in this section).
- (3) Expenses for potting mixes, vermiculite, and sterilized soil. This is recorded in Item 45 (other expenses).

**Item 3a – Chemical Expense for Specific Commodities
V2-V4 Only**

Record the dollar amount of the total (Item 3) chemical and biocontrol expense that was for the Corn, Organic Corn, or Dairy enterprise.

Livestock Expenses Items 4-8

Purchased feed, livestock purchases, livestock leases and livestock expenses such as breeding and veterinary services are usually recorded as line item expenses in record books. You may have to probe to break figures out for some of the expense categories. If there are livestock expenses, there will likely be livestock inventories in Sections C and the value of those livestock reported in Section G.

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 2010, 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 2010 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.

Livestock Purchases

Item 4a – Breeding Stock for Cattle, Hogs, and Sheep

INCLUDE expenses for:

- (1) BEEF animals to be used as breeding stock or herd replacement for this operation, regardless of age.
- (2) MILK cows.
- (3) DAIRY animals to be used as breeding stock or herd replacement for this operation, regardless of age.
- (4) all gilts, sows and boars purchased for breeding purposes.
- (5) all ewes, rams and lambs purchased for breeding purposes.

Item 4b – All Other (Non-breeding) Cattle, Calves, Hogs and Pigs

INCLUDE expenses for:

- (1) any cattle or calves not purchased for breeding herd replacement and/or expansion.
- (2) cattle placed in a feedlot.
- (3) all other hogs and pigs such as feeder pigs and market hogs.

Item 4c – Chickens and Turkeys Purchased

Record the total cost for all chickens and turkeys purchased by the operation or transferred from one production phase of the operation to another production phase in 2010. 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 2010, and explain with a note.

Item 4d – Other Livestock, Poultry, Fish, Bees, etc.

INCLUDE expenses for:

- (1) all sheep and lambs, other than for breeding
- (2) mules, goats, all horses and ponies, etc.
- (3) ducks, geese, guineas, pigeons, etc.
- (4) hatching eggs.
- (5) bees purchased.
- (6) rabbits, mink and other fur bearing animals.
- (7) catfish or other fish raised commercially or for on-farm consumption.
- (8) milk and eggs purchased to fulfill marketing contracts
- (9) dogs used to work livestock or as guard dogs
- (10) all other livestock or products not already included.

Exclude expenses for animals kept only as pets.

Item 5 – Leasing Livestock

INCLUDE expenses for:

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

Item 5a – Leasing Livestock Expense for Specific Commodities
V4 Only

Record the dollar amount of the total (Item 5) livestock leasing expense that was for the dairy enterprise.

Item 6 – Purchased Feed

This expense is a line item in most farm record books (and the IRS 1040-F).

Include all feed grains, hay, forages, mixed or formula feeds, concentrates, supplements, premixes, salt, minerals, animal by-products and all other feed additives and ingredients.

Item 6a – Purchased Feed Expense for Specific Commodities
V4 Only

Record the dollar amount of the total (Item 6) purchased feed expense that was for the dairy enterprise.

Item 7 – Bedding and Litter

Record the amount spent by the operation in 2010, for bedding and litter for livestock, dairy and poultry.

INCLUDE expenses for:

- (1) straw, hay, etc.
- (2) sawdust, wood chips, corn stalks, etc.
- (3) all other bedding and litter items.

Item 7a – Bedding and Litter Expense for Specific Commodities
V4 Only

Record the dollar amount of the total (Item 7) bedding and litter expense that was for the dairy enterprise.

Item 8 – Medical Supplies, Veterinary, and Custom Services for Livestock

INCLUDE expenses for:

- (1) feed processing, grinding and mixing services (cost of feed should be included in 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.

- (2) veterinary services or supplies.
- (3) miscellaneous livestock and poultry medical services and supplies (regardless of where purchased).
- (4) sheep shearing.
- (5) horse-shoeing for work horses used on the operation.
- (6) removal of dead animals.
- (7) branding.
- (8) castrating and caponizing.
- (9) artificial insemination and breeding.
- (10) performance testing.
- (11) seining of fish.
- (12) semen.

EXCLUDE expenses for manure disposal. These will be reported in Item 28a.

Item 8a – Medical, Veterinary, and Custom Service Expense for Specific Commodities

V4 Only

Record the dollar amount of the total (Item 8) medical, veterinary, and custom service expense that was for the dairy enterprise.

Item 8a(i) – Medical Supplies and Services for Dairy Operations

V4 Only

Include expenses such as

- (1) Disease treatment & testing
- (2) Vaccines
- (3) bSt
- (4) Other pharmaceutical products

Item 8a(ii) – Testing Agency Fees

V4 Only

Record the amount of medical, veterinary, and custom service expenses that were for testing agencies fees, such as Dairy Herd Improvement Association (DHIA).

Item 8a(iii) – Other Supplies and Services

V4 Only

Record the amount of medical, veterinary, and custom service expenses that were for other supplies and services such as

- (1) dead animal removal
- (2) branding.
- (3) tagging
- (4) castration
- (5) artificial insemination and breeding
- (6) pregnancy testing

Items 9-12 – Fuels, Utilities, and Purchased Water (Farm Share Only)

These questions ask for the total spent for the farm share of utilities, fuels and irrigation water. Farm record books (and the IRS 1040F) have an entry for total gasoline, fuel and oil expenses. Only the FARM SHARE should be reported, which is whatever the operation took as its business expense on its tax form and/or income statement. One way to help the operator report here, especially if his records are itemized differently, is to remind him of how the costs would have been incurred, such as for operating irrigation pumps, drying equipment, motor vehicles, machinery, etc.

For farm share of utility expenses, include monthly or annual charges to maintain service even when a utility is not being used (stand-by fees). Also include emergency electric guarantee fees, etc.

If farm and home meters are separate, exclude costs for water and/or electricity for the home except in situations where the farm office is in the home. In this case, include the farm share of home water and/or electricity expense. If some or all of the farm buildings shared the same meter as the home, include only the farm's share of the costs in this item.

INCLUDE expenses for:

- (1) FARM SHARE ONLY of all fuels used (on this operation) in autos, trucks, tractors, self-propelled machinery (combines, swathers, etc.), irrigation pumps, elevators, chain saws, etc.
- (2) all fuels for heating and lighting farm buildings.
- (3) fuels used to heat a farm office (including the cost of coal or wood).

- (4) fuels used for drying or curing crops (including the cost of coal or wood).
- (5) fuel for vehicles and machinery used both on this operation AND for custom work or machine hire, provided these activities are NOT a separate business (See (1) under exclude below). Income from custom work and machine hire will be reported as farm-related income in Section E, Item 5a.
- (6) aviation fuels.
- (7) Federal excise fuel taxes. (Refunds of Federal excise fuel taxes paid should be reported as other income in Section E, Item 5k, "All other farm related sources of income".)
- (8) Purchased irrigation water and the costs of electricity or other fuel associated with irrigating.
- (9) All farm share expenses for other utilities including telephone service and water other than irrigation.

EXCLUDE expenses for:

- (1) fuel for machinery used only for custom work where separate books were kept and income from custom work was considered to be from a separate business. In this case, no income from custom work will be reported in Section E, Item 5a.
- (2) petroleum products used as carriers with pesticide sprays. (These should be included in Item 3 in this section.)
- (3) fuel used in motor vehicles for non-farm use and in other engines or machinery used for non-farm purposes.
- (4) fuels used for heating or cooking in the operator's residence.
- (5) fuel provided to farm employees for non-farm use as a non-cash benefit.

Item 9 – Fuel Expense - general

Record the farm share of the total fuel expense including diesel fuel, gasoline and gasohol, natural gas, LP gas (propane and butane), all other fuels (coal, fuel oil, kerosene, wood, etc), and oils and lubricants (grease, hydraulic fluids, motor oils, transmission fluids, etc.). Refer to the header "*Expenditures Related to Final Commodity Transportation*" at the end of the Introduction of Section F to determine which fuel expenses related to final commodity transfer are recorded in this Item.

Item 9a – Diesel Fuel

Record the farm share of expenses for diesel. **Include** biodiesel and vegetable oil.

Item 9b – Gasoline and Gasoline Blends that Include Ethanol

Record the farm share of expenses for gasoline and gasohol including ethanol.

Item 9c – Natural Gas

Record the farm share of expenses for natural gas.

Item 9d – LP Gas

Record the farm share of expenses for LP gas (propane, butane).

Item 9e – Oils and Lubricants

Record the farm share of expenses for oils and lubricants. Include grease, hydraulic fluids, motor oils, transmission fluids, etc.

Item 9f – All Other Fuels

Record the farm share of all other fuels. Include coal, fuel oil, kerosene, wood, etc.

**Item 9g – Fuel Expense for Specific Commodities
V2-V4 Only**

Record the dollar amount of the total (Item 9) fuel expense that was for the Corn, Organic Corn, or Dairy enterprise.

**Item 9h – Fuel Expense for Irrigation
V2&V3 Only**

Record the farm share of total fuel expenses for irrigation.

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

Record the portion of total 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
V2-V4 Only**

Record the dollar amount of the total (Item 10) electricity expense that was for irrigation.

**Item 10a(i) – Electricity Expense for Irrigation of Specific Commodities
V2&V3 Only**

Record the dollar amount of the electricity expense for irrigation that was for the Corn or Organic Corn enterprise.

**Item 10a(ii) – Irrigation Electricity Expense for Water Pumped from Wells
V2&V3 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
V2-V4 Only**

Record the dollar amount of the total (Item 10) electricity expense that was for the drying.

**Item 10b(i) – Drying Electricity Expense for Specific Commodities
V2&V3 Only**

Record the dollar amount of the total (Item 10b) electricity for drying that was for the Corn or Organic Corn enterprise.

**Item 10c – Electricity for Specialized Livestock Production Facilities
V2-V4 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 10c(i) – Specialized Livestock Production Facility Expense for Specific Commodities

V4 Only

Record the dollar amount of the total (Item 10c) electricity for specialized livestock production facilities that was for the Dairy enterprise.

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 Specific Commodities

V2&V3 Only

Record the dollar amount of the total (Item 11) purchased water for irrigation expense that was for the Corn or Organic Corn enterprise.

Item 12 – All Other Utilities

Record the farm share of the total expense for telephone service and calls, water (other than for irrigation), and all other utilities not previously reported. Include monthly or annual charges to maintain service even when the utility is not being used (stand-by fees). If farm and home meters are separate, exclude all costs for utilities for the home except in situations where the farm office is in the home. In this case, include the farm share of the utility expenses for the office. If some or all of the farm buildings shared the same meter as the home, include only the farm's share of the costs.

Item 13 – Farm Supplies, Marketing Containers, Tools, Shop Equipment, etc.

Record expenses for miscellaneous supplies and equipment, marketing containers, hand tools and farm shop power equipment not placed on a depreciation schedule. (Power equipment is defined as equipment requiring fuel or electricity to operate). Exclude expenses for containers purchased for direct resale to consumers. Exclude expenses for fencing and irrigation equipment--these will be collected separately.

INCLUDE expenses for:

- (1) baling wire and twine.
- (2) carpentry supplies, electrical supplies and plumbing supplies.
- (3) mechanic's tools, pliers, wrenches, etc.
- (4) axes, bolt cutters, fencing tools, forks, picks, scoops, shovels, spades, etc.
- (5) power drills, grinders, saws, sanders, welders.
- (6) compressors.
- (7) acetylene gas, oxygen and welding rods.
- (8) chain saws.
- (9) battery chargers.
- (10) bolts, chains, nails, rope, etc.
- (11) hoists, jacks, winches, etc.
- (12) ladders.
- (13) scales.
- (14) attachments and accessories for any items in this category.
- (15) fuel tanks.
- (16) agricultural bags, canvas, polyethylene film, tarpaulins, etc.
- (17) rain gear or other protective clothing purchased for use on the operation.
- (18) other supplies and tools which are generally reusable and which are not included elsewhere.
- (19) repair of tools and other items in this category.
- (20) dairy equipment cleaning chemicals (detergents, sanitizers, etc.)
- (21) containers purchased for planting, growing, harvesting or marketing any commodity. Exclude containers purchased for direct resale to consumers.
- (22) baskets, boxes, flats, trays, sheets, totes, bins, crates, wool bags, etc.
- (23) rental or per unit fees for containers, sheets, etc. provided by a marketing association or cooperative.
- (24) usage charges or rental fees for containers provided by a buyer, shipper, or packer.
- (25) nursery and greenhouse containers purchased for nursery production, even if they are to be resold with the plant. **Exclude** containers purchased for 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:

- (1) tune-ups or overhauls of machinery or equipment (if not placed on a depreciation schedule).
- (2) damage repairs even if covered by insurance settlements.
- (3) maintenance and repairs for all vehicles, machinery, equipment, implements, EXCEPT irrigation equipment.
- (4) parts and accessories for vehicles and equipment

Examples of these expenses include:

- (1) hitches.
- (2) wheel weights (including fluid).
- (3) mirrors, radios, etc.
- (4) tractor cabs, air conditioners, etc.
- (5) electric sensor systems.
- (6) any other accessories.
- (7) services and parts for overhauls, tuneups, tubes, tires and repair of equipment.
- (8) brake adjustments and exhaust system repairs.
- (9) front end alignments, steering adjustments, wheel balancing and replacement of shock absorbers.
- (10) replacement or repair of carburetors, fuel pumps, fuel injector systems, water pumps, electrical systems, clutches and transmissions, body work, frame repairs, painting and glass replacement.
- (11) major engine overhauls, if not placed on a depreciation schedule, and minor tune-ups, and valve and ring jobs.
- (12) replacement parts for all machinery including disk blades, cultivator sweeps and shovels, sickles, guards and baler parts.
- (13) repair of livestock or poultry equipment.
- (14) hydraulic cylinders.
- (15) frost protection system repairs and maintenance.

EXCLUDE expenses for:

- (1) accessories included in the purchase cost of vehicles, machinery, equipment, etc.
- (2) beds, boxes and hydraulic systems purchased separately from a newly purchased truck. Record these in Item 44, all other Capital Expenditures.

- (3) 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 Specific Commodities

V2-V4 Only

Record the dollar amount of the total (Item 14) repairs, parts, accessories for motor vehicles, machinery and farm equipment expense that was for the Corn, Organic Corn, or Dairy enterprise.

Item 15 – Maintenance/Repair of Farm Buildings and Land Improvements

Record all expenses associated with maintenance of fences, buildings and other structures, and land improvements. Maintenance and repair expenses for existing land and conservation improvements are those expenses the operation has on a regular basis and which have to be done for these improvements to continue to be useful. Example: annual leveling done for irrigation systems and repairing existing dikes and ponds.

INCLUDE maintenance and repair of:

- (1) houses for hired farm/ranch labor or tenants.
- (2) all other farm/ranch buildings such as barns, shops, storage facilities, sheds, silos, bins and similar structures.
- (3) wells.
- (4) drainage facilities.
- (5) repairs and maintenance of irrigation equipment.
- (6) all other farm improvements.

Exclude any new construction or remodeling expense (report in Land improvements or new buildings/structures).

Item 15a – Maintenance/Repair of Farm Buildings and Land Improvements for Specialized Livestock Production Facilities

V2-V4 Only

Record the dollar amount of the total (Item 15) maintenance/repair of farm buildings and land improvements that were for specialized livestock

production facilities. Include dairies, feedlots, poultry houses, and swine buildings.

Item 15a(i) – Maintenance/Repair of Farm Buildings and Land Improvements for Specialized Livestock Production Facilities for Specific Commodities

V4 Only

Record the dollar amount of the total (Item 15a) maintenance/repair of farm buildings and land improvement expense that was for specialized livestock production facilities that was for the Dairy enterprise.

Item 15b – Maintenance/Repair of Farm Buildings and Land Improvements for Irrigation Equipment and Pumps

V2-V4 Only

Record the dollar amount of the total (Item 15) maintenance/repair of farm buildings and land improvement expenses that were for irrigation equipment and pumps.

Item 15b(i) – Maintenance/Repair of Farm Buildings and Land Improvements for Irrigation and Pumps for Specific Commodities

V2&V3 Only

Record the dollar amount of the total (Item 15b) maintenance/repair of farm buildings and land improvement expense that were for irrigation equipment and pumps for the Corn or Organic Corn enterprise.

Item 16 – Maintenance and Repair of the Operator's House

Record the total amount spent in 2010 for maintenance and repairs to the operator's house, if it was owned by the operation.

If the operator does not understand what is meant by “owned by the operation”, offer the definitions noted on the questionnaire. Owned by the operation can mean either the house is recorded as an asset in farm record books, used as security/collateral for a farm loan, or deeded as part of the farm.

Exclude any new construction or remodeling expense.

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 2010. Also exclude premiums paid for life, health, and other payroll insurance.

All expenses for this item should be for the farming operation only. Health insurance, life insurance, etc. would be included in Section J, 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

- 1) insurance premiums for the loss of grazing on rangeland, if the program is administered by a Federal agency.
- 2) insurance premiums for crop revenue coverage, if the program is administered by a Federal agency.

**Item 17a(i) – Federal Crop Insurance for Specific Commodities
V2&V3 Only**

Record the dollar amount of the total (Item 17a) Federal crop insurance expense for the Corn or Organic Corn enterprise.

Item 18a – Interest and Fees Paid on Debts Secured by Real Estate

Record the total amount spent by the operation in 2010 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.

EXCLUDE:

- (1) interest on farm debts that was not part of this operation.
- (2) interest on the operator’s residence if it is owned by the operator separately from the operation.
- (3) payments made on the loan principal amount.
- (4) interest and fees paid on debts NOT secured by real estate.

Item 18b – Interest and Fees Paid on Debts NOT Secured by Real Estate

Record the dollar amount spent by the operation in 2010 for interest and service fees for all loans owned by this operation that were secured by farm assets other than real estate—machinery, tractors, trucks, other equipment, fertilizer, feed, seed, or livestock and poultry, breeding stock, money borrowed for use as working capital, and interest paid on CCC loans. Exclude interest and fees paid on debts secured by real estate that are reported in Item 18a.

Item 19a – Real Estate Taxes

Record the amount of real estate taxes paid by the operation in 2010. This is a line item in most farm record books (and the IRS 1040F.) Exclude taxes paid on personal property (they are included in Item 19b).

