Animal & Grassland Research and Innovation Centre
Moorepark

Moorepark Dairy Levy Research Update

Teagasc Share Farming Open Day

Shinagh Estates, Gurteen Dairy Farm, Bandon, Co. Cork

Wednesday 6th September, 2017

Series 34

Teagasc Agriculture and Food Development Authority
CARBERY
Shinagh Estates Limited
Department of Agriculture, Food and the Marine
An Roinn Talmhaíochta, Bia agus Mara

Moorepark Dairy Levy Research Update

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Welcome

James O'Donovan

Chairman Shinagh Estates

I am pleased to welcome you all here today on behalf of Shinagh Estates Ltd. We, as farm owners support this initiative encouraging Share Farming. Shinagh Estates Ltd. is made up of the four West Cork Co-ops: Bandon, Barryroe, Drinagh and Lisavaird.

This is a demonstration farm, and the aim is to see the issues related to Share Farming in operating a dairy herd. We financed the conversion of a drystock farm with no facilities (other than a cattle crush) to the dairy farm you see here today.

There are in effect two separate projects involved here: one is to see the costs of converting a dry stock farm to dairying, two is the operation of a Share Farming arrangement. By doing this and showing to you the issues that arise it will help all of us dairy farmers.

The farm is in its second year of operation. We have a great working relationship with John Sexton the share farmer who is doing an excellent job in operating the farm. We think we are in a win-win situation with such an excellent farmer. We have and will continue to act in a supportive role, (like any farm owner would) and I want in particular to acknowledge the work Mike Hayes of Shinagh Estates has done during the start-up year in 2016 and which he continues to do.

We hope you will learn and benefit from our experience. We want to support the entrance of young people into the dairy industry and provide one step on the ladder for these people in their career path. Equally, Share Farming offers a way of taking a step back from dairying for the farm owner while still ensuring the assets of the farm (land and facilities) are used for milk production.

Introduction

Pat Dillon[1], Padraig French[1] and Billy Kelleher[2]

[1]*Teagasc, Animal & Grassland Research and Innovation Centre, Moorepark, Fermoy, Co. Cork,* [2]*Teagasc, Cork West Advisory Unit*

In 2015, Teagasc in conjunction with the owners of Shinagh estates, Drinagh, Bandon, Barryroe and Lisavaird Co-Op's converted Gurteen farm to a new dairy demonstration farm. The objective was to demonstrate the setup, operation and financial performance of a dairy Share Farming arrangement which is a new structure to Irish dairying since milk quota removal. Now in its second year and with share farmer John Sexton, the farm is exploring how to create a win/win business arrangements between those who own land and those with the skills and energy to farm it.

There is no doubt that collaborative farming models, including Share Farming, have a huge role to play in the future of Irish farming. There are already a number of successful people, including John Sexton, who have set up their own dairy farming business despite not owning a milking platform. These people are great role models to encourage others to choose dairy farming as a career. There are no doubts about the opportunities with Teagasc predicting 6,000 people will need to enter the industry by 2025. Collaborative farming models mean that you don't have to own a farm, or even be from a farm to have a successful career in dairying. No doubt farmers without successors will take great hope from these new young entrepreneurs to farming who will give options to farm with in the future.

The objective of this Open Day is to up-date dairy farmers on both physical and financial performance of the Gurteen Share Farming arrangement over the last two years; and to share all lessons learned to date on how to operate a Share Farming agreement. 2016 was a challenging year to start the arrangement with 2017 promising to be much better. As volatility is likely to be part of Irish dairying for the foreseeable future, investigating how these collaborative arrangements manage periods of low prices is important. With Share Farming the key lessons to be learned involve paying particular attention to both the business –contracts, budgets, returns, etc. – and people – relationships, communication, negotiation, etc. – aspects of the arrangement.

Why should land owners consider Share Farming?

Thomas Curran

Teagasc, Rural Economy Development Programme, Moorepark, Fermoy, Co. Cork

Share Farming as a business model can play a role in certain situations in the Irish dairy industry. It can operate where an existing dairy farmer wants to remain dairy farming but take a step back from the day to day running of the farm. It can also play a role where existing dairy farmers start dairy farming on new blocks of land (may be owned or leased) and use the Share Farming model to operate the farm.

An existing dairy farmer could consider Share Farming for the following reasons:

- No farming successor (no children in the family or no farming successor).
- Happy to remain dairy farming but want to reduce or step away from the day to day management.
- Due to health issues or family circumstances need an interim business model to continue the operation of the farm until a successor is old enough, educated or experienced enough to take over the farm.
- As a more stable long term source of labour on the farm but this does involve a big potential role change for the farmer, unlike taking on an employee where the farmer might still have full management control.
- Like partnerships, Share Farming provides an incentive to achieve technical excellence. It is a model that can reward the share farmer for work ethic and achieving technical excellence and therefore the landowner can benefit from this also.

Challenges

- Adjusting to working with another farmer and adapting to new ideas and systems of running the farm on a daily basis.
- Finding the right person. It may be helpful to start a potential future Share Farming candidate as an employee to find out is the person someone who is suitable to form a Share Farming arrangement with.
- Financial investment may be required to scale up the farm to provide two incomes to the landowner and share farmer.
- Understanding that the share farmer may need to use the arrangement with you as a stepping stone to a larger more profitable operation and so could move on in time.
- Accepting that the arrangement may be short-term (3 - 7 years) and re-formed with a new share farmer in the future.
- Potentially allowing the share farmer to purchase the dairy herd over the life-time of the arrangement.

The key to a successful Share Farming arrangement is to have a landowner, and share farmer, who are focused on establishing a successful and profitable arrangement together. They must also have an appreciation and understanding of each other's personal needs. It also goes with saying that they must communicate openly, be honest with each other and they need to build trust and respect for each other.

Requirements of different people in a Share Farming arrangement

Paidi Kelly[1], Thomas Curran[2] and Austin Finn[3]

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Summary

- Evaluating potential business partners in a Share Farming arrangement is a crucial step and people need to be very clear of what's required of both themselves and others.
- Share farmers need to have a well-developed skillset including grass, cows, business and people skills. They should have a number of years of farming experience.
- Farm owners need to be very clear of their role in the arrangement and be comfortable with stepping back from the day to day management of the farm if this is part of the agreement.
- Equally share farmers need to respect and understand the circumstances of the farm owner. They must be very clear on their personal goals and what the arrangement can deliver for their farming career.
- Both parties should seek professional legal and taxation advice during the formation of the arrangement. It can be helpful to have a mutually agreed third party to identify potential conflict points and facilitate discussion to find solutions on these.

The following paper discusses the skills and characteristics that are essential for people to have for a successful Share Farming arrangement. This description is useful to give an insight into the requirements of both the share farmer and farm owner. Potentially interested parties could use the below descriptions to help judge their own suitability for a Share Farming arrangement, and also that of a potential business partner.

What makes a good share farmer? The farm owner perspective

- Technical ability –excellent with livestock (calving, breeding, health etc.) and getting good animal performance. Excellent grassland manager. Their ability to get milk cheaply and efficiently from cows determines your profit.
    - » Stockmanship is a crucial skill for the share farmer to grow their own wealth. Low empty rates, low culling rates and low calf mortality drive a share farmers equity growth, as well as cow performance.
    - » As well as technical performance the farm will also need to be looked after to a high standard and should be kept as clean and tidy as possible.
    - » For larger scale farms especially the share farmer needs to be able to manage and work with people effectively. This is also an

important skill for working with the farm owner.

