

Benchmarking

A tool for evaluating farms

Riga 27.5.2015

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ProAgria in a nutshell

- Provides farm-and-agriculture entrepreneurs with services to enhance competitiveness in Finland and abroad
 - Development services for farms and rural businesses
 - Services for new businesses
- ProAgria Group has services additionally in animal breeding, artificial semination and IT
- Organisations are owned by members
- A large membership body

”218 years for the countryside”



In numbers

Customer base

85% of all farms in Finland

Turnover (ProAgria Group)

100 million euros

Staff (ProAgria Group)

1300

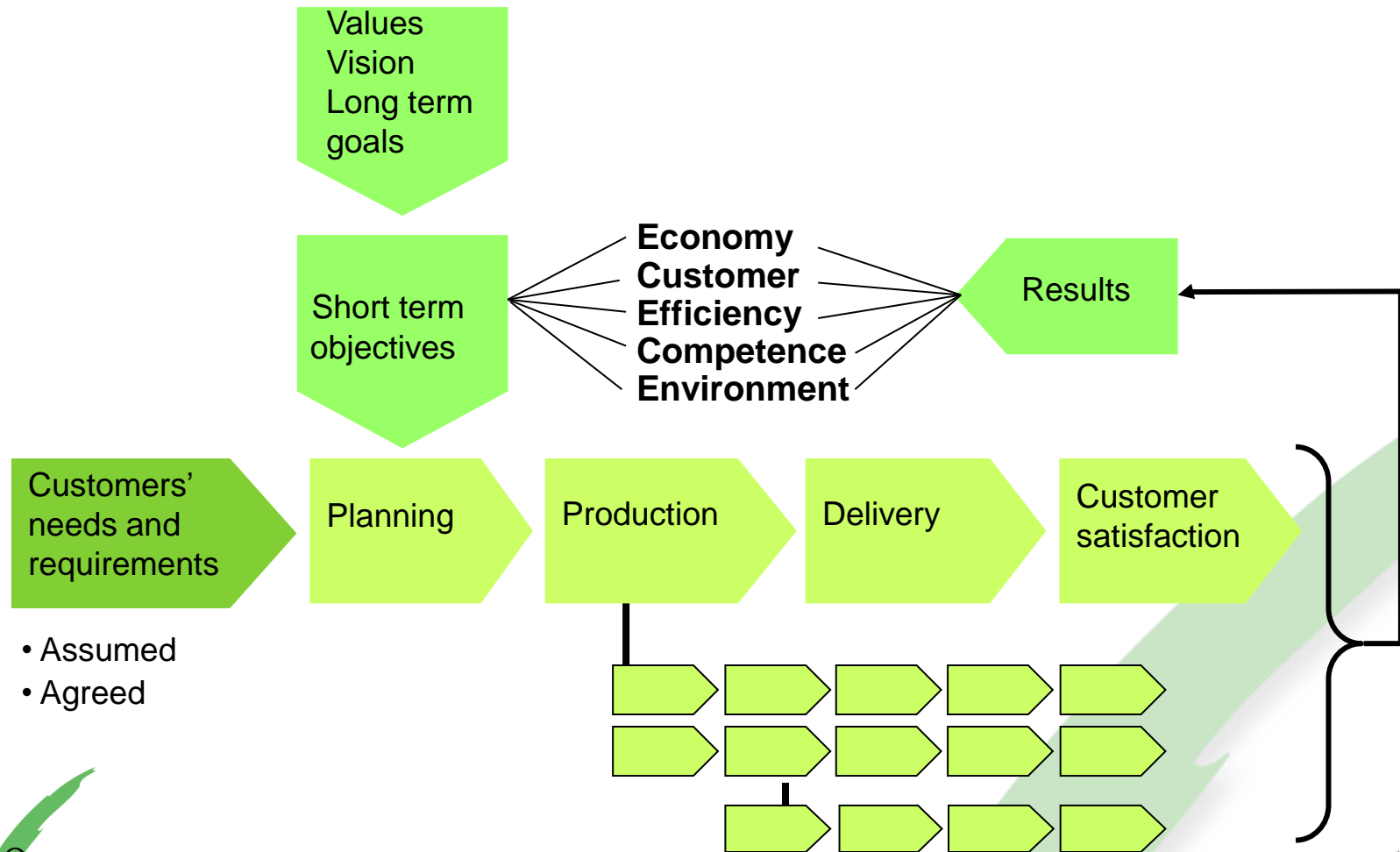
Agenda for presentation

1. Background and philosophy
2. Competitiveness is key
3. Some examples of concrete actions taken (an example from the dairy sector)
4. Examples of tools used

