Share Farming
“A new land access option”

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Ben Roche
Tim O Donovan
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 agreement

Land owner

Share farmed land

Share Farmer

Grain/Straw (Profit)
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

- Land owner
- Share Farmer
- Share farmed land
- Material costs
- Grain/Straw
- Land Owner Profits
- Share Farmer Profits
- Machinery
- Material costs

Land Owner Profits
Share Farmer Profits
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
## Crop-Share Calculator

### Page 1: Costs and Returns per acre

<table>
<thead>
<tr>
<th></th>
<th>Barley Spring</th>
<th>Barley Spring</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>T. Return/ac</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landowner</td>
<td>166</td>
<td>209</td>
</tr>
<tr>
<td>S Farmer</td>
<td>78</td>
<td></td>
</tr>
</tbody>
</table>

### Budget

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
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<tr>
<td></td>
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### RECEIPTS per acre

<table>
<thead>
<tr>
<th>Crop</th>
<th>Barley Spring</th>
<th>Barley Spring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Yield</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Price</td>
<td>€110</td>
<td>€120</td>
</tr>
<tr>
<td>Straw</td>
<td>€30</td>
<td>€36</td>
</tr>
<tr>
<td>Other (Bonus, etc)</td>
<td>€305</td>
<td>€360</td>
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</table>

### EU/Government Support

<table>
<thead>
<tr>
<th>Support Type</th>
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<th>Barley Spring</th>
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<tbody>
<tr>
<td>Single Farm Payment</td>
<td>€130</td>
<td>€130</td>
</tr>
<tr>
<td>REPS</td>
<td>€50</td>
<td>€50</td>
</tr>
<tr>
<td>Direct Payments (e.g. Protein, etc)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>€180</td>
<td>€180</td>
</tr>
</tbody>
</table>

**TOTAL RECEIPTS**

<table>
<thead>
<tr>
<th></th>
<th>Barley Spring</th>
<th>Barley Spring</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€485</td>
<td>€540</td>
</tr>
</tbody>
</table>

### MACHINERY COSTS*

<table>
<thead>
<tr>
<th>Operation</th>
<th>Barley Spring</th>
<th>Barley Spring</th>
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</thead>
<tbody>
<tr>
<td>Field operations</td>
<td>€120</td>
<td>€100</td>
</tr>
<tr>
<td>Machinery Hire</td>
<td>€40</td>
<td></td>
</tr>
<tr>
<td>Drying (per acre basis)</td>
<td>€21</td>
<td></td>
</tr>
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</table>

**TOTAL**

<table>
<thead>
<tr>
<th></th>
<th>Barley Spring</th>
<th>Barley Spring</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>€160</td>
<td>€121</td>
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</tbody>
</table>

### MATERIAL COSTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Barley Spring</th>
<th>Barley Spring</th>
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<tbody>
<tr>
<td>Seed</td>
<td>€26</td>
<td>€22</td>
</tr>
<tr>
<td>Fertiliser</td>
<td>€68</td>
<td>€60</td>
</tr>
<tr>
<td>Lime</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Herbicide</td>
<td>€20</td>
<td>€15</td>
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<tr>
<td>Fungicide</td>
<td>€30</td>
<td>€25</td>
</tr>
<tr>
<td>Insecticides</td>
<td>€7</td>
<td>€6</td>
</tr>
<tr>
<td>Trace Elements</td>
<td>€5</td>
<td>€4</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other costs (Haulage/Interest, etc)</td>
<td>€3</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>€159</td>
<td>€132</td>
</tr>
</tbody>
</table>

**Crop Margin**

<table>
<thead>
<tr>
<th></th>
<th>Barley Spring</th>
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<tbody>
<tr>
<td></td>
<td>€166</td>
<td>€287</td>
</tr>
</tbody>
</table>
Aid to developing an agreement

- Teagasc advisors
- Excel calculator
- Based on Costs and Returns format
- Can be downloaded from Teagasc client website
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

<table>
<thead>
<tr>
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<tr>
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</tr>
<tr>
<td>Price</td>
<td>110</td>
</tr>
<tr>
<td>EU Payments</td>
<td>180</td>
</tr>
<tr>
<td>Total income</td>
<td>485</td>
</tr>
<tr>
<td>Materials</td>
<td>159</td>
</tr>
<tr>
<td>Machinery</td>
<td>160</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>319</td>
</tr>
<tr>
<td>Total Return</td>
<td>€166/ac</td>
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</table>

**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

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**100 ac Spring Barley**

**In**
- Landowner: 100% SFP
- Share Farmer: 50% REPS

**Out**
- Landowner: 50% REPS
- Share Farmer: 60% Grain
- Risk Shared

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- 40% Grain
- 100% Straw
Share Farming: Mixed Farm

<table>
<thead>
<tr>
<th></th>
<th>Before Share €/ac</th>
<th>After Share Farming €/ac</th>
</tr>
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<tbody>
<tr>
<td>Yield</td>
<td>2.5</td>
<td>2.7</td>
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</tr>
<tr>
<td>Materials</td>
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</tr>
<tr>
<td>Machinery</td>
<td>160</td>
<td>121</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>319</td>
<td>253</td>
</tr>
<tr>
<td><strong>Total Return</strong></td>
<td>€166/ac</td>
<td>€287/ac</td>
</tr>
</tbody>
</table>
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
- Land owner
- 20 t Fertiliser
  - Price
    - 180 ton
  - 50%
- Invoice
  - 180 ton
- Land Owners Share
  - Invoice 10 ton
Share Farming Purchases: Ag Chems 60:40 split

Share Farmer

Price
IPU 200 Litre

Ag-Chems
IPU 30 litres

Merchant Account

Invoice
60%
IPU - 18 Litres -

Land owner

Merchant Account

Invoice
40%
IPU - 12 Litres-
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
- Land Owners Share
- Cheque 100 ton
- 30%

Payment 1,000 ton
Share Farming Sales: Ag Chems 70:30 split

Share Farmer

Land owner

Grain 300 tons

Price 1000 tons grain

Merchant Account

Cheque 70%
200 ton grain

Merchant Account

Cheque 30%
100 tons grain
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
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