

Canadian
Agricultural
Safety Week
Mar. 14-20, 2007

FACT SHEET #4

THE CANADIAN FEDERATION OF AGRICULTURE
1101-75 Albert Street, Ottawa, Ontario K1P 5E7
Tel: (613) 236-3633 Fax: (613) 236-5749 farmsafety@cfafca.ca

Guard your profits

The bottom line for any business is profitability. An important part of maximizing profits is minimizing losses – and that includes non-productive time, costly machinery breakdowns as well as losses due to injury, illness, or death of the farmer, farm family, or farm workers.

“*Protect your moving parts!*” is the theme of this year’s Canadian Agricultural Safety Campaign with a focus on pinch points, crushes, entanglements, and the importance of guarding. The yearlong campaign will be launched with Canadian Agricultural Safety Week (CASW), March 14-20, 2007, when farmers across Canada are encouraged to check and repair all the guards and shields on their machinery. The CASW campaign is delivered by the Canadian Federation of Agriculture (CFA) and Canadian Agricultural Safety Association (CASA) in partnership with Farm Credit Canada (FCC) and Agriculture and Agri-Food Canada (AAFC).

“Successful producers know that improving safety is an investment with significant returns,” says John Ryan, FCC President and CEO. “Safe farm families, operations and communities contribute to the long-term success of Canadian agriculture.”

Only 15 per cent of a company’s problems can be controlled by individual employees, while 85 per cent can be controlled only by the management system, revealed a study done by renowned systems analyst Dr. W. Deming, creator of the *Total Quality Management* system. In other words, most loss control problems are management system problems.

There are four common elements to every safety problem including: people, equipment, materials, and environment. These elements are the four major sources of loss – and are also the four major sources of control. All four of these elements must relate or interact properly as a system to obtain effective safety, quality, production and cost control.

Consider this – if your business runs on a profit margin of five per cent, and if the total uninsured costs of an injury were \$5,000, then your business will have to generate \$100,000 in sales to pay for the incident. Likewise, if your business runs on a two per cent profit margin, then your business will have to generate \$250,000 in sales to pay for the incident.

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Guard your profits ...2.

“Knowing the real cost of farm-related incidents and taking action to prevent them is good for the bottom line,” says John Ryan, FCC President and CEO. “It is estimated that for every dollar of insured costs there are five dollars of uninsured costs. Clearly, it makes good business sense to minimize losses through injury prevention.”

Minimizing loss begins with making safety a priority, conducting a safety audit on your farm, keeping all machinery in good repair with guards and shields in place, having adequate accident insurance coverage, training workers in safe practices, leading by example every day.

The CFA along with FCC, CASA, and AAFC want to remind Canadian farmers that minimum losses maximize profits.

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For more information call:

Theresa Whalen–Ruitter, CFA Farm Safety Coordinator

Tel/Fax: (613) 731-7321 E-mail: farmsafety@cfafca.ca

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(For Profit / Loss Worksheet & Chart, please see below.)

IN TIMES OF INTENSE COMPETITION AND LOW PROFIT MARGINS, LOSS CONTROL MAY CONTRIBUTE SIGNIFICANTLY MORE TO PROFITS					
This table shows the dollars of sales required to pay for different amounts of costs for incident losses such as injury, illness, damage or theft. The amount of sales required to pay for losses will vary with the profit margin., i.e. if an farm's profit margin is 3%, it would have to make sales of \$333,000 to pay for \$10,000 worth of losses.					
YEARLY INCIDENT COSTS	PROFIT MARGIN				
	1%	2%	3%	4%	5%
\$ 1,000	100,000	50,000	33,000	25,000	20,000
5,000	500,000	250,000	167,000	125,000	100,000
10,000	1,000,000	500,000	333,000	250,000	200,000
25,000	2,500,000	1,250,000	833,000	625,000	500,000
50,000	5,000,000	2,500,000	1,667,000	1,250,000	1,000,000
100,000	10,000,000	5,000,000	3,333,000	2,500,000	2,000,000
150,000	15,000,000	7,500,000	5,000,000	3,750,000	3,000,000
200,000	20,000,000	10,000,000	6,666,000	5,000,000	4,000,000
SALES REQUIRED TO COVER LOSSES					
A twelve-year study by the Canadian Agricultural Injury Surveillance Program found the average cost for each agricultural workplace fatality was \$275,000, while injuries followed by permanent disability were \$143,000. The cost of each hospitalized incident averaged \$10,000, and non-hospitalized incidents were \$700. The total cost to the Canadian economy for agricultural injuries is estimated at between \$200 and \$300 million annually.					

Losses From Incidents Worksheet

Injured Worker Time	
1. Productive time is lost by injured employee and is not reimbursed by worker's compensation.	\$
Co-Worker Time	
2. Time is lost by co-worker at the scene, as well as while assisting the injured to dispensary or ambulance.	\$
3. Time is lost through sympathy or curiosity, and work interruption at time of injury and later from discussing the case, telling similar stories, swapping opinions of cause, grumbling, etc.	\$
4. Incidental lost time results from clean-up, collecting donations to aid the employee and his or her family, review hearings, etc. The cost of other employee overtime required to accomplish the injured employee's work and the time spent by safety organization personnel on the accident should be included.	\$
Leader Time	
5. Assisting injured employee.	\$

6. Investigating incident causes, (i.e. initial investigation, follow-up research on prevention, etc.)	\$
7. Arranging for work continuance, getting new material, rescheduling.	\$
8. Attracting applicants, evaluation of candidates, selecting and training new employee.	\$
9. Preparing incident reports. (i.e. injury reports, property damage reports, incident reports, variance reports, vehicle incidents, etc.)	\$
10. Participating in hearing on incident case.	\$
General Losses	
11. Production time is lost due to upset, shock, or diverted interest of workers. Slowdown of others, discussion by others – “did you hear...” (applies to employees of other units not included in item 3, above).	\$
12. Losses result from work stoppage of machines, vehicles, plants, facilities, etc. and can be either temporary or long-term and affect related equipment and schedules.	\$
13. The injured employee’s effectiveness is often reduced after return to work, from work restrictions, reduced efficiency, physical handicaps, crutches, splints, etc.	\$
14. Loss of business and goodwill, adverse publicity, problems in obtaining new hires, etc., are common general losses.	\$
15. Legal expenses arise from compensation hearing, liability claims, handling, etc. that involve contractor legal services. Rather than the insurance carrier legal expense that appears indirect costs.	\$
16. Cost can increase for insurance reserves and tax multipliers which are respectively small annual percentages of the gross incurred losses; and taxes based upon the dollar value of losses, that are tied up in reserves.	\$
17. Miscellaneous additional items should be included which may be unique to a particular operation and are appropriate to specific incident cases.	\$
Property Losses	
18. Expenditures of emergency supplies and equipment.	\$
19. Cost of equipment and materials above damaged and salvage.	\$
20. Materials cost of repair and replacement parts.	\$
21. Time cost of equipment repair and replacement in terms of productivity lost and delay of scheduled maintenance on other equipment.	\$
22. Cost of corrective actions other than repair.	\$
23. Obsolescence losses of spare parts in stock for the equipment destroyed.	\$
24. Pro-rate cost of rescue and emergency equipment.	\$
25. Production lost during period of employee reaction, investigation, clean-up, repair and certification.	\$
Other Losses	
26. Penalties, fines, citations levied.	\$
Total losses	\$