Capitalising on the potential of Farming Collaborations in Ireland

A report for **Nuffield Ireland**

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2008 Nuffield Scholar

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Abbreviations

JV	Joint Venture
SFP	Single Farm Payment
MPP	Milk Production Partnership
YTF	Young trained farmer
NZ	New Zealand
EU	European Union
DAFM	Department of Agriculture, Food and Marine
CGT	Capital Gains Tax
IFA	Irish Farmers Association
SME	Small and medium enterprises
CPD	Continuing Professional Development

Executive Summary

The Irish dairy industry is in a period of expansion with the abolition of EU milk quotas. In order to deliver on its growth potential, it must overcome the challenges of poor land mobility, a shortage of qualified labour and a lack of new entrants. Farms must be more efficient and profitable to cope with an increasingly competitive and volatile global market.

The aim of this report, is to identify how Irish farmers can capitalise on the potential of collaborative arrangements to overcome these challenges. It is a broad remit and the report's key objectives are

1. To identify the most appropriate collaborative structures for use in Ireland
2. To identify reasons for and against entering into collaborative arrangements
3. To examine the best principles and practices employed in successful collaborative arrangements
4. To ascertain how a collaborative culture can be developed and promoted in Ireland

The report focuses on whole farm collaborations, where two or more individuals agree to share profits, losses and control in a business. It discusses the characteristics and appropriateness of different structures and concludes some collaborative structures are more suitable for promotion in Ireland. The author suggests that simple, low risk and easy to implement arrangements such as long term land leasing, have the most potential. Family partnerships can be a good structure to mentor and gradually transfer responsibility for the running of a farm, to the next generation. A farmer who intends selling the farm in the future, to an unrelated party, can retain valuable capital gains tax retirement reliefs and reduce his/her workload on the farm, by entering into a contract farming arrangement. Variable order share milking, can incentivise a good farm manager or new entrant to maximise the returns on a farm. The structure can provide an opportunity for them to build their wealth and progress their career. For larger non family collaborations, farm companies with limited liability can lower risk and be more tax efficient, than partnerships.

The positive potential of collaborative arrangements is demonstrated in the report, by examining the reasons why farmers enter into collaborative arrangements. Some of the business reasons given for collaboration included the ability to grow the farm size, lower capital costs, share risk, entice new labour and improve management. Personal reasons such as an improved lifestyle, shared decision making and working with others were also highlight.

Most interviewees for the report stressed the importance of personality and good people skills in collaborative arrangements. They highlighted that deficiencies in these areas, can be one of the main reasons against entering into collaborative arrangements. For some farmers, these skills come naturally.

For others they have to develop the mind-set and emotional intelligence to work effectively in groups. Farmers who cannot develop these people skills and mind-set, are not suited to collaborations.

Interviews with people involved in struggling collaborations reinforced the importance of some key principles for successful collaborations. The main principles highlighted were

- Parties must have common interest, goals and desires for a collaborative arrangement to work
- Integrity and trust, is vital between partners
- Agreements must be win-win for all parties
- Arrangements should have a defined entry and exit mechanism
- The collaboration must be financially viable
- The agreement should be carefully prepared and documented with clearly define roles and processes

A well-developed collaborative culture, can foster and encourage these principles and promote more successful collaborations. There are many lessons Ireland can learn from New Zealand, where 35% of dairy farms are run under share milking arrangements (Roache, 2008). The agriculture systems in New Zealand encourages collaboration, by providing low cost and easy to use templates for collaborative arrangements. It supports them with the necessary legislation and tax incentives to help them succeed. Farmer's knowledge and awareness of collaborative arrangements is increased through agricultural college courses, farmer education and media reporting. The culture is self-reinforcing with successful collaborations encouraging more farmers to try their own collaborative arrangements.

Ireland can and should capitalise on the potential of farming collaborative arrangements. The agriculture industry should strive to encourage, a collaborative culture to grow and flourish, by developing the necessary systems, supports and education to make it happen.

Recommendations

- **Setup a <u>permanent</u> Farming Collaboration Implementation Body**, composed of representatives from the major industry stakeholders such as Dept. of Agriculture, Teagasc, Revenue commissioners and farmer representatives. It should formulate, develop, implement, promote and continually refine templates and guidelines for different collaborative structures. It should model itself on the successful working group which developed Milk Production Partnerships. It is important that is a permanent body, as Ireland needs a coordinated and sustained effort to get more collaborative arrangements established.
- Teagasc, farmer representatives and farming professionals should **keep promoting long term land leasing.** The Farming Collaboration Implementation Body should develop variable return leases that adjust for volatility in sale and input prices.
- The Farming Collaboration Implementation Body should investigate options to **extend similar land leasing tax reliefs to share farming.**
- The Farming Collaboration Implementation Body should continue to develop, research and **refine a template for variable order share milking** in Ireland.
- Teagasc, farmer representatives and farming professionals should continue to **promote partnerships for family collaborations.** For rapidly expanding or highly profitable family farms, they should recommend, the more tax efficient company structure.
- Teagasc, farmer representatives and farming professionals should **promote companies for non-family collaborations.** Companies are lower risk since they have limited liability, and unlike in a partnership, shareholders in a company are not jointly and severely liable for other shareholders debts in a company. The Dept. of Agriculture should continue to tailor existing and new schemes to accommodate farming companies.
- Teagasc should **develop courses to teach collaboration skills.** They should educate farming students, farming professionals and farmers on the necessary people, financial and farm management skills needed for successful farming collaborations.

Introduction

The challenges facing Irish Agriculture

The Irish Dairy Industry in Ireland is in a period of expansion with the abolition of EU milk quotas. The industry has the first opportunity to expand, since milk quotas were introduced in 1984. The pent up demand for expansion is large. The Food Harvest 2020 report is setting a growth target for milk output in Ireland of 50% by 2020 (DAFF, 2011).

On the demand side, the prospects for meeting this growth target are good. The demand for dairy produce is predicted to rise 1.9% globally per annum. Most of this growth is expected to come from developing countries, where a growing and wealthier middle class is projected to increase per capita consumption of dairy products by 1.2% to 1.9% per annum, for the 10 years up to 2023 (OECD/FAO, 2014).

On the supply side, Ireland has a distinct competitive advantage stemming from its temperate climate, fertile soils and plentiful water supply which allows it to produce milk efficiently, predominately from low cost grazed grass. However there are a number of challenges that the industry must address if it is to capitalise fully on its dairy growth potential. Many of these challenges exist at farm level;

- Land: It is hard to secure long term access to sufficiently large land holdings.
    - "The amount of farmland sold in Ireland each year is very small (0.2% in 2010) when compared to the total agricultural area. In Ireland, traditionally it is just one heir, who inherits the land. The tax reliefs for Capital Gains tax on land transfers are more favourable for inter family transfers and therefore, there are less open market sales or transfers. (Savills Ireland, June 2011)
    - Most land rental is by way of conacre or leases of less than 1 year.
    - The average farm size is 32.2 hectares. Fragmentation is a major problem. The average farm in Ireland has 3.5 land parcels. (Irish CSO, 2007)
    - ***Ireland needs greater land mobility***
- Labour: There aren't enough young people entering the industry with the necessary skillsets.
    - The age profile of farmers is rising. . The number of farmers over 55 in Irish agriculture has risen from 40% in 2000 to 50% in 2007. More worryingly, the number of farmers under the age of 35 has fallen from 13% in 2000 to 7% in 2007. (Irish CSO, 2007)
    - It's hard to attract young people into the industry when it is difficult for them to progress beyond the position of farm labourer, especially if they are not in the lucky position of inheriting a farm.
    - ***Ireland needs a progressive and rewarding career path, to attract and retain high quality people in the industry***

