

Looking for farmland? What to know before you buy.

State Agriculture Development Committee
Next Generation Farmer Program

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Outline of this talk

- ▶ Introduction to the SADC
- ▶ Next Gen Program overview
- ▶ Preparing yourself
- ▶ Preparing your plan
- ▶ What could go wrong?
- ▶ Due diligence
- ▶ The costs

This presentation is provided for informational purposes only and does not constitute legal advice.





What is the SADC?

- ▶ Farmland Preservation
 - ▶ Grants
- ▶ Right to Farm
- ▶ Agricultural Mediation
- ▶ NJ Land Link
- ▶ Next Generation Farmer

Next Gen Farmer Program Overview

- ▶ Funding provided by the NJ Legislature to develop a program focused on supporting the development of N+B farmers and ag viability.
- ▶ Program started on May 20.
- ▶ Provide enhanced support for new and beginning farmers from all backgrounds to improve overall ag viability.
 - ▶ From farm families / succession planning
 - ▶ New to farming
 - ▶ Historically underserved
 - ▶ N+B, socially disadvantaged, limited resource, veteran
 - ▶ Urban
- ▶ Coordinate and collaborate.

We'd like your input

- ▶ Next Gen Program website -
<https://www.nj.gov/agriculture/sadc/nextgen/>
- ▶ Surveys -
<https://www.nj.gov/agriculture/sadc/nextgen/surveys/>
 - ▶ Next Generation Farmers
 - ▶ Established Farmers
 - ▶ Ag Service Providers
 - ▶ Other Interested Parties
- ▶ Focus groups -
<https://www.nj.gov/agriculture/sadc/nextgen/focusgroups/>
- ▶ Sign-in sheet!

The background features abstract, overlapping green geometric shapes, primarily triangles and polygons, in various shades of green, creating a modern, layered effect on the right side of the slide.

What to know before you buy...



General theme - Take your time!

- ▶ Mistakes happen when you make fast decisions from incomplete information.
- ▶ When you're talking about a \$1 million dollar plus mortgage that you plan to build your business and livelihood on, that could be a very big mistake.

Self Assessment

- ▶ Entrepreneurial Traits
- ▶ Lifestyle Preferences
- ▶ Resource Inventory

Traits of Successful Entrepreneurs

- ▶ *Passion*
- ▶ *Good health and high energy*
- ▶ *Independence and self-reliance*
- ▶ *Self-confidence*
- ▶ *Lack of need for status*
- ▶ *Hard work ethic*
- ▶ *Persistence*
- ▶ *Creativity and innovation*
- ▶ *Intuition*
- ▶ *Market awareness*
- ▶ *Ability to accept challenges*

Lifestyle Preferences

► What are your motivations?

- Economic, societal or environmental factors.
- Know them and how they are involved in your business idea development.

► Things to consider...

- Family: Don't assume that your family shares all your personal goals - get them involved!
- Self: debt, aging parents, commitments to other groups and individuals, time off.

Resource Inventory

- ▶ For you or involved family members, what is your...
 - ▶ Interest and knowledge
 - ▶ Experience and availability
 - ▶ General business skills
 - ▶ Physical resources or assets you already own
 - ▶ Personal financial status
- ▶ Know your personal and business mission statement, goals, and objectives to stay consistent
 - ▶ All based on your in-depth self assessment!

