ANIMAL INDUSTRY
Manitoba Swine Update

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Calculating Your Cost of Production (C.O.P)

Cost of production (COP) is a listing of all expenses associated with a specific enterprise and, when compared to the expected income, provides an estimate of profitability. A COP can be developed for each enterprise on the farm.

The basis of a COP is a common unit such as an acre for crops or per head for livestock. This permits easier comparison between crop and livestock enterprise budgets. Planning activities can spring from a COP that allows the producer to analyze areas of weakness and outline strategies for improvement.

COP budgets can be organized and presented in several different formats, but they typically contain three sections: variable costs, fixed costs and labour costs. Items such as feed, fertilizer, seed, chemicals, fuel and livestock health expenses are examples of variable costs. Fixed costs are those associated with owning a fixed asset or resource, and they include depreciation and investment cost. Labour costs will vary from enterprise to enterprise depending on things such as availability of labour, costs of labour and mechanization of the enterprise.

In developing a swine COP for your farm, following a format helps simplify the exercise and avoids the chance that some costs might be missed. Table 1 shows an approximate breakdown for costs associated with various types of pig ventures. Managing these factors requires records of performance from the barn. Changes in input factors alters the relationship between these factors.

Begin by entering the herd profile along with the herd productivity indicators. This will predict pig production for the year.

Feed requirements and costs along with feed consumption growth rate allow you to calculate one of the largest variable costs. In a farrow to finish operation, feed represents sixty percent of all operating costs. Any efficiency gained at this stage helps to reduce overall cost of production. Finally, capital costs can be added. These represent long term and intermediate assets such as land, buildings, equipment and breeding stock.

Workers represent an important input cost and have a big impact on profitability. Every effort should be made to provide a good work environment and proper training to encourage personal upgrading by staff. Labour inputs in hours and rates per hour can be added next. This input varies depending on the type of operation.

Once assembled, the data can be entered into a spreadsheet for easier calculation or the costs per pig can be calculated manually. Results of individual farms can be compared to industry standards for a sense of where the farm can economize.

Manitoba Agriculture, Food and Rural Initiatives (MAFRI) has COP interactive guidelines for all categories of production including pigs, on the MAFRI website located at www.gov.mb.ca/agriculture under Programs and Services, Farm Management and Marketing.

If you want to complete an economic analysis of your operation and would like assistance, call your local livestock specialist or farm management specialist.

Information prepared by John Maltman, Swine Specialist and Peter Blawat, Farm Management Specialist, Manitoba Agriculture, Food and Rural Initiatives.

Table 1

Selected Percentages of Important Cost Factors

	Finisher Grower	Farrow to Wean	Farrow to Finish	Nursery
Feed Cost	40%	34%	60%	25%
Pig Cost	40%	NA	NA	60%
Other Operating Cost	12%	28%	10%	8%
Fixed Costs	6%	16%	20%	4%
Labour Costs	2%	21%	10%	3%

Fire Safety for the Barn

Some hog producers know first hand the cost and devastation that a barn fire can have on their livelihood. Pigs can seldom be rescued from burning barns so many hundreds or thousands of animals can be lost in a single barn fire.

The number of hog barn fires may not be large, but the value of the loss can be tremendous. These large losses have caused fire insurance rates to increase dramatically with fewer insurance companies wanting to be involved.

Carberry Fire Chief Don Menzies spoke at Brandon Hog Days about some of the concerns that a local fire department may have, and how barn owners could work with their local fire departments.

Some of the suggestions from the presentation are as follows:

- Involve your fire department by letting them see the layout of the facility, where the maintenance room is located, and other potential problem areas.
- The heat source and the electrical room need to be kept clean and tidy and may need a separate exhaust system to remove heat from that area.
- Maintain electrical fixtures, fan motors, etc. to reduce the chance of electrical fires.
- Maintain all fire extinguishers and keep any fire fighting equipment in good order.
- A yearly inspection of your facilities by your local fire department would let them see and report to you, areas that are potential fire hazards that should be attended to by the barn managers.

Paying attention to barn maintenance, especially the heat and electrical fixtures, and working with your local fire department should help reduce the fire hazards in your facility.

Information prepared by Brian Cotton, Swine Specialist, Manitoba Agriculture, Food and Rural Initiatives.

Soybean Meal - Can You Afford It?

Soybean meal prices F.O.B. Dauphin reached a high of $522 per tonne on April 5, 2004. At these high prices, hog producers should look at other alternatives such as canola meal or field peas.

Three different diets are outlined below for pigs weighing 70 pounds. One uses soybean meal while the other two use peas as the primary protein source with two different bushel values.

It is evident by comparing the three diets, that producers can pay up to $9.40 per bushel for 22% protein peas if soybean meal reaches $522/tonne. However, protein content of peas can be variable so samples should be analyzed prior to ration formulation.

For sows and heavier finisher pigs, peas can be the sole protein source. Other feedstuffs that may replace some or all of the soybean meal include lentils, pea screenings, canola meal and high protein hulless barley.

Diet	Soybean Meal	Peas ($6.00/bushel)	Peas ($9.40/bushel)
Wheat %	45.3	39.7	39.7
Barley %	32.0	28.2	28.2
Soybean Meal %	18.8	8.2	8.2
Peas %	0.0	20.0	20.0
Canola Oil %	0.8	0.8	0.8
Premix %	3.1	3.1	3.1
Cost/Tonne	$247.65	$222.67	$247.65

For further information or diet formulation contact your nearest Ag Rep office or Swine Specialist.

Information prepared by Ron Bazylo, Swine Specialist, Manitoba Agriculture, Food and Rural Intiatives.

Upcoming Events

The Living with Livestock - Environment and Change conference is scheduled for October 5-7, 2004 at the Canad Inns, Polo Park in Winnipeg.

For more information about this event, please contact Dr. Ian Seddon at 204-945-0353 or email: iseddon@gov.mb.ca