

Chapter 21: Farm and Farm Brokerage

An * in the left margin indicates a change in the statute, rule or text since the last publication of the manual.

I. General

A large segment of the Colorado economy is devoted to agriculture. A wide variety of products are produced on property ranging from irrigated land to mountain hay meadows to fruit farms. It is a complex pattern that is both an opportunity and a challenge to the real estate licensee. There is opportunity because tremendous wealth is involved. No other group values the ownership of land more than the ranchers and farmers of Colorado. It is a challenge because farmers and ranchers demand service for the commissions they pay. Service in this field involves much effort and knowledge. Rural real estate involves many problems that are not found in selling urban property. The successful person in this type of brokerage must know solutions to the problems and to understand all the factors involved in determining rural real property values.

The sale of a farm or ranch is also the sale of a business. This has become more obvious as the traditional family farm or ranch increasingly has been replaced by sophisticated corporate entities. Although a property may include land, personal property, and water rights, the marginal value of a farm or ranch is largely determined by the income produced. The real estate licensee dealing in farms or ranches therefore must have a strong knowledge of agricultural finance and economics in addition to an appreciation of the physical assets to be conveyed. Such knowledge can include areas as diverse as the price of winter wheat, changing developmental and demographic patterns, and new developments in fertilizers and pest control.

Successful farm and ranch brokers exercise a great deal of care in listing properties for sale. Many problems can be avoided by planning carefully in this phase of a real estate operation. Showing a farm or ranch involves much more than showing a house in an urban setting. Consequently, when a licensee accepts a listing of rural property, the real estate licensee must have a sound knowledge of the property and surrounding area.

In developing a list of farms and ranches for sale, it is well that a licensee consider specializing either in certain types of properties or in a given area. By restricting the area of operation a licensee can gradually become an expert in their field. If the real estate licensee becomes familiar with every farm and every farmer in the south half of the county they will be recognized as an authority and good listings will be the result. If the licensee learns about dairy farms and becomes acquainted with the owners of this kind of property, the licensee's services will be in demand by those wishing to sell dairy farms. As the licensee becomes more experienced, he or she can expand their area of geographic expertise or may branch out into different specialties (orchards, wheat farms, etc.)

Before an owner signs an exclusive listing, a complete statement of all the important information concerning the property should be developed. Sample listing sheets appear in this manual. The licensee should go further and develop a brochure or brief that gives a

complete description of the property along with pictures and charts. Some brokers even use aerial photographs to better present the qualities of the land to prospective buyers. The extent of the listing information will depend on the complexity of the transaction.

The following maps will help in the analysis of the farm or ranch:

1. Map showing all improvements, location and description;
2. Map showing all water, streams, springs, wells, lakes, water holes, etc.;
3. Map showing vegetation cover from the Bureau of Land Management;
4. Map of mineral ownership;
5. Plot of the ranch on a road map showing accessibility to roads, railroads, air fields, etc.

The listing broker must also obtain full financial data concerning operation of the property. In the past, financial records have often been incomplete due to resistance from owners or inconsistent record keeping. Today, this situation has changed to the point where a licensee often will be dealing not only with an owner but also with accountants, lenders and attorneys. Financial information must be maintained in strict confidentiality. Potential purchasers should be provided such information only after being fully qualified and with the consent of the owner.

Water rights should be carefully studied and described not only as to date of decree and amounts of water decreed, but also as to actual delivery of water year after year in both wet and dry years. Additional information on water rights may be found in the table of contents and index.

The precipitation and temperature figures should be developed for the past few years. These figures are important in determining winter conditions, winter feed needs, etc. Hay and grain production on the ranch for several years back should be determined. These figures tie into the wintering analysis that the broker is making.

All minerals should be checked, as the greatest asset of the property could well be the minerals. Also, in the sale of the property, the minerals can be sold separately to the purchaser of the land or to someone else.

Inquiries should also be made of the owner concerning the existence of possible hazardous waste sites. These could include abandoned fuel storage tanks or chemical dumps and could result in serious problems if not disclosed to potential purchasers.

A very important factor in the sale of a ranch is the carrying capacity. How many animal units will the ranch support? Sometimes this is a historical fact based on the number of cattle that have been run on the ranch over a period of years. If the ranch has BLM (Bureau of Land Management) lands within its boundaries, the BLM may have the A.U. (animal unit) figures for the ranch. Check to see if the carrying capacity has been increased by range seeding and by water hole development.

The farm and ranch expert looks for buyers in practically the same areas where they search for listings. The licensee keeps in contact with as many people as possible that are related to the industry, such as machinery companies and farm organizations. Probate judges and trust officers may often provide leads on prospective buyers. The real estate professional

watches newspaper stories about farm sales and condemnations. They will become acquainted with investors who make a practice of buying rural property. Government agencies buy land, as do factories and land developers. A successful broker knows who buys land, and catalogs and analyzes their needs. Foreclosures should also be monitored.

