



Land M**o**bility 2019 Report



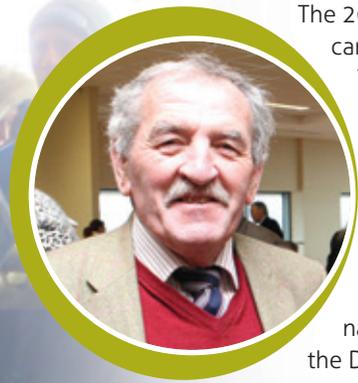
 **FBD**
An FBD Trust
funded initiative

Options for Land Owners and Opportunities for Young Farmers Working Towards a Shared Future





Foreword by Michael McBennett



The 2019 Land Mobility Report is proof that this programme can play a pivotal role in the future of Irish agriculture. The 521 arrangements resulting in 47,000 acres being now farmed by younger, trained farmers is ample evidence of the success of this programme, conceived, championed and promoted by Macra na Feirme.

To date most of the financial support has come from FBD Trust, Aurivo, Dairygold, Glanbia Co-ops, Macra na Feirme, Irish Farmers Journal, Lakeland Dairies and the Department of Agriculture with human and moral support coming from Teagasc, IFAC, IFA, Macra, IFJ, and many other organisations. Without this support this service would never have come into existence and the future of Irish agriculture and the country would be the poorer for that.

Given the challenges that the country and agriculture in particular, is facing, such as Brexit, isolationist nationalism, climate change etc., and that we export the vast amount of our agricultural production, it is essential we become as competitive as possible by getting as much of our farm assets as possible under the management and care of younger, trained and ambitious farmers. The continuation and the expansion of the Land Mobility Service is crucial in this regard.

In conclusion I would like thank Austin Finn for his trojan efforts with the service to date, his commitment, enthusiasm and belief in what the service is about shines through.

I would also like to thank the members of the Advisory Committee for their input and all their contributions, be that financial and/or advisory.

Michael A. McBennett
Chairman, Advisory Group

521
Arrangements

Moving
from a Pilot to
a Nationwide
Service

47,000
ACRES

**Delivering Options for Land
Owners and Opportunities
for Young Farmers**





Foreword by Thomas Duffy, President Macra na Feirme

This report marks yet another milestone in this incredible initiative. Both the work of the staff, in particular Austin Finn, and the support and guidance of the steering group have made this such a successful service. The work in bringing this from concept to pilot and now to a service which is being replicated in other member states would not have been possible without the financial support of FBD Trust. The support and buy in for this initiative from stakeholders such as the dairy cooperatives, the Meat Industry, Teagasc and the Department of Agriculture have ensured its success throughout the country.

The fact that the service has provided facilitation for more than 500 arrangements is a testament to the hard work of a great many people, the value of the service in terms of generational renewal and opportunities for young farmers cannot be underestimated. An independent service which can facilitate what can often be a very difficult provides stability and safety for the both parties involved. 47,000 acres now under arrangements provided by the service shows the phenomenal growth since its establishment in 2014.

As it prepares to take the next step in governance structure, I would like to take the opportunity to recognise the work of past National President Alan Jagoe who established the terms for the Land Mobility and Succession Report 2013, which formed the foundation for this service. The work of past presidents Kieran O'Dowd and Sean Finan, our past and current CEOs Edmond Connelly and Denis Duggan during the pilot process and preparing it for rollout as a national service. Both past President James Healy and CEO Denis Duggan have been essential to its stewardship as it grew from pilot to national service.

We look forward to developing the service even further and growing participation as it has been so valuable to all those who have engaged with it up to now as demonstrated in the 2017 micro study. However, the cultural change it has helped to create goes far beyond even the impressive numbers directly involved helping to foster a new future for all Irish agriculture.

Thomas Duffy
Macra na Feirme
National President 2019-2021

Section A: Progression of the Service and Governance Structures

Background

The Irish Land Mobility Service was established in 2014 by Macra na Feirme with the financial support of FBD Trust. This Macra na Feirme initiative is supported by a wide range of stakeholders. The purpose of the initiative was to provide a subsidised, independent, and expert service that would promote and facilitate Collaborative Farming.

The forms of Collaborative Farming include Long Leases, Partnerships, Shared Arrangements and Farm to Farm Arrangements like Contract Rearing. The arrangements must be realistic and sustainable and have to work for all parties.

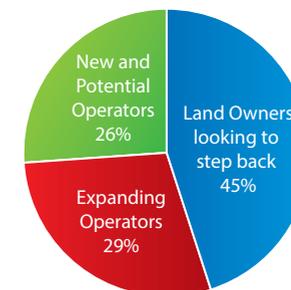
The service has three key elements:

1. Provision of information and creating awareness of the options available and how they may work, including new and innovative land-use models.
2. Helping farmers and land owners find suitable collaborators, then facilitating sustainable arrangements that can work for all parties. The service represents the collaboration rather than either party.
3. Provision of support and back up for established arrangements or collaborations.



Since its inception (initially as a pilot and now rolling out nationwide) the service has been involved in excess of 500 arrangements covering more than 47,000 acres. As of March 2019, the service is actively engaged with over 200 people who are either looking for opportunities or at their options. These people fall into three categories: Land Owners who wish to step back, New Entrants to Farming, and Existing Farmers looking to expand.

Client Profile



The Land Owner cohort with whom the service engages in the main are those that have no identified farming successor (in most cases they have family but not farming family). The IFA/Macra na Feirme/Pat Bogue Study of 2012 found that 46% of full-time farmers had no identified farming successor. The vast bulk of the services activity is outside the family, family progression will tend to happen anyway and is supported

by the family accountant or advisor, hence not usually requiring this type of service. The service has been very effective where there is no realistic family option or the family option is not straightforward, for example due to lack of scale or expertise. The service provides farming opportunities for young and potential young farmers with no or limited land. These young people are most likely to enter into successful sustainable arrangements when they have the necessary skills, expertise and mobility. Finance will also be a factor, for shared arrangements the level of finance required is not excessive, but it can be prohibitive for long leases. Finance and support for such young farmers usually comes from a range of sources including own savings, family, banks and previous employers. The overriding aim of the service has been the delivery of land mobility and access to land through collaborative farming arrangements. Since its inception the service has demonstrated that with dedicated independent expertise, farmers can be facilitated to enter into new collaborative arrangements leading to a better return for both the farmer and the landowner.



