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THE ROLE OF CONSULTANTS FOR DANISH FARMERS COPING WITH THE CHANGE IN FARMING CONDITIONS

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ABSTRACT

An overview of a modern consultancy service to Danish farmers is given. The Danish model includes technical advice, farm management and accounting. Good consultants, new products, goal settings and campaigns are described.

Key Words: Consulting; key account consultants; accounting; goal setting; farming; LandboNord; Denmark.

CONSULTANCY IN DENMARK

LandboNord is a consulting company for farmers. We are also accountants for farmers, and at the same time we are the farmers own association. In other words - LandboNord is a consulting and accounting company owned and used by the farmers.

Around Denmark there are about 60 different consulting companies. All owned by the farmer associations. The local centers are connected through the Danish Agricultural Advisory Service, at the National Center, who is the 'backing-group' for the local centers. Here we unite our individual competences and co-operate on different matters. In matters where a local center does not have the requested knowledge in house, we can make use of the specialists at the National Center.

The farmers elect the board and are therefore having the final responsibility and the right to make final decisions for the company. The board of LandboNord consists of 14 farmers and 2 staff members. A managing director is employed by the board to manage the consulting company, as well as the association.

LANDBONORD AS A BUSINESS

LandboNord is a merging of 5 local farm associations in 2000. We have gone through a considerable change and rationalization. The shared economy was not well established in 2000. We had 5 consulting centers, a total staff of 250 employees and many different ways of working. It has been a far-reaching process - the biggest merge in Denmark actually, in our sector. But we have now succeeded the great turning and are running a strong organization.

Our vision is to be one of the best consulting companies. We are already among the biggest in Denmark with a great consulting activity concerning matters of producing advice in dairy, beef, pigs, agronomy and economics and finance. We want to be at the top when it comes to quality in our work and competition on prices.

We now have 4 centers, 175 employees and we are making a profit, of which a percentage goes back to our members and owners. Our turnover is 12.5 millions €. The foundation of our company is 2.700 members and 5.000 clients. Most of our income is fees for consulting. Because we also are a political association for farmers, we also get a membership fee, which is 6% of our income.

CONSULTING JOBS

For dairy, cattle, pigs and agronomy it is important to emphasize that we offer many con-

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sulting jobs concerning the practical performance on the farm:

- What kind of feed is the best?
- What crops do I have to have?
- How much seeding is to be planted?
- When is it time for spraying against what, and with what kind of chemicals?

In addition we offer consulting in matters of accounting and management disciplines like investments, financing and development of the farm. Here it is important to remember, that we also are the farmers' accountants. This means that all Danish farmers have to make a statement of the value added tax (VAT) either each month, every three months or every six months, dependent on the size of the farm. Besides that, a farmer must hand in a declaration of taxes every year. This 'all-round' knowledge about the farm gives us a good platform to meet the individual farmer. The accounting jobs count for around 50% of our turn over.

The farmer can freely choose whether he wants to be a member or client at LandboNord or not. We are not the only one on the market. There are several private consultants and accountants, as well as some feed companies also offers advice for free, and we are also in competition with our neighbor farm consulting centers.

Table 2: Farmer John's payment for consulting 2004, €. Farming 148 ha, 140 dairy cows, 9.800kg milk.

Agronomy (see table 3 for a specification)	2.800
Dairy (see table 4 for a specification)	2.000
Budget and planning	1.100
Accounting, yearly report and vat & tax declarations	3.000
Membership fee	500
Dividend	-200
Total	9.200

Table 3: Farmer John's payment for agronomy consulting 2004, €. Farming 148 ha, 140 dairy cows, 9.800kg milk.

Package of crop plan, fertilizer plan, crop protection plan, EU scheme application	500
Field visits Dairy	200
Attending courses and meetings	100
Soil tests	1.500
Consulting for production permission Membership fee	500
Total	2.800

Table 4: Farmer John's payment for dairy consulting 2004, €. Farming 148 ha, 140 dairy cows, 9.800kg milk.

Herd budget and production plan	500
Feed ration plans and farm visits	300
Feed analyses	700
Production efficiency	200
Herd visits	150
Information – dairy news	50
Attending courses and meetings	100
Total	2.000



Table 5: Variation of payments for consulting 2004, €.

