



STARTING A FARM OR RANCH BUSINESS IN IDAHO PURSUING LAND TENURE

Before you begin pursuing land options of any kind, it is important to be clear about your own values, vision, and goals and those with whom you work and share your life. Values reflect the beliefs that guide your actions and your life – at work, on the farm, with family, with friends and in your community. Your vision is a statement that describes where you are headed and what you want to achieve. Your goals are the concrete actions, or steps, you will need to take to reach your vision. Identifying your values and developing a written vision and goals statement, and understanding your current and future financial position, will allow you to evaluate the land tenure options available to you.

FINANCES

A major factor affecting your land tenure options is your financial position. Assessing your current financial position and developing a business plan are key prerequisites for secure land tenure – especially if your goal is to purchase land. It is important to both understand the costs of buying, leasing and even inheriting land and the costs of maintaining the land over time. Do a projection of what you need to earn to have your business be viable, and a projection of the business' earning potential. Assess what capital you have already in hand for things like a down payment or significant land improvements like fencing. What tools or equipment do you need to begin your business, and what do you already have? Land values are affected by things like water availability, location, how dense the competition is in the area, existing improvements on the property, and property taxes. Be prepared to do multiple projections of your finances based on these factors.

TOURS & INTERVIEWS

Before you make any purchases or sign any agreements, look at a lot of land. Farm tours hosted by your local extension office or soil and water conservation district and agritourism events are great opportunities to visit existing farms or ranches. When on a tour, ask lots of questions. Conversations with other farmers and ranchers is one of the most valuable things you can do to inform your land decisions. What do they love about their set up, wish was different, what decisions did they make, and what did they think was most important for their operation?

ASSESSING LAND

If you find land you are interested in, ask the owners for permission to do an onsite soil assessment and to take a soil sample to send to a professional soil testing lab. Walk the property, paying close attention to what weeds are present and variations in the area that can lead to microclimates. Ask about the site's history and how it has been managed in the past. What irrigation is available, what are the water rights of the property? Consider what infrastructure is already present and what you might have to invest. Is the location suitable for your markets or home? Can you live on site? Who are your potential neighbors and are they supportive of a farm or ranch business being in their neighborhood? Look for experienced farmers in the area who offer site assessment consulting services and contract them to provide a site assessment and discuss marketing options available in the area.

NEGOTIATIONS

Whether you are negotiating a lease agreement or a land purchase, be honest with yourself and what you can afford. Overextending yourself with land payments will limit the amount of capital you have to invest in and operate your farm. If you are nego-

tiating a lease, consider what services you can provide to reduce the cost. These can include a CSA share, land management practices, livestock care, pasture or weed management.

LEASE AGREEMENTS

Always get a written lease agreement when renting land. A handshake is not enough. Invest in an attorney to review your lease agreement before signing—it is worth the money! Remember: a lease can change in the future if both parties agree, but you want to start on the same page. Check examples of existing lease arrangements and work from there. Sample leases, highlight important things, create a list of questions or discussion points for you and the landowner. As you review sample leases, make a checklist of the provisions you would like to see in your lease agreement. Use this checklist as a tool for discussions with the landowner.

A Good Lease Includes:

- ✓ A preamble describing what the lease is about.
- ✓ Description of the leased property.
- ✓ Term (length of the lease)
- ✓ Rent. Cost and payment provisions (monthly, once a year, etc). Services provided by the lessee. If you are providing services or goods, make note of their monetary value in the lease and how they will be documented or tracked.
- ✓ Who is responsible for which aspects of operating costs and property maintenance.
- ✓ Notes on indemnification clause and/or liability insurance (is the property owner liable for injuries that occur on site?)
- ✓ Who is responsible for taxes, organizing assessments?
- ✓ A description of the initial condition of premises (where you note things like fencing, barns, weeds, etc)..
- ✓ Protocols for subletting or transferring of the

lease.

- ✓ What happens if the tenant defaults, or the landowner wants to sell the land?
- ✓ Is there an expectation that the lease will continue in the event of a land sale?
- ✓ Living arrangements—do they exist and who is responsible for payment and upkeep of them?
- ✓ Does the landowner allow visitors to the farm or ranch? Can they camp overnight?
- ✓ Animals / pets and livestock on the farm.
- ✓ Who is required to mitigate noxious weeds?
- ✓ Who maintains any irrigation ditches present?
- ✓ Can you store things on the land, and if so, where?

LAND RESOURCES

While agricultural land for sale is often listed with a real estate firm, there are many local resources that can help you identify land that may be available for sale or lease. When you begin looking for land, reach out to your local land trust agency, your local conservation district, food and farm organizations (especially those local to your area), your county's extension office, as well as local realtors, Craigslist, Facebook groups, and cold calling landowners of vacant properties through the county assessor's office. The ISDA's Farm and Ranch Center has an Idaho Farm Link resource for land seekers and owners to connect. Land for Good is another land seeker resource, though not specific to Idaho.

PURCHASING FARMLAND

Advance planning for purchasing farmland is essential. Purchasing farmland requires understanding both your personal and business financial resources and your income potential. Current land prices often require a consistent off-farm source of income to meet land payments, especially in the first years of doing business. Purchasing land is a long-term and costly commitment. In preparation

for meeting with a loan officer, it is important to understand your financial position. To do this, you will need to locate your last three years tax returns and create several key personal and business financial statements: a balance sheet, income statement and a cash flow statement. A balance sheet is a snapshot detailing your assets, liabilities, and net worth at a specific point in time. An income statement, also known as an earning statement or profit and loss statement, details your income and expenses and calculates your net income over a specific time period (such as quarter or year). Cash from financing is not included in your income statement. The third financial statement you will need is a cash flow statement or cash flow budget (a forward-looking cash flow statement). The cash flow statement includes all your sources of cash, including from investment and financing activities and all of your direct cash needs throughout the year. Creating a cash flow statement will allow you to see how your cash flows vary by time of year and your cash flow budget will help you plan for addressing any cash flow shortfalls. Knowing your financial position will allow you to approach a lender with the information needed to enter into a discussion about obtaining financing for a land purchase.