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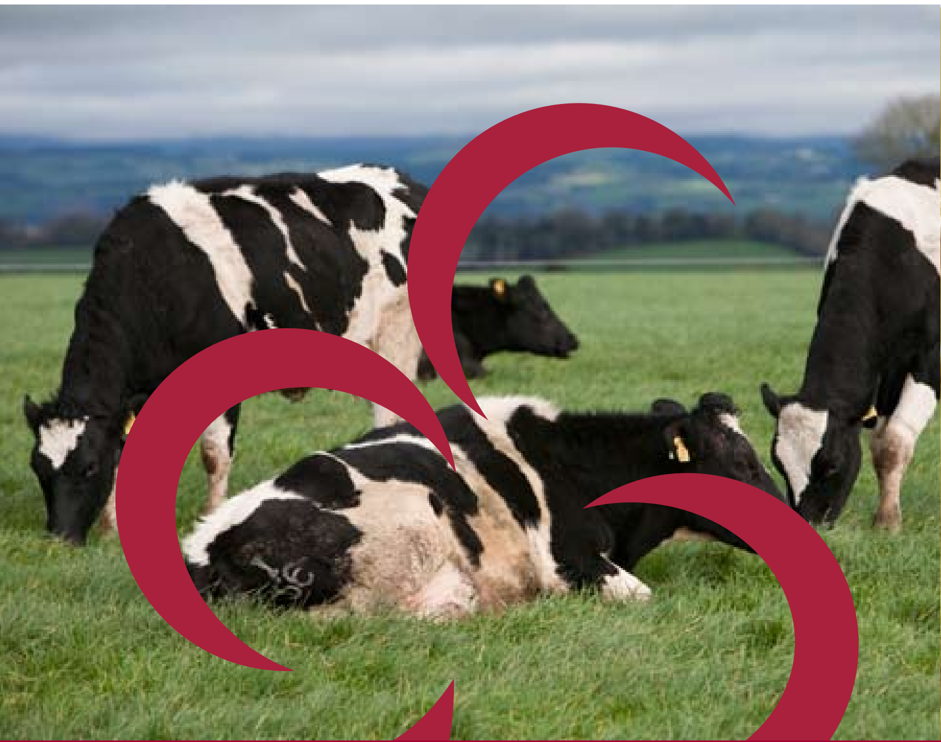

Potential of Farm Partnerships: to Facilitate Entry into and Establishment in Farming

A NATIONAL RURAL NETWORK REPORT

FEBRUARY 2012

The NRN is grateful to: the members of the Working Group who devoted their time and expertise to the compilation of the report; those who organised meetings and facilitated contacts with farmers; those involved in farm partnerships; farmers who participated in meetings; those who made submissions; and the Department of Agriculture, Food and the Marine.

The recommendations in the report are the considered opinion of the author based on the consultations undertaken with stakeholders and the input of the members of the Working Group. However, specific elements in the recommendations that may not fully represent the views of all participating organisations.

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Executive Summary

Agriculture is viewed as one of the sectors providing considerable potential for the future and opportunity to contribute to economic recovery. On the ground, there is a level of optimism with increased prices to farmers and interest in agricultural courses. Ambitious targets for the future have been clearly outlined in the Food Harvest 2020 Report (50% increase in milk production; 40% increase in value of beef output; and 20% increase in value of sheep output). The attainment of these targets will involve increased efficiency, scale and adoption of new methods and technologies. Farm fragmentation and the age profile of farmers are factors which could hamper the achievement of these targets.

The purpose of this report is to explore the *'potential of farm partnerships to facilitate entry into and establishment in farming'*. The report was initiated by the National Rural Network and was undertaken by a Working Group involving representatives of the main stakeholders in the industry. The content of the report was informed by national and international research, relevant policy measures and by the input, knowledge, experience and expertise of the members of the Working Group. This report is intended to inform all stakeholders on changes which could widen the appeal of farm partnerships.

Partnerships are based on trust and each partner shares three areas of responsibility: ownership; management; and work. All agricultural assets including land, quota and entitlements remain in the ownership of each individual partner but are pooled and made available to the partnership (including land rented or leased). The minimum term for a farm partnership is 5 years. The development of farm partnerships in Ireland was significantly informed by the French model (GAEC).

There are two main types of farm partnerships: intra-family (between spouses, parents and children); and inter-family (between those outside of each other's immediate family). Milk Production Partnerships were facilitated within the Milk Quota Regulations since 2002. There are currently 540 MPPs in place with over 70% involving new family partnerships.

Conclusions on Farm Partnerships

Farm partnerships have an important role to play in the development of agriculture and the achievement of the targets in the Food Harvest 2020 Report. While farm partnerships offer considerable potential and opportunity, there is apprehension about them. The potential role of farm partnerships is recognised by the recent enhanced interest and emphasis by all stakeholders (including the Minister and Department of Agriculture, Food and the Marine). There is a need for clearer policies and legislation for farm partnerships, which will provide clarity on the implication of future programmes/measures and ensure that existing partnerships are not disadvantaged compared to individual farmers or new partnerships.

One of the main barriers to farm partnerships relates to a lack of awareness of what partnerships have to offer and of the information/advice available. The concept of working in a formal partnership is a challenge for farmers who are familiar with working on their own or within a family unit. In addition, there is concern about the impact that entering a partnership will have on the current and future EU farm payments/entitlements. The mindset of farmers towards the concept remains a significant deterrent.

Recommendations to Develop Farm Partnerships

Farm partnerships are a mechanism, which have an important role to play in facilitating access to land and resources. The low number of farm partnerships currently in place indicates that policies and supports need to be amended in order to encourage greater participation.

Funding to support new initiatives in this area should be a priority in upcoming Rural Development Programmes. This could include:

- Ensuring that the specific needs of participants in farm partnerships are catered for in the implementation of future policies. The French GAEC's could serve as a model;
- Facilitating in every way possible a range of farm partnership opportunities – intra farm in the first instance, followed by inter farm arrangements;
- Funding to prioritise specific research, demonstration, continuing education and advisory services resources towards those involved in farm partnerships. The existing Teagasc role in relation to farm partnerships should be continued and further developed;
- Financial incentives for participants in partnerships to enable them to participate in continuing education and training, structured around groups; and
- Giving specific support to an organisation to act in an advocacy and development role for farm partnerships. This organisation could be based around those already in partnerships or entering into partnerships and recognises the importance of farmer to farmer advice in decision making.

The specific recommendations address: regulations; information and promotion; incentives and supports; and a ladder of progression for new entrants.

Regulations

- An Expert Committee should be established to develop specific legislation for farm partnerships.
- Existing farm partnerships involving non-dairy enterprises must not be disadvantaged compared to any new partnerships.
- In the drafting of new regulations under CAP Reform, existing farm partnerships should be supported and new partnerships encouraged. Consideration should be given to taking the number of family units involved in a partnership into account when drawing up eligibility criteria.
- Rights/entitlements established by the partnership should be allocated to the individual partners.
- Designating a national office for the allocation of herd numbers to farm partnerships and all partners involved in livestock farming should be designated as Herd Keepers.

Information and Promotion

Promoting the concept of farm partnerships and informing farmers are the most fundamental issues that need to be addressed.

- Emphasis should be placed on changing the mindset of farmers which involves challenging myths and misconceptions about the farm partnership concept.
- Information needs to be provided to two distinct groups: farmers; and professionals (consultants, advisers, accountants, solicitors).
- Specific additional resources need to be provided to promote, educate and make available a knowledge source on partnerships. Teagasc are currently the only organisation providing this service and with expert knowledge in this area.
- Particular emphasis needs to be placed on promoting farm partnerships to: drystock farmers; older farmers; young people; landowners with off-farm employment; families; investors; and diversification opportunities.
- A series of monitor partnership farms would serve to demonstrate the concept, benefits and potential of farm partnerships to farmers. Pilot monitor farms could be developed in conjunction with industry stakeholders.
- Preparation of a series of Case Studies on successful partnerships for promotion.
- Research undertaken to establish the views of farmers who could potentially become involved in partnerships in order to gain an understanding of: their perceptions; their reasons for remaining farming when it may not be financially viable; and incentives which would encourage them to enter partnerships.
- Farm organisations need to be centrally involved in promoting farm partnerships.

Incentives and Supports

- Develop a Charter on Farm Partnerships.
- Mechanisms which would make farm partnerships more advantageous than conacre/11-month rentals should be considered.
- Full stock relief should be maintained for those entering farm partnerships.
- Where national reserves or similar mechanisms are provided in the future, young farmers who become established by way of entry into a farm partnership should be considered in the same priority as young farmers established on their own.
- The proposed Young Farmer top-up on the Basic Payment in the CAP reform measures should apply to young farmers who enter farming by way of a farm partnership.
- Increased thresholds for entitlements, rights and incentives should be considered to encourage entry into farm partnerships.
- A representative body for farm partnership farmers needs to be established to act in an advocacy and development role for farm partnerships.
- Facilitation of those interested in entering a partnership to identify others who may be interested in doing so.
- Teagasc to develop and deliver an advisory and training programme possibly involving a mentoring programme for consultants, accountants and solicitors on partnerships which take account of the different stages involved: preliminary interest; preparatory stage; and ongoing support.

Ladder of Progression for New Entrants

Partnerships have a clear role in the process of facilitating young farmers to gain access to assets and experience. Policies need to provide opportunities for non-landowners and new entrants to the industry.

- Develop policies which encourage and facilitate young farmers to build agricultural assets within farm partnerships.
- Develop on-farm business incubator units which focus on the establishment of young farmers/new entrants by way of farm partnerships.