Some States allow homestead exemptions, old age exemptions, etc., so all land owners may not be required to pay taxes on any, or a part, of their land. If the operation is not required to pay taxes due to an exception, make a note on the questionnaire.

INCLUDE:

- (1) taxes on farm land and buildings including the operator's dwelling, if owned by the operation.
- (2) taxes paid in 2010, even if they were levied in another year.
- (3) all partners' shares of taxes when a partnership is reported.

EXCLUDE:

- (1) taxes on personal property (include in Item 19b).
- (2) income taxes paid to IRS.
- (3) 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 2010 for property taxes on assets other than land or buildings. Exclude vehicle registration and license fees; they will be collected in Item 21.

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

Record the total 2010 expense for renting or leasing all vehicles, tractors, farm machinery, equipment and structures.

Item 21 – Vehicle Registration and Licensing Fees

USDA accounts for income generated on farms in a manner consistent with that used internationally, following guidelines established by the Organization for Economic Co-operation and Development (OECD). The U.S. value-added measure includes payments-linked-to-production paid to governments as an expense category. Property taxes and vehicle registration and licensing fees are components of this category.

Record the total expense paid by the operation in 2010 for the farm share of registration and license fees for motor vehicles, trailers, etc. Also include hazardous material (HAZ-MAT) hauling license fees required in some states to haul agricultural chemicals on public roads. If license fees associated with new vehicles were collected by the dealer when the vehicle was sold, they should be listed on the purchase agreement or bill of sale. Probe to be sure personal property taxes assessed on purchased vehicles are not included in this item. These taxes should be recorded in Item 19b.

Item 22 – Depreciation for Capital Assets

Feed, seed, fertilizer, and other production inputs are typically used completely in each year, and their cost is usually considered an expense in that year. Capital assets, on the other hand, typically last for 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 2010. It is not counted as a cash expense for 2010. Since it is not a cash expense, depreciation and capital expenses are not double counted. Depreciation is used by USDA for analysis of capital consumption and in net income calculations.

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 2010 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 22a – Depreciation for Breeding Livestock

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

Item 23 – Cash Wages Paid to Hired Workers

Record the total cash wages and bonuses paid to all hired farm and ranch labor on this operation in 2010 for agricultural work.

INCLUDE in the total amount paid:

- (1) cash wages, incentives, bonuses and profit percentages paid to workers doing agricultural work on land in the operation in 2010.
- (2) wages paid to family members and corporate officers.
- (3) salaries of hired managers.
- (4) the SALARY paid to the operator. (Do not include “draws”. “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:

- (1) wages paid for housework.
- (2) expenses for contract labor.
- (3) money taken by the operator's household on a “draw”.
- (4) Employer’s share of payroll taxes including Social Security, Unemployment, Workers Compensation, etc.

- (5) 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 2010. 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 2010 are affected by minimum wage laws.

Paid labor **INCLUDES**:

- (1) agricultural workers on the payroll no matter where they worked.
- (2) agricultural workers on paid vacation or sick leave.
- (3) service workers provided to other operations by the selected operation.
- (4) family members who were paid by the operation.

In order to be counted as agricultural workers, employees must be involved in activities defined as being agricultural work.

INCLUDE as Agricultural Work:

- (1) work done **ON** this operation in connection with the production of agricultural products, including nursery and greenhouse products and animal specialties such as furs, fish, bees, honey, etc.
- (2) work done **OFF** this operation such as trips for marketing products of the operation, buying feed, delivering products to local markets or handling other farm-related business.
- (3) repairs of farm/ranch buildings and machinery when performed by someone who is considered an employee of the operation.
- (4) bookkeeping done by an employee of the operation.
- (5) managing a farm/ranch for a salary.
- (6) meal preparation for work crews.

EXCLUDE from Agricultural Work:

- (1) housework such as cooking, cleaning, babysitting, etc. done in the operator's home.
- (2) operating a gasoline station, store or other such non-agricultural enterprise even if it was located on the operation.

- (3) work involved in training, boarding or renting animals such as horses and dogs unless it was part of, and cannot be separated from, the business of raising the animals.
- (4) caring for research animals.
- (5) work at a roadside stand (or farm store) UNLESS the operation produced more than 50 percent of the products sold at the stand.
- (6) work which alters the commodity produced (such as wineries, canneries, textile mills, etc.) even if it is done on the operation and the workers are paid by the operator. Make a note if the respondent cannot separate these workers and their wages from operation's total payroll.
- (7) all work provided by service firms such as cotton ginning (record as a marketing charge), commercial bookkeeping, legal and other professional services provided at a location off the farm. All other items except the ginning and farm management (professional) services should be recorded as a general farm business expense.

**Item 23a – Cash Wages for Specific Commodities
V2-V4 Only**

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

Item 24a-d – Breakout of Cash Wages Paid

The breakout of total cash wages is important to assure that the respondent includes cash wages paid to self, spouse, other operators, and other family members. The wages paid to farm and ranch labor are more obvious to the operator when he/she responds to this section. This breakout also allows for the proper allocation of cash wages to operator household income when we process the data. Record the actual dollars paid of the total cash wages paid (Item 23) to people in each of the categories listed. The sum of 24a + 24b + 24c + 24d + 24e MUST equal the total reported in Item 23 in the questionnaire.

Item 24a – 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 24b – Wages paid to Spouse

Record the amount paid to the principal operator's spouse.

Item 24c – Other Household Members

Record the amount paid to the other members of the operator's household. Exclude salaries paid to partners (unless they live in the household) and to their household members. These should be included in Item 24d.

Household members include everyone who lives in the operator's house and shares the financial resources of the operator. Usually these are family members. Include people who do not live in the house if they are dependents of the operator (college students, etc.).

Item 24d – Other Operators

Record the amount paid to other operators for this operation. These are persons responsible for the day-to-day management decisions for this operation, including hired managers as defined in 24a. Exclude operators that are household members of the principal operator. These should be included in 24c.

Item 24e – Everyone Else

Record the amount paid to all hired workers of the operation except those included in Items 24a, 24b, 24c, and 24d. Include wages and salaries to family members who are not members of the operator's household.

Item 25 – Payroll Taxes

Record the total dollars spent by this operation for payroll taxes like Social Security, Unemployment, Workers Compensation, 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 25a – Payroll Taxes for Specific Commodities
V2-V4 Only

Record the dollar amount of the total (Item 25) payroll taxes spent that was for the Corn, Organic Corn, or Dairy enterprise.

Item 26 – Benefits

Record the total dollars spent by this operation for benefits including life insurance, health insurance, pensions, retirement, etc. for employees of this operation. If the employees paid a share of some of these items and their share was withheld from their wages, the expense for their share should be included in 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 26a – Payroll Taxes for Specific Commodities
V2-V4 Only

Record the dollar amount of the total (Item 26) benefits spent that was for the Corn, Organic Corn, or Dairy enterprise.

Item 27 – Contract Labor Expense

Record the total amount spent by the operation in 2010 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 2010.

INCLUDE:

- (1) contract expenses for workers hired to harvest fruits, vegetables, potatoes, berries and all other crops.
- (2) other agricultural work which was performed on a contract basis by a contractor, a crew leader or a cooperative.
- (3) expenses for work done by any custom operator who does not provide his own machinery and who was hired on a contract.

Exclude expenses for contract construction or maintenance of buildings and land improvements. Contract labor expenses for maintenance and repair should be reported in 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 27a – Contract Labor for Specific Commodities
V2-V4 Only**

Record the dollar amount of the total (Item 26) contract labor costs that were for the Corn, Organic Corn, or Dairy enterprise.

Item 28 – Custom Work

Custom work is work performed by machines and labor when it is hired as a unit. Expenses for transporting or hauling animals or other products such as milk to the processor goes here if the driver and the vehicle are hired together. Loading is probably also part of the fee. If only the labor is hired (no machines or vehicles), then the expense goes either under contract labor, or in total cash wages if the labor was seasonal hired labor.

Item 28a – 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 F to determine which custom hauling expenses related to final commodity transfer are recorded in this Item.

INCLUDE:

- (1) hauling to market.
- (2) hauling between farm/ranch parcels.
- (3) milk hauling charges. (If these were deducted from the operator's milk check, add them back to get the “net” figure we want in Sections D, Items 2 and 5).
- (4) hauling of feed, seed and fertilizer to the operation.
- (5) manure hauling.
- (6) all other hauling charges for the operation.

Item 28b – Other Custom Work

Most farm accounting record books (and the IRS 1040F) have a line for total expense for custom hire (machine work). Custom work is defined as work performed by machines and labor hired as a unit. Other custom work on crops would include custom planting, harvesting, leveling, and soil testing. Planting by plane or helicopter should also be included in this Item.

EXCLUDE:

- (1) contract labor.
- (2) custom fertilizer, lime and/or soil conditioner applications (include in Item 2).
- (3) custom applications of crop chemicals and pesticides (record in Item 3a) and pest scouting (record in general business expenses).
- (4) leasing of cars, trucks, tractors or other equipment (even though the questionnaire says to include “rental of machinery and equipment”, which is recorded in Item 20).
- (5) custom livestock expense (record in Item 8).

**Item 28c – Total Custom Work for Specific Commodities
V2-V4 Only**

Record the dollar amount of the total custom work (Items 28a and 28b) expense that was for the Corn, Organic Corn, or Dairy enterprise.

**Item 29 – Cash Value of Commodities Provided to Household Members As
Payment for Farm Work**

Record the value of any commodities provided to members of the household instead of payment of actual dollars. The value of the commodities is whatever the commodities could have been sold for.

Include quantities of grain or other crops, head of livestock, or the value of a share of milk sales receipts provided as payment to family members.

Exclude living expenses for family members unless the expenses were considered a business expense of the operation.

Item 30 – Cash Value of all Food, Goods and Services Provided as Payment to Workers who are NOT Household Members

This question only applies to workers who are not members of the operator's household. The value of heating fuels, transportation, telephone, electricity, clothing and furniture supplied to hired workers who are not members of the operator's household should be calculated in terms of what they cost the operator. The value of food produced on the farm and furnished to paid workers should be whatever the items would have been worth at local prices (at the time they were given to the workers).

Operators may not regularly keep records of this type of employee compensation. For this reason, the question specifies items which are commonly overlooked by farmers in reporting these non-cash payments. Use items such as the value of commodities (head of livestock, bushels of grain, percent of milk check, etc.) paid to any workers in lieu of wages for farm work, including such payments-in-kind. Using these items as probes will help the respondent better consider which type and amount of these payments were made.

Item 31 – 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 2010. 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 29.

Item 31a – Percentage of Market Value of Products that was Livestock

Of the total amount from Item 31, give a percentage of that amount that was from livestock or livestock products.

Item 32 – Fees Paid for Professional or Farm Management Services

Record the amount of money spent in 2010 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:

- (1) custom fertilizer, lime and/or soil conditioner applications (include in Item 2).
- (2) custom applications of crop chemicals and pesticides (record in Item 3).
- (3) entomologists, service companies, etc, for pest scouting (record in general business expenses).

**Item 32a – Fees Paid for Farm Management, Planning, and Advice
V1 Only**

Record the percentage of Item 32 paid for farm business management, planning, and advice.

**Item 32b – Fees Paid for Conservation Practices
V1 Only**

Record the percentage of Item 31 paid for farm management services which relate to conservation practices. Include any paid advice paid to consultants for conservation practices.

Item 33 – General Business Expenses

Show the respondent the list of General Business Expenses in the Respondent Booklet.

These expenses are generally recorded in the “other expense” category of most farm record books (and the 1040F). These expenses are so varied that when you ask the operator for his general business expenses he may say „none’ or itemize the ones that come to mind or include previously reported data. To gain some consistency in what is reported here, read the list of the “Includes” below and have the respondent refer to the Respondent Booklet. The purpose of this list is not to have the respondent itemize each expense to the nearest penny but to prompt him to consider various categories which define what you mean when you ask for „other

business expenses'. List the expense items and amounts in the lines. If an individual item is a fairly "large" expenditure, make notes explaining the expense.

INCLUDE:

- (1) travel expenses (such as lodging, meals and parking) associated with purchasing or selling commodities for farm, association or cooperative business, attending fairs where the respondent's farm products were exhibited and other farm/ranch business.
- (2) postage, telegrams, and faxes for the farm business.
- (3) expenses for title searches, abstracts, recording deeds and mortgages, court costs and other legal expenses for the land operated.
- (4) fees paid to attorneys in connection with the farm/ranch.
- (5) charges for permits and licenses obtained in 2010 for production and marketing of commodities produced on the land operated. Exclude quota and allotment purchases and rentals.
- (6) fees paid on a voluntary basis to marketing associations or government agencies (federal, state or local) on the basis of sales or production, for the promotion of sales or for other specific purposes.
- (7) registration of purebred animals.
- (8) brand registration fees.
- (9) charges for sales promotion or advertising.
- (10) farm management expenses including books, papers and magazines on subjects related to crop or livestock production, market reports, farm newsletters and Ag bulletins. Report only 2010 expenditures, even if these cover more than one year.
- (11) real estate agent commissions and other direct selling or buying expenses.
- (12) garbage collection or dumpster service for barns and farm buildings.
- (13) rental expense for farm office space not on the operation.
- (14) fees paid to entomologists, service companies, etc. for pest scouting.
- (15) fees paid for programs like Boll Weevil Eradication Program (BWEP) and Pink Bollworm Program (PBWP) if there is one assessment fee (i.e., a per-acre) and no additional fees are charged for chemicals. Any additional charges for chemicals should be recorded as chemical expenses.

- (16) trapping club memberships and dues. (Trapping clubs are formed to trap predator animals such as coyotes.)
- (17) stall or space rental fees for farmer's markets.
- (18) parcel post expenses or charges for marketing agricultural products.
- (19) purchases of farm office equipment not placed on a depreciation schedule.
- (20) Internet fees, including the cost of having and maintaining a webpage.
- (21) loan origination fees.

EXCLUDE:

- (1) wages paid to farm employees (on the payroll) for bookkeeping (exclusively or in addition to other farm work). (WAGES AND SALARIES FOR ALL FARM EMPLOYEES SHOULD BE REPORTED EARLIER IN THIS SECTION.)
- (2) gasoline and other vehicle operating expenses.
- (3) taxes paid which were levied for general purposes.
- (4) marketing expenses and check-off fees deducted from sales of commodities paid by the operator.
- (5) expenditures for magazine or journal subscriptions for 2010 that were paid in other years.
- (6) purchases of farm office equipment if placed on a depreciation schedule.
- (7) potting soil and topsoil for nursery/greenhouse operations (record in all other expenses not previously recorded, the last item in this section).

Capital Expenses, Items 34-44

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 Sec. F, item 14.

ACCELERATED DEPRECIATION: (Not available in 2010)

There are some examples in recent years where typical capital purchases expenses have not been placed on a depreciation schedule. Tax law allows those who make large capital purchases to “expense a out” in the year that it was purchased, claiming a large part of or the entire purchase price as depreciation in the year it was purchased. When this occurs, the equipment purchase still needs to be recorded as a capital expenditure.

Even though the operation „expensed’ the capital item in one year, it will physically work in the farm sector over some period of time. From an economic perspective, the capital expenditure will be consumed over a number of years, even though the purchase was depreciated in one year. 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 34 – Land Improvements

Land improvements are those additions or improvements to the land which change it in a PERMANENT way.

INCLUDE:

- (1) expenses for improvements such as terraces, water and sediment control basins, grassed waterways, ponds, windbreaks, permanent cover, contouring, grading, filter strips, etc.
- (2) expenses for drainage improvements such as ditches, bedding, shaping, subsurface drain tile, etc.
- (3) expenses for irrigation improvements such as digging wells or ditches.
- (4) expenses for land leveling (removal of irregularities on the land surface by the use of special equipment for the purpose of improving drainage, achieving more uniform planting depths, more effective use of water and greater efficiency in tillage operations).
- (5) expenses for corrals, feedlots, feeding floors, trench silos, waste facilities, wells and equipment not for irrigation.
- (6) (in Western states) capital improvements to grazing land.

EXCLUDE:

- (1) land purchases.

Item 35 – New Construction and Remodeling of Farm Buildings, Structures, and Dwellings (excluding the operator’s dwelling)

Record expenditures that were paid in 2010 for the construction of or remodeling of buildings, structures, or other dwellings. Record these 2010 expenditures regardless of whether the construction or remodeling was completed or not. If expenses were paid in 2010 for work completed in 2009, include them in this Item.

INCLUDE:

- (1) all costs for new construction or remodeling of houses for hired farm/ranch labor or tenants.
- (2) all costs to construct or remodel farm/ranch buildings, storage facilities, sheds, silos, bins and similar structures.

Item 36 – New Construction and Remodeling of Operator’s House

Include all costs for new construction or remodeling of the operator's house, if it was owned by the operation. Owned by the operation can mean either the house is recorded as an asset in farm record books, used as security/collateral for a farm loan, or deeded as part of the farm.

Item 37 – 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 2010. 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 21.

Item 37a – 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 37 are strictly for farm use, record 100 in Item 37a.

Item 38 – 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 2010. 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 21.

Exclude ATVs. ATV expense should be reported in other capital expenditures, Item 44.

Item 38a – 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 38 are strictly for farm use, record 100 in Item 38a.

Item 39 – Tractors

Record the total purchase price (after any trade-in allowance, rebates, discounts, etc.) of all new and used tractors that were bought during 2010 for use on the operation. If the respondent's operation bought tractors in partnership with another operation, include only the amount that was this operation's share of the tractor's total cost. The total cost should include the cost of accessories bought with the tractor, special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax. Registration and license fees should be included in the purchase price if they were not separated on the bill. If these fees were separate and itemized on the bill, exclude them here and report them in Item 21. Financing charges should be recorded in Item 18.

Item 40 – 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 2010 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 21. Financing charges should be recorded in Item 18.

Item 41 – NON-SELF-PROPELLED Equipment, Implements and/or Machinery Purchased

Record the total purchase price for all non-self-propelled equipment, implements and machinery (after any trade-in allowance, rebates and discounts, etc.) that were bought in 2010 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 42 – Office Equipment, Furniture, and 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 33, General Business Expenses.

Item 43 – Purchase of Farmland and Other Farm Real Estate

For the small number of farms that bought farm real estate during the year, the cost of that acquisition can have a significant impact on the cash available to farm households for consumption or other investment purposes. Include only real estate that was added to this farming operation during the year. Do not include buildings that were purchased separately and moved onto the farm. These should be reported in Item 35.