- Common views on production systems – as farm owner you have a say in how the farm in managed. Do ye share common beliefs on how the farm is to be run?
- Access to capital – how is the share farmer financing the stock on your farm? If he/she is heavily in debt they will have a higher cost of production and may find low milk price years more difficult. They must have adequate repayment capacity for the debt owed. What owned capital (savings/stock) are they bringing to the arrangement – this demonstrates financial discipline and commitment to the arrangement.
- Cow quality – the better the herd of cows the share farmer has, the more income you get from your percentage of the milk cheque. Higher EBI, earlier calving stock are ideal. Cow age is also important. Mature cows will milk more than 1st lactation heifers but potentially pose a greater risk of health problems e.g. high SCC.
- Future goals – what are the long term goals of the share farmer? How clear are they on these? Having clear goals are an important motivator for a share farmer when times are tough. How long are they willing to commit to your farm? Are they committed to farming and willing to manage the poor milk price years with the good years? Are they clear that there will be tough times as well as good times? Also how comfortable are you with the share farmers' goals? For example if agreeing the share farmer will purchase your herd over time you must be fully happy with this decision on day one.
- Progression – what actions has the share farmer taken in the past that is giving you confidence in their farming ability? Do they have very good references from well-respected sources (and have you checked these out!)? Have they worked on good farms? Owning stock already is a very positive indication of a potential Share Farming intent. Travelling and working in other countries for a time is a great way of gaining experience and maturity.
- Personality – do you think you can work well with this person? Firstly are they honest, trustworthy and exhibit high integrity. Does their personality match well with yours? You don't have to become best friends but you do have to able to have a good working relationship. This involves good communication, flexibility and give and take. Does the share farmer have these traits (and do you!).
- Business approach – for the term of the Share Farming contract both your business and the share farmers are interlinked. Both parties should act professionally at all times. Does the share farmer have a good business approach to the arrangement? Are they competent at managing their finances – cash flows, annual budgets, etc. (and are you!). Are they budgeting on realistic targets? Do they have a clear understanding of the effect different variables (milk price, milk solids sold, tonnes of grass grown, meal fed etc.) will have on the bottom line of each partner.

- » Do they have a good understanding of the Share Farming model? Which expenses are split and why? How the percentages work?
- » Your share farmer is as likely to meet with your neighbours as you are. They can play an important role in accessing extra land to the arrangement. They must be good at dealing with potential business partners outside the current arrangement.
- » Regular discussions on farm and business performance is also essential and some share farmers complete simple weekly/monthly reports of all key KPIs to the farm owner.
- » Also good at record keeping and farm administration.

- Graft – farming can be really tough at times, especially when periods of heavy workloads, poor weather and other challenges come at once. Is your potential share farmer capable of coping with these challenges and still achieve good farm performance. Self-motivation and farming ability/ problem solving are crucial here.
  - » While being able to work hard, have they budgeted enough for full time/ relief help to make sure they take enough time off to stay energised and focused on achieving top farm performance?
- Relationships outside the farm and support network – these can have a big impact on the ability of the share farmer to achieve their best on your farm. It helps greatly where their partner/ family are fully supportive of the share farmer. If they have a good support group they have access to good advice which should help them achieve better performance. They should also be aiming to build a good team of advisors around themselves – accountant, banker, Teagasc advisor etc. Becoming a member of a local Teagasc discussion group can help the share farmer to settle in locally and get to know farmers in the area.
- Respectful – the share farmer will essentially be managing your asset which is the land and the money you have invested in it. They must be respectful of this and where possible participate in the maintenance and upkeep of this asset. Likewise you must be respectful that your asset (land and buildings) is supporting the share farmer's asset (stock) and must be fit for purpose.

What makes a good farm owner? Share farmer's perspectives

- They will be providing a farm that can allow you to grow and graze high volumes of grass. Consider land type, soil fertility, grazing infrastructure and sward type.
- The farm will have facilities adequate for the cows you intend to milk. These may often not be ideal but should be adequate to the point of not adding huge extra workload on the share farmer. Consider the milking parlour, winter housing and grazing infrastructure (fencing, roadways, water access). Agree what future development work (if any) is to be done and agree an expected time for it to be completed by.
- The farm owner must be willing to let the share farmer manage the farm within the management outline agreed by the two parties in the

Share Farming contract. This involves stepping back and not interceding over small management issues. Micromanaging is not an option. While both parties will agree on a regular reporting structure, the share farmer must be given freedom to manage the farm. The farm owner must have an open mind to different work approach and ways of doing things – once there is a clear rational for the decision.

- A good understanding of farming and why a farm may not be performing to expectation. Farming is a very challenging business and sometimes achieving good performance in tough conditions is a bigger achievement than excellent performance given ideal conditions.
- The share farmer must perform to deliver a fair return to the farm owner. The farm owner must also be happy to see the share farmer making a better return on investment as they possess a riskier asset (livestock not land) and have no security of tenure, so need to make this return to justify the risk they are taking.
- Think about helping to find the share farmer good accommodation in the area. The happier the share farmer is with their off farm situation, the more energy and drive they will have on the farm.

What makes a good Share Farming arrangement – the above plus

- A good consultant/ Teagasc advisor to help agree the performance criteria, set targets and ensure that performance is achieved.
- A signed Share Farming agreement outlining all the key aspects of the arrangement.
- Both landowner and share farmer are very clear of the benefits to both parties – financial, freedom to step back for farm owner, no staff worries for farm owner, etc.
- Both parties very clear on roles and responsibilities i.e. share farmer – labour, stock and management. Farm owner – farm maintenance and kept informed with management.
- Both parties have a respect for the strengths and differences of each person.
- Goodwill is also crucial. Typically a share farmer will carry out some the annual repairs and maintenance on the farm (the farm owner pays for the materials). Farm owners may make concessions in other areas. Acknowledging goodwill given or received is important. While both businesses are technically separate, the share farmer is managing the farm owners asset. Progressive work in maintaining the asset can help to build a really good relationship.

The Gurteen Share Farming arrangement

Paidi Kelly[1], John McNamara,[2] Thomas Curran[3] and Gus O'Brien[4]

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Summary

- Share Farming is one of a number of options including leasing and partnerships which can deliver both financial and lifestyle benefits to farm owners and skilled farmers.
- Share Farming is based on a win/win principle where both parties interests are aligned – milk sales and expenses are split so both parties share the risk and reward of farming
- A good working relationship is the fundamental requirement for a successful Share Farming arrangement.
- The Teagasc Dairy Share Farming contract can be used to set up a Share Farming arrangement

Share Farming is a new collaborative farming structure to Ireland and wasn't possible during milk quotas as it requires the milk cheque to be divided between two parties. It is a collaborative structure very popular in New Zealand; over one third of all 12,000 dairy farms there are operated through Share Farming models.

The core principle of Share Farming is that the land owner will provide the land and infrastructure (milking parlour, wintering facilities, roadways etc.) for dairying while the share farmer will provide some or all of the livestock, all the labour and take responsibility for running the farm. Machinery can be provided by either party.

As a return for providing these assets to the farm, each party gets a percentage of the milk cheque. This will vary from farm to farm but will typically be close to a 50/50 split where the share farmer provides all the cows. While the milk cheque is split, stock sales belong to whoever owns the cows and the Basic Payment Scheme is the farm owners.

