

**\*--FSA Appraisal Guidelines for Hog (Continued)**

**Hog Addendum to FSA Appraisal Guidelines**

The following information elements and content descriptions are provided as guidelines to assist the lenders and appraisers to deliver a USPAP compliant appraisal report acceptable to FSA. Information Element labels should be used in the report for clarity.

A Hog appraisal following FSA’s Guidelines for guaranteed lenders in conjunction with these Swine Guidelines completed by a qualified Certified General Real Estate Appraiser will meet FSA’s underwriting rules. They should be used in conjunction with the regular appraisal guidelines suggested by FSA.

For unique situations that do not fit the following guidelines, contact FSA with questions.

<b>Item</b>	<b>Information Element</b>	<b>Content Description</b>
1	Market Description	Summarize the market for hog operations in the subject area based on contacts with local integrators, lenders, and growers. Provide a general discussion of the rates and terms being offered by integrators to hog producers. The description shall discuss the subject integrator as well as other integrators operating in the area.
2	Subject Description	Describe the hog buildings and fixtures/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/upgrades including cost estimates and year completed. A visual inspection of the interior is necessary to adequately assess the condition for existing facilities. If interior inspection is not possible contact the Client for guidance.  If the subject is an existing facility, appraised “as-improved” to include repairs/upgrades, document the proposed repairs/upgrades including cost estimates. A hypothetical condition should be stated.  If the subject is new construction, summarize the actual construction cost quotes/estimates associated with the new construction and include in the appraisal copies of quotes and specifications sufficient to adequately describe the proposed construction. A hypothetical condition should be stated.

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Item	Information Element	Content Description
2 (cntd)	Subject Description (Continued)	<p>Identify the legal permitted capacity in AUs (animal units). Does the Confined Animal Feed Operation (CAFO) have an approved nutrient / manure management plan that is in compliance, with adequate and available acres? Appraisers should be provided with information related to the operations status as a CAFO and compliance on their nutrient/manure management plan when the information is available. Appraisers should review and discuss this information with the property owner and note any compliance issues.</p> <p>If applicable, discuss the available legal surface and groundwater rights (verification if available) necessary to support the projected hog capacity in the analysis. Discuss manure premiums and/or manure easements (spray field easements/application easements) or other similar issues. Ensure they are adequately addressed in the nutrient/manure management plan.</p>
3	Hog Production Contract/ Agreement	<p>Summarize the contract or proposed grower contract/agreement with the integrator (if applicable) for the subject and under what terms and/or conditions the contract is subject to (i.e. any repairs or upgrades to the facilities that may be required to obtain the contract). Include income and expense estimates.</p> <p>Is the subject contract similar to a typical market contract? If there are significant contract differences between the existing contract (leased fee) and typical market contract (fee simple) that impact value, they should be discussed with the Client and in the report.</p>
4	Integrator Requirements	<p>Describe the standards for equipment and buildings required by integrators and whether the subject's hog building(s) meet, exceed, or do not meet the integrator's standards, if applicable. Discuss the compatibility of the subject improvements with requirements of other integrators in the area as well.</p> <p>If the hog building(s) are no longer in operation, additional discussion is needed. If the building(s) are obsolete, this needs to be explained in the appraisal. If the building(s) can be put back into production, then an estimated cost to cure to bring them into compliance with the integrator's contract standards should be provided.</p>

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Item	Information Element	Content Description
5	Approaches to Value	<p>For a hog appraisal, generally all three approaches are applicable and necessary.</p> <p>Analyze such local sales that are available to adequately support the value of the subject's hog 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>Include sufficient detail from the sales analysis in the appraisal to support the subject analysis. Units of comparison should be determined from the market.</p>
6	Sales Comparison Approach	<p>Show direct (head to head) comparison of subject and sales summarized in a grid. Explain and support all adjustments in sufficient detail. Use a market unit of comparison that is understandable and supportable. Explain which sales were given the most weight from the direct comparisons for the value opinion.</p>
7	Cost Approach	<p>Provide market (local/cost provider) data to support typical replacement cost new (RCN). Use typical cost for RCN calculations, but discuss any differences in actual quotes/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 for subject and sales data:</p> <ul style="list-style-type: none"> <li>• The contributory value of the land components. Include vacant land sales to support the contributory values or appropriate appraisal method or technique.</li> <li>• The contributory value of any site improvements (manure lagoons, wells, septic tanks, roads and loading areas, etc.). They should be consistently analyzed. Describe, discuss and explain. Any significant value differences should explained and discussed.</li> <li>• The contributory value of each building and the contributory value of the fixtures/equipment. Include the RCN, effective age, and remaining economic life. Document the physical, functional and external depreciation calculations.</li> </ul>

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<b>Item</b>	<b>Information Element</b>	<b>Content Description</b>
8	Income Approach	Compare and discuss actual income and expenses from the contract projections to typical market income & expenses. Other projected farm related income and expenses, should be discussed as well.  Property should be appraised on a fee simple basis. Discuss selection of cap rates and which sales are given the most weight.
9	Final Value Allocation	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.

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