Progression and Governance

During the pilot the focus was to encourage new thinking and to stimulate activity. This has been achieved and a need demonstrated. The impact to date has been:

1. New and Innovative Land Use Models
2. Sustainable Arrangements

3. Progression for Young Farmers
4. Supply Security and Supply Enhancement for Agri Industry

Such a service needs significant and continued support to ensure success. Subsidisation is vital:

1. To encourage engagement and action, otherwise the 'do nothing' option prevails
2. Facilitating collaborations requires significant time and effort
 - a. Identifying suitable persons
 - b. Ensuring the farm plan and negotiated agreement are workable, sustainable and appropriate

Positive change requires targeted effort. Leaving the market completely to its own devices can have unsatisfactory outcomes:

- Abandonment
- Conglomeration
- Demise of the family farm
- Progress too slow

Independent Expert Facilitation has probably being the most important element of the service.

The national rollout of the service is being done through linkage with and support from stakeholders. The service remains independent but with a new governance structure, it has moved from being and entity within Macra na Feirme to a subsidiary company governed by guarantee with its own board and governance.

Section B: Service Activity and Engagement

Delivery of Arrangements

In 2018 the service helped facilitate 114 arrangements delivering a cumulative total of 521 arrangements involving 47,000 acres since its inception. This has exceeded all expectations many times over.

The suitability and sustainability of an arrangement is more important than arrangement type. **Types are legal forms all with differing pros and cons.** What is most important is that the arrangement is properly facilitated, that there is a proper farm plan and that it works for all parties. The legal form will be what suits the parties best, based on input from their tax and legal advisors.

Having a formal written agreement is very important for clarity, cross compliance and nitrates. It is something banks, the Department of Agriculture or Revenue could look for.

The Land Mobility Service has templates for all the different types of arrangement.

The Service has helped facilitate 521 arrangements

Arrangement Type	No.
Farm to Farm (contract rearing, contract production)	81
Share Farming	118
Partnerships	99
Long Leases	223
	521



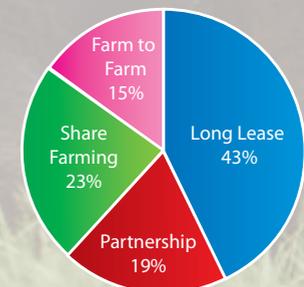
The average farm size was 90 acres.

Long term leasing has proven to be the most popular arrangement. The good spread of other arrangement types illustrates the importance of options and how different arrangements suit different farms.

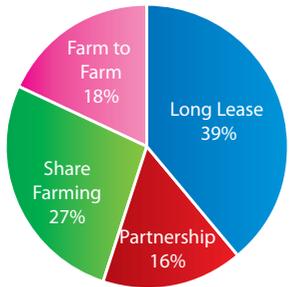
The next two charts show the proportion of arrangements facilitated by type in total since the inception of the service (cumulative) and for 2018.

While leasing was still the number one arrangement for 2018 there was a growing proportion of the other arrangement types. This can be attributed to greater awareness of other options and a desire for land owners to stay involved.

Arrangements Facilitated by Type, Cummulative

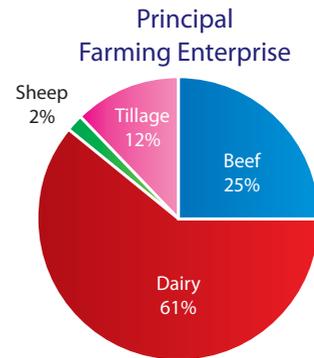


Arrangements Facilitated by Type 2018

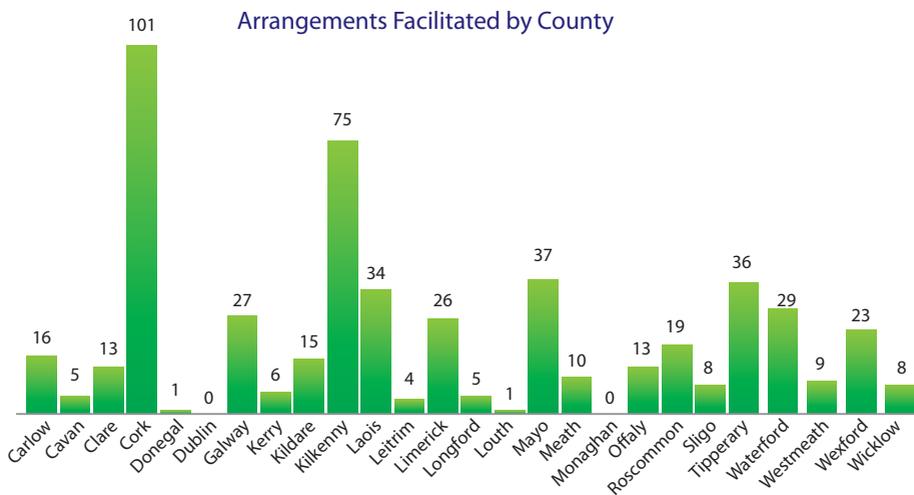


Due to the abolition of milk quotas and dairy farming's ability to generate a sustainable income under good management, dairying has been the predominate enterprise. However there has been engagement across all sectors and arrangements facilitated for all enterprises.

This chart displays the breakdown of arrangements facilitated by farm based on the farms principal enterprise.



The service has been engaging beyond its original pilot areas and is now set to offer a true nationwide service.



Economic and Social Impact at Farm Level

While the headline figures demonstrate the overall impact of The Land Mobility Service and Collaborative Farming a micro study was carried out during 2017 to determine impact at farm level.

Background

Overall Land Mobility Service results demonstrate the need and importance of such a service. Acceptance and understanding of collaborative farming and its benefits have increased, the service has helped facilitate 521 arrangements encompassing the mobility of 47,000 acres.

This represents the overall impact but in order to get a better understanding of the impact at farm level, farms were randomly selected across a range of arrangement types and locations, historical farm performance was compared to post-collaboration performance.

