

Guidelines For Estimating Chicken Broiler Production Costs Based on 50000 kg per cycle

DATE: October, 1999

The following budget is an estimate of the costs of production encountered in a modern broiler operation in Manitoba. The purpose of this budget is to assist broiler producers to calculate their own cost of production and to take into consideration the factors that should be included when budgeting to determine breakeven prices.

The assumptions on which costs are calculated are clearly defined in the supporting pages. When interpreting these costs for an individual situation, adjustments may be required. Each assumption must be examined and adjustments made, when necessary, to apply to the farmer's own situation.

Note that on-farm feed costs are based on market prices at the farm. It is assumed that all the feed is purchased. Management costs have not been included in this budget.

The Manitoba Chicken Producer Board is elected by the chicken producers in the province to oversee production and negotiate the price of chicken. All commercial farms must have quota to produce chicken. The Board can provide information about how to obtain quota and can be contacted at (204) 489-4603.

Chicken Broiler Production Cost Summary

Based on 50000 kg per cycle

	<u>Cost/Bird Shipped</u>	<u>Cost/kg Shipped</u>	<u>Cost/Cycle</u>	<u>Your Cost</u>
A. Operating Costs				
1. Feed Costs:				
1.01 Starter	0.16	0.082	4,100	_____
1.02 Grower	0.32	0.164	8,200	_____
1.03 Finish	0.40	0.205	10,250	_____
Total Feed Costs	\$0.88	\$0.451	\$22,550	_____
2. Other Operating Costs:				
2.01 Chick Cost	0.57	0.292	14,600	_____
2.02 Insurance	0.01	0.007	350	_____
2.03 Annual Fuel & Repair Costs	0.02	0.010	500	_____
2.04 Utilities	0.08	0.041	2,050	_____
2.05 Custom Work	0.04	0.023	1,150	_____
2.06 Catching	0.04	0.018	900	_____
2.07 Marketing Costs	0.03	0.014	700	_____
2.08 Barn & Office Supplies	0.03	0.015	750	_____
Subtotal Operating Costs	1.70	0.871	43,550	_____
2.09 Operating Interest	0.01	0.006	300	_____
Total Operating Costs	\$1.71	\$0.877	\$43,850	_____
B. Fixed Costs				
3. Depreciation				
3.01 Facilities	0.14	0.072	3,600	_____
3.02 Machinery & Equipment	0.03	0.015	750	_____
4. Investment				
4.01 Land	0.01	0.005	250	_____
4.02 Facilities	0.06	0.031	1,550	_____
4.03 Machinery & Equipment	0.01	0.005	250	_____
Total Fixed Costs	\$0.25	\$0.128	\$6,400	_____
Total Operating & Fixed Costs	\$1.96	\$1.005	\$50,250	_____
C. Barn Labour				
	0.16	0.082	4,100	_____
Total Cost of Production	\$2.12	\$1.087	\$54,350	_____

Chicken Broiler Production Costs

Assumptions

1. This budget outlines the cost of production for a broiler operation.
2. Buildings and equipment are valued at new cost.
3. All feed is purchased.

Flock Profile

Number of chicks placed	27,541	chicks placed/cycle
Mortality rate	5.00	%
Number of birds shipped	26,164	birds shipped/cycle
Plant condemnations	2.00	%
Number of birds sold per cycle	25,641	birds sold/cycle
Finish live weight	1.95	kgs
Number of kgs sold per cycle	50,000	kgs sold/cycle
Chick purchase price	\$0.5275	/head
Days to market	38	days
Cycle period	49	days
Number of cycles	7.4	cycles/year

Feed Costs

Ration	Days on Feed	Kilograms per day	Kilograms total	Ration Cost \$/tonne
Starter	14	0.045	0.63	\$240.00
Grower	14	0.094	1.32	\$230.00
Finish	10	0.174	1.74	\$215.00
Total	38	0.313	3.69	

Feed Conversion Ratio 1.89

Feed cost is based on commercially prepared pelleted rations, delivered to the farm.

Other Operating Costs

Annual Fuel & Repair Costs

Repairs (Machinery, Equipment & Facilities)	\$1,500
Fuel Costs	\$2,200

Utilities

Annual Telephone	\$1,000
Annual Hydro	\$7,000
Annual Propane	\$7,000

Custom Work

Cleaning and washing	\$7,000
Manure removal	\$0
Dead bird removal	\$500
Straw bedding	\$1,000

Catching

Catching birds	\$6,700
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Marketing Cost

Provincial levy (per kg marketed)	\$0.01
Agency levy (per kg marketed)	\$0.0044

Insurance

Cost per \$100 Capital Invested in	
Livestock	\$0.40
Building & Equipment	\$0.40
Business Interruption	\$0.23
estimated return per kg	\$1.20
Additional Coverage for Liability	\$30.00

Miscellaneous Costs

Barn and office supplies	\$4,000
Land & building taxes	\$2,000
Operating Interest Rate	8.00 %
Investment Interest Rate	5.00 %

Capital Costs

	Original Value	Salvage Value	Useful Life
Land base	\$20,000		
Buildings			
Barn	\$240,000	10 %	15 years
Equipment	\$120,000	10 %	15 years
Well	\$10,000	10 %	15 years
Site development	\$50,000	10 %	15 years
Utility hookup (gas,hydro,etc)	\$7,500	10 %	15 years
Total	\$427,500		
Machinery & Equipment			
Tractors, trucks, etc.	\$50,000	10 %	10 years
Bins, feeders, etc.	\$10,000	10 %	10 years
Straw chopper	\$5,000	10 %	10 years
Generator	\$5,000	10 %	10 years
Other	\$3,000	10 %	10 years
Total	\$73,000		
Total Investment	\$520,500		

Labour Costs

Hours	7.0 hours/day
Wage	\$12.00 /hour

Chicken Broiler Production Costs - Worksheet

Assumptions

1. This budget outlines the cost of production for a broiler operation.
2. Buildings and equipment are valued at new cost.
3. All feed is purchased.

