

A topographic map with yellow contour lines on a light tan background. The map shows various elevation points and a winding path or riverbed in the lower-left corner.

# Farmland Access

**Hub  
Navigators  
Network**

Land Access Pitfalls and Potential

Practical Farmers of Iowa

January 20, 2018



A topographic map with yellow contour lines on a light tan background. The map shows various elevation points, with some lines labeled with numbers like 910, 920, 930, 940, 950, 960, 970, 980, 990, 1000, 1010, 1020, 1030, 1040, 1050, 1060, 1070, 1080, 1090, 1100, 1110, 1120, 1130, 1140, 1150, 1160, 1170, 1180, 1190, 1200, 1210, 1220, 1230, 1240, 1250, 1260, 1270, 1280, 1290, 1300, 1310, 1320, 1330, 1340, 1350, 1360, 1370, 1380, 1390, 1400, 1410, 1420, 1430, 1440, 1450, 1460, 1470, 1480, 1490, 1500, 1510, 1520, 1530, 1540, 1550, 1560, 1570, 1580, 1590, 1600, 1610, 1620, 1630, 1640, 1650, 1660, 1670, 1680, 1690, 1700, 1710, 1720, 1730, 1740, 1750, 1760, 1770, 1780, 1790, 1800, 1810, 1820, 1830, 1840, 1850, 1860, 1870, 1880, 1890, 1900, 1910, 1920, 1930, 1940, 1950, 1960, 1970, 1980, 1990, 2000, 2010, 2020, 2030, 2040, 2050, 2060, 2070, 2080, 2090, 2100, 2110, 2120, 2130, 2140, 2150, 2160, 2170, 2180, 2190, 2200, 2210, 2220, 2230, 2240, 2250, 2260, 2270, 2280, 2290, 2300, 2310, 2320, 2330, 2340, 2350, 2360, 2370, 2380, 2390, 2400, 2410, 2420, 2430, 2440, 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The map also shows some water bodies, including a large lake in the bottom left corner and a river winding through the center.

# Agenda

Your Story

Left -vs- Right

Financial/Asset Readiness

Basics of Land Tenure

Financing Basics

FSA

Next Steps...



# What's the Issue?

## **Farmland is Less Available:**

In Minnesota alone farmland availability (# of parcels sold per year) is down 69% since 1990. (Source: MN Land Economics)

## **Farmland is More Expensive:**

In Iowa, farmland is three times more expensive than it was in 1990, even after adjusting for inflation. (Source: Iowa State Farmland Values Survey)

## **Farms are Consolidating:**

In Wisconsin since 1990, the number of farms has decreased by 14%, a net loss of over 400 individual farms per year.

(Source: USDA NASS)



# 6 Word Story

Are you looking for land or more information?

- Beginning farmer seeking farmland to rent
- Renting multiple years, want to buy
- Retiring and want to transition farm
- I need to add more farmland
- I'm an educator wishing to help
- I'm just curious how this works
- I've got a really long story (contact us!)