- Capital: The cost of entry in Irish farming is high with diminishing availability of affordable finance
    - Land is expensive. The average price of farmland was approximately €22,000 per ha in 2010 (Society of Chartered Surveyors of Ireland, 2015).
    - The availability of loan and equity capital is diminishing due to the bank collapses in Ireland and recent austerity measures introduced to repair Government finances
    - The cost of finance is increasing and the margins demanded by banks on loans to smaller business in Ireland is high. This interest rate differential between SME loans less than €250,000 and larger loans greater than €1m euro was above 3% during 2015. The corresponding figure for other EU countries is on average 1.5% (Central Bank of Ireland, H2 2015)
    - Personal taxation is increasing and limiting funds available to invest in expansion
    - Income supports have decreased since 2013 when the Common Agricultural Policy Budget for the EU was renegotiated for the 2014-2020 period. Landowners and low income farmers who are heavily dependent on income supports will need to look for alternative sources of income.
    - ***Ireland needs new farming business structures to secure long term, less volatile sources of finance and to enable farms to be more productive and profitable.***

Collaborative farming arrangements, as we will see later in the report have the potential to address many of these issues. In Ireland they are underutilised, with only an estimated 3.8% of applications (4,660) under the 2010 Single Farm Payment Scheme, submitted by joint applicants. (DAFM, November 2011) The aim of this report is **to identify how Irish farmers can capitalise on the potential of collaborative arrangements.**

The Objectives

It is a broad remit and the report has narrowed down its focus to the following objectives

1. To identify the most appropriate collaborative structures for use in Ireland
2. To identify reasons for and against entering into collaborative arrangements
3. To examine the best principles and practices employed in successful collaborative arrangements
4. To ascertain how a collaborative culture can be developed and promoted in Ireland

Research Methodology

The author's aim at the outset, was to focus primarily on interviewing as many individuals as possible involved in a variety of collaborative arrangements. Where possible, each party in a collaborative arrangement was interviewed separately. Initially, these interviews were recorded but it soon became apparent that people were reluctant to talk openly on certain areas, given the sensitive nature of the discussion. For that reason it was subsequently decided to conduct future interviews without being recorded. Notes were kept on paper and for the most part, the findings are unattributed to specific individuals. A typical sample of the questions addressed in the interviews is contained in Appendix 3.

The research for this report involved travel to Australia, New Zealand, USA, UK and Ireland. Farm equity partners, share milkers, farm partners, farm managers, advisors, bankers, industry representatives and legal people were interviewed. A number of people involved in unsuccessful collaborations were also interviewed. Their stories highlighted the major benefits that joint ventures can bring to farmers but also the detrimental effects when they fail.

The most appropriate collaborative structures for use in Ireland

There are many types of collaborations possible in farming. This report will focus on "Whole farm" collaborations listed in the first column of Figure 1: Different types of Joint Venture Structures (Evans, 2008).

These whole farm collaborations have the greatest potential to address many of the farm and structural challenges facing Irish Agriculture outlined in the introduction. These "Whole Farm" collaborations generally involve the cooperation of two or more individuals or businesses, in which each agrees to share profit, loss and control in a specific enterprise. Many of the principles and discussions relating to whole farm collaborations can equally be applied to the other smaller scale farming collaborations.

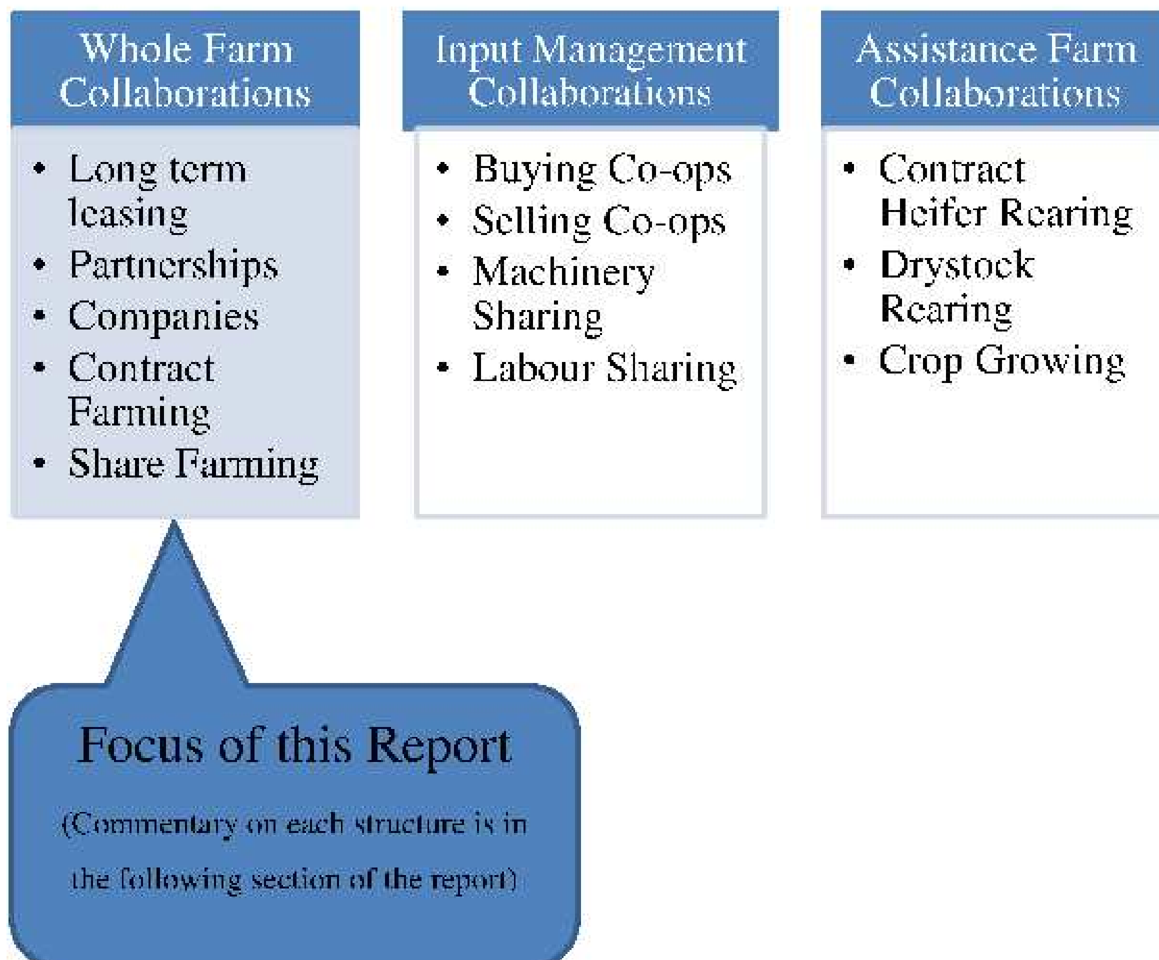

FIGURE 1: DIFFERENT TYPES OF JOINT VENTURE STRUCTURES (EVANS, 2008)

Long term Land Leases

Renting is by far the biggest source of land mobility in Ireland and its use is on the increase. 18% of farmland was rented in 2007 compared to just over 13% in 1992 (Irish CSO, 2007). This strong leasing market is vital in Ireland since less than 0.5% of agriculture land is sold each year in Ireland (Mc Guinness, 2011)[1].

Leasing is simple, easily understood and acceptable to most. In many cases it is the most appropriate and simplest structure to consider.

There are standard lease templates freely available from solicitors or farm organisations[2] which make the job of drawing up a lease agreement easier. There are some land leases in Ireland where the annual lease payments are linked to the average milk price. The author met an Irish farmer who had a long term lease agreement, where he sat down with the landowner and calculated the coming years rent, on an index of, not alone milk price, but also feed and fertiliser costs. This variable rent type arrangement ensured the lease was better able to survive volatility both in milk and input prices.

There are generous tax reliefs in place in Ireland to promote long term leases of land for periods of 5 to 15 years. An Irish farmer spoke of how these tax reliefs helped him push for a 10 year long term lease which allowed him to justify updating and extending the parlour on the leased farm.

Partnerships

In Ireland the most common form of partnerships are Intra family partnerships (DAFM, November 2011). These are arrangements which can involve both spouses, a parent and child, or aunt/uncle and nephew/niece running one farm.

