

*Midwest Women in Ag Conference*  
February 4, 2009



*Halderman Offices*



*Halderman Areas of Service*



*Halderman Companies' Services*

- Farm Management
  - 675 farms; 250,000 acres in 18 states
  - Consult on 300,000 acres in Argentina, Uruguay & Brazil
- Real Estate
  - Sales & Acquisitions
    - 175 farms; 15,000 acres; \$50 million in sales annually
  - Farm Appraisals
    - 450 appraisals annually



*History and Staff*

- Founded in 1930
- Third Generation Ownership
- 5 corporate managers
- 22 Area Representatives
- 17 Real Estate Associates
- Indiana, Ohio, Michigan, Louisiana, Arkansas, Texas & California
- 10 Support Staff
- Average tenure of staff >21 years



*Real Estate Services*

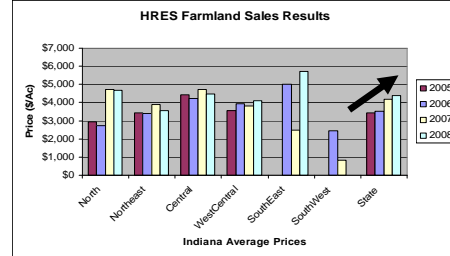
- Comprehensive sales, acquisition and appraisal services
- Utilize private treaty and auction sales methods
- Assist landowners in executing IRC 1031 exchanges
- Complete appraisals for loans, estates, estate planning, sale planning and partitions



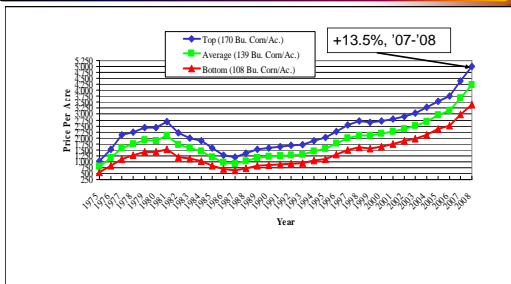
***WHY HIRE A FARM MANAGER?***  
*Farmland is a SIGNIFICANT investment!*

1. Cropland values in IN range from:  
\$3,000 - \$8,000 per acre
2. Assuming a 200 ac farm =  
\$600,000 – \$1.6 M investment
3. Cash ROI = 4%
4. Capital Appreciation = 5-15%
5. Lots of upside – how do you maximize it?

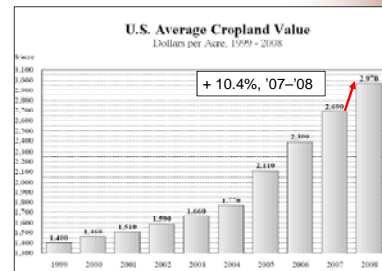
***Halderman Farmland Sales,  
by Indiana Region, 2005-2008***



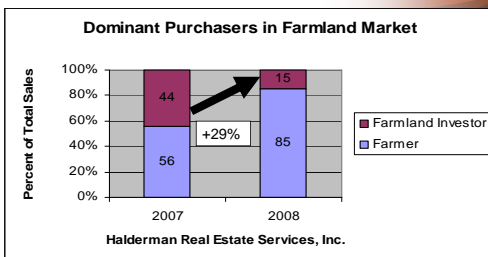
***Purdue Survey, Indiana Farmland Values, 1975-2008***



***U.S. Cropland Values, 1998-2008***



***Who's Buying?***



***What's the Future for Land Values?***

- IN Chapter of the ASFMRA – 2/3/09
- Ave Price = \$5,230/ac – 145 bu. corn
- 2/08 – 2/09 (12 up, 5 same, 6 down)  
– 4<sup>th</sup> quarter '08 was a little weaker
- 2/09 – 2/10 (2 up, 9 same, 11 down)
- Cash Rents – ave \$181/ac for '09 (19 up or the same, 3 down)

## *What Is Professional Farm Management?*

“To do for your farm what you would do if you had the time and experience.”

H. Howard Halderman – 1956

## *WHY HIRE A FARM MANAGER?* *Changes in Agriculture*

1. Volatile Prices due to a DEMAND Market = More Risk!
2. Lease Types (More cash, more cash flex, more custom, less crop share)
3. Much Higher Cost of Inputs – Higher Risk!!
4. Government Support Programs (ACRE or DP??)
5. Technology (Seeds, Fert, Pest, can you stay up to date?)
6. Contract Production
7. Consolidation (52% prod from \$1 M producers)
8. Work Force
9. Regulations

## *Farm Management Services*

- Tenant identification & leasing
- Commodity marketing (grain and livestock)
- Farmland quality improvements (soil testing, cap. improvements, agronomic tests, tiling, irrigation, etc.)
- Building maintenance, improvement & leasing
- Timber and other asset management
- FSA program participation and other regulatory compliance
- Complete financial recordkeeping
- Communication!!!!

## **COMPLETE PROFESSIONAL FARM MANAGEMENT** *Job Requirements*

- 1) Learn the owner's goals and objectives
- 2) Learn the tenant's goals and objectives.
- 3) Evaluate the farm, independently, for its optimum production.
- 4) Develop the management plan.
- 5) Negotiate a lease with the tenant.
- 6) Develop the crop plans, government program usage, livestock operation, crop input decisions, tillage programs, and conservation improvements.

## **COMPLETE PROFESSIONAL FARM MANAGEMENT** *Job Requirements*

- 7) Review the farm property & liability insurance and depreciation schedule.
- 8) Order complete soil tests.
- 9) Manage improvement repairs and/or capital exp.
- 10) Maintain a farm bank account and complete financial reports (monthly or quarterly).
- 11) Keep regular contact with the tenant and owner.
- 12) Communication - keep the owner informed and keep a good relationship with the tenant
- 13) Handle the grain and livestock marketing.
- 14) Comply with government regulations

## *Halderman Companies'* *Clients and Competitors*

- Clients
  - Individual landowners (widows, retired farmers, 2<sup>nd</sup> and 3<sup>rd</sup> generation)
  - Individual investors (1031 exchange, private investment)
  - Municipalities
  - Large Fortune 500 Companies
  - Institutional (pensions, trusts, churches, banks)
- Competitors
  - Farm operators
  - Other FM and RE firms
  - Bank FM departments
  - Consultants

## *Halderman Farm Management Fee Schedule*

- Flat Fees: \$5 - \$15/acre \*\*
  - % Fees: 5% - 8% of the gross income \*\*
  - Blended Fees:
    - \$3/acre plus 5% of the net income \*\*
    - \$7/acre plus 1.5% of the gross income \*\*
- \*\* Prices are customized for each client depending upon size of farm, location, lease type, services requested, etc.

## WHY HIRE A FARM MANAGER? THE REAL REASON!!!

What's the RIGHT rent for my farm??

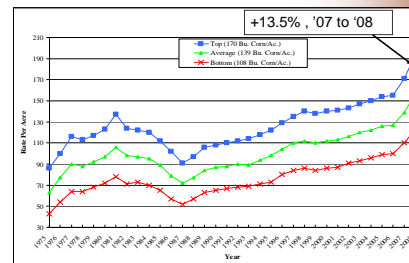
One client who owns 33 farms in 4 states (IN, IL, OH, MI) had a range of \$116 - \$388/acre rents in 2008. Average \$234/acre on 9,000+ acres.

Is \$10/acre a reasonable investment for the potential return? All the other services are essentially ZERO cost.

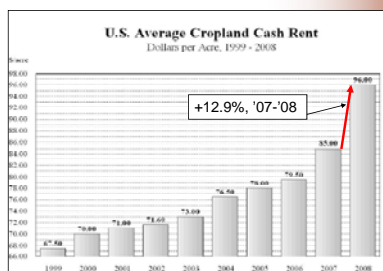
## *Case Study: Prospect N's Opportunity Cost*

- Situation: Prospect N approached Halderman at a trade show inquiring about land values. Prospect N stressed that she did not need to pay for management services. She stated that she was "completely satisfied with her tenant. He farmed only her 120-acre property, so she knew it was getting his full attention. I live on the farm, so I know it's being taken care of. Any money paid to HFMS would be a *waste*." Through questioning, Halderman learned that the most recent lease update had been in 1992, fifteen years earlier!
- Challenges: Cash rents had changed dramatically during the 15 years.
- Services Foregone: Cash rent lease negotiations; application of customized lease models to maximize income potential.
- Results:
  - State-wide cash rents had grown an average of 3% annually.
  - Future value of income foregone (minus Halderman fee) over 15 years using 5% alternative investment return = **\$307.88 per acre**
  - Future value of entire farm's foregone income = **\$36,945.60**
  - Avoiding a "waste of money" cost this prospect dearly.

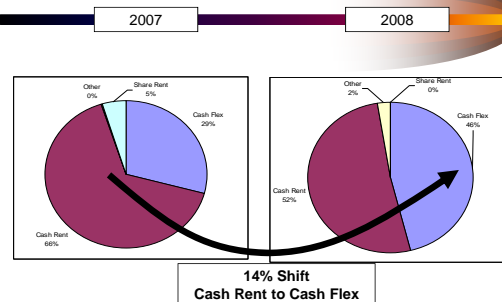
## *Purdue Survey, Indiana Farmland Cash Rents, 1975-2008*



## *U.S. Cropland Cash Rents, 1999-2008*



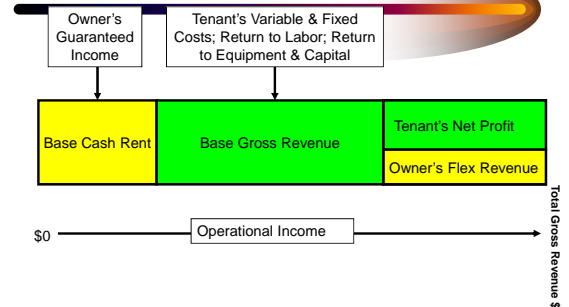
## *New Lease Types are Shifting (Halderman New Leases, 2007-2008)*



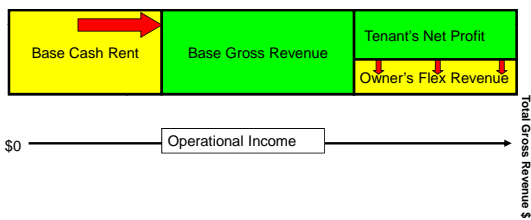
## Cash Flex Leases

- Step 1: Figure Base Cash Rent (BCR)
- Step 2: Figure Base Gross Revenue (BGR)
- Step 3: Determine Pricing Mechanism
- Step 4: Determine % split over BGR
- Step 5: Calculate Bonus
  - Equation:
 
$$\text{Bonus} = ((\text{Act yield} \times \text{Avg Price}) - \text{BGR}) + \text{Other Income} \times \text{\% split.}$$
- Step 6: Add Bonus to the BCR.

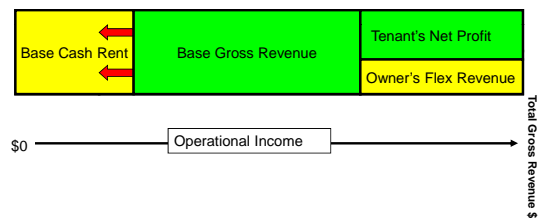
## Cash Flex Lease Model



## Buy-down Owner's Flex Revenue



## Buy-down Base Cash Rent



## Halderman Farm Management's Cash Flex Lease Offer

Cash Flex Lease negotiation and execution for 3.5% of the landowner's gross revenue.  
 If your 2009 cash flex lease makes \$200/acre the fee would be 3.5% of \$200 = \$7.00/acre.  
 Purdue's ave cash rent in IN 2008 = \$157-\$194/acre.  
 Cash Flex Leases in Wabash Co in 2008  
 \$170-\$260/acre, ave = \$218.50/acre

Is a \$7-\$8/acre investment worth it?

## Halderman Companies Information

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