

# Sections J & K

## Farm Assets & Debt



# Farm Equity Purpose

Why so much detail on a **\$ensitive \$ubject**?

- A ***complete*** and ***accurate*** financial picture of the **agricultural sector** requires wealth measurement via the balance sheet
- Equity = assets - debt
- Provides more detailed picture of the sector balance sheet's strengths and weaknesses



# Farm Equity Purpose (continued)

- To evaluate credit and lending conditions in the farm sector
- Many of the current financial concerns about agriculture involve asset (land values) and debt repayment
- Without good data, lenders may be too cautious and leave farmers with fewer borrowing opportunities
- Needed by:
  - Lenders
  - Input providers
  - Policymakers



# Fair Market Value

Fair Market Value – price for which the assets could be sold under the market conditions existing at the specified date

- Assumes that buyers and sellers exist
- Assumes no unusual circumstances

Value may be available by respondent from:

- Net worth statements from loans
- Business financial statement



# Asset Ownership

We collect the Fair Market Value of specific assets owned by

- the operation (or corporation)

What if the assets are owned by the farmer?

- Report it under the household Section N

What if assets are used in multiple operations?

- Asset belongs to operation that uses it the most



# Farm Assets – Land and Buildings

## SECTION J

## FARM ASSETS

If living “off-farm” pay attention to the ownership, asset may belong to the household

1. What was the MARKET VALUE of the following assets OWNED by this operation on December 31 (*Include owned assets on rented land.*)

a. farm producer’s dwelling, if **owned by the operation**? (*Owned by the operation means the house is recorded as an asset in farm record books or deeded as part of the farm.*) . . . . . 0850  None

All the homes owned by the farm – empty or occupied

b. all other dwellings? . . . . . 0851

c. all other farm buildings and structures? (*Include barns and other livestock facilities, cribs, grain bins, greenhouses, silos, storage sheds, fences, corrals, etc.*) . . . . . 0852

d. orchard trees and vines, nursery trees, and trees grown for woody crops? . . . . . 0853

Separate orchard crops from the land they are on.

e. oil, gas, and mineral rights . . . . . 7101

f. land? (*Include land rented to others. Exclude houses, buildings, orchard trees and vines, and trees grown for woody crops.*) . . . . . 7102

Include all the acres recorded in Section A, item 1 even if rented out

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

# Vehicles and Machinery

2. What was the ESTIMATED MARKET VALUE of the following on December 31,				
a. trucks and cars <b>owned</b> by the operation? ( <i>Include farm share only</i> ) . . . . .				.00
b. tractors, machinery, tools, equipment and implements <b>owned</b> by the operation? ( <i>Include ATVs and UTVs</i> ) . . . . .	0883	<input type="checkbox"/>	\$	.00
c. stock in farm cooperatives and the Farm Credit System?	4			.00

Use Reference Date – Assets may depreciate over time

Include shares received in lieu of dividends

Check Loan Section

- Values dependent on farm type and size
- If equipment is expected but not reported, check for expenses on leased equipment

