Action Plan to Facilitate Increase in Collaborative Farming Arrangements
Introduction

In order to deliver Food Harvest targets in agriculture to 2020 and beyond, there is a key need to facilitate the restructuring of the sector in terms of access to land and other physical resources and an improvement in productivity in terms of access to skills and other human resources. Irish farm structures have for some time been deficient in terms of age profile, farm size and skill set. In 2010 the age profile of Irish farmers was 55 years and only 6.2% of all farmers were under 35 years. These deficiencies pose a threat to farm viability and limit the options for taking advantage of the many growth opportunities to 2020.

Greater use of collaborative farming arrangements can help redress the current deficits and help deliver on the ambitious targets in Food Harvest 2020.

Collaborative farming arrangements that enable farmers to varying degrees, to pool their land, facilities, capital, time and skills can be utilised to achieve these goals.

The main benefits of a collaborative arrangement are:

1. **Economic** – a collaborative arrangement can offer farmers increased returns through the ability to achieve scale at a lower capital cost; the reduction of costs which are duplicated between farmers; and risk sharing.

2. **Skills** – The possibility of sharing best farming and business management practice.

3. **Social** – Joint farming ventures can help to address the social challenge of the ‘one man farm’ model making farming a more attractive occupation.

Take-up of these arrangements in recent years has been positive, but there is room for greater take-up.

The focus of this document is to outline a short to medium term strategy to promote collaborative farming arrangements and increase the take-up and impact of these arrangements within the sector. Collaborative farming arrangements are defined to include

- Farm Partnerships
- Share Farming
- Contract Rearing
- Cow Leasing
- Long Term Land Leasing
- Inter-generational transition
- Producer Groups/Small Co-Operatives

Other activities that are complementary with the need to restructure the sector, such as productivity enhancing technologies and management practices will also be promoted to facilitate access to land by efficient farmers and new entrants.
The strategy to increase the proportion of farmers utilising collaborative farming arrangements can be viewed as a pyramid with different layers.

- **Stage 1** is the initial stage involving farmers who may have limited information about possibilities or ways in which to participate. Activities targeted for this group will focus on knowledge transfer, promotion, and information sharing to facilitate decision making.

- **Stage 2** involves those who have an interest in getting involved in collaborative arrangements and who are looking for collaborative partners. This will involve supporting them in identifying partners.

- **Stage 3** comprise potential collaborators who have decided to move into a formal collaboration.

- **Stage 4** is the implementation phase, establishing the collaboration, ways of working and overcoming teething problems.

- **Stage 5** is having achieved normal day to day working arrangements. Continuing support is required for this group.

**Capacity Building of Teagasc Advisory Staff**

Traditionally the main strategy for knowledge transfer and promotion of collaborative farming methods has been via some individual advisors and a specialist advisor within Teagasc as well as through the medium of private consultants, media and seminars/conferences. However, in order to increase future uptake, these practices will need to be mainstreamed as part of the suite of tools and techniques utilised by farmers.

Local advisory staff, by virtue of their role in assisting farmers with technical and management information and as facilitators and motivators for the adoption of new and improved practices, are in an ideal position to provide information in relation to collaborative farming and to identify farmers who could benefit from entering into collaborative arrangements.

To improve local capacity to meet potential needs and to equip Advisors, a programme of in-service training, information giving and awareness creation, for advisors, is currently underway and will be completed soon in all 12 Regional Units. The main focus of this programme is to ensure that all advisory staff have a good general knowledge and understanding of the various forms of collaborative arrangements. Advisors, in their day-to-day work, are being asked to impart an appreciation of the potential benefits, to farmers, of these arrangements and to identify clients who should consider exploring and engaging in such arrangements.

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<thead>
<tr>
<th>Action</th>
<th>Person(s) Responsible</th>
<th>In-service Training Dates</th>
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</thead>
<tbody>
<tr>
<td>Capacity Building Programme for Local Advisers via In-Service Training is near completion in all 12 Regional Units.</td>
<td>Collaborative Farming Specialists</td>
<td>August 2012 – January 2013</td>
</tr>
</tbody>
</table>
Promotion and General Awareness amongst Farmers of Collaborative Arrangements

Targeting the knowledge transfer, promotion, and information sharing of collaborative farming to facilitate decision making by farmers will be required to reach the farmers who are at stage 1 above.

