Farm Business Options

- Collaborative Farming Arrangements

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Presentation Outline

- Introduction
- What is Collaborative Farming?
- The main Collaborative options?
    - Family/Non Family scenario's

Introduction

- Number of different types of arrangements.
- Collaborative Pathways – Family/Non Family Agreements.
- Establish the best arrangement to suit your circumstance

Collaborative Farming Arrangements are major business decisions, therefore,

- Independent Legal Advice from a Solicitor,
- Taxation Advice from an Accountant,
- Agricultural Advice from Agricultural Advisor/Consultant

should always be sought before entering into any Agreement.

What is Collaborative Farming ?

Two or more farmers working together

in a formal arrangement for mutual benefit

Pooling of skills and resources

It requires co operation, compromise and trust.

Collaborative Arrangements - Family

Example Farm Situation

- John (52) is currently dairy farming on his home farm (150 acres)
- Mary (wife) works full time off farm
- They have 3 children
  - Tom (25) - Young Trained Farmer
  - Mary (22) - Third year, UCD
  - Anne (18) – Leaving Cert
- Tom - very interested in dairy farming
- He has been identified as the successor

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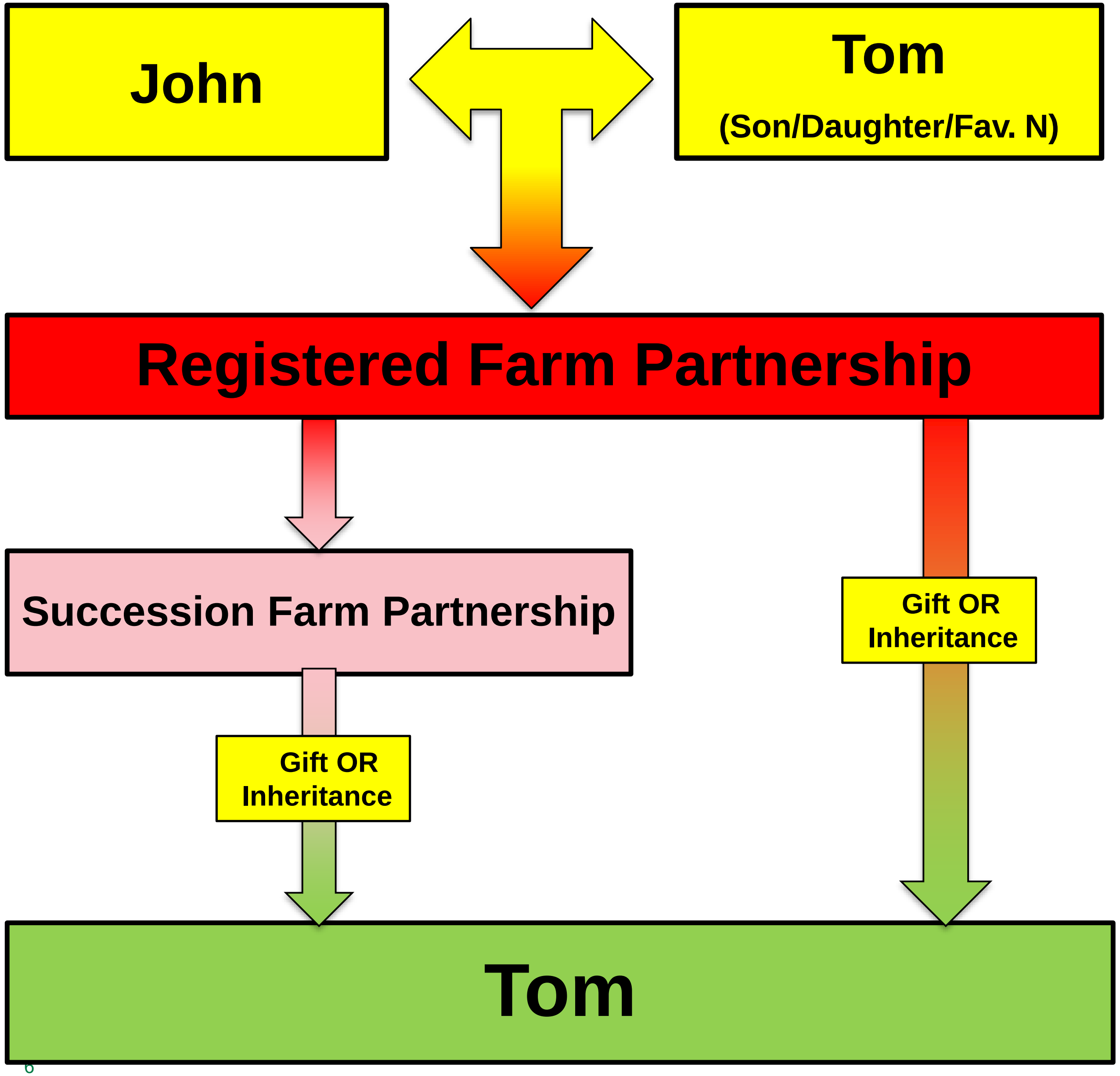
Collaborative Arrangements - Family



