

## **Service Check on Pig and Cattle Farms- Establish the Visions**

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**Service check on pig and cattle farms –  
establish the visions**

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## **Abstract**

*A service check for a farm is an interesting new way of advising farmers, which has proven very successful. The objective of a service check is to recognise potential improvements in the production using a holistic approach. Often a service check will try to establish the overall goals for the farmer's family, the farmer and the farm. In order to do so, the farm is systematically analysed in order to establish strengths, weaknesses and possible paths of development. These issues are normally neglected in the day-to-day contact between the farmer and the usual adviser, and even far-reaching decisions are often taken without a decent analysis of the strategic goals.*

*A service check involves a joint visit, where two experienced advisors visit the farm together. The advisors are normally an economic advisor and either a pig or cattle advisor, depending on the farm analysed. Usually, the farm's normal advisors are not participating in the service check. The advisors bring an analysis of the economic and productivity data, and are presented to the farm. A normal service check will produce a report stating the current status, plans for the future and appointments for more specific advisory work that have been agreed upon.*

*Despite the price of a service check, the product has been successful. Farmers achieve a better perspective of the strategic possibilities and limitations of their farm, and it becomes possible to establish realistic long-term goals for the farm development. The clarity improves the farmer's self-confidence and the pleasure of work. Advisors are also satisfied, since the farmer will often initiate new projects after the service check, which in turn increases the demand for advisory services.*

## **Introduction**

Modern farming demands a lot from the farmer. The ordinary daily production control and surveillance must be conducted carefully. Feed needs to be allocated at the exact right time and amount. Care must be taken to ensure the well being of employees. Fields must be sprayed at the correct time and with adequate amount of pesticides. The farm's financial situation is reconsidered at regular intervals, and public control of production requires a significant amount of time allocated to filling forms and control visits.

In order to maintain a profitable farm all these different tasks must be completed in an efficient and proficient manner. Most of the tasks can be assisted with expert help. Advisors are highly specialised to aid the farmer solving his problems. Often one advisor will focus his attention on a small part of the totality of the problems, and the farmer will have contact to a number of advisors, both from the farmer owned advisory system and from private companies.

The farmer is thus well aided if he has questions to specific problems, but in more holistic questions, and in questions where areas from different advisors interact, it is more problematic to obtain good answers. There is a latent risk that answers from different experts are not consistent. For example the pig advisor may recommend investments, while the economic advisor recommends consolidation.

The better farmer usually has a clear and realistic vision of his farm's future development, and settles on a strategy that enables him to realise it. By following his strategy he avoids investments that are either not in accordance with the vision, or that for economic or physical reasons may hinder the vision later. Traditional advising is problem oriented, and thus the farmer usually decides his strategy without much advice.

Another, very human, problem is that one tend to be deeply involved in the day to day tasks, and uses all energy to complete these tasks skilfully and efficiently. A very normal situation is that things are developing quite satisfying. Therefore the manager does not have an urgent need to consider changes. However, even in this situation, there may be good reason to halt and consider the status of the farm.

The “service check” concept has been developed in order to enable advisors to assist farmers on these issues. A car is given a service check at regular intervals. Such a service check is given even if there is no imminent danger for malfunction or breakdown. This is the similarity that was intended with the name, “service check.” It should not (necessarily) be given if an imminent problem has arisen, but rather when things are generally proceeding ok, but the trend may not be sustainable in the long run.

## **Background**

The Danish advisory system has two layers: a number of local centres that advise farmers, and a national centre where advice are not given to farmers but to the local advisors. The national centre serves as knowledge base for the local advisors, but also as the place where most of the research and development activities are carried out. This includes development of major software packages, and also development of advising tools as the service check.

At the local advisory offices there are usually four or five departments: Economics and accounting, pig production, cattle production, arable production and at some offices also a building and machinery department. A typical farmer will be connected to an economic advisor, a plant advisor and perhaps a pig or cattle advisor, depending on his production. Typically, he is only in contact with building and machinery advisors in investment situations.

A normal sequence of events when a new advising tool is developed is that some local advisors are experimenting with new ways of doing things. They contact the national centre in order to get advice, and at the national centre it is recognised that more investigations are necessary. This will in time result in a finished advising tool, which is distributed to other local advisors through the normal systems. This was also the situation when the service check was developed at the national centre in cooperation with selected local centres during the late 90s.

