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**The Farm Sector Balance Sheet: A Partitioning of Operator, Landlord,
and Contractor Contributions**

Jim Ryan

**Financing Agriculture and Rural America:
Issues of Policy, Structure and Technical Change**
Proceedings of the NC-221 Committee Annual Meeting
Denver, Colorado
October 7-8, 2002

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The Farm Sector Balance Sheet: A Partitioning of Operator, Landlord, and Contractor Contributions

Jim Ryan

**NC-221 Annual Meeting
CoBank, Greenwood Village, CO
October 8, 2002**

Participants in a Changing Farm Sector

A Variety of Resource Owners Contribute

Risk Bearers

- Bear Market, Production, and/or Financial Risk
 - Farm operator households
 - Other farm households
 - Nonfamily farm corporations, estates
 - Contractors

Stakeholders

- Do not bear Risk
 - Hired labor
 - Lenders
 - Landlords
-

Income Returns to Participants

Risk Bearers => Residual Income Recipients:

- Net Farm Income, Net Cash Income
 - Farm operator households
 - Other farm households
 - Nonfamily farm corporations, estates
 - Contractors

Stakeholders => Fixed Income Recipients:

- Expenses in computing Net Farm/Cash Income
 - Hired labor --> Wages
 - Lenders --> Interest
 - Landlords--> Rent

