Introduction
The price of animals sold and income from sources such as the Basic Payment Scheme and agri-environmental schemes have a huge influence on Family Farm Income for beef farmers. However management of production is still the decisive factor in profitability. Many farms have the scope to dramatically improve profitability.

1. How much control do cattle and beef farmers have over the profitability of their businesses?
2. What are the key ways to drive profit in beef production?
Drivers of profit for Beef Production Systems

How much control do cattle and beef farmers have over the profitability of their businesses?

Cattle and beef production is the largest agricultural sector in the Republic of Ireland. The value of cattle and beef output in 2014 was €2 billion, 29% of total agricultural output. Despite the importance of beef cattle farming to the national economy, profitability at farm level is extremely low, with average family farm income (FFI) for suckler and non-breeding farms in 2014 of €266/ha and €333/ha, respectively.

When direct payments, such as the Basic Payment Scheme and agri-environmental scheme payments, are excluded, the market-based FFI in 2014 was -€129/ha and -€123/ha, respectively. Cattle farming in Ireland is heavily dependent on direct payments to remain viable. However, there are a number of management steps which have the potential to substantially increase profitability on individual Irish beef farms.

The capacity of Irish farms to grow high yields of highly digestible grass at low cost is a key competitive advantage, particularly when concentrate feed prices are high. Furthermore, given the very low stocking rates on Irish farms, higher output is achievable on many farms at modest cost.

What are the key ways to drive profit in beef production?

1. Have a defined system

There is a myriad of production systems operated on suckler beef farms, based on markets, tradition and demographics. Choosing a production system and farm plan which is a good ‘match’ for the farm offers the best prospect for profitability.

The plan should result in a relatively simple system with defined production objectives for the farm. Without clearly defined objectives, farms can end up with calving seasons that do not have a defined beginning or end (since there is no planned start or end to the breeding season) and/or no targeted trading policy (outlining whether the farm produces weanlings, stores or finished cattle).

2. Manage animal health

Healthy animals are more productive and profitable and good animal health is an essential component of animal welfare.

Infectious diseases, parasitic infections and metabolic disorders reduce animal production and profitability. Clinical disease, where an animal is showing easily-detectable signs and symptoms, has obvious costs because veterinary treatment may be required, animal performance is reduced dramatically and there is a risk the animal may die.

Subclinical disease, where there are no obvious signs or symptoms, may also be present in the herd. Animal performance may be only slightly reduced so sub-clinical disease is difficult to detect but the hidden cost can be large.

To ensure good animal health and performance in a beef enterprise, animal exposure to disease must be minimised and the animal’s defences maximised. If disease occurs it is vital to prevent it spreading. Prevention and control is critical, limiting the need for subsequent intervention. Treating animals following an outbreak of disease can be extremely costly.

Implementing a herd-specific health programme is the best way to address potential health problems and is essential if optimum profitability is to be achieved. A veterinarian should always be consulted with regard to specific animal health problems and farm bio-security.
3. Achieve high stocking rates

Stocking rates on suckler beef farms in Ireland are very low. An investigation of the 2010 Teagasc eProfit Monitors clearly illustrates that high profitability per hectare requires high stocking rates (Figure 1). The low stocking rates on Irish beef cattle farms are keeping profits low.

The economic targets for the Teagasc, Grange Derrypatrick Herd depend on high stocking rates - producing in excess of 210 kg of organic N per ha. High stocking rates require much greater levels of management and labour input than might be available on many farms and labour availability may become a limiting factor.

This stocking rate of the Derrypatrick Herd is permissible under the Nitrates Directive and Teagasc Grange is investigating the system's potential to maximise the profitability of integrated suckler calf to beef production systems.

For the bottom third, it was more profitable to actually reduce stocking rate – margin per livestock unit was negative and therefore, by reducing stock numbers, losses are reduced. For those farms ranked in the top third, margin per livestock unit is positive and therefore, increasing stocking rate results in a higher gross margin. Before increasing stocking rate farmers must be sure they are making a profit on each animal.

4. Achieve the appropriate calving date and a tight calving spread

Suckler beef production in Ireland is largely based on spring-calving cows. Almost 70% of calves are born between January and May. Calving date is key in spring-calving systems. If the average calving date is too early, before the start of the grazing season, lactating suckler cows will require supplementary feeding and/or higher digestibility (more expensive) grass silage. If the calving date is delayed until after the grazing season begins, the economic advantage of early spring grazing will not be captured, i.e. dry, pregnant cows will remain indoors on expensive grass silage despite the availability of cheaper grazed grass. In short, calving date must be matched to the mean date of turnout for a given farm in order to maximise the proportion of energy requirements obtained from comparatively cheap grazed grass.

In autumn-calving systems, the cow is producing milk during the winter indoor feeding period and requires higher quality silage and/or concentrate supplementation. Housing/facility costs are higher as additional creep areas for calves are required. The lower production costs for spring-calving systems means there is a bigger buffer against price volatility.

Figure 1. Teagasc eProfit Monitor 2010

Figure 1. shows that stocking rate increases must be matched with production efficiency. Two categories of farms can be identified: those ranked in the bottom third in terms of gross margin (a measure of profitability) and those ranked greater than this.
5. Maximise grassland management and minimise feed costs

Feed costs account for over 70% of variable costs on beef farms. In addition, feeding machinery and storage facilities such as concrete silos and grain stores contribute greatly to fixed costs on farms. The challenge for beef farmers is to select the feeding system which provides adequate nutrition for the beef production system, while minimising both fixed and variable costs. Producing and utilising home-grown feed crops at low cost requires very good levels of management to ensure a high yield of highly digestible herbage is achieved.

Figure 2 shows the cost of producing a number of home-grown feeds on Irish cattle farms. Grazed grass is the lowest cost feed available to beef farmers, at approximately €80/tonne utilised dry matter (UDM). This cost applies to an intensively managed (rotationally grazed and 200 kg N/ha/yr applied) perennial ryegrass sward.

This total cost of grazed grass compares with approximately €170/tonne UDM for grass silage and €393/tonne UDM for concentrates. Clearly, the amount of animal production from grazed grass must be maximised. A long grazing season, a high proportion of perennial ryegrass in the sward, operating a rotational paddock grazing system and measuring and budgeting grass to identify where surpluses or deficits arise, are all vital to achieve this.

Home-grown feeds such as winter wheat silage and maize silage can be conserved at a lower cost than grass silage. Careful site selection and crop management for these crops is essential to maximise potential yields. This includes sowing maize under plastic in inland and northern regions.

Grazed winter forage crops such as kale and swedes also have the potential to reduce winter feed costs on some farms if suitable land is available. A fertile, free draining field is essential to achieve economic yields and minimise soil damage. Access to shelter and a grass runback is also required.

The primary advantage of these crops is the reduction in housing and manure management costs for farmers who want to increase stock numbers without constructing new sheds. However, when grass silage is harvested as part of an efficient grazing management strategy (GG/GS2 in Figure 2) it is less costly than any annual feed crop. This depends on achieving high grazing utilisation efficiency (greater than 75% of grass grown consumed by the animal) and utilising high quality grazing on the silage area in spring and autumn.

Alternative feed crops are only economic when satisfactory animal performance requires supplementation of grass silage in winter, or when a field can’t be efficiently integrated into the grazing rotation.

Drivers of profit for Beef Production Systems

Figure 2. Total feed costs (2012) of grazed grass, grass silage, six alternative home-produced crops and a purchased concentrate.

TFC = Total feed cost, including €300/ha land charge, all fixed costs and contractor costs for all operations from sowing to feed-out. GG = Grazed grass; GS2 = Two-cut grass silage system; GG/GS2 = Integrated grazed grass/two-cut grass silage system where 35% of grassland area is cut for silage; WCW = Whole-crop winter wheat silage; SBG = Crimped and propionic acid treated spring barley grain; FB = Harvested, cleaned & chopped fodder beet. Swedes and kale grazed in situ. Concentrate is a beef finisher nut purchased at €300/tonne fresh weight, delivered; storage and feed-out losses and costs are included.
6. Optimise liveweight gain and carcass quality

Research at Teagasc, Grange, has identified the three critical factors influencing growth rate and carcass quality of suckler progeny:

1) Using late-maturing continental breeds

Suckler cows should have at least 50% and preferably 75% of a late-maturing continental breed to produce progeny suitable for higher-priced markets as a result of improved conformation and leaner carcasses.

2) Availing of hybrid vigour

Hybrid vigour or heterosis is the advantage of crossbreds over the average of the parent breeds. Research shows that the advantage expected from using a cross-bred suckler cow as opposed to a purebred in terms of kg of calf weaned per cow put to the bull is about 13%. In addition, using a sire from a third breed (i.e. a breed not in the cow breed type) increases the weight of calf weaned per cow bred by approximately a further 8%.

3) Keeping high milk producing cows.

Research experiments at Teagasc, Grange has shown that progeny from crossbred cows with Friesian or Simmental ancestry had higher carcass weight for age than ¾ or purebred beef breed suckler cows (Table 1). These differences in carcass growth reflected differences in calf pre-weaning gain due to the milk yield of the mother. However, calves from cows with Friesian ancestry had poorer conformation and were fatter than those from purebred beef breed cows.

<table>
<thead>
<tr>
<th></th>
<th>Beef-Friesian</th>
<th>3/4 beef</th>
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<th>Purebred beef</th>
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<tr>
<td>Pre-weaning gain (kg/d)</td>
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<td>1.07</td>
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<td>Post-weaning gain to slaughter (kg/d)</td>
<td>0.96</td>
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<td>0.98</td>
<td>0.96</td>
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<td>Kill out proportion (g/kg)</td>
<td>554</td>
<td>562</td>
<td>558</td>
<td>571</td>
</tr>
<tr>
<td>Carcass weight for age (kg/d)</td>
<td>0.61</td>
<td>0.58</td>
<td>0.61</td>
<td>0.59</td>
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<tr>
<td>Carcass conformation score (1-5)</td>
<td>3.23</td>
<td>3.23</td>
<td>3.23</td>
<td>3.55</td>
</tr>
<tr>
<td>Carcass fat score (1-5)</td>
<td>2.9</td>
<td>2.8</td>
<td>2.8</td>
<td>2.5</td>
</tr>
</tbody>
</table>

(Source: Teagasc, Grange)

7. Achieve high reproductive performance

Data from the Irish Cattle Breeding Federation (ICBF) suggests that, on average, for every 100 cows, only 82 weanlings are produced each year. This low level of reproductive performance contributes to low levels of profitability on Irish suckler beef farms, as the cost of carrying each suckler cow is only offset by 0.82 weanlings.

The calving rate results from calving interval (if cows have a calving rate of 13 months this reduces the number of calves born in a year) and pregnancy rate (where some cows may not calve at all).

Achieving good conception rates for breeding in May can be influenced by management in the previous summer and autumn. Ensuring cows reach a body condition score (BCS) of greater than 3 (scale 1 to 5) at housing will enable some loss of condition over the winter with cows turned out in spring at an approximate BCS of 2.5. As cows begin to gain condition at pasture they should then reach the optimal BCS range of 2.5 to 3.0 for breeding in May.

Analysis has shown that earlier-calving cows have longer calving intervals than those calving later in the spring. However, there was no difference in calving rate. With good management, good reproductive performance can be attained in spring-calving suckler herds.
Introduction
Calf, weanling, store and finished cattle prices are closely linked as one category of animal rises or falls in price the others tend to follow.

1. How are beef prices likely to develop over coming years?
2. Which factors are influencing demand for beef?
3. How volatile are cattle prices?
4. Do exchange rate fluctuations have much effect on beef prices?
5. How are prices affecting Family Farm Income?
How are beef prices likely to develop over coming years?

In the medium term, global and EU beef prices are likely to be lower than recently, but are projected to remain at or above the average price levels observed over the last decade. Figure 1 shows medium term projections (2010=100) for EU finished cattle prices from the OECD, FAPRI – Ireland and the European Commission (DG AGRI). While the projections differ, all suggest that over the next five years prices are likely to decline and then recover towards current levels after 2020.

Static or declining output price levels do not necessarily imply reduced profitability. The strong improvement in cattle prices since 2009 has not been matched by equivalent improvements in income due to the parallel increases in costs of production. One of the key drivers for outlook for beef prices for the medium term is projections for developments in cereal and oilseed and energy prices. Input prices linked to these commodities are projected to decline over the medium term. Real cattle prices, i.e. cattle prices adjusted for developments in the prices of inputs, are likely to more stable over the medium term. This means that the profitability of beef production, under the Baseline, is not projected to deteriorate markedly.

Which factors are influencing demand for beef?

Over the medium term slowing economic growth in middle income and developing country markets is projected to lead a slowdown in the rate of growth of global meat consumption. With ongoing growth in global meat production global meat and specifically beef prices are projected to decline. Most of the changes in global supply and use of meat are likely to occur in developing and middle income markets with relatively modest changes in meat production and use in EU countries. EU beef production is projected to decline due to resumed contraction in dairy and suckler cow numbers over the period to 2024.

Consumption of beef in developed EU economies is likely to decline due to only modest growth in incomes and already high levels of per capita meat consumption as well as lower prices of competing meats such as poultry and pig meat.

How volatile are cattle prices?

Calf, weanling, store and finished cattle prices are closely linked – as one category of animal rises or falls in price the others tend to follow. The profitability of a given cattle enterprise can be affected by movements in the prices of cattle bought in and sold out. In general, changes in cattle prices will have a greater impact on margins earned on cattle-rearing farms than farms that purchase in calves or weanlings and sell finished or store cattle.

On cattle-fattening farms lower prices paid for cattle at the farm gate are usually reflected in lower prices for cattle sold out (the same applies when prices are high).
Figure 2 shows indices of weekly calf and finished cattle prices for the period 2013-2015. Calf prices are more variable through the year than finished cattle prices.

Source: DAFM

Figure 2. Indices of Weekly Calf, Young Store and Finished (R3 Steer) Cattle Prices 2013-2015.

The pattern of cattle disposals and sales (via marts, farm-to-farm and to factories) through the year plays a role in explaining the higher volatility of different cattle prices. Figure 3 shows that the vast majority of calves are sold from March to June. While sales of store cattle via marts and farm-to-farm and sales of cattle for slaughter to factories, vary from month to month, the seasonality is not as pronounced.

The relative volatility of cattle prices at different points along the beef supply chain has also been relatively consistent through time. While prices for cattle have moved upwards since 2009 there has, in contrast to the situation for dairy and tillage farmers, been no increase in the degree of output price volatility experienced by Irish cattle farmers.

Source: DAFM AIMS 2014 Annual Report

Figure 3. 2014 Cattle Movement (Farm to Farm and Mart) and Factory Slaughter by Month.

Key fact

Prices for animals in the younger age categories tend to be more volatile.

Do exchange rate fluctuations have much effect on beef prices?

Volatility in exchange rates affects Irish cattle prices due to the continuing importance of the UK as an export market for Irish beef (approximately 50% of Irish beef exports are consumed in the UK). However, movements in the euro/sterling exchange rates that make Irish beef more expensive (cheaper) in the UK lead to lower (higher) costs of importing feed and fertiliser inputs used in the production of beef. Ultimately while a depreciating currency raises the competitiveness of exports it reduces the purchasing power of incomes earned in agriculture and elsewhere in the economy.

