



Nolem is the leading producer and exporter of melons from Brazil. The company supplies over 10 different varieties of melons and watermelons. Nolem manages a total area of 8000 hectares of which 3400 hectares are exclusively dedicated to the cultivation of melons. The area is divided into 4 farms, with attached pack houses, QC labs and warehousing facilities. Each farm has different types of soil for different periods of the year and different varieties. Plantations differ on the kinds of soil to obtain the highest quality level for each variety.

Nolem designates about 80 % of its production to export. The company produced 10 million cartons of fruit in the 2008 season, some 8 million of those used for the export market. The main target markets are Scandinavia, the EU, USA and Canada.

Fyffes bought a 60% stake in the business in late 2005. Day to day financial management of Nolem lies with Fyffes with operations run by Local management.



EROSION OF MARGIN DUE TO RISING COSTS & CURRENCY STRENGTH

Nolem had been enjoying healthy profits up to 2006, however it started to experience increasing erosion of its profit margins due to the strength of the Brazilian currency vs. the dollar (all contracts were in Dollars) and a growing domestic economy adding further pressure of increased wage costs. Poor labour productivity and inconsistent fruit quality were also contributing to margin erosion.

WHAT WAS GOING WRONG?

Labour resourcing which was season driven was not planned in a scientific manner using work to time relationships, volume, and activity considerations.

Overtime payments were high due to excessive and poor labour deployment and utilisation. Institutionalised overtime had become the norm to supplement perceived low wages.

The quality of fruit was inconsistent due to lack of compliance to growing procedures during the fruit life cycle.

Nolem wanted a root and branch review of its farm operations from “seed to box” to ensure that it was eradicating resource wastage and that it had the systems and processes necessary to produce quality fruit at the least possible cost

THE P4i

The P4i was conducted across four farm complexes across two states (Jesus, California, Flamengo, Nuovo California). Each farm complex was a stand alone unit dedicated to fruit production and packing.

A three week P4i looked at the following:

- Full process mapping from seed planting to distribution of packed product
- Process intervention points
- Management information systems used to control processes
- Statistical analysis of KPIs including quality
- Activity norms and standards
- Behavioural attitudes and opinions of Management and supervisory

THE FIX

The project was conducted across all the farm complexes as the processes were similar in nature. Detailed process activity breakdowns were conducted leading to the setting of norms and standards. These norms and standards applied to activities from soil preparation, seed planting, fertilizer and herbicide application, fruit picking, packing and distribution.

Management control systems were designed and installed to ensure visibility and compliance to operational and quality KPIs.

Resource planning was conducted using a bespoke planning system which detailed resource requirements on a weekly basis across the whole of the growing season. The client applied for a patent for this specialist resourcing model

Significant method and layout changes were introduced in the fields and pack houses to increase labour efficiency.

Historically teams of 10 staff would be allocated per field section to pick ripe fruit and labour.

After conducting in depth observations and agreeing activity the ideal team configuration was deemed to be seven. This revised configuration was rolled out to all farm complexes.

Pack houses line layouts were changed to reflect a smooth and optimal packing rate according to revised norms.

Quality levels improved significantly by the installation of controls which ensured that growing fruit was administered the appropriate rate and type of fertilizer, insecticide and herbicide at the appropriate time.



INCREASED QUALITY AND LESS PRODUCTION COST

The project delivered the following results:

- Reduction in “institutionalised” overtime by 58%
- Reduction in direct farm labour costs of 36%
- Fruit yield increased by 9%
- Premium quality fruit yield increased by 12% which was all exported and achieved the highest margin
- Staff absenteeism dropped by 30%

“As a result of the programme our performance levels have improved compared to last season. Mteq have assisted us in the organisational re-alignment of our field operations & are starting work on our packing facilities to better suit our current and future business needs”

Marcelo Gadelha, Director

Effective processes, management control systems and most importantly, positive behavioural change amongst the Managerial and Supervisory staff of Nolem will ensure that benefits are sustainable season after season.



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