

THE DAIRY FARMERS' CONSUMERS' INSTITUTE

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The beginning

In 2004 Dairy InSight partnered with Consumers' Institute to develop and implement a number of projects. The objective was to help dairy farmers make informed purchasing decisions for a selection of services through comparative assessments.

The projects

Consumers' Institute consulted widely with the dairy industry to determine the products and services that, if assessed, would likely give useful information to assist dairy farmers. The research and assessments were focussed on the four main dairying areas of Waikato, Taranaki, Canterbury and Southland.

The following projects were selected:

1. Survey of rural accounting, veterinarian and farm consultant fees
2. Dairy animal health remedies price survey
3. Survey of banking fees and services: **a mystery shopper approach**
4. Survey of service level quality from banking and electricity suppliers.

The results of the projects are being first published in the Dairy Exporter.

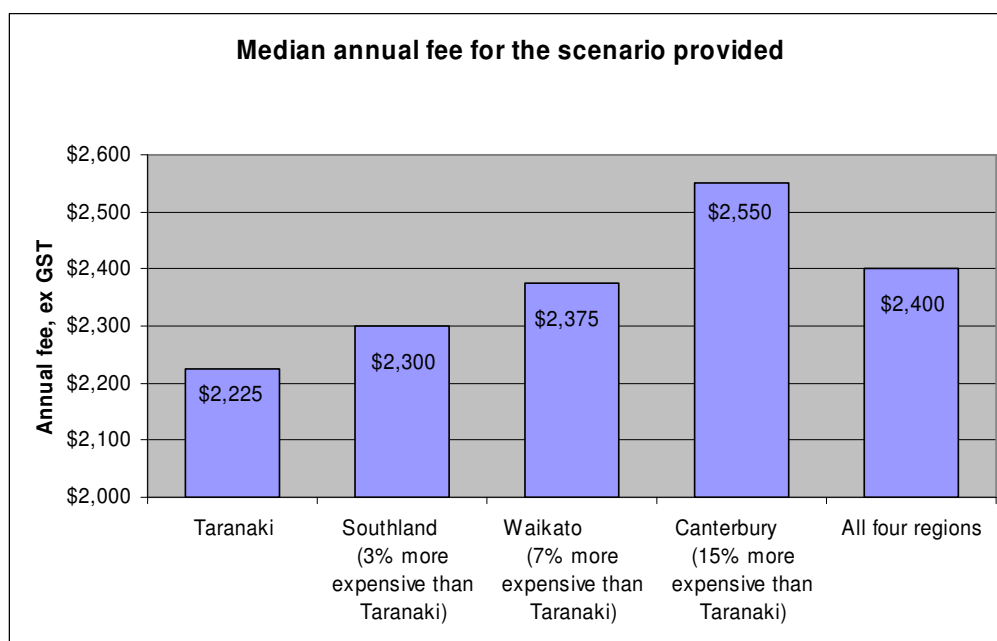
This SIDE conference is the first opportunity for dairy farmers to discuss the results of projects 1 and 2 with Consumers' Institute.

Summary of Results

Rural accountants' fees

- There was a wide range of different fees provided by rural accountants for a given dairy farming scenario. In Canterbury you could pay between \$1,000 and \$5,000 for the same job.
- Taranaki had the cheapest fees, followed by Southland, Waikato and Canterbury. Median fees in Canterbury were 15% more expensive than in Taranaki.
 - Even when the highest and lowest outliers of fees quoted are removed from the analysis, the middle 50% of accountants vary considerably in what they would charge for the same job.
 - Median fees in Hamilton and New Plymouth are respectively 30% and 27% higher than smaller towns in Waikato and Taranaki.

