

## **Chapter 10900 - Institutional Farming and Processing Operations**

### **10900 GENERAL**

(Revised 3/15/74)

Farming and processing operations are conducted at institutions to (1) produce commodities at less than market prices and (2) provide healthful and beneficial employment for inmates.

Procedures contained in SAM Sections 10900–10999 are to be used only by those institutions with farming and processing units that are financed by the General Fund.

Instead of keeping separate Allotment-Expenditure Ledger cards for each farming and processing unit, institutions may maintain allotments as follows:

Salaries and Wages Quarterly for all units combined  
Operating Expenses Annual for all units combined  
Equipment Annual for all units combined

If this procedure is followed:

1. Data will be reported for all units combined on Monthly Budget Report, Std. Form 584.
2. Expenditure postings to the Allotment-Expenditure Ledger will be coded to permit reporting these expenditures by farming or processing unit on the Report of Farming Operations, Form BD–59. (See SAM Section 10990.) Also, the value of (1) purchased stores and produced stores issued to each farming or processing unit and (2) the local production of each farming and processing unit will be reported in this report. Forms BD–59 can be obtained by contacting the Budget Division, Department of Finance.

Department of Finance approval is not required to transfer between operating expense allotments of farming and processing units.

The accounts for farming and processing operations are maintained to (1) furnish information as to the value of products and direct costs of production, (2) provide a custody control over the commodities produced and (3) account for the use of the commodities as an element of the cost of operating the institution.

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### **10920 PRODUCTION RECORDS**

(Revised 8/70)

Farm products will be accounted as additions to inventory at the time they are harvested or otherwise produced. Farm products will be valued at prices approximating current market prices.

Farm unit heads will prepare Production Advice form, showing description and quantity of commodities produced. Commodities will be considered to be produced when they have been processed to the point where they become available for (1) use by the kitchen or by a processing unit for consumption in production or (2) sale. For example, the dairyman will itemize on a Production Advice the number of gallons of cream, skim milk and whole milk produced. Similarly, the hog ranch operator will itemize on a Production Advice the number of pounds of dressed pork produced.

The storekeeper will verify the accuracy of a Production Advice, sign it, and send one copy to the accounting office. Production Advices, insofar as practicable, will be prepared promptly when crops are harvested or commodities are produced, so as to permit a prompt verification of quantities. For certain commodities, the harvest of which involves a constant flow or series of deliveries, memorandum records may be made of deliveries which will be summarized on monthly Production Advices, provided that the storekeeper has the opportunity to verify quantities of deliveries.

The accounting office will price the Production Advices at the market price current at the time of production. The accounting office will request the Office of Procurement to furnish prices of commodities produced that are not otherwise available. Production Advices will be entered in the Production Advices Register. Production will be analyzed by producing enterprise in the Production Advices Register. The items on the Production Advice will be posted to a Stock Record similar to the sample shown in SAM Section 10960.

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### **10921 PRODUCTION ADVICES REGISTER**

(Revised and Renumbered 2/65)

The accounting office will register the Production Advices after they have been priced (see SAM Section 10920). The Production Advices Register will be analyzed by producing unit. This register will be the source of the amounts shown as Credit for Production in the annual Report of Farming Operations. An illustration of this register is shown below.

Products of institution farming and processing units are valued uniformly from price bulletins issued by the Office of Procurement, except that products sold as surplus are valued at selling prices. Local production is credited to the various farming and processing units at time of production for the purpose of evaluating the productivity and economic worth of farm enterprises.  
 PRODUCTION ADVICES REGISTER

Year Ending June 30, 19\_\_

Local Production

Production Advice No.	Total Local Production	Farm General	Hog Ranch	Orchard	Vegetable Garden	Stable and Tractor	Food Processing
1001	500		500				
2	1,000						1,000
3	500				500		
4	400				400		
5	600					600	
6	1,000						1,000
7	200	200					
8	100		100				
9	300			300			
10	400				400		
11	700		700				
12	800						800
13	200			200			
14	600	600					
15	300				300		
16	100				100		
17	1,000				1,000		
18	100						100
19	Voided						
20	2,000						2,000
21	100	100					
22	400			400			
-							
1201	2,300			2,300			
2	500				500		
3	400					400	
4	900		900				
-							
Totals	180,000	6,000	15,000	5,000	70,000	4,000	80,000

**10930 REQUISITIONS FOR STORES**  
(Revised 8/70)

Produced stores, like purchased stores, will be issued on the basis of approved requisitions only. Identical procedures will be followed for both produced and purchased stores requisitions. (See SAM Section 10830.) Both types of stores may be requested on the same Order for Storeroom Supplies, Std. Form 115. See SAM Section 10980 for pricing issues.

