

Cow Hire and Contract Farming

Robert and Janet Bostock and Philip Feeney

Old Hall Farm, Grafton, Malpas



July 2012



Background

Robert and Janet Bostock farmed 320 spring calving cows on 700 acres of organic land at Old Hall Farm Grafton, near Malpas. They produced 6000 litres per cow which they supplied to OMSCO on a liquid contract and bred all their own replacements.

Both Robert and Janet wanted to step back from the day to day running of the farm, but wanted to remain on the holding and still be involved in milk production. Robert therefore realised it would be beneficial to bring someone into the farm to help manage the unit.

Robert explained:

“We realised that we wanted some more free time to visit our children and with no clear plan for succession in mind, I decided to discuss different options with my consultant.

“I still wanted to keep my hand in the business but with a less demanding role.”

Philip Feeney on the other hand was looking to own cows and work for himself and explains his reasons for looking at joint venture opportunities:

“I wanted to start my own business. Ideally, I wanted to be self-employed and to be seen as more than just a herdsman but unfortunately I didn't have enough capital to run a farm at a scale that I felt would be profitable. Therefore, when the opportunity came to enter into asset ownership and build up my equity through working in partnership with another farmer, I felt that it was too good an opportunity to miss.”

What happened next

Initially Robert, Janet and Philip worked alongside each other on a trial basis before a formal contract farming agreement was drawn up. The agreement which has been in place for five years sees both parties receiving a return on the capital invested into the joint business.

Alongside the contract farming agreement runs a cow hire agreement which allows Robert and Janet to have a return on their asset (the cow), whilst Philip milks the cows and has an agreed share of the surplus that is left over in the business account. As and when possible Philip has bought a percentage of the milking herd which has enabled him to increase his return and has allowed Robert and Janet to release capital.



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



FARMING
connect
cyswllt
FFERMIO



Canolfan Datblygu Llaeth
Dairy Development Centre

DairyCo



Llywodraeth Cymru
Welsh Government

Philip explains the reasons for doing this:

"I didn't have enough capital to buy all the cows straight away but I still wanted to own a herd. I could have bought what I could afford at the start and wait for my capital to grow before buying more cows but this would have meant that the unit would have been under-stocked. By purchasing the cows gradually the herd size didn't have to change which allowed me to operate at a scale that could produce enough profit for all parties."

Current situation

Currently they run 400 cows with 130 heifers. Philip owns 160 cows in the herd and machinery. He oversees the day to day running of the farm alongside organising contractors.

A contract farming agreement was drawn up outlining that Philip would purchase the machinery, and 25% of the original herd of 320 cows. Philip now plans to purchase the remaining 50% of the original herd in 2012 (25%) and 2014 (25%) at which point Philip will then own 320 cows.

Philip invoices the business monthly for the cows he owns, the farm management costs and machinery costs. Rob and Janet invoice the business for farm rent, labour the proportion of cows they own in the herd and capital investments. At the end of the year after all the deductions are taken out of the business, the surplus is split with the majority given to the instigator of the surplus.

Robert, Janet and Philip all believe that the agreement has proven to be beneficial for all involved. Rob added:

"It gives us improved profitability and a great base for future growth and expansion. It also gives us a good quality of life. It has given us peace of mind as we know that the business is thriving and in good hands."

Philip explains:

"The challenging part is understanding who pays for what and how everything works. What we do is set the budget at the start of the year and then invoice monthly for our drawings and what's left at the end of the year profit is split between us. We've worked with each other for a few years now and I believe that good communication has helped us to keep the business profitable. It's very much like getting married; your level of reward will be based

on the amount of effort you put in!"



The Future

Robert and Janet's main business aims are:

- To remain as profitable as possible.
- To possibly grow and replicate their current system of farming on another unit.
- To retain ownership of the farm within the family.

Philip's aims are:

- To continue to grow the current business.
- To replicate the opportunity that Robert gave him in 10-15 years time.

For more information please contact:

**Dairy Development Centre,
Gelli Aur,
Carmarthen,
Carmarthenshire,
SA32 8NJ.
Telephone: 01554 748570
E-mail: ddc@colegsirgar.ac.uk**