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WHAT *Can* I PAY *for* FEEDER PIGS



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WHAT CAN I PAY *for* FEEDER PIGS?

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ALABAMA FARMERS BUY a large number of feeder pigs each year. These purchases are likely to increase as farmers become more specialized in hog production. Mounting interest in growing and finishing hogs under contract agreements also points toward greater sales of feeder pigs in the State.

Whether a farmer buys feeder pigs depends on a number of economic factors. Among these are the asking price for feeders, the current price for market hogs and feed supplies, and past experience with feeder pigs.

INFLUENCING FACTORS

Just how much can a farmer pay for feeder pigs? This depends on several things, but the most important are the following:

1. The expected price for market hogs when feeders reach market weight.
2. The amount of corn required to produce 100 pounds of pork (feeding efficiency).
3. The present and expected price of corn during growing and finishing period.

This does not mean that such factors

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as disease and parasite control, protein amounts and costs, breeding, sanitation, and others are not important. For greatest profits, it is important that all these factors be considered.

Farmers have more control over certain of these factors than others. The amount of corn used in producing a market hog can be materially changed by following good practices. But, an individual farmer can do little to influence prices of feeder pigs, corn, or market hogs. A farmer following good management practices will adjust his hog enterprise to price changes. To do this he needs information about market supplies and conditions, the outlook for hogs, and feed supply prospects.

DECISIONS

Many Alabama farmers who are considered to be good hog producers often make less profit or even lose money because they do not adjust to changing prices and costs. For example, a farmer may be faced with the question of whether to feed \$1.40-per-bushel corn to 40-pound pigs that cost \$10 each when the expected market price of hogs is \$18 per hundredweight. To answer this question the farmer must have information on the foregoing factors. The data must be adapted to his own situation. With adequate data and some understanding of the factors involved, he can arrive at a wise decision.

USE of DATA

The following information and tables are intended to guide hog producers in making decisions. The prices farmers could pay for feeder pigs as reported in Tables 1, 2, and 3 are "break-even" prices. To make a profit, pigs would have to be bought at lower prices than those indicated. The "break-even" price means that costs of producing hogs would have to be about the same as those used in calculating the break-even prices. All costs of production are included. The tables give the prices that could be paid for feeder pigs of 40, 70, and 100 pounds. The price or cost of corn (including any storage costs) varies from \$.90 to \$1.60 per bushel. The expected price for market hogs is \$12 to \$24 per hundredweight. Pounds of corn required to produce a pound of pork is given as 2.5 (a high level of efficiency), 3.0 (a medium level), and 4.0 (a lower level of feed efficiency). The 2.5 level would require only 4.5 bushels of corn to produce 100 pounds of pork, whereas the 4.0 level would require 7.2 bushels.

In arriving at the prices that could be paid for feeder pigs and break even on all costs, certain conditions were used.

(1) Weight of the market hog when sold is 220 pounds.

(2) The following amounts of protein supplement are required from feeder weight to 220 pounds:

40-pound feeder — 80 pounds of supplement

70-pound feeder — 65 pounds of supplement

100-pound feeder — 50 pounds of supplement

(3) Cost of minerals, veterinary services, pasture, death losses, buildings, equipment, fences, interest on investment, and labor do not vary greatly with the weight of feeder pigs purchased. It is recognized that variation in costs exist among farms. Yet these

costs, as a percentage of total costs, are relatively less important than the costs of corn and protein supplement.

The costs incurred, other than for corn, as used in arriving at the "break-even" price on a 40-pound feeder raised to 220 pounds were estimated to be the following:

<i>Item</i>	<i>Cost</i>
Protein supplement, 80 lb. @ \$5.50/cwt.	\$4.40*
Labor.....	4.00
Pasture (high quality forage).....	2.50
Other (includes minerals, veterinary and medical expenses, death losses, interest on investment, and build- ing equipment and fencing costs)	4.10
Total (other than corn).....	\$15.00

