

# Share Farming

## "A new land access option"

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# Presentation Outline

- Background
- The concept
- Important principals
- How is Share Farming set up?
- Case Study
  - 25%↑ Landowners Income
  - REPS equivalent income for Share Farmer
- Conclusions

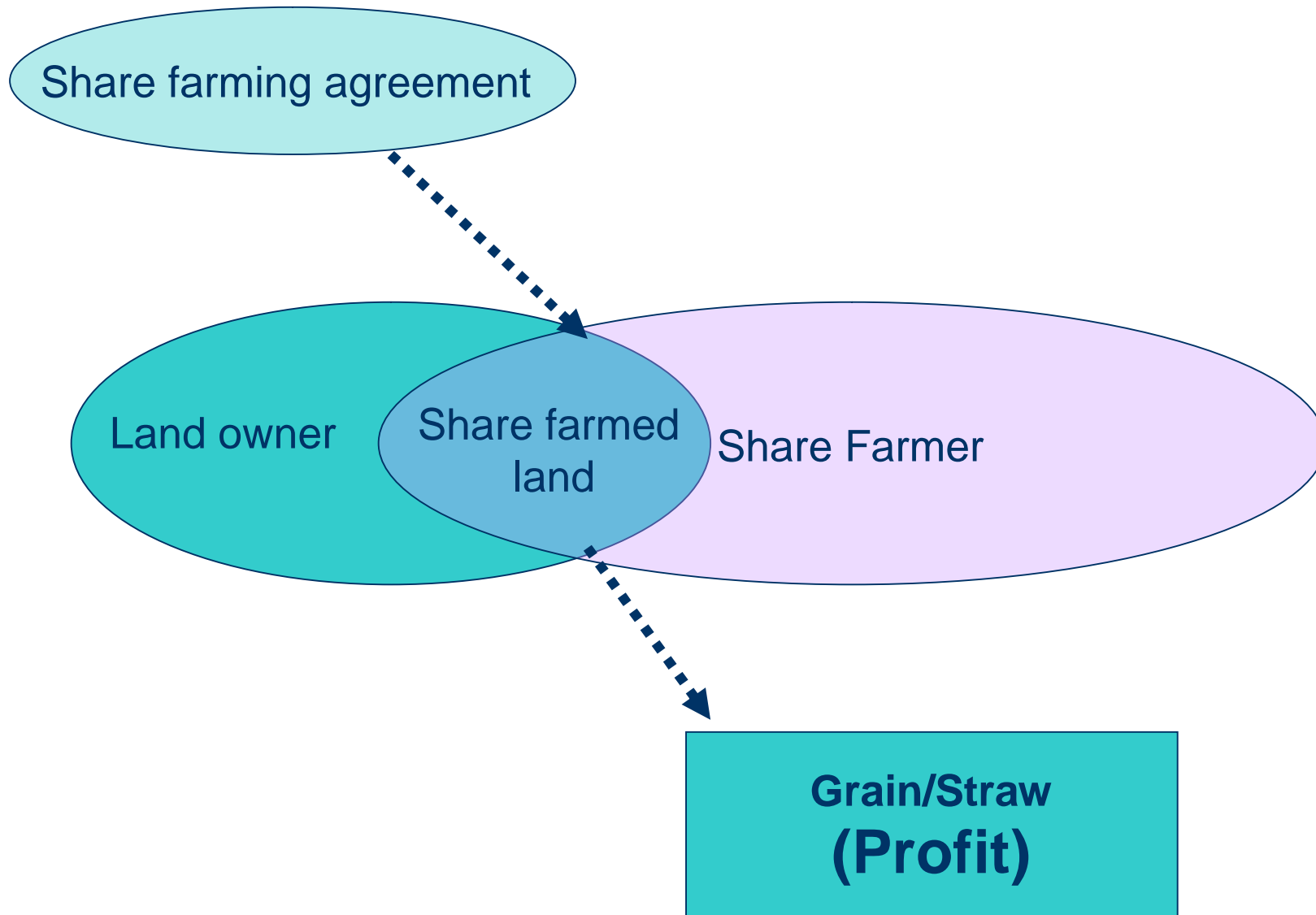
# Background: Land access?

