

Marketing & Production Contracts

Section E



United States Department of Agriculture
National Agricultural Statistics Service



Why use contracts?

Farmers

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

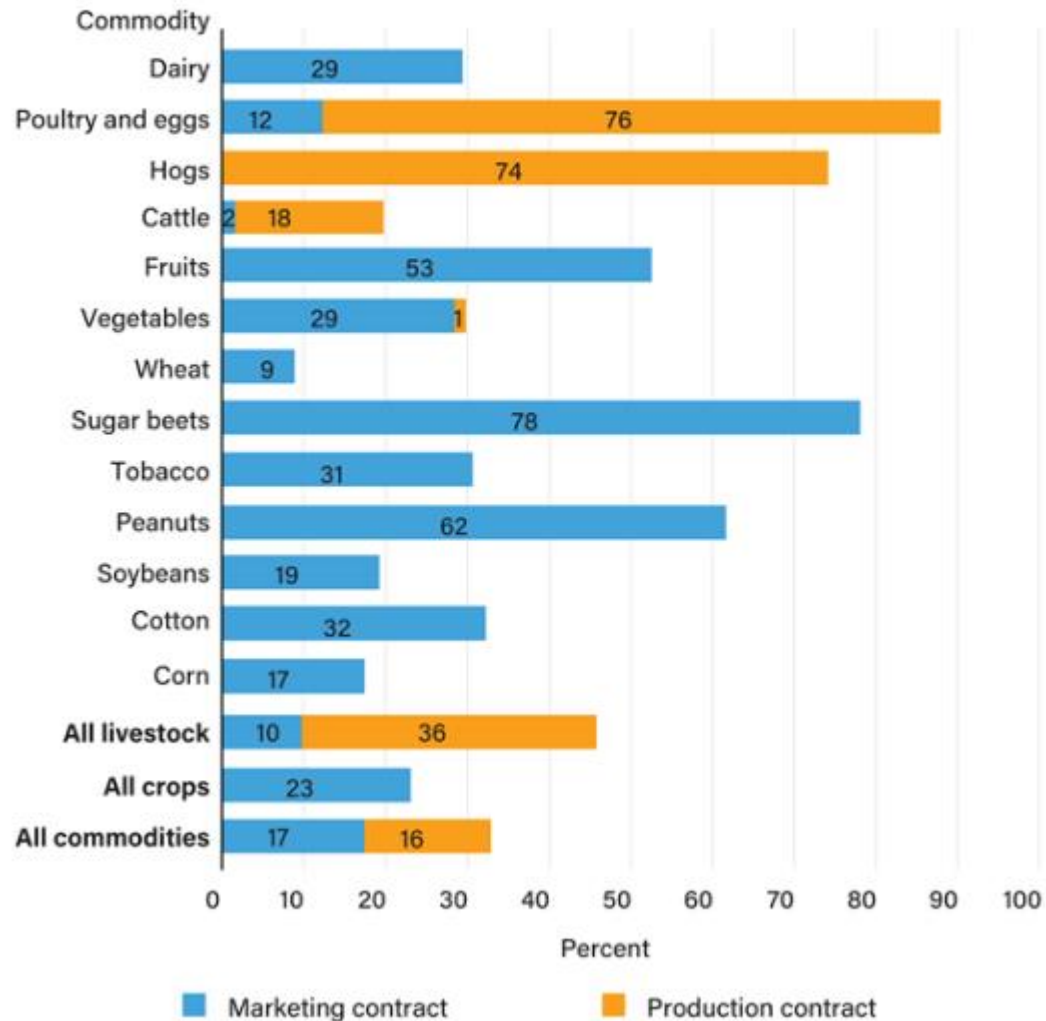
Processors

- Timely flow
- Control over attributes
- Consistency