Scenario 1

- John **NOT** yet ready to step back
- Tom identified successor and wants to become involved in the farm
- Interim arrangement to involve all parties in the farm business

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Why join a Registered Farm Partnership ?

- All partners recognised in the business
- Creates a pathway for the transfer of farm from one generation to the next
- Additional ideas/skills available
- Improved efficiency
- Shared workload
- Enhanced work life balance
- Flexibility to work off farm/enjoy time off
- Positive impact on health/safety/isolation
- Taxation Incentives
- Scheme Benefits

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Succession Farm Partnership

Incentive to transfer farm to the next generation.

<u>Key Requirements</u>

- Land cannot transfer for three years (year 4 – 10)
  - Caution: where successor is >32 years old
  - (Stamp Duty Relief v Tax Credit)
- €5,000 tax credit to the Succession Farm Partnership (max. 5 years)
- Successor cannot claim tax credit in the year where they are 40 years old at the start of that tax year.
- Companies do not qualify.

Tax Credit claimed to be repaid if farm assets do not transfer as specified in agreement

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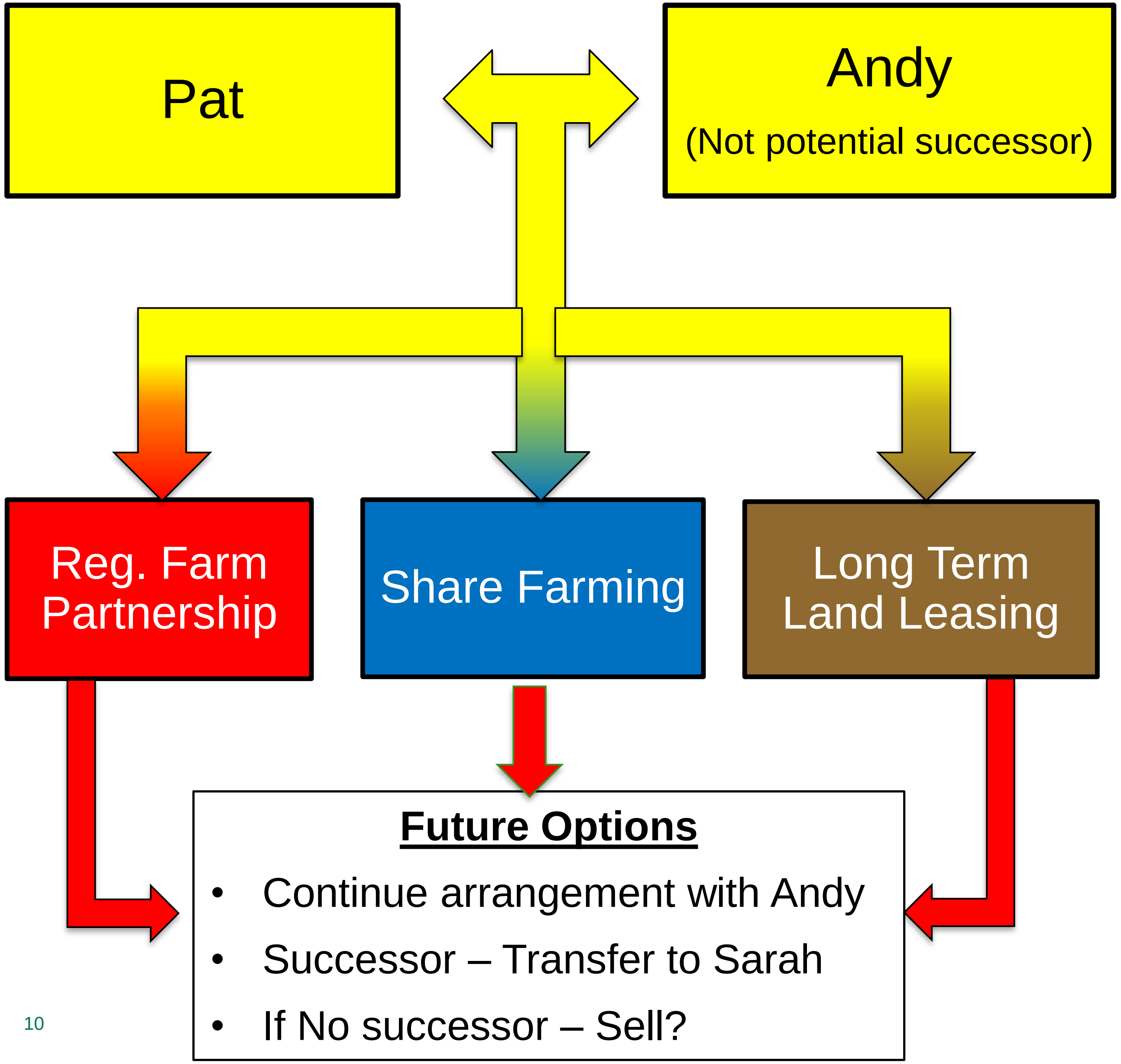
Collaborative Arrangements – Non Family

