



Dairy Labor Dilemma

Dairy Owner

- Cannot find and keep good workers on the dairy
- No desire to reinvest in facilities after age 50 because of looming retirement

Potential Young Dairy Farmer

- Cannot find financing to start dairying
- Lump size of equity necessary to leverage and create a minimal sized dairy is beyond most people in their 20's and 30's

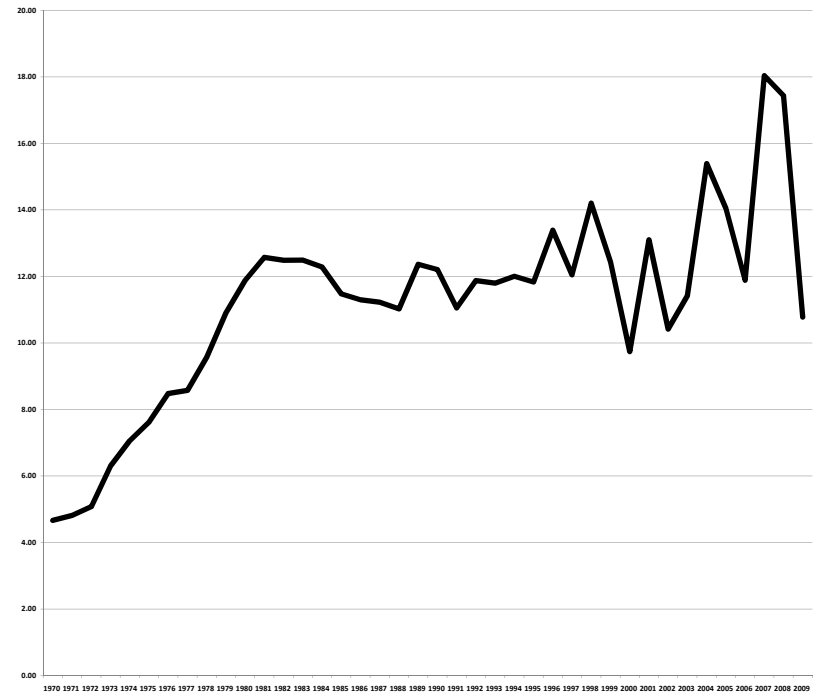


Can We Create a Better Dairy Career Path for the Next Generation?

