

# Contract Farming

Andrew and Rachel Giles

Maesllwch Home Farm, Glasbury, Powys



July 2011



## How it started

Maesllwch was the first venture and is now in its tenth year. Andrew and Rachel saw the farm tenancy advertised in the Farmers Weekly and applied. They wanted to grow their business without tying up their capital.

“It allowed us to have a larger business and a better return on our capital,” Andrew adds.

Three years ago Andrew and Rachel approached the landowner at Llangoed Farm with a proposal to contract farm the holding. They needed more land to sustain their organic dairy herd.

## Background

Andrew and Rachel Giles and their family run three farming enterprises as joint ventures. Maesllwch Home Farm is a 445-acre organic farm, carrying 380 spring calving New Zealand Friesian and Jersey cross cows. The herd produces a 5500-litre yield average for OMSCo. Maesllwch is farmed on a 20-year Farm Business Tenancy.

The Giles' also run Llangoed Farm at Llyswen, Brecon, a 568-acre farm with 248 acres dedicated to organic production. Both Llangoed, and another farm which the Giles' run, Willet Farm, Taunton, have Contract Farming Agreements. The family aims to run a low cost but highly profitable business to provide significant capital to allow for growth within the business.

“We wanted a comfortable lifestyle, and the opportunity to help our sons to start their own businesses as well as providing for our retirement,” Andrew explains.



“This was an ideal opportunity for us to obtain more land to sustain our home dairy as well as having a secondary income from heifer rearing,” Andrew explains. “It provides the landowner with a reasonable income and also the farm is looked after.”



Cronfa Amaethyddol Ewrop ar gyfer Datblygu Gwledig: Ewrop yn Buddsoddi mewn Ardaloedd Gwledig  
The European Agricultural Fund for Rural Development: Europe Investing in Rural Areas



Canolfan Datblygu Llaeth  
Dairy Development Centre

DairyCo



Llywodraeth Cymru  
Welsh Government

## The current situation

The business at Llangoed purchases 300 weaned spring-born New Zealand Friesian and Jersey cross heifer calves each year and mates them to calve at two years of age. These are then sold as in-calf heifers two months before they calve.

There are also opportunities for movement of stock between the farms. Willet Farm sells 125 calves to the business at Llangoed and these are bought back by Willet Farm before they calve. Forage is also grown at Llangoed Farm to support the Maesllwch dairy herd.

Within the contract farming agreement, the landowner provides the land and the buildings together with the working capital therefore he is technically still the farmer and therefore eligible for tax relief.

The landowner has a designated trading account and all income and expenditure except labour, machinery and management is met by this account.



“As the contractor we provide the labour for the farm, machinery and the management of the farm. We are paid a fee from the account, the same as if we were a fencing contractor,” Andrew adds.

The landowner is paid a rent equivalent from this account. Any account surplus is divided between the landowner and the contractor. Because the majority is paid to the contractor, as it is his input that has provided the surplus, there is a performance incentive.

## Key areas for success

Andrew says there are key driver to successful joint ventures:

- Good communication with all parties to discuss the farming policy and finances.
- Simplicity and room to generate capital for other opportunities.



## The Future for the Giles family

- Look at further potential for growth via more contracts.
- Andrew and Rachel have plans in place for their retirement.
- Sons will inherit a successful business.

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