



Enterprise:

## ***BACON PRODUCTION 2005***

### **Farm Enterprise Budget Series**

Enterprise size: **100 SOWS**

Performance: **Good**

Location: **North West Slopes**

## **1. Introduction**

The type of budget used is a gross margin. A gross margin can be defined as the gross income from an enterprise less the variable costs incurred in achieving it. Variable costs are those costs directly attributable to an enterprise and which vary in proportion to the size of an enterprise.

The gross margin is not gross profit because it does not include fixed or overhead costs such as depreciation, interest payments, rates, and permanent labour which have to be met regardless of enterprise size.

The following analysis is based on a "steady state " situation, and consequently, excludes the substantial capital cost involved in establishing a piggery. Due to rapid market fluctuations and differing individual situations, it is strongly recommended that producers use their own figures where possible.

The pig raising enterprise is an intensive unit with all stock housed. Growers are raised in straw based housing units. Breeding stock use both stalls and straw based housing.

It is assumed to be a well managed unit with all feed purchased as prepared feed. The prices are paid on a hot dressed weight basis. Pigs are sold as bacon pigs with a dressed weight range of 65-75 kg and in fat score 1-2 condition. It is assumed that all pigs are sold by direct consignment.

### **PRODUCTION ASSUMPTIONS:**

#### **Herd Parameters**

Sow numbers	100
Boar %	<b>5%</b>
Sows replaced after	<b>3 years</b>
Boars replaced after	<b>2 years</b>
Sow mortality	<b>2.00%</b>

#### **Reproduction**

	<b>Per Sow</b>	<b>Total Herd</b>
Litters per year	<b>2.30</b>	230
Average litter size born alive	<b>11.00</b>	2530
Average litter size weaned	<b>9.90</b>	2277
No. pigs reared/sow/year	<b>22.31</b>	2231
Less replacement gilts	<b>0.35</b>	35
No. pigs available for sale		2196

#### **Piglet mortality:**

Pre-weaning mortality	<b>10.00%</b>
Post-weaning mortality	<b>2.00%</b>

#### **Financial Requirements:**

Capital Invested	<b>\$350,000</b>
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## 2. Gross Margin Budget