## **What is done at a service check?**

At the service check the farm is evaluated by two advisors. One is an economic advisor and the other is from the branch where the farm has the major production. This is normally a pig or cattle advisor, but it may also be a plant advisor. Two advisors visiting

the farmer at the same time is a very unusual event. Many farmers have the point of view that it is waste of money to pay one advisor to listen to another advisor! The reason for doing it in this case is that a more holistic view of the farm is absolutely necessary to consider strategy issues. A viable strategy should consider all aspects of the farm. When discussing with two advisors simultaneously, the advisors are forced to coordinate their advice. Apart from the value of the advice given to the farmer in question, this has an educating effect on the advisors. They learn the reality of the other advisor, and learn to respect their subject area. This knowledge helps them when advising other farmers later.

The advisors that are normally in contact with the farmer should not be involved in the service check. In this way there is an improved chance of creating a visionary discussion, which is not hindered by too many experiences from the farm. Even the best advisors tend to move in circles, and get the same ideas of what should be done as when they visited the farm the last time. When the current situation is seen with new eyes, new ideas are developed. However, in some cases a farmer wishes to use his normal advisor(s). In these cases the normal advisor does the service check, and the result is still much better than no service check.

### **Analyses before the meeting**

Before the farm is visited, each of the two advisers analyse the farm. They mainly focus their attention on how productivity is on the farm in comparison to similar farms. For analysing this in an efficient manner some tools have been developed. The mainly used tools are:

- Economic review (appendix 1)
- “Sammenligningstal” (comparison-figures)

The economic review (appendix 1) is a spreadsheet that contains a number of norm figures. The production volume is entered into the spreadsheet together with some figures on the farmer and his family, and the result is an estimation of the production economy of a farm of this type. The figures from the current farm can be entered next to these, and in this way the relative performance of the farm is highlighted. This analysis also

covers norm figures for the capacity costs. The picture displayed in appendix 1 is an example of the output from the analysis.

The comparison figures is a comparison of most of the figures in the financial statement to similar figures representing a selected group of farms, which has production composition and volume similar to the current farm. The comparison figures are extracted automatically from a database of financial accounts. The technique and theory is described in Lund and Ørum (1996). As the economic review, these figures are often a good initiator of a discussion. The farm's figures are compared to similar farms, and the differences can often be explained by problems (or strengths) in the production system, feed quality, managing or the financial structure.

Apart from these analyses it is normal also to investigate the farm's financial statement and efficiency control.

### **The meeting**

When the farm is visited the advisors are presented to the farm. They walk through stables and other important buildings, and the farmer introduces the farm, the motivation for his dispositions, his ideas etc. During the presentation production issues are naturally also discussed, and smaller problems may be solved. A typical question from the advisor would be "why is there no feed available for the fattening calves?" The important issue here is to get to know the farmer and his farm. Since the advisors are not familiar with either the farm or the farmer, it is very important to get an impression of his capabilities and his personality. The presentation of the farm is an excellent opportunity to get to know each other.

After the presentation the advisors, the farmer and the farmer's spouse settle – typically by the kitchen table. The advisors present their analyses, and discuss the results with the farmer and the spouse.

- The farm, here and now:
  - At what pork price will the liquidity from the pork production be zero?
  - What is the current liquidity contribution from the pork production?
  - How much is drawn on the overdraft facility?
  - At what pork price will the result from the farm be zero if an attrition-strategy, maintenance-strategy or a development-strategy<sup>1</sup> is chosen?
  - What is the current gross margin?
- Production, short term. How does these parameters relate to similar producers' values?
  - Live born
  - Mortality
  - Feed price
  - Feed consumption and growth
- Economics, short term. How does these parameters relate to similar producers' situation/costs?
  - Maintenance
  - Financing
  - Investment plan
  - Can labour be attracted?
- The farm, long term:
  - What activities are relevant?
  - What marketing efforts are relevant?
  - How is the branch developing
  - The farm's target, vision and values