In partnerships, a high level of trust is needed between partners because they tend to be long term arrangements where all partners are jointly and severely liable. Jointly and severely liable means that if we assume you are a 10% partner in a business, and your other partner is unable or unwilling to pay the partnership debts, you could become liable to settle all the outstanding liabilities of the partnership. This reinforces the need to pick your partners wisely and to fully understand the implications of joint and severely liable when entering into a partnership or drawing down a bank loan (LK Shields Solicitors, 2010).

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[1] There is no official record of land sales in Ireland. This is the best approximation available.

[2] http://apps.ifa.ie/ifa%5Crural%5Cmedia%5CMaster%20Agricultural%20Lease.doc

Milk Production Partnerships

A special form of partnership exists in Ireland since 2002 called a Milk Production Partnership (MPP). A MPP allows farmers to pool their land, labour and farm enterprises under a partnership structure. It meets the requirements of the Single Farm Payment (SFP) schemes and Milk Quota regulations.

There are many positive elements to MPPs. If MPPs did not exist, many of the new entrants in MPPs today, would have needed costly separate facilities. This just would not have made financial sense and many would have been unable to develop their farms to the extent that they have.

The method that was used to introduce MPPs, could provide a model for future collaborative initiatives in Ireland. Many key stakeholders were involved in establishing them. The Department of Agriculture and the Marine (DAFM) facilitated rule changes in schemes for MPPs. Revenue provided tax guidance notes and legislative change to make them workable. Teagasc provided coordination, a registration office, promotion and advice through their advisory network.

The uptake however, in MPPs is conservative. There were 540 MPPs operational in 2012 in Ireland (Bogue, 2012). Most of these are between family members. Only 28% of MPPs (150 farms or 0.8% of dairy farms in Ireland) are between unrelated parties. It will be interesting to see how many of these remain now that milk quotas are gone.

A major disadvantage of MPPs must be the requirement, that all the farming assets of all partners must be amalgamated and run as one unit. In most cases it is not possible to run an existing farm separately, alongside a MPP. This can be a major deterrent for a retiring farmer, who may wish to farm a portion of his land, on his own. An expanding farmer may also prefer to keep his existing operation, separate from a new dairy partnership.

Share milking

New Zealand (NZ) is the home of share milking. 35% of dairy farms in NZ operate share milking arrangements (Roache, 2008). There are two types

- **50:50 Share milking** is where a share milker provides all the stock, labour and mobile machinery. In return he/she receives 50% of the milk cheque and pays 50% of the working expenses of the farm and all expenses relating to the herd.
- **Variable Order (Lower order) Share milking** is where a share milker supplies all of the labour and some of the variable costs in return for a variable percentage of the milk cheque. This can vary from a low of 15%, for very large profitable herds to a high of 30%, for smaller less

profitable herds. The Share milking Agreements Order 2001 in New Zealand sets out standard terms and contracts that all variable order arrangements must meet. This helps protect the farmer's interests. It also makes it easier and less costly to set up and run. The Federated Farmers of New Zealand have comprehensive, standard share milking and employment contracts available in booklet form, which just have to be filled in and signed by all parties.

Share milking is very effective for attracting good people into a farming career and incentivising them to maximise production and take control of costs. In turn share milkers are well rewarded for their efforts and many go on to be land owners themselves. In New Zealand, share milkers cited their passion and their drive to succeed and work hard, as one of the key strengths of the NZ dairy industry (Payne, Shadbolt, Dooley, Smeaton, & Gardner)

However, the 50:50 share milking structure is under pressure in NZ. Higher land prices and milk pay-outs means a lot of landowners are opting to buy the herd themselves and employ a farm manager or lower order share milker. Also some share milkers interviewed for the report, talked of the higher hurdles for entry due to larger farm sizes. Higher land prices are also making it harder for them to take the next step out of share milking and onto farm ownership. These two developments have resulted in a major drop in share milking opportunities in New Zealand (Payne, Shadbolt, Dooley, Smeaton, & Gardner).

The very same hurdles exist in Ireland and together with the added complications of restricted movement of stock, due to more stringent disease controls, make the 50:50 share milking option a less viable collaborative structure for Ireland.

Variable Order Share milking Templates

The variable order share milking model is more suited to Ireland. It is a good way of incentivising farm managers or young family members. The land owner also benefits from having a farm that is well run, while retaining active farmer status for tax and inheritance purposes.

Volatility in milk prices and costs is putting the traditional variable order share milking agreements in New Zealand under pressure. If milk price goes too low and inputs remain high, many share milkers can go broke. In many cases landowners have supported share milkers during low milk prices and have not being repaid when milk prices improved.

Some arrangements in New Zealand, now focus more on splitting total farm profit rather than just splitting the milk cheque. One farm visited, had a profit share where, once 90% of the projected profit for the farm is achieved, the contract milker gets 25% of this surplus profit over the 90% threshold.

A variable order share milking template for Ireland, should look at a larger split across a range of incomes and expenses and not just focus on milk revenue and labour costs. Teagasc has formed a consultative group to develop such a template for Irish dairy farming.

Contract Farming

This is the most common type of collaboration in Britain involving 3-4% of farms in the country (ADAS, 2007). Contract farming is when a landowner employs another farmer to run his farm under contract. The landowner provides the land and facilities in return for a set return. The contractor provides the labour, machinery and power in return for a contracting charge. The dairy stock can be owned by either the landowner or the contractor and are leased to the farm for a cow hire charge. The landowner charge, contractor charge and cow lease charges are paid out of income first. Any surplus profit remaining is then divided amongst the landowner and contractor. From the sample of contract agreements seen when preparing this report, the split is normally around 20% for the landowner and 80% for the contractor.

This may have a role to play in Ireland. It can achieve the same result as a leasing arrangement with the added benefit of allowing the landowner to be treated as a farmer and not a lessor for capital gains tax purposes. The landowner also gains comfort from the fact that the SFP continues to be claimed in his/her name. Both parties' returns are partially related to profit at the end of the accounting year

The ideal candidate for this structure would be a farmer who does not have a son, daughter, nephew or niece to take over the business and would like to see the business being run as a going concern. If that individual leased his land, he would have a lower level of retirement relief for Capital Gain Tax when he does eventually sell the farm.

It can be a tricky structure to operate under. There is extra administration in maintaining two separate bank accounts and records, one for the contractor and one for the farmer.

Farming Companies

The use of companies on farms is minimal in Ireland. This is slowly changing. An amendment to the Milk Quota regulations in 2008, allowed milk quota leases between quota holders and their own majority controlled companies. This has allowed dairy farmers the first opportunity since 1996, to set up their own dairy farming companies.

Farming Companies and low corporation tax

Many farmers are realising the huge benefit of growing their business and repaying loans from profits taxed at a 12.5% corporation tax rate, as opposed to the marginal income tax and levies rate of 55%. The high capital required to grow a farming business and the poor availability of funding in Ireland, mean operating under a company may be the only option for some to grow, or even survive, where borrowings or growth are significant.

The low corporation rate becomes especially attractive for expanding farms and situations where a large part of the company profits are reinvested back into the business each year.

Farming Companies as a joint venture structure

In addition to low corporation tax rates, companies also have a number of other benefits which makes them particularly suitable to whole farm collaborative arrangements. They are the structure of choice for most joint ventures outside of farming and for good reason

- They have limited liability, which means shareholders who act with a duty of care, stand to lose only their investment in the company if it goes bankrupt. The banks may still require personal guarantees for loans. This is in stark contrast to the risky joint and severely liable situation that exists in partnerships.
- They are treated as a separate entity for legal purposes.
- These two characteristics help ring-fence company assets and liabilities from other private holdings.
- All entitlements, quotas and stock are built up in the name of the company and not the individual partners. As a result if you wish to transfer your interest in a company, it is a lot easier to do it by transferring shares in a farming company rather than trying to pass on a portion of a farm partnership.
- Issuing shares in a farming company to your siblings or farm manager on a gradual basis, is an ideal way to bring them into the business by degrees.

There is also a greater body of company law to regulate business dealings and protect shareholder and other stakeholder’s interests.