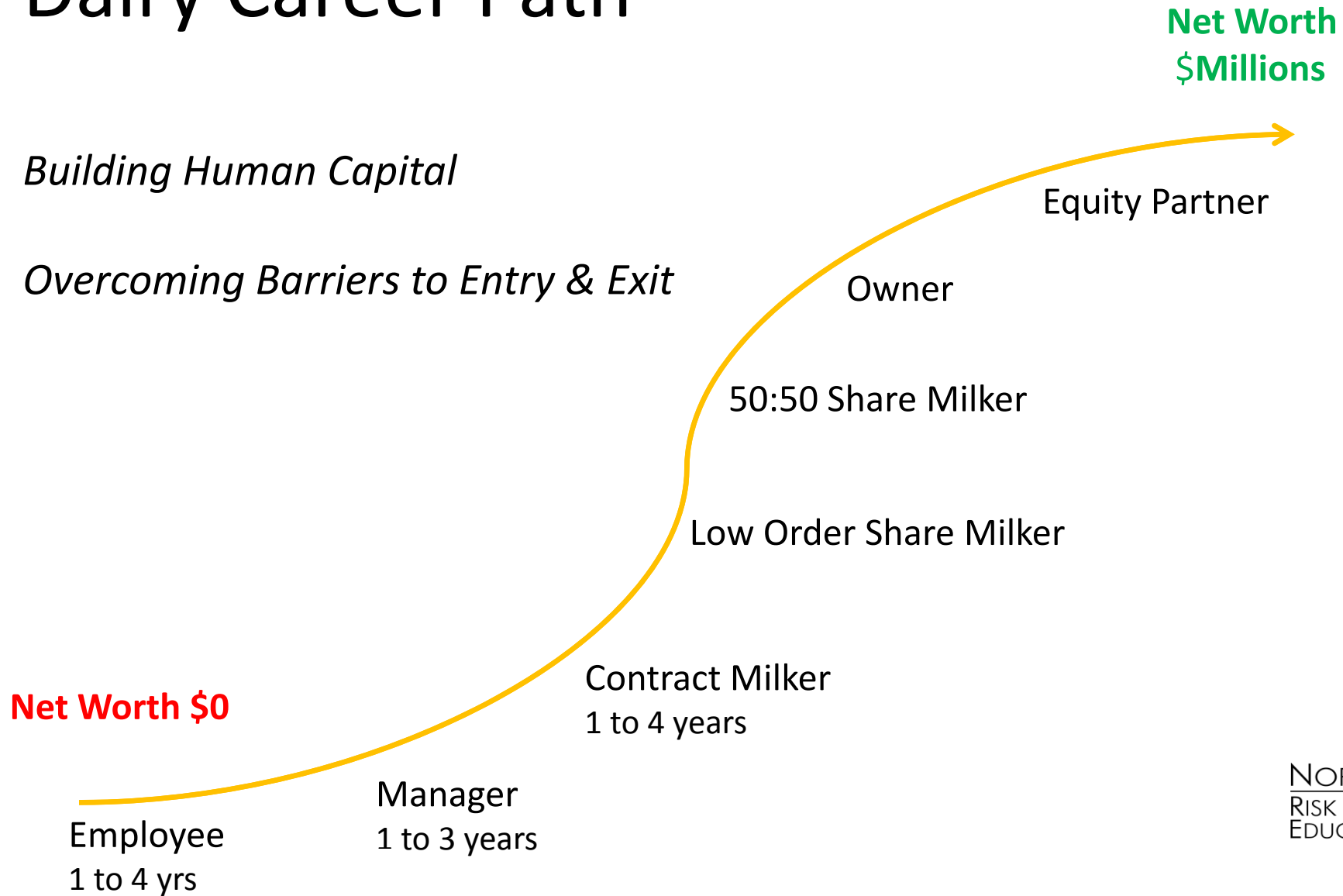
Traditional Dairy Career Path

- A small portion of the children of dairymen attempt to dairy
- Successful families often borrow heavily to grow enough to make a family living and repay debt
- Cycle repeats every generation until risks and rewards make it no longer possible

Cheese Milk Prices since 1970



Dairy Career Path



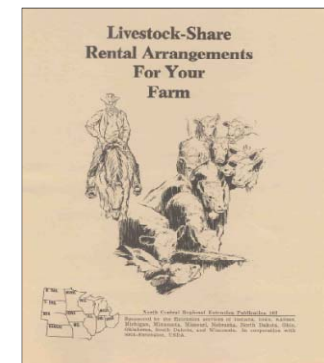
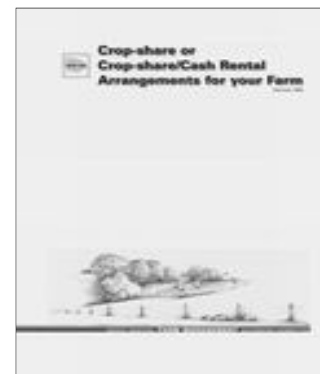
NORTH CENTRAL
RISK MANAGEMENT
EDUCATION CENTER





Brief History of Sharemilking

- Originated in Scotland
- Imported into New Zealand in 1880's
- 50/50 arrangement increased after 1930's
- Share arrangements are familiar to other segments of U.S. agriculture
- Key – Divide proceeds according to contribution





Two Basic Types of Sharemilking

Lower Order Sharemilking

- Owner provides the land, facilities, equipment, and the milking herd
- Sharemilker provides the labor



- Milk checks and some key costs shared approximately
 - 20% sharemilker
 - 80% farm owner

50:50 Sharemilking

- Owner provides the land and facilities
- Sharemilker provides labor, cattle and equipment



- Milk check and some key costs shared approximately
 - 50% sharemilker
 - 50% farm owner

Sharemilking Ladder to Ownership



Step 3: Farm Ownership

Open an opportunity for a new sharemilker



Sell Herd to Sharemilker
Use Proceeds to Buy Farm

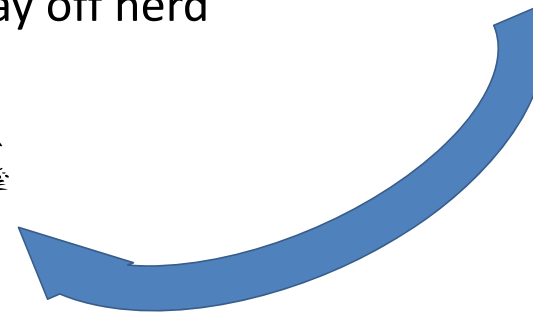


Step 2: Herd Ownership

Borrow money to buy herd, then pay off herd



50% Sharemilker
Use income to pay off herd



Repeat the cycle

Step 1: Entry

Learn the business



Hired labor,
20% Sharemilker

