



United States
Department of
Agriculture

National Institute
of Food and
Agriculture



Introduction to Land Access Options

FARMLAND FOR THE NEXT GENERATION

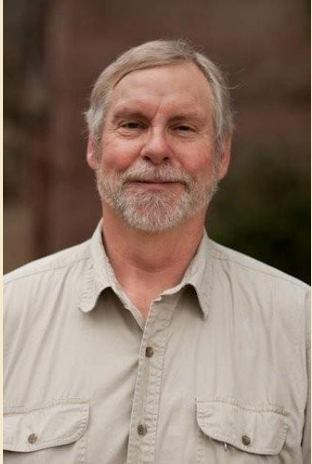
BEGINNING FARMER AND RANCHER
DEVELOPMENT PROGRAM
AWARD: 2020-49400-32715

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Penn State Extension
March 8, 2021



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Extension Speakers/Introductions



Lynn Kime

Extension Associate, Penn State Extension

- Agricultural Economics, Sociology, and Education
- New & Beginning Farming



Christi Powell

Extension Associate, Penn State Extension

- Ag Literacy & General Ag/Consumer Education
- Ag Marketing and Display Building
- Agritourism/Farm Tours
- Farm Business Succession/Transition and Exit Strategy
- New & Beginning Farming



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Acknowledgments

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-  United States Department of Agriculture National Institute of Food and Agriculture **Award# 2020-49400-32715**

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Part 1: Land Tenure and Land Access



Farmland for the Next Generation

- This presentation is designed to help beginning farmers and ranchers gain the skills needed to find and acquire land to start or expand their operations
- This may be by receiving, renting and/or buying land from all kinds of landowners, for example:
 - Relatives and/or their estates
 - Retiring farmers and ranchers
 - Non-farming and institutional landowners
 - Land trusts and other conservation organizations
 - Federal, state and local government agencies



Celebrating a Land Ethic

- This presentation and American Farmland Trust trainings are rooted in a land ethic approach.
- A land ethic honors the legacy of all the stewards of the land who have come before us
- It creates opportunities for future generations to earn a living and make a life on the land
- It celebrates land as an asset with multiple values:
 - Ecological, economic, social and spiritual
 - Tied to our cultures and histories



When we see land as a community to which we belong, we may begin to use it with love and respect.

Aldo Leopold, A Sand County Almanac



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What Is Land Tenure?

- Land tenure is the way people hold their land
- Two main ways:
 - Owning land or
 - Leasing land
- It includes legal and business considerations
 - For landowners, responsibilities and rights are defined by land use laws
 - For tenants, responsibilities and rights are spelled out in lease agreements



Secure Tenure Is Vital for a Farm or Ranch to Be Sustainable

- Secure land tenure includes several conditions:
 - Affordability and availability
 - Stability
 - Compatibility with land use laws, lease and deed terms
 - Other considerations:
 - Equity
 - Housing, infrastructure and other facilities to support your personal and business goals



What Is Land Access?

- Land access is the way farmers and ranchers acquire land to support their operations
 - It involves land seekers and land owners plus real estate agents, service providers, community members, etc.
- 3 basic paths to land access:
 - Buying land
 - Inheriting/accepting gifts of land
 - Leasing land



Land Access Is a Serious Challenge

- The number of beginning farmers and ranchers dropped 9% from 2007 to 2017
 - Roughly a quarter of all producers have been farming 10 years or less
- Beginners report it's hard to find land to rent or buy
 - Especially small enough parcels to start an operation
 - And to negotiate appropriate lease arrangements, especially with non-family members
- They must compete for land with:
 - Developers and farmland investors
 - Established farmers
 - Family members
- Plus, good farmland is expensive!



Demographics Add Barriers to Access

- 33.9% of producers nationwide are age 65 or older; producers 35 or younger operate only 12.7% of all ag land
- Ag landowners plan to transfer ~10% of their land in the next 5 years – mostly through gifts or trusts
 - ***Only ~2% is projected to be sold on the open market***
- There's a “growing” disconnect between the primary commodities *senior* farmers produce and the primary commodities *younger* farmers produce



Who Owns American Farmland?