Report the total cost of the land and buildings acquired. For example, the operation added an adjoining section of land to this operation during the year, at a cost of \$640,000. The land was worth about \$600,000 and the service buildings on it were valued at \$40,000. The operator paid \$140,000 down and the balance of the purchase was financed by a bank loan of \$500,000. Enter \$640,000 here. The value of the real estate would also be included in Section G: the buildings (\$40,000) would be included in Item 1c, and the land (\$600,000) would be included in Item 1e. The loan would be entered in Section H (farm debt) with a column coded to indicate that a bank loan was obtained in 2010 to purchase land.

**Item 43a - Farmland Purchase Payment Method
V1 Only**

USDA is investigating how operators finance their purchases of farmland and other farm real estate. Obtain total purchase price for each of the

payment types. Using the example in Item 43 above, record the \$140,000 down payment in (i) and the amount financed, \$500,000 in (ii).

Item 44 – All Other Capital Expenditures

Record the total cost of all other capital items (items placed on a depreciation schedule) purchased by the operation in 2010. 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 Item 4a and 4d.

Item 45 – Other Expenses

This item is used to account for any expenses the operation had in 2010 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 2009 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 2010. 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 E 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 J.

- 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 J, Item 12).
- 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 than the winery, include the costs in the net income from operating any other business (Section J, Item 11d).

Other Questionnaire Versions

Version 5 – Core

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	1
Item 2	2
Item 3	3
Item 4a	4a
Item 4b	4b+4c+4d
Item 5	5
Item 6	6
Item 7	8
Item 8a	9a
Item 8b	9b
Item 8c	9c
Item 8d	9d
Item 8e	9e
Item 8f	9f
Item 9	7+13
Item 10	14
Item 11	15

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Item 12	16
Item 13	17
Item 14a	18a
Item 14b	18b
Item 15a	19a
Item 15b	19b
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Item 17a	24a
Item 17b	24b
Item 17c	24c
Item 17d	24d
Item 17e	24e
Item 18	25 + 26
Item 19	27
Item 20a	28a+28b
Item 20b	10+11+12
Item 20c	20
Item 20d	21
Item 20e	22
Item 20e(i)	22a
Item 20f	29+30
Item 20g	31
Item 20h	32
Item 20i	33+45
Item 21	34 to 44

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Sections G & H - Farm Assets and Debts

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 G gathers information about the assets owned by the operation. Section H 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 D-F), off-farm income (reported in Section J), 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 repriced.

Owner's equity is equal to total assets less total debt. Owner's equity is oftentimes 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 the 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 2010 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, nonreal estate, or real estate), and the year in which the loan was obtained. These items are used to estimate the farm sector's debt payments that must be met each year.

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 for farm and family finances.

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Section G - Farm Assets

GENERAL INSTRUCTIONS

This section is different from the sections before it in the questionnaire because most of these questions focus on assets OWNED by the operation. For this section, we define assets of the operation as:

For individual or partnership operations: the assets 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, 2010, rather than all of 2010.

If the operator has multiple operations, only account for the assets that belong to the operation identified on the label. Assets belonging to the other operations will be accounted for in Section J. For example, 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 G. If the piece of heavy machinery does not belong to the operation on the label, account for it in Section J.

In this section we ask for the operator's estimate of the MARKET VALUE of several types of assets at the end of 2010. Obtain the operator's best estimate of the current market value of specific assets. If operation assets are owned by partners, include the value of assets belonging to all partners (exclude the landlord's share).

Value of Land and Buildings Items 1-3

Market value is the “fair market value” for which the land and/or buildings could be sold under the market conditions existing at the time of the reference date and assuming that willing and financially able buyers and sellers exist and that there are no unusual circumstances such as forced liquidation, shortages, and emergencies. This value should be based on highest and best use that the land could be sold for, including non-agricultural uses.

Item 1 – Market Value of Land and Buildings OWNED

This information may not be available in records, but most operators should be aware of the current value of their land and buildings or comparable land and buildings. If loan funds have been obtained for use in the operation, the operator has likely prepared financial statements for use with his/her lender. The business financial statements would be a source for asset value information.

It is not necessary for the operation to own land in order to own buildings. Operations can own buildings that are permanent structures located on rented or leased land, or they may own mobile homes, shops or offices located on rented or leased land. 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, 2010, if it is owned by the operation. Owned by the operation means the house is recorded as an asset in farm record books, or used as security for a farm loan, 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, 2010 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 and Structures Owned

Record the market value on December 31, 2010 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, 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, and Trees Grown for Woody Crops

Record the market value on December 31, 2010 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, 2010. This should correspond to the acres owned reported in Section A, Item 1, unless land was purchased at the end of the year, and, thus, were not part of the operation during 2010. **Include** the value of land rented to others, any water rights, any mineral rights, permanently installed irrigation equipment, frost protection systems, grazing permits, and uncultivated timber that go with the land, etc.

Verify with the operator that the average value per acre is reasonable for the area by dividing the amount reported by the number of acres owned.

Exclude the value of dwellings, buildings and structures, and trees in orchards, vines in vineyards, other perennials in the field, Christmas trees and trees cultivated for 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, 2010. Verify this total with the operator.

Item 2 – Value of Land and Buildings on Acres Rented From Others

Record the operator's best estimate of the total market value of all the land and buildings Cash Rented, Share Rented, or Used Rent Free by the operation during 2010. (This should correspond to acres reported as rented in Section A, Item 2 – Does not include grazing land rented on a fee-per-head or AUM basis) Include the value of any water rights, any mineral rights, permanently installed irrigation equipment, frost protection systems, permanent plantings in orchards, groves, vineyards, Christmas trees, grazing permits that go with the land, etc. **Exclude** the value of water or mineral rights if they were sold.

Item 2a – Amount Rented from Relatives

Of the value of the land and buildings rented from others in Item 2, record the value of any land and buildings that were specifically rented from relatives. The answer to this question should only be positive if Item 2 is positive and should always be equal or less than the amount in Item 2.

Item 3 – Value of Land and Buildings on Acres Rented To Others

Record the operator's best estimate of the total market value of all the land and buildings RENTED TO OTHERS. (This should correspond to acres reported as rented in Section A, Item 3.) Include the value of any water rights, any mineral rights, permanently installed irrigation equipment, frost protection systems, permanent plantings in orchards, groves, vineyards, Christmas trees, grazing permits that go with the land, etc. **Exclude** the value of water or mineral rights if they were sold.

Item 4 – Value of Beginning of Year and End of Year Inventories of Machinery, Commodities, Production Inputs, and Farm Cooperative Investments

We must account for changes in inventories between January 1, 2010 and December 31, 2010 if we are to accurately measure net farm income for 2010. 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, 2010 and December 31, 2010. 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, 2010 and December 31, 2010 is critical to development of accurate estimates of profitability for farms. This occurs because net farm income is derived using a formula that adds or subtracts changes in inventory and depreciation to the difference in cash incomes reported primarily in Sections D and E and production expenses reported in Section F.

There are three main criteria you should guide the respondent toward considering in providing answers to beginning or ending year inventory values:

- the types of commodities or production inputs,
- the quantity of each type on hand, for each date at the beginning and end of the year, and
- their market price on the date in question.

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 to the sales data reported in Section D. If the commodity was produced in 2010 (or if livestock was bought in 2010 – see reporting of livestock purchases in Section F) 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 2010 and you ask about the value at the beginning of 2010, do not say, “Was it (about) the same?” or “It was the about the same, was it not?” Instead, probe for changes in quantities on hand, for prices for which commodities could have been sold, or for prices that would have been paid for inputs bought for farm use.

Item 4a – 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:

- (1) all crops owned by the operation whether stored on or off the operation.
- (2) hay and silage crops.
- (3) crops produced in 2009 and earlier years in whole form.
- (4) crops to be used for feed, seed, sales, etc.

- (5) all whole grains on hand.
- (6) all crops purchased.
- (7) crops owned by the operation which were produced under a contract but not sold as of December 31, 2010.
- (8) crops sold in 2010, but payment and delivery will take place in 2011.
- (9) crops in storage which had been redeemed from CCC loan by the reference date above.
- (10) nursery and greenhouse products in saleable condition.

Exclude the value of:

- (1) crops still under CCC loans. However, include the value of the crop if a loan deficiency payment or a marketing loan gain was obtained and the crop is still on hand. Exclude the crop only if it was placed under loan and was still under loan on either of the reference dates of January 1, 2010 or December 31, 2010.
- (2) feed items such as cracked corn, rolled oats, etc (record under production inputs Item 4d).
- (3) growing crops.

Items 4 b&c – Value of Livestock Owned

For livestock, you also need to consider their weights or size. You need to consider all these things on January 1, 2010, to get the market value of the beginning year inventory. Then you need to consider all these things on December 31, 2010, 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, 2010 were reported in Section C. 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, 2010 and December 31, 2010 could result in inventory values being different in December than they were in January.

Include the value of:

- (1) all animals held for resale.
- (2) beef and dairy cows, bulls, steers, heifers, calves and any other cattle.

- (3) hogs and pigs.
- (4) sheep and lambs.
- (5) horses, ponies and mules.
- (6) goats.
- (7) chickens, ducks, geese, guineas, pigeons, etc.
- (8) fur bearing animals.
- (9) catfish, crawfish and other fish.
- (10) bees.
- (11) other specialty livestock.

Exclude the value of:

- (1) livestock on hand not owned by the operation.
- (2) animals owned for pleasure use only (except equine).
- (3) livestock owned by this operation, but being produced by another operation under contract. The value of these animals is collected in Section C.

Item 4b – 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, 2010, was reported in Section C. This should be the inventory for which the operator gives you his/her estimate of the end of year value. From the end of year value ask the respondent about January 1, 2010 values, keeping in mind changes in number, weights, and prices.

Item 4c – 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, 2010 was reported in Section C. This should be the inventory for which the operator gives you the end of year value. From the end of year value ask the respondent about January 1, 2010 values, keeping in mind changes in number, weights, and prices.

Item 4d – 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 feed, fertilizer, chemicals, fuels, purchased seed and other supplies, etc. **Exclude** the value of any items that should be reported in Item 4a (hay, crops to be used for seed, etc.) Do not include fertilizers and chemicals already applied (record in Item 4e).

Prices of many inputs such as fuel and fertilizer could have changed during 2010. An estimate of the quantity on hand on January 1, 2010 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 4e – 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, 2010 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, 2010. This is important because the cost of the fertilizers and/or pesticides applied prior to December 31, 2010 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, 2010 or December 31, 2010, there will be sunk costs that would be reported in this question. If the operator has a production contract in Section D, Item 4 and non-owned livestock on the operation on December 31, 2010 in Section C, 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, 2010 (livestock from Section C, Item 1) in the Dec 31 column. If the respondent had non-owned livestock or vegetables on the operation on January 1, 2010, the sunk costs associated with those commodities should be reported in the January 1, 2010 column.

These sunk cost values need to be accounted for to get a more accurate picture of how the farm (and the farming family) is doing economically.

If they are not accounted for, there will be expenses spent in 2010 with no corresponding income or potential income (recorded as an asset).

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 and 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.

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.

Include the value of inputs already applied to:

- (1) nursery crops.
- (2) greenhouse crops.
- (3) mushrooms, fruit or vegetable crops.
- (4) cover crops.
- (5) winter or spring grain crops which had been planted by December 31, 2010
- (6) applied to benefit a crop to be planted after December 31, 2010
- (7) feed, labor, fees, etc. used on farms with crop or livestock production contracts for non-owned commodities.

Exclude the value of inputs to:

- (1) crops already harvested and on hand (these crop values should be recorded in Item 4a).
- (2) 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.
- (3) mature standing crops not harvested by December 31, 2010 due to weather or market conditions. This is an “alternate storage issue” and an estimated value for these crops should be recorded in Item 4a if they were originally intended for harvest as of December 31, 2010.

Item 4f – Trucks and Cars Owned

Record the end-of-year (on December 31, 2010) estimate of the market value of the farm share of trucks and cars owned by the operation.

Item 4g – Tractors, Machinery, Tools and Equipment Owned

Record the end-of-year (on December 31, 2010) 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 4h – Stock in Cooperatives and Farm Credit System

Record the value on December 31, 2010, 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.

Item 5 – Other Farm Assets

Record the operator's best estimate of the market value of all other assets of the farm/ranch, using the Value Codes in the Respondent Booklet. Note that the value codes have changed since 2009. These can be known as “Liquid Assets”. Refer the respondent to the list of items in the respondent booklet labeled, “Other Farm Assets”.

Almost every operator should have some other farm assets!!

Include the value of:

- (1) cash, bonds, certificates of deposit, savings and checking accounts belonging to the operation.
- (2) money owed to the operation (other than that reported in Section D, Accounts Receivable/Deferred Payments).
- (3) quotas and allotments owned by the operation, if these values are not reflected in the land values reported in Item 1.
- (4) livestock products stored on the operation, but not yet sold (for example, milk before hauling and eggs still on the operation).

Exclude the value of:

- (1) assets for which values were obtained earlier in the questionnaire.
- (2) personal assets (record in Section J).
- (3) personal debt owed to the operator.

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Section H – 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, 2010). 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 H or in Section J, Item 14, and recorded only once. Loans used for both farm and household purposes should be reported in Section H and not in Section J. Section H is organized to reflect farmers' use of debt in their businesses. In Version 1 Questionnaires, if farmers do not use debt as a source of funding for their operations they skip to Section I. 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 H 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 H.

If the operator has multiple operations, only account for the debt that belongs to the operation identified on the label (there should be assets for these items in Section H or expenditures for inputs and/or capital

purchases in Section F). Debt belonging to the other operations will be accounted for in Section J. 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 its debt in Section H (Using the same guideline, asset values will have been included in Section G). If the piece of heavy machinery does not belong to the operation on the label, account for its debt in Section J.

Item 1 – Debt Use in 2010

This is a screening question to determine if debt was used at anytime during 2010.

Include 1) any debt that was obtained from earlier years and was not paid off by January 1, 2010 and; 2) any amounts used from established lines of credit.

If debt was used at any time during 2010, check “Yes” for Item 1, enter code “1” in the cell, and continue with question 2. If debt was not used at all during 2009, check “No” for Item 1, enter code “3” in the cell, then skip to Section I.

Item 2 – Established Line of Credit during 2010

Ask whether the operation had an established line of credit with a lending institution or other source at any time during 2010 even if it was never used. If no line of credit existed for the farm in 2010, 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 2010 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 2010 and Repaid in 2010

This item includes only loans taken out in 2010 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 2010. 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, 2010 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 I.

Check interest paid as reported in Item 18, Section F 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 2010 calendar year. PROBE to determine if the operation had any loans at the end of 2010 against any livestock, machinery, or farm real estate. If the operator has multiple operations, include debt for only this operation.

Item 6 – Debt By Lender

If the operation had debt at the end of 2010, 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 G, 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 2010 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 J.

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 J, Item 14. 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 in the Respondent Booklet.

There is no need for the respondent to report specific firms or persons with whom he/she has loans, such as „First State Bank of Iowa’ or „my mother-in-law’. By encouraging the respondents to use the RESPONDENT BOOKLET, you are assuring them your interests are in obtaining what types of loans are typical in their state, not where they personally have obtained loans to finance their operations. Typically, lenders will be grouped to provide reports by lending institutions, trade creditors, individuals, etc.

Enter the Code for the lender 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 2010 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 in the respondent booklet 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 nonreal 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.

Nonreal estate loans (longer than one year) refer to machinery, equipment, and breeding livestock loans that the farmer will repay over a number of years.

Real estates loans refer to loans secured by farmland. These loans may be for any purpose, but typically are repaid over a period of 10-20 years.

To help respondents who may not know, the first determination for loan type is whether a loan is a real estate loan or a nonreal estate loan. This determination should be based on whether or not a mortgage is held. The determination between nonreal estate and production loans should be based on length of loan. Loans 12 months or more should be classified nonreal estate and those less than 12 months as production/operating loans.

Column 5 – Year Loan was Obtained

Enter the 4-digit year the loan was obtained or was last refinanced.

Column 6 – Original Term of Loan

Record the original term of the loan (or new term if the loan was refinanced) in number of years. If less than a year, then 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 the respondent booklet for the 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 repriced. Select a code 2 if the loan is repriced 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 2010, 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.

Other Questionnaire Versions

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	4
Item 2	5

Item 3a,3b,3c – Money Borrowed

For these versions, report the total debt owed on 3a) production loans, 3b) nonreal estate loans of more than 1 year, and 3c) 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 2010 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 nonreal estate or real estate loans.

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

COP Questionnaire	CRR Questionnaire
Column 1	Column 2
Column 2	Column 3
Column 3	Column 7

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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 3b, col 1, and 6.67% in 3b, col 2).

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 4	8

Sections I & J – Farm Management and the Farm Household

Sections I and J provide information on farm labor use, 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 sections I and J 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.

Section I identifies the operator and household contributions of labor—paid and unpaid—to the farm business, and their 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. Section I gathers information about farmers' use of a variety of management strategies; such information can be combined with information on the use of emergent technologies such as genetically modified seed and precision planting, chemical applications and harvesting practices to analyze farm cost structure, performance, and efficiency.

That many operators and household members work off-farm is well known. Section I provides information on hours worked off the farm, while Section J provides information on off-farm incomes. That allows us to develop a key economic indicators--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 by 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 J with farm business income and balance sheet data from Sections A to H 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, race, education level, ethnicity, gender, and major occupation, from Section J, 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.

Data on household expenditures (Section J) are used for important purposes including: (1) for inclusion into the Index of Prices Paid, and (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), and (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.

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Section I – Farm Management and Use of Time

Version 1 Questionnaire

Item 1 – Ownership Interest by Blood/Marital/Adoptive Relatives

Report whether (1) the operator, (2) other members of the operator's household, and (3) other persons related to the operator by blood, marriage, or adoption hold more than 50 percent of the total farm asset ownership interests of this operation. 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 nonfarm net worth (from Section J).

Item 3 – Legal Organization 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.

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 F, Item 24a. Any operator who insists that they receive a salary in Section F, Item 24a 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.

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 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 corporation.

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.

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.

