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?