- Most ag landowners are white men:
 - Principal producers = 95% white, 71% male (2017)
 - Principal landlords = 95% white, 61% male (2017)
- Principal operators own 68%, non-operator landlords own 31%: 80% of land rented for ag
- A history of discriminatory policies and fractured heir property rights have curtailed land ownership for black and Native American farmers
- Beginning farmers are increasingly diverse; or reporting is improving
 - 1.4% Black or African-American in 2017; 0.9% in 2012
 - 4.5% Hispanic in 2017; 3.6% in 2012



Quality Ag Land Is Expensive to Buy

- But ag land values vary widely, for example:
 - An acre in New Jersey was \$13,500 in 2019, \$10,000 in California and \$915 in Montana
 - The highest regional farm real estate values are in the Corn Belt, \$6,100/acre average
 - The Mountain region had the lowest farm values, on average \$1,220/acre



Land May Also Be Expensive to Lease

- Rental rates are equally varied
 - Rates might be as high as \$543/acre for irrigated cropland vs. \$35/acre for non-irrigated cropland in California
 - Or \$230/acre for non-irrigated cropland vs. \$59/acre for good quality pasture land in Iowa



Factors Affecting Land Tenure Decisions

- Personal Goals
- Business Goals
- Current Financial Position and Resources
- Future Earning Potential





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Part 2: Personal and Business Goals



Defining Personal Goals

- What do you want your life to be like?
- Life-work balance
- Family goals
- Income goals



Defining Business Goals

- What kind of business do you want?
- Are your business and personal goals compatible?
- Will your business support your lifestyle?

In the case of a farm transitioning between generations, consider the goals of the exiting generation.



Set SMART Goals

SMART goals are:

- S = Specific
- M = Measurable
- A = Attainable
- R = Realistic
- T = Timely



SMART Goals Are....

- S = Specific



SMART Goals Are....

- S= Specific
- M = Measurable



SMART Goals Are....

- S=Specific
- M=Measurable
- A=Attainable



SMART Goals Are....

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Part 3: Financial Readiness



Your Specific Financial Situation

- Understanding your specific financial situation is key to your ability to plan for land tenure.
- It's also key to your ability to borrow money.



Current Financial Position and Resources

- Where do you stand today (financially)?
- What financial resources do you have access to?

Future Earning Potential

- How much income will your business support?
- Do you need off-farm income?
- Can the business pay back borrowed funds?

Your Current Financial Position

Here are some key questions to answer to know where do you stand today.

- What do you own?
- What do you owe?
- What's your income?
- What are your expenses?



Assets, Liabilities and Net Worth

- **Assets** are items that you own
- **Liabilities** are debts that you owe
- **Net worth** is a measure of what you have left if you use your assets to pay off your liabilities.
- ***Assets - Liabilities = Net Worth***



The Balance Sheet

- A listing of assets and liabilities.
- It is a snapshot of the financial health of your personal accounts and/or your business at a specific point in time.



Sample Balance Sheet

John Smith – Personal Balance Sheet

As of 12/31/20XX

Assets	
Cash (Checking and Savings)	\$1,000
Car	10,000
Home	250,000
Retirement 401(k)	50,000
Stocks	10,000
Total	321,000
Liabilities	
Car Loan	5,000
Home Mortgage	150,000
Student Loans	25,000
Credit Card Debt	5,000
Total	185,000
Net Worth	136,000
Net Worth Percent	42%

Note that the Assets must equal Liabilities plus net worth (or *owner's equity*, as it is referred to on a business' balance sheet). In other words, it must balance, and that's why it's called a Balance Sheet.



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Income Statement

- A/K/A, Earnings Statement, Profit and Loss, or Profit Statement.
- **Income – Expenses = Net Income, or Profit**
- Details company earnings



Sample Income Statement

Table 1. Income statement.

Income	
Sale of Crop Products	\$50,000
Sale of Livestock Products	\$25,000
Government Payments	\$10,000
Total Income	\$85,000
Expenses	
Seed	\$10,000
Fertilizer	\$20,000
Feed	\$10,000
Processing	\$10,000
Marketing	\$5,000
Interest	\$5,000
Depreciation	\$10,000
Total Expenses	\$70,000
Net Income	\$15,000



Other Information/Documents Important for Determining Your Financial Position

- Tax Returns
- Bank Statements
- Credit Reports
- Investment Account Statements
- Credit Card or Loan Statements

Check your credit report at: www.annualcreditreport.com and make sure it is accurate.

www.creditkarma.com will give you your score for free.



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Sample Bank Statement

Sample Bank Statement



Hometown Bank
123 Main Street
Hometown, USA 10000

Account Activity January 1, 2018 – January 31, 2018

Joe and Jane Smith
100 Elm Street
Hometown, USA 10000
Account Number: 123 456 789

Date	Description	Deposits	Withdrawals	Balance
1/1/18	Opening Balance			\$1,000.00
1/5/18	Check #123 ABC Insurance		112.89	887.11
1/7/18	ACH ¹ Withdrawal – Verizon Wireless		85.00	802.11
1/8/18	ATM Withdrawal – 350 Main St. Springfield, GA		200.00	602.11
1/15/18	ACH Deposit – Acme Company Payroll	1,475.13		2,077.24
1/16/18	Mortgage Loan Payment		1,024.75	1,052.49
1/17/18	Fee – Monthly Checking		5.00	1,047.49
1/20/18	Check #124 – Bob's Bakery		35.00	1,012.49
1/29/18	ACH Withdrawal – Student Loan Servicing Co.		163.50	848.99
1/31/18	Ending Balance			848.99



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What if You Don't Have These Financial Documents?