Value of U.S. farm production under contract for select commodities, 2020

USDA Economic Research Service
U.S. DEPARTMENT OF AGRICULTURE



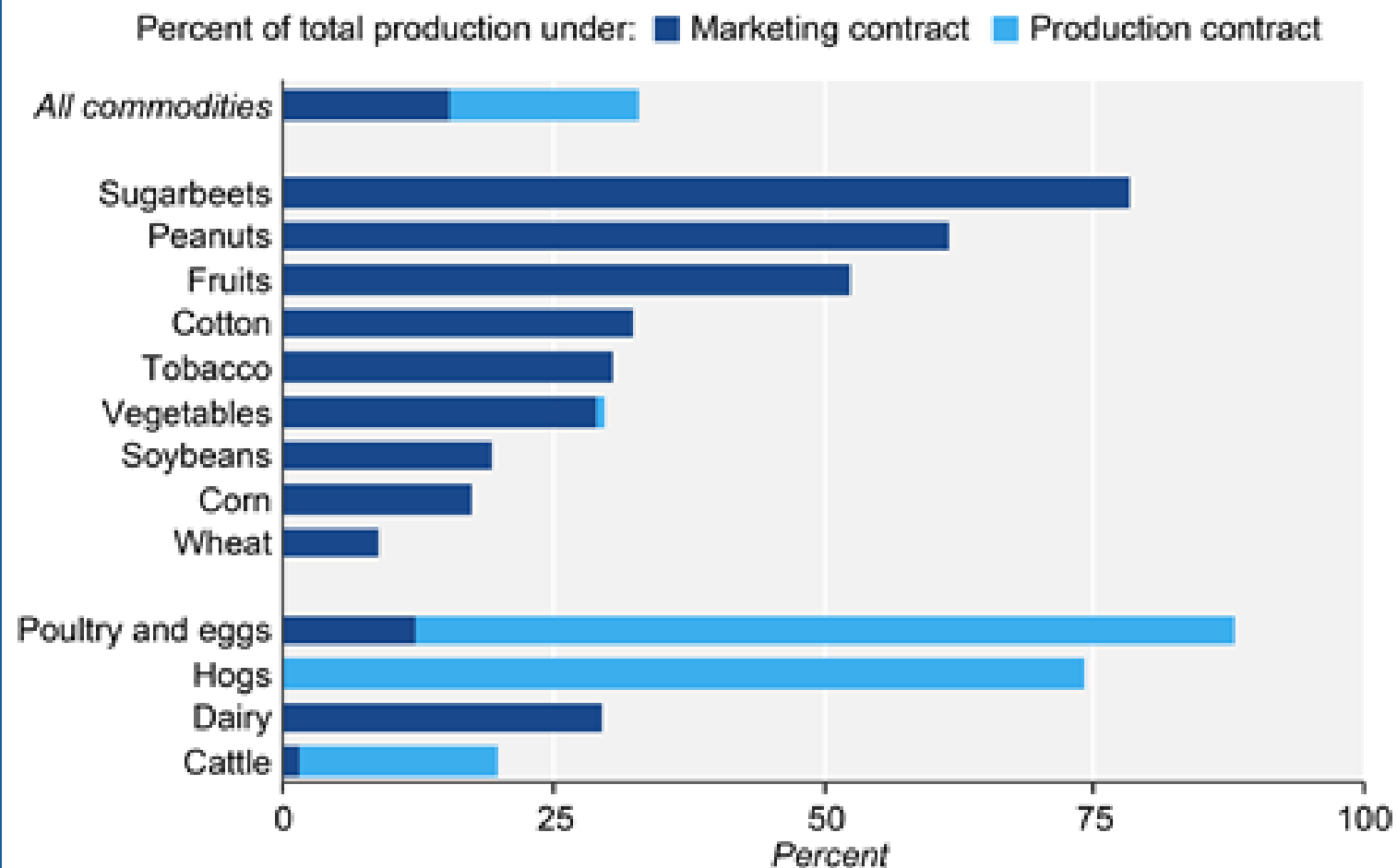
- In 2020 about 1/3 of all farm commodities (by value) were under a marketing or production contract.
- Source: USDA, Economic Research Service and NASS, ARMS, 2020.



