

REMSOFT

CASE STUDY

J.D. Irving Ltd. counting on small changes to account for big gains to the bottom-line

CASE STUDY HIGHLIGHTS



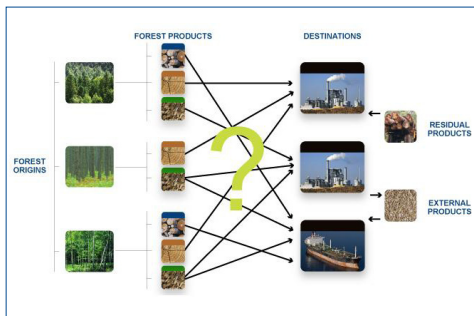
- 6-7% more net cash flow
- Optimizing logistics scheduling
- Transparent defendable planning

COMPANY SEES NEW SOFTWARE AS KEY TO BETTER RESOURCE UTILIZATION AND GREATER PROFITABILITY

New Brunswick-based JD Irving Limited (JDI) is counting on seeing much more money from its operations in Atlantic Canada and the North-East US in the coming years.

But rather than coming from capital investment in land, equipment or facilities, the company is instead improving efficiencies in scheduling and logistics. JDI expects results in greater net cash flow—as much as 6-7% above current annual operating income—from its existing operations.

“What we are talking about is optimizing the allocation of wood fibre with the aim of maximizing net cash flow from across all of our operations,” explains Ian Taviss, JDI Management Forester, who is spearheading the program to improve logistic decision-making within the organization.



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THE ISSUE

For companies like JD Irving the problem of asset allocation is far more complex than it might initially appear. Long gone are the days of cutting a tree and sending the log to the nearest mill. Today’s forestry companies have literally thousands of choices to make between the forest and finished product and the wrong decisions are tantamount to millions of dollars in lost revenue.

Consider what Mr. Taviss’s team faces by way of example; They acquire fibre from a large and varied wood basketsource—six million acres of land in four jurisdictions in the Maritimes and Maine in the North-East US, as well as from external suppliers.

Outputs from these forests supply 80 mills and manufacturers—including some 20 JDI facilities—all having different processing options, speeds and efficiencies—with dozens of products ranging from saw logs for any number of different purposes (flooring, lumber), or wood chips for a variety of grades of pulp.

There is also the common industry practice of fibre exchanges between mills to consider. Add to this the ecological and environmental considerations of when, where and how responsible harvesting can and should take place.

The finished products (of which there can be multiple options from the same log) dictate how a tree is cut and where and how it is transported, and are themselves dependent on the facilities’ order books, capacities and inventories, commodities prices and market demand.

Considering these decision variables—plus the costs and revenues associated with each—and it is evident how the allocation decision can quickly become a decision matrix, with minor missteps costing thousands of dollars or more.

“We can now ask ‘What do we want our assets land to produce?’” Mr. Taviss explains.

“In the past, these kinds of decision were made from the gut and in isolation. What we are saying is ‘Let’s make these decisions at a strategic level, from a broader, more integrated perspective’. It may not be as intuitive, but good planning beats the pants off good reacting any day.”

THE REMSOFT SOLUTION

What has made this sea change in fibre supply chain management possible is software produced by Remsoft a long-time JDI supplier.

Remsoft Analytics was developed to improve efficiencies in scheduling and to address—rather than avoid—these problematical logistic decisions.

Because the software is a linear programming (LP) solution, it produces allocation options that best meet the objectives specified by planners and allows all combinations and iteration of decisions to be analyzed.

The optimal results can be incorporated into strategic-level plans so that the allocation decisions are considered in conjunction with contingent decisions, such as schedules or investment decisions.

“We have always had buy-in from the very senior levels of our organization who have faith in optimization as a decision-making tool throughout the organization. But now we are working with people in the facilities and at the operations-level to convey the importance of this step and the benefits to both them and the company” he explains. “The reception so far has been very positive.”

