

# Marketing & Production Contracts

Section E





### Why use contracts?

#### **Farmers**

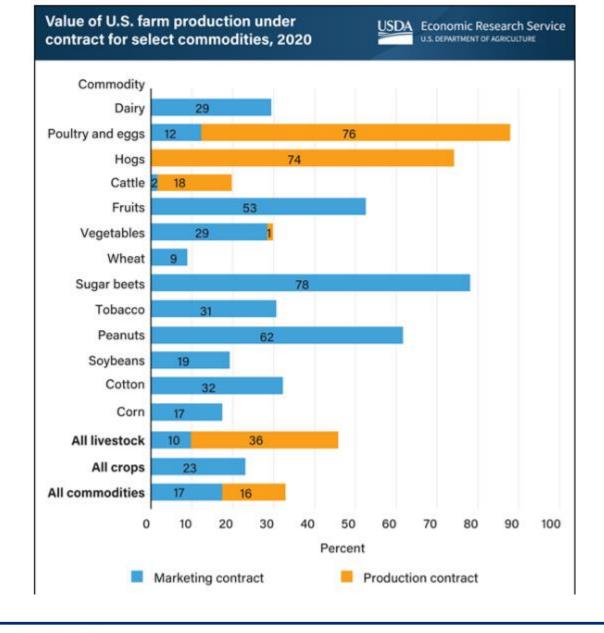
- Manage risks
- Compensation for quality
- Outlet for products
- Assurance for financing

#### **Processors**

- Timely flow
- Control over attributes
- Consistency







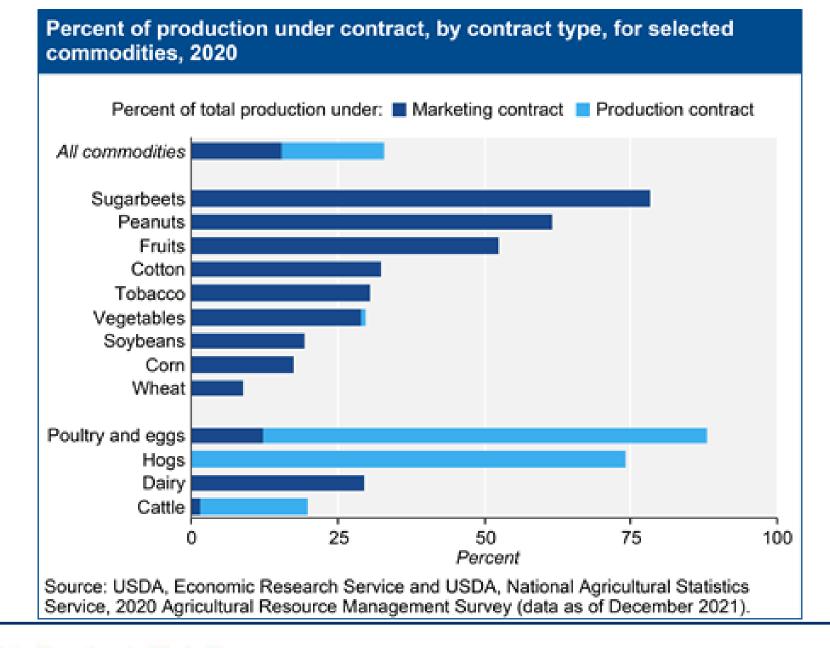
• In 2020 about 1/3 of all farm commodities (by value) were under a marketing or production contract.

 Source: USDA, Economic Research Service and NASS, ARMS, 2020.







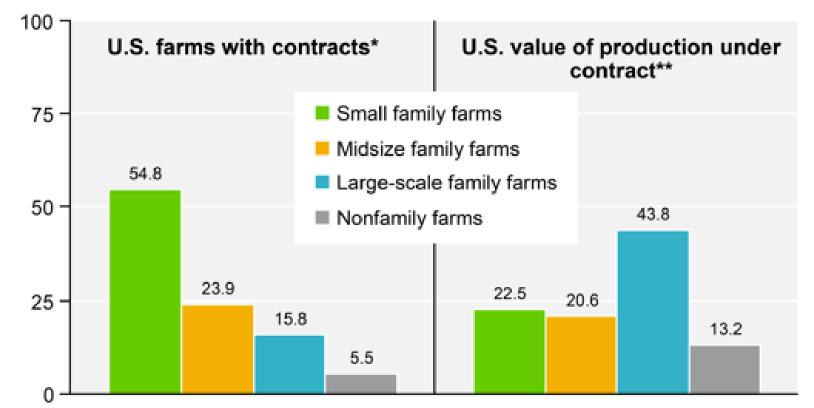






## Distribution of farms with contracts and value of production under contract, by farm type, 2020

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



<sup>\*</sup>Farms reporting production under production contracts, marketing contracts, or both.

