

Grazing Lease Clinic: Creating Agreements for Successful Ranch Operations



www.cafarmlink.org

California FarmLink works to link independent farmers and ranchers to the land and financing they need for a sustainable future.



FarmLink Services for Farmers and Ranchers

Access to Land

- Online land listings
 - Farm lease, partnerships and purchase opportunities
- Facilitating agreement negotiations and composition
- Farm Succession Planning
- Resources and Referrals



FarmLink Services for Farmers and Ranchers

Access to Capital

- FarmLink Loan Program
- Explore options
- Prepare for financing
- Loan coaching



FarmLink Loans: Details

- Loan amount: up to \$250,000
- Loan type: loans – no lines of credit
- Loan use: production/operating (78%) OR equipment/infrastructure
- Terms: production = 1 year, equipment = 1-7 years
- Interest rate: 7% fixed
- Loan fees: 2%
- New Land Loan Program



Referrals to Specialists:

Helping link farmers to professionals

- Attorneys
- Lenders and financial specialists
- Real estate brokers
- Accountants
- Appraisers
- Insurance brokers
- Farm Transition Specialists
- Estate Planners
- Mediators
- Cooperative Extension Farm Advisors



Achievements

- Land Tenure
 - All Regions (North Coast, Central Coast, Central Valley)
 - 160 leases secured since 2007
 - North Coast & Bay Area
 - 67 leases secured since 2007
- Loan Program
 - All Regions
 - 91 loans for total of \$3,241,205 since 2011
 - North Coast & Bay Area
 - 14 loans for a total of \$225,500 since 2011



[Home](#) » [Find Land](#)

Find Farm Land

If you are a farmer with **2+ years of experience farming and a clear idea of what you're looking for**, we can help connect you with landowners eager to find someone to farm their property. Get started by following the steps below!

We offer **many other resources** to new farmers who have been farming for **less than 2 years**.

How to Find Farm Land Through California FarmLink

We have recently implemented some exciting changes to our website that will allow you to connect directly with landowners. If you encounter any technical glitches with the new Dashboard, **send us a message**.

1. **Create a Landseeker Profile.** If you have previously filled out an intake form, you may be able to skip to step 3. You will be prompted to renew your membership if you have not done so within the past year.
2. **Become a member of California FarmLink.** You will receive an email about how to become a member once you create your profile. Landseeker Memberships are \$15 and are valid for one year. If you have previously paid a membership fee within the last year, your membership will be activated automatically. You may also request a Fee Waiver Application by **contacting the main office**.
3. **Register for a Land Linking Dashboard account.** If you have previously filled out an intake form, make sure to register with the same email address you used when you first signed up. *You will only be able to register once you have created a Profile and become a member.*
4. **Login to the Land Linking Dashboard**
5. Have a business plan or a statement about your farm vision ready, **prepare to reach out to a land owner**, then use the Dashboard to browse the Land Listings and contact landowners directly. If landowner contact information is not listed, contact the appropriate **FarmLink Regional Coordinator**. We respond to land opportunity

Find Land

[Farm Land Listings](#)

[Elements of a Good Lease](#)

[Communicating with a Landowner](#)

Resources

Recursos en Espanol



[Home](#) » [Landseeker Create a Profile](#)

Landseeker Create a Profile

If you have previously filled out an intake form, you may be able to skip this step and [register for the Land Linking Dashboard](#). You will be prompted to renew your membership if you have not done so within the past year.

Hold CTRL on PC or Command on Mac to select answers to questions with multiple options. Contact information entered here will not be publicly accessible through the website.

First Name: *

Last Name: *

Email: *

Home Phone (###-###-####): *

Cell Phone (###-###-####): *

Mailing Street: *

City: *

State: *

Zip Code: *

County: *

In which California FarmLink region are you MOST interested in farming, or where is your property located? Your selection here will be used to connect you with your primary Regional Coordinator. (Note that we do not currently offer farm land opportunities in Southern California): *



[Home](#) » [Find a Farmer](#)

For Landowners

If you're a landowner interested leasing your property to a farmer, FarmLink can help you market your property to a database of hundreds of beginning and existing farmers and also help you navigate the lease negotiation so it is a win-win for you and your tenant.

We have recently implemented some exciting changes to our website that will allow farmers to connect directly with you. If you encounter any technical glitches with the new Dashboard, [send us a message](#).

