FARMWEEK –CROPS

Share Farming the practical realities

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As we prepare to say good by to 2009 and welcome the New Year, in a similar fashion its now time to say good by to an old way of farming and usher in a new method. Last week I gave you a flavour of the new Share Farming Agreement which is available to all tillage farmers next year. I believe it is a credible alternative to conacre and is the better alternative for many growers and landowners in terms of farm stability and economic sustainability of those farms.

Over the past week I have discussed the Share Farming Agreement and its workings with many farmers and landowners and it was apparent the amount of defacto Share Farming Agreements (Gentlemen's agreements) which are already in operation. It was also obvious how passionate growers are about their business and pride they have for the land area worked.

It was pointed out in a recent conference that the business relationship between two parties is primarily based on trust and any agreement made must be very clear (in written form) from the onset. False expectations by either party will probably result in acrimony for the business relationship.

The new Share Farming Agreement allows the parties to agree terms which suits the circumstances of the farming enterprise. However the flexibility allowed is within the general framework of an agreement which protects both parties in case of disagreements. Due to the flexibility allowed within the agreement it will appeal to many types of farmer and land owners.

As I mentioned this system is ideally suited to replace conacre. But there are many more opportunities where the system will also work well. Specialisation concentrating on a single enterprise generally brings the benefit of greater focus and profits. It can often be the case that larger mixed farms with tillage can fail to get the best out of the tillage enterprise and therefore could benefit from entering into a share farming agreement with a specialised tillage farmer. Likewise small tillage farmers with reduced machinery capacity may also benefit from the scale and mechanisation of larger farms. The agreement allows a farmer to enter the entire or part of the farm into a Share Farming Agreement. To repeat again, the agreement should not be seen as a defacto conacre arrangement or a retirement scheme for land owners.

In practice (this may be ideal) two farmers are dealing with one merchant and both have accounts set up at that merchant and they are entering into a Share Farming Agreement. In this case the practical working of the Share Farming system can be reasonably straight forward. After both parties have agreed the basics and signed a Share Farming

Agreement then the practical aspect of growing the crop comes to the fore. Lets say the grower is a large operator with good machinery, technical knowledge and good buying and selling power. The landowner may or may not continue to be an active farmer with another enterprise on the farm. The grower will use the increased buying power available to do a deal with the merchant for many of the inputs and these savings are then passed on to the landowner.

This can operate where by the grower buys all the inputs and then charges the land owner for his share of growing the crop or the landowner buys inputs directly from the merchant (at the leveraged buying price). In all cases there should not be a joint account in operation for the Share Farming Agreement.

In most cases the grower will use his expertise with machinery operations and technical agronomy ability to grow the crop through the year. However the landowner should have some input to the management of the crop during regular meetings through the year to discuss crop progress or overall decisions such as rotations, etc. Come harvest both parties will have incurred costs (as per the signed Share Farming Agreement) and they would then share in the grain and straw sales from the farm.

The produce may be sold by the large grower as the increased selling power can come into play again. A financial balancing exercise would be completed after the produce is sold (this could be at harvest or later in the year). At this stage the decisions as to next year’s crop and the sharing of inputs and outputs should be discussed.