# I AM THE LEFT BRAIN

Decisive!  
011001011 LOGIC

Accurate  
ANALYTIC

REASON  
1234567  
89

PRACTICAL  
Strategic

CONTROL

SCIENCE

Realistic  
Brief

WWW.CARTOONADAY.COM

# I AM the Right Brain!

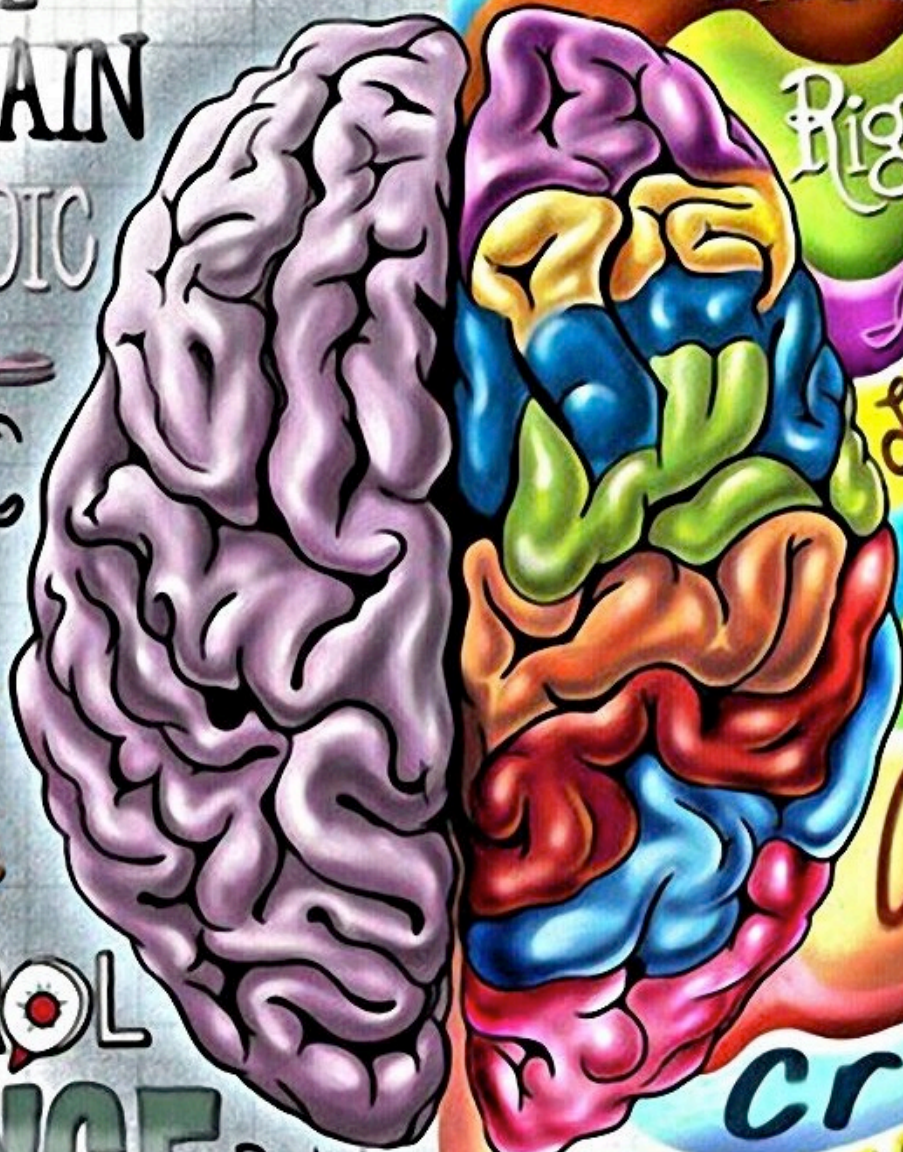
Intuition  
Love LOVE Love  
Love thou art  
Poetry