Some costs are not split while others are. The farm owner will cover costs relating to their asset e.g. roadway repairs, while the share farmer covers costs relating to their asset e.g. animal health costs if they own all the stock. Costs associated with producing milk from the farm on an annual basis e.g. feed and fertilizer costs are split in the same ratio as the milk cheque. In practice costs are split in two ways:

- At source e.g. for milk sales the milk processor will issue a milk statement to both the share farmer and farm owner with their percentage of the milk for that month. Or for inputs the supplier may invoice each party for their share of the input e.g. if ordering six tonne of fertilizer, three tonne will be invoiced to each party.
- At farm level e.g. the milk cheque is paid to the farm owner and he/she then passes this on to the share farmer recording the transaction with a

short invoice and receipt. Or the fertilizer is charged to one account and at the end of the month the farm owner and share farmer meet up to keep accounts up to date.

The business relationship between the farm owner and share farmer is outlined in the Share Farming contract which is available on the Teagasc website. An extract of the Gurteen Share Farming Agreement is available at the end of this paper. This extract outlines how all costs on the farm are split. This contract is the legal agreement binding both parties and outlines all the necessary requirements that must be adhered to.

Share Farming arrangements can last any period of time but typically contracts are signed for a minimum of three years. At the end of a contract the share farmer may want to move to a bigger farm and must give at least six months' notice if this is the case. The same notice period applies to the farm owner if they wish to end the contract.

Why Share Farming?

Share Farming provides numerous benefits to both parties.

Benefits to the farm owner are:

- Farm owners that are currently dairying can continue to dairy farm but can release assets from the business (for example by selling cows) and no longer have to do the work themselves.
- The share farmer is responsible for supplying labour on the farm which is likely to be a challenge going forward.
- If planning to convert to dairying from dry stock or tillage then Share Farming can allow a farmer to work with someone who has the skills to profitably run a dairy farm and this person can also supply some or all of the stock needed to convert the farm to dairying.
- Staying as an active farmer securing the Basic Payment Scheme.
- Access to a motivated and skilled farmer who wants a share of the business instead of a wage, someone with 'skin in the game'. Evidence of the benefits of working with skilled people can be seen from New Zealand date which shows farms operated through Share Farming are more productive and profitable than owner operator farms.
- Working with a share farmer is also a securer source of labour – employees can hand in notice and leave at short notice whereas share farmers sign up for a longer period on the farm and will stay once the terms agreed in the Share Farming agreement are adhered to.
- Share Farming motivates this person to achieve the best possible farm performance as this affects both parties return.

Benefits to the share farmer are:

- Access to a developed farm.
- Investing only in productive assets (livestock) which will increase in value over time.

- Getting to run his/her own business (in conjunction with the farm owner).
- Find an opportunity that fits with the current level of capital you have, grow your capital and then move to a bigger opportunity.

From an industry view point, Share Farming and other forms of collaborative farming arrangements e.g. leasing and partnerships are seen as crucial for future success. Many older farmers have no successor – Share Farming could be a way for them to stay farming and to earn a far better return than getting out of dairying, or even just scaling back the dairy enterprise. For people that don't have access to a milking platform but have the skills to be successful farmers, it can allow them access to a farm on which to build a business. Providing career opportunities such as this is essential so as to encourage the best and brightest people to choose dairy farming as a career in the future.

Background of the farm

The 34 ha farm is owned by Shinagh Estates which in turn is owned by the four West Cork Co-ops. The farm is located 2km away from the Shinagh farm, outside the town of Bandon in Cork. Up to now the farm was used by Shinagh Estates to contract rear heifers for the Shinagh leasing venture set up in 2010. In the end of 2015 this farm was converted to dairying with the intention of going into a Share Farming arrangement with a skilled person who would provide all approx. 100 cows and run the farm for a set term.

Shinagh Estates's objectives for this venture are:

- To generate more profit from the Gurteen farm by converting it to dairying.
- To get a good return (10%) on the investment required to convert to dairying.
- To do this with minimal hassle via working with a highly skilled share farmer.
- To demonstrate a collaborative farming model which allows skilled people to start dairy farming without having to buy or lease land, and allow farmers without successors to continue farming.

Choosing a share farmer

Before trying to choose a share farmer it is important to have clear criteria about what you are looking for; likewise for a potential share farmer looking for a land owner to work with. See page 8.

Once someone is clear on the criteria they are looking for it is a matter of finding the right candidate. This can be done in a variety of ways e.g. advertising on local/ national paper, using personal contact and word of mouth, or potentially using the Land Mobility Service which has successfully overseen the transfer of use of 25,000 acres of land since its inception in 2013. (If interested in the Land Mobility Service, see page 35).

After advertising it was a matter of conducting a detailed interview process to find the right candidate. A number of people were shortlisted for the Gurteen Farm and as part of the interview process these candidates had to prepare a budget for the farm as a way of testing their financial skills. Each candidate was requested to provide a CV and their references were contacted to check out the candidates previous performances in past positions. A second interview with the candidates was completed on farm so they could see the farm first-hand and to ask more questions.

John Sexton impressed in both interviews and had gained valuable experience working on well-known dairy farms in both New Zealand and England; this was one of the key reasons he was chosen for the farm.

Relationships

On top of the legal agreement between the two parties there are other principles of how Share Farming works which need to be adhered to for a good working relationship e.g.

- Respect from the share farmer to look after the farm as if it were his/ her own
- Respect from the farm owner to allow the share farmer manage the farm; while the farm owner have a say in the principles of how the farm is to be run the share farmer has the day to day management responsibility

To ensure a good working relationship it is advisable to have a third party e.g. a consultant/ adviser as an independent facilitator who will monitor how the farm is performing relative to targets and how well both parties are meeting the requirements of their position. This third party can help to resolve any issues or discussion points between share farmer and farm owner. Some of the main points that can cause friction in Share Farming arrangements are:

- Farm tidiness.
- Farm facilities not up to scratch or facilities not being put in place as to agreed timelines.
- Farm performance being below par.
- Farm owner micro-managing the farm frustrating the share farmer.

While some level of conflict is inevitable this must be managed in a proactive way. Both parties must realise they are interdependent and need to work together. Give and take is often needed. It is imperative both parties realise a failed arrangement can have big knock on effects for both parties future. Farm owners will be slow to work with a share farmer in the future if a share farmer has previously left a contract on bad terms. Likewise the farm owner will struggle to find a replacement share farmer or even potentially an employee if a big argument tarnishes his/her arrangement. The dairy industry in Ireland is very small and so having a positive reputation is key to unlocking future opportunities.