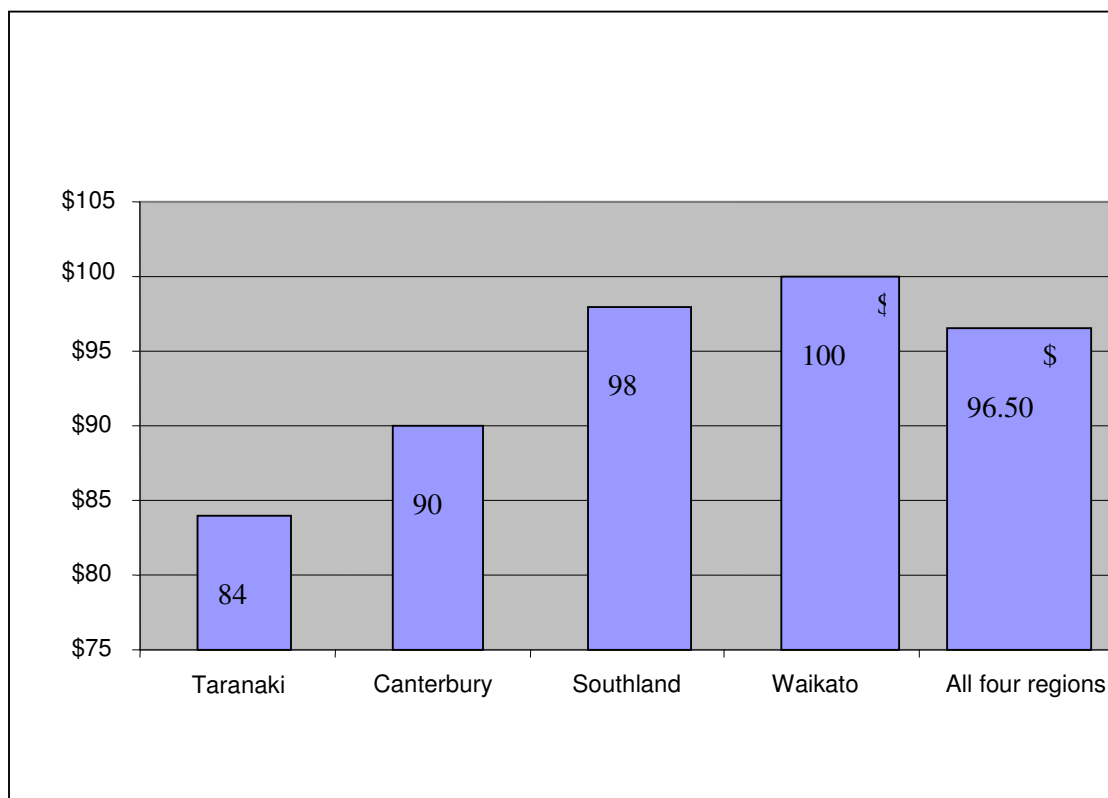
Table 1: Median annual fee



Dairying farm consultants' fees

- Taranaki had the lowest hourly rates at \$84 plus GST per hour. Canterbury consultants were charging \$90, Southland \$98 and Waikato \$100. These were for on-farm, one-on-one dairy farm visits.
- Just over one third of consultants, 16, offered a half-day rate. For all four regions, the median half-day rate was \$425. Half day rates are generally no cheaper than three or four hours at an hourly rate.
- Less than one quarter of consultants offered a full-day rate. For Canterbury and Waikato, the only regions for which the Institute found such rates, the combined median was \$800 plus GST.
- There was a wide range of methods for charging for farm discussion groups.
- Nearly three-quarters, 31 out of 41 responding consultants belonged to the *New Zealand Institute of Primary Industry Management*.

