

pork checkoff®

special edition REPORT

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With pork producers facing a period of rapidly increasing feed and production costs, the Pork Checkoff has compiled management tips and resources to help producers identify opportunities to increase efficiencies and reduce costs. The information was gathered from experts and producers across academia and industry and from many valuable industry-based Web sites in the United States and Canada.

The tips should be considered based on the needs of each operation. The list and resources are not all-inclusive, and producers should keep in mind that decreasing feed and production costs are very complex and should be considered carefully.

However, small gains in several areas will produce significant savings. Following are some of the tips offered in the list compiled by the Pork Checkoff. For more information about each tip, along with the entire list, go to pork.org and click on "Tips to Address High Feed and Production Costs." Or call (800) 456-PORK.

Feed Processing and Manufacturing

- **Decrease feed particle size** – For every 100 micron change in particle size, feed efficiency is impacted by 1.2 percent. Decreasing particle size from 750 microns to 600

microns will result in substantial savings per pig.

- **Maintain equipment for optimal efficiency** – Rotate or replace hammers in the hammer mill to ensure consistent particle size. Maintain rolls on the roller mill to ensure the desired particle size. Make sure that mixing equipment is maintained so that distribution of nutrients is ensured throughout the entire volume of feed. Also, calibrate and maintain scales for weighing pigs and feed at least twice yearly.

- **Adjust feeders to reduce waste**– Adjusting feeders to reduce feed wastage should be a routine practice. Minor adjustments of feed bins and transport systems can also result in big savings.

Feed Management

- **Monitor feed allocations or budgeted amounts and utilize least-cost formulations** – Follow feed budgets aggressively to ensure accurate compliance for each class of pig. Inaccurate rations or incorrect budgets decrease efficiencies and increase costs. For example, rations that have mistakes due to inaccurate scales or rations that are formulated for the incorrect class or pig weight are inefficient and increase costs.

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- **Reevaluate phase feeding and options for split sex feeding** – Review all protocols for each ration phase. Make sure your weight categories and genetic description fit your current rations for each phase as closely as possible. Consider split-sex feeding to further increase feed efficiency.

- **Decrease/eliminate feed outages** – Feed outages significantly impact the efficiency of feed utilization in pigs. The frequency and duration of feed outages needs to be assessed and should be minimized or eliminated whenever possible.

Feed Formulation

- **Use DDGS when they are available at cost effective prices** – Distillers dried grains with solubles (DDGS) are readily available in most areas where pigs are fed and corn is grown. Where transport distance is feasible and product quality and variability can be verified, these by-products are usually available at competitive prices.

- **Look for alternative feed ingredients** – Alternative feedstuffs and by-products, such as bakery products, may be very competitive with high grain prices. However, determine the nutritional profile of an alternative feedstuff and its feeding value at the price quoted before deciding to use it. Also, make sure you understand the form in which it will be delivered so extra labor or machinery is not required to make it practical.

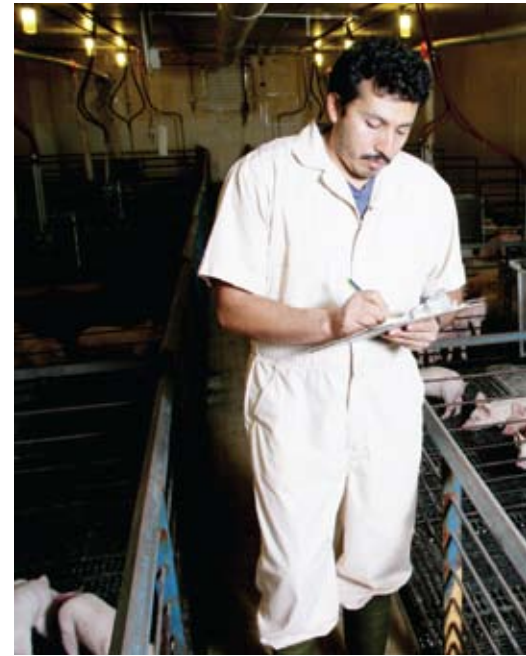
Swine Health

- **Establish a vaccine compliance program** – As part of a total herd health program, costs of unnecessary or incorrectly administered treatment or vaccination can be avoided. Vaccination mistakes can be very inefficient due to labor, vaccine, and health/performance costs that provide little benefit. Be sure to calibrate syringes to ensure proper dose administration. Using too much vaccine is a waste of money. Using too little vaccine will decrease efficacy and may not adequately protect the pig from disease.

- **Identify disease early to promote a quick response** – One of the ways to have a better handle on the onset of disease in a pen or in the herd is through routine feed intake measurements. Often, the first sign of an emerging illness or onset of disease is that pigs will go off feed. Know what diseases may be present in your area and may pose challenges in the future. Closely monitor sow herds for early signs of disease, such as feed refusal, spontaneous abortions, irregular returns to estrus, etc. Early identification and response to emerging infections will improve efficiency of the production unit. Also, monitor water use with accurate meters in your nursery and grow-finish facilities. Decreased water usage also may be a sign of an emerging disease.

Management

- **Review stocking densities in all phases of production** – Optimal



stocking densities will result in the greatest economic gain with the least negative impact on performance or animal behavior.

- **Identify and sell non-select replacement gilts by 260 pounds** – Marketing females earlier will remove them before their growth curves change significantly resulting in lower feed efficiencies and more costly feed for the gain realized. Marketing these animals early also lowers the risk of injury or loss and prevents the gilt from reaching a market weight out of the ideal range for your packer.

