MSSP

Market Segment Specialization Program

General Livestock

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Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

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Internal
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Mission of Examination

Examination supports the mission of the Service by maintaining an enforcement presence and encouraging the correct reporting by taxpayers of income, estate, gift, employment, and certain excise taxes in order to instill the highest degree of public confidence in the tax system's integrity, fairness, and efficiency. To accomplish these goals, Examination will:

Measure the degree of voluntary compliance as reflected on filed returns;

Reduce noncompliance by identifying and cost-effectively allocating resources to those returns most in need of examination and taxpayer contact;

Conduct, on a timely basis, quality examinations of tax returns and quality contacts to determine the correct tax liability.

GENERAL LIVESTOCK

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Chapter 1
INTRODUCTION

PURPOSE OF THE GUIDE

The livestock industry is as varied as any other area of farming and agriculture. Methods of bookkeeping within each operation will differ. Due to these variations, this guide provides a focus on the business of breeding, raising, buying, and selling livestock.

This overview, along with the glossary and appendices, provide a basis for communicating with livestock farmers as well as their representatives. Regional differences, however, may result in oversights in terminology. Input from the readers will be invaluable in completing the usefulness of this guide.

The volatility of this market segment makes it one of the most dynamic of any industry we will audit. Domestic and international markets, weather conditions and disasters, medical and health considerations, and the interrelationship between livestock and its feed market are all contributing factors. Financial records will reflect the results of these factors.

KEEPING IN TOUCH WITH THE INDUSTRY

Familiarity with an industry being audited will provide a basis for analysis of the information encountered during the audit. It can also yield insights into the attitude and concerns of the taxpayers involved. Accounting aspects are developed during audits and the time spent dealing with books and records. Understanding the attitude and concerns of the taxpayer is enhanced by exposure to the information found in trade journals or general sources. The following sources are helpful in acquiring this exposure.

CD-ROM -- Within the public library system you may find a CD-ROM news service with articles of interest and a search tool which will allow you to find those articles quickly and easily. The service used by the Lubbock (TX) County Library provides key-word search capability into articles from 12,000 publications printed within the last year. Additionally, the library provides access to other library system databases.

PERIODICALS -- Most libraries have a variety of periodicals on the shelf or in microfilm format. Those on the shelf will probably be more current issues which are subsequent to events applicable to the tax return being audited. Microfilmed issues yield reference information which is contemporaneous to your audit.

BULLETIN BOARDS -- Our own bulletin boards provide internal information from many sources. Have you checked out the IS/MSSP Bulletin Board? Not only will you find all the MSSP documents you need, but also forums for discussion of specific interests. Internal as well as Internet e-mail is available for communication.

INTERNET -- Finally, one of the fastest growing and most current source of information is the "net." For those offices with Internet access capability, searches using the right key-words can yield big results. Web sights maintained by governmental agencies, universities, and various trade or industry organizations may provide the extra information needed for a proper understanding of your audit. Recognize the potential unreliability of certain sources of information and beware of the possibility of downloading undesirable computer code (AKA: viruses.)

COMPLIANCE POTENTIAL

As in every business, the means for underreporting income is as varied as those who choose to undertake such ventures. The most successful rancher may fail to disclose all income because of the accompanying income tax benefits. Farmers having a very good year with a sudden turnaround just before filing time may be dealing with a cash flow crunch.

Watch for the following situations during audits:

1. Sales of livestock through atypical sources. Most livestock in feedlots are sold to buyers from packing plants, other ranchers or to the feedlot directly resulting in easily traced transactions. Livestock sales directly from the ranch, either before placement in feedlots or for those animals which are not normally placed in feedlots, may be to any number of sources with little or no documentation.

2. Bartering may account for some sales, especially in registered or specialized livestock which have higher values. Swapping equipment or services for breeding stock or some exotic animal may be found.

3. Use of multiple bank accounts with reliance on the bank records for reporting purposes lends itself to misreporting due to exclusion of some records. Funds may also be deposited or invested directly in certain types of accounts which may not be considered in the reporting process. Watch for transfers to/from savings, money market, and investment accounts or certificates of deposit. Any deposits from non-taxable sources, e.g. return of previous investment, should be traced to the source of the originally invested funds.

4. Personal expenses deducted as farm expenses are the most common form of misreporting among farmers and ranchers. Farming is a life-style which takes tremendous dedication and focus. All aspects of a farmer's life is centered around the crop or animal and is

therefore easily considered to be financially related to the business. Customarily, you will find personal expenses in insurance, gasoline, interest, taxes, utilities, and repairs. Has your farmer elected the 75-percent non-recordkeeping rule of Treas. Reg. section 1.274-6T(b) but failed to limit any expenses other than depreciation? What about a reversal of expenses related to animals butchered for personal consumption?

5. Funding livestock activities may result in certain taxable transactions which are not properly reported. Funding transactions between individuals and related business entities may be at little or no interest and require processing as below market interest rate loans. These transactions may also be disguised dividends. Additionally, other taxable funds may be used directly for purchases or against loans without being accounted as income. Family operations may result in loans which become gifts to other family members resulting in potential gift tax issues.

GENERAL LIVESTOCK RISKS

The livestock industry is dynamic. Working within a true supply and demand economy, the balance between income and expenses can dramatically tilt toward profit or loss depending on any number of factors:

MARKETS -- changes in supply and demand for the particular animals can run the price up or down. Cycles of production; i.e,. increasing production during rising price trends resulting in oversupply of animals which pushes prices down and ranchers out of the business causing prices to rise, etc.; change financial viability rapidly.

WEATHER -- drought, flood, heat spells and blizzards can result in feed cost increases, reduced availability of grazing pasture, or outright death to animals through heat exposure, drowning, or isolation with subsequent starvation.

HEALTH -- as new information, whether fact or supposition, is publicized about health considerations of certain food animals, the public quickly reacts to demand more or less of the animal based on the information. Reaction to England's "mad cow disease" hit the cattle market quickly and hard for a short period of time. Industry efforts to combat these problems are directly related to the recovery time. Long range efforts may be necessary to rebuild markets, e.g,. have you heard that the "new white meat" is pork?

FEED -- seemingly unrelated situations can result in growth or dumping of certain markets. A need to ship more feed corn overseas due to a loss of crop in another part of the world reduces the domestic availability of the feed which drives prices up increasing costs for the rancher and reducing profitability.

CHANGES IN METHODS OF ACCOUNTING

Several issues identified in this audit technique guide may involve methods of accounting under IRC section 446 and the regulations thereunder. A method of accounting determines the timing of when an item of income or expense is included or deducted for federal income tax purposes. If the practice does or could affect the taxable year (i.e., time) in which income or deductions are reported or deducted, without permanently affecting the taxpayers's lifetime income, it is a method of accounting. [See Rev. Proc. 97-27, 1997-21 I.R.B. 10 (05/27/97), section 2.01.]

If you determine that the taxpayer has been including income or claiming expenses (or cost recovery) at the wrong time, in most instances the taxpayer has been using an improper method of accounting. When this occurs, you should require the taxpayer to change its method of accounting to a proper method. IRC section 446, exclusive of IRC section 446(e), and IRC section 481 will apply to any examination imposed change in accounting method.

Examples of methods or changes in methods of accounting in the general livestock industry include:

- A change from currently deducting freight, registration fees and health related expenses paid or incurred in purchasing work, breeding or dairy animals to capitalizing such costs to the basis of the animals, pursuant to Treas. Reg. section 1.162-12(a);

- Any change to correct the taxpayer's improper depreciation method, recovery period or convention for computing its depreciation deduction;

- A change in the method for determining when a certain type of expense is deducted, as well as when income is reported.

When you require a change to a taxpayer's method of accounting, the method is changed as of the beginning of the year that you require the change. That year is referred to as the "year of change." The new proper method of accounting must be used to determine the taxpayer's taxable income for the year of change and for subsequent years for the accounting item or items to which the change in method of accounting applies.

When you change a taxpayer's method of accounting, the change will ordinarily result in a duplication or omission of income or deductions. This is because taxable income for the years preceding the year of change was determined using the old improper method of accounting and taxable income for the year of change and subsequent years must be determined using the new proper method of accounting.

IRC section 481(a) requires that when there is a change in a taxpayer's method of accounting, the taxpayer must take into account any adjustment(s) necessary solely by reason of the method change to prevent amounts from being duplicated or omitted. The IRC section 481(a) adjustment is computed as of the beginning of the year of change.
If you require a change from an improper to a proper method of accounting as part of an

examination and that change in method of accounting results in a positive adjustment under IRC section 481(a), you should ordinarily make the change in the earliest taxable year under examination and include the full amount of the adjustment required under IRC section 481(a) in the computation of the taxpayer's taxable income for the year of change. [See section 2.10 of Rev.Proc. 97-27.] Note, however, that in certain limited and specified situations provided in Rev. Proc. 97-27, a taxpayer under examination may request the consent of the Commissioner to voluntarily change its method of accounting under the provisions of Rev. Proc. 97-27 and receive more taxpayer favorable terms and conditions.

CONCLUSION

This guide is not a "cookbook" to help you take the proper steps to audit adjustments in the livestock industry. It is a GUIDE which can point in certain directions and allow you to arrive at your own, carefully considered, properly determined conclusions.

Chapter 2
EXAMINATION TECHNIQUES

PRE-PLANNING

Pre-planning is the process of developing an initial course of action in an audit. By looking at the limited information available on the face of the tax return, the comparative information through MACS analysis included in the file or IDRS information, Currency and Banking Retrieval System (CBRS) information, and any related information return documentation, you will be able to determine the steps to begin your audit.

These research tools can be accessed quickly and serve to develop a feel for the breadth of the scope of your audit. The depth is determined by other factors which may not be obvious in the preplanning phase. However, the following items may indicate the need for depth:

FEED -- high cost when a related supplier or feedlot is involved.

DEATH -- loss deducted separately from cost of goods sold - determining if this cost is duplicated can be an extensive process.

CERTAIN COMBINATIONS --if seed and chemical costs or pasture rent are high, this indicates a grazing operation which points to potentially atypical sales sources.

Evaluate the audit classification sheet, if available. More and more MSSP returns are being classified by specialists who provide helpful suggestions or comments about certain issues on the return. Use this information to develop your pre-plan realizing that there may be considerations for your area that supplement these suggestions and result in more reasonable evaluation of the return.

DOCUMENT REQUEST/APPOINTMENT SCHEDULE

Once the pre-plan is complete and you have determined that audit potential exists you will contact the taxpayer or representative. Attempt to clarify responsibility for the preparation of the information on the return, the type of books and records, and location of audit. Seldom will individual ranchers have an office setup in which to work resulting in the need to work from the POA's office.

The initial contact, your own experience, and the preferences of management in your office or district will determine the extent of your initial document request. Whether you request a basic set of information or highlight identified issues requesting specific records, your goal is to ensure the old adage, "well begun is half done." Get what you need to do the job efficiently and effectively. Keep your audit moving to eliminate over-aged and short-statute cases.

INITIAL INTERVIEW

As with many taxpayers who use a representative, you will not necessarily see them during the course of an audit unless you specifically request the opportunity to interview them. As a result, it is important to glean the maximum amount of information during initial contact, probably by phone, and to be very well prepared during the interview to cover as much ground as possible.

Depending on your auditing style, manager's preference and experience, you may want to interview the taxpayer early in the audit or you may want to review books and records prior to an interview to develop a course of questioning which will yield the greatest benefits in the shortest time. As a rule of thumb, it would be more helpful to interview the taxpayer early if they were heavily involved in the bookkeeping process and could provide guidance into the books and records. If the accountant prepares a "write-up" from bank statements or other records of the taxpayer, then it would be best to develop questions based on specifics in the books and records first before visiting with the taxpayer.

Every interview training session you have had has stressed the benefits of getting the taxpayer to talk openly, not just answer questions. By opening up to general conversation, more knowledge is gained than by direct questioning. Keep the questions open ended to encourage discussion rather than simple answers.

The most important information to derive is how the taxpayer conducts his or her business. Whether it includes breeding/raising/selling or buying/fattening/selling makes a tremendous difference. Hands-on activity or use of boarding or feedlots can mean a great deal toward the reasonableness of the return.

In short, DO NOT presume to know the business procedures of one farmer/rancher by having dealt with another. Learn how each individual taxpayer conducts business in order to audit properly that taxpayer.

SITE VISIT

What should you expect when visiting a livestock operation?

Watch for the same things in this site visit as with any other;
1. evidence of financial status,
2. equipment usage,
3. undisclosed aspects of the operation, etc.

Apply what you see to the return and related documentation. The observable aspects of the taxpayer operation help bring the picture together.

AUDIT STEPS

Compliance with filing requirements will be determined early in the audit. Information derived from your IDRS/CBRS research will indicate timeliness and extent of filing. Other information will come out in the audit to determine whether all employees are reported properly as employees or improperly as contractors, if any currency transactions for sales exist which require Form 8300 filing, and if any related business entities exist which have not properly filed all required returns.

Corporate M-1/M-2 evaluation and a balance sheet analysis give an indication of whether certain types of expected adjustments were made or if any unusual handling of information is apparent from the return. Missing adjustments on M-1 or finding large, unusual or questionable entries on the balance sheet will initiate further questions and examination procedures.

Comparative analysis of prior and subsequent year return information can highlight procedural changes which result in variations in reported income or deductions. Though changes in classification of expenses may not make a difference in the net income, it could represent an effort to disguise some non-qualifying activity. Appearance or disappearance of investments or functions may lead to the determination of unreported income from dispositions or a source of income previously undisclosed.

Reconciliation of books to return requires the visual inspection of all aspects of the return which helps to put these components into perspective. Think about the reasonableness of all entries as they pertain to the operations.

Examination of detailed records which substantiate questioned items from the return will provide the basis for allowance or disallowance of specific entries. Due to the volume of information for certain areas, sampling or monthly testing may yield confidence in the reported area or validation that additional examination is necessary.

Use appropriate examination techniques. Is it acceptable per the risk analysis to go after every dollar misreported on a return, or should certain adjustments be accepted as "substantially correct" in light of the cost to pursue those adjustments?

Consider the necessity of penalties. Is compliance served by pursuing certain penalties? Is there reasonable care evident in the filing of the return or should the accuracy penalty be applied? Are there affirmative acts or indicators which require the consideration of the fraud penalty? How does the preparer’s participation affect the result of the audit and should there be any penalty considered against the preparer?

CLOSING CONFERENCE

The closing conference should yield no surprises. As you question return information during the course of the audit, it should be obvious about the reason for the questions and what the results of the answers would be. Naturally, you may find certain situations that result in a high probability of adjustments, however, without questioning these items you may not receive all the facts. It's better to know in advance that your proposal is sound than to find that additional documentation exists which would alter your decision.

CONCLUSION

An audit of a livestock operation is not a great deal different than any other audit situation. Certain documentation may vary in form and there are areas which are unique to the industry, but overall, it is still just an audit. Develop the confidence in your ability to adapt to this environment as easily as any other and do the job you are trained to do.

Chapter 3
INDUSTRY ISSUES

COMMON ISSUES

Certain aspects of the livestock industry are common regardless of the type of animal. These concepts can be applied to each operation.

BREEDER OPERATION

A breeder operation will generally begin with the purchase of animals proven to be able to reproduce. A single or small number of males is acquired along with numerous females to which the males are bred. Control is exercised to limit the possibility of inbreeding due to the undesirable genetic consequences in that event. This control may take the form of limited access of the males to the females for breeding or exchange of males in breeding stock before female offspring are ready to reproduce. Stud services or invitro fertilization (artificial insemination) may be employed.

Of the resulting offspring, generally only the females will be kept to build the breeding base. In some cases, the offspring will be raised to sell as breeders to other operations. Breeding females will often be sold with offspring as proof of reproductive ability. Otherwise, offspring will likely be sold for fattening/slaughter. In other cases, the farmer/rancher will raise the offspring to slaughter stage completely.

After the animals pass the practical breeding age, undesirable characteristics may begin to appear so breeding stock will be sold. Fresh stock will have been developed from the breeding process or purchased to continue the operation.

In the case of specialized animals, usually a registered breed, the initial acquisition process will be similar to the general breeding operation, except that both males and females will be registered. These breeding animals are highly controlled with the offspring being registered at birth to validate breeding lineage and to increase salability. In addition to the offspring being sold, semen and embryos may be sold as well. Sale of any of the animals results in the transfer of the registry information as recorded by the appropriate breed association.

FATTENING/FEEDING OPERATION

In a fattening/feeding operation, young or mid-maturity animals are purchased to feed up to the next level of maturity or for slaughter. Often the males will be castrated to eliminate the possibility of breeding since the fattening process is more effective.

If raised to the next level of maturity, these animals will normally be sold in small lots of several animals. This may be done through a sale barn/stockyard or individually to another rancher. When fattened for slaughter, the animals may continue to be grazed or, more likely, moved to a feedlot. Tight control is kept on the animals when moved to the feedlot. Because the feedlot charges by the animal/by the day and must act responsibly for the well being of the animals up to the time they are moved from the feedlot, their recordkeeping is extensive. Tracking weight to justify the feed charges and monitoring health when weight is not reacting as predicted, there is little likelihood that these records would not be available. Determining the number of animals placed in the feedlot along with the source and disposition of the animals is essential to determining income.

Most slaughter houses and packing plants have buyers making the rounds to the feedlots and selecting animals for purchase. The purchase offer is either accepted by the feedlot as agent for the rancher or communicated to the rancher for consideration. If the offer is accepted, the sale is completed with detailed sales documents provided. The rancher settles up with the feedlot for any pending expenses on the lot(s) sold.

Animals determined to be undesirable will be set aside and are usually sold through special sales or to certain slaughterhouses for purposes other than human consumption. Sales documentation from those buyers is also available.

ISSUES

IRC section 1231

For certain cases, IRC section 1231 provides special rules for the treatment of gains and losses arising from business property. IRC section 1231 refers to such gains and losses as "section 1231 gain" and "section 1231 loss." IRC section 1231(a)(3)(A) defines "section 1231 gains" as "(i) any recognized gain on the sale and exchange of property used in the trade or business, and (ii) any recognized gain from the compulsory or involuntary conversion * * * into other property or money of (I) property used in the trade or business, or (II) any capital asset which is held for more than one year and is held in connection with a trade or business or transaction entered into for profit." IRC section (a)(3)(B) defines "section 1231 loss" as "any recognized loss from a sale or exchange or conversion described in" the previous sentence.

IRC section 1231(b)(1) provides a general rule defining the term "property used in the trade or business" (section 1231 property). This general rule does not apply to livestock. The general rule restricts the definition of "property used in the trade or business" to, among other things, depreciable property, held for more than 1 year, "which is not (A) property of a kind which would be includable in the inventory of the taxpayer if on hand at the close of the taxable year, [or] (B) property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, * * *."

The special definition that is used in the case of livestock is found in IRC section 1231(b)(3) which defines "property used in the trade or business" as including "(A) cattle and horses, regardless of age, held by the taxpayer for draft, breeding, dairy, or sporting purposes, and held by him for 24 months or more from the date of acquisition, and (B) other livestock, regardless of age, held by the taxpayer for draft, breeding, dairy, or sporting purposes, and held by him for 12 months or more from the date of acquisition. Such term does not include poultry. "

Treas. Reg. section 1.1231-2(a) states: "(3) For the purposes of section 1231, the term 'livestock' is given a broad, rather than a narrow, interpretation and includes cattle, hogs, horses, mules, donkeys, sheep, goats, fur-bearing animals, and other mammals. However, it does not include poultry, chickens, turkeys, pigeons, geese, other birds, fish, frogs, reptiles, etc."

See chapter 11 of Publication 225, *Farmer's Tax Guide*, for a discussion of various types of dispositions. The following represents a basic indication of reporting requirements for certain types of sales.

CLASS OF ANIMAL	**TYPE OF ASSET**	**SALE REPORTING**
Purchased for breeding	Depreciable when placed in service IRC section 1231 property	Form 4797 -- asset used in trade or business
Offspring raised for breeding purposes	IRC section 1231 property generally zero basis[1]	Schedule D -- before placed in service Form 4797
Offspring raised for sale as breeder	Ordinary income asset	Schedule F -- sale of raised animals
Offspring sold as cull	IRC section 1231 property	Form 4797[2]
Young animal purchased to feed to mid-maturity	Ordinary income	Schedule F -- sale of animal purchased for resale
Animal purchased to feed to final slaughter	Ordinary income asset	Schedule F -- sale of animal purchased for resale

[1]Generally, "offspring raised for breeding purposes" have no basis. However, the basis of raised livestock would include costs of raising the animal which were not deducted during the years that the animal was being raised. See Chapter 11 of Publication 225, *Farmers Tax Guide*. However, "offspring raised for breeding purposes" but sold or disposed of before being placed in service are generally IRC section 1231 property. This depends on all of the facts and circumstances of each case, See Treas. Reg. sections 1.1231-2(b)(1) and 1.1231-2(b)(2) ex. 1.

[2]Offspring sold as cull are generally IRC section 1231 property. See Treas. Reg. section 1.1231-2(c)(2) ex. 1. Determining when culls are IRC section 1231 property is often a factual question.

There may be exceptions to some of the examples in the preceding table. Whether livestock is held for draft, breeding, dairy, or sporting purposes depends on all the facts and circumstances in each case. See Treas. Reg. section 1.1231-2(b)(1).

Only livestock (property) "used in the trade or business" qualifies for IRC section 1231 handling. Any animals purchased for resale must be included in inventory and its cost is recovered at the time of sale. The classification of income as Schedule F or IRC section 1231 affects the computation of self-employment tax.

Animals sold which were purchased for breeding purposes but not yet placed in service are not depreciable, but are considered to be held for use in the trade or business and qualify for IRC section 1231 reporting. In a business which includes both breeding and purchasing for resale, carefully determine the purpose for which the animals were purchased.

IRC section 162

Section 1.162-12(a) of the regulations provides that amounts expended in purchasing work, breeding, or dairy animals are regarded as investments in capital, and shall be depreciated unless such animals are included in an inventory in accordance with section 1.61-4 of the regulations. This includes, but is not limited to freight, registration fees, and health related expenses (inoculations, testing, etc.) Regarding the value of a pregnant animal and the unborn offspring or a mother/offspring pair an allocation should be made by subtracting from the purchase price the value of the mare not in foal, to arrive at the value of the unborn foal or offspring. ***Cf., Gamble v. Commissioner***, 68 T.C. 800, 820-21 (1977), ***acq***., 1986-2 C.B. 1. Although directly related to race horses, the concept is applicable to any pair purchases.

Costs of feeding, handling, and caring for animals in either a breeding or fattening operation are current expenses and deductible currently.

If livestock die from disease, are destroyed because of disease, or are sold or exchanged because of disease, even though the disease is not of epidemic proportions, such occurrences are treated as involuntary conversions. No deduction is allowed for value of raised livestock that die if the cost of raising them has been deducted as an expense. Death of depreciable animals are not reported on Schedule F.

Farm labor issues may involve "payment in kind." A market segment understanding (MSU) has been issued regarding farm labor when payment is in the form of a product of the farm. The text of the MSU can be located on the IS/MSSP bulletin board, MSSP files, Agricultural related, as "M1PIC.ZIP" and can be downloaded. The title of the document is NONCASH REMUNERATION FOR AGRICULTURAL LABOR IRC. SECTION 3121(a)(8)(A). Private letter rulings 9202003 and 9322003 deal with this issue and provide some notable descriptive applications.

IRC section 61

Section 1.61-4(a) of the regulations provides, in part, for farmers using the cash receipts and disbursements method of accounting, that the profit from the sale of livestock or other items which were purchased is to be ascertained by deducting the cost from the sales price in the year in which the sale occurs. However, in the case of the sale of purchased animals held for draft, breeding, or dairy purposes, the profits shall be the amount of any excess of the sales price over the amount representing the difference between the cost and the depreciation allowed or allowable.

IRC section 168

Depreciation Methods

Depreciate property placed in service after 1988 in a farming business using:

1. The 150-percent declining balance method over the GDS recovery period, which switches to the straight line method when that method provides a greater deduction,
2. The straight line method over the GDS recovery period,
3. The 150-percent declining balance method over fixed ADS recovery periods, which switches to the straight line method when that method provides a greater deduction, or
4. The straight line method over fixed ADS recovery periods.

Revenue Procedure 87-56 states that for property not described in any asset class life or used in a described activity, a 7-year class is assigned for the general MACRS method (GDS) and 12-year recovery period for ADS.

Immature livestock acquired for draft, dairy, or breeding purposes, is eligible for depreciation when it reaches maturity. This means depreciation begins when it reaches the age when it can be worked, milked, or bred. When this occurs, basis for depreciation is the initial cost for the immature livestock plus freight and other costs related to the acquisition.

Since the expenses of raising animals are deductible currently, there is no depreciable basis, and therefore, no depreciation for animals raised and used in a trade or business.

IRC section 179

Publication 225 includes the following information. You can claim an IRC section 179 deduction on trade or business property for which depreciation is allowable and that is:

1. Tangible personal property,
2. Other tangible property (except most buildings and their structural components), used as:

a. An integral part of manufacturing, production, or extraction, or of furnishing transportation, communications, electricity, gas, water, or sewage disposal services, or
b. A research facility in any of the activities in (a) for the bulk storage of the fungible commodities, or
c. A facility in any of the activities in (a) for the bulk storage of fungible commodities (including commodities in a liquid or gaseous state).

3. Single purpose agricultural (livestock) or horticultural structures (defined later), and
4. Storage facilities (excluding buildings and their structural components) used in distributing petroleum or any primary product of petroleum.

Agricultural structure. A single purpose agricultural (livestock) structure is any building or enclosure specifically designed, constructed, and used to:

1. House, raise, and feed a particular type of livestock and its produce, and
2. House the equipment, including any replacements, needed to house, raise, or feed the livestock.

Tangible personal property is tangible property other than real property. Machinery and equipment are examples of tangible personal property.

Land and land improvements, such as buildings and other permanent structures and their components, are real property and not tangible personal property. Swimming pools, paved parking areas, wharfs, docks, bridges, fences, and similar property are not tangible personal property.

All business property, other than structural components, contained in or attached to a building is tangible personal property. Under certain local laws, some tangible personal property cannot be tangible personal property for purposes of IRC section 179, and some real property under local law, such as fixtures, can be tangible personal property for IRC section 179 purposes. Property, such as milk tanks, automatic feeders, barn cleaners, and office equipment, are tangible personal property.

