

# SHARING THE LOAD

**Paidi Kelly** reports from a visit to a dairy farmer who plans to expand his dairy business by collaborating with a share milker in the future

Recently I visited a dairy farmer who is planning to collaborate with a share milker next year in order to take a step back from farming while still expanding his dairy herd. Sharemilking is an arrangement where one party supplies the land, buildings and some or all of the stock and the other party supplies labour and some or all of the stock.

The two parties then split an agreed percentage of milk income and farm expenses. The share milker provides the labour to run the farm, and he/she will get a percentage of the milk cheque and also pay a proportion for certain costs e.g. feed and fertilizer.

In New Zealand, 35% of all dairy farms are operated through some form of a simi-

lar business structure.

The dairy farmer I visited is in his mid-60s and milks 80 cows. His wife helps out a lot on the farm and a trainee student helps every spring. They have two adult children, neither of whom has an active interest in the farm.

The farmer owns 140 acres around the milking parlour and leases another 30 acres adjoining this. He leases more land away from the parlour which could suit heifer rearing and silage production in the future. Up to now he has been rearing and selling surplus dairy heifers and finishing bull calves from the dairy herd to utilise all the land.

The farmer knows his farm has the potential to profitably produce a lot more milk.

Although a lot of reseeding



Share milking can help unlock the potential of a farm.

## KEY POINTS

- ➔ Married dairy farmer in his mid-60s is planning expanding his farm from 80 to 200 cows and taking on a share milker to make it happen.
- ➔ Share milking is where both parties share income and receipts from the dairy business.
- ➔ Macra Land Mobility Manager Austin Finn is working with the farmer to identify a suitable share milker and help them set up the arrangement.
- ➔ Teagasc are at an advanced stage of developing a template for share milking in Ireland which will be available this year.

is needed, land type is free-draining and the farmer estimates the farm could grow enough grass to support up to 200 cows.

However, he doesn't plan to take on a share milker in the future just to be part of post-quota expansion in Ireland. Working with a share milker and expanding the farm to 200 cows fits in with a number of goals of the farmer and his wife. They explained: ➔ Stepping back – "We want to take a step back but none of our children are interested in farming full time. I am farming for nearly 50 years and find the workload more difficult now. We also have grandchildren that we want to get spend more time with." ➔ Income – "To take on someone to manage the farm there

needs to be two incomes generated. Milking more cows is the best way of doing this and we feel taking on a share milker is the best way of milking more cows (see across – why sharemilking)."

➔ Risk – "If I ever get injured on the farm or get ill then we have no one to manage the place."

➔ Potential – "I know the farm is capable of supporting close to 200 cows and I would love to see it achieve that. It took me 30 years of quota searching to build the herd to 80 cows today and I would love to see the farm reach its potential."

➔ Value – "By taking on a share milker we can increase the value of the farm and have a business capable of providing a good source of extra income to the next generation or a business worth more to sell."

➔ Opportunity – "I know there are young, ambitious and skilled people out there who love dairy farming but will never inherit a farm of their own. This could be that person's opportunity to own a part of their own dairy business and we would be delighted to give someone this chance."

## Why share milking?

I asked the farmer about the different options he and his wife have considered and why they feel share milking would be the best option for them.

**Stay as you are?** - Farmer replied: "I want to take a step back from farming and I think it's a big risk that if I get hurt or ill then the farm will suffer and our income is at risk."

**A partnership?** - Farmer replied: "A lot of my neighbours are a similar age to myself and I think what this business really needs is the energy of youth to drive profitability. We have the land, buildings and stock but we need the energy and ability to put these together into a profitable business."

**Expand and hire labour?** Farmer replied: "Again I want to step back from the farm and don't want to be responsible for hiring labour. The principle of share milking is the share milker's profit completely depends on how much milk he/she can deliver from the farm while keeping costs down. He/she will pay for a percentage of the meal bill so if we are feeding meal when we shouldn't be the share milker is feeling it in their pocket and questions if it is the right thing to do. The arrangement incentivises efficiency so there should be little need for me to monitor the share milker."