ILLUSTRATION

What is the "break-even" price of a 40-pound feeder, under the following conditions? (1) \$1.30 corn including any storage costs, (2) a market price of \$18 per hundredweight, and (3) a requirement of 3 pounds of corn per pound of gain. It is \$12.07. (See Table 1, read across top to \$18.00, and down this column to \$1.30 in the "price of corn per bushel" column in the section of 3.0 pounds of corn per pound of pork.) The answer was obtained by taking the total of the \$15.00 cost other than for corn plus the value of corn, \$12.53, (180 pounds gain \times 3 pounds corn per pound gain = 540 pounds corn \div 56 pounds per bushel = 9.64 bushels \times \$1.30 per bushel = \$12.53), or \$27.53 from the expected value, \$39.60 (220-pound hog at \$18.00 per hundredweight = \$39.60) of the market hog. The difference in the value of the market hog, \$39.60 and \$27.53 equals \$12.07. This is the amount that could be paid for a 40-

* Using 65 and 50 pounds of protein supplement for 70- and 100-pound feeder pigs, respectively, the protein cost would be \$3.58 and \$2.75. Total cost other than corn would be \$14.18 for a 70-pound feeder and \$13.35 for a 100-pound feeder.

pound feeder pig and break even on all costs. Or, one might consider the \$12.07 as a maximum pig cost (cost of feed for pig and all pro rata costs for breeding stock) if pigs were raised.

The answer to the question of whether or not a farmer could feed \$1.40 per bushel corn to a 40-pound feeder pig that cost \$10 if the expected price for a 220-pound market hog was \$18 per hundredweight depends to a large extent on feeding efficiency.

If the farmer were a good manager and used less than 3.0 pounds of corn per pound of gain, the answer is "yes," he could make a profit. (See Table 1.) However, if 4.0 pounds of corn were required per pound of gain, a loss

would be sustained, based on the data presented.

Feeding efficiency is a very important factor in making profits with hogs. One can afford to pay more for a feeder pig if a high level of feeding efficiency is attained (Figure 1.) But, feeders are not priced according to a farmer's level of feeding efficiency. This means that profits are possible at a high level but more difficult to make at a low level of feeding efficiency.

Wise use of these data will help to increase profits. But remember, these figures are based on averages. Some adjustment in figures may be necessary for them to best serve each hog producer.

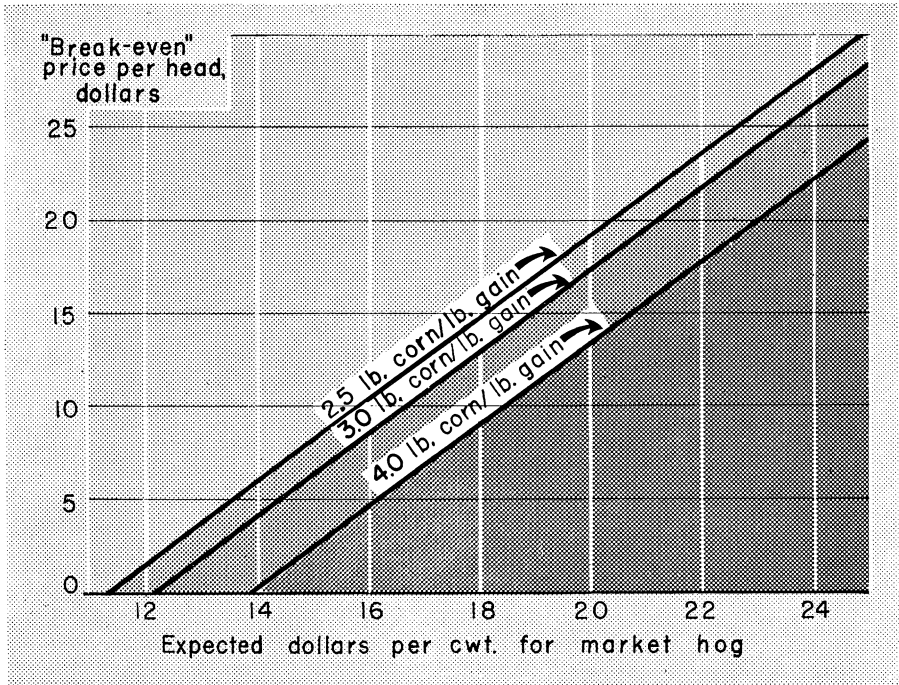


FIGURE 1. Estimated price per head that can be paid for 40-pound feeder pigs with corn at \$1.20 per bushel and hogs sold at 220 pounds weight is shown in the above graph for three levels of feeding efficiency.