Background and philosophy

- Holistic approach
 - Taking into account all processes involved in running a farm, including support processes and management
- Data is paramount
 - Let the numbers speak for themselves, then go beyond the numbers pinpointing challenges
- Solid and systematic planning
 - Do not change things for the sake of changing, but at the same time question previous decisions

Core business process



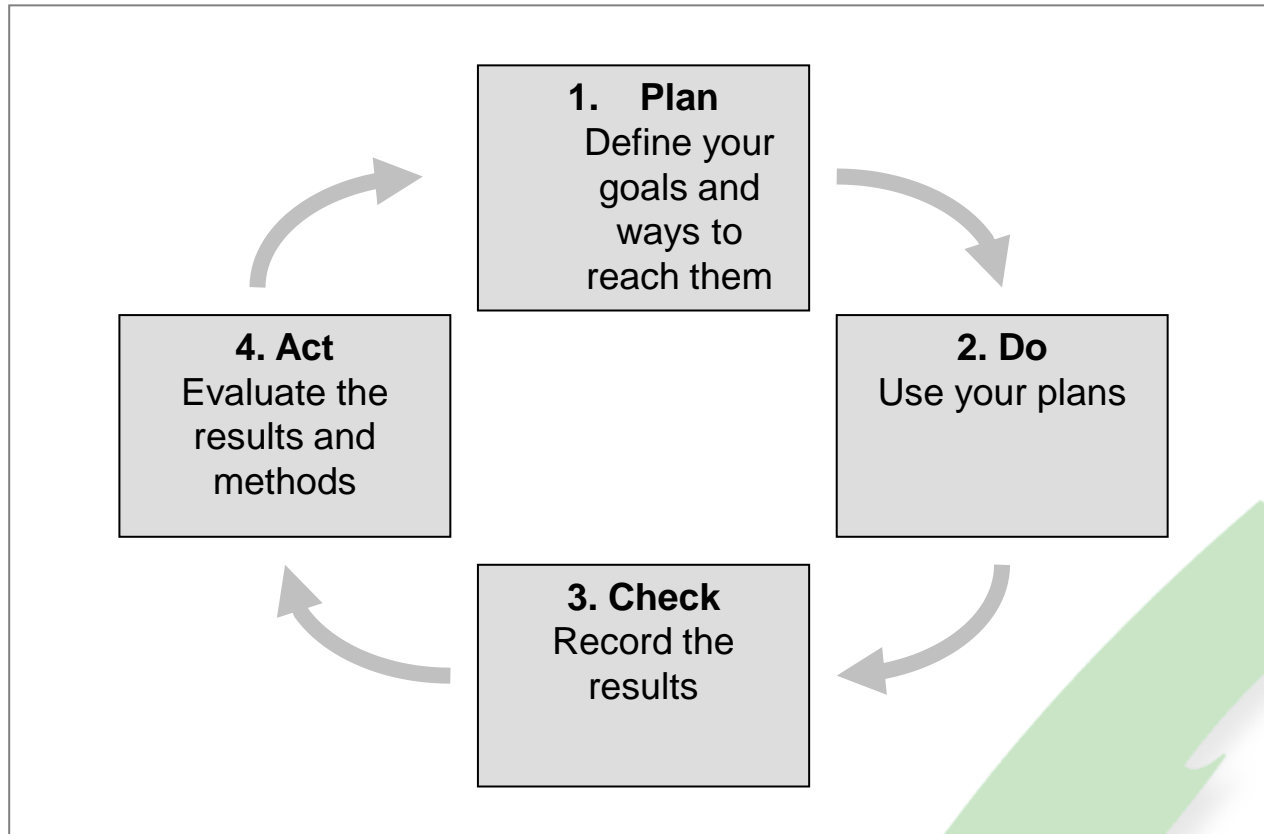
Competitiveness

”True competitiveness is the ability for an enterprise to achieve results despite of an ever changing market”

