



Canadian Pork Council
Conseil canadien du porc

Bid Comparison Methodology

Several opportunities for tendering will be provided over the course of the program until all program funds are fully exhausted. The first tender date will be October 28, 2009. Dates for subsequent tenders will be announced on a regular basis.

Producers will submit bids for the total value of funds they need to comply with the program requirements.

Understanding that every barn differs in production type, size and configuration, a system to equitably compare bids has been developed. Using this system, each total farm bid is converted to a common unit basis for comparison purposes. This unit is called an Animal Unit Equivalent (AUE).

Bids are converted to the AUE based on the inventory of animals on the farm as reported in their most recent or previous AgriStability report. The resulting AUE is used to compare bids among those tendered. Payments will be awarded to the lowest bids first, followed by successively higher bids until the funds for that tender are exhausted.

In order to convert every bid into a comparable unit, a conversion factor is applied to the different stages of hog production. Each stage is assigned a different conversion factor. Two main considerations were used to establish the conversion factors, including investment cost breakdown and inventory adjustment.

Investment Cost Breakdown

As the program is setting aside productive space, it was determined that investment costs for each type of barn would be used to compare bids from different production stages. For example, a sow-to-wean barn represents about 34% of the total investment cost of a farrow-to-finish operation or three-site production facility. The sum of the investment percentages allocated to each of the 3 main stages of production equals 100% investment for a farrow-to-finish operation. Using standard investment costs, the following factors are used.

Sow-to-wean:	34%
Wean-to-30 kgs:	16%
31 kgs-to-market:	50%

Inventory Adjustment

The investment costs described above are then converted to a per inventory animal number. Based on industry figures, a typical snapshot-in-time livestock inventory was established for a farrow-to-finish operation as follows:

For every sow in inventory there would be: 3.4 pigs from Wean-to-30 kgs
7.1 pigs from 31 kgs to market

Based on these numbers, a farrow-to-finish operation with 100 sows would be expected to have roughly the following livestock in inventory at any given time:

Sows: 100
Wean-to-30kgs 340
31 kgs-to-market 710

Final Calculation

By taking the investment cost breakdown for each individual stage of production and dividing it by the number of animals in each production stage, conversion factors are calculated.

Production Stage	Investment Breakddown	Inventory Adjustment	Conversion Factor
Sows	34%	1	0.3400
Wean-to-30 kgs	16%	3.4	0.0471
31 kgs-to-market	50%	7.1	0.0704

Using the conversion factors for each production stage allows producers to be paid for exactly the inventory claimed in their applications. It also allows bids among producers with very different production types to be compared.

Examples:

Producer 1 has:

Sows: 1000
Wean-to-30 kgs 3500
31 kgs-to-market 7000

AUE Calculation

Production Stage	Inventory	Conversion Factor	AUEs
Sows	1000	0.3400	340.00
Wean-to-30 kgs	3500	0.0471	164.85
31 kgs-to-market	7000	0.0704	492.80
Total			997.65

This farm has 997.65 Animal Unit Equivalents.

Producer 2 has:

Sows: 0
Wean-to-30 kgs: 2000
31 kgs-to-market: 4000

AUE Calculation

Production Stage	Inventory	Conversion Factor	AUEs
Sows	0	0.3400	0
Wean-to-30 kgs	2000	0.0471	94.20
31 kgs-to-market	4000	0.0704	281.60
Total			375.80

This farm has 375.8 Animal Unit Equivalents.

Bid Comparisons

These two farms have very different production facilities. However, once their inventory numbers have been converted to Animal Unit Equivalents, comparing two bids is possible.

If these two farms bid the same total dollar bid, the bid from Producer 1 would be lower than the bid from Producer 2.

If both farms tendered a total dollar bid of \$100,000:

	Total Bid	Animal Unit Equivalent	\$ / AUE
Producer 1	\$100,000	997.65	100.24
Producer 2	\$100,000	375.80	266.10

The bid from Producer 1 will be accepted before the bid from Producer 2.

If both farms tendered a bid of \$250/AUE:

	\$/AUE	Animal Unit Equivalent	Total Bid
Producer 1	\$250	997.65	\$249,412.50
Producer 2	\$250	375.80	\$93,950.00

In this case, these two tenders are considered equal as the \$/AUE is exactly the same. While the \$/AUE bids are equal, Producer 1 receives payment on many more animal unit equivalents.

An on-line calculator is available at www.cpc-ccp.com to assist producers in comparing their total bid and per animal unit bid based on productive capacity.

Sources: Parameters used in the calculation of conversion factors are based on published data from Ontario Ministry of Agriculture and Food and Rural Affairs, Manitoba Agriculture, Food and Rural Initiatives and Meyers Norris Penny LLP.