



Enterprise:

BACON PRODUCTION 2005

Farm Enterprise Budget Series

Enterprise size: **100 SOWS**

Performance: **Average**

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 SOWS
Boar %	6%
Sows replaced after	3 years
Boars replaced after	2 years
Sow mortality	3.00%

Reproduction

Per Sow Total Herd

Litters per year	2.10	210
Average litter size born alive	10.00	2100
Average litter size weaned	8.80	1848
No. pigs reared/sow/year	18.02	1802
Less replacement gilts	0.36	36
No. pigs available for sale		1765

Piglet mortality:

Pre-weaning mortality	12.00%
Post-weaning mortality	2.50%

Financial Requirements:

Capital Invested	\$350,000
------------------	------------------

2. Gross Margin Budget

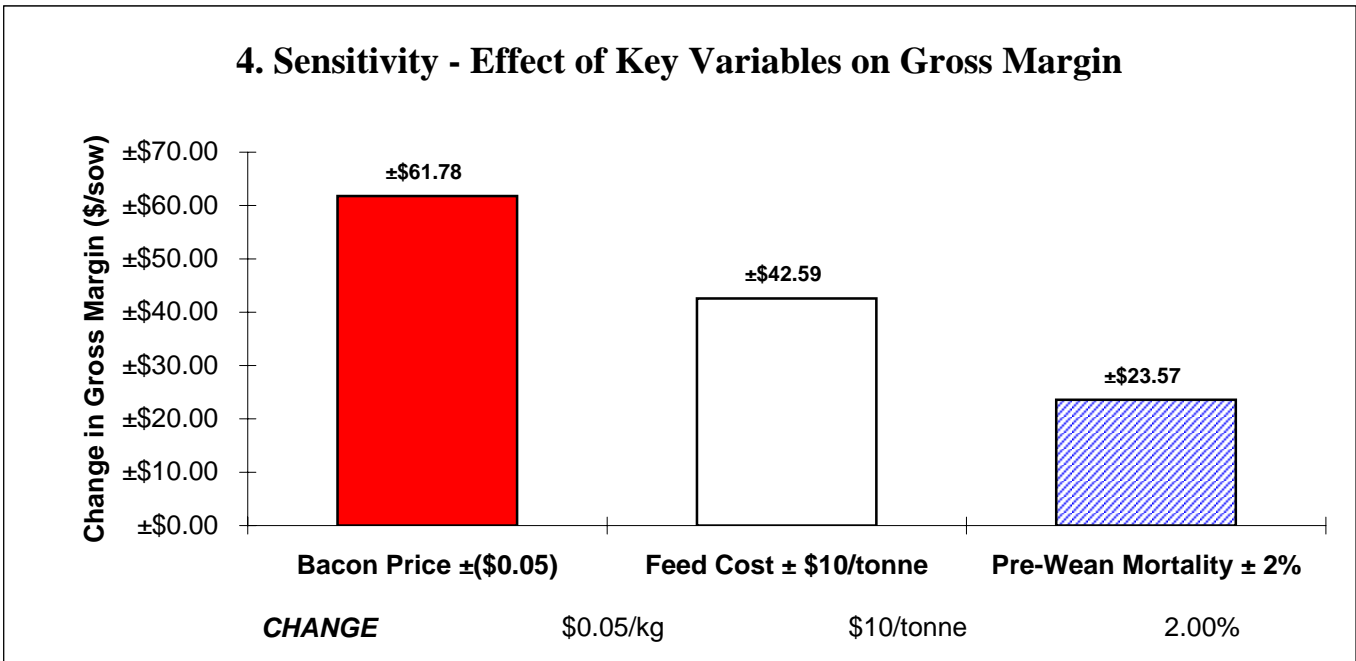
					Standard Budget \$	Your Budget \$
INCOME:						
1765 Baconers @	70 kg @		\$2.20 /kg		\$271,810	
33 Backfatters @	130 kg @		\$0.80 /kg		\$3,467	
A. Total Income					\$275,277	
VARIABLE COSTS:						
Replacements						
3 Boars @			\$600.00 /boar		\$1,800	
Herd						
Health @			\$80.00 /sow		\$8,000	
Recording @			\$2.00 /sow		\$200	
Requisites @			\$8.00 /sow		\$800	
Shed						
Electricity @			\$45.00 /sow		\$4,500	
Repairs & Main. @			\$40.00 /sow		\$4,000	
Marketing						
Cartage @			\$4.00 /pig sold		\$7,193	
Commission @			0.00% of sale value		\$0	
Slaughter Levy @			\$2.34 /pig sold		\$4,208	
Labour @			\$280.00 /sow		\$28,000	
Feed table						
Class of pig	Feed per pig	No. of Pigs	Cost (\$/T)	Total Cost		
Sows	1100 kg	100	\$280	\$30,800		
Boars	700 kg	6	\$300	\$1,260		
Gilts	70 kg	36	\$290	\$738		
Growers	236 kg	1802	\$300	\$127,762		
Suckers	30 kg	1848	\$720	\$39,917		
Total				\$200,476	\$200,476	
Sundries @			\$30.00 /sow		\$3,000	
B. Total Variable Costs					\$262,178	
TOTAL GROSS MARGIN (A-B)					\$13,099	
GROSS MARGIN / SOW					\$131	
BREAK- EVEN PRICE					\$2.09	