Big Takeaways

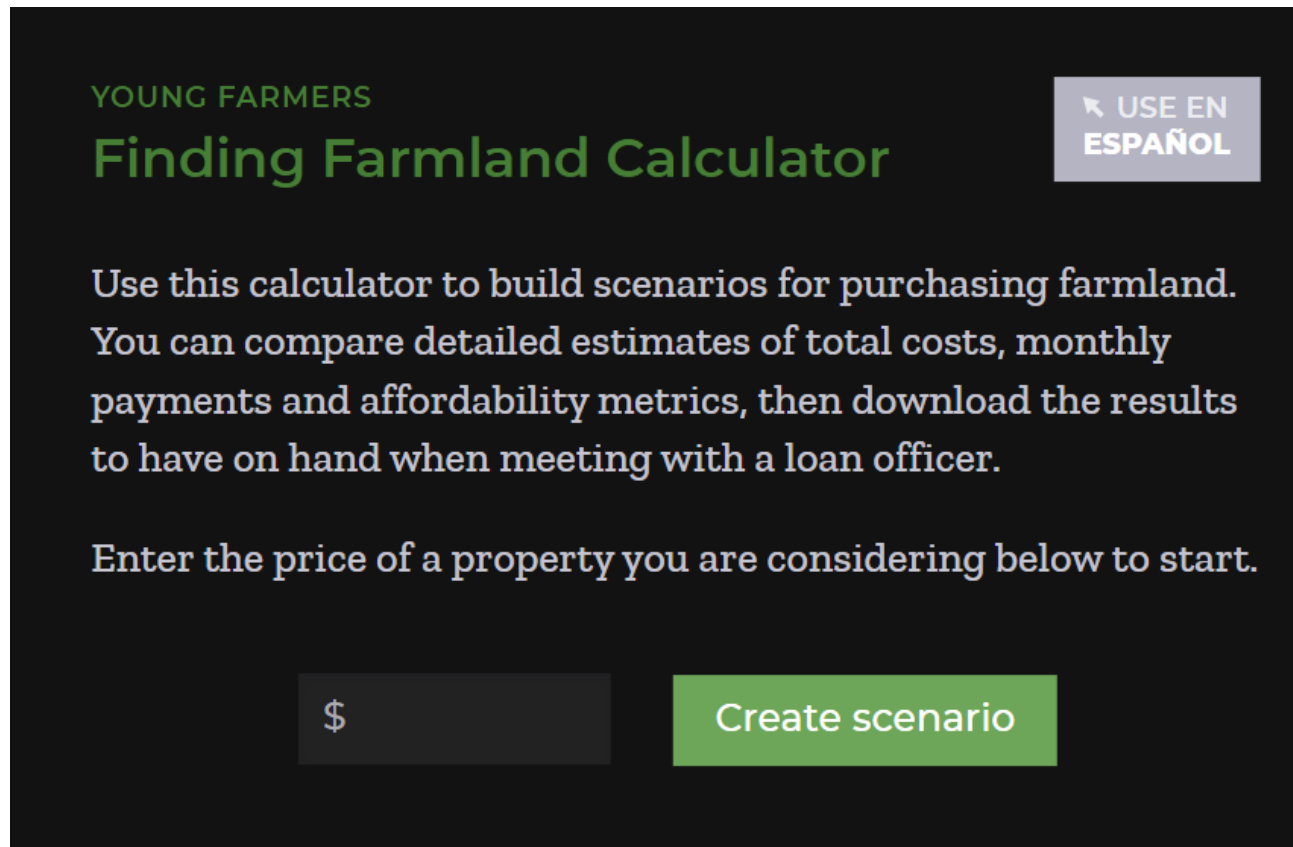
- ▶ Things we can all work on!
 - ▶ Entrepreneurial traits are not ‘magic’ or inherited
 - ▶ Developable skills and habits
 - ▶ Have honest conversations
- ▶ Risks and rewards
 - ▶ Tremendous amount of time, family strain, risk of failure / financial loss
 - ▶ Independence, creative freedom, financial benefits, fun!

Think you're ready to Buy?

- ▶ Understand the full responsibilities of the property.
 - ▶ Do your due diligence! Brendon will discuss...
- ▶ Build a Team
 - ▶ Real estate agent, accountant, appraiser, farm advisor, lender, attorney.
 - ▶ Is everyone familiar with farmland rules and laws (especially if its preserved)?

Think you're ready to Buy?

