

Sharemilking Evaluation Worksheet

Party 1

Sharemilker

Party 2

Owner

Date

1/15/2010

Reality Check

Herd Size	600
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
House for Sharemilker (Annual Rental)		\$7,200	0%	\$0	\$7,200
Land		\$1,500,000			
Rental Rate	3.00%	\$45,000	0%	\$0	\$45,000
Insurance	0.25%	\$3,750	0%	\$0	\$3,750
Property Tax	0.20%	\$3,000	0%	\$0	\$3,000
Livestock		\$900,000			
Interest	8.00%	\$72,000	100%	\$72,000	\$0
Insurance	0.50%	\$4,500	100%	\$4,500	\$0
Property Tax	0.20%	\$1,800	100%	\$1,800	\$0
Buildings and Improvements		\$528,000			
Depreciation	5.00%	\$26,400	0%	\$0	\$26,400
Interest	8.00%	\$42,240	0%	\$0	\$42,240
Insurance	0.50%	\$2,640	0%	\$0	\$2,640
Property Tax	0.20%	\$1,056	0%	\$0	\$1,056
Repairs	2.00%	\$10,560	0%	\$0	\$10,560
Machinery		\$80,000			
Depreciation	10.00%	\$8,000	100%	\$8,000	\$0
Interest	8.00%	\$6,400	100%	\$6,400	\$0
Insurance	0.50%	\$400	100%	\$400	\$0
Property Tax	0.20%	\$160	100%	\$160	\$0
Repairs	3.00%	\$2,400	100%	\$2,400	\$0
Contributions Total		\$237,506		\$95,660	\$141,846
Contribution Percentage				40%	60%

	Per Cow	Per Cwt
	\$75	\$0.68
	\$6	\$0.06
	\$5	\$0.05
	\$0	\$0.00
	\$120	\$1.09
	\$8	\$0.07
	\$0	\$0.00
	\$44	\$0.40
	\$70	\$0.64
	\$4	\$0.04
	\$18	\$0.16
	\$0	\$0.00
	\$13	\$0.12
	\$11	\$0.10
	\$1	\$0.01
	\$4	\$0.04
	\$396	\$3.60

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	\$307,452	50%	\$153,726	\$153,726	\$512	\$4.66
Purchased Forage	\$202.33	\$121,398	50%	\$60,699	\$60,699	\$202	\$1.84
Vet/Medicine	\$44.26	\$26,556	100%	\$26,556	\$0	\$44	\$0.40
Parlor Supplies	\$46.23	\$27,738	100%	\$27,738	\$0	\$46	\$0.42
Semen/Breeding	\$12.77	\$7,662	100%	\$7,662	\$0	\$13	\$0.12
DHIA Testing	\$7.23	\$4,338	100%	\$4,338	\$0	\$7	\$0.07
Hired Labor		\$82,000	100%	\$82,000	\$0	\$137	\$1.24
Marketing (Hauling, Coop, Checkoff)		\$61,195	50%	\$30,598	\$30,598	\$102	\$0.93
Fuel and Oil		\$8,584	100%	\$8,584	\$0	\$14	\$0.13
Truck and Car Costs		\$32,496	100%	\$32,496	\$0	\$54	\$0.49
Machinery Rent		\$9,636	100%	\$9,636	\$0	\$16	\$0.15
Land Rent		\$0	0%	\$0	\$0	\$0	\$0.00
Utilities (Electric, Propane, etc.)		\$31,152	50%	\$15,576	\$15,576	\$52	\$0.47
Utilities (Rural Water)		\$0	0%	\$0	\$0	\$0	\$0.00
Fertilizer (P, K) and Lime		\$12,073	0%	\$0	\$12,073	\$20	\$0.18
Fertilizer (N)		\$24,147	50%	\$12,074	\$12,074	\$40	\$0.37
Seed / Chemicals (Annuals)		\$11,873	50%	\$5,937	\$5,937	\$20	\$0.18
Seed / Chemicals (Perennials)		\$5,937	0%	\$0	\$5,937	\$10	\$0.09
Custom Hire		\$22,308	100%	\$22,308	\$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		\$16,696	0%	\$0	\$16,696	\$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
Variable Cost Allocations Total		\$813,241		\$499,927	\$313,315	\$1,355	\$12.32
Contribution Percentage				61%	39%		

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	\$55,000	100%	\$55,000	\$0	\$92	\$0.83
Management	\$0	100%	\$0	\$0	\$0	\$0.00
Labor & Management Total	\$55,000		\$55,000	\$0	\$92	\$0.83
Contribution Percentage			100%	0%		

Contribution Results

	Total Value	Sharemilker Contribution	Owner Contribution	Per Cow	Per Cwt
Capital Contributions	\$237,506	\$95,660	\$141,846	\$396	\$3.60
Variable Cost Allocations	\$813,241	\$499,927	\$313,315	\$1,355	\$12.32
Labor and Management	\$55,000	\$55,000	\$0	\$92	\$0.83
Total	\$1,105,747	\$650,587	\$455,161	\$1,843	\$16.75
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	\$1,023,000	55%	\$562,650	\$460,350	\$1,705	\$15.50
Cull Cow Sales	\$83,963	100%	\$83,963	\$0	\$140	\$1.27
Calf Sales	\$27,988	100%	\$27,988	\$0	\$47	\$0.42
Crop Sales	\$0	100%	\$0	\$0	\$0	\$0.00
Government Payments	\$47,804	55%	\$26,292	\$21,512	\$80	\$0.72
Patronage Dividend	\$0	55%	\$0	\$0	\$0	\$0.00
Other Farm Income	\$0	55%	\$0	\$0	\$0	\$0.00
Total Income	\$1,182,755		\$700,893	\$481,862	\$1,971	\$17.92
Income Distribution Percentage			59%	41%		
Variance between Contributions and Income			0%	0%		



UNIVERSITY OF MISSOURI
Extension
 Commercial Agriculture Program

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