1. [Create a Landowner Profile](#). If you have previously filled out an intake form, you may be able to skip to step 3. You will be prompted to renew your membership if you have not done so within the past year.
2. [Become a member of California FarmLink](#). You will receive an email about how to become a member once you create your profile. Memberships are \$15 and are valid for one year. If you have previously paid a membership fee within the last year, your membership will be activated automatically.
3. [Register for a Land Linking Dashboard account](#). If you have previously filled out an intake form, make sure to register with the same email address you used when you first signed up. *You will only be able to register once you have created a Profile and become a member.*
4. [Login to the Land Linking Dashboard](#) and submit your Land Listing. New listings must be approved by a FarmLink Regional Coordinator. Once they are approved, they will be posted on the website and your contact information will be shared with logged in land-seeking farmers.

We recommend that you [prepare for your first communication with a farmer](#) by putting some thought into what type of operation and tenant relationship you are looking for.

If you are a retiring farmer interested in keeping your land in agriculture, check out our [Farm Succession Planning](#) resources.

Find a Farmer

[Elements of a Good Lease](#)

[How to Approach a Farmer](#)

Resources

Recursos en Espanol

[Home](#) » [Landowner Create a Profile](#)

Landowner Create a Profile

If you have previously filled out an intake form, you may be able to skip this step and [register for the Land Linking Dashboard](#). You will be prompted to renew your membership if you have not done so within the past year.

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Email: *

Home Phone (###-###-####): *

Cell Phone (###-###-####): *

Mailing Street: *

City: *

State: *

Zip Code: *

County: *

In which [California FarmLink region](#) is your property located?
Your selection here will be used to connect you with your primary Regional Coordinator. Please note that we do not currently offer linking services in Southern California.

[Home](#) » [Find Land](#) » Farm Land Listings

Farm Land Listings

[Find Land](#)[Farm Land Listings](#)[Elements of a Good Lease](#)[Communicating with a Landowner](#)

Land Listings - Public

*Hold CTRL on PC or Command on Mac to select multiple options.
Currently you can only search one county at a time.*

County:

-- None --

Land suitable for:

-- None --

Cattle (beef)

Cattle (dairy)

Forage crops

Goats/Sheep

Agricultural practices currently employed on property:

-- None --

Organic

Biodynamic

Conventional

None of the above/Not sure

Only show listings with available housing

☐ No ☐ Yes

SEARCH

Reset

Start Over

Monterey #2024

To access the landowner's contact information, follow the steps on [How to Find Farm Land](#).

Acres available for lease or purchase: 10

County:

Land Suitable For: Orchard | Row crops | Vineyard | Berries

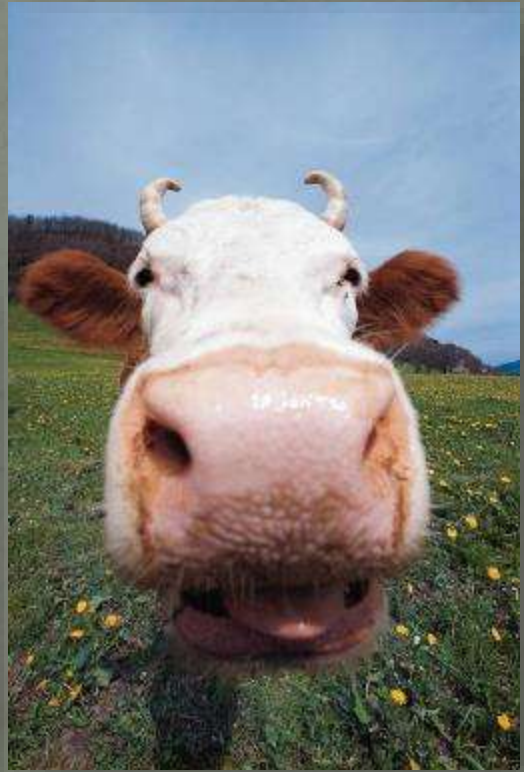
10 ACRE CERTIFIED ORGANIC FARM FOR LEASE THIS WAS

What to Look For In Farm Land?



Climate

- Regional
- Local
- Micro-climates within the property



Location

- Distance to markets
- Distance to suppliers
- Distance from other farmers and family
- Access to main roads
- Access on/off property



Site

- Acreage
- Soils
- Drainage
- Exposure
- Slope
- Organic



certification an immediate possibility?

