

# Working with Tenants to Achieve Landowner Goals

January 18, 2020

3:50-5:00 PM

*Navigating tenant-landowner relationships can be a complex and daunting task. Join Iowa landowner Carole Reichardt and land manager Mollie Aronowitz to discuss landowner-tenant expectations, leasing guidelines, successful management strategies and how they work together to meet Carole's goals. Carole will share her experiences managing family farms in Iowa and Missouri, and Mollie will discuss the role of Peoples Company as a landowner resource.*



**PeoplesCompany.com | 855.800.LAND**

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**Carole Reichardt**

*Landowner*

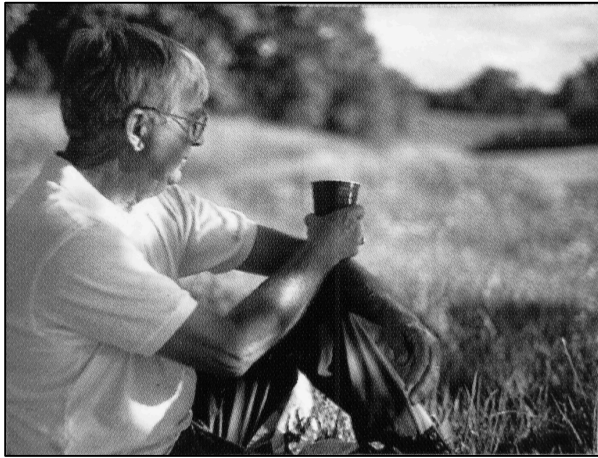


**Mollie Aronowitz, AFM**

*Sustainability Director, Land Manager*



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Dick Sargent, 1995

## Sargent Farms Mission Statement

*To restore, enhance, and protect the natural resources of our farm within a sustainable model.*