**Figure 1: The checklist for advisors visiting a pork farm.**



- The farm, here and now:
  - At what cattle/milk price will the liquidity from the cattle/milk production be zero?
  - What are the actual prices
  - What is the current liquidity contribution from the pork production?
  - How much is drawn on the overdraft facility?
  - At what cattle/milk price will the result from the farm be zero if an attrition-strategy, maintenance-strategy or a development-strategy is chosen?
  - What is the current gross margin?
- Production, short term. How does these parameters relate to similar producers' values?
  - Milk yield
  - Mortality
  - Reproduction
  - Feed efficiency, choice of feed
  - Crop yields
- Economics, short term. How does these parameters relate to similar producers' situation/costs?
  - Maintenance
  - Financing
  - Investment plan
  - Can labour be attracted?
- The farm, long term:
  - The farm's target, vision and values
  - Investment plan
    - Buy/sell quota
    - Production system (loose cows or AMS)
  - Special production (for example organic)
  - Cooperation with other farmers (stable, crops, feed sale)

**Figure 2: The checklist for advisors visiting a cattle farm.**

At the service check a SWOT analysis is conducted. The farmer, his spouse and the advisors in common tries to establish the strengths and weaknesses of the farm. This will naturally be based on the analyses that the advisors brought with them. They also try to forecast what production-hindering changes may affect the farm within the coming years. Examples of such changes are environmental regulation, demands to production systems from government, consumers or the agro-industrial complex (i.e. loose sows), changed price or support levels or more local changes as city development or the neighbours' attitude to the farm (and its odour).

In order to help the advisors to get around the problems, the checklists presented in Figure 1 and 2 have been produced. They relate to visits on a pig farm (Figure 1) and a cattle farm (Figure 2). Further information (in Danish) is available at [www.lr.dk](http://www.lr.dk).

At most service checks the main attention is focused at the first three groups above. In this way the service check becomes an error finding tool, which because of the systematic analysis of the farm, the two advisors with different professional background working together and the visual impression of the farm is very efficient.

However, some service checks proceed to discuss the vision of the farmer, his family and the farm. Usually, the farmer is asked to present his strategy or vision for the farm. At this point, it is very important that the spouse is pulled into the discussion, and that her ideas are presented also. Often there will be a conflict between the wishes of the farmer and the spouse. A typical conflict is that the farmer is interested in expansion, and in order to achieve his goals spend a lot of time with the production. The spouse may be interested in seeing him in the house more often, perhaps even in spending some time with him and the kids on vacation.

No matter if the strategic perspective is discussed, the discussion will undoubtedly provide different alternatives for the farm, and illuminate conflicts. The service check is not supposed to solve these conflicts, and the purpose is not that the farmer should be given a polished strategy to follow in the future. It is not necessary that a conclusion is achieved, where everybody agree on the best strategy. The purpose is to make the farmer formulate his ideas, discuss them openly, discuss alternatives, shed light on the

conflicts – be they production or family related issues – and ensure that the discussion is maintained on a solid, professional basis.

The discussion should, however, wind up with three or four alternatives that the advisors should describe in a bit more detail when back at the office. This description is not detailed as an investment plan, but rather a description of the strengths and weaknesses of the alternatives, and a rough calculation of their costs and benefits. These considerations are put into a report, together with the calculations made before the meeting and a summary report of the discussion at the meeting.

The normal procedure is that if the farmer wants to proceed along one of the suggested plans, he will hire his normal advisors to make an investment plan, which is far more detailed than the report from the service check.

A normal time use for the advisors will be four-six hours per advisor. This includes one hour before the meeting, two-three hours at the farm and about two hours afterwards to conduct further analyses and writing the report. Thus, the total time use is between eight and twelve hours. This makes the service check a costly package for the farmer; an aggregate price of DKK 5-6,000 (€670-800) is not unusual. The service check is typically sold at a fixed price.

## **Conclusion**

The service checks have been a success in the Danish advisory system. They are among the popular tasks for advisors. Many advisors find this kind of work more interesting and challenging than their ordinary tasks. It has also been used as a door opener by advisors. The farmer recognises that he may benefit from other advisory services, and the service check in this way serves as a promotional tool. This has especially been the case for pig production advisors, which in recent years have lost market share to veterinaries providing veterinary services as well as advise to farmers.

Farmers have been satisfied with the service checks, despite the price. They obtain a complete evaluation of their farm from independent experts. They are provided with documented proposals for the farm's future development as well as solutions to current problems. During the service check they can discuss matters of interest and solve

smaller problems, ranging from feeding and machinery questions to questions of financing. In general, farmers achieve a better perspective of the strategic possibilities and limitations of their farm, and it becomes possible to establish realistic long-term goals for the farm development. The clarity improves the farmer's self-confidence and the pleasure of work.

