

Ten Years of ODAP – What Have We Learned?

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Background

There are a variety of measures used for benchmarking in the swine industry. Many focus on productivity variables such as pigs/sow, days to market, pork/sow and so on. Other measures reflect expenses per pig such as feed/pig, health costs/pig and labour/pig.

Results from the Ontario Data Analysis Project (ODAP¹) have been used as the basis of this discussion. ODAP compiles farm level production and financial data from farrow-to-finish producers in Ontario. These participants are considered to be full-time farmers and report little, if any, off-farm income. Most of the farms rely on family labour to fill additional labour needs. This discussion will focus on the swine enterprise and will not take into account other farm activities (i.e. cash cropping). Family labour has not been included in the calculation of expenses.

Results

A comparison of common ODAP benchmarks is provided in Table 1 for 1995 and 2004. Most of the results are not surprising. Increases in productivity are reflected in higher pigs weaned/litter, pork/sow, pigs produced/sow and lower days to market. Higher interest expense reflects increased debt that these larger farms have incurred. Much of the increase in farm assets is attributed to new or expanded buildings, higher inventory numbers and increased land base.

Table 1. Benchmarking 1995 vs 2004.

	1995	2004
Average # Sows	133	217
Weaning Age	25	21.6
Weaned/litter	9.1	9.6
Finishing weight sold (kg live)	104.2	113.6
Days to Market	177	166
Pork/sow	1,420	1,766
Pigs produced/sow ²	17.1	19.2
Feed exp/pig produced	\$85.49	\$89.24
Interest exp/pig produced	\$6.31	\$10.09
Farm assets/sow	\$7,555	\$12,554
Farm debt/sow	\$2,764	\$4,174
Farm equity/sow	\$4,791	\$8,379

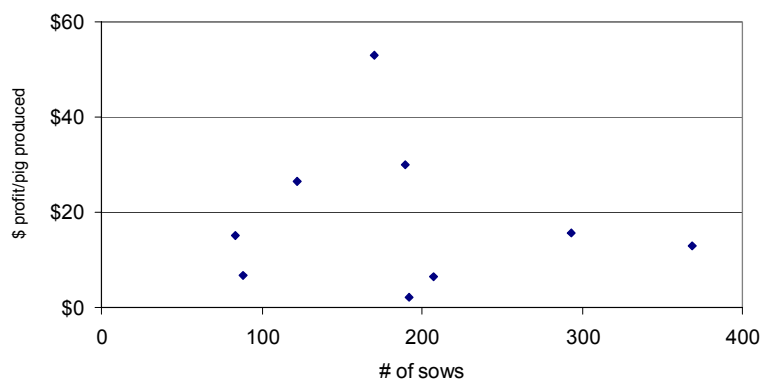
The numbers in Table 1 may be interesting to compare however individual benchmarks do not necessarily suggest profitability at the farm level. They do not answer questions such as: What does it take to be profitable? Is profitability linked to farm size? How important is cost control? and etc.

¹ Participation in ODAP varies each year. Results are for discussion purposes and are not assumed to represent an Ontario average.

² Calculated number to convert all pigs produced and sold to market hog equivalents taking into account production and inventory changes. Weaner pigs are converted to market hog equivalents using a factor of forty percent and SEW pigs are given a factor of twenty-five percent.

ODAP data for the years 2000 to 2004 were used to answer some of these questions. With respect to the size of farms, Figure 1 shows that profitability on a per pig basis shows considerable variability between farms. In fact, three farms averaging between 100 and 200 sows reported more than \$20/pig profit over the five years. The larger farms, with 300 to 400 sows, averaged about \$10 to \$20/pig profit during this time. This indicates that larger farms are not always more profitable than smaller farms.

Figure 1. Size versus Profit.



A high profit group and a low profit group based on profit/pig produced were separated out of the 9 producers that participated in ODAP each year from 2000 to 2004. This was done to determine why some farmers are more profitable than others. The results for revenue and expenses per pig for each group are shown in Table 2 below. The high profit group benefits through a combination of higher revenue and lower expenses resulting in a \$24.41/pig advantage over the low profit group. Lower depreciation and feed costs were the main reasons for lower total expenses in the high profit group. Although it is not known, it is possible that increased revenue could result from marketing hogs so that they fit into the optimal area of the marketing grid.

Table 2. High Profit vs Low Profit.

	High Profit Group	Low Profit Group	Difference
Revenue/pig produced	\$158.77	\$148.59	\$10.18
Expenses/pig produced	\$126.66	\$140.89	(\$14.23)
Profit/pig produced	\$32.11	\$7.70	\$24.41

In summary, benchmarking provides an opportunity for comparison and shows productivity improvements over time. Benchmarking can be used to help show whether farms have been profitable and what it takes to be profitable. It seems to be a combination of factors that affect financial success at the farm level.

Some key learning points are provided below:

- Farms are larger and productivity is higher in 2004 compared to 1995
- Farm size is not an indicator of financial success
- Cost control and revenue optimization are drivers of profitability

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