Good morning.

You know the old saying about how if you are on a committee you don’t want to miss a meeting or they will give you a job? Well, I missed a meeting and here I am. My job is to talk about making the decision to use an alternative pork production system.

First, to help prevent confusion, we should define the terms conventional and alternative production. To keep things simple, we’ll say conventional pork production is a hog in a building on some type of a slat. Alternative pork production is everything else.

Now to the decision-making part. As many of you know, in February of 1999, a lot of Iowa pork producers are frustrated, angry, and uncertain about how they will fit into the future hog business. The business structure changes in our industry combined with the winter prices have left some of us shell-shocked. We used to have a neighbor who if something really bad happened would say, “That’s enough to make a preacher cuss.” It fits.

It’s also safe to say that when a person is stressed out, it is difficult to make a calm, logical decision. Therefore it is a good time to consider a decision-making aid or tool. The goal of the decision aid is to remove some of the noise and chaos, and to help sort through the choices. Many of the decision systems use a series of questions or tests to help sort out different options. The questions should include numbers from hard data and also include the goals of the people involved. For some reason, writing things down does make decisions easier.

So for the rest of my time we will use a decision making process to test the decision to use an alternative pork production sys-
tem. The three tests will be profit, control, and fun.

Well, how do conventional and alternative methods of pork production compare for profit? I don’t know. We’ll know more later on today, when we see the comparison trials. Right now, we can refer to things like this ag-engineering report on hoops that includes a finishing comparison. And we have reports from other farmers, plus our own experience. So if we are talking about finishing hogs, the profit per head is probably a wash. One system gains a little here, the other a little there.

But there is a Paul Harvey type, “rest of the story,” to the profit test. Remember that when we sell a hog we are selling some of our capital and labor, as well as part of the corn crop. In general, conventional systems take more money and alternative systems take a little more labor. The source of the profit—capital or labor—therefore is different with the two systems. So the choice of systems may vary with your resources. For example, if you have some CDs in the bank, conventional methods may fit your situation. If you use hogs to help sell your labor or that of a family member or an employee, then an alternative system may fit best.

So if the answer to the profit test is a tie, we need to remember that we are selling more capital with the conventional system and selling more labor with the alternative systems.

The second test is control. This is a hard one because it brings out personality differences and personal values. We won’t all agree. There is nothing wrong with that. It means the decision aid process is working.

I’m going to go off on a tangent and then come back.

To finish hogs in 1999 in Iowa in a conventional system and to be economically competitive, we are looking at a double-curtain, total slat barn that holds about 1,000 head. It will cost about $160 per head. To fill it and feed the hogs to market weight will take about $90 per head. Adding $160,000 for the building and $90,000 for the hogs means that the ante, the cost to get in the finishing game, is a quarter of a million dollars with the conventional system.

To keep the dollars down we could consider a 400- or 500-head building, but the barn would cost at least $50 per head more. The producer would be at an economic disadvantage before he started. It would be like playing poker with four cards when everyone else had five.

An alternative system is finishing 180 hogs in a 30 by 72 ft. hoop. The facility will cost about $65 per head or about $12,000 dollars. One hundred-eighty hogs at $90.00 each adds about $16,000 for a total of $28,000.

We said in the profit test that the income per head was equal, so for a $28,000 ante, the alternative producer can buy into the same game that costs $250,000 for the conventional system.

1999 Swine System Options Conference
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Now with that background, we can get back to the control test.

First, production control. When someone invests a large amount of money in a building that can only be used for hogs, the production choice is to keep it full and run wide open for 15 to 20 years. There is really no production control.

The lower first time cost of most alternative systems, combined with the possibility of multiple uses, gives a producer choices and more freedom to adjust to the times.

You have to give the production control test to alternative systems.

The other control test is financial control. This would include long-term balance sheet things as well as day-to-day purchasing of inputs.

Back when we went off on the tangent and discussed building costs, I thought about adding the gestation and farrowing facilities required for the 1,000 head finisher or the hoop with 180 head. If you want to fill the finishers in a week to 10 days for disease control, you end up with between $3,000,000 and $4,000,000 for the conventional system versus $30,000 to $40,000 for the alternative system.

To get around the huge amounts of money required by today's conventional system, many different types of alliances and networks have evolved. These partnerships sound good at first but there are secondary effects. Pork producers have given up the control of who they buy feed from, control of who they buy breeding stock from, and control of where they buy vaccines and medication. A store that is price competitive this year may not be in six months or a year or two from now.

As far as balance sheet type financial control goes, by trying up a large amount of money in hog facilities many producers have found themselves unable to do anything else when another opportunity came up a year or two later.

The financial control test then has to be a win for alternative systems.

Last, the fun test. I think we sometimes get so busy trying to make ends meet and get everything done that we forget about the people side. It's pretty well accepted that people who enjoy their work do a better job.

Two examples:

One of the Iowa State outlying research farms is the Armstrong Farm in southwest Iowa. A few years ago, they remodeled a hog house into a farrowing barn that uses straw, box pens, and group lactation. One end has a room with large windows for visitors. The first time I went to their open day, I got started watching the sow and pigs, lost track of time, and missed lunch. The second time I visited, I started watching the people as well. Almost everyone had a smile on their faces. They were enjoying themselves. It was a people-friendly environment.
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This winter, my 15-year-old son helped me put cornstalk bedding in a hoop with finishing hogs. He had been growling around in one of those moods teenagers get. We were done and as I was walking away, he started laughing out loud. I turned to see what he was laughing about. One of the pigs had picked up a corn cob, had it sideways in his mouth like a big old cigar, and was literally prancing around the building. If there ever was a show-off, that pig was it. That pig made chores fun for my son.

To be fair, the conventional side does have an advantage on really cold or windy, rainy days.

For the fun test though, I'm still going to go with the alternative system because I believe it offers a higher-quality work environment.

So what is the score on the decision test? Profit is a tie, with a star depending on whether you are selling capital or labor. Control of production and finances are wins for the alternative system. Fun is also a win for alternative systems.

I hope this little example gave you an idea of how a decision-making process works. Many of us farmers are probably better producers than decision makers, so learning about decision aids is time well spent.

Thank you and good luck.