

## **Pork CRC Initiatives May 2017**

### **Pork CRC project pipeline full and flowing**

**By Pork CRC CEO, Dr Roger Campbell**

Many business and industry activities, plus some travel, made for a rather hectic, but very productive, first four months of 2017.

Pork CRC held its final investment round with the budget approved by the board on February 28. The APRIL board met for the first time on February 27. We then had the SA Pig Day, the WAPPA backed WA Pig Day Out and the Victorian Pig Fair. In the meantime, I attended the Mid-West Animal Science Meetings in Omaha Nebraska, USA, a Feed Grain Partnership meeting in Queensland and an Aunir (AusScan) board meeting in Singapore in late March.

The last week or so of April was a little quieter, but we are still in the process of negotiating agreements with those organisations who were successful getting projects approved in the eighth and last Pork CRC investment round and we're gearing up for the first investment round for APRIL.

#### **Price points**

All the talk at the Australian industry meetings was around the quite sharp fall in pig prices, which started not long after Christmas. While many opinions and suggested reasons were aired for the decline, whatever they are the outcome is supply has exceeded demand.

To perhaps make you feel better, I've summarised the prices received in other countries in the last week or so of April. The Australian prices are from the latest publication from APL (April 21) and do not take into account the impact of cull sows on the actual price received by producers. This is likely 6-8 cents lower than the prices quoted for progeny in the different carcass weight categories.

The USA and Canada are in an oversupply and volatile situation and if you remember the costs of production (COP) published in my March APN Pork CRC Initiatives column, there is certainly little money in the business in either country at the moment. The Europeans are doing a little better, with prices having risen in the past few weeks. UK producers have achieved a higher price, but remember they have a considerably higher cost of production than the Europeans. Nevertheless, it's now probably a reasonable margin.

The Chinese continue to do well, with some of the larger production companies reporting record profits for the first four months of 2017. The South Koreans seem to have an extremely high price and while I know nothing about their COP, I imagine there is some money in the business.

So, it's a mixed bag with a general oversupply of pork globally (except in China) likely to continue through 2017, with China and South Korea clear export opportunities.

Australian average published prices and feed costs differ across states by around 18 cents/kg carcass weight and up to \$40/tonne for feed. Consequently, while the average margin is some 50-55% lower than 2016 in some states/places, it could be 75-80% lower than last year.

#### **Profitable carcasses**

The severity of the current situation is well illustrated by APL's graph of average baconer prices versus average feed grain costs. In January/February this year the graphs for bacon pig price and feed grain cost had almost come together. Let's hope they widen over the next quarter.

The gap between porker price and feed grain cost is much wider (**See Table**) but if you run the numbers for selling at 60, 74 or 80 kg carcass weight, assuming 22 pigs sold/sow/year and adjusting price for cull sows and feed costs and HFC in line with weight, the story is clear. Margin on a carcass (per kg) and sow basis increases with carcass weight by 38% and 64% respectively over the range. This is due largely to a decline in costs other than feed, which falls from around \$1.51/kg for a 60 kg carcass to \$1.14 for an 80 kg carcass. If you are good enough to sell 24 pigs/sow/year, the margin per kg of carcass and per sow increases by a further 22% and 33% respectively for an 80 kg carcass and similar for a 74 kg carcass. There is something to be said for productivity and volume.

**Table - Recent pig prices (AUD\$/kg carcass weight) for selected countries**

Country	Price
<b>Australia</b>	
45-60 kg carcass	3.34
60.1-75 kg carcass	3.08
75.1-85 kg carcass	3.02
>85 kg carcass	2.89
USA	1.54
Canada	1.58
Denmark	2.67
Netherlands	2.73
Spain	2.93
UK	3.05
China	4.12
South Korea	5.67

### Final round

As stated previously, we've just about completed the eighth and final investment round for Pork CRC. The call was made in November 2016, with all proposals now vetted and reviewed and those supported by the R&D Committee in February 2017 went to the board for approval on February 28.

We received 37 proposals and the board eventually supported 11, with a total cash value of \$570,778.

Across the programs the number of projects supported were:

Program 1 – 5

Program 2 – 4

Program 3 – 0

Program 4 – 2

Some excellent, even exciting proposals in all programs and we are in the process of finalising project agreements with the successful organisations.

**In Program 1** we have a great project on human enrichment for gestating sows from the University of Melbourne, two on lactation from SunPork SA and two following up on findings by Kate Plush and Emma Greenwood that grouping lactating sows in the last week of lactation and given boar stimulation increased subsequent litter size by 1.5-2.0 piglets. The project involves the University of Adelaide and Rivalea Australia.

**In Program 2** we have innovative projects on erysipelas and an alternative to antibiotics for controlling enteric (and maybe other) diseases with NSW DPI and Murdoch University respectively, a project on risk factors for lactating sows, which will include data from two large units on the link between intake levels and patterns in gestation on reproduction and lactation success. The latter project will be managed by Kim Bunter (AGBU) and involves SunPork and Rivalea. The final project is on gel peptides with Sharon Bishop-Hurley from CSIRO and it has commercial implications.

**In Program 4** we have a project on real-time and remote monitoring of biogas systems with Alan Skerman (Qld DAF) and an LCA project on carbon emissions across the industry with Stephen Wiedemann (Integrity Ag Services). We are also considering an innovation proposal from Murdoch University on using micro and macro algae to remediate piggery effluent.

We thank all who submitted proposals and all who took the time to review proposals.

A further \$468,271 was supported for commercialisation projects, which covered the development of vaccines against APP and swine dysentery, development of an enrichment block for grower-finisher pigs, lactoferrin to enhance lactation performance and subsequent reproduction and NIRS to detect boar taint.

### **Active projects**

We still have 40 or so active projects and I expect some exciting outcomes across all programs. All active projects are listed on the website under research reports and templates. If you have the time to look at these, you'll see there is still a lot to come. If you have questions about any of these or want an update, please contact me.

### **APRIL matters**

I updated quite a large audience at the Victorian Pig Fair on APRIL (Australasian Pork Research Institute Ltd), the company which will replace Pork CRC.

I take this opportunity to remind you that APRIL is now operational and in the final stages of developing its strategic plan. The company has 15 members, including APL. APRIL's R&D Committee will meet in the near future and the company will conduct its first investment round in November. The next board meeting is May 27. The strategic plan is with members for feedback and will be finalised on the 27<sup>th</sup>. The intention is to develop an R&D program based on new science and technology to enhance the productivity of the Australian industry and differentiate it from other industries through cost effective strategies to enhance animal welfare and to address animal health and antibiotic resistance.

During the next 12 months most of the administration of APRIL will be managed by Pork CRC and I will keep you fully informed of developments and activities.

[www.porkcrc.com.au](http://www.porkcrc.com.au)