

# Who Gives & Who Takes?

I've been busy lately reviewing variable order and contract milking arrangements as well as salaries at all levels. It is clear to me that, as an Industry, we still undersell ourselves and most in our economy would not be aware of the income levels being achieved by top performers in farming.

Reviewing salaries and contract arrangements always offers potential tension. Discussions about sharemilking agreements can be quite difficult as the parties try to second-guess everything from the milk price to the exchange rate and outlook for expenses over which they have little control such as power and fuel.

For salaried staff it is their one chance to achieve the best reward for their efforts and for owners it means balancing people costs, performance requirements and business objectives.

So here are a few ideas that I have found helpful to make this process robust and effective.

## **Always get if you give**

It's an old adage of negotiation that you should never give without getting. Too often I see demands made for increased reward or greater share of income that are not accompanied by commitment to increased performance or benefit to the employer. It is critical the parties focus on value for money rather than simply finding a figure that feels right. These discussions should be based on a measured assessment of how cost savings can be made or increases in productivity can be achieved to justify gains.

While incentives can help focus efforts, it may be simply a matter of asking for more effort or finding ways to make cost savings that will deliver an offsetting advantage.

## **Facts not fiction**

I find these meetings are always enhanced by facts that ensure accurate interpretation of what is really happening. Benchmarking against industry standards or comparison with internal budgets provides context against which the parties can review their respective fortunes.

This is part of transparency and brings "good faith" to the process. Too often I find parties talking in abstract terms about something that really is quite measurable. It will require time spent on budgeting and recording but that is simply best practice and should not take major effort.

Resist the temptation to pay or accept what the grapevine says everyone else is. Set the reward on sustainable and challenging budget assumptions that reflect each party's objectives.

## **Mutual disclosure**

It's important there is a fair process in which each party can disclose their expectations. My recommendation is the parties disclose their positions at the same time – preferably by committing their wishes to paper and exchanging these at the same time so neither can change their position having read the other's expectation.

If there is genuine commitment to reaching a fair outcome around the table, this is an excellent way of diffusing tension and quantifying differences. If the gap is too large it may not be possible or wise to continue the relationship. If the difference is smaller then negotiation and flexibility will likely achieve win/win.

### **Managing risk**

There appears to be a significant swing back towards contract milking rather than variable order sharemilking. This may have been driven by reluctance of sharemilkers to expose themselves to the uncertainties of milk prices.

While caution is understandable, it may be an over-reaction. In some circumstances I have recommended that owners underwrite the milk price so the milker can budget with more confidence. This avoids share of milk income becoming unjustifiably high which risks over compensation if the milk price improves beyond expectations through the season.

All involved in variable order sharemilking need to have a better appreciation of the impact of milk price, production and share of milk income and manipulate these risks to achieve a sustainable result

It's pleasing to see the Industry able to support positive packages and deliver very competitive rewards – especially for those who are prepared to commit themselves to training and skills growth. It remains an exciting Industry for those looking for a change in direction. It's one in which younger staff who are ahead of their years in maturity can get a flying start to build savings and accelerate progress in those critical years for wealth creation.

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