Methodology

A detailed review of 20 farms was undertaken to examine changes in productivity following participation in a collaborative agreement. Data pre-collaboration representing baseline figures for livestock numbers, total and per unit output, and acreage was then compared with up to date information on:

- Land area and livestock numbers
- Farm Production
- Labour and employees
- Long-term plans
- Overall thoughts on collaboration

This provided a post collaboration insight and performance position. Farm selection was random and the outcomes are reflective of overview statistics in terms of mix of arrangements types, mix of landowners and farmers, locations and enterprises. All farms selected participated.





An overall increase in performance coupled with better use of resources, labour and capital was evident.

Summary Findings

- Collaboration delivered a 65% increase in production on average.
- Taking out the impact of increased scale a 41% increase in productivity was delivered on collaborated land.
- Further increases in production and productivity were projected from 2018 through to 2020
- 80% of arrangements involved a trained farmer under 40.
- On average two people were gainfully employed while three people were getting an income per farm.
- Collaboration delivered both financial and non-financial benefits.
- Collaboration provides opportunity, the independent expert facilitation provided by the Land Mobility Service was considered a big positive.

Dairy Farming

- The average increase in stock numbers on dairy farms since entering collaboration was 54 animals.
- The average total farm yield of those participating in the study was 651,417 litres in 2016, increasing to 730,445 in 2017. The farm range was 500,000 litres to 1.9 million litres.
- Collaboration resulted in improved labour efficiency and better labour security. The average number of people gainfully engaged in the arrangements examined was two and the average number of people getting an income

from the arrangement was three (the difference being the non-working/retired/stepping back land owner or collaborator).

- Most envisaged future growth in output and efficiencies.

Thoughts on Collaboration

- Collaboration provided a great opportunity. For farmers it provided the opportunity to farm either through accessing a farm or providing sufficient scale or better land quality. For land owners it allowed them to step back while seeing the farm cared for and having an income.
- Participants identified collaborations as being critical to the future of the farming industry.
- A focus on sustainability and ensuring that all deals are fair for both parties was seen as crucial to the success of all collaboration.
- Ensuring that the collaboration was long enough in duration was also highlighted especially where investment had been undertaken in infrastructure.
- The independent facilitation of the Land Mobility Service was highlighted as a big positive in bringing clarity to arrangements and dealing with disputes.

While this review demonstrates some of the benefits delivered by The Land Mobility Service capturing and analysing additional relevant comparable data merits further study.

How does the Service Work

The Land Mobility Service engagement process is as follows:

- A land owner, farm family, young farmer or other, contacts the service having obtained the service's contact details via referral, the web site, the Farmers Journal page, a workshop/seminar or other.
- Following the initial contact should a need be identified and/or it be apparent that the service can be of benefit, a consultation is arranged, otherwise information is exchanged for possible future follow up. All information exchange is without obligation and is confidential.
- At the initial consultation meeting preferences, plans, history, farm details, and the like are ascertained. The service is explained. Various options and scenarios are outlined together with related implications.
- Should a family option exist, this is explored.
- Outside the family, should a preferred collaborator already be identified this is explored and a subsequent meeting, in conjunction with this collaborator, is set up with a view to facilitating a solution that works for all parties.
- If no potential collaborator is known or none exists, the service helps in trying to identify potential collaborators.
- As part of the facilitation, matching, and solution finding process all parties are encouraged and advised to consult with their own advisors (family, friends, agri consultant, accountant, solicitor, other). If requested, the service will attend such meetings.
- The service works for the potential

agreement, is confidential, independent, expert and without obligation.

- The agreement must be sustainable and fair (budgets, farm plans, etc), it must work for all parties (family, tax, Basic Payment Scheme, security, realism, etc). The final agreement type, terms, price/share, form, etc falls out of this process. The service using approved templates can help draft up the final agreement.

Where no potential collaborator is known or exists The Land Mobility Service uses its database and the page in the Irish Farmers Journal to help find people. Expressions of interest are collected and discussed with the land owners. The land owners will then invite preferred collaborators to visit the farm after which farm plans and proposals are submitted. The potential collaborator who best suits the land owner is identified and the service helps to facilitate an arrangement. In practice this process works very well.

In 55% of cases land owners had no known or potential collaborator in mind.



Where an Arrangement is not Deliverable

There are of course situations where things do not work out or it is not possible to facilitate a collaboration.

Arrangements breaking down

All arrangements facilitated by The Land Mobility Service to date continue in one form or another, in the small number of cases where change has occurred it has been as follows:

- Arrangement has evolved to facilitate changing circumstances.
- Arrangement form has changed.
- Parties to the arrangement have changed.

The most common reasons why difficulties arise are when:

- The price is wrong.



- The parties have a completely different understanding of an arrangement.
- Personal compatibility issues arise.

Arrangement not progressed

The greatest area of lost opportunity is where an opportunity exists but no

arrangement is progressed. The Land Mobility Service has facilitated 521 arrangements but this represents less than 50% of engagements. Reasons why arrangements have not progressed include:

1. Land Owners backing out
 - a. Not yet ready for the change
 - b. BPS concerns
 - c. Family
 - d. Fear
2. Young Farmers backing out
 - a. Finance
 - b. Wanting to manage rather than farm
 - c. Commitment
3. Established operators backing out
 - a. Looking for too much
 - b. Labour
4. Other factors
 - a. Inability to find a suitable collaborator
 - b. Scale constraints
 - c. Figures don't stack up

Teagasc

The service works very closely with and compliments Teagasc Land Mobility efforts. Teagasc templates, budgets and guidance are used when developing and facilitating arrangements.



The service also takes referrals from Teagasc clients and supports Teagasc farm walks, discussion groups, and information events.

There is a particularly strong working relationship with Teagasc Moorepark in terms of young farmer training and dairy expansion.

Farm Organisations

The service has an excellent working relationship with the farm organisations, providing options to and taking referrals from members.



Section C: Young Farmers

This is an exciting time for young farmers, real opportunities exist for young people interested in farming whether they own land or not. Macra na Feirme has played a key role in:

1. Abolition of Milk Quotas.
2. EU payment top ups, National Reserve, enhanced TAMS (Targeted Agricultural Modernisation Schemes) for Young Trained Farmers.
3. Support structures like The Land Mobility Service and education initiatives.

