A topographic map with brown contour lines and numerical elevation markers (e.g., 810, 830, 850, 870, 890, 910, 930, 950, 970, 990, 1000, 1010, 1020, 1030, 1040) on a light tan background. The map shows a valley with a river or stream winding through it.

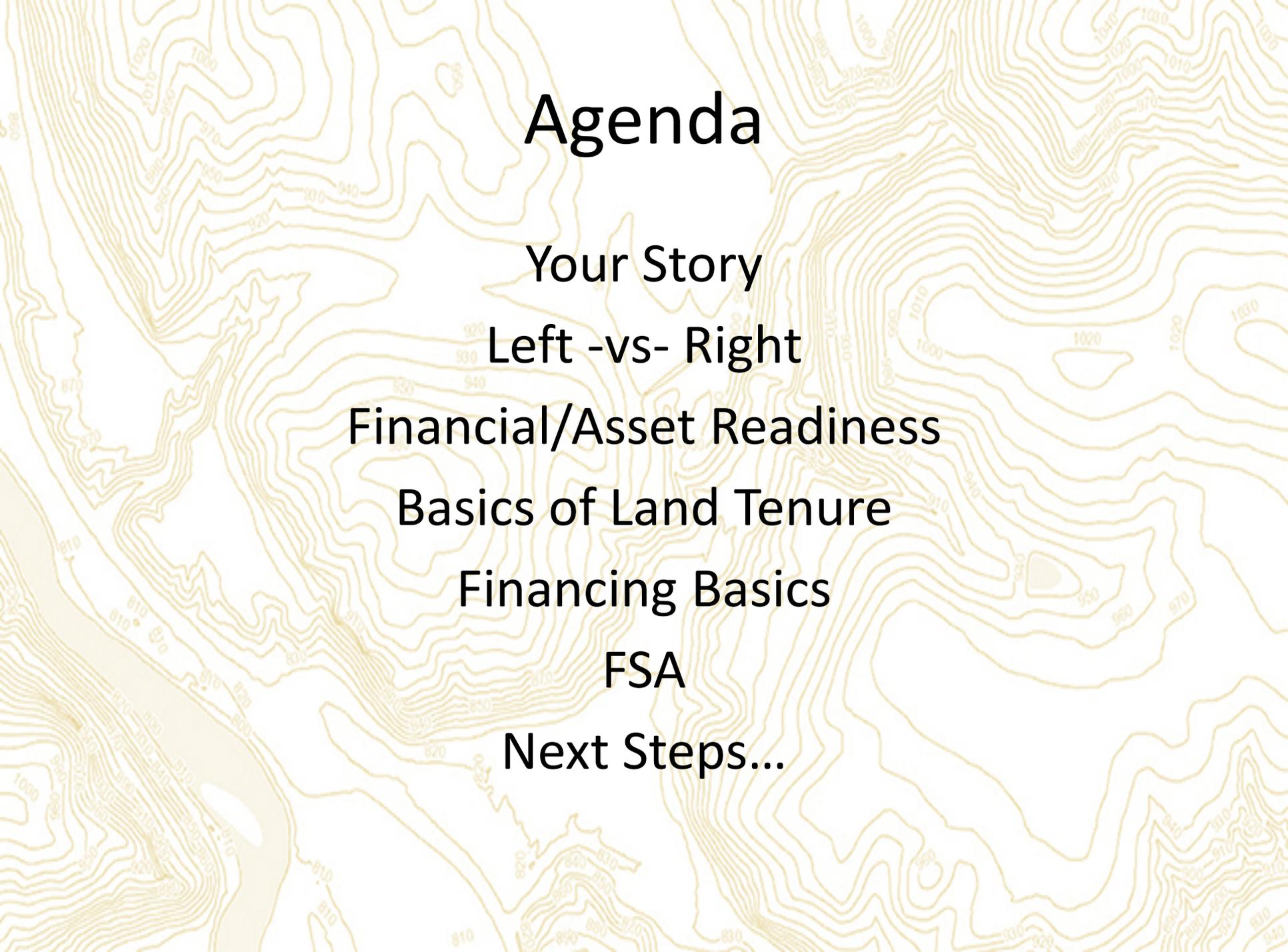
Farmland Access

**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 beige background. The map shows various elevation points and a winding path or road. The text is centered over the map.

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
1 2 3 4 5 6 7 8 9

PRACTICAL
Strategic

CONTROL

SCIENCE

Realistic
Bliss

WWW.CARTOONADAY.COM



I AM the Right Brain!

