Pork CRC Initiatives January 2018

(by Dr Roger Campbell, CEO, Pork CRC)

Pork CRC sees grainy outlook

Welcome to another year and one I sincerely hope will be good for you and the Australian pork industry.

I expect your perception of how good 2018 might be will depend largely on pig prices and costs. At this early stage of the year, predicting grain prices, at least in the short term, may be easier than predicting pig prices.

Grain grabs

Profarmer grain prices quoted in APL's December 22 issue of 'Eyes and Ears' showed grain prices considerably higher in Queensland and Northern NSW than the Eastern seaboard, with Southern NSW and Adelaide delivered prices for wheat quoted as $237 and $242/tonne respectively. Corresponding quotes for barley were $245 and $235/tonne. If grains can be purchased at these prices, feed costs in these areas (including Victoria) will be reasonable and lower than in 2016.

The difference in wheat and barley prices varied across states and regions and I imagine this reflects the relative abundance of the two grains, but remember that barley has around 93 percent of the digestible energy of wheat, so it's easy to compare the relative value of each for pork production. Having said that, we've seen plenty of barleys with DE values approaching and even exceeding that of wheat. You can really only determine this by using AusScan and to ensure feed cost is minimised, your nutritionist should certainly test all grain purchased or intended to be purchased.

Pig prices

APL's December 22 'Eyes and Ears' report showed sellers' prices on December 15 ranging from $2.70 for carcasses above 85 kg to $3.01 for carcasses between 45 and 60 kg. I'm not sure if it was correct, but the price quoted for carcasses between 75 and 85 kg was $2.94, some 10 cents higher than those between 60 and 75 kg.

If correct, then allowing for the impact of cull carcasses on the average price received, the margin for an 80 kg carcass based on an average feed cost of $365/tonne and selling 22 pigs per sow per year would be around 33.5 cents/kg or $27/pig.

For a 75 kg carcass at the price quoted, the margin would be 26 cents/kg. The difference demonstrates the advantage of heavier carcass weight and greater volume/sow.

Using the average seller's price of $2.84 for the 60-75 kg carcass weight range, the margin on a 75 kg carcass would be around 15.9 cents/kg, which shows the advantage of higher price.

Sale weight in 2018 will be determined between the producer and buyer and both should remember that it costs more to produce lighter pigs.

Price in 2018 will depend on demand and supply and following the unusual trend of downward prices between January and June/July last year, we really don't have much recent history to go on for this year.

It's hard to see demand changing too much in 2018 and supply will depend on the margins or lack of them able to be made by producers across the industry. This, in turn, will be affected by grain prices and, as I said previously, these initially at least look okay for central/southern NSW, Victoria and SA, but not so good for Northern NSW and Queensland.

Let us see what happens with grain prices now the harvest is complete and watch the trend in pig price in the next few months to get a better idea of what 2018 might deliver. I sincerely hope it's positive.

More imports

I noticed in a recent news article that the Australian Government on December 22 announced they had expanded market access for uncooked and cooked pig meat from the UK. This involved expanded market access for uncooked pig meat (for further processing on arrival) from Great Britain and retorted pig meat products from Great Britain and Northern Ireland. I am not sure what all this means or what the retorted products might be, but I don't think it's good news.

Global positioning

I will detail where we sit globally in my February or March Pork CRC Initiatives column, but looking at the figures across the world, we generally have higher feed costs than most and lower carcass weight sold per sow/year than everyone else. The latter is where can make the greatest gains and have the biggest impact on cost of production.

As I said, increasing carcass weight reflects the relationship between producer and procurer, while increasing pigs sold/sow/year may depend on our researchers coming up with new ideas and innovative science. However, the situation is not as bad as it might seem. I say this because we now have herds weaning 11+ pigs/litter and more than 26/mated sow/year. We also have herds selling 80+ kg carcasses. If you could move from selling 22 to 25 pigs/sow/ year at current feed costs, you would reduce COP from around $2.60/kg to $2.42/kg for a 75 kg carcass. If able to sell a heavier carcass, the sky is the limit.

Change settings

Given we seem to have the genetics to become more globally competitive, I think we need to readjust out performance targets and I suggest you set them around the levels shown below.

KPIs for 2018 and beyond

Indicator	Target
Born alive	13.5
Weaned/litter	12
Weaned/mated sow/year	26
HFC	3.45

Somewhat higher targets have been set for our researchers and I understand things don't change overnight, but we know they are all achievable and everyone from your veterinarian to your genetics company will need to contribute.

No better way to start a new year by setting new targets and making sure everyone is on board to help achieve them.

APRIL alert

Meanwhile, for researchers reading this column, I remind them that Australasian Pork Research Institute Limited (APRIL) has now called for research proposals for its first investment round.

The call closes February 16, 2018 and investment decisions will be made on April 23, 2018.

Successful projects will commence July 1, 2018**.**

APRIL, which replaces Pork CRC, is fully member based, with an initial investment in 2018-2019 approaching $3 million and is actively seeking new science and creative new ideas.

With the objective of commissioning research by the middle of 2018, basically 12 months before the close of Pork CRC operations, the APRIL call will ensure continuity of the current level of research and support opportunities for relevant researchers during the wind-down.

I wish everyone a safe, happy and prosperous 2018.

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