



Milking the Dairy Industry's Potential

NGR

Helping Businesses **Grow**

Milking the Dairy Industry's Potential

How an integrated ERP solution can support your dairy business—from cow to consumer.

The differences between companies in the dairy industry are vast. The variety of products produced, the size and volumes processed, and operational procedures make each company completely unique. However, some things remain the same: the route to growth, success, and the challenges faced along the way.

Being successful in today's dairy market means dealing with a new level of complexity and some critical external challenges. Effective planning and forecasting are becoming increasingly complex and therefore increasingly important for a company's profitability. Consumer demands are mounting and governmental and safety regulations are becoming more stringent. Success for dairy industry companies depends on their ability to effectively manage these challenges.

The majority of dairy companies are operating old IT systems that may not be able to handle the new needs of modern day, successful dairy companies.

Certain systems may have been able to handle the general complexities of the dairy industry in the past, but with a trend of consolidation, product diversity, new challenges around planning and forecasting, as well as new dairy regulations, these systems may not account for everything a dairy industry company will need in the future.

This white paper dissects the challenges and complexities that dairy industry companies are facing every day and reveals how an integrated ERP system like NGRERP can help streamline planning, increase forecasting accuracy, and account for regulations and recalls.

Complex Planning and Forecasting.

In the dairy industry supply, production, demand, and distribution must be forecasted and optimized. With a recent industry trend of consolidations and growth, planning and forecasting is only getting more difficult.

The dairy industry relies heavily on proper planning and forecasting. It goes a step further than most industries, however, as dairy companies must forecast not only production and sales, but also their supply both in volume and quality of the base product, milk. Cows cannot always be relied upon to produce high quantities of high-quality milk.

Typically, the supply chain is organized so that either distribution centers or production centers will be found close to cities or other populated areas. This is caused by the short shelf life of dairy products, higher population of customers and the regularity of supply required by customers. The dairy production units will normally be close to the farms producing the milk. Due to the short shelf life of the products, it is common for a producer to receive sales orders for delivery the same day. Since orders are received so close to delivery it is difficult to plan production based on sales orders.

Forecasting is especially challenging for fresh dairy products that are delivered to stores every day. For these kinds of products, received orders are matched against an existing forecast in order to extrapolate the trend for the next day or two. This short-term forecasting process is often tightly connected and co-managed by the production and planning department.

The headache of this complicated and time-consuming task only gets worse as dairies invest in more distribution and production centers.

The dairy industry is subject to extremely high order volumes. Customers will often place orders every day or at least once or twice a

week, so the whole process from order to delivery is extremely repetitive. This means that the same customers can be contacted on a regular basis and the routes/deliveries being made are often more or less the same every day.

Due to the above intensity, volume, and velocity of the distribution process it is important to plan picking, packing and delivery in an extremely efficient manner. Dairy companies often find a challenge in planning transport of their products to their customers. Often customers require deliveries to be made at a certain time, so the dairy needs to optimize its use of transport both in terms of time and cost.

Recent new consumer demands have been putting further strain on the dairy industry. A sudden increase in the demand for specialty dairy products such as probiotic and organic products further complicates the production and supply chain. Forecasters and planners must decide the most profitable products to produce based on consumer demand and the supply of milk.

Constantly forecasting how best to use the supply of milk to meet consumer demand and how to minimize production and transport costs is a large undertaking that needs robust and efficient tools. However, managing these challenges the right way will make for satisfied consumers and profitable dairy companies.

Threats to the industry: Regulations and recalls.

Tough governmental regulations, subsidies, and safety concerns are playing an increasing role in the dairy industry and must be effectively managed.

Changes in subsidies and import/export restrictions can limit a dairy company's ability to expand. Milk producers in most countries are subsidized, guaranteeing them a floor price for milk. Usually this floor price is well below the normal rate for milk, however, when the quality of milk is poor, dairy product producers end up paying too much for milk that cannot be made into more profitable products.

Import and export restrictions based on quality, price, and food

safety regulations make the international trade of milk difficult because each country has its own set of rules and regulations. This limits expansion and keeps dairy companies relying on local milk suppliers.

The dairy industry is the most heavily tested industry in the food and beverage sector in terms of safety. This is due to the high consumption of milk products among children. Normally samples of milk are taken from each delivery of milk received from a farmer for laboratory tests.

With the continued emergence of probiotic and organic dairy products new product quality measures must be taken, as these products cannot be tainted. This involves the creation of new planning and regulation requirements, like new production schedules, cleaning of machinery, and further product testing.

Naturally there are also demands that the dairy company can trace products as well as raw materials along the supply chain. For example, if there is a problem with a certain raw material it must be possible to trace all customers that have had a delivery from the specific production batch.

Lot (or batch) management is often crucial for this type of industry. However this tends to be difficult logistically, as milk from several suppliers will be held and mixed in large holding tanks. Simple traceability will be lost and only the knowledge from the testing procedures will enable the tracing of any quality or health problems to a batch of milk.

Meeting challenges through ERP.

The dairy industry has benefited greatly from the use of ERP systems for planning, forecasting, and supply chain management processes. However, as companies grow, consolidate, and cater to more demanding customers, in terms of product lines and volumes, older systems can no longer adequately manage such large and complex operations. In addition, the older ERP systems may not be able to keep up to date with new regulations and issues in product quality.

NGR's NGRERP is designed to handle the mounting complexities facing the dairy industry today. NGRERP can help your business optimize planning and forecasting while satisfying your customers and regulators.

NGRERP is specifically designed for dairy industry companies. NGRERP for dairy feature optimization tools that help streamline sales orders, distribution, forecasting and planning, production control and scheduling, procurement, finance, customer management, plant management, reporting, and recall.

NGR understands the key challenges and complexities in the dairy industry, the difficult dairy supply chain, and what it takes to be successful in today's dairy market. An integrated ERP solution from NGR can help your company manage growth, deal with complex industry challenges, and ultimately, satisfy your customers and consumers.

About NGR

NGR Technosys is a global supplier of business management and revenue performance management solutions. At NGR, we live and breath business every day. We are passionate about helping our customers achieve their ambitions. Our range of business management and revenue performance management solutions are continually evolving as we innovate to answer our customer's needs.

Our Business Management solutions support accounting, operations, customer relationship management, human resources, time tracking, merchant services, and the specialized needs of the construction, distribution, healthcare, manufacturing, nonprofit and real estate industries.

Our Revenue Performance management solutions transform marketing and sales teams of all sizes to accelerate predictable revenue. Our Revenue Performance Management solutions are both powerful and easy to use, providing explosive revenue growth throughout the revenue cycle from the earliest stages of demand generation and lead management to deal close and continued customer loyalty.

To find out more about NGR's Business Management solutions or Revenue Performance Management solutions and how they can benefit your company, please visit us at www.NGRTechnosys.com or call us at +91 8985 11 2309 or email us at info@ngrtechnosys.net.

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