



CASE STUDY

Upstate Niagara Cooperative Optimizes Hauler Pay, Eliminates Hauling Subsidies

Partnership with Ever.Ag provides accurate, consistent pay components and assigns true cost of hauling to members



COMPANY OVERVIEW

Upstate Niagara Cooperative (UNC) in Lancaster, New York, has 300 farms with an annual production of 2.5 billion pounds of conventional and organic milk. UNC collects and delivers 135 loads of milk per day with 19 haulers to many co-op plants and outside plants in the Northeast and Mid-Atlantic regions. Farm types include route pickup (electric and non) and direct ship.

CHALLENGES

- Assess and benchmark actual hauler costs and margins
- Give members visibility to true hauling costs
- Provide fair payment to milk haulers facing rising driver, equipment and related costs
- Complete a detailed review of the cooperative's hauling program

OBJECTIVES

- Create accuracy in each component of hauler pay
- Address inequities in the payment program
- Ensure transparency to actual costs of hauling to members
- Eliminate hauling subsidies and hauler deficit

RESULTS

- Completed a detailed review of hauling costs
- Implemented a hauling program that documents, processes, and presents a fair payment structure
- Realigned rates, making them competitive, yet sustainable for all haulers with no increase in total cost
- Revamped member hauling contribution, making it fair, transparent and eliminating hauling deficit





CHALLENGES

UNC strives to provide each of their customers the highest quality dairy products and services while maximizing returns for their dairy farmer-owners. UNC faces the ongoing challenge of rising hauling costs and consolidations within their milk hauler base. The co-op's growth combined with the ongoing trend in plant and farm consolidation means milk is often moved farther to get to market.

Increased distance to market combined with rising driver wages and equipment costs put additional financial pressure on haulers, triggered requests for rate increases and, in some cases, threatened hauler viability and the ability to pick up member milk.

Additionally, UNC operated with a hauling deficit, where the amount collected from members to pay for hauling fell short of actual payment to haulers.

UNC urgently needed to complete a detailed review of its hauling program, but with significant technology and business initiatives underway, the co-op lacked the staff and time required to conduct an internal hauling audit.

OBJECTIVES

UNC leadership sought a detailed hauling review to:

1. Assess and benchmark actual hauler costs and margins
2. Address inequities in a payment program
3. Assign true cost of hauling to members

A detailed hauling review was critical for UNC to identify the extent of any hauler overpay or underpay and to pinpoint inaccuracies in hauler pay components such as fuel surcharges, base rates, stop charges, and destination rates. The co-op sought to establish a consistent and accurate pay structure to provide competitive yet sustainable hauling rates.

"It was important to the co-op to give its haulers rates, that while competitive, would also allow them to be sustainable into the future. We also want to give our members a transparent, fair, and accurate hauling contribution program, in addition to eliminating hauling subsidies."

MIKE DAVIS

General Manager, Membership & Bulk Sales Divisions
Upstate-Niagara, Inc.





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SOLUTION

UNC chose to work with Ever.Ag because of Ever.Ag's F2P Haul Cost Model, its extensive regionalized haul cost benchmark data and experience in hauling program assessment, design and rollout.

Ever.Ag collaborated with UNC and several milk haulers to review the resources costs, and efficiencies required to service UNC's members, plants and customers. Ever.Ag incorporated all relevant cost and efficiency factors (over 100 variables) into its Farm-to-Plant (F2P) Haul Cost Model – including driver compensation, equipment costs, MPG/MPH by miles type, fixed/ variable farm to plant times, and overhead. With this model, Ever.Ag performed a detailed cost analysis on every milk load over a multi-day period, including thousands of pickups covering every farm and destination.

Ever.Ag's detailed benchmark analysis assisted UNC in pinpointing inaccurate rates, fuel surcharge inequities, excess pay/margin, and underpay situations. UNC gained visibility to actual costs for servicing farms of every size and type.

RESULTS

Following the hauling assessment, Ever.Ag's F2P assisted UNC in developing a fair, consistent, and accurate hauler pay program. Rates established in the program accurately reflect hauler differences in driver wages, equipment, load size, route miles, and more. Additionally, haulers are paid a fair and consistent profit margin for servicing each farm and route. This enhanced the willingness of haulers to go to the destinations needed to keep UNC's system balanced with minimum miles and cost.

Furthermore, UNC's new payment structure created much-needed transparency among members comparing pay statements. Each member has visibility to calculations of their hauling charges.

"Every member was asked to contribute the true cost to service their farms. Doing this asked more of our co-op members, but everyone was accepting knowing that every rate was competitive and by making many of the pay components direct pass-throughs to their haulers."

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In addition to completely eliminating its hauling deficit with the help of Ever.Ag's F2P Haul Cost Model, UNC was able to give much-needed raises to several underpaid haulers without an overall increase in haul cost. This was accomplished with the accurate pay structure reducing overpaid routes and destinations rates.

Ultimately, UNC got everything it was looking for out of the initiative—and perhaps a bit more. Full elimination of the hauling deficit went beyond the original expectation, yet membership has been accepting. Deep insight into costs gave the co-op direction on which haulers were providing the most cost-effective service and were ones they could grow with. Finally, the program gave UNC leadership the ability to proactively confront the challenges of the hauling environment, building confidence among its members and haulers.

“Though cost-cutting was never the goal, the accuracy of the new pay program generated savings in certain areas that were needed to stabilize the full hauler base and ensure it would be healthy and positioned to pick up member milk in the future.”

MIKE DAVIS

General Manager, Membership & Bulk Sales Divisions
Upstate-Niagara, Inc.



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