Share Farming in the UK?

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A model for new entrants.

What is Share Farming

- Financial sharing arrangement between landowner and farmer where income or profits are divided
- Alternative to standard tenancy arrangement
- Allows specific arrangement to be established depending on individual situation and contributions
- Concept of shared risk
- Greater autonomy and responsibility than working as a farm manager
- Can form part of succession arrangements as landowners near retirement

Sharemilking in New Zealand

CONTRACT MILKING

- Landowner owns land, infrastructure and cows
- Milker provides labour /pays for staffing
- Milker receives set price per milk solid they produce
- Incentive to increase production
- Lower risk than sharemilking

LOWER ORDER SHAREMILKING

- Landowner owns land, infrastructure and cows
- Milker provides labour /pays for staffing
- Milker receives (around) 20% of the income from the milk (known as the milk cheque)

50:50 SHAREMILKING

- Landowner owns land and infrastructure
- Milker owns cows
- Milker provides labour /pays for staffing
- Milker receives (around) 50% of the income from the milk (known as the milk cheque)

Sharemilking in New Zealand

- 29% of dairy farms in New Zealand are run by sharemilkers
- Provides a route for new entrants, through from getting started to farm ownership
- People start contract milking or lower order sharemilking
- They work for around 3 years on a farm, progressing onto larger farms as they build their capital (often building a herd alongside this)
- They progress to a 50:50 arrangement, usually borrowing money to do this (you can borrow 50% of the cost of a cow from the bank in NZ)
- They move onto larger farms as their herd grows
- After 10-15 years they can be in a position to buy their own farm or enter shared equity arrangement

Case Study 1: Rob and Mel Van den Brands

Case Study 2: Jason Macbeth

Case Study 3: Andy Tripp

Opportunities and Challenges of the model in NZ

- Flexibility of model makes it adaptable
- There is a legal framework for protection of sharemilker (e.g. minimum percentages)
- Requires external support to create and maintain arrangements
- Finding reliable staff is very difficult
- Sharemilker shoulders most of the risk as they pay a lot of the fixed costs such as staffing - hybrid arrangements are becoming more common where the fixed costs are covered by a set income, then the sharemilker receives a lower percentage of the milk cheque

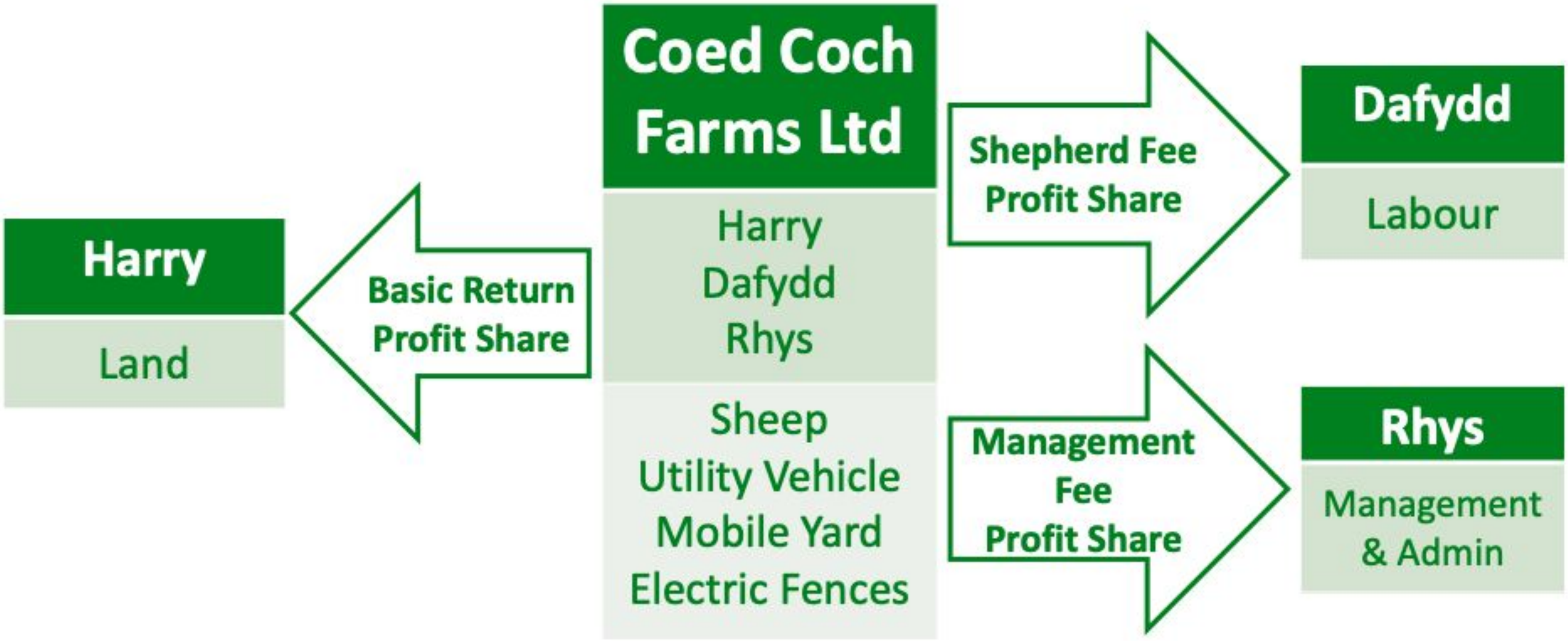
Applying the model in the UK

- The model is reliant on there being some profit to share
- There isn't the progression option for people to move between farms as it's an uncommon model here, so requires a different system
- Not as easy to borrow money to buy livestock here
- Housing is also included in the arrangement in New Zealand and this makes it more viable for the share farmer

Coed Coch Farms Ltd

HAUORA
ROMNEY


Coed Coch Joint Venture Model



Things to remember

- Skin in the game – Accountability and responsibility
- Don’t run away with the prize – Greed is the greatest sin
- It’s all about the people