

A New Way to Approach Meat Plant Management

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What is our goal?

- Our goal is to make more money, now and in the future*.
 - Do it without jeopardizing family life.
 - Do it without hurting our employees.
- Increasing sales has a 2.7 times higher impact on the bottom line than simple cost cutting.*

*Goldratt, Eli. 1986. The Goal.

**Mike Willett. CIRAS Meat Processing Presentation. 2010.

Keys to Success

- Focusing improvement efforts where they will have an immediate effect on the bottom line
 - There is not time for complicated analysis or solutions.
 - Everything must be simple and relatively easy to implement.
 - Don't do anything that requires new capabilities

Identifying Successes

- Four Proven Interventions
 - Slow Season Blues
 - Increasing Capacity, Not Investment
 - Off Matrix Hog Solutions
 - Better Retail Management

The Slow Season Blues

- Prerequisites
 - Is laying off staff problematic?
 - Do you have excess capacity?
 - Could you offer attractive prices to customers?



Slow Season Blues

- Our Key Learning
 - You can sell product at below cost, yet still make more money for your plant, especially when you plant is not busy.
 - Why?



Slow Season Blues

- One example in Northeast Iowa:
 - February/March/April was very slow every year
 - Laying people off was not possible, as there was a fear of losing good, well trained people
 - Plant would barely cash flow (or go cash flow negative) during this period
 - Any new business cannot interfere with the busy season, must be flexible or short term

Slow Season Blues

- Our intervention:
 - Sent out advertisements (short time only) for meat bundles
 - Pricing was *very* attractive as compared to other local grocery competitors
 - Sales increased by \$20,000 per month for 3 months
 - Contribution Margin (sales minus raw materials) was 35%

Slow Season Blues

- Results
 - Additional cash flow contributed directly to the bottom line (~21,000 additional income)
 - This was a side by side comparison between two similar years
 - Slow season solution was the difference

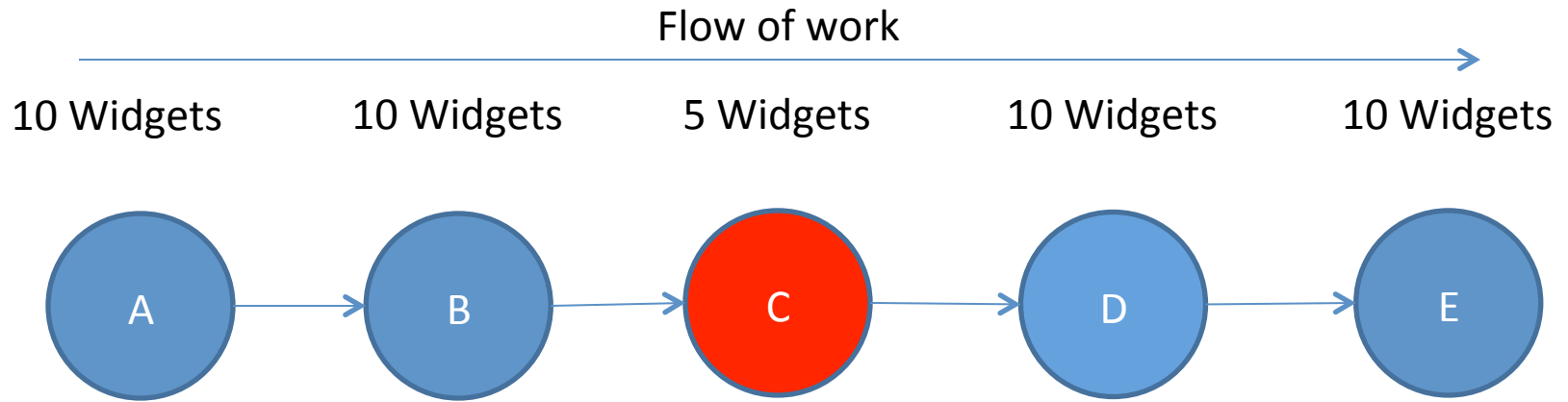
Slow Season Blues

- Other implications:
 - Meat locker business can often look to the future regarding their schedule
 - When we see that a week is not totally scheduled we can use “sprint” marketing to use our capacity and generate more cash
 - Numbers are not in, but the effect looks significant

Increasing Capacity/Not Investment

- Is cutting costs (especially labor) the best way to improve the bottom line?
- Is our default way of managing our plant serving us well?