Livestock is qualifying property. For this purpose, livestock includes horses, cattle, hogs, sheep, goats, and mink and other furbearing animals.

IRC section 183

IRC section 183(d) provides for a presumption that the activity is carried on for a profit if it produces a profit in at lease 3 out of the last 5 consecutive tax years (2 out of the last 7 years if the activity is breeding, training, showing or racing horses.) If the taxpayer is just starting out in the activity, he or she may elect under IRC section 183(e) to postpone the determination of whether the presumption applies to the activity until the close of the 4th (or 6th) year after his or her first year engaged in the activity. In that case, the taxpayer files a Form 5213

which automatically extends the statute of limitation for all relevant years until the close of the presumption period.

In determining whether a farming activity is carried on for profit, all the facts in regard to the activity are taken into account. No one factor alone is decisive. Publication 225 provides guidance to taxpayers who are analyzing their situation. Among the factors listed:

1. Is the farm operated in a businesslike manner?

2. Does the time and effort spent on farming indicate an intent to make it profitable?

3. Is there a dependence on income from farming for livelihood?

4. Are losses due to circumstances beyond control? Are the losses normal in the start-up phase of farming?

5. Are methods of operation changed in an attempt to improve profitability?

6. Are profits from farming made in any year and in what amounts?

7. Does the taxpayer, or advisors, have the knowledge needed to carry on the farming activity as a successful business?

8. Has the taxpayer made a profit in similar activities in the past?

9. Is the farming activity carried on for personal pleasure or recreation?

Look at the following court cases where the disallowance of expenses for not-for-profit activities was upheld:

Hendricks, Daniel E, et ux. v. Commissioner, 32 F.3d 94 (4th Cir 1994), 74 AFTR2d Par. 94-5281
surgeon with cattle operation

Westbrook, Billie R, et ux. v. Commissioner, 68 F.3d 868 (5th Cir 1995), 76 AFTR2d Par. 95-5623
veterinarian with embryo transplant, cattle and miniature horse operation

DeMendoza, Mario G, III v. Commissioner, T.C. Memo. 1994-314
lawyer with polo ponies

Borsody, Frank J, et ux. v. Commissioner, T.C. Memo. 1993-534 ***aff'd per curiam***, US-CT-APP-4 [96-2 USTC _50,415], 78 AFTR2d Par. 96-5260
horse breeding/training

Lujan, Arthur G, et ux. v. Commissioner, T.C. Memo. 1992-417
retired with small cattle operation.

IRC section 195

IRC section 195 disallows the deduction of "start-up" expenses and defines the criteria for amortization. The section provides the following at:

Extract
IRC section 195©

(c) Definitions
For purposes of this section--
(1) Start-up expenditures. The term "start-up expenditure" means any amount--
(A) paid or incurred in connection with--
(i) investigating the creation or acquisition of an active trade or business, or
(ii) creating an active trade or business, or
(iii) any activity engaged in for profit and for the production of income before the day on which the active trade or business begins, in anticipation of such activity becoming an active trade or business, and
(B) which, if paid or incurred in connection with the operation of an existing active trade or business (in the same field as the trade or business referred to in subparagraph (A)), would be allowable as a deduction for the taxable year in which paid or incurred.

The term "start-up expenditure" does not include any amount with respect to which a deduction is allowable under section 163(a), 164, or 174.

To determine the timing of deduction for amortization, IRC section 195(c) goes on to say:

(2) Beginning of trade or business.
(A) In general. Except as provided in subparagraph (B), the determination of when an active trade or business begins shall be made in accordance with such regulations as the Secretary may prescribe.
(B) Acquired trade or business. An acquired active trade or business shall be treated as beginning when the taxpayer acquires it.

There are conflicting opinions as to the applicability of IRC section 195 to "new" farmers. Some authorities feel that a taxpayer is not yet engaged in the animal breeding business until the animals are placed in service as breeding stock.

This issue is unsettled (See IRC section 195, Treas. Reg. Section 1.162-12, and the repeal of the capitalization rules under 263A for pre-productive expenses on animals in the Technical & Misc. Revenue Act of 1988).

IRC section 451

Livestock farmers will include receipts in income in accord with the provisions of IRC section 451(a) which states: "General rule: The amount of any item of gross income shall be included in the gross income for the taxable year in which received by the taxpayer, unless, under the method of accounting used in computing taxable income, such amount is to be properly accounted for as of a different period."

Unusual circumstances have been addressed in IRC section 451(e) which provides:

Extract
IRC section 451(e)

(e) Special rule for proceeds from livestock sold on account of drought, flood, or other weather-related conditions.
(1) In general. In the case of income derived from the sale or exchange of livestock in excess of the number the taxpayer would sell if he followed his usual business practices, a taxpayer reporting on the cash receipts and disbursements method of accounting may elect to include such income for the taxable year following the taxable year in which such sale or exchange occurs if he establishes that under his usual business practices, the sale or exchange would not have occurred in the taxable year in which it occurred if it were not for drought, flood, or other weather-related conditions, and that such conditions had resulted in the area being designated as eligible for assistance by the Federal Government.
(2) Limitation. Paragraph (1) shall apply only to a taxpayer whose principal trade or business is farming (within the meaning of section 6420(c)(3)).

Notice 89-55, 1989-1 C.B. 696 further discusses this election.

Establishing the number of livestock the taxpayer would sell if he or she followed his or her usual business practices is the responsibility of the taxpayer to our satisfaction. Records of sales from prior years must be examined to determine the accuracy of the elected deferral. Materiality of the deferral will determine the depth of such examination.

IRC section 465

At-Risk Limits

Rules that limit deductions for losses apply to most business or income-producing activities. Farming is one of the activities covered. The at-risk rules limit the loss deductible when figuring taxable income or a net operating loss. The deductible loss from an activity is limited to the amount at risk in the activity.

"At-risk" generally includes:

1. The amount of money and property contributed to an activity.
2. The amounts borrowed for use in the activity if:

a. taxpayer is personally liable for repayment of the amounts borrowed, or
b. property not used in the activity secures the amounts borrowed.

"At-risk" does not include amounts borrowed for use in a farming activity from a person who has an interest in the activity or a person related to someone (other than taxpayer) having such an interest. For more information, see Publication 925.

IRC section 469

Material Participation vs Passive Activity

Developing an analysis of material participation in farming is the same as any other activity. IRC section 469 and the ATG Passive Activity Loss Study Guide (2/96) [filenames A0PAL.EXE, FORM8582.EXE on the IS/MSSP BBS] provides the training and guidance. For rules specific to retired farmers and surviving spouses of retired or disabled farmers, Treas. Reg. section 1.469-5T(h)(2), indicates that "an individual shall be treated as materially participating for a tax year in any trade or business activity of farming if paragraph (4) or (5) of section 2032A(b) would cause the requirements of section 2032A(b)(1)(C)(ii) to be met with respect to real property use in such activity had the individual died during such taxable year."

These questions will arise in the case of anyone whose primary occupation is other than farming and losses are present. If the professional activities prevent the dedication of time necessary to be successful in the business of farming, it is more likely that the taxpayer is unable to meet the material participation requirements of the law. Additionally, losses used to offset other income sources may be for that purpose only, rather than for profit.

IRC section 471

Livestock raisers and other farmers may report their return "upon an inventory method instead of the cash receipts and disbursements method. It is optional with the taxpayer which of these methods of accounting is used but, having elected one method, the option so exercised will be binding upon the taxpayer for the year for which the option is exercised and for subsequent years unless another method is authorized by the Commissioner as provided in paragraph (e) of section 1.446-1." (Treas. Reg. section 1.471-6(a)) This regulation goes on to describe in (b) the procedures for changes in method from cash receipts and disbursements to an inventory method and in (c) the availability of the "farm-price method" and the "unit-livestock-price method" for valuing inventories.

Further descriptions and related application of these methods is included in Treas. Reg. sections 1.471-6(d) through (h).

IRC section 1033

Ranchers may experience the loss of animals due to unexpected circumstances. These dispositions of livestock are considered to be sales or exchanges and as such are reportable events. IRC section 1033 allows for the treatment of these events as nontaxable involuntary exchanges in certain situations.

IRC section 1033(d) provides application to livestock destroyed by disease. Treas. Reg. section 1.1033(d)-1 details the application.

For livestock sold on account of drought, flood, or other weather-related conditions see IRC section 1033(e) (as amended in 1997) and Treas. Reg. section 1.1033(e)-1 for detailed information. Develop the facts of the taxpayer's case in the manner outlined in Treas. Reg. section 1.1033(e)-1(e):

1. Evidence of the existence of the drought, flood, or weather-related conditions which forced the sale or exchange of the livestock;
2, A computation of the amount of gain realize on the sale or exchange;
3. The number and kind of livestock sold or exchanged; and
4. The number of livestock of each kind that would have been sold or exchanged under the usual business practice in the absence of the drought.

Additionally, it will be necessary to determine the replacement assets. Treas. Reg. section 1.1033(e)-1(d) indicates "the replacement requirements of IRC section 1033 will be satisfied only if the livestock sold or exchanged is replaced within the prescribed period with livestock which is similar or related in service or use to the livestock sold or exchanged because of drought, that is, the new livestock must be functionally the same as the livestock involuntarily converted. This means that the new livestock must be held for the same useful purpose as the old was held. Thus, although dairy cows could be replaced by dairy cows, a taxpayer could not replace draft animals with breeding or dairy animals."

CONCLUSION

Understanding the common characteristics of various livestock activities will prepare you for most operations encountered. Look at some of the unique aspects of various types of livestock in the next section to determine certain possibilities you may see.

UNIQUE CHARACTERISTICS

The following chapters will provide descriptions of typical livestock operations and focus on special aspects of each type of livestock represented. These will not be applicable to every operation even for a particular type of animal, but should be taken as overviews to assist.

In addition to this guide, a primary source of information to you should be the "expertise" which surrounds you. By utilizing the knowledge available in your office from your manager, senior agents and other co-workers, you are accessing one of the greatest resources available to you. During our tenure as agents and auditors we not only develop knowledge of a particular industry, but also practices of that industry in the area, reputation of taxpayers and preparers, and the ability to recognize questionable areas on returns.

Chapter 4
CATTLE INDUSTRY ISSUES

INTRODUCTION

Small breeder operations will likely be run on moderately sized ranches or use leased grazing land. Some grain farmers will run small herds on wheat for a period of time. These ranches face a greater risk of loss due to longer holding period (weight gains while grazing is slower than feedlot gains) and greater potential for health problems. Absorbing losses of a few deaths when a small number of animals are available for sale is a major financial blow. Many of these ranchers are into cattle on short term basis and will get in and out frequently.

Large operations may be measured by sections (640 acres) with herd sizes in the thousands. The risks of loss because of deaths are lessened in these operations because of the number of animals available to absorb the cost. Losses and gains from changes in market prices, however, affect the profit more dramatically due to the number of head involved. These ranchers are generally in the business for the long term, maintaining a herd at all times, although the size of the herd may vary with profitability.

Bulls are purchased for breeding purposes and held for 3 - 4 years when access to the cows is unrestricted. The cost of bulls is not related to weight, but is closely tied to breeding history and physical characteristics. As a result, the cost will be much higher than slaughter cattle.

Controlled herds schedule breeding to allow for late winter/early spring calving. The gestation period for cattle is 9 months so breeding takes place from May to July. Summer calves are in greater danger of death due to heat stress.

Open herd ranchers will buy cow/calf pairs. The calf will be up to 8-9 months old and may weigh from 400 - 600 pounds but is not yet weaned. Risk of death or other health problems is increased when calf weight is less. The value of pairs is higher than stocker or feeder cattle due to their purchase for breeding. The cows will be used for breeders. Bull calves may be raised for breeding but will more likely be castrated, made steers, to raise or sell for fattening. Heifer calves will likely be held for breeders. Closed herd ranchers raise virtually all breeding stock without outside purchases.

Cows are retained until too old to produce healthy calves and are then sold at a price which will vary with the health and condition of the cows. Periodic culls from the herd will result in sales prior to aging considerations. These animals may still be viable as breeders and should bring appropriate prices.

Yearlings, or stocker, cattle are purchased at 400 - 700 pounds and are often placed on pasture (wheat or grass) or corn silage. This process is known as backgrounding. Immediate placement

in feedlots is a possibility dependent on feed costs. Grazing on grass results in slow growth but is good to balance with wheat grazing so moves from field to field are common. Weight gains are slow in smaller animals and increase with size. The capacity of pasture changes with region. West Texas rangeland will only support 20-25 pair per section (640 acres) while wheat supports up to 5 pair per acre.

Winter wheat pasture is available for grazing during early November. By February, March 10 at latest, the cattle must be moved off to allow finishing and harvesting of wheat crop. Common expense for wheat pasture grazing is based on cost per pound (or 100#) gains of the calves (not cows.)

Feeder (market) cattle are placed by lot in feedyards at 700- 900 pounds. Larger animals will finish out more quickly at a lower cost. The weight goal for fat or slaughter cattle is 1100 - 1200+ pounds. The feedlot will provide standard feed, custom feed mixtures on request, health monitoring and treatment, and act as sales agent for certain fees. Often these fees, related to "lots" of cattle, will be deducted from sales proceeds passed through the feedlot to the rancher. Final settlement must be made at the time the last of a lot is sold.

Corn cost is a major contributing factor in placement of cattle in feedlots. With an average ratio of 10 pounds of feed for 1 pound of growth, a corn price of $5.00/cwt (per hundred weight) will mean $.50 feed cost for a 1-pound weight gain. This added to the previous purchase and care costs makes it much more difficult to realize a gain on the sale of the cattle. Corn at $3.50/cwt is generally the cost equivalent of grazing. Corn costing $5.00/cwt causes a major drop in cattle inventories unless some other factor increases profit potential.

Ranchers practicing risk management may hedge against market changes. Hedging is a common technique used by businesses to reduce risk resulting from certain assets, liabilities or foreign currencies. Various financial products are used to reduce risk, such as futures contracts, forward contracts, options on futures and notional principal contracts. Farmers, cattle feeders and feedlots generally enter into hedging transaction to reduce the risk of price changes with respect to inventory and non-inventory supplies. Transactions of unrelated commodities is not considered hedging. See Chapter 8 of the Grain Farmers MSSP Audit Guide for a more in-depth discussion of hedging. For complex situations in hedging, contact a Financial Products Specialist for assistance.

INDUSTRY FACTS

The following information from ***Beef Cattle Feeding and Nutrition*** by Tilden Wayne Perry, Department of Animal Science, Purdue University, Layfayette, IN was published in 1980 by Academic Press, New York. The age and weight variances shown are due to tests with a variety of feeding regimens.

Heifer at Puberty (breeding age)	Age (days)	Wt (lbs)
(straight bred Hereford or Angus)	381-572	658
(cross bred Hereford/Angus)	381-424	726
Gestation period	272-282	760-926
(Perry, p 180-181)		
Weaned calf	239	497-689
Productive life of cows	7 years	
(p 222-225)		

Generally, heifers are considered cows when they give birth or at 2 years of age. Calving at earlier than 2 years is considered to be less efficient for a variety of factors. (p 195)

Feedlot Cattle	Lbs gain per day
--- Hay & Corn, Corn silage, Soybean meal additives	
Calves	1.35 - 2.03
Yearlings	3.65 - 4.23
(p 240-244)	
--- Soybean meal & Urea	
Calves	2.09 - 2.63 (p 246)
--- Protein supplementation	
Calves	1.90 - 2.07 (p 248)
--- Average gain for feedlot life	2.12 - 2.16 (p 249)

Finished cattle (no backgrounding)	491 days 975+ lbs
(p 249)	

Backgrounded cattle	
Time on backgrounding	up to 6-7 months
Weight gain	100 - 400 lbs
(Heifer calves finish for market at weights 150 - 200 lbs less than steer calves)	
(p 250)	
Sample method of backgrounding 350 - 500 lb spring calves weaned or purchased in the fall:	
	Lbs Gain per day
30 days grazing fall pasture/stalk fields	0.75 - 1.00
165 days winter feeding (with supplements)	0.50 - 1.75
60 days spring pasture	1.75 - 2.00
Average weight at background completion	650 - 800 lbs
(p 251-253)	

Feedlot finishing systems (Table 16.1, p 266)

USDA Grade	Age	Sex	Starting Weight	Finishing Weight	Daily Gain(lbs)	Days on feed
Choice	Calf	Steer	425-550	1050	2.6	200
	Calf	Heifer	400-500	900	2.3	190
	Yearling	Steer	575-650	1150	2.8	200
	2-year	Steer	750	1160	2.8	150
Good	Calf	Steer	400-500	1000	2.4	240
	Yearling	Steer	600-700	1050	2.7	150
	2-year	Steer	750	1100	2.9	120
Standard	Yearling	Steer	700	1125	2.8	150
	2-year	Steer	800-900	1250	3.0	140

As technology and science advance, these numbers will change accordingly.

The following information was located on http://shelley.ca.uky.edu at gopher, Ag-Markets, USDA wire markets, reports. This is a sample of the format of price quotes you may encounter if necessary to verify prices reported for sales. Historical prices may be obtained by contacting the USDA Livestock Market News office in Washington, DC at (202)720-6231. The direct line to the Market News Reporter's desk is (202)720-8054. If the information is not available at this office, a referral to the appropriate office will be provided.

Amarillo, Texas Fri Mar 14, 1997 USDA-TX Dept of Ag Market News

Weighted Average Summary for 21 Texas Auctions 03/07/97 thru 03/13/97

Receipts: 32,103 Last Week: 24,269 Last Year: 21,896

Feeder Steers Medium and Large 1

Head	Weight Range	Avg Wt	Price Range	Avg Price
50	200-245	225	$86.00-119.00	101.39
129	250-295	273	$88.00-120.00	102.64
234	300-348	322	$86.00-119.00	96.47
314	350-396	374	$86.00-108.00	93.89
408	400-448	424	$79.00-99.00	90.02
390	450-499	473	$79.00-97.00	89.40
598	500-547	522	$75.00-95.00	84.29
464	550-598	567	$72.50-88.50	82.29
768	600-648	623	$66.00-86.00	73.48
854	650-696	669	$66.00-82.00	70.61
1,037	700-749	721	$65.00-73.00	67.94
1,087	750-797	773	$63.00-75.50	68.02
571	802-846	827	$64.00-71.00	67.15
217	850-898	874	$62.50-68.50	65.36
74	900-938	918	$62.75-66.25	64.57

Feeder Heifers Medium and Large 1

Head	Weight Range	Avg Wt	Price Range	Avg Price
30	200-245	227	$75.25-106.00	86.59
75	250-295	273	$75.00-93.00	81.38
206	300-348	326	$70.00-90.00	79.29
294	350-399	378	$70.00-97.00	78.11
579	400-449	427	$66.00-85.00	75.99
584	450-499	475	$65.00-85.00	74.89
841	500-549	524	$60.50-82.25	71.13
730	550-599	572	$62.00-80.00	69.44
596	600-648	624	$61.00-77.00	66.12
991	650-699	680	$60.00-74.50	65.66
688	700-749	720	$60.00-68.00	64.61
152	752-799	778	$60.00-67.00	65.38
44	800-848	813	$55.50-66.00	61.68
7	850-890	873	$58.00-62.50	60.22

Feeder Steers Medium and Large 1-2

Head	Weight Range	Avg Wt	Price Range	Avg Price
26	205-245	226	$78.00-97.00	90.40
67	250-295	275	$68.00-102.00	88.81
130	300-345	328	$65.50-100.00	86.06
165	350-397	375	$63.00-100.00	84.76
191	400-449	425	$64.00-89.00	79.18
334	450-498	475	$60.00-89.00	78.00
193	500-546	524	$61.00-81.00	73.54
361	550-599	577	$61.00-80.00	72.98
234	600-649	631	$59.50-77.00	68.24
211	650-695	677	$59.00-76.00	67.4
51	700-745	726	$52.50-69.00	64.1
75	750-795	774	$62.00-68.00	64.2
22	815-841	834	$56.00-67.50	63.2
25	850-875	853	$57.00-65.00	62.83

Feeder Heifers Medium and Large 1-2

Head	Weight Range	Avg Wt	Price Range	Avg Price
27	205-245	228	$65.00-87.50	75.30
42	250-295	277	$67.00-85.00	74.15
169	300-349	329	$61.00-80.00	72.86
142	350-398	371	$55.00-81.00	70.73
242	400-449	425	$55.00-79.00	68.71
255	450-499	475	$55.00-77.00	67.90
184	500-547	522	$52.50-73.50	65.29
276	550-599	572	$53.00-73.00	64.88
119	600-645	619	$52.00-70.00	63.22
91	650-695	669	$52.00-69.00	62.61
8	700-745	720	$50.00-65.00	55.91
10	760-790	770	$52.00-58.00	56.15
2	805-805	805	$53.25-57.00	55.13
10	850-880	857	$53.00-59.00	56.53

Source: Texas Dept of Ag-USDA Market News, Amarillo, TX 806/372-6361

ISSUES

IRC section 162

Ensure deductibility of expenses. Commonly included personal expenses include interest, fuel, insurance, supplies, repairs, and taxes.

See Rev. Rul. 86-24, 1986-1 C.B. 80, which sets forth the treatment of costs incurred to purchase non-purebred cows that are implanted with fertilized embryos of purebred calves. The ruling also contains a discussion about the subsequent treatment of sales proceeds when, after the calves are born, the cows and calves are sold separately. Essentially, there must be an allocation made in the original purchase price between the cow and the implanted embryo. The portion of the original purchase price that equals the fair market value of the cows is allocated to the cows and the remaining amount is allocated to the calves. Neither the costs attributable to the cows, nor the costs attributable to the calves are currently deductible. The cows and calves are neither capital assets nor IRC section 1231 assets. Gain or loss from the sales of the cows or the calves is ordinary.

IRC section 61

Many operators rely on bank records for tax reporting purposes. As a result, certain types of income may be excluded from reporting. Be aware of possible bartering with the exchange of livestock for other assets or services.

By-product sales include manure either packaged or in bulk for fertilizer. Calves may be sold if not necessary for expansion of the breeding herd. Breeders with quality bulls may provide stud services or sell semen.

IRC section 168

Steers cannot be depreciated as property used in a trade or business of breeding since they are not capable of reproducing. The pre-productive period for heifers commences on their conception and ends when they deliver their first calf.

IRC section 469

In the case of a feeder operation fully utilizing feedlots look for evidence of management decisions delegated to managers, foremen or other employees. If the taxpayer is not involved in these decisions the possibility of actual material participation is reduced.

Chapter 5
DAIRY CATTLE INDUSTRY ISSUES

Much of the following information has been gleaned from ***Handbook for Dairymen***, Anthony Coletti, Iowa State University Press, Ames, IA, 1963.

INTRODUCTION

Dairy farming differs from other types of farm enterprise in the frequency of income. With milk and cream sales weekly, rather than sales tied to an annual harvest, continuous cash flow has provided a valuable economic aid in this aspect of the farming industry. Expenses are high for feed and nutritional supplements fed to cattle to meet the metabolic needs of the animals during constant lactating.

Disease presents danger, but improvements in health care and breeding have reduced the potential problems over the years. Improvements continue to be made.

The cattle chosen for use in the dairy process often are "grade cattle" with no pedigree but with predominant characteristics of certain dairy breeds. These farms focus on commercial production seeking maximum returns with minimum investment. The quality of milk will not generally suffer in this herd configuration.

Farms utilizing purebred cattle often are involved in the side line activities of breeding for resale and competing in shows and fairs. Operations of this nature, to be truly successful, will be involved in careful recordkeeping of breeding dates, calving dates, sales, transfers and other information. Tagging and tattooing, sketches and photographs, and proper registration procedures will all be meticulously followed to maximize the results of the processes.

The breed chosen for a particular operation may be tied to the requirements of the principle buyer regarding the makeup of the milk in solids, fats, proteins, etc. Feed components and nutritional additives will also be geared toward these requirements. Proteins, fats, carbohydrates, and minerals and vitamins are all balanced to provide maximum yield.

Feeds acquired may include alfalfa, clover, soybean hay, and certain grass hays. Care is taken to acquire feed which has been properly processed and cured to realize the greatest nutritional benefit. Corn, sorghum, and grass silage may also be purchased, stored in silos or bunkers, and fed as a part of the overall feeding strategy. Some types of cattle may also require grains to supply the requirements of body maintenance and milk production. A wide variety of supplements may be included in feed mixtures to produce the desired result.

Pasturing considerations include the adequacy of grazing material, type of material, and effect of material on the health of the cattle and the milk produced. The use of pasturing will be determined by the style and methodology of the farmer as well as availability of satisfactory fields. Pastured animals will require return to the milking barn twice daily. This travel plus the potential of bloat, poisoning hazard and undesirable flavoring of milk due to certain types of forage tend to weigh against pasture usage. The positive aspects include cleaner and better rested animals, yards and lots requiring less cleaning, a reduced fly problem, and the reduction of mastitis and foot rot.

Regenerating dairy herds through breeding the cows and retention of the heifer calves for future inclusion in the herd is very common. This limits the possibility of introducing disease into the herd through purchased cattle. Calves may be placed with nurse cows which do not fit the herd requirements well, but are still beneficial for this purpose. The heifer calves retained will not be productive milk producers until two years old. Feeding young heifers requires special considerations to properly prepare them for breeding and milk production.

Bull calves are generally sold although they may be kept for use in later breeding. The earliest a bull calf will likely be placed in service is 12 months on a restricted basis. Rather than retaining and maintaining bulls for the herd, dairy farmers may use stud services or, more likely, artificial insemination.

Animals purchased for replacement or expansion of the herd will require special handling and testing to avoid contamination of the herd. These additional cost measures can result in the avoidance of additional expenses later.

Veterinary expenses are common in dairy operations. The following conditions, among others, will usually warrant involvement of a veterinarian: (1) Sickness due to disease-producing organisms such as mastitis, metritis, and pneumonia, (2) problems in calving or retained afterbirth, (3) tests for brucellosis, tuberculosis, leptospirosis, vibrio, and trichomoniadis in bulls, (4) pregnancy and breeding problems, (5) injuries, and (6) cows off feed.

Modern milking equipment and facilities are costly and require certain maintenance and testing to ensure proper functioning and to limit disease potential within the herd as well as the product. Stainless steel is common and the related initial cost is high. Barns may range from conventional types to fully automated high-tech facilities. Equipment will exist for all stages of animal and product handling. Elevators, augers, and conveyers are used in feed movement along with feed carts, silos, mixers and grinders. Milking machines, pumps, and storage or transport tanks handle the milk produced. Barn cleaning equipment, manure spreaders, along with manure dryers and packaging equipment may be used. Many types of equipment are necessary to facilitate dehorning, hoof trimming, bleeding and testing the cattle.

