

# **Baltzer Farm**

**An Agricultural Investment in the Mississippi Delta**



**1,944 acres, more or less**

### **Investment Plan**

The goal of this investment is to purchase at a reasonable price a large tract of **quality yet neglected** Mississippi Delta farm land and invest additional funds to transform the property into a state-of-the-art, investment grade plantation, producing food and fuel for the ever expanding global economy. The farm will be leased on a crop share basis to an experienced farmer, who furnishes all of the necessary equipment and furnishes 100% of the crop expenses.



The dry land corn in the background is on the subject 1,944 acres; the rice in the foreground is on Indian Mound Farms. In 2007 all 640 acres on Indian Mound Farms was planted in rice, which currently brings the highest rent for a landlord on a crop share basis, with cotton being a close second. (assuming average yields of 150 Bu/acre for rice @ \$4.25 and 1,000 lbs/acre for cotton @ \$0.60)

**Precision Land Forming:** The subject 1,944 acres contain excellent soils for the production of rice, corn, soybeans, and wheat. However in its current state the farm is not entirely irrigatable. The entire farm will be surveyed using lasers to generate a precision land forming cut sheet. This cut sheet is used to precisely move the earth to give each field an even fall of 1.5‰ (1.5 feet fall for every 1000 feet). This allows irrigation water be quickly moved on and off the fields. During times of heavy rains the precision land formed fields will also drain quickly and evenly.

**Irrigation System:** Irrigation wells will be drilled at a rate of one well for every 120 acres. Irrigation water is reached by drilling only around 100 feet. The precision land forming survey will help determine the most economical design for the placement of irrigation wells, underground water lines, irrigation water risers, and field water regulators.

**Grain Storage:** Grain storage bins will be installed to allow the farmer to dry and store the grain in order to achieve the best possible prices for the harvested crops. The grain bins will be equipped with stirring devices and butane gas heaters.

**Equipment Repair Shop and Shed:** A farm of this size requires numerous tractors, implements, and combines. Thus an equipment repair shop and shed will be constructed. This allows the farmer to safely store and repair his expensive equipment.

**Precision Land Forming Amortization**

The Internal Revenue Service allows an individual or entity to amortize investments in precision land forming at a yearly rate of 25% of farming revenue. For example, the Baltzer Farm has a projected precision land forming expenditure of \$835,344. This capital expenditure can be written off as follows:

Farm Revenue	\$236,547
Rate of Amortization	<u>x 25%</u>
Amount of Amortization	\$ 59,136

Thus \$59,136 of the \$835,344 capitalized expense can be amortized and deducted from the farm's taxable income. This advantageous tax write-off is one of the added benefits of modernizing a farm via precision land forming.

### **Location**

The farm is located in northern Sunflower County in the state of Mississippi. The entire tract consists of three adjacent sections, specifically all of Section 2, 11, and 12 in Township 24 North, Range 4 West.

The farm is part of the flat Yazoo Basin, geographically also named the Mississippi Delta, which, over a period of thousands of years, was formed by the Mississippi River and its tributaries. This in turn replenishes the Mississippi River Alluvial Aquifer, the source of the Mississippi Delta's irrigation water supply. Irrigation wells can be installed by drilling only around 100 feet.



The above photo is taken from the adjoining plantation, Indian Mound Farms. This adjoining tract was once in the same neglected state as the subject 1,944 acres. The same investment plan was executed to turn this tract into the beautiful and productive farm it is today. The exact same potential is there for the Baltzer Farm.

### USDA Base Acres and Payment Yields

The following base acreage and payment yields are used to calculate government payments:

<u>Crop</u>	<u>Base Acres</u>	(DP) <u>Direct</u> <u>Payment Yield</u>	(CCP) <u>Counter Cyclical</u> <u>Payment Yield</u>
Wheat	1,562.5	37 Bu/acre	37 Bu/acre
Rice	131.0	4,215 lbs/acre	4,215 lbs/acre
Soybeans	537.7	16 Bu/acre	16 Bu/acre

### Approximate Acreage Statistics

Tillable Land	1,809.9 acres
Woods, Bayou, Roads and Ditches	134.1 acres
<b>Total Deeded Land more or less</b>	<b>1,944.0 acres</b>

### Soil Type

The soils on the farm would be considered mixed to heavy soils:

Clay Soils	41%
Silty Clay Soils	23%
Silty Clay Loam Soils	29%
Silt Loam Soils	6%
Water	1%

