Benchmarking the Ontario Pig Industry

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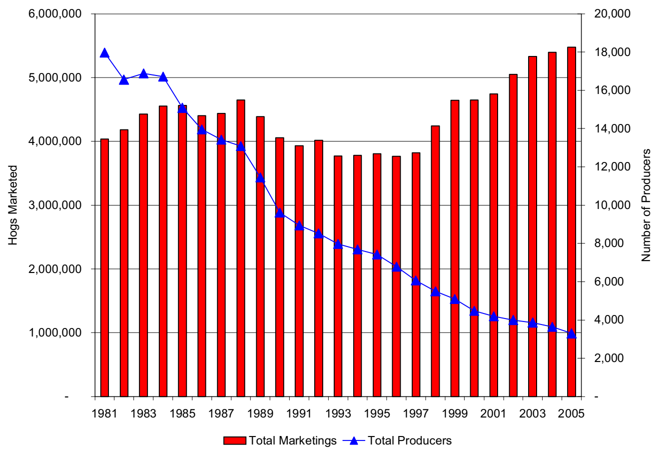
Background

Ontario's swine farms have changed over time – both in terms of number of farms and size of farms. Figure 1 displays hog marketings and producer numbers over time and shows how hog marketings have grown despite the dramatic decrease in number of producers.

Figure 1 Ontario Hog Marketings and Producer Numbers Over Time



Source: Ontario Pork

As the swine production industry in Ontario changes it is important to identify trends that are occurring. This will assist in the development of policies that benefit not only the current producer base but also future generations of producers.

Objectives

The intent of this project was to contact all individuals that owned one or more pigs in Ontario at the time of the survey and to describe demographic, production, financial and future intentions of these people. More specifically, the objectives of the project were:

1) Develop a database of every producer that owns one or more pigs in the province of Ontario. Information to be captured would include producer demographics such as age, level of education, business structure, as well as other data including production type, pig inventory, age of facilities, future expansion or contraction plans, and etc..

2) Analyse producer information to benchmark changes in production type, farm size, marketing expertise and etc..

3) Quantify present and future rates of change occurring in producer numbers by farm size, geographic location, and business type.

A similar study completed in 1999 will serve as a benchmark.

Results

i) Production Systems – While much emphasis has been placed on unique production systems in the last ten years, farrow to finish is still the most common system with approximately 58% of respondents in this category in 1999 and 2006. Finishing systems (50lbs to market weight) represented 28% of respondents in 2006 up from 18% in 1999.

Table 1 Main Swine Production Systems

Production System	% of Respondents – 2006	% of Respondents - 1999
Farrow to Finish	58.5%	57.2%
Farrow to Early Wean (approx. 12lbs)	2.8%	4.0%
Farrow to Wean (approx. 50lbs)	5.6%	8.2%
Nursery	0.5%	0.3%
Wean to Finisher (12 – 25lbs to market)	4.7%	12.7%
Finisher (50lbs to market)	27.9%	17.6%

Response Rate: 1,737 in 2006, 3,333 in 1999

Table 2 shows that a large percentage of the respondents could still be considered small swine operations. For example, 40% of the farrow to finish farms have 50 sows or less and 46% of the finishing operations plan to market 500 hogs or less in 2006.

Table 2 Distribution of Farrow to Finish and Finishing Farms by Size

Farrow to Finish		Finishing	
# of Sows	% of Resp	# of Hogs to Market in 2006	% of Resp
1 – 25	22%	< 100	17%
26 – 50	18%	101 – 500	29%
51 – 100	23%	501 – 1,000	15%
101 – 200	16%	1,001 – 3,000	25%
201 – 500	14%	3,001 – 5,000	9%
501 – 1,000	4%	> 5,000	10%
> 1,000	3%		

N = 988 for Farrow to Finish and 464 for Finishing

ii) Large vs Small Producers – There is validation that there are fewer small producers and more large producers who are increasing the size of their operations. Table 3 shows the respondents categorized by their total farm sales and the amount of inventory they had on hand. In 1999 small farms with $100,000 or less in farm sales represented 37.7% of the respondents and 6.8% of the total inventory. By 2006 farms in this sales category represented 23.2% of respondents and only 1.9% of the inventory. On the other hand, large farms with more than $1 million in farm sales represented 4.8% of respondents and 37.2% of the inventory in 1999 but 12.7% of respondents and 63.4% of inventory by 2006.