TABLE 1. ESTIMATED PRICE (PER HEAD) THAT CAN BE PAID FOR 40-POUND FEEDER PIGS AT VARIOUS PRICES FOR CORN AND HOGS, AND AT DIFFERENT FEED EFFICIENCY LEVELS*

Pounds of corn per pound of pork	Price of corn per bushel	Expected price per hundredweight for 220-pound hog												
		\$12	\$13	\$14	\$15	\$16	\$17	\$18	\$19	\$20	\$21	\$22	\$23	\$24
<i>Price per head</i>														
2.5	\$0.90	\$ 4.16	\$ 6.36	\$ 8.56	\$10.76	\$12.96	\$15.16	\$17.36	\$19.56	\$21.76	\$23.96	\$26.16	\$28.36	\$30.56
	1.00	3.36	5.56	7.76	9.96	12.16	14.36	16.56	18.76	20.96	23.16	25.36	27.56	29.76
	1.10	2.56	4.76	6.96	9.16	11.36	13.56	15.76	17.96	20.16	22.36	24.56	26.76	28.96
	1.20	1.75	3.95	6.15	8.35	10.55	12.75	14.95	17.15	19.35	21.55	23.75	25.95	28.15
	1.30	.95	3.15	5.35	7.55	9.75	11.95	14.15	16.35	18.55	20.75	22.95	25.15	27.35
	1.40	.14	2.34	4.54	6.74	8.94	11.14	13.34	15.54	17.74	19.94	22.14	24.34	26.54
	1.50	--	1.54	3.74	5.94	8.14	10.34	12.54	14.74	16.94	19.14	21.34	23.54	25.74
1.60	--	.74	2.94	5.14	7.34	9.54	11.74	13.94	16.14	18.34	20.54	22.74	24.94	
3.0	.90	2.72	4.92	7.12	9.32	11.52	13.72	15.92	18.12	20.32	22.52	24.72	26.92	29.12
	1.00	1.76	3.96	6.16	8.36	10.56	12.76	14.96	17.16	19.36	21.56	23.76	25.96	28.16
	1.10	.80	3.00	5.20	7.40	9.60	11.80	14.00	16.20	18.40	21.60	22.80	25.00	27.20
	1.20	--	2.03	4.23	6.43	8.63	10.83	13.03	15.23	17.43	19.63	21.83	24.03	26.23
	1.30	--	1.07	3.27	5.47	7.67	9.87	12.07	14.27	16.47	18.67	20.87	23.07	25.27
	1.40	--	.10	2.30	4.50	6.70	8.90	11.10	13.30	15.50	17.70	19.90	22.10	24.30
	1.50	--	--	1.34	3.54	5.74	7.94	10.14	12.34	14.54	16.74	18.94	21.14	23.34
1.60	--	--	.38	2.58	4.78	6.98	9.18	11.38	13.58	15.78	17.98	20.18	22.38	
4.0	.90	--	2.03	4.23	6.43	8.63	10.83	13.03	15.23	17.43	19.63	21.83	24.03	26.23
	1.00	--	.74	2.94	5.14	7.34	9.54	11.74	13.94	16.14	18.34	20.54	22.74	24.94
	1.10	--	--	1.65	3.85	6.05	8.25	10.45	12.65	14.85	17.05	19.25	21.45	23.65
	1.20	--	--	.37	2.57	4.77	6.97	9.17	11.37	13.57	15.77	17.97	20.17	22.37
	1.30	--	--	--	1.28	3.48	5.68	7.88	10.08	12.28	14.48	16.68	18.88	21.08
	1.40	--	--	--	--	2.20	4.40	6.60	8.80	11.00	13.20	15.40	17.60	19.80
	1.50	--	--	--	--	.91	3.11	5.31	7.51	9.71	11.91	14.11	16.31	18.51
1.60	--	--	--	--	--	1.82	4.02	6.22	8.42	10.62	12.82	15.02	17.22	

* The estimated feeder pig prices above should be considered as "break-even" prices. Usual costs other than for corn have been added to the cost of corn at each level of grain feeding efficiency (2.5, 3.0, and 4.0). The total was then subtracted from the gross amount that would be received from the sale of a 220-pound market hog at various prices to arrive at the estimated feeder pig price indicated above.