Promotion and the provision of general information on collaborative arrangements will be augmented by the following activities:

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<tr>
<th>Action</th>
<th>Person(s) Responsible</th>
<th>Date</th>
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<tbody>
<tr>
<td>Regional seminars as part of a spring/summer campaign on Collaborative Farming</td>
<td>Collaborative Farming Specialist</td>
<td>Spring/summer 2013</td>
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<tr>
<td>Inclusion of Collaborative Farming as a topic at DEP, BTAP and other relevant discussion group meetings</td>
<td>Local Advisors with the assistance of Collaborative Farming Specialists and/or any other available expertise</td>
<td>Ongoing</td>
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<tr>
<td>Highlight Collaborative arrangements at 12 Options Courses around the country</td>
<td>Farm Management Specialists</td>
<td>Autumn 2013</td>
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<tr>
<td>Family Partnerships to be highlighted as an important vehicle for transfer of the farm business during inheritance succession seminars</td>
<td>Farm Management Specialists</td>
<td>During any future inheritance succession seminars</td>
</tr>
<tr>
<td>Collaborative arrangements to be highlighted at all relevant Teagasc public events</td>
<td>Collaborative Farming Specialists and Teagasc Conference Organisers</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Provision of a section on collaborative farming arrangements in the Rural Development and Financial Management Newsletters</td>
<td>Collaborative Farming Specialists</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Keep Teagasc website updated</td>
<td>Collaborative Farming Specialists</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Making use of written media and radio</td>
<td>Collaborative Farming Specialists and Advisors</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Review the curriculum for students undertaking Teagasc courses in the context of collaborative arrangements.</td>
<td>Collaborative Farming Specialists with relevant education staff</td>
<td>Spring/summer 2013</td>
</tr>
<tr>
<td>In-service training of college teachers</td>
<td>Collaborative Farming Specialists</td>
<td>Summer 2013</td>
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</table>
Establishment of Regional Areas of Intensive Activity

While participation in Collaborative Farming will be generally supported across the country by Teagasc advisory staff, in order to facilitate an acceleration of participation, it is also proposed to develop a number of intensive regional focused development areas to further promote these arrangements.

Following the appointment of the additional Collaborative Farming specialist, intensive Collaborative Farming Development Areas will be made operational in a number of parts of the country.

This activity in these areas will support all tiers of farmers
• Promoting knowledge of the methods
• Facilitating Farmers to identify collaborators and
• To plan and develop formal collaborations

This activity will be advisor based with support and backup from the Collaborative Farming specialists and other relevant specialists. The programme will be guided and coordinated as necessary by the collaborative farming specialists. Discussion group format with groups forming for a finite term of perhaps 5 to 10 meetings will be used in conjunction with outside expertise and farmer experience to feed into such arrangements. This discussion group model may also be a useful way of recruiting more farmers to participate in collaborative arrangements. While intensive activity in particular collaborative arrangements will be pursued in these areas, it will be backed up by more general support for all collaborative arrangements throughout the country.

In each area a specific collaborative farming arrangement will be selected for special attention and learning. However, support in each area will not be limited to these specific arrangements. This approach will help Teagasc learn more about the functioning of these arrangements and to better support nationwide uptake subsequently.

Teagasc Managers within selected Advisory Regions were consulted and have agreed to support this planned programme.

Areas selected for intensive support of specific collaborative arrangements

<table>
<thead>
<tr>
<th>Areas</th>
<th>Targeted Collaborative Arrangements to be Supported</th>
<th>Time</th>
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<tbody>
<tr>
<td>Wicklow/Carlow/Wexford</td>
<td>Share Farming</td>
<td>Throughout 2013</td>
</tr>
<tr>
<td>Waterford/Kilkenny</td>
<td>Partnerships</td>
<td>Ditto</td>
</tr>
<tr>
<td>Tipperary</td>
<td>Partnerships</td>
<td>Ditto</td>
</tr>
<tr>
<td>Cork East</td>
<td>Partnerships</td>
<td>Ditto</td>
</tr>
<tr>
<td>Cork West</td>
<td>Partnerships</td>
<td>Ditto</td>
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<tr>
<td>Laois/Kildare/Meath/Louth</td>
<td>Long-Term Leasing</td>
<td>Ditto</td>
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<tr>
<td>Galway/Clare</td>
<td>Contract Rearing</td>
<td>Ditto</td>
</tr>
<tr>
<td>Cavan/Monaghan</td>
<td>Partnerships</td>
<td>Ditto</td>
</tr>
</tbody>
</table>
Teagasc advisors have been identified and agreed to act as the local anchor persons in all of these areas.