1. Introduction

There is a new focus on the contribution of agriculture to the national economy and of the importance of a thriving agricultural sector to economic recovery. On the ground, there is a cautious optimism regarding the recovery in farm incomes and there is an increase in those interested in pursuing agricultural courses at all levels. The interest in agricultural courses reflects both the optimism in terms of the potential of farming but also the reality that many of those who sought employment and career options elsewhere are now returning to farming.

The Food Harvest 2020 Report sets ambitious targets for increased production and/or output value for the main farm enterprises. The achievement of these targets will involve increased efficiency, scale and production at farm level including, quite possibly, the adoption of new methods and technologies. Young people entering and working in the sector will be critical to the attainment of these goals. Therefore, the issue now is facilitating young people to access the productive farm assets, become established in the industry and to contribute to the delivery of the production targets. Significant effort will be required by the farm population but also structural changes in the land use patterns and efficiency in the utilisation of all resources. Farm fragmentation and the age profile of farmers are two significant factors which could hamper the extent of achievement of the development targets. Farm partnerships are considered as offering the potential to address both of these issues.

At present only 7% of the farmers in the country are aged under 35 years (CSO, 2007), while 51% are aged over 55 years (increased from 45% in 1991). The traditional route into farming has been by inheritance/farm transfer. In the past measures were in place to encourage transfer such as the: Installation Aid Scheme (IAS); Early Retirement Scheme (ERS); and tax breaks on transfer of farm assets. These schemes served as an incentive to the transfer of family farms and the encouragement of other older farmers to retire and lease their land. The ERS and IAS are no longer available.

However, while farm partnerships offer many opportunities and benefits to farmers and have attained a relative level of success in recent years, there is also considerable apprehension among a large sector of farmers about becoming involved in partnerships. This research report explores the issues which may be contributing to this apprehension and makes recommendations on developing the farm partnership concept.

The research was guided by the NRN Farm Partnerships Working Group, which was chaired by Mr Tom Kirley (former Acting Director of Teagasc) (see Appendix 1 for membership). The specific aim of the research was to explore the *'potential of partnerships to facilitate entry into and establishment in farming'*.

The purpose of the report is to inform the Department of Agriculture, Food and the Marine, other agencies/organisations and stakeholders on specific changes which could be made to the farm partnerships concept and approach in order to widen the appeal to farm families. The benefits of encouraging more farmers to enter into farm partnerships will include improved efficiency, enhanced quality of life and the attainment of the Food Harvest 2020 production targets.

The National Rural Network (NRN) assists in the efficient and effective implementation of the Rural Development Programme (RDP). The Network is facilitated by the Rural Development Support Unit within LIT Tipperary. The NRN embraces all four axes of the programme and seeks to promote synergies across measures, encouraging individuals and organisations to work together and expand the possibilities available to those involved in the delivery of the programme and beneficiaries. The NRN seeks to support stakeholders in addressing important issues of concern and focus on practical opportunities and responses.

The Strategic Issues Working Groups were established by the NRN in order to develop the discussion around key issues of concern and importance in rural areas. The focus of these groups was to draw together existing policies and research in a coherent manner and following debate to develop practical proposals for changes to current policies/programmes/measures.

2. Context – Agriculture In Ireland

The CSO Farm Structures Survey 2007 recorded a total of 128,200 farms with an average farm size of 32.3 hectares. Teagasc projections of national farm numbers indicate a decline in farm numbers over the next decade. These projections also predict a decrease in the number of viable farms from 33,000 to 22,000 over the same period (Thorne et al., 2010).

Some 7% of farmers were aged less than 35 years in 2007 (decline from 13% in 2000), while the number of farmers aged over 65 years increased from 20% to 25%. Over half (51%) of farmers are aged over 55 years. The age profile of Irish farmers has deteriorated in the eight years to 2007 from an average of 51 years of age in 2000 to the 2007 average of 55 (DAFM, 2011).

The average farm income in 2010 was €17,771, however, the average for dairy farming (€44,432) was over 6 times that of cattle rearing (€7,023). It was estimated that less than 10% of cattle rearing farms were economically viable businesses, while the figure for other cattle farms was in the region of 15% and 25% for sheep farms (Hennessy et al., 2011). The difference in scale between dairy and drystock farms contributes to the differences in income. Dairy farmers owned 33% more land on average than cattle farmers and farmed a total area which was 50% larger.

The vast difference in income between farm systems and the aging farm population will obviously impact on the extent to which the targets set in the Food Harvest 2020 Report can be achieved. The ability to increase production on the current land base, to enhance efficiency and to gain access to additional land resources are key issues for the active farming population. One of the biggest challenges faced in Ireland for decades is the issue of farm fragmentation and land mobility. Less than 1% of the land area is sold annually and the proportion of land which is leased (short and long term) is not insignificant but remains small overall.

2.1 Food Harvest 2020

The global food production is estimated to need to increase by 70% to meet expected population demands by 2050. Meeting this goal in an era of increasing pressure for land, water and energy will be a significant challenge, further complicated by the issue of climate change (DAFF, 2011). The Food Harvest 2020 Report is a strategic plan for the development of the industry (DAFF, 2011a) to respond to the opportunities presented by the increased demand for food. The vision contained in the Food Harvest 2020 Report was one of enormous opportunity for a dynamic, consumer focused, forward looking agri-food industry. The overall goal was by 2020, to increase the value of primary output by 33%, the value-added by over 40% and exports by 42% (DAFF, 2010).

While the Food Harvest 2020 Report recognised that farms play a role in maintaining the rural landscape and in the provision of public goods, it is evident that increasing scale, improved productivity and market orientation are essential to sustain future growth in the sector. Only farms operating to the highest standards of efficiency and sustainability will be capable of meeting the competitive challenges of the future. The restructuring process that has characterised Irish agriculture in recent years needs to be accelerated. Market realities dictate that a strong commercial perspective is pivotal to improving viability and ensuring sufficient returns and long-term growth. If the necessary steps, at individual and State level, are not taken to improve scale and increase profitability, the future of the sector will be jeopardised (DAFF, 2010).

Specific Targets for Sectors include:
- Increase of 20% in value of beef output (40% target proposed by the Beef 2020 Activation Group);
- 50% increase in milk production; and
- Increase of 20% in value of sheep output (DAFF, 2010).

Specific recommendations of relevance to Farm Partnerships in the Food Harvest 2020 Report include (DAFF, 2010):
- DAFF should consider policy options to address increasing fragmentation. These would include support mechanisms to aid consolidation, such as the introduction of targeted roll-over relief for land sales;
- DAFF, in conjunction with other relevant Departments, should identify and remove impediments to land mobility, with particular emphasis on those in current EU and State schemes. Any remaining obstacles to partnership formation or other new models of farming should be removed;
- DAFF should target all future schemes and supports, which have limited funding, at those producers with best potential for growth and competitiveness, and in particular at younger farmers with relevant qualifications and sound business plans; and
- DAFF should liaise with relevant Departments with a view to maintaining current tax/policy incentives to encourage long term development of the sector including long-term land leasing, agricultural relief, retirement reliefs, stamp duty and stocking reliefs.

3. Background To Farm Partnerships

In order to set the current context for Farm Partnerships, it is necessary to explore the background to farm partnerships in Ireland and draw on some of the experiences from other countries.

3.1 Need for and Potential of Farm Partnerships

The Working Paper on Farm Partnerships prepared by the Department of Agriculture, Food and the Marine (2011) sets out a number of arguments for the need and potential of farm partnerships. One of the critical issues is that pressure on margins will continue and farmers need to examine options internally and externally to remain viable.

The achievement of the 50% increase in milk production set out in the Food Harvest 2020 Report will not be achieved by any one means, rather it will be achieved through a combination of measures. At farm level increased output is restricted by limitations of scale and access to the land base for expansion. Land prices in Ireland, even though considerably reduced from previous peaks are generally prohibitive to expansion by acquisition, while traditionally Ireland has a low level of land turnover. Short-term rental is most common while long-term leasing is increasing in popularity (DAFM, 2011).

A Teagasc paper has stated that the ability of farmers to acquire land that is accessible to the milking parlour will be a limiting factor in achieving the target of a 50% increase in national milk production (Laepple and Hennessy, 2010).

The Department of Agriculture, Food and the Marine (DAFM, 2011) believes that *'greater use of the partnership model can not only help to increase scale but can also help to develop the sector's skill set through attracting, in a more meaningful way, new entrants to the sector'*. The emergence of one-man farms, often without any family input or involvement threatens the long-term sustainability of certain farms and rural areas. Without family involvement, the intergenerational transfer of farming knowledge can be compromised and succession may be less likely. The lack of involvement of farm women and off-spring also restricts the labour and skills available to the farm. The reduction in the involvement of spouses and off-spring in the farm can have positive impacts in terms of broadening the income base of the household and widening the experience and skills base, nonetheless, this can limit the day-to-day skills available on the farm. Farmers working alone can also have a negative work-life balance and as a result farming becomes a less attractive career choice and they are less likely to encourage their children to enter into farming.

3.1.1 Potential for Farm Partnerships

The Department of Agriculture, Food and the Marine (DAFM, 2011) Reference Paper on Farm Partnerships sets out the potential for the development of inter family farm partnerships (non-family) in a number of areas.

Similar enterprise: Potential for reduced machinery costs, increasing labour efficiency and reduced capital investment.

Dairy/beef: The potential for combining these farms provides for increased land available for milk production, grazing non-milking stock on land further away from the parlour and increasing the capacity for managing large numbers of cows. Combining with a dairy enterprise has the potential to substantially increase the income of beef farmers and develop skills in dairying. Contract rearing of replacement dairy animals by beef farmers is common in Australia and New Zealand.