Deliveries of large quantities of certain purchased and/or produced commodities to various farm units to meet the units' requirements for a substantial period of time will not be accounted as an issue. These commodities will be accounted as inventory. Only the quantity consumed each month, as reported on requisitions by the various farm units, will be accounted as an issue. Requisitions will be posted to the stores cards for the quantity consumed. Various farm unit heads will report monthly to the accounting office (1) feeds received, consumed, and on hand, (2) livestock inventories, and (3) other data as required.

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**10940 RAW PRODUCTS PROCESSED**  
(Renumbered 2/65)

Processing units will prepare and be charged with requisitions for purchased and/or produced stores they receive.

Processing units will prepared Production Advices for commodities they produce. These advices will be accounted in the same manner as production advices for farm products. (See Section 10920.)

The separation, pasteurization, and homogenization of milk will not be considered a processing operation regardless of where it is performed at the institution. Whole milk, cream, and skim milk will be considered products of the dairy. The manufacture of butter and cheese will be considered a processing operation. The dairy products put into process will be charged to the processing unit and the butter and cheese produced will be accounted as products of the processing unit. This procedure will be followed even though the processing operations are performed by the dairy.

Dressed pork and by-products will be considered products of the hog ranch. The manufacture of hams, bacon, and other commodities made from pork will be considered a processing operation. The pork put in process will be charged to the processing unit and the ham, bacon, or other commodities will be accounted as products of the processing unit.

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**10950 SALE OF SURPLUS PRODUCTS**  
(Revised 5/87)

Sections 11330 to 11335, Government Code, require institutions that have products in excess of their needs to notify the Department of General Services. Such notice will be prompt and, if possible, in anticipation of the actual availability of the product. In certain specific instances, advance approval is given by the Department of General Services for selling of livestock.

Surplus products sold to other institutions or private persons will be priced on Production Advices at actual sales price. If products are sold that have been accounted on a Production Advice at a different price, a supplemental Production Advice will be prepared to adjust their valuation to the sales price. These adjustments will be accounted as production for the period in which the supplemental Production Advice is prepared. For example, price adjustments for products produced in one fiscal year and sold at a different price in a subsequent fiscal year will be accounted as production (plus or minus) for the subsequent fiscal year.

The accounting office will prepare requisitions for local products that are sold.

Section 11334, Government Code, specifies that the proceeds will augment the appropriation that is current when the agency receives the proceeds. See Sections 10506 and 10507 for entries used to account sales of surplus products.

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**10960 PRODUCED STORES LEDGER**  
(Revised 11/1/68)

Stock records will be kept for products that are produced locally by farming or processing units operated by the General Fund.

The quantity and value of items produced will be posted from the Production Advice form to stock records for the products.

The quantity of farm products issued will be posted from the Requisition for Storeroom Supplies, Form 115, to stock records for the products. The "Issued" portion of the stock record for produced stores will include three analysis columns; (1) Feeding; (2) Production; (3) Sold. Postings to the "Production" column will be coded to indicate consuming unit.

At the end of each fiscal year the values of (1) the ending inventory and (2) farm products issued to each consuming unit will be determined for each farm product. These values will be determined as follows:

1. An average unit price will be determined for each farm product by adding the value on hand at the beginning of the year and the value produced during the year and dividing this total value by the total of the quantity on hand at the beginning of the year and quantity produced during the year.
2. The value of each farm product on hand will be determined by multiplying the quantity on hand at the end of the year by the average unit price. The value of each farm product issued for feeding will be determined by multiplying the total quantity issued for feeding by the average unit price.

The value of each farm product sold will be determined similarly. The value of each farm product issued to each consuming unit other than feeding and surplus sales will be determined similarly except that before the multiplication can be made the quantity issued to each of these consuming units will be determined from the coded postings in the "Production" column of the "Issued" portion of the stock record. See Section 10980 for summarizing the value of all farm products issued to each consuming unit.

An adjustment will be made for odd cent differences. The amount of this adjustment will be determined for each farm product by comparing the sum of the value of the ending inventory and the value of units issued with the sum of the value of the beginning inventory and the value of units produced. The amount of any odd cent differences will be added or subtracted for each farm product to either the value of the ending inventory or the value of the major consuming unit whichever is the larger.

