

Editor: Ciarán Carroll

Welcome to December's Newsletter

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Welcome to the December edition of our monthly newsletter. 2018 has been a really difficult year for pig farmers. We look forward with hope that 2019 will be better. After a good 2017 the steep and sudden drop in pig prices from November 2017 to January 2018 had a really crippling effect on the sector. On top of that the wet spring and dry summer had a knock-on effect which resulted in higher feed prices. All told pig price dropped almost 14% and feed price increased 5% on 2017 levels, resulting in a margin over feed of 33 cent per kg dead weight for 2018, down 44% on the 2017 level. What will 2019 bring? Michael McKeon produced a paper for the recent Teagasc Annual Review & Outlook seminar. With surplus stock to use ratios for wheat, maize and soyabean feed prices should remain stable and we can expect a slight reduction in ingredient prices. EU pig supply will stabilise and increased Chinese imports on the back of a cull related to African Swine Fever there should see pig price improve with a return

to profitability. The full paper from the Review & Outlook seminar is the focus of this month's newsletter.

As we look to the start of a new year it's time to evaluate our business. Review your herd performance and management practices. What was achieved in 2018? Were you on target with the goals set out this time last year? If not, why not? Contact your PDD Specialist advisor to run a cash flow to see what's needed to carry the business forward in 2019.

Finally, from all in the Pig Development Department I'd like to wish you and your family a happy and peaceful Christmas and here's to a prosperous new year.

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- Review of the Pig Sector in 2018 and the Outlook for 2019
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Review of Pig Sector in 2018 and Outlook for 2019

Michael McKeon

1. Introduction

In the two year period 2016-2017 the Irish pig industry experienced higher than average profitability. This was due to low/stable feed prices and high pigmeat prices in the sector. In the last twelve months a cooling of the Chinese export market has reduced pig prices and a drought across Europe has increased feed costs. This has resulted in the November 2018 margin-over-feed (MOF) being estimated at 27c/kg which has only been equalled in 1998, when a major fire in a slaughter plant limited national pig slaughter capacity.

Irish Pig Production Costs 2018

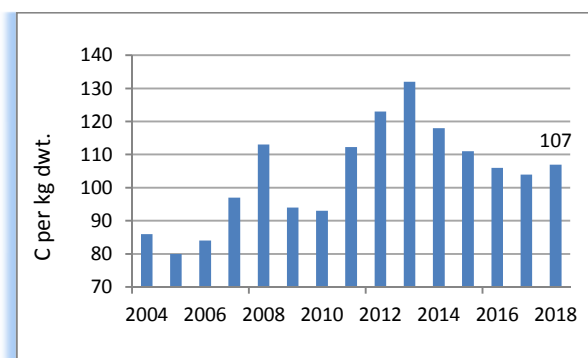
The cost of producing pigmeat in Ireland can be broken into feed cost and non-feed costs. Feed currently constitutes 70 percent of the total cost of producing a pig, with the non-feed inputs contributing the remaining 30 percent.

1.1 Irish Pig Feed Costs 2017

Annual Irish composite pig feed prices are shown in Figure 1, expressed in terms of the cost per kg deadweight (dwt.). Feed prices were largely stable from January to May 2018 with a composite pig feed price of €291. The summer drought in Ireland and across Europe then began to increase feed ingredient prices. The current composite feed price is €318 per

tonne (November 2018) and the 2018 annualised composite feed price per tonne is estimated to be €303, a 5 percent increase when compared to 2017 (€288).

Figure 1: Irish pig feed cost 2002-2018



Source: Teagasc Pig Development Department

When the composite feed price is examined over a longer time period the 2018 price of €303 is marginally higher than the 5 year average (2014-2018) and 10 year average (2009-2018), €300 and €299 respectively.

The annualised feed cost of 107 cent per kg dead weight is similar to the five year average of 109c/kg. The highest feed cost in recent years was in 2012 at 132c/kg which is 19 percent higher than in 2018.

1.2 Non-feed costs in Irish Pig Production in 2018

There are currently 80,000 sows on the Teagasc ePM database from a national herd of an estimated 147,000 (54 percent of total). The non-feed costs

quoted are based on the national 2017 ePM data, which are the most recent analysis of annualised costs available. Non-feed costs (excluding building depreciation and financial costs) are itemised in Table 1.

