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British Agriculture in the Common Market

AND

THE OUTLOOK FOR NORTH OF SCOTLAND FARMING TO 1977/78

(Based on Papers Presented at a Conference on British Agriculture and the Common Market. Held on 19th April 1972 at the School of Agriculture, University of Aberdeen)

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June 1972

OUTLOOK FOR PIGS : A PRELIMINARY SURVEY

by

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In mid April 1972 a heavy cutter (230 lbs. l.wt.), selling to the factory in the North of Scotland at £2.55 per score, would have realised £3.03 in Holland but would have needed £3.25 to cover the cost of Dutch pig rations. Recognition of the present price and cost relationships reflected in the foregoing example have led to some gloomy prognostications in the last two years for the future of U.K. pig production in the extended E.E.C. However, the pure economic logic of the market place, i.e. of the long-term forces of demand and supply, indicate a favourable outlook for British pig production within the E.E.C. The following influences ensure that the British pig producer will participate in the increased incomes which membership of the Community generally offers our farmers.

(1) The high price of beef, projected earlier to increase by 47 per cent from 1971/72 to 1977/78 in the North of Scotland, will boost the price of pigmeat by at least 27 per cent. A 195 lb. liveweight bacon pig, averaging £20.50 in 1971/72 should realise £26.00 – £27.00 in 1977/78.

(2) Even though small peasant farms are a major source of pigmeat in the Six, the likely increase in demand for pork and bacon in the extended Community will require prices sufficiently attractive to pull capital into the larger and more sophisticated production units in, for example, Holland or Belgium. Prices will have to be high enough to ensure a profitable return for the more capital intensive, large-scale producers.

(3) Efficient British producers need be at no cost disadvantage in relation to the more sophisticated pig units in the Six. Given the poorer performance and slower growth of our industrial sector, the real cost of labour is likely to be significantly lower in 1977/78 to the British pig producer than to, say, his Dutch competitor. By 1977/78 British producers will have followed the Dutch in switching to feeds containing grain substitutes such as cassava. The Dutch will still have some advantage in the use of these grain substitutes, partly because of the much greater efficiency of Rotterdam compared with London and our

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Table 8.1

Gross Margins per Sow in the North of Scotland on a Breeding and Fattening Enterprise

Actual 1971/72 with Projected 1977/78 under E.E.C. Costs and Prices, at 1977/78 Standards of Farming

	Per Sow	
	1971/72	1977/78
OUTPUT	£	£
Value of baconers sold	328.00	429.00
Less sow depreciation	5.68	7.21
Less boar depreciation	0.77	0.97
TOTAL OUTPUT	321.55	420.82
VARIABLE COSTS		
Sow and boar food	47.50	63.84
Creep food	11.00	14.18
Weaner food	20.10	26.52
Fattener food	112.04	157.15
Other costs	11.00	13.20
TOTAL VARIABLE COSTS	201.64	274.89
GROSS MARGIN	119.91	145.93

ASSUMPTIONS

	1971/72	1977/78
FINANCIAL	£	£
Bacon price per pig	20.50	26.00
Sow and boar food per ton	38.00	53.20
Creep food per ton	55.00	68.75
Weaner food per ton	45.00	60.00
Fattener food per ton	33.20	46.48
TECHNICAL	Amount	Amount
Number of baconers per sow per year	16	16.5
Sow and boar food consumption, per sow	25 cwt.	24 cwt.
Weaner food conversion ratio	2.5:1	2.4:1
Fattener food conversion ratio	3.5:1	3.4:1

OTHER

(1) The baconers are sold at 195 lb. liveweight.

(2) One third of the sows and half the boars are replaced annually, with a sow to boar ratio of 20:1. Their depreciation charges are expected to increase at the same rate as the bacon price.

