



THINKING ABOUT SELLING YOUR FARMLAND? A FEW THINGS TO CONSIDER

Corbett Kull | February 13, 2020



If you're fortunate enough to own farmland, you may find yourself wondering if it's time to sell this asset. Before you do, here are a few considerations.

If you're fortunate enough to own farmland, you probably know that tillable land is highly valuable and relatively hard to come by. Farmers National Company estimates that only 2 percent changes hands each year, half of which happens through land transfers and inheritance. And there's good reason to keep farmland within your family.

Farmland has increased in value over the past fifteen years and it is a highly valuable asset. Whether you've been farming your own land and you're looking to retire, or you're a remote landowner who no longer has the energy to manage your farmland operation at a distance, it's wise to pause before you sell. After all, sales are permanent.

Your stewardship of the tillable land you hold matters because your family's history of ownership represents more than just a story you can tell. It builds the value of the land and contributes to a tradition that you're uniquely positioned to hand on to your children. If you're not convinced, read on.

The farmland rental market is a strong source of passive income

If you're looking to retire from farming and you don't have a family member who's interested in taking over the operation, sale isn't your only option. Renting your tillable land is a great way to gain passive income without losing control over your land.

The farmland rental market is vast and thriving. There are nearly 3 million farmland owners in the US: 50 percent of farmland owners farm their own land. Forty percent of all farmland is rented, which means that you're not alone in looking for help keeping your land in use.

Renting a farm out isn't as big a challenge as it used to be, thanks in part to new technology and increased attention to farmland rental contracts.

Handshake agreements are going by the wayside as farmland owners and farmers warm up to the benefits of having a written farmland lease. These documents can help both parties align their farm business plan with their goals, outline standards for data collection and delivery, and positioning both parties to better understand the land's health and performance.

As a farmland owner with a written contract, you can rest easier knowing that you and your farmer are on the same page. This extends to your expectations around soil health and farmland preservation.

If you're looking for a liquidity event, it may be tempting to find a buyer and be done with all questions about farmland tax credits and operational maintenance. But it's wise to step back and consider the future.

The primary benefit of renting your land rather than selling it is that you'll gain a relatively stable source of passive income. By retaining your land ownership, you'll also preserve the value of your farmland for the next generation and the one after that.

Ensure your farmland's future with a succession plan

There are two essential parts of any farm business plan: a backup plan and a succession plan. If you don't have the latter, start this conversation today. The land transfer tax alone on this type of asset can pose a huge challenge for a family or group that isn't expecting to inherit farmland.

If you are thinking about selling your farmland because you're nearing retirement or you need to access the value of this asset in the short-term, selling your farmland may not provide the resources you're looking for in the near-term. In addition to the fees associated with sale—some of which may vary by state—you may find yourself in a years-long process to transfer the land ownership.

To get the most out of your land and minimize the hassles of a rushed sale, consider renting your farm to someone in your family or community who would be interested in working the land as an interim step while you plan your next steps.

Thanks to agtech, renting a farm is easier than ever

AgTech startups have opened the door to new structures for farmland rental. Tillable offers you a platform to rent your farmland, track your leases and manage your tenant relationship at a distance. But digital tools for inventory management, smart agtech

machinery and easy communication with your farmland tenants are no longer a novelty. They're the mainstream.

Following this trend in digitization, farmland rental agreements are becoming more sophisticated and this means less work for landowners. Your farmland rental agreement should include provisions for data delivery and there's no reason for this to be a manual exchange of spreadsheets.

The tools available to help you modernize your operation can also simplify the farmland rental process. They can help you ask the right questions to vet prospective farmland tenants and make it easy to get in touch with references that can attest to their character, reliability and operational savvy.

In the new decade, data-forward farmland owners can choose to enter an annual rental agreement cycle with the assurance of having a written lease that includes clear expectations around farming practices and stewardship.

Improve your balance sheet through farmland conservation

For farmland owners who no longer want to work their land and don't want to sell, there are excellent resources available to help you ensure that your land stays in active and sustainable use. If you're not sure where to start:

1. Contact your local ag extension, state USDA office or your county zoning board. They're all fine places to start, as there are qualified professionals in each office who can talk you through your options.
2. Contact a private agency, like the American Farmland Trust.
3. Look for state-specific land trusts to explore your options. For example, farmland owners in Wisconsin can contact Groundswell to find out about options for land use besides development.

If you're interested in conservation, rather than pulling your land out of active use, look for ways to transition your farming operation into the hands of a qualified farmer or tenant. It should not be a challenge to find a partner who can help maintain your soil's health and keep your farmland healthy years to come.

If you're not looking to sell your farmland, but you need help making your operation more affordable, putting your eligible farmland in conservation may be a great way to access a tax credit for land owners. As a first step, contact your county zoning board to find out if your land is located in an area that's zoned for farmland preservation.

Your farmland is part of your story

The farmland you own is likely a piece of your family's history and part of your story. Selling is a permanent way of ending a chapter in a book you aren't likely to have the chance to reopen.

Before you decide to sell your farm, consider rental. With annual cash rent leases and the option to change farmers if you find you're not partnered with the right person, farmland rental is a flexible option that empowers farmland owners to continue to benefit from owning productive land.

If you're already renting your farmland but you're not sure if you're earning the right rate for your land, reach out to the team at Tillable to discuss your options. If you're interested in hearing about our approach to true farmland price discovery, we'd love to hear your story and find out if we can help.

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