



PORK BRIEFS

The Latest Information
on Swine Nutrition



THE BULLS AND THE BEARS

By: Ken Palen

Well! The bulls and the bears sure had a tug-of-war going on this year. Chicago (CME) hit historical high prices for pork meat and then crashed again this fall back into the Chicago city sewers. The market analysts say the crash in price is due to slightly more pork being on the market than expected, and US live hog weights being 5 or 6 lbs heavier than last year. Ontario is doing its job of cutting back pork supplies. It looks like we may ship over 10% less market hogs at slightly higher weights. These numbers do not yet show the full impact of the government buyout with those market pigs still being shipped into February 2011. In fact, the government is still calling our customers asking them to take the buyout as we speak. I never in my life thought I would have to compete with my own government for hog customers. From a positive point of view, do you think the markets are over reacting to the supply of pork? With high vomitoxin corn fed in the US last year, an early harvest of corn this year, and a late harvest last year (only 10 months in between) no wonder the numbers of hogs going to market is up. Also, they are heavier with clean corn. Do we remember how the pigs grow with new vomitoxin low corn in Ontario? Lets hope these factors are playing a role and will reduce supply.

Let's look at the yearly data as presented in the same manner since back to 1991. All the data is still using an 84 kg carcass at 107 index using 8.75 bushels of corn per pig produced farrow to finish, using the yearly weighted per kilogram price for pork (Source: OMAFRA). Tables I, II, and III show the total return per bushel of corn for different time periods. This year 2010 data is year to date from January till end of October.

TABLE III: 1991 to 1995

Production Year:	2010	2009	2008	2007	2006
MARKET PRICE:					
Ont. Pork Avg Weighted Price/kg	\$1.46	\$1.21	\$1.26	\$1.26	\$1.32
Based on 84 kg carcass at 107 index	\$131.51	\$108.88	\$113.02	\$113.09	\$118.32
LESS THE FOLLOWING EXPENSES:					
TOTAL FEED COST:					
(Including sows & boars)	\$82.40	\$93.07	\$96.37	\$79.06	\$66.45
OPERATING COSTS	\$46.12	\$45.64	\$49.69	\$53.53	\$50.17
TOTAL MARGIN/PIG	\$2.99	-\$29.83	-\$33.04	-\$19.50	\$1.70
Equivalent return/bushel of corn fed	\$0.34	-\$3.41	-\$3.78	-\$2.23	\$0.19
Price per bushel if sold to elevator	\$3.80	\$4.23	\$5.01	\$3.85	\$2.81
TOTAL RETURN PER BUSHEL OF CORN:	\$4.14	\$0.82	\$1.24	\$1.62	\$3.00

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Finally, Table I shows a positive return on numbers of feeding last year's corn to pigs versus selling it every week to the elevator. It shows a \$0.34 return over elevator price per bushel of corn fed to the pig. It has been 4 years since we have seen this in the data. Keep in mind pigs are now shipping at 80-95 kg dressed weight at 109-110 index using about 10 bushel of corn per pig, but no labour costs have ever been put in the calculations. Heavier weights and higher index benefits may get ate up by labour costs.

TABLE II: 1996 to 2005

Production Year:	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
MARKET PRICE										
Ont. Pork Avg Weighted Price/kg	\$1.51	\$1.68	\$1.40	\$1.41	\$1.73	\$1.62	\$1.20	\$1.21	\$1.86	\$1.89
Based on 84 kg carcass at 107 index	\$135.40	\$150.60	\$126.07	\$126.64	\$155.49	\$145.61	\$107.86	\$108.75	\$167.18	\$169.87
LESS THE FOLLOWING EXPENSES:										
TOTAL FEED COST:										
(Including sows & boars)	\$66.90	\$79.66	\$78.56	\$77.99	\$75.45	\$70.93	\$67.27	\$73.14	\$86.50	\$97.77
OPERATING COSTS	\$52.80	\$47.46	\$50.83	\$48.46	\$47.81	\$50.25	\$48.93	\$45.14	\$49.66	\$45.78
TOTAL MARGIN/PIG	\$15.70	\$23.48	-\$3.31	\$0.19	\$32.23	\$24.42	-\$8.34	-\$9.52	\$31.02	\$26.32
Equivalent return/bushel of corn fed	\$1.79	\$2.68	-\$0.38	\$0.02	\$3.68	\$2.79	-\$0.95	-\$1.09	\$3.55	\$3.01
Price per bushel if sold to elevator	\$2.61	\$3.46	\$3.61	\$3.66	\$3.38	\$2.95	\$2.91	\$3.30	\$3.86	\$5.41
TOTAL RETURN PER BUSHEL OF CORN:	\$4.41	\$6.14	\$3.24	\$3.68	\$7.06	\$5.74	\$1.96	\$2.21	\$7.41	\$8.42

Table II shows the old Boom or Bust cycle of 2 years up and 2 years down. It has been 5 years since we have seen a good year in the pig business.