Progressive young trained farmers are vital to the agricultural industry and to rural communities. The service supports young farmers by providing a ladder of opportunity or increased scale. Young farmers provide options for retiring farmers, so in effect supporting young farmers supports all farmers.

Generational Renewal

Generational Renewal is set to be an important element in the next CAP. Farm succession and farmer age profile, together with access to land and finance concerns for young or potential young farmers are issues right across Europe.

The EU Commission are seeking to establish policy that will deliver an age diverse farming and rural population. Farming continuously requires young farmers and new entrants and rural communities require rural entrepreneurs.

At an overall level stated intent is that



Direct Payments for young farmers will be prioritised, within that each member state is to develop specific plans.

Across Europe access to land and finance have been identified as the single biggest barrier for new entrants. Outside the family there tends to be low supply availability for sale or lease. Within the family issues can include parents being slow to release control, insufficient scale or income for two generations, or no farming successor.

All countries are looking at alternative structures and supports for young farmers and generational renewal. Direct Payments alone will not deliver sufficient change.

France is providing access to land and finance through land development companies and local co-ops. These bodies acquire land through either purchase or lease and make it available to young farmers. Efforts tend to be regionally based and supported by local councils and ag colleges. Also there are very good rent and tenant protections for farmers in France.

The productive land areas in Germany have a particular problem of high land lease costs. Farming tends to be

dominated by larger units with biodigesters, most of the CAP payments go to these operators and it is very difficult for new entrants or small operators to compete. Rents in excess of €1,000 per hectare are not uncommon. Such rents are not sustainable.

In Holland farm debt is an intergenerational problem requiring new entrants and successors to buy the farm. This is the only way farmers can retire and new farmers enter, a high debt burden is being carried at all times.

The Irish Land Mobility Service model is attracting a lot of interest across the EU. Apart from matching, other countries see facilitating intergenerational co-operation as a major strength. The service is not overly focused on retirement but instead on collaboration. The emphasis is on sustainability and delivering an arrangement that works for all parties.

Young Farmer Examples

A sample of young farmers with whom the Land Mobility Service is either presently working or have worked with include:

- **The Shared Vision Group.** This is a young farmer discussion group who are farming in collaborative arrangements. They produced a nice booklet in January 2018, outlining their different career paths.
- **Kevin Moran, Galway.** Kevin is a Nuffield Scholar and a Macra na Feirme/FBD Young Farmer of the Year. Kevin had no land of his own but has managed to develop a significant dairy operation through a combination of leased and shared arrangements with his uncles, leased land from non-relatives and contract rearing.

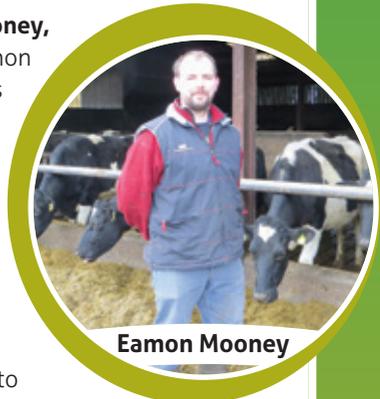


■ **Sean Coughlan, Mayo.** A Nuffield Scholar and active Macra member. When the Land Mobility Service initiative began, he was one of the first young farmers to avail of the service. Sean has a small fragmented home farm in Mayo which with help from his parents he still uses to rear heifers. Sean's dairy farming commenced with a share milking arrangement in Galway before moving to a leased farm in Clare. He is now looking to establish a second unit.

■ **Liam McCarthy, Cork.** Liam is from a dairy farm in West Cork, he is one of a number of siblings all interested in farming but with insufficient opportunity at home. Liam did his agricultural training and worked within the dairy processing industry but was always on the lookout for a farming opportunity of his own. Supported by his parents and bank finance he took on a long term lease of a dairy farm in North Cork from a couple who were looking to retire.

■ **Billy Curtin, Cork.** Billy is an excellent farm manager and entered into a lease with a land owner in Cork who was looking to either partly or fully retire. The owner still provides some machinery services to Billy. Billy has a shared arrangement with a previous employer that allowed him to stock the leased farm.

■ **Eamon Mooney, Kilkenny.** Eamon after doing his agricultural training took over the family beef farm. He ran this with his father and worked part-time. In order to progress the farm they converted to dairying but lacked the land base to generate sufficient income. An opportunity came up of a nice existing dairy farm not too far from their base



Eamon Mooney



that was not big enough to be a stand-alone unit but worked in conjunction with his home base. Eamon, an excellent farmer with a love for farming, is now a full time dairy and beef farmer.

■ **Paudi Donohoe, Wexford.** Paudi farms tillage with his father and has taken on shared and leased land to provide sufficient scale for their tillage enterprise.

■ **Colm Warner, Kildare.** Colm is a horticulturist who is in a shared arrangement with Nurney Organic Farm, an organic vegetable farm. This arrangement will progress and evolve over time.

■ **Martin Ryan, Tipperary.** Martin is not from a farm but developed a farming interest from his uncle. After his farming training Martin went into a partnership with his uncle and worked off farm as there was not enough for two incomes on his uncle's farm. Martin has leased a farm from a retiring farmer and is now fully engaged between this and his uncle's farm.

■ **Alan Shaw, Mayo.** Alan inherited a small farm of his own on which he used to run a suckler herd in conjunction with working as a dairy farm manager. He has entered into a dairy share arrangement with a dairy



farmer who was looking for someone to come in with him and take a vested interest in the business. The dairy farmer has off-farm interests so is now focusing on them, Alan is responsible for the dairy farm and using his home farm for dairy heifers.

■ **Ivor McCormack, Westmeath.** Ivor is from a farm but his parents are still young and there are other siblings. Ivor wanted to farm, did his training and built up his knowledge and experience. A potential collaborator was found for Ivor, a dairy farmer and business man. This person was involved in too much so he wanted to step away from the farm. The farm was milking 100 cows but has the potential for over 200 cows. Ivor will manage the farm, bring in cows and together they are developing the farm through a partnership arrangement.

