

Appendix A: Definitions of Terms

Farm

Farm: Any establishment from which \$1,000 or more of agricultural products were sold or would normally be sold during the year under consideration.

Point farm: If an operation did not have \$1,000 in agricultural sales, points were assigned for acres of various crops and head of various livestock species to estimate a normal level of sales. Point farms had less than \$1,000 of sales, but points worth \$1,000, and were counted as farms. Both the Farm Costs and Returns Survey (FCRS) and census of agriculture use the point system.

Land in Farms

Total acres operated: Agricultural land owned, plus land rented in, less land rented out, plus land both used and rented out. Rentals may be for cash, for a share of production, or free-of-charge.

Owned: Total acres owned by the farm operation.

Rented in for cash or shares: Acreage rented from others during the year for cash or for a share of crop or livestock production. Excludes land rented in on an animal-unit-month (AUM) basis.

Rented in free-of-charge: Acreage provided to an operation without charge. Because of the small amount of acreage involved, this category does not appear separately in the tables, but the acreage is added when calculating total acres operated.

Rented out for cash or shares: Acreage provided to other farm operations for cash or for a share of crop or livestock production.

Rented out free-of-charge: Acreage provided to other farm operations without charge. Because of the small amount of acreage involved, this category does not appear separately in the tables, but the acreage is deducted when calculating total acres operated.

Used and rented out: Acreage used for crops or livestock during a part of the year and rented to another operation for crop or livestock production during another part of the year. Because of

the small amount of acreage involved, this category does not appear separately in the tables, but the acreage is added when calculating total acres operated.

Cropland Removed from Production

Land diverted from production in compliance with government agricultural programs including:

Set-aside: Land idled from production under annual commodity acreage adjustment programs and devoted to conservation uses. Includes acres set aside during the year through the Acreage Reduction Program (ARP) or 0/85-92 Program.

Conservation Reserve Program (CRP): Highly erodible cropland taken out of production under 10- to 15-year contracts and planted in protective cover crops or reforested for conservation purposes.

All other Federal or State programs.

(Land in summer fallow was excluded from land removed from production.)

Geographic Units

Major Farming Regions:

Northeast: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.

Lake States: Michigan, Minnesota, Wisconsin.

Corn Belt: Illinois, Indiana, Iowa, Missouri, Ohio.

Northern Plains: Kansas, Nebraska, North Dakota, South Dakota.

Appalachian: Kentucky, North Carolina, Tennessee, Virginia, West Virginia.

Southeast: Alabama, Florida, Georgia, South Carolina.

Delta: Arkansas, Louisiana, Mississippi.

Southern Plains: Oklahoma, Texas.

Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming.

Pacific: California, Oregon, Washington.

(Alaska and Hawaii are not covered by the FCRS and are excluded from this report.)

Metro-nonmetro counties:

Metro counties: Counties in Metropolitan Statistical Areas (MSA's), as defined by the Office of Management and Budget. Each MSA is a county or group of contiguous counties that contains either: (1) at least one central city with a population of at least 50,000 or (2) an urbanized area of at least 50,000 with a total population of at least 100,000. Additional counties may be included in the MSA if they have strong ties to the MSA. This report uses the MSA's designated as of 1993.

Urbanized area: An urbanized area consists of one or more central places and adjacent densely settled areas that together have a minimum population of 50,000. "Densely settled" is defined here as at least 1,000 persons per square mile.

Nonmetro counties: Counties outside MSA's. (See "metro counties," defined above.) Nonmetro counties are frequently categorized into two groups, adjacent and not adjacent.

Adjacent counties: Nonmetro counties that are physically adjacent to one or more MSA and have at least 2 percent of their employed labor force commuting to the central counties of the MSA.

Not adjacent counties: Nonmetro counties that do not meet the criteria to be adjacent counties.

Economic specialization: The Economic Research Service (ERS) categorized nonmetro counties according to their economic specialization. The typology identifies six mutually exclusive groups of counties:¹

Farming-dependent counties: Farming accounted for at least 20 percent of earned income over the 3 years from 1987 to 1989.

Manufacturing-dependent counties: Manufacturing accounted for at least 30 percent of

earned income over the 3 years from 1987 to 1989.

Services-dependent counties: Services accounted for at least 50 percent of earned income over the 3 years from 1987 to 1989.

Government-dependent counties: Government employment accounted for at least 25 percent of earned income over the 3 years from 1987 to 1989.

Mining-dependent counties: Mining accounted for at least 15 percent of earned income over the 3 years from 1987 to 1989.

Nonspecialized counties: Counties not classified as a specialized economic type.