Table 3 Farm Sales and Inventory

	2006			1999		
Total Farm Sales	% of Resp	Inventory	% Inventory	% of Resp	Inventory	% Inventory
< $50,000	11.3%	14,553	0.5%	20.2%	57,396	2.3%
$50,000 - $100,000	11.9%	37,801	1.4%	17.5%	114,042	4.5%
$100,001 - $250,000	25.8%	179,071	6.6%	30.6%	418,727	16.7%
$250,001 - $500,000	23.9%	327,403	12.0%	18.9%	553,200	22.0%
$500,001 - $1 million	14.3%	439,810	16.1%	8.0%	431,260	17.2%
> $1 million	12.7%	1,731,900	63.4%	4.8%	934,659	37.2%
		2,730,538			2,509,284	

Response Rate: 1,642 in 2006; 3,155 in 1999; Resp = Respondents

iii) **Business Organization** – As swine farms grow in size there is a tendency for them to adopt a more complex business arrangement as shown in Table 4. This may be done to reduce liability or for tax purposes. Sole proprietorships are most common on farms with less than 50 sows while family and business corporations are more prevalent on farms with more than 200 sows.

Table 4 Business Arrangement vs Sow Inventory

Business Arrangement	% of Resp	Sow Inventory < 50	50 - 100	101 - 200	201 - 500	501 – 1,000	> 1,000
Sole Prop	40.5%	57.2%	24.6%	10.7%	4.5%	1.5%	1.5%
Partner	29.7%	31.0%	31.3%	18.4%	14.6%	2.6%	2.0%
Fam Corp	25.1%	15.2%	11.4%	21.8%	27.3%	14.9%	9.3%
Bus Corp	4.7%	3.7%	13.0%	7.4%	29.6%	13.0%	33.3%

Response Rate: 1,152

iv) **Age of Main Decision Maker** – Table 5 shows the age of the survey respondents. It confirms that there are few young farmers compared to the number of older farmers. In fact, the percentage of farmers more than 55 years old has risen from 19.8% to 23% of respondents from 1999 to 2006. On a positive note, however, is that the younger farmers are optimistic and 20% of them plan to increase the size of their swine operations in the next 2 years.

Table 5 Age of Main Decision Maker

Age of Decision Maker	% of Respondents - 2006	% of Respondents - 1999
< 25 yrs old	2.5%	1.7%
25 – 30	5.8%	7.2%
31 – 35	7.1%	12.2%
36 - 40	11.1%	15.9%
41 – 45	19.2%	17.2%
46 – 50	17.2%	13.9%
51 – 55	14.1%	12.0%
> 55 yrs old	23.0%	19.8%

Response Rate: 1,740 in 2006; 3,330 in 1999

v) **Debt** – Overall, 51% of all survey respondents reported that they have low debt levels (i.e. < 33% debt). Part of this may be attributed to the large number of older farmers involved in the survey who have had time to pay down their debt. It does appear from Table 6 that lower levels of debt are more frequently observed on farms classified as sole proprietors where the farm is typically smaller. On the other hand, business corporations had the highest frequency of high debt farms. This is likely due to the size of these operations and the fact that many of them will have recently built new facilities and will have larger inventory levels.

Table 6 Business Type vs Farm Debt Level

Business Type	% of Resp	Farm Debt Level Low Debt	Medium Debt	High Debt
Sole Proprietor	43.3%	59.5%	29.9%	10.6%
Partnership	28.4%	50.4%	36.7%	12.9%
Family Corporation	23.6%	40.8%	45.3%	13.9%
Business Corporation	4.8%	33.8%	46.8%	19.5%

Response Rate: 1,613

vi) **Off-Farm Employment** – Of all survey respondents, 23.2% reported that they had off-farm employment income. Out of this group 56% reported off-farm employment income at less than $35,000/year while 44% had more than $35,000/year as shown in Table 7. Off-farm employment income is found on farms of all sizes and not just small farms as might be expected.

Table 7 Off-Farm Employment Income vs Farm Size

Off-Farm Employment Income	% of Resp	Total Farm Sales < $50,000	$50,000 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1 million	> $1 million
< $35,000	56.3%	19.3%	17.8%	32.7%	21.8%	5.9%	2.5%
> $35,000	43.7%	21.0%	12.1%	21.7%	15.3%	12.7%	17.2%

Response Rate: 359

Take Home Message

- Farrow to finish farms make up 58% of Ontario's swine industry
- Large farms are increasing in size and number of farms
- As farms increase in size they are likely to adopt a more complex organizational structure i.e. family or business corporation
- Older farmers leaving the industry outnumber the number of young farmers by almost 3 to 1
- Farm debt levels may be related to age of buildings, size of farm, age of farmer
- Off-farm employment income plays a role on farms of varying sizes

Special thanks to Ontario Pork for funding this project. Recognition and appreciation is extended to the farms that participated.