

Dairy Contract Farming



Dairy Contract Farming Agreements

Laurence Gould has been involved in contract farming for many years setting up and managing agreements.

Laurence Gould can assist you through:

- Recruiting contractors – preparing tender documents and selection of suitable contractor
- Advice on the terms and drawing up of the agreement
- Preparation of the forward budget
- Regular monitoring of the agreement
- Calculation of the divisible surplus
- Identifying and developing opportunities for increasing profits/expansion

If you would like to discuss contract farming opportunities and how it may suit your business please contact:

South West	James Miller/Andrew Galloway	01458 241901
West of England	James Miller/Andrew Galloway	01458 241901
South East	David Winnard	01444 232822
Eastern Counties	John Hartwright	01223 813622
The North & Scotland	Peter Hall	01383 730538

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Dairy Contract Farming

Benefits to a Farmer

Farmer can be landowner or tenant:

- Retain total control of the business
- Preservation of 'working farmer' status for IHT and CGT purposes
- Allows ownership to remain in-hand
- Helps to satisfy tenancy obligations – allowing succession
- No direct employment liabilities
- Allows capital to be released
- Introduces new skills and capital into the business
- Opportunity to improve returns
- Generate a return from fixed assets
- Improved quality of life

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Benefits to a Contractor

- Opportunity to expand
- Economies of scale
- Reduced capital outlay required when compared to taking on a rented unit
- Contractor receives a fee to cover immediate operational expenses
- Receives a share of the financial surplus
- Provides scope to involve next generation in a business
- Opportunity to improve returns

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What each party contributes

	Farmer	Contractor
Labour		✓
Management	✓	✓
Land	✓	
Buildings	✓	
Milk Quota	✓	
Machinery		✓
Fixed Equipment	✓	
Livestock *	✓	✓
Finance of agreement	✓	

* Contractor may own the livestock and 'hire' them to the farmer

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Split of Income

Income Milk sales, calf sales etc	a
Variable Costs Feed, forage costs, straw, vet & medicine etc	b
Gross Margin (a-b)	c
Agreed Overhead Costs Contractors, accountant, electricity, water, overdraft interest, bank charges etc	d
Contractors Charge	e
NET MARGIN (c-d-e)	f
Farmers Retention	g
DIVISIBLE SURPLUS (f-g)	h
Contractors Share at agreed %	%

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