

Share Farming

"A new land access option"

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Presentation Outline

- Background
- The concept
- Important principals
- How is Share Farming set up?
- Case Study
 - 25%↑ Landowners Income
 - REPS equivalent income for Share Farmer
- Conclusions

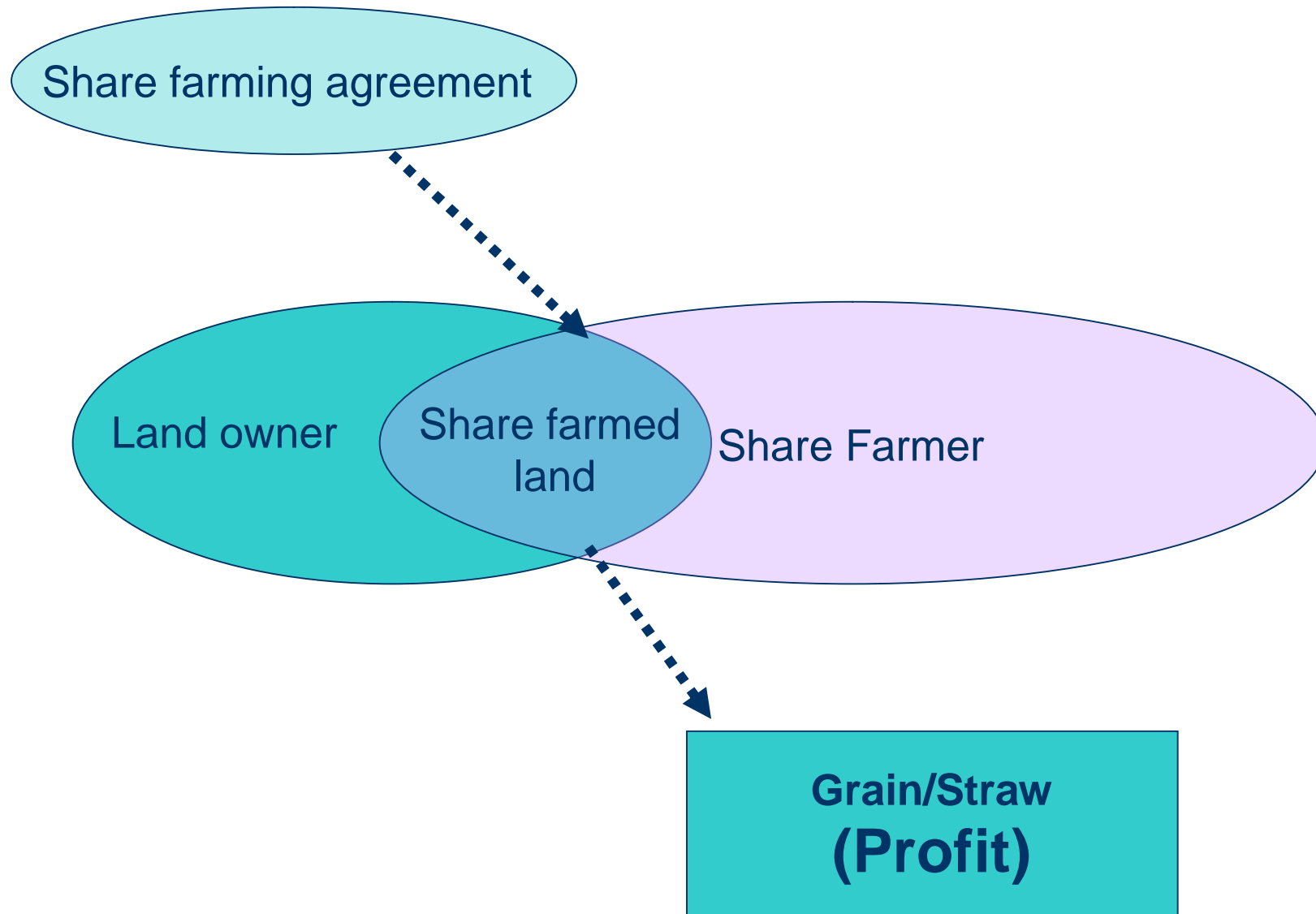
Background: Land access?

