

Operating & Capital Expenditures: Section I



United States Department of Agriculture
National Agricultural Statistics Service



Expenditures

- In the simplest terms, farm income equals gross farm receipts minus farm expenses.



Expenditures - General

- Expenses entered in Section I should only include expenses related to this operation, as defined in Section A, Item 4.



**Why are
Farm Expenditures
collected in such
significant detail?**



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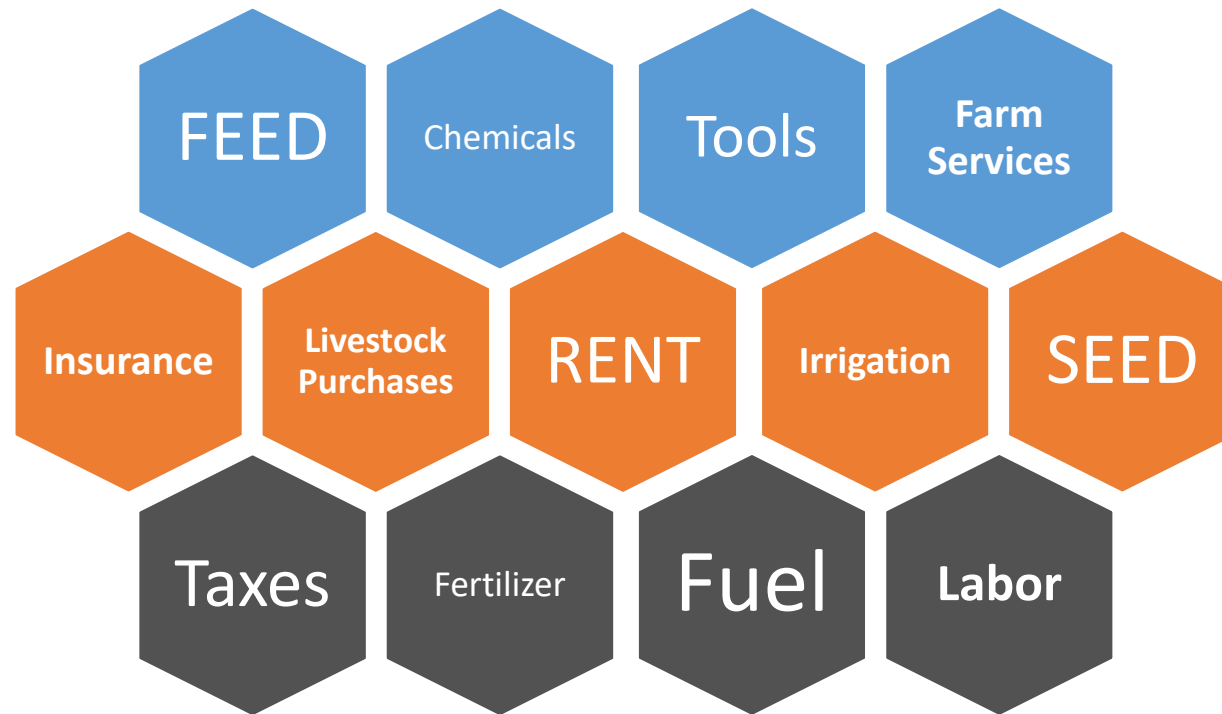
Expenditures - General

- Include expenses related to this operation.
- Watch Include/Exclude Instructions.
- Landlord expenses asked at the end of the section.
- Best Estimates are Acceptable.

SECTION I OPERATING & CAPITAL EXPENDITURES		
<p>In 2023, how much was spent for each item by the PRODUCER(S) and PARTNER(S): <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></p>		
OPERATING EXPENSES in 2023		
	None	Dollars
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	<input type="checkbox"/>	\$.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"/>	\$.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"/>	\$.00



