

Efficiency of Recording Systems



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Agenda

Overview of Milk Recording in Canada

CanWest DHI Service Delivery

- Services, Fees
- Laboratories & Record Processing
- Field Services Operations
Work Scheduling, Travel, On Farm Visit
Staff Compensation

Key Efficiency Factors

Closing Remarks

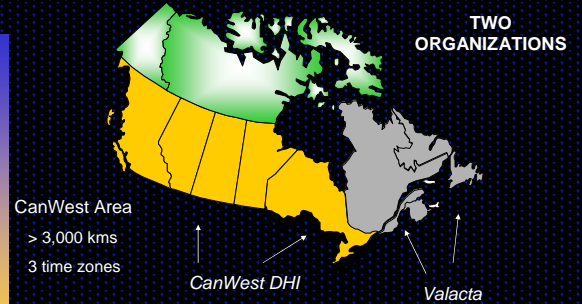


The Evolution of Milk Recording in Canada

- 1905 Federal Government establishes national program
- 1949 Governments establishes provincial program
- 1981 Provincial programs are privatized (DHI - producer run cooperative)
- 1985 Federal program is amalgamated with provincial DHIs
- 1998 Federal Government funding support ends
- 2000 National Record Processing Centre – Montreal
- 2004 Ontario DHI merges with Western Canadian DHI
- 2007 Atlantic DHI discusses merger with Quebec DHI



Milk Recording in Canada: 2007



CanWest DHI

- Non-Profit Corporation
- Farmer Owned and Governed
- Specialize in Milk Recording and Herd Management Services



CanWest DHI

Demographics...

- 4,600 herds → 70%+ Market Share
- 370,000 cows → 80%+ Market Share
- Average Herd Size → 80 cows
- Small to Large herds → 10 to 1000 cows
- Holstein Breed → 90%+



CanWest DHI

DHI Services...

- 44,000 herd tests per year
- 9.5 tests/herd/year
- 75% of tests with DHI Staff
 - 51% - AM/PM (1X)
 - 24% - 24 hours (2X with some 3X)
- 25% as Owner Sampler



CanWest DHI

DHI Services...

- 65% - 'Publishable' Service
 - Recognized by Breed Associations
 - DHI staff supervises the test/sample collection
- 10% - Management Service with DHI Labour
- 25% - Management Service as Owner Sampler
- 80% - Herd Book Registrations and contribute to Genetic Evaluations



CanWest DHI

DHI Fees... 4 Fee System

Based on 'Charge me for what I use Principle'... from a customer point of view

AND

Also based on what it actually costs to deliver the service... from the company's point of view



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DHI Fees... 4 Fee System

- 1) Herd Fee
- 2) Call Fee
- 3) Cow Fee
- 4) Hourly Fee

Plus 'Options'



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DHI Fees... 4 Fee System

1) Herd Fee

- To cover 'fixed costs'... admin, governance, office...etc.
- Fixed annual fee on per herd per year, regardless of service level, # of tests, herd size...etc.

€270 per year



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DHI Fees... 4 Fee System

2) Call Fee

- To cover travel costs (mileage and time) farm 'set up' time, sample shipment, reports postage and some staff admin time
- Charged on per test/trip basis.

€27 - €47 per test for Owner Sampler

€47 - €90 per test for 2 visit tests



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DHI Fees... 4 Fee System

3) Cow Fee

- To cover on farm data entry, vials/lab analysis and record processing
- Charged on per cow per test (cows in milk only)

€1.0 to €1.9 per cow/test



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DHI Fees... 4 Fee System

4) Hourly Fee

- To cover staff time for on farm sample collection during milking... 'First milking unit on... to last milking unit off'
- Charged on per hour basis (nearest 5 mins)

€16 - €19 per hour



CanWest DHI

DHI Fees... 4 Fee System

Plus 'Options'...