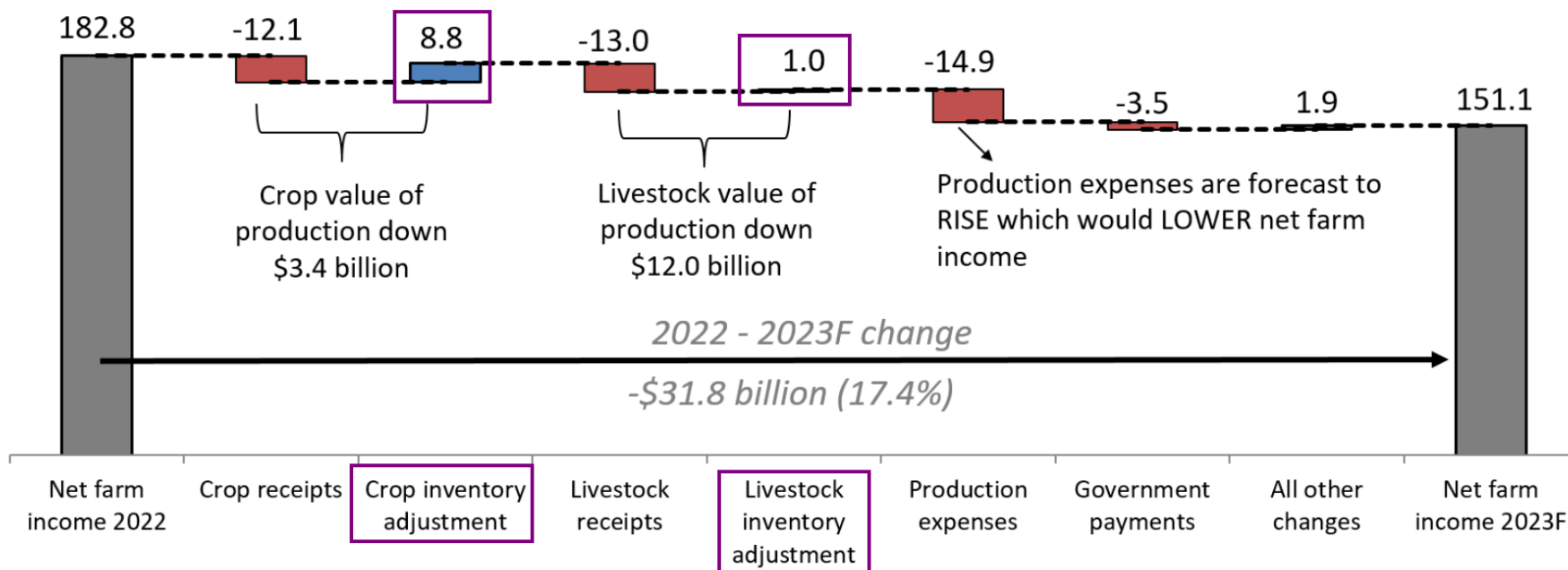
# Assets – Jan 1 and Dec 31

For each item below, report the MARKET VALUE(S) of the assets owned by the operation on the dates specified.

3. What was the ESTIMATED MARKET VALUE for the farm share of [item] on —  
 a. crops owned and stored on or off this operation?      None

Beginning of Year	End of Year
JAN. 1, 2023? (Dollars)	DEC. 31, 2023? (Dollars)

Dollars (billions)



Net Farm Income looks at changes in inventory

F= Forecast. Values are adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2023 by USDA, Economic Research Service.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of November 30, 2023.



# Assets - Crop and Livestock

For each item below, report the MARKET VALUE(S) of the assets owned by the operation on the dates specified.

3. What was the ESTIMATED MARKET VALUE for the farm share of [item] on —
- a. crops owned and stored on or off this operation? *(Include crops stored at co-op or grain warehouse, specialty crops, fruit storage, hay, silage, and nursery and greenhouse products not in the ground. Exclude trees and vines and crops under CCC loans.)*
  - b. breeding livestock owned by and located on this operation? *(Include hogs, mink, poultry, sheep, etc., kept for breeding purposes. Exclude livestock being produced under contract on another operation (reported in Section D).)*
  - c. non-breeding livestock owned by and located on or off this operation? *(Include aquaculture, bees, cattle, equine, hogs, mink, poultry, sheep, etc., kept for non-breeding purposes. Include livestock products such as honey, mohair, and wool. Exclude livestock being produced under contract on another operation (reported in Section D).)*

	Beginning of Year JAN 1, 2022	End of Year DEC 31, 2022
None	(Dollar)	(Dollars)
0888	\$	
0863	\$	0864
0876	\$	0877

Regardless of location

Stored crops must be in whole form, can be purchased or harvested

If BOY = EOY, probe. We expect these values to be different. If you are told they are the same, educate us with a note.

It is possible that BOY or EOY = 0 when farm is starting or stopping a practice.

