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TOP TIPS TO MINIMISE OPERATING COSTS IN FARMING AND AGRICULTURE



There's a big difference between instant relief, cost cutting measures and long-term cost reduction. While you can't control fuel prices or equipment costs, you can implement programmes to measure and reduce waste. Consider these 22 Top Tips to positively drive your bottom line.



1 | Track your costs

You can't reduce your costs if you don't know what they are. If you run a small farm or agricultural operation, a simple Excel spreadsheet may be enough to analyse your expenses. If you have a larger business, you may need to invest in cost management software. Each programme has its strengths and weaknesses: research online and ask around to find the programme that will fit your needs.

2 | Set measurable goals

The more specific a goal, the easier it is to monitor success. For example, instead of saying, "I want to save money," try, "I want to cut costs by 10 percent by the end of the fiscal year." Next, create smaller sub-goals — in this case, one could be to reduce maintenance expenditures by 5 percent. Finally, create action items for those sub-goals, like finding a less expensive supplier for your belts, hoses and filters. Your goals may change over time, but if you follow through with them, you will see results.

3 | Compare relative costs

Benchmarking is an important tool to see if you are overspending in any particular area. Do similar size farms or agricultural operations spend differently to you?

4 | Get the most out of your equipment

Never let your equipment sit unused: it's only costing you money when that happens. If you typically have an off-season, consider contracting out your equipment to keep it in use and keep the cash flowing.

5 | Put an end to idling

Engine idling causes many problems. It puts excess wear on the equipment, shortens the life of the engine, uses more fuel and increases pollutants. Provide education on idling to employees and consider installing monitoring technology to gauge behaviour closely.

6 | Provide adequate supervision

In-house audits and inspections will mean fewer problems in the field. In addition, the possibility that someone might be watching will often make employees more aware of what they are doing.

7 | Provide necessary resources

Make sure your employees have what they need to do their job in an easily accessible location. If it is difficult to log reports or find a tool, tasks will take much longer than necessary or simply won't get done.

8 | Make it pay to be proactive

Consider a recognition or bonus programmes for employees with top performance. What you gain through increased uptime, reduced expenses and fewer accidents will more than offset the cost of incentives.

9 | Invest in training

Training should account for roughly 5 percent of your employee expenses. When employees are well trained, they make fewer mistakes and complete jobs more efficiently, saving you both time and money.

10 | Ask for input

More than likely, you've already got several consultants on your payroll, as employees are often a source of excellent ideas for cutting costs! Ask your team if they have any suggestions for saving money and reducing waste.

11 | Analyse your equipment

Develop a team to analyse your equipment and recommended acquisitions and reductions. If you are losing contracting opportunities because you are having trouble keeping equipment on hand, then it's time to add to your fleet. Most businesses, however, often have equipment sitting idle and can save substantially by reducing their fleet.

12 | Keep equipment longer

New equipment is a large expense that quickly depreciates. The longer you can keep your equipment running, the better your return on investment.

13 | Get rid of outdated equipment

While you want to try to maintain the items in your fleet as long as possible, there comes a point when keeping an older piece of equipment running is no longer cost effective. If equipment needs constant repairs or is extremely difficult to work on, it may be time to replace it. Whether it's a temperamental back hoe hydraulic arm or a tractor with engine issues, if it sits idle because of constant problems, then it's time to sell or scrap it.

14 | Develop an inventory of materials

Keep a list of all needed parts and the tools used for maintenance on a piece of equipment. This makes locating the needed items much quicker and prevents purchasing parts you already have on hand. In addition, when the equipment is traded or sold, you can purge the now-unneeded parts from your inventory.

15 | Keep track of equipment history

Maintain a log for each piece of equipment you own. The more detailed the report, the easier it will be to identify problem areas. For example, perhaps that brand of equipment isn't reliable, or maybe you notice that certain types of belts are prone to early failure. The quicker you spot these issues, the quicker they stop eating away at your bottom line.

16 | Improve storage practices

Buying products like oil and lubricants in bulk is an excellent way to reduce costs, but if those products are ruined by poor storage conditions, you've actually lost money. Make sure containers are properly covered and stowed

at all times, and only buy as much product as you know you can use in a reasonable amount of time.

17 | Outsource your maintenance

Even if you operate a large farm or agricultural operation, you probably don't have the resources to keep someone in every maintenance field on hand — nor should you try. It may be worthwhile to keep mechanics on hand for basic tasks, but consider outsourcing specialty jobs like painting, transmission work and welding.

18 | Examine your maintenance schedule

Up to 25 percent of all preventive maintenance is completed at an incorrect frequency. Consider extending the time between scheduled maintenance and keep a record to note any problems you may encounter and adjust accordingly. You might be surprised by how much you can stretch your maintenance schedule.

19 | Remember why you have preventive maintenance

Yes, it is important to clean, lubricate, test and replace parts during scheduled maintenance. However, the most important aspect of preventive maintenance is inspection. With this in mind, instead of simply listing which items have been checked, take the time to note the condition of each part. (For example, write "belts clean with no cracks" instead of "checked belts".) This will encourage more careful inspection and help track the life of parts. Finally, have a clearly defined set of criteria as to when it is time for parts to be replaced.

20 | Enlist operators

Many major issues can be avoided when small problems are reported early, so make sure drivers and operators are involved in the basic care of their machines. By encouraging employees to take ownership of their equipment, you can greatly reduce your maintenance costs.

21 | Show that savings are a priority

Emphasise cost reduction as part of your business' mission, use charts and signs to keep your goals visible. Try out new ideas and take the opportunity to discuss what suggestions have worked and why. Most importantly, celebrate your successes.

22 | Take action

Very few farms or agricultural businesses are run as efficiently as they could be. Finding areas of waste and then addressing them can make a huge difference in your bottom line.