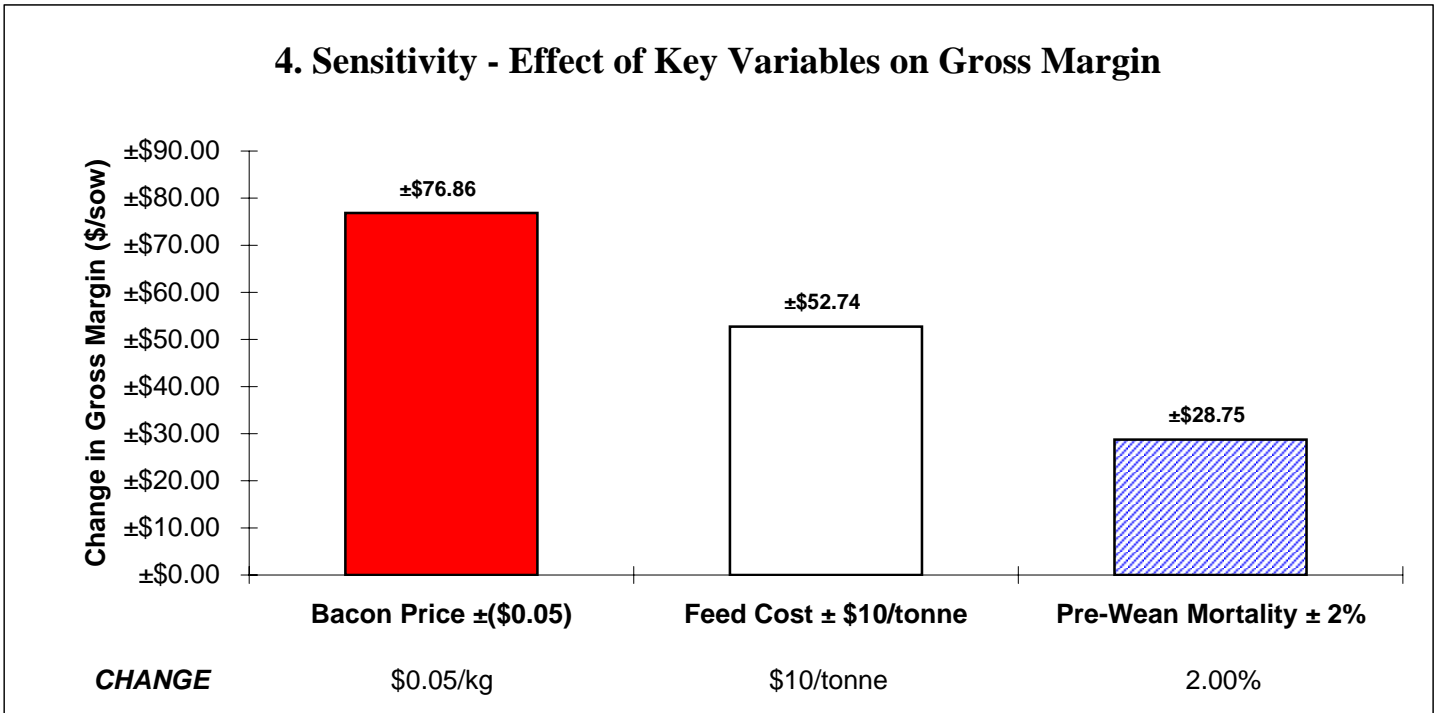
					Standard Budget \$	Your Budget \$
<b>INCOME:</b>						
2196 Baconers @	70 kg @	\$2.20 /kg			\$338,184	
33 Backfatters @	130 kg @	\$1.00 /kg			\$4,333	
<b>A. Total Income</b>					<b>\$342,517</b>	
<b>VARIABLE COSTS:</b>						
<b>Replacements</b>						
3 Boars @		\$600.00 /boar			\$1,800	
<b>Herd</b>						
Health @		\$80.00 /sow			\$8,000	
Recording @		\$2.00 /sow			\$200	
Requisites @		\$8.00 /sow			\$800	
<b>Shed</b>						
Electricity @		\$45.00 /sow			\$4,500	
Repairs & Main. @		\$40.00 /sow			\$4,000	
<b>Marketing</b>						
Cartage @		\$4.00 /pig sold			\$8,917	
Commission @		0.00% of sale value			\$0	
Slaughter Levy @		\$2.34 /pig sold			\$5,217	
<b>Labour</b> @		\$280.00 /sow			\$28,000	
<b>Feed table</b>						
Class of pig	Feed per pig	No. of Pigs	Cost (\$/T)	Total Cost		
Sows	1100 kg	100	\$280	\$30,800		
Boars	700 kg	5	\$300	\$1,050		
Gilts	70 kg	35	\$290	\$717		
Growers	236 kg	2231	\$300	\$158,228		
Suckers	30 kg	2277	\$720	\$49,183		
Total				\$239,978	\$239,978	
<b>Sundries</b> @		\$30.00 /sow			\$3,000	
<b>B. Total Variable Costs</b>					<b>\$304,412</b>	
<b>TOTAL GROSS MARGIN (A-B)</b>					<b>\$38,105</b>	
<b>GROSS MARGIN / SOW</b>					<b>\$381</b>	
<b>BREAK- EVEN PRICE</b>					<b>\$1.95</b>	

This budget should be used as a GUIDE ONLY and should be changed by the grower to take account of movements in costs and prices.

