

Registered Farm Partnerships – Guiding farm families through the succession process

Forming a registered partnership is an ideal way for farm families to plot a successful course through the succession process. The partnership creates a structure where the parents and a son or daughter can operate the farm in a happy medium without getting hung up on the transfer of assets. The partnership can continue until such time as the parents are happy to transfer the farm.

A partnership is essentially an arrangement where responsibility, decision making and workload are shared between the parents and the son or daughter. The reward for both parties is a share of the farm profits. It is up to the family to decide what the appropriate share for each partner should be. The profit share can vary over time but in general the son/daughter will start off on a low share and increase gradually as they take on more responsibility and family circumstances allow.

Succession

Succession is a gradual process of integrating the next generation into the farm business but is very often confused with the legal transfer of land. The succession process begins long before the idea of transferring the farm becomes an issue for a farm family. It begins when the children in the family begin to help out their parents on the farm and through this process one or more of them begin to develop an interest in farming as a career. During this stage, the children learn and become proficient in many of the skills necessary to carry out the day to day tasks on the farm. However, their influence on over all decision making may be minor.

When a son or daughter has completed the required agricultural education and returns home to farm with the parents the succession process moves up a level. There is a need for the parents to allow the young person to have responsibility on the farm and have a real and recognised input into decision making.

Partnership

Research carried out by Dr Aine Macken Wash of Teagasc Athenry has shown that most young people when they return home to farm are not concerned with ownership of the farm but what is most important is that they get a say in decisions made on the farm and that they have responsibility for certain aspect of the farm operations.

The partnership through the on-farm agreement allows this to happen as duties are divided out on agreement between the parents and son or daughter.

The three key areas of the on-farm agreement to focus on are:

- Enterprises and areas of responsibility
- Structuring/sharing of workload, weekends off and holidays

- Establishing what the profit share should be and where to set monthly salaries or drawings.

The partnership provides the structure for a young person to have the required responsibility and input into decision making on the farm. It also allows the parents to have a “guiding hand” and be there as a source of support to the son or daughter. In other words, they can give responsibility to the future successor and keep an eye on how they get on.

Frank, Kitty and Ivor Tanner from Newcestown, Co. Cork have been farming in a registered partnership since 2008. They operate a dairy enterprise milking 90 cows and rear all replacements. Ivor says “the partnership gave me a recognised role in the farm business and an input into decision making on a daily basis. At the beginning I would have checked things out with Frank but now I make my own decisions”.

The structure also works well for parents as it provides reassurance that they are not handing over the farm assets in any way. The assets are merely made available to the partnership for the farm business but they return to the parents should the partnership end at any time. Kitty says “the partnership rewards Ivor for the work he puts in and the commitment that he has shown to the farm”

Farm Development

Since the partnership began, the farm has been further developed to improve the infrastructure for the dairy enterprise. The Tanner’s have invested significantly in cow housing, slurry storage, roadway improvements and most recently a new milking parlour. Frank, Kitty and Ivor in conjunction with their Teagasc advisor, have planned this development carefully together since going into partnership and have carried out the investment in stages.

Carrying out the investment in stages spreads out the financial outlay over a longer period of time and eases the pressure on cash flow. The capital investments were needed to meet with regulations but also to improve the quality of life by making the day to day operations easier. “Milking through the new parlour is a joy and saves time for other jobs as there is less time spent in the parlour each day”. This new addition allows the Tanner’s to finish up their busy working day at a reasonable hour.

Discussion Group

Ivor joined a local Teagasc dairy discussion group has become more involved with the advisor in the development of the farm. The focus moved towards better efficiency using the e-profit monitor, learning grassland management skills and improving the EBI of the herd.

Conclusion

The partnership with Frank and Kitty has given Ivor the opportunity to develop his skills as a dairy farmer by taking responsibility for farm operations, gaining confidence in his own decision making, while having the support of his parents through this period of the succession process. Further down the road the final step in this process may be the transfer of the farm at a time that suits the family.