

Pork CRC Initiatives March 2017

Benchmarked Australian pork producers cop a hit

After checking and rechecking the results, I can now reveal (**see Table 1**) the Cost of Production (COP) and production or performance indicators for Australia and selected countries for 2015.

Unfortunately, they are correct and show that on COP our position is similar to last year, but has deteriorated markedly globally and for the first time in the 10 years I've been doing global benchmarking our COP was higher than the UK and around a \$1.20/kg higher than the USA. By the way, I think the US figure (\$1.60) is wrong and closer to \$1.80, but still very low.

The reason has nothing to do with our productivity, which continues to improve annually. HFC is in line with previous years. Pigs weaned and sold per sow is similar to most other countries with the exception of Denmark and the Netherlands. Because of our light carcasses, weight volume (kg sold/sow/year) was the lowest of all countries and reflected in costs other than feed being 140% higher than the US.

All about

It is all about grain and feed costs, which is obvious from the table. Most of the EU enjoyed reductions in feed costs of 14-18% in 2015 compared with 2014, but we did not. The USA and Canada experienced somewhat smaller declines in feed cost in 2015, but all countries saw feed cost fall further in 2016 – we did not. Apparently, it was all associated with high export demand for Australian grains in 2015 and 2016, but a most unusual trend. This is likely to change in 2017, but all other countries will see quite marked falls in grain costs this year also, so while our COP will decline our competitive position may also.

Clearly, this challenge makes producers vulnerable to price falls and the industry susceptible to further imports. I hope that Australian grain prices might better reflect what is happening globally in the future, as they generally have in the past.

Few alternatives

There are currently few alternatives to grains available in Australia and producers with access to various by-products will continue to prosper. We have discussed the use of food waste, means of enhancing the nutrient availability from grains and materials that are more fibrous and breeding pigs that are so efficient that we do not need much feed.

Progress in all areas has been slower than desired but it may be time to take them all more seriously and invest in newer technologies. I am talking about genomics, gene editing and better understanding where inefficiencies exist in how pigs utilise grain and other feed ingredients. Pork CRC and APL has research underway on grain and feed utilisation and the results are interesting.

Table 1 Financial and performance indicators for selected countries - 2015

Country	Australia	USA	Canada	Brazil	Denmark	NL*	GB**
COP (\$AUD/kg carcass)	2.80	1.60	1.80	1.71	2.10	2.23	2.63
Feed (AUD\$/t)	430	269	309	354	352	358	412
HFC (kg/kg)	3.73	4.02	3.86	3.61	3.60	3.46	3.85
Feed as % of COP	58.1	67.6	66.3	74.7	60.3	55.5	60.3
Pigs weaned/sow/y	23.5	25.26	23.97	26.66	31.26	29.52	24.38
Pigs sold/sow/y	22.42	22.95	22.66	25.55	29.17	28.09	23.05

Carcass (kg)	78	94.6	98.9	89.6	83.3	92.6	81.0
Carcass/sow/y (kg)	1748	2172	2241	2289	2429	2601	1868
Post weaning mortality (%)	4.3	9.4	5.5	4.2	6.8	4.9	5.6

*The Netherlands ** Great Britain

Bottom Line

Of course, our prices were higher than most counties in 2015 and margins were reasonable. The exceptions were China and South Korea. The US and Canada made some money, but most of the EU did not. However, while most will try to keep pork prices high in Australia, not all stakeholders have the same desire, hence price could fall and margins deteriorate.

While I'm not sure what feed costs will fall to in 2017, I remind you that although grain prices have fallen substantially, they only make up 50% of your diets, so the decline in feed costs will not be as large. If we could get to \$350/tonne, margins would remain good and similar to 2015-2016 even if average price (includes culls) fell to \$3.30-\$3.40/kg. If price falls below these levels, the story will be different and remains unknown. Producer margins will differ in 2017 and be dependent on your final feed cost, your volume (pigs sold/sow and carcass weight) and the price you achieve for your pigs.

