



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.

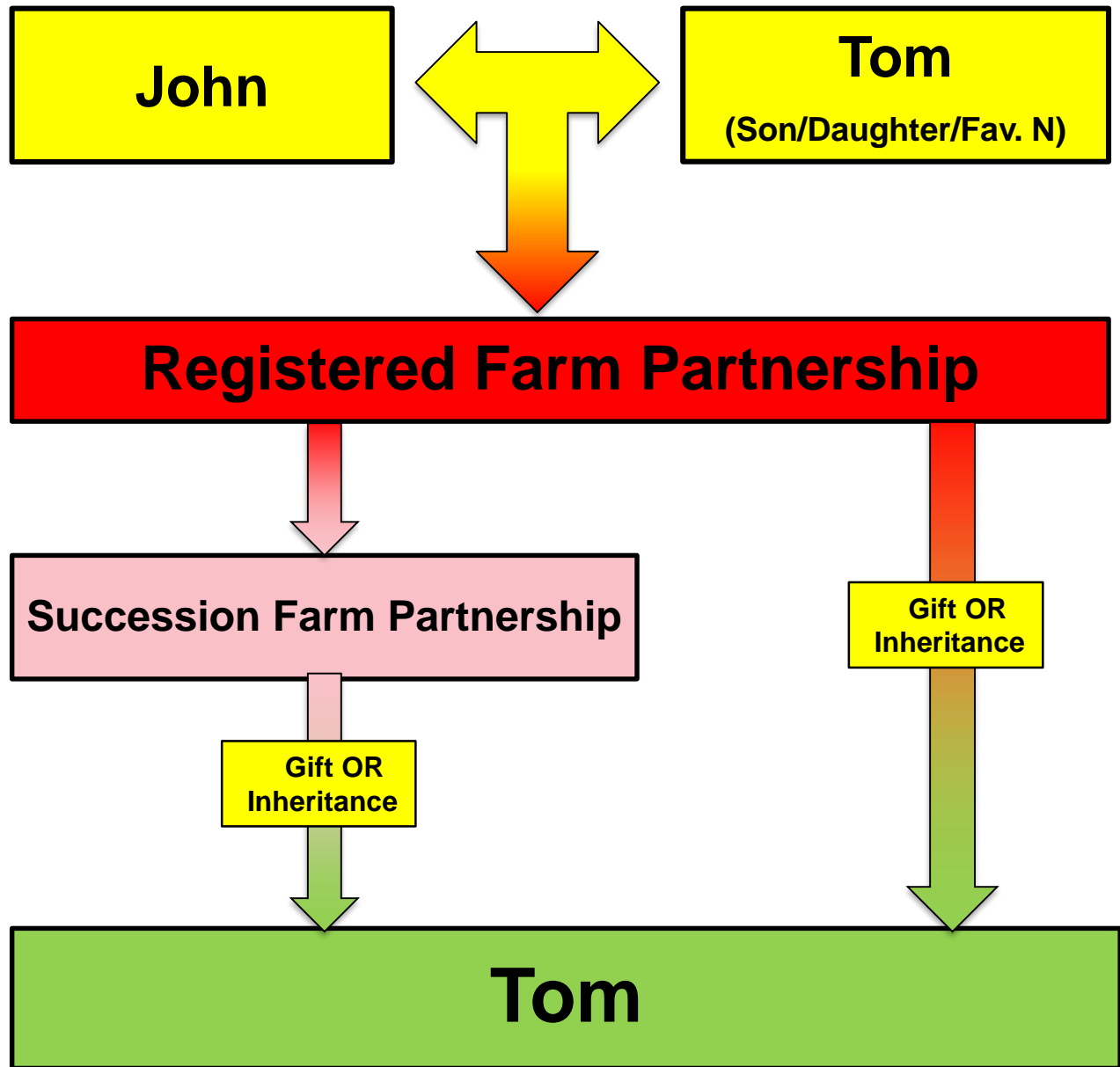
Collaborative Arrangements - Family

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



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

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



Succession Farm Partnership

Incentive to transfer farm to the next generation.

