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EC99-827 Preparing a Tenant Business Prospectus

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Preparing a Tenant Business Prospectus

**A quick guide for tenants
seeking additional land**

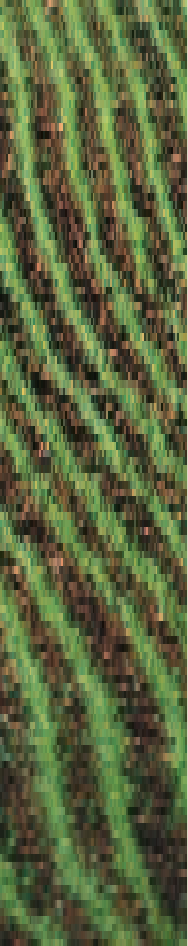


by H. Douglas Jose
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Why prepare your own business prospectus?

Throughout the Midwest, one of the biggest challenges for agricultural producers who want to expand their operation is acquiring additional land. This is especially difficult for young farmers who are beginning their own operation.

Competition for renting land has increased in recent years with more land being owned by nonfarmers who often do not live in the area. Because of the separation between farmers and absentee landowners, it is difficult for producers to locate landowners and vice versa. This separation has led to the need to find other ways for landowners to find out about potential tenants. One way is through a farm business prospectus, which acts like a resume for a farming operation. It provides landowners with a way to identify potential business partners and learn about their operation and abilities.

Creating a farm business prospectus allows farmers who wish to rent more land to present their situation to prospective landlords and/or professional farm managers. In a prospectus, farmers can highlight their farming philosophy and objectives, as well as their production and management skills. Developing an attractive, professional prospectus is an excellent way to begin the search for additional farmland.

What goes into a business prospectus

When creating a farm business prospectus, there is information that, if included, can provide a clear picture of your farming operation and demonstrate the quality of management you are offering to landowners.

Including the following information in your farm business prospectus will help create the desired image you want landlords to envision about your operation.



Biographical information

Including biographical information is a good way to create a common bond with landlords. Describe your background, such as where you grew up, where you went to high school and college, the college degrees you earned, etc. Include information about your education, work experiences and other certifications that will help show landowners your level of knowledge and expertise in agriculture. Focus on experiences that are pertinent to operating and managing a farm business.

An important part of the biographical information you include is the history of your farming operation. Discuss how long your family has farmed, how long you have farmed and how much land you farm. You also can discuss your family and how they are involved in the operation.

Another example of biographical information that can be included in a prospectus is the community activities you and your family are involved in. This could include membership or leadership positions and activities in community organizations, FFA, 4-H and church groups.

Mission statement, goals and objectives

A **mission statement** is a brief statement about your beliefs and philosophies related to the business of farming and the reasons for them. A unique mission statement will set your operation apart.

Goals and objectives are statements about what you and your family want to accomplish and how you plan to achieve them. These might relate to your production, economic and environmental plans.

When discussing your goals and objectives, include the amount and type of land you wish to rent, as well as a description of the rental arrangement you prefer. Give reasons for these goals to create a clear picture of why you want to achieve them.

By explaining your mission, goals and objectives to landowners, you are explicitly sharing your motivations and values, and showing how that will influence how you will manage their property. This can help landowners find individuals who share their ideas, and it can set you apart from the competition.

Current farming situation

It's important to specifically describe your operation. Inform the landowner of the current size of your operation, as well as the amount of land you own and rent. Discuss the crops you produce and share yield history to show production accomplishments and improvements. Also, include information on the tillage practices you use. List the major pieces of equipment, explaining which ones improve efficiency or provide environmental benefits. Also, discuss the amount and type of labor available for your operation.

Again, tell why farming additional land will improve your operation and how additional land will fit into your current operation. Give reasons why it will help you and how it can help the landowner. Develop a clear but concise picture of your operation.

