

Section L: Personal Characteristics and Farm Management



United States Department of Agriculture
National Agricultural Statistics Service



Purposes of Section L

- To discover basic operator info
 - Full name
 - Age
 - Farming Experience
 - Etc.
- To estimate the labor required to produce agricultural products
- To document off-farm labor information (what about Section N, item 1a?)



Section L

- Item 1: Number of Operators/Producers
 - # of men and # of women
 - An operator is anyone involved in the day-to-day decisions (family members included)
 - NOT
 - Family members who are not involved in day-to-day decisions
 - Hired hands who are not managers
- If the principal operator has a spouse (item 4 is 'yes'), who is also an operator (listed in item 2), then item 5 'yes', and item 5a should equal the person # in item 2.
- Notice the skips in items 4 & 5. Items 6 – 10 are asked when the primary operator has a spouse who was NOT listed in item 2.



Section L (Labor questions)

- Permits calculating wages for different groups
 - What types of farms are seeing labor costs increase? Are we seeing the effect of “running out of farm laborers”?
 - What do farmers earn per hour working on the farm? What about working off the farm?
- Provides insight into the productivity of farms
 - For instance, does increased use of inputs decrease labor costs?
 - Allows detailed calculation of the “Cost of Production,” which computes the value of farmer’s labor on their operation.



Section L

- Points to Remember
 - There should almost always be hours worked in at least one quarter for every operation
 - Record spouse hours in item 11b, regardless of whether spouse is another operator
 - If multiple workers in same category, record total hours worked
 - Ex. Two employees worked 40 hour/week in a given quarter – record 80



Section L

- Item 2e: Ethnicity
- Item 2f: Race
- Item 2g: Education level
- Item 2h: Primary occupation
- Item 2i: Retired?
- Item 2j: Began farming? (YYYY)
- Item 2k: Size of household



Farm operator income per household by source and farm type, 2021

- Source: USDA, National Agricultural Statistics Service and USDA, Economic Research Service, 2021 Agricultural Resource Management Survey.

Farm type	Mean wealth (dollars)	Mean total income (dollars)	Income from farming		Mean income from off-farm sources (dollars)		
			Mean (dollars)	Percent of households with negative income	Total	Earned	Unearned
Small family farms							
Retirement	1,814,986	74,877	5,052	45	69,825	25,942	43,883
Off-farm occupation	1,781,636	141,761	-315	57	142,075	110,261	31,814
Low sales	1,651,265	83,584	-334	56	83,917	41,869	42,048
Moderate sales	2,792,306	128,255	62,354	17	65,901	35,599	30,302
Midsize family farms	3,975,636	239,971	152,442	14	87,529	58,790	28,740
Large-scale family farms							
Large	6,692,775	556,974	461,413	11	95,561	63,160	32,401
Very large	15,201,685	1,744,401	1,662,892	7	81,508	49,113	32,395
All family farms	2,100,879	135,281	30,821	48	104,460	67,838	36,622



Farm households with income or wealth below the median for all U.S. households, 2021

	Farm households with...	
	Income below U.S. median (\$70,784)	Wealth below U.S. median (\$132,037)
Percent of farm households		
Small family farms		
Retirement	56.2	2.3
Off-farm occupation	24.0	1.8
Low sales	53.9	2.4
Moderate sales	25.9	3.4
Midsize family farms	16.9	4.1
Large-scale family farms		
Large	12.1	3.4
Very large	7.9	2.5
All family farms	37.7	2.4

- Source: USDA, National Agricultural Statistics Service and USDA, Economic Research Service, 2021 Agricultural Resource Management Survey. U.S. Department of Commerce, Bureau of the Census, 2021 Current Population Survey data; and the Federal Reserve Board, Board of Governors in cooperation within the U.S. Department of the Treasury, 2019 Survey of Consumer Finances.



