

Steps to setting up a Share Farming agreement

As trust is a key element of the arrangement the identification of a suitable landowner/share farmer is key. An existing understanding between a landowner and a farmer can be developed into a Share Farming agreement.

When setting up an agreement the people involved should sit down with their advisors and clarify the exact farming activity they are going to carry out (cropping or livestock or both). Other details to be discussed at this stage include:

- The exact lands involved should be agreed.
- Any machinery necessary and who will provide it
- If livestock are involved, the livestock should be listed
- A basis of division of produce should be agreed
- If EU Government Supports are being made part of the agreement, those being contributed by each party should be listed.
- Cropping costs should be worked out, if necessary with the assistance of Teagasc Crop Share Excel Calculator
- How produce is to be stored and disposed of should be worked out

Both should be familiar with the specimen agreement but may be varied as people wish. The following steps can then be taken when filling up the Share Farm Agreement:

1. The specimen agreement provides that the land should be in good order and condition (particularly fences) before the agreement commences. Thereafter, the share farmer is responsible to maintain fences, structures etc in good order and condition excluding fair wear and tear. The land cannot be used for any other purposes by the share farmer.

Land and Machinery

2. Details of the land provided by the landowner should be set out in Table A Part 1
3. If the landowner provides machinery etc, the details should be filled in Table A Part 2
4. Previous cropping history and fertility status of land is set out in Table A Part 3
5. Where the Share Farmer provides mobile machinery it is listed in Table B.

EU/Government Supports

6. EU/Government Supports, etc. provided by the landowner are to be set out at Table C.
7. EU/Government Supports, etc provided by the share farmer are to be set out at Table D.
8. The division of the EU Government Supports provided by
 - the landowner is set out in Table F Part 1
 - share farmer is set out in Table F Part 2.
9. Timing and method of allocation of EU/government Supports is set out in Table F Part 3

Costs and Returns

10. The parties must agree on input costs and on ongoing costs. A basis of division of costs should be agreed.
 - Because each party is running a separate business, where possible invoices should be furnished separately. Unless otherwise agreed, each party will pay his/her proportion of the cost of something directly to the supplier.
 - If one party is paying for something, the other party pays for their share of the cost within 14 days. The agreement provides for interest where one party fails to make a payment to the other.
11. The divisions of costs to be paid by each is set out in Table G Part 1
 - The Teagasc budgeting excel calculator will help with these calculations

12. The proportions in which that produce is to be owned should be set out in Table H Part 1. Each party will be responsible for his/her own share of the produce after harvesting.
13. The agreement provides that normally the Share Farmer will sell the produce on behalf of both parties. The details of storage and marketing should be set out in Table H Part 2.
14. The agreement provides default provisions about dealing with produce, etc. in the event of a dispute.

Livestock

15. If livestock is involved, the Landowner's animals and the Share Farmer's animals should be valued and listed in Table E Part 1.
16. This agreement provides that each party owns a share in all the animals and these shares should be set out in Table E Part 2. A balancing payment is likely to arise on the signature of the agreement because of the change in ownership.
17. The division of livestock rearing costs are set out in Table G Part 2
18. When livestock are sold the proceeds will be divided between the parties in the same proportion as they are owned and set out Table E Part 2

Other Costs

19. Each party should have his/her own insurance.

Ongoing Consultation and Record Keeping

20. Parties should meet every three months to review physical and financial matters
21. The agreement provides that Department of Agriculture and any other statutory records should be kept, e.g. records for Cross Compliance and records of purchases and sales.

A Facilitator and Disputes

22. A facilitator should be agreed on and the name, address and phone number of the facilitator should be set out in Table I (Note: I refers to the letter I).
23. The agreement provides procedures that apply in the event of a dispute, death, dissolution etc.

Sign the Agreement

24. Consult legal and financial advisors about the agreement (where necessary)
25. Agree and sign the agreement before commencing farming.
26. Both parties should receive a copy of the agreement for future reference.

Practical Share Farming

27. After sales and payments are complete for the year finalise the financial arrangements as per the agreement.