Table 1: Non-Feed Costs in ePM Recorded Herds

Cost Item	2017	2013-2017
	cent per kg dwt.	
Healthcare	6.3	6.3
Heat, Power Light	4.2	4.2
Transport	1.3	1.2
AI	1.9	1.8
Manure	1.7	1.6
Labour/Management	14.4	13.4
Repairs	3.0	2.6
Phone/Office	0.9	0.8
Environment	0.5	0.5
Insurance	1.0	0.9
House rental	2.5	1.7
Contract Costs	2.4	1.9
Water	0.5	0.5
Dead Pigs Disposal	0.8	0.8
Stock Depreciation	1.8	1.8
Miscellaneous	1.2	1.2
Total	44.4	41.0

Source: Teagasc ePM Report 2017

1.3 Financial Costs in Irish Pig Production in 2018

These costs include interest payments and building depreciation and vary greatly from unit to unit depending on the age of the unit and the level of capital investment undertaken in the business in recent years. Financial costs are itemised in Table 2.

We estimate that the cost of building depreciation and interest is significantly lower than the true level required for a healthy pig industry. This reflects the sector's reduced capital investment in recent years due to the low profitability of the industry.

Table 2: Financial Costs in ePM recorded herds

Cost Item	2017	2013-2017
	cent per kg dwt.	
Interest	1.4	1.6
Building Depreciation	4.3	4.3
Total	5.7	5.9

Source: Teagasc Pigsys Report 2017

1.4 Total Cost of Irish Pig Production in 2018

The estimated annualised cost of production in 2018 (based on 2017 non-feed costs and 2018 feed costs) was 157.1 cent per kilogram dwt. for pigs delivered to the slaughter plant.

Irish Pig Prices in 2018

The estimated average pig price in 2018 was 140 cent per kg dwt., which was significantly lower than the five year average (2014-2018) of 153 cent per kg dwt. respectively.

The annualised 2018 pig price was a substantial 22 cent/kg dwt. (14 percent) lower than in 2017 (162c/kg). The monthly pig price fell rapidly from 160c/kg in November 2017 to 141c/kg (January 2018) and continued on this low plateau for the remainder of the year.

The EU pig price in 2016 was moderately good due to the Chinese sow herd reducing by 12 million in the preceding years. In the first part of 2017 the price rise continued until it reached a peak in July 2017. From July 2017 to January 2018 the EU pig price decreased

due to three factors; reduced Chinese pigmeat import volumes, increased US competition due to reduced use of the growth promoter “Paylean” and the strengthening of the euro exchange rate reducing Irish competitiveness.

Table 3: Monthly Irish Pig Price in 2018

Month	Pig Price
	Cent per kg dwt.
January	141
February	141
March	142
April	142
May	142
June	141
July	141
August	138
September	138
October	140
November*	141
December*	138
Average	140

Source: Teagasc Pig Development Department * Estimate / Forecast

Profitability of Irish Pig Production in 2018

The margin over feed cost was 33 c/kg per kg dwt. in 2018, the lowest since 1998 and a 44 percent decrease over 2017.

Table 4: Average Margin over Feed Costs from Compound Feed from 2009-2018

Year	Pig Price (Net)	Feed Cost	Margin over Feed
	Cent per kg dwt.		
2010	140	93	47
2011	151	112	39
2012	166	123	43
2013	176	132	44
2014	167	118	49
2015	148	111	37
2016	149	106	43
2017	162	104	58
2018*	140	107	33

Source: Teagasc Pig Development Department *Estimate

When the 2018 margin over feed (MOF) is compared to the average margin over feed of the last five, ten, fifteen, and twenty years (see Table 5) the difficult trading conditions and low profitability of recent years becomes clear.

If an average MOF of 50 cent per kg is the requirement to meet all production costs including financial repayments then the 58 c/kg achieved in 2017, exceeded this target for the first time in 5 years. Unfortunately however this financial buoyancy has now being cancelled by a substantial financial loss 2018. The profitability in 2017 was used to reduce the length of feed credit and other short term liabilities but it required a further 12 months of sustained profitability to achieve significant reductions in these liabilities. Unfortunately this financial progress has now stalled.

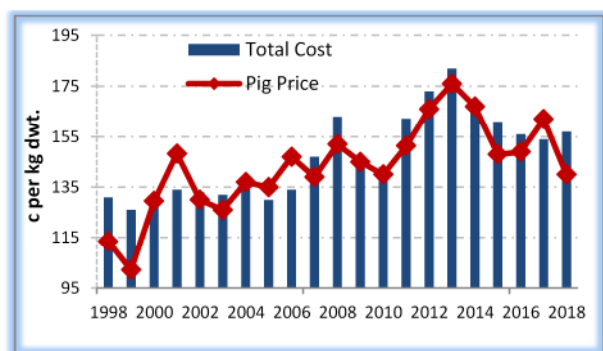
Table 5: Margin Over Feed in 2018 compared to the 5, 10, 15, and 20 year average

	Margin Over Feed	% Diff.
	cent per kg/dwt.	
2018*	33	-
5 Yr average	44.0	-25
10 Yr average	45.0	-27
15 Yr average	46.0	-28
20 Yr average	46.2	-28

Source: Teagasc Pig Development Department
*Estimate

Figure 2 illustrates the pig price received when compared to the total production cost (feed plus 50 cent) since 1997.