Key Requirements

- 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

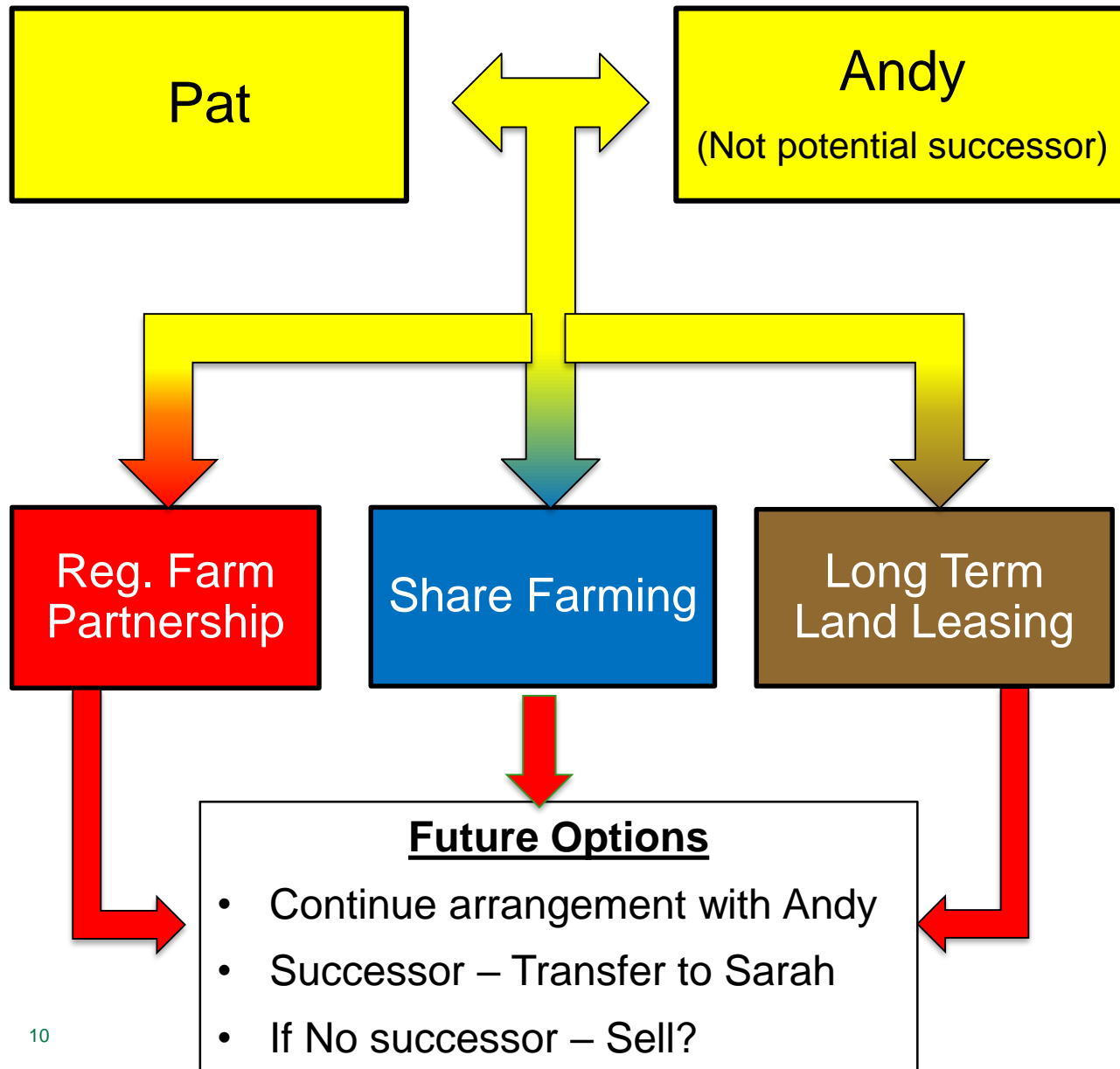
Collaborative Arrangements – Non Family

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



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

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



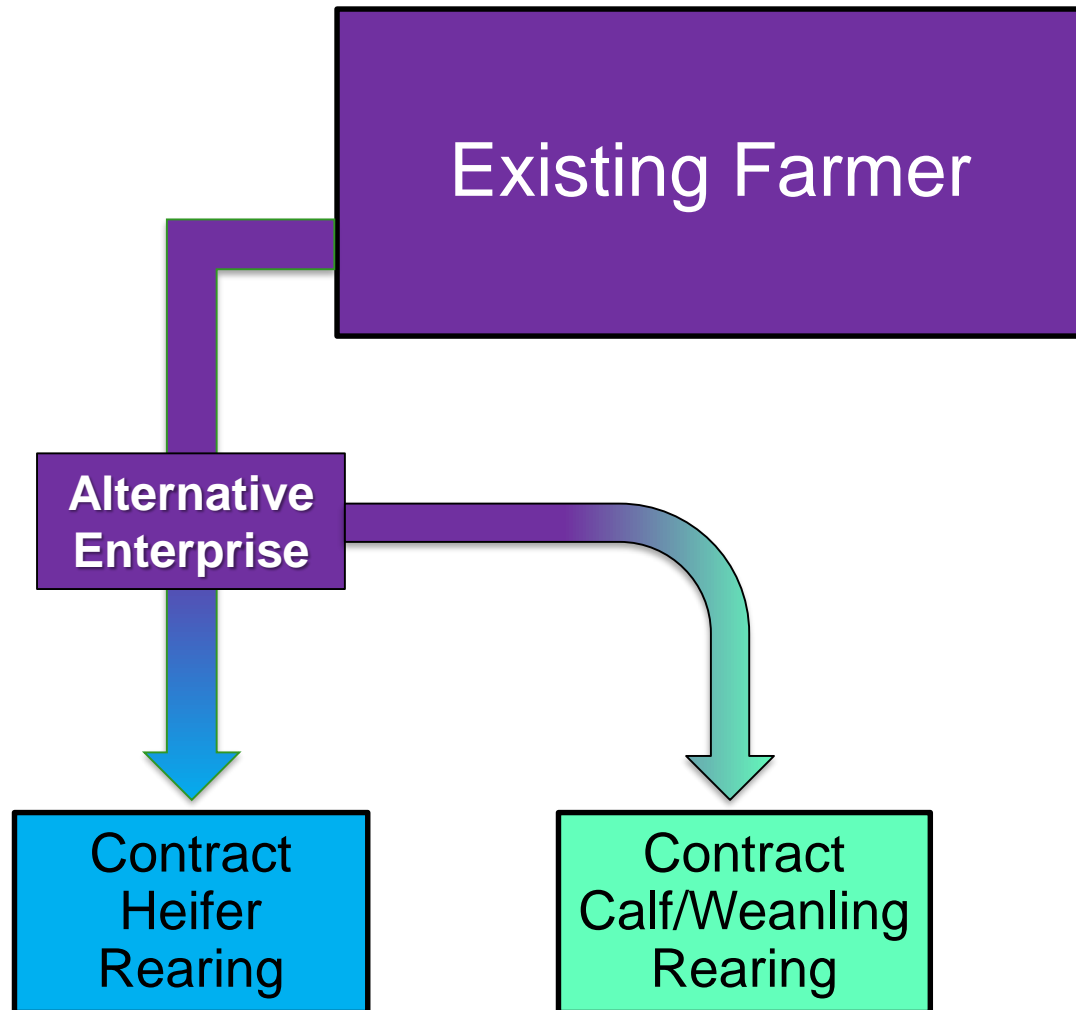
Advantages of Long term Land Leasing

Benefits for the Lessor

Income Tax Incentives for Long Term Land Leasing	
<i>Term of Lease (Years)</i>	<i>Max. Tax Free income/year</i>
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 ownership¹
- 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

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

Benefits to Dairy Farmer

- 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



Key components

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

Guidelines to forming a Registered Farm Partnership

Rural Economy & Development Programme



Long-term land leasing makes lots of sense

Landowners are moving away from concrete and entering more permanent arrangements like long-term land leasing

By one landowner developing long-term land leasing?

Profitability of existing enterprises depending on their farming system and soils, some traditional farming enterprises are struggling to deliver an adequate family farm income. Many beef, sheep and tillage farmers work part-time away from the farms to provide an adequate income to support their families. Many of these farmers are seeking new ways to optimize income from their assets.

Ownership's situation. In some terms, there is no identified successor or possibly the successor is not yet ready to take over the running of the farm. The person currently farming may want to cut back on their workload to enjoy a better work-life balance or retire altogether.

Reliance tax relief. Income tax incentives introduced by Revenue and the Department of Agriculture in 2015 made leasing more attractive to landowners who did not wish to farm the land themselves. These tax incentives are still in place, as per Table 1.

Land can now be leased for up to 25 years without impacting on the landowner's ability to qualify for Retirement Relief from Capital Gains Tax. The provided all other requirements are met.

Payments received under the Basic Payment Scheme can be leased with the land to the lessee, unless to seek advice from your agricultural advisor in relation to the correct transfer of these entitlements for draw down. These entitlements should be detailed in the lease agreement.