Farming Companies – The challenges

Farming companies are not without their problems. While commercial and tax law for companies is well developed, farming income support and schemes, regulations are not. The fact that Irish dairy farmers was excluded from forming companies between 1996 and 2008 due to the restriction on milk quota leasing, is a case in point. Any scheme or legislation where age, family relationships or an individual's farming status is a qualifying condition, normally excludes farming companies or their directors from qualifying. Examples where problems may occur include forestry grants, young farmer reliefs and retirement schemes.

There is a big challenge for legislators, in integrating companies into agriculture schemes and law. They have to grapple with the fact that companies are separate legal entities. It may be hard to hold individual shareholders accountable for breaches of farming legislation by companies. There is also the fear that farms and farming assets may become investment holdings for non-active farmers.

These challenges need to be overcome. Expansion will be curtailed if farmers can't access the benefits of lower funding costs and lower risks associated with farming companies.

Equity Partnerships (or Whole Farm Companies)

These are increasingly popular in New Zealand. They are farming companies where all the farming assets, including land are purchased by a company. The farm manager who is responsible for the day to day running of the business, normally takes an equity stake in the business. An equity partnership can allow a manager to have a smaller slice of a larger more efficient farm.

With increasing land and cow prices, more share milkers in New Zealand are looking to equity partnerships as an alternative to land ownership. Studies have shown that the 50:50 share milking arrangements produce greater returns on capital than equity partnerships. However the share milking returns are more sensitive to fluctuations in milk prices. The returns from equity partnerships are lower but more stable (Clarke, (n.d.)).

In Ireland, Capital Gains Tax and Stamp Duty discourage the use of these whole farm companies except in exceptional cases (e.g. where borrowings are very high). However, there are valuable lessons to be learned from how they are setup and run. There are good shareholder agreements, company constitutions and management agreements prepared for Equity Partnerships in New Zealand. Many of the areas dealt with in these documents are highlighted and discussed in Appendix 1: Areas to consider when drawing up Agreements.

Reasons for and against entering into Collaborative arrangements

In order to determine the role collaborative arrangements can play in Irish agriculture, a part of the study examined the reasons why farmers choose to collaborate.

One of the first questions all interviewees for the report were asked, was why they entered into the collaborative arrangements. There were a broad range of reasons. For the purposes of the report the author has tried to summarise these reasons in Table 1: Reasons for and against entering into collaborations.

When compiling this table, other surveys and papers that examine reasons for and against entering into Collaborative arrangements were also reviewed. (Payne, Shadbolt, Dooley, Smeaton, & Gardner) (Deise 1250 Discussion Group, 2011).

TABLE 1: REASONS FOR AND AGAINST ENTERING INTO COLLABORATIONS

Reasons FOR whole farm collaboration	Reasons AGAINST whole farm collaboration
1.Business Growth	
Increase Operational Efficiency • Access more land • Set up new unit • Setup specialised milking and young stock rearing blocks • Increase economies of scale • Lower Fixed Costs and increase output • Grow the business	• Increased scale brings increased risks • Increased scale requires improved business and people management skills • There is a lot of time and effort needed to setup and run a collaborative arrangement
Improve and/or lower Capital Costs • Source new capital • Get access to land and buildings with a lower capital spend • Share and lower cost on new infrastructure • Get more use out of infrastructure	• Too much pressure to generate sufficient cash flow to pay all people involve in the collaboration • Lack of good farms and opportunities for whole farm collaboration
Lower Risk and grow capital value • Diversify • Protect and grow farm assets without requirement to do all the work. • Landowners benefit from a good tenant and still retain some say in the operation • Option to elect for fixed annual income which may be lower but less volatile • Option to passively invest surplus income on farm and enhance your farm land and assets.	• A wrong partner can create major risks and liabilities for the business • A wrong partner can run down a farm

Reasons FOR whole farm collaboration	Reasons AGAINST whole farm collaboration
2.Farm Management Reasons	
• Two heads are better than one • Share workload and responsibility • Specialise in what you are good at • Access different skill set • Bring group disciplines to management – more reporting, discussion and planning • Attract, retain and incentivise good manager/workers • Secure farm operation in case of retirement, illness or death	• Hard to get good staff and partners • Problem of retaining good staff • Too many people in charge • Too much consultation and debate leading to slow, indecisive decision making
3.Inheritance and Career Development Reasons	
• Good way to pass onto to next generation • Allows for staged transfers • Develops management skills at young age • Enables new entrants to be involved at a younger age without great capital need • Allows young farmers to prove their worth and abilities to family and others • Can allow farmers without inheritance, to move from farm worker to part owner • Right structure can allow landowners retain farmer status for inheritance tax reliefs	• Complicates future inheritance planning • Pressure to bring in next generation may be wrong decision and create tension and financial pressure. • It can force a collaboration to terminate prematurely

Reasons FOR whole farm collaboration	Reasons AGAINST whole farm collaboration
4.Personal Reasons	
• Lower Stress • Prefer working with people • Prefer shared decision making • Enjoy working with group and the discipline it brings • Get more time off • Bring younger partner on board • Benefit from an older mentor	• **Lack of people and collaboration skills** • Different stresses (e.g. people management, monitoring) • Additional governance needed • Lack of emotional attachment • More business than family farm
5.Cultural Reasons	
• A well developed and proven culture of collaboration make it easier to enter into them • Templates and sample agreements make them easy to setup • A well of experience and past problems makes it easier to avoid pitfalls at start • Trained professionals for support • Legal and Agricultural initiatives available for collaborative structures	• Stigma associated with not farming in your own name • Limited support for setting up collaboration • Limited history or skill available in setting up collaborations • These shortfalls can increase risk of failure and create a fear of collaborative arrangements

The preparation of this table highlighted a number of points:

The importance of people skills and a collaborative mind-set

All interviewees for this report stressed the importance of good people skills for successful collaborations. Some people are lucky enough to have a personality, where these skills come naturally. For others they have had to, **develop** the mind-set or emotional intelligence to work effectively in groups.

So it is important to distinguish between your natural personality and your learned mind-set. Your personality is how you naturally act. It is a product of your genetic makeup and upbringing and you have limited control of it. However your mind-set is how your personality interacts with the world around it. This is something you do have control of.

Some of the most successful collaborators I met, had personality traits that did not lend themselves to collaborations – i.e. they were driven, single minded, with unwavering self-belief and a large need for control. However they realised the need to temper these traits and develop a mind-set more conducive to collaboration. They made comments such as

"I know I have to force myself to step back and let them get on with it. I have a natural tendency to interfere too much and tell them what to do"

"I have learnt to bite my tongue"

They adapted their mind-set to make collaborations work. They improved their communication and listening skills. They learnt to identify other parties' needs and allay their fears.

There are many very good farmers who cannot grow their business because they do not possess, or choose not to learn these skills. The result is that many are reluctant to even employ additional labour never mind work with others in a collaborative arrangement.

If you think you will not be able to learn and develop the correct mind-set, you must seriously consider whether a collaborative arrangement is for you.

Family Collaborations

A lot of the best practices applicable to setting up successful collaborations, are just as relevant, when planning the transfer of a family farm business from one generation to the next. There is the same requirement to understand all parties' goals and expectations and to plan and constantly review its progression. A well implemented family collaboration can be a great method to gradual introduce the next generation to the farm business.

It was interesting to observe the different approaches around the world to succession planning. One US farmer I met had a brilliant way of bringing his son into the business by degrees. He started by selling him different chunks of the business from the age of 25, right up to when he was 40. He remained a partner and mentor for his son throughout this time. Most New Zealand farmers purchase the farm from their parent. The tax system encourages this by charging high tax on gifts but very little on sales. The fact the new entrant has to borrow to the fund the purchase of the farm from his parents, encourages a greater focus on financial discipline and generating a sufficient return for the newly purchased assets.

Cultural Differences

While most interviewees had similar reasons for entering into collaborations, there was a difference in the level of importance attributed to the different reasons identified above.