Extract from the Gurteen Share Farming Contract

Division of Variable Costs

The Landowner and the Share Farmer agree the following proportions set out in which Variable Costs are to be discharged in accordance with Clause 48 of This Agreement		
Item	Landowner (%)	Share Farmer (%)
Purchased Concentrates	40	60
Purchased Forage	40	60
Nitrogen	40	60
Phosphorus & Potassium (Build-up)	100	0
Phosphorus & Potassium (Maintenance)	40	60
Ground Limestone	100	0
Veterinary Costs		
TB Testing	0	100
Dry Cow Therapy	0	100
Vaccinations	0	100
Drugs	0	100
Call-Outs	0	100
AI / Breeding	0	100
Contractor		
Silage Cutting	40	60
Reseeding	100	0
Fertilizer for Reseeding	40	60
Reclamation Work	100	0
Slurry Spreading	40	60
Fertiliser Spreading	40	60
Hedge Cutting	100	0
Feeding Stock during Housing	40	60
Seed & Sprays	100	0
Milk Recording	50	50
Parlour Expenses	40	60
Detergents	40	60
Teat Spray	40	60
Liners & Rubber Ware	40	60
Milk Socks	40	60
Annual IMQCS Milking Machine Test	40	60
Routine Maintenance	40	60
Major Repairs	100	0
Bulk Tank Maintenance	40	60
Routine Maintenance	40	60
Major Repairs	100	0
Cow Minerals	40	60
Silage Additive & Polythene	40	60
Levies & Transport (Stock)	0	100
Straw	40	60
Animal Identification Tags	0	100
Sundry Variable Costs	40	60

Development of the Gurteen dairy farm infrastructure

Padraig French[1] and John McNamara[2]

[1]Teagasc, Animal & Grassland Research and Innovation Centre, Moorepark, Fermoy, Co. Cork; [2]Teagasc, Cork West Advisory Unit, Shinagh, Bandon, Co Cork

Introduction

Gurteen farm was converted from a drystock farm with no farmyard infrastructure to a fully operational dairy farm in the autumn of 2015. The key objective of the land owner in converting the farm was to ensure the farm gave an adequate return for the capital employed while also protecting the basic payment scheme income long term. The focus of the investment in the Gurteen farm has thus been to minimize capital investment and to provide a facility that could adequately milk and accommodate up to 100 cows in a labour efficient and environmentally compliant manner.

Conversion costs

The capital cost breakdown for each item of expenditure is detailed in Table 1 below. The total cost of the conversion was approximately €2,600/cow which is slightly less than the cost per cow for converting the Greenfield farm (€2,670/cow) and the Shinagh dairy farm (€2650/cow). This level of capital investment will add approximately €185/cow in interest and depreciation over the 20 year lifetime of the project.

Table 1. The itemised capital costs of developing the Gurteen farm from a drystock to a dairy farm

Item	Cost (ex. vat)
Outdoor cubicles and slatted slurry tank	€73,221
Milking Parlour, machine, bulk tank, water plumbing	€55,898
Calf House	€43,657
Paddock water system	€16,735
Planning application & development charge	€16,473
Feed yards and barriers	€15,060
ESB connection and wiring	€8,696
Total site excavation work	€8,299
Fencing	€5,841
Farm roadways	€5,170
Soiled water tanks	€4,500
Shelter space boarding	€3,903
Feed bin and base	€3,075
Total	€260,528

A major challenge with the Gurteen farm was the relatively small scale of the conversion which would have caused a significantly higher cost per cow if traditional farmyard designs had been used. In order to reduce the cost the farmyard design was such that wintering and milking facilities are integrated thereby the collecting yard also serves as the feeding area during the winter months. The total cost of constructing the wintering accommodation and slurry storage facility was €732/cow which is approximately €250/cow lower than what similar wintering facilities with a roof would cost in stand-alone units. Also to reduce capital costs both the bulk tank and the milking machine were purchased second hand at approximately 37% of the cost of new equipment saving approximately €250/cow in capital costs.

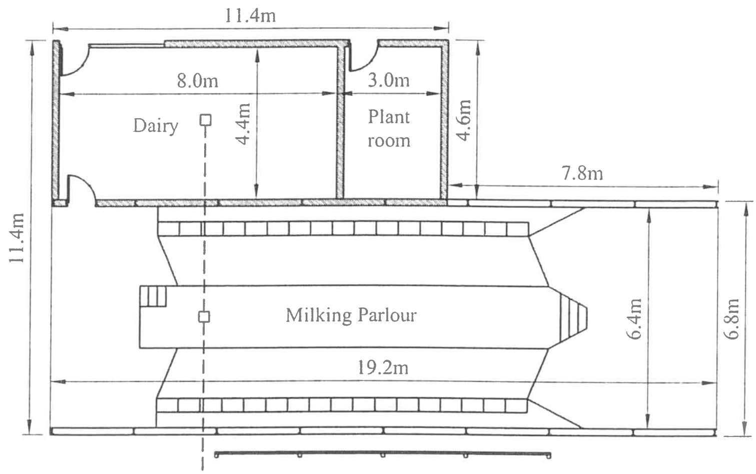

Figure 1. *Milking parlour - floor plan*

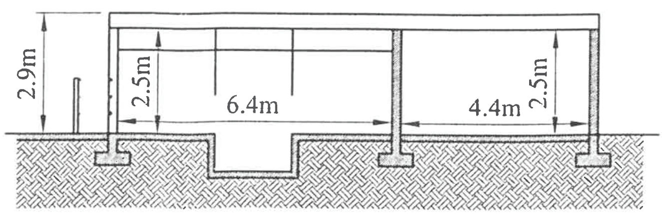

Figure 2. *Milking parlour - vertical section*

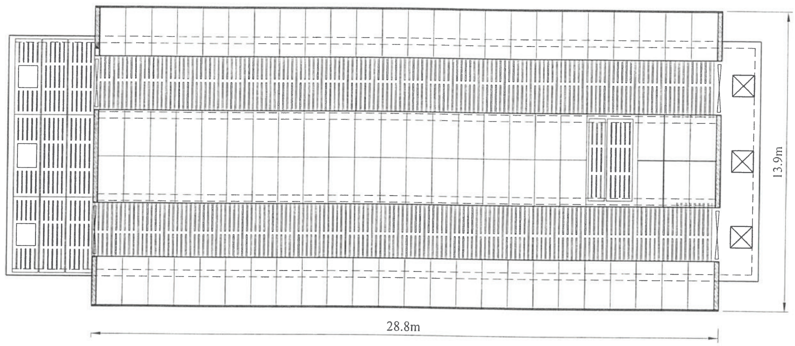

Figure 3. *Cow house - floor plan*

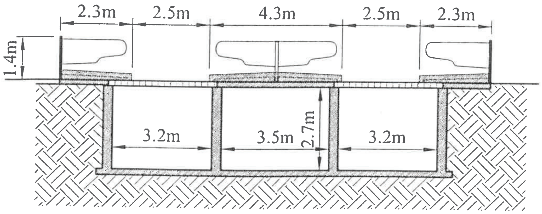

Figure 4. *Cow house - vertical section*

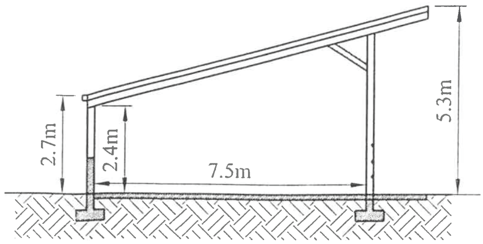

Figure 5. *Calf house - vertical section*

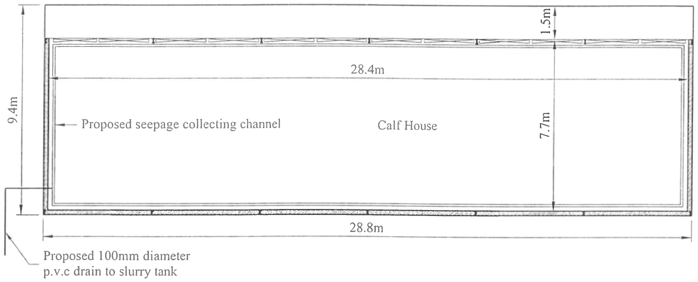

Figure 6. *Calf house - floor plan*

Gurteen Share Farm – Performance to-date

Grainne Hurley[1], John J. McNamara[1], John Sexton[2] and Paidi Kelly[3]

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Summary

- Careful due diligence is needed when buying animals. John prioritised EBI, vaccination history, SCC and buying from as few farms as possible when putting his herd together.
- Cow fertility will be a major focus area going forward to ensure the herd matures which will mean much more kgMS (kilograms of milk solids) per cow is produced. Achieving 400 kgMS/cow sold will be worth over €22,000 to John in the future over 2016 production at a milk price of €4/kgMS.
- The farm grew 12.5tDM/ha in 2016. Extra silage was bought to ensure enough feed on the farm for the winter but this wasn't needed as a long grazing season was achieved via grass measuring and budgeting.
- Finances were tight in 2016 due to it being the first year of production and the low milk price. Interest only repayments and the support of an owned out farm to rear heifers on helped to cope with this. The farm will be much better able to cope with low milk prices in the future now that the herd is more mature and established.