■ **Brefeni Daly, Cork.** Brefeni started his agricultural training in Teagasc Clonakilty, Cork and was introduced to the service by a former employer. The employer who is an established grass-based dairy farmer was prepared to support Brefeni should the service find him a suitable opportunity. Brefeni has huge ability and ambition, he is confident, self motivated and a good communicator. The availability of a mentor opened up a wider range of opportunities and gave an assurance to land owners. This type of approach has worked very well in practice, the service has facilitated several arrangements where the young farmer has outside support. The support usually provided by a family member or former employer and is in the form of equity, stock and backup. This is collaboration at its



Brefni Daly

best, it opens up more opportunities for a young farmer and levels the field via established operators, it allows an established operator to get involved in expansion but in a safer, more sustainable and less involved way. Brefeni is in the second year of a dairy partnership, in Wicklow, milking 250 cows and is now looking towards more opportunities



Section D: Land Owners

What are the options for Land Owners?

The Farms of Land Owners fall into one of three categories

1. A working farm with scale and infrastructure, with the owners looking to step back.
2. A farm with loads of potential but requiring investment and/or conversion, the owner is not in a position to do this alone.
3. The farm or land block that lacks sufficient scale to be a standalone operation.

The options to be looked at by land owners include:

- The Family Option
- Long Lease
- Partnerships
- Share Farming
- Farm to Farm

What is important is that there are a range of options that can be explored. Much of this represents new thinking, a new approach and new templates.

A brief definition of differing options is as follows:

Long Term Leasing

- The farm operator is the farmer.
- Leases tend to be clean and simple.
- Long Term Leasing is very tax efficient.
- Problems can arise if the rent is too high or the lease is too short.
- Large and established operators tend to be better positioned to take on a significant lease than young or small farmers.
- While land owners can retain some land to continue farming, once they lease out their land they are effectively retiring.
- For many land owners the trade off is between tax free income and continuing to be an active farmer.

Registered Partnerships

- When most people talk about partnerships, they are referring to Department of Agriculture Registered Partnerships.
- With registered partnerships, the partnership is the farmer.
- The partnership is one entity, with one herd number, and a shared bank account.
- All participants farming interests and BPS entitlements are brought into the partnership.





The Land Mobility Service

Opportunities for Young Farmers

After Training, Travel, and Experience
...Where To ?

1. Home Farm 
2. A Job
3. Collaborative Farming

Options for Land Owners

Thinking About ?

1. Expansion 
2. Changing Enterprise
3. Stepping Back

- It is important that roles, shares and exits are clearly defined in advance.
- Registered Partnerships are excellent mechanisms as part of family farm progression and/or if availing of Young Farmer Schemes and TAMS thresholds.

Shared Arrangements

- Shared Arrangements have many names and guises including Dairy Partnerships, Share Milking, Share Cropping and Contract production.
- Each party is a farmer in his / her own right.
- It is not necessary to involve / include all farm operations.
- Shared Arrangements can allow land owners remain active.
- Shared Arrangements can be a great entry or expansion option for young farmers.
- Risk and reward are shared.

Picking the Right Person is crucial

What has emerged is that the most important factor when considering an arrangement is identifying the right person.

The right person will:

- Look to form a realistic fair agreement that works for all parties.
- Honour the agreement.
- Make sure things are done right.
- Respect the wishes and concerns of all parties.

All too often, under normal circumstances, people can come along who will agree to anything, knowing that they will not pay what was agreed or will not comply with their obligations.

There is nothing wrong with checking a person's track record, looking at their

current operations, or asking them to explain their farm plan. The right person will be open and have nothing to hide, in fact they will appreciate this engagement.

Examples of the consequences of the wrong person are all too evident and are an unfortunate deterrent to land mobility

- Broken promises
- Failed payments
- Poor land care
- Damage to facilities

The right person and the right arrangement will work for all parties, providing security and good farming practice.

Land Owner Examples

Many land owners have successfully explored and progressed options through the service.

- **Kevin Meaney, Limerick.** He spent forty years dairy farming and was looking to step back, he engaged with James Murphy through the Land Mobility Service. They are now in their

fourth year of the arrangement and are really happy with how things are going. They found it very useful to have an independent party to help sign up arrangements plus help with things like herd numbers and BPS applications.

- **Andrew Desmond, Cork.** He entered into a contract rearing arrangement, facilitated by the Land Mobility Service, with Michael and Jerry Murphy.



Andrew farms 80 acres and was a dairy farmer before converting to suckling. Andrew wanted to stay farming but wanted a more manageable operation and was frustrated by the uncertain returns in beef. With the help of the Land Mobility Service Andrew explored the various options open to him, to see what best suited him.

- **John Kehoe, Carlow.** John had been farming in Carlow for over 40 years operating a 145-acre mixed farm. John had always been a progressive farmer aiming to maximise return from his holding. In recent years John focused on beef and tillage. John decided to step back from farming and with the help of the Land Mobility Service he has been looking at his options.





He has two adult children with successful off-farm careers, they helped with the farm but would not go farming themselves. The 145 acre farm is all in one block of good quality with reasonable facilities.

The scenario and dilemmas faced by John are quite common. The two most important things for John were income security and ensuring that the farm would be properly looked after. John and his family looked at the merits and implications of a range of options including leasing, share farming and contract rearing. For them a long lease was the preferred option providing certainty and tax relief, but for John the most important thing was finding the right person.

Following some investigation and fact-finding, John entered into discussions, facilitated by The Land Mobility Service, with a progressive farmer. This farmer was known to John and has a good reputation.



