



## North Pig Monitor Farm Group

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Report on 2nd Meeting held Wednesday 22nd July 2009

Provisional date of next meeting: Tuesday 10<sup>th</sup> November 2009

**Facilitators:**

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## 1. INTRODUCTION

This was the second meeting of the North Group, which was held at Lochter, Oldmeldrum. A total of 34 people were present representing producers, pig staff, vets, and the trade.

The overall aim of the project is to help pig producers improve their performance and profitability. The Monitor Farm project helps by sharing experiences, finding out how others have tackled problems, trying out new techniques, bringing in the best specialists, and identifying best practice.

### The aim of this meeting was to:

1. Update from Monitor Farmer and consider key performance indicators
2. Consider how to calculate production costs
3. Comparisons of weighing systems
4. The new Vion contract
5. 'My Farm'
6. Scottish pig health overview
7. Market update

## 1. MONITOR FARM UPDATE

Figures were presented for 26 weeks production.

- ❑ 91% pregnancy rate at 6 weeks.
- ❑ Born alive around target of 12.0,
- ❑ pre-weaning mortality variable but around target of 10%.
- ❑ Also on-target 2.40 litters per year,
- ❑ with wasted feeding days around 10.

Good performance by local standards, but unexceptional by Danish standards.

Discussion followed on where are the main weaknesses.

- a) Breeding policy? Does the use of loose housing impinge on ability to pregnancy test? Runs a boar with groups of sows; one or two others do similar. One producer uses trained boar in group housing system. Small increase in number of returns in last couple of months; observed by some other producers too.
- b) Weaned pig performance; some sneezing and dirt around the eyes. No medication used at present. Vaccinated for Mycoplasma and PCV2 (Circoflex). Growth rates not a popular subject but may need investigation.

### 1a. KPI

The need for a shared set of key performance indicators of herd productivity which could be linked to financial costings was promoted for discussion. The group was not unanimous in their support with a tendency to stick with the status quo. It was accepted that there is value in going for a 'few' indicators, and also that a focus on indicators that linked directly to financial performance would be sensible. Current focus is on breeding herd performance.

*Initial KPI points:*

- Pigs per breeding animal per week
- Pigs per farrowing crate per week

- Post weaning mortality
- ADG weaning to slaughter
- FCR weaning to slaughter

*Future KPI points:*

- Breeding herd feed conversion
- FCR adjusted for mortality
- Post weaning FCR adjusted for average feed cost

The KPIs require 12 input values from the pig herd and four from the feed mix/purchases each week. Most producers using pig management software are able to produce most or all of the required values.

QMS has now signed a contract with Agrosoft to supply and support the WinPig package to Scottish producers and this will facilitate adoption of KPIs. This will provide an extended capability to compare units objectively and thereby to share knowledge on production techniques.

**Action**

Producers were asked to return the fax form regarding access to Agrosoft and the other IT components of the project.

**2. Estimating Production Costs (J Booth)**

The aim is to produce a simple costing model to allow producers to estimate the cost to produce a kg of pigmeat. This will allow producers to better understand their costs, margins and where to make improvements – the start of benchmarking.

The support and contribution of Dave Smith was acknowledged in developing the model. Jim was looking for feedback on the approach used to help improve the model.

Initially the estimate will be calculated from the latest financial year-end but will eventually move to a 'rolling' yearly average (maybe quarterly). It is important to adopt a standard approach if using the model for benchmarking purposes so some aspects would be standardised.

**Key points.**

Need to calculate the annual pigmeat produced; a combination of the total weight (dwt) of pigs sold plus allowance for gilts/boars retained for replacements. Dividing this the average sow numbers would give a measure of the 'annual pigmeat produced per sow'. A target of 2 tonne / sow has been suggested.

Calculating variable costs – those direct costs such as feed, vet, transport, etc is generally relatively easy as all attributed to the pig enterprise. Those home mixing, need to estimate the quantity of home grown feed (barley, wheat) used, being valued on a monthly basis at the HGCA ex-farm price. (these values would be provided).

Allocating fixed costs is notoriously difficult especially on farms with a range of enterprises (cereals, potatoes, livestock, etc).

**Some standard costs have been suggested**

- Unpaid management - £35,000 per labour unit

- Transfers of straw returned as FYM to arable land will be cost neutral – no charge
- Houses for farm staff charged at £5,000 each
- Overdraft and loan interest all charged at 4p/kg per pig.