- Low margins ~ Large acreage
- Scale ~ Drives down costs
  - Conacre
  - Lease
  - Ad hoc agreements
- Problems
  - Rent
  - Margins
  - Locked in?

# Share Farming: The concept

- Two parties jointly farming the same area of land
- Each party remains as a separate business

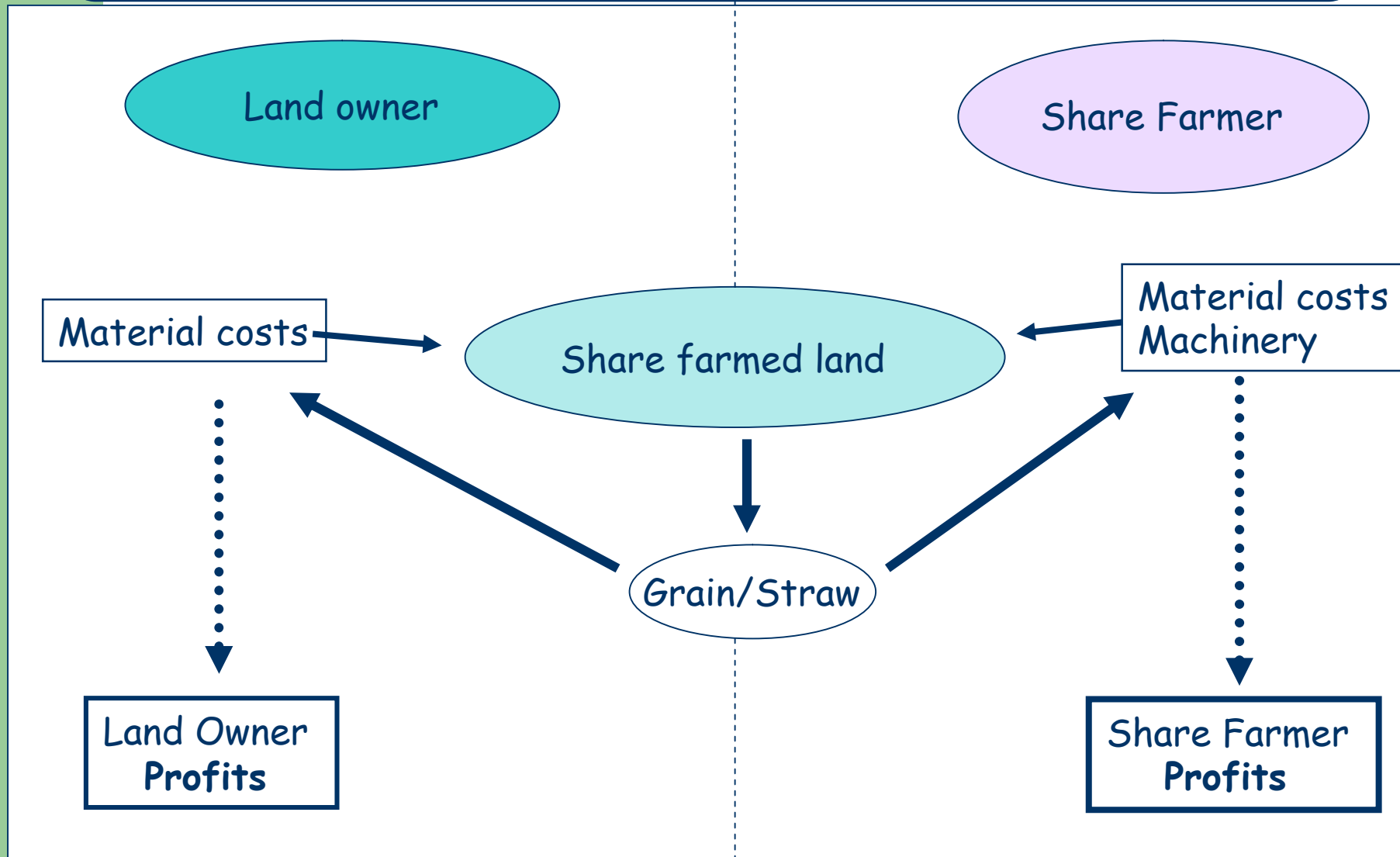
# Share Farming: The concept



# Share Farming: The concept

- Two parties jointly farming the same area of land
- Each party remains as a separate business
  - Not a new business venture
- **Sharing outputs not profits**
  - Partnership = sharing/distributing profits
  - Share Farming = sharing outputs (to separate business)

