

## Appendix A: Glossary

**Acreage class** - a structural indicator of farm size based on acres operated. The five acreage classes generally used in this report are: 1-49 acres, 50-179 acres, 180-499 acres, 500-999 acres, and 1,000 acres or more. See also **acres operated** and **agricultural structure**.

**Acres operated** - all farmland under a given operating arrangement, regardless of location, for which the operator made day-to-day decisions. Includes land that is owned by the operation, plus land rented in, less land rented out, plus land that is used part of the year and rented out during another part of the year. Rental may be for cash, for a share of production, or free-of-charge. Excludes land rented in on an animal-unit-month (AUM) basis.

**Agricultural structure** - a concept that can be freely defined as characteristics and patterns that describe the participants in agricultural production, including farm businesses, farm operators, and farm households. For example, farms may be described by average size (acres or sales), sales class, form of legal organization, type of production, geographic location, and financial position. Farm operators and operator households may be described by age, education, and dependence on off-farm income. These are just some of the descriptors that may be included in a list of components of agricultural structure. Structural indicators are used in analyses such as tracking changes in farms and farming over time, and assessing the impact of changes in farm programs and policies.

**Capital investments** - total operator expenditures during the reporting year for depreciable items such as vehicles, machinery and equipment, buildings and improvements, and breeding stock. Excludes real estate purchases.

**Cash expenses** - 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.

**Commercial farms** - farms with gross value of sales of \$50,000 or more during the year. Commercial farms are often divided into five sales classes. See also **sales class**.

**Contracting arrangement** - indicates whether any of the commodities making up the operation's gross value of sales were produced or sold under contract. A contract is generally a written, legally binding agreement between two or more parties. The contracting arrangement may be: (1) no contracts (cash sales only), (2) production contract(s) with or without cash sales, (3) marketing contract(s) with or without cash sales, or (4) some combination of (2) and (3). See also **production contract** and **marketing contract**.

**Crop sales** - gross cash income from all crops sold from the farm or ranch during the calendar year. Includes sales of crops under marketing contracts. Also includes net Commodity Credit Corporation (CCC) loans (value of crops placed under CCC loan during the year less the value of CCC loans repaid). Payments received in the current year for crops produced in previous years are included. A component of gross cash farm income.

**Earnings of the operator household from farming activities** - a measure of the farming component of operator household income based on methodology used by the Bureau of the Census using the Current Population Survey (CPS) to estimate income of self-employed people. The CPS estimate includes only cash income, not in-kind or nonmoney income, but subtracts depreciation, a noncash expense. Although earnings from farming activities may not include some resources available to the household from the farm business, it allows comparison of average total income of farm households to average income of all U.S. households. Household earnings from farming activities are calculated as the operator household's share of adjusted farm business income (100 percent if other households do not share the farm business income) plus (1) wages paid to the operator by the farm business, and (2) other farm-related earnings, which include wages paid to other household members by the farm business and income from any other farm business. For additional explanation, see Appendix C: Measuring Farm Operator Household Income. See also **farm operator household income**.

**Earnings of the operator household from off-farm sources** - off-farm wages and salaries of all household members, plus the net income of any nonfarm businesses, interest and dividends, rental income from all properties (including farmland rented out), and all other cash off-farm income of household members. See also **farm operator household income**.

**Equity** - the difference between farm assets and farm liabilities.

**Family farm** - a farm that is closely held by one or more households, generally including the operator's household. A family farm may be a sole proprietorship, partnership, or family corporation. Farms that are **not** family farms are farms operated by a hired manager and farms organized as nonfamily corporations or cooperatives. See also **farm legal organization**.

**Farm** - any establishment from which \$1,000 or more of agricultural products were sold or normally would have been sold during the year under consideration. See also **point farm** and **family farm**.

**Farm assets** - estimated market value of all physical and financial assets owned by the farm operation on December 31 of the survey year. Assets include items such as land and buildings, farm share of vehicles, machinery and equipment, and livestock, and production inputs on hand, as well as cash, CD's, and savings or checking accounts.

**Farm household** - see **farm operator household** and **family farm**.

**Farm income** - see **gross cash farm income**, **gross farm income**, **net cash farm income**, **net farm income**, **earnings of the operator household from farming activities**, or **earnings of the operator household from off-farm sources**.

**Farmland** - all cropland, farmstead land, government program land, idle land, orchards, pasture, wasteland, wetland, and woodland. See also **acres operated**.

**Farm legal organization** - identifies the legal status of the farm operation. A farm may be a sole proprietorship, a legal partnership, a family-held corporation, a nonfamily corporation, or a cooperative. Because so few cooperatives were sampled, cooperative farms were not included in tabulations pertaining to legal organization. See also **family farm**.

**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.

**Farm operator** - the person who makes most of the day-to-day decisions about the farm, regardless of whether or not others share management responsibility. Thus, for the ARMS as for the census of agriculture, the number of farm operators equals the number of farms.