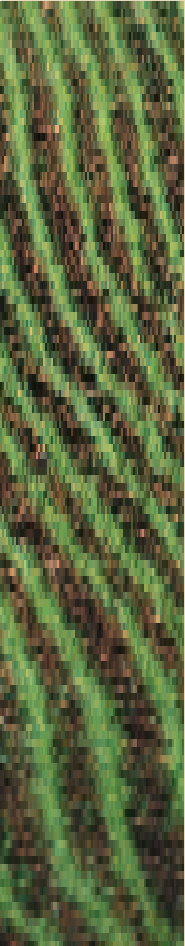
Services provided

When developing your farm business prospectus, you may want to include information on the extra services you can provide to your landlords. These could include marketing crops, mowing ditches and waterways, upgrading and improving terraces and field monitoring. These items help show your commitment to your landlords, as well as the pride you take in your operation.

Management strategies and philosophy

Explaining your management strategies shows landowners that you have put thought into how you manage your operation. Provide information on your use of marketing and crop/production consultants. You also may provide information on the crop insurance you use.

A key factor is to describe your communication policies. Many landowners want to have frequent communication with their tenants. Explain how often and how (via telephone calls, letters or personal visits) you plan to communicate with landlords. This will let them know what they can expect from you.



References

A list of references is an important part of the business prospectus. The list should include current landlords. This will give landowners an opportunity to visit with your current landlords about you and your operation. Other references you might use include previous employers, consultants, your banker and others you do business with, such as your local cooperative manager.

Note: Remember to ask permission from your references before you use their names.

Other things to consider

The business prospectus is a tool to help you sell your operation and yourself to landowners. Highlight your strengths and advantages. When creating the format of the prospectus, keep in mind that it should be visually appealing and professional looking. Use colors that complement each other and add tables and figures if they will help explain something. You can use photographs of your operation to show landowners what your equipment and current fields look like. Do not include photographs that might create a negative impression of your operation in the mind of land-

owners.

After writing and designing your prospectus, decide how you will distribute it. One of the best ways is through farm management companies. You also can send it, along with a cover letter, directly to landowners who may be prospective landlords.

A sample business prospectus

The following pages contain a prospectus for the fictitious case farm, Innovative Farms, Inc. This prospectus is an example of how a prospectus can be written and formatted. This is not the only way to create a prospectus, but it's a good example of an attractive and effective prospectus.



Innovative Farms, Inc.

Marty and Mary Manager, owners

Innovative Farms, Inc. is a family owned and operated business. In 1994, we purchased the farm from Marty's father, I. M. Manager. Currently, the farming operation consists of 480 acres. Our goal is to increase the size of our farming operation to 1,000 acres by 2005 in order to provide for the future needs of our family.

Background

Marty has lived in or near Somewhere for most of his life. In 1978, he graduated from Somewhere High and moved to Beatrice to attend Southeast Community College (SCC). In 1980, Marty earned an associate's degree in agribusiness. While at SCC, he met his wife, Mary.

Mary grew up on a farm near Hometown, Neb., and graduated from Hometown High in 1978. She also attended SCC and received an associate's degree in accounting in 1980.

In 1981, Mary and Marty were married and returned to Somewhere. Both were employed at Somewhere Cooperative, and Marty also assisted his father on his farm. While employed at the co-op, Marty worked as assistant fertilizer department manager from 1983 to 1994 when he quit the job to farm full time. Mary worked as a bookkeeper and scale operator from 1981 to 1995 when she quit to concentrate on her own business. She also keeps the records for their farming operation. Mary has continued to improve her bookkeeping skills by continuing her education, including taking computer classes.

The Manager family has grown over the years. Mary and Marty now have two children: Mathew, 8, and Macey, 2.

The mission of our farm

Our mission is to become full-time farmers with sufficient income to provide for ourselves and our children by farming the land with integrity. We aim to build an economically viable farm operation capable of supporting our family without outside income.

We are looking for the opportunity to rent more land and expand our farming operation in a way that will be profitable for us and our landlords. We believe increasing the size of our farm will increase efficiency of inputs and lead to higher profits.

Future goals

To become more efficient agricultural producers we see the need to farm more acres. By doing this, we will be better able to provide for our family in the coming years. As we gain more ground, we believe our farm will become more profitable, which in turn will benefit our landlords.