# Share Farming: The concept



# Share Farming: The concept

- Two parties jointly farming the same area of land
- Each party remains as a separate business
  - Not a new business venture
- Sharing outputs not profits
  
- Each party contributes to enterprise
  - Land, machinery inputs, etc
- Legal agreement
  - Protects both parties



# How is it different?

## *Important principles*

- No rent or fixed payments
- Each can sell produce as he feels fit
- Each responsible for his own costs
- Each works out his own profit
- Business equals & risk takers

# How is it different?

## *Important principles*

- Labour not charged as an expense
  - Share farmer is not paid for his labour
  - Machinery costs (not local contractor costs)
- No joint bank account or merchant account
- The parties are not jointly registered for VAT or as employers

# How is Share Farming set up?

- Both parties must agree on:
  - crop budgets & term
  - sharing input/output arrangements
  - individual responsibilities
- Appoint facilitator
- Consult appropriate advisors
- Complete legal document
  
- At year end - finalise accounts and review

# Aid to developing an agreement

- Teagasc Advisors
- Budget- Corner Stone
  - Teagasc calculator (available to all)
- Based on Costs and Returns format
- Can be downloaded from Teagasc client website



# Aid to developing an agreement

- Teagasc advisors
- Excel calculator
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# Where Share Farming fits?

- Mixed tillage farmer with poor yield
- Contractor and land owner
- Between family members
- Existing arrangements
- Long standing conacre arrangements
  
- Can the Share Farmer add value??

## How it fits?

### *Mixed tillage farmer with poor yields*

- Land owner requires grain and straw
- Time: Livestock V tillage enterprise
- Issues
  - Poor yields
  - Costs not covered as before
  - Expensive grain/straw
  - Other enterprises suffering



# No Share Farming : Mixed Farm

	€/ac
Yield	2.5
Price	110
EU Payments	180
Total income	485
Materials	159
Machinery	160
Total Expenses	319
<b>Total Return</b>	<b>€166/ac</b>

## Tillage enterprise 2010

- Projected income
  - Land owner €16,600

# Share Farming: Mixed Farm

Landowner  
Land  
SFP, REPS  
100% Seed/fert  
50 % other inputs

Share Farmer  
Machinery  
Labour  
Expertise  
50% other Inputs

In

In

100 ac Spring Barley

Landowner  
100 % SFP  
50 % REPS  
40% Grain  
100% Straw

Share Farmer  
50 % REPS  
60 % Grain  
Risk Shared

Out

Out

# Share Farming : Mixed Farm

	Before Share €/ac		After Share Farming €/ac
Yield	2.5		2.7
Price	110		120
EU Payments	180		180
<b>Total income</b>	<b>485</b>		<b>540</b>
Materials	159		132
Machinery	160		121
Total Expenses	319		253
<b>Total Return</b>	<b>€166/ac</b>		<b>€287/ac</b>

# Share Farming : Mixed Farm

## Tillage Enterprise (100 ac)

- Projected income 2010
  - Land owner €16,600
- Share Farming (Projected 2010)
  - Land owner €20,900
  - Share Farmer €8,700
- Add Value ~ More to share

# Restrictions?

- Revenue - direction given for
  - VAT registered farmer and non VAT registered
- Practicalities must mirror agreement

# Share Farming on the ground

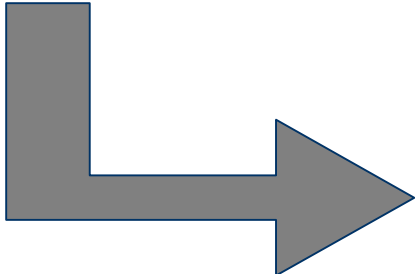
- Trust essential
- Flexible Agreement
- Specifics of agreement will differ
- One party or either party can
  - Buy inputs

