

Who Is Farmland Stewardship Solutions?



LEASING PROCESS 101



WHAT IS THE PAYBACK ON MY INVESTMENT?



NEW SOLUTIONS FOR ABSENTEE FARMLAND OWNERS

Whether leased farmland is owned for short term returns or long term investment, the value of the asset – the land – requires annual oversight. That’s where Farmland Stewardship Solutions fits.



Modern farming is a technology-dependent industry with volatile prices, uncertain weather and mind-numbing regulations. It is capital intensive, too. Land values are high and the cost to plant a single acre of corn edges \$500. That’s why **annual financial and crop management oversight is a requirement for absentee landowners and fiduciaries** managing farmland property.

Yet, this work – negotiating annual leases rental rates, monitoring the farm’s performance, and ensuring the farmland meets good stewardship – is stressful, time-consuming and errors can be costly.

Fortunately, *Farmland Stewardship Solutions* (FSS) offers new farm leasing platform that addresses absentee owner and fiduciary needs. We work with landowners to select the right type of lease, clarify stewardship terms, collect and store all farm-related data and produce annual reports, all at a reasonable fee.



The Midwest’s Leading Farm Lease Platform

Who Is Farmland Stewardship Solutions?

Farmland Stewardship Solutions (FSS) is the Midwest’s premier farmland leasing platforms. The Des Moines, Iowa based firm offers a range of farm leasing services, designed to provide farmland owners the expertise and services to manage their property. This includes selecting the most advantageous lease type, determining stewardship and conservation goals, collection of agronomic and production data, maintenance of key trend data over time, and providing annual reports. FSS was formed in 2008.

Our Professional Staff:

Greg Townsend - Townsend is a veteran of the agricultural industry with deep agronomic and precision ag technology experience. Greg worked most recently with Cargill’s NextField project. Prior to that he was involved with E4 Crop Intelligence, a precision ag service and software provider. Earlier in his career, he held various management roles at John Deere and Pioneer Hi-Bred. He holds CPAg, and CCA accreditations.



Andy Mullan - Mullan is a 2011 graduate from the University of Northern Iowa, with a Bachelor's Degree in Business Administration. Andy began working for Farmland Stewardship Solutions in May of 2011. He works closely with clients to meet all of their needs concerning leases, record keeping and other rental issues. Andy is currently working to complete his education training to become a Certified General Appraiser.



Mark Gannon – After observing the many conflicts between landowners and operators, Mark decided to develop a system that nurtures positive landowner-operator relationships and fair leases. Mark has been a farm manager for 30 years and is licensed to sell real estate across the Midwest.



We are not afraid to get our boots muddy.

Our Values:

Knowledge – We support our clients’ decision-making with agronomic, economic, environmental and farm program information;

Stewardship – We seek to maintain or improve the long-term economic, environmental and productive health and hence value of the farmland;

Transparency – We believe decisions based on data and measurable goals help take the emotion out of the leasing process;

Long Term Relationships – Since farming is inherently a long-term endeavor, we emphasize leasing goals that enhance long term landowner-operator relationships;

Advocacy – We stay abreast of agronomic, economic, environmental, and farm program developments so landowners don’t need to.

Our On-Boarding Process:

Farmland Stewardship Solutions (FSS) has developed a process to ensure that the inputs of *both* farmland owner/fiduciary and operator/tenant are considered in the lease development process. An FSS consultant will lead this process and provide the followup discipline. This process is broken down into five simple steps shown below:



An annual report is produced after harvest for the farmland owner. (see page 5)

By collecting and codifying such information during the lease development process, both the owner and operator have a clearer understanding of expectations and performance is measured with actual data. This allows both **owner and operator to work together on the common goal of improved yields, higher economic returns and good land stewardship.**

What Types Of Data Do We Seek From the Operator?

Acreage Planted

Tenants provide a report on which fields were planted to which crops. Planting rates provided, too.