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:

1. **Estate** – Undivided property still in, or subject to, probate.
2. **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.
3. **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.
4. **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 an LLC has only one member, the fact that it is an LLC is ignored or ~~disregarded~~ for the purpose of filing a federal tax return. If a single member of an LLC is a corporation, it is treated as 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.

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

If the operation is a legal partnership, record the number of partners in the operation in this Item.

Item 7 – Other Households Share of Farm Income

Record the number of other households—*excluding the household of the principal operator*—that share the net income from the farm business. If the answer is zero, indicate with a dash. Regardless of the response (zero

or positive) to Item 7, ask everyone to answer Item 7a or Item 7b depending on the legal status they reported for Item 3.

Item 7a – 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. Refer to Item 3 to determine the legal status.

Item 7b – Income received from C-Corporation

Record dividends received by operator's household from 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 respondent booklet for value codes. Refer back to Item 3 to determine the legal status.

Item 8 – Number of Acres Rented From Others Owned by Household

If the operation is not a family or individual operation (Item 3=1) and if the operation rented land from others recorded in Section A, Item 2, record the number of acres rented from others that were owned by the household.

The purpose of this question is to look at the decision making authority over the farmland. As farms incorporate for tax or liability reasons, operators may be treating their land as a personal asset which they are renting back to the operation. This question is trying to gauge the amount of that scenario because in this case, the operator still has decision making authority over the farmland despite the land being rented to the operation.

Item 9 – 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 they are a hired manager considered to be an operator.

Item 10 – Presence of Spouse of Principal Operator

Ask if the principal operator was married at any time during 2010. If so, record a +” for Item 10 otherwise record a -3” and skip to Item 12. Note: This item is checked heavily in the State Office against the spouse questions in Section F, this Section, and Section J for consistency. Make notes about any inconsistency.

Item 11 – Is the Spouse an Operator

If the operator was married at any time in 2010, ask if the spouse made or helped make day to day decisions for the operation at any time in 2010. If so, record a +” in Item 11, make sure the spouse is counted as an operator in Item 9, and record the spouse’s information in the operator 2 column for Items 12-14. If the spouse is an operator make sure that Item 10 indicates that the operator was married at any time during 2010. If the spouse is not an operator, record a -3”.

Items 12-14 – Operator Demographics

Record the age, year the operator first operated any farm or ranch, and gender for the 3 primary operators. The principal operator should be the main decisionmaker for the entire operation on a day-to-day basis. For many operations, this will be the target operator. If a spouse is an operator recorded in Item 11, record the spouse’s information in the operator 2 column.

Item 12 – Age of Operator on December 31

Enter the age of the operator(s) on December 31, 2010.

Item 13 – 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 and closely matches the USDA definition of a beginning farmer or rancher.

Item 14 – Gender of Operator

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

Item 15 – 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 and record a “1” for Item 15.

Item 16 – Internet Usage

Internet and computer use by farmers, as in the rest of the country, has grown rapidly in the past several years. USDA is interested in assessing which farm households have Internet access, what type of access farm households have, what the cost of access is, as well as which operations are adopting this new technology and which ones are not. Indicate whether the operator’s household has access to the Internet or not in Item 16. If the operator’s household had no access to the Internet, skip to Item 17.

Item 16a – Expense for Internet Access

Record how many dollars per month the operation pays for Internet access. Round to the nearest dollar.

Item 16b – High Speed Internet Connection

Record if the operator used a high-speed Internet connection in Item 16b.

Item 16c – Time Using the Internet For Farm-Related E-Mail

Record the number of hours per week the operator used the Internet for farm-related electronic mail (i.e., e-mail) activities in Item 16c.

Item 16d – Time Using the Internet For Farm-Related News and Information

Record the number of hours per week the operator used the Internet to get farm-related news and information in Item 16d.

Item 16e – Time Using the Internet For Farm-Related Commerce

Record the number of hours per week the operator used the Internet to conduct farm-related commerce in Item 16e.

Item 16f – Amount of Electronic Commerce (e-commerce) Activity

If the respondent made farm-related purchases or received farm-related sales using the Internet, ask Items (i) and (ii). Otherwise, continue with Item g.

Item 16f(i) – Amount Spent in 2010 on Farm-Related Purchases Over the Internet

If the respondent made purchases in 2010 using the Internet, record the amount that was spent on purchases conducted over the Internet. **Include** purchases of seed, fertilizer, pesticides, feed, livestock health products, miscellaneous farm supplies, computer software and hardware, and financial and personal services such as farm-related insurance.

Item 16f(ii) – Amount Received in 2010 on Farm-Related Sales Over the Internet

If the respondent had sales in 2010 using the Internet, record the amount that was received on sales conducted over the Internet.

Item 16g – Location Where Connecting to the Internet

Record where the operator connected to the Internet in Item 16g. More than 1 answer is allowed.

Item 17 – 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).

Items 18a-d – Where Inputs Were Acquired

Understanding the location in/not in the town of these farm input and household purchases, distances driven to purchase them, and the motivation for purchases beyond the local town helps us to better assess the impacts of farm business and household purchases on the local economy.

For items 18 a-d, record:

- (1) the distance from the farm where the majority of farming inputs were purchased. If the input was ordered and shipped to the operation, record the estimated shipping distance.
- (2) If the inputs were not purchased in the nearest town or city regardless of size, the reason why.

Item 19 – Direct Sales to Consumers for Human Consumption

If the operation produced any agricultural products that were sold directly to consumers for human consumption, record a 1 for Item 19. **Include** such practices as sales from roadside stands, farmer's market, pick your own, door to door, direct Internet sales, etc. **Exclude** from direct sales craft items and processed products such as jellies, sausages, and hams.

If the operation did not sell any agricultural products direct to consumers, record a 3 and skip to Item 22.

Item 20 – Gross Value of Direct Sales

Record the gross value of the direct sales in 2010.

Item 21 – Marketing Outlets for Direct Sales

Record if the operation used any of the following marketing outlets for items sold directly to consumers or retail outlets. —“pick operations” should be recorded as a roadside stand or on-farm facility. **Exclude** sales to schools and prisons.

Item 22 – Direct Sales to Retail Outlets for Direct Sale to Consumers

If the operation produced any agricultural products that were sold to retail outlets who in turn sold them directly to consumers, record a 1 for Item 22. **Include** sales directly to restaurants, grocery stores, or other businesses that sell directly to consumers. Also include institutional sales, such as those made to schools. **Exclude** sales of craft items and processed products such as jellies, sausages, and hams.

If the operation did not sell any agricultural products direct to consumers, record a 3 and skip to Item 24.

Item 23 – Gross Value of Direct Sales to Retail

Record the gross value of the direct sales to retail outlets in 2010.

ACRE PROGRAM

Items 24 and 25 pertain to the new Average Crop Revenue Election (ACRE) Program, authorized by the 2008 Farm Bill. Under the ACRE Program, producers can choose to receive revenue-based payments as an alternative to price-based counter-cyclical payments. ACRE payments are triggered if revenues from an eligible crop are less than the guaranteed level for the State and/or participating farm. These questions allow us to see if farmers accept the new approach used by ACRE.

Item 24 – Enrollment in ACRE Program

Record if the respondent enrolled their operation in the ACRE program. If the operation was enrolled in the ACRE program, continue with Item 25 otherwise continue with Item 26.

Item 25 – Reasons for Enrolling in ACRE Program

If the operation was enrolled in the ACRE program, record the reason(s) for enrolling in the ACRE program. More than 1 answer is allowed.

Items 26-28 – Farm Labor/Use of Time

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 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 F. These items record the hours of labor used in farming. The data obtained from Questions 26 – 28 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.

Items 26-28 – Hours Worked by the Operator, Spouse, Other Operators, and Unpaid Workers

These items provide the information (1) to estimate the labor required to produce agricultural products, (2) to study the effects of agricultural policy changes, and (3) to measure the well-being of farm households.

Labor used in agriculture. Labor is an important input into agricultural production, and 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, 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.

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

Ask the respondent to report average hours per week for four different 3-month periods. Because it can be difficult to recall how time was spent it helps the respondent if they are asked to recall the time for different periods of the year since farm tasks may vary seasonally. The operator 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 so on a weekly-average basis since they are used to considering work hours that way.

It may also help the respondent to account for how all of the time is spent in a typical week for each season. In Items 26a and 26b, since there are 24 hours in a day and 7 days in a week, the respondent should account for 168 hours per week, for a typical week in each of the 4 quarters. Item 26a(i) through 26a(v) should add up to 168 hours per week for each of the 4 quarters. If the operator is married, record hours for the spouse in Item 26b in a similar fashion. For their spouses, Item 26b(i) through 26b(v) should add up to 168 hours per week for each of the 4 quarters of time.

Item 26a(i-ii) – Operator Farm/Ranch Work Hours

These items should be recorded for the principal operator, whether they are hired managers or not. Record all of the hours of farm work, even for operators who only work for a few hours a week on the farm (bookkeeping, running errands, etc.). Include all work done for the farm business. Some respondents may say they do not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent completing this interview! **Section F, Item 23 instructions give**

examples of agricultural work. There should almost always be hours worked in at least one quarter for every operation.

If the hours of work are not paid a wage or salary, then report the hours in Item 26a(i). If the hours of work are paid a wage or salary, then report the hours in Item 26a(ii). If there are hours reported for a wage or salary, there should be cash wages to the operator reported in Section F (and vice versa).

Item 26a(iii) – Work Operating Another Business Other Than this Farm/Ranch Hours

Record the time the operator spent operating another business other than the labeled farm or ranch. If an operator runs a home-based business from the farm, separate from this operation, report those hours here. Do not include commuting time in non-farm work hours since those hours are not paid a wage or salary.

Item 26a(iv) – Other Employment off this Farm/Ranch Hours

Record the time the operator spent working other employment off this farm or ranch. **Exclude** the hours spent operating another business than this farm or ranch which were reported in Item (iii) above.

Other employment hours includes hours worked for wages, salary, or returns from a business that required that time be spent in order to earn the compensation. Do not include commuting time in non-farm work hours since those hours are not paid a wage or salary.

Item 26a(v) – Operator Other Hours

Record the time the operator spent on all other activities, excluding farm and off-farm work. Examples of this would include leisure time, time spent in volunteer activities, child or elder care, or in household chores, such as cooking and cleaning. Check to make sure that the hours for each quarter sum to 168.

Item 26b – Operator’s Spouse’s Use of Time

If the operator is married, record hours for the spouse whether or not the spouse is also an operator in Item 26b. For spouses, Item 26b should add up to 168 hours per week for each of the 4 quarters of time.

Item 26b(i-ii) – Operator’s Spouse’s Farm/Ranch Work Hours

Record all of the spouse’s hours of farm work, even for spouses who only work for a few hours a week on the farm (bookkeeping, running errands, etc.). Include all work done for the farm business. Some respondents may say that the operator’s spouse does not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent completing this interview! **Section F, Item 23 instructions give examples of agricultural work.** If the hours of work are not paid a wage or salary, then report the hours in Item 26b(i). If the hours of work are paid a wage or salary, then report the hours in Item 26b(ii). If there are hours reported for a wage or salary, there should be cash wages to the spouse reported in Section F (and vice versa).

Item 26b(iii) – Operator’s Spouse’s Work Operating Another Business Other Than this Farm/Ranch Hours

Record the time the operator’s spouse spent operating another business other than the labeled farm or ranch. If an operator’s spouse runs a home-based business from the farm, separate from this operation, report those hours here. Do not include commuting time in non-farm work hours since those hours are not paid a wage or salary.

Item 26b(iv) – Operator’s Spouse’s Other Employment off this Farm/Ranch Hours

Record the time the operator’s spouse spent working other employment off this farm or ranch. **Exclude** the hours spent operating another business than this farm or ranch which were reported in Item (iii) above.

Other employment hours includes hours worked for wages, salary, or returns from a business that required that time be spent in order to earn the

compensation. Do not include commuting time in non-farm work hours since those hours are not paid a wage or salary.

Item 26b(v) – Operator’s Spouse Other Hours

Record the time the operator’s spouse spent on all other activities, excluding farm and off-farm work. Examples of this would include leisure time, time spent in volunteer activities, child or elder care, or in household chores, such as cooking and cleaning. Check to make sure that the hours for each quarter sum to 168.

Item 27 – Other Operators’ Hours Working for Farm/Ranch

Ask of all other operators. Record total hours of farm work for all other operators not recorded above in Items 26a and 26b for the principal operator and spouse. Hours of farm work should be recorded only once in Items 26, 27, and 28. For multiple operators, record the TOTAL average number of hours worked per week. For example, if there are three other operators who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this item is 81 hours.

Item 27a – Other Operators’ Unpaid Labor Hours

Record the hours other operators worked on the farm without receiving a wage or salary. Other operators include those persons responsible for the day-to-day management decisions for this operation, and may include hired managers. Do not include the hours reported in Item 26a(i) for the operator. Do not include the hours reported in Item 26b(i) above for the spouse, even if the spouse is considered another operator.

Item 27b – Other Operators’ Paid Labor Hours

Record the hours other operators worked on the farm and received a wage or salary for this work. Other operators include those persons responsible for the day-to-day management decisions for this operation, and may include hired managers. Do not include the hours reported in Item 26a(ii) above for the operator. Do not include the hours reported in Item 26b(ii) above for the spouse, even if the spouse is considered another operator.

Item 28a – Other Unpaid 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. Do not include the hours reported elsewhere (for example, in Items 26a(i) or 26b(i) for the operator or spouse, respectively, or the hours reported in Item 27a for other operators.)

Item 28b – Other Paid 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. Do not include the hours reported elsewhere (for example, in Items 26a(ii) or 26b(ii) for the operator or spouse, respectively, or the hours reported in Item 27b for other operators.)

Other Questionnaire Versions

Versions 2 – 4

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	1
Item 2	2
Item 2a	2a
Item 3	3
Item 4	4
Item 5	5
Item 6	6
Item 7	7
Item 7a	7a
Item 7b	7b
Item 8	9
Item 9	10
Item 10	11

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Item 11	12
Item 12	13
Item 13	14
Item 14	15
Item 15a	26a(i) + 26a(ii)
Item 15b	26b(i) + 26b(ii)
Item 15c	27a + 27b
Item 16	28a

Dairy Enterprise Labor

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

These items provide the information necessary to estimate the labor required for dairy production. Item 17 collects the hours worked (both paid and unpaid) by the operator and the hours worked by all other unpaid workers on the dairy enterprise. Item 18 records the hours worked by all paid workers on the dairy enterprise. Items 19 and 20 records the average wage paid to full-time and part-time workers, respectively.

Item 17a – Operator's Hours Worked on the Dairy Enterprise

For each quarter, record the **average number of hours** the operator worked on the dairy enterprise **per week**. Record BOTH paid and unpaid operator hours. Make sure that the total hours worked per week for dairy by the operator does not exceed the total farm hours worked per week by the operator as reported in Item 15a.

Exclude operator labor hours that were used to produce feed fed to the dairy cows, such as labor used in hay or grain production for feed.

Item 17b – Hours Worked By Unpaid Workers on the Dairy Enterprise

For each quarter, record the **average TOTAL number of hours** of farm work done **per week** by any unpaid workers (excluding the operator) for the dairy enterprise. Unpaid workers may include members of the operator's household, partners, neighbors, guests, etc.

For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively on the dairy enterprise, the correct entry for this item is 81 hours. Make sure that the total farm hours worked per week for dairy by unpaid workers does not exceed the total farm hours worked per week by the spouse, other operators, and other unpaid workers combined as reported in Items 15b and c, and Item 16a.

Exclude unpaid labor hours that were used to produce feed fed to the dairy cows, such as labor used in hay and grain production for feed.

Item 17b(i) – Hours Worked By Children Under Age 16

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

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

Item 18a – Hours Worked By Full-time Paid Workers on the Dairy Enterprise

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

For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively on the dairy enterprise, the correct entry for this item is 81 hours.

Exclude full-time paid labor hours that were used to produce feed fed to the dairy cattle, such as labor used in hay or grain production for feed.

Item 18b – Hours Worked By Part-time Workers on the Dairy Enterprise

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

For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this item is 81 hours.

Exclude part-time paid labor hours that were used to produce feed fed to the dairy cattle, such as labor used in hay or grain production for feed.

Item 19 – Average Wage Paid to Full-Time Workers

If full-time workers were reported in Item 18a, record the average wage paid to all full-time workers on the dairy enterprise.

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

Item 20 – Average Wage Paid to Part-Time or Seasonal Workers

If part-time or seasonal workers were reported in Item 18b, record the average wage paid to all part-time or seasonal workers on the dairy enterprise.

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

Version 5

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	1
Item 2	2
Item 2a	2a
Item 3	3
Item 3 – Registered	5
Item 3 – # of Partners	6
Item 4	4
Item 5	7
Item 5a	7a
Item 5b	7b
Item 6	9
Item 7	10
Item 8	11
Item 9	12
Item 10	13
Item 11	14

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Item 12	15
Item 13a	26a(i) + 26a(ii)
Item 13b	26b(i) + 26b(ii)
Item 13c	27a + 27b
Item 14	28a

Section J – Household Information

The information in this section is about the principal operator as defined in Section I. As you complete this section, keep in mind that the value codes have changed since 2009.

Item 1 – Principal Operator’s Spouse Age Reported Earlier

If the spouse’s age was reported as operator 2 in Section I, Item 12, skip to Item 2 after entering code 1 as the information was collected in Section I. If the spouse’s age was not reported as operator 2 in Section I, enter code 3, and go to Item 1a.

Item 1a – Age of Principal Operator’s Spouse on December 31

Enter the age of the principal operator’s spouse on December 31, 2010.

If a spouse was reported in Section I, Item 10, then answer Items 2-5 for both the operator and spouse.

Items 2&3 – Race and Origin of Principal Operator and Spouse

Item 2 explicitly asks whether either the principal operator or the principal operator’s spouse is of Spanish, Hispanic, or Latino origin or background. In Item 3, 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/origin applies then multiple items may be coded with “1”.

Item 4 – Highest Level of Formal Education of Principal Operator and Spouse

Check the box representing the highest level of school completed by the principal operator’s and 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 5 – Principal Operator’s and 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 2010. Work other than farming/ranching means at an off-farm job or business for compensation. Record what the principal operator and principal operator’s spouse consider their primary occupation to be.

Item 6 – Retirement from Farming

Farmers may consider themselves to be retired from farming if their active involvement in the farming operation is much lower compared to when they were younger. Allow the respondent to answer this question according to their own definition.