SECTION M: Type of Organization



Purposes of Section M

- To accurately classify farm operations as family farms
- To determine the operation's legal status for tax purposes



Section M

- Item 1: Determine whether the farm is classified as a family farm
- Item 2: Number of owners
 - Based on the ASSETS owned by the farm business
 - Do not include landlords or lenders
- Item 2a: Remember “and your household”
 - Husband and wife = 100%
 - 2 brothers (with separate families evenly split) = 50%



Section M

- Item 3: Any category may be organized as an LLC under state law.
- Item 4: Legal Status for tax purposes
 - Family operation; no partners and no shareholders (most common)
 - Typically file an IRS form F
 - Often married couple if not legally organized as a partnership
 - Could be an LLC
 - Legal partnership; two or more people
 - Partners must be owners but may not be operators
 - Not landlord-tenant



Section M

- Item 4: Legal status for tax purposes
 - C-Corporation
 - Limited liability (could be single-owner LLC)
 - Pay income tax separately from owners
 - S-Corporation (small business corp.)
 - Taxed as a partnership or sole-proprietor
 - Other legal status
 - Main types include:
 - Estate
 - Trust
 - Cooperative
 - Grazing associations



Section M

- Item 5: Assume 2 brothers are owners & partners of the operation, who live apart. Item 5 is 'yes', and item 5a = 1.
- Item 6: If 'yes', ask 6a and skip item 7. If 'no', skip 6a and go to item 7.



Example

- Two operators are unrelated by blood, marriage, or adoption
- Their operation is classified as a non-LLC legal partnership
- Each own 50% and are entitled to 50% of the Net Farm Income
- How would Section M be filled out?

4. In 2023, what was this operation's legal status for tax purposes (*select only one*)?

1240

1 Family or individual operation (**Exclude** partnerships and corporations.)

2 Legal partnership operation (**Include** family partnerships.)

➔ a. Is this partnership registered under State law?



2. In 2023, how many people owned this operation? (**Exclude** landlords, contractors, and lending institutions holding farm debt. **Include** the principal producer if he/she has an ownership interest.) 1246

2

a. What percent of the ownership interest did the principal producer and his/her household hold? (**Exclude** relatives not living in his/her household.) 1248

Percent
50 %

5. In 2023, did any households, other than the principal producer's household, share in the net farm income of this business? (*Sharing can occur by receiving a share of profits/losses or, if incorporated, receiving corporate dividends.*)

1225 1 **Yes - Continue** 3 **No - Go to Item 6**

Number
1

a. How many other households shared in the net income of the farm business? 0976

6. Is this operation a C-Corporation or an LLC that chose to file as a C-Corporation in 2023?

1226 1 **Yes - Continue** 3 **No - Go to Item 7**

a. How much did the principal producer and his/her household receive in corporate dividends from this farming operation in 2023? (*If your operation is an LLC that elected to file for tax purposes as a C-Corporation, consider this as income here.*) [Skip Item 7 and proceed to Section N.] 0975

Dollars
\$.00

7. What percent of net income (whether profit or loss) were the principal producer and his/her household entitled to receive from this farming operation in 2023? (*If the operation is an LLC that elected to report income for tax purposes as a pass-through, consider this as income here.*) 0974

Percent
50 %



Section N: Farm Producer Household - Income, Assets, and Debt

- Cannot understand the decisions and economic well-being of business owners without knowing what other assets, debt, or income they have
- ARMS is the only survey that measures poverty for the farm operator population.
- The vast majority of farms are run by households.
- To meet Congressional and executive mandates:
 - Secretary requires household income be reported concurrent with farm income (USDA Release No. 0383.93, May 1993).
 - Family Farm Report (USC, Title 7, Chap 55, Sec 2266)



Off-Farm Income

- Off-farm income is common.
- The average off-farm income of All Farms was \$123,223 in 2022, with average earned income of \$86,643 from off-farm sources. The average farm income of All farms was \$32,852.