Most Irish interviewees tended to focus on economic reasons and the limiting factors of quota and land, as the main drivers for entering into collaborative arrangements. The Ladders of Opportunities report (Deise 1250 Discussion Group, 2011) bears this out in a survey of main limiting factors within their group

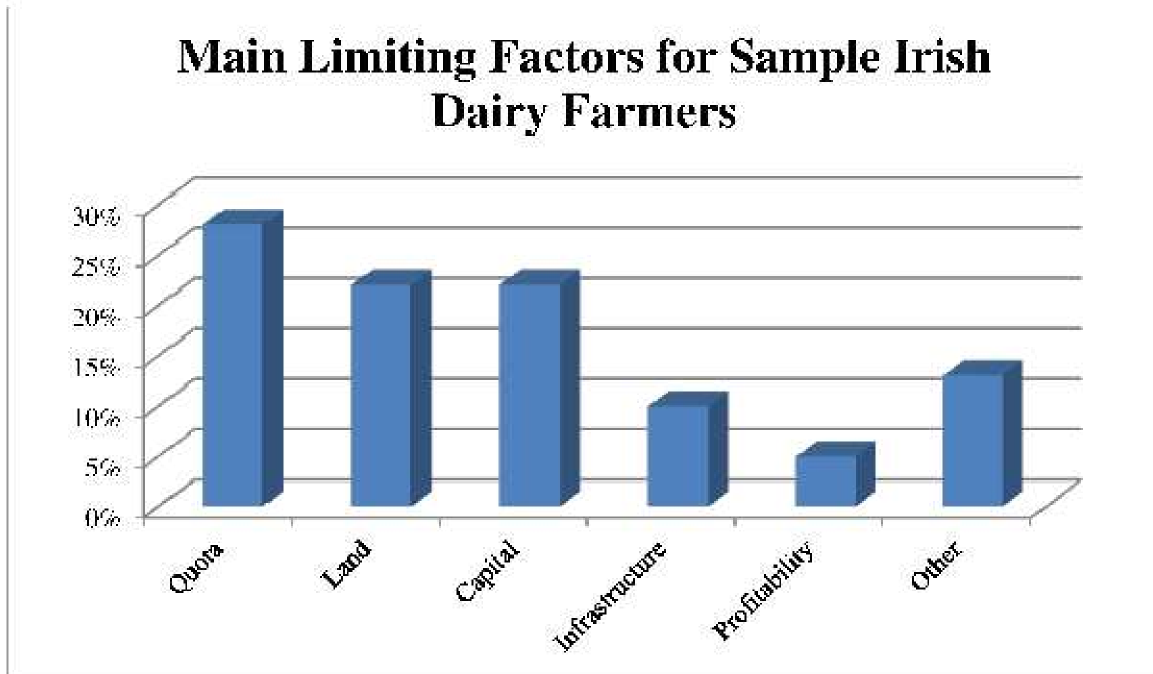

FIGURE 2 SURVEY OF LIMITING FACTORS (DEISE 1250 DISCUSSION GROUP, 2011)

In New Zealand where the culture of collaboration is more developed, interviewees placed a greater emphasis on personal and cultural reasons for their decision to enter into joint venture agreements. For example, Mark Townsend, who is involved in a number of equity partnerships in New Zealand and Chile, commented on the power that can come from simply working within a collaboration *"The horsepower that is derived from having a team of people working towards a common goal and using all of their life experiences is incredible"*

The impact of culture on the extent and success of collaborations will be discussed in further detail towards the end of the report.

The key principles for successful collaborations

The discussion on why people went into collaborative arrangements normally lead onto a discussion on what they thought were the key principles for successful collaboration. The same key principles kept coming up in most interviews. A very good paper given by Mark Townsend at the Positive Farmers Conference in 2009 provides the framework for summarising the key principles that the interviewees highlighted. (Townsend, 2009)

Parties must have common interest, goals and desires for a collaborative arrangement to work

This was almost universally given as one of the most important ingredients for success by most interviewees. Each partner must know the others needs and expectations. If they are all aligned, it will create an atmosphere where the collaboration, and a lot of the other principals mentioned below, can flourish. As many areas as possible must be clarified among partners, such as type of farming system, level of capital expenditure, management structure, partners roles, goals, term, how to wind down, key drivers of operation, level of return required, reporting. Taking time to address all of these issues is especially vital if partners are unfamiliar with each other.

Integrity and trust vital

Entering into a whole farm collaboration is akin to marriage. You must pick your partners wisely. Warren Buffet said

"After some mistakes, I learned to go into business only with people whom I like, trust and admire".

Trust and openness are needed for a collaboration to flourish. Trust is one of the key requirements to create a win-win situation

Agreements must be a Win-Win for all parties

An agreement where one party feels aggrieved and taken advantage of will not be sustainable. Bitterness and resentment will eventually ruin the relationship. The agreement must be fair. John Hopkins from New Zealand,, who has set up a number of equity partnerships said he never worried about the 90% he is giving away, just about the 10% he is getting. The advice was to focus on what you are getting from the deal, not what you are giving up. You can't be too greedy.

Have a defined entry and exit mechanism

The importance of clarity at the onset, on how each partner enters and exits the collaborative arrangement was constantly emphasised. If you have three partners entering into a 15 year joint venture,

that equates to a combined 45 years of life events that a collaborative agreement must deal with – illness, divorce, depression, disputes…..the list is endless. The agreement must be able to accommodate as many eventualities as possible.

Consideration must be given, at the outset to the following. Who can enter and at what cost? What will be the term of the agreement? What will happen at the end of the term? Will there be a renewal and on what terms? What happens if someone wants, or needs to be forced to leave the agreement?

A clearly defined exit strategy can prevent costly legal cases later on.

It must be financially profitable and sustainable

One of the main causes cited for collaborations breaking up, was the lack of financial success. All parties to a collaboration must be clear on whether the returns stack up. Most interviewees stressed the importance of preparing at least 3-5 year financial projections to ensure cash flows are positive. They emphasised that clarity is needed on projected capital expenditure, operating costs and margins. These financial projections normally form the basis for evaluating the returns of partners under different deal terms.

Clear definition of roles and processes

The role of each of the partners needs to be defined at the outset. Who will be the principal decision maker? What decisions will require majority approval? What will partners areas of responsibility be? Who will the farm manager report to? How often will meetings take place? What management/partner reports will be needed?

Marry in haste and repent at your leisure

A collaboration in many cases is a long term commitment with large financial consequences. Many highlighted the importance of putting enough time and effort into research and due diligence prior to setting it up. Many interviewees, outlined the importance of utilising facilitators to run through proposals and to draw on their experience of preparing agreements for other collaborative arrangements.

People who get married have a period of engagement and for good reason. The same applies to collaborations. Spending time planning a collaboration, working through agreements and deciding exit strategies, all pays dividends. You will learn early on if you can work together and can decide, if necessary, to pull out at that stage without any serious consequences.

Many of the points raised above are discussed in Appendix1 which deals with the areas collaboration agreements and documents need to consider.

The reasons why some collaborations fail

An important part of this report focused on talking to people involved in collaborations that were struggling or that had failed. An agricultural advisor in New Zealand set up a number of interviews with clients in these situations.

To avoid repetition, the report will not go into a full discussion on the reasons for failure. Suffice to say these findings reinforce the relevance of the points raised so far. The findings highlighted the need to understand the expectations of why people are entering into the collaborative arrangements and to formulate, document and operate the agreement in line with the principles of success outlined in the previous section.

For example, one couple I meet signed up to a share milking arrangement where the landowner had inherited the farm from a deceased relative. The share milker highlighted the following reasons for the poor arrangement,

- Lack of understanding by the landowner, who was a “townie”.
- Lack of trust. They did not know each other well enough
- Lack of investment by the owner who held back on capital expenditure and capital fertiliser
- Low profitability and the share milker was locked into a hard farm for 3 years that was not able to make money or reach its potential. Loss of the share milkers capital as a result
- Many disagreements in the first 2 years

Another was a couple who were managing partners in an equity partnership. They quit their profitable variable order share milking arrangement and invested $200,000 in a larger equity partnership. They regretted the move for some of the following reasons;

- The first year was poor, with little grass, and their value dropped to $90,000
- The herd was larger and harder to manage with more firefighting.
- They were blinded by the love of big farm. They trusted 3 year budgeted figures that were impossible to achieve
- No free cash. Share milking threw off more free cash on a regular basis. They felt that much of their wealth was tied up in illiquid shares that were very hard to leverage against.
- They felt trapped. They were locked in and restricted from setting up any other business by the shareholders agreement

What is important to highlight is the detrimental and life changing affect a poorly thought out collaborative arrangement can have. It highlights the importance of carefully planning, a robust and profitable collaborative arrangements for all parties.