**Farm operator household** - all persons living in the house with the operator of a farm organized as a sole proprietorship, partnership, or family corporation. Also includes persons dependent on the household for support even though living elsewhere, such as a student at college. Farm operator households exclude households associated with farms organized as nonfamily corporations or cooperatives, as well as households where the operator is a hired manager. Thus, the number of farm households counted by the ARMS equals the number of farms organized as sole proprietorships, partnerships, or family corporations.

**Farm operator household farm dependency category** - the ratio of earnings from farming activities to total operator household income. Indicates the importance of earnings from farming activities to total household income. Farms with a positive household income despite a loss from farming earn sufficient off-farm income to cover farm losses. Farms with a negative household income usually have farm losses that exceed off-farm earnings.

**Farm operator household income** - the sum of earnings of the operator household from farming activities and earnings from all off-farm sources received by household members in the reporting year. Estimating total household income allows income comparisons between farm households and all U.S. households. Both earnings from farming activities and earnings from off-farm sources may be negative.

**Farm production regions** - 10 multi-State areas in the contiguous 48 States that are somewhat homogeneous with respect to agriculture. Alaska and Hawaii are not surveyed for the ARMS and are excluded from this report. The States that make up the 10 farm production regions are:

- *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

**Farm structure** - see **agricultural structure**.

**Farm type** - a structural indicator that identifies the commodity that represents the largest portion of the farm's gross cash income. Farm operators themselves choose the farm type from a list of selected agricultural commodity groups. (See also **agricultural structure** and **majority enterprise type**).

In 1995, 14 choices for farm type were presented in the survey; and these were aggregated into 10 farm types for this report. The 10 farm types are:

- *cash grains*: corn, soybeans, other grains (such as wheat, oats, barley, rye, and sorghum), dry edible beans and peas, and rice
- *tobacco*
- *cotton*: cotton and cottonseed
- *other field crops*: peanuts, Irish potatoes, sunflowers, sweet potatoes, sugarcane, broomcorn, popcorn, sugar beets, mint, hops, seed crops, hay, silage, forage, and any remaining field crops. Also includes farms for which Conservation Reserve Program (CRP) payments were the operation's sole source of gross farm income.
- *vegetables, fruits, or nuts*: vegetables, fruits, tree nuts, and berries
- *nursery or greenhouse*: nursery and greenhouse products. Also includes farms whose only production is

Christmas trees.

- *beef, hogs, or sheep*: cattle (except dairy breeding stock), hogs, pigs, sheep, goats, wool, mohair, and lambs
- *poultry*: broilers, other chickens, turkeys, other poultry, and eggs
- *dairy*: milk and dairy products
- *other livestock*: mules, horses, foals and ponies, fur-bearing animals, bees and honey, fish, minnows, and any remaining livestock

**Favorable financial position** - see **financial position**.

**Financial measures** - financial information that relates solely to the farm operation as a business and to those with a stake in it (operators, partners, and shareholders). Others who may be participants in the business of the farm (such as share landlords and contractors) are excluded. Financial measures referred to in this report include gross cash farm income (includes livestock sales, crop sales, government payments, and other farm income), cash expenses, net cash farm income, net farm income, farm assets, farm liabilities, equity, and capital investments. See also **financial position**.

**Financial position** - describes the financial health of the farm business using income (net farm income) and solvency (debt-to-asset ratio) measures. The four categories of financial position are:

- *favorable* - debt-to-asset ratio no more than 0.40 and positive net farm income. These farms are generally considered financially stable.
- *marginal income* - debt-to-asset ratio no more than 0.40 and negative net farm income. Periods of negative income may not pose financial difficulties if the farm is carrying a low debt load and can either borrow against equity or obtain income from off-farm sources.
- *marginal solvency* - debt-to-asset ratio greater than 0.40 and positive net farm income. A high debt-to-asset ratio may be acceptable if the farm can generate enough income to service its debt and meet other financial obligations.
- *vulnerable* - debt-to-asset ratio greater than 0.40 and negative net farm income. These farms are generally considered financially unstable.

**Government payments** - value of all government (State or Federal) agricultural payments received during the calendar year, excluding wool and unshorn lamb payments, CCC loans, and crop insurance payments. Includes such payments as deficiency payments, disaster payments, storage payments, and Conservation Reserve Program (CRP) payments. A component of gross cash farm income.

**Gross cash farm income** (or **gross cash income**) - the sum of four components--crop sales, livestock sales, government payments, and other farm income.

**Gross farm income** - gross cash farm income plus: the net change in both the value of crop, livestock, feed, and fertilizer inventory, and accounts receivable; the value of farm products used or consumed on the farm; and the gross imputed rental value of the farm operator dwelling if it was owned by the operation.

**Gross value of sales** - a measure of output often used as an indicator of farm size. Gross value of sales measures, in dollars, how much the farm produces, regardless of who has a claim on that production. Gross value of sales is calculated as the operation's crop and livestock sales plus any shares of production received by share landlords or production contractors. Gross value of sales also includes government payments received by the operation and share landlord(s). Sometimes referred to as gross farm sales or gross sales. See also **sales class**.