FREEDOM

Passion  
vivid

creative  
YEARNING

PEACE





# Asset Readiness

Financial



Personal



Technical





# LEASE vs OWN

## Income/Expense

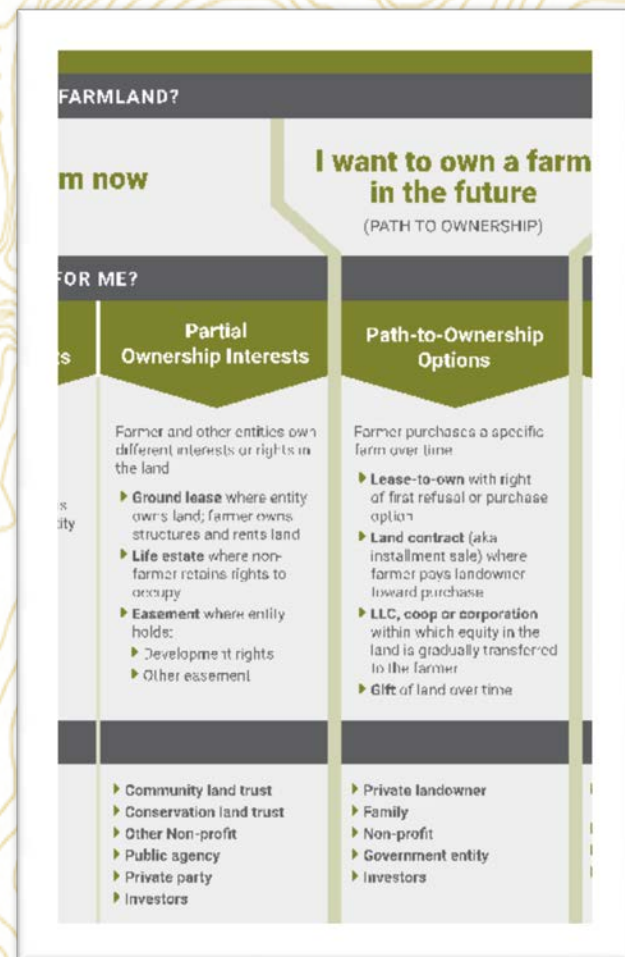
	own	rent
<b>TOTAL FARM INCOME</b>	<b>\$330,000</b>	<b>\$330,000</b>
Operating Expense	\$240,500	\$240,500
Depreciation	\$20,000	\$10,000
Interest	\$25,000	0
Rent	0	\$21,000
Taxes	\$9,000	\$1,500
<b>TOTAL</b>	<b>\$297,500</b>	<b>\$273,000</b>
<b>Income</b>	<b>\$32,500</b>	<b>\$57,000</b>
Principal	\$25,000	0
Residential Rent	0	\$12,000
<b>NET INCOME</b>	<b>\$7,500</b>	<b>\$45,000</b>





# Basics of Land Tenure

- Definition
  - “to hold”
- Farmer will need
  - Security
  - Equitability
  - Affordability
  - Path for building equity
  - Flexibility





# Finding your Farm

- Define it
- Talk about it
- Look for it in obvious places
- Be creative and look in not so obvious places
- Be flexible on the non essentials but not on what you really need
- Be ready for it (skills, finances, knowledge, mentors, experience)





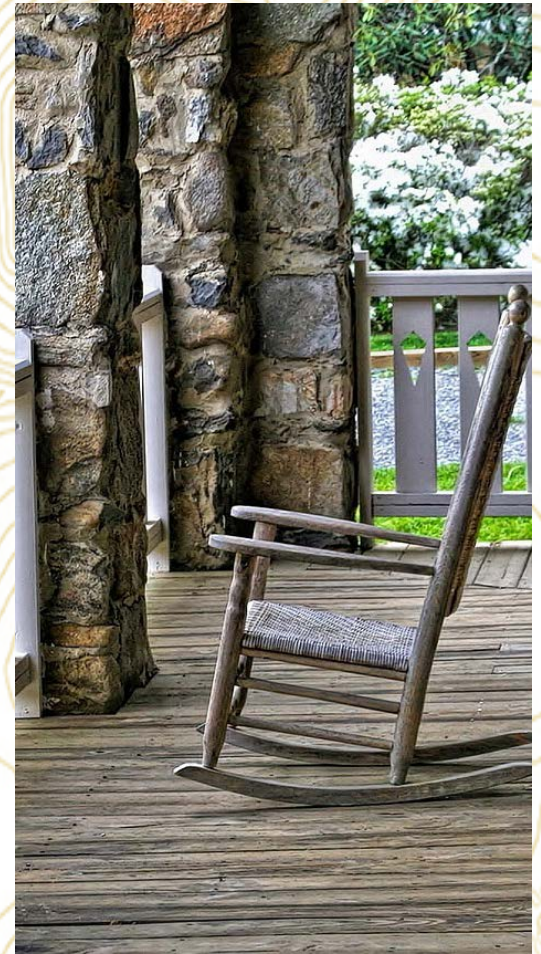
Necessary



Desirable



Optional





# Land Suitability





# Financing

- Understand your farm finances
- Understand your personal finances
- Understand the costs of renting vs. owning
  - Does your chosen option match what you can afford?
  - If not, how can you re-create your goals? Long term lease? Conservation easement? Co-ownership?
- Understand financing options
  - USDA-FSA- Direct Farm Ownership Loans, (Loans up to \$300,000) Can be combined with other financing.
  - Farm Credit (non governmental lending agency)
  - Banks
  - Iowa Finance Authority
  - Non traditional - Iroquois Valley
  - Crowd funding (gift)
  - Investors (debt, equity, revenue share, Regulation A – Jobs Act)
  - Family Loan



