

Name: _____

FIGURING PATRONAGE

One of the biggest benefits of being a part of a cooperative is receiving patronage. Patronage is distribution of net returns to members based on their use of the co-op at the discretion of the board. In this worksheet, we will be learning how to find qualified patronage which is the taxable dividend/cash payment that is received by the patron, or customer, in the current year at the discretion of the board.

To figure the qualified patronage amount, there are several figures you need to know.

- ✓ CASH RATE
- ✓ RATES PER BUSINESS SECTOR
- ✓ VOLUME OF BUSINESS BY PATRON

CASH VS EQUITY

Rates for figuring patronage are subject to change from year to year. The co-op reviews their financial statements and then chooses the rate in which cash equity will be paid out. For this example, of the 100% allocated funds placed into patronage, 30% will be paid out in cash and 70% will be kept as equity within the co-op. NOTE: The equity allocation, is paid out at a later date.

PATRONAGE	RATE
Cash (Qualified)	30%
Equity (Non-qualified)	70%

BUSINESS SECTOR RATES & VOLUME OF BUSINESS

Rates for each business sector are also subject to change and decided by the co-op from year to year. For this example, the current rates for payout are listed below along with the volume of business done by a single patron in one year.

BUSINESS SECTOR	RATE
Grain	\$0.05/bushel
Storage & Drying	3.5%
Crop Production	1.00%
Petroleum	\$0.02/gallon
Feed & Animal Health	2.5%

BUSINESS SECTOR	VOLUME OF BUSINESS
Grain	3,000 Bushels
Storage & Drying	\$4,500
Crop Production	\$15,250
Petroleum	13,000 Gallons
Feed & Animal Health	\$7,500

DO THE MATH: FIGURE THE PATRONAGE EXAMPLE

Grain	$3,000 \times \$0.05 = \150.00
Storage & Drying	$\$4,500 \times 0.035 = \157.50
Crop Production	$\$15,250 \times 0.01 = \152.50
Petroleum	$13,000 \times \$0.02 = \260.00
Feed & Animal Health	$\$7,500 \times 0.025 = \187.50

TOTAL: \$907.50

Cash Rate $\$907.50 \times 0.30 =$ **\$272.25**

This patron will receive a check at the end of the year for an additional \$272.25 as cash patronage. The remaining \$635.25 will remain in his/her equity account to be paid out on a later date.



DO THE MATH: FIGURE THE PATRONAGE PRACTICE

1 Robert is a member of his local cooperative and is expecting a patronage check at the end of the fiscal year for the business he did with the co-op. Below are the rates set by the cooperative for patronage payments, plus the volumes that Robert did with the cooperative within the year. Figure how much money Robert will receive in cash patronage for this fiscal year if the patronage rates are 35% cash and 65% equity.

BUSINESS SECTOR	PATRONAGE RATE	ROBERT'S BUSINESS VOLUME
Grain	\$0.06/bushel	4,205 Bushels
Storage & Drying	3.7%	\$6,502
Crop Production	2.00%	\$25,730
Petroleum	\$0.04/gallon	15,800 Gallons
Feed & Animal Health	3.2%	\$1,560

Answer: _____

2 Trudy is a member of her local cooperative and is expecting a patronage check at the end of the fiscal year for the business she did with the co-op. Below are the rates set by the cooperative for patronage payments, plus the volumes that Trudy did with the cooperative within the year. Figure how much money Trudy will receive in cash patronage for this fiscal year if the patronage rates are 35% cash and 65% equity.

BUSINESS SECTOR	PATRONAGE RATE	TRUDY'S BUSINESS VOLUME
Grain	\$0.06/bushel	2,761 Bushels
Storage & Drying	3.5%	\$956
Crop Production	2.00%	\$9,200
Petroleum	\$0.03/gallon	7,800 Gallons
Feed & Animal Health	3.6%	\$17,605

Answer: _____



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Grain	4,205 X \$0.06 = \$252.30	Cash Rate \$1,689.39 x 0.35 = \$591.29
Storage & Drying	\$6,502 X 0.037 = \$240.57	
Crop Production	\$25,730 X 0.02 = \$514.60	
Petroleum	15,800 X \$0.04 = \$632.00	
Feed & Animal Health	\$1,560 x 0.032 = \$49.92	
TOTAL: \$1,689.39		

Answer: _____ **\$591.29**

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Grain	2,761 X \$0.06 = \$165.66	Cash Rate \$1,250.90 x 0.35 = \$437.82
Storage & Drying	\$956 X 0.035 = \$33.46	
Crop Production	\$9,200 X 0.02 = \$184.00	
Petroleum	7,800 X \$0.03 = \$234.00	
Feed & Animal Health	\$17,605 x 0.036 = \$633.78	
TOTAL: \$1,250.90		

Answer: _____ **\$437.82**