With most of incomes earned on Irish cattle farms coming from direct payments, which are unaffected by exchange rate volatility, the impact of exchange rate volatility on agricultural incomes earned on Irish beef farms is likely to be lower than, for example, Irish dairy farms where a smaller proportion of FFI is dependent on direct payments.

How are prices affecting Family Farm Income?

While the value of Irish beef production has increased over the last decade the volume of Irish beef production has largely remained static and in 2014 the volume of beef produced in Ireland was almost equal to the volume produced in 1992. The absence of any significant growth in the volume of production of beef reflects the evolution of the number of beef and dairy cows in Ireland (see Figure 4).

Beef cow numbers declined by 0.7% per annum since the decoupling of direct payments from production in 2005, by contrast dairy cow numbers increased in recent years in anticipation of the ending of the milk quota regime in April 2015.
Cattle and Beef pricing

Figure 4. Irish Dairy Cow and Suckler Cow numbers 1990-2014.

The absence of growth in beef production can be explained by the continued low levels of profit earned in Irish beef production. Despite improvements in cattle prices (both for finished animals and calves, weanlings and store animals) costs of production have increased to largely negate the positive impact of output price growth on farm profits.

Table 1 compares the family farm income (FFI) per hectare and FFI (exclusive of subsidies) per hectare on beef farms in the National Farm Survey with incomes earned on other farm systems. Direct payments are an important component of average incomes across all farm systems. However, on farms classed as “Cattle Rearing” and “Cattle Other”, FFI is on average less than total subsidy receipts.

This reflects the fact that, on average on Irish cattle farms, total direct and overhead costs of production are greater than the value of output sold. The absence of positive net margins (equivalent to FFI without subsidies) on Irish cattle farms poses a significant challenge in the medium to longer term.

Table 1: Family Farm Income per hectare in Irish Farming

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle Rearing</td>
<td>348</td>
<td>250</td>
<td>269</td>
</tr>
<tr>
<td>Cattle Other</td>
<td>412</td>
<td>389</td>
<td>346</td>
</tr>
<tr>
<td>Dairy</td>
<td>887</td>
<td>1137</td>
<td>1229</td>
</tr>
<tr>
<td>Mixed Livestock</td>
<td>734</td>
<td>794</td>
<td>892</td>
</tr>
<tr>
<td>Sheep</td>
<td>375</td>
<td>220</td>
<td>278</td>
</tr>
<tr>
<td>Tillage</td>
<td>581</td>
<td>460</td>
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</table>

FFI per hectare excluding subsidies

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle Rearing</td>
<td>-93</td>
<td>-162</td>
<td>-131</td>
</tr>
<tr>
<td>Cattle Other</td>
<td>-77</td>
<td>-75</td>
<td>-109</td>
</tr>
<tr>
<td>Dairy</td>
<td>482</td>
<td>755</td>
<td>851</td>
</tr>
<tr>
<td>Mixed Livestock</td>
<td>300</td>
<td>373</td>
<td>492</td>
</tr>
<tr>
<td>Sheep</td>
<td>-44</td>
<td>-128</td>
<td>-64</td>
</tr>
<tr>
<td>Tillage</td>
<td>145</td>
<td>38</td>
<td>46</td>
</tr>
</tbody>
</table>

Source: Teagasc National Farm Survey

Underlying the profitability challenge that is evident in Table 1 are the structural characteristics of Irish cattle farms. Irish cattle farms are smaller than the national average. Irish cattle farms generally farm on poorer soils and cattle farmers are often older than farmers in other farm systems.

Successfully addressing the profitability challenge in Irish beef production at the farm level will be critical if growth in the value of output in the period to 2025 is to be augmented by growth in the volume of beef produced.

The dependence of Irish cattle farms on subsidies and the low and often negative levels of income arising from the production of cattle are also likely to continue to be an important barrier to improving the productivity and profitability of Irish cattle farming.
Introduction
Ongoing investment is required on all farms. Correctly prioritising investments is key, particularly where profitability is relatively low. There are non-financial factors which should also be considered when making investment decisions.

1. What investments are most worthwhile?
2. What non-financial benefits can accrue to investment in beef production?
3. How do I know if an investment in beef production will be economic?
4. Should beef farmers use Single Farm Payment money to invest in their businesses?
Investing in beef production

What investments are most worthwhile?

**How to**

Prioritise investments.

**Investment should be automatic if related to:**
- Health and Safety
- Pollution Control
- Animal Welfare

**High priority investments**
- Labour saving
- Quality of output, breeding
- Lime/basic fertilisers, reseeding

**Lower priority investments**
- Replacement farm machinery
- New tractors
- Motor vehicles/quads etc.

Investment in some areas such as superior genetics will pay off. These add value to your capital invested and generate higher farm performance. Investment in buying land, on the other hand, cannot be economically justified by the returns to any farming enterprise. However, land coming on the market close to your farm is likely to be a good investment provided that:

- You can meet the repayments
- It is likely to appreciate rather than depreciate in value over time
- It is tax efficient for you and your family.

For any significant investment, farmers should create a detailed business plan, whether they need to borrow the money or not.

Some investments will improve the utilisation of existing assets (such as buildings) and this should be factored into investment returns. Investment in machinery requires more scrutiny as machinery depreciates rapidly and, unless utilised to its full potential in terms of break-even acreage or hours/year, it will not contribute to farm profits.

What non-financial benefits can accrue to investment in beef production?

Quality of life is important to all. With modern facilities a beef farm can be set up so that the labour input is reduced to a minimum. This will drive farm output on bigger farms and provide room for off-farm activities/employment on smaller farms.

Modern beef production lends itself to high farm output, low income per hectare, low labour input, high investment cost but relatively high return per hour worked. This makes beef production attractive to individuals with off-farm incomes and limited time.

Investment in animal handling and fencing facilities can reduce the time required to manage a beef business. Part-time farmers need to allocate their time to getting essential work done quickly, while using contractors to do specialist tasks.

If facilities are poor, personal health and safety may necessitate investment in maintenance and repairs or potentially new equipment and facilities.
How do I know if an investment in beef production will be economic?

Key point:

All large investments on farms should be subject to an investment appraisal.

How to Appraise an investment.

1. Payback

This is a simple calculation.

Total cost of investment is divided by the annual return/income.

Example: A farmer considers buying a baler for own use, investment cost €30,000 which, after a good year in the previous year, is sitting in the bank.

He expects to make 10,000 bales each year for himself and his neighbours costing €3.2/bale after wrap, diesel, tractor costs, labour and repairs. This leaves him with a margin of €1.0/bale. The baler investment will achieve payback in three years.

Payback = 30,000/10,000 = three years. There are two problems with this calculation:

It does not allow for the change in money value over time, i.e. a € today is always worth more than a € at some future date due to inflation and the reduction in available ready cash.

Neither does it allow for the potential value of the investment at payback date. It could be worthless scrap or it might be capable of working for many more years.

2. Net Present Value

This method allows the investor to overcome some of the disadvantages of the payback appraisal method. It discounts the value of future income so that you can look at it in today’s money value.

Let's look at that baler again. Given that the money in the bank would earn a net 2.3% after tax.

This method reduces the value of the return in year’s two and three (by 2.3%/annum which is the expected rate of interest earned or the rate of inflation) to take into account the future value of money, etc.

This reduces the total return from year’s two and three by €1,328.87. So the total value of future returns in today’s money is €28,671.13 (rather than €30,000)

The investment would be considered a bad decision if the machine has no value after the three years.

However, the baler might have a market value at the end of three years. This value, if expected to be €10,000, should be included as a cash value for year four if the baler was sold or traded.

Net Present Value of the value of the baler at the end of year three:

€7,801.69 PV of Expected Cash flows:

€37,801.69

the NPV is now positive and the investment is good. A farmer can now decide if he should let the money rest in the account earning interest or invest it in the baler and look forward to an extra €7,801 for himself at today’s money value.

Taxation will always influence an investment decision and a discussion with your accountant or tax adviser is invaluable. In the example above it is assumed that no tax was paid on the extra €10,000 income and no tax relief was got from the capital allowances over the years. (see also chapter on taxation)

Should beef farmers use Single Farm Payment money to invest in their businesses?

Money is money, so whether it comes from livestock savings, sales, EU schemes, the bank or off-farm income, any investment decision must be rigorously tested. The decision to invest should be based on the financial strength of the investment, the needs of the individual farmer and his business. Debt in business isn’t a bad thing provided there is good ability to repay.
In a low margin, volatile price enterprise like beef production the ability to service debt is reduced and in some situations is non existent. This places extreme pressure on the business and the viability of a farm that cannot continuously invest cash, even if the farm is asset rich, may be threatened. Without cash to invest a farm business will not be able to modernise.

Before borrowing money a farmer needs to know and understand his repayment /borrowing capacity. This can be done on the website below

www.teagasc.ie/advisory/farm_management/repay_capacity/index.aspx

### How to

#### Estimate Repayment Capacity

This calculator allows the calculation of free business cash to meet new loan repayments.

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<th>Current Annual Loan Principle &amp; Interest</th>
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<th>Any Other Outlays</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADD</th>
<th>% Any Additional non-farm income that might be used for servicing new loans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Potential Funds available to service new loans</td>
</tr>
<tr>
<td></td>
<td>Adjustment of funds to allow for safety margin</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADJUST TO</th>
<th>% Of total= adjusted free business cash for new loan repayments =</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enter Possible Interest rate</td>
</tr>
<tr>
<td></td>
<td>Select Frequency of Repayments</td>
</tr>
<tr>
<td></td>
<td>Enter Desired Term (years)</td>
</tr>
<tr>
<td></td>
<td>Loan Start Date (dd/mm/yyyy)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Loan Details</th>
<th>Loan Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount Borrowed</td>
<td>Total No. of Payments</td>
</tr>
<tr>
<td></td>
<td>Interest Rate</td>
<td>Repayment Amount (Every year)</td>
</tr>
<tr>
<td></td>
<td>Loan Term in Years</td>
<td>Total Repayments per Year</td>
</tr>
<tr>
<td></td>
<td>Payment Frequency</td>
<td>Total Amount Repaid</td>
</tr>
<tr>
<td></td>
<td>Loan Start Date</td>
<td>Total Interest Paid</td>
</tr>
</tbody>
</table>

**NOTE:** These figures are a guide and are for information purposes only. For important investment decisions consult your Teagasc adviser.
Keeping Track of Beef Business Finances
by Kevin Connolly

Introduction
Finance is the ‘life-blood’ of any business and should be closely monitored.

1. What are the key financial results I should measure?
2. What is an effective way to monitor profit?
3. How do I track my net worth?
4. How important is cash flow?
5. How do I measure my cash flow?
6. What is a cash flow budget?
What are the key financial results I should measure?

Profit

Profit is what remains after operating costs and other expenses are subtracted from business output or income. It is the measure of the return your business creates and is essentially the reward for unpaid family labour, management and the owner’s investment in the business. Profit is also referred to as net margin or “the bottom line”.

How to Calculate profit

Total Sales (€) – Purchases (€) ± Inventory Change (Difference in value of livestock on hand at the start and end of year)

= Gross Output
subtract Variable Costs

= Gross Margin
subtract Fixed Costs

= Net Profit (Net Margin)

Net cash

During any business period money comes in - in the form of sales income or other income received and money is paid out in order to meet the various business expenses. For any given period, if you deduct the cash expenses from the cash receipts, you get the net cash flow for that period. Net cash flow can be positive or negative.

Cash expenses will include the costs (variable and fixed) taken into account in the calculation of profit and in addition will also include loan principal repayments, tax and drawings by the owner.

Surplus net cash is what is actually available to spend in a given period after all cash expenses have been met. Showing a surplus means that all cash requirements have been met which is essential for long-term business survival and owner peace of mind.

Profit and net cash are equally important and deserve to be monitored closely. See example of eProfit Monitor Cattle Summary report later in this chapter.

What is an effective way to monitor profit?

Because of the seasonal nature of farming, sales and the costs associated with those sales may not always coincide. Therefore if you are measuring net profit for the whole business or for the cattle enterprise it is best to look at it over a period of time long enough (usually a year) to allow you to match income and costs.

The Teagasc eProfit Monitor is a system which takes in the financial details for a farm for the full year (usually the calendar year) and produces whole farm and enterprise net profit figures in a standard format. It also provides a detailed breakdown of how that profit figure was calculated.

With output, costs and profit shown in a standard way, year-to-year and farm-to-farm comparisons are possible. Crucially an eProfit Monitor analysis reveals how a cattle enterprise reached its profit or loss figure. This puts you in a better position to be able to cope with all the forces which determine product and input prices.

How to Complete an eProfit Monitor

What you need:

Details for the last full year of:

- your income - from sales of finished cattle, stores, cull cows, replacements, breeding bulls as well as your income from direct payments
- your expenses - stock purchases, feed fertiliser, contractor, machinery running
- your capital spending and loans – what you spent on land, buildings and machinery and if these were paid for using loans and the interest you paid on those loans.

What you get:

- Output, costs and profit figures for the whole farm and each individual enterprise including cattle, sheep, tillage and dairying if applicable.
- Breakdown of enterprise figures using key physical measures.
• Linking the financial results to the physical production characteristics of the farm is an important feature of the Teagasc eProfit Monitor. It allows every farm to benchmark or compare key parts of its financial performance against Profit Monitor results for other similar farms, research farms or Teagasc targets.

• Multiple year comparison – you can compare your latest farm performance figures with your figures for previous years - this allows you to monitor progress.

• Discussion group analysis – Comparing your eprofit monitor results with other group members can help identify opportunities to increase profits.

Benefits of an eProfit Monitor:

• It helps you focus on the key elements of the business and highlights strengths and weaknesses.

• It gives you the information you need to plan how your business might perform in the future with different products or input prices or increased production through expansion.

• It will be welcomed by your lender as an additional source of information to back up a credit application.

Completing an eProfit Monitor will give you a clear understanding of:

• how money flows in and out of the business.

• what determines the level of income you take in through farming activity and what level of expenses you have to pay to access this income.

• what each enterprise on your farm is contributing to your overall returns from farming.

Getting started:

• Contact your adviser and get an eProfit Monitor input sheet.

• Fill out the input sheet with your information.

• Give the input data to your adviser.

• Discuss the results with your adviser.

Your adviser will be able to show you a comparison of your eProfit monitor figures versus benchmark figures. This will allow you to identify strengths and weaknesses in your financial performance.

How do I track my net worth?

Net Worth = Assets - Liabilities

Net worth also known as owner’s equity or the owner’s stake in the business is calculated by subtracting the total of the business liabilities from the total value of all business assets. By valuing the assets at original cost minus depreciation and then tracking the change in net worth between years, it is possible to track the business’s financial progress over time.

Ideally we like to see the net worth increasing year-on-year. Net worth will increase where the business is profitable and the profits are retained either as cash or are used for new business investment or to pay down debt. The balance sheet report from the eProfit Monitor will show the change in net worth for the year.
Keeping Track of Beef Business Finances

How important is cash flow?

