

2023
Agricultural Resource
Management
Phase III

Sections D-H



United States Department of Agriculture
National Agricultural Statistics Service



What We Have Collected So Far

- Land in Farm
- Crop Acreage, Production & Cash Sales
- Livestock Inventory, Removed & Cash Sales



Production in Sections B & C



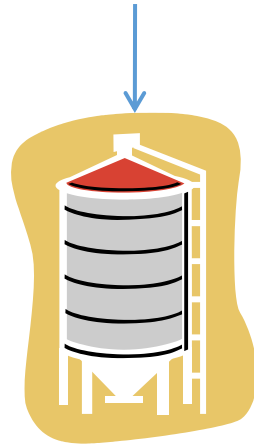
Market the
Commodity



Contract Sales
Sections E & F



Cash Sales
Sections B - C



Store the Commodity
Asset in Section J, Item 3

Sections D-H

- Contracts, Accounts Receivable, and Direct Sales



Gross Farm Income



- Sources of Income?
 - Commodity Sales
 - Cash Sales
 - Contracts
 - Accounts Receivable
 - Government Payments
 - Other Farm Related Income

Contract Production

- What is a Contract?
- Why do we use them?



What is a Contract?

- An agreement
 - could be oral, but usually written
- Reached prior to harvest or end of livestock production cycle
- Sets a commodity, an outlet, and a compensation agreement



Contractor vs. Contractee

- **CONTRACTOR:** Respondent pays another operation to produce crops, livestock or poultry under an agreement.
 - Section D
- **CONTRACTEE:** Respondent produces or markets a commodity under a contractual agreement with another farm or entity.
 - Section E
- An operator may be Either or Both.



Why Contracts?

- Operator
 - Management Tool
 - Reduce Risk
 - Shift risk from self
 - Less uncertainty
- Contractor
 - Management Tool
 - Reduce Risk
 - Ensures Supply
 - Consistent Product



Contract Scenarios



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Section D: Operator is a Contractor

e.g. Other Operations Growing, Feeding or Raising Livestock for This Operation

- Operator is a Contractor
 - Operator is paying someone else
 - Commodity remains as asset of the selected operation.



- **IMPORTANT:** Any livestock, sales or expenditure data are recorded in this section are not recorded anywhere else.
- Examples?

Section D: Operator is a Contractor

i.e. Other Operations Growing, Feeding or Raising Livestock for *This Operation*

SECTION D		OTHER OPERATIONS GROWING, FEEDING, or RAISING LIVESTOCK FOR THIS OPERATION										
1. In 2023, did any OTHER operations grow, feed, or raise livestock or poultry owned by this operation under a contract agreement where you are the contractor? 0271 <input type="checkbox"/> 1 Yes - Continue <input type="checkbox"/> 3 No - Go to Section E												
1	2	3	4	5	6	7						
What livestock or poultry were being raised or fed for this operation? [List type below.]	Commodity Code Office Use Only (Code)	What was the market value of [type] on hand on contractee operations on Jan. 1, 2023? (Dollars)	What was the estimated market value (at placement) of [type] placed under contract DURING 2023? (Dollars)	How much was paid to contractees for labor, management, and reimbursement for expenses? (Dollars)	How much were the GROSS receipts from [type] sold or removed under this contract? (Dollars)	On Dec. 31, 2023 what was the market value of unsold [type] remaining under contract? (Dollars)						
	0277	0278	0279	0280	0281	0282						
	0283	0284	0285	0286	0287	0288						
	0289	0290	0291	0292	0293	0294						

Section D – STAYS IN Section D...do not report it in another section.



Section E: Marketing Contracts

- Operation owns commodity
- Contract sets payment terms
- Contract sets outlet for marketing
 - Where is it going?
 - Who is taking it?
 - When?
 - How much?



