

# Operating & Capital Expenses



**John Miyares**  
**Great Lakes Region**



**United States Department of Agriculture**  
National Agricultural Statistics Service





# Uses of Expenditure Data

United States  
Department of  
Agriculture

National  
Agricultural  
Statistics  
Service



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## Farm Production Expenditures 2021 Summary

July 2022



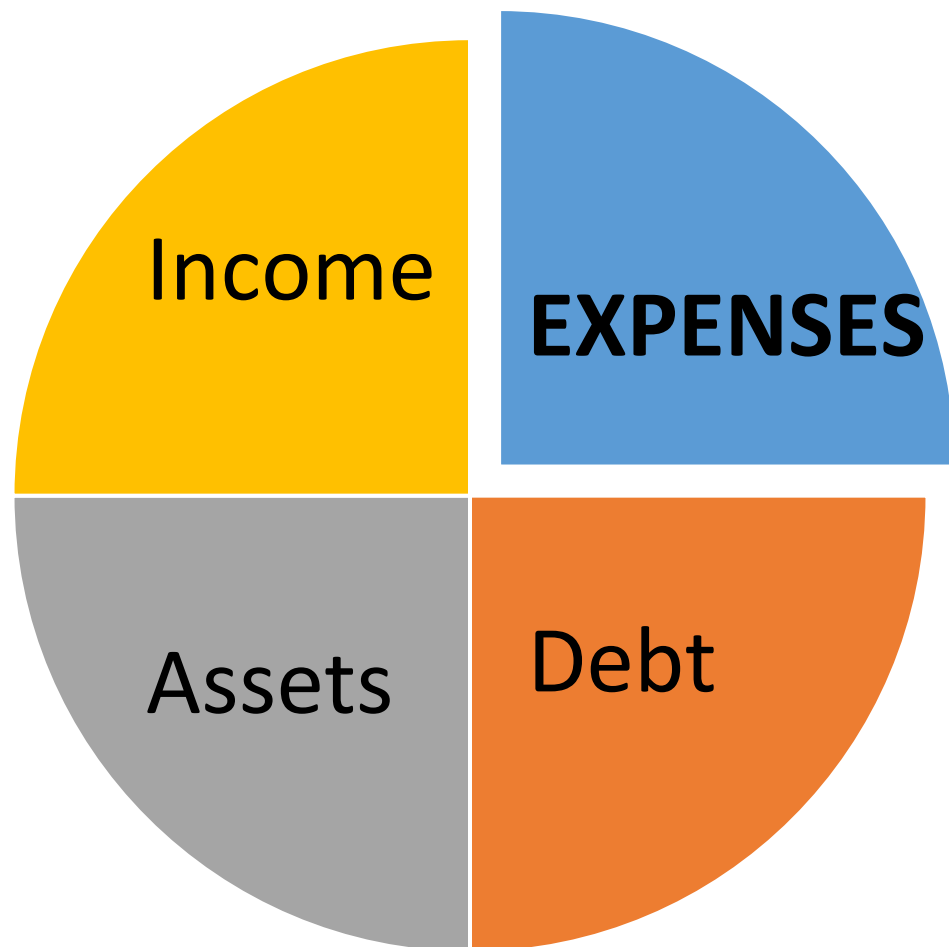
- Provides annual weights for NASS's computation of the Prices Paid Indexes.
- Bureau of Economic Analysis (BEA).
- USDA Office of the Chief Economist.



