# Dairy Labor Dilemma

<table>
<thead>
<tr>
<th><strong>Dairy Owner</strong></th>
<th><strong>Potential Young Dairy Farmer</strong></th>
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<tbody>
<tr>
<td>• Cannot find and keep good workers on the dairy</td>
<td>• Cannot find financing to start dairying</td>
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<td>• No desire to reinvest in facilities after age 50 because of looming retirement</td>
<td>• Lump size of equity necessary to leverage and create a minimal sized dairy is beyond most people in their 20’s and 30’s</td>
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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

Building Human Capital

Overcoming Barriers to Entry & Exit

Net Worth $0

Employee
1 to 4 yrs

Manager
1 to 3 years

Contract Milker
1 to 4 years

Low Order Share Milker

50:50 Share Milker

Owner

Equity Partner

Net Worth $Millions
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 1: Entry**
Learn the business

**Step 2: Herd Ownership**
Borrow money to buy herd, then pay off herd

**Step 3: Farm Ownership**
Open an opportunity for a new sharemilker

- **Sell Herd to Sharemilker**
Use Proceeds to Buy Farm

- **50% Sharemilker**
Use income to pay off herd

- **Repeat the cycle**
Hired labor, 20% Sharemilker