

Collaborative Farming

Providing Options to Improve the Structures of Irish Farming

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Outline:

- Registered Farm Partnerships
 - Family
 - Non-Family
- Dairy Share Farming
- Long-term Land Leasing
- Land Restructuring
- Dairy Heifer Rearing



Collaborative Arrangements

- **Benefit to all parties involved**
- Building a strong working relationship is essential
 - Respect
 - Trust
 - Good Communication
- A Written Agreement
- Previous working relationship is a big help
- Take a broad view – Skill sets, Labour Efficiency, Lifestyle, Resources, Expansion

Registered Farm Partnerships

REDP

- It's a **Profit-Sharing** Business Arrangement.
- Where at least two or more farmers combine all their farm enterprises to operate as one farm unit
- Cannot be in two registered partnerships but can add new partners to the partnership
- Duration: At least 5 years



Registered Partnerships (MPP's)

➤ Milk Production Partnerships

- 2/3 are family: Parents & son/daughter
- 1/3 are non-family: two or more farmers

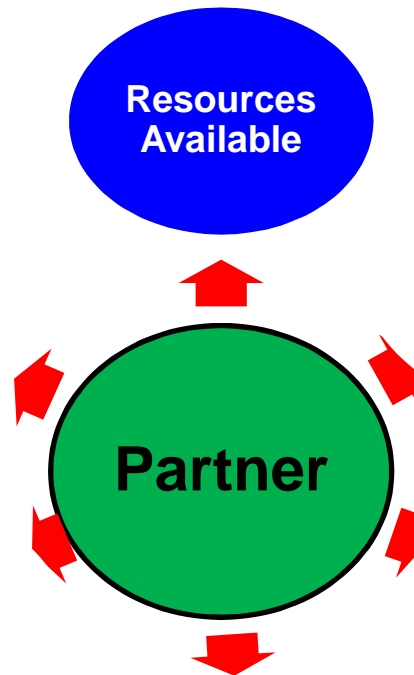


- Family Partnerships – A transition to full succession
 - Very Successful model in this regard
- Non-Family – Labour Efficiency, Improved Lifestyle, Profit, Scale,

Changes in Registered Farm Partnerships

- From January 2015 Registered Farm Partnerships will be open to all farm enterprises.
- MPP Register will move from Teagasc to DAFM on 31st of March 2015 in line with milk quota removal
- New Register maintained by the DAFM in Portlaoise.
- A new SI and Detailed Rules will provide the legal basis.
 - 1890 Partnership Act
 - New Statutory Instrument - January 2015

Considering a Partner



Financial Benefits to Registered Farm **REDP** Partnerships

➤ Taxation

- Access to Stock Relief for young farmers – 100% for up to 4 years
- Enhanced Stock Relief for other partners - 50%
- Maximising low rate of tax – sharing profits

➤ Access to young farmer top-up

- 25% of national average BPS payment

➤ Enhanced grant aid – Exact details not finalised

- Multiple applications for grants
 - TAMS II – Doubling of investment ceiling
 - GLAS/ANC Payments – Two applic. where parties have been separate farmers previously

Share Farming – The Concept



What is Share Farming ?

- Two Independent Dairy Businesses Operating on One Farm
 - Milk Cheque divided by the processor
 - Costs divided based on written Agreement between the parties
- A system that rewards efficiency of the Share Farmer
- Landowner provides the Land & Facilities
- Share farmer provides Labour (Land?)
- One or both can provide the dairy cows
- A 6-12 month lead-in is recommended



Dairy Share Farming

- Why Not Before ?
 - Milk Quota Regime
 - Farm Structures
 - Small Farm Size (32.7 ha)
- Why Now?
 - Milk Quotas Ending March 2015
 - Opportunity to Increase Scale of Operation
 - Age Profile of Farmers (ave. age 55 years)
 - No identified successors



People Involved

- Farmers looking to step back
 - Expanding dairy farmer
 - Farm looking for incentivised management
 - Landowner seeking profitable use of land asset
-
- Career Opportunity for young person
 - To enter dairy farming
 - Build a farm business



The Agreement

REDP

- Legal contract between landowner and share farmer
- Features:
 - Included lands, facilities
 - Previous herd history, performance
 - Stock ownership
 - Share of receipts / share of costs
 - Inventories at start and end
 - Dispute resolution & dissolution procedures

Long-Term Land Leasing **REDP**

- Increased Income Tax Incentives
 - Rental value & basic payment included in thresholds
 - USC not included
- Stamp duty on leases has been removed
- Ensures qualification for Retirement Relief for the owner on future transfers
- Provides incentive to lessee to maintain, invest-in and/or improve land

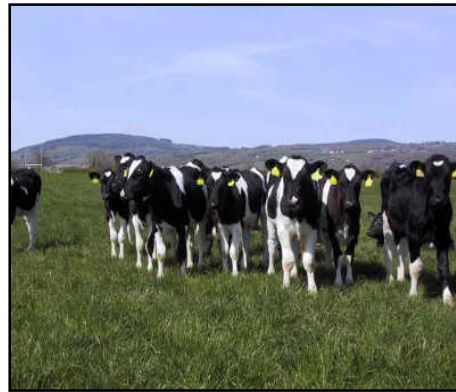
Long-Term Leasing Tax Incentives			
2014		2015	
Term of Lease	Max Tax free income/year	Term of Lease	Max Tax free income/year
5 -7 yrs	€12,000	5 -7 yrs	€18,000
7 -10 yrs	€15,000	7 -10 yrs	€22,500
> 10 yrs	€20,000	10 -15 yrs	€30,000
		> 15 yrs	€40,000

Land Restructuring - CGT Relief

- Consolidating your holding
 - Selling an outside block of land & Buying another closer to home
- Capital Gains Tax Relief applies
 - Consolidating an existing holding
 - Lands purchased must be closer than lands disposed of
 - Can now sell entire fragmented farm and buy another less fragmented
- Both transactions - within 24 months of each other
- First transaction - between 1/1/13 and 31/12/16*

Contract Dairy Heifer Rearing

- Agreement between Dairy Farmer & Heifer Rearer



Contract Dairy Heifer Rearing

- Both farmers must benefit from this arrangement
 - Don't chase the lowest common denominator
- Crunch the numbers on the cost/benefit to your business
- Agree on the practical issues - then write into the Agreement
- Respect, Trust, Regular Communication & some flexibility are critical
- Expansion opportunities, labour saving
- Potentially more profit for rearer if technical performance is good.

Summary

- **Collaborative Arrangements are Business Arrangements**
 - Trust, flexibility and good communication are critical to success
- **Registered Partnerships:**
 - Family – Ideal way to get your successor involved in the business
 - Non-Family – Better labour efficiency – better lifestyle, expansion
- **Share Farming:** Incentivised Operation of the farm
- **Long-term Land Leasing:** Retire and avail of tax incentives
- **CGT Restructuring Relief:** Fragmented Farms – Consolidation of holdings
- **Contract Dairy Heifer Rearing**
 - May facilitate expansion on dairy farms
 - Potentially more profit for rearer if technically efficient

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



The Irish Agriculture and Food Development Authority