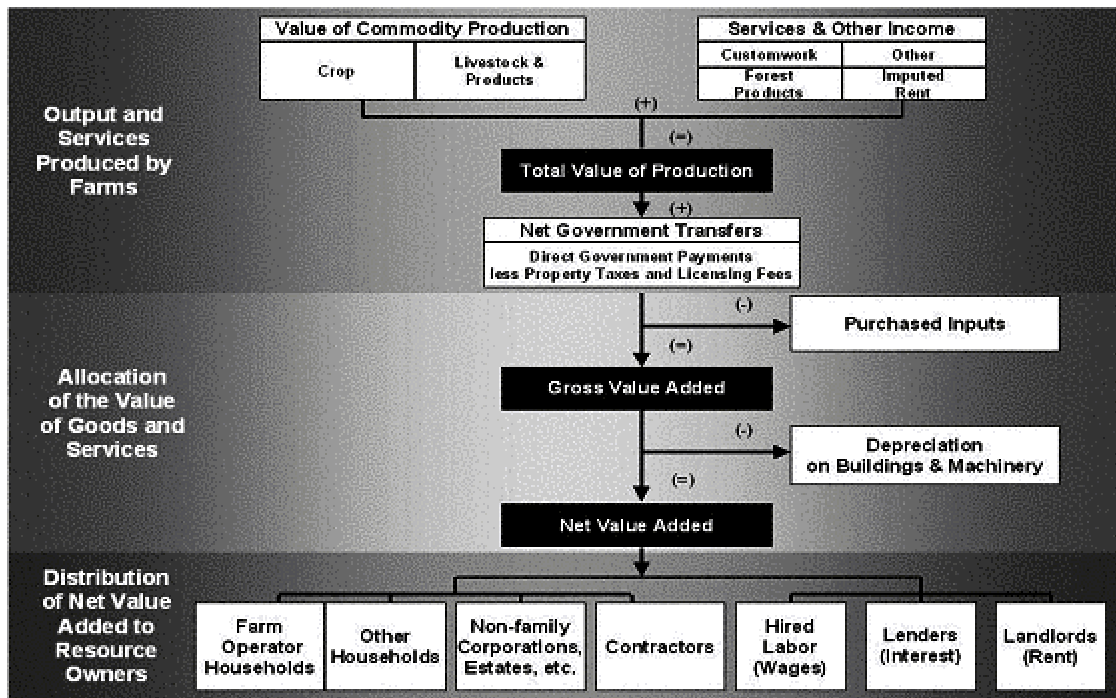
A “New” Approach to Net Farm Income

Value Added Approach Alters Presentation

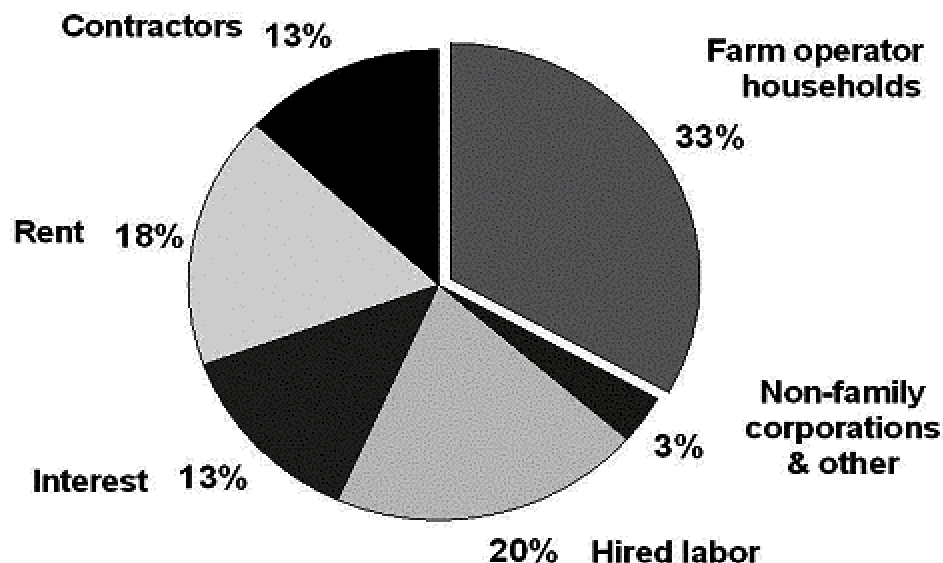
Net Farm Income is still a component

- More consistent with NIPA and OECD
 - Identifies ag contribution to economy
- Greater detail
 - Identifies transactions with other sectors
 - Identifies returns to stakeholders
 - Identifies returns to risk-bearers
- Net farm income is residual

Farm Sector's Contribution to the National Economy



Distribution of Value Added to the National Economy, 2001



Source: USDA, Agricultural Resource Management Study, 2001


Concern with Sector Balance Sheet?

Relationship Between Usual Income Statement Measures and Balance Sheet?

Net Farm Income, Net Cash Income


- Measure returns to risk-bearers
 - Operators, contractors, corps, other households
 - Returns to landlords, lenders are expenses

Farm Sector Balance Sheet

- Includes assets/debt regardless of ownership
 - Assets owned by operators, landlords, others
 - Debt reported by lenders
 - Owed by operators, landlords, others
-
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Partitioning Farm Sector Balance Sheet

Balance Sheet Splits Not Straightforward

- Sector Balance Sheet based on independent data
 - Landlord data from Ag Finance Surveys
 - Follow-on to selected Census
 - Farm Finance--1964, 1970, 1979
 - AELOS--1988 and 1999
 - ARMS => Operators estimate/Land value
 - Direct contractor data not available
 - Assets?
 - ARMS => Livestock under contract
 - Debt?
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Farm Sector Balance Sheet