The focus of the activities in each area will be to support and assist with:

- Development of a detailed understanding of how various collaborative arrangements work
- Facilitation of engagement between would-be collaborators and provision of assistance and guidance with any documentation required to be completed by farmers.
- Setting up and management of data bases of would-be collaborators.
- Acting as a broker for those interesting in participating in collaborative farming arrangements
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<tr>
<th>Action</th>
<th>Person(s) Responsible</th>
<th>Time</th>
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<tbody>
<tr>
<td>Local promotion and general information</td>
<td>Local Adviser and Collaborative Farming Specialist</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Hold farm walks on farms practicing these arrangements</td>
<td>Collaborative Farming Specialist and Local Adviser</td>
<td>Late spring, summer and autumn</td>
</tr>
<tr>
<td>Develop Incubation Groups for proposed and new collaborations to help</td>
<td>Collaborative Farming Specialist and Local Adviser</td>
<td>Late spring, summer and autumn</td>
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<tr>
<td>hold learn, plan, develop and steer their way through early learning</td>
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<tr>
<td>and/or any initial teething difficulties. The timing and amount of</td>
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<td>this activity will be demand driven</td>
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<tr>
<td>To support the programme and to facilitate decision making by those</td>
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<td>interested in entering collaborative farming arrangements research</td>
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<tr>
<td>information will be required.</td>
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<tr>
<th>Action</th>
<th>Person(s) Responsible</th>
<th>Time</th>
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</thead>
<tbody>
<tr>
<td>Identifying the success factors of milk production partnerships with</td>
<td>Lorcan Dooley, Aine Macken Walsh, Kevin Heanue, Ben Roche &amp;</td>
<td>Completion date June 2013</td>
</tr>
<tr>
<td>an emphasis on new entrant/parent partnerships</td>
<td>David Stead UCD</td>
<td></td>
</tr>
<tr>
<td>A study is underway to examine the uptake of financial tools by till</td>
<td>James Irish, Tim O'Donovan</td>
<td>Completion date June 2013</td>
</tr>
<tr>
<td>age farmers in counties Wicklow, Wexford and Carlow; including</td>
<td></td>
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<td>questions about involvement in contract/share farming</td>
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<tr>
<td>Analysis of the performance of farms in Milk Production Partnerships</td>
<td>Dermot Connolly, Aine Macken Walsh, Kevin Heanue, Ben Roche</td>
<td>Completion summer/autumn 2013</td>
</tr>
<tr>
<td>vs other farmers using profit monitor data</td>
<td>&amp; Kevin Connolly</td>
<td></td>
</tr>
<tr>
<td>Contract Heifer Rearing and related support services within the</td>
<td>Colm Kelly, Tom O’Dwyer &amp; Deirdre O’Connor UCD</td>
<td>Completion date June 2013</td>
</tr>
<tr>
<td>Munster Region</td>
<td></td>
<td></td>
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<tr>
<td>Develop a Collaborative Farming Observatory</td>
<td>Collaborative farming specialists, Kevin Heanue, Áine-Macken</td>
<td>2013</td>
</tr>
<tr>
<td>Walsh</td>
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</tbody>
</table>
Support of Programme with Legal, Administrative and Partner Search Facilitation

Finally as collaborative farming arrangements, in particular farm partnerships benefit from advantages under the tax code and as part of farm schemes, some legal and administrative support is necessary to support farmers. Over time, it may be possible to identify opportunities to streamline and continue the drive to improve the efficiency of this process.