The value of the Basic Payment Scheme Entitlements leased with the land can be added together with the agreed fee per acre hereafter and qualify as a tax-free income under the relevant threshold.

If the income from long-term leasing of land that is qualifying for income tax relief is the only income on the farm, then this is regarded as non-reclaimable income for the purposes of PPSI contributions and the individual may be best advised to make voluntary contributions to Revenue in order that their requirements for social pension benefits, including the state pension (contributory) are met.

It is therefore essential that the landowner consults with their accountant (preferably with their solicitor) in relation to the correct transfer of the land and the Universal Social Charge payable on this income.

The amount of income involved often determines the length of the lease agreement. If land is co-owned between a husband and wife, the relevant thresholds shown in Table 1 can be doubled. Legal proof of co-ownership such as a land registry folio will be required.

To qualify for the income tax incentives, both parties as co-owners will be required.

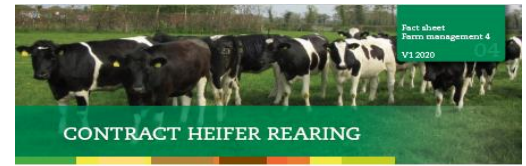
Who is the income tax incentive relative. The only exception to this is where an uncle or aunt is a nephew/niece. If leasing to a nephew/niece, it is very important to seek taxation advice, as transferring the land to this person does the land could lose significant tax implications.

Where the lessee is farming through a limited company, the company can now qualify the landowner for the income tax incentives. A person connected with the company cannot lease to their connected company and avoid of the income tax exemptions.

Opportunity for the improvements/investment in the land. The landowner is providing the opportunity to rent more land and to increase milk output from their main dairy grazing platform. In order to achieve this, they are making alternative ways to access additional land, labour and nutrients to rear their replacement heifers in order to accommodate the expansion. Coupled with the volatility and price uncertainty of the beef sector at present, many drought farmers are now looking for possible alternative income opportunities for their farms. Therefore, contract heifer rearing has increasingly become an option for the milk farmer for both dairy and drought farmers.

What are the benefits for dairy farmers?

1. Increased milk production and profitability. When replacement heifers were previously reared on the milking platform, this land can now be used to rear and used to increase dairy cow numbers and milk output, thereby increasing farm profitability if completed in an efficient manner.
2. Additional labour and facilities. As the contract nears a completion of works associated with the management and rearing of the heifers, they are complementing and in effect providing additional labour to the dairy farmer. Annual housing, slurry storage and stage feeding facilities are provided on the contract rearing farm, reducing the need for capital investment.
3. Ease of management. When the replacement heifer owner contract reared on another farm, there is only one group of animals (dairy cows) to be managed on the dairy farm. This allows for increased efficiency and improved management, as there is now only one group of animals to watch over.



CONTRACT HEIFER REARING

Introduction

With the removal of milk quotas in 2015 and the subsequent expansion of the dairy herd on Irish farms, many dairy farmers are looking at the opportunities to rent more land and to increase milk output from their main dairy grazing platform. In order to achieve this, they are making alternative ways to access additional land, labour and nutrients to rear their replacement heifers in order to accommodate the expansion. Coupled with the volatility and price uncertainty of the beef sector at present, many drought farmers are now looking for possible alternative income opportunities for their farms. Therefore, contract heifer rearing has increasingly become an option for the milk farmer for both dairy and drought farmers.

What are the costs?

Every contract heifer rearing agreement will be different, therefore, the fee per head per day will vary. The highest cost periods in the contract rearing will be during calf rearing and winter housing. Therefore, key areas need to be considered when the fee is being agreed. Some questions that need to be addressed are: What age are the calves moved to the contract rearing? 14 days or over? What cost? Who will they return to the dairy farm? Before or after the second winter? Who will pay the veterinary (consultation, dosing, TB test, etc.) and housing costs? Heifer owner or contract rearer? All these areas, plus many others, need to be discussed and agreed before any final fee can be agreed.

What is contract heifer rearing?

Contract heifer rearing involves the movement of the replacement heifers from the owners farm to another farm for rearing on a contract agreement.

The replacement may be moved from and returned to the owner's farm at different ages depending on the individual agreements made.

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Guidelines for Long-term Land Leasing

This document is intended as an information document for farmers and landowners who are considering long-term land leasing.



Thank you for your attention

