

Labour performance and your dairy

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What is your current labour situation?

Who did what on your farm in the last year? What were your labour costs?

There are many types of labour used on the farm during the year. This may include family members (paid or unpaid), full time employees, casuals, contractors or sharefarmers. It is useful to make a list of all those people who work for you.

To work out the number of labour units, the owner/operator is classed as one labour unit (provided he or she is working at least 40 hours per week on farm).

The standard working week is now 38 hours. A full-time employee is 1 labour unit, and so someone who works for 19 hours a week is 0.5 of a labour unit.

In any analysis of farm business performance, you need to consider all labour units, whether paid or not. The amount of money you would have to find if the hours now worked unpaid had to be paid for is called the 'imputed labour' cost. This figure is used when calculating farm profit and performance.

Example labour breakdown table

Name of staff member	Jack	Mary	Bob	Steve	Total
Position	Owner/ manager	Owner/admin	Son/farm manager	Farmhand	
Title	Business manager	Business manager	Herd manager	Farmhand	
Hours worked per week	70	30	60	50	
No. weeks per year	50	50	50	48	
Employed (Yes/No)	No	No	No	Yes	
No. hours per year	3500	1500	3000	2400	
Standard hourly pay rate	n/a	n/a	\$20	\$17	
Annual salary	n/a	n/a	\$60,000	\$40,800	
Salary adjusted for super and leave	\$80,000	\$30,000	\$70,850	\$48,178	



Analysing your current labour performance

A	How many people work on your farm during the year (from Step 1)?	labour units
B	How many litres of milk were produced on the farm last year?	litres
C	How many litres of milk were produced per labour unit? (B÷A)	
D	How many cows were calved in the last year?	
E	How many cows per labour unit? (D÷A)	
F	What were your actual labour costs (if you know them)?	
G	Convert these costs to cents/litre (F÷B)	
H	How many days holiday did each person have in the last year?	
I	How many workdays were lost through accidents or work related illnesses last year?	
J	How many days were spent in learning and training activities last year?	

Does the number of people working on the farm match the farm's income capacity?

Are there more people drawing an income than the farm can sustain, or are the workloads too high due to under-staffing?

Your labour costs in cents per litre are shown at G in the table. How do they look against the industry benchmarks?

Industry benchmarks for labour costs:

Less than 8 c/l → good, but needs to be monitored in relation to workloads

8–11 c/l → could be improved

More than 11 c/l → too high, and not sustainable under low milk prices.

When looking at the number of people who work on your farm, you need to consider both paid and unpaid labour. Many family businesses do not pay full wages to some family members; this is known as the 'imputed labour' cost. The value of their labour needs to be costed when analysing the business's profit, as the unpaid labour is usually reflected in the personal drawings of a family business.

Imputed labour costs are calculated by multiplying the number of hours of unpaid work by the Award wage rates, or by a set rate per hour, such as \$15.00.

The real cost of labour is wages plus imputed labour costs.

Litres per labour unit on your dairy are shown at C on the table. How does it look against the industry benchmarks?

Industry benchmarks for litres per labour unit:

Less than 250,000 → Usually indicates a small scale of operation, or that there is more than one family drawing an income from the farm.

250,000–400,000 → Shows room for improvement by investigating options for scheduling work and new technology

More than 400,000 → Is an indication of high labour utilisation. Some larger NSW farms are now achieving over 800,000 litres per labour unit.

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