Increasing Capacity/Not Investment



What is the capacity of this system?

Increasing Capacity/Not Investment

- What would happen if process C did not work up to capacity?
 - What is our default management style?
 - Make everyone work all the time
 - If a worker doesn't work, we are losing money on him/her
 - Minimize labor and setups anywhere
 - If a worker is setting up machines, we are losing money on him/her
 - Is this true?

Does keeping people busy make you money?

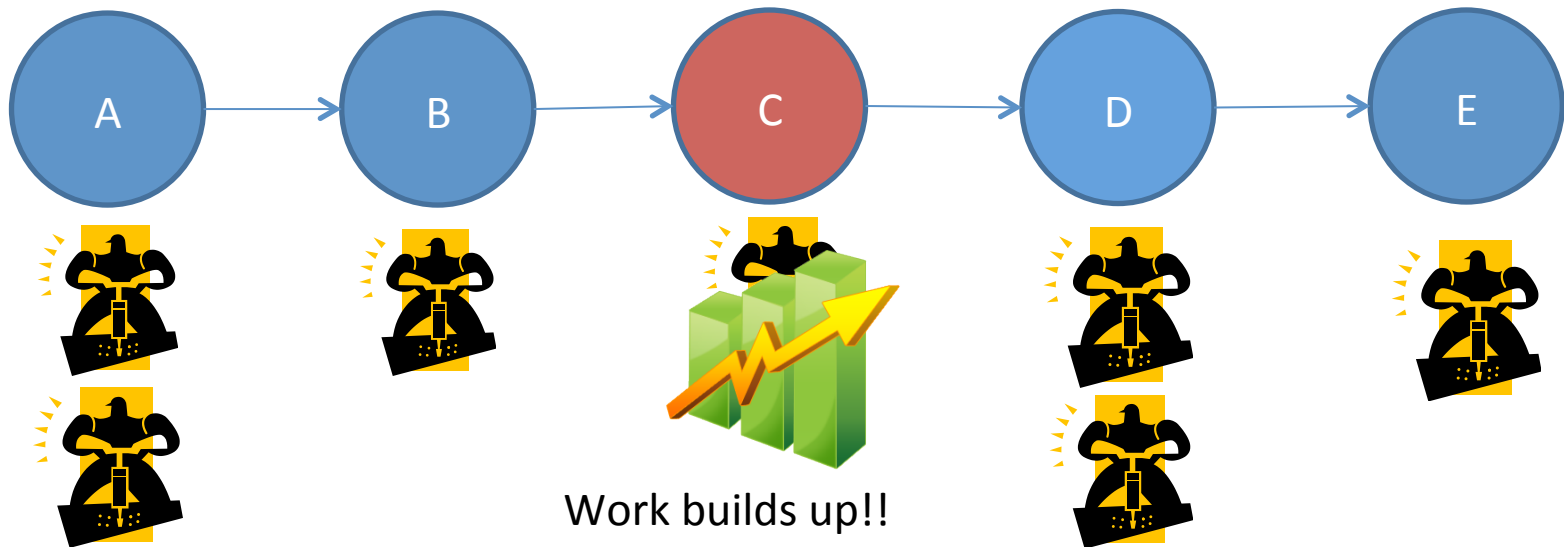


Don't stand around, go help at D!
Don't stand around, go help at A!
It's stuck at C...

Where is my order?!



I need help! No work to process! No work to process! No work to process! No work to process!



Does minimizing setups make you more money?

Emergency??



Emergency??



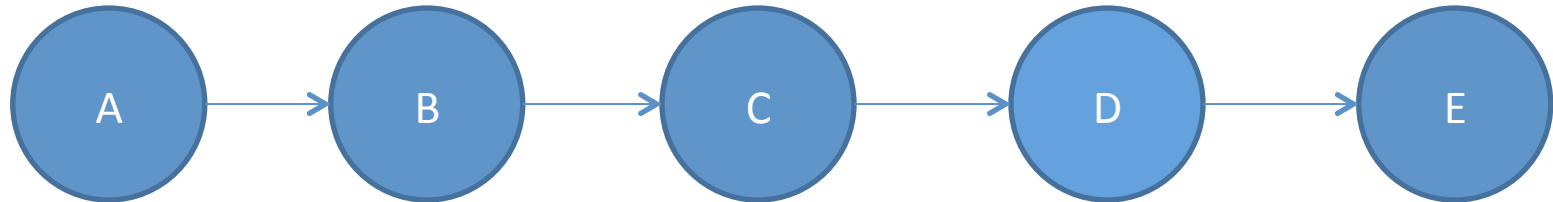
Emergency??