Tracking the cash flow of your business over a period of time provides a great insight into how money is earned and spent in running the business.

While profit tends to be used as a full-year measure of business performance – net cash flow can be used as a measure over shorter periods to keep tabs on the business’s financial health.

Timing is everything with cash flow. If too much cash is flowing out in a period where not enough is coming in and you don’t have any cash reserves to call on, then this can put the business, as well as the owner, under pressure.

You can track cash flow using your bank account but it won’t tell you the full story. To get a proper handle on cash flow you need a system to tag and track the sources and uses of cash.

How do I measure my cash flow?

What you need:

- A method of recording.

Whatever method you choose should allow you to track receipts and expenses individually month by month. You can simply use pen and paper.

Alternatively Teagasc can provide you with a financial account book. An easier and less time-consuming option is to use the Teagasc Cost Control Planner which is a computer-based recording tool.

This will provide you with the standard headings and do all the maths needed to help you to easily calculate monthly net cash flow.

- Your basic business paper records.

The receipts and payments information is on cheque stubs, bank statements, invoices, merchant statements and receipts that you gather together month by month. Transfer this information into your recording system at regular times throughout the year and you will be building up a picture of your business’s cash flow.

Golden rules of cash flow recording:

- Keep all the farm paperwork in one place.

- Identify a recording system, either computer-based or paper-based and get familiar with using it.

- Set aside time every month for the recording job.

What you get:

- a running total of your receipts (stock sales, direct payments received etc.) and payments (feed, fertiliser, veterinary etc.) for the year to date

- a monthly figure for net cash flow which is total monthly cash receipts less total monthly cash payments. You will be able to track your net cash flow for the year to date

- by recording cash movements under various headings for the full year you will also have all the information to carry out an eProfit Monitor analysis at the end of the year.

How you can use it:

Tracking cash flow each month will keep you in touch with how the business is operating financially. Examining the reasons why the net cash flow is low at certain times of the year might allow you to bring forward sales, delay payments or organise short-term bank finance. Understanding your business cash needs can reduce your overdraft interest and bank charges as well as always ensuring you have a reserve to meet unexpected bills.
What is a cash flow budget?

This is essentially a cash movement plan for the year ahead plotting the cash coming in and leaving each month. This plan can be as basic or as detailed as you want, but the more detail you put in, the more use it will be in assessing your future business cash flow. An example Cash Flow Budget is included later in the chapter.

Golden rules of cash flow budgeting

- Have a go – you have to try it before you can understand the benefits.
- Don’t get bogged down in the detail of numbers and prices.
- Produce a first draft of the budget as quickly as possible and discuss it with your adviser.
- Revisit this budget and refine it over a number of drafts.

Getting started:

- Decide on what system you want to use, either the pen and calculator or the computerised Cost Control Planner.
- Contact your local Teagasc adviser and ask to get set up to record your dairy business cash flow. If using the Cost Control Planner, your adviser will set you up with the programme and talk you through how to use it.

Conclusion:

Your monthly cash records, your annual eProfit Monitor analysis and your annual cash flow budget should fit together as an ideal farm business monitoring system, as illustrated in the following diagram. If you are planning to invest in, expand, or significantly change the business, then you can also combine your profit and cash analysis with a future physical and financial plan to assess the feasibility of your plans.

The complete farm business monitoring & planning system in action
(Designed/operated by Teagasc)
## Physical Farm

<table>
<thead>
<tr>
<th></th>
<th>This Year</th>
<th>Last Year</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm (LU/ha)</td>
<td>80.68</td>
<td>80.68</td>
<td>0%</td>
</tr>
<tr>
<td>Stocking Rate (LU/ha)</td>
<td>2.13</td>
<td>2.27</td>
<td>-6%</td>
</tr>
<tr>
<td>Cattle Ha</td>
<td>80.68</td>
<td>80.68</td>
<td>0%</td>
</tr>
<tr>
<td>Suckler Cows</td>
<td>101.00</td>
<td>108.00</td>
<td>-6%</td>
</tr>
<tr>
<td>Livestock Units</td>
<td>171.80</td>
<td>183.40</td>
<td>-6%</td>
</tr>
<tr>
<td>Total kg LW Output</td>
<td>56,678</td>
<td>58,700</td>
<td>-3%</td>
</tr>
<tr>
<td>Kg LW Output per Ha</td>
<td>703</td>
<td>728</td>
<td>-3%</td>
</tr>
<tr>
<td>Kg LW Output per LU</td>
<td>330</td>
<td>320</td>
<td>+3%</td>
</tr>
</tbody>
</table>

### Financial Farm

<table>
<thead>
<tr>
<th></th>
<th>Per Ha</th>
<th>This Year</th>
<th>Last Year</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Output</td>
<td>€ 1,494</td>
<td>1,274</td>
<td>+17%</td>
<td></td>
</tr>
<tr>
<td>- of which Stock Sales</td>
<td>€ 1,363</td>
<td>1,380</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td>Total Variable Costs</td>
<td>€ 811</td>
<td>838</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>€ 684</td>
<td>436</td>
<td>+57%</td>
<td></td>
</tr>
<tr>
<td>Total Fixed Costs</td>
<td>€ 495</td>
<td>497</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>€ 189</td>
<td>189</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Total Direct Payments</td>
<td>€ 434</td>
<td>440</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td>% Direct Payments Retained</td>
<td>143 %</td>
<td>86 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Costs</td>
<td>€ 1,306</td>
<td>1,335</td>
<td>-2%</td>
<td></td>
</tr>
<tr>
<td>Common Costs</td>
<td>€ 1,266</td>
<td>1,310</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>Common Profit</td>
<td>€ 229</td>
<td>239</td>
<td>+40%</td>
<td></td>
</tr>
<tr>
<td>Cash Flow Ratio (Whole Farm)</td>
<td>€ 61 %</td>
<td>61 %</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Per Farm Ha**

|                                | € 189  | -61       | +40%      |
| Whole Farm Net Profit          | € 623  | 379       | +64%      |

### Breakdown of Gross Output

#### Variable Costs
- Kg LW Output per Ha: 728 (2010), 730 (2011)

#### Fixed Costs
- Car/ESB/Phone: € 59 (2010), € 47 (2011)
- Depreciation: € 213 (2010), € 213 (2011)
- Other Fixed Costs: € 94 (2010), € 70 (2011)
- Interest: € 2 (2010), € 17 (2011)
- Land Lease: € 0 (2010), € 0 (2011)

#### Variable Cost Breakdown
- Fertiliser: € 244 (2010), € 231 (2011) (+6%)
- Veterinary: € 108 (2010), € 124 (2011) (-13%)
- AI / Breeding: € 0 (2010), € 10 (2011) (-8%)
- Contractor: € 138 (2010), € 176 (2011) (-22%)
- Other Variable Costs: € 96 (2010), € 63 (2011) (+53%)

### Key Points
- **Stocking Rate (LU/Hectare)** is a measure of the current level of stock carried on the farm across all categories of stock.
- **Kilos of Liveweight Output** assessed per livestock unit and per hectare farmed.
- These measures take into account individual animal performance (liveweight gain) and stocking rate. These measures are also displayed on a graph (right).
- The quantity of liveweight sold has a major influence on the Gross Output in Euro.

### Comments
- Stocking rate (LU/Hectare) is a measure of the current level of stock carried on the farm across all categories of stock.
- Kilos of liveweight output assessed per livestock unit and per hectare farmed. These measures take into account individual animal performance (liveweight gain) and stocking rate. These measures are also displayed on a graph (right).
- The quantity of liveweight sold has a major influence on the Gross Output in Euro.

### Gross Margin
- **Fixed Costs** are deducted from **Gross Margin** to leave **Net Profit**, which is the margin left after all farm related costs have been paid.

### Gross Output
- **Variable Costs** are deducted from the **Gross Output** to leave the **Gross Margin**. Variable costs are linked to the production system in operation and the level of production (output per hectare).
### Cost Breakdown

<table>
<thead>
<tr>
<th>Total Variable Costs (of which)</th>
<th>Per Ha</th>
<th>This Year</th>
<th>Last Year</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Variable Costs</td>
<td>€ 811</td>
<td>€ 838</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>Feed</td>
<td>€ 244</td>
<td>€ 231</td>
<td>+6%</td>
<td></td>
</tr>
<tr>
<td>Fertiliser</td>
<td>€ 215</td>
<td>€ 234</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>Veterinary</td>
<td>€ 168</td>
<td>€ 124</td>
<td>-13%</td>
<td></td>
</tr>
<tr>
<td>AI / Breeding</td>
<td>€ 0</td>
<td>€ 10</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>Contractor</td>
<td>€ 138</td>
<td>€ 176</td>
<td>-22%</td>
<td></td>
</tr>
<tr>
<td>Other Variable Costs</td>
<td>€ 96</td>
<td>€ 63</td>
<td>+53%</td>
<td></td>
</tr>
<tr>
<td>Total Fixed Costs (of which)</td>
<td>€ 485</td>
<td>€ 497</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td>€ 99</td>
<td>€ 141</td>
<td>-38%</td>
<td></td>
</tr>
<tr>
<td>Car / ESB /Phone</td>
<td>€ 59</td>
<td>€ 47</td>
<td>+24%</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>€ 213</td>
<td>€ 213</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Other Fixed Costs</td>
<td>€ 94</td>
<td>€ 70</td>
<td>+33%</td>
<td></td>
</tr>
<tr>
<td>Hired Labour</td>
<td>€ 38</td>
<td>€ 9</td>
<td>+342%</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>€ 2</td>
<td>€ 17</td>
<td>-67%</td>
<td></td>
</tr>
<tr>
<td>Land Lease</td>
<td>€ 0</td>
<td>€ 0</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

### Financial Farm

- __Gross Output__ (€): 1,494 (2010), 1,274 (2011) (17% increase)
- __Stock Sales__ (€): 1,363 (2010), 1,380 (2011) (1% decrease)
- __Total Variable Costs__ (€): 811 (2010), 838 (2011) (3% decrease)
- __Total Fixed Costs__ (€): 495 (2010), 497 (2011) (0%)
- __Net Profit__ (€): 189 (2010), -61 (2011) (408% increase)
- __Total Direct Payments__ (€): 434 (2010), 440 (2011) (1% decrease)
- __% Direct Payments Retained__ (€): 143% (2010), 86% (2011)
- __Total Costs__ (€): 1,306 (2010), 1,335 (2011) (2% decrease)
- __Common Costs__ (€): 1,266 (2010), 1,310 (2011) (3% decrease)
- __Cash Flow Ratio (Whole Farm)__ (€): 61% (2010), 61% (2011)

### Physical Farm

- __Whole Farm Net Profit__ (€): 189 (2010), -61 (2011) (408% increase)
- __Whole Farm Net Profit (incl DP’s)__ (€): 623 (2010), 379 (2011) (64% increase)

### Costs Breakdown

**Variable Costs**
- Fertiliser: 27%
- Contractor: 17%
- Veterinary: 13%
- AI / Breeding: 1%
- Feed: 30%
- Other Variable Costs: 12%

**Fixed Costs**
- Car/ESB/Phone: 12%
- Depreciation: 43%
- Machinery: 18%
- Hired Labour: 8%
- Land Lease: 0%

---

**Comments:**

The key variable and fixed costs are shown in both € and graph form to allow the key costs present in the system to be identified. Generally farms with the highest Kg LW Output per ha will have high costs per hectare but with high output these costs can still be paid and leave a reasonable margin.

Kilos of liveweight output assessed per livestock unit and per hectare farmed. These measures take into account individual animal performance (liveweight gain) and stocking rate. These measures are also displayed on a graph (right). The quantity of liveweight sold has a major influence on the Gross Output in Euro.

The key variable and fixed costs are shown in both € and graph form to allow the key costs present in the system to be identified. Generally farms with the highest Kg LW Output per ha will have high costs per hectare but with high output these costs can still be paid and leave a reasonable margin.
### Example: Farm Cash Flow Budget (by month)

**Cost Control Planner**

- **Receipts**
  - Bull Sales: 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 2,000, 2,000
  - Cow Sales (Suckler): 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0
  - Cattle Sales: 0, 0, 21,128, 17,219, 0, 0, 2,256, 0, 0, 8,397, 0, 22,000
  - Single Farm Payments: 0, 0, 0, 0, 0, 0, 0, 0, 0, 22,059, 0, 22,209
  - Repairs & Payment: 385, 6,860, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0
  - Comp Allowance (Heageage): 3,263, 0, 0, 0, 0, 0, 0, 0, 3,263
  - Premia (Cattle): 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0

**Payments**

- Cattle Feed: 2,889, 1,197, 378, 0, 0, 0, 0, 1,288, 1,353, 1,374, 1,024, 3,497
- Calf Feed: 0, 0, 464, 335, 0, 506, 0, 0, 0, 0, 0, 1,325
- Fertiliser & Lime (Stock): 0, 0, 6,150, 5,148, 714, 968, 3,179, 0, 0, 0, 0, 16,728
- Vet (Cattle): 51, 17, 593, 54, 60, 24, 0, 0, 24, 246, 160, 1,349
- Contractor (Stock): 225, 0, 0, 0, 0, 1,589, 120, 760, 0, 0, 0, 2,694
- Seed & Spray (Stock): 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0
- Straw: 0, 340, 340, 0, 0, 0, 0, 0, 420, 0, 300, 1,400
- Sundry V. Costs (Stock): 0, 0, 0, 0, 0, 525, 0, 219, 130, 0, 80, 1,203
- Machinery (Running): 99, 605, 213, 136, 64, 314, 776, 317, 169, 586, 358, 74, 3,711
- Machinery (Lease): 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0
- Car: 300, 250, 160, 279, 250, 1,120, 250, 200, 200, 200, 300, 3,759
- Electricity: 180, 0, 180, 0, 180, 0, 180, 0, 180, 0, 1,080
- Phone: 61, 58, 48, 51, 55, 0, 0, 70, 44, 60, 80, 527
- Repairs & Maintenance: 38, 70, 0, 0, 38, 160, 0, 85, 1,380, 35, 660, 591, 3,056
- Insurance: 140, 0, 0, 0, 0, 0, 0, 0, 825, 0, 1,890, 0, 2,855
- Professional Fees: 0, 226, 0, 0, 219, 0, 0, 219, 0, 219, 0, 883
- Sundry Fixed Costs: 0, 0, 0, 0, 0, 0, 0, 0, 0
- Land Lease/Rental: 0, 0, 0, 0, 0, 0, 0, 0

**Total**

- 3,984, 2,762, 8,546, 6,252, 1,579, 4,581, 5,730, 3,694, 3,571, 4,703, 3,117, 5,082, 53,601

**Stock Purchases/Investments**

- Purchase Bulls: 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0
- Purchase Cows (Suckler): 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0
- Purchase Cattle: 0, 0, 3,600, 0, 0, 0, 0, 0, 0, 0, 0, 0, 3,600
- New Bulls & Reclamation (Net): 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0
- New Machinery (Net): 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0
- Purchase Land: 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0

**Total**

- 0, 0, 3,600, 0, 0, 0, 0, 0, 0, 0, 0, 0, 3,600

**Bank/Loan Repayments**

- Bank Charges/OD/Merch int.: 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0
- Loan Repayments (Existing Loan): 879, 879, 879, 879, 879, 879, 879, 879, 879, 879, 879, 12,879, 22,548
- Loan Repayments (New Loan): 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 0

**Personel/Non-Farm**

- Pension, Savings, Life Assur.: 206, 0, 0, 206, 206, 206, 206, 206, 206, 206, 206, 0, 2,060
- Taxation: 0, 0, 0, 0, 0, 0, 0, 0, 0, 0, 1,630, 0, 21,165

**Total**


**Total Expenditure**

- 5,096, 7,962, 15,183, 9,467, 4,824, 7,826, 9,875, 6,939, 6,166, 9,578, 6,032, 21,473, 110,006

**Net Cashflow**

- -4,683, -1,102, -5,943, -7,722, -4,824, -7,826, -6,719, -6,939, -3,553, +21,478, -4,075, +11,952, +7,374

*(total receipts minus total expenditure)*
Making money from bought-in cattle
by Bernard Smyth

Introduction
Low total profitability from birth to slaughter makes it difficult for both cattle breeder and finisher to be adequately rewarded. Both must maximise performance and control costs to extract maximum return from their part of the production chain.