Introduction

This is the second year of the Gurteen Share Farming arrangement. The farm is owned by Shinagh Estates which is in turn owned by the four West Cork Co-ops. The 34 ha free draining farm is located outside Bandon in Co. Cork. The farm was previously run as a heifer rearing block for Shinagh Dairy Estates. In the end of 2015 the farm was converted into a dairy block with the intention of going into a Share Farming arrangement with a share farmer who would provide approximately 100 cows and run the farm for a set term.

Establishing the herd

In early 2016 John Sexton, the share farmer operating the Gurteen farm, bought approx. 40 in calf cows and 60 heifers from four different herds. To minimize the risk of disease animals were bought from herds that had a very good vaccination programme. John gave a shot of IBR vaccine to all animals once they arrived in Gurteen, they were then vaccinated for BVD and Leptospirosis before breeding, and Salmonella in the autumn.

Animals were purchased on the criteria of high EBI with a high fertility sub index. Approximately two thirds of the herd were crossbred. John decided to purchase some cows rather than all heifers so as to increase milk solids output and increase cash flow in the first year.

All cows had been milk recorded previously which reduced the risk of buying cows with previous mastitis and SCC issues. A strict procedure for managing any cows with mastitis or high cell counts was also put in place. John used the California milk test on every cow after calving so any mastitis issues were picked up as early as possible. However, it was difficult to control SCC when cows were milked off the cubicles so John also used cluster dipping and pre spraying in the spring to help control mastitis. Average SCC in 2016 was 143,000 which was a good achievement. This year cows will be milk recorded four times during the year to monitor changes in SCC.

The current EBI of the herd is very good at €110 which puts the herd in the top 10% of herds in the country. The full breakdown of the herd EBI is given in Figure 1.

HerdPlus®
Profit through Science

Economic Breeding Index (EBI)
Herd Summary - May 2017

Phone 023-8820452

Herd Owner: [redacted]
Herd Number: [redacted]
Data Extracted: [redacted]

1. EBI Herd Summary

Average EBI for all dairy cows with; (i) a known sire (or milk recorded progeny with a known sire) and (ii) are currently on your farm.

* Number of animals that are missing an EBI result

Animal Group	Num of Cows	Milk Kg / Fat / Prot	% / %	Surv% / CI Days	Milk % Cont	Fertility % Cont	Calv % Cont	Beef % Cont	Maint % Cont	Mgmt % Cont	Health % Cont	EBI €
Cows with EBI	93	-125			€ 31	€ 39	€ 31	€ -22	€ 27	€ 5	€ -1	€ 110
Missing EBI*	0	7.4	0.23	1.4	19.6%	25.3%	19.7%	-13.9%	17.4%	3.5%	-0.6%	
Total Cows	93	1.8	0.12	-1.9								
1st Lactation	10	-142			€ 46	€ 45	€ 36	€ -29	€ 40	€ 5	€ -2	€ 142
		11.2	0.32	1.7	22.8%	22.1%	17.7%	-14.3%	19.6%	2.6%	-0.9%	
		3.3	0.16	-2.0								
2nd Lactation	48	-69			€ 38	€ 38	€ 31	€ -19	€ 25	€ 7	€ -1	€ 118
		8.5	0.21	1.3	23.7%	23.8%	19.6%	-12%	16%	4.1%	-0.8%	
		3.4	0.11	-1.8								
3rd Lactation	22	-218			€ 24	€ 36	€ 30	€ -33	€ 40	€ 7	€ -2	€ 102
		7.0	0.30	1.3	13.9%	21.3%	17.4%	-19.2%	23.2%	4%	-1%	
		-0.5	0.14	-1.6								
4th Lactation	8	-228			€ 3	€ 56	€ 31	€ -7	€ 0	€ -3	€ 3	€ 83
		0.6	0.18	1.5	3.2%	53.5%	29.6%	-7%	-0.2%	-3.3%	3.3%	
		-2.7	0.1	-3.0								
5th Lactation (+)	5	-54			€ 4	€ 31	€ 19	€ -6	€ 6	€ 3	€ 0	€ 56
		1.0	0.06	1.1	5.7%	44.7%	27.9%	-8.3%	8.2%	4.5%	-0.6%	
		-0.3	0.03	-1.4								

Figure 1. *EBI of the Gurteen Share Farm herd*

Five cows were culled for various reasons and three died during the spring of 2016 leaving a maximum of 92 cows milking in 2016. John purchased another 10 in-calf heifers in December 2016 and sold five cull cows. This spring another three cows were culled and another one died leaving 93 cows currently milking in the herd. Just over 60% of the herd today is first and second lactation cows with an average of 2.47 lactations.

Cows started calving on 29th January this year and half the cows calved in 27 days. The six week calving rate was 65% and calving interval was 382 days. The low number of in-calf heifers added to the herd in 2017 reduced six week calving rate as most of these normally calve in the first six weeks. Only 11% of the herd are 1st lactation heifers this year. Now that the herd is settled into the farm it's hoped fertility will improve further in 2017 with John hoping to calve 80%+ in six weeks next year.

Total milk solids produced in 2016 was 342kg MS/cow or 927kg MS/ha. Milk solids percentage was excellent; fat per cent for the year was 4.53% and protein was 3.81% with 3,982 litres/cow produced. This high milk solids per cent combined with one of the better paying milk processors in Bandon Co-op combined to deliver a net milk price of 32.55 c/litre (€3.75/kgMS) in 2016. A total of 464 kgs of concentrate was fed per cow during the year. Budgeted milk solids sold this year is 380/kgMS/cow.

Grass Production

There are 34ha on the Gurteen farm which means the current stocking rate is 2.74 LU/ha. The focus of the farm is to grow as much grass as possible and optimize grass utilization so as to convert it as cheaply as possible into high value milk solids.

To do this soil fertility must be at its optimum in terms of soil pH and soil nutrients. The farm was last soil tested in 2017 (Table 1). To optimize grass growth soil pH must be greater than 6.5. Nearly 80% of the farm is below this target so if ground conditions are permitting John will apply 100 tonnes of lime on the farm this autumn/winter. This will cost approx. €2,400 (assuming €24/tonne of lime) and will be paid for by Shinagh Estates as it's an investment in the farm which they own.