# Share Farming Purchases: Fertiliser 50:50 split

Share Farmer

20 t Fertiliser

Land owner



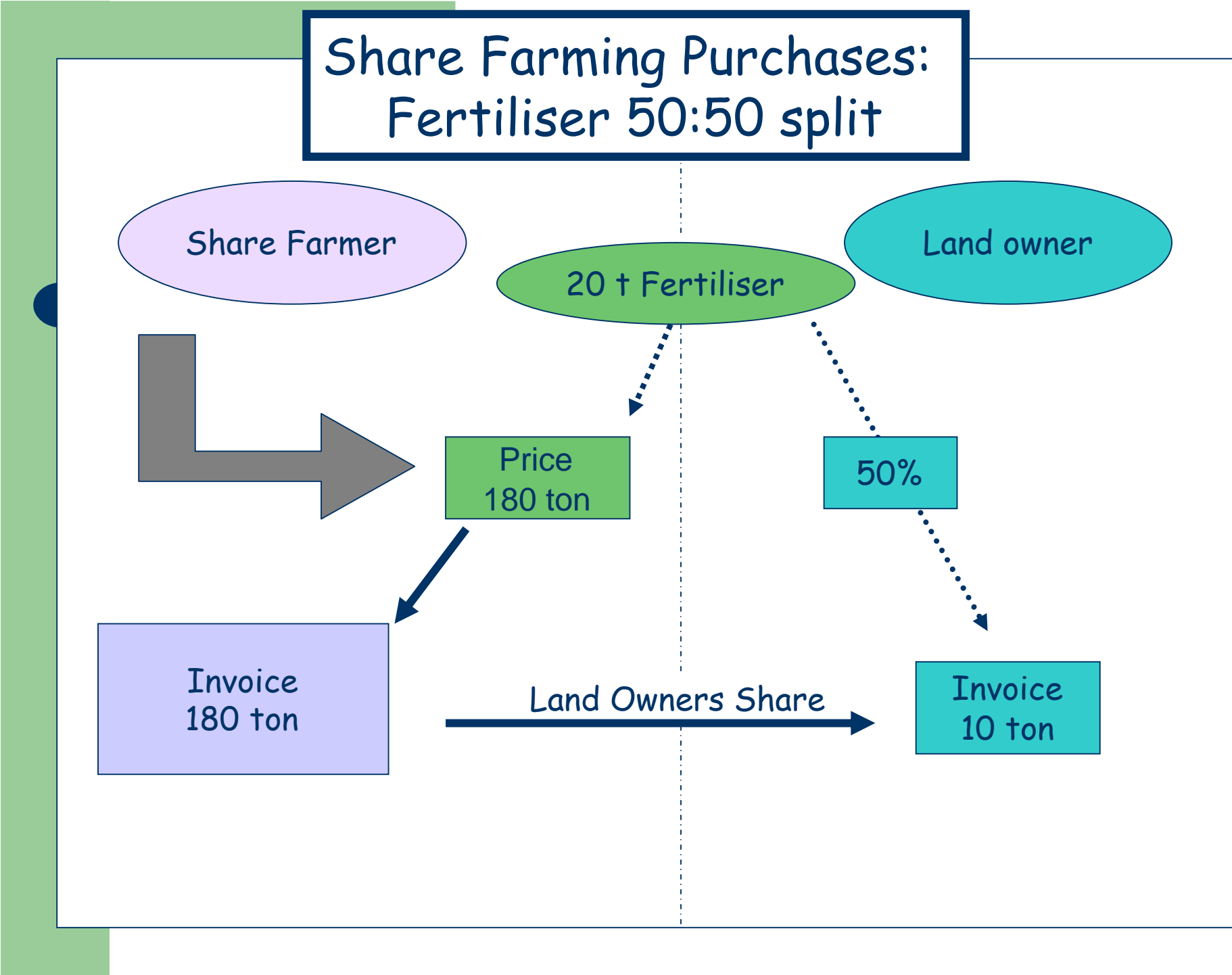
Price  
180 ton

50%

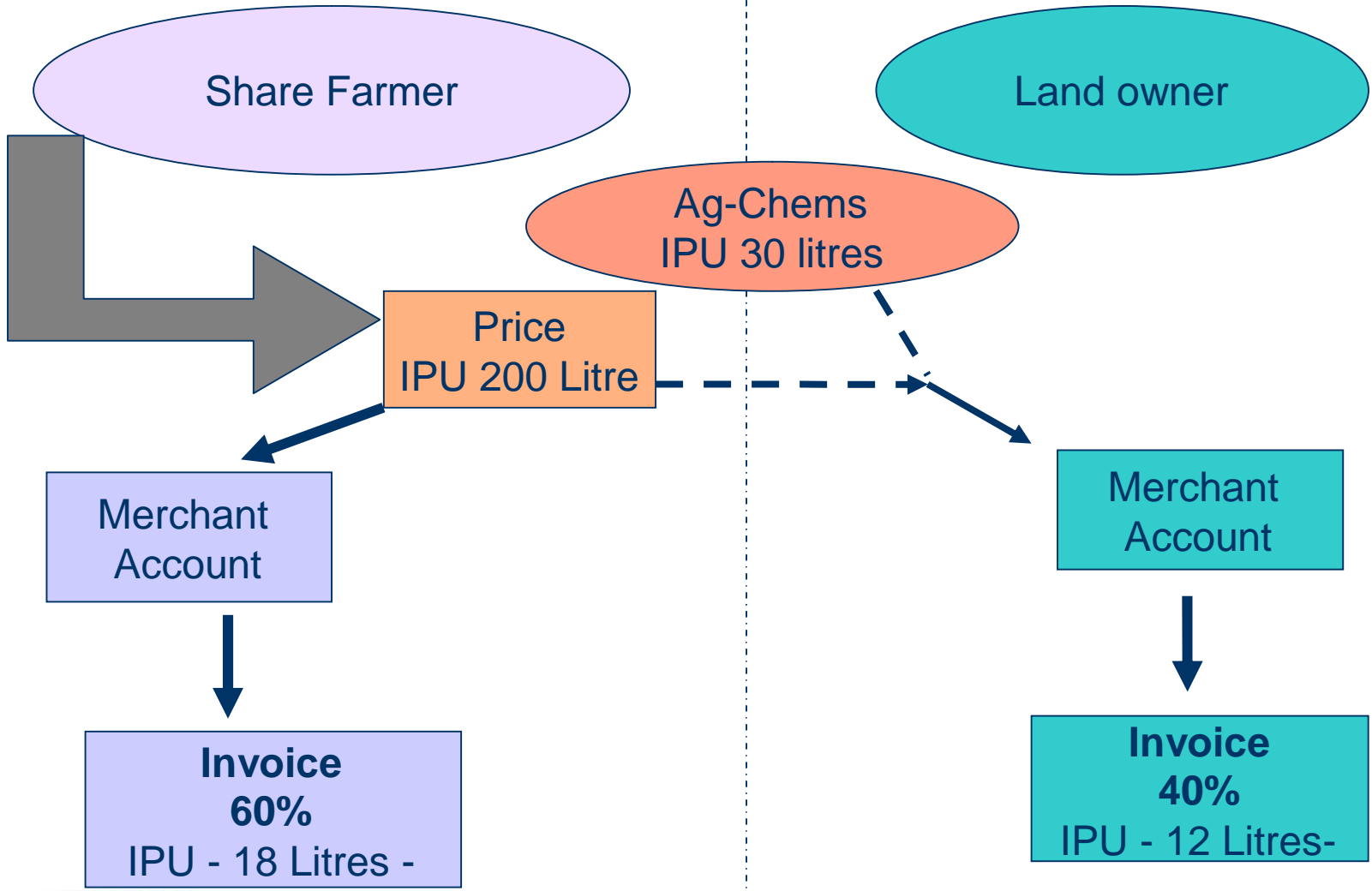
Invoice  
180 ton

Land Owners Share

Invoice  
10 ton



# Share Farming Purchases: Ag Chems 60:40 split





# Share Farming on the ground

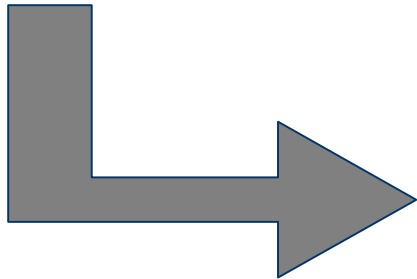
- Trust essential
- Flexible Agreement
- Specifics of agreement will differ
- One party or either party can
  - Buy inputs
  - Sell outputs
  - Invoice the other for their share
    - Payments ongoing or after harvest