Table 2: Median hourly rate



Guide to Table

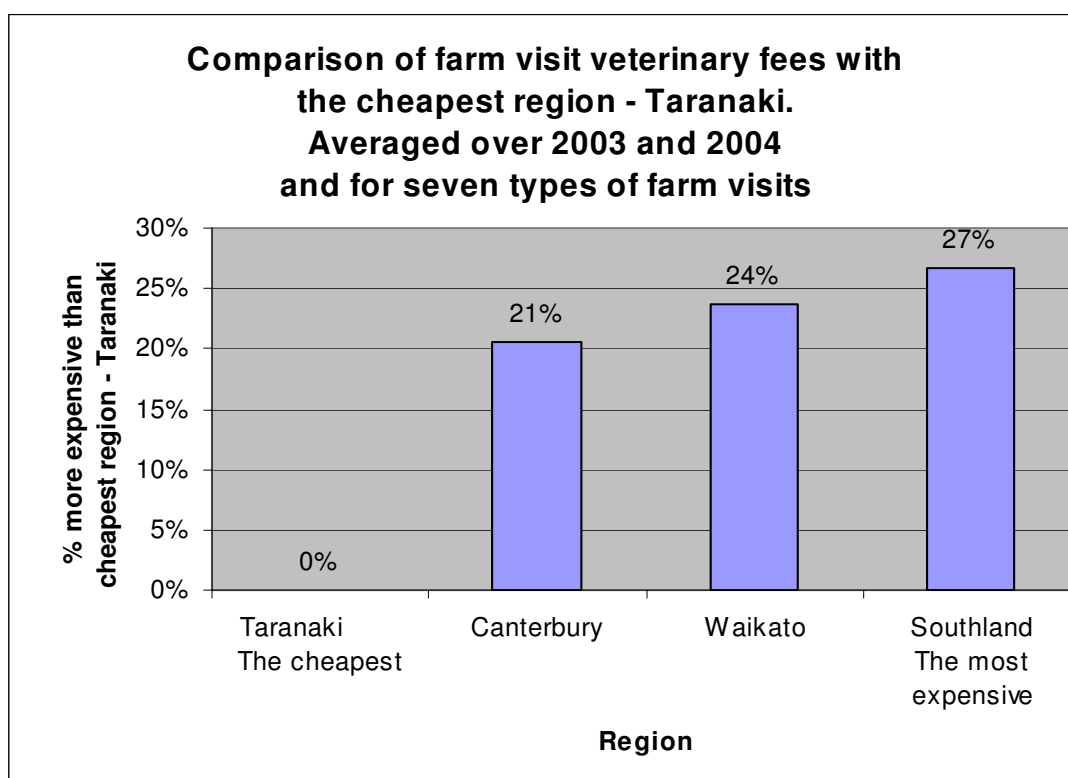
- These are the median rates of seven responses from Taranaki, eight from Canterbury, seven from Southland, 19 from Waikato and 41 from all four regions combined. Statistically, these regional rate variations would not, in many cases, be significantly different due to the low number of consultants practicing in these areas.
- Hourly rates ranged from \$60 to \$200 per hour in Taranaki, \$80 to \$150 in Canterbury, \$70 to \$150 in Southland and \$35 to \$250 in Waikato. These rates did not include GST, travel, report-writing and secretarial expenses

Veterinarians' fees

- Taranaki practices reported the lowest total for seven types of farm visit fees in both 2003 and 2004.
- Southland fees were 27% more expensive than Taranaki. Waikato's were 24% more expensive and Canterbury's 21%.
- Across New Zealand, vet fees rose by 9.4% between 2003 and 2004 compared to a rate of inflation of 2.4% for the year ended June 2004. This is nearly four times the rate of inflation.

- There was a wide range of fees charged by different vets for the same type of farm visit. For example the reported 2004 fee of \$15.00 including GST minimum and \$75.00 maximum for a farm visit that included the first 15 minutes.
- Pregnancy testing fees, both manual and scanning, rose in total by 2.8% between 2003 and 2004. This is only marginally more than the 2.4% rate of inflation.

Table 3: Comparison of farm visit veterinary fees



Guide to the table:

- Based on the results of the MEGAsurvey 2003 and 2004 conducted by the *NZ Veterinary Association*, further analysed for *Consumers' Institute*. The Institute acknowledges the Association for assisting with access to the survey data.
- The seven types of fees are: Farm visit fee which includes the first 15 minutes, fee per every extra 5 minutes, fee for after hours (over and above usual fee), fee for re-visit, fee for advisory visit, travel fee per kilometre and pregnancy testing on a manual per head basis.