Payment 2004		Number of farmers	
Less than 1.300 €	Less than 10.000 DKr.	2.918	57%
1.300 - 2.600 €	10-20.000 DKr.	936	18%
2.600 - 3.900 €	20-30.000 DKr.	445	9%
3.900 - 6.600 €	30-50.000 DKr.	383	7%
Over 6.600 €	Over 50.000 DKr.	459	9%
Total		5.141	100%

FARMERS USE OF CONSULTING

An example of the use of our consultants is shown in tables 2 to 4. Most services are paid by the hour. Each consultant has a goal of 800 – 1200 hours a year, which are charged to the farmers. Our rate varies from 90 € to 125 €. Besides that we have a fee for different type of services.

PRESSURE ON DANISH FARMERS

The biggest challenge to the Danish farmer is the globalization and internationalization. The pressure on product prices causes pressure on earnings and profit on each individual farm. The costs are still high in Denmark, and we will never be a low cost country. Along with the changes in the agricultural politics of EU, it becomes even more important to focus on how to maintain and increase the farmer's earnings. Furthermore are the economic reserves of the Danish farmer limited and the percentage of debt is high, so most of production enlargements call for financing through loan.

Along this, farmers have to live with the attention of the media and politicians, which very often think they know the best way of producing. Therefore farmers also have to work hard on keeping their right to produce, because bad publicity easily will bring further political restrictions.

These conditions bring automatically increased demands on the consulting service. To manage, the farmer must be extremely skilled and efficient both in the daily work on the farm, in any purchase and selling situation, and last but not least, he must be good at making the right strategic choices and decisions – including timing of the investments to be made.

GOOD CONSULTANTS

Along with the improved skills of the farmers, their individual differences and their increasing demanding, it is important for the consulting service to be highly professional to match the needs. The farmer is at the same time getting less loyal to the consultant service. He shops around, which means that we experience more and more competition. The farmers take the best offer and it is not only the price that is important. It is rather the quality of the service that determines the choice of supplier. Where is the best and most skilled person I can trust? That is the consultant the farmer is going to choose. So, personal relationship is very important.

That puts on high demands to the employees of the consulting service. The consultant must be professional, good to communicate and be willing to do fieldwork - he must be outreaching, able to "move" the farmer and a person who takes action. Ability in establishing good relationship is important.

At LandboNord we have gone from 250 to 175 employees and we are constantly focusing on the performance of each individual employee. We evaluate the performance of each consultant – is he or she bringing profit to LandboNord. If you - as a consultant - are not able to deliver a product, which the farmer demands and are willing to pay for, and in an extent that more than covers your own salary, so it gives a contribution to the economy of LandboNord,

well, then you cannot expect to carry on working at LandboNord. It is a constant challenge to all employees.

The increased focus of making a profit makes it a big challenge for each employee to go from “being an adviser” to become a consultant and more sales-oriented. The demands on the employees at the consulting business will in the future be the ability to “sell” more and to motivate the farmer to do what he is told. To do so, you must be excellent in communicating.

An increased focus on each single consultant is important. How are his capabilities? We see his or hers behavior most important to the farmers way of using the service. Is the consultant motivating the farmer to do new things, or is the farmer left alone? Along with the increased demands on professionalism, the consultant must be willing and able to do fieldwork and meet and discuss with the farmer and his family.

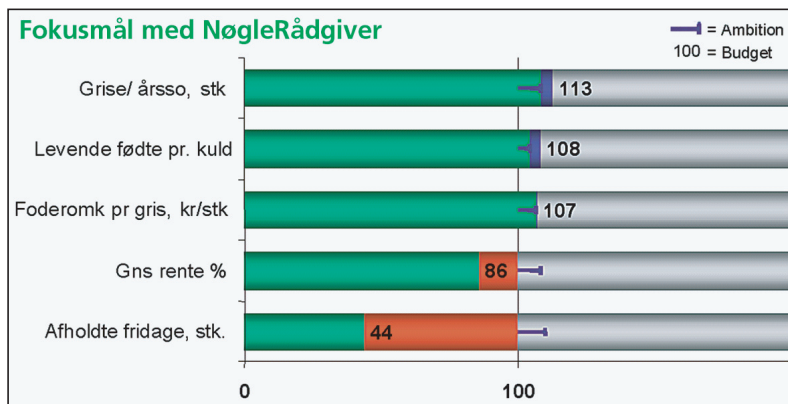
We have prior had some employees who couldn’t - or wouldn’t - go out and sell their own expertise. They were competent in doing the job, when the task was handed to them. But they were not outgoing or searching for new jobs or clients. This conduct is not working in 2005 and onwards. The farmer expects us to take action. If we don’t, he might contact one of our competitors.