Marketing Contracts

Example: Corn, note - column 3 = 1

SECTION E MARKETING and PRODUCTION CONTRACTS																	
<p>1. Did this operation have marketing or production contracts for any commodities delivered¹ 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.)</p> <p>3991 1 <input checked="" type="checkbox"/> Yes - Continue 3 <input type="checkbox"/> No - Go to Item 3</p> <p>2. Report the commodities delivered in 2023 through marketing or production contract(s). List the quantities delivered and the final price/fee received. (Include the quantity delivered or removed under contract. Exclude money received from contractors as reimbursement for expenses. Exclude landlord shares (report in SECTION A) and marketing charges (report in SECTION I, Item 34).)</p>																	
1 What commodities did this operation have MARKETING or PRODUCTION contracts for in 2023? [Write in commodities]	2 Commodity Code Office Use Only (Code)		3 Marketing or Production Contract? Marketing=1 Production=2		4 Quantity of this commodity delivered through this contract? (Exclude landlord's share.)	5 Unit Code (from list below) (Code)		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 2023 from this contract? (Total Dollars)						
Commodity example	0000		0000	1	0000	10000	0000	04	0000	\$	3	.	75	0000	\$	37500	.00
Corn	3927	6	3550	1	3928		3929		3930	\$.			3931	\$.00
	3932		3551		3933		3934		3935	\$.			3936	\$.00
	3937		3552		3938		3939		3940	\$.			3941	\$.00



Marketing Contracts

- Key Points
 - Delivered
 - If partial payment was made
 - Check Accounts receivable
 - Price per unit
 - Closely linked to market values
 - Most common in crops
 - Some livestock
 - Operator bears most of the production risks



Marketing Contracts

- Common Commodities: Feed/Cereal Grains, Milk, Fruit & Nuts, Vegetables, Potatoes, Hay/Silage, Others?
- Common Errors
 - Incorrect commodity code
 - Duplication with cash sales
 - Marketing charges
 - Off-farm storage
 - Should be a production contract



Section E: Production Contracts

- Contractor owns the commodity
- The operation grows it
- Contractor often provides inputs
- Compensation is fee-for-service
 - Grower is providing a service rather than selling a product
- Fee is a small share of value of production



Production Contract

Example: hog finisher, note - column 3 = 2

SECTION E MARKETING and PRODUCTION CONTRACTS																	
<p>1. Did this operation have marketing or production contracts for any commodities delivered¹ 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.)</p> <p>3991 1 <input checked="" type="checkbox"/> Yes - Continue 3 <input type="checkbox"/> No - Go to Item 3</p> <p>2. Report the commodities delivered in 2023 through marketing or production contract(s). List the quantities delivered and the final price/fee received. (Include the quantity delivered or removed under contract. Exclude money received from contractors as reimbursement for expenses. Exclude landlord shares (report in SECTION A) and marketing charges (report in SECTION I, Item 34).)</p>																	
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Commodity example	0000		0000	1	0000	10000	0000	04	0000	\$	3	.	75	0000	\$	37500	.00
Hog finisher	3927	809	3550	2	3928		3929		3930	\$.			3931	\$.00
	3932		3551		3933		3934		3935	\$.			3936	\$.00
	3937		3552		3938		3939		3940	\$.			3941	\$.00



Production Contracts

- Examples
 - Broilers
 - Hogs
 - Replacement Heifers
 - Processing vegetables
 - Turkeys
 - Crops for seed



Common Errors:

- Unit codes
 - Need agreement for quantity, price/fee
- Dollars and Cents
 - Record to the nearest cent (. _ _)
- Revenues/Fees received
 - Not always quantity times price (or unit fee)
 - Payments may lag
 - Differences should be represented in accounts receivable
- Look for double counting



Section F - Accounts Receivable

- Why do we need accounts receivable?
- Note structure

SECTION F		ACCOUNTS RECEIVABLE & DEFERRED PAYMENTS	
1. For each item below, report income received or the amount owed to the operation on the dates specified. (<i>Include cash sales, marketing contract sales, and production contract removals. Exclude crops in storage and not yet sold.</i>)			
[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 (<i>cash or contract</i>) before January 1, 2023? . . . 0885	<input type="checkbox"/>	\$.00
(i) How much did this operation receive from Item 1a during 2023? 0875	<input type="checkbox"/>	\$.00
b. What was the total dollar amount owed to this operation on December 31, 2023, for all commodities produced, sold (<i>cash or contract</i>), delivered, or removed under contract in 2023 and earlier years? 0886	<input type="checkbox"/>	\$.00



SECTION E MARKETING and PRODUCTION CONTRACTS

1. Did this operation have **marketing** or **production** contracts for any commodities delivered¹ 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** 3 **No - Go to Item 3**

2. Report the commodities delivered in 2023 through **marketing** or **production** contract(s). List the quantities delivered and the final price/fee received. (Include the quantity delivered or removed under contract. Exclude money received from contractors as reimbursement for expenses. Exclude landlord shares (report in SECTION A) and marketing charges (report in SECTION I, Item 34).)