Additional equipment will be used for pasture care and production. Expenses for seed, fertilizer and chemicals, and possibly pasture lease will be reasonable in operations utilizing pasturing.

INDUSTRY FACTS

Major dairy breeds include: Ayshire, Brown Swiss, Guernsey, Jersey, and Holstein-Friesian. Another popular dairy breed is the Milking Shorthorn. Mature cow weights of these breeds will vary from 1,000 to 1,400 lbs.

Record production figures (measured in pounds) for the various breeds is shown below. These records date to the early 60's as reported by Coletti. The number following the production is the time period for the production in days.

DAIRY BREED	BUTTERFAT PRODUCED	MILK PRODUCED
Ayrshire	1,079 / 305	24,630 / 305
Brown Swiss	1,733 / 365	34,850 / 365
Guernsey	1,451 / 365	29,665 / 365
Holstein	1,866 / 365	42,805 / 365
Jersey	1,343 / 365	25,293 / 365
Milking Shorthorn	957 / 365	23,734 / 365

The following narrative related to milk costs and returns was downloaded from the Economic Research Service of USDA at the website, http://WWW.ECON.AG.GOV/Briefing/fbe/car/milk2.htm

1994-95 Costs of Production from the Farm Costs and Returns Survey

In 1995, the general economy and consumer incomes did not grow rapidly enough to trigger strong demand for dairy products. In addition, generally moderate retail dairy prices produced modest gains in sales of most dairy products. However, expansion in commercial use did not quite keep pace with larger milk production. As a result, average 1995 milk receipts were down 3 percent in the Northeast and Southern Plains regions. Receipts were down 2 percent in the Southeast, Upper Midwest, and Corn Belt regions. Receipts in the Pacific region rose by one-half percent. Receipts from sales of livestock continued to decline across all six regions, as cattle prices continued to decline. The total gross value of production (which includes milk and livestock sales as well as other miscellaneous sources of income, such as renting or leasing dairy animals) declined by an average of 2 percent from 1994.

Total 1995 U.S. cash production costs averaged $12.49 per hundredweight (cwt) of milk sold, down from $12.90 in 1994. Lower feed costs were primarily responsible for the decline. With 1994 corn and soybeans yields much improved, concentrates costs in 1995 averaged 5 percent below a year earlier. Both average 1995 hay and silage costs were down 13 percent.

Cash production costs varied by region. The Southeast continued to see the highest costs, averaging $14.23 per cwt of milk sold, while the Pacific again saw the lowest costs, averaging $10.89 per cwt of milk sold. However, only the Northeast region failed to see a decline in total cash costs from 1994 to 1995, as variable cash expenses stayed unchanged and fixed cash costs rose 8 percent.

The average 3-percent decline in total cash expenses from 1994 to 1995 was enough to improve the position of U.S. dairy producers' gross value of production less cash expenses. On a regional basis, however, unchanged variable cash expenses brought the gross value of production less cash expenses down by 50 cents per cwt of milk sold.

Residual returns to management and risk improved in 4 out of the 6 regions in 1995, as total economic costs declined. However, only the Pacific region's returns climbed out of the negative column.

Farm Business Economics Branch-Economic Research Service/USDA
Updated: September 30, 1996

ISSUES

In addition to the following, see the discussions under beef cattle for other applicable information.

IRC section 61

Milk sales will be primarily through cooperatives with detailed records provided to the dairy.

Rev. Rul. 77-168 (1977-1 C.B. 248) deals with the method of computing basis for their milk base when additional milk base is purchased following the receipt of the initial allocation. In computing the gain on the sale, the "first-in, first-out" method described in Treas. Reg. section 1.1012-1(c)(1) must be used in computing basis. The full text of the revenue ruling provides further details.

Income reporting may be required on receipt of payments made under the Dairy Refund Payment Program. The Dairy Refund Payment Program (DRPP), administered by the CCC, refunds the reductions in price received by eligible producers during a calendar year. Milk processors, milk handlers, and others responsible for the marketing of milk withhold the reductions in price from their payments to the producers and send the withheld amounts to the CCC. If the producer can prove that milk marketing for the current year did not exceed milk marketing for the prior year, the producer is eligible for a refund of the reductions in price. Typically, an eligible producer receives a refund of the reductions in price in a year after the reductions occurred. Proper reporting of the refund depends on whether the producer claimed the reductions in price as an expense in the year they occurred. See Publication 225, chapter 4, for examples of proper reporting of refunds of reductions in price.

By-product sales include manure either packaged or in bulk for fertilizer. Calves may be sold if not necessary for expansion of the dairy herd. Breeders with quality bulls may provide stud services or sell semen. Milk, and milk products, may be prepared for direct sale
from the dairy.

IRC section 168

Certain areas of the country have quotas or allotments for such commodities as milk. The cost of the quota or allotment is its basis. If you acquire a right to a quota with the purchase of land or a herd of dairy cows, allocate part of the purchase price to that right.

Chapter 6
HORSE INDUSTRY ISSUES

INTRODUCTION

Operations dealing with horses will encompass a variety of end results. Whether the operation is dealing with race, show, work, or special purpose horses will determine the level of investment and "polish" which is applied to the appearance of the operation. Without getting into specifics by breed, the following will recount the possible structure of the operations.

According to the U.S. Department of Commerce, International Trade Administration, most U.S. horse meat is exported to Europe where it is especially popular in Belgium and France. Horses are covered under the Federal Meat Inspection Act and thus must be slaughtered under federal or state inspection. Any carcasses slaughtered for sale must be inspected. There are no quality or yield grades for horse meat. Horse meat is also used in some pet foods.

Although many Americans have an aversion to eating horse meat, the horse meat industry is now rivaling the beef and pork industries in the amounts of fresh meat shipped abroad. In 1994, meat from 109,353 horses was shipped overseas. In Sweden horse meat outsells lamb and mutton combined. It is also commonly consumed in Spain, Italy, Switzerland, Germany, Austria, and the Netherlands, but it is most popular in Belgium and France.

See the write-up for beef cattle for the general concepts of this type of operation.

Horses (equines) federally inspected:

1984: 130,825
1989: 342,877
1993: 184,320
1994: 109,353

Most horse operations will be breeding race, show, work or special purpose horses. Ancillary operations for training and boarding will also be included in this MSSP segment.

Training operations will take in horses and provide feed, boarding, and training appropriate to the purpose of the horse. Race horses, whether thoroughbreds, quarterhorses, walkers, trotters, or other types, will be provided appropriate training over a period of time. Show horses, likewise, receive extensive training and grooming. The trainers will charge fees for feed and board on a daily rate and charge out the training at flat rates, hourly rates, or may accept an interest in the horse as a fee. This type of fee requires determination of value for inclusion as income in the current year. The amount determined as income would become the basis of the

interest. The horse owner would recognize the transfer of the interest as a sale and realize a gain or loss on the transfer as it relates to the basis of the horse. See ***F.C. McDougal et al.*** (1974) 62 TC 720 for this court decision.

A boarding facility will normally provide only feed, board, and general care. These services will be priced out on a daily basis with special charges for unusual care situations as they arise. The necessity of veterinary services would be an example of unusual situations.

Breeding work horses will entail many of the same aspects of other breeding operations without the high level of appearance. Emphasis on the work characteristics of the horses is common with purebreed considerations downplayed. Working horses would be those used in other operations for draft purposes or herding and rounding up other animals. Riding fences in rugged terrain to determine and execute repairs would be another function of work horses.

Special purpose horses would include those trained for rodeo, riding, hackney, or other such uses. Some overlap of other areas may be possible. The market for these horses is not extensive but lack of recordkeeping might result in tracking difficulties.

Race and show horses will likely be 100-percent registered purebreds with detailed tracking information available in the taxpayer's records and through the breed associations. The larger, more serious operations will limit activity to animals with known breeding lineage of successful animals to attempt to maximize potential. Seldom will a horse with an unproven lineage rise to the top of the sport. When this does occur, these animals will be highly documented to ensure profitability from future breeding activities.

Expenses related to horse breeder operations will include purchases of animals, veterinary fees to keep the animals in the best health condition, facilities for boarding, feeding, and training, fees for breeding services (either stud or artificial insemination,) insurance coverage of the animals to compensate for losses due to injury or accident, advertising and promotion, and specialized feed materials.

Events, shows and races, involving the animals will require entry fees which are deducted as current expenses. A certain type of race, known as a "futurity", involves periodic payments of entry fees toward a future event. These payments are also deducted currently even though the animal may be unable to participate for any number of reasons.

Race horses have been subject to "syndication," the partitioning of ownership among, typically, up to 40 shareholders. The syndicated shares often contain breeding rights for the owners in addition to rights to profits. See IRC section 464 for the technical definition and application of rules for farming "syndicates."

Stud services are a common source of income for owners of recognized successful animals. The services may carry guarantees related to conception. A private treaty is a one-on-one breeding

agreement which may have any type of special arrangement imaginable. No foal free return (NFFR) allows subsequent year attempt if no foal is conceived in current year. No foal no fee (NFNF) guarantees foal or no liability is incurred. Neither NFFR nor NFNF are common in the United States. The live foal guarantee likely carries a higher stud fee due to the additional financial risk to the stallion owner. If no live foal is produced, the mare may return for service or, possibly, another mare may be substituted. These guarantees may affect income.

Weaning foals takes place from 4 to 6 months of age. Colts, as young as 12-months, can impregnate mares. However, normal usage as a stallion will not take place until 2 years. The decision to castrate, geld, colts will often be made between 1 and 2 years of age, depending on the ability to keep the colt separate from mares. Training will begin early with temperament being the primary goal. Eventual addition of saddle and bridle will prepare the foal for being mounted by the age of two years when it has achieved the majority of its growth. A 3-year old should be in its prime and require only fine tuning training for further improvement.

INDUSTRY FACTS

The horse industry is not standard in its marketing of animals. Horses are not generally sold in quantities like other animals. Individual sales are the norm and factors related to subjective characteristics of the horse greatly affect pricing.

ISSUES

IRC section 1231

Transfer of an interest percentage in an animal in exchange for training or other services is considered a sale or exchange which results in the recognition of gain or loss for the fair market value of the interest transferred compared to the basis of the animal. See ***F.C. McDougal et al.*** (1974) 62 TC 720 for the related court decision.

Treas. Reg. section 1.1231-2(c)(1) provides that

> "* * *Whether a horse is held for racing purposes shall be determined in accordance with the following rules:
>
> (i) A horse which has actually been raced at a public race track shall, except in rare and unusual circumstances, be considered as held for racing purposes.
>
> (ii) A horse which has not been raced at a public track shall be considered as held for racing purposes if it has been trained to race and other facts and circumstances in the particular case also indicate that the horse was held for this purpose. [accompanying clarification included]

(iii) A horse which has neither been raced at a public track nor trained for racing shall not, except in rare and unusual circumstances, be considered as held for racing purposes." [Examples follow in the regulations.]

IRC section 61

Animals not fitting the requirements of the operation will be culled and sold. These sales may be through auctions or sale barns, but may be directly to buyers. Documentation may be less detailed on these sales than sales of high quality animals.

Syndication sales will normally involve significant amounts to be recognized. Stud services will be a recurring source of income in many instances.

IRC section 168

Certain horses are 3-year property, including, IRC section 168(e)(3)(A)

"(i) any race horse which is more than 2 years old at the time it is placed in service,
(ii) any horse other than a race horse which is more than 12 years old at the time it is place in service."

Any other horse which qualifies for depreciation will be 7-year property.

Within the horse industry, a horse is considered to have been born on January 1 of the year of birth for designation as a 1-year old, 2-year old, etc.

Geldings cannot be placed in service in a breeding operation except in working or "teasing applications.

Chapter 7
SHEEP AND GOAT INDUSTRY ISSUES

INTRODUCTION

Valuable information was gained from the following works: ***Raising Sheep the Modern Way***, Paula Simmons, 1989, Storey Communications, Inc., Pownal, VT and ***Raising Milk Goats the Modern Way***, Jerry Belanger, 1975, Storey Communications, Inc., Pownal, VT.

SHEEP

The sheep industry can be defined as either being a wool market or a lamb market. Specific aspects of an operation will be geared toward one of these areas. Sheep which produce multiple births (commonly twinning) are tremendous assets in either operation. "A 1987 University of Wisconsin analysis stated that it would require 5,721 ewes producing one lamb each to generate a $25,000 profit, and only 352 ewes producing two lambs each to equal it." (Simmons, 3) Though lambing is usually an annual event, some may push for a second lambing in a year. Availability of adequate pasture or supplemental feed will be the controlling factor in this decision.

A starter flock of sheep may be developed by purchasing older ewes culled from other flocks and investing in a quality ram. Others may invest in younger ewes at a higher cost. In most operations, ewes will be considered old and likely to be replaced at the age of 7 to 8 years although they may be productive to the age of 10 to 12.

Numerous breeds of sheep are available and are chosen by farmers for the characteristics of their meat or wool. Your farmer can describe the criteria and reasoning for the breed they have chosen. In some cases grade ewes, not purebreds but exhibiting dominant characteristics of specific breeds, are bred to purebred rams.

Sheep lamb in spring and the lambs grow to market age during the available time of abundant pasture. Sales in late summer or early fall correspond to the decrease in pasture availability thus reducing the need for special feed considerations during winter months. Rotation of grazing fields is necessary to avoid denuding the land. Movement will usually take place within a 10- to 14-day period for maximum benefit especially if the pasture has been divided into smaller areas which allow a more even grazing. Inclusion of goats in the grazing flock is beneficial where brush has developed. Goats, being browsers, will clear the larger plants while the sheep graze the grasses. Sheep may be used in orchard operations among the trees to help keep the area clear.

Woven wire fencing will be common to contain the sheep and to prevent intrusion by dogs. Electric fencing may be used to cordon off small pasture sections for grazing control.

Other than pasturing, supplement grain feeding is common during reproductive periods. Whole grains, other than barley, and alfalfa hay are commonly used. Windfall apples, molasses, and discarded produce from grocery stores, such as lettuce, cabbage, broccoli, celery, and various fruits in limited quantities are good additives to the diet.

Rams are chosen for many characteristics which will be passed on genetically. Generally placed in service at 2 years, one ram for 25 to 30 ewes is a standard practice. With proper feeding and control of servicing ewes, the ram should be productive for a period of 6 years. Some operations will change rams more frequently within the business strategy. With a gestation period of 5 months (148 to 152 days) breeding in August will produce January lambs. Adjustment of the breeding date is common to control lambing.

Ewe lambs, less than 2 years of age, should have attained a weight of 85 - 100 pounds by breeding time. Earlier breeding may stunt their growth, reduce their reproductive lifetime, and create teeth problems earlier which leads to feeding and related problems. The ideal ewes for breeding are those who are a twin or triplet since this trait is passed on through the ewe.

Castration of ram lambs can take place early, as soon as the testicles have descended into the scrotum at about 10 days old. This process is not necessary if the lamb is to be marketed for meat at 5 or 6 months of age or will be used or sold as a breeding ram. In wool operations, castration and docking the tail are both recommended early on.

Sheep are susceptible to several types of diseases which will affect the acceptability as breeders and may endanger life. Medical expenses are routine to treat pneumonia, scours (diarrhea), navel ill, constipation, entropion (inverted eyelids), urinary calculi, white muscle disease, enterotoxemia (overeating disease), parasites, tetanus, coccidiosis, acidosis, and polio. There are also a number of diseases related to pregnancy.

Shearing the wool is an annual event done as early in the season as practical. Ewes may be sheared before lambing allowing for ease of assistance during the lambing process if necessary. The wool will be graded on count, blood, or micron and determine its quality in various applications. Sales of the wool will be contracted to textile manufacturers or hand spinners or may be sold to others for quilt batts, rug yarn or felting.

Lambs may be sold directly to consumers as locker lambs which are custom butchered for the buyer. The seller receives the price per pound of processed meat and pays a nominal slaughter fee per animal to the butcher. Mutton is the meat from mature animals. Ram rental may result in receipt of choice of lambs for service provided.

Guardian sheep dogs may be raised by some operations as additional sources of income as well as for use with the flock. A variety of breeds have been used for this purpose.

GOATS

In the United States there are three distinct types of goats:

1. Dairy goats, raised under intensive management primarily for milk;

2. Spanish or Mexican goats, produced under extensive range conditions for meat; and

3. Angora goats, also managed rather extensively, primarily for fiber.

Regarding the meat of goats, called chevon, the U.S. Department of Agriculture Food Safety and Inspection Service indicates kids (goats under a year of age) are often slaughtered when 3 to 5 months of age and weighing from 25 to 50 pounds. Kids do not store much body fat until they are about a year of age. Many goats are older and heavier when marketed, but most, except aged cull goats, are slaughtered when less than a year of age. The meat of older goats is darker and less tender, but more juicy and flavorful than kid. The meat from males is lighter in color and lower in fat. The meat from females is more desirable for steaks and chops, and is more tender. Retail cuts of goat are similar to those for lamb or mutton. Goat should have light pink to bright red, firm, fine-grained flesh with well-distributed white fat. In some breeds of goat there can be color variation between males and females in other breeds there is no difference. Excess males and cull goats are also used for meat.

Goats require mandatory USDA inspection. Goats federally inspected:

1984: 107,299
1989: 230,297
1993: 289,382
1994: 364,905

Spanish and Angora goats are increasing in numbers in the Southwestern states, primarily in Texas. On brushy ranges they improve the pasture for cattle and sheep by eating large amounts of twigs, shrubs, and brush.

Fiber emphasis herds will have many characteristics of wool operations of sheep. See the information previously presented for this information.

Dairy goats in the United States are represented by five major breeds or their crosses. Nubian, French Alpine, Toggenburg (Toggs,) Saanen, and LaMancha are the popular breeds. As with dairy cattle, the breed choice is determined by desired production of butterfat vs milk. Production levels are greatly affected by diet, nutrition, weather, and other factors. Production will generally be stated in pounds produced in a 305 day period (allowing for a 2-month dry period prior to breeding for rest and repair.) Figures from "one of the largest commercial herds in the country posted these annual averages in a recent year." (Belanger, 11)

GOAT DAIRY BREED	BUTTERFAT PRODUCED	MILK PRODUCED
Saanen	55 / 305	1,585 / 305
Toggenburg	61 / 305	1,702 / 305
French Alpine	46 / 305	1,315 / 305
Nubian	55 / 305	1,086 / 305
LaMancha	63 / 305	1,459 / 305

Herd animals may be registered purebred or grade animals. Cost considerations and focus of the business will determine breed choices. Price of animals is affected by the buyer market with variations due to purebred acquisition needs or performance characteristics of sire and dam. Star milkers are rated "*," "**," or "***" depending on personal performance and performance of dam and granddam.

Seldom is a single-use agricultural building necessary for goats as long as it is dry and free of drafts. Goats are susceptible to pneumonia and shelter housing must provide adequate protection. Being herd animals, they are seldom kept in individual stalls. Additional space for milk stations and appropriate equipment as well as freedom of movement is necessary.

Being browsers, pasturing is not as practical for goats as for cattle or sheep. Trees, bushes, and shrubs are required vegetation for goats in the open. Grasses will not be touched unless other, more adequate, feed is not available. Proper feeding in the barn is the preferred method for most herds. Allowance for a sunny exercise yard is necessary for the fitness and overall health of the herd. Fencing must be very sturdy, such as chain link or stock fencing, and 4 feet high since goats will lean on, crawl under or jump over fences. Electric fencing can be used most effectively after "training" the goats about its effects.

Goat feeds will provide nutrition necessary for the lactating animal and should be fed in accordance with the production of milk in mind. The strain of milk production requires additional feed and nutrients which are not necessary when the goats are not lactating. Some operations will grow a portion of the feed required for the herd, but most feed will be brought in pre-mixed or in components custom mixed for the desired result in the herd.

Grooming needs of goats include hoof trimming, disbudding horns, tatooing, hair trimming, and castrating. Some specialized equipment may be used for these functions, but low-cost equipment is also available. Castration of buck kids is not necessary for meat animals, but is recommended if the kids are kept for over 3 months and not kept separate from does.

Health issues include abortion, abscess (neck or shoulder region,) brucellosis (bang's disease,) bloat, colds, cuts, cystic ovary, goat pox, and several others. Most are treatable but when deaths occur an autopsy is usually performed to determine the course of action for the herd.

A buck will be capable of breeding by 3 to 4 months of age, however, limited service in bucks less than a year old is recommended. Mature bucks can service more than 100 does per year in some cases. Operations with a small number of does may resort to studs for servicing breeding needs.

The gestation period for a doe is 145 to 155 days. Does generally come into heat only in the fall and early winter. This results in spring kidding. The herd will be bred over a period of time to balance the lactation curve and provide milk at all times. Births will be twins in most cases with one to five kids possible. Separate stall facilities for birthing are recommended.

Buck kids are weaned at 10 weeks with doe kids weaning at 8 weeks. Grain feeding starts after weaning and doelings are switched to a milking ration at 6 months. The first breeding will take place when the doe is 7 months old and weighs 75 - 80 pounds.

Butchering may take place at four different stages. Newborns may be butchered at birth and dressed out like rabbits. Milk fed kids weighing from 20 - 30 pounds are popular with some religious groups around Easter and provide another source of income to the farmer. Buck kids raised for meat are castrated early and fed out for 6 to 8 months. Finally, cull does and old animals may be processed into jerky, salami, or other processed meats using less desirable cuts of meat.

The milk itself will be sold to commercial processors or will be processed on site for subsequent sale. Good records should be available for the herd if the goat keeper is planning on making the most of the operation. Knowing production history, health problems, and other information on the animals is necessary to determine culling and replacement requirements.

Industry Facts

The following information was located on http://shelley.ca.uky.edu at gopher, Ag-Markets, USDA wire markets, reports. This is a sample of price quotes. See chapter 4, Cattle Industry, for information on historical prices.

San Angelo, TX Tue Mar 18, 1997 USDA-TX Dept of Ag Market News

Producers Livestock Auction Co, San Angelo, Texas

Sheep Auction Close and Weekly:

Estimated Receipts: 10,000: Last Week: 9378: Last Year: 12983

Compared with last week slaughter lambs weak to 2.00 lower; slaughter ewes 3.00-5.00 lower; feeder lambs firm. Trading active, demand good. Quality average to attractive. Supply included 30 percent slaughter ewes, 35 percent feeder lambs with numerous consignments new crop feeder lambs for special sale, 1 percent slaughter lambs, balance goats.

Slaughter Lambs:
Choice, few Prime 2-3 shorn, few wooled 100-145 lbs 97.00-101.00, set 103.00. New crop 45-85 lbs 142.50-155.00, 90-105 lbs 110.00-117.00.

Slaughter Ewes:
Good and Choice 2-4 44.00-54.50, few 55.00-57.00; Utility and Good 2-3 51.00-61.50; Utility 1-3 42.00-52.00, Cull and Utility 1-2 35.00-42.00.

Slaughter Bucks:
40.00-47.50, few 50.00.

Feeder Lambs:
Medium and Large 1-2 60-90 lbs 104.00-110.00, 90-105 lbs 100.00-105.00. New crop 40-90 lbs 130.00-149.00, 90-95 lbs 123.50-133.00.
Medium and Large 2 45-90 lbs 94.00-104.00. New crop 40-80 lbs 110.00-123.00.

Replacement Ewes:
Medium and Large 1-2 ewes and lambs 61.00-68.00 per head.

Goats:
Slaughter -Meat Goats:
Billies and Muttons: 100-150 lbs 60.00-110.00 per head; small billies and muttons including yearlings 60-100 lbs Good and Choice 85.00-97.50 cwt; Good 70.00-85.00 cwt.

Nannies: 60-105 lbs 56.00-65.00 cwt, thin nannies 60-90 lbs 48.00-55.00 cwt.

Kids: Good and Choice 40-65 lbs 85.00-97.50 cwt, few 100.00-117.50. Good 40-65 lbs 75.00-85.00 cwt. few 20-25 lbs 16.00-24.00 per head.

Angora: kids 40-50 lbs 68.00-71.50 cwt, 50-80 lbs 40.00-50.00.

Source: USDA-Texas Dept of Ag Market News, San Angelo,TX
Rebecca Sauder, OIC Phone 915-653-1778

ISSUES

IRC section 162

Depending on the setup, there is a higher potential for personal use of sheep and goat products than with some other animals.

IRC section 61

Potential sources of sheep related income include locker lambs, mutton, ram rental, breeding stock, pelts and pelt products, shearing for hire, cheese from sheep milk, manure for gardens, soap and candles, special uses of wool, building sheep "furniture ", locker hooking with fleece, feltmaking with fleece, special breeds and colors, selling wool to spinners, handspun yarn and products, cottage-industry processing, livestock dog breeding, incentive payments, merchandising products, and teaching. (Simmons, 228)

Goats may produce limited income from meat sources with the greatest potential from sales of animals to other herd keepers, milk and milk by-products.

IRC section 168

Breeding stock for sheep and goats is 5-year property for depreciation purposes.

Chapter 8
SWINE INDUSTRY ISSUES

INTRODUCTION

The reference used for this section is ***Raising Pigs Successfully***, Kathy and Bob Kellogg, 1985, Williamson Publishing Co., Charlotte, VT. Although designed for the small hog farmer, the information and concepts combined with information from government sources has proven invaluable.

The swine breeding industry is undergoing a greater level of stress than any other livestock segment. With major legislation in several states related to waste and odor management, the industry is facing a period of adjustment to maintain compliance with the law. This adjustment will likely result in additional capital investment requirements which some businesses may not be able to afford.

In NPPC's (National Pork Producers Council) *Swine Care Handbook for Pork Producers Using Environmentally Controlled Housing*, five goals for waste management systems are listed. They are

1. maintaining acceptable levels of health and production through clean facilities;
2. proper management of water, soil, and air resources;
3. minimizing odors and dust;
4. minimizing vermin and parasites; and
5. complying with local, state, and federal laws, regulations, and policies.

In general, if the fifth goal is met, the others usually follow.

Swine operations are individual ventures. The extensive feedlot operations for cattle are not duplicated due to high susceptibility to disease. Access to actual facilities will be closely controlled to prevent the introduction of disease into the herd. Some operations will require special coveralls upon entry. Swine will be brought together for short stays at auction barns.

