

Feed costs are assessed each month based on the feed quantity consumed and monthly market price. The price of corn is assumed to be the mid-month price received by farmers, reported in the USDA *Agricultural Prices*, adjusted upward by \$0.10 per bushel to reflect a purchase price. Soybean meal is valued each month according to the average Thursday midpoint price in Central Illinois as reported in USDA report GX_GR117. The cost of dried distiller grain is based in the average midpoint price in Iowa, reported weekly in USDA report SJ_GR225. In the event that Iowa prices are not reported during a particular month, the price of dried distiller grain in Central Illinois will be used. Vitamins, mineral supplement, and purchased complete feed is included at a cost of \$6.55 per feeder pig produced and \$7.80 per head during finishing.

Operating and overhead costs

Animal health expenses include the cost of commonly used vaccines, parasite control, and miscellaneous cost such as antibiotics and vet charges. A cost of \$4.72 per head finished includes the health costs of the sows and hogs raised. A cost of \$2.40 per feeder pig sold includes sow and pig health costs.

Labor costs are based on pay rate of \$22 per hour, benefits included. The labor cost per finished hog sold is \$11.40, or if feeder pigs are sold, labor would cost \$8.59 per pig sold. Administrative costs are estimated to be \$3.50 per hog sold, or \$2 per feeder pig sold.

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. Feeder pig production is expected to produce 110 gallons of manure per pig, and feeder finishing is expected to produce 190 gallons of manure per hog. Utilities are charged at a rate of \$2.54 per feeder pig produced and \$1.57 per animal finished. Custom feed mixing, grinding, and delivery is charged at a rate of \$10 per ton of feed.

Transportation costs include the expense of trucking finished hogs 100 miles to a packing facility, or hauling feeder pigs 200 miles to a finishing 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 180 finished hogs, and 403 feeder pigs. The minimum transportation cost per hog is \$1.68 and \$0.63 per feeder pig.

Interest costs are assessed on feed, labor, and other variable input costs. Interest on these input costs is calculated as the product of one half of the total cost and the operating interest rate in the month the sow was bred. Interest costs are based on the operating loan rate reported by the Chicago Federal Reserve Bank, available on their Web site.

Facility costs include the cost of all buildings and equipment needed for farrow to finish operations. Also included are the costs of repair and maintenance, taxes and insurance. Buildings are expected to last 25 years and equipment 10 years. The construction and equipment cost of a 1200 sow gestation-farrowing barn is estimated at \$1.56 million dollars, with 65 percent of the cost allocated to the building and 35 percent for equipment. Cost of a nursery with 4000 spaces is estimated at slightly less than \$450,000 with a 65/35 split between the cost of the building and the equipment. A 9600 space finishing facility is estimated to cost \$1.9 million with a 70/30 building to equipment cost split. Depreciation is amortized according to useful life. Annual repair costs are estimated to be 1.5 percent of original value. Property insurance and tax are assessed at 0.4 percent and 0.7 percent respectively. Preparation of the building site and utility hookup is estimated to

cost \$38,500 amortized for 25 years for all buildings. An annual land value or “rent” of \$625 also is assumed. The cost of site preparation and annual land cost is assumed to be \$0.09 per animal sold. The final estimated fixed cost per finished hog sold is \$14.21, or \$7.49 per feeder pig sold.

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 a live hog price. Final sale values are adjusted by 98.4 percent in order to account for light weight cull hogs. Cull hogs are assumed to make up 3 percent of the market hog volume and are discounted 45 percent on a per head basis. If feeder pigs are sold rather than finished, they are sold for the average weekly price paid for 50 pound pigs in 750 plus size lots delivered, as reported in the weekly National Direct Feeder Pig Report.

. . . and justice for all

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