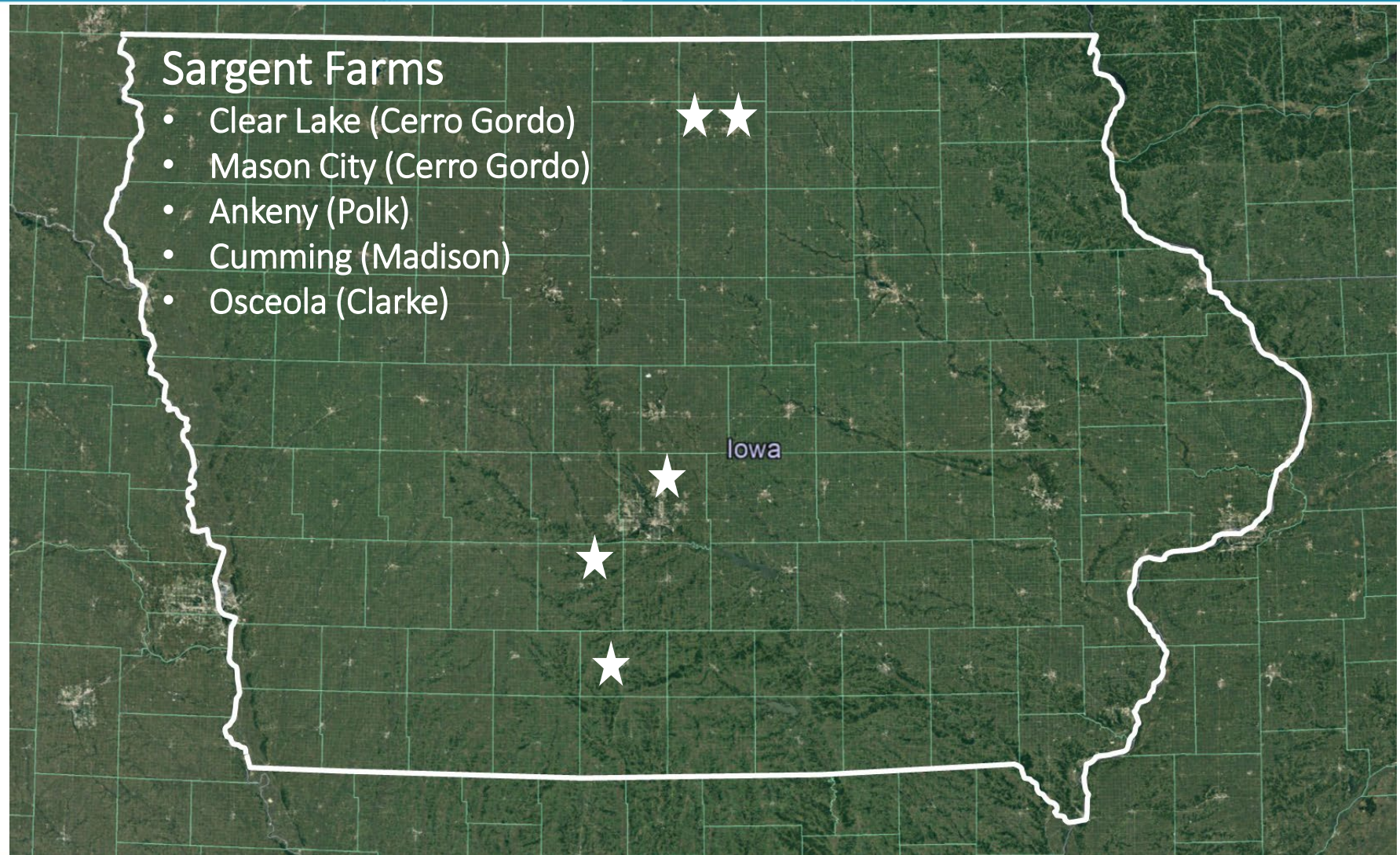
(L-R) Carole, Patti, JoAnn, and Diane

- Soil conservation and water quality
- Diversification of grass species of grasslands
- Enhanced wildlife and bird habitat
- Organic
- Economically viable model
- Maintain privacy of family recreation



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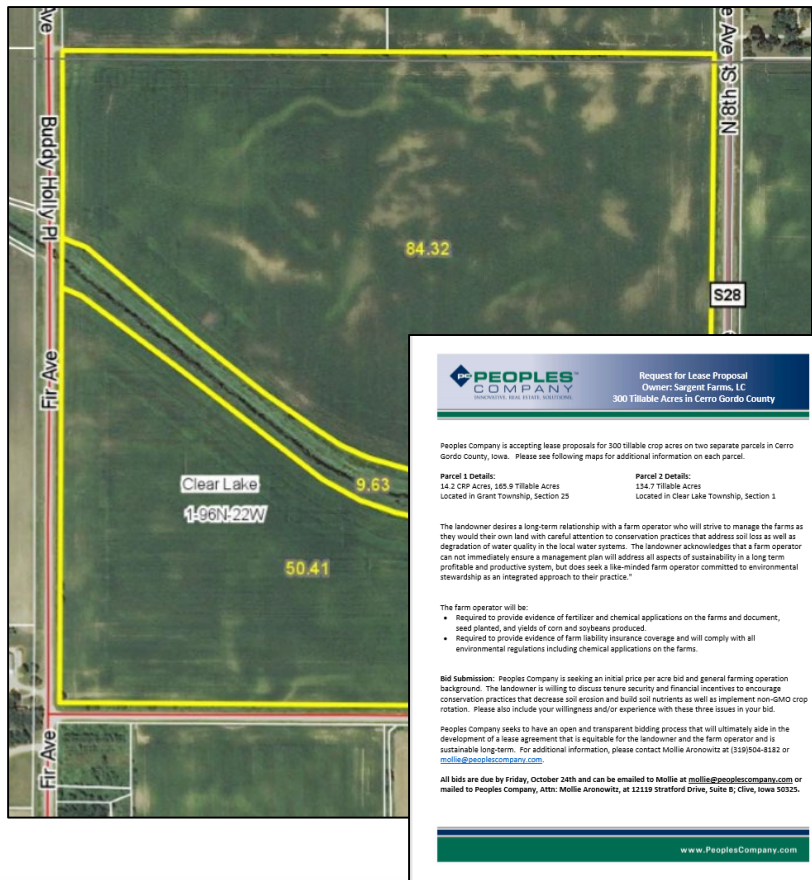


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## Clear Lake Farm

*Cerro Gordo County, Iowa*



150 Acres

*Corn-soybean rotation with open drainage ditch.*

2014 RFP for new operator.

2018 Excess water run-off from neighbor to the north. Tenant willing to pay competitive rent, but there was significant yield variability across the farm due to drainage.