As with other livestock a variety of breeds are available each with its own characteristics and temperament. Consumer and market demand will determine the choice made by the breeder. Let the farmer tell you what breed is used in the operation and why. Whether Berkshire, Chester White, Duroc, Hampshire, Yorkshire, Landrace, Poland China, Hereford, or any other of a number of breeds, the farmer will likely enjoy describing the reasons for his/her choice.

The facilities may consist of the simplest hutch and well-built pen or the high-tech, computer-controlled, totally enclosed confinement building. Considerations will include finances, extent of

operation, and health and waste factors. Daily attention is required for hog operations for feeding, health analysis, facility condition and waste processing. Large operations will likely be more modern, enclosed facilities with automation for many functions, such as feeding and waste removal.

Smaller operations may utilize pasturing to some extent during moderate weather. If used for clearing, movement from one pasture to the next will take place every 2 to 3 weeks. Due to the rooting process, the use of hogs on potato or other root crop after harvest will generally provide enough food for the hogs and a well cleared field in the process.

In the breeding operation, most farmers will limit introduction of new animals and concentrate on internal reproduction. Breeding goals can be expressed using the following statistics. Of the breeding sows, 90 percent will produce 2 litters per year with an average of 12 piglets per litter. Loss of 25 percent of piglets before weaning due to still births or early death is normal. Therefore, production in a herd of 100 sows could be estimated as follows:

Number of sows	100
Average reproduction	90%
Producing sows	90
Litters per sow/year	2
Litters per year	180
Piglets per litter	12
Piglets per year	2,160
Survival rate	75%
Surviving to weaning	1,620

A boar will probably be kept on site for operations with 10 or more sows. Stud servicing is dangerous regarding disease transmission. Boars can service one sow daily when under one year of age and double that when fully mature. Young females are called gilts until the second pregnancy and are then known as sows. Gilts can reproduce as early as 9 months of age but are often held back until a full year old to increase the number of eggs and, thus, the size of the litter.

Gestation is an average of 114 days. Piglets can be weaned early by using a starter mash at 1 to 2 weeks. By 3 to 6 weeks, the weaning process will begin with a completion goal of 8 weeks in order to prepare the sow for the next breeding process. Boar piglets should be castrated, barrowed, within 2 weeks of birth. Barrows will be fattened for slaughter. Gilts may be maintained for future breeding. Teeth clipping, tail docking, and ear notching are all processes which take place in the first few days of life.

If the operation is designed for fattening, weaners, likely already barrowed, will often be purchased. Care will be taken to isolate new acquisitions to prevent spread of disease.

The facilities may include "misters" or "foggers" to spray fine water particles and assist in the cooling of the animals during potential heat stress periods.

Feeder pigs are sold at an average weight of 40 - 60 pounds and an age of 6 - 8 weeks. Barrows and gilts are usually sold at market weights of 220 - 280 pounds at the age of 5 - 6 months. Sows sold as breeding stock will weigh 300 - 700 pounds with price quotes categorized as under or over 500 pounds. Boars will weigh from 300 pounds up.

Industry Facts

The following information was located on http://shelley.ca.uky.edu at gopher, Ag-Markets, USDA wire markets, reports. This is a sample of price quotes. See chapter 4, Cattle Industry, for information on historical prices.

South St. Paul, Mn Tuesday March 18, 1997 USDA-AMS
T.E.A.M. Electronic Feeder Pig Auction

Prices per cwt

Feeder Pigs Head	US 1-2 Weight	Avg Wt	Price	Avg Price
420	40 - 44	41.5	129.00 - 151.00	146.32
170	45 - 47	45.5	127.00 - 140.00	132.76
25	50 - 50	50.0	119.00 - 119.00	119.00
180	55 - 55	55.0	127.00 - 127.00	127.00

All pigs that are sold through "TODAY'S ELECTRONIC AUCTION MARKET" (T.E.A.M.) system are located on farms that have been rated by the T.E.A.M. system. This rating system is based on 30% health breeding, 20% feeding and 20% overall management.

Source-USDA Livestock and Grain Market News in South St. Paul, MN 612/451-1565
South St. Paul, MN Tuesday Mar. 18,1997 USDA-AMS

Barrows & Gilts: Compared to Monday, steady to .50 lower.

US 1-3	220-250 lbs	48.00
	250-260 lbs	47.50-48.00
	260-270 lbs	46.50-47.50
US 2-3	270-280 lbs	45.50-46.50

Sows: weights under 500 lbs steady; over 500 lbs steady to 2.00 higher.

US 1-3	300-450 lbs	40.50-41.50
	450-500 lbs	44.00
	500-550 lbs	47.00
	550-700 lbs	48.00
Boars:	300-700 lbs	40.50

Source-USDA Market News South St. Paul, MN 612/451-1565

ISSUES

IRC section 168

Hog facilities are used extensively in examples of qualifying or non-qualifying single-purpose agricultural facilities. The primary focus is on the economic feasibility of use in other applications after construction or actual use of equipment or stored items for other purposes.

Hogs used for breeding are 3-year property for MACRS.

Chapter 9
RATITES AND ALTERNATIVE LIVESTOCK ISSUES

RATITES (OSTRICH, EMU, RHEA)

Introduction

In the last few years, the Service began receiving inquiries from the public, as well as the practitioner community, concerning inconsistencies with the market segment of "exotic animals." The inquiries started with questions concerning the depreciable life of these animals. Limited inquiry and research revealed that there were many more issues that warranted additional research into the area.

We have contacted various organizations, universities, zoos, and other governmental agencies to gather information concerning this market segment.

This purpose of this chapter is to provide some basic information concerning the industry and the tax issues that are present.

Industry Facts

Item	Ostrich	Emu	Rhea
Life Expectancy	50 years+	35 years+	20 years+
Size	7-9 ft.	5-6 ft.	4-5 ft.
Weight	350-450 lbs.	125-150 lbs.	50-80 lbs.
Maturity (Breeding Age)	2-3 years	2-3 years	2 years
Eggs Per Year	30-50/year	20-40/year	35-40/year
Slaughter Age	12-14 mo.	12-14 mo.	12-14 mo.
Dress Weight	80-100 lbs.	25-30 lbs.	20-25 lbs.
Retail Price of Meat	$12-$14/lb.		
Cost (May 1994)			
Eggs	$ 1,000	$ 1,000	$ 250
Chick	$ 6,000	$ 4,000	$ 2,000
Yearling	$12,000	$10,000	$ 4,500
2 year old	$25,000	$15,000	$ 7,000
Proven Breeder Pair	$45,000+	$30,000	$10,500

End Products

Up until 1994, the primary purpose for raising these birds was to establish a breeding market. There has always been a limited market for feathers and leather, however the intent of the industry now is to saturate the country with breeding stock in anticipation of a viable meat market.

Cost figures are for 1994 and prior years. These prices have decreased significantly in the last year. However for the years under current examination the above amounts should be fairly accurate depending on the area of the country.

All of these birds are quite tolerant to the upper Midwest winters and are also raised in Canada.

Shelter is required for the chicks to keep them warm and dry.

Special fencing/pens are used for the adult birds - usually 5 to 6 ft high.

A breeding pair of ostriches require 1/2 to 2 acres of land. An Emu pair needs a pen approximately. 30 x 50 ft. Rheas need pens of 50 x 100 ft.

There are many retailers around that sell specialized equipment and supplies for these birds - incubators, hatchers, transportation equipment, feeders, commercial feed and even insurance.

ISSUES

IRC section 1231

Section 1231(b)(3)of the Code specifically excludes "poultry" from the definition of livestock for purposes of Section 1231. Treas. Reg. section 1.1231-2(a)(3) broadens the term "poultry" to include "other birds." Recent communications with the Office of Chief Counsel indicate that the ratite family of birds (ostriches, emus, etc.) are not IRC section 1231 property. This exclusion from 1231 treatment only affects the tax treatment of the gain or loss realized upon the disposition of the animal.

Publication 225, *Farmer's Tax Guide*, states, "* * * livestock does not include chickens, turkeys, pigeons, geese, emus, ostriches, rheas, or other birds. This language is causing some confusion with taxpayers. Some taxpayers feel that this exclusion from the definition of livestock permits them to expense eggs and/or chicks similar to the treatment of chickens.

It is our position that ratites should be treated as livestock for other tax purposes, (IRC sections 162, 168, 179, etc.). The life expectancy, cost, and mating practices of these should not be treated the same as chicks and geese.

Many states have, in recent years, changed the classification of these birds to "livestock" for state regulatory purposes. It appears that the differences may continue to cause some confusion.

IRC section 61

Sale of chicks or yearling birds as breeders has been the primary source of income for these breeders. With the crash of the breeder market and the development of a slaughter market income sources will shift and stabilize. Contracts with specific butcher operations will be likely with prices dependent on the development of the overall markets.

The primary product from the operation, other than the birds, which will be separately marketable is the egg. Infertile eggs can be cleaned and sold intact for art or decorative uses.

IRC section 168

Ratites are not specifically described in any asset class and thus default into the 7-year GDS class-life category. The ADS recovery period is 12-years.

Fences, rearing pens, incubators and hatchers are also 7 year property.

Some taxpayers are asserting that the hatchery building is a single-purpose agricultural structure (similar to hog-confinement facilities). Facts and circumstances control and if eligible the building would be 10 year MACRS. However many taxpayers are merely converting old barns, sheds, etc. to hatchery facilities - these probably would not qualify as single purpose structures.

IRC section 179

These birds probably qualify for the election under IRC section 179 (See PLR 8817003).

The issue encountered is whether the purchased bird/chick/egg are being "placed in service". The ratite breeding stock should not be expensed under IRC section 179 unless they are "placed in service" during the year. Immature birds and eggs are not eligible for the 179 expensing election.

IRC section 195

Some ratite producers were not in the business of farming prior to acquiring their birds.

There are conflicting opinions as to the applicability of IRC section 195 to "new" farmers. Some authorities feel that a taxpayer is not yet engaged in the animal breeding business until the animals are placed in service as breeding stock. Thus, if the taxpayer acquires ratite chicks to be raised for breeding, farm expenses are capitalized until the animals are ready for breeding.

This issue is unsettled (See IRC section 195, Treas. Reg. section 1.162-12, and the repeal of the capitalization rules under Section 263A for pre-productive expenses on animals in the Technical and Miscellaneous Revenue Act of 1988).

IRC section 469

In the (former) Omaha District, we have seen taxpayers investing in ratite farms as joint venturers, partners in limited partnerships and even a limited liability company.

IRC section 469 (passive activity loss) rules apply.

ALTERNATIVE LIVESTOCK

Introduction

In addition to ratites previously discussed, there is a never ending stream of specialized animals being produced on farms in various parts of the country. Many of the animals are marketed for pets, sport, or show animals. Some are marketed as work or food animals while others have limited marketability due to restrictions related to the classification as "endangered" species. Others are strictly raised by those interested in the animal for no economic purpose.

A few of the animals you may encounter on the "alternative livestock" farms include miniature donkeys, miniature horses, the llama family (vicuna, guanaco, alpaca, and llama,) deer, elk, reindeer, bison, miniature pigs, sport sheep, lemurs, big cats, wallabies, wallaroos, monkeys, parrots, alligators, and munchkin cats. The list is endless.

Specialized publications are available for buyers and sellers of these animal varieties. Auctions for these animals are limited to a few locations throughout the country resulting in high travel and transportation costs or alternative marketing methods (video, INTERNET, and nation-wide advertising.)

Costs of beginning operations is high depending on the special requirements of the species in housing, feed, medical attention, and (potentially) import fees and related expenses. Risks of loss are resultantly high.

Additional sources of income are derived by the active farmer with facilities for feeding and boarding animals in which others have invested. These investors will likely be subject to passive activity loss limitations and should be the subject of Form 5346, *Examination Information Reports* when encountered through audits of active farms.

ISSUES

IRC section 1231

Determine if the animal qualifies as "livestock" within the definitions provided in the code. Look at considerations of whether the operation qualifies as a "farm."

IRC section 61

Watch for all possible sources of income. Depending on the animal, fees for tours may be a source of income. Feathers from some birds may bring income as decorator and designer item.

IRC section 168

Animals not specifically described in any asset class default into the 7-year GDS class-life category. The ADS recovery period is 12-years. If purchased for resale, the animals are not eligible for any depreciation.

IRC section 179

Immature animals purchased for breeding are not eligible for IRC section 179 expensing election. Determine the date the animal was placed in service.

IRC section 195

See discussion under Ratites for this consideration.

IRC section 469

IRC section 469 (passive activity loss) rules apply and should be carefully considered

APPENDIX - A
GLOSSARY - LIVESTOCK TERMS

Published in 1989, the *Farm Return Examination Techniques* training course included valuable information. Its chapter 1 glossary has been used here. Terms not related to livestock have not been included.

QUICK FACTS RELATED TO LIVESTOCK FARMING

Cattle

1. A cow usually has a single calf every 12 months. This will be true of both dairy and beef cattle. The young heifer added to the herd will usually be bred for the first time at the age of 16 months.

2. On a dairy farm, the calf is usually sold within a very short time after birth, less than 30 days, unless it is a heifer which may be kept for the dairy herd. The cattle rancher will not sell his calves until they are 6-8 months old. He may also keep some of the better heifers for breeding purposes.

3. Feeder calves (heifers or steers) are usually placed in the feedlot at a weight of 500 - 700 lbs, or around 6 - 9 months old. The calves are in the feedlot from 4 - 6 months or to a weight of 1,000 - 1,200 pounds before being sold to packing plants.

Horses

1. For registration purposes, all Thoroughbreds, Arabians, Tennessee Walking Horses, etc. are one year old on January 1 regardless of when born during the prior year.

2. Many times the stallions may be syndicated for breeding purposes. Generally, up to 40 shares of a stallion are sold. Each share, breeding, entitles the holder of the right to 3 "tries" at impregnating the same mare per year. A breeding right is an intangible, depreciable asset. The purchase of a breeding right many times guarantees a live foal. This means the foal has to stand and nurse the mare.

3. Mares are eligible to be bred at age two, but are generally bred at age three. The mare usually gives birth to one offspring each year.

4. Teaser ponies are used by the breeder to prepare the mare forservice by the stallion. A teaser pony is a depreciable asset.

5. A gelding is a male horse that has been castrated. It cannotbe depreciated for breeding purposes. It can be depreciated if it is used as a show, work or race horse.

Sheep

1. A ewe will normally have 1, sometimes twin, lamb during 12 months. The lambs are usually born during the winter or early spring. The mature sheep are sheared of their wool in the spring. The wool production from each animal is from 7 - 9 pounds annually.

2. The lambs that are being sold will be held for 6 - 9 months. Their weight at selling time will be about 90 - 100 pounds.

3. Feeder lambs are purchased at about eight weeks weighing about 20 pounds. They will be in the feedlot for 6 - 7 months, weighing 90 - 100 pounds when sold.

Swine

1. A sow will average two litters a year. The litters will varyfrom 4 - 12 piglets each. The average size of a litter over the productive live of the sow is about eight.

2. A sow is usually kept for 3 - 4 years or 6 - 8 litters before being sold.

3. Feeder pigs are held by farmer for 6 - 8 weeks. They are then sold at a weight of 40 - 60 pounds.

4. Usually, butcher hogs are sold when they reach 220 - 280 lbs which occurs about 5 - 6 months after birth.

Mink Farming

1. Mink farmers usually require one male for five females. There is one litter of kits a year with an average of 3 - 4 kits reaching maturity. The female is bred in March with the kits being born in late April. The breeders are usually kept for 4 - 5 years.

2. The kit is usually pelted out around the middle to latter part of November. The pelting is not done until after the first hard freeze.

GLOSSARY

BARROW - Castrated male hog.

BARTERING - To trade goods or services for goods or services.

BEEF BULL - A male animal which is part of the breeding herd for raising beef calves.

BEEF CATTLE - Generally purchased at the aged of a few days to 6 months and raised until 15 - 18 months old. The normal selling weight is 1,000 - 1,200 pounds. The purchase and sale may occur during two different years and the cost must be recovered in the year of sale.

BOAR - A male hog which is part of the breeding herd for raising feeder pigs, may weigh 1,000+ pounds.

BRED HEIFER - A pregnant heifer with her first unborn offspring.

BREEDING LIVESTOCK - Mature male and female animals that are used to reproduce offspring. The offspring are then sold as a product of the farm.

BROOD COW - A female cow which is part of the breeding herd for raising beef cattle.

BUCK - Adult male sheep.

BULL - Male animal which is part of the cattle breeding herd.

BUTCHER HOGS - Farrowed or purchased as "feeder pigs" at a weight of 40 - 50 pounds and raised until 5 - 6 months old. Their normal selling weight is 200 - 280 pounds. Purchase and sale may or may not take place in the same year. Cost must be recovered in year of sale, also market hogs.

CALF - Young cattle less than a year old.

CAPON - Castrated male chicken.

CASH MARKET - Market for immediate delivery of commodities against payment.

CASH PRICE - Price in the cash market for actual or spot commodities with delivery through customary market channels.

CLOSING OPTION TRANSACTION - Cancels a previously established long- or short-option position.

COCK - Adult male chicken.

COCKEREL - Young male chicken.

COLT - Young male horse.

COOPERATIVE - An enterprise owned by and operated for the benefit of those using its services.

CORRAL - A pen or enclosure for confining livestock.

COW - Mature female cattle.

CULL COW - This is a female dairy animal which is no longer profitable as a milk producing cow.

DAIRY BULL - A male dairy animal which has been used in the dairy herd for breeding.

DOE - Adult female sheep.

DROVE - Group of swine.

EGGS - A product of poultry. Normal production by chicken is about 260 eggs per year.

EWES - Female sheep which are part of the breeding herd for raising lambs.

FARM - A farm includes stock, dairy, poultry, fish, fruit, and truck farms, plantations, ranches, ranges, orchards and plant nursery. This includes growing, feeding, protecting, tending, etc., the product of the farm, not just the harvesting.

FARROW - To give birth, in regard to pigs.

FEED - Food for animals. Amount will be determined by number of animals, age, etc.

FEEDER/FINISHER PIGS - Pigs from weaning age (25 - 40 pounds) to market size (220+ pounds)

FILLY - Young horse mare (female.)

FLOCK - A group of sheep, chicken, or turkeys.

FOAL - Colt or filly less than a year old.

FREIGHT - Expense of hauling milk, grain, or livestock. Watch for netted sales with freight also deducted separately.

FRYERS - Chicken raised from 90 - 120 days, then sold for meat.

GELDING - Castrated male horse.

GILT - Female hog until second pregnancy.

HEDGING - Entering into the purchase of commodity futures contracts to reduce the risk of an unfavorable price fluctuation.

HEIFER - Female cattle less than three years old and usually one that has not produced an offspring.

HEN - Adult female chicken.

HERD - A group of cattle.

HINNY - Cross between a stallion and a female donkey.

HOG - Swine over 120 pounds.

JACK - A male donkey.

JENNY - A female donkey.

KID - Young goats up to one year old.

LAMB - Any sheep less than a year old. Produced on the farm or purchased at about 20 pounds and raised until 8 - 9 months old. Normal selling weight is 90 - 100 pounds. Usually purchased in early summer and sold in late fall of same year.

LITTER - Collective term for pigs farrowed by a sow.

MARE - Adult female horse.

MARKET HOGS - Swine of 220+ pounds, also butcher hog.

MILK ASSIGNMENTS - The assignment of milk income to directly pay for purchase of farm, machinery, cattle or feed.

MILK VOUCHERS - Statements provided by the dairy company or cheese factory once or twice a month. May be used to verify income.

MILKING PARLOR - This is the building in which the dairy cows are milked twice a day. This building houses the milking equipment, storage equipment, and provides feed for the cows as they are being milked.

MINK FARMING - Raising mink for pelts. Mink produce one litter of kits per year and average 3 1/2 kits per litter. Kits are generally born in spring and pelted out in late fall. Pelts are usually sold at fur auctions in New York or Minneapolis.

MULE - A cross between a jack and a mare. With rare exceptions, the mule is sterile.

NRCS - National Resources Conservation Service - Combined services of several former U.S. Department of Agriculture offices.

OPEN OPTION PURCHASE - A transaction by which an investor establishes a position.

PIG - Swine up to 120 pounds.

PIGLET - Newborn pig.

POLLED - Naturally hornless cattle or cattle with horns cut off.

POSITION - An interest in the market, either long or short, in the form of one or more open contracts.

PULLET - Young female chicken.

RAMS (BUCKS) - Male sheep which are part of the breeding herd for raising lambs.

ROOSTER - Colloquial term for male chicken of any age.

SHOAT - Weaned pig 25 -40 pounds, also weaner.

SHOW ANIMALS - Any animal used for competition of judging animals against each other. Often related to 4-H or FFA stock show competitions for farmers children. Winner receives prize money and, often, retains the animal. May also be competitions entered by taxpayer or other members of family.

SILAGE - A form of feed for livestock. It is made by placing grain in a silo or bunker and allowing it to ferment.

SOW - A female hog which is part of the breeding herd which has produced offspring.

STALLION - A breeding, male horse.

STEER - Castrated male cattle. Raised for sale as meat. Held until 15 - 18 months old and sold at a weight of 1,000 - 1,200 pounds.

SWINE - Generic term for all pigs and hogs.

UNIT-LIVESTOCK-METHOD - Applicable to livestock raised or purchased before maturity. Livestock must be grouped into class and age. A value is set for each year of the animal's life to maturity. The total of these amounts should equal the cost of raising the animal to maturity.

WEANER - Weaned pig of 25 - 40 pounds, also shoat.

WEANING - A weaned foal.

WETHER - Castrated male sheep.

APPENDIX - B
INTERVIEW QUESTIONS - BY TYPE

The following interview guidelines were downloaded from the IS/MSSP Bulletin Board. As with any interview questionnaire, use these only as suggested guides. Modification of the questions to fit the needs of each audit is absolutely necessary.

Development of your interviewing skills requires careful listening, quick assimilation of the information provided, and the ability to follow-up. Asking open ended questions to allow discussion, rather than closed end answers, brings out much more information. Piecing the information together results in a complete picture of the taxpayer's operation.

W/P TITLE Initial Interview
SOURCE _____
T/P _____ **TAX YR** _____
DATE_____**R/A** _____ **W/P INDX**_____

FARM INITIAL INTERVIEW

NAME:

ADDRESS:

PHONE NOS.

REP:

PUBLICATION 1 T/P RIGHTS?

AUDIT HISTORY:

Who prepared the return?

What information was used to prepare the return & is it available today?

Have you found any errors on the return that you filed? What are they?

What type of farming operation do you have? (grain, hogs, dairy)

W/P TITLE Initial Interview
SOURCE _____
T/P _____ **TAX YR** _____
DATE_____**R/A** _____ **W/P INDX**_____

How many acres do you own? Cash Rent? Sharecrop?

How many acres are in the following crops:

	CORN	SOYBEANS	WHEAT	HAY	OTHER CROPS
Your own land					
Rented land					
Sharecropped land					

How much on farm storage capacity do you have? Do you lease additional storage facilities from others?

What is your rental arrangement with the various landowners? Written?

How much do you pay per acre for cash rental?

Do you issue 1099s for the rents? Are copies here for inspection?

On sharecropping arrangements, do you charge for harvesting the crop and hauling the crop away? Rates?

W/P TITLE Initial Interview
SOURCE
T/P TAX YR
DATE R/A W/P INDX

On sharecropping arrangements, how is the landlord billed and how is it displayed on your tax return for the input costs like seed, chemicals & fertilizer?

How do you report these payments that you receive from the landlords?

How do you report the income from the harvesting?

Do you dry and store the crop for the landlord?

Where do you sell your crops? (Elevators, Terminals, and individuals)

When do you sell the crop, in the year grown or in the following year?

How do you treat CCC loans when the proceeds are received? When you repay the loan?

Do you sell all of your production or is some used for livestock feed by you?

If so, how many bushels of corn would be used by you for feed purposes and how many acres of silage did you harvest?

Did you purchase any machinery, breeding stock, or land in the year under audit? If so, what was purchased, COST? Trade ins? Financing Agreements?

Did you sell any machinery, land, timber, or breeding stock in the year under audit?

Did you incur any land clearing charges or soil & water conservation expenses? Were there any amounts paid for by the local conservation office?

Do you have any employees?

Who are your primary suppliers of:

SEED:

FERTILIZER:

IMPLEMENT & TRACTOR REPAIR PARTS :

FUEL:

CHEMICALS:

BREEDING STOCK:

W/P TITLE Initial Interview
SOURCE _____
T/P _____ TAX YR _____
DATE_____R/A _____ W/P INDX_____

BANK ACCOUNT INFORMATION

Checking

Savings

Investments

Do you maintain a separate account for commodity option trades?

How is your operation financed?

Are your crops or livestock pledged as collateral for loan purposes? If so, do you have a copy of the financial statement that you supplied to them at the time you borrowed the funds?

Do you have any other sources of income such as W-2 wages, inheritances, insurance proceeds, refunds, rebates, or other income items.

Do you have any machine hire or other custom income?

W/P TITLE Initial Interview
SOURCE _____
T/P _____ TAX YR _____
DATE_____R/A _____ W/P INDX_____

BEEF INTERVIEW QUESTIONS

How many cows did you have in the year of audit?

What breed is your herd?

What is the average age of the herd?

Do you sell the calves from your herd or finish the feeders out?

Do you keep some of the heifer calves for herd replacement?

Do you use a bull for breeding purposes or do you use artificial insemination?

Do you market your cattle through any third party marketing agent and, if so, who is it and where are they located?

Where do you market your cull cattle?

Who are your suppliers of feed and supply items?

Do you have any arrangements with veterinarians for a regular herd health care program?

How many head of cattle do you market each year?

What is the weight of the cattle when you market them?

W/P TITLE Initial Interview
SOURCE _____
T/P _____ **TAX YR** _____
DATE_____**R/A** _____ **W/P INDX**_____

Does your tax return reflect an amount for personal consumption?

Did you buy any feeders during the year of audit and, if so, how many and from whom were they acquired?

If the herd was purchased, how was the acquisition financed?

Describe the feeding program. Are the feeders finished off in a feedlot or on pasture? (What are the feeds? silage, hay, shelled corn, or some combination.)

FOLLOW-UP AND ADDITIONAL NOTES:

W/P TITLE Initial Interview
SOURCE _____
T/P _____ TAX YR _____
DATE_____R/A _____ W/P INDX_____

DAIRY INTERVIEW QUESTIONS

How many cows did you have in the year of audit including the dry cows?

What breed is your herd?

What is the average age of the herd?

To whom do you sell your milk?