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# How it all Fits



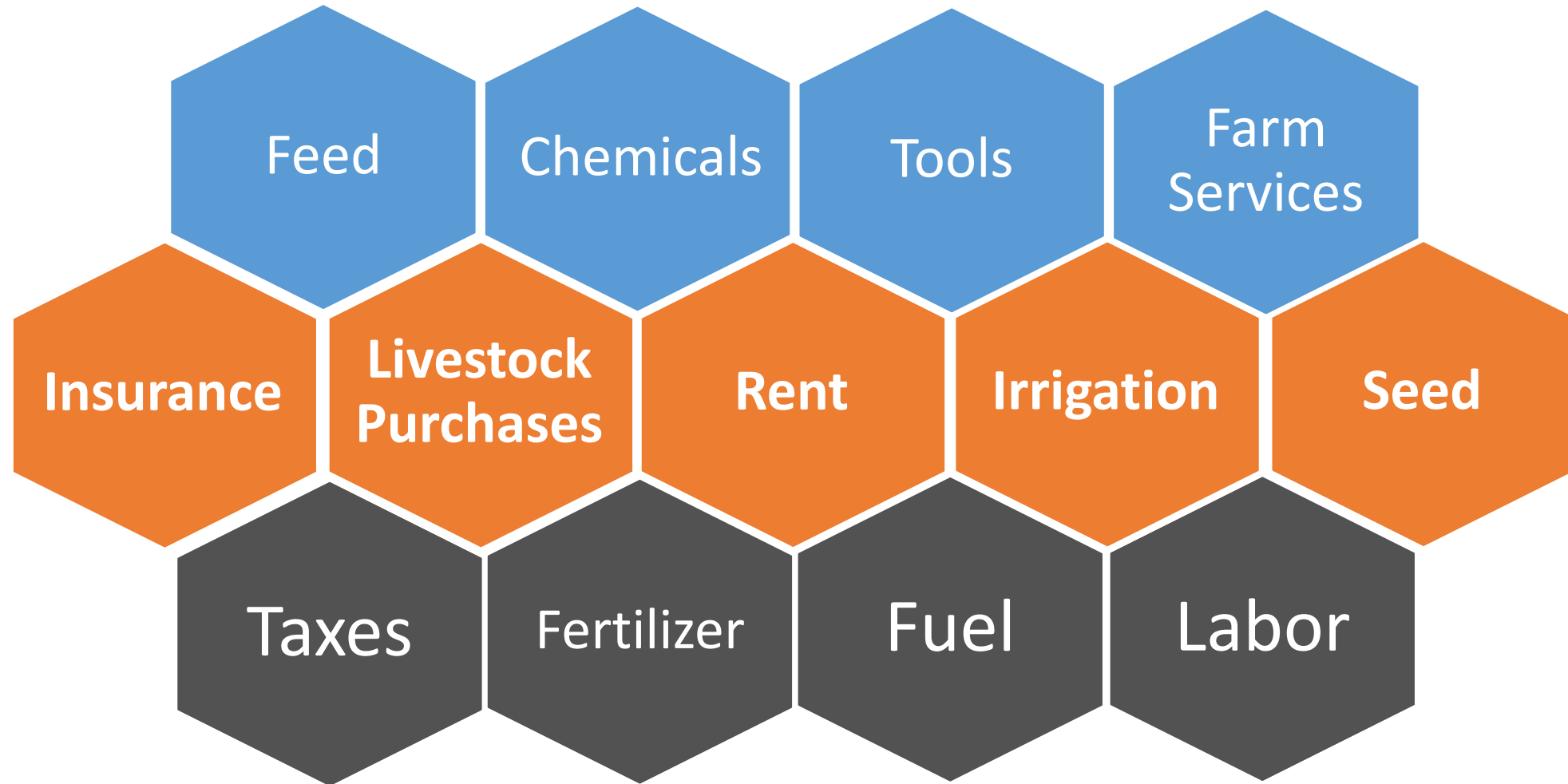
# Expenditures - General

- Landlord expenses asked at the end of the section
- Contractor expenses are not asked on this form any longer, but are still calculated behind the scenes
- Include expenses related to this operation
- Watch Include/Exclude Instructions
- Best Estimates are Acceptable

SECTION 32 OPERATING & CAPITAL EXPENDITURES						
In 2022, how much was spent for each item by the PRODUCER(S) and PARTNER(S): (Include only expenses related to this operation. Exclude expenses NOT related to this farm/ranch; expenses of performing custom work FOR others, if this is a separate business; and expenses on land rented to others.)						
OPERATING EXPENSES in 2022						
1. seeds, sets, plants, seed cleaning and treatments, transplants, trees and nursery stock? (Include technology or other fees, seed treatments, and seed cleaning cost. Exclude items purchased for resale without additional growth.) . . . . . 0600	Mark "X" if None <input type="checkbox"/>	<table border="1"><thead><tr><th colspan="2">Dollars</th></tr></thead><tbody><tr><td>\$</td><td>.00</td></tr></tbody></table>	Dollars		\$	.00
Dollars						
\$	.00					
2. nutrients, fertilizer, lime, and soil conditioners? (Include cost of custom application and organic materials. Exclude potting mixes, vermiculite, and sterilized soil.) . . . . . 0606	<input type="checkbox"/>	<table border="1"><thead><tr><th colspan="2">Dollars</th></tr></thead><tbody><tr><td>\$</td><td>.00</td></tr></tbody></table>	Dollars		\$	.00
Dollars						
\$	.00					
3. agricultural chemicals and biocontrols for crops, livestock, poultry, and general farm use? (Include biological pest controls and custom application costs.) . . . . . 0612	<input type="checkbox"/>	<table border="1"><thead><tr><th colspan="2">Dollars</th></tr></thead><tbody><tr><td>\$</td><td>.00</td></tr></tbody></table>	Dollars		\$	.00
Dollars						
\$	.00					



# Operating Expenses



# Seed/Fertilizer/Chemicals: Items 1 – 3

- Want amount paid by operation in this year regardless of when the input was used.
- May not be entirely used.



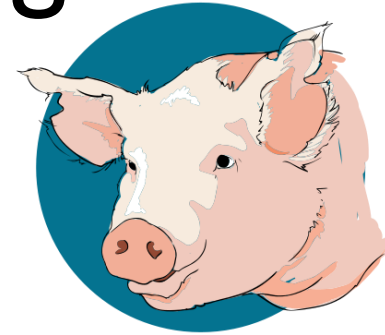
SECTION 32		OPERATING & CAPITAL EXPENDITURES					
<b>In 2022, how much was spent for each item by the PRODUCER(S) and PARTNER(S):</b> <i>(Include only expenses related to this operation. Exclude expenses NOT related to this farm/ranch; expenses of performing custom work FOR others, if this is a separate business; and expenses on land rented to others.)</i>							
<b>OPERATING EXPENSES in 2022</b>							
1. seeds, sets, plants, seed cleaning and treatments, transplants, trees and nursery stock? <i>(Include technology or other fees, seed treatments, and seed cleaning cost. Exclude items purchased for resale without additional growth.)</i> . . . . . 0600	Mark "X" if None <input type="checkbox"/>	<table border="1"><thead><tr><th colspan="2">Dollars</th></tr></thead><tbody><tr><td>\$</td><td>.00</td></tr></tbody></table>		Dollars		\$	.00
Dollars							
\$	.00						
2. nutrients, fertilizer, lime, and soil conditioners? <i>(Include cost of custom application and organic materials. Exclude potting mixes, vermiculite, and sterilized soil.)</i> . . . . . 0606	<input type="checkbox"/>	<table border="1"><tbody><tr><td>\$</td><td>.00</td></tr></tbody></table>		\$	.00		
\$	.00						
3. agricultural chemicals and biocontrols for crops, livestock, poultry, and general farm use? <i>(Include biological pest controls and custom application costs.)</i> . . . . . 0612	<input type="checkbox"/>	<table border="1"><tbody><tr><td>\$</td><td>.00</td></tr></tbody></table>		\$	.00		
\$	.00						





