



## Brockett's Ag Advice

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There are other incentive programs that are less involved than ownership of assets. They may be easier to administer on the part of the employer and may be acceptable to the employees. Usually they will not require any capital outlay on the part of the employee and will not tie the employee down to a particular situation.

### A Share of Income

Sharing in the income generated by the employee's efforts can have some of the same benefits as ownership of assets. Advantages and disadvantages of this approach in comparison to ownership of assets depends partly on the employee's goals. This incentive does not give the employee any ownership interest. This removes the equity incentive, but it also removes ownership risk. As with any incentive program, a written agreement is essential. This written agreement should carefully spell out terms, limits, responsibilities, possible times when the incentive would not be forthcoming, length of the agreement, and review and possible change procedures.

Examples: A — Employee gets a percentage of the net milk check or return over feed cost. B — Employee gets a share of any quality bonus paid to the employer for the product produced by the employee's efforts. This could be milk, cattle, potatoes, eggs, or any

other product with a quality bonus opportunity. C — Employee gets a percentage of the income over fertilizer and chemical costs for agronomic crops sold. D — Employee gets a percentage of the income over the cost of the feeders from a feeding enterprise.

Advantages of this type of program include (a) employee returns are partly based on employee participation, (b) employee shares in the market gyrations, (c) employee may watch for some cost cutting or income increasing opportunities. Since, this is usually considered a bonus, the income would be considered as part of the employee's salary for tax purposes.

Problems that may occur are similar to some of those suggested last week. (1) The farm may not generate enough income to make a meaningful payment to the employee. (2) Manipulation of costs and production may result in more dissatisfaction than the incentive delivers in good will. (3) The employee may see poor employer management as a detriment to the employee's welfare. (4) The employer may resent the extra bonus paid to the employee as price-cost ratios change, unless the payment is one that ties into that possible change.

### Payments for Improvements

There are several ways an employee can be compensated for suggestions, observations, and work improvement. Payments

could be made for cows seen in standing heat. Calves born live and/or calves weaned could trigger a bonus if the employee was responsible for this phase of the business. The same type of payment could be used in a sow farrowing business. The quality bonus sharing mentioned above could fit this type of incentive as well. Reduced repair bills on field machinery could be something that could offer a bonus. Percentage of an expected grain stand that germinates could be a labor improvement caused by more careful planting techniques and planter adjustment.

### Pre-set Work Schedule

A pre-set work schedule with days off and extra vacations geared to certain time frames can be an incentive. Example: If we finish the first cutting of hay by May 30, the employee can have two extra days off the week of June 10 (when school is out). Or, work day and night to get the corn crop harvested and you can have extra days off for hunting. Or, if you can figure a way to short cut certain chores without reducing the quality of the results, that extra time is yours to do with as you please.

### Other Options

Some farmers have set up a service time program with certain guaranteed payments and/or benefits after specified time spent in the employer's labor force. Example: Employee to get a raise of 3 to 5 percent after the first, second, and third years of employment. Or, employee will get health insurance paid after one year of service, a disability policy paid after two years, a retirement program started after three years. Or, employee will get one week of paid vacation time for the first year to be increased by one additional week for each five years of service.

The employer could agree to raise at the employer's cost a certain number of animals (pigs, steers, heifers) for the employee. The employee can do anything he desires with those animals. Or, the employer could agree to allow the employee to use the employer's equipment to operate a nearby farm being controlled (owned or rented) by the employee. These could be tied in with length of service or job performance or be part of the original job package offer.

As with any other incentive program, a written agreement is

essential. It can save a lot of potential misunderstanding in the future. Misunderstanding is the number one culprit that causes employee incentive programs to go awry. A good agreement may allow employer and employee to renegotiate the agreement if circumstances change in the future. Of course no one will be happy with a change that results in an economic loss to him. But, if the procedure and circumstances are spelled out in the agreement, there may be less animosity and a salvageable relationship that may be impossible without such an agreement.

## PFU Posts Policy For 1987

WILLIAMSPORT — Delegates to the Pennsylvania Farmers Union convention have completed the task of hammering out the general farm organization's policy position for 1987.