Intuition
Love LOVE love
Love thou art
Poetry

FREE DOM

Passion
vivid

creative

YEARNING

PEACE

Asset Readiness

Financial



Personal



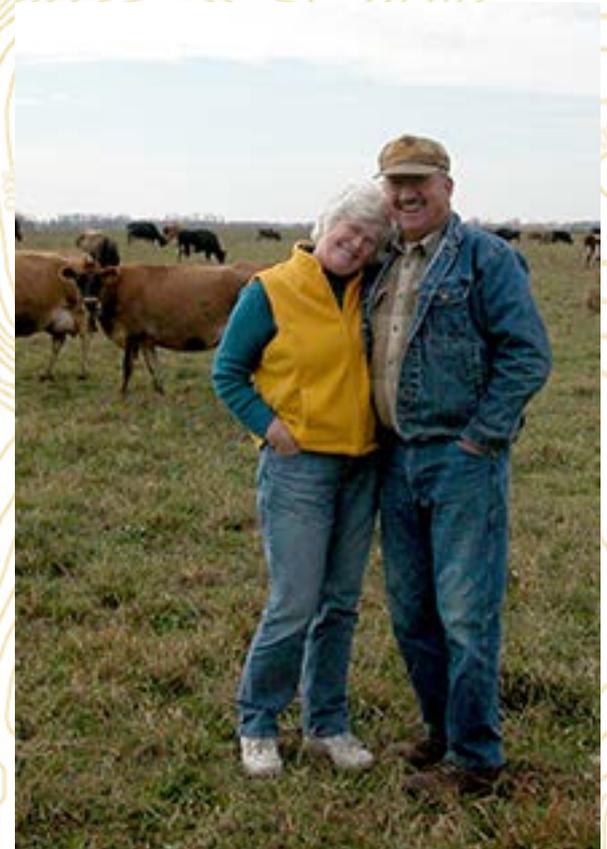
Technical



LEASE vs OWN

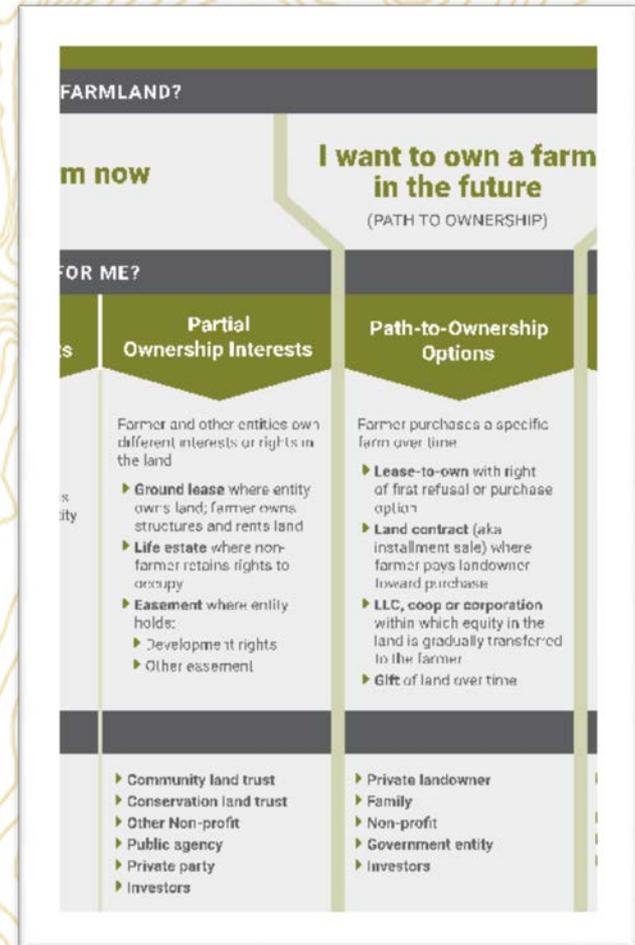
Income/Expense

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



Basics of Land Tenure

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



Finding your Farm

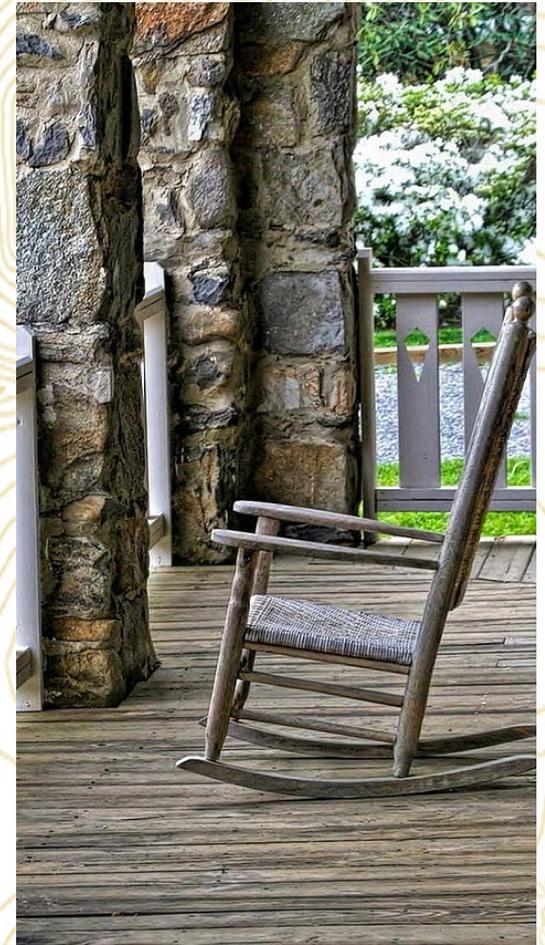
- Define it
- Talk about it
- Look for it in obvious places
- Be creative and look in not so obvious places
- Be flexible on the non essentials but not on what you really need
- Be ready for it (skills, finances, knowledge, mentors, experience)



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*

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

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

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