Partnership preparation

Succession is not just about transferring land. It should be a gradual process and a partnership can be a very useful component

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Research carried out by Dr Aine Macken Walsh of Teagasc Athenry has shown that most young people are not particularly concerned with ownership of the land when they return home to farm. What really counts for them is that they get a say in decisions made and that they have responsibility for part of the farm operations.

A farm partnership agreement allows this to happen, as duties are clearly divided out between the parents and son or daughter through the on-farm agreement.

The three key areas of an on-farm agreement are:

- Enterprises and areas of responsibility.
- Structuring/sharing of workload, weekends off and holidays.
- Establishing what the profit share should be and where to set monthly salaries or drawings.

A partnership provides the structure for a young person to have the desired responsibility and input into decision-making on the farm.

It also allows the parents to maintain a guiding hand and be there as a source of support to the son or daughter. In other words, they can give responsibility to the future successor and keep an eye on how they are getting on.

Frank, Kitty and Ivor Tanner from Newcestown, Co Cork, have been farming in a registered partnership since 2008. They milk 90 cows and rear all replacements. Ivor says: "The partnership gave me a recognised role in the farm business. At the beginning, I would have checked things out with Frank, but now I can make my own decisions."

The structure works well for parents as it provides reassurance that they are not handing over the farm assets in any way. The assets are merely made available to the partnership for the farm business, but they return to the parents should the partnership end at any time.

Kitty says: "The partnership rewards Ivor for the work he puts in and the commitment that he has shown to the farm."

Farm development

Since the partnership began, the farm has been further developed to improve the infrastructure for the dairy enterprise. The Tanners have invested significantly in cow housing, slurry storage, roadway improvements and, most recently, a new milking parlour.

Frank, Kitty, Ivor and their Teagasc advisor Grainne Hurley have planned this development carefully.

"Carrying out the investment in stages spreads out the financial outlay over a longer period of time and eases the pressure on cashflow," says Grainne. The capital investments were needed to meet with regulations, but also to improve the quality of life by making the day-to-day operations easier.

"Milking through the new parlour is a joy and saves time for other jobs as there is less time spent in the parlour each day," says Ivor.

The new parlour allows the Tanners to finish up their busy working day at a reasonable hour.

Discussion group

Ivor joined his local Teagasc dairy discussion group and has become more involved with Grainne in the development of the farm. The focus moved towards better efficiency using the e-Profit Monitor, learning grassland management skills and improving the EBI of the herd.

Conclusion

The partnership with Frank and Kitty has given Ivor the opportunity to develop his skills as a dairy farmer by taking responsibility for farm operations and gain confidence in his own decision-making, while having the support of his parents through this period of the succession process. Further down the road, the final step in this process may be the transfer of the farm at a time that suits the family.

A registered farm partnership provides the structure for a young person to have the desired responsibility and input into decision-making on the farm.

Registered farm partnerships

Forming a registered partnership is an ideal way for farm families to plot a successful course through the succession process.

The partnership creates a structure where the parents and a son or daughter can operate the farm without getting hung up on the transfer of assets.

The partnership can continue until such time as the parents are happy to transfer the farm.

A partnership is essentially an arrangement where responsibility, decision-making and workload are shared between the parents and the son or daughter.

The reward for both parties is a share of the farm profits. It is up to the family to decide what the appropriate share for each partner should be.

The profit share can vary over time, but generally the son/daughter will start off on a low share and increase gradually as they take on more responsibility and family circumstances allow.

- A partnership is a legal business arrangement that is registered with the Revenue Commissioners. In completing the partnership agreement, consult your Teagasc advisor or consultant, solicitor and accountant. Once the agreement has been completed and signed off, you should follow the DAFM application checklist carefully and include all listed documentation to avoid any delays in having your partnership registered.
- The new Dept of Agriculture, Food & Marine partnership registration office is based at Agriculture House, Kildare Street, Dublin 2. All documentation should be sent to this address.
- There is a Teagasc template agreement available at www.teagasc.ie/advisory/milk_partnership/info_forms.asp that can be used to put a partnership agreement together. Consultation with your solicitor on any relevant legal matters is advisable.
- Your accountant also needs to be involved to register the partnership with Revenue and set up the partnership correctly. A partnership needs to be set up in line with your tax year. For example, if your tax year is from January to December, then your new partnership should start on 1 January.
- The costs are those quoted by the consultant, accountant and solicitor for any general, legal or financial advice. A new grant scheme is currently being finalised to help with set-up costs. The grant will be a 50% rate to a maximum of €5,000. Therefore, the maximum grant payable is a potential €2,500.