# Section E Marketing and Production Contracts



## **Section F**

## **Accounts Receivable and Deferred Payments**



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



# Why use contracts?

## Farmers

- Manage risks
- Compensation for quality
- Outlet for products
- Assurance for financing

## Processors

- Timely flow
- Control over attributes
- Consistency





# Marketing vs. Production Contracts

- Marketing Contracts identify an outlet for a commodity and set pricing and delivery specifications
  - Producer owns the commodity
  - Payment is like a "Price", because commodity changes hands
- Production Contracts specify responsibilities for the provision of inputs, payment of expenses, production practices, compensation, and removal
  - Producer does NOT own the commodity. They provide a service.
  - Payment is a "Fee for service"





# Examples of Each

## Marketing

- Row Crops (corn, soybeans, wheat)
- Cotton, Peanuts
- Fruits & Nuts
- Vegetables
- Milk

## Production

- Hogs (nursey, farrow-to-ween, finishers, etc.)
- Chickens (broilers, layers, pullets, etc.)
- Turkeys
- Fed cattle





 Did this operation have marketing or production contracts for any commodities delivered<sup>1</sup> in 2023? (A marketing contract is a verbal or written agreement reached before harvest of a crop or before completion of a livestrek production stage, setting a price or pricing formula and market for the commodity. A production contract is an agreement setting a price, conditions, and fees to be paid by the contractor to the operation for the production of crops, livestock, or poultry.)

Yes - Continue

3991

3 No - Go to Item 3

"Delivered in

2. Report the commodities delivered in 2023 through marketing or production co the final price/fee received. (Include the quantity delivered or removed under contract. [reference year]" elivered and ontractors as reimbursement for expenses. Exclude landlord shares (report in SECTION A) and marketing charges (report in SECTION I, Item 34).)

rm Assets	<ul> <li>For each item below, report the MARKET VALUE(S) of the assets owner by the operation on the dates specified.</li> <li>What was the ESTIMATED MARKET VALUE for the farm share of [item] on — <ul> <li>a. crops owned and stored on or off this operation?</li> <li>(Include crops stored at co-op or gin 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.).</li> <li>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</li> </ul> </li> </ul>	Beginning of Year JAN. 1, 2023?	End of Year DEC. 31, 2023? (Dollars) 0759 \$00 0864	Marketing Contract
Section I – Fai	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).). 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?	\$0 0876 \$00 0880 \$00	\$ .00 0877 3 .07 0881 5 .00	undelivered, still on-hand Production Contract still not delivered, but inputs used





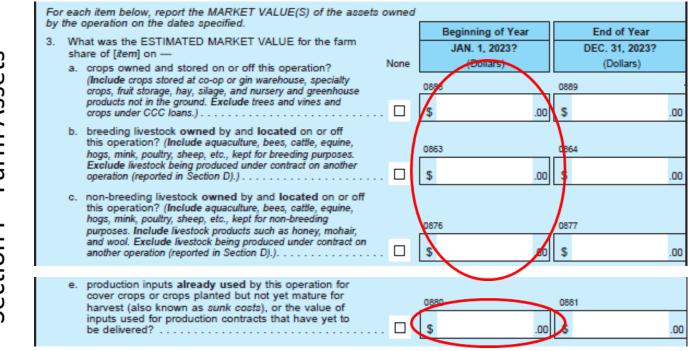
 Did this operation have marketing or production contracts for any commodities delivered<sup>1</sup> in 2023? (A marketing contract is a verbal or written agreement reached before harvest of a crop or before completion of a livestock production stage, setting a price or pricing formula and market for the commodity. A production contract is an agreement setting to be setting, and fees to be paid by the contractor to the operation for the production of crops, livestock, or poultry.)

Yes - Continue

3 No - Go to Item 3

"Delivered in

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Marketing Contract from prior year crop, delivered in [reference year]

Inputs for Production Contract started in prior year



United States Department of Agriculture National Agricultural Statistics Service

Section I – Farm Assets

3991

 Did this operation have marketing or production contracts for any commodities delivered<sup>1</sup> in 2023? (A marketing contract is a verbal or written agreement reached before harvest of a crop or before completion of a livestock production stage, setting a price or pricing formula and market for the commodity. A production contract is an agreement setting terms, conditions, and fees to be paid by the contractor to the operation for the production of crops, livestock, or poultry.)