Operating Expenses



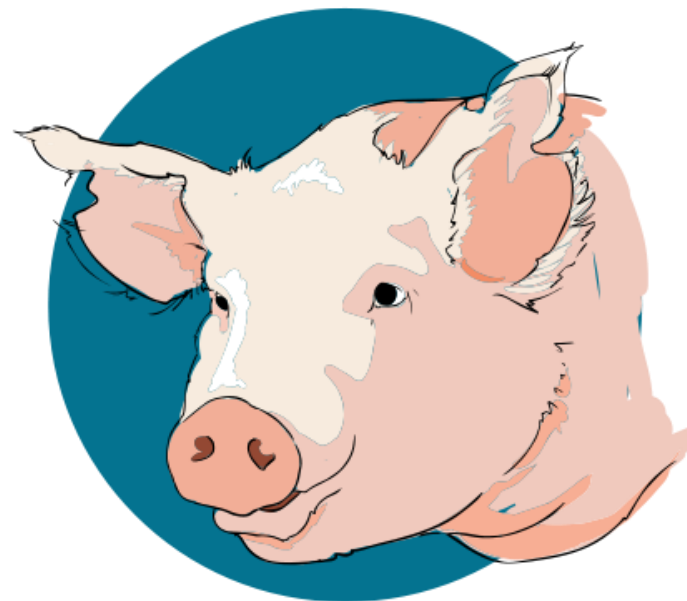
Seed/Fertilizer/Chemicals

- Items 1 – 3
- Expenses that were PAID in 2023.



Livestock

- Livestock expenses should be present if there are inventories reported in Section C.
- Assume the operator owns and raises hogs. Items 4a/4b, item 6, item 8, & other expenses will likely apply.



Fuel: Example 1

Please see that $2900 + 1500 + 200 + 500 + 100 = 5200$

9. purchases for the farm business of –

a. all fuels, oils and lubricants?
(total of 9a(i) through 9a(vi) must equal Item 9a). 5200
0645

(i) diesel fuel? (Include biodiesel). 2900
0648

(ii) gasoline and gasohol? (Include ethanol blends.) 1500
0651

(iii) natural gas?
0654

(iv) LP gas (propane, butane)? 200.
0657

(v) oils and lubricants? (Include grease, hydraulic fluids, motor oils, transmission fluids, etc.) 500
0660

(vi) all other fuel?
(Include coal, fuel oil, kerosene, wood, etc.) 100



Fuel: Example 2

Please see that $4200 + 3100 + 3800 + 690 + 285 = 12075$, not 500

9. purchases for the farm business of –

a. all fuels, oils and lubricants?

(total of 9a(i) through 9a(vi) must equal Item 9a)

0645

= \$12,075

(i) diesel fuel? (Include biodiesel.)

0648

(ii) gasoline and gasohol? (Include ethanol blends.)

0651

(iii) natural gas?

0654

(iv) LP gas (propane, butane)?

0657

(v) oils and lubricants? (Include grease, hydraulic fluids, motor oils, transmission fluids, etc.)

0660

(vi) all other fuel?

(Include coal, fuel oil, kerosene, wood, etc.)



Supplies, Repairs & Maintenance

- Items 13 – 15:

- SUPPLIES
- REPAIRS
- MAINTENANCE of Farm BUILDINGS, etc.



- Item 16: Repairs to Operator's Dwelling (ONLY IF IT IS OWNED BY THE OPERATION)



Labor Expenses



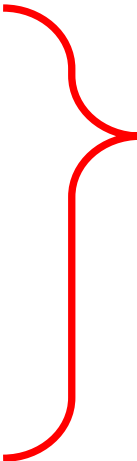
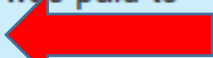
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Cash Wages

- NOTE: Table in the middle of page 13 with clear 'include' & 'exclude' instructions:

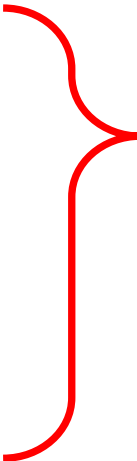
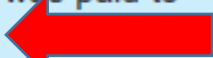
The following table applies to items 24 and 25				
Include		Exclude		
• Cash wages		• Draws by individual producers and partners	Employer's share of:	
			None	Dollars
24. CASH WAGES paid to hired farm and ranch labor?	0758	<input type="checkbox"/>	\$	TOTAL .00
25. Of the (Item 24) dollars, how much salary 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



Cash Wages

- Exclude draws by the operators & other workers. These items are closely linked to Section L, item 11, and Section M, item 4.

