

Leasing farmland into an uncertain future

By Tim Cobb

Farmland Company

As farmland owners cast their gaze into uncertain times, the view is made even more clear that proper leasing fundamentals are an important hedge against investment risk. The speed of change continues to accelerate, and principles of economics, which were once reliable, are now influenced by global events that can cause violent changes to overall value.

Owning and operating farmland effectively is no small task, and proper planning and overall perspective will keep the land prosperous and returning well no matter the challenges.

Farmland and other property-based investments remain consistent in providing stability in a nation that continues to progress agriculturally. Owning and operating farmland effectively is no small task, and proper planning and overall

perspective will keep the land prosperous and returning well no matter the challenges.

Let's look at three opportunities the thoughtful owner of farmland can consider to help ensure vitality:

- Long-term perspective;
- Keep an eye on the land; and
- Build a great team.

First, a key to realizing long-term value is having long-term perspective. This is true regardless of whether you are new to farmland ownership or have many years of possession and regardless of obtaining ownership through generational transfer or purchase investment. Looking long term in a world of instant messaging, overnight markets and success that is measured by the speed of response or action can be difficult and demanding. In contrast, a three-to-five-year range should be taken into consideration for leasing activities, crop rotation and room for expansion or contraction of markets for ultimate profitability.

Many decisions made in year one regarding leasing will not return full value until year two, three or four, and at the same time, if decisions are made in haste based only on a "today" mentality, they will create mistakes and recession to the land and leasing activities that come with that same speed. There is no substitute for always seeking to do right by the land, and that takes time and patience.

Second, it continues to be of utmost importance to

ensure that there is sufficient monitoring of farmland by owners to protect the value and productivity of your farmland. This monitoring can take many forms, but beginning with the fundamentals of knowing and understanding the "cultural practices" that are being implemented on the land will provide a great baseline.

Practices such as tillage methods, organic matter levels, general soil health, chemical application, conservation methods and crop rotation will give a basic sense of the practicality of annual regeneration of the land. Soil health is key to short- and long-term success, and minor changes to how the soil is cared for can make a huge difference in its longevity and production levels. Having progressive lease arrangements that allow a farm tenant to look forward and build up the land will ensure that potentially damaging short cuts to profitability won't be taken and will yield real dividends to your investment.

Third, it never ceases to amaze me the amount of trust that exists in a farmland leasing arrangement and the importance of having quality people involved in the production aspects. This continues to be a hallmark of farmland ownership and operation as both parties go beyond basic details of a lease and is built over years and years of working together for the best outcome despite annual challenges.

Every relationship between a farmland owner and farm operator should have a routine checkup to ensure that all efforts will be exerted to not only make the crop successful but the long-term viability a reality. Here are a few simple questions/conversation starters to help keep transparency and continue to build the relationship:

- What is something I can do as an owner to understand the production challenges you are facing?
- What do you think will be the best thing you will be able to accomplish over the next two to three years to improve your farming operation?
- What can we do together to ensure we position our lease properly to allow for our combined success with our farm?

Showing this level of engagement is refreshing to any landlord/tenant relationship, and if handled in earnest, it will yield additional levels of trust.

As we conclude, let us pause to reflect on the miraculous nature of farmland and its ability to continue to give year after year, even with varying weather patterns or crop

demands. As a farmland owner, you can help keep that trending toward productivity by working together with your farm operator/manager and asking these and other simple questions to understand what is being put back into the land for the future. ■

Tim Cobb is a farm kid from Eastern Washington and is the owner of Farmland Company (formerly Hatley/Cobb Farmland Management), which specializes in farmland management, insurance, real estate brokerage and appraisal across the Pacific Northwest. Visit farmlandcompany.com for more information.