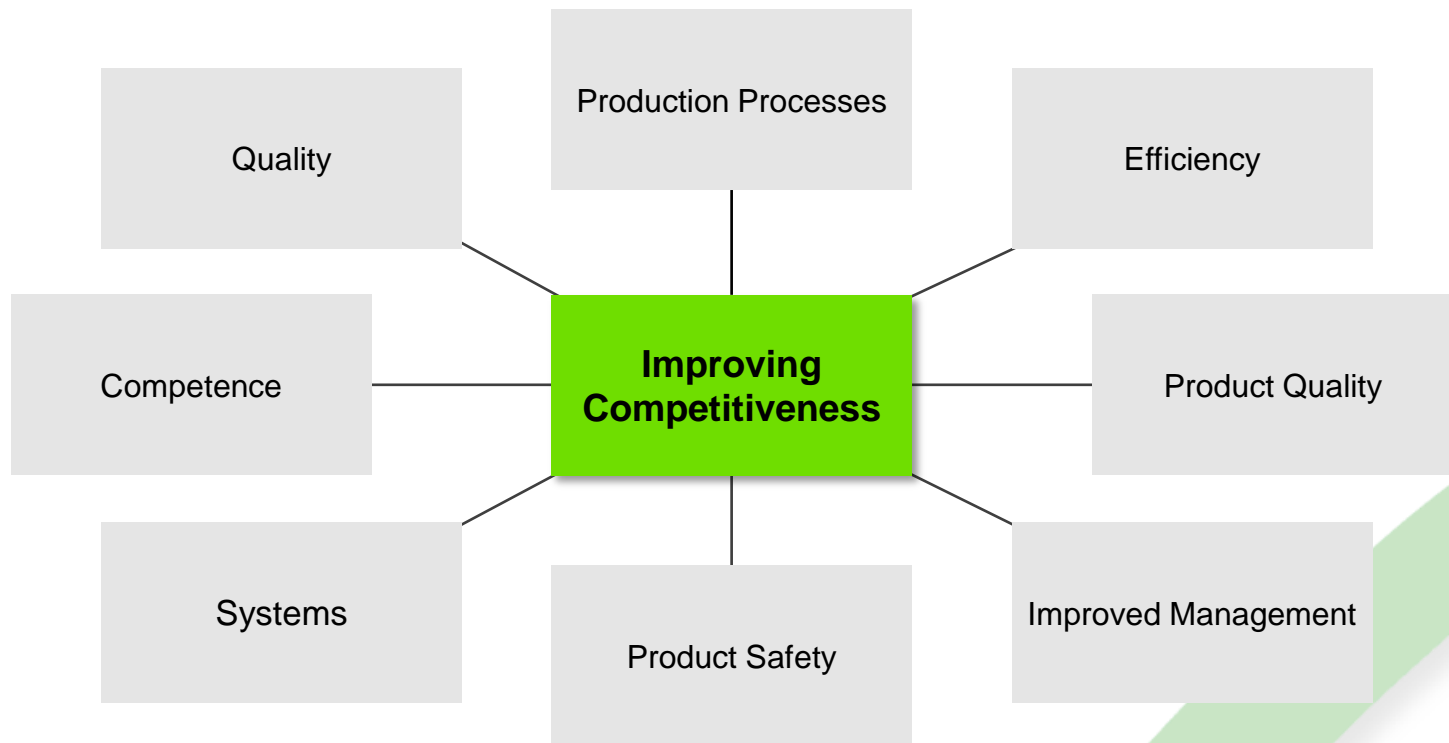
Competitive Business

- Management – efficiency and goal orientation
- Strategy – clarity and market orientation
- Risk and threat assessment
- Customer awareness
- Innovation
- Use of information
 - “What you can’t measure, you can’t improve”

Cycle of Continuous Improvement (Deming-cycle)



Factors influencing competitiveness



Input



Output

What can be done?

- Many times it is difficult or nearly impossible to influence the price achieved for the produce
 - Focus needs to be on *optimizing* production, not just minimizing costs or maximizing output
 - Avoid focusing only on certain things, agricultural production is a combination of factors
 - Limited focus leads to partial optimization where global optimization should be the target

Case in point – dairy industry in Finland

- The producer price for milk fell by 15-20% January-February 2015 when previous production agreements expired
 - EU abolished production quotas March 31st
 - Russian embargo continues
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- Situation will not improve very quickly, current price levels may even be the “new normal” in the future
 - Production has to adapt – what can be done?

Examples – what was done?

- A nationwide campaign entitled “sufficient funds” was launched calling attention to ensuring that farms have sufficient funds available despite of reduction in producer prices
- Steps to take:
 - Analysis of changes in the market and subsidy policy and how they affect an individual farm
 - Subsidy optimization as the EU-programming period changed
 - Increasing efficiency in production
 - Careful planning of purchases
 - Larger volumes at once
 - Monitor price fluctuations
 - Optimized and profitable feeding
 - A reduction of 0,50 € in the cost of feeding results in savings of 11 000 €/year in a herd of 60 animals

Examples, continued

- Checklists for production and economics to aid in ensuring that all contingencies are considered
 - Clearly identified influencing factors in the production
- Clearly defined goals to target and monitoring the achievement of those goals
- Cash budgeting and follow-up

What tools are used?