How to Develop and Promote a Joint Venture Culture in Ireland

When travelling to research this report, it was interesting to observe the different cultures in countries and how it impacted on the extent and success of collaborations in farming. The word culture has many meanings, but for the purposes of this report it refers to the prevalent and default way of thinking, behaving and working in a place or country. The country I visited with the most developed collaborative culture in farming has to be New Zealand. It is worth examining its culture and what lessons Ireland can learn from it.

The New Zealand Joint Venture Culture

Collaborative ventures are more the norm than the exception in New Zealand. There are 35% of dairy herds run under share milking arrangements (Roache, 2008). There are also an increasing number of larger farms operating under equity partnerships, especially in the South Island.

There is a culture of openness and directness, in sharing and exchanging farm performance and financial figures. The attitude is, that if everyone can learn from each other as much as possible, then everyone and the industry as a whole benefits. This is evident by the number of discussion groups and the large merged co-operative, Fonterra, which processes the majority of the country's milk supply.

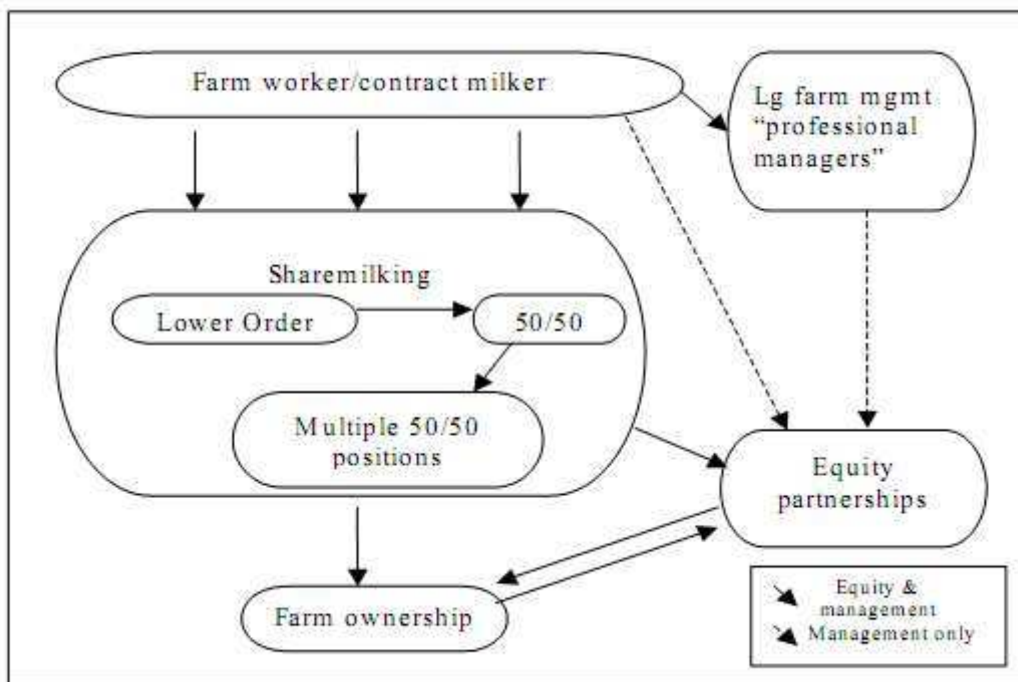

FIGURE 3: CAREER PATH OF NEW ZEALAND DAIRY FARMERS[3]

Also there is a clear career path for new entrants centred on collaborative arrangements as outlined in Figure 3: Career path of New Zealand Dairy Farmers . Many start off as farm labourers; move on to second in command, farm manager and then variable order share milker. During that time some invest or get paid in stock. These stock are leased out to dairy farms while they await a 50:50 share milker position. The ultimate goal for some is land ownership and a farm of their own. Recently more have invested as managing shareholders in equity partnerships arrangements.

While the collaborative culture is alive and strong in New Zealand, it is not without its challenges. Higher milk and land prices are reducing the number of share milking positions made available by landowners. The high land and stock prices are also making it harder for share milkers to progress onto land ownership, so they are waiting longer in their positions.

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[3] Shadbolt N. ,(n.d.),Ownership structures of New Zealand Farms, Massey University, Palmerstown North

Reasons why the New Zealand Collaborative culture is so strong

From the authors observations there are three main drivers of joint venture culture in New Zealand

1. The systems in place have a big impact on the culture
    - Share milking legislation makes them simple to set up and robust
    - Templates for agreements from Federated Farmers of New Zealand keep costs low and lessen risk of oversights.
    - Low capital taxes encourages transfers and investment in assets
    - Good career opportunities attract new blood into industry
    - Lower income supports from government, mean that scheme rules do not complicate decisions around collaborative arrangements.
2. College education, training courses and the media, increases people's awareness and knowledge of how collaborative arrangements work. Observing, interacting with and dealing with farmers and families involved in successful collaborations encourages people to try them out.
3. The culture is self-reinforcing. The more collaborations that take place, the more comfortable people will become with them and the more they will learn what is needed for a collaborations to work. Success stories give people more encouragement to try their own collaborative arrangements.

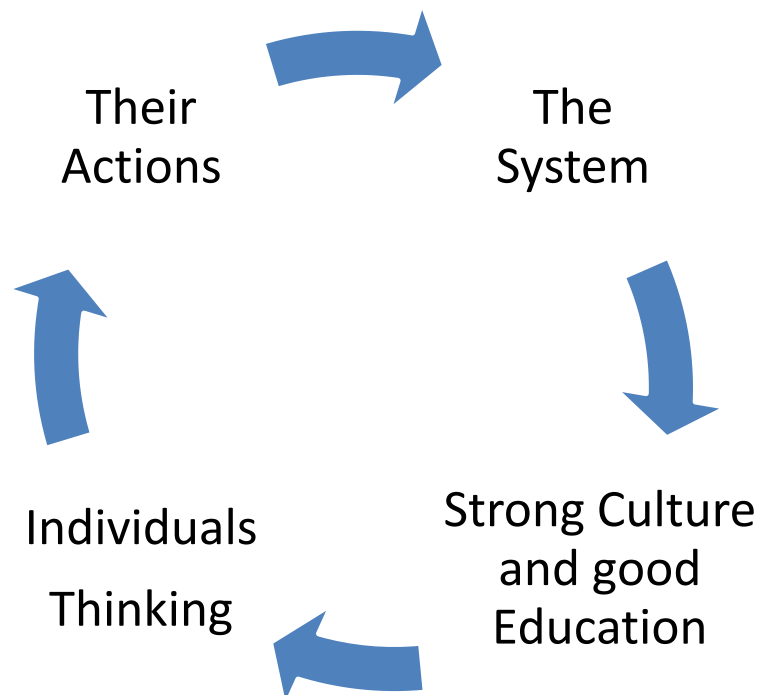

FIGURE 4: THE SYSTEMS ENCOURAGE THE CULTURE

Conclusions

There is "no one size fits all" for collaborative structures

Each collaboration examined for this report was tailored for that farm circumstances. Hybrids made up of many different forms of collaborative structures are common. For example you could have a long term lease done between a land owner and a farming company where he would also have a minority stake. The manger could operate a lower order share milking arrangement within the company. It is important to think long and hard on what collaborative structure is most appropriate and to adapt it to the farm's needs.

Simple, low risk and easy to implement structures are needed to get widespread use of whole farm collaborative arrangements

The highest uptake of collaborations will continue to come from simple low risk structures which are already popular in Ireland, such as, land leasing and family partnerships (close family ties and trust can reduce the risks associated with partnerships).