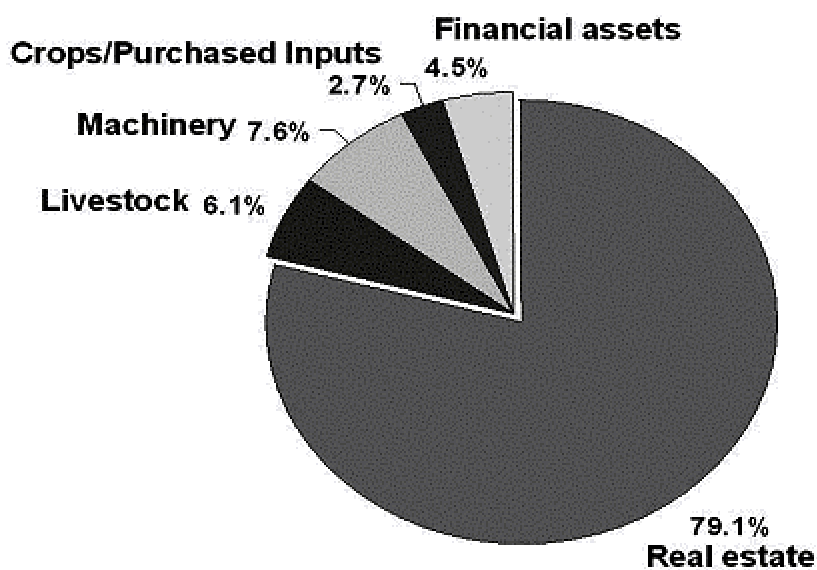
A Brief History

- Identifies assets, debt, equity
 - Constructed annually since 1945
 - Beginning in 1939
 - As of December 31 of each year
 - Prepared on annual basis--no quarterly
- Published Balance Sheet Series
 - For farm household from 1939-1992
 - Only for farm business since 1960
 - State level since 1960

Farm Sector Balance Sheet, 1997-2002F

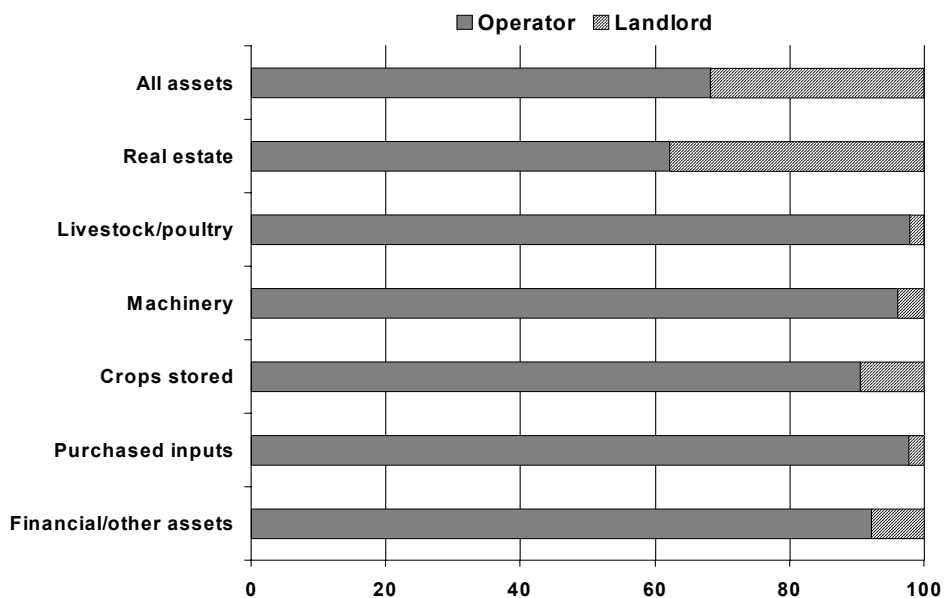
	1997	1998	1999	2000	2001F	2002F
			\$ billion			
Farm assets	1,053.0	1,085.3	1,140.9	1,189.3	1,230.4	1,239.5
Real estate	808.2	840.4	886.4	929.5	971.3	981.0
Livestock and poultry 1/	67.1	63.4	73.2	76.8	76.3	75.9
Machinery and motor vehicles 2/	90.4	91.7	92.3	92.0	92.5	93.6
Crops stored 3/	32.7	29.9	28.3	27.9	28.5	28.4
Purchased inputs	4.9	5.0	4.0	4.9	4.6	4.6
Financial assets	49.7	54.8	56.6	57.1	57.1	56.0
Total farm debt 4/	165.4	172.9	176.4	184.0	192.8	196.5
Real estate	85.4	89.6	94.2	97.5	103.1	104.6
Nonreal estate	80.1	83.2	82.2	86.5	89.8	91.9
Farm equity	887.6	912.4	964.4	1,004.3	1,037.5	1,042.9
			Percent			
Selected ratios:						
Debt-to-equity	18.6	18.9	18.3	18.3	18.6	18.8
Debt-to-asset	15.7	15.9	15.5	15.5	15.7	15.9