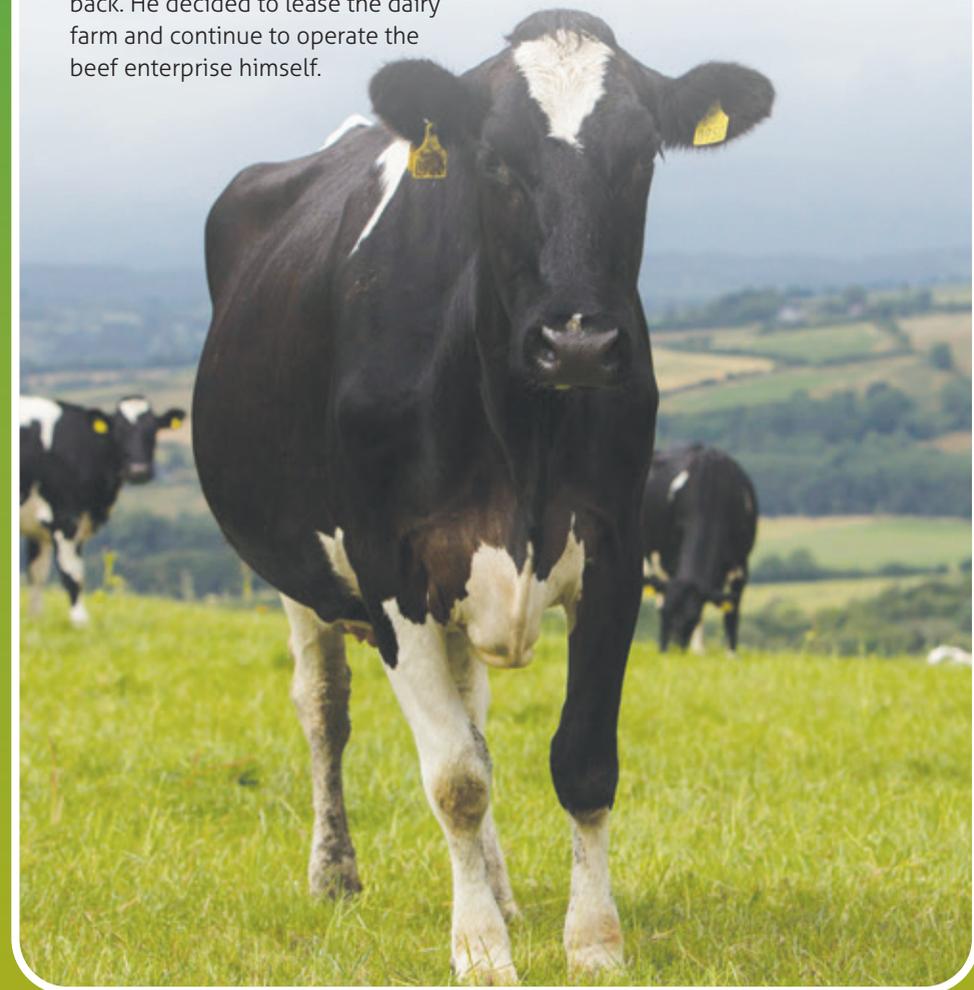
There is a good working relationship and both have a similar vision for the farm, the important thing for both was formulating an agreement that worked for all parties. A 15 year lease is in place.

■ **Pat and Marie Butler, Wexford.** Pat and Marie have a large top-quality farm. Their enterprises were tillage, sheep and beef. Pat wanted to step back but at the same time see the farm develop. Pat saw the Land Mobility Service and the end of milk quotas as an opportunity for him. The farm represented a significant grazing platform, there was plenty of slurry storage and sheds. The service helped Pat find someone who could bring cows, dairy expertise, and was prepared to share in conversion costs. Pat wanted to stay involved himself from a well-being view point and for BPS security, so Pat needed someone open to sharing. A shared arrangement was established with an existing dairy operator.

■ **Tim Ryan, Cork.** Tim operated an excellent dry grass farm near Bandon milking 60 cows and finishing beef. The farm is capable of carrying 120 cows but would need some infrastructural upgrading. Tim following discussions with his Teagasc advisor felt that stepping back was more appropriate for him than expansion, so a consultation was arranged with the Land Mobility Service. Through using the Farmers Journal page, a suitable

collaborator was found for Tim. The collaborator was a farmer's son from the area, and they are now in the second year of a long-term lease.

■ **Seamus Tynan, Tipperary.** Seamus is a beef and dairy farmer who engaged with the service as he was looking at options for stepping back. He decided to lease the dairy farm and continue to operate the beef enterprise himself.



Appendices

Appendix 1: Long Term Leasing

A step by step guide to formulating a land lease

Long term leasing (minimum 5 years and can be considerably longer) is a popular and effective land use collaboration. It is very tax efficient for the land owner.

The thresholds for Income Tax exemption for leases taken out on or after 1 January 2015 are:

- €18,000 where all the qualifying leases are for 5 or 6 years,
- €22,500 where all the qualifying leases are for 7 but less than 10 years,
- €30,000 where all the qualifying leases are for 10 but less than 15 years,
- €40,000 where all the qualifying leases are for 15 years or more.

The **Income Tax Reliefs** are per land owner and annual, for a lease to be qualifying the following conditions must apply:

- The lease term must be at least five years (as per above the longer the term the greater the annual income tax exemption).
- The tenant/farmer must be an active or trained farmer, and the lands must be farmed commercially.
- The owners and the tenants/farmer must not be connected, connected persons are parent – child – brother – sister and farming companies or partnerships containing any of these.

In addition **No Stamp Duty** needs to apply for long term leases of agricultural land. Under **Stamp Duty Relief** the lease must qualify as agricultural, the lands must be farmed by an active farmer. Only qualifying leases greater than six years are eligible for **Stamp Duty Relief**.

Leases give certainty and security to both parties. The tenant can take a long-term view on the land use to deliver best return and enhance the land.

The **IFA Master Lease** is a legally proofed draft land lease agreement that can be used without the need to directly engage a solicitor. Farmers are advised to seek good independent professional advice when considering long-term leasing or any collaborative arrangement.

As with any arrangement three key considerations are:

The Person

The person must be right. It must be someone you can work with, that person's vision for the farm must be compatible with yours. It is important to identify someone who is realistic, has farming ability and has done budgets. Don't be afraid to check out reputations and talk to people they have worked with before, always inspect each others' current / recent businesses.

The Price

The price must be fair, realistic and sustainable. All parties must make a return and this should be backed up by a proper budget and farm plan. People should be open and be prepared to share this information with confidentiality and respect. Mechanisms and templates exist to link price with farming returns which delivers fairness and avoids complicated price reviews. Chasing the top price or being captivated by price alone is a recipe for disaster.

The Period

The period or term must be adequate so that it works for all parties. This is especially relevant where investment is required, the period must be sufficiently long to deliver an adequate return. A longer agreement also gives more security and provides a degree of certainty.