Table 1. Soil test results for Gurteen farm

Soil pH		Phosphorus (P)		Potassium (K)
pH	% of farm	Index	% of farm	% of farm
<5.5	0	1	44	0
5.5-5.9	6	2	51	42
5.9-6.2	30	3	5	52
6.2-6.5	44	4	0	5
>6.5	21			

John is trying to increase soil P and K to index 3 while complying with the nitrates directive. In his derogation plan John is allowed to apply 37kg P/ha/year. The most efficient way to increase soil fertility is to apply high value cattle slurry to low index paddocks.

The farm receives approximately 250 kgN/ha (200units/acre) of artificial nitrogen per year.

In 2016 the herd utilized 10.2 tonnes of grass dry matter/ha and based on a utilization of 80% the farm grew approximately 12.5 tonnes grass DM/ha. The spring of 2016 was a challenging start for grazing due to bad weather conditions and the paddock and roadway infrastructure were not completed. Approximately 400 bales of silage were fed from December to March. These were accumulated on farm during 2015 and when the arrangement ends John must leave 400 bales of silage on the farm for the next share farmer.

During the year 450 bales were made on the block and another 250 bales were purchased in the autumn. Only 50 of the purchased bales were fed as John was able to keep cows out to grass by day until 1st December, hence there is approximately €5,000 of surplus silage is on the farm which is good security to have. In 2017 cows were put to grass on the 8th February by day and were out full time by the 14th February. To avoid too much poaching while optimising grass in the diet John practiced on/off grazing by getting cows out to grass for a minimum of three hours after each milking and housing them with no silage. The first rotation finished on 8th April. A total of 193 kgs of concentrate per cow has been fed up to the end of July. Having a good network of roadways and paddocks set up correctly ensured cows got as much grass into their diet as possible.

Financial Performance for 2016

Table 2 highlights the Teagasc Dairy Profit Monitor results for the Gurteen share farm in 2016. As discussed previously in this paper, feed costs for 2016 included the purchase of 250 bales of silage, 80% of which was not fed and is still in reserve. This purchased forage cost €187/ha. All machinery work is contracted out therefore there is very little machinery running or machinery depreciation costs on the farm. The Profit Monitor figures here do not include a cost for Johns own labour.

Table 2. Teagasc Dairy Profit Monitor Costs for the Gurteen farm 2016

	€/ha	€/kg MS	Cents/litre
Dairy Output	3850	4.12	35.40
Feed Cost	495	0.53	4.55
Fertilizer	330	0.35	3.04
Veterinary	188	0.20	1.73
AI and Breeding	113	0.12	1.04
Contractor	333	0.36	3.06
Other Variable Costs	205	0.22	1.88
Total Variable Costs	*1664*	*1.78*	*15.30*
Machinery	6	0.01	0.06
Car/ESB/Phone	59	0.06	0.54
Depreciation	405	0.43	3.72
Labour	75	0.08	0.68
Other Fixed Costs	67	0.07	0.63
Total Fixed Costs	612	0.65	5.63
Total Costs	*2277*	*2.43*	*20.93*
Net Profit	*1574*	*1.68*	*14.47*

Table 3 gives a simple breakdown of the return to the share farmer and share owner. Milk sales are split 40% to Shinagh Estates and 60% to John while John keeps 100% of the stock sales.

Table 3. Summary of total income and total return of Gurteen Share Farm 2016

	Total €	per hectare €
Milk sales	119,239	3,507
Stock sales	10,476	308
Plus heifer calves kept		
Total Income	*129,715*	*3,815*
Total Expenses	64,330	1,892
Farm Profit	*65,385*	*1,923*
Share Farmers Return	*37,514*	
Farm Owner Return	*27,871*	
+ BPS	13,600	
Total Farm Owner Return	41,471	

All replacement stock are owned by John and could be included in John's income if he were to sell them. He reared 30 heifer calves in 2016 which at a value of €600/head were worth approx. €18,000 at the end of the year. The breakdown of costs between share owner and share farmer has been detailed in a previous paper but below outlines the return to both Shinagh Estates and John in 2016.

John's return of €37,514 must cover the following:

- Cost of supplying replacement heifers into the herd – 10 in calf heifers were purchased at the end of 2016 but from now on John will have his own in calf heifers for replacements. He plans to increase cow numbers to 105 cows next year and cull some of the older cows so all 30 in calf heifers will be needed this year. From the end of 2018 on John should be able to sell or maybe lease out surplus in calf heifers every year.
- Bank repayments – interest only paid in 2016.
- Tax - John can avail of young farmer stock relief to reduce his tax bill over the next four years.
- Heifer rearing costs - John has inherited his 28ha fragmented home farm in Donoughmore on which he reared 30 heifer calves last year. It costs €7,000 to rear these in 2016. This year John is rearing 36 heifer calves and the 30 yearling heifers. There is a single farm payment and forestry premiums on this farm which helps to cover the cost of heifer rearing.
- Return for own labour - John's drawings are relatively low at this stage of his life which helped to manage the low income year.

The low milk price year, combined with it being the farms first year in milk, made for a difficult financial challenge. The farm will be in a much stronger position to cope with a low milk price in the future as production will be up. John's target is to achieve >400 kgMS/cow from 105 cows in the future which would be an extra 10,000 kgMS over what was produced in 2016. At the 2016 price of €3.75/kgMS this would be worth €37,500 to the farm, of which €22,500 (60%) is John's share. This means the business will be much better to handle low milk prices in the future.

Shinagh Estates while also retaining their basic payment scheme payment earned €41,471 from this venture in 2016 which is a return on their land and capital invested. Assuming a depreciation of €13,026 (5% of capital invested) and an opportunity land rent of €500/ha this equates to a return of 4.6% in a low milk price year.

Conclusion

Difficult weather conditions and unfinished infrastructure resulted in a challenging start for the Gurteen farm in 2016. John invested in high EBI stock and maximised grass utilization which returned high value milk sales. Investing in good stock and grass management is paramount in a volatile dairy industry especially in a dairy new set-up. Initial results in cow performance and financial returns have been positive and bode well for the future.

Positioning yourself for Share Farming

John Sexton[1] and Paidi Kelly[2]

[1]*Share Farmer, Gurteen Dairy Farm,* [2]*Teagasc, Animal & Grassland Research and Innovation Centre, Moorepark, Fermoy, Co. Cork*

Summary

- Becoming a successful dairy farmer is a marathon not a sprint. It takes a number of years as an employee to develop the skills to run your own farming business.
- Work for the best people you can, and learn as much as you can from them. Travel to broaden your horizons and get outside your comfort zone.
- It takes number of years to get a new farming business really performing so you must be patient and be able to cope with challenging years.
- There are exciting opportunities in Irish dairy farming to run your own business, increase your net worth and have a good lifestyle.

This paper is a summary of John Sexton's career path to date and will highlight the key actions John has taken which has allowed him to start his own farming business via the Gurteen Share Farming arrangement. John is originally from Donoughmore in Cork. He was brought up on a fragmented 28ha farm with some of the land being quite heavy and some of it in forestry. John always loved farming but knew his home farm wasn't suitable for dairying so decided to explore other options. His objectives for this Share Farming venture are:

- To start growing his equity by investing in cows and build towards securing a larger scale farming opportunity in the future.
- To further develop his reputation by doing an excellent job in Gurteen, this will help him to secure his next opportunity.
- To continually improve his farming skill – he is a member of the Bandon discussion group and has completed the Teagasc Business Strategy course.
- To enjoy a career dairy farming.

