Land Access for Beginning Farmers

Part II

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Part II

- ❖ Readiness, Planning and Preparation for Farm Tenure

- ❖ Assessing Particular Parcels

GET READY

- Is lack of land your "Limiting Factor"
- Evaluating Needs vs Wants
- Integrating Family Values
- Considering Ownership Costs
- Farmland purchase and leasing in the business plan
- Preparing for financing farm acquisition

Get Ready, Cause Here I Come!

Is Land Acquisition Right For You?

- What is your current “brick wall” or limiting factor?
- Typical challenges aside from land access include:
  - a) lack of capital
  - b) lack of production knowledge and skills
  - c) undeveloped markets
  - d) not enough time in one day!!!

Needs vs Wants

- Identifying the minimum and go from there
- The "minimalist" strategy works:
  - In terms of opening up more opportunities
  - In terms of your capacity to garner financial and community support for "making more out of less"
  - In terms of protecting yourself
    from excessive, unexpected costs
    of biting off more than you can chew

From: *Holding Ground: A Guide to Northeast Farmland Tenure and Stewardship*

W O R K S H E E T

Farm Evaluation Checklist

Instructions: *When you evaluate a farm property, use this checklist to compare the farm's features to what you consider* **necessary, desirable** *or* **optional**. *For example, it may be necessary to have the farm property be visible on a main road because you plan to have a farm stand, but it is optional whether the house has one bathroom or two. Check off each item as you have completed your information gathering and evaluation. Not all items will apply to your situation.*

I. Location

___ Access
___ Visibility
___ Neighborhood and neighbors
___ Community environment
___ Community services
___ Ag supports
  ___ services (supply, repair)
  ___ distance to markets
___ Local by-laws

II. Land Base

___ Acreage
___ Topography
___ Soils (type, fertility)
___ Water and wetlands
___ Other sensitive features
___ Farm lay-out
___ Field size and shape
___ Access
___ Carrying capacity
___ Weeds, invasive species
___ Timber?

III. Climate

___ Precipitation
___ Length of season
___ Micro-climates
___ Growing degree days

IV. Infrastructure

___ Farm roads
___ Water supplies
___ Electricity
___ Barns/outbuildings
  ___ present use
  ___ condition/appearance
  ___ suitability
  ___ adaptability
___ Equipment?
___ Fencing
___ New installations permitted?

V. Housing

___ Available?
___ Build new?
___ Trailer or other structure permitted?
___ Condition
___ Suitability
___ Off-site options
___ Other features

VI. History

___ Chemical use
___ Storage tanks
___ Accident history
___ Soil history
___ Prior uses
___ Non-farm uses
___ Liens and encumbrances

Family Values

Considering Ownership Costs

- Depreciation
- Interest
- Repairs and Maintenance
  - Everything works great… Until it breaks!
- Taxes on property
  - This can be huge!
- Insurance

DIRTI-5

- Depreciation = (Original Cost – salvage value)/useful life
- Interest = [(Original Cost – salvage value) / 2] x interest rate
- Repairs For Buildings: 1 – 2% of replacement costs
  For Machinery 3 – 5% of cost
- Taxes For Buildings: Assessed value x property tax rate
- Insurance For Buildings: Replacement Cost x 1%
  For Equipment: Average value x 1%

Ownership Costs

- DIRTI-5 is one way landlords estimate how much to charge tenant farmers as an annual lease payment
- IF 100% of these costs can't be covered by the farmer, what % can?
- TO DETERMINE WHAT (and when) THE FARMER IS ABLE TO PAY:

1. careful estimation of <u>net returns/Acre</u>
2. careful family budgeting

NET RETURNS BEFORE LEASE PAYMENT – % REINVESTED INTO FARM OPERATIONS - FAMILY NEEDS =
HOW MUCH YOU CAN AFFORD TO PAY IN TOTAL CASH LEASE PAYMENT

3. careful examination of cash flow cycles

2.

Other Business Planning Considerations for Farm Purchase

- (Again) What are you able to handle financially?
- Ability to purchase depends on:

A) off-farm income

B) on-farm income

C) Savings

At the right times to cover:

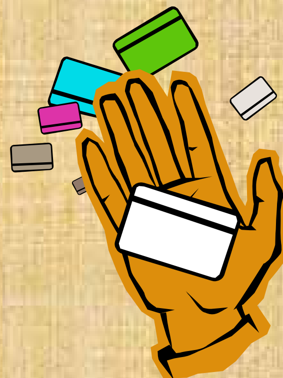
1. A downpayment and closing costs
2. Monthly mortgage payment
3. Ownership Costs

Business Planning Considerations for Leasing

- ❖Tax deduction of cash rental
- ❖Cash flow timed for payment schedule
- ❖Cash on hand for liability insurance, minor repairs and regular maintenance
- ❖Capital improvements and strategy for retaining equity