Fertilizer Applied

Tenants provide data on how much fertilizer was applied by field. Used in managing soil fertility decisions and economic analysis.

Crop Chemicals Used

Tenants provide data on how much chemical was applied and date of application. Chemical history is used for crop rotation decisions.

Soil Tests

Soil tests are taken a minimum of every four years. Grid or zone sampling is preferred. This information is used to monitor soil's long term productivity.

Yield Results

Ideally, yield data from two different sources is provided. Insurance quotes are the best, but yield maps from ag software and scale tickets are accepted. It is used in economic and agronomic analysis.

What Is Potential Payback From Purchasing FSS Services?

Farmland Stewardship Solutions creates value in a number of ways. We help you:

Reduce your stress and, for fiduciaries, legal exposure - Many people - recently retired farmers, heirs, and estate trustees - simply don't want the stress of annual lease negotiations. Others seek assurances their land is well maintained. Those overseeing land for others have a fiduciary responsibility but lack the time, skills required. The *FSS* lease platform provides the process, technical oversight and discipline to ensure the property is properly managed, data collected and performance records produced and stored for future use.



Determine the “right” lease type with our systematic on-boarding process - *FSS* works to determine the right lease type. Some farmland owners are able to share the risks of a crop share lease, for example. Others may prefer the predictable payment provided by a cash rent agreement. Others, may want something in-between, such as a flex-rent approach. We help owners understand the pros and cons of each option. Then - each year - we analyze the estimated returns of various common lease types as part of the annual report.



Gather the data you need to take the “emotion” out of rent rate negotiations - The annual hassle of renegotiating annual rental rates is problematic, especially when the landlord lacks solid yield and economic data. *FSS* leases stipulate that the operator provide core production data so that both parties can base rental rates on data, and not local averages or ‘hunches.’ Since long term trend data is relied on, rates tend to be more stable during both prosperous and challenging commodity markets.



Conservation compliance and farm bill - Many absentee farmland owners express concern with conservation compliance and other general conservation health of the farm. *FSS* consultants stay abreast of conservation and farm bill provisions and payments, which can have a material impact on the farm's economic picture. For example, ARC-CO payments can have an impact on the farm's profitability.



Enhance the reputation (and value) of your property - Soil types, fertility level, drainage, location, slope, and actual production data all go into determining a farm's perceived value. By collecting crop production trends and benchmark data, potential buyers have a greater sense of a farm's productive worth. It's common for buyers to discount their offers due to lack of data.



Build a strategy for long- term farm improvement - One of the biggest benefits of the *FSS* leasing platform is it provides a platform to improve the farm's value over time. This includes identifying soil fertility issues, ideas on improving physical problems such as tiling or terraces. By identifying and codifying management expectations within the lease, the productivity and quality of the farm can be substantially improved over time.