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[illegible]

*Drainage ditch dividing the farm.*



2018 Summer drone photos showing consistent wet spot.

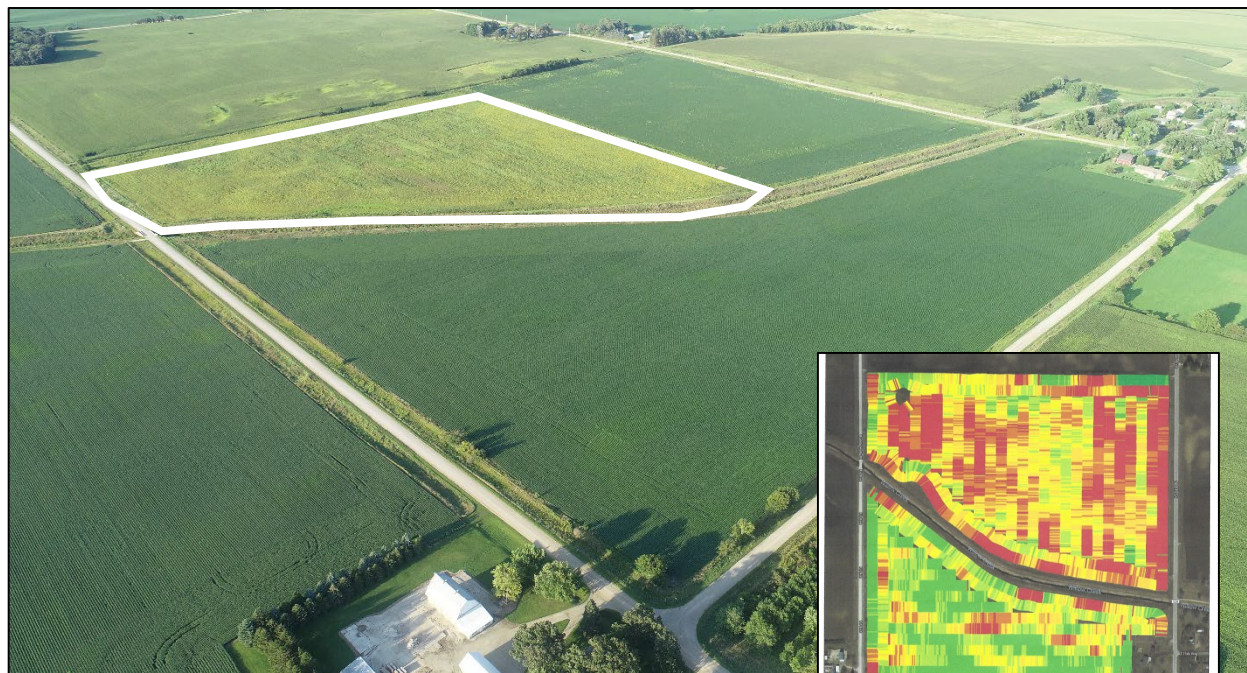


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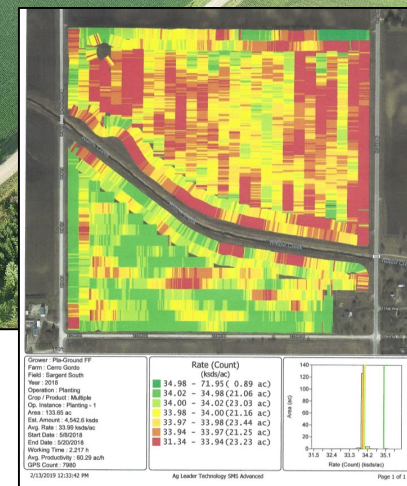
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## Clear Lake Farm - Cerro Gordo County, Iowa

- CRP wetlands installed:  
45.9 acres @ \$237/A
- Full field average increased, improving overall farm productivity.
- Drainage concern addressed in a different manner.
- Habitat added to the farm.



2019 summer drone photos with new CRP outlined.



2017 Yield Map

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## Mason City Farm

*Cerro Gordo County, Iowa*



200 Acres

*Corn-Soybean Rotation*

2019 Desire to transition farm to organic.

Items to address:

