

# Options for Farm Business Models



The traditional concept of owning a farm is just one of many different business models that you might consider if you're entering farming, leaving farming or just thinking about changing your existing arrangements.

Options other than owning land include agisting, share farming, lease arrangements or managing land for other businesses. These arrangements bring with them their own rights and responsibilities. For example, land owners must pay rates and taxes (or ensure they are paid by someone else), securely fence their boundaries, manage weeds and pests, balance privacy with the rights of others and ensure no-one is adversely affected by their activities.

For many reasons, farmers may choose not to manage their own land, so if you are considering agistment, share farming or leasing, it is important to understand the legal requirements, advantages and disadvantages of each potential arrangement.

## Agistment

Agisting livestock is generally a short term arrangement that provides a risk management option. The arrangement may be informal (ie not documented), which is fine as long as every thing goes well. But having an agreement in writing that clearly establishes expectations of each individual is strongly recommended. It is when things go wrong that a written agreement can assist with difficulties. Potential problems can include disease or injury to animals, overstocking, non-payment, fire, flood, drought or lack of feed and water. An example agreement has been prepared as a template covering all issues that need to be considered. See the DPI website.

Written contracts will clarify the rights and responsibilities of each party and set out the details of the arrangement. They should include a dispute settlement process and can prevent the likelihood of misunderstanding and legal expenses down the track. You should obtain legal advice before signing a contract.

Landowner responsibilities include:

- Providing the service as agreed to in the contract
- Providing animals with reasonable standards of shelter, feed and water and secure fencing
- Advising the owners of and/or dealing with any problems such as animal health and welfare.

Agistor responsibilities include:

- Paying all costs as agreed in the contract
- Informing the landowner of any pre-existing injuries, diseases and vaccination history of their animals
- Ensuring that the landowner is able to contact them or their agent in an emergency.

At all times the landowner and animal owner must ensure there are adequate food, water and shelter provided for all animals. This is a requirement under the *Prevention of Cruelty to Animals Act 1986* (Vic).

## Leasing

Compared to agisting, leasing land is usually a longer term arrangement between the leasee and the landowner. This offers the landowner a more certain financial return than share farming. The returns to the landowner are not subject to variations in farming ability, seasonal conditions or commodity prices and a more certain future for the leasee.

Usually the landowner will provide:

- Land
- Buildings and fences (as per the agreement)
- Payment of council rates
- Payment of insurance on fixed assets.

Tenants usually provide:

- Labour
- Machinery and livestock
- Operating costs (including rent)
- Repairs and maintenance on fixed assets (as specified in the contract)
- Insurance for their plant, stock and accidents connecting with their farming operations.

A written agreement will specify all conditions that the tenant must follow, as well as the purpose for which the land can be used and a dispute resolution process. It may include the crop rotation to be followed, stocking rates, pest and weed management and the minimum amount of fertiliser to be applied. It should also specify if the tenant can sublet all or part of the property.

A lease longer than three years can be registered on the land title. This gives security of tenure regardless of whether the land is sold during the lease period. An unregistered lease does not give security of tenure if the land is sold.

When the lease includes a house or accommodation, different rights and obligations may apply. In some situations the *Residential Tenancies Act 1977* (Vic) may be applicable. You should obtain legal advice before signing a contract.



*"I come from a family farming background, my parents have grown up through share farming and moved into farm ownership."*

Jamie Snell,  
dairy farmer, Kyabram

## Share Farming

Share farming agreements should be in writing. Both sides must be satisfied that they are getting a fair share of the income and that the cost sharing arrangements are appropriate for the amount of capital invested.

At a minimum the contract should include:

- Start and finish dates
- Income and cost sharing arrangements
- Who is providing what assets
- Duties, obligations and time commitments of each party
- Farming practices and management
- Taxation and insurance obligations
- Access by the owner
- Method of settling disputes.

Many industry groups have standard contracts that can be adapted to your needs. For example, the publication *National Share Dairy Farming Guidebook* is a useful guide for dairy share farming arrangements. Again, it is recommended that you obtain legal advice before signing a contract.

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## Other ways of being involved in farming

If you would like to sell your land but stay involved in the industry, it may be possible to manage a farm for someone else or to provide labour to another farm. Large land holders and corporate farmers offer the opportunity to stay involved in agriculture in this way.

*"I don't think corporations will ever take over the agricultural landscape, but corporations could provide a different model – of simply buying land and renting it back to the farming community."*

Frank Delahunty, Australian Farms Fund

If you're thinking about opportunities to enter farming, working as a farm hand or farm manager for either privately owned farms or a corporation may provide a way of gaining skills. There are also courses at all levels that offer the opportunity to develop skills for working in agriculture.

*"There's plenty of opportunities [in agriculture]. There has been a lot of change but there are a lot of opportunities created too for those who want to get in and have a go."*

Toby Acocks,  
cereal farmer, Rochester

## Where to get more information

Useful websites

- Rural Law Online [www.rurallaw.org.au](http://www.rurallaw.org.au)
- [www.consumer.vic.gov.au](http://www.consumer.vic.gov.au) (Consumer Affairs Victoria)
- [www.shortcourses.vic.gov.au](http://www.shortcourses.vic.gov.au)
- [www.ntis.gov.au](http://www.ntis.gov.au) for options for studying agriculture
- [www.landfood.unimelb.edu.au/courses/agriculture.html](http://www.landfood.unimelb.edu.au/courses/agriculture.html)
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