How much do they pay you per hundred weight of milk?

What do you do with the calves?

Do you keep the heifer calves for herd replacement?

Do you use a bull for breeding purposes or do you use artificial insemination?

How many times a day do you milk?

Have you been on a DHIA (Dairy Herd Improvement Association) test?

What is your herd's average milk production?

Who picks up the milk at the farm and does the dairy deduct the trucking from your check?

W/P TITLE Initial Interview
SOURCE _____
T/P _____ **TAX YR** _____
DATE_____**R/A** _____ **W/P INDX**_____

Do you market your milk through any third party marketing agent and if so who is it and where are they located?

Where do you market your cull cattle?

Who are your suppliers of feed and supply items?

Do you have any arrangements with veterinarians for a regular herd health care program?

FOLLOW-UP AND ADDITIONAL NOTES:

W/P TITLE Initial Interview
SOURCE _____
T/P _____ TAX YR _____
DATE_____R/A _____ W/P INDX_____

SWINE INTERVIEW QUESTIONS

How many hogs did you have for breeding purposes in the year under audit?

What breed is your herd?

What is the average litter size?

How many litters a year do you average?

At what age do you wean the pigs?

Are you a farrow to finish, a feeder, or a farrow only operation?

Do you keep any gilts back for herd replacement?

Do you use a boar or artificial insemination for breeding purposes?

Do you market your hogs through any third party marketing agent and if so who is it and where are they located?

Where do you market your stock?

Who are your suppliers of feed and supply items?

Do you have any arrangements with veterinarians for a regular herd health care program?

W/P TITLE Initial Interview
SOURCE _____
T/P _____ **TAX YR** _____
DATE_____**R/A** _____ **W/P INDX**_____

Do you advertise to sell breeding stock or feeder pigs?

Do you sell any pork directly to a consumers after butchering a hog? (like whole hog sausage or a pig for a pig roast)

Have you included an amount for your own personal consumption on your tax return?

FOLLOW-UP AND ADDITIONAL NOTES:

W/P TITLE Initial Interview
SOURCE _____
T/P _____ TAX YR _____
DATE_____R/A _____ W/P INDX_____

SHEEP INTERVIEW QUESTIONS

What is the size of your flock in the year under audit?

What breed is your flock?

What is the average number of lambs per ewe?

When do you lamb?

Do you feed out the lambs or sell them as feeder lambs?

Do you keep any lambs back for flock replacement?

Do you market your sheep through any third party marketing agent and if so who is it and where are they located?

Where do you market your stock?

Who are your suppliers of feed and supply items?

Do you have any arrangements with veterinarians for a regular herd health care program?

Do you advertise to sell breeding stock or feeder lambs?

Do you sell any lambs directly to consumers for butchering?

W/P TITLE Initial Interview
SOURCE _____
T/P _____ **TAX YR** _____
DATE_____**R/A** _____ **W/P INDX**_____

Have you included an amount for your own personal consumption on your tax return?

Who shears the flock and who buys the wool after the shearing?

Do you shear the lambs before you sell them?

Have you received any wool subsidy payments from the government?

FOLLOW-UP AND ADDITIONAL NOTES:

W/P TITLE Initial Interview
SOURCE _____
T/P _____ TAX YR _____
DATE_____R/A _____ W/P INDX_____

EXOTIC ANIMAL INTERVIEW QUESTIONS

What types of animals are you raising?

What is it that you are going to sell? Eggs? Meat? Pets? Fur?

How long have you been raising them?

What is the history of your operation? (profit or loss)

Do you keep any animals back for replacement purposes?

How and where do you market your stock?

Who are your suppliers of feed and supply items?

Do you have any arrangements with veterinarians for a regular herd health care program?

Do you advertise and if so how?

W/P TITLE Initial Interview
SOURCE _____
T/P _____ **TAX YR** _____
DATE_____**R/A** _____ **W/P INDX**_____

Is there personal consumption of your stock shown on your tax return?

What are your plans for the future of the venture?

Describe any special problems or practices that I should be aware of that are unique to your industry.

FOLLOW-UP AND ADDITIONAL NOTES:

APPENDIX - C
OTHER SOURCES OF INFORMATION

MSSP AUDIT GUIDES

ATG PASSIVE ACTIVITY LOSS STUDY GUIDE

MARKET SEGMENT UNDERSTANDING - FARM LABOR

PUBLICATIONS

PUB 15 - CIRCULAR E - *EMPLOYER'S TAX GUIDE*

PUB 51 - CIRCULAR A - *AGRICULTURAL EMPLOYER'S TAX GUIDE*

PUB 225 - *FARMER'S TAX GUIDE*

PUB 534 - *DEPRECIATION*

PERIODICALS AND NON-IRS PUBLICATIONS

Available at most public libraries are hard copy and microfilm copies of livestock trade and farm industry periodicals. Published nationally, regionally, or by state, these magazines provide articles of interest to the industry and advertising which may yield insight into the market for our purposes. Some libraries provide CD-ROM news services with articles from numerous publications for several months or even years.

Within the USDA, the Economic Research Service and Agricultural.Marketing Service accumulate and distribute economic information for all aspects of U.S. agricultural activities. These are available in various publications and electronic sites.

Your State Department of Agriculture prints agricultural economic information on an annual basis. The extension service of the USDA in conjunction with the primary agricultural college or university of your state also has valuable information. Most of these publications are available at no cost to IRS employees.

Electronic sources of information are becoming available and are planned to be referenced in a future addendum to this guide.

APPENDIX - D
LIVESTOCK BREED ASSOCIATIONS

The following list of livestock breed associations is provided as a reference tool. Generally, if a farmer is dealing with a registered breed, you will be able to have the farmer provide any information you need. In the instance where information is not directly available, you may need to contact the association directly. Consider these associations as third party contacts and utilize them as you would any third party.

Breed associations can provide general information regarding the breed including special needs, animal availability, unique health considerations, guidelines for successful breeding, etc. In some instances, a list of members can be obtained which would represent potential suppliers or buyers. Market considerations may be available either published for the benefit of the buyers or through the association as personal knowledge.

This list is not exhaustive. Other specific breed associations are available and can be quickly located with an Internet key-word search. Two of the many websites include:

http://horseworlddata.com:80/breeds.html
http://www.homestead.org:80/amimorgs.htm

Ass Breed Associations

The American **Donkey & Mule** Society, 2901 N Elm, Denton, TX 76201;
Paul Hutchins, 817-382-6845 - 817-484-8417 fax.

The **American Mammoth Jackstock** Registry, 6513 W Laurel Rd, London, KY 40741-9717;
Marlene Patton, 1-800-531-9932, 606-878-0486.

The American Mustang and **Burro** Association, PO Box 788, Lincoln, CA 95648;
George Berrier, 916-633-9271 - 916-632-1855 fax.

National **Miniature Donkey** Association, 6450 Dewey Rd, Rome, NY 13440;
Lynn Gattari, 315-336-0154 - 315-339-4414 fax.

The American Council of **Spotted Asses**, PO Box 121, New Melle, MO 63365;
Corene Eaton, Registrar, 314-828-5430 - 314-828-5431 fax.

Cattle Breed Associations

Ancient White Park Cattle Society of North America, HC 87 Box 2214, Big Timber, M 59011;
Wes Henthorne, 406-932-9197.

American **Angus** Association, 3201 Frederick Blvd., St. Joseph, MO 64506;
Richard L Spader, Exec. VP, 816-233-3101.

Ayrshire Breeders Association, PO Box 1608, Brattleboro, VT 05302-1608;
Robert Schrull, 802-254-7460 - 802-257-4332 fax.

Barzona Breeders Association of America, PO Box 631, Prescott, AZ 86302;
Karen Halford, 520-455-5150.

American **Beefalo** World Registry, PO Box 12315, North Kansas City, MO 64116;
James Spawn, 816-421-1995 - 816-421-1991 fax.

Beefmaster Breeders United, 6800 Park Ten Blvd., San Antonio, TX 78213;
Wendell Schronk, 210-732-3132 - 210-732-7711 fax.

American **Belgian Blue** Breeders, Inc., PO Box 34663, North Kansas City, MO 64116;
James Spawn, Executive Director, 816-471-2583 - 816-421-1991 fax.

Belted Galloway Society, Inc., 174 Spore Rd., Potts Camp, MS 38659;
Joanne Huff-Ritts, 601-333-4453 - 601-333-4172 fax.

American **Blonde D'Aquitaine** Association, PO Box 12341, North Kansas City MO 64116;
James Spawn, 816-421-1305 - 816-421-1991 fax.

American **Brahman** Breeders Association, 1313 La Concha Ln., Houston, TX 77054;
Jim Reeves, 713-795-4444 - 713-795-4450 fax.

American **Brahmousin** Council, PO Box 12363, North Kansas City MO 64116;
James Spawn, 816-421-1318 - 816-421-1991 fax.

International **Brangus** Breeders Association, PO Box 696020, San Antonio, TX 78269-6020;
J. Neil Orth, Exec. VP, 210-696-8231 - 210-696-8718 fax.

Braunvieh Association of America, PO Box 6396, Lincoln, NE 68506;
Iola Doeschot, 402-421-2960 - 402-421-2994 fax.

British White Cattle Association of America, PO Box 281, Bells, TX 75414-0281;

Morris Halliburton, 903-965-7718 - 903-965-5452 fax.

Brown Swiss Association, USA, PO Box 1038, Beloit, WI 53511-1038;
John Meyer, 608-365-4474 - 608-365-5577 fax.

American International **Charolais** Association, PO Box 20247, Kansas City, MO 64195-0247;
Bill Able, 816-464-5977 - 816-464-5759 fax.

American **Chianina** Association, PO Box 890, Platte City, MO 64079-0890; Terry Atchison,
816-431-2808 - 816-431-5381 fax.

North American **Corriente** Association, PO Box 12359, North Kansas City MO 64116;
James Spawn, 816-421-1992 - 816-421-1991 fax.

American **Dexter** Cattle Association, RR1 Box 378, Concordia, MO 64020;
Rosemary Fleharty, 816-463-7704.

Dutch Belted Association of America, c/o American Livestock Breeds Conservancy,
PO Box 477, Pittsboro, NC 27312; Don Bixby, 919-542-5704 - 919-545-0022 fax.

American **Galloway** Breeders Association, 310 W. Spruce, Missoula, MT 59802;
Robert G. Mullendore, 406-728-5719 - 406-721-6300 fax.

American **Gelbvieh** Association, 10900 Dover St, Westminster, CO 80021;
Tom Brink, 303-465-2333 - 303-465-2339 fax.

American **Guernsey** Association, PO Box 666, Reynoldsburg, OH 43068-0666;
Neil Jensen, 614-864-2409 - 614-864-5614 fax.

American **Hereford** Association, 1501 Wyandotte, Kansas City, MO 64108;
H.H. Dickenson, 816-842-3757 - 816-842-6931 fax.

American **Herens** Cattle Association, PO Box 1250, Lewisburg, WV 24901-1250;
George Lemon, 304-645-3773 - 304-645-3755 fax.

Holstein Association, USA, Inc., 1 Holstein Pl., Brattleboro, VT 05302-0808;
Stephen R. Kerr, 802-254-4551 - 802-254-8251 fax.

American **Jersey** Association, 6486 E Main St, Reynoldsburg, OH 43068;
David Clemons, 519-756-8300.

North American **Limousin** Foundation, PO Box 4467, Englewood, CO 80115-4467;
Gina Egbert, 303-220-1693 - 303-220-1884 fax.

American **Lineback** Registry, W 5653 Porter Rd, Shawano, WI 54166,
Anne Van Gheen, 715-758-8205.

American **Maine-Anjou** Association, 760 Livestock Exchange Building, 1600 Genesee St, Ste 760, Kansas City, MO 64102; John Boddicker, 816-474-9555 - 816-474-9556 fax.

American International **Marchigiana** Society, Box 198, Walton, KS 67151;
Martie Knudsen, 316-837-3301.

American **Milking Devon** Association, 135 Old Bay Rd., New Durham, NH 03855;
Sue Randall, 603-859-6611 - 603-859-6800 fax.

American **Milking Shorthorn** Society, PO Box 449, Beloit, WI 53512-0449; Debbie Little, 608-365-3332 - 608-365-6644 fax.

American **Murray Grey** Association, PO Box 35490, North Kansas City MO 64116;
James Spawn, 816-421-1994 - 816-421-1991 fax.

North American **Normande** Association, RR 1 Box 7, Hanlontown, IA 50444;
Craig Ouveron, 515-896-2601 - 515-896-2602 fax.

Parthenais Cattle Breeders of America, PO Box 34617, North Kansas City, MO 64116;
James Spawn, 816-421-0033 - 816-421-1991 fax.

Piedmontese Association of the US, Livestock Exchange #108, Denver, CO 80216;
Mary McFarland, 303-295-7935.

Pineywoods, C/O Livestock Breeds Conservancy, PO Box 477, Pittsboro, NC 27312;
Don Bixby, 919-542-5704 - 919-545-0022 fax.

American **Pinzgauer** Association, 21555 State Rd 698, Jenera, OH 45841;
Peg Meents, 419-326-8711 - 419-326-5501 fax.

Red Angus Association of American, 4201 N Interstate 35, Denton, TX 76207-3415;
Dr. Richard Gilbert, 817-387-3502 - 817-383-4036 fax.

American **Red Poll** Association, PO Box 35519, Louisville, KY 40232-5519;
Homer Carl, Jr., 502-635-6540.

American **Romagnola** Association, PO Box 450, Navasota, TX 77868;
Sandra Wright, 409-825-8082.

American **Salers** Association, 5600 S Quebec #220A, Englewood, CO 80111,
Sherry Doubet, 303-770-9292 - 303-770-9302 fax.

Santa Gertrudis Breeders International, P.O Box 1257, Kingsville, TX 78364;
Robert Swize (Interim Director), 512-592-9357 - 512-592-8572 fax.

North American **Senepol** Association, PO Box 901594, Kansas City, MO 64190-1594;
Mary McFarland, 800-SENEPOL - 816-842-6931 fax.

American **Shorthorn** Association, 8288 Hascall St, Omaha, NE 68124; Dr.
Roger Hunsley, 402-393-7200 - 402-393-7203 fax.

American **Simbrah** Association, 1 Simmental Way, Bozeman, MT 59715;
Jerry Lipsey, 406-587-4531 - 406-587-9301 fax.

American **Simmental** Association, 1 Simmental Way, Bozeman, MT 59715;
Jerry Lipsey, 406-587-4531 -406-587-9301 fax.

North American **South Devon** Association, PO Box 014010, Kansas City, MO 64101-0010;
Mary McFarland, 816-842-5263 - 816-842-6931 fax.

American **Tarentaise** Association, PO Box 34705 , North Kansas City, MO 64116;
James Spawn, 816-421-1993 - 816-421-1991 fax.

Texas Longhorn Breeders Association, PO Box 4430, Fort Worth, TX 76106;
Carol Diley, 817-625-6241 - 817-625-1388 fax.

Welsh Black Association, USA, RR 1 Box 76B, Shelburne, IN 47879;
Sue Case, 812-383-9233.

White Park Cattle Association of America, 419 N Water St., Madrid, IA 50156;
Joyce Fisher, 515-795-2013.

National Cattlemen's Association, PO Box 3469, Englewood, CO 80155;
303-694-0305, and individual state cattlemen's associations.

Goat Breed Associations

American **Goat** Society, RR 1 Box 56, Experance, NY 12066; John Howland, 518-875-6708.

American **Dairy Goat** Association, PO Box 865, Spindale, NC 28160;
Ron Gelvin, 704-286-3801 - 704-287-0476 fax.

International **Dairy Goat** Registry, PO Box 309, Chickamauga, GA 30707;
Robert Johnson, 404-375-4326.

American **Angora Goat** Breeders' Association, PO Box 195, Rocksprings, TX 78880-0185;
Patty Shanklin, 210-683-4483.

Cashmere Producers of America, PO Box 27, Virginia Dale, CO 80548; 970-493-6015.

International **Fainting Goat** Association, 3450 230th St., Terril, IA 51364;
Ruth Prentice, 712-853-6372.

Mohair Council of America, PO Box 5337, San Angelo, TX 76902;
Executive Director, 915-655-3161 - 915-655-4761 fax.

National **Pygmy Goat** Association, 166 Blackstone St., Mendon, MA 01756;
Terry Pleau, General Manager, 508-478-5902 - 508-478-3285 fax.

Horse Breed Associations

Akhal-Teke Registry of America, RR 5 Box 110, Staunton, VA 24401;
Philip Case, 540-886-1870 - 540-885-1451 fax.

International **American Albino** Association, c/o White Horse Ranch, RR 1 Box 20,
Naper, NE 68755; Carley Daugherty, 402-832-5560.

American **Cream Draft** Horse Association, 2065 Noble Ave, Charles City, IA 50616;
Elizabeth Ziebell, 515-228-5308.

American Indian Horse Registry, RR 3 Box 64, Lockhart, TX 78644;
Nancy Falley, 512-398-6642.

American Saddlebred Horse Association, 4093 Iron Works Rd, Lexington, KY 40511-8401;
Dottie Dobbs, 606-259-2742 - 606-259-1628 fax.

International **Adalusian** Horse Association, 1201 S. Main St. #D-7, Boerne, TX 78006; 512-249-4027.

Appaloosa Horse Club, PO Box 8403, Moscow, ID 83843; Roger Klamfoth, 208-882-5578 - 208-882-8150 fax.

Arabian Horse Registry of America, 12000 Zuni St., Westminster, CO 80234; Jim Garrison, 303-450-4748 - 303-450-2841 fax.

Al Khamsa, Inc. (**Bedouhin Arabian**), 7275 Manchester Rd, Capron, IL 61012; Kim Davis, 815-737-8102.

American **Bashkir Curly** Registry, PO Box 453, Ely, NV 89301; 702-289-4999.

Belgian Draft Horse Corporation of America, PO Box 335, Wabash, IN 46992; Vicki Knott, 219-563-3205.

American **Buckskin** Registry Association, PO Box 3850, Redding, CA 96049-3850; Georgie Jones, 916-223-1420.

International **Buckskin** Horse Association, PO Box 268, Shelby, IN 46377-0628; Richard Kurzeja, 219-552-1013.

Cleveland Bay Horse Society of North America,. PO Box 221, South Windham, CT 06266; Martha McCormick, 860-456-8881.

Clydesdale Breeders of the United States, 17346 Kelly Rd., Pecatonica, IL 61063; Betty Groves, 815-247-8780 - 815-247-8337 fax.

Colorado Ranger Horse Association, RR 1 Box 1290, Wampum, PA 16157; Laurel Kosior, 412-535-4841.

American **Connemara** Pony Society, 2360 Hunting Ridge Rd., Winchester, VA 22603; Marynell Eyles, 540-722-2277.

American **Dartmoor** Pony Association, 15870 Pasco-Montra Rd., Anna, OH 45302; Mary Koenig, 513-596-6623.

Dutch Warmblood/Koninklijk Warmblood, PO Box 828, Winchester, OR 97495; Sylvia Monas, 541-672-8145 - 541-672-1721 fax.

American **Exmoor** Pony Registry, c/o American Livestock Breeds Conservancy, PO Box 477, Pittsboro, NC 27312; Don Bixby, 919-542-5704 - 919-545-0022 fax.

Friesian Horse Association, of North America, P.O. Box 1809, Sisters, OR 97759; Gabrielle Souza, 541-549-4272 - 541-549-4770 fax.

Swedish **Gotland** Breeders Society, c/o Livestock Breeds Conservancy, PO Box 477, Pittsboro, NC 27312; Don Bixby, 919-542-5704 - 919-545-0022 fax.

American **Hackney** Horse Society, 4059 Iron Works Pike, Building A, Lexington, KY 40511; Nancy Noble, 606-255-8694 - 606-255-0177 fax.

Haflinger Association of America, 14570 Gratiot Rd., hemlock, MI 48626; Bea Wallace, 517-642-5307 - 517-642-5109 fax.

Haflinger Registry of North America, 14640 State Route 83, Coshocton, OH 43812-8911; Jewel Woodward, 614-829-2790 - 614-829-2322 fax.

Half Saddlebred Horse Association, 4093 Iron Works Rd, Lexington, KY 40511-8401; Dottie Dobbs, 606-259-2742 - 606-259-1628 fax.

American **Hanoverian** Society, In., Kentucky Horse Park, 4059 Iron Works Pike, Building C, Lexington, KY 40511; Hugh Bellis-Jones, 606-255-4141 - 606-255-8467 fax.

American **Holsteiner** Horse Association, 222 E Main St. #1, Georgetown, KY 40324; Patricia Donohue, 502-863-4239 - 502-868-0722 fax.

U S **Icelandic** Horse Congress, 38 Park St., Montclair, NJ 07042; Anne Elwell, 201-783-3429 - 201-783-0777 fax.

United States **Lipizzan** Registry, 707 13th Street SE, Suite 275, Salem, OR 97301; 541-589-3172 - 541-362-6393 fax.

American **Miniature Horse**, Inc. 5601 S. I-35W, Alvarado, TX 76009; Harlene Bilbrey, 817-783-5600 - 817-783-6403 fax.

American **Miniature Horse** Registry, 6748 N Frostwood Pkwy, Peoria, IL 61615; Dave Diemer, 309-691-9661 - 309-691-9687 fax.

Missouri Fox Trotting Horse Breed Association, PO Box 1027, Ava, MO 65608-1027; Suzanne Sanders, 417-683-2468 - 417-683-6411 fax.

American **Morgan** Horse Association, PO Box 960, Shelburne, VT 05482-0960;
Jesse Smith, 802-985-4944 - 802-985-8897 fax.

New Forest Pony Association, PO Box 206, Pascoag, RI 02859-0206;
Lucille Guilbault, 401-568-8238 - 401-567-0311 fax.

Norwegian Fjord Horse Association of North America, 24570 W. Chardon Rd, Grayslake, IL 60030; Susan Keeting, 815-943-7336.

Oldenburg Association, c/o the International Sporthorse Registry, 939 Merchandise Mart, Chicago, IL 60654; 312-527-6544 - 312-527-6573 fax.

American **Paint** Horse Association, PO Box 961023, Fort Worth, TX 76161;
Ed Roberts, 817-834-2742 - 817-834-3152 fax www.apha.com .

Palomino Horse Breeders of America, 15253 E Skelly Dr., Tulsa, OK 74116-2620;
Cindy Chilton, 918-438-1234 - 918-438-1232 fax

Paso Fino Horse Association, Inc., 101 North Collins St, Plant City, FL 33566-3311;
813-717-7777.

Percheron Horse Association of America, PO Box 141, Fredricktown, OH 43019;
Alex Christian, 614-694-3602.

Peruvian Paso (Part Blood) Horse Registry of North America, 3077 Wiljan Ct, Ste A, Santa Rosa, CA 95407; Janetta Michael, 707-579-4394.

Pinto Horse Association of America, 1900 Samuels Ave., Fort Worth, TX 76102-1141;
Marlene Pankow, 817-336-7842 - 817-336-7416 fax.

Pony of the Americas Club, 5240 Elmwood Ave, Indianapolis, IN 46203;
Jean Donley, 317-788-0107 - 317-788-8974 fax.

American **Quarter Horse** Association, PO Box 200, Amarillo, TX 79168;
806-376-4811.

North America **Selle Francais** Horse Association, PO Box 646, Winchester, VA 22604; Mrs. Bouffault, 540-662-2870 - 540-662-3628 fax.

American **Shetland** Pony Club, 6748 N Frostwood Pkwy, Peoria, IL 61615;
Dave Diemer, 309-691-9661 - 309-691-9687 fax.

American **Shire** Horse Association, 35380 Co Rd 31, Davis, CA 95616;
Sharon McLin, 916-757-2742 - 916-758-2742 fax.

Spanish Barb Breeders Association, P.O. Box 598, Anthony, FL 32617-0598;
Marie Martineau, 352-622-5878.

Southwest **Spanish Mustang** Association., PO Box 48 Finley, OK 74543.

Spanish Mustang Registry, RR 3 Box 7670, Wilcox, AZ 85643; 520-384-2886.

US Trotting Association (**Standardbred**), 750 Michigan Ave, Columbus, OH 43214-1191;
Fred Noe, 614-224-2291 - 614-224-4575 fax.

American **Suffolk Punch** Association, 4240 Goehring Rd., Ledbetter, TX 78946;
Mary Margaret Read, 409-249-5795.

Swedish Warmblood Association, PO Box 1587, Coupeville, WA 98239;
Kristina Paulsen, 360-678-3503 - 360-678-3023 fax.

Tennessee Walking Horse Breeders and Exhibitors Association, PO Box 286, Lewisburg, TN 37091-0286; Bob Cherry, 615-359-1574, 615-359-2539 fax.

The Jockey Club (**Thoroughbred**), 821 Corporate Dr., Lexington, KY 40503; 800-444-8521.

American **Trakehner** Association, 1520 W Church St., Newark, OH 43055;
Charee Adams, 614-344-1111 - 614-344-3225 fax.

Welsh Pony & Cob Society of America, PO Box 2977, Winchester, VA 22604;
Lisa Landis, 540-667-9195 - 540-667-3766 fax.

Wild Horses of America Registry, 6212 E Sweetwater Ave., Scottsdale, AZ 85254;
Karen A Sussman, 602-991-0273 - 602-991-2920 fax.

American Horse Council, 1700 K Street NW, Ste 300, Washington, DC 20006-3805;
202-296-4031. US trade organization for horse industry - publishes annual Horse Industry Directory with complete list of horse agencies, organizations, publications and registries -$15.

Sheep Breed Associations

American **Cheviot** Sheep Club, RR 1 Box 100, Clarks Hill, IN 47930; Ruth Bowles, 317-523-2767.

North American **Clun Forest** Association, W 5855 Mahlum Rd, Holmen, WI 54636; E.K. Reedy, 608-526-4104.

Columbia Sheep Breeders Association of America, P.O. Box 272E, Upper Sandusky, OH 43351; R.L. Gerber, 614-482-2608 - 614-482-2748 fax.

Cormo Sheep Association, RR 59, Broadus, MT 59317; Charlotte Carlert, 406-427-5449.

American **Cotswold** Record Association, P.O. Box 59, Plympton, MAA 02367; Vicki Rigel, 617-585-2026.

American **Delaine Merino** Record Association, 1026 Co Rd 1175 R3, Ashland, OH 44805-9523; E. Clouser, 419-281-5786.

Continental **Dorse**t Club, P.O. Box 506, Hudson, IA 50463; Marion A. Meno, 319-988-4122.