Figure 2: Pig Price compared to estimated Total Production Cost



Source: Teagasc Pig Development Department
2018 is an estimated value

Irish Pig and Sow numbers in 2018

The estimated number of pigs slaughtered is illustrated in Table 6. The number of Irish pig disposals in 2018 is estimated to be 3.8 million pigs which is substantially higher than in 2017, and continues the upward trend of the last few years (+36 percent in 10 years). This is a reflection of the increased number of pigs born alive in the national herd and the improved national herd health.

Table 6: Irish born pigs slaughtered: 2014-2018

Year	2014	2015	2017	2018
	million head			
Slaughter Pigs	3.65	3.63	3.68	3.80*

Source: Teagasc Pig Department *estimate

Table 7: Slaughter and Live Export to N. Ireland of Irish Born Pigs from 2009-2018

Year	Licensed Export Plants in Ireland	Exports to Northern Ireland	Exports as % of Total
	million head		%
2009	2.363	0.482	17%
2010	2.601	0.558	18%
2011	2.847	0.610	18%
2012	2.907	0.612	17%
2013	2.829	0.570	20%
2014	2.940	0.519	18%
2015	3.132	0.514	16%
2016	3.221	0.414	13%
2017	3.295	0.433	13%
2018*	3,337	0.463	14%

Source: DAFM & DARDNI *estimate

The export of Irish born pigs to Northern Ireland (NI) has stabilised since 2017, but at a lower level than in recent years. In 2018 the annual number of pigs exported to NI has decreased by an estimated 150,000 pigs compared with 2012.

The trend of falling European pig slaughter disposals in 2016 and 2017 was reversed during 2018 as illustrated in Table 8.

Table 8: European & N. American Pig Disposals

	2017*	2018*	Change
Country	Million head		%
Germany	42.7	41.7	-2.3%
Spain	32.9	34.6	4.9%
France	15.6	16.1	2.8%
Denmark	13.9	14.4	4.0%
Netherlands	12.4	12.9	4.5%
UK	7.7	7.9	3.2%
Total	125.2	127.6	1.9%
U.S.	101.2	103.5	2.3%
Canada	17.1	16.9	-0.9%

*Based on 44 weeks of production
Source: MPB 2018

EU Pigmeat Exports & Imports in 2018

The export of pigmeat products from the EU decreased in 2017 by 11 percent (Jan-Aug) but this was in response to a previously unsustainable increase in 2016 of 33 percent. During 2018 the EU export volume stabilised at this lower level. The reduced level is due to reduced Chinese imports volumes and increased competition in to the Chinese market.

Table 9: Pigmeat exports from selected countries

Country	2017	2018*	change
	million tonnes		%
EU	2.54	2.56	1.0
USA	1.61	1.63	1.5
Canada	0.86	0.83	-2.8
Brazil	0.45	0.40	-12.5
Total	5.46	5.42	-0.7

Source: MDP * Jan-Aug 18

Outlook for the Irish Pig Market in 2019

The outlook for the pig market is a reflection of global pig feed and pig price trends.

1.5 Irish Pig Feed Price Outlook in 2018

The estimated composite compound pig feed price in December 2018 is €318 per tonne. The drought conditions across Europe and the Black Sea region in summer 2018 resulted in a tight local supply of wheat and barley across Europe. The global supply has being further restricted due to the Australian government's forecasted low wheat harvest of 16.5MT, which is a significant reduction on their recent harvests of 24-26 MT and the lowest potential export volume (11Mt) since 2007. One bright note is the continued high stock to use ratios for wheat and maize of 28 percent and 25 percent respectively. This should prevent further feed ingredient price escalation provided the harvest 2019 is normal (5 year average).

The South American soyabean planting is currently being completed with Brazilian production quantities of 118 million tonnes forecast, which would be setting a new Brazilian harvest record. The soyabean outlook is more complicated than usual due to the trade war between China and the US. China had traditionally sourced the bulk of its soyabean from the US, but due to the trade tariffs being imposed by both parties they are now sourcing more from Brazil. It is expected that they will import 84MT of Brazilian soyabean in 2019, an increase of 15MT (22 percent). This may create difficulties for the EU as they source a significant amount of soybean from Brazil as they usually use an older GM licensed soyabean – some of the newer GM varieties may not yet be licensed for use in EU.