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<tr>
<th>Action</th>
<th>Person(s) Responsible</th>
<th>Time</th>
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<tbody>
<tr>
<td>Run Seminar(s) for Solicitors, Accountants &amp; Consultants</td>
<td>Collaborative Farming Specialists</td>
<td>May 2013</td>
</tr>
<tr>
<td>Complete specimen cow leasing agreements</td>
<td>Ben Roche</td>
<td>January 2013</td>
</tr>
<tr>
<td>Farm Partnership Registration and Database Management</td>
<td>Ben Roche</td>
<td>Ongoing</td>
</tr>
</tbody>
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Farm Partnerships

Outline of Key Benefits and Requirements
Farmers with differing circumstances, aspirations and work preferences have established farm partnerships and have benefited from their experience. Benefits which flow from collaborative farming include

- Opportunity to increase scale and, where relevant, access to increased milk quotas
- Better quality of life
- Better management decisions
- Reduction in hired labour
- Improved skill mix
- Security of labour
- Facilitates farmers to take up off-farm employment
- Facilitates involvement of son/daughter in the management of the farm
- Provides a career ladder for farm managers

Milk Production Partnerships (MPPs)
In addition to these overarching benefits, further specific State reliefs and incentives are available for registered farm partnerships. For historical reasons, Milk Production Partnerships (MPPs) are the only type of registered farm partnerships in Ireland but steps are being taken to remove remaining obstacles, to partnership formation or other new models of farming, in other sectors.

Tax incentives for MPPs
- Enhanced stock relief at 100% for young trained farmers & 50% for all other partners (subject to clearance with the European commission under State Aid rules).
- Special provisions under income averaging & capital gains retirement relief
- Concessions under capital allowances & provision for expenses
EU/DAFM incentives for MPPs
• Every partner who is eligible to acquire milk quota can do so in his/her own right as a separate quota holder
• The upper limit for EU/DAFM grant aid may be increased by up to three times of that available to farmers farming on their own
• Priority selection under dairy TAMS grants when a partnership involves qualified young farmers
• The upper limit for AEOS payments may be increased by up to three times of that available to farmers farming on their own
• Priority selection under AEOS for farm partnerships

What are milk production partnerships (MPPs) and who can form them?
A Milk Production Partnership must consist of at least one existing dairy farmer who produced and delivered milk in the two milk quota years prior to the setting up of the partnership and any combination or number of the following:

• One or more other farmers (non-dairy or dairy) who have been farming in their own right for a minimum of two years immediately preceding the milk quota year of setting up the partnership
• New entrant(s) with the appropriate qualifications where the parent(s) who are milk producers are also involved in the partnership
• Farm managers with specified qualifications and experience

A partner can be either a natural person or a company

Requirements
A Milk Production Partnership must operate to certain conditions and be registered on the register of milk production partnerships.

• A written partnership agreement must be entered into. A specimen agreement is available from Teagasc
• All partners must be actively involved in managing the partnership
• The partnership must operate through a joint bank account in the names of all the partners involved
• Profit must be divided using a profit sharing ratio
• All land available to the partners must be farmed in the partnership unless exempted by the registration body
• Off-farm (non-partnership) income of new entrants and farm managers has a ceiling of €40,000
• There is a distance limit between farms of 100Km

Contract Rearing of Replacement Heifers

What is contract rearing?
Contract rearing involves the movement of replacement heifers from the owner’s farm for rearing on contract by another farmer.

Milk quotas will to be abolished in 2015. With milk production expected to increase, the availability of land around milking parlours will place limits on the volume of milk some farms are capable of producing. An increasing number of dairy farmers will look to engage other farmers to rear their replacement heifers for them. This will release land on the dairy farm for milk production.
What makes contract rearing attractive to dairy farmers?
In addition to releasing land for milk production:
• It could free up labour to specialise more on dairying;
• It would suit farms where accommodation is limiting;
• It could suit farms where heifers are failing to achieve the performance levels required.

What makes contract rearing attractive to rearers?
• It could provide a steady monthly cash flow;
• The business risks associated with drystock production are reduced;
• It is potentially more profitable;
• The demands of buying and selling are diminished or eliminated.

What information is available?
Teagasc has prepared a number of documents to support parties interested in the contract rearing of replacement heifers.

• Some more detailed guidelines are contained in the Teagasc booklet “Guidelines for the Contract Rearing of Replacement Heifers”. This document contains details regarding target liveweights, guideline costings, and advice on the risks involved and disease control.
• Specimen heifer rearing contracts. Two documents have been prepared:
  a. A flat rate heifer rearing agreement. This document outlines the key areas for consideration in contract heifer rearing including duration of contract, who pays for the different inputs and agreed rate of payment?
  b. A weight bonus heifer rearing agreement. The key difference in this document is that payment is linked to achieving agreed target live-weights at critical milestones in the heifer rearing cycle.

Both documents are available from your local Teagasc office or at www.teagasc.ie
Share Farming

Share Farming is new to Irish farmers and works differently to conacre, leasing or partnership arrangements.