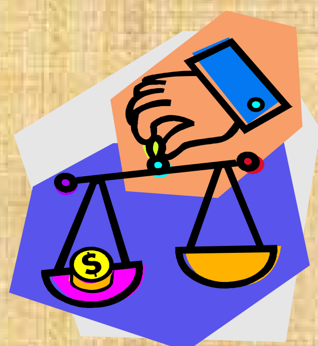
Preparing for a Farm Ownership Loan

CHARACTER



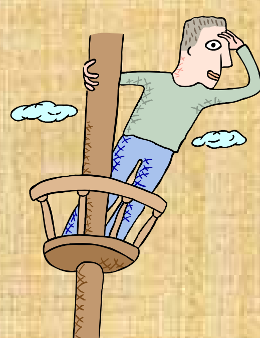
CAPACITY

CAPITAL



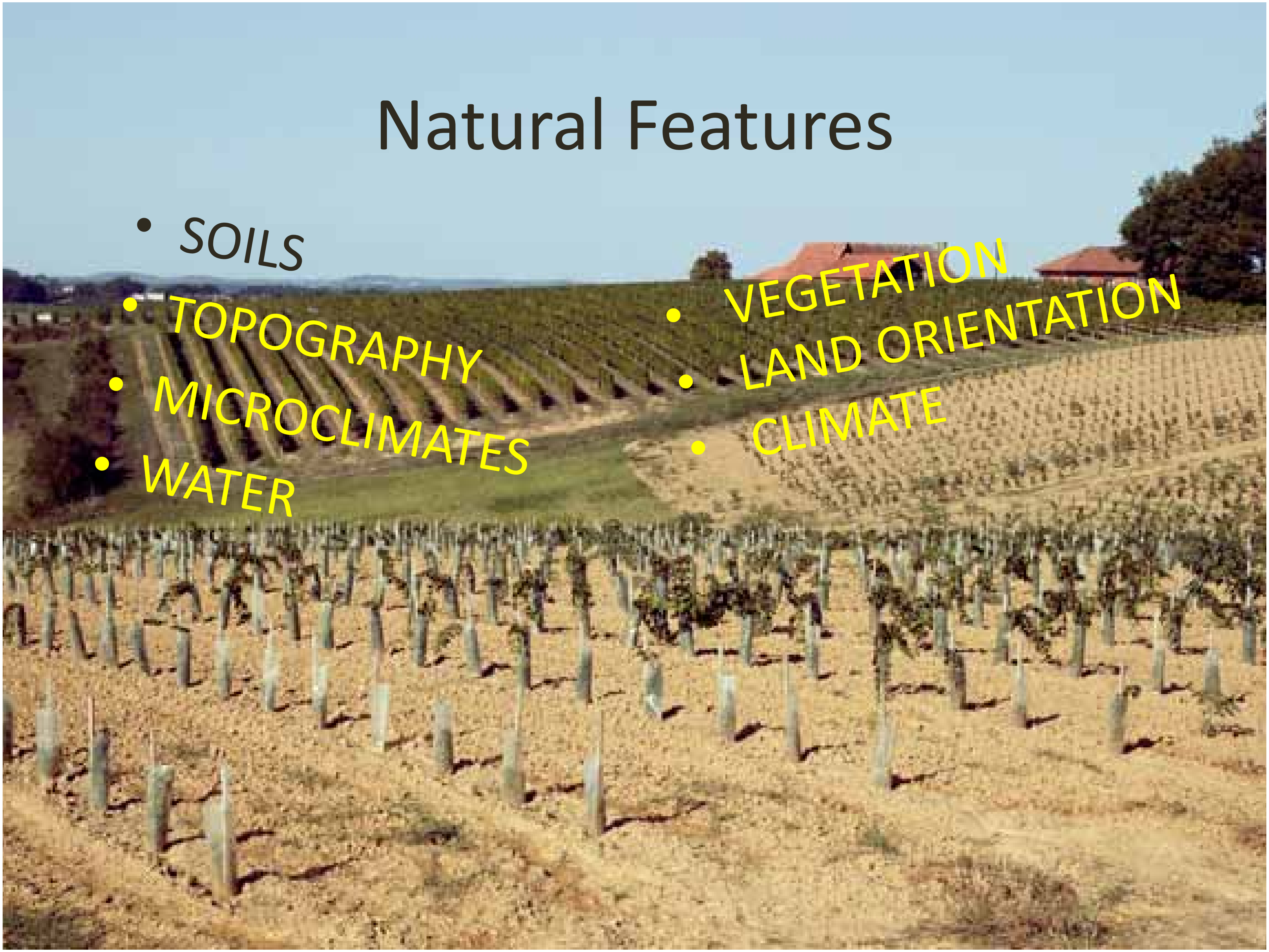
COLLATERAL

CONDITIONS



PROPERTY ASSESSMENT

- Natural features
- Infrastructure
- Financial considerations
- Community and surroundings


Natural Features
• SOILS
• TOPOGRAPHY
• MICROCLIMATES
• WATER
• VEGETATION
• LAND ORIENTATION
• CLIMATE

DON’T LET YOUR SOILS BE A

SECRET!!!

