



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture, Fisheries and Food

Swine Farrow to Finish
(250 Sows)

Okanagan 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+.

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. $(\text{Index}/100) \times (\$/\text{kg}) \times (\text{kg carcass})$. At the present time there is no substantial processor in the Okanagan and hogs are shipped to the lower mainland for processing.

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	\$5,500 - \$6,000
Labour Estimate	27 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 250 Sows Farrow to Finish Okanagan 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

Feed

Hog Feed				\$1,309
Sow & Boar Feed				241

Supplies & Services

Transportation				119
Vet & Medicine				32
Utilities				70
Manure Disposal				7
Repairs & Maintenance				55
Stock Replacement				146

BCHMC Levy 28

Total Direct Expenses **\$2,007**

Contribution Margin/Sow **\$1,296**

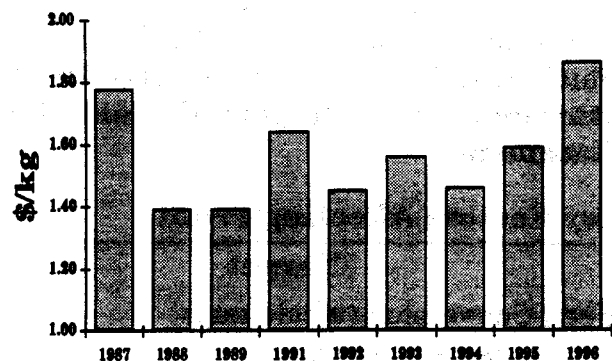
Contribution Margin/Market Hog **\$65**

*Market price @ 108 index

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.

Producers making their own feed must pay careful attention to formulation and procedures to ensure optimum feed efficiency and herd health.

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	89	147	204	262
1.50	421	520	618	718
1.75	755	896	1,035	1,175
2.00	1,087	1,268	1,448	1,630

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.