Gross Farm Sales

Gross farm sales (or gross sales): Gross farm sales is used primarily as an indication of farm size. It is a measure of what the farm produces, measured in dollars, regardless of who has a claim on that production. Gross sales is calculated as the operation's crop and livestock sales plus the shares of production received by any share landlords and production contractors the operation may have. Gross sales also includes all government payments received by the operation and share landlord(s).

Farm Structural Characteristics

Sales class: Based on gross sales. Two major classes, noncommercial and commercial, were constructed. The commercial class was divided further into five additional classes.

Noncommercial farms: Farms with gross sales of less than \$50,000 during the year.

Commercial farms: Farms with gross sales of \$50,000 or more during the year.

Small: Farms with gross sales of \$50,000 to \$99,999 during the year.

Lower medium: Farms with gross sales of \$100,000 to \$249,999 during the year.

Upper medium: Farms with gross sales of \$250,000 to \$499,999 during the year.

¹The classification excludes 17 nonmetro counties that could not be categorized due to data suppression.

Large: Farms with gross sales of \$500,000 to \$999,999 during the year.

Superlarge: Farms with gross sales of \$1,000,000 or more during the year.

Acreage class: Based on acres operated. Five classes were constructed: 49 or fewer acres, 50-179 acres, 180-499 acres, 500-999 acres, and 1,000 or more acres.

Type of farm: Farm operators were asked to identify the farm production specialty classification that represented the largest portion of gross sales from their farm operation. Possible responses included the following:

Cash grains: Largest portion of gross sales from corn, soybeans, other grains (such as wheat, oats, barley, rye, and sorghum), dry edible beans and peas, and/or rice.

Tobacco: Largest portion of gross sales from tobacco.

Cotton: Largest portion of gross sales from cotton and cottonseed.

Other field crops: Largest portion of gross sales from peanuts, Irish potatoes, sunflowers, sweet potatoes, sugarcane, broomcorn, popcorn, sugar beets, mint, hops, seed crops, hay, silage, forage, and/or any remaining field crops. Also includes farms entirely in the CRP.

Vegetables, fruits, or nuts: Largest portion of gross sales from vegetables, fruits, tree nuts, and/or berries.

Nursery or greenhouse: Largest portion of gross sales from nursery and/or greenhouse products. Also includes farms entirely in Christmas trees.

Beef, hogs, or sheep: Largest portion of gross sales from cattle (except dairy breeding stock), hogs, pigs, sheep, goats, wool, mohair, and/or lambs.

Poultry: Largest portion of gross sales from broilers, other chickens, turkeys, other poultry, and/or eggs.

Dairy: Largest portion of gross sales from milk and dairy products.

Other livestock: Largest portion of gross sales from mules, horses, foals and ponies, fur-bearing

animals, bees and honey, fish, minnows, or any remaining livestock.

Tenure: Based on questions about owned and operated farmland. Defined as acres owned as a percentage of land operated. Tenure groupings include: full-owner operations (own all of the land operated), part-owner operations (own at least 1 percent of the land operated and rent the rest), and tenant operations (own less than 1 percent of the land operated).

Rental arrangements: Based on questions about rental of land (for cash or a share of production), vehicles, machinery, equipment, and livestock. Rental arrangement categories include: no rentals, land rentals only, land and other rentals, other rentals only (no land rented).

Farm organization: Respondents were asked to identify their farm operation as an individual operation (sole proprietorship), a legal partnership, a family-held corporation, a nonfamily corporation, or a cooperative. (For more details, see the text.) Cooperatives were dropped from the tabulations pertaining to farm organization, due to sample size considerations.

Type of sales: These categories were based on whether the farm produced commodities to satisfy production or marketing contracts in 1993. If a farm produced nothing under contract in 1993, it was assumed to have only cash sales. The two major type-of-sales categories were: farms with cash sales only and farms with contracts (with or without cash sales). Farms with contracts were further categorized as to whether they had production or marketing contracts. The last two categories were not mutually exclusive, because a farm may have both types of contracts. (See "contract," defined below.)

Contract: An agreement, especially a legally binding agreement, between two or more parties to do something. In the FCRS, a contract must be agreed to prior to harvest or storage to be counted as a contract. Farms frequently enter into two types of contracts:

Production contract: Under a production contract, the contractor arranges to have the farm produce a specific quality and quantity of a commodity. The contractor usually owns the commodity being produced and makes most of the production decisions. The farm provides a service and supplies a small portion of the inputs. The farm receives a service fee that does not reflect the full market value of the

commodity, because the farm does not own the commodity.