Exclude production under contract

# Assets - Livestock

Make sure data across sections make sense

- Asset Section J – December 31 owned
- Livestock Section C – December 31 owned

INVENTORY	
2	3
On Dec. 31, 2023, how many [column 1] regardless of ownership were on hand? (Number)	Or Dec. 31, 2023, how many [column 1] were owned by and located on or off this operation? (Number)



- b. breeding livestock owned by and located on or off this operation? (Include aquaculture, bees, cattle, equine, hogs, mink, poultry, sheep, etc., kept for breeding purposes. Exclude livestock being produced under contract on another operation (reported in Section D).) . . . . .
- c. non-breeding livestock owned by and located on or off this operation? (Include aquaculture, bees, cattle, equine, hogs, mink, poultry, sheep, etc., kept for non-breeding purposes. Include livestock products such as honey, mohair, and wool. Exclude livestock being produced under contract on another operation (reported in Section D).) . . . . .

	Beginning of Year	End of Year
0863	\$ .00	\$ .00
0864	\$ .00	\$ .00
0876	\$ .00	\$ .00
0877	\$ .00	\$ .00

- Livestock operations may have animals at separate locations based on age



# Assets – Livestock Exclusions

## Livestock Assets – Jan 1 and Dec 31

- **Exclude** livestock not owned, including raised under contract
- **Exclude** livestock raised by another farm under a contract
- **Exclude** livestock owned for pleasure (except equine)

**SECTION D** OTHER OPERATIONS GROWING, FEEDING, or RAISING LIVESTOCK FOR THIS OPERATION

3  
What was the market value of [type] on hand on contractee operations on Jan. 1, 2023?  
(Dollars)

7  
On Dec. 31, 2023 what was the market value of unsold [type] remaining under contract?  
(Dollars)



- b. breeding livestock **owned** by and **located** on or off this operation? (*Include* aquaculture, bees, cattle, equine, hogs, mink, poultry, sheep, etc., kept for breeding purposes. **Exclude** livestock being produced under contract on another operation (reported in Section D).) . . . . .
- c. non-breeding livestock **owned** by and **located** on or off this operation? (*Include* aquaculture, bees, cattle, equine, hogs, mink, poultry, sheep, etc., kept for non-breeding purposes. **Include** livestock products such as honey, mohair, and wool. **Exclude** livestock being produced under contract on another operation (reported in Section D).) . . . . .

	Beginning of Year	End of Year
0863		0864
\$	.00	\$ .00
0876		0877
\$	.00	\$ .00

# Assets - Production Inputs

Production inputs are divided based on

- 3d - “Paid and waiting to be used”
- 3e - “Paid and already used”

- These are ‘sunk costs’ and lead to a potential asset or income
- May be reflected on expenses section this year or previous year
- If unaccounted for: expenses with no corresponding income or assets
- Can apply to contractees not yet reimbursed

- d. production inputs **owned** by this operation, such as processed feed, fertilizer, chemicals, fuels, parts, purchased seed and other supplies? . . . . .
- e. production inputs **already used** by this operation for cover crops or crops planted but not yet mature for harvest (also known as *sunk costs*), or the value of inputs used for production contracts that have yet to be delivered? . . . . .



# Liquid Assets

- Can farmers convert assets to cash?
- Includes liquid and semi-liquid assets
- Almost every producer should have some other farm assets.
  - Cash, bonds, CDs, savings, checking accounts
  - Hedging account balances
  - Government payments due
  - Balance of land contract sales
  - Money owed to the operation outside Section F
  - Quotas and allotments (if excluded from item 1)
  - Livestock products stored but not sold (milk before hauling)



# Debt Section K

## SECTION K FARM DEBT

1. Was debt used in funding the operation of this farm/ranch in 2023, including any loans obtained in earlier years?  
(*Include seasonal production and other loans taken and repaid during 2023.*)