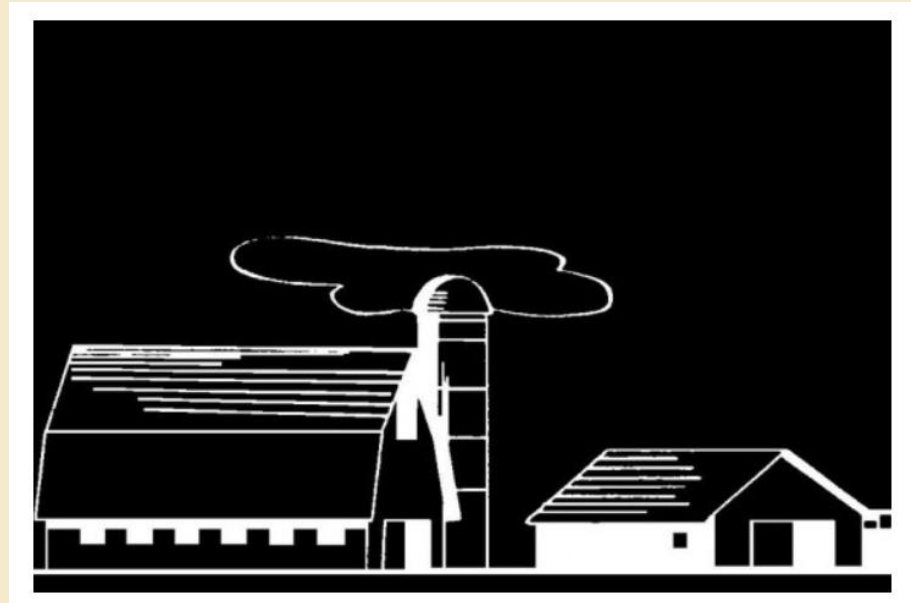
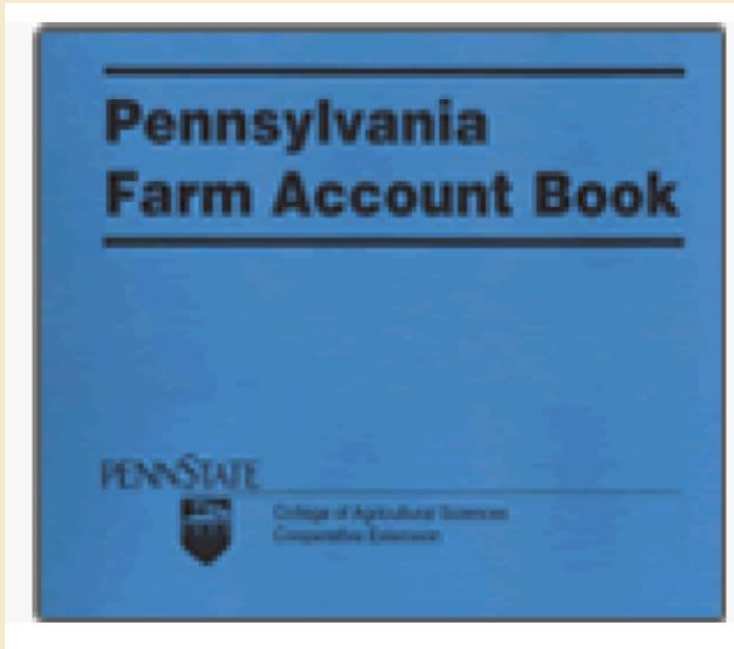
Do you have any of these?

- A ledger
- Book keeping records
- Any records of income or expenses, receipts, etc.



Sample Ledger Book

Two Farm Account books available through
Penn State Extension



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Conclusion

- Different types of land tenure
- Goal setting comes first
- Know your financial position
- Think about future earning potential





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www.farmland.org

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New & Beginning Farmer Team:

- <https://www.facebook.com/Penn-State-Extension-New-and-Beginning-Farmers-104282037969287>





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Land Access Series: Find, Lease & Purchase Land in PA

This series will focus on education (through curriculum from the American Farmland Trust) to help overcome access barriers.

bit.ly/landaccess

Being held in part of a USDA BFRDP grant titled Land Access and Saving for Long-Term Assets: Combining Two Approaches to Addressing a Common Barrier for New and Beginning Farmers and Ranchers. #2020-49400-32715

THANK YOU! Questions?

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