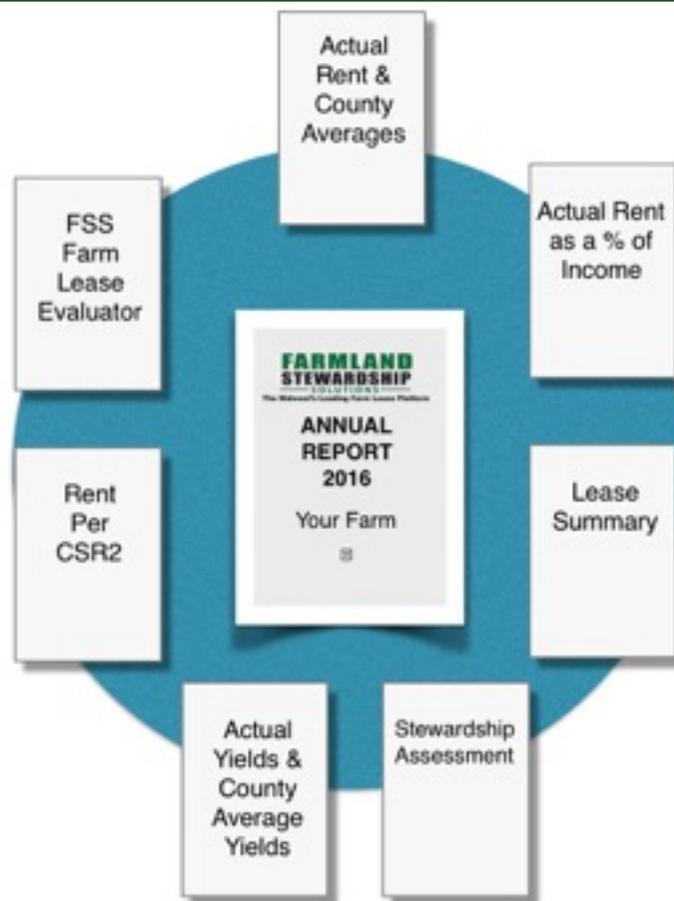


The FSS Annual Report:

Each year, we gather and analyze economic, agronomic and stewardship information and prepare a detailed **Annual Report**.

The report is a comprehensive review of the leased farm. This includes a description of the crop year, stewardship goal discussion (agronomic, economic and environmental), yields and estimated economic returns against benchmarks. The report also compares estimated returns for several lease types.

In short, you have all the information to confidently make decisions for the subsequent year. This data evolves into trend information, after a few seasons.



Each FSS client receives an annual report featuring farm-specific agronomic and economic data. This information provides detail you need to negotiate upcoming season rental rates. The report also offers insights into the estimated returns of several common lease types. Yet another feature is a stewardship assessment, a reflection of conservation and soil quality goal status.

As the number of years in the FSS Leasing Platform increases, you compile a large volume of useful performance data trends, which is an accurate reflection of the farm's value based on production performance, not county averages and CSR2 ratings.

Common Questions & Answers

Q: What has changed to make new leasing approaches a wise consideration?

A: More than half of the Midwest's farmland is absentee-owned. So the volume of farmland involving leases has soared. Many of those owners do not want to be actively involved in the farming decisions. Others, such as heirs or trustees, lack the time and expertise needed to monitor the farmland or live too far away.

Q: But what's wrong with using a basic lease downloaded from the internet?

A: The problem with standard leases is every farm and every owner is different. So, if you don't have a process to determine and include language in the lease to address those differences, you increase your risk. You also need someone with the skills to verify lease goals and terms were followed. For example, it's one thing to say the operator should fertilize to replace what the crop removed. But do you have the skills to verify the yields and estimate what nutrients was removed with the crops? Can you read a soil test report?

Q: What's wrong with using cash rent surveys to set my rates?

A: At FSS, we believe rental rates should be based on a farm's productivity. Unfortunately, most owners lack verifiable data on yields, fertility and conservation plans, erosion levels, drainage tile and other information that impacts productivity. Hence, the fallback is cash rent surveys which reflects averages, when farmland quality can vary widely.

"Farmland owners who can prove the production value of their land get higher rents, compete for better tenants and receive a premium for the land - if they decide to sell."

Greg Townsend

Farmland Stewardship Solutions

Q: You reference capitalizing on new technologies in your leasing platform. What is that?

A: We're talking about precision ag technologies. For example, yield monitors in combines provide a wealth of information to those skilled in interpreting the data. We also have access to soil type maps on a farm-by-farm basis. Now add in fertilizer data, yield data, crop rotation information, crop chemical information and you have a wealth of information. FSS also maintains a database of information where all farm information can be stored.

Q: What kinds of leases does FSS support?