### 3. Return to Capital

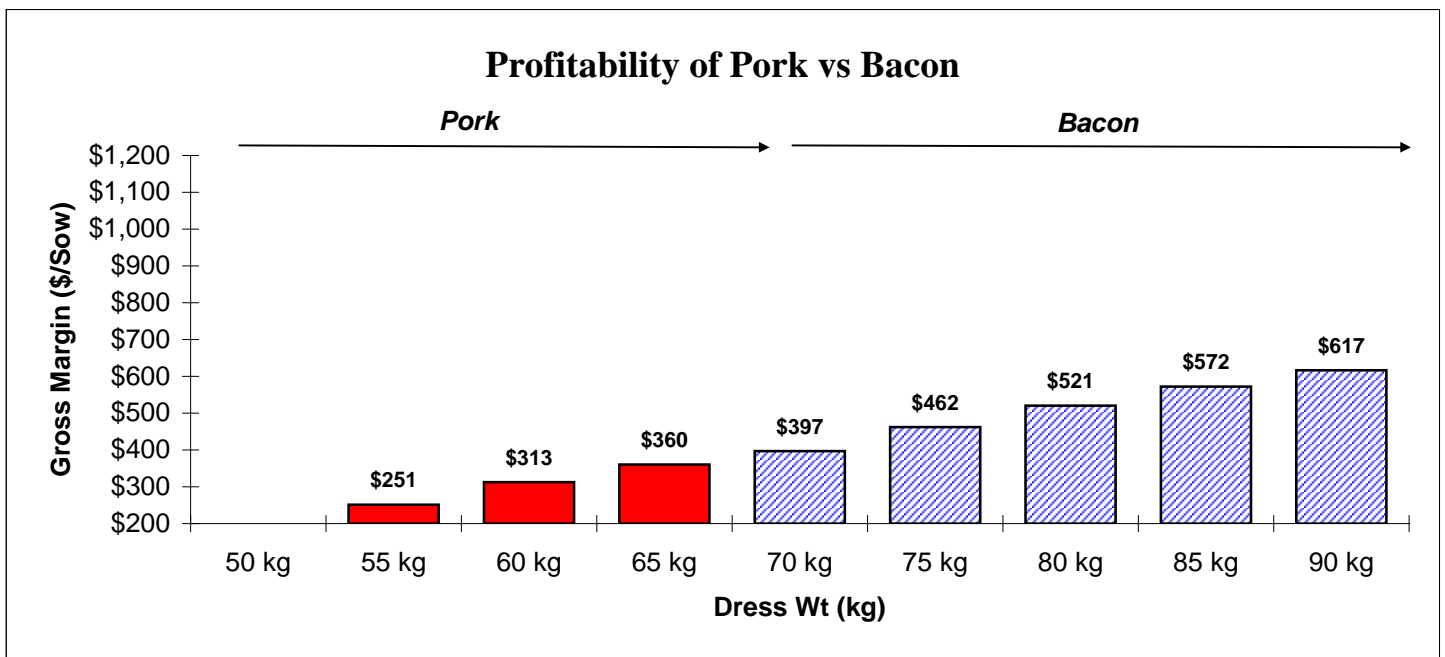
With a capital investment of **\$350,000** the above figure of **\$38,105** represents a return to capital of **10.89%**

This figure is the maximum return to capital in that overhead costs, ie, interest, depreciation, etc. have not been included. It is the gross margin return on capital invested.



### 5. What to Produce - Pork or Bacon?

The decision whether to produce pork or bacon will depend on a number factors including profitability. The graph given below provides current profitability information to assist pig producers in making this decision. Additional shedding requirements of bacon production as compared to pork production have not been taken into account in this analysis.



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## SENSITIVITY TABLES

Bacon Price \$/KG	GM \$/Sow
\$2.05	\$150
\$2.10	\$227
\$2.15	\$304
\$2.20	\$381
\$2.25	\$458
\$2.30	\$535
\$2.35	\$612

Feed Price Change (\$)	GM \$/Sow
\$30	\$223
\$20	\$276
\$10	\$328
\$0	\$381
-\$10	\$434
-\$20	\$487
-\$30	\$539

Pre-Wean %	GM \$/Sow
6%	\$481
8%	\$452
10%	\$424
12%	\$395
14%	\$366

Variable	GM change
Bacon Price $\pm$ (\$0.05)	$\pm$ \$76.86
Feed Cost $\pm$ \$10/tonne	$\pm$ \$52.74
Pre-Wean Mortality $\pm$ 2%	$\pm$ \$28.75

## PORK VS BACON TABLE

Liveweight	Dressing %	Dressed Weight (kg)	Feed Conver. (kg)	Feed Consum. (kg)	Post Wean Mortality %	Dress Wt Price (Fat Sc 2) (\$/Kg)	Gross Margin (\$/Sow)
66 kg	75.50%	50 kg	2.800	157 kg	2.30%	\$2.40	\$177
73 kg	75.75%	55 kg	2.825	177 kg	2.35%	\$2.35	\$251
79 kg	76.00%	60 kg	2.850	197 kg	2.40%	\$2.30	\$313
85 kg	76.25%	65 kg	2.875	216 kg	2.45%	\$2.25	\$360
92 kg	76.50%	70 kg	2.900	236 kg	2.50%	\$2.20	\$397
98 kg	76.75%	75 kg	2.925	257 kg	2.55%	\$2.18	\$462
104 kg	77.00%	80 kg	2.950	277 kg	2.60%	\$2.15	\$521
110 kg	77.25%	85 kg	2.975	298 kg	2.65%	\$2.13	\$572
116 kg	77.50%	90 kg	3.000	318 kg	2.70%	\$2.10	\$617