# FSA

- Regular: financed by FSA alone for purchase price under \$300,000
- Joint Financing: financed with FSA and Bank for purchase price over \$300,000
- Down payment: depending upon individual needs

## Application Forms\*

<a href="#">FSA-2001, Request for Direct Loan Assistance</a>	<a href="#">Instructions</a>
<a href="#">FSA-2002, Three-Year Financial History</a>	<a href="#">Instructions</a>
<a href="#">FSA-2003, Three-Year Production History</a>	<a href="#">Instructions</a>
<a href="#">FSA-2004, Authorization to Release Information</a>	<a href="#">Instructions</a>
<a href="#">FSA-2005, Creditor List</a>	<a href="#">Instructions</a>
<a href="#">FSA-2006, Property Owned and Leased</a>	<a href="#">Instructions</a>
<a href="#">FSA-2037, Farm Business Plan Worksheet Balance Sheet</a>	<a href="#">Instructions</a>
<a href="#">FSA-2038, Farm Business Plan Worksheet Projected / Actual Income and Expense</a>	<a href="#">Instructions</a>
<a href="#">FSA-2302, Description of Farm Training and Experience</a>	<a href="#">Instructions</a>



# Buying with an FSA Loan

- Part 1: What can you afford?
  - Part 2: Wait and prepare
- Part 3: The mechanics of the loans





# What can you afford?

- Understand your farm and personal finances  
*Fill out the specific FSA forms or at least start by:*
  - Creating a historical (gross and net) income statement
  - Creating a projected statement for upcoming season
  - Knowing your personal living expenses and other costs
- Find your local FSA office and set up a meeting
- Ask to talk about **DIRECT FARM OWNERSHIP LOANS**
- Determine with your FSA agent an approximate purchase price you could afford based on your financials



# Wait and Prepare

**FSA:** Prepare the application materials but wait to submit until a specific property comes up for sale or auction (once submitted and approved the guarantee only lasts 45 days)

**BANK:** While waiting for a property to come up for sale, also start meeting with a banker if you plan to go over the 300k direct purchase price limit from FSA



# The mechanics of the loans

## If borrowing less than \$300,000

- FSA will be the only lender for the loan
- FSA cannot release the funds in time for purchase from auction
- FSA will guarantee funds will come but will work with a bank to give you a bridge loan if needed for the waiting period (45 days is typical but can drag on if federal budgets aren't in place (ex in 2009 it took 2 years))
- **YOU CAN use an FSA loan when buying at auction! The bridge loan enables this.**

## If borrowing more than \$300,000

- FSA will loan a portion and a bank will loan a portion
- Borrower is responsible for applying for the loan with the bank
- FSA will be in contact with banker after borrower initiates contact and will ask for the bridge loan needed
- There will be two loans from the bank, 1 is a bridge loan, 1 is the main loan.
- Develop a relationship with your banker after getting your finances in order. After talking to the FSA agent then go to the bank and tell them your plan to work with FSA and show all financials.



# Left -&- Right

- Face your finances
  - Own or lease?
  - Decide on necessary
  - The right arrangement
    - Knowing what you need
    - Finding good land possibilities
    - Finding just the right one
    - Negotiating lease or purchase
  - If leasing, follow the lease and adapt
- Make friends with your finances
  - Know yourself, your family
  - Tap your community
  - Own the desirable and optional
  - Good relationship = good land access arrangement



# Farmland Access Navigator



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