(3) The piglets receive ¼ cwt. of creep food per head between birth and 35 lb. From 35 lb. up to 60 lb. they are weaners, and after 60 lb. they start on the fattener ration

(4) Other costs include items such as veterinary expenses, bedding and transport.

major West Coast ports and partly because of the greater availability of by-product feeds from such imported materials as cocoa, cotton seeds and ground nuts whose processing is heavily concentrated in Holland. But, the British producer, facing potential competition from the Dutch, will have proximity to his own home market which should offset any disadvantage in non-grain feed costs.

(4) Efficient British producers can, and do, match the technical standards of the more progressive part of the bacon and pork sector in the Six.

In these circumstances, efficient pig producers are ensured a favourable outlook through 1977/78, which now remains to be quantified. Two sets of calculations are shown for a 60 sow integrated sow/bacon unit, at 1971/72 U.K. prices and costs and at 1977/78 E.E.C. prices and costs, with improved standards of farming. The projections are shown (1) with an unchanged size of operation and (2) with expansion completed to handle 75 sows and their progeny, a 25 per cent increase in scale.

The key financial and technical assumptions, which are possibly conservative and, if so, understate the opportunities for increased efficiency, are set out in detail in Tables 8.1 and 8.2. In particular,

(1) Physical Performance, 1971/72 — 1977/78

Pigs weaned per sow each year increase by three per cent, from 16.0 to 16.5. Sow and boar rations fall from 25 cwt. to 24 cwt., a four per cent improvement. The food conversion ratio for weaners (i.e. from 35 to 60 lbs.) improves by four per cent, from 2.5 to 2.4, and by three per cent for baconers, from 3.5 to 3.4.

(2) Financial, 1971/72 — 1977/78

A 195 lb. liveweight baconer increases from £20.50 to £26.00. The costs of sow and boar and fattener rations rise by 40 per cent, from £38.00 per ton to £53.20 per ton and from £33.20 to £46.48 per ton respectively, and would have increased by some 48 per cent but for the partial replacement of barley by grain substitutes. Creep and weaner feeds, with their higher proportion of imported protein, increase by 25 per cent and 33 per cent respectively.

Table 8.2

Case Study — Breeding and Fattening Enterprise Selling Baconers

Actual 1971/72 with Projected 1977/78 under E.E.C. Costs and Prices at 1977/78 Standards of Farming

	1971/72 60 sow unit	1977/78 60 sow unit	1977/78 75 sow unit
	£	£	£
ENTERPRISE GROSS MARGIN	7,195	8,756	10,945
FIXED COSTS			
Labour	1,400	2,282	2,282
Building depreciation	900	1,305	1,631
Mechanisation depreciation	800	1,160	1,450
Other costs	600	840	1,050
TOTAL FIXED COSTS (excluding rent)	3,700	5,587	6,413
SURPLUS AVAILABLE FOR RENT AND FARMER'S INCOME	3,495	3,169	4,532

Fixed Cost Assumptions:

(1) A one man enterprise with total wages rising 63 per cent by 1977/78 (8.5 per cent annually).

(2) Building costs at £150 per sow, including share of space for boar and fattening pigs, and depreciated at 10 per cent per year on a straight line basis. These costs rise by 45 per cent up to 1977/78.

(3) Mechanisation, including pipeline feeding, a mill and mixer unit and farrowing crates, is depreciated at 20 per cent per year. The cost will increase by 45 per cent up to 1977/78.

(4) Other costs include items such as electricity, fuel and occasional help from other farm staff. These charges have been increased by 40 per cent.

(5) The fixed costs shown in (2), (3) and (4) are increased proportionately when the enterprise expands to 75 sows. However (1) is expected to stay the same.

Gross margins are projected to improve by 21 per cent from 1971/72 to 1977/78 but, if the operation is not enlarged, the increase in fixed charges brings about a reduction of nine per cent in the surplus. U.K. consumption of pigmeat has been projected (page 36) to increase by 21 per cent during the 1970's and many smaller units can be expected to stop production. These circumstances provide the opportunity for the more efficient producers to enlarge their operations by, say, 25 per cent on the average by 1977/78. As shown in Table 8.2, such an increase converts the projected change in surplus from a fall of nine per cent to an increase of 30 per cent over the review period.