- Fertility
- Drainage
- Farmability
- Operator's Comfort Level

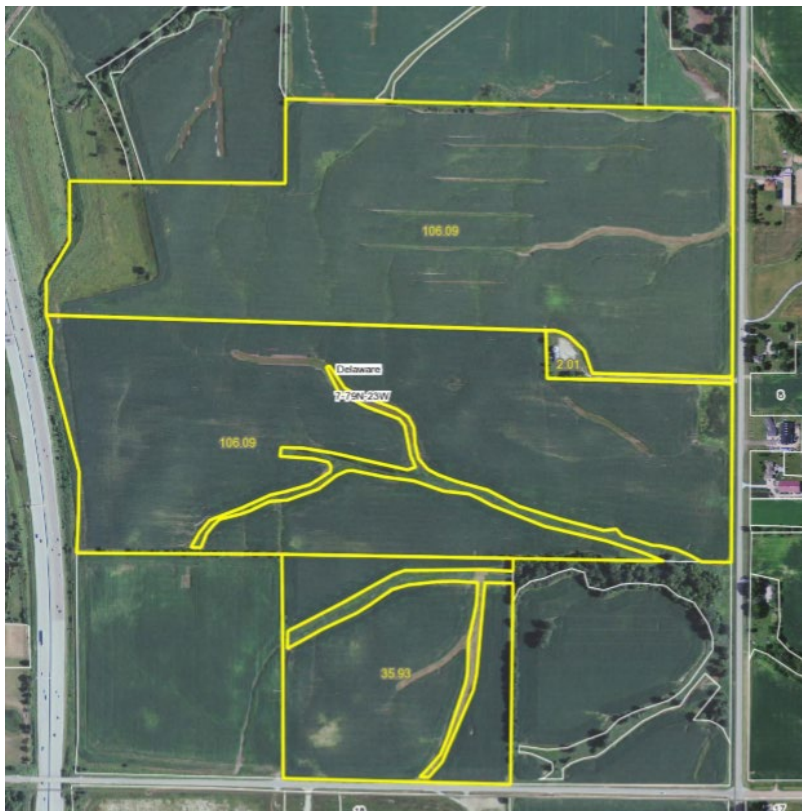


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## Berwick Farm

*Polk County, Iowa*



250 Acres

*Corn-Soybean Rotation with development clause.*

Crosswinds Park Vision:

- To facilitate the development of an economically viable Commercial Conservation Community.
- A vibrant mixed-use district, committed to design and development that promotes personal, public and environmental health.

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## Ankeny Farm - Polk County, Iowa



South end of farm looking north. I-35 to west.


**SARGENT**  
PEOPLE  
PLANET  
PROFIT

**CROSSWINDS BUSINESS PARK**  
A Commercial Conservation Community



**SARGENT**  
PEOPLE  
PLANET  
PROFIT

**CROSSWINDS BUSINESS PARK**  
A Commercial Conservation Community



Sargent Crosswinds Ankeny, Iowa 50023

**250 ACRES FOR SALE**  
**COMMERCIAL + MIXED USE**

- Flexibility in platting your parcel.

**LOCATION**

- Ankeny, Iowa 50023
- Immediate access to Interstates 35 and 80. At the crossroads of America, this intersection connects both coasts and Canada to Mexico.
- Positioned 1 mile from the Ankeny Regional Airport and 18 miles from Des Moines International Airport.

**CURRENT SERVICES**

- Primary road paved with sewer and electric.

**BIKE TRAIL**

- Trail through property connecting to the Great Midwestern series of bike and hiking trails.

**PUD DESIGN**

- Existing PUD guides the design process to ensure uniformity in appearance and standards within the development.

**SUSTAINABILITY**

- Crosswinds will be a leader in sustainability in commercial development.

**PEOPLE, PLANET, PROFIT.**

- Committed to the "triple bottom line" approach to development and business. "People, Planet, Profit."

**CONTACT**

- Tim Hogan  
(515) 279-9059  
tim@hoganlawoffice.net

**OUR MISSION:**  
AN INNOVATIVE COMMERCIAL DEVELOPMENT  
ROOTED IN CONSERVATION AND ECONOMIC VITALITY.

**OUR VISION:**

- To facilitate the development of an economically viable Commercial Conservation Community.
- A vibrant mixed-use district, committed to design and development that promotes personal, public and environmental health.

**GUIDING PRINCIPLES**

- We will lead the region, if not the nation, in demonstrating healthy social, economic and environmental outcomes through commercial development.
- We value "triple bottom line" principles for business development: People, Planet, Profit.
- We value partnerships and the opinion of others.
- We value integrity in others and ourselves.

**ECONOMIC VIABILITY + SUSTAINABLE PRACTICES**

- Energy infrastructure systems.
- Water conservation practices.
- Reuse, recycle and waste reduction practices.
- We support use of local-sourced materials.
- Development of communal space for social gatherings and education.
- Development of infrastructure to promote mental and physical health, trails and nature.