<sup>1080</sup> 1  Yes - Continue

3  No - **Go to Item 5**

Do not skip entire section K

- Debt is recorded only once in the questionnaire
  - Farm debt : Section K
  - Household debt : Section N
- Include previous year debt not paid off by January 1
- Include amounts used from established lines of credit
- Include all loans taken out in current year, regardless if repaid



# Operating Loans



2. What was the total amount repaid on farm business loans taken out in 2023?  
(Record any outstanding balances of loans taken out in 2023 in Item 3.)  
(*Include only seasonal production and other short term farm loans.*) . . . . . 0890  None

		Dollars
\$		.00

- Item 2 is for loans repaid during the reference year, commonly referred to as “operating loans”
- Loans repaid but not in their entirety during current year belong in Item 3

# Debt Table



3. To estimate the financial position of farms correctly and their ability to service debt and to categorize debt by types, we need to list loans this operation had on December 31, 2023, including any line of credit. *(Include farm/ranch loans, debt on the producer's house if owned by the operation, Economic Injury Disaster Loans (EIDL), and multi-purpose loans used for both farm and non-farm purposes. Exclude CCC commodity loans and any loans used exclusively for non-farm purposes.*

What loans belong in the debt table?

- Loans not fully repaid from Question 2
- Loans with a positive Dec 31 balance

Having a 0 balance on Dec 31 - disqualifier

Having a 0 balance on Jan 1 is OK

2	3
What was the balance owed on January 1, 2023 including outstanding principal plus unpaid interest?	What was the balance owed on Dec. 31, 2023 including outstanding principal plus unpaid interest?
(Dollars)	(Dollars)
1050	1002
\$ .00	\$ .00

Must be Positive



# Debt Table

1 Who is the lender?  [From Lender Codes Above.]  (Code)	2 What was the balance owed on January 1, 2023 including outstanding principal plus unpaid interest?  (Dollars)	3 What was the balance owed on Dec. 31, 2023 including outstanding principal plus unpaid interest?  (Dollars)	4 What was the interest rate on Dec. 31, 2023?  [Report in hundredths of a percent. Example: 9% = 09.00]  (Percent)	5 What is the type of loan?  [From Loan Type Codes Above.]  (Code)	6 What year was it obtained?  [For refinanced loans, report year refinanced]  (Year) (YYYY)	7 What is the original term of the loan?  (Number of Years)	8 What percentage is for expenses of running this farm operation?  (Percent)
1001	1050	1002	1003	1004	1005	1008	1006
	\$ .00	\$ .00	.				%
1010	1051	1011	1012	1013	1014	1017	1015
	\$ .00	\$ .00	.				%
1019	1052	1020	1021	1022	1023	1026	1024
	\$ .00	\$ .00	.				%
1028	1053	1029	1030	1031	1032	1035	1033
	\$ .00	\$ .00	.				%
1037	1054	1038	1039	1040	1041	1044	1042
	\$ .00	\$ .00	.				%



Record their 5 largest loans first.

4. If you had farm loans in addition to the five recorded above, what is the total amount of debt from these loans owed on December 31, 2023? *(Include farm/ranch loans and debt on the producer's house if it is owned by the operation. Exclude any loans exclusively for non-farm purposes that are secured by assets of the farm/ranch.)* . . . . . 1047

None  Dollars \$ .00

Rest goes here

# Debt Table – Lender Type

Lender Codes (Column 1)		Lender Codes (Column 1) (continued)	
Lender	Code	Lender	Code
FARM CREDIT SYSTEM . . . . .	1	Contractor . . . . .	9
USDA Farm Service Agency (FSA) . . . . .	2	Individuals . . . . .	10
Small Business Administration (SBA) . . . . .	3	Credit Union . . . . .	11
State & county government lending agencies . . . . .	4	Any other lenders . . . . .	12
Savings and loan associations, residential mortgage lenders . . . . .	5	Credit cards . . . . .	13
Commercial banks . . . . .	6	Other debts (such as unpaid bills, etc.) . . . . .	14
Life insurance companies . . . . .	7		
Trade credit, including input suppliers, implement dealer, co-ops and other merchants . . . . .	8		

