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Economics, Veterinary Service and Herd Health Programs

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Introduction

Among the many changes in the swine industry during the past two decades, the concept of "Herd Health Programs" came to be. Still a buzz word with poorly defined activities, "Herd Health Programs" are part of our industry. Just listen in the halls during producer or veterinary meetings -- we discuss getting one, already having one, offering one, getting into the business of delivering several of them -- and none of us is quite sure what "one" is and, most of all, what it's worth. There should be no surprise that neither of us, producer or veterinarian, really has the foggiest notion of the economics of such things. We're not primarily business people with cost/benefit analysis capabilities. We have both, however, just been initiated into the fact we must become analytical, economically astute or hire the job done for us. The answer to the question "how much is a Herd Health Program worth?" is not to be found in this presentation. I hope we can all think about it a little and maybe, with help, it will be a definable term in the future.

Herd Health Programs are commitments by both producer and veterinarian to a set of mutually desirable goals. They may be simple goals or a complex interaction with actual management services provided by the veterinarian. Rather than describe various programs in depth, I will present the basic components I feel are necessary in complete herd health programs.

- 1) A regular schedule of on-farm visits is established.
- 2) A record system satisfactory to accurately assess production changes is established and maintained.
- 3) The veterinarian has the responsibility of keeping notes on discussions, recommendations and results and reporting these in writing.
- 4) The goals of the operation, (for example, 18 pigs sold per sow per year, eliminate scours in the farrowing house, raise weaning weight,) must be mutually understood and agreed upon.
- 5) The producer has the responsibility of keeping accurate and current records and information on the herd, and keeping them in a usable state.

The entire success or failure of Herd Health Programs hinges on the people involved. Most programs do not fail because of a lack of competence or ability on the part of either the veterinarian or producer. Instead, poor communication and unspoken expectations by both parties lead to disillusion and disappointment. This is a tricky association between two types of independent people -- confidence and reliance on each other takes time, effort and patience.

What about the economics of Herd Health Programs from the veterinary viewpoint?

Two systems are most common in establishing the fees veterinarians charge for services associated with Herd Health Programs.

- 1) A contract fee, based on a set amount per pig sold or pig weaned or sow farrowed, covers services and, in some cases, products and equipment for disease treatment and prevention.
- 2) Fees for services are charged by the hour and product is sold at set, often special consideration, levels.

Arguments are heated at veterinary meetings about which is the best method. I won't give the other side a chance -- I strongly prefer hourly rate systems as all people are treated equally. Per head fees tend to have the larger producer subsidizing the small producer for equal time expended. Veterinarians may also be tempted to work harder for larger operations with potential for improvement. Also, who does the counting of pigs on which to bill fees? I like hourly rates.

Herd Health Programs make it necessary to subdivide expenses for veterinary services. It isn't a matter of just a larger vet bill but what is the bill representing?

- 1) Direct Veterinary Service -- this portion of the charge represents travel, time, surgery, animal examinations and services associated with the unit.
- 2) Health Products -- that portion of health care costs for a herd, whether purchased from the veterinarian associated with the herd or not, that include medicines, vaccines and equipment needed to achieve the goals of production. These needs vary greatly from herd to herd.

Through the years it has been accepted as common enterprise accounting procedure in livestock production to include the category, "vet/medicine". The realities of current medicine and service marketing make the combination of these costs inappropriate. To compare various charges the remainder of this discussion will relate to service charges only. In the tables presented this is the fee described as DIRECT VETERINARY SERVICE. Product needs are widely variable and depend on the diagnosed problems present.

In 1979 and again in 1982 we compared the direct veterinary cost for the swine herds from which records were completed in 1978 and 1981. Tables 1 and 2 present the production achieved by these herds in our record system and Table 3 compares the relative improvements in production over these 3 years.

I'm proud to be able to work for these swine producers and compliment all of them on the efforts they make to improve their operations.

Summary

It would be misleading to leave the subject of Herd Health without some ideas of the difficulties involved. In my experience:

- any project attempted will take at least twice as long as we thought;
- the good times, with great improvement, will be counterbalanced by steps backward;
- only the most important records will fall in the pit;
- a herd health program is twice as much work as either the producer or veterinarian thought it ought to be;
- ongoing herd health programs are not for everyone. There are producers and veterinarians alike who cannot work closely with anyone to achieve such programs (and, as might be expected, the incompatible types never find each other!)
- Most progress shows up in the bank and on records, not in the lots, at least at first.

Herd Health Programs are not a list of vaccinations and procedures but are a commitment of veterinarian and producer to evaluate environment, genetics, disease and nutrition and to consider the importance of each in an objective fashion. The goal is efficiency and profit in pork production. Herd Health Programs are not for everyone, whether producer or veterinarian. You may try it and feel it doesn't come up to what you expected or may feel it is something "necessary" in today's pork production industry and be apprehensive that somehow you're not a part of it without a Herd Health Program. I don't think this is necessarily true and encourage you to try before you buy. Talk to your veterinarian; if you don't know what production you are achieving set up a recording program with the help of your veterinarian or extension specialist; if you know and aren't happy, work on it. See the banker and find out how happy he is -- I often find this to be the most accurate measure of herd productivity.