A full handout describing the model is provided in Appendix 1.

As an example of the model, the North Monitor Farm costs till March 2009 were presented, although it was stressed these were still work-in-progress – appendix 2.

### **Action**

Comments of the model and the approach used are invited.

Volunteers are required to help develop the model (all confidential). If you want to know your production costs, please contact Jim.

### **3. Comparison of weighing systems**

The subject had been suggested and agreed at the first monitor farm meeting, with the aim of looking at a couple of different systems and also the costs and benefits involved. Video footage of three different systems were shown and costs from the monitor farm, with costs per 100 pigs (labour + annualised capital over 5 years) of £16.13, £16.60, £17.97 and £31.25. Reasons for variance included whether pigs were slapped or not and also equipment costs and age.

The group was shown the return on contract price from the processors based on 12 months' grading data for each of 18 farms. Excluding one outlier farm which was selling too many overweight pigs (and now no longer in business) the range in financial returns to producers as a result of the accuracy with which they met contract specifications, per 100 pigs, was £11,130 to £12,500.

**Action.** The group requested more detail on costs and also on novel weighing systems.

### **4. New Vion Contract.**

This has been agreed for all SPP marketed pigs and operational since the 1st July 2009. The base prices will be the DAPP (EU Dressing spec) 1 week prior to delivery. Q grade will be base + 3p. The contract is for 12 months.

The maximum wt before penalties will be 90kg dwt but also influenced by the P2 measurement.

The main impact of the new contract is to lower the max weight down from 95 to 90kg dwt – equivalent to selling pigs 1 week earlier.

### **Discussion**

The Group were asked to consider the impact of the new pricing contract to the North Monitor Farm.

Everyone agreed its best to generally sell heavier pigs – they leave the best return – so still best to max the average weight sold.

**Conclusion** was to continue as before, not to make any major change, although care is needed when selecting pigs and not get too many over the 90kg.

This will be monitored and discussed at a future meeting.

## **5. My Farm – Greg Davidson-Gall**

This will be a regular feature of the programme, where a member from the Group is invited to describe their pig unit, their systems and philosophy. There is tremendous value in finding out what others do, to share experiences and best practice.

To kick-off this session, Greg Davidson-Gall described his farm, how the business developed, the pig unit and its performance. He farms in partnership with his parents at Kindmundy Home Farm, Mintlaw, Aberdeenshire. They farm 340ha which is all down to cereals – all fed to livestock. The main enterprise is a 330 sow indoor herd which operate on a 3-weekly batch system. In addition have established a 12,000 hen free-range laying unit. See Appendix 2 for a copy of Greg's handout.

## **6. Scottish Pig Health Overview (Iain Mortimer)**

Iain outlined the draft programme aimed at improving performance by disease control, elimination and possibly even eradication. One of the basic requirements will be to understand where the Scottish herd stands at present, which is one of the main drivers for introducing the KPIs and attempting to establish the disease status of individual farms. Thereafter comparisons may be made between good or poor performance, good or poor disease status, and different management systems.

Issues include:

- Farm locations ~ GIS mapping
- Individual farm biosecurity (impacts on aerosol/physical/biological spread)
- Valid disease certification
- Data collection methods

A Group discussion followed which focused on the main health issues at individual and regional level. Current satisfaction at the degree of control of the severity of a range of health problems gained by management and medications, although concern about how to restrict 'the next new disease' coming into the area. Suggestion that eradication may not be a priority where vaccination is giving good control.

## **7. Market Update (G. McKen)**

DAPP at record levels but increasing pressure on price. Expect to plateau and may be downward movement.

Poor summer weather impacting on meat demand for BBQs

All the meat trade under pressure due to the state of the economy and impact of the recession.

Surplus pigs from Eire are going into N. Ireland.

Average DAPP for the first 6-months is 144.5p/kg compared to 138p/kg in 2008.

Scottish Government have stated they will give pigs a priority for PAC assessment for grant applications submitted under the SRDP.

**Action:** Any pig producer submitting a grant application should contact Gordon McKen at WPS so the PAC Committee could be advised.

### **7b. SPCA label of pigmeat. (G. McKen)**

This is seen as a tremendous opportunity to differentiate Scottish pigmeat by getting it labelled with "approved by SCOTTISH SPCA".