Dairy/tillage: Similar advantages to those prevailing to beef farmers with the added advantage of providing an outlet for produce from tillage farms and reducing the feed costs on the dairy farms.

Pig/tillage: Collaboration between pig and tillage farmers offers the possibility of increasing the area of land available for the land spreading of pig slurry. Tillage farmers could benefit from access to a cheaper source of nutrients than chemical fertiliser.

In the Netherlands, the majority of Dutch farms are partnerships, either operator/spouse or father/son (Johnson et al. Cited in DAFM, 2011). In these cases the partnership model is understood to play an important role in facilitating within family farm succession. Joint farming structures are found in Spain, Portugal, Denmark, Sweden and Norway as well, with more than 20% of all dairy farmers in Norway said to be participating in joint farming.

3.2 Partnerships in Policy

Partnerships and shared farming enterprises in a formal sense are relatively new concepts in Ireland. While farmers may have worked closely together in the past, whether within families or neighbours, the relationship was not formal and possibly involved the sharing of labour and/or machinery but both farmed separate entities. While the '*meitheal*' was the traditional sharing of labour and cooperation in rural areas.

However, other countries have developed the traditional rural cooperation into modern business entities involving two or more farmers in formal agreements. Partnerships have been particularly successful in countries such as France, while dairy farmers will be familiar with the share milking concept in New Zealand.

The Irish milk quota regulations have facilitated the establishment of Milk Production Partnerships (MPPs) since 2002. Considerable changes were made to the rules governing the operation of MPPs in 2008 to make them more attractive and encourage more farmers to participate.

The '*Towards 2016*' social partnership agreement placed an emphasis on the development of farm partnerships '*the government is committed to facilitating and promoting farm partnerships. In this context, the Government will ensure that, where practicable, schemes and rules shall act to encourage and promote farming in partnership in the interests of efficiency and competitiveness*' (Department of An Taoiseach, 2006). The recent Food Harvest 2020 Report suggests that further steps should be taken in this area.

The importance of partnerships was recognised under the terms and conditions of the Agri-Environment Options Scheme (AEOS), the second priority category for entry into the scheme are farm partnerships. For partnerships, the maximum payment of €4,000 can be multiplied by the number of partners up to a maximum of 3 (DAFF, 2011b).

The Mid-Term Evaluation of the Rural Development Programme (Indecon, 2011) recommended that further measures were required to tackle structural issues within the Irish agricultural sector and to facilitate the mobility of agricultural holdings. Specific mention was made of the need to implement new models such as partnership arrangements and joint farming recommended in the Food Harvest 2020 Report.

The Farm Partnerships Reference Paper prepared by the Department of Agriculture, Food and the Marine (2011) explored both recent changes in policies relating to farm partnerships and further issues which need to be addressed.

Some favourable policy changes were made in the areas of REPS 4 and in the Finance Acts (2006 and 2008):

- Milk Production Partnerships (MPPs) under REPS 4 are facilitated whereby payments are made on the basis of the number of qualifying partners involved; and
- Changes were introduced in the Finance Acts in 2006 and 2008 to cater for spouses who co-own land but are not farming partners to preserve their entitlements to Capital Gains Tax retirement relief and for farmers on income averaging and entering into an MPP (provision prevents possible clawback of income tax saved because of averaging).

Further policy changes which could encourage the uptake in farm partnerships include:

- Exemption from modulation deductions on the first €5,000 of Single Farm Payments – currently, the first €5,000 is exempt from modulation. MPPs are given only one €5,000 exemption rather than one for each member.
- Disadvantaged Areas Compensatory Allowances Scheme – the individual limit of 34 hectares for payment applies to an MPP (no allowance taken for the number of members).
- Capping of Payments - if a capping of payments is introduced in the future, it should apply at the level of the individual and not the MPP.
- Other EU/Government Support Schemes – schemes have treated the MPPs the same as one individual which is a disincentive to being a member. Future measures should give farmers participating in formal partnerships full individual recognition to all qualifying participants on the same basis as if they were farming on their own.
- Incentives for young farmers and managers – young people whether as aspiring future inheritors or farm managers, are not just educated and trained in the business of dairying (farming), but are also motivated by means of operating structures, supports and incentives to progress in their career.

3.3 Description of a Farm Partnership

Partnerships are based upon trust between all those involved and each partner shares three areas of responsibility: ownership; management; and work. All agricultural assets including land, quota and entitlements of each partner must be pooled and made available to the partnership. This includes all land owned, leased, rented or co-owned at the start of the partnership agreement or acquired during the term of the partnership. In most farm partnerships, the land, buildings and quotas remain in the ownership of the partners providing them and only the use of these assets is given to the partnership during its existence. It is normal to transfer ownership of assets such as livestock, machinery and feedstuff from the individual partners to the partnership with the value of these assets becoming part of the partnership capital. A partner's liability for losses arising from partnership dealings is unlimited. However, the partnership has no liability for any liabilities which arise from farming or any other activities of partners prior to entering the partnership. The retirement of a partner at some stage in the future may involve the dissolution of the partnership (if only 2 partners), however where more than 2 partners, the retirement of one partner may not lead to dissolution. Certain assets can be excluded from the agreement (subject to approval), however, the family homes of partners must remain outside the partnership agreement. The minimum term for a partnership is 5 years and there is no maximum.

The off-farm income for new entrants or farm managers under 35 years of age must not exceed €40,000 during each year of the partnership. There must be a formal written partnership agreement for a minimum of 5 years. The partnership must be registered and certificate of registration issued annually (cannot operate without registration) (Teagasc, 2011).

The profits can be shared in accordance with the specific agreement of the partners and could relate to: the relative contribution of labour and management; the capital contributed; assets (such as land) put at the disposal of the Partnership (rent free); the recent profits made by each; or a specific budgeted figure. Each partner's share of the profits or losses is treated for tax purposes as profits or losses of a separate business carried on by that partner and they are obliged to make their own self-assessment tax returns.

Partners may also draw up an on-farm agreement which outlines the day to day work and management details (practicalities of running the farm). While each partner will ultimately have an equal say in the management, from a practical point of view, it would be normal for partners to take on specific responsibilities (which should be specified in the on-farm agreement). Partners will also agree on the number of day's holidays that each takes during the year (Teagasc, 2004).

3.4 Farm Partnerships in Ireland

The Department of Agriculture, Food and the Marine (2011) identified two main categories of farm partnerships in Ireland: intra-family (spouses, parents, children usually involving one farm); and inter-family (partnerships between those outside of each other's immediate family and involve at least 2 farms). Intra family partnerships are most common in Ireland. The main benefit of a parent child partnership is that the young person becomes more involved in the management of the farm and potentially more motivated and empowered. It facilitates the progressive transfer of ownership and responsibility and the transfer of knowledge and skills. Inter family partnerships expand the production base, improve efficiency, broaden the skills base and can enhance the work-life balance of the farmers.

Milk Production Partnerships (MPP) were facilitated within the Milk Quota Regulations since 2002. The MPP scheme was established as a way of achieving scale by facilitating farmers to manage their farms in partnership. It was broadly modelled on the French GAEC system (Roche et al., 2009). The legal definition is as follows: *A milk production partnership means a minimum of two partners as specified under the rules comprising of natural or legal persons who carry on business as a partnership within the meaning of the Partnership Act, 1890, in respect of milk production and have been approved and registered by Teagasc (*Teagasc, 2011*).*

There are currently in the region of 540 MPPs in place with over 70% (390) involving new entrant/parents partnerships. This had particular appeal for potential successors as they could get involved in dairying and could get access to milk quota. However, inter-family partnerships were less popular possibly due to the perception that setting up a partnership is complicated and expensive (DAFM, 2011).

A Milk Production Partnership essentially consists of a minimum of 2 persons from one of 4 categories (at least one person who is a milk producer for the previous 2 years): new entrants (participating in partnership with parent); existing milk producers; a farm manager; and other farmers. Other persons (co-owners, spouses or family members) may be registered as participants in the partnership but will not have access in their own right to milk quota from the milk quota trading scheme or the temporary leasing scheme, but will be entitled to a share in the profits. All regulations involving quota transactions apply to each individual partner within the partnership (Teagasc, 2011).

3.5 GAEC - French Partnership Model

The development of farm partnerships in Ireland was significantly informed by the French model of the Groupement Agricole d'Exploitation en Commun (GAEC). The GAEC are generally perceived as being a successful model of partnerships. The primary rationale behind the success of the GAEC (joint farming ventures) system was a strong commitment to preserve the family farm, understanding the '*family farm*' as the '*basic concept*' to ensure rural sustainability (CEC, 1985).

The GAEC is a partnership between individuals who agree to work together (2-10 partners), while all members get the same benefits as if they operated individually. Partnerships can include spouses and partners (couples living together) (since 2010). The GAEC is provided for in the rules and regulations governing agriculture and production rights (Jurisvin, 2010). Therefore, the GAEC allows individual farms to work together while maintaining their agricultural status in legal, social, economic and tax terms. Members maintain their individual rights while their liability for debts is limited to twice the proportion of their capital (Bertaux, 1999).

The adoption of the GAEC legislation in France in 1962 confronted two types of needs: to protect and maintain the family farm as a fundamental component and major cultural symbol of the countryside, and to bring agriculture into the modern economy, allowing more economies of scale (Barthez, 1962).