Water

- Source
- Quantity
- Quality
- Infrastructure



Infrastructure

- Outbuildings
- Fencing
- Power
- Irrigation
- Roads



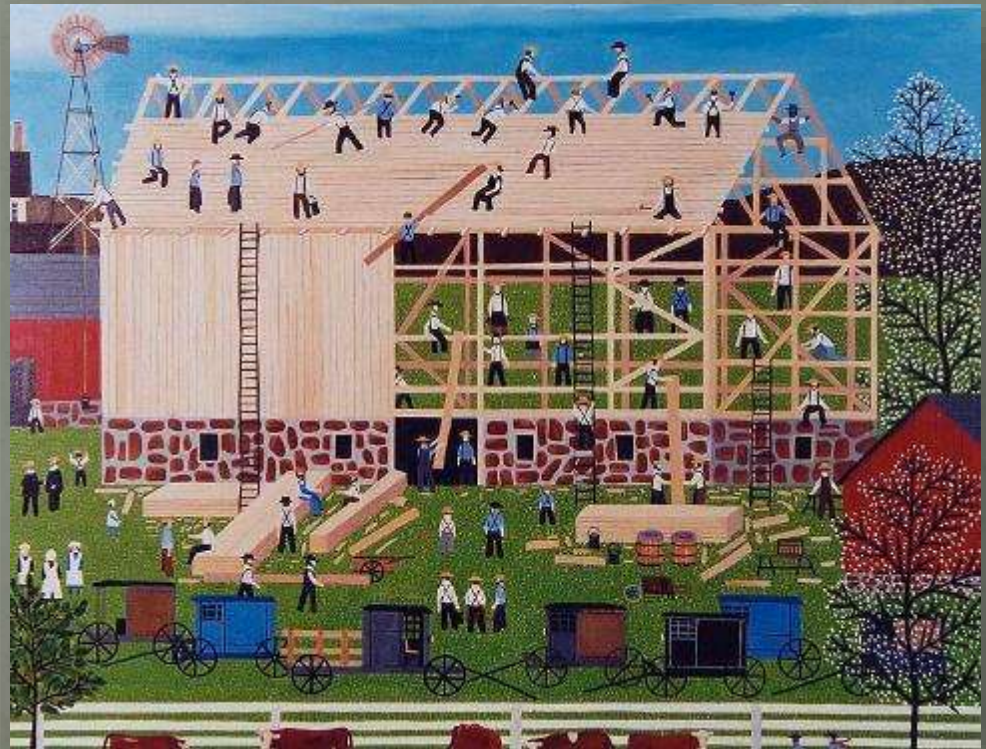
Housing and Equipment

- For use
- For rent
- For purchase



Relationships

- Compatibility with owner
- Mentorship opportunity
- Neighbors:
 - Organic
 - Conventional
 - Ranch friendly?



Strategies for Finding the Right Property

- FarmLink type organizations
- Established ranchers
- Friends & Family
- Craigslist
- Google Groups/listservs
- Google Maps
- Assessor's Office
- Place a classified ad
- Realtors



Accessing Land



Steps to Signing a Lease

- Lease meetings
 - Use opportunity to clarify expectations
- Lease type/rates
 - What are you paying for?
- Lease composition
 - Personalize your lease
 - Review the lease!
- Third party review



Land Security for Small Farmers

Short-term

- Safe place to test a new farm business
- Grazing or annual row crops: year-to-year

Medium-term

- Attracts investment
- Deepens relationships (markets, employees, neighbors, etc.)
- Justifies good stewardship
- Minimum for investment

Long-term

- An appreciating asset
- A transferable asset
- Vineyards, orchards, other high-infrastructure operations: 7-50 yrs



Agricultural Leases



- Cash Lease
- Sub-Lease
- Crop Share
- Ground Lease
- Lease-With-Option
 - To renew
 - To own

Cash Lease

- Tenant carries risk
- Autonomy for tenant
- Predictability for landowner



Determining Cash Lease Rates

- What to Consider:
 - Soil type, Grass quality
 - Water & Utilities
 - Location, Location, Location
 - Plug and Play?
 - Housing, Equipment,
& Infrastructure
- Market Rate!
 - Can trump everything