Many buyers desire farm or ranch land for special uses such as grass sod farms or horse-breeding farms. Some farm or ranch lands may be suitable for recreational or subdivision development. Other buyers may be interested in securing income tax benefits.

Buyer qualification is critical in the sale of a farm or ranch. This is particularly true if the seller is to finance all or part of the sale by carrying back a mortgage or trust deed. Qualification should include not only a buyer's ability to complete the purchase, but also evidence that the buyer can successfully operate the farm or ranch after the sale. Licensees should encourage sellers to seek professional assistance in evaluating buyer qualifications.

Sources of funding for agricultural properties are more varied than for urban residential properties. These include not only banks and mortgage companies, but insurance companies, pension plans, REITs and others. A farm and ranch broker should have a complete list of all the sources of money available for financing. Most sales will hinge on the ability of the broker to bring the moneylender and buyer together on satisfactory terms. The licensee should also be familiar with the sources of funds made available by the federal government. These include the Federal Land Bank, the Farmers Home Administration, the Federal Land Bank Association and the Federal Intermediate Credit Banks. These institutions are designed to meet unusual demands on the part of farmers and ranchers. Knowledge of these services may be acquired by requesting information from the agencies involved. Appraisers may also be a valuable source of information concerning financing.

Selling to and for syndicates is a device employed by many farm and ranch professionals. This takes specialized knowledge on the part of the licensee and should be explored carefully. A knowledge of securities law is vital to such transactions, which may also require the involvement of a licensed securities dealer.

A farm and ranch broker should recognize the influence that income tax has on the purchase and sale of real estate and should know where to get expert advice in this area.

Finally, in relation to selling farms and ranches, the manager is someone who can help directly or indirectly in the sale. The knowledge needed in managing a farm is very similar to the knowledge required to properly present the farm to a prospective buyer. Furthermore, the sale of a farm or ranch may depend on the ability of the broker to furnish a manager for the property after the sale. Consequently, many successful offices find themselves naturally incorporating a management department in their business operation.

This section can do no more than introduce the real estate licensee to the highly specialized field of farm and ranch brokerage. Experience is the great teacher in this field.

The listing contract forms used for farms and ranches are similar to those used for the listing of other types of real estate. However, the information necessary for the sale of a farm or a ranch is much more detailed. Following is a short glossary of terms and basic farm and ranch information sheets.

II. Farm and Ranch Glossary

National Forest: A forest or watershed reservation administered by the Forest Service, United States Department of Agriculture.

Grazing Preference on National Forest: An established preference to graze certain numbers and classes of livestock upon a National Forest for a specified time and subject to rules and regulations adopted by the Forest Service.

Grazing District – Taylor Grazing Act: An administrative subdivision of range lands under the jurisdiction of the Bureau of Land Management, established pursuant to Section 3 of the Taylor Grazing Act to facilitate management of BLM forage resources. Grazing on the public lands within such districts was formerly regulated by the Grazing Service.

Grazing Licenses: A grant of grazing rights for a specified number and class of livestock on a designated area of grazing-district lands for a specified period, usually not more than one year.

Grazing Permit: An authorization to graze a set number and class of livestock on a designated area of grazing-district lands during specified seasons each year for a period of usually 10 years.

Section 15 Grazing Lease: A lease which authorizes the use of public lands outside of grazing districts (Taylor Grazing Act) for the grazing of livestock for a specified period.

State Lease: A lease in which the state of Colorado, as landlord, grants grazing, agricultural and other rights to land under the jurisdiction of the state board of land commissioners.

EXAMPLE FARM INFORMATION

Date _____ Farm Listing _____
State _____ Irrigated _____
County _____ Dry Land _____
Co. Seat _____

Name of Farm _____ Nearest Town _____
Total Acres _____ Direction from Town _____ Distance _____
Roads _____ Distance School _____ High School _____ Bus _____
Domestic Water _____ Stock Water _____ Soil _____
Acres Cultivated _____ Irrigated _____ Non-Irrigated _____ Sub-Irrigated _____
Acres Alfalfa _____ Native _____ Total Tons _____ Pasture _____
Crops Now Growing _____

Following crops are/are not included in sale price _____

Irrigation Wells _____ Depth _____ Power _____ Name of Pump _____
Capacity of Lakes _____ or Well _____ Reservoirs _____ Fences _____
Main House Construction _____ No. of Rooms _____ Roof _____ Foundation _____
Basement _____ Gas _____ Electricity _____ Bath _____

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Water System _____ Heat _____ Condition Improv. _____