1. What are the key factors driving prices?
2. What factors should I consider before buying cattle?
3. What will determine whether I make money on purchased cattle?
4. How do I reduce the financial risk when buying cattle?
5. Should I ever abandon my plan and sell stock if prices are high?
6. How do I decide the value of animals?
Making money from bought-in cattle

1. What are the key factors driving prices?

In recent years cattle prices have varied much less over the course of the year than in the past and the traditional autumn/spring differential no longer exists. There can still be considerable price variation but this is driven by market factors in our main beef export markets in the UK and continental Europe. In these markets beef prices tend to be flat over the course of the year but can move up or down at any stage during the year, depending on supply and demand.

The trend in store prices tends to match the movement in beef prices but can also be influenced by live export activity. Live export numbers can vary significantly from year to year and have ranged between 10% and 27% of the total number of prime animals slaughtered in Ireland.

Almost 210,000 animals have been exported live each year over the last 10 years. Approximately 39% were dairy calves, 24% were suckled weanings, 23% were stores and 15% were finished animals. Since 2006 Irish live exports have been almost exclusively within the EU but non-EU outlets are opening up and may attract some dairy beef progeny in the years ahead.

2. What factors should I consider before buying cattle?

To maximise profit the most important exercise is to prepare a budget for the selected system.

Checklist

Define the finishing system – housing facilities & resources available, purchase & sale date, expected performance & costs, provision for mortality, target market, etc.

- Current store prices relative to beef price and outlook for beef prices
- Target market for end product – you’ll need to have an outlet secured in advance especially for more specialised systems such as bull beef or producing for niche markets
- What selling price is required to achieve break-even?
- What selling price is required to leave an acceptable profit margin?

Budget structure for store to store/beef system

<table>
<thead>
<tr>
<th>System Description</th>
<th>€ Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Weight kg</td>
<td></td>
</tr>
<tr>
<td>Purchase Price €/100 kg</td>
<td></td>
</tr>
<tr>
<td>Animal Purchase Cost €/head</td>
<td></td>
</tr>
<tr>
<td>Feeding Period – days</td>
<td></td>
</tr>
<tr>
<td>Winter</td>
<td></td>
</tr>
<tr>
<td>Summer</td>
<td></td>
</tr>
<tr>
<td>Average daily gain – kg/day</td>
<td></td>
</tr>
<tr>
<td>- Winter</td>
<td></td>
</tr>
<tr>
<td>- Summer Mar-Jul</td>
<td></td>
</tr>
<tr>
<td>- Jul-Oct</td>
<td></td>
</tr>
<tr>
<td>Total Weight gain kg</td>
<td></td>
</tr>
<tr>
<td>Liveweight at sale kg</td>
<td></td>
</tr>
<tr>
<td>Estimated KO%</td>
<td></td>
</tr>
<tr>
<td>Carcase Weight at sale kg</td>
<td></td>
</tr>
<tr>
<td>Production Costs</td>
<td></td>
</tr>
<tr>
<td>- Winter</td>
<td></td>
</tr>
<tr>
<td>- Summer</td>
<td></td>
</tr>
<tr>
<td>- Dosing/Vet</td>
<td></td>
</tr>
<tr>
<td>- Marketing/transport</td>
<td></td>
</tr>
<tr>
<td>- Interest costs</td>
<td></td>
</tr>
<tr>
<td>- Fixed/overhead costs</td>
<td></td>
</tr>
<tr>
<td>Total Production Costs</td>
<td></td>
</tr>
<tr>
<td>Provision for mortality</td>
<td></td>
</tr>
<tr>
<td>- % of purchase &amp; production costs</td>
<td></td>
</tr>
<tr>
<td>Total Costs – animal, production &amp; mortality</td>
<td></td>
</tr>
<tr>
<td>Break-even Selling Price Required</td>
<td></td>
</tr>
<tr>
<td>Total per head</td>
<td></td>
</tr>
<tr>
<td>Total €/kg liveweight</td>
<td></td>
</tr>
<tr>
<td>Total €/kg carcase wt</td>
<td></td>
</tr>
<tr>
<td>Margin required</td>
<td></td>
</tr>
<tr>
<td>Selling Price Required for margin</td>
<td></td>
</tr>
<tr>
<td>Total per head</td>
<td></td>
</tr>
<tr>
<td>Total €/kg liveweight</td>
<td></td>
</tr>
<tr>
<td>Total €/kg carcase wt</td>
<td></td>
</tr>
</tbody>
</table>
Previous experience is the best indicator of likely performance on a particular farm. Unless expected performance is excellent, the prospects for profit will depend largely on market conditions at purchase & sale plus skills in buying/selling. Some farms & systems may be more at risk from diseases such as TB, blackleg, redwater, IBR, copper deficiency, etc which can severely impact profitability.

What will determine whether I make money on purchased cattle?

- Performance against the targets in your budget will collectively influence the profit achieved.
- The influence of the individual components within the budget can be assessed separately.
- As a finisher you must focus on the things that are within your own control – mainly animal performance and the production costs incurred.
- For indoor high cost-finishing systems the greatest cost reductions are achieved by minimising the weight gain required indoors. Longer-term finishing systems will include a significant period at grass where weight gain is exploited and animals are only housed for a finishing period of 60 to 100 days.
- A sensitivity analysis will show the impact of key variables (purchase price, animal weight gain/day, production costs/ha - particularly meal) on the selling price required. For example, if performance is below target a higher selling price is needed for break-even or profit.
- Positive or negative changes in market conditions between buying & selling can have a huge influence on achieving profit or loss from finishing. The impact is greatest on very high output systems – consequently they are higher risk.

How do I reduce the financial risk when buying cattle?

- The system chosen can have a large impact on the risk involved. Short term systems (up to six months), especially over the high cost winter period, are riskier than longer term systems (up to 30 months). This is because longer term systems have the potential to exploit cheap gain at grass for two thirds of the feeding period.
- A secure market outlet (a contract of some sort) greatly reduces one element of risk. At the outset, aim to secure a contract price or at least a minimum selling price in return for a target carcass specification.
- If money is scarce, avoid very intensive high input/high output short term systems, with very high borrowing requirements. Such systems must be underpinned with a contract/guaranteed price.
- Select a year-round system that will not require additional capital investment in buildings or machinery.
- Maximise weight gains on grass on farm. Reduce exposure to market fluctuations by having a combination of systems/animal types and aim to buy replacements close to the sale dates for finished animals.
- Compensatory growth can assist finishing systems in achieving potential profit – this is generally associated with summer grazing of “hungry stores” but can also be of significance in winter finishing systems with cattle off grass in wet years and poor grazing conditions.
- A sensitivity analysis as outlined above will identify risks and highlight precautions needed.

Should I ever abandon my plan and sell stock if prices are high?

- With high output systems at high stocking rates, it can make sense to take advantage of high selling prices by bringing forward sale dates for some animals. However, if prices are rising significantly, there is a risk that the increased cost of replacement stock will erode the advantage of early selling.
- If you are considering a change of system it is important to take advantage of high prices when exiting a high-output system.
Making money from bought-in cattle

- Where a satisfactory and stable finishing system is in place the short term advantage of selling early may be short lived if this disrupts the overall farming operation. This is a high risk where cattle prices are increasing.

- If market outlook and winter feed quality are poor and meal costs high, high store prices may present an opportunity to achieve profitability by selling early and avoiding the high cost finishing period.

How do I decide the value of animals?

- In short-term finishing systems the purchased store animal can represent over 70% of the total costs that must be recovered at selling time. Astute beef finishers will say “the day you buy is the day you sell” and if too much is paid for the store, profit prospects are under pressure.

- While the market determines the price of stores, finishers must carefully assess the future beef selling price required to cover store and other finishing costs and leave an acceptable margin.

- Work out if you need a price rise from purchase to sale – especially for winter finishing systems where the value of indoor gain is less than or equal to production costs. Generally winter finishing systems need a minimum 15% price rise combined with excellent performance and low costs to achieve a modest margin.

- Establish what price fall in €/kg can be tolerated from purchase to sale with summer grazing systems and still achieve the target profit level.

Key example

Finishers should compare the store purchase cost in €/kg liveweight with the equivalent beef price in €/kg liveweight at purchase time and expected beef price at selling time.

$$\text{Equivalent beef price} = \frac{\text{Store price in } \text{€ per 100 kg carcass}}{\text{Expected KO%}}$$

For example a 550 kg store continental bullock costing €1,320 (€240 per 100 kg) and an expected KO% as a store, of 53%, is the equivalent to a beef price of €4.53 per kg carcass weight

$$\frac{4.53}{53} = \frac{240}{53}$$
Introduction
Farmers need to understand the various taxes and how they apply to the farm business. Important tax reliefs are available to all taxpayers. In addition, farmers can qualify for a range of tax reliefs/incentives which apply to the farming business to encourage development/expansion. Tax reliefs and rates can change from year to year and changes are announced in the October budget each year.

1. What are the principal taxes which apply to farmers?
2. How is farming income calculated for tax purposes?
3. What are the important tax deadlines for farmers?
4. What are the essential components of each tax type which apply to farmers?
5. What tax reliefs are available on farm expenditure and investment?
6. What off-farm investments can provide tax relief to farmers?
7. What are the components of a tax minimisation plan for farmers?
8. What are the risks if your taxes are not kept up to date?
Taxation in Farming

1. What are the principal taxes which apply to farmers?

The principal taxes include the following:
- Income tax + PRSI + universal social charge (USC) apply to income.
- Value-added tax (VAT) applies to the purchase of goods and services.
- Excise duty applies to fuels, alcohol and tobacco products.
- Corporation tax applies to company profits.
- Various capital taxes (e.g. Stamp Duty, Capital Gains Tax, and Capital Acquisitions Tax) can apply when property/assets are transferred (e.g. by sale/gift/inheritance/exchange).

2. How is farming income calculated for tax purposes?

- Your accountant will calculate your income for tax purposes based on rules laid down by Revenue.
- Most farmers are sole traders and their farming income is classified as Schedule D-Case 1 (profits from a trade – i.e. farming).
- All receipts from sales (livestock/crops), the Basic Payment Scheme, Areas of Natural Constraint/ANC payments, AEOS/GLAS schemes are added together.
- Livestock/other stock changes must also be taken into account. An increase in closing stock over opening stock increases profit for tax and a decrease in closing stock reduces profits.
- All the normal variable and fixed costs of farming are allowed as an expense and also the cost of any livestock purchased.
- Normally two-thirds of car, electricity and phone costs are allowed. One-third are for private use and are not allowed.
- The accountant must also add back depreciation before he allows for capital allowances. Any profit or loss from the sale of machinery/motor vehicles is also taken into account.
- Any other sources of income must also be added to the adjusted farm income.

Tax-free income sources are now very limited:
- Forestry premiums and timber sales are free of income tax but are subject to PRSI and the universal social charge.
- Income from the long-term leasing out of land for five years or longer subject to certain conditions is also free of income tax but subject to the USC (universal social charge) and PRSI.
- Government grants received to help with capital investment/improvements to the farm (e.g. buildings and facilities) are capital in nature and are tax-free. They are not classified as income.

3. The farm accounts

- All the above calculations by the accountant are done for a 12-month accounting period. e.g. 1 January to 31 December or various other 12-month periods.

What are the important tax deadlines for farmers?

On or before 31 October 2016 (for example)
- (a) Submit final tax return for 2015
- (b) Pay final balance of tax for 2015
- (c) Pay preliminary tax for 2016 (various rules)
- (d) Pay capital gains tax on any asset disposals; 01/01/2016 to 31/11/2016 by 15/12/2016
  01/12/2016 to 31/12/2016 by 31 January 2017.

Taxpayers who file and pay using the ROS (Revenue-on-line) system are allowed an extra 15 days, up to mid November 2016 to make their returns.
What are the essential components of each tax type applying to farmers?

**Notes**

on different categories of tax

1. **Income tax (2016)**
   - A taxpayer must pay income tax on their total income calculated according to the Revenue rules. This includes farming income, PAYE income, rental/investment income, share dividends, pensions and various others.
   - Depending on which category you fit into, your lowest band of income is taxed at the low standard tax rate of 20% and any income above this is taxed at the high tax rate of 40% (we can call this the "pain zone") – See table below.

  **Table. 1: Tax bands and tax rates (2016)**

<table>
<thead>
<tr>
<th>Category of Taxpayer</th>
<th>Band of Income Taxed at 20%</th>
<th>Balance of Income Taxed at Higher Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single/widowed (with no dependant children)</td>
<td>€33,800</td>
<td>@ 40%</td>
</tr>
<tr>
<td>Single/widowed with dependant children</td>
<td>€37,800</td>
<td>@ 40%</td>
</tr>
<tr>
<td>Married couple – with one income</td>
<td>€42,800</td>
<td>@ 40%</td>
</tr>
<tr>
<td>Married couple – with two incomes</td>
<td>$42,800 + $24,800</td>
<td>@ 40%</td>
</tr>
<tr>
<td>TOTAL =</td>
<td>€67,600</td>
<td></td>
</tr>
</tbody>
</table>

- A range of personal tax credits are available (see Table 2) which will reduce the gross tax bill as calculated based on Table 1.

**Table. 2: Budget 2016 Main Tax Credits**

<table>
<thead>
<tr>
<th>Category of Taxpayer</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single person</td>
<td>€1,650</td>
</tr>
<tr>
<td>Married couple</td>
<td>€3,300</td>
</tr>
<tr>
<td>Widowed person (No dependant children)</td>
<td>€2,190</td>
</tr>
<tr>
<td>One-parent family</td>
<td>€1,650</td>
</tr>
<tr>
<td>Home carer</td>
<td>€1,000</td>
</tr>
<tr>
<td>PAYE credit (Employee Tax Credit)</td>
<td>€1,650</td>
</tr>
</tbody>
</table>

*Earned income credit €550.*

**Examples**

- In 2016, a married couple’s gross income tax bill is reduced by the tax credit of €3,300.
- A farmer’s spouse with a job taxed under PAYE will also qualify for the PAYE credit which will reduce the tax bill by €1,650.
- Medical insurance premiums qualify for a 20% tax credit applied at source by the companies. A 20% tax relief also applies to most health expenses incurred by individuals and their families.
- Mortage interest tax relief is complex after many recent changes - get advice.
- Self employed taxpayers, for example farmers, do not qualify for the PAYE (Employee Tax Credit) but will now qualify for the new Earned Income Credit of €550 in 2016.