Scottish pigmeat has no PGI status so can't be labelled 'Scottish', this is a great opportunity to get a 'Scottish' label at no additional costs.

Need to appreciate SPCA are separate from the RSPCA. The SPCA have always been supportive of livestock farming. They have 7 Inspectors (assessors) and it wouldn't be onerous for existing farm assured units to gain approval.

Gordon circulated examples of the label to be used.  
Everyone agreed this was a great initiative and needs producers full support.  
This was a major coup and the industry owed thanks to Gordon and his team for making this happen.

**Action:** Need to get as many pig units to apply for an inspection by the 1st September.

## **8. Project Business**

### **The Management Committee**

The purpose of the Management Group is to represent the Community Group, and provide feedback and guidance to the project. Members will normally serve for one year. The Management Committee consists of the following members:

- Philip Sleigh 07889 681027
- Alistair Cruickshank 07542 564911
- Dave Smith 07795 505201
- Danny Skinner 07917 114566
- Greg Davidson-Gall 07801 057066
- John Rennie -07718 153314
- Ronnie Swan 7967 319780

Please contact them if you have any comments or suggestions to make on the programme.

### **Suggested Future Topics**

- AI
- New Contract update
- Terminal genetics

### **Date of next meeting**

A provisional date has been set for Tuesday 10<sup>th</sup> November.

## APPENDIX 1

### Estimating Pig Production Costs

**Aim:** The aim is to develop a simple costing model to allow producers to estimate their annual pig production costs (expressed in pence/kg dwt) to facilitate a quick comparison with pig prices.

Understanding your costs and margins is important to enable you to maximise your profitability.

Producing a simple standard approach hopefully will encourage producers to calculate their own figures. When it comes to benchmarking, it is important when comparing your figs to 'average' figs that there is a standard methodology.

### **Guidance Notes**

The estimate is based on an annual cost so you would normally use the latest year end. We will move to a 'rolling' yearly average.

The starting point is to complete livestock reconciliations for the year. This will show all sales, internal transfers etc.

Calculate annual pigmeat production: – This is the total weight (kg dwt) sold plus internal transfer of any retained gilts /boars. 'Average sow number'. is the mean of opening + closing nos. Total annual production is then divided by your average sow number to estimate the 'annual pigmeat production per sow' (kg dwt).

To estimate the annual average sale price - Use the annual gross value of all sales, divided by the number sold and their average weight.

#### **Variable costs (excl VAT)**

Feed: – for units using all purchased feed, simply note the total quantity used for each type of feed and the cost. For those doing some home mixing, need to value the home grown cereals. This should be valued on a monthly basis using HGCA average ex-farm prices for wheat and barley (month values will be provided).

Replacement gilts / boars: – either the purchased cost or the transfer value if using retained gilts/boars. The transfer value of retained stock should be the average value of your finished pigs (opportunity cost).

Levies: – is the total of all levy deductions, SPP, MLC, etc (normally contra on your weekly sales cheque).

Transport is the cost of all haulage to the processor.

Value of straw: – suggest we keep it simple so ignore internal transfer from arable to pigs as the value of the FYM back to arable will compensate.

Miscellaneous: will include things such as; ear tags, disinfectants, markers, cost of fallen stock, pest control, slap markers, etc)

### **Fixed Costs (excl VAT)**

For most costs, the main issue is allocating fixed cost to the pig enterprise – not easy. However, we need to attempt to do it on a realistic basis.

Management: – this is an estimate for unpaid management. (own or family). Suggest a standard charge of £35,000 per labour unit.

Paid labour: – this is total costs for all paid labour and includes NIC, overtime, pension, etc.

Fuel & Oil: – share allocated to pigs of total costs

Electric: – actual for units with separate meters /invoices or allocate whole farm. For most farms this usually will be whole electric bill minus £1,200 per house.

Straw / slurry handling – suggest we keep simple and say the nutrient value of the FYM / slurry will cover its disposal cost.

Farm worker houses - suggest use a standard cost of £5000 /year / house (opportunity cost).

Depreciation machinery: – suggest use standard 20% (5-year life)

Depreciation buildings: – suggest use standard 10% (10-year life)

Bank & loan interest: – this is a sensitive issue so suggest we use a standard 4p/ kg dwt charge.

