Collaborative Farming: A Suite of Options to Improve the Structures of Irish Dairy Farming
Thomas Curran, Collaborative Farming Specialist, Rural Economy Development Programme, Teagasc, Moorepark.

- **Partnership:**
  - A registered family partnership can be first step in the succession process of the family farm.
  - Registered Partnerships are open to all enterprises from 2015 onwards.
- **Contract Rearing:**
  - An opportunity for expansion and labour efficiency for the dairy farmer.
  - An alternative to drystock enterprises for retiring farmers and drystock farmers.
- **Share Farming:**
  - Provides an avenue of entry to dairy farming for young trained people.
  - Option to continue in farming for farmers with no family or no successor
- **Cow leasing**
  - An opportunity to get a financial return on surplus cows by leasing
  - Can help a young farmer to reduce initial set up costs when entering dairy farming.
- **Land Leasing / CGT Restructuring Relief**
  - Leasing gives security of tenure to the lessee and access to income tax benefits to the landowner
  - Restructuring relief is a financial aid measure to help make fragmented farms become more viable through consolidation of the holdings.

Registered Farm Partnerships
A registered farm partnership is a profit sharing arrangement between two or more farmers that is registered on the new Register of Farm Partnerships maintained by the Department of Agriculture, Food and the Marine. The new register facilitates former milk production partnerships that are continuing while also being open to new partnership applications from any enterprise or combination of enterprises.

Firstly, in the context of the family farm, registered farm partnerships are an excellent transition arrangement that facilitates the succession process until the parents are ready to transfer over the farm entirely to a son or daughter.

Secondly, in the context of non-family situations, two or more farmers can combine their respective farming operations into one single operation and they each take a share of the profits. In a situation where a partnership has been set up between at least two active partners, the partnership model also allows for the inclusion of non-active partners who wish to make an equity contribution in the form of land or capital. This model also facilitates situations where young trained individuals with the Fetac Level 6 Advanced Certificate in Dairying or the Professional Diploma in Dairy Farm Management qualification can enter partnership with an existing dairy farmer.

Registered Farm Partnerships – Family Situations
Transferring the family farm to the next generation can be a difficult process with many questions and concerns that need to be addressed. It is often complex and therefore needs early and careful planning. A registered family partnership is the first step to consider as part of this planning process. In many cases, parents are not in a position to transfer the farm to a son or daughter that has returned home after completing their agricultural education. There are genuine reasons for this, usually linked to concerns about the implications for family farm income and security for the parents and other family members that still have to be provided for. These concerns can be alleviated by forming a registered partnership

between the parents and the son or daughter as an interim step before considering full transfer of the farm. There are advantages to forming a partnership for both the parents and the son or daughter.

Registered Farm Partnership – Non-family

A partnership with other farmer(s) may offer the opportunity for increased scale, but more importantly can offer increased scale in a sustainable way. The main advantages include: making use of the existing facilities on farm, which may reduce the level of capital expenditure; a wider skills mix; greater labour efficiency; and a better lifestyle.

A key strength of registered partnerships is that it facilitates expansion without having a negative impact on lifestyle. Partnerships have been shown to improve lifestyle on dairy farms even in the absence of expansion through a fair and even distribution of workload between the partners. The real reward for a good work structure is the ability to have a good lifestyle with adequate time for family and other personal interests. There is also greater peace of mind knowing that the other partner is carrying out the day to day operations satisfactorily, as they also have a vested interest in the efficient running of the business.

Working in partnership means there is often a better and broader range of knowledge and skills available to the partnership business. This facilitates better and more informed decision making on a wide range of subject areas. Discussions among partners mean that business decisions are teased out further and explored in greater depth. In a family situation, the partnership can provide the platform to blend the experience of the parents with the youthful enthusiasm and modern thinking of the future successor.