Example Farm Situation

- Pat (72) Cattle farming in Wexford (85 acres).
- Brid (wife) retired primary school teacher.
- They have 2 children.
  - Sarah (40) – Engineer in UK
  - Michael (35) – Living/Working in Mayo, no interest in farming
- Sarah identified as the successor.
- Sarah – intend returning to Wexford, due to work commitments is unable to for a min. 5 years
- Andy (29) -neighbour of Pat/Brid's
  - Very interested in farming and has worked part time for many years with Pat
  - He has no farm of his own

Collaborative Arrangements – Non Family



Scenario 2

- Pat is prepared to step back/retire
- Successor (Sarah) not ready to take over

OR

- No identified successor/s
- Interim collaborative farming arrangements can be entered into
- Further options at a later stage

Share Farming – The Concept

Land Owner

Share Farmer

Two Separate Businesses

“No Sharing of Profits”

- What is involved?
  - Putting plan together
  - Operation phase
  - Exit plan

Advantages of Long term Land Leasing

Benefits for the Lessee

- Security of tenure
- Longer term planning of farm business
- Opportunity to increase scale
- Buildings may come with lands, reducing need for capital investment
- More cost efficient than land purchase

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Advantages of Long term Land Leasing

Benefits for the Lessor

- Allows opportunity to step back/retire from farming
- Retain ownership of the land
- Tax free income incentive/up to thresholds
- Qualify for Retirement Relief from CGT
- Opportunity for development of the lands
  - Soil fertility
  - Fencing
  - Water system
  - Farm Roadways
  - Reseeding
  - Drainage

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Advantages of Long term Land Leasing

Benefits for the Lessor

Income Tax Incentives for Long Term Land Leasing	
Term of Lease (Years)	***Max. Tax Free income/year***
5 - 6	€18,000
7 - 9	€22,500
10 - 14	€30,000
15+	€40,000

- These thresholds can be doubled where the lands are in joint ownership[1]
- Income thresholds can include the value of the land and BPS Entitlement leased out