# Livestock: Items 4-8

- Check Sections 15-22 for Inventory
- Include Commission, Yardage, Insurance, and Fees



4. livestock purchases of –		
a. breeding stock for beef cattle, dairy cattle, hogs and sheep? . . . . .	0621 <input type="checkbox"/>	\$ .00
b. other cattle, calves, hogs and pigs? [ <i>Report other sheep in Item 4d.</i> ] . . . . .	0624 <input type="checkbox"/>	\$ .00
c. chickens and turkeys? [ <i>Report ducks and game birds in Item 4d.</i> ] . . . . .	0627 <input type="checkbox"/>	\$ .00
d. other livestock and poultry? ( <i>Include other sheep, lambs, bees, brood fish, fingerlings, eggs for hatching, goats, etc.</i> ) . . . . .	0630 <input type="checkbox"/>	\$ .00
5. leasing of livestock? ( <i>Include bees, bulls, dairy cattle, etc.</i> ) . . . . .	0633 <input type="checkbox"/>	\$ .00
6. purchased feed for livestock and poultry? ( <i>Include grain, hay, silage, mixed feeds, concentrates, etc.</i> ) . . . . .	0636 <input type="checkbox"/>	\$ .00
7. bedding and litter for livestock? . . . . .	0639 <input type="checkbox"/>	\$ .00
8. medical supplies, veterinary and custom services for livestock? . . . . .	0642 <input type="checkbox"/>	\$ .00

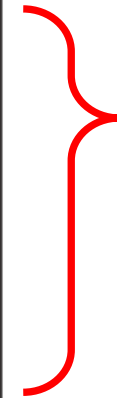


# Fuel Breakout – Item 9

- IRS Schedule F will help a bit
- Only Include Farm Share
- Item 9a (item code 663) should be the sum of the fuels below



9. purchases for the farm business of –	<input type="checkbox"/>	\$	<b>TOTAL</b>	.00
a. all fuels, oils and lubricants? (total of 9a(i) through 9a(vi) must equal Item 9a) . . . . .	0663	<input type="checkbox"/>	\$	.00
(i) diesel fuel? ( <b>Include</b> biodiesel.) . . . . .	0645	<input type="checkbox"/>	\$	.00
(ii) gasoline and gasohol? ( <b>Include</b> ethanol blends.) . . . . .	0648	<input type="checkbox"/>	\$	.00
(iii) natural gas? . . . . .	0651	<input type="checkbox"/>	\$	.00
(iv) LP gas (propane, butane)? . . . . .	0654	<input type="checkbox"/>	\$	.00
(v) oils and lubricants? ( <b>Include</b> grease, hydraulic fluids, motor oils, transmission fluids, etc.). . . . .	0657	<input type="checkbox"/>	\$	.00
(vi) all other fuel? ( <b>Include</b> coal, fuel oil, kerosene, wood, etc.). . . . .	0660	<input type="checkbox"/>	\$	.00





# Supplies, Repairs & Maintenance

- Items 13 – 15: Supplies, Repairs, Maintenance of Farm Buildings
- Item 16: Repairs to Operator's Dwelling  
***(ONLY IF IT IS OWNED BY THE OPERATION)***



13. farm supplies, marketing containers, hand tools and farm shop power equipment? . . . 0702	<input type="checkbox"/>	\$	.00
14. repairs, parts and accessories for motor vehicles, machinery and farm equipment? . . . . . 0708	<input type="checkbox"/>	\$	.00
15. maintenance and repair for the upkeep of all farm buildings, houses other than the producer's, land improvements, and all other farm/ranch improvements? . . . . . 0714	<input type="checkbox"/>	\$	.00
16. maintenance and repair of the producer's house <b>if it was owned by the operation?</b> . . . . . 0726	<input type="checkbox"/>	\$	.00



# Wages and Labor Expenses

The following table applies to items 24 and 25			
Include	Exclude		
<ul style="list-style-type: none"> <li>• Cash wages</li> <li>• Incentives and bonuses</li> <li>• Payments to corporate officers and family members, including yourself and other producers if they received a wage</li> </ul>	<ul style="list-style-type: none"> <li>• Draws by individual producers and partners</li> <li>• Wages paid for custom labor or contract work</li> <li>• Payments to pensions or retirement plans</li> <li>• Social Security on owner/producer</li> </ul>	Employer's share of: <ul style="list-style-type: none"> <li>• Social Security and unemployment taxes</li> <li>• Health and life insurance</li> <li>• Worker's compensation</li> </ul>	