- Dairy Benchmarks
 - An online service summarizing all available production data (based on cattle monitoring) and providing comparison data to farms of similar size, milking method, geographical location etc.
- Yield forecasting
 - A tool forecasting yield based on achieved results
- Cash budgeting and economic analysis of accounting data
- Analysis of cost structures

Tools



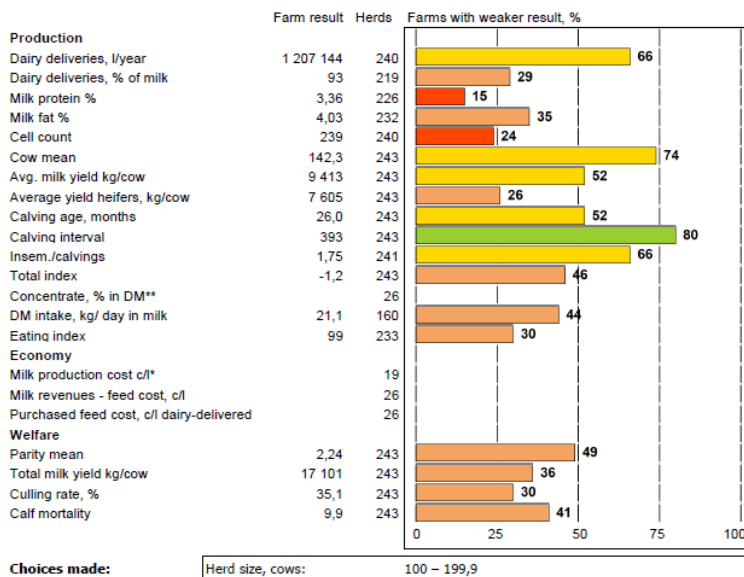
Dairy Benchmarks, milk

Herd Id: 1505147, Keisala Kari, Merja ja Aleksi mty

Printing date 18.5.2015

Data for year 2014

If there are less than 20 herds, the results are not shown. Figures marked with an asterisk (*) have had their calculation principles altered since 2008 and figures marked with two asterisks (**) since 2010. For a more detailed description please see Help -> Features.



Features	Herds	Herd result	Result achieved by the indicated percentage of farms				
			90 %	70 %	50 %	30 %	10 %
Production							
Dairy deliveries, l/year	6188	1 207 144	105 153	168 172	233 327	341 508	604 327
Dairy deliveries, % of milk	5474	93	90	93	95	96	98
Cow mean	6012	142,3	14,4	21,2	28,6	40,9	68,6
Avg. milk yield kg/cow	6012	9 413	7 246	8 415	9 046	9 635	10 486
Arable area, ha	3277		25	40	55	76	120
Grass silage harvest, FU/ha (Wisu)	296		3 689	5 000	5 800	6 551	8 000
Feed grain harvest, kg/ha	239		2 000	3 000	3 500	4 000	4 500
Economy							
Turnover, €/year	170		134 738	259 676	359 998	439 226	732 339
Turnover/ balance, %	169		29	37	45	54	67
Expenses to turnover ratio, %	169		73	67	60	55	49
Farm income, €/year	170		27 757	58 968	84 318	108 950	175 218
Family labour, h/year	169		6 000	5 000	4 200	3 500	2 750
Labour income, €/h	169		4,06	9,54	14,27	19,56	31,85
Agricultures profitability ratio	169		0,42	0,76	0,96	1,25	1,74
Return on equity, %	169		-10,42	-0,17	4,06	8,51	18,90
Solvency ratio	169		24	51	68	78	97
Milk litres/working hour*	169		62	90	114	146	223
Milk net cost, c/l	169		66	53	47	43	36
Purchased feed cost, c/l dairy-delivered	830		13,0	10,2	8,4	7,1	5,4
Grass silage prod. cost, c/FU	49		28,3	13,9	11,7	9,6	7,9
Feed grain prod. cost, c/kg	38		41,2	21,7	18,8	12,7	10,7
Welfare							
Parity mean	6248	2,24	1,89	2,14	2,32	2,53	2,87



Summary

- Take a holistic approach to solving issues on the farm level, focusing too much on details leads to partial optimization
- Record and keep data on farm performance. This is paramount to success especially under extreme market conditions
- Take a systematic approach to development, test and measure the results of all changes done.

Thank you for your interest!

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