**Things to Know Before Buying a Ranch**

**By the Noble Foundation**

Owning a farm or ranch can be a rewarding experience. Fresh air and rural living are extremely appealing. However, there are pitfalls awaiting the unsuspecting buyer. These can turn the rural living experience into a nightmare! This guide is designed to make buyers aware of potential problems before buying property.

**How many animals will the property support?**
Pitfall: Land buyers frequently overestimate the "carrying capacity" of the land.

Sellers often exaggerate the number of animals the land has historically supported.

Solution: Information about production potential of land is available from the Web Soil Survey (available on the internet) or in hard copy from county soil surveys at local Natural Resources Conservation Service (USDA) offices. With knowledge of soil type, precipitation, vegetation and forage condition, a professional can accurately predict production potential.

**How much of my time will be required?**
Pitfall: People often think that things will "take care of themselves." Cattle require significant care. People often buy small ranches only to discover that all of their free time is now devoted to management activities. Also, they fail to consider commuting time to and from the property, or time spent commuting to a job.

More than 20 hours of labor per week may be needed on small ranches. If you cannot provide the time and labor, you may have to hire someone. This will increase costs and diminish the potential for profits.

Solution: Plan ahead. Carefully consider the time required for care of animals and ranch maintenance (fences, water, etc.). Also, consider how living in the country will affect your social life and that of your family.

**Where will I buy livestock and how much should I pay?**
Pitfalls: Buyers often pay too much for livestock, buy poor quality livestock, or both. They frequently buy genetically inferior bulls, and as a result, produce an inferior product.

Solution: Research in advance. Develop a support network. Find people you can trust. Talk to trained professionals.

**Will I realize tax savings from my agricultural endeavors?**
Pitfalls: People often think significant tax savings accrue to agricultural production. Often, poor management decisions are made in an effort to save on taxes.

Solution: Review plans with an experienced agricultural tax practitioner before making purchases.

**What, and who, will I need to know?**
Pitfall: Buyers often grossly underestimate the technical difficulties of farming and ranching. People mistakenly think, "Anybody can do it." This is far from true. Ranchers need to know about growing forages (fertilization, grazing management), managing cattle (nutrition, health, genetics), marketing, and general business management (marketing, accounting, taxes). Furthermore, ranchers need reliable sources of information. Landowners often get advice from the wrong people. Many people offer assistance under the guise of selling something or taking advantage of the inexperienced person.

Solution: Carefully research before buying. Ranchers should educate themselves. Attend educational meetings and/or view presentations available on the internet before properties are purchased. Become acquainted with professionals who can help.

**How much gross income can I expect?**
Pitfall: Landowners frequently overestimate the income potential of agricultural production.

Cattle are an agricultural commodity. Prices fluctuate based on national or world-wide supply and demand. As a result, gross income varies greatly. A producer cannot simply multiply his number of cows times current calf prices to determine gross income. Things like breeding failure and calf mortality must also be taken into account.

Solution: Be conservative when projecting gross income potential. Contact professionals.

**Can cattle pay for the land?**

Pitfall: Net income is frequently overestimated.

At current land prices, it is very unlikely that cattle production can pay for land. Thus, land is usually considered an investment apart from the agricultural enterprise. The investment expectation is that the land value will appreciate over time.

Depending on prices of inputs and value of sales, small, or no profit margins often exist for the small rancher. Only the most efficient producers have a chance to realize profits each year. Small operators lack economies of scale, and are often producing at a loss when all costs are assessed.

**What else (besides land and livestock) will I need to buy?**
Pitfalls: Buyers often purchase either too much, or the wrong type of equipment. They think it necessary to own a new pickup, trailer, tractor, haying equipment, ATV, etc. These vastly increase the cost of production and eliminate potential for profit. Owners also tend to overlook the cost of hired labor.

Solution: Carefully consider every purchase. Make sure it is really needed. If it is, can it be rented or borrowed instead of bought? Be frugal.

**Other considerations when purchasing property:**

* Access to property (such as crossing another person's property, quality of roads).
* Wetlands or archeological sites.
* Zoning and other land use restrictions (pesticide use, burning, etc.).
* Existing easements.
* Flood potential and drainage.
* Old dumpsites on or around property that may contain hazardous waste.
* Groundwater contamination.
* Population growth potential.
* Uncontrolled hunting and fishing (poaching).
* Poor soil conditions (low pH, high salt content, or low soil organic matter).
* Bills are paid throughout the year, but sales usually occur only once or twice.

Where to go for information: State Cooperative Extension Services / The Samuel Roberts Noble Foundation / Natural Resources Conservation Service (U.S. Department of Agriculture)/Various Agricultural Organizations