The GAEC is registered with the Government and all members must participate equally in the work and management of the group and receive a monthly salary for this. Essentially the GAEC takes on the characteristics of a family farm. In 2009, there were approximately 38,000 active GAEC in France involving in the region of 100,00 farmers (MAAPRAT, 2010). Initially GAEC's between neighbours were the dominant form of association, while recently, family GAEC's (typically father and son) prevailed (Ferraro cited in Hennessy et al., 2009).

GAECs are unique in the EU in that they are the only fully recognised collaboration system where all the qualifying farmers in the group are treated as favourably as farmers farming on their own with regard to EU and Government supports (DAFM, 2011). It is very popular in dairying particularly as a route to expansion. The majority of holdings in large scale milk production are now actually in GAECs, with GAECs accounting for 80% of the farms over 410,000 litres of quota (Mastorchio cited in DAFM, 2011).

3.6 Benefits of Joint Farming Ventures

The Deise 1250[1] report '*Ladders of Opportunity*' outlines the benefits (agricultural and family) of partnerships (Deise 1250, 2011).

Agricultural Benefits

- Aids land mobility;
- Increases borrowing capacity;
- Reduces cost of expansion;
- Teamwork – people who look for partnership are people who have farming ability and management ability;
- Builds on honesty – important for people to put their situations on the table;
- Shared thinking and responsibility - building confidence in both younger and older generations to have confidence in each other;
- Allows for knowledge sharing;
- Allows partners the freedom to concentrate on individual strengths for the benefit of the partnership;
- Helps overcome skill sets and infrastructure deficits of either partner;
- Access to milk quota;
- Improving standards of living;
- Capacity for growth and scale; and
- More efficient use of resources.

Family Benefits

- Stepping stones to a smooth transition in family partnerships;
- Allows young farmers to show their worth, encouraging the transfer of land at a young age;
- Encourages next generation into farming - an easier lifestyle;
- Fostering management opportunities from a younger age;
- Creating/fostering banking relations at a young age;
- More effective management decisions; and
- Better lifestyle/work life balance.

Hennessy et al. (2009) outlined a number of benefits for farmers to entering partnerships including: ability to achieve scale at a low capital cost; reduction of costs which are duplicated between farmers (machinery,

[1] The Deise 1250 Dairy Discussion Group primarily based in the Waterford/East Cork area undertook research on farm partnerships and opportunities in farming among: their own membership; farmers involved in partnerships; and industry stakeholders.

buildings and labour); management synergy; and risk sharing. Limited land available for purchase means partnerships allow farmers to achieve scale without incurring major capital debt (involved in land purchase). Collaboration and partnership among farms can lead to a management synergy especially if different farm enterprises are involved. In addition, the risks associated with introducing new technology can be shared among farmers (Larson (2008) cited in Hennessy et al., 2009).

The ability to achieve scale without incurring major capital debt is even more beneficial currently, given the scarcity of credit facilities for business expansion purposes (DAFM, 2011).

Macken Walsh (2010) highlighted that the weakening of the '*family farm*', and the rise of the one-man-farm poses threats to the social sustainability of rural areas:

- The disengagement of young people results in a failure to pass on farming knowledge and reduces the likelihood of succession and the continuance of the family farm;
- The disengagement of farm spouses and off-spring limits innovation and development (constricts the skills-base);
- Farmers becoming isolated on their farms;
- Increased demands on individual farmers' time impact negatively on work-life balance; and
- As employment opportunities concentrate in urban areas, rural areas beyond commuting distance become marginalised and depopulated.

Joint Farming ventures can address problems of social unsustainability by:

- Facilitating farmers to meet the increased demands of household work and time with family.
- Adapting to changing criteria for modern farm businesses – allows time to learn and test new technologies and innovations (time to participate in discussion groups). Farmers working together and sharing opinions can give rise to supports and assurances that make for a more confident and proactive approach in the adoption of new technologies and innovations.
- Adapting to the changing rural economy – encourages farm diversification and the establishment of add-on high value-added farm enterprises. Joint ventures can serve the purposes of combining a range of existing talents and resources to produce new products or services (Macken Walsh, 2010).

Turner and Hambly (2005) cited in Macken Walsh identified a number of benefits associated with joint farming ventures in the UK:

- Better economies of scale;
- Promote the development of diversification activities;
- Increased leisure time;
- Easier access for new entrants;
- Presents alternative exit strategies;
- More efficient use of fixed costs (labour, machinery, land, administrative and service costs); and
- Better use of farmers' skills and specialisms.

A Norwegian survey of joint farmers identified their motives to enter into joint farming arrangements (Flo, 2006):

- Flexibility and time off: more leisure time, better social & family life, holidays;
- More security during illness;
- Reduced work-load and improved work environment i.e. farm improvements; and having company at work, reducing isolation;
- Improved income and reduced costs; and
- Reduced investment risk, reducing psychological stress.

3.7 Threats/Barriers to Partnerships

Moral hazard was identified by Hennessy et al. (2009) as one of the major problems that can threaten farm partnerships – one party does not make a comparable effort in running the farm business or overuses/misuses the assets which are jointly owned. Strong social and cultural attachments between Irish farm families and their land acts as a disincentive to partnerships as they may view partnership arrangements as a dilution of their ownership or managerial control.

Significantly influencing farmers' decisions to engage into farm partnerships are farmers' subjective notions of '*good farm management*'. Many Irish farmers are born into farms and their farming practices are informed by inherited and self-acquired practical and lay forms of knowledge (DAFM, 2011). Vanclay (cited in DAFM, 2011) also stated that farmers' have individualised, personal understandings and views of what constitutes '*good farming*' that come from their social and cultural environments. Some farmers prioritise financial planning, others prioritise breeding technology, others prioritise grassland management, while others prioritise animal health and welfare. In this regard, there are potential benefits of farm partnerships, allowing for the pooling of farmers' complementary preferences, skills, and knowledge forms. However, farmers can disapprove of fellow farmers' farming practices and in some cases, the practice in question can be conceived as so contentious that a farm partnership may be impossible between the farm partners in question. One of the more contentious issues identified by Irish farmers are issues surrounding farmers' care for their herds and differing approaches to animal welfare. Discussing prospective farm partners' different normative notions of '*good farm management*' and ascertaining the negotiable and non-negotiable issues is necessary to confront partners' fears and represents a critical component of the farm partnership planning process. By confronting such issues in the planning process, the extent to which a successful and durable farm partnership is achievable can be gauged (DAFM, 2011).

The Deise 1250 Group (2011) identified the barriers to entering farm partnerships from a farmer's perspective and includes:

- Lack of clarity about what a farm partnership involves;
- Lack of awareness of policies, protocols and templates;
- No one place to access information and advice;
- Bureaucracy – regulation and duplication of documents;
- Lack of awareness of partnerships among farmers;
- Land fragmentation;
- Administration costs;
- Issues regarding limits for Single Farm Payments, Capital grants etc.;
- Mentality and mindset;
- Some personality clashes (unable to share responsibility of decision making);
- Some people are not suitable for partnerships;
- Feeling of loss of control;
- Sociological – stepping outside the normal is hard for many people; and
- Keeping partnerships attractive when milk quota is no longer the driving issue.

Roche (2008) summarises some of the main differences between farming in New Zealand and Ireland which potentially impacts on the level of update of farm partnerships, including:

- Mindset of farmers towards partnerships is different;
- Land availability – scale of operation;
- Taxation – no Stamp Duty or Capital Gains Tax in New Zealand;
- No direct government support available to farmers in New Zealand;
- Less regulations in New Zealand – environmental, quotas and animal disease; and
- Recognised structures that are in place provide a ladder of opportunity for new entrants to farming in New Zealand.

3.8 Challenges and Competencies for Partnerships

The Ladders of Opportunities Report (Deise 1250, 2011) explores some of the challenges facing farm partnerships and the competencies required to make them work.

3.8.1 Challenges

- Quotas will not exist in 2015, there is a need to consider what will encourage partnerships beyond this date;
- Information needs to be made more *farmer friendly;*
- Having two active partners can be troublesome, need education and training in working together;
- Some people entering partnerships for wrong reasons, e.g. should be leasing instead;
- Challenges of the wider family regarding personality/ goal clashes;
- Willingness/unwillingness to set own self-interests aside in the best interests of the partnerships;
- Some too based on quota and access to it;
- Sourcing someone with the same mindset to enter partnerships;
- Getting the message out, especially to the older generation;
- Perception that there was a degree of unlimited liability within some partnerships;
- Need for a clear agreement with exit strategies; and
- Need for on-going competency development.

3.8.2 Competencies Required for Effective Farm Partnerships

- Trust and honesty;
- A farm plan needs to be done out as a strategy;
- Ability to communicate and work with others;
- Clear understanding of an agreed plan;
- Ability to adjust;
- Mindset;
- Farming ability;
- Financial/business ability;
- Shared aims and objectives;
- Education; and
- IQ + Emotional Intelligence.

Turner and Hambly (2005) emphasise that there are two key guiding principles to effective farm partnerships:

- Agreements must be drawn up in a bottom-up fashion: the objectives, needs and desires of the parties should lead the formulation of the eventual agreement; &
- Most joint ventures are not '*off-the-shelf*' agreements, but the result of '*fine-tuning*' in accordance with farmers' individual circumstances and aspirations.

3.9 Sharefarming

Sharefarming provides for tillage, beef and sheep enterprises. Sharefarming involves two people, the landowner and share-farmer carry on separate farm businesses on the same land without forming a partnership or a company. National and EU support payments can normally be claimed by one of the parties, usually the landowner, on the share farmed land provided all the conditions adhering to such payments are fulfilled.