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

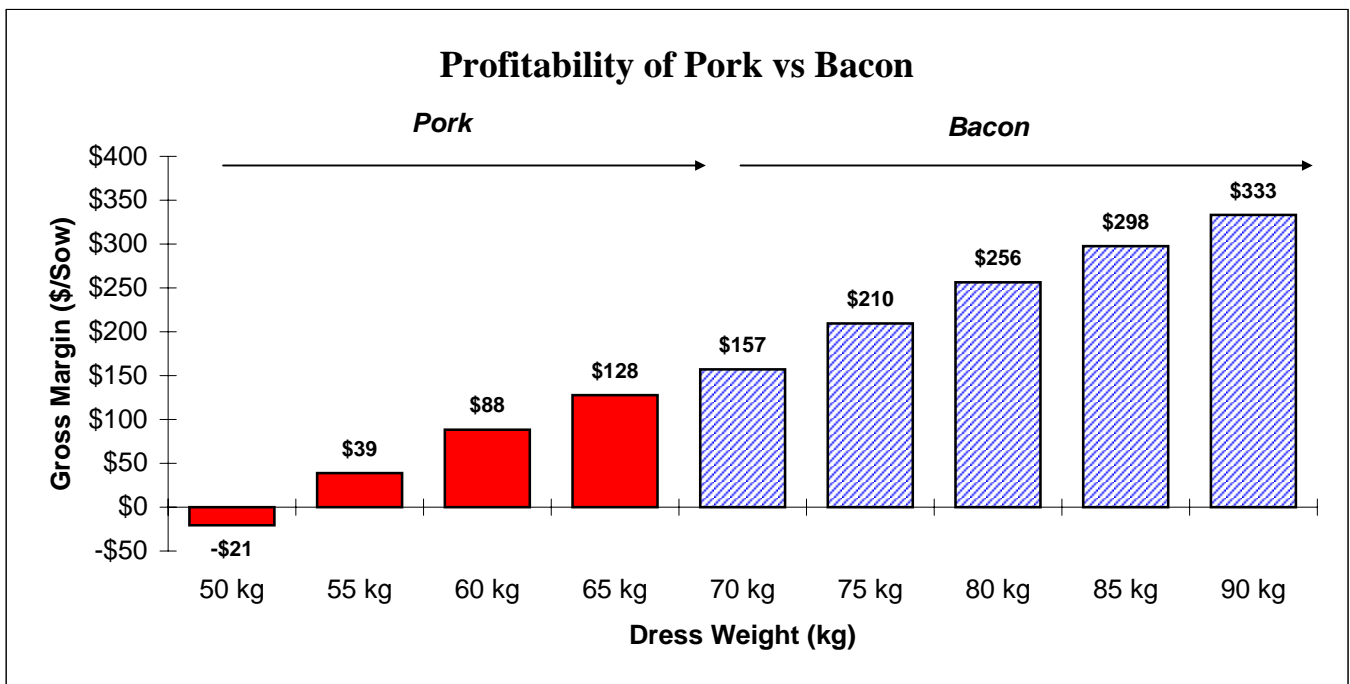
With a capital investment of **\$350,000** the above figure of **\$13,099** represents a return to capital of **3.74%**

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.



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.

SENSITIVITY TABLES

1. BACON PRICE	
Bacon Price \$/KG	GM \$/Sow
\$2.05	-\$54
\$2.10	\$7
\$2.15	\$69
\$2.20	\$131
\$2.25	\$193
\$2.30	\$255
\$2.35	\$316

2. FEED COST	
Feed Price Change (\$)	GM \$/Sow
\$30	\$3
\$20	\$46
\$10	\$88
\$0	\$131
-\$10	\$174
-\$20	\$216
-\$30	\$259

3. MORTALITY	
Pre-Wean %	GM \$/Sow
8.00%	\$222
10.00%	\$199
12.00%	\$175
14.00%	\$151
16.00%	\$128

4. SUMMARY	
Variable	GM change
Bacon Price \pm (\$0.05)	\pm \$61.78
Feed Cost \pm \$10/tonne	\pm \$42.59
Pre-Wean Mortality \pm 2%	\pm \$23.57

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	-\$21
73 kg	75.75%	55 kg	2.825	177 kg	2.35%	\$2.35	\$39
79 kg	76.00%	60 kg	2.850	197 kg	2.40%	\$2.30	\$88
85 kg	76.25%	65 kg	2.875	216 kg	2.45%	\$2.25	\$128
92 kg	76.50%	70 kg	2.900	236 kg	2.50%	\$2.20	\$157
98 kg	76.75%	75 kg	2.925	257 kg	2.55%	\$2.18	\$210
104 kg	77.00%	80 kg	2.950	277 kg	2.60%	\$2.15	\$256
110 kg	77.25%	85 kg	2.975	298 kg	2.65%	\$2.13	\$298
116 kg	77.50%	90 kg	3.000	318 kg	2.70%	\$2.10	\$333