- ▶ National Young Farmers Coalition Land affordability calculator - <https://findingfarmland.youngfarmers.org/calculator>

A screenshot of the 'Finding Farmland Calculator' web application. The interface has a dark background with green text. At the top left, it says 'YOUNG FARMERS' in small green letters, followed by 'Finding Farmland Calculator' in larger green letters. In the top right corner, there is a button that says 'USE EN ESPAÑOL' with a small icon of a flag. Below the title, there is a paragraph of white text: 'Use this calculator to build scenarios for purchasing farmland. You can compare detailed estimates of total costs, monthly payments and affordability metrics, then download the results to have on hand when meeting with a loan officer.' Below this paragraph, another line of white text says: 'Enter the price of a property you are considering below to start.' At the bottom, there is a dark input field with a white '\$' symbol on the left, and a green button with white text that says 'Create scenario' on the right.

YOUNG FARMERS

Finding Farmland Calculator

USE EN ESPAÑOL

Use this calculator to build scenarios for purchasing farmland. You can compare detailed estimates of total costs, monthly payments and affordability metrics, then download the results to have on hand when meeting with a loan officer.

Enter the price of a property you are considering below to start.


\$


Create scenario

- ▶ Financing, costs, statements, affordability; downloadable

Financing


Build a scenario using the buttons below to add a down payment, loans, a lease, or a conservation easement.

 Add down payment

 Add FSA loan



What is an FSA loan?

 Add loan




How can I refinance my loan?

 Add lease-to-own



How can I lease-to-own my property?

 Add conservation easement



How do conservation easements work?

Property Costs

Taxes

\$0

/year

or

0 %

Insurance

\$0

/year

Purchasing Costs

Total cash at closing

\$0

Closing costs

\$0

or

0 %

Capital investment

\$0

Down payment(s)

\$0

INCOME

Gross Personal Income

\$0 /year

Farm income

\$ /year

Non-farm income

\$ /year

Net Farm Income (EBITDA)

\$0 /year

Gross Sales

\$ /year

ANNUAL OPERATING EXPENSES

Labor	\$	Seeds & amendments	\$
Rent, land	\$	Utilities	\$
Rent, equipment	\$	Supplies	\$
Trucking	\$	Processing	\$
Livestock	\$	Repairs	\$
Breedstock	\$	Professional services	\$
Feed	\$	Other	\$

Owner's draw

\$ /year

Loan expense (Principal only)

\$0 /year

BUSINESS BALANCE SHEET

Business Assets

Cash and equivalents

\$

Accounts receivable

\$

Cars and equipment

\$

Property and buildings

\$0

Supplies

\$

Crops & marketable livestock

\$

Perennial crops & breedstock

\$

Other inventory

\$

Other assets

\$

Business Liabilities

Accounts payable

\$

Operating loans payable

\$

Long-term notes payable

\$0

Short-term notes payable

\$0

Other liabilities

\$

Affordability Outlook

Repayment capacity

N/A

Debt-to-income

Leverage and solvency

N/A

Personal Debt-to-Asset

N/A

Business Debt-to-Asset

Liquidity

N/A

Current ratio

Profitability

N/A

Return on assets

- ▶ Don't forget carrying costs - maintenance, insurance, taxes, etc.
 - ▶ Work with your accountant for estimates.

Think you're ready to Buy?

- ▶ Read Tim's story for a *s l o w* approach to sustainably owning farmland - <https://findingfarmland.youngfarmers.org/tim>
 - ▶ Worked on farms for 7 years, last 4 as manager
 - ▶ Connected with local land trusts and farm service providers
 - ▶ Worked on a friend's farm and acquired equipment for 2 years
 - ▶ Off-farm work to increase income, search for properties, and draft business plan
 - ▶ 1 year of discussions with farmland investor and land access organizations
 - ▶ Visited, contacted, and considered 75-100 properties with financial partners to find the right farm
 - ▶ Affordability through conservation easements and lease-to-own
- ▶ *How does Tim's story fit your timeline and expectations?*

Pathways to Success

- ▶ Advice from established farmers:
 - ▶ **Slow down!**
 - ▶ Get experience and connect with the agricultural community and network first
 - ▶ Test drive before you buy
 - ▶ How does farming fit your lifestyle goals?
 - ▶ Are you energized by the demanding schedule?
 - ▶ Identify your entrepreneurial skills
 - ▶ Start small
 - ▶ Avoid pitfalls
 - ▶ Establish credit and business histories (FSA*, FCE)

