

Collaborative Farming Structures in Ireland

Farm Succession & Inheritance

IFA EVENT

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Presentation Outline

- **What is Collaborative Farming?**
- **Why are Collaborative arrangements necessary?**
- **Different collaborative farming arrangements**
 - **Registered Farm Partnerships**
 - **Share Farming**
 - **Long term land leasing**
 - **Contract heifer rearing**



What is Collaborative Farming ?

Two or more farmers working together

in a formal arrangement for mutual benefit

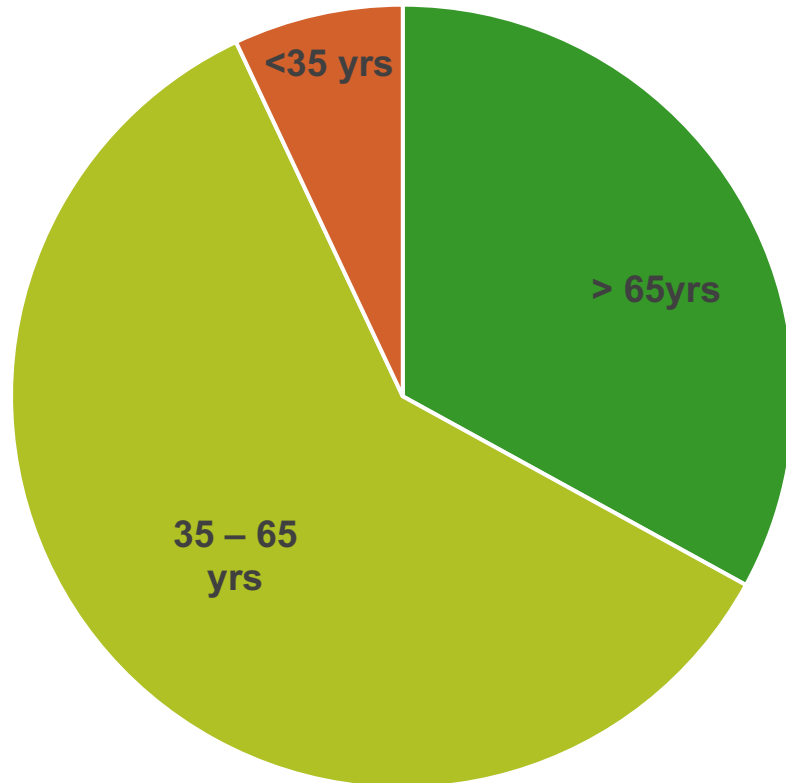


Pooling of skills and resources

It requires co operation, compromise and trust.

Why are Collaborative Farming Arrangements necessary?

Age Profile - Irish Farmers



■ >65 yrs ■ 35 - 65 ■ <35 yrs ■

- Age profile
- Successors +/-
- Shortage of labour
- Availability of land
- Farm fragmentation

