



Transitioning milk recording services in changing times

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Abstract

AgSource recognized the need to drive change rather than follow change. This was a necessary step to remain a strong and viable option for our current and prospective customers. New milking parlor technologies mixed with the introduction of sexed semen and genomics have and will continue to change the daily information available to dairy owners within the AgSource service area. Use of these technologies has the ability to adjust management decisions made on dairy operations. It was also recognized that some of these technologies will avail the dairy farmer of tomorrow to increase leisure and family time spent away from the dairy. All of these adjustments lead to AgSource changing the style of reports and summaries produced for customers. The product target has been twofold; first, assisting the speed and accuracy of the on farm decision process; the second, benchmarking the results of each dairy's management activities against a peer group of like dairies. The program has made great strides in how customers view AgSource products and has brought a new respect from customers to AgSource employees. This has improved employee morale and increased the desire to better serve customers. The end result has been a growth of cows on test with AgSource along with a higher percentage of animals sampled on a monthly basis. The adjustment of product offerings has been an ongoing project over the last five years. To verify program success comparisons of annualized individual cow milk recordings over different time periods were analyzed. In May 2004, AgSource had 350,000 fewer individual cow milk recordings than the previous year. While in contrast, May 2010 had annualized recordings that had increased over the previous year by nearly 100,000 cow milk recordings. This marks the fourth straight year of increases in this area.

Key words: trend lines, benchmarks, management information.

1.0 Determining areas in need of management time

AgSource serves a diverse population of dairy producers. Herds range in size from 30 to over 10,000 cows. Management styles vary from free stall, to stall barn, to grazing herds. The one common factor amongst these operations is the need to obtain data and information relevant to improving individual decisions. Data is collected on monthly visits in order to gather herd management information through one sample of milk per cow. Using data collected from our monthly testing visiting, AgSource develops the necessary management tools. These tools or products need to assist customers in making informed decisions without having to sift through piles of data. The products developed need to quickly point to areas where management decisions and/or the implementation of these management decisions needs to improve. Customers and consultants have busy schedules; the best service that AgSource can provide is creating the analysis that allows decisions to be made and not just create data points that need to be sorted through to create management information. By saving this step there is immediate efficiency and satisfaction for the end user. As a final step, monetary measures have been linked to products and reports. Informing customers of the hidden income losses associated by not acting to improve deficient management has been an eye opening experience for customers. Once management changes are made the hidden income starts to appear. This new found income improves the overall financial standing of an operation and customer satisfaction with AgSource.

In order to serve the needs of customers, AgSource has created several new products to assist customers in spending their valuable management time making decisions rather than sorting through pages of data.

One of the first steps in the plan was developing products which are visual in nature and quickly show an area of need. A good example of how this was accomplished is the Profit Opportunity Analyzer®. Figure 1 demonstrates the simplicity of use in the easy to read bar graphs that demonstrate areas of management concern to customers. Customers and consultants have used this report to stay focused on the areas

needing management attention rather than leaning toward human nature and concentrating on areas as they prefer to spend time. In the given example, transition and dry period and turnover are the areas with the greatest need for adjustments with udder health following behind.

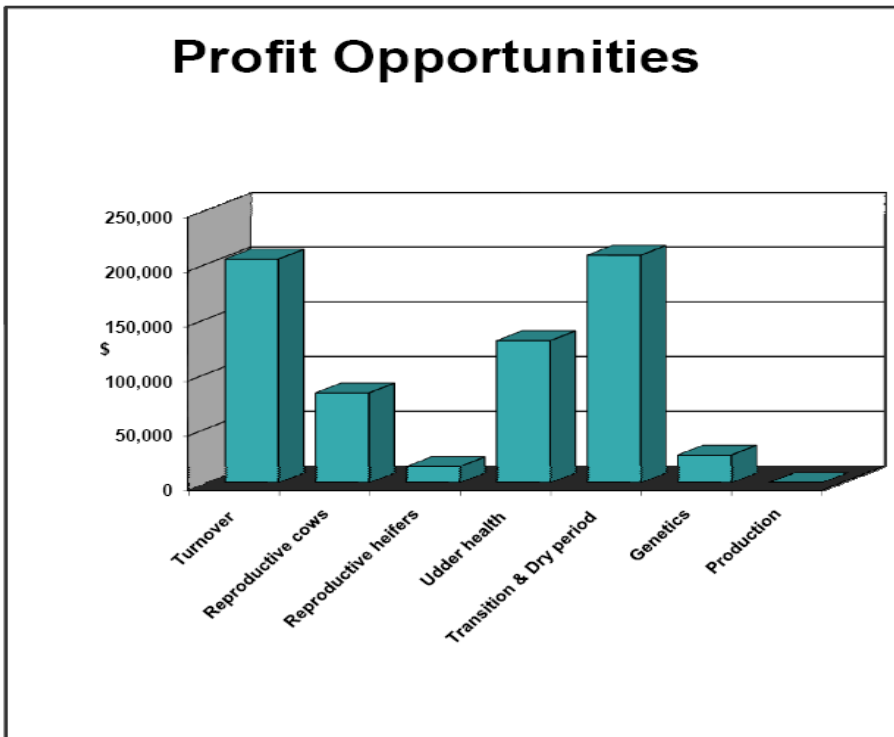


Figure 1. Profit Opportunity Analyzer.

2.0 Development of trend lines

Another important development in the program was the implementation of trend line reports and summaries. Trend lines allow customers to visualize the direction a herd is moving in several management areas or seasonal management struggles experienced each year. They also serve as important tools for customers to track the management direction and assistance in determining what management actions were successful. Often trend lines make directional changes that can be traced back to a specific action taken just before the trend line moves in an up or down direction. Trend lines are great tools for measuring past management decisions and giving guidance of when it is time to look at specific areas of current management due to a trend line downturn. Figure 2 demonstrates the use of trend lines to create a quick view picture of direction of rolling herd average for milk alongside the ME trend lines for first lactation cows versus the same trend line for second and greater lactation animals.

3.0 Benchmarks

The use of benchmarks has been an outstanding way to measure the results of one dairy in comparison to similar dairies of the same size or management style. Customers have found this to be a great tool in demonstrating what levels of production or productive efficiency can be obtained.

AgSource benchmarks have been produced for herds at different levels. The 80th percentile level is the level of performance of the top 20 percent of herds being ranked in an individual management area. This level of performance has been set as the goal area by AgSource. Once a herd has reached the 80th percentile rank in a given management area it is assumed to be more financially beneficial to concentrate time improving other areas below the 80th percentile mark. Moving to levels higher than the 80th percentile encourages unrealistic management goals. Levels lower than this may be allowing customers

to overlook management areas that should be given some level of concentration. Guidance is provided to customers when introducing the benchmarking tools. The development of plans to improve management needs to be realistic. If a customer is in the 20th percentile range for an area of management results, it is necessary to develop a plan to reach the 50th percentile range and then continue working toward the 80th percentile range. If expectations are set too high for improvement in too short of time, the customer may become discouraged with the plan and slip backwards due to frustration.

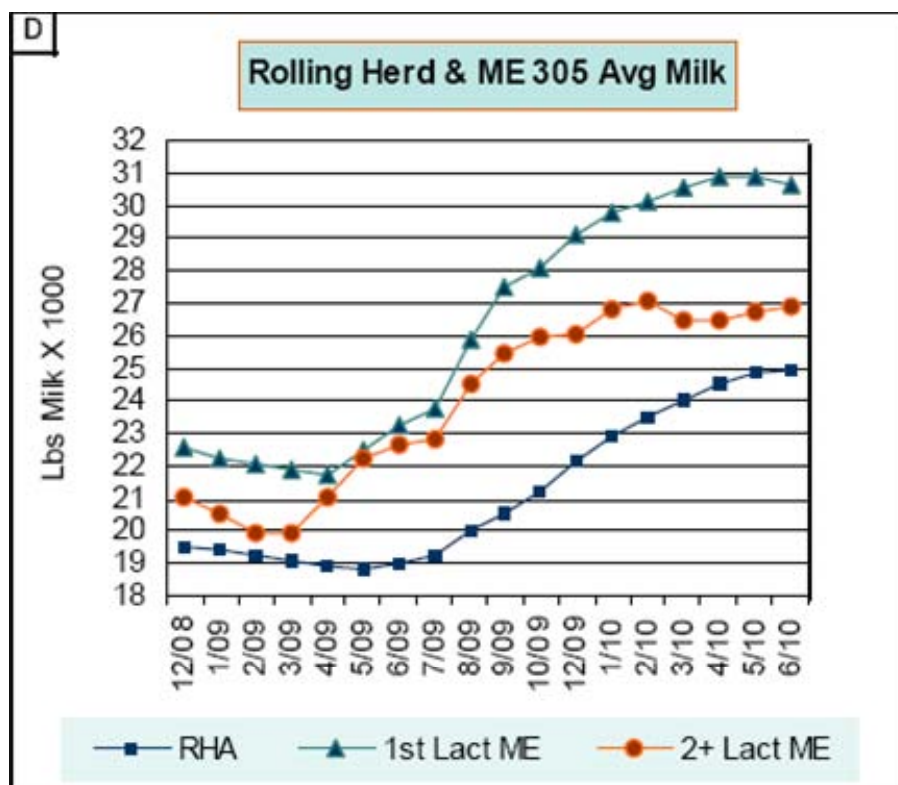


Figure 2. Rolling herd and & ME 305 average milk.