1. The Concept
   - Share Farming is where two parties (the landowner and share farmer) carry on separate farming businesses on the same area of land without forming a partnership or company.
   - Both parties share the benefits/risks of farming
   - There is no fixed payment for the land
   - Each party can sell their share of output but must pay for their input costs
   - Share Farming can be fully compliant with EU/ government support schemes including the Single Farm Payments, REPS, etc.
   - The Revenue Commissioners are satisfied that land owners participating in a legitimate Share Farming agreement continue to be classified as “farmers”
   - Written legal agreement is entered into to ensure that both parties are protected should difficulties arise

2. Benefits for the land owner
   - Compliance with all schemes and increased control over land allows increased security and rewards from farming
   - Increased buying and selling power due to share farmer
   - Ensures higher returns when yields, weight gain and/or prices increase
   - Agreed proportional stake in sales (animals, grain and/or straw) ensures farm returns
   - Maintain greater control over the land

3. Benefits for the Share Farmer
   - Tailored agreement allows flexibility to suit different land owners situations
   - No up front payments or other flat rate payments
   - Growing and animal production costs are shared
   - Increased area_SCALE increases buying and selling power which help to reduce fixed costs
   - Stable land base allows better planning (long and short term)

4. Operating a Share Farm
   - Trust is essential before entering into an agreement
   - The agreement should be in place before farming commences
   - Discussion of all elements of an agreement is essential before starting
   - The practicalities of share farming should mirror the agreement
   - VAT registered farmers/growers and non VAT registered land owners can successfully operate a Share Farming agreement. See Revenue guidelines.
   - The share farmer can buy sell all produce and then invoice/ pay landowner their share

5. Setting up A Share Farm agreement
   - Calculating a budget for the crop/enterprise will form the corner stone of the agreement (See Crop Share Calculator below)
   - See ‘Setting up a Share Farming Agreement’ flyer (29KB PDF Format) for more information
   - Further information is also available on www.teagasc.ie
## Crop Costs and Returns

### RECEIPTS
- **Crop**
  - Area
  - Yield
  - Price
  - Grain
  - Straw
  - Other (Bonus, etc)

### EU/Government Support
- Single farm payment
- REPS
- Direct payments (e.g. Protein etc)
- Other

**TOTAL RECEIPTS**

### MACHINERY COSTS*
- Field operations
- Machinery Hire
- Drying (per hectare bags)

**TOTAL**

### MATERIAL COSTS
- Seed
- Fertiliser
- Lime
- Chemicals:
  - Herbicides
  - Fungicides
  - Insecticides
  - Trace elements
  - Other
- Other costs (Haulage/Interest, etc)

**TOTAL**

**TOTAL EXPENSES**

**Crop Margin**

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*Field operations must not include labour. Machinery hire is 3rd part hire only. Multiply yields by cost per tonne of drying.
# Crop-Share Calculator

**Shared percentage of Costs and Returns**

<table>
<thead>
<tr>
<th>RECEIPTS</th>
<th>% return to</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Landowner</td>
<td>Share Farmer</td>
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<tr>
<td>Grain</td>
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<tr>
<td>Straw</td>
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<td>Other</td>
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**EU/GOVERNMENT SUPPORT**

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<tr>
<td>Single farm payment</td>
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<td>REPS</td>
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<td>Direct payments (e.g. Protein etc)</td>
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<td>Other</td>
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**TOTAL RECEIPTS**

<table>
<thead>
<tr>
<th>MACHINERY COSTS*</th>
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<tbody>
<tr>
<td>Field operations</td>
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<tr>
<td>Machinery Hire</td>
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<tr>
<td>Drying</td>
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**TOTAL**

<table>
<thead>
<tr>
<th>MATERIAL COST per hectare</th>
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<tbody>
<tr>
<td>Seed</td>
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<tr>
<td>Fertiliser</td>
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<td>Lime</td>
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<tr>
<td>Chemicals</td>
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<tr>
<td>Herbicides</td>
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<td>Fungicides</td>
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<tr>
<td>Insecticides</td>
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<tr>
<td>Trace elements</td>
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<tr>
<td>Other</td>
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<tr>
<td>Other costs (haulage, interest, etc)</td>
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</tbody>
</table>

**TOTAL**

**TOTAL EXPENSES**

**MARGIN**
Cow Leasing

New entrants to dairying and existing dairy farmers who wish to expand their dairying enterprises are likely to have a limited amount of money for investment to achieve target numbers of cows quickly. One way available to farm operators to acquire more cows with limited capital is through cow leasing.