The following table applies to items 24 and 25				
Include		Exclude		
• Cash wages		• Draws by individual producers and partners	Employer's share of:	
			None	Dollars
24. CASH WAGES paid to hired farm and ranch labor?	0758	<input type="checkbox"/>	\$	TOTAL .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
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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



Marketing Charges

- Section I, 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 (see the 'Cheat sheet' on the website).



Expenses not located in Section I

- Gross rent components: Section A
 - Cash Rent
 - Share rent
 - Grazing fees
- Livestock contract production fees: Section E
 - “TOTAL FEES RECEIVED in 2023”
 - Section E, Item 2, last column



Capital Expenditures



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Capital Expenditures

Items 35 - 47

- Purchases of assets for the farm business made during the current year that are normally usable over two or more years
- Capital assets are usually placed on a depreciation schedule and listed on a statement of assets
 - Is it on the operation's depreciation list?
 - Is it listed on the operation's asset page?



Example

- Operating expense 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.
 - Overhaul of tractor transmission. Cost: \$25,000. 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.
 - Depends on how the operation records the information for tax purposes.



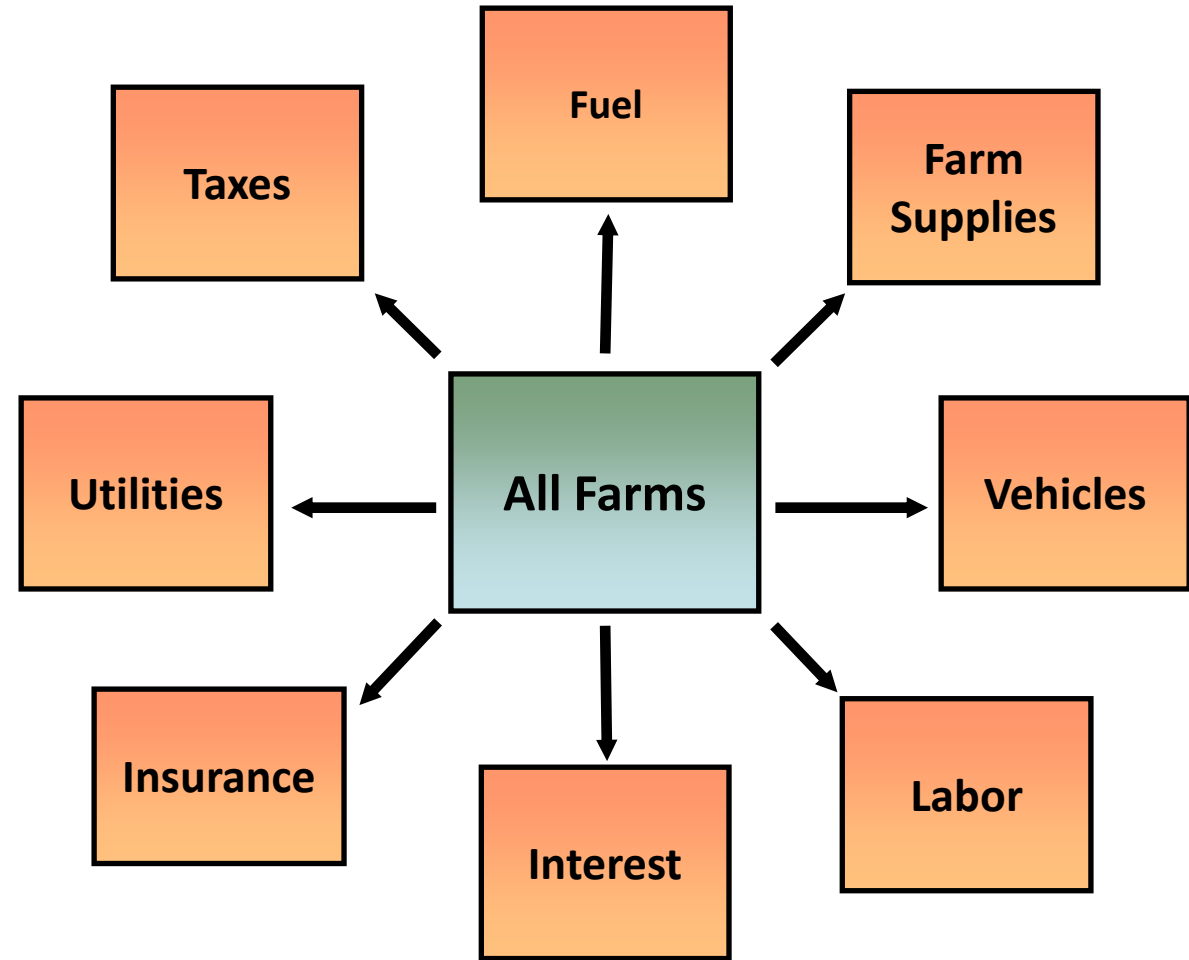
Data Relationships

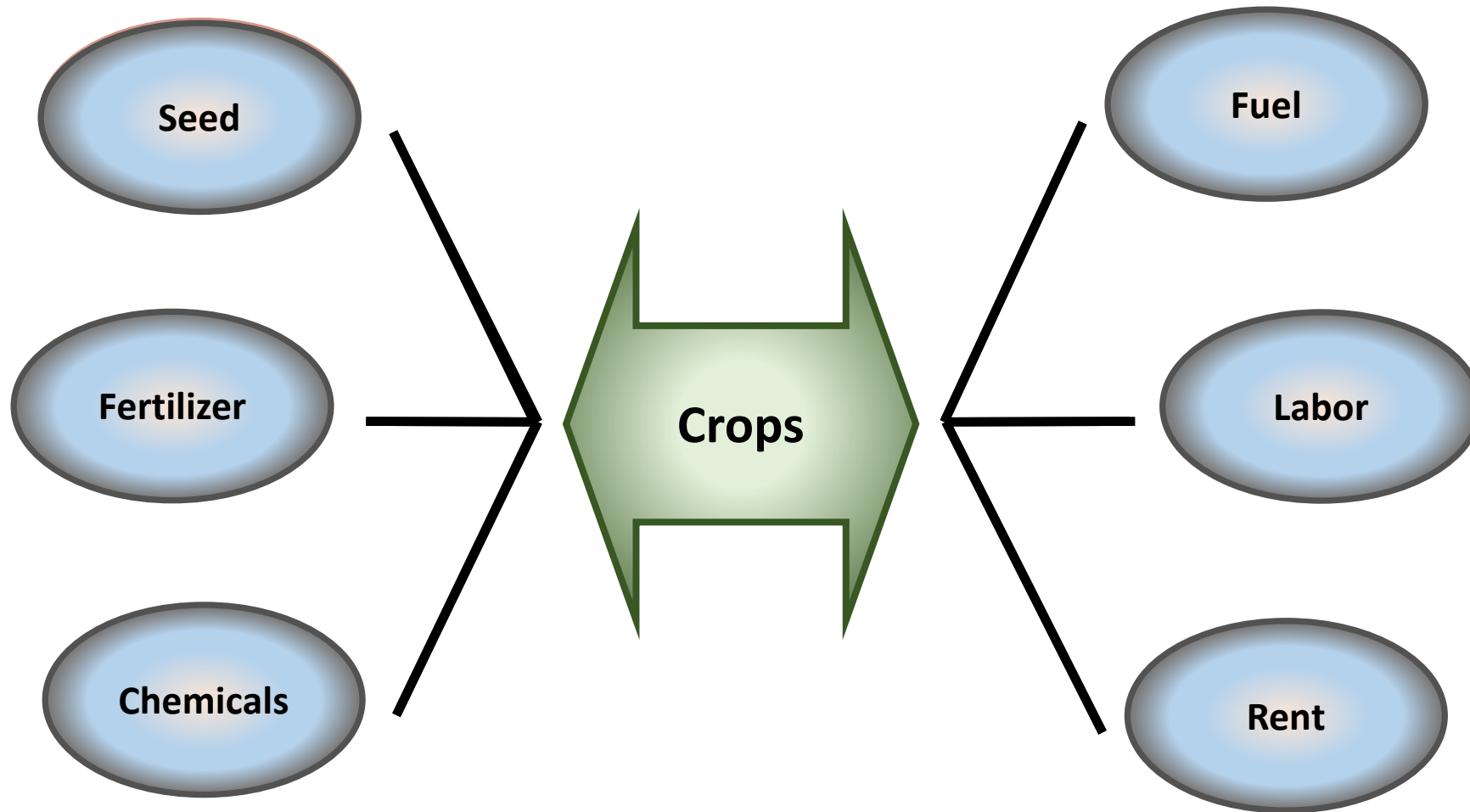


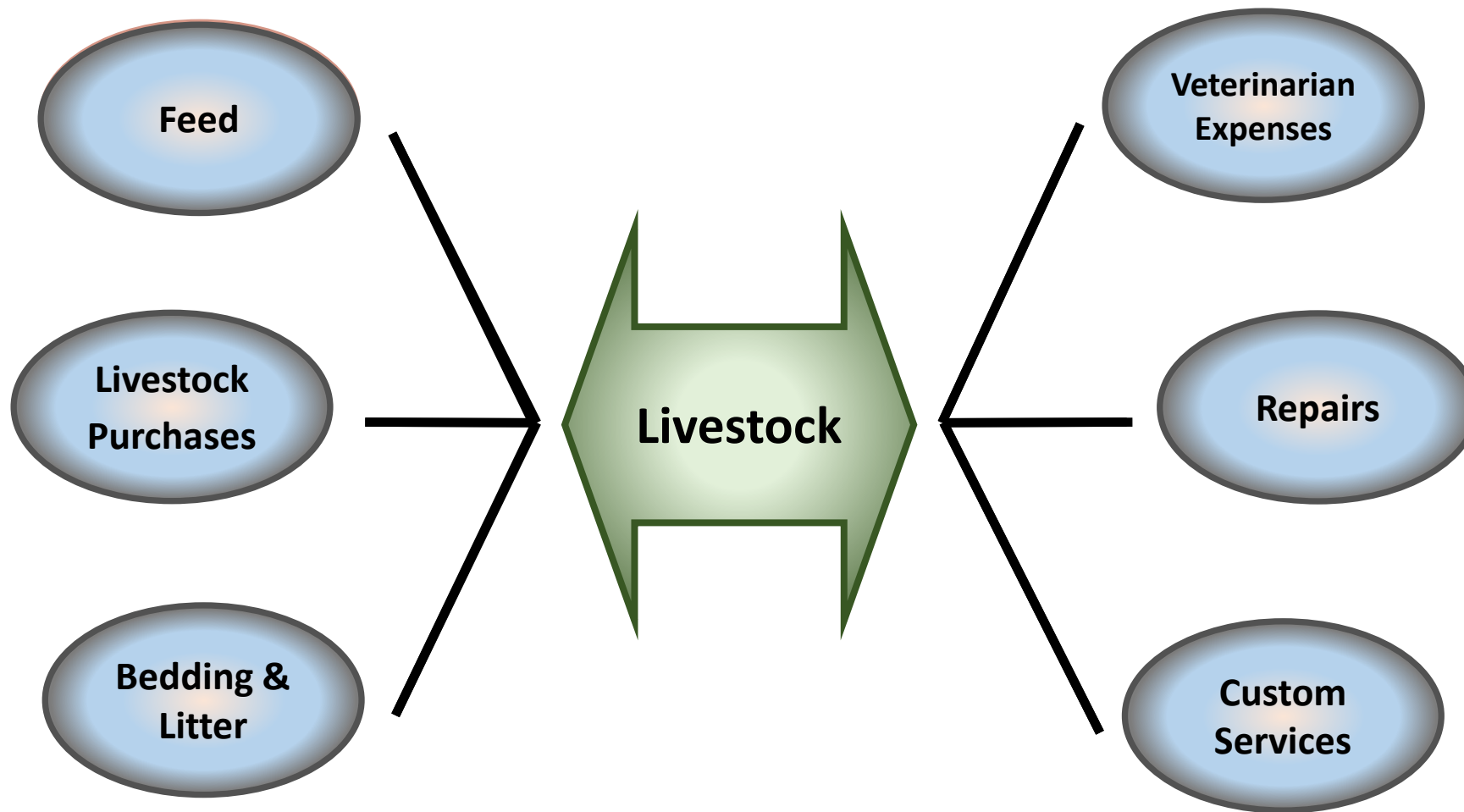
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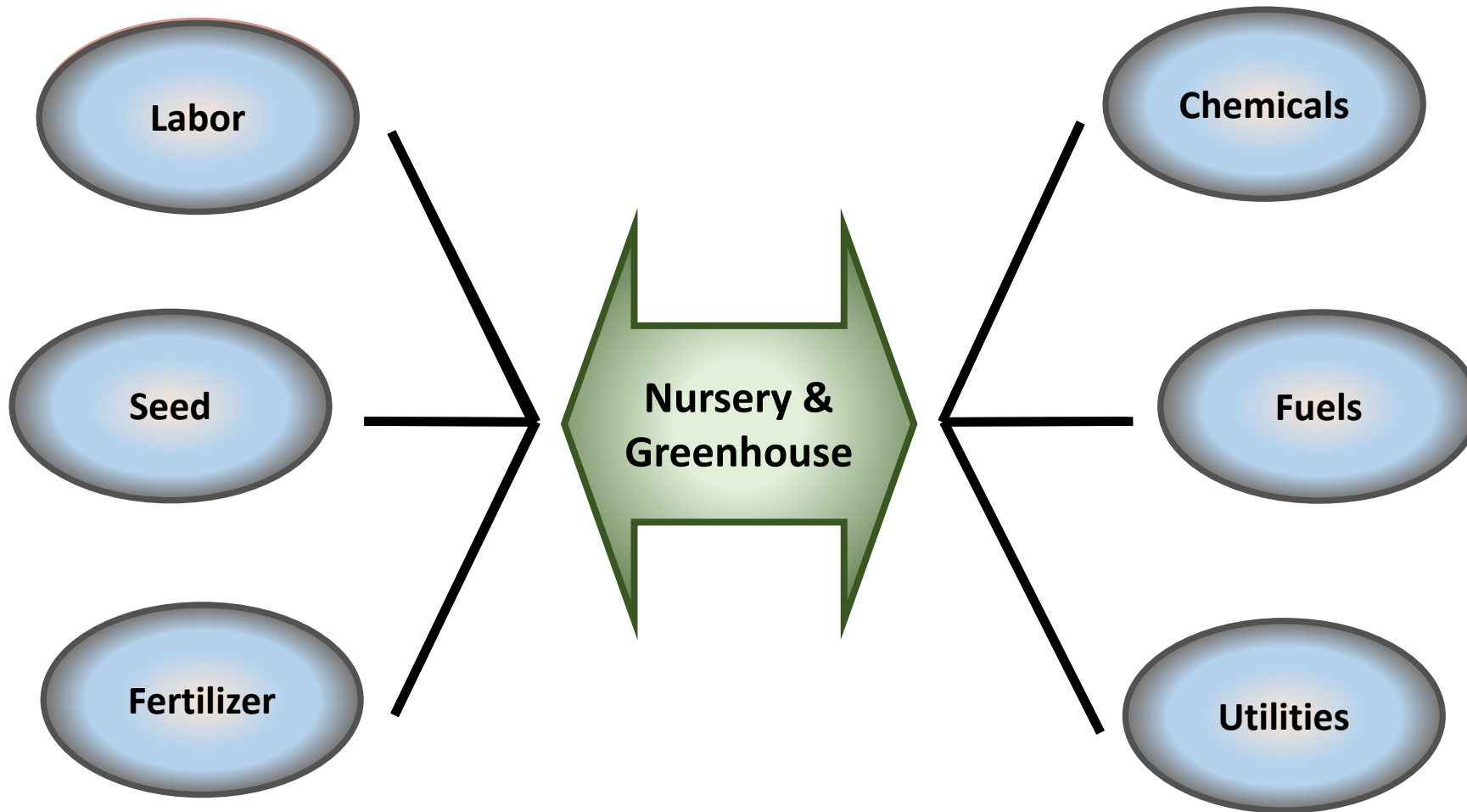


You should expect to see particular expenses depending on the type of farm you are surveying.