1 What commodities did this operation have MARKETING or PRODUCTION contracts for in 2023? [Write in commodities]	2 Commodity Code Office Use Only (Code)	3 Marketing or Production Contract? Marketing=1 Production=2	4 Quantity of this commodity delivered through this contract? (Exclude landlord's share.)	5 Unit Code (from list below) (Code)	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 2023 from this contract? (Total Dollars)											
Commodity example	0000	0000	1	0000	10000	0000	04	0000	\$	3	.	75	0000	\$	37500	.00	
Corn	3927	6	3550	1	3928	26000	3929	04	3930	\$	3	.	25	3931	\$	50000	.00

$$26000 \times 3.25 = 84500 \quad (84500 - 50000 = 34500)$$

SECTION F ACCOUNTS RECEIVABLE & DEFERRED PAYMENTS

1. 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	<input type="checkbox"/>	\$ 28000 .00
(i) How much did this operation receive from Item 1a during 2023? 0875	<input type="checkbox"/>	\$ 28000 .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? 0886	<input type="checkbox"/>	\$ 34500 .00

Section G

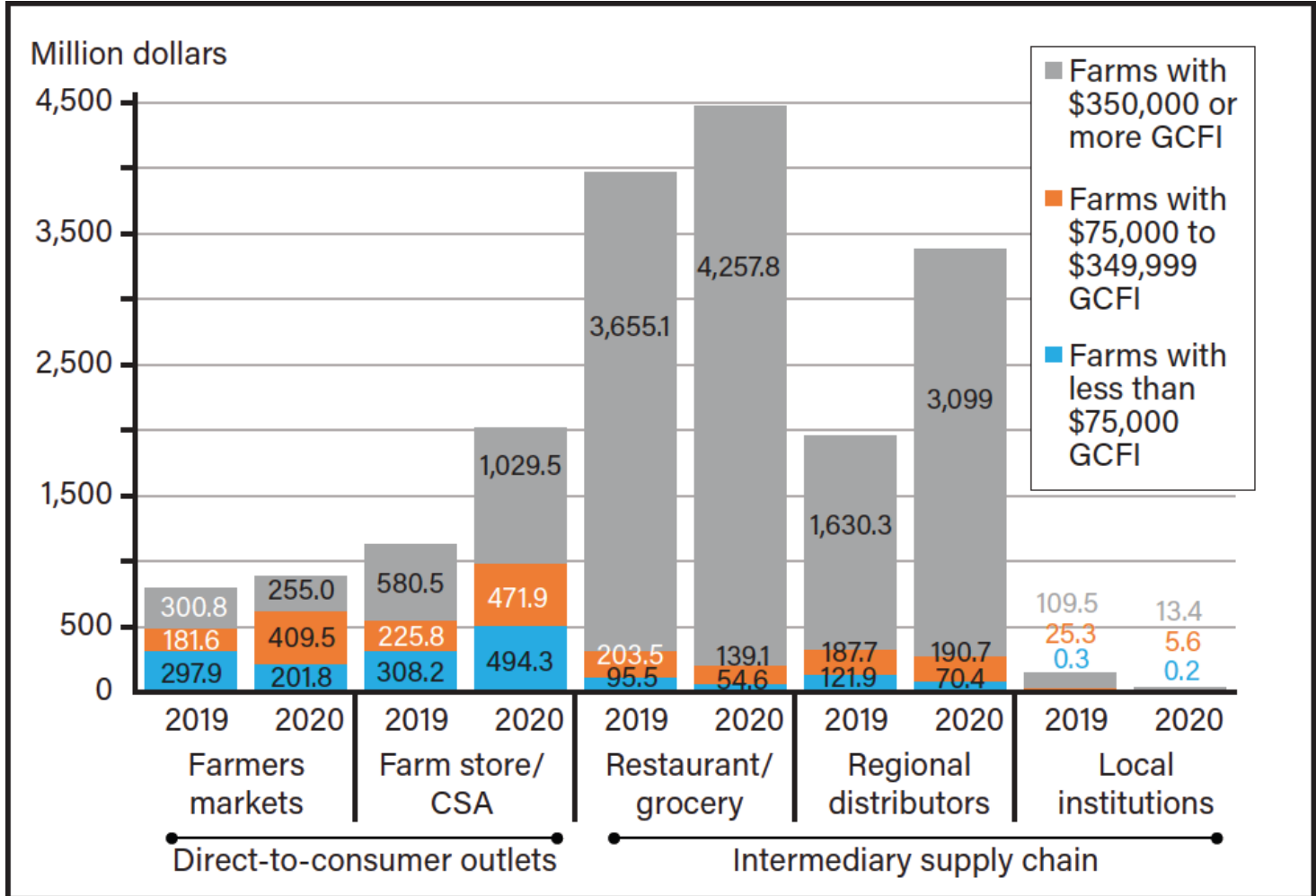
Direct Sales



United States Department of Agriculture
National Agricultural Statistics Service



Direct sales by marketing channel and farm size, 2019 and 2020



Source: USDA, National Agricultural Statistics Service and USDA, Economic Research Service, 2019 and 2020 Agricultural Resource Management Survey.



Sec. G - Questionnaire

- Please be aware of includes and excludes.
- Item 1 - Sales are split out Edible and Non-edible Products by category (Consumers, Retail markets, Institutions, and Intermediate markets).
- Item 2 – Include marketing expenses related to products reported in Item 1.
- Item 3 – Questions pertain to the sale of processed/value-added products.

Gross Value of Sales
of Edible Products

Gross Value of Sales
of Non-edible
Products



Sec. G – In conclusion...

- Please be aware of what types of direct sales and sales to intermediate markets you may see in your area.
- Sales in Sec. G should appear elsewhere on the questionnaire.



Section H

Government Payments & Other Farm Related Income



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National Agricultural Statistics Service



Purpose