While the leasing market for dairy cows is not as well established as the market for land nevertheless many of the same benefits can be realized from leasing cows.

Anyone exploring cow leasing might find it useful to focus on the following:
(a) Advantages and disadvantages of leasing arrangements for both operators and the owners of dairy cows
(b) Economic considerations of leasing
(c) Issues that need to be resolved when negotiating a workable dairy cow lease arrangement

Potential Advantages of Cow Leasing for Operator
1. Provides access to high quality dairy cows that could otherwise be unaffordable;
2. Allows the operator to commit scarce capital resources that would be used to purchase dairy cows to other uses such as construction of a milking parlour and other essential buildings;
3. Avoid using credit to finance the purchase of dairy cows;
4. Depending upon the agreement may avoid the financial losses that could occur if the market price of dairy cows falls;
5. Match lease payments to the cash flow pattern of the farm;
7. Deduct the cow lease payments as an ordinary expense, rather than depreciating the cost of purchased cows.

Potential Disadvantages of Cow Leasing for Operator
1. Stock relief is not available to the operator because the cows are owned by the lesser;
2. No guarantee that dairy cows will be made available beyond the term of the lease;
3. Limitations on how the dairy cows can be used or managed;
4. Uncertainty about the cost of leasing the dairy cows in the future;
5. Loss of the financial gains that could occur if the market price of dairy cows rises.

Potential Advantages for Owners
1. Retain and maintain a dairy herd without having to provide labour and other resources needed to operate a dairy farm;
2. Maintain an active interest in farming while phasing into retirement
3. Stock relief may be available to the owner because the cows are owned by him;
4. Earn a certain return, or rent, on capital that has been invested in dairy cows;
5. Avoid extra tax liability that could arise if dairy cows were sold all at once;
6. Capture the financial gains that are created if the market price of dairy cows rises.

Potential Disadvantages for Owners
1. Trusting others to care for dairy cows;
2. No guarantees of receiving rental payments promptly;
3. Need to monitor the health and safety of the dairy herd;
4. Potential for financial losses if the market price of dairy cows falls;
5. Inability to sell dairy cows when a willing buyer makes an acceptable offer to purchase cows before the lease expires;
6. Capital invested in dairy cows cannot be quickly shifted to other investments.
Setting up a Cow Lease Agreement
Both operators and owners will have to consider the advantages and disadvantages of entering into a dairy cow leasing arrangement before they decide to pursue this type of business arrangement.

Economic Considerations of Leasing
It is important for the owner and operator to understand that they are likely to have conflicting goals when it comes to negotiating the rents that an operator must pay to get the use of an owner's dairy cows. Naturally an operator will want to pay as little as possible so that the potential for earning profits is at a maximum. Conversely an owner will want to earn maximum profits.

The key to operators and owners negotiating a “fair” rent on dairy cows is having both parties understand the purpose of a rent. A rent is not some charge that the owners of assets such as dairy cows sets arbitrarily. Rather it is an economic return that compensates an owner for investing capital in dairy cows. The rent or return an owner receives on a dairy cow is not all profit. Rather it is the return that allows the owner to cover the “costs” of owning the cows. These ownership costs include (1) depreciation, (2) interest on capital and (3) mortality and insurance.

Establishment of these costs will help to determine what rent an owner should expect to receive in rental income.

Written legal agreement
If both parties agree that it is to their mutual advantage to enter into a cow leasing agreement, they should then work through the management decisions that are going to arise. Time spent preparing a written contract will help avoid misunderstandings during the life of the agreement.

Teagasc has prepared two specimen legal agreements for cow leasing one is for long term leasing and the second is for short term leasing i.e. one to two years duration

Both documents are available from your local Teagasc office or at www.teagasc.ie

Land Leasing
A land lease is usually defined as a letting for a term of one year or more and is in writing. Long-term leasing has tax advantages which are designed to facilitate active farmers to acquire more land. One of the big advantages of long-term leasing is that the lessee is likely to farm the land as if he owns it giving rise to good husbandry and care of the land.

