

# Share Farming: Setting up an Agreement





## Share Farming

### Setting up an Agreement

Trust is a key element of this arrangement and identifying a suitable landowner/share farmer is essential to the success of the initiative. An existing understanding between a landowner and a farmer can be developed into a Share Farming Agreement.

When setting up an Agreement the parties involved should, with their advisers, clarify the exact farming activity to be carried out i.e., cropping, livestock, or both, and other details as follows:

- Establish the exact land area involved;
- Verify the storage and sale of produce;
- Decide on how the produce will be divided;
- Determine the required machinery and decide who will provide it;
- Where applicable, include each individual's support scheme in the Agreement;
- In a livestock arrangement, verify a full listing of livestock and include in the Agreement;
- Confirm input costs, and where necessary use the Teagasc Crop Share Excel Calculator.

Both parties should be familiar with the specimen agreement and which can be altered to suit individual circumstances. When completing the Agreement the following steps can then be taken:

### Land area

1. The sample agreement provides that the land should be in good order and condition (particularly fences) before the Agreement commences. Thereafter, the share farmer is responsible for maintaining fences, gateways, structures etc in good order and condition, excluding fair wear and tear. The share farmer may not use the land for any other purpose outside the Agreement.

## Land and machinery

2. Details of the land provided by the landowner should be set out in Table A, Part 1.
3. Where the landowner provides machinery etc., the details should be completed in Table A, Part 2.
4. Previous cropping history and the fertility status of the land area should be given in Table A, Part 3.
5. List mobile machinery provided by the share farmer in Table B.

## EU/Government supports

6. Set out EU/Government supports etc., provided by the landowner, in Table C.
7. Detail EU/Government supports etc., provided by the share farmer in Table D.
8. Outline the division of EU/Government supports provided by:
  - the landowner in Table F, Part 1.
  - the share farmer in Table F, Part 2.
9. Profile the timing and method of the allocation of EU/Government supports in Table F, Part 3.

## Costs and returns

10. The parties must agree on both input and running costs and establish a basis for the division of these.
  - As each party is running a separate business, invoices, where possible, should be furnished separately. Unless otherwise agreed, each party will pay his/her proportion of costs directly to the supplier.
  - Where either party is paying for a particular cost, the other party agrees to pay their remaining share of the cost within 14 days. The agreement provides for interest where one party fails to make a payment to the other.



11. Divide the costs to be paid by each party in Table G, Part 1 (the Teagasc budgeting calculator can help here).
12. Set out the proportions of produce to be owned by each party in Table H, Part 1. Each party is responsible for his/her own share of the produce following harvesting.
13. The Agreement provides that normally the share farmer will sell the produce on behalf of both parties. Storage and marketing details should be outlined in Table H, Part 2.
14. The agreement provides default provisions for dealing with produce etc., in the event of a dispute.

## Livestock

15. In agreements involving livestock, the land owner's animals and the share farmer's animals should be valued and listed in Table E, Part 1.
16. This agreement provides that each party owns a share in all the animals and these shares should be set out in Table E, Part 2. A balancing payment is likely to arise on the signature of the agreement because of the change in ownership.
17. Table G, Part 2 sets out the division of livestock rearing costs.
18. When livestock is sold, the proceeds will be divided between the parties in the same proportion as they are owned and set out Table E, Part 2.

## Other costs

19. Each party should have his/her own insurance.

## Ongoing consultation and record keeping

20. Parties should meet every three months to review physical and financial matters.
21. The Agreement provides that the Department of Agriculture and any other statutory records should be maintained e.g., records for Cross Compliance and records of purchases and sales.

## Facilitating disputes

22. In the event of a dispute arising, a facilitator should be agreed upon and his/her contact details given in Table I.
23. The Agreement provides procedures that apply in the event of a dispute, death, dissolution etc.

## Sign the Agreement

24. Consult legal and financial advisers about the agreement (where necessary).
25. Reach agreement and sign the documentation before commencing farming.
26. Both parties hold a copy of the Agreement for future reference.

## Practical share farming

27. Upon completion of sales and payments for the year, the financial arrangements should be finalised as per those outlined in the Agreement.

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