Some whole farm collaborative structures are more suitable for promotion in Ireland. This is the authors personal ranking

Top Structures	Comments
1. Long term Leases	They are easy to implement for tax and legal reasons In many cases a long term leases is the only structure needed
2. Family Partnerships	Family partnerships are a good method to gradually introduce the next generation into the business.
3. Variable Order Share milking	Good potential in Ireland Can be used to incentivise a farm manager Can attract and reward new entrants into the industry and provide a good career progression for farmers who will not inherit land Could be used in conjunction with company, partnership or sole trade
4. Companies	Good protection for assets outside the company Tax Efficient Should be seriously considered for a large whole farm collaborations or larger family type arrangements Can be tricky to qualify for some department schemes and tax reliefs
5. Non Family Partnerships	Need a high level of trust. More difficult to ring fence personal assets from the partnerships' assets and liabilities. Problems with joint and severely liable. Easier to meet Dept. of Ag rules and CGT reliefs

Formal family collaborative arrangements are a good way to encourage and develop the next generation of farmers

A lot of the best practices applicable to setting up successful collaborations are just as relevant, to the transfer of a family farm business from one generation to the next. A well planned and implemented family collaboration can be a great method to mentor and gradually transfer responsibility to, the next generation.

Farmers can learn and develop the skills needed for successful collaborations

Many of the successful collaborators I meet, emphasised the importance of self-awareness, self-control and empathy when dealing with others. They learnt the skill of identifying other people's needs, allaying their fears and being good communicators.

Some farmers are not suited to collaborations

Some farmers are not suited to collaborative arrangements. They don't have the necessary mind-set or the desire to develop the skills needed to make them work. They should seriously consider whether they are suited to collaborative ventures. Similarly there are other farmers who thrive on collaboration and working as a team with others

Ireland needs to develop a strong collaborative farming culture to overcome some of its more serious structural issues.

In the introduction to this report, the author highlighted the challenges to Irish agriculture of poor land mobility and insufficient new farm entrants. It also highlight the need for farms to increase profitability and efficiency to cope with an increasingly competitive and volatile global market. Well-structured collaborations have the potential to increase operational efficiency, make more efficient use of capital, and attract and reward better farm operators.

Ireland can and should capitalise on this potential of farming collaborative arrangements and the industry should strive to encourage, a collaborative culture to grow and flourish, by developing the necessary systems, supports and education to make it happen.

Recommendations

- **Setup a permanent Farming Collaboration Implementation Body**, composed of representatives from the major industry stakeholders such as Dept. of Agriculture, Teagasc, Revenue commissioners and farmer representatives. It should formulate, develop, implement, promote and continually refine templates and guidelines for different collaborative structures. It should model itself on the successful working group which developed Milk Production Partnerships. It is important that is a permanent body, as Ireland needs a coordinated and sustained effort to get more collaborative arrangements established.
- Teagasc, farmer representatives and farming professionals should **keep promoting long term land leasing.** The Farming Collaboration Implementation Body should develop variable return leases that adjust for volatility in sale and input prices.
- The Farming Collaboration Implementation Body should investigate options to **extend similar land leasing tax reliefs to share farming.**
- The Farming Collaboration Implementation Body should continue to develop, research and **refine a template for variable order share milking** in Ireland.
- Teagasc, farmer representatives and farming professionals should continue to **promote partnerships for family collaborations.** For rapidly expanding or highly profitable family farms, they should recommend, the more tax efficient company structure.
- Teagasc, farmer representatives and farming professionals should **promote companies for non-family collaborations.** Companies are lower risk since they have limited liability, and unlike in a partnership, shareholders in a company are not jointly and severely liable for other shareholders debts in a company. The Dept. of Agriculture should continue to tailor existing and new schemes to accommodate farming companies.
- Teagasc should **develop courses to teach collaboration skills.** They should educate farming students, farming professionals and farmers on the necessary people, financial and farm management skills needed for successful farming collaborations.

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Alaister and Sharon Rayne
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Ali Undorf-Lay
Paul Kane

USA

Ryan Weaver, Fair Oaks Farms

Michael Crinion, South Dakota Agricultural and Ruaral Leadership Inc.

Ben George, Fortis

Joe Gallagher, The Gallagher Group

Gregg Hardy, Quantum

Al Reastrom

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Appendices

Appendix 1: Areas to consider when drawing up Agreements

If you reach the stage where you have identified a partner or group of partners, who you are happy to work with and a project you think will perform, you then must consider what topics need to be discussed and decided upon. Some important decisions need to be taken in the following areas

Value what each partner brings to the deal and how they get their return

- What assets are each partner they bringing to the deal (land, stock, buildings, expertise, labour, capital)
- What value is attributed to these at start up? What assets will be funded jointly by the collaborative ventures borrowing? What assets will be supplied individually?
- What return on these assets is payable during the collaboration? Is it fixed, related to profit or payable at end of deal?
- What assets return to original partners at wind down? What assets are divided out among the partners and at what rate?

Pick a suitable Structure for the collaboration

- Lease, partnership, company, share milking, contract farming?

Document how the collaboration will be run and wound down

Long term agreements are needed to justify setup costs, capital expenditure and time invested in the venture. Most dairy enterprise start-ups, only really begin to throw off significant free cash from year 4 onwards, when surplus stock begin to be sold.

The process is as important as the result when it comes to documenting how a collaboration will be run and wound down. It's a great opportunity to get to know what you want and what your partners expect. More importantly you get a sense of whether or not you will be able to work with them. It's a lot easier to have a change of mind at this stage.

The level of detail needed in discussions here, will all depend on the type of collaboration that is proposed. Even if it's only a simple 5 year lease it's no harm to go through some of the issues relating to more complicated, long term arrangements.

It is important at the outset to keep a detailed written record of all terms agreed during the course of negotiations. This will form the basis for all formal agreements subsequently prepared. Paperwork will vary depending on the type of structure chosen.

Structure	Documents	Comments
Land Lease	Master Lease	Can be got from IFA.ie website Sometimes amended to link annual rent to milk price or changes in costs
Partnership	Partnership Agreement Land Leases	
Share milking	Share milking Agreement	
Contract Farming	Contract Farming Agreement	
Company	Land Leases Memorandum and Articles of Association Shareholders Agreement[4]	These set out the powers of company and how it should conduct its business (e.g. meetings, decision making, types of shares) A private document among shareholders Sets out how they will run business, sort disputes, transfer shares and wind up Co.
Most whole farm agreements also usually need	Cash flow Budget Capital Expenditure Budget Valuation of Collaboration ventures assets Employment Agreements	Sets out value and quantity of assets bought to the collaboration Important where farm manager.

When preparing the report the author had access to a number of sample agreements for various collaborative arrangements. The following is an attempt to summarise areas commonly covered in such agreements.