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Percent of production under contract, by contract type, for selected commodities, 2020



Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2020 Agricultural Resource Management Survey (data as of December 2021).

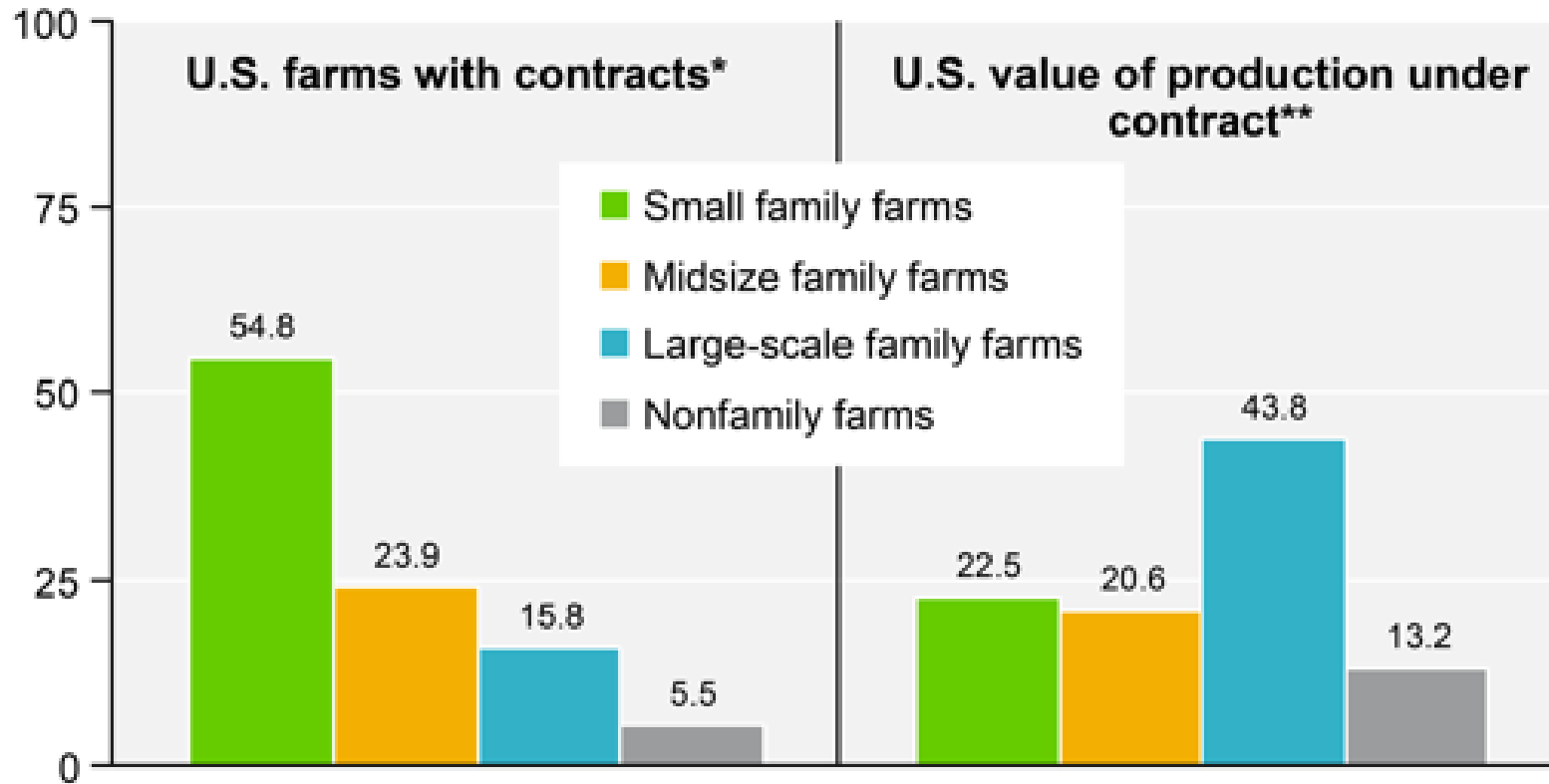


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Distribution of farms with contracts and value of production under contract, by farm type, 2020

Percent of U.S. farms with contracts and percent of U.S. value of production under contract



*Farms reporting production under production contracts, marketing contracts, or both.

