**Operating structures on dairy farms in New Zealand**

The main operating structures found on New Zealand dairy farms are owner operator, sharemilker and contract milker.

Owner operators are farmers who own and operate their own farms, or who employ a manager to operate the farm for a fixed wage. Owner-operators receive all the farm income, although they may pay wages. Owner operators comprise the largest group of all operating structures, being 55% of all herds (Table 3.5).

Contract milkers (15% of herds) are contracted to milk a herd at a set price per kilogram of milksolids produced. The rate is set in part according to the amount of farm work done.

Sharemilking has traditionally been the first step to farm ownership and is the second largest operating structure, accounting for 29% of herds across all types of sharemilkers. Sharemilking involves operating a farm on behalf of the farm owner for an agreed share of the farm receipts (as opposed to a set wage). Two types of sharemilking agreement are commonly used: Variable order sharemilking and herd-owning sharemilking agreements. Herd-owning sharemilkers (also called 50/50 sharemilkers) own the herd and generally any equipment (other than the milking plant) needed to farm the property. The sharemilker is usually responsible for milk-harvesting expenses, labour, stock-related expenses, and general farm work. The owner is usually responsible for expenses related to maintaining the property. The percentage quoted in a 50/50 sharemilking agreement usually refers to the proportion of milk income the sharemilker receives. While this percentage is most commonly 50%, it can range from 45% to 55%. Under the 50/50 agreement the sharemilker receives the agreed percentage of milk income plus the majority of income from stock sales, and the farm owner receives the remaining percentage of milk income.

Unlike the 50/50 agreement, where the owner may have little to do with farm management, a variable-order sharemilking agreement often sees the owner retain some involvement in management of the farm. The variable-order sharemilking agreement involves the farm owner retaining ownership of the herd and bearing more of the farm costs, such as animal health and breeding. The amount of farm work required by the sharemilker is determined by the individual agreement, with responsibility ranging from herd management only to carrying out all farm work. The "Other/Unknown" category includes herds with unknown operating structure or herds with characteristics that do not match the description of their operating structure. • 55% of all herds are operated as owner-operators. • 59% of all sharemilkers are 50/50 sharemilkers.

 