

Partnerships, Share Farming & Other Collaborative Farming Arrangements

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Background: Collaborative farming

- Scale/Expansion
- Lifestyle & Labour
- Rental cost
- Profit
- Vehicle for transfer of the family farm business

3 Types of Fully Recognised Joint Farm Business Arrangements Operating in Ireland

- *Farm Partnerships*
- *Contract Rearing*
- *Share Farming*



Partnerships

The Partnership : Keeping it Simple

- Compatible partners
- Need a clear arrangement
- A good agreement that the partners understand & take ownership of

It's about: Preparation Preparation Preparation

Written Partnership Agreement

A farming business is different to other businesses

- Assets: Land, buildings, livestock, machinery, EU Entitlements, quotas
- EU Legislation
- Farmer Taxation: Income Tax, VAT, CGT, CAT, Stamp Duty

Farm Partnership – Important Considerations

- *A farm partnership is a modified partnership as opposed to a full partnership*

Farm Partnership – Ownership of Assets

Personal Assets of Individual Partners

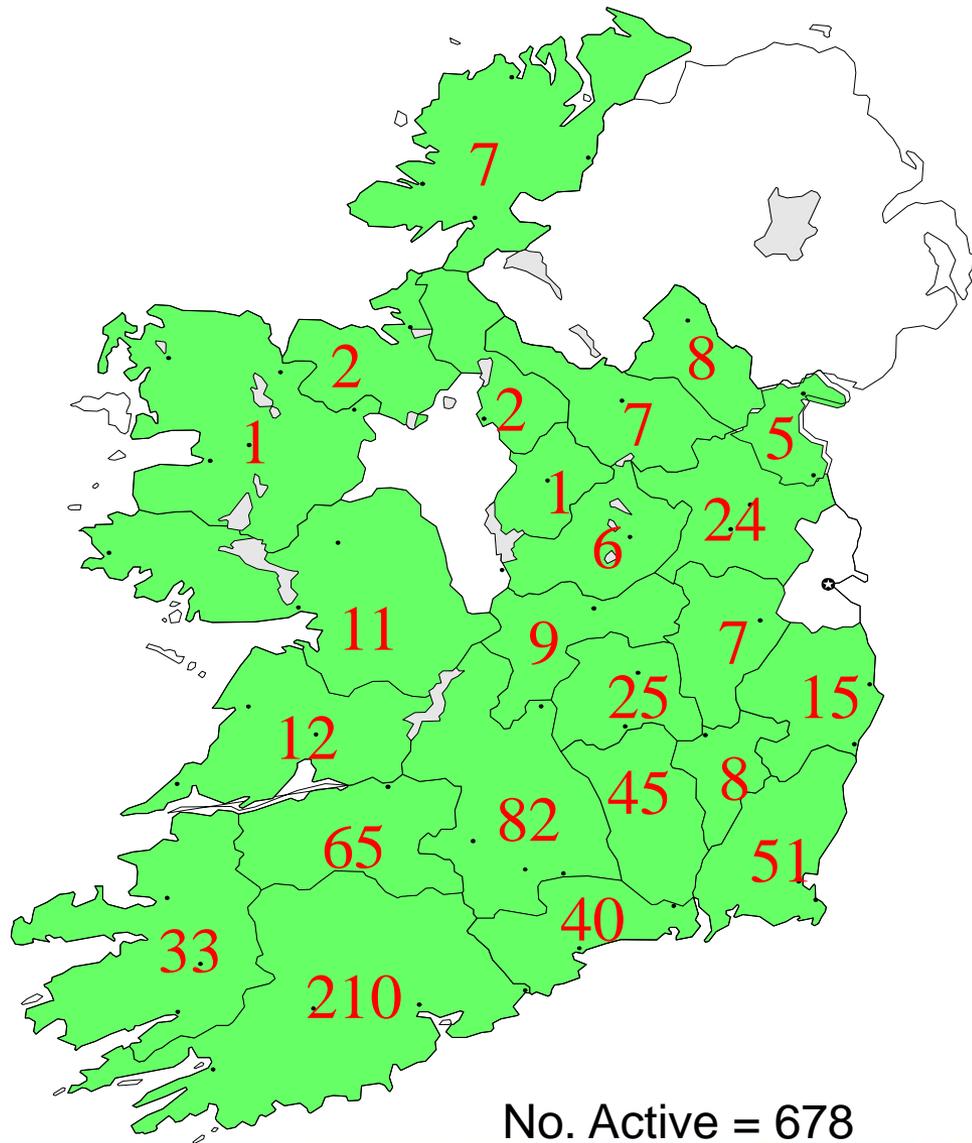
- Land, Buildings, Entitlements & Quotas

Partnership Assets

- Livestock, Machinery & Working Capital

N.B. Partnership Assets are funded by partners' own equity and through partnership borrowings.