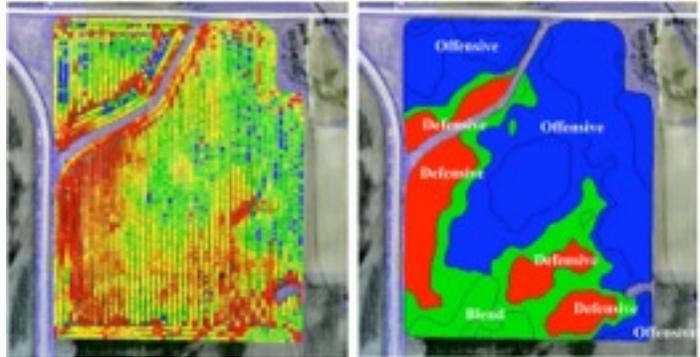
A: FSS works with the owner to find the right lease that fits the owner and operator of the farm. Considerations include income, tax, agronomic and conservation factors. We strive for long term leases with potential annual adjustments based upon a systematic, data-based approach. We support all sorts of leases from crop share to flexible and straight cash rent variants. The owner has the ultimate call on which lease to use.

Q: Can't a good operator do what FSS does?

A: First of all, recognize that tenants and landlords can have conflicting interests. The renter's main interest is short term production while the landlord is more interested in long term returns. A tenant may be aware of government programs that you do not know about. While most people are honest, having someone verify data and information is simply good business.

Q: What are your fees?

A: Our fees are roughly half of what an owner might pay a farm manager, but the actual amount depends on the farm's size and bolt-on services. In any case, most customers say our fees are more than recouped in higher production levels and rental rates. Our customer retention rate is 98%.



A farm that isn't producing expected yields may benefit from analysis of yields with an eye towards positioning hybrids more strategically. In this instance, positioning offensive hybrids onto the better soils.

Q: How much management support does FSS provide?

A: Our role is to consult with the owner, who pays the fee. What we focus on is the controllable factors of crop production.

Those include topics like soil health, tillage

practices, fertilizer techniques, tenant selection and more. Over time, the collection of data provides a historical portrait of the farm's overall health and value.

Q: This seems like a big change for my current renter. What has been your experience transitioning long term tenants onto your platform?

A: Most tenants recognize the owner's desire to know what is going on with their property. Many operators have never been asked for actual data in the past, but know times are changing. Tenants also know first-hand from buying and renting land the importance of records and land maintenance. FSS works with tenants - even if they are not tech savvy but have good information - to gather and store information. Shared data sometimes identifies areas the owner can help the owner and the tenant make more money.

Q: I have gotten along well with my current renter, but I can see the day when one of my heirs will need help to handle the farm. Is this a viable option?

A: Absolutely. Many of our clients are retired farmers who are preparing their farms for management by a spouse or heir. Investors in farmland also rely on our services to help oversee their investments.

Q: Are you saying I don't need a farm manager with your approach?

A: If you're comfortable negotiating with the tenant on terms and conditions, are willing to accept rent payment and pay any bills, you may not need a farm manager. FSS can source farm management, if higher level services are required, however.

Our Mission

Farmland Stewardship Solutions' mission is to:

- ▶ Provide landlords and fiduciaries accurate and timely farmland oversight and performance reports;
- ▶ Develop mutually beneficial farmland leases supported by on-farm production data, current economic trends, and stewardship goals;
- ▶ Leverage an industry-accepted process for leasing that uses technologies to capture key data, retain trend records and communicate an accurate portrayal of the farm's production and value;
- ▶ Recommend strategies to maximize short-term returns for tenant and landlord while protecting or enhancing the farm's value long term.

Want To Learn More?

If you are an absentee or non-operating farmland owner, or a fiduciary, you may find Farmland Stewardship Solutions your answer. Give us a call at: **515-243-9352** and ask for Greg Townsend or Andy Mullan.

CONTACT INFORMATION:

greg@farmlandstewards.com

Greg Townsend
305 NW 48th Place
Des Moines, IA 50313
515-243-9352
www.farmlandstewards.com

CONTACT INFORMATION:

andy@farmlandstewards.com

Andy Mullan
305 NW 48th Place
Des Moines, IA 50313
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