- *[1] Proof of ownership on Land Registry Folio`s may be required*

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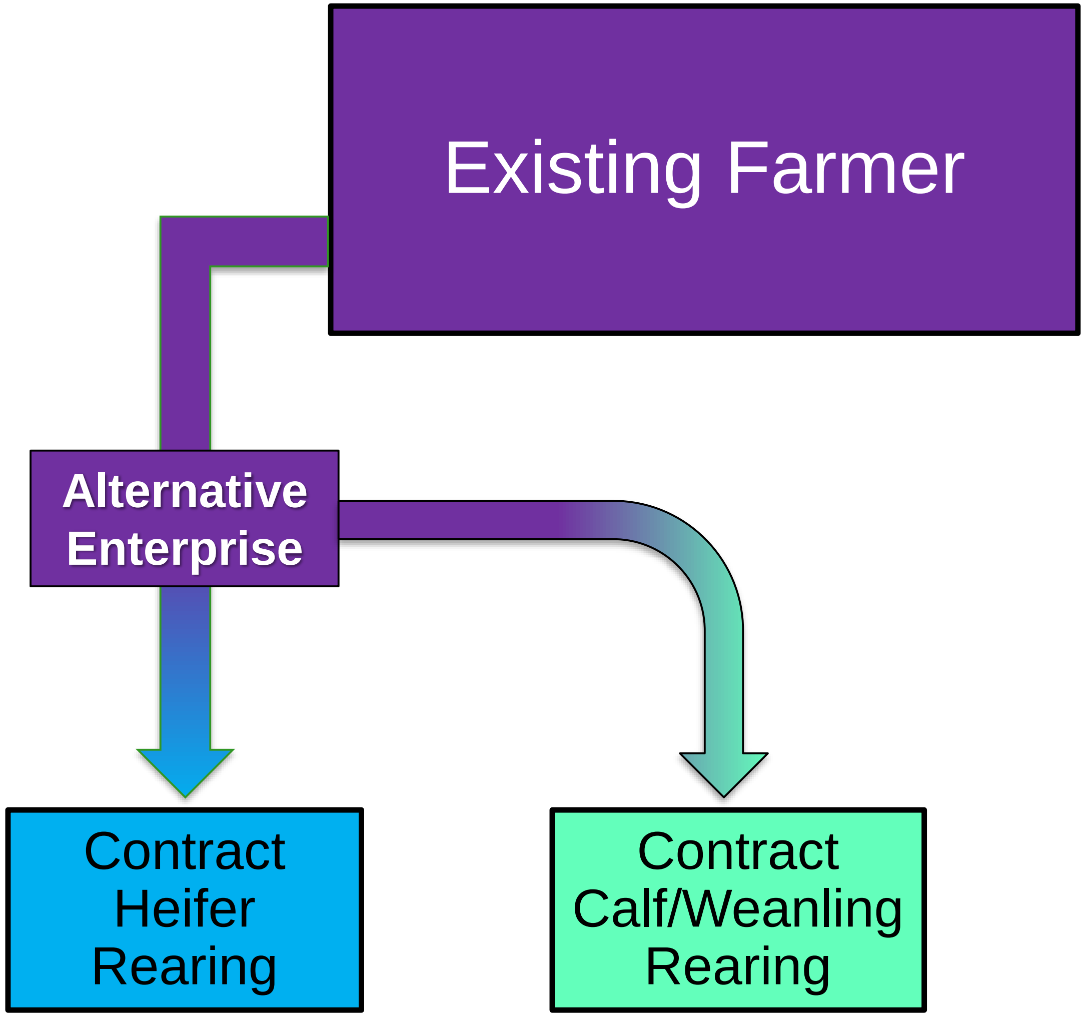
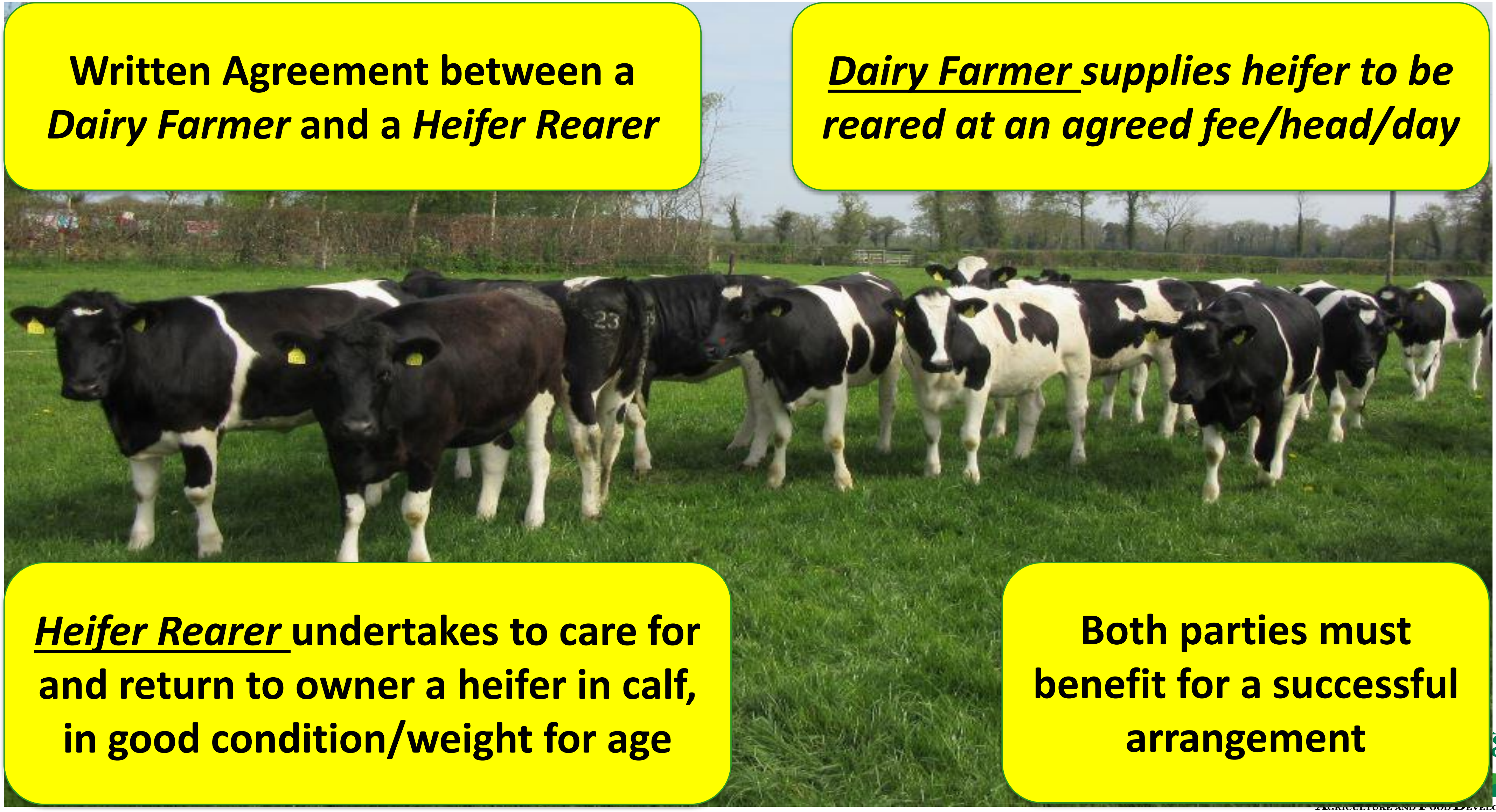
Collaborative Arrangements – Family/Non Family