Item 7 – Number of People in the Household

This question provides information about the number of people who depend on the farm for income and are affected by its current financial situation.

Record the total number of people living in the operator’s household on December 31, 2010. Include the operator, spouse, children, and others living in the household. Also include those who are dependent upon the household for the majority of their support, whether they are living in the household or not. This would include students who are away at school should be counted, if they depend upon the farm household for support.

Item 8 – Age Distribution and Health Insurance Coverage in Operator’s Household

Of the number of people in the principal operator’s household reported for in Item 7, record the number for each age group in column 1. Include the operator and spouse. Keep in mind that the number of persons listed should equal the total number of people in the household reported in Item 7. For each age group, a farm household can have different insurance coverage.

Record the number of household members that were covered by health insurance at any time during 2010 in column 2. This number should not be greater than the number of household members reported by each age category.

Item 9 – Sources of Health Insurance

Record the number of household members in each age group (under 65 and 65 and over) whose health insurance was provided from the listed sources in Item 9 respectively. Individuals under the age of 26 are eligible for coverage under their parents' policies, if they are not eligible for coverage through their own employer's policies. Health insurance provided by this operation (item d) means that the premium expense was paid by the farm business and should be reported in Section F, Item 26.

Direct purchase private policy insurance means that the household, or someone in the household (and not the farm business), was responsible for the full premium. If the respondent paid a partial premium and the rest was paid by an employer that should have been included in 9a, 9b, or 9c. If an individual outside of the household other than an employer, such as another family member not living in the operator's household, paid the full premium, record the coverage as a direct purchase private policy. If another source of health insurance was reported, write a note what that source is.

Any single individual could have coverage from more than one type of insurance source. For example, a person age 65 or more may have Medicare and a private plan. Since all persons 65 years and older are eligible for Medicare (as well as some others under 65) it is unusual to not have persons in that age group be enrolled in Medicare.

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 I, Item 1 = 3, skip to the next Section. The household-related information for the respondents that indicated in Section I, 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.

Item 10 – Mileage Traveled to Off-Farm Job

If principal operator and/or principal operator's spouse worked off the farm and reported hours of non-farm work in Section I, Item 26a(iii), 26a(iv), 26b(iii), or 26b(iv), ask Item 10.

This question will help in assessing what is called 'transaction costs' of off-farm employment. Farm operators who live on farms that are far away from major towns where off-farm employment is centered may not only have higher transportation costs than those operators who live closer to these towns, but the additional commuting time and transportation costs may be a substantial disincentive for long-term off-farm employment.

Item 11 – 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 11a, 11b, and 11d 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 (as reported in Section I, item 26).

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 2010 or the total for the household for Items 11c as well as 11e through 11j.

Include:

- (1) the operator identified in screening.
- (2) the individual identified as the operator for a family corporation.
- (3) all other members of the operator's household as defined in Item 7.
If an operator lives with parents, or other adults, any income earned by these household members (Social Security, off-farm jobs, net income from other farms, etc.) must be included.

Exclude:

- (1) landlord's share.
- (2) other partners in a partnership, unless they lived in the same house as the operator.

Note that for each of these items, if no income was received, -4" must be entered. When using Value Codes a code -4" indicates zero.

Item 11a – Off-Farm Wages or Salaries for the Household, Principal Operator, Spouse

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

Item 11a(i) – Source of Off-Farm Wages

If there was income reported for off-farm wages (Item 11a), record business code representing the type of business the operator and spouse worked at.

Item 11a(ii) – Type of Job

If there was income reported for off-farm wages (Item 11a), record the occupational code representing the type of job the operator and spouse worked on.

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 examples for each category.

Management, professional, and related occupations include the following occupational categories: (i) management, (ii) business and financial, (iii) computer and mathematical, (iv) architecture and engineering, (v) life, physical and social sciences, (vi) community and social services, (vii) legal, (viii) education, training, and library, (ix) arts, design, entertainment, sports, and media, and (x) healthcare practitioner and technical.

Services occupations include the following occupational categories: (i) healthcare support (such as nursing, all types of healthcare related assistants and aides), (ii) protective service, (iii) food preparation and serving, (iv) building and grounds cleaning and maintenance, and (v) personal care and service.

Sales and office support occupations include the following occupational categories: (i) 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) and (ii) 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 include the following categories: (i) farming, fishing, and forestry occupations, (ii) construction trades, laborers, operators, and supervisors, (iii) mining extraction workers, and (iv) installation, maintenance and repair occupations of all types.

Production, transportation, and material moving occupations include the following categories: (i) first-line supervisors and workers in production (such as assemblers, food processing, metal and plastic workers, machine

tool related workers, chemical, printing, textiles, and woodworkers, all types plant and system operators) and (ii) 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 include the following categories: (i) military officer special and tactical operations leaders, (ii) first-line enlisted military supervisors, and (iii) military enlisted tactical operations and air/weapons specialists and crew members.

Item 11b-11j – Other Sources of Income for Household, Principal Operator, Spouse

Report the other sources of income separately for the household, the operator, and the operator's spouse for items 11b and 11d. For items 11c as well as 11e-11j report total household income.

Item 11d(i) – Source of Off-Farm Income

If there was income (positive or negative) reported for net cash income from operating another business (Item 11d), record business code representing the type of business the operator and spouse worked at.

Item 11d(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 11d), record the number of employees that worked for the off-farm business. Include the operator and/or spouse.

Item 11g – 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 11g (i) – Recognized Gain/Loss on the Sale of Farm and 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 11h – Income From Private Pensions & Disability Payments

Record the value code representing the amount of private pensions and disability payments.

Item 11i – 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 11j – Other Off-Farm Income

Record the value code representing the off-farm income from sources other than the ones mentioned above. **Include** any home ownership payments paid to ALL home owners (rural and urban).

Item 12 – Spending in 2010

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.

Item 13 – Non-Farm Assets Owned by Operator and Household

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 G. Include the value of the operator's dwelling here if it is owned separately from the operation and excluded from farm business assets.

Record the VALUE CODE which included the value of assets owned by the operator and members of the operator's household SEPARATELY from the operation on December 31, 2010.

Item 13a – Financial Assets in Non-retirement Accounts

Record the VALUE CODE which included the value of household financial assets held in non-retirement accounts. Income generated by these assets will generally be taxable in the current year. Such accounts include CDs, mutual funds, stocks, bonds, taxable brokerage accounts, and money market accounts. Include the cash value of life insurance policies.

Item 13b – Financial Assets in Retirement Accounts

Record the VALUE CODE which included the value of household financial assets held in retirement accounts. Income generated by these assets will generally NOT be taxable in the current year. Such accounts include Regular and Roth IRAs, 401(k)s, 403(b)s, Keogh accounts and other tax-deferred accounts. Investments in these accounts generally include financial assets that can also be held in taxable accounts.

Item 13c – 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 13d – Real Estate

Record the VALUE CODE which includes the value of the any other farms, residential rental, commercial, industrial, or other real estate owned by members of the operator's household. Include other personal use homes, such as vacation or second homes.

Item 13e – Other Businesses

Record the VALUE CODE which includes the value of the any other businesses that are not part of this farm.

Item 13f – 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 13g – Other Assets

Record the VALUE CODE which includes the value of the any other assets not reported elsewhere. Furnishings are an example of what would be reported here.

Item 14 – Non-Farm Debt

All farm and household debt should be recorded in either Section H or in Section J Item 14, and recorded only once. Item 14 applies to the operator's household only, not to the operator's farm business. Do not report any debt reported earlier in the questionnaire. Be sure to exclude loans obtained for farm and household purposes that were reported in Section H. 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 H.

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, 2010.

Item 14a – 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 H, not in Item 14.

Item 14b – Mortgages on other real estate including other personal homes.

Record the VALUE CODE which represents the amount of household debt for other real estate properties, such as other personal homes, residential/commercial properties, and other farms. Include any lines of credit secured by other real estate. However, if the purpose of the line of credit was for this farm business, then it should be recorded in Section H, not in Item 14.

Item 14c – 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 14d – 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 H, not in Item 14.

Item 14e – Other Off-Farm Debt.

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

Item 15 – Non-Farm Debt secured by Farm Assets

The purpose of this question is to examine the affect that non-farm debt has on the financial ratios of the farm business, specifically on debt/asset and debt/equity ratios.

Record the VALUE CODE which represents any debt owed by the operator's household for non-farm business purposes (as the respondent noted in previous question) which used any farm assets (such as farmland or any other assets reported in Section G) as collateral or security.

Items 16-18 – Previous Year Income (2009)

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. There are very few (if any) respondents who get sampled for ARMS for 2 years in a row.

Item 16 – Total Value of Farm Sales in Previous Year (2009)

Use the value codes to obtain the respondent's best estimate of the total value of farm sales in 2009.

Item 17 – Net Operating Income in Previous Year (2009)

Use the value codes to obtain the respondent's best estimate of net operating income for the farm in 2009. In cases where the respondent

reports a negative value for net farm income in 2009, indicate a minus sign before the value code. For example, code "-3" for losses between \$500 and \$999.

Item 18 – Total Off-Farm Income in Previous Year (2009)

Use the value codes on the right of the page to obtain the respondent's best estimate of total off-farm income in 2009 for the operator and the operator's household members. In cases where the respondent reports a negative value for total off-farm income in 2009, 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.

Other Questionnaire Versions

Versions 2 – 5

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 1	2
Item 2	3
Item 3	4
Item 4	5
Item 5	6
Item 6	7

Item 7 – Operator's Off-Farm Work During 2010

If the operator received pay from an off-farm job or operating an off-farm business at any time during 2010, enter "4" for Item 7 and continue to Items 7a & 7b. If the operator did not have an off-farm job, enter a code "3" and skip to Item 8.

Item 7a – Weeks Worked Off the Farm

Record the number of weeks the operator worked off this operation for pay in 2010.

Item 7b – Average Hours Worked Per Week

For the weeks the operator worked off this operation for pay in 2010, 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 8 – Principal Operator’s Spouse’s Off-Farm Work During 2010

If the principal operator’s spouse received pay from an off-farm job or operating an off-farm business at any time during 2010, enter “1” for Item 8 and continue to Items 8a & 8b. If the principal operator’s spouse did not have an off-farm job, enter a code “3” and skip to Item 9.

Item 8a – Weeks Worked Off the Farm

Record the number of weeks the principal operator’s spouse worked off this operation for pay in 2010.

Item 8b – Average Hours Worked Per Week

For the weeks the principal operator’s spouse worked off this operation for pay in 2010, 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.

<u>Question</u>	<u>Corresponding Version 1 (CRR) Item</u>
Item 9	11
Item 10	12a-12j
Item 11	13a-13g
Item 12	14a-14e

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Item 13	16
Item 14	17
Item 15	18

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Section L – Irrigation

V2, V3 Only

This section is only asked in Versions 2 and 3 (Corn and Organic Corn).

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 2010?

Check “Yes” for operations that irrigated any cropland, orchard land, alfalfa, other hay or pastureland in 2010. If the operation irrigated in 2010, complete the remainder of Section L. **Include** any land that was privately owned or rented and land rented from a public agency which received irrigation water as part of the farming operation for this farm in 2010. **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 2010, go to Section M.

Item 2 – Enumerator Instruction - Crops Irrigated

This item records specific crops irrigated on the operation during 2010. Refer back to Sections B. For each crop harvested during 2010, determine if it was irrigated and list the crops irrigated in Column 1. Then, for each crop irrigated, go across the table and complete columns 2-9. Ask all the Column 2–9 questions about one crop before going on to the next crop.

Column 1 – Crop

Identify each crop irrigated during 2010 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 2010. 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, then lump the rest on the last line. If more than one irrigated crop is included on the last line, then the last line should be identified as "Other Crops".

Column 2 – Office Use-Crop Code

Record the Crop Code found in the Respondent Booklet on pages 3, 4, 5, and 6. If you have to report more than 1 crop in the "Crop 15" box, then record the crop code as 9999 in cell #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 (cell #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. Acreage irrigated of corn and sorghum/milo harvested for silage should always be recorded on a separate line from irrigated acres harvested for grain. Irrigated wheat acreage harvested for grain should be recorded by type (durum, spring or winter). Irrigated acres of small grains harvested for hay should be recorded under Other Hay.

INCLUDE (for each irrigated crop):

- (1) Irrigated acres harvested in 2010.
- (2) Irrigated acres intended for harvest in 2010 even if harvest was delayed until 2011 due to bad weather, etc.

EXCLUDE (for each irrigated crop):

- (1) Double-counting acres from second and later harvests of any crop from a single planting, for example, multiple harvests of hay, a second or third picking of cotton, ratoon crops of rice.
- (2) Irrigated acres of 2009 crops not harvested until 2010 due to weather conditions, etc.

Make sure the respondent is not reporting planted acres by crop when you are asking only for harvested acres.

Columns 4 and 5 – Yield and Unit Code

In column 4, record the average yield per acre for each commodity to the nearest tenth. This is the average yield on the irrigated acres actually harvested. Record the unit reported in column 5. For example, if the respondent reported an average yield per acre of 70 bushels of wheat, you would record 70 in column 4 and in column 5 you would record “4” for bushels.

If a crop is harvested more than once during the year (for example, hay or alfalfa), then sum the average yield per acre for each harvesting. For example, if a hay crop had two harvests (cuttings) in 2010, 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 2010 crop season for the irrigated crop’s harvested acres. Be sure to have the respondent refer to the Irrigation System Code List shown on the questionnaire above the table or in the respondent booklet.

Column 7 – Average Inches of Water Applied Per Acre

Record the average inches of water applied per acre for the growing season for each commodity. Average applied water per acre can vary significantly across commodities, ranging from a value of 1 to as high as 70 or more inches per acre. One inch of water is equivalent to the quantity of water required to cover an acre of level-land, one-inch in depth. This is approximately 27,152 gallons. If the respondent reports applied water in terms of acre-feet per acre, multiply by 12 to obtain inches per acre.

Column 8 – Percent of Acres Irrigated Using Surface Water

For each commodity, record the percent of acres irrigated using surface water (not well water). This is the percent of irrigated, harvested acres (column 3). For each commodity, the total for column 8 will be equal to or less than 100 percent.

Column 9 – Percent of Acres Irrigated With Surface Water From Off-farm Suppliers

For each commodity, record the percent of acres irrigated using surface water purchased from off-farm water suppliers. This is the percent of irrigated, harvested acres (column 3), not the percent of acres irrigated using surface water (column 8). For each commodity, the percent reported in column 9 will be equal to or less than 100, and equal to or less than the percent reported in column 8.

Off-farm water suppliers may include water purchased from the U.S. Bureau of Reclamation; an irrigation district; mutual, private, cooperative or neighborhood ditches; commercial or municipal water systems. Record surface water from off-farm water suppliers as it was delivered even if the original source of water (i.e., to the supplier) may have come from groundwater wells.

Item 3 – Number of All Irrigation Wells Used in 2010

Record the number of irrigation wells used in 2010 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 need not sum to anything. All may be zero. Enter "DK" for Don't Know if the respondent used a practice, but does not know on how many acres.

Item 7 – Management Techniques

This item determines respondent use of several water management techniques. For column 2, enter the management practice code shown in the respondent book. For respondents who are currently using the technique (management practice code=6), record the number of planted acres irrigated using the technique in 2010 (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 2010.

Item 8, 8a – Improvements to existing irrigation systems

Check „Yes’ for operations that made improvements in 2010 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.

Item 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 2005). 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, record 5 for “other.” If the operator does not know the purchaser’s intended use, record 5 for “don’t know.”

Item 10 – Years water rights claims reduced or discontinued crop irrigation

Enter the number of years (in the last 10, since January 2000) in which someone with senior water right claims caused the respondent to reduce or discontinue crop irrigation for the farm. Acceptable responses are 0 through 10.

Section M – Corn/Organic Corn Drying

V2, V3 Only

This section is only asked in Versions 2 and 3 (Corn and Organic Corn).

This section collects data necessary to estimate the drying costs associated with corn and organic corn. Drying costs are part of the total costs of producing corn and organic corn 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.

Item 1 – Produce Certified Organic Corn for 2010 Crop Year **V3 Only**

If the operation produced Certified Organic Corn (as defined on page 715 of this manual) for the 2010 crop year, then enter a code 1 and continue with the Organic Corn questions in Sections M and N. If the operation did not produce Certified Organic Corn for the 2010 crop year, then enter a code 3 and skip to the Conclusion.

Item 1 (V2) – Month Crop was Harvested **Item 2 (V3)**

Report the month, numbered 1 (January) through 12 (December), in which the majority of the 2010 corn (V2) or organic corn (V3) was harvested.

Item 2a-c (V2) – Crop Drying **Item 3a-c (V3)**

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 2010 corn and organic corn 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 c).

Item 3 (V2) – Cost of Custom Drying

Item 4 (V3)

If any of the 2010 crop was custom dried, record the cost of custom drying the crop in either cents per bushel or total dollars for the entire corn and organic corn crop. If total dollars are reported, be sure to include the landlord's share.

Item 4a-f (V2) – Crop Drying

Item 5a-f (V3)

This question includes 6 parts that collect information about any crop drying that was done other than custom drying (Item 2b or 3b).

Item 4a (V2)– Main Fuel Type Used to Heat Air For Drying the Corn Crop

Item 5a (V3)

In Item 4a/5a record the main fuel type used to heat the air to dry the 2010 corn/organic corn 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, place a dash for this item and leave a note. Items b-f can still be completed.

Item 4b (V2)–Percentage Moisture Removed from Corn Crop

Item 5b (V3)

In Item 4b/5b record an estimate of the average percentage points of moisture removed by drying the 2010 corn or organic corn crop. For example, if wheat was 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.

Item 4c (V2)– Labor Hours Used to Dry Corn Crop

Item 5c (V3)

In Item 4c/5c record an estimate of the hours of each type of labor that were used to dry the 2010 corn or organic corn crop. Include the time spent unloading, filling and emptying dryers, and overseeing the drying. **Exclude** custom drying labor and contract labor.

Item 4d (V2)–Main Facility Type Used to Dry Corn Crop

Item 5d (V3)

In Item 4d/5d, record the main type of facility used to dry the 2010 corn or organic corn crops. 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 4e (V2)– Number of Facility Type Used to Dry Corn Crop
Item 5e(V3)

In Item 4e/5e, record the number of this type of facility used to dry the 2010 corn and organic corn crops.