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## Cumming Farm

*Polk County, Iowa*



140 Acres

*Family recreation farm with Aronia berries, CRP, hay and pond.*

2015 Soil Loss Report completed on all farms.

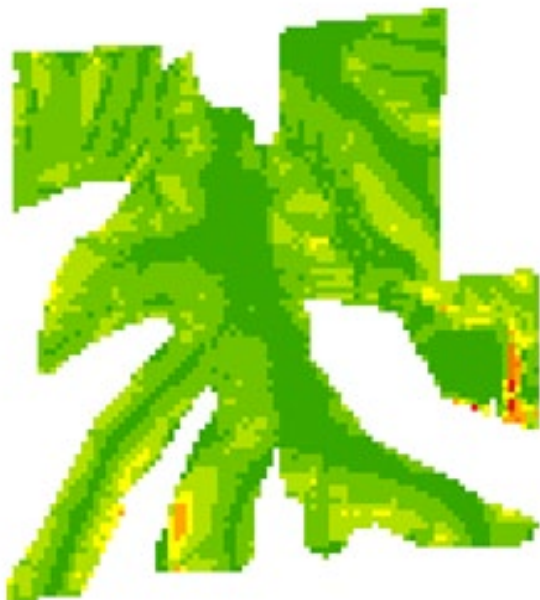
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## Cumming Farm - Polk County, Iowa

### Alternative 1

237.42 tons/yr annual soil loss



### Soil Savings Summary

	Alternative 1	Alternative 2	Alternative 3
Crop rotation and operations	C-SB rotation. Strip-till plant corn and no-till plant soybeans.	C-SB rotation. Strip-till plant corn and no-till plant soybeans. Aerial seed rye cover crops into soybeans.	C-SB rotation. Strip-till plant corn and no-till plant soybeans. Aerial seed rye cover crops into corn and soybeans.
Supporting practices	none	none	none
1 year soil loss (tons/acre)			
Field average	2.41 tons	0.71 tons	0.25 tons
Top 20% most erodible average	4.76 tons	1.25 tons	0.42 tons
10 year soil loss (inches/acre)			
Field average	0.164 inches	0.048 inches	0.017 inches
Top 20% most erodible average	0.323 inches	0.085 inches	0.028 inches



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## Cumming Farm - *Polk County, Iowa*





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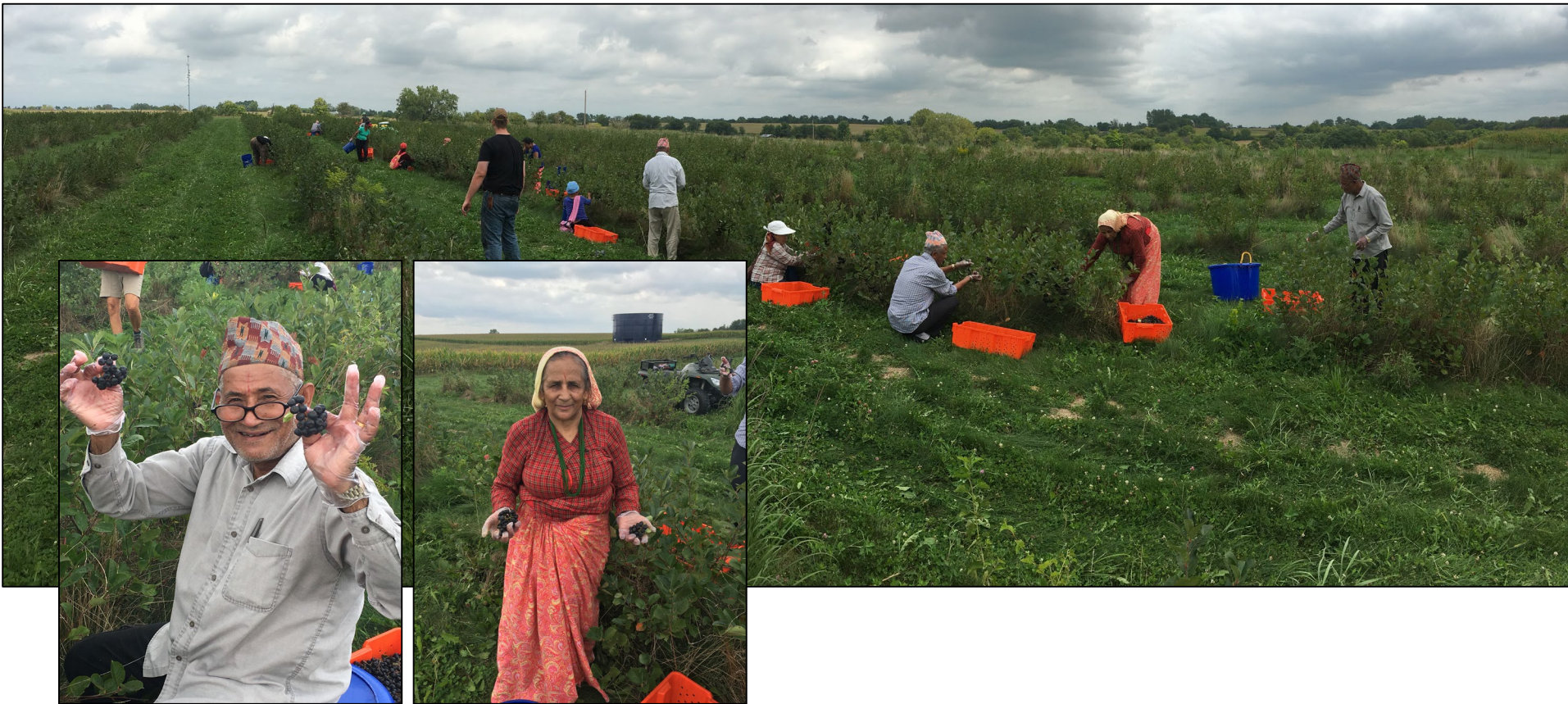