	None	Dollars	
24. CASH WAGES paid to hired farm and ranch labor? . . . . . 0758	<input type="checkbox"/>	\$ <b>TOTAL</b>	.00
25. Of the (Item 24) dollars, how much salary or wage was paid to — (total 25a + 25b + 25c + 25d + 25e must equal Item 24)			
a. you (the principal producer)? . . . . . 0764	<input type="checkbox"/>	\$	.00
b. your (the principal producer's) spouse? (Even if your spouse is a producer, include his/her wages here.) . . . . . 0767	<input type="checkbox"/>	\$	.00
c. other members of your (the producer's) household? (Even if your other household members are producers, include their wages here.) . . . . . 0574	<input type="checkbox"/>	\$	.00
d. other producers (outside the producer's household)? (Those persons responsible for the day-to-day management decisions for this operation.) . . . . . 0770	<input type="checkbox"/>	\$	.00
e. all other paid farm and ranch labor? . . . . . 0773	<input type="checkbox"/>	\$	.00
26. payroll taxes for hired labor? (Include any amounts the farm paid for farm workers that are part of your (the producer's) household.) . . . . . 0705	<input type="checkbox"/>	\$	.00
27. benefits for hired labor? (Include employer's share of health insurance, pension or retirement plans, Worker's Compensation, etc.) . . . . . 0915	<input type="checkbox"/>	\$	.00



# Marketing Charges

- Section 32, Item 34
  - Almost all operations that sell commodities have marketing expenses.
  - If operator reports no marketing charges, probe to find out if anything was subtracted out of the total price before the farmer received the check.
  - Get total quantity and unit sold if operator doesn't know the total marketing charges.

34. Marketing and storage expenses incurred by this operation? (*Include* check-off, commissions, storage, inspection, ginning, etc. *Include* marketing expenses for contract sales.) 0868 ☐ \$  .00



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# Operating Expenses not located in Section 32

- Gross rent components:
  - Cash Rent → Section 3, Question 5
  - Share rent → Section 27, Questions 2 & 3
  - Grazing fees → Section 3, Question 6
- Livestock contract production fees: Sections 24 & 25
  - “TOTAL FEES RECEIVED/PAID TO CONTRACTEES in Reference Year”
  - Section 24, Item 1, Column 5
  - Section 25, Item 2, last two columns





# Operating vs Capital Expenses



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# Capital Improvements

- Focus on expenses which add value to the farm assets and businesses

## CAPITAL EXPENSES in 2022

35. improvements on land such as land preparation, irrigation improvements, well drilling, ponds, feedlots, trench silos, lagoons, new fences, etc.? . . . . . 0807
36. new construction and remodeling of dwellings, barns, buildings, hog houses, poultry houses, milk barns, storage facilities, sheds, silos, etc.? . . . . . 0810
37. new construction or remodeling of the producer's dwelling, if owned by the operation? . . . . . 0813

☐☐☐

\$		.00
\$		.00
\$		.00





# Vehicles, Machinery, and Equipment

- Important to distinguish assets used by the farm or ranch versus other businesses or the household.

For Items 38 through 45, report the **TOTAL NET COST** (after deducting the value of trade-ins, rebates & discounts) of the following items purchased in 2022 for the farm/ranch:

	Mark "X" if None	Percent for farm/ranch use		Dollars				
38. Cars – (Include new and used.) . . . . .	<input type="checkbox"/>	<table border="1"><tr><td></td><td>%</td></tr><tr><td></td><td>%</td></tr></table>		%		%	0816	\$ .00
	%							
	%							
39. Trucks – (Include new and used trucks, pickups, sport utility vehicles, vans, campers and buses.) . . . . .	<input type="checkbox"/>	<table border="1"><tr><td></td><td>%</td></tr><tr><td></td><td>%</td></tr></table>		%		%	0818	\$ .00
	%							
	%							
40. ATVs, Side by Sides, UTVs, etc. . . . .	<input type="checkbox"/>	<table border="1"><tr><td></td><td>%</td></tr><tr><td></td><td>%</td></tr></table>		%		%	3100	\$ .00
	%							
	%							
41. Tractors – (Include new and used.) . . . . .	<input type="checkbox"/>		0820	\$ .00				
42. Self-propelled equipment – (Include implements and self-propelled equipment for livestock, dairy, or poultry production. Exclude tractors.) . . . . .	<input type="checkbox"/>		0821	\$ .00				
43. Other farm machinery, non-self-propelled farm equipment, pumps, and capital equipment for crop or livestock production. (Include farm share only.) . . . . .	<input type="checkbox"/>		0822	\$ .00				
44. Office equipment, furniture, and computers that were placed on a depreciation schedule. . . . .	<input type="checkbox"/>		0823	\$ .00				
45. Farmland and other farm real estate for expanding this operation . . . . .	<input type="checkbox"/>	Acres	0803	\$ .00				



# Operating or Capital Expense?

- Overhaul of tractor transmission, Cost: \$25,000:
  - If listed on depreciation schedule, then it is a capital expense (Item 46: All other capital expenditures). Please leave a note in the box.
  - If not listed on depreciation schedule (expensed), then it is recorded in repair and maintenance (Item 14). Do not list this expense in both places.

***It really depends on how the operation records the information for tax purposes.***



# Catch-All Questions

- All Other Capital Expenses – Question 46
- All Other Production Expenses – Question 47


46. All other capital expenditures. *(Include all other capital expenditures that were placed on a depreciation schedule.)* Specify Other Capital Expenditures & Amounts: 

. . 0824

☐

\$

.00

47. What other expenses did this operation have in 2022 that have not been recorded? *(Include potting soil.)* Specify Other Expenses & Amounts: 

. . 0825

☐

\$

.00



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# Landlord Expenses

- Skip if there is no rental agreement.
- If exact amounts unknown, write notes if landlord paid expenses.
- All landlords should have property tax expenses.