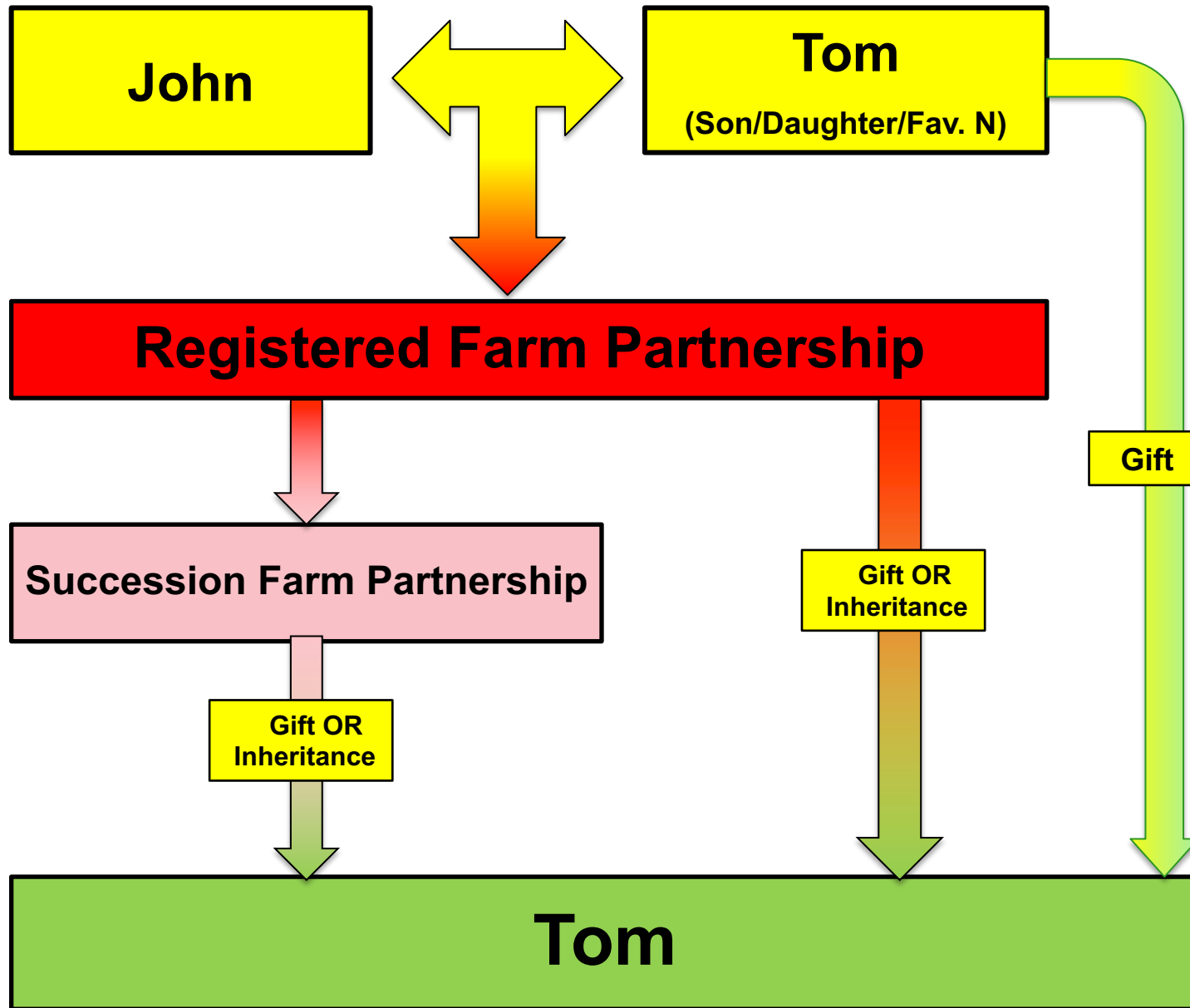
Collaborative Farming – Scenario's

Example: Farm Scenario 1

- John (52) - dairy farming (150 acres)
- Mary (wife) works full time off farm
- 3 children
 - Tom (25) - Young Trained Farmer
 - Mary (22) - Third year, UCD
 - Anne (18) – Leaving Cert
- Tom - very interested in dairy farming
- He has been identified as the successor



Collaborative Farming Pathways



Example: Farm Scenario 1

- John **NOT** yet ready to step back
- Tom identified successor, wants to become involved in the farm
- Interim arrangement to involve all parties in the farm business

Why a farmer may consider forming a Registered Farm Partnership?



What are the Financial Benefits - RFP?

- Max. income at low income tax rate (€40,000 per partner)
- Stock Relief
 - Young Trained Farmer (YTF)
 - » 100% on same ratio as profit share
 - » 4 years
 - Enhanced stock relief for parents
 - » 50% on same ratio as profit share
 - » Max. €15,000 over 3 years
- TAMS 3 Grant
 - Double investment to €160,000
 - YTF, 60% on first €90,000
- Collaboration Grant
 - 50% grant aid
 - Max. spend €3,000 (establishing RFP)



What are the Financial Benefits - RFP?

■ Direct Payment Incentives

- Complimentary Income Support for Young Farmers
 - » c.€170 on up to 50 Hectares
- Young and New Farmer National Reserve Scheme
 - » Top-up low value entitlements
 - » New entitlements on naked lands
 - » Max. 50



■ Succession Farm Partnership

- €5,000 tax credit to the RFP
- Max. 5 years
- Not in tax year where successor is 40 years old at beginning of that year
- Caution: YTF Stamp Duty relief qualification

Succession Farm Partnership

Incentive to transfer farm to the next generation.