Highlights of the new policy recommendations include:

- Annual donations to the William F. Matson Scholarship Fund, in tribute to the outstanding rural leadership Matson provided as general manager of the Rural Electric Association.

- Support of the philosophy behind the Harkin/Gephardt "Save the Family Farm Act," which would reduce government expenditures while ensuring farmers a fair return for their production.

- A change in sod and swamp-buster regulations under the 1985 Food Security Act to allow for grasses and legumes planted continuously from January 1981 to December 1985 as part of a normal crop rotation to be considered agricultural commodities.

- Reauthorization of federal revenue sharing so local governments are not left to choose bet-

ween eliminating services and raising taxes which often discriminate against landowners.

- Updating zone differentials to accurately reflect milk transportation costs.

The new recommendations, which were gathered from PFU members during a series of local meetings, will now be passed on to the National Farmers Union for consideration by its delegates at their March 1987 convention in Fort Worth, Tx. Together, the organizations work on the local, state and national levels to preserve and promote family-owned farms.



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## Dairy Farm Equipment

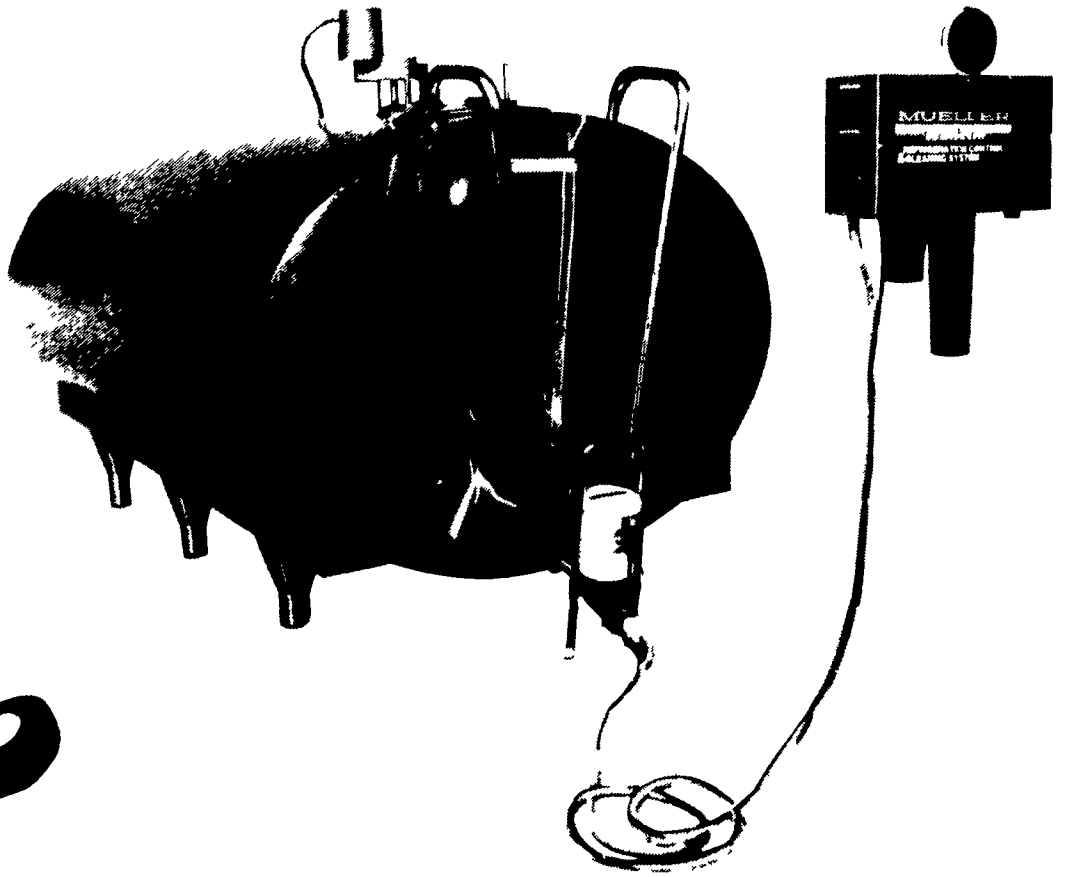
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