Collaborative farming

The SA Murray-Darling Basin region is a rich and diverse landscape, dominated by primary production. The region's property types range from large-scale broadacre farms and pastoral lands through to small hobby farms and horticulture enterprises, vacant blocks, and properties cleared through exit grant schemes. Many of these properties could benefit from collaborative farming.

Collaborative farming ventures involve two or more parties working together for mutual benefit. There are various models of collaborative farming ventures offering flexibility to suit those involved.

As economies of scale grow to favour larger sized properties, the sustainability of some small and medium sized properties declines, threatening the livelihood of landholders and the condition of natural resources. In the case of unsustainable or unprofitable properties, a collaborative farming venture may provide a solution to benefit both parties.

Changing a property's scale by farming collaboratively can positively influence both parties by improving sustainability outcomes including enterprise profitability, natural resource conditions and the lifestyle of those involved.

For example, leasing out a small farm allows the landowner to generate revenue while transferring some of the responsibilities of property management, like pest and weed control, to the lessee. This gives the landholder time to secure off-farm income, if desirable. For the lessee, the opportunity provides a chance to improve enterprise sustainability by increasing their farm size and economies of scale.

Joint ventures can also lead to improved market access through the creation of value-adding enterprises or vertical integration. For example, a sheep grazier may collaborate with a cattle farmer to develop a paddock to plate brand offering both lamb and beef products.

In 2017, Natural Resources SA Murray-Darling Basin launched a project to investigate collaborative farming models that could assist landholders to improve productivity, sustainability and lifestyle outcomes.

Project outcomes included the development of a report Peri Urban Collaborative Economics and Time Analyses (2017), prepared by Climate & Agricultural Support Pty Ltd, which is available for those interested in future reading. Please contact the Natural Resources Centre at Murray Bridge to request a copy.

Collaborative farming models

Collaborative farming is a very broad concept that includes formal and informal models as well as a great range in scale. At a grassroots level, the sharing of a piece of machinery between landholders is a form of collaborative farming. At the other end of the scale is a cooperative farming arrangement that includes the full integration of land, intellectual property and capital between multiple farming enterprises.

The common theme among all ventures, be it formal, informal, small or large scale, is that each party makes a contribution (e.g. land, capital, time, labour, inputs), and each gains a benefit (e.g. profit, access to machinery, time saved, weed control). Although many collaborative farming arrangements will provide one or both parties with a financial return, profit is not necessarily a driver in every situation.

Case study: A hobby farm for horses

In 2012, Harold and Cheryl Willcourt bought a house on five acres at Barmera in the Riverland. The previous owner had used an exit grant to remove the vineyard operation, and the property was re-fenced to suit keeping horses. The property is divided into two paddocks–with horse shelters, automatic stock troughs and a riding arena.

Initially, they operated a typical horse agistment enterprise, whereby the horse owners paid a weekly fee in return for keeping their horse on the property. After several years, however, Harold and Cheryl found that constant maintenance on top of full time work and family commitments was hard to manage.

After the last of the agisted horses left, weeds began to dominate including caltrop, sour sobs and wild radish. With little paddock cover, the soil was prone to wind erosion.

In 2017, despite the condition of the property, neighbour Alex Milner-Smyth spotted the property as a potential home for her two horses and approached the owners to see if it was available.

The two parties agreed to an informal arrangement whereby Alex could keep her horses on the property in return for maintaining the land.

Alex, who operates a nearby vineyard with her partner, has access to the machinery and inputs required to undertake most of the maintenance required, but also uses contractors when needed.

'Initially we focused on weed control with hand spraying and one of our vineyard spray units, and I also used a local contractor to blanket spray the paddocks. We had to fix a couple of fence posts to make the paddocks safe for my horses and the water needs regular maintenance to make sure the horses have consistent access,' she said.

'We're just about to plant pasture in the larger of the two paddocks, which will help with weed control and erosion management, and it should cut down my feed bill. We're leasing enough irrigation water for the crop and provide Harold and Cheryl with water for their garden–which is our way of thanking them for the opportunity.'

'Horse agistment is hard to find in the Riverland, so to have access to this land so close to home makes it a lot easier for me to keep my horses. Looking after four acres is relatively easy in terms of the workload, and there's a great deal of gratification that comes from restoring the infrastructure. One of the most important outcomes for me is the friendship that I've built with Harold and Cheryl.

The neighbour over the back fence fertilises his veggies garden with horse manure and feeds carrots to my horses every day so it's become quite a little community.'

The landowners' perspective

For landowners Harold and Cheryl, the collaboration with Alex provides peace of mind that the land is being used and looked after, without having to undertake ongoing maintenance. According to Harold, the arrangement provides many benefits including social outcomes.