Physical inventory adjustments for produced stores will be charged or credited to the consuming unit in proportion to use of the particular product. The method of taking physical inventories and reviewing inventory adjustments, is the same as for purchased stores (see Section 10860).

[10960 ILLUSTRATION 1](#)

[10960 ILLUSTRATION 2](#)

			ADD					SUBTRACT		
Operating expenses Allotment	(1)Purchased Stores Inventory, (Beginning of F. Y.)	(2) Purchased Stores Inventory-- In Transit (Beginning of F.Y.)	(3) Appropriation Expenditures, (Current) F.Y.	(4) Advance Deliveries (End of F.Y.)	(5) Net Value of Donated Stores Received (Current) F.Y.	(6) Sub-Total	(7)Purchased Stores Inventory, (Current) F.Y.	(8) Purchased Stores Inventory-- In Transit (End of F.Y.)	(9) Advance Deliveries (Beginning of F.Y.)	(10) Operating Expense (Current) F.Y.
Farm General	1,000	0	1,000	300	0	2,300	1	200	0	1,000
Hog Ranch	1,000	700	12,000	0	300	14,000	100	300	200	13,000
Orchard	1,000	0	3,000	0	0	4,000	500	0	0	3,100
Vegetable Garden	2,000	1000	13,000	100	300	16,400	900	0	0	16,000
Stable and Tractor		400	3,000	900	0	4,300	400	700	500	3,100
Feed Processing	3,000	500	17,000	200	1,000	21,700	100	400	200	21,000
Totals	8,000	2,600	49,000	1,500	1,600	62,700	3,000	1,600	900	57,200

1. These will be the amounts used in 7 below at the end of the prior year.
2. These will be the amounts used in 8 below at the end of the prior year.
3. The appropriation expenditures for operating expenses, after posting end of year accruals, during the fiscal year just ended from the appropriation for that period. These will be determined from the Allotment Expenditure Ledger.
4. The value of advance deliveries of materials and supplies that were delivered by June 30 and that are chargeable to next year's appropriation. these will be determined by analyzing the unpaid stock received reports as of June 30 to determine the values of those stock received reports which will be settled by next year's appropriation.
5. The net value (fair value less charges) of donated materials and supplies received during the fiscal year. These will be determined by pricing and registering stocks received reports for donated materials and supplies.
6. The sum of the first five columns.
7. The value of the ending stores inventory for each farm enterprise. These amounts will be determined by pricing the units on hand (per stock records after inventory adjustments of each commodity).

8. Accounts payable for materials and supplies that had not been delivered as of the end of the fiscal year of each for each farming enterprise although they were valid accounts payable under Rule 610 of the Board of Control. These amounts will be determined by analyzing the accounts payable to determine the value of materials and supplies on order and chargeable to the current or prior year's appropriation but which have not been delivered as of June 30.
9. These will be the amounts used in 4 above at the end of the prior year.
10. Column 6 minus column 7, 8, 9.

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#### **10980 ANALYSIS OF PRODUCED STORES ISSUED**

(Revised 6/68)

The value of produced stores issued to each consuming unit will be determined annually by preparing from the Produced Stores Ledger (see Section 10960) an Analysis of Produced Stores Issued. The totals of the Consumed in Production columns will be reported as Produced Stores Consumed in Production in the annual Report of Farming Operations. (See Section 10994). The column headed Produced Stores Inventory, June 30, 19 is included in this analysis as a convenient means of preserving an identified detail listing of produced stores inventory. (See preceding page for illustration of analysis form.)

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#### **10990 REPORT OF FARMING OPERATIONS**

(Revised and Renumbered 2/65)

The accounting office of each institution operating General Fund farming and processing units will prepare a annual Report of Farming Operations, Form BD-59. (See Section 10994). This report will show for each farming and processing unit (1) net credit for production, (2) direct production expenses and (3) the difference between the net credit for production and the direct production expenses. See illustration of Worksheet-Farming and Processing Operating Expenses on a preceding page for method of determining operating expenses for Farming and Processing enterprises.

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#### **10991 LIVESTOCK INVENTORIES REPORT**

(Revised 6/68)

The credit for production portion of the farming report will be adjusted for the changes in value of livestock inventories. This adjustment will be referred to as "Natural Increase-Livestock Inventories" in the farming report (see Section 10990). An increase in value of livestock will increase the net credit for production. Conversely, a decrease in the value of livestock will decrease the net credit for production. The amount of this adjustment will be the amount shown on the annual Livestock Inventories Report from the reports required in Section 10991.1. The inventories will be priced as current market value. See the illustration of Livestock Inventories Report on the next page.