Given the equipment and labor resources we have, we would be able to rent and farm at least 300 additional acres. Having experience in both dryland and irrigated production, we are interested in renting either type of land. We look forward to making new tenant-landlord relationships in the near future.

Current operation

Currently we farm 480 acres. Of that, we own 320 and rent 160 acres. We irrigate 130 acres, while the rest is dryland. We raise irrigated and dryland corn, soybeans and milo. Dryland crops are rotated in a manner that benefits the farms in terms of nutrient and crop residue management.

Great care is taken in the land we farm. We monitor fields on a regular basis to help us keep up with the changes that are occurring in the fields so we can adjust irrigation, weed control and insect control as needed. We follow all regulations concerning erosion control, irrigation practices and chemical application. Marty is a licensed chemical applicator, and strictly follows all label restrictions and recommendations.

We practice both conventional and minimum tillage on our farms. Conventional tillage is used in irrigated corn and in other high residue situations. Minimum tillage is used to improve erosion control, as well as reduce equipment expenses. We own equipment that handles all the different tillage needs of our farms. This allows us the flexibility needed to operate in these different types of tillage systems.



Basic Equipment

John Deere 4450	500 gallon sprayer with 45-foot booms
John Deere 4020	
John Deere 6-row planter (30 inch spacing)	John Deere 7720 combine
Case IH 20-foot disc	- John Deere 6-row corn head
John Deere 24-foot field cultivator	- John Deere 20-foot platform
Soukup 6-row cultivator (with ridger attachments)	Ford F-700 grain truck (450 bushel)
	(Additional support equipment)

Production results

We are very pleased with the results of our farming operation. Over the last five years, we have maintained high yield averages and have improved yields in all crops. The following chart shows the yield results of our operation over the last five years. We expect these general upward trends to continue.

Average Yield/Acre (1995-1999)					
	1995	1996	1997	1998	1999
Irr. Corn	176	179	181	187	201
Dry. Corn	160	138	146	132	173
Soybeans	36	—	33	46	54
Milo	139	124	112	108	138

Landlord relations

Landlords are an important part of our farming operation. Because of this, we treat them as our partners. We strive to make our relationship with our landlords beneficial for both parties.

We feel it is in the best interest of our farms to frequently communicate with our landlords. It is important to let them know what is happening on the farm and to answer any questions they have about the operation. At least two written reports are sent to our landlords each year, usually after planting and harvest, to inform them of the operation's progress. Frequent communication has allowed us to have a stronger relationship with our landlords.

Along with frequent communication, we provide many other services to our landlords. As tenants, we feel it is our responsibility to mow the roadside ditches and to do other activities to maintain the overall appearance of the farms. We also provide any labor needed for the maintenance of the farm, such as terrace reshaping or general irrigation equipment maintenance and repairs.

Marketing your crop is a job that requires constant attention to the markets and some level of experience. Because of our work experience at the co-op and our years of experience on the farm, we are confident of our marketing abilities. If our landlords feel uncomfortable marketing their crop because of a lack of experience, we will do it for them. If they decide to market their portion of the crop on their own, we will provide any assistance they may need.

Community activities and other experiences

Over the last few years we have become very active in our community. Marty has served on the Somewhere Church council for the last four years. Mary has been a member of the Somewhere School PTA for the last three years and was chairperson of the Special Action Committee last year. She also is a Red Cross volunteer.

Last year, Marty finished his two-year term in the LEAD program. He gained a lot of experience and learned a lot about agriculture in other areas.

References

Charlie Farmer, landlord
Somewhere, NE 68222
(402) 555-9876

Marvin Manager, landlord
Somewhere, NE 68222
(402) 555-5432

Bob Barley, manager, Somewhere Cooperative
Somewhere, NE 68222
(402) 555-5556

Thomas Evans, loan officer, Farmers National Bank
Anywhere, NE 68555
(402) 555-2121

Julie Black, personal attorney, Anywhere Law Offices
Anywhere, NE 68555
(402) 455-5116

To begin a new relationship, contact:

Marty and Mary Manager
1745 County Road P
Somewhere, NE 68222

Phone: (402) 555-1234

Fax: (402) 555-5678

e-mail: m&mmanager@somewhere.net