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## Cumming Farm - Polk County, Iowa





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### Cumming Farm - *Polk County, Iowa*



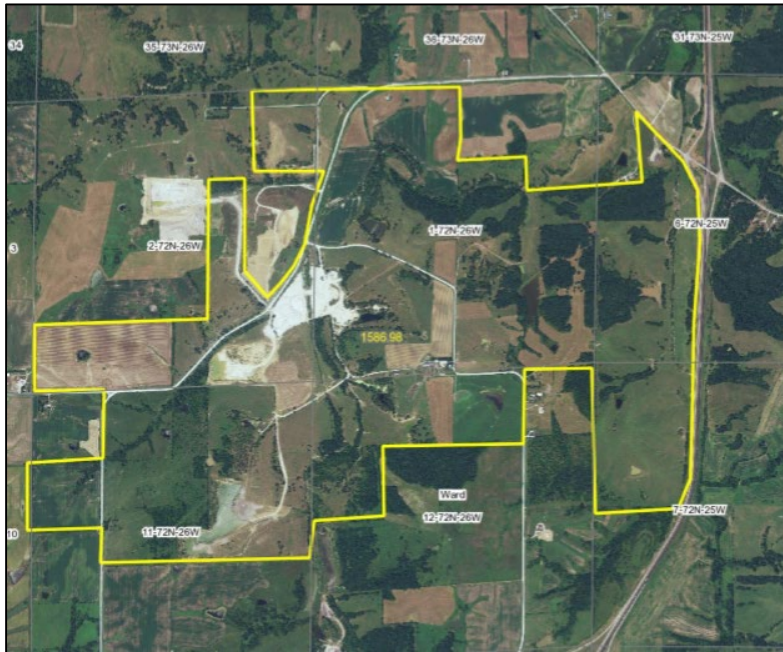


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## Osceola Farm

Clarke County, Iowa



1,500 Acres

*Family recreation farm that includes active mine operation, reclaimed ground, pasture and tillable acres.*

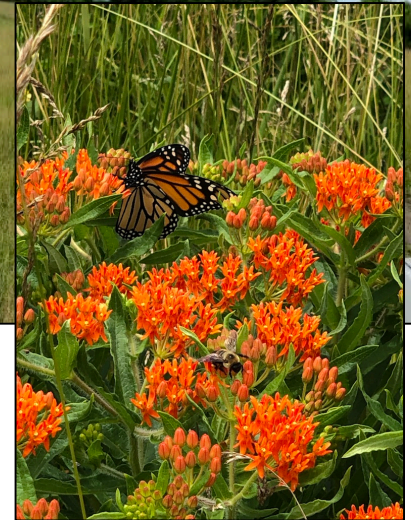
- |        |  |
|--------|--|
| 2013   | Removed long-term tenant   |
| 2014   | No Tenant<br>RFP for new tenant for 2015   |
| 2015 + | Whole farm plan with Solutions in the Land, LLC with emphasis on opportunities to maximize multiple income streams.<br>NRCS Pilot Project<br>Timber management with US Fish and Wildlife |

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## Osceola Farm

*Clarke County, Iowa*





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## Role of a Land Manager:

- Represent landowner's interests in tenant and neighbor relationships
- Negotiate and execute farm lease(s)
- Ensure compliance with all USDA (FSA and NRCS)
- Oversee farmland repairs and improvements (drainage, fertility, conservation, etc.)
- Build farm history by collecting annual planting, chemical/fertilizer inputs, yield documentation

Typical payment is a percent of gross revenue or a flat fee per acre. Most offices offer full management or consulting role.