In 2022, how much was spent for each item by the operation's LANDLORD(S):

## OPERATING EXPENSES in 2022

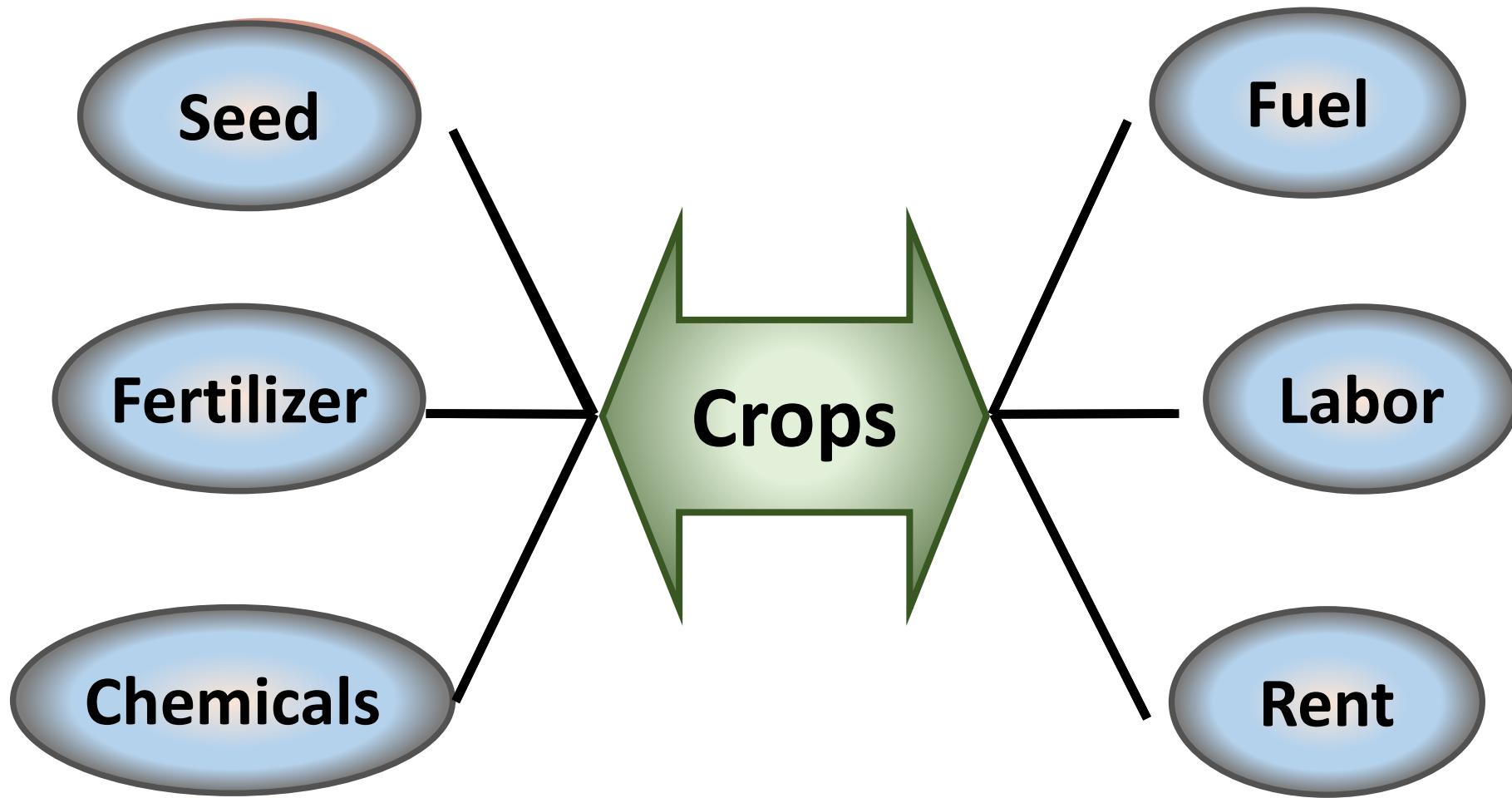
	Mark "X" If None	Dollars
48. seeds, sets, plants, seed cleaning and treatments, transplants, trees and nursery stock? ( <i>Include</i> technology or other fees, seed treatments, and seed cleaning cost. <i>Exclude</i> items purchased for resale without additional growth.) . . . . . 0601	<input type="checkbox"/>	\$ .00
49. nutrients, fertilizer, lime, and soil conditioners? ( <i>Include</i> cost of custom application and organic materials. <i>Exclude</i> potting mixes, vermiculite, and sterilized soil.) . . . . . 0607	<input type="checkbox"/>	\$ .00
50. agricultural chemicals and biocontrols for crops, livestock, poultry, and general farm use? ( <i>Include</i> biological pest controls and custom application costs.) . . . . . 0613	<input type="checkbox"/>	\$ .00
51. property taxes on real estate (land and buildings)? ( <i>Include</i> real estate taxes on the producer's dwelling, if owned by the operation) . . . . . 0745	<input type="checkbox"/>	\$ .00
52. Marketing and storage expenses incurred by this operation? ( <i>Include</i> check-off, commissions, storage, inspection, ginning, etc. Include marketing expenses for contract sales.) 0869	<input type="checkbox"/>	\$ .00
2668		
53. All other landlord expenses → Please specify. 2669	<input type="checkbox"/>	\$ .00