'We bought this property for the house, the land was a bit of a bonus and we do have an idea to subdivide it and sell it off in the future if we can. As we both work full time we don't have the time to manage it and it's an uneconomical size in terms of trying to use it to make a profit,' he said.

'The arrangement with Alex is ideal as it means the land is maintained, it helps with the security of the property and we enjoy having the horses here, without the responsibility of looking after them.'

'We also enjoy the social side of it. We've made friends with Alex and Richard and their young son often visits us while Alex is feeding her horses. It's allowed us to get to know our neighbours better, which is a great part of country living.'

While there are several formal models of collaborative farming, it is important to recognise that it is also a flexible framework that can be applied by two or more parties for mutual benefit. Identifying an opportunity with a neighbouring landholder or local contractor may spark discussion about a potential collaborative venture.

What does collaborative farming look like?

Collaborative farming ventures come in all different shapes and sizes. The following examples have been provided by landholders and farmers who have developed a collaborative arrangement with one or more other parties:

- A three-way lamb marking venture between sheep owners–'It helps that we all lamb a few months apart and turns out to be a good social event too. It saves heaps of money on labour and contractors and means we can choose the best time for the lambs.'
- Shared machinery amongst grain growers–'We share headers at harvest time with someone 100km away. Their header stays at our farm until they need it, then when we finish ours goes down to them. We both get harvest done quicker without having to pay for a contractor.'
- Shared infrastructure in a central location–'My grandfather and his brother built our shearing shed and yards on their shared boundary. They pooled their resources to build what was at the time, a top-of-the-range shed. The situation is slightly different now, as we lease my uncle's farm, but it is great having the shed centrally located.'
- Using beehives to pollinate crops-'We provide hives to farmers to pollinate orange, avocado, melon, cherry, canola and lucerne crops, and the bees produce honey that we sell. Some crops, especially citrus, help to develop a very distinct flavour that we use to market our niche honey brand. It's a win-win situation for both parties.'
- Grazing pastures with portable herds–'I regularly drop off a small flock of sheep to small landholders who need pastures mowed but don't have the time to manage stock full time. It gives my paddocks a rest and my sheep are well fed. The success of the arrangement does rely on good fences and consistent access to water.'
- Exchanging skilled labour–'I often trade some crutching or shearing with a neighbour who, in return, does our lamb marking. I'm all for collaboration provided all parties are happy and have the same values and expectations in regards to maintenance and operation.'
- Shared machinery with a maintenance levy–'We're in a two-way arrangement with a land roller. We both own half and pay $1 per hectare use to cover registration and maintenance to account for the different acreages each party might cover from year to year.'

Formal collaborative farming models

Formal collaborative models involve the use of a contract or lease to outline the terms of the agreement, to reduce the risk to the parties involved and to ensure that the operation complies with relevant laws and legislation.

When farm profitability is limited by the property size, landowners are often wise to consider share farming and lease agreements. This is becoming particularly relevant as Australian agricultural land values increase, reducing the chances of making a return on investment. Share farming and leasing provide landowners with the opportunity to seek off-farm income, which can greatly impact their quality of life. Secure income can help farm owners to reduce debt and improve farm infrastructure without having to manage day-to-day operations.

Share farming

Under a share farming agreement, a landowner allows a third party to manage their land, and any profits generated are split between the parties.

Share farming arrangements allow the landowner to retain some control over how the land is used and farmed, while reducing labour, machinery and capital costs. A share farming scenario is beneficial when a landowner is unable to manage their land due to time or input constraints, but doesn't want to sell the farm.

While the responsibility for operations lies on the share farmer, a disadvantage of share farming agreements is that the landowner is not responsible for the quality of work carried out on the land. Finding the right share farmer is crucial in securing positive outcomes for both parties.

Leasing

By signing a formal lease agreement, a landowner provides the lessee with the rights to 'exclusive possession' of the land for the duration of the lease, in return for an agreed rent.

The following factors need to be considered and agreed upon by both parties, and should be stipulated in a formal lease:

- Length and cost of the lease–including bond amount, timing and method of payment and default arrangements.
- Allocation of responsibilities–determination of which party is responsible for utilities, maintenance, weed control etc.
- Property restrictions–an understanding of what restrictions are in place–i.e. use and type of herbicides allowed, use of existing buildings and infrastructure, quality of supplementary feed etc.
- Other details–e.g. the appointment of a lessee's representative to have access to the property, terms for the return of the property at the end of the lease, dispute resolution processes.
- Lease defaults–what processes are in place for lease defaults?
- Lease expiry–what options do both parties have at the end of the lease agreement?

Equipment sharing

Sharing farm implements offer excellent cost saving benefits to those involved, in terms of capital outlay, registration, input and maintenance costs. The equipment-sharing model is flexible enough to accommodate a number of different scenarios depending on the needs of those involved.