Other Living Quarters _____

Barns and Out Buildings _____

Name of Tenant _____ Address _____

Term of Lease _____ Crop or Share Rent _____

Water Rights _____

Water Assessments _____

What Mineral Rights Go? _____ Taxes _____

Comments (General impression of farm) (Advantages and disadvantages) _____

Owner _____ Phone _____

Address _____ Possession Date _____

Price _____ Terms _____

Loan Information: Original Amount \$ _____ Interest Rate _____

Payments Due _____ How Payable _____

Present Balance \$ _____ Can it be paid off? _____

Mortgagee _____ Address _____

Can new loan be secured? _____ Amount _____ Interest _____

Legal Description _____

RANGE _____

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

TOWNSHIP _____

North

Date _____

The foregoing statements are substantially correct.

(Owner) _____

(Owner) _____

Address _____

**EXAMPLE
RANCH INFORMATION**

Date _____ Ranch Listing _____
 State _____ Cattle _____ Sheep _____
 County _____ Mountain _____ Plains _____

Co. Seat _____ Carrying Capacity _____
 Altitude at Ranch _____ No. of Cows _____ Hd Mo's _____
 No. of Steers _____ Hd Mo's _____
 No. of Sheep _____ Hd Mo's _____

Total Acres _____ Direction from Town _____ Distance _____

Name of Ranch _____ Nearest Town _____

Acres Deeded _____ State Lease _____ Acres at \$ _____ Per Year - Exp. Date _____

Private Lease _____ Acres at \$ _____ Per _____

Year-(Written-Verbal) Exp. Date _____

BLM Lease _____ Acres at \$ _____ Per Year-Term Exp. Date _____

BLM Permit _____ Head at \$ _____ Per _____

Head-Season of _____ to _____

Forest Permit _____ Head at \$ _____ Per _____

Head-Season of _____ to _____

Name of Forest _____ Likelihood of cut (Yes-No) _____ What Percent _____

Name of Ranger or Supervisor and Address _____

Acres in Hay _____ Kind _____ Average Tonnage _____ Quality _____

Acres Farmed _____ What Crops _____ Average Yields _____

Acres in Pasture _____ Acres Sub-Irr. Pasture _____ Acres Dry Pasture _____

Acres Waste Land _____

Predominant Range Grasses _____ Condition of Range _____

Water Rights _____ Name of Stream _____ No. of Cu. Ft. _____ Date of Priority _____

Stream or Lake s _____ Miles of Stream _____

Stock Water Creek _____ Springs _____ Ponds _____ Windmills _____

Distance to Grade School _____ Bus (Yes-No) _____

Distance to High School _____ Bus (Yes-No) _____

Kind of Road in to Ranch _____ Miles to Main Road _____ No. or Type _____

Is there good winter shelter _____ Kind _____ Annual Precipitation _____

Describe Climate _____ Winters _____ Summers _____

Condition of fences _____ Kind _____ No. of Pastures _____

Improvements

Describe fully - type - condition - water supply - bath - elec.(yes-no) source _____

Are buildings neat and attractive (yes-no) lawn (yes-no) shade trees (yes-no) _____

Explain carrying capacity and best type of operation _____

Livestock or Ranch (included - Not included) in sale price, No. of Cattle _____ No. of Sheep _____

When purchased by present owner? _____ Why is ranch for Sale? _____

Will hay crop be included in sale? (Yes-No) . If not, at what price per ton \$ _____

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Real estate taxes \$ _____ Personal Taxes \$ _____
 Any Poisonous Weeds? _____ What Mineral Rights go? _____
 Comments (general impression of ranch, any hunting, fishing or recreation facilities?) _____

Owner _____ Ranch Phone _____
 Address _____ Bus Phone _____
 Name of (Foreman - Tenant) _____ Remuneration _____
 Price of Ranch \$ _____ Terms _____
 Possession will be given _____
 Price of livestock if not included with ranch \$ _____
 Following described equipment (is-is not) included in sale price _____
 Legal Description (if too long attach rider) _____

Loan Information _____ TownShip: _____ Range: _____

Is there a loan (Yes - No) _____

Original amt \$ _____

Int rate _____ % Due _____

When Made _____

How Payable _____

Present Balance \$ _____

Can it be Paid off _____

Mortgagee _____


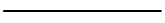







Address _____

Other Indebtedness _____

Lender _____

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

LEGEND

- Buildings 
- Fences 
- Railroads 
- Streams 
- Wells 
- Windmills 
- Reservoir 
- Ponds 
- Timber 
- Deeded (Red)
- State Lease (Yellow)
- BLM (Blue)
- Private Lease (Green)

Date _____

The foregoing statements are substantially correct.

(Owner) _____

Owner) _____

Address _____