The land owner is exempt from income tax on rental income from land leased as follows:
- 5 to 7 year lease = up to 12,000 rental income per year
- 7 to 10 year lease = up to 15,000 rental income per year
- 10 years or longer = up to 20,000 rental income per year

Conditions/clarifications
- The rental income can include income from both land and entitlements.
- Where land is co-owned each co-owner can qualify for tax relief which may provide a doubling of the amount of rental income exempted from income tax.
- Qualifying lessors aged 40 or over qualify
- These tax reliefs do not apply where a farmer leases his lands to a son/daughter as they are deemed not to be at arms length i.e. qualifying leases must be to unconnected persons.
Precautions
• For the owner renting or leasing of his land may exclude him from qualifying for capital gains tax retirement relief.
• The owner may not qualify as a farmer and therefore become ineligible for EU entitlements.
• A potential disadvantage to long-term leasing is that the owner loses control of the lands during this period and cannot, as in conacre lettings, decide to sell his/her property without first obtaining an agreement to do so from the tenant.

Producer Groups/Small Co-Operatives
An American solution to improve declining farm incomes, the Middle Agriculture Movement, discusses how food production has come to follow one of two paths:

• Artisan food production and direct selling with high value-added, or
• Mass-production of agricultural commodities competitively priced on the world market.

Many family farms in Ireland and elsewhere in Europe fall between these two extremes and some are going out of business. They are too small to compete in the commodity markets and too conventional to sell in the direct speciality markets. A potential strategy to address falling prices paid for family farmed food is to add value by highlighting the uniqueness of family farmed food through sophisticated public relations, branding, marketing, and packaging.

Could the Middle Agriculture Movement be relevant in Ireland?
High value-added differentiated food does not mean processed food (such as cheese) or organic food, and according to experts, there is potential for adding branding to family farmed food that has a place-based regional distinctiveness and superior quality comparative to low-cost mass-produced commodities.

Arguably, Irish farmers are already producing superior quality foods with regional distinctiveness but strategic branding and marketing activities must be applied in order to enter high value-added markets.

Some farmers are now starting to form groups such as Connemara Hill Lamb and Ring of Kerry Lamb

Such groups are producing superior quality distinctive products that are desired by a growing consumer group that does not necessarily want imported organic food, but healthy regionally-branded food that is produced in an environmentally and socially sustainable way.

Branding regional food is a strategy to differentiate family farmed food in the marketplace. Connemara Hill Lamb, for example, was given protected Geographic Indication (PGI) status by the European Commission. Lamb produced outside the region cannot be marketed or sold as Connemara lamb.

Many producer groups have set-up marketing networks and are succeeding on the basis of supplying customers with unique, naturally produced lamb for defined geographical areas. They are being rewarded with higher prices for their produce. However, such producer groups are not without difficulties and challenges.

The producer groups face difficulties in keeping all aspects of their businesses running effectively: producing, processing, branding, marketing, advertising, distribution, and sales.

Small producer groups are challenged with undertaking all of these activities that are
necessary to make their product a success and they lack the scale and financial resources of other large food companies to hire in the necessary expertise and services, such as marketing experts and large distributors.

Many producer groups attempt to do all of this work themselves, but considering that they are also producing the primary product, they can have insufficient time. Many producer groups can have insufficient expertise in or more areas.

**Federated Co-Operatives**

Small co-operatives in the Middle Agriculture Movement have taken steps to address these challenges. While keeping their own independent brand and identity, small co-operatives have joined together in what is called a ‘Federated Co-Operative’.

By joining together, they achieve scale in contracting processing facilities; packaging facilities; marketing expertise; public relations; advertising; and large-scale, efficient distribution.

Financing such facilities and professional expertise is more affordable and efficient when funded and shared collectively. The Federated Co-Operative, because of its larger scale and impact, can also attain greater visibility and bargaining power in national and international markets. It also facilitates potential contracts with meat processors and supermarket multiples where farmers have strong bargaining power and where the farmers needs are met.

Federated Co-operatives in the Middle Agriculture Movement typically engage in one or more of the following:

- Professional broad-scale marketing and advertising,
- Regional/national co-ordination of activities and flows of product,
- Research, education and other professional supports,
- Third-party certification to ensure quality and consistency.

The principles of the co-operatives are that they are owned by the farmers who use them, controlled by the farmers who use them and that benefits generated by the co-operative should accrue to their users on the basis of their use.

Further information is also available on www.teagasc.ie
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