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Dairy Guidelines

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Labor Incentives Boost Dairy Profit

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Many dairymen must depend on hired labor to supply part or all of the labor for operating their dairy. Reasonable wages, satisfactory working conditions and a feeling of importance are prerequisites for keeping hired help. Incentive payments, in cash or goods, are payments above wages for a job well done.

"When the worker knows that he will be rewarded in direct proportion to his contributions his whole attitude to his work and its managers changes. He wants to increase the rewards in which he shares justly."¹

Incentives that are the most workable are:

1. Money in proportion to production.
2. Status as a reward for achievement.
3. Publicity of the worker's contribution in skill and imagination and the reward that is given for it.

Two dairymen were talking about labor incentives.

Farmer A said: "Incentives are a waste of money. Workers never care about my farm."

Farmer B said: "Incentives are highly profitable and my workers really take an interest in my herd."

Farmer A said: "My workers never sees my cows in heat or else he reports it to me a day late. Workers are no good and incentives wouldn't help."

Farmer B said: "My herdsman receives \$2.50 per cow that is with calf within 120 days. He likes this incentive and even keeps complete records on all heats. This is a good incentive. It surely eliminates a lot of worries for me."

Farmer A said: "Workers don't care about me. My milker comes when I'm half finished milking every morning. I'm going to quit dairying, there is no money in it."

Farmer B said: "My milker receives an additional \$1 per day if he arrives promptly on time each day. Actually, he is usually half finished milking by the time I get to the barn. I like dairying."

¹James F. Lincoln. A New Approach to Industrial Economics. The Devin-Adair Company, New York, 1961.

Farmer A said: "I once paid my milker 1% of the milk check and all he did was pour the grain to the cows and the milkcheck didn't even pay the feed bill. Incentives will never work."

Farmer B said: "I pay 5% of the milk check after subtracting the feed cost. My milker is making more money and I am too. I like this incentive."

Farmer A said: "A calf man is a calf man. If a calf will die, it will die."

Farmer B said: "Yes, but every heifer calf that dies I consider a \$100 loss. Therefore, my calf man receives \$5 per heifer calf raised, minus \$15 for each heifer calf lost. My calf losses are less than 2% a year."

Farmer A said: "Those guys at the milk plant always holler about my bacteria count. I can't see any bacteria in the milk."

Farmer B said: "My milker receives a part of all quality bonuses. I figure if he earns them, he should receive a part of them. He hasn't missed one in 3 years. The plant wants to give our farm a citation."

Farmer A said: "I read all this stuff about money in dairying. I can't figure it. If you pay all these incentives you will go broke; but then, too, I guess I'm going broke not paying incentives. I surely have a lot of worries."

Farmer B said: "Incentives on a dairy farm can be highly profitable. My workers surely like them. They take great pride and satisfaction in working on my farm."

Labor Incentives Are A Management Responsibility

A worker on a dairy farm who receives low wages and/or dislikes his job can cost more money in damaged cows, equipment, and buildings than a good worker who is paid \$400 a month. Yet, this same costly worker, if he becomes interested in his job, can be an excellent worker and be worth that salary a month or more.

Incentives can yield big dividends in the form of greater net profit, happiness, and satisfaction on the part of the workers and owners alike. It is important to have all dairy herd workers take active interest in their jobs. Most hired workers will respond by doing a better job if it is noticed, appreciated, and rewarded.

All incentive programs must be a 2-way relationship. The worker must want to do a better job to receive the reward. The owner must show his workers how to do a better job to receive extra money, satisfaction, and prestige from an incentive program.

Many incentives offered to dairy farm workers are attractive and a real reward for doing a good job. However, some are difficult to interpret. An example is where an owner offers his worker \$2 per month per 1/10 of a point increase in butter-fat test above 3.5%. This would be rather difficult for the worker to achieve. Another incentive difficult to evaluate would be a bonus for maintaining a clean dairy and doing a good job of dairying. Problems with evaluation would be: who is to interpret how often it is paid; who determines the degree of cleanliness; and what constitutes a good job?

Incentives that appear to be most easily understood and most workable are those where a third party is involved. The third party for herd production goals is the DHIA supervisor; for monthly milk shipped, the plant manager; for bacteria counts, the bacteriologist; and for pregnancies, the veterinarian. Greater understanding could be achieved by workers and owners when a third party is involved in an incentive system to measure the quality of the job accomplished.

Two Virginia dairymen expressed their view on incentives in this way. One dairyman said, "Keeping operating costs at a minimum and milk production at a maximum will result in more net profit which will make possible better equipment, higher wages, better housing conditions, more fringe benefits, and satisfaction for all concerned."

Another dairyman (50 cow herd) who just started an incentive plan this past year said, "I am pleased with results from this, and all wage increases in the future will be by increases in the bonus rate." His plan was this:

Weekly: \$1 per CWT over 1800 lbs. of milk per day

Monthly: 10¢ for each cow producing 50 lbs. of milk/day + 10¢
for each additional 10 lbs. of milk

Yearly: \$1 per lb. butterfat over 500 lbs. of fat per cow

Cunningham from Cornell reported some guidelines for establishing incentive programs. They are:²

1. Pay as supplement to regular wage.
2. Pay promptly after performance.
3. Base payment on performance that results from the employee's efforts.
4. Make it easy to compute and understand.
5. Avoid encouragement of uneconomic practices.
6. Allow for necessary changes in the business.
7. Have a written agreement.
8. Use the incentive plan to complement good labor relations.

Labor Incentive Programs In Effect On Virginia DHIA Dairy Farms

Dairy Labor Study

Milk Shipped

1. 1, 2, 3, 5, or 8% of monthly milk check.
2. Percent of milk check minus feed cost.
3. Twenty-five cents per 100 lbs. of milk shipped with minimum wage of \$200 per month (87 cow herd).
4. Ten cents to 50¢ per 100 lbs. of milk per month above a specified amount.
5. Fifteen cents per 100 lbs. of milk over 60,000 lbs. monthly (90 cow herd).

²Dairy Herd Management, April 1967, p. 13.

Production Records

1. Starting at 400 lbs. herd average, \$50 bonus per man. It increases \$3 for each pound of butterfat increase. So at 500 lbs. average, the per-man bonus would be \$350.
2. For 305 day lactations, \$8 for each 11,000 lbs. record, \$10 for each 12,000 lbs. record, and \$12 for each 13,000 lbs. record.
3. Two dollars per 1000 lbs. of milk over 10,000 lbs. for each complete lactation.
4. Two dollars per month per 1/10 of a point above 3.5% butterfat test.
5. One dollar per week extra for each 100 lbs. increase in herd average.

Bacteria Count

1. Two dollars and a half, \$5, \$10, \$15, or \$25 per month on bacteria counts under 10,000.
2. One-half the value of all quality bonuses paid to the operator.
3. If bacteria count is low, pay an extra day of wages.

Heifers

1. Three dollars per calf raised to 8 weeks.
2. Five dollars per calf weaned and \$4 per calf successfully raised.
3. Five dollars per heifer calf raised, minus \$15 for each one lost.

Breeding

1. One dollar for each cow bred.
2. Two dollars and a half per cow that is with calf within 120 days.

General

1. A dollar a day if the milker arrives promptly on time each day.
2. Ten dollars for clean dairy and doing a good job in dairying.
3. Five dollars extra each week if there is no mastitis.
4. If a man is making an effort and doing a good job, \$2 per week is credited to account and paid on November 1 if he is on the job at that time.
5. Give a bonus at Christmas based on general interest, work habits, and promptness.
6. Increase benefits.
7. Treat with respect, consideration, and dignity for doing a good job.