**When making your own personal calculation it is advisable to contact Teagasc or a tax advisor.**
2. The universal social charge (USC) - 2016

The USC replaces the health levy and income levy which are now abolished. See table below.

Table 3: USC Rates in 2016.

<table>
<thead>
<tr>
<th>Income after capital allowances</th>
<th>Rate of levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>€0 up to €12,012</td>
<td>1%</td>
</tr>
<tr>
<td>€12,013 up to €18,668</td>
<td>3%</td>
</tr>
<tr>
<td>€18,669 up to €70,044</td>
<td>5.5%</td>
</tr>
<tr>
<td>€70,045 up to €100,000</td>
<td>8%</td>
</tr>
<tr>
<td>Excess over €100,000 (PAYE)</td>
<td>8%</td>
</tr>
<tr>
<td>Excess over €100,000 (self-employed)</td>
<td>11%</td>
</tr>
</tbody>
</table>

NOTES:

- Normal capital allowances can be deducted from income but not private pension contributions before USC is calculated.
- People over 70 years earning less than €60,000 per year and people on Medical Cards will pay a maximum of 3.5% in USC.
- People with an income of €13,000 or less per year are exempt from USC.

3. Pay-related social insurance (PRSI)

- PRSI for the self-employed and farmers is Class S.
- It provides for contributory old-age pension and survivors, pension and also maternity benefit, bereavement grant and adoptive benefit.
- Class S PRSI applies at 4% in 2016 on all income.

The total tax bill in 2016

When each tax on income is added together, the overall bill can be quite high – particularly on larger incomes.

<table>
<thead>
<tr>
<th>Farm Income Level</th>
<th>Low/Medium</th>
<th>High Incomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Universal social charge (USC)</td>
<td>Up to 8%</td>
<td>11%</td>
</tr>
<tr>
<td>PRSI</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Total tax bill</td>
<td>32%</td>
<td>55%</td>
</tr>
</tbody>
</table>

The tax bill can be reduced by sensible use of the various tax reliefs available to the farming sector, which we will examine in more detail later.
4. Value-added tax (VAT)

Value-added tax in the economy is one of the main sources of revenue for the government. The VAT rates for various agricultural goods and services are:

Zero rate - Animal feed (except pets), fertiliser (over 10 kg), milk, cereals, medicines.

5.2% rate - Live cattle, sheep, goats, pigs, deer, horses and greyhounds.

9% rate - Special rate for tourism related products introduced in 2011 for a limited period.

13.5% rate - VAT is charged at 13.5% by builders for the construction/extension/alteration/reconstruction of farm buildings. The same rate applies to the fencing, drainage and reclamation of land and to agricultural contractor and veterinary services, fuel for power and heating (marked oil).

23% rate (standard rate) - Road diesel, petrol, auto LPG, concrete products and most building materials, auctioneer services. Machinery, plant, mobile equipment and motor vehicles.

Also:

• Farmers are not obliged to register for VAT, irrespective of their turnover. Most grassland/livestock farmers are not registered for VAT and are designated as “flat-rate” farmers for VAT purposes.

• They are compensated for their normal VAT charges by the flat-rate refund of 5.2% which is added to their sales of farm produce to purchasers who are VAT registered.

• Farmers registered for VAT include big tillage farmers (who have lots of machinery and use lot of chemicals) and farm machinery contractors. They must make full VAT returns on VAT 3 Form after each two-month period.

• Unregistered “flat-rate” farmers can reclaim the VAT on fixed capital investment on farm buildings, fencing, drainage, and reclamation and on certain items of fixed plant: milking machines, bulk tanks, automatic slurry scrapers, cubicles, fixed cow mats etc. (use form VAT 58).

• Unregistered “flat-rate” farmers cannot reclaim the VAT of 23% they pay on their purchases of mobile equipment/machinery (e.g. tractors, slurry tankers, computers, tools and repairs to farm buildings/roadways etc.).

• Where a farmer operates a contracting business or other type of service, he will be required to register for VAT if the turnover from that source exceeds €37,500 per year.

5. Capital taxes

When property/asset ownership changes, the transactions can be subject to stamp duty and capital gains tax. Capital acquisitions tax applies to property received by gift or inheritance. These capital taxes will be covered in more detail in the chapter on planning for retirement and farm succession.

5. What tax reliefs are available on farm expenditure and investment?

Investments should not be undertaken for the sole reason of reducing tax. Priority should be given to investments that will give a return to the business or reduce workload.

• Priority investments on beef farms would include the following:
  – adequate breeding stock/better breeding – AI
  – improved grassland (soil tests, fertilisers, reseeding)
  – improved farm infrastructure (paddocks/fencing/roadways/water supply)
  – farm buildings/structures
  – efficient use of farm labour (family/hired/farm relief service)

• New investment should primarily give an economic return and not be made solely for the purpose of saving tax.
1. Stock relief

An increase in the value of farm trading stock in year-end farm accounts versus the opening accounts adds to taxable profit.

- General stock relief at 25% reduces this profit (various rules apply).
- Young qualified farmers under 35 years can qualify for the special incentive stock relief of 100% for the first 4 years of farming in their own right. Various conditions apply - check with your accountant.
- Stock relief is very useful on farms who are expanding their livestock herds by rearing breeding stock to maturity.
- Both reliefs apply up to 31/12/2018.
- The budget of 6/12/2011 announced a 50% stock relief scheme (100% for young trained farmers) for registered farm partnerships. Now extended up until the 31st December 2018.

The maximum claim over the three year period (2016 to 2018) is €15,000.

2. Capital allowances for farm buildings/structures

- Capital allowances (farm buildings allowance) are available for farm buildings/land reclamation/drainage/fencing/roadways. Calculated on the net cost of buildings = (gross cost less VAT reclaimed and less any grants received).

**Example:**

Capital allowances are available over seven years (six years x 15% per year and final 10% in year seven) on the net capital cost of the investment.

Tax relief up to 32% can be claimed at medium income levels and at up to 55% at high income levels.

3. Capital allowances for machinery/equipment

- Keep machinery on grassland/livestock farms to the essential minimum to control costs and make maximum use of contractors.
- Capital allowances are known as wear and tear allowances for machinery/equipment.
- The rate is 12.5%/year over eight years.
- The above system applies to owned and hire purchase machines. Leased machinery tax treatment is more complex (discuss this with your accountant).

4. Capital allowances for motor cars and four-wheel drive vehicles

- Capital allowances (wear and tear allowances) are available over eight years at 12.5% per year on a maximum purchase price of €24,000 for motor vehicles.
- Since 1st July 2008, there is a new capital allowances system based on the carbon emission ratings of vehicles:
  - Categories A, B, C = eight years at 12.5% year on a maximum cost of €24,000
  - Categories D and E = eight years at 6.25% per year on a maximum cost of €24,000
  - Categories F and G = No allowances.
- Before purchasing a new vehicle, check the ratings category with the garage and the accountant or the Society of Irish Motor Industries website at (www.SIMI.ie).
- Normally, Revenue allow two-thirds of the wear and tear allowances and running costs of motor vehicles as a farm expense, with the other one third classed as private use and not allowed.
- Commercial vehicles fully used in the business are not limited.
5. Farm labour costs

- Greater scale and the need for a better lifestyle will increase the demand for labour.
- This labour can be family or hired labour or the farm relief service. Tax relief can substantially reduce the gross cost of labour to a lower net figure.

(A) Employing a son or daughter

- Register for tax/PRSI – Class K (for prescribed relatives).
- A family member doing part-time work can earn up to €8,250 in 2016 with no income tax, as it is offset by the value of the single person’s tax credit. No universal social charge applies in 2016 if your total income for the year is under €13,000.
- Where a family member (son/daughter) is employed full-time on the farm, there is no income tax on earnings up to €16,500 in 2016, as the tax is offset by the value of the single tax credit + P AyE credit. However, the universal social charge applies = €255.
- High profit farms can pay higher wages. For example, a child can be paid up to €33,800 taxed at 20% but the parents can save 40% income tax on this. If the child is married and does not live at home with their parents, they may be liable for the full Class A PRSI rather than the Class K PRSI. Check with your accountant and the Department of Family Affairs. The universal social charge would amount to €1,152.

(B) Paying wages to a spouse

- For a married farming couple on one income from farming (no off-farm job) any income above €42,800 in 2016 is taxed at 40%.
- A married couple with two incomes only pay the 40% tax rate on income above €67,600. On high single income farms, the spouse can be paid a wage for work done and thus create the second income source and save up to a maximum of €4,960 in tax in 2016.
- Note that farmers/self employed people do not qualify for the PAYE tax credit. If the spouse is paid a wage in the business they do not get the PAYE tax credit either.

In 2016, the farmer will qualify for the new Earned Income Credit of €550.

- Another option is that the spouse shares the farming profits in a partnership arrangement. This arrangement will allow the spouse to establish their own separate PRSI status, which could be useful for pension purposes, whereas just paying them a wage will not.
- From 2014 onwards, spouses working on the farm i.e. “Assisting spouses” qualify to make PRSI payments as a self-employed worker (PRSI class S).

(C) Farm Relief Service (FRS)

- Farm relief service labour charges range from €13 to €16 per hour in 2016.
  - Farmers on high income can save 55% tax on this charge (net cost = €5.85 to €7.20/hour).
  - Farmers on medium income can save 32% tax on this charge (net cost = €8.84 to €10.88/hour).

6. Farm interest payments

Farmers can claim full tax relief on all interest payments on bank loans, hire-purchase agreements and other borrowings which are fully part of the farming business. There is no relief, however, on the capital repayment portion of the loan.

7. Income averaging of farm profits

- Suits farmers who have profit fluctuations from year to year and farmers whose profits are progressively increasing.
- The farmer can opt to average profit over a 3-year accounts period (for example can average 2014 + 2015 + 2016 to arrive at an averaged profit for 2016).
- The farmer can opt to be taxed on an average of 5 years, commencing with the tax year 2015.
- Once a farmer goes into income averaging, it is not easy to opt out again without suffering tax clawbacks.
- Your accountant will assess if averaging suits you.

What off-farm investments can provide tax relief to farmers?

1. Private pension plans (PPPs)

- Private pension plans, also known as retirement annuity contracts, are widely used by farmers on medium/higher level incomes.
Tax relief on private pension contributions based on limits on the percentage of "net relevant earnings" (earned income). Related to the tax payer’s age (on a sliding scale): Under 30 years = 15% 60 years and over = 40%.

• The annual earnings limit for the calculation of pension contributions eligible for tax relief is €115,000 in 2016.
• Tax relief on pension contributions is available at up to 40% in 2016.
• There is scope for higher pension contributions within farming companies for the directors.

2. New business expansion schemes (BES) for 2007–2013

• BES schemes are used by high-income individuals for tax relief.
• Full tax relief up to 41% is available on new investments up to €150,000 per individual per year up to end 2013.
• The BES has been replaced by the Employment Investment Incentive (EII) Scheme. Discuss with accountant.

3. Property related investments

• These investments (e.g. Section 23, Section 27 properties) were used by higher income farmers in the past, but many are now abolished or severely restricted by Revenue and will finish by 2017.

What are the components of a tax minimisation plan for farmers?
With taxes high, it is very important to plan carefully to minimise your tax bill (legally, within the rules).

• With the help of your accountant, you should carefully check on your business plans for the tax year ahead and for the medium term (next five years).
• For each tax year going forward, examine your likely tax situation at least 2-3 months before the tax return date of 31 October. Fine tuning can then be planned.
• Ensure that you are availing of all relevant personal tax credits/allowances.
• Maximise tax savings on wages for family labour.
• Maximise the use of capital allowances for sensible investment (e.g. buildings/machinery).
• Use stock relief where livestock herds are expanding.
• Examine off-farm tax saving options (e.g. pensions).

• Meet Revenue tax deadlines/rules and avoid penalties
• Check if income averaging suits your situation (3 or 5 years).
• For very high income family farms (married couples with incomes of €80,000-€100,000 upwards per year) check the possibility of farming through a farming company business structure with your accountant/adviser.

If the farmer is single, benefits can kick in at lower income levels. This area is complex and there are pros and cons with companies – discuss with your accountant and adviser.

Key Risks

8 What are the risks if your taxes are not kept up to date?

• Under the Revenue self-assessment system you have a legal duty to make a tax return every year.
• Ensure your tax return is filed on time by 31 October each year (or by 15 November for returns under ROS).
• Surcharges of 5% - 10% apply to late returns.
• Interest is payable on the late payment of tax at 0.0219% per day or 8% per year.

MESSAGE:
Make tax returns in good time and avoid a last-minute rush, risk of errors and lack of time to plan.

REVUEAUDITS
Revenue carries out periodic checks on the tax returns of self-employed taxpayers, including farmers, to ensure that tax returns are correct and to detect any fraud/tax underpayments. This check is known as the Revenue audit and is very detailed and thorough.

Where the Revenue audit finds that extra tax is due – then interest and penalties will apply.
• Penalties can be severe for serious defaults at up to 100% of the tax due. However, penalties can be reduced depending on the level of co-operation/disclosure by the taxpayer.

SOURCES OF INFORMATION ON TAXATION
1. The Revenue Commissioners website – www.revenue.ie
2. Local tax offices.
3. Taxation articles in the farming press.
4. The annual budget in October each year.
5. A range of family finance books available in local bookshops.
6. Your accountant and adviser.
Planning for Retirement and Farm Succession
by John Norris, James Ryan

Introduction
Retirement from farming is a big step for both the farm owner retiring and the young successor taking over the business. The farm succession process needs to be adequately planned for, well in advance. This is important to maintain family cohesion and good family relationships.

1. What are the main issues in retirement and farm succession planning?
2. How can I prevent or minimise strife between family members?
Planning for Retirement and Farm Succession

What are the main issues in retirement and farm succession planning?

• Ensuring adequate income during retirement.
• Lifestyle changes and using your time.
• Potential future costs for health care and nursing home care.
• The farm dwelling and provision of living accommodation.
• The successor taking over the farm business.
• Farm transfer options.
• The main capital taxes.
• Provision for other family members.
• Making/updating a will.
• Other farming related schemes/issues.
• Future budget changes.

1. Ensuring adequate income during retirement

People are now healthier and living longer and will need enough income to provide them with an acceptable standard of living. The following are the main potential sources of income or additional funds:

A. The state contributory pension

• This is the Contributory Old Age Pension (COAP) which is payable from the age of 66.
• Farmers are self-employed and pay Class S PRSI. Check with your accountant and the Department of Social Protection that your contribution record is adequate to qualify for pension.
• The national pensions framework proposes that the qualifying age for old age pensions will increase to:
  – Age 67 in 2021
  – and 68 in 2028

Younger and middle-aged farmers need to be aware of this.