The Steps

1. Complete the lease agreement, it is always advisable to use an independent expert or facilitator. The lease must be signed by all parties and witnessed.
2. Register the lease with Revenue. Many people arrange for their accountant or solicitor to register a lease with Revenue. Alternatively, you can directly register the lease yourself using e-stamping. Download the ROS off-line application onto your computer, the e-stamping lease form is available here, this form can then be completed off-line. Once completed the form can then be

submitted to Revenue.

To complete the e-Stamping form you will require summary lease details including lease term, the land owners name, address, and PPS number, the tenants/farmers name, address, and PPS or Herd Number. This information is required to verify that the lease is qualifying.

3. Where **entitlements** are attached to the land it is important to make sure that a **Transfer of Entitlements** is completed and that all entitlements are accounted for. This can be done as part of the farmers annual BPS application.
4. Leases are also required to be registered with the Property Services Regulatory Authority. As per the PRSA website "Tenants of commercial leases are required to return particulars of their lease to the Authority, such returns must be filed online".
www.propertypriceregister.ie
commercial lease return.

Appendix 2: Registered Farm Partnerships

Farm Partnerships are proving to be an excellent progressive mechanism for succession planning and management of the family farm.

Some of the supports available through partnerships have proven to be very beneficial to families who are developing their farm or changing enterprise as a result of a son or daughter getting involved in the farm. Through a registered partnership the whole farm can benefit from young farmer support schemes.

In addition to the normal benefits of partnership, the Department of Agriculture Succession Register offers additional special tax credits, provided the partnership is part of a succession plan. This succession plan does not have to involve all the farm and is not confined to direct family.

This is a very positive policy measure to encourage succession and inheritance planning among farm families, leading to the eventual transfer or partial transfer of farm assets to a successor or successors. The income tax credit is not restricted to family-only situations.

All existing registered farm partnerships or new farm partnership registrations are eligible to apply to go on to the new succession register.

This enhances the benefits of partnership

which now include:

- a) Easier management of the farm
 - a. No need for multiple herd numbers,
 - b. Better work life balance,
 - c. Shared responsibilities, shared workload and shared expertise.
- b) Partnerships allow both younger and older generations to be actively involved.
- c) Partnerships have positive EU payment benefits including Young Trained Farmer Top Ups and TAMS.
- d) Partnerships offer tax saving opportunities through stock relief, personnel allowances and succession planning, including income tax credits for succession partnerships.

In order to avail of extra TAMS thresholds, special supports and succession tax credits, the partnership must be registered with the DAFM partnership registration office, www.landmobility.ie

The Checklist for the Registration of a Farm Partnership

In order to register a farm partnership specific actions and forms are required. The checklist below is a guide to what is required and the process.

1. Nerd Number change DVO re Herd Number(s) ER1 or ER1.1
2. Registration Application Form
3. New Bank Account ... Completed Bank Details
4. Signed Partnership Agreements
5. Composition Category 1 (existing farmer) or Category 2 (NE YTF) farmer
6. Copy of Folio of all owned lands landdirect.ie
7. Copy of leases for all lands leased in
8. Evidence of agricultural qualifications for Category 2 partners.
9. Partnership Tax Number (Form TR1 / Your Accountant)
10. Capital Account / Farm Balance Sheet

It is always advisable to use an independent expert or facilitator.

The Land Mobility Service (info@landmobility.ie) provides support in helping with partnership formation.

Additional Notes and must do's:

- A. Intended names on the herd number must be the same as those on the new bank account and vice versa
- B. The best time to make changes to and/or amalgamate herd numbers is between November and February (outside BPS application and payment processing period).
- C. Notify Cavan of the new bank account
- D. Make sure to transfer entitlements from the previous herd number or numbers to the new herd number / partnership number (Before next BPS date).

Registered partnerships qualify for Stock Relief (Tax), Young Farmer Schemes, 60% TAMS and extra thresholds. A company can be in a partnership.

Appendix 3: Share Farming

Appendix 3: Share Farming

Share farming has many names and guises, covering everything from dairy partnerships to contract production. Shared arrangements allow each party to be a farmer, the arrangement does not have to impact on or involve ones other farming interests or operations. They are very flexible and can evolve over time.

Share Farming can be an exciting option if you are:

- Looking to step back but not yet ready to fully retire,
- Looking to expand and take on extra ground but put off by unrealistic market rents.

Share farming can offer a real alternative option for people who are happy to work with others who have a real interest in farming.

For farmers and land owners who wish to step back some key advantages of share farming include:

- 1) The farmer/land owner stays involved, allowing a real input into the farm business.
- 2) The farmer/land owner remains an active farmer, claiming their own EU payments / BPS.
- 3) The farmer/land owner can gradually step back allowing equity release in a tax efficient manner.

For farmers looking to grow their farming business share farming offers:

- 1) More sustainable and secure expansion.
- 2) Land costs linked to farm performance and product prices.
- 3) Expansion with lower financial spend on infrastructure and stock.
- 4) Reduced risk from price volatility.
- 5) An opportunity to develop an arrangement with a land owner where everyone wins.

How does share farming work?

Share farming includes share cropping, share milking, dairy partnerships, and much more. In all cases the key component is an agreed and mutually beneficial farm plan.

The farm plan forms the basis of the agreement with split or return determined by how much each party is bringing to the business. Operating margins and their contribution determines each parties return. The Land Mobility Service has facilitated quite a number of share farming arrangements to date and in practice they work quite well.

Share farming is where two or more people work together to farm the same piece of ground. The key to share farming is that all parties are exposed to risk and reward.