Dairy share farming

The key feature distinguishing share farming from a partnership is that two completely separate farming businesses operate on one farm. The concept remains the same across all enterprises. In a share farming agreement, the milk is sold to the processor and each person gets an agreed proportion of the sale proceeds. In addition to this, each person in the agreement pays a proportion of the variable costs such as feed, fertiliser and veterinary costs. Some of the fixed costs such as machinery costs may also be divided.

The starting point for this arrangement is a financial budget to cover potential income and expenditure from the enterprise. The share farmer generally provides all of the labour and in some cases, the livestock and/or machinery. The land owner provides the land and the facilities required for the dairy enterprise to be successful.

The share farming model has operated in Ireland in the tillage and beef enterprises for the past number of years. With the abolition of milk quotas on the 31st of March this year (2015), a dairy share farming model has now been developed for dairy farming. A specimen agreement is available from Teagasc (http://www.teagasc.ie/advisory/share_farming_dairy/). A specific budgeting tool will also be available along with previous financial management aids to help interested farmers carry out a cash flow budget and a business plan for the arrangement.

Long-term land leasing

In recent years, the Ministers for Agriculture and Finance have introduced strong tax incentives to encourage long–term land leasing (at least 5 years). These measures were further strengthened in the 2015 Budget and Finance Bill as follows:

- Increased tax-free thresholds
- Removal of 1 % stamp duty

- Confirmation that both the annual rent and the SPS entitlement value can be rolled together
- Limited companies can now qualify the lessor for the tax incentives
- Removal of the 40 year age limit.
- Land may be leased for up to 25 years.

Benefits to Lessor

The key benefit to the lessor is that the income received from a long-term land lease and the value of any Basic Payment Entitlements is tax free income subject to the limits set out in Table 1.

Table 1: Tax Incentives for Long-term Land Leasing			
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
7-10yrs	€15,000	7-10yrs	€22,500
>10 yrs	€20,000	10-15 yrs	€30,000
		>15 yrs	€40,000

Another key benefit is that the lessor can qualify for retirement relief on capital gains tax when they do transfer the land to a family member or sell on the open market. Capital gains tax is charged at 33%. This is a very valuable relief to farmers and other land owners when transferring land.

By entering into a long-term land leasing arrangement with the lessee, the landowners are providing a better incentive to the lessee to make investments in the land such as reseeding, fencing, and possibly infrastructure.

Benefits to Lessee

The key benefit to the lessee is that the long-term lease provides security of tenure. This allows the lessee to plan the farm business with more certainty. For example, a long-term lease may increase the size of the grazing platform, and thereby facilitate expansion of the herd. To do this on a short-term rental involves a higher level of risk as the long-term availability of the land is uncertain.

The extended term of lease allowable under the new provisions mean that the lessee can look at investment in the land in a new light. It may be easier to justify any investment carried out with a long-term lease, which can be up to 25 years.

Capital Gains Tax - Restructuring Relief

The aim of the scheme is to provide relief on Capital Gains Tax (CGT) to encourage farmers with fragmented farms to consolidate their holdings and thereby improve their viability. The relief is only available on the sale and purchase of qualifying lands that meet the key criteria of the scheme.

Capital Gains Tax restructuring relief should be given serious consideration by farmers in parts of the country where farm fragmentation is an issue. It may involve a collaborative effort by a number of farmers to make it work in practice. Essentially, it allows parcels of land to be exchanged between farmers to reduce the number of fragmentations farmed by each farmer, and potentially increase the size of the grazing platform.

