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
**Worksheet**

**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.

<table>
<thead>
<tr>
<th>I. Location</th>
<th>IV. Infrastructure</th>
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<tbody>
<tr>
<td>Access</td>
<td>Farm roads</td>
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<tr>
<td>Visibility</td>
<td>Water supplies</td>
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<tr>
<td>Neighborhood and neighbors</td>
<td>Electricity</td>
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<tr>
<td>Community environment</td>
<td>Barns/outbuildings</td>
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<td>Community services</td>
<td>Present use</td>
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<tr>
<td>Ag supports</td>
<td>Condition/appearance</td>
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<tr>
<td>— services (supply, repair)</td>
<td>Suitability</td>
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<td>— distance to markets</td>
<td>Adaptability</td>
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<td>— Local by-laws</td>
<td>Equipment?</td>
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<td></td>
<td>Fencing</td>
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<td></td>
<td>New installations permitted?</td>
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<thead>
<tr>
<th>II. Land Base</th>
<th>V. Housing</th>
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<tbody>
<tr>
<td>Acreage</td>
<td>Available?</td>
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<tr>
<td>Topography</td>
<td>Build new?</td>
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<tr>
<td>Soils (type, fertility)</td>
<td>Trailer or other structure permitted?</td>
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<tr>
<td>Water and wetlands</td>
<td>Condition</td>
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<tr>
<td>Other sensitive features</td>
<td>Suitability</td>
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<tr>
<td>Farm lay-out</td>
<td>Off-site options</td>
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<tr>
<td>Field size and shape</td>
<td>Other features</td>
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<tr>
<td>Access</td>
<td></td>
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<tr>
<td>Carrying capacity</td>
<td></td>
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<td>Weeds, invasive species</td>
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<td>Timber?</td>
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<tr>
<th>III. Climate</th>
<th>VI. History</th>
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<tbody>
<tr>
<td>Precipitation</td>
<td>Chemical use</td>
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<tr>
<td>— Length of season</td>
<td>Storage tanks</td>
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<td>— Micro-climates</td>
<td>Accident history</td>
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<td>— Growing degree days</td>
<td>Soil history</td>
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<td>Prior uses</td>
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<td>Non-farm uses</td>
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<td>Liens and encumbrances</td>
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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** = \([(\text{Original Cost} – \text{salvage value})/2]\) 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 net returns/Acre
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
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

- 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 routine maintenance and repairs from major overhauls or upgrades
• 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

Additional Resources:

For Vermont:

Members of the Vermont Farmland Access Network:
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: