

CHOOSING A FARM

1. Enterprise selection

- Make greatest use of your limited resources.
- Have a fairly solid idea about what enterprise(s) you wish to pursue before you buy the farm.

2. Location

Generally, it's wise to select a community that you are familiar with, perhaps close to parents or other relatives. That may allow you to:

- Share machinery.
- Receive advice.
- Share labor.

3. Size of farm

- Measured in value of farm production rather than acres, the choice should reflect your:
 - Goals.
 - Skills.
 - Finances.
 - Managerial ability.
 - Experience.
- Know how much you can afford to spend:
 - Purchase price of the house should not be more than 2 to 2.5 times your annual income.
 - Monthly payments for principal, interest, property taxes and property insurance should not be more than 25 percent of monthly net (after taxes income).
 - Compare your income with long-term obligations and expenses.

4. Additional costs

- Property taxes — may vary considerably.
- Property insurance — usually, the amount equivalent to the balance on the mortgage. To protect your investment, you should purchase insurance that provides for full replacement if the house is destroyed.
- Mortgage insurance — When the down payment is less than 20% of the mortgage amount, the lender usually requires mortgage insurance to protect him/her from loss. You can purchase additional mortgage insurance that will pay off the mortgage in the event of your death.
- Maintenance — an ongoing expense. About 1% of the value of the home per year needs to be set aside for future maintenance expenses.

5. Soil productivity

- Type of farming enterprise will help you determine the type of soil you'll want for your farm.
- Agricultural value of a farm is largely determined by its productivity.
- Soil Conservation Service (SCS) in your county has soil survey maps that will help you to identify the type of soil.

6. Improvements

- Sound house.
- Building design and location suited to type of farming planned.
- Grain or hay storage.
- Fences.
- Terraces.
- Water systems.

7. Farm hazards

Environmental and safety hazards:

- Hail.
- Drought.
- Tornado.
- Floods.
- Noxious weeds.
- Gullies.
- Roads.

Questions you may want answered before purchasing a farm:

- Is the property or any adjacent property on any federal, state or local hazardous waste list or record?
- Are there any underground or aboveground storage tanks (other than water) on the property?
- Are there any pits, active or abandoned covered dumps, debris or trash piles, or abandoned machinery or vehicles on the property?
- Are any pesticides, herbicides, chemicals, paint, petroleum products, hazardous materials or empty containers stored or disposed of on the property?
- Is there any evidence of spills, leaks or discharges from containers?
- Is a custom chemical application business operating on the property, or has one previously operated?
- Is there or has there been an oil, gas or chemical pipeline crossing the property? If so, have there ever been any leaks?
- Is a livestock operation or facility such as a dairy barn, hog farrowing/feeding operation, or poultry house on property?
- Are there any chemical holding ponds or lagoons of any type on the property?

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