Item 4f (V2) –Total Capacity of Facility Type Used to Dry Corn Crop
Item 5f (V3)

In item 4f/5f, record the total holding capacity of these facilities used to dry the 2010 corn and organic corn crops. This is the sum of the holding capacity for the number of facilities reported in Item 4e/5e.

Item 5 – Distance to Marketing Outlets
V2 Only

Record the code corresponding to the distance from the operator's farm to the listed marketing outlets.

Items 6-8 – Comparison to 2007 Crop Year
V2 Only

Items 6-8 look at the effect of The Energy Independency and Security Act (EISA). EISA was passed in late 2007, mandated (among other things) to increase the production of renewable fuels. EISA gave the ethanol industry a tremendous boost. U.S. production of corn based ethanol increased from 6.5 billion gallons in 2007 to 10.7 billion gallons in 2009. The addition of more ethanol producing plants throughout the country and specifically in the corn belt states has provided corn growers an additional venue to market their commodity. For this reason, USDA is interested in analyzing changes in the marketing patterns of corn producers between 2007 and 2010.

Item 6 – Amount of Corn Sold in 2010
V2 Only

Record the number of bushels sold in 2010.

Include

- Corn that was harvested in 2009 and earlier years, and
- Corn that was sold but not delivered in 2010.

Item 7 – Amount of Corn Sold in 2007
V2 Only

Record the number of bushels sold in 2007.

Include

- Corn that was harvested in 2006 and earlier years, and
- Corn that was sold but not delivered in 2007.

Item 8 – Amount of Corn Sold through Marketing Outlets in 2010 and 2007
V2 Only

Of the total corn sold in 2010 and 2007, record the number of bushels or percentage of total bushels marketed through each of the marketing channels listed. The first 2 columns (bushels and percent) relate to 2010 and the last 2 columns relate to 2007.

Item 9 – Number of Acres Identity-Preserved or Specialty Corn Planted in 2010
V2 Only

Record the number of acres of identity-preserved or specialty corn planted in 2010. **Include** high oil, hard endosperm/foodgrade, white, waxy, nutritionally enhanced, high amylase, high lysine, seed, organic, or other specialty corn.

Item 10 – Distance to Nearest City with 10,000 or More People
V2 Only

This important question defines the extent of the operator's effect to the 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). See Section I, Item 17 (Version 1 only) for more information.

Item 11 – Distance to Nearest City Regardless of Size
V2 Only

This question will help analyze where operators obtain inputs – whether it be in the nearest town or a greater distance. Record the driving distance (in miles) from where the operator lives to the closest town or city regardless of size. If the operator currently lives in a town or city, then the answer should be a dash (or a 0).

Item 12 – Where Inputs Were Acquired
V2 Only

Understanding the distances driven to purchase farm inputs, whether they were purchased in the nearest town, and the motivation for purchases beyond the nearest town helps us to better assess the impacts of the farm business on the local economy.

Section N –Organic Corn Production and Prices

V3 Only

This section is only asked in Version 3 (Organic Corn).

This section collects data necessary to investigate the production, utilization, and returns associated with growing organic corn. For example, information about organic yields and prices, certification costs, challenges of organic production, and years producing organic are included to provide a perspective on the issues associated with organic corn production.

When completing this section, please note that all questions refer to the 2010 certified organic corn crop produced, not the crop marketed in 2010, that was from the previous year's crop. The 2010 crop was the one harvested in 2010.

Item 1 – Acres Certified Organic Corn Harvested for 2010 Crop Year

Report the number of certified organic corn acres that were harvested for the 2010 crop year. If there were certified organic corn acres harvested for the 2010 crop year, continue with Item 1a, otherwise skip to Item 2.

Item 1a – Certified Organic Corn Production for 2010 Crop Year

Record the number of bushels of certified organic corn that was harvested for the 2010 crop year.

Item 1b – Number of Bushels Sold or Will be Sold as Certified Organic Food Grade

Record the number of bushels of certified organic corn that was or will be sold as certified organic food grade corn.

Item 1b(i) – Average Price Per Bushel for Certified Organic Food Grade

Report the average price per bushel the operator received for selling the certified organic food grade corn. Report in dollars and cents per bushel.

Item 1b(ii) – Sold Under Contract

Indicate if the operator sold (or will sell) any certified organic food grade corn under a contract. A contract is defined as a written or oral agreement reached before harvesting the corn that sets the price or pricing formula.

Item 1c – Number of Bushels Sold or Will be Sold as Certified Organic Feed Grade

Record the number of bushels of certified organic corn that was or will be sold as certified organic feed grade corn.

Item 1c(i) – Average Price Per Bushel for Certified Organic Feed Grade

Report the average price per bushel the operator received for selling the certified organic feed grade corn. Report in dollars and cents per bushel.

Item 1c(ii) – Sold Under Contract

Indicate if the operator sold (or will sell) any certified organic feed grade corn under a contract. A contract is defined as a written or oral agreement reached before harvesting the corn that sets the price or pricing formula.

Item 2 – Years Producing Organic Corn

Record the total number of years that the operation has been producing certified organic corn. Include years producing under federal certification and years producing under any other third party certification program.

Item 3 – Amount Paid for Third Party Certification

Record the dollar amount paid for third party organic certification of the 2010 organic corn crop. Include user fees charged by organic certifiers.

Item 4 – Hours Required to Develop and Maintain Required Records

Report the number of hours required to develop and maintain records for certification of the 2010 organic corn crop as required by the National Organic Program.

Item 5 – Most Difficult Aspect of Producing Certified Organic Corn

Record the code from the list that best describes what the respondent feels is the most difficult aspect of producing certified organic corn.

Items 6-8 – Genetically Engineered Material

The National Academy of Sciences (NAS) recently released a report called, “The Impact of Genetically Engineered Crops on Farm Sustainability in the United States.” The issue of co-existence between genetically engineered (GE) and organic and other non GE crops is one of the major data and research gaps identified in the report,

<http://www8.nationalacademies.org/onpinews/newsitem.aspx?RecordID=12804>

Corn is one of the crops with a potential for accidental pollination between GE and organic crops. Buyers that purchase organic corn may reject the crop if it contains traces of GE material. ERS researchers have worked with some of the authors of the NAS report to formulate several draft questions that could help close the gap in data on this important issue.

Item 6 – Test for Presence of Genetically Engineered Material

If the operator will have the 2010 organic corn crop tested for the presence of genetically engineered (GE) material.

Item 7 – Food Grade Organic Corn Rejected due to Genetically Engineered Material

If the operator had any food grade organic corn rejected by a buyer due to the presence of Genetically Engineered (GE) material, record a 1(Yes) and continue with Item a. Otherwise, record a 3(No) and continue with Item 8. **Include** any food grade organic corn rejected for 2010 crop year and earlier.

Item 7a – Number of Years Food Grade Organic Corn was Rejected due to Genetically Engineered Material

Record the number of years where the operator had any food grade organic corn rejected by a buyer due to the presence of genetically engineered (GE) material.

Item 7b – Number of Bushels of Food Grade Organic Corn that was Rejected due to Genetically Engineered Material

Record the number of bushels of food grade organic corn that were rejected by a buyer due to the presence of genetically engineered (GE) material.
Include all food grade organic corn rejected for 2010 and earlier crop years.

Item 8 – Feed Grade Organic Corn Rejected due to Genetically Engineered Material

If the operator had any feed grade organic corn rejected by a buyer due to the presence of Genetically Engineered (GE) material, record a 1(Yes) and continue with Item a. Otherwise, record a 3(No) and continue with Item 8.
Include any feed grade organic corn rejected for 2010 and earlier crop years.

Item 8a – Number of Years Feed Grade Organic Corn was Rejected due to Genetically Engineered Material

Record the number of years where the operator had any feed grade organic corn rejected by a buyer due to the presence of genetically engineered (GE) material.

Item 8b – Number of Bushels of Feed Grade Organic Corn that was Rejected due to Genetically Engineered Material

Record the number of bushels of feed grade organic corn that were rejected by a buyer due to the presence of genetically engineered (GE) material.
Include all feed grade organic corn rejected for 2010 and earlier crop years.

Dairy Production Practices (Sections N-W)

V4 Only

The Dairy (Version 4) questionnaire contains Sections N-W which relate to production practices and costs of the dairy enterprise.

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

Cost of production surveys are conducted for selected commodities on a rotating basis (every 4-8 years) to obtain data on production practices and the amount and costs of inputs used. These data are used as the basis for cost of production estimates until a new survey is conducted. The last Dairy Cost of Production survey was conducted for 2005. Since then there has not only been changes in the technologies and economic conditions that affect dairy production, but also changes in legislation that affect farmers' decisions with regard to how they allocate resources both within the farm unit and among farm and other competing interests. Thus, new data are needed to provide for a greater understanding of dairy production. Data collected on the 2010 ARMS will be used to describe important financial, structural, and environmental aspects of milk production. In addition, the data will provide the basis for dairy cost of production for 2010 and over the next several years.

Organic milk production has been one of the most rapidly growing segments of organic agriculture. As part of the sampling in the 2010 ARMS, an organic dairy stratum was developed and a sample of organic operations was drawn in addition to conventional dairies. Data collected from the organic dairies will be compared to that from conventional dairies in order to examine the differences in production practices and the costs and returns associated with each production system. The data should provide insight into the profit potential offered by organic systems for U.S. milk producers.

General Information

Report information for the dairy operation only. The dairy operation includes all dairy cows (including those dry and in milk) on the operation. **Exclude the costs and inputs used for all dairy cattle being raised by another operation unless the questionnaire specifically asks about them.**

Exclude information about costs, machinery and all other inputs used to produce feed for the dairy operation. This includes, but is not limited to, information about harvested crops such as hay, haylage, and corn silage production. The amounts of these homegrown feed items fed to dairy cattle will be collected in the feed section and these amounts will be valued and charged to the dairy enterprise. To avoid double-counting the costs, it is important that the production practices and costs of producing feed for the dairy operation are excluded.

Section N - Dairy Screening and Inventory

This section determines if this operation has a dairy operation that should be included in the survey. It collects information about certified organic milk production and possible changes to dairy farms.

The information about dairy cattle inventories collected in this section is needed to determine how the dairy operation changed during 2010. Some dairy operations may have had high milk returns relative to inputs used because they were selling down the dairy cattle inventory. Likewise, some operations may have had low milk returns relative to inputs used because they were expanding the operation. In order to compare the costs and returns of all dairy operations, we need to be able to adjust for inventory changes, especially during years of extreme price conditions when major inventory adjustments are common.

Item 1 – Peak 2010 Milk Cow Inventory

Record the largest number of dairy cows milked on this operation, regardless of ownership, at any time in 2010.

Enumerator Action – Screening

We are only interested in operations that had 10 or more cows milked on the operation at any time in 2010. Therefore, if the answer to Item 1 is less than 10, go to the Conclusion on the back page. If the answer to Item 1 was 10 or more, continue with Item 2.

Operations were selected for the Phase III Dairy survey based on the data reported in the Integrated Screening Survey (ISS). Operations that reported 10 or more milk cows (and those that indicated they raised milk cows but the number was unknown) on ISS were eligible for the Phase III Dairy survey. Therefore, if less than 10 cows milked are reported in Item 1, indicate in notes why there is a difference from the ISS which indicated they had 10 or more milk cows.

Item 2 – Months Producing Milk

Record whether the operation produced milk in all 12 months of 2010. If the operation did produce milk all 12 months of 2010, enter code 1 and continue with Item 3. Otherwise, enter code 3 and continue with Item a.

Item 2a – Dry Off Cows in Some Months to Produce Milk Seasonally

If the operation did not produce milk during all 12 months of 2010, record if the operation dried off cows during some months of 2010 to produce milk seasonally. Drying off cows to produce milk seasonally usually occurs on pasture-based dairies during the winter months when pasture grazing is not possible.

Item 2b – Enter or Exit Dairy Business during 2010

If the operation entered or exited the dairy business during 2010, enter code 1 and go to Conclusion on the back page. Otherwise, enter code 3 and continue. The Dairy survey is targeting operations that were in business during all 12 months of 2010, and those that produced milk on a seasonal basis.

Item 3 – Years Producing Milk

The experience level of the operation is a factor which can help explain why one operation is more efficient than another. These data will also be used to identify operations that have recently entered the dairy industry and study how these new entrants differ from operations that have been in business several years.

Record the number of years this operation has been producing milk.

Item 4 – Years Expecting to be Producing Milk

Information from this item will be used to identify operations soon to be exiting the dairy industry and study how these operations differ from those planning to remain in business for several years. These data, along with information about industry entrants (Item 3), will provide insight about the future structure of the dairy industry.

Enter the code which represents how long this operation expects to be producing milk.

Item 5 – Dairy Breeds

Of the cows milked on this operation, record the percentage for each dairy breed and crossbreds.

Item 6 – Certified Organic Dairy Operation

Organic farming systems rely on ecologically based practices, such as biological pest management; virtually excluding the use of synthetic chemicals in crop production (including livestock feed production); and prohibiting the use of antibiotics and hormones in livestock production. Organic livestock production systems attempt to accommodate an animal's natural nutritional and behavioral requirements. USDA livestock standards incorporate requirements for living conditions, pasture and access to the outdoors, feed ration, and health care practices suitable to each species.

Ask if the dairy operation was classified as “certified” organic. To be a certified organic operation it must have been certified by a USDA accredited state or private agency. USDA regulations require that all organic growers be certified by a State or private agency accredited under the uniform standards developed by USDA, unless they sell less than \$5,000 a year in organic products. All organic certifiers are required to be accredited under USDA's national organic standards.

The following State certifiers are accredited by USDA: California-Marin County Agriculture; California-Monterey County Certified Organic; Colorado Department of Agriculture; Idaho State Department of Agriculture; Iowa Department of Agriculture; Maryland Department of Agriculture; Mississippi Department of Agriculture and Commerce; Missouri Department of Agriculture; Montana Department of Agriculture; Nevada State Department of Agriculture; New Hampshire Department of Agriculture, Markets, & Food; New Mexico Organic Commodity Commission; Oklahoma Department of Agriculture; Rhode Island Department of Environmental Management; South Carolina-Fertilizer and Seed Certification Services; Texas Department of Agriculture; Utah Department of Agriculture; Virginia Department of Agriculture; Washington State Department of Agriculture.

The following private certifiers are accredited by USDA: American Food Safety Institute; California Crop Improvement Association; California Organic Farmers Association; Certified Organic, Inc.; Georgia Crop Improvement Association, Inc.; Global Culture; Global Organic Alliance; Guaranteed Organic; Hawaii Organic Farmers Association; Indiana

Certified Organic; International Certification Services; Integrity Certified International; Maharishi Vedic Organic Agriculture Institute; Massachusetts-Baystate Organic Certifiers; Midwest Organic Services Association; Minnesota Crop Improvement Association; MOFGA Certification Services; Natural Food Certifiers; NOFA-New Jersey; NOFANew York; North Carolina Crop Improvement Association; Nutriclean (Formerly Scientific Certification Systems); OneCert; Organic Crop Improvement Association; Organic Forum International; Organic Growers of Michigan; Organic Certifiers; Organic National and International Certifiers; Quality Assurance International; Quality Certification Services (Formerly FOG); Ohio Ecological Food and Farm Administration; Oregon Tilth; Pennsylvania Certified Organic; Stellar Certification Services; Vermont Organic Farmers

If the operation was certified organic, ask items 6a-6d, otherwise go to Item 7.

Item 6a – Years Producing and Selling Organic Milk

Record the total number of years that the operation has been both producing and selling certified organic milk. Include years producing under federal certification and years producing under any other third party certification program.

Item 6b – Time to Become Certified

Record the number of months or years that it took for this operation to become certified to produce organic milk. Dairy operations must go through a transition period in order to become certified. The intention of this question is to identify the length of the transition period.

Item 6c – Amount Paid for Third Party Certification

Record the dollar amount paid in 2010 for a third party organic certification. Include user fees charged by organic certifiers.

Item 6d – Most Difficult Aspect of Producing Certified Organic Milk

Record the code from the list that best describes what the respondent feels is the most difficult aspect of producing certified organic milk.

Item 7 – Transitioning to Organic Milk Production

Ask if the operation was transitioning to organic milk production during 2010. Dairy operations are required to go through a transition period to become certified as an organic operation. During this time organic inputs are used, but the milk produced cannot be sold as certified organic.

Item 8 – Dairy Cattle Inventory

In this table we get a description of the dairy operation as it existed at the beginning and end of 2010. This lets us see if the operation was expanding or reducing its size during 2010, and also gives us a way to measure the average size of the dairy operation during 2010.

Item 8a – Milk Cows

Record the total number of milk cows on hand as of the date in column 2 or column 3. **Include** dry and milking cows. Cows generally are milked for 305 days and are “dry” (not giving milk) for the remainder of the year.

Item 8b – Breeding Bulls

Record the total number of breeding bulls on hand as of the date in column 2 or column 3. **Include** all breeding bulls and bull calves weighing 500 pounds or more that were being kept for breeding. Include “marker bulls” that were used to detect heat (estrus) in cows.

Column 2 – Beginning of Year Inventory

For each category listed in column 1, enter the number of head on hand on January 1, 2010. Include milk cows, dry cows, and breeding bulls that the selected operation was raising for another operation.

Column 3 – End of Year Inventory

For each category listed in column 1, enter the number of head on hand on December 31, 2010. Include milk cows, dry cows, and breeding bulls that the selected operation was raising for another operation.

Item 9 – Average Age of Cows in Milking Herd

Record the average age (years) of cows in the milking herd during 2010. Record to the nearest tenth of a year. For example, if the average age is 3

years, record 3.0. The average age of cows will give an indication of the herd culling pattern used and how this may vary across different production systems.

Item 10 – Milk Production

Item 10a – Milk Sold

Record the total number of **hundredweights** of milk the operation **produced and sold** during 2010. If milk is reported in pounds, divide the figure by 100 to get hundredweights. If milk is reported in gallons, multiply by 8.56 to get pounds and then divide by 100 to get hundredweight.

Item 10b – Milk Used on the Farm

Record the total number of **hundredweights** of milk produced and used on the operation during 2010. Most of this milk is fed to calves, but include milk produced and used for human consumption.

