

Collaborate to your mutual advantage

Tom Curran,
Farm Business Structures Specialist,
Teagasc Rural Economy Development
Programme

Want to improve your work-life balance and grow your farm business? A partnership with another farmer can make it happen. But what does this mean? Quite simply, it means putting a business arrangement in place that benefits all parties involved.

There is no time limit to this process and discussions should take place over whatever time period is required by each partner to get their head around the idea. The key issue is to work through the various steps involved in bringing two farms together into one business where the profits will be shared on an agreed basis. This article will look at the key steps involved in forming a partnership.

1 The initial approach. This is not easy. How do you approach another farmer about the possibility of working with them in a partnership or some other business arrangement? Firstly, you must think carefully about the benefits that could be gained by both parties from working together. These benefits can include more labour availability, the ability for both parties to take time off, opportunities to increase scale, improve efficiency and enhance work-life balance.

In most cases, a farmer already has someone in mind that they would be happy to work with because they already have experience of working with them in some capacity. At the end of the day, in making that initial approach, all you can do is suggest that you are interested in working together in partnership. Focus on the benefits and give the other party time to digest what you have said.

2 The practicalities. In the event that the initial approach is successful and the other farmer is interested in exploring the idea of a partnership, what comes next? A good place to start and to help the two farmers to get their teeth into the arrangement is to talk through the practicalities of bringing the farms

together.

This will lead to the development of a physical plan that sets out where the farmers are now and what changes are required to bring the farms together. There are various steps involved and these steps may include discussion on:

- **Land:** Location, quality, linking-up
- **Farm infrastructure:**
 - Linking roadways, water systems, paddock size.
- **Farm buildings:**
 - Milking facilities.
 - Animal housing.
 - Slurry and soiled water storage.
- **Livestock:** Valuations, sales, purchases, breeding policy, etc.
- **Machinery:** Valuations, sales, purchases.
- Establishing the capital cost of any works required to bring the farms together, prioritising the investment and setting timelines around those priorities.

3 A financial plan. Using the information from the physical plan, a six-year business plan should be drawn up to show what the business can deliver in terms of cashflow and potential income to both parties. Included in this financial plan will be a prediction of technical performance based on the previous performance of one or both farmers. This plan should be updated each year with actual performance once the partnership is up and running.

4 Personality profile and skills assessment. For farmers who are collaborating with other farmers, it is vital that they establish a healthy working relationship. The foundation of a healthy relationship is based on good communication, honesty, trust, reliability and transparency. At the beginning, it is very useful for each partner to do a personality profile.

The focus of this is for each partner to answer the question: how well do you work with others? This profile will establish each partner's personal attributes, values and life skills. It is vital information which will ensure that both are on the same page with regard to the farm business.

One of the key advantages of work-

ing with another person is the increase in skills and abilities brought to the farm business. A skills assessment is done by, firstly, identifying the skills needed to run the business effectively and, secondly, each partner writing down their own skills.

The third part is for each partner to rate their own ability on each of the skills identified. This process is very worthwhile. It can help to identify key strengths, areas where up-skilling is required and it can also feed into the discussion on roles and responsibilities within the business.

NOTE: steps one to four are carried out by the farmers themselves and their families. The input of their Teagasc advisor will be needed when drawing up the physical and financial plan. From step five onwards, the farmers will need to seek the advice of their respective solicitors, accountants and banking institutions.

5 Getting the structure established. There are a number of elements to this step and this is the point where professional help will be required. Each farmer will need to speak with their accountant to get advice on the setting up of the partnership from a tax perspective. They will also need to speak with a solicitor who will advise on the legal agreement and the key elements required in that document. The key set-up tasks will include:

- Completing the legal partnership agreement dealing with inclusion of farm assets, profit shares and exit provisions.
- Completing the on-farm agreement dealing with roles, responsibilities, time off, drawings, salaries.
- Deciding on a partnership name.
- Setting up a current account in the name of the partnership.
- Exploring any issues in relation to insurance.
- Making changes to herd numbers.
- Ensuring basic payment entitlements are transferred in accordance with any changes to herd numbers.

A template partnership agreement is available at the following link: www.teagasc.ie/rural-economy/farm-management/collaborative-farming/registered-farm-partnerships/registration-documents/



Galway partnership

Bryan Hynes returned home to start farming with his father on a small drystock farm. "In the years before returning home, I worked off farm and also did relief milking for other farmers, all the time building my experience of dairy farming," says Bryan. "I wanted to get into dairy farming and considered converting the home farm."

His neighbour David Neilan was dairy farming in winter milk and calving all year. Both farmers had the same Teagasc advisor, Tom Murphy in Athenry. Bryan had discussed his plans with Tom who initially facilitated the discussion about forming a partnership.

Both of the lads were open to the idea and they began to plan in practice how

this could happen.

"We discussed the system of production and agreed that they would work towards a grass-based compact spring-calving pattern," says David Neilan. The partnership was started in 2013 and the enterprise has grown significantly since.

When the farms were amalgamated in 2013, there was 32ha available for grazing and Bryan bought in 49 calved heifers to bring the cow numbers up to 81 cows. Further reclamation works on the existing farms in the early years brought the grazing area up to 48ha.

"The cow numbers were growing gradually, but land availability around the two home farms was non-existent," says Bryan.

In 2017, the option to lease a second

farm a short distance away came up and they decided to grow the business further by taking on this farm. Bryan and his girlfriend Deirdre operate this new farm and David operates the home farms. Bryan was keen to stress the important input of family members in terms of support and help with work on the farm to help the lads to achieve their goals.

"We have grown the herd from 81 cows in 2013 to 167 in 2017 and to 307 cows in 2018," says David. "The goal now is to consolidate and hit the key performance targets on the new farm in terms of grass grown, calving pattern and milks solid produced on the new farm. It's really a case of mutual benefits," says Bryan. "To be recommended."