Gulf Coast Native Sheep Registry, c/o American Livestock Breeds Conservancy, PO Box 477, Pittsboro, NC 27312; Don Bixby, 919-542-5704, - 919-545-0022 fax.

Hog Island Sheep Registry (Inactive), c/o American Livestock Breeds Conservancy, PO Box 477, Pittsboro, NC 27312; Don Bixby, 919-542-5704, - 919-545-0022 fax.

Jacob Sheep Breeders Association, 6350 E Co Rd 56, Fort Collins, CO 80524-9340, Janine Fenton, 970-484-3344.

Jacob Sheep Conservancy, 1165 E Lucas Rd, Lucas, TX 75002; Joan Horak, 972-727-0900 - 972-727-2422 fax.

Kathdin Hair Sheep International, P.O. Box 115, Fairview, KS 66425-0115; Laura Callan Fortmeyer, 913-467-8041.

Leicester Longwool, c/o Colonial Williamsburg Foundation, P.O. Box 1776, Williamsburg, VA 23187-1776; Elaine Shirley, 757-229-1000.

National **Lincoln** Sheep Breeds Association, RR 6 Box 24, Decatur, IL 62521; Teresa M. Kruse, 217-864-3601.

Montadale Sheep Breeders Association, P.O. Box 603, Plainfield, IN 46168;
Mildred Brown, 317-839-6198.

American **Oxford** Sheep Association, 1960 E. 2100 N. Road, Stonington, IL 62567;
Mary Blome, 217-325-3515.

American **Polypay** Sheep Association, 609 S Central #6, Sidney, MT 59270;
Linda Wick, 406-482-7768.

American **Rambouillet** Sheep Breeders Association, 2709 Sherwood Way, San Angelo, TX 76901; Terry Blair, 915-949-4414 - 915-947-3660 fax.

North American **Romanov** Sheep Association, P.O. Box 1126, Pataskala, OH 43062-1126;
Don Kirts, 614-927-3098.

Romanov Sheep Center, 49800 Township Rd 58, Lewisville, OH 43754-9436;
David Blackstone, 614-567-3463. (ASI Romanov Contact point, NOT registry)

St. Croix Sheep Breeders Association, c/o Cole Evans, UMC 4815, Department of Animal Science, Utah State University, Logan, UT 84322-4815; 801-797-2145.

Santa Cruz Island Sheep Registry, c/o American Livestock Breeds Conservancy, PO Box 477, Pittsboro, NC 27312; Don Bixby, 919-542-5704, - 919-545-0022 fax.

Scottish Blackface Sheep Breeders Association, Rte. 3, Box 94, Willow Springs, MO 65793;
417-962-5466.

North American **Shetland** Sheep Registry, 1240 N 22nd St, Allegan, Mi 49010;
Linda Zuppan, 616-673-5809.

American **Shropshire** Registry, P.O. Box 635, Harvard, IL 60033;
Dale Blackburn, 815-943-2034.

American **Southdown** Breeders Association, HC 13 Box 220, Fredonia, TX 76842;
Gary Jennings, 915-429-6226 - 915-429-6225 fax.

American **Suffolk** Sheep Society, P.O. Box 256, Newton, UT 84327;
Craig VanArkel, 801-563-6105 - 801-563-9356 fax.

National **Suffolk** Sheep Association, 3316 Ponderosa St., Columbia, MO 65201;
David Kloostra, 573-442-4103 - 573-443-3632 fax.

North American **Texel** Sheep Association, RR 1 Box 927, Laurel, MS 39440;

Linda Gayle Smith, 601-426-2264.

National **Tunis** Sheep Registry, 311 Scoth Settlement Rd, Gouveneur, NY 13642;
Dan Swartz, 315-287-3776.

Wiltshire Horn Sheep Registry, c/o American Livestock Breeds Conservancy, PO Box 477, Pittsboro, NC 27312; Don Bixby, 919-542-5704, - 919-545-0022 fax.

American Sheep Industry Association, 6911 S Yosemite St, Englewood, CO 80112-1414; 303-771-3500.

Swine Breed Associations

American **Berkshire** Association, Box 2436, West Lafayette, IN 47906;
Berdette Conover, 317-497-3618 - 317-497-2959 fax.

Chester White Swine Record, P.O. Box 9758, Peoria, IL 61612;
Dan Parrish, 309-692-1571 - 309-691-0168 fax.

United **Duroc** Swine Registry, Box 2397, W Lafayette, IN 47906;
DarrellAnderson, 317-497-4084.

Guinea Hog Association, 14335 Pauma Vista Dr, Valley Center, CA 92082;
Gabriella Nanci, 619-749-2126.

Hampshire Swine Registry, P.O. Box 2436, W Lafayette, IN 47906;
Dr. Thomas Park, 317-497-3718 - 317-497-2959 fax.

National **Hereford** Hog Record Association, RR 1 Box 37, Flandreau, SD 57028;
Ruby Schrecengost, 605-997-2116.

American **Landrace** Association, P.O. Box 2340, W Lafayette, IN 47906;
Dr. Thomas Park, 317-497-3718 - 317-497-2959 fax.

Large Black (no association, for information contact Mike Butcher, RR 3 Box 68, Palmyra, IL 62674; 217-484-6482.)

Poland China Record Association, P.O. Box 9758, Peoria, IL 61612;
Jack Wall, 309-691-6901.

National **Spotted** Swine Record, P.O. Box 9758, Peoria, IL 61612;
Dan Parrish, 309-693-1804 - 309-691-0168 fax.

Tamworth Swine Association, 200 Centenary Rd, Winchester, OH 45697;
Thomas Fenton, Jr. 513-695-0114.

American **Yorkshire** Club, Inc., P.O. Box 2436, W Lafayette, IN 47906;
Dr. Thomas Park, 317-497-3718 - 317-497-2959 fax.

APPENDIX - E
UNITED STATES DEPARTMENT OF AGRICULTURE

The Economic Research Service of the USDA provides statistical information related to agricultural operations within the United States. Much of this information is obtained from surveys of farmers throughout the United States. This research is then reduced to the averages shown in the tables. Following are the spread sheets for various industry segments for 1995 and certain prior years.

Another branch of the USDA is the National Agricultural Statistical Service (NASS). The information provided through NASS is based on factual information accumulated through the agricultural marketing operations within each state and reported at the state or national level. Comparative data for the current year-to-date and one prior year are generally published. Beginning at E.26 are some examples of the reports available.

Cow-calf production cash costs and returns, 1994-95

Item	United States 1994	United States 1995	North Central 1994	North Central 1995
	Dollars per bred cow			
Gross value of production:				
Steer calves	55.57	44.94	56.29	44.68
Heifer calves	46.50	37.80	32.41	26.21
Yearling steers	120.34	105.94	118.55	106.69
Yearling heifers	66.06	58.35	78.50	70.32
Other cattle	100.74	84.89	79.33	68.92
Total, gross value of production	389.21	331.92	365.08	316.82
Cash expenses:				
Feeder cattle	13.28	11.67	2.28	2.20
Feed-				
Grain	6.93	9.76	9.99	14.44
Protein supplements	25.83	24.03	22.10	20.41
By-products	7.61	7.69	4.87	4.91
Harvested forages	79.94	80.87	70.22	72.35
Pasture	86.77	73.86	46.60	34.88
Total feed costs	207.08	196.21	153.78	146.99
Other-				
Veterinary and medicine	18.32	18.23	28.95	28.69
Livestock hauling	4.32	4.32	1.61	1.60
Marketing	4.30	4.30	3.88	3.84
Custom feed mixing	0.22	0.22	0.04	0.04
Fuel, lube	18.43	19.11	22.26	23.41
Machinery and building repairs	28.79	31.06	36.90	40.54
Hired labor	29.62	30.91	10.99	11.94
Other variable cash expenses	5.55	5.79	4.96	5.29
Total, variable cash expenses	329.91	321.82	265.65	264.54
General farm overhead	36.49	38.56	29.81	31.64
Taxes and insurance	15.60	15.96	13.83	14.03
Interest	30.07	34.31	31.18	35.20
Total, fixed cash expenses	82.16	88.83	74.82	80.87
Total, cash expenses	412.07	410.65	340.47	345.41
Gross value of prod less cash expenses	-22.86	-78.73	24.61	-28.59

Economic Research Service, USDA.

Cow-calf production cash costs and returns, 1994-95 (Continued)

Item	South		Great Plains		West	
	1994	1995	1994	1995	1994	1995
	Dollars per bred cow					
Gross value of production:						
Steer calves	74.60	59.11	51.80	42.52	44.89	36.65
Heifer calves	73.65	58.67	42.47	34.89	36.35	29.69
Yearling steers	82.41	68.63	127.92	115.28	141.71	122.75
Yearling heifers	32.66	27.12	80.41	72.55	65.19	56.34
Other cattle	65.53	55.30	119.70	99.76	110.20	93.34
Total, gross value of production	328.85	268.83	422.30	365.00	398.34	338.77
Cash expenses:						
Feeder cattle	18.14	15.34	15.40	13.85	10.84	9.15
Feed-						
Grain	5.74	7.84	7.63	10.90	5.32	7.36
Protein supplements	19.76	18.01	32.54	30.16	21.70	20.67
By-products	14.41	14.25	7.22	7.32	3.64	3.80
Harvested forages	47.60	48.56	88.93	90.18	97.89	97.64
Pasture	50.92	44.51	93.56	74.61	126.25	116.65
Total feed costs	138.43	133.17	229.88	213.17	254.80	246.12
Other-						
Veterinary and medicine	13.81	13.83	18.10	18.12	17.48	17.42
Livestock hauling	6.59	6.59	3.10	3.08	5.71	5.66
Marketing	4.77	4.77	4.62	4.62	3.58	3.57
Custom feed mixing	0.14	0.14	0.30	0.30	0.24	0.23
Fuel, lube	18.52	19.14	19.69	20.30	14.38	15.08
Machinery and building repairs	28.43	30.65	30.91	33.36	21.60	23.10
Hired labor	36.03	37.25	26.92	27.78	37.59	39.44
Other variable cash expenses	6.77	6.98	6.02	6.30	3.97	4.11
Total, variable cash expenses	271.63	267.86	354.94	340.88	370.19	363.88
General farm overhead	34.50	36.40	36.37	38.41	41.68	43.94
Taxes and insurance	17.26	17.69	12.47	12.74	20.25	20.77
Interest	17.26	19.76	25.29	28.87	48.76	55.96
Total, fixed cash expenses	69.02	73.85	74.13	80.02	110.69	120.67
Total, cash expenses	340.65	341.71	429.07	420.90	480.88	484.55
Gross value of prod less cash expenses	-11.80	-72.88	-6.77	-55.90	-82.54	-145.78

Economic Research Service, USDA.

Cow-calf production economic costs and returns, 1994-95

Item	United States		North Central	
	1994	1995	1994	1995
	Dollars per bred cow			
Gross value of production:				
Steer calves	55.57	44.94	56.29	44.68
Heifer calves	46.50	37.80	32.41	26.21
Yearling steers	120.34	105.94	118.55	106.69
Yearling heifers	66.06	58.35	78.50	70.32
Other cattle	100.74	84.89	79.33	68.92
Total, gross value of production	389.21	331.92	365.08	316.82
Economic (full ownership) costs:				
Variable cash expenses	329.91	321.82	265.65	264.54
General farm overhead	36.49	38.56	29.81	31.64
Taxes and insurance	15.60	15.96	13.83	14.03
Capital replacement	83.99	84.89	94.44	96.38
Operating capital	11.53	13.49	9.28	11.09
Other nonland capital	36.77	37.59	46.28	47.93
Land	0.04	0.04	0.12	0.12
Unpaid labor	89.99	92.42	126.63	132.88
Total, economic costs	604.32	604.77	586.04	598.61
Residual returns to mgmt and risk	-215.11	-272.85	-220.96	-281.79

Economic Research Service, USDA.

Cow-calf production economic costs and returns, 1994-95 (Continued)

Item	South		Great Plains		West	
	1994	1995	1994	1995	1994	1995
	Dollars per bred cow					
Gross value of production:						
Steer calves	74.60	59.11	51.80	42.52	44.89	36.65
Heifer calves	73.65	58.67	42.47	34.89	36.35	29.69
Yearling steers	82.41	68.63	127.92	115.28	141.71	122.75
Yearling heifers	32.66	27.12	80.41	72.55	65.19	56.34
Other cattle	65.53	55.30	119.70	99.76	110.20	93.34
Total, gross value of production	328.85	268.83	422.30	365.00	398.34	338.77
Economic (full ownership) costs:						
Variable cash expenses	271.63	267.86	354.94	340.88	370.19	363.88
General farm overhead	34.50	36.40	36.37	38.41	41.68	43.94
Taxes and insurance	17.26	17.69	12.47	12.74	20.25	20.77
Capital replacement	79.72	81.34	84.41	85.23	81.93	82.08
Operating capital	9.49	11.23	12.41	14.29	12.94	15.26
Other nonland capital	35.18	36.28	36.63	37.45	33.79	34.17
Land	0.06	0.06	0.02	0.02	0.02	0.03
Unpaid labor	96.81	96.94	83.79	86.69	76.61	79.26
Total, economic costs	544.65	547.80	621.04	615.71	637.41	639.39
Residual returns to mgmt and risk	-215.80	-278.97	-198.74	-250.71	-239.07	-300.62

Economic Research Service, USDA.

Table 56A

U.S. milk production cash costs & returns, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	12.78	12.99	12.80
Cattle	1.08	1.00	0.87
Other income 1/	0.49	0.51	0.60
Total, gross value of production	14.35	14.50	14.27
Cash expenses:			
Feed-			
Concentrates	3.58	3.69	3.51
By-products	0.21	0.21	0.21
Liquid whey	0.10	0.11	0.13
Hay	1.59	1.63	1.44
Silage	1.43	1.41	1.23
Pasture and other forage	0.11	0.12	0.12
Total feed costs	7.02	7.17	6.64
Other-			
Hauling	0.40	0.45	0.46
Artificial insemination	0.13	0.15	0.15
Veterinary and medicine	0.34	0.38	0.38
Bedding and litter	0.20	0.23	0.24
Marketing	0.33	0.37	0.38
Custom services and supplies	0.38	0.43	0.43
Fuel, lube, and electricity	0.50	0.49	0.49
Machinery and building repair	0.71	0.76	0.78
Hired labor	0.69	0.67	0.64
DHIA fees	0.07	0.08	0.08
Dairy assessment	0.14	0.17	0.16
Total, variable cash expenses	10.91	11.35	10.83
General farm overhead	0.47	0.52	0.54
Taxes and insurance	0.26	0.29	0.29
Interest	0.72	0.74	0.83
Total, fixed cash expenses	1.45	1.55	1.66
Total, cash expenses	12.36	12.90	12.49
Gross value of production less cash expenses	1.99	1.60	1.78

Economic Research Service, USDA.

Table 56B
U.S. milk production economic costs & returns, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	12.78	12.99	12.80
Cattle	1.08	1.00	0.87
Other income 1/	0.49	0.51	0.60
Total, gross value of production	14.35	14.50	14.27
Economic (full ownership) costs:			
Variable cash expenses	10.91	11.35	10.83
General farm overhead	0.47	0.52	0.54
Taxes and insurance	0.26	0.29	0.29
Capital replacement	1.94	2.03	2.07
Operating capital	0.06	0.09	0.10
Other nonland capital	0.86	0.92	0.94
Land	0.01	0.00	0.01
Unpaid labor	1.27	1.29	1.19
Total, economic costs	15.78	16.49	15.97
Residual returns to management and risk	-1.43	-1.99	-1.70

1/ Includes the dairy's share of receipts from cooperative patronage dividends, assessment refunds, renting or leasing of dairy animals, the estimated value of manure as a fertilizer, and insurance indemnity payments.

Economic Research Service, USDA.

Table 57A
Milk production cash costs & returns, Northeast, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	13.34	13.64	13.26
Cattle	0.96	0.88	0.78
Other income 1/	0.39	0.40	0.50
Total, gross value of production	14.69	14.92	14.54
Cash expenses:			
Feed-			
Concentrates	3.52	3.56	3.48
By-products	0.04	0.04	0.04
Liquid whey	0.11	0.12	0.14
Hay	1.34	1.37	1.28
Silage	1.81	1.85	1.75
Pasture and other forage	0.02	0.02	0.03
Total feed costs	6.84	6.96	6.72
Other-			
Hauling	0.57	0.70	0.75
Artificial insemination	0.16	0.20	0.21
Veterinary and medicine	0.37	0.45	0.49
Bedding and litter	0.29	0.35	0.38
Marketing	0.38	0.46	0.49
Custom services and supplies	0.46	0.57	0.60
Fuel, lube, and electricity	0.65	0.63	0.65
Machinery and building repairs	0.89	0.92	0.95
Hired labor	0.66	0.64	0.64
DHIA fees	0.08	0.10	0.11
Dairy assessment	0.14	0.17	0.16
Total, variable cash expenses	11.49	12.15	12.15
General farm overhead	0.48	0.52	0.55
Taxes and insurance	0.35	0.40	0.40
Interest	0.67	0.68	0.77
Total, fixed cash expenses	1.50	1.60	1.72
Total, cash expenses	12.99	13.75	13.87
Gross value of production less cash expenses	1.70	1.17	0.67

Economic Research Service, USDA
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Table 57B
Milk production economic costs & returns, Northeast, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	13.34	13.64	13.26
Cattle	0.96	0.88	0.78
Other income 1/	0.39	0.40	0.50
Total, gross value of production	14.69	14.92	14.54
Economic (full ownership) costs:			
Variable cash expenses	11.49	12.15	12.15
General farm overhead	0.48	0.52	0.55
Taxes and insurance	0.35	0.40	0.40
Capital replacement	1.98	2.05	2.09
Operating capital	0.06	0.10	0.12
Other nonland capital	0.84	0.89	0.91
Land	0.00	0.00	0.00
Unpaid labor	1.61	1.57	1.55
Total, economic costs	16.81	17.68	17.77
Residual returns to management and risk	-2.12	-2.76	-3.23

1/ Includes the dairy's share of receipts from cooperative patronage dividends, assessment refunds, renting or leasing of dairy animals, the estimated value of manure as a fertilizer, and insurance indemnity payments.

Economic Research Service, USDA.

Table 58A
Milk production cash costs & returns, Southeast, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	14.98	15.31	14.94
Cattle	1.25	1.13	0.98
Other income 1/	0.41	0.42	0.49
Total, gross value of production	16.64	16.86	16.41
Cash expenses:			
Feed-			
Concentrates	5.56	5.54	5.26
By-products	0.47	0.45	0.46
Liquid whey	0.04	0.04	0.05
Hay	0.68	0.73	0.64
Silage	0.95	1.02	0.91
Pasture and other forage	0.07	0.07	0.07
Total feed costs	7.77	7.85	7.39
Other-			
Hauling	0.73	0.86	0.96
Artificial insemination	0.09	0.11	0.12
Veterinary and medicine	0.37	0.44	0.49
Bedding and litter	0.00	0.00	0.01
Marketing	0.40	0.47	0.53
Custom services and supplies	0.49	0.58	0.65
Fuel, lube, and electricity	0.34	0.32	0.31
Machinery and building repairs	0.57	0.58	0.63
Hired labor	1.50	1.40	1.36
DHIA fees	0.04	0.05	0.05
Dairy assessment	0.14	0.17	0.16
Total, variable cash expenses	12.44	12.83	12.66
General farm overhead	0.57	0.63	0.66
Taxes and insurance	0.29	0.33	0.33
Interest	0.51	0.52	0.58
Total, fixed cash expenses	1.37	1.48	1.57
Total, cash expenses	13.81	14.31	14.23
Gross value of production less cash expense	2.83	2.55	2.18

Economic Research Service, USDA.

Table 58B

Milk production economic costs & returns, Southeast, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	14.98	15.31	14.94
Cattle	1.25	1.13	0.98
Other income 1/	0.41	0.42	0.49
Total, gross value of production	16.64	16.86	16.41
Economic (full ownership) costs:			
Variable cash expenses	12.44	12.83	12.66
General farm overhead	0.57	0.63	0.66
Taxes and insurance	0.29	0.33	0.33
Capital replacement	2.42	2.44	2.56
Operating capital	0.06	0.10	0.12
Other nonland capital	1.52	1.58	1.66
Land	0.00	0.00	0.00
Unpaid labor	0.27	0.25	0.24
Total, economic costs	17.57	18.16	18.23
Residual returns to management and risk	-0.93	-1.30	-1.82

1/ Includes the dairy's share of receipts from cooperative patronage dividends, assessment refunds, renting or leasing of dairy animals, the estimated value of manure as a fertilizer, and insurance indemnity payments.

Economic Research Service, USDA.

Table 59A
Milk production cash costs & returns, Upper Midwest, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	12.89	13.04	12.83
Cattle	1.24	1.15	1.00
Other income 1/	0.60	0.64	0.76
Total, gross value of production	14.73	14.83	14.59
Cash expenses:			
Feed-			
Concentrates	3.68	3.77	3.53
By-products	0.11	0.11	0.11
Liquid whey	0.14	0.14	0.16
Hay	1.31	1.15	0.96
Silage	1.90	1.66	1.38
Pasture and other forage	0.11	0.10	0.13
Total feed costs	7.25	6.93	6.27
Other-			
Hauling	0.26	0.28	0.26
Artificial insemination	0.16	0.17	0.16
Veterinary and medicine	0.45	0.48	0.44
Bedding and litter	0.28	0.31	0.32
Marketing	0.26	0.28	0.26
Custom services and supplies	0.35	0.37	0.34
Fuel, lube, and electricity	0.59	0.57	0.57
Machinery and building repairs	0.96	1.02	1.04
Hired labor	0.65	0.65	0.58
DHIA fees	0.07	0.08	0.07
Dairy assessment	0.14	0.17	0.16
Total, variable cash expenses	11.42	11.31	10.47
General farm overhead	0.59	0.64	0.67
Taxes and insurance	0.34	0.38	0.38
Interest	0.99	1.01	1.14
Total, fixed cash expenses	1.92	2.03	2.19
Total, cash expenses	13.34	13.34	12.66
Gross value of production less cash expense	1.39	1.49	1.93

Economic Research Service, USDA.

Table 59B

Milk production economic costs & returns, Upper Midwest, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	12.89	13.04	12.83
Cattle	1.24	1.15	1.00
Other income 1/	0.60	0.64	0.76
Total, gross value of production	14.73	14.83	14.59
Economic (full ownership) costs:			
Variable cash expenses	11.42	11.31	10.47
General farm overhead	0.59	0.64	0.67
Taxes and insurance	0.34	0.38	0.38
Capital replacement	2.26	2.39	2.41
Operating capital	0.06	0.08	0.10
Other nonland capital	0.98	1.07	1.08
Land	0.01	0.00	0.01
Unpaid labor	1.73	1.73	1.52
Total, economic costs	17.39	17.60	16.64
Residual returns to management and risk	-2.66	-2.77	-2.05

1/ Includes the dairy's share of receipts from cooperative patronage dividends, assessment refunds, renting or leasing of dairy animals, the estimated value of manure as a fertilizer, and insurance indemnity payments.

Economic Research Service, USDA.

Table 60A
Milk production cash costs & returns, Corn Belt, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	12.88	13.19	12.91
Cattle	1.38	1.26	1.10
Other income 1/	0.42	0.44	0.51
Total, gross value of production	14.68	14.89	14.52
Cash expenses:			
Feed-			
Concentrates	3.84	4.00	3.77
By-products	0.22	0.24	0.24
Liquid whey	0.20	0.21	0.24
Hay	1.60	1.62	1.46
Silage	1.30	1.29	1.14
Pasture and other forage	0.14	0.15	0.11
Total feed costs	7.30	7.51	6.96
Other-			
Hauling	0.43	0.42	0.43
Artificial insemination	0.12	0.12	0.12
Veterinary and medicine	0.40	0.40	0.40
Bedding and litter	0.32	0.34	0.32
Marketing	0.30	0.30	0.30
Custom services and supplies	0.37	0.37	0.38
Fuel, lube, and electricity	0.55	0.52	0.52
Machinery and building repairs	0.82	0.88	0.91
Hired labor	0.66	0.67	0.64
DHIA fees	0.07	0.07	0.07
Dairy assessment	0.14	0.17	0.16
Total, variable cash expenses	11.48	11.77	11.21
General farm overhead	0.52	0.57	0.59
Taxes and insurance	0.24	0.27	0.27
Interest	0.60	0.62	0.70
Total, fixed cash expenses	1.36	1.46	1.56
Total, cash expenses	12.84	13.23	12.77
Gross value of production less cash expense	1.84	1.66	1.75

Economic Research Service, USDA.

Table 60B
Milk production economic costs & returns, Corn Belt, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	12.88	13.19	12.91
Cattle	1.38	1.26	1.10
Other income 1/	0.42	0.44	0.51
Total, gross value of production	14.68	14.89	14.52
Economic (full ownership) costs:			
Variable cash expenses	11.48	11.77	11.21
General farm overhead	0.52	0.57	0.59
Taxes and insurance	0.24	0.27	0.27
Capital replacement	2.05	2.15	2.18
Operating capital	0.06	0.09	0.11
Other nonland capital	0.87	0.93	0.95
Land	0.01	0.01	0.01
Unpaid labor	2.11	2.12	2.03
Total, economic costs	17.34	17.91	17.35
Residual returns to management and risk	-2.66	-3.02	-2.83

1/ Includes the dairy's share of receipts from cooperative patronage dividends, assessment refunds, renting or leasing of dairy animals, the estimated value of manure as a fertilizer, and insurance indemnity payments.

Economic Research Service, USDA.

Table 61A
Milk production cash costs & returns, Southern Plains, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	13.30	13.37	13.00
Cattle	1.07	1.00	0.88
Other income 1/	0.32	0.34	0.41
Total, gross value of production	14.69	14.71	14.29
Cash expenses:			
Feed-			
Concentrates	5.05	5.19	4.59
By-products	0.19	0.18	0.18
Liquid whey	0.01	0.01	0.01
Hay	1.91	2.05	1.97
Silage	0.10	0.10	0.10
Pasture and other forage	0.10	0.11	0.07
Total feed costs	7.36	7.64	6.92
Other-			
Hauling	0.61	0.61	0.61
Artificial insemination	0.05	0.05	0.05
Veterinary and medicine	0.20	0.20	0.20
Bedding and litter	0.00	0.00	0.00
Marketing	0.27	0.28	0.27
Custom services and supplies	0.32	0.33	0.32
Fuel, lube, and electricity	0.47	0.45	0.44
Machinery and building repairs	0.40	0.42	0.44
Hired labor	0.87	0.83	0.81
DHIA fees	0.05	0.05	0.05
Dairy assessment	0.14	0.17	0.16
Total, variable cash expenses	10.74	11.03	10.27
General farm overhead	0.41	0.45	0.47
Taxes and insurance	0.13	0.15	0.15
Interest	0.51	0.52	0.59
Total, fixed cash expenses	1.05	1.12	1.21
Total, cash expenses	11.79	12.15	11.48
Gross value of production less cash expense	2.90	2.56	2.81

Economic Research Service, USDA.