TABLE 2. ESTIMATED PRICE (PER HEAD) THAT CAN BE PAID FOR 70-POUND FEEDER PIGS AT VARIOUS PRICES FOR CORN AND HOGS, AND AT DIFFERENT FEED EFFICIENCY LEVELS*

Pounds of corn per pound of pork	Price of corn per bushel	Expected price per hundredweight for 220-pound hog												
		\$12	\$13	\$14	\$15	\$16	\$17	\$18	\$19	\$20	\$21	\$22	\$23	\$24
		<i>Price per head</i>												
	\$0.90	\$ 6.19	\$ 8.39	\$10.59	\$12.79	\$14.99	\$17.19	\$19.39	\$21.59	\$23.79	\$25.99	\$28.19	\$30.39	\$32.59
2.5	1.00	5.52	7.72	9.92	12.12	14.32	16.52	18.72	20.92	23.12	25.32	27.52	29.72	31.92
	1.10	4.85	7.05	9.25	11.45	13.65	15.85	18.05	20.25	22.45	24.65	26.85	29.05	31.25
	1.20	4.18	6.38	8.58	10.78	12.98	15.18	17.38	19.58	21.78	23.98	26.18	28.38	30.58
	1.30	3.51	5.71	7.91	10.11	12.31	14.51	16.71	18.91	21.11	23.31	25.51	27.71	29.91
	1.40	2.84	5.04	7.24	9.44	11.64	13.84	16.04	18.24	20.44	22.64	24.84	27.04	29.24
	1.50	2.17	4.37	6.57	8.77	10.97	13.17	15.37	17.57	19.77	21.97	24.17	26.37	28.57
	1.60	1.50	3.70	5.90	8.10	10.30	12.50	14.70	16.90	19.10	21.30	23.50	25.70	27.90
3.0	.90	4.98	7.18	9.38	11.58	13.78	15.98	18.18	20.38	22.58	24.78	26.98	29.18	31.38
	1.00	4.18	6.38	8.58	10.78	12.98	15.18	17.38	19.58	21.78	23.98	26.18	28.38	30.58
	1.10	3.38	5.58	7.78	9.98	12.18	14.38	16.58	18.78	20.98	23.18	25.38	27.58	29.78
	1.20	2.57	4.77	6.97	9.17	11.37	13.57	15.77	17.97	20.17	22.37	24.57	26.77	28.97
	1.30	1.77	3.97	6.17	8.37	10.57	12.77	14.97	17.17	19.37	21.57	23.77	25.97	28.17
	1.40	.96	3.16	5.36	7.56	9.76	11.96	14.16	16.36	18.56	20.76	22.96	25.16	27.36
	1.50	.16	2.36	4.56	6.76	8.96	11.16	13.36	15.56	17.76	19.96	22.16	24.36	26.56
1.60	--	1.56	3.76	5.96	8.16	10.36	12.56	14.76	16.96	19.16	21.36	23.56	25.76	
4.0	.90	2.58	4.78	6.98	9.18	11.38	13.58	15.78	17.98	20.18	22.38	24.58	26.78	28.98
	1.00	1.51	3.71	5.91	8.11	10.31	12.51	14.71	16.91	19.11	21.31	23.51	25.71	
	1.10	.44	2.64	4.84	7.04	9.24	11.44	13.64	15.84	18.04	20.24	22.44	24.64	26.84
	1.20	--	1.57	3.77	5.97	8.17	10.37	12.57	14.77	16.97	19.17	21.37	23.57	25.77
	1.30	--	.50	2.70	4.90	7.10	9.30	11.50	13.70	15.90	18.10	20.30	22.50	24.70
	1.40	--	--	1.63	3.83	6.03	8.23	10.43	12.63	14.83	17.03	19.23	21.43	23.63
	1.50	--	--	.56	2.76	4.96	7.16	9.36	11.56	13.76	15.96	18.16	20.36	22.56
1.60	--	--	--	1.68	3.88	6.08	8.28	10.48	12.68	14.88	17.08	19.28	21.48	

* The estimated feeder pig prices above should be considered as "break-even" prices. Usual costs other than for corn have been added to the cost of corn at each level of grain feeding efficiency (2.5, 3.0, and 4.0). The total was then subtracted from the gross amount that would be received from the sale of a 220-pound market hog at various prices to arrive at the estimated feeder pig price indicated above.

