



UNIVERSITY OF  
VERMONT

**EXTENSION**

CULTIVATING HEALTHY COMMUNITIES

# Farm Management Team Q & A's

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(B) Author's Note: These fact sheets are a result of questions posed to me and answered in a national publication over the years.

## Is There a Premium for Organic Land?

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**With certified organic crop production taking off in the Northeast and the need for organically certified livestock feed, how much premium should land that's certified to grow organic crops command when it comes up for sale, or even for rent?**

The saying: "Whatever the market will bear..." comes to mind but that does not tell the whole answer. Realistically it depends on the competition, the location, the quality, the length of lease, the potential for profit, and the quantity of land available. The premium may also be negated somewhat by fertility factors and the need to put lime on the soils. Competition for land is high for "traditional soils" as well as "organic soils" in certain areas so the price may be equal or tilted one way or the other depending on how much competition there is locally along with the location, and other factors as listed above.

I do recommend enterprise budgeting to determine the net cash flow for the land rental or purchase. To do the enterprise budget we need to look at the incomes and expenses of the property, the inputs, and the outputs and the associated values of labor, equipment costs, and value of product. The "premium" should be determined by actual dollars but in many cases it often has non-cash value in terms of convenience or other benefits.

Sometimes the competition for the property is so high that we end up paying more for rent or the purchase of property than what we can "cash flow" but the competition, and probably the convenience, is so high that we tend to subsidize this with other activities. Although this creates a negative enterprise budget it is good for the overall farm budget and creates a positive situation for the operation. There is also a quality of life factor to land located next door vs. across town and thru the stop lights.

Do an enterprise budget with your local Extension Agent, consultant, or banker prior to renting large amounts of land for your farm. Too often we make cattle investments, long term building and machinery investments, and management decisions on property that is rented on short term leases. I've seen a few disasters with this as the land suddenly is no longer available and debt is built on the premise that it would be available. So, get as long a commitment on the property as possible.

In any case, check with the competition to see what they are paying, do the budgets, and call your consultant, or Extension agent.