Farm Sector Assets, December 31, 2002F



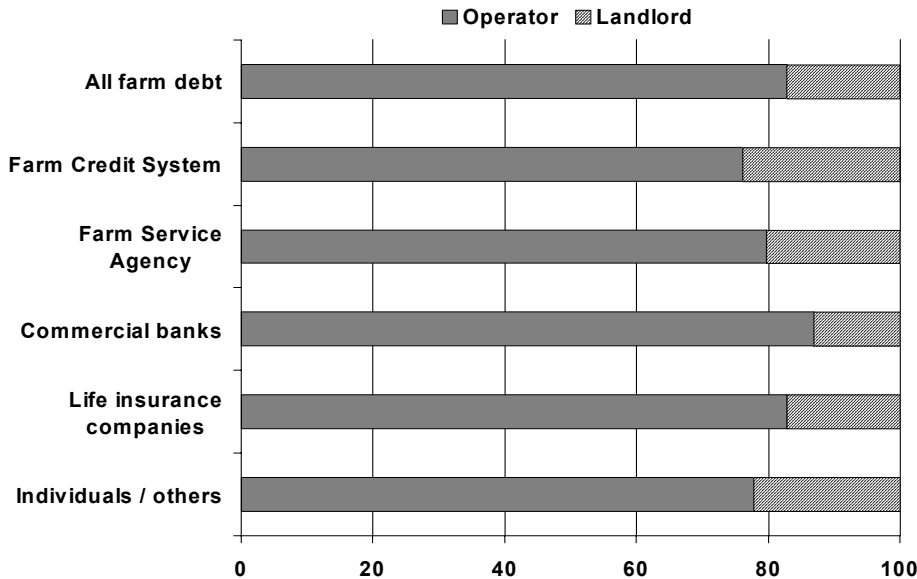
Source: USDA/ERS

Operator and Landlord Shares of Farm Assets, 1999



Source: Agricultural Economics and Land Ownership Survey, 1999

Operator and Landlord Shares of Farm Debt, 1999

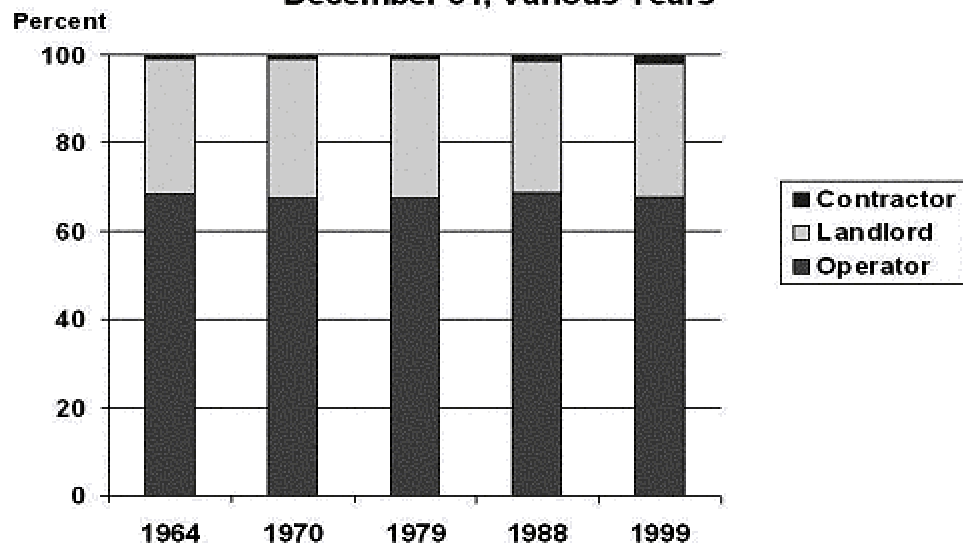


Source: Agricultural Economics and Land Ownership Survey, 1999

Partitioned Farm Balance Sheet, 1999

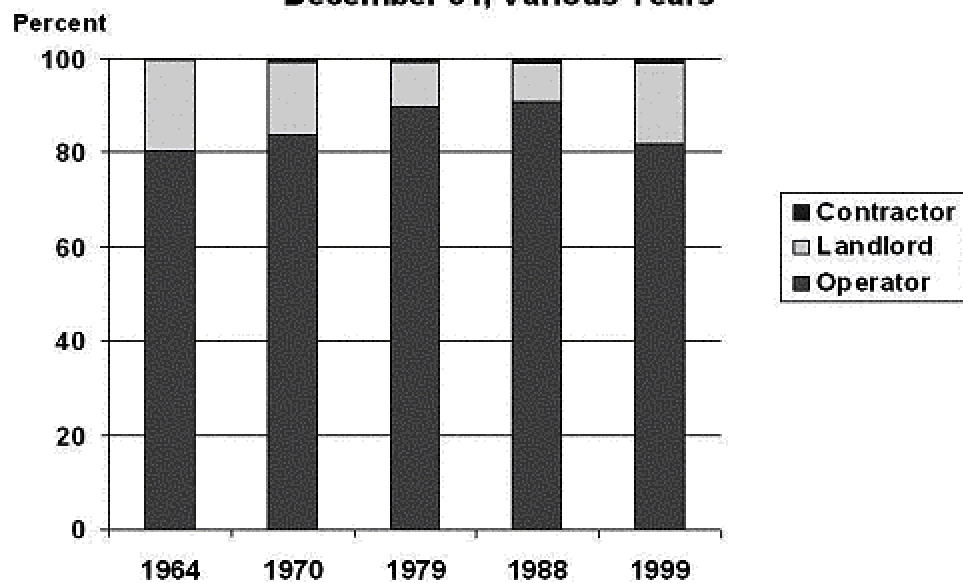
Item	Total	Operator	Landlord	Contractor
\$ million				
Farm assets	1,140,784	771,419	346,927	22,437
Real estate	886,405	551,528	334,877	0
Livestock and poultry	73,177	50,142	1,083	21,953
Machinery/motor vehicles	92,329	88,682	3,647	0
Crops stored	28,273	25,323	2,667	283
Purchased inputs	4,026	3,623	201	201
Financial assets	58,574	52,121	4,452	0
Total farm debt	176,476	145,153	30,336	987
Real estate	94,226	75,569	18,657	0
Nonreal estate	82,250	69,584	11,680	987
Farm equity	964,308	626,266	316,591	21,450
Percent				
Selected ratios:				
Debt-to-equity	18.3	23.2	9.6	4.6
Debt-to-asset	15.5	18.8	8.7	4.4

Distribution of Farm Business Assets, December 31, Various Years



Source: USDC/USDA, Census Surveys (Farm Finance and AELOS)

Distribution of Farm Business Debt, December 31, Various Years



Source: USDC/USDA, Census Surveys (Farm Finance and AELOS)

Summary

Adapting ERS Income Analyses to reflect impacts on agriculture's participants:

- **Improved data sources**
 - **AELOS**
 - **2002 Census**
 - **Agricultural Resource Management Survey**
 - **Enable Development of Estimates of Income and Other Measures of Financial Performance**
 - **Households**
 - **Businesses**
 - **Other Resource Providers**
-

Future Extensions

Benchmark Balance Sheet to Census Surveys:

- **Partition using Census data**
 - **Farm Finance--1964, 1970, 1979**
 - **AELOS--1988 and 1999**

Mover System Between Census Surveys:

- **Continuous data series, 1970-2002**

Prepare Partitioned State Balance Sheets:

- **Benchmark and Mover**
 - **State data series, 1970-2002**
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