Scenario 3

- Current farmer wishes to change enterprise
- and are **NOT** yet ready to step back
- No successor/s identified **OR** not yet ready to become involved in the farm
- Interim arrangement to facilitate this scenario for all parties involved

What is Contract Heifer Rearing ?



Written Agreement between a *Dairy Farmer* and a *Heifer Rearer*

Dairy Farmer ***supplies heifer to be reared at an agreed fee/head/day***

Heifer Rearer **undertakes to care for and return to owner a heifer in calf, in good condition/weight for age**

Both parties must benefit for a successful arrangement

Contract Heifer Rearing

Key components

Benefits to Dairy Famer

- Simplify the system
- Additional land, labour, facilities
- Work/Life Balance

Benefits to Contract Rearer

- Reduces exposure to volatile beef prices
- Regular cash flow
- Less investment in livestock

Dairy Farmer

Heifer

Contract Rearer:

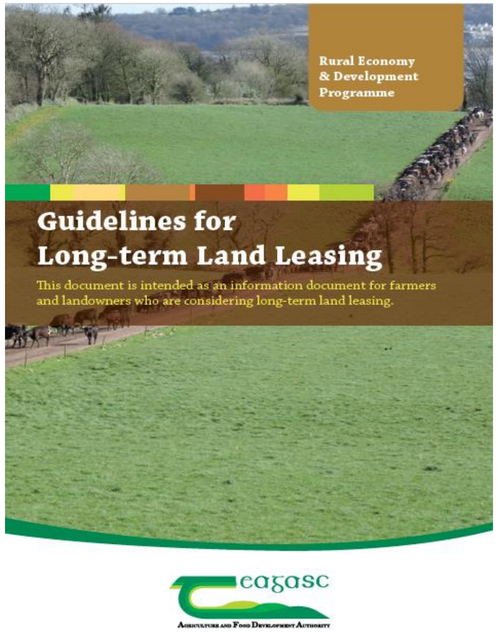
Summary

- Collaborative Arrangements are Business Arrangements

- There are many different options available
- Assess what is best suited to your needs
- Plan, seek advice and prepare well
- Trust, flexibility and good communication are critical to success
- Keep future succession etc. in mind, ensure to plan early and discuss often

Further Information

- https://www.Teagasc.ie/rural-economy/farm-management/collaborative-farming/
- Your Teagasc advisor
- Local Teagasc office
- An Accountant
- A Solicitor



Thank you for your attention

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