

E-Zine



Discovering the Value of Benchmarking

“Benchmarking” is commonly spoken of but rarely implemented in pork production. The term “benchmark” can be traced to land surveyors, who erected “benchmarks” on high ground that could then be used as references for mapping the terrain. A “benchmark” is in the truest definition a point of comparison. In business literature the creation of formalized benchmarking is often attributed to Rank Xerox Corporation, in fact the practice dates back to ancient times. Japan sent teams to China in 607AD to learn best practice for business, government and education. In pork production we have regularly posted benchmarks for productivity such as top indexing herd in the county, or reproduction awards. These are a tremendous accomplishment and a reminder of how our industry has ramped up productivity consistently over the past quarter century.

All too often however the complexity of benchmarking cost of production, the next natural step in comparing production units, does not receive the same attention as productivity. There is good reason for this since the age of assets, debt load, labour costs and accounting practices make comparisons difficult if not impossible. That however shouldn't dissuade us from trying to benchmark cost of production, because the power of having that information is indeed worth the effort.

Take for example a survey of western Canadian mid-sized farrow to finish producers that was recently shared with me. The top 10% of producers demonstrated significant productivity measure improvements over the average and bottom 10% for key measures such as shown in Table 1. Looking at these measures we are immediately aware of two things: 1) The variation within each measured factor is large, and 2) with such large variation there is significant motivation to do better regardless of where your particular herd stands. There is a third factor we should be aware of – that is this variation in productivity pales in comparison to the variation in financial performance seen between these same farms (Table 2 — all financial measures taken for same time period as productivity data above).

The reason benchmarking works is it provides a tool to see beyond our current practices. Termed “paradigm blindness”, individuals become so focused and or entrenched in their operation they fail to see other possibilities to address the activity.

The Bottom Line

Accepting the inaccuracies that come with such comparisons there is significant opportunity to improve productivity and profitability through comparison (benchmarking) to other similar farms. Below are a few articles that can be found in the Pork Insight database located on the Prairie Swine Centre website that will assist in our pursuit of improved profitability, and one article that encourages the use of statistical control charts to detect changes in herd productivity

Top 10 Cost Cutters and Revenue Generators

<http://www.prairieswine.com/top-10-cost-cutters-and-revenue-generators/>

Control charts applied to simulated sow herd datasets

<http://www.prairieswine.com/control-charts-applied-to-simulated-sow-herd-datasets/>



	Top 10%	Avg	Bottom10%	Top vs Bottom
Sow mortality rate	4.4%	6.7%	10.5%	57% decrease
Marketed hogs/mated female/yr	24.0	22.3	20.6	16.5% better
Whole herd feed conversion	2.98	3.25	3.44	13.4 % better

	Top 10%	Avg	Bottom 10%	Top vs Bottom
Revenue per hog marketed	154.75	145.28	134.47	15% better
Utilities per hog marketed	\$2.58	\$3.65	\$5.21	50.5% better
Margin over recorded cost*	34.74	25.62	12.75	2.72 times better

Common Misconceptions In Benchmarking

(summarized from J. Deen, S. Anil University of Minnesota. published in Farms.Com, Benchmark 2009 Edition)

1. Confusing benchmarking with participating in a survey
2. Thinking there are pre-existing benchmarks to be found.
3. Not all production and economic parameters can be benchmarked (example service delivery and customer satisfaction).
4. The process is too large and complex to be manageable.
5. Benchmarking is not research
6. Misaligned benchmark targets – what is the overall farm strategy that you are trying to benchmark?
7. Picking a topic that is too intangible and difficult to measure
8. Not establishing a baseline
9. Not researching benchmarking partners thoroughly
10. Not having a code of ethics and contract agreed upon with partners.

Re-printed from the Prairie Swine Centre's PorkInsight database, the complete article can be found at:

<http://www.prairieswine.com/engineering-controls-to-reduce-hydrogen-sulfide-exposure-to-workers-in-swine-buildings/>



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ONTARIO PORK

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