<sup>3991</sup> 1 🗌 Yes -

Yes - Continue 3 No - Go to Item 3

1 What commodities did this operation have MARKETING or PRODUCTION contracts for in 2023? [Write in commodities]	om	Code Code Milce Use Only (Code) Marketing of Production Contract? Marketing Production			comin contr	4 uantity of this nodity delivered hrough this ract? (Exclude diord's share.)	Unit (fro be	5 Code m list low) code)	PRIC	CE/Fi by th imod	6 as (will be) the EE RECEIVE( is operation fo lity delivered u contract? ollars & Cents	D j or i inc	per unit Ibls		7 t was the total dollar received in 2023 fro this contract? (Total Dollars)	
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	3932		3551		3933		3934		3935	\$		-		3936	\$	.00
	3937		3552		3938		3939		3940	\$		-		3941	\$	.00
	3942		3553		3943		3944		3945	\$		-		3946	\$	.00





1. Did this operation have marketing or production contracts for any commodities delivered<sup>1</sup> in 2023? (A marketing contract is a verbal or written agreement reached before harvest of a crop or before completion of a livestock production stage, setting a price or pricing formula and market for the commodity. A production contract is an agreement setting terms, conditions, and fees to be paid by the contractor to the operation for the production of crops, livestock, or poultry.)

3991 1 Yes - Continue

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	3932		3551		3933		3934		3935	\$				3936	\$		.00
	3937		3552		3938		3939		3940	\$				3941	\$		.00
	3942		3553		3943		3944		3945	\$				3946	\$		.00





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1     2     3     4       What commodities did this operation have MARKETING or PRODUCTION contracts for in 2023?     Commodity Code Only     Production Contract?     Quantity of through this Contract?       [Write in commodities]     (Code)     Only     Code Only     Contract?     Contract?								5 Code m list low) ode)	PRIC	CE/Fi by thi imod	5 as (will be) th EE RECEIVE is operation fi ty delivered u contract? bilars & Cents	D p or t ind	per unit . this	۱ am	What	7 received in 2023 fro this contract? (Total Dollars)	im
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	3932		3551		3933		3934		3935	\$		-		3936	\$		.00
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1       2       3       4       5       6       7         What commodities did this operation have MARKETING or PRODUCTION contracts for in 2023?       Commodity Code       Marketing=1       Quantity of this commodity delivered through this contract? (Exclude landlord's share.)       5       What was (will be) the FINAL PRICE/FEE RECEIVED per unit by this operation for this contract?       What was the total dol operation for this contract?         [Write in commodities]       (Code)       (Code)       (Code)       (Code)       (Total Dollars)										this contract?							
Commodity example	0000		0000	1	0000	10000	0000	04	0000	\$	3		75	0000	\$	37500	.00
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Commodity example					0000	10000	0000	04	0000	\$	3.	75	0000	\$	37500	.00
🛷 Broilers	916	3550	2	3928	160,000	3929	11	3930	\$	0	28	3931	\$	44,800	.00	
1/ "Delivered" includes con	nmod	lities for	whic	h partis	al paj	yment was ma	de ev	en if n	ot ph	ysica	ally delivered	by Dec	embe	r 31,	2023.	
Unit C	ode			Uni	it	Code			U	nit	Code	_		L L	Unit Co	de
Pound			Box. Bale			05 06 07 08		Flat Head /	Bird				Acre. Anima	l Spa	ace	20 22 39 40

- <u>EXAMPLE</u>: The producer raised 160,000 broilers under a marketing contract for \$0.28 per bird and was paid-in-full (\$44,800 total).
- Be careful of the units 1= lbs but is not the same as per bird which is an 11.





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样 Broilers	3927	916	3550	2	3928	640,000	3929	1	3930	\$	0	-	28	3931	\$	44,800	.00
1/ "Delivered" includes con	nmoo	lities for	whic	h partia	al paj	ment was ma	de ev	en if n	ot ph	ysic	ally delivered	l by	Dece	embe	r 31,	2023.	
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Pound CWT Ton Bushels	. 02 . 03					05 06 07 08		Flat Head /	Bird				Д Д		I Sp	ace	20 22 39 40

- <u>EXAMPLE</u>: The producer raised 640000 pounds of chickens for a total of \$44,800.
- In Section C, the farmer reported 160,000 broilers "sold or removed".





#### INCENTIVES FROM COMMODITY BUYERS

Did your buyers (including cooperatives) require or encourage you to use sustainable livestock or crop production
practices such as cover crops or reduced fertilizer application rates, or changes to livestock diets or feed additives
through any of the following methods? Exclude certified-organic production.

a. Contracts or agreements that specify the use of particular practices	1	Yes	3 🗌 No
b. Additional payments or price premiums	1	Yes	No No
c. Technical information or production decision tools	1	Yes	3 🗆 No
d. Other methods	1	Yes	3 🗆 No
4. If any of 3a - 3d are marked YES, is the arrangement related to carbon sequestration or GH	IG emi	ssion redu	ctions?
<sup>5765</sup> 1 🗌 Yes 3 🗌 No			





# Section F: Accounts Receivable

- Deferred payments across calendar years
  - NOT the same as unsold crops
- Unsold vs. Money owed (do not duplicate)
  - Unsold commodities belong in E.O.Y. inventory (Assets Section), because they have not been sold yet
  - Accounts Receivable is what is owed for commodities that have already been sold (delivered), but not paid yet (think contracts)





## EXAMPLE:

The producer delivered 1,000 cwt of milk @ \$15/cwt in December last year, and was paid in the first week of January.

