

# Sharemilking Evaluation Worksheet

Party 1

Sharemilker

Party 2

Owner

Date

1/15/2010

## Reality Check

Herd Size	150
Milk per Cow	11,000
Milk Price	\$15.50

### Step 1: Who owns the Capital?

Capital Contributions	Rate	Total Value	Sharemilker Percent	Sharemilker Contribution	Owner Contribution	Per Cow	Per Cwt
House for Sharemilker (Annual Rental)		\$7,200	0%	\$0	\$7,200		
Land		\$375,000					
Rental Rate	3.00%	\$11,250	0%	\$0	\$11,250	\$75	\$0.68
Insurance	0.25%	\$938	0%	\$0	\$938	\$6	\$0.06
Property Tax	0.20%	\$750	0%	\$0	\$750	\$5	\$0.05
Livestock		\$225,000				\$0	\$0.00
Interest	8.00%	\$18,000	100%	\$18,000	\$0	\$120	\$1.09
Insurance	0.50%	\$1,125	100%	\$1,125	\$0	\$8	\$0.07
Property Tax	0.20%	\$450	100%	\$450	\$0		
Buildings and Improvements		\$192,000				\$0	\$0.00
Depreciation	5.00%	\$9,600	0%	\$0	\$9,600	\$64	\$0.58
Interest	8.00%	\$15,360	0%	\$0	\$15,360	\$102	\$0.93
Insurance	0.50%	\$960	0%	\$0	\$960	\$6	\$0.06
Property Tax	0.20%	\$384	0%	\$0	\$384		
Repairs	2.00%	\$3,840	0%	\$0	\$3,840	\$26	\$0.23
Machinery		\$40,000				\$0	\$0.00
Depreciation	10.00%	\$4,000	100%	\$4,000	\$0	\$27	\$0.24
Interest	8.00%	\$3,200	100%	\$3,200	\$0	\$21	\$0.19
Insurance	0.50%	\$200	100%	\$200	\$0	\$1	\$0.01
Property Tax	0.20%	\$80	100%	\$80	\$0		
Repairs	3.00%	\$1,200	100%	\$1,200	\$0	\$8	\$0.07
Contributions Total		\$78,537		\$28,255	\$50,282	\$524	\$4.76
Contribution Percentage				36%	64%		

### Step 2: How do we split the Expenses?

Variable Cost Allocations	Dairy Enterprise		Sharemilker	Sharemilker	Owner	Per Cow	Per Cwt
	\$/Cow	Per Year	Percent	Contribution	Contribution		
Purchased Feed	\$512.42	\$76,863	50%	\$38,432	\$38,432	\$512	\$4.66
Purchased Forage	\$202.33	\$30,350	50%	\$15,175	\$15,175	\$202	\$1.84
Vet/Medicine	\$44.26	\$6,639	100%	\$6,639	\$0	\$44	\$0.40
Parlor Supplies	\$46.23	\$6,935	100%	\$6,935	\$0	\$46	\$0.42
Semen/Breeding	\$12.77	\$1,916	100%	\$1,916	\$0	\$13	\$0.12
DHIA Testing	\$7.23	\$1,085	100%	\$1,085	\$0	\$7	\$0.07
Hired Labor		\$18,361	100%	\$18,361	\$0	\$122	\$1.11
Marketing (Hauling, Coop, Checkoff)		\$15,299	50%	\$7,650	\$7,650	\$102	\$0.93
Fuel and Oil		\$2,146	100%	\$2,146	\$0	\$14	\$0.13
Truck and Car Costs		\$7,164	100%	\$7,164	\$0	\$48	\$0.43
Machinery Rent		\$2,410	100%	\$2,410	\$0	\$16	\$0.15
Land Rent		\$0	0%	\$0	\$0	\$0	\$0.00
Utilities (Electric, Propane, etc.)		\$7,788	50%	\$3,894	\$3,894	\$52	\$0.47
Utilities (Rural Water)		\$0	0%	\$0	\$0	\$0	\$0.00
Fertilizer (P, K) and Lime		\$3,018	0%	\$0	\$3,018	\$20	\$0.18
Fertilizer (N)		\$6,037	50%	\$3,019	\$3,019	\$40	\$0.37
Seed / Chemicals (Annuals)		\$2,968	50%	\$1,484	\$1,484	\$20	\$0.18
Seed / Chemicals (Perennials)		\$1,484	0%	\$0	\$1,484	\$10	\$0.09
Custom Hire		\$5,577	100%	\$5,577	\$0	\$37	\$0.34
Legal and Professional Fees		\$0	100%	\$0	\$0	\$0	\$0.00
Expenses for Raising Replacement Heifers		\$0	50%	\$0	\$0	\$0	\$0.00
Expenses for Raising Surplus Heifers		\$0	100%	\$0	\$0	\$0	\$0.00
Other Expenses		\$4,174	0%	\$0	\$4,174	\$28	\$0.25
Management Consulting		\$0	50%	\$0	\$0	\$0	\$0.00
Please Specify		\$0	0%	\$0	\$0	\$0	\$0.00
Please Specify		\$0	0%	\$0	\$0	\$0	\$0.00
<b>Variable Cost Allocations Total</b>		<b>\$200,212</b>		<b>\$121,884</b>	<b>\$78,328</b>	<b>\$1,335</b>	<b>\$12.13</b>
<b>Contribution Percentage</b>				<b>61%</b>	<b>39%</b>		

