

Some of the other production costs include manure handling, feed delivery, and utilities. Manure handling costs are based on a custom handling price of \$0.01 per gallon. Each feeder pig finished is expected to produce 190 gallons of manure for a cost of \$1.90 per head. Utilities are charged at a rate of \$1.57 per animal finished. Weaned pig finishing is expected to cost \$2 for manure handling and \$2.57 for utilities per head. Custom feed mixing, grinding, and delivery is charged at rate of \$10 per ton of feed.

Interest costs are assessed on feeder pig purchases, feed, labor, and other variable input costs. Interest on the pig purchase cost is assessed over the duration of the feeding period. Interest on input costs is calculated as the product of one half of the production cost, full pig purchase price, and the current operating interest rate when the pigs were delivered. Interest costs are based on the operating loan rate reported by the Chicago Federal Reserve Bank, available on their Web site.

Transportation costs include the expense of trucking finished hogs 100 miles to a packing facility. Trucking costs are calculated from a base per mile trucking fee of \$2.50 per loaded mile and an additional fuel surcharge when the price of road diesel fuel exceeds a threshold of \$1.20 per gallon. Fuel surcharges per mile are 20 percent of the cost of a gallon of diesel above the \$1.20 threshold price. The price of Midwest No. 2 over-the-road diesel is obtained from historic price database on the U.S. Department of Energy Web site. Transportation costs per head are determined under the assumption that a truck is filled by 148 finished hogs. The minimum transportation cost per hog is \$1.68 per head.

Facility costs include the cost of all buildings and equipment needed for farrow to finish operations. Also included are the costs of repair and mainte-

nance, taxes, and insurance. Buildings are expected to last 25 years and equipment 10 years. Fifty pound feeder pigs are placed in 9600 space finishing facilities with an estimated value of \$1.9 million with a 70/30 building to equipment cost split. For a weaned pig finishing operation the cost of a 4000 head nursery is added. The estimated cost of the nursery is slightly less than \$450,000 with a 65/35 split between the cost of the building and the equipment. Annual repair costs are estimated to 1.5 percent of original value. Depreciation is amortized according to useful life. Property insurance and tax are assessed at 0.5 percent and 0.7 percent respectively. Cost of annual land value or "rent" and initial site preparation with utility connection are assessed at \$0.09 per animal sold. The final estimated fixed cost per head finished is \$6.82 for feeder pigs and \$8.45 for weaned pigs.

Purchase price

Feeder pigs are purchased for the price reported in the National Direct Feeder Pig Report. Fifty pound pigs are valued at the average delivered price paid for lots of 750 head or more. Weaned pigs are valued at the average price paid for delivered SEW 10 pound pigs in lots of 750 head or more.

Sale price

Finished hogs, weighing 270 pounds, are sold for the average weekly price paid in Iowa-So. Minnesota as determined by Livestock Market Information Service based on USDA report LM_HG 204. The average market hog price is multiplied by 74 percent to make the conversion to live hog price. Cull hogs are assumed to make up 3 percent of the market hog volume and are discounted 45 percent on a per head basis. Final sale values are adjusted by 98.4 percent in order to account for light weight cull hogs.

. . . and justice for all

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