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.







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



<sup>\*\*</sup>Includes commodities under production or marketing contracts.

### 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 Turkeys

Broilers Dairy Heifers

Table Eggs Hogs

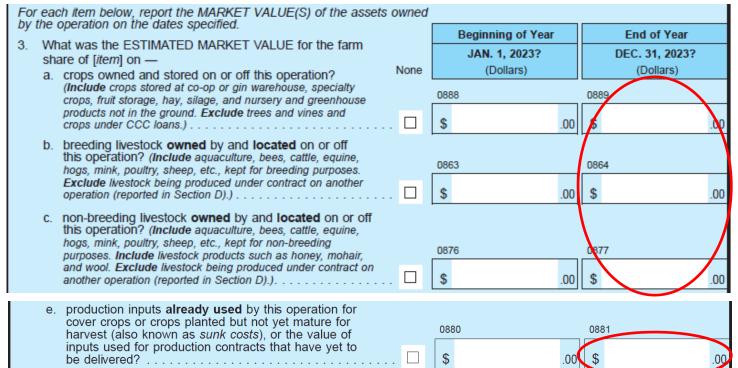
Hatchery Eggs Pullets







S	ECTIO	I NC	MARKETING a	nd PR	ODUCTION CONTRACT	's
1.	is a ve or prici	rbaľ o ing fol	r written agreement reached b rmula and market for the comr	efore harv nodity. A p	vest of a crop or beforé completion of	a delivered <sup>1</sup> in 2023? (A marketing contract a livestock production stage, setting a price etting terms, condition, and fees to be paid
	-		Yes - Continue		No - Go to Item 3	"Delivered in 2023"
2.	the fin	nal pri	ice/fee received. (Include th	e quantity	delivered or removed under contract.	ntract(s). List the quantities delivered and Exclude money received from contractors as ting charges (report in SECTION I Item 34).)



Marketing Contract undelivered, still on-hand

Production Contract still not delivered, but inputs used





#### SECTION E MARKETING and PRODUCTION CONTRACTS

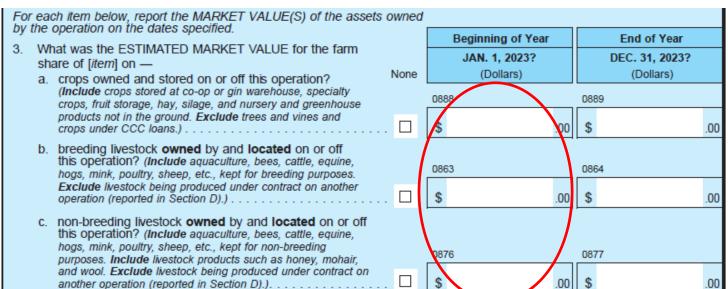
1. Did this operation have **marketing** or **production** contracts for any commodities delivered in 2023? (A marketing contract is a verbal or written agreement reached before harvest of a crop or before completion of a livestock production stage, setting a price or pricing formula and market for the 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.)

Yes - Continue

3 No - Go to Item 3

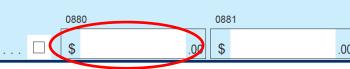
"Delivered in 2023"

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).)



Marketing Contract from prior year crop, delivered in 2023

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?



Inputs for Production Contract started in prior year





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<sup>3991</sup> 1 <b>Yes -</b> 0	Conti	inue			3	No - Go	to Ite	em 3									
the final price/fee r	Report the commodities delivered in 2023 through <b>marketing</b> or <b>production</b> contract(s). List the quantities delivered and the final price/fee received. ( <i>Include</i> the quantity delivered or removed under contract. <i>Exclude</i> money received from contractors as reimbursement for expenses. <i>Exclude</i> landlord shares (report in SECTION A) and marketing charges (report in SECTION I, Item 34).)																
Telmbursement for expenses. Exclude landlord snares (report in SECTION A) and marketing charges (report in SECTION I, item 34).)  1 What commodities did this operation have MARKETING or Production or PRODUCTION contracts for in 2023?  [Write in commodities]  2 Commodity Code Office Use Only  [Warketing=1]  Production=2  (Code)  3 Marketing or Production Contract? (Exclude landlord's share.)  4 Quantity of this commodity delivered through this contract? (Exclude landlord's share.)  (Code)  4 Unit Code (from list by this operation for this commodity delivered under this contract?  (Code)  (Code)  (Code)  (Code)  (Code)  (Total Dollars)																	
Commodity example	0000		0000	1	0000	10000	0000	04	0000	\$	3		75	0000	\$	37500	.00
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3551