J. Booth  
22 July 09

**1. Estimate of Annual Production (kg Dwt)**

	<b>Nos</b>	<b>Kgs Dwt</b>	<b>Value £</b>
a) Abattoir sales			
b) Gilts retained			
c) Gilts sold for breeding			
d) Weaners sold			
e) Stock adjustments + / -			
<b>Total</b>			

(need to prepare livestock reconciliation sheets)

<b>Opening</b>	<b>Born</b>	<b>Purchase</b>	<b>Tr In</b>	<b>Tr Out</b>	<b>Deaths</b>	<b>Sales</b>	<b>Closing</b>
Sows							
Gilts							
Boars							
Piglets							
Weaners							
Growers							
Finishers							

**2. Feed Costs**

<b>TYPE</b>	<b>Weight</b>	<b>Value £</b>
Dry Sow		
Lactating Sow		
<b>Total Sow Feed</b>		
Creep		
Weaner		
Finisher		
<b>Total Pig Feed</b>		

Home produced      or      purchased

### 3. Breeding Stock Costs

	No	Dwt	Value £
Home bred Gilts / Boars			
Purchased Gilts			
Purchased Boars			
Cull sows sold			
Cull boars sold			
AI Costs			
Royalty costs			
<b>Total</b>			

### 4. Other Variable Costs

			Value £
Vet & Med			
Bedding			
Transport			
Levies MLC / SPP			
Misc			

### 5. Fixed Costs

	Total	Share	Value £
Management			
Labour			
Fuel & Oil			
Electric			
Machinery Repairs			
HP / Leasing costs			
Property Repairs			
Water			
SEPA Costs			
Slurry Contractor costs			
Office costs (telephone, etc)			
Professional fees			
Insurance			
Building rents			
House costs			
Dep'n Machinery			
Dep'n Buildings			
Misc			
Interest			
<b>Total</b>			

## APPENDIX 2

**Farm: LOGIERIEVE**

**Year to 31st March '09**

**Av Sows**

**330**

<u>Annual Production</u>			<u>Gross Sales</u>	Price /hd	pence/ Kg
8,170 Finishers sold	83.8 kg DW	684,874	£888,697	£108.78	129.8
178 Gilts / Boars retained	65 kg DW	11,570			
0 Weaners sold					
<b>Total Production</b>		<b>696,444</b> kg dwt			
			<b>2,110</b> kg dwt		<b>pence</b>
<u>Variable Costs</u>					<u>per kilo</u>
Feed breeding	/t		£82,429		11.8
Feed Finishing	/t		£431,705		62.0
<hr/>					
t's feed in total	/t		£514,134		<b>73.8</b>
178 replacement gilts	£109 /head		£19,402		2.8
156 cull sows	-£159 /head		-£24,753		-3.6
1 replacement boars	£109 /head		£109		0.0
1 cull boars	-£185 /head		-£185		0.0
AI Costs			£10,535		1.5
Levies (SPP, MLC)	£0.00 ""		£17,540		2.5
0 bales straw	/bale		£0		0.0
haulage factory	/pig		£27,244		3.9
Vet/med	""		£20,017		2.9
Misc (tags, fallen stock, pest control, etc)	""		£10,003		1.4
<b>Valuation adjustment</b>			<b>-£2,749</b>		<b>-0.4</b>
<b>TOTAL VARIABLE COSTS (ex feed)</b>			<b>£77,163</b>		<b>11.1</b>
<u>Fixed Cost</u>					
Management (unpaid)	£35,000	0.5	£17,500		2.5
Paid labour			£74,697		10.7
Fuel & oil	£17,798	0.33	£5,873		0.8
Electric			£24,781		3.6
Machinery Repairs			£1,664		0.2
Leasing			£7,845		1.1
Property Repairs			£3,408		0.5
Water			£0		0.0
SEPA Costs			£0		0.0
Contractor - slurry, etc			£0		0.0
Office costs	£1,972	0.66	£1,302		0.2
Insurance			£5,156		0.7
Professional fees	£2,500	0.66	£1,650		0.2
Building rents			£0		0.0
House costs			£10,000		1.4
Depreciat'n Mach			£0		0.0
Depreciat'n Buildings			£40,000		5.7
Misc			£4,758		0.7
Interest					4.0
<b>TOTAL FIXED COSTS</b>			<b>£181,134</b>		<b>32.5</b>
<b>TOTAL COSTS excluding feed</b>			<b>£258,297</b>		<b>43.6</b>
<b>TOTAL COSTS</b>			<b>£772,431</b>		<b>117.4</b>