A typical arrangement will involve two parties as follows:
(i) A landowner provides land, buildings, fixed equipment, major upkeep and repairs. He may agree to make a financial contribution to the other party measured by reference to his E.U. and other entitlements. He also provides management and farming expertise.
(ii) A share farmer provides mobile machinery, his labour, management and farming expertise. He may also agree to make a financial contribution to the other party measured by reference to his E.U. or other entitlements.

The sharefarming arrangement is a written contractual arrangement which operates on the principle that the share farmer and landowner, although farming on the same land, are separate businesses**,** on the basis that they have separate incomes and separate expenses**,** and calculate their individual profits. The percentages in which the streams of income are divided and the various costs are allocated are agreed and set out in a written contract. There is no guaranteed return to either party and each party is a risk taker, calculating his own profit and is responsible for his own tax (Hennessy et al., 2010).

Sharefarming is approved by the DAFF and can be fully compliant with support schemes including the Single Farm Payment, REPS, AEOS etc. and preserves the landowners status as a farmer (thereby preserving short and long term tax entitlements as a farmer) (Hennessy, 2009; Teagasc, 2010).

The benefits of sharefarming for landowners and share farmers include (Teagasc, 2010):

- The landowner: retains control of the land; compliant with all support schemes; increased buying and selling power; higher returns due to enhanced efficiency; and agreed proportion of returns.
- The share farmer: has a tailored agreement to suit needs; does not have upfront or other payments, shared input costs; more competitive purchasing and selling; reduced fixed costs; and a stable land base to facilitate better planning.

3.9.1 Differences between Sharefarming and Partnerships

A partnership is the operation of a single business entity which trades to make a profit. Decisions taken, both inside and outside the partnership, can have consequences for all involved in the partnership. A sharefarming agreement is an agreement by two individuals (or two businesses) to jointly manage a farming operation. At all stages both parties involved in the sharefarming agreement are treated as individual businesses and are taxed as such. The retention of individual status for each party in the agreement gives scope and flexibility to each party especially how they are viewed by the Department of Agriculture and Revenue (Hennessy, 2009).

3.10 Equity Partnerships

Equity partnerships are another example of cooperation in farming. An equity partnership refers to a group of people who invest in a farm and run the business under a company structure (all assets, such as land, buildings, livestock, machinery are acquired by the company). The business may be managed by an equity manager who owns a share of the business, thereby participating as a shareholder. Equity partnerships enable aspiring farm owners a chance to participate in land ownership (Clarke, 2009).

Financial surpluses are shared by all parties in agreed proportions. It provides an opportunity to join separate skill sets together. It allows for tax efficiency for all of the partners. All parties profit from improvements in performance and a more efficient use of capital. All partners retain '*working farmer status*' for both trading and capital tax purposes (DDC, 2011).

Equity partnerships are also a popular system in New Zealand. Similar to Ireland, historically individuals or families have held New Zealand farm ownership. The equity partnership allows non-dairymen to invest in and benefit from the success of a dairy farm. Creating an equity partnership with others can allow more money to be pooled thus allowing a larger operation to be created (Prewitt and Horner, 2009). Despite the fact that farmers must give up sole ownership, must involve others in management and decision making and there is a risk of partners being incompatible, it allows opportunities to increase scale, involve a wider range of skills, allows a progression route into farm owner and for others allows opportunities to reduce the extent of their hands-on farm involvement (Townshend, 2000). Prewitt and Horner (2009) agree that equity partnership is a great way for someone wanting to retire and still be involved in the business without the physical demands of a dairy farm.

Equity partnerships tend to be most common on dairy farms milking over 500 cows. Equity partnerships as they are used in New Zealand are legally constituted as companies. All assets are acquired by the company. They are usually composed of 2-10 shareholders and one of the partners is usually active and is the manager. Each partner puts equity into the company. It is considered advisable that the manager has a minimum of 20% shareholding to ensure that they are personally committed and strive to optimise farm performance. Detailed business plans with budgets and targets are drawn up. The manager is paid a salary as well as a return on their shares (Roche, 2008).

3.11 Opportunities to Enter Farming

One of the successes of the New Zealand dairy industry is the fact that it has a well-developed career structure that enables young people from both farm and non-farm backgrounds to enter, advance within and retire from dairy farming (CIAS, 1996).

The New Zealand system was identified as having a number of important dimensions:

- Clear career stages – steps and role models;
- Early career training;
- Effective mid-career transitions – options to enter industry without immediate need to purchase land, allowing time to accumulate capital;
- Complementary entry-exit strategies – phased retirement and entry strategies; and
- Institutional support – from both public and private sectors.

There are lessons for other countries from the New Zealand experience particularly for Ireland where there is lack of young people entering the industry. New Zealand has succeeded in attracting young people into dairying through the creation of formal, well-articulated career paths for aspiring farmers.

3.11.1 Share Milking

Share milking is one of the common entry mechanisms for young people to enter dairying in New Zealand (and facilitates older farmers to retire). In sharemilking, a young farmer operates a farm for an agreed share of farm income and expenses. The arrangement offers young farmers a way to build assets and dairy management skills without requiring a large amount of capital input at the beginning of their careers (CIAS, 1999).

There are two types of sharemilking arrangements in New Zealand. Non-herd-owning farmers manage a dairy herd in return for 20-30% of the farm income, partially paid in the form of heifer calves. The land owner provides all the resources, livestock and facilities. Another type is the 50:50 agreement, where the sharemilker provides the dairy herd and machinery needed for the farm operation, the landowner provides and maintains the land and milking facilities and the farm income is split equally. Typically sharemilkers accumulate livestock and then cash some of them in to purchase a farm (CIAS, 1999).

Certain lower order sharemilking agreements are governed by statute (Statute of Sharemilking Agreements Order 2001) (for farms with less than 300 cows). Under the statute, sharemilkers provides all labour and receives a minimum of 21% of the milk cheque plus 5% to cover their share of parlour running costs (Roche, 2008).

Building equity through cows appeals to younger people as it facilitates the incremental growth in assets which is more difficult to do with land. The sharemilker allows the landowner to maintain farm income while not being actively engaged in the farming operation. Contracting a sharemilker can be part of the transition into retirement for the landowning farmer (CIAS, 1999). Therefore share-milking is not only about entry into farming, it is also about facilitating exit out of the industry. Retirement is a process rather than an event, occurring in distinct phases (CIAS, 1998).

4. Findings from Consultation Process

The approach taken in this project was to collate existing research, reports and facts on Farm Partnerships and to utilise the experience, expertise and insight of the members of the Working Group to prepare recommendations for the development of Farm Partnerships. Specific consultations were undertaken to complement the information available in existing research and reports. The consultations involved:

- Meetings/discussions with stakeholders;
- Public request for submissions/comments;
- Request for input from farmers, discussion groups, consultants, Teagasc;
- Meetings with members of discussion groups (drystock, tillage and dairying);
- Submissions from individual dairy, drystock and tillage farmers;
- Teagasc enterprise and farm management specialists;
- Teagasc managers;
- Meetings with members of family partnerships and non-family partnerships; and
- Consultation with Department of Agriculture, Food and the Marine with regard to the emerging proposals on Farm Partnerships.

In order to ensure a wide opportunity to participate in the process, a letter requesting submissions was included in the '*Letters to the Editor*' section of the *Irish Farmers Journal.*

4.1 Consultation Information

The information collated was wide ranging but generally focused on suggestions for improvements/changes. The main comments are summarised to provide an insight into the views on farm partnerships (conclusions and specific recommendations are provided in subsequent sections). ***The comments presented are those suggested by the participants in the consultations, therefore some may be contradictory which reflects the diversity of views expressed. Also some of the suggestions made may not be feasible, however they are included in order to give a true reflection of the views of the range of stakeholders who were consulted.***

4.1.1 Benefits of Farm Partnerships

- Allows older landowners to reduce their workload but remain '*farmers*';
- Enhanced quality of life – time off and no management responsibility while away;
- Opportunities to reduce the capital and labour demands on farms;
- Milk Production Partnerships provided access to additional milk quota within families which helped to enhance the sustainability of the family farm;
- Partnerships have facilitated discussion on transfer/inheritance within the family;
- Provides a mode of entry for young trained people into the industry;
- Particularly beneficial for farmers whose parents are too young to transfer the farm to them. Partnerships provide parents with the opportunity to involve a child without taking the risk of transferring assets at a young age;
- Facilitates the involvement of young people without the need to invest in significant assets (which may not be possible);
- Allows young people a greater role in the farm – go from being a wage earner/labourer to a stakeholder with a motivation to develop the business;
- Provides for efficient tax management within farm families;
- Helps to ensure a continuous stream of investment on the farm;
- Partnerships provide an opportunity to increase incomes on drystock farms;
- Continuity of the farm management (across generations) allows for greater bargaining power with financial institutions in obtaining finance; and
- Overall, allows better decision making, labour efficiency and increased efficiency of usage of scarce capital.

4.1.2 Perceived Barriers to Farm Partnerships

- Existing partners have lost out (and continue to lose out) (e.g. drystock farmers) in areas such as premium/entitlement rights, modulation, REPS payments, investment grants and Suckler Cow Welfare Scheme in comparison to if they were farming separately in their own right. In addition Milk Production Partnerships benefited from more favourable arrangements than other partnerships;
- Farmers are reluctant to let go of their individual claim to entitlements for SFP, therefore partnerships where all payments must be combined do not appeal to many farmers. There are concerns about the establishment of entitlements for future reference periods for EU payments. The new reference period for farm payments is perceived as a barrier to entering any new arrangements (including farm partnerships) in the short-term;
- The sharing of risk and liabilities is a concern and deterrent for some farmers;

- Banks do not readily recognise the concept of partnerships as a method for young farmers to build their assets;
- Perceived difficulty to get practical advice and real feedback on farm partnerships (including professional advice) (many did not know where to source advice);
- Drystock farmers are generally more sceptical of the farm partnership concept while there is little appeal to tillage farmers;
- The necessity to have one named herd keeper is an issue of concern;
- Legal costs of setting up a partnership can discourage people;
- The concept of long-term stable arrangements has not yet gained wide acceptance among Irish farmers. Short-term informal arrangements with opportunities to terminate or change the payments are the accepted and preferred norm; and
- Lack of knowledge of partnerships and sharefarming among farmers is limiting their development. In addition, there are limited opportunities for farmers who are interested in entering a farm partnership to make contact with others who may be interested. There are few examples of effective partnerships in the public domain.