- Low margins ~ Large acreage
- Scale ~ Drives down costs
 - Conacre
 - Lease
 - Ad hoc agreements
- Problems
 - Rent
 - Margins
 - Locked in?

Share Farming: The concept

- Two parties jointly farming the same area of land
- Each party remains as a separate business

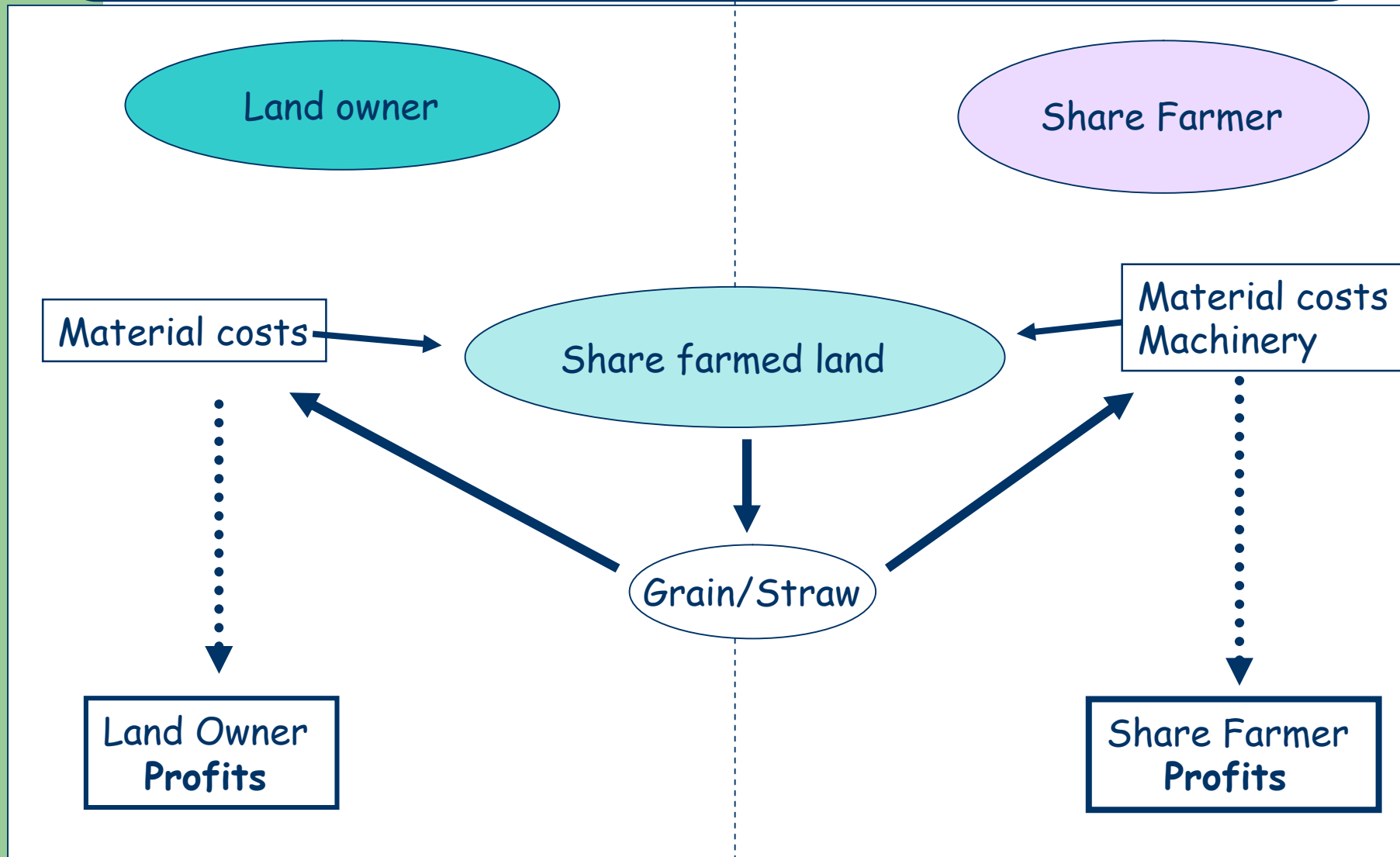
Share Farming: The concept



Share Farming: The concept

- Two parties jointly farming the same area of land
- Each party remains as a separate business
 - Not a new business venture
- **Sharing outputs not profits**
 - Partnership = sharing/distributing profits
 - Share Farming = sharing outputs (to separate business)

Share Farming: The concept



Share Farming: The concept

- Two parties jointly farming the same area of land
- Each party remains as a separate business
 - Not a new business venture
- Sharing outputs not profits

- Each party contributes to enterprise
 - Land, machinery inputs, etc
- Legal agreement
 - Protects both parties

How is it different?

