

# Getting Paid by Contract for Dairy Production Services

A. J. Nelson, D.V.M.  
Cortland, N.Y.

## Why Contract?

One of my biggest frustrations in providing dairy nutrition services has been the unwillingness of some clients to spend the "front money" to get a good program underway. Some nutrition problems (e.g. protein shortage) can be solved in rapid fashion. Others, such as underconditioned cows producing and reproducing poorly, will take six to ten months for real results to show in the bulk tank.

Likewise, if a dairyman calls you today about his 15-month calving interval, he cannot expect you to solve his problems in two herd visits! Proper and complete solutions require commitment of time and money from veterinarian and client alike. It is distressing to do the work, get paid, and have the client less than sold on the program due to insufficient passage of time and/or inadequate records analysis. Often in the last ten years, clients would quit nutrition programs because they didn't see a return on investment soon enough. Therefore, I resurrected a tried-before method of payment for herd health services: payment by contract. Contracts offer the following advantages over hourly fees:

1. *You package the services the way you want to deliver them for a given client.*

If you choose not to provide a service for a client, you do not offer it. I had a client that wanted a contract arrangement for all services. They never got it because a relative employed by a feed company had always undermined any attempts at nutritional reform we had tried. You pick the clients that you wish to work for under this arrangement.

2. *The client has to make a commitment to you and your program for one year.*

The client and myself sign a contract form (Figure 1) which outlines the services and charges. This lends a formality to our business arrangement which adds to the personal commitment of the dairyman towards the success of the program. The largest obstacles in the path of progress, resistance to change, is already out of the way! This further sorts the client so that usually only the sincere ones sign a contract. Once a client signs a contract to spend more than he's spent before, he has already decided to make management changes. On top of that, each of us, as human beings, makes further decisions that reinforce our first major decision. . . which makes us feel better, more in the

right, about the first decision. Therefore, the client has set himself up properly for the other decisions along the road of progress.

One year's time is long enough to see results, no matter what the original problem was. If this time brings no measurable or perceivable results, client and veterinarian have mutual reasons for parting ways—he can't afford you and you can't afford the damaged reputation.

3. *The charges are evenly distributed throughout the year.*  
The front money does not hit the client hard, as in piecemeal or hourly charges. This paves the way for tackling problems that require months for payback. The evenness of payments lends itself handily to being paid using voluntary orders. These are especially good for those clients that always pay, but are always slow. By having the client sign the proper form, you will receive payment monthly, directly from the milk handler. Also, if a dairyman does not have to write the check each month, the charges don't seem as high.
4. *Client and veterinarian become more results-oriented and less time-oriented.*

Many of us work by the hour. It has worked well. However, many things we accomplish under contract terms were hard to get done on the hourly system. An example is monthly record monitoring. The work is done off-farm, at the office. Many clients will not feel like paying for this service until it has proven valuable in their operation.

Once a client has paid you for the work, it is amazing how much easier it is for him to find the time to tape those heifers! Clients also demand more up-to-date rations. More up-to-date rations mean more nutritional control. More control means better results! As long as you have estimated your time accurately, this is an excellent, results-oriented approach to production service delivery.

## Types of Contract Service Package

Although any combination of services can be packaged, my current ones include:

1. Complete Contract
  - A. Monthly DHI Records analysis and graphic presentation.
  - B. Complete nutrition services for all dairy animals

C. Reproduction/Replacements

1. Reproductive exams for both milking and replacement herds
2. Dehorning of baby calves
3. Brucella vaccinations and extra teat removal

D. Monthly bulk tank culturing

2. Nutritional and Records analysis only
3. Records analysis only

**How Much to Charge?**

Contract fees are based on the estimated time you will spend providing the agreed-on services for the dairy and your out of pocket expenses, such as phone and computer time costs. My present charges are billed as one flat fee for each month of the contract year. The charges slide with services provided, cow numbers, facilities, number of visits per month, travel distance, and other fudge factors. The table below gives a starting point, much like a feeding chart gives the good dairyman a reference for feeding individual cows in a tie-stall barn. These fees are for the complete contract package, based on cows on DHI test.

Contract Fees Per Cow Per Month	
Herd Size	\$ Per Cow
50 - below	4.50
51-100	3.50
101-150	3.00
151-200	2.75
201-250	2.50
300-above	2.25

**How Well Does It Work?**

Initial acceptance of the contract concept surprised me. In August of 1985 I started offering this arrangement to selected reproduction program clients. My goal was to have four herds signed up by 1 January 1986. By then I had nine on contract. Currently, I service 22 clients via contract and 12 by hourly fees.

I have told clients, in jest, that my contract work is guaranteed...If they are not happy after one year, they never need to pay me for a second year. My retention rate at the ritual year-end negotiations for renewal is about 85-90%. It is working for me.

Figure 1.

**Arden J. Nelson, D.V.M.**

DAIRY PRODUCTION SERVICES R.D. #4, 620 W. Hill Road  
Cortland, New York 13045  
Telephone: (607) 749-7514

