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.
Working with Tenants to Achieve Landowner Goals

Carole Reichardt
Landowner

Mollie Aronowitz, AFM
Sustainability Director, Land Manager
Sargent Farms
Mission Statement

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

- 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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Practical Farmers of Iowa Annual Conference - January 18, 2020 - 3:50-5:00 PM

Sargent Farms
• Clear Lake (Cerro Gordo)
• Mason City (Cerro Gordo)
• Ankeny (Polk)
• Cumming (Madison)
• Osceola (Clarke)
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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.
Clear Lake Farm - *Cerro Gordo County, Iowa*

2018 Summer drone photos showing consistent wet spot.

*Drainage ditch dividing the farm.*
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*
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
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.
Ankeny Farm - Polk County, Iowa

South end of farm looking north. I-35 to west.
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.
Cumming Farm - Polk County, Iowa

**Soil Savings Summary**

<table>
<thead>
<tr>
<th></th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
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</thead>
<tbody>
<tr>
<td>Supporting practices</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>1 year soil loss (tons/acre)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field average</td>
<td><strong>2.41 tons</strong></td>
<td><strong>0.71 tons</strong></td>
<td><strong>0.25 tons</strong></td>
</tr>
<tr>
<td>Top 20% most erodible average</td>
<td>4.76 tons</td>
<td>1.25 tons</td>
<td>0.42 tons</td>
</tr>
<tr>
<td>10 year soil loss (inches/acre)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Field average</td>
<td>0.164 inches</td>
<td>0.048 inches</td>
<td>0.017 inches</td>
</tr>
<tr>
<td>Top 20% most erodible average</td>
<td>0.323 inches</td>
<td>0.085 inches</td>
<td>0.028 inches</td>
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Cumming Farm - Polk County, Iowa
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Cumming Farm - *Polk County, Iowa*
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
  - 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.
  - NRCS Pilot Project
  - Timber management with US Fish and Wildlife
Osceola Farm

Clarke County, Iowa
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.
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
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.
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.
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.
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.
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.
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.
### MGMT CYCLE CHART

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<tr>
<th>MANAGEMENT CYCLE</th>
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<th>EXECUTION</th>
<th>IMPROVEMENT</th>
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<tr>
<td>FARM</td>
<td>Setting the building blocks for the future decisions.</td>
<td>Documenting the specific boots on the ground tasks for implementing goals.</td>
<td>Addressing enhancement for asset appreciation.</td>
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**Share the assessment with your operator.**

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.

**Evaluate full farm performance.**

Consider current performance and opportunity for improvement. Set goals that are specific, measurable, achievable and time-based.

**Document landowner/operator roles in an annual written lease.**

A formal written lease allows both parties to put in writing expectations and responsibilities.

**Collect annual data on your farm.**

Include a reporting requirement in the annual farm lease where fertilizer, crop protection, and yield data is shared by the operator.

**Review data and analytics from the operator reporting requirement.**

With data in hand, you will be able to document and monitor:
- Actual-to-budget financial performance
- Annual production
- Fertility report
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<td>ENVIRONMENT</td>
<td>Familiarize yourself with your county FSA and NRCS offices. 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.</td>
<td>Include conservation in annual written farm lease. 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.</td>
<td>Layer data from the annual reporting requirement for smarter decision making. Use collected data to identify the most productive and the most environmentally sensitive acres of each field.</td>
</tr>
<tr>
<td></td>
<td>Identify landowner conservation vision. Put down on paper both short and long-term conservation desires for the farm. Consider writing a landowner mission statement.</td>
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<td>INCOME</td>
<td>Align landowner and operator goals and objectives.</td>
<td>Identify additional income and cost-savings opportunities.</td>
<td>Identify capital improvements that fit into strategic planning.</td>
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<tr>
<td>Align landowner and operator goals and objectives. Encourage a level of transparency where both parties are working towards the same goal.</td>
<td>Identify additional income and cost-savings opportunities.</td>
<td>Address drainage, farmability, and curb appeal projects to increase productivity</td>
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