- SCC & MUN Analysis
- Elisa tests
- Herd Management Software
- Other on farm 'time related items' at the given Hourly Rate (ie. registrations)



Annual Service Prices Based on Average Herd Size of 80 Cows

10 Tests Service

Price

Publication - AM/PM	€1,250 to €2,200
Publication - 24 Hr (2 trips)	€1,625 to €2,720
Mgmt - Owner Sampler	€905 to €1,920



CanWest DHI

4 Fee System...

- Herd Fee
- Call Fee
- Cow Fee
- Hourly Fee

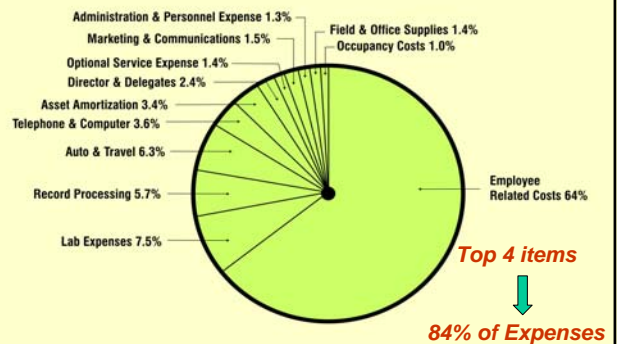
Plus 'Options'

Equitable & Fair pricing for herds of all sizes and service levels...

Very close to the actual cost of delivering service...



2006 Expense Distribution



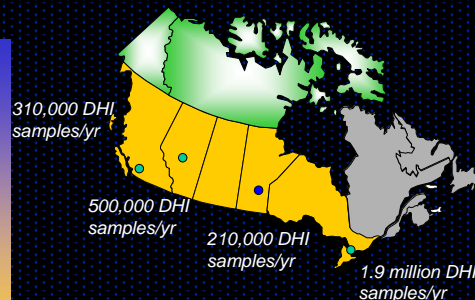
CanWest DHI Service Delivery

Laboratories...

- Operate 3 labs & contract with 1 lab
- DHI & Payment/Quality in 3 labs
- Sample volumes are modest
- Vast Geography is the Bottleneck
 - Turn around time
 - Sample transportation costs



CanWest Laboratories



CanWest DHI Service Delivery

Laboratories...

- Including sample transportation from field to the 4 Labs...
- Average cost/sample...

€34 to €44



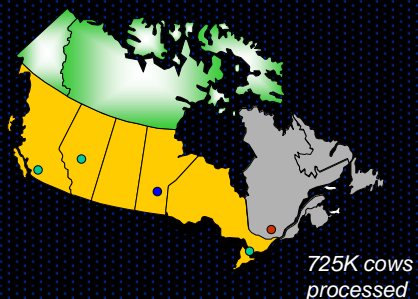
CanWest DHI Service Delivery

Record Processing...

- One National Processing Center
- Joint Ownership & Operation
- 7.2 Million Cow Tests/year



CanWest Record Processing



CanWest DHI Service Delivery

Record Processing...

- Including daily operations (65%) and Development (35%)
- Average cost/cow/test...

€10



CanWest DHI Service Delivery

Field Services... Overview

- 140 Field Staff... Technicians... Testers...
Customer Service Representatives (CSRs)
- 2 provinces are Unionized (105 CSRs)
- 115 FT - 25 PT
- 6 District Managers – Day to day service delivery, CSR supervision, Sales



CanWest DHI Service Delivery

Field Services... CSR Compensation

- ALL paid hourly
- However, 2 scenarios of hours calculations...
 - *Actual time claimed/reported by staff (35%)*
 - *Standard hours PLUS some actual time (65%)*



CanWest DHI Service Delivery

Field Services... CSR Compensation

Hourly Rate varies by province...

€12 to €15 per hour

All have benefits, which do vary by province...

- Pension, family dental, medical, drug plan...etc.
- Benefits costs add 15% to 25% to base wages costs



CanWest DHI Service Delivery

Field Services... Work Scheduling

- Each CSR has 20 to 60 herds assigned
Geography plays the key role...
- Each CSR is responsible for scheduling ALL farm testing for his/her customers, based on service purchased by customers...
- Great flexibility & responsibility for CSRs...
- Monitoring by District Managers



CanWest DHI Service Delivery

Field Services... Travel

- 44,000 tests/yr
 - 33,000 single return trip
 - 11,000 at 2 return trips
 - = 55,000 return trips per year
- Total kms/yr is 2.98 Million
- Average kms/return trip is 54 kms (27 kms 1 way)



CanWest DHI Service Delivery

Field Services... Travel

- Average kms/year/CSR is 21,300
From 5,000 to 60,000 +
- High Mileage territories (22,000 kms/yr +) are provided with company vehicle
 - Purchase vs Lease
 - Used Vehicle (1 yr old, 15K - 25K kms)



CanWest DHI Service Delivery

Field Services... Travel

- Company vehicle costs...
€19/km
- Formula for mileage reimbursement rate is developed & agreed upon with employees & rarely changes

Flexibility in employee vehicle choice
'Step down' reimbursement rate

€25/km down to €19/km



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CanWest DHI Service Delivery

Field Services... Travel

- Quarterly adjustment of reimbursement rate based on price of gas (weekly avg.)
- 1st Quarter 2007, average price for gas...