Key Requirements

- Land cannot transfer for three years (year 4 – 10)
 - Caution: where successor is >32 years old
 - (Stamp Duty Relief v Tax Credit)
- €5,000 tax credit to the Succession Farm Partnership (max. 5 years)
- Successor cannot claim tax credit in the year they turn 40 years of age.
- Companies do not qualify.

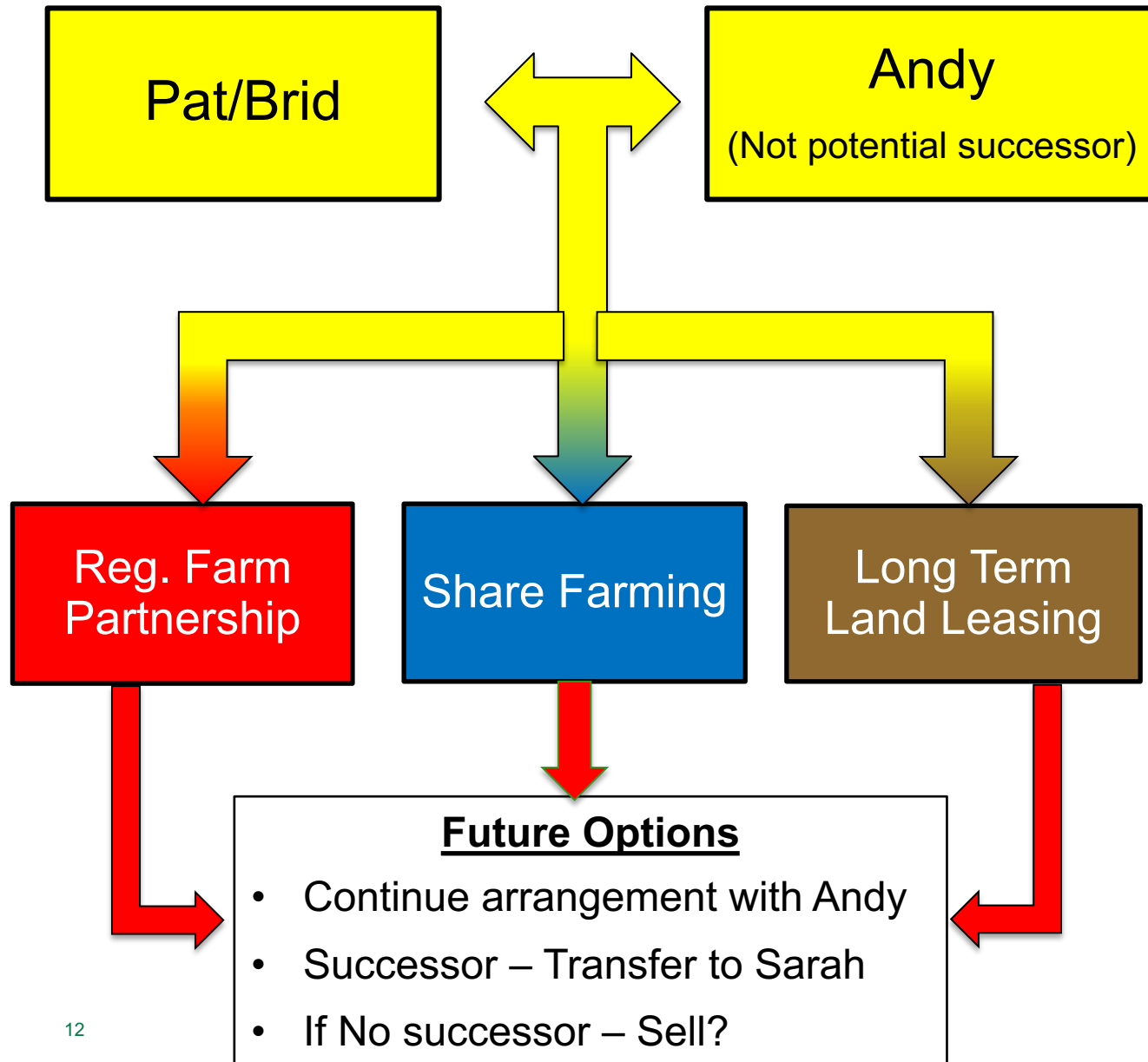
Collaborative Farming – Scenario's

Example: Farm Scenario 2

- Pat (78) & Brid (75) - Cattle farming (85 acres).
 - Sarah (40) – Engineer in UK
 - Michael (35) – Living/Working in Mayo, no interest in farming
- Sarah - identified as the successor.
 - due to work/family commitments is remaining in UK
- Andy (29) -neighbour of Pat/Brid's
 - very interested in farming
 - worked part time with Pat/Brid
 - owns no land



Collaborative Farming – Scenario's



Example: Farm Scenario 2

- Pat/Brid are prepared to step back/retire
- Successor(Sarah) not ready to take over **OR**
- No identified successor/s
- Interim collaborative farming arrangements can be entered into
- Further options at a later stage

Dairy Share Farming

- One farm - Two separate business
- No rent/fixed payments
- Agreement to share inputs/outputs (risk/reward)
- No joint bank account
- Situations where Share Farming may suit:
 - No identified successor (land owner)
 - No access to land (share farmer)
- What is involved?
 - 1. Putting plan together
 - A) own budgets & complete agreement
 - B) sharing input/output arrangements
 - 2. Operation phase – good communication
 - Each has responsibilities
 - At year end – finalise accounts
 - 3. Exit plan



Long term Land Leasing



Benefits for the Lessee



- Security of tenure
- Longer term planning of farm business
- Opportunity to increase scale
- Buildings may come with lands, reducing need for capital investment
- More cost efficient than land purchase

Benefits for the Lessor

- Opportunity to step back/retire from farming
- Retain ownership of the land
- Tax free income - up to thresholds
- Qualify for Retirement Relief from CGT
- Opportunity for development of the lands
 - Soil fertility / Reseeding
 - Fencing / Drainage