Table 61B
Milk production economic costs & returns, Southern Plains, 93-95

Item	1993	1994	1995
	Dollars per cwt		
Gross value of production:			
Milk	13.30	13.37	13.00
Cattle	1.07	1.00	0.88
Other income 1/	0.32	0.34	0.41
Total, gross value of production	14.69	14.71	14.29
Economic (full ownership) costs:			
Variable cash expenses	10.74	11.03	10.27
General farm overhead	0.41	0.45	0.47
Taxes and insurance	0.13	0.15	0.15
Capital replacement	2.07	2.14	2.19
Operating capital	0.06	0.09	0.10
Other nonland capital	0.88	0.94	0.96
Land	0.00	0.00	0.00
Unpaid labor	0.74	0.71	0.69
Total, economic costs	15.03	15.51	14.83
Residual returns to management and risk	-0.34	-0.80	-0.54

1/ Includes the dairy's share of receipts from cooperative patronage dividends, assessment refunds, renting or leasing of dairy animals, the estimated value of manure as a fertilizer, and insurance indemnity payments.

Economic Research Service, USDA.

Hog production cash costs and returns, 1994-95

Item	United States 1994	United States 1995	North 1994	North 1995	South 1994	South 1995
	Dollars per cwt gain 1/					
Gross value of production:						
Market hogs	36.29	38.45	36.01	38.03	37.48	40.01
Feeder pigs	4.52	4.57	4.53	4.58	4.50	4.55
Cull stock	2.31	2.22	2.30	2.19	2.37	2.31
Breeding stock	2.11	2.01	2.27	2.19	1.45	1.35
Inventory change	0.44	-0.20	0.09	-0.58	1.96	1.20
Other income 2/	1.13	1.32	1.20	1.42	0.84	0.93
Total, gross value of production	46.80	48.37	46.40	47.83	48.60	50.35
Cash expenses:						
Feed-						
Grain	11.54	12.28	11.80	12.58	10.43	11.20
Protein sources	9.35	7.96	9.86	8.34	7.19	6.56
Complete mixes	5.69	5.83	4.72	4.74	9.82	9.78
Other feed items 3/	0.59	0.56	0.67	0.66	0.21	0.20
Total feed costs	27.17	26.63	27.05	26.32	27.65	27.74
Other-						
Feeder pigs	3.35	3.31	3.14	3.04	4.25	4.31
Veterinary and medicine	1.36	1.41	1.48	1.55	0.84	0.89
Bedding and litter	0.08	0.08	0.09	0.10	0.02	0.02
Marketing	0.56	0.59	0.53	0.55	0.71	0.72
Custom services and supplies	0.47	0.50	0.44	0.46	0.58	0.63
Fuel, lube, and electricity	1.56	1.58	1.54	1.56	1.60	1.65
Repairs	1.36	1.40	1.38	1.43	1.25	1.28
Hired labor	2.53	2.55	2.54	2.54	2.48	2.56
Total, variable cash expenses	38.44	38.05	38.19	37.55	39.38	39.80
General farm overhead	1.64	1.91	1.75	2.07	1.16	1.35
Taxes and insurance	0.95	1.06	0.97	1.09	0.87	0.98
Interest	2.39	3.00	2.57	3.25	1.62	2.07
Total, fixed cash expenses	4.98	5.97	5.29	6.41	3.65	4.40
Total, cash expenses	43.42	44.02	43.48	43.96	43.03	44.20
Gross value of prod less cash expenses	3.38	4.35	2.92	3.87	5.57	6.15

Economic Research Service, USDA.

Hog production economic costs and returns, 1994-95

Item	United States 1994	United States 1995	North 1994	North 1995	South 1994	South 1995
	Dollars per cwt gain 1/					
Gross value of production:						
Market hogs	36.29	38.45	36.01	38.03	37.48	40.01
Feeder pigs	4.52	4.57	4.53	4.58	4.50	4.55
Cull stock	2.31	2.22	2.30	2.19	2.37	2.31
Breeding stock	2.11	2.01	2.27	2.19	1.45	1.35
Inventory change	0.44	-0.20	0.09	-0.58	1.96	1.20
Other income 2/	1.13	1.32	1.20	1.42	0.84	0.93
Total, gross value of production	46.80	48.37	46.40	47.83	48.60	50.35
Economic (full ownership) costs:						
Variable cash expenses	38.44	38.05	38.19	37.55	39.38	39.80
General farm overhead	1.64	1.91	1.75	2.07	1.16	1.35
Taxes and insurance	0.95	1.06	0.97	1.09	0.87	0.98
Capital replacement	10.86	11.26	10.82	11.15	11.00	11.69
Operating capital	0.90	1.06	0.89	1.05	0.92	1.11
Other nonland capital	3.93	4.09	3.83	3.93	4.39	4.70
Land	0.24	0.21	0.26	0.24	0.15	0.12
Unpaid labor	4.80	4.93	4.93	5.15	4.25	4.12
Total, economic (full-ownership) cos	61.76	62.57	61.64	62.23	62.12	63.87
Residual returns to management and risk	-14.96	-14.20	-15.24	-14.40	-13.52	-13.52

1/ Cwt gain = (cwt sold - cwt purchased) + cwt inventory change.
2/ Value of manure production.
3/ Milk replacer, milk, milk by-products, antibiotics, and other medicated additives.

Economic Research Service, USDA.

Farrow-to-finish production cash costs and returns, 1994-95

Item	United States 1994	United States 1995	North 1994	North 1995	South 1994	South 1995
	Dollar per cwt gain 1/					
Gross value of production:						
Market hogs	37.47	39.76	37.34	39.60	38.03	40.39
Feeder pigs	0.40	0.41	0.38	0.39	0.46	0.48
Cull stock	2.19	2.06	2.30	2.16	1.68	1.65
Breeding stock	0.18	0.17	0.16	0.14	0.28	0.26
Inventory change	0.41	-0.26	0.08	-0.61	1.85	1.09
Other income 2/	1.18	1.38	1.25	1.48	0.89	1.00
Total, gross value of production	41.83	43.52	41.51	43.16	43.19	44.87
Cash expenses:						
Feed-						
Grain	11.98	12.85	11.84	12.61	12.59	13.74
Protein sources	10.15	8.68	10.34	8.70	9.30	8.60
Complete mixes	4.16	4.19	3.56	3.50	6.88	6.86
Other feed items 3/	0.55	0.54	0.61	0.61	0.30	0.28
Total feed costs	26.84	26.26	26.35	25.42	29.07	29.48
Other-						
Feeder pigs	0.14	0.13	0.16	0.15	0.06	0.05
Veterinary and medicine	1.20	1.22	1.26	1.29	0.91	0.98
Bedding and litter	0.06	0.06	0.07	0.07	0.02	0.02
Marketing	0.46	0.47	0.44	0.45	0.55	0.56
Custom services and supplies	0.40	0.42	0.38	0.40	0.47	0.51
Fuel, lube, and electricity	1.48	1.50	1.44	1.44	1.65	1.73
Repairs	1.34	1.38	1.35	1.40	1.27	1.33
Hired labor	2.31	2.29	2.24	2.18	2.58	2.68
Total, variable cash expenses	34.23	33.73	33.69	32.80	36.58	37.34
General farm overhead	1.45	1.70	1.53	1.80	1.13	1.31
Taxes and insurance	0.87	0.96	0.88	0.98	0.78	0.88
Interest	2.14	2.68	2.30	2.91	1.40	1.77
Total, fixed cash expenses	4.46	5.34	4.71	5.69	3.31	3.96
Total, cash expenses	38.69	39.07	38.40	38.49	39.89	41.30
Gross value of prod less cash expenses	3.14	4.45	3.11	4.67	3.30	3.57

Economic Research Service, USDA.

Farrow-to-finish production economic costs and returns, 1994-95

Item	United States		North		South	
	1994	1995	1994	1995	1994	1995
	Dollar per cwt gain 1/					
Gross value of production:						
Market hogs	37.47	39.76	37.34	39.60	38.03	40.39
Feeder pigs	0.40	0.41	0.38	0.39	0.46	0.48
Cull stock	2.19	2.06	2.30	2.16	1.68	1.65
Breeding stock	0.18	0.17	0.16	0.14	0.28	0.26
Inventory change	0.41	-0.26	0.08	-0.61	1.85	1.09
Other income 2/	1.18	1.38	1.25	1.48	0.89	1.00
Total, gross value of production	41.83	43.52	41.51	43.16	43.19	44.87
Economic (full ownership) costs:						
Variable cash expenses	34.23	33.73	33.69	32.80	36.58	37.34
General farm overhead	1.45	1.70	1.53	1.80	1.13	1.31
Taxes and insurance	0.87	0.96	0.88	0.98	0.78	0.88
Capital replacement	10.54	10.95	10.58	10.90	10.38	11.13
Operating capital	0.80	0.94	0.78	0.92	0.85	1.04
Other nonland capital	3.84	3.98	3.78	3.87	4.08	4.40
Land	0.25	0.22	0.27	0.24	0.15	0.12
Unpaid labor	4.59	4.75	4.67	4.90	4.24	4.16
Total, economic (full-ownership) cost	56.57	57.23	56.18	56.41	58.19	60.38
Residual returns to management and risk	-14.74	-13.71	-14.67	-13.25	-15.00	-15.51

1/ Cwt gain = (cwt sold - cwt purchased) + cwt inventory change.
2/ Value of manure production.
3/ Milk replacer, milk, milk by-products, antibiotics, and other medicated additives.

Economic Research Service, USDA.

Farrow-to-feeder pig production cash costs and returns, 1994-95

Item	United States 1994	United States 1995	North 1994	North 1995	South 1994	South 1995
	Dollar per cwt gain 2/					
Gross value of production:						
Market hogs	0.86	0.92	0.92	1.01	0.65	0.65
Feeder pigs	64.03	62.08	64.90	62.46	61.12	60.95
Cull stock	5.53	5.32	5.43	5.13	5.88	5.89
Breeding stock	0.11	0.11	0.12	0.13	0.07	0.06
Inventory change	0.38	0.02	0.24	-0.23	0.83	0.78
Other income 2/	1.23	1.43	1.26	1.47	1.14	1.29
Total, gross value of production	72.14	69.88	72.87	69.97	69.69	69.62
Cash expenses:						
Feed-						
Grain	13.82	14.19	16.02	16.68	6.45	6.71
Protein sources	9.53	8.33	10.89	9.60	4.98	4.50
Complete mixes	14.99	15.19	10.59	10.25	29.67	30.02
Other feed items 3/	0.76	0.68	0.94	0.85	0.18	0.17
Total feed costs	39.10	38.39	38.44	37.38	41.28	41.40
Other-						
Feeder pigs	0.03	0.03	0.04	0.04	0.01	0.01
Veterinary and medicine	4.65	4.89	5.34	5.67	2.34	2.56
Bedding and litter	0.19	0.20	0.24	0.26	0.04	0.04
Marketing	2.60	2.76	2.19	2.34	3.97	4.03
Custom services and supplies	1.32	1.47	0.95	0.99	2.53	2.90
Fuel, lube, and electricity	4.61	4.67	4.60	4.59	4.66	4.89
Repairs	2.87	2.90	3.09	3.16	2.12	2.11
Hired labor	6.93	7.44	5.96	6.22	10.19	11.09
Total, variable cash expenses	62.30	62.75	60.85	60.65	67.14	69.03
General farm overhead	2.94	3.44	2.97	3.44	2.84	3.44
Taxes and insurance	1.96	2.21	1.84	2.02	2.38	2.80
Interest	4.55	5.91	4.27	5.37	5.49	7.51
Total, fixed cash expenses	9.45	11.56	9.08	10.83	10.71	13.75
Total, cash expenses	71.75	74.31	69.93	71.48	77.85	82.78
Gross value of prod less cash expenses	0.39	-4.43	2.94	-1.51	-8.16	-13.16

Economic Research Service, USDA.

Farrow-to-feeder pig production economic costs and returns, 1994-95

Item	United States		North		South	
	1994	1995	1994	1995	1994	1995
	Dollar per cwt gain 2/					
Gross value of production:						
Market hogs	0.86	0.92	0.92	1.01	0.65	0.65
Feeder pigs	64.03	62.08	64.90	62.46	61.12	60.95
Cull stock	5.53	5.32	5.43	5.13	5.88	5.89
Breeding stock	0.11	0.11	0.12	0.13	0.07	0.06
Inventory change	0.38	0.02	0.24	-0.23	0.83	0.78
Other income 2/	1.23	1.43	1.26	1.47	1.14	1.29
Total, gross value of production	72.14	69.88	72.87	69.97	69.69	69.62
Economic (full ownership) costs:						
Variable cash expenses	62.30	62.75	60.85	60.65	67.14	69.03
General farm overhead	2.94	3.44	2.97	3.44	2.84	3.44
Taxes and insurance	1.96	2.21	1.84	2.02	2.38	2.80
Capital replacement	24.13	25.13	22.73	22.93	28.80	31.73
Operating capital	1.45	1.75	1.42	1.70	1.56	1.93
Other nonland capital	8.10	8.46	7.53	7.59	9.98	11.06
Land	0.51	0.44	0.50	0.44	0.54	0.44
Unpaid labor	10.30	10.48	10.36	10.76	10.08	9.64
Total, economic (full-ownership) cost	111.69	114.66	108.20	109.53	123.32	130.07
Residual returns to management and risk	-39.55	-44.78	-35.33	-39.56	-53.63	-60.45

1/ Cwt gain = (cwt sold - cwt purchased) + cwt inventory change.
2/ Value of manure production.
3/ Milk replacer, milk, milk by-products, antibiotics, and other medicated additives.

Economic Research Service, USDA.

Feeder pig-to-finish production cash costs and returns, 1994-95

Item	United States		North		South	
	1994	1995	1994	1995	1994	1995
	Dollars per cwt gain 1/					
Gross value of production:						
Market hogs	49.87	52.82	50.07	53.00	49.33	52.41
Feeder pigs	0.05	0.05	0.05	0.05	0.05	0.05
Cull stock	0.02	0.02	0.01	0.01	0.04	0.04
Breeding stock	0.01	0.01	0.01	0.01	0.00	0.00
Inventory change	0.75	0.18	0.01	-0.52	2.80	1.74
Other income 2/	0.95	1.06	1.13	1.30	0.47	0.51
Total, gross value of production	51.65	54.14	51.28	53.85	52.69	54.75
Cash expenses:						
Feed-						
Grain	9.43	9.66	10.86	11.44	5.46	5.69
Protein sources	5.69	4.65	6.63	5.47	3.10	2.81
Complete mixes	7.76	8.33	6.12	6.60	12.29	12.22
Other feed items 3/	0.36	0.32	0.46	0.45	0.07	0.05
Total feed costs	23.24	22.96	24.07	23.96	20.92	20.77
Other-						
Feeder pigs	18.26	17.71	18.49	17.94	17.63	17.19
Veterinary and medicine	0.73	0.75	0.89	0.95	0.30	0.30
Bedding and litter	0.11	0.11	0.15	0.16	0.00	0.00
Marketing	0.42	0.44	0.43	0.45	0.40	0.42
Custom services and supplies	0.38	0.40	0.34	0.35	0.49	0.53
Fuel, lube, and electricity	0.76	0.76	0.75	0.75	0.79	0.78
Repairs	0.90	0.90	1.00	1.02	0.64	0.62
Hired labor	0.89	0.79	1.06	0.98	0.43	0.37
Total, variable cash expenses	45.69	44.82	47.18	46.56	41.60	40.98
General farm overhead	1.39	1.60	1.55	1.81	0.97	1.11
Taxes and insurance	0.91	1.02	0.94	1.05	0.83	0.94
Interest	2.55	3.12	2.87	3.58	1.66	2.10
Total, fixed cash expenses	4.85	5.74	5.36	6.44	3.46	4.15
Total, cash expenses	50.54	50.56	52.54	53.00	45.06	45.13
Gross value of prod less cash expenses	1.11	3.58	-1.26	0.85	7.63	9.62

Economic Research Service, USDA.

Feeder pig-to-finish production economic costs and returns, 1994-95

Item	United States 1994	United States 1995	North 1994	North 1995	South 1994	South 1995
	Dollars per cwt gain 1/					
Gross value of production:						
Market hogs	49.87	52.82	50.07	53.00	49.33	52.41
Feeder pigs	0.05	0.05	0.05	0.05	0.05	0.05
Cull stock	0.02	0.02	0.01	0.01	0.04	0.04
Breeding stock	0.01	0.01	0.01	0.01	0.00	0.00
Inventory change	0.75	0.18	0.01	-0.52	2.80	1.74
Other income 2/	0.95	1.06	1.13	1.30	0.47	0.51
Total, gross value of production	51.65	54.14	51.28	53.85	52.69	54.75
Economic (full ownership) costs:						
Variable cash expenses	45.69	44.82	47.18	46.56	41.60	40.98
General farm overhead	1.39	1.60	1.55	1.81	0.97	1.11
Taxes and insurance	0.91	1.02	0.94	1.05	0.83	0.94
Capital replacement	7.47	7.68	7.58	7.79	7.14	7.42
Operating capital	1.06	1.25	1.10	1.30	0.97	1.14
Other nonland capital	2.89	3.00	2.74	2.82	3.30	3.43
Land	0.11	0.10	0.13	0.12	0.07	0.05
Unpaid labor	4.22	4.18	4.70	4.78	2.88	2.84
Total, economic (full-ownership) cos	63.74	63.65	65.92	66.23	57.76	57.91
Residual returns to management and risk	-12.09	-9.51	-14.64	-12.38	-5.07	-3.16

1/ Cwt gain = (cwt sold - cwt purchased) + cwt inventory change.
2/ Value of manure production.
3/ Milk replacer, milk, milk by-products, antibiotics, and other medicated additives.

Economic Research Service, USDA.

Cows 1/: Prices Received by Farmers, Monthly,
by States, 1996; United States, 1991-1996

State	Jan	Feb	Mar	Apr	May	Jun
	Dollars per Cwt					
AZ	33.00	32.00	31.50	29.50	29.00	29.00
AR	32.30	32.90	32.60	31.10	32.20	31.50
CA	31.50	31.50	30.00	29.00	29.50	29.50
CO	33.50	34.70	33.70	30.30	32.30	33.00
FL	32.00	33.30	32.40	30.10	30.70	29.60
GA	31.20	31.30	30.30	29.30	29.30	29.90
ID	33.50	33.30	30.60	29.10	29.70	29.90
IL	32.80	31.60	31.50	29.00	32.00	31.80
IA	31.80	32.20	32.20	29.50	31.10	30.30
KS	33.00	32.50	31.50	30.00	30.50	30.70
KY	31.00	31.00	31.00	29.50	31.00	31.00
LA	31.30	31.40	30.20	28.20	28.60	28.90
MI	33.00	32.90	32.40	30.30	32.30	31.30
MN	32.60	31.90	31.50	30.40	32.40	31.40
MO	32.10	32.10	31.40	29.10	30.80	31.00
MT	33.30	33.70	34.00	31.60	32.70	32.90
NE	31.50	32.30	32.10	30.00	30.50	30.90
NM	35.20	36.30	34.70	32.20	33.10	34.50
ND	31.80	32.00	31.40	28.30	32.00	33.20
OH	29.40	29.80	29.50	28.30	29.60	29.50
OK	31.30	32.20	31.10	28.30	29.20	29.50
OR	33.00	33.00	32.50	30.50	32.00	31.50
PA	31.60	32.70	31.70	31.00	32.70	31.30
SD	31.00	30.20	30.40	27.50	30.20	30.30
TN	31.40	29.70	29.70	27.40	29.70	28.80
TX	30.00	30.30	29.20	26.40	25.70	26.70
VA	29.10	29.90	29.00	27.30	29.20	29.30
WI	33.70	33.30	33.10	31.90	33.40	32.60
WY	36.30	36.60	36.90	32.30	32.80	35.20
Year	United States					
1996	32.00	32.10	31.40	29.40	30.40	30.60
1995	38.70	41.50	39.90	38.00	36.80	38.20
1994	45.50	47.00	47.40	47.20	45.90	43.60
1993	47.80	49.20	48.30	48.50	49.80	50.20
1992	46.60	49.30	49.40	48.80	49.00	48.20
1991	49.00	51.30	52.50	52.80	53.50	52.80

(continued)

Cows 1/: Prices Received by Farmers, Monthly,
by States, 1996; United States, 1991-1996, (continued)

State	Jan	Feb	Mar	Apr	May	Jun
	Dollars per Cwt					
AZ	32.00	32.50	31.00	29.00	27.00	27.00
AR	30.60	32.40	31.00	31.60	29.00	29.20
CA	32.00	33.00	31.00	30.00	29.00	29.00
CO	34.00	34.80	33.80	32.00	29.90	29.90
FL	28.20	29.80	26.90	26.80	27.00	28.30
GA	27.90	29.90	27.30	26.70	26.70	27.40
ID	30.10	30.80	29.80	29.50	26.20	26.20
IL	31.90	31.40	30.40	30.00	27.90	28.50
IA	30.70	31.60	30.30	32.70	27.50	27.70
KS	31.60	32.20	31.10	30.30	27.50	28.00
KY	31.00	31.00	29.00	29.00	28.00	27.00
LA	27.30	29.10	28.10	27.30	26.40	27.80
MI	32.80	32.80	31.00	31.10	29.20	29.30
MN	32.20	31.90	31.20	31.00	26.70	28.50
MO	31.00	32.30	30.20	29.80	27.20	27.80
MT	33.30	37.60	34.90	33.00	32.40	32.60
NE	31.90	32.00	30.80	30.10	27.50	26.70
NM	36.00	37.40	37.40	35.20	33.50	35.60
ND	33.80	32.50	30.50	29.50	27.60	27.20
OH	29.80	32.20	30.10	29.50	27.00	27.10
OK	29.40	31.30	29.70	28.80	26.00	27.40
OR	30.50	32.00	31.50	30.00	30.00	31.00
PA	32.40	32.60	31.60	31.90	29.10	29.70
SD	31.00	32.00	30.10	29.30	26.80	26.30
TN	27.90	29.30	27.30	26.30	25.00	25.40
TX	26.60	28.40	29.70	28.80	26.70	27.40
VA	28.10	28.60	28.30	27.20	25.70	27.00
WI	33.40	33.90	32.40	31.80	29.70	29.70
WY	35.70	36.00	34.40	31.80	31.20	30.40
Year	United States					
1996	31.00	31.80	30.80	30.30	28.00	28.30
1995	35.90	35.80	33.90	32.20	29.60	30.40
1994	43.80	43.10	41.50	38.40	37.00	37.40
1993	49.90	48.90	47.10	45.10	44.10	44.00
1992	48.40	48.30	47.00	45.50	44.60	45.80
1991	50.50	49.60	48.90	47.30	45.00	45.80

1/ Beef Cows and cull Dairy Cows sold for slaughter.

National Agricultural Statistical Service, USDA.

Steers & Heifers: Prices Received by Farmers, Monthly,
by States, 1996; United States, 1991-1996

State	Jan	Feb	Mar	Apr	May	Jun
	Dollars per Cwt					
AZ	59.50	58.50	57.50	56.00	56.00	56.00
AR	53.50	52.80	52.30	47.20	47.40	52.40
CA	52.00	49.50	49.50	46.00	44.50	51.00
CO	63.10	62.00	61.10	58.90	60.40	60.40
FL	45.80	46.30	45.60	41.50	39.70	44.00
GA	44.50	45.40	45.30	40.30	39.50	42.30
ID	57.30	55.90	55.00	52.30	52.80	55.40
IL	63.50	61.30	60.40	57.70	57.50	59.20
IA	64.30	62.10	61.70	59.80	57.60	60.70
KS	62.90	61.40	60.00	57.50	58.20	60.00
KY	48.00	49.00	48.50	45.00	46.00	48.00
LA	46.10	47.10	47.00	42.30	40.80	45.30
MI	56.10	53.90	54.20	48.40	49.60	53.10
MN	57.70	56.70	57.20	56.00	58.00	58.00
MO	55.10	53.00	52.60	49.00	50.80	53.90
MT	58.70	56.40	56.30	53.70	53.80	54.30
NE	65.40	64.00	63.50	61.20	60.30	62.10
NM	51.90	51.30	49.40	46.90	47.60	50.80
ND	55.60	54.30	53.20	49.80	52.60	53.90
OH	58.60	59.30	58.50	53.70	54.00	56.50
OK	57.00	56.00	54.10	50.40	52.60	57.30
OR	52.00	51.00	51.50	50.00	50.50	50.00
PA	62.10	59.80	58.00	55.50	54.20	58.10
SD	60.80	58.70	57.70	54.70	56.30	59.10
TN	47.90	48.30	47.80	43.90	44.60	47.60
TX	61.40	60.00	58.80	58.20	55.50	58.00
VA	49.50	47.40	46.70	45.10	45.30	49.50
WI	56.00	55.10	55.70	51.60	51.40	53.20
WY	58.00	55.70	55.50	54.60	56.00	58.00
Year	United States					
1996	62.60	61.10	60.20	58.10	57.60	59.60
1995	71.40	72.10	70.30	66.60	63.60	63.30
1994	73.00	73.10	75.40	75.40	69.70	64.70
1993	78.70	79.50	81.40	81.70	80.80	77.60
1992	72.60	76.20	76.40	76.50	75.30	73.60
1991	81.80	81.10	82.50	82.00	79.50	76.80

(continued)

Steers & Heifers: Prices Received by Farmers, Monthly,
by States, 1996; United States, 1991-1996, (continued)

State	Jul	Aug	Sep	Oct	Nov	Dec
	Dollars per Cwt					
AZ	60.00	64.00	66.00	66.00	65.00	64.00
AR	53.90	56.80	56.90	55.80	56.30	57.30
CA	53.00	55.00	56.00	56.00	57.00	58.00
CO	64.30	65.70	68.10	68.70	68.90	66.00
FL	46.30	48.10	51.30	49.00	48.00	46.60
GA	44.40	46.40	46.60	44.80	47.70	48.20
ID	55.70	57.10	59.20	61.00	60.10	60.00
IL	62.30	65.20	68.10	69.30	70.30	66.50
IA	62.60	64.30	67.70	69.10	69.90	67.40
KS	62.50	64.50	70.00	68.40	69.20	65.20
KY	49.00	50.00	50.00	48.00	49.00	49.00
LA	46.20	48.30	49.10	46.80	49.00	51.30
MI	55.00	57.50	57.40	55.10	56.40	56.70
MN	60.80	62.10	64.90	66.20	67.10	64.30
MO	53.70	57.20	57.60	56.00	57.20	56.70
MT	58.90	60.10	60.90	60.50	61.50	62.30
NE	64.70	67.00	70.60	72.10	73.20	69.20
NM	54.20	56.30	56.40	55.00	56.10	57.90
ND	55.70	58.50	59.10	59.40	59.80	59.30
OH	59.30	61.00	62.60	58.80	62.20	58.70
OK	58.90	60.40	59.10	59.40	61.20	62.60
OR	51.50	53.00	53.00	53.00	55.00	55.00
PA	60.70	62.90	65.00	65.70	68.30	65.90
SD	61.60	64.00	65.60	66.00	68.30	65.40
TN	49.30	51.80	50.90	49.20	51.70	51.20
TX	60.00	62.90	66.30	66.40	66.10	63.60
VA	49.90	51.00	52.20	48.10	49.20	49.80
WI	57.10	58.20	59.90	61.20	63.70	61.10
WY	61.00	61.90	62.90	62.60	62.90	64.60
Year	United States					
1996	62.10	64.30	67.90	68.10	68.70	65.50
1995	61.90	61.70	62.00	62.30	65.20	64.70
1994	65.00	68.30	66.10	66.10	68.40	68.00
1993	75.10	75.20	74.50	72.40	72.90	72.00
1992	73.90	74.70	75.50	76.40	75.60	76.30
1991	74.70	71.30	71.60	74.30	72.40	71.50

National Agricultural Statistical Service, USDA.