- Complete accounting for all income sources
- Measure and report the diversity of participation in government programs
- CCC loans
- CRP acres/payments
- Federal, State or local farm programs
- Custom work
- Machinery sales/farmland sales
- Insurance payments
- Income from royalties or leases associated with energy production
- All other farm related sources of income (item 3i). What was it?



Commodity Credit Corporation (CCC) Loans

- The Commodity Credit Corporation (CCC) is a Government-owned and operated entity that was created to stabilize, support, and protect farm income and prices. CCC also helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution.
- Any time before the final maturity date of the loan (9-month period), the farmer may repay the loan amount plus any interest that has accrued. If the loan is not repaid by the final loan maturity date, the CCC takes title to the commodity as full payment of the loan and interest charges.



More information must now be reported to the IRS about some farmers with CCC loans.



A farming business that receives a CCC loan can use cash to repay the loan, purchase certificates for use in the repayment, or deliver the pledged collateral as full payment at maturity. If a farmer uses cash instead of certificates to repay the loan, the farmer and the IRS receive an Information Return (Form CCC-1099-G) showing the market gain realized.



Under the *Food, Conservation, and Energy Act of 2008*, farmers using CCC certificates to facilitate repayment of loans will also receive 1099-G forms. Prior to January 1, 2007, this information was not reported to the IRS.



Government Payments & Other Farm Related Income

- Combined “federal” and “other” insurance payments

e. all insurance indemnity payments? <i>(Include indemnity payments for all federal and other crop and livestock insurance, casualty insurance, hail insurance, vehicles and equipment and blanket insurance policies. Include indemnities received on the operator's dwelling, if owned by the operation)</i> 1494	<input type="checkbox"/>	\$.00
(i) Of the (Item 3e) dollars, how much was received for Federal crop and livestock insurance? 0552	<input type="checkbox"/>	\$.00

