



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture,
Fisheries and Food

**Swine Batch Finishing
(1,000 Place Barn)
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)	3.1:1
Market Grade Index	108+
Batches per year	3

Batch finishing requires thorough wash down and disinfection between batches. An all-in-all out environment lowers levels of health challenge. Hogs grow with feed conversion ratios 0.20 kg feed per kg live gain better than similar continuous finishing operations. Batch finishing may be done in multi-room systems or whole barns. All hogs should be shipped according to weight in order to maximize returns from the grading system.

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 very careful and continuous attention to formulation and procedures to ensure optimum feed efficiency and herd health.

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 issued 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					33			33			33	
%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 in Barn/equ.	\$400 - \$450/hog
Estimate of Labour	0.3 - 0.4 hr/hog

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

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BATCH FINISHING MARKET HOGS

Target Weight - 80 kg/carcass

Contribution Margin 1,000 Place Barn Per Hog Per Year Fraser Valley

Income

	Yield	Price*	Unit	Income
Market Hogs	80	\$2.01	kg	161
Total Income				\$161

Direct Expenses

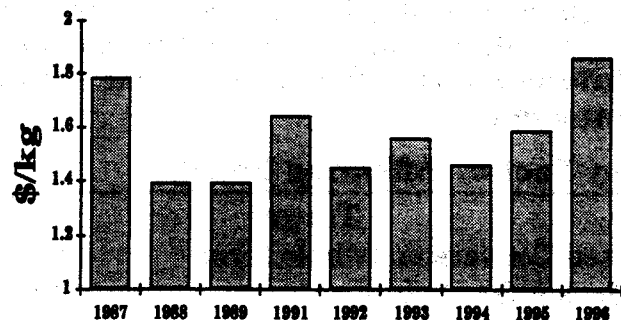
	Quantity	Price	Unit	Expense
Feed				
Grower	90	\$0.218	kg	\$20
Finisher	143	0.211	kg	30
Supplies and Services				
Weaner Pig				64
Transportation				3
Vet & Medicine				1
Utilities				2
Manure Disposal				2
Repairs & Maintenance				2
BCHMC Levy				1
Total Direct Expenses				\$125
Contribution Margin/Hog				\$36

*Market price @ 108 index

Buildings and Machinery Replacement Costs 1,000 Place Barn

Buildings	\$200,000
Equipment	<u>250,000</u>
Total	\$450,000

Hog Prices (100 index) Average Annual Price



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as the average cost of feed and the market price with a 108 index vary. (Note: The input weaner price also changes with market price/kg.)

Feed \$/kg	Average Feed Costs \$/MT			
	180	200	220	240
1.25	12	8	3	(2)
1.50	25	20	16	11
1.75	38	34	29	24
2.00	51	46	42	37

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.