Item 10c – Milk Wasted, Dumped or Lost to Contamination

Record the total number of **hundredweights** of milk produced on the operation that was wasted (lost when the milk lines are cleaned, etc.) or lost due to contamination during 2010.

Item 10d – Enumerator Action - Total Milk Produced

Record the sum of Items 10a + 10b + 10c. Check with the operator for reasonableness.

Item 11 – Certified Organic Milk Sold

Record the total number of hundredweights of milk produced and sold during 2010 that was sold as certified organic milk.

Section O – Purchases and Death Loss

The purpose of this section is to collect information on:

- Purchases
- Heifers kept for breeding
- Death Loss

Item 1 – Purchases During 2010

The table in this item collects information for purchases of dairy animals by the operation during 2010.

Item 1a – Milk Cows

Include:

- 1) All cows that have had at least one calf, regardless of breed, kept primarily to produce milk for human consumption, either for home use or for sale.
- 2) Milk cows, both dry and those being milked.
- 3) Heifers being kept for milk that have calved at least once.

Exclude:

- 1) Cows kept primarily to raise or nurse calves. These are considered beef cows.
- 2) Heifers that have not calved.

Item 1b – Replacement Heifers Weighing 500 Pounds or More

Include heifers of all breeds kept primarily to produce milk for human consumption, either for home use or for sale. If they are already bred but have not calved, they should be included in this category. **Exclude** any that will only be kept as nurse cows to raise calves.

Item 1c – Breeding Bulls Weighing 500 Pounds or More

Include all bulls and young males for breeding over 500 pounds purchased or placed on the operation in 2010.

Item 1d – Replacement Heifers Under 500 Pounds

Include all dairy heifers under 500 pounds that were purchased or placed on this operation in 2010 regardless of intended use.

Item 1e – Replacement Bulls Under 500 Pounds

Include all dairy bulls under 500 pounds that were purchased or placed on this operation in 2010 regardless of intended use.

Column 2 – Number of Head Purchased

For each of the four categories of dairy animals listed in column 1, record the total number of head purchased by the operation during 2010.

Column 3 – Amount Spent for Purchases

Record the total dollar amount paid by the operation to purchase the dairy animals recorded in column 2. Include commissions, and other such charges paid as part of the purchases. Do not include transportation costs.

Item 2 – Heifers Kept for Breeding

Enter the number of **heifers born on this operation in 2010 which were kept for breeding**. Include those which have been sold or culled but were originally intended to be used for breeding. Include those that were raised on other operations and then returned to this operation.

Item 2a – Replacement Heifers Raised on This Operation

Of the heifers kept for breeding, record the number of heifers that were raised on this operation.

Item 2b – Amount Spent to Have Replacement Heifers Raised on Another Operation

If the operation had another operation raise replacement heifers, record the total dollars spent for those replacement heifers to be raised on another operation. If the operator does not know the total amount, this amount can be calculated by obtaining the number of heifers raised on another operation multiplied by the amount spent per heifer.

Item 3 – Death Loss

Item 3a – Death Loss of Milk Cows

Record the total number of milk cows that died on this operation during 2010. If the respondent cannot answer this question directly, it can be calculated by multiplying the milk cows on the operation times an average death rate for milk cows.

The normal death rate for milk cows is between 1 and 2 percent of the total. A death rate of more than 2 percent or no deaths at all should be explained in notes.

Item 3b – Death Loss of Replacement Heifers Weighing Over 500 Pounds

Record the total number of replacement heifers weighing 500 pounds or more that died on this operation in 2010. If the respondent cannot answer this question directly, it can be calculated by multiplying the replacement heifers on the operation times an average death rate.

The normal death rate for replacement heifers is between 1 and 2 percent of the total. A death rate of more than 2 percent or no deaths at all should be explained in notes.

Item 3c – Death Loss of Breeding Bulls

Record the total number of breeding bulls weighing 500 pounds or more that died on this operation in 2010.

Item 3d – Death Loss of Replacement Heifers Weighing Under 500 Pounds

Record the total number of replacement heifers weighing under 500 pounds that died on this operation in 2010. If the respondent cannot answer this question directly, it can be calculated. The normal death rate for calves is between 2 and 10 percent of the total per six-month period. A death rate of more than 10 percent or no deaths at all should be explained in notes.

Item 3e – Death Loss of Replacement Bulls Weighing Under 500 Pounds

Record the total number of replacement bulls weighing under 500 pounds that died on this operation in 2010. If the respondent cannot answer this question directly, it can be calculated. The normal death rate for calves is

between 2 and 10 percent of the total per six-month period. A death rate of more than 10 percent or no deaths at all should be explained in notes.

Section P –Sales and Other Income

The purpose of this section is to collect information on the marketing pattern of the dairy operation and sources of other income attributed to the dairy enterprise.

Item 1 – Sales of Dairy Animals

The data in this table provides information on the operation's marketing pattern of breeding stock, cull stock, breeding animals and calves.

Column 1 – Type of Dairy Animals

Most of the categories in this column have been described previously. Cull cows and bulls are animals no longer used for breeding.

Column 2 – Number Sold

For each category listed in column 1, enter the total number sold from this operation in 2010.

Column 3 – Amount Received for Sales

Enter the total amount received (net of marketing charges) for sales of each category of dairy animals listed.

Column 4 – Average Weight

For each category in column 1, enter the average weight of the dairy animals sold 2010.

Item 2 – Income From Renting or Leasing Dairy Stock

Enter the total amount received in 2010 from renting and leasing dairy cows and/or bulls to other dairy operations.

Item 3 – Income From Renting Space to Other Dairy Operations

Enter the total amount received in 2010 from renting dairy cattle housing, milking facilities, feed storage facilities, and other dairy facilities to other dairy operations.

Item 4 – Income From Co-ops as Patronage Dividends

Enter the total amount received in 2010 from all dairy Co-ops of which the producer was a member.

Item 5 – Income From Assessments Rebates, Refunds, and Other Sources

Enter the total amount received in 2010. Do not include Milk Income Loss Contract Payments or any other dairy market loss assistance. These should have been reported in Section E.

Item 6 – Capital Retains Withheld by Co-ops

Enter the total amount of profits withheld by all dairy Co-ops, of which the producer was a member in 2010, for capital replacement and/or improvements (e.g., purchases of new equipment, land, and/or buildings; repairs to older equipment, land, and/or buildings).

Section Q - Dairy Feed, Pasture, and Bedding

Feed comprises the largest proportion of total input costs for dairy production, and therefore it is essential we collect complete information about the operation's feed usage and expense.

Item 1 - Screening Question for Purchased Feed

This is a screening question to determine if the operation used any feed or feed supplements in 2010 that was purchased for the dairy cattle on this operation. Unless the operation grew all of the feed fed to the dairy cattle, this answer will always be "Yes".

In the unlikely event that the operation did not purchase any feed or feed supplements, check "No" and skip to Item 2.

Column 1 - Type of Feed

Show the respondent the list of Purchased Feed Type Codes in the Respondent Booklet. A subset of the feed codes listed in the Respondent Booklet, including the feeds most often fed on dairy operations, is printed on the questionnaire.

Record the name and code for each type of feed or feed supplement the operation fed to its dairy cattle in 2010. Include feed purchased and feed supplied by contractors. Exclude feed grown on the operation and fed to dairy cattle (this is reported in Item 2).

Column 2 - Total Amount Fed

For each type of feed or feed supplement listed in column 1, record the total quantity fed to dairy cattle on the operation in 2010. **Exclude** homegrown feed.

Column 3 - Unit Code

Enter the code for the unit in which the quantity in column 2 was reported.

Column 4 - Total Amount Spent on Purchased Feed

Record the amount spent for each type of feed fed to dairy cattle on this operation in 2010. Record the total amount spent for all of 2010, rather than the amount per unit in column 3.

Column 5 – Feed Storage Facility

Show the respondent the Dairy Feed Facility Type Codes in the Respondent Booklet. A subset of the feed facility type codes listed in the Respondent Booklet, including the facilities most often used to store feed for dairy cattle, is printed on the questionnaire.

For each type of feed reported, record the code which represents the type of storage facility that was most often used.

Item 2 – Homegrown Feed

This item accounts for the harvested feed grain and forage crops grown on this operation that were fed to the dairy cattle on this operation in 2010 (pasture and cropland used for grazing are recorded in question 3).

If no harvested feed was fed to the dairy cattle on this operation, check the appropriate box and go to Item 3.

Column 1 – Type of Homegrown Feed

Show the respondent the Homegrown Feed Type Codes in the Respondent Booklet.

Record the name and code for each type of feed grown on this operation and fed to dairy on this operation in 2010. **Include** feed that was grown in previous years and fed to dairy cattle in 2010. **Exclude** feed that was purchased or supplied by contractors. A subset of the feed codes listed in the Respondent Booklet, including the feeds most often fed on dairy operations, is printed on the questionnaire.

Column 2 – Total Amount Fed

For each type of feed listed in column 1, record the total quantity fed to dairy cattle on the operation in 2010. **Exclude** feed purchased.

Column 3 – Unit Code

Enter the code for the unit in which the quantity in column 2 was reported.

Column 4 – Feed Storage Facility

Show the respondent the Feed Facility Type Codes in the Respondent Booklet. A subset of the feed facility type codes listed in the Respondent Booklet, including the facilities most often used to store feed for dairy cattle, is printed on the questionnaire.

For each type of feed reported, record the code which represents the type of storage facility that was most often used.

Item 3 – Pasture and Grazing

This item accounts for pasture or cropland used to graze dairy cattle in 2010.

If no pasture or cropland was used to graze dairy cattle, check the appropriate box and go to Item 5.

Column 2 – Acres Owned

Record the number of acres owned for each column 1 land type that dairy cattle grazed on during 2010.

Column 3 – Acres Irrigated

Record the number of acres irrigated for each column 1 land type that dairy cattle grazed on during 2010.

Column 4 – Acres Rented or Leased

Record the number of acres rented for leased for each column 1 land type that dairy cattle grazed on during 2010.

Column 5 – Dollars Spent to Rent Pasture

If any column 4 acres were reported, record the total dollars spent to rent/lease the column 4 acres.

Item 4 – Grazing Practices

If the operation used any pastures for the milk cows during 2010 ask Item 4. If not, go to Item 5.

Pasture use and rotational grazing are important strategies used in organic production systems. In a rotational grazing strategy, pastures are divided and fenced into several paddocks, with the size of the paddocks adjusted to herd size, growing conditions, and maintaining pasture at productive levels. Under this system, the number of animals must be adjusted to the available forage and the expected time required for re-growth of the forage.

Item 4a – Grazing Frequency

Record the code that best describes the frequency by which milk cows were moved to fresh pastures or paddocks on this operation during 2010.

Item 4b – Years using Grazing Pattern

Record the number of years that the grazing frequency reported in item 4a has been used on this operation.

Item 4c – Months Grazing Cows on Pasture

Record the number of months of each year that milk cows are typically grazed on pasture.

Item 4d – Percentage of Total Forage Ration Obtained from Pasture

Record the percentage range that best describes the amount of the total forage ration that milk cows obtained from pasture during the grazing months reported in item 4c. This means, for example, if the milk cows grazed on pastures for 6 months each year and obtained 30 percent of their forage from pasture during these 6 months, record code 2 (25-49%) in Item 4d.

Item 5 – Bedding

This item accounts for bedding grown/produced on this operation or was obtained free that was used on this operation in 2010. **Exclude** any bedding that was purchased in 2010. The cost of purchased bedding should have been reported in items 7 and 7a in Section F.

If no bedding was grown/produced or obtained free and used on this operation, check the appropriate box, enter code 3, and go to Section R.

Column 1 - Type of Bedding

Column 2 - Amount Used

For each type of bedding listed in column 1, record the total quantity used on this operation in 2010 for the dairy cattle.

Column 3 - Unit Code

Enter the code for the unit in which the quantity in column 2 was reported.

Column 4 - Market Value of Bedding

Record the operator's best estimate of the market value in 2010 of each type of bedding used for dairy cattle. Record the market value in total dollars, rather than the amount per unit in column 4.

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Section R – Milking Facilities and Practices

Milking facilities on many dairy operations are a major capital expenditure, and these data will be used to estimate the cost of the capital used in the milk facilities on dairy operations. These estimates are used in the cost of production accounts in order to assign the annual costs for “capital recovery.” Farmers do not pay this amount each year, but when they purchase milking facilities they amortize the cost over the life of the facilities. USDA estimates a capital cost based on an estimated replacement cost of all the capital assets used in the dairy enterprise.

Information about the milking facilities will also help to explain the cost and expenditure profile of the operation and provide insight into the efficiency of various types of operations.

Item 1 – Dairy Milking Facilities

Information will be collected on facilities used for milking. **Exclude** facilities only used for housing dairy cattle (this will be reported in Section S).

Column 1 – Types of Facilities

Show the respondent the Milking Facility Type Codes in the Respondent Booklet.

Enter the code for each type of facility used by the operation. More than one facility of the same type can be included on a single line if it has the same frame type, floor type, and manure handling system (columns 3, 4, and 5 are the same).

Column 2 – Number of Facilities Used in 2010

Record the number of facilities of this type used on this operation in 2010. This column allows for more than one type of the same facility to be recorded on one line.

Column 3 – Frame Type

Show the respondent the Frame Type Codes in the Respondent Booklet. Enter the code which represents the type of frame of the facility listed in column 1. Be sure to record the type of frame and not the type of siding.

Column 4 – Floor Type

Show the respondent the Floor Type Codes in the Respondent Booklet. Enter the code which represents the type of floor of the facility indicated in column 1.

Column 5 – Manure Handling Method

Show the respondent the Manure Handling Codes in the Respondent Booklet.

Enter the code which represents the type of manure handling method that was used in this facility. If the only method for removing manure from the facility was manual labor, use code “37 – manual”.

Column 6 – Number of Stalls

For each of the facilities listed in column 1, enter the total number of stalls in all of these facilities. If the operation has more than one facility of the same type (column 2 is greater than 1), enter the combined number of stalls of all the facilities.

Column 7 – Number of Milking Units

For each of the facilities listed in column 1, enter the total number of milking units in all of these facilities. If the operation has more than one facility of the same type (column 2 is greater than 1), enter the combined number of milking units of all the facilities.

Column 8 – Average Age of Facility

Enter the number of years since the facility(ies) listed in column 1 was last remodeled or renovated. If the facility has not been remodeled or renovated, record the current age (in years) of the structure. If the facility is less than one year old, enter “1”.

Item 2 – Times Per Day Herd Milked

For 2010, enter the total number of times the herd was milked in a 24-hour period. The range for this number is most often between 1 and 3.

Item 3 – Hours Milking System in Operation

For 2010, enter the total hours the milking system was in use during a 24-hour period. The range for this number is between 1 and 24.

Item 4 – Number of Bulk Tanks and/or Milk Silos

For 2010, enter the total number of bulk tanks and/or milk silos used to store milk.

Item 4a – Capacity of Bulk Tanks

Record the total combined capacity, in gallons, of the bulk tanks and/or milk silos that were reported in Item 4.

Item 5 – Automatic Takeoffs

For 2010, enter a 1 if the milking machine automatically removed the teat cups once the milk flow stops.

Item 6 – Holding Pen with Udder Washer

For 2010, enter a 1 if the operation used automatic udder washing devices that spray a sanitizing solution to clean the udder before milking.

Item 7 – Computerized Milking System

For 2010, enter a 1 if the operation used a computerized milking system that permits electronic data collection (e.g., pounds of milk daily, percent milkfat, percent protein, somatic cell count, weight, etc.).

Item 8 – bST Injections

Enter the number of cows injected one or more times with bST (the hormone bovine somatotropin) in 2010.

Item 8a – Years using bST

If bST was used on the operation in 2010, record the total number of years during which this operation has used bST (including 2010).

Item 8b – Any use of bST and number of years

If bST was not used on the operation in 2010, ask if this operation had ever used bST. If the operation had used bST at some time previously, record the total number of years that the operation had used bST (not including 2011, if it bST was used in 2011) in Item (i). The intent of this item is to find out which operations had once used bST but have since discontinued use. bST has been characterized by significant “disadoption” since its introduction.

Item 9 – Acres Used For Dairy Operation

Enter the total number of acres of land used for the dairy enterprise during 2010. Include acres used for pasture, corrals, building sites, manure storage, etc. Exclude acres used for crop production to feed and bed the dairy cattle and acres to which dairy manure was applied.

Section S – Dairy Housing

Housing on many dairy operations is a major capital expenditure. Information about the housing facilities will be used to estimate the capital usage and costs on dairy operations and to provide insight into the efficiency of various types of operations. These estimates are used in the cost of production accounts in order to assign the annual costs for “capital recovery.” Farmers do not pay this amount each year, but when they purchase housing facilities they amortize the cost over the life of the facilities. USDA estimates a capital cost based on an estimated replacement cost of all the capital assets used in the dairy enterprise.

The table in this section will only be blank if the dairy cows were housed in the same facilities used for milking. This situation is most common when a barn with around the barn pipeline (code 9), and barn with pail units (code 10) are the milking facilities reported in Section R, column 1. Do not include housing facilities if they were already reported as milking facilities.

Report all structures used to house dairy cattle regardless of their age and condition.

Item 1 – Dairy Cattle Housing Facilities

Information will be collected on facilities used for gestating cows and heifers, for calving, as a nursery, and for feeding dairy cattle (column 1). Exclude milking facilities (this was reported in Section R).

If dairy cattle are kept in pastures or dirt/dry lots, record any structures in the lots used for dairy shelters.

Column 1 – Types of Facilities/Buildings

Show the respondent the Dairy Facility Type Codes in the Respondent Booklet.

Enter the code for each type of facility used by the operation. More than one facility of the same type can be included on a single line if it has the same frame type, floor type, and manure handling system (columns 3, 4, and 5 are the same).

Column 2 – Number of Facilities

Record the number of facilities of this type on this operation. This column allows for more than one type of the same facility to be recorded on one line.

Column 3 – Frame Type

Show the respondent the Frame Type Codes in the Respondent Booklet. Enter the code which represents the type of frame of the facility listed in column 1. Be sure to record the type of frame, and not the type of siding.

Column 4 – Floor Type

Show the respondent the Floor Type Codes in the Respondent Booklet.

Enter the code which represents the floor type of the facility listed in column 1.

Column 5 – Manure Handling Method

Show the respondent the Manure Handling Codes in the Respondent Booklet.