4.1.3 Challenges Facing Farm Partnerships

- Biggest challenge is changing the mind-set of farmers towards farm partnerships;
- Difficulty in sourcing advice and information on farm partnerships, many professionals have limited experience or applied knowledge in this area;
- Young farmers are lacking in capital to invest in livestock and farm assets and therefore have limited scope to develop even within a partnership;
- Few partnerships outside of dairying (dairy-beef; dairy-tillage; beef-beef-tillage);
- Huge learning process involved for partners to effectively work together which is not always recognised or understood at the outset;
- Role of the older or less active farmer is uncertain, many farmers are looking for an intermediate point between being fully retired farmer and fully active (partnerships can provide that intermediate point where an older person remains farming but with a reduced workload);
- There is a general perception that large scale means wealth and large incomes, limited acceptance that large scale partnership farms could actually be supporting a number of families and as a result scale is necessary;
- Banks lend to individual partners rather than the partnership – loans are secured on assets, therefore asset poor partners may not have capacity to secure borrowing;
- Chattel mortgages are not available in Ireland and therefore limits the capacity of younger developing farmers to borrow on the strength of their livestock assets;
- Perception that partnerships come under pressure when product prices drop and the less active partner may perceive that they should be getting a better return for their assets and input;
- The 11 month/conacre system is the predominant method of land rental which inhibits long-term planning; and
- While the main decision to enter into a farm partnership may be taken by the farm operator, other family members have an impact and need to be adequately informed during the process (challenging and sensitive).

4.1.4 Incentives to Encourage Farm Partnerships

- Tax incentives could be utilised to encourage farmers to enter partnerships;
- Young farmers need support to build stock and equity within the partnership;
- Employee stock options for farms should be considered as the first step on the development path;
- Incentives need to be targeted at both the landowners and those without land (or limited land) who are interested in entering farm partnerships;
- Need some form of incentive such as access to additional entitlements for example, in a similar way that dairy farmers got access to additional milk quota;
- Many farmers believed that individuals who enter farm partnerships should be allowed to maintain their individual farm payments in their own right;
- Additional groups could be targeted for partnerships: older people who wish to reduce their level of farming; and those with off farm jobs; and
- Installation and young farmer incentives should be available to those who become established by way of entry into a farm partnership.

4.1.5 Supports for Farm Partnerships

- Provision of mentoring to farmers entering partnerships (and the industry overall);
- Establish on-farm incubator units for farm partnerships (tax incentives, advice, mentoring and priority access to production rights);
- Develop a support network for farmers involved in partnerships (and entering the industry). Worthwhile

to involve both groups as it could educate others on farm partnerships and encourage them to consider it as an option;
- Need to explore the issues which impact on the movement of land between the generations - could help to identify ways in which to encourage farm partnerships;
- An advisory programme for farm partnerships needs to be developed to provide information and advice to those who are interested in entering and those involved in partnerships; and
- Need to develop training programmes for those involved and considering farm partnerships (e.g. roles, skills, working together).

4.1.6 Promotion of Farm Partnerships

- Promote and sell the overall concept to farmers.
- Highlight the security for the landowner of becoming involved in a farm partnership;
- Develop model farms for farm partnerships similar to the '*Greenfield Farms*' concept;
- Successful outcomes from on-farm incubator units/ model farms will: demonstrate value of involving young blood in farm business; highlight importance of continual investment in farm business (facilities, infrastructure, land); and develop the concept of young farmers growing their assets on non-owned land;
- A competition for farm partnerships should be considered;
- Open days, conferences/seminars for those involved or interested in the concept;
- Need to present information on different partnership scenarios (similar age, similar scale, different ages, different scale, different enterprise mix, differing levels of involvement and labour input);
- Might be beneficial to focus on the encouragement of partnerships within families for drystock and tillage farmers initially in order to get the concept accepted and subsequently encourage non-family partnerships;
- Could be promoted to older farmers as a system which maintains security of income and a say in the business; and
- Need to highlight to landowners that farm partnerships provide the best opportunity to maintain their farms in good condition.

4.1.7 Views on Sharefarming

- Most common joint farming initiative among tillage farmers;
- Main benefit is that the landowner can profit from the performance of the crop, however this is also the main barrier as many landowners do not want their income affected by variable factors;
- Allows landowners to remain farming while reducing workload;
- Sharefarming may have more appeal for farmers because they can maintain their individual entitlements to EU payments;
- There is a lack of knowledge of what Sharefarming actually involves. As a result, some farmers had a level of scepticism about the Sharefarming concept and whether it is actually a sharing of farming or just a paper exercise to get access to more land;
- Considered to be balanced in favour of the landowner and of little benefit to the active farmer; and
- Landowners have not fully bought into the concept and generally do not want to share in the risk of farming and prefer to receive a set value per acre.

4.2 Ladders of Opportunity – Deise 1250 Research Project

The Deise 1250 Dairy Discussion Group report '*Ladders of Opportunity*' contains a number of worthwhile recommendations which focus on the development of farm partnerships (Deise 1250, 2011). In order to achieve expansion and development, the Deise 1250 group conclude that there needs to be:

- An industry led focus on partnerships: policy, procedures and good governance guidelines;
- Simple, easy to implement templates/blueprints covering both legal and financial arrangements, which are easily accessible to all;
- Education programme for young farmers that encourages partnerships as an option;
- Workshops designed for farmers on partnership formation and developing the necessary skills; and
- Farmers need to be supported by other expert farmers on the realities of day to day management once they step on the partnership ladder.

Farmers need to:

- Accept that a big cultural shift is required to enter a partnership;
- Anticipate the needs of partners and employees; and
- Be proactive about their long term needs.

The more specific recommendations in the *Ladders of Opportunity* report include:

4.2.1 Educational Recommendations

- Recognised farm partnership course/module/workshop should be implemented;
- Enabling young farmers including those without land to have an opportunity to get a start with equity type arrangements and enable them to use them;
- Education to farmers on the economies of scale to be achieved;
- More personal development should be encouraged in partnerships;
- Any new entrant needs to be given the challenge of producing a farm plan themselves, so that they own the plan and are aware of all the critical dependencies;
- Educate farmers on the difference between joint ventures, sharefarming, partnership and contract farming; and
- Focus on: technical farming skills; business skills; and people skills.

4.2.2 Structural/Regulation Recommendations

- There needs to be a strategic vision of farm partnerships and leadership/management competency development at a national level which cascades through the education system;
- Structures of partnerships need to be modelled on existing successful partnerships;
- Policies and systems within the industry need to become more partnership friendly;
- Governance policies and procedures designed in consultation with stakeholders; and
- Blueprint developed on partnerships, outlining potential successes and pitfalls.

4.2.3 Legal/Financial Recommendations

- One stop shop for all requirements – possible collaboration between farmers, Teagasc and private consultants; and
- Recognised accountable experts to facilitate partnership discussions.

4.2.4 Promotion Recommendations

- Practical pilot studies need to be put in place for all categories of farmers;
- Set up a panel of successful partners whose systems can be modelled;
- Promote and reward excellence in partnerships (competition);
- Use of technology and media in promotion; and
- Focus groups to capture on the ground challenges/solutions.

4.3 Proposals from the Department of Agriculture, Food and the Marine

The Department of Agriculture, Food and the Marine (2011) concluded that policy mechanisms are required to ensure that partnerships can operate without disadvantage (outlined in detail earlier) including: REPS/AEOS; finance acts; modulation deductions; disadvantaged area payments; future capping of payments; future EU/Government supports/schemes; and regulations regarding herd numbers.

4.3.1 Challenges and Opportunities for Advisory Services in the Promotion of Farm Partnerships

There is a need for enhanced understanding of the factors that influence farmers' decisions to engage in farm partnerships in order to promote the concept to them and also to provide targeted advisory services to them. The factors influencing farmers' decisions are both social and economic (DAFM, 2011).

Spouses irrespective of their level of involvement in the day to day running of the farm play a role in overall decision making and are influential in the decision to enter partnership or not. Therefore they need to be targeted in provision of advice and information.

The decision to enter a partnership impacts on future generations as well as the current. Entry into a partnership can improve the viability and also improve the attractiveness of farming as a career. Farm partnerships represent a vehicle for providing two members of a farm family ownership and decision-making power and also for fostering the introduction of new and contemporary skills, knowledge, and perspectives to the farm enterprise. The ability of the farm to provide two family farm incomes and support future families is also an issue that needs to be considered, including the potential opportunities to diversify at some stage in the future.
The professional fees regarding partnership formation can also be a deterrent to entry into partnerships (DAFM, 2011).

5. Conclusions on the Potential of Farm Partnerships

One of the major challenges facing Irish Agriculture is the aging farm population, only 7% of farmers are aged under 35 years and 51% are aged over 55 years. The transfer patterns are compounded by an overall low level of sale of farm land, small proportion of long-term leasing and farm fragmentation.