Some local advisory centres sold numerous service checks, while others almost haven't sold any. Often, a fiery soul is needed in order to promote the service checks locally, but a common experience is that many farmers order a service check when they have heard about it from other farmers. The experience is often that a success is self-fuelling.

## References

Jacobsen, B. (1994) Landmænds beslutningsadfærd: empirisk undersøgelse af landmænds økonomiske beslutninger på kort, mellemlangt og langt sigt. Den Kgl. Veterinær- og Landbohøjskole, Institut for Økonomi, Skov og Landskab. Ph.D.

Lund, M. and J. E. Ørum (1996) Effektivitetsanalyser for landbrugsbedriften - beskrivelse af sammenligningstal. Rapport 88. The Danish Institute of Agricultural and Fisheries Economics, Copenhagen.

- 1) We define an attrition strategy as a strategy where only the most essential maintenance is done and no investments are carried out. The consequence of such a strategy is that the production capacity gradually declines. A maintenance strategy is defined as a strategy where replacement investments are implemented, but otherwise no investments are done. The production capacity is maintained but the relative productivity of the farm will decline over time. A development strategy or an expansion strategy requires investments both in order to maintain the current production and to enlarge the production – more stables, more land. See for example Jacobsen (1994).

## **Bibliographic Sketch**

**Rasmus Andersen** has been employed at the Danish Agricultural Advisory Centre (DAAC) since 1997 and before that at a local advisory centre (Salling Landboforening in Skive). He has a M.Sc. in agronomics (1973), and has been working with advising dairy farmers and - the last four years - their local advisers in economic matters.

**Heidi Hundrup Rasmussen** has been employed at DAAC since 2000 and before that at a local advisory centre as an advisor for pig farmers. At the local centre her main tasks were advising in relation to feeding, production economics and reproduction. At DAAC her main tasks are management, relations between farmers and society and production economics. She has M.Sc. in agronomics (1988).

**Torben Wiborg** has been employed at DAAC since 2000 and before that at the Royal Veterinary and Agricultural University, Copenhagen. He has a Ph.D. in agricultural economics (2001), and has been working with agricultural sector modelling, environmental economics and productivity analysis.

## Appendix 1: Economic review analysis for a cattle farm, 2000

### Økonomisk overblik (i 1.000 kr):

side 2

ud fra driftsregnskabet for:				2000		
	(Norm)	(Norm)	Norm	Eget Resultat	Forskel: Eget-norm	
Højtærchiafgrøde	0,0 ha á	0	0			
Salgsafgrøder	0,0 ha á	1.819	0			
Grovfoder	59,0 ha á	4.033	238	150	-88	
Varig græs	0,0 ha á	2.131	0			
Malkekøer	73,0 stk á	10.945	799	762	-37	
Slagtekalve	0,0 stk á	1.993	0			
Sohold+smågrise	0,0 stk á	5.422	0			
Slagtesvin	0 stk á	173	0			
Dækningsbidrag ej fordelt			0	0	0	
Andre indtægter excl. maskinstation			0	0	0	
Maskinstationsindtægter			0	0	0	
<b>Dækningsbidrag</b>			<b>1.037</b>	<b>912</b>	<b>-125</b>	
Energi			-39	-36	3	
Maskinstation og maskinleje			-69	-69	0	
Vedligeholdelse			-76	-59	17	
Lønomsomkostninger			-87	0	87	
Ejendomsskat			-14	-14	0	
Forsikringer			-27	-32	-5	
Diverse omsomkostninger			-32	-61	-29	
Driftsmæssige afskrivninger			-155	-193	-38	
<b>Resultat af primær drift</b>			<b>537</b>	<b>448</b>	<b>-89</b>	
Forpagtningsafgift			-8	-10	-2	
Finansieringsomsomkostninger			-468	-593	-125	
<b>Resultat efter finansiering</b>			<b>61</b>	<b>-155</b>	<b>-216</b>	
Personlig indtjening			166	129	-37	
<b>Årets resultat før skat</b>			<b>227</b>	<b>-26</b>	<b>-253</b>	
<b>Disponering af årets resultat før skat:</b>						
Beregnet skat			74	0	-74	
Udtræk til privat			234	291	57	
Ekstraordn. private poster			-10	-36	-26	
Hensættelse til konsolidering			-70	-281	-211	
<b>Ialt</b>			<b>227</b>	<b>-26</b>	<b>-253</b>	