Government Programs

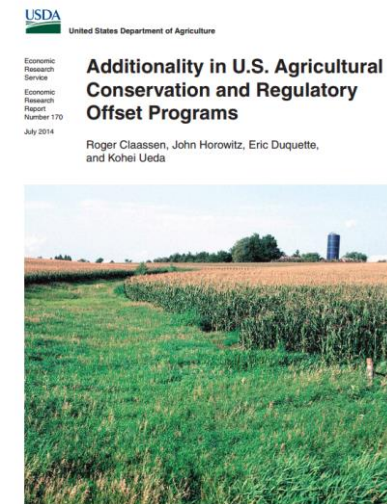
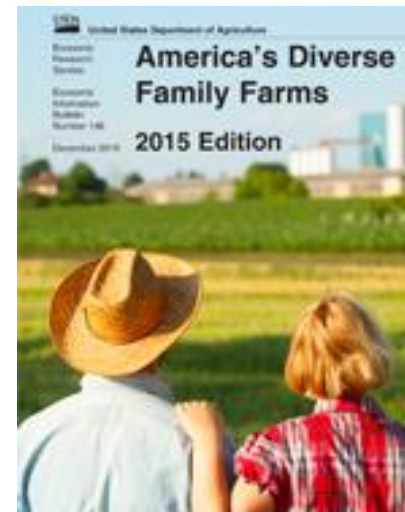
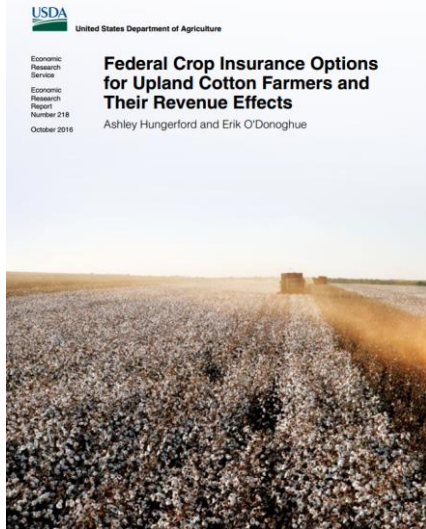
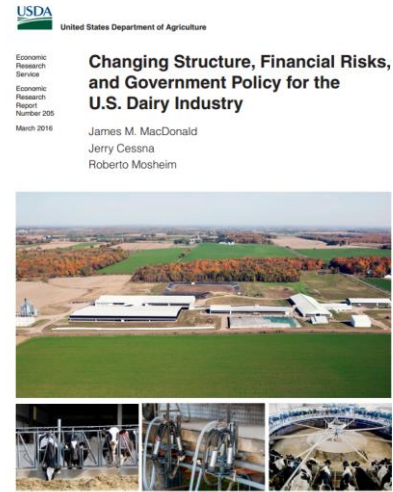
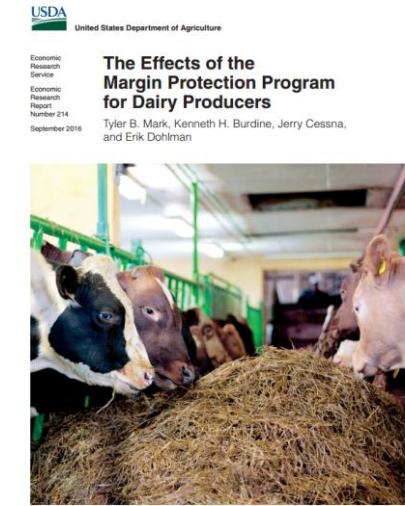
- CRP: <https://www.fsa.usda.gov/programs-and-services/conservation-programs/conservation-reserve-program/>
- EQIP: <https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/eqip/>
- CSP: <https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/csp/>
- ARC/PLC: https://www.fsa.usda.gov/programs-and-services/arcplc_program/
- MPP: <https://www.fsa.usda.gov/programs-and-services/Dairy-MPP/index>



- Item 3i: All other Farm Related Sources
- This is the “Catch all” category!
 - Be familiar with all the items that should be recorded in this category.
- Item 4: Largest Portion of Gross Values of Sales
 - Select a category
 - CROPS – or – LIVESTOCK
 - In the Operator’s Opinion



Information supports ERS research and policy analyses



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Questions?



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