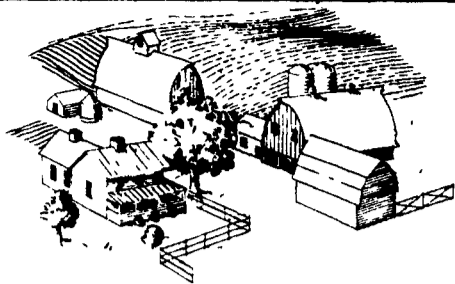


FARM MANAGEMENT



BY ALAN STROCK
Farm Management Agent
How To Keep
Excellent Employees

As we all know, finding and keeping good farm employees is extremely difficult. With the unemployment rate below 4% in many counties, and most workers lacking the desire to work long hours at physically demanding jobs, it is hard to find and keep that special person to work. One possible way, among many others, to keep your better employees is to offer job performance incentives. But first, before offering incentives as a form of profit sharing, the farmer must be getting an adequate return on his investment, and his time.

WHAT FIRST

First bonuses should hinge on "profit" because the farmer deserves to be paid first. Remember the bonus will lower the farmer's profit and the farmer should first receive a reasonable return: for his labor, any unpaid family labor, and their investment, before a distributable profit can be calcu-



lated and distributed to the employee(s). Incentives should be offered only after the employee is already receiving a fair wage, one that can adequately provide food, shelter, clothing and some extras for the employee and his family.

Use With A Formal

Job Description Document
These incentives should best be used in conjunction with a formal job description document which the employee and employer have agreed upon.

All payments should be above the regular salary, and not to be thought of as part of the base salary. The bonuses are for work and interest above and beyond the call of duty. Be sure to target all your incentives to your specific farm problems and profit leaks. The employee MUST be in complete control of that function, and all the inputs into that function. They should be organized by different aspects of the farm such as: feeding, breeding, young stock raising, herd health, livestock or milk production, labor efficiency, or crop efficiency and yields, etc.

Use Incentives To Make The Farm More Efficient

Incentives need to be constantly

changing as one phase of the farm is improved the owner/manager should initiate new incentives in the least profitable phase. The owner is using the incentives as a variation of a profit sharing plan, but care must be taken to tie different economic performances together. A milk production bonus for a herd milk production increase of 250 lbs./cow would be inappropriate if total feed costs rose from \$6.00/cwt. to \$8.00/cwt.

Explain The Rules To The Employee

All the rules and regulations such as: bonus amounts, time duration, time period of payment, exact method of calculation, etc., should be written down and thoroughly understood by the employee and employer. Bonuses may also take a form other than cash such as: extra vacation, paid health insurance, life insurance, a side of beef, extra housing allowance, additional cows into the herd or the like.

How To Begin

When starting incentive plans keep the time period as short as possible, maybe even a month in some cases, so that the employee can receive a quick reward for his extra effort. To balance that, the time frame must be long enough so that the desired goal is not reached merely because of normal seasonal changes, especially in regard to milk production, butterfat test, conception rate, litter size, weaning weights, or feed efficiency. Keep the calculations in determining the bonus as simple as possible so there is little room for debate in determining whether the employee qualifies for the appropriate bonus payment.

Practical Suggestions

After having reviewed and analyzed these suggestions, then

you are ready to develop your own incentive program to meet the needs of your farm. Here are incentive examples for the dairy farmer and their herd manager, milking manager, and calf and heifer raising manager.

Her Manager Incentives

Here are eight suggested incentive ideas for dairy herd managers along with an example that you could adapt to your operation.

(1.) For an increase in rolling herd average or increase in pounds of milk sold above the same month or quarter the prior year, offer a \$100 quarterly bonus for every 500 pound increase in rolling herd average above present level of production (OR) \$100 quarterly bonus, if milk sold per cow is 250 pounds per cow higher than it was the prior quarter or that same quarter the prior year.

(2.) For an increase in butterfat test (with the dairy not DHIA), provide a \$50 quarterly bonus for every 1% increment increase in butterfat from present test, OR from prior year's test for that quarter, OR above the 3.5% test.

(3.) For decreasing the veterinary bill while at least maintaining present herd health and conception rate offer a \$40 monthly bonus for every \$120 saved on average monthly vet bill due to the manager's own treatment for milk fever, ketosis, mastitis, or other diseases. This is very simple and would need more checks and balances attached to this bonus.

(4.) For increasing the percentage of heifers that calve at 24 months of age or before provide a \$50 monthly bonus every month that at least 5 heifers freshen and, if 80% or more of those heifers freshen at 24 months of age or before.

(5) For decreasing the services per conception rate for heifers and mature cows offer \$25 monthly bonus every month that at least 15 different breeding animals are bred if the services per conception are below 1.5.

(6) For an increase in farm sales output per employee, provide a \$500 annual bonus for every \$5,000 increase in total farm production per employee (that is 3,000 hours per year). This must be carefully reviewed to make sure the increased employee productivity was the reason for the extra gross income.

(7.) For decreasing the DHIA calving interval provide a \$250 semiannual bonus if calving interval is reduced .5 months compared to the prior six months calving interval.

(8.) For a total farm profitability increase provide a set percentage of the increase in net farm profit

above the prior year's profit. This could be presented as a bonus or just a set percentage of the net farm profit, or net cash farm income prorated upon the employee's job performance evaluation. Make sure the added profit was at least partially due to increased employee productivity, and just not market changes and other factors beyond the managers scope of influence.

Milking Manager Incentives

Here are four possible incentive plans for employees responsible for the milking program. These are all very simple and you should make sure the goal is not reached just because of normal seasonal fluctuations.

(1.) For a decrease in the somatic cell count from a specified level

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