Calculating the Rent Fee

1. AUE (Animal Unit Equivalent) = 1 adult cow + calf (< 8 mo.)
2. AUM (Animal Unit Month) = AUE x Months grazed on property
3. AUE Grazed x (AUM Rate) = Lease Fee

Example: 50 bred heifers with calves grazing for six months at market rate (\$16.25/AUM)

1. (50 AUE) x (6 months) = 300 AUM
2. (300 AUM) x (\$16.25/AUM) = \$4785.00 for six months

Note: AUM Capacity determined by forage/soil type, water availability, grazing season, and other. Ask you local UCCE or RCD for assistance.

Crop Share or Share Lease

- Landowner shares risk with tenant
- Landowner and tenant work closely together
- Parties share incentive for farm success
- Landowner often earns more than through cash
- Less startup capital needed from tenant
- Helps to have reasonable expectation of revenues
- Requires a high level of trust



Ground Lease

- Most “permanent” lease model
- Used often in commercial real estate (eg. Safeway with 50-year lease)
- Provides ample time to justify major infrastructure/improvements
- Often at least 10 years longer than a mortgage
- Legal description is essential
- Should be recorded with property deed



Elements of a Good Lease



- Contact information
- Property description
- Term
- Rent use
- Initial condition
- Maintenance, alterations
- Utilities
- Assignment or subletting
- Taxes and insurance
- Liability and indemnification
- Applicable laws
- Dispute resolution

More Elements

- Option to Renew
- First Right of Refusal
- Option to Purchase
- Conservation Easement
- Water- Exit clause if water runs dry
- Termination Clause
- Grazing capacity/season
- Residual dry matter
- Late rent
- Organic protections or reqs



Grazing Lease Alternative Clauses

- Drought Conditions
- Water Contamination
- Adaptive Management Practices
- Rent Credit
- Prescriptive Burning
- Rent for Livestock
- Manure Handling
- Agritourism
- Firearms and Hunting
- Animal health
- Escaped Livestock
- Pest Management
- Livestock Guardians



Lease-to-Own:

A good building block for farm succession



- **First Right of Refusal**
 - Owner must notify tenant of intent to sell
 - Tenant has right to match any third-party offer and make purchase
 - Does not guarantee Tenant will be in position to exercise
- **Option to Purchase**
 - Specifies time-frame for exercise
 - May be accompanied by a purchase agreement, naming pre-determined price

Why have a written lease?



- Clarify goals and expectations
- Memories don't always match
- Establish process for conflict resolution
- Establish consequences of violation
- Legal protection for both parties

Who Cares if Your Lease is Written?

- Agricultural Commissioner (for Certified Producer Certificate)
- Organic Certification Agency
- Lenders
- Court System
- USDA
 - NRCS Cost Share



Does ownership deserve a bad name?

- Land prices typically don't justify purchase over lease!
- Mortgage – “Death debt”
- It depends on your path to ownership!



- A lease is often the most viable or even the preferable option if a few conditions are met
- With easements, many purchases become feasible

Paths to Ownership

- **Old School**
 - Marry
 - Inherit
 - Borrow
 - Installment Sale
- **Newer Approaches**
 - Make money off-farm
 - Buy a house and build equity
 - Sell an easement
 - Finance as a house not a farm
- **Lease-to-Own**
 - Right of first refusal
 - Option to purchase



Thank You!

FarmLink Regional Coordinators

- **North Coast & Bay Area:**
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Long term Lease with Purchase Option