Twelve-Month Contract Herd Health Plan  
For \_\_\_\_\_

- I. Contract service consists of three areas of professional assistance
  - A. Nutritional Herd Health Service
  - B. Reproductive Herd Health Service
  - C. Record Monitoring Service
    1. Intensive DHI record analyses
    2. Disease monitoring in both your adult and replacement herds
  - A. Nutrition service provides independent, non-product oriented consultation which includes:
    1. All professional office time necessary for ration balancing and consulting with your feed and mineral people. Rations will be provided for **all** animals on your dairy: dry cows, milk cows, baby calves and all groups of heifers
    2. All phone consultation time
    3. All on farm consultation time
    4. Time includes any time necessary for feed value determination, inventory decision, feed pricing comparisons and monitoring of feed management.
  - B. Reproductive service provides:
    1. Once monthly reproductive health exams, including pregnancy checks on heifers
    2. Dehorning of baby calves
    3. Brucellosis vaccinations and extra teat removal for heifers
    4. Farm calls are **No Charge** on scheduled herd check days
  - C. Records Analysis Program includes:
    1. Intensive DHIC record monitoring via NYDHIC RMS computer hook-up
      - a. Includes telephone and computer fees
      - b. Includes professional evaluation and graphics presentation
    2. Includes all on-farm time for presenting and explaining records
    3. Includes recording and evaluation of monthly disease and production factors for both your adult and replacement herds
- II. Contract services **does not** include charges for:
  - A. Farm calls other than scheduled monthly visits
  - B. Vaccine and drug costs
  - C. Emergency services and sick animal care
  - D. Surgery
  - E. Forage and grain analyses by NYDHIC
- III. Professional fees for Contract Service
  - A. Fees are based on herd size and services provided and will be billed as one sum per month
  - B. Your herd contract fee is \$ \_\_\_\_\_ per month.
  - C. The charges will be billed and **paid** monthly.
- IV. Additional responsibilities of herd owners:
  - A. Must be on continuous NYDHIC testing with RMS permission granted
  - B. Herd checks will be conducted at least monthly, without exception
  - C. All owners and/or managers will set aside time for monthly records review and discussion at herd check time
  - D. All records will be kept up to date
  - E. Have DHI send Dr. Nelson extra copies of 301 and 308 Reports directly each month (your cost is \$2/month)

*Continued*

- F. Clear any and all feed or forage changes in advance with Dr. Nelson
- G. Sample forages as directed by veterinarian in charge.
- H. Place Dr. Nelson's address (R.D. 4, 620 W. Hill Rd., Cortland, NY 13045) on **all** forage and feed analysis requests so that he receives copies directly.

We, the undersigned owners of \_\_\_\_\_ have read, discussed and understand all of the points listed and agree to enter into this contract for a 12 month period.

Date: \_\_\_\_\_  
 \_\_\_\_\_  
 Of \_\_\_\_\_

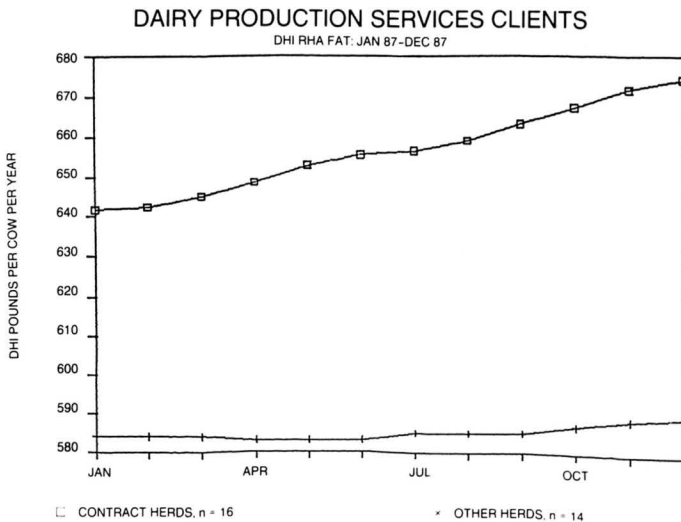
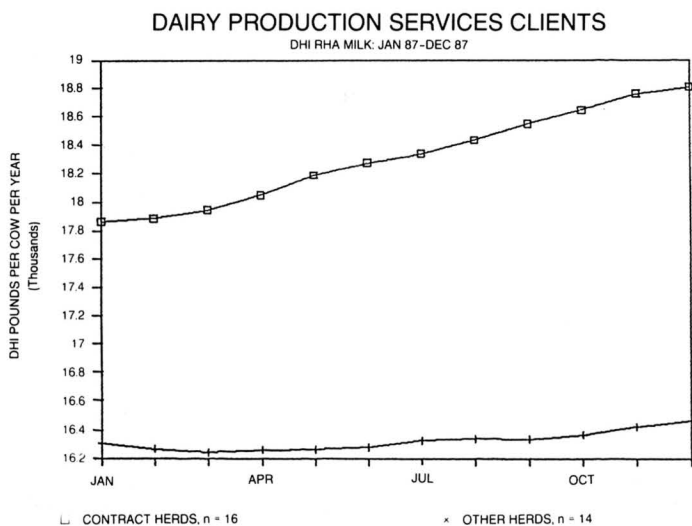
Arden J. Nelson, D.V.M.

### Contract Clients vs Non-Contract Clients, 1987

In my practice, contract clients are the only clients receiving records and rations assistance. The non-contract clients are palpation and sick animal service recipients only. At year end, using the Northeast Dairy Herd Improvement Association's Remote Management System, my computer and Dairy Production Consultants<sup>1</sup> software, I analyzed the progress of each client's herd. Each was provided with graphs showing their progress over the year's time. Averaged together, Graphs A and B show the difference between either the clients in each category or the effects of the service provided... Contract herds increased production per cow by over 1,000 lbs while other herds advanced only 200 lbs. and the contract herds started over 1,600 lbs higher to begin with! The improved management through records usage and balanced rations gave these good managers slightly better control.

Records showed us the holes in the management net. A plan of action was formulated, acted upon and results were measured. Contract Production Medicine is working for my clients. It can work for you and your clients too!

**Formulate a plan and act!!!**



#### Reference

1. Dairy Production Consultant: T.J. Cannon, A.J., Nelson, H.W. Redlus, 620 West Hill Road, R.D. 4, Cortland, New York, 13045, 607-749-7514.