Distribution of MPP's – Number per County



Department/EU Schemes

- REPS / AEOS
- Dairy Equipment Scheme Grants
- Access to Milk Quota
- Single Payment
- Area Based Payments
- Special provisions under future EU/DAFM support schemes

Taxation

Income Tax

- Income Averaging
- Stock Relief
- Capital Allowances: Machinery, Buildings
- Expenses incurred by a partner in the partnership

Capital Gains Tax

- Special provision for joint owners of land

Other Taxes

- Capital Acquisitions Tax
- Stamp Duty
- VAT





Steven, Ivan & Winston Nagle
Farming in a Family Partnership

Nagle Family Partnership

- 4 Partners: Parents & 2 Sons
- 2 Farms
- Farming 152 Hectares
- 220 Dairy Cows
- Producing 1.5 Million Litres Milk
- Division of profits

Nagle Family Partnership



Housing for 220 cows & 30 unit milking parlour

Nagle Family Partnership

Day-to-day running of the partnership

- Each partner is responsible for his own chores
- There is a chat during breakfast to agree the days activities. Occasionally that chat could take up to an hour
- Ivan looks after financial records
- Steven looks after animal registrations, breeding & vaccines
- Etc

Nagle Family Partnership

- Quotes

“Farming can be a lonesome life. It’s hell on your own”

“Steven wouldn’t have had time to socialise if he wasn’t in a partnership. His girlfriend lives in ...”

“It’s easy going on holidays because you don’t have to worry about the business you know that it’s in capable hands”



Noel Clancy & Michael Noonan, Kilworth, Co. Cork
Next Door Neighbours Farming in Partnership

Clancy Noonan Partnership

- Next door neighbours commenced partnership 01/01/2006
- Currently milking 135 cows producing 800,000 Litres milk
- Cows kept on a combined 69 Hectare block of land around the milking parlour
- Also producing beef & replacements on 58 Ha out-farms
- Both fulltime farmers
- Both married with families
- Division of profits
- Plan to increase cow numbers to 145/150, also to increase milk yields, fat & protein

Clancy Noonan Partnership

- Lifestyle is the big driver of this partnership
- Partners take alternate weekends off from Friday 1.00pm to 1.00pm on the following Monday
- Work and responsibilities are divided and set out in an On-Farm Agreement



Noel Clancy & Michael Noonan, Kilworth, Co. Cork
Next Door Neighbours Farming in Partnership

Contract Rearing

Contract Rearing Replacement Heifers

- Owner
- Contract Rearer



What is the potential gain for dairy farmers?

- Release of land for milk production
- Free up labour to specialise more on dairying
- Could suit farms where accommodation is limiting
- Could suit where heifers are failing to achieve performance level required

What is the potential gain for contract rearers?

Could provide a steady monthly cash flow

Risk associated with price fluctuation is eliminated

No money tied up in livestock

The demand of buying & selling are eliminated

Types of Contract

- Flat Rate Payments
- Flat Rate + Weight Bonus Payments



Terms of the Agreement

- Ownership of Animals
- Costs borne by the Contract Rearer/Owner
- Contract Rearer's/Owner's responsibilities
- Animal losses
- Achievement of target weights



Robert Shannon (Dairy Farmer) and Anastasia O'Donoghue-Healy & Tadhg Healy (Contract Rearers), Clonakilty, Co. Cork

Tadhg & Ana Healy (Contract rearers)

- Rearing all replacement dairy stock for a neighbour (93 animals in April 2013)
- Paid monthly by bank standing order
- Animals remain in ownership of the dairy farmer but entered into the Healy's herd number
- The monthly payments are based on a rate per animal

Share Farming

Share Farming: The Concept

Two parties jointly farming the same area of land

Each party remains as a separate business

- Not a new business venture

Sharing outputs not profits

- Partnership → sharing **profits**
- Share Farming → sharing **outputs** (two separate business)

What's in it for the Landowner

Retains farmer status with Revenue

Remains eligible for EU/DAFF Support schemes

Can continue in business rather than retire

On-Farm Benefits

- Access to improved management leading to better margins
- Reduced investment
- Free up time

What's in it for the Share Farmer

- Ladder of entry for new entrants
- Opportunity to become involved in dairying
- Provides a sense of ownership
- Build equity
- Sharing of risk
- Increase scale of operation

Important principles

- No rent or fixed payments
- Each responsible for his own costs
- Each works out his own profit
- No joint bank account or merchant account
- Parties are business equals & risk takers

How is Share Farming set up?

Both parties must agree on:

- budgets & term
- sharing input/output arrangements
- individual responsibilities

Complete legal document

At year end – finalise accounts and review



Liam Halpenny (Share Farmer) & William Carrie (Landowner) Co. Louth

William Carrie (Landowner)

- Area land share farmed 35 ha (100% of owned land)
- Main reasons for entering into share farming
 - Had poor machinery
 - Had done some part-time work with share farmer
 - Lack of scale
 - Happy to be involved but not at the coalface
 - No successor

Liam Halpenny (Share farmer)

- Area farmed excluding share farmed land 200 ha
- No. share farming agreements in place 3
- Total area share farmed 60 ha
- Main reasons for entering into share farming
 - Scale
 - Grow business
 - Get rid of uncertainty of conacre
 - Can spend money on improving soil fertility

Aids to developing, partnership, contract rearing or share farming agreements

- Specimen legal agreements available on the Teagasc website
- Teagasc calculators on Teagasc website. The calculators can be used as an aid to calculate the margin for each party
- Information & guides
- Tax publications

<http://www.teagasc.ie/collaborativearrangements>

Thank You