Data Relationships, EXAMPLES

- Debt Reported (Section K)
 - ITEM 19: Interest expenses
- Land Owned (Section A)
 - ITEM 20: Real estate taxes
 - Real estate taxes paid by the landlord (item 51) are expected if land rented from others was reported in Section A.



Data Relationships, EXAMPLES

- Dairy operations
 - ITEM 29a: Milk hauling expenses
 - If these expenses were netted out of the operator's milk check, add them back to get the "net" figure
- If vehicles are owned or leased
 - ITEM 22: Registration fees are expected
 - (Vehicle registration and licensing).



GENERAL COMMENTS

- Encourage use of farm records
 - Most accurate data when records are used.
 - Shorter interview time if the records are used.
 - The IRS 1040 - Schedule F Tax form contains some information but it will be in summary format and you will have to try to split it out for ARMS III (see 'Schedule F 2023 hints' document).
 - Operator's best estimate is acceptable for responses if no farm records are available.



THIS IS ONLY A GUIDE. USE YOUR BEST JUDGMENT BEFORE RECORDING DATA IN THE QUESTIONNAIRE. The Full Schedule F is available on the website.

This guide is showing Section Letters and Question numbers on the Questionnaire.

SCHEDULE F (Form 1040) Department of the Treasury Internal Revenue Service	Profit or Loss From Farming Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, 1041, or 1065. Go to www.irs.gov/ScheduleF for instructions and the latest information.	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold; text-align: center;">2023</div> Attachment Sequence No. 14
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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 Form 4562	10	Section I - 38,39	23	Pension and profit-sharing plans 23 Section I - 27
11	Chemicals	11	Section I - 3	24	Rent or lease (see instructions):
12	Conservation expenses (see instructions)	12		a	Vehicles, machinery, equipment 24a Section I 21
13	Custom hire (machine work)	13	Section I - 29 a&b	b	Other (land, animals, etc.) 24b Sec. A - 6, Sec I - 5
14	Depreciation and section 179 expense (see instructions)	14	Section i - 23	25	Repairs and maintenance 25 Section I - 14,16
15	Employee benefit programs other than on line 23	15	Section I - 27	26	Seeds and plants 26 Section I - 1
16	Feed	16	Section I - 6	27	Storage and warehousing 27 Section I - 34
17	Fertilizers and lime	17	Section I - 2	28	Supplies 28 Section I - 7 & 13
18	Freight and trucking	18	Section I - 29 a	29	Taxes 29 Section I - 20 & 26
19	Gasoline, fuel, and oil	19	Section I - 9	30	Utilities 30 Section I - 10,11,12
20	Insurance (other than health)	20	Section I - 18	31	Veterinary, breeding, and medicine 31 Section I - 8
21	Interest (see instructions):			32	Other expenses (specify):
a	Mortgage (paid to banks, etc.)	21a	Section I - 20 a	a	<u>Bedding and Litter for Livestock</u> 32a Section I - 7
b	Other	21b	Section I - 20 b	b	<u>Vehicle Registration and Licensing</u> 32b Section I - 22
22	Labor hired (less employment credits)	22	Section I - 28 & 28	c	<u>Farm Management Services</u> 32c Section I - 32
				d	<u>Other General Expenses</u> 32d Section I - 33
				e	<u>All Other Operating Expenses</u> 32e Section I - 47
				f	32f



ARMS III – “The Farm Story”

- When the interview is concluded, ask yourself:
- “Does the questionnaire make sense?”
- “Does it ‘tell the whole story’?”