Setting up your own farming business via Share Farming, partnership or leasing takes years of preparation. Your success once you start farming in your own right will largely depend on how well you've developed the essential skills that you need to successfully run a business. These are:

- Livestock skills e.g. animal health, breeding management, genetics, calf rearing etc.
- Grass skills e.g. measuring and budgeting grass, fertilizer planning etc.
- Farming skills e.g. fencing, plumbing and general problem solving etc.
- Business skills e.g. budgeting, negotiating etc.
- People skills e.g. creating and maintaining effective working relationships

If you plan to go Share Farming in the future you need to think about how you can develop these skills as much as possible throughout your career. These skills can be developed formally through structured education, via experience when working on farms and also informally through networking with positive people, attending open days etc.

John's formal education began in Clonakilty Agricultural College where he studied for two years to get a Level 6 Certificate in Dairy Herd Management. After finishing this course John then worked that autumn and spring with William Kingston in Skibbereen as a farm assistant on a 220 cow herd. William has since taken a keen interest in John's career path and has helped him out on several occasions via either providing advice or supplying John with useful contacts. John would advise every young person to try and build up a close relationship with an experienced, positive and skilled dairy farmer who can provide advice during your career path. He said: "William has been a brilliant mentor to me and I've benefited hugely from his guidance. He wants to see young people in the industry succeed and there are other excellent farmers like him who I think it would be important for young people to align themselves with."

New Zealand

William advised John to get some experience in New Zealand so John went to work for Alastair and Sharon Rayne in the South Island of New Zealand as a farm assistant on their 700 cow farm. John knew a person that previously worked on the farm who highly recommended Alastair and Sharon as good employers, and Alastair and Sharon also knew William Kingston who was able to provide a reference for John.

John spent one year here and then went to work for a large farming company in New Zealand called Grasslands in which Alastair and Sharon were shareholders. This was on an 800 cow farm and involved extra responsibility for John as he was now a herd manager (second in command to the farm manager).

John worked for 15 months on this farm, completing two calving, and after this was keen to broaden his horizons further. William Kingston knew of a very good dairy farmer in England called Ed Dale who was running multiple units and was looking for a farm manager for one of these. So John moved to near Manchester in England and was farm manager on a 450 cow farm for three years before returning back to Ireland in 2015 to try and find an opportunity to milk his own cows.

Experience

Before John started running his own business he had worked on four different dairy farms for good employers, over six years, including eight different calving seasons (did two calving seasons in two years twice), and in three different countries. John cannot over emphasise how important he feels it is to work for employers who will take an interest in you saying, "Find employers with a reputation for investing time in their employees.

Your objectives as an employee should be to do the best job you can and also to learn as much as possible. The better a farmer your employer is the more you should have the opportunity to learn." Travelling and working in different countries was also a big part of John's development, he said: "It's invaluable to work in different places and see how different people do things. Working in another country also helps to broaden your mind and gets you used to pushing outside your comfort zone, which is good experience to have for when you go running your own business".

For John it was the two years in New Zealand which really gave him the confidence to try and go back to Ireland to set up his own farming business. One third of the 12,000 dairy farms in New Zealand are operated via different Share Farming models so John got a chance to learn first-hand from people who were Share Farming themselves. He saw the principle of farming in a win/win arrangement and believed it would be possible to do so in Ireland with milk quota removal.

Developing all the different skills needed to run your own business can be a challenge and John's advice is to know your strengths and weaknesses and get help where you need to improve. Budgeting and book keeping are areas some people struggle with and John recommends having a good adviser or talking to farmers who are good at this to see how they do it. To further improve his business skills he completed the Teagasc Strategic Planning Diploma which is done through the Smurfit Business School in UCD. This allowed John to meet some really progressive farmers from around Ireland as well as improve his business skills.

Entrepreneur

Starting his own Share Farming business makes Johns a young entrepreneur, which has both risks and rewards. John cautions that this step may not be for everyone. He said: "Running your own business won't suit some people. There are a lot of ups and downs and risks which you wouldn't have as, for example, a farm manager. Last year was really tough with the combined challenge of starting on a new farm where development work hadn't finished, a wet spring, and a low milk price. Also there are a lot of demands on you starting on a new farm like getting to know people in the area, setting up with new suppliers, developing relationships with your new vet, milk advisor, etc. I got great support from Shinagh Estates and others locally which I'm very grateful for but getting set up on a new farm still takes a lot of time and energy."

John is finding his second year farming in his own right much easier and is optimistic for the future. He said: "This year will be much better but if you want to run your own business you have to be able to take the good with the bad and not get too stressed when you are under pressure. I'm very confident about my long term future in dairying and I believe the opportunity is there to make a lot of money. But it took me time to position myself for this opportunity; and it will take time to get this farm, and my next farm after it, performing how I want it to. I have patience and I'm confident the reward down the line will be well worth it, and I'm enjoying the journey of getting there."

John’s final word of advice is to build the best team of people around your business that you can. He said: “You need a lot of support to successfully run your own business. For me this starts with friends and family and sharing your objectives with them so they understand what you’re trying to achieve. Then find the best people to work with you can, including your accountant, vet, adviser, banker etc. Don’t be afraid to share your objectives with these people either. I find when people understand what you’re hoping to achieve they will try and help you get there, once your objectives and goals are followed up with plenty of action on the ground!”

Share farmer John Sexton and his Teagasc advisor Grainne Hurley

Collaborative Farming: Different options to improve lifestyle and profitability in Irish farming

Thomas Curran

Teagasc, Rural Economy Development Programme, Moorepark, Fermoy, Co. Cork

Summary

- Partnership: A registered family partnership is an integral part of succession planning of the family dairy farm. Partnership provides a sustainable business model for farmers to amalgamate farming businesses. A business model where young trained farmers can establish a career in dairy farming.
- Contract Rearing: An opportunity for expansion and labour efficiency for the dairy farmer. A complimentary or alternative enterprise to drystock 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 successor.
- Cow leasing: An opportunity to get a financial return on surplus cows in the short-term. 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.
- Specimen template agreements are available from Teagasc for all the collaborative arrangements featured in this article at: (*https://www.teagasc.ie/rural-economy/farm-management/collaborative-farming/*)

Registered Farm Partnerships – family situations

Succession Planning on Irish dairy farms is a vital process to the future of Irish dairy industry. Recent studies show that many farmers have no identified farming successor. However, Irish dairy farmers need to be conscious that succession is happening on the farm every day at some level. The early part of succession is about the next generation learning to do routine tasks on the farm and gaining a greater level of competence for those tasks over time. Where the later stages of succession (Transferring responsibility, decision making) are ignored or not dealt with by a farm family it can stymie the long-term development of the farm business and can also discourage potential successors due to uncertainty around the future. Recent research by Teagasc has highlighted that succession is an on-going process that can begin early in the life of a son or daughter. A registered farm partnership is a central step as part of a succession plan. It is an ideal structure to formally involve the next generation in the farm business and in doing so facilitate the gradual transfer of responsibility and decision making on the farm. The focus moves from farm transfer to farm operation as a team to progress the farm to meet the needs of the farm family in a changing industry. This is important as in most cases, parents are not immediately in a position to transfer the farm to a son or daughter that has returned home after completing their agricultural education. Firstly, the young person is relatively inexperienced and there are genuine reasons usually linked to concerns about the implications for family income; 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 financial advantages to forming a registered partnership for both the parents and the son or daughter.