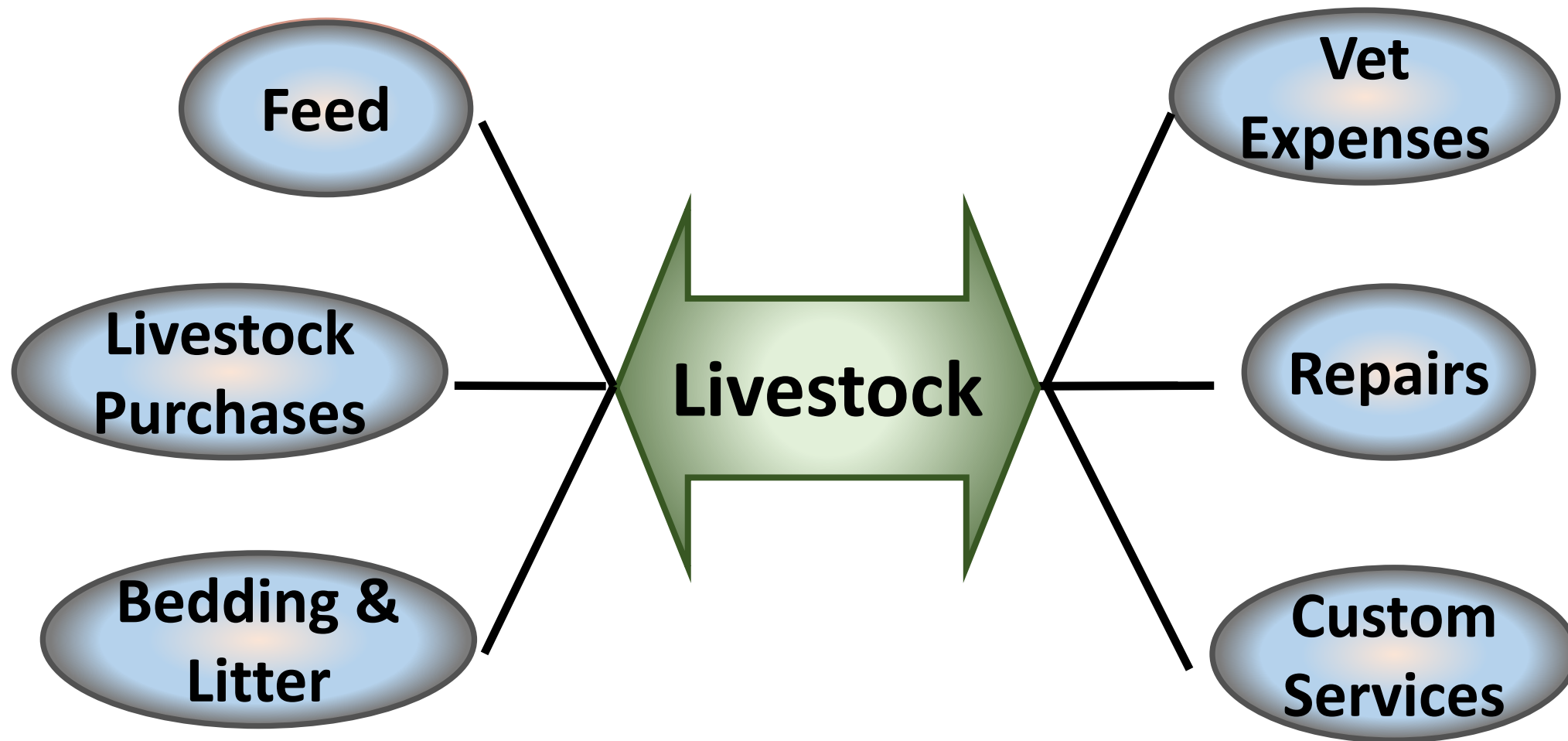
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# Data Relationships – Crop Operations