**Exit dairying?** - Farmer replied: "No other enterprise can compare with the profit from dairying. I have a profitable business now and I am fortunate that I have the land area to achieve a scale where dairying will support two incomes."



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# SHARE MILKING

## Different business options

In a share milking agreement the farm owner and share farmer essentially run different businesses on the same farm. Both may own stock but the farm owner is responsible for providing sheds etc while the share farmer will provide the management ability and labour to manage the farm. They will share income and expenditure of the dairy business but the Single Farm Payment will be the farm owner's.

What investment is needed to milk 200 cows on this farm? At the moment the farm has 100 cubicles but a slatted shed for dry stock could easily be converted to add another 80 cubicles. There is a 12-unit parlour on the farm. The farmer plans to knock this, build a new parlour elsewhere and put in more cubicles in this area.

Total spend could still easily come to in excess of €200,000. Is the farm owner willing to spend this money at this stage of his farming career? He said: "A lot depends on the potential business and the share milker.

If we can get this farm performing to its potential, then I would be very happy with that level of investment. Last year I only produced 900 gallons per cow because I had too many cows for available quota.

"If we can produce milk profitably then I would be very happy that my share of the business will allow my family and the sharemilker to live comfortably and meet the required repayments."

### The right person

To help find the right person and get the new business structure set up properly, the dairy farmer and his wife have engaged the services of Macra land mobility programme manager Austin Finn. More than 100 people have registered their interest with Austin and are looking to engage in some form of collaborative farming.

Austin is putting suitable candidates in contact with each other and hopes to have a number of new arrangements set up in the second half of the year.

The farmer explained to me what he would expect from a potential share milker that Austin will put him in contact with - "I expect the share milker will be a young man or woman who has the skill and work ethic to profitably manage a dairy farm. He/she must have good experience behind them - the business will sink or swim based on their management ability so the person must be ready for the responsibility. Farm owners will differ but I personally would be happy to take a complete step back. I would be happy to do a bit of milking at weekends maybe."

The farm owner is looking for a person with the skills and experience to profitably run a dairy farm. A share milker doesn't need to own land or even come from a farming background. A share milker should earn more than a farm manager as they are taking on part of the risk in milk price and performance fluctuations. This is what should incentivise them to manage the farm to the highest possible standard.

Macra land mobility manager Austin Finn



**"I expect the share milker will be a young man or woman who has the skill and work ethic to profitably manage a dairy farm"**

Share milking creates the opportunity for someone to create wealth for themselves through dairying and allow them to aspire to own a part of their own dairy business someday. Effectively it creates a ladder for ambitious skilled and hardworking people to progress in the dairy industry. Share milking is not the first step on the ladder; a potential share milker must have a high level knowledge of dairying and have experience.

In the scenario described in this article, the farm owner would like the share milker to bring stock onto the farm to help the farm expand and show commitment to the share milking position. This would entitle the share milker to a higher share of the milk cheque than if they brought no stock into the business.

The actual split

of income and expenses between farm owner and share milker will be determined by the two parties after completing a whole farm budget for the farm. A 30% split of a 200-cow business at a base milk price of 30c/l could potentially deliver €50,000 for a share milker based on average profit monitor performance. Top 10% performance would increase profit by 25%. The share milker could use this profit to grow their own stock numbers and has the option of share milking a bigger farm in time, entering a partnership or leasing a farm and stocking it with their own cows.

Developing a share milking career model would deliver a lot for both farm owners without successors and young skilled people who don't have a farm to inherit. The current tax review could put incentives in place which allow the share milker achieve equity growth quicker, making it a more attractive career for ambitious young people.