The market reports that there is a significant amount of U.S. soybean in storage awaiting a breakthrough in the trade war. This will have to be released onto the market soon which could cause downward pressure on the international soyabean price.

The 2019 feed price forecast is for the compound feed price to remain high in the first and second quarter with upward price pressure on grain ingredients. The harvest 2019 grain price is expected to fall 5 percent when compared to harvest 2018, with the annual pig feed compound price for 2019 marginally higher than 2018 (€313 vs. €303).

This would equate to a feed price of 111 cent per kg dwt.

7.1.1 Profit Margin in 2019

The national sow herds in the principal EU pig producing countries increased in 2017 by 1 percent and this is demonstrated by the increased pig slaughterings in 2018 (+2 percent). However the June 2018 Danish census has shown no increase in sow numbers (1.25 million) for the first time since January 2017. Anecdotal evidence also suggests that the December 2018 EU sow census will show other countries' sow herds unchanged or even showing a slight decrease with the exception of Spain. The Spanish sow herd has been growing rapidly over the last 5 years and this growth is expected to continue, albeit at a lower rate. It is expected therefore that the volume of pigmeat on the EU market will stabilise in 2019 with a slight reduction in supply in the last quarter.

African Swine Fever has been spreading in Eastern Europe and Russia over the last 5 years. In August 2018 it was discovered in China and in September 2018 there was an outbreak in wild boar in Belgium.

The outbreak in Belgium has been confined but the disease continues to spread in China – with cases 74 at time of writing. The Chinese authorities have indicated that they will have to take tough measures to curtail and eliminate the spread of this disease. This indicates that a significant pig culling program will take place in 2019 which will reduce local supply and require increased imports. If the current China –U.S. trade war continues then the source of this pigmeat will predominantly come from the E.U. In 2016 when Chinese exports were high the Teagasc Pig Department estimated that this delivered an additional 15c/kg to the pig price in Ireland. If similar export volumes occur in 2019 the expected price lift would bring the sector back in to a profitable position.

Overall, the pig price will remain low in the first quarter but it will gradually rise through the year to give an annualised pig price of 151c/kg (+8 percent) for 2019.

Conclusion

After a very profitable year in 2017, with the one of the highest Margin Over Feed in the last decade, 2018 has seen a dramatic drop in margins with the second lowest Margin Over Feed in nearly 30 years.

The forecast is for margins in 2019 to show a recovery based on the pig price rising slowly as the year progresses and the harvest 2019 reducing feed ingredient prices. The recovery however will be slow and while the last two quarters of 2019 will see a return to profitability, the annualised MOF is only expected to be 40c/kg dwt.

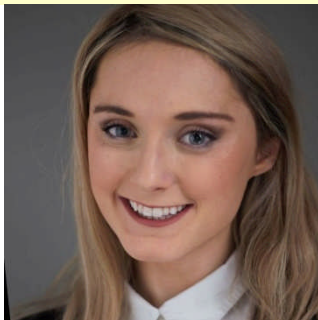
News Updates

DAFM AMR Information

As you are aware the development and spread of antimicrobial resistance (AMR) is a public health threat that also impacts on animal health and welfare as well as the environment. Collaborative action by all stakeholders is required to address this global public health challenge. DAFM have recently updated their website with some very useful information in this area. The 'Agrifood and AMR' webpage is published on DAFM website at: <https://www.agriculture.gov.ie/amr/>

The World Organisation for Animal Health have produced some very useful infographics (two of which are attached with this newsletter). The full list can be downloaded from the DAFM website at: <https://www.agriculture.gov.ie/amr/informationdownloads/oieworldorganisationforanimalhealth/>

More Student Success



There was more student success this month, with our Walsh Fellow, Phoebe Hartnett being awarded 'Overall best presentation' in her respective category

at the University of Limerick Department of Biological Sciences Research day 2018. This post-graduate research and innovation day is held annually where all post-graduate students in the UL Biological Science department showcase their work to all department staff and students. Phoebe is working on the GILT LIFE project investigating strategies to optimize gilt lifetime performance.

EU PIG 2019 Grand Prix



The 2019 EUPIG Grand Prix is now open. We have received some submissions since first mentioned in last month's newsletter. The **closing date for submissions is Thursday 28 February 2019**, so there's plenty of time left if you have a best practice you'd like to submit. Contact me ciaran.carroll@teagasc.ie and I will upload it to the EUPIG portal.

There are four theme areas (Health Management, Precision Production, Animal Welfare, Meat Quality), with two challenges per theme. Full details on the challenges can be found on the EU PIG website at <https://www.eupig.eu/grand-prix>



For more information

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