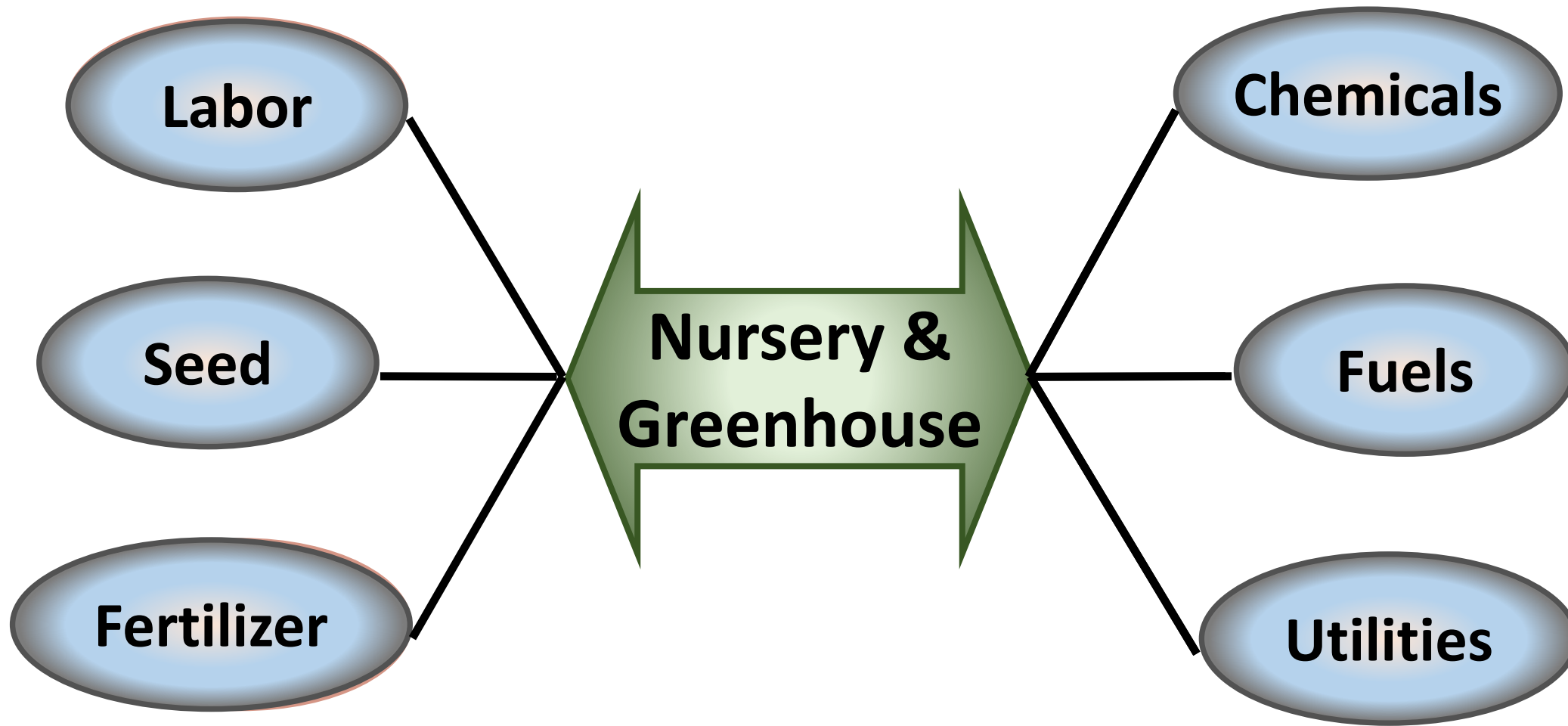


# Data Relationships – Livestock Operations



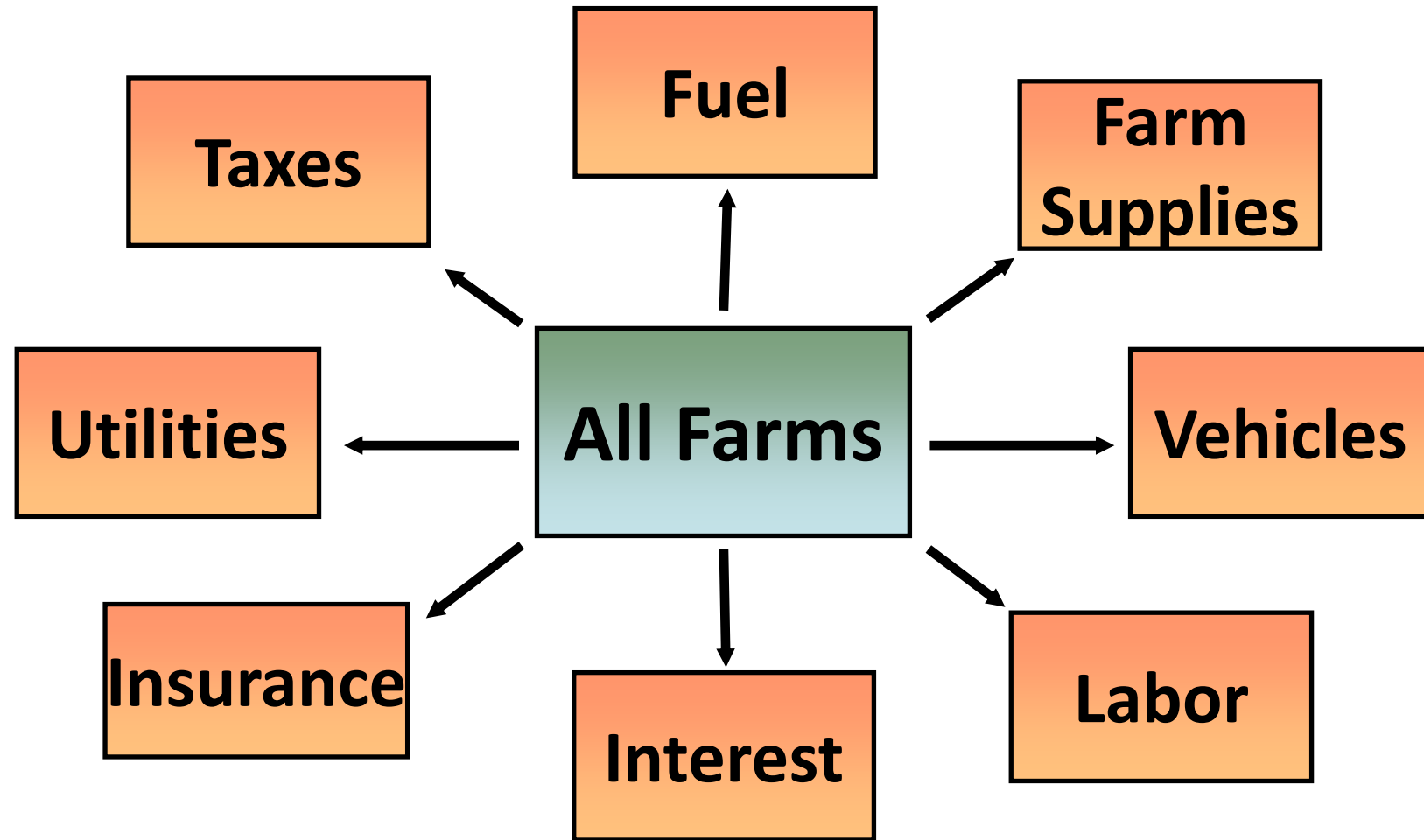


# Data Relationships – Other Operations



# Data Relationships – All Farms

Expect  
Particular  
Expenses  
By  
Farm  
Type



# Data Relationships – EXAMPLES

- ***Debt Reported in Section 34?*** Should have Interest expenses in item 19.
- ***Paid Labor Hours Reported in Section 36?*** Cash Wages in items 24 & 25.
  - ***Be mindful of “Draws”*** – Not a cash wage; code as unpaid labor hours.
- ***Land Owned in Section 1?*** Real estate taxes in Item 20.
- ***Land Rented in Section 1?*** Landlord real estate taxes in Item 51.
- ***Dairy Operation?*** Milk Hauling Expenses in Item 29a.
- ***Vehicles Owned/Leased?*** Registration/Licensing Fees in Item 22.



# Encourage Use of Farm Records

## SCHEDULE F (Form 1040)

Department of the Treasury  
Internal Revenue Service

## Profit or Loss From Farming

Attach to Form 1040, Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.  
Go to [www.irs.gov/ScheduleF](http://www.irs.gov/ScheduleF) for instructions and the latest information.

OMB No. 1545-0074

**2022**

Attachment  
Sequence No. **14**

### Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10	Car and truck expenses (see instructions). Also attach <b>Form 4562</b>	10		23	Pension and profit-sharing plans . . . . .	23	<b>27</b>
11	Chemicals . . . . .	11	<b>3</b>	24	Rent or lease (see instructions):		
12	Conservation expenses (see instructions)	12		a	Vehicles, machinery, equipment . . . . .	24a	<b>21</b>
13	Custom hire (machine work) . . . . .	13	<b>29b</b>	b	Other (land, animals, etc.) . . . . .	24b	<b>Sec 32 #5 &amp; Sec 3 #5</b>
14	Depreciation and section 179 expense (see instructions) . . . . .	14	<b>23</b>	25	Repairs and maintenance . . . . .	25	<b>14 – 16</b>
15	Employee benefit programs other than on line 23 . . . . .	15	<b>27</b>	26	Seeds and plants . . . . .	26	<b>1</b>
16	Feed . . . . .	16	<b>6</b>	27	Storage and warehousing . . . . .	27	<b>34</b>
17	Fertilizers and lime . . . . .	17	<b>2</b>	28	Supplies . . . . .	28	<b>13</b>
18	Freight and trucking . . . . .	18	<b>29a</b>	29	Taxes . . . . .	29	<b>20, 26</b>
19	Gasoline, fuel, and oil . . . . .	19	<b>9</b>	30	Utilities . . . . .	30	<b>10 – 12</b>
20	Insurance (other than health) . . . . .	20	<b>18</b>	31	Veterinary, breeding, and medicine . . . . .	31	<b>8</b>
21	Interest (see instructions):		<b>19a</b>	32	Other expenses (specify):		