Marketing

- **Optimize market weights and consider the “marketing grid” when evaluating changes in feed and production programs** – Check your packer’s buying grid and consider marketing weights that will avoid excessive feed costs during a time when the growth curve of the pig is changing toward lower efficiency of feed conversion. It is important to spread more pounds of pork over each reproductive unit, but the point of diminishing returns becomes lower with rising feed costs.

Consider that the optimum end weight depends on your packer and on your specific genotype. Be sure to carefully consider all options to add value at heavier weights against the





cost of the additional feed, including your packer's grid and the genetic potential of your genotypes.

Give attention to the grid value at specific weights and lean percent levels. Positive changes from a cost standpoint may result in deleterious impacts on returns from marketing. The optimal combination will include an evaluation of production costs as well as throughput and market value.

Genetics

- **Evaluate genetic influence on feed conversion** – Feed conversion efficiency is only of medium heritability, but with rising feed costs, genetic progress can still result in substantial savings. In addition, large differences may exist between commercially available terminal lines.

Seek out breeding stock that maximizes performance for feed conversion while ensuring adequate performance for all other economically important traits of interest. Producers that select their own replacements should revise selection indices accordingly to ensure that potential replacements are evaluated with accurate economic weights for each trait of interest. ✓

For the complete list of tips, go to pork.org and click on "Tips to Address High Feed and Production Costs." Or call (800) 456-PORK.

Remember When \$4 Corn Was High?

While "buy low, convert efficiently and sell high" is the time-honored strategy for successful pork production, it's getting trickier in 2008. "What constitutes 'low' and 'high' has changed considerably in the last year," said Steve Meyer, president of Paragon Economics, Inc. "Remember when \$4 corn was high?"

Corn prices have set all-time highs, but what lies ahead? Meyer says grain prices will hinge on three key factors:

1. South American soybeans – It appears that beans are driving the bus, he said. While rains delayed planting in some regions, early reports indicated Brazil's soybean yields will be good.

"While a good crop does not mean cheap beans and cheap soybean meal, it certainly could pull us back from record levels and put some downward pressure on corn," Meyer said.

2. U.S. corn production – This year's plantings are expected to be well short of last year's 92.4 million acres, because soybean and wheat prices are much higher.

"As the battle for acres rages on, it's not clear how much land will be devoted to corn in the United States in 2008," Meyer said. "High corn yields will be critical, however, to meet the market's demand for food and fuel. We can't afford a hiccup."

3. Drought risk – The weather during growing season is hard to predict, but 20 years have passed since the last widespread drought in the Corn Belt, and dry conditions persist in the Southeast United States.

Iowa State University climatologist Elwin Taylor cites both of these as high risk factors for this year's growing season. He notes that drought risk tends to follow a 19-year cycle, and the risk of serious drought in Iowa and parts of the Corn Belt is doubled in the phase of the cycle which is now occurring.

The bottom line? Don't be surprised by cutbacks in the swine industry in the months ahead, Meyer said. It's already happening in Canada, where analysts believe the sow herd may eventually be trimmed by 25 to 30 percent.

"These are challenging times, and things could get worse before they get better," said Meyer, who urges producers to feed pigs as inexpensively as possible and keep playing defense. "We've weathered hard times before, however, and we can do it again."

At current futures prices for grain, Meyer expects hog producers to face losses through all of 2008.

"CME Group hog futures would suggest these losses will be small, but my cash price forecasts are well below the level of futures prices at present," he said. "I believe losses will be significant unless producers forward price their hogs using what appears to me to be very good lean hog futures prices."

Unfortunately, there is not much that can be done about feed ingredient costs, Meyer added. If planting and the growing season go well, prices should fall during the summer, and this could offer some opportunities to book feed ingredients for the remainder of 2008 and into 2009 at lower prices.

"If the weather is not good, however, prices could rise significantly," Meyer said. "Call options on corn and soybean meal are still a good strategy to limit up-side risk and leave the opportunity to take advantage of price declines. Call option premiums, though, are viewed by many to be expensive, especially several months into the future.

Meyer added that producers also should maximize ways to improve efficiency, such as the list of tips compiled by the Pork Checkoff (see page 1).



Work with Your Lender




"It's always important to work closely with your lender, but even more so when facing profitability challenges."

Brian Zimmerman,
Beatrice, Neb.

While maintaining a good relationship with your lender is always a good business practice, it becomes critical when you face profitability challenges. Nebraska's Brian Zimmerman, who serves on the National Pork Board, offers these tips:

- 1. Keep the lines of communication open.** Lenders don't like surprises, so keep them updated on what's going on in your operation.
- 2. Try to keep the hogs as a liquid asset.** Instead of taking out loans against the livestock, Zimmerman prefers to take out loans against the swine barns and the farm.
- 3. Be creative.** This is especially true with your grain and livestock marketing. Zimmerman uses forward contracting, when appropriate. "Make sure it's a true hedge and not just trading the futures market," he stressed.
- 4. Become as efficient as possible.** Examine all the ways you can fine-tune your operation to keep it as profitable as possible. Then show your lender what you're doing right.
- 5. View your lender as a business partner.** Ideally lenders want producers to remain current with their note, but if you can't make your payment, give your lender some forewarning so a strategy can be worked out. "Be upfront about it," Zimmerman said. "Lenders have quite a bit to lose when their producers struggle, so make this a partnership that meets the needs of both parties."

Editor's note: Brian owns, manages and operates a farrow-to-finish operation near Beatrice, Neb., and manages a farrow-to-finish family swine corporation. Zimmerman Hog Farms has 400 sows and markets 7,200 hogs per year. He also raises corn and beans.

This is a special-topic newsletter sent periodically to you by the 
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Inside: Tips on how to manage high input costs.

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