B. Private and occupational pensions

• Some farmers have paid into/built up private pension funds to provide extra income in retirement as a top up to the old age pension.

• Farmers should start contributions to pensions from early in life to build up a worthwhile pension fund at retirement.
• Farm spouses who work off-farm in the professions e.g. teaching, nursing and other occupations will be eligible for their own occupational pensions.

C. Saving and investments

• Some farmers can top-up their retirement income with interest income from their savings/investments, rent/lease income from property and dividends from shares, and using up savings.

D. Land lease/rental income

• Some farmers may have no direct successors or their children may not wish to take over the farm for some time. Some farmers may have an out-farm which is a good distance away from the main farm base and it is not practical/economical to farm it.
• These farmers can generate income from renting or leasing out their land and any EU Basic Payment Scheme entitlements to go with it.
• Good tax relief is available on income from longer term leases to non-related persons (not family members) at market value. The following amounts of lease income are tax-free, depending on lease duration for leases made on or after 1st January 2015:
  – 5 or 6 year lease (up to €18,000/year)
  – 7 years and under 10 years (up to €22,500/year)
  – 10 year and under 15 years (up to €30,000/year)
  – 15 year lease or longer (up to €40,000/year).
• However the lease income is subject to the universal social charge (USC) and PRSI.
• Leases to companies are eligible but the lessor must not be connected with the company.
• Where farms are large and made up of perhaps a number of separate folios, the retiring farmer may decide to retain ownership of some land for life and lease it to the successor to generate supplementary income. It also provides security as a valuable asset. It can then be transferred after death as an inheritance to the successor or another family member.
• Nieces or nephews qualify as eligible transferees
• Note - more detailed information is available in the new Teagasc publication “Guidelines for long-term land leasing” (Nov. 2015).
E. Forestry

- Some farmers will have some poorer quality land on the farm or on a more distant out-farm. If this is planted in forestry, it can generate a tax-free income for 20 years. Also the growing trees are a valuable asset.
- The investment in forestry could eventually be useful towards meeting family settlements.

F. Sale of sites/land

- Some farmers may wish to retain ownership of sites or a valuable piece of land which provides security and could be sold at any stage to provide a cash lump sum.
- Check the capital gains tax (CGT) implications and possible retirement reliefs with your accountant.

G. Maintenance payments from farm

- Retired farmers will sometimes get some support payments from the younger successor who takes over the farm. It is important to have a written agreement in place. This area needs careful assessment and the farm must be generating enough profit/cash flow to support any maintenance payments made.

2. Lifestyle changes and using your time in retirement

- Farmers should develop other suitable activities and leisure interests well in advance of planned retirement.
- Some retired farmers may continue to work on the successor’s farm as an employee part-time while their physical health is good and earn a wage to supplement their income. Discuss the tax implications with your accountant.

3. Potential future costs for health care and nursing home care

- Health-related costs become more important as people get older. Sickness and ill health is more prevalent and some people will require nursing home care.

A. Medical cards and GP cards

- Retired farmers under the age of 70 will find it difficult to qualify for a medical card.
- It is easier to qualify for a GP (family doctor) visit card.
- For persons over age 70 income limits are €700 for single persons and €1,400 for married couples.
- It becomes easier to qualify for the medical card over the age of 70 if gross income in 2015/2016 is:
  - Under €500/week (€26,000/year) for a single person
  - Under €900/week (€46,800/year) for a married couple
- For more details, contact the Community Care Section of your local HSE office or download form from www.oasis.gov.ie/health.

B. Nursing home costs

- As people live longer, it is more likely that at least some will require nursing home care which is very expensive.
- The new Nursing Home Support Scheme (The “Fair Deal” Legislation) which came into effect on 27 October 2009 can help towards the high costs. A person’s income and assets are examined in detail to decide the level of contribution which they must make towards the costs. Farmers should be aware that there is a ‘five year look-back’ rule for assets, including the farm, which have been transferred for up to five years before entry to a nursing home and these assets are included in the means test calculations. This rule has important implications for the timing of asset transfers and the retention of assets for old age.

4. The farm dwelling and provision of living accommodation

- Some farmers will retain ownership of the farm dwelling house for life when the farm is transferred. The successor will then need to provide their own house.
- In other cases, the successor will take over the farm dwelling with the farm and the retiring parents may build a new house or purchase a house.
Planning for Retirement and Farm Succession

- Get advice from your solicitor on issues such as rights of residence, maintenance payments, help towards paying a mortgage etc.

5. The successor taking over the farm business
- The successor to the farm business will normally have been identified well in advance of the actual date that the farm is legally transferred.
- Succession requires a high degree of understanding and discussion between the parents and the successor as both parties have their own aspirations and worries about the process.
- Other family members also need to be kept aware of what is planned to avoid misunderstandings and maintain harmony in the family.
- It is important to have a transfer plan in place for the identified successor well in advance of final farm transfer.

The main elements of a transfer plan

A. Education
- Plan an agricultural education and training programme for the successor. The minimum qualification certifying capacity to farm is the Level 6 advanced certificate in agriculture or its equivalent. This was previously known as the certificate in agriculture (The ‘Green Cert’).

For more information talk to your local Teagasc education officer, agricultural adviser or the local agricultural college.

- Becoming a trained and qualified young farmer has important advantages e.g. claiming stamp duty relief on farm transfers and other grants/incentive schemes which may become available in the future.

B. Wages
- Make provision for the payment of an adequate wage to the successor for the years he will work on the farm in the lead-up to eventual transfer.

- It is also tax efficient to pay a wage (up to €16,500 in 2016) based on the value of the single person’s tax credit and PAYE credit. (See more details in the chapter on farm taxation).

C. Handing over responsibility
- Find a mechanism to involve the successor in the decision-making process relating to farm investments/expansion, changes in farm enterprises and borrowing. The successor could be given responsibility to manage one of the farm enterprises (e.g. let them run some of their own stock on the farm), he could get some leased land to farm in his own right, or he could become part of a farm family partnership.
- Succession planning is as much about management, financial training, personal development and education as it is about property transfer.

D. Making/updating a will
- Parents should make a will if they have not already done so, or review an existing will and make provision for the successor and other family members.

E. Timescale
- Give the successor a broad indication of the succession time-scale and strategy. This allows the successor to plan.

F. Other considerations
- Most importantly, the successor needs to ensure that he will have a viable ongoing income when he takes over the farm. If not, he needs to find other ways of supplementing the farm income.

- Also he needs to identify if there is scope to further develop/expand the farm and improve efficiencies, and the level of borrowing required to achieve this.

- The successor should not be overburdened with debt due to excessive family settlements or excessive lease/support payments to parents relative to the income generated by the farm.
6. Farm transfer options

Every farm family situation is different. The following are the type of farm transfer options which arise and get implemented.

- Full farm gifted to successor.
- Part gift/part sale to successor.
- Part gift/part leased or rented to successor.
- Partnership and part transfer.
- Full farm leased to successor.
- Retain ownership for life and only transfer farm to successor by inheritance after death.
- Gift of main farm but some sites or outside land sold.
- If no suitable successor, the farm may be sold and proceeds used for living and for relatives.

7. The main capital taxes on farm transfers

- The transfer of farming assets are subject to a range of taxes which need to be carefully checked in advance.
- A valuable range of tax reliefs are available to farmers to eliminate or minimise the potential tax bills but they must meet certain conditions.
- High tax bills can result if a farmer fails to meet the conditions for the reliefs or if the assets are very big and for transfers to more distant relatives and non-related persons.

For farm transferred by gift (while owner is living)

Young person receiving farm must check:
- stamp duty
- capital acquisition tax (gift tax).

Older farmer transferring must check:
- capital gains tax on the disposal.

For farm transferred by inheritance (after death of owner)

- Capital acquisition tax (inheritance tax) for person receiving.
- No stamp duty or capital gains tax on inheritances.

Rules for income tax

- Retiring farmer subject to cessation rules.
- Young successor subject to commencement rules.

A. Stamp duty (for successor receiving the asset by gift)

- Stamp duty is a tax charged on the legal documents (instruments) transferring fixed assets by gift or purchase. The fixed assets include farmland, buildings, farm dwelling also milk quota (abolished on 31 March 2015).
- Stamp duty does not apply to the value of mobile assets such as livestock and machinery and the EU Basic Payment Scheme.
- A single rate of 2% stamp duty applies to all transactions executed from 7th December 2011. This is a good reduction in stamp duty from the previous higher rates.
- A ‘half-rate’ of 1% applies to transfers between closely related family members (i.e. ‘consanguinity relief’).

For transfers executed from 1st January 2016 and before 1st January 2018 the half rate (1%) will apply where the following conditions are met:
- The transferor must be under the age of 67 years at the date of transfer or sale.
- The transferee must from the date of transfer, farm the land for a period of not less than six years or alternatively lease it for a period of not less than six years to another farmer who will farm the land.
- Young trained farmers can claim 100% relief on stamp duty on the gift or purchase of farmland where the following conditions are met on the date of transfer:
  - must be under 35 years of age,
  - have the educational qualifications required (check with Teagasc education advisers or agricultural college),
- relief applies on transactions up to 31/12/2018.
Planning for Retirement and Farm Succession

– for a period of five years from the date of transfer, the young trained farmer must:
  • spend not less than 50% of normal working time farming the land (don’t let it out)
  • retain ownership of the land and replace any land sold within one year.

• If education requirements are not met at the time of transfer, stamp duty is payable upfront, but a refund can be claimed if qualifications are achieved within four years.
• Note – No stamp duty applies on relevant farm assets received by inheritance after the death of the owner.

B. Capital acquisitions tax (CAT)
• CAT applies to assets received as a gift (gift tax) or an inheritance (inheritance tax).
• The tax rate for CAT is 33% on the value of any assets received in excess of the generous reliefs available.
• Two important CAT tax reliefs are available to successors taking over farming assets as follows:
  1. Agricultural relief
    • This special relief for farmers allows for a 90% reduction in the market value of agricultural assets for CAT purposes.
    • The successor receiving the assets by gift qualifies as a farmer if at least 80% of their ‘gross property’ is agricultural property after receiving the gift (i.e. the 80% agricultural asset test).
    • A new condition of “Active Farmer” has been introduced for transfers from 1st January 2015.
      – the farmer must hold an agricultural qualification similar to that required for the Young Farmer 100% Stamp Duty Relief Scheme or spend at least 50% of his/her normal working time farming the land for at least six years from the date of transfer.
      – or alternatively, lease the land for at least six years to another farmer who meets either of the above conditions.

• The property, qualifying for agricultural relief must be retained for six years (The six-year rule).

Business asset relief (BAR)
• If farmers fail to qualify for agricultural relief they may qualify for an alternative relief called BAR - various rules apply

2. Tax-free thresholds for CAT
• The second relief available for capital acquisition tax are the tax-free thresholds for gifts/inheritances allowable against the values of assets remaining after the agricultural relief is claimed.
• There are three categories of tax-free thresholds, depending on the relationship of the beneficiary to the donor. The amounts which can be received tax-free from 14 October 2015 are:
  • Class A (Group 1) = €280,000
    Son/daughter, favourite nephew/niece, foster child, adopted child, minor child of a deceased child (orphaned grandchild).
  • Class B (Group 2) = €30,150
    Brothers/sisters, parents, grandparents, nieces, nephews, grandchild.
  • Class C (Group 3) = €15,075
    All others (cousins, distant relatives and non-related people).

• The above tax-free thresholds are lifetime allowances and various rules apply. All gifts or inheritances received since 5 December 1991 are aggregated and taken into account.

3. Capital gains tax (CGT) for landowner disposing of land during lifetime
• The increase in the value of land from the date it was acquired up to the date of disposal is a capital gain, subject to CGT.
• A ‘disposal’ of land (by gift or sale) triggers capital gains tax at the current rate of 33% in 2016.
• Capital gains can arise on farmland/other assets (e.g. sites/Basic Payment Scheme entitlements/ various property/shares).
• CGT retirement relief is available to farmers who meet three main conditions at the date of farm disposal:
  – farmer must be over 55 years of age,
  – must have owned the land for 10 years or longer,
  – must have farmed (not rented out/leased out) the land for 10 years or longer before first letting.
• There are certain exceptions and concessions in cases where land has been rented/leased out before transfer.
• From 1st January 2014, farmers aged over 66 who transfer agricultural assets will have a limit of €3 million on assets which qualify for retirement relief.
• The rules and calculations for capital gains tax are complex - consult your accountant.

Transfer of farming assets after death of owner (by inheritance)
• Make a will to specify who gets the various assets after death.
• No stamp duty applies on fixed assets transferring by inheritance after death.
• Capital acquisition tax (CAT) – inheritance tax for the successor receiving the assets and the main reliefs available are same as already outlined above for gifts.
• Capital gains tax (CGT) does not apply on farming assets disposed of by inheritance.

8. Making provisions for other family members
• Sometimes one or two younger children may have to complete their education and provision needs to be made for this at the date of transfer.
• Parents can transfer one site up to a maximum of one acre to each child for to build a principal private residence. Various conditions apply to the relief for CGT. This is a very useful mechanism for family settlements.
• Family settlements should be realistic and not overburden the farm with debt for the successor.

9. Making/updating the will
• Farmers have very valuable property and it is essential to have a will in place - review/update as tax laws/family circumstances change.
• The will should clearly specify who is to get the Basic Payment Scheme entitlements.
• Before getting legal work done, get an estimate of the likely costs involved from the solicitor in what is known as a Section 68 letter.

10. Other farming related schemes/issues
• On the income tax side, the retiring farmer needs to check with the accountant about any adjustments required under “the cessation rules”.
• The successor will be starting in farming and will be subject to “commencement rules” for income tax.
• Contact the district veterinary office (DVO) for the changeover of the herd number.
• Ownership of the Basic Payment Scheme entitlements must be transferred from the retiring farmer to the successor. A transfer of entitlements form must be completed and returned to the DAFM Single Farm Payment Unit in Portlaoise before the closing date for Basic Payment Scheme Applications.
• Farmers in the GLAS or AEOS environmental schemes need to check with their adviser/planner about the procedures/paperwork to be completed for the transfer of the contract.
• Arrangements need to be made with the bank and other financial institutions for any outstanding loans, leases and hire-purchase agreements on the farm.

11. Example case for farm transfer and the relevant tax calculations
• This example case illustrates the calculations involved for a farm and related assets being transferred from a father aged 66 to his son who is a young trained farmer under 35 years old in 2016.

(Please note that every farm transfer case is different and no two cases are the same. Each farmer needs to do their own calculations).
Planning for Retirement and Farm Succession

Table 1: Example Family Farm Assets and Market Values

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Market Value (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings (45 hectares at €25,000/hectare)</td>
<td>1,125,000</td>
</tr>
<tr>
<td>Livestock</td>
<td>100,000</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>30,000</td>
</tr>
<tr>
<td>Single Farm Payment (market value)</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Total agricultural assets</strong></td>
<td><strong>1,285,000</strong></td>
</tr>
</tbody>
</table>

A. Stamp duty (the son)

- The son in this case meets all the conditions for a young trained farmer so he can claim full 100% relief (on 1% rate). Therefore, nil stamp duty - saving is €11,250.
- If 2% Stamp Duty rate applicable, then the saving would be €22,500.