[4]Scully E (2011) A Practical analysis of Shareholders Agreements
http://www.lkshields.ie/htmdocs/publications/articles/pub401_shareholders_agreements.pdf

Sample areas that need to be considered when drawing up an arrangement

1. The objectives of the collaboration
2. The Term
   a. Review dates and conditions
   b. Ensure the term is of sufficient length or can be extended
3. Funding
   a. Number and class of shares issued in company / partnership
   b. Value and quantity of assets supplied to collaboration
   c. Bank facilities, security and maximum debt levels
   d. Timings
   e. Initial application of funds
4. Remuneration for parties
   a. Fixed annual payments for land rent
   b. Formula for variable land rent if applicable
   c. Annual return due on capital expenditure or assets supplied
   d. Annual contracting/share milking charge
   e. Division of any surplus profit between parties
   f. How are dividends and bonuses from Co-op shares dealt with?
5. For share milker or contract farmer
   a. Labour to be supplied and cost
   b. Budget for variable costs to be met
   c. Cows to be milked
   d. Records to be kept
6. How stock are dealt with
   a. Bull calf sales -> For stock owner or collaborative venture
   b. Heifer calves -> Sold to stock owner or retained by collaborative venture
   c. Heifer rearing costs - >How charged?
   d. Purchase of in-calf heifers ->If from stock owner at what cost?
7. Background info on farm needed
   a. Land area and quality
   b. Stock on farm
   c. Health status (SCC, Disease Screening)
   d. Fertility status of land
   e. Machinery
   f. Compliance issues

    g. Past Production (Stock carried, Tonnes grown, Fertiliser used)

8. Capital Expenditure
    a. Capital expenditure budget and plan needed
    b. Details of how capital expenditure will be financed and who is responsible for its delivery.
    c. Agreement on how capital expenditure will be dealt with at the end of the agreement. Often a land owner can agree to make contribution to the value of capital left on the farm at the end of the agreement.
9. Authorisation of actions
    a. Managements authority to take actions up to certain sums and budgeted amounts
    b. Matters requiring special resolution (normally >75%)
        i. Major transactions
        ii. Asset disposal/acquisition
        iii. Borrowing or lending
        iv. Appointment /firing of management
        v. Issue/transfer of shares
    c. Matters requiring unanimous agreement
        i. Amendment to shareholders agreement
        ii. Further investments
10. Management Agreement
    a. Who does management report to
    b. Remuneration
    c. Responsibilities
    d. Reporting
    e. Termination
11. Board and General meetings
    a. Initial directors / partners
    b. Appointment and removal of directors
    c. Directors fees / Partners salaries, expenses and insurance
    d. Frequency of meetings
    e. Notices and running of meetings (quorums etc.)
12. Accounts and Information
    a. Reporting obligations to shareholders/partners
    b. Deadline and setting of annual budget and business plan
    c. Annual accounts
    d. Monthly accounts and cash flows required

    e. Accounting records required
13. Dividend or pay-out policy
14. How any future cash calls are handled
15. Shareholdings and partners holdings
    a. Restriction on transfer for x years
    b. Transfer of shares on death or illness
    c. Transfer of shares on bankruptcy
    d. How shares can be sold
        i. First must be offered to existing shareholders
        ii. Then on open market with final approval sought from existing shareholders
16. Termination and Exit Strategy for Agreement
17. Duties of Directors and Shareholders
    a. Duty to act in best interest of collaborative venture at all times.
    b. Non-compete clause.
    c. Who is responsible and liable for cross compliance and SFP requirements
    d. Obligation not to encumber shares without prior consent of all shareholders
    e. No shareholder may assign rights and obligations under agreement without prior approval
    f. Disclosure of conflict of interests
    g. Confidentiality
18. Discipline and dispute resolution
    a. How a non-compliant director is removed
    b. How disputes are handled between shareholders
    c. Appointment of an arbitrator and timelines towards settlement

Appendix 2: Questions covered in interviews

1. Your business
    a. Can you describe you current businesses?
    b. Who are the key people helping to run the business?
    c. What is your role?
    d. What do you spend most of your time at?
    e. What is the most important thing for you to get right/manage?
2. Background
    a. Are you from a dairy farm?
    b. How would you describe your early years and start of your career?
    c. Did you inherit farm?
    d. If not how did you get your start?
    e. Did you buy farm?
    f. Do you agree with system of farmers buying out their parents?
    g. What was the pace of progression?
    h. Key breaks?
    i. Key mentors/influences?
    j. Key lessons?
3. What drives you?
    a. What drives you?
    b. What is your first love?
        i. Cows/Management/Challenge/Recognition/______________?
    c. What are your long term goals?
    d. Do you do strategic planning?
    e. How often do you visit plan / Is it rewritten often?
    f. How have your goals changed over the years?
    g. What are your long term goals?
    h. What are the tools to keep you focused and motivated?
    i. Who is your role model? Who do you benchmark against?
    j. What's your attitude towards risk?
    k. What are you always careful of?
4. Early collaborations
    a. What form did your early collaborations take?
    b. Why did you enter into them?
    c. How effective were they?
    d. Were they successful and why?
    e. Did any fail?
    f. If so why?
    g. How did you get on with partners?
    h. What are the main advantages of collaboration?
    i. Do you work better as a team or on own?
5. Your personality / People Management
    a. What makes you suited to collaborations?
    b. Was your personality always suited to such joint ventures?
    c. How have you adapted?
    d. What do think are key secrets to dealing with people?
    e. How have you dealt with conflicts?
    f. Examples?
    g. How do you get the best out of people?
    h. How much of your management relies on trusting people or building systems?

        i. How does this work?
        j. How did you make the transition from hands on to management to strategic planning
6. The Spark - How did you get into collaborations
    a. Why collaborate
        i. Lack of capital, Easier manage, People mix, More opportunities?
        ii. Have your reasons for entering JVs changed over the years
        iii. For what reasons would you avoid a JV?
        iv. From you experience what advice would you give those considering entering into a collaboration
    b. Investment Objectives: What do you look for? Min returns?
        i. For JV
        ii. For individuals
    c. Have you done any leasing or is it only whole farm collaborations?
7. Structure
    a. What structure do your collaborations work under?
    b. Why did you pick that structure?
    c. What are tax advantages of companies?
    d. What are tax/legal disadvantage?
8. Getting projects started
    a. Have the type, structure and operation changed much over the years?
    b. What have been the major changes?
    c. Is there a template there that forms the bedrock for most projects?
    d. Would you have sample templates available or sample agreements?
    e. Negotiations between parties: How do they go? Long? Tough/easy?
    f. How do you deal with the following
        i. Min return for landowner?
        ii. Min return for equity partner?
        iii. Min return for manager?
        iv. Final profit share?
        v. Linking to milk price / input prices. Is it done and how?
        vi. How structure so win/win
        vii. Livestock- Valuation, Ownership going forward, Rearing costs on farm, First calf
        viii. Exit strategy
            1. Min term enforced? Penalties for breaking
            2. Buy out by group/ group members/ outsiders
            3. Valuation period
            4. Mediation procedures
            5. How have you steered an EP out of trouble when partner did not fit in?
9. Partners
    a. What do look for in partner?
    b. What do they have to bring to table?
    c. What do you generally want in your team?
    d. How do you define roles and avoid overlap and conflict?
    e. Ideal number of partners?
    f. Do you deal with sleeping partners that bring only capital?
    g. How do you handle them?
    h. Have they less of a say and not as much access to info?
    i. Do you tend to carry partners forward to new projects? Are partners put together on project to project basis?
    j. What about partners that don't pull their weight or do not live up to expectations?
10. Managers
    a. Is it vital that managers bring capital?

b. Is locking them in a good thing?
c. Must they sell their stake when they leave?
d. How do you make room for a successor?
e. What support is there for managers?

11. Managing People
    a. What's the key
    b. How do you pick them?
    c. What do you do to retain?
12. Documentation
    a. Docs
        i. Shareholders Agreement
        ii. Company Constitution
        iii. Business Plan
        iv. Employment Agreements
        v. Any others?
    b. Can you comment on the above?
    c. Key things you look for in them?
    d. Much variation between projects? Why?
    e. Have you samples?
13. Reporting
    a. How often do partners communicate?
    b. What type of info is shared? Would you have sample reports?
    c. Is there monthly meetings as well?
    d. Do you budget?
    e. How do you budget?
    f. What's done centrally and what's done on farm?
14. Bringing collaborative structures abroad?
    a. What could you not bring?
    b. Biggest challenges?
15. The local Dairy Industry
    a. How much of the increase in production driven by collaboration?
    b. How will high capital values impact on performance and returns for collaborations going forward?
    c. What is the vehicle of choice for collaborations going forward?
    d. What's the future for national dairy industry now, with high cap values and lower milk price?
    e. Credit Crunch impact?
    f. What are biggest threats going forward?
16. Important Final Questions
    a. Must haves for collaborations to work?
    b. Example/Causes of ones that went wrong?
    c. Any question I should have asked?
    d. What should be the main message on the topic?
    e. What are the alternatives structures worth looking at?
    f. Who else should I talk to?
    g. What other angles should I look at?
    h. Possible to talk to farm manager / other partners?