### Total Investment

188.7 acres grade corrections @ \$120/acre	\$ 22,644
1,505 acres precision land forming @ 600 cubic yards @ \$0.90	\$ 812,700
Install one irrigation well every 125 acres:	
(12) 16" wells, Z pipes, and risers @ \$18,500	\$ 222,000
Install every 40 acres one 24" drain pipe with rice water regulators	
(38) pipes @ \$850	\$ 32,300
Figure no PVC underground lines	\$ 0
Construct (3) 23,000 Bu grain bins with stirring devices, heat/air (for rice to be loaded, shipped, and loaded a second time)	\$ 207,000
Construct (1) 50,000 Bu holding tank with heat & air @ \$2.50/Bu (for 60% of corn to be loaded and stored)	\$ 125,000
(1) Equipment repair shop and shed	\$ 60,000
<b>Total Required Improvements</b>	<b>\$1,481,644</b>
<b>Land Purchase Price</b>	
1,944 acres @ \$1,543/acre	<b><u>\$3,000,000</u></b>
<b>Total Investment</b>	<b>\$4,481,644</b>

**Average Farm Revenue Projection**

Year 1:

600 acres rice x 150 Bu/ac x \$4.25/Bu x 28% .....	\$107,100
600 acres soybeans x 40 Bu/ac x \$7.50/Bu x 28% .....	\$ 50,400
493 acres corn x 140 Bu/ac x \$3.60/Bu x 28% .....	\$ 69,572
USDA Direct Payment: \$39,758 x 28% .....	<u>\$ 11,132</u>
	\$238,204

Year 2:

600 acres rice x 150 Bu/ac x \$4.25/Bu x 28% .....	\$107,100
600 acres soybeans x 40 Bu/ac x \$7.50/Bu x 28% .....	\$ 50,400
493 acres wheat x 60 Bu/ac x \$4.25/Bu x 28% .....	\$ 35,200
493 acres soybeans behind wheat x 30 Bu/ac x \$7.50/Bu x 28% .....	\$ 31,059
USDA Direct Payment: \$39,758 x 28% .....	<u>\$ 11,132</u>
	<u>\$234,891</u>

\$473,095

÷ 2 years

**Average Revenue from Crop Production**..... **\$236,547**

**Annual Farm Rent Payment**

Landowner's 28% Share of the Projected Average Farm Revenue..... **\$236,547**

**Yearly Expenses**

Insurance Coverage .....	\$ 7,000
Farm Management Fee (6% of Land Owner Revenue) .....	\$ 14,192
CPA Fee .....	\$ 1,200
Miscellaneous Expenses .....	\$ 4,000
Property Taxes .....	\$ 16,320
<b>Total Average Yearly Expenses</b> .....	<b><u>\$ (42,712)</u></b>

**Projected Annual Net Income**..... **\$ 193,835**

**Total Investment**

Total Required Improvements .....	\$1,481,644
Land Purchase Price	
1,944 acres @ \$1,543/acre .....	\$3,000,000
Total Investment .....	\$4,481,644

**Return on Investment:**

The projected yearly net income of \$193,835 corresponds to a net return of **4.32%** on the total investment of \$4,481,644.

### **Management of the Baltzer Farm**

The Farm will be leased to a very experienced farmer, known as a tenant. The tenant owns all the necessary farm equipment needed to operate the plantation. It is the responsibility of the tenant to finance the crop expenses and the harvesting costs. The customary rent for leasing quality land such as this, after all the proposed improvements have been made, is a crop share of 28% of all products produced on the plantation, payable to the landowner.

The landowner's only obligation is the upkeep of certain improvements, if any, which is detailed in the Farm Lease Contract.

Fischer Associates Farm Management, Inc. has been managing agricultural land for over 30 years. We pride ourselves in ensuring the landowner receives the best possible long-term return. The main management duties include:

- The selection and employment of the tenant
- The negotiation and the closing of the farm lease contract
- Presentation of the yearly crop plan with budgets and income/expense projections
- Organization and supervision of additional investments in land, installations, and buildings if needed and approved by landowner
- Supervision of the proposed crop plans and the progress of the crop harvest
- Marketing the landowner's share of the crops
- Maintaining the records for the farming operation, including the preparation of the data used by the CPA for the yearly tax return
- Representation of the landowner at the United States Department of Agriculture for participation in various farm programs
- Furnishing reports to the landowner, including financial statements, crop progress, harvest results, etc.
- Make arrangements with tenant to maintain the fertility of the Plantation according to soil tests

For these services, Fischer Associates Farm Management, Inc. charges 6% of the landowner's yearly crop revenue, including other revenues such as house rental and hunting leases.



It is rare to find such a large block of unimproved land in the heart of the Mississippi Delta. These neglected 1,944 acres provide a fantastic opportunity for an investor to transform a mediocre farming operation into a beautiful, efficient, secure agriculture investment. After all improvements have been completed the Baltzer Farm will be able to produce consistent high yields of rice, corn, soybeans, and wheat.

Edited by

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