Quotes from Established Farmers

- ▶ “**Search out existing farmers**, even if not in your immediate area, and use their institutional knowledge to guide your own basic decision-making.”
- ▶ “You must be willing to **work hard and put in lots of time.**”
- ▶ “Make sure that you have a **solid business plan** that considers all of you and your farm's strengths and weaknesses and be certain that you fully embrace the lifestyle of farming.”
- ▶ “Work for an established grower first, **start small and work up to it**”
- ▶ “Chase the dream and **get an off-farm job**”
- ▶ “***Farming is a calling - don't give up and don't be shy to work hard***”

Connecting with the Ag Community

- ▶ Northeast Organic Farming Association (NOFA NJ)
 - ▶ Monthly virtual meetings, events, workshops, weekly newsletter, winter conference
- ▶ County Boards of Agriculture
- ▶ County Agriculture Development Board (CADB)
- ▶ NJ Agricultural Society
 - ▶ Ag Leadership Development Program and Farmers Against Hunger (FAH)
- ▶ Rutgers Cooperative Extension
 - ▶ Workshops, connections with local farmers, resources
- ▶ North Jersey Resource Conservation & Development (RC&D)
 - ▶ Events, newsletter, local farmer network
- ▶ Foodshed Alliance / SAgE Program
 - ▶ Farm incubator plots, resources, events, workshops

Getting Experience

- ▶ Work at least 2 full seasons on a farm with the type of agricultural focus you are interested in.
 - ▶ Part-time, full-time
- ▶ Contact local farmers in your area
 - ▶ Localharvest.org
 - ▶ Visit a farmers' market
 - ▶ Attend workshops
- ▶ NJ Land Link - <https://njlandlink.org/> - Linking service with farming opportunities available/sought.
- ▶ Appropriate Technology Transfer for Rural Areas (ATTRA) Listings - <https://attra.ncat.org/internship-list/new-jersey/> - Internship and other listings.
- ▶ NOFA-NJ Online Classifieds - <https://nofanj.org/user/classified-listings/> - There are often listings for interns / apprentices / working on a farm. Some are also included in the weekly newsletter.
- ▶ Contact your Rutgers County Extension Agent (ask us!)



Business and land considerations

Develop a business plan!

- ▶ *“A business plan is a formal written document containing the goals of a business, the methods for attaining those goals, and the time-frame for the achievement of the goals.” - Wikipedia*
- ▶ That's a fine technical definition.
- ▶ A business plan is an opportunity to think through what you want your business to be and how you are going to get it to that point. It is also a baseline to refer back to (and update) when you find yourself struggling.

Why do I need a business plan?

- ▶ To secure financing from lenders or investors.
- ▶ To explore options for developing and expanding your business.
- ▶ To organize your ideas into clear steps.
- ▶ To hold yourself accountable and make sure you are meeting your goals.

Be prepared to put in the work

- ▶ Developing a business plan is a significant undertaking. Lack of effort will show and may negatively impact your business prospects.
- ▶ You likely won't be able to just sit at your computer and slap a plan together. (not a good one anyway.)
- ▶ Research your industry.
- ▶ Meet other farmers and marketers.
- ▶ Talk to experts in Cooperative Extension and other agencies.
- ▶ You should be passionate about your idea for a business and your plan should reflect that.

General guidelines

- ▶ Be realistic and accurate.
- ▶ Be aware of your use of jargon and acronyms.
- ▶ Be specific when possible.
- ▶ Include a table of contents to make navigation easier.
- ▶ Take your time, do your research.
- ▶ Make good use of available resources:
 - ▶ <https://www.farmers.gov/your-business/beginning-farmers/business-plan>
 - ▶ <https://agplan.umn.edu/>

What could go wrong?

- Farmer Joe purchased the perfect property for his dream agritourism farm. Established perennial crops, infrastructure and equipment, pre-existing B&B!

... unfortunately, his town didn't share his dreams.

What should Farmer Joe have done differently?