B. Capital acquisition tax (CAT) – (the son)

- The value of the gift after 90% agricultural relief is €128,500 and this is well under the Class A (Group 1) tax-free threshold for a son/daughter of €280,000. Therefore no gift tax is payable, but also check any previous gifts/inheritances since 5/12/1991.
- If no agricultural reliefs were available, the CAT bill would be very high = €424,050 (i.e. 33% of the total assets).

C. Capital gains tax (the father)

- Capital gains tax (CGT) applies to the father who is disposing of his farm by gift to his son.
- In this case the father meets the conditions for retirement relief as described earlier and he can claim 100% relief on this bill, estimated at €110,000.

D. Legal costs for transfers

- In general solicitors will quote fees in the region of 1% of the value of the property being transferred.
- Get an estimate of the likely costs involved from the solicitor in what is called a section 68 letter and negotiate to get the best deal.
- Note that legal charges are subject to VAT at 23%.

E. Dates for filing returns for capital acquisitions tax

- If the valuation date for the gift or inheritance is in the period 1st January to 31st August then the CAT tax return must be filed and tax paid by 31st October in the current year using form IT38. For gifts/inheritances received 1st September to 31 December, the file and pay deadline is 31 October of the following year.

F. Future budget changes

- Additional changes may be made in future budgets.

Sources of Additional Information

1. The Revenue website – [www.revenue.ie](http://www.revenue.ie)
2. The local tax office.
3. Relevant articles in the local press.
4. The annual budget statement in October.
5. A range of family finance books available in local shops.
6. The Land Registry – [www.landregistry.ie](http://www.landregistry.ie)
10. A Guide to Transferring the Family Farm - published by Teagasc (December 2014)
11. Farm Succession and Transfer Guide - Published by Teagasc (September 2015).

How can I prevent or minimise strife between family members?

What are the risks:

- Inexperience and frustration for the young person.
- Conflict between both parties.
- Not transferring ownership and leaving it for too long can result in missed opportunities or non-development of a worthwhile enterprise on the farm.
- The worst-case scenario is that the young person will leave the farm and seek employment elsewhere.
How can conflict be resolved?

1. If there is a complete breakdown in communications, a mediator will be necessary.

2. The mediator can be a professional i.e. an adviser or a mutually agreed family friend.

3. The help of a family member should be also encouraged as it can be kept in-house.

How can the change in ownership be harmonious for both parties:

• Allowing the younger party to manage an enterprise and have complete responsibility for it should be the starting point.

• Not interfering with the running of this enterprise gives the young person a strong sense of responsibility.

• Having a fortnightly meeting on the running of this enterprise will be beneficial to both parties and all grievances can be aired here. Do not discuss it at any other time.

• Partnerships are an ideal way of ensuring the change of ownership is managed successfully for both parties.

• Once an agreement has been made, stick to the rules, meet regularly and discuss how the process is progressing.

• If targets are not met, don’t apportion blame and discuss it with outside parties – discuss it internally, agree another target/course of action and move on.
Introduction
Thinking ‘outside the box’ with regard to business operating arrangements can help overcome limitations including labour, land, lifestyle and capital.

1. Should I form a registered farm partnership?
2. Where can I get more information?
3. Should I move from being a sole trader to a company?
4. Contract rearing of replacement heifers
Should I form a registered farm partnership?

**Key Question**

**Entering into a Registered Farm Partnership with an existing farmer, future successor, or an unrelated young trained person could provide:**

- a door of entry into dairy farming
- increased grazing area available
- increased labour availability and efficiency
- improved work/life balance
- better access to improved buildings and facilities
- improved management/skills pool
- opportunities for work specialisation
- reduced need for investments in buildings and machinery
- special benefits such as access to EU/government supports or tax benefits
- improved future profitability, viability and sustainability for your family farm.
- A transition arrangement before farm transfer within farm families

**How to**

**Establish a registered farm partnership with another farmer**

- Identify a like-minded farmer/landowner partner. This may take some time, so spread the word that you are seeking a business partner.
- Visit each other’s farms. These visits should include meeting relevant family members.
- Farmers (including spouses and other family members where relevant) should share their views on their current farming/business goals and what each would hope to achieve from a partnership.
- Each party should consult with their adviser, accountant and solicitor.
- To progress matters they should meet on a weekly basis. They should discuss/agree matters such as:
  - the level of performance and profitability on each farm
  - the assets each person could bring to the partnership
  - what each person would like to achieve from the proposed partnership
  - plans and targets for the partnership. (A financial plan should be part of this)
  - possible roles and responsibilities of each proposed partner in the partnership
  - the profit-sharing arrangement
  - an adjudicator in the event of a dispute
  - a starting date.
- It is now time to put all the details agreed into a formal written agreement with the assistance of solicitors and accountants.
- After signing off on the written partnership agreement the partnership can then be formally registered by applying to the Farm Partnership Registration Office, Agriculture House, Kildare Street, Dublin 2.
Where can I get more information?

**Sources of information**

Contact your local advisor for further information. A specimen farm partnership agreement and all required documentation to register a partnership are available on [http://www.teagasc.ie/advisory/farm_partnership/](http://www.teagasc.ie/advisory/farm_partnership/) and [http://agriculture.gov.ie/farmingsectors/newfarmpartnershipregister/](http://agriculture.gov.ie/farmingsectors/newfarmpartnershipregister/)

**Farming company**

Should I move from being a sole trader to a company?

Company tax is much lower than the personal income tax you will pay as a sole trader. If your business is making substantial profits, you can reduce your tax burden by leaving profits within a company. However, if you draw money out of the business in the form of income or as a dividend, this money is taxed at the higher personal income rates. Assets within a company can therefore accumulate tax-efficiently but these assets will attract tax when withdrawn from the company. It is worthwhile discussing individual situations with an accountant or tax advisor. Before contemplating transferring the farming business to a company the following should be carefully examined:

- Are you paying substantial tax at the high rate?
- Will your future taxable income as a sole trader increase or decrease?
- Will a significant portion of farm profits be required for living expenses?
- Will you continue farming for at least the next 10 years?
- Do you plan to expand your business and require borrowings to fund such expansion?
- Are all available tax reliefs being utilised?
  - Stock relief
    - Is stock relief (currently available at 100%), being maximised?
  - Will more capital allowances become available in the next few years?
  - Have you utilised your full pension investment tax allowances?
  - Could family members be paid a wage or an increased wage from the farm?
  - Could income averaging be used to reduce tax liability?

**Tips:**

- A limited company can be a partner in a Registered Farm Partnership.
- If possible keep land ownership outside the company.

**Risk**

You should never deal with company money as if it were your own personal money, the company is a separate legal person.

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**Risks**

<table>
<thead>
<tr>
<th>Risks</th>
<th>How to reduce/manage the risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of trust</td>
<td>Get to know your prospective partner. Is he/she trusted by others? Observe if he/she provides truthful and accurate information both to other people and to you. Transact business with him/her on a trial basis.</td>
</tr>
<tr>
<td>Partnership not viable financially</td>
<td>Establish the current profitability of both farms. Draw up a business plan for the proposed business including the likely investment required. Establish the level of borrowings on both farms.</td>
</tr>
<tr>
<td>Partner not a competent farmer</td>
<td>Examine Teagasc profit monitor results. Visit each other’s farms. Request farm performance data e.g., from ICBF, Co–op etc.,.</td>
</tr>
<tr>
<td>Personality clash</td>
<td>Work together on a trial basis.</td>
</tr>
<tr>
<td>Inability to compromise</td>
<td>Together, discuss and agree all details to be entered into the partnership agreement. This should include: value of assets such as livestock to be introduced to the partnership, profit-sharing arrangements and allocation of work etc. Agree a facilitator and arbitrator to assist and arbitrate in the event of a dispute.</td>
</tr>
<tr>
<td>Unlimited liability</td>
<td>Use a carefully drafted partnership agreement. Select partners with care.</td>
</tr>
</tbody>
</table>

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2 Where can I get more information?

3 Should I move from being a sole trader to a company?
Farm Partnerships and Other Business Options

Identify tax efficient ways of taking money out of the company

<table>
<thead>
<tr>
<th>Efficient ways</th>
<th>Inefficient ways</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low PAYE wages to directors</td>
<td>High PAYE wages to directors</td>
</tr>
<tr>
<td>Pension contributions</td>
<td>Paying dividends</td>
</tr>
<tr>
<td>Mileage and subsistence expenses</td>
<td>Taking loans from the company</td>
</tr>
<tr>
<td>Sale of livestock and machinery as sole trader to company</td>
<td></td>
</tr>
</tbody>
</table>

Risks of farming in a company

<table>
<thead>
<tr>
<th>Risks</th>
<th>How to reduce the risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfavourable future change in tax legislation or EU/ government supports for company farming</td>
<td>Plan company expenditure and investments to minimise tax payable in the event of unplanned dissolution of company</td>
</tr>
<tr>
<td>Where two or more farms are involved, loss in EU/ government supports</td>
<td>Discuss implications with your agricultural adviser/consultant</td>
</tr>
<tr>
<td>Future reduction in farming profits</td>
<td>Prior to establishing a company, draw up a business plan</td>
</tr>
<tr>
<td>Company viability undermined by transfer of interest in company to family members</td>
<td>Get good accounting and legal advice</td>
</tr>
<tr>
<td>Non-compliance with company legislation</td>
<td>Get good accounting and legal advice</td>
</tr>
</tbody>
</table>

Contract Rearing of Replacement Heifers

A written agreement is an essential record of all the details agreed between the rearer and the dairy farmer. Do not rush into the arrangement take your time to prepare and agree all aspects of the agreement before signing. The agreement must be signed by both parties after agreement is reached on all aspects of the arrangement. The rearer and the dairy farmer must have a copy of the signed agreement.

Template agreements are available from Teagasc at http://www.teagasc.ie/collaborativearrangements/specimen_agreements.asp.

A number of questions need to be addressed in the written agreement.

Begin by writing down all the practical issues concerned with the movement and rearing of the heifers. This may include:

- the numbers of animals to be reared; the start and end date of the agreement; the timing of payments and method of payment; a weighing schedule; breeding programme; vaccination programme etc. Such questions could include:
  - What are the dates of arrival/planned removal of animals to/from the rearer’s farm?
  - What are the agreed final and intermediate weights – will the heifers be weighed and if so, by whom and at what stage?
  - Are there dosing and vaccination programmes – who pays/who administers?
  - Is there a breeding programme – AI or stock bull sourcing/type, who does the heat detection?
  - How will mortality be addressed? - Who covers the cost of disposal; - Is the rearer paid for rearing the heifer up until the date of death?
  - Who will pay for the transport of the heifers to and from the rearer’s farm?
  - How often will the owner visit the rearer’s farm to check the heifers?
  - How will empty heifers be managed — will they be fattened on the rearers farm or returned?
  - How will heifers be managed across the winter e.g. rotationally grazed in a paddock system from 1 March to 1 November?
  - What is the timing and quantity of concentrate supplementation?

What are the required performance measures?

The first key indicator of performance is the daily weight gain achieved by the animals concerned in the agreement. It is vital that the animals reach the target weights shown in Table 1. Animals should be weighed individually at the beginning of the agreement to give a starting weight. Animals that are found to be underweight or underperforming may need to be given preferential treatment. This includes access to top quality grass and higher meal feeding to allow them reach the targets. A schedule of weighing during the rearing period must be set out at the beginning to monitor performance.
Table 1. Target weights for dairy heifers based on Age and Breed.

<table>
<thead>
<tr>
<th>Month</th>
<th>% Mature liveweight</th>
<th>Holstein Friesian</th>
<th>New Zealand/ Br. Friesian</th>
<th>Jersey X Holstein Fr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birth</td>
<td>February</td>
<td>41</td>
<td>38</td>
<td>34</td>
</tr>
<tr>
<td>6 Weeks</td>
<td>March</td>
<td>63</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>3 Months</td>
<td>April</td>
<td>90</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>6 Months</td>
<td>July</td>
<td>30%</td>
<td>155</td>
<td>148</td>
</tr>
<tr>
<td>8 Months</td>
<td>September</td>
<td>175</td>
<td>170</td>
<td>160</td>
</tr>
<tr>
<td>9 Months</td>
<td>October</td>
<td>40%</td>
<td>220</td>
<td>210</td>
</tr>
<tr>
<td>12 Months</td>
<td>February</td>
<td>280</td>
<td>267</td>
<td>250</td>
</tr>
<tr>
<td>15 Months</td>
<td>March</td>
<td>60%</td>
<td>330</td>
<td>315</td>
</tr>
<tr>
<td>19 Months</td>
<td>September</td>
<td>450</td>
<td>425</td>
<td>390</td>
</tr>
<tr>
<td>21 Months</td>
<td>November</td>
<td>490</td>
<td>470</td>
<td>437</td>
</tr>
<tr>
<td>24 Months (pre-calving)</td>
<td>February</td>
<td>90%</td>
<td>550</td>
<td>525</td>
</tr>
</tbody>
</table>

What are the risks of contract heifer rearing?

- The person that you are signing up the agreement with may be a risk. Are they trustworthy, reliable and honest? Can you establish a good working relationship with them so that the agreement runs smoothly? The answer to these questions must be yes. At the outset, a visit to each other’s farms and a practical discussion about how the arrangement will work is very important. The process of putting an agreement together can be used to establish the suitability of the other person and helps the rearer to get to know them as a person.

- Risk of not getting paid on time. The written agreement must include details of the payment structure. How much? What date? How payment is to be made? Normal practice is to set up a monthly direct debit to facilitate payment directly into the rearers account. This issue emphasises the importance of the written agreement in detailing how this is handled.

- Risk of conflict between the owner and rearer. Conflict can be minimised or avoided by developing a strong working relationship, having good communication and putting in place a well written agreement that gives clarity to the arrangement. The Teagasc Contract Rearing templates enable farmers to nominate a facilitator should an issue arise that cannot be resolved between the parties themselves.

Example: If underweight heifers are returned to the farmer, who is at fault? The easy answer is the rearer; however, both parties may be at fault. The heifers were underweight at the beginning and the rearer failed to manage the heifers in order for the heifers to catch up. Weighing the animals at the beginning of the arrangement and agreeing a weighing and management strategy during the rearing period will help to solve this issue.

- Taking in animals from another herdowner increases the risk of bringing in disease onto a farm. The rearer and the dairy farmer should seek the advice of their local veterinary surgeon and also inform the local District Veterinary Office of the arrangement.

What disease control issues must be considered?

- Diseases associated with replacement heifers fall into two categories – regulatory diseases (TB and brucellosis) and non-regulatory diseases which include the viral diseases, BVD and IBR, bacterial diseases, leptospirosis, Johne’s, salmonellosis, mycoplasmosis and parasitic diseases such as neospo-
Farm Partnerships and Other Business Options

Contract Heifer Rearing makes closed herd farming unrealistic. However, a number of other biosecurity measures should be strictly implemented to reduce the disease risk.