TABLE 3. ESTIMATED PRICE (PER HEAD) THAT CAN BE PAID FOR 100-POUND FEEDER PIGS AT VARIOUS PRICES FOR CORN AND HOGS, AND AT DIFFERENT FEED EFFICIENCY LEVELS*

Pounds of corn per pound of pork	Price of corn per bushel	Expected price per hundredweight for 220-pound hog												
		\$12	\$13	\$14	\$15	\$16	\$17	\$18	\$19	\$20	\$21	\$22	\$23	\$24
<i>Price per head</i>														
2.5	\$0.90	\$ 8.23	\$10.43	\$12.63	\$14.83	\$17.03	\$19.23	\$21.43	\$23.63	\$25.83	\$28.03	\$30.23	\$32.43	\$34.63
	1.00	7.69	9.89	12.09	14.29	16.49	18.69	20.89	23.09	25.29	27.49	29.69	31.89	34.09
	1.10	7.15	9.35	11.55	13.75	15.95	18.15	20.35	22.55	24.75	26.95	29.15	31.35	33.55
	1.20	6.62	8.82	11.02	13.22	15.42	17.62	19.82	22.02	24.22	26.42	28.62	30.82	33.02
	1.30	6.08	8.28	10.48	12.68	14.88	17.08	19.28	21.48	23.68	25.88	28.08	30.28	32.48
	1.40	5.55	7.75	9.95	12.15	14.35	16.55	18.75	20.95	23.15	25.35	27.55	29.75	31.95
	1.50	5.01	7.21	9.41	11.61	13.81	16.01	18.21	19.41	21.61	23.81	26.01	28.21	30.41
1.60	4.47	6.67	8.87	11.07	13.27	15.47	17.67	19.87	22.07	24.27	26.47	28.67	30.87	
3.0	.90	7.26	9.46	11.66	13.86	16.06	18.26	20.46	22.66	24.86	27.06	29.26	31.46	33.66
	1.00	6.62	8.82	11.02	13.22	15.42	17.62	19.82	22.02	24.22	26.42	28.62	30.82	33.02
	1.10	5.98	8.18	10.38	12.58	14.78	16.98	19.18	21.38	23.58	25.78	27.98	30.18	32.38
	1.20	5.33	7.53	9.73	11.93	14.13	16.33	18.53	20.73	22.93	25.13	27.33	29.53	31.73
	1.30	4.69	6.89	9.09	11.29	13.49	15.69	17.89	20.09	22.29	24.49	26.69	28.89	31.09
	1.40	4.05	6.25	8.45	10.65	12.85	15.05	17.25	19.45	21.65	23.85	26.05	28.25	30.45
	1.50	3.41	5.61	7.81	10.01	12.21	14.41	16.61	18.81	21.01	23.21	25.41	27.61	29.81
1.60	2.76	4.96	7.16	9.36	11.56	13.76	15.96	18.16	20.36	22.56	24.76	26.96	29.16	
4.0	.90	5.34	7.54	9.74	11.94	14.14	16.34	18.54	20.74	22.94	25.14	27.34	29.54	31.74
	1.00	4.48	6.68	8.88	11.08	13.28	15.48	17.68	19.88	22.08	24.28	26.48	28.68	30.88
	1.10	3.62	5.82	8.02	10.22	12.42	14.62	16.82	19.02	21.22	23.42	25.62	27.82	30.02
	1.20	2.77	4.97	7.17	9.37	11.57	13.77	15.97	18.17	20.37	22.57	24.77	26.97	29.17
	1.30	1.91	4.11	6.31	8.51	10.71	12.91	15.11	17.31	19.51	21.71	23.91	26.11	28.31
	1.40	1.05	3.25	5.45	7.65	9.85	12.05	14.25	16.45	18.65	20.85	23.05	25.25	27.45
	1.50	.19	2.39	4.59	6.79	8.99	11.19	13.39	15.59	17.79	19.99	22.19	24.39	26.59
1.60		1.54	3.74	5.94	8.14	10.34	12.54	14.74	16.94	19.14	21.34	23.54	25.74	

* The estimated feeder pig prices above should be considered as "break-even" prices. Usual costs other than for corn have been added to the cost of corn at each level of grain feeding efficiency (2.5, 3.0, and 4.0). The total was then subtracted from the gross amount that would be received from the sale of a 220-pound market hog at various prices to arrive at the estimated feeder pig price indicated above.