Principal farm operator household finances by farm type,* 2022				
Item	Residence farms	Intermediate farms	Commercial farms	All farms
Number of family farms	1,036,334	720,107	183,531	1,939,972
Farm income (median dollars per household)	-2,370	-125	178,692	-849
Off-farm income (median dollars per household)	113,000	67,519	56,750	81,108
Off-farm income: Earned Income (median dollars per household)	86,500	21,463	25,280	46,574
Off-farm income: Unearned Income (median dollars per household)	32,946	34,534	24,000	33,071
Total household income (median dollars per household)	112,794	73,304	252,728	95,418
Farm income (average dollars per household)	-929	4,081	336,492	32,852
Off-farm income (average dollars per household)	151,385	89,074	98,198	123,223
Off-farm income: Earned Income (average dollars per household)	116,226	49,230	66,399	86,643
Off-farm income: Unearned Income (average dollars per household)	35,159	39,844	31,799	36,580
Total household income (average dollars per household)	150,456	93,154	434,690	156,076

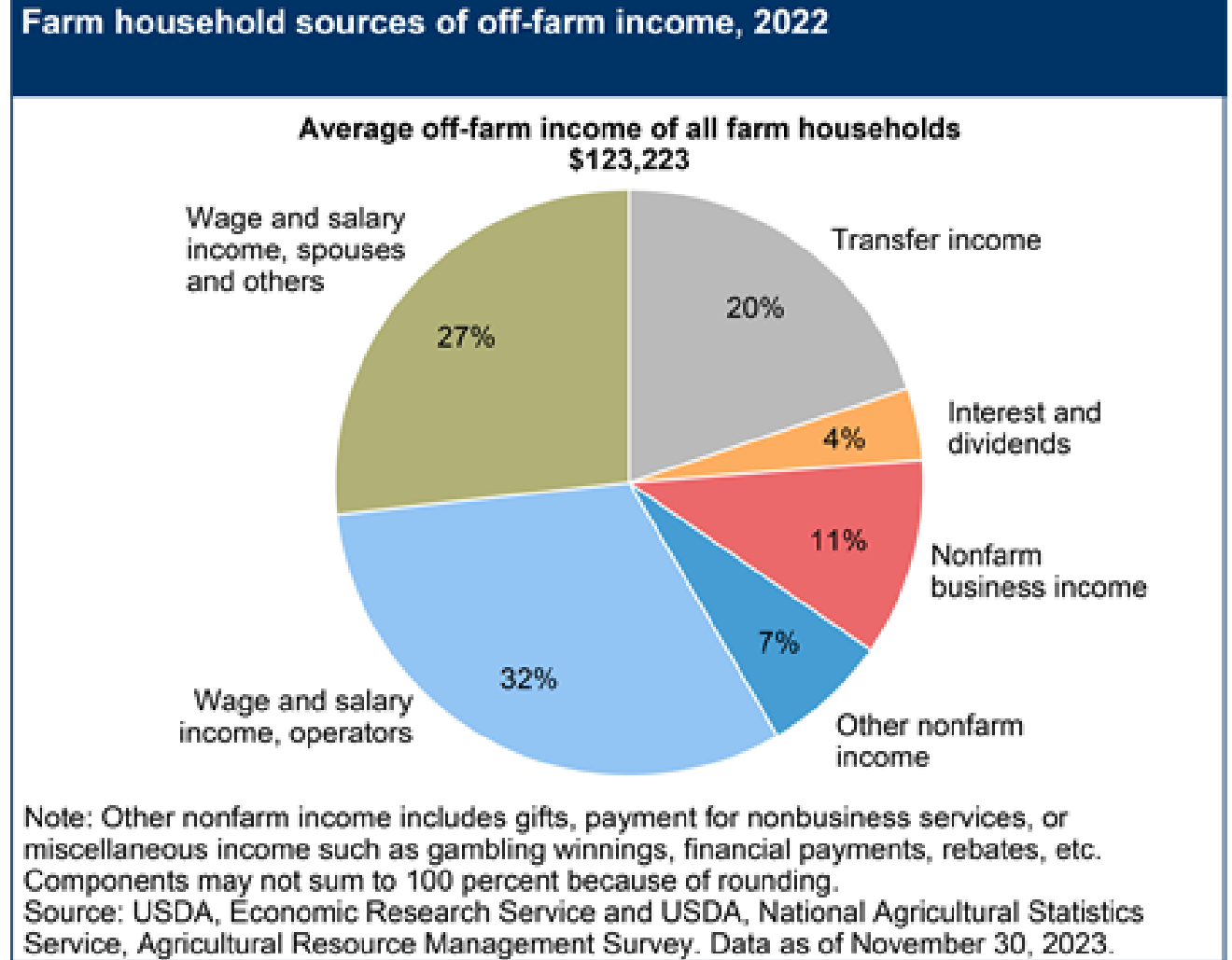
*For details on the farm types, see the USDA, Economic Research Service (ERS) report, Updating the ERS Farm Typology (EIB-110), April 2013.

Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, Agricultural Resource Management Survey. Data as of November 30, 2023.



Sources of Off-Farm Income

- Wages
 - Operator
 - Household Members
- Nonfarm Businesses
- Transfers
- Other Income



Components of Household Income

Household Income = Farm income + Non-farm Income

- Farm income
 - On-farm income – on-farm expenses
- Non-farm income
 - Salary and wages
 - Income from other businesses
 - Pensions, transfers, interest, dividends
- (Household assets and debt are calculated similarly to farm income)



Section N Household Section Value Codes

- 34 different value codes
 - Each code represents a dollar range (except 01)
 - **Must enter a '01' or '1' for \$0 (zero dollars), or mark the 'None' box.**
 - **Indicate negative values with a minus sign (-)**
 - Do not add value codes to get the total value (N-item1a Operator, spouse & total income)
 - Ex. Operator off-farm salary income of \$30K (code 14) and spouse off-farm salary income of \$30K (code 14). The household off-farm salary income is not over \$1 million (code 28). Cell 0952 = 18.



Section N Household Section Value Codes

- Items 2a, 2c, & 2j are very likely NOT code '01'.
- Please notice the relationship between Section J - item 1a, Section I – items 19a & 20a, and Section N - items 2h, 2i, 3c, & 4a. Is the producer's dwelling a farm asset?



Some Things to Watch out For

- Spending, in item 2
 - a. food
 - c. utilities and household supplies
 - e. health and medical expenses
 - j. all other family living expenses
- Do not double count and report expenses already reported in Section I - Operating Expenses
 - You can't report your personal expenses on your taxes for your business.
 - People have personal expenses too.



Some Things to Watch out For

- BE CAREFUL- is the house part of the farm or not?
- Don't want to duplicate the information if it was reported in the Farm Asset Section

b. retirement accounts? (401k, 403b, IRA, Keogh, other retirement accounts)

c. producer's dwelling, if not owned by the operation? (not reported in Section J, Item 1a)

d. real estate and other personal (second) homes? (other farms, residential rental, commercial, and other real estate)

e. business not part of this farm?

f. all household vehicles? (Including household share of vehicles partly owned by the operation)

g. other assets not reported elsewhere?

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 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.)

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.)

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.)



Section N

- Farm and household sustainability are interlinked
- Section N focus is on principal producer's household
- Section N is value code based as opposed to exact \$
- Beware of duplication of assets, debt, and expenses between farm (earlier sections) and household (section N)



Section O

- Item 2: cell 9910 must be in the proper format. An interview completed on March 4 would be entered as '030424'.
- For the time – please enter the Beginning Time on the face page and the Ending Time on the back page, OR enter the Total Time on the back page, NOT both.
- Entering the Total Time is helpful if the interview was completed at different times. If 1.5 hours were spent in person, and another 0.5 hours were spent on the phone, then the total time would be 2 hours.