**ALWAYS:****

- Establish the current disease status of both herds. Such information is important in determining the likelihood of disease exposure before the heifers arrive on the farm, and is absolutely critical to the management of the heifer herd once they are brought into the farm. They will need protection (e.g. management and vaccination strategies) against circulating diseases in both herds before their introduction.
- Ideally engage in a contract with a single dairy farmer.
- If possible, view heifers previously reared on the dairy farm.
- Implement a strategic vaccination protocol for heifers based on the disease status of the farm of origin. If required, BVD vaccination should be carried out at a specific time before breeding (specified by the vaccine manufacturer) and heifers should receive a primary course of two injections separated by the correct time interval. Incorrectly administered vaccines will not yield the desired level of disease protection.
- Implement a parasite control strategy to include roundworm, fluke and lungworm.
- Return in-calf heifers to the owner’s farm six weeks before they calve down. This is to ensure that they are not being transported on the point-of-calving and are properly acclimatised to their environment so that they also have the required level of ‘local’ antibodies in their system before calving.

**What are the expected guideline costs?**

It is important to note that there are five stages of rearing with dairy heifers. These stages have a significant bearing on the costs associated with the rearing of dairy heifers.

**Table 2.**

<table>
<thead>
<tr>
<th>Stages of Rearing</th>
<th>Costs &amp; Labour Input</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Calf Rearing (birth to 12 wks)</td>
<td>High Cost, High Labour</td>
</tr>
<tr>
<td>2. First Grazing Season</td>
<td>Low Cost, Low Labour</td>
</tr>
<tr>
<td>3. First Winter</td>
<td>High Cost, Moderate Labour</td>
</tr>
<tr>
<td>4. Second Grazing Season</td>
<td>Low Cost, Low Labour</td>
</tr>
<tr>
<td>5. Second Winter</td>
<td>High Cost, Moderate Labour</td>
</tr>
</tbody>
</table>

*Labour input varies depending on facilities available and system of farming operated.

The guideline net cost of rearing a replacement is €1,545 per head. The figure includes a charge of €203 per head for the farmer’s own labour over the full 24-month period. A land charge based on an opportunity cost of €350/ha is also included. An adjustment for the cost of empty replacement heifers is incorporated in the model. The rearer will incur both variable and fixed costs. Typically, calves will move to the rearer’s farm on 1 May. They will return home in early December of the following year. The data in Table 3 indicates the guideline level of cost that may be incurred while on the rearer’s farm. It excludes the costs incurred prior to the arrival on the rearer’s farm (at 3 months of age) and those incurred after the heifers return home to the dairy farmer’s own herd (at 22 months of age).

The costs of rearing replacements will vary considerably from farm to farm.

- Some rearers will feed more concentrates than the quantity assumed in Table 3.
- Additional silage may be required at the start of the second winter.
- Some farmers may feed kale during the first winter which could decrease costs.

The labour charge assumed in Table 3 is €15 per hour and the time incurred is 12 hours per heifer for the 579 day period. This includes the cost of heat detection. The number of hours spent rearing the replacement heifers may be lower on beef farms where labour is more efficiently employed than average or where heifers are bred to a stock bull (so that labour intensive heat detection is not required).

**Table 3. Estimate of variable and fixed costs incurred in rearing spring born replacement heifers from 1 May to 1 December of the following year.**

<table>
<thead>
<tr>
<th>No. days</th>
<th>1 May to 1 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breed of animal</td>
<td>Holstein Friesian</td>
</tr>
<tr>
<td>Concentrates</td>
<td>€48</td>
</tr>
<tr>
<td>Grass</td>
<td>€183</td>
</tr>
<tr>
<td>Silage</td>
<td>€99</td>
</tr>
<tr>
<td>Vet/AI</td>
<td>€70</td>
</tr>
<tr>
<td>Fixed costs</td>
<td>€104</td>
</tr>
<tr>
<td>Labour</td>
<td>€180</td>
</tr>
<tr>
<td>Total</td>
<td>€684</td>
</tr>
<tr>
<td>Cost/week</td>
<td>€8.27</td>
</tr>
<tr>
<td>Cost/day</td>
<td>€1.18</td>
</tr>
</tbody>
</table>
Quality Assurance
by Michael Maloney, Bord Bia

Introduction
Consumers are increasingly interested in how their food is produced and in particular to ensure that the methods of production protect both animal welfare and the environment. Consequently the main markets for Irish beef, both in Ireland and abroad require meat to come from systems of production and processing that are part of a recognised Quality Assurance Scheme. In 2015 there were over 45,000 members of the Bord Bia Beef Quality Assurance Scheme which accounted for over 90% of all beef produced nationally.

1. What is a Quality Assurance Scheme?
2. How is a Quality Assurance Scheme put together?
3. How do Irish standards compare with other countries’?
4. Is Quality Assurance worthwhile for farmers?
Quality Assurance

1. **What is a Quality Assurance Scheme?**

   The Beef Quality Assurance Scheme is a programme whereby a set of defined standards or rules are drawn up for the production of meat and the farmer and meat processor are inspected to ensure that production is in accordance with those standards.

   All the Bord Bia Quality Assurance Schemes are integrated schemes which means that all steps in the food chain from primary production to final packaging for sale to the end user are Quality Assured; these include the farm, the meat factory or packing centre and any secondary processing food factory (e.g. curing factory for hams).

2. **How is a Quality Assurance Scheme put together?**

   All Quality Assurance Schemes are built on three pillars: the standards which participants are obliged to meet; the certification they receive for meeting the standards; and the audit procedures which underpin compliance.

   **Standards**

   The standards are the rules that members must comply with and these are drawn up by a panel of experts which are representative of the industry/supply chain and include producers, processors as well as independent scientific and food safety experts. This panel meets on a regular basis to update the standards in accordance with changes in legislation improvements in best practice and changing requirements in markets.

   The main areas covered by the standards include traceability, animal welfare, care for the environment, safe use of medicines and chemicals at farm level; and animal welfare, food safety, hygiene and traceability at factory level.

   **Audit**

   The audit is the inspection of the farm or factory to ensure that the food is being produced in accordance with the standards. The audit is conducted by independent auditors and all members of the Quality Assurance Scheme receive inspections at regular intervals to ensure compliance. In addition random audits are carried out where necessary. The auditor makes a recommendation as to whether the farm or factory is to be certified.

3. **Certification**

   After the audit is completed, and provided that the farm or factory meets the requirements of the standard, the next step in the process is certification. An independent certification committee makes the decision to certify. Certification is official confirmation that the audit has been passed. Only meat coming from certified farms and processed in certified factories can carry the Bord Bia Q Mark.

4. **How do Irish standards compare with other countries?**

   As approximately 90% of all Irish beef is exported it is important that the Beef Quality Assurance Scheme is recognised internationally. This is achieved by having the scheme accredited to the international standard EN45011. A totally independent body; the Irish National Accreditation Board (INAB) grants this accreditation having examined the comprehensiveness of the standard relative to other global schemes and the independence of the auditing and certification procedures that Bord Bia have in place. To maintain its accreditation Bord Bia itself is regularly audited by INAB.

   In order to maintain and increase market share it is important to anticipate future market requirements. Bord Bia, through research of the main markets for Irish beef, identified sustainability as a factor of increasing importance with retail and wholesale buyers. The BQAS inspection was revised to include the assessment of the carbon footprint during the farm audit making the Bord Bia scheme the first national quality assurance scheme to quantify the amount of carbon dioxide (a key greenhouse gas) generated during beef production. Bord Bia and Teagasc are working together to provide feedback and advice to farmers on reducing their carbon footprint while at the same time improving efficiency and profitability. In addition other key sustainability parameters such as biodiversity and water usage and conservation are also being measured.

5. **Is Quality Assurance worthwhile for farmers?**

   The Bord Bia Quality Assurance Schemes are voluntary schemes but they are required for access to higher value markets. In recognition of this the meat processors pay a premium of 12c/kg for cattle from certified producers. In addition, as the requirements of the Beef Quality Assurance Scheme are based on good agricultural practices farmers operating to this standard are likely to be more efficient and profitable. All indications are that the demand for food from Quality Assurance Schemes will continue to grow.
Educational Opportunities for Beef Farmers
by Joe Day and Tony Pettit

Introduction
Beef farmers perform many different roles requiring a complex mix of knowledge and skills. Education and training can help existing or potential beef farmers address any gaps in their knowledge or skills.

1. What are the key skills drystock farmers need?
2. What programmes does Teagasc offer?
3. Are there any opportunities for higher education?
4. Why choose to study with Teagasc?
5. What opportunities can result from a Teagasc training and education in drystock farming?
6. Where do I get further information?
Educational Opportunities for Beef Farmers

1. What are the key skills drystock farmers need?

**Checklist**

A successful drystock farmer will require:

- Knowledge of how to manage a commercial business.
- Ability to identify, analyse and benchmark key financial and productivity indicators.
- Ability to forge working relationships with buyers and suppliers.
- Technical knowledge to physically and financially manage one or more enterprises.
- Ability to manage paperwork in connection with farm assurance, health and safety as well as cross-compliance regulations.
- Skills to maximise production in an environmentally sustainable manner.
- Foresight so as to adapt to future challenges coming from markets, consumers, regulation and the need for bio-security, etc.
- A positive attitude to change so as to embrace, for example, information technology systems as a management tool.
- To be focused and driven in order to achieve his or her goals which will differ from farm to farm.

2. What programmes does Teagasc offer?

**Teagasc Advanced Drystock programmes:**

Teagasc provides a specialised programme in drystock management at many of its agricultural colleges. Students who successfully complete the two-year programme receive an advanced certificate in agriculture (Level 6) awarded by FETAC. This is the recommended programme for those who intend to become commercial drystock farmers.

**Year 1 modules**

- Farm business organisation.
- Beef production.
- Sheep production.
- Animal and crop science.
- Grassland management and production.
- Food assurance and environmental compliance.
- Tractor, machinery, buildings and maintenance skills.

In the first year the emphasis is on gaining foundation knowledge while developing core livestock skills.

As part of the course students are required to complete a three-month practical learning period on a Teagasc approved host farm. This is a vital part of a student’s education which enables him or her to practice skills and participate in farm management decisions under the supervision of an independent farmer.

**Leadership programme**

Students also participate in a leadership programme which encourages personal development including communication, team working, planning and organising, problem solving and running meetings. It also incorporates a community involvement component which can be based on charity fund raising or other group based activities.

**Year two modules:**

- Beef management.
- Sheep Management.
- Ruminant Nutrition.
- Environment and sustainable farming.
- Applied livestock breeding.
- Grass measurement and budgeting.
- Farm Performance measurement.
Personal development:

Students are encouraged to complete an overseas three-month placement period on a commercial drystock farm in year two of the programme. In latter years students have targeted New Zealand, the UK and Argentina in order to experience different production systems and farming on a large scale.

Many colleges also organise foreign study tours as integral learning experiences of the Advanced Drystock course, with recent tours to the UK based around farms, agri-businesses, agricultural colleges and research centres, etc.

Some college students also participate in short student exchanges which can expose students to new ideas and boost student confidence.

Management focus:

In year two the emphasis is on management. Students are encouraged to adopt a LEADER approach to skills and knowledge transfer:

L – listen first.
E – engage in discussion with the host farmer, teacher or fellow student.
A – analyse the information that is being made available
D – decide on how the information might assist you as a farm manager.
E – enact the strategy, improvement, plan or change based on the information.
R – review and report on how the change or plan worked out.

Learning outside the classroom

While class-based teaching will always form a large component of any educational programme, information is now increasingly transferred in more novel ways. Students participate in discussion groups, farm walks, individual and group project work along with exposure to guest speakers. Most agricultural colleges challenge students to independently manage a farm unit for the duration of their second year. This incorporates planning, husbandry skills, work organisation and accountability.

Additional learning opportunities

Non curriculum opportunities such as training for DIY artificial insemination, fencing, hoof paring, certificate of competence for animal handling and transport, shearing, fencing and use of quad bike training are often offered to students. These can enhance a person’s chance of gaining a farm management role or contract based agri-service industry employment.

Continuous professional development

On graduating from the Advanced Certificate in Agriculture, students are encouraged to become a client of the Teagasc Business and Technology service through their local Teagasc advisory network and become a member of a Teagasc drystock discussion group.

Are there any opportunities for higher education?

Institutes of Technology offer agriculture related degrees to ordinary degree (level 7, three years) and honours degree level (Level 8, four years) in partnership with Teagasc colleges. These include:

- Waterford (WIT) and Kildalton College
- Cork (CIT) and Clonakilty
- Dundalk (DKIT) and Ballyhaise College
- Galway-Mayo (GMIT) and Mountbellew College

Graduates of the Teagasc Certificate in Agriculture and the Advanced Certificate in Agriculture may have the option of transferring into year two of these programmes through the higher education links scheme.

Part time and distance education courses.

These courses take place in the Agricultural Colleges and many of the Teagasc AdvisoryRegions. They are based around both theory classes as well as practical skills training and are fully compliant with the educational requirements associated with land transfers as well as the various schemes operated by the Department of Agriculture Food and the Marine. While covering a broad range of science and business modules they also contain specific production modules. Further information on these courses is available on the Teagasc website, from the Agricultural Colleges and from your local Teagasc Centre.
Educational Opportunities for Beef Farmers

4 Why choose to study with Teagasc?
- Strong emphasis placed on skills and practical training within courses.
- Teagasc is a unique education provider, possessing research and advisory expertise within the same organisation. This allows for the most up to date and accurate technologies to be communicated to students. It also allows for regular group access to Teagasc enterprise specialists.
- Increased use of non-classroom based information transfer such as farm visits, discussion groups and practical learning periods on host farms.
- Strong emphasis on use of farmer-friendly IT software in the areas of nutrition, finance, nutrient management and compliance with regulations.
- Option to avail of extra-curricular activities such as sport and foreign study tours.
- Well recognised links for progression through Institutes of Technology.
- The social aspect of the college experience.
- Colleges compete in Leadership challenge days across a wide range of skills and tasks.

5 What opportunities can result from a Teagasc training and education in drystock farming?
- Take over the management of family farms.
- Farm management on drystock, dairy and tillage farms.
- Further education through the Institutes of Technology.
- Artificial insemination technician.
- Branch manager in agri-businesses.
- Pregnancy scanner.
- Contract shearer.
- Foreign travel based around seasonal and income generating skills in the southern hemisphere, such as tractor operator, shearer, herdsman and fabrication.

Key Facts

Agricultural College Graduate Surveys
Teagasc follow up surveys five years after agricultural college graduation indicate a high level of participation in farming. Of the graduate survey respondents typically:
- About 90 % are involved in farming.
- Close to 60 % are engaged in part time farming.
- Over 55 % are involved in drystock farming.
- Over 80 % of respondents are involved in the management of the farm at some level.
- 85 to 90 % would recommend their agricultural college training to others and a similar percentage of respondents believed it prepared them well for farming.

Where do I get further information?
Teagasc aims to equip students with the confidence and capability to accept challenges of maximising the potential of a drystock farm in a sustainable manner. Contact your local Teagasc Education officer or Agricultural College for more details on the courses mentioned above.

www.teagasc.ie/training/colleges