a	Mortgage (paid to banks, etc.) . . . . .	21a		a	<b>Bedding and Litter for Livestock</b>	32a	<b>7</b>
b	Other . . . . .	21b	<b>19b</b>	b	<b>Vehicle Registration and Licensing</b>	32b	<b>22</b>
22	Labor hired (less employment credits)	22	<b>24, 28, 30</b>	c	<b>Farm Management Services</b>	32c	<b>32</b>
				d	<b>Other General Expenses</b>	32d	<b>33</b>
				e	<b>All Other Operating Expenses</b>	32e	<b>47</b>
				f		32f	



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# Repairs & Maintenance

23	Pension and profit-sharing plans . . . . .	23	27
24	Rent or lease (see instructions):		
a	Vehicles, machinery, equipment . . . . .	24a	21
b	Other (land, animals, etc.) . . . . .	24b	Sec 32 #5 & Sec 3 #5
25	Repairs and maintenance . . . . .	25	14 – 16
26	Seeds and plants . . . . .	26	1
27	Storage and warehousing . . . . .	27	34

14. repairs, parts and accessories for motor vehicles, machinery and farm equipment? . . . . .	0708	<input type="checkbox"/>	\$	.00
15. maintenance and repair for the upkeep of all farm buildings, houses other than the producer's, land improvements, and all other farm/ranch improvements? . . . . .	0714	<input type="checkbox"/>	\$	.00
16. maintenance and repair of the producer's house <b>if it was owned by the operation?</b> . . . . .	0726	<input type="checkbox"/>	\$	.00



# Summary and Highlights

- All farms and ranches have expenses.
- Difference between Operating and Capital Expenses.
- Try not to get bogged down in details:
  - Do your best to find a 'home' for the item and record it there.
- Ask yourself if the questionnaire make sense?
- Leave comments when in doubt and for unusual situations.
- Do not double count, record only once.
- Encourage the use of farm records.





# ARMS 3 vs Census of Ag

- Estimates published in the *Farm Production Expenditures* report from data reported in Section 32.
- Expense information is necessary to make the ARMS a “usable” report, BUT...
- An incomplete ARMS report may have enough information to turn into a complete Census of Agriculture report.
- Collect as much information as the respondent will provide.
- Voluntary completion of ARMS fulfills mandatory Census reporting obligations.
- Check with your supervisor or regional office regarding the handling of incomplete ARMS reports.



# Operating & Capital Expenses



## Thanks for Watching!



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