**Includes commodities under production or marketing contracts.

Note: Small family farms have annual gross cash farm income (GCFI) less than \$350,000, measured before deducting expenses. Midsize family farms have GCFI of \$350,000–\$999,999. Large-scale family farms have GCFI of \$1,000,000 or more.

Who Uses Contracts?



Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2020 Agricultural Resource Management Survey (data as of December 2021).



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

Mostly crops



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”

Commodities under Marketing Contracts

Grain Crops

Oilseed Crops

Sugarcane

Cotton

Fresh Vegetables

Fruits & Nuts

Peanuts

Milk



Commodities under Production Contracts

Hogs

Broilers

Table Eggs

Hatchery Eggs

Turkeys

Dairy Heifers

Hogs

Pullets



SECTION E

MARKETING and PRODUCTION CONTRACTS

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“Delivered in 2023”

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).)

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

	None	Beginning of Year		End of Year	
		JAN. 1, 2023? (Dollars)		DEC. 31, 2023? (Dollars)	
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 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.)	<input type="checkbox"/>	0888	\$.00	0889	\$.00
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).)	<input type="checkbox"/>	0863	\$.00	0864	\$.00
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).)	<input type="checkbox"/>	0876	\$.00	0877	\$.00
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?	<input type="checkbox"/>	0880	\$.00	0881	\$.00

Section J – Farm Assets

Marketing Contract undelivered, still on-hand

Production Contract still not delivered, but inputs used



SECTION E

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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 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.)

None

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

0888 \$.00

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).)

0863 \$.00

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).)

0876 \$.00

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?

0880 \$.00

Marketing Contract from prior year crop, delivered in 2023

Inputs for Production Contract started in prior year

Section J – Farm Assets



SECTION E MARKETING and PRODUCTION CONTRACTS

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	Commodity example	0000		0000	1	0000	10000	0000	04	0000	\$	3	.	75	0000	\$	37500
	3927		3550		3928		3929		3930	\$.		3931	\$.00
	3932		3551		3933		3934		3935	\$.		3936	\$.00

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^{1/} "Delivered" includes commodities for which partial payment was made even if not physically delivered by December 31, 2023.

Unit	Code	Unit	Code	Unit	Code	Unit	Code
Pound	01	Bin	05	Dozen	09	Barrel	20
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Ton	03	Bale	07	Head / Bird	11	Animal Space	39
Bushels	04	Carton	08	Plant / Pot	13	Kilogram	40



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<i>Commodity example</i>	0000		0000	1	0000	10000	0000	04	0000	\$	3	.	75	0000	\$	37500	.00
Soybeans	3927	26	3550	1	3928	10000	3929	04	3930	\$	13	.	00	3931	\$	130000	.00
	3932		3551		3933		3934		3935	\$.		3936	\$.00

Marketing Contract

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EXAMPLE: The producer sold 10000 bushels of soybeans under a marketing contract for \$13 per bushel and was paid-in-full \$130,000 total.



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<i>Commodity example</i>	0000	0000	1	0000	10000	0000	04	0000	\$ 3 . 75	0000	\$ 37500 .00	
Broilers	3927	924	3550	2	3928	250000	3929	11	3930	\$ 0 . 38	3931	\$ 95000 .00
	3932		3551		3933		3934		3935	\$.	3936	\$.00

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Production Contract

EXAMPLE: The producer sold 250000 broilers under a production contract for \$0.38 per head and was paid-in-full \$95,000 total.



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Any Questions?



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