- ▶ Look up local zoning codes, but these aren't always clear.
- ▶ Have conversations!
 - ▶ Talk to the town officials
 - ▶ Talk to the neighboring farms
 - ▶ Talk to the local board of ag
 - ▶ Talk to the County Agent!
- ▶ Due diligence!
 - ▶ AKA - doing your homework.

Due diligence in farmland purchasing

- ▶ What are your goals for the farm?
- ▶ Does the location and look of the farm match your goals?
- ▶ What is the production history of the farm?
- ▶ Soil texture and quality - Dr. Heckman will be addressing this tomorrow.
- ▶ Preservation easements.
- ▶ Farmland assessment.
- ▶ Environmental - streams, wetlands, Pinelands, Highlands, etc.
- ▶ Zoning ordinances.
- ▶ Site inspection.

Farm goals and location

- ▶ Not every farm is good for every type of production.
- ▶ What do you want to produce?
- ▶ How do you want to market it?
- ▶ What kind of farming are others doing in your target area?
There may be a good reason for it.
 - ▶ More livestock in North Jersey
 - ▶ Blueberries and cranberries in the Pines
 - ▶ Agritourism closer to urban and suburban areas
- ▶ Local farm community.

Finding farmland history

- ▶ Learn about the crop history of farmland that you plan to produce on.
- ▶ What crops were grown there can tell you a lot, and alert you to potential contaminants.
- ▶ Potential sources of this information include:
 - ▶ The current owners of the land.
 - ▶ Neighboring farmers.
 - ▶ Local boards of agriculture.
 - ▶ Municipal or county records offices.
 - ▶ Local historical society.
 - ▶ Books about the area.
 - ▶ Internet searches can be a good place to start, but not all of these records may be digitized.



Farmland Preservation

- Farmland can be placed into preservation through Federal, State, County, or Municipal government programs, as well as through non-profit land trust orgs.
- When shopping for land, be aware of the different types of preservation (farmland, historic, wetlands) and what restrictions the land may have.



Farmland Assessment

- The New Jersey Farmland Assessment Act of 1964 permits farmland and woodland acres that are actively devoted to an agricultural or horticultural use to be assessed at their productivity value, effectively reducing the amount of annual property taxes that are owed on the land.

<https://www.nj.gov/agriculture/divisions/anr/pdf/farmlandassessmentoverview.pdf>

Farmland Assessment Overview

July, 2015



New Jersey Department of Agriculture

Criteria for Farmland Assessment

1. The applicant must own the land.
2. The owner must annually apply with the municipal tax assessor on or before August 1.
3. The land must be devoted to agricultural and/or horticultural uses for at least two years prior.
4. The land must consist of at least 5 contiguous acres being farmed and/or under a woodland management plan.
5. Gross sales of products from the land must average at least \$1,000 per year for the first 5 acres, plus an average of \$5 per acre for each additional acre.
6. The owner must represent that the land will continue in agricultural or horticultural use to the end of the tax year.