Farm partnerships have an important role to play in the development of agriculture in Ireland and the achievement of the targets in the Food Harvest 2020 Report. Farm Partnerships can lead to: increased farm efficiency and output; earlier and more active involvement of young people; increased opportunities for development and scale; a more diversified income earning base; and reduced isolation and management stress for farm operators. While farm partnerships offer considerable potential and opportunity, there is apprehension about them among the farming population.

The potential role of farm partnerships is highlighted by the current level of interest by all stakeholders. The Minister and Department of Agriculture, Food and the Marine have placed a focus on developing and encouraging farm partnerships and Teagasc are undertaking to deliver an enhanced programme to support the establishment of partnerships.

5.1 Policy Initiatives

Specific recommendations in the Food Harvest 2020 Report indicate that farm partnerships will play a more central role in farming in the next decade. The Department of Agriculture, Food and the Marine Reference Paper (2011) highlighted aspects relating to schemes which could be addressed to encourage more farm partnerships. Favourable policies could play a critical role in the development of farm partnerships.

5.2 Experience of Farm Partnerships

The Milk Production Partnership concept has proven to have most appeal within farm families. This was driven by access to the additional milk quota but nonetheless serves to demonstrate that the partnership concept works. These partnerships allowed young people to be more involved in the management of the farm, facilitated the transfer of knowledge, skills and ultimately ownership. Reduced management burden and stress on the farm operator and reduced isolation are the most important benefits to inter-family partnerships. However, these benefits may not be obvious from the outset or may not be motivating factors for farmers to enter partnerships.

5.3 French Partnership Model

The French GAEC's have developed over the past 50 years to take account of evolving EU regulations in agriculture such as those relating to production rights and entitlements, issues which are now emerging as barriers to partnerships. The GAEC French Partnership Model provides important lessons for the development of farm partnerships in Ireland.

5.4 Barriers to Farm Partnerships

One of the main barriers relates to a lack of awareness of what partnerships have to offer and of the information/advice available. The concept is new to many farmers and while there has been a traditional level of assisting at farm level and cooperation in the sale of produce (e.g. dairy coops and marts), there is no tradition of sharing of the productive assets (significant deterrent) or shared decision making.

The linking of EU payments to the land owner also deters entry into partnerships as farmers are concerned about maintaining their individual rights and payments (current and future). There also is a lack of understanding that everyone may not be suitable to enter a partnership or be compatible. Therefore, there needs to be a greater understanding that the process of finding a suitable partner and entering into the process takes time. The mindset of farmers towards farm partnerships remains a significant deterrent.

5.5 Regulations

There is a need for clearer policies and legislation on farm partnerships, which will provide clarity on the implication of future programmes/measures and ensure that existing partnerships are not disadvantaged compared to individual farmers or new partnerships. Issues relating to the treatment of partnerships within programmes/measures continue to cause farmers to view farm partnerships negatively and need to be addressed in order to lead to an increased uptake in farm partnerships. The discussions on the new CAP proposals and in particular the allocation of future rights/ entitlements is a current concern which is discouraging farmers from considering farm partnerships.

5. Conclusions on the Potential of Farm Partnerships

(Continued)

5.6 Information and Promotion

Promoting the concept of farm partnerships and informing farmers are the most fundamental issues that need to be addressed. Farm partnerships represent a significant change from the traditional family run units and there is apprehension about them. Due to the natural concern about the ability of farmers to pool their resources and work together, there are many misconceptions which need to be addressed. Farmers and the professionals who provide guidance to them need more information on farm partnerships.

While all farmers could be potentially targeted for participation in farm partnerships, a number of obvious groups emerge as having considerable potential. These include: drystock farmers; older farmers; young people; landowners with off-farm employment; families; investors; and those seeking diversification opportunities.

One of the difficulties for many farmers in considering the farm partnership concept is that they are not familiar with farm partnerships in practice. Monitor/demonstration farms have played a significant role in the provision of information to farmers. *The Greenfield Project* [2] is considered a success in terms of providing ongoing information to farmers. Therefore monitor farms may also have a role to play in promoting the farm partnerships concept.

5.7 Incentives/Supports

The provision of additional supports in terms of information and advice and the delivery of a targeted advisory and training programme could encourage farmers to consider the concept.

A representative body for farm partnership farmers would prove beneficial to act in an advocacy and development role for the concept. The farmers involved have a key role to play in providing support to other farmers, sharing ideas and problem solving.

The majority of land which enters the rental market in Ireland is on the 11 month system and acts as a deterrent to farmers considering other models when they no longer want to farm the land themselves or reduce their input on the farm. It may be necessary to consider mechanisms which make 11 month rentals less advantageous.

5.8 Ladder of Progression for New Entrants

There is now a heightened interest in farming and the career options in the industry. A major challenge for the industry is providing opportunities for young people to progress. It is evident that a progression route or ladder of progression is necessary to encourage young, educated and enthusiastic people to enter and remain in the industry. Partnerships could be the ideal mechanism for young people to enter the industry and provide opportunities for progress.

[2] The Greenfield Dairy Programme involves 3 monitor and demonstration farms which were established by a number of partners (Teagasc, Irish Farmers Journal, Department of Agriculture, Food and the Marine, Glanbia Plc, FBD Trust, Allied Irish Bank and farm families) to explore, research and document development scenarios in dairying and to communicate the lessons learned to the public.

6. Recommendations on Developing Farm Partnerships

A comprehensive agricultural rejuvenation initiative is required in order to facilitate the achievement of the production targets in the Food Harvest 2020 report. This will entail refocusing policies and supports for agriculture to ensure that a much higher proportion of the land of Ireland is actively farmed by younger, trained farmers who are capable of increasing scale and adopting the technologies that will drive productivity and profitability.

The future strategic vision for Irish Agriculture must be one where young trained farmers are facilitated in gaining access to land. Farm partnerships are a mechanism which have an important role to play in facilitating access to land and resources for production. The low number of farm partnerships currently in place indicates that current policies are inadequate and must be reviewed.

Priority in policy must be given to:

- Generating scale that will lead to the creation of viable, profitable farm businesses;
- Enterprise specialisation;
- Adoption of technology that will promote efficiency on the largest possible proportion of the total land area;
- Providing opportunities for well-trained young farmers to grow and develop their businesses; and
- Provide an opportunity for older farmers to exit active farming in a progressive manner while retaining a positive role as long as they are capable and interested in doing so.

The increased interest by young farmers in agricultural education and training should be seen as a positive step for the industry. However, little benefit will be gained unless it is accompanied by real opportunities to get actively involved in farming on a scale that will provide them with a viable future.

Funding to support new initiatives in this area should be a priority in upcoming Rural Development Programmes. In addition existing supports should be looked at and refocused as necessary. This could include:

- Ensuring that the specific needs of participants in farm partnerships are catered for in the implementation of future policy measures. The French support for GAEC's could serve as a model;
- Facilitating in every way possible a range of farm partnership opportunities – intra farm in the first instance, followed by inter farm arrangements at a variety of scales;
- Funding to prioritise specific research, demonstration, continuing education and advisory services resources towards those involved in farm partnerships. The existing Teagasc role in relation to Farm Partnerships should be continued and further developed;
- Financial incentives for participants in partnerships to enable them to participate in continuing education and training, structured around groups; and
- Giving specific support to an organisation to act in an advocacy and development role for farm partnerships. This organisation could be based around those already in partnerships or entering into partnerships and recognises the importance of farmer to farmer advice in decision making.

There is a risk that the progress that has been made in relation to Milk Production Partnerships will disappear once milk quotas are removed unless action is taken. It will be necessary to give recognition to the need for rejuvenation of farm operators and the achievement of scale in future CAP Reform and national policies if Irish and EU agriculture is to become competitive on a world stage and provide a living for those involved.

We need an acceptance that partnerships result in larger scale enterprises which are necessary in order to provide an income for a number of families. Family farming is favoured within EU policy. Farm partnerships have the potential to help to secure the sustainability of these family farms by improved efficiency, increased income and enhanced quality of life. Farm partnerships need to be promoted as a continuation of family farming and a new approach to secure the future of family farms, rather than as a threat to the family farm.

The disincentives to partnership identified in the Department of Agriculture, Food and the Marine paper need to be resolved. The recent report prepared by the Deise 1250 Discussion Group also contains many worthwhile recommendations (similar suggestions in this report).

6.1 Regulations

- An Expert Committee should be established to develop specific legislation for farm partnerships (and updated regulations). This could provide for a clear policy for farm partnerships. The French support for GAEC's could serve as a model.
- Farm partnerships involving non-dairy enterprises must not be disadvantaged compared to any

new partnerships. A process should be developed that provides, where possible, a procedure for existing farm partnerships to gain recognition as Milk Production Partnerships.

- In the drafting of new regulations under CAP Reform, existing farm partnerships should be supported and new partnerships encouraged. There is a need to address issues in Government/EU schemes which act to discourage farmers from entering partnerships including: modulation; suckler cow welfare scheme; REPS/AEOS; disadvantaged area payments; and the possible future capping of payments. In particular the benefits which have been secured for Milk Production Partnerships should be extended to all farm partnerships. Consideration should be given to taking the number of family units involved in a partnership into account when drawing up criteria/ eligibility for schemes/entitlements.
- Rights/entitlements (e.g. EU/National payment rights, milk processing rights) established by the partnership should be allocated to the individual partners.
- A national office for the allocation of herd numbers to farm partnerships should provide a central point of access and a consistent approach. All partners involved in livestock farming should be designated as Herd Keepers.

