Swine production is a complex business that requires proper management to be profitable. Producers need to be aware of potential returns and available marketing options.

Facilities

Swine are often raised on large farms. Most of the hogs on these farms are raised in confinement. In total confinement production, producers raise all of the hogs in pens inside buildings. The design of these facilities must take into account the needs of the hogs for proper temperature, ventilation, sanitation and manure management, and food and water. Facility costs for farrow-to-finish production, feeder pig production, and feeder pig finishing are quite expensive. Many producers have hundreds of thousands of dollars invested in facilities.

Farrow-to-finish swine producers have the most facility requirements. The producers require the following facilities: farrowing house, nursery, growing/finishing barns, gestation/breeding barns, feed handling and storage, and manure storage.

The farrowing house consists of farrowing crates where the female is placed to farrow, or give birth. The crate provides a safe place for the baby pigs by keeping the mother from laying on them. The farrowing crate also has a waterer and a feeder for both the mother and the litter. Generally, animal wastes drop through the floor and are flushed into a manure storage facility.

After weaning, the sow is returned to the gestation/breeding barn. The sow will be bred again and will remain in the barn to gestate until farrowing. The piglets are placed in a nursery. The nursery where the baby pigs are taken is usually quite warm so that they remain healthy and productive. After the pigs reach approximately 50 pounds, they are placed in a growing/finishing barn where they remain until they reach market weight.

Other facilities needed for swine production include feed handling and storage facilities and manure storage facilities. Manure storage usually takes the form of a lagoon or pit. A lagoon is an artificial manure holding area similar to a pond. A pit is a metal or concrete manure storage facility.

Feeder pig producers will need many of the same facilities as farrow-to-finish producers. Feeder pig producers require a farrowing house, nursery, gestation/breeding barn, feed handling and storage, and manure storage. Since they sell their pigs, the growing/finishing buildings are not necessary.

Feeder pig finishers usually have the fewest facility requirements. Finishers typically receive pigs that are ready to be placed in growing/finishing barns. They also require feed handling and storage and manure storage facilities.

Production Costs

Production costs vary greatly within each production system and from producer to producer. Costs are affected by the type and size of the operation, labor requirements, loans, and other factors. Producers will have two categories of costs: fixed costs and variable costs. Fixed costs will be similar for all producers despite the type of production system used. They include depreciation, interest on loans, repairs, taxes, and insurance. Variable costs may differ depending on the production system. The major variable cost in raising swine is the cost of feed. Other variable costs for swine production include medications, veterinary care, equipment, facilities, and the cost of the stock.

Of the three production systems, farrow-to-finish producers have the most costs because they own the pigs for the longest time. Producers must purchase breeding stock and maintain a breeding herd as well as raise market hogs. Feeder pig producers have similar costs, but they do not have to pay for the feed and facilities needed to finish the slaughter hogs for market. Feeder pig finishers have the fewest costs, since they do not have the expenses connected to breeding and raising young pigs. Feed, feeder pig stock, and facilities are their main expenses.

Returns on Production

Like production costs, potential returns from each system vary. For example, the returns of farrow-to-finish producers primarily come from the sale of slaughter hogs. The typical market hog is sold at 240 to 270 pounds and an average price (depending on the current market) of $40 to $60 per cwt (100 pounds). A 250-pound pig sold at $50 per cwt is worth $125. If a producer could average 20 pigs sold per sow each year, he or she could generate $2,500 in returns per sow.

The main income of feeder pig producers comes from selling feeder pigs. Depending on the market, feeder pig prices generally range from $30 to $55 with an average of $45. If a sow produces 20 feeder pigs per year that sell for $45 per pig, she can generate $900 in income per year.

The returns of feeder pig finishers come from selling slaughter hogs. While they may receive the same amount of money for their hog as farrow-to-finish producers, feeder pig finishers must pay for the feeder pigs. If each hog is worth $125 and was purchased for $45, the finisher will receive $80.

Looking at the potential returns, farrow-to-finish production seems to have the greatest profits. However, it also has the highest costs. Profits may be higher with one of the other production systems.

Marketing Options

Once a producer has raised a pig, he or she must sell it to make a profit. Three major marketing options are available to farrow-to-finish producers and feeder pig finishers: buying stations, auction markets, network marketing, niche marketing, and lean-based pricing.

Buying stations are owned and operated by various packers. The packers purchase market hogs from producers at a set market price, which is generally based on the lean yield from the last three loads sold by the producer. The producer then either delivers the hogs to the local station or hauls them directly to the processing plant.

Auction markets sell market hogs to the highest bidder. Usually, the auction market is privately owned, and the owner charges the producer a small fee to sell the animals at auction. Recently, auction markets have been decreasing in popularity for selling market hogs. Company-owned buying stations are replacing them.

In network marketing, independent producers cooperate to ship their hogs together as a group, so they can market a larger number of animals. Their goal is to get a better price for their hogs.

One of the newest and most popular ways of marketing hogs is a lean-based pricing system, which has grown out of the demand for leaner pork and emphasizes lean, heavily muscled slaughter hogs. Producers send the hogs directly to the packing plant to be processed. The carcasses are measured for backfat and muscling. The measurements are put into a formula that computes the percentage of muscle containing five percent fat. The higher the percentage, the more valuable the carcass is. Percent muscle usually ranges from 45 to 60 percent with 49 percent being standard. The packing plant pays a premium for hogs with more than 49 percent muscle. Hogs with less than 49 percent are penalized in price.

Producers can also market their animals through niche markets. Producers can potentially realize greater profits through value-added marketing. Rather than selling a live animal, a pork producer might sell the actual food product, like a whole hog ready for roasting or individual cuts, including hams, bacon, or loins, to consumers or food distributors. Producers may cooperate with meat processors or packing houses in value-added ventures. The producer pays the processor for slaughtering the hogs and processing the meat and then sells the meat to retail stores, restaurants, distributors, or directly to consumers. Some producers may have their own slaughtering and processing facilities. By adding value to their pork, producers hope to take a larger share of the profits along the food distribution channel, instead of having those dollars go only to processors and distributors.

Feeder pig producers generally have a contract with a company or with individual feeder pig finishers. The producer receives a set amount for each pig produced to the desired weight and/or age specified in the contract.

Summary

The three production systems used in producing swine vary as to the facilities needed, costs, and returns on the pigs marketed. Swine producers require different types of facilities, depending on the production system. The costs connected to these facilities are only one of the costs of swine production. Producers have many other fixed and variable costs; the cost of feed is the major production cost for all three production systems. Farrow-to-finish producers have the highest costs and returns of the three production systems. The major marketing options available to farrow-to-finish producers and feeder pig finishers for selling hogs are buying stations, auctions, network marketing, lean-based pricing systems, and niche markets. Feeder pig producers generally are under contract to produce pigs.

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