**Livestock sales** - gross cash income from all livestock items sold from the farm or ranch during the calendar year, 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. A component of gross cash farm income.

**Majority enterprise type** - a structural indicator that identifies the commodity or commodity group that accounts for at least half of the operation's estimated gross value of production. A farm that does not meet the 50-percent criterion for any 1 of the 15 specific majority enterprise types could be classified as either a general crop farm (crops account for at least 50 percent of the gross value of production) or general livestock farm (livestock accounts for at least 50 percent of the gross value of production) based on the crop and livestock components of the value-of- production estimate. See also **farm type**.

**Marginal income** - see **financial position**.

**Marginal solvency** - see **financial position**.

**Marketing contract** - the type of contract used to guarantee a market for a commodity and negotiate a price in advance of actual delivery. The contract may set a price or at least establish a procedure to arrive at a price. For example, fruit may be priced according to quality, or a livestock price at delivery will be a function of grade and yield. The contractee (farm operator) owns the commodity while it is being produced, makes most of the production decisions, and supplies most of the inputs. Contracts, for ARMS purposes, must be in place before harvest or before the commodity is ready to be marketed. Futures contracts obtained for the purpose of hedging are not considered marketing contracts, but rather marketing strategies for cash sales. See also **contracting arrangement** and **production contract**.

**Net cash farm income** - gross cash farm income 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 less depreciation and other nonmoney expenses plus the value of inventory change and nonmoney income. Represents the return (or loss) to unpaid labor, unpaid management, and equity capital. See also **net cash farm income**.

**Noncommercial farms** - farms with gross value of sales less than \$50,000 during the year. Most of these farms are 'family' farms. Many have negative farm income and associated farm households are often highly dependent on off-farm earnings. See also **sales class**.

**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. A component of gross cash farm income.

**Point farm** - any operation that did not have at least \$1,000 in agricultural sales during the year, but had enough agricultural activity based on a point system to qualify as a farm. Points are assigned for acres of various crops and

head of various livestock species to estimate a normal level of sales. Both the Agricultural Resource Management Study (ARMS) and the census of agriculture use the point system as a substitute for dollar sales to identify farms meeting the current definition.

**Production contract** - the type of contract used primarily in livestock production. The contractor usually owns the commodity being produced and makes most of the production decisions. The contractee (farm operator) generally provides such inputs as labor, housing, utilities, and machinery. The farm mainly provides a service for a fee. Although the farm does not own the commodity, gross value of sales for the operation reflects the full market value of the commodity produced, but gross cash income includes only the service fee, excluding the value of production received by the contractor. See also **contracting arrangement** and **marketing contract**.

**Quartiles** - four sets of farms grouped by first ranking all farms according to a selected measure (such as sales or acres), and then determining the number of farms that account for one-fourth of the total for the measure. For example, value-of-production quartiles are determined by first ranking farms (from low to high) according to their value of production, and then grouping farms sequentially until the cumulative total of each group's value of production is one-fourth the total U.S. value of production. Many small farms will make up the lowest value-of- production quartile compared with relatively few large farms in the highest value-of-production quartile.

**Rental arrangement** - refers to the ownership status of not only land operated, but also all the other assets used in production (including buildings, vehicles, machinery, equipment, and livestock). The four classes of rental arrangements are: (1) no rental at all, (2) land rental only, (3) land rental and other asset rental, (4) other assets only (no land rental). See also **tenure class**.

**Sales class** - a structural indicator of farm size based on gross value of sales. In this report, farms are generally grouped into six sales classes. The two major subsets of farms based on sales class are noncommercial farms (gross sales under \$50,000) and commercial farms (gross sales \$50,000 or more). Commercial farms are further divided into five sales classes: \$50,000-\$99,999, \$100,000-\$249,999, \$250,000-\$499,999, \$500,000-\$999,999, and \$1,000,000 or more. See also **noncommercial farms**, **commercial farms**, and **agricultural structure**.

**Tenure class** - a structural indicator that characterizes the extent of land ownership of the operated acres. Farms are classified as (1) full-owner operations (the operator owns all of the land operated), (2) part-owner operations (the operator owns at least 1 percent of the land operated and rents the rest) or (3) full-tenant operations (the operator owns less than 1 percent of the land operated). See also **agricultural structure**.

**Type of farm** - see **farm type** and **majority enterprise type**.

**Value of production** - the dollar value of all commodities produced on the farm in a given year, excluding commodities used on the farm. For example, if corn grown on a farm is fed to hogs, then the value of hogs, not corn, is included in the total value of production. Commodities included in the value of production may be sold or added to inventory. Value of sales differs from value of production in that the value of sales includes commodities sold in the current year but produced in previous years (drawing down inventory) and also includes government payments received.

**Vulnerable financial position** - see **financial position**.