6.2 Information and Promotion

Promoting the concept of farm partnerships and informing farmers are the most fundamental issues that need to be addressed.

- Emphasis should be placed on changing the mindset of farmers which involves challenging the myths and misconceptions about the farm partnership concept. Farmers need to be made aware of the challenges of working in partnership and the need to ensure that they explore their options and their potential partners in great detail before making the decision to enter or indeed not enter a partnership.
- Information needs to be provided to two distinct groups: farmers; and professionals (consultants, advisers, accountants and solicitors). Farmers are the obvious end-users of the information but the intermediaries from whom they seek professional advice also need to fully understand the concept and the issues relating to it.
- Specific additional resources need to be provided to promote, educate and make available a knowledge source on partnerships. This could involve such activities as production of literature, running of seminars, provision of courses and advice. Teagasc are currently the only organisation providing this service and with expert knowledge in this area. In anticipation of an increase in the number of farm partnerships, the registration functions will need additional resources also.
- Promote the range of partnership scenarios to farmers so that they explore all options.
- Identify the scenarios where informal partnerships are working effectively and explore how these informal partnerships could be developed into formal partnership arrangements and the benefits of doing so highlighted.
- Particular emphasis needs to be placed on promoting farm partnerships to:
  – Drystock farmers: to consider the opportunities for themselves to enter into partnerships with other drystock farmers and/or dairy farmers. The focus should be on viability and sustainability and the fact that entering a partnership should be considered in a similar light to a change in farm practices or management. Need to convince these farmers that this could secure their future rather than a loss of independence or identity as a farmer.
  – Older farmers: as an opportunity to reduce workload while maintaining or enhancing income with a better quality of life and ultimately remaining an active farmer. Possibility to promote the concept of partnerships as a stage in the retirement process from active farming. Older farmers could play an important mentoring role to younger farmers.
  – Young People (in training or early career): inform them of the opportunities presented by partnerships, educate them and develop their skills in this area while in the education system (included in educational courses and specifically in the new Teagasc Farm Management Course).
  – Landowners with Off Farm Employment: an opportunity for those for whom farming is a lesser part of their income but who wish to continue farming.
  – Families: may be opportune to focus on developing the concept within families primarily and among families secondly.
  – Investors: those interested in becoming active partners in farm partnerships by providing capital for farm investment e.g. investment in dairy facilities.
  – Diversification Opportunities: opportunities to diversify the farm activities within partnerships e.g.

on-farm food production, new partner may enter with the food producing skills, expertise and capital.

- A series of monitor partnership farms would demonstrate the concept, benefits and potential of farm partnerships. The models could examine different options, scenarios, and types of partnerships and provide on-going information on partnerships, how they operate in practice, financial performance and efficiency.
  – Pilot monitor farms could be developed in conjunction with industry stakeholders (coops, processors, marts etc.).
  – Monitor farms could be identified from existing established partnerships or new partnerships.
- Organise a Farm Partnerships Competition to promote the concept of farm partnerships and highlight successful models of partnerships.
- Promotion to every discussion group in the country with a follow up service.
- Preparation of a series of Case Studies on successful farm partnerships for distribution and inclusion in the farming press or for presentation at events.
- Research should be undertaken to establish the views of farmers who could potentially become involved in partnerships in order to gain an understanding of: their perceptions on farm partnerships; their reasons for remaining farming when it may not be financially viable; the level of activity they want to maintain; and incentives which would encourage them to enter partnerships.
- Farm organisations need to be centrally involved in promoting farm partnerships.

6.3 Incentives and Supports

- Develop a Charter on Farm Partnerships to ensure that future policies favour the concept and those who enter partnerships are not disadvantaged by policies.
- Mechanisms which would make farm partnerships more advantageous than conacre/11-month rentals should be considered.
- Full stock relief should be provided for those entering farm partnerships for a period.
- Where national reserves or similar mechanisms are provided in the future, young farmers who become established by way of entry into a farm partnership should be considered in the same priority as young farmers established on their own.
- The proposed Young Farmer top-up on the Basic Payment in the CAP reforms should apply to young farmers who enter farming by way of a farm partnership.
- Increased thresholds for entitlements, rights and incentives should be considered to encourage entry into farm partnerships.
- Specific incentives introduced should be available to farm partnerships across all enterprises.
- A representative body for farm partnership farmers needs to be established to act in an advocacy and development role for farm partnerships. Resources need to be provided to initiate this process with farmers and support/leadership may be required to get the representative body established. This body could also involve:
  – Provision of support, sharing ideas, solving problems and new concepts;
  – Provision of advice/guidance to those considering or entering partnerships; &
  – Proactive involvement in conferences, open days and general publicity.
- Facilitation of those interested in entering a partnership to identify others who may be interested in doing so.
- Teagasc to develop and deliver an advisory and training programme[3] possibly involving a mentoring programme for consultants, accountants and solicitors on partnerships which takes account of the different stages involved:
  – Stage 1: Preliminary Interest – enquiry stage: information to those who are interested in the general concept and are considering their options;
  – Stage 2: Preparatory Stage - support to those who are in the process of entering a farm partnership, completion of documentation and registration; training on the basic concepts; and
  – Stage 3: On-going Support – for those involved in farm partnerships; training to develop the skill sets of partners.
- Financial institutions should be encouraged to consider the introduction of Chattel mortgages as a mechanism for farmers (particularly younger farmers) to gain access to capital who may not have assets (land) to utilise as security for borrowings.

6.4 Ladder of Progression for New Entrants

Develop a model for progression within the industry with appropriate policies and supports which would

[3] Advice, guidance and training on practical issues which impact on the success of a partnership including: sharing of workload; shared management; cooperation; planning; involvement of family; differing levels of day-to-day involvement; conflict resolution; involvement of other partners; inheritance; and investment in fixed assets.

encourage young farmers to achieve progress within the industry by providing clarity and direction. Partnerships have a clear role in the process by facilitating young farmers to gain access to assets and gain experience. Policies need to provide opportunities for non-landowners and new entrants to the industry. These policies should cater for those who have no land and no expectation to acquire land by way of gift or inheritance.

- Develop policies which encourage and facilitate young farmers to build agricultural assets within farm partnerships:
  – Existing tax incentives (e.g. stock relief, capital allowances) must be maintained to facilitate new entrants to invest in their farm enterprises;
  – Targeted installation aid by way of interest subsidies or loan guarantees should be introduced; and
  – Need to work with the financial institutions to develop financial products which will facilitate new entrants to gain access to funding in the absence of land for security.
- Develop on-farm business incubator units which focus on the establishment of young farmers/new entrants by way of farm partnerships:
  – Securing of landowners/farmers who are willing to enter into a partnership with a young farmer;
  – Mentoring of the young famers by landowners and others (farmers, professionals, advisers etc.);
  – Competitive selection of young farmers;
  – Tax incentives to both landowner and young farmer;
  – Monitor and publicise the on-going performance and issues which arise; and
  – Develop a network of young farmers around these farms.

6.5 Farm Partnerships Summary Recommendations

The recommendations on Farm Partnerships can be summarised into broad and specific.

6.5.1 Broad Recommendations

- Ensure future policies/regulations take needs of current partnerships into account;
- Changing the mindset of farmer through information provision and promotion of a wide range of partnership arrangements – stakeholders involved in the promotion;
- Funding allocated for research, demonstration, continuing education and advisory services for farm partnerships;
- Participants encouraged to engage in ongoing education, training and interaction; &
- Initiative to establish a group to act in an advocacy and development role for farm partnerships.

6.5.2 Specific Recommendations

6.5.2.1 Regulations

- Expert Committee to develop farm partnership legislation;
- New CAP regulations support existing and encourage new partnerships; and
- Central allocation of herd numbers and all partners designated as Herd Keepers.

6.5.2.2 Information and Promotion

- Change the mindset of farmers on the concept;
- Enhanced information provision to farmers and professionals;
- Additional resources required by Teagasc for promotion, education, support and registration;
- Specific sectors targeted for promotion: drystock farmers; older farmers; young people; landowners with off-farm employment; families; investors; and those interested in diversification opportunities;
- Establishment of monitor partnership farms; and
- Farm organisations involved in promotion.

6.5.2.3 Incentives and Supports

- Charter on Farm Partnerships;
- Mechanisms to make farm partnerships more advantageous than short-term rentals;
- Full stock relief available for farm partnerships;
- Young farmers established by way of a farm partnership viewed as the same priority as those established independently;
- Representative body established for farm partnerships;
- Facilitation of those interested in entering a partnership;
- Development and delivery of an advisory and training programme; and
- Financial institutions encouraged to introduce Chattel mortgages.

6.5.2.4 Ladder of Progression for New Entrants

- Policies and supports developed to encourage young people to progress within the industry - partnerships promoted as ideal mechanism; and
- Develop on-farm business incubator units focusing on the establishment of young farmers/new entrants - including mentoring, networking and publicity of findings.

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Appendix – Membership of NRN Farm Partnership Working Group

The Farm Partnership Working Group was chaired by Mr Tom Kirley (formerly Teagasc) and involved the following members:

- Mr Peter Byrne, Farm Relief Service;
- Mr Derry Dillon, Macra na Feirme;
- Mr Trevor Donnellan, Teagasc;
- Mr John Enright, ICMSA;
- Mr Gerry Gunning/Mr Pat Farrell, IFA;
- Mr Tim Maher, Farmer;
- Ms Aisling Meehan, Solicitor;
- Mr Eddie Punch, ICSA;
- Mr Ben Roche, Teagasc; and
- Dr Pat Bogue, NRN.

Notes

This report was prepared on behalf of the National Rural Network by Dr Pat Bogue.
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