4.0 Research and development of products

The development of new products is essential to the future of AgSource. It is important to develop products capable of filling the needs of the customer. It is also important these products have been properly researched and the end product is supported by science.

Product development and marketing costs are the same whether a product has been successful or a total failure. The difference often is that the successful product meets the needs of a customer's specific management.

AgSource staff has stayed in touch with potential needs by attending meetings, trade shows and other opportunities to listen to the most progressive producers and consultants. AgSource relies heavily on the University of Wisconsin School of Veterinary Medicine staff and the University of Wisconsin Dairy Science Department for product development. Price points and anticipated sales volumes have been developed.

New products must have the following characteristics:

- Quantitative/measurable.
- Repeatable.
- Limited lag time.
- Unbiased.
- Decision can be made from the data.

After a prototype has been developed, customer and consultant focus groups are used for fine tuning changes. Before release, the field and internal staff are trained about how the product adds value to

customers, how to interpret results and how to sell the product. Marketing and educational materials are developed for both hard copy and website.

5.0 Monitoring results

Adjusting the way services are provided to customers is important for the cooperative to stay on target with their needs. However, monitoring is also needed to be sure the changes that are being made result in satisfied customers. One of the best monitoring tools can be seen in figure 3. This graph demonstrates growth not only in active cows or herds, but also in individual cow milk recordings. An increase in these numbers represents customer satisfaction.

This graph demonstrates growth in the area on a rolling twelve month basis. Each line represents the growth in cow tests on a rolling year basis. The effectiveness of our marketing plan can also be seen in these numbers. The lines above zero represent growth. Lines below zero represent decreases in cow tests. Previous to current plan introduction, all numbers were headed in a negative direction. Dramatic gains were seen in 2007 and 2008. While 2009 and 2010 have had less dramatic gains, numbers are still increasing above previous years. Economic swings have played a factor in the numbers as well. However, the current marketing program has heightened the lines in the upswings of the economy and countered the full effect of downturns in the economy.

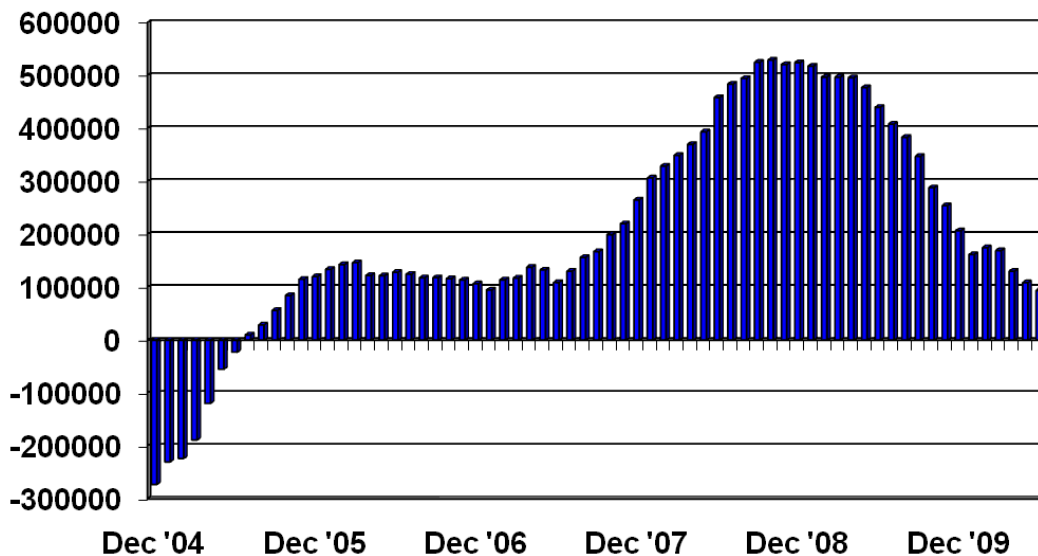


Figure 3. Individual milk recordings.

AgSource considers the entire process of product development as part of the value added program. The goal the program is to provide services and products so valuable to customers they cannot see operating their business without AgSource. AgSource employees have spent time with customers, consultants, veterinarians and financial institution representatives explaining products such as the Profit Opportunity Analyzer. Good open discussions have resulted and these discussions are held using AgSource reports. This has put AgSource employees in the room with a team of decision makers asking questions and learning about AgSource products, earning responsibility that AgSource employees may not have had the opportunity to hold on dairy farms in the past. This has taken training and commitment from AgSource and employees. However, the outcome has been a new level of respect for AgSource and employees. Customers now look forward to the next information collection date with enthusiasm because they understand how test date links to the delivery of management products which can have a positive effect on the improved financial performance of their operation. This in turn has improved AgSource employee career satisfaction and renewed their commitment to improving performance.