TABLE III: 1991 to 1995

Production Year:	1995	1994	1993	1992	1991
MARKET PRICE:					
Ont. Pork Avg Weighted Price/kg	\$1.48	\$1.47	\$1.52	\$1.31	\$1.46
Based on 84 kg carcass at 107 index	\$133.02	\$132.12	\$136.62	\$117.74	\$131.22
LESS THE FOLLOWING EXPENSES:					
TOTAL FEED COST:					
(Including sows & boars)	\$70.95	\$76.17	\$65.26	\$66.33	\$69.71
OPERATING COSTS	\$48.28	\$46.99	\$47.76	\$47.56	\$46.58
TOTAL MARGIN/PIG	\$13.79	\$8.96	\$23.60	\$3.85	\$14.94
Equivalent return/bushel of corn fed	\$1.58	\$1.02	\$2.70	\$0.44	\$1.71
Price per bushel if sold to elevator	\$3.25	\$3.55	\$2.55	\$2.75	\$3.20
TOTAL RETURN PER BUSHEL OF CORN:	\$4.83	\$4.57	\$5.25	\$3.19	\$4.91

Table III shows files of the good old years where farmers made more money feeding their corn to hogs than selling it to the elevator year after year.

The next two tables, Table IV and V, show some historical data about the markets and how corn yields impact raising pigs.

TABLE IV

YEAR	Ont. Pork Average Weighted Price (\$/kg)**	Corn Cost		48% SBM (\$/tonne)**	Exchange Rate \$1 CAN = US \$***	Prime Interest Rate%
		(\$/bushel)**	(\$/tonne)**			
1991	\$1.46	\$3.20	\$126.00	\$264	\$0.87281	
1992	\$1.31	\$2.75	\$108.25	\$273	\$0.82732	
1993	\$1.52	\$2.55	\$100.50	\$284	\$0.77515	
1994	\$1.47	\$3.55	\$139.60	\$319	\$0.73226	
1995	\$1.48	\$3.25	\$128.00	\$277	\$0.72863	
1996	\$1.89	\$5.41	\$213.00	\$405	\$0.73342	
1997	\$1.86	\$3.86	\$152.00	\$442	\$0.72222	4.69%
1998	\$1.21	\$3.30	\$130.00	\$305	\$0.67410	6.60%
1999	\$1.20	\$2.91	\$114.71	\$265	\$0.67307	6.44%
2000	\$1.62	\$2.95	\$116.18	\$319	\$0.67335	7.27%
2001	\$1.73	\$3.38	\$132.91	\$332	\$0.64568	5.81%
2002	\$1.41	\$3.66	\$144.16	\$333	\$0.63722	4.21%
2003	\$1.40	\$3.61	\$142.31	\$348	\$0.71375	4.69%
2004	\$1.68	\$3.46	\$136.21	\$388	\$0.76863	4.00%
2005	\$1.51	\$2.61	\$102.85	\$302	\$0.82533	4.42%
2006	\$1.32	\$2.81	\$110.61	\$266	\$0.88194	5.81%
2007	\$1.26	\$3.85	\$151.49	\$323	\$0.93478	6.10%
2008	\$1.26	\$5.01	\$197.42	\$438	\$0.94418	4.73%
2009	\$1.21	\$4.23	\$166.47	\$496	\$0.87843	2.40%
*2010	\$1.46	\$3.80	\$149.66	\$384	\$0.96656	2.53%

*Year to date = January to October 2010

** OMAF's average pork weighted price, SBM, Corn price from OMAFRA Monthly Hog Market Facts & Swine Budget. From 2004 and earlier, used the Ontario Pork average pool price.

*** Exchange and Interest rates from the Bank of Canada (www.bankofcanada.ca)

When reviewing this chart I always get confused. I hear a lot of blame on how the high Canadian dollar is the cause of all the problems but back in 1998 and 1999 we had .67 cents Canadian dollars and \$1.20 to \$1.21 dressed per kilo prices. The market is just not that simple to read.

Table V: Number of 90 kg Dressed Hogs Per Acre Of Corn

Corn Bushels/Acre	# Hogs fed/Acre	# Sows Farrow to Finish/Acre (Based on 20 P/S/Y)
220	22	1.100
210	21	1.050
200	20	1.000
190	19	0.950
180	18	0.900
170	17	0.850
160	16	0.800
150	15	0.750
140	14	0.700
130	13	0.650
120	12	0.600
110	11	0.550
100	10	0.500

With this year's excellent corn yields in most parts of Ontario we had to change the chart to 220 bushels of corn/acre on the top end. This chart shows how many hogs farrow to finish including boars, sows, weaners and market hogs can be raised per acre of corn. The bushel's of corn used per pig produced of 10 bushel reflect the heavier weights we are shipping hogs at today and is based on 20 pigs marketed/sow/year.

In summary, the positives outweigh the negatives. The bulls won the tug-of-war more then the bears. Farrow to finish land based won again this year, on average by keeping fertilizer down with hog manure and big corn crops in most areas to offset high corn costs. The health of the pigs was overall very good in Ontario with only a few bad PRRS outbreaks to whom our hearts go out to for their losses. Lets count our blessings for the past year and take some time to enjoy family and friends this coming holiday season.

Thank You.

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