New Spirit Ventures, LLC

Facilitating Farmland Access, Ownership and Preservation through Social Investment
Conceptualized in 2006 - Two key insights

1. The un-equal capitalization of the supply side vs. the demand side of the sustainable agriculture movement
2. The potential for social investment to solve this problem
History

- In 2007 I was approached by a friend seeking:
  - To invest $3M in organic farms in a socially responsible way
  - Wanted a 3% to 4% annual return
  - To hold land for 20 or 30 years and then donate it to a land trust
- Program was researched and designed in 2007 and piloted in 2008
Proposed Initial Focus

- Upper Midwest
- Not too close to urban areas
- Farmers with at least 5 years track record needing additional land
- Mid-sized diversified farms
- Land without lots of buildings
- Areas with a growing number of organic farmers
Pilot Process

1. Opportunity was advertized over the internet
2. Farmers applied with a simple letter
3. Their applications were vetted and due diligence was conducted if they looked promising
4. Lease terms were agreed upon
5. Suitable land was identified if necessary
6. Investor purchased the land needed
First Year Data

- Over 20 applications were received
- A majority of applications came from young farmers or farmers wanting to bring their son or daughter into their operation
- Three deals were consummated: 2 in Minnesota, 1 in Iowa
- Each deal totaled around $500,000
I. An initial lease term of five years with the guaranteed option to renew for another ten years as long as the lease is in good standing.

II. The farmer has the first option to buy at fair market value if the investor ever wants to sell the land. The farmer has six months to exercise this option. If the farmer cannot or does not want to exercise this option then New Spirit Ventures, LLC has the first option to bring forward another friendly investor to buy the land.
Provisions of the Current Lease

III. The lease can be passed on to heirs and/or family members of the farmer as long as they abide by the terms of the lease.

IV. A requirement that the land be farmed organically and animals be treated humanely. Farming practices must be third-party certified. The farmer can request to change the type of certification for good cause.

V. A conservation plan is required for land with woods, streams, wetlands, etc.
Provisions of the Current Lease

VI. A starting rental rate equivalent to around 4% of the purchase price of the land. The rental rate adjusts every three years based on local rental rates as determined from Cooperative Extension data.

VII. The option to make a lower spring lease payment (30%) and a larger fall lease payment (70%) to help the farmer with cash flow.

VIII. The farmer receives 100% of any government program payments.
Provisions of the Current Lease

IX. The farmer can exit the lease with one year’s notice.

X. The farmer is responsible for the maintenance and installation of any needed infrastructure (fences, tiling, etc.).

XI. The owner retains the mineral, oil, natural gas, and wind rights on the land as well as the right to put a conservation easement on the land.

XII. New Spirit Ventures, LLC is named as mediator for any and all conflicts between the farmer and the investor.
• **Farmland Investment #1, 160 acres in Southwest Minnesota:** Young organic farmers in their early thirties; just had their first baby. They own a 5 acre parcel on which their home is situated and otherwise rent land in the area to raise organic grains and beef. They needed more land in order to become a full time farmers. The land was purchased for $663,600 and is rented for $166 an acre.
Farmland Investment #2, 176 acres in Western Iowa: Long time organic farmers with six young children. They raise organic hogs, dairy heifers, beef cattle and a diverse array of organic crops. They approached NSV seeking to sell and lease back part of their farm in order to pay down some debt, purchase livestock and add an addition to their home. The land was purchased for $499,464 dollars and is rented for $141 an acre.
Investment Summaries

- **Farmland Investment #3, 100 acres near Twin Cities:** Father and son operate a 125 cow, grass based, organic dairy in Rice County, Minnesota. They are long time members of the Organic Valley Family of Farms Cooperative who contacted NSV when Larry learned that a 100 acre parcel he had been renting for two years was going up for sale. The poor economy has slowed development in the area allowing the land to be obtained at well below its market value before the economic downturn. Farm was purchased for $400,000 and is rented $120 an acre in the first year and $146 an acre in the second and third years.
Future Plans

• Business plan being put in place to scale up
• Second investor has come on board
• Fund approach being considered
• Hope to pilot:
  – Investment in conservation area
  – Investment to solve succession problem
  – Investment in multi-stakeholder land cooperative
• Use of other kinds of leases
Contact Info

Robert Karp
robert.karp@newspiritventures.com
262 642 3672