Important principles

- No rent or fixed payments
- Each can sell produce as he feels fit
- Each responsible for his own costs
- Each works out his own profit
- Business equals & risk takers

How is it different?

Important principles

- Labour not charged as an expense
 - Share farmer is not paid for his labour
 - Machinery costs (not local contractor costs)
- No joint bank account or merchant account
- The parties are not jointly registered for VAT or as employers

How is Share Farming set up?

- Both parties must agree on:
 - crop budgets & term
 - sharing input/output arrangements
 - individual responsibilities
- Appoint facilitator
- Consult appropriate advisors
- Complete legal document

- At year end - finalise accounts and review

Aid to developing an agreement

- Teagasc Advisors
- Budget- Corner Stone
 - Teagasc calculator (available to all)
- Based on Costs and Returns format
- Can be downloaded from Teagasc client website

Aid to developing an agreement

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Where Share Farming fits?

- Mixed tillage farmer with poor yield
- Contractor and land owner
- Between family members
- Existing arrangements
- Long standing conacre arrangements

- Can the Share Farmer add value??

How it fits?

Mixed tillage farmer with poor yields

- Land owner requires grain and straw
- Time: Livestock V tillage enterprise
- Issues
 - Poor yields
 - Costs not covered as before
 - Expensive grain/straw
 - Other enterprises suffering

No Share Farming : Mixed Farm

	€/ac
Yield	2.5
Price	110
EU Payments	180
Total income	485
Materials	159
Machinery	160
Total Expenses	319
Total Return	€166/ac

Tillage enterprise 2010

- Projected income
 - Land owner €16,600

Share Farming: Mixed Farm

Landowner
Land
SFP, REPS
100% Seed/fert
50 % other inputs

Share Farmer
Machinery
Labour
Expertise
50% other Inputs

In

In

100 ac Spring Barley

Out

Out

Landowner
100 % SFP
50 % REPS
40% Grain
100% Straw

Share Farmer
50 % REPS
60 % Grain
Risk Shared

Share Farming : Mixed Farm

	Before Share €/ac		After Share Farming €/ac
Yield	2.5		2.7
Price	110		120
EU Payments	180		180
Total income	485		540
Materials	159		132
Machinery	160		121
Total Expenses	319		253
Total Return	€166/ac		€287/ac

Share Farming : Mixed Farm

Tillage Enterprise (100 ac)

- Projected income 2010
 - Land owner €16,600
- Share Farming (Projected 2010)
 - Land owner €20,900
 - Share Farmer €8,700
- Add Value ~ More to share

Restrictions?

- Revenue - direction given for
 - VAT registered farmer and non VAT registered
- Practicalities must mirror agreement

Share Farming on the ground

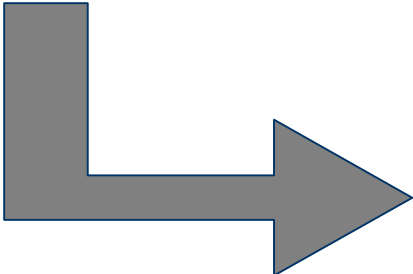
- Trust essential
- Flexible Agreement
- Specifics of agreement will differ
- One party or either party can
 - Buy inputs