At the end of this year, he delivered 1,000 cwt of milk @ \$17/cwt, and was paid the first week of next year.

### SECTION F ACCOUNTS RECEIVABLE & DEFERRED PAYMENTS

 For each item below, report income received or the amount owed to the operation on the dates specified. (Include cash sales, marketing contract sales, and production contract removals. Exclude crops in storage and not yet sold.)

[NOTE: Crops in storage and not sold as of the reference date should be reported in Section J, Item 3a.]

		None	Dollars	
a.	On January 1, 2023, what was the total dollar amount owed to this operation for all commodities produced and sold (cash or contract) before January 1, 2023? 0885		\$ 15 000	.00
	(i) How much did this operation receive from Item 1a during 2023?		\$ 15 000	.00
b.	What was the total dollar amount owed to this operation on December 31, 2023,			
	for all commodities produced, sold (cash or contract), delivered, or removed under contract in 2023 and earlier years?		\$ 17 000	.00



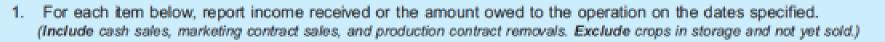


### SECTION E

What commodities did this operation have MARKETING or PRODUCTION contracts for in 2021? [Write in commodities]	Code Office Use Only				4 Quantity of this commodity delivered through this contract? ( <i>Exclude</i> <i>landlord's share.</i> )			(fro be	5 Code m list low) ode)	PRIC	6 What was (will be) the FINAL PRICE/FEE RECEIVED per unit by this operation for this commodity delivered under this contract? (Dollars & Cents)					7 What was the total dollar amount received in 2021 from this contract? (Total Dollars)			
Milk	3927	909	3550	1	3928	52	000	3929	2	3930	\$	17	. 00	3931	\$	867 000	D.00		

(52,000 cwt) x (\$17/cwt) = \$884,000 (\$884,000 - \$17,000) = \$867,000 received

## SECTION F ACCOUNTS RECEIVABLE & DEFERRED PAYMENTS



[NOTE: Crops in storage and not sold as of the reference date should be reported in Section I, Item 3a.]

		None	Dollars	
а.	On January 1, 2021, what was the total dollar amount owed to this operation for all commodities produced and sold (cash or contract) before January 1, 2021? 0885		\$ 15 000	.00
	(i) How much did this operation receive from Item 1a during 2021?		\$ 15 000	.00
b.	What was the total dollar amount owed to this operation on December 31, 2021,			
	for all commodities produced, sold (cash or contract), delivered, or removed under contract in 2021 and earlier years?		\$ 17 000	.00

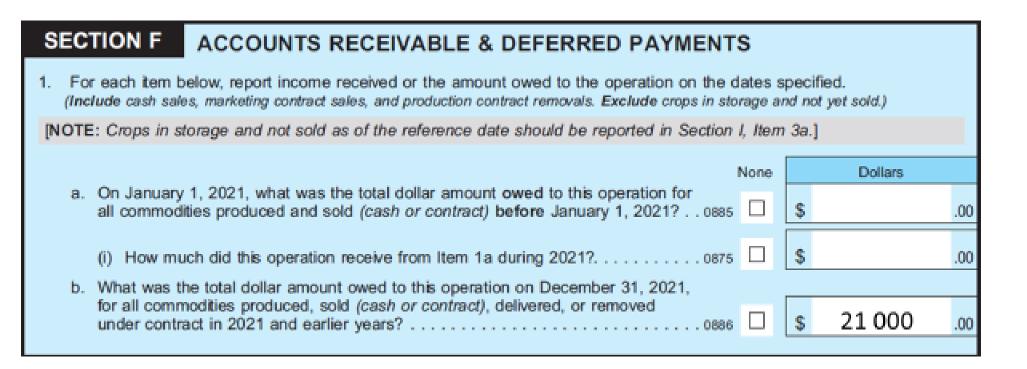




### SECTION E

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Processed Cherries	3927	6156	3550	1	3928	100	000	3929	1	3930	\$	0		42	3931	\$	21 000	.00	

(100,000 lbs) x (42 cents/lb) = \$42,000







# Conclusion