### Step 3: Who puts in the Labor and Management?

Labor and Management Allocations	Total	Sharemilker	Sharemilker	Owner	Per Cow	Per Cwt
	Value	Percent	Contribution	Contribution		
Managerial Labor	\$35,000	100%	\$35,000	\$0	\$233	\$2.12
Management	\$0	100%	\$0	\$0	\$0	\$0.00
<b>Labor &amp; Management Total</b>	<b>\$35,000</b>		<b>\$35,000</b>	<b>\$0</b>	<b>\$233</b>	<b>\$2.12</b>
<b>Contribution Percentage</b>			<b>100%</b>	<b>0%</b>		

## Contribution Results

	Total Value	Sharemilker Contribution	Owner Contribution	Per Cow	Per Cwt
Capital Contributions	\$78,537	\$28,255	\$50,282	\$524	\$4.76
Variable Cost Allocations	\$200,212	\$121,884	\$78,328	\$1,335	\$12.13
Labor and Management	\$35,000	\$35,000	\$0	\$233	\$2.12
<b>Total</b>	<b>\$313,749</b>	<b>\$185,139</b>	<b>\$128,610</b>	<b>\$2,092</b>	<b>\$19.02</b>
Contribution Percentage		59%	41%		

## Step 4: How do we split the Income?

INCOME	Dairy Enterprise Per Year	Sharemilker Percent	Sharemilker Income	Owner Income	Per Cow	Per Cwt
Milk Sales	\$255,750	55%	\$140,663	\$115,088	\$1,705	\$15.50
Cull Cow Sales	\$20,924	100%	\$20,924	\$0	\$139	\$1.27
Calf Sales	\$6,975	100%	\$6,975	\$0	\$46	\$0.42
Crop Sales	\$0	100%	\$0	\$0	\$0	\$0.00
Government Payments	\$11,951	55%	\$6,573	\$5,378	\$80	\$0.72
Patronage Dividend	\$0	55%	\$0	\$0	\$0	\$0.00
Other Farm Income	\$0	55%	\$0	\$0	\$0	\$0.00
<b>Total Income</b>	<b>\$295,599</b>		<b>\$175,134</b>	<b>\$120,465</b>	<b>\$1,971</b>	<b>\$17.92</b>
Income Distribution Percentage			59%	41%		
Variance between Contributions and Income			0%	0%		



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This **Sharemilking Evaluation Spreadsheet** is designed to assist sharemilkers and owners in developing fair sharemilking arrangements. Aligning the interests of both parties reduces potential future conflicts. A fair sharemilking arrangement attempts to split the income generated by the dairy business according to the value of the contributions of both parties.

### **Instructions**

1. Only cells that are shaded grey can be edited by the user.
2. Your farm specific financial statements, tax returns and dairy enterprise summaries should be used in determining these values.
3. On the right hand side of the spreadsheet, in a pair of columns titled "reality check", input your average estimated herd size, milk production and milk price. These columns below will provide a breakdown on a per cow and per cwt basis to use for validation.
4. **Step 1** identifies the capital contributions of both parties. Fill in the values, rates and ownership percentages for all capital that will be contributed by the owner and by the sharemilker into this dairy business.
5. **Step 2** determines how the operating expenses will be split. Fill in the values and define who will be responsible for each cost.
6. **Step 3** reflects the value of the unpaid family or managerial labor contributed to the business.
7. The contribution results box summarizes all information from steps 1-3. The "contribution percentage" reflects the percentage of the total contribution made by both parties. To create a fair arrangement the total income should be split in the same percentage as the total contribution.
8. **Step 4** is the final step determining how the income should be split between parties. Variations between contributions and income will be identified in this section. If the percentage contribution does not match the percentage income split, both parties should work to tweak either the contributions or the income split until there is zero deviation between contribution and income split.
9. If anyone would like a spreadsheet with unprotected cells, please contact Joe Horner at (573) 882-9339 or [hornerj@missouri.edu](mailto:hornerj@missouri.edu)