

Seasons of Farmland Ownership When You Need an Appraiser

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Spring planting season is here in the Midwest. This is a time of renewed spirit amongst farmers, seeking new opportunities and setting new goals for the growing season. As a farmland appraiser and a generational Iowa farmland owner, I've learned to appreciate the different seasons of growing crops and the different seasons of farmland ownership. This includes times during a farmland owner's life when they will need an appraiser. It is a rewarding career to see through all the seasons of land ownership. Each season of ownership means different emotions for each landowner, but the necessity of understanding the value of their investment can leave a certain level of peace in making their next farm and business decision.

The purchase of the first farm, whether through a private family transfer or being the winning bidder at a public auction, can bring nervous excitement to the closing table. Appraisers are asked to value land for banks, credit unions and FSA (Farm Service Agency) for new loans and collateral purposes. Lenders have to rely on appraisers to help them understand the moving land market, not only on a microeconomic and local level but also interpret the macroeconomic implications of government and political decisions, commodity price and interest rate fluctuations. The thought of making farmland mortgage payments over a 20, 30 or 40-year period can seem daunting, but the appreciation in value is rewarding.

Owning land that appreciates in value can provide future opportunities throughout the life of the farm. Land improvements such as adding drainage tile, irrigation or clearing land for more suitable pasture or cropland use rewards the farmer or tenants of the land for higher-yielding crops. Sometimes land improvements may include converting portions into wetlands, other conservation programs or even considering wind or solar

power. Whether you are a farmer or an investor, it can mean different goals for the farm. Appraisers are helpful in the midline of the investment because we can show market analysis and value differences of “before and after” scenarios.

It’s been said, two things in life are certain: death and taxes. Life happens to anybody who owns real estate and property. At the end of life, an estate or an established trust can set forth what happens to the property. An appraiser is helpful in communicating to the attorneys or executors of the estate what the fair market value is for the property. If the beneficiaries or heirs decide to sell the property, it can mean a significant asset shift and potentially significant taxable income. If the beneficiaries decide to move the assets to another land or property purchase, this can lessen the impact. In all cases, hard decisions have to be made by the property owner, and appraisers are here to help.

What may be the end of one farm story, may be the first farm for the next generation. Every farm has a season, and appraisers are here to help navigate all of the seasons.