Share Farming Purchases: Fertiliser 50:50 split

Share Farmer

20 t Fertiliser

Land owner



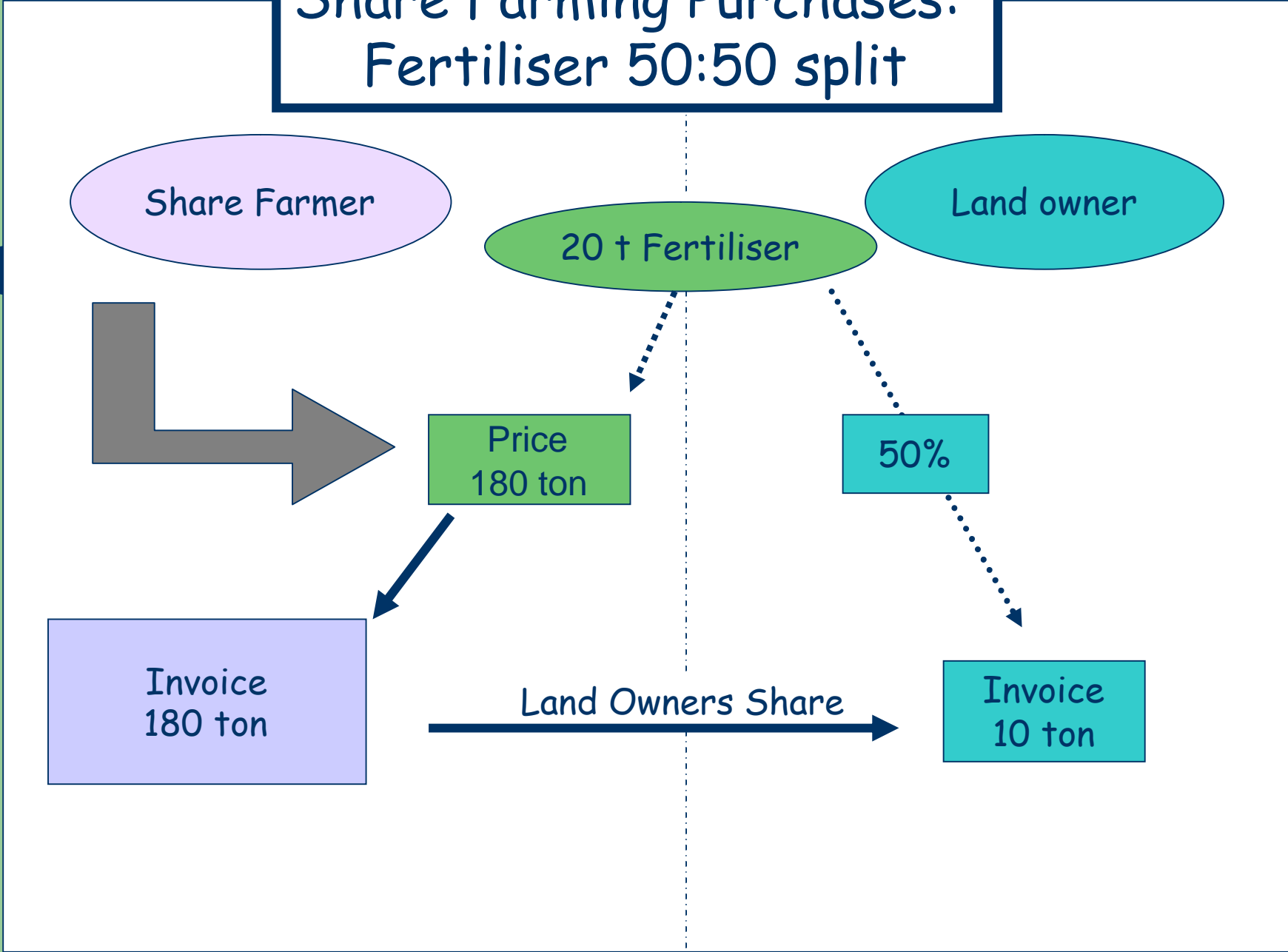
Price
180 ton

50%

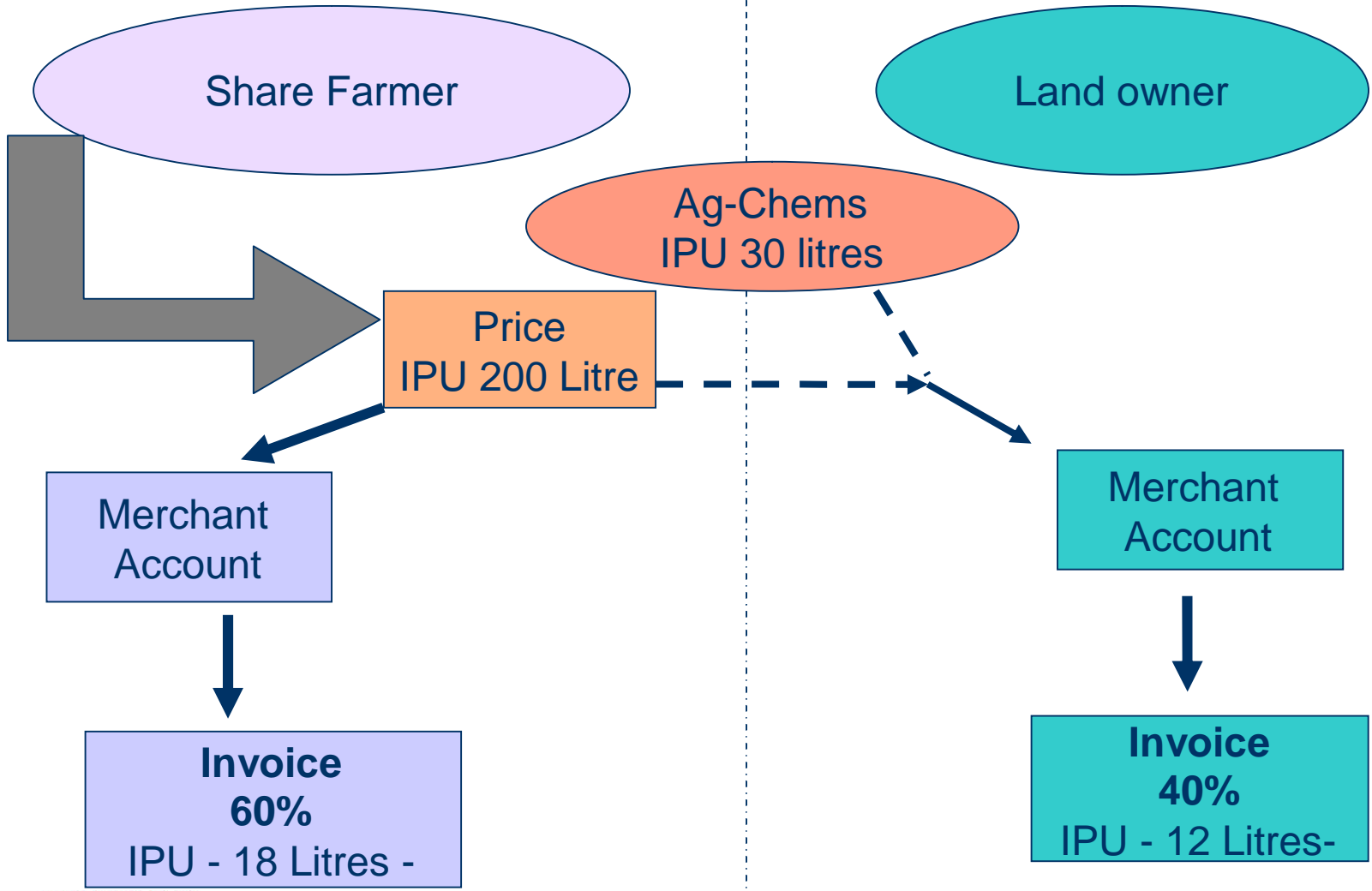
Invoice
180 ton

Land Owners Share

Invoice
10 ton



Share Farming Purchases: Ag Chems 60:40 split



Share Farming on the ground

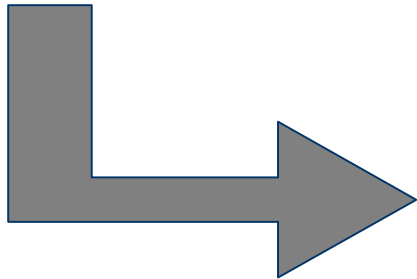
- Trust essential
- Flexible Agreement
- Specifics of agreement will differ
- One party or either party can
 - Buy inputs
 - Sell outputs
 - Invoice the other for their share
 - Payments ongoing or after harvest