Enter the code which represents the type of manure handling method that was used in this facility. If the only method for removing manure from the facility was manual labor, use code “37 – manual”.

Column 6 – Capacity

For each of the facilities listed in column 1, enter the total number of head that these facilities can house. If the operation has more than one facility of the same type (column 2 is greater than 1), enter the combined capacity of all the facilities.

Column 7 – Average Age of Facility

Enter the number of years since the facility(ies) listed in column 1 was last remodeled or renovated. If the facility has not been remodeled or renovated, record the current age (in years) of the structure. If the facility is less than one year old, enter “1”.

Section T - Vehicles, Trucks and Tractors

The purpose of this section is to collect data on vehicles and tractors used for the dairy operation during 2010. By itemizing the vehicles and tractors, we can estimate the amount of capital investment in these items. These estimates are used in the cost of production accounts in order to assign the annual costs for “capital recovery.” Farmers do not pay this amount each year, but when they purchase vehicles, trucks, and tractors they amortize the cost over the life of the machine. USDA estimates a capital cost based on an estimated replacement cost of all the capital assets used in the dairy enterprise.

Include all trucks, tractors, and other motor vehicles owned, rented, leased, or borrowed and used for activities associated with the dairy enterprise such as feed handling, manure handling and spreading, and hauling dairy cattle. ATVs and 4-wheelers are not recorded in this section. They are recorded in Section U.

Exclude anything provided by custom operators and any vehicles, trucks, and tractors used to grow feed on this operation even if the feed was fed to the dairy cattle.

VEHICLE USE

Item 2 – Vehicles used for Dairy Production

Report the number of pick-ups, cars, and sport utility vehicles that were used in the dairy enterprise for any purpose in 2010. We will determine the amount that these vehicles were used for dairy production in Items 2a, 2a(i), and 2a(ii).

Item 2a – Total Miles Vehicles Driven

Report the total miles that all the vehicles listed in Item 2 were driven in 2010. Include miles driven for farm and non-farm use.

Item 2a(i) – Percentage Driven for Farm Use

Report the percentage of the total miles that all the vehicles were driven (Item 2a) that were for farm use.

Item 2a(i)(1) – Percentage Driven for Dairy Production

Report the percentage of the total miles that all vehicles were driven for farm use (Item 2a(i)) that were for dairy production.

TRUCK USE

Column 1 – Truck Type

Collect the data on truck use for milk production in 2010 for each type of truck listed. **Include** tractors used for feed processing, manure handling, hauling cattle, and any other use associated with dairy production. **Include** trucks used for hauling cattle on or off this operation, hauling feed to this operation, and any other use associated with dairy production.

Column 2 – Number of Trucks used for Dairy Production

Report the number of trucks of each type listed in column 1 that were used for dairy production in 2010.

Column 3 – Miles Driven for Dairy Production

Report the total miles that all the trucks of each type listed in column 2 were driven for dairy production on this operation in 2010.

TRACTOR USE

Column 1 – Tractor Type

Collect the data on tractor use for dairy production in 2010 for each category of tractor horsepower listed. Include tractors used for feed processing, manure handling, hauling dairy cattle, and any other use associated with the dairy enterprise. **Exclude** tractors used only to produce feed for dairy cattle.

Column 2 – Number of Tractors used for Dairy Production

Report the number of tractors in each horsepower category listed in column 1 that were used for dairy production in 2010.

Column 3 – Percentage of Farm Use for Dairy Production

Report the percentage of total farm use that all the tractors in each horsepower category listed in column 2 that were used for dairy production on this operation in 2010. **Exclude** the use of tractors for producing dairy feed, such as that for field operations.

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Section U - Machinery and Equipment

This section identifies the specific equipment and machinery used in handling and/or moving feed and manure for the dairy operation. From this information, capital investment and associated fixed costs can be calculated. Equipment included in this section may have also been used for other enterprises, such as crops or broilers, but must have been used at least partially for the dairy enterprise during 2010.

The operation may have types of machinery and equipment used for dairy production other than those listed. However, information is required only for the “non-other” items in the code lists for this section.

Machinery and equipment are capital items in which most operations have fairly large investments so it is important to allocate the appropriate portion of the use to dairy production.

There is 1 supplement sheet available in case the operation uses more than 12 pieces of equipment. If the operation uses more than the questionnaire and 1 supplement, and there are not enough lines for all the machinery or equipment, list those that are either:

- Most important to the dairy operation,
- Most often used at the on the dairy operation, or
- Most expensive.

Item 1 – Machinery and Equipment Used

This table lists all the machinery equipment used on the dairy operation in 2010. Do not list machinery and equipment unless they were used on the dairy enterprise.

Columns 1 & 2 – Machinery and Equipment Type and Code

Show the respondent the list of Feed Handling Equipment Codes, Manure Handling Equipment Codes, and Other Machines and Equipment Codes in the Respondent Booklet.

Record the name (column 1) and code (column 2) of each piece of machinery or equipment used on the operation for the dairy enterprise. This includes feed handling equipment, manure handling and spreading equipment, scales, portable loading ramps, sprayers, trailers, generators, alarm systems, pressure washing equipment, etc.

If the operation had more than one of the same machine or piece of equipment, they can be listed on the same line by coding column 3 with the number of the same items.

Exclude machinery and equipment used to grow crops on the operation even if the crops were fed to the dairy cattle.

Column 3 – Number of Column 1 Items

Enter the number of machines or pieces of equipment of the same type recorded in column 1.

Column 4 – Percentage for Dairy Production

Record the percentage of total farm use of each item reported in column 1 that was for dairy production. For most of these items the percentage will equal 100, unless there is another livestock operation on the farm that shares the use of these items.

Exclude the use of machinery used to grow crops fed to dairy cattle.

Section V – Dairy Manure

The primary purpose of this section is to get information on the methods and facilities used to store, handle and dispose of dairy manure. Dairy manure may be considered a waste product, a fertilizer by-product, and/or a bedding by-product of dairy production. As a fertilizer material, it can provide income to the operation and can also reduce the operation's fertilizer expenditure. As a composted bedding material, it can reduce the operation's bedding expenditure. As a waste material, the cost of handling it is an expense to the operation. Also, manure handling procedures and facilities are of interest because of the potential environmental impact they may have on water and air resources and rural communities.

Item 1 – Type of Manure Handling System

Enter the code that best describes the type of manure handling system that was used to handle the majority of the dairy manure on this operation in 2010.

Item 1a – Manure Handling in Milking Area

Enter code '1' if the manure produced in the milking area was handled by a separate manure handling system.

Item 2 – Manure Storage Facilities

In this table information will be collected about the type of dairy manure storage facilities used, the construction of those facilities, and the frequency with which manure is removed. From this information, capital investment and fixed costs associated with dairy manure storage facilities can be calculated.

This item begins with a screening question to determine if the operation has manure storage facilities. The overwhelming majority of dairy operations will have these facilities. The only time you may encounter an operation without manure storage facilities is a relatively small operation with the dairy cattle primarily on pastures or dirt lots. In the unlikely event that the operation does not have manure storage facilities, check "No" and go to Item 3.

Column 1 – Type of Manure Storage Facilities

Show the respondent the list of Manure Storage Type codes in the respondent booklet. Enter the name and the appropriate code of each manure storage facility this operation has for dairy cattle. If there are more than one of the same type of facility, they can be recorded on the same line by coding column 2 with the number used.

Column 2 – Number of Facilities

Enter the number of manure storage facilities of this type recorded in column 1.

Column 3 – Capacity

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

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

Column 4 – Unit

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

Column 5 – Construction Material of Facility

Show the respondent the list of Manure Storage Construction Material Codes in the respondent booklet.

Record the code which represents the type of material the facility indicated in column 1 is made of. If lagoons are used, record the material code of the lagoon lining.

Column 6 – Average Age of Facility

Record the average age (in years) of the facility identified in column 1. If more than one facility of the same type is reported on the same line (column 2 is greater than 1), record the average age of all the facilities.

Column 7 – Frequency of Manure Removal

Record the code that best describes the frequency of which manure was removed from each type of dairy storage facility.

Item 3 – Frequency of Manure Removal from Dairy Housing and Holding Facilities

Record the code that best describes the frequency of which dairy manure was removed from the housing and/or holding facilities.

Item 4 – Covered Lagoons or Holding Ponds

If lagoons or holding ponds were not recorded in Item 2, go to Item 5.

If the lagoons or holding ponds were covered, record a “1” for Item 4.

Item 5 – System to Collect and Use Methane from Storage Facilities

If a system was used to collect and use the methane from the manure storage facilities, record a “1” for Item 5.

Item 6 – Manure Handling

This item records how the dairy manure on this operation was handled. Record the percent of the total dairy manure in 2010 that was either applied to fields in solid form, applied to fields in liquid (from lagoon) form, applied to fields in slurry (from pit or slurry tank) form, not applied to fields, removed from the operation, kept in storage for the entire year, or composted for bedding. The sum of these items ($5a + 5b + 5c + 5d + 5e + 5f + 5g$) must equal 100.

Item 7 – Acres to which Dairy Manure was Applied

Record the number of acres, on this operation, that dairy cattle manure was applied to during 2010. If manure was applied to the same acres more than once during the year, count these acres only once.

If the operation did not apply dairy cattle manure to any of the acres operated in 2010, skip to Item 14.

Item 7a – Crop Receiving Dairy Manure

Record the code of the crop that received the largest share of the dairy manure applied on this operation. Crop codes can be found in the respondent booklet. Use code 999 for bermuda grass (sometimes referred to as coastal or coastal bermuda grass).

Item 7b – Crop Acreage that Received Manure

Record the number of acres of the crop reported in Item 7a that received dairy manure. The number of acres reported here may be same or less than the number reported in Item 7, but should never exceed the total reported in Item 7.

Item 7c – Yield of Crop Receiving Manure

Record the average yield (units per acre) on the acres receiving dairy manure of the crop reported in Item 7a. Report the unit using the unit codes shown in Item 2 of Section D on Page 7 of the questionnaire.

Item 8 – Manure Testing for Nitrogen

If the operation tested the dairy manure for nitrogen during 2010, record a code “1” in Item 8.

Item 9 – Manure Testing for Phosphorus

If the operation tested the dairy manure for phosphorus during 2010, record a code “1” in Item 9.

Item 10 – Commercial Fertilizer Applied

The purpose of this item is to determine if the operation applied commercial fertilizer to any of the same (Item 7) acres on which dairy manure was also applied.

If the operation did not apply commercial fertilizer to any of the same acres as dairy manure was applied, record 3 for “No” and skip to Item 12.

Item 11a-b – Adjusting Commercial Fertilizer Application

If the operation applied commercial fertilizer to any of the same (Item 7) acres on which dairy manure was also applied, indicate if commercial fertilizer application rates were adjusted according to either the nitrogen or phosphorus available from the dairy manure. Enter a code “1” in the appropriate item if so.

Item 12 – Solid Manure Incorporation

If any dairy manure was handled in solid form (Item 6a is greater than zero), then ask this question. Otherwise, skip to Item 13.

Record the percent of the solid dairy manure applied on this operation that was incorporated (e.g., plowed or disked in) within 24 hours.

Item 13a-c – Manure Applied in Slurry or Liquid Form

If any dairy manure was handled in slurry or liquid form (Item 5b or 5c is greater than zero), then ask this question. Otherwise, skip to Item 14.

Record the percent of the slurry or liquid dairy manure applied on this operation that was applied with each method shown in a, b, and c.

Item 14 – Manure Removed From Operation

If any dairy manure was removed from this operation (Item 6e is greater than zero), then ask Items 14a, 14b, and 14c. Otherwise, skip to Item 15.

Item 14a – Manure Sold

Of the total dairy manure removed from this operation, record the percent that was sold.

Item 14a(i) – Amount Received for Dairy Manure Sales

Record the dollar amount this operation **received** for selling dairy manure in 2010.

Item 14b – Manure Hauled Off for a Fee

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

Item 14b(i) – Dollars Paid to Have Manure Hauled

Record the dollar amount this operation paid for having dairy manure hauled off the operation in 2010.

Item 14c – Manure Given Away

Of the total dairy manure removed from this operation (Item 5e) record the percent that was given away free of charge.

Items 14a, 14b, and 14c should account for all the dairy manure removed from this operation in 2010, therefore the sum of these items must equal 100 percent.

Item 15a-b – Methods Used to Control Odor

Dairy manure odors are a concern on many operations, especially those that are in a close proximity to residential areas. Ask if this operation took measures to control dairy manure odors with manure additives (item 15a) and filters for barn ventilation (item 15b).

Item 16a-b – Methods Used to Adjust Nutrient Content of Manure

Dairy operations use a variety of methods to adjust the nutrient content of dairy manure in order to reduce the potential of nutrient leaching and runoff

from land applications of dairy manure. Ask if the operation used any of the methods listed. If the operator does not know, then record a “2” for don’t know.

Feed formulations can be adjusted by the age and size of dairy cattle (Item 16a) to better match nutrient requirements with feed content in order to reduce the amount of nutrients expelled in dairy manure. Other feed additives or formula adjustments (Item 16c) may also be used to adjust the nutrients in dairy manure.

Item 17 – Certified Nutrient Management Plan

Ask if this operation followed a certified nutrient management plan (CNMP) that conforms to agronomic standards. The plan must have been developed by (1) an individual or firm certified by USDA/NRCS (Natural Resource Conservation Service) to develop CNMPs, or (2) directly by USDA/NRCS. If “No” skip to Item 19.

Item 18 – Nutrient that Nutrient Management Plan was Based

If this operation followed a certified nutrient management plan (Item 16), ask on what nutrient the plan was based. If the plan is based on Nitrogen and Phosphorus, use code 3. Most plans have been based on nitrogen, but there has been growing concern over soil build-up of phosphorus.

Item 19 – De-Watering Technology

Ask if this operation used a de-watering technology to reduce the water content of the dairy manure. This type of technology would be used to reduce the potential for leaching and run-off from the land application of dairy manure.

Item 20 – EQIP Payments Related to Dairy Production

Ask if this operation has ever received EQIP (Environmental Quality Incentive Program) payments related to dairy production at any time. If so, enter code 1 and indicate from the list the purposes for which the payments were received. If the operation did not receive EQIP payments related to dairy production, enter code 3 and continue with Section W.

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Section W – Dairy Operation Management

This section collects information about management and marketing practices used on the dairy operation. Information from this section will be used to measure the extent to which dairy producers are using specific practices, and to examine how the use of specific practices is related to milk production costs and returns.

A dairy farmer's net revenue per hundredweight of milk can vary with differences in milk components, milk volumes, food safety requirements, hauling charges, and buyer types. This section seeks to identify several factors that can affect revenues.

Item 1 – Dairy Management Practices

This item includes parts a-k that collect data about the use of various management practices on dairy operations. Data on these practices are used to identify which practices are associated with dairy physical and financial performance. Each of the items must be answered with either a "1" indicating YES or a dash (-) indicating an NO response.

Item 2 – Use of Dried Distiller's Grain (DDG) as Dairy Cattle Feed

Record whether or not the operation used distillers dried grains in 2010 for dairy cattle feed. **Exclude** Dried Brewer's Grain. Answer with either a "1" indicating YES or a dash (-) indicating an NO response.

Item 3 – To Whom Milk is Sold

Ask the respondent to look at the list of buyers on the form. Enter the code (from 1 to 7) that best describes the respondent's usual buyer.

Item 4 – Volume Premiums

Record whether or not the operation received volume premiums for their milk in 2010. Answer with either a "1" indicating YES or a dash (-) indicating an NO response.

Item 5 – Written Contract Concerning Milk Handling Payments

Record whether or not the operation had a written contract with their primary milk buyer during 2010 concerning milk handling payments.

Answer with either a “1” indicating YES or a dash (-) indicating an NO response.

Item 6 – Forward Contracts for Setting Prices During 2010

Record whether or not the operation was offered a forward contract for setting prices during 2010 from the primary milk buyer. Answer with either a “1” indicating YES or a dash (-) indicating an NO response.

Item 7 – Did the Operation Process Milk Before Sale

Record whether or not the operation processed the milk prior to sale on the operation during 2010. Answer with either a “1” indicating YES or a dash (-) indicating an NO response.

Conclusion

Item 1 – Survey Publication

After completing the interview, ask the respondent if he/she would like to receive a copy of the survey results. The Farm Production Expenditures Report will be published in August of 2011. 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 Receive NASS Updates box on the right, click on National or State under Receive reports by Email, then follow the instructions on the screen.

Item 2 – Ending Time

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.

Item Code – Total Time in Hours 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 near the Beginning Time question.

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.

Administrative Items

Response Code

Upon completion of the interview, enter the response code in cell 9901 on the Back Page of the questionnaire. Response codes are:

- Code 1 = **Complete** (Use for Good Reports, Out-of-Businesses, and Abnormal Farms)
- Code 2 = **Refusal**
- Code 3 = **Inaccessible/Incomplete**

Respondent Code

The respondent code identifies the person who was interviewed. Enter the code identifying the person who provided most of the data in cell 9902.

- Code 1 = **Operator or Manager**
- Code 2 = **Operator's Spouse**
- Code 3 = **Accountant or Bookkeeper**
- Code 4 = **Partner**
- Code 9 = **Other**

Record the respondent's name and phone number.

Mode Code

The mode code (cell 9903) identifies how the person was interviewed. ARMS Phase III completes should be by face-to-face interview unless the V5 report form was mailed.

- Code 1 = **Mail**
- Code 2 = **Telephone**
- Code 3 = **Face-to-Face**

Enumerator Name

Sign the questionnaire and record your enumerator ID number in cell 0098.

Date

Record the date the questionnaire was completed. Enter the date in MMDD11 format on the lines provided in cell 9910. For example, if the interview was completed on February 26, 2011, enter the month and day 02 26 in the date cell. The 2-digit year is already preprinted on the questionnaire.

Optional Use

Item codes 0093 and 0003 are reserved for your State Office use. These cells should remain blank unless your State office directs you otherwise.

S/E Name

Write your name in this box.

Thank the respondent for their time and effort.

Review the entire questionnaire before forwarding it to your Supervisor. Make sure all items are complete, including 'Yes' and 'No' boxes checked, and dashes are entered in cells when the response is 'None' or 'No' as appropriate. Make sure notes are present and complete for unusual situations.

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