A. Operating Costs

1. Feed Costs

1.01 Starter Ration

		14	days on feed	<u> </u>
x		0.045	kg/day	<u> </u>
x		27,541	chicks placed/cycle	<u> </u>
÷		25,641	birds sold/cycle	<u> </u>
=		0.68	kg fed/bird sold	<u> </u>
x		<u>\$0.24</u>	/kg	<u> </u>
=		\$0.16	/broiler	<u> </u>

1.02 Grower Ration

		14	days on feed	<u> </u>
x		0.094	kg/bird	<u> </u>
x		27,541	chicks placed/cycle	<u> </u>
÷		25,641	birds sold/cycle	<u> </u>
=		1.41	kg fed/bird sold	<u> </u>
x		<u>\$0.23</u>	/kg	<u> </u>
=		\$0.32	/broiler	<u> </u>

1.03 Finish Ration

		10	days on feed	<u> </u>
x		0.174	kg/bird	<u> </u>
x		27,541	chicks placed/cycle	<u> </u>
÷		25,641	birds sold/cycle	<u> </u>
=		1.87	kg fed/bird sold	<u> </u>
x		<u>\$0.22</u>	/kg	<u> </u>
=		\$0.40	/broiler	<u> </u>

2. Other Operating Costs:

2.01 Chick Cost

		\$107,506	purchase cost	<u> </u>
÷		<u>189,741</u>	birds sold	<u> </u>
		\$0.57	/broiler	<u> </u>

2.02 Insurance

		\$477,500	buildings & equipment	_____
x		\$0.40	/\$100	_____
÷		100	cost/\$100	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		0.0100	/broiler	_____
		\$107,506	chick investment	_____
x		\$0.40	/\$100	_____
÷		100	cost/\$100	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		0.0020	/broiler	_____
		\$444,000	gross sales	_____
-		\$166,870	feed cost	_____
-		\$108,040	bird cost	_____
=		\$169,090	amount covered	_____
x		80	% coverage	_____
x		\$0.23	/\$100	_____
=		\$311.13	premium	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		0.0016	/broiler	_____
		\$30	coverage for liability	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		0.000	/broiler	_____
Total	=	\$0.0136	/broiler	_____

2.03 Annual Fuel & Repair Costs

		\$1,500	repairs	_____
+		\$2,200	fuel costs	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		\$0.02	/broiler	_____

2.04 Utilities

		\$15,000	/year	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		\$0.08	/broiler	_____

2.05 Custom Work

		\$7,000	cleaning & washing	_____
+		\$0	manure removal	_____
+		\$500	dead bird removal	_____
+		\$1,000	straw bedding	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		\$0.04	/broiler	_____

2.06 Catching

	\$6,700	/year	_____
÷	<u>189,741</u>	<u>birds sold</u>	_____
=	\$0.04	/broiler	_____

2.07 Marketing Costs

	\$3,700	provincial levy	_____
+	\$1,628	agency levy	_____
÷	<u>189,741</u>	<u>birds sold</u>	_____
=	\$0.03	/broiler	_____

2.08 Miscellaneous expenses

	\$4,000	office supplies	_____
+	\$2,000	taxes	_____
÷	<u>189,741</u>	<u>birds sold</u>	_____
=	\$0.03	/broiler	_____

2.09 Operating Interest

(Operating interest is charged on one half the subtotal operating costs)

	\$0.57	chick cost	_____
+	\$0.57	½ feed & other costs	_____
x	8.00	% operating interest	_____
x	49	days in cycle	_____
÷	<u>365</u>	<u>days per year</u>	_____
=	\$0.01	/broiler	_____

3. Depreciation

Original Value - Salvage Value
Useful Life

3.01 Facilities

	\$427,500	original value	_____
-	\$42,750	salvage value	_____
÷	15	years useful life	_____
÷	<u>189,741</u>	<u>birds sold</u>	_____
=	\$0.14	/broiler	_____

3.02 Machinery & Equipment

	\$73,000	original value	_____
-	\$7,300	salvage value	_____
÷	10	years useful life	_____
÷	<u>189,741</u>	<u>birds sold</u>	_____
=	\$0.03	/broiler	_____

4. Investment	<u>Original Value + Salvage Value</u> x Investment Rate			
		2		
4.01 Land				
		\$20,000	total land cost	_____
x		5.00	% investment rate	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		\$0.01	/broiler	_____
4.02 Facilities				
		\$427,500	original value	_____
+		\$42,750	salvage value	_____
÷		2	average	_____
x		5.00	% investment rate	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		\$0.06	/broiler	_____
4.03 Machinery & Equipment				
		\$73,000	original value	_____
+		\$7,300	salvage value	_____
÷		2	average	_____
x		5.00	% investment rate	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		\$0.01	/broiler	_____
C. Barn labour				
		7.0	hours/day	_____
x		49.0	days/cycle	_____
x		7.4	cycles	_____
x		\$12.00	/hour	_____
÷		<u>189,741</u>	<u>birds sold</u>	_____
=		\$0.16	/broiler	_____

For further assistance contact your local Manitoba Agriculture and Food office

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