Dairy Career Paths

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Moderator
Joe Horner, MU Extension Dairy Economist

Panelists
Larry Tranel, Iowa State Extension, Dairy Owner
Jeff Hayes, Sharemilker – SW Missouri
Dairy “Labor Problem”

Dairy Owner

- Cannot find and keep good workers on the dairy
- Cannot afford to pay wages and benefits to compete with other employers
- No desire to reinvest in facilities after age 50 because of looming retirement
Dairy “Labor Problem”

Beginning 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 20’s and 30’s.

• Risks of being highly leveraged are too much
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**

- Prices have fluctuated over the years, with peaks in some years and troughs in others, indicating variability in dairy income.
Management works in the system
Leadership works on the system

The conventional definition of management is getting work done through people, but real management is developing people through work.
Dairy Career Path

Building Human Capital

Overcoming Barriers to Entry & Exit

Net Worth $0

Contract Milker
1 to 4 years

Manager
1 to 3 years

Low Order Share Milker

50:50 Share Milker

Owner

Equity Partner

Net Worth $Millions

Employee
1 to 4 yrs
What is Sharemilking?

• Contract between a farm owner and sharemilker
  • Defining roles and responsibilities.
  • Defines how costs and revenues will be split.

• Sharemilking allows new people to gain experience and capital before buying their farm.

• Reduces risks for both parties
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
Low Order Sharemilker

Owner provides the land, facilities, equipment, and the milking herd.

Sharemilker provides the labor.

Milk check and some key operating costs shared approximately 20% sharemilker
80% farm owner.
50/50 Sharemilker

Owner provides the land and facilities

Sharemilker provides cattle and equipment

Milk check and some key costs shared approximately

50% sharemilker
50% farm owner
Equity Partnership

What is it?
Joint Venture farming business
An LLC, Corp, or Partnership
An entry point for insiders/outsiders

What can it offer?
Capital and income growth
Entry point for managers & sharemilkers
An opportunity for investors
Flexibility
Capital (equity) release for landowner
Sharemilking Ladder to Ownership

Step 1
Just Starting
• Hired labor,
• 20% Sharemilker

Step 2
Purchase Herd
• 50% Sharemilker
• Use income to pay off herd

Step 3
Purchase Farm
• Sell Herd to Sharemilker
• Use Proceeds to Buy Own Farm
Panelists

Larry Tranel

- 20 years with extension in WI & Iowa
- Low cost parlors
- Dairy Financial Management
- Sharemilking
- Owner of a 70 cow dairy

Jeff Hayes

- Began working for Grasslands LLC in fall 2005
- Became their 1st American sharemilker in January 2008
- Currently milks 550 crossbred cows on seasonal dairy near Wentworth, MO