[Livestock Inventories Report](#)

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#### **10991.1 LIVESTOCK INVENTORIES**

(Revised and Renumbered 2/65)

Each farm unit head will report changes in livestock inventories on their monthly report for the Dairy, Poultry Ranch, Stable and Tractor, and Hog Ranch.

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#### **10991.2 EQUIPMENT RECORDS**

(Revised 5/87)

The original purchase of livestock that is considered equipment (i.e., all livestock regardless of cost, not purchased for laboratory or food purposes) will be entered in the Property Acquisition File in the same manner as other equipment.

The amount shown on the Livestock Inventories Report as "Natural increase this year" will be carried forward to the Property Acquisition File.

Property Survey Report, Std. Form 152, will not be prepared for livestock disposals except when it appears that losses have been incurred by theft or negligence. Individual dispositions of livestock, including survey reports for losses by theft or negligence, will not be entered in the Property Acquisition File because they are reflected in the calculation of the "Natural increase this year" on the Livestock Inventories Report.

Property Record Cards, Std. Form 153a, need not be retained for livestock except for the copies that become the Property Acquisition File. Property

Cards for equipment plus the value of livestock, as shown on the Livestock Inventories Report, must equal the balance of Account No. 2341, Equipment.

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#### **10992 ADJUSTMENT FOR SALARIES AND WAGES**

(Revised and Renumbered 2/65)

The salaries and wages entered in the Report of Farming Operations, Form BD-59, from the Monthly Budget Report, Std. Form 584, will be adjusted for the value of time worked on operations other than on those for which it was budgeted. Each farming and processing unit will be charged for the value of actual time worked for that unit by employees of other farming and processing units and also by employees whose salaries and wages were not budgeted for the Farming and Processing function. Conversely, each unit will be credited with the value of time worked for other farming and processing units or for other functions.

The head farmer will report to the accounting office monthly the (1) actual time, (2) employee's name, and (3) farming and processing units for which adjustments should be made. The accounting office will make these adjustments for salaries and wages from the information supplied by the head farmer. The adjustments will be priced at the employee's hourly rate as shown in the column headed "Overtime and Intermittent" in the Table of Hourly Rates. (See SAM Section 8560.)

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#### **10993 DISTRIBUTION OF STABLE AND TRACTOR**

(Revised and Renumbered 2/65)

The Monthly Report of Stable and Tractor, will show days worked by animals and hours worked by tractors for each unit or operation. Horse-days and tractor-hours will be accounted as products of the Stable and Tractor unit. A monthly Production Advice will be prepared by the accounting office from the Monthly Report of Stable and Tractor for the total value of horse-days and tractor-hours worked. Horse-days and tractor-hours will be priced by using the average cost per horse-day and per tractor-hour for the preceding fiscal year. The unit price for a horse-day will be computed by dividing the total horse-days into the year's stable cost, including paid labor, purchased supplies, sundry expenses, and produced supplies. The unit price for a tractor-hour will be computed similarly, except that a charge for tractor usage will be added to the other expenses for determining the year's tractor costs. (See SAM Section 10993.1.)

The accounting office will prepare a monthly requisition to charge the various units for horse-days and tractor-hours consumed verifying such items with heads of units charged. Charges for horse-days and tractor hours will be distributed on the Analysis of Produced Stores Issued as local products consumed in production.

At the end of each year, the unit prices for the fiscal year just ended will be calculated and the year's charges to each unit will be adjusted for any difference between the unit prices for the preceding fiscal year and the fiscal year just ended. The Report of Farming Operations for the year just ended, which is prepared after this adjustment has been made, will show equal amounts for the Adjusted Credit for Production and the Total Direct Production Expenses.

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#### **10993.1 CHARGE FOR TRACTOR USAGE**

(Renumbered 2/65)

The annual charge for tractor usage, which is included in the unit price for a tractor hour, will be computed by dividing the equipment's value (original purchase price ignoring trade-ins) by ten. This charge will be made in lieu of depreciation each year the tractor is in use regardless of the number of years it is used. If the tractor is disposed of or retired during the year, the charge will be a proportionate fraction of the annual charge.

[Report of Farming Operations](#)