That is why LandboNord now is going through a process, which has the goal of changing all staff members from living a rather defensive life and into a more offensive and direct profile. Each consultant must improve his or her ability to make the farmers aware of the utility value of our services. For a period of two years we are therefore giving our staff lessons and training in subjects as communication, selling and how to attend farmers. They are taught how to take uninvited contact to farmers, partly as a follow-up on prior engagements and partly to offer new services that can be of use to the farmer.

NEW PRODUCTS

I 2003 we implemented a new concept, a key account consultant. As a Danish farmer meet several consultants, it is important that they all coordinate the advices given. We therefore introduced a new product, which implies that the farmer chooses a key account consultant among his consultants, and this key account consultant will discuss the financial budget and reports 4 times a year with the farmer family. Along this, the key account consultant has to make a contact to the farmer at least 4 times a year. There is a written agreement on this consulting job, including time schedules.

Figure 1: Goal setting for a farmer.





We introduced this service to 50 farmers and they were all interviewed after finishing the first year. The interviews were done by The National Center, and the result showed, that the farmer in general was satisfied, even though he had paid up to 1.500 € for this service.

In 2004 we expanded the product to include a goal setting for the farm family, to underline that focus on certain goals are important. In figure 1 you can see a goal setting for a farmer. 100 are the goal of the budget. The blue color indicate the ambition of the farmer, often it is higher than the budget. The green color tells that he had reached more than the budget. Red indicates that he is under his own goals, and need to do better in the next 3 months.

The farmer in figure 1 had set goals for number of piglets per sow, number of life born piglets, feed costs per pig, average interest paid and the number of days off the farm to share with the family. We think that goal setting is a very important process, which helps farmers to have focus on key points at the farm right now, and after reaching the goals, you can set up new goals for other parts of your farming business.

CAMPAIGN

To assist the local consulting having attention of the farmers, we have a national campaign in the dairy sector. It has been a great experience to see, that when working together, we certainly could get in contact with most dairy farmers.

The background for the campaign is that milk prices are decreasing quite a lot. More than many farmers can manage, and they therefore have to do some changes if they want to stay in business. The national campaign consists of information to farmers on the national level. All magazines put focus on the topics. All meetings, both national and local, had focus of the new challenges, and all consultants in the dairy sector have been motivated to take action. In LandboNord we offer a farm visit with 2 consultants at a reduced price, helping the farmer to set focus on the most important areas on his farm. The campaign included also mailing of a letter to each individual dairy farmer in Denmark, trying to motivate him to contact his consultant.

The campaign has not fished yet, but this high focus had assisted the consultants in doing a better job, and motivated the farmers to use the advice given.

FURTHER DEVELOPMENTS

The change in conditions of farming increases the demands on the consulting sector. It is therefore important for us to be aware of any sign of new requirements and to be ready to act in accordance to these.

To be professionally competent it is necessary to have a minimum size on each branch, because the professional environment is important to the development of each employee. That's why the consulting companies have to merge and co-operate, when the number of farms reduces.

When evaluating the Danish system it is important to remember the secret of the Danish system:

- Farmers are responsible for the consulting business
- We have a great amount of consulting in practical "day to day farming"
- Accounting is an integrated part of the system
- Danish agriculture is highly regulated, and therefore farmers need to have assistance to get along with all the detailed rules and laws.

But even with this excellent situation it is very important that the consulting business is aware of the necessity of adjustment to cope with the changing in farming conditions.

It is an exciting time: to the farmers, to the consultants and to the consulting businesses.