Site inspection - what to look for when visiting the farm

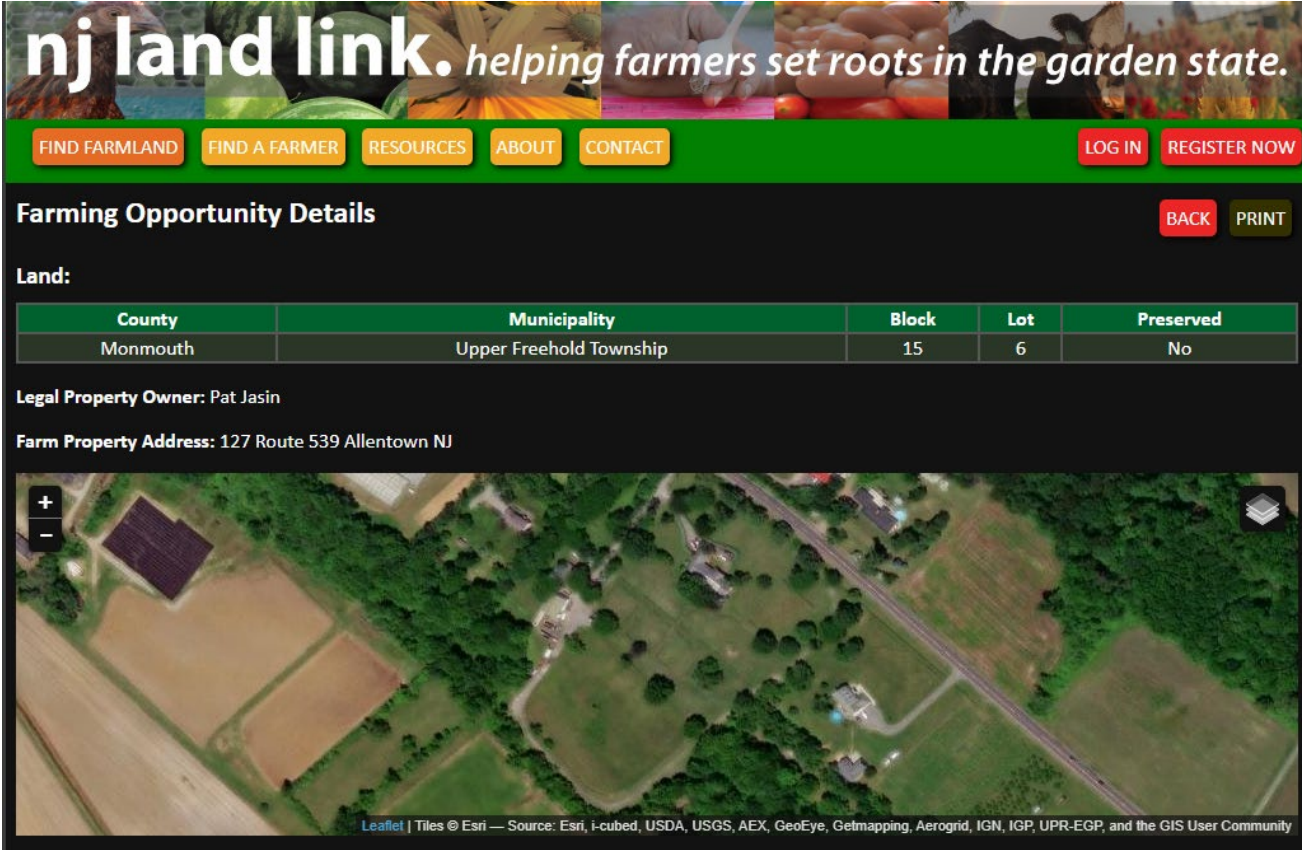
- ▶ Slope, flooding, and ponding
 - ▶ Kaitlin talked about soil drainage and erosion yesterday
- ▶ Aspect
- ▶ Airflow
- ▶ Water access and quality
- ▶ Wildlife pressure
- ▶ Parking
- ▶ Access - general and equipment
- ▶ Condition of structures
- ▶ General aesthetics
- ▶ Rutgers Site Considerations fact sheet: <https://njaes.rutgers.edu/fs1342/>
- ▶ NOFA NJ Site Evaluation Guide (from Land Link):
<https://www.njlandlink.org/resources/39/Site%20Evaluation%20Worksheet.pdf>

Still think you're ready to Buy?

- ▶ Line up your financing
 - ▶ Who is financing? (FSA Thursday!)
 - ▶ Be ready with down payment and understand total amount of loan you feel comfortable repaying.
 - ▶ Know costs of closing, title insurance, and termination provisions, property taxes
 - ▶ Get financial documents in order
 - ▶ Statement of assets / debts, balance sheet, **business plan**, projected cash flow / budget, credit report, production histories (often 3 years), Tax Returns (also often 3 years)
 - ▶ Be prepared to describe your financial position to show you can pay the loan back.
- ▶ Close the Deal
 - ▶ State Inspections

Example Farm to Purchase

- ▶ Find farming opportunities through word of mouth, via Ag community we mentioned earlier, or check out NJ Land Link - <https://njlandlink.org/>
 - ▶ Linking service between landowners and land seekers
 - ▶ Example - https://njlandlink.org/farm_op/574