# Share Farming Sales: Grain 70:30 split

Share Farmer

Land owner

300 ton Grain



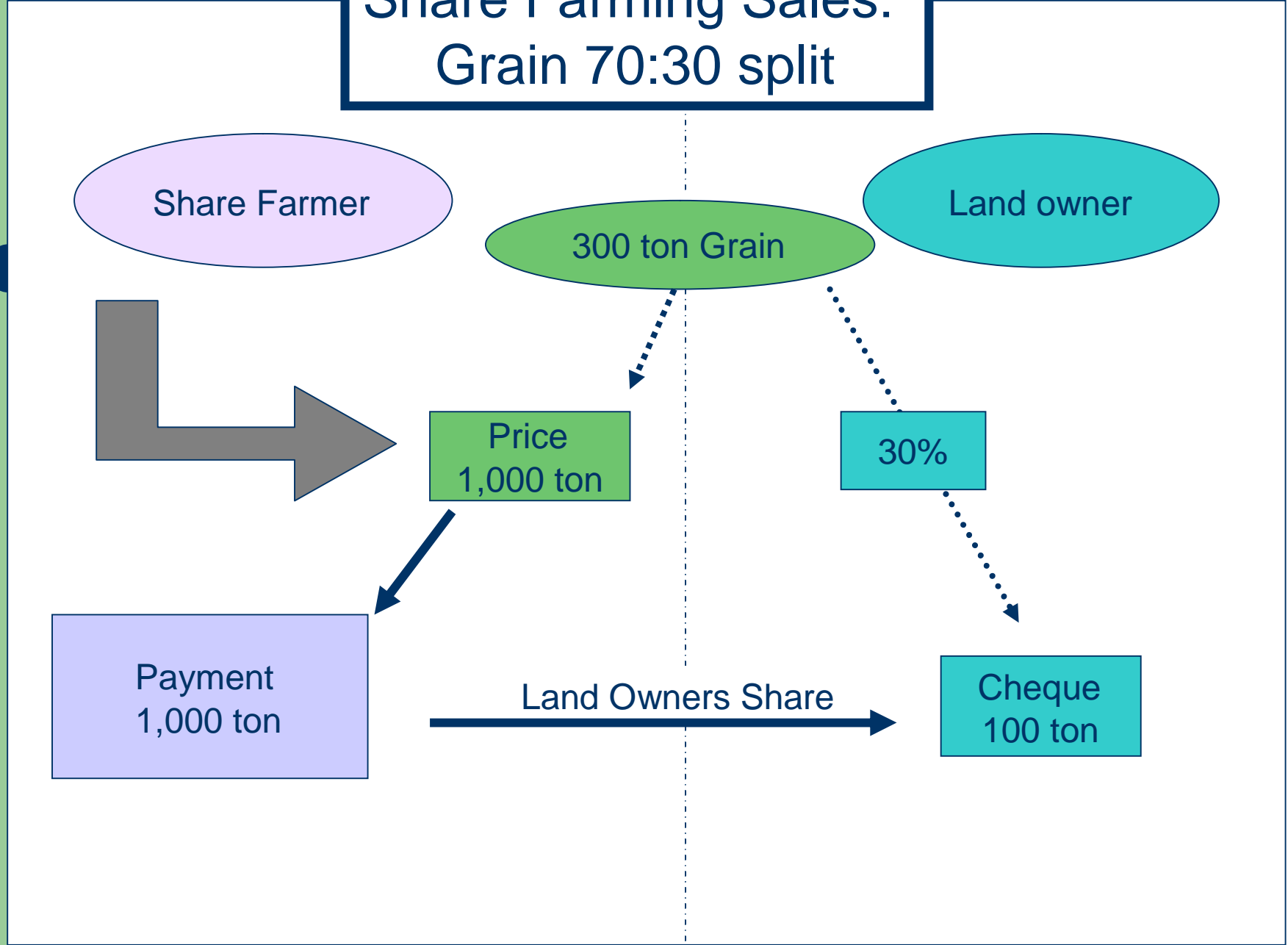
Price  
1,000 ton

30%

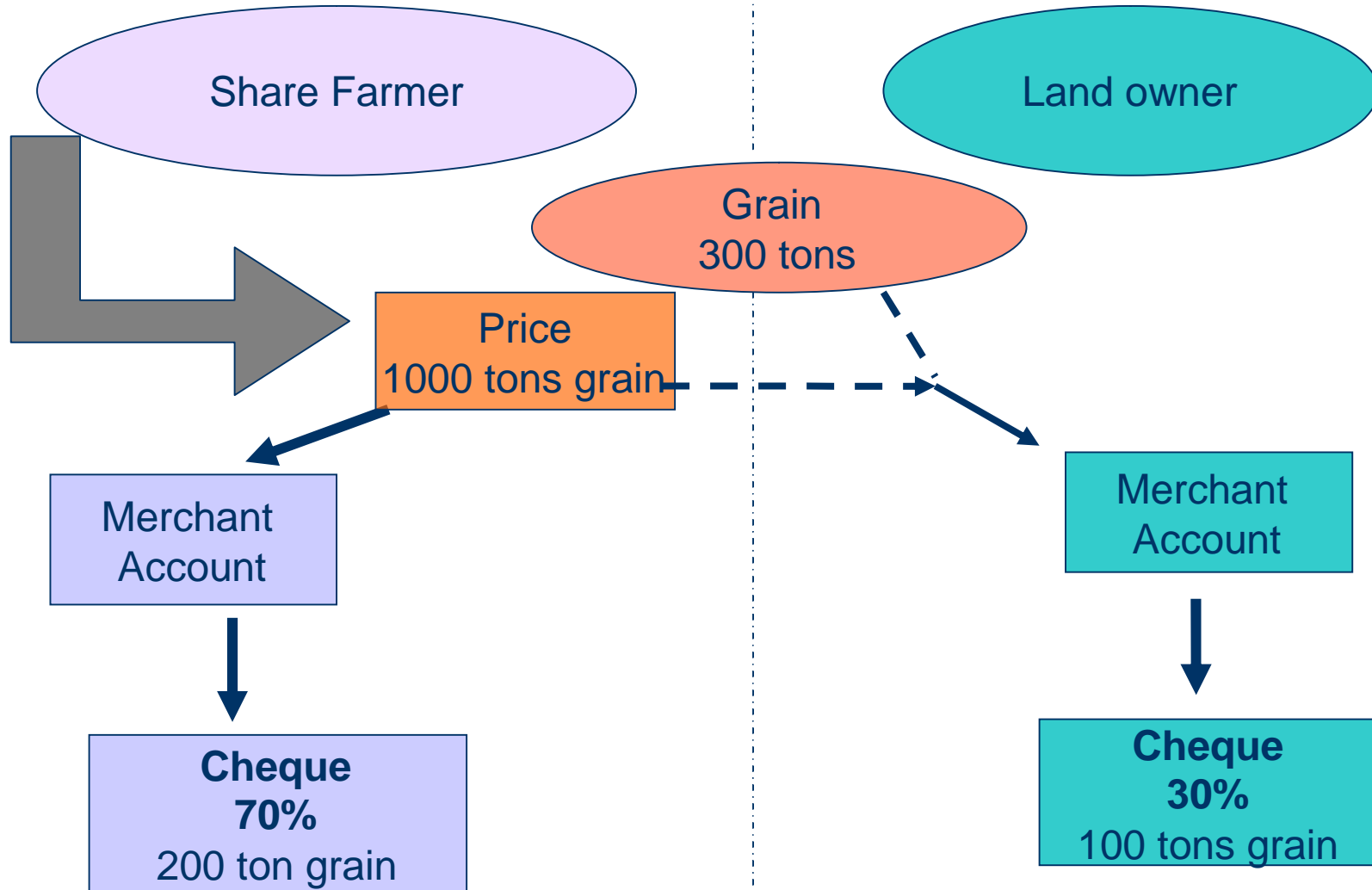
Payment  
1,000 ton

Land Owners Share

Cheque  
100 ton



# Share Farming Sales: Ag Chems 70:30 split



# Share Farming on the ground

- Trust essential
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# Conclusions

- Flexible agreement
- Is fully compliant with all government schemes
- Add value to existing enterprise
- Offers growers improved access to land

**Wishing you every success for  
2010**

Thank you