

Finance

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Sourcing farm labour has become a major headache for many farmers. Two weeks ago I explained how finding a good employee can be a breeze compared to dealing with the myriad of worker's rights and employer's obligations.

Here, I look at some alternative structures being employed on Irish farms to avoid or lessen the need for additional labour, or to make the job more attractive — particularly in dairy, where demand for labour has soared since the abolition of milk quotas.

Partnerships

Non-family farm partnerships experienced something of a false dawn when the Milk Production Partnership Scheme was introduced in the '90s.

Truth be told, most of these partnerships were land and quota leases by any other name, and few if any stood the test of time.

I have assisted in establishing many partnerships, and none of the non-family ones have survived.

Farming, regardless of scale, is still essentially a family business and because farmers cherish their independence, a combination of two farm families and two independent operators makes for a lethal cocktail.

I am not an advocate of non-family farm partnerships. Avoid.

Share farming

This involves two parties on the same area of land (the landowner and the share farmer) carrying out separate farming enterprises in the one unit, without forming a partnership or company.

It can offer more efficient use and sharing of labour. Both parties share the benefits and the risks.

There is no fixed annual payment for the land. The respective parties can independently sell their share of output and equally cover their input costs.

Share farming is approved by the Department of Agriculture and can be fully compliant with the terms of the Basic Payment Scheme.

Participants are classed as 'farmers' so there is no change in their tax status. A legal agreement ensures both parties are protected if difficulties arise.

I have seen such arrangements work well, particularly where the division of duties and contribution of facilities is clearly set out.

Share milking

Share-milking arrangements provide a stepping-stone for young farm workers looking to become farm owners themselves.

The share-milker is responsible for operating the farm on behalf of the owner, but does not own the land and in return is paid a share of the income from selling milk and anything else produced off the land (eg livestock or fodder).

As a result, the legal relationship is of principal and independent contractor, not employer and employee or landlord and tenant.



Working it out: There are many alternative structures being employed on Irish farms to avoid or lessen the need for additional labour

How to take the hard work out of getting farm labour

Rather than directly employing a worker, there are plenty of ways to reduce the stress, paperwork and cost

The key requirement for a share-milking arrangement is that the payments are distributed on an agreed percentage share of the farm's income.

The farm owner typically provides all of the fixed infrastructure, and pays for overhead costs such as insurance, rent and repairs to buildings.

The share milker may provide some or all of the herd and ideally some or all necessary machinery, as well as the labour.

Share milking is popular in New Zealand but is relatively new to Ireland. Given the pace of dairy expansion and the shortage of labour, it (or some hybrid variant) is sure to become more prevalent.

Saturn Farms are leading the charge with this concept here; www.saturnfarms.ie

Contract rearing

Rearing replacement stock can be a significant labour demand on a dairy farm. Contracting out this task can allow a dairy farmer to concentrate solely on milk production, perhaps even without hired labour.

A dairy farmer enters into a contractual arrangement with

another farmer, on whose farm replacement stock are reared.

All variable and overhead costs associated with rearing are incurred by the rearer, such as bedding, feed, fertiliser for grazing land.

The stock owner will usually cover the extra costs of specific vaccinations and breeding.

Charges are agreed in advance, dependent upon the system, and will be on a 'per head per day basis' or 'per Kg of liveweight gain' basis.

Over the contract rearing period, typically 560 days, the average cost per head per day will be in the region of €1.30 but this will range from €1 per day at the calf stage to €1.50 at the second grazing season.

The system of rearing will be agreed by both parties in advance as will target growth rates.

I recommend contract rearing as a way of reducing labour, land and infrastructural demand

Contract rearing is beginning to gain some traction and my experience of dealing with clients engaged in it is very positive.

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Leasing plus labour

In some cases, one of the biggest impediments to a farmer leasing out his holding is the prospect of enforced retirement from farming.

Many farmers would prefer to semi-retire but achieving this by retaining a small enterprise that is likely to lose money may not be appealing.

In recent years I have encountered a number of cases where a farm was leased but the landowner also entered into an arrangement to provide labour in some form — from tending to stock, to regular or occasional relief milking.

Such arrangements can facilitate expansion without having to hire an additional labour unit.

In the cases I have been involved with, the experience has been positive, and the arrangement fully compliant with Revenue rules on the land lease tax exemption.

Farm relief

Farm Relief Services (FRS) are an attractive, cost-effective alternative option that dispenses with a lot of the administrative burdens and obligations.

FRS shoulder the bulk of the administration responsibilities of the employer. The cost of the service, typically €16-€18 per hour, is competitive, given the true cost of an employee includes employer's PRSI, holiday pay, sick pay and often meals as well as the wage.

The other big attraction of farm relief is that you only use them when you need them.

And it is worth noting that FRS provide a service whereby a number of farmers can share the one operator, which means they can each have an operator for a few days per week the entire year round.

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