



PLANNING FOR PROFIT



BRITISH
COLUMBIA

Ministry of Agriculture,
Fisheries and Food

Swine Farrow to Finish

(100 Sows)

Fraser Valley

Spring 1997

Agdex 440-810

Introduction

The planning process provides producers with the opportunity to look at their operation as a group of distinct enterprises. Alternative enterprises should be evaluated on the basis of **Contribution Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Contribution Margin** must provide funds for interest, overhead and other indirect expenses as well as a return for living expenses, loan repayment and investment. These items should be included in the overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Statement**.

Key Factors Affecting Profit

	Target
Feed Conversion (whole farm)	3.2:1
Litters per sow per year	2.2
Piglets weaned per litter	9.25
Market hogs sold/sow/year	20
Market Grade Index	108+

Meeting the nutritional requirements of the sow, timely breeding and continued high herd health are essential in order to meet production targets. Quality feed, care and housing will help reduce mortality below 15%. Market hogs should be fed in a manner so that they can be marketed within 165 days with an average grade index of 108+.

Hog prices fluctuate significantly from year to year as do feed grain prices. Over the past 10 years the hog price has ranged from \$1.05 to \$2.15 per kg. Potential hog producers should take these market swings into account when planning.

Marketing Alternatives

Hogs grown to the appropriate weight range are marketed through the BC Hog Marketing Commission. A formula based on prices in other markets is used to determine the weekly pool price. Hogs are graded according to lean yield and carcass weight and the price the farmer receives for each hog is adjusted by the grade index for that hog. $(\text{Index}/100) \times (\$/\text{kg}) \times (\text{kg carcass})$

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc	8	8	8	8	8	8	8	8	8	8	8	8
%Exp	8	8	8	8	8	8	8	8	8	8	8	8

The above information indicates the timing of monthly flow of funds included in the **Contribution Margin** only. A completed **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans, and personal expenses.

Rules of Thumb

Direct Expenses % of Income	75% - 80%
Investment/Sow	\$4,500 - \$5,500
Labour Estimate	25 hrs/sow/yr

The above indicators are provided for comparison purposes. They are set out as potential targets for hog production.

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FARROW TO FINISH

Target - 20 hogs/sow/yr

Contribution Margin Per Sow/Year 100 Sows Farrow to Finish Fraser Valley

Income

	Yield	Price*	Unit	Income
Market Hogs	1,596	\$2.01	kg	\$3,208
Cull Sows	68	1.30	kg	88
Cull Boars	6	1.19	kg	7

Total Income **\$3,303**

Direct Expenses

	Quantity	Price	Unit	Expense
<u>Feed</u>				
Dry Sow	816	0.289	kg	\$236
Nursing Sow	316	0.330	kg	104
Starter Ration	299	0.425	kg	127
Grower #1 Ration	467	0.329	kg	154
Grower #2 Ration	1,776	0.307	kg	545
Finisher Feed	2,953	0.290	kg	856

Supplies & Services

Transportation				40
Vet & Medicine				32
Utilities				60
Manure Disposal				30
Repairs & Maintenance				50
Stock Replacement				146

BCHMC Levy 28

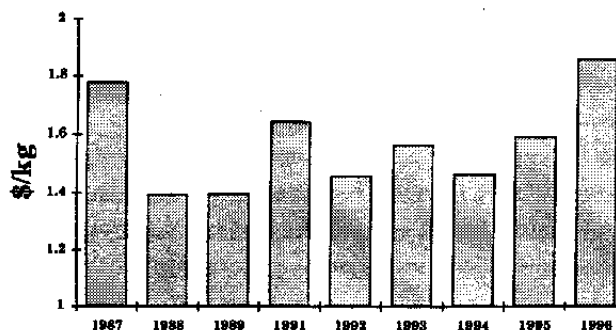
Total Direct Expenses **\$2,408**

Contribution Margin/Sow **\$895**

Contribution Margin/Market Hog **\$45**

*Market price @ 108 index

Hog Prices (100 index)
Average Annual Price



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as the market price (index 108) and hogs per sow per year vary.

Price \$/kg	Hogs per Sow			
	16	18	20	22
1.25	(239)	(205)	(167)	(131)
1.50	111	188	269	348
1.75	462	583	707	829
2.00	811	974	1,142	1,308

Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as the average cost of feed and the market price (index 108) vary.

Price \$/kg	Average Feed Cost \$/MT			
	275	300	325	350
1.25	9	(157)	(322)	(488)
1.50	452	287	121	(45)
1.75	896	730	565	399
2.00	1,339	1,174	1,008	842

This information is provided as a guideline only. Target yield indicates above average production. An individual livestock plan should be developed by each producer. Planning forms may be obtained from your local office of the BC Ministry of Agriculture, Fisheries and Food.