

***--FSA Appraisal Guidelines for Poultry**

Poultry Addendum to FSA Appraisal Guidelines

In addition to the general FSA Appraisal Guidelines, the following is a supplement specific to poultry appraisals.

| Step | Information Element | Content Description |
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| 1 | Market Description | Summarize the market for poultry operations in the subject area based on contacts with local integrators, lenders, and growers. Determine the amount and range of contract production payments and terms being paid to poultry operators. The description shall discuss the subject integrator as well as other integrators operating in the area. |
| 2 | Subject Description | <p>Describe the poultry buildings and fixtures and/or equipment associated with each building in sufficient detail, including the age and condition of each. For existing facilities, state and discuss the actual age and effective age for each and reconcile any differences. Typically, a lower effective age requires detailed documentation of significant upgrades. Identify and document all prior repairs and/or upgrades including cost estimates and year completed. A visual inspection of the interior is necessary to adequately assess the condition for existing facilities.</p> <p>If subject is an existing facility, appraised “as-improved” to include repairs and/or upgrades, document the proposed repairs and/or upgrades including cost estimates. A hypothetical condition should be stated.</p> <p>If the subject is new construction, summarize the actual construction cost quotes and/or estimates associated with the new construction and include in the appraisal copies of quotes and specs sufficient to adequately describe the proposed construction. A hypothetical condition should be stated.</p> <p>Identify the legal permitted capacity. Identify any personal property included on subject and/or sales, and show contributory value separately from real estate.</p> <p>Adequately describe the land and land improvements as well as any other improvements.</p> |

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***--FSA Appraisal Guidelines for Poultry (Continued)**

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| 3 | Poultry Production Contract and/or Agreement | <p>Summarize the contract or proposed grower contract and/or agreement with the integrator (if applicable) for the subject, and under what terms and/or conditions the contract is subject to (such as any repairs or upgrades to the facilities that may be required to obtain the contract). Include income and expense estimates.</p> <p>If the value of the subject property is dependent upon the contract, then an analysis of the relationship of the contract to the subject's real property and how the contract impacts the value of the real property must be explained in the appraisal report.</p> |
| 4 | Integrator Requirements | <p>Describe the standards for equipment and buildings required by integrators and whether the subject's poultry houses meet, exceed, or do not meet the integrator's standards. Discuss the compatibility of the subject improvements with requirements of other integrators in the area as well.</p> <p>If the poultry house(s):</p> <ul style="list-style-type: none"> • are no longer in operation, additional discussion is needed • are obsolete, this needs to be explained in the appraisal • can be put back into production, then an estimated cost to cure and bring them in compliance with the integrator's contract standards shall be provided. |

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***--FSA Appraisal Guidelines for Poultry(Continued)**

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| Step | Information Element | Content Description |
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| 5 | Approaches to Value | <p>For a poultry appraisal, generally all 3 approaches are applicable and necessary.</p> <p>Analyze the local sales that are available to adequately support the value of the subject's poultry facilities. When there are insufficient local sales, regional sales may be considered. Analyze and adequately support adjustments for locational differences if applicable. Discuss and support the selection of comparable sales.</p> <p>Incorporate the same appraisal methods and techniques to analyze the subject and comparable sales and provided adequate documentation of adjustments to support the subject value conclusion. Include sufficient detail from the sales analysis in the appraisal to support the subject analysis.</p> <p>Units of comparison should be determined from the market, but for poultry appraisals, the most common unit of comparison is square footage of the poultry houses.</p> |
| 6 | Sales Comparison Approach | <p>Show direct comparison of subject and sales summarized in a grid. Explain and support all adjustments in sufficient detail. Use a unit of comparison that is understandable and supportable. FSA recommends using value per square foot of poultry houses.</p> |

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| 7 | Cost Approach | <p>Provide market data to support typical replacement cost new. Use typical cost for replacement cost new calculations, but discuss any differences in actual quotes and/or estimates from typical cost. For existing operations, also provide market data to support typical economic life and to support depreciation rates used.</p> <p>Include the following:</p> <ul style="list-style-type: none"> ● The contributory value of the land components. Include vacant land sales to support the contributory values. ● The contributory value of any site improvements (wells, septic tanks, roads and loading areas, etc.). Discuss whether building pads are included with buildings or with site improvements. ● The contributory value and remaining economic life of each building, taking into account physical, functional and external obsolescence. Buildings of like kind, age, and condition can be grouped. See comments under Item 2 above. ● The contributory value and remaining economic life of equipment/fixtures associated with each building, taking into account physical, functional and external obsolescence. Equipment of like kind, age, and condition can be grouped. See comments under item 2 above. |
| 8 | Income Approach | <p>Show income and expense projections used in the income approach. Income and expenses should be based on income and expenses extracted from market data for a typical operation. Compare to integrator 's projections. Projected income and expenses for other farm related enterprises, if applicable, should be addressed as well. Discuss subject actual income and expenses vs. typical income and expenses if different.</p> |
| 9 | Final Value Allocation | <p>Allocate the final value opinion into the contributory value of the component parts for the land, land improvements, and structural improvements (including fixtures and equipment). The contributory value of any personal property included in the value should be shown separately.</p> |

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