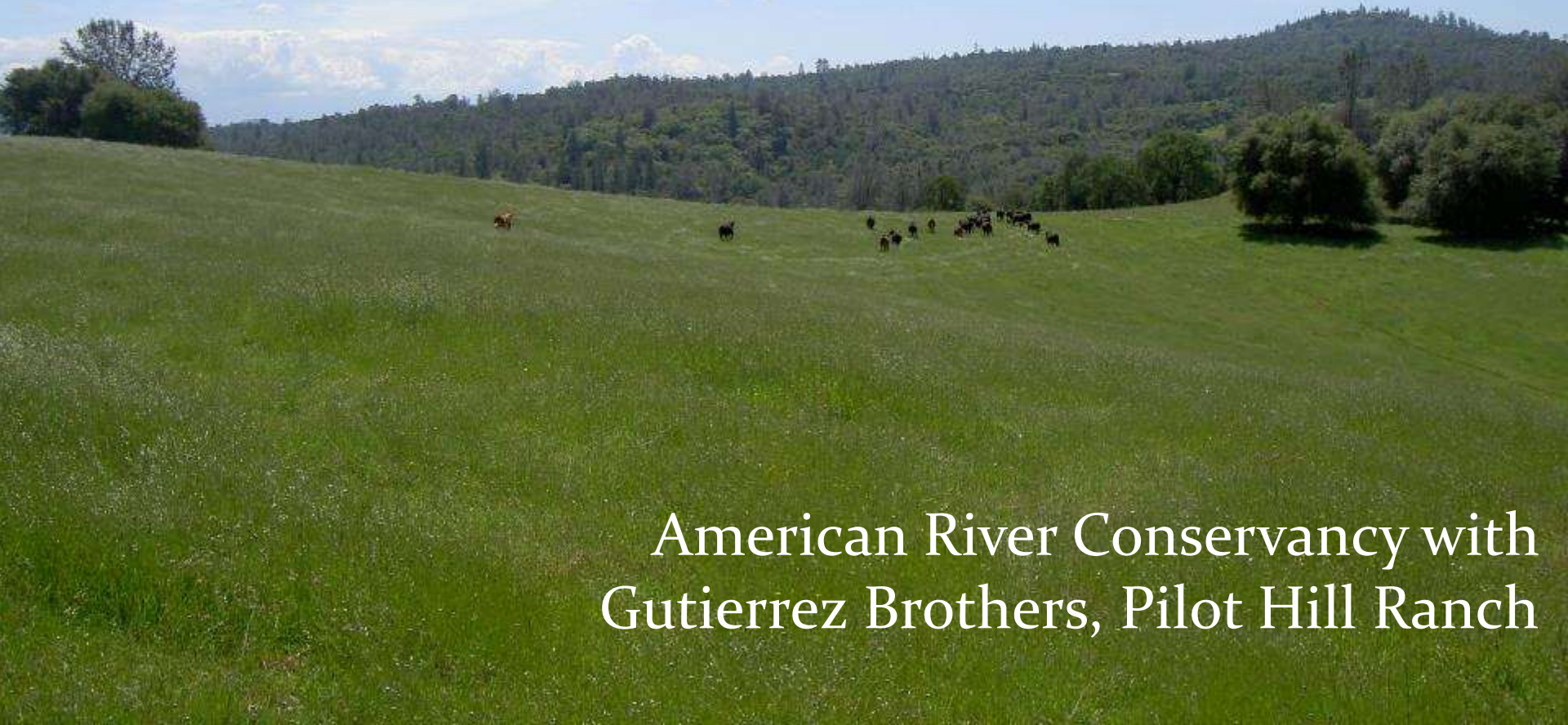
Say Hay Farms
with Pat Meade
and Jon Robbins

How Do Easements Fit Into a Farm Purchase/Sale?

- Sale of an easement can lower the cost of the property at the time of sale in order to buy out off-farm heirs or retiring generation
- A donated easement can offset taxes due to lease income
- Sale of an easement can serve as a down payment



Sale of Easement Allows Farmer to Hold on to Family Land



American River Conservancy with
Gutierrez Brothers, Pilot Hill Ranch

Land Trust Offers Lease with Option to Purchase to Conservation-Minded Young Ranchers



The Nature Conservancy and Sandhills Task Force
with Horse Creek Fen Ranch

Affirmative Language: Easement Tool to Ensure that Land is Continuously Farmed



Marin Agricultural Land Trust with Thornton Ranch

Land Trust Purchases Easement Simultaneously with Farmer Purchase of Land In Fee



PCC Farmland Trust, with Dropstone Farm

Alternative Lease Models

Cash Lease from:

- Public Agencies
- Park System
- Land Trust
- School District
- Church

Cash lease from a business/corporation

- “Can I end your maintenance problem for you?”





Can USDA Help?

- Farm Service Agency (FSA)
 - Direct farm ownership loans
 - Guaranteed farm ownership loans
 - Land Contract Program
 - Interest-assistance
- Natural Resources Conservation Service (NRCS)
 - Cost-share programs for landowners AND tenant farmers