Strong working associations between producers and veterinarians have shown both parties the value of human cooperation in reaching goals. Herd Health Programs are just one more aspect of this long and valued relationship. Try it - the benefits are real if the effort is there.

TABLE 1. Compiled Herd Records, 1978

<u>Herd</u>	<u>A*</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
Live pigs born per sow year	20.4	15.2	14.7	19.0	20.7	16.8
Pigs weaned per sow year	15.8	13.6	11.4	15.1	17.6	14.6
Litters farrowed per sow year	2.34	1.48	1.57	1.98	2.02	1.76
Live pigs born per litter	8.72	10.27	9.36	9.60	10.24	9.54
Prewaning death loss, %	13.9	8.5	26.6	16.1	11.8	14.6
Lbs of feed per lb of pork sold	4.80	4.11	4.39	4.37	4.53	3.81
Direct veterinary costs, \$						
----Per litter farrowed	2.91	6.42	7.96	5.96	2.84	4.92
----Per pig weaned	0.43	0.70	1.13	0.78	0.33	0.60
----Per cwt sold	0.47	0.38	0.58	0.43	0.15	0.25

TABLE 1. (Continued)

<u>Herd</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>AVE</u>	<u>GOAL</u>
Live pigs born per sow year	14.2	17.9	13.6	17.0	20.0
Pigs weaned per sow year	14.6	15.6	9.3	14.1	18.0
Litters farrowed per sow year	1.57	1.80	1.47	1.77	2.00
Prewaning death loss, %	21.0	11.5	23.8	16.7	10.00
Lbs of feed per lb of pork sold	4.32	3.79	4.63	4.32	4.00
Direct veterinary costs, \$					
----Per litter farrowed	6.45	3.97	3.07	4.94	
----Per pig weaned	0.70	0.46	0.49	0.50	
----Per cwt sold	0.51	0.26	0.28	0.37	

* Indicates feeder pig production only

TABLE 2. Compiled Herd Records, 1981

<u>Herd</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5*</u>	<u>6*</u>
Live pigs born per sow year	19.9	18.8	12.6	21.1	18.1	18.5
Pigs weaned per sow year	17.4	14.6	11.4	17.6	15.4	15.8
Litters farrowed per sow year	2.14	2.06	1.48	2.04	2.23	2.05
Live pigs born per litter	9.33	9.12	8.49	10.34	8.08	9.07
Prewaning death loss, %	12.2	20.6	9.77	15.2	11.5	15.7
Lbs of feed per lb of pork sold	3.58	4.47	4.21	3.86	4.37	5.06
Direct veterinary costs, \$						
----Per litter farrowed	2.72	4.52	3.04	6.08	3.94	1.83
----Per pig weaned	0.33	0.64	0.39	0.70	0.57	0.40
----Per cwt sold	0.16	0.39	0.16	0.30	0.96	0.40

<u>Herd</u>	<u>AVE</u>	<u>GOAL</u>	<u>'81 vs '78**</u>
Live pigs born per sow year	18.6	20.0	+ 8.6%
Pigs weaned per sow year	15.1	18.0	+ 6.6%
Litters farrowed per sow year	2.06	2.00	+14.1%
Live pigs born per litter	9.07	10.00	- 5.5%
Prewaning death loss, %	14.2	10.00	+15.2%
Lbs of feed per lb of pork sold	4.25	4.00	+ 1.6%
Direct veterinary costs, \$			
----Per litter farrowed	4.17		+15.6%
----Per pig weaned	0.57		-12.3%
----Per cwt sold	0.36		+ 2.7%

* indicates feeder pig production only

** "+" indicated improved production or reduced cost in 1982

Comments on Tables 1 and 2

While some herds are represented in both tables there are some who have either ceased to keep records, have quit the pig business or no longer use our clinic for veterinary service. The changes in productivity reflect changes in many areas including health. The willingness of producers and veterinarians to complete and use records to advantage is a first step in continued improvements in swine production.

TABLE 3. Hypothetical Comparison, 1978 Herd with 1981 Herd*

Year	1978	1981
Sows in herd	100	100
Litters farrowed	202	223
Live pigs born	1700	1810
Pigs weaned	1410	1540
Average live born per litter	9.60	9.07
Pigs dying preweaning	284	256
Pigs sold (220 lbs est.)	1340	1470
Tons of feed used	637	688
Gross income (\$50/cwt est.)	\$147,400.00	\$161,700.00
Feed cost (\$0.075/lb est.)	\$95,550.00	\$103,200.00
Non-feed cost + profit	\$51,850.00	\$58,500.00
Direct Veterinary Costs	\$750.00	\$877.00
Production Indices:		
Live born per sow per year	17.0	18.6
Pigs weaned per sow per year	14.1	15.1
Litters per sow per year	1.77	2.02
Live born pigs per litter	9.60	9.07
Preweaning death loss, %	16.7	14.2
Lbs of feed per lb of pork sold	4.32	4.25

*From Abilene Animal Hospital, P.A. (records average) To establish this imaginary herd the number of sows, sale weights, feed cost and market price was defined with the same values for the two years.