- You can have same lender code for multiple loans
- Loans through private lenders but guaranteed by FSA – **not** FSA code
- Loans borrowed from life insurance company – Code 7
- Loans borrowed against life insurance policies – Code 14 ‘other debts’
- Unpaid bills – Code 14 ‘other debts’



# Debt Table – Balance

2 What was the balance owed on January 1, 2023 including outstanding principal plus unpaid interest?		3 What was the balance owed on Dec. 31, 2023 including outstanding principal plus unpaid interest?	
Delinquent interest		Must be Positive	
(Dollars)		(Dollars)	
1050		1002	
\$	.00	\$	.00

- We report the balance owed at the beginning and end of year
- Remember that December 31 balance must be positive
- No need to determine interest owed for remainder of the loan



# Debt Table – Interest Rate

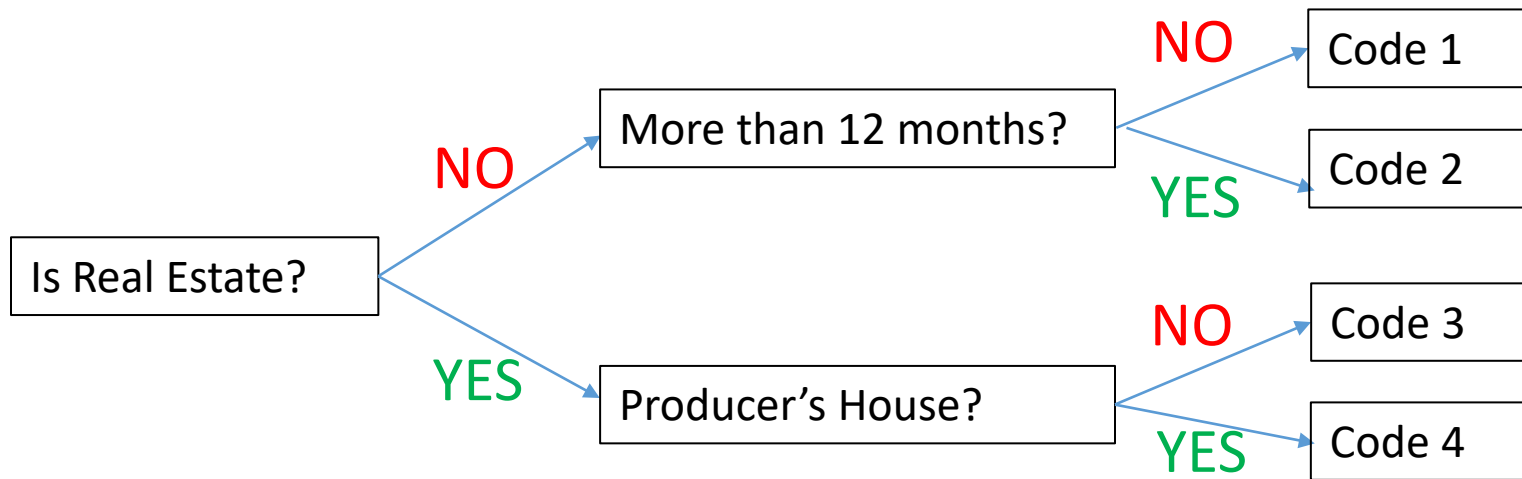
- Interest rate reported to the hundredth of a percent
- Interest rate as of December 31
- You can have debt recorded with zero percent
  - Common with short term financing
  - Common with debt owed to family members

4	
What was the interest rate on Dec. 31, 2023?	
[Report in hundredths of a percent. Example: 9% = 09.00]	
(Percent)	
1003	
	.



