

Comparison of Joint Venture Agreement Types and Traditional Tenancies

	Equity Partnership	Contract Farming	Share Farming	Tenancy
What is it?	<ul style="list-style-type: none"> A partnership arrangement, usually referred to as “the firm of...” 	<ul style="list-style-type: none"> An arrangement where a landowning farmer employs a contractor to undertake farming operations 	<ul style="list-style-type: none"> An arrangement where a landowner and share farmer farm the same holding whilst carrying out their own business activities 	<ul style="list-style-type: none"> An agreement where a landlord rents land to a tenant for an agreed sum
Business Structure	<ul style="list-style-type: none"> Partnerships in Scotland are distinct legal entities, separate from the partners 	<ul style="list-style-type: none"> Any 	<ul style="list-style-type: none"> Any, but likely share farmers will be Sole Traders 	<ul style="list-style-type: none"> Sole Traders
Who Provides What?	<ul style="list-style-type: none"> Partners pool capital, equity, and resources and hence fund the partnership 	<ul style="list-style-type: none"> Landowner provides land, buildings and a bank account Contractor provides labour, power and machinery 	<ul style="list-style-type: none"> Complete flexibility, normally: Landowner provides the land, buildings, and fixed machinery and some input costs Share farmer provides working machinery, moveable equipment, labour, and some input costs 	<ul style="list-style-type: none"> Landlord provides the holding Tenant provides a rent
Remuneration	<ul style="list-style-type: none"> Any financial surplus is shared between partners according to capital shares held 	<ul style="list-style-type: none"> Landowner should carry financial risk. Contractor receives a contractor’s fee and bonus 	<ul style="list-style-type: none"> Landowner receives a share of profits Share farmer receives a share of profits 	<ul style="list-style-type: none"> Landlord receives an annual rent Tenant receives the profits from the business
Benefits to Landowner	<ul style="list-style-type: none"> Benefit of APR/BPR if properly structured Facilitates gradual retirement Partnership in the proper sense commits all partners to unlimited liability for the partnership’s debts and liabilities. It is not a vehicle to be used out with family/trusted personal relationship 	<ul style="list-style-type: none"> Landowner maintains ‘farmer’ status for tax purposes and benefit of APR/BPR if correctly structured Reduced workload Allows landowner to retrain management involvement without an operational role Facilitates gradual retirement 	<ul style="list-style-type: none"> Landowner maintains ‘farmer’ status for tax purposes and benefit of APR/BPR if properly structured Allows landowner to retain management involvement without an operational role Potential for new enterprises Facilitates gradual retirement Flexibility of agreement 	<ul style="list-style-type: none"> Agreed annual return Capital appreciation on asset Depending on agreement, certainty over duration
Benefits to Partner/Contractor/Share Farmer/Tenant	As above	<ul style="list-style-type: none"> Contractor can spread costs Benefit of APR/BPR if properly structured Allows build-up of working capital 	<ul style="list-style-type: none"> Allows capital to be built up with limited initial investment Flexibility of agreement Benefit of APR/BPR if properly structured 	<ul style="list-style-type: none"> Certainty over annual rent Depending on agreement, security of tenure Defined exit strategy