The screenshot displays the NJ Land Link website interface. At the top, a banner features the text "nj land link. helping farmers set roots in the garden state." with a background image of various farm products. Below the banner is a navigation bar with buttons for "FIND FARMLAND", "FIND A FARMER", "RESOURCES", "ABOUT", "CONTACT", "LOG IN", and "REGISTER NOW". The main content area is titled "Farming Opportunity Details" and includes a "BACK" and "PRINT" button. The "Land:" section contains a table with the following data:

County	Municipality	Block	Lot	Preserved
Monmouth	Upper Freehold Township	15	6	No

Below the table, the "Legal Property Owner" is listed as "Pat Jasin" and the "Farm Property Address" is "127 Route 539 Allentown NJ". At the bottom, there is an aerial map of the property with a zoom-in (+) and zoom-out (-) button on the left and a map layer icon on the right. The map shows a large green field with some buildings and a road. The footer of the map area includes the text: "Leaflet | Tiles © Esri — Source: Esri, i-cubed, USDA, USGS, AEX, GeoEye, Getmapping, Aerogrid, IGN, IGP, UPR-EGP, and the GIS User Community".

Farming Opportunities Available:

- Purchase - Asking Price: \$875,000

Farm Size: 6.00 acres

- Crop Acres: 5.00

Land Status:

- Conventional
- Eligible for Certification

Farm Details:

Farm currently in operation: No

Farm Conservation Plan: No

Soils description: small creek in back with bridge to open land. good soil. Local farm now plants mums but no contract.

Farm buildings, infrastructure, and equipment available:

- Irrigation
- Outbuildings

Water sources available:

- Drilled Well - well on property services house only.
- River - creek in back of property close to field.

Housing available on farm: Yes - 6 acres on major hwy close to I-95, NJ Turnpike. Turn key 1850sq ft. home. 5 acres open for farming; front acres and back acres clear. Woods along front for privacy. Home details on Facebook; NJ Horse Network or email owner. Can be farm assessed to lower taxes. If purchased as a non-profit, pay NO property tax. Back of property adjoins farmland preservation. Very private yet close to everything.

Sale price - \$850,000*

- ▶ Adjacent preserved farm currently plants mums (no contract)
- ▶ Property has a small creek near the back and a 3-bedroom house, drilled well for house only, not farmland assessed, not preserved
 - ▶ What's the due diligence to be done here?
- ▶ 6 acres total: 5 acres for crops
- ▶ Some scenarios using the YFC Land Affordability calculator...

\$10,000 down

+ FSA Direct Ownership Loan of \$600,000 for 40 yrs. 5.375%

+ Traditional Bank Loan for 30 yrs at 7% to finance remaining \$240,000

= \$4,662 / month (\$2,056,027 total cost over 40 years)

\$30k down = \$4,529 / month (\$2,028,125 total cost “”)

\$100k down = \$4,063 / month (\$1,930,469 total cost “”)

Fun fact! The 2022 USDA Census of Agriculture valued farmland at an Average of \$15,992 per acre.

Start Small - Consider Leasing

- ▶ New Jersey has very low lease rates for ag land, you can sometimes find land for free.
- ▶ However, infrastructure on leased land is a challenge.
- ▶ Good conversations are important here as well.

- ▶ SADC Farmland Leasing Guidebook
<https://www.nj.gov/agriculture/sadc/documents/farmlink/resources/leaseguide2.pdf>
- ▶ SADC Lease Planning Worksheet
<https://www.nj.gov/agriculture/sadc/documents/farmlink/resources/leaseworksheetsfarmers.pdf>
- ▶ Farm Commons Lease Creation Guidebook
<https://farmcommons.org/resources/books/farmers-workbook-creating-agricultural-lease/>
- ▶ Questions to ask when developing a lease
<https://farmcommons.org/resources/articles/powerful-questions-to-prepare-for-an-agricultural-lease/>
- ▶ Land For Good - Leasing and Seeking Farmland Resources <https://landforgood.org/>

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Questions?

Contact Information

- ▶ Let us know if we can follow up with you for copies of this presentation and links to resources - add your email address to the sign-up sheet
- ▶ Contact us!

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