Marketing contract: Under a marketing contract, the contractor buys a known quantity and quality of a commodity from a farm for a negotiated price. The farm has a buyer and price before the commodity is produced. The contractor does not own the commodity until delivery, and has little influence over production decisions. The farm owns the commodity while it is being produced, makes most of the production decisions, supplies most of the inputs, and receives a price reflecting the value of the commodity.

Financial Characteristics

Financial measures are based on information provided by farm and ranch operations about their farm businesses. Estimates relate strictly to the farm business (operators, partners, and shareholders) and do not include other participants in the farm sector (such as share landlords and contractors).

Gross cash farm income (or gross cash income): The sum of four components:

Livestock sales: Gross value of all livestock items sold from the farm or ranch, net of marketing charges. Includes sales of livestock and livestock products under marketing contracts. Payments received in the current year for livestock items produced in previous years are included.

Crop sales: Gross value of all crop items sold from the farm or ranch. Includes sales of crops under marketing contracts. Also includes net Commodity Credit Corporation (CCC) loans (value of crops placed under CCC loans during the year less the value of CCC loans repaid). Payments received in the current year for crops produced in previous years are included.

Government farm payments: Gross value of direct payments by the Federal Government (excluding wool and unshorn lamb wool payments) received during the calendar year.

Other farm income: Income from custom work, machine hire, livestock grazing, farmland rental, contract production fees, timber sales, outdoor recreation, hedging profits or losses, tobacco

allotment leases, road tax refunds, and any other farm-related income.

Cash expenses: Includes variable expenses for livestock purchases, feed, veterinary services and supplies, other livestock-related expenses, seed and plants, fertilizer and chemicals, labor, fuels and oils, repairs and maintenance, machine-hire and custom work, utilities, and other variable expenses, as well as fixed expenses including real estate and property taxes, interest, insurance, and rent and lease payments.

Net cash farm income: Gross cash income (as defined above) less cash expenses. Represents income available to those who have a stake in the farm business (operators, partners, and shareholders) for living expenses, principal payment, reinvestment in the farm, or other obligations.

Net farm income: Net cash farm income minus depreciation and other nonmoney expenses plus the value of inventory change and nonmoney income. Reflects the return (or loss to) unpaid labor, unpaid management, and equity capital.

Farm Business Assets and Liabilities:

Farm assets: The estimated market value of all capital assets owned by the farm operation on December 31 of the reporting year.

Farm liabilities: Total amount of debt owed by the farm or ranch on December 31 of the reporting year. Includes outstanding principal plus unpaid interest owed to any banks, individuals, co-ops, merchants, or Federal agencies.

Equity: The difference between farm assets and farm liabilities.

Capital investments: Total operator capital expenditures for the reporting year.

Financial position: Farms were classified into one of four categories based on their combined income and solvency status, as defined in the text.

Return on assets: Net farm income plus interest expenses minus estimated charges for unpaid labor and management provided by the operator, divided by total assets. Return on assets shows the rate of return received by the operation for both debt and equity capital invested in the farm.

Operator Characteristics

Operator: The person who runs a farm, making the day-to-day decisions. Information is collected for only one operator per farm. For farms with more than one operator, data are collected only for the primary operator.

Operator age: Farm operators were asked to provide their age. Five age categories were constructed: less than 35 years, 35-44 years, 45-54 years, 55-64 years, and 65 years or older.

Operator education: Operators were asked to provide the highest grade they had completed in school. Four categories were constructed: less than high school, high school, some college, and college.

Operator occupation: Farm operators were asked to identify their major occupation as farm or ranch work, hired manager, something else, or retired.

Farm Operator Households

Farm operator households: The households of operators with farms organized as individual operations, partnerships, and family corporations. Farm operator households exclude households associated with farms organized as nonfamily corporations or cooperatives, as well as households where the operator was a hired manager. For farms with more than one operator, information was obtained only for the households of the primary operator. (See “operator,” defined above.)

Farm operator household income: The farm income that accrues to the farm operator’s household plus all

sources of off-farm income accruing to the household in the reporting year. Both farm income and off-farm income may be negative.

Farm operator household farm income: Net income of the farm operated (defined in the next sentence) times the percent received by the household, plus net income received by the household from other farm businesses, plus wages and salaries paid to the operator and household members by the farm business. The net income of the farm operated is calculated as the net cash income of the farm business, excluding income the business receives from renting out farmland and including farm labor expenses paid to household members as expenses, less depreciation.

Farm operator household off-farm income: Includes off-farm wages and salaries of all household members, plus the net income of any nonfarm businesses, interest and dividends, and all other cash off-farm income of household members.

Farm operator household dependency categories: A ratio is calculated to provide information on the components of farm operator household income and their importance. There are six categories of this ratio based on the value of farm operator household income and farm income, as defined in the text.