Soil Profile photos from USDA NRCS
http://soils.usda.gov/technical/classification/orders/

ASSESSING SITE SOILS

- NRCS Soil Surveys (Web Soil Survey)

http://websoilsurvey.nrcs.usda.gov/app/HomePage.htm

- Detailed Site Probing
- Percolation Testing for building purposes

VT Environmental Interest Locator

- Online at http://www.anr.state.vt.us/site/html/maps.htm
- Aerial imagery
- Act 250 permits issued
- nearby hazardous waste sites
- Hydrography
- Storm water permit sites
- Threatened and endangered species
- Water supply source protection areas
- Wetlands
- Wildlife corridors

Infrastructure

- **All infrastructure should be inspected; cost of repairs and maintenance assessed**
- **In a lease situation, it is especially important to distinguish <u>routine maintenance and repairs</u> from <u>major overhauls or upgrades</u>**
- **Consult both town and state for permitting information**

Financial Considerations

- Taxes
- Taxes
- Taxes!

Tax Benefit Programs

- Contact state departments of taxes
- For example, Vermont Use Value Appraisal Program results in considerable property tax savings for enrolled:

  -- Ag. land

  -- Forest land

  -- Farm buildings

  -- Housing for farm employees (not including the primary farmer employer)

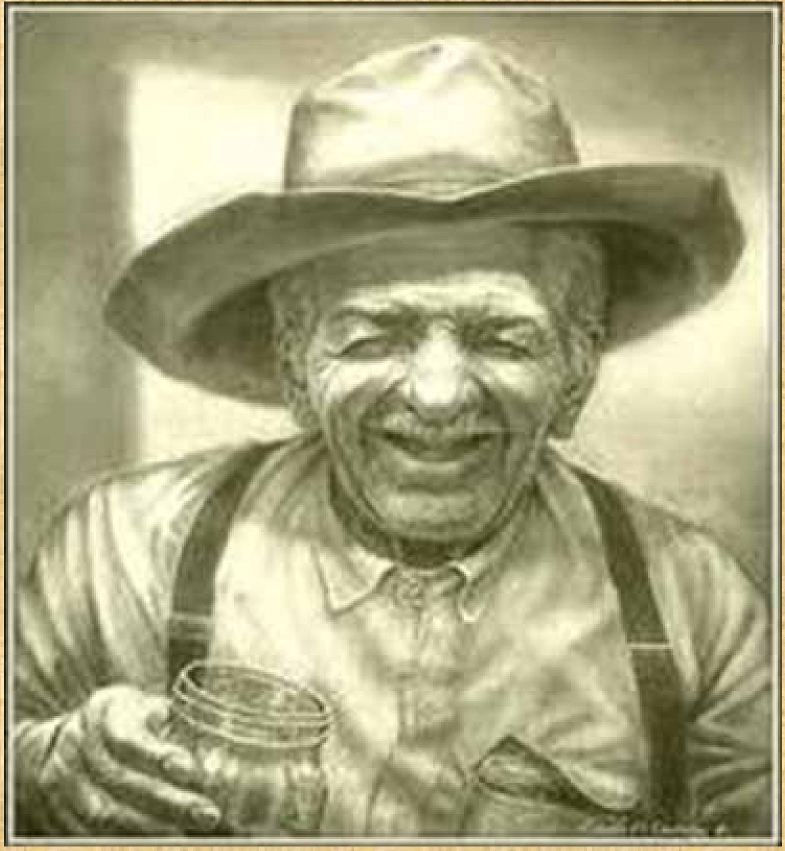
The Town Office: A Wealth of Information

- Zoning
- Current Title
- Aerial Maps
- Tax maps w/acreage
- Easements
- Taxes
- Comparable sales data

Community and Surroundings

Don't be afraid to talk with:

- Neighbors
- Current tenants
- Local volunteers on town planning and conservation commissions
- Area Farmers



Vermont Farm Rental Assessment Checklist

- Assessment tool for farmers seeking either rental arrangements or purchase
- Helps ensure all details are being considered
- Additional Resources listed

http://www.uvm.edu/newfarmer/?Page=land/checklist.html&SM=land/sub-menu.html

Vermont Land Trust

CONSERVING LAND FOR THE FUTURE OF VERMONT

Land For Good

Additional Resources:

For Vermont:

Members of the Vermont Farmland Access Network:

INTERVALE CENTER

SUSTAINING FARMS SUSTAINING LAND SUSTAINING PEOPLE

RUTLAND AREA Farm & Food LINK

CONNECTING FARMERS & CONSUMERS

UNIVERSITY OF VERMONT EXTENSION

CULTIVATING HEALTHY COMMUNITIES

OTHER RESOURCES

- Northeast Beginning Farmer's project

http://nebeginningfarmers.org/

- Land For Good

http://www.landforgood.org/

- International Farm Transition Network

http://www.farmtransition.org/

- UVM Extension New Farmer Project's "Land Access Toolshed" of information:

http://www.uvm.edu/newfarmer/?Page=land/index.html&SM=land/sub-menu.html