Share Farming Sales: Grain 70:30 split

Share Farmer

Land owner

300 ton Grain



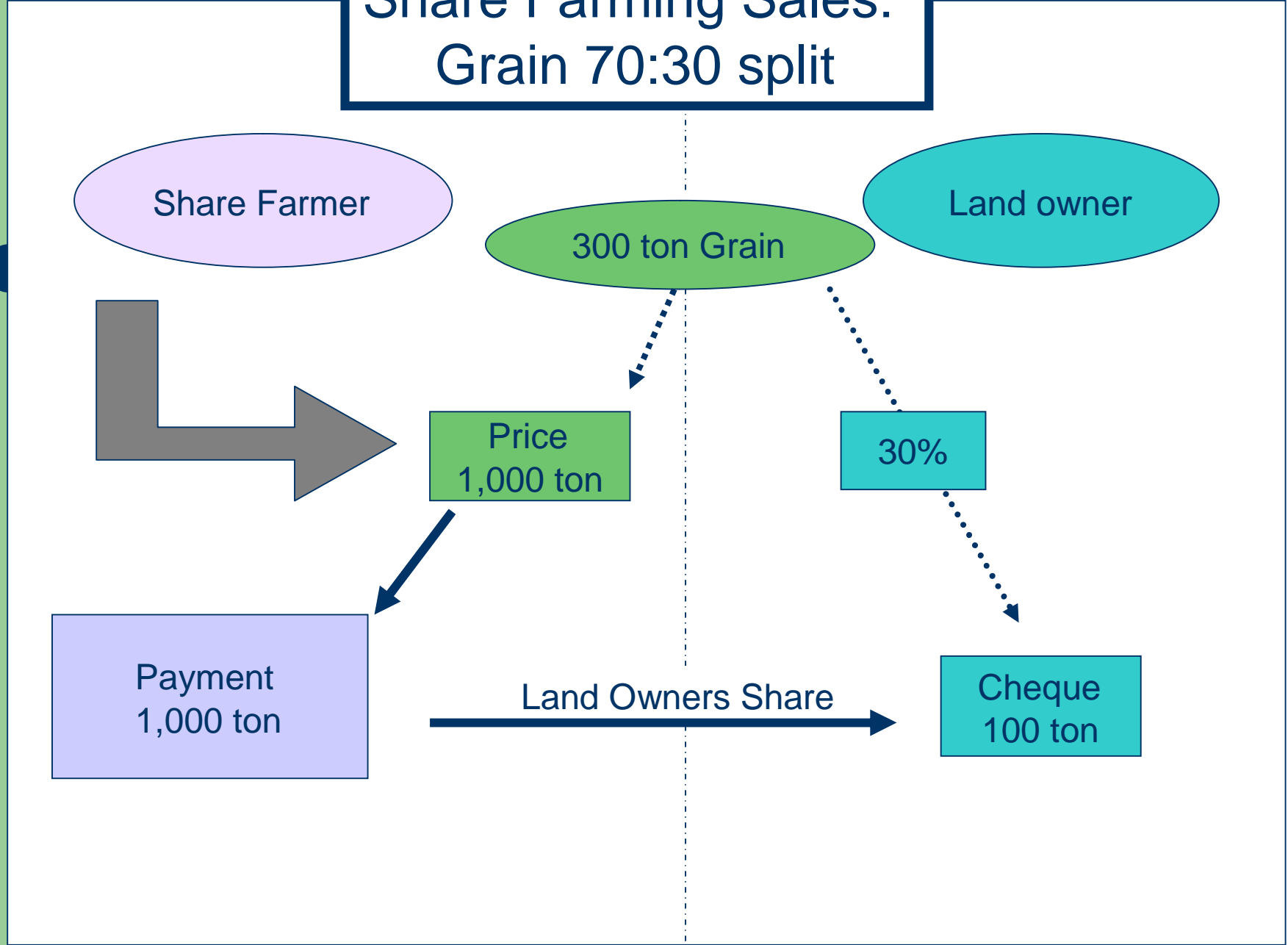
Price
1,000 ton

30%

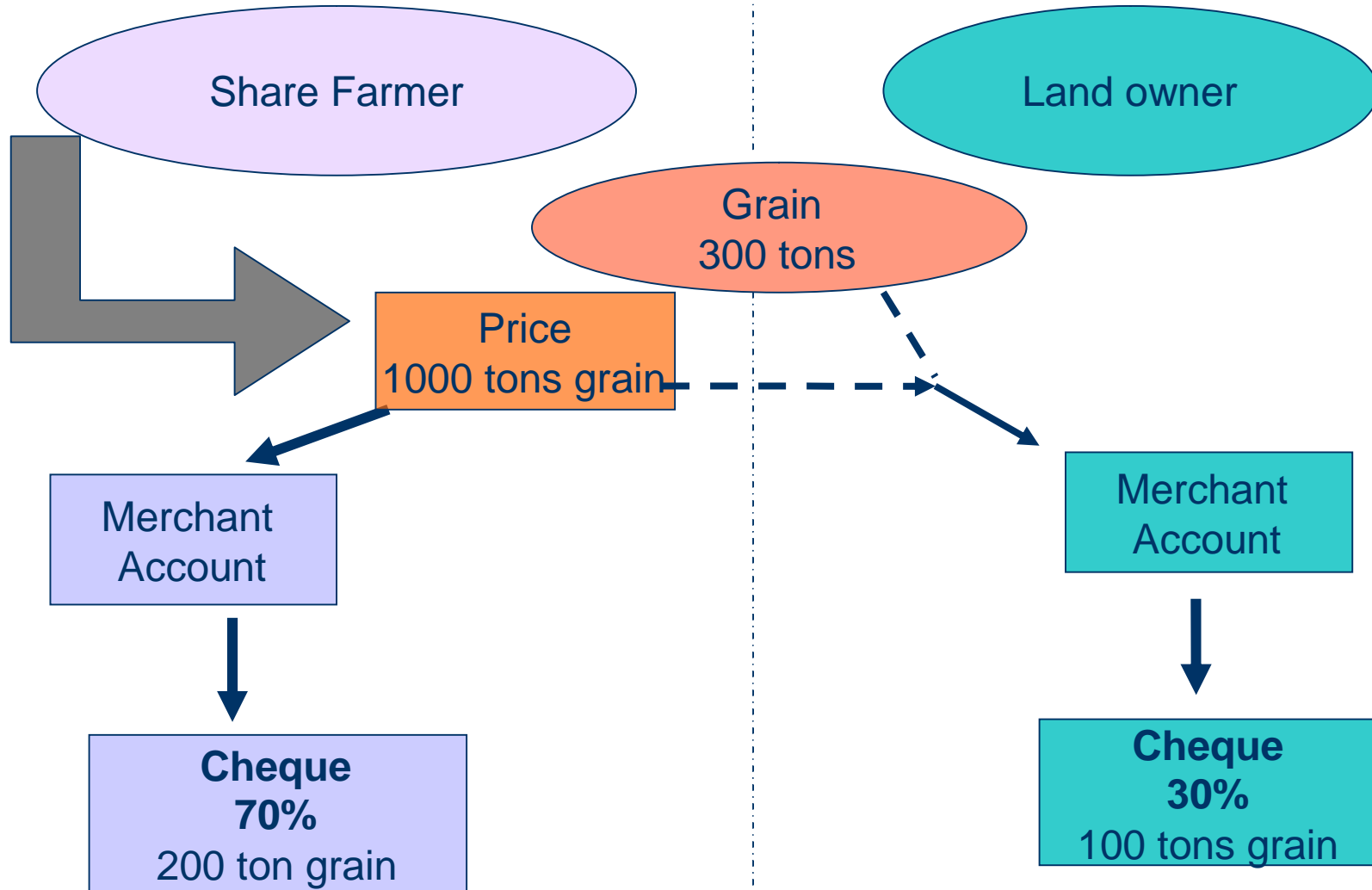
Payment
1,000 ton

Land Owners Share

Cheque
100 ton



Share Farming Sales: Ag Chems 70:30 split



Share Farming on the ground

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Conclusions

- Flexible agreement
- Is fully compliant with all government schemes
- Add value to existing enterprise
- Offers growers improved access to land

**Wishing you every success for
2010**

Thank you