\$1.00/L €67/L



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Field Services... Travel Time

2 Scenarios...

- Pay actual driving time as reported by CSRs (35%)
- Pay standard time based on a per km formula (65%)

Current formula... 65 kms travel = 60 minutes



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Field Services... On Farm Time

2 Scenarios...

- Pay actual time spent at the farm as reported by CSRs (35%)
- Pay standard time based on the type of test & herd size **PLUS** actual time for milking time for sample collection (if CSR Sampling)



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CanWest DHI Service Delivery

Field Services... Post Farm/Home Office

(Scheduling, phone, prepare samples for shipment, transmit data via internet, email correspondence, expense claims...etc)

2 Scenarios...

- Pay actual time spent as reported by CSRs (35%)
- Pay standard 'admin' time for each test based on the type of test (65%)



Slide 35

CanWest DHI Service Delivery

Field Services... Other Time

Staff meetings, training, non testing related (relatively small amount)...

Pay actual time spent as reported by CSRs (100%)



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Key Efficiency Factors

- 1) 'For Profit' Culture
- 2) Revenues & Expenses Model
- 3) CSR Compensation Model
- 4) Service Mix & AM/PM Option (1X)
- 5) Lab Operations
- 6) Record Processing
- 7) Travel Costs
- 8) Partnerships



Key Efficiency Factors

- 1) 'For Profit' Culture...
 - Sales, Service & Marketing Focus
 - \$\$ Incentives for CSRs & Managers
 - Emphasis on Growth vs Cost Cutting
 - Optional Services with Profit Margin

Meter Rental Service Milk Elisa Tests
Herd Mgmt Software E Registration Service



Key Efficiency Factors

- 2) Revenues & Expenses Model...
 - 4 Fee Pricing System...

Balanced with

CSR Compensation System...

Revenues & Expenses follow each other very closely!!!



Key Efficiency Factors

- 3) CSR Compensation Model...
 - Standard Hours + Milking Time (65%)
 - Rewards Efficiency
 - Closely Follows Revenues
 - Claimed Hours (35%)
 - Rewards Inefficiency
 - Does NOT Necessarily Follow Revenues
 - 'Human Nature' Factor...



Key Efficiency Factors

- 4) Service Mix & AM/PM Option...
 - 76% of herds on 1 trip/1 milking service
 - 51% on AM/PM with DHI Staff
 - 25% as Owner Sampler
 - Same # of herds, samples and record processed (ie. Close to same revenue) with reduced costs...
 - More herds & cows per CSRs...

Gained Efficiencies!



Key Efficiency Factors

- 5) Lab Operations...
 - Because of modest volumes... tried to gain Economies of Scale
 - Non DHI Business
 - Payment & Quality
 - Elisa Tests

→ *New Revenues!*



Key Efficiency Factors

6) Record Processing...

Economies of Scale - It's a volume game!

'Critical Mass' for Operations & Development

National Processing Center is Key to our Efficiency



Key Efficiency Factors

7) Travel Costs...

N.A. distances are significant (2.98M Kms)

- Standard Formula for Travel Time (65%)
- Company vehicles for high kms areas
 - Purchase of used vehicle
 - Helps keep reimbursement rate reasonable/low
- Fuel price...
Very low (\$1/L = €67/L)



Key Efficiency Factors

8) Partnerships...

Economies of Scale & Critical Mass

- Merger of Provincial DHIs...
- National Processing Centre...
- Office Building...
- AI/Breeds – phone, insurance, benefits pooling...



Closing Remarks

For CanWest DHI the Efficiency of our Recording System...

- Is part of overall Company 'Culture' ...
- More than one way to do things... We always try to Challenge the Status Quo...
- Being good/efficient in ALL major operating areas is important...
- Continuous Improvement Approach...
- Efficiencies of all magnitude are important to pursue...



Thank You!