Animal health remedies price survey

The November 2004 survey recorded prices from vets and farm supply merchants in 11 towns in Waikato, 10 in Taranaki, 10 in Canterbury and 7 in Southland. Product selection was made in consultation with *Federated Farmers of NZ*, and *Dexcel Limited*, Hamilton. From these recommendations brands and pack sizes chosen were those stocked by most outlets. Three different categories of remedies were surveyed: Prescription animal remedies (PARs) from vets, over the

counter (OTC) remedies from vets and remedies sold by farm supply merchants (merchants). Some identical remedies can be purchased as an OTC from a vet or from a merchant enabling direct price comparison.

PAR sources, pricing and distribution

- Vet clubs are cheapest for PARs. Private practices and contract practices are marginally more expensive. Vets vary widely in what they charge for PARS. There is little competition in this sector of the animal remedies market.
- If reducing drug margins for vets means slightly higher professional fees, that is preferable to cross-subsidisation and the incorporation of an undisclosed fee element.
- Lower drug margins do not necessarily lead to higher consultation charges. Taranaki was the second cheapest region for buying PAR and OTC products, yet Taranaki was the cheapest region for veterinary farm visit fees. Maybe this is because Taranaki is a stronghold of vet clubs, having a vet club or contract practice in each of the 11 Taranaki townships that have a vet. When farmers own the vet practice, or it is a contract practice arrangement, vets seem to be able to deliver both lower drug prices and farm visit fees.

Over the counter products

- Vets are competitive. Don't overlook them – this sector of the animal remedies market is competitive.

Products only available from farm supply merchants

- Cheapest products are usually from the farmer-owned merchants, but in Southland the investor-owned merchants were cheapest.

Table 4: Price survey by region

Waikato merchants ³	Price rating over 24 products¹
RD1	Cheapest
Farmlands ²	0.8% more expensive
AgCentral	2.0% more expensive
King Country Farmers	3.0% more expensive
Wrightson	3.4% more expensive.
Taranaki merchants ³	Price rating over 26 products¹
Farmlands Stratford ²	Cheapest
RD1	7.2% more expensive
Wrightson	8.6% more expensive
Taranaki Farmers	9.4% more expensive
Elders, over 17 products	16.2% more expensive
Canterbury merchants ³	Price rating over 17 products¹
Ashburton Trading Society ²	Cheapest
Cuddon and Stewart	Cheapest if over 10 products only
Wrightson	0.8% more expensive
RD1	4.9% more expensive
Combined Rural Traders ²	7.6% more expensive
Pyne Gould Guinness	9.4% more expensive
Southland merchants ³	Price rating over 24 products¹
Pyne Gould Guinness	Cheapest
Wrightson	0.1% more expensive
RD1	4.0% more expensive
Combined Rural Traders ²	5.7% more expensive

Guide to the table

- Products were from Ivomec Eprinex Pour On, Ivomec Plus and plain injection, Cydectin Injection and Pour On, Levipor, Bloateze, Ultracare Iodoshield and Teatshield, Rumensin liquid and anti-bloat capsules, CBG, Glucalmag, Glucalmax, Glucalphos, Caramillo, Dexolyte, AHX Selenium and Copper, Tail Mark paint and Tailpaint aerosol, Agrisept Tabs, Oral Cal and Ketol.
- Shareholder prices were compared. To become a Farmlands shareholder you need to buy \$550 of shares; there is no annual fee. CRT shareholders need to buy \$200 of shares; there is an annual fee of \$15 plus GST for up to the first two CRT cards. ATS shareholders need to buy \$500 of shares; no annual fee. All shareholdings are fully refundable on resignation.
- In most cases prices are the median of branches in different towns.
- Farmer-owned merchants are shaded.

Conclusion

The payback to Dairy InSight, and to dairy farmers, on the investment in these projects has been:

- Putting professions and their fees under the spotlight – encouraging fee restraint
- Probing professional practice – informing on current pricing policy
- Sharing prices & fees – enabling informed buying decisions
- Revealing median fees and prices–for added negotiating power
- Exposing of regional fee differences – for questioning and lobbying
- Showing extreme price differences – for hard questions to be asked
- Determining farmer-owned suppliers as being usually cheaper
- Comparing investor-owned suppliers – keeping them sharp
- Adding value to Federated Farmers NZ – providing facts for their lobbying
- Publishing in the farming press – encouraging readership and debate.