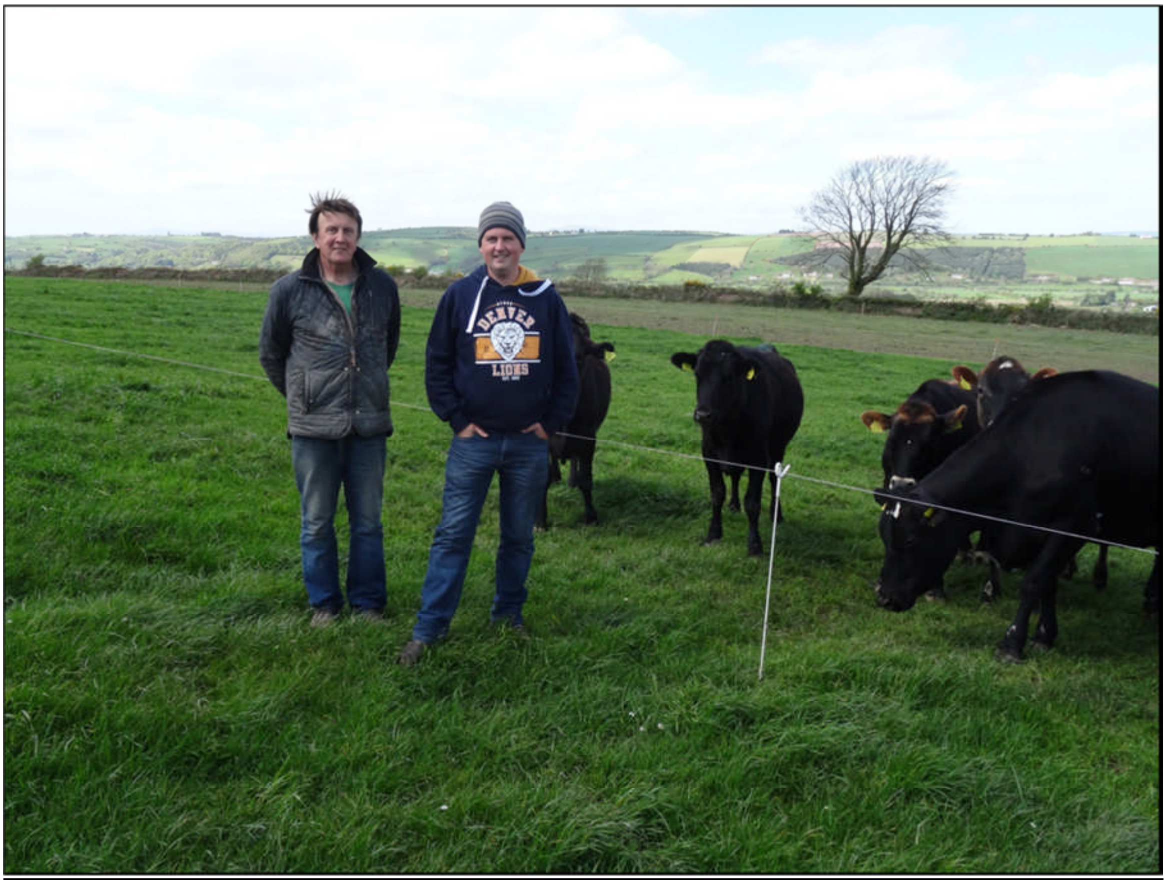
Restructuring relief operates where a parcel of land is sold by an individual farmer (or joint owners) and where another parcel of land is bought by the same farmer (or joint owners) and both of these transactions occur within 24 months of each other. The initial sale or purchase must have taken place in the period 1st January 2013 and 31st December 2016.

The combination of the sale and the purchase together must result in an overall reduction in the distance between parcels of land making up the farm, including leased parcels that have been leased for at least 2 years with a minimum of 5 years to run. The entire transaction must lead to a reduction in the fragmentation of the farm and an improvement in the operation and viability of the consolidated farm.
The scheme has been extended in the 2015 budget to include the disposal of an entire fragmented farm and its replacement with another farm subject to meeting the original criteria of the scheme.

Conclusion
Farmers wishing to get involved in collaborative arrangements should seek the advice of relevant professionals and consider each option carefully before choosing the one that is most appropriate to meet their farming circumstances.

Frank, Kitty & Ivor Tanner: farming in a family farm partnership in Newcestown. Co. Cork

Jeffery Good and Peter Hynes: Farming in a family farm partnership in Aherla. Co. Cork



Gerard Creedon and Patrick O'Flynn farming in a non-family partnership in Aherla, Co. Cork