Beef Cattle 1/: Prices Received by Farmers, Monthly, by States, 1996; United States, 1991-1996

State	Jan	Feb	Mar	Apr	May	Jun
	Dollars per Cwt					
AZ	55.50	55.30	54.40	52.80	53.30	53.80
AR	43.10	42.70	42.30	40.40	40.40	41.70
CA	42.20	41.20	40.90	38.20	38.20	41.80
CO	60.70	60.40	59.50	56.90	59.00	59.00
FL	34.80	34.90	34.70	31.40	31.50	31.50
GA	35.90	36.50	36.30	33.20	32.60	33.90
ID	50.90	51.00	49.20	46.70	47.30	49.30
IL	62.90	60.70	59.80	57.10	57.00	58.60
IA	56.40	57.60	57.60	55.60	54.20	57.10
KS	61.70	60.50	59.10	56.40	57.10	59.70
KY	43.90	44.70	44.30	41.30	42.40	43.90
LA	35.70	35.80	34.90	32.30	32.40	34.00
MI	51.50	47.60	49.80	44.80	46.10	48.70
MN	55.40	54.50	55.10	52.90	54.70	54.70
MO	50.30	48.40	47.50	44.00	45.20	48.20
MT	52.60	52.80	52.10	48.60	44.30	39.70
NE	64.30	62.90	62.60	60.10	59.40	61.40
NM	44.90	45.20	44.30	42.00	42.80	45.30
ND	50.60	51.20	49.70	44.20	45.00	43.10
OH	55.70	56.40	55.60	51.20	51.60	53.80
OK	53.20	54.10	52.40	47.40	49.70	57.10
OR	46.30	45.60	45.80	44.20	45.00	44.50
PA	54.20	52.80	51.20	49.10	48.60	51.10
SD	55.70	55.60	55.00	51.20	51.60	52.50
TN	41.30	40.90	40.60	37.30	38.60	40.10
TX	59.50	57.90	54.70	55.70	53.10	54.50
VA	40.70	40.90	41.90	41.00	39.70	43.40
WI	43.10	42.50	42.60	40.20	41.00	41.30
WY	54.50	52.60	53.50	50.80	50.90	48.90
Year	United States					
1996	59.00	57.90	56.80	54.90	54.70	56.40
1995	67.60	68.80	66.90	63.30	60.80	60.90
1994	69.90	70.10	72.30	72.00	67.20	62.70
1993	75.10	75.80	77.20	77.30	77.10	74.50
1992	68.90	72.50	72.80	72.60	71.90	70.20
1991	76.60	77.00	78.50	78.00	75.90	73.60

(continued)

Beef Cattle 1/: Prices Received by Farmers, Monthly,
by States, 1996; United States, 1991-1996, (continued)

State	Jul	Aug	Sep	Oct	Nov	Dec
	Dollars per Cwt					
AZ	57.80	61.50	60.80	60.50	59.70	59.90
AR	43.00	45.30	44.50	42.50	41.30	43.80
CA	43.60	45.10	44.50	43.80	43.60	44.10
CO	63.10	64.80	66.40	64.70	65.80	63.10
FL	32.70	35.30	33.70	33.20	32.70	33.10
GA	33.20	35.70	33.70	32.70	33.00	33.60
ID	49.80	52.40	52.80	52.20	48.90	50.50
IL	61.70	64.50	67.30	68.50	69.50	65.70
IA	58.50	60.70	64.00	64.70	64.00	61.40
KS	62.20	64.20	69.20	67.30	67.90	64.10
KY	44.70	45.40	45.00	43.40	44.00	43.70
LA	33.70	36.20	35.90	34.50	34.50	35.30
MI	50.60	52.60	52.10	50.30	51.00	51.20
MN	58.60	59.30	61.20	62.40	65.10	60.20
MO	48.70	51.70	51.60	50.80	50.90	48.00
MT	45.60	57.00	59.30	56.10	58.90	57.30
NE	63.90	66.00	69.70	70.80	71.40	67.70
NM	47.50	49.10	48.80	47.50	46.20	47.60
ND	44.70	51.80	52.50	51.60	48.50	45.80
OH	56.40	58.10	59.40	55.90	58.70	55.50
OK	53.50	54.40	52.40	53.10	52.40	53.90
OR	45.20	46.70	46.60	46.10	47.50	47.80
PA	53.30	55.00	56.30	56.90	58.10	56.50
SD	54.00	58.90	61.30	62.00	60.80	55.20
TN	40.70	42.80	41.60	40.00	41.00	40.90
TX	57.70	60.50	62.60	62.70	62.20	60.70
VA	42.30	44.10	46.90	43.70	43.10	40.00
WI	43.40	44.10	44.00	44.10	44.00	42.90
WY	58.70	61.10	60.60	56.40	55.00	55.00
Year	United States					
1996	59.10	61.30	63.80	63.30	63.40	61.00
1995	59.50	59.40	59.10	58.80	60.70	60.60
1994	62.90	65.90	63.50	62.90	64.40	64.40
1993	72.50	72.70	71.40	69.10	69.30	68.50
1992	70.60	71.80	71.80	71.80	70.20	70.80
1991	71.60	68.80	68.70	70.40	67.90	67.40

1/ "Cows" and "Steers and Heifers" combined.

National Agricultural Statistical Service, USDA.

Calves: Prices Received by Farmers, Monthly,
by States, 1996; United States, 1991-1996

State	Jan	Feb	Mar	Apr	May	Jun
	Dollars per Cwt					
AZ	58.00	59.00	58.50	54.00	51.00	54.50
AR	44.60	44.70	44.60	40.40	38.90	42.00
CA	62.50	59.00	61.00	54.00	51.00	51.00
CO	63.00	62.80	61.80	56.50	58.40	56.70
FL	54.50	53.90	53.50	48.10	46.30	49.40
GA	48.80	50.00	49.90	43.70	41.10	44.00
ID	54.50	54.60	55.00	52.50	51.00	53.00
IL	91.00	95.00	93.00	89.00	88.00	90.00
IA	55.40	54.40	55.90	50.50	51.60	55.70
KS	59.50	59.50	58.00	52.50	55.00	57.00
KY	46.00	48.00	49.00	45.00	46.00	46.50
LA	49.60	51.00	49.90	46.40	42.90	44.70
MI	55.50	53.50	53.00	54.50	58.00	52.00
MN	57.00	52.90	49.80	51.00	51.00	51.00
MO	55.40	55.70	54.60	48.80	50.70	51.40
MT	62.30	62.20	61.30	56.80	59.40	55.90
NE	64.00	62.80	61.30	55.40	57.20	57.90
NM	52.00	52.30	51.20	48.20	45.10	48.30
ND	56.90	54.10	52.20	50.50	53.10	54.60
OH	55.80	51.50	54.00	46.70	45.70	42.10
OK	56.90	57.90	55.50	52.00	50.10	53.00
OR	57.00	55.00	55.50	54.00	53.00	53.00
PA	76.00	71.00	68.50	71.00	75.00	74.00
SD	63.60	60.50	60.90	54.90	57.30	61.30
TN	48.40	49.80	49.40	44.90	44.00	45.30
TX	55.00	56.10	54.30	49.30	46.60	49.70
VA	48.00	46.60	45.80	45.50	45.80	45.10
WI	96.80	97.30	97.00	97.20	91.30	90.30
WY	65.50	63.50	60.00	57.50	58.60	56.80
Year	United States					
1996	60.50	60.20	59.40	55.10	54.40	55.10
1995	85.00	86.90	84.40	81.80	77.00	76.90
1994	93.90	94.90	97.60	95.80	89.40	84.80
1993	94.70	96.00	98.60	99.60	99.20	99.10
1992	88.30	92.80	94.10	91.90	89.60	88.50
1991	98.00	104.00	106.00	109.00	107.00	106.00

(continued)

Calves: Prices Received by Farmers, Monthly,
by States, 1996; United States, 1991-1996, (continued)

State	Jul	Aug	Sep	Oct	Nov	Dec
	Dollars per Cwt					
AZ	63.00	63.00	61.50	60.00	60.50	59.50
AR	41.90	46.10	45.70	43.70	47.00	47.40
CA	53.00	56.00	55.00	54.00	55.00	56.00
CO	57.10	59.40	61.70	61.90	63.50	67.30
FL	53.80	56.50	58.00	56.30	55.20	56.10
GA	45.00	49.00	49.90	47.60	51.50	51.50
ID	53.20	54.00	54.50	56.00	57.00	59.00
IL	92.00	93.00	93.00	93.00	91.00	89.00
IA	51.90	50.50	53.00	53.60	55.10	54.60
KS	59.00	60.50	61.00	61.00	62.00	64.00
KY	45.00	48.00	47.00	45.00	46.00	46.00
LA	47.70	50.20	53.40	50.20	52.00	54.40
MI	48.00	50.00	53.00	48.00	48.00	48.00
MN	51.00	50.00	51.50	49.10	46.10	42.50
MO	51.70	55.30	56.20	53.40	56.10	56.20
MT	54.90	59.80	61.40	61.00	62.50	64.70
NE	56.30	57.90	58.90	61.10	65.40	71.40
NM	52.50	53.00	56.30	56.60	57.00	58.70
ND	50.00	49.60	50.40	58.60	60.20	58.30
OH	41.20	42.10	45.00	41.40	44.00	43.10
OK	54.50	59.80	59.20	58.60	60.80	61.10
OR	50.00	51.00	52.00	51.50	54.00	54.00
PA	68.00	62.00	59.90	62.50	62.90	66.00
SD	62.70	60.50	70.50	65.70	68.20	65.40
TN	45.40	49.80	48.90	47.00	49.20	50.10
TX	53.10	58.00	61.30	58.00	59.00	59.00
VA	43.30	46.80	47.00	44.50	45.40	47.00
WI	88.80	93.40	94.10	94.80	92.90	91.90
WY	50.40	62.10	64.80	61.20	63.30	68.10
Year	United States					
1996	56.80	59.30	61.00	60.10	61.20	61.80
1995	72.00	70.90	68.50	66.20	64.10	63.30
1994	83.80	84.40	80.00	78.20	81.00	81.90
1993	96.90	95.10	93.50	93.90	91.60	92.80
1992	90.10	90.40	87.40	86.00	86.50	87.00
1991	103.00	98.30	96.20	93.90	90.20	87.60

National Agricultural Statistical Service, USDA.

Milk Cows: Prices Received by Farmers, Quarterly
by States, 1996; United States, 1991-1996 1/

State	Jan	Apr	Jul	Oct
	Dollars per Head			
AL	1,050	1,100	1,100	1,120
AR	1,030	1,000	1,000	970
CA	1,190	1,190	1,230	1,280
CO	1,110	1,170	1,160	1,200
FL	1,110	1,180	1,130	1,180
GA	1,080	1,130	1,170	1,180
ID	1,050	1,090	1,090	1,160
IL	1,090	1,120	1,170	1,150
IN	1,050	1,020	1,040	1,090
IA	1,030	1,040	1,120	1,130
KS	1,030	1,100	1,170	1,170
KY	1,000	990	990	1,000
LA	1,030	1,030	1,020	1,050
MD	1,130	1,120	1,110	1,140
MI	1,060	1,100	1,090	1,130
MN	980	1,000	1,020	1,060
MS	995	990	1,010	1,070
MO	920	930	880	990
NE	1,030	1,080	1,120	1,180
NM	1,190	1,140	1,150	1,240
NY	1,010	1,000	1,000	1,030
NC	1,080	1,080	1,110	1,160
ND	920	950	950	1,040
OH	1,050	1,040	1,000	1,030
OK	980	1,020	970	1,030
OR	1,080	1,090	1,120	1,270
PA	1,070	1,070	1,090	1,110
TN	1,000	990	1,000	1,030
TX	1,110	1,110	1,080	1,160
UT	1,000	1,040	1,080	1,170
VT	1,050	1,060	1,100	1,140
VA	1,130	1,130	1,160	1,220
WA	1,120	1,140	1,190	1,250
WI	1,030	1,030	1,060	1,110
Year	United States			
1996	1,060	1,070	1,090	1,130
1995	1,150	1,140	1,130	1,090
1994	1,170	1,190	1,160	1,160
1993	1,140	1,160	1,170	1,170
1992	1,100	1,120	1,150	1,150
1991	1,100	1,090	1,090	1,100

1/ Cows sold for dairy herd replacement.
National Agricultural Statistical Service, USDA.

Lambs: Prices Received by Farmers, Monthly,
by States, 1996; United States, 1993-1996

State	Jan	Feb	Mar	Apr	May	Jun
	Dollars per Cwt					
CA	79.50	84.00	85.50	86.00	89.00	98.00
CO	76.20	83.00	85.90	85.70	88.80	104.00
ID	69.00	70.90	76.80	76.30	79.80	90.00
IA	73.20	85.10	87.00	86.40	97.90	105.00
KS	76.30	84.00	86.00	85.00	91.00	105.00
MN	74.40	83.80	87.40	84.50	89.90	102.00
MT	80.10	86.60	90.00	87.00	94.60	98.80
NE	71.20	83.00	87.90	95.20	97.60	103.00
OH	77.50	76.10	91.50	94.60	96.50	97.80
OR	73.00	75.00	75.00	75.00	79.00	89.00
SD	79.90	89.10	90.40	85.50	97.80	108.00
TX	74.90	87.50	86.30	85.30	89.70	101.00
UT	75.00	83.00	84.00	93.00	91.00	104.00
WY	76.80	85.20	89.00	87.10	91.00	94.80
US1996	76.20	84.30	86.60	85.90	90.30	100.70
1995	68.20	70.50	74.80	74.60	80.40	85.70
1994	60.60	59.40	58.60	54.50	54.50	63.00
1993	67.30	72.70	76.00	68.10	61.50	55.70

State	Jul	Aug	Sep	Oct	Nov	Dec
	Dollars per Cwt					
CA	100.00	94.00	90.00	90.00	84.00	88.00
CO	103.00	92.50	91.20	88.00	84.20	86.10
ID	93.00	81.60	80.90	80.40	80.00	80.00
IA	101.00	84.70	84.80	82.10	80.00	86.10
KS	103.00	94.00	91.00	88.00	81.00	87.00
MN	98.00	79.80	83.30	80.40	80.70	92.40
MT	99.60	88.50	91.60	90.50	88.40	96.90
NE	96.80	85.00	81.20	80.80	79.00	85.20
OH	93.20	78.80	79.40	86.70	81.60	86.10
OR	91.00	86.00	81.00	81.00	82.00	83.00
SD	101.00	89.90	92.10	92.70	91.20	101.20
TX	98.30	88.20	87.90	85.20	82.40	88.20
UT	90.00	86.00	88.00	82.00	83.00	89.00
WY	95.10	95.10	93.30	92.90	89.10	87.30
US1996	98.30	89.10	88.50	87.00	84.60	88.20
1995	85.70	85.60	82.70	77.60	77.10	76.50
1994	72.80	75.50	71.20	68.00	70.60	69.10
1993	53.90	59.20	64.50	64.50	65.80	66.00

National Agricultural Statistical Service, USDA.
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Sheep: Prices Received by Farmers, Monthly,
by States, 1996; United States, 1993-1996

State	Jan	Feb	Mar	Apr	May	Jun
	Dollars per Cwt					
CA	30.00	31.00	29.00	27.00	25.00	24.50
CO	35.60	33.80	33.50	29.80	26.30	25.90
ID	27.10	31.40	32.00	29.50	26.50	25.90
IA	33.00	32.00	29.20	22.90	23.30	23.50
KS	22.50	30.00	30.00	23.00	22.00	22.00
MN	26.50	30.60	30.00	23.50	21.60	19.60
MT	29.00	31.10	35.70	28.70	25.20	31.90
NE	36.20	30.80	30.40	23.40	23.60	24.80
OH	32.80	30.00	29.20	25.20	25.30	23.70
OR	21.00	23.00	23.00	23.00	23.50	24.00
SD	37.00	32.80	31.90	24.30	21.00	24.80
TX	38.50	39.10	37.90	31.80	27.60	30.90
UT	28.00	26.00	28.00	22.00	19.00	20.00
WY	33.00	30.40	34.30	25.10	21.80	26.30
US1996	34.20	33.80	34.00	27.30	25.30	26.60
1995	32.50	37.10	31.70	29.50	27.90	28.30
1994	35.10	37.00	34.30	29.60	29.30	33.60
1993	33.10	35.20	36.10	27.30	29.10	28.90

State	Jul	Aug	Sep	Oct	Nov	Dec
	Dollars per Cwt					
CA	26.50	27.50	24.50	28.50	28.50	34.00
CO	33.70	30.60	31.60	29.40	31.60	28.70
ID	26.50	27.50	29.00	27.50	25.50	27.30
IA	27.30	27.50	28.20	26.40	25.30	33.00
KS	26.00	27.00	28.00	28.00	29.00	30.00
MN	27.40	26.60	27.00	24.70	24.90	32.00
MT	33.50	31.70	32.90	27.00	31.40	37.80
NE	29.70	28.60	31.90	31.90	31.70	28.80
OH	27.10	29.50	27.00	27.30	27.90	30.60
OR	23.00	22.00	21.00	21.00	22.00	23.00
SD	29.50	27.40	30.10	27.10	30.50	38.70
TX	34.70	33.30	36.40	33.70	36.50	43.00
UT	26.00	24.00	25.00	22.00	26.00	29.00
WY	35.10	30.90	29.50	27.50	29.90	37.50
US1996	30.50	29.10	30.20	28.80	29.80	34.20
1995	28.60	27.00	26.00	24.50	23.80	26.00
1994	30.10	29.40	27.90	27.30	30.50	34.70
1993	29.00	28.50	25.80	24.60	25.70	30.30

National Agricultural Statistical Service, USDA.

Barrows and Gilts: Prices Received by Farmers ($/cwt), Monthly, by States, 1996; United States, 1994-1996

State	Dec 95	Jan	Feb	Mar	Apr	May
GA	41.90	41.80	46.20	48.70	49.10	56.80
IL	43.30	41.90	46.30	48.50	49.50	56.50
IN	43.80	42.20	46.50	48.00	49.00	57.30
IA	44.60	43.70	48.20	50.50	51.40	58.40
KS	43.50	41.20	46.20	48.40	50.00	57.10
KY	43.00	42.50	47.00	49.00	51.00	57.00
MI	44.80	42.90	46.70	48.80	50.00	58.00
MN	45.40	44.50	48.10	50.60	52.00	57.50
MO	43.30	41.70	45.60	47.90	49.30	57.20
NE	46.00	44.70	48.60	51.00	52.20	60.00
NC	44.50	43.30	47.20	49.40	50.80	58.20
OH	45.10	43.70	48.10	50.00	50.70	57.70
PA	43.00	41.00	45.40	48.10	48.20	55.30
SC	40.30	40.30	45.00	46.90	48.20	55.60
SD	45.00	44.90	48.90	50.60	52.10	58.50
TN	41.80	40.60	44.70	47.20	48.50	55.40
TX	40.40	38.90	41.00	41.90	45.70	52.60
VA	44.50	43.80	46.50	49.00	50.40	57.00
WI	43.00	41.90	45.40	47.80	49.00	56.90
US1996	44.30	43.20	47.30	49.50	50.60	57.70
1995	31.70	37.60	39.80	38.20	35.90	37.50
1994	41.00	44.10	48.40	44.80	43.00	43.10

State	Jun	Jul	Aug	Sep	Oct	Nov
GA	53.40	56.40	56.20	50.30	51.90	51.10
IL	55.20	58.80	58.50	53.50	53.70	53.20
IN	55.40	57.70	58.20	53.60	54.00	52.70
IA	58.70	60.70	61.90	56.60	57.80	55.60
KS	55.70	58.20	59.50	53.80	54.40	54.00
KY	57.00	58.00	58.00	54.00	55.00	54.00
MI	58.50	59.50	59.50	56.00	56.30	56.00
MN	57.10	60.70	62.10	56.90	58.10	56.10
MO	55.00	58.10	58.50	53.80	54.30	52.60
NE	58.30	60.60	61.80	56.20	58.00	56.10
NC	57.70	59.60	60.00	55.00	55.50	55.50
OH	56.90	58.80	59.70	53.80	55.40	53.70
PA	55.50	57.50	58.90	53.50	54.90	53.00
SC	52.50	53.70	55.50	50.40	51.80	51.10
SD	58.50	61.00	62.10	57.70	58.40	56.40
TN	53.30	56.40	57.70	51.80	53.00	52.10
TX	52.50	53.70	54.90	49.80	52.00	50.10
VA	56.50	58.70	60.80	54.80	55.30	53.10
WI	55.00	58.00	58.60	53.40	54.10	53.20
US1996	57.10	59.40	60.30	55.10	56.00	54.60
1995	43.20	47.40	49.60	49.20	46.10	40.40
1994	43.40	43.20	42.80	36.00	32.30	28.60

National Agricultural Statistical Service, USDA.

Sows: Prices Received by Farmers ($/cwt), Monthly,
by States, 1996; United States, 1994-1996

State	Dec 95	Jan	Feb	Mar	Apr	May
GA	31.50	32.10	32.30	34.30	35.00	39.50
IL	30.60	30.00	32.70	34.60	35.40	40.80
IN	32.60	31.20	33.30	35.80	36.80	42.20
IA	32.80	33.40	34.70	36.90	38.50	45.50
KS	33.00	33.00	33.10	36.70	38.10	41.50
KY	32.00	32.00	33.00	34.00	36.00	41.00
MI	26.50	28.60	31.70	34.00	36.30	41.00
MN	32.40	32.30	34.40	35.60	37.40	42.00
MO	31.00	31.60	32.30	35.40	36.90	42.70
NE	33.20	33.10	34.70	37.00	38.10	44.10
NC	33.30	33.10	34.60	35.10	36.60	41.40
OH	29.60	30.70	32.50	33.50	34.50	38.20
PA	32.50	31.80	31.00	33.80	34.50	39.00
SC	33.60	30.10	30.40	32.50	33.10	35.40
SD	31.50	31.30	32.40	33.80	35.70	40.30
TN	33.30	30.40	32.20	34.30	35.80	42.30
TX	27.40	28.30	28.90	30.40	31.20	33.40
VA	30.90	31.20	32.90	34.40	35.20	39.00
WI	28.00	29.20	30.10	32.20	34.60	39.20
US1996	31.60	31.60	33.00	35.20	36.10	41.40
1995	19.40	24.80	29.10	31.10	29.40	28.50
1994	31.20	34.30	37.70	38.70	38.00	35.60

State	Jun	Jul	Aug	Sep	Oct	Nov
GA	42.80	44.00	47.20	44.50	47.70	48.20
IL	45.10	45.80	47.70	45.80	47.70	50.20
IN	46.50	48.20	51.70	50.20	51.50	53.90
IA	46.60	49.30	52.30	49.60	51.20	53.60
KS	47.10	49.00	50.90	49.20	50.20	51.80
KY	43.00	46.00	48.00	46.00	48.00	49.00
MI	44.60	48.60	49.60	46.70	47.70	47.30
MN	46.90	47.10	50.20	47.80	51.10	53.10
MO	45.40	47.20	49.30	47.50	49.00	50.60
NE	47.40	48.60	50.80	49.20	50.90	53.10
NC	45.00	48.40	50.70	48.20	51.40	53.00
OH	43.20	44.60	47.90	45.20	46.70	48.70
PA	42.50	46.10	47.10	44.40	46.90	48.00
SC	38.30	41.10	43.30	42.00	45.80	47.50
SD	44.20	45.70	47.30	45.50	47.00	45.10
TN	44.80	45.70	48.30	46.80	48.20	51.80
TX	35.60	39.30	40.20	38.40	41.80	42.10
VA	42.60	44.40	46.40	44.80	46.50	46.00
WI	42.40	42.40	45.50	43.40	45.50	45.60
US1996	44.90	46.70	48.90	47.00	49.10	50.00
1995	28.60	28.90	34.00	35.30	38.20	32.10
1994	32.70	29.60	29.80	26.80	24.20	19.30

National Agricultural Statistical Service, USDA.

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Ten Core Ethical Principles*

Honesty
Integrity/Principled
Promise-Keeping
Loyalty
Fairness
Caring and Concern for Others
Respect for Others
Civic Duty
Pursuit of Excellence
Personal Responsibility/Accountability

The Five Principles of Public Service Ethics*

Public Interest
Objective Judgment
Accountability
Democratic Leadership
Respectability

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