Emergency??



Emergency??



When we run large batches, we create artificial waves of work.

What happens when an employee is sick? A machine breaks down? Murphy strikes?

Increasing Capacity/Not Investment

- Default management strategies usually mean that we are *squandering capacity*
- Default management strategies create unneeded stress and overtime

Increasing Capacity/Not Investment

- Where is that bottleneck?
 - Difficult at first. This plant only slaughtered once per week. The bottleneck shifted day to day depending on where the previous weeks beef and hogs were in the plant.
 - We decided to move to daily slaughter to smooth flow through the plant.
 - The cooler ended up as the constraint or bottleneck in the plant.

Increasing Capacity/Not Investment

- Now what?
- We set up systems that were designed to keep the cooler full at all times.
 - What happens when customers don't show up?
 - We have a buffer of animals ready to slaughter and enter the cooler
 - How can we squeeze more dollars out of the system?
 - Choose animals (hogs) that move through the cooler more rapidly. Generate cash faster.

Increasing Capacity/Not Investment

- Never accept more animals than the constraint can process.
 - **This means that some people will be idle some of the time...**
 - **It is okay if non-constraint resources are idle some of the time.**
 - **Employees focus on keeping the cooler full, not working all the time.**

Increasing Capacity/Not Investment

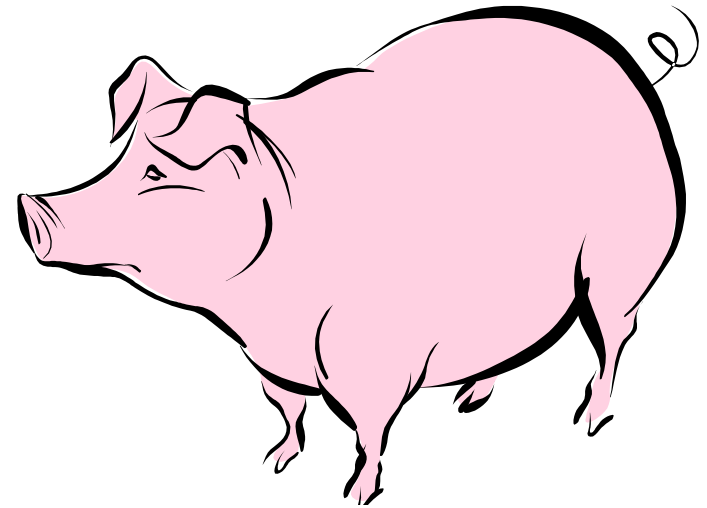
- Results
 - My accountant can't believe it!!
 - Sales were up 30% -- Mostly custom business
 - Stress decreased
 - Overtime was very rarely used
 - A new family member was finally brought in to improve the business

Increasing Capacity/Not Investment

- Originally we thought that significant investment in the plant was needed for results
 - Better use of plant resources made significant improvement possible without hiring new people or spending money on costly infrastructure

Off Matrix Hog Solutions

- We want to promote our local inspected lockers.
- We often find it impossible, because of the relative inefficiency of our small plants.



Off Matrix Hog Solutions

- We need to find significant cost savings in order to get into these markets?
 - Taking it out on our plants is not an acceptable compromise.
 - Taking money at the farm gate is not an acceptable compromise.

Off Matrix Hog Solutions

- What is the assumption:
 - Every hog has an equal value at the packer.
 - Not true: Belly Ruptures, Small Hogs, Large Hogs, Slow Hogs
 - Farmers are docked for hogs that don't *fit* in the standardized system.
 - Which plants are capable of processing these hogs?

Off Matrix Hog Solutions

- You can set up successful off matrix hog programs that are competitive.
- Markets that were previously off limits are now fair game.
- Institutional customers that represent \$14,000/ month and cash flow of \$9000 developed in little under 1 month.
- Other markets are in the pipeline

Other Solutions

- Retail Counter Solutions
 - Check out articles on NMPAN
- Retail Distribution Solutions
 - Check out articles on NMPAN

Thanks!