3933

Unit Cod	le Uni	t Code	Unit Code	Unit Code
Pound (	)1 Bin	05	Dozen09	Barrel 20
CWT	)2 Box	06	Flat10	Acre22
Ton	)3 Bale	07	Head / Bird 11	Animal Space 39
Bushels (	)4 Carton		Plant / Pot13	Kilogram 40

3934

3935 \$

3936 \$





If more space is needed, please use a separate sheet of paper.

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

SECTION E	MARKETING and PRODUCTION CONTRACTS
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1.	Did this operation have marketing or production contracts for any commodities delivered in 2023? (A marketing contract
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Comi	Commodity example			0000	1	0000	10000	0000	04	0000	\$	3		75	0000	\$	37500	.00
		3927		3550		3928		3929		3930	\$				3931	\$		.00
		3932		3551		3933		3934		3935	\$				3936	\$		.00

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Unit Code	Unit Code	Unit Code	Unit Code
Pound 01	Bin	Dozen09	Barrel 20
CWT 02	Box	Flat10	Acre
Ton	Bale 07	Head / Bird 11	Animal Space 39
Bushels 04	Carton	Plant / Pot13	Kilogram 40





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	Commodity example 0000					3550		3928		3929		3930	\$				3931	\$		.0
3932 35								3933		3934		3935	\$				3936	\$		.0
			needed, p ludes con						of paper. Vment was ma	ade e	ven if r	ot ph	ysic	ally delivered	d b	y Dece	embe	r 31,	, 2023.	
	Unit Code						Un	it	Code		Unit			t Code			Unit Co		Code	
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Unit Code	Unit Code	Unit Code	Unit Code
Pound 01	Bin	Dozen09	Barrel 20
CWT	Box06	Flat10	Acre
Ton	Bale 07	Head / Bird	Animal Space 39
Bushels	Carton 08	Plant / Pot13	Kilogram 40





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	3932		3551		3933		3934		3935	\$				3936	\$	_	.00

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Unit Code	Unit	Code	Unit Code	Unit Code
Pound 0	Bin	05	Dozen09	Barrel 20
CWT 0	Box	06	Flat10	Acre
Ton	Bale	07	Head / Bird	Animal Space 39
Bushels	Carton	08	Plant / Pot13	Kilogram 40





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Pound 01	Bin	5 Dozen09	Barrel 20
CWT	Box	6 Flat	Acre22
Ton	Bale	7 Head / Bird	Animal Space 39
Bushels 04	Carton	B Plant / Pot	Kilogram 40





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[Write in commodities]	((	Code)	Prod	uction=2			(C	ode)		(D	ollars & Cents	)				(Total Dollars)								
Commodity example	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							
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Unit	Code			Un	it	Code			Uı	nit	Code					Unit Co	de							
Pound	01		Bin .			05		Dozen			09		Е	Barrel	l		20							
CWT	02		Roy			ne.		Flat			10		4	cro			22							
Pound     .01     Bin     .05     Dozen     .09     Barrel     .20       CWT     .02     Box     .06     Flat     .10     Acre     .22       Ton     .03     Bale     .07     Head / Bird     .11     Animal Space     .39																								

**Marketing Contract** 

<u>EXAMPLE</u>: 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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]	Write in commod	lities]	(C	code)	Produ	iction=2			(C	ode)		(D	ollars & Cents	)		_	(Total Dollars)		
Co	mmodity exar	mple	0000		0000	1	0000	10000	0000	04	0000	\$	3	. 75	5 0000	,	\$ 37500	.00	
	Broilers	5	3927	924	3550	2	3928	250000	3929	11	3930	\$	0	. 38	3931	1	\$ 95000	.00	
			3932		3551		3933		3934		3935	\$			3936	3	\$	.00	
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	Unit	С	ode			Uni		Code			U	nit	Code				Unit C	ode	
Pou								05					09					. 20	
CW			. 02					06					10				Space	. 22	
	hels		. 04					08					13				M	. 40	

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









