



# How to Overcome Dairy Hauling Challenges

## Haul-cost analytics improves service to members and optimizes transportation programs

The milk transportation industry is enduring a volatile hauling environment, and unfortunately, the situation is not expected to improve. Industry experts predict today's challenges in moving milk are here to stay.

Bearing the brunt of the volatility, cooperatives are often left to manage the challenging environment of driver shortages and rising operating costs. They must carefully balance cost pressures and service level requirements for members and haulers.

Given this delicate dance, how can cooperatives manage?

One way some are addressing this new environment is by focusing on updating antiquated hauling programs. Specifically, they are spending time and resources to carefully:

1. Benchmark and update hauler pay and margins to deliver competitive, yet sustainable rate structures
2. Develop member hauling contribution structures that accurately reflect the cost of servicing members with diverse geographic characteristics and service needs



## Identify Inaccuracies with a Detailed Hauling Review

Today, a co-op's growth, combined with ongoing plant and farm consolidation, means haulers move milk farther just as haulers' costs for drivers, equipment, and fuel are rising. As a result, many cooperatives face a compounding haul cost situation and a growing hauling deficit.

As a first step to counter this challenging scenario, cooperatives are conducting detailed reviews of their hauling program. The review assesses rising operating costs and establishes profit margins. By doing a full assessment, cooperatives will also garner member support in making responsible adjustments to hauler pay and member hauling contributions.

The hauling review incorporates direct input from haulers, including vital information about haul costs and efficiencies. Each item is carefully calculated, such as:

- **Costs to recruit and retain drivers**
- **Buying and maintaining equipment of each size and type**
- **Driving speeds**
- **Fuel economy**
- **At-farm and plant times**
- **Office operating expenses**

Typically, haulers gladly participate in the open and collaborative process with the goal of getting rates right.

As a final step, the cost and efficiency factors are incorporated into a haul cost model that quantifies the haulers' cost of every load,

“

**A cooperative receives a complete benchmark comparison of cost and efficiency to other regional and national co-ops.**

”

sometimes covering more than a week of activity. Comparing these costs to actual hauler pay and member contributions reveals false stop charges, destination rates, fuel surcharges, and farm contributions. Additionally, a cooperative receives a complete benchmark comparison of cost and efficiency to other regional and national co-ops.

## Incorporate a Route Cost Modeling and Hauling Program Design

With detailed cost data for every route, farm, and plant, attention gradually turns to develop a fair and accurate hauler pay and member contribution structure. A co-op must consider various best practice hauling programs to ultimately arrive at a design most appropriate for its members and haulers.

## HOW TO OVERCOME DAIRY HAULING CHALLENGES

The result is an all-encompassing program that incorporates dozens of cost factors for drivers, fuel, and equipment of every size and type. Also, time factors for each farm pickup and plant delivery calculate fair and accurate hauler rates for every route, plant, and farm.

Finally, a cooperative can reach complete transparency. Every member will have access to the cost calculations behind their hauling contributions.

Cooperative leadership will have peace of mind knowing they can proactively confront the challenges of a volatile hauling environment. Not only will they shore up the hauler base with responsible rate adjustments, but they will eliminate a hauling deficit.

### Leading a Cooperative during a Hauling Crisis

Rising hauling costs and a shortfall in hauling capacity put acute pressure on co-ops and their members. Nonetheless, the experience of some cooperatives shows that the hauling environment offers a chance for authentic leadership – the opportunity to confront challenges head-on and engage members and haulers constructively.

With the help of powerful haul-cost analytics and expertise in hauling program design and rollout, co-op leaders can implement successful hauling programs. Programs that collect from farms and pay haulers fairly and transparently engender confidence between members and haulers.

**For more information on how a Transportation hauling review and program work at a cooperative, read the case study on Upstate Niagara Cooperative.**

[READ MORE](#)

“  
**Cooperative leadership will have peace of mind knowing they can proactively confront the challenges of a volatile hauling environment**  
”



**If you have questions on any of the information mentioned above, contact us to speak to one of our consultants.**

[CONTACT US](#)