

# PREPARING A NEGOTIATION TEMPLATE

eroy met and later married Brenda a few years after high school. He soon realized he would most likely become part of the large dairy farm owned by Brenda's parents. Brenda's brothers were not interested in the farm operations but Brenda and Leroy had a strong interest. However, neither Brenda nor Leroy had much training outside of their involvement in day-to-day activities. With each passing day, Brenda's father appeared more ready to name the couple the successors to the family business.

After receiving the keys to the dairy, Brenda and Leroy followed the agreed plan for splitting farm earnings among all the family members for the first few years. However, they were now looking to upgrade facilities after the recent purchase of an additional 500 cows. Brenda had been researching and

learning a lot about dairy robotics. What she found suggested that cows milked by robots are much more relaxed, leading to a slightly higher yield. In addition, using robotic milking systems resulted in lower labor turnover. This last point had become a bigger issue recently with more frequent changes in the workforce.

Brenda and Leroy are working closely with their banker on financing the needed upgrades. However, they are very concerned about the approach to follow when negotiating with automated milking systems (AMS) dealers, given the significant investment required. Leroy has done some background reading on negotiation skills and tactics and is looking for a negotiation guide or template they can follow when they reach dealer engagement stage of the upgrade process.

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### Where to begin?

Every negotiation begins with a lot of unknowns. Uncertainties exist about issues, merits and strengths of possible solutions, important external factors, and many other variables that can affect the negotiation, as well as the resulting decisions made.

When the time comes to prepare for a negotiation, a template can be very useful in identifying the issues that must be addressed, helping to set the ground rules, as well as organizing the potential alternative solutions. The template should be completed through mutual, open discussion and collaboration between the negotiating parties involved.

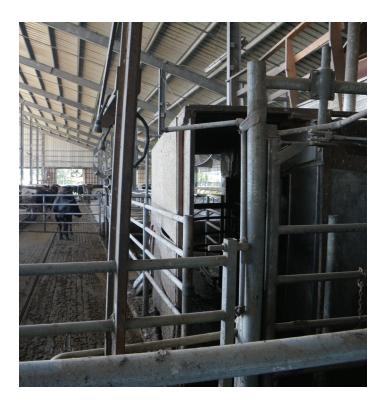
## Preparing a template for negotiation

#### A. Issues or elements that must be addressed:

First, the template should help clarify the different elements of negotiation that must be addressed by bringing together as much information as possible. In practical terms, the two parties "Must decide all that needs to be agreed upon." Here the template serves as a list of all the different points that will be resolved during the actual negotiation phase.

#### Key questions include:

 Does the list require that issues be split into different sections? In some cases, negotiating large purchases or leases such as equipment, livestock,



and land parcels may be best separated from negotiations related to forms of payment such as forms of cash settlement, offers of partial service, credit for specified periods, and other details.

 Does the list include matters that are not of interest to all parties? Or, are issues noted that are of concern to only one or another of the parties? It is important that all issues of concern to



NEGOTIATION TEMPLATE		
Issues to Address	Interests to Consider	Potential Solutions
Need to upgrade dairy equipment to an automatic milking system (AMS) at an economical cost	INTEREST #1:	Purchase AMS on sale
	Need to earn a profitable return on milk produced using an AMS	Buy used AMS from neighbor
	system	Rent (or lease) AMS equipment for a 10 or 15 year period, which includes installation costs.
	INTEREST #2:	Sell AMS with requirement to allow use of farm's barn as a demonstration site for marketing
	Installation of an AMS at a dairy's new barn, generating new earnings and a new	Bargain for AMS at a lower price by allowing farm to be highlighted in equipment promotions
	demonstration farm	
	INTEREST #3:  Reduction in labor workforce	Adopt new employee benefits program, offering additional value with increasing tenure on the job
	turnover. Labor cost savings	Considering paying labor a higher wage
		Purchase and install an AMS; train and pay labor workforce higher wages to maintain and manage
Need to conduct transaction of automatic milking system under convenient terms	INTEREST #1:	Purchase AMS with very low credit (interest rate) conditions, using dairy cows as collateral
	Need to establish transaction that enables a viable cash flow	Purchase AMS with variable loan conditions tied to Milk price (certain % cash up front, rest credit)
	INTEREST #2:	Purchase AMS at convenient rate, with non-binding
	Flexible transaction	commitment of purchasing more equipment in years ahead
	arrangements under growth considerations	Purchase AMS with rebate commitment in case of purchasing more equipment in next 5 years.
	INTEREST #3:	

any party involved should be included, since they are relevant to the party that brought them up and thus need to be tackled. These issues, as well as all issues of mutual concern must be addressed during the negotiation in order to achieve an outcome acceptable to all.

## B. List the interests of each party involved:

What are the interests of each party? Interests might also be described as the concerns, worries, wants, desires each party brings to the negotiation. These interests are likely the reason or reasons behind why the party takes a particular position or perspective towards the issues of concern. Often, if the parties are better able to understand the interests of the others involved, they are able to identify and support solutions that address those interests.

You might refer to the "Questions to Answer Before Meeting" guide and module to help think through some of these questions in greater detail. Interests and needs are more easily understood and identifiable than problems or positions.

#### C. Develop a detailed response for all issues listed:

The parties next proceed to list a broad number of possible solutions for each matter or issue raised, both the issues of common concern, as well as those of concern to the individual parties.

For example Leroy and Brenda are concerned about technical help after the sale whereas the AMS dealer may be concerned with making sure the setup of the system goes smoothly.

Listing more than one possible solution for each issue provides more flexibility and opens the door to a broader set of potential considerations. It also increases the resulting satisfaction from any agreements reached.

- Can a solution be addressed through different tools, equipment, terms, or infrastructure? What would help?
- What are the maintenance requirements for each potential solution? In the case of tools or equipment, can it be maintained and timely serviced? In the case of a piece of land, who will be responsible for checking on it?
- If payment is involved, can requirements be addressed in alternative ways? For example, could



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payment be made with some cash up front, with alternative periods of credit; and/or by providing some type of service as part of the agreement?

**B**renda and Leroy discovered there are several AMS dealers available in their region and are looking forward to an open, frank discussion with each of them. They identified the main issues and interests around the use of automatic milking systems for their dairy in particular. Further, they brainstormed several ideas for how those issues might be addressed by listing a number of potential solutions to each in their 'initial' negotiation template.

After finalizing their financial standing and credit availability with their banker, they believe they are now ready to begin discussions with the dealers. They plan to begin by completing templates to represent each dealer's perspective. They will be ready to begin negotiations after completing templates with each AMS sales representative.

#### **RESOURCES:**

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