# Debt Table – Loan Types

- Line of credit balances often designated as ‘production loans’, seasonal to finance production then repaid after sales
- To determine the code, asking 1 characteristic at a time may help:



Loan Type Codes (Column 5)	
Type	Code
One year or less production or other loans . . . . .	1
Non-real estate loan more than one year . . . . .	2
Real estate loans more than one year excluding producer's house . . . . .	3
Real estate loan more than one year only for the producer's house. . . . .	4

# Debt Table – Year and Term

**Column 6** - Enter the 4-digit year the loan was obtained

- If refinanced, enter year loan was refinanced instead

**Column 7** - Enter # of years of the original term of loan

- Minimum = 1 (round up as needed)
- If refinanced, enter # of years for which it was refinanced

6	7
What year was it obtained?	What is the original term of the loan?
<i>[For refinanced loans, report year refinanced]</i>	
(Year) (YYYY)	(Number of Years)



# Debt Table – Column 8

We determine % of loan used for the farm operation

- Commonly 100%
- If operation owns a residence, debt on residence is valid

**Duplication Warning** - The purpose is to exclude non-farm purposes relating to debt

8

What percentage is for expenses of running this farm operation?

(Percent)



# Where does this debt belong?



New 30-year loan used to finance farmland

- Item 2 – does not belong
- Item 3 table
- New debt will have no column 2, BOY value

2. What was the total amount repaid on farm business loans taken out in 2023?  
 (Record any outstanding balances of loans taken out in 2023 in Item 3.)  
 (Include only seasonal production and other short term farm loans.)

1 Who is the lender?  [From Lender Codes Above.] (Code)	2 What was the balance owed on January 1, including outstanding principal plus unpaid interest?  (Dollars)	3 What was the balance owed on Dec. 31, including outstanding principal plus unpaid interest?  (Dollars)	4 What was the interest rate on Dec. 31, ?  [Report in hundredths of a percent. Example: 9% = 09.00] (Percent)	5 What is the type of loan?  [From Loan Type Codes Above.] (Code)	6 What year was it obtained?  [For refinanced loans, report year refinanced] (Year) (YYYY)	7 What is the original term of the loan?  (Number of Years)	8 What percentage is for expenses of running this farm operation?  (Percent)
1001	1050	1002	1003	1004	1005	1008	1006
6	\$ 0 .00	\$ 395500 .00	3 25	3	2023	30	100 %
1010	1051	1011	1012	1013	1014	1017	1015



# Where does this debt belong?



Loans used to finance farm equipment

Variable interest rate averaging 5%, was 4.25% on Dec 31

- Item 3 table

1 Who is the lender?  [From Lender Codes Above.] (Code)	2 What was the balance owed on January 1, including outstanding principal plus unpaid interest?  (Dollars)	3 What was the balance owed on Dec. 31, including outstanding principal plus unpaid interest?  (Dollars)	4 What was the interest rate on Dec. 31, ?  [Report in hundredths of a percent. Example: 9% = 09.00] (Percent)	5 What is the type of loan?  [From Loan Type Codes Above.] (Code)	6 What year was it obtained?  [For refinanced loans, report year refinanced] (Year) (YYYY)	7 What is the original term of the loan?  (Number of Years)	8 What percentage is for expenses of running this farm operation?  (Percent)
1001	1050	1002	1003	1004	1005	1008	1006
8	\$ 17500 .00	\$ 11860 .00	4 . 25	2	2020	5	100 %

# Where does this debt belong?



Seasonal production loan of less than 1 year was taken out current year

- Item 2 – what was already repaid on loan
- Item 3 table – includes end of year balance

2. What was the total amount repaid on farm business loans taken out in 2023?  
 (Record any outstanding balances of loans taken out in 2023 in Item 3.)  
 (*Include only seasonal production and other short term farm loans.*) . . . . . 0890  **Dollars**  
 \$ **25000** .00

Who is the lender?  [From Lender Codes Above.] (Code)	What was the balance owed on January 1, including outstanding principal plus unpaid interest?  (Dollars)	What was the balance owed on Dec. 31, including outstanding principal plus unpaid interest?  (Dollars)	What was the interest rate on Dec. 31, ?  [Report in hundredths of a percent. Example: 9% = 09.00]  (Percent)	What is the type of loan?  [From Loan Type Codes Above.]  (Code)	What year was it obtained?  [For refinanced loans, report year refinanced]  (Year) (YYYY)	What is the original term of the loan?  (Number of Years)	What percentage is for expenses of running this farm operation?  (Percent)
1001	1050	1002	1003	1004	1005	1008	1006
8	\$ 0 .00	\$ 150000 .00	1 . 75	1	2023	1	100 %