 - Water system / Farm Roadways



Advantages of Long term Land Leasing

Benefits for the Lessor

Income Tax Incentives for Long Term Land Leasing	
<i>Term of Lease (Years)</i>	<i>Max. Tax Free income/year</i>
5 - 6	€18,000
7 - 9	€22,500
10 - 14	€30,000
15+	€40,000

- These thresholds can be doubled where the lands are in joint ownership¹
- Income thresholds can include the value of the land and BISS Entitlement leased out

■ ¹ Proof of ownership on Land Registry Folio`s may be required

What is Contract Heifer Rearing ?

Written Agreement between a Dairy Farmer and a Heifer Rearer

Dairy Farmer supplies heifer to be reared at an agreed fee/head/day



Heifer Rearer undertakes to care for and return to owner a heifer in calf, in good condition/weight for age

Both parties must benefit for a successful arrangement

Why would a dairy farmer consider Contract Rearing?

?

- Cows replace Heifers on grazing land
- Labour Issues on farm
 - Availability
 - Intensity of spring workload
 - Fewer stock groups
- Cost of Renting/Leasing Land
- Costs associated with out blocks
 - Machinery/transport costs
 - Time lost
 - » Impact on other key tasks
- Calf rearing facilities – limited
- Inadequate winter housing



Why should rearers consider Contract Heifer Rearing ?

- Compliment existing farm enterprise
- Potential to be more profitable
 - Technical Performance / Payment rate
- Provides a better cash flow
 - Paid by monthly direct debit.
- Remove risk of volatile market/price
- No investment in livestock required
 - Tax advice required if selling off other stock
- Increase stocking rate & output



Summary

- Collaborative Arrangements are Business Arrangements
- Many different options available - select best suited to your needs
- Trust, flexibility and communication are critical to success
- Stepping stone to farm succession



Collaborative Farming Arrangements are major business decisions, therefore,

- Independent Legal Advice from a Solicitor,
- Taxation Advice from an Accountant,
- Agricultural Advice from Agricultural Advisor/Consultant

should always be sought before entering into any Agreement.