ARE THERE ANY QUESTIONS?

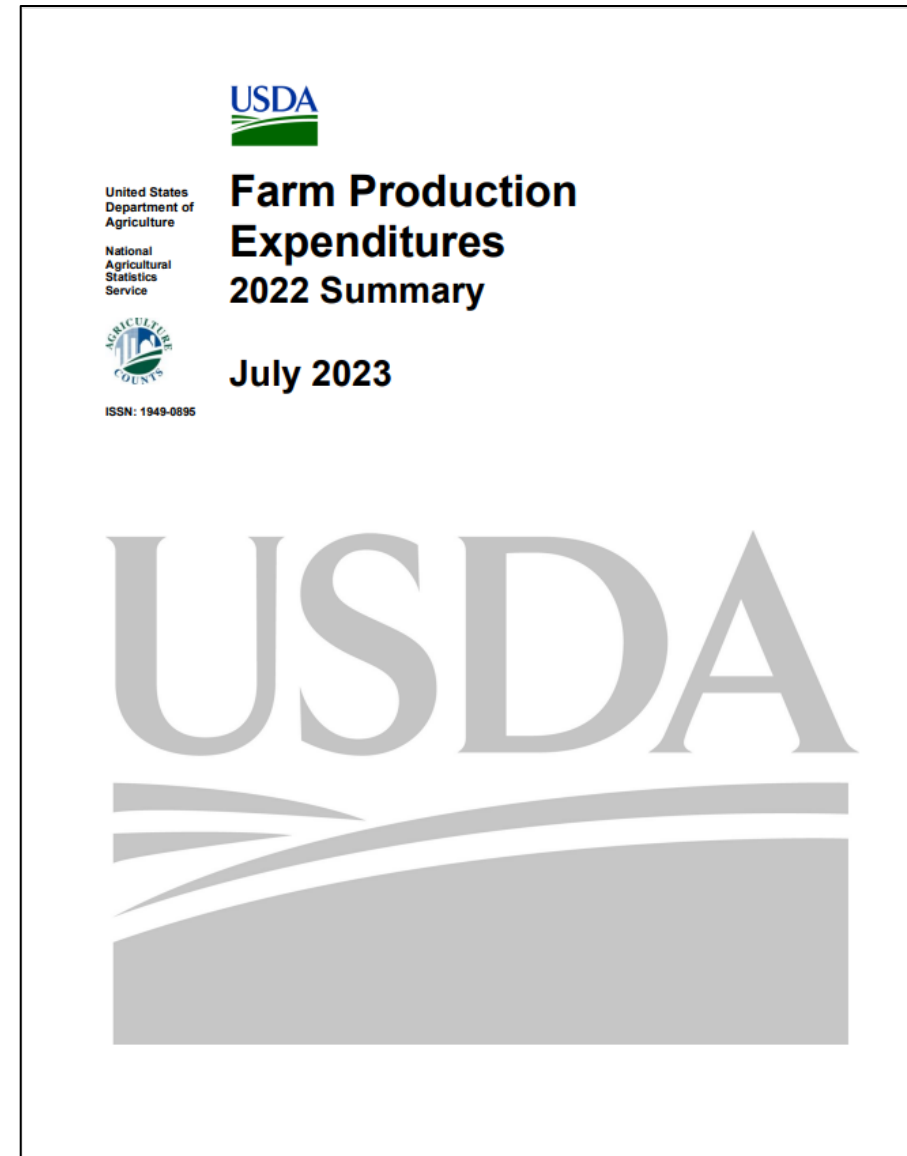
NASS Uses of Expenditure Data



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Farm Production Expenditures Summary



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- Provides annual weights for NASS's computation of the Prices Paid Indexes, a component of the calculation of Parity Prices required by the 1933 Agricultural Adjustment Act.
- Bureau of Economic Analysis (BEA).
 - Development of U.S. Gross Domestic Product (GDP).
- Office of the Chief Economist.
 - Office of Energy Policy and New Uses (OEPNU).
 - Calculation of volume of fuels used by type.
 - Fuel expenditures are broken out by type as always.