# Where does this debt belong?



Seasonal production loan of less than 1 year was taken out current year **and fully repaid**

- Item 2 – repayment amount on loan

**Not item 3**

2. What was the total amount repaid on farm business loans taken out in 2023? (Record any outstanding balances of loans taken out in 2023 in Item 3.) ( <i>Include only seasonal production and other short term farm loans.</i> ) . . . . . 0890	None	Dollars	
	<input type="checkbox"/>	\$ <b>25000</b>	.00



# Where does this debt belong?

100% non-farm debt – **Does not belong**

The amount of the non-farm debt secured by a farm asset is recorded in **Section N: Farm Producer Household**



### OFF-FARM DEBT – (Please see VALUE CODES on page 22.)

4. Which value code on page 22 represents the total value of each of the following categories of off-farm debt (debt not associated with this operation) owed by the producer and members of the producer's household on December 31, 2023, for (Include off-farm debt secured with farm assets. Exclude any debt household debt, credit cards, etc. reported in Section K, Farm Debt.)

	None	Value Code
a. mortgages on producer's dwelling, if not owned by the operation? (Include home mortgages, home equity loans, and lines of credit secured by the producer's dwelling.) . . . . .	<input type="checkbox"/>	0988
b. mortgages on other real estate and other personal homes such as second homes? (Include mortgages, equity loans, and lines of credit secured by other real estate, including other farms, residential rental, commercial, and other real estate.) . . . . .	<input type="checkbox"/>	0989
c. loans on businesses that are not a part of this farm operation? . . . . .	<input type="checkbox"/>	1101
d. personal loans? (Include credit cards, auto loans, unpaid taxes, and medical bills.) . . . . .	<input type="checkbox"/>	1102
e. all other off-farm debt owed by the producer or household? . . . . .	<input type="checkbox"/>	0983

What percentage is for expenses of running this farm operation?

(Percent)

1006

~~0~~ %

# Digital Banking

5. In 2023, what type of digital banking services did you use? Choose one. Digital banking refers to the use of either mobile or online banking. Mobile banking means banking with a smartphone, tablet, or other mobile device using an app; online banking means banking through a bank's website using a desktop or laptop computer.

5775

1

Only mobile banking

3

Both mobile and online banking

2

Only online banking

4

Neither mobile nor online banking – Go to Item 8



Question applies to business and personal banking

- Online banking - logging in to bank's website using computer
- Mobile banking – accessing bank via an app from mobile device

6. In 2023, for which finances did you use your online or mobile banking? Choose one.

5776

1

Only business finances

3

Both business and household finances

2

Only household finances

# Digital Banking

7. The table below is about your use of specific digital banking services. In column 2, check 'Yes' if you used the digital banking service listed in column 1 in 2023. Check 'No' if you did not use that digital banking service in 2023. If you marked 'Yes' to the service in column 2, answer column 3.

(1)	(2)		(3)	
Service	Did you use the digital banking service?		If <b>YES</b> , how has your use of these services changed since 2019? Check only one.	
Online bill pay	5777	1 <input type="checkbox"/> <b>Yes</b> → 3 <input type="checkbox"/> <b>No</b>	5778	1 <input type="checkbox"/> Use about the <b>same</b> amount 2 <input type="checkbox"/> Use <b>more</b> frequently 3 <input type="checkbox"/> Use <b>less</b> frequently

The questionnaire then asks usage of digital banking for types of services and how often in-person banking took place



# Reminders

- A farm's assets and debt play an important role in understanding their financial well-being
- Check for duplication among assets
- Be able to explain liquid assets to respondents