Share farming in tillage is common and operates very well, typically the land owner supplies the land and specific

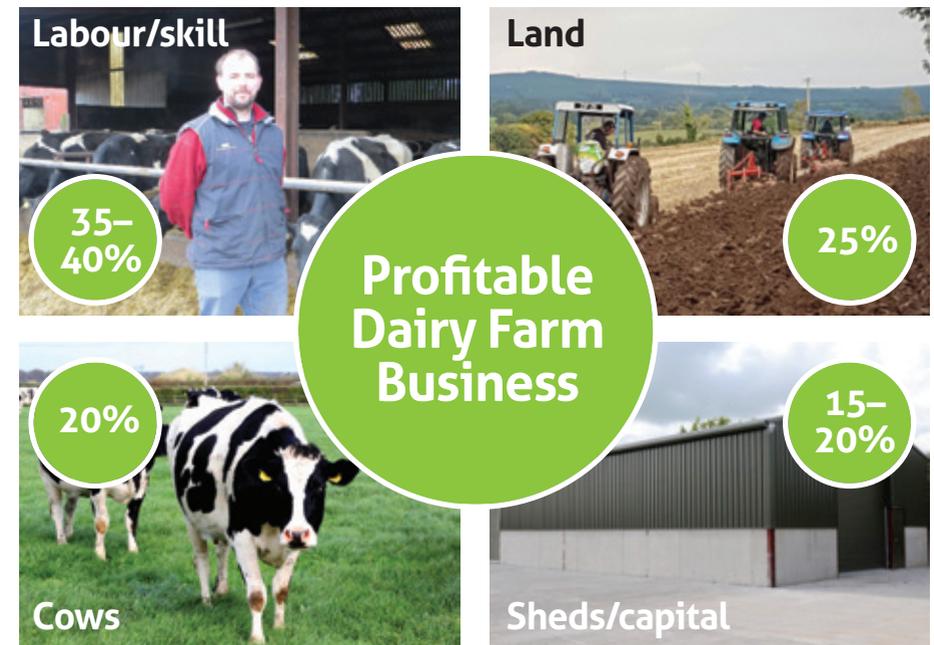
inputs with the share operator providing the machinery, labour, technological expertise and specified inputs. Both parties agree a cropping, rotation and fertility plan. Output is shared on an agreed basis.

Share milking is share farming in a dairy context and is a concept for which there is significant interest. Share milking was not allowed under milk quota rules. Share milking can provide real farming opportunities for young skilled dairy farmers. It can also provide opportunities

for land owners including retirement options for existing dairy farmers.

Farm to Farm arrangements also fall under the shared heading, these include contract rearing, contract production, and silage coupled with short term grazing. As with all arrangements it is very important that agreements are in place. Agreements are necessary for clarity and cross compliance and for dealings with Revenue and banks.

Template for working out a share:



More information at www.landmobility.ie and info@landmobility.ie

Appendix 4: Contract Rearing

Contract rearing is presently attracting a lot of interest.

Contract rearing provides an excellent heifer rearing option for dairy farmers:

- Research has shown little difference in dairy replacement costs whether a farmer opts to:

- a) Rear replacements themselves,
- b) Have replacements contract reared,
- c) Buy in replacements.

- Land, stocking rate and fodder requirements are reduced.
- Labour requirements are reduced.

Contract rearing has really proved beneficial where milking platform land has been released, or where it has reduced stocking rates for nitrates, or where labour is in short supply.

On the flip side contract rearing provides an excellent alternative, add-on or stepped back enterprise for rearer farmers. It has proven to be an attractive option as an add-on for beef and suckler farmers or as an enterprise for retiring dairy farmers:

- The rearer remains an active farmer,
- Income is known and received monthly,
- There is no money tied up in stock.

Typically, the rearer will have two batches of heifers from the dairy farmer:

1. Batch 1: Calves / weanlings received weaned at the end of May each year,
2. Batch 2: Yearling / bulling heifers for the bull in May, that will return to the dairy farm in December or January one or two months prior to calving.

On average the heifers remain on the rearer farm for 600 days with a typical daily rate between 1 euro and 1 euro 40 per head per day, the more the rearer does or provides, the higher the rate.

Important Do's and Don'ts include:

- **Do have an agreement** that clearly outlines who does and who is responsible for what,
- **Do record all movements** through the DVO/AIMS,
- **Don't mix** different batches of cattle,
- **Don't consider** contract rearing if your farm has a TB issue.

The Land Mobility Service continuously updates its data base of potential rearer farms and dairy farmers looking at contract rearing. This database is then used to match people up. Anyone wishing to be included or interested in exploring contract rearing should **send an e mail to info@landmobility.ie**

Appendix 5: Farm Transfers

When looking at Farm Transfers consideration must be given to

1. Tax.
2. Income Security and Farm Viability.
3. The Fair Deal Scheme.

Tax

We all understand Income Tax which is payable annually on earned income, but we are less sure of capital taxes. When transferring a farm asset capital taxes come into play, the three main capital taxes are:

- a) CAT or Capital Acquisitions Tax which is payable by the recipient of the asset,
- b) CGT or Capital Gains Tax which may apply to the disposer of the asset when there is an in-life transfer,
- c) Stamp Duty which is payable by the recipient of the asset if there is an in-life transfer.

However for agricultural assets there are a number of important reliefs available:

CAT Agricultural Relief

The most important relief for any recipient of an agricultural asset to try to avail of is CAT Agricultural Relief. To secure this relief the recipient must satisfy an 80% asset test, this means that upon receipt of the asset, 80% of their assets are agricultural. To hold this relief the recipient must either actively farm themselves for six years or lease the farm to an active farmer for six years. The

definition of active farming in this regard is to demonstrate 20 hours per week work on the farm, if the person has a "Green Cert" there is no requirement to be able to prove hours worked.

If a person qualifies for this relief the value of the asset transferred is reduced by 90% for CAT purposes, with this reduced value and the available tax-free threshold (currently €320,000 parent to child cumulative) no CAT should apply.

Young Farmer Stamp Duty Relief

A zero % rate of stamp duty may apply for young trained farmers.

CGT Retirement Relief

Retirement reliefs are available to farmers over the age of 55 and who have farmed the land for at least 10 years (they can have leased it subsequently provided they farmed it for 10 years prior to leasing).

It is important to tax proof your plans with your accountant before finalising any decisions. Your account should be made aware of all assets and don't make piecemeal actions without considering the whole.



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This publication is an information guide and is based on our understanding of current regulation and practice (November 2015). Should you wish to pursue any of the suggestions outlined we recommend that you contact us for further information and consult with your professional advisers. While every effort has been made to ensure accuracy the authors or publishers accepts no responsibility for errors or omissions, nor for the consequence of any action taken on the basis of the information included in this leaflet.



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