

Productivity and Cost of Production

Last week at Banff Pork Seminar the productivity awards sponsored by PIC recognized Kyle Colony in Saskatchewan with 30.3 pigs weaned per mated female. This is a tremendous accomplishment and a reminder of how our industry has ramped up productivity consistently over the past quarter century. All too often 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:

	Top 10%	Avg	Bottom 10%	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

Although the variation is impressive and motivational to try to raise the productivity bar, it pales in comparison to the variation in financial performance seen between these same farms (all financial measures taken for same time period as productivity data above).

	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

* note that labour, depreciation, interest removed to allow for comparison of variable costs only

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 to assist in our pursuit of improved profitability, and one article that encourages the use of statistical control charts to detect changes in herd productivity.

Profit Sensitivities to Feed Price and Pig Price with Varying Production Levels (Banff Pork Seminar 2009)

<http://www.prairieswine.com/profit-sensitivities-to-feed-price-and-pig-price-with-varying-production-levels/>

Top 10 Cost Cutters and Revenue Generators (Centred on Swine, 2004)

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

Control charts applied to simulated sow herd datasets (Germany, 2009)

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

Lee Whittington BSc (Agr), MBA, PAg
President/CEO
Prairie Swine Centre Inc.
(P) 306-667-7447

(F) 306-955-2510