Therefore, no need for panic but need for action and Pork CRC will certainly be looking at all means possible of reducing feed cost (per kg carcass weight) and overall COP.

The easiest place to start is with somewhat heavier carcasses, but we know the factors constraining carcass weight and can't assume prices would remain the same or that we could meet current carcass specifications. All things being equal, increasing carcass weight from 75kg to 80 kg would reduce COP by 7.8 cents/kg carcass weight and increase revenue/sow by \$228. Things, however, may not remain equal.

Good news

Looking at KPIs annually can be a bit like watching paint dry. Progress seems slow compared with the previous year, although we do see individuals in our benchmarking group make tremendous improvement year on year. Things look a little better when you look back five to six years.

Changes between 2010-2011 and 2015-2016 to some KPIs are shown in **Table 2**. Quite good, I think and for most KPIs, the averages in 2015-2016 equal the best three herds in 2010-2011.

The benchmarking group averaged more than 10 piglets weaned/litter for the past two years, which is a real achievement – how are you going? The top three Australian herds weaned 10.65 per litter.

The best three Australian herds have a HFC of 3.56, which at 2015-2016 feed costs represents an improvement in COP of 10.3 cents/kg carcass weight against the average or \$7.80/pig sold.

Biological potential for pigs grown to 105 kg is around 3.2 for HFC. By the time you allow for feed wastage (5%) and post-weaning mortality (5%) you might be able to achieve, 3.45-3.55 and 3.5 is probably a realistic target.

Table 2 Changes in some performance KPIs between 2010-2011 and 2015-2016

Year and KPI	2010-2011	2015-2016
Pigs born alive	10.9	11.6
Pigs weaned/litter	9.5	10.2
Pigs weaned/sow/year	21.8	23.6
Carcass weight (kg)	78.9	78.0

Carcass/sow/year (kg)	1564	1748
HFC	3.95	3.78

CRC tops

Pork CRC's benchmarking group contains some of the better producers in Australia and all benefit from the advice shared at the meetings. The figures in **Table 2** should enable you to see where you sit. If you are better than the average, that is good and I would love you to become a member of our benchmarking project. The members need challenging and after getting over the initial shock all have learned a lot since a NZ herd joined a couple of years ago. I can guarantee you that if you join your productivity and your profitability will improve.

This will be an interesting year and maybe one of uncertainty. There is presently a lot of 'unexpected/unpredicted' pressure on price and this was clearly a concern expressed by producers at the SA Pig day on Friday, February 24. Actual feed costs also remain unknown but may not be as 'low' as anticipated by some. Given the quality of the product we produce and the provenance behind it, you would think processors and retailers realise its value and the higher cost of production in Australia and continue to support the industry as they have for the past four years.

CRC course

The 2017 Science and Practice of Pig Production course was held in February at Roseworthy, SA and was attended by 30 people, consisting of 15 University of Adelaide undergraduate students, 14 industry representatives and three post-graduate students from external universities.

The course was co-ordinated and taught by Pork CRC Program One Leader Dr Will van Wettere, Senior Lecturer (pigs), University of Adelaide, with Rebecca Smith, Pork CRC, providing essential organisational assistance. It was designed to provide participants with a strong understanding of all aspects of pig production, from conception through to slaughter and encompassing all the management required in between.

To this end, topics covered included: reproductive physiology, breeding herd management, effluent management, nutrition, health, meat quality, and marketing. A range of guest speakers were involved and their contributions are gratefully acknowledged for their continued support: Drs Kate Plush and Dave Lines (SunPork Farms south), Steve Miller and Peter Smith (APL), Dr Stephan Tait, Prof Frank Dunshea and Tony Edwards). The assistance of Graham Reu (Sabor) and Big River Pork, for allowing the students to visit their facilities and learn from them was also very gratefully received. Pork CRC was very proud to again back the course with travel and other support.

www.porkcrc.com.au