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- 1 LONG TERM APPRECIATION VS. SHORT TERM CASH RETURN
- 2 ACTIVE ROLE OF THE LANDOWNER
- 3 TOPSOIL AND EROSION / LONG-TERM VALUE OF CONSERVATION
- 4 PROFITABILITY MAPPING – BACKING IN TO CONSERVATION
- 5 EDGE OF FIELD PRACTICES
- 6 FUTURE FARM MARKETS / SUPPLY CHAIN



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## 1 LONG TERM APPRECIATION VS. SHORT TERM CASH RETURN

Farmland has two return components:

short-term cash yield (3-4% typically)  
long-term appreciation (7% typically)

- Historically, the industry has put too much emphasis on maximizing cash yield rather than maximizing appreciation.
- It is short sided to focus on cash yield at a detriment to appreciation which is the greater return component to farmland.



*Soybean Harvest 9/2019*

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## 2 ACTIVE ROLE OF THE LANDOWNER

- 60% of the land in Iowa is rented.
- There is no farmer incentive to invest in conservation on a farm with a 1-year lease.
- Conservation is a long game endeavor where each year of practices build on the previous.
- A multi-year commitment is required to see value add.



*Fall 2019 no-till soybeans ready to harvest with oats growing as cover crop.*



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## 3 TOPSOIL AND EROSION / LONG-TERM VALUE OF CONSERVATION

- Topsoil is very difficult to rebuild.
- Erosion is a cost to landowners in decreased value of investment.
- Erosion is a cost to farmers in the loss of fertility and organic matter.
- Higher expenses for the same yield mean lower profits, which lowers the value of the asset.



**Soil Loss Scenario:** 3 T/A is moderate amount on rolling ground

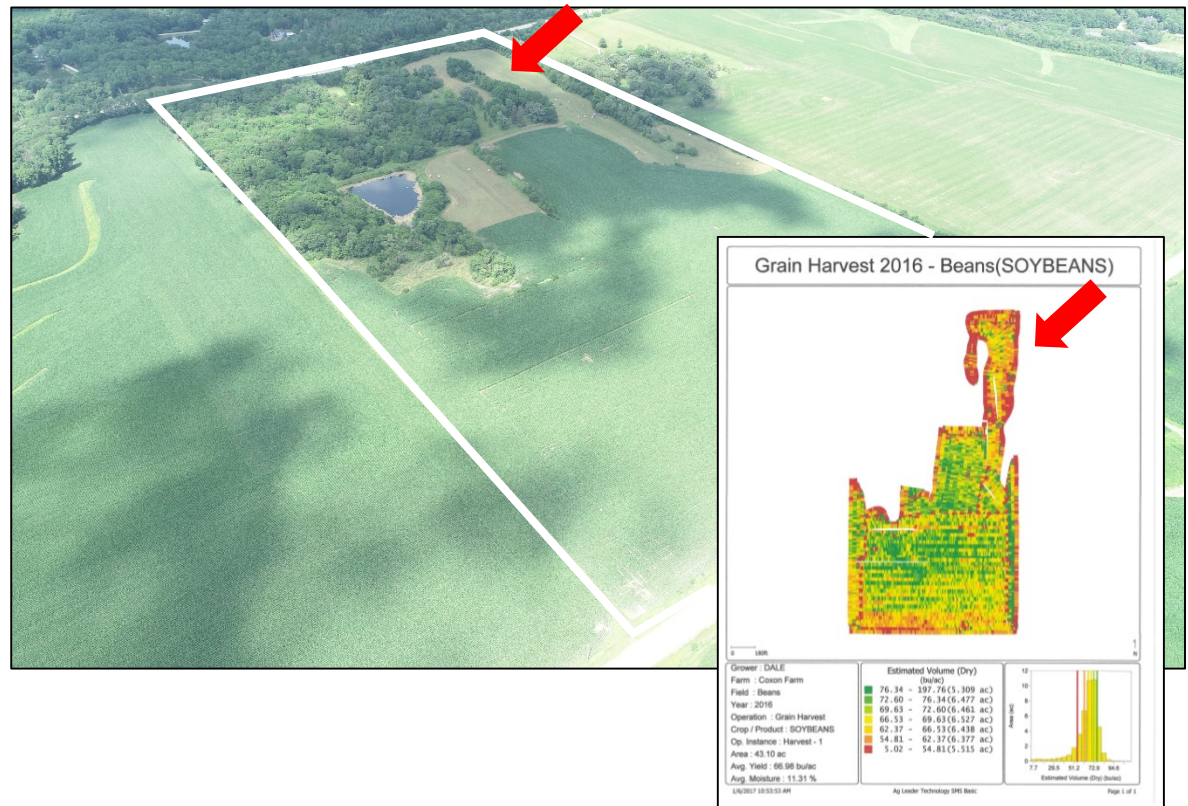
- 15 T/dump truck
- 1 dump truck every 5 acres, each year
- A dump truck of soil spread over 5 acres is a very thin layer of soil, less than the thickness of a dime.
- Equivalent to having 30 dump trucks show up every spring on your 150-acre farm and load up topsoil and take it away.