The Land Mobility Service is an initiative of Macra Na Feirme with the financial support of FBD Trust and other stakeholders. Contact Austin Finn at 086 2541425 or www.landmobility.ie

## Next week

Lessons learned and opportunities from the land mobility service

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## ADVERTISER'S ANNOUNCEMENT

# Easy Care and Long Life Cows for Your Herd

Last November, ABS Ireland sent its first shipment of AI straws from their grassland programme to New Zealand. According to Ciaran O'Shea, dairy product specialist, the sires selected were Radney Rock and Hanrahan Victorious.

Rock was bred by Henry O'Keefe (see photo), a supplier to Kerry Co-op, while Victorious is from the herd of Dairygold milk suppliers Michael & Matt Hanrahan who farm near Mitchelstown, Co Cork.

Both these bulls were selected because they met the ABS vision of easy care and long life cows.

This means they must excel for production, type, fertility and longevity in a grass-based system without any preferential treatment. ABS customers want a cow to calve each year and produce high levels of solids with a good balance of milk.

ABS sires are all from full pedigree stock and from proven cow families. So dairy farmers can be assured of a good physical confirmation, excellent fertility and, of course, longevity.

After all, functional dairy traits is the most important area to consider when selecting replacement heifers.

### Excellent bulls

Some of the excellent bulls available include Radney Rock

- this Irish grassland bull is a health and fertility specialist.

Exceptional scores for daughter fertility (€158) and survivability 5.65%, while also being an SCC improver which makes him a great fit for Irish spring calving systems. This bull is also becoming popular in New Zealand.

Another great sire is Curra Angel - this bull is a grassland production, fertility and longevity specialist. He combines 209kg of milk and 37kg of milk solids with an exceptional calving interval of -6.83 days.

His dam is entering her fourth lactation, grand dam entering her 11th lactation and great grand dam lasted 10 lactations, highlighting the longevity of the cows ABS aim to breed.

Curra Pluto is another great bull, one of the exciting new high index sires available. Bred by Kieran Hearne, a well-known Holstein breeder and a Glanbia milk supplier who farms near Carrick-on-Suir. He brings a fine balance for production (€91) and fertility (€161) sub-indices along with good kg of milk, but-terfat and protein.

He is sired by Supersonic (WDS) from Curra Royal Carra VG85, an exceptional cow for fertility, protein and longevity. Royal Carra recently calved for the 10th time in February 2014. Her previous nine lactations averaged 6,358kg

at 4.65% fat and 4.16% protein. This is a cow which excels among herd mates in a grass-based system, with no preferential treatment.

Or you can choose Cordes-Maid Stonewall - this Rock Solid Shottle son provides a great balance of EBI, milk, protein, fertility, strength and functional type for the commercial dairy farmer. He also has excellent scores for SCC so one can expect great demand for his semen.

There is growing demand worldwide for AI semen from Irish sires to suit cows on grass-based systems in Australia, Britain, Chile, New Zealand and South Africa. All semen shipped before Christmas to New Zealand has been sold with further orders placed for those bulls

and additional bulls also going on their order list.

For further information, phone Breda Palmer or one of our 14 breeding advisers. Your local ABS representative has the practical experience and training required to give you excellent advice on the most suitable breeding programme.

ABS Ireland Ltd has been based at Ballyadeen, Mallow since 2005. It is a subsidiary of Genus Plc, the largest cattle breeding business in the world and have supplied sexed semen since January 2007.

RIGHT: Andrew P Rutter, breeding programme manager, Genus/ABS Ireland, discussing the success of Irish grassland bulls in New Zealand with Henry O'Keefe, breeder of Radney Rock.



## ABS IRELAND SPRING 2014 DAIRY BULL PACKS



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High EBI (Non Oman)	Rock	Struck	Victorious	€269	€14
Grassland Solids	Evert	Noel	Pluto	€286	€15

\*10 straws of beef semen available @ reduced rate of €7 per straw with every 30 straw dairy pack purchased\*

FOR MORE INFO CONTACT YOUR LOCAL ABS REP OR OFFICE ON 022 460 30