For example, two landholders may co-own a single piece of machinery, generally a fairly specialised implement such as a paddock renovator or fertiliser spreader to undertake the relevant application as required.

Like the example in the section 'What does collaborative farming look like?', landholders can pool machinery to be able to complete critical tasks within a tight time frame, and without the need for hiring contractors. While this can work for neighbouring landholders, a degree of distance can also favour equipment sharing–i.e. where harvesting starts earlier in one location and equipment can be transferred between the regions to suit the timing of both operations.

While equipment sharing can be done on a formal or informal basis, it would be especially wise to have a formal agreement in place where one piece of machinery is co-owned, in order to manage the risk to both parties.

Farming cooperatives

Farming cooperatives involve the full, formal integration of two or more farms under a newly created business. The usual aim of farming cooperatives is to improve business sustainability by pooling resources to improve economies of scale and operating efficiencies.

Given the formality of the agreement, developing a farming cooperative requires a significant degree of trust between all parties.

Case study: Bulla Burra

With the aim of increasing on-farm efficiencies, Loxton farmers John Gladigau and Robin Schaefer joined forces to form Bulla Burra in 2009. At the time both farmers cropped 2,000-hectare farms in the same district, each with their own machinery, infrastructure and labour.

The formal joining of the enterprises occurred under a new company structure, with a board and an independent chairman engaged to make decision making a highly professional process. John and Robin's individual roles within the company were determined by working out where each thought they could add the most value, with position descriptions based around those observations. Robin deals with the day-to-day farm operations, whereas John focuses on business management tasks.

To separate real estate and operations, both of the original 2,000 hectare blocks are leased back to the company. Some machinery from the original enterprises was sold to Bulla Burra, and some sold outside the business, paving the way for high-tech, fit-for-purpose machinery to be purchased as required.

Initially, Bulla Burra leased and share farmed another 4,000 hectares, which has since grown to a total of 10,000–11,000 depending on the year. As well as John and Robin, the business now employs four full time staff members.

For the Gladigau and Schaefer families, the Bulla Burra collaboration has resulted in many benefits:

- **Lifestyle**-Robin and John work a five day working week, apart from during peak seasonal workloads such as harvest and seeding. Each takes four weeks of 'non-negotiable' leave a year.
- **Job satisfaction**-Both partners have a role in the business designed to suit his strengths and preferences.
- **Profitability**–A significant reduction in the cost of production, and efficiency improvements have improved profits beyond the capability of the two separate businesses.
- **Innovation**–Improved machinery, the board-led decision making process and a desire to drive efficiencies have led Bulla Burra to embrace innovative technologies such as precision agriculture to reduce inputs and increase crop yields.
- **Business focus**–A higher level of professionalism, transparency and accountability in the way the business operates.
- **Social Influence**-The scale of the business provides a platform to educate and create a more positive image for agriculture, which returns additional benefits and opportunities to Bulla Burra.

Find out more about Bulla Burra

- John Gladigau gave a presentation about the collaborative farming venture during an event hosted by Natural Resources SAMDB. Click to watch his presentation here.
- Follow Bulla Burra on Facebook.

Collaborative farming considerations

Selecting the right partner is a critical factor in the success of any collaborative farming venture, regardless of whether it is a formal or informal arrangement. Open and honest discussions between the parties should be held before any commitments are made.

It is important to seek independent advice before entering into a collaborative farming venture, especially in arrangements featuring an exchange of money, capital purchase, leasing of land or the joining of companies. Consult your accountant and lawyer about the possible legal, governance, accounting and financial implications so you understand what your options and obligations are, and to develop relevant contracts to protect your assets and investment.

Consider what kind of business structures may assist when managing for collaborative farming arrangements, for example using a formal board structure could help to set strategic direction and make decision making a more democratic process.

Further reading and resources;

- Youth Food Movement Australia–Collaborative Farming is Changing How We Grow and Eat Food
- Tasmanian Institute of Agriculture–Collaborative Business Models
- Farm Co-operatives & Collaboration Pilot Program–Farming Together – a resources for primary producers to help you collaborate, value-add, build marketplace strength and boost returns
- Local Land Services Central West–Farm business models – why is the interest in the alternatives?
- Department of Primary Industries and Regional Development–Leasing land for agriculture
- Grains Research and Development Corporation–Leasing and Share Farming Land

For more information

Tony Randall
Team Leader Sustainable Agriculture

Natural Resources SA Murray-Darling Basin
110A Mannum Road, Murray Bridge SA 5253
T: (08) 8532 9100
M: 0427 834 396
E: tony.randall2@sa.gov.au

www.naturalresources.sa.gov.au/samurraydarlingbasin

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