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## 4 PROFITABILITY MAPPING – BACKING IN TO CONSERVATION

- If we can solve the financial issues, there is almost always a positive environmental impact.
- Maximize the most productive acres, protect the most sensitive acres.
- We need to focus more on ROI.



Yield Map



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## 5 EDGE OF FIELD PRACTICES

- Positive in-field financial outcome to pay for edge of field practices?
- Landowners who want their farm to be sustainable can make that investment, but is there an economic return?
- Everyone wins if an edge of field practice can get subsidized/paid along with positive environmental outcome downstream.



*Saturated Buffer*



*Filter Strip Along Soybean Field*

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## 6 FUTURE FARM MARKETS / SUPPLY CHAIN

- Consumer and regulatory pressures (along with technology) are going to be significant drivers of change in the future.
- In the future there will be a “sustainably sourced” metric that the food companies are going to require.
- Investing in sustainability is going to be about market access in the future.



*Prairie Strip Along Corn Field*



*Soybeans planted into living rye cover crop.*



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	STRATEGY	EXECUTION	IMPROVEMENT
MANAGEMENT CYCLE	Setting the building blocks for the future decisions.	Documenting the specific boots on the ground tasks for implementing goals.	Addressing enhancement for asset appreciation.
FARM	<p><b>Share the assessment with your operator.</b> Creating an open line of communication with your operator is critical for a positive, long-term working relationship. There should be discussion with the operator to fill in gaps in the assessment where actual data was not available, and assumptions were used to model.</p> <p><b>Evaluate full farm performance.</b> Consider current performance and opportunity for improvement. Set goals that are specific, measurable, achievable and time-based.</p>	<p><b>Document landowner/ operator roles in an annual written lease.</b> A formal written lease allows both parties to put in writing expectations and responsibilities.</p> <p><b>Collect annual data on your farm.</b> Include a reporting requirement in the annual farm lease where fertilizer, crop protection, and yield data is shared by the operator.</p>	<p><b>Review data and analytics from the operator reporting requirement.</b> With data in hand, you will be able to document and monitor:</p> <ul style="list-style-type: none"><li>• Actual-to-budget financial performance</li><li>• Annual production</li><li>• Fertility report</li></ul>

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	STRATEGY	EXECUTION	IMPROVEMENT
MANAGEMENT CYCLE	Setting the building blocks for the future decisions.	Documenting the specific boots on the ground tasks for implementing goals.	Addressing enhancement for asset appreciation.
ENVIRONMENT	<p><b>Familiarize yourself with your county FSA and NRCS offices.</b> County FSA and NRCS offices can be a helpful source of information as well as provide potential cost share for needed work on the landscape.</p> <p><b>Identify landowner conservation vision.</b> Put down on paper both short and long-term conservation desires for the farm. Consider writing a landowner mission statement.</p>	<p><b>Include conservation in annual written farm lease.</b> Include terms in the annual lease that specifically lists conservation practices and the responsibility of both landowner and operator. If a lease is already in place, consider adding additional verbiage in and addendum.</p>	<p><b>Layer data from the annual reporting requirement for smarter decision making.</b> Use collected data to identify the most productive and the most environmentally sensitive acres of each field.</p>



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	STRATEGY	EXECUTION	IMPROVEMENT
MANAGEMENT CYCLE	Setting the building blocks for the future decisions.	Documenting the specific boots on the ground tasks for implementing goals.	Addressing enhancement for asset appreciation.
INCOME	<b>Align landowner and operator goals and objectives.</b> Encourage a level of transparency where both parties are working towards the same goal.	<b>Identify additional income and cost-savings opportunities.</b> Consider other cash crops, retiring marginal tillable acres and enrolling in conservation programs. There are also opportunities for income in renewable energy and recreational leases.	<b>Identify capital improvements that fit into strategic planning.</b> Address drainage, farmability, and curb appeal projects to increase productivity

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