Succession farm partnerships are a new structure beginning in 2017, where an annual income tax credit of €5,000 is available for up to five years. To avail of this credit the partnership must complete a business plan in the form of the Teagasc My Farm My Plan booklet and complete a separate legally binding succession agreement in which it is agreed to transfer 80% of the farm assets within 3-10 years.

Registered Farm Partnership – between families

A partnership with other farmer(s) offers a superior work-life balance to operating alone through more labour availability. In some situations, it can alleviate the need to rely on hired in labour. While the farm will be still busy, especially at peak times, the fact that there is at least two labour units making an income off the farm and available to carry out the work on the farm on a daily basis is what provides this superior work life balance. A partnership can and must provide to the opportunity for increased scale as the farm will have to sustain two family incomes. 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. It can provide scale in a sustainable way as the additional labour is built in as part of the partnership. The main advantages include: making use of the existing facilities on farm, which may reduce the level of capital expenditure; a more capable skills mix; greater labour efficiency; and a better lifestyle.

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. A well thought out work structure leads to labour greater efficiency through having more labour available and also a reduction in the duplication of routine farm operations between two farmers.

Having completed the required formal agricultural education and spending a period of time gaining valuable on-farm experience, a registered farm partnership with an existing dairy farmer is a business model that can facilitate the entry of young trained farmers to the Irish dairy industry.

The key challenge for any farmer considering partnership or any collaborative arrangement is to develop and nurture a strong working relationship with other people in the agreement. This is the single most important factor in the success of any arrangement. It involves a change of mind-set on the part of the farmer to think in terms of us/we rather than I/me. The relationship must be built on strong core values such as trust, respect, understanding, and above all excellent communication.

Contract Rearing

Output per hectare is a key driver of profit on beef farms. Contract heifer rearing offers a lower cost way of achieving a higher stocking rate and increased output. Contract rearing is where a farmer enters into a contract where he or she gets paid to rear breeding heifers for a dairy farmer. In setting up the agreement, it is vital to discuss and agree all the practical issues around the management of the heifers. These include: a start and end date; the number of animals to be reared; a schedule of weighing; veterinary inputs and breeding management amongst others. The enterprise can be carried out in tandem to the existing beef enterprise on the farm. Perhaps an out farm or specific area of the farm could be devoted to contract rearing. It is critical that the rearer gets paid adequately to cover direct costs and that a labour charge is included. The advantages to the rearer are that cash flow is more favourable as payment is generally paid by direct debit on a monthly basis. Another advantage to the rearer is that there is no money tied up in stock, as ownership does not transfer to the rearer. Essentially the rearing period can be broken down into five stages: calf rearing; first grazing season; first winter; second grazing season and second winter. The rearing periods need to be borne in mind when planning a rate of payment. Rearing the calves to twelve weeks of age and keeping the animals over the winter periods are the most expensive. The grazing seasons are by far the least expensive rearing periods. Each party should draw up a budget to plan and monitor their own finances. Agreement must be reached at the start on which costs are to be incurred by each party. This will determine the rate of payment per head per day.

The priority for the rearer is to cover costs and get adequately paid for his or her labour, but this comes with responsibilities. The heifers must reach their target weights at housing after the first grazing season, at mating and approaching calving after the second grazing season.

Share Farming

The key feature distinguishing Share Farming from a partnership is that two completely separate farming businesses operate on one farm. Firstly, the business of the landowner, and secondly, the business of the share farmer. All receipts and payments are split between both people as set out in their written agreement. They both calculate their own separate profits from the arrangement. The concept remains the same across all enterprises including dairy farming.

The starting point for this arrangement is a financial budget to cover potential income and expenditure from the enterprise. Each person must then complete a financial budget and cash flow plan for their own respective businesses to make sure the venture makes financial sense for them in their own right. Share Farming as a structure could suit a situation where the landowner no longer wants to be involved in the day to day running of the farm but will retain an interest in the financial performance of the farm. The share farmer generally provides all of the labour and in some cases, the livestock and/or machinery. The landowner provides the land and the facilities required for the dairy enterprise to be successful.

Long-term land leasing

Long-term leasing is a growing feature of Irish farming due mainly to the income tax incentives available to the owner of the land who leases it out for more than 5 years. Other changes in relation to Capital Acquisitions tax have also helped to make land available to active farmers under lease rather than the inheritor farming it themselves. Leasing is an attractive option to established farmers as they can belter justify any required investment in the land in order to get a financial return.

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	
Term of Lease (years)	Max Tax free Income/year
5-7 years	€18,000
7-10 years	€22,500
10-15 years	€30,000
>15 years	€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 two years with a minimum of five 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.

Since 2015, the scheme includes the disposal of an entire fragmented farm and its replacement with another farm that is less fragmented, subject to meeting the original criteria of the scheme.

Conclusion

Collaborative farming has wide ranging benefits for the farmers who get involved. The key to long-term success is mutual benefits to all members of the arrangement. Some of the benefits include: new opportunities for existing farmers; better work-life balance through greater labour availability; better decision making through greater skills mix and opportunities for young trained farmers with experience to begin their career in dairy farming. The challenge for many dairy farmers in Ireland is a change of mind-set and the establishment of a strong working relationship with their fellow collaborating farmers.

The Land Mobility Service

Austin Finn

Programme Manager, Land Mobility Service

The Land Mobility Service was established by Macra Na Feirme with the financial support of FBD Trust, and subsequently Aurivo, Dairygold, Glanbia and The Department of Agriculture. The overriding aim of the service has been the delivery of land mobility and access to land through collaborative farming arrangements. The service has demonstrated that with dedicated independent expertise, farmers can be facilitated to enter into new collaborative arrangements leading to a better return for both the farmer and the landowner.

Since its inception in 2014 the Service has facilitated 282 arrangements covering 25,000 acres.

The service has three key functions;

- Create awareness and provide information.
- Deliver arrangements.
- Support operating arrangements.

The genesis to the service was a 2012 Macra na Feirme study on Land Mobility and Succession in Ireland which delivered two key findings

- 26% of farmers are over the age of 65.
- 48% of full time farmers have no identified farming successor.

This hasn't changed, presently there are 140,000 farms in Ireland, it is projected that 25% of farms will make a significant change in the next ten years. That represents 35,000 farms.

The service is responding to a need and is delivering. Key to this success has been the independent and expert facilitation provided by the service. The service works for a sustainable arrangement that delivers for all parties, rather than representing individual parties.

Contributing to the services' success has been the active support of farmers, the IFA, the Minister for Agriculture and his department, the Irish Farmers Journal, Teagasc and the three pilot area co-ops Dairygold, Aurivo and Glanbia.

The breakdown of the arrangements facilitated by the Service is as follows;

Arrangement Type	%
Farm to Farm (contract rearing, cow leasing, contract production)	13
Share Farming	18
Partnerships	20
Long Leases	45
Currently in transition, exact arrangement type not yet determined	4

The most important thing is the delivery of workable sustainable arrangements. While Long Term Leasing has proven to be the most popular arrangement type, mainly driven by the tax benefits to landowners, there is a big spread of other arrangement types.

Share Farming and Dairy Partnerships have a very interesting place in circumstances where landowners may not yet be fully ready to retire, or where the landowner gets involved in necessary investment or a young person has not got the finance / equity to take on a lease. Share Farming is also proving to be an effective mechanism as part of expansion or taking on an additional unit.